

Macro-Economic News Update

May 2017



Growth

Brazil

GDP contracted by 2.5% year-on-year in Q4 with an overall contraction of 3.6% in 2016. Economists surveyed by Brazil's central bank forecast GDP growth at only 0.5% in 2017. EIU forecasts growth at 0.2% for 2017.

EIU 9Mar17; FT "Brazil's economy shrinks 3.6% in 2016" 7Mar17

Chile

The La Escondida mining strike could push Chile into recession when Q1 results are announced. The economy had contracted by 0.4% in Q4 2016 from Q3. Sebastian Pinera, the anticipated winner of the 2017 presidential election has pledged to spend \$20bn on infrastructure development to push economic growth.

Reuters 5th May, FT 19th April

Mexico

GDP grew 0.6% from Q4 2016 and was up 2.7% year-on-year. Services continue to be the main driver of growth. No sign yet of growth decline with the backdrop of strained relationships with USA.

Fox Business 28th April

China

GDP in Q1 grew at an annual rate of 6.9%, the strongest quarterly performance in 18 months on the back of robust industrial activity, property investment and credit growth. There is some caution though that growth is paired with rising levels of corporate debt with credit growing at twice the rate of the underlying economy.

FT 17th April

India

The UN has recently downgraded economic growth for 2017 from 7.7% to 7.3% but has predicted a rise to 7.9% for next year. It cautions that stressed balance sheets in the banking sectors will prevent strong investment rebound in the near term.

Times of India 16th May

Egypt

In Egypt, the GDP growth rate slowed in Q1 '16/'17 to 3.4% y-o-y from 4.5% in the previous quarter. Growth is forecast to average 3.2% in 2017.

NKC 22Mar17

Tunisia

Tunisia's economy grew 2.1% in Q1 2017. The tourism, agriculture and mining sectors were the main drivers of growth in this quarter. 2017 GDP is forecast at an average of 1.9%.

News24 15May17

Kenya

Growth came in at 5.8% for 2016 driven mainly by the services and industry sectors. However, the economy saw a slowdown in H2 2016, with weakness expected to continue into 2017. GDP growth is forecast to average 5.4% in 2017.

EIU 20Apr17; Oxford Economics 18May17

Nigeria

GDP contracted by 1.5% in 2016. The main reasons for the contraction were tight foreign currency liquidity, delays to the implementation of the budget and decline in oil output in the Delta region due to acts of sabotage. However, oil production is recovering since repairs have been made to oil infrastructure.

Oxford Economics 15Mar17

South Africa

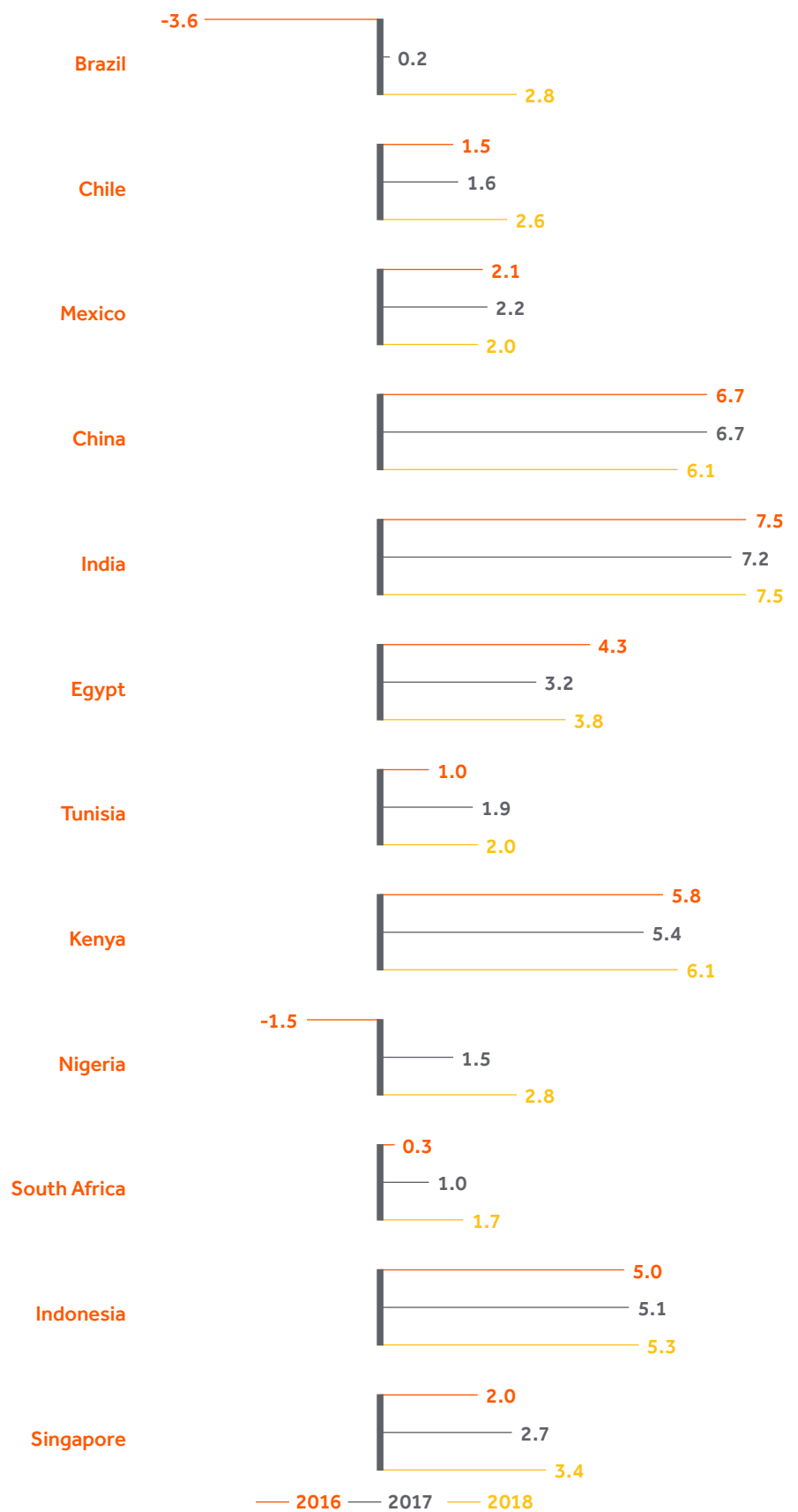
GDP contracted by 0.3% quarter-on-quarter in Q4 '16 with growth for 2016 coming in at only 0.3%. Mining and manufacturing sectors (account for more than 20% of GDP), with declining production, contributed to the poor performance of the economy. S&P and Fitch lowered South Africa's sovereign credit rating to sub-investment grade which increased risks to a modest improvement in 2017 growth expectations.

NKC 7Mar17; Oxford Economics 12May17

South East Asia

Q1 GDP growth in Singapore may be revised upwards following stronger than expected industrial performance in March, particularly in the electronics sector. Currently at 2.5% year on year, this could increase to 2.7% following the adjustment. Malaysia's economy is expected to pick up slightly this year to 4.4% on the back of weaker ringgit supporting exports.

Straits Times 26th April, The Edge 26th April



Source: Oxford Economics

Inflation

Brazil

In April, inflation decreased year-on-year to 4.1%, from 4.6% in March. This is the lowest inflation rate in the past 10 years. Annual inflation has seen a fast decline from a 12-year high of 10.7% in January 2016, where Brazil's worst recession has caused huge unemployment and knocked consumer demand. Inflation for 2017 is forecast to average 4%

Reuters "Brazil inflation hits lowest in nearly 10 years in April" 10May17

Chile

The annual CPI inflation rate was stable in March at 2.7%. Services prices remain contained confirming weak demand side pressures and wage growth. Inflation expected to remain around current levels for the remainder of the year.

Oxford Economics 20th April

Mexico

Inflation rose in April to 5.82%, the fastest rate rise since May 2009 and double the central bank target. The rise reflects the effects of increased fuel prices and weakness in the Peso.

FT 9th May

China

Inflation was up 1.2% year-on-year in April reflecting higher costs for rent, education and other non-food items while producer prices rose at a slower pace owing to weak underlying demand.

WSJ 10th May

India

Inflation fell to 2.99% in April from 3.89% in March due to lower cost of food items, including pulses and vegetables that showed a deflationary trend.

Times of India 12th May

Egypt

The inflation rate increased to a new high of 31.6% in April year-on-year. Food prices remain the main driver behind inflation. Inflation for 2017 is forecast to average 24.7%.

EIU 16May17

Tunisia

Inflation grew for the second consecutive month in April 2017, due primarily to rising food prices and weakness of the dinar. Inflation for 2017 is forecast to average 4.8%.

NKC 8May17

Kenya

In April, inflation reached its highest level in almost 5 years. CPI rose by 11.5% year-on-year from 10.3% in March. Pressure on inflation is due mainly to food price increases. Inflation for 2017 is forecast to average 7.3%.

NKC 2May17

Nigeria

In April inflation came in lower year-on-year for the third consecutive month. However, the decline was marginal, however, from 17.26% in March to 17.24% in April. Food prices continue to be the driver behind inflation. Inflation for 2017 is forecast to average 14.8%.

NKC 17May17

South Africa

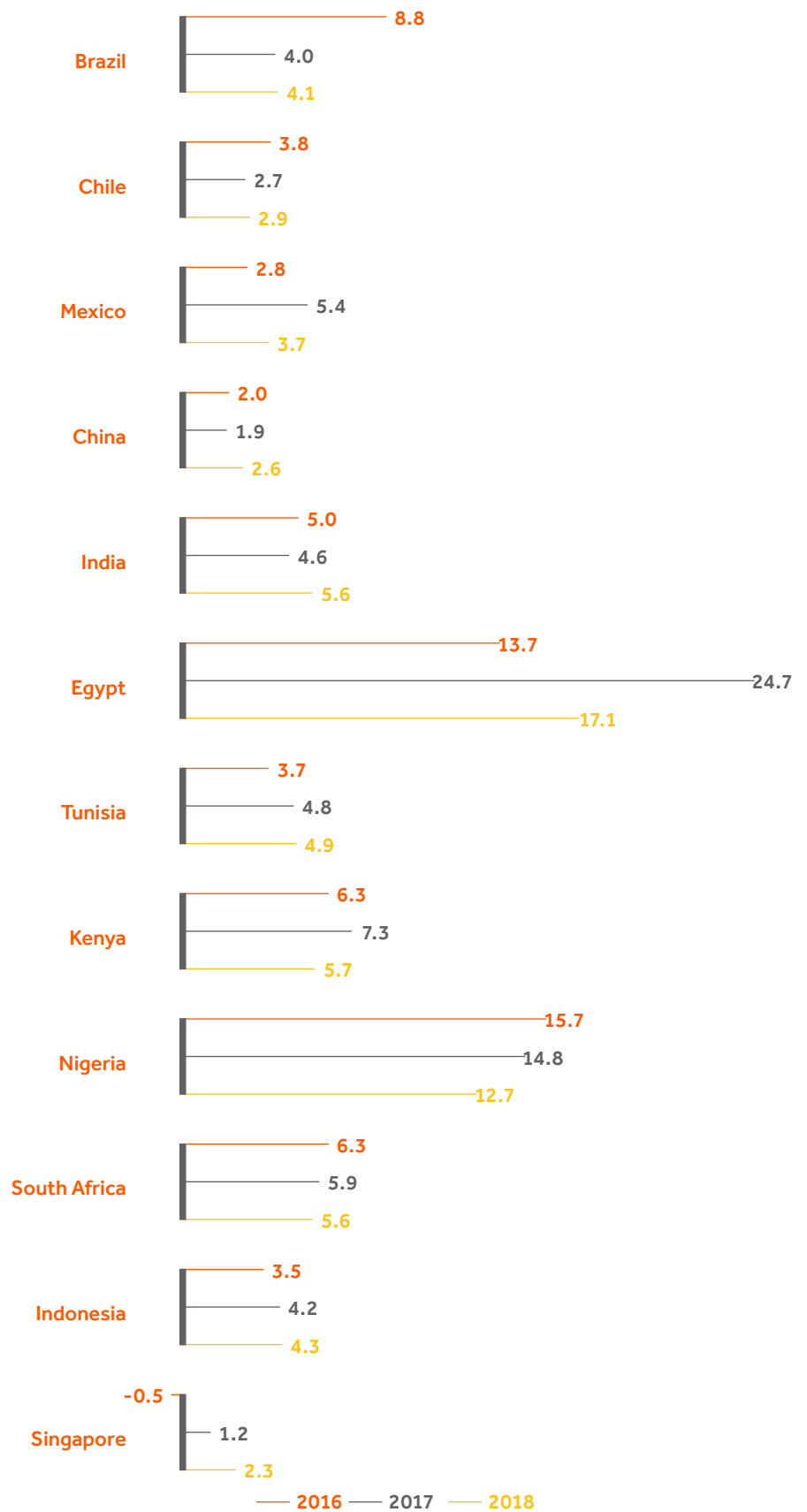
CPI inflation declined from 6.3% year-on-year in February to 6.1% in March, while core inflation (CPI excluding volatile items such as food, non-alcoholic beverages, petrol and energy prices) declined to 4.9% year-on-year in March. Inflation for 2017 is forecast to average 5.9%.

NKC 19Apr17

South East Asia

Malaysia's inflation rose 4.4% in April due to fuel price increases, food and non-alcoholic drink rises. Singapore inflation steadied at 0.7% in March, similar to Feb data.

The Edge 17th May, Business Times 24th April



Source: Oxford Economics

BRL

The Brazilian real appreciated by 4.6% since the start of 2017. However, allegations have been made against President Michel Temer that he tried to bribe officials involved in last year's impeachment of former president Dilma Rousseff. Consequently, the BRL has fallen sharply from a close of BRL3.11 to the US\$ on 17 May to a high of BRL3.41 to the US\$ at 11.03am on 18 May.

Bloomberg; BDLive "https://www.businesslive.co.za/bd/markets/2017-05-18-rand-tumbles-nearly-3-as-brazilian-scandal-rocks-emerging-markets/" 18May17

Chile

Declining copper prices, falling real interest rates, modest economic growth and political uncertainty has weighed upon CLP performance this year, currently around CLP665/USD. Hope of a Pinera victory is keeping the currency at better than expected levels.

BMI 8th May

MXN

Finance Minister Jose Antonio Meade said on May 11th that the peso has room to appreciate given the fundamentals of the economy. The Peso had fallen significantly on the election of President Trump but has rebounded since becoming one of the best performing currencies in EM.

Reuters 11th May

CNY

Yuan steadied against the USD on May 15 with investors undeterred by weaker than expected April activity indicators. Authorities have signalled their intention to keep the currency market stable. Rate is currently 6.8852 against the USD.

Nasdaq 15th May

INR

The rise in foreign investor flows has allowed the Rupee to appreciate by more than 5% against the USD. The Rupee has also outperformed most EM currencies since the start of the year.

Economic Times 19th April

EGP

The Egyptian pound appreciated by 2.8% YTD.

Bloomberg

TND

Tunisia's dinar saw an acceleration in depreciation towards the end of April. Among the reasons for the accelerated slide was the 57% year-on-year increase in the trade deficit in Q1 and an agreement to a package of reform priorities with the IMF that include reducing central bank interventions in the foreign-exchange market. The Tunisian dinar depreciated by 4.5% YTD.

Bloomberg; EIU 26Apr17

KES

The Kenyan shilling has remained flat with a marginal appreciation of 0.3% since the beginning of 2017.

Bloomberg

NGN

The Nigerian naira has depreciated by 1.3% since the beginning of 2017. Nigeria's central bank (CBN) introduced an 'Investors' and Exporters' Forex Window' which signifies another step to ease tight forex liquidity conditions by directing demand away from the parallel market.

Bloomberg

ZAR

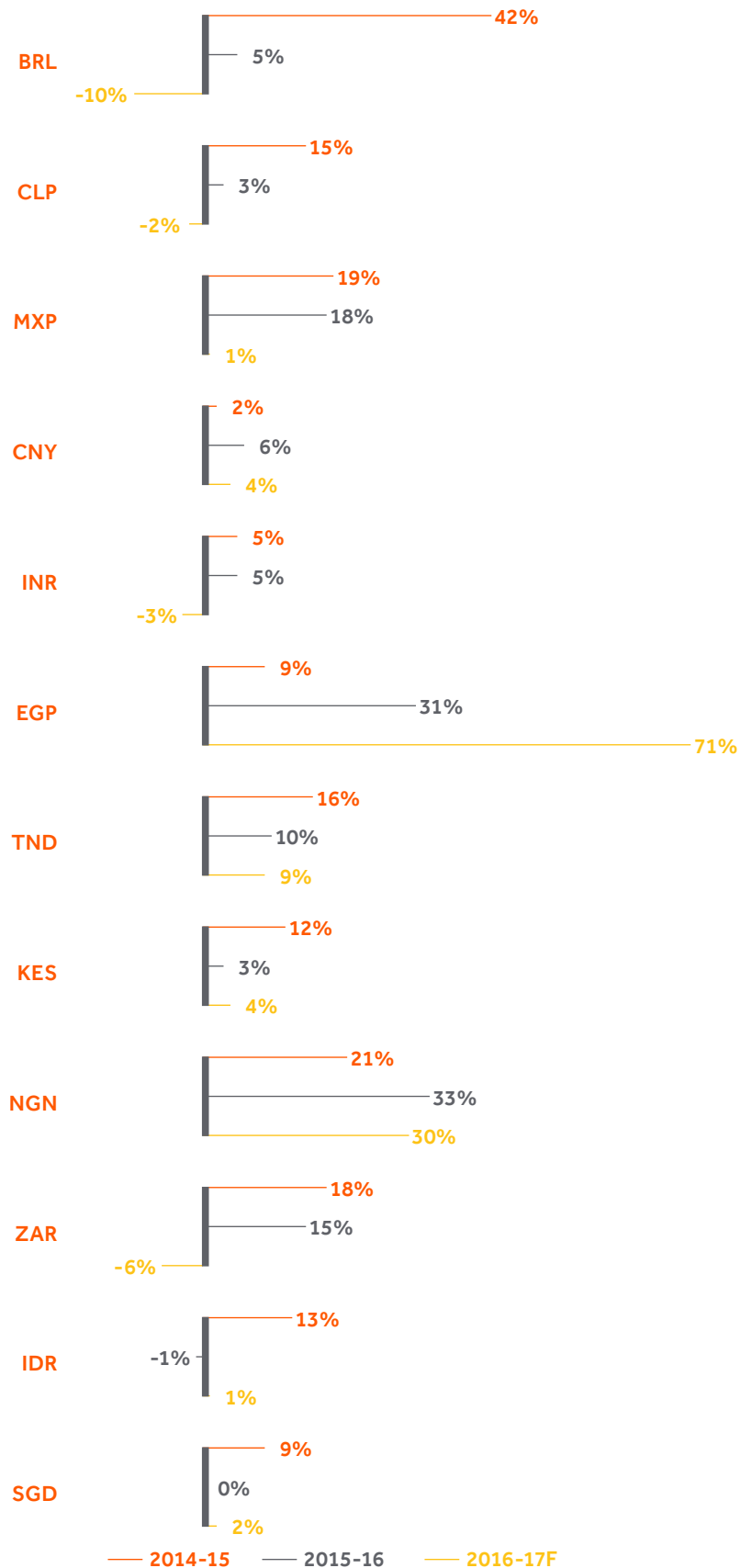
The South African rand was at ZAR12.31:US\$ before a cabinet reshuffle in March by President Zuma, which included the firing of the well-respected finance minister Pravin Gordhan. This resulted in the rand depreciating rapidly, however, the rand recovered and appreciated 2.8% since the start of 2017, despite the cabinet reshuffle and consequent sovereign rating downgrades. On 18 May, the ZAR suffered a 3% depreciation as a new presidential scandal in Brazil impacts Emerging Markets.

Bloomberg; BDLive "https://www.businesslive.co.za/bd/markets/2017-05-18-rand-tumbles-nearly-3-as-brazilian-scandal-rocks-emerging-markets/" 18May17

South East Asia

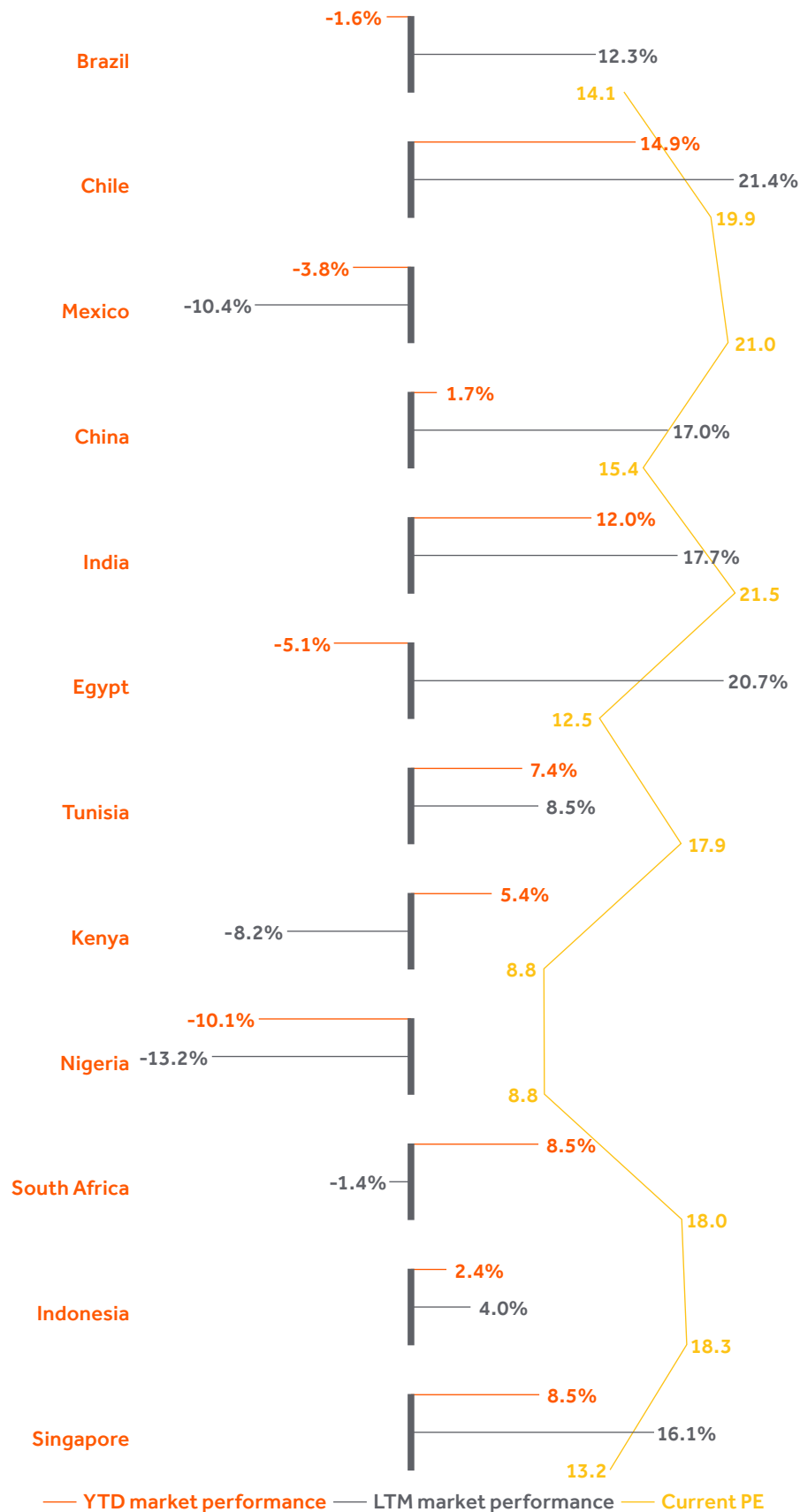
Most emerging Asian currencies continue to inch up against the USD as the dollar comes under pressure owing to the domestic troubles facing President Trump. The Malaysian Ringgit has been the best performing currency in Asia x Japan in Q2, gaining 2.5% against the USD. Malaysia is seeing attractive valuations, underweight foreign investor positioning and improving external balancing.

Reuters 17th May, Standard Chartered 17th May



Source: Oxford Economics

Market Performance



Source: Bloomberg

