



# Globanomics

World's Dashboard of Economic Indicators

**Q2 2017**

## ► Quarter at a Glance

- Global economic growth was estimated in April 2017 by the IMF at 3.5% for 2017 and 3.6% for 2018, slightly higher than January projections. The IMF highlighted that the global economy gained momentum since the second half of 2016, reflected by encouraging economic data in the United States, Europe and Asia.
- Advanced economies are expected to grow at 2.0% for 2017 and 2018 by the IMF with economic growth mainly supported by consumer spending in the US, Canada and the Eurozone as labor markets improved. Japan's economy rebounded significantly in Q2 also boosted by stronger consumer in addition to higher capital expenditure. However, UK's economy underperformed developed markets peers dented by increasing inflation and Brexit political uncertainty.
- Projections for emerging markets and developing economies were left unchanged by the IMF in April from January, with economic growth expected to reach 4.5% in 2017 and 4.8% in 2018. GDP and economic activity indicators came in better-than-expected in China, defying investors' expectations of a slowdown as authorities tighten financial regulation to contain risks. Economic growth slightly beat expectations in Brazil amid renewed political instability while Russia's GDP increased at the highest pace in more than three years as Russian Ruble and commodity prices stabilized.

## ► Monetary, Fiscal and Structural Developments

- The US Federal Reserve Bank (Fed) left interest rates unchanged in May while Fed officials expressed their concerns about the slowing pace of economic growth. However, the US Fed raised fed funds target range by 25 bps to 1.00%-1.25% in its June meeting and provided more details about the normalization process of its USD 4.5 trillion balance sheet highlighting that it is expected to start 'relatively soon'.
- The European Central Bank (ECB) kept its 0% interest rates and EUR 60 billion monthly asset purchases on hold in both April and June meetings. The Central Bank kept its monetary policy unchanged in April ahead of French presidential elections while it lowered its inflation projections in June and dropped a reference to future cuts if needed as Draghi highlighted a "stronger momentum in the Euro area economy". In addition, ECB Draghi's speech during ECB forum in Sintra at the end of June triggered a significant selloff in German Bunds and US Treasury bonds as he indicated that 'deflationary forces have been replaced by reflationary ones and that the Central Bank can accompany the recovery by adjusting the parameters of its policy instruments'.
- The Bank of England (BoE) maintained monetary policy unchanged in both May and June meetings with interest rates at 0.25% and quantitative easing program at GBP 435 billion. The BoE indicated in April that interest rates were unlikely to rise until 2019 and lowered its economic growth and inflation forecasts for 2017 while it surprised the markets in June as three policymakers voted in favor of an interest rate hike.
- The Bank of Japan (BoJ) left its monetary policy and yield curve control policy to target ten-year interest rates unchanged in both April and June meeting with interest rates at -0.1% and yearly asset purchases at JPY 80 trillion. The BoJ raised its economic growth forecast in April yet lowered inflation forecast for the current fiscal year in April and June.

## ► Key Themes

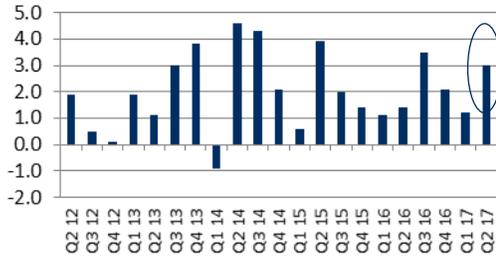
- Optimism about US President Donald Trump's implementation of his domestic pro-growth agenda faded in Q2/17 resulting in an uncertain outlook for US policy changes. Trump failed to reach an agreement to repeal Obamacare while the negotiations of tax reforms and easing regulations also proved to be challenging.
- Political risk eased in Europe as right-wing parties underperformed particularly in France following President Macron's win over Le Pen and securing Parliament's majority. On the other hand, UK PM Theresa May's Conservative Party lost parliamentary majority in the general elections held in June which led to more uncertainty that could likely complicate Britain's exit from the European Union.
- Oil prices ended Q2 lower amid persisting concerns around supply glut as US crude inventories continued to rise while oil production resumed in Libya, Nigeria and Iraq. OPEC and non-OPEC members agreement to extend the oil supply cut agreement reached in November 2016 for nine more months (until Q1 2018) disappointed the market as investors were expecting deeper output cuts while President Trump's decision to leave Paris agreement also weighed on oil prices as it would likely result in increasing crude drilling in the US.

► US Economic Indicators

**MACRO ECONOMY**

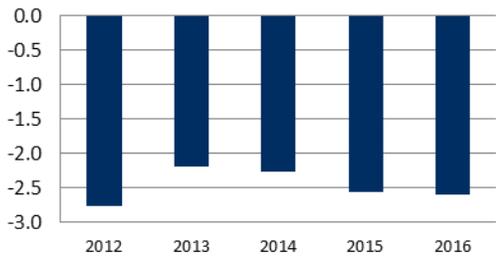
**1. Real GDP:** Measures the value of goods and services produced in a country in a given period of time.

**GDP Annualized (QOQ%)**



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

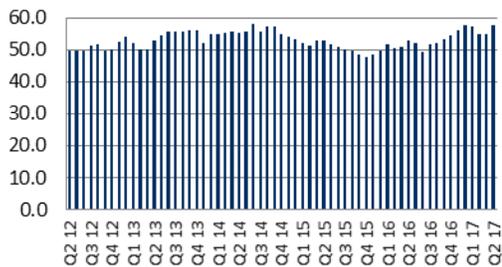
**Current Account as % of GDP**



**MANUFACTURING**

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

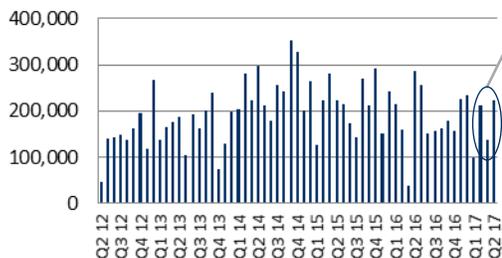
**ISM Manufacturing**



**EMPLOYMENT**

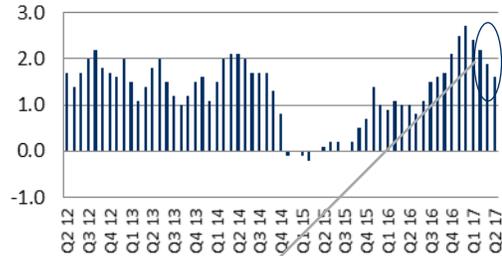
**1. Nonfarm Payrolls:** Total number of working-age persons except farm, household, non profit, and certain government employees.

**Nonfarm Payrolls**



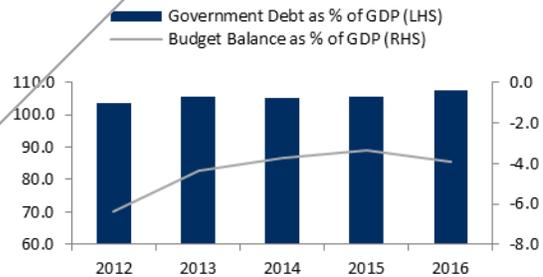
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



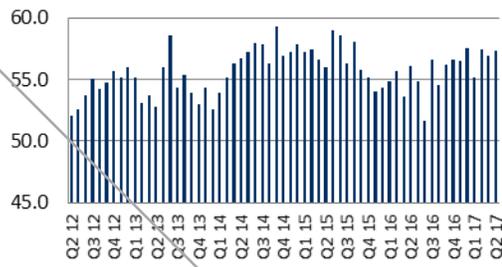
**4. Government Debt and Budget Balance to GDP:** A measure of a country's federal debt and budget balance in relation to its gross domestic product (GDP).

**Government Debt and Budget Balance**



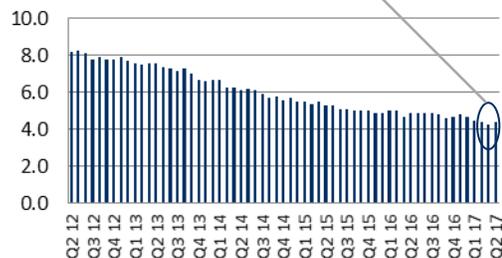
**2. ISM Non-Manufacturing Index:** An index based on surveys of non-manufacturing firms' purchasing and supply executives.

**ISM Non-Manufacturing**



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

**Unemployment Rate %**

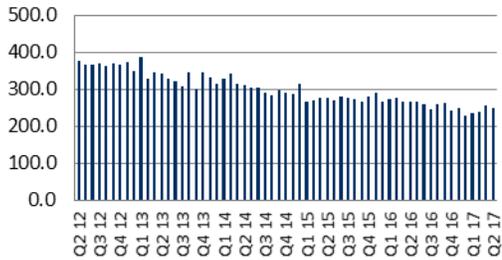


*Robust growth - confirming seasonal weakness in Q1 - mainly driven by consumer spending, business investment and exports amid improving external conditions while US policy uncertainty increased. Tighter labor market with unemployment at multi-year lows continued to boost consumer spending and increasing wages which could result in inflation reaching Fed's 2% target*

► US Economic Indicators

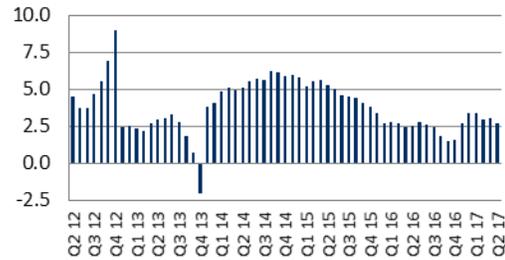
**3. Initial Jobless Claims:** The number of jobless claims filed by individuals seeking to receive state jobless benefits.

Initial Jobless Claims (Thousands)



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

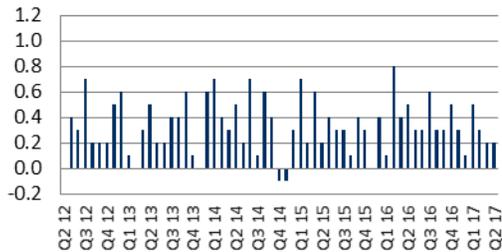
Personal Income (YOY%)



**CONSUMER**

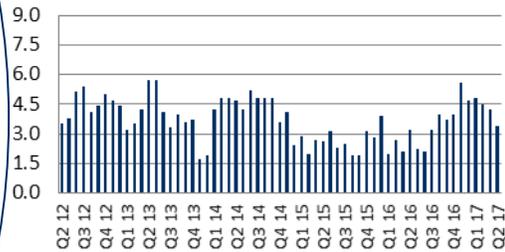
**1. Personal Spending:** The amount of money spent by households.

Consumer Spending (MOM%)



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

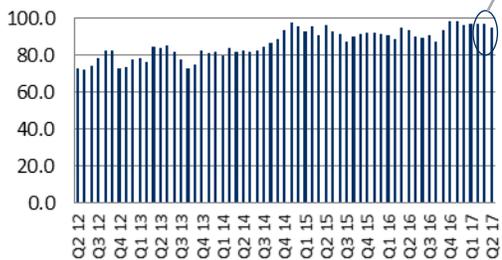
Retail Sales (YOY%)



*US consumer confidence came in higher-than-expected amid improvement in labor market and business conditions while consumer sentiment edged lower highlighting higher level of policy and economic uncertainty*

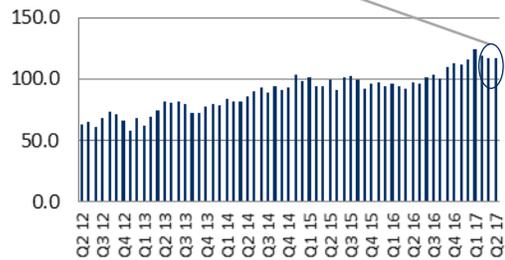
**3. Consumer Sentiment:** An economic indicator of the overall health of the economy as determined by consumer opinion.

Consumer Sentiment



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

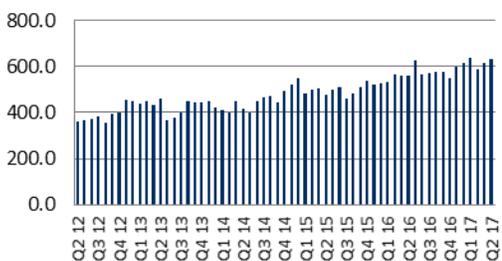
Consumer Confidence



**HOUSING**

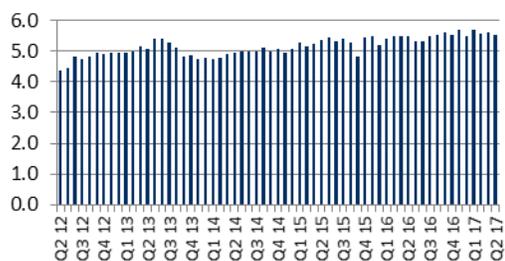
**1. New Home Sales:** Measures sales of newly constructed residences in the U.S.

New Home Sales (Thousands)



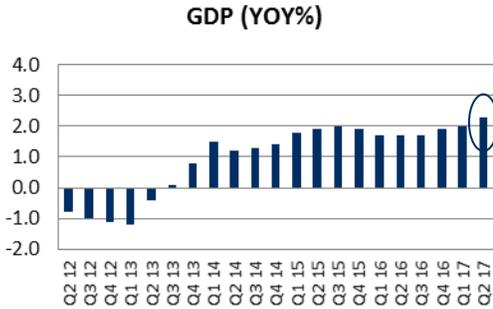
**2. Existing Home Sales:** Reports the number of existing homes sold.

Existing Home Sales (Millions)

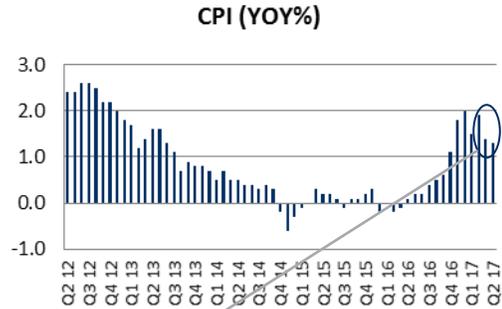


► Eurozone Economic Indicators

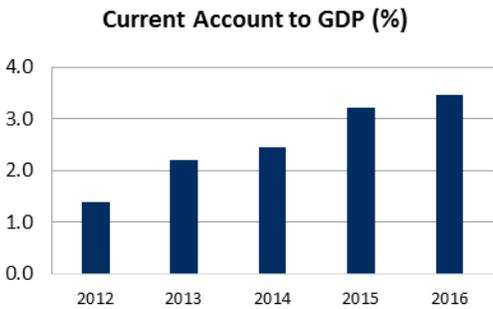
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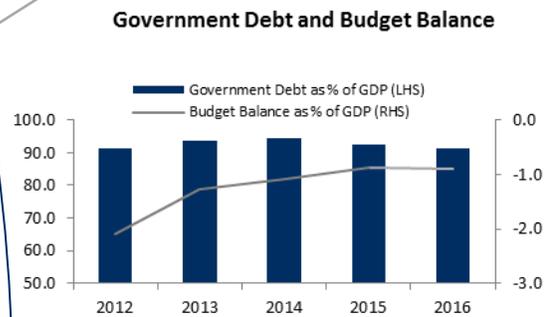
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.



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



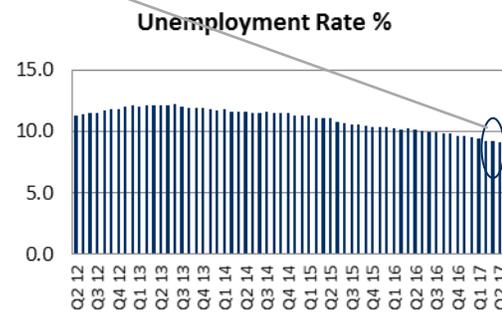
**4. Government Debt and Budget Balance to GDP:** A measure of a country's federal debt and budget balance in relation to its gross domestic product (GDP).



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



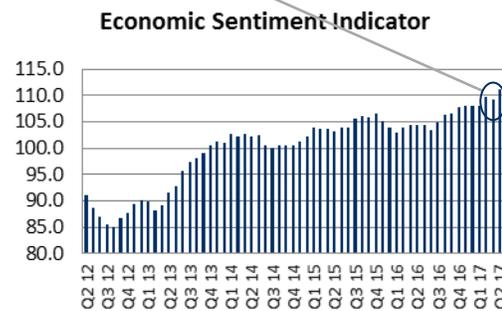
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.



**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.

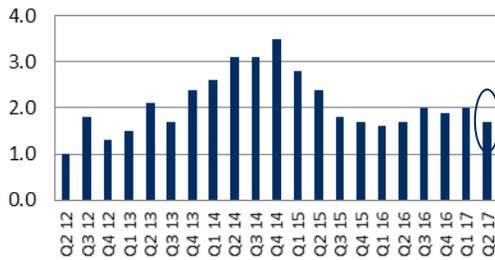


*Broad based economic growth mainly driven by stronger consumer spending following improvement in labor market. Stronger consumer and industrial confidence was reflected by manufacturing PMI and economic sentiment indicator at multi-year highs. Although CPI ended Q2 weaker, ECB Draghi reiterated that 'deflation is now off the table and monetary policy is working and its full effects on inflation will gradually materialize'*

► UK Economic Indicators

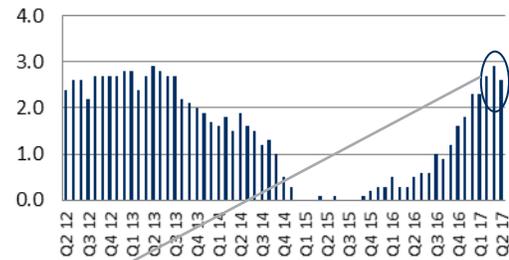
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



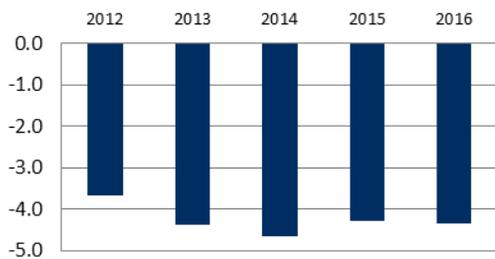
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



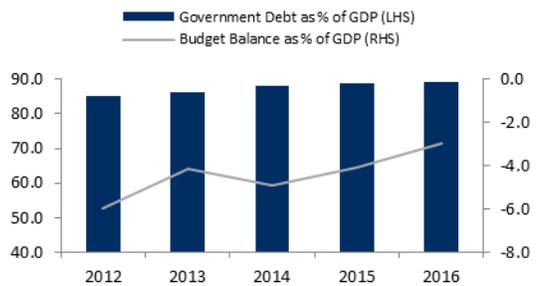
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Current Account as % GDP



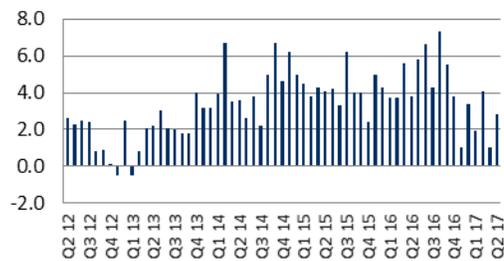
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Government Debt and Budget Balance



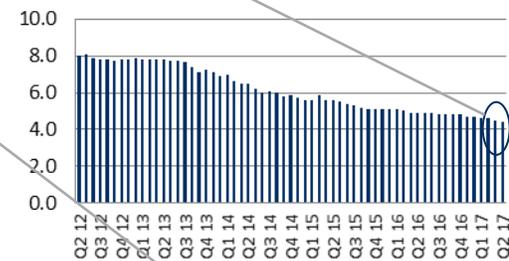
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



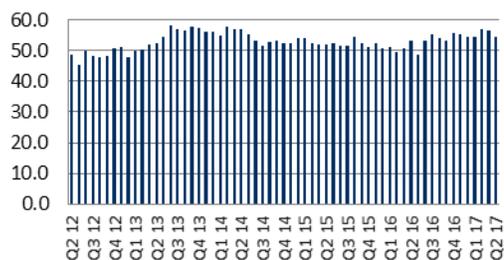
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.

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%)

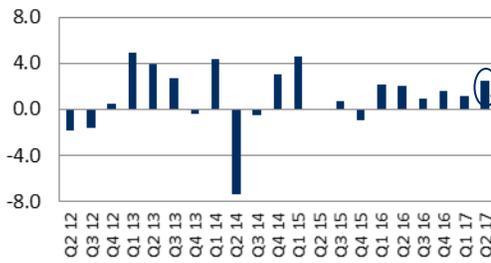


*Slower economic growth as higher inflation and weaker wage growth weighed on consumer spending and Brexit uncertainty limited business investment. Unemployment rate fell to 42-year low while lower industrial production reflected the decline of manufacturing contribution to economic activity*

## Japan Economic Indicators

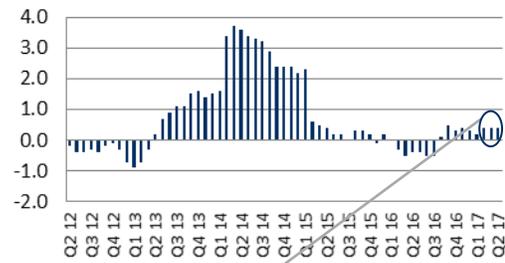
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



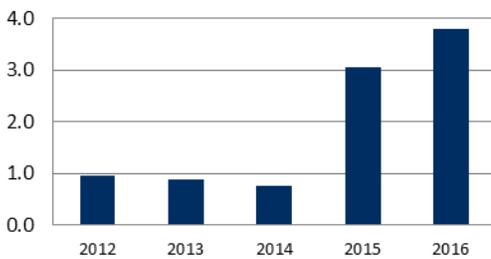
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



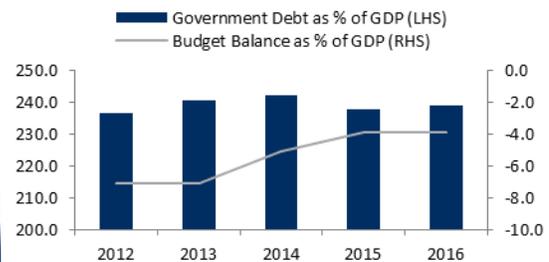
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

Current Account as % GDP



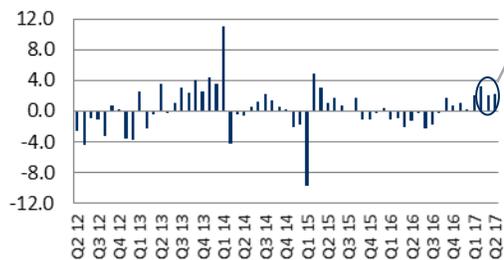
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Government Debt and Budget Balance



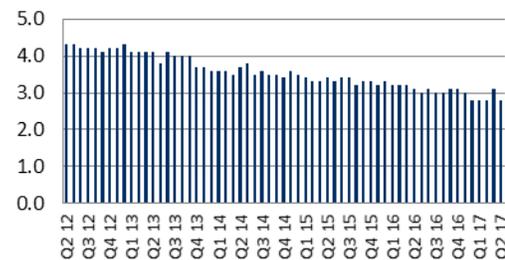
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



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

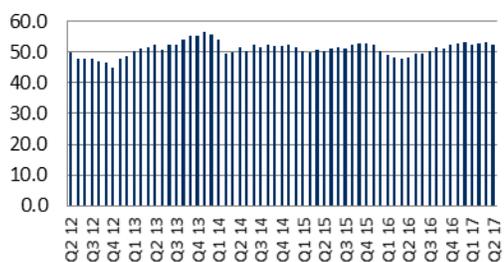
Unemployment Rate %



*Japan's economy rebounded in Q2 as stronger consumer spending and capital expenditure largely offset lower net trade from rising imports. However, the pick-up in domestic demand did not translate in higher inflation which 'still has a long way from meeting 2% inflation target' as highlighted by BoJ Kuroda in June*

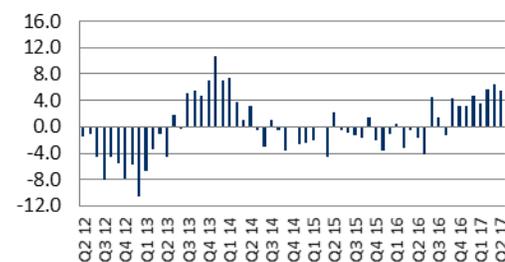
**7. Nikkei Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

Nikkei Manufacturing PMI



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

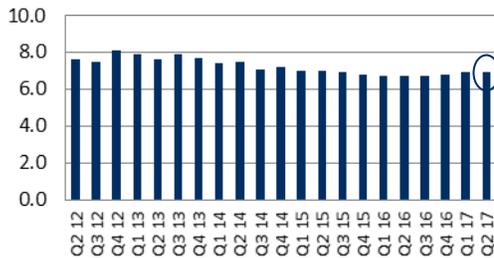
Industrial Production (YOY%)



## ► China Economic Indicators

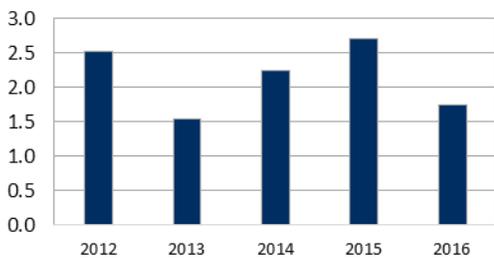
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



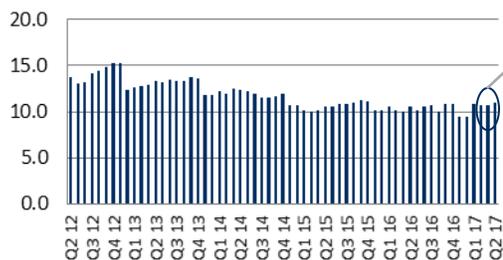
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

Current Account to GDP %



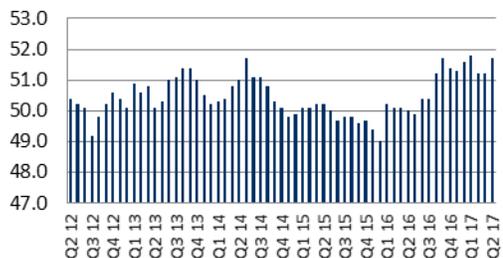
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



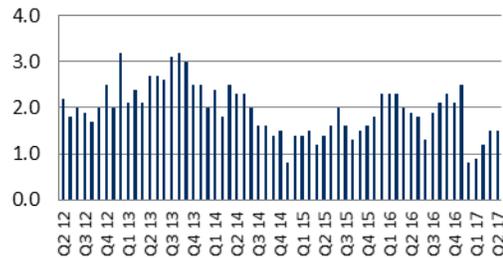
**7. NBS Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

NBS Manufacturing PMI



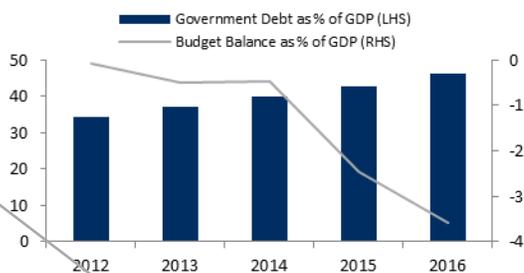
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



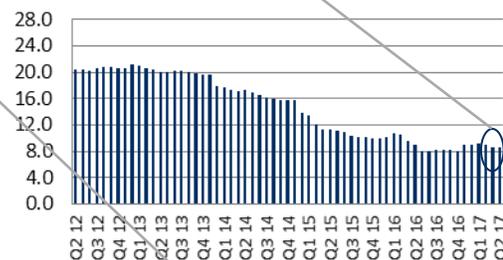
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Government Debt and Budget Balance



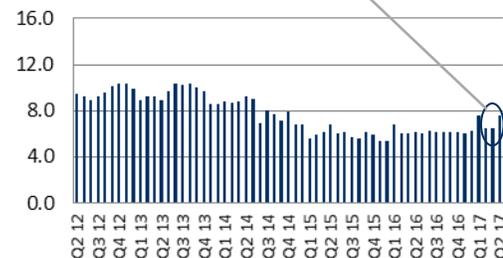
**6. Fixed Asset Investment:** A measure of capital spending.

Fixed Asset Investment (YOY%)



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

Industrial Production (YOY%)

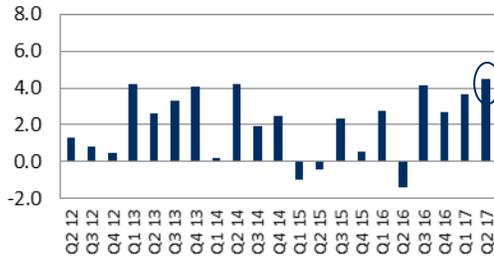


*GDP growth came in better-than-expected, setting the country on course to reach Government's growth target of 6.5% in 2017. Higher economic activity data including FAI, industrial production and retail sales defied concerns of an economic slowdown amid conservative policy measures to prevent financial risks*

► **Canada Economic Indicators**

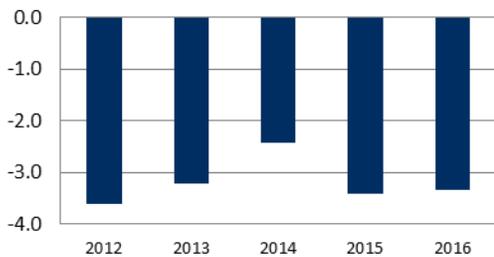
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**GDP Annualized (QOQ%)**



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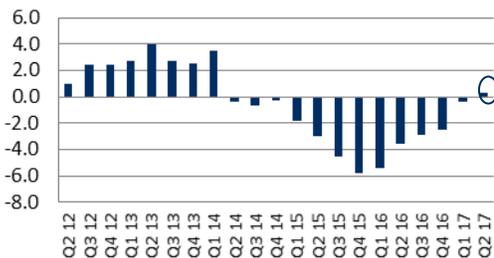
**Current Account as % GDP**



► **Brazil Economic Indicators**

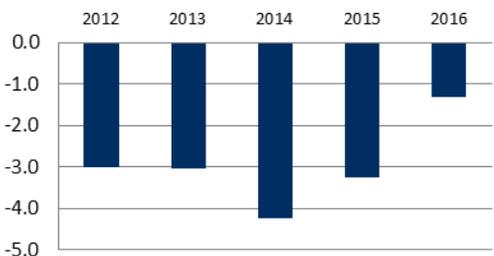
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**GDP (YOY%)**



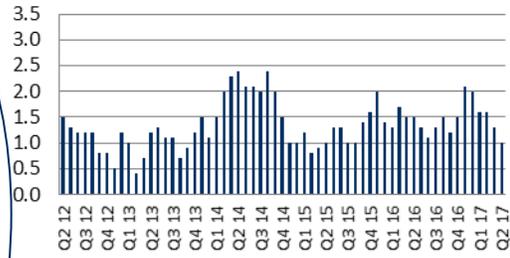
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**Current Account as % GDP**



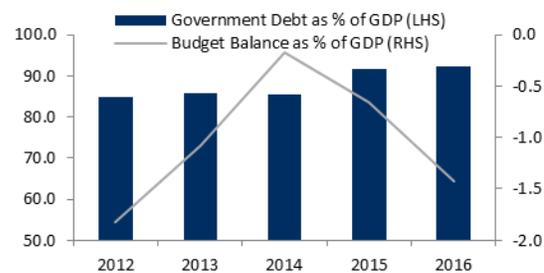
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



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

**Government Debt and Budget Balance**

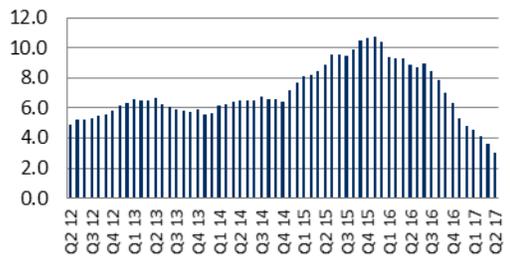


*Stronger economic growth led by consumer spending on solid employment and business investment, particularly energy investment which recovered following sizable declines in previous quarters, as well as higher exports*

*Slightly higher economic growth mainly driven by stronger-than-expected private consumption as the country slowly escapes economic recession. However, political instability persisted as President Temer was charged with corruption and taking bribes*

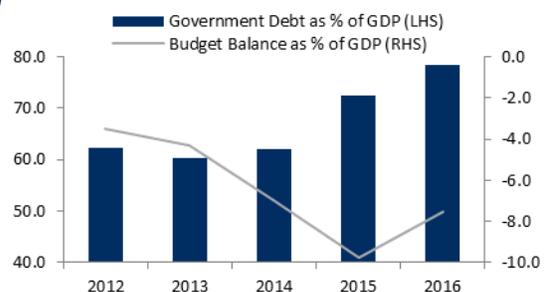
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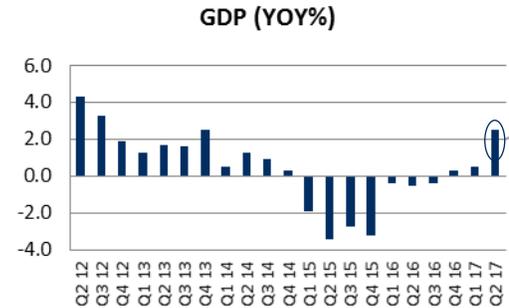
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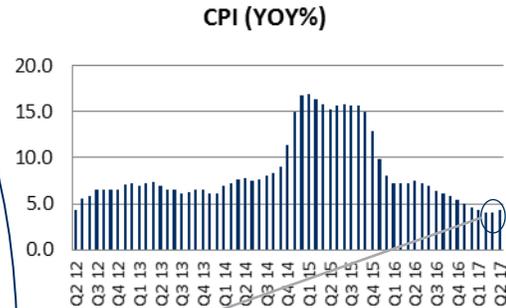


### Russia Economic Indicators

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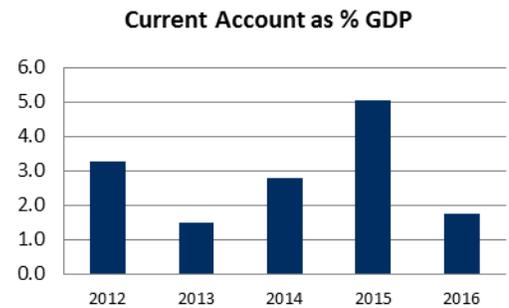


**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

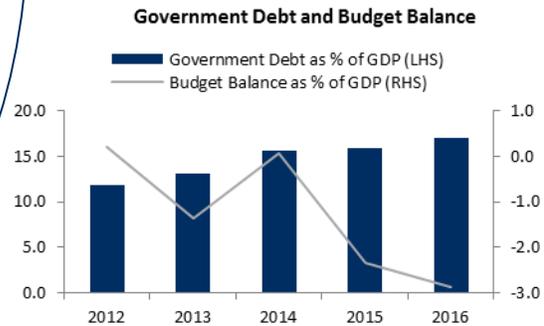


*Economic growth rebounded in Q2 at the fastest pace in more than three years. The stabilization of commodity prices and Ruble resulted in lower inflation in the previous quarters which led the Central Bank to cut interest rates, highlighting that 'inflation risks were down in the short term'*

**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 and Budget Balance to GDP:** A measure of a country's federal debt and budget balance in relation to its gross domestic product (GDP).

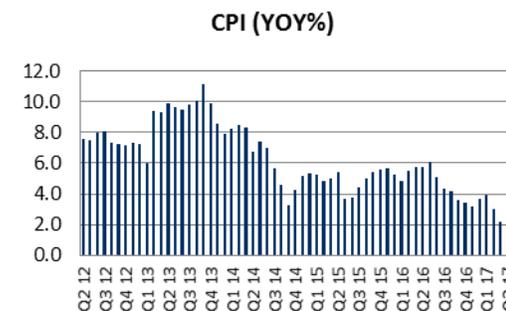


### India Economic Indicators

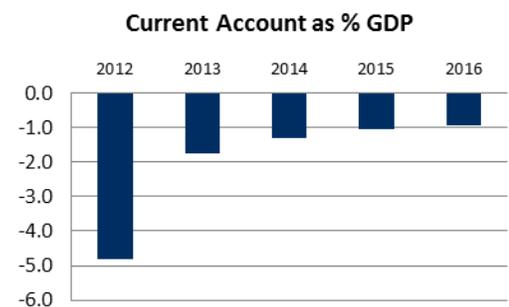
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.



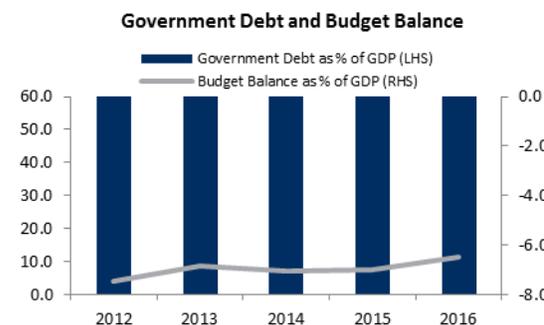
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

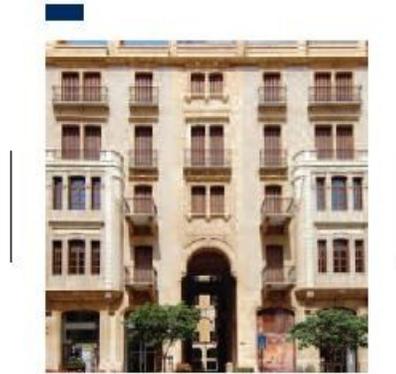


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**4. Government Debt and Budget Balance to GDP:** A measure of a country's federal debt and budget balance in relation to its gross domestic product (GDP).





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