

## THE MACROSCOPE

12<sup>th</sup> January 2021

Issue#5

### *Issue Highlights:*

#### **What stands out:**

Manufacturing Sector to lead growth; confidence to grow as economies open up

#### **Charts in Focus:**

Holiday Season leads to some improvement in indicators  
Interim lockdowns lead to interim reversals in business  
India stands out on strong capital flows and revival in trade

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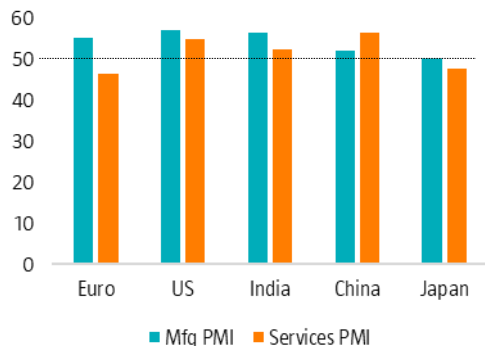
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## WHAT STANDS OUT...

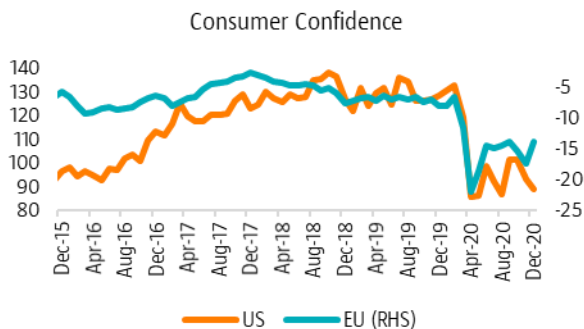
We are just two months away from completing a year since the World Health Organization declared the Covid-19 a Global Pandemic. Even as we are clocking record high Covid-19 cases and deaths, the stock markets have risen around 70% from their lows this year in many developed markets like U.S., Germany and Japan. Citi's Inflation Surprise Index for U.S. is at its highest level since the GFC. The optimism and positive outlook starting into 2021 can be seen in the economic and business confidence indicators as well.

- **Global Manufacturing PMI is at a 3 year high.** Manufacturing sector has led the recovery and continues to go strong. However, recovery in the services sector is yet to materialize as interactions have been restrictive due to frequent lockdowns (especially in Europe) as countries witness waves of pandemic. As vaccine distribution comes to fruition, the services PMIs is likely to catch up as Manufacturing PMIs moderate
- The consumer confidence levels have been weak as the pandemic has impacted the labour market thus making consumers dig into their Savings to meet their basic needs. However, recent **stimulus packages approved by ECB & Fed (and more to follow) would be instrumental in lifting the confidence levels**
- Business Climate indicators are already showing that confidence levels have rebounded to levels pre-Covid

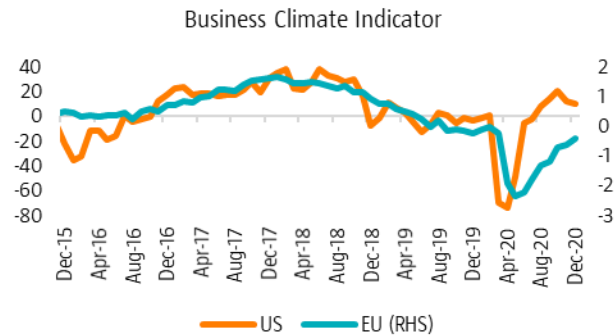
Manufacturing PMIs above pre-Covid levels and in expansion mode, Services PMI yet to recover



Timely stimulus infusions have kept EU consumer confidence high, delayed response by the U.S. added uncertainty



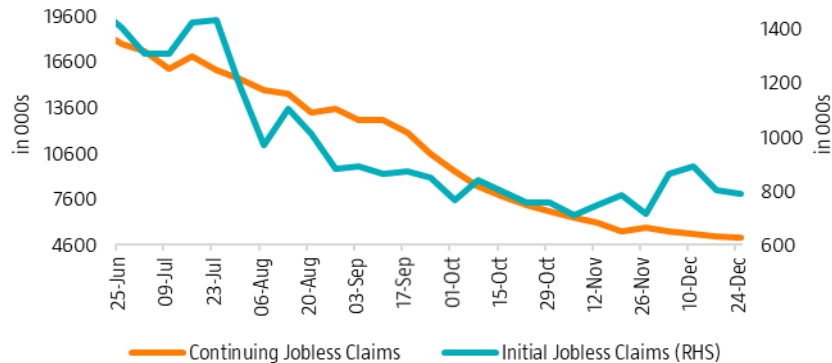
Resumption of trade activity has seen business conditions indicators improve



**Manufacturing Sector to lead growth; confidence to grow as economies open up**

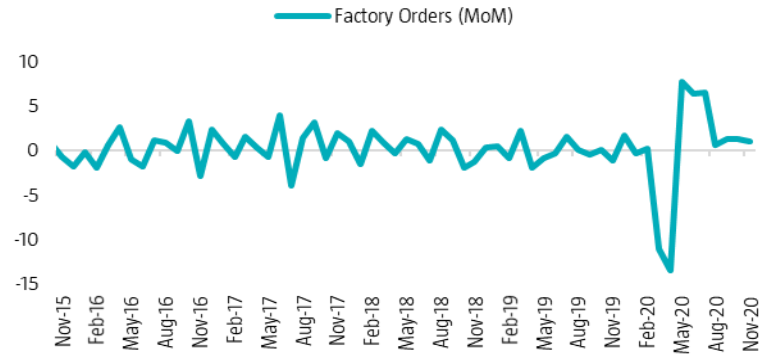
## CHARTS IN FOCUS – U.S.

Labor market showed positive signs as initial jobless claims resumed its falling trend in line with the continuing jobless claims

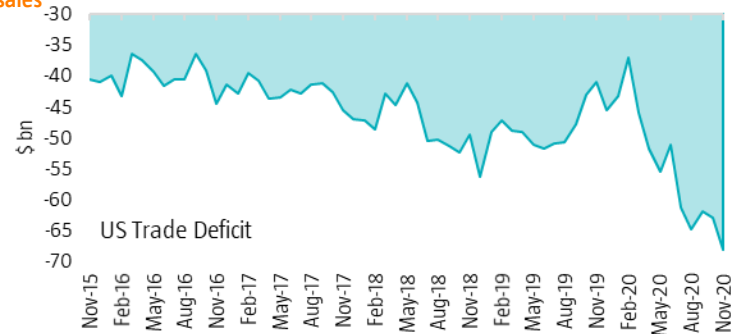


- ✓ Initial jobless claims fell in December but remained at higher levels than in November as recent spike in Covid-19 cases has impacted jobs recovery
- ✓ Robust Factory orders complimented the manufacturing sector revival in U.S. as orders and employment saw improvement in spite of pandemic related disruptions
- ✓ Surge in consumer goods imports for the 2<sup>nd</sup> consecutive month saw trade deficit widen as imports rose by 2.9%

U.S. factory goods orders rose for the seventh straight month in November



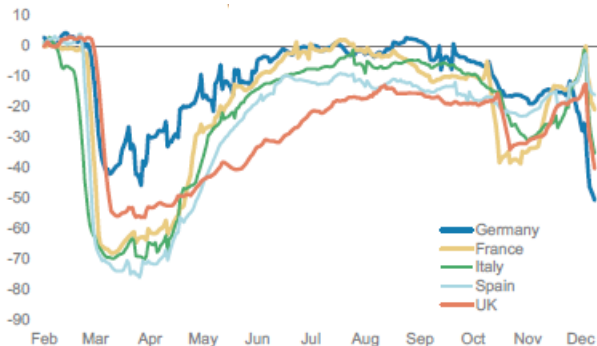
U.S. trade deficit widened as imports outpaced exports indicating strong holiday sales



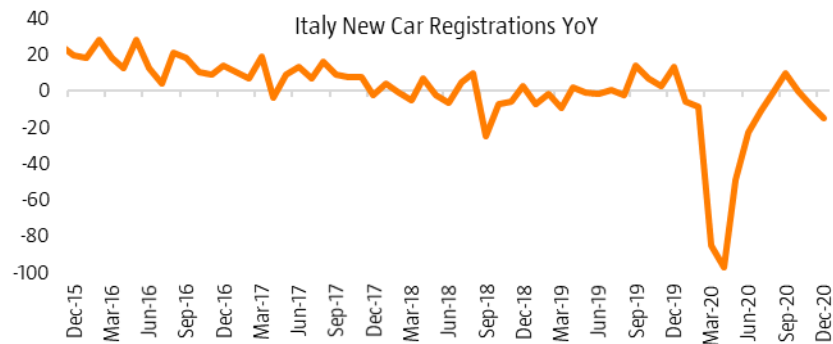
Holiday Season leads to some improvement in indicators

CHARTS IN FOCUS – EUROZONE

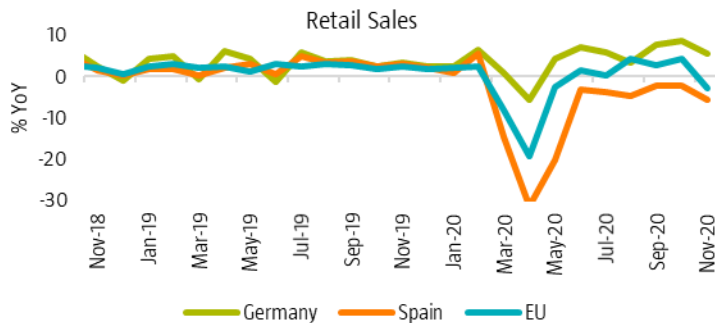
Mobility indicators have fallen sharply; combination of seasonal effects and pandemic



Italy's new car registrations slumped by almost 15% in 2020



Euro retail sales moved back into negative territory as lockdowns were re-introduced

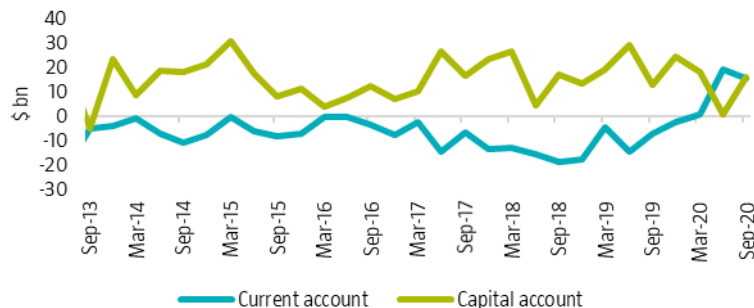


- ✓ Extended lockdowns on account of fresh highs in cases and resultant stress on the healthcare systems across most parts of Europe impacted mobility
- ✓ The acute impact of the 2<sup>nd</sup> wave of Covid-19 infections could be seen as retail establishments were closed in most parts of Europe in November
- ✓ Top auto markets in Europe saw annual sales drop to record lows on the back of fresh lockdowns. Registrations fell by about 25 percent in 2020 across Germany, the UK, France, Italy and Spain

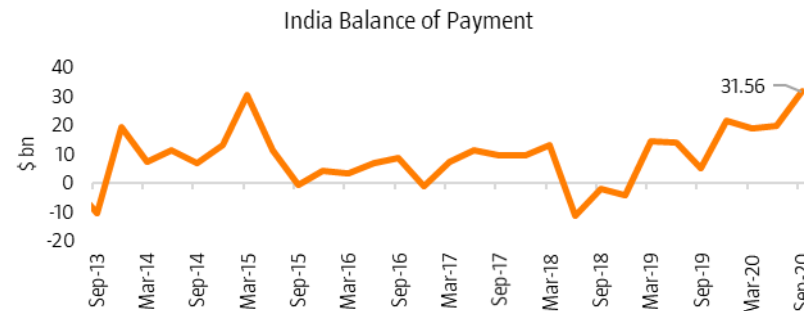
Interim lockdowns lead to interim reversals in business

## CHARTS IN FOCUS – ASIA

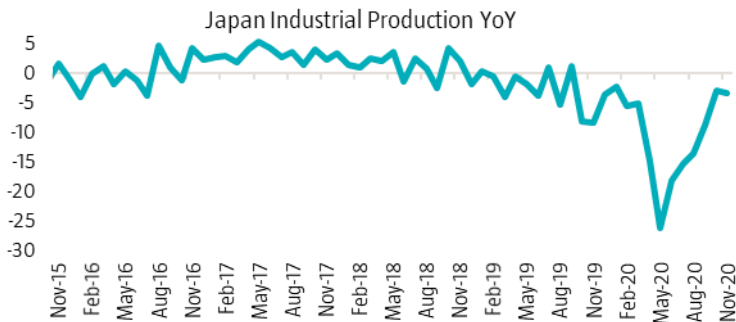
India's current account surplus dipped slightly as trade deficit widened on account of domestic demand led imports



Higher capital account surplus led to BoP surplus touching record highs; helped by robust foreign flows



The third wave of Covid-19 cases hit the economic recovery as demand slowed



- ✓ In India, the current account surplus for first half of FY21 stood at 3.1% of GDP. However, the same is expected to narrow going forward as demand recovery continues.
- ✓ The capital account surplus swelled as FDI flows touched record high of \$25bn in Q2 FY21
- ✓ The surge in cases in Japan hurt the pace of economic recovery as industrial output was flat after five months of consecutive expansion.

**India stands out on strong capital flows and revival in trade**

## INDICATORS IN FOCUS – U.S. & EUROPE

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>UNITED STATES</b>									
U. of Mich. Sentiment	71.80	72.30	78.10	72.50	74.10	80.40	81.80	76.90	80.70
Retail Sales Advance MoM	-14.70	18.30	8.60	1.10	1.40	1.70	-0.10	-1.10	
Industrial Production YoY	-16.26	-15.72	-10.50	-6.59	-6.55	-6.28	-5.00	-5.50	
Trade Balance	-51.89	-55.59	-51.21	-61.41	-64.92	-62.08	-63.11	-68.14	
Wards Total Vehicle Sales	8.58	12.21	13.05	14.52	15.19	16.34	16.21	15.55	16.27
New Home Sales	570	698	840	979	977	965	945	841	
Housing Starts	934	1038	1265	1487	1373	1437	1528	1547	
PCE Core Deflator YoY	0.93	1.01	1.14	1.26	1.43	1.53	1.41	1.38	
PCE Deflator YoY	0.50	0.50	0.90	1.00	1.20	1.40	1.20	1.10	
Change in Nonfarm Payrolls	-20787	2725	4781	1761	1493	711	610	245	
Unemployment Rate	14.70	11.10	11.10	10.20	8.40	7.90	6.90	6.70	
Markit US Manufacturing PMI	36.10	39.80	49.80	50.90	53.10	53.20	53.40	56.70	57.10
<b>EUROZONE</b>									
Germany IFO Business Climate	75.4	80.4	86.2	90.2	92.4	93.2	92.5	90.9	92.1
Eurozone Consumer Confidence	-22.00	-18.80	-14.70	-15.00	-14.70	-13.90	-15.50	-17.60	-13.90
Bank of France Ind. Sentiment	51.03	84.16	89.49	99.15	105.29	100.94	97.15	95.80	
France Industrial Production YoY	-35	-23.3	-11.4	-8.3	-6.3	-5.9	-4.2		
Italy Retail Sales YoY	-26.84	-10.18	-2.35	-7.06	1.02	1.39	2.92		
Netherlands Mfg Production YoY	-10.90	-12.10	-9.70	-4.90	-3.80	-6.60	-3.70		
France Trade Balance	-5056	-7520	-8189	-6987	-7195	-5587	-4845		
Italy New Car Registrations YoY	-97.55	-49.55	-23.03	-10.88	-0.29	9.65	-0.09	-8.34	-14.95
Spain CPI YoY	-0.70	-0.90	-0.30	-0.60	-0.50	-0.40	-0.80	-0.80	-0.50
Eurozone CPI YoY	0.30	0.10	0.30	0.40	-0.20	-0.30	-0.30	-0.30	-0.30
Germany CPI YoY	0.90	0.60	0.90	-0.10	0.00	-0.20	-0.20	-0.30	-0.30
Netherlands Unemployment Rate	3.40	3.60	4.30	4.50	4.60	4.40	4.30	4.00	
Eurozone Unemployment Rate	7.20	7.70	7.90	8.70	8.60	8.50	8.40		
Markit Eurozone Composite PMI	13.60	31.90	48.50	54.90	51.90	50.40	50.00	45.30	49.10

## INDICATORS IN FOCUS – ASIA

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>INDIA</b>									
CPI YoY	7.22	6.27	6.23	6.73	6.69	7.27	7.61	6.93	
Core CPI YoY	4.85	5.00	5.33	5.87	5.77	5.66	5.76	5.79	
Markit India Manufacturing PMI	27.40	30.80	47.20	46.00	52.00	56.80	58.90	56.30	56.40
Markit India Services PMI	5.40	12.60	33.70	34.20	41.80	49.80	54.10	53.70	52.30
GST Collection (Rs. cr)	32294	62009	90917	87422	86449	95480	105155	104963	115174
Imports YoY	-58.65	-51.05	-47.59	-28.4	-26	-19.6	-11.53	-13.32	
Exports YoY	-60.28	-36.47	-12.41	-10.21	-12.7	6.0	-5.1	-8.7	
Non-oil & non-gold imports YoY	-52.17	-33.76	-41.37	-29.15	-29.60	-12.63	-5.25	-1.67	8.42
Gold Imports(USD mn)	-99.93	-98.40	-77.42	4.17	171.27	-52.85	35.88	2.65	81.82
E-Way Bills (INR crs.)	-83.61	-53.03	-12.71	-7.29	-3.47	9.60	21.40	8.12	15.89
Indian Forex Reserves(USD mn)	479.50	493.50	506.80	534.57	541.40	542.00	560.70	574.82	580.84
Currency Circulation YoY	15.70	18.40	20.60	22.20	23.20	22.70	20.30	22.22	22.22
Passenger auto sales	-100.00	-86.40	-53.30	-12.80	13.60	43.80			
Cement output YoY	-85.25	-21.43	-6.83	-13.45	-14.56	-3.50	3.14	-7.16	
Steel Production	-82.80	-40.42	-23.23	-6.46	-1.73	2.76	4.01	-4.39	
Index of Industrial Production YoY	-57.30	-33.40	-16.60	-10.50	-7.40	0.50	3.60		
<b>CHINA</b>									
Caixin China PMI Composite	47.60	54.50	55.70	54.50	55.10	54.50	55.70	57.50	55.80
Caixin China PMI Services	44.40	55.00	58.40	54.10	54.00	54.80	56.80	57.80	56.30
Exports YoY	3.40	-3.20	0.70	7.20	9.50	9.90	11.40	21.10	
Imports YoY	-14.20	-16.60	2.70	-1.40	-2.10	13.20	4.70	4.50	
Trade Balance	45.20	63.03	46.42	62.33	58.93	37.00	58.44	75.40	
CPI YoY	3.30	2.40	2.50	2.70	2.40	1.70	0.50	-0.50	
Industrial Production YoY	3.90	4.40	4.80	4.80	5.60	6.90	6.90	7.00	
Retail Sales YoY	-7.50	-2.80	-1.80	-1.10	0.50	3.30	4.30	5.00	
Manufacturing PMI	50.80	50.60	50.90	51.10	51.00	51.50	51.40	52.10	51.90
<b>JAPAN</b>									
Vehicle Sales YoY	-25.50	-40.20	-26.00	-20.40	-18.50	-15.60	31.60	6.00	7.40
Jobless Rate	2.60	2.90	2.80	2.90	3.00	3.00	3.10	2.90	
Job-To-Applciant Ratio	1.32	1.20	1.11	1.08	1.04	1.03	1.04	1.06	
Money Stock M2 YoY	3.70	5.10	7.20	7.90	8.60	9.00	9.00	9.10	
Industrial Production YoY	-15.00	-26.30	-18.20	-15.50	-13.80	-9.00	-3.00	-3.40	
Exports YoY	-21.90	-28.30	-26.20	-19.20	-14.80	-4.90	-0.20	-4.20	
Imports YoY	-7.10	-26.10	-14.40	-22.30	-20.70	-17.40	-13.20	-11.10	
Natl CPI YoY	0.10	0.10	0.10	0.30	0.20	0.00	-0.40	-0.90	
Jibun Bank Japan PMI Composite	25.80	27.80	40.80	44.90	45.20	46.60	48.00	48.10	48.50
Retail Sales YoY	-13.90	-12.50	-1.30	-2.90	-1.90	-8.70	6.40	0.70	

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