

Charts of the Week: Oil Consuming

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Oil Consuming

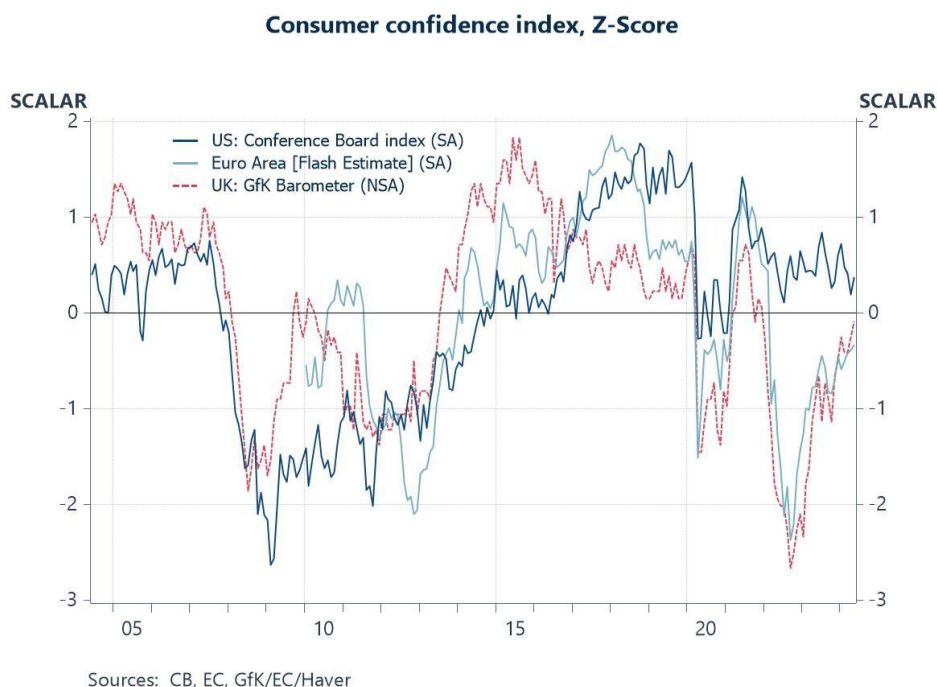
Expectations about when exactly central banks will begin an easing cycle have remained a dominant driver of financial market trends in recent weeks. But in the background to this, heightened enthusiasm for the rollout of Artificial Intelligence infrastructure, reinforced by stellar corporate earnings reports, have additionally contributed to an upbeat mood. In our charts this week we review the messages from the US and European consumer confidence reports that have been released over the past few days (chart 1). Key messages from those reports concern the big role that energy price fluctuations have played for confidence in recent months (chart 2). European consumers also now seem much happier, a message that chimes with the message from this week's broad money supply data for the euro area as well (chart 3). Labour market activity, nevertheless, has continued to slow in many of the world's major economies according to high frequency data, a factor that could impinge on the outlook for consumer spending going forward (chart 4). Taking a step back from cyclical matters, we look next at the deterioration in the UK's net direct investment position in light of the heavy focus on the economy's predicament during the current general election campaign (chart 5). Finally, and against current global concerns about China's industrial policies, we look at some sector-specific export trends in China and the recent pace of deflation in its export prices (chart 6).

Consumer confidence in the US and Europe

Latest survey data for May reveal that consumer confidence has staged a big recovery in recent months in both the euro area and the UK and is now approaching longer-term (20-year) averages. US confidence

(based on the Conference Board survey), in contrast, has been far more resilient over recent months, but still well below its pre-pandemic level.

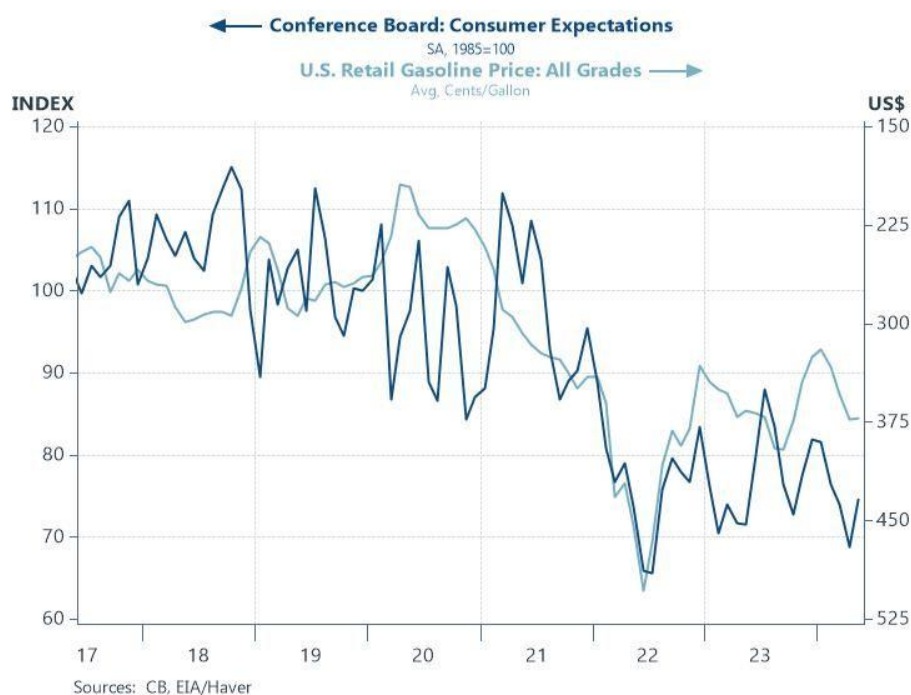
Chart 1: Consumer confidence in the US, euro area and UK



US consumer confidence and energy prices

Energy price fluctuations have continued to be a key driver of consumer confidence, particularly in the United States (see chart 2). That's probably because broader gauges of inflation expectations – and thus cost-of-living challenges – appear to be heavily swayed by the price of oil.

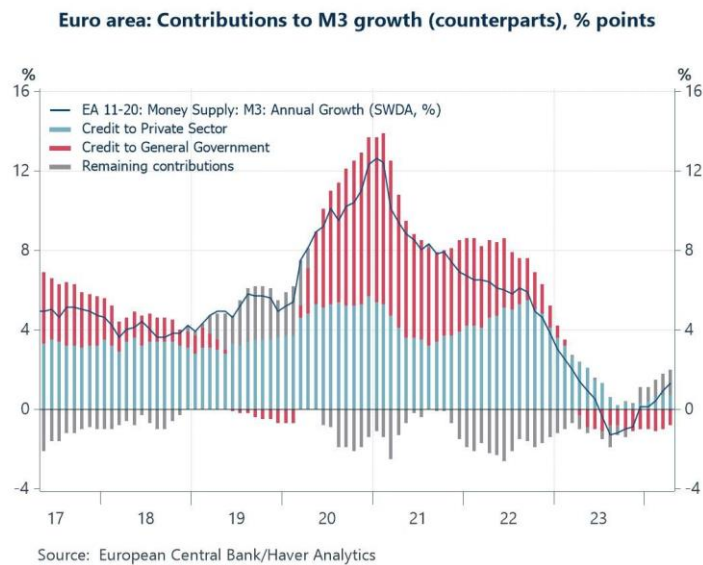
Chart 2: US consumer confidence versus gasoline prices (inverted)



Euro area credit conditions

The revival in consumer confidence in the euro area has also found an echo in several high-profile data points in recent weeks, including this week's broad money supply data for April. Specifically the broad M3 aggregate increased by 1.3% y/y in April after 0.9% in March. The underlying details, however, suggested that private sector credit growth remains very weak, slowing to 0.7% y/y in April, from 0.8% in March. The absence of much recovery in this component arguably suggests that the ECB's monetary policy is hampering the provision of credit in the broader economy. As such it should not stand in the way of a likely interest rate cut at the ECB's policy meeting next week.

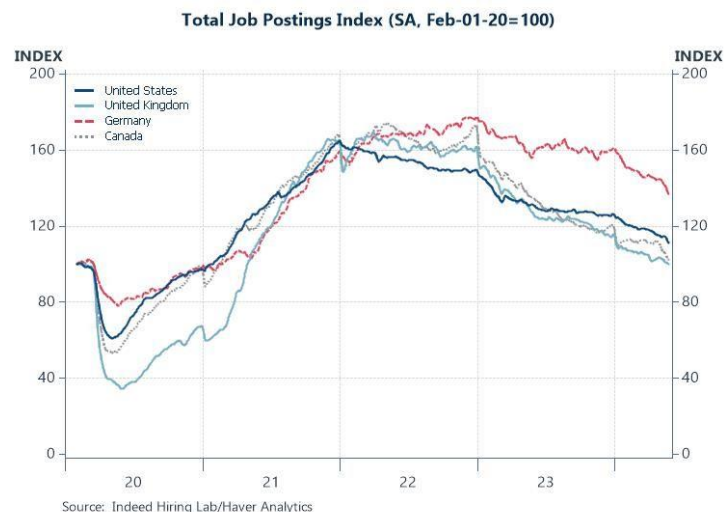
Chart 3: Euro area M3 growth and its counterpart contributions



Labour markets in the US, Europe and Canada

High frequency data from the hiring company Indeed suggest that labour market activity has been cooling in many of the major economies for some time (see chart 4). The latest data also suggest that the global trend toward declining job postings that began in 2023 has gathered pace over the past few weeks.

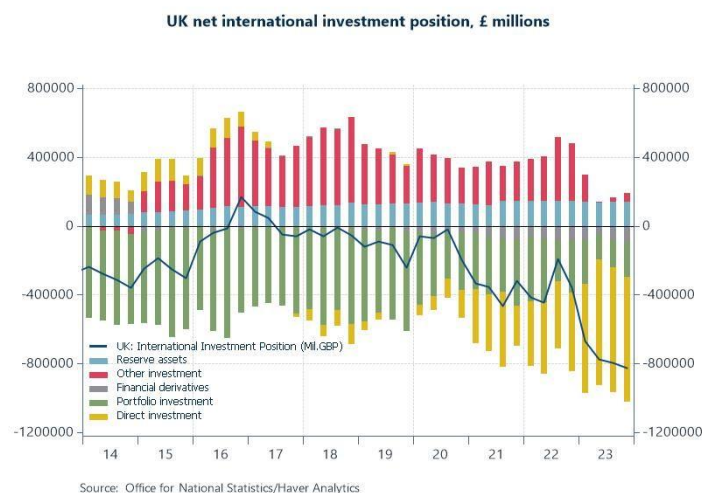
Chart 4: Job postings in the US, UK, Germany and Canada



The UK's net international investment position

The sharp deterioration in the UK economy's net international investment position in recent years has been noteworthy not least given the intense focus on the UK's economic performance over recent years during the current election campaign. A key factor driving this deterioration has been direct investment flows, specifically via a significant increase in capital outflows. Slower economic growth, coupled with high levels of political uncertainty in the UK relative to other major economies, may have contributed to this by reducing the relative attractiveness of UK assets compared with elsewhere.

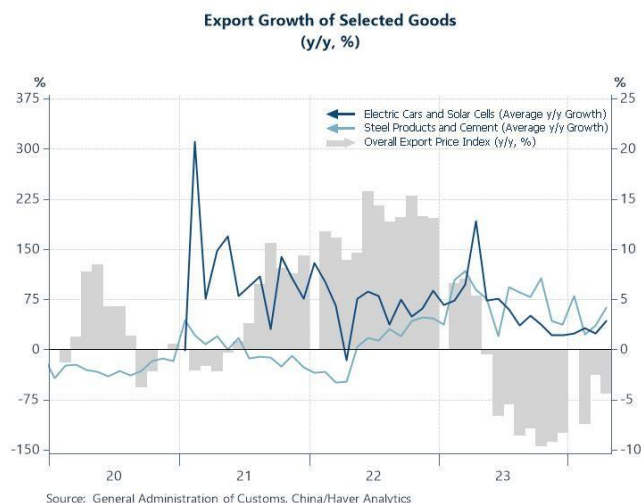
Chart 5: The UK's net international investment position



China and industrial policy

There has been a significant focus of late on China's overcapacity issues, particularly regarding its export practices in certain sectors. The export volumes of specific products from China have certainly shown robust growth rates over the past few years, raising discussions about whether these trends reflect policies designed to offload its excess capacity onto global markets. For instance, in April, the export volumes of electric cars from China surged by 70% y/y, while cement exports saw an even more substantial increase of 103%. Similarly, double-digit growth in export volumes have been chalked up by other goods such as solar panels and steel products, albeit at slightly lower rates. Despite the sustained surge in export volumes for these products, China's overall export prices have declined during the same period. This has sparked a debate about whether China might also be exporting deflation to the rest of the world.

Chart 6: Export growth of selected goods in China versus export price inflation



About the author



Haver Analytics is pleased to bring [Andrew Cates's](#) commentaries on the state of the global economy to its clients.

Andy Cates has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units.

He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Data featured in this commentary:

Chart 1: Consumer confidence in the US, euro area and UK

Series 1: [zs\(CCIN@USECON\)](#) [Conference Board: Consumer Confidence (SA, 1985=100)]

Series 2: [zs\(E025CF@EUDATA\)](#) [EA16-20: Consumer Confidence Indicator, Percent Balance [Flash Estimate] (SA, %)]

Series 3: [zs\(UGFCI@UK\)](#) [UK: GfK Consumer Confidence Barometer (NSA, % Bal)]

Chart 2: US consumer confidence versus gasoline prices (inverted)

Series 1: [CCIN@USECON](#) [Conference Board: Consumer Expectations (SA, 1985=100)]

Series 2: [PZAGUS@USECON](#) [U.S. Retail Gasoline Price: All Grades (Avg, Cents/Gallon)]

Chart 3: Euro area M3 growth and its counterpart contributions

Series 1: [M0233FST@EUDATA](#) [EA 11-20: Money Supply: M3: Annual Growth (SWDA, %)]

Series 2: [M0233PST@EUDATA](#) [EA 11-20: Contributions to M3 Ann Growth: Credit to Private Sector(SWDA, % Pts)]

Series 3: [M0233GGT@EUDATA](#) [EA 11-20: Contributions to M3 Ann Growth: Credit to General Gov (SWDA,% Points)]

Series 4: (([M0233RMT@EUDATA](#) + [M0233LTT@EUDATA](#)) + [M0233EXT@EUDATA](#))

[M0233RMT@EUDATA](#) [EA 11-20: Contributions to M3 Ann Growth: Remaining Contributions (SWDA, % Pts)]

[M0233LTT@EUDATA](#) [EA 11-20: Contributions to M3 Ann Growth: LT Financial Liabilities(SWDA, % Pts)]

[M0233EXT@EUDATA](#) [EA 11-20: Contributions to M3 Annual Growth: Net External Assets (SWDA,% Points)]

Chart 4: Job postings in the US, UK, Germany and Canada

Series 1: [J111PI@INTDAILY](#) [United States: Total Job Postings Index (SA, Feb-01-20=100)]

Series 2: [J112PI@INTDAILY](#) [United Kingdom: Total Job Postings Index (SA, Feb-01-20=100)]

Series 3: [J134PI@INTDAILY](#) [Germany: Total Job Postings Index (SA, Feb-01-20=100)]

Series 4: [J156PI@INTDAILY](#) [Canada: Total Job Postings Index (SA, Feb-01-20=100)]

Chart 5: The UK's net international investment position

Series 1: [HBQCQ@UK](#) [UK: International Investment Position (NSA, EOP, Mil.GBP)]

Series 2: [LTEBQ@UK](#) [UK: IIP: Net Reserve Assets (NSA, EOP, Mil.GBP)]

Series 3: [CGNGQ@UK](#) [UK: IIP: Net Other Investment (NSA, EOP, Mil.GBP)]

Series 4: [JX98Q@UK](#) [UK: IIP: Net Position: Fin Deriv & Employee Stocks Options (NSA, EOP, Mil.GBP)]

Series 5: [CGNHQ@UK](#) [UK: IIP: Net Portfolio Investment (NSA, EOP, Mil.GBP)]

Series 6: [MU7OQ@UK](#) [UK: IIP: Net Direct Investment (NSA, EOP, Mil.GBP)]

Chart 6: Export growth of selected goods in China versus export price inflation

Series 1: (([yrr% \(N924IJHC@EMERGEPR\)](#) + [yrr% \(N924IJ8F@EMERGEPR\)](#)) / 2)

[N924IJHC@EMERGEPR](#) [China: Exports: Solar Cell (NSA, Mil.Units)]

[N924IJ8F@EMERGEPR](#) [China: Exports: Electric Cars (NSA, Thous.Metric Tons)]

Series 2: $((\text{yryr}(\text{N924IJC8@EMERGEPR}) + \text{yryr}(\text{N924IJB9@EMERGEPR})) / 2)$
N924IJC8@EMERGEPR [China: Exports: Steel Products (NSA, Thous.Metric Tons)]
N924IJB9@EMERGEPR [China: Exports: Cement (NSA, Thous.Metric Tons)]
Series 3: $\text{yryr}(\text{N924PFXI@EMERGEPR})$
N924PFXI@EMERGEPR [China: Export Price Index (NSA, 2010=100)]

For more info on our data offerings please email sales@haver.com

