

Global economy: Escape velocity at last?

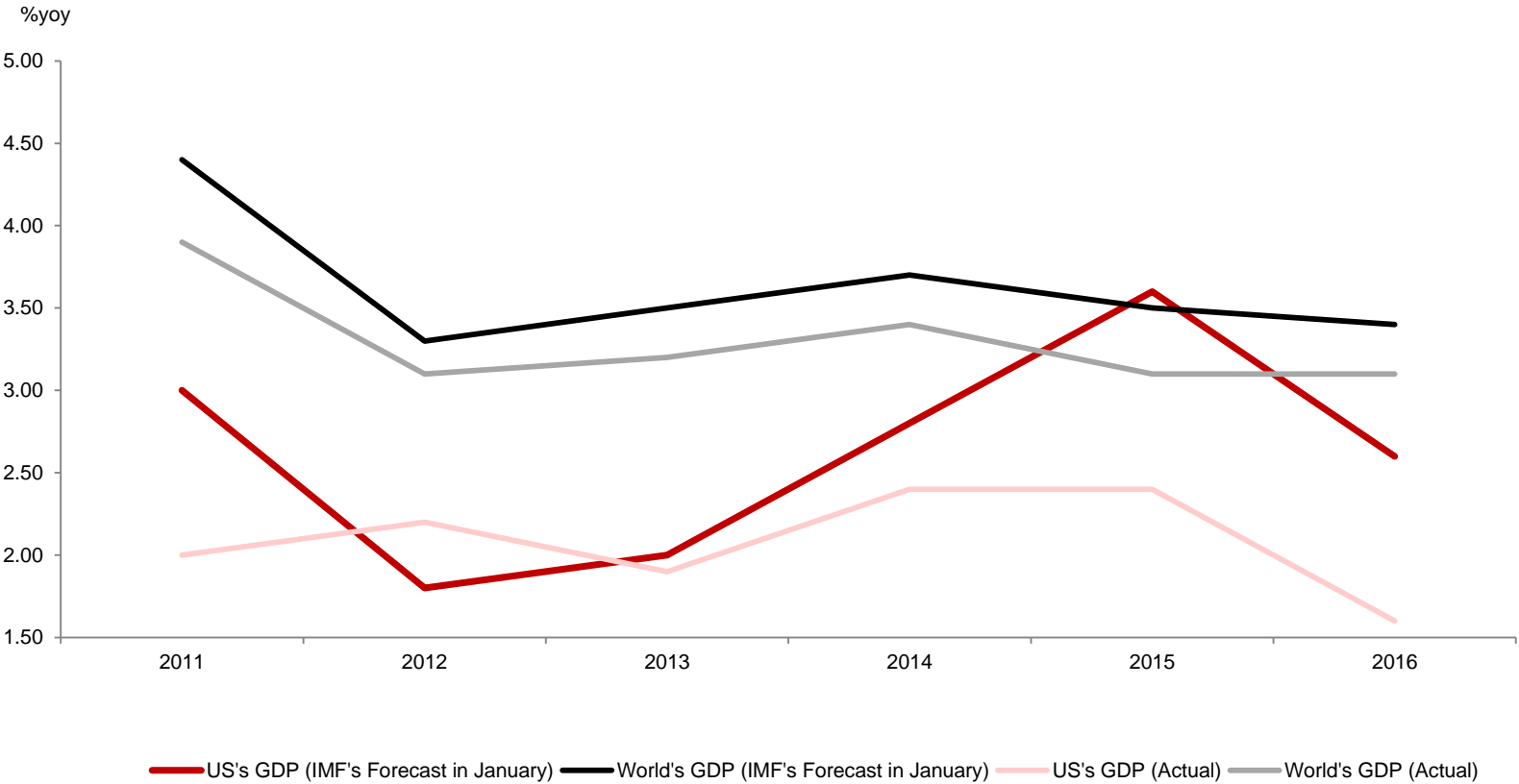
Arup Raha
CIMB

April 2017

The Global Outlook

- The global economy is rebounding, mainly manufacturing and trade
 - It's been 9 years; what took so long?
 - Balance sheet recession; the “delta” on global growth comes from the US; EU, JP have structural issues; China on short-term stimulus.
 - Is it sustainable?
 - Will crucially depend on policy
 - What really matters for ASEAN?
 - Trade and monetary policy
- US rates rise modestly; there is a lower natural rate of interest globally
 - Rate cycle turning in ASEAN
 - USD and RMB are the strongest influence on currencies
 - ASEAN: A pause for now
- Risks
 - Internally -- political; Externally -- US policies; geo-politics.

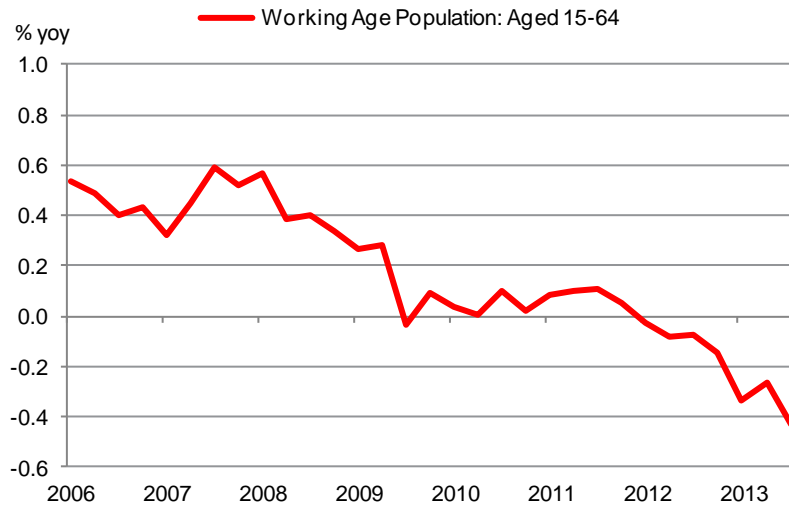
IMF's forecasts vs. actual growth



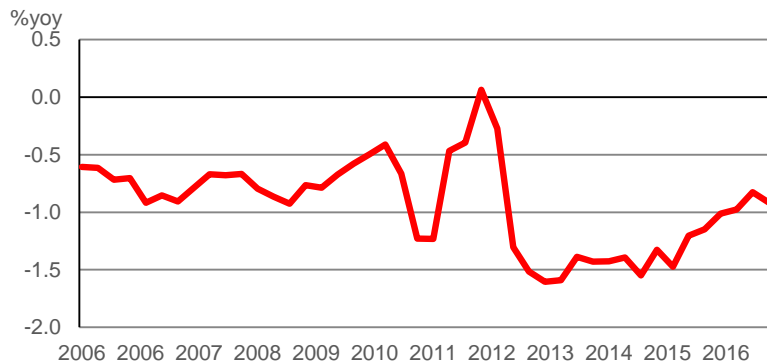
Sources:IMF, CIMB research

Euro Area and Japan

Euro Area: Working age population: Aged 15-64



Japan: Working age population: Aged 15-64



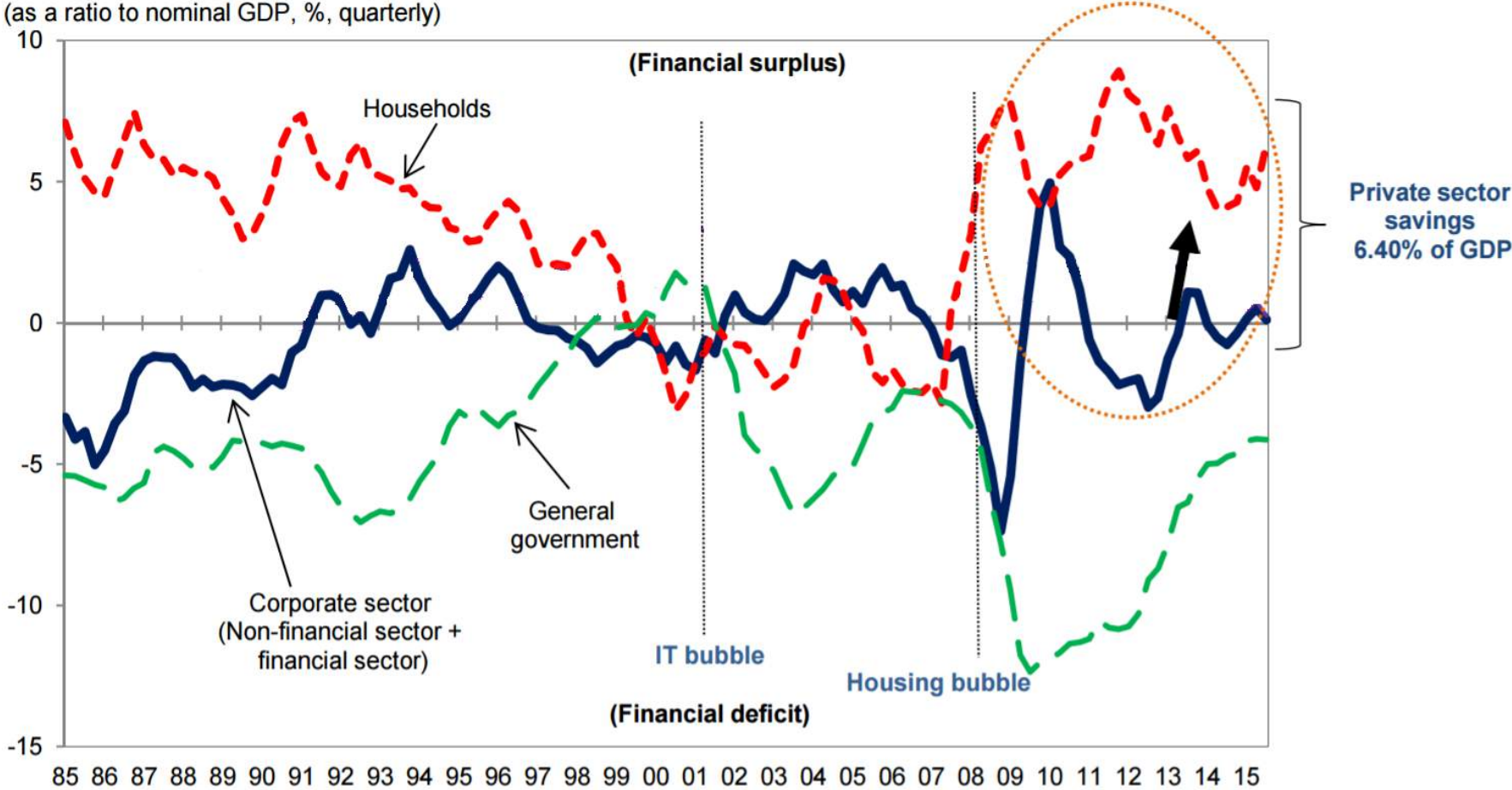
Euro area: GDP growth since 1960s

Period	Real GDP growth (%)
1961-70	5.3
1971-80	3.3
1981-90	2.4
1991-00	2.2
2001-10	1.2
2011-15	0.7

Japan: GDP growth since 1960s

Period	Real GDP growth (%)
1961-70	9.3
1971-80	4.5
1981-90	4.6
1991-00	1.3
2001-10	0.9
2011-15	1.0

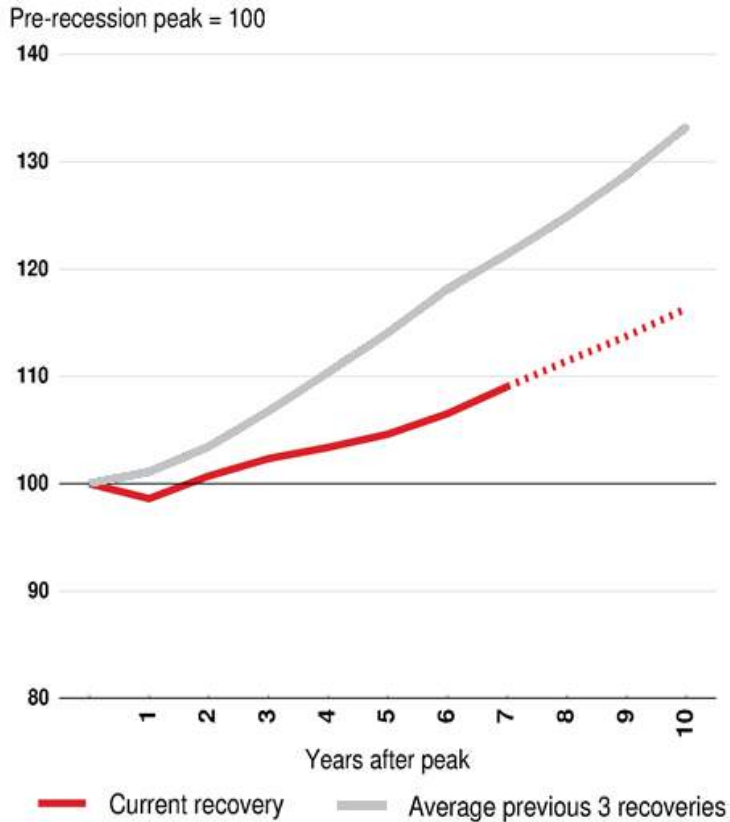
US: Financial surplus or deficit by sector



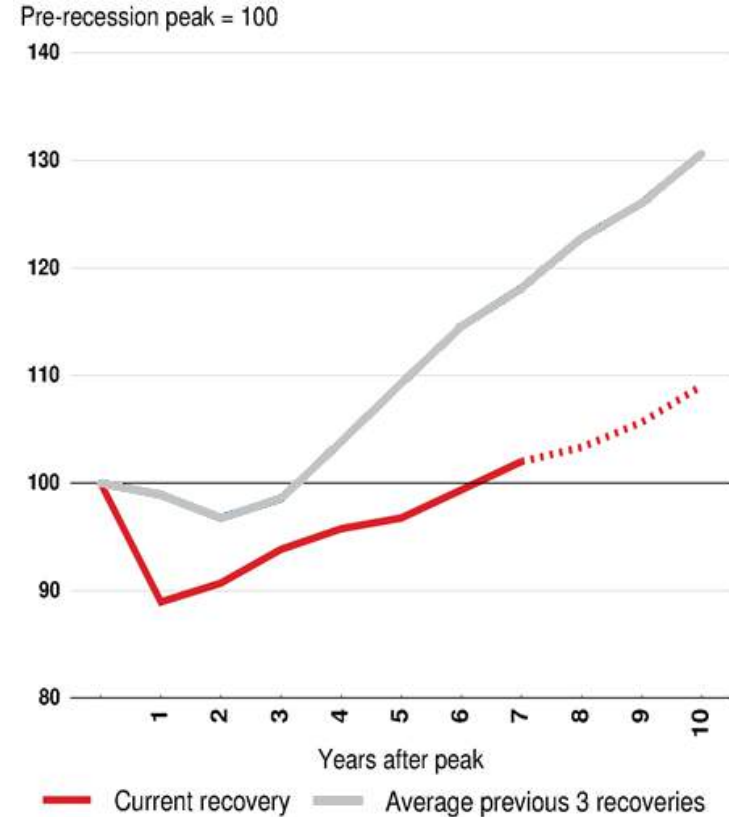
Source: Richard Koo

Consumption and investment during the recovery

Consumption

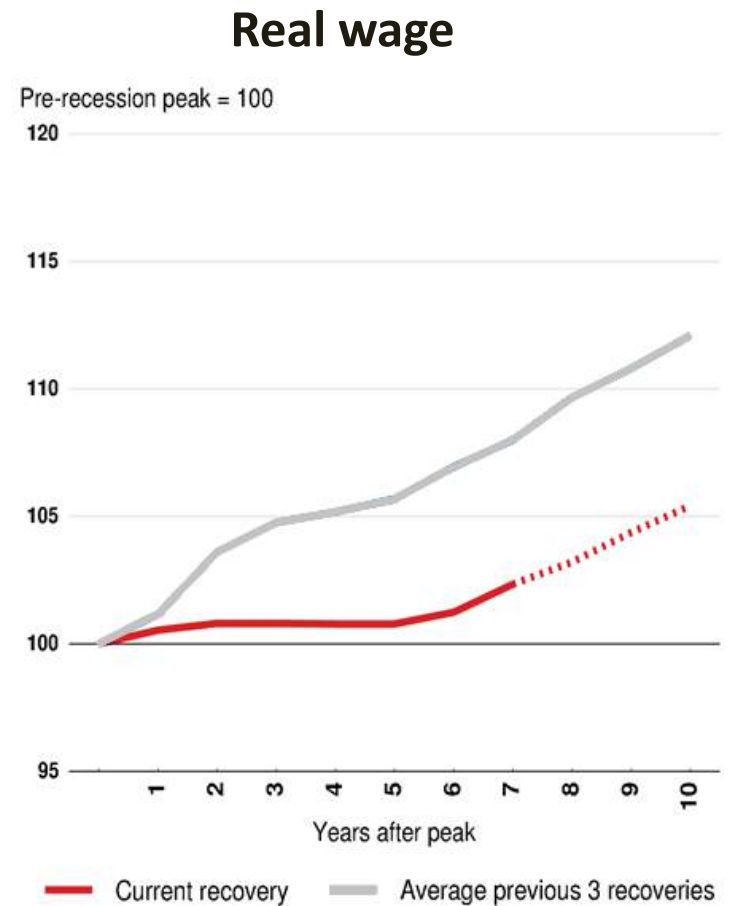
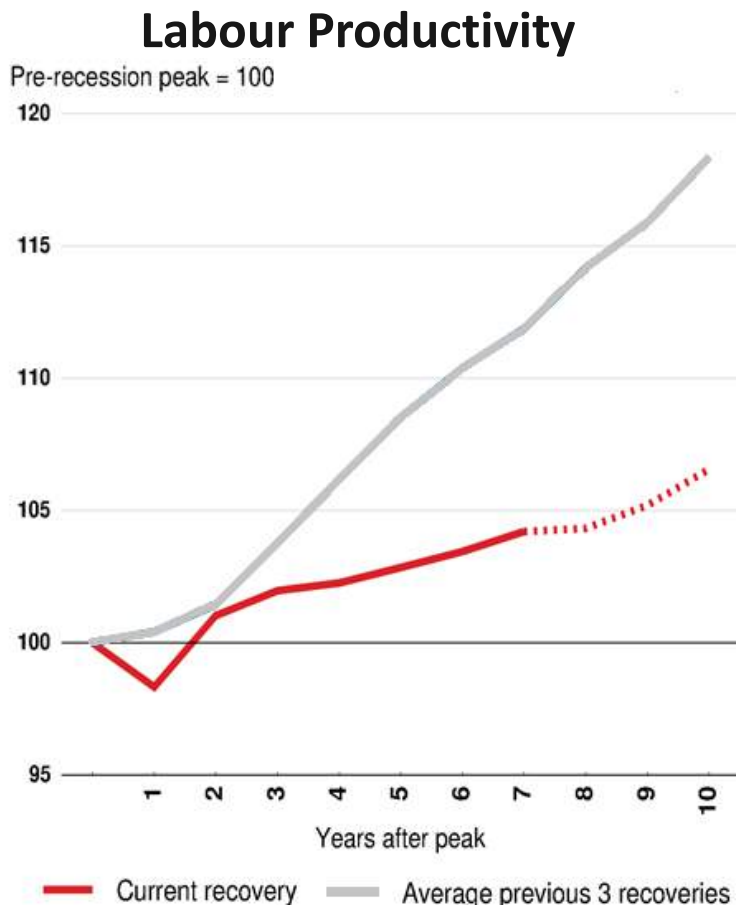


Investment



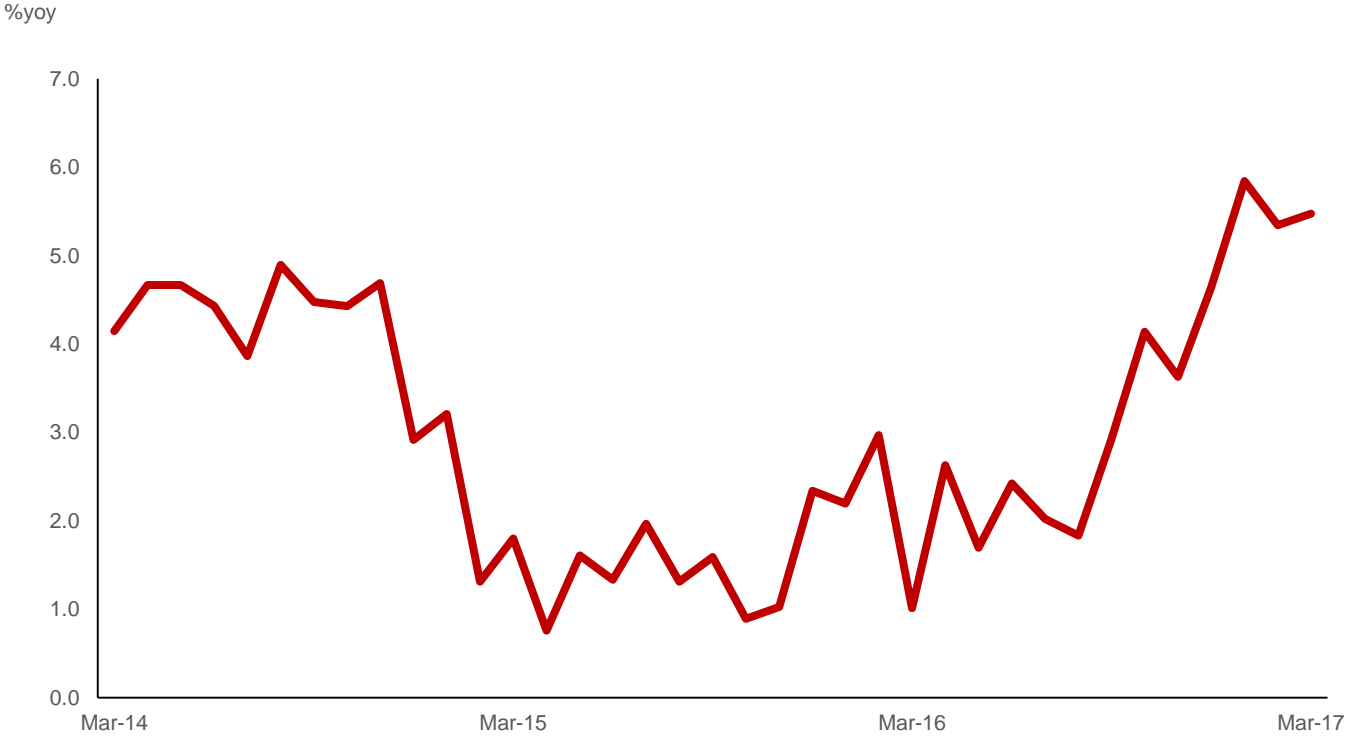
Source: OECD, CIMB Research

US: Labour Productivity and Real Wages



Source: OECD, CIMB Research

US: Retail Sales



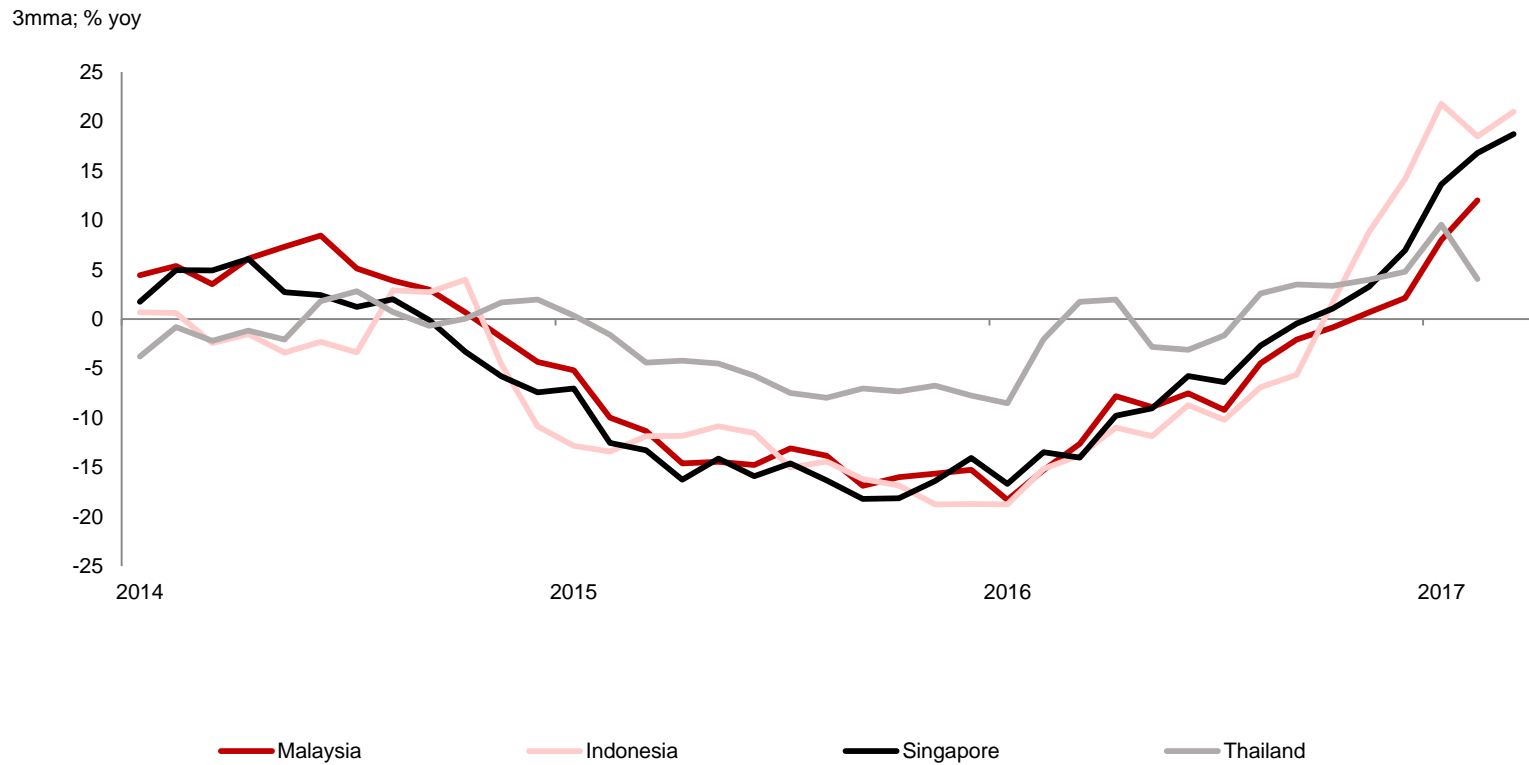
Source: Fred

US: University of Michigan Consumer Sentiment



Source: Fred

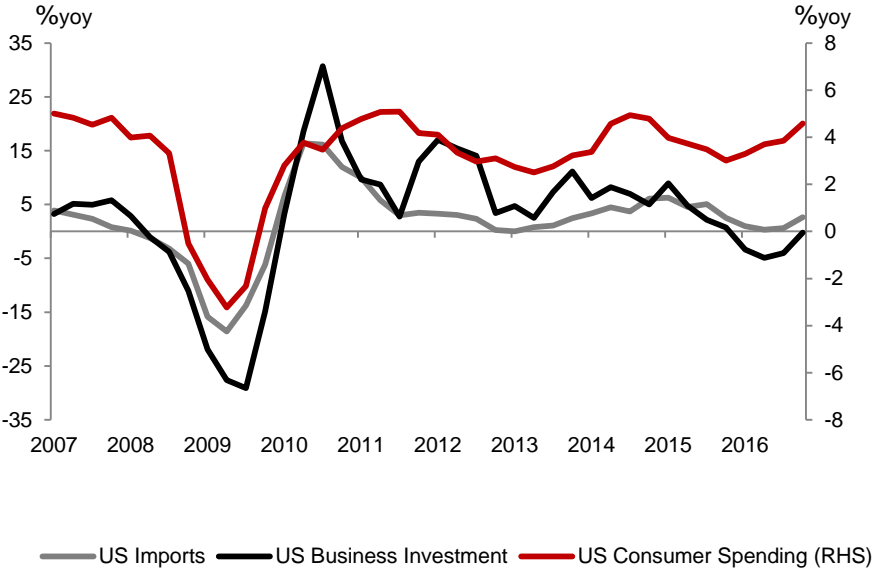
MIST: Exports (USD term)



Source: CEIC, CIMB research

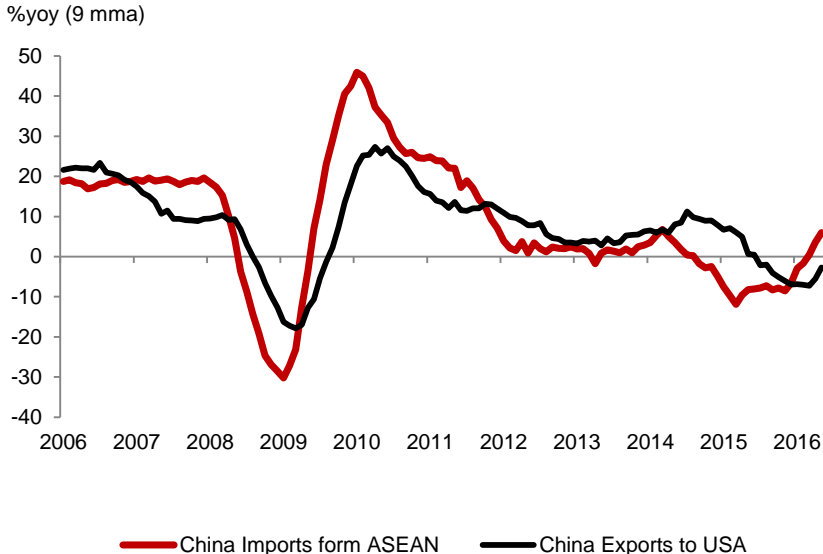
ASEAN: The problem with exports

Chart 1: US business investment, consumer spending, and imports



Sources: CEIC, CIMB research

Chart 2: China and Asean exports



Sources: CEIC, CIMB research

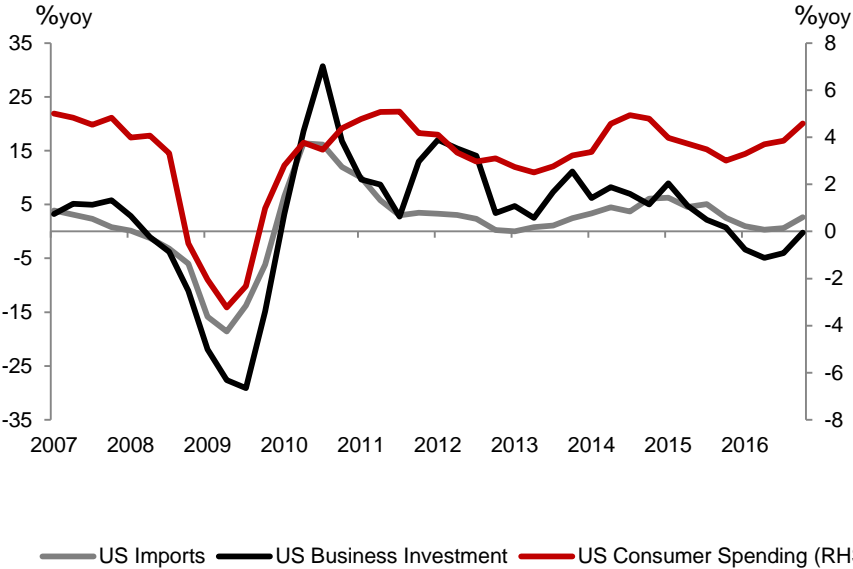
US: Industrial Production Index (2012=100)



Sources: CEIC, CIMB research

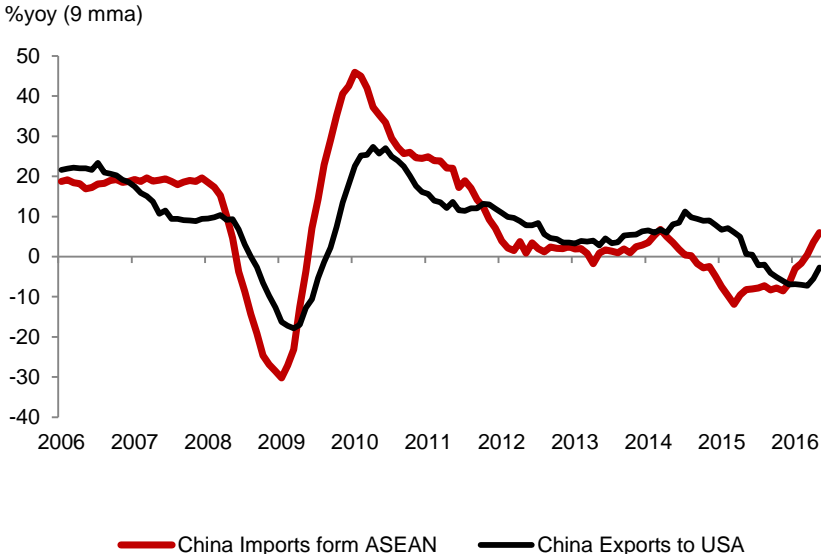
ASEAN: The problem with exports

Chart 1: US business investment, consumer spending, and imports



Sources: CEIC, CIMB research

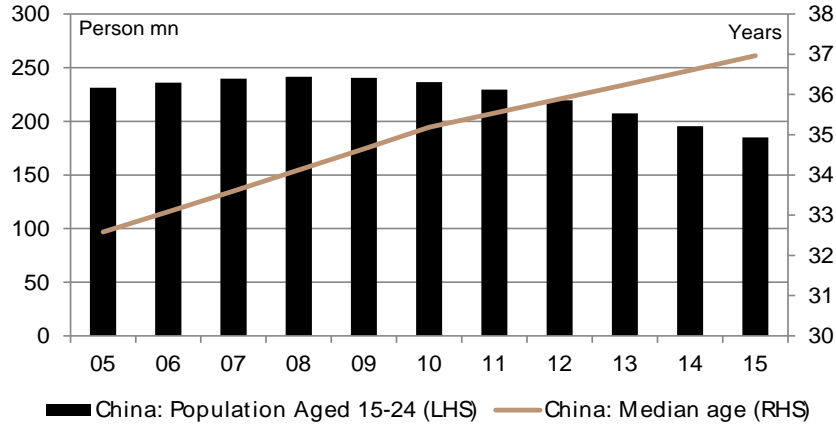
Chart 2: China and Asean exports



Sources: CEIC, CIMB research

China: Issues that define the medium term

The Labor Problem



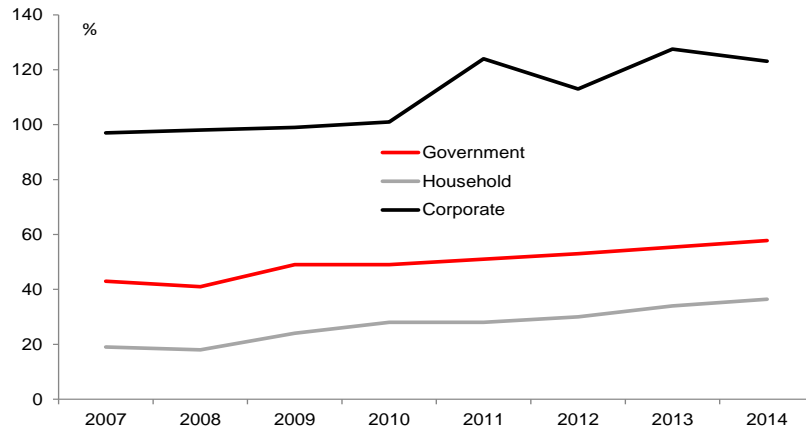
Sources: United Nations, xxx

The Productivity Problem



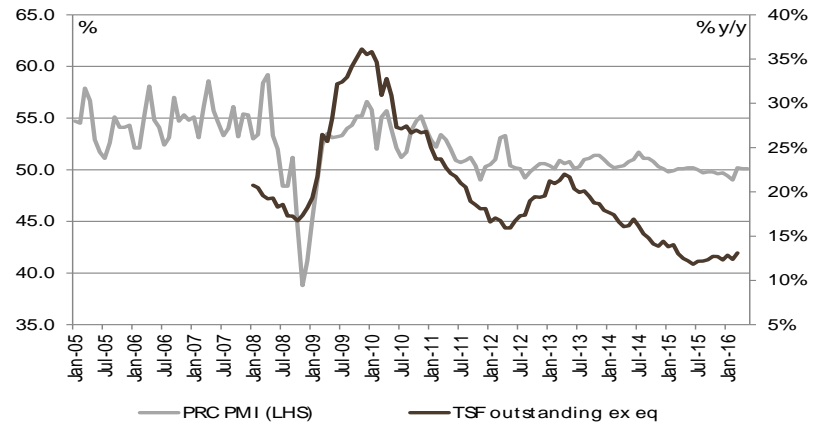
Sources: CEIC, xxx

The Debt Problem



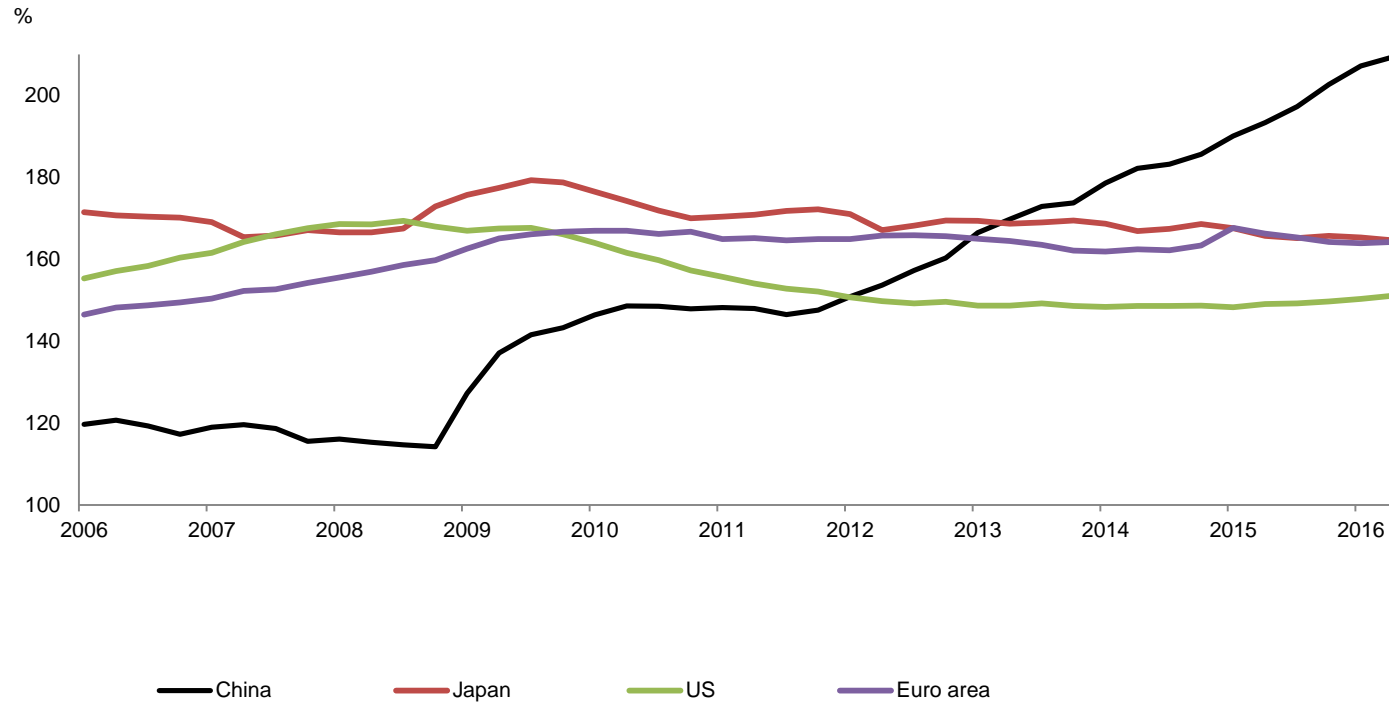
Sources: Wind, CIMB

Stimulus to Fight Landing



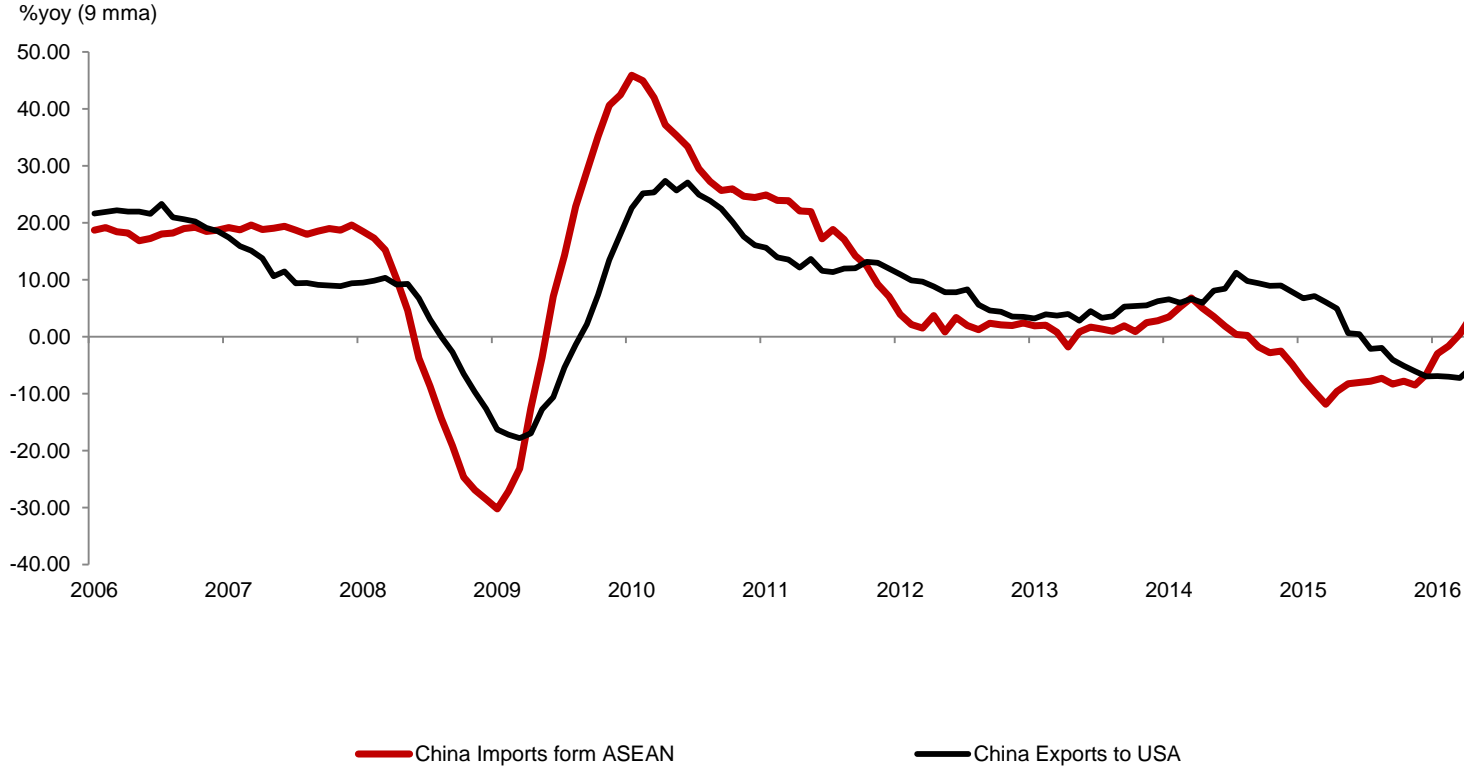
Sources: CEIC, xxx

Credit to private non - financial sector as % of GDP



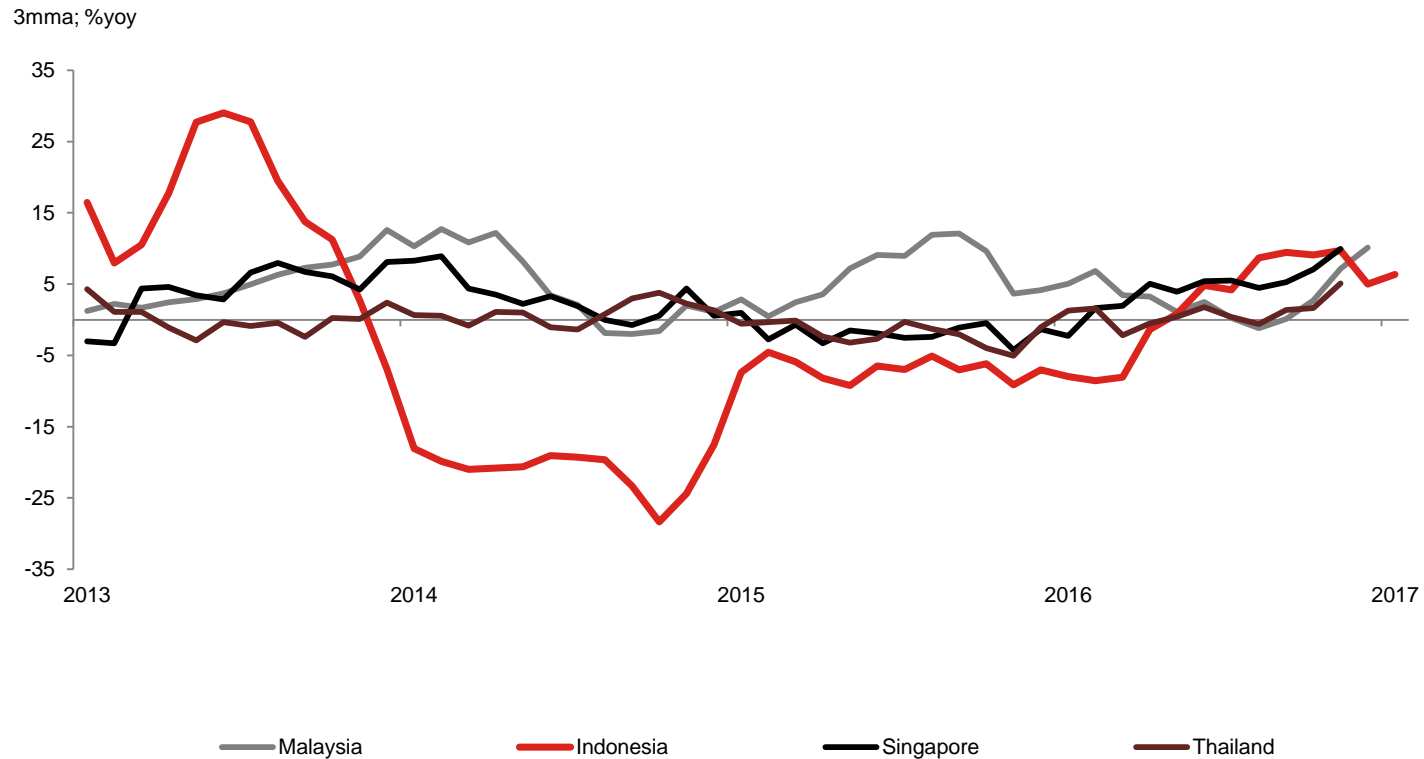
Source: BIS

China's exports to US and China's imports from ASEAN



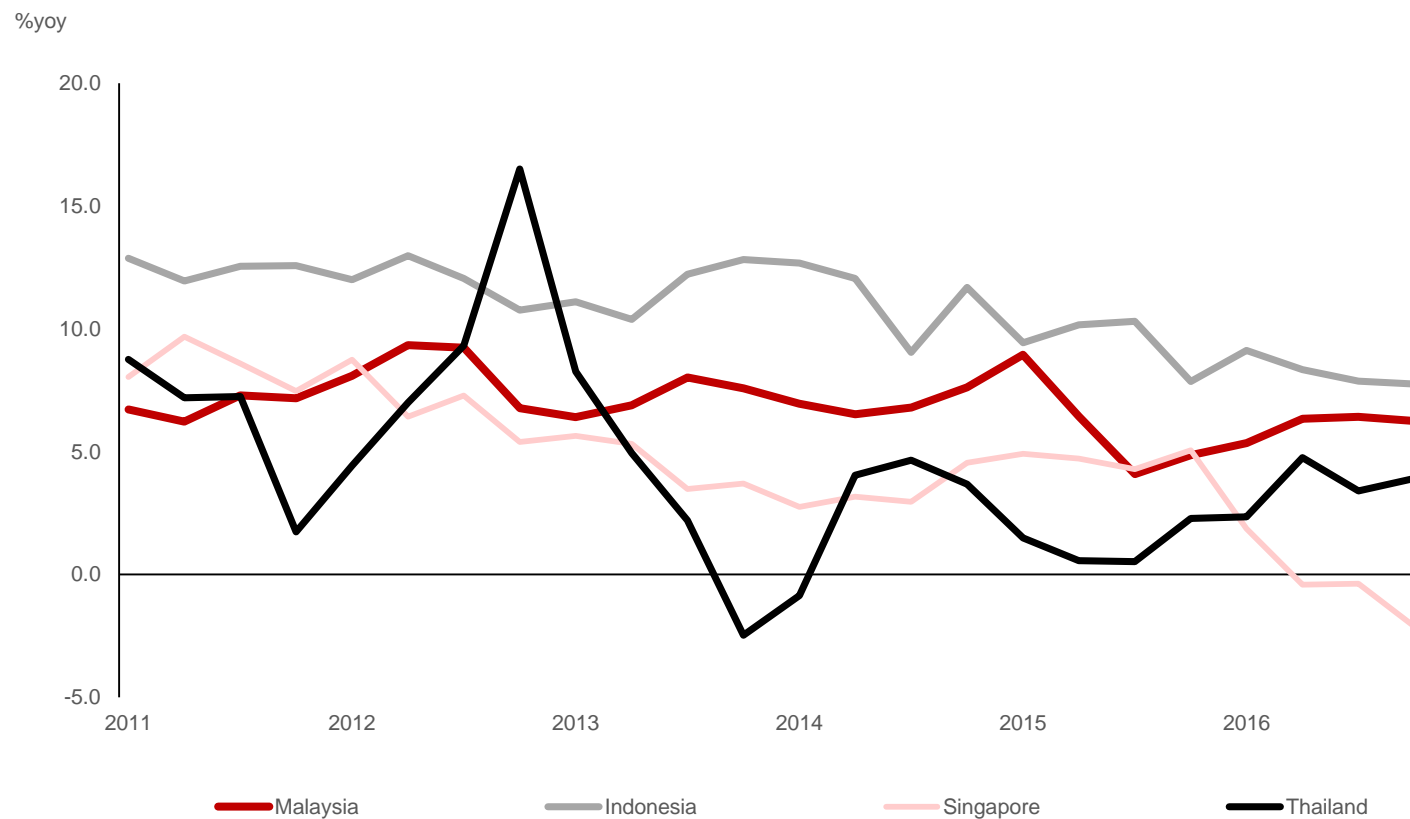
Sources: CEIC, CIMB research

MIST: Exports (Volume term)



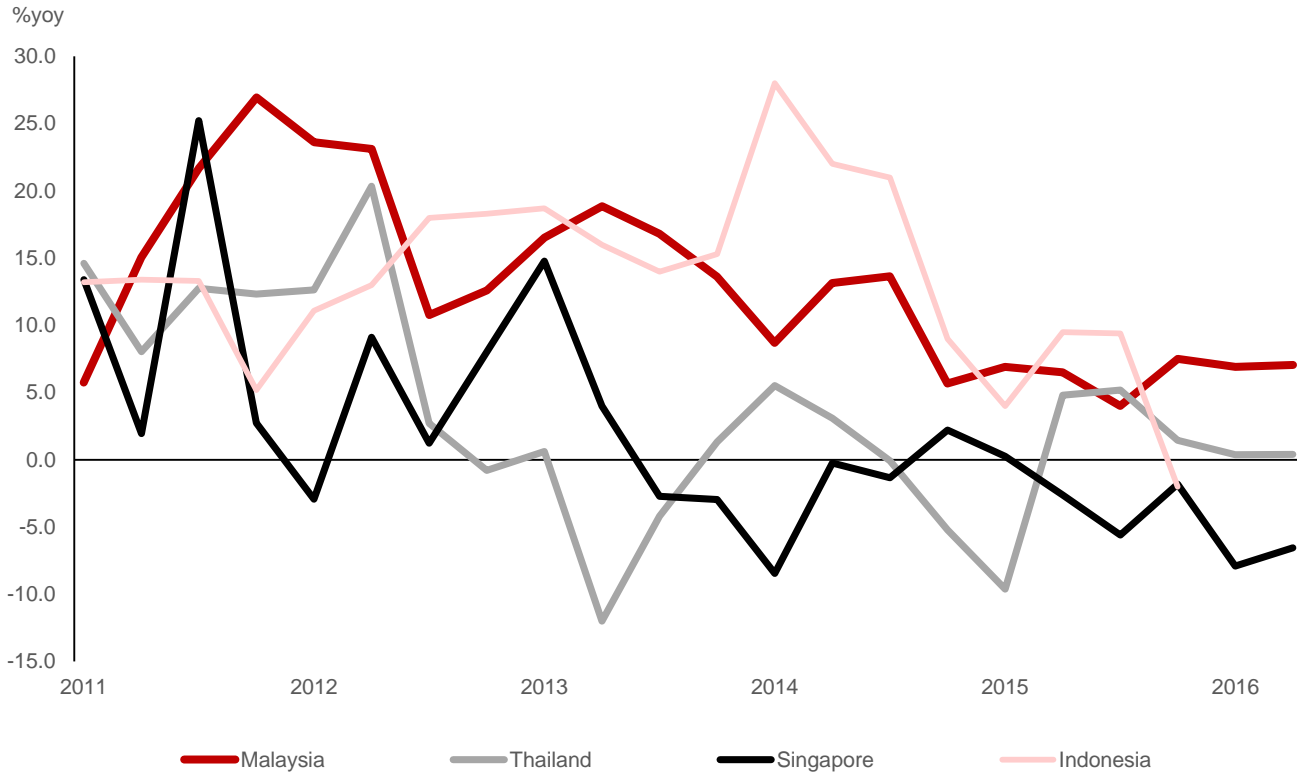
Source: CEIC, CIMB research

MIST: Private consumption growth



Source: CEIC, CIMB research

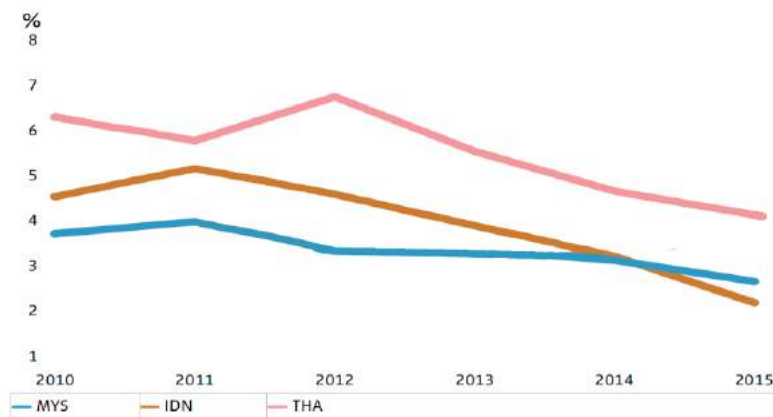
MIST: Private investment growth



Source: CEIC, CIMB research

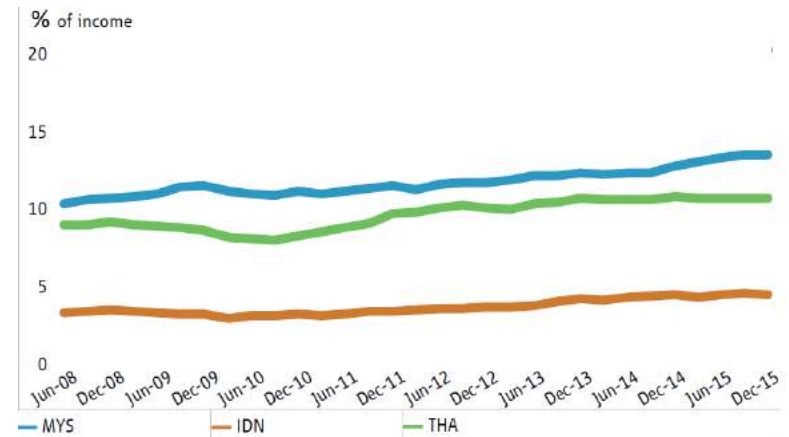
MIST – Where's the response?

Return on assets, listed firms



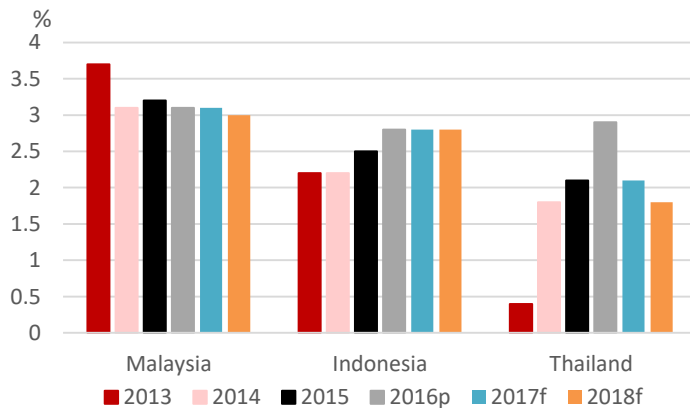
Sources: East Asia and Pacific Economic Update, october 2016; WB

Debt service ratio of private nonfinancial sector



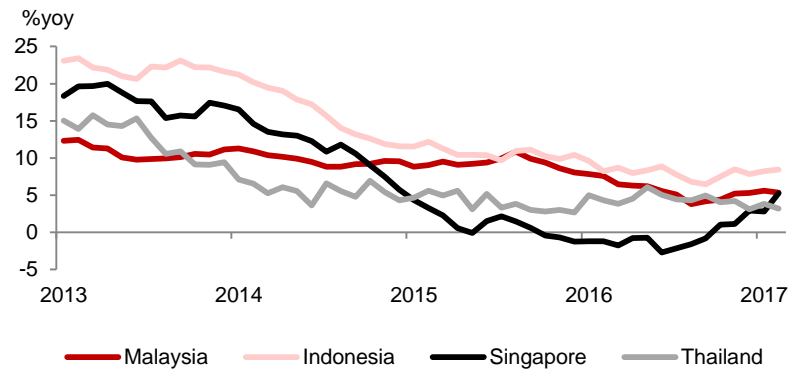
Sources: East Asia and Pacific Economic Update, october 2016; WB

Fiscal deficit as % of GDP



Sources: World Bank, CIMB research

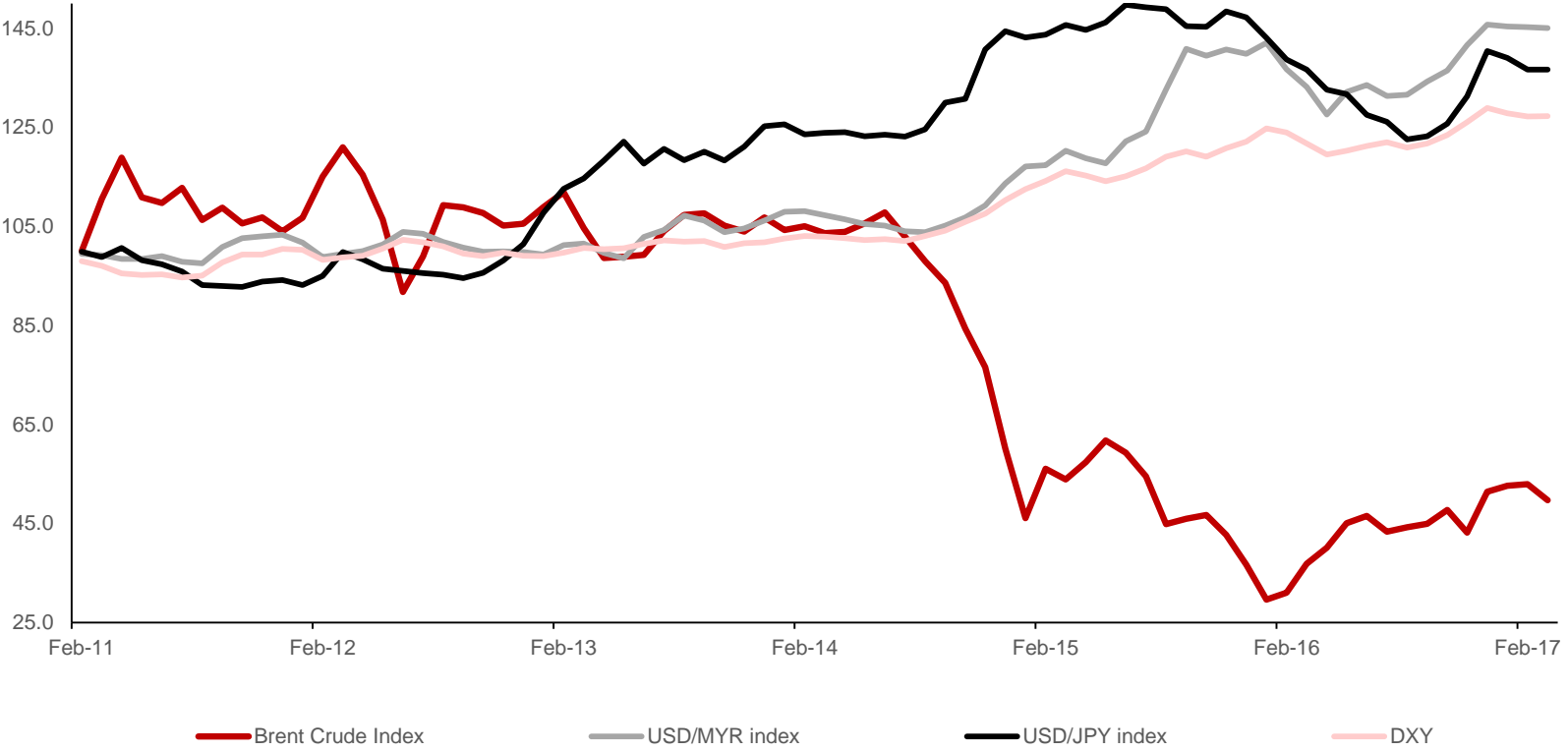
Credit growth - MIST



Sources: CEIC, CIMB research

Thank you

Changes in oil price and currencies (Index 2011=100)



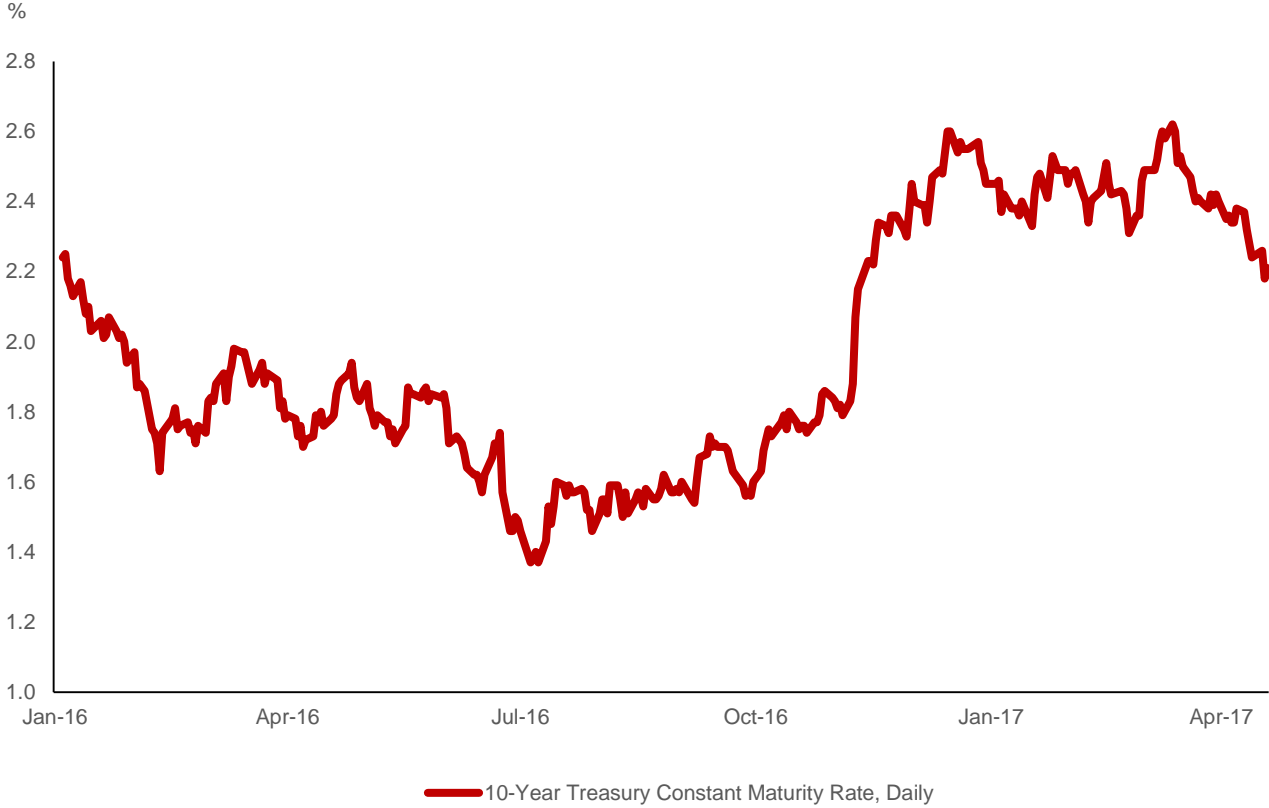
Sources: CEIC, CIMB research

US Dollar Index (DXY)



Sources: CEIC, CIMB research

US: 10 Y Bond Yield



Sources: FRED