



Global Macro Report

GLOBAL ECONOMIC ANALYSIS:

US REAL PERSONAL SPENDING EDGES UP WHILE INFLATION STAYS FLAT; CHINA'S PMI INDICATES BROAD ECONOMIC STABILIZATION

US

- Real personal consumption expenditure (PCE) increased by 0.3% month over month in September, while real disposable income stayed flat month over month.
- The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year in September, below the Fed's 2% target.
- The October Institute for Supply Management (ISM) readings pointed to an expansion of the overall economy: the ISM Manufacturing Purchasing Managers' Index (PMI) ticked up to 51.9 and the Non-Manufacturing Index (NMI) stood at 54.8.
- The US unemployment rate in October edged down to 4.9%, in line with the consensus estimate and lower than the August reading of 5.0%.

Europe

- German retail sales excluding autos dropped by 1.4% month over month in September, below the consensus estimate that called for a 0.2% increase.
- Germany's unemployment rate dropped to 6.0% in October, below expectations and September's reading of 6.1%. The jobless rate has hit a new low not seen since the country's 1990 reunification.

Asia-Pacific

- China's Caixin Manufacturing PMI ticked up to 51.2 in October, above the consensus estimate and the previous month's reading of 50.1, signaling broad economic stabilization in the country.
- Hong Kong retail sales continued to decline in September, falling by 4.1% year over year. The sales figure has declined for 19 consecutive months, since March 2015.
- Japanese retail sales were unchanged on a month-over-month basis in September. However, Japanese department store and supermarket sales dropped by 3.2%.

Latin America

- Brazil's industrial production fell by 4.8% in September year over year, which was better than the market's expectation of a 5.1% drop.
- In the third quarter, Mexico's GDP grew by 1.0% quarter over quarter and by 2.0% year over year. Mexico's economy has been under pressure from weaker manufacturing production, consumer confidence and government spending.

Figure 1. Macro Indicators

Country/Region	Indicator	Period	Actual	Survey	Prior	Interpretation*
US	Real Personal Consumption Expenditure (MoM)	Sep	0.3%	0.2%	(0.2)%	+
US	Real Disposable Personal Income	Sep	0.0%	–	0.0%	–
US	PCE Deflator (YoY)	Sep	1.2%	1.2%	1.0%	+
US	Core PCE Deflator (YoY)	Sep	1.7%	1.7%	1.7%	+
US	ISM Manufacturing PMI	Oct	51.9	51.7	51.5	+
US	ISM Prices Paid	Oct	54.5	54.3	53.0	+
US	ISM New Orders	Oct	52.1	–	55.1	–
US	ISM Non-Manufacturing Index (NMI)	Oct	54.8	56.0	57.1	–
US	Unemployment Rate	Oct	4.9%	4.9%	5.0%	+
US	Change in Nonfarm Payrolls (Thous.)	Oct	161	173	191	–
US	Labor Force Participation Rate	Oct	62.8%	–	62.9%	+
GE	Retail Sales ex Autos (MoM)	Sep	(1.4)%	0.2%	(0.3)%	–
GE	Retail Sales ex Autos (YoY)	Sep	0.4%	1.5%	3.8%	–
GE	Unemployment Claims Rate (SWDA)	Oct	6.0%	6.1%	6.1%	+
CH	Manufacturing PMI	Oct	51.2	50.3	50.4	+
CH	Caixin Manufacturing PMI	Oct	51.2	50.1	50.1	+
TW	Nikkei Taiwan Manufacturing PMI	Oct	52.7	–	52.2	+
SK	Industrial Production (SA, MoM)	Sep	0.3%	(0.2)%	(2.4)%	+
SK	Industrial Production (YoY)	Sep	(2.0)%	(1.1)%	2.2%	–
SK	Nikkei South Korea Manufacturing PMI	Oct	48.0	–	47.6	–
JP	Industrial Production (Prelim., MoM)	Sep	0.0%	0.9%	1.3%	–
JP	Industrial Production (Prelim., YoY)	Sep	0.9%	1.9%	4.5%	–
JP	Retail Trade (YoY)	Sep	(1.9)%	(1.8)%	(2.2)%	–
JP	Retail Trade (MoM)	Sep	0.0%	0.2%	(1.2)%	–
HK	Nikkei Hong Kong PMI	Oct	48.2	–	49.3	–
HK	Retail Sales Value (YoY)	Sep	(4.1)%	(9.0)%	(10.5)%	–
BZ	Industrial Production (MoM)	Sep	0.5%	0.6%	(3.5)%	+
BZ	Industrial Production (YoY)	Sep	(4.8)%	(5.1)%	(5.0)%	+
MX	GDP (NSA, Prelim., YoY)	3Q	2.0%	1.9%	2.5%	+
MX	GDP (SA, Prelim., QoQ)	3Q	1.0%	0.8%	(0.2)%	+

*+ indicates a positive signal for the country's economy and – indicates a negative signal.

Source: US Bureau of Economic Analysis/Institute for Supply Management (ISM)/US Bureau of Labor Statistics/Destatis/China Federation of Logistics and Purchasing/Markit Economics/Caixin/Nikkei/Japan Ministry of Economy, Trade and Industry/Hong Kong Census and Statistics Department/Instituto Brasileiro de Geografia e Estatística (IBGE)/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

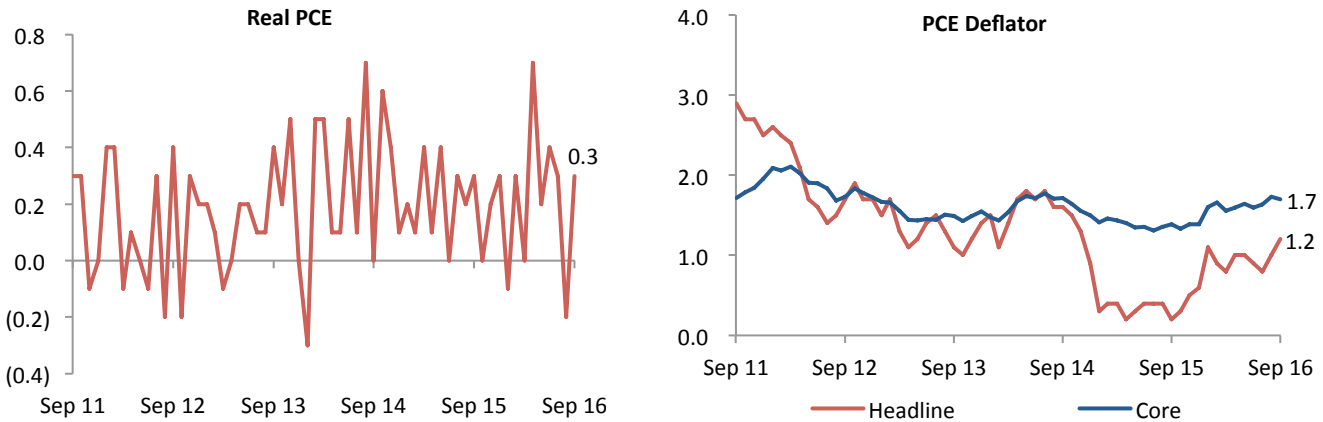
US: Real PCE Edges Up, While Unemployment Rate Edges Down; Inflation Stays Flat

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In the US, real PCE in September increased by 0.3% month over month, reflecting an increase in spending on durable goods.

Real disposable personal income was flat month over month for the second consecutive month in September, as inflation eroded most of the gains in employees' compensation and in nonfarm proprietors' income.

Figure 2. US: Real PCE (Seasonally Adjusted), MoM % Change; PCE Deflator, YoY % Change



Source: US Bureau of Economic Analysis

The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year in September, below the Fed's 2% target.

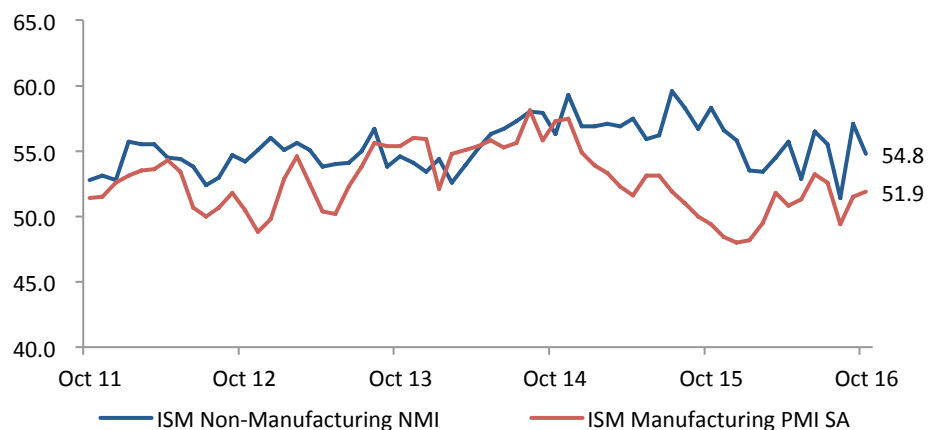
The PCE deflator, which is the Fed's preferred measurement of the inflation rate, ticked up by 1.2% year over year in September. The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year; the rate was still below the Fed's 2% target, but was in line with the consensus estimate.

US ISM Manufacturing PMI Ticks Up; Unemployment Rate Edges Down

In the US, the ISM Manufacturing PMI ticked up to 51.9 in October, up 0.4 points from September's reading of 51.5 and above the consensus estimate of 51.7. The ISM NMI registered 54.8, below the consensus estimate of 56.0. Both gauges stayed above the threshold of 50.0, indicating an expansion in both the manufacturing and services sectors.

The October ISM readings pointed to an expansion of the overall economy: the ISM Manufacturing PMI ticked up to 51.9 and the NMI stood at 54.8.

Figure 3. US: ISM Manufacturing PMI and NMI (Seasonally Adjusted)

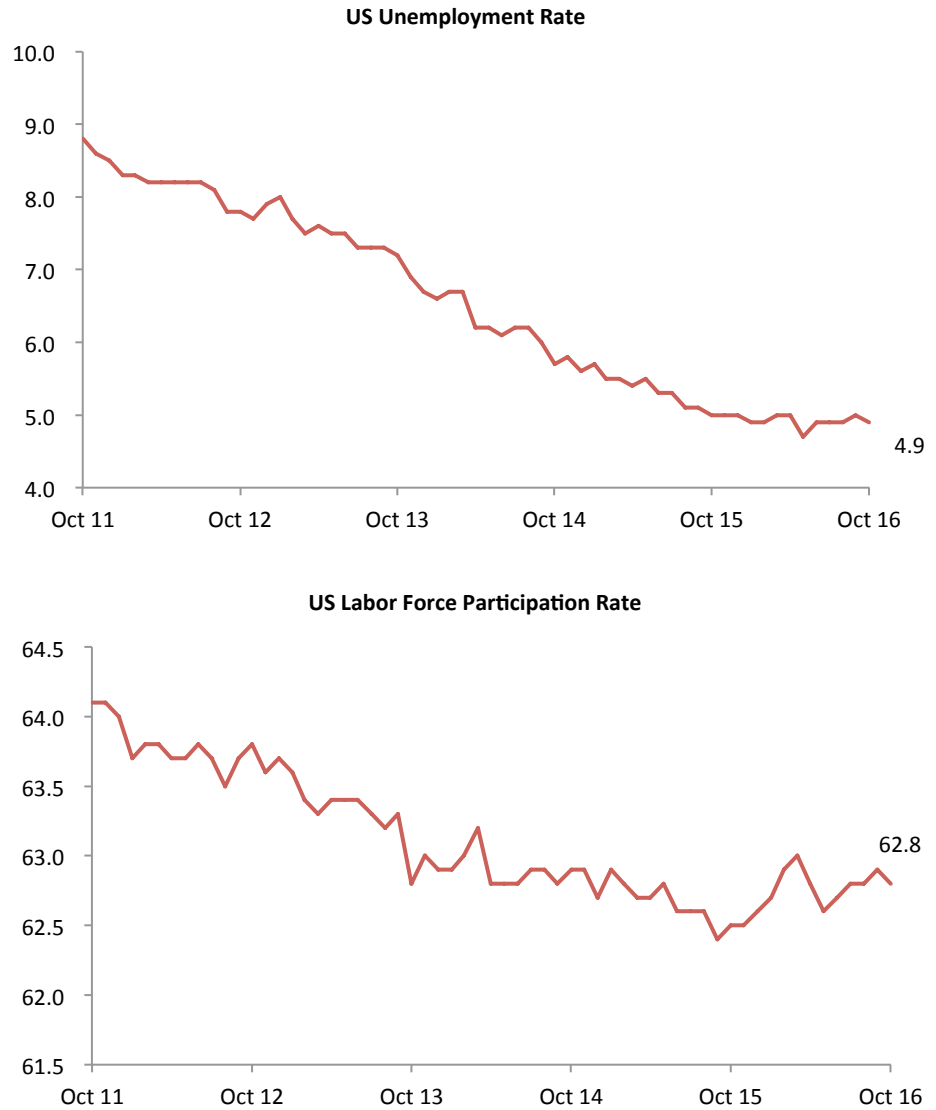


Source: ISM

The US unemployment rate in October edged down to 4.9%, in line with the consensus estimate and lower than the September reading of 5.0%.

The US unemployment rate in October edged down to 4.9%, which was in line with the consensus estimate and lower than the September reading of 5.0%. Total nonfarm payroll employment increased by 161,000 in October, following an upward revision of September's reading, from 156,000 to 191,000. The labor force participation rate in October edged down by 0.1% from September, reaching 62.8%.

Figure 4. US: Unemployment Rate (Seasonally Adjusted, %); Labor Force Participation Rate (Seasonally Adjusted, %)



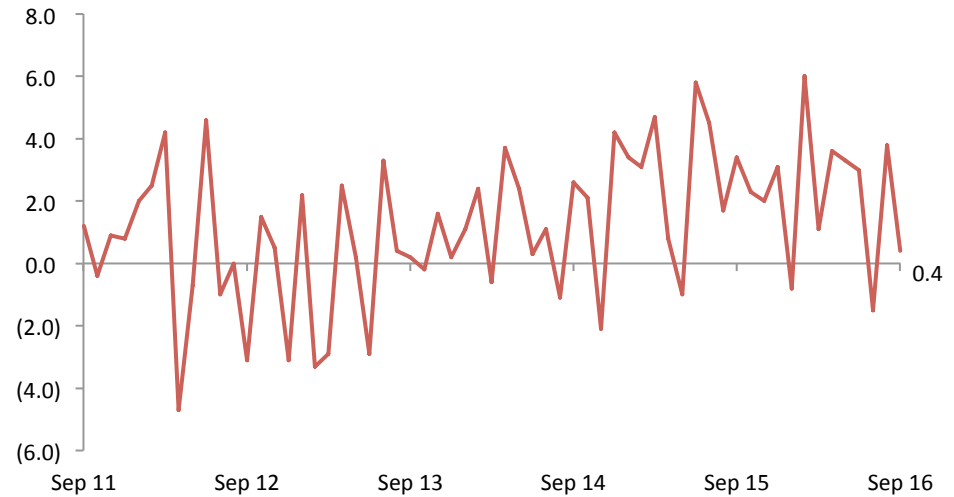
Source: US Bureau of Labor Statistics

Europe: In Germany, Retail Sales Drop While Unemployment Rate Hits New Record Low

German retail sales excluding autos dropped by 1.4% month over month in September; the figure was below the consensus estimate, which called for a 0.2% increase. The sales figure increased by 0.4% year over year, below the consensus estimate, which called for a 0.2% increase.

German retail sales excluding autos dropped by 1.4% month over month in September; the figure was below the consensus estimate, which called for a 0.2% increase. The sales figure increased by 0.4% year over year, below the consensus estimate of 1.5%.

Figure 5. Germany: Retail Sales ex Autos, YoY % Change

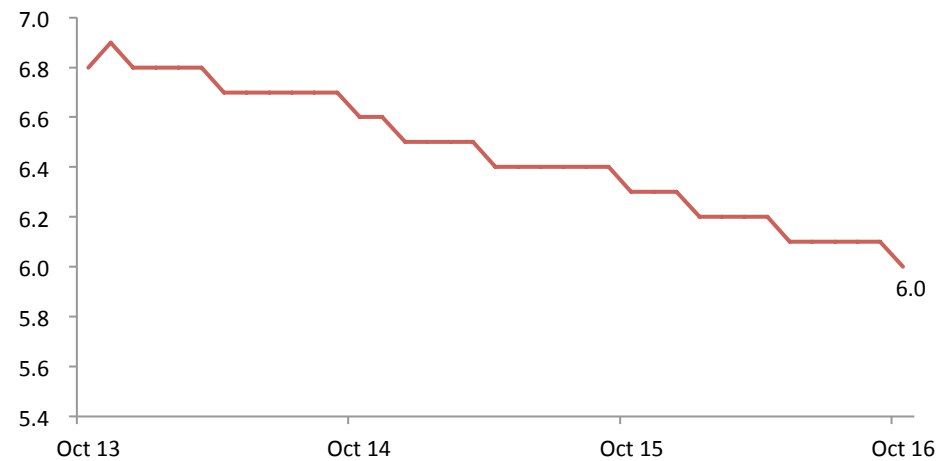


Source: Destatis

Germany's unemployment rate dropped to 6.0% in October, below expectations and September's reading of 6.1%.

Germany's unemployment rate dropped to 6.0% in October, below expectations and September's reading of 6.1%. The jobless rate has hit a new low not seen since the country's 1990 reunification. Economists perceive the economy to be at risk of overheating and called for a cut in government spending.

Figure 6. Germany: Unemployment Rate (Seasonally and Working Days Adjusted), %



Source: Destatis

Asia: China’s PMI Indicates Broad Economic Stabilization; South Korea, Japan and Hong Kong Report Lackluster Gauges

China’s Caixin Manufacturing PMI ticked up to 51.2 in October, above the consensus estimate and the previous month’s reading of 50.1, signaling broad economic stabilization in the country.

PMIs in Hong Kong and South Korea registered below 50.0, indicating contractions in the respective sectors of their economies.

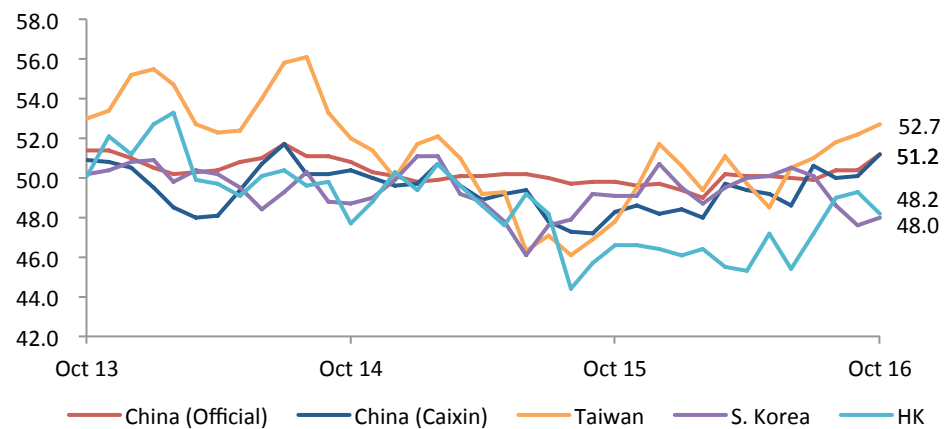
China’s official manufacturing PMI reached 51.2 in October, up from 50.4 in the previous month and above market expectations of 50.3. The Caixin Manufacturing PMI also ticked up, to 51.2, which was above the consensus estimate and the previous month’s reading of 50.1. The readings signal broad economic stabilization in China.

The Nikkei Hong Kong PMI—which gauges private sector business conditions, including manufacturing, services, retail and construction—fell to 48.2 in October. The reading has been below the contraction threshold of 50.0 for 20 consecutive months.

The Nikkei Taiwan Manufacturing PMI hit a 25-month high in October, reaching 52.7 points. The increase reflected an upturn in demand from both domestic and international clients. The international demand for Taiwan’s products has boosted exports, contributing to economic expansion in the country.

The Nikkei South Korea Manufacturing PMI stood at 48.0 in October, up from 47.6 in the prior month. Manufacturing conditions in South Korea have been worsening, likely because strikes at Hyundai Motor have created uncertainty in the market.

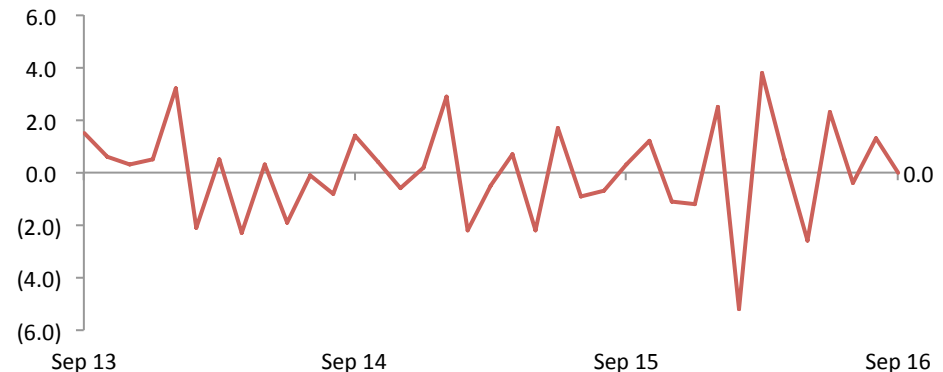
Figure 7. Asia: PMIs



Source: China Federation of Logistics and Purchasing/Markit Economics/Caixin/Nikkei

Japan’s September industrial production was unchanged month over month, falling short of market expectations, which called for a 0.9% rise. This was partly due to a stronger yen and softer international demand buffeting the country’s exports.

Figure 8. Japan: Industrial Production (Seasonally Adjusted), MoM % Change



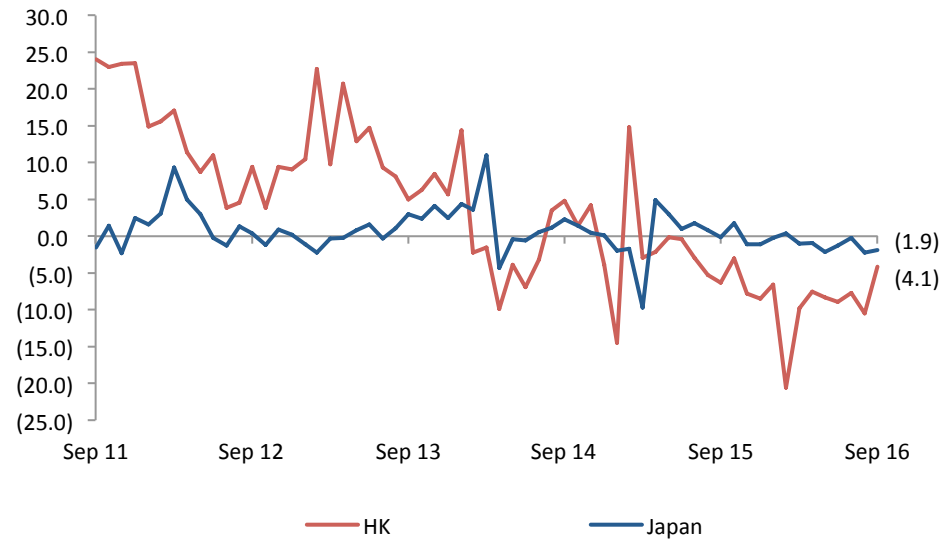
Source: Japan Ministry of Economy, Trade and Industry

Hong Kong retail sales continued to decline in September, falling 4.1% year over year. The drop was less than the market's expectation of a 9.0% decline. Hong Kong's retail sales have declined for 19 consecutive months, since March 2015.

Japanese retail sales were unchanged on a month-over-month basis in September. However, Japanese department store and supermarket sales dropped 3.2%.

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Figure 9. Hong Kong and Japan: Retail Trade (Seasonally Adjusted), MoM % Change

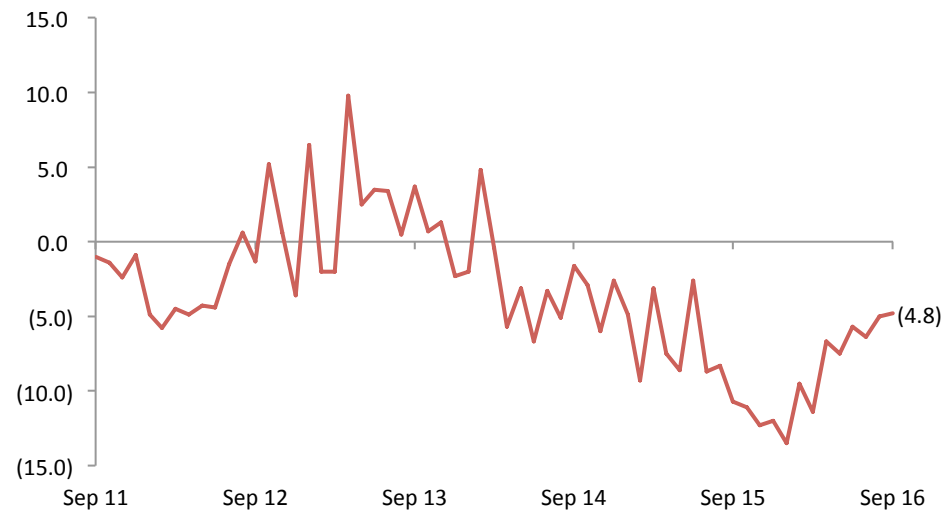


Source: Hong Kong Census and Statistics Department/Japan Ministry of Economy, Trade and Industry

Latin America: Brazil Sees Falling Industrial Production; Mexico GDP Growth Slows

Brazil's industrial production fell by 4.8% in September year over year; the figure was better than the market's expectation of a 5.1% drop. On a month-over-month basis, the gauge edged up by 0.5%.

Figure 10. Brazil: Industrial Production (Nonseasonally Adjusted), YoY % Change

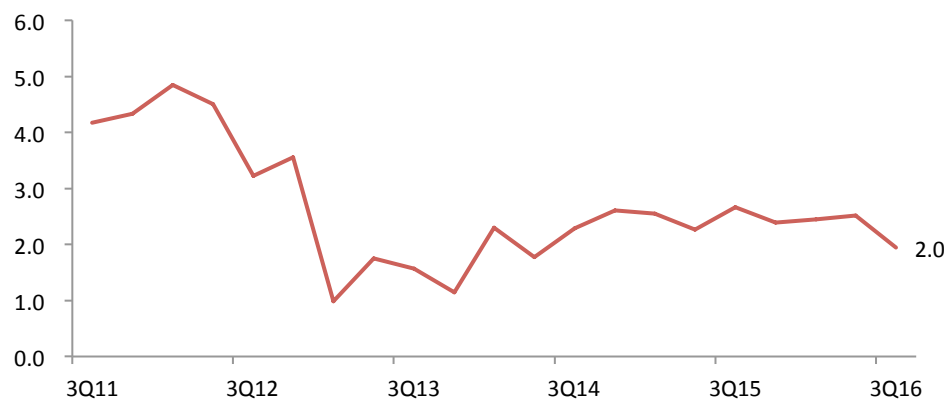


Source: IBGE

In the third quarter, Mexico’s GDP grew by 1.0% quarter over quarter and by 2.0% year over year. Mexico’s economy has been under pressure from weaker manufacturing production, consumer confidence and government spending. Donald Trump, who has been relatively hostile toward Mexico, won the US presidential election, so Mexico’s economy may face more challenges.

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Figure 11. Mexico: GDP (Nonseasonally Adjusted), YoY % Change



Source: INEGI

Figure 12. Upcoming Economic Data Releases

Date	Country	Indicator	Period Covered
Nov 13	SK	Import Price Index	Oct
Nov 13	SK	Export Price Index	Oct
Nov 13	JP	GDP (Prelim.)	3Q
Nov 13	CH	Industrial Production	Oct
Nov 13	CH	Retail Sales	Oct
Nov 13	JP	Industrial Production (Final)	Sep
Nov 15	GE	GDP (Prelim.)	3Q
Nov 15	FR	CPI (Final)	Oct
Nov 15	UK	CPI	Oct
Nov 15	UK	House Price Index	Sep
Nov 15	GE	ZEW Survey Current Situation	Nov
Nov 15	GE	ZEW Survey Expectations	Nov
Nov 15	US	Retail Sales Advance	Oct
Nov 15	US	Business Inventories	Sep
Nov 16	UK	Claimant Count Rate	Oct
Nov 16	UK	Jobless Claims Change	Oct
Nov 16	UK	Average Weekly Earnings (3 Mos.)	Sep
Nov 16	UK	ILO Unemployment Rate (3 Mos.)	Sep
Nov 16	BZ	FGV Inflation IGP-10	Nov

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