

Quarterly Economic Outlook

Fourth quarter 2014

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Introduction

- One symptom of the sub-par performance of the global economy - both developed and emerging - is the stagnation of world trade over the past three years (see Figure 1). This has primarily reflected weak domestic demand in the US and Europe, but it has also had serious consequences for the export-led economies of the emerging world, particularly China. With low nominal GDP growth persisting across most major economies, I expect only a slow improvement in 2015.



- A striking feature of the next year or two will be the marked divergence in the monetary stance of central banks in the US and the UK on the one hand and Japan and the eurozone on the other. Whereas the US Federal Reserve (the Fed) and the Bank of England are both likely to be raising interest rates in 2015, the European Central Bank (ECB) and the Bank of Japan are likely to continue with asset purchases and near zero rates. One result is expected to be a strong US dollar. However, we should be careful to distinguish between rising rates because economies are returning to normal and tighter monetary policy. If commercial banks expand bank credit more rapidly, then rising rates will not mean tight money.
- After the unexpectedly sharp downturn of the US economy in Q1 2014 due to severe winter weather, US growth bounced back in Q2 and should resume a more normal trajectory in Q3. However, growth for the year will reach only 2.3%, well below the 3.0%-3.8% norm of the 1990s or early 2000s. Even so, the Fed will end its asset purchases in October. Nevertheless, with the labour market and wage growth still weak, interest rate hikes will probably be delayed until mid-2015.
- In the Euro-area, growth stalled through the summer, and although the ECB announced a series of stimulatory initiatives in early June, the initial take-up of its new lending programme (TLTROs) in September was a disappointing €86 billion. With no acceleration of broad money growth or any significant fiscal easing, the only hope of an upturn in the single currency zone depends on a substantially weaker currency. Meantime consumer prices are moving closer and closer to deflation.
- Recovery in the UK has continued to be vigorous, although there have been signs of cooling in the London housing market, and as yet real wage increases remain elusive. Inflation has surprised the consensus on the low side, but is a natural result of low rates of money and credit growth.

- The upswing in Japan prompted by 'Abenomics' in 2013 and early 2014 came to an abrupt halt in the second quarter due to the hike in the consumption tax in April. Ahead of the tax increase, spending had been very buoyant in Q4 2013 and Q1 2014, but since then spending has fallen sharply. Growth forecasts are being revised downwards and inflation is widely forecast to fall back below 2% after the temporary tax-induced rise of 2014-15.
- Private estimates of China's growth have continued to fall as exports have disappointed and fixed capital investments have slowed. At the same time the authorities had been reluctant to ease monetary policy until in mid-September the People's Bank (China's central bank) injected 500 billion yuan (or about US\$85 billion). Elsewhere in the emerging markets (EM) arena growth has remained weak, notably in the largest emerging economies of Brazil, India and Russia, which have all witnessed a slowdown in growth.

United States

US growth is at last showing signs of returning to a rate of close to 3% after several years of disappointing performance. After the disruption of -2.9% in Q1 2014 followed by a bounce back of 4.6% in Q2, I believe the pace of growth is likely to be more stable in Q3 and Q4. However, for the year as a whole the end-result is likely to be only just over 2% due to the difficulty of making up lost ground within such a short period. Another reason for this gradual return to normality is that households and financial institutions are approaching the end of balance sheet deleveraging.

The extended period of supportive monetary policy by the Fed has strengthened consumer and business fundamentals in a variety of ways: by increasing jobs, lowering unemployment, increasing housing and stock market wealth, and generally enabling households to reduce indebtedness. The pay-off is likely to come over the next few years in sustained growth of 2.5%-3.0%. Although this is below historic averages (see Figure 3), it also reduces the risk of an early end to the current business cycle expansion due to a sudden rise in inflation.

Figure 2

Inflation and growth forecasts

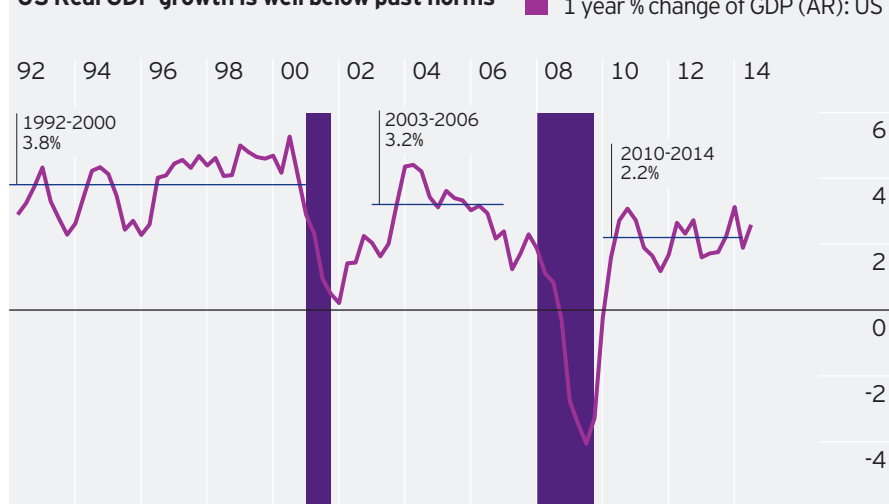
| Consensus economics | 2013 Actual | | 2014 Consensus forecast (Invesco forecast) | | | |
|---------------------|--------------|-------------------|--|-------|-------------------|-------|
| | Real GDP (%) | CPI inflation (%) | Real GDP (%) | | CPI inflation (%) | |
| US | 2.2 | 1.5 | 2.1 | (2.3) | 1.9 | (1.8) |
| EU-17 | -0.4 | 1.3 | 0.9 | (0.7) | 0.6 | (0.3) |
| UK | 1.7 | 2.6 | 3.1 | (3.1) | 1.7 | (1.7) |
| Japan | 1.5 | 0.4 | 1.2 | (0.7) | 2.8 | (2.8) |
| Australia | 2.3 | 2.4 | 3.0 | (3.0) | 2.7 | (2.8) |
| Canada | 2.0 | 1.0 | 2.3 | (2.2) | 2.0 | (1.9) |
| China | 7.7 | 2.6 | 7.4 | (7.2) | 2.4 | (2.5) |
| India | 4.7 | 9.5 | 5.5 | (5.2) | 8.1 | (7.5) |

Source: Consensus Economics, Survey date: 8 September 2014. EU-17 became EU-18 on 1 January 2014. Forecasts are subject to change without notice.

- My long-standing forecasts of sub-par economic growth and lower-than-expected inflation (especially in the developed world) remain intact. In recent months these expectations have been reflected in weak basic industrial commodity prices, especially for iron ore, coking coal and oil, and sharply weaker prices for grain, corn and soya beans. Aside from record US harvests and the shale gas revolution, the underlying reason for these developments is that over-leveraged balance sheets in the developed world have restrained both household spending and the creation of credit and money by the financial sector, slowing the economic growth rate. On the bright side, this backdrop implies excess capacity will persist for several more years, ensuring low inflation and a longer-than-normal business cycle upswing.

Figure 3

US Real GDP growth is well below past norms



Source: Datastream as at 30 September 2014.

Job growth had been averaging 226,000 per month over the six months to July, but the August figure weakened to 142,000. Judging by survey measures such as the ISM manufacturing and non-manufacturing indices hitting multi-year highs and other indicators such as strengthening consumer confidence, the August dip in employment growth is likely to prove short-lived. While house price increases have slowed in recent months, both housing starts and existing home sales have risen steadily. Mortgage rates have fallen but mortgage applications for home purchase have not increased since 2010 due to the cautiousness of the banks. After a setback in Q1, business investment recovered moderately in Q2 and orders for durable goods have been rising at around 15% p.a. in recent months. Overall the economic recovery is on track, but not exuberant. For the year as a whole I expect 2.3% real GDP growth.

On the inflation front the official figures have continued to surprise most forecasters on the downside. This is partly because most forecasters pay excessive attention to economic models that feature the output gap. This means that they rely on a theory that predicts rising inflation as soon as the gap between actual output and potential output is closed. In the view of conventional Wall Street economists, the return to near 3% growth and the sharp falls in the unemployment rate (to 6.1% in August) implies an economy with only modest ceiling room for expansion. In their view, the output gap is near to closure. Similarly they presume that when unemployment hits some level, such as 5.3%, wage inflation will rise steeply.

My own view has been very different. First, it is a well-established fact that inflation tends to fall in the first two years of a recovery. In one sense the economy has of course been recovering for longer than two years, but in another sense the recovery is only just beginning. Most of the fuel for recovery so far has been provided by the Fed, not by the commercial banks, so the standard linkages have not been operating. Second, even when the commercial banks do start expanding at a more normal pace, it will take two years before faster money and credit growth feed through to inflation. Against a background of abnormally low growth of money and credit I have long been forecasting lower than consensus rates of inflation. For the year as a whole I expect 1.8% consumer price inflation in the US.

In response to the improved economic backdrop, members of the Fed's policy-making committee (the FOMC) have moved to a less dovish stance. Although the Fed statement in September continued to say that it would be a "considerable time" before interest rates are hiked, the members confirmed the end of asset purchases in October and released a substantially higher median projection for the federal funds target rate: 3.75% in 2017. In addition, while Fed Chair Janet Yellen and her colleagues at the Jackson Hole meeting made a cautious assessment of labour market conditions, suggesting that on numerous measures they considered the underutilisation of labour resources to be significant, at the same time she and others highlighted the difficulties and uncertainties of measuring labour market slack. For example, under Yellen's "pent-up wage inflation" hypothesis, faster convergence towards the dual targets of full employment and 2% inflation was possible, requiring earlier and steeper rate hikes than market participants are expecting. Despite recent innovations such as forward guidance, these uncertainties at the intersection between monetary policy and economic conditions are likely to persist into 2015.

The eurozone

Real GDP growth for the Euro-area slowed from a creeping 0.2% quarter-on-quarter in Q1 2014 to a complete standstill (0.0%) in Q2 2014, registering only 0.7% year-on-year growth. As I wrote last quarter, the recovery is at best bumping along the bottom and given the weakness of its financial system, it remains acutely vulnerable to deflation or to a shock affecting the real side of the economy (such as an escalation of the conflict in Ukraine, or Russian-imposed limits on oil and gas shipments to Europe). The ECB view that a recovery is just around the corner has turned out to be a mirage.

From its high of 54.1 in April, Markit's composite Purchasing Managers' Index (PMI) for the eurozone slowed to 52.3 in September, the lowest level so far this year, with France (49.1) and Italy (49.9) both showing contractions. In Germany the Ifo index of business expectations has fallen from 108.8 in January to 99.3, declining for the last five consecutive months. Unlike the US or UK, unemployment has failed to decline and remains at 11.5% in the eurozone. Some have boasted that the current account is in healthy surplus, but this simply reflects very weak imports resulting from inadequate domestic demand (i.e. sub-normal spending by households, businesses and governments). Viewed correctly, the current account should be adjusted to a 'full employment equilibrium' balance, which would inevitably be substantially lower or possibly even in deficit.

Consensus expectations for real GDP growth this year have gradually been ratcheted down to just 0.9% - well below the 2.5% p.a. rate experienced between 2004 and mid-2008 before the crisis erupted in 2008-09.

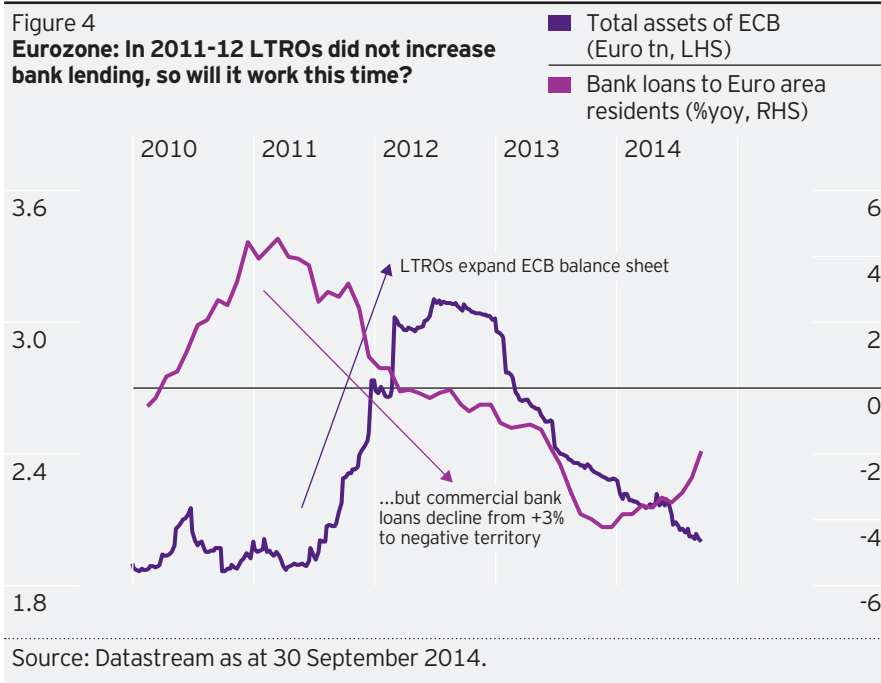
There are three broad reasons for the failure of the eurozone to resume normal economic growth in the aftermath of the financial crisis of 2008-09. First, monetary policy has been hamstrung by the refusal of the ECB's Governing Council to engage in open market purchases sufficient to ensure an adequate rate of money (M3) growth for the eurozone as a whole. This has constricted purchasing power and reduced employment and spending across the region. Second, fiscal austerity programmes by eurozone governments have provided no headroom for private sector entities (households and firms) to repair their balance sheets, crimping spending in the private sector for much longer than necessary. Thirdly, the euro has not, until recently, been allowed to depreciate sufficiently to restore competitiveness or encourage the growth of exports. Underlying these three broad failures are the structural and political flaws in the European monetary union - not enough political union to ensure decisive action when required, but too many rules and regulations to prevent rapid adaptation to a changing business environment.

Against this dismal background of weak GDP growth and inflation falling far below the ECB's 2% target, the ECB finally acted at its June meeting to implement a broad-ranging programme of expansion (explained in the third quarter outlook), and has followed that with two more sets of measures. First there was a further surprise cut in interest rates, including shifting to negative the deposit rate that the ECB pays banks on funds left with it above the reserve requirement. In addition the ECB announced its intention to buy asset-backed securities and covered bonds.

In practical terms the first TLTRO (Targeted Longer-Term Refinancing Operations) has fallen far short of market expectations. Initial gross take-up was just €82.6 billion of loans less €19.8 billion of LTRO repayments, giving a net of €62.8 billion. This compares with the €150 billion that analysts had forecast. With its current balance sheet of just under €2 trillion this means that the ECB will need to do far more to achieve its target size of €3 trillion last seen in 2012. Moreover, there remains much hesitation about embarking on purchases of ABS or covered bonds, let alone starting on full scale asset purchases of sovereign debt.

Furthermore, it would be a mistake to think that ECB balance sheet expansion was an end in itself. The whole purpose of conducting these operations should be to encourage the expansion of commercial bank balance sheets, whether by lending or security purchases. Unfortunately the ECB's programmes have, in this respect, been poorly designed. In 2011-12, for example, when President Draghi's original LTROs were conducted, far from increasing their lending, Euro-area commercial banks contracted their loan books (see Figure 4). Perhaps the only major success so far has been the effect of these activities on the Euro itself, causing it to depreciate from US\$1.39 on 7 May to US\$1.26 (as at 30 September 2014).

Figure 4
Eurozone: In 2011-12 LTROs did not increase bank lending, so will it work this time?



Source: Datastream as at 30 September 2014.

Unless the ECB is successful, the risk of falling into deflation remains acute. To avoid deflation the ECB must encourage much more currency depreciation, and/or ensure much faster growth of money and credit. I forecast the inflation rate will approach zero by year end, falling into deflation in early 2015 - unless there is a very sharp depreciation of the euro in the meantime.

United Kingdom

The recovery of the UK economy continued in the third quarter of 2014, with numerous indicators suggesting that the UK's recovery is stronger than any other leading developed economy. For example, the PMI for manufacturing in August recorded 59.3, well ahead of any Euro-area economies, ahead of Japan, and even slightly ahead of the US. In fact the recent pace of growth enabled the UK to exceed for the first time its pre-recession level of real GDP in 2014 Q2 (based on the unrevised GDP data).

Specifically, Q2 2014 saw real GDP growth of 0.8% quarter-on-quarter, reaching 3.2% year-on-year, and expectations remain firm for the remainder of the year. Private consumption spending also expanded by 0.8% over the quarter, and this has been echoed in continuing strong growth of retail sales (up 5.0% year-on-year in volume terms in the three months to May). Meanwhile fixed capital formation expanded by 2.4% in Q1, showing that the recovery is by no means limited to consumer spending only. In effect the economy is firing on all cylinders, with manufacturing, services and construction all growing strongly.

The only slightly negative notes came from the risk of a 'Yes' vote in the Scottish referendum and from some cooling in the London property market.

The Scottish referendum led to a brief sell-off in sterling and in the shares of some Scottish companies, together with some capital flight in the form of deposit transfers south of the border and businesses considering re-domiciling their headquarters to England. In the event of a 'Yes' vote there was a distinct possibility of prolonged and contentious negotiations over the exact terms of independence, similar to the highly damaging Sino-British negotiations over the future of Hong Kong in the early 1980s. Fortunately, from a business viewpoint the outcome on 18 September was a clear 'No' vote, in effect a decision to remain in the UK by a margin of 55%-45%, allowing sterling and Scottish stocks to recover. Nevertheless there will be some transfer of tax and spending powers from Westminster to the parliament in Holyrood, a process which is likely to raise difficult constitutional issues for the UK political system.

The softening of house prices in London, where Hometrack reported the first fall in house prices for two years following increases of 25% over the past year, represents the first signs that macro-prudential measures taken earlier in the year by the Bank of England were starting to take effect. To cool the housing market the Bank of England's Financial Policy Committee had introduced macro-prudential restraints on mortgage loan-to-income ratios and required banks to stress-test householders' ability to repay in the event of interest rate hikes. Even so, across the country at large the housing market has continued to show strong buoyancy with the Nationwide index of house prices increasing 11.0% in the year to August, although most of the price increases have been concentrated in London and the South-East of England.

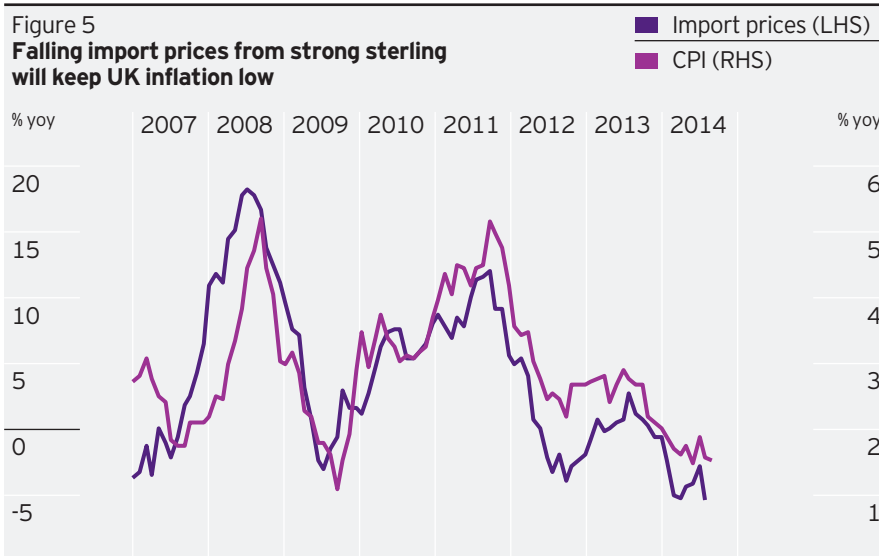
Progress in the labour market has been particularly encouraging with 30.61 million people in work in the three months May-July, up 774,000 over the previous year. This implies a rise in the employment rate to 73%. At the same time unemployment has fallen rapidly to 6.2%, below the level at which the Bank of England's Monetary Policy Committee had previously said they would start to consider raising interest rates.

Looking ahead the pace of economic growth is unlikely to accelerate much from here, but a range of surveys and indicators suggest that the growth will be maintained at close to 3.0%. Low rates of money and credit growth over the past two years combined with the strength of sterling over the past few months will ensure that import prices continue to fall and that inflation remains low through 2014 and 2015 (Figure 5).

Turning to monetary policy, the Bank of England's once clear forward guidance has been overtaken by a series of mixed messages not only from MPC members, including two members voting for early rate increases, but also from the Governor himself. After abandoning the 7% unemployment threshold for considering rate hikes in February (in favour of a set of eighteen indicators) but promising that rates would stay low for an extended period, the strength of the economy has forced a recent volte-face. In June, Governor Carney advised that rates could rise by year end. Inevitably this chopping and changing has clouded the Bank's message in the eyes of market participants. Forward guidance now means little more than that the Bank will rely on its own discretion in assessing the timing of rate hikes. Market expectations suggest a rate hike as early as year end, but certainly by mid-2015.

For this calendar year I now expect 3.1% real GDP growth and 1.7% CPI inflation.

Figure 5
Falling import prices from strong sterling
will keep UK inflation low



Source: Datastream as at 30 September 2014.

Japan

In Japan doubts are beginning to arise about all three 'arrows' of 'Abenomics'. First, on the monetary front, although the Bank of Japan is vigorously expanding its balance sheet with a target of doubling its size by the fiscal year end (compared with March 2013), the problem is that the commercial banks are not actively increasing their portfolios of loans enough to offset the decline in their holdings of securities. As a result, broad money growth (M2) has been slowing down in recent months, falling from 4.2% year-on-year in December to 3.0% in August. Since it is broad money, not the Bank of Japan's balance sheet that will determine inflation, it now seems highly unlikely that the authorities will achieve their 2% inflation target. So far most of the inflation can be attributed to the weaker yen and higher imported commodity prices - especially energy products and food items - not stronger domestic demand. This means that after adjustment for the consumption tax, a weaker yen and imported food or energy prices, the 2% inflation target is looking unattainable. I expect 2.8% for the year as a whole (including the tax hike), but a decline below 2% in 2015.

Second, concerning the second 'arrow' of fiscal policy, policy turned restrictive this year after an expansion in Prime Minister Abe's first year. Following the imposition of a 3% increase in the consumption tax on 1 April, household spending has slowed abruptly. The critical question is when will Japan return to a more normal growth rate? In a low growth economy like Japan the effect of a 3% tax hike will not just be temporary: unless incomes grow steadily a permanent tax hike could lead to reduced consumer spending for a very prolonged period. In July and August retail sales for department stores, supermarkets and convenience stores were still falling in reaction to the tax hike, but the real test of the policy will be whether the economy returns to a sustainable trajectory over the coming months. Consensus estimates forecast year-on-year declines in consumer spending until Q2 2015.

The decline in consumer spending was so great in the April-June quarter that overall real GDP declined at a 10.7% annual rate as consumers stayed away from department stores and supermarkets. Vehicle sales plunged, while industrial production fell 5.3% between March and July. Consensus estimates of overall real GDP suggest growth rates of 1.2%-1.3% only in 2014 and 2015. For the year 2014 as a whole I expect 0.7% real GDP growth.

As for the third 'arrow', structural reform, despite long lists of plans and forecasts generated by government departments as well as by Prime Minister Abe's closest advisers, very little of substance has yet been implemented. The problem is that vested interests such as the farmers or truckers or certain groups of professionals have built strong political lobbies, and the Prime Minister has not felt able to confront them. As a result, on each occasion that reforms have been mooted, the administration has ended by backing away.

Moreover, the deterioration of the external trade and current accounts is continuing to act as a drag on growth. This is due mainly to increased imports of oil and gas to replace the power lost from Japan's nuclear energy providers whose plants were closed down following the tsunami damage to the plant at Fukushima. Despite the yen's 30% depreciation against the US dollar, the current account has switched from a surplus of 4% of GDP in 2010 to deficits since 2012, and is now running at about minus 1% of GDP. Meanwhile the trade balance has also switched to large and persistent deficits.

Meantime wages (+2.3% year-on-year in July) and personal incomes (-1.7% in July) are giving divergent signals, possibly the result of temporary imported inflation (Figure 6), followed by a resumption of weak domestic spending and growth as inflation subsides again.

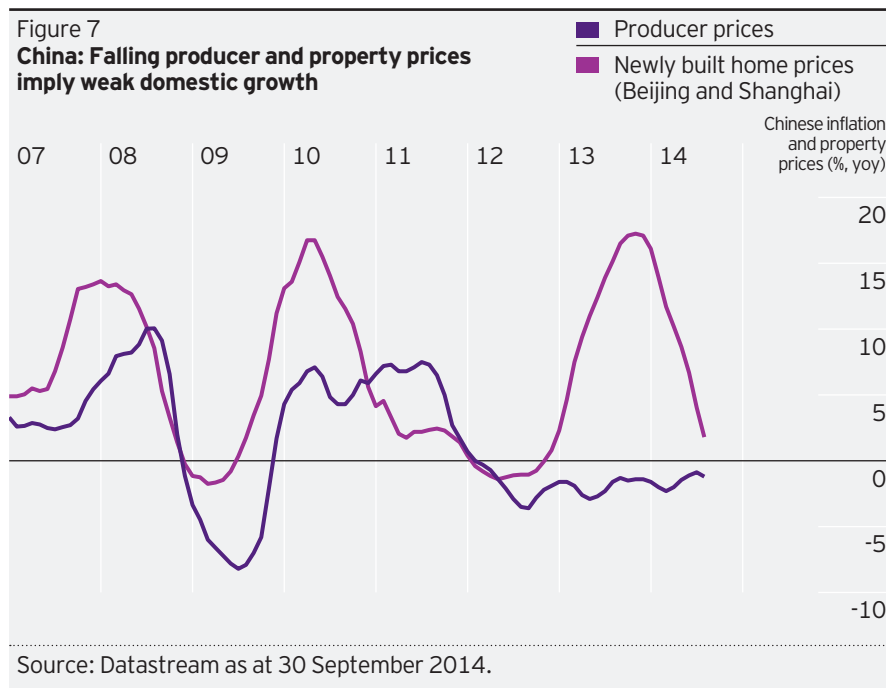
On the monetary policy front the Bank of Japan has refrained from any significant action since it announced two enhanced lending schemes early in the year. Since then there have been few signs that commercial bank lending has picked up much, but the whole period has been disrupted by the surge and then the slump in consumer spending in reaction to the consumption tax hike. Most recently the yen has weakened to 109 versus the US dollar, a move that will add to inflation but further undermine consumer spending. In this atmosphere of uncertainty, the authorities have understandably announced that if growth were to weaken persistently they would be prepared to adopt further easing measures, although nothing specific has been announced as yet.



China and non-Japan Asia

Growth of the Chinese economy remained subdued in the first half of 2014 as policymakers tried to support the economy with modest fine-tuning measures on the one hand while not engaging in large-scale stimulus measures on the other. Among the easing moves the deliberate depreciation of the Chinese yuan from around 6.05 per US dollar in January to 6.25 in April and May was probably the most important. There were also two mini-fiscal stimulus programmes, and in September the People's Bank (China's central bank) injected 500 billion yuan into the five largest state-owned banks. Since May the currency has resumed an upward track, strengthening to 6.12 versus the US dollar, but the prospects for a sustained recovery of exports depend more on the revival of overseas demand than anything the Chinese government can do in the short term. On that score the recent export data have been slightly better, with the three-month moving average of export growth (in US\$ terms) reaching 10.4% in August after a prolonged period of low single-digit growth.

At home the housing market has weakened from its recent peak in 2013 (see Figure 7), exacerbated by excess capacity problems. For example, in five second-tier cities the inventory of unsold properties (measured by floor area) increased by 46% year-on-year in August. In various parts of the manufacturing industry, excess capacity problems have also persisted, adding to credit risks in the banking system. In addition, financial reports from banks have suggested that credit risks of small- and medium-sized enterprises (SMEs) have increased as a result of the economic slowdown.



Although official GDP figures for the Chinese economy imply that growth continues at a smooth 7.5% in real terms, numerous indicators suggest that underlying or true growth is significantly lower. In particular the LKQ indicator of GDP (a weighted average of electricity consumption, freight traffic and real loan growth, and named after Premier Li Ke-Qiang who previously advocated its use) has slowed to below 5%.

I expect China's official real GDP to continue to soften towards 7% by year end (averaging 7.2% for 2014), while CPI inflation will remain calm at 2.5% for the year as a whole.

The remainder of non-Japan Asia is suffering from the same weakness in world trade that has been holding back China's export engine. However, with only a few exceptions (such as India, Indonesia and possibly Korea) the regional economies do not have large enough domestic markets to provide a countervailing locomotive effect. Consequently the entire region is watching and waiting for progress in the developed economies, and especially the eurozone to begin a more vigorous upturn.

Commodities

Readers of this report will know that I have been bearish on the outlook for commodity prices for the past year. The second and third quarters of 2014 have been notable for further falls in iron ore prices (from US\$113 to US\$90 per metric ton), Australian coking coal and the oil price (see Figure 8). These basic industrial commodities reflect weak economic activity in China, other emerging economies and the Euro-area. In addition, cereal prices (for corn, soya-beans and grain) have been weak reflecting the bumper harvest in the United States. Finally, precious metal prices have been weakening with the gold price falling from US\$1,320 in July to US\$1,215 per ounce in late September. This is all consistent with the relative softness of global demand resulting from the sub-par growth of major economies and the adjustment of the emerging economies - especially the 'fragile five' - following their shake-out last year at the time of the infamous 'taper tantrum'.



It speaks volumes for the weakness of global demand that even the conflicts and supply disruptions due to the advance of jihadist ISIS in the Middle East and increased geopolitical risks in Ukraine have not been sufficient to keep the oil price elevated. Although central banks have been promoting faster credit and money growth with near-zero interest rates and asset purchases, my view has been that as long as balance sheet repair remains the order of the day among commercial banks and their customers, then rapid growth of credit sufficient to fuel mass purchasing power will not happen. This diagnosis remains intact. A broad surge in commodity prices is neither imminent nor likely.

Conclusion

In the financial markets there is a widespread misunderstanding about the stance of monetary policy. Most economists and analysts tend to judge monetary policy by the level or direction of interest rate changes. However, interest rates are not a good measure of the stance of monetary policy. If monetary policy (i.e. monetary growth) is eased, interest rates will fall initially, but later, after the economy recovers and inflation rises, rates will rise. The longer term and more important effect (the 'Fisher effect') of easy money is higher rates not lower rates.

Conversely, if monetary policy is tightened interest rates will rise initially, but then after the economy has slowed and inflation has fallen, interest rates will fall. So the longer term and more important effect of tightening monetary policy is lower rates not higher rates. That is why interest rates today are highest in countries like Argentina and Venezuela, and why interest rates are lowest in countries like Japan and the eurozone.

It follows that what is needed to avoid deflation is faster growth of the quantity of money. It is not enough simply to lower interest rates to zero (e.g. by following market rates downwards), especially if that means money growth remains anaemic – yet that is precisely what we see for example in the eurozone today. The low interest rates in the Euro-area and in Japan are the result of the second phase of a prolonged period of tight money policy – that is slow money growth. It is hardly surprising that in these circumstances the Euro-area is struggling to avoid deflation, while Japan is struggling to escape it.

More broadly, near-zero central bank interest rates have been temporarily effective in promoting equity and other risk asset prices, but because broad money and credit have not yet accelerated to anything close to pre-crisis rates, the central banks' policies have not yet been effective in ensuring repair of private sector balance sheets or restoring normal growth. For that we need faster growth of money and credit. On this basis it will be a several years before the business cycle and asset prices peak.

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30 September 2014

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