



## Comments from the regions

### Asia: RBI rates decision

The Reserve Bank of India (RBI) left interest rates unchanged at its February 2nd meeting while reiterating that its stance remains accommodative and that it would continue to provide ample liquidity to the money market. The RBI also stressed that further rate cuts would be contingent on continued fiscal consolidation and the expected future path of inflation.

Although the RBI maintained its 5% inflation target for 2017, it sees some upside risk to inflation. The target does not include the impact of the impending 7th Pay Commission (a wage revision mechanism) which is likely to boost inflation. Moreover, a disappointing monsoon, an upturn in crude prices from current low levels and currency weakness could add further upward pressure.

India's forthcoming FY17 Union Budget, at the end of February, will be closely watched by the RBI and investors for indications as to the government's intent and ability to revive aggregate demand and investment. A bold growth-oriented budget could help the government to reassert its reform commitment. The parliamentary session between February and May will be also be monitored for the passage of bills such as the proposed goods and services tax (GST).

### EMEA: Signs of slower Eurozone growth

One previous pillar of the economic rebound story – domestic demand data – now looks less solid. The trend here is not yet 100% clear but certainly appears less strongly upwards.

German retail sales growth has slowed from +3.5% YoY as recently as September to +1.4% in December, with its services purchasing managers' index (PMI) falling a full point in January. The Ifo expectations index has fallen by -2.2 points since beginning of this year. In France, consumer spending growth fell from +2.6% YoY in October to +0.3% in December, with the service PMI moving close to contraction.

In Italy, the services PMI has also fallen further than expected, with retail sales growth also declining from 3.5% YoY last summer to 1.5% now. Similar trends are also evident in Spain, the former economic star, where the domestic services PMI has fallen and retail sales growth has slowed from 6% YoY in October to just 2% in December. In both Southern European countries, their domestic economies are quite important for their equity markets, due to the strong weights of their respective banking sectors.

For the overall Eurozone, monetary data also show some slowing. Money supply growth (on the broad M3 definition) has eased back to 4.7% YoY in December from around 5.4% last summer. What is also important for the ECB is M1 money supply, where YoY growth slowed from 12.2% last summer to 10.7% in December.

No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.