

## THE MACROSCOPE

07<sup>th</sup> June, 2021

Issue#8

### *Issue Highlights:*

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

US Labour demand outstripping supply as stimulus holds back employment gains

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

In US, stronger economic data gives confidence but not enough to initiate taper talks

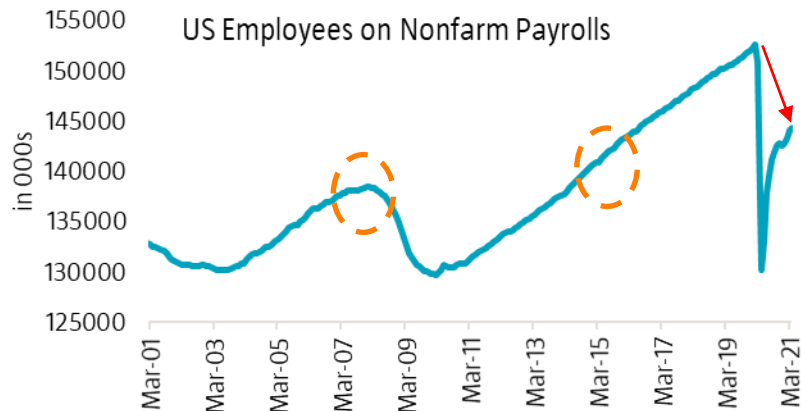
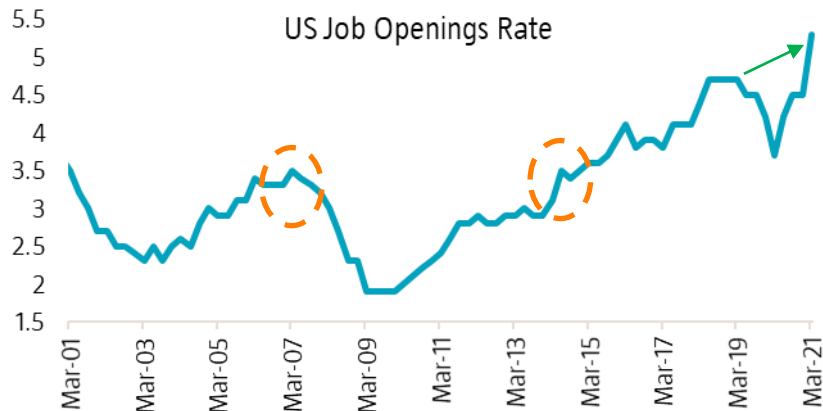
In Europe, pandemic under control; higher vaccination paints recovery optimism across the region

In Asia, Economic recovery dented by second wave; vaccination key to boosting recovery prospects

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WHAT STANDS OUT...

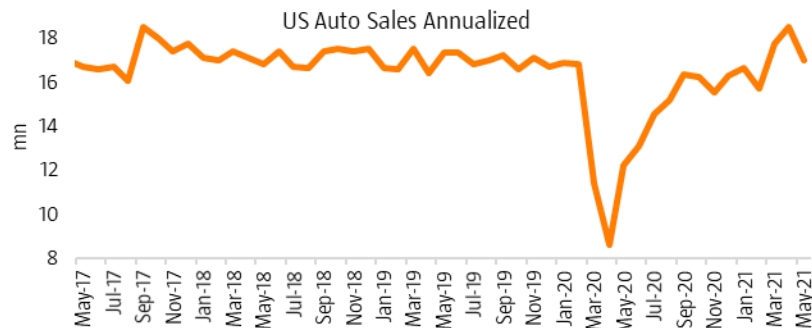


- The US job openings rate, which tracks the number of specific job openings in an economy, hit an all-time high of 5.3% in March 2021. This indicator shows that number of job vacancies available as percentage of total jobs are more than ever before
- While the economy is yet to recoup all of the 22mn jobs lost due to the pandemic, job addition is going on at a steady pace but yet going to surpass the pre-Covid highs
- During GFC, as can be seen from the charts above, we had seen job openings rate and new job additions recover completely almost at the same time. However, this time the job openings have outpaced the new job additions – largely because of the stimulus disincentive effect
- The stimulus disincentive effect refers to the recent phenomenon where the recently announced stimulus packages has kept Americans from actively looking for jobs. Though this could be short term, we are currently seeing constrained supply inspite of strong demand recovery

**Labour demand outstripping supply as stimulus holds back employment gains**

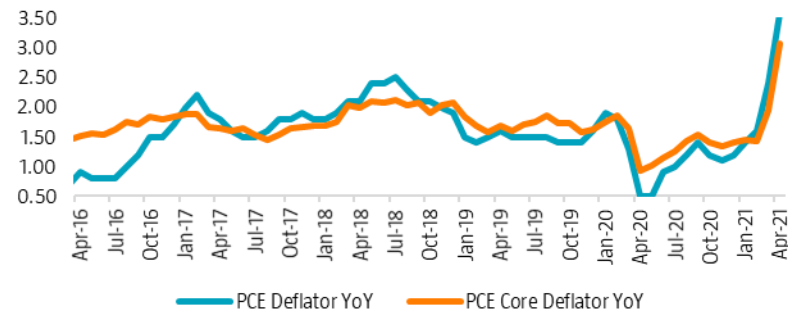
## CHARTS IN FOCUS – U.S.

The auto sales numbers remained encouraging as almost 17mn units (seasonally adjusted annual pace) were sold in May 2021

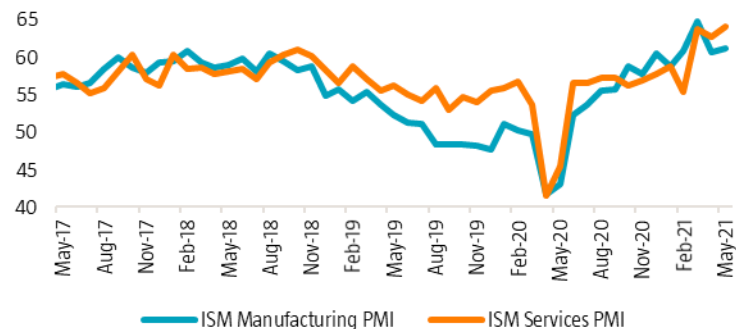


- ✓ In the first four months of 2021, US sales have averaged 17.14 mn as against compares with 13.4 mn last year and 16.9 mn in 2019. It seems that the consumers are acting on the pent-up demand
- ✓ Fed's preferred inflation gauge continued to rise above the 2% targeted (average) level; however the Fed believes its to be also keeping all concerns of overheating of the economy at bay as they believed this price rise to be transitory
- ✓ As economy is opening up, it is leading to pent-up demand especially in the services sector

Economic recovery saw inflationary pressures rise as PCE Deflator rose to levels last seen in September 2008; core inflation also moved higher



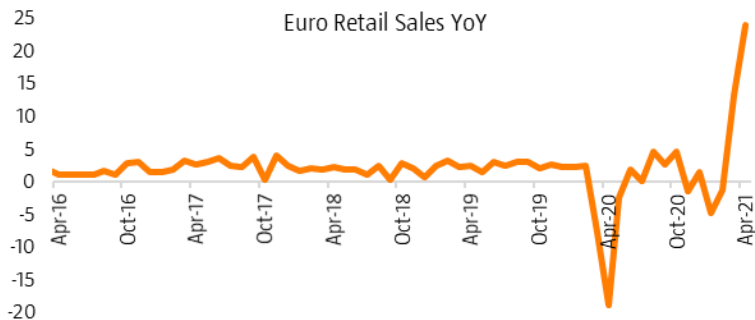
Manufacturing & Services continued to perform well for the 12th straight month, with demand, consumption and inputs registering strong growth



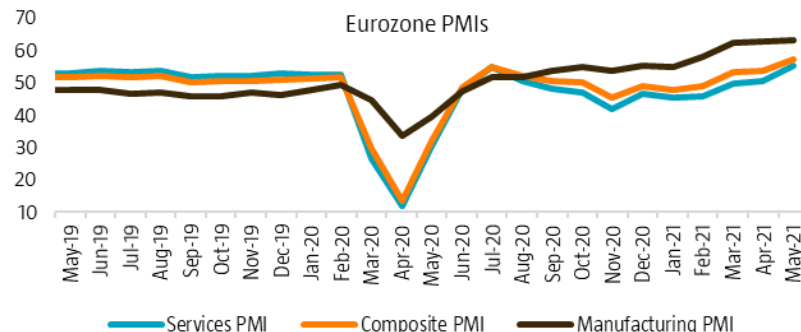
**Stronger economic data gives confidence but not enough to initiate taper talks**

CHARTS IN FOCUS – EUROZONE

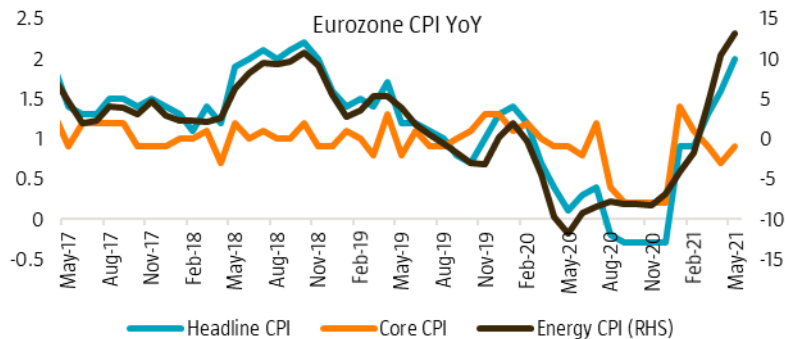
The Euro retail sales rose ~24% on a y-o-y basis on the back of base effect but month-on-month growth dipped by 3.1% due to Covid-19 restrictions



PMIs indicated positive momentum going into the next quarter; services PMIs remain in expansion mode after 8 consecutive months of contraction



Eurozone CPI rose at its fastest pace in more than 2 years; finally touches the 2% mark



- ✓ Lockdowns in France, Germany and some other Eurozone states dampened the monthly retail sales growth rate as sales of non-food products plunged
- ✓ The energy prices rose by more than 13% which contributed to the Headline CPI rising to levels last seen in October 2018. With the 2% target by ECB in sight, the upcoming ECB’s governing council meet would be a key event
- ✓ With infections under control and pickup in pace of vaccination, the smooth opening up of the economy starting to see improvement in services sector outlook as they record 2<sup>nd</sup> consecutive month of expansion

Pandemic under control; higher vaccination paints recovery optimism across the region

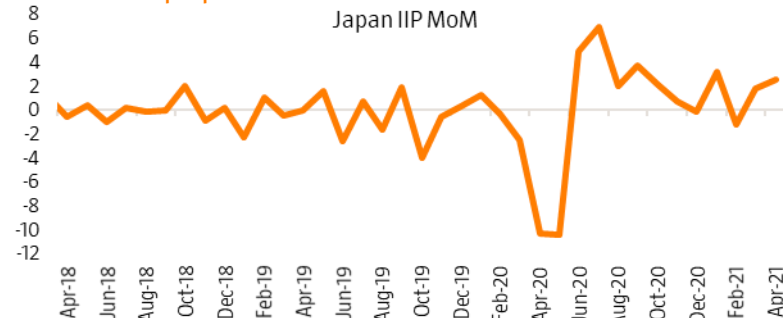
CHARTS IN FOCUS – ASIA

In India - Q4FY21 GDP growth came in better than expected at 1.6% with government spending leading the expenditure side; on the supply side Manufacturing and Construction showed strong growth

Industry	FY20	FY20-21				FY21
		Q1	Q2	Q3	Q4	
PFCE	5.5%	-26.2%	-11.2%	-2.8%	2.7%	-9.1%
GFCE	7.9%	12.7%	-23.5%	-1.0%	28.3%	2.9%
GFCF	5.4%	-46.6%	-8.6%	2.6%	10.9%	-10.8%
Exports	-3.3%	-21.8%	-2.0%	-3.5%	8.8%	-4.7%
Imports	-0.8%	-40.9%	-17.9%	-5.0%	12.3%	-13.6%
Real GDP	4.0%	-24.4%	-7.4%	0.5%	1.6%	-7.3%

Industry	FY20	FY20-21				FY21
		Q1	Q2	Q3	Q4	
Agriculture	4.3%	3.5%	3.0%	4.5%	3.1%	3.6%
Industry	-1.2%	-35.8%	-3.0%	2.9%	7.9%	-7.0%
Services	7.2%	-21.5%	-11.4%	-1.2%	1.5%	-8.4%
Real GVA	4.1%	-22.4%	-7.3%	1.0%	3.7%	-6.2%

Japan's Industrial production recorded second consecutive month of growth as the index reached pre-pandemic levels



- ✓ In India, The GDP growth numbers indicate that the economy showed robust recovery in the second half of FY21. GDP growth in FY21 stood at -7.3% and GVA growth came in at -6.2%.
- ✓ Government expenditure was up 28.3% YoY in 4QFY21 while private consumption grew by 2.7% YoY. In FY21, GFCF declined by 10.8%, private consumption declined by 9.1% while government expenditure was up 2.9%.
- ✓ Japan's industrial output increased in 12 out of 15 industries even as multiple regions operated under restrictions due to Covid

Economic recovery dented by second wave; vaccination key to boosting recovery prospects

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

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>UNITED STATES</b>										
U. of Mich. Sentiment	74.10	80.40	81.80	76.90	80.70	79.00	76.80	84.90	88.30	82.90
Retail Sales Advance MoM	0.80	2.00	0.10	-1.40	-1.20	7.60	-2.90	10.70	0.00	
Industrial Production YoY	-6.62	-6.56	-4.75	-4.73	-3.23	-1.75	-4.87	1.05	16.49	
Trade Balance	-66.06	-63.22	-63.98	-69.04	-66.97	-67.82	-70.52	-74.45		
Wards Total Vehicle Sales (mn)	15.19	16.34	16.21	15.55	16.27	16.63	15.67	17.75	18.51	16.99
New Home Sales	977	971	969	865	943	993	854	917	863	
Housing Starts	1376	1448	1514	1551	1661	1625	1447	1733	1569	
PCE Core Deflator YoY	1.43	1.53	1.40	1.34	1.41	1.44	1.43	1.94	3.06	
PCE Deflator YoY	1.20	1.40	1.20	1.10	1.20	1.40	1.60	2.40	3.60	
Change in Nonfarm Payrolls	1583	716	680	264	-306	233	536	785	278	559
Unemployment Rate	8.40	7.80	6.90	6.70	6.70	6.30	6.20	6.00	6.10	5.80
Markit US Manufacturing PMI	53.10	53.20	53.40	56.70	57.10	59.20	58.60	59.10	60.50	62.10
<b>EUROZONE</b>										
Germany IFO Business Climate	91.9	92.9	92.6	91.1	92.3	90.2	92.7	96.7	96.6	99.2
Eurozone Consumer Confidence	-14.60	-13.60	-15.50	-17.60	-13.80	-15.50	-14.80	-10.80	-8.10	-5.10
Bank of France Ind. Sentiment	105.06	100.76	97.38	96.63	98.11	98.54	100.62	104.84	106.97	
France Industrial Production YoY	-7.2	-6.6	-4.5	-4.9	-3.1	0	-6.6	13.7		
Italy Retail Sales YoY	1	1.4	2.8	-8.5	-3.2	-6.7	-5.7	22.86		
Netherlands Mfg Production YoY	-4.00	-6.50	-4.10	-2.90	0.00	0.70	-2.30	3.00		
France Trade Balance	-7155	-5649	-4980	-3749	-4039	-4228	-5144	-6067		
Italy New Car Registrations YoY	-0.29	9.65	-0.09	-8.34	-14.95	-17.76	-12.34	497.16	3276.79	42.96
Spain CPI YoY	-0.50	-0.40	-0.80	-0.80	-0.50	0.50	0.00	1.30	2.20	2.70
Eurozone CPI YoY	-0.20	-0.30	-0.30	-0.30	-0.30	0.90	0.90	1.30	1.60	2.00
Germany CPI YoY	0.00	-0.20	-0.20	-0.30	-0.30	1.00	1.30	1.70	2.00	2.50
Netherlands Unemployment Rate	4.60	4.40	4.30	4.00	3.90	3.60	3.60	3.50	3.40	
Eurozone Unemployment Rate	8.70	8.70	8.50	8.30	8.20	8.20	8.20	8.10	8.00	
Markit Eurozone Composite PMI	51.90	50.40	50.00	45.30	49.10	47.80	48.80	53.20	53.80	57.10

## INDICATORS IN FOCUS – ASIA

	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>INDIA</b>										
CPI YoY	6.69	7.27	7.61	6.93	4.59	4.06	5.03	5.52	4.29	
Core CPI YoY	5.77	5.66	5.76	5.79	5.65	5.65	5.88	6.00	5.43	
Markit India Manufacturing PMI	52.00	56.80	58.90	56.30	56.40	57.70	57.50	55.40	55.50	50.80
Markit India Services PMI	41.80	49.80	54.10	53.70	52.30	52.80	55.30	54.60	54.00	46.40
GST Collection (INR bn)	864	955	1052	1052	1152	1198	1131	1239	1414	1027
Imports YoY	-26.00	-19.60	-11.53	-13.32	7.56	2.03	7.00	53.74	167.05	
Exports YoY	-12.70	5.99	-5.12	-8.74	0.14	6.16	0.70	60.29	195.72	
Non-oil & non-gold imports YoY	-29.68	-12.63	-3.65	-0.37	8.92	7.29	5.92	46.66		
Gold Imports(YoY)	171.27	-52.85	35.88	2.65	81.82	154.70	123.95	591.73		
Indian Forex Reserves(USD bn)	542.88	544.69	560.19	574.82	585.77	590.32	584.55	576.98	588.02	
Currency Circulation YoY	23.20	22.70	20.30	22.77	22.36	21.65	20.31	18.63		
Passenger auto sales YoY	14.2	26.5	14.2	4.6	13.6	11.1	17.9	115.2		
Cement output YoY	-14.52	-3.44	3.19	-7.26	-7.19	-5.82	-5.50	32.66	548.83	
Steel Production YoY	0.47	6.17	5.94	0.73	3.45	8.15	1.26	27.31	400.00	
Index of Industrial Production YoY	-7.10	1.00	4.50	-1.60	2.20	-0.90	-3.40	22.40		
<b>CHINA</b>										
Caixin China PMI Composite	55.10	54.50	55.70	57.50	55.80	52.20	51.70	53.10	54.70	53.80
Caixin China PMI Services	54.00	54.80	56.80	57.80	56.30	52.00	51.50	54.30	56.30	55.10
Exports YoY	9.10	9.40	10.90	20.60	18.10	24.70	154.80	30.60	32.30	27.90
Imports YoY	-2.30	12.70	4.40	3.90	6.50	27.30	17.60	38.20	43.10	51.10
Trade Balance	57.25	35.58	57.53	74.78	76.99	64.17	37.32	13.55	42.86	45.53
CPI YoY	2.40	1.70	0.50	-0.50	0.20	-0.30	-0.20	0.40	0.90	
Industrial Production YoY	5.60	6.90	6.90	7.00	7.30	--	--	14.10	9.80	
Retail Sales YoY	0.50	3.30	4.30	5.00	4.60	--	--	34.20	17.70	
Manufacturing PMI	51.00	51.50	51.40	52.10	51.90	51.30	50.60	51.90	51.10	51.00
<b>JAPAN</b>										
Vehicle Sales YoY	-18.50	-15.60	31.60	6.00	7.40	6.80	-2.20	2.40	22.20	30.90
Jobless Rate	3.00	3.00	3.10	3.00	3.00	2.90	2.90	2.60	2.80	
Job-To-Applicant Ratio	1.05	1.04	1.04	1.05	1.05	1.10	1.09	1.10	1.09	
Money Stock M2 YoY	8.60	9.00	9.00	9.10	9.10	9.40	9.60	9.40	9.20	
Industrial Production YoY	-14.00	-9.10	-3.40	-4.10	-2.90	-5.30	-2.00	3.40	15.40	
Exports YoY	-14.80	-4.90	-0.20	-4.20	2.00	6.40	-4.50	16.10	38.00	
Imports YoY	-20.40	-17.10	-13.10	-11.00	-11.50	-9.50	11.90	5.80	12.80	
Natl CPI YoY	0.20	0.00	-0.40	-0.90	-1.20	-0.60	-0.40	-0.20	-0.40	
Jibun Bank Japan PMI Composite	45.20	46.60	48.00	48.10	48.50	47.10	48.20	49.90	51.00	48.80
Retail Sales YoY	-1.90	-8.70	6.40	0.60	-0.20	-2.40	-1.50	5.20	12.00	

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