



Weekly Export Risk Outlook



12 December 2012

In the Headlines

FIGURE OF THE WEEK: +10.1%_{>Y/Y}, CHINA'S NOVEMBER INDUSTRIAL OUTPUT

▶ Eurozone: Industrial production falls further

Industrial production data continue to suggest deeper contraction in Q4, with a further decline in October (-1.4% mo/mo after -2.4% in September) driven mainly by a sharp decrease in the production of capital goods (-3% mo/mo) and durable consumer goods (-3.8% mo/mo). Except in Spain, where production grew by +1.2% mo/mo, all the main economies registered a decrease, including Germany (-2.4%). Meanwhile, with more summit meetings this week, political uncertainty in Italy resumed as PM Mario Monti announced that he will resign once the budget law is passed, increasing the likelihood that elections will be brought forward to February. The summit meeting will also consider Greece's debt buy-back, which was completed, although at a slightly higher price than originally expected.

▶ US: Lacklustre jobs market

The November employment report depicted an economy lacking positive momentum, reflecting fiscal cliff uncertainties and weak consumption. Only 146,000 jobs were created in November, which again is well below the 250,000+ required to signify a sound recovery, and October and September payrolls were revised down by a total of 49,000 jobs. The rate of unemployment fell to 7.7% in November but this partly reflects a negative cause as some people became discouraged about finding a job and left the work force. Surprisingly, the Labor Department stated that Hurricane Sandy "did not substantively impact" the employment report, despite the fact that its survey was performed the week following the hurricane when many could not get to work. Fiscal cliff negotiations are ongoing, but pressure is rising as President Obama starts a 20-day vacation on 17 December.

▶ Switzerland: Robust Q3 growth

Real GDP increased by a surprisingly robust +0.6% q/q in Q3, despite the relative weakness in the global economic environment. Indeed, Q3 GDP growth was the strongest recorded since the end of 2010 and it again exceeded the average expansion of EU countries. Growth was driven by consumption, reflecting continuation of a relatively healthy labour market and, more markedly, by public spending, but investment had a negative impact. Export growth of +0.5% q/q after +0.4% in Q2 suggests that a strong CHF did not curtail outward shipments in that period, although strong import growth resulted in net exports exerting a drag on overall expansion of 0.8pp.

▶ Turkey: Growth slowdown in Q3

Q3 real GDP growth decelerated to +1.6% y/y (+3% in Q2) and just +0.2% q/q sa (+1.7% in Q2). Credit tightening by the central bank continued to hold back private consumption, which slipped by -0.2% y/y in Q3 (-0.1% in Q2), and to curtail investment by -7.6% (-7.2% in Q2). Public consumption growth was again solid at +4.4%, unchanged from Q2. Net exports remained the growth driver in Q3 as strengthening demand from MENA countries, especially Iranian purchases of Turkish gold, kept export expansion at a healthy +11.9% y/y, albeit down from +20.9% in Q2, while imports continued to decline, by -2.4% (-3.7% in Q2) as a result of weakness in domestic demand. Expect full-year growth of slightly below +3% in 2012, picking up to around +4% in 2013. The current account deficit narrowed to -6.7% of GDP in Q1-Q3 2012 from -10% in 2011 as a whole.

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► **Mediterranean, Africa & Middle East – Ghana: Elections**

John Dramani Mahama of the NDC, who took over the presidency on the death of John Atta Mills in July, was declared winner of elections on 7 December (50.7% of the vote), receiving his own mandate to govern. Despite international observers declaring the polls relatively free and fair, the result is being contested by the leader of the main opposition party, Nana Akufo-Addo (47.7%) of the NPP. Democracy is more developed than elsewhere in West Africa and this latest electoral process, if results are finally accepted, will boost the country's image and improve inward investment potential. Indeed, the new oil sector—commercial output from 2011—enabled Ghana to become one of the fastest growing economies. GDP growth registered +12% y/y in 2011 and should be in excess of +7% in 2012-14.



► **Americas – Venezuela: Presidential uncertainty**

President Chavez is back in Cuba for further surgery for cancer. Unlike previous occasions when he had treatment, he appointed a successor in case he becomes incapacitated—his vice-president and minister for foreign affairs, Nicolas Maduro. A successor would be interim as the constitution requires elections to be called within 30 days if the president leaves office within the first four years of a term. (President Chavez starts his next 6-year term on 10 January 2013, after extending his 14-year rule in the October elections.) Although the operation itself was successful, according to Maduro, the return of presidential health risks increases uncertainty, particularly as it is unclear whether even a chosen successor would be able to retain the president's personal popularity.



► **Asia-Pacific – China: Latest data**

Latest data releases indicate a continued pick-up in activity, although the vigour of the rebound remains uncertain. Industrial output was up +10.1% y/y in November (+9.6% in October) but fixed investment activity, a key driver, was steady at +20.7% y/y. Bank lending was up slightly on October, although total social financing, a broader lending measure, levelled off at recently higher levels. In trade data, export growth slowed sharply to +2.9% y/y (+11.6% in October) as demand from the US and Japan fell back, while import growth stalled. Meanwhile, inflation was 2% in November, up slightly from 1.7% in October, although non-food edged down slightly to 1.6% from 1.7%. Overall, the data point to a fairly modest upturn by historic standards. Expect growth in 2013 of +8% after +7.6% in 2012.



► **Europe – Slovenia: Further sharp GDP contraction**

Q3 GDP declined by -3.3% y/y (-3.2% in Q2) and -0.6% q/q sa (-1.1% in Q2) as domestic demand weakened further. There were contractions in private consumption (-3% y/y), public consumption (-3.1%) and fixed investment (-8.8%). Moreover, inventories subtracted -2.5pps from Q3 growth. External trade was also weak, with net exports contributing 3.1pps to Q3 growth as imports contracted more sharply (-5.1%) than exports (-0.7%). Expect full-year GDP to contract by more than -2% in 2012 and by around -0.5% in 2013—making Slovenia the worst performer in central and eastern Europe. Last week, parliament approved austerity budgets for 2013 and 2014 aiming at reducing the fiscal deficit below -3% of GDP (estimated -4.5% in 2012), but expect this to be difficult to achieve because of the protracted recession.

Worth knowing

► **Other Q3 GDP**

Iceland: +2.1% y/y (-0.5% in Q2) and +3.5% q/q sa (-6.1% in Q2). **Malta:** +1.9% y/y (+1.3% in Q2).

► **Romania**

As expected, the centre-left coalition (Social Liberal Union) obtained an absolute majority in both houses of parliament (around 60% of votes). The President's coalition, Right Romania Alliance, lost popularity (17% of votes) while the new extreme-left People's Party entered parliament for the first time (14%). The president will appoint a PM after consultations.

► **Egypt**

As a result of ongoing social/political tensions, an agreement for a USD4.8 billion IMF facility was put on hold. It is also possible that recent policy reversals (including on taxation) would have complicated the Fund's formal approval of the agreement.

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