ECONOMIC UPDATE

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India launches safeguard investigation on solar cells

On 19 December 2017, India notified the WTO's Committee on Safeguards that it initiated on 19 December 2017 a safeguard investigation on solar cells, whether or not assembled in modules or panels. All known interested parties including the known exporters in the subject countries, the Government of the subject countries through their Embassy in India, the importers and users in India have been addressed separately by the office of the Director General (Safeguards).

Any other party to the investigation who wishes to be considered as an interested party may submit its request so as to reach the Director General (Safeguards) on the aforementioned address within 15 days from the date of the aforesaid date of issuance of the notice.

A safeguard investigation seeks to determine whether increased imports of a product are causing, or is threatening to cause, serious injury to a domestic industry. During a safeguard investigation, importers, exporters and other interested parties may present evidence and views and respond to the presentations of other parties. A WTO member may take a safeguard action (i.e. restrict imports of a product temporarily) only if the increased imports of the product are found to be causing, or threatening to cause, serious injury.

USA GDP Third Quarter Estimates

GROSS domestic product (GDP) increased 3.2 percent at an annual rate in the third quarter of 2017, according to the third estimates of the national income and product accounts (NIPAs) .

1. The third estimate of real GDP growth was revised down 0.1 percentage point from the second estimate of 3.3 percent; the downward revision primarily reflected a downward revision to consumer spending.

2 In the second quarter of 2017, real GDP increased 3.1 percent. The third-quarter increase in real GDP reflected positive contributions from consumer spending, inventory investment, nonresidential fixed investment, exports, federal government spending, and state and local government spending that were partly offset by a negative contribution from residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.

Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 1.7 percent in the third quarter after increasing 0.9 percent in the second quarter. Energy prices turned up, and food prices decelerated. Excluding food and energy, prices increased 1.6 percent after increasing 1.3 percent. Real disposable personal income (DPI) increased 0.5 percent in the third quarter after increasing 2.7 percent in the second quarter. Current-dollar DPI increased 2.1 percent in the third quarter after increasing 3.0 percent in the second quarter. Real gross domestic income increased 2.0 percent in the third quarter after increasing 2.3 percent in the second quarter.

Corporate profits from current production increased $90.2 billion in the third quarter after increasing $14.4 billion in the second quarter. "Real" estimates are in chained (2009) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; Quarterly estimates are expressed at seasonally adjusted annual rates, which reflect a rate of activity for a quarter as if it were maintained for a year.

U.K. Deal with the EU May Help British Stocks

The U.K. is making real progress in its negotiations to exit the European Union, and its progress toward a successful Brexit presents an opportunity for savvy investors to get in on the action. U.K. Prime Minister Theresa May struck a deal with the European Union that allows the country to start the next stage of talks about future post-Brexit trade deals. It comes after a year and a half of tough talk from both sides.

The recent agreement allows EU and U.K. citizens who are already established in the other's territory to continue living there. There is agreement that the amount for the divorce bill is around 50 billion pounds ($67 billion.) There is also agreement on how to deal with the land border between Northern Ireland and the Republic of Ireland."The impression I have is that the U.K. isn't getting a bargain," says Ivo Pezzuto, professor of global economics at the ISM Global Business School in Paris. "The U.K. just didn't want to have no deal."

The understanding may pave the way for Britain to cut a deal such as Norway has, which allows free trade with the EU. However, there are other alternatives such a replicating the arrangement Canada has or that through which Switzerland operates. Of course, the country could decide to rekindle its trading past with nations that are members of the so-called Commonwealth.

Exactly, how Brexit turns out is still unclear in large part because there are varying views within the government of what makes the most sense.

The pound is still struggling. Some global investors are still likely fearful of what may happen to the British economy as it exits the EU. The currency markets seem to indicate that's what's happening. Right before the mid-2016 Brexit referendum, a pound would fetch around $1.46 versus $1.34 recently. The pound initially fell much further, to approximately $1.21 as investors fled the currency. The partial recovery suggests that some of the fear has dissipated."I think this fear thing is unfounded," says Adam Johnson, editor of the Bullseye Brief newsletter. "Ultimately, the U.K. is better off without EU."

He also notes that the still-reduced value of the pound means that non-U.K. investors can invest while the dollar prices of the stocks are still low."The agreement means there is less uncertainty now, so this is good news," says Oliver Brennan, senior macro strategist at TS Lombard in London. Because investors hate uncertainty, anything reducing it is better for the market. He also points out that, contrary to what some had feared, the U.K. economy hasn't disintegrated into nothingness since the Brexit vote. "U.K. growth is good with close to full employment," he says. "It is not exactly a weak economy."

Take the FTSE 250 over the FTSE 100. Brennan says it is time to consider stocks that benefit from the robust British economy. That isn't the stocks of the well-known FTSE 100 index because it is made up mainly of massive global stocks that do well when the world economy is rocking along. Instead, focus on the companies in the FTSE 250, which has more U.K. domestic-focused companies such as electronics retailer Dixon's Carphone, postal service company Royal Mail, and real estate website Rightmove. Such companies may not be familiar to U.S. investors, but they are big names in Britain."The FTSE 250 gives you more exposure to the U.K. market," he says and adds that it is outperforming the index of large stocks. The FTSE 250 gained 13.5 percent this year versus the FTSE 100 that added 7.9 percent, according to data from the London Stock Exchange."Overall, it seems like a good time to buy," he says.

The three stocks mentioned above all are listed on U.K. stock markets, and also listed on the over-the-counter U.S. market. But the U.S. listed market versions tend to have light trading volume. Low volume typically results in wider bid-ask spreads and hence it is costlier to buy and sell shares than it would be going directly to the U.K. markets. On the other hand, buying stocks directly from the U.K. market may involve some additional administration for U.S.-based people.

For instance, if the pound gains value against the dollar while the U.K. market rallies, you'll do extra well. However, a sag in the pound versus the dollar could wipe out all the gains from the stocks held in the fund. Or worse still, the U.K. market could fall along with the British pound.

World Bank issues warnings on interest rates and inflation

After better than expected growth in the global economy, Bank says financial markets are vulnerable to unforeseen negative news Financial markets are complacent about the risks of sharply higher interest rates that could be triggered by better than expected growth in the global economy this year, the World Bank has warned.

The Washington-based organisation said that much of the rich west was running at full capacity as a result of a broad-based upswing in activity, but were now vulnerable to a period of rising inflation that would prompt action from central banks.

Launching the Bank’s global economic prospects, the lead author Franziska Ohnsorge said: “There could be faster than expected inflation that would mean faster than expected interest rate hikes.”

Ohnsorge added that stock markets were at levels similar to those seen before the Wall Street Crash of 1929, while bond markets were assuming that low inflation would keep official borrowing costs down.

“Financial markets are vulnerable to unforeseen negative news. They appear to be complacent,” she said, while announcing that the Bank has revised up its 2018 forecast for the global economy following a better than expected performance in the US, China, the eurozone and Japan in 2017.In its half-yearly assessment, the Bank said a recovery in manufacturing, investment and trade would mean global growth of 3.1% this year, up from the 2.9% pencilled in last June.

But it warned the acceleration in growth would be temporary unless governments implemented structural reforms to raise long-term growth potential. “The broad-based recovery in global growth is encouraging, but this is no time for complacency,” said Jim Yong Kim, the World Bank’s president. “This is a great opportunity to invest in human and physical capital. If policy makers around the world focus on these key investments, they can increase their countries’ productivity, boost workforce participation, and move closer to the goals of ending extreme poverty and boosting shared prosperity.”

After a prolonged period in which its forecasts have been too optimistic, the Bank raised its 2017 projection for global growth from 2.7% to 3% and revised up estimates for both 2018 and 2019.

The eurozone provided the biggest positive surprise, with its growth rate in 2017 upgraded by 0.7 points to 2.4%. The

World Bank said the good news would continue in 2018, raising its forecast for the year by 0.6 points to 2.1%.There were smaller growth upgrades for the US - from 2.1% to 2.3% in 2017 and from 2.2% in 2018 - and for Japan, where growth estimates were raised by 0.2 points to 1.7% in 2017 and by 0.3 points to 1.3% in 2018.

Of the leading developing economies, only India performed less strongly than the World Bank anticipated last summer, with growth of 6.7% in 2017 and 7.3% in 2018 representing downgrades of 0.5% and 0.2% respectively. But China, Russia and Brazil have all been given growth upgrades by the Bank. China's expansion in 2017 is now put at 6.8%, up 0.3% on last June's estimate, with a smaller 0.1 percentage point upward revision to 6.4% this year. Russia is expected to grow by 1.7% in both 2017 and 2018, an increase of 0.4 and 0.3 points respectively, while Brazil's emergence from recession was stronger than the Bank estimated, with growth upgraded by 0.7 points to 1% in 2107 and by 0.2 points to 2% in 2018.

Although heartened by the near-term growth prospects, the World Bank said its forecasts were still subject to "substantial downside risks". These included financial stress, rising protectionism and geopolitical tension. It expressed particular concern about the longer-term threats and challenges associated with weak productivity and slowing potential growth. "Focus should now turn to the structural policies needed to boost longer-term productivity and living standards," the report said

Brexit helped push down living standards in 2017 – experts debate the data

The UK labour market is starting to show signs of slowing. The number of people in work fell by 56,000 during the three months to October to stand at just over 32 million – the steepest drop since mid-2015. It also followed a smaller fall of 14,000 in the three months to September.

The flow of migrants into the UK, who grease the wheels of the labour market, is now at its lowest level since records began. By that I mean they make the UK economy more flexible and able to respond more quickly to changes in demand. They are free to move about the country.

Declines in the inflow of these skilled migrants will lower GDP as it will reduce mobility in the UK economy and cause skill shortages. Not unrelated to that there are already signs of the housing market also slowing. Migrants need houses. According to the latest monthly snapshot from the Royal Institution of Chartered Surveyors, house prices in London and the south-east are falling already.

Special focus needs to be put on real wage growth, which is a measure of wage growth adjusted for changes in inflation. For the seventh month in a row, real wages have fallen. Real wages are now below what they were in May 2010 when the Tory-Lib Dem coalition took office and have not changed at all over the last 16 months. They are still 7% below what they were at the start of the Great Recession in 2008.There is no sign that is going to change any time soon, as inflation is falling only slowly and there is no sign that there is going to be a pick-up in nominal wage growth, despite what the Bank of England's monetary policy committee and the Office for Budget Responsibility have claimed for the last seven or eight years. The latest economic data has been mixed, but there has been some positive news on consumer spending and on the global economy to offset continued evidence of a jobs slowdown. Investment uncertainty is still likely to remain a drag on the UK economy next year.

A key issue driving the slowdown of the UK economy this year has been weakening consumer spending. The key short-term indicator of consumers' expenditure – the volume of retail sales – has fallen back from an annual growth rate of over 5% a year ago to just 1%, according to the latest figures for the autumn.

However, a lot of this weakness reflects the squeeze from rising inflation and heightened political uncertainty in the early months of this year. More recently, retail spending has returned to a growth trend. Growth over the past eight months has been equivalent to around 4% per annum. The key issue for retailers will be whether we see this type of growth rate sustained into the crucial Christmas and New Year sales period.

The world economy continues to perform well, with all the three main regions of the global economy – North America, Europe and Asia – growing at reasonably healthy rates. A good barometer of global economic growth is the growth of airline traffic – both passenger numbers and cargo volumes. This year the trade body for airlines, IATA, estimates global passenger numbers will be 7.5% up on 2016, the strongest growth for a decade with the exception of 2010 when there was a strong bounce back from the traumas of the global financial crisis. Air cargo volumes are projected to be up by 9-10% this year.

Alongside this better news on consumer spending and the global economy, however, we have seen a significant slowdown in employment growth and the unemployment rate is no longer falling. It would not be surprising if unemployment started to edge up next year in the UK. Investment uncertainty continues to be a major dampener on the growth of the UK economy. 2016 and 2017 are likely to turn out to be the weakest years for UK business investment growth since the global financial crisis.2018, therefore, looks set to be a relatively sluggish year for UK economic growth - with GDP rising by just 1.4% according to the latest PwC forecast. The UK will continue to languish at or close to the bottom of the global growth league next year.

World Bank to end financial support for oil and gas extraction

The World Bank will end its financial support for oil and gas extraction within the next two years in response to the growing threat posed by climate change. In a statement that delighted campaigners opposed to fossil fuels, the Bank used a conference in Paris to announce that it “will no longer finance upstream oil and gas” after 2019.The Bank ceased lending for coal-fired power stations in 2010 but has been under pressure from lobby groups also to halt the $1bn (£750m) a year it has been lending for oil and gas in developing countries.

The Bank said it saw the need to change the way it was operating in a “rapidly changing world”, adding that it was on course to have 28% of its lending going to climate action by 2020. At present, 1-2% of the Bank’s $280bn portfolio is accounted for by oil and gas projects.

In exceptional circumstances, the Bank said it would consider lending for oil and gas projects in the very poorest countries but only where it helped the poor get access to energy and the project did not conflict with commitments to reduce greenhouse gases made in the 2015 Paris climate change accord. The announcement was made at the One Planet Summit, convened by the French president, Emmanuel Macron, the World Bank president, Yim Yong Kim, and the UN secretary general, António Guterres, to mark the two-year anniversary of the agreement.

The Greenpeace International climate campaigner Gyorgy Dallos said: “The end is clearly coming for the oil and gas industry as the pace of change accelerates.”Dallos said the Bank had sent a damning vote of no confidence in the future of the fossil fuel industry. “The world’s financial institutions now need to take note and decide whether their financing is going to be part of the problem or the solution,” he said.

Stephen Kretzmann, an executive director of the Washington-based advocacy group Oil Change International, said: “It is hard to overstate the significance of this historic announcement by the World Bank. “Environmental, human rights, and development campaigners have been amplifying the voices of frontline communities for decades in calling for an end to World Bank financing of upstream oil and gas projects. [Now] the World Bank has raised the bar for climate leadership by recognising the simple yet inconvenient truth that achieving the Paris agreement’s climate goals requires an end to the expansion of the fossil fuel industry. It is time for all of the institutions, countries, investors and individuals who are still in the Paris agreement to stop funding fossils – once and for all.”

The World Bank announcement came as the Bank of England’s governor revealed that there was growing global support for a new initiative designed to help pave the way for a low-carbon economy by persuading companies to come clean about their exposure to climate change risks

China's economy grows by 6.9% in 2017

China's economy grew by 6.9% in 2017 according to official data - the first time in seven years the pace of growth has picked up. The figure beats Beijing's official annual expansion target of about 6.5%.

China is a key driver of the global economy and so the better-than-expected data is likely to cheer investors around the world. But many China watchers believe the GDP numbers are much weaker than the official figures suggest. This month alone, the governments of Inner Mongolia and of the large industrial city of Tianjin have admitted their economic numbers for 2016 were overstated.

Taking the figures at face value, the 2017 growth rate is China's highest in two years. And it represents the first time the economy has expanded faster than the previous year since 2010.

However as Beijing ramps up efforts to reduce risky debt and to increase air quality, analysts said this may impact 2018 growth.

The numbers released on Thursday also showed that in the last three months of 2017, the economy grew at an annual rate of 6.8% - slightly higher than analysts had been expecting.

First, it looks like stronger exports - as the world economy picked up - and the final sputter of (another) government infrastructure investment spurt helped make 2017 better than expected.

China's figures can be so stable, so in line with government targets, that it's hard to really believe them.

In the run up to these figures being published there's also been an unusual spate of honesty from several provincial governments, who've admitted faking their GDP or fiscal figures. All of which fed into the national picture.

China's debt has risen significantly in recent years, with worrying numbers around local government loans, corporate and household debt and non-performing bank loans. The International Monetary Fund (IMF) said recently that the country's debt had ballooned and was now equivalent to 234% of the total output. It said Beijing needed to concentrate less on growth and instead help improve banks' finances, among other efforts. Beijing meanwhile says it has been taking steps to contain risky debt despite the impact that might have on economic growth - efforts the IMF said it recognised. The government has promised to continue tackling local government debt, among other efforts, and on Thursday vowed to help state-owned enterprises "leverage and cut debt ... and to repay their bonds on time this year".