

Monday, 09 April 2012

## Weekly Update

### Headlines

- [Japan to hold talks with China on IMF contributions](#). *Reuters.com, 07 Apr 2012*
- [China's big banks lend nearly 300 billion yuan in March: paper](#). *Reuters.com, 07 Apr 2012*
- [Swan says Australian budget surplus goal is correct strategy](#). *Bloomberg.com, 08 Apr 2012*
- [Prices probably rose at a slower pace: US economy preview](#). *Bloomberg.com, 08 Apr 2012*

### Weekly Review (for week ending 06 April 2012)

#### ■ Eurozone manufacturing contracts again in March

Weak European manufacturing data reflected a growing divide between the economic outlooks of the US and the eurozone. Manufacturing strengthened in the US and China in March. It contracted in the eurozone for an eighth straight month and at a faster pace in March, adding to signs the bloc is in recession as the downturn spread to core members France and Germany. Markit's Eurozone Manufacturing PMI dropped to 47.7 in March from 49.0 in February, in line with a preliminary reading. It has been below the 50 mark since August. Earlier data from Germany showed its manufacturing sector contracted last month and it was a similar story in France.

#### ■ Eurozone unemployment reaches near 15-year high

Unemployment in the eurozone reached its highest level in almost 15 years in February, with more than 17 million people jobless, and economists said they expected unemployment to continue higher. Joblessness in the 17-nation currency zone rose to 10.8%, being 0.1% worse than in January. Economists are divided over the wisdom of European governments' drive to bring down fiscal deficits so aggressively as economic troubles hit tax revenues, consumers' spending power and business confidence which collapsed late last year.

#### ■ Spanish unemployment hits record high in March

Spanish unemployed climbed by 0.82% for the eighth straight month in March to a new record high from the previous month to reach 4.75 million, the highest figure since the current statistical series began in 1996. The Spanish economy, the eurozone's fourth largest, is still reeling from the collapse of a labour-intensive property bubble in 2008 which destroyed millions of jobs. The government expects the unemployment rate - already the highest in the industrialised world - to surge to 24.3% this year.

#### ■ China's economy may have grown 8.4% in Q1

China's economy may have expanded about 8.4% in the first quarter, the least since the first half of 2009, according to an estimate given by an official 10 days before the data are due. The growth figure compares with the 8.3% median estimate of 28 economists surveyed by Bloomberg News. The fifth straight slowdown in quarterly growth will underscore concerns that weakness in the Chinese economy is set to limit a global expansion already capped by Europe's austerity measures. Premier Wen Jiabao pared this year's GDP target to 7.5% from an 8% goal in place since 2005. He announced, on March 5, government plans to tilt growth toward consumption and away from exports.

#### ■ Britain's economy stages modest rebound in Q1

The British Chambers of Commerce (BCC) said Tuesday its latest quarterly economic survey of nearly 8,000 businesses pointed to 0.3% Q1 growth, a shade above economists' consensus. But growth for the rest of the year was likely to disappoint, totalling just 0.6% for 2012 as a whole. The first quarter was nonetheless a recovery with the economy having contracted by 0.3% in Q4 of 2011, prompting fears the UK might slip into recession. Export growth is outpacing that of domestic demand, something that is likely to please the government and the Bank of England as they seek to rebalance Britain's economy away from its past reliance on public spending and consumer demand.

#### ■ S'pore's March PMI bodes well for manufacturing

Last month's PMI reading of 50.2, slipped from February's 50.4 but remained in the expansion zone for a second straight month. The fairly encouraging PMI in March augurs well for the manufacturing sector, with demand now expected to creep back up in coming months. The data on Singapore's industrial sector comes shortly after manufacturing output growth disappointed expectations in February.

#### ■ US dollar soars as "hawkish" FOMC Minutes dampen QE3 hopes

The release of FOMC minutes did not rule out more QE as the Fed remained concerned about downside risks but the minutes did suggest that the Fed may be holding off more monetary stimulus unless the US economy growth pace weakens or inflation rate slows below the 2% target. The dampened expectation of QE3 led the US stock markets lower and the US dollar soared against the major currencies.

#### ■ China March HSBC services PMI at 53.3, firms upbeat

The HSBC Services PMI stood at 53.3 in March, down slightly from February's 53.9, but still signalling healthy growth, extending its expansion for 40 months. The upbeat survey echoes China's official non-manufacturing PMI, which delivered a reading of 58 for March on Tuesday with a revised methodology that saw February's index revised up to 57.3 from a previous level of 48.4 under the old calculation.

#### ■ Downside surprise to US jobs data fuels rising anxiety about the pace of economic growth

Jobless claims fell 6,000 to 357,000 in the week ended March 31, the fewest since April 2008, the Labour Department reported Thursday. The median forecast of 43 economists in a Bloomberg survey estimated a decrease to 355,000. On Friday, data showed non-farm payroll employment rose by 120,000 in March, and the unemployment rate was little changed at 8.2%. This was the fewest in five months and less than the median economist forecast of 205,000 in a Bloomberg survey. The amount had exceeded 200,000 for three straight months.

## Market Snapshot

Selected Equity Indices	Last (Apr 6)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,060.14	-1.15%	6.90%
S&P 500 Index	1,398.08	-0.74%	11.17%
FTSE 100 Index	5,723.67	-0.78%	2.72%
Euro Stoxx 50	2,392.54	-3.42%	3.28%
Nikkei 225	9,688.45	-3.92%	14.58%
Hang Seng Index	20,593.00	0.18%	11.71%
Shanghai SE Composite	2,306.55	1.93%	4.87%
BSE Sensex Index	17,486.02	0.47%	13.14%
Straits Times Index	2,986.20	-0.81%	12.84%

Source: Bloomberg

## Week Ahead

Economic Calendar (Selected Events)				
Mon, Apr 9	Tue, Apr 10	Wed, Apr 11	Thu, Apr 12	Fri, Apr 13
		Import and Export Prices	<i>International Trade</i>	<i>Consumer Price Index</i>
		EIA Petroleum Status Report	<i>Jobless Claims</i>	Consumer Sentiment
		Beige Book	<i>Producer Price Index</i>	
		Treasury Budget		

*Red: Market moving indicator*

Black: Merits extra attention

Source: Bloomberg



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