

Headlines

- [Fed officials see brighter global economic outlook](#). *Reuters.com, 02 Feb 2013*
- [China services' slow uptick highlights mildness of recovery](#). *Reuters.com, 03 Feb 2013*
- [Japan finance minister models policy after 1930s stimulus](#). *Bloomberg.com, 03 Feb 2013*
- [Service industries in US probably maintained momentum](#). *Bloomberg.com, 03 Feb 2013*

Weekly Review (for week ending 01 February 2013)

■ Consumer confidence – Germany edges up slightly; France unchanged

Consumer confidence in Germany appears to be stabilising or recovering slightly amid burgeoning optimism that its economy has put the worst of the debt crisis behind it. Market research company GfK said its household confidence index was forecast to inch upwards to 5.8 points in February from an upwardly revised 5.7 points in January. GfK said both consumers' income expectations and their willingness to spend picked up sharply and their economic expectations were also on the rise. French consumer confidence was unchanged as the pace of job losses slowed. Household sentiment held at 86 in January, national statistics office Insee said. French jobless claims rose by 300 in December, the slowest pace in 20 months and the smallest increase since claims began rising 20 months ago.

■ Spanish retail sales slump 10.7% as austerity hurts consumers

Retail figures in Spain have fallen for 30 successive months, the decline accelerating since latest austerity measures applied. With sales tax hikes biting, unemployment growing and many workers and pensioners watching the real values of their income fall, Spaniards kept their wallets tightly closed, helping to produce a 10.7% fall in sales in December compared with the same month in 2011. The retail slump actually accelerated, rising from a fall of 7.8% for November and an annual rate for 2012 of 6.8%.

■ US January consumer confidence hits 14-month low on payroll tax increases

Confidence among US consumers declined more than forecast in January, reaching the lowest level in more than a year as higher payroll taxes took a bigger bite out of Americans' salaries. The Conference Board's index decreased to 58.6, the weakest since November 2011, from a revised 66.7 in December. The drop in confidence coincides with a 2% increase in the payroll tax used to fund Social Security, a hurdle for consumers after a projected pick-up in spending in Q4. Americans' outlooks for employment prospects and their incomes also deteriorated this month. The 8.1-point slump in the gauge of sentiment from a month earlier was the biggest since August 2011.

■ US economy shrinks 0.1% in Q4 on business, government cuts

The US economy unexpectedly contracted in Q4, suffering its first decline since the 2007-09 recession as businesses scaled back on restocking and government spending plunged. GDP fell at a 0.1% annual rate after growing at a strong 3.1% rate in Q3, the Commerce Department said. That was the worst performance since Q2 of 2009, when the recession ended, and the economy entering the new year with no momentum. The contraction, coming against a backdrop of tightening fiscal policy, could spur fears of a new recession and create an urgency for policymakers to deal with outstanding budget issues. Businesses, caught with too much inventory in their warehouses in Q3, slowed their stock building in Q4, slicing 1.27% from GDP growth. Government spending tumbled at a 6.6% rate, as defence outlays plunged at a 22.2% pace, wiping out gains from Q3, subtracting 1.33% from growth. For the whole of 2012, the economy grew 2.2%.

■ German unemployment posts surprise fall in January

German unemployment unexpectedly fell in January in seasonally adjusted terms, pushing the jobless rate down to 6.8% and remaining close to a post-reunification low. The number of people out of a job fell 16,000 to 2.916 million, against expectations for an increase of 8,000, breaking a long run of increases. The unadjusted jobless total rose above the 3 million mark for the first time since March 2012.

■ EU may speed law to push bank losses on bondholders

Bondholders who lend to European banks that get into trouble could face losing their money from 2015, three years earlier than planned. Under a German proposal, the EU would bring forward a plan to shield taxpayers from bail-out costs by handing losses to some bondholders if needed and keep failing banks going. Under the radical plan, when banks need to be shut, the costs would be lower for their home countries and also for the eurozone's joint rescue fund, the ESM. But it risks scaring investors away from the multi-trillion-euro market for unsecured bonds. The EU banks, which have US\$1.9 trillion of outstanding unsecured bonds, are lobbying against any faster or wider application of bail-in rules inflicting losses on investors as they fear it would rattle markets and compound their borrowing difficulties.

■ China's January official factory PMI eases to 50.4, lower than expected

China's official PMI eased to 50.4 in January, missing market expectations for a rise to a 9-month high of 50.9 from December's 50.6 and underscoring that the economy is making only a mild recovery from its weakest year since 1999. The official PMI has been above 50 each month since August 2012, though its failure to break above 51 indicates that the economic expansion it signals is only moderate.

■ US jobs report points to steady growth; unemployment rate edges up to 7.9%

US job growth grew modestly in January and gains in the prior two months were upwardly revised, supporting views the economy's sluggish recovery was on track despite a surprise GDP contraction in Q4 2012. Employers added 157,000 jobs to their payrolls last month. There were 127,000 more jobs created in November and December than previously reported. The closely watched report also showed an increase in hourly earnings and solid gains in construction and retail employment. The unemployment rate edged up 0.1% to 7.9%.

Market Snapshot

Selected Equity Indices	Last (Feb 1)	1-week return	Year-to-date return
Dow Jones Industrial Average	14,009.79	0.82%	6.91%
S&P 500 Index	1,513.17	0.68%	6.10%
FTSE 100 Index	6,347.24	1.00%	7.62%
Euro Stoxx 50	2,710.08	-1.24%	2.81%
Nikkei 225	11,191.34	2.42%	7.66%
Hang Seng Index	23,721.84	0.60%	4.70%
Shanghai SE Composite	2,419.02	5.57%	6.61%
BSE Sensex Index	19,781.19	-1.60%	1.82%
Straits Times Index	3,291.14	0.67%	3.92%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Feb 4	Tue, Feb 5	Wed, Feb 6	Thu, Feb 7	Fri, Feb 8
Factory Orders	ISM Non-Mfg Index	EIA Petroleum Status Report	<i>Jobless Claims</i>	<i>International Trade</i>
			Productivity and Costs	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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