



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 economy has been rebounding though with various challenges in the recent past, such as trade protectionism, tightening of financial conditions, policy uncertainty, geopolitical tensions, declining growth of trade and industrial production. The trade war between the largest economy in the world ecosystem, US and rising economy, China seems subsiding and giving way to a new era of trade expansion.

Economic health of manufacturing and service sector, as implied by manufacturing PMI, declined for most of the economies. US Manufacturing PMI lowest over a year due to the slowest expansion in factory activity since November of 2017, as new orders and employment rose at a slower pace. The PMI for overall Euro Area also recorded a decline. But, unlike the general trend, manufacturing sector of Spain and Japan recorded growth over the previous month.

Core inflation eased in most of the major economies. UK recorded as lowest inflation rate since the last March; inflation rate in China was at 4 month low level; US, Germany, Japan also recorded a dip in inflation rate over the previous month.

On the market front, most of the key international indices exhibited a negative trend with Japan's NIKKEI registering the highest dip. However, unlike other major indices, SENSEX registered a minimal increase over the previous month.

While, economies such as United States, United Kingdom and Canada recorded an increase in the trade deficit, economies like China and Russia experienced an increased trade surplus over the previous period. Brazil on the other hand, recorded a trade surplus below market expectations.

While unemployment rate in United States and United Kingdom remains flat over the previous month level and in line with the market expectations, unemployment rate in Italy, Russia and Japan recorded an increase and unemployment in China and Brazil fell over the previous month.

The Federal Reserve raised the target range for the federal funds rate by 25bps to 2.25-2.5% during its December meeting and lowered forecasts for interest rate hikes in 2019 amid recent volatility in financial markets and slowing global growth.

Going ahead, the positive rebound in the global economy should be continued to give a push to the slowing economic activities in the advanced economies. Along with this, through appropriate policy mixes, emerging economies should increase its resilience to risks and advanced economies should restore confidence by reducing policy uncertainty. Further, policy makers should work to make global growth more sustainable in the long run.

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	Dec'18	Nov'18	Oct'18	Dec '17	Dec '17
United States	19390	3.5%	105.4%	2.5	2.2%	3.7%~	(-)2.4%	(-)3.5%
Canada	1,653	0.7%*	89.6%	1.75%	1.7%	5.6%~	(-)3%	(-)0.9%
Japan	4,872	(-)0.3%	253%	-0.10%	0.8%	2.4%	4.02%	(-)4.5%
Euro Area								
United Kingdom	2,622	0.6%	85.3%	0.75%	2.3%	4.1%	(-)4.1%	(-)2.3%
Germany	3,677	(-)0.2%*	64.1%	0.00%	2.3%	3.3%	8%	1.3%
France	2,582	0.2%	97%	0.00%	1.9%	9.1%***	(-)0.8%	(-)2.6%
European PIIGS								
Portugal	217	0.3%	125.7%	0.00%	0.9%	6.7%***	0.50%	(-)3%
Ireland	333	2.5%*	68%	0.00%	0.6%	5.3%~	12.5%	(-)0.3%
Italy	1,934	0.0%	131.8%	0.00%	1.6%	10.6%	2.8%	(-)2.3 %
Greece	200	0.2%*	178.6%	0.00%	1.0%	18.6%***	(-)0.8%	0.80%
Spain	1,311	0.6%	98.3%	0.00%	1.7%	14.5%***	1.9%	(-)3.1%
BRICS Countries								
Brazil	2055	0.2%*	74.04%	6.5%	4.05%	11.7%	(-)0.48%	(-)7.8%
Russia	1,577	0.90%*	12.6%	7.75%	3.8%	4.8%~	2.2%	(-)1.5%
India	2,597	1.9%*	68.7%	6.50%	2.33%	3.52% ^{\$\$\$}	(-)1.9%	(-)3.5%
China	12,237	1.6%	47.6%	4.35%~	2.2%	3.82%***	1.3%	(-)3.5%
South Africa	349	-0.7%*	53.1%	6.75% ~	5.2%	27.5%***	(-)2.5%	(-)4.6%

Source: PHD Research Bureau, compiled from various sources, * pertains to June 2018, %Data pertains to August 2018, ~Data pertains to November 2018, ***Data pertains to September 2018, ^{\$\$\$} Data pertains to December 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 Canada, France, Italy, United Kingdom, Brazil, Russia, OECD area and the Euro area as a whole. The CLIs point to stable growth momentum in Japan and China. The CLIs for India point to stabilising growth momentum, while growth is expected to ease in Germany. A tentative sign of easing growth momentum is pointed for United States by CLIs.

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	
	Jun	Jul	Aug	Sep	Oct	Jun	Jul	Aug	Sep	Oct		
OECD Area	99.9	99.8	99.6	99.5	99.4	-0.12	-0.13	-0.14	-0.14	-0.13	-1.02	Easing growth momentum
Euro Area	100.1	99.9	99.8	99.6	99.5	-0.14	-0.15	-0.15	-0.16	-0.15	-1.33	Easing growth momentum
Major Five Asia**	99.4	99.4	99.3	99.4	99.4	-0.03	-0.03	-0.03	0.02	0.04	-0.68	Stable growth momentum
Major Seven	100.0	99.9	99.8	99.7	99.6	-0.08	-0.08	-0.09	-0.10	-0.10	-0.61	Tentative signs of easing growth momentum
Canada	99.8	99.7	99.6	99.5	99.4	-0.09	-0.10	-0.11	-0.12	-0.13	-1.14	Easing growth momentum
France	99.9	99.7	99.6	99.4	99.2	-0.14	-0.16	-0.18	-0.18	-0.17	-1.50	Easing growth momentum
Japan	99.8	99.8	99.7	99.7	99.7	-0.06	-0.05	-0.05	-0.04	0.01	-0.54	Stable growth momentum
Germany	100.2	100.1	100.0	99.9	99.8	-0.12	-0.09	-0.08	-0.08	-0.09	-1.22	Signs of easing growth momentum
Italy	100.2	100.0	99.9	99.7	99.6	-0.16	-0.16	-0.15	-0.15	-0.10	-1.09	Easing growth momentum
United Kingdom	99.5	99.4	99.2	99.0	98.8	-0.11	-0.14	-0.17	-0.21	-0.19	-1.48	Easing growth momentum
United States	100.0	100.0	99.9	99.8	99.7	-0.06	-0.06	-0.07	-0.09	-0.11	-0.13	Tentative signs of easing growth momentum
Brazil	103.0	102.8	102.5	102.3	102.1	-0.20	-0.25	-0.26	-0.24	-0.20	-0.02	Easing growth momentum
China***	98.8	98.7	98.7	98.8	98.8	-0.04	-0.04	-0.03	0.06	0.08	-1.24	Stable growth momentum
India	100.7	100.8	100.9	101.0	101.1	0.12	0.11	0.11	0.10	0.10	1.63	Stabilising growth momentum
Russia	100.7	100.6	100.4	100.2	100.0	-0.11	-0.14	-0.17	-0.20	-0.23	-0.66	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 3.4% in Q3-** The US economy recorded an annualized 3.4% on quarter in the third quarter of 2018, beating market expectations of 3.5%. 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.



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- 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 (-)0.6%-** The Japanese economy shrank 0.6% on quarter in the third quarter of 2018, faster than a preliminary estimate of a 0.3% drop and market expectations of a 0.5% decline. It is the steepest contraction since the second quarter of 2014.
- 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 lowest over a year-**The IHS Markit US Manufacturing PMI fell to 53.9 in December of 2018 from 55.3 in November, below market expectations of 55.1. The reading pointed to the slowest expansion in factory activity since November of 2017, as new orders and employment rose at a slower pace.
- 2.2 Euro Area Manufacturing PMI stands at 51.4 in December 2018-** The IHS Markit Eurozone Manufacturing PMI declined to 51.4 in December 2018 from 51.8 in November and below market consensus of 51.9. The reading pointed to the slowest expansion in factory activity since February 2016, as goods orders dropped for a third straight month, the steepest rate for four years.
- 2.3 France Manufacturing PMI fell to 49.7 in December 2018-** The IHS Markit France Manufacturing PMI fell to 49.7 in December 2018 from 50.8 in the previous month and against market expectations of a slightly decrease to 50.7, preliminary estimates showed. Although moderate overall, the contraction was the fastest for 27 months, mainly due to a slowdown in the automotive sector.
- 2.4 Spain Manufacturing PMI increased to 52.6 in November 2018-** Manufacturing PMI in Spain increased to 52.60 in November from 51.80 in October of 2018.

- 2.5 Japan manufacturing PMI above market expectations in December 2018-** The Nikkei Japan Manufacturing PMI rose to 52.4 in December of 2018 from a 15-month low of 52.2 in the previous month and slightly above market consensus of 52.3, a preliminary estimate showed. Output increased the most since April and new orders expanded at a faster pace despite the steepest export sales contraction in over two years.

Manufacturing Purchasing Managers' Index (PMI) of Select Countries

Country	Manufacturing PMI (August)	Manufacturing PMI (September)	Manufacturing PMI (October)	Manufacturing PMI (November)	Manufacturing PMI (December)
United States	54.7	55.6	55.7	55.4	53.9
Eurozone	54.6	53.3	52.0	51.5	51.4
France	53.5	52.5	51.2	50.7	49.7
Spain	53.0	51.4	51.8	52.6	-
Japan	52.5	52.5	52.9	52.2	52.4

Source: PHD Research Bureau, compiled from various sources

3. Inflation

- 3.1 US inflation rate fell to 2.2%-** According to U.S. Bureau of Labor Statistics, Annual inflation rate in the US fell to 2.2% in November of 2018 from 2.5% in October, matching market expectations. It is the lowest reading since February. On a monthly basis, consumer prices were unchanged after rising 0.3% in October and also in line with forecasts.
- 3.2 UK records lowest inflation since March last year-** The annual inflation rate in the United Kingdom fell to 2.3% in November 2018 from 2.4% in the previous month, in line with market expectations. It was the lowest inflation rate since March last year, mainly due to a slowdown in cost of transport; food and non-alcoholic beverages and recreation and culture.
- 3.3 Germany November inflation rate confirmed at 2.3%-** Germany's annual inflation rate slowed to 2.3% in November 2018 from a ten-year high of 2.5 percent in the previous month and in line with the preliminary estimates. Services and food inflation eased while energy inflation pick up.
- 3.4 Italy inflation rate remains flat at 1.6% in November-** As per National Institute of Statistics (ISTAT), The annual inflation rate in Italy came in at 1.6% in November of 2018, the same as in the previous month and slightly lower than a preliminary estimate of 1.7%. Inflation was steady for furniture and household equipment; housing & utilities and clothing & footwear.
- 3.5 Japan inflation rate eased in November-** As per Ministry of Internal affairs and Communications, Japan's consumer price inflation eased to a 5-month low of 0.8% year-on-year in November 2018 from 1.4% in the previous month, in line with market

expectations. Food and transport prices rose at a slower pace while housing costs continued to fall.

- 3.6 China Inflation Rate slowed to 4 month low-** China's consumer price inflation slowed to 4-month low of 2.2% year-on-year in November 2018 from 2.5% in the previous month and below market consensus of 2.45. Food inflation hit its lowest in three months and cost of non-food increased the least in seven months.

4. Markets

- 4.1 Most key international indices exhibited negative trend-** Most of the key international indices exhibited a negative trend as Japan's NIKKEI which registered a decrease of 11.39%, Germany's DAX registered a dip of 8.57%, US DJIA decreased by 7.14%, and China's SHSZ registered a decline of 4.43%. On the other hand, India's SENSEX registered an increase of 0.83%.

Global Indices

Index	Index	Index	Monthly Change
	(as on 26 November, 18)	(as on 26 December, 18)	(in %)
DAX ¹	11,354.72	10,381.51*	-8.57
DJIA ²	24,640.00	22,878.45	-7.14
NIKKEI ³	21,812.00	19,327.06	-11.39
SENSEX ⁴	35,354.08	35,649.94	0.83
SHSZ ⁵	3,141.32	3,002.03	-4.43

Source: PHD Research Bureau compiled from various sources. Note: ¹ Deutscher Aktien Index (Germany), ² Dow Jones Industrial Average (US), ³ NIKKEI (Japan), ⁴ BSE SENSEX (India), ⁵ Shanghai Shenzhen (China), *data as on 27 December 2018.

5. Commodities

- 5.1 International prices of the key commodities showed mixed trend-** During the period November-December 2018, the price of crude oil exhibited the maximum decline, registering a dip of 15.48% to 50.2\$/bbl. Prices of gold registered an increase of 3.86% to 1272.2\$/ounce, prices of silver increased by 3.47% to the price of 14.9\$/ounce, the price of copper decreased to 5931.5\$/tonne showing a drop of 4.48%, while that of sugar showed a decline of 0.44% with its price reaching to 337.7\$/tonne.

International Commodity Prices

Commodity	Units	As on	As on	Monthly Change
		(as on 26 th November, 2018)	(as on 26 th December, 2018)	(in %)
Gold	\$/ounce	1224.9	1272.2	3.86
Silver	\$/ounce	14.4	14.9	3.47
Copper	\$/tonne	6210	5931.5	-4.48
Crude Oil	\$/bbl	59.4	50.2	-15.48
Sugar	\$/tonne	339.2	337.7	-0.44

Source: PHD Research Bureau, compiled from various sources

6. Trade

- 6.1 US trade gap widened to USD 55.5 billion-** The U.S. trade deficit widened to USD 55.5 billion in October of 2018 from an upwardly revised USD 54.6 billion in the previous month and compared with market expectations of a USD 54.9 billion gap. It is the highest deficit since October of 2008.
- 6.2 UK trade deficit increased in October-** The UK trade deficit widened by GBP 0.97 billion to GBP 3.30 billion in October 2018 from an upwardly revised GBP 2.33 billion in the previous month. Imports rose 2.8% to GBP 56.68 billion and exports increased at a softer 1% to an all-time high of GBP 53.38 billion.
- 6.3 Canada recorded trade deficit increased in October-** Canada trade deficit widened to CAD 1.17 billion in October 2018 from an upwardly revised CAD 0.89 billion trade gap in the previous month. Exports fell 1.2%, the third consecutive monthly decline, principally on lower exports of crude oil. Meanwhile imports were down 0.6%.
- 6.4 China trade surplus widened in November-** China's trade surplus widened to USD 44.74 billion in November of 2018 from USD 38.43 billion in the same month a year earlier and easily beating market consensus of USD 34 billion. It was the largest trade surplus since December 2017, as exports rose at a faster 5.4% year-on-year while imports increased by 3.0%.
- 6.5 Russia trade surplus widened-** Russia's trade surplus widened to USD 18.7 billion in October of 2018 from USD 10.1 billion in the corresponding month of the previous year, and well above market expectations of a USD 17.9 billion surplus.
- 6.6 Brazil trade surplus slightly below expectations in November-** Brazil trade surplus increased to USD 4.06 billion in November 2018 from USD 3.54 billion in the same month of the previous year, slightly below market expectations of a USD 4.3 billion surplus. Exports grew 25.4% mostly due to shipments of soybeans and crude oil. Meantime, imports advanced 28.3% boosted by purchases of intermediate goods and capital goods.

7. Unemployment

- 7.1 US jobless rate holds steady at 49 Year low-** The US unemployment rate was unchanged at a 49-year low of 3.7% in November 2018, in line with market expectations. The number of unemployed decreased by 100 thousand to 5.98 million and employment rose by 233 thousand to 156.80 million.
- 7.2 UK Unemployment Rate remains flat in October as in September-** The unemployment rate in the UK stood at 4.1% in the three months to October 2018, remaining close to its lowest level since the 1970s and matching market expectations. The number of unemployed rose by 20,000 from the May to July period while employment increased by 79,000 and the number of job vacancies were near an all-time high.

- 7.3 Italy Jobless Rate rose in October-** Italy's unemployment rate rose to 10.6% in October 2018 from an upwardly revised 10.3 percent in the previous month and above market expectations of 10.1 percent. The number of unemployed increased by 2.4 percent while employment remained broadly stable.
- 7.4 Japan Jobless Rate edged up in October-** As per Ministry of Internal Affairs and Communications of Japan, the unemployment rate in Japan edged up to 2.5% in November of 2018, higher the 2.4% for the previous month and market expectations. Meanwhile, the jobs-to-applicants ratio edged up to 1.63 from 1.62 in October to match expectations.
- 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 increased in November-** Russian unemployment rate rose to 4.8% in November 2018 from 4.7% in the previous month, and compared to last year's figure of 5.1%. It was the highest jobless rate since April. The number of unemployed increased by 1.2% from a month earlier.
- 7.7 Brazil Jobless Rate fell to 11.7%-** The unemployment rate in Brazil decreased further to 11.7% in the three months to October of 2018, the lowest since July 2016, from 12.3% in the May-July period, matching market expectations. It is the seventh straight decline in jobless rate and the sharpest since December, mainly due to informal work.

Unemployment Rate of Select Countries

Country	Unemployment Rate in November'18 (in %)
United States	3.7
United Kingdom	4.1*
Russia	4.8
Italy	10.6*
Japan	2.5
Brazil	11.7*

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

8. Policy Developments

- 8.1 Fed target interest rates between 2.25 to 2.5%-** The Federal Reserve raised the target range for the federal funds rate by 25bps to 2.25-2.5% during its December meeting and lowered forecasts for interest rate hikes in 2019 amid recent volatility in financial markets and slowing global growth.
- 8.2 BoE Keeps Rates Steady-** The Bank of England voted unanimously to hold the Bank Rate at 0.75% on December 20th, saying that Brexit uncertainty had "intensified



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considerably" over the last month while inflation is expected to ease below the 2 percent target amid falling oil prices.

- 8.3 Hong Kong's central bank rate stood at 2.75%-** The Hong Kong Monetary Authority raised its base rate by 25 basis points to 2.75% on December 20th, 2018, tracking a similar move by the US Federal Reserve as its currency is pegged to the US dollar.
- 8.4 Russia Rate remains at 7.75%-** The Bank of Russia raised unexpectedly its benchmark one-week repo rate by 25 bps to 7.75% on December 14th, saying the decision is aimed at limiting inflation risks that remain elevated, especially over the short-term horizon on the back of the upcoming VAT rate increase.
- 8.5 BoJ keeps rate unchanged-** The Bank of Japan left its key short-term interest rate unchanged at -0.1% at its December meeting, even after the Federal Reserve raised rates for the fourth time this year.
- 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 keeps its Interest Rate unchanged-** The Bank of Canada left its benchmark interest rate unchanged at 1.75% of December 5th 2018, after hiking 25 bps in the previous meeting, as widely expected. It remained the highest rate since December 2008. Policymakers said more interest rate hikes will be needed to keep inflation into a neutral range of 2% target.

9. Miscellaneous

9.1 Higher Social Spending a Priority if Stimulus Necessary: World Bank

In China, GDP growth slowed to 6.5 percent year-on-year in the third quarter from 6.8 percent in the first half of 2018. This moderation was mainly due to weaker investment and exports. Investment growth continues to decelerate as the economy transitions to a new growth path which is increasingly dependent on domestic consumption. Weaker global trade momentum and trade policy tensions have weighed on exports. China's exports to the US which are subject to 25-percent tariffs have declined. Growth in exports subject to 10-percent tariffs has so far remained robust but is expected to slow too.

Financial markets have declined. The Shanghai Composite Index lost 20 percent and the renminbi fell by about 6 percent against the US dollar this year. Small net capital outflows were recorded in the third quarter, as foreign investors reduced sharply bond and stock purchases.

In response to this challenging economic environment, the government announced a series of measures to support growth and boost investor confidence. This includes fiscal incentives for households and businesses, infrastructure investment, increased liquidity provision by the People's Bank of China, and guidance to ease the financing constraints of the private sector and small and medium-sized enterprises. The government could shift spending from public infrastructure to health, education, and social protection. Over time, China has significantly reduced child and maternal mortality, curbed the incidence of infectious disease, and improved life expectancy. Basic education is now universal and secondary schooling is almost universal. Pension coverage is relatively high for a country with China's income level. Despite improved access to public services, disparities between urban and rural residents and between richer and lower-income provinces have risen.

9.2 World Economic Forum initiative pledges to equip 20 million ASEAN workers with digital skills by 2020

A coalition of major tech companies pledged to develop digital skills for the ASEAN workforce. The pledge, part of the World Economic Forum's Digital ASEAN initiative, aims to train by 2020 some 20 million people in South-East Asia, especially those working in small- and medium-size enterprises.

Other goals include raising USD2 million in contributions to provide scholarships for ASEAN technology students, ensuring an additional 200,000 digital workers are hired across the region, and engaging at least 20,000 citizens through "Digital Inspiration Days", whereby companies invite students and the public to visit their offices and learn more about the character of the jobs of the future. There will also be internship opportunities for ASEAN university students, as well as initiatives to train digital regulators and shape the curricula of technology and computing courses at 20 ASEAN universities. The aim of the pledge is to establish a regional movement among businesses committed to empowering individuals through skilling, reskilling and upskilling. It will not only increase the number of workers hired for digital jobs and trained in digital skills, but also help support business leaders with insight and analysis of what other companies in the region are doing to build a future-focused workforce.

9.3 Sharp decline in US consumer confidence rattles already nervous investors

A measure of US consumer confidence posted its sharpest decline in more than three years in December, rattling investors already nervous about the prospect that a global economic slowdown was spilling over into the United States. In a sign households were growing more worried about the economy, according to the Conference Board, its consumer confidence index fell this month by 8.3 points to a reading of 136.4, the largest one-month drop since July 2015. Other data released by the Labor Department, however, showed the number of new applications for jobless benefits dipping.



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Special Feature

Analysis of Asian Development Outlook, December 2018

This special feature provides an analysis of Asian Development Outlook, December 2018.

Growth forecasts for developing Asia remain unchanged at 6.0% for 2018 and 5.8% for 2019, despite challenges brought about by trade conflict, as envisaged in September in Asian Development Outlook 2018 Update. Backed by robust domestic demand, developing Asia continues to weather external headwinds.

Gross Domestic Product Growth (%)

	2017	2018		2019	
		ADO 2018 Update	ADO Supplement	ADO 2018 Update	ADO Supplement
Developing Asia	6.1	6.0	6.0	5.8	5.8
Developing Asia excluding the NIEs	6.6	6.5	6.5	6.3	6.3
Central Asia	4.3	4.1	4.2	4.2	4.3
Kazakhstan	4.1	3.7	4.0	3.9	3.8
East Asia	6.3	6.0	6.0	5.7	5.7
Hong Kong, China	3.8	3.7	3.4	3.0	2.8
People's Republic of China	6.9	6.6	6.6	6.3	6.3
Republic of Korea	3.1	2.9	2.7	2.8	2.6
Taipei, China	2.9	3.0	2.6	2.8	2.6
South Asia	6.5	7.0	7.0	7.2	7.1
India	6.7	7.3	7.3	7.6	7.6
Southeast Asia	5.2	5.1	5.1	5.2	5.1
Indonesia	5.1	5.2	5.2	5.3	5.2
Malaysia	5.9	5.0	4.7	4.8	4.7
Philippines	6.7	6.4	6.4	6.7	6.7
Singapore	3.6	3.1	3.3	2.9	2.9
Thailand	3.9	4.5	4.3	4.3	4.1
Viet Nam	6.8	6.9	6.9	6.8	6.8
The Pacific	2.3	1.1	1.1	3.1	3.1

Source: PHD Research Bureau, compiled from Asian Development Bank 2018 Asian Development Outlook 2018 Update; ADB estimates.

ADO is Asian Development Outlook, ADOS is ADO Supplement, NIEs is newly industrialized economies (Hong Kong, China; Republic of Korea; Singapore; and Taipei, China).

Note: Developing Asia refers to the 45 members of the Asian Development Bank listed below. Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. East Asia comprises Hong Kong, China; Mongolia; the People's Republic of China; the Republic of Korea; and Taipei, China. South Asia comprises Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Southeast Asia comprises Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Pacific comprises the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.



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The growth outlook for the major industrial economies of the US, the euro area, and Japan is unchanged from ADO 2018 Update. Despite contraction in Japan in Q3, favorable outcomes in the US and the euro area confirm that the major industrial economies are on track to meet Update growth projections of 2.3% in 2018 and 2.1% in 2019.

Gross domestic product growth in the major industrial economies (%)

	2017	2018		2019	
	Actual	ADO 2018 Update	ADOS	ADO 2018 Update	ADOS
Major Industrial Economies	2.3	2.3	2.3	2.0	2.1
United States	2.2	2.8	2.9	2.4	2.5
Euro Area	2.5	2.0	2.0	1.9	1.9
Japan	1.9	1.1	0.8	1.0	1.0

Sources: PHD Research Bureau compiled from Asian Development Bank. 2018. Note: ADO = Asian Development Outlook, ADOS = ADO Supplement.

Note: Average growth rates are weighed by gross national income, Atlas method, in current US dollars. Update; ADB estimates

The US economy grew at a seasonally adjusted annualized rate (saar) of 4.2% in Q2 before slowing to 3.5% in Q3. While a strong rebound in private investment added to solid contributions from private consumption and government spending, net exports subtracted from growth as a strong dollar caused a large surge in imports and a slowdown in exports.

Euro area economic growth slowed to 0.7% saar in Q3 2018 from 1.8% in Q2 as a firm euro and slower global trade kept weighing down the external sector. Accommodative monetary policy has been driving growth in the region, and labor markets remain tight.

In Japan, GDP growth, having recovered briefly in Q2, contracted again in Q3, by 2.5% saar. All expenditure components except government consumption dragged down growth.

Inflation Outlook

Commodity prices have been on a downtrend since the release of the Update. Central banks continue to implement measures to counter price and foreign exchange volatility resulting from a stronger US dollar, the impact of bad weather and natural calamities, slowing global demand for exports, and rising trade tensions between the PRC and the US. These and country-specific factors prompt downward revisions to regional inflation forecasts from 2.8% to 2.6% for 2018 and from 2.8% to 2.7% for 2019.

Conclusions

In a nutshell, among advanced economies (AEs), economic activity appears to be slowing in the US in Q4:2018, after a buoyant Q3. The Euro area growth lost pace in Q3, impacted by weaker trade growth and new vehicle emission standards. The Japanese economy contracted in Q3 on subdued external and domestic demand.

The Russian economy lost some traction, pulled down largely by a weak agriculture harvest, though the growth was buttressed by strong performance of the energy sector. The Brazilian economy seems to be recovering gradually from the economic disruption in the first half of the year. The South African economy expanded in Q3, after contracting in the previous two quarters, driven by agriculture and manufacturing.

However, going ahead, due to stabilising global macroeconomic conditions, the growth forecast for US for 2019 is revised up, higher than forecasted earlier, but lower than 2018 forecast, despite some moderation anticipated in the wake of monetary tightening.

Also, the recent agreement of 90-day truce precluding any new tariffs to allow time for bilateral negotiations between US and China, which also lends businesses a wider window for frontloading trade, have opened a potential path towards rebound of global growth.

Going ahead, policy uncertainty should be reduced and resilience against risk should be increased, so that the confidence in the world economy is restored again and the long term growth becomes sustainable and equitable.

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) • Industry Development Monitor (IDM) 	



NATIONAL APEX CHAMBER

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)
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)



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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)
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)
77. Bihar: The State Profile (June 2012)
78. Himachal Pradesh: The State Profile (June 2012)
79. Madhya Pradesh: The State Profile (August 2012)
80. Resurgent Bihar (April 2013)
81. Life ahead for Uttarakhand (August 2013)
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)
92. Kashmir: The way forward (February 2018)
93. Analysis of State Budgets for 2018-19: Select Sates (March 2018)
94. Rising Uttar Pradesh : One District One Product Summit (August 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)
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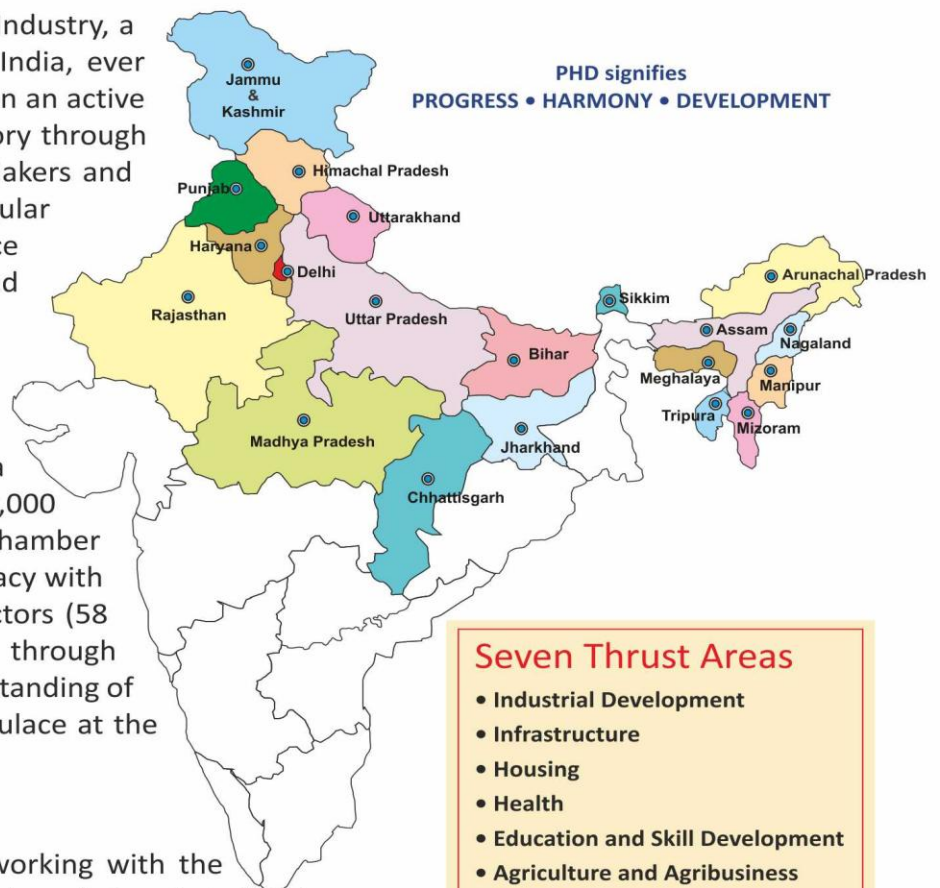


NATIONAL APEX CHAMBER

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PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 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 an Inclusive & Prosperous India"



PHD CHAMBER OF COMMERCE AND INDUSTRY

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