

Key Themes

Data out late in the week confirmed the large degree of monetary stimulus now supporting the Chinese economy. Growth in total social financing in Q1 increased by +10.7% versus the same time a year ago. China's trade data was still mixed – export growth was much stronger than expected but imports continued to decline. This suggests continued weaker domestic demand as well as likely weaker export trade data for some Chinese trade partners.

The ECB this week kept rates on hold, acknowledging that risks in the region remain tilted to the downside.

Three related US datapoints stood out this week. The FOMC minutes confirmed that, on balance, rates are likely to remain on hold through this year, despite mention of 'data dependence'. There is nothing in the minutes that suggest that the Fed has shifted from its pivot back in Jan – “muted inflation” is enabling “a patient approach” on rates.

CPI and PPI data out this week indicate some price pressure returning from energy prices. This will be important to watch. While annual growth in the headline CPI accelerated between Feb and Mar due to a less negative impact from energy prices, the monthly change highlighted faster growth in consumer facing energy prices. Similarly, there was some upward pressure from energy prices in the PPI.

Any potentially faster inflation growth, in the absence of accelerating wage growth, is likely to hurt consumer sentiment. Commentary from the prelim consumer sentiment report for Apr highlights that – “what has been of increasing importance to consumers are rising nominal incomes, and low inflation, producing strong gains in inflation adjusted incomes”. Sentiment measures continue to move sideways.

A further reprieve on deadlines for Brexit. Although the “final” date has been pushed out to 31 Oct, there is still a sense of urgency on striking a deal to avoid taking part in the European Parliament elections.

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US Data

Factory Orders Report (Feb)

Factory orders for all manufacturing industries fell in the latest month, led by a decline in transportation orders. Orders for non-defense aircraft and parts have been higher over recent months and have fallen in the latest month. Ex transports, new orders increased.

Manufacturing shipments grew in Feb, mostly as a result of non-durable goods shipments.

Value of Manufacturers New Orders

Feb -0.5% (-\$2.6bn) versus Jan 0% (Jan revised lower from +0.1%)

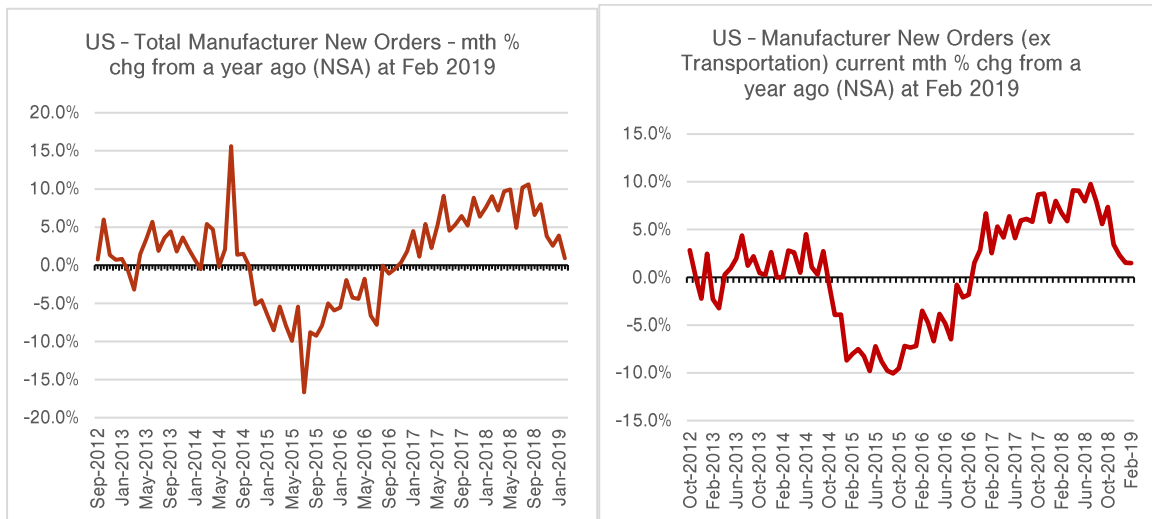
Overall, durable goods orders declined by -1.6% (-\$4.2bn) in Feb while non-durable goods orders increased +0.6% (+\$1.5bn).

Ex transports, new orders increased; Feb +0.3% versus Jan -0.1%. This was still led by non-durable goods. New orders for durable goods ex transports was mixed across industries but down slightly overall.

Transports; Orders for non-defense aircraft and parts increased in Dec and Jan and tend to be 'lumpy'. The decline (versus Jan) in non-defense aircraft and parts orders was the single largest contributor to the overall decline in new orders; Feb -31% or -\$4.6bn. These past orders are now in the production process.

On an annual basis, growth in total new orders for manufacturers has continued to slow; Feb +0.9% from Jan +3.9%.

Ex transports, annual growth in new orders remains low; Feb +1.5% versus Jan +1.5%



Value of Manufacturer Shipments

Feb +0.4% versus Jan -0.3% (Jan shipments growth revised higher from -0.4%)

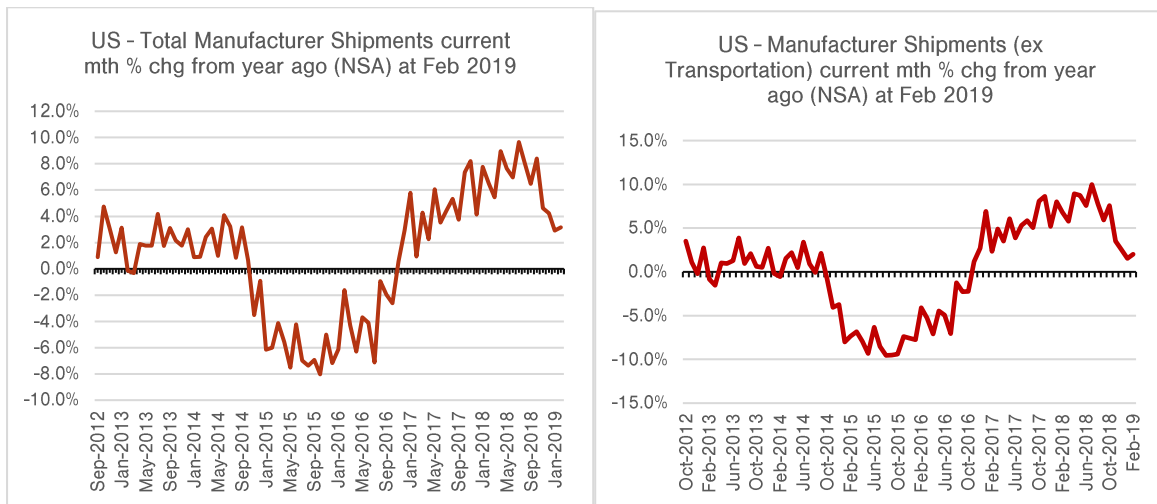
Shipments were higher in the month led by higher growth in shipments of non-durable goods +0.6% (+\$1.5bn) while durable goods shipments grew by +0.2% (+\$0.5bn).

Excluding transportation, shipments increased at a slightly faster pace; +0.5%. Transportation shipments were down on the month, falling -0.3%. Shipments were lower across a range of categories; Light trucks, heavy duty trucks, defense aircraft and ships and boats.

The bulk of the growth in non-durable goods shipments for the month was petroleum and coal products; +2.8% (+\$1.5bn). On an annual basis though, the value of petroleum refinery shipments is -5.2%.

On an annual basis, total manufacturer shipments increased at a faster pace; Feb +3.1% versus Jan +2.9%.

Excluding transportation, annual growth in shipments remains generally lower than in the middle of 2018. Growth increased at a slightly faster pace in Feb +2% versus +1.5% in Jan.



Both charts highlight how quickly growth has slowed over the last few months. Excluding transportation, shipments were growing at +10% in Jul 2018.

<https://www.census.gov/manufacturing/m3/index.html>

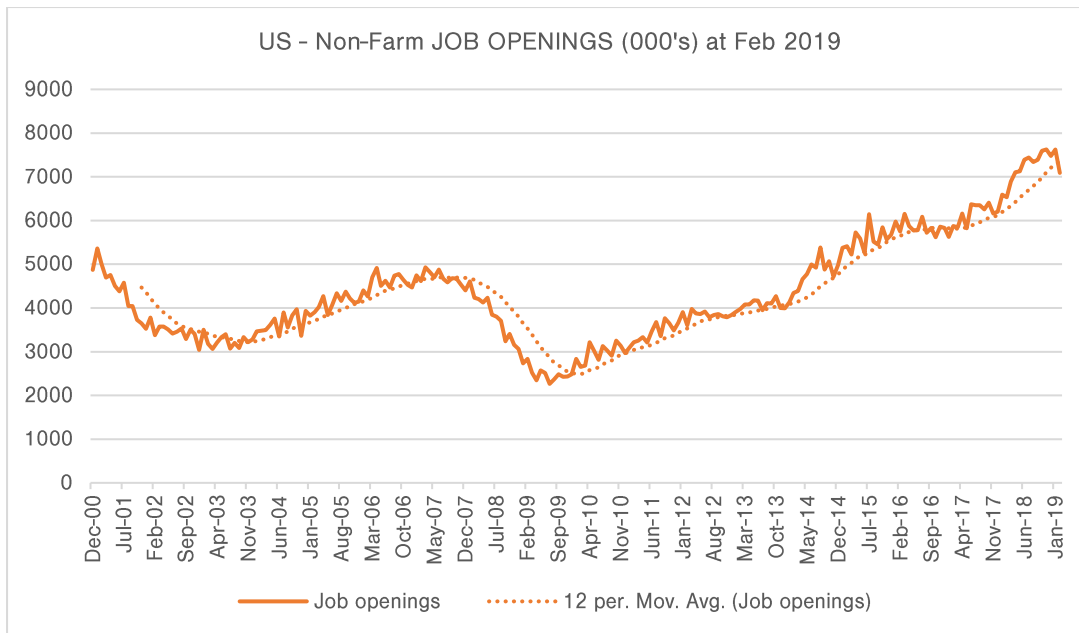
JOLTS (Feb)

The highlight of JOLTS this month was the large fall in the number of job openings and the somewhat smaller fall in new hires. Total separations were little changed.

Job Openings

Feb 7.1m versus Jan 7.6m (-7%, which is a 2.2SD fall based on the last 12 months).

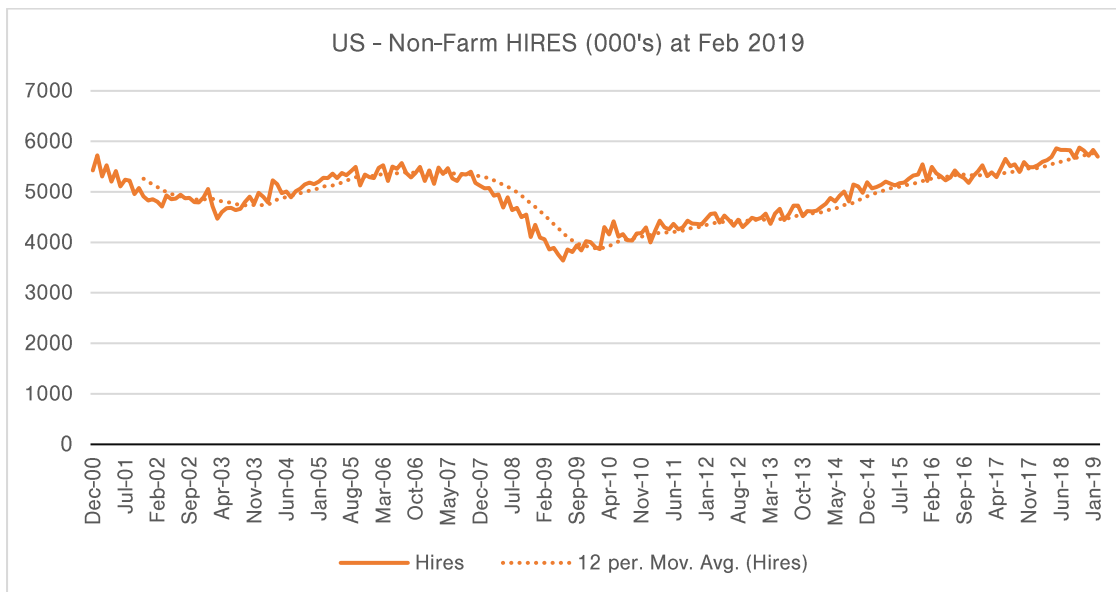
The job opening rate fell from 4.8% in Jan to 4.5% in Feb.



New Hires

Feb 5.7m versus Jan 5.8m (-2%, which is a 1.5SD fall based on the last 12-months).

The new hire rate though is little changed, falling from 3.9% in Jan to 3.8% in Feb (the 12-month average is 3.9%)

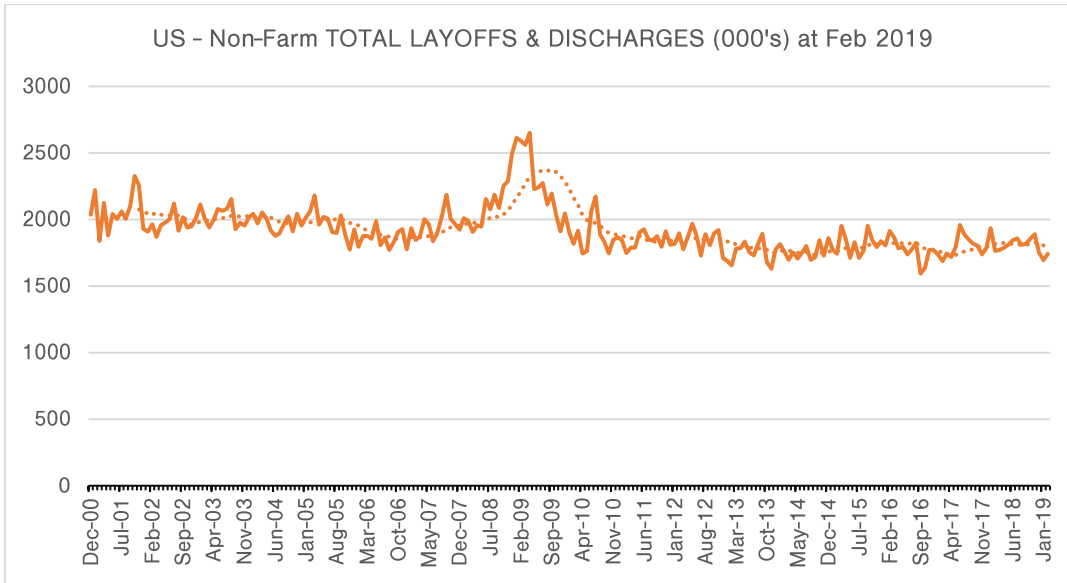


Total Separations

There was little change in total separations overall.

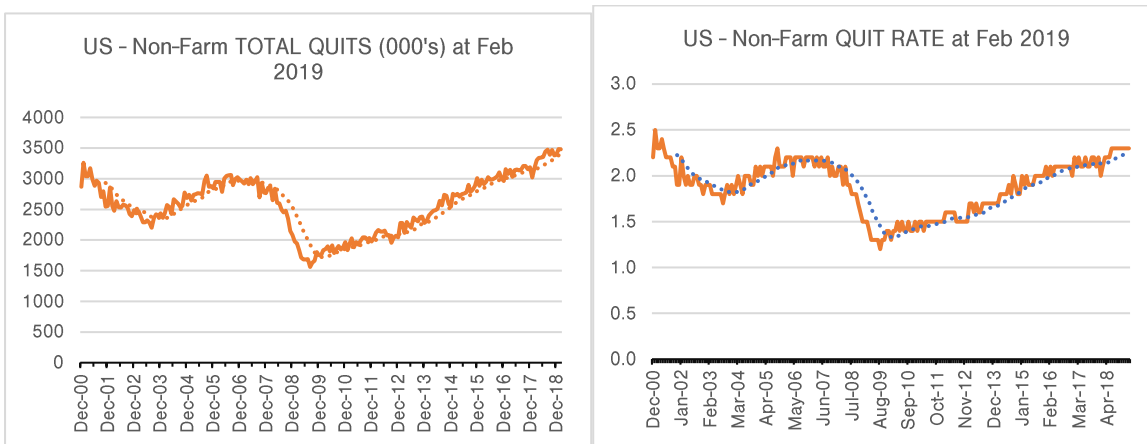
Feb 5.55m versus Jan 5.53m – the separation rate is unchanged at 3.7%.

Within total separations, there was a small increase in layoffs and discharges; Feb 1.74m versus Jan 1.69m. Total layoffs and discharges are 1.2% below the same month a year ago.



Total Quits were unchanged; Feb 3.48m versus Jan 3.48m and the quit rate has remained unchanged at 2.3% for several months.

Total Quits remain 10% above the same time last year.



<https://www.bls.gov/jlt/>

CPI (Mar)

The annual change in US CPI increased at a faster pace in the latest month. This was mostly the result of a less negative contribution from the annual decline in energy prices between Feb and Mar. Food prices accelerated slightly, making a somewhat larger contribution to headline growth. All items less energy and food grew at a slightly slower pace and made a slightly smaller contribution to growth versus the annual change in Feb.

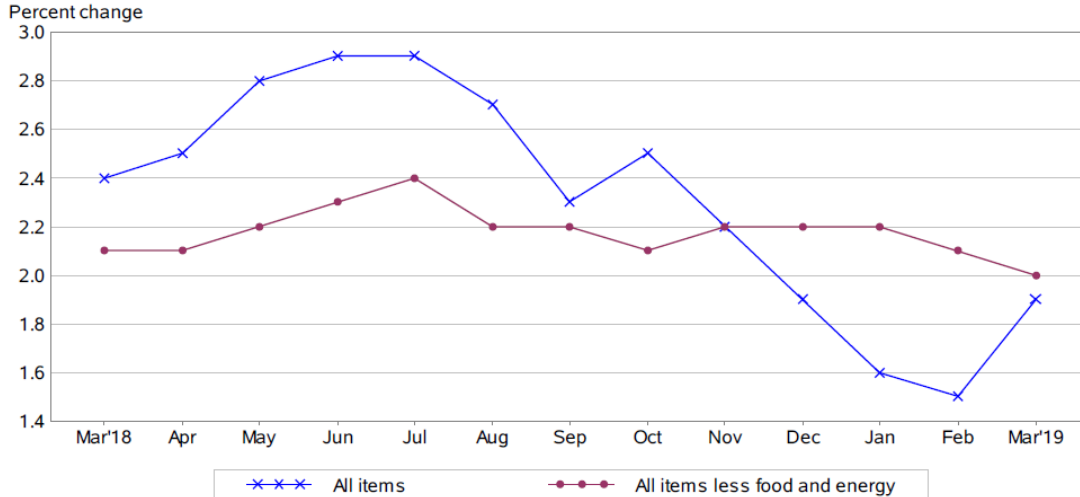
The monthly growth in CPI accelerated from +0.2% in Feb to +0.4% in Mar.

Headline CPI – annual growth:

Mar +1.9% versus Feb +1.5%

The measure of core inflation is only slightly higher than the headline now. Annual growth in core CPI ex food and energy slowed slightly; Mar 2% versus Feb 2.1%.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Mar. 2018 - Mar. 2019



The acceleration in the headline rate was mostly the result of the annual change in energy prices becoming less negative between Feb and Mar.

Major components contribution to annual headline CPI growth

Food; Mar +0.282% pts versus Feb +0.263% pts

Energy; Mar -0.029%pts versus Feb -0.363%pts

Commodities less food and energy commodities; Mar -0.008%pts versus Feb +0.027% pts

Services less energy services; Mar +1.632%pts versus Feb +1.639%pts

Energy prices

It's worth noting the renewed growth in energy prices this month;

The monthly change accelerated; Mar +3.5% versus Feb +0.4%. Motor fuel and gasoline recorded some of the larger increases this month;

Motor fuel; mar +6.4% versus Feb +1.5% (the annual change is -0.6% versus Mar 2018)

Gasoline; Mar +6.5% versus Feb +1.5% (annual change is -0.7% versus Mar 2018).

On annual basis, energy prices are -0.4% on the same month a year ago versus -5% in Feb.

<https://www.bls.gov/cpi/>

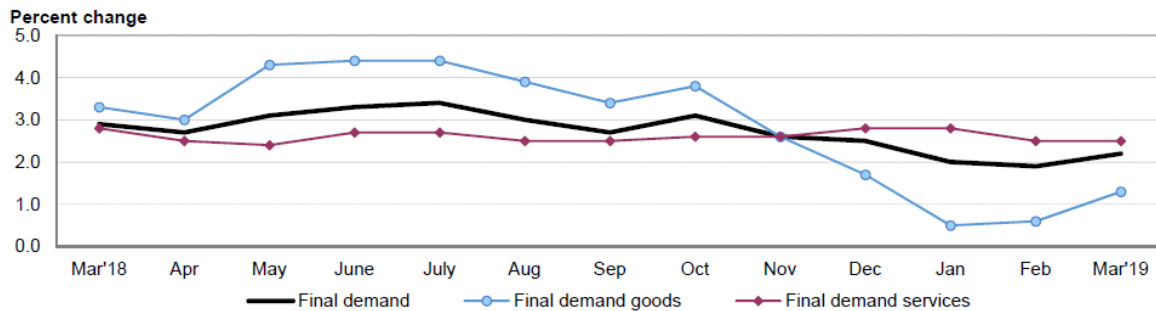
PPI (Mar)

The annual headline PPI growth for final demand increased at a faster pace in the latest month – led mostly by faster growth in goods prices, while services price growth remained elevated. The one month change also accelerated further in Mar led by both goods and services.

PPI Final Demand – Annual chg

Mar 2.2% versus Feb +1.9%

Chart 2. Twelve-month percent changes in selected PPI final demand price indexes, not seasonally adjusted



The annual change in final demand goods led total growth higher;

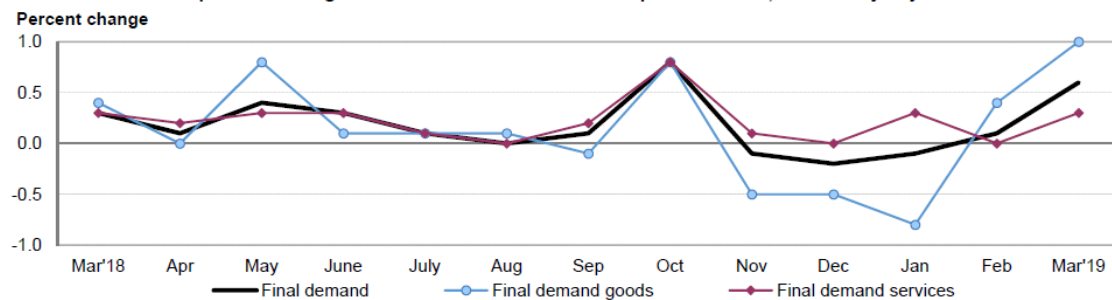
Goods; Mar +1.3% versus Feb +0.6%

Annual growth in services remained elevated; Mar +2.5% versus Feb +2.5%

PPI Final Demand – Month chg

Mar +0.6% versus Feb +0.1%

Chart 1. One-month percent changes in selected PPI final demand price indexes, seasonally adjusted



The acceleration in the monthly change was mostly due to the acceleration in final demand goods. The monthly change in services final demand prices also accelerated.

Final Demand Goods – monthly chg; Mar +1% versus Feb +0.4%

“In March, over 80 percent of the broad-based increase can be traced to prices for final demand energy, which jumped 5.6 percent.”

“Over 60 percent of the increase in the index for final demand goods is attributable to a 16.0-percent jump in gasoline prices”

Prices across the main goods categories increased at a faster pace.

Food; Mar +0.3% versus Feb -0.3%

Energy; Mar +5.6% versus Feb +1.8%

Goods less food and energy; Mar +0.2% versus Feb +0.1%

Final Demand Services – monthly chg; Mar +0.3% versus Feb 0%

“Nearly a third of the increase in the index for final demand services can be traced to margins for apparel, jewelry, footwear, and accessories retailing, which rose 4.2 percent”

“In contrast, prices for long distance motor carrying fell 1.2 percent. The indexes for fuels and lubricants retailing and for residential real estate loans (partial) also declined.”

Trade increased at a faster pace; Mar +1.1% versus Feb -0.4%

Transportation and warehousing declined at a slower pace; Mar -0.8% versus Feb -1.3%

<https://www.bls.gov/news.release/pdf/ppi.pdf>

Uni of Michigan Consumer Sentiment Prelim (Apr)

Prelim results for Apr indicate that consumer sentiment made more of a “sideways” move. The headline index of consumer sentiment and index of expected conditions decreased. The index of current conditions continued to increase slightly but remains below the Dec 18 near-term peak.

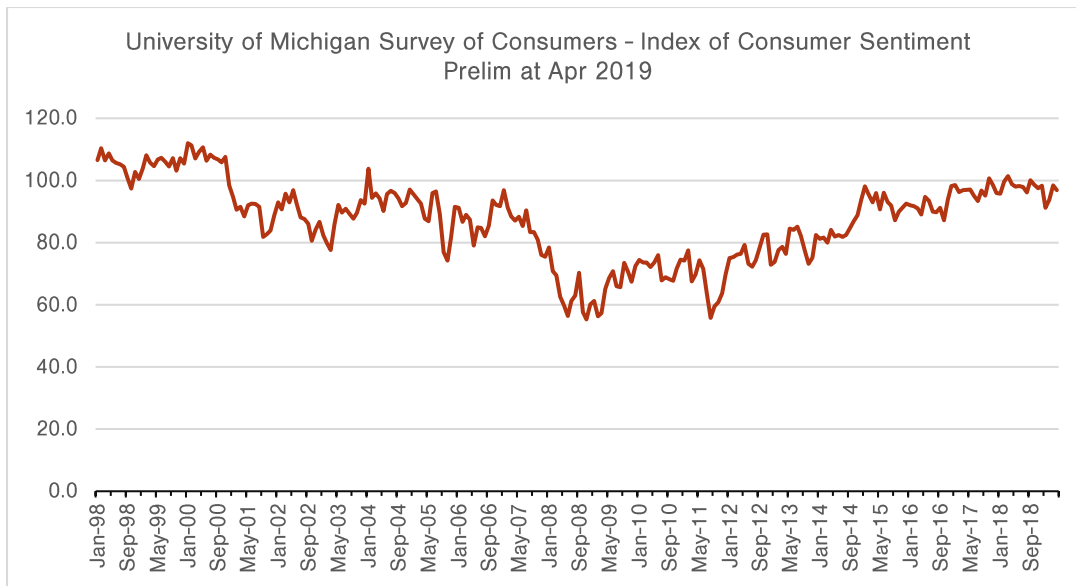
“What has been of increasing importance to consumers are rising nominal incomes, and low inflation, producing strong gains in inflation adjusted incomes.”

Index of Consumer Sentiment

The prelim reading of consumer sentiment declined slightly in the latest month;

Apr 96.9 versus Mar 98.4

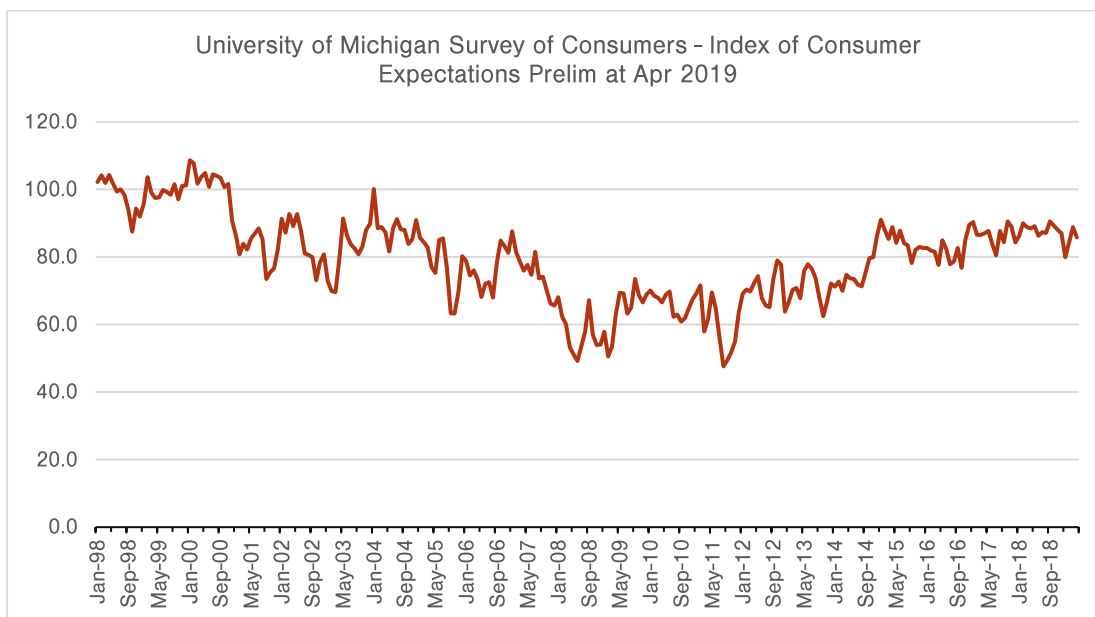
The index remains 2% below the same month a year ago.



Index of Consumer Expectations

The prelim reading for the index of expectations also fell in the latest month; Apr 85.8 versus Mar 88.8. This was a slightly larger fall but still only a 1*SD fall (based on the last 12-months).

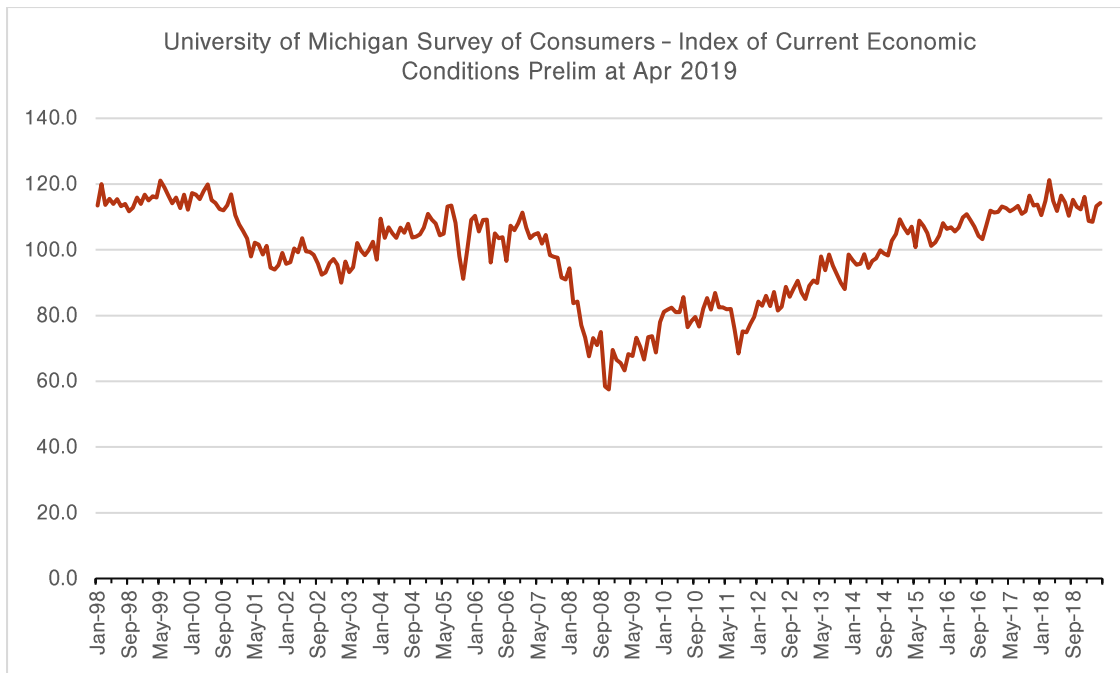
The index of expectations remains 3% below the same month last year.



Index of current Economic Conditions

The prelim reading for the index of current economic conditions increased slightly; Apr 114.2 versus Mar 113.3. This was only a small increase and the index remains below the near-term peak of 116.1 recorded in Dec 2018.

The current reading is only -0.6% below the same month a year ago;



Commentary highlights

Taxation reform/tax cuts;

“Interestingly, the impact of the tax reform legislation on consumer confidence has all but disappeared.”

“The data do suggest that consumers thought that its stimulative impact on the overall economy has now run its course.”

Current drivers of sentiment;

“What has been of increasing importance to consumers are rising nominal incomes, and low inflation, producing strong gains in inflation adjusted incomes.”

“Unfortunately, vehicle and home buying have not benefitted from low prices, but consumers have increasingly voiced complaints about rising vehicle and home prices, and slight declines in unit sales of both markets are anticipated in 2019.”

<http://www.sca.isr.umich.edu/>

FOMC Minutes – Meeting 19-20 Mar 2019

Current conditions are such that rates on hold, or lower, remain the FOMC bias. On balance, the minutes suggest that rates are likely to remain on hold through this year, despite mention of ‘data dependence’. There is nothing in the minutes that suggest that the Fed has shifted from its pivot back in Jan of “always prepared to shift the stance of policy and to shift it

significantly” if conditions weakened – “a patient approach” and “muted inflation” remain key themes of the minutes.

Uncertainties and risks remain elevated and forecasts have been lowered. That said, the minutes still suggest that the FOMC see that ‘sustained expansion’ is the most likely outcome supported by underlying economic fundamentals. Labour market strength seems to be a big part of that. The “muted” inflation and easing of financial conditions is providing cover to be ‘patient’ at least until global uncertainties and questions of weaker Q1 domestic growth are resolved. Even then, one gets the impression that the benchmark for an increase in rates would be significantly higher than for a cut in rates at this point in the cycle, even if data improve.

Outlook for this meeting: Uncertainties remained in place re international developments including trade talks, Brexit and domestic growth. The labour market remained ‘strong’ but household spending and business fixed investment indicated slower growth in Q1 versus Q4 2018. Uncertainty remains as to whether weak economic growth in Q1 would persist into following quarters.

“Underlying economic fundamentals continued to support sustained expansion, and most participants indicated that they did not expect the recent weakness in spending to persist beyond the first quarter”

The step-down in growth forecasts for the remainder of the year due to; slower foreign growth, waning fiscal stimulus effect.

Inflation pressures remained ‘muted’ – with core measures remaining near 2%.

Outlook beyond this meeting (emphasis added):

“..financial conditions had improved since the beginning of year, but that **some time would be needed to assess whether indications of weak economic growth in the first quarter would persist** in subsequent quarters. Members also noted that inflationary pressures remained muted and that a number of uncertainties bearing on the U.S. and global economic outlook still awaited resolution. However, **members continued to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes for the U.S. economy in the period ahead.**”

Downside risks to the outlook: greater than expected spill-over from slowdown in China and Europe, persistent softness in PCE, and a sharp fall-off in fiscal stimulus.

Upside risks to the outlook: sources of uncertainty resolved favourably, consumer and business sentiment rebound sharply, recent strengthening in labor productivity growth signalled a pickup in the underlying trend. Upside risks to the outlook for inflation included the possibility that wage pressures could rise unexpectedly and lead to greater-than-expected price increases.

Key signalling statements on rates: Patient, data dependent and the evolution of key risks and growth. Overall though, the path of rates is likely to remain on hold;

“participants generally agreed that **a patient approach** to determining future adjustments to the target range for the federal funds rate remained appropriate.”

“the **evolution of the economic outlook** and risks to the outlook would likely warrant leaving the target range unchanged for the remainder of the year.”

“appropriate target range for the federal funds rate at coming meetings would depend on their **ongoing assessments** of the economic outlook”

“Some participants regarded their judgments that the federal funds rate was **likely to remain on a very flat trajectory** as reflecting other factors, such as low estimates of the longer-run neutral real interest rate or risk-management considerations”

There was only one mention where the bias for the FFR would be higher;

Several participants noted that their views of the appropriate target range for the federal funds rate **could shift in either direction** based on incoming data and other developments. Some participants indicated that **if the economy evolved as they currently expected, with economic growth above its longer-run trend rate, they would likely judge it appropriate to raise the target range for the federal funds rate modestly later this year.**

Balance Sheet Normalization – the minutes outline the discussion leading to the announcement of the end of QT – which is a key part of the Fed pivot to support the markets/economy. There are still some important points here.

While the FOMC has yet to outline what the ideal size of the balance sheet should be, the composition of the balance sheet also remains unresolved.

The minutes outline how average reserves are still likely to decline ‘for a time’ once the run-off is completed.

“Several participants preferred to stabilize the average level of reserves **by resuming purchases of Treasury securities relatively soon after the end of runoff**, because they saw little benefit to further declines in reserve balances or because they thought the Committee should minimize the risk of interest rate volatility that could occur if the supply of reserves dropped below a point consistent with efficient and effective implementation of policy.”

While some participants prefer to allow the average reserves to decline, there appeared to be some agreement that reserve would need to increase again in line with the ‘ample reserves’ regime of setting rates – still an unknown as to the size or even target range for reserves;

“Participants noted that the eventual resumption of purchases of securities to keep pace with growth in demand for the Federal Reserve's liabilities, whenever it occurred, would be a normal part of operations to maintain the ample-reserves monetary policy implementation regime **and would not represent a change in the stance of monetary policy.**”

One area that remains unresolved that is worth looking out for is the composition of the Fed SOMA portfolio.

“Many participants offered preliminary views on advantages and disadvantages of alternative compositions for the SOMA portfolio. Participants expected to further discuss the longer-run composition of the portfolio at upcoming meetings.”

<https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

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Europe

German Trade Balance (Feb)

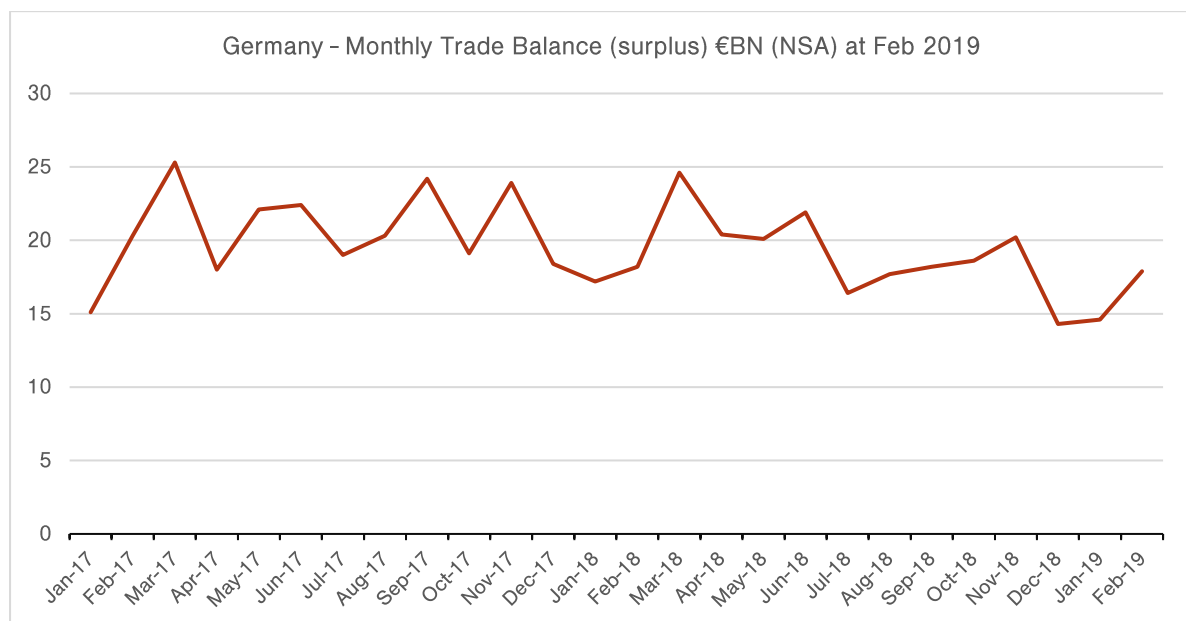
German exports and imports declined in the latest month. Exports declined by a slower pace than imports resulting in a larger trade surplus than in the month prior (NSA basis).

All values in €.

Trade Balance – Surplus

Feb 17.9bn (NSA) versus Jan 14.6bn

This is almost on par with the trade surplus from Feb 2018; 18.2bn



On a seasonally adjusted basis, the trade surplus was unchanged in the month prior; Feb 18.6bn versus Jan 18.6bn

The improvement in the trade surplus on an NSA basis was the result of a smaller decline in exports versus imports for the month;

Exports - Feb 108.8bn versus Jan 108.9bn (-0.1%)

Imports - Feb 90.9bn versus Jan 94.3bn (-3.6%)

After seasonal adjustment, exports declined by 1.3% and imports declined by 1.6% (both declining by -1.5bn resulting in the same trade balance in Feb as in Jan).

Exports

The annual growth in exports is +3.9% and remains below the annual growth in imports.

The annual change in exports to EU member states is on par with headline growth in exports and growth in exports to third countries is running ahead of total exports at +4.1%.

Imports

The annual growth in imports is +5.1%.

Imports from EU member states is growing above the rate of total imports +6.7%. Imports from third countries is growing well below that of total imports at +3%.

https://www.destatis.de/EN/Press/2019/04/PE19_137_51.html

ECB Rates Decision – 10 Apr

The ECB kept rates on hold and other measures of monetary policy on hold;

Main refinancing operations; 0% interest rate

Marginal lending facility; 0.25%

Deposit facility; -0.40%

Rates expected to remain on hold throughout 2019, and for as long as necessary to reach the 2% inflation target.

Principal payments from maturing securities will continue to be reinvested and for an extended period past the time that rates start to increase, and for as long as necessary to ensure favourable liquidity conditions.

Details of the new TLTRO's will be communicated at an upcoming meeting.

“In the context of our regular assessment, we will also consider whether the preservation of the favourable implications of negative interest rates for the economy requires the mitigation of their possible side effects, if any, on bank intermediation.”

Economy: the current bout of weakness has persisted longer than expected, especially in the manufacturing sector. The effects of these adverse factors are expected to unwind.

“The risks surrounding the **euro area growth outlook remain tilted to the downside**, on account of the persistence of uncertainties related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets.”

“The persistence of uncertainties, related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets, is leaving marks on economic sentiment.”

Yet employment and the labour market remain ‘resilient’.

Inflation remains mostly unchanged at 1.4% in Mar

“...an ample degree of monetary accommodation is still necessary...”

<https://www.ecb.europa.eu/press/pr/date/2019/html/ecb.mp190410~3df2ed8a4c.en.html>

Press conference with Q & A;

<https://www.ecb.europa.eu/press/pressconf/2019/html/ecb.is190410~c27197866f.en.html>

German CPI (Mar)

The prelim CPI result was confirmed with headline CPI growing at +1.3% in the latest year.

Annual growth – CPI

Annual headline growth slowed in the latest month; Mar +1.3% versus Feb +1.5%

In Mar, growth in food prices halved versus Feb; Mar +0.5% versus Feb +1.3%

Growth in prices for housing, water, electricity, gas and other fuels increased at a constant pace; Mar +2.1% versus Feb +2.1%

Transport prices grew at a faster pace; Mar 2.5% versus Feb +1.6% - led mostly by fuels and lubricants for vehicles; Mar +3.6% versus Feb 0%.

Prices for recreation, entertainment and culture declined; Mar -0.9% versus Feb 0%.

Annual CPI growth excluding Food and Energy remains lower; Mar +1.1%

https://www.destatis.de/EN/Press/2019/04/PE19_143_611.html

Eurozone Industrial Production (Feb)

Euro area industrial production fell in Feb, while the broader EU industrial production was unchanged in Feb. On an annual basis, production in the Euro-area group remains below the same time last year, while production in the broader EU28 group remains above the same time last year.

Monthly change in Industrial Production

In the Euro area, industrial production declined again after a stronger rebound in Jan; Feb -0.2% versus Jan +1.9%. Declines were recorded across most industry categories. Industrial production in non-durable consumer goods increased at a slower pace.

In the broader EU28 group, industrial production growth stalled; Feb 0% versus Jan +1.3%. Industrial production across energy and capital goods declined. Production across intermediate goods and non-durable consumer goods increased at a slower pace. Production of consumer durable goods was unchanged.

Annual change in Industrial Production

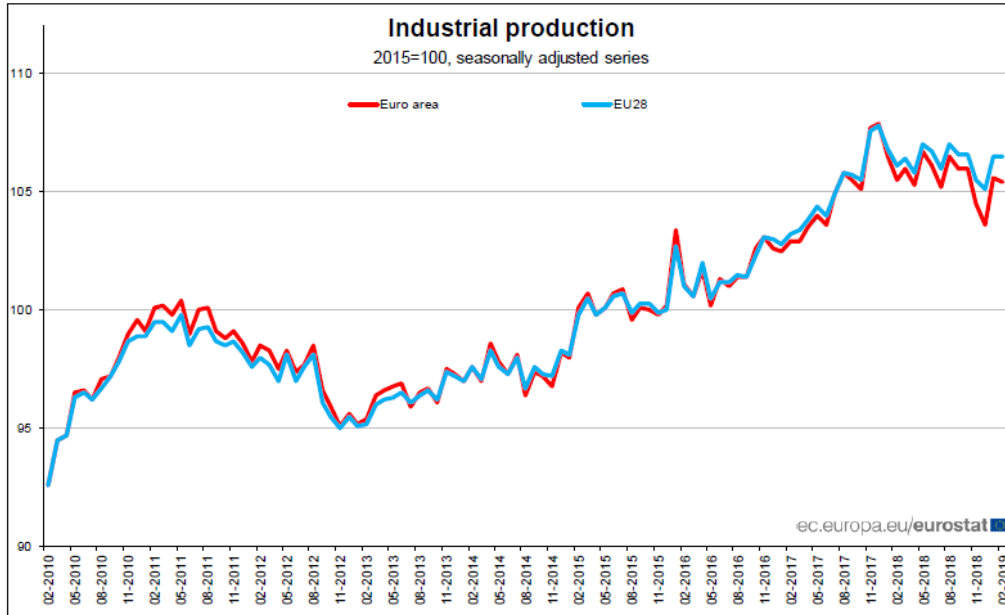
Euro area – Total Industry; Feb -0.3% versus Jan -0.7%

Production across intermediate goods and energy remains below the same time last year, while production of capital goods, durable and non-durable consumer goods remains above the same time last year.

EU28 Group – Total Industry; Feb +0.3% versus Jan -0.2%

Production across energy remains below the same time last year. Production across all other industry categories is above the same time last year across the broader EU28 group.

The overall index of industrial production for both the Euro area and the EU28 group remains below the peak in late 2017;



<https://ec.europa.eu/eurostat/documents/2995521/9723794/4-12042019-AP-EN/ff940dca-3d3c-4b5b-966b-81e9440e12b9>

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United Kingdom

BREXIT

With no breakthrough on Brexit negotiations in the UK Parliament before the deadline, the EU27 approved a longer extension for Brexit to 31 Oct 2019.

One of the dangers of the EU decision to give Britain six months to sort itself out is that six months is long enough to dilute the sense of immediate crisis but perhaps not long enough to sort out what the country really wants.

Negotiations between PM May and Labour continue;

“This effort has been going on for nearly two weeks. Both sides want to be seen to be trying hard. Neither wants to be the wrecker. But the real question is whether they can turn these talks into a deal that they are prepared to defend. Pretty soon they are going to have to put up or shut up.”

The options are; a soft Brexit alternative (this is the purpose of the current negotiations) to the current deal the PM has negotiated (official Labour policy), no deal Brexit and the current deal. There is a majority against the PM’s deal and no-deal Brexit.

“But there are three major problems: the colonisation of the Tory party by no-deal fanaticism; Labour’s grassroots rejection of any Brexit at all; and the reality that a soft Brexit risks being a halfway house that will please no one, settle nothing and leave Britain with the worst, not the best, of both worlds.”

The issue of the timing of the European Parliament elections maintains a sense of urgency for Brexit negotiations;

“But there are only five weeks before Britain has to decide whether to cross the Rubicon and hold European elections. By that time, the parties must agree or disagree on a way forward, including on the second referendum question.”

The UK Parliament is in recess until after Easter.

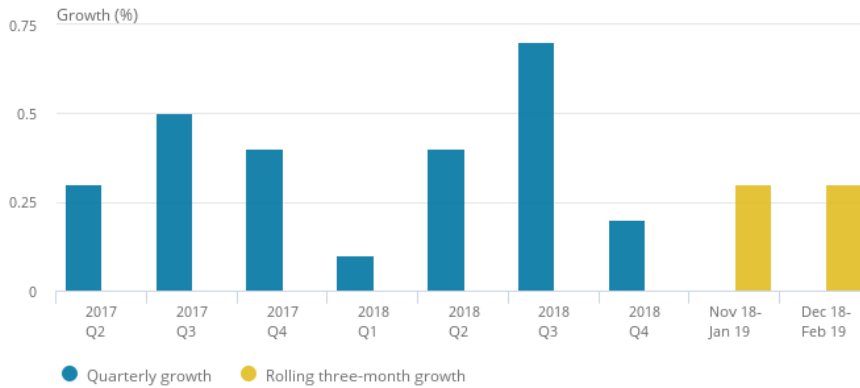
<https://www.theguardian.com/commentisfree/2019/apr/14/the-guardian-view-on-mps-and-brexit-this-is-no-time-to-disengage>

Monthly GDP (Feb)

In the latest rolling quarter to Feb, UK GDP continued to grow at a constant pace, growing at +0.3%. Services continued to be the main contributor to growth, adding 0.29% pts to the headline growth. Production added +0.02%pts and construction detracted slightly from growth by -0.04% pts.

Figure 1: February's rolling three-month growth rate was in line with the previous period

UK GDP growth, Quarter 2 (Apr to June) 2017 until December 2018 to February 2019



Source: Office for National Statistics – GDP monthly estimate

The underlying individual month GDP figures suggest that growth slowed from Jan to Feb. While the monthly data is less reliable, the result is somewhat consistent with the PMI's across services and manufacturing.

Services: rolling 3-month growth at Feb +0.4%.

Growth has been led by wholesale and retail, while motor trade continues to underperform.

Production: rolling 3-month growth at Feb +0.2%.

Production has been led higher by manufacturing activity – with the manufacturing index now at its highest level since 2008. [The PMI's suggested that the inventory build and orders in preparation for Brexit had been a key driver of manufacturing activity. Now that Brexit has been delayed, some of this activity may slow].

Construction output: rolling 3-month growth at Feb -0.6%

<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/february2019>

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Australia

Housing Lending (Feb)

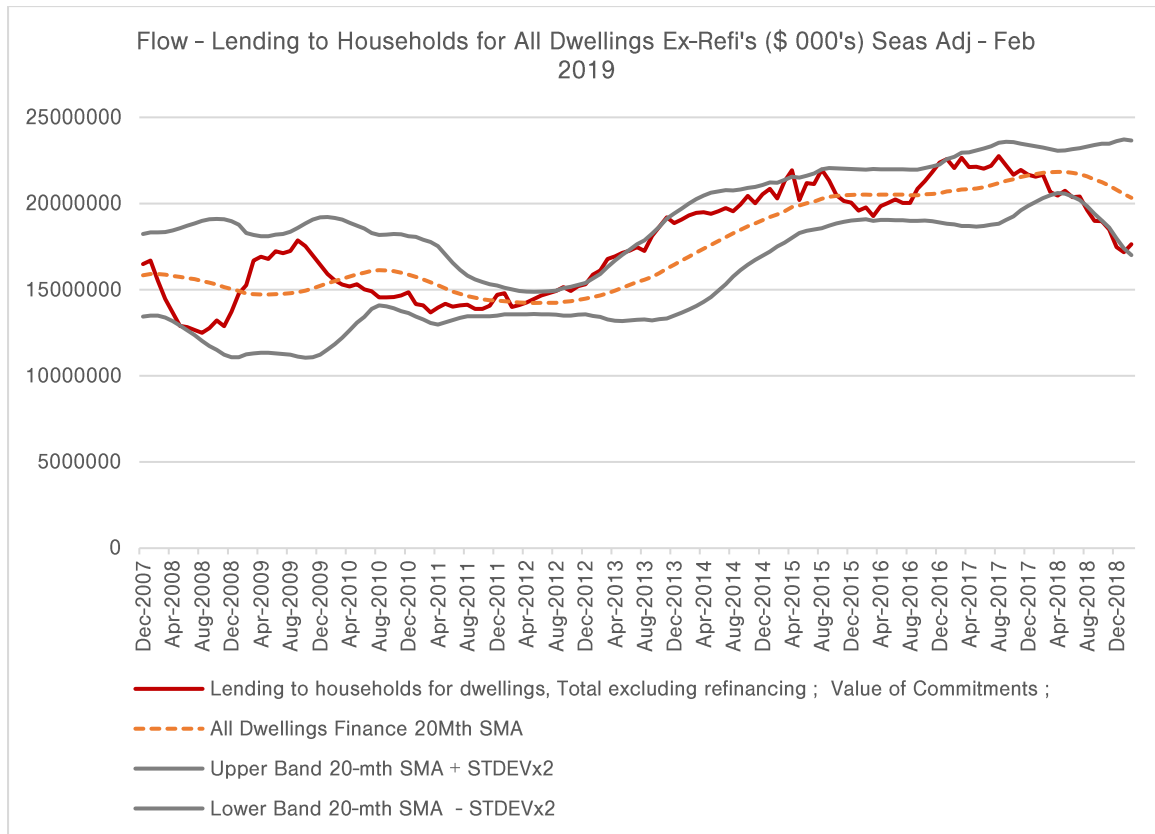
Lending for housing rebounded in Feb led by growth in lending for owner occupiers. Lending for investment dwellings, excluding refi's, increased slightly. Total lending for housing remains 19% below the same time a year ago. Refi's for owner occupiers grew in the latest month but continued to fall for investors.

Lending to households for dwellings ex refi's

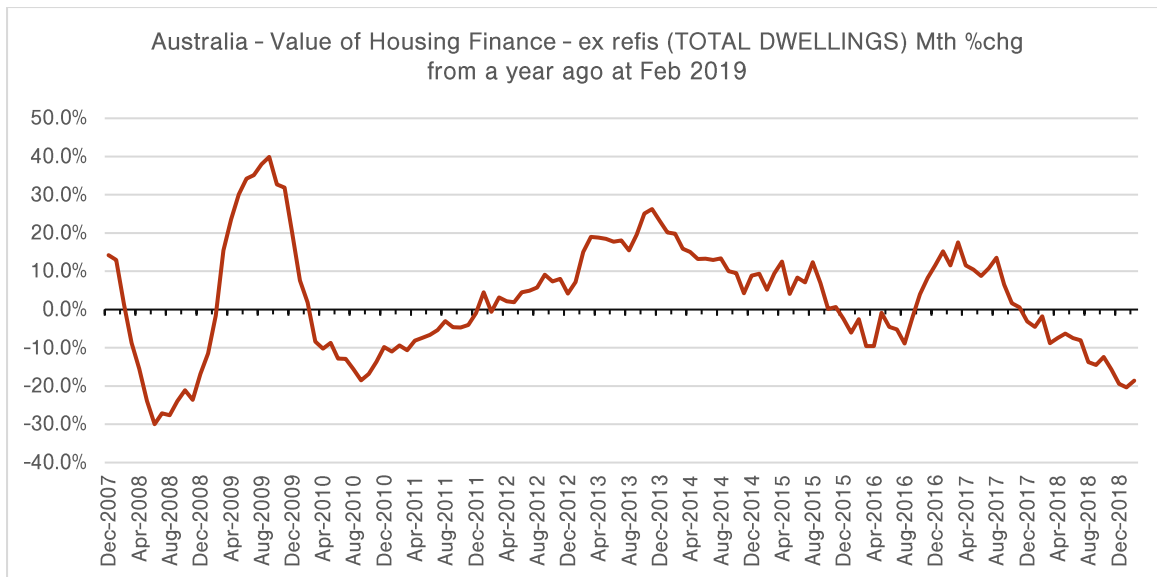
In the latest month, total lending for housing ex refi's increased; Feb +2.7% versus Jan -1.7%

This was the result of faster growth in owner occupier finance – which accounted for approx. 90% of the growth in the month.

The flow of new lending for households has moved above the -2SD from the SMA – not falling as quickly but still low.



The annual change in housing lending excluding refis has slowed slightly; Feb -19% versus Jan -20%.



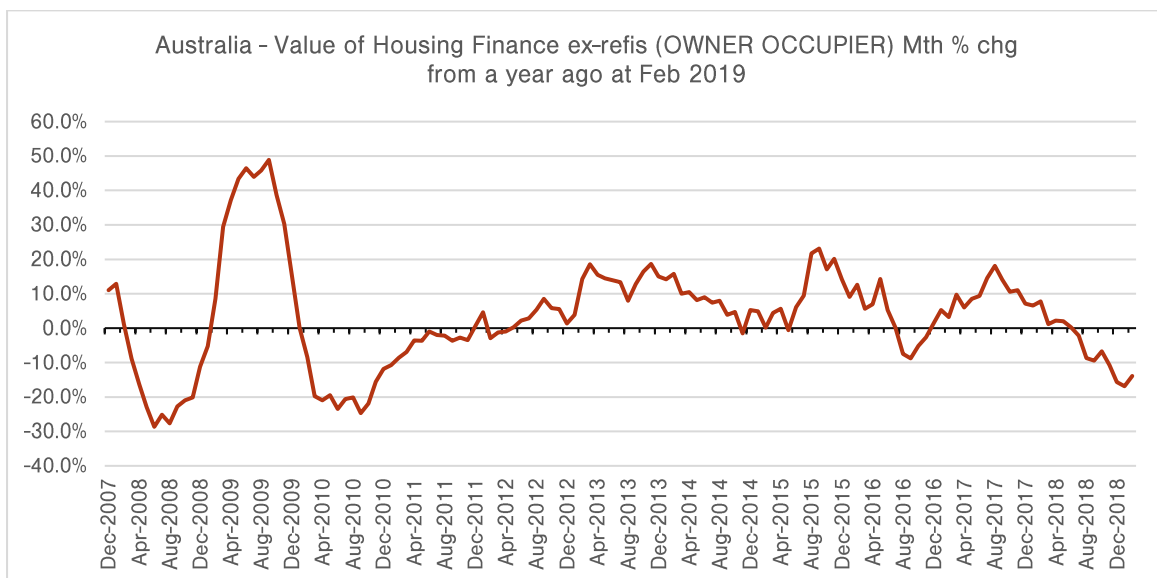
Housing Finance for Owner Occupiers

Lending for owner occupiers (ex refis) has increased at a faster pace; Feb +3.4% versus Jan - 0.9%.

The increase was the result of faster growth in lending for the purchase of established dwellings.

At the same time, the number of housing finance commitments (ex refis) has not grown as fast, only increasing by 0.8% in Feb. Only in NSW and QLD did the number of owner occupier commitments increase at a faster rate than the National rate; NSW and QLD.

The annual decline in the value of lending slowed; Feb -14% versus Jan -17%

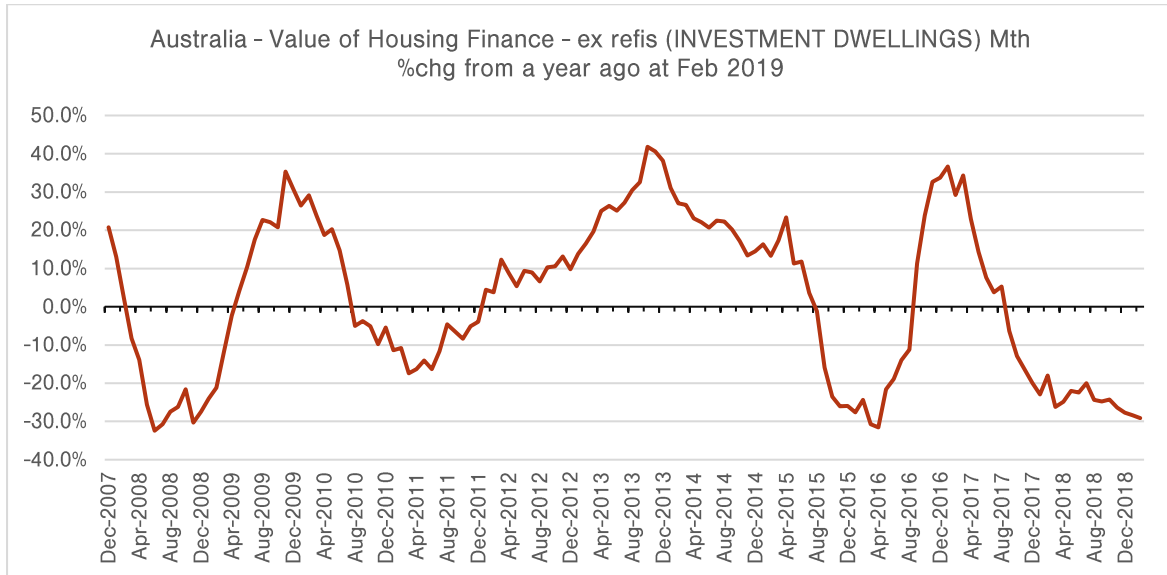


The value of refi's increased for owner occupiers by 5% in Feb versus a 5% decline in Jan. The annual decline in refi's for owner occupiers slowed to -8% versus -11% in Jan.

Housing Finance for Investment Dwellings

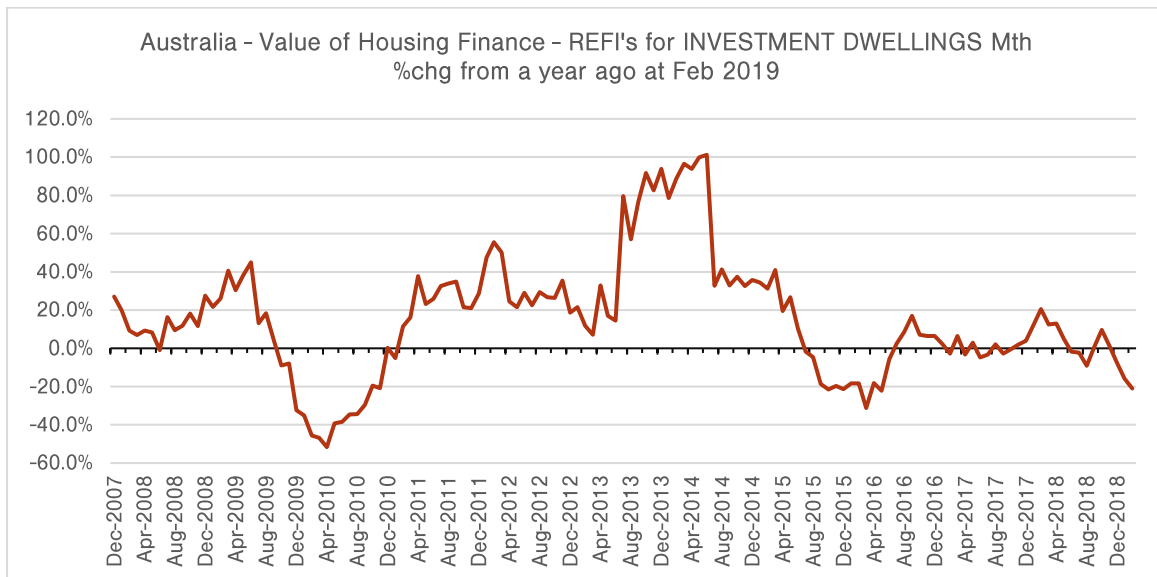
There was only a small increase in finance for investment dwellings the latest month (ex refi's); Feb +0.9% versus Jan -4%.

The annual rate of decline increased slightly; Feb -29% versus Jan -28%



Of note was that the value of refi's for investment dwellings fell again; Feb -2.2% versus Jan -3.2%.

On an annual basis the decline in refi's increased from -16% in Jan to -21% in Feb.



<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5601.0Main+Features1Feb%202019?OpenDocument>

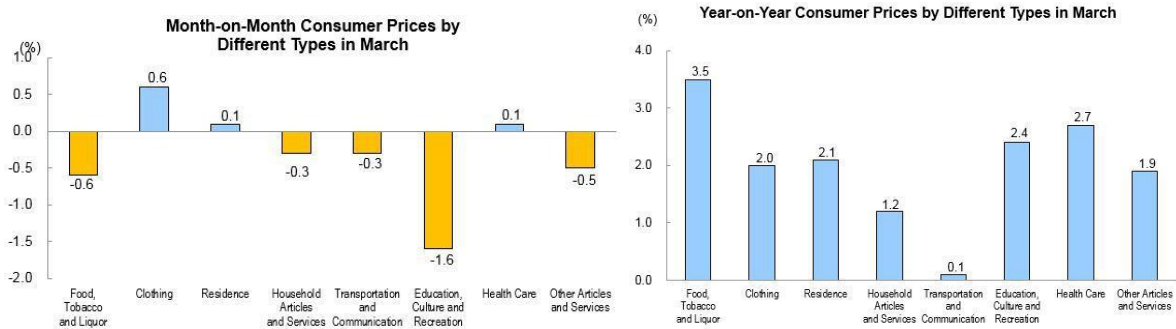
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China

CPI (Mar)

Month; Mar -0.4% versus Feb +1%

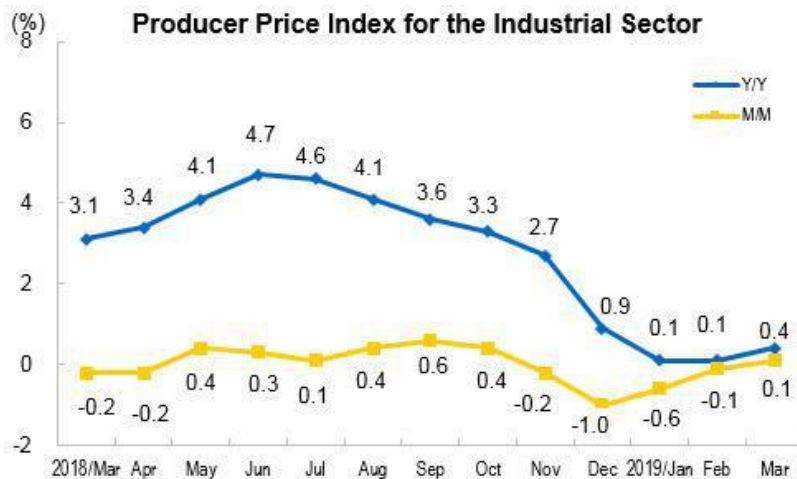
Annual; Mar 2.3% versus Feb 1.5%



http://www.stats.gov.cn/english/PressRelease/201904/t20190412_1659237.html

PPI (Mar)

Annual chg; Mar +0.4% versus Feb +0.1%



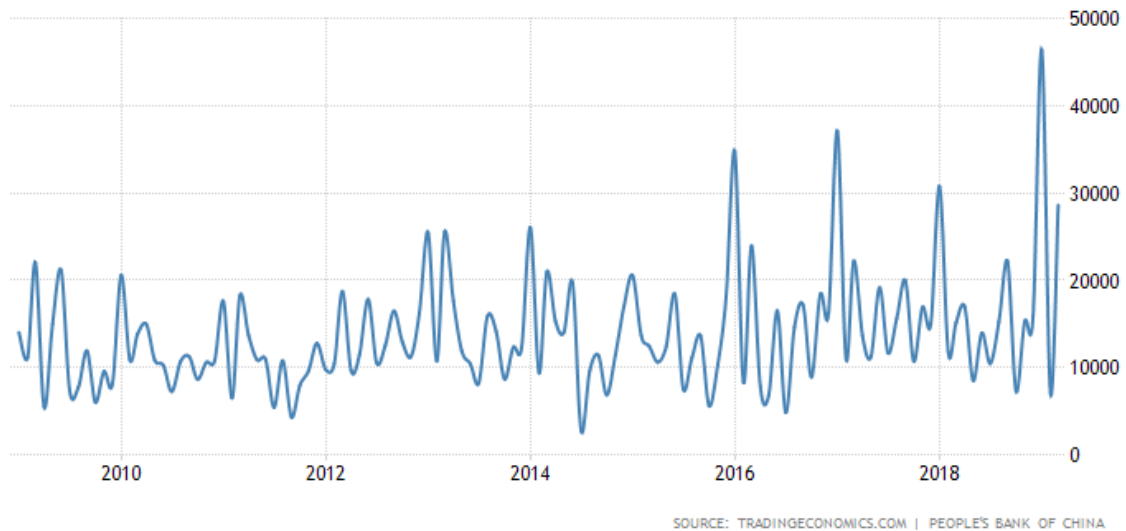
http://www.stats.gov.cn/english/PressRelease/201904/t20190412_1659252.html

M2 Money Supply and New Loans (Mar)

“Total bank lending in the first three months of 2019 hit a record quarterly tally of 5.81 trillion yuan.”

Aggregate Financing - Total Social Financing (TSF); Mar 2,860bn Yuan versus Feb 703bn Yuan

New TSF for the first 3 months of 2019 +10.7% versus the same time last year;



<https://tradingeconomics.com/china/loans-to-private-sector>

New Loans; Mar +1.69tr Yuan

M2: Mar +8.6% versus the same month a year ago.

<https://uk.reuters.com/article/china-economy-loans/update-1-china-march-new-loans-rebound-sharply-more-policy-easing-expected-idUKL3N21Q1YT>

<https://www.reuters.com/article/china-economy-social-financing-outstandi/china-outstanding-total-social-financing-up-107-pct-y-y-at-end-march-idUSB9N219043>

Export and Imports (Mar)

Annual change – same mth versus prior year

CNY Exports; Mar +21.3% versus Feb -16.6%

CNY Imports; Mar -1.8% versus Feb -0.3%

USD Exports; Mar+14.2% versus Feb -20.7%;

USD Imports; Mar -7.6% versus Feb -5.2%

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Trade

US-China Trade Negotiations

Latest news on negotiations see's both sides potentially making large concessions in order to deliver a trade deal announcement in the next few weeks.

“U.S. negotiators have tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing, according to two sources briefed on discussions, marking a retreat on a core U.S. objective for the trade talks.” <http://news.trust.org/item/20190415011034-tbd60/>

Further calls between the USTR and Chinese Vice Premier Lui He are scheduled for this coming week.

US Treasury Secretary Steven Mnuchin says a US-China trade agreement would go "way beyond" previous efforts to open China's markets to US companies and hoped the two sides were "close to the final round" of negotiations. <https://www.9news.com.au/world/us-news-china-trade-war-steven-mnuchin-imf-world-bank-finance-economy/36643c3b-a501-4e57-9b95-e5bcf05eb8eb>

Reconfirming what a 'win' in the negotiations with China looks like – a statement of the key goals as outlined by the USTR (emphasis added);

The meetings were held as part of the agreement reached by President Donald J. Trump and President Xi Jinping in Buenos Aires to engage in 90 days of negotiations **with a view to achieving needed structural changes in China with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft of trade secrets for commercial purposes, services, and agriculture.**

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/january/statement-united-states-trade>

Special 2019 Section 301 Review

No further update on progress. Posted on the Federal Register by the USTR is a request for comments and a notification of a public hearing for the annual special S.301 review;

to identify countries that deny adequate and effective protection of intellectual property rights (IPR) or deny fair and equitable market access to U.S. persons who rely on intellectual property protection.

The special 301 subcommittee will hold a hearing on 27 Feb 2019.

On 26 Apr 2019, the USTR will publish the 2019 special 301 report within 30 days of the National Trade Estimate Report.

<https://www.federalregister.gov/documents/2018/12/28/2018-28319/request-for-comments-and-notice-of-a-public-hearing-regarding-the-2019-special-301-review>

NAFTA/USMCA

The report by the US International Trade Commission on the economic impact of the new agreement is delayed due to the shutdown. The report was due 15 Mar but has now been postponed until mid-April.

And some lawmakers are withholding their opinions until they see the results of a U.S. International Trade Commission report analyzing the economic impact of the deal, which likely won't be out until mid-April due to a delay from the 35-day government shutdown.

<https://www.politico.com/story/2019/03/07/trump-nafta-democrats-1247064>

The focus now is to have the deal ratified by Congress before the summer.

“Rep. Kevin Brady, ranking member on the House Ways and Means Committee, said U.S. Trade Representative Robert Lighthizer is ready to send legislation to lawmakers when House Speaker Nancy Pelosi “gives the green light.” He called getting the deal to Trump’s desk this summer “crucial.””

<https://www.cnn.com/2019/03/29/trumps-nafta-usmca-trade-deal-faces-bipartisan-roadblock-in-congress.html>

Section 232 – Car and Truck Imports

Last week President Trump threatened a 25% tariff on Auto imports from Mexico if Mexican authorities did not make additional efforts to reduce the flow of illegal immigration into the US.

This prompted a response from eight (8) US trade organisations requesting President Trump not to place tariffs on the Auto industry;

Eight US trade organizations have urged President Donald Trump not to impose import tariffs on cars and car parts, saying an investigation that could potentially legitimize the duties "poses serious economic threat" to US economy and the wellbeing of its auto industry. <http://www.globaltimes.cn/content/1144757.shtml>

The final report on the s 232 investigation has been provided to President Trump on 17 Feb. The President has 90 days to make a final decision on the recommendations.

“Some analysts have considered the secrecy around the U.S. report on Section 232 tariffs as leverage which Trump likely intends to use in the U.S. trade negotiations with the EU.”

"We're trying to make a deal. They are very tough to make a deal with," Trump told reporters at the White House on Wednesday. "If we don't make a deal, we'll do the tariffs." http://www.xinhuanet.com/english/2019-02/23/c_137845093.htm

US-Japan Trade Talks

Trade talks between the US and Japan commence on 15 Apr in Washington;

“US Trade Representative Robert Lighthizer and Japan's Economy Minister Toshimitsu Motegi are set to embark on two days of talks in Washington.”

<https://www.rappler.com/world/regions/asia-pacific/228147-united-states-japan-trade-talks>

President Trump is due to meet with Prime Minister Shinzo Abe at the Group of 20 summit in Osaka in June. <https://asia.nikkei.com/Economy/Trade-War/US-Japan-trade-talks-face-delay-as-Trump-focuses-on-China>

<https://ustr.gov/countries-regions/japan-korea-apec/japan/us-japan-trade-agreement-negotiations>

The summary of US negotiating objectives for the US-Japan trade talks have been published;

https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf

US-Europe Trade Talks

In the following week, the EU is likely to approve negotiating guidelines in order to commence trade talks with the US.

France will remain opposed to commencing talks with the US due to President Trump's position on climate change. Opposition to the commencement of trade talks won't stop the talks, but France could end up blocking approval of any deal.

“But French President Emmanuel Macron has already staked out his position on talks: Europe should not negotiate a trade deal with a country that is not part of the 2015 Paris Agreement on climate.”

<https://edition.cnn.com/2019/04/13/business/eu-us-trade-talks/index.html>

<https://www.chathamhouse.org/expert/comment/eu-us-trade-relations-way-forward>

This week, the USTR announced it will commence a process that will identify products of the EU that additional duties will be applied to in response to continued EU subsidies for Airbus.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/ustr-proposes-products-tariff>

The summary of US negotiating objectives for the US-EU trade talks have been published;

https://ustr.gov/sites/default/files/01.11.2019_Summary_of_U.S.-EU_Negotiating_Objectives.pdf

US-UK Trade Talks

The USTR has now published the summary of specific negotiating objectives for the US-UK trade negotiations; https://ustr.gov/sites/default/files/Summary_of_U.S.-UK_Negotiating_Objectives.pdf

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