



# Globanomics

World's Dashboard of Economic Indicators

**Q4 2016**

## ► Quarter at a Glance

- The IMF revised lower its global economic forecasts for 2016 to 3.1% in October and 3.4% for 2017. The implications of the Brexit vote as well as lower-than-expected activity indicators in major advanced economies were factors behind the downgrade.
- The IMF downgraded major advanced economies growth forecast for 2016 to 1.6% in October from 1.7% in July. The IMF indicated that economic recovery in these countries is expected to slow on the back of financial sector vulnerabilities, low productivity growth as well as negative macroeconomic consequences that would likely result after the Brexit vote. Despite slower GDP growth in the US, economic activity and consumer spending ended the year higher and sentiment significantly improved following the election of US President Donald Trump while growth in Canada recovered in the second half of the year and offset significant losses from Alberta wildfires and weaker business investment. Domestic demand was also the main driver of growth in the Eurozone and the UK where key political events will be observed in the next few quarters while the material depreciation of the Yen boosted exports in Japan.
- The IMF expects growth in emerging markets and developing economies to pick up in 2016 following lower interest rates in advanced economies, higher commodity prices and reduced concerns around China's near term outlook as economic indicators came in higher in Q4/16. Hopes of market-friendly reforms in Brazil led to a rally in the Brazilian Real and higher oil prices resulted in an economic recovery in Russia while private consumption, investment and public consumption boosted growth in India.

## ► Monetary, Fiscal and Structural Developments

- The US Federal Reserve Bank (Fed) increased its fed funds target range from 0.25%-0.50% to 0.50%-0.75% in December, after keeping interest rates unchanged in November ahead of US presidential elections. The Federal Open Market Committee indicated that 'full employment is getting closer', pointed out to evidence of higher inflation and forecasted a faster pace of rate hikes to respond to potentially expansionary fiscal policies.
- The European Central Bank (ECB) kept its key interest rates and asset purchase program unchanged in both September and October meetings and ECB President Draghi confirmed that the governing council did not discuss ending or extending the asset-buying program. However, the ECB announced that it will start reducing the pace of its monthly purchases starting April 2017 to €60 billion from €80 billion in its December meeting and extended the duration of the program until the end of 2017 from March 2017.
- The Bank of England (BoE) left its key interest rates and asset purchase facility program unchanged in September, November and December meetings. The BoE raised its inflation and growth forecasts in November on the back of GBP depreciation. In addition, the Chancellor of the Exchequer Phillip Hammond delivered the Autumn Statement in which he expected higher borrowing and lower economic growth in the near-term following Brexit vote. In addition, he dropped the previous government's target of budget surplus by end of the decade yet pointed out that he would reduce borrowing over a longer period.
- The Bank of Japan (BoJ) kept its interest rates steady in September yet shifted its monetary policy by introducing quantitative and qualitative monetary easing with yield curve control and an 'inflation-overshooting commitment' replacing the target of a 2% growth in inflation. The BoJ also kept its interest rates unchanged in November and December yet lowered inflation forecasts and announced operational changes for its purchases of government bonds, ETFs and real estate investment trusts in December.

## ► Key Themes

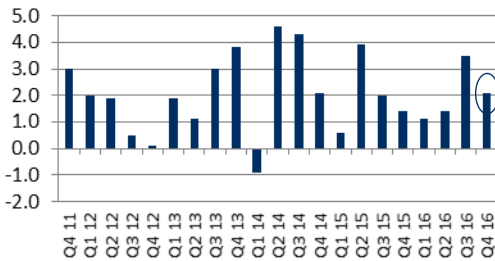
- The surprise election of US President Donald Trump had significant market consequences including a rally in US equities, US dollar and a selloff in US government bonds. Trump promised material fiscal stimulus package, tax cuts, and lighter regulations which would likely result in higher economic growth, inflationary expectations and corporate earnings. However, Trump's tougher stance on trade and immigration could harm economic growth in emerging markets, particularly in China where trade and investment is recovering.
- Italian Prime Minister Renzi resigned after his defeat in December's referendum as voters rejected constitutional reforms backed by his government. Political uncertainty in Europe ahead of key elections in Netherlands and France as well as the official start of Brexit by end of March.
- Oil prices ended Q4 higher following OPEC and non-OPEC members' (including Russia) agreement in November to cut oil output by respective 1.2 and 0.6 million barrels per day.

► US Economic Indicators

**MACRO ECONOMY**

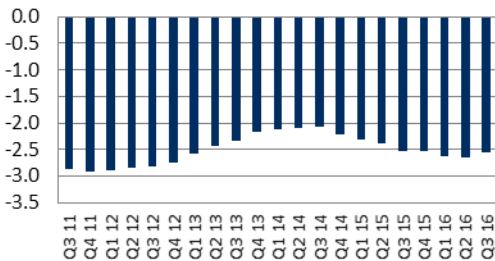
**1. Real GDP:** Measures the value of goods and services produced in a country in a given period of time.

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.

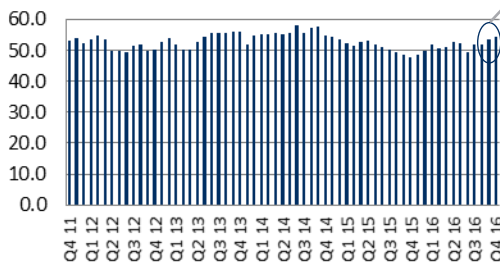
Current Account as % of GDP



**MANUFACTURING**

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

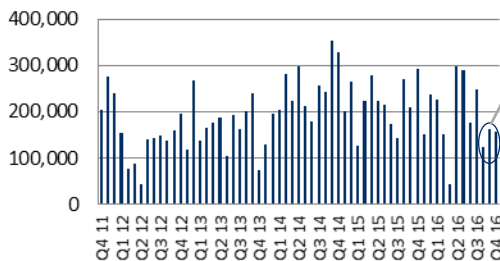
ISM Manufacturing



**EMPLOYMENT**

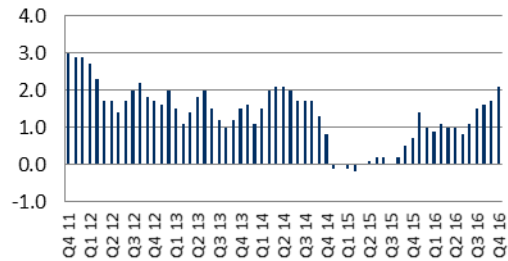
**1. Nonfarm Payrolls:** Total number of working-age persons except farm, household, non profit, and certain government employees.

Nonfarm Payrolls



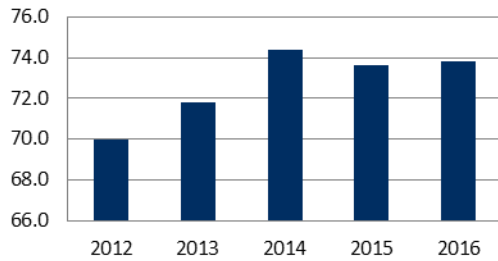
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



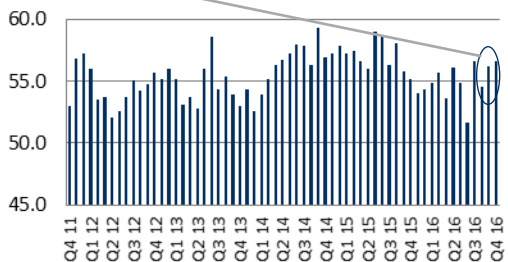
**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

Debt as % of GDP



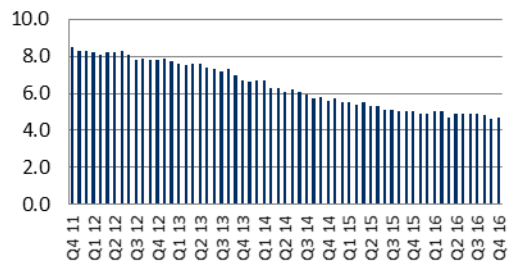
**2. ISM Non-Manufacturing Index:** An index based on surveys of non-manufacturing firms' purchasing and supply executives.

ISM Non-Manufacturing



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

Unemployment Rate %

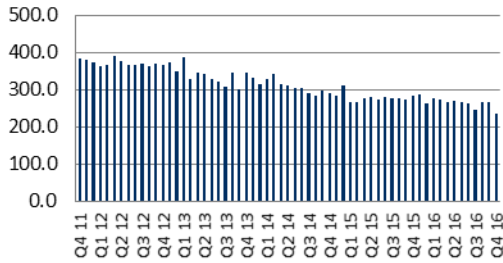


*US economic activity ended the year higher despite slower GDP growth in Q4 on weaker exports. Manufacturing sector rebounded in Q4, reflected by higher ISM manufacturing and manufactured durable goods. Nonfarm payrolls were softer following strong numbers earlier in the year while average hourly earnings and unemployment improved.*

► US Economic Indicators

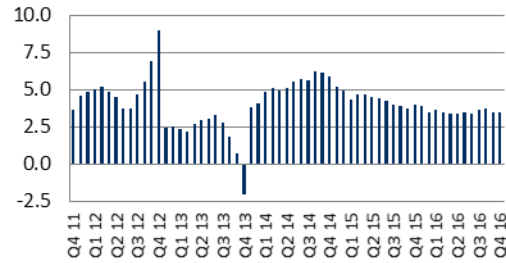
**3. Initial Jobless Claims:** The number of jobless claims filed by individuals seeking to receive state jobless benefits.

Initial Jobless Claims (Thousands)



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

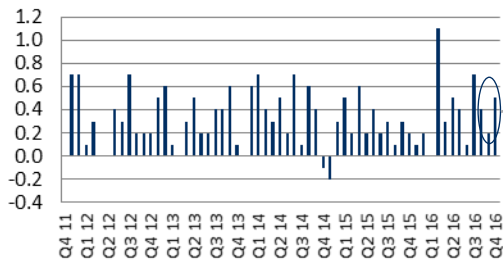
Personal Income (YOY%)



**CONSUMER**

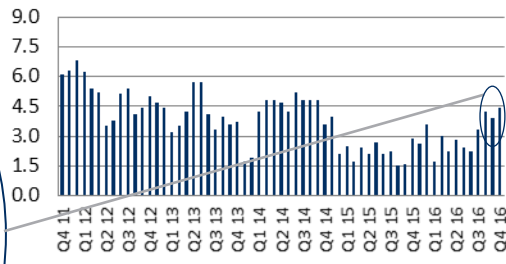
**1. Personal Spending:** The amount of money spent by households.

Consumer Spending (MOM%)



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

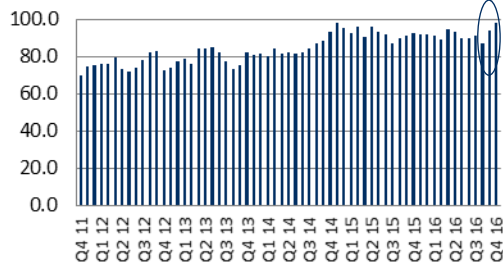
Retail Sales (YOY%)



*Robust consumer spending was the main driver of growth as consumer sentiment reached a 12-year high following the election of US President Trump.*

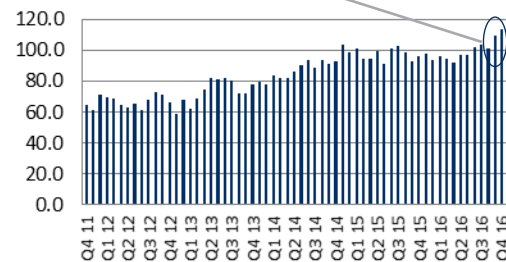
**3. Consumer Sentiment:** An economic indicator of the overall health of the economy as determined by consumer opinion.

Consumer Sentiment



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

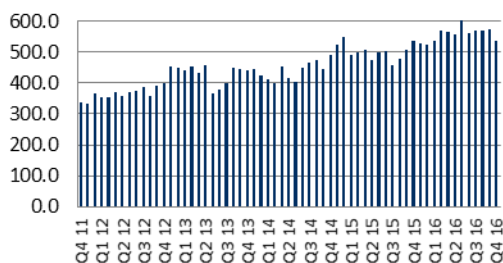
Consumer Confidence



**HOUSING**

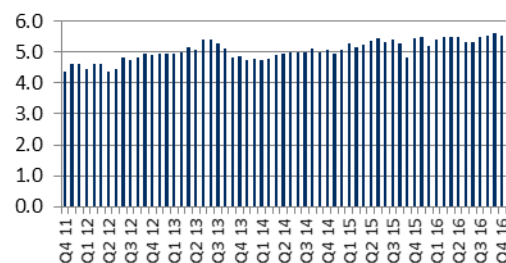
**1. New Home Sales:** Measures sales of newly constructed residences in the U.S.

New Home Sales (Thousands)



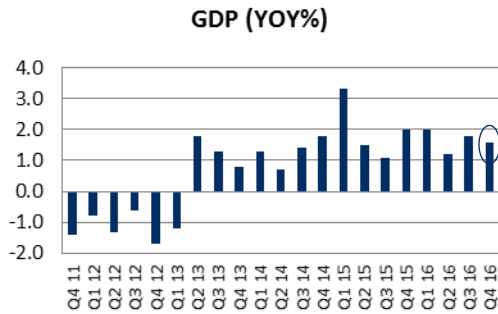
**2. Existing Home Sales:** Reports the number of existing homes sold.

Existing Home Sales (Millions)

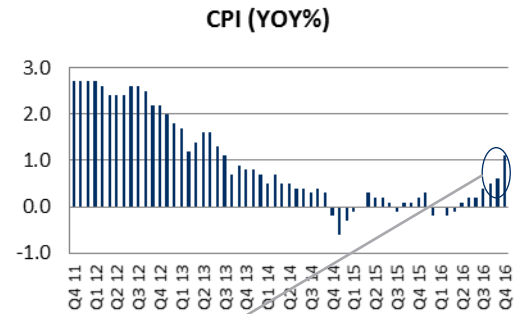


► Eurozone Economic Indicators

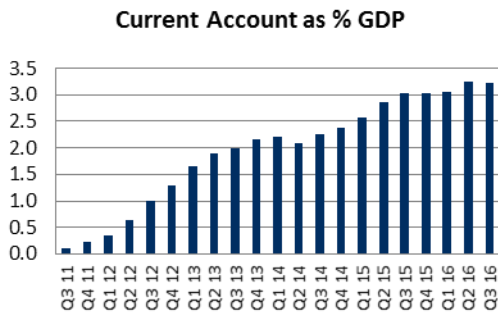
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.



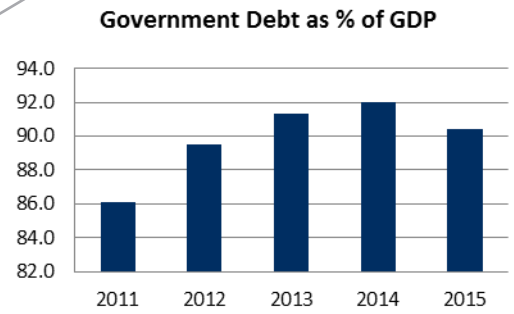
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.



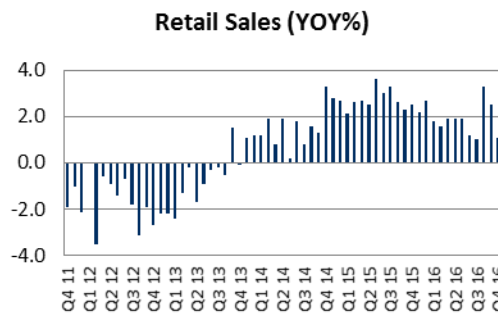
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.



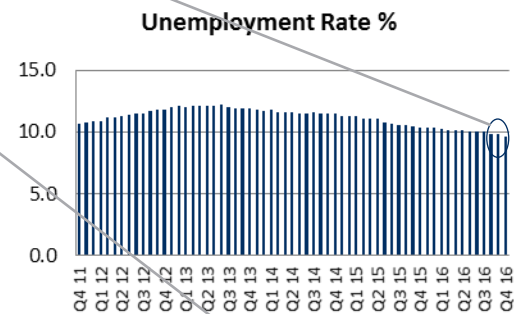
**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).



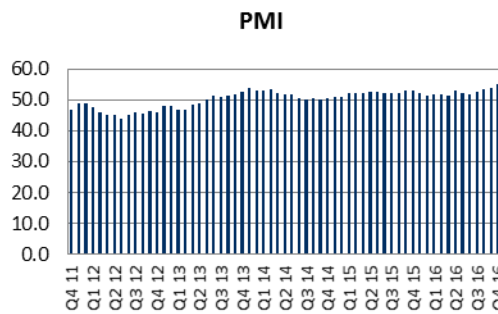
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.



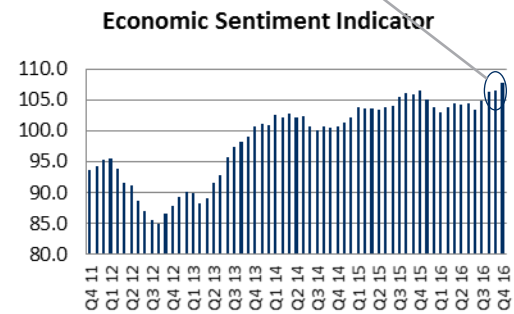
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.



**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.

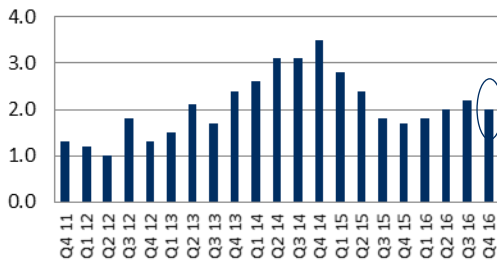


*GDP growth slightly lower at the end of the year following weaker exports and a drop in industry output despite stronger domestic demand. Unemployment rate came in lower and CPI increased significantly, likely on higher oil prices. Sentiment indicator rose despite political uncertainty ahead of Italian referendum as well as Dutch and French elections and after Brexit.*

### ► UK Economic Indicators

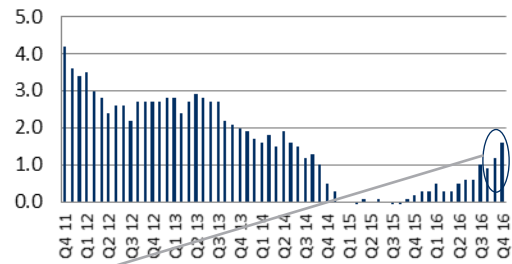
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP (YOY%)**



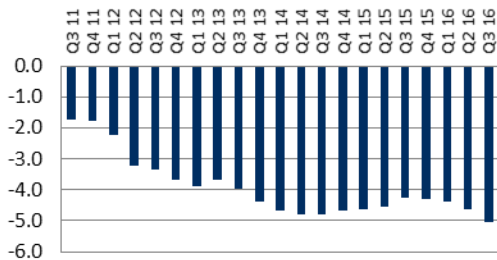
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



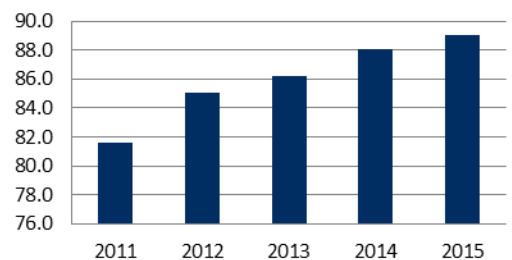
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

**Current Account as % GDP**



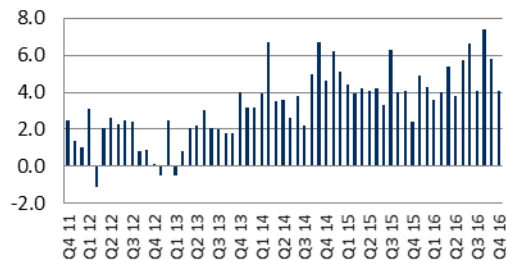
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**Debt as % of GDP**



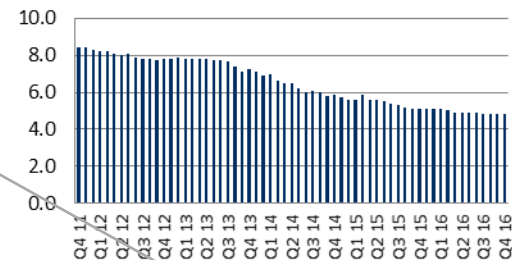
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

**Retail Sales (YOY%)**



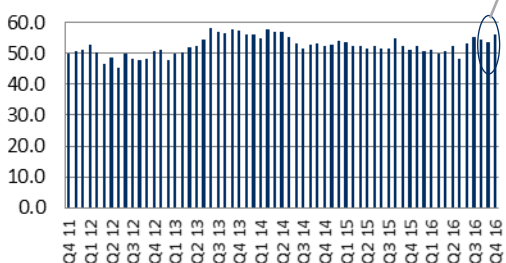
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.

**Unemployment Rate %**



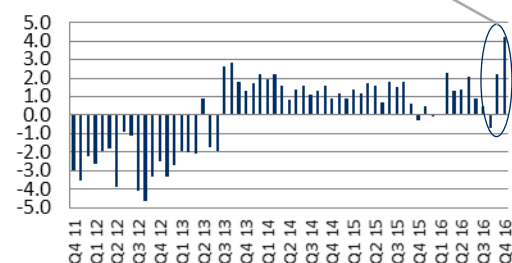
**7. Markit Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

**PMI**



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

**Industrial Production (YOY%)**

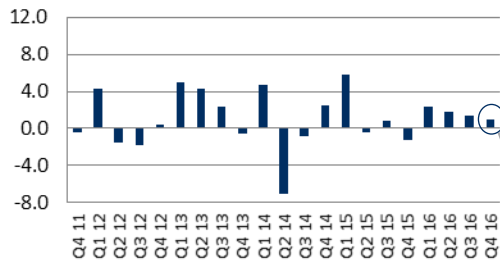


*Resilient economic activity post-referendum supported by consumer spending despite sharp inflationary pressures resulting from the impact of weaker pound on price of imports. Significantly higher industrial production and manufacturing PMI also defied expectations of a slowdown following the Brexit vote.*

## Japan Economic Indicators

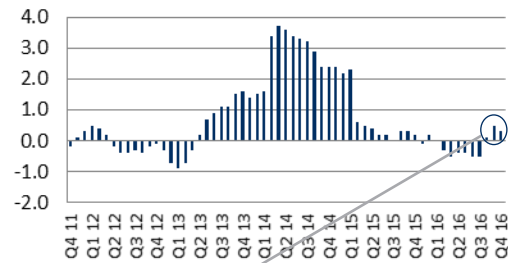
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

GDP (YOY%)



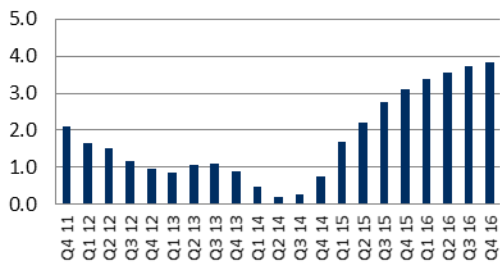
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

CPI (YOY%)



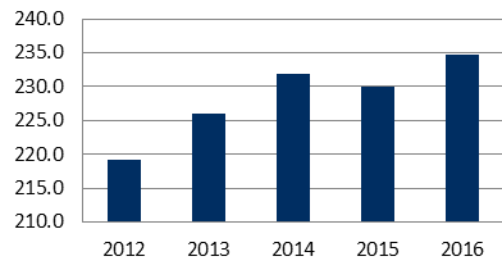
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

Current Account as % GDP



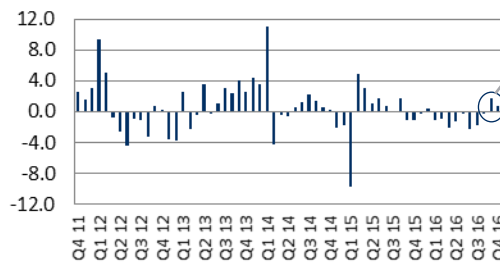
**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

Debt as % of GDP



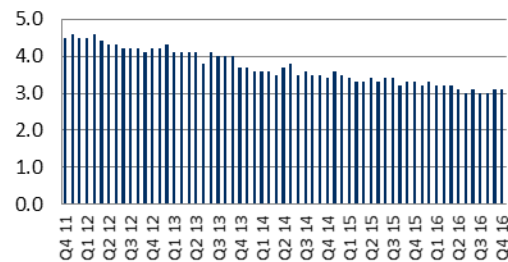
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

Retail Sales (YOY%)



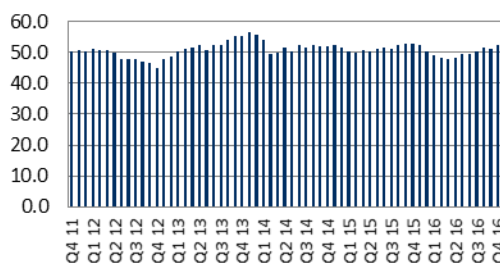
**6. Unemployment Rate:** The percentage of the total labor force that is unemployed but actively seeking employment.

Unemployment Rate %



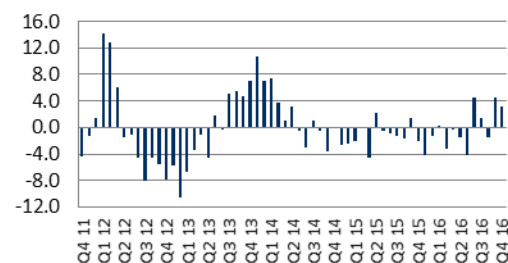
**7. Nikkei Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

Nikkei Manufacturing PMI



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

Industrial Production (YOY%)



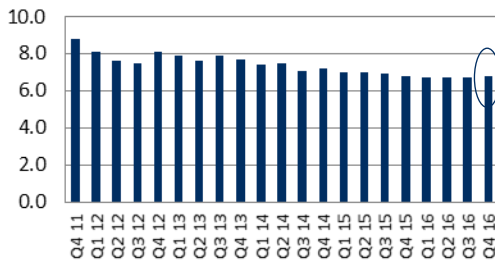
*GDP growth mainly supported by trade as weaker yen led to higher exports, increasing Japan's exposure to protectionist risks, as well as business investment. However, subdued domestic demand made it harder for the country to escape low inflation.*



## ► China Economic Indicators

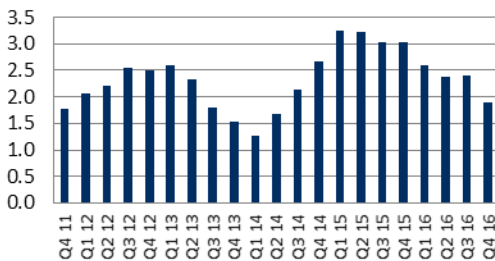
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP (YOY%)**



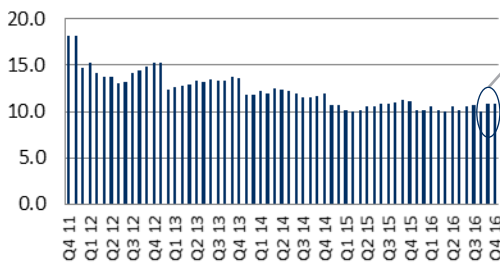
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current transfers.

**Current Account as % GDP**



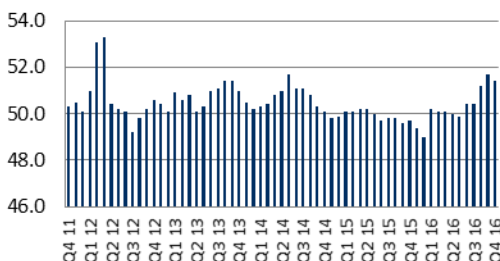
**5. Retail Sales:** An aggregated measure of the sales of retail goods over a stated time period.

**Retail Sales (YOY%)**



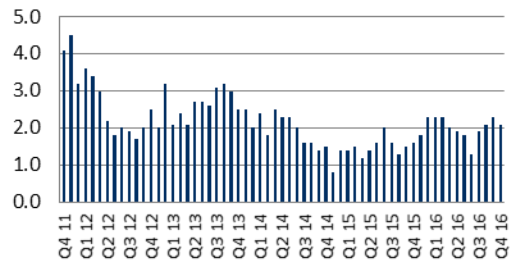
**7. NBS Manufacturing Purchasing Managers Index:** Index that captures business conditions in the manufacturing sector.

**NBS Manufacturing PMI**



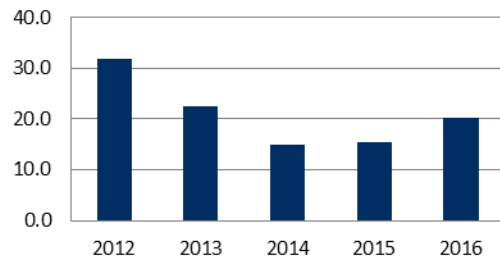
**2. Consumer Price Index:** Measures changes in the prices of goods and services that households consume.

**CPI (YOY%)**



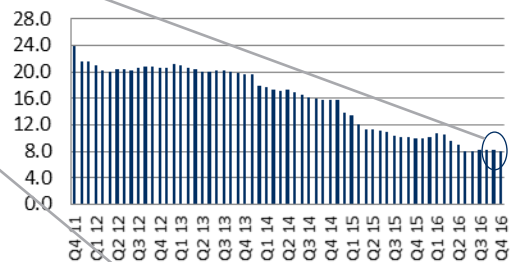
**4. Government Debt to GDP:** A measure of a country's federal debt in relation to its gross domestic product (GDP).

**Debt as % of GDP**



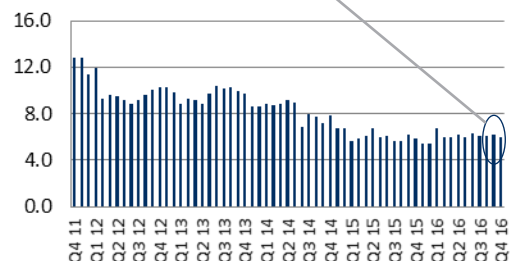
**6. Fixed Asset Investment:** A measure of capital spending.

**Fixed Asset Investment (YOY%)**



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

**Industrial Production (YOY%)**



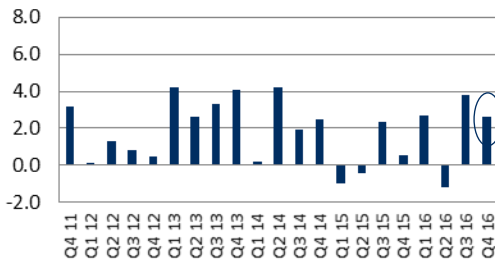
*GDP growth slightly higher in Q4, mainly supported by strong consumption reflected by higher retail sales, government spending and bank lending. Lower industrial production and FAI signal to the shift from China's old economic drivers as well as lower investment by state-owned and private companies.*



► **Canada Economic Indicators**

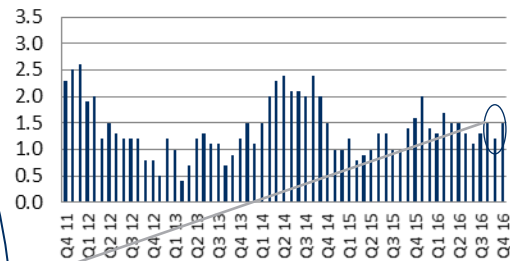
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP Annualized (QOQ%)**



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

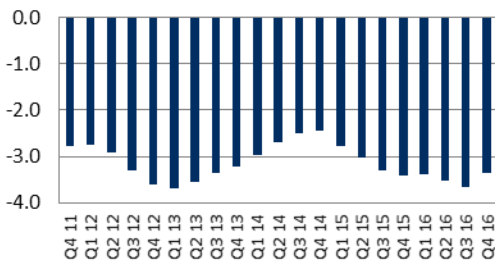
**CPI (YOY%)**



*Strong consumer spending and housing market drove economic growth – reflecting solid labor market and rising wages – and offset weaker business investment particularly in the energy sector and losses from Alberta wildfires resulting in lower oil production.*

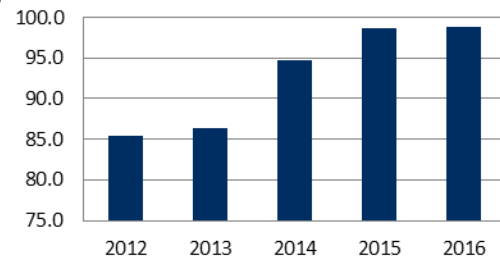
**3. Current Account:** All transactions other than those in financial and capital items. The major classifications are goods and services, income and current

**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).

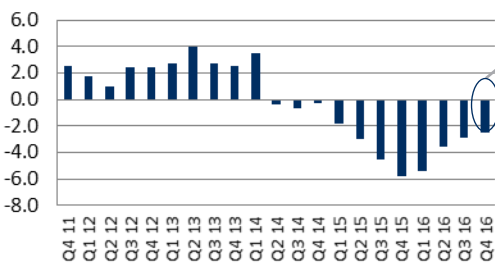
**Government Debt as % of GDP**



► **Brazil Economic Indicators**

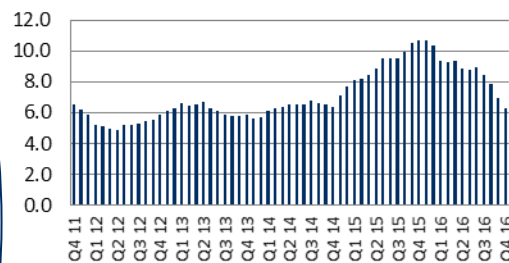
**1. Real GDP:** The value of goods and services produced within a country in a given period of time.

**GDP (YOY%)**



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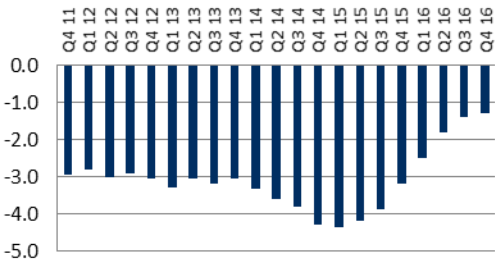
**CPI (YOY%)**



*GDP growth remained in negative territory weighed by weaker domestic demand. Brazilian Real among best performing currencies in 2016 on hopes that President Temer will implement market-friendly reforms.*

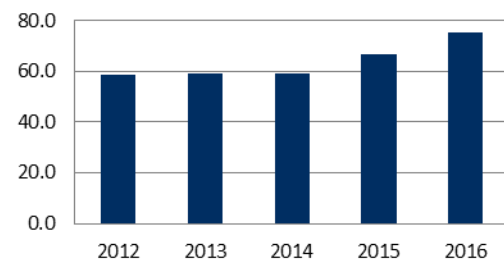
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**Government Debt as % of GDP**



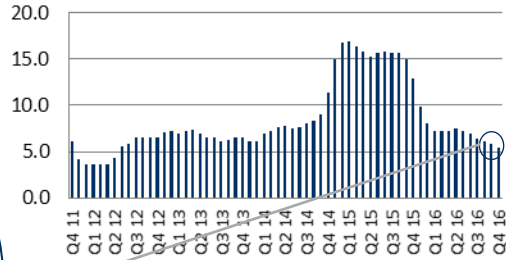
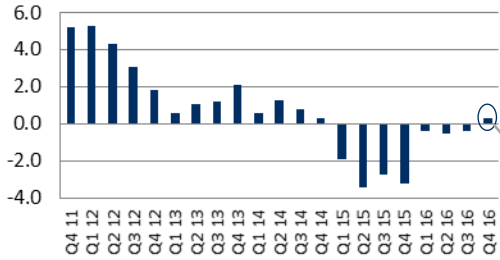
### ► Russia Economic Indicators

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

**GDP (YOY%)**

**CPI (YOY%)**



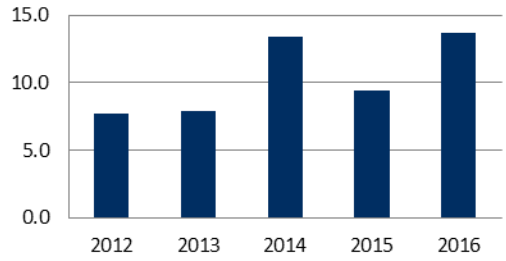
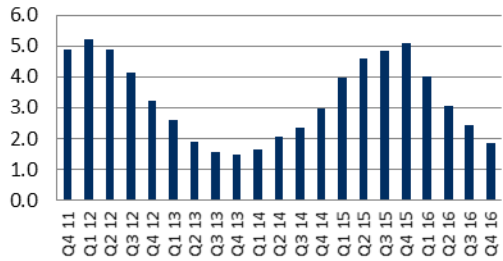
*Russian economy returned to growth supported by manufacturing and energy sectors after quarters of contraction while CPI continued to ease.*

**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 % GDP**

**Debt as % of GDP**



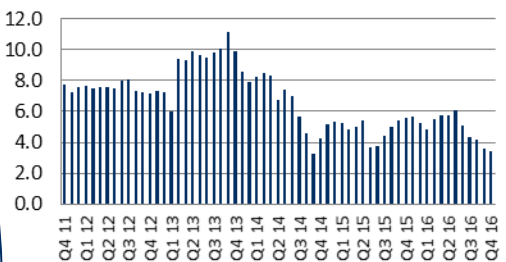
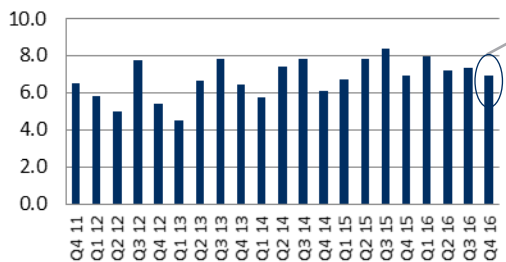
### ► India Economic Indicators

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

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

**GDP (YOY%)**

**CPI (YOY%)**



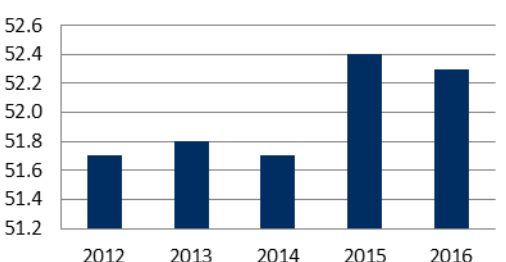
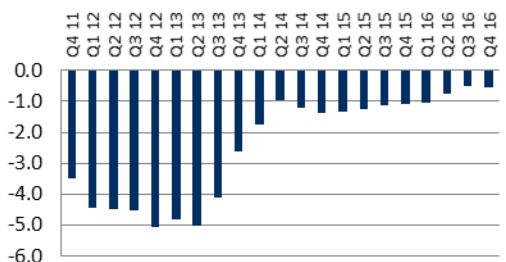
*Solid economic growth supported by private consumption, investment and government spending despite the liquidity squeeze resulting from the ban on large-denomination currency notes triggered in November to curb black market.*

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

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

**Current Account as % GDP**

**Debt as % of GDP**





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