

Headlines

- [UK economy grows at fastest annual pace in over 6 years](#). *Reuters.com*, 15 August 2014
- [BoE's Carney says rise in real wages not pre-condition for rate hike](#). *Reuters.com*, 17 August 2014
- [Ireland rating raised to A- by Fitch on growing economy](#). *Bloomberg.com*, 16 August 2014
- [BoJ officials said to mull cutting 2014 growth forecast](#). *Bloomberg.com*, 15 August 2014

Weekly Review (for week ending 15 August 2014)

■ Singapore Q2 GDP grew 2.4%y/y, beats forecast as financial sector thrives

Singapore's Q2 GDP grew a modest 2.4% y/y (+0.1% q/q SAAR), slightly better than our forecast and consensus estimates of a 2.3% y/y (-0.62 q/q SAAR) growth rate. Q1 GDP growth was revised slightly higher to 4.8% y/y (1.6% q/q SAAR), from 4.7% y/y previously. Slower growth was seen across most sectors with significant on-year slowdown in the manufacturing (1.5% from 9.9% in Q1), wholesale & retail (1.7% from 3.8%), transport & storage (2.0% from 5.5%), accommodation & food services (0.5% from 2.1%), and the construction (4.4% from 6.4%) sectors. The finance and insurance sector expanded 5.5% y/y, near the growth rate of 5.7% y/y in Q1. The government narrowed its forecast for 2014 full-year growth to 2.5% to 3.5% from the prior forecast of 2.0% to 4.0%.

■ German ZEW economic sentiment plunges to 20-month low in August

The German August ZEW Economic Sentiment Survey came in much lower at 8.6 compared to 27.1 in July and the projected 18.0, the eighth consecutive monthly decline and the biggest in more than two years, while the Current Conditions tumbled to 44.3 versus 61.8 last month and way off the projected 54.0. The hit to German confidence was a reflection of the Ukraine crisis and how the worsening standoff between Russia and the EU is clouding the outlook for a German economy and the potential disruption to trade in the eurozone. The index of eurozone economic sentiment plunged to 23.7 in August from 48.1 in July, below expectations for a decline to 41.3.

■ Japan economy shrinks annualised 6.8% in Q2

Japan's economy shrank an annualised 6.8% in Q2 to suffer its biggest contraction since the March 2011 devastating earthquake and tsunami, as a sales tax hike took a bigger-than-expected toll on household spending. The preliminary figure for the GDP compared with a 7.1% decline forecast by economists. It followed a revised 6.1% rise in Q1. On a q/q basis, the economy contracted 1.7% in Q2 after a revised 1.5% increase in Q1. Private consumption, which accounts for 60% of the economy, decreased 5.0% from Q1, as households withheld spending after an increase in Japan's sales tax to 8% from 5% in April. External demand added 1.1% to the economy in Q2.

■ UK wages fall for first time since 2009 even as unemployment rate falls to 6.4%

In its quarterly inflation report, the BoE lowered its 2014 wage growth forecast to just 1.25% (half of the rate projected in May 2014) and dented expectations for an interest rate hike earlier than the market forecast for one coming in at early 2015. It said that higher interest rates will depend largely on an improved outlook for wages. Even as UK unemployment rate eased further to 6.4% in June, the lowest since end 2008, average weekly earnings contracted more than expected by -0.2% for the first time since March-May 2009 when bonuses were slashed during the financial crisis. BoE Governor Carney added that even if spare capacity is eliminated overnight, the right level of Bank Rate would be close to where it is now. He also warned that geo-political risks adds to downside skew to forecasts.

■ US retail sales go flat in July, stoke growth fears

US retail sales were unexpectedly flat in July, pointing to some loss of momentum in the economy early in Q3. Retail sales, which had increased 0.2% in June, were held back by a second straight month of declines in receipts at auto dealers, as well as weak sales of furniture and electronics and appliances. July's reading was the weakest since January. Economists had forecast retail sales, which account for a third of consumer spending, increasing 0.2% last month. Core sales edged up 0.1% in July after a revised 0.5% in June.

■ Eurozone GDP fails to grow in Q2

The eurozone's recovery unexpectedly halted in Q2 as its three biggest economies (Germany **-0.2%q/q**, France **0%q/q**, Italy **-0.2%q/q**) failed to grow, underlining the vulnerability of the region to the threat of deflation while the deepening crisis in Ukraine clouds the growth outlook in 2H 2014. Eurozone Q2 GDP was unchanged from Q1 which expanded 0.2%q/q in Q1. Compared to a year ago, Eurozone GDP grew by 0.7%y/y in Q2, down slightly from the 0.8% in Q1. Within the Eurozone, German Q2 GDP contracted more than expected at 0.2%q/q (1.2%y/y) after expanding 0.7%q/q (2.3%y/y) in Q1, largely due to a warm winter that shifted production to earlier months.

■ US jobless claims rise, but remain near 8-year lows

Initial claims for unemployment benefits increased by 21,000 to a seasonally adjusted 311,000 in the week ended August 9, more than the 295,000 new claims forecast by economists and the highest level since June but remained near 8-year lows. Claims for the prior week were revised up to 290,000. The four-week moving average of claims, which smooths out weekly volatility, increased by 2,000 to 295,750.

■ Manufacturing leads US industrial output higher in July

Manufacturing pushed US industrial production higher in July in the sixth straight months of gains, as production of auto parts and motor vehicles jumped 10.1%. Industrial production rose 0.4% in July, unchanged from June's upwardly revised 0.4% (previously reported at 0.2%). Manufacturing output rose 1.0%, the largest increase since February. Economists expected a rise of 0.4%. Production at mines moved up 0.3%, the ninth monthly increase. Utility output fell 3.4% due to mild July weather that cut demand for air conditioning.

Market Snapshot

Selected Equity Indices	Last (Aug 15)	1-week return	Year-to-date return
Dow Jones Industrial Average	16,662.91	0.66%	0.52%
S&P 500 Index	1,955.06	1.22%	5.77%
FTSE 100 Index	6,689.08	1.85%	-0.89%
Euro Stoxx 50	3,033.52	0.89%	-2.43%
Nikkei 225	15,318.34	3.65%	-5.97%
Hang Seng Index	24,954.94	2.56%	7.07%
Shanghai SE Composite	2,226.73	1.47%	5.23%
BSE Sensex Index	26,103.23	3.06%	23.30%
Straits Times Index	3,314.77	0.79%	4.65%

Source: Bloomberg

Week Ahead

Economic Calendar (Selected Events)				
Mon, Aug 18	Tue, Aug 19	Wed, Aug 20	Thu, Aug 21	Fri, Aug 22
Housing Market Index	<i>Consumer Price Index</i> <i>Housing Starts</i>	EIA Petroleum Status Report <i>FOMC Minutes</i>	<i>Jobless Claims</i> PMI Manufacturing Index Flash <i>Philadelphia Fed Survey</i> <i>Existing Home Sales</i>	

Red: Market moving indicator

Black: Merits extra attention

Source: Bloomberg



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