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Newsletter US January 2017



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US economy in 2017: forecast by the IMF

As stated by CNBC, the International Monetary Fund raised its forecast for the U.S. economy over the next two years, saying President-elect Donald Trump's policies would boost economic growth. The IMF predicts the US economy to grow by 2,3% in 2017 and by 2,5% in 2018. ¹

US economy in 2017: forecast by the World Bank

As reported by the New York Times, the World Bank, in contrast to the IMF, left its U.S. forecast unchanged at 2,2% growth in 2017 and 2,1% for 2018, arguing that there was too much uncertainty over the fate of Trump's proposals to incorporate them in a forecast. ²

US economy in 2017: forecast by Kiplinger

Kiplinger predicts that Donald Trump's election is not likely to have much effect on GDP growth in 2017, which Kiplinger expects to be around 2,1%. According to Kiplinger, Trump's proposed tax cuts will have the quickest impact on the economy, but as demonstrated by the 2001 and 2003 Bush cuts, consumers tend to use the initial tax savings to pay down debts. Increased spending, which boosts GDP growth, tends to come later. ³

Kiplinger also predicts that strong dollar will push export prices higher and boost the U.S. trade deficit 4% this year.

US economy in 2017: forecast by Forbes

According to Forbes, markets have rallied since November on the expectation that Trump and the Republicans will quickly enact a growth-oriented economic agenda—including tax cuts, regulatory relief, and targeted economic stimulus projects. According to Forbes, republican reform efforts could improve the economy if done right. However, the reform effort could fall apart because the Senate majority is narrow enough that just a handful of GOP defectors would be able to stop any given bill. ⁴

TTIP unlikely to happen during Trump's presidency: forecast by BMI

According to BMI Research, the Transatlantic Trade and Investment Partnership (TTIP) between the US and EU is unlikely to come close to getting off the ground. ⁵

¹ <http://www.cbsnews.com/news/imf-faster-growth-for-u-s-donald-trump-impact/>

² "IMF predicts faster growth for U.S., citing Trump impact" – CNBC – January 16, 2017

³ http://www.nytimes.com/aponline/2017/01/16/us/politics/ap-us-world-economy-imf.html?_r=0

⁴ "IMF boosts growth forecast for U.S., cites Trump impact" – The New York Times – January 16, 2017

⁵ <http://www.kiplinger.com/article/business/T019-C000-S003-trade-deficit-forecast.html>

⁶ <http://www.forbes.com/sites/johnmauldin/2017/01/11/the-us-economy-could-turn-around-in-2017-or-crash/#3e2f01474643>

⁷ "The U.S. economy could turn around in 2017, or crash" – Forbes – January 17, 2017

⁸ BMI Special Report "President Trump: what to expect"

US-China trade confrontation in 2017: forecast by BMI

According to BMI Research, rising US protectionism against China is highly likely in 2017. Although China has more to lose from a trade war given the enormous trade surplus it runs with the US, BMI expects targeted retaliation by China. US agribusiness, high-tech exports such as aerospace, pharmaceuticals and autos, as well as service exports such as tourism and financial services would be most vulnerable.⁶

Future of NAFTA: forecast by the New York Times

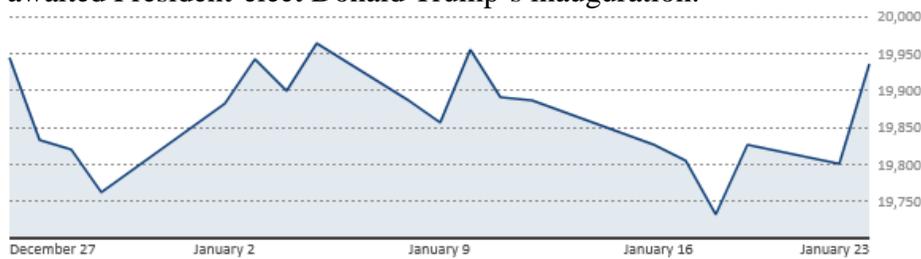
According to the New York Times, Mr. Trump may move quickly to renegotiate the North American Free Trade Agreement. He is scheduling meetings with the leaders of Canada and Mexico, the two main partners in that pact. While NAFTA has been a major driver of American trade for nearly two decades, it has long been divisive, with critics blaming it for lost jobs and lower wages.⁷

Trump abandons Trans-Pacific Partnership (TPP)

As reported by the New York Times, on January 23rd President Trump formally abandoned the ambitious, 12-nation Trans-Pacific Partnership brokered by his predecessor and declared an end to the era of multinational trade agreements that defined global economics for decades.⁸ According to the New York Times, Mr. Trump's decision to scrap the Trans-Pacific Partnership, or T.P.P., reversed a free-trade strategy adopted by presidents of both parties dating back to the Cold War, and aligned him more with the political left.⁹

Dow Jones Industrial Average in January 2017

As stated by CNBC, several companies in the Dow Jones Industrial Average have had a rough start to the new year. Nearly one-fifth of the index has been downgraded since January 3rd, including Coca-Cola, Procter & Gamble, Goldman Sachs, Exxon Mobile, McDonald's and Disney.¹⁰¹¹ As reported by CNBC, the Dow Jones industrial average recorded a five-day losing streak in mid-January, as investors awaited President-elect Donald Trump's inauguration.¹²



⁶ BMI Report "US-China Trade Confrontation"

⁷ <https://www.nytimes.com/2017/01/23/us/politics/tpp-trump-trade-nafta.html>

⁸ "Trump abandons Trans-Pacific Partnership, Obama's signature trade deal" – The New York Times – January 23, 2017

⁹ <https://www.nytimes.com/2017/01/23/us/politics/tpp-trump-trade-nafta.html>

¹⁰ "Trump abandons Trans-Pacific Partnership, Obama's signature trade deal" – The New York Times – January 23, 2017

¹¹ <https://www.nytimes.com/2017/01/23/us/politics/tpp-trump-trade-nafta.html>

¹² "Trump abandons Trans-Pacific Partnership, Obama's signature trade deal" – The New York Times – January 23, 2017

¹³ <http://www.cnbc.com/2017/01/12/rough-start-to-2017-for-dow-index-plagued-by-downgrades.html>

"Rough start to 2017 for Dow index plagued by downgrades" – CNBC – January 12, 2017

¹⁴ <http://data.cnbc.com/quotes/.DJI>

¹⁵ <http://www.cnbc.com/2017/01/19/us-markets.html>

"Dow posts 5-day losing streak as Wall Street gets set for Inauguration Day" – CNBC – January 19, 2017

S&P 500 Index in January 2017

According to Bloomberg News, on January 24th U.S. stocks rose the most in three weeks, sending the S&P 500 Index to an all-time high.¹³ As reported by CNBC, the S&P 500 rose about 0,7%, hitting a record high, with materials leading eight sectors higher.^{14 15}



Unemployment rate at 4,7% in December; employment increased by 156.000

As stated by the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 156.000 in December, and the unemployment rate was little changed at 4,7% (from 4,6% on November). Employment gains occurred in health care and social assistance.¹⁶

Consumer Price Index increased in December

As stated by the U.S. Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0,3% in December. Over the last 12 months the all items index increased 2,1% before seasonal adjustment.¹⁷

U.S. manufacturing growth expanded again in December

According to the Institute for Supply Management (ISM), economic activity in the manufacturing sector expanded in December while the overall economy grew for the 91st consecutive month.¹⁸ The December PMI[®] registered 54,7%, an increase of 1,5 percentage points from the November reading of 53,2%.

Industrial production rose in December

As stated by the Federal Reserve, industrial production rose 0,8% in December after falling 0,7% in November. For the fourth quarter as a whole, the index slipped 0,6% at an annual rate.¹⁹

¹³ <https://www.bloomberg.com/news/articles/2017-01-23/dollar-drops-on-mnuchin-concern-nikkei-to-slide-markets-wrap>

"U.S. stocks at records amid earnings, metals rally: markets wrap" – Bloomberg News – January 23, 2017

¹⁴ <http://www.cnbc.com/2017/01/19/us-markets.html>

"S&P 500 hits new all-time high as materials spike 2.5%" – CNBC – January 24, 2017

¹⁵ <http://money.cnn.com/data/markets/sandp/>

¹⁶ <http://www.bls.gov/news.release/pdf/empst.pdf>

¹⁷ <http://www.bls.gov/news.release/pdf/cpi.pdf>

¹⁸ <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm>

¹⁹ <http://www.federalreserve.gov/releases/g17/current/default.htm>

Building permits decreased slightly in December

Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1.210.000. This is 0,2% below the revised November estimate of 1.212.000.^{20 21}



Housing starts increased in December

Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1.226.000. This is 11,3% above the revised November estimate of 1.102.000.^{22 23}



Small Business Optimism Index increased significantly in December

Citing NFIB, small business optimism rocketed to its highest level since 2004, with a stratospheric 38-point jump in the number of owners who expect better business conditions. The Index of Small Business Optimism rose 7,4% in December to 105,8.²⁴

Consumer Confidence Index increased again in December

The Conference Board Consumer Confidence Index, which had increased considerably in November, posted another gain in December. The Index now stands at 113,7 (1985=100), up from 109,4 in November.²⁵

²⁰ <http://www.census.gov/construction/nrc/pdf/newresconst.pdf>

²¹ <http://www.tradingeconomics.com/united-states/building-permits>

²² <http://www.census.gov/construction/nrc/pdf/newresconst.pdf>

²³ <http://www.tradingeconomics.com/united-states/housing-starts>

²⁴ <http://www.nfib.com/research-foundation/surveys/small-business-economic-trends>

²⁵ <https://www.conference-board.org/data/consumerconfidence.cfm>

Consumer Sentiment Index increased again in December

The final reading of the University of Michigan's consumer sentiment for the United States rose to 98,2 in December 2016 compared to 93,8 in November. It was the highest reading since January 2004.^{26 27}



Retail sales rose again in December

As reported by the U.S. Census Bureau, retail sales for November were \$469,1 billion, an increase of 0,6% from the previous month.²⁸

Producer Price Index posted another gain in December

As reported by the U.S. Bureau of Labor Statistics, the Producer Price Index increased 0,3% in December.²⁹



²⁶ <http://www.sca.isr.umich.edu/>

²⁷ <http://www.tradingeconomics.com/united-states/consumer-confidence>

²⁸ http://www.census.gov/retail/marts/www/marts_current.pdf

²⁹ <http://www.bls.gov/news.release/ppi.nr0.htm>

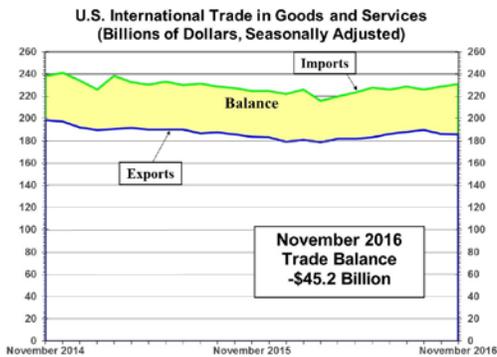
<http://www.tradingeconomics.com/united-states/producer-prices>

U.S. trade deficit increased again in November

The trade deficit in the U.S. in goods and services increased to \$45,2 billion in November from \$42,4 billion in October, as exports decreased and imports increased.³⁰

The November figures show surpluses, in billions of dollars, with Hong Kong (\$2,5), South and Central America (\$2,4), Singapore (\$1,0), Brazil (\$0,8), and United Kingdom (\$0,1).

Deficits were recorded, in billions of dollars, with China (\$28,4), European Union (\$13,8), Japan (\$5,7), Mexico (\$5,7), Germany (\$5,3), Canada (\$3,2), Italy (\$2,2), South Korea (\$2,2), OPEC (\$1,9), India (\$1,8), Taiwan (\$1,3), France (\$1,3), and Saudi Arabia (\$0,2).



³⁰ <http://www.census.gov/foreign-trade/data/>