

World retail sales up 4.7% y-o-y in July, exceeding their equilibrium rate; global inflation picking up

Real retail sales grew 4.7% year-over-year in July worldwide, maintaining the strong momentum of recent months. Retail volumes exceeded equilibrium consumption (the level of spending consistent with stable inflation) by about 0.5%, continuing to exert upward pressure on consumer prices. As expected, global inflation accelerated in July (+3.4% annualized), and in most major economies is now approaching long-term inflation expectations.

- **Demand** - Retail volumes continue to exceed their long-term trend, deviating further from their balanced growth path. A positive consumption gap reveals that part of the growth in goods consumption is the result of transitory influences. In a context of stable energy prices, low lending rates, high credit supply and rising confidence (especially in Western Europe and emerging Asia) are keeping real household spending above the level implied by employment and real wage growth.
- **Inflation** - Headline inflation strengthened in most countries, suggesting the July increase was partly driven by common factors. Rising capacity utilization and higher raw material prices are already creating pronounced upward pressures on producer prices (PPI inflation is up 4.3% after seven months), with prices set to increase further as operating conditions continue to tighten. Since expectations about the future affect current inflation, the strengthening of consumer prices may well reflect higher anticipated costs.
- **Labour markets** - Employment growth advanced economies continued to strengthen in the second quarter, rising at an annualized rate of 1.4% (an average monthly increase of 388 000 workers, 60% of which came from Western Europe). Higher vacancy rates are reducing cyclical unemployment, pushing unemployment rates closer to equilibrium. Although wage pressures remain contained, reduced labour market slack and rising inflationary pressures should boost per-capita earnings in the second half of 2017.

Global real retail sales ¹ 2010=100, SA	July		June		7 months	
	2017 (p)	% chg yoy	2017 (r)	% chg yoy	2017	% chg yoy
World (at PPP)	134.8	4.7%	134.3	4.7%	133.0	4.3%
Advanced	119.2	3.1%	118.9	3.3%	118.0	3.1%
Emerging	156.4	6.3%	155.7	6.1%	154.1	5.6%
World (at market exch. rates)	128.0	4.1%	127.4	4.0%	126.7	3.8%

Structural indicators	July		June		7 months	
	2017 (p)	% chg yoy	2017 (r)	% chg yoy	2017	% chg yoy
Actual consumption	134.8	4.7%	134.3	4.7%	133.0	4.3%
Equilibrium consumption ²	134.1	4.2%	133.6	3.9%	132.5	4.2%
Cyclical deviation (%)	0.5%	-	0.5%	-	0.4%	-

CPI inflation Year-over-year (%)	July	June	May	April	7 months	
	2017	2017	2017	2017	2017	2016
All goods and services	3.1%	3.1%	3.3%	3.5%	3.4%	3.0%
Advanced	1.3%	1.3%	1.4%	1.6%	1.5%	0.6%
Emerging	4.6%	4.6%	4.8%	5.0%	4.9%	5.1%
Goods	1.4%	1.4%	1.8%	2.1%	2.0%	0.3%
Core	2.0%	2.0%	2.1%	2.1%	2.1%	2.2%

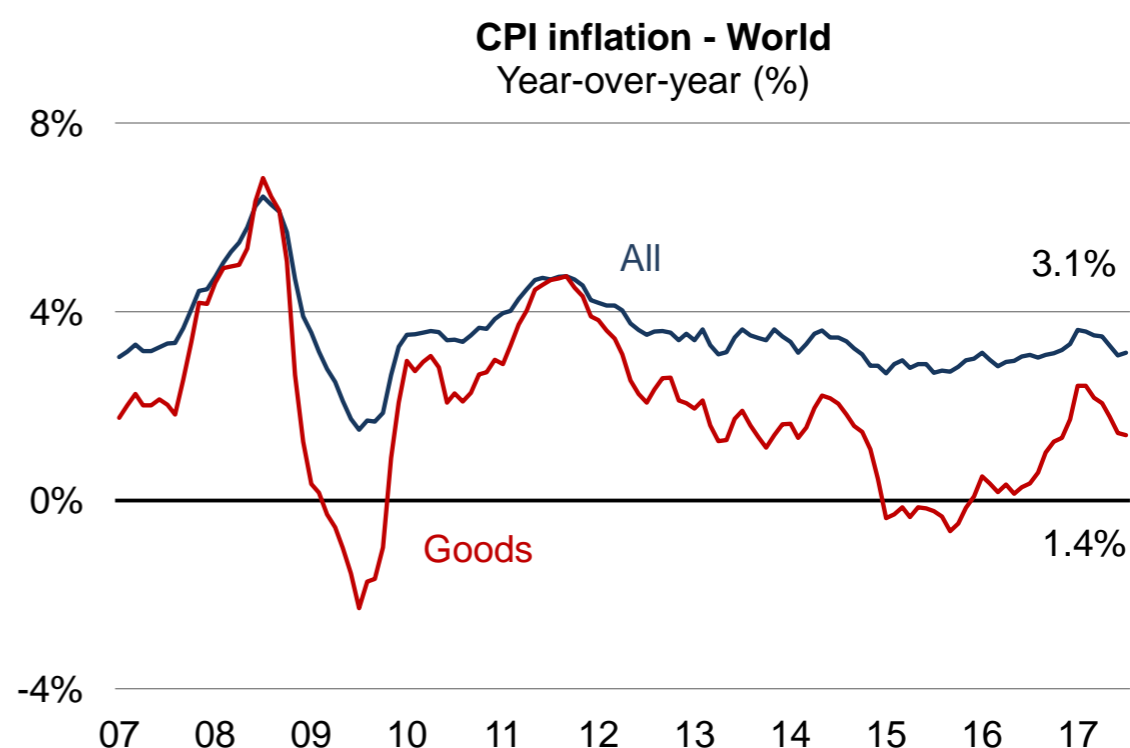
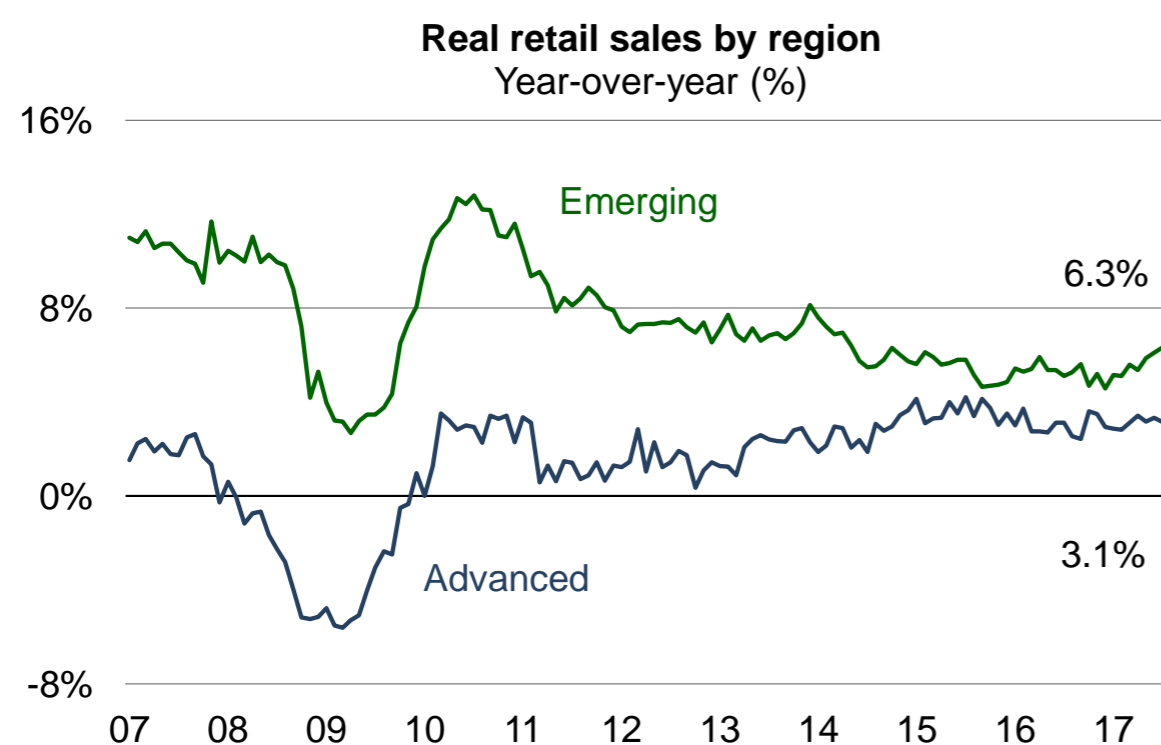
CPI inflation Month-over-month (%), SAAR	July	June	May	April	March	February
	2017	2017	2017	2017	2017	2017
All goods and services	3.4%	1.9%	1.8%	3.5%	1.9%	2.6%

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Real retail sales, regional detail 2010=100, SA	July		June		7 months	
	2017 (p)	% chg yoy	2017 (r)	% chg yoy	2017	% chg yoy
North America	132.1	4.3%	131.4	4.1%	130.2	4.1%
Canada	112.7	5.3%	112.4	5.2%	111.8	4.6%
United States	133.5	4.2%	132.8	4.0%	131.5	4.1%
Latin America³	119.4	0.9%	119.3	0.2%	119.1	0.3%
Brazil	113.7	3.5%	113.7	2.7%	112.7	1.0%
Mexico	126.5	0.2%	126.8	0.4%	127.4	3.4%
Western Europe	107.5	2.0%	107.6	2.9%	106.9	2.2%
France	120.8	3.7%	120.1	3.0%	120.1	3.3%
Germany	111.8	2.9%	113.2	4.8%	111.7	3.2%
Italy	96.2	0.8%	96.2	1.1%	96.0	0.7%
Spain	90.4	1.1%	90.8	2.3%	89.6	1.4%
United Kingdom	117.6	0.5%	117.0	2.1%	116.6	1.7%
Eastern Europe	110.5	2.4%	110.3	2.1%	109.9	1.6%
Poland	126.2	7.8%	124.9	5.8%	123.8	6.0%
Russia	107.2	1.4%	107.1	1.4%	107.2	0.9%
Asia⁴	165.3	7.5%	164.5	7.5%	162.3	6.9%
China	208.7	9.8%	207.0	9.8%	203.2	9.8%
Indonesia	208.7	2.8%	207.8	2.3%	208.7	3.4%
South Korea	122.7	3.4%	122.5	1.0%	121.4	2.2%
Japan	101.5	1.1%	101.2	1.9%	100.9	1.5%
Turkey	130.1	2.6%	131.8	1.5%	130.0	-0.4%

Real retail sales, political aggregates 2010=100, SA	July		June		7 months	
	2017 (p)	% chg yoy	2017 (r)	% chg yoy	2017	% chg yoy
European Union (EU28)	109.5	2.6%	109.7	3.4%	108.8	2.7%
Eurozone (EU19)	105.7	2.6%	106.0	3.1%	105.2	2.5%
NAFTA	131.6	3.9%	131.0	3.7%	129.9	4.1%

Real retail sales Month-over-month, SAAR (%)	July	June	May	April	March	February
	2017 (p)	2017 (r)	2017	2017	2017	2017
World	4.4%	6.4%	4.5%	6.2%	5.9%	5.2%



¹ Global and regional indices built using fixed consumption weights adjusted for purchasing power parity. Monthly sample represents ~83% of global retail spending.

² We define equilibrium consumption as the maximum level of spending on goods the global economy can sustain without incurring inflationary pressures. Transitory income shocks can cause consumption to deviate from this stable growth path, creating a consumption gap. Equilibrium consumption and the consumption gap are Kalman filter estimates of a multivariate state-space model in which global retail volumes are benchmarked against a Phillips curve equation for consumer goods. For a detailed description of the procedure, please contact us at info@numeraanalytics.com.

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CPI inflation, country detail 2010=100, SA	July		June		7 months	
	2017 (p)	% chg yoy	2017 (r)	% chg yoy	2017	% chg yoy
World	126.8	3.1%	126.4	3.1%	126.0	3.4%
Advanced	109.6	1.3%	109.5	1.3%	109.5	1.5%
Emerging	145.0	4.6%	144.4	4.6%	143.5	4.9%
North America						
Canada	111.7	1.2%	111.5	1.0%	111.6	1.6%
Core	111.2	1.4%	111.0	1.4%	110.8	1.7%
Goods	108.3	0.1%	108.5	-0.5%	108.8	0.7%
United States ⁵	110.6	1.4%	110.5	1.4%	110.4	1.7%
Core	111.6	1.4%	111.5	1.5%	111.3	1.6%
Goods	99.3	0.0%	99.2	-0.4%	99.9	0.3%
Latin America						
Brazil	155.5	2.7%	154.7	3.0%	154.5	4.0%
Core	155.1	4.2%	154.5	4.2%	153.6	4.9%
Goods	156.0	-0.9%	156.8	0.6%	157.4	2.5%
Mexico	130.7	6.4%	130.1	6.3%	128.8	5.7%
Core	125.3	4.9%	124.8	4.8%	123.8	4.6%
Goods	140.3	8.6%	139.7	8.3%	138.4	7.4%
Europe						
Eurozone	109.0	1.3%	108.9	1.3%	108.9	1.6%
Core	108.8	1.2%	108.6	1.2%	108.4	1.0%
Goods	107.6	1.1%	107.5	1.1%	107.8	1.7%
United Kingdom	115.5	2.6%	115.3	2.6%	114.9	2.5%
Core	114.7	2.5%	114.4	2.4%	113.9	2.0%
Goods	108.6	2.5%	108.3	2.3%	108.0	2.0%
Poland	109.4	1.7%	109.4	1.5%	109.6	1.9%
Core	110.0	1.4%	109.9	1.4%	109.6	1.2%
Goods	106.3	0.8%	106.2	0.7%	106.3	1.2%
Asia						
China	119.3	1.4%	119.2	1.5%	118.7	1.4%
Core	113.0	2.2%	112.8	2.2%	112.4	2.2%
Goods	110.8	0.7%	110.8	0.9%	111.3	1.0%
Indonesia	142.2	3.9%	142.3	4.3%	141.0	4.0%
Core	133.2	3.1%	132.6	3.1%	132.0	3.2%
Goods	139.2	2.2%	139.4	2.9%	139.4	4.3%
Japan	103.7	0.4%	103.7	0.3%	103.8	0.4%
Core	101.3	-0.1%	101.3	-0.2%	101.3	-0.1%
Goods	104.6	0.9%	105.1	0.9%	104.8	0.7%
South Korea	113.0	2.2%	112.8	1.9%	112.7	2.0%
Core	114.8	1.8%	114.5	1.4%	114.3	1.5%
Goods	111.2	2.7%	111.3	1.8%	111.5	2.0%
Turkey	174.5	9.8%	173.6	10.9%	171.4	10.7%
Core	169.3	9.6%	167.6	9.2%	165.6	9.1%
Goods	176.9	10.3%	176.6	12.1%	174.0	11.6%

³ Because consumer prices for Argentina are not available for the full sample period, the retail sales index is deflated with a disaggregated version of the implicit price deflator for total consumer spending.

⁴ Retail sales for India are not available at a monthly or quarterly frequency. Because India accounts for ~6% of global consumption in PPP terms (~2% at market exchange rates), we proxy real retail sales with real value added in domestic trade, available on a quarterly basis and disaggregated using standard statistical procedures.

⁵ We use the personal consumer expenditures (PCE) price index instead of the consumer price index (CPI). The PCE price index, reported by the US Department of Commerce, is the Federal Open Market Committee's preferred measure of inflation in setting monetary policy.

Definitions: Nominal retail sales deflated with disaggregated retail prices; if retail or goods prices are unavailable, the individual series are deflated using total consumer prices. Most retail series include motor vehicle sales and exclude food services. All series are seasonally and calendar adjusted. Core inflation excludes food and energy prices. Regional price indices are aggregated using fixed base Laspeyres formulas with PPP-adjusted consumption weights. (p): preliminary; (r) revised.

Source: Numera Analytics calculations based on publicly available information; current month is partly estimated for real retail sales.