

THE MACROSCOPE

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Issue#6

Issue Highlights:

What stands out:

Multiple factors have impacted the pace of recovery for various economies

Charts in Focus:

In US, Housing Market and Manufacturing sector continue to lead recovery

In Europe, Lockdown takes toll on business sentiments but manufacturing shows strength

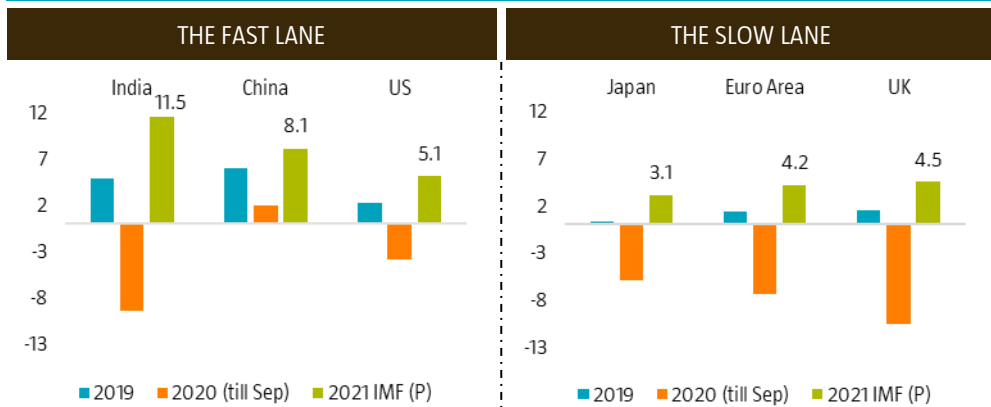
In Asia, China remains in the sweet spot while India sees mixed data

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WHAT STANDS OUT...

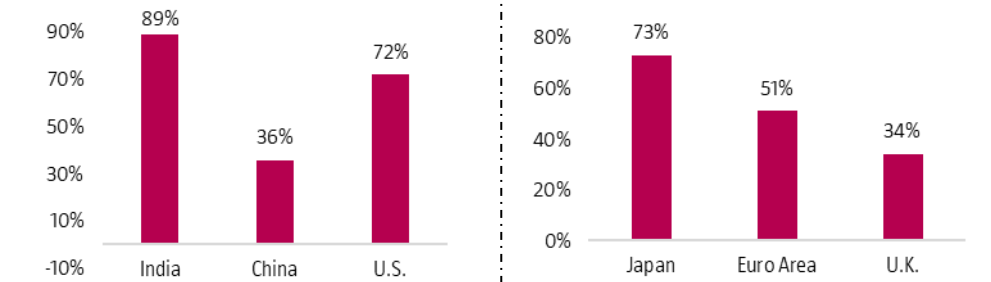
ROAD TO RECOVERY – GDP Growth



THE FAST LANE:

India & China adopted more stringent lockdowns which impacted economic growth at the start. But, the contained pandemic losses also helped smoother opening up of industries (export growth for China) and unravelling of the pent-up demand (consumption demand for India) which is expected to support faster recovery. U.S., on the other hand, preferred more financial support with shorter and lenient lockdowns and hence are seeing more human losses now. But it is expected to see quick recovery on the back of record high stimulus which has kept the consumption demand supported. The markets have rewarded both the approaches with record high index levels in India & U.S.

MARKET RECOVERY



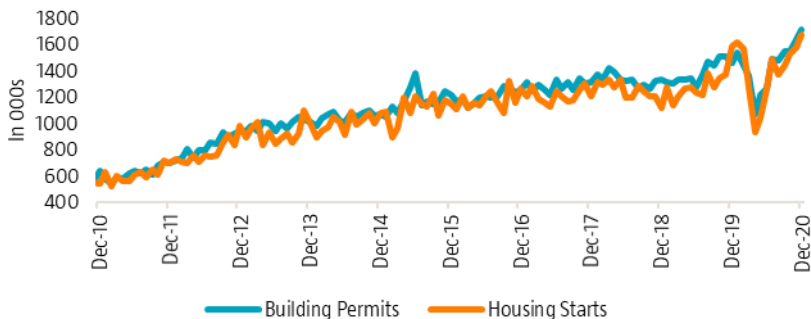
THE SLOW LANE:

The scale of the human losses in the Euro Area and U.K. has clearly impacted the pace of recovery in the region. The region which has seen more deaths per 1mn population saw frequent small lockdowns which has further delayed economic normalization thus expected to see gradual recovery. Japan, though not the worst hit from the pandemic, has seen frequent lockdowns due to constantly re-emerging infection waves which have led to growth expectations being muted. Though fiscal support has kept markets buoyant, slower export recovery and weak domestic demand would take more time to see recovery.

Multiple factors have impacted the pace of recovery for various economies

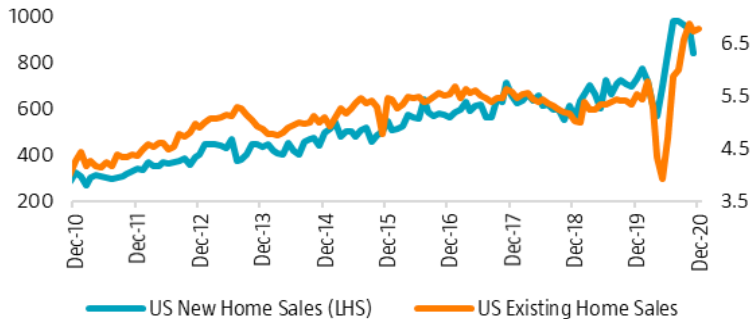
CHARTS IN FOCUS – U.S.

Housing market continues to witness strong growth as low mortgage rates keep demand high

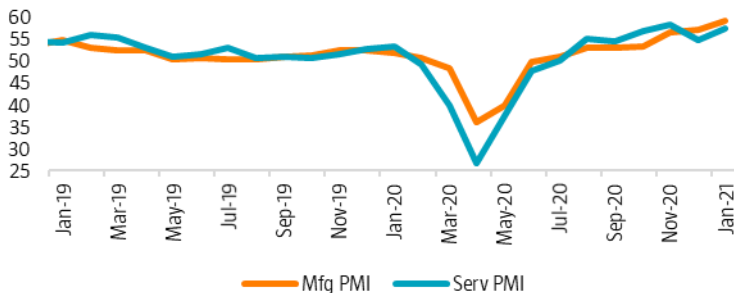


- ✓ Positive reading on Building permits, which is a lead indicator for Housing starts, bodes well for the housing market outlook in US.
- ✓ While home sales numbers continue to be the bedrock for the housing market recovery, concerns of labor shortages, falling inventory and higher prices have started to put a ceiling to the recovery
- ✓ Consumer spending remained the weak spot while business investment gained traction as producers of machinery and equipment noted strong demand

Home sales have also received impetus from shift of citizens to suburbs from city centers as work-from-home becomes a norm



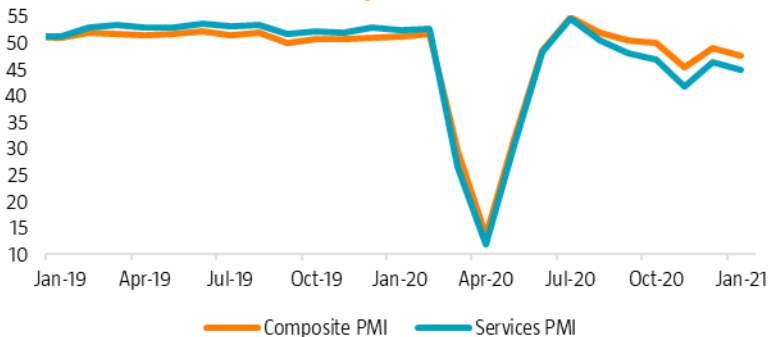
U.S. Manufacturing PMI ended the year at a 6-yr high



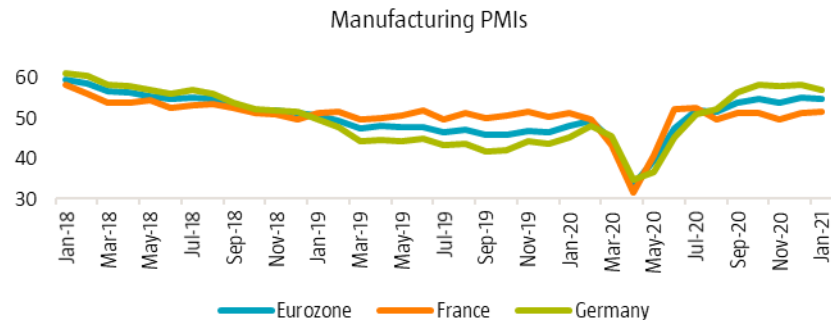
Housing Market and Manufacturing sector continue to lead recovery

CHARTS IN FOCUS – EUROZONE

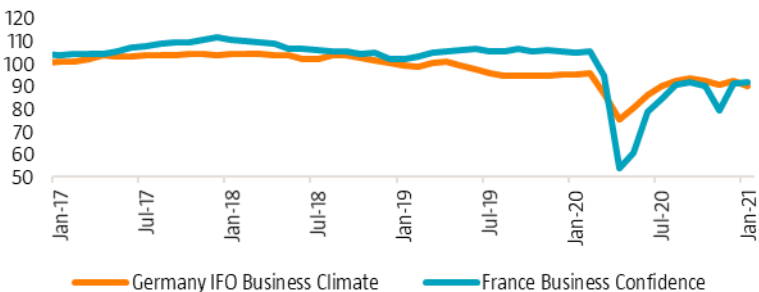
Eurozone PMIs moved further into contractionary territory on the back of frequent lockdowns as infection waves re-emerged



Italy's new car registrations slumped by almost 15% in 2020



Tighter restrictions and extended lockdowns dented the business confidence across Europe

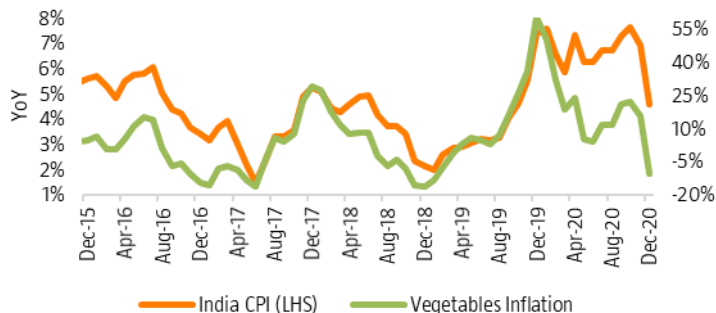


- ✓ The Eurozone Service PMIs have been indicating contraction for 5 months in a row which could pressure GDP growth negatively
- ✓ Manufacturing PMIs maintained their expansion mode even as German Manufacturing PMI fell to a 4-month low. Export orders for German businesses showed optimism on stronger demand from China & U.S.
- ✓ All German confidence surveys by the IFO institute came in below expectations as businesses adjusted to uncertainty around coronavirus restrictions

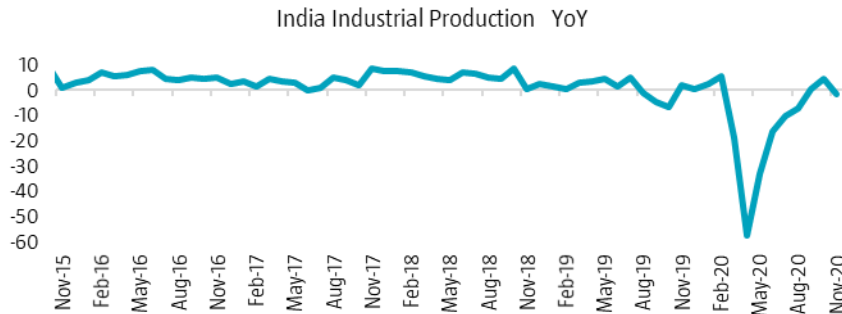
Lockdown takes toll on business sentiments but Manufacturing shows strength

CHARTS IN FOCUS – ASIA

India's headline inflation dipped to levels last seen in September-19 largely on the back of lower vegetable prices



Industrial growth fell by almost 2% YoY largely on account of base effect and lower working days due to Diwali falling in November



China exports have gained from supply shock in other countries which have been under lockdown



- ✓ In India, a drop of more than 10% in vegetable prices led the headline inflation to fall below 5% for the first time since October 2019
- ✓ While recent India's industrial production growth disappointed, the other high frequency indicators continued to point to a recovery. IIP is also expected to trend back in to the positive going forward
- ✓ Given the unique condition of the pandemic, China's rising exports have taken share from other countries which are in no position to export due to lockdown led supply chain issues

China remains in the sweet spot while India sees mixed data

INDICATORS IN FOCUS – U.S. & EUROPE

	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
UNITED STATES									
U. of Mich. Sentiment	72.30	78.10	72.50	74.10	80.40	81.80	76.90	80.70	79.20
Retail Sales Advance MoM	18.30	8.60	1.10	1.40	1.70	-0.10	-1.40	-0.70	
Industrial Production YoY	-15.72	-10.50	-6.58	-6.55	-6.28	-4.97	-5.41	-3.58	
Trade Balance	-55.59	-51.21	-61.41	-64.92	-62.08	-63.11	-68.14		
Wards Total Vehicle Sales	12.21	13.05	14.52	15.19	16.34	16.21	15.55	16.27	
New Home Sales	698	840	979	977	965	945	841		
Housing Starts	1038	1265	1487	1373	1437	1530	1578	1669	
PCE Core Deflator YoY	1.01	1.14	1.26	1.43	1.53	1.41	1.38		
PCE Deflator YoY	0.50	0.90	1.00	1.20	1.40	1.20	1.10		
Change in Nonfarm Payrolls	2725	4781	1761	1493	711	654	336	-140	
Unemployment Rate	13.30	11.10	10.20	8.40	7.80	6.90	6.70	6.70	
Markit US Manufacturing PMI	39.80	49.80	50.90	53.10	53.20	53.40	56.70	57.10	59.10
EUROZONE									
Germany IFO Business Climate	80.5	86.1	90	92.3	93.3	92.6	90.9	92.2	90.1
Eurozone Consumer Confidence	-18.80	-14.70	-15.00	-14.70	-13.90	-15.50	-17.60	-13.80	-15.50
Bank of France Ind. Sentiment	84.19	89.63	99.05	105.33	101.02	97.41	96.00	97.00	
France Industrial Production YoY	-23.3	-11.4	-8.3	-6.3	-5.9	-4	-4.6		
Italy Retail Sales YoY	-10.2	-2.3	-7.1	1	1.4	2.8	-8.1		
Netherlands Mfg Production YoY	-12.10	-9.70	-4.90	-3.80	-6.60	-3.60	-2.50		
France Trade Balance	-7369	-8056	-6848	-7027	-5454	-4630	-3559		
Italy New Car Registrations YoY	-49.55	-23.03	-10.88	-0.29	9.65	-0.09	-8.34	-14.95	
Spain CPI YoY	-0.90	-0.30	-0.60	-0.50	-0.40	-0.80	-0.80	-0.50	
Eurozone CPI YoY	0.10	0.30	0.40	-0.20	-0.30	-0.30	-0.30	-0.30	
Germany CPI YoY	0.60	0.90	-0.10	0.00	-0.20	-0.20	-0.30	-0.30	
Netherlands Unemployment Rate	3.60	4.30	4.50	4.60	4.40	4.30	4.00	3.90	
Eurozone Unemployment Rate	7.60	7.90	8.70	8.60	8.50	8.40	8.30		
Markit Eurozone Composite PMI	31.90	48.50	54.90	51.90	50.40	50.00	45.30	49.10	47.50

INDICATORS IN FOCUS – ASIA

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
INDIA									
CPI YoY	7.22	6.27	6.23	6.73	6.69	7.27	7.61	6.93	4.59
Core CPI YoY	4.85	5.00	5.33	5.87	5.77	5.66	5.76	5.79	5.65
Markit India Manufacturing PMI	27.40	30.80	47.20	46.00	52.00	56.80	58.90	56.30	56.40
Markit India Services PMI	5.40	12.60	33.70	34.20	41.80	49.80	54.10	53.70	52.30
GST Collection (Rs. cr)	32294	62009	90917	87422	86449	95480	105155	104963	115174
Imports YoY	-58.65	-51.05	-47.59	-28.4	-26	-19.6	-11.53	-13.32	7.56
Exports YoY	-60.28	-36.47	-12.41	-10.21	-12.7	6.0	-5.1	-8.7	0.1
Non-oil & non-gold imports YoY	-52.17	-33.76	-41.37	-29.15	-29.60	-12.63	-5.25	-1.67	8.42
Gold Imports(USD mn)	-99.93	-98.40	-77.42	4.17	171.27	-52.85	35.88	2.65	81.82
E-Way Bills (INR crs.)	-83.61	-53.03	-12.71	-7.29	-3.47	9.60	21.40	8.12	15.89
Indian Forex Reserves(USD mn)	479.50	493.50	506.80	534.57	541.40	542.00	560.70	574.82	580.84
Currency Circulation YoY	15.70	18.40	20.60	22.20	23.20	22.70	20.30	22.22	22.22
Passenger auto sales YoY	-100.00	-85.22	-49.59	-3.86	14.16	26.45	14.19	4.65	13.59
Cement output YoY	-85.25	-21.43	-6.83	-13.45	-14.56	-3.50	3.14	-7.16	
Steel Production	-82.80	-40.42	-23.23	-6.46	-1.73	2.76	4.01	-4.39	
Index of Industrial Production YoY	-57.30	-33.40	-16.60	-10.50	-7.10	0.50	4.20	-1.90	
CHINA									
Caixin China PMI Composite	47.60	54.50	55.70	54.50	55.10	54.50	55.70	57.50	55.80
Caixin China PMI Services	44.40	55.00	58.40	54.10	54.00	54.80	56.80	57.80	56.30
Exports YoY	3.10	-3.50	0.20	6.80	9.10	9.40	10.90	20.60	18.10
Imports YoY	-14.40	-16.70	2.30	-1.60	-2.30	12.70	4.40	3.90	6.50
Trade Balance	44.91	62.61	46.28	61.88	58.48	36.75	58.07	75.50	78.17
CPI YoY	3.30	2.40	2.50	2.70	2.40	1.70	0.50	-0.50	0.20
Industrial Production YoY	4.80	4.80	5.60	6.90	6.90	7.00	7.30		
Retail Sales YoY	-1.80	-1.10	0.50	3.30	4.30	5.00	4.60		
Manufacturing PMI	50.80	50.60	50.90	51.10	51.00	51.50	51.40	52.10	51.90
JAPAN									
Vehicle Sales YoY	-25.50	-40.20	-26.00	-20.40	-18.50	-15.60	31.60	6.00	7.40
Jobless Rate	2.60	2.90	2.80	2.90	3.00	3.00	3.10	2.90	
Job-To-Applicant Ratio	1.32	1.20	1.11	1.08	1.04	1.03	1.04	1.06	
Money Stock M2 YoY	3.70	5.10	7.20	7.90	8.60	9.00	9.00	9.10	9.20
Industrial Production YoY	-15.00	-26.30	-18.20	-15.50	-13.80	-9.00	-3.00	-3.90	
Exports YoY	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90	-0.20	-4.20	2.00
Imports YoY	-7.10	-26.10	-14.40	-22.30	-20.70	-17.40	-13.20	-11.10	-11.60
Natl CPI YoY	0.10	0.10	0.10	0.30	0.20	0.00	-0.40	-0.90	-1.20
Jibun Bank Japan PMI Composite	25.80	27.80	40.80	44.90	45.20	46.60	48.00	48.10	48.50
Retail Sales YoY	-13.90	-12.50	-1.30	-2.90	-1.90	-8.70	6.40	0.60	-0.30

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