

'This newsletter is translated from the Japanese edition distributed on April 21st
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Global Risk Watch Newsletter

Would the normalized Trump regime be able to hold back
rewinding of the Trump rally?, etc.

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28 April 2017

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3. Highlight of Indicator for this Month

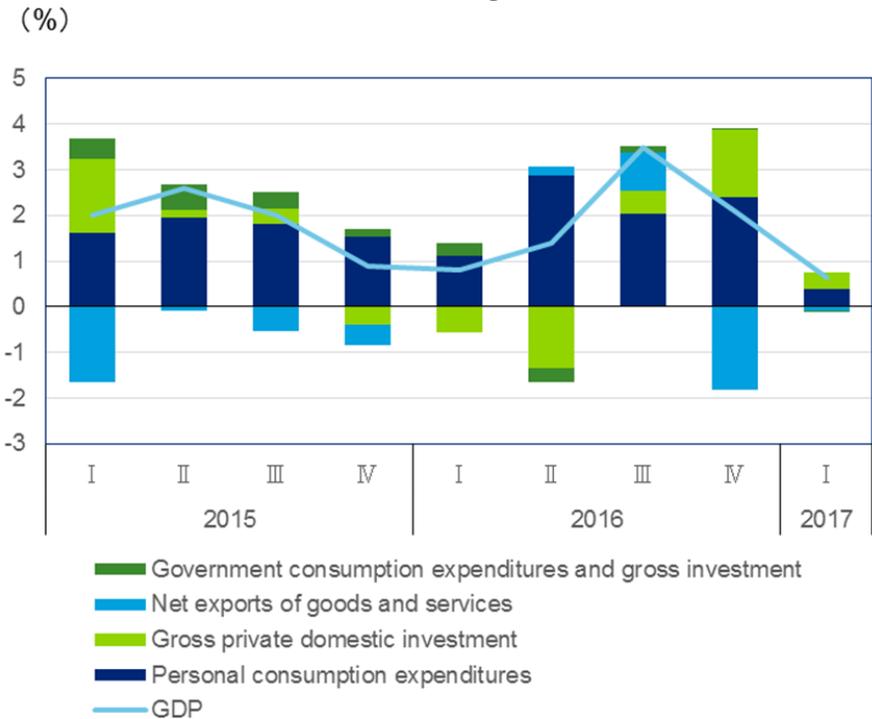
Is the U.S. personal consumption headed to a deceleration trend? (Toshikazu Kumagai, Senior Staff, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

While the divergence between soft and hard data in the U.S. economy draws attention, the views on its prospect also vary. Regarding the 2017 January-March period GDP growth prospect, the New York Fed's Nowcast predicts it to be around 3%, while the Atlanta Fed says below 1%. In the data of Atlanta Fed's GDPNow, when comparing growth of demand components in this quarter to the previous one, deceleration in personal consumption is particularly remarkable (Chart 1).

In order to examine personal consumption in detail, let us have a look at monthly economic indices. The University of Michigan Consumer Sentiment Index and the Consumer Sentiment Index of the Conference Board, both representing soft data, have been improving. By contrast, the personal consumption expenditures, signifying hard data, indicate a consecutive month-on-month decline in January and February, due to decrease in services which amounts to over 60% of the entire personal consumption (Chart 2). Moreover, January experienced a notable drop in the consumption of durable goods. In order to see which components are falling, let us look into the retail sales figures, mostly indicative of consumption of goods (Chart 3). The month-on-month comparison of the retail sales shows a decline in February and March, given negative contribution from motor vehicle and parts dealers. This is also confirmed with the auto sales statistics.

Considering the above factors, the personal consumption in the 2017 January–March period is likely to slow down, if not rapidly. It requires close monitoring whether the weakest consumption since early this year, shown by the hard data, is only temporary, or it signals a trend toward deceleration.

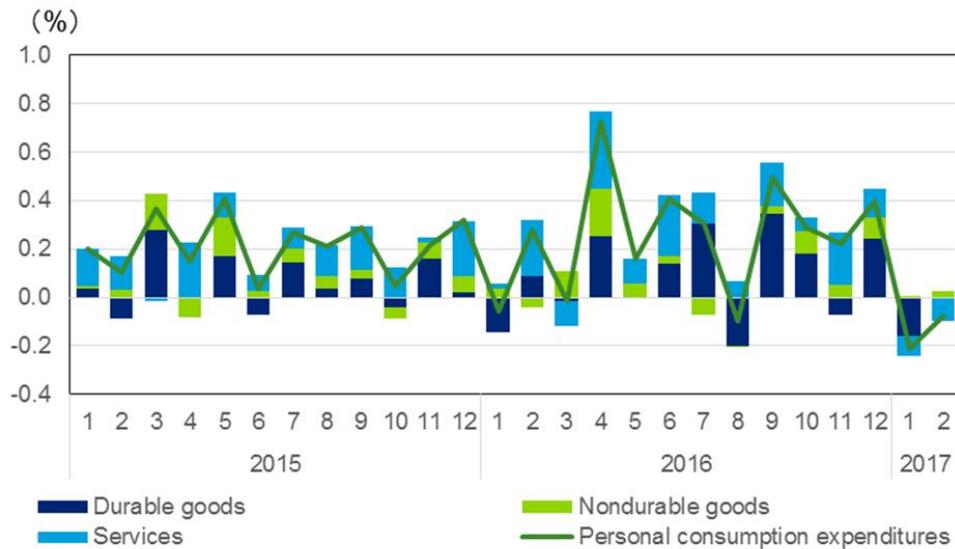
Chart1 : Trend in GDP and the Prospect for the January-March Period



*(Source) U.S. Bureau of Economic Analysis, Federal Reserve Bank of Atlanta, Deloitte Touche Tohmatsu LLC.

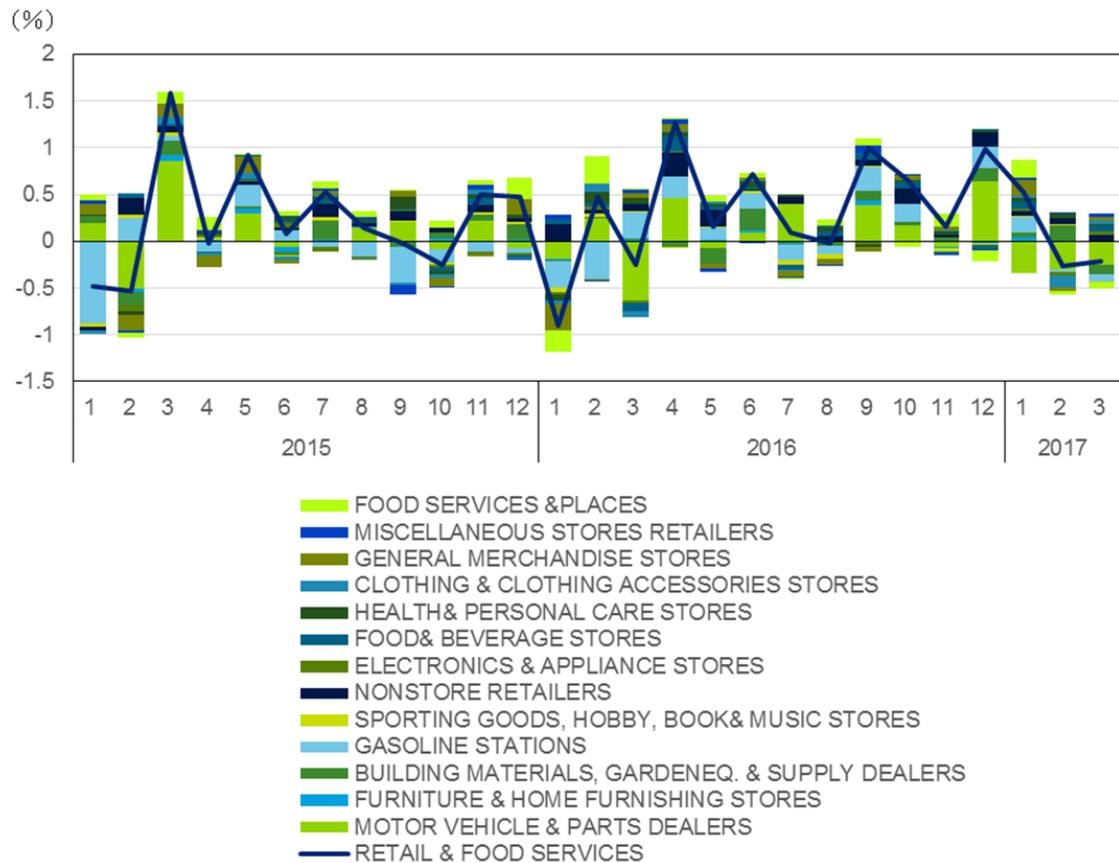
*(Source) 2017 1Q data from Federal Reserve Bank of Atlanta, "GDP Now"

Chart2 : Trend in Personal Consumption Expenditures



*(Source) U.S. Bureau of Economic Analysis, Deloitte Touche Tohmatsu LLC.

Chart3 : Trend in Retail Sales



*(Source) U.S. Bureau of Economic Analysis, Deloitte Touche Tohmatsu LLC.

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