



NATIONAL APEX CHAMBER

GLOBAL ECONOMIC MONITOR

Monthly update of developments in the global economy



**PHD Research Bureau
PHD Chamber of Commerce and Industry**

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Brief Summary

The global economic growth has peaked and now is expected to ease gradually from 3.7% in 2018 to around 3.52% in 2019-20. GDP growth in many advanced economies, such as the US, Germany, Japan, among others witnessed a marginal decline in Q3 2018 as compared to the previous quarter.

Economic health of manufacturing and service sector, as implied by manufacturing PMI, remained at a lower level for most of the economies. Despite a rise in new orders and increased pace of job creation, the manufacturing PMI fell in the US. But, unlike the general trend, manufacturing sector of Spain and Japan remained strong and recorded growth over the previous month.

Core inflation increased in US, Italy, Germany and Japan, mainly due to increased energy prices, while in case of UK and China, core inflation remained flat as in the previous month. On the market front, most of the key indices, such as Germany's DAX, US DJIA and India's SENSEX showed a positive trend, while Japan's NIKKEI and China's SHSZ registered a decline.

While, US trade gap increased to 7 month high in September 2018 and Canada also witnessed a trade deficit against expectations, UK trade deficit decreased as its export hit the all time high. On the other hand, China, Russia and Brazil recorded a trade surplus.

Unemployment in US remained in line with the market expectations, as the number of employed increased by 600 thousand, while UK's unemployment rate remained higher than the market expectations, despite the number of job vacancies hitting a fresh record high. Economies, such as China, Brazil and Japan recorded a decline in the unemployment rate.

Going ahead, economic growth of Euro Area is set to moderate, to just above 1.5% in 2020. Domestic demand, in particular private consumption, and employment will be supported by accommodative monetary policy and some fiscal easing. Given a need to expand capacity, along with favorable financial conditions, implies that the investment will remain reasonably strong. Inflation is projected to rise gradually amid stronger wage growth and disappearing slack translates into sustained increases in core inflation.

The overall outlook for US economy suggests that growth would decelerate in the coming two years as macroeconomic policy becomes less supportive. Consumption growth remains strong, supported by wage growth picking up as the labour market tightens further. Recent tax reform would underpin the strong business investment in 2019 and 2020.

Further, emerging market and developing economies need to enhance resilience through an appropriate mix of fiscal, monetary, exchange rate, and prudential policies, to be prepared to deal with environment of high volatility and low growth projections in the coming times.



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 '17	Sep '18	Dec '17	Oct '18	Oct '18	Sep '18	Dec '17	Dec '17
United States	19390	3.5%	105.4%	2.25%~	2.5%	3.7% [@]	(-)2.4%	(-)3.5%
Canada	1,653	0.7%*	89.6%	1.7%	2.2%***	5.8% [@]	(-)3%	(-)0.9%
Japan	4,872	(-)0.3%	253%	-0.10%	1.2%	2.3%	4.02%	(-)4.5%
Euro Area								
United Kingdom	2,622	0.6%	85.3%	0.75%~	2.4%	4.1%	(-)4.1%	(-)2.3%
Germany	3,677	(-)0.2%*	64.1%	0.00%	2.5%	3.4%	8%	1.3%
France	2,582	0.2%	97%	0.00%	2.2%	9.1%	(-)0.8%	(-)2.6%
European PIIGS								
Portugal	217	0.3%	125.7%	0.00%	1.0%	6.7%	0.50%	(-)3%
Ireland	333	2.5%*	68%	0.00%	0.9%	5.3% [@]	12.5%	(-)0.3%
Italy	1,934	0.0%	131.8%	0.00%	1.6%	10.1%	2.8%	(-)2.3 %
Greece	200	0.2%*	178.6%	0.00%	1.8%	18.9% [%]	(-)0.8%	0.80%
Spain	1,311	0.6%	98.3%	0.00%	2.3%	14.5%	1.9%	(-)3.1%
BRICS Countries								
Brazil	2055	0.2%*	74.04%	6.5%	4.56%	11.9%	(-)0.48%	(-)7.8%
Russia	1,577	0.90%*	12.6%	7.5%	3.5%	4.5%	1.8% ^{ss}	(-)1.5%
India	2,597	1.9%*	68.7%	6.50%	3.31%	3.2% ^s	(-)1.9%	(-)3.5%
China	12,237	1.6%	47.6%	4.35%	2.5%***	3.82%	1.3%	(-)3.5%
South Africa	349	-0.7%*	53.1%	6.5%	4.9%***	27.5%	(-)2.5%	(-)4.6%

Source: PHD Research Bureau, compiled from various sources,^{ss} pertains to December 2016, ^s Data pertains to December 2017, ** pertains to March 2018,^sData pertains to April 2018, [&]pertains to May 2018, * pertains to June 2018, [%]Data pertains to August 2018, [@] Data pertains to October 2018, ^{&&}Data pertains to July 2018, [~]Data pertains to November 2018, ^{***}Data pertains to September 2018



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1. Growth

1.1 Easing 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, point to easing growth momentum in the OECD area as a whole. Easing growth momentum is anticipated in large European economies including France, Italy, United Kingdom and the Euro area as a whole. The CLIs point to stable growth momentum in the United States, China and Japan with similar signs now also emerging in Canada. The CLIs for India point to growth gaining momentum, while growth is expected to ease in Germany and Russia.

Composite leading indicators

	Ratio to trend, amplitude adjusted (long term average =100)					Month on Month change (%)					Year on Year change (%)	Growth cycle outlook
	2018					2018					Latest month	
	May	Jun	Jul	Aug	Sep	May	Jun	Jul	Aug	Sep		
OECD Area	100.0	99.9	99.8	99.6	99.5	-0.11	-0.11	-0.12	-0.12	-0.13	-0.82	Easing growth momentum
Euro Area	100.2	100.0	99.9	99.7	99.6	-0.14	-0.13	-0.14	-0.15	-0.16	-1.11	Easing growth momentum
Major Five Asia**	99.5	99.5	99.6	99.6	99.7	0.02	0.02	0.03	0.04	0.10	-0.39	Stable growth momentum
Major Seven	100.0	100.0	99.9	99.8	99.7	-0.07	-0.07	-0.07	-0.08	-0.09	-0.43	Stable growth momentum
Canada	99.8	99.8	99.7	99.6	99.5	-0.09	-0.08	-0.08	-0.08	-0.09	-0.91	Stable growth momentum
France	100.0	99.9	99.8	99.6	99.4	-0.10	-0.10	-0.12	-0.16	-0.20	-1.22	Easing growth momentum
Japan	99.9	99.8	99.8	99.7	99.7	-0.04	-0.05	-0.05	-0.04	-0.04	-0.52	Stable growth momentum
Germany	100.3	100.2	100.1	100.0	99.9	-0.15	-0.12	-0.10	-0.09	-0.10	-1.12	Signs of easing growth momentum
Italy	100.3	100.1	100.0	99.9	99.8	-0.15	-0.16	-0.15	-0.13	-0.08	-0.75	Easing growth momentum
United Kingdom	99.5	99.4	99.3	99.1	98.9	-0.08	-0.11	-0.13	-0.17	-0.20	-1.45	Easing growth momentum
United States	100.1	100.0	100.0	99.9	99.9	-0.05	-0.05	-0.05	-0.05	-0.06	0.09	Stable growth momentum
Brazil	103.3	103.0	102.8	102.5	102.3	-0.12	-0.19	-0.24	-0.25	-0.24	0.58	Easing growth momentum
China***	98.9	99.0	99.0	99.1	99.3	0.02	0.04	0.06	0.08	0.19	-0.85	Stable growth momentum
India	100.7	100.8	101.0	101.1	101.3	0.16	0.15	0.14	0.14	0.13	1.93	Growth gaining momentum
Russia	100.6	100.5	100.4	100.3	100.2	-0.08	-0.10	-0.11	-0.11	-0.11	-0.16	Signs of easing 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 at 3.5% in Q3- The US economy recorded an annualized 3.5% on quarter in the third quarter of 2018, beating market expectations of 3.3%. It follows a 4.2% growth in the previous period which was the highest since the third quarter of 2014.

1.3 Eurozone Q3 GDP growth confirmed at 0.2%-The Eurozone economy grew 0.2% on quarter in the three months to September 2018, unrevised from a preliminary estimate and following a 0.4% expansion in Q2. It was the weakest growth rate since the second quarter of 2014 as the German economy contracted for the first time in three-and-a-half years and Italy's GDP showed no growth.



- 1.4 **UK economy expands 0.6% in Q3-** UK GDP grew by 0.6% in Q3, 2018, following a 0.4% increase as compared to the previous period and matching market expectations. It was the strongest growth rate since the last quarter of 2016 as household spending and exports rose firmly while business investment contracted.
- 1.5 **Germany Q3 GDP growth decreased to (-)0.2%-** The German economy shrank 0.2% on quarter in the three months to September 2018, worse than market expectations of a 0.1% fall and following a 0.5% growth in the previous period, a preliminary estimate showed.
- 1.6 **Japan Q3 GDP growth contracted to (-)0.3%-** The Japanese economy contracted 0.3% on quarter in the three months to September 2018, following an upwardly revised 0.8% growth in the previous period and matching market consensus. GDP decreased as the number of natural disasters weighed on personal consumption, company investment and exports.
- 1.7 **China Economy Expands 1.6% QoQ in Q3-** The China grew by 1.6% quarter-on-quarter in the three months to September 2018 (Q3 2018), compared to a 1.8% expansion in the Q3 of 2018 and matching market estimates.
- 1.8 **Russia Q2 GDP Growth Revised higher to 0.9%-** The Gross Domestic Product (GDP) in Russia expanded 0.90% in the second quarter of 2018 over the previous quarter.

2. Industry

- 2.1 **US Manufacturing PMI fell in November-**The IHS Markit US Manufacturing PMI fell to 55.4 in November 2018 as compared to 55.7 in the previous month and below market consensus of 55.7. While new orders rose the most in six months and the pace of job creation hit an 11-month high, output growth slowed to a three-month low.
- 2.2 **Euro Area Manufacturing PMI stands at 51.5 in November 2018-** The IHS Markit Eurozone Manufacturing PMI stood at 51.5 in November of 2018, a level lower as compared to 52 in the previous month. Slowest expansion in factory activity was recorded since May of 2016, as output rose the least since July of 2013.
- 2.3 **France Manufacturing PMI below the market expectations in November 2018-** France Manufacturing PMI decreased to 50.7 in November 2018, as compared to 51.2 in the previous month and below market expectations of 51.0, a preliminary. Weakest pace of expansion in the manufacturing sector since a contraction in September 2016 was recorded as output shrank for the second straight month on the back of falling demand, particularly for autos, and challenging market conditions.
- 2.4 **Spain Manufacturing PMI increased to 51.8 in October 2018-** Both output and new orders advanced at a faster pace, particularly new export orders which rose the most



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since July, which caused the Spain Manufacturing PMI to rise to 51.8 in October 2018 from 51.4 in the previous month and beating market expectations of 50.8.

- 2.5 Japan manufacturing PMI rose to 4 months high in October 2018-** The Nikkei Japan Manufacturing PMI rose to a four-month high of 52.9 in October 2018, from 52.5 in a month earlier. Output, new orders and employment all increased at stronger rates and new export sales also grew following a recent soft patch in international demand.

Manufacturing Purchasing Managers' Index (PMI) of Select Countries

Country	Manufacturing PMI (July)	Manufacturing PMI (August)	Manufacturing PMI (September)	Manufacturing PMI (October)	Manufacturing PMI (November)
United States	55.3	54.7	55.6	55.7	55.4
Eurozone	55.1	54.6	53.3	52.0	51.5
France	53.3	53.5	52.5	51.2	50.7
Spain	52.9	53.0	51.4	51.8	-
Japan	52.3	52.5	52.5	52.9	-

Source: PHD Research Bureau, compiled from various sources

3. Inflation

- 3.1 US inflation rate increased to 2.5%-** According to U.S. Bureau of Labor Statistics, annual inflation rate in the US increased to 2.5% in October of 2018 from 2.3% in September, amid increased prices of fuel oil and gasoline. Consumer prices increased 0.3%, higher than 0.1% in September.
- 3.2 UK inflation remained flat at 2.4%-** Annual inflation rate in the United Kingdom stood at 2.4% in October of 2018, same as in September, however, below market expectations of 2.5%. Prices rose faster for housing and utilities and recreation and culture, while slowed for transport and food.
- 3.3 Germany October inflation rate confirmed at 2.5%-** Germany's annual inflation rate increased to 2.5% in October 2018, higher as compared to 2.3% in September. It was the highest inflation rate since September 2008, as prices of services and energy rose at a faster pace.
- 3.4 Italy inflation rate revised to 1.6% in October-** As per National Institute of Statistics (ISTAT), the annual inflation rate in Italy increased to 1.6% in October of 2018 from 1.4% in the previous month, in line with a preliminary estimate, mainly due to increased prices of energy.
- 3.5 Japan inflation rate rose to 1.4% in October-** As per Ministry of Internal affairs and Communications, Japan's consumer price inflation revised to 1.4% in October 2018 from 1.2% in the previous month. The inflation was the highest since February, mainly due to a jump in prices of food.

3.6 China Inflation Rate remains unchanged in October- China's consumer price inflation stood at 2.5% year-on-year in October 2018, same as in September and in line with market expectations. Prices of food slowed down, but cost of non-food products rose much faster.

4. Markets

4.1 Most key international indices exhibited positive trend- Most of the key international indices exhibited a positive trend as Germany's DAX registered an increase of 1.45%, US DJIA increased by 0.22% and India's SENSEX registered a rise of 3.87%. On the other hand, Japan's NIKKEI which registered a decrease of 1.26% and China's SHSZ registered a decline of 1.47%.

Global Indices

Index	Index (as on 24 October, 18)	Index (as on 26 November, 18)	Monthly Change (in %)
DAX ¹	11,191.63	11,354.72	1.45
DJIA ²	24,584.84	24,640.00	0.22
NIKKEI ³	22,091.18	21,812.00	-1.26
SENSEX ⁴	34,033.96	35,354.08	3.87
SHSZ ⁵	3,188.20	3,141.32	-1.47

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 declining trend- During the period October-November 2018, the international prices of the major commodities exhibited a negative trend. Price of crude oil exhibited the maximum decline, registering a dip of 22.14% to 59.4\$/bbl. Prices of gold registered a decline of 0.58% to 1224.9\$/ounce, prices of silver declined by 2.04% to the price of 14.4\$/ounce, the price of copper decreased to 6210\$/tonne showing a drop of 0.08%, while that of sugar showed a decline of 12.73% with its price reaching to 339.2\$/tonne.

International Commodity Prices

Commodity	Units	As on	As on	Monthly Change (in %)
		(as on 25 th October, 2018)	(as on 26 th November, 2018)	
Gold	\$/ounce	1232.1	1224.9	-0.58
Silver	\$/ounce	14.7	14.4	-2.04
Copper	\$/tonne	6215	6210	-0.08
Crude Oil	\$/bbl	76.3	59.4	-22.14
Sugar	\$/tonne	388.7	339.2	-12.73

Source: PHD Research Bureau, compiled from various sources



6. Trade

- 6.1 US trade gap increased to 7 months high-** The US trade deficit increased to 7 months high to USD 54.0 billion in September 2018 from USD 53.3 billion in the previous month and compared with market expectations of a USD 53.6 billion gap. Imports recorded an increase of 1.5% to a record high of USD 266.6 billion and exports also recorded an increase of 1.5% to USD 212.6 billion.
- 6.2 UK trade deficit decreased in September-** The UK trade deficit decreased by GBP 2.07 billion to GBP 0.03 billion in September 2018, as exports of goods and services hit an all-time high while imports fell 2.5%. It was the smallest trade gap since February.
- 6.3 Canada recorded trade deficit in September-** Against the market expectations of trade surplus, Canada recorded a trade deficit of CAD 0.42 billion in September of 2018 from a revised CAD 0.55 billion trade gap in the previous month.
- 6.4 China trade surplus narrowed in October-** China's trade surplus decreased to USD 34.01 billion in October of 2018 from USD 36.89 billion in the same month a year earlier and slightly below market consensus. Imports jumped 21.4%, while exports increased at a slower 15.6%.
- 6.5 Russia trade surplus more than expectation-** Russia's trade surplus widened to USD 18.49 billion in September 2018 from USD 10.24 billion in the corresponding month of the previous year, and above market consensus of a USD 17.8 billion surplus. Exports jumped 24.8%, while imports dropped 2.9%.
- 6.6 Brazil trade surplus increased in October-** The trade surplus in Brazil increased to USD 6.12 billion in October of 2018 from USD 5.2 billion in the same month of the previous year, as sales increased to China, boosted by crude oil and soybeans.

7. Unemployment

- 7.1 US jobless rate holds steady at 49 Year low-** The US unemployment rate was unchanged at 3.7% in October 2018, unchanged from the previous month's 49-year low and in line with market expectations. The number of unemployed increased by 111 thousand to 6.08 million and employment rose by 600 thousand to 156.56 million.
- 7.2 UK Unemployment Rate Increased in September-** The unemployment rate in the UK recorded at 4.1% in the third quarter of 2018, slightly higher than market expectations of 4%. The number of unemployed rose by 21,000 from the April to June period while employment rose by 23,000 and the number of job vacancies hit a fresh record high.
- 7.3 Italy Jobless Rate rose in September-** Italy's unemployment rate rose to 10.1% in September 2018 as compared to 9.8% in the previous month. The number of unemployed increased by 3.2%, while employment fell by 0.1%.



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- 7.4 Japan Jobless Rate Fell in September-** As per Ministry of Internal Affairs and Communications of Japan, the unemployment rate in Japan fell down to 2.3% in September of 2018 from 2.4% in the previous month and slightly below market expectations of 2.4 percent. It was the lowest jobless rate since May.
- 7.5 China’s jobless rate decreased to 3.82% in Q3-** Unemployment Rate in China decreased to 3.82% in the third quarter of 2018 from 3.83% in the second quarter of 2018. Unemployment Rate in China averaged 4.10% from 2002 until 2018.
- 7.6 Russian Jobless Rate Increases after a New Record Low-** Russian unemployment rate rose to 4.7% in October 2018 from an all-time low of 4.5% in the previous month, and compared to last year's figure of 5.1%. The number of unemployed increased by 5.2% from a month earlier to 3.611 million.
- 7.7 Brazil Jobless Rate fell to 11.9%-** The unemployment rate in Brazil fell to 11.9% in the three months to September of 2018 from 12.1% in the April-June period of 2018, in line with market expectations. It was the sixth straight decline in jobless rate and the steepest since December last year.

Unemployment Rate of Select Countries

Country	Unemployment Rate in October’18 (in %)
United States	3.7
United Kingdom	4.1*
Russia	4.7
Italy	10.1*
Japan	2.3*
Brazil	11.9*

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

8. Policy Developments

- 8.1 Fed target interest rates between 2 to 2.25%-** The Federal Reserve kept the target range for the federal funds rate at 2% to 2.25% during its November 2018 meeting, as the labor market has continued to strengthen and economic activity has been rising at a strong rate while inflation remains near its 2% target.
- 8.2 BoE Keeps Rates Steady-** The Bank of England voted unanimously to leave the Bank Rate unchanged at 0.75% on November 1st 2018, in line with market expectations. According to the policymakers if the economy continues to develop in line with forecasts, further tightening will be appropriate.
- 8.3 Hong Kong’s central bank rate stood at 2.50%-** The benchmark interest rate in Hong Kong stood at 2.50% (October, 2018). Interest Rate in Hong Kong averaged 3.37% from



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1998 until 2018, reaching an all time high of 8% in May of 2000 and a record low of 0.50% in December of 2008.

- 8.4 Russia Rate remains at 7.5%**- The Bank of Russia held its benchmark one-week repo rate at 7.5% on October 26th after an unexpected 25 bps hike in the previous meeting, amid pro-inflationary risks remain elevated and uncertainties over future external conditions persist
- 8.5 BoJ keeps rate unchanged and lower inflation forecasts**-The Bank of Japan left its key short-term interest rate unchanged at -0.1% at in October and kept the target for the 10-year Japanese government bond yield at around zero percent, as widely expected. The central bank also revised down inflation forecasts again.
- 8.6 South Africa Hikes the Interest rate**- The South African Reserve Bank raised its benchmark repo rate by 25 bps points to 6.75% on November 22nd 2018. It is the first hike in borrowing cost since March 2016, amid a rise in the inflation trajectory which continues to deviate from the mid-point of the target range.
- 8.7 Bank of Canada raised its Interest Rate**- The Bank of Canada raised its benchmark interest rate by 25bps to 1.75% on October 24th 2018 from 1.5%, as widely expected. It marks the third increase this year and the highest rate since December 2008. Policymakers said that more hikes will be needed to keep inflation close to the target of 2%.

9. Miscellaneous

9.1 World Development Report 2019: The Changing Nature of Work

According to World Development Report 2019 by World Bank, many jobs today, and many more in the near future, will require specific skills—a combination of technological know-how, problem-solving, and critical thinking as well as soft skills such as perseverance, collaboration, and empathy. The days of staying in one job, or with one company, for decades are waning. In the gig economy, workers will likely have many gigs over the course of their careers, which means they will have to be lifelong learners.

How is work changing- It is easier to assess how technology shapes the demand for skills and changes production processes than it is to estimate its effect on job losses. Technology is changing the skills being rewarded in the labor market. The benefits are for the skills that cannot be replaced by robots—general cognitive skills such as critical thinking and socio-behavioral skills such as managing and recognizing emotions that enhance teamwork, as workers with these skills are more adaptable in labor markets.

The Changing Nature of Firms- In 2018 firms operate within wider boundaries. Free trade agreements and improved infrastructure have reduced the cost of cross-border



trade, allowing transactions to take place wherever costs are lower, complimented by lower communication costs due to new technologies. As a result, firms are less vertically integrated and managers are outsourcing more tasks to the market. Some companies are even creating new markets.

Building Human Capital- The world is healthier and more educated than ever. In 1980 only 5 in 10 primary school-age children in low-income countries were enrolled in school, which increased to 8 in 10 in 2015. In 1980 only 84 of 100 children reached their fifth birthday, compared with 94 of 100 in 2018. A child born in the developing world in 1980 could expect to live for 52 years. In 2018 this number was 65 years. Life expectancy in the developing world still lags far behind that of rich countries such as the Republic of Korea, where a girl born in 2018 can expect to live more than 85 years

Human Capital index 2018- The human capital index ranges between 0 and 1. The index is measured in terms of the productivity of the next generation of workers relative to the benchmark of complete education and full health. An economy in which the average worker achieves both full health and full education potential will score a value of 1 on the index.

Human Capital Index-2018

Rank	Country	HCI Score
1	Singapore	0.88
2	Korea, Rep.	0.84
3	Japan	0.84
4	Hong Kong, SAR, China	0.82
5	Finland	0.81
6	Ireland	0.81
7	Australia	0.80
8	Sweden	0.80
9	Netherlands	0.80
10	Canada	0.80
115	India	0.44

Source: PHD Research Bureau compiled from WDR 2019

9.2 Growth in Gulf Countries to Rebound in 2018-2019

A sustained increase in oil prices over the past two years has driven an economic recovery in the Gulf Cooperation Council (GCC) countries, but government-led reforms need to continue to keep up the momentum, according to the World Bank's biannual Gulf Economic Monitor.

Economic growth for the GCC region is expected to reach 2% in 2018, up from negative 0.3% in 2017, thanks in part to higher oil production and a slower pace of fiscal consolidation.



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With fiscal and external imbalances narrowing, the region has remained largely immune to the financial volatility that beset other emerging market economies in mid-2018. The World Bank expects economic growth for the region to strengthen gradually in the medium term to 2.7% by 2020 as high energy prices and rising government spending lift output and sentiment.

Growth in Saudi Arabia is expected to rebound to around 2 percent in 2018-2019 from a contraction in 2017, and to strengthen similarly across the GCC countries. External and fiscal imbalances are also expected to narrow, with Saudi Arabia and the UAE achieving near fiscal balance by 2020 and, along with Qatar and Kuwait, returning to current account surpluses during 2018-20.

9.3 East Asia and Pacific Growth Remains Resilient Despite Heightened Global Uncertainty, World Bank Says

Despite a less favorable external environment, the growth outlook for developing East Asia and Pacific (EAP) remains positive, according to the latest World Bank economic report on the region. Growth in developing EAP is expected to be 6.3% in 2018, lower than in 2017 due to the continued moderation in China's growth as its economy continues to rebalance. World Bank underscores however that in recent months a combination of trade tensions, higher US interest rates, a stronger US dollar, and financial market volatility in many emerging economies has increased the uncertainty around the region's growth outlook. At the same time, inflation has begun to rise across the region, particularly in Myanmar, the Philippines, and Vietnam.

China is expected to slow moderately to 6.5% in 2018, after growing faster than anticipated in 2017. Growth in developing EAP, excluding China, is expected to remain stable at 5.3 percent from 2018 to 2020, driven primarily by domestic demand. In Thailand and Vietnam, growth is expected to be robust in 2018 before slowing in 2019 and 2020 as stronger domestic demand only partially offsets the moderation in net export growth. Indonesia's growth should be stable, thanks to improved prospects for investment and private consumption.

9.4 International Labour Organisation's Global Wage Report, 2018-19

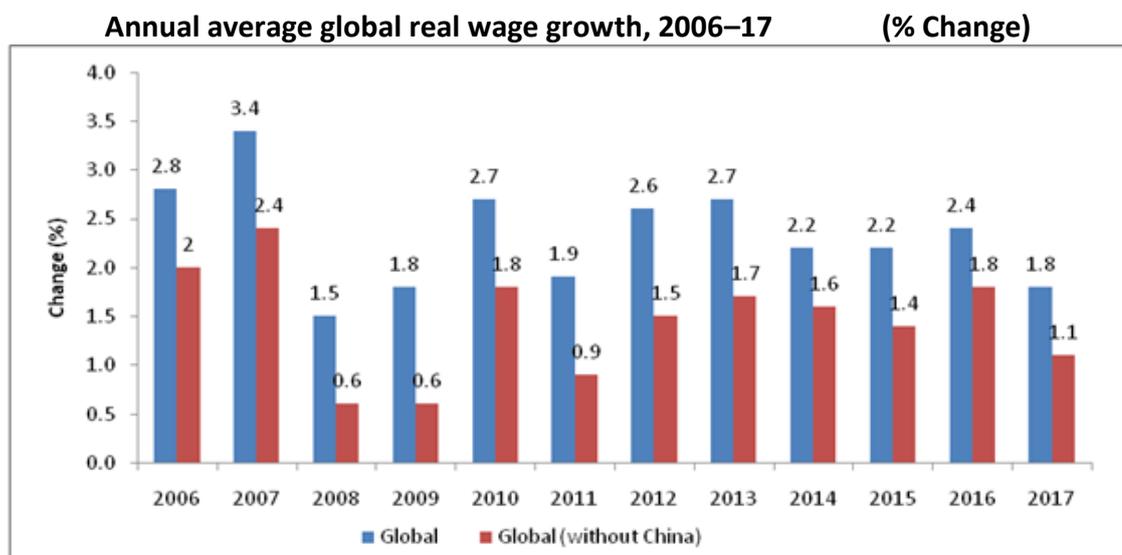
According to International Labour Organisation's Global Wage Report, 2018-19, the average world labour force participation rate stands at about 62% of the working-age population, with approximately 3.3 billion individuals engaged in employment. Among all who are employed, some 54%, that is, 1.8 billion, are wage and salaried workers, which represents an increase of some 760 million wage and salaried workers compared to 25 years ago.

Global Wage Report appears in a context of slow growth in average wages in developed economies. In some countries this growth has taken place in circumstances of relatively slow economic growth, whereas in other countries it has occurred in spite of accelerating economic recovery and declining unemployment rates. There are

multiple possible explanations for subdued wage growth in these latter countries, ranging from slow productivity growth to the intensification of global competition, the decline in the bargaining power of workers, the inability of unemployment statistics to adequately capture slack in the labour market, and an uncertain economic outlook which may have discouraged firms from raising wages.

In low- and middle-income economies, growth in average wages has generally been more robust, but with much diversity across countries and regions. While wages have increased rapidly over the past decade in some countries, most particularly in China, in many other countries average wages remain low and insufficient to adequately cover the needs of workers and their families. Overall, in low- and middle-income economies, an estimated 50% of all wage earners continue to work in the informal economy, either in the informal sector or as informal workers in the formal sector.

The global real wage growth in 2017 was not only lower than in 2016, but fell to its lowest growth rate since 2008, remaining far below the levels obtaining in 2006 or 2007, before the global financial crisis.



Source: PHD Research Bureau compiled from ILO Global Wage Report, 2018-19. Note: 2017 figures are preliminary estimates as national estimates are not yet available for all countries.

Further, emerging G20 economies, showed the marked and continuing rising trajectory of China, where average real wages almost doubled between 2008 and 2017. In fact, all emerging G20 countries except Mexico experienced significant positive growth in average real wages over this period. Wage growth continues in Saudi Arabia, India and Indonesia, whereas in Turkey it declined to around 1% in 2017.

9.5 Japan's Economic Outlook- IMF

Japan has had an extended period of strong economic growth. On the policy front, six years of “Abenomics” saw lower fiscal deficits, near-record unemployment, and higher female labor force participation. But inflation remains stubbornly low, and



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macroeconomic and financial sector challenges are set to grow as demographic headwinds—the aging and shrinking of Japan’s population—intensify.

After a temporary soft patch earlier in the year, GDP growth is expected to remain above its estimated potential in 2018 at 1.1%. Inflation has gained momentum on the back of higher energy prices but—despite a very tight labor market—remains below the Bank of Japan’s (BoJ’s) 2% target. Financial conditions overall remain generally favorable.

Japan's parliament passed labor market legislation designed to set a legal cap on overtime work, ensure equal treatment for regular and non-regular workers, and exempt skilled professional workers from working-hour regulations, but the effectiveness of the new laws will hinge on implementation. Efforts to bring more workers into the labor force are meeting with success, with women, older workers, and inflows of foreign labor contributing to the gains. Corporate governance reforms have advanced, and the trade agenda has accelerated with two new trade agreements.

While economic growth is expected to remain solid, some downside risks exist. The planned consumption tax increase in 2019 could hinder near-term growth momentum. Weaker global growth and heightened uncertainty—from trade or geopolitical tensions—could also undermine growth, trigger yen appreciation and equity market shocks, and renew deflationary risks. The target date for a return to fiscal surplus was also reset from FY2020 to FY2025.

9.5 Sustainable development demands a broader vision, says new OECD Development Centre report

Economic growth does not necessarily go coupled with well-being. The first industrialised countries increased their populations’ well-being with rates of economic growth lower than those experienced by emerging economies: many of the latter are struggling to convert faster Gross Domestic Product (GDP) growth into substantive and lasting well-being improvements for their citizens. Therefore, while economic growth is a crucial tool for development strategies, these strategies must more deliberately target economic, social and environmental dimensions, according to the OECD Development Centre’s Perspectives on Global Development 2019 launched at the 6th OECD World Forum on Statistics, Knowledge and Policy in Incheon, Korea. The report concludes that development strategies must do more to embrace the multidimensionality of development, acknowledging the fact that growth does not automatically yield improvements in well-being.



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Special Feature

OECD Economic Outlook 2019-20

This special feature provides an analysis of OECD Economic Outlook 2019-20.

According to OECD's Economic Outlook, the global economy is going through a rough phase. Global GDP growth is strong, but has peaked. In many countries, unemployment is well below pre-crisis level, labour shortages are biting and inflation remains tepid. Yet, global trade and investments has been slowing amid increase in bilateral tariffs, while many emerging market economies are experiencing capital outflows and a weakening of their currencies.

OECD projects global GDP growth to ease gradually from 3.7% in 2018 to around 3.5% in 2019 & 2020, broadly in line with global potential output growth. Macroeconomic policies are projected to become less accommodative over time and headwinds from trade tensions, tighter financial conditions and higher oil prices are set to continue.

Global Growth Projections

	Average 2011- 2018	2017	2018	2019	2020	2018 Q4	2019 Q4	2020 Q4
Real GDP Growth*								
World**	3.4	3.6	3.7	3.5	3.5	3.5	3.6	3.5
G20**	3.6	3.8	3.8	3.7	3.7	3.7	3.8	3.7
OECD**	2.1	2.5	2.4	2.1	1.9	2.2	2.1	1.9
-US	2.3	2.2	2.9	2.7	2.1	3.1	2.4	2.0
-Euro Area	1.2	2.5	1.9	1.8	1.6	1.5	1.9	1.4
-Japan	1.3	1.7	0.9	1.0	0.7	0.6	0.6	1.1
Non-OECD**	4.6	4.6	4.7	4.7	4.7	4.6	4.8	4.7
-China	7.1	6.9	6.6	6.0	6.0	6.4	6.1	6.0
-India***	7.0	6.7	7.5	7.4	7.4			
-Brazil	0.1	1.0	1.2	2.4	2.4			
Output Gap®	-1.8	-1.0	-0.6	-0.5	-0.5			
Unemployment Rate®®	6.9	5.8	5.3	5.0	5.0	5.2	5.1	4.9
Inflation*, ~	1.6	2.0	2.3	2.5	2.5	2.6	2.5	2.5
Fiscal Balance~~	-4.1	-2.3	-2.9	-3.0	-3.0			
World Real Trade Growth*	3.6	5.2	3.9	3.7	3.7	3.3	3.8	3.6

Source: PHD Research Bureau compiled from OECD

* Percentage changes; last three columns show the increase over a year earlier

** Moving nominal GDP weights, using purchasing power parities

*** Fiscal year

® Percent of potential GDP

®® Percent of labour force

~ Private consumption deflator

~~ Percent of GDP

Growth in OECD area is set to slow gradually, from around 2.5% in 2017-18 to just under 2% by 2020. Wage and price inflation are projected to rise, but only moderately.

Recent developments and the projected outlook pose considerable challenges for policymakers. An immediate need is to reduce policy-related uncertainties by arresting the slide towards protectionism and reinforcing the global rules based international trade system through multilateral dialogue.

In main advanced economies, monetary policy accommodation can be reduced gradually, albeit at a different pace. Fiscal policy is projected to turn broadly neutral in most OECD countries in 2019-20 after the notable easing in recent years. In emerging market economies, careful choices are required to maintain policy credibility.

Global GDP growth has settled at around 3.7% in 2018; business survey data also points to easing growth in both advanced and emerging-market economies and incoming new orders have weakened, especially in manufacturing. Other high frequency indicators of global activity, such as industrial production and retail sales, also suggest that growth is moderating. The slowdown in trade growth, tighter global financial conditions and higher oil prices are all contributing to the easing of global expansion.

Global Growth Indicators



Source: PHD research Bureau compiled from OECD Economic Outlook Report 2019-20



Conclusions

In a nutshell, next year global GDP growth is expected to moderate, as the business cycle peaks, US fiscal stimulus fades, the Fed continues monetary tightening and China's economic growth continues to slow. Emerging economies are continuing on steadily with a few notable exceptions.

In the near term, policy support and strong job growth continue to underpin domestic demand. However, macroeconomic policies are projected to become less accommodative over time, and headwinds from trade tensions, tighter financial conditions and higher oil prices.

Going ahead, policymakers should restore confidence in international dialogue and institutions and reduce policy-related uncertainty by arresting the slide towards protectionism. Macroeconomic policy requirements differ across countries. In advanced economies, monetary policy accommodation could be reduced gradually. Fiscal policy is projected to turn broadly neutral in most OECD countries in 2019-20, after notable easing in recent years. In emerging market economies, careful choices are required to maintain policy credibility. Those with robust macroeconomic policy framework and flexible exchange rate may only need a modest tightening of monetary policy.

Further, other priorities for policies in all countries are to enhance resilience against risk and strengthen reform efforts to improve prospects for longer term growth that is sustainable and provides opportunities for all.



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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 & Inv. 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"> • Forex and FEMA Newsletter 	
<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"> • Thematic Research Reports 	<ul style="list-style-type: none"> • Foreign exchange market 	<ul style="list-style-type: none"> • Trade & Inv. Facilitation Services (TIFS) newsletter 	
<ul style="list-style-type: none"> • Releases on Economic Developments 	<ul style="list-style-type: none"> • International Trade • Global Economy 	<ul style="list-style-type: none"> • State Development Monitor (SDM) • Industry Development Monitor (IDM) 	



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Studies undertaken by the 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. Druzhiba-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)
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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)



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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 (February 2018)
66. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters (April 2018)
68. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
69. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. Growth Prospects of the India Economy: Road to US \$5 Trillion Economy(May 2018)
- B: State profiles**
72. Rajasthan: The State Profile (April 2011)
73. Uttarakhand: The State Profile (June 2011)
74. Punjab: The State Profile (November 2011)
75. J&K: The State Profile (December 2011)
76. Uttar Pradesh: The State Profile (December 2011)
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82. Punjab: The State Profile (February 2014)
83. Haryana: Bolstering Industrialization (May 2015)
84. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
85. Suggestions for Progressive Uttar Pradesh (August 2015)
86. State profile of Telangana- The dynamic state of India (April 2016)
87. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
88. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
89. Rising Jharkhand: An Emerging Investment Hub (February 2017)
90. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
91. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
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94. Rising Uttar Pradesh : One District One Product Summit (August 2018)

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About the PHD Chamber

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 1,30,000 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 world bodies, Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.



“Towards a Prosperous India”



PHD CHAMBER OF COMMERCE AND INDUSTRY

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