



GLOBAL ECONOMIC MONITOR

Monthly update of developments in the global economy

PHD Research Bureau
PHD Chamber of Commerce and Industry

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GLOBAL ECONOMIC MONITOR

Global growth has eased but remains robust, and is projected to edge down to 2.9% by 2020 as global slack dissipates, trade and investment moderate and financing conditions tighten. Over the recent period, growing headwinds in the global economy have triggered renewed turbulence in international financial markets. Countries with marked vulnerabilities such as fragile GDP growth, elevated political uncertainty as well as large current account and fiscal deficit have been more susceptible to capital outflows and sharp currency depreciations.

According to World Bank's Global Economic Prospects 2018, global growth has eased but remains robust and is projected to reach 3.1% in 2018. Among the advanced economies, United States is operating at or close to full capacity and is expected to reach 2.7% in 2018 and 2.5% in 2019.

In Japan, the GDP growth has reached 1.7% in 2017 underpinned by supportive financial conditions and strong exports. This growth is expected to decelerate to 1% in 2018 and 0.8% in 2019. Growth in Europe is expected to ease to 3.2% in 2018 and gradually moderate to 3% by 2020 due to less supportive external environment.

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 countries like Indonesia and Thailand will be supported by large infrastructure projects and strong exports, 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	Mar'18	Dec '17	Jun'18	May'18	April '18	Dec '17	Dec '17
United States	18,569	2.8%	105.4%	2.0%	2.8%	3.8%*	(-)2.4%	(-)3.5%
Canada	1,530	2.3%	89.6%	1.25% [®]	2.2%	5.8%*	(-)3%	(-)0.9%
Japan	4,939	1.1%	253%	-0.10%	0.7%	2.5% ^{&}	4.02%	(-)4.5%
Euro Area								
United Kingdom	2,619	1.2%	85.3%	0.50%	2.4%	4.2% ^{&}	(-)4.1%	(-)2.3%
Germany	3,467	2.3%	64.1%	0.00%	2.2%	3.4% ^{&}	8%	1.3%
France	2,465	2.2%	97%	0.00%	2.0%	9.2% ^{&&}	(-)0.8%	(-)2.6%
European PIIGS								
Portugal	205	2.1%	125.7%	0.00%	1.0%	7.9% ^{&&}	0.50%	(-)3%
Ireland	294	8.4% [§]	68%	0.00%	0.4%	5.8%*	12.5%	(-)0.3%
Italy	1,850	1.4%	131.8%	0.00%	1.0%	11.2% ^{&}	2.8%	(-)2.3%
Greece	195	2.3%	178.6%	0.00%	0.6%	20.1% ^{&&}	(-)0.8%	0.80%
Spain	1,232	3.0%	98.3%	0.00%	2.1%	16.74%	1.9%	(-)3.1%
BRICS Countries								
Brazil	1,796	1.2%	74.04%	6.5%	2.8%	12.9% ^{&}	(-)0.48%	(-)7.8%
Russia	1,283	1.3%	12.6%	7.25%	2.4%	4.7%	1.8% ^{\$\$}	(-)1.5%
India	2,264	7.7%	68.7%	6.25%	4.8%	3.52%#	(-)1.9%	(-)3.5%
China	11,199	6.8%	47.6%	4.35% [®]	1.8%	3.89% ^{&&}	1.3%	(-)3.5%
South Africa	295	0.8%	53.1%	6.5% [®]	4.4%	26.7% ^{&&}	(-)2.5%	(-)4.6%

Source: PHD Research Bureau, compiled from various sources, \$\$ pertains to December 2016, § Data pertains to December 2017, ** pertains to March 2018, ® Data pertains to May 2018, & Data pertains to April 2018, && Data pertains to March 2018

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1. Growth

1.1 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 major OECD economies, the CLI for the United States continues to anticipate stable growth momentum, which is now also the assessment for Japan. In Canada, the CLI points to signs of easing growth momentum. Among large European economies, the CLIs for Germany, France, Italy and the euro area as a whole now point to easing growth momentum, which remains the assessment for the United Kingdom. Among major emerging economies, the CLI for the industrial sector in China is tentatively pointing towards growth gaining momentum, while in Russia and Brazil the CLIs point to stabilising growth momentum. In India, the CLI continues to signal growth gaining momentum.

Composite leading indicators

	Ratio to trend, amplitude adjusted (long term average =100)					Month on Month change (%)					Year on Year change (%)	Growth cycle outlook
	2017		2018			2017		2018			Latest month	
	Dec	Jan	Feb	Mar	Apr	Dec	Jan	Feb	Mar	Apr		
OECD Area	100.2	100.1	100.1	100.0	99.9	-0.01	-0.03	-0.04	-0.07	-0.08	-0.04	Stable growth momentum
Euro Area	100.6	100.5	100.4	100.2	100.1	-0.04	-0.09	-0.12	-0.15	-0.16	-0.20	Easing growth momentum
Major Five Asia**	99.5	99.5	99.5	99.6	99.7	-0.06	-0.03	0.01	0.07	0.10	-0.24	Stable growth momentum
Major Seven	100.1	100.1	100.1	100.1	100.0	0.01	0.00	-0.01	-0.03	-0.05	0.13	Stable growth momentum
Canada	100.3	100.2	100.1	100.0	99.9	-0.04	-0.08	-0.10	-0.09	-0.08	-0.32	Signs of easing growth momentum
France	100.3	100.2	100.1	99.9	99.8	-0.07	-0.10	-0.14	-0.15	-0.15	-0.57	Easing growth momentum
Japan	100.1	100.1	100.0	99.9	99.9	-0.04	-0.06	-0.07	-0.08	-0.07	-0.23	Stable growth momentum
Germany	101.0	100.8	100.7	100.5	100.3	-0.05	-0.12	-0.16	-0.20	-0.21	-0.10	Easing growth momentum
Italy	100.8	100.7	100.6	100.4	100.2	-0.01	-0.08	-0.12	-0.15	-0.16	0.29	Easing growth momentum
United Kingdom	99.5	99.4	99.3	99.1	99.0	-0.12	-0.09	-0.10	-0.11	-0.10	-1.19	Easing growth momentum
United States	99.9	100.0	100.1	100.2	100.2	0.08	0.09	0.09	0.07	0.03	0.60	Stable growth momentum
Brazil	103.0	103.3	103.6	103.7	103.8	0.33	0.30	0.23	0.14	0.05	3.21	Stabilising growth momentum
China***	98.9	98.8	98.8	98.9	99.1	-0.13	-0.07	0.00	0.10	0.17	-0.93	Tentative signs of growth gaining momentum
India	100.3	100.5	100.8	101.0	101.2	0.21	0.22	0.23	0.23	0.23	2.16	Growth gaining momentum
Russia	100.6	100.8	100.8	100.9	101.0	0.14	0.12	0.07	0.04	0.13	0.87	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=MFI_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 revised lower to 2.2% in Q1- The US economy expanded an annualized 2.2% on quarter in the first quarter of 2018, below 2.3% in the advance estimate and market expectations of 2.3%.

1.3 Eurozone GDP Growth witnessed slowdown in Q1- The Eurozone economy expanded 0.4% on quarter in the first three months of 2018, unrevised from the second estimate and following a 0.7% advance in the previous period.

1.4 UK GDP to grow at 0.1% in Q1 - The British economy expanded 0.1% on quarter in the first three months of 2018, in line with the preliminary estimate and well below 0.4%

in the previous period. It is the lowest growth rate since a 0.1% contraction in Q4 2012, the second estimate showed.

- 1.5 **German Q1 GDP Growth confirmed at 1-1/2 year low** - The German economy expanded a seasonally-adjusted 0.3% on quarter in the three months to March of 2018, following a 0.6% growth in the previous period and matching the preliminary estimate. It was the weakest pace of expansion since the September quarter of 2016.
- 1.6 **Japan Q1 GDP Growth shrinks for first time in 9 quarters-** The Japanese economy contracted 0.2% quarter-on-quarter in the March quarter of 2018, unchanged from the preliminary figure and after an upwardly revised 0.3% growth in the previous period. It is the first contraction since the fourth quarter 2015, as an unexpected decline in household consumption offset a rise in business spending.
- 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 witnessed GDP Growth at 1.3% YoY in Q1** - Russia's gross domestic product advanced by 1.3 percent year-on-year in the first quarter of 2018, matching the preliminary estimate and following a 0.9 percent growth in the previous period. The stronger expansion was mainly driven by gains in financial and insurance, real estate activities and public administration.

2. Industry

- 2.1 **US Manufacturing Growth Remains Solid in May-** The IHS Markit US Manufacturing PMI came in at 56.4 in May 2018, little-changed from the preliminary estimate of 56.6 and April's final 56.5. The reading marked the second-strongest improvement in the health of the manufacturing sector since September 2014, reflecting sharp expansions in output and new orders.
- 2.2 **Euro Area Manufacturing PMI fell to 55.5 in May 2018-** The IHS Markit Eurozone Manufacturing PMI fell to 55.5 in May of 2018 from 56.2 in April, matching the preliminary estimate. The reading pointed to the slowest expansion in the manufacturing sector since February of 2017 as output, new orders, employment and backlogs of work eased. Input cost inflation rose for the first time in four months while output prices slowed.

- 2.3 France Manufacturing PMI decreased to 54.4 in May 2018-** The IHS Markit France Manufacturing PMI decreased to 54.4 in May 2018 from a preliminary estimate of 55.1 and compared with 53.8 in the previous month. Output grew the least in 14 months and the rate of increase of new orders were unchanged from April and the joint-weakest since February 2017. Meantime, exports orders hit a 15-month low.
- 2.4 Spain Manufacturing PMI fell to 53.4 in May 2018 -** The IHS Markit Spain Manufacturing PMI fell to 53.4 in May of 2018 from 54.4 in April, below market expectations of 53.9. The reading pointed to the slowest expansion in factory activity in nine months amid weaker increases in output and new orders. However, new export orders growth accelerated from April's 18-month low amid strength in other European markets.
- 2.5 Japan manufacturing PMI came in at 52.8 in May 2018 -** The Nikkei Japan Manufacturing PMI came in at 52.8 in May 2018, slightly above the preliminary reading of 52.5 and compared to 53.8 in April. Still, the reading pointed to the weakest pace of expansion in the manufacturing sector since last October, as both output and new orders rose at a slower pace. Also, employment expanded at a slower clip, in line with a weaker accumulation of work backlogs due to softer demand pressures.

Manufacturing Purchasing Managers' Index (PMI) of Select Countries

Country	Manufacturing PMI (January)	Manufacturing PMI (February)	Manufacturing PMI (March)	Manufacturing PMI (April)	Manufacturing PMI (May)
United States	55.5	55.3	55.6	56.5	56.4
Eurozone	59.6	58.6	56.6	56	55.5
France	58.4	55.9	53.7	53.8	54.4
Spain	55.2	55.2	54.8	54.4	53.4
Japan	54.8	54.1	53.1	53.8	52.8

Source: PHD Research Bureau, compiled from various sources

3. Inflation

- 3.1 US inflation rate at over 6-Year high-** According to U.S. Bureau of Labor Statistics, the inflation rate in the US increased to 2.8% in May of 2018 from 2.5% in April, beating market forecasts of 2.7%. It is the highest inflation rate since February of 2012, mainly due to rising prices for gasoline and shelter.
- 3.2 UK inflation unexpectedly holds at 1-Year low-** According to the Office of National Statistics, consumer price inflation in the UK stood at an annual rate of 2.4% in May 2018, unchanged from the previous month's one-year low and slightly below market expectations of 2.5%. Also, core inflation was flat at 2.1%.

- 3.3 Germany May inflation rate confirmed at 15-Month high**– German consumer price inflation rate stood at 2.2% year-on-year in May 2018, unchanged from the preliminary estimate and above April's figure of 1.6%. It was the highest rate since February 2017, due to a jump in energy prices and a faster rise in cost of services and food.
- 3.4 Italy inflation rate revised down to 1% in May**- As per National Institute of Statistics (ISTAT), Inflation rate in Italy increased to 1% in May of 2018 from 0.5% in April, below the preliminary estimate of 1.1%. Still, it was the highest inflation rate since October of 2017.
- 3.5 Japan May inflation rate higher than estimated**- As per Ministry of Internal affairs and Communications, Japan's consumer price inflation rose to 0.7% year-on-year in May of 2018 from 0.6% in the month of April 2018 and well above market consensus of 0.3%. Prices increased at a faster pace for food and transport while cost fell less for housing.
- 3.6 China May inflation rate steady at 1.8%** - As per National Bureau of Statistics of China, China's consumer prices rose by 1.8% year-on-year in May of 2018, the same as in April matching market consensus. It remained the lowest inflation rate since January.

4. Markets

- 4.1 Most of the key international indices exhibited negative trend**- Most of the key international indices exhibited negative trends with China's SHSZ registering a maximum fall of 6.70% followed by Germany's DAX registering a decline of 5.16% and US DJIA a fall of 2.02% and Japan's NIKKEI registered a fall of 0.50%. Only India's SENSEX registered an increase of 1.56%.

Global Indices			
Index		Index	Monthly Change
	(as on 25 May, 18)	(as on 25 June, 18)	(in %)
DAX ¹	12,938.01	12,270.33	-5.16
DJIA ²	24,753.09	24,252.80	-2.02
NIKKEI ³	22,450.79	22,338.15	-0.50
SENSEX ⁴	34,924.87	35,470.35	1.56
SHSZ ⁵	3816.50	3560.48	-6.70

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 May-June 2018, the international prices of the key commodities exhibited

a mixed trend. Prices of crude oil registered a decline of (-) 4.3% to 74.2 \$/bbl while prices of sugar registered an increase of 0.2% to 338.3\$/tonne. However, prices of gold registered an decline of (-) 0.8% to 1,274 \$/ounce, followed by (-) 0.6% fall in the prices of silver to 16.3 \$/ounce and 2.9% increase in the prices of copper to 6987s \$/tone.

International Commodity Prices				
Commodity	Units	As on	As on	Monthly Change (in %)
		(21 May 18)	(19 June 18)	
Gold	\$/ounce	1,285.3	1274.0	-0.8
Silver	\$/ounce	16.4	16.3	-0.6
Copper	\$/tonne	6,783.5*	6987.0	2.9
Crude Oil	\$/bbl	77.6	74.2	-4.3
Sugar	\$/tonne	337.6	338.3	0.2

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

6. Trade

- 6.1 US trade gap at 7-Month low** - The US trade deficit narrowed to USD 46.2 billion in April of 2018 from a downwardly revised USD 47.2 billion in March, below market expectations of a USD 49 billion gap. It is the lowest trade deficit in seven months as exports hit a record high boosted by sales of industrial materials and soybeans. Imports edged down 0.2%.
- 6.2 UK posts largest trade deficit since September 2016** - The UK's trade deficit widened by GBP 2.1 billion to GBP 5.28 billion in April 2018 from an upwardly revised GBP 3.22 billion in the previous month and above market expectations of a GBP 2.5 billion gap. It was the largest trade deficit since September 2016.
- 6.3 China May trade surplus smaller than expected** - China's trade surplus narrowed sharply to USD 24.92 billion in May 2018 from USD 40.51 billion in the same month a year earlier, and came in well below market consensus of USD 31.9 billion. Imports jumped 26% to a record high while exports rose at a softer 12.6%.
- 6.4 Brazil trade surplus narrowed 22% in May** - Brazil trade surplus narrowed 22 percent from the previous year to USD 5.98 billion in May 2018, a month sharply impacted by nationwide truckers strikes. The trade surplus came in way below market consensus of USD 7.5 billion.
- 6.5 South Korea trade surplus widens 19.6% YoY in May** - South Korea's trade surplus widened to USD 6.7 billion in May of 2018 from USD 5.6 billion in May of 2017, as exports rose more than imports.

6.6 New Zealand trade surplus widens in May - New Zealand posted a NZD 294 million trade surplus in May 2018, compared with a NZD 62 million surplus in the same month of the previous year and market expectations of a NZD 100 million surplus. Exports rose 10.4 percent from the previous year to NZD 5415 billion and imports jumped 5.7 percent to NZD 5121 billion.

7. Unemployment

7.1 US Unemployment rate falls to 18-Year low - As per U.S. Bureau of Labor Statistics, The US unemployment rate fell to 3.8% in May 2018 from 3.9% in April 2018, and below market expectations of 3.9%. It was the lowest rate since April 2000, as the number of unemployed decreased by 281 thousand to 6.07 million and employment rose by 293 thousand to 155.47 million.

7.2 UK jobless rate steady at 4.2%, Lowest in over 42 years - The unemployment rate in the UK stood 4.2% in the three months to April of 2018, the same as in the previous two periods and the joint lowest since 1975. Figures came in line with market expectations. The number of people in work rose by 146,000, way above forecasts of a 110,000 increase.

7.3 Italy jobless rate edges up to 11.2% in April - As per National Institute of Statistics (ISTAT), Italy's seasonally adjusted unemployment rate rose slightly to 11.2% in April 2018 from an upwardly revised 11.1% in March 2018 and above market expectations of 10.9%. It was the highest jobless rate since January.

7.4 Japan jobless rate steady at 2.5% for 3rd Month - As per Ministry of Internal Affairs and Communications of Japan, the unemployment rate in Japan stood at 2.5% in April 2018, the same as in February and March 2018 matching market estimates. Also, the jobs-to-applicants ratio was unchanged from the previous month at 1.59 while markets expected 1.6.

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 May jobless rate lowest since 1992 - The unemployment rate in Russia went down to 4.7% in May of 2018 from 5.2% in the corresponding month of the previous year, below market expectations of 4.9%. It was the lowest jobless rate since at least October 1992. In April, the jobless rate was higher at 4.9%.

- 7.7 Brazil jobless rate below forecasts at 12.9%** - As per Instituto Brasileiro de Geografia E Estatística, the unemployment rate in Brazil increased to 12.9% in the three months to April of 2018, compared to 12.2% in the November-January 2018 period and market consensus of 13%.

Unemployment Rate of Select Countries

Country	Unemployment Rate in April '18 (in %)
United States	3.8*
United Kingdom	4.2
Russia	4.7*
Italy	11.2
Japan	2.5
Brazil	12.9

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

8. Policy Developments

- 8.1 Fed hikes interest rates for second time in a year**- In view of realized and expected labor market conditions and inflation Fed decided to raise the target range for the federal funds rate to 1.75% to 2%. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2% inflation.
- 8.2 BoE keeps interest rates steady**- The Bank of England left its key Bank Rate on hold at 0.5% on June 21st, in line with market expectations. The Bank of England's Monetary Policy Committee (MPC) voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.
- 8.3 Hong Kong's central bank raises base rate by 25 basis points to 2.25%** - The Hong Kong Monetary Authority raised its base rate by 25 basis points to 2.25% in June 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 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 holds policy rate at 7.25%** - The Bank of Russia held its benchmark one-week repo rate at 7.25% on June 15th, as widely expected, after revising the inflation forecast upwards due to a planned increase of the value added tax in 2019. Policymakers now expect annual inflation to be 3.5-4% in late 2018 and increase for a short-term period to 4-4.5% in 2019, before returning to 4% in early 2020.

- 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 Global Economic Prospects Report, 2018 released by World Bank** – World Bank released the Global Economics Prospects Report 2018 according to which global growth is projected to reach 3.1% in 2018. Growth in **United States** reached 2.3% in 2017, supported by broad-based strength in domestic demand, especially investment. The **Euro Area** economy grew 2.4% in 2017, its fastest increase since the financial crisis, reflecting strong consumption, investment and exports.

Emerging and developing economies growth accelerated to 4.3% in 2017 and is expected to reach 4.5% in 2018 and stabilize at 4.7% in both 2019 and 2020. Growth in low-income countries is expected to rise to 5.7 percent in 2018 and to an average of 6.1 percent in 2019-20, from 5.5 percent in 2017.

Outlook for India

According to the Report, India's GDP growth bottomed out in the middle of 2017 after slowing for five consecutive quarters, and has since improved significantly, with momentum carrying over into 2018 on the back of a recovery in investment.

Annual Estimates and Forecasts

Countries	2015	2016	2017	2018	2019	2020
South Asia	7.1	7.5	6.6	6.9	7.1	7.2
Afghanistan	1.3	2.4	2.6	2.2	2.5	3.3
Bhutan	6.2	7.3	7.4	5.8	5.4	6.0
India	8.2	7.1	6.7	7.3	7.5	7.5
Maldives	2.2	6.2	6.2	5.5	4.5	4.9
Nepal	3.3	0.6	7.9	6.3	4.5	4.2
Pakistan	4.1	4.6	5.4	5.8	5.0	5.4
Sri Lanka	5.0	4.5	3.1	4.8	4.5	4.5

Source: Global Economic Prospects Report 2018

India has overcome the temporary disruptions caused by the implementation of the Goods and Services (GST) by mid 2017, and manufacturing output and industrial production have continued to firm. Per capita growth are expected to help bring down poverty in the coming years. The Bank said that India's fiscal balances have deteriorated, there has been a continuous buildup of debt, the current account deficit has widened.

- 9.2 Global Peace Index 2018** - According to the Institute for Economics and Peace's Global Peace Index, South Asia experienced the largest regional improvement in peacefulness with India moving one notch higher to 136th position on the 2018 Global Peace Index. The report which measures the level of Positive Peace in 163 countries covers over 99.7% of the world's population using 23 qualitative and quantitative indicators which measures the state of peace using three thematic domains; the extent of ongoing domestic and international conflicts, and the degree of militarisation.

2018 Global Peace Index

Regional Rank	Country	Overall Score	Overall Rank
1	Bhutan	1.545	19
2	Sri Lanka	1.954	67
3	Nepal	2.053	84
4	Bangladesh	2.084	93
5	India	2.504	136
6	Pakistan	3.079	151
7	Afghanistan	3.585	162

Source: Global Peace Index Report 2018

South Asia experienced the largest regional improvement in peacefulness, with Bhutan, Sri Lanka, India, and Nepal all improving. The report mentions that Indian

government's efforts to tackle violent crime have paid off with an improved score, and falling levels of military expenditure, particularly on weapons imports, resulted in a slight improvement in its Militarisation score.

Special Feature

Regional analysis of the Global Economic Prospects Report 2018

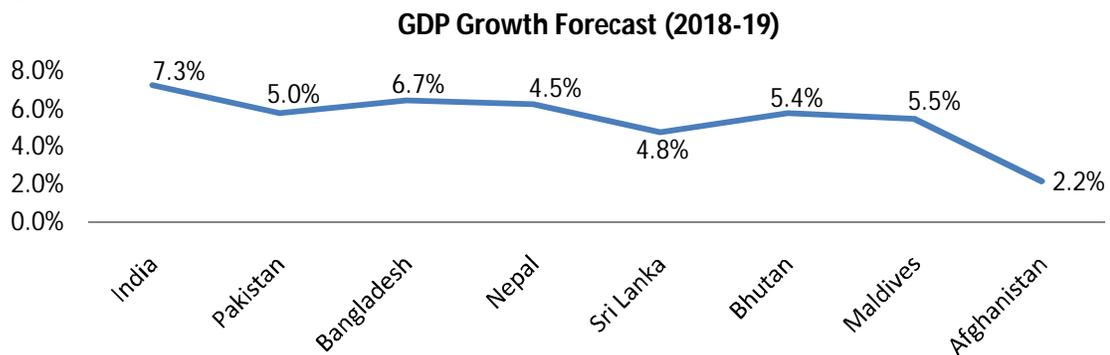
This special feature provides a comparison of analysis of the growth in South Asia which is comprised of many countries like Afghanistan, Maldives, Sri Lanka, Bangladesh, Bhutan, India, Nepal and Pakistan with East Asia and Pacific which comprises of countries like China, Malaysia, Vietnam, Indonesia, Philippines.

South Asia

The projected growth in South Asia is expected to accelerate to 6.9% in 2018 and reach 7.1% on an average in 2019-20 from 6.6% in 2017. Growth in the region has improved markedly since mid-2017 and continued to firm in early 2018, reflecting improved consumer and investor sentiment, higher investment, and firming exports. Growth in South Asia continues to rely on domestic demand, with firming but modest support from export growth. Import growth is accelerating amid strengthening domestic demand, while higher energy prices are also contributing to a further deterioration of trade and current account balances.

GDP Growth in South Asia

India's growth projections are expected to accelerate to 7.3% in FY2018-19 and 7.5% on average in 2019-20 reflecting robust private consumption and firming investment. Pakistan's GDP growth is estimated to rise to 5.8% in FY2017-18 before moderating to 5% in FY2018-19 reflecting tighter policies to improve macroeconomic stability. In Bangladesh growth a robust growth in exports and remittance is expected to increase the growth rate to 6.7% in FY2018-19. Over the period 2018-20, Sri Lanka's GDP is projected to grow 4.6% on average supported by robust consumption and investment growth. Nepal's GDP growth is expected to reach 4.6% in FY2017-18 averaging to 4.3% in 2019-20. While Bhutan and Maldives growth is expected to reach 7.4% and 5% for FY2017-18 in support of construction and services especially tourism service. In addition to this Per Capita growth rate in these regions are expected to be strong and will help to bring down poverty in the coming years, especially in India.



Source: Global Economic Prospects Report 2018, data for Afghanistan, Maldives and Sri Lanka is for the calendar year 2018

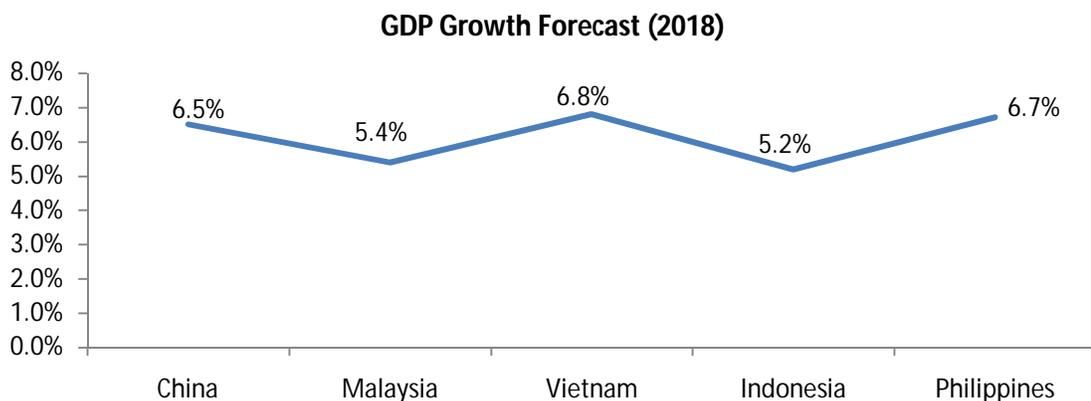
East Asia and Pacific

East Asia and Pacific regions are expected to grow at 6.3% in 2018 and to an average of 6.1% in 2019-20. Favorable conditions including robust global trade, moderate borrowing costs, and sustained capital inflows are expected for the East Asia and Pacific region. With the exception of China, where investment continues its policy-guided deceleration investment spending in the regions like Cambodia, Lao PDR and Vietnam have remained strong, partly reflecting improved business confidence, continued capital inflows, and higher earnings.

GDP Growth in East Asia and Pacific

According to projections, growth in China is expected to slow from 6.5% in 2018 to 6.3% on an average in 2019-20. Fiscal policies in China are expected to become less accommodative to contain financial risks and encourage a continued rebalancing of the economy from investment to consumption and from industry to services. While for the economy like Vietnam which has renewed its fiscal consolidation efforts in 2018, the growth rate is expected to slow from 6.8% in 2018 to 6.6% on an average in 2019-20. Growth rate in Philippines is projected to remain the same from 6.7% in 2018 and 2019-20. Growth in the Philippines and Vietnam remains robust, but capacity constraints limit further acceleration, especially in the Philippines.

Growth rate in Malaysia is also expected to slow from 5.4% in 2018 to 6.1% on an average in 2019-20. Thus Malaysia continues to face financial sector vulnerabilities with elevated levels of debts. Indonesia's growth rate is expected to increase from 5.2% in 2018 to 5.3% in 2019-20 led by rising investment and accelerated infrastructure spending thus reflecting the strength of the economy.



Source: Global Economic Prospects Report 2018

Conclusions

In a nutshell, the global growth projections have risen partly driven by the possibility of policy shock from major economies. While a synchronous upturn in large economies could lead to further growth upgrades in the near term, risks remain tilted to the downside, with some becoming more acute.

The possibility of financial market disruptions has increased amid shifting monetary policy expectations in major advanced economies. The risk of mounting trade protectionism has also intensified. Other risks include the possibility of increasing policy uncertainty and geopolitical tensions. There has been an increase in the probability of an abrupt slowdown in global growth which could increase further if one or several downside risks materialize.

In Emerging Market and Developing Economies (EMDEs) monetary and fiscal buffers need to be rebuilt in order to prepare for monetary policy tightening in advanced economies and restore the scope for policy support against negative shocks. Further rising global interest rates will heighten corporate vulnerability and raise EMDE debt-service costs and fiscal sustainability gaps.

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.

Overview of Real GDP (% change)

Percentage point
differences from
January 2018
projections

	2015	2016	2017e	2018f	2019f	2020f	2018f	2019f	2020f
World	2.8	2.4	3.1	3.1	3.0	2.9	0.0	0.0	0.0
Advanced economies	2.3	1.7	2.3	2.2	2.0	1.7	0.0	0.1	0.0
United States	2.9	1.5	2.3	2.7	2.5	2.0	0.2	0.3	0.0
Euro Area	2.1	1.8	2.4	2.1	1.7	1.5	0.0	0.0	0.0
Japan	1.4	1.0	1.7	1.0	0.8	0.5	-0.3	0.0	0.0
Emerging market and developing economies (EMDEs)	3.7	3.7	4.3	4.5	4.7	4.7	0.0	0.0	0.0
Commodity-exporting EMDEs	0.5	0.8	1.8	2.5	3.0	3.0	-0.2	-0.1	-0.1
Other EMDEs	6.1	5.9	6.2	5.8	5.8	5.7	0.1	0.1	0.0
Other EMDEs excluding China	5.2	4.9	5.3	5.1	5.1	5.1	0.3	0.0	0.0
East Asia and Pacific	6.5	6.3	6.6	6.3	6.1	6.0	0.1	0.0	0.0
China	6.9	6.7	6.9	6.5	6.3	6.2	0.1	0.0	0.0
Indonesia	4.9	5.0	5.1	5.2	5.3	5.4	-0.1	0.0	0.1
Thailand	3.0	3.3	3.9	4.1	3.8	3.8	0.5	0.3	0.4
Europe and Central Asia	1.1	1.7	4.0	3.2	3.1	3.0	0.3	0.1	0.0
Russia	-2.5	-0.2	1.5	1.5	1.8	1.8	-0.2	0.0	0.0
Turkey	6.1	3.2	7.4	4.5	4.0	4.0	1.0	0.0	0.0
Poland	3.8	2.9	4.6	4.2	3.7	3.5	0.2	0.2	0.4
Latin America and the Caribbean	-0.4	-1.5	0.8	1.7	2.3	2.5	-0.3	-0.3	-0.2
Brazil	-3.5	-3.5	1.0	2.4	2.5	2.4	0.4	0.2	-0.1
Mexico	3.3	2.9	2.0	2.3	2.5	2.7	0.2	-0.1	0.1
Argentina	2.7	-1.8	2.9	1.7	1.8	2.8	-1.3	-1.2	-0.4
Middle East and North Africa	2.8	5.0	1.6	3.0	3.3	3.2	0.0	0.1	0.0
Saudi Arabia	4.1	1.7	-0.7	1.8	2.1	2.3	0.6	0.0	0.1
Iran	-1.3	13.4	4.3	4.1	4.1	4.2	0.1	-0.2	-0.1
Egypt ²	4.4	4.3	4.2	5.0	5.5	5.8	0.5	0.2	0.0
South Asia	7.1	7.5	6.6	6.9	7.1	7.2	0.0	-0.1	0.0
India ³	8.2	7.1	6.7	7.3	7.5	7.5	0.0	0.0	0.0
Pakistan ²	4.1	4.6	5.4	5.8	5.0	5.4	0.3	-0.8	-0.6
Bangladesh ²	6.6	7.1	7.3	6.5	6.7	7.0	0.1	0.0	0.3
Sub-Saharan Africa	3.1	1.5	2.6	3.1	3.5	3.7	-0.1	0.0	0.1
Nigeria	2.7	-1.6	0.8	2.1	2.2	2.4	-0.4	-0.6	-0.4
South Africa	1.3	0.6	1.3	1.4	1.8	1.9	0.3	0.1	0.2
Angola	3.0	0.0	1.2	1.7	2.2	2.4	0.1	0.7	0.9
Memorandum items:									
Real GDP¹									
High-income countries	2.3	1.7	2.2	2.2	2.0	1.8	0.0	0.1	0.0
Developing countries	3.7	3.8	4.6	4.7	4.8	4.8	0.0	0.0	-0.1
Low-income countries	4.9	4.8	5.5	5.7	5.9	6.3	0.3	0.4	0.6
BRICS	4.0	4.4	5.3	5.4	5.4	5.4	0.1	0.0	0.0
World (2010 PPP weights)	3.4	3.2	3.7	3.8	3.8	3.7	0.1	0.1	0.0
World trade volume⁴	2.7	2.8	4.8	4.3	4.2	4.0	0.3	0.3	0.2
Commodity prices									
Oil price ²	-47.3	-15.6	23.3	32.6	-1.4	0.1	23.2	-3.1	-1.6
Non-energy commodity price index	-15.8	-2.6	5.5	5.1	0.2	0.5	4.5	-0.6	-0.7

Source: PHD Research Bureau, compiled from Global Economic Report 2018

Note: PPP= Purchasing Power Parity, e = estimate; f = forecast. BRICS include: Brazil, Russia, India, China, and South Africa.

1. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights.
2. GDP growth values are on a fiscal year basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. Pakistan's growth rates are based on GDP at factor cost. The column labeled 2017 refers to FY2016/17.
3. The column labeled 2016 refers to FY2016/17.
4. World trade volume of goods and non-factor services

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 & 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) 	

<p>Department of Economic Affairs and Research</p>	<p>Department of Financial markets, Taxation and Research</p>	<p>Department of Industry Affairs and MSMEs</p>
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Ms. Sunita Gosain, Secretarial Assistant
 Secretarial and Administrative Processes



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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. 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)
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. Study Ease of Doing Work for Women: A Survey of Delhi NCR (March 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 Trade Relations: Reinforcing Trade and investment prospects (May 2018)
69. India-Nepal Economic Ties: New Horizons (June 2018)

B: State profiles

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

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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