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**HELPING YOU PLAN FOR A CHANGING GLOBAL ECONOMY.**

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We aim to deliver state-of-the-art macroeconomic research to improve the performance of companies.

# **COUNTRY MONITORING.**

## US & EUROZONE

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**THIS PAGE HAS BEEN LEFT BLANK FOR YOUR CONVENIENCE TO TAKE NOTES**

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## KEY THINGS WE WANT TO HIGHLIGHT.

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### US.

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- 5. GDP overview
- 6. Labour market
- 7. Activity

- 8. Households
- 9. Inflation
- 10. Bond Yields

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### EUROZONE.

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- 11. GDP overview
- 12. Sentiment surveys
- 13. Households

- 14. Investment
- 15. Labour market
- 16. Bond Yields

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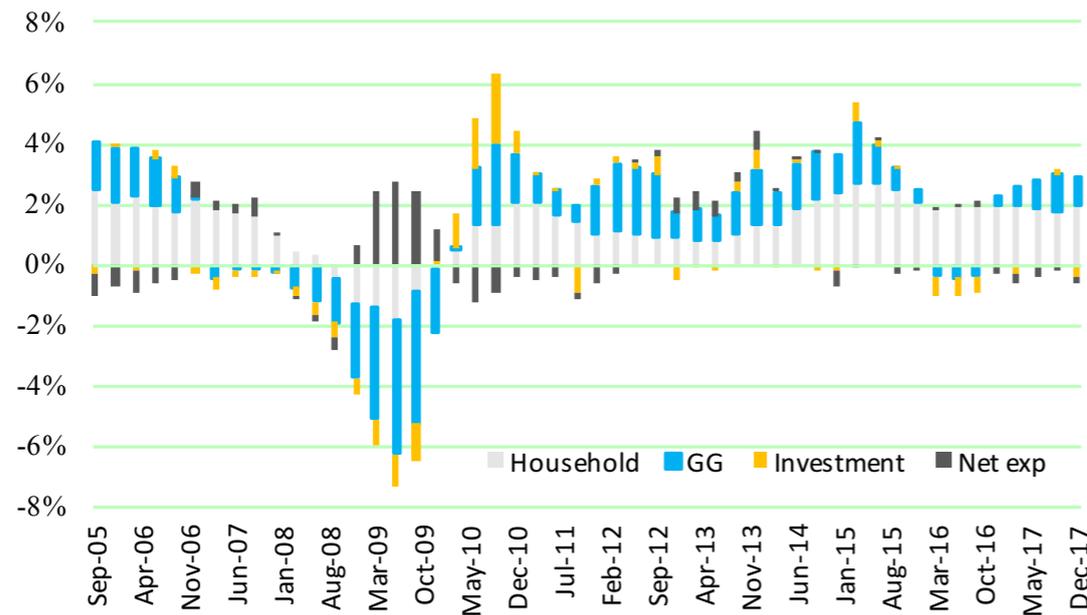
## KEY THINGS WE WANT TO HIGHLIGHT.

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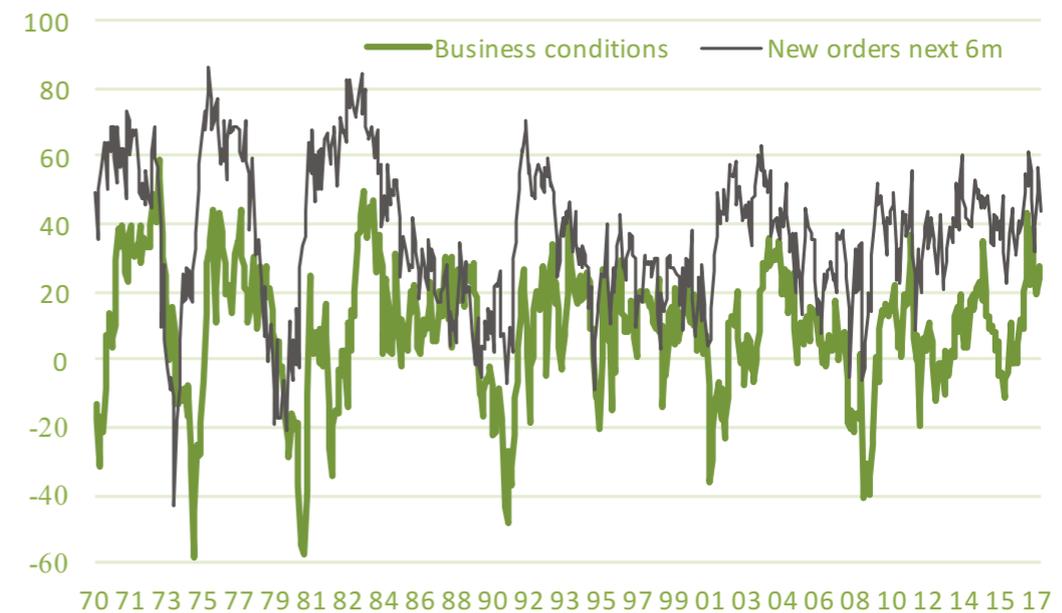
- Since we published our year-ahead forecasts back in early-December, real GDP growth in the US economy has unfolded broadly as expected, as has inflation. The consensus forecasts for real GDP growth for the US have moved up, and are now on a par with ours for 2018E, but still lagging our estimates for 2019E. The consensus forecasts for US inflation are fairly unchanged, and they continue to lag our estimates for 2019E.
- We are biased in favour of a continuing phase of euro-strength this year, which may lead to euro-dollar rising above 1.30 in coming months.
- We remain markedly dovish on the Fed, as we believe it is part of the new “Trump” strategy to boost nominal GDP growth. Also, looking at the labour market and household income trends in the US, we simply do not see the grounds for excessive optimism for the medium term. Our views also differ markedly for the euro-dollar outlook for 2019, as we believe that, if the Euro continues to appreciate this year, the divergence in the business cycle between the US and the Eurozone will become evident next year, which should be dollar-positive.
- In the Eurozone, the economy has unfolded broadly as we expected and the consensus projections have been moving closer to our estimates. We see cause for concern for 2019E both as a result of Brexit and as the business cycle is doomed to turn sooner or later. In fact, the latest business surveys are already beginning to signal that growth momentum is no longer accelerating.
- Inflation has proved lower than we had expected, but in line with the consensus expectations and the ECB’s forecasts. This is due partly to lower transport costs, and partly maybe as it could take longer for the bullish message from inflation surveys to translate into higher measured inflation. We have thus cut our estimates by 0.4ppts for this year, from 2.1% to 1.7%. We keep 2019E unchanged at 2.5%.

## GDP GROWTH TREND.

### GDP breakdown – growth driven by domestic demand



### Sentiment positive, but not out of line with recent history

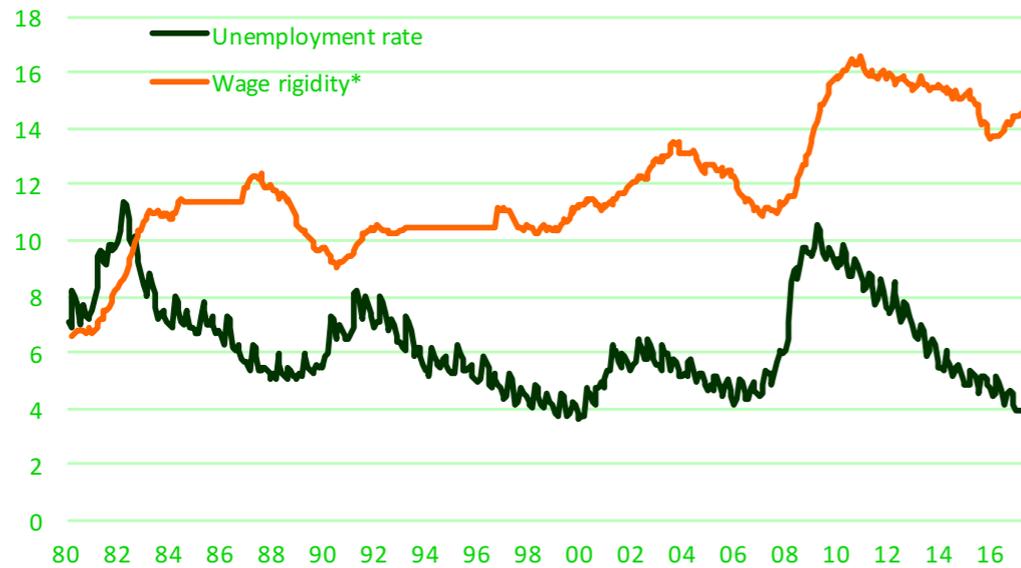


US	2017	2018E Af	2019E Af	2018E Cons	2019E Cons
Real GDP growth	2.2	2.7	3	2.7 (2.4)	2.4 (2.0)
Inflation avg	2.2	2.4	3	2.3 (2.1)	2.2
Policy rate eop	1.25	2.0 (1.75)	2	2.35 (2.15)	2.9 (n/a/)
EUR/USD avg	1.18	1.25	1.2	1.26 (1.20)	1.3 (1.23)
Fiscal balance in % of GDP	-3.6	-3.3	-3.3	-3.7 (-3.3)	-4.5 (-3.7)
Current account in % of GDP	-2.7	-2.7	-2.7	-2.5 (-2.6)	-2.6 (-2.8)

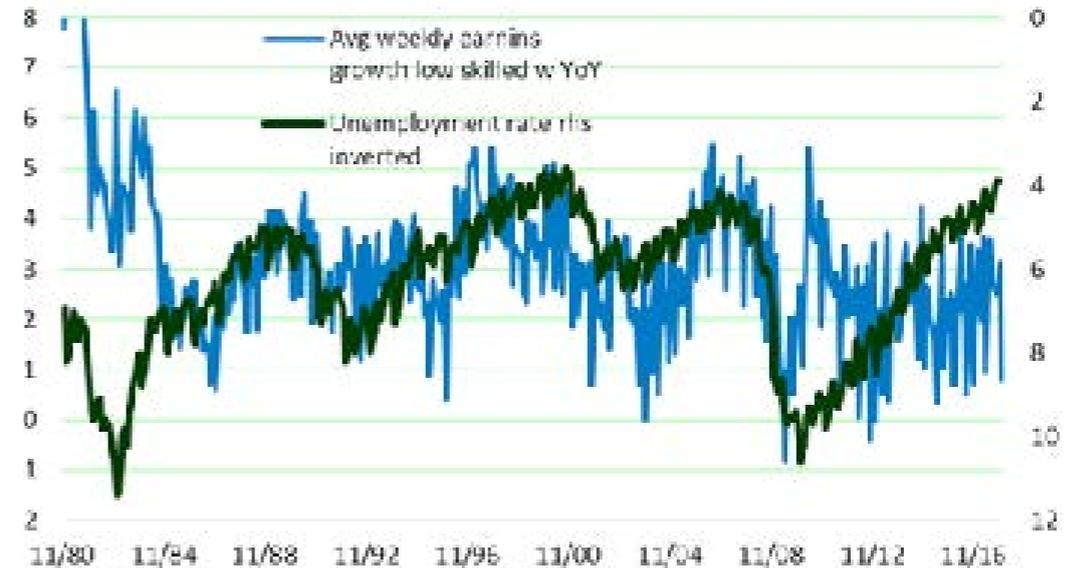
Sources: Macrobond and Ada economics

## LABOUR MARKET.

### Wage rigidity fairly high given the unemployment rate



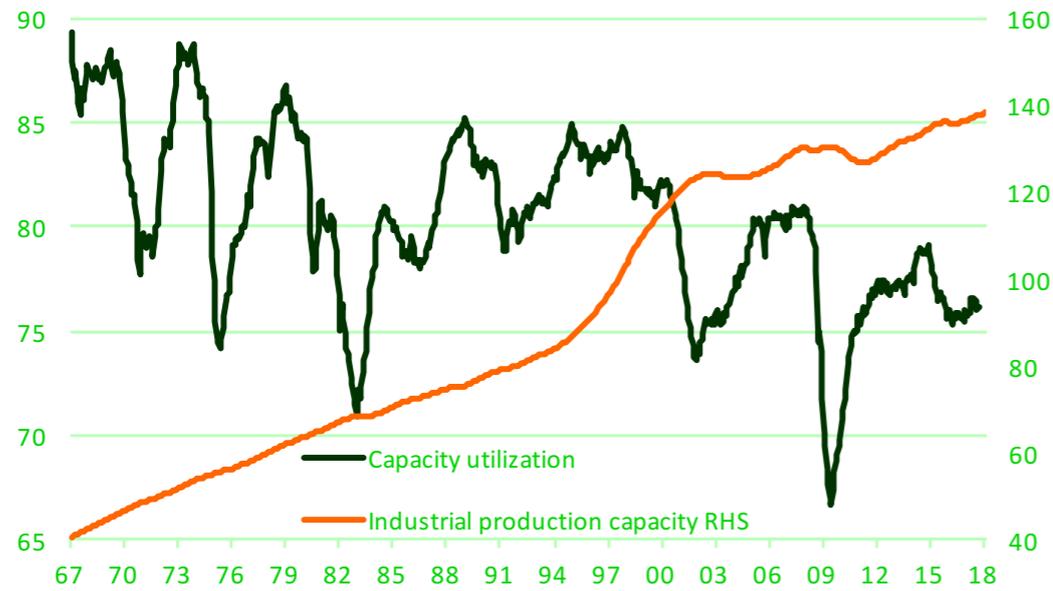
### Real wage growth not that strong



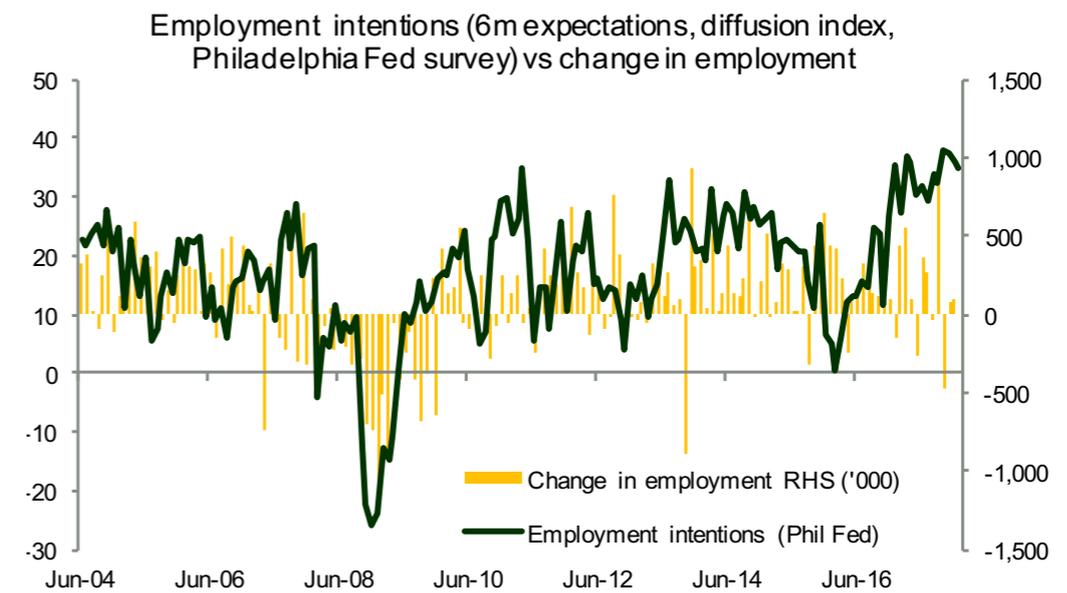
Sources: Macrobond and Ada economics

## INVESTMENT PROSPECTS.

### Capacity utilisation is relatively low



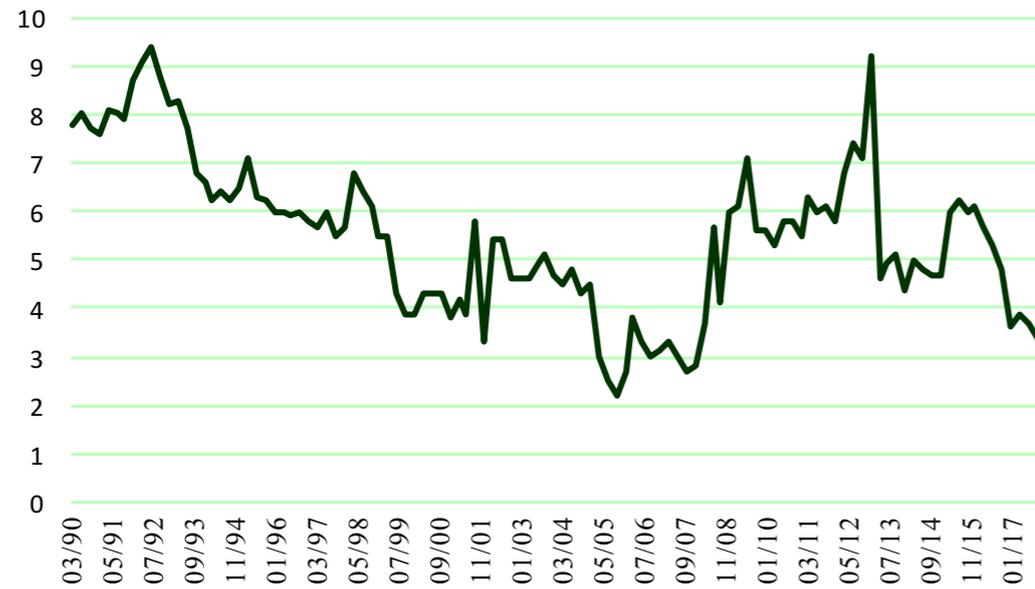
### Overall job creation is not stellar



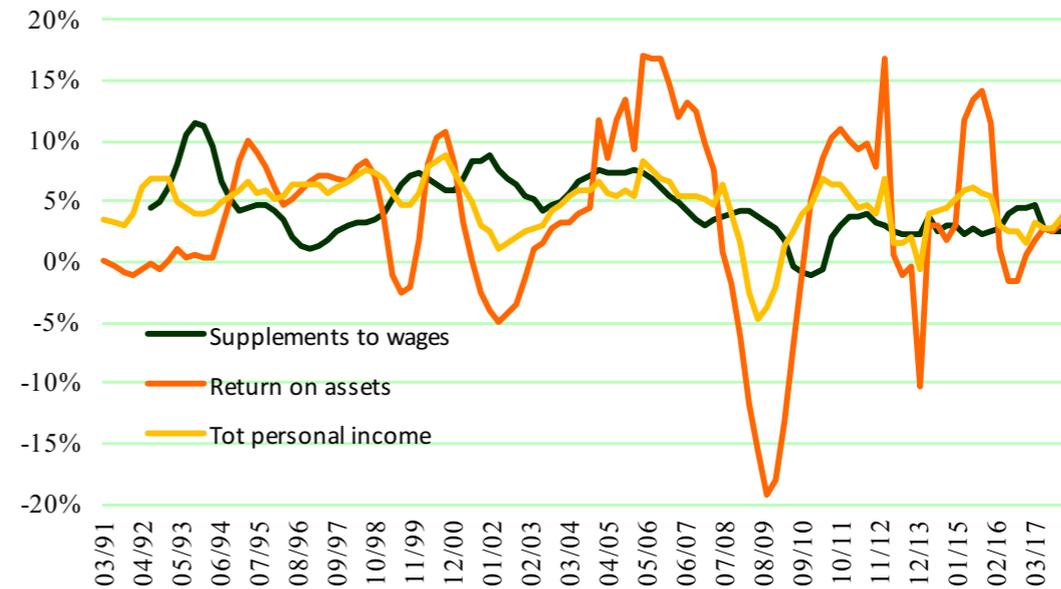
Sources: Macrobond and Ada economics

# HOUSEHOLDS.

Households savings rate %



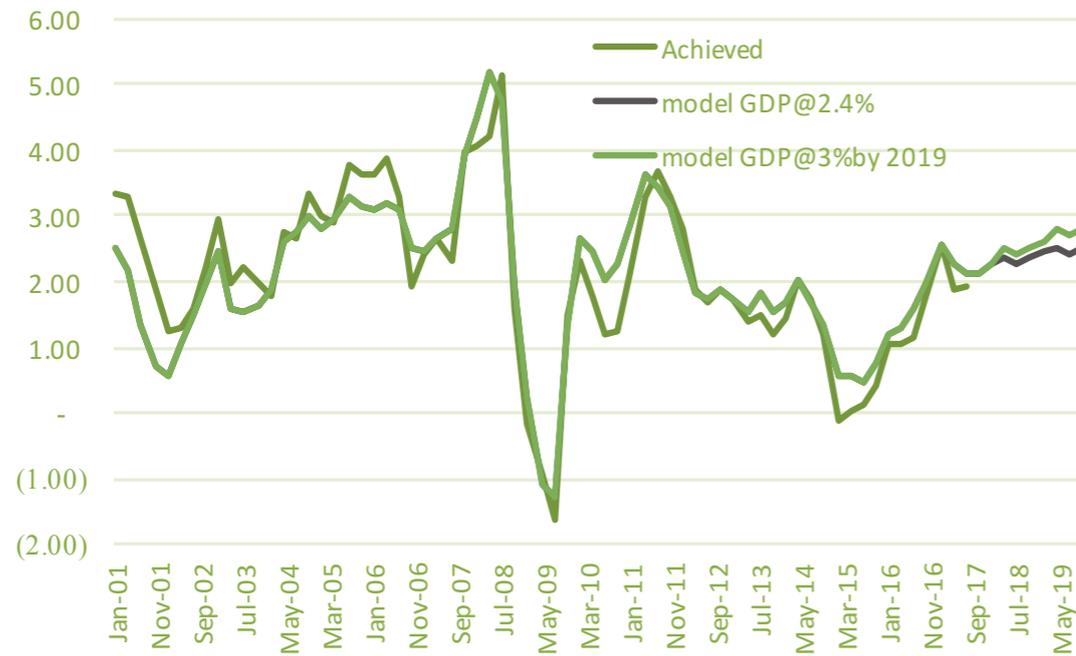
Components of disposable income yoy



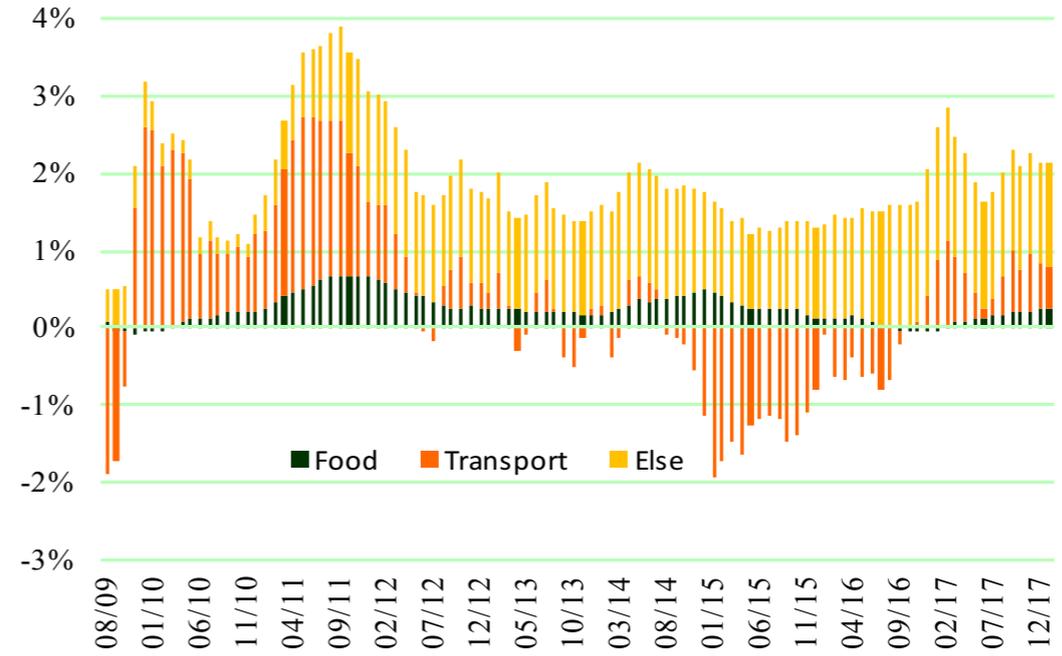
Sources: Macrobond and Ada economics

# INFLATION.

Inflation outlook yoy %

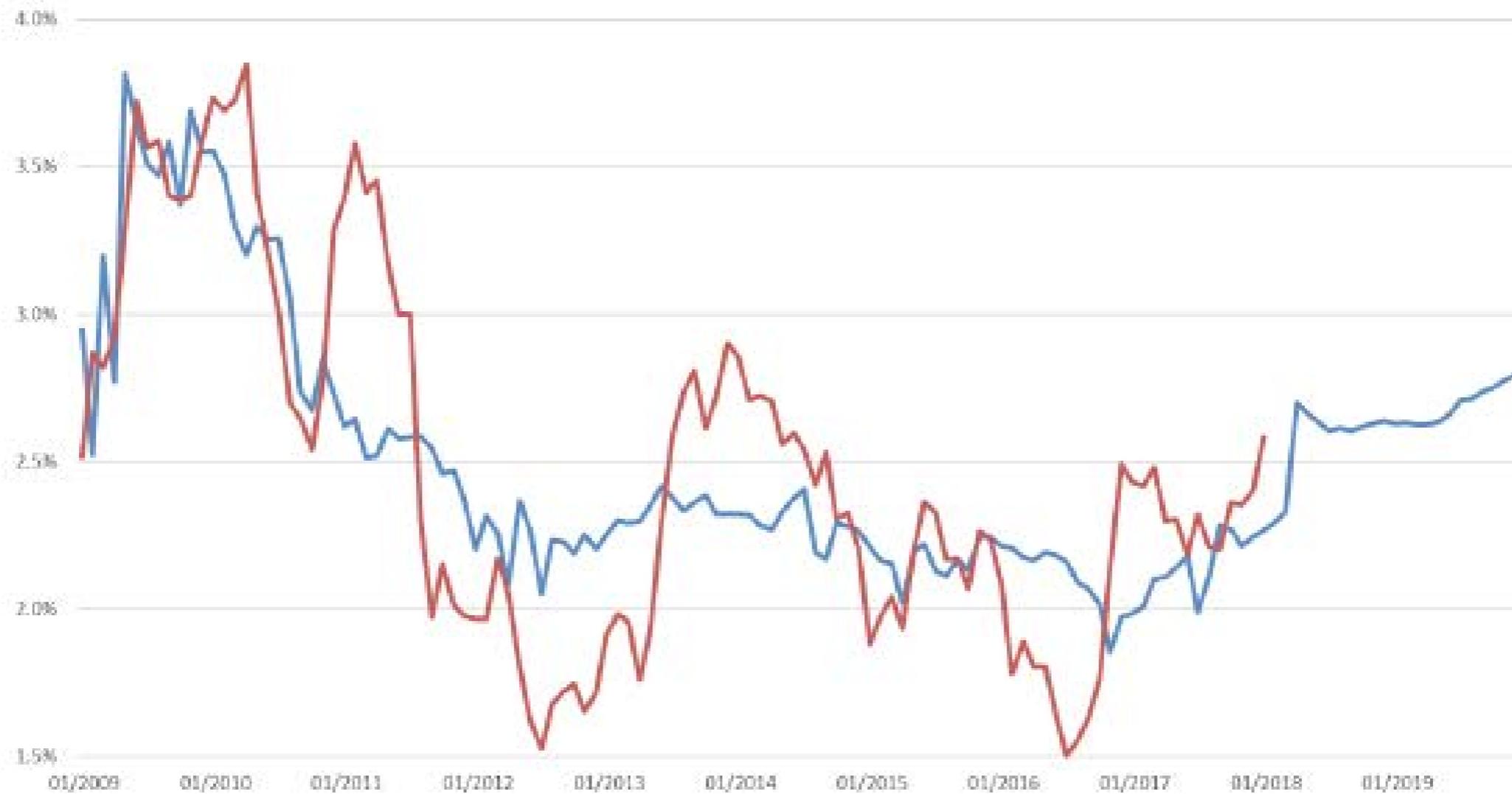


Components of CPI yoy



Sources: Macrobond and Ada economics

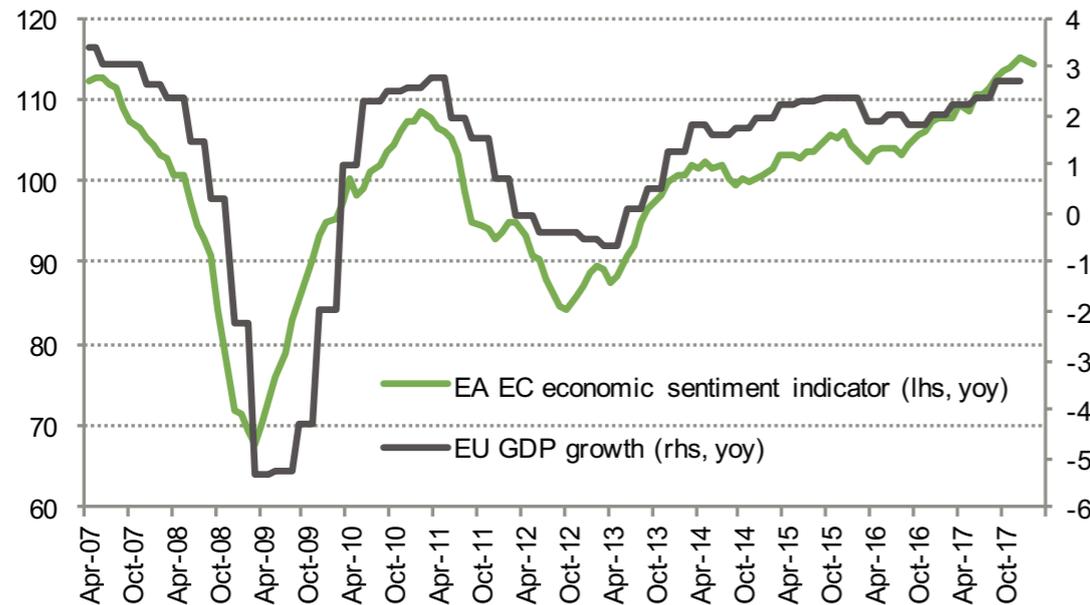
## 10 YEARS BOND YIELDS PROJECTIONS.



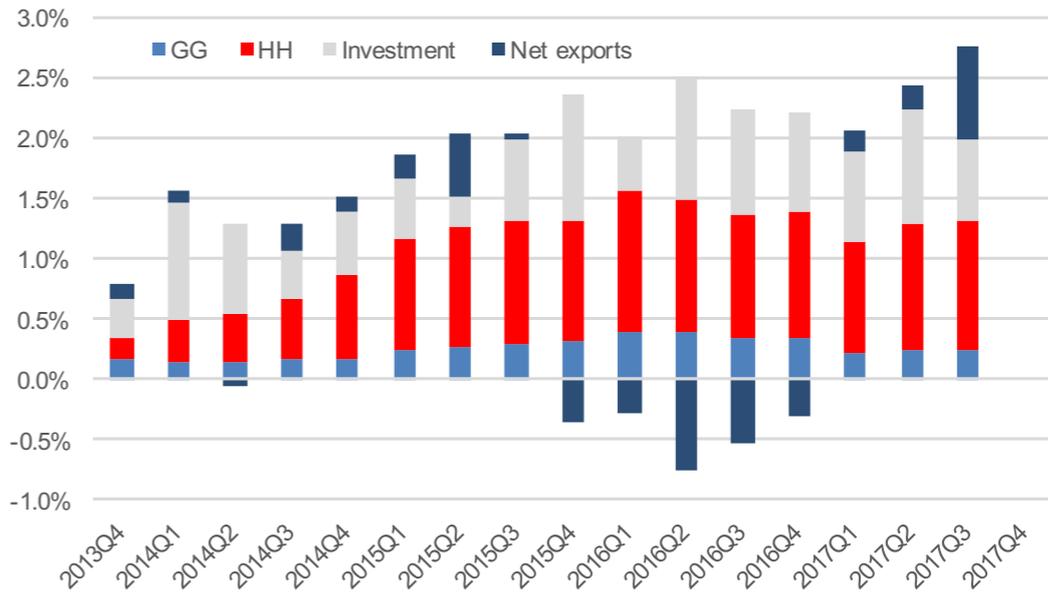
Sources: Macrobond and Ada economics

## GDP GROWTH.

### GDP growth and ESI



### Drivers of GDP growth

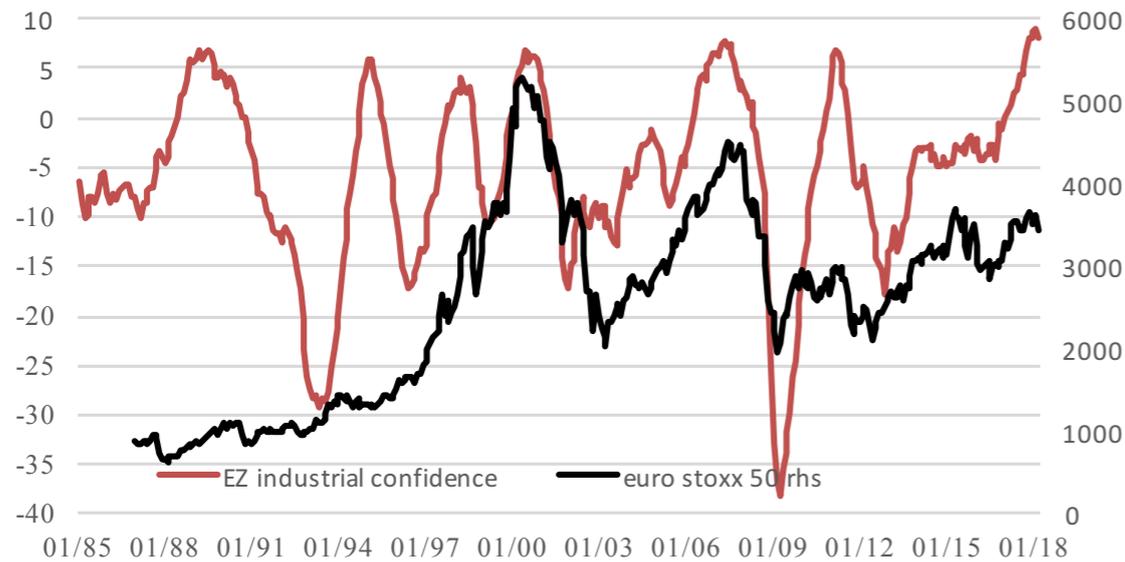


	2017	2018E Af	2019E Af	2018E Cons	2019E Cons
Eurozone					
Real GDP growth	2.2		2.7	2.0	2.5 (2.0)
Inflation avg	1.5	1.7 (2.1)		2.5	1.5 (1.4)
Policy rate eop	0.00	0.00	0.50		0.00
EUR/USD avg	1.18	1.25	1.2	1.26 (1.20)	1.3 (1.23)
Fiscal balance in % of GDP	-1.1	-1.1	-1.1	-1 (-1.2)	-0.9
Current account in % of GDP	3.0	3.0	2.9	3.1 (2.9)	3 (2.8)

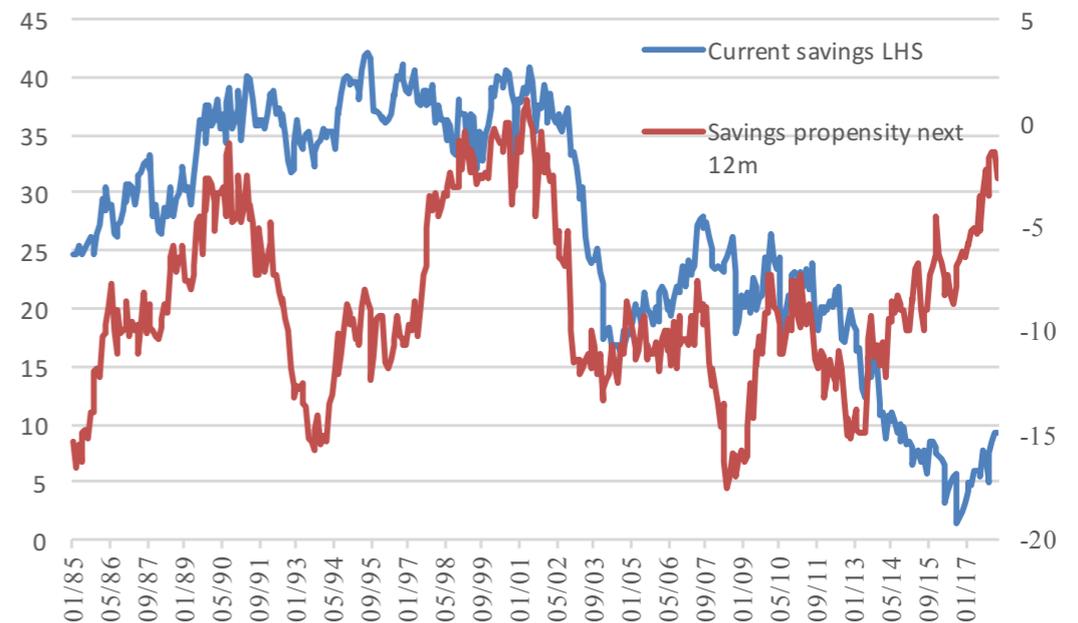
Sources: Macrobond and Ada economics

## TURNING POINTS.

### Industrial confidence and stock market performance



### Households' appetite to save is on a long upward path



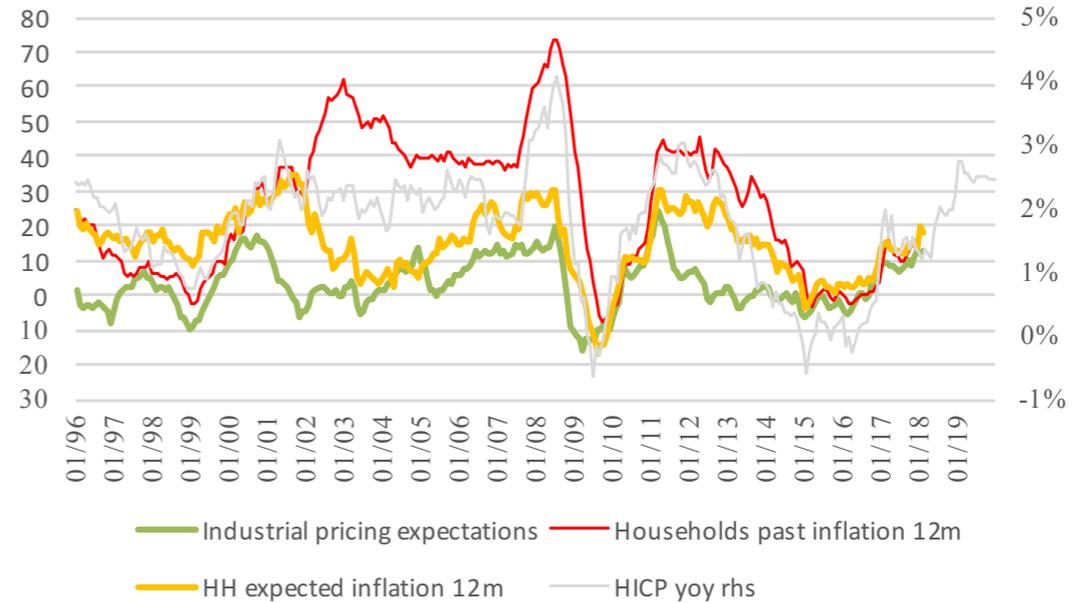
Sources: Macrobond and Ada economics

# HOUSEHOLDS.

**Consumer confidence outpaces spending**



**Inflation surveys and ADA inflation projections**



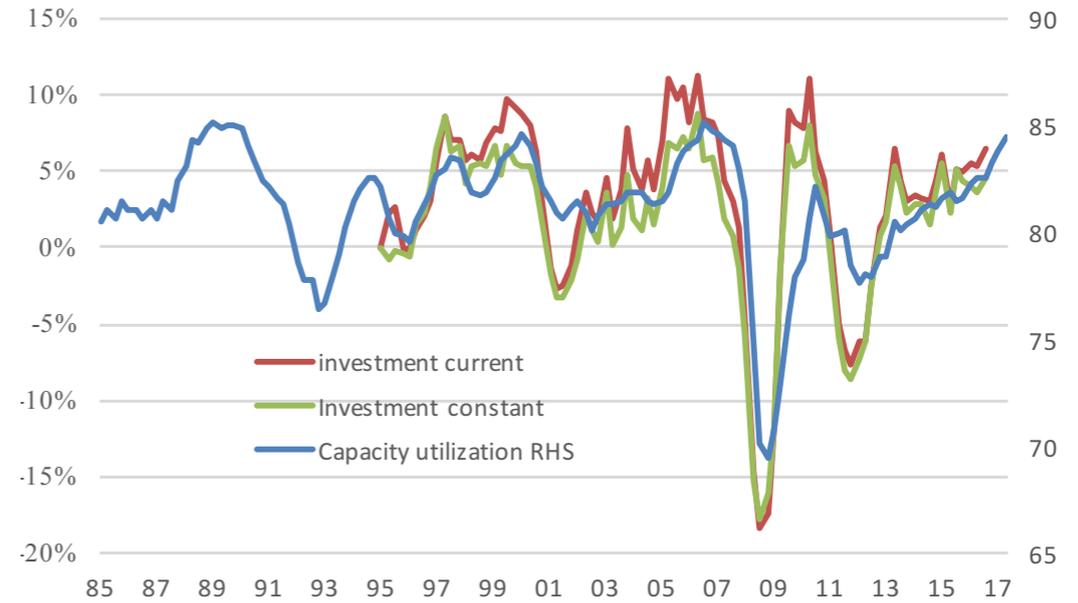
Sources: Macrobond and Ada economics

## INVESTMENT.

Perceived competitiveness



Capacity constrains beginning to bite

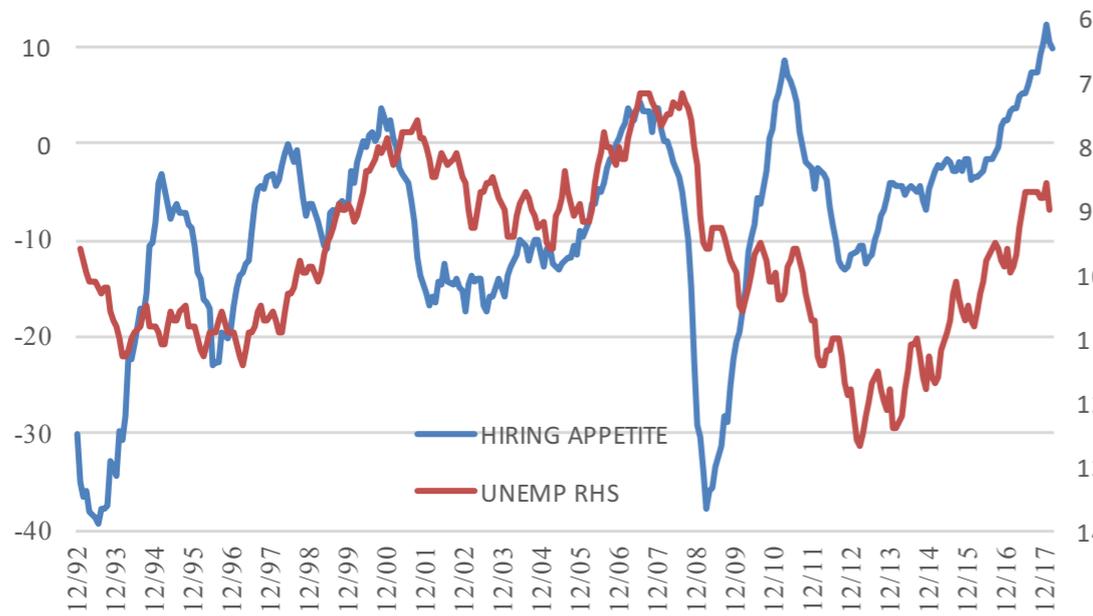


- Strong demand internally & external
- Capacity constraints keep on rising, supporting investment

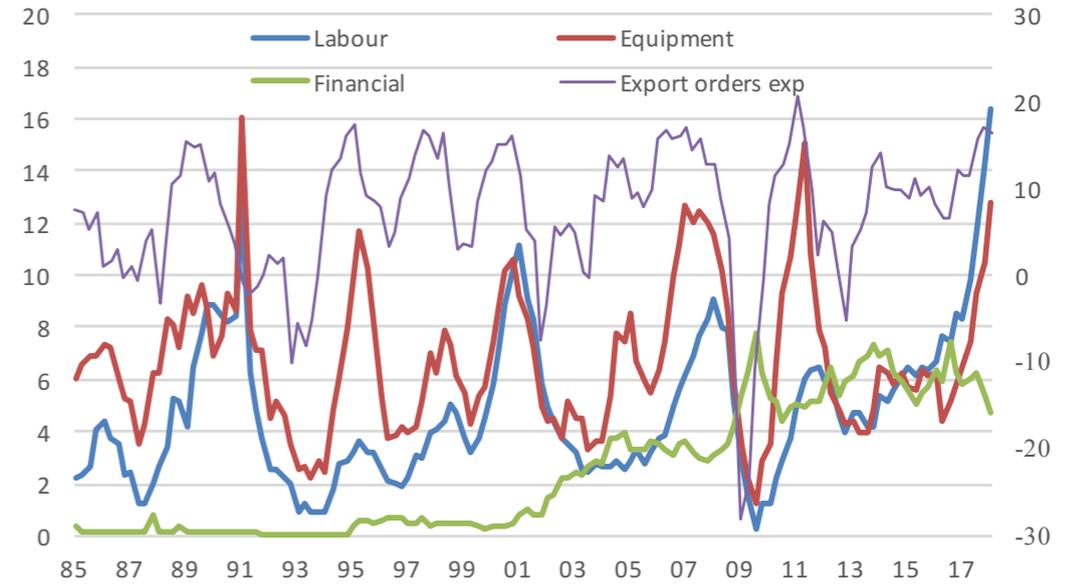
Sources: Macrobond and Ada economics

## LABOUR MARKET.

**Hiring appetite at 20+yr high,  
it may have just peaked**



**Factors limiting production**



Sources: Macrobond and Ada economics

## 10 YEARS BOND YIELDS PROJECTIONS.



Sources: Macrobond and Ada economics

## 10 YEARS BOND YIELDS PROJECTIONS.



Sources: Macrobond and Ada economics

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