



# Globanomics

World's Dashboard of Economic Indicators

**Q1 2017**

## ► Quarter at a Glance

- Global economic growth was estimated in January 2017 by the IMF at 3.4% for 2017 and 3.6% for 2018, unchanged from October projections. The IMF highlighted uncertainty around the policy of incoming US administration and its global ramifications which could result in different projection outcomes.
- Advanced economies are expected to grow at 1.9% in 2017 and 2.0% in 2018 by the IMF, slightly higher than October forecast. The upward revisions resulted from the projection of higher US economic growth driven by fiscal stimulus as well as increasing economic activity in other developed economies on the back of a pick-up in H2/16. The world economy picked up in the first months of 2017 as business surveys and sentiment point out to stronger growth. US labor markets continued to tighten and consumer sentiment improved despite weaker GDP –which is likely to be transitory as indicated by Fed officials. Positive momentum remained in the Eurozone ahead of key elections in the next few quarters while the quarterly slowdown in the UK was the first since Brexit vote. Economic recovery is expected to remain on track in Japan while weakening yen and improving global economic conditions continue to support exports.
- Growth in emerging markets and developing economies is expected to reach 4.5% in 2017 and 4.8% in 2018 by the IMF from an estimated 4.1% in 2016. Economic growth surprised on the upside in China amid higher government intervention to curb leverage and contain financial risks. Russian economy was boosted by consumer-driven sectors while the demonetization program implemented in India in Q4/16 started to affect growth negatively in Q1.

## ► Monetary, Fiscal and Structural Developments

- The US Federal Reserve Bank (Fed) increased its key target for short-term interest rates to a range of 0.75%-1.00% in March as Fed officials reaffirmed that they expect two more rate hikes in 2017. In addition, Fed officials revealed that they plan to start unwinding the USD 4.5 trillion in bonds in Fed's balance sheet this year although did not give a clear timetable for the normalization process.
- The European Central Bank (ECB) kept its key interest rates and asset purchase program unchanged in both January and March meetings. The ECB slightly increased its growth and inflation forecasts for 2017 and 2018 in its March meeting yet indicated that the existing stimulus will remain in place until the end of the year.
- The Bank of England (BoE) kept key interest rate and asset purchase facility program on hold in both February and March meetings. The Monetary Policy Committee (MPC) upgraded its growth forecasts for 2017 in its February meeting and indicated in March that inflation could materially exceed the two percent target by summer as it highlighted signs of softness in the economy, particularly in wage growth.
- The Bank of Japan (BoJ) kept monetary policy on hold in both January and March meetings. The BoJ predicted a significantly faster pace of economic growth in February on the back of easy monetary policy, government fiscal stimulus and a pick-up in growth overseas while in March it indicated that easy monetary policy will remain in place for some time as inflation is still below two percent target.

## ► Key Themes

- Political uncertainty around the US President Trump agenda remained high. Trump promised material fiscal stimulus, tax cuts, and lighter regulations which would likely result in higher economic growth, inflationary expectations and corporate earnings. However, the implementation of these reforms proved to be slower and challenging resulting in an uncertain outlook for US policy changes.
- Politics remained in focus in Europe ahead of key events and elections, however political risk faded by end of Q1. The defeat of the far-right Party for Freedom—led by Geert Wilders— in the Dutch parliamentary elections came as a relief facing the rise of populism in Europe. Subsequent to the end of Q1, Macron's win over Le Pen in French presidential elections which was perceived as market-friendly also led to lower political risk in the region. UK PM Theresa May triggered Article 50 by end of March which started a two year process for the UK to leave the EU, and announced snap elections to be held on June 8th.
- Oil prices ended Q1 lower amid concerns around supply glut as US oil inventories and oil rigs grew throughout the quarter despite a near full compliance of OPEC/non-OPEC members to the agreement reached in November to curb oil supply.

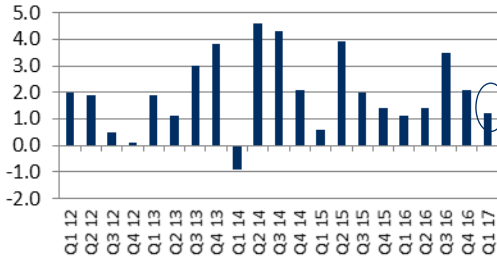
► US Economic Indicators

**MACRO ECONOMY**

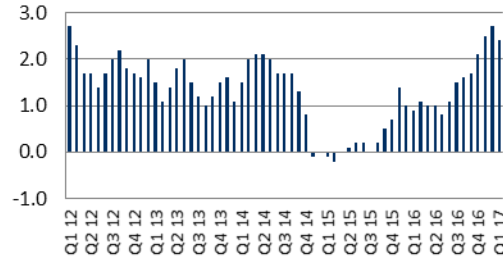
**1. Real GDP:** Measures the value of goods and services produced in a country in a given period of time.

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

GDP Annualized (QOQ%)



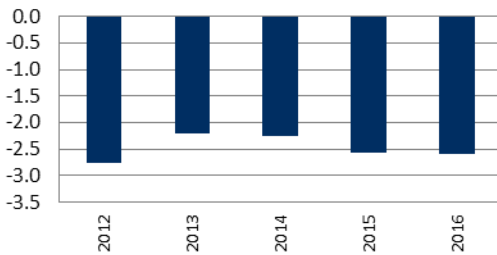
CPI (YOY%)



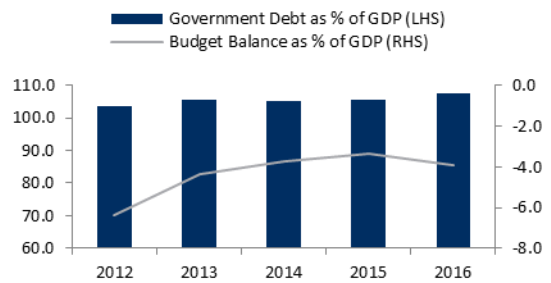
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

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

Current Account as % of GDP



Government Debt and Budget Balance



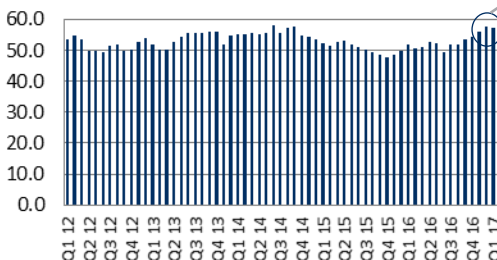
*Sluggish economic growth in Q1 – likely to be transitory, as Fed officials subsequently indicated- while unemployment rate fell to decade low and wage growth picked up despite weaker nonfarm payrolls in March due to weather conditions. Higher ISM manufacturing could translate into higher industrial activity as companies plan to increase capital spending amid optimism around pro-growth policies under Trump administration.*

**MANUFACTURING**

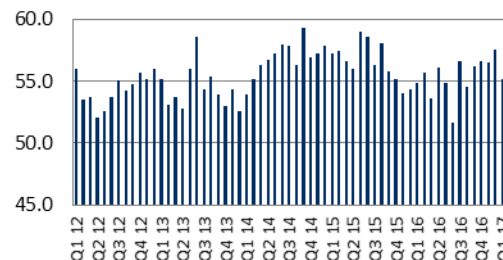
**1. ISM Manufacturing Index:** An index based on surveys of manufacturing firms covering employment, production, new orders and supplier deliveries.

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

ISM Manufacturing



ISM Non-Manufacturing

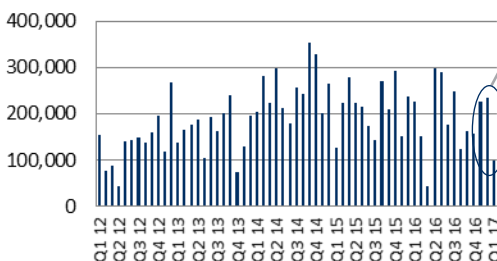


**EMPLOYMENT**

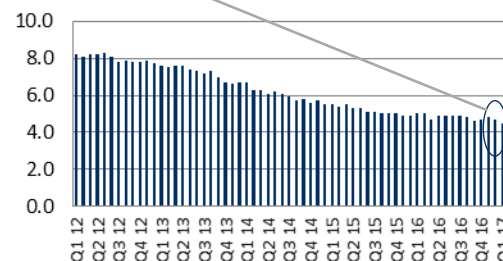
**1. Nonfarm Payrolls:** Total number of working-age persons except farm, household, non profit, and certain government employees.

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

Nonfarm Payrolls



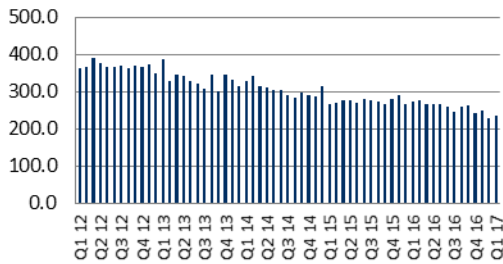
Unemployment Rate %



► US Economic Indicators

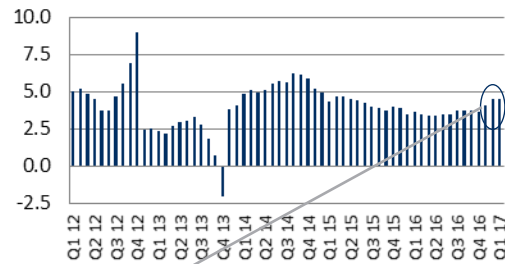
**3. Initial Jobless Claims:** The number of jobless claims filed by individuals seeking to receive state jobless benefits.

Initial Jobless Claims (Thousands)



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

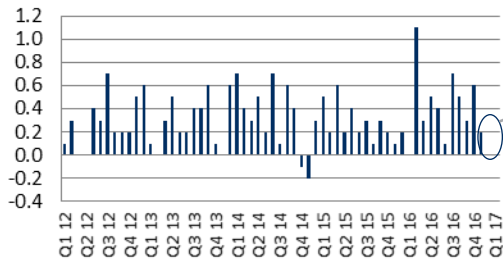
Personal Income (YOY%)



**CONSUMER**

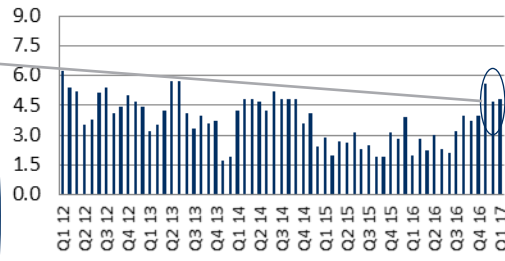
**1. Personal Spending:** The amount of money spent by households.

Consumer Spending (MOM%)



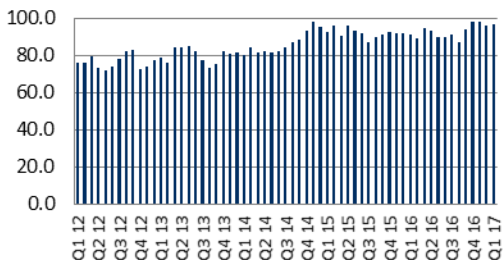
**2. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



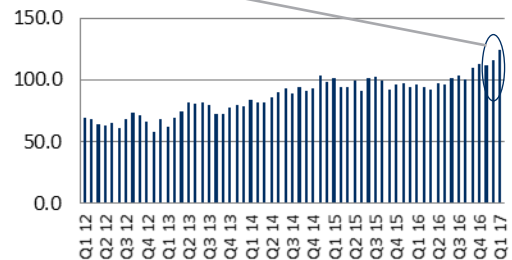
**3. Consumer Sentiment:** An economic indicator of the overall health of the economy as determined by consumer opinion.

Consumer Sentiment



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

Consumer Confidence

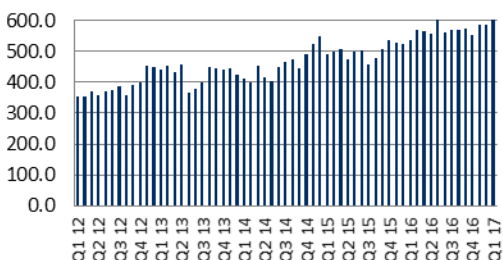


*Consumer confidence sharply higher in Q1 as consumers express greater optimism toward tax reform and stimulus promised by Trump administration. However, consumer spending and retail sales were lower despite higher personal income as consumers' attitudes have not fully reflected into higher purchases.*

**HOUSING**

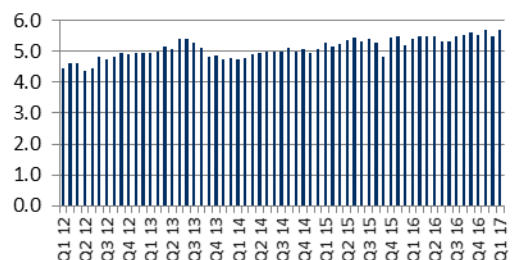
**1. New Home Sales:** Measures sales of newly constructed residences in the U.S.

New Home Sales (Thousands)



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

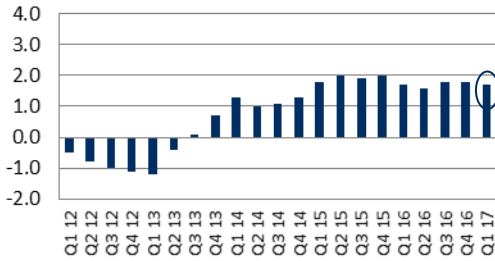
Existing Home Sales (Millions)



► Eurozone Economic Indicators

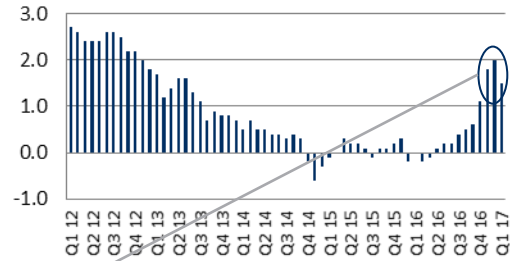
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



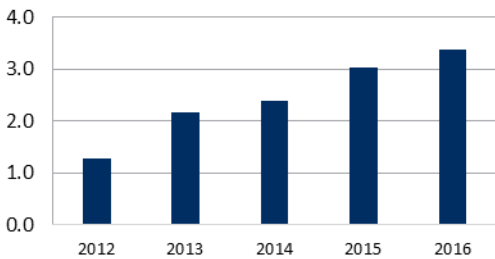
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



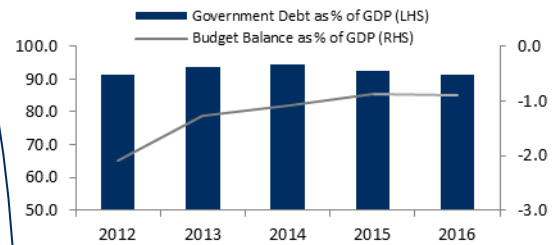
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Current Account to GDP (%)



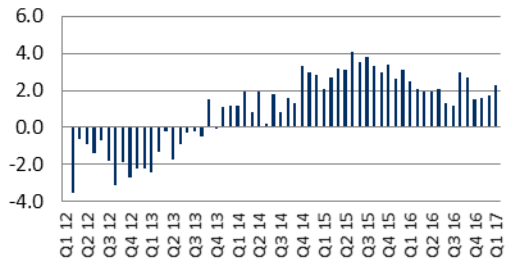
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Government Debt and Budget Balance



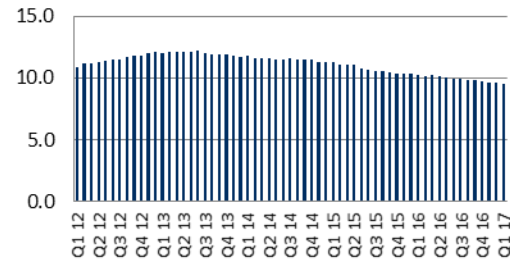
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



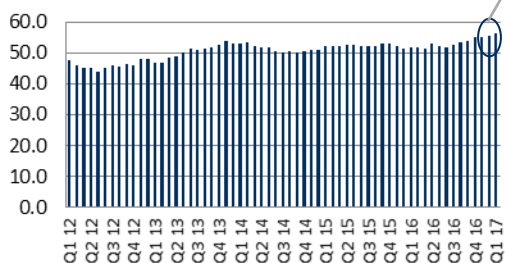
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.

Unemployment Rate %



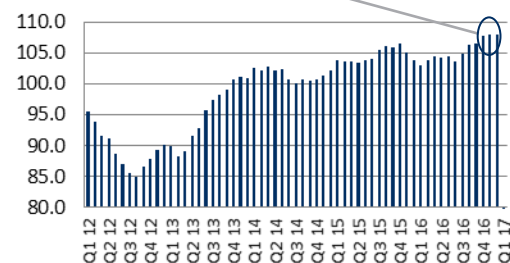
**7. Markit Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

PMI



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

Economic Sentiment Indicator

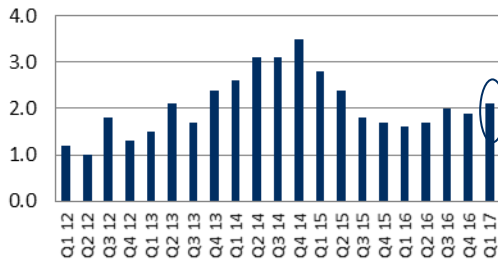


*Eurozone economic growth stable in Q1 ahead of key political events including French elections and the beginning of Brexit negotiations. PMI and economic sentiment continued to signal a positive momentum – in line with global surveys. Rising inflation data likely reflects increasing energy prices while core inflation remained subdued and below ECB target.*

► UK Economic Indicators

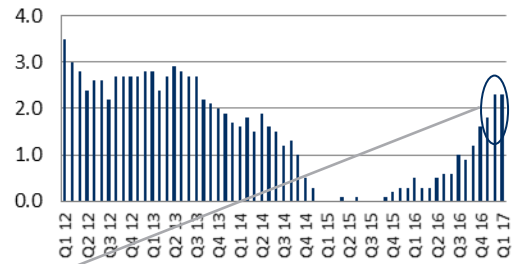
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GDP (YOY%)



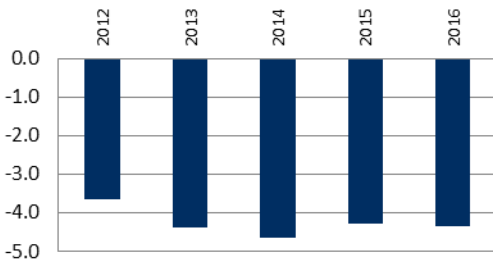
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CPI (YOY%)



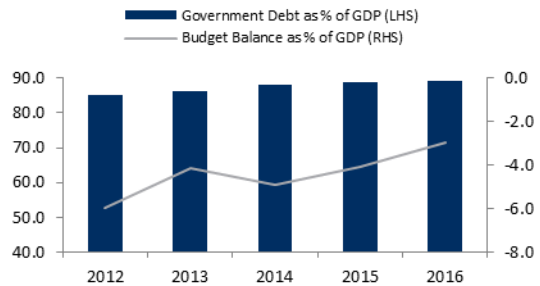
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Current Account as % GDP



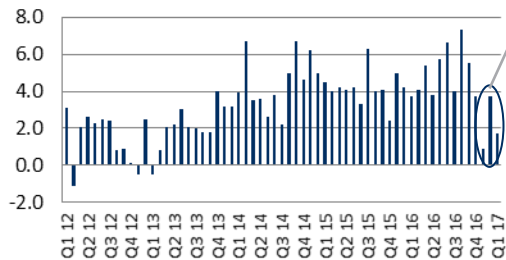
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Government Debt and Budget Balance



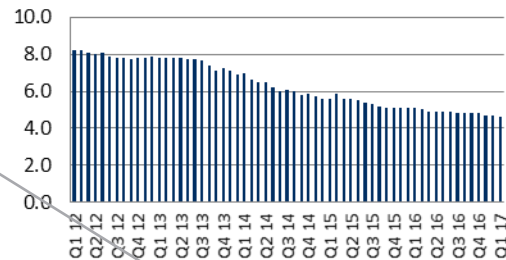
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Retail Sales (YOY%)



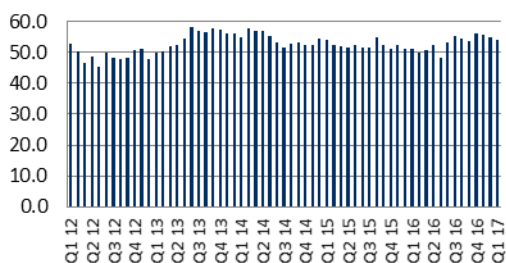
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Unemployment Rate %



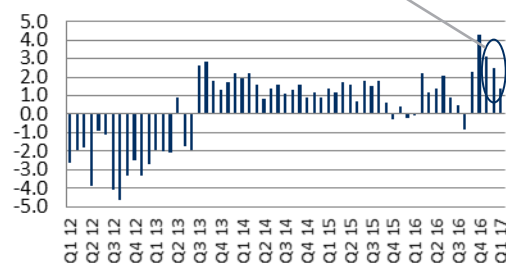
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PMI



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

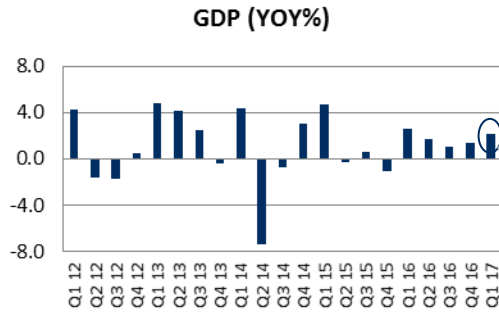
Industrial Production (YOY%)



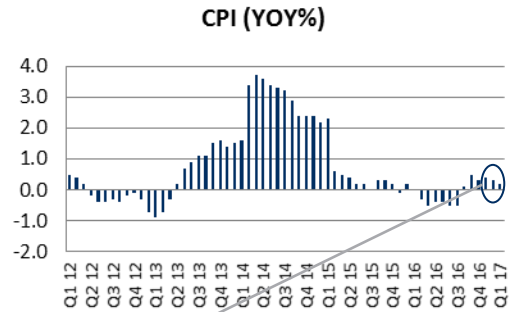
*Despite a YoY increase, UK economic growth slowed for the first time on a quarterly basis since Brexit mainly on weaker growth in services and consumer-focused industries. Brexit uncertainty is resulting in lower corporate spending while weaker pound and higher energy prices pushed inflation above BoE's 2% target which could weigh further on consumer spending.*

## Japan Economic Indicators

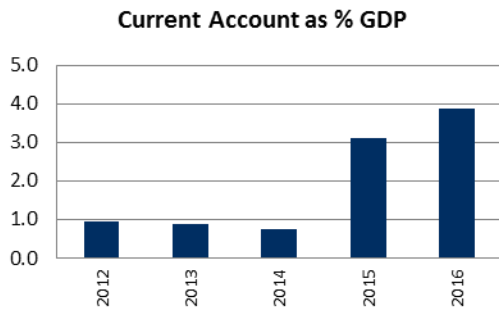
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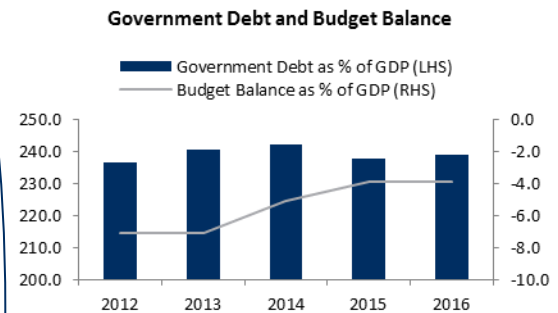
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.



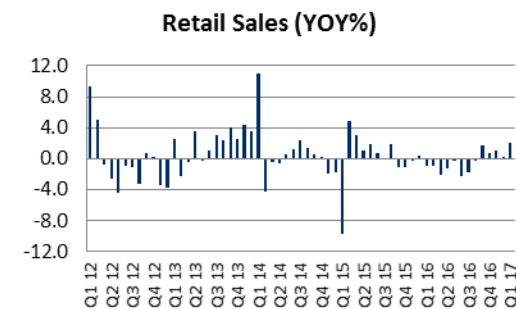
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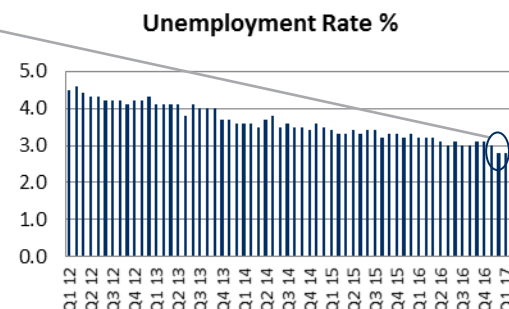
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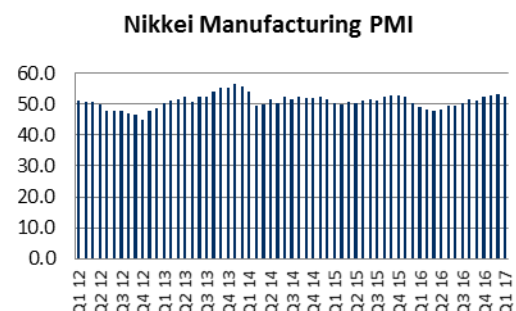
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.



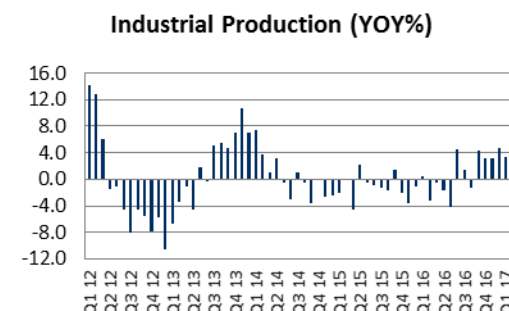
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.



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



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

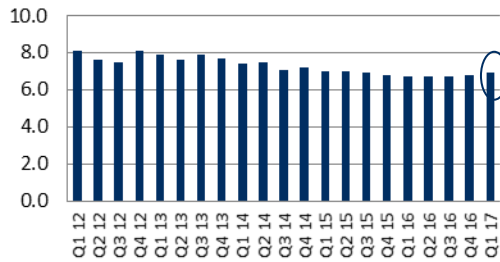


*Japan economic growth was mainly pressured by declines in private inventories and private consumption, although economic recovery is expected to remain on track as BoJ upgraded its growth projections. Weakening yen and improving global economic conditions supported exports while deflationary pressures persist despite tighter labor market, monetary and fiscal measures aimed at supporting demand.*

## ► China Economic Indicators

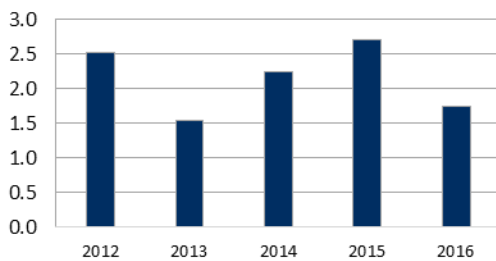
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



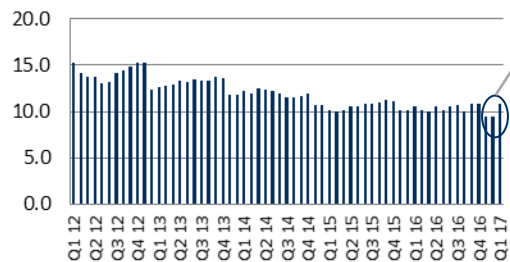
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Current Account to GDP %



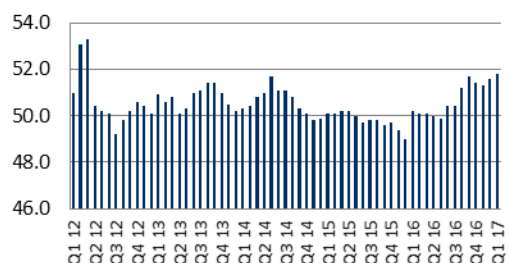
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



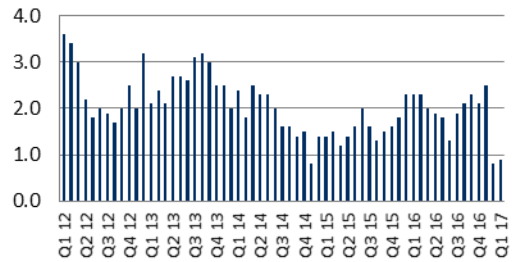
**7. NBS Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

NBS Manufacturing PMI



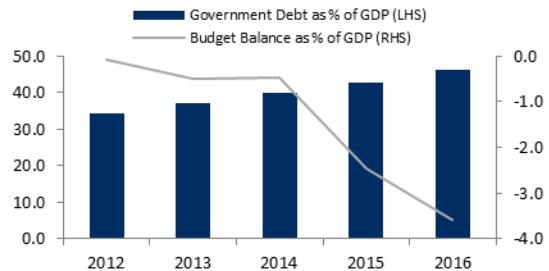
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



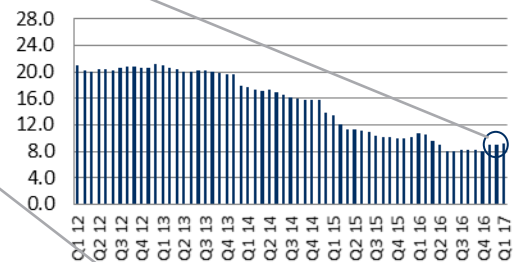
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Government Debt and Budget Balance



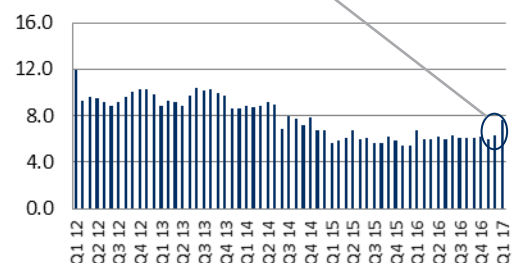
**6. Fixed Asset Investment:** A measure of capital spending.

Fixed Asset Investment (YOY%)



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

Industrial Production (YOY%)



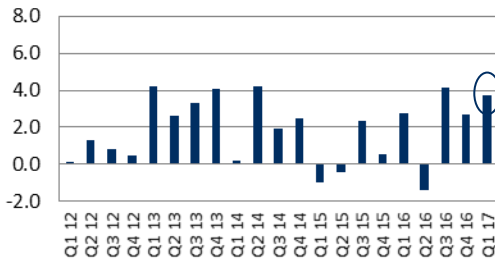
*Stronger-than-expected economic growth and three major activity indicators despite authorities' efforts to contain leverage and financial risks. Trade data was also positive - as the rise in Chinese exports mirrored improving global economic conditions - defying fears around stronger US trade protectionism. China's Central Bank is focusing on containing the risks of mounting private sector debt and stabilizing the yuan as it raised short-term interest rates twice throughout the quarter.*



### ► Canada Economic Indicators

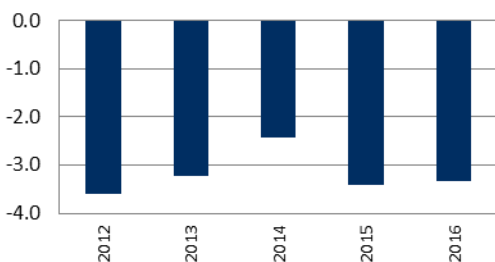
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**GDP Annualized (QOQ%)**



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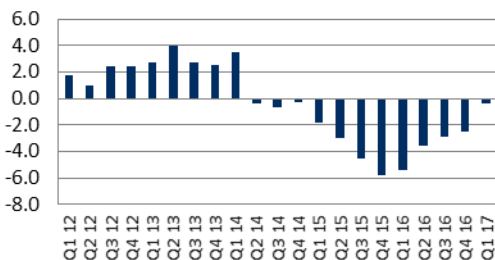
**Current Account as % GDP**



### ► Brazil Economic Indicators

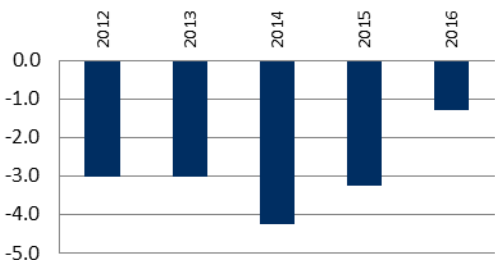
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**GDP (YOY%)**



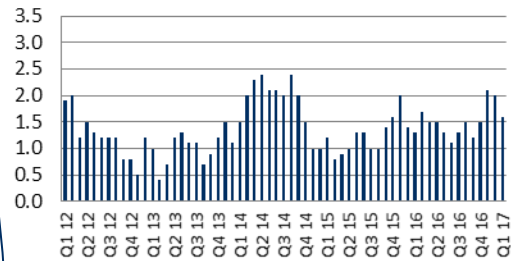
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**Current Account as % GDP**



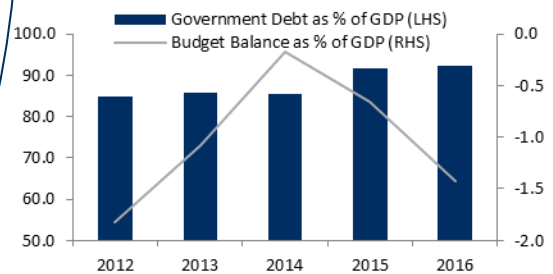
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



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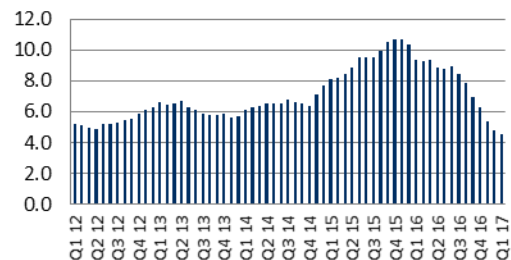
**Government Debt and Budget Balance**



*Economic growth continued to be mainly supported by household spending, business and residential investments. However, a deceleration in housing markets and the implementation of a US trade protectionist agenda under Trump administration could result in headwinds to the economy.*

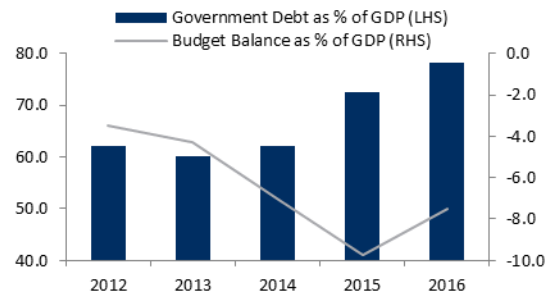
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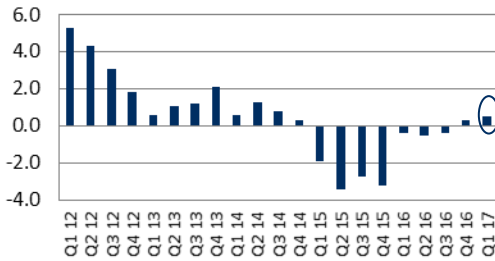


### Russia Economic Indicators

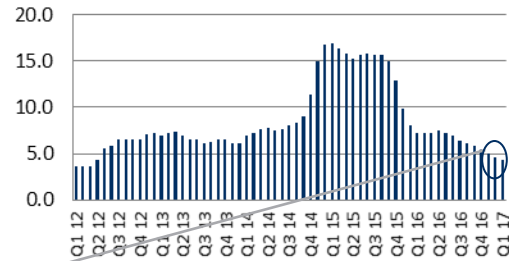
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

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

GDP (YOY%)



CPI (YOY%)

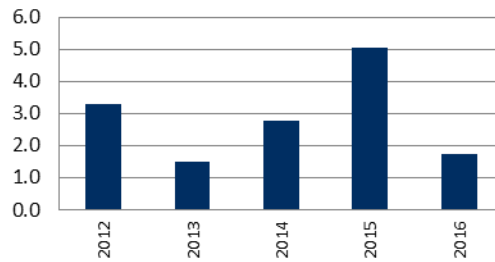


*Economic growth expanded in Q1, mainly boosted by consumer-driven sectors. Higher oil prices continue to strengthen Russian ruble which in turn resulted in lower inflation leading the Russian Central Bank to cut interest rates and opening the door for further easing in the next quarters.*

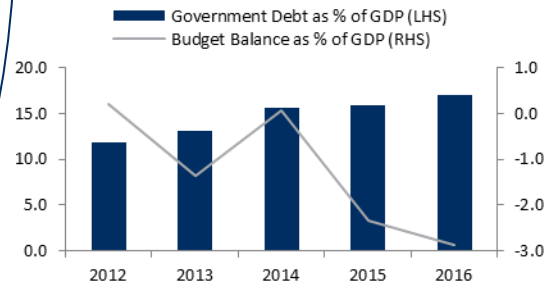
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

**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).

Current Account as % GDP



Government Debt and Budget Balance

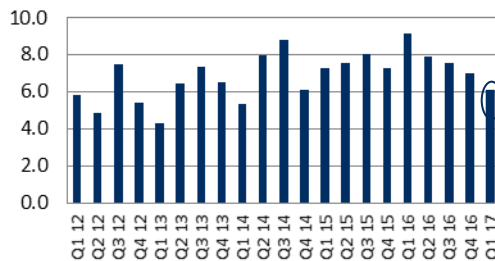


### India Economic Indicators

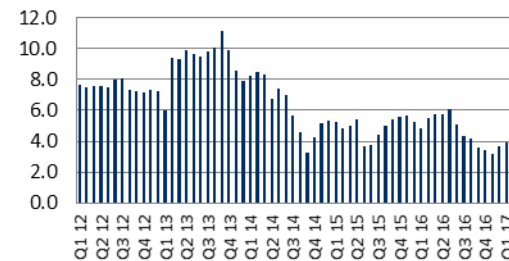
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

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CPI (YOY%)

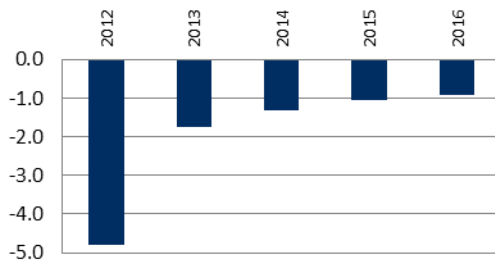


*Weaker economic growth weighed by the currency replacement program which was implemented in Q4/16 and led to a ban in 500 & 1000 rupee notes.*

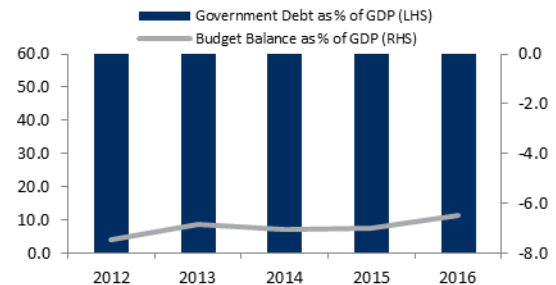
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Current Account as % GDP



Government Debt and Budget Balance





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