

Headlines

- [ECB's Asmussen: inflation to ease below 2% next year](#). *Reuters.com*, 06 Oct 2012
- [Single eurozone budget gains momentum ahead of summit](#). *Reuters.com*, 07 Oct 2012
- [Cameron says UK economy is rebalancing toward private sector](#). *Bloomberg.com*, 07 Oct 2012
- [Singapore can be hub for New Zealand, says PM Lee](#). *ChannelNewsAsia.com*, 07 Oct 2012

Weekly Review (for week ending 05 October 2012)

■ China's manufacturing contracts for second month

China's manufacturing contracted a second month for the first time since 2009, a government survey indicated, increasing pressure for measures to reverse a deepening economic slowdown. The Purchasing Managers' Index was 49.8 in September after a 49.2 reading in August, the National Bureau of Statistics and China Federation of Logistics and Purchasing said Monday. The median forecast in a Bloomberg survey was for 50.1. Weak external demand is putting heavy pressure on Chinese manufacturers, especially exporters. The central bank has held off from adding to interest rates cuts in June and July, partly on concern housing prices will rebound.

■ Eurozone unemployment rate rises to record 11.4% on crisis

The unemployment rate in the euro area reached the highest on record since the data series started in 1995, as the festering debt crisis pushed the economy toward a recession, prompting companies to cut jobs. Unemployment in the economy of the 17 nations using the euro was 11.4% in August, the same as in June and July after those months' figures were revised higher, the EU's statistics office said Monday. Data showed that 18.2 million people were unemployed in September, up 34,000 from the previous month.

■ Singapore's PMI shrinks again to open technical recession door

Singapore's manufacturing sector contracted for the third straight month in September, raising concerns the economy may slip into a technical recession in Q3. Singapore's PMI slipped deeper into negative territory last month, dropping to 48.7 in September from August's 49.1. The latest data also showed a weaker electronics sector and a decline in new orders from both domestic and overseas markets. Singapore's GDP contracted by 0.7% q/q in Q2. Should the economy contract in Q3, the country will slip into a technical recession.

■ Australia cuts interest rates to 3.25%

Australia's central bank cut interest rates to 3.25%, warning that the growth outlook for next year had weakened. The RBA slashed 0.25% off the cash rate, taking it to lows not seen since October 2009, when it first resumed hiking them after the world downturn. Governor Glenn Stevens said that global weakness was weighing on the outlook, with Europe contracting and the United States only seeing modest growth, and "growth in China has also slowed, and uncertainty about near-term prospects is greater than it was some months ago".

■ China's services PMI hits 2-year low

China's normally robust services sector weakened sharply last month to its lowest point since November 2010, as slow growth in manufacturing finally began to feed through to the rest of the economy. The official services PMI for the sector fell to 53.7 in September from 56.3 in August, weighed by weakened construction services and transport as well as lacklustre new orders overall.

■ IMF chief economist says crisis will last a decade

The world economy will take at least 10 years to emerge from the financial crisis that began in 2008, the IMF's Chief Economist Olivier Blanchard said in an interview published on Wednesday. Blanchard, in an interview conducted on September 18, said that Germany would have to accept higher inflation and a real strengthening of its purchasing power as part of the solution to Europe's problems. Adjustments necessary in the eurozone require a decrease in prices in the indebted southern half and a rise in prices in core countries. For the ECB to maintain a 2% inflation for the bloc as a whole, core states would have to have inflation rates of higher than 2%, something strongly resisted in Germany. On the debt crisis, Blanchard said that debt reductions were unavoidable, but it should be done without stifling growth, walking on a "narrow middle path". It's not yet a lost decade, but it will take a decade for the world economy to get back to shape.

■ Spain deterred from bailout request as EU questions deficit plan

Spain has been deterred from triggering the EU's rescue mechanisms because of concerns about how, and even whether, the process would work, Deputy PM Saenz said. Rehn, the European commissioner in charge of policing budget rules, told Spanish officials their plans to reduce the budget shortfall to 4.5% of GDP next year are based on excessively optimistic assumptions about economic growth.

■ US consumer credit jumps \$18.12 billion in August

Consumer credit in the US rose \$18.12 billion in August, more than forecast, after a revised \$2.5 billion decrease in July. Consumers took advantage of declining interest rates to buy vehicles, while higher gasoline prices helped push up the value of their credit-card borrowing. At the same time, job gains may be giving households enough confidence to spend.

■ US unemployment declines to 7.8%; 114,000 jobs added

The jobless rate in the US unexpectedly fell to 7.8% in September, giving President Obama's re-election campaign a boost a month before the election. The unemployment rate dropped from 8.1% to the lowest level since Obama took office in January 2009, and hourly earnings climbed more than forecast. The economy added 114,000 workers in September after an upwardly revised 142,000 gain in August.

Market Snapshot

Selected Equity Indices	Last (Oct 5)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,610.15	1.29%	11.40%
S&P 500 Index	1,460.93	1.41%	16.17%
FTSE 100 Index	5,871.02	2.25%	5.36%
Euro Stoxx 50	2,531.21	3.14%	9.27%
Nikkei 225	8,863.30	-0.08%	4.82%
Hang Seng Index	21,012.38	0.83%	13.98%
Shanghai SE Composite	2,086.17	0.00%	-5.15%
BSE Sensex Index	18,938.46	0.94%	22.54%
Straits Times Index	3,107.87	1.55%	17.44%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Oct 8	Tue, Oct 9	Wed, Oct 10	Thu, Oct 11	Fri, Oct 12
US Holiday: Columbus Day		Beige Book	<i>International Trade</i>	<i>Producer Price Index</i>
		Treasury Budget	<i>Jobless Claims</i>	Consumer Sentiment
			Import and Export Prices	
			EIA Petroleum Status Report	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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