

Headlines

- [IMF sees up to 9.5 billion euro Greek funding gap in 2015-2016](#). *Reuters.com*, 19 Jan 2013
- [Japan government, Bank of Japan "getting closer" on monetary policy statement](#). *Reuters.com*, 20 Jan 2013
- [House Republicans plan 3-month debt-limit increase](#). *Bloomberg.com*, 19 Jan 2013
- [Home sales probably rose, avowing rebound: US Economy Preview](#). *Bloomberg.com*, 20 Jan 2013

Weekly Review (for week ending 18 January 2013)

■ US economy expected to grow 2.5% in 2013, jobless rate to fall to 7% in 2014

The US economy is expected to grow by 2.5% in 2013, improving to 3.5% growth in 2014, top Fed official Charles Evans said Monday at the Asian Financial Forum in HK. Evans forecast the US unemployment rate would be 7.4% this year, easing to about 7% in 2014. The creation of 1 million jobs over six months would be a "substantive" improvement, but bringing unemployment down to the key level of 6.5% was likely to take much longer, probably until mid-2015. Last month, the Fed ramped up asset purchases aimed at spurring growth, and pledged to keep rates near zero until the unemployment rate drops to 6.5%, as long as inflation expectations do not climb above 2.5%.

■ German GDP shrinks by 0.5% in Q4; growth forecast cut to 0.4% for 2013

The German economy contracted by a larger-than-expected 0.5% in Q4 of 2012, a preliminary estimate from the Federal Statistics office showed, as the eurozone crisis weighed on exports and corporate investment. The weak Q4 pushed overall growth for the year down to 0.7%, a sharp slowdown from the 3% registered in 2011 and a post-reunification record of 4.2% in 2010. The German government lowered its growth forecast on Wednesday to 0.4% for 2013, bringing it in line with the Bundesbank. Its previous forecast in October was 1% growth. Economy Minister Philipp Roesler said that the economy will pick up after a slow winter and forecast growth of 1.6% for 2014.

■ US retail sales inch up 0.5% in December

US consumers increased their spending at retail businesses in December, buying more cars, furniture and clothing. Steady job growth and lower gas prices kept consumers shopping for the holidays, despite worries about potential tax increases. The Commerce Department said Tuesday that retail sales rose 0.5% in December from November, slightly better than November's 0.4% increase and the best showing since September. Still, 2012 ended as the worst year for retail sales growth since the Great Recession ended more than three years ago. Retail sales rose just 5.2% in 2012, slower than the 7.9% growth in 2011 and 5.6% growth in 2010. And 2013 could be even weaker because lawmakers and President Barack Obama allowed a two-year reduction in Social Security payroll taxes to lapse. Most Americans will start seeing less money this month. That's likely to dampen retail sales in 2013 and weigh on overall economic growth.

■ IMF releases €3.2 billion aid payment to Greece

The IMF said Wednesday it would release €3.2 billion in aid to Greece that had been frozen for months amid fears about the country's ability to surmount its debt crisis. After intense negotiations with European authorities, the IMF in late November abandoned its 2020 goal for reducing Greece's debt burden to 120% of GDP, and accepted a compromise of a 124% debt-to-GDP ratio. The payment is part of a four-year €28 billion IMF loan granted to Greece on March 15 last year to support the Greek authorities' economic adjustment program.

■ Consumer prices in US little changed as inflation recedes

The cost of living was little changed in December, capping the third-smallest annual gain in the past decade, indicating US inflation remains at bay. The Labour Department said Wednesday its Consumer Price Index was unchanged last month following a 0.3% drop the prior month. In the 12 months to December the CPI increased 1.7%, the smallest increase since August, compared to November's 1.8% rise, and down from a 3% increase in 2011. Core inflation, which strips out volatile food and energy prices, edged up 0.1% in December.

■ Singapore NODX contracted 16.3% y/y in December, worst in 14 months

December NODX fell 16.3% y/y, worse than consensus expectations of 7.6% and UOB forecast of -6.2%. Both electronic (-19.1%) and non-electronic (-14.8%) segments contributed to overall decline in NODX. In 2012, NODX grew just 0.5% y/y, supported by a 3.1% growth in non-electronic NODX. Electronic NODX continued to weigh down overall NODX by posting a decline of 4.1%. The worse-than-expected NODX numbers would weigh on December industrial production and with that, a key risk would be a downward revision on 4Q 2012 GDP, which would rekindle the risk of a technical recession. On a m/m s.adj. basis, NODX grew 1.8% in December, up from -0.4% in November.

■ Australia posts worst back-to-back job growth since 1997, jobless rate hits 5.4%

Australia's unemployment rate rose to 5.4% in December as it posted its worst back-to-back years of job growth since the 1997 Asian financial crisis. The government predicts it may hit 5.5% later this year, throwing an obstacle in PM Julia Gillard's re-election bid this year. Payrolls increased 148,300 in 2012 and 49,800 in 2011 for a 2-year increase that was the weakest since 1996-1997. Unemployment rose 0.1% from an upwardly-revised 5.3% in November, with a net 5,500 jobs lost as manufacturing struggles and the mining economy slows.

■ China GDP rebounds after 7 slow quarters

China's economy accelerated in Q4 of 2012 after growth slowed for seven consecutive quarters. China's GDP grew 7.9% in Q4, up from 7.4% in the Q3. Retail sales, industrial output and fixed-asset investment outperformed, signalling that its proactive growth policies implemented over the past 18 months have been effective in kickstarting the economy. For full-year 2012, GDP grew 7.8%, its slowest pace since 1999 as the economy faced headwinds both at home and overseas, compared with growth of 9.3% in 2011 and 10.4% in 2010.

Market Snapshot

Selected Equity Indices	Last (Jan 18)	1-week return	Year-to-date return
Dow Jones Industrial Average	13,649.70	1.20%	4.16%
S&P 500 Index	1,485.98	0.95%	4.19%
FTSE 100 Index	6,154.41	0.54%	4.35%
Euro Stoxx 50	2,709.59	-0.30%	2.79%
Nikkei 225	10,913.30	1.03%	4.98%
Hang Seng Index	23,601.78	1.45%	4.17%
Shanghai SE Composite	2,317.07	3.30%	2.11%
BSE Sensex Index	20,039.04	1.91%	3.15%
Straits Times Index	3,211.22	-0.16%	1.39%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Jan 21	Tue, Jan 22	Wed, Jan 23	Thu, Jan 24	Fri, Jan 25
US Holiday: <i>Martin Luther King Jr. Day</i>	<i>Existing Home Sales</i>		<i>Jobless Claims</i>	<i>New Home Sales</i>
			PMI Manufacturing Index Flash	
			EIA Petroleum Status Report	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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