



# Global Macro Report



## Weekly Macro Commentary: US Home Sales Slow; China Shows Stable Growth

- 1) **US:** Housing starts jumped in December, while existing home sales fell amid tighter housing supply. The Consumer Price Index (CPI) readings indicated a firming price environment in the consumer market. We may see another pickup in the personal consumption expenditure deflator, which is the Federal Reserve's preferred measurement of the inflation rate.
- 2) **Europe:** In the UK, the labor market seems intact. The country's unemployment rate remained at a low level and jobless claim decreased. However, UK retail sales were lackluster. The eurozone CPI reading confirmed the rising trend indicated by the advance estimate.
- 3) **Asia-Pacific:** China's economy showed stable growth. Retail sales showed a healthy increase, while industrial production expanded more slowly than had been expected. South Korea's growth was slowed amid an ongoing political scandal.
- 4) **Latin America:** Mexico's jobless rate indicated low unemployment, but US President Donald Trump's push to shift manufacturing to the US could have a negative impact on the labor market in Mexico.

## Our View

In the first few days after US President Donald Trump took office, he signed a few executive orders, including one that pulls the US out of the Trans-Pacific Partnership (TPP) trade agreement. This did not come as a surprise, based on his negative attitude toward global trade. Australian Prime Minister Malcolm Turnbull advocates including China in the deal in order to salvage the agreement. However, we think there is a very slim chance of that happening. We expect the trade agreement led by China, the Regional Comprehensive Economic Partnership, to gain traction and we expect other Asian countries to seek cooperation with China.

Trade issues have been set center stage since Trump was elected. Besides promising to exit the TPP, he also pledged to renegotiate the North American Free Trade Agreement (NAFTA) with better terms for US workers and manufacturers. He also advocated tax reforms to lower taxes for manufacturers and promised to impose a border tax in order to bring jobs back to the US.

**Figure 1. Global Macro Indicators Released the Week of January 18–25, 2017**

Country/Region	Indicator	Period	Actual	Survey	Prior	Impact on Economy*
US	Building Permits (Thous.)	Dec	1,210	1,225	1,201	–
US	Housing Starts (Thous.)	Dec	1,226	1,200	1,090	+
US	Existing Home Sales (Mil.)	Dec	5.49	5.52	5.61	–
US	Existing Home Sales (MoM)	Dec	(2.8)%	(1.1)%	0.7%	–
US	CPI (YoY)	Dec	2.1%	2.1%	1.7%	+
US	CPI ex Food and Energy (YoY)	Dec	2.2%	2.2%	2.1%	+
UK	ILO Unemployment Rate (3 Mos.)	Nov	4.8%	4.8%	4.8%	+
UK	Retail Sales (MoM)	Dec	(1.9)%	(0.1)%	0.2%	–
Eurozone	CPI (YoY)	Dec	1.1%	1.1%	1.1%	–
Eurozone	CPI – Core (YoY)	Dec	0.9%	0.9%	0.9%	–
China	GDP (YoY)	4Q	6.8%	6.7%	6.7%	+
Mexico	Jobless Rate (SA)	Dec	3.7%	–	3.6%	+

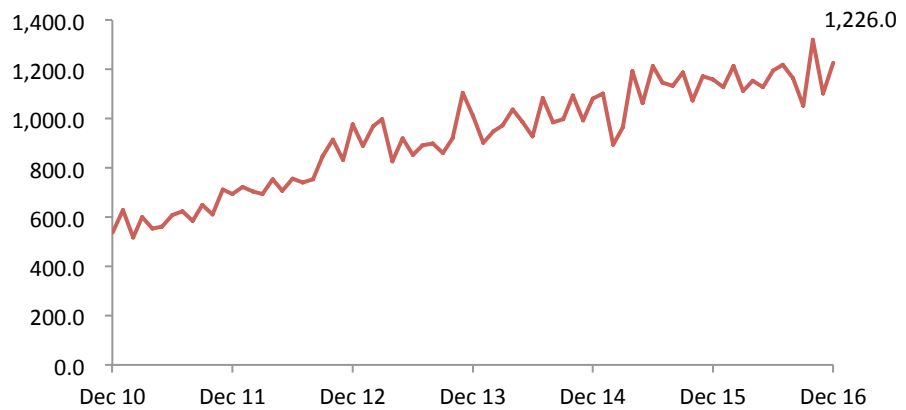
\*Fung Global Retail & Technology's evaluation of the actual figure's impact on the economy relative to historical benchmarks and the current macroeconomic environment: + indicates a positive signal for the country's economy, – indicates a negative signal and = indicates a negligible impact. Source: US Census Bureau/National Association of Realtors/US Bureau of Labor Statistics/UK Office for National Statistics (ONS)/Eurostat/National Bureau of Statistics of China/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

### US: Housing Starts Jump; Existing Home Sales Slow Due to Tight Supply

*US housing starts jumped by 11.3% month over month in December, while existing home sales fell by 2.8% month over month.*

In the US, building permits stood at 1.21 million in December, edging down 0.2% month over month; the figure was below the consensus estimate of 1.225 million. Housing starts jumped by 11.3% month over month, reaching 1.226 million, in December following a 16.5% plunge the previous month. The figure was above the median estimate of 1.2 million. However, existing home sales fell by 2.8% month over month in December, to 5.49 million, which was below the expected 5.52 million. The slowdown in existing home sales was attributable to tight housing supply. There were 1.65 million homes for sale—3.6 months of supply—in December, the lowest number since 1999.

**Figure 2. US: Housing Starts (Thous.)**

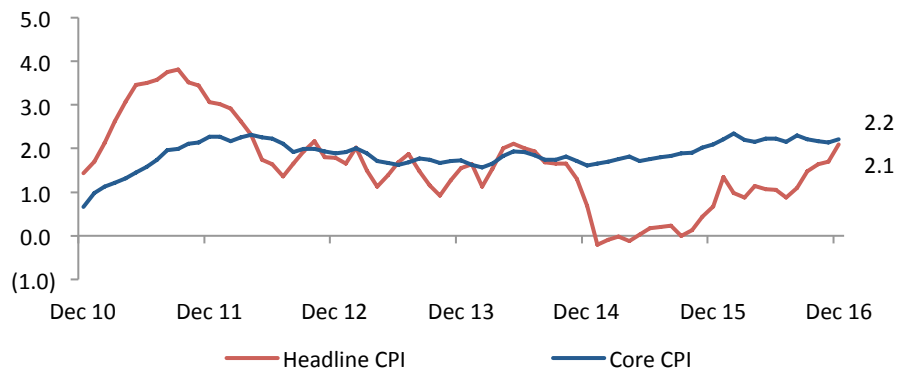


Source: US Census Bureau

*The US CPI increased by 2.1% year over year in December and the core CPI increased by 2.2% year over year. The gauge indicated a firming price environment in the consumer market.*

The US CPI increased by 0.3% month over month and by 2.1% year over year in December, in line with the consensus estimate. The core CPI, which excludes price movements of food and energy, increased by 0.2% month over month and by 2.2% year over year. The gauge indicated a firming price environment in the consumer market. We may see another pickup in the personal consumption expenditure deflator, which is the Federal Reserve’s preferred measurement of the inflation rate.

**Figure 3. US: CPI (Seasonally Adjusted), YoY % Change**



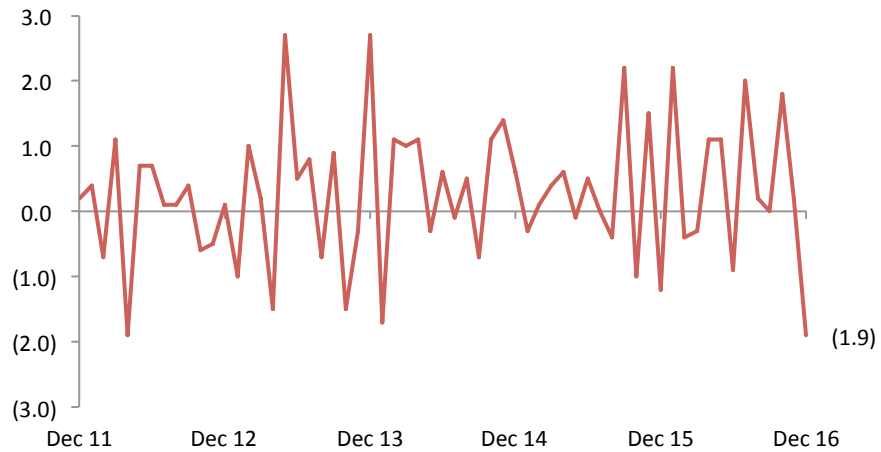
Source: US Bureau of Labor Statistics

**Eurozone: UK Labor Market Remains Intact; Retail Sales Lackluster**

*In the UK, the labor market seems intact, but retail sales were lackluster in December.*

In the UK, the labor market seemed to remain intact in November and December, but retail sales were lackluster in December. The ILO unemployment rate remained unchanged at 4.8% in November and jobless claim decreased by 10,100 in December. On the other hand, UK retail sales fell by 1.9% month over month in December; the drop was greater than the median estimate of a 0.1% decline. The sales figure increased by 4.3% year over year, compared with the expected 7.2%.

**Figure 4. UK: Retail Sales (Seasonally Adjusted), MoM % Change**

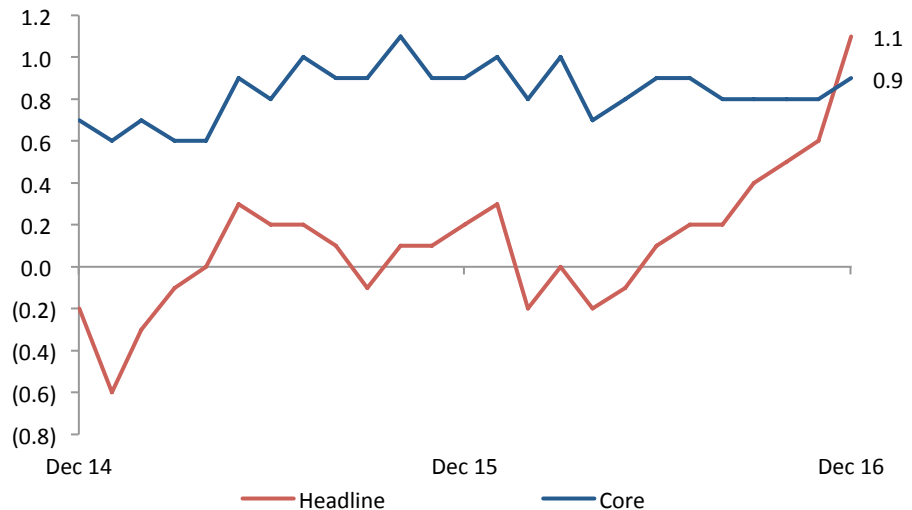


Source: ONS

*The eurozone CPI confirmed the rising trend indicated by the advance estimate. In Germany, consumer prices picked up more rapidly than they did in the rest of the eurozone countries.*

The eurozone CPI increased by 0.5% month over month in December and by 1.1% year over year, confirming the advance estimate. In Germany, consumer prices picked up more rapidly than they did in the rest of the eurozone countries, rising by 0.7% month over month and by 1.7% year over year.

**Figure 5. Eurozone: CPI (Nonseasonally Adjusted), YoY % Change**



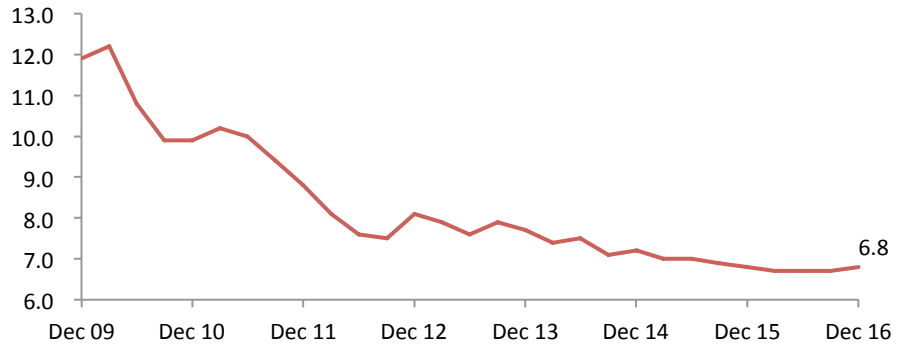
Source: Eurostat

*In China, real GDP in the fourth quarter grew by 6.8% year over year, indicating a stabilizing economy.*

**Asia-Pacific: China’s GDP Shows Stable Growth**

In China, real GDP in the fourth quarter grew by 6.8% year over year. A growth rate between 6.6% and 7.0% is considered stabilized. In South Korea, GDP grew by 0.4% quarter over quarter in the fourth quarter and by 2.3% year over year. The country’s economic growth has slowed amid an ongoing political scandal.

**Figure 6. China: Real GDP, YoY % Change**



Source: National Bureau of Statistics of China

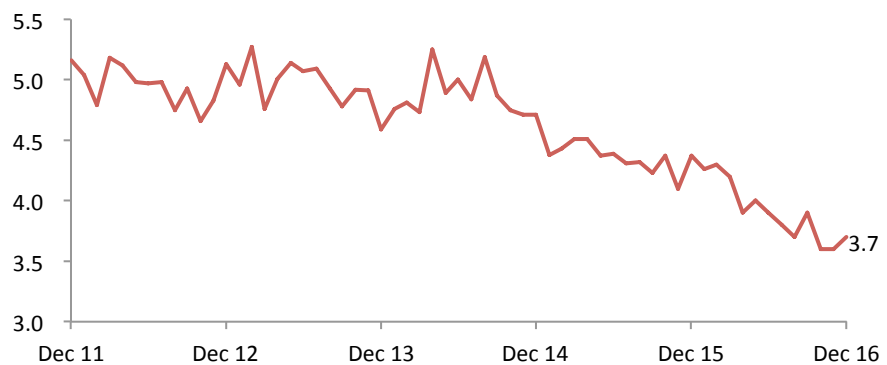
In China, retail sales in December grew by 10.9% year over year, up slightly from 10.8% the previous month and above the estimate of 10.7%. Industrial production increased by 6.0% year over year; the figure was just below the market’s expectation of 6.1% and the previous reading of 6.2%.

**Latin America: Mexico’s Jobless Rate Remains Low; Potential Production Shift May Affect the Labor Market over the Long Term**

In December, Mexico’s jobless rate, after seasonal adjustment, edged up to 3.7% from 3.6% in November. The gauge indicated low unemployment in the country. Yet US President Donald Trump’s advocacy of a border tax adjustment has caused concern among multinational companies and, as a result, some companies are shifting manufacturing jobs from Mexico to the US. The trend of shifting production away from Mexico could push up the country’s jobless rate before the arrival of a border tax.

*Mexico’s jobless rate indicated low unemployment, but US President Trump’s advocacy to shift manufacturing to the US could negatively impact the labor market in Mexico.*

**Figure 7. Mexico: Jobless Rate (Seasonally Adjusted), %**



Source: INEGI

**Figure 8. Upcoming Economic Data Releases**

Date	Country	Indicator	Period Covered
Jan 29	JP	Industrial Production	Dec
Jan 29	JP	Retail Sales	Dec
Jan 30	US	Personal Consumption Expenditure	Dec
Jan 30	US	Pending Home Sales	Dec
Jan 31	GE	Retail Sales	Dec
Jan 31	GE	Unemployment Rate	Jan
Jan 31	US	S&P CoreLogic Case-Shiller Home Price Indices	Nov
Feb 1	US	ISM Manufacturing PMI	Jan

**Deborah Weinswig, CPA**

Managing Director  
Fung Global Retail & Technology  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**Charlie Poon**  
Research Assistant

**Hong Kong:**

8th Floor, LiFung Tower  
888 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**London:**

242-246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**New York:**

1359 Broadway, 9th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**