



# Globanomics

World's Dashboard of Economic Indicators

**Q3 2016**

## ► Quarter at a Glance

- The IMF downgraded its global economic growth forecast for 2016 to 3.1% in July down from 3.2% in April, indicating that the unexpected vote for Brexit would lead to substantially higher economic, political and institutional uncertainty in advanced economies while outlook for emerging markets remained broadly unchanged.
- The IMF revised major advanced economies growth forecast for 2016 lower to 1.7% in July from 1.8% in April as their outlook for these countries worsened. Despite the IMF negative outlook, Q3 macroeconomic data was generally better-than-expected as consumer spending and confidence remain the main driver of growth in the US. The Eurozone showed resilience despite Brexit and other critical political events scheduled in the next quarters as sentiment remained firm while business investment in the UK boosted economic growth. On the other hand, monetary measures in Japan were not sufficient to lift domestic demand and help the country escape deflationary pressures.
- The IMF outlook for emerging markets was unchanged in July as the impact of Brexit on these countries is expected to be limited. Meanwhile, capital outflows surged from China resulting mainly from the repayment of debt denominated in foreign currencies as well as the willingness of Chinese investors to benefit from attractive investment overseas. In Russia, higher oil prices led to an improvement in investor sentiment and further strength in the Ruble as the economy recovers.

## ► Monetary, Fiscal and Structural Developments

- The US Federal Reserve Bank (Fed) kept interest rates unchanged at July and September meetings yet highlighted that labor market was strengthening and economic activity is picking up from the modest pace witnessed in the first half of the year. Subsequent to the end of Q3, the Fed increased interest rates by a quarter percentage point in December, to between 0.50% and 0.75%, expecting a faster pace of increases in 2017.
- The European Central Bank (ECB) maintained its monetary policy on hold at both July and September meetings, indicating that key interest rates will remain at current or lower levels for an extended period of time. The ECB also confirmed that monthly asset purchases will run until end of March 2017 or beyond, if necessary.
- The Bank of England (BoE) cut its benchmark interest rate to 0.25% from 0.50% for the first time in seven years in August. The Bank also introduced additional easing measures including the expansion of government and corporate bond buying programs to help the UK avoid a post-Brexit slump.
- The Bank of Japan (BoJ) kept interest rates unchanged in July yet provided more policy easing by expanding its ETFs purchases. The BoJ announced that it will adopt a 'yield curve control' policy in September to target ten-year interest rates instead of money-printing and achieve its inflation target. In addition, the Japanese Cabinet approved a new fiscal package of USD 130 billion, including USD 45 billion for the current fiscal year as part of a stimulus to boost the economy.

## ► Key Themes

- Political uncertainty in Europe: Brexit timeline remained unclear despite the early formation of a government led by PM Theresa May. Political risk in Italy ahead of December's referendum as the rejection of proposed constitutional changes by PM Renzi and the appointment of a new cabinet would exacerbate the banking crisis and slow the economic recovery.
- Political uncertainty in the US ahead of November presidential election: A Trump win would have significant market repercussions as his campaign focused on higher fiscal spending, tax cuts, lighter regulations and tougher rules on trade and immigration.
- Oil prices ended the quarter higher after OPEC members' agreement to cut output for the first time in eight years. The implementation of the deal as well as discussions with non-OPEC members were set to take place in November 2016. Subsequent to the end of Q3, OPEC and non-OPEC members (including Russia) met in November and agreed to cut oil output by respective 1.2 and 0.6 million barrels per day.

► US Economic Indicators

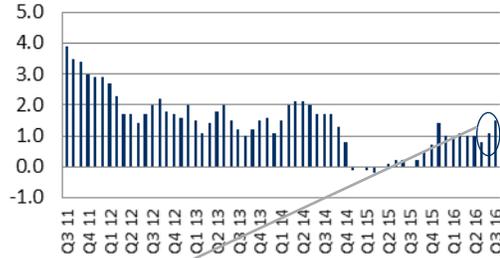
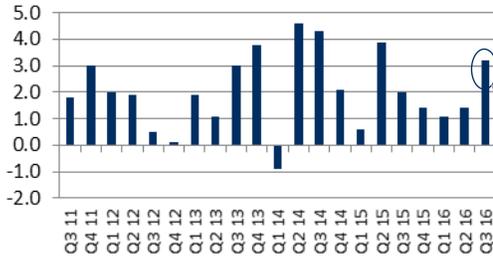
**MACRO ECONOMY**

**1. Real GDP:** Measures the value of goods and services produced in a country in a given period of time.

**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**GDP Annualized (QOQ%)**

**CPI (YOY%)**

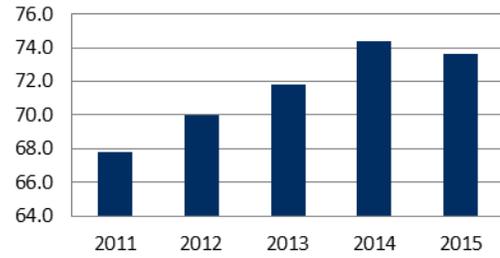
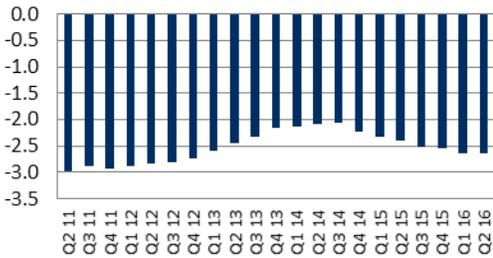


**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

**Current Account as % of GDP**

**Government Debt as % of GDP**



*US economic growth rebounded as activity surged and inflation rose steadily. Labor market softened in September with lower nonfarm payrolls following robust numbers in July, while unemployment slightly increased following a pick up in participation rate.*

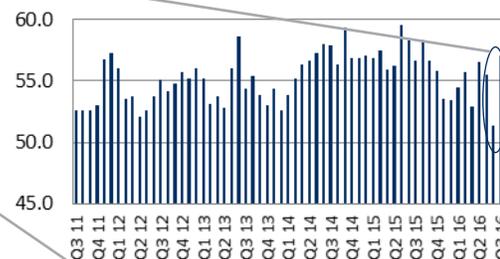
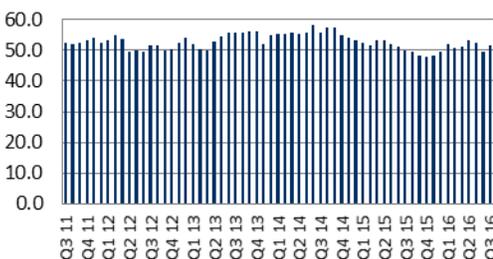
**MANUFACTURING**

**1. ISM Manufacturing Index:** An index based on surveys of manufacturing firms covering employment, production, new orders and supplier deliveries.

**2. ISM Non-Manufacturing Index:** An index based on surveys of non-manufacturing firms' purchasing and supply executives.

**ISM Manufacturing**

**ISM Non-Manufacturing**



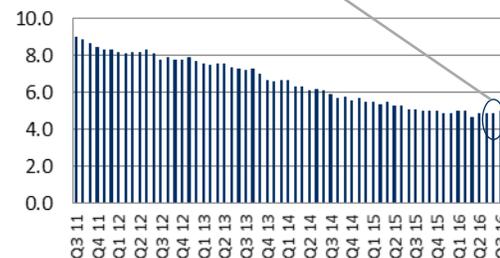
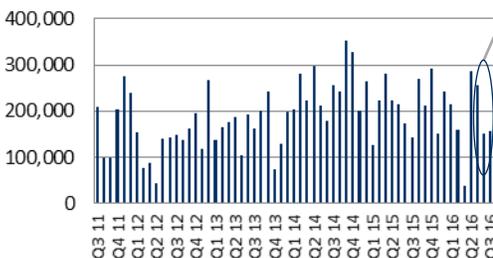
**EMPLOYMENT**

**1. Nonfarm Payrolls:** Total number of working-age persons except farm, household, non profit, and certain government employees.

**2. Unemployment rate:** The percentage of total force unemployed but actively seeking employment.

**Nonfarm Payrolls**

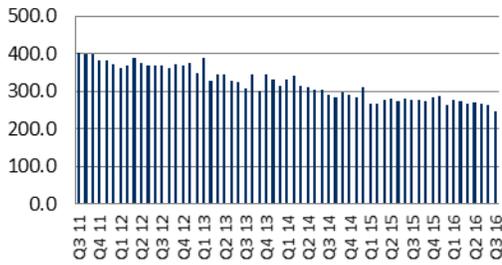
**Unemployment Rate %**



► US Economic Indicators

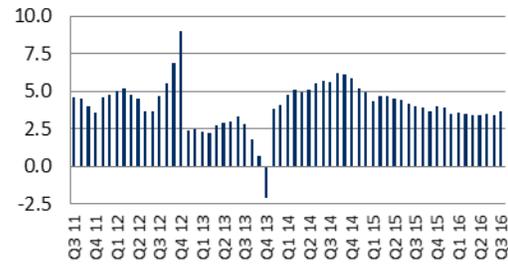
**3. Initial Jobless Claims:** The number of jobless claims filed by individuals seeking to receive state jobless benefits.

Initial Jobless Claims (Thousands)



**4. Personal Income:** Total compensation received by an individual.

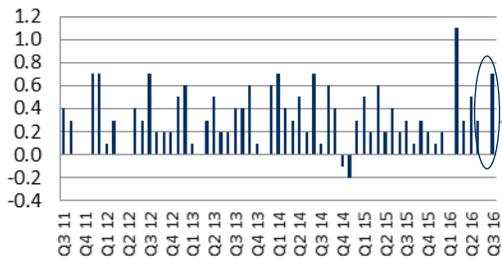
Personal Income (YOY%)



**CONSUMER**

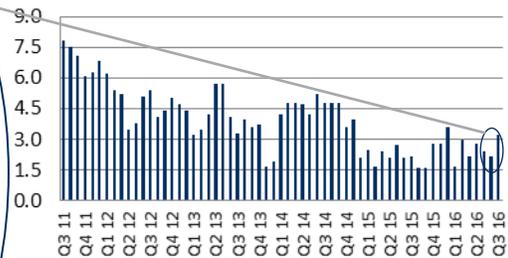
**1. Personal Spending:** The amount of money spent by households.

Consumer Spending (MOM%)



**2. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

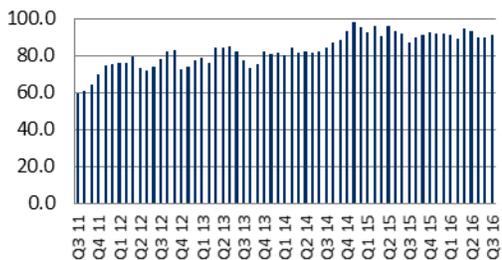
Retail Sales (YOY%)



*Personal income and consumer confidence helped drive higher consumer spending which was reflected in increased retail sales and improved Q3 corporate earnings.*

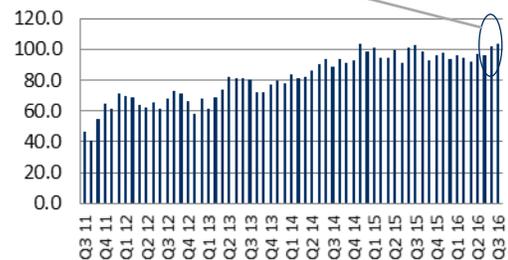
**3. Consumer Sentiment:** An economic indicator of the overall health of the economy as determined by consumer opinion.

Consumer Sentiment



**4. Consumer Confidence:** A measure of the level of optimism consumers have about the performance of the economy.

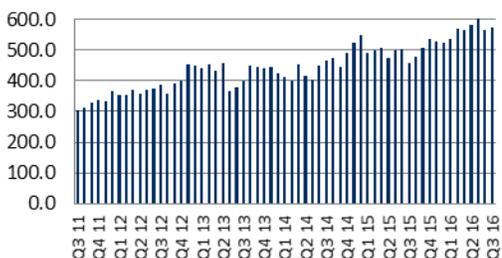
Consumer Confidence



**HOUSING**

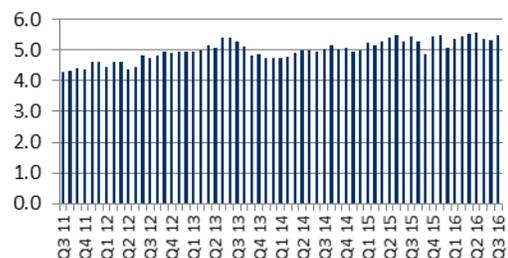
**1. New Home Sales:** Measures sales of newly constructed residences in the U.S.

New Home Sales (Thousands)



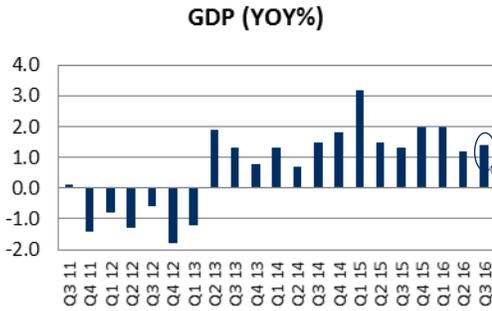
**2. Existing Home Sales:** Reports the number of existing homes sold.

Existing Home Sales (Millions)

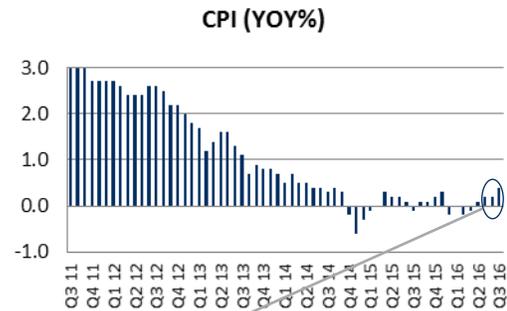


► Eurozone Economic Indicators

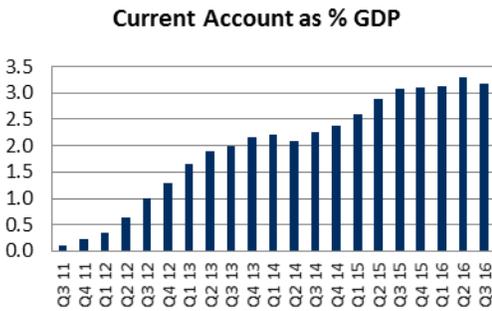
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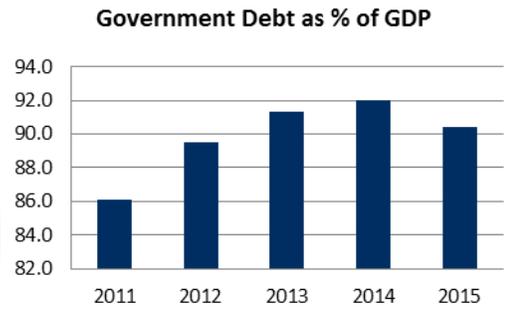
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.



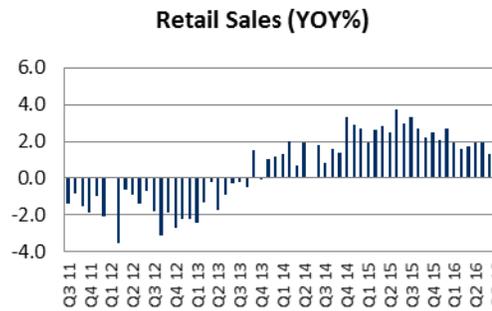
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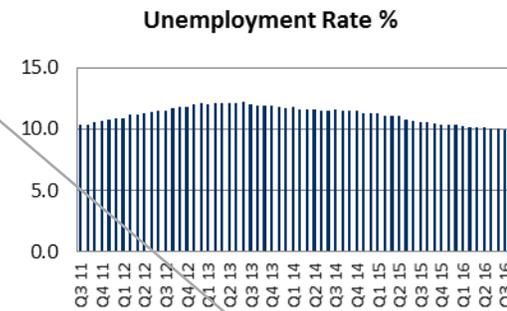
**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).



**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.



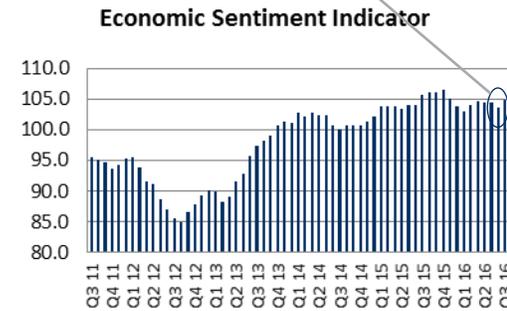
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.



**7. Markit Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.



**8. Economic Sentiment Indicator:** a composite made up of five confidence indicators: industrial, services, consumer, construction and retail trade.

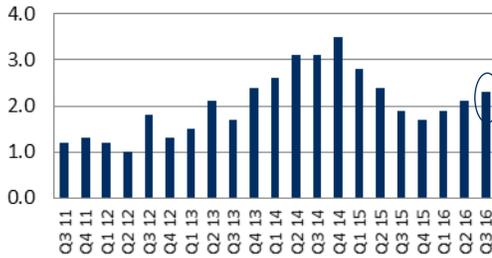


*European economy grew steadily in Q3, driven mainly by domestic demand as inflation increased. Sentiment remained firm despite political uncertainty following Brexit and ahead of Italy referendum.*

### UK Economic Indicators

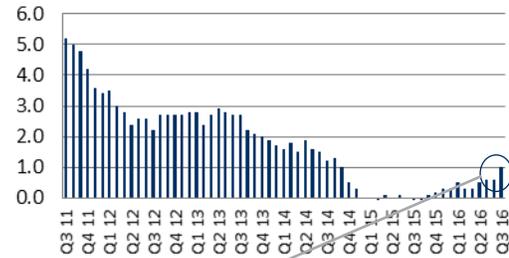
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



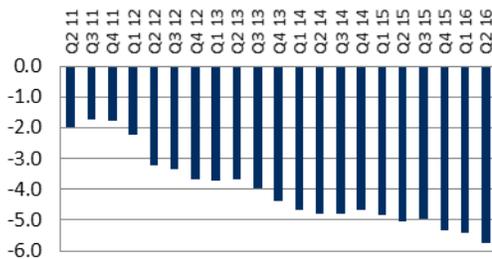
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



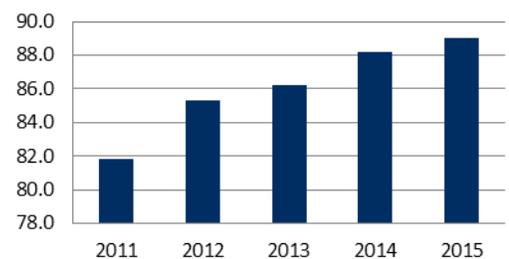
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Current Account as % GDP



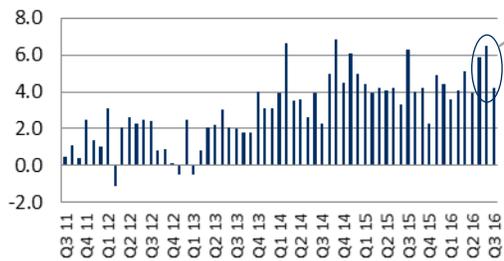
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Government Debt as % of GDP



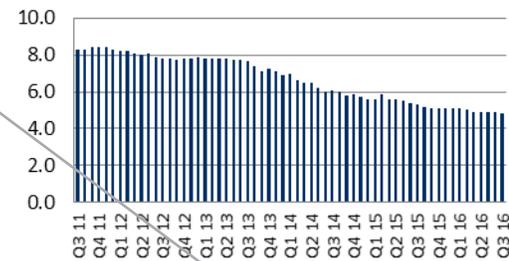
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



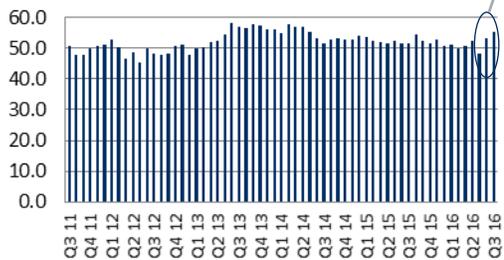
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Unemployment Rate %



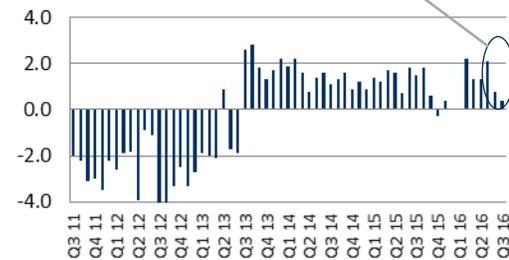
**7. Markit Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

Markit Manufacturing PMI



**8. Industrial Production:** Measures the amount of output from the manufacturing sector.

Industrial Production (YOY%)

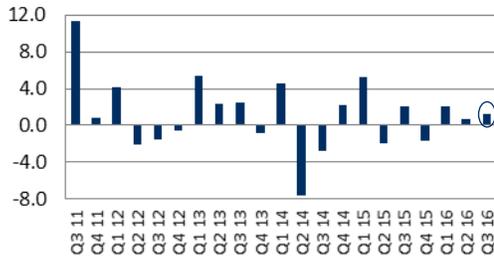


*Higher economic growth boosted by business investment confirmed UK resilience after Brexit vote despite slower industrial production. Inflation picked up on weakening pound which also supported manufacturing activity destined for exports but weighed on retail sales.*

## Japan Economic Indicators

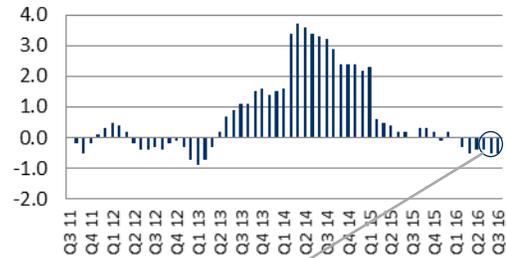
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



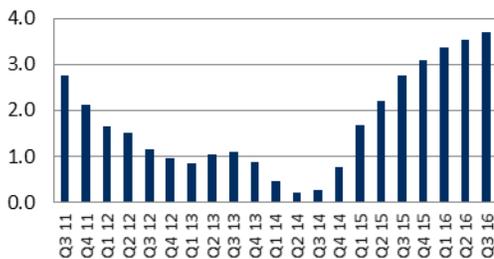
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



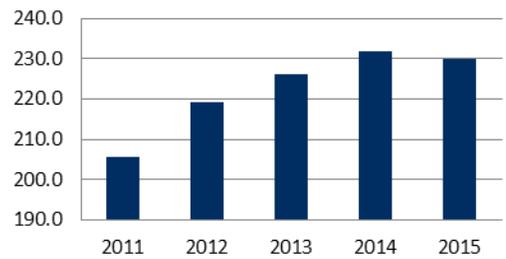
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

Current Account as % GDP



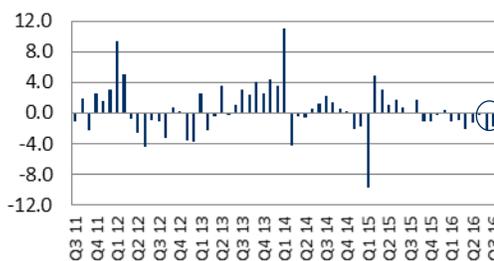
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Government Debt as % of GDP



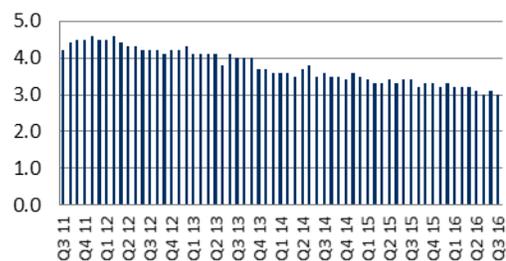
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



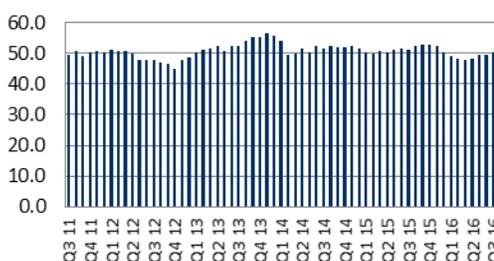
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Unemployment Rate %



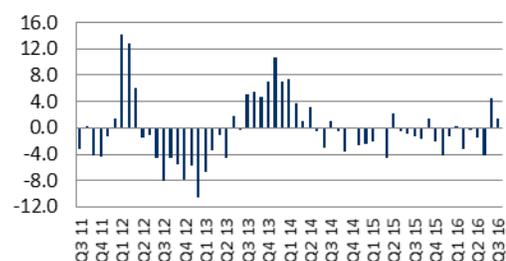
**7. Nikkei Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

Nikkei Manufacturing PMI



**8. Industrial Production:** Measures the amount of output from the manufacturing sector.

Industrial Production (YOY%)

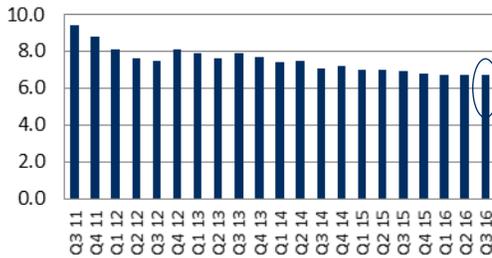


*Economic growth picked up slightly after a sluggish Q2. Deflation and lower retail sales indicate that domestic demand remains weak despite monetary and fiscal measures to boost it.*

## ► China Economic Indicators

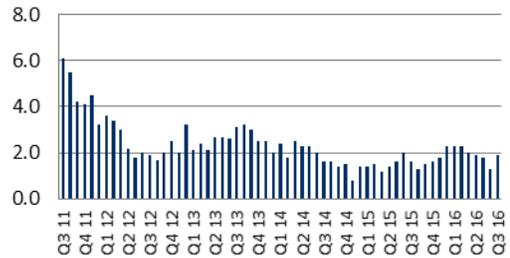
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP (YOY%)**



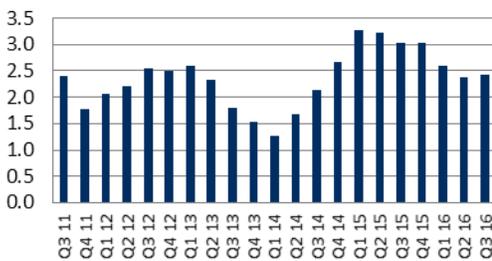
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



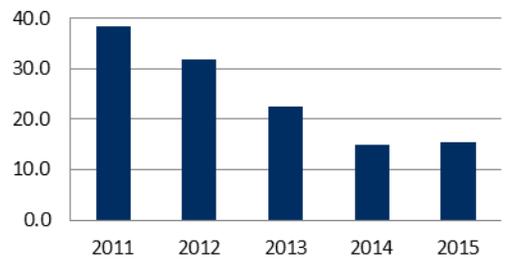
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

**Current Account as % GDP**



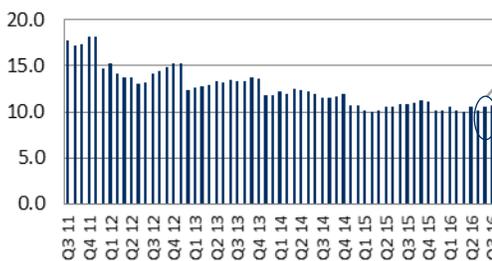
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**Government Debt as % of GDP**



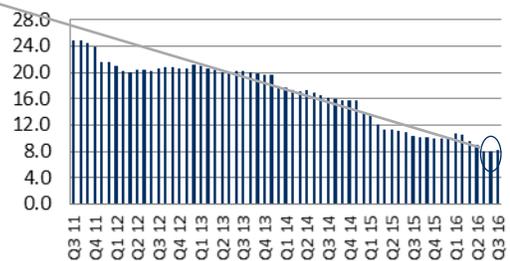
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

**Retail Sales (YOY%)**



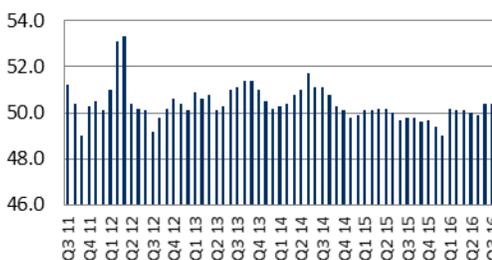
**6. Fixed Asset Investment:** A measure of capital spending.

**Fixed Asset Investment (YOY%)**



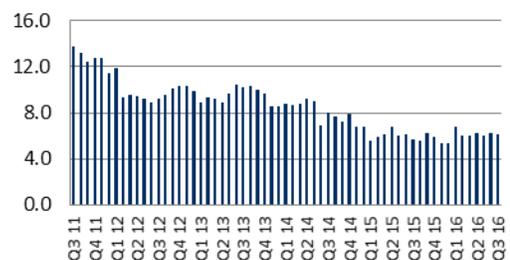
**7. NBS Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

**NBS Manufacturing PMI**



**8. Industrial Production:** Measures the amount of output from the manufacturing sector.

**Industrial Production (YOY%)**

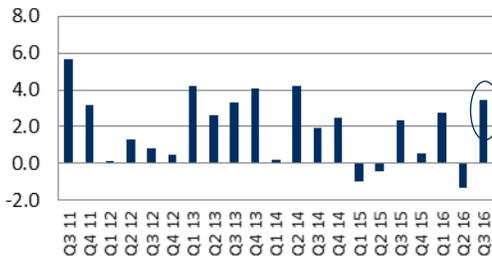


*Stable economic growth in Q3, while slightly higher FAI and industrial production signaled an improvement in domestic demand. Capital outflows reached near-record highs pressuring the currency as Chinese companies repaid dollar-dominated debts and investors looked for attractive investments abroad.*

► **Canada Economic Indicators**

**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

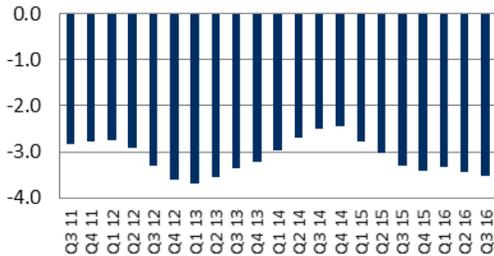
**GDP Annualized (QOQ%)**



*Economic growth recovered and was significantly higher in Q3 supported by consumer spending. Positive gains from trade as oil sands production, which was interrupted by wildfires in Q2, resumed.*

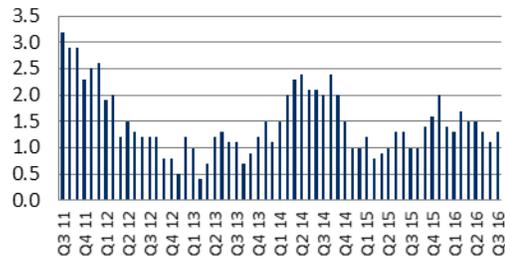
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**Current Account as % GDP**



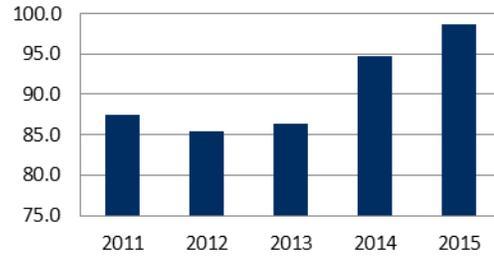
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

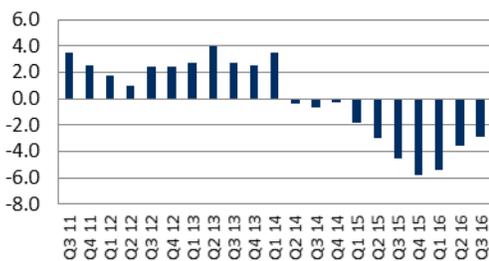
**Government Debt as % of GDP**



► **Brazil Economic Indicators**

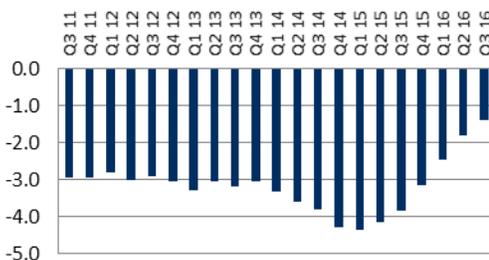
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP (YOY%)**



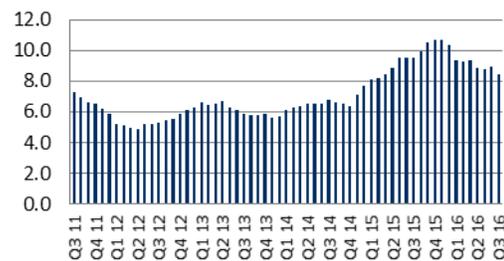
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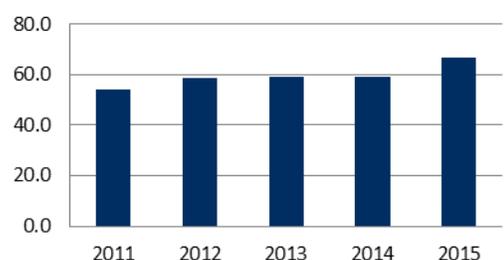
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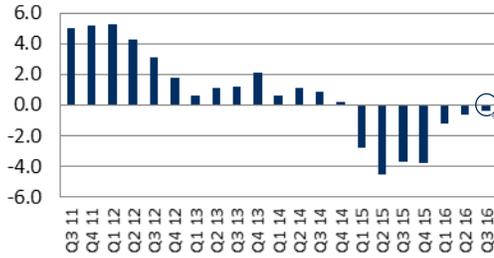
**Government Debt as % of GDP**



### Russia Economic Indicators

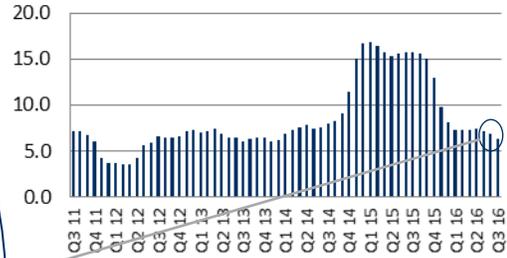
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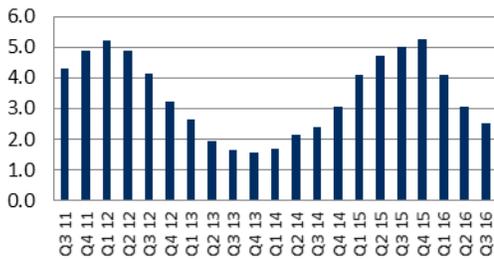
CPI (YOY%)



*Russian economy contracted at a slower pace and inflation continued to ease. The Russian Ruble, one of the best performing currencies in 2016, strengthened further in Q3 on higher oil prices.*

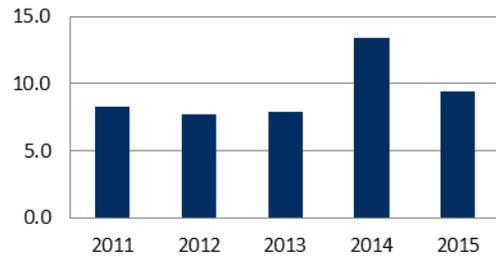
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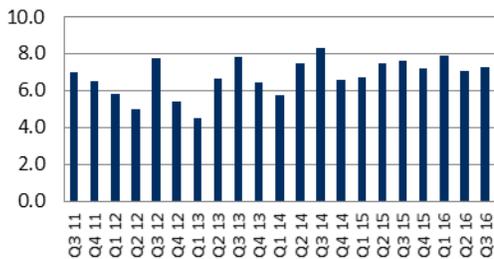
Government Debt as % of GDP



### India Economic Indicators

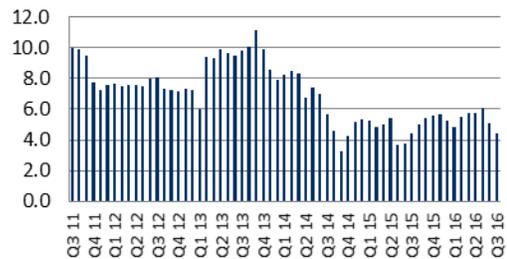
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



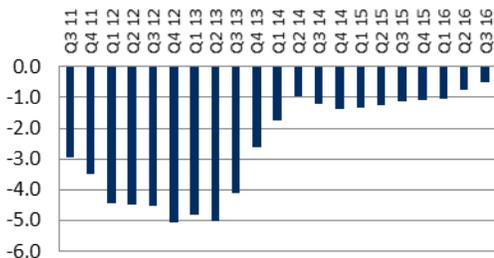
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



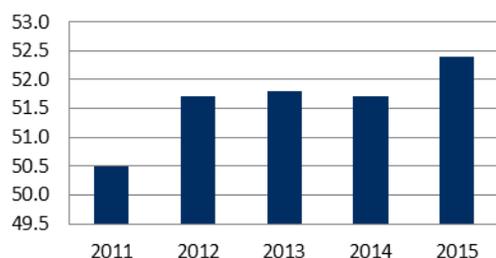
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

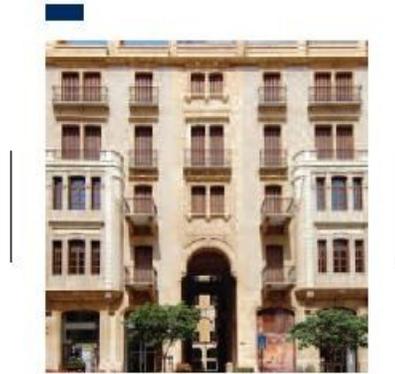
Current Account as % GDP



**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

Government Debt as % of GDP





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