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US growth rate hits three-year low

It will be unwelcome news for President Donald Trump who, during his election campaign, made a pledge to raise growth to 4%. An annual rate of 0.7% in the first quarter - the slowest rate since the first quarter of 2014.In a bid to fulfill that promise, on Wednesday the White House proposed slashing the rate of corporation tax. Treasury Secretary Steven Mnuchin unveiled President Trump's tax blueprint, which aims to cut the business tax rate from 35% to 15%.The plan also proposed an incentive for companies to bring back money held overseas and a cut in tax rate for individuals, although the plans were light on detail.

The Trump administration may be reassured by the trend in recent years for growth figures to be depressed in the first quarter, but then pick up later in the year."US GDP figures are typically weaker in the first quarter, so this reading is in line with the seasonal trend," said Nancy Curtin, chief investment officer at Close Brothers Asset Management."We haven't yet had the expected fiscal stimulus from Trump, the effects of which may not be seen until the end of this year or the start of 2018."The annualised first quarter growth rate of 0.7% was less than the 1% analysts had been expecting, and a slowdown from the 2.1% growth rate seen in the final quarter of last year

The slowdown was down to stagnant consumer spending, economists said.

"Household spending was held down by a drop back in motor vehicle sales from a near-record high at the end of last year and the unseasonably warm winter weather, which depressed utilities spending," said Paul Ashworth, chief US economist at Capital Economics. But he thinks consumer spending will "rebound" as personal income showed healthy growth and data suggests that consumer confidence remains high. Close Brothers' Ms Curtin also pointed out that other data suggested strength in the US economy.”While investors might be disappointed with the reading, it has been a steady start to the year with inflation looking benign, a resilient jobs market and positive PMI [purchasing managers'] data."

As they released President Trump's proposals for large tax cuts, his Treasury Secretary, Steven Mnuchin, and his National Economic Director, Gary Cohn, were boasting that an annual GDP growth rate of 3% and above was possible. Indeed their tax plan relies on higher growth to make up for the lost revenue of lower tax rates. And the president himself likes to talk about 4% growth! Today's data shows how bold those claims are. The fact is the US economy has been in steady-but-slow growth mode for years. While it's true that the first three months of a year are usually particularly weak, and that growth will likely pick up in the coming months, it's also the case that a 3% annual growth rate hasn't been consistently delivered since the 1990s. So whatever it is that would boost growth - be it tax cuts or large government spending - is likely to require far-reaching legislation from Congress. Based on the first 100 days, there are few signs that the Trump administration can secure that.

The central bank no longer needs to give the US economy some "oomph".

The Fed has only raised interest rates three times in the last decade - most recently in March - in a bid to encourage economic growth. But Ms Yellen said the US economy was now "healthy" and required less help from the central bank. Investors were unmoved by Ms Yellen's comments, with yields on US Treasury bonds little change d.Ms Yellen said that "before we had our foot pressed down on the gas pedal trying to give the economy all the oomph we possibly could".

"Now allowing the economy to kind of coast and remain on an even keel - to give it some gas but not so much that we are pressing down hard on the accelerator - that's a better stance of monetary policy," she said at the University of Michigan's Ford School of Public Policy. Other Fed officials have indicated the central bank will raise rates twice more this year."We think a gradual path of increases in short-term interest rates can get us to where we need to be, but we don't want to wait too long to have that happen," Ms Yellen said

Bank of Japan raises economic forecasts, while keeping policy steady

The BOJ raised its economic assessment. It increased its real gross domestic product (GDP) growth forecast for the 2017-18 fiscal year to 1.6 percent from the 1.5 percent projected in January. But it lowered its core consumer price index (CPI) growth forecast to 1.4 percent from 1.5 percent in the same period. The yen moved only slightly on the announcement, with the dollar fetching around 111.23 yen before the announcement, compared with 111.16 yen at 11:36 a.m. HK/SIN. Marcel Thieliant, a senior Japan economist at

Capital Economics, said in a Thursday note that despite the BOJ raising some growth forecasts, he didn't follow the consensus view that the yield target might be increased by the end of next year.

"The bank now sees the economy 'expanding' rather than just 'recovering,'" he noted, but added that lowering the inflation forecast indicated the BOJ was still struggling to increase inflation."We believe that the bank remains too optimistic about inflation. The main reason is that wage growth remains tepid despite a tight labor market," Thieliant said, expecting monetary policy would remain unchanged for "the foreseeable future."

The BOJ had set its target yield for the benchmark 10-year Japanese government bond at around zero percent, and it has been willing to intervene to keep the benchmark yield in line with its target. That theoretically means the BOJ can buy fewer bonds as it would only need to time its purchases for when the yield curve moves away from its target. That would help ease concerns that the central bank, which already owns more than 40 percent of all JGBs by value, would run out of bonds to buy as it continued with its planned 80 trillion yen (around $697.87 billion) annual pace of expansion of its monetary base. The BOJ has taken essentially a "whatever it takes" stance on boosting inflation, saying it would maintain an easy stance until inflation exceeded its target of 2 percent "in a stable manner."Japan's economy grew 1.2 percent annualized in the October-to-December quarter, according to revised data released last month, but that was still below the 1.6 percent forecast in a Reuters poll.

The IMF nudges up its forecast for global growth

On April 18th the fund released its semi-annual World Economic Outlook (WEO), raising its forecast for global growth in 2017 to 3.5%.Growth forecasts for the emerging world have not changed. The IMF's global optimism is based instead on hopes of increased growth in the rich world. The fund takes a rosy view of the American economy, citing both high levels of consumer confidence and Donald Trump's plans for more government spending. In Britain the IMF now reckons GDP will grow by 2.0% in 2017, up from earlier estimates of 1.5% (issued in January) and 1.1% (last October). The IMF has also raised its forecasts for Japan and the euro area.

Snipers point out that IMF forecasts have been far from perfect. Some glitches are excusable. In the spring of 1990, it predicted that Kuwait's economy would grow by 0.8% that year. It actually fell by 26%. The IMF's model did not allow for an Iraqi invasion. But other errors are less easily explained: between 1990 and 2007, the IMF's spring forecasts underestimated global growth in 13 of the 18 years, in large part because it failed to foresee the spectacular rise of China. Since the financial crisis, however, the IMF has had to revise down its forecasts over time every year since 2010 (see chart). The fund's spring forecasts for the coming year have turned out to be over-optimistic in the past three years.

Christine Lagarde, the IMF's boss, recently conceded that economic growth in the past six years has been “disappointing”, but held firm in her belief that the world economy was turning. Hence the positive revision to its global GDP forecast—albeit by just a tenth of a percentage point. The global economy may still falter for a number of reasons. Ms Lagarde worries the rich world will suffer “self-inflicted wounds” from poor policy choices, notably on trade. Political uncertainty abounds. Just hours before the IMF released the WEO came the surprising news of an imminent election in Britain. The known unknowns hardly help, either. Mr Trump's fiscal policies, for example, are far from firm plans—Maurice Obstfeld, the IMF's chief economist, calls them “a work in progress”.

Chinese media warns of 'tax war' after Trump pledge to slash rates

People's Daily says US president could 'endanger the global economy' and damage 'export-oriented countries'. Chinese leaders are worried about Donald Trump engaging in a “tax war” with Beijing, potentially fuelling tensions between the two countries already strained by problems such as North Korea, trade and the South China Sea. A commentary in the People's Daily, the official mouthpiece of the Communist party, attacked Trump's plan to reduce taxes on companies and simplify swaths of US tax code, highlighting Beijing's fears the move could harm businesses back home.

On 26th April, US administration officials unveiled a proposed overhaul of the tax system, reducing the number of income tax brackets and lowering the tax on corporations from 35% to 15%. Critics at home have also slammed Trump's tax plan, calling it “basically a huge tax cut for the rich”, and some worry it could directly benefit the president, his family and member's of his ultra-rich cabinet.

The structure of the Trump Organization makes it a prime potential beneficiary – one estimate says the tax plan will save Donald Trump $65m a year in taxes While any change to US taxes still need to be approved by Congress, if Trump's plan is approved it could see a wave of companies shift assets to the US from countries such as China. “From the perspective of other countries, the US tax cut is in fact provoking a tax war,” the People's Daily said. These cuts will “cause the international tax order to fall into chaos”. The proposed plan would undermine international efforts to combat tax avoidance, the commentary said. “In response, some powerful countries will join in this competition to reduce taxes … to set up tax havens,” it added.

“Furthermore, the US tax cut will harm some export-oriented countries that are powerless to compete in tax reductions.”

While China was not specifically named in the piece, the world's second largest economy is heavily reliant on exports and has been struggling for years to shift to a model more focused on domestic consumption. The US must “work with other countries to coordinate international tax policies to prevent mutual harm and avoid endangering the global economy”, the commentary said. Trump's tax proposal comes at a time when US companies are scaling back investments in China over rising costs, unfriendly business environment and increased competition. Trump has also proposed a one-time tax for overseas profits in an effort to encourage US multinational corporations to repatriate past earnings.

But as US officials heralded Trump's tax plan as “growing the economy, creating jobs”, last week China announced 380bn yuan (£43bn) in tax cuts in order to boost growth.“Pushing through further tax cuts will effectively promote the economy,” Premier Li Keqiang said of the measures.

Europe has extended economic sanctions on Russia for another six months,

Despite indications that President-elect Donald Trump could try to repair ties with Moscow. The decision was confirmed by European Council President Donald Tusk, who said that some European Union member states had pushed for a longer 12-month extension of the punitive measures."Some of our colleagues would prefer maybe 12 months," he said. "But it was clear from the very beginning that what was possible is to maintain our current format ... for six months."The U.S. and EU both imposed sanctions on Russia after it annexed Crimea from Ukraine in 2014. The EU restricted travel and froze the assets of nearly 150 people over the conflict. It also imposed restrictions on strategic sectors of Russia's shrinking economy: banks, energy firms and defense contractors. Ukrainian President Petro Poroshenko thanked Europe for its action.

"I am sincerely grateful for unwavering unity and solidarity of the European leaders in restoring Ukraine's sovereignty and territorial integrity, including Crimea," he said in a statement. At the height of the Ukraine crisis, a Malaysia Airlines flight was brought down by a Russian missile fired from territory controlled by pro-Russian separatists. Relations between Russia and the West hit their lowest ebb for decades.

Trump has vowed to reset ties with Moscow and has made no secret of his admiration for President Vladimir Putin. He's also denied that the Kremlin hacked the 2016 election, putting him at odds with many in his own party, and the U.S. intelligence establishment.The nomination of Rex Tillerson to lead the U.S. State Department is being read as another sign of a sharp shift in U.S. policy toward Moscow. The ExxonMobil (XOM) CEO has good relationships with senior Russian officials including Putin, and he is on the record as opposing sanctions.

An improved relationship with Russia might require the U.S. to acquiesce to the Kremlin's annexation of Crimea, and lift sanctions on top Russian officials. But that would be relatively easy: Trump could cancel sanctions, without consulting Europe, with the stroke of a pen since they were mandated by President Obama in a series of executive orders.

EU Council President Tusk said it was "still too early" to assess the incoming administration's policies."We have too many signals ... we have to wait for formal declaration of the new president," he said.

Eurozone unemployment falls to near-eight year low.

Unemployment across the region has fallen to its lowest level in almost eight years, in another sign that its economic recovery continues. The eurozone jobless rate fell to 9.5% in February, statistics body Eurostat reports, down from 9.6% in January. That's the lowest rate recorded in the euro area since May 2009.Unemployment in the wider European Union also fell in February, to 8.0% from 8.1%. Twenty six EU members reported lower unemployment than a year ago, but the jobless rate did rise in Denmark and Lithuania .However, the figures also highlights the sharp differences across Europe. The lowest jobless rates were recorded in the Czech Republic (3.4%), Germany (3.9%) and Malta (4.1%).But in Greece, the jobless rate remains over 23%, and in Spain it is 18.0%

WTO members welcome new chair of agriculture talks

WTO agriculture negotiators appointed Ambassador Stephen Ndung'u Karau of Kenya as the new chair of the Committee on Agriculture in Special Session at a meeting on 26 April. Ambassador Karau will facilitate ongoing negotiations in agricultural trade reform, including negotiations on cotton. Ambassador Karau replaces New Zealand Ambassador Vangelis Vitalis who returned to his home country in early 2017.In his address to WTO members, Ambassador Karau said: “I am humbled by the confidence shown in me by the members and would like to assure you that I will carry out my tasks with determination and dedication.”

He stressed that the work ahead in agriculture negotiations remained challenging. “The technical and policy issues involved in the negotiations are complex,” he said, “but that is not the end of it. Agriculture fills a central place in our discussions at the WTO. And food is an essential part of our lives. Therefore everyone has a stake in these negotiations."Outlining his plan for the way forward, Ambassador Karau stressed that he is firmly committed to the consensus and transparency principles in agriculture talks. "I know that trust is absolutely essential in my new role as Chair and I commit to working fairly, objectively and transparently with all delegations. I will always listen to you and respect all points of view," he said.

He informed members of his intention to convene an informal open-ended meeting of the Special Session as well as dedicated sessions on public stockholding for food security purposes and on the special safeguard mechanism for developing countries in the second half of May."I know that there is no time to waste with the Buenos Aires Ministerial meeting just around the corner," he told members. Ambassador Karau is the tenth chairperson of the agriculture negotiations since talks began in March 2000.

DG Azevêdo and Jack Ma discuss the power of technology to boost small businesses

Director-General Roberto Azevêdo welcomed Jack Ma to the WTO on 25 April to discuss how e-commerce can help small and medium-sized enterprises (SMEs) grow their business and thereby boost development and job creation around the world. Mr Ma is the founder and Executive Chairman of Alibaba and Special Advisor to UNCTAD for Youth Entrepreneurship and Small Business.

Jack Ma briefed the Director-General on his ideas in this area, including working with government officials to help them to design policies and regulations which are informed more closely by the problems that many small businesses face. He also outlined the proposal for the establishment of an Electronic World Trade Platform (eWTP). This platform would be a way of bringing together the private sector (led by SMEs), governments, international organizations and all other stakeholders with the aim of establishing a more favourable and standardised regulatory environment for e-commerce. Jack Ma welcomed DG Azevêdo's and the WTO's partnership and participation.

In addition, they discussed ways to ensure that the voices of SMEs from around the world are heard more clearly in the policy debate, building on existing forums such as the WTO's Trade Dialogues series. They also exchanged views on how the 11th WTO Ministerial Conference, due to take place in Buenos Aires this December, could support SMEs and more inclusive trade.

Speaking after the meeting, the Director-General said:"It was a great pleasure to welcome Jack to the WTO and to continue the conversation that we had in Hangzhou last September. The e-commerce debate has come a long way since then. WTO members are waking up to the power of e-commerce to drive development. There is a thriving discussion in Geneva, looking at potential ways forward – but we have more to do if we are to extend the benefits of e-commerce to SMEs around the world. Members need to identify the specific steps that they want to take.

"This is where the private sector can play a crucial role. Business brings intelligence of how things are on the ground. When we bring that first-hand knowledge together with real political will from governments, then we can deliver changes which will make a real difference. That's why the WTO has been seeking to bring the voice of business and other stakeholders into the debate. I strongly welcome Jack's engagement and the ideas that he, and others, are bringing to the table.

"Around 98% of world trade currently takes place under WTO rules. This institution is where reforms on digital trade would have to be taken forward. Our recent experience in delivering the WTO Trade Facilitation Agreement – the biggest global trade deal this century – shows that we can make real progress here, particularly in delivering commitments combined with practical technical and capacity-building assistance. I look forward to working with WTO members and stakeholders to see what concrete steps we may be able to take in this area."DG Azevêdo and Jack Ma also took part in a high-level panel session at UNCTAD, entitled 'Digital Transformation For All: Empowering Entrepreneurs and Small Business', alongside UNCTAD Secretary-General Mukhisa Kituyi, ITU Secretary-General Houlin Zhao, and Consumers International Director-General Amanda Long, at the Palais des Nations, Geneva.

Trump says he'll kill NAFTA if he's not able to renegotiate a better deal

The United States is prepared to kill the North American Free Trade Agreement (NAFTA) if renegotiation efforts prove fruitless, President Donald Trump said .In an interview with CBS's "Face the Nation", Trump insisted that he was going to terminate the agreement, which links the U.S. to Canada and Mexico, before having a change of heart when the leaders of both countries reached out to him."I got a very nice call from Justin Trudeau, the prime minister of Canada," Trump told CBS. "I was all set to do it. In fact, I was going to do it today. I was going to do it as we're sitting here."After conversing with Trudeau and Mexican President Enrique Pena Nieto, Trump said he would negotiate. However, the president added that "if I'm not able to renegotiate NAFTA, I will terminate NAFTA."

Trump signed an executive order Saturday directing the Commerce Department and the U.S. trade representative to conduct a study of U.S. trade agreements. The goal is to determine whether America is being treated fairly by its trading partners and the 164-nation World Trade Organization. Last week, Trump raised eyebrows after he lashed out at Canada, suggesting the country was unfairly disadvantaging U.S. dairy and lumber products. Yet in practice, some economists point out, Trump has been less stridently anti-trade as his campaign rhetoric suggested he would be."In general, the Trump administration has, up to now at least, taken a much less protectionist line than we feared after the very dark and foreboding inaugural speech, which talked of putting America first and that protection would lead to prosperity," Capital Economics said in a report."However, there is no guarantee that we won't see a renewed protectionist lurch," particularly as warring factions close to the president jockey for advantage, the firm added.