Weekly Export Risk Outlook

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In the Headlines

FIGURE OF THE WEEK: +7.7% >CHINA'S Y/Y GDP GROWTH IN Q1

World Economy: IMF's latest forecasts

In its latest World Economic Outlook, the IMF revised downward its forecast of 2013 global growth, to +3.3% (-0.2pps from January 2013) reflecting weaker expected performance by both advanced economies (-0.1pps to +1.2%) and emerging economies (-0.2pps to +5.3%). While global economic conditions are still improving, the lower 2013 projections reflect persistent divergence within the advanced economies, particularly the slow, if steady, recovery in the US (+1.9%) and the prolonged recession in the eurozone (-0.3%) set against the resilience of emerging economies, with emerging Asia +7.1% again leading the way. The IMF expects global growth to recover progressively in 2014 (+4%) helped by stronger US growth (+3%) and modest recovery in the eurozone (+1.1%). The IMF scenario remains slightly more optimistic than that of EH on a stronger expected recovery in the US, Japan and emerging economies.

China: GDP growth below expectations

Q1 GDP growth was +7.7% y/y according to official data released last week. This was slightly below expectations and less than in Q4 2012 (+7.9%). Other data released for March were not encouraging as industrial output (+8.9% y/y) was slower than in January-February, as was fixed asset investment and the increase in electricity production was also down on that period. Retail sales, however, were slightly stronger at 12.6% (12.3% in January-February) and the manufacturing PMI was also up on the previous month and in positive territory. Real estate investment growth in March was down on January-February, but still stronger than in 2012. Credit expansion was very strong in Q1 but did not appear to pass through to GDP growth, which raises the question of whether such stimulus is as effective as in the past. The data are unlikely to prompt a big policy response and emphasise the shift to more-moderate growth in China. EH retains a GDP forecast of +8% in 2013, although downside risks have increased.

US: Relatively weak data, uncertain policy response

Economic data turned moderately softer in the last week, with retail sales falling -0.4% mo/mo in March, although after stripping out autos and gasoline from the data, sales fell by only -0.1% mo/mo. The four-week moving average of weekly jobless claims increased to its highest level in almost two months, confirming the weakness evident in the March employment report. Consumer sentiment in the first half of April plunged to a nine-month low driven by expectations of higher unemployment and lower after-tax income. Perhaps it is data like this that led Fed Chairman Ben Bernanke to repeat his view that monetary conditions will remain accommodative for some time. However, the official minutes released from the Fed's March meeting show that some members think that quantitative easing should stop by the end of this year, if not sooner.

European Union: Latest trade data

The merchandise trade balance for the eurozone as a whole continued to improve in February, registering a surplus of EUR10.4 billion, markedly above expectations of EUR5bn. For the EU27, the trade surplus was EUR1.8 billion. However, the improvement in the eurozone resulted mainly from a generalised fall in imports from the rest of the world (-7% to EUR138.3 billion) as exports remained broadly stable (-1% to EUR148.6 billion). EH expects this trend to continue through 2013 as the prolonged recession in the eurozone is likely to weigh on the strength of private consumption and therefore lead to further downward adjustments in imports, although improving cost competitiveness (notably in the Southern European countries) may allow some increase in exports intra- and extra-zone. Nevertheless, the strength of the EUR is likely to remain a headwind.

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Countries in Focus

Mediterranean, Africa & Middle East – *Jordan: GDP growth*

Official data show that GDP growth was +2.2% y/y in Q4 2012 and +2.7% for full year 2012, compared with an annual average +5.8% in 2000-11. Nominal GDP was JOR22 billion (USD30.9 billion) in 2012, up +7.2% y/y. The rate of quarterly growth eased through the course of 2012 (+3.1% in Q1), reflecting global (weak external markets) and regional (trade disruptions and refugee inflows, both Syria-related) factors. Indeed, in Q4, GDP contracted by -4.4% q/q, so activity is also likely to be lacklustre in H1 2013. Meanwhile, the IMF remains supportive, last week releasing a USD384 million tranche from its SBA. EH expects GDP growth to remain below the long-run average, at +2.5% and +3.5% in 2013 and 2014, respectively, with a large degree of uncertainty reflecting vulnerability to external influences.

Americas – *Venezuela: Election result*

Hugo Chavez' chosen successor, former vice-president Nicolas Maduro, duly won the presidential election last weekend, but by a much slimmer margin than expected—50.8% of the vote against 49% for his rival, opposition leader Henrique Capriles. The close outcome means that Capriles is refusing to accept Maduro's win, calling for a recount, although the National Electoral Council has confirmed the result. It also makes Maduro's position more difficult, as Chavez had beaten the same challenger last October by a 10pps margin. With a much weaker popular mandate, it remains to be seen if Maduro will move towards a more pragmatic stance to try and begin to address economic imbalances or continue in the same vein as his predecessor. Either way the political balance looks more fragile.

Asia-Pacific – *Singapore: Q1 GDP & monetary policy*

Advance estimates (based on data for two months) indicate that Q1 real GDP contracted by -0.6% y/y (+0.4% in Q4 2012) and -1.4% on a q/q annualised basis (+3.3% in Q4), reflecting the economy's openness and associated vulnerability to external factors. The manufacturing sector contracted by -6.5% y/y and -11.3% q/q, mainly as a result of a sharp fall in output of biomedical products, a cluster known as a major source of growth volatility. Construction grew strongly at +7% y/y and +15.1% q/q, while expansion in services was modest, at +1.2% y/y and +1.8% q/q. EH expects full year 2013 GDP growth of +2%. Inflation picked up to 4.9% y/y in February from 3.6% in January but the Monetary Authority last week kept monetary policy unchanged, weighing between inflationary pressures and risks to growth.

Europe – *Germany: Stronger indicators in February*

Industrial new orders were up significantly in February, by 2.3% mo/mo, after falling by -1.6% in January. Both domestic (2.2%) and foreign orders (2.3%) were up, with the latter including higher demand from the eurozone (1.6%) as well as non-zone countries (2.7%). However, orders in the January-February period as a whole were -0.9% down over the corresponding period of 2012. Industrial production increased by 0.4% in February (-1.1% in the previous month), with a variable performance at sector level, with increases in machinery (4%) and the car industry (2.3%) but falls in chemicals (-2.1%), pharmacy (-2.1%) and clothing (-7.6%). Construction declined by -2.7% (from 3.1%). The Ifo Business Climate Index was down slightly in March, by -0.7%, after a strong increase in February (3%).

Worth knowing

Commodity prices

Gold: latest USD1,380/ounce, down -18.5% over the course of 2013, to date, and the lowest since January 2011. **Oil:** latest USD99.9/barrel, below USD100/b for the first time since July 2012 and down -11.2% over the course of 2013, to date. **Commodities Overall:** most recent all-commodity index is down -5.2% mo/mo and -8% y/y, to its lowest since June 2012.

Turkey

The central bank cut its key policy one-week repo rate by 50bps, to 5%, as well as both ends of its overnight interest rates, to 4% and 7%, respectively, in an apparent move to curb short-term capital inflows, which have picked up again recently.

Somalia and Zimbabwe

Somalia: The IMF resumed formal recognition of the country after 22 years of suspended relations (12 April). **Zimbabwe**: Following a referendum on a new constitution, the EU lifted many sanctions, although some remain on particular individuals.