



GLOBAL ECONOMIC MONITOR

Monthly update of developments in the global economy

PHD Research Bureau
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Short-term prospects for the world economy have continued to improve. The recent improvement reflects a further uptick in the growth outlook for developed economies in 2018, on the strength of accelerating wage growth, broadly favorable investment conditions and the short-term impact of a fiscal stimulus package in the United States. Higher levels of energy and metal prices are also supporting a gradual recovery in many commodity-exporting countries.

On the trade front, world trade growth has accelerated, reflecting a widespread revival of demand. Many commodity-exporting countries will also benefit from the higher level of energy and metal prices. While the modest rise in global commodity prices will exert some upward pressure on inflation in many countries, inflationary pressures remain contained across most developed and developing regions.

According to United Nations' World Economic Situation and Prospects 2018, World gross product is expected to expand by 3.2% in both 2018 and 2019. Among the advanced economies, United States is operating at or close to full capacity and is expected to reach 2.5 % in 2018 and 2.3 % in 2019. In Canada, the economy is expected to expand at a more moderate, but healthy pace of 2-2.2 % in 2018-2019. Elevated uncertainty surrounding the ongoing renegotiation of NAFTA will restrain the recovery in investment in the near term.

In Japan, the GDP growth is forecasted at 1.6 %, reflecting improvements in both external and domestic demand. The growth outlook for Europe remains robust, but downside risks are high and are projected to expand by 2.1 % this year and 1.9 % in 2019.

Among the developing economies, China's growth is expected to remain solid, supported by robust consumer spending and is projected to gradually moderate from 6.9 % in 2017 to 6.5 % in 2018 and 6.3 % in 2019. Growth in many countries, including Indonesia, the Philippines and Thailand, will be supported by large infrastructure projects, which will help to alleviate structural bottlenecks and boost productivity growth in the medium term.

Going ahead, the countries need to focus on accelerating the process of economic diversification, tackling high and/or rising levels of inequality, supporting essential investment and strengthening institutions and governance to build a more transparent and dynamic business environment. The ongoing rise in economic risks makes this challenge all the more imperative, to build resilience in advance of any forthcoming economic shocks.

World Economy: Key Monetary and Fiscal Indicators

Country	GDP Billion (US\$)	GDP Growth (YoY)	Government Debt as % of GDP	Interest Rate	Inflation Rate	Unemployment Rate	Current Account	Government Budget
	Dec '16	Dec'17	Dec '17	May'18	April'18	April '18	Dec '17	Dec '17
United States	18,569	2.5%	105.4%	1.75%	2.5%	3.9%	(-)2.4%	(-)3.5%
Canada	1,530	2.9%	89.6%	1.25%^	2.2%	5.8%	(-)3%	(-)0.9%
Japan	4,939	2%	253%	-0.10%^	0.6%	2.5%	3.7%#	(-)4.5%
Euro Area								
United Kingdom	2,619	1.4%	85.3%	0.50%	2.4%	4.2%	(-)4.1%	(-)2.3%
Germany	3,467	2.9%	64.1%	0.00%	1.6%	3.4%**	8%~	1.3%
France	2,465	2.5%	97%	0.00%	1.6%	9.2%**	(-)0.8%	(-)2.6%
European PIIGS								
Portugal	205	2.4%	125.7%	0.00%^	0.4%	7.9%**	0.50%	(-)3%
Ireland	294	8.4%	68%	0.00%^	-0.4%	5.9%	12.5%	(-)0.3%
Italy	1,850	1.6%	131.8%	0.00%^	0.5%	11%**	2.8%	(-)2.3 %
Greece	195	1.9%	178.6%	0.00%^	0%	20.8%@	(-)0.8%	0.80%
Spain	1,232	3.1%	98.3%	0.00%^	1.1%	16.74%**	1.9%	(-)3.1%
BRICS Countries								
Brazil	1,796	2.1%	74.04%	6.5%	2.76%	13.1%**	(-)0.48%	(-)7.8%
Russia	1,283	0.9%	12.6%	7.25%^	2.4%	4.9%	1.8%#	(-)1.5%
India	2,264	7.2%	68.7%	6.0%^	4.58%	3.52%#	(-)0.7%#	(-)3.5%
China	11,199	6.8%	47.6%	4.35%^	1.8%	3.89%**	1.3%	(-)3.5%
South Africa	295	1.5%	53.1%	6.5%	4.5%	26.7%**	(-)2.5%	(-)4.6%

Source: PHD Research Bureau, compiled from various sources, # pertains to December 2016, *Data pertains to September 2017, ^Data pertains to January 2018, ~ pertains to December 2017 @ Data pertains to February 2018, ^^ pertains to April, 2018, ** pertains to March 2018

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1. Growth

1.1 OECD CLIs continue to point to stable growth momentum in the OECD area- Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend six to nine months ahead, continue to anticipate stable growth momentum in the OECD area as a whole. Among large European economies, the CLI for Germany points to easing growth momentum. In France, Italy and the euro area as a whole, the CLIs confirm the signs of easing growth momentum flagged in last month's assessment. Continued weakening of growth momentum is anticipated in the United Kingdom. Among other OECD economies, signs of easing growth momentum are now also emerging in Japan and Canada, but stable growth momentum remains the assessment for the United States and most other OECD countries. Amongst major emerging economies, the CLI for Russia points to stabilising growth momentum. Growth gaining momentum continues to be the outlook for India and Brazil with similar signs now emerging for the industrial sector in China.

Composite leading indicators

	Ratio to trend, amplitude adjusted					Month on Month change					Year on Year change	Growth cycle outlook
	(long term average =100)					(%)					(%)	
											Latest month	
	2017	2018				2017	2018					
	Nov	Dec	Jan	Feb	Mar	Nov	Dec	Jan	Feb	Mar		
OECD Area	100.2	100.2	100.1	100.1	100.0	0.00	-0.01	-0.03	-0.05	-0.07	0.08	Stable growth momentum
Euro Area	100.6	100.6	100.5	100.4	100.2	0.00	-0.04	-0.08	-0.12	-0.15	0.07	Signs of easing growth momentum
Major Five Asia**	99.6	99.5	99.5	99.5	99.6	-0.07	-0.06	-0.03	0.01	0.07	-0.31	Stable growth momentum
Major Seven	100.1	100.2	100.2	100.1	100.1	0.03	0.02	0.00	-0.01	-0.04	0.21	Stable growth momentum
Canada	100.4	100.4	100.3	100.2	100.1	0.01	-0.02	-0.06	-0.09	-0.11	-0.11	Signs of easing growth momentum
France	100.4	100.3	100.3	100.1	100.0	-0.03	-0.05	-0.08	-0.11	-0.13	-0.24	Signs of easing growth momentum
Japan	100.2	100.1	100.1	100.0	99.9	-0.01	-0.04	-0.08	-0.09	-0.12	-0.22	Signs of easing growth momentum
Germany	101.0	101.0	100.9	100.7	100.5	0.01	-0.05	-0.11	-0.16	-0.20	0.31	Easing growth momentum
Italy	100.8	100.8	100.7	100.6	100.5	0.07	0.01	-0.06	-0.10	-0.12	0.65	Signs of easing growth momentum
United Kingdom	99.6	99.5	99.4	99.2	99.0	-0.16	-0.13	-0.13	-0.17	-0.23	-1.32	Easing growth momentum
United States	99.9	99.9	100.0	100.1	100.2	0.08	0.09	0.10	0.10	0.07	0.57	Stable growth momentum
Brazil	102.7	103.0	103.4	103.7	103.9	0.34	0.33	0.32	0.28	0.22	3.47	Growth gaining momentum
China***	99.0	98.9	98.9	98.9	99.0	-0.15	-0.11	-0.05	0.02	0.12	-0.98	Tentative signs of growth gaining momentum
India	100.1	100.3	100.5	100.7	100.9	0.17	0.18	0.19	0.19	0.19	1.70	Growth gaining momentum
Russia	100.6	100.8	100.9	100.9	100.9	0.15	0.13	0.10	0.05	0.01	0.61	Stabilising growth momentum

* CLI data for 32 OECD member countries and 6 OECD non-member economies are available at:

http://stats.oecd.org/default.aspx?datasetcode=MEI_CLI

** China, India, Indonesia, Japan and Korea.

*** The reference series for China is the value added of industry, at 1995 constant prices, 100 million Yuan.

Source: PHD Research Bureau, compiled from OECD

1.2 US GDP Growth Beats Forecasts in Q1- US economy expanded an annualized 2.3 % on quarter in the first quarter of 2018, below 2.9 % in the previous period but beating market expectations of 2 %.

1.3 Eurozone Q1 GDP Growth Confirmed at 0.4% - The Eurozone's gross domestic product grew by 0.4 % on quarter in the three months to March 2018, unrevised from the preliminary estimate and below 0.7 % in the previous period.

- 1.4 UK Q1 GDP Growth Slows to Weakest in 5 Years** - The British economy grew by 0.1 % on quarter in the three months to March 2018, easing from a 0.4 % expansion in the previous period and missing market expectations of 0.3 %.
- 1.5 German Q1 GDP Growth Weakest in 1-1/2 Years** - As per Federal Statistical Office, German economy expanded a seasonally-adjusted 0.3 % on quarter in the three months to March 2018, following a 0.6 % growth in the previous period and missing market expectations of 0.4 %.
- 1.6 Japan GDP Shrinks for First Time in Over 2 Years** - According to Cabinet Office of Japan, Japanese economy contracted 0.2 % on quarter in the three months to March of 2018, following a downwardly revised 0.1 % growth in the previous period while markets expected no growth.
- 1.7 China Q1 GDP Growth Remains Robust** - As per National Bureau of Statistics of China, Chinese economy expanded by 6.8% year-on-year in the first quarter of 2018, the same pace as in the previous two quarters and in line with market expectations. Growth was mainly supported by solid consumption, property investment and exports.
- 1.8 Russia Economy Grows 1.3% in Q1** - Russia's gross domestic product grew by 1.3 % year-on-year in the first quarter of 2018, following a 0.9 % expansion reported in the previous period.

2. Industry

- 2.1 US Manufacturing Growth Confirmed at 3-1/2-Year High**- The IHS Markit US Manufacturing PMI stood at 56.5 in April 2018, unchanged from the preliminary estimate and above March's final 55.6. The reading pointed to the strongest pace of expansion in the manufacturing sector since September 2014, supported by quicker rates of output and new order growth and a greater deterioration in vendor performance.
- 2.2 Eurozone Manufacturing PMI stands at 56 in April 2018**- The IHS Markit Eurozone Manufacturing PMI fell to 56 in April 2018 from 56.6 in March, missing market consensus of 56.6. The latest reading pointed to the weakest pace of expansion in the manufacturing sector since February last year, as both total goods orders and export orders rose at the softest pace for a year-and-a-half and factory hiring slowed.
- 2.3 France Manufacturing PMI rose to 53.8 in April 2018**- The IHS Markit France Manufacturing PMI came in at 53.8 in April 2018, above the preliminary estimate of 53.4 and compared with March's final 53.7. Rates of output and employment growth

quicken slightly from the prior month, while new orders rose at a softer pace and business confidence dipped to a seven-month low.

2.4 Spain Manufacturing PMI stands at 54.4 in April 2018 - The IHS Markit Spain Manufacturing PMI dropped to 54.4 in April of 2018 from 54.8 in March, slightly above market expectations of 54.2. The reading pointed to the slowest expansion since September, as new orders increased the least in three months and job creation was the weakest since August 2016.

2.5 Japan manufacturing PMI rose to 53.8 in April 2018 - The Nikkei Japan Manufacturing PMI came in at 53.8 in April of 2018, above the preliminary estimate of 53.3 and compared to March's final reading of 53.1. Output and new orders rose at a faster pace, and the degree of business confidence strengthened for the first time since the start of the year amid forecasts of a sustained upturn in demand.

Manufacturing Purchasing Managers' Index (PMI) of Select Countries

Country	Manufacturing PMI (December)	Manufacturing PMI (January)	Manufacturing PMI (February)	Manufacturing PMI (March)	Manufacturing PMI (April)
United States	55	55.5	55.3	55.6	56.5
Eurozone	60.6	59.6	58.6	56.6	56
France	59.3	58.4	55.9	53.7	53.8
Spain	-	55.2	55.2	54.8	54.4
Japan	54.2	54.8	54.1	53.1	53.8

Source: PHD Research Bureau, compiled from various sources

3. Inflation

3.1 US inflation rate highest in 14 months- According to U.S. Bureau of Labor Statistics, annual inflation rate in the United States edged up to 2.5 % in April of 2018 from 2.4 in March, matching market expectations. It is the highest rate since February of 2017 amid rises in gasoline, fuel and shelter cost.

3.2 UK inflation rate eases to 2.4% in April- According to the Office of National Statistics, annual inflation in the UK edged down to 2.4 % in April of 2018 from 2.5 % in March, below market expectations of 2.5 %. It is the lowest rate since March of 2017, mainly due to a slowdown in cost of transport amid a drop in air fares.

3.3 Germany April inflation rate confirmed at 1.6%- As per Federal Statistics Office, German consumer price inflation rate stood at 1.6 % year-on-year in April 2018, unrevised from the preliminary estimate and unchanged from the March's figure. Prices of food and energy rose at a faster pace, while services inflation slowed.

- 3.4 Italy April inflation rate confirmed at 0.5%-** As per National Institute of Statistics (ISTAT), Italy's consumer price inflation eased to 0.5 % year-on-year in April of 2018 from 0.8 % in March and matching the preliminary estimate. Prices grew less for transport, restaurants & hotels and housing & utilities while food was more expensive.
- 3.5 Japan April inflation rate weaker than expected-** As per Ministry of Internal affairs and Communications, Japan's consumer price inflation fell to 0.6 % year-on-year in April of 2018 from 1.1 % in the prior month and below market consensus of 0.7 %. It is the lowest rate since last November, as food inflation eased to 5-month low and cost of transport increased less.
- 3.6 China April inflation rate weaker than expected -** As per National Bureau of Statistics of China, China's consumer price inflation fell to 1.8 % year-on-year in April, from 2.1 % in the previous month and missing market consensus of 1.9 %. It was the lowest rate since January, mainly due to a sharp slowdown in food inflation.

4. Markets

- 4.1 Most of the key international indices exhibited positive trend-** Most of the key international indices exhibited positive trends with US's DJIA registering a maximum rise of 3.3% followed by Germany's DAX registering an increase of about 2.4% and Japan's NIKKEI a rise of 0.7%. While India's SENSEX registered an increase of 0.1% however, China's SHSZ registered a month on month decrease of 0.4%.

Global Indices			
Index		Index	Monthly Change
	(as on 24 April, 18)	(as on 24 May, 18)	(in %)
DAX ¹	12,550.82	12,855.09	2.4
DJIA ²	24,024.13	24,811.76	3.3
NIKKEI ³	22,278.12	22,437.01	0.7
SENSEX ⁴	34,616.64	34,663.11	0.1
SHSZ ⁵	3,843.49	3,827.22	-0.4

Note: ¹ Deutscher Aktien Index (Germany), ² Dow Jones Industrial Average (US), ³ NIKKEI (Japan), ⁴ BSE SENSEX (India), ⁵ Shanghai Shenzhen (China)

5. Commodities

- 5.1 International prices of most of the key commodities showed mixed trend-** During the period April-May 2018, the international prices of the key commodities exhibited a mixed trend. Prices of crude oil registered a rise of 6.3% to 77.6 \$/bbl while prices of sugar registered an increase of 0.3% to 337.6\$/tone. However, prices of gold registered an decline of 3% to 1,285.3 \$/ounce, followed by 2.4% fall in the prices of silver to 16.4\$/ounce and 2.22% decline in the prices of copper to 6,783.5 \$/tone.

International Commodity Prices				
Commodity	Units	As on	As on	Monthly Change (in %)
		(23-April 18)	(21 May 18)	
Gold	\$/ounce	1,324.7	1,285.3	-3.0
Silver	\$/ounce	16.8	16.4	-2.4
Copper	\$/tonne	6,939	6,783.5*	-2.2
Crude Oil	\$/bbl	73	77.6	6.3
Sugar	\$/tonne	336.7	337.6	0.3

Source: PHD Research Bureau, compiled from various sources, Note: * pertains to 22nd May 2018

6. Trade

- 6.1 US trade gap lower than expected** - The US trade deficit narrowed to USD 49 billion in March of 2018 from a slightly upwardly revised USD 57.7 billion in February which was the highest since October 2008. Figures came better than market expectations of a USD 50 billion gap as exports reached a record high boosted by sales of commercial aircraft and soybeans.
- 6.2 UK posts largest trade deficit in 9 months** - The UK's trade deficit widened by GBP 1.9 billion to GBP 3.091 billion in March 2018 from an upwardly revised GBP 1.176 billion in February and above market expectations of a GBP 2 billion gap. It was the largest trade deficit since last June.
- 6.3 China trade surplus beats estimates in April** - China's trade surplus narrowed to USD 28.78 billion in April of 2018 from USD 37.45 billion in April 2017 but above market consensus of USD 24.7 billion. Imports jumped 21.5 % year-on-year to USD 171.64 billion, while exports rose by 12.9 % to USD 200.49 billion.
- 6.4 Brazil trade surplus below expectations in April** - Brazil trade surplus narrowed to USD 6.14 billion in April of 2018 from USD 6.97 billion in April 2017 and below market consensus of a USD 6.3 billion surplus. Imports increased 28.7 % year-on-year to USD 13.79 billion while exports rose 12.7 % to USD 19.93 billion compared to April of 2017.
- 6.5 South Korea trade surplus narrows sharply in April** - South Korea's trade surplus narrowed to USD 6.6 billion in April of 2018 from USD 12.9 billion in April 2017, as exports fell for the first time in 18 months and imports rose less than expected, preliminary data showed.
- 6.6 New Zealand trade surplus beats expectations** - New Zealand posted a NZD 263 million trade surplus in April 2018, compared with a NZD 547 million surplus in the April 2017 and market expectations of a NZD 200 million surplus.

7. Unemployment

- 7.1 US jobless rate drops to near 17-1/2-year low** - As per U.S. Bureau of Labor Statistics, US unemployment rate fell to 3.9 % in April 2018 from 4.1 % in March and below market expectations of 4 %. It was the lowest rate since December 2000, as 236 thousand people exited the labor force.
- 7.2 UK unemployment rate at 42-year low** - The unemployment rate in the UK stood at a 42-year low of 4.2 % in the three months to March 2018, matching market expectations. The number of unemployed declined by 46,000 from the October to December period while employment increased by 197,000, the biggest quarterly increase since the end of 2015 and way above market expectations of a 130,000 gain..
- 7.3 Italy jobless rate steady at 11% in March** - As per National Institute of Statistics (ISTAT), Italy's seasonally adjusted unemployment rate stood at 11 % in March of 2018 and above market expectations of 10.9 %.
- 7.4 Japan jobless rate steady at 2.5% in March** - As per Ministry of Internal Affairs and Communications of Japan, the unemployment rate in Japan stood at 2.5 % in March of 2018 and matching market estimates. Meanwhile, the jobs-to-applicants ratio edged up to 1.59 from 1.58 in the preceding month and in line with consensus.
- 7.5 China's jobless rate decreased to 3.90 % in Q4-** Unemployment Rate in China decreased to 3.89 % in the first quarter of 2018 from 3.90 % in the fourth quarter of 2017. Unemployment Rate in China averaged 4.11 % from 2002 until 2018, reaching an all time high of 4.30 % in the fourth quarter of 2003 and a record low of 3.89 % in the first quarter of 2018.
- 7.6 Russia unemployment rate edges down to 4.9%** - According to Federal State Statistics Service, Russian unemployment rate declined to 4.9 % in April of 2018 from 5.3 % in April 2017, beating market expectations of 5 %. In March, the jobless rate was 5 %.
- 7.7 Brazil jobless rate at near 1-year high in March** - As per Instituto Brasileiro de Geografia E Estatística, the unemployment rate in Brazil increased to 13.1 % in the three months to March of 2018, above 12.6 % in the December to February 2018 period and market estimates of 12.9 %. It was the third straight increase in jobless rate and the highest since the three months to May 2017 period.

Unemployment Rate of Select Countries

Country	Unemployment Rate in March '18 (in %)
United States	3.9*
United Kingdom	4.2
Russia	4.9*
Italy	11

Japan	2.5
Brazil	13.1

Source: PHD Research Bureau, compiled from various sources Note: * pertains to April 2018

8. Policy Developments

- 8.1 Fed hikes interest rates** - The Federal Reserve raised the target range for the federal funds rate by a quarter point to 1.5-1.75% in line with market expectations, saying the economic outlook has strengthened in recent months. Also, the Fed raised its growth forecasts for 2018 and 2019 and projections pointed to an extra rate increase in 2019.
- 8.2 BoE holds key rate at 0.5%** - The Bank of England voted by seven to two to keep the Bank Rate at 0.5 % on May 10th, due to a sharp slowdown in GDP growth in the first quarter. Still, policymakers noted that wage growth and domestic cost pressures are firming gradually while CPI inflation is projected to fall back slightly more quickly than previously estimated.
- 8.3 Hong Kong's central bank raises base rate 25 basis points to 2%** - The Hong Kong Monetary Authority raised its base rate by 25 basis points to 2.0%, tracking a similar move by the US Federal Reserve as its currency is pegged to the US dollar. The central bank sets its base rate through a formula that is 50 basis points above the lower end of the prevailing US Fed Funds Target or the average of the five-day moving averages of the overnight and one-month HIBORS (Hong Kong Interbank Offered Rate), whichever is higher.
- 8.4 Russia cuts key policy rate to 7.25%** - The Bank of Russia held its benchmark one-week repo rate at 7.25 % on April 27th, following five consecutive cuts, saying that a weaker ruble amid geopolitical tensions will boost inflation. Still, policymakers agreed that there are no risks of inflation overshooting the bank's 4 % target.
- 8.5 BoJ holds policy steady, removes inflation target date** - The Bank of Japan left its key short-term interest rate unchanged at -0.1 % at its April 2018 meeting, as expected. Policymakers also kept its target for 10-year government bond yield around zero % but dropped their target date for reaching 2 % inflation.
- 8.6 South Africa holds interest rate steady at 6.5%** - The South African Reserve Bank left its benchmark repo rate unchanged at 6.5 % on May 24th 2018 after trimming it by 25 bps in the previous meeting and matching market expectations. Policymakers said that the current monetary policy stance is accommodative and appropriate given the current state of the economy and the inflation trajectory.
- 8.7 Canada holds key rate to 1.25%** - The Bank of Canada held its overnight rate at 1.25 % in line with market expectations. The transitory impact of higher gasoline prices and

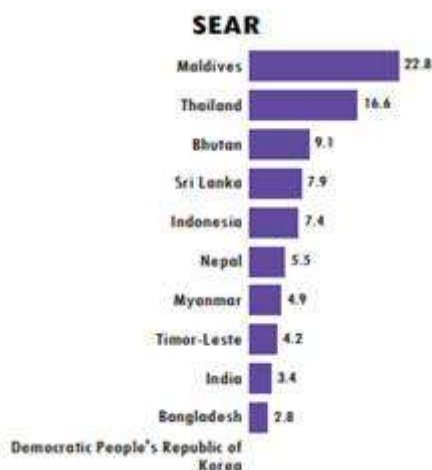
recent minimum wage increases will likely cause inflation in 2018 to be modestly higher than expected and the economy is projected to operate slightly above its potential over the next three years

9. Miscellaneous

9.1 World Health Statistics Report, 2018 released by the WHO - World Health Organization (WHO) released the World Health Statistics report 2018 according to which India's per capita expenditure on health spends at a dismal \$ 63 is less than that in neighbouring Bhutan and Sri Lanka. The report also says that the life expectancy in India is just 59.3 years which is very low as compared to several other developing countries.

World health statistics 2018 focuses on the health and health-related Sustainable Development Goals (SDGs) and associated targets by bringing together data on a wide range of health-related SDG indicators. It also links to the three SDG-aligned strategic priorities of the WHO's 13th General Programme of Work, 2019–2023.

Proportion of total government spending on essential services (education, health and social protection)



Source: PHD Research Bureau, compiled from World Health Statistics 2018

India's per capita health expenditure is among the lowest for developing countries with China reporting a per capita spending of \$ 426, Thailand \$ 217, Malaysia \$ 386, Philippines \$ 127, Sri Lanka \$ 118 and Indonesia \$ 112. Among the SAARC countries, Pakistan has a per person health expenditure lower than India's at \$ 38 while Bhutan has a better spending of \$ 91. In comparison, developed countries have much better health expenditure figures with the USA reporting \$ 9,536, UK \$ 4,356 and Germany spending \$ 4,592 per capita per year.



9.2 **IMD World Competitiveness Ranking 2018** - IMD World Competitiveness Rankings emphasize a long-term trend highlighted in past editions – that the countries on the top of the list each have a unique approach to becoming competitive.

The top five most competitive economies in the world remain the same as in the previous year, but their order changes. The United States returns to the first spot, followed by Hong Kong, Singapore, the Netherlands and Switzerland. The United States improves three positions from last year while Hong Kong drops one spot and Singapore remains 3rd. The return of the United States to the top is driven by its strength in economic performance (1st) and infrastructure (1st). Hong Kong takes a somewhat different approach exploiting its government efficiency (1st) and business efficiency (1st).

Special Feature

Regional analysis of the IMD World Competiveness Ranking 2018

This special feature provides a brief analysis of the rankings of the regions primarily Asia, Europe, Middle East, South Africa and Latin America while focusing on the shift in the rankings of the countries lying in these regions.

a) Asia

Asia showed mixed results. Hong Kong and Singapore lead the region. On the one hand, Japan (25th), Republic of Korea (27th), Malaysia (22nd) and India (44th) all see slight improvements. On the other, Taiwan (17th), Thailand (30th) and Indonesia (43rd) drop a few places. Australia (19th) improves its rank by two positions and New Zealand (23rd) drops 7 places.

The Philippines experiences the most significant decline in the region, shifting nine places to 50th. The reasons for such a drop include a decline in tourism and employment, the worsening of public finances and a surge in concerns about the education system. Countries from the region that experience declines this year, with the exception of Taiwan, all show signs of a need to improve their tangible and scientific infrastructure.

b) Europe

In Eastern Europe, there are also mixed results, although the majority of its economies improve. In this group are Lithuania (32nd), Poland (34th), Slovenia (37th), Hungary (47th), Bulgaria (48th) and Romania (49th). Among these countries Poland, Slovenia and Hungary advance the most: four, six and five ranks respectively. Poland's progress comes after GDP growth, a rise in the export of commercial services and an improvement in the management of government debt. Hungary boosts its competitiveness partly because of a reduction in corporate taxes and growth in overall productivity.

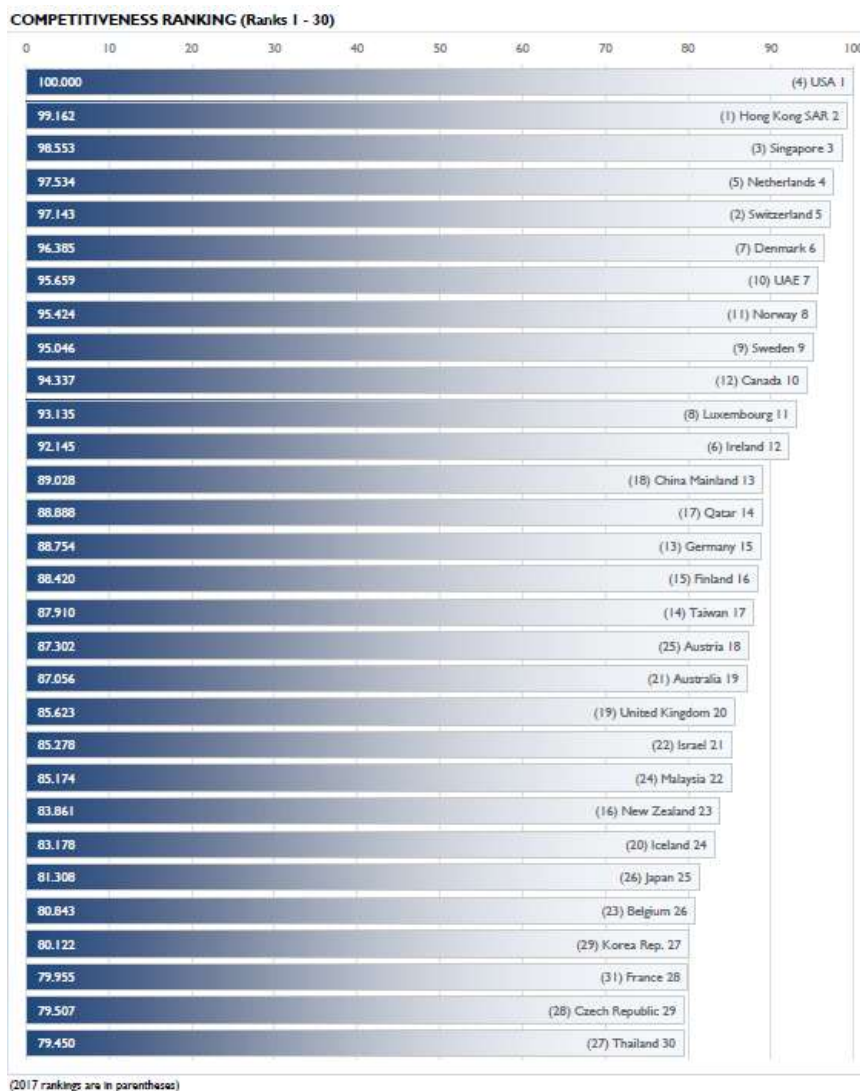
Slovenia rises thanks to a remarkable positive shift in its domestic economy and the enhancement of public budget. The region's declining economies include the Czech Republic (29th), Estonia (31st) and the Slovak Republic (55th). Latvia (40th) stays in the same position.

Western European economies follow an opposite pattern, with very few countries advancing in the rankings this year. Ireland (12th) and Luxemburg (11th) leave the top 10, dropping six and three places respectively. Germany (15th), Finland (16th), the United Kingdom (20th), Iceland (24th), Belgium (26th), Spain (36th) and Cyprus (41st) all experience a decline with respect to last year. With the exception of Cyprus and Spain, all countries experiencing a decline in the overall rankings show signs of a slowdown in economic performance to different degrees. For example, in economic performance Iceland drops 18 places and the United Kingdom 16 positions.

Conversely, France, Portugal and Italy see an improvement in the overall rankings by three (28th), six (33rd) and two positions (42nd) respectively. Portugal's upsurge is due to growth in economic activities paired with a positive turn in perceptions about institutional efficiency including greater governmental transparency. Only Greece remains in the same place (57th).

c) Middle East

In the Middle East, despite the increase of political tensions in the area, all the countries experience competitiveness improvements with the exception of Saudi Arabia which drops three places to 39th. The UAE (7th), Qatar (14th), Israel (21st) and Jordan (52nd) show progress in the rankings. The UAE and Qatar benefit from the strengthening of their international trade. Israel and Jordan boost their competitiveness through better government and business efficiency.



Source: PHD Research Bureau, compiled from IMD World Competitiveness Rankings

d) Latin America

Most Latin American countries in the sample improve: Argentina (56th), Brazil (60th) and Peru (54th) advance. In the case of Argentina and Peru their progress comes on the back of further business efficiency. Chile (35th) and Venezuela (63rd) remain at the same position. Mexico drops to 51st as a



result of the worsening of perceptions about the quality of institutions and business legislation such as the ease of doing business, and some aspects of corporate governance. Similarly, Colombia declines to 58th due to an increase in bureaucratic procedures required for the creation of firms and negative perceptions about governance, combined with a raise in taxation.

e) South Africa

Overall South Africa remains stable at 53rd. Progress in institutional framework driven by exchange rate stability contributes to a slight increase in government efficiency. A minor reduction in crime and some measures on gender disparity also support that increase. Positive GDP growth and an improving current account deficit suggest that South Africa may be moving out of its transition period, while the continued broad range of export partners supports stability.

Conclusions

In a nutshell, the improvement in economic growth has been accompanied by an increase in downside risks, including a rise in the probability of trade conflicts between major economies, increased uncertainty regarding the pace of monetary policy adjustment in developed economies, high and increasing levels of debt, and greater geopolitical tensions.

The process of monetary policy adjustment is expected to continue at a measured pace in the developed economies, as inflation remains close to or below most central bank targets. The deflationary pressures that posed a key policy concern in 2015-2016 have subsided. In response to stronger growth and labour market conditions, a few central banks have recently signaled a slightly faster pace of monetary adjustment and balance sheet normalization going forward.

In the majority of developing economies and economies in transition, monetary policy is likely to remain supportive of growth, amid benign inflationary pressures and heightened uncertainty in the external environment. However, a growing number of countries are expected to gradually reduce their degree of monetary accommodation. The prolonged accommodative monetary conditions have contributed to a build-up of debt in several countries, posing a growing policy challenge for central banks.

The current economic picture has important implications for progress towards the Sustainable Development Goals. The continued improvement in global macroeconomic conditions offers an opportunity to raise living standards on a broad scale. However, this also requires policies aimed at reducing inequality, to ensure that economic gains are widely shared. The recent acceleration in economic growth also bears an environmental cost. Global energy-related CO2 emissions increased in 2017, partly as a result of accelerating global economic growth. Current efforts to decouple GDP growth and emissions growth are insufficient to meet the objectives of the Paris Agreement. In the area of trade, policymakers face an increasing tendency to move away from the multilateral framework.

Overview of Global Economy (% change)

	2017	Projections		Difference from January 2018 WEO Update ¹		Difference from October 2017 WEO ¹	
		2018	2019	2018	2019	2018	2019
World Output	3.8	3.9	3.9	0.0	0.0	0.2	0.2
Advanced Economies	2.3	2.5	2.2	0.2	0.0	0.5	0.4
United States	2.3	2.9	2.7	0.2	0.2	0.6	0.8
Euro Area	2.3	2.4	2.0	0.2	0.0	0.5	0.3
Germany	2.5	2.5	2.0	0.2	0.0	0.7	0.5
France	1.8	2.1	2.0	0.2	0.1	0.3	0.1
Italy	1.5	1.5	1.1	0.1	0.0	0.4	0.2
Spain	3.1	2.8	2.2	0.4	0.1	0.3	0.2
Japan	1.7	1.2	0.9	0.0	0.0	0.5	0.1
United Kingdom	1.8	1.6	1.5	0.1	0.0	0.1	-0.1
Canada	3.0	2.1	2.0	-0.2	0.0	0.0	0.3
Other Advanced Economies ²	2.7	2.7	2.6	0.1	0.0	0.2	0.1
Emerging Market and Developing Economies	4.8	4.9	5.1	0.0	0.1	0.0	0.1
Commonwealth of Independent States	2.1	2.2	2.1	0.0	0.0	0.1	0.0
Russia	1.5	1.7	1.5	0.0	0.0	0.1	0.0
Excluding Russia	3.6	3.5	3.6	0.1	0.1	0.2	0.1
Emerging and Developing Asia	6.5	6.5	6.6	0.0	0.0	0.0	0.1
China	6.9	6.6	6.4	0.0	0.0	0.1	0.1
India ³	6.7	7.4	7.8	0.0	0.0	0.0	0.0
ASEAN-5 ⁴	5.3	5.3	5.4	0.0	0.1	0.1	0.1
Emerging and Developing Europe	5.8	4.3	3.7	0.3	-0.1	0.8	0.4
Latin America and the Caribbean	1.3	2.0	2.8	0.1	0.2	0.1	0.4
Brazil	1.0	2.3	2.5	0.4	0.4	0.8	0.5
Mexico	2.0	2.3	3.0	0.0	0.0	0.4	0.7
Middle East, North Africa, Afghanistan, and Pakistan	2.6	3.4	3.7	-0.2	0.2	-0.1	0.2
Saudi Arabia	-0.7	1.7	1.9	0.1	-0.3	0.6	0.3
Sub-Saharan Africa	2.8	3.4	3.7	0.1	0.2	0.0	0.3
Nigeria	0.8	2.1	1.9	0.0	0.0	0.2	0.2
South Africa	1.3	1.5	1.7	0.6	0.8	0.4	0.1
Memorandum							
European Union	2.7	2.5	2.1	0.2	0.0	0.4	0.3
Low-income Developing Countries	4.7	5.0	5.3	-0.2	0.0	-0.2	0.1
Middle East and North Africa	2.2	3.2	3.6	-0.2	0.3	0.0	0.4
World Growth Based on Market Exchange Rates	3.2	3.4	3.3	0.1	0.1	0.3	0.3
World Trade Volume (goods and services)	4.9	5.1	4.7	0.5	0.3	1.1	0.8
Imports							
Advanced Economies	4.0	5.1	4.5	0.7	0.0	1.3	0.9
Emerging Market and Developing Economies	6.4	6.0	5.6	0.5	0.6	1.1	0.7
Exports							
Advanced Economies	4.2	4.5	3.9	0.3	-0.1	0.9	0.5
Emerging Market and Developing Economies	6.4	5.1	5.3	0.4	0.7	0.6	1.0
Commodity Prices (US dollars)							
Oil ⁵	23.3	18.0	-6.5	6.3	-2.2	18.2	-7.2
Nonfuel (average based on world commodity export weights)	6.8	5.6	0.5	6.1	-0.5	5.1	1.0
Consumer Prices							
Advanced Economies	1.7	2.0	1.9	0.1	-0.2	0.3	-0.1
Emerging Market and Developing Economies ⁶	4.0	4.6	4.3	0.1	0.0	0.2	0.2
London Interbank Offered Rate (percent)							
On US Dollar Deposits (six month)	1.5	2.4	3.4	0.1	0.0	0.5	0.5
On Euro Deposits (three month)	-0.3	-0.3	0.0	0.0	0.1	0.0	0.0
On Japanese Yen Deposits (six month)	0.0	0.0	0.1	0.0	0.0	-0.2	-0.1

Source: PHD Research Bureau, compiled from IMF

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during January 26–February 23, 2018.

Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

1Difference based on rounded figures for the current, January 2018 World Economic Outlook Update, and October 2017 World Economic Outlook forecasts.

2Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

3For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

4Indonesia, Malaysia, Philippines, Thailand, Vietnam.

NEWSLETTER TEAM

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India, Study on Impact of Project Imports under CTH 9801 for C&AG of India and has attracted a World Bank Project on free trade zones.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Macro Economy 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade & Investment Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> States Development 	<ul style="list-style-type: none"> Economic & Business Outlook (EBO) 	<ul style="list-style-type: none"> Business Research Consultancy
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	<ul style="list-style-type: none"> Investment Advisory Services
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Trade & Investment Facilitator(TIF) 	
<ul style="list-style-type: none"> Releases on Economic Development 	<ul style="list-style-type: none"> Global Economy & International Trade 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	

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Ms. Sunita Gosain, Secretarial Assistant
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Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)

48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
60. India-Israel Relations: Building Bridges of Dynamic Trade (October 2017)
61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN (January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (March 2018)
66. Restraining willful defaults : Need of the hour for the Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters: April 2018

B: State profiles

68. Rajasthan: The State Profile (April 2011)
69. Uttarakhand: The State Profile (June 2011)
70. Punjab: The State Profile (November 2011)
71. J&K: The State Profile (December 2011)
72. Uttar Pradesh: The State Profile (December 2011)
73. Bihar: The State Profile (June 2012)
74. Himachal Pradesh: The State Profile (June 2012)
75. Madhya Pradesh: The State Profile (August 2012)
76. Resurgent Bihar (April 2013)
77. Life ahead for Uttarakhand (August 2013)
78. Punjab: The State Profile (February 2014)
79. Haryana: Bolstering Industrialization (May 2015)
80. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
81. Suggestions for Progressive Uttar Pradesh (August 2015)
82. State profile of Telangana- The dynamic state of India (April 2016)
83. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
84. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
85. Rising Jharkhand: An Emerging Investment Hub (February 2017)
86. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
87. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
88. Kashmir: The way forward (March 2018)



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PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.



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