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## The highest level since...

- **Recently published data suggests global growth is set to remain robust**
- **Inflation indicators continue to be very benign**
- **Nomination of Powell for Fed chair suggests continuity of monetary policy**

### Confidence, the highest since...

I have highlighted robust confidence indices here many times. They provide the most up to date, comprehensive view on what is going on with the global economy. Admitted, they are 'soft' data, based on surveys. However, that is why one needs to look at a bunch of them to see if they paint a consistent picture. And they do!

I mentioned the German Ifo index last week already. It reached its **highest level since the 1960s** in October. Recent days have seen the publication of the European Commission's Economic Sentiment Index. It rose from 113.1 in September to 114.0 in October, the **highest level since 2000**. Italian business confidence in manufacturing reached its **highest level since 2011** in October.

### Eurozone economic sentiment



Source: Bloomberg

The 'highest level since' is also a theme that applies to various confidence indices in the US. The Chicago Fed PMI rose to its **highest level since 2011** in October, when it was higher only for one month. The previous time this index was higher than the most recent observation was in **2004** (also a one-off) and before that **1994**. The Dallas Fed confidence index was the **highest since 2006** in October. US consumer confidence according to the Conference Board's gauge surged in October and stood at its **highest level since 2000**. I

have to admit, that the US ISM for the manufacturing sector fell back to 58.7 in September, down from 60.8 in September, which was its **highest level since 2004**.

All this suggests that growth momentum in these two economies continues to be strong. This is confirmed by hard data. Eurozone real GDP grew at a rate of 0.6% qoq in Q3, after 0.7% in Q2 (upwardly revised from 0.6%). This is above what most economists consider potential growth for the eurozone. In fact, the eurozone economy has grown above potential for three consecutive years now.

US personal income and spending increased by 0.4% and 1.0% mom, respectively in September. That is strong, but, particularly the spending side may have been affected by the hurricanes. Car sales were stronger than expected in October, though the hurricanes may also have provided a boost here. US employment rose 261,000 in October, a little less than expected, but OK all the same.

### US average hourly earnings



Source: Bloomberg

### ...though picture more mixed in Asia

Various confidence indices in Asia were less impressive in recent days. Business confidence fell back a little in China, Korea and Taiwan in October, but remained at a high level. Business confidence in Singapore, on the other hand, surged to a new record. Taiwanese GDP accelerated in Q3 to its highest levels since 2015. But Korean export growth fell back sharply in October: + 7.1% yoy versus 35.0% in September. The September reading was astonishing and it looks like we need to average the last two months.

### Subdues inflation

Eurozone inflation fell back in October. Headline inflation eased from 1.5% to 1.4% yoy while the core rates dropped from 1.1% to 0.9%. We think that continued slack in the economy is the key culprit here. Given the overall economic situation, I would think that somewhat below-target inflation is not a big problem and certainly not a justification for a continuation of super aggressive monetary policy. But then, I am not responsible for monetary policy and the ECB has announced a halving of its asset purchases starting in January.

## Eurozone core inflation



Source: Thomson Reuters Datastream

The US Fed's favourite inflation gauge, core-PCE, was unchanged at 1.3% yoy in September. This is actually more remarkable than the data in the eurozone as the US economy clearly has considerably less slack than the eurozone's. The US October employment report also contained data on wages. The previous report had shown average hourly earnings up 0.5% mom in September, which was greeted by many economists as a sign that wage inflation might be picking up. However, these earnings were unchanged mom in October, pushing the yoy rate down from 2.8% to 2.4%. It would appear that this data is also affected by hurricanes. In any event, I conclude that inflation pressures remain very subdued in the eurozone and in the US.

#### Powell: a choice for continuity

US President Trump has nominated Jerome Powell to be the next chair. This would appear another U-turn on election rhetoric. Prior to the elections, candidate Trump had criticised the Fed for its, allegedly, overly loose policies. But by choosing Powell, he is now opting for continuity, more of what he had criticized so strongly. Just as well...

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Main economic/financial forecasts													
GDP growth (%)		2015	2016e	2017e	2018e	3M interbank rate		26/10/2017	02/11/2017	+3M	2017e	+12M	2018e
United States		2.9	1.5	2.3	2.5	United States		1.38	1.39	1.30	1.30	1.80	1.80
Eurozone		2.0	1.8	2.3	2.2	Eurozone		-0.33	-0.33	-0.33	-0.33	-0.33	-0.33
Japan		1.1	1.0	1.5	1.3	Japan		0.07	0.07	-0.10	-0.10	-0.10	-0.10
United Kingdom		2.3	1.8	1.6	1.4	United Kingdom		0.42	0.47	0.60	0.60	0.60	0.60
China		6.9	6.7	6.8	6.5								
World		3.5	3.3	3.6	3.7								
Inflation (%)		2015	2016e	2017e	2018e	10Y interest rate		26/10/2017	02/11/2017	+3M	2017e	+12M	2018e
United States		0.1	1.3	1.9	1.7	US Treasury		2.45	2.35	2.2	2.20	2.40	2.50
Eurozone		0.0	0.2	1.5	1.3	German Bund		0.44	0.37	0.6	0.60	0.70	0.80
Japan		0.8	-0.1	0.7	1.0	Euro sw ap rate		0.88	0.85	1.0	1.00	1.05	1.15
United Kingdom		0.0	0.7	2.7	2.3	Japanese gov. bonds		0.07	0.06	0.0	0.00	0.00	0.00
China		1.4	2.0	1.5	2.0	UK gilts		1.39	1.26	1.4	1.50	1.10	1.80
World		2.9	2.9	3.1	3.0								
Key policy rate		02/11/2017	+3M	2017e	2018e	Currencies		26/10/2017	02/11/2017	+3M	2017e	+12M	2018e
Federal Reserve		1.25	1.25	1.25	1.75	EUR/USD		1.17	1.17	1.20	1.20	1.27	1.30
European Central Bank		-0.40	-0.40	-0.40	-0.40	USD/JPY		114.0	114.1	110	110	106	105
Bank of Japan		-0.10	-0.10	-0.10	-0.10	GBP/USD		1.32	1.31	1.34	1.34	1.40	1.42
Bank of England		0.00	0.50	0.50	0.50	EUR/GBP		0.89	0.89	0.90	0.90	0.91	0.92
People's Bank of China		4.35	4.35	4.35	4.35	USD/CNY		6.64	6.61	6.60	6.60	6.70	6.75

Source: Thomson Reuters Datastream, ABN AMRO Group Economics.

## Key macro events 6 – 10 November 2017

Day	Date	Time	Country	Market indicator	Period	Latest outcome	Expectation consensus	ABN AMRO
Monday	6-11-2017		ID	Real GDP - % yoy	3Q	5,0	5,2	
Monday	06/11/2017	08:00:00	DE	Manufacturing orders - % mom	Sep	3,6	-1,4	<b>0,8</b>
Monday	06/11/2017	10:00:00	EC	PMI services - index	Oct F	54,9	54,9	
Monday	06/11/2017	10:00:00	EC	Composite PMI output	Oct F	55,9	55,9	
Monday	06/11/2017	11:30:00	US	Fed's Potter speaks in New York				
Monday	06/11/2017	18:10:00	US	Fed's Dudley speaks				
Tuesday	07/11/2017	01:01:00	GB	BRC Retail sales - % yoy	Oct	1,9		
Tuesday	7-11-2017		CN	Foreign Reserves - USD bn	Oct	3108,5	3107,5	
Tuesday	07/11/2017	04:30:00	AU	Policy rate - %	Nov 7	1,5	1,5	<b>1,5</b>
Tuesday	07/11/2017	06:30:00	NL	CPI - % yoy	Oct	1,5		<b>1,4</b>
Tuesday	07/11/2017	08:00:00	DE	Industrial production - % mom	Sep	2,6	-1,0	<b>0,1</b>
Tuesday	07/11/2017	09:00:00	CH	Foreign currency reserves - CHF mln	Oct	724462		
Tuesday	07/11/2017	09:30:00	GB	Halifax house price index - % mom	Oct	0,8		
Tuesday	07/11/2017	11:00:00	EC	Retail sales - % mom	Sep	-0,5	0,6	
Tuesday	07/11/2017	18:35:00	US	Fed's Quarles speaks at Clearing House Conference				
Wednesday	08/11/2017		CN	Imports - % yoy	Oct	18,6	16,8	
Wednesday	08/11/2017		CN	Exports - % yoy	Oct	8,1	7,0	
Wednesday	08/11/2017	21:00:00	NZ	Policy rate - %	Nov 9	1,75	1,75	<b>1,75</b>
Wednesday	08/11/2017		PL	Reference rate - %	Nov 8	1,50	1,50	
Thursday	09/11/2017	00:50:00	JP	BOP Current account - JPY bn	Sep	2380,4	2453,3	
Thursday	09/11/2017	00:50:00	JP	Machinery orders private sector - % mom	Sep	3,4	-2,2	
Thursday	09/11/2017	01:01:00	GB	RICS house price balance - %	Oct	5,9		
Thursday	09/11/2017	02:30:00	CN	CPI - % yoy	Oct	1,6	1,7	
Thursday	9-11-2017	02:30:00	CN	PPI - % yoy	Oct	6,9	6,6	
Thursday	09/11/2017	07:45:00	CH	Unemployment - %	Oct	3,1		
Thursday	09/11/2017	10:00:00	EC	ECB publishes Economic Bulletin				
Thursday	09/11/2017	14:30:00	US	Initial jobless claims		229k		
Thursday	09/11/2017	16:00:00	US	Wholesale inventories	Sep	0,3		
Thursday	09/11/2017	16:00:00	EC	ECB's Villeroy de Galhau speaks in Brussels				
Thursday	09/11/2017	20:00:00	MX	Policy rate - %	Nov 9	7,0		
Friday	10/11/2017	10:30:00	GB	Manufacturing production - % mom	Sep	0,4		
Friday	10/11/2017	10:30:00	GB	Trade balance Non-EU - GDP mln	Sep	-5835		
Friday	10/11/2017	10:30:00	GB	Trade balance - GDP mln	Sep	-5626		
Friday	10/11/2017	14:00:00	GB	NIESR GDP estimate - % qoq	Oct	0,4		
Friday	10/11/2017	16:00:00	US	Univ. of Michigan cons. confidence - index	Nov P	100,7	99,0	
Friday	10/11/2017	15-11-2017	CN	M2 money growth - % yoy	Oct	9,2	9,2	
Friday	10/11/2017	15-11-2017	CN	Aggregate financing - CNY bn	Oct	1819,9	1102,5	
Friday	10/11/2017	15-11-2017	CN	New yuan loans - CNY bn	Oct	1270,0	775,0	

Source: Bloomberg, Reuters, ABN AMRO Group Economics (we provide own forecasts only for selected key variables and events)