

Key Themes

China economic data continued to improve this week. While there was faster growth in industrial production and retail sales in Mar, this was yet to be reflected in the quarterly GDP growth result. The Q1 2019 GDP growth rate slowed to +1.4% versus +1.5% in the prior quarter and +1.5% in the same quarter a year ago.

The impact of Chinese stimulus on other countries remains mixed. South Korea exports to China in Apr continue to deteriorate. EU exports to China were much stronger in the YTD Feb +13% (versus +6.2% growth in the full year 2018). Japan exports to China fell again in Mar by -9.4% versus a year ago.

The improvement in US retail sales growth was an important data point this week. Growth was stronger across most categories for the month - the question is whether it will be sustained. The prelim Apr sentiment data last week indicated a 'sideways' move rather than any acceleration higher. Continued retail growth (consumer pull-through) over the coming months should help ease issues with inventory build evident within the wholesale supply chain.

Overall US industrial production and manufacturing growth continue to flatline - while some regional indexes have improved. The prelim PMI for Apr indicated a marked slow-down in service-sector activity while there was little change in manufacturing activity.

PMI data for Europe indicates private sector growth likely slowed further in Apr - the slightly slower contraction in manufacturing was offset by somewhat slower growth in services. Interestingly, new export orders continued to contract at a steeper pace in Apr and for the 7th month in a row. Despite this accelerating contraction in new export orders, EU trade data out last week shows that so far, EU export growth in the YTD to Feb (+4.1%) remains on par with the full year 2018 of 4%. Based on the PMI readings for new export orders (especially for Mar and Apr), EU export growth may slow in the coming months.

Given that the Brexit deadline was moved out at the last minute, most organisations had been preparing in the months leading up to that deadline and stock-piling/bringing forward orders etc. This has been noted in the PMI's in Feb and Mar. Some of that is visible in the EU trade data; in the full year 2018, UK imports grew at 0% but in the YTD Feb 2019, imports grew at a much faster +10%. UK retail sales for Mar were very strong again and annual growth accelerated to a near term high of +6.6%. Will this stronger run of activity be sustained now that the deadline on Brexit has been moved to 31 Oct and, will firms continue to maintain higher inventories until Brexit is resolved? Elsewhere, in the UK, the labour market remains strong and inflation steady.

The US and China appear to be in the final stages of the trade deal negotiation. Our focus now shifts to the commencement of the US-EU negotiations - the importance of which cannot be underestimated. This week, the EC approved negotiation directives which did not include agriculture. At the same time, President Trump has threatened that he will impose auto tariffs if

agriculture is not included in the negotiations. No date has been set for the commencement of talks.

The annual picture of the Australian labour market remains robust. But on a monthly basis, there is a subtle (continued) weakening in conditions. In the prior month we noted that the more recent monthly employment growth was now below that of the total labour force – resulting in small increases in total unemployed persons on a monthly basis. This trend has continued in Mar resulting in a further (small) increase in unemployment.

Contents

[US Data](#) - Empire State Manufacturing Survey (Apr), Philadelphia Fed Business Outlook Survey (Apr), Industrial Production (Mar), Prelim Composite PMI (Apr), NAHB Housing Market Index (Apr), Mortgage Applications for w/k ending 12 Apr, Retail Sales (Mar), Wholesale Trade (Feb), Business Inventories (Feb), International Trade (Feb)

[Europe](#) - Eurozone Trade Balance (Feb), Eurozone CPI (Mar), German Prelim Composite PMI (Apr), Eurozone Prelim Composite PMI (Apr)

[Japan](#) – Trade Balance (Mar), Industrial Production (final) (Feb), National CPI (Mar)

[United Kingdom](#) – Labour market report (3-mths to Feb), CPI (Mar), Retail Sales (Mar)

[Australia](#) – RBA Minutes, Labour Force Survey (Mar)

[China](#) – Retail Sales (Mar), Industrial Production (Mar), Q1 GDP

[Trade](#) – US-China Trade Negotiations, Special 2019 S.301 Review, NAFTA/USMCA, S.232 Car and Truck Imports, US-Japan Trade Talks, US-Europe Trade Talks, US-UK Trade Talks

US Data

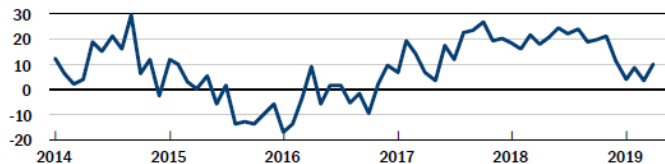
Production & Output

Empire State Manufacturing Survey (Apr)

The index of current conditions showed that manufacturing activity in the region expanded at a faster rate – new orders and inventories grew at a faster pace. Growth in the index of future conditions slowed sharply across most measures – the level of growth of these measures remains elevated though.

Headline General Business Conditions; Apr 10.1 versus Mar 3.7

General Business Conditions



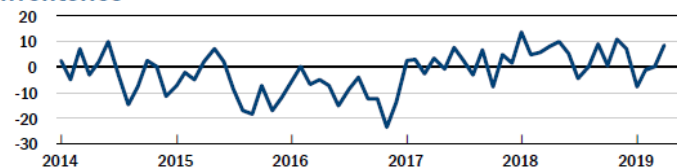
	Percent Reporting		Index
	Higher	Lower	
Mar	29.1	25.4	3.7
Apr	32.7	22.6	10.1
Change			6.4

New orders growth increased at a faster pace, but the index remains below 10 (Apr 7.5). Growth in shipments increased at a slightly faster rate.

Unfilled orders returned to slight contraction as firms worked through backlogs.

One of the largest increases was for inventories; Apr 8.4 versus Mar 0. Growth in inventories has been trending less negative to up over the last few months;

Inventories



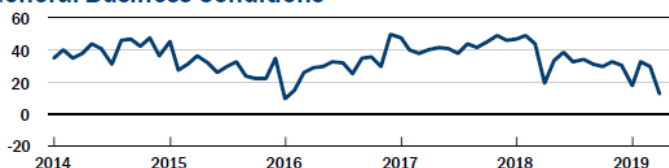
	Percent Reporting		Index
	Higher	Lower	
Mar	21.7	21.7	0.0
Apr	26.6	18.2	8.4
Change			8.4

Prices paid and prices received both grew at a slower pace.

The number of employees grew at a slightly slower pace while the average workweek shifted back from contraction to expansion.

A quick note on the forward-looking indicators this month. The headline general business condition for six-months-ahead slowed sharply this month; Apr 12.4 versus Mar 29.6

General Business Conditions



	Percent Reporting		Index
	Higher	Lower	
Mar	42.9	13.3	29.6
Apr	38.2	25.8	12.4
Change			-17.2

The sharp slow down was recorded across most measures except for inventories and the average employee workweek (only a small increase).

Industrial Production (G.17) (Mar)

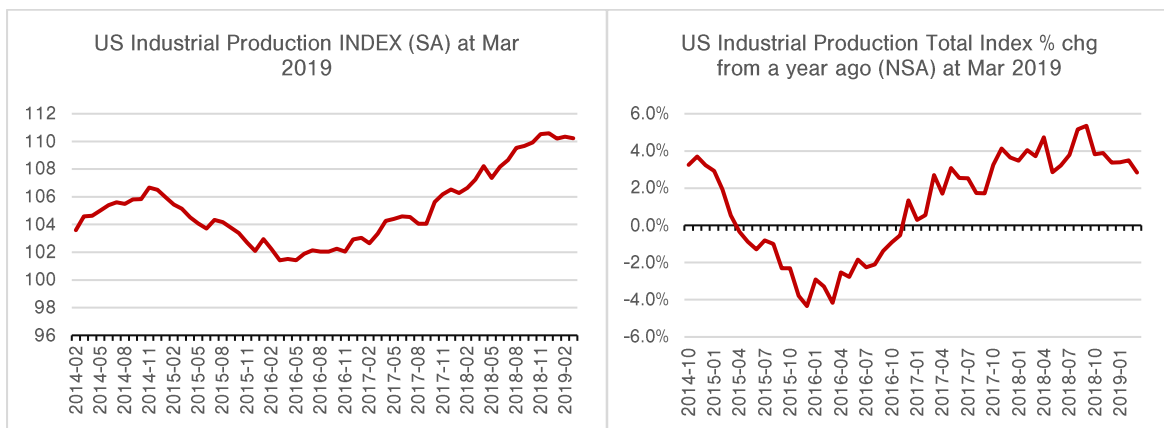
Total US industrial production slowed again in the latest month, recording a small decline in headline production growth versus the month prior. Manufacturing and mining contributed to the slower growth. Capacity utilization at a total level continued to decline slightly.

Total Industrial Production

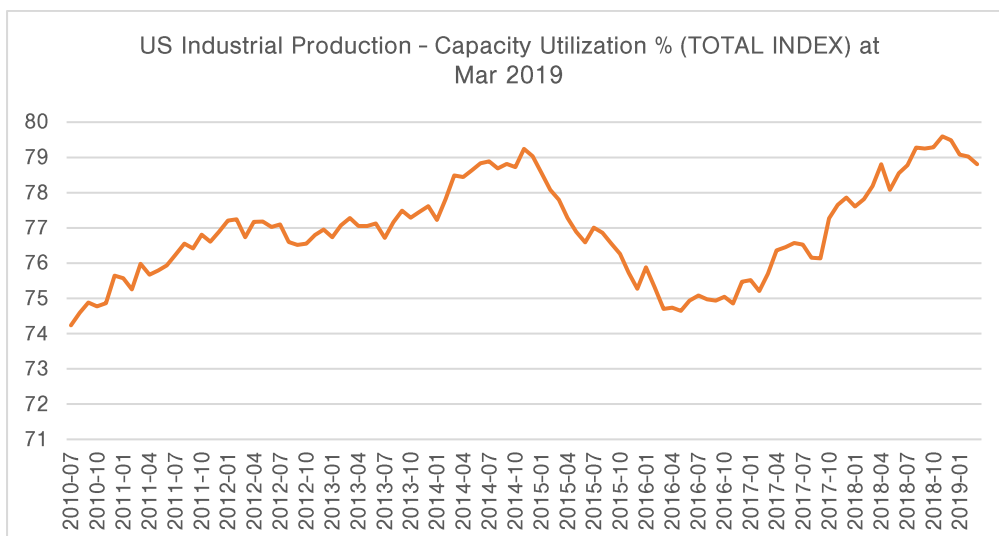
Month chg; Mar -0.1% versus Feb +0.1%

Annual growth has slowed from 3.5% in Feb to +2.8% in Mar. The annual growth has been slowing since Sep 2018.

The trend of the actual index best characterizes the performance of production – actual production has flat-lined since Nov 2018.



Capacity utilization has continued to fall at a total level; Mar 78.8% versus Feb 79%. Utilization peaked in this cycle back in Nov 2018 at 79.6%.

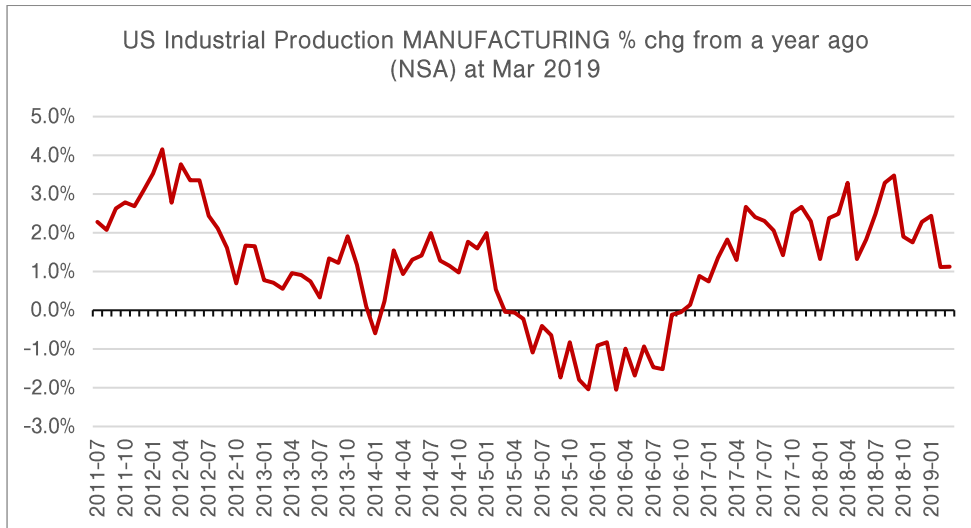


Manufacturing Production

Month chg; Mar 0% versus Feb -0.3%

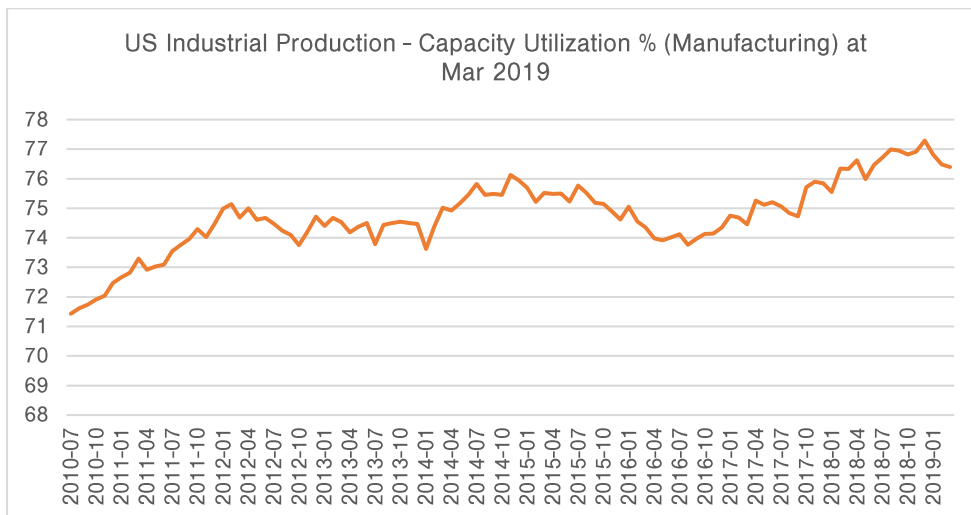
In the latest month, a small decline in durable goods manufacturing (led by a 2.5% decrease in motor vehicles and parts) was offset by a small increase in non-durable goods manufacturing.

Annual growth was unchanged at +1.1% in Mar.



The index of manufacturing production peaked back in Dec 2018 and is currently only -0.8% below that level in Mar.

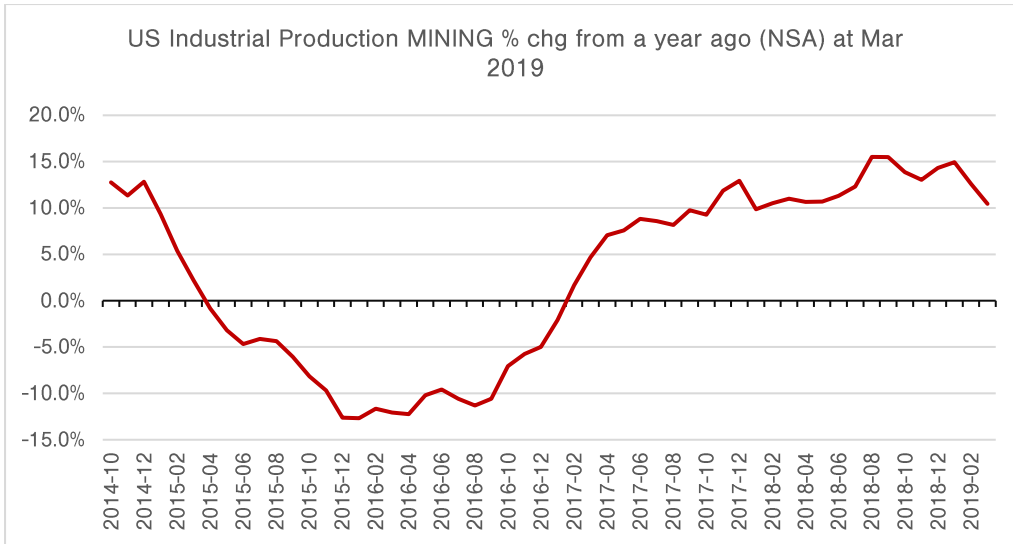
Manufacturing capacity utilization fell slightly; Mar 76.4% versus Feb 76.4%. Utilization peaked back in Dec 2018 at 77.3%.



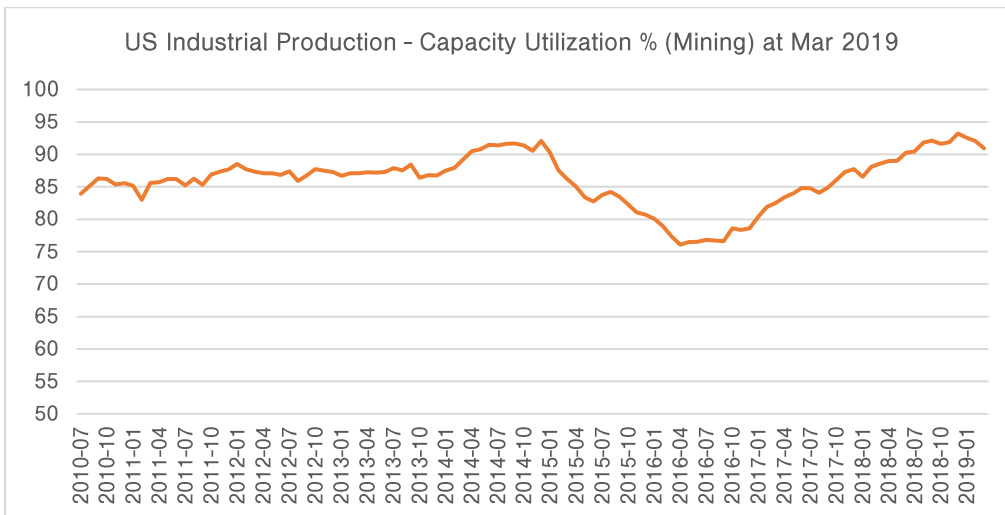
Mining Production

Month chg; Mar -0.8% versus Feb 0%

Annual growth remains elevated but has slowed somewhat over the last few months; Mar +10.5% versus Feb 12.6%;



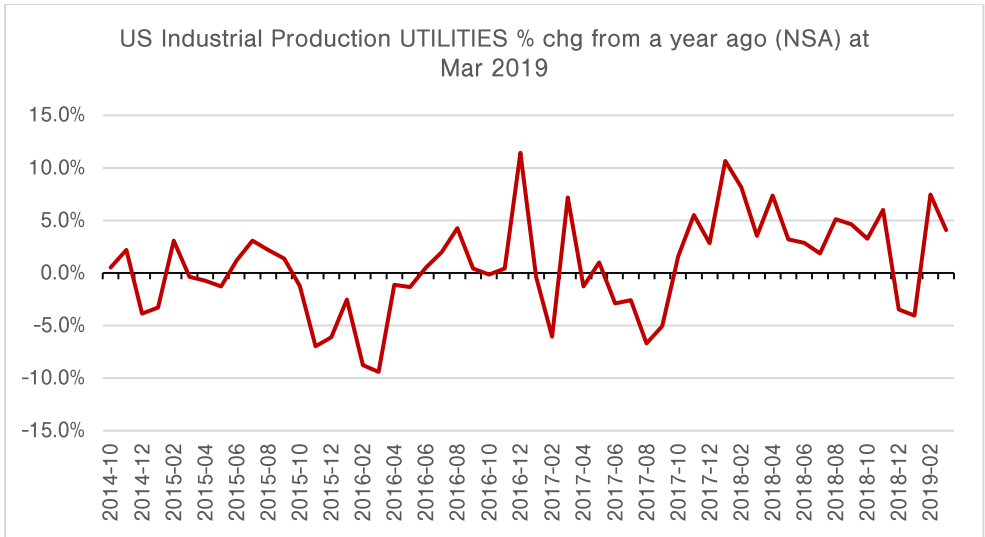
Mining capacity utilization has also declined in the latest month; Mar 90.9% versus Feb 92.1%. In this part of the cycle, utilization has peaked at 93.2% in Dec 2018.



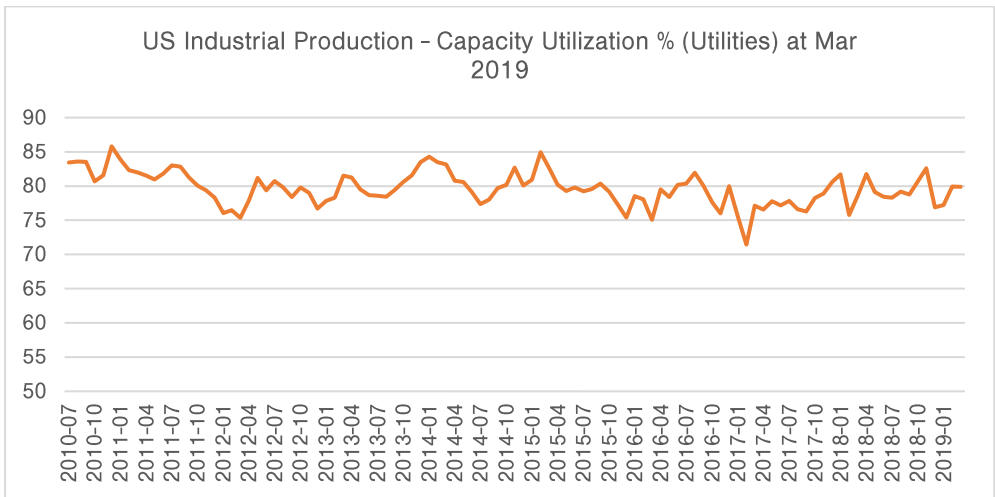
Utilities Production

Month chg; Mar +0.2% versus Feb +3.7%

Annual growth also slowed in the latest month but there is less evidence of any slowing trend; Mar +4.1% versus Feb +7.5%



Capacity utilization in utilities remains relatively unchanged; Mar 79.9% versus Feb 79.9%.



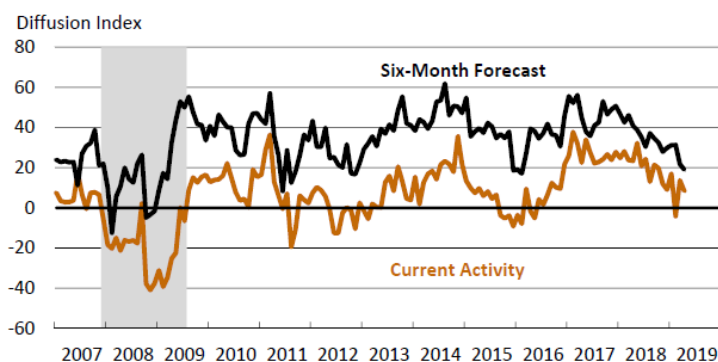
<https://www.federalreserve.gov/releases/g17/current/>

Philadelphia Fed Business Outlook Survey (Apr)

The headline activity index grew at a slower pace in the month. Faster growth in new orders was somewhat offset by slower growth in shipments, unfilled orders and lower inventories.

General Business Activity Index; Apr 8.5 versus Mar 13.7

Chart 1. Current and Future General Activity Indexes
January 2007 to April 2019



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

New orders increased at a faster rate – 39% of firms recorded an increase in new orders versus 26% in the month prior. The proportion of firms recording a decrease remained unchanged at 24%.

Shipments slowed only slightly. Underlying that though, there was a still a relatively large increase in firms that recorded a decrease in shipments; in Mar 13.8% of firms recorded a decrease in shipments and in Apr that number still went up to 20.8%.

Unfilled orders grew only at a marginal pace.

Growth in inventories slowed to only a very low pace of growth. The number of firms reporting a decrease in inventories increased from 14.8% in Mar to 23% in Apr. In six months-time, firms are forecasting that inventory growth will remain in contraction.

Prices paid grew at a slightly faster pace, but prices received grew at a slower pace.

The number of employees and the average workweek both grew at a faster pace. In the forecast for six-months from now, both are forecast to be growing at a slower pace.

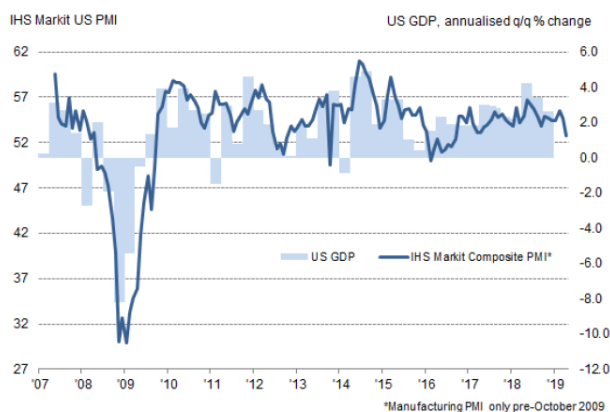
<https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0419>

Prelim Composite PMI (Apr)

The headline composite index of private sector business activity slower further in the latest month. This was the result of slower growth in services activity while the manufacturing PMI was unchanged.

Headline Composite Output Index; Apr 52.8 versus Mar 54.6

IHS Markit Composite PMI and U.S. GDP



Sources: IHS Markit, U.S. Bureau of Economic Analysis.

Services Bus Activity Index; Apr 52.9 versus Mar 55.3 (-2.4)

The slow down was led by slower growth in new business. Expectations for output growth were revised lower for the year. Input costs and output charges both grew at a slower pace.

Manufacturing PMI; Apr 52.4 versus Mar 52.4

The manufacturing output index increased slightly along with new orders. Foreign demand remains 'muted'.

This was somewhat offset by slower growth in employment and raw materials inventories.

Input charges and output charges both increased at a slower pace.

<https://www.markiteconomics.com/Survey/PressRelease.mvc/9fee4681de4c48fea91590204289b20d>

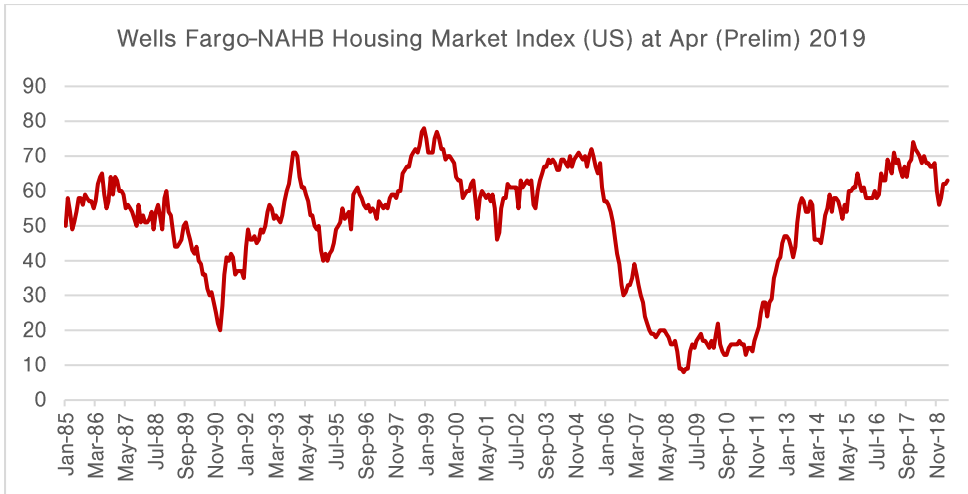
Housing

NAHB Housing Market Index (Apr)

The index of housing market conditions increased further growth in the latest month. This was led by single family prospective sales as well as traffic of prospective buyers. Conditions also improved across most regions except the South.

Headline Housing Market Index; Apr 63 versus Mar 62

The current index reading is just below the 12-month average of 64.

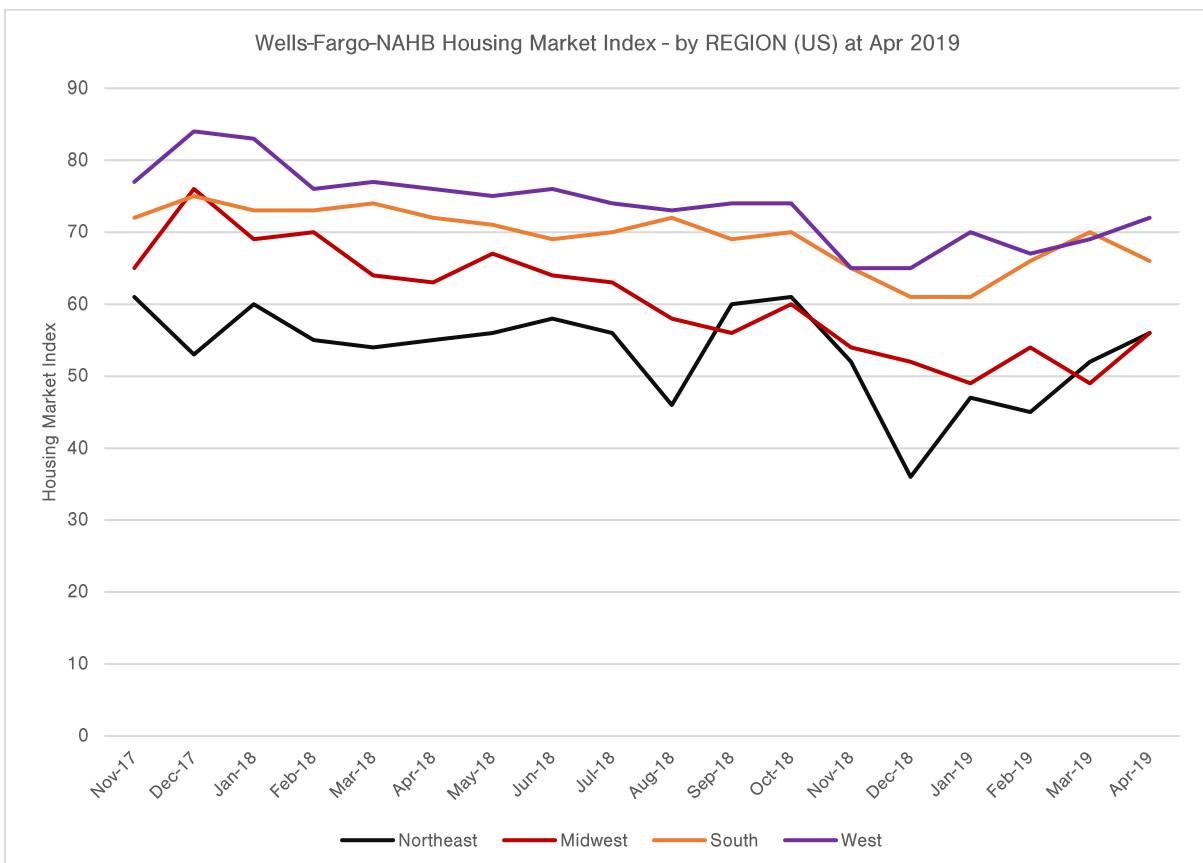


Single family home sales – present increased slightly Apr 69 versus Mar 68

Sales in 6-months' time declined slightly; Apr 71 versus Mar 72

Traffic of prospective buyers increased at a faster pace; Apr 47 versus Mar 44

On a regional basis, the South was the only market where conditions did not improve in the latest month;



<https://www.nahb.org/en/research/housing-economics/housing-indexes/housing-market-index.aspx>

Mortgage Applications for w/k ending 12 Apr

Mortgage loan applications (Market Composite Index); -3.5% versus the week prior.

The Refinance Index; -8% versus the week prior

The purchase index; +1% versus the week prior and +7% versus the same week a year ago

"Mortgage applications decreased over the week, driven by a decline in refinances. With mortgage rates up for the second week in a row, it's no surprise that refinancings slid 8 percent and average loan sizes dropped back closer to normal levels," said Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting. "Purchase activity remained strong and increased slightly, reaching its highest level since April 2010. The spring buying season continues to be robust, with activity more than 7 percent higher than a year ago and up year-over-year for the ninth straight week."

<https://www.mba.org/2019-press-releases/april/mortgage-applications-decrease-in-latest-mba-weekly-survey-x251726>

Consumer Spending & Trade

Retail Sales (Mar)

A strong rebound in the monthly retail sales result for Mar with all but one category contributing to growth in the month. Despite the stronger growth in the latest month, annual growth (same mth a year ago) continued to slow.

Headline retail sales – month chg; Mar +1.6% versus Feb -0.2%

The largest contributors to growth in the month were;

Auto sales; Mar +3.1% versus Feb -0.1%

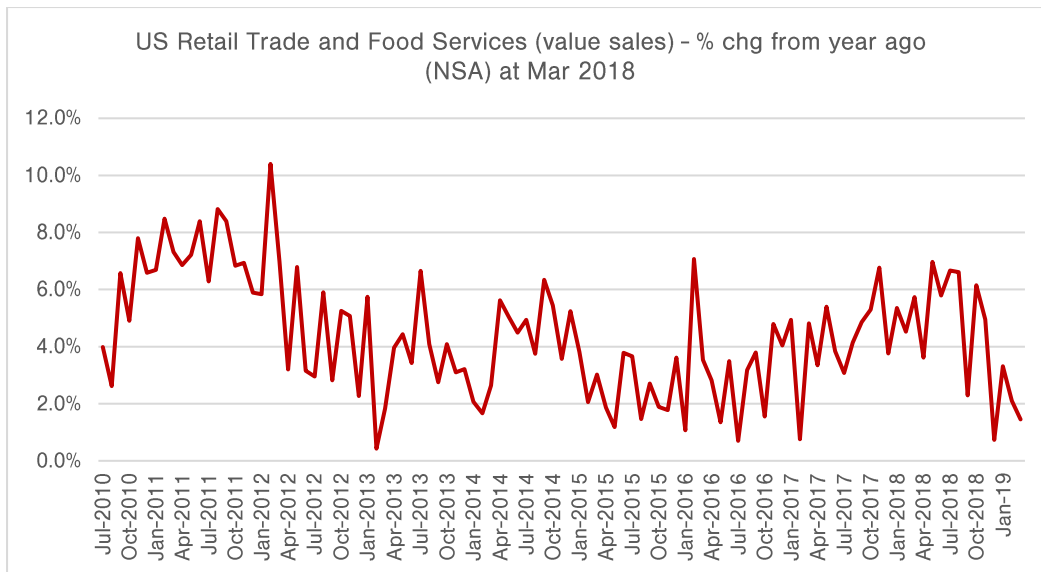
Gasoline sales; Mar +3.5% versus Feb +3.5%

Food and Bev store sales; Mar +1% versus Feb -1.9%

Non-store Retail Sales; Mar +1.2% versus Feb +1.2%

Retail Sales – annual chg

On an annual basis (NSA), retail sales growth slowed from +2.1% in Feb to +1.5% in Mar;



Excluding Auto's and Gas, retail sales growth picked up slightly versus a year ago (NSA); Mar +3.6% versus Feb +2.8%

<https://www.census.gov/retail/index.html>

Wholesale Trade and Inventories (Feb)

Wholesale trade grew at a slower pace in Feb after faster growth in Jan. This was due to slower growth in sales across both durable and non-durable goods. Inventories also grew at a slower pace and the sales/inventory ratio remained unchanged.

Wholesale trade

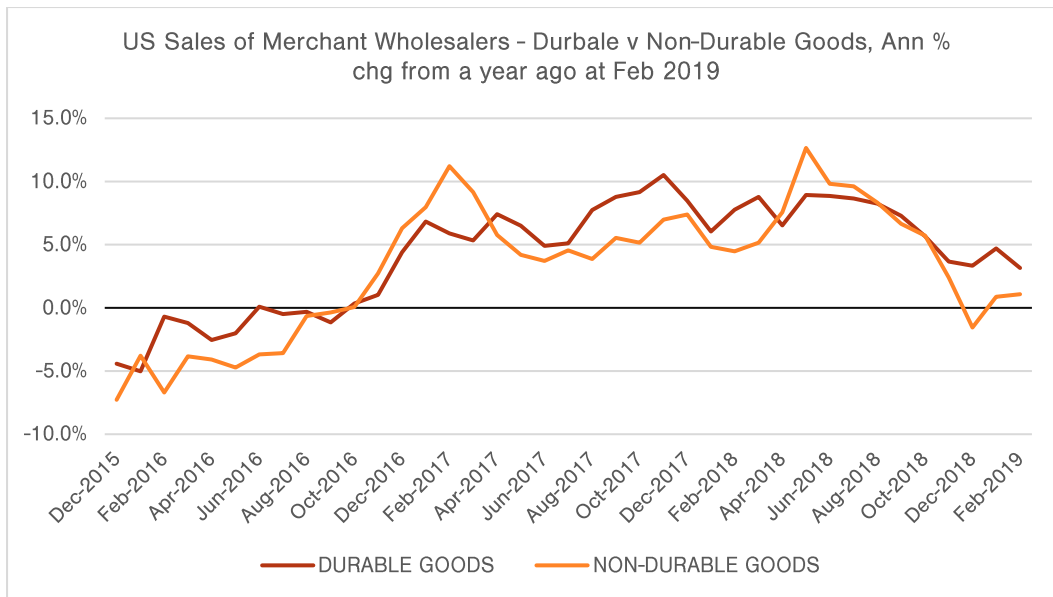
Month chg; Feb +0.3% versus Jan +0.5%

Both durable and non-durable goods wholesale growth slowed. Non-durable goods contributed the bulk of the growth in the month;

Durable goods; Feb +0.1% versus Jan +0.2% (+\$0.14bn growth in the month)

Non-durable goods; Feb +0.4% versus Jan +0.9% (+\$1.2bn growth in the month) – faster growth in petroleum sales was offset by a decline in Groceries (consistent with the Feb retail sales result).

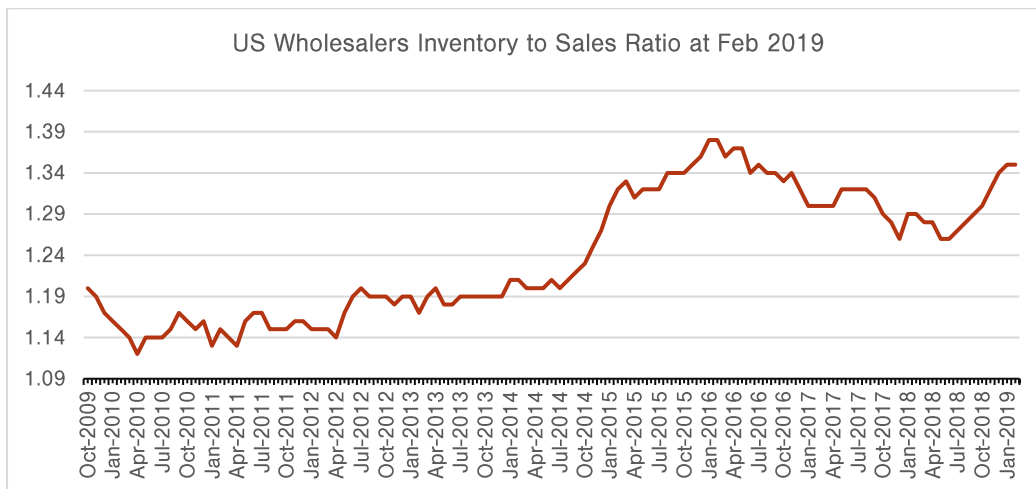
On an annual basis, growth in durable goods wholesale sales slowed while wholesale sales of non-durable goods increased slightly;



Inventories – month chg; Feb +0.2% versus Jan +1.2%

Increases in durable goods and non-durable goods inventories contributed to the overall increase in the month.

The sales to inventory ratio was unchanged across all categories in the latest month and remains elevated at 1.35;



<https://www.census.gov/wholesale/index.html>

Business Inventories (Feb)

Sales and inventory growth across the distributive trades eased in Feb. Growth in sales relative to inventory was such that the inventory to sale ratio remained unchanged at a total business level. Overall sales growth was slower in Feb versus Jan (reflection of retail sales for that month) and inventories also grew at a slower pace.

Total Business

Sales mth; Feb +0.1% (+\$ 2bn) versus Jan +0.3%

Sales through manufacturers and merchant wholesalers were offset by a decline in retail trade sales.

Inventories increased at a slower pace; Feb +0.5% (+\$5.7bn) versus Jan +0.8%. The total business sales to inventory ratio remained unchanged in Feb at 1.39;



Manufacturers – sales mth; Feb +0.4% (+\$2bn) versus Jan -0.4%

Inventories; Feb +0.3% (+\$2bn) versus Jan +0.5%. The inventory to sales ratio remains unchanged at 1.36.

Retailers – sales mth; Feb -0.3% (-\$1.2bn) versus Jan +0.8%

Inventories; Feb +0.3% (+\$2.2bn) versus Jan +0.8%

The inventory to sales ratio increased from 1.47 in Jan to 1.48 in Feb. Given the increase in retail sales recorded for Mar, this figure is likely to come down in the next month.

Merchant wholesalers – sales mth; Feb +0.3% (+\$1.3bn) versus Jan +0.5%

Inventories; Feb +0.2% (+\$1.4bn) versus Jan +1.2%

The inventory to sales ratio remained unchanged at 1.35 and is still well above the 1.29 level recorded in the same month last year.

<https://www.census.gov/mtis/index.html>

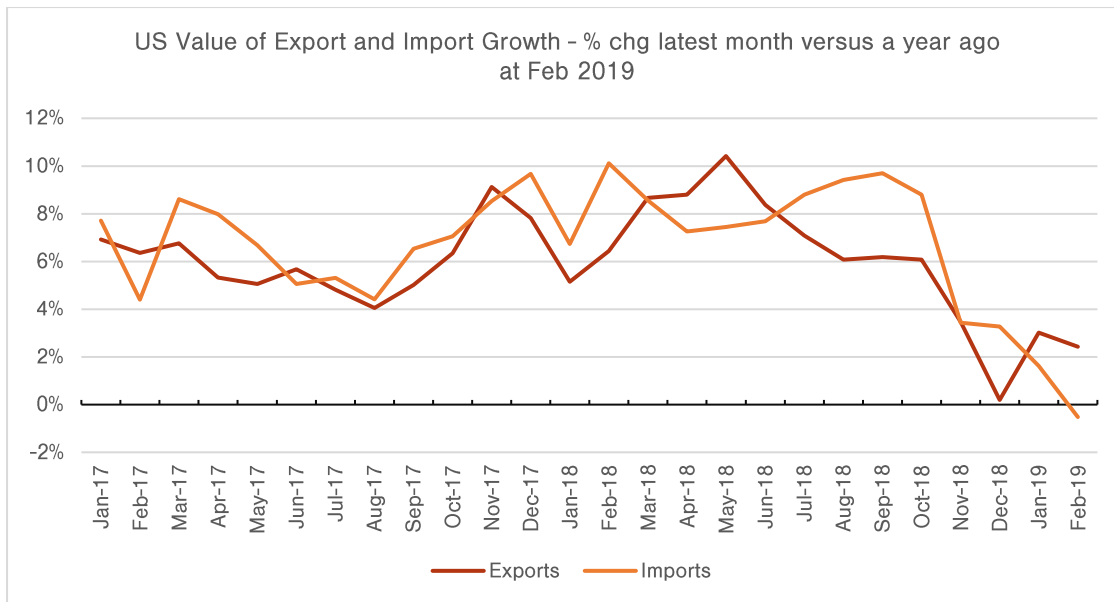
International Trade (Feb)

The US trade balance (deficit) declined/narrowed in Feb versus Jan as exports grew at a faster pace than imports. On an annual basis, the trade balance (deficit) also declined as the total value of exports increased while imports declined.

Trade Balance – Deficit

Monthly trade balance; Feb -\$49.4bn versus Jan -51.1bn

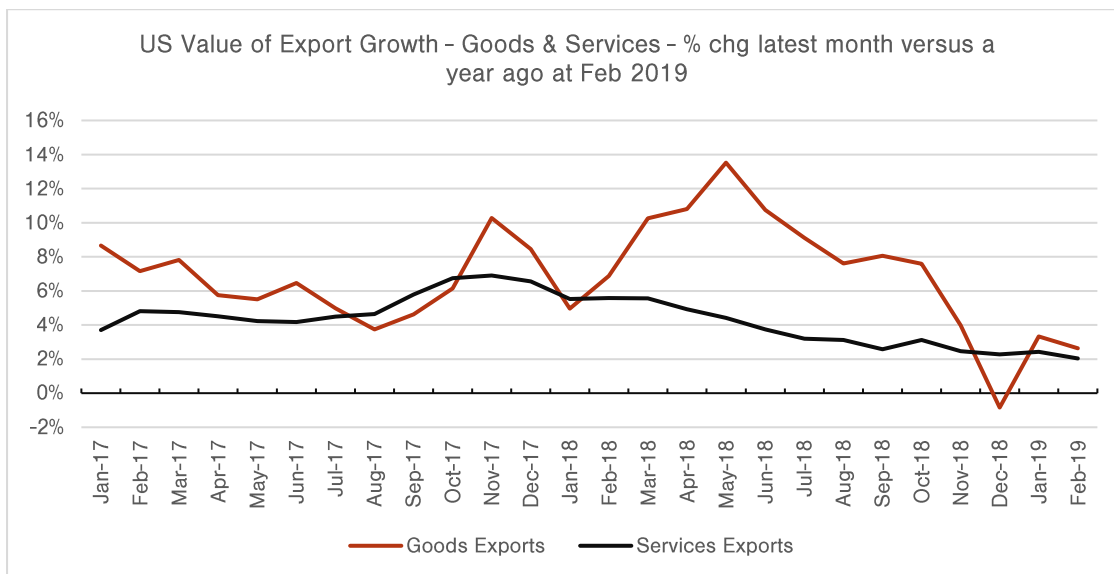
Trade balance versus a year ago; Feb -\$49.4bn versus Feb 2018 -\$55.7bn. Contributing to the narrowing of the trade deficit was export growth of 2% while imports declined by -1%.



The trend in both import and export (annual) growth has been slowing from mid-2018.

Exports

Total export growth increased by +2.4% in Feb versus a year ago. In Jan, the annual growth versus a year ago was 3%. Both Goods and Services exports continue to grow but have been slowing;



Goods exports grew by +2.6% from a year ago and services exports increased by 2% from a year ago.

Contributing to the growth in goods exports;

Capital Goods; Feb +5% versus Jan +2%

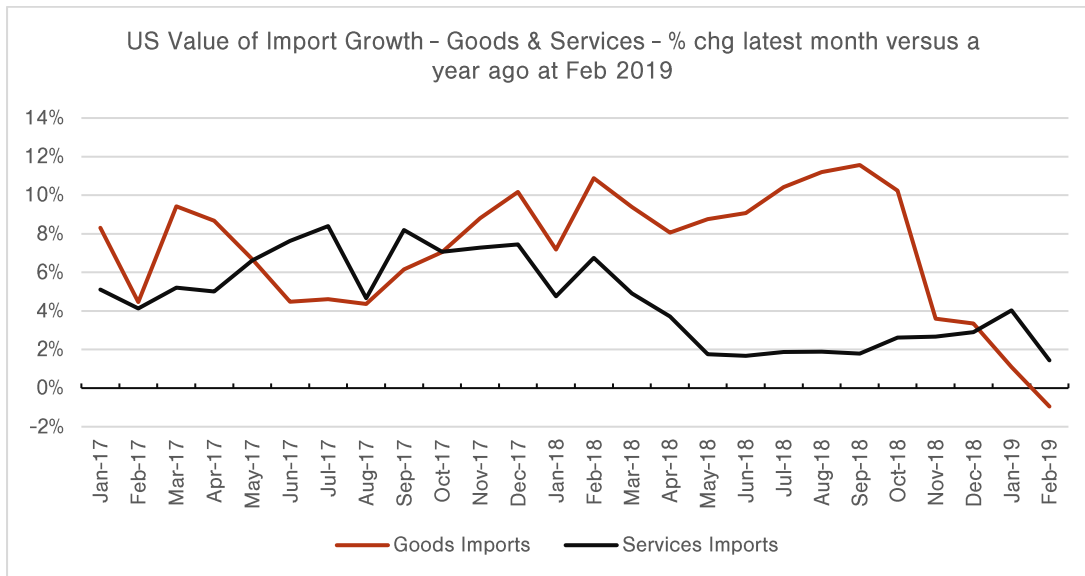
Consumer Goods; Feb +7% versus Jan 0%

The value of export growth across Foods, Feeds & Bevs, Industrial Supplies and Auto Vehicles all slowed in Feb.

Petroleum versus non-petroleum exports; Petroleum exports contributed most of the export growth over the last year. Non-petroleum export growth is underperforming, growing at +1.2% (versus +2.6% for total exports).

Imports

Total imports declined by -1% versus a year ago; goods imports declined by -1% and services imports grew by +1%.

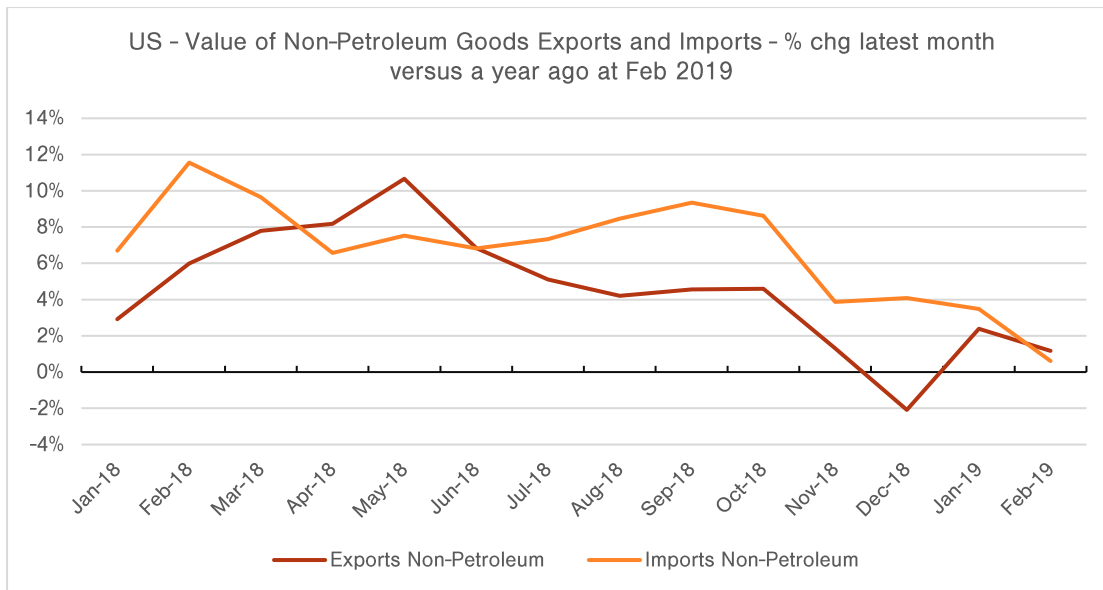


Contributing to the decline in imports over the last year was a large decline in the import of industrial supplies (-10% versus a year ago). The value of imports for Foods, Feeds and Bevs and Capital Goods also declined. This was offset by growth in imports of ‘Other Goods’, Consumer Goods and Auto Vehicles.

Looking at import growth from a petroleum/non-petroleum view provides some insight; non-petroleum imports outperformed total imports growing at +0.6% versus a year ago (total imports declined by -1%). Contributing to the overall decline was petroleum imports -18% versus a year ago.

Petroleum/Non-Petroleum View of Exports & Imports

Excluding the value of petroleum still highlights that both underlying import and export growth has been slowing;



<https://www.census.gov/foreign-trade/data/index.html>

US Fed Speeches;

Chicago Fed President Evans - television appearance on CNBC's Squawk Box and then later speak about current economic conditions and monetary policy at the New York Association for Business Economics luncheon event in New York, NY, with audience and media Q&A

Dallas Fed President Kaplan - moderated Q&A session at the Community Forum Hosted by the Federal Reserve Bank of Dallas in El Paso, TX, with audience Q&A

St. Louis Fed President Bullard - presentation on the U.S. economy and monetary policy at the 28th Annual Hyman P. Minsky Conference at the Levy Economics Institute of Bard College, in Annandale-on-Hudson, New York

Philadelphia Fed President Harker - speech about the economic outlook at the Greater Vineland Chamber of Commerce Luncheon in Vineland, NJ

[Return to top](#)

Europe

Eurozone Trade Balance (Feb)

The Euro area trade balance (surplus) increased slightly versus a year ago as export growth exceeded import growth. The Euro area trade surplus for the YTD versus a year ago was little changed.

In the broader EU28 group, the small trade surplus shifted to deficit in Feb versus a year ago as import growth exceeded export growth. The YTD trade deficit in the EU28 group increased. Export growth in the YTD Feb to key markets of the US and China continue to overperform (compared to the full year 2018), growing at 13.2% and 13% respectively.

All figures in €.

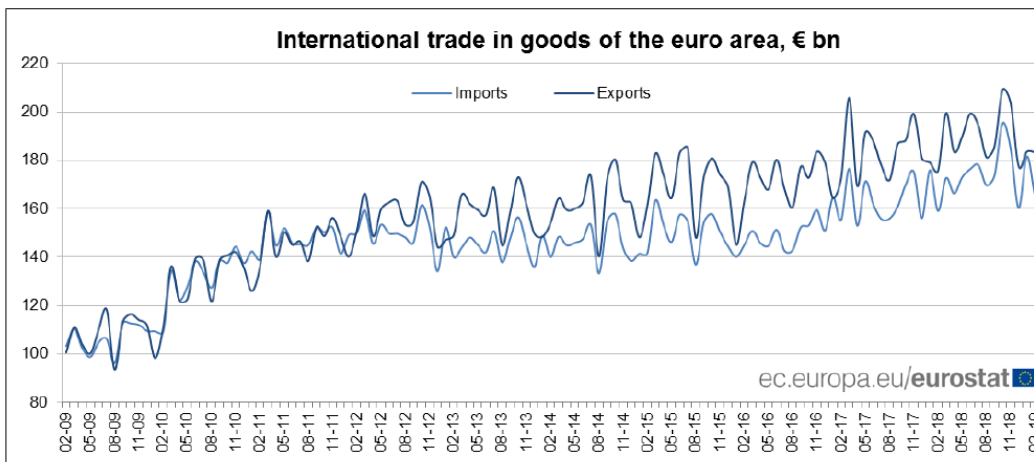
Euro Area – Trade Balance

Trade surplus annual Feb 2019; +17.9bn (versus +16.5bn a year ago)

The YTD trade surplus was little changed in 2019 at +19.8bn versus 2018 at +19.6bn. YTD export growth and import growth is on par.

Ann export growth; Feb +4.4% versus a year ago

Ann import growth; Feb +4% versus a year ago



EU28 Group – Trade Balance

Trade deficit annual Feb 2019; -2.7bn (versus +0.7bn Feb 2018 a year ago)

The YTD trade deficit is running ahead of the same time last year; 2018 -20.7bn versus 2019 -28.4bn. This is due to faster growth in imports versus exports.

Ann export growth; Feb +6.2% versus a year ago (YTD +4.1%)

Ann import growth; Feb +8.5% versus a year ago (YTD +6.2%)



YTD Feb Performance – Main Products

YTD export growth +4.1%; a decline in primary goods exports (led by a fall in the value of energy exports) was offset by an increase in manufactured goods exports (led by chemicals and machinery and vehicles). For comparison, the full year 2018 export growth (value) was +4%.

YTD import growth +6.2%; both primary goods and manufactured goods contributed to the growth in the imports YTD. For comparison, the full year import growth (value) was +6.5%.

Main products - EU28

bn €

	Extra-EU28 exports			Extra-EU28 imports			Trade balance	
	Jan-Feb 18	Jan-Feb 19	Growth	Jan-Feb 18	Jan-Feb 19	Growth	Jan-Feb 18	Jan-Feb 19
Total	297.6	309.8	4.1%	318.4	338.2	6.2%	-20.7	-28.4
Primary goods:	44.4	44.2	-0.5%	95.7	97.7	2.1%	-51.3	-53.5
<i>Food & drink</i>	18.6	20.2	8.6%	18.2	19.8	8.8%	0.4	0.4
<i>Raw materials</i>	8.4	8.4	0.0%	13.4	14.0	4.5%	-5.0	-5.6
<i>Energy</i>	17.5	15.7	-10.3%	64.2	64.0	-0.3%	-46.7	-48.3
Manufactured goods:	245.2	257.6	5.1%	212.3	228.0	7.4%	32.9	29.6
<i>Chemicals</i>	57.3	62.1	8.4%	32.7	36.4	11.3%	24.6	25.7
<i>Machinery & vehicles</i>	119.9	125.0	4.3%	97.8	104.7	7.1%	22.0	20.3
<i>Other manuf'd goods</i>	68.0	70.5	3.7%	81.8	86.8	6.1%	-13.8	-16.4
Other	8.0	8.0	0.0%	10.4	12.5	20.2%	-2.4	-4.5

YTD Performance – Main Trading Partners

The top two export markets for the EU28 group is the US and China – both are growing at 13.2% and 13% respectively in the YTD (versus YTD a year ago). For comparison, exports to the US and China grew by 8% and 6.2% respectively for the full year in 2018 v 2017.

YTD exports to Turkey, South Korea and India remain below the same time last year.

In terms of import markets, China is the largest import market for the EU28. Imports from China are growing at a lower, but still robust, +9.5% YTD. Imports from the US are growing at 18%.

<https://ec.europa.eu/eurostat/documents/2995521/9730209/6-17042019-BP-EN/5639926a-02f4-4066-920d-5391fa92ea43>

Eurozone CPI (Mar)

Headline Euro area annual CPI growth slowed further in Mar to +1.4%. The largest contributors to CPI growth was Energy and Services. Underlying core CPI growth in the Euro area slowed further and remains low at +0.8%.

The broader EU 28 annual headline CPI growth remained unchanged at +1.6%.

Euro Area CPI Growth

Headline CPI; Mar +1.4% versus Feb +1.5%

Excluding energy, CPI growth slowed; Mar +1% versus Feb +1.3%

Core CPI excluding energy, food, alcohol and tobacco; Mar +0.8% versus Feb +1%

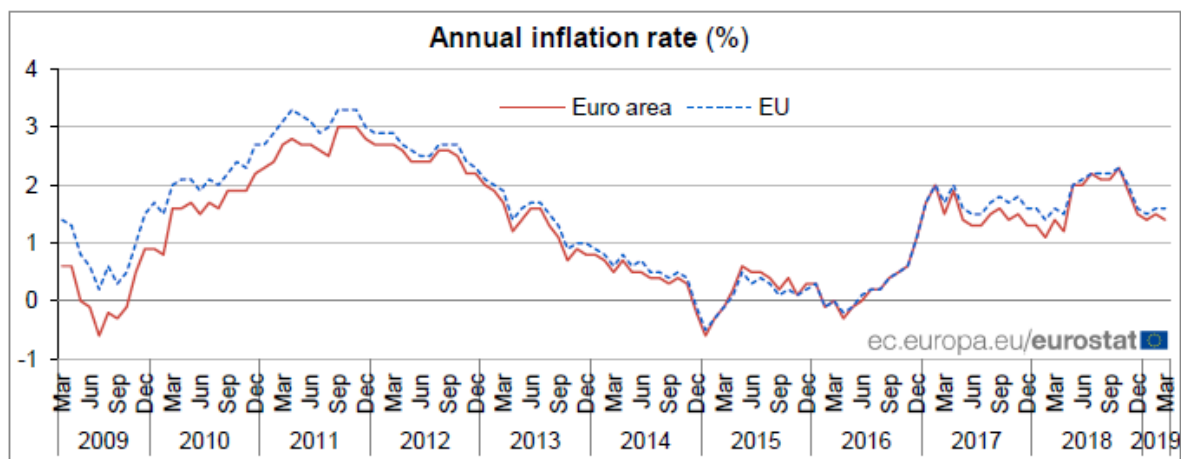
Contribution to CPI Growth – Euro Area

The single largest contributor to the annual headline CPI growth was energy (+0.52%pts) and was the only area that made a larger contribution to CPI growth in Mar versus Feb. Annual growth in energy prices accelerated slightly from +3.6% in Feb to +5.3% in Mar.

The contribution from food, alcohol and tobacco was +0.34%pts in Mar versus +0.44% pts in Feb.

The contribution from services also slowed; Mar +0.51%pts from +0.61%pts in Feb

The contribution from non-energy industrial goods also slowed; Mar +0.04%pts versus Feb +0.09% pts. In the latest month, non-energy industrial goods CPI growth was higher at 3% versus the month prior.



<https://ec.europa.eu/eurostat/documents/2995521/9730299/2-17042019-AP-EN/9d1635ca-1a8b-45e0-9549-bef4f707b922>

Eurozone Prelim Composite PMI (Apr)

The headline composite PMI for private sector Eurozone activity expanded at a slightly slower pace in Apr. Growth in services activity slowed. Manufacturing activity continued to contract at a regional level but contracted at a slower pace.

Headline Composite PMI; Apr 51.3 versus Mar 51.6

IHS Markit Eurozone PMI and GDP



Services Activity Index: Apr 52.5 versus Mar 53.3

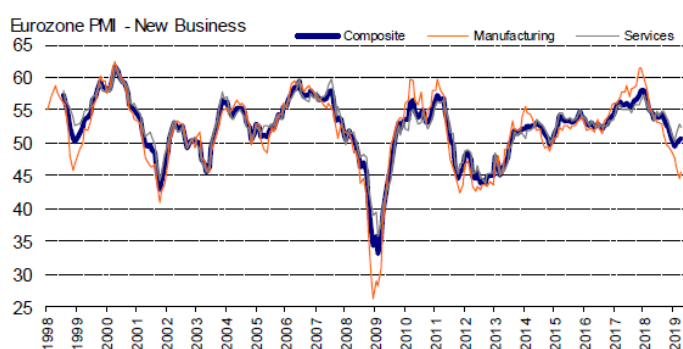
Services output and new orders increased at a slower pace. The backlog of work declined. Yet employment growth increased at the fastest pace in five months. Both input and output prices increased at a faster pace.

Manufacturing PMI: Apr 47.8 versus Mar 47.5

Output continued to fall albeit at a slower pace. New orders continued to decline sharply. Overall order backlogs declined at the fastest pace since 2012. Employment growth grew at a slightly faster pace. Growth in input costs and output charges remains 'muted'.

New Business

New business



New order growth picked up only marginally, remaining close to stagnant. **New export orders fell sharply, down for a seventh straight month to continue the worst period of export performance since comparable data covering both goods and services were first available in 2014.**

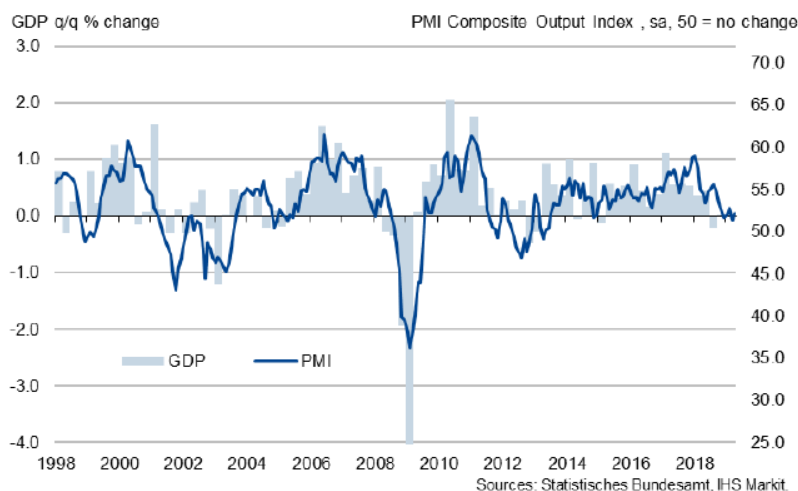
<https://www.markiteconomics.com/Survey/PressRelease.mvc/5e809b959ac94d7d90cbdb6569dae3e2>

German Prelim Composite PMI (Apr)

The headline German composite PMI increased at a slightly faster pace in Apr. Services activity grew at a slightly faster pace. Although manufacturing activity remained in contraction, activity contracted at a slower pace. New export orders and backlogs of work at manufacturers continue to contract at an accelerating pace – which does not bode well for future output growth.

Composite PMI: Apr 52.1 versus Mar 51.4

IHS Markit Germany Flash PMI



Services PMI Activity Index: Apr 55.6 versus Mar 55.4

Services activity output and new business continued to grow at a faster pace. Backlog of work increased only slightly. Employment grew at a faster pace. Despite the improved conditions, business sentiment eased.

Manufacturing PMI: Apr 44.5 versus Mar 44.1

Output remained in contraction but declined at slower pace. New orders continued to decline, also at a slightly slower pace. New export orders continued to decline – the second fastest pace in the last ten years.

“Anecdotal evidence highlighted weak demand across the automotive sector in particular, whilst also suggesting some hesitancy among UK-based clients. Inflows of new work from abroad also fell across the service sector. Moreover, with the rate of decline accelerating since March, it meant that **overall new export business** posted the steepest decline since comparable data covering both manufacturing and services were first available in September 2014.”

Order backlogs continued to fall – also the steepest contraction in ten years.

Employment growth was unchanged after declining in Q1 for the first time in three years.

Business sentiment at manufacturers was the most pessimistic since Nov 2012.

<https://www.markiteconomics.com/Survey/PressRelease.mvc/c19579a15da64b6989f9d558bd4e9744>

[Return to top](#)

Japan

Merchandise Trade Balance – Provisional (Mar)

The Japanese trade surplus narrowed in Mar versus a year ago as exports declined, and imports increased. The decline in exports was led predominantly by a 9.4% decline in exports to China (exports to Asia -5.5%) while imports from Asia increased at a faster rate.

All values in ¥

Trade Balance – Surplus; Mar 2019 +528m versus Mar 2018 +784m

Exports versus a year ago; Mar -2.4%

Imports versus a year ago; Mar +1.1%

Trade Performance by Region

Exports;

Performance of exports to the two largest exports customers diverged;

Exports to China (Mar versus a year ago); -9.4%

Exports to the US (Mar versus a year ago); +4.4%

Overall exports to Asia were down 5.5% in Mar and exports to the Middle East fell 14%.

Exports to Western Europe increased by +1.8% versus a year ago. Exports to Germany increased by +1.6% while exports to the UK increased by 21.6% (stockpiling before Brexit?).

Imports;

Imports from Asia increased by +3.9% (imports from China +10.9%)

Imports from Western Europe increased by +0.5% (with imports from Germany falling -7.5%).

Imports from Nth America declined by -0.5% and from the Middle East -9.9%.

Trade Performance by Commodity

Exports; a decline in exports of manufactured goods, machinery and electrical machinery led the decline in exports in the latest month. Some of the larger falls were recorded for iron and steel products, paper, semi-conductors and computer parts. A decline in export *volumes* for transport equipment was recorded across most vehicle types except ships.

This offset a small increase in exports of transport equipment (value terms), chemicals, mineral fuels and other.

Imports; growth in imports was led predominantly by 'other', electrical machinery and manufactured goods. Imports of mineral fuels, raw materials and machinery all declined.

In value terms, the import of transport equipment made a 0% pt contribution to growth in imports in Mar. A decline in motor vehicle imports was offset by an increase in aircraft imports. In volume terms, motor vehicle imports declined by 26%.

http://www.customs.go.jp/toukei/latest/index_e.htm

Industrial Production (final) (Feb)

Final industrial production data for Feb resulted in production growth revised lower in the month with a smaller downward revision for shipments and inventory growth in the month. The final annual results were little changed.

Monthly change – Feb (seas adj)

Production; Feb +0.7% (revised from +1.4%) versus Jan -3.4%

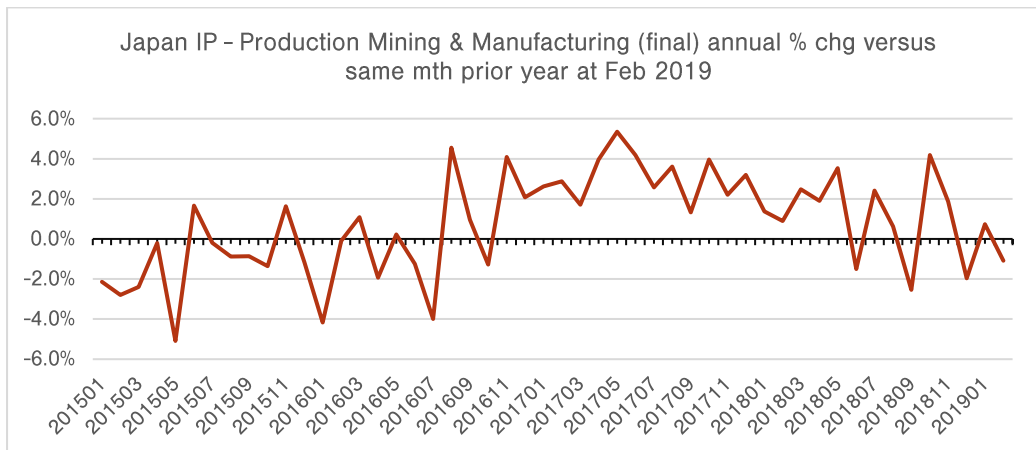
Shipments; Feb +1.6% (revised from +1.8%) versus Jan -3.4%

Inventory; Feb +0.4% (revised from +0.5%) versus Jan -1.4%

Inventory ratio; Feb +0.5% (revised from +0.2%) versus Jan -1.1%

Annual change (original/NSA data) – Feb versus a year ago

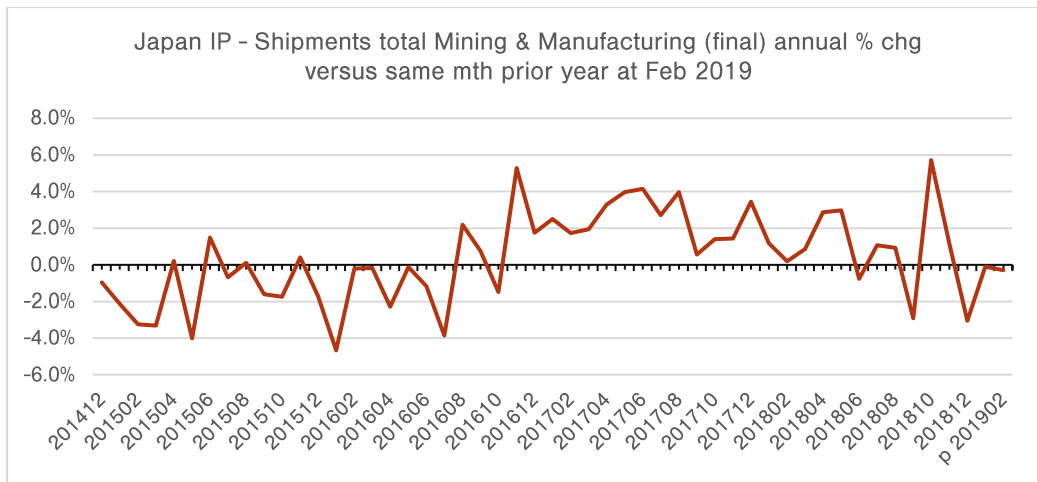
Production; Feb -1.1% (revised from -1%) versus Jan +0.3%



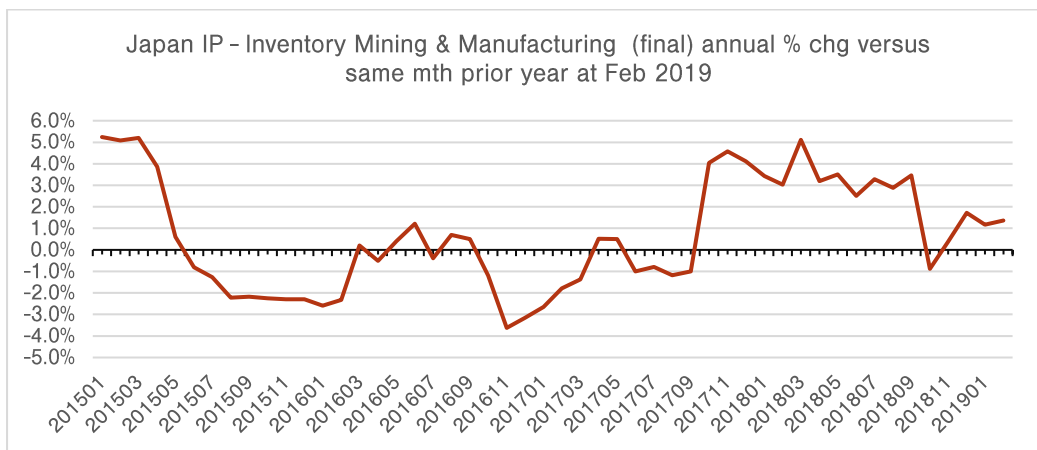
Production continues to decline versus a year ago across key categories; iron, steel and non-ferrous metals, production machinery, general purpose and business machinery, electronic parts and devices (-10%) and electrical machinery.

Annual growth in production of transport equipment is back down to 1%. The high growth in food and tobacco production in Jan eased from +5% to +2% in Feb.

Shipments; Feb -0.3% (unchanged) versus Jan -0.1% (revised from -0.4%)



Inventory; Feb +1.4% (unchanged) versus Jan +1.2% (revised from +1.3%)



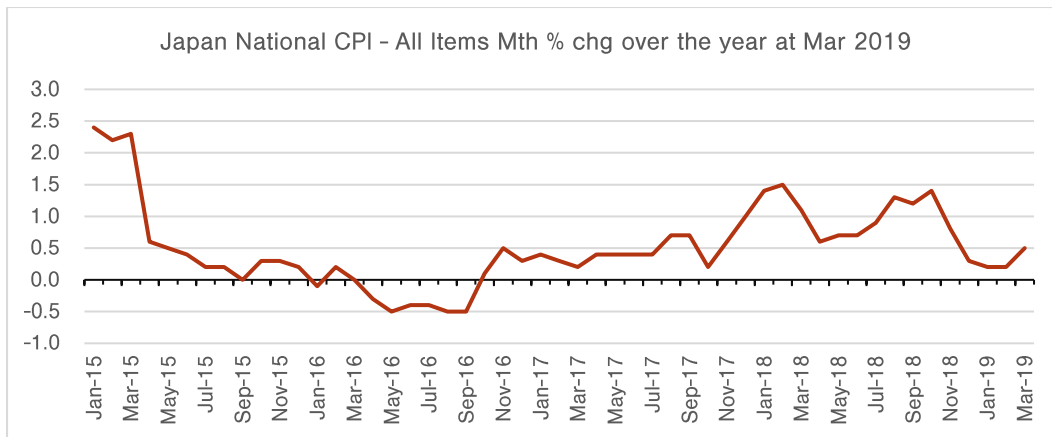
The inventory ratio of finished goods increased by +1.9% in Feb versus +0.3% in Jan.

<https://www.meti.go.jp/english/statistics/tyo/iip/index.html>

National CPI (Mar)

The annual growth in the headline CPI increased at a faster pace in Mar. The BoJ preferred measure of core CPI – excluding fresh food grew at only a slightly faster pace and still in line with recent growth, as fresh food prices declined by a smaller rate. CPI excluding energy and fresh food was unchanged at +0.4%.

Core CPI – annual growth: Mar +0.5% versus Feb +0.2%



The increase in the annual inflation rate was the result of (top three largest weight categories);

Less negative increase in food (and fresh food) prices; Mar -0.3% versus -1.4% Feb

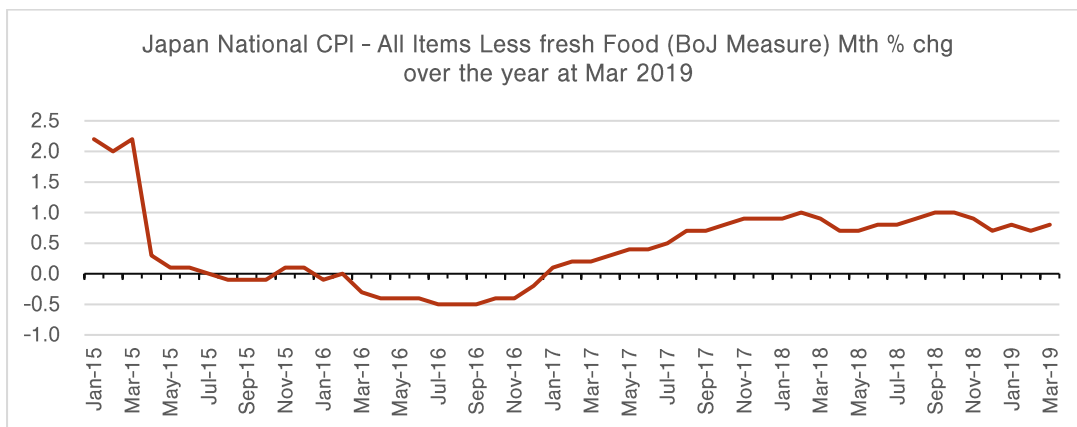
Housing prices remained unchanged at 0% annual growth

Transportation price declines also became less negative; Mar -0.3% versus Feb -0.6%. Price growth has slowed considerably though over the last 2 years.

There was also an acceleration in price growth across some of the smaller weight categories; furniture & household utensils +1.5% in Mar v +0.8% in Feb, clothing and footwear Mar +0.1% versus +0% in Feb. Education, medical care and misc. recorded similarly small increases in annual price growth.

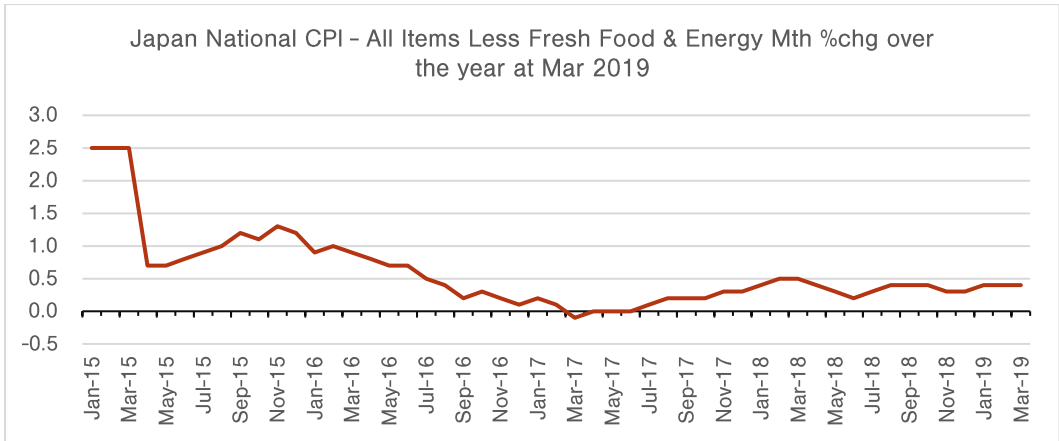
These increases were offset by somewhat slower annual growth in fuel light and water charges (but remains elevated) and culture and recreation prices.

The BoJ preferred measure of core CPI – CPI ex fresh food increased slightly in the latest month but remains in line with annual growth over the last six-months; Mar +0.8% versus Feb +0.7%.



Energy prices (approx. 8% weight in the index) have changed over the last two years and tend to influence overall price growth.

Growth in CPI excluding fresh food and energy prices remains much lower and highlights that underlying price changes remain subdued; Mar +0.4% versus Feb +0.4%



<https://www.stat.go.jp/english/data/cpi/1581-z.html>

Manufacturing Prelim PMI (Apr)

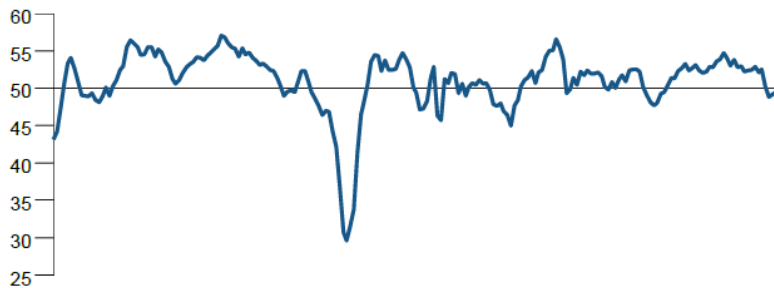
The headline manufacturing PMI remained in contraction but declined at a slower rate in Apr.

Headline Manufacturing PMI; Apr 49.5 versus Mar 49.2

Nikkei Flash Japan Manufacturing PMI

sa, 50 = no change on previous month

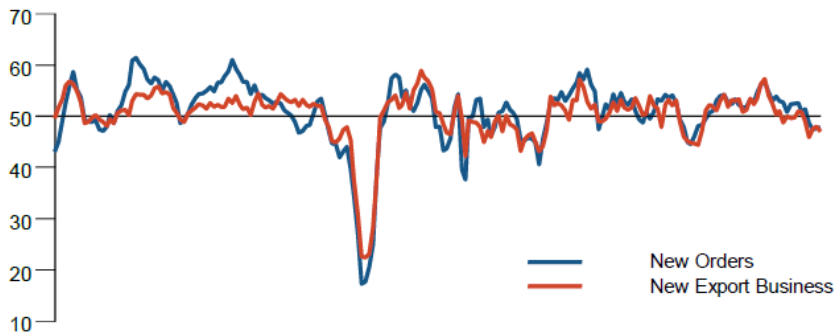
Purchasing Managers' Index (PMI)



Production declined, but at a slower pace, as order backlogs declined/contracted at a faster pace. Employment growth remained in expansion and increased at a faster pace.

New orders declined, but at a slower pace while new export order declined at a faster pace.

New Business/Exports



Stocks of purchases declined, and stocks of finished goods also declined but at a slower pace.

Despite the downbeat commentary and results, optimism around the future improved in the prelim reading.

<https://www.markiteconomics.com/Survey/PressRelease.mvc/eda4895906e04f9388e00c706897537b>

[Return to top](#)

United Kingdom

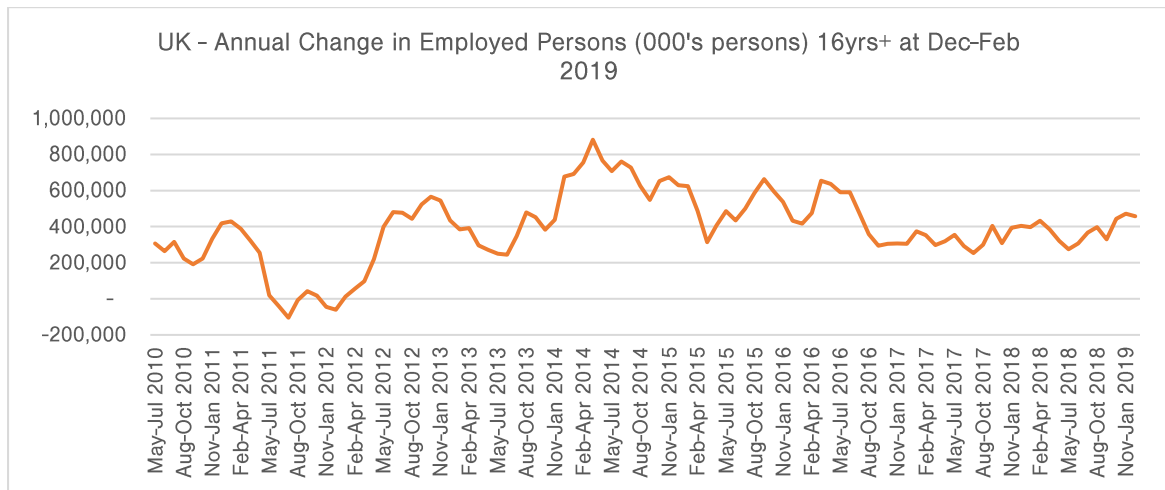
Labour Market Overview (3-mths to Feb)

Over the last year, employment continued to grow at a faster pace than what (the estimated) population added to the labour force. The continued annual increase in participation meant that, despite robust employment growth, the decline in total unemployed persons was somewhat lower – but still declined.

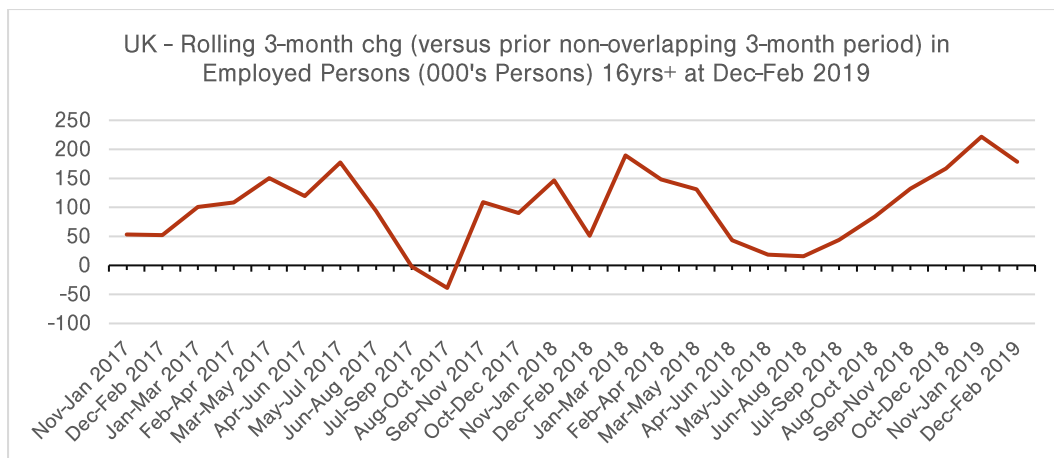
Employment

On an annual basis, employment growth slowed slightly, but remains close to the near-term high;

Dec-Feb +457k persons versus Nov-Jan +472k persons



In the latest rolling quarter, employment growth eased only slightly; Dec-Feb +179k persons versus Nov-Jan +222k persons. This has been part of a trend of accelerating employment growth over the last half of 2018;



Importantly, this employment growth has been higher than that of the total labour force.

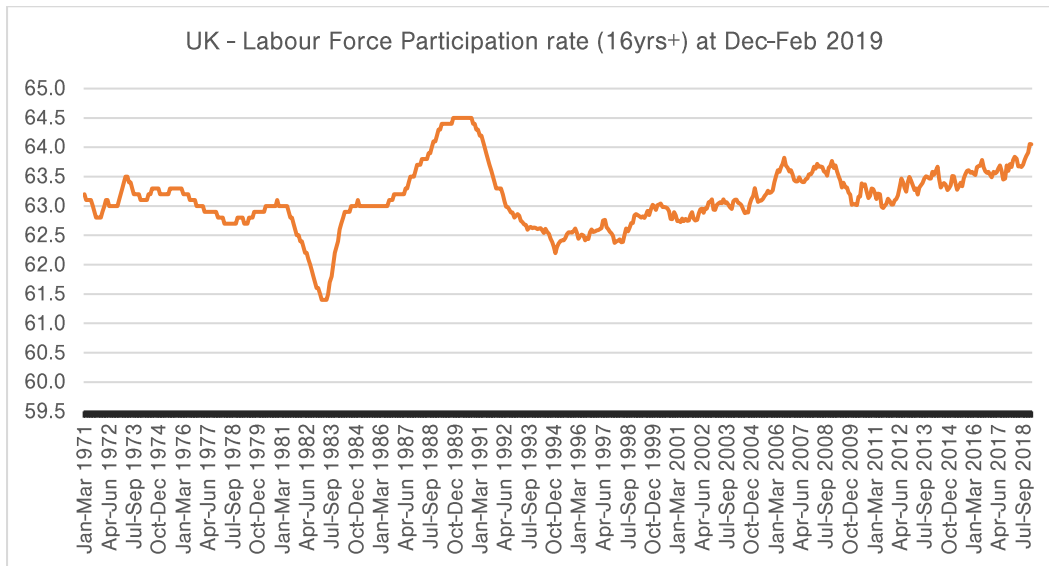
Labour Force

The annual change in the labour force has been accelerating over the last several quarters; Dec-Feb +380k persons versus Nov-Jan +360k persons.

(note that this growth is below that of total employment growth)

While the estimated change in the labour force due to population growth has remained relatively stable, changes in participation have been the main driver of growth in the labour force.

The participation rate increased from 63.7% in Dec-Feb 2018 to 64% in Dec-Feb 2019.

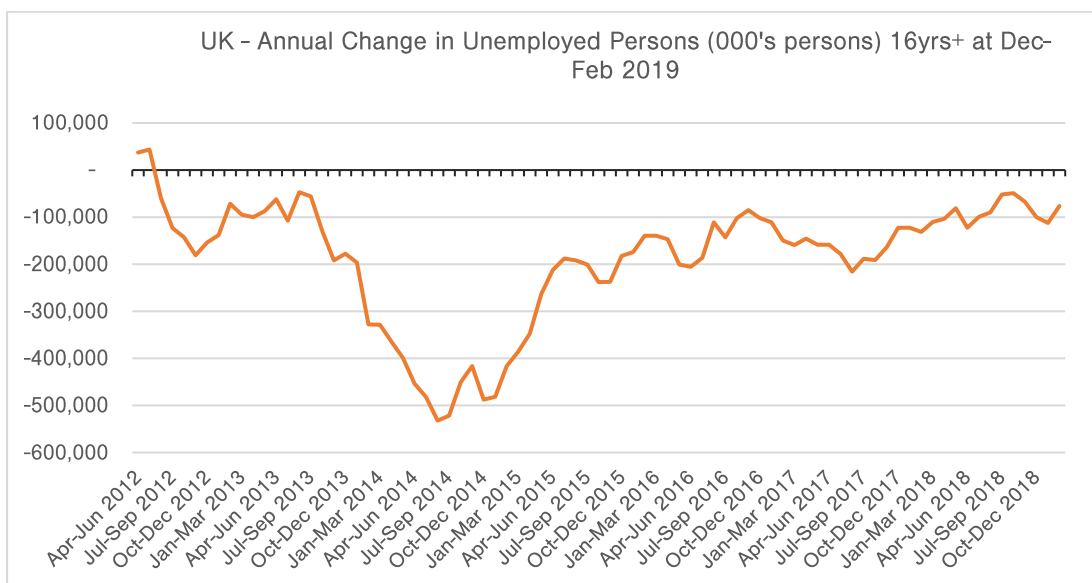


Although growth in the labour force has been accelerating, employment growth has remained higher. This means that total unemployed persons have continued to decline.

Total Unemployed Persons

Total unemployed persons continued to decline, but at a somewhat slower pace.

Dec-Feb -76k persons versus Nov-Jan -112k persons



The unemployment rate in Dec-Feb remains unchanged at 3.9%

The slower decline in total unemployed persons is the result of faster growth in participation relatively to employment growth. But employment growth remains high enough to absorb new/returning workers into the labour force and reduce total unemployed persons.

This is the case across the latest quarter (versus the non-overlapping quarter prior) and for both the 16+ and 16-64yr age group;

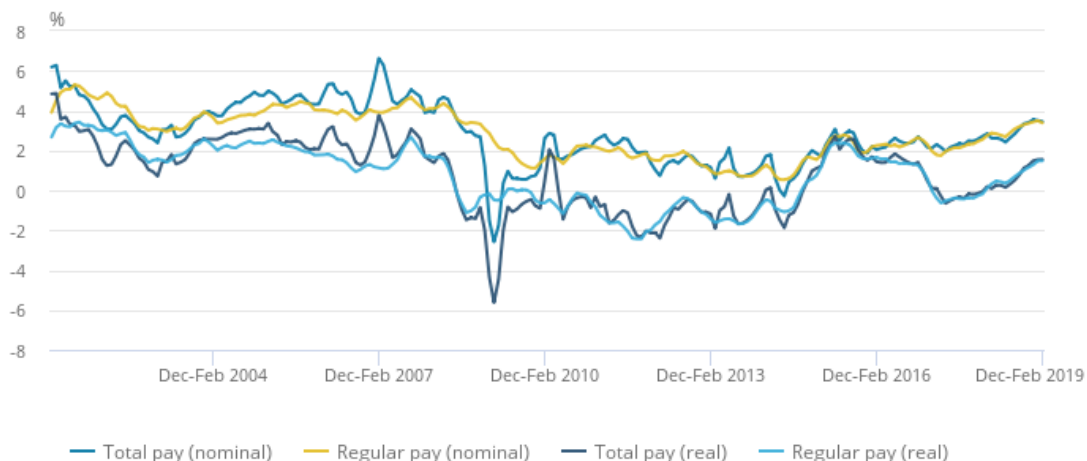
	16yrs+ (000's of persons)		16-64yrs (000's of persons)	
	Latest Qtr Chg Dec-Feb 2019	ANN Chg Dec-Feb 2019	Latest Qtr Chg Dec-Feb 2019	ANN Chg Dec-Feb 2019
Estimated change in the Labour Force due to pop growth (1)	43.648	177.158	15.693	67.102
How many jobs available for them? (employment growth) (2)	178.509	457.215	166.454	374.834
Difference; employment less est chg in labour force due to pop (3) (if positive, then employment growing faster than pop)	134.861 ▲	280.057	150.760	307.732
Change in the labour force due to the change in participation (4)	107.744	203.594	118.265	231.082
The remainder is the chg in total unemployed persons (4) less (3) - if neg, then unemployment decreasing	-27.116	-76.463	-32.495	-76.650
<u>Different views of the Labour Force:</u>				
Double check - change in total economically active (pop + participation)	151.393 ▲	380.752	133.959	298.184
Double check - change in total economically active (employ + unemp)	151.393	380.752	133.959	298.184
Actual economically active ann chg (as reported)	151.393	380.752	133.959	298.184

Earnings Growth

Earnings have continued to increase over the last year; +1.6% in real terms for total pay;

Figure 4: Pay for employees (including bonuses) increased by 1.6% on the year when adjusted for inflation

Average weekly earnings annual growth rates, seasonally adjusted, Great Britain, January to March 2001 to December 2018 to February 2019



Source: Office for National Statistics - Monthly Wages and Salaries Survey

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/april2019>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employmentunemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64seasonallyadjustedada02sa>

Retail Sales (Mar)

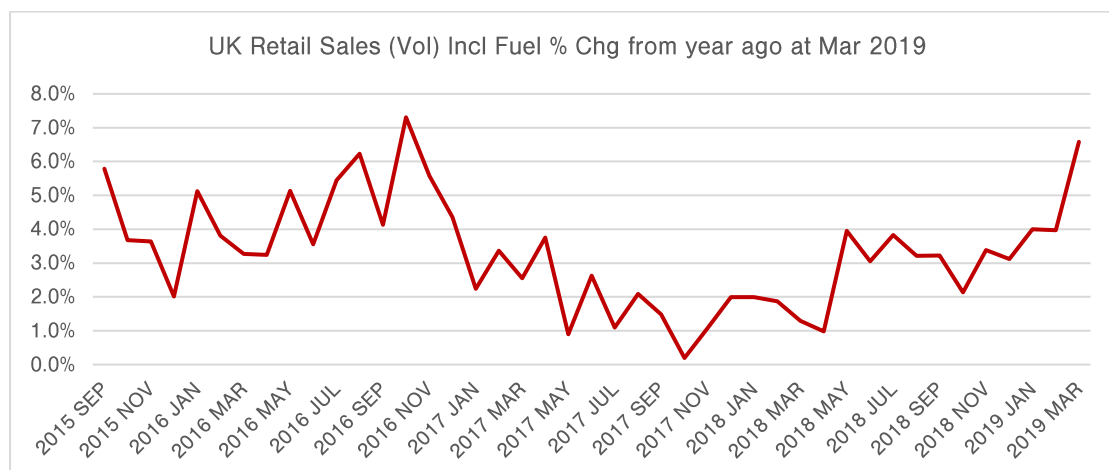
UK retail sales growth continued to accelerate in Mar as the country approached the first Brexit deadline at the end of the month.

Retail sales/demand will be tested now that the deadline has continued to be pushed out and uncertainty remains heightened.

Total retail sales (vol) incl fuel (month chg): Mar +1.1% versus Feb +0.7%

Sales growth has been very strong over the last three consecutive months.

On an annual basis, total retail sales (vol) incl fuel growth has accelerated; Mar +6.6% versus +4% in Feb;

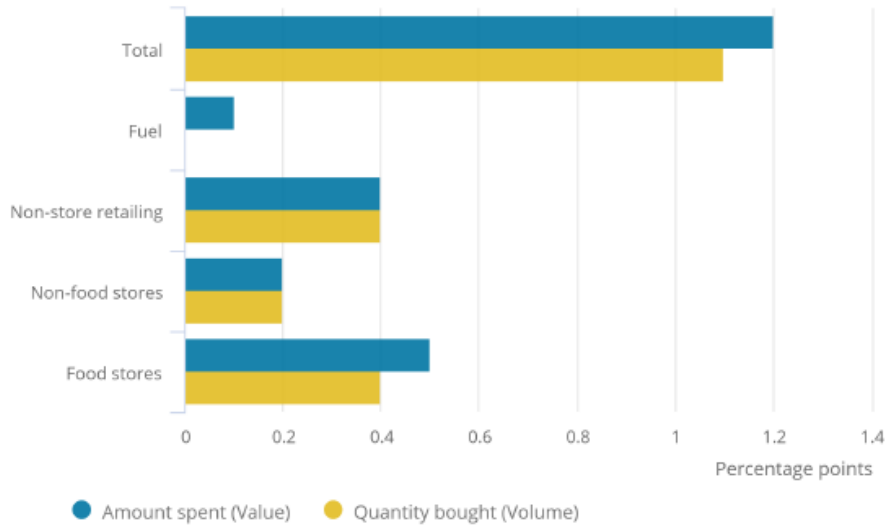


Excluding fuel, the growth rate and trend is similar; annual growth in retail sales (vol) ex fuel; Mar +6.3% versus Feb +3.8%

Most categories contributed to volume growth in the latest month except for fuel;

Figure 2: Food stores and non-store retailing were both the largest contributors to the quantity bought in March 2019

Contributions to month-on-month volume and value growth from the four main retail sectors, Great Britain, March 2019 compared with February 2019



<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2019>

CPI (Mar)

Annual growth in the headline UK CPI was unchanged in the latest month.

Headline CPI-H; Mar +1.8% versus Feb +1.8%

Measures of core CPI also remained relatively stable – CPI-H ex energy, food, alcoholic bevs and tobacco; Mar +1.8% versus Feb +1.8%

Figure 1: CPIH and CPI 12-month inflation rates eased since autumn 2017

CPIH, OOH component and CPI 12-month rates for the last 10 years, UK, March 2009 to March 2019



Source: Office for National Statistics – Consumer price inflation

The key areas contributing to CPI growth in the latest 12-months are;

Housing and household services (but at a lower contribution than at Mar 2018); Mar +0.43% pts

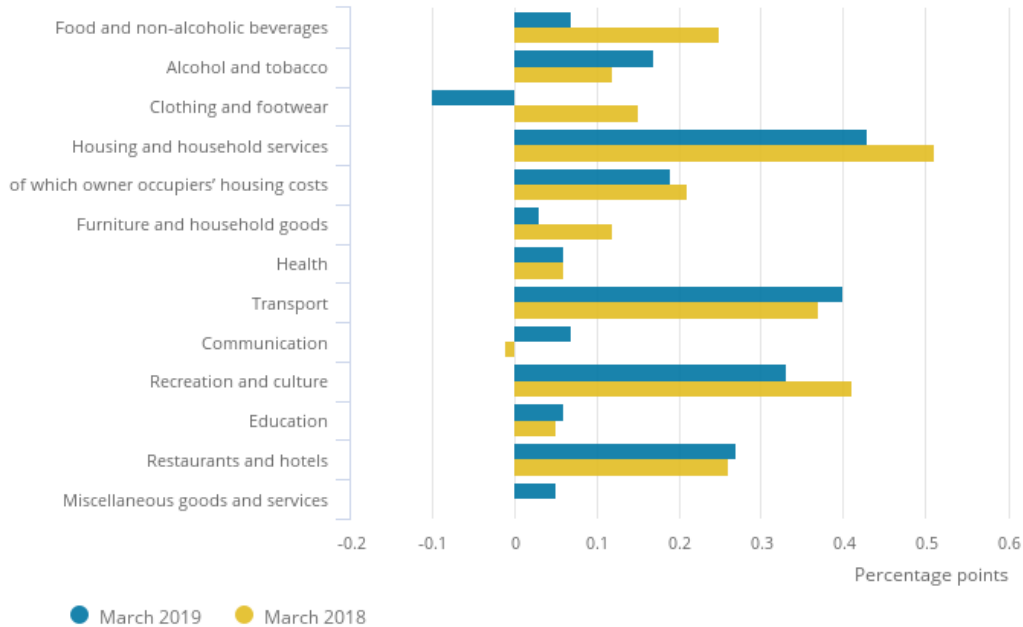
Transport (at a slightly higher contribution to growth than at Mar 2018); Mar +0.4% pts

Recreation and culture (also at a lower contribution than at Mar 2018); Mar +0.33% pts

The only category where price growth is detracting from overall CPI-H growth is clothing at footwear; Mar -0.1% pt.

Figure 2: Largest contribution to inflation comes from housing and household services

Contributions to the CPIH 12-month rate, UK, March 2018 and March 2019



Source: Office for National Statistics – Consumer price inflation

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2019>

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.

At this stage, the UK government is in negotiations with the Labour party to find a compromise that will allow/enable Article 50 legislation to pass the UK Parliament. 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>

[Return to top](#)

Australia

RBA Minutes – Meeting 2 Apr 2019

Conditions

Growth had slowed markedly in the second half of 2018.

The soft December quarter outcome partly reflected another weak quarter of consumption growth and a larger-than-expected fall in dwelling investment.

Household disposable income growth has been subdued for several years. This is one of several issues impacting consumption growth – not just falling house prices.

Members observed that tax payments by households had been growing noticeably faster than income growth in recent years, partly because of efforts to increase tax compliance.

Conditions in the established housing market had remained weak.

Mining activity had detracted from growth H2 2018 due to declines in mining investment as remaining LNG projects near completion.

Global CB's returning to more accommodative stances (US and ECB), financial conditions has eased.

Trade and political developments remained sources of uncertainty – Brexit, US-China trade relations, tariffs.

Considerations for MP

Low rates had been supporting economic activity in Aus and were expected to continue to contribute to lowering u/e and increasing inflation, albeit gradually, towards the mid-point of the target range.

Given this scenario, not a strong case for a near-term adjustment in monetary policy. Under current circumstances, the likelihood of an increase in the cash rate was low.

Once scenario where the cash rate may be cut is if u/e increased and inflation did not go up. There was some acknowledgement that the effectiveness of rate cuts could be diminished;

They recognised that the effect on the economy of lower interest rates could be expected to be smaller than in the past, given the high level of household debt and the adjustment that was occurring in housing markets.

A fall in rates could support the econ via a fall in the exchange rate and reducing interest payments to improve income levels.

What is important for the RBA – a continued focus on the labour market.

Looking forward, the Board will continue to monitor developments, including how the current tensions between the domestic GDP and labour market data evolve.

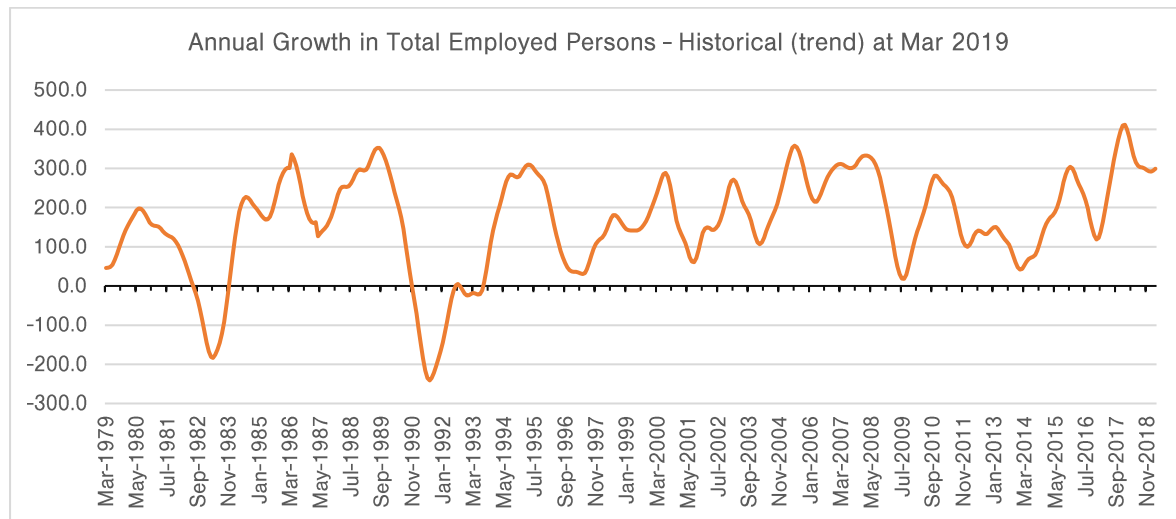
Labour Force Survey (Mar)

The annual view of the Australian labour force market remains robust. Employment growth remains faster than that of the labour force, as participation reaches a new all-time max. As a result, the total number of unemployed persons continues to decline.

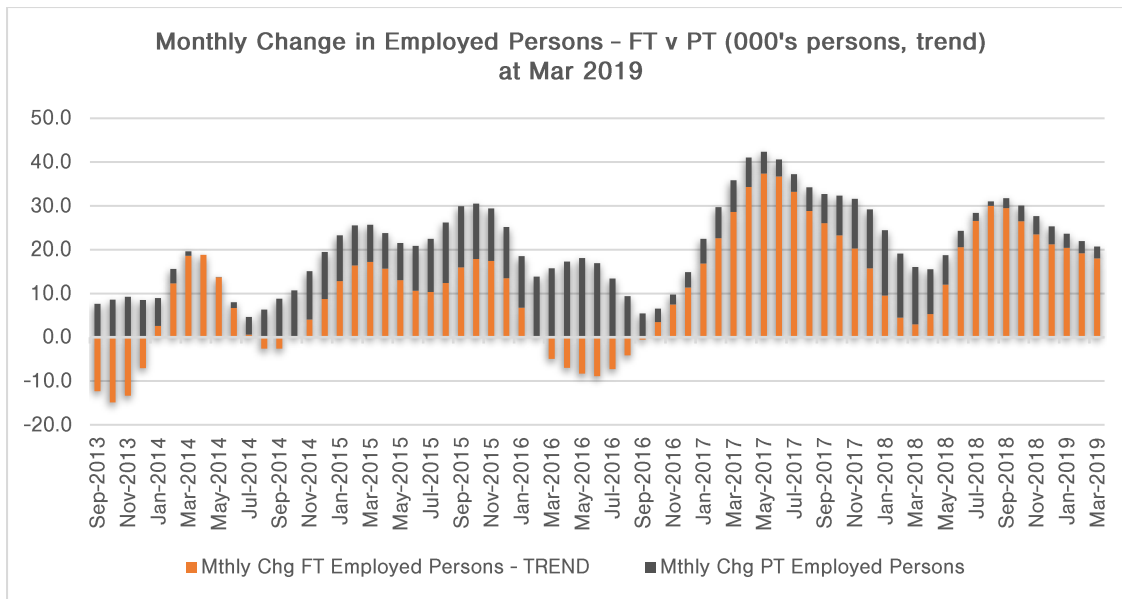
But on the monthly basis, there appears to be a subtle (continued) weakening in conditions. In the prior month we noted that the more recent monthly employment growth was now below that of the total labour force – resulting in small increases in total unemployed persons on a monthly basis. This trend has continued in Mar resulting in a further (small) increase in unemployment.

Total Employed Persons

On an annual basis, total employed persons have continued to increase; Mar +299k persons versus Feb +294k persons. Note that growth in Mar 2018 was +381k persons – the annual rate of employment has slowed despite the small uptick in the annual rate as of Mar;



On a monthly basis employment growth has continued to slow. Most of the growth is still driven by FT employment;



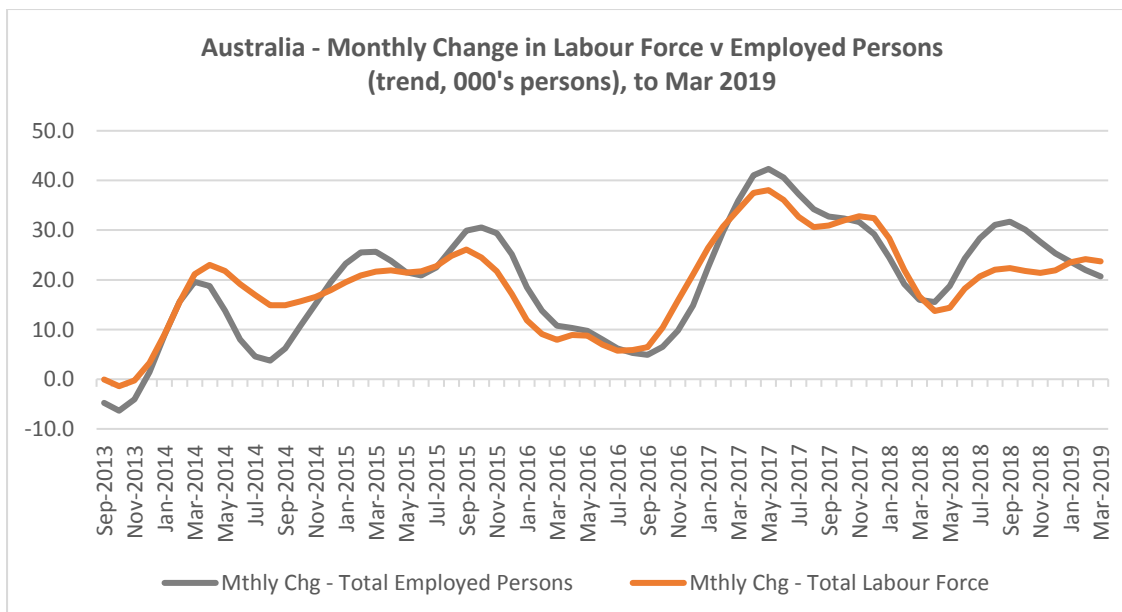
As we've previously mentioned, one thing that is important in evaluating the rate of employment growth is how that growth compares to that of the total labour force.

Labour Force Growth

Annual change; Mar 248k versus Feb 241k. Growth in Mar 2018 was +370k persons.

On an annual basis, labour force growth has been below that of total employment growth (resulting in a decline in unemployment). But it is the more recent monthly trend that is of interest.

One thing we noted over the last two months was the cross-over between the monthly change in labour force growth and employment growth;

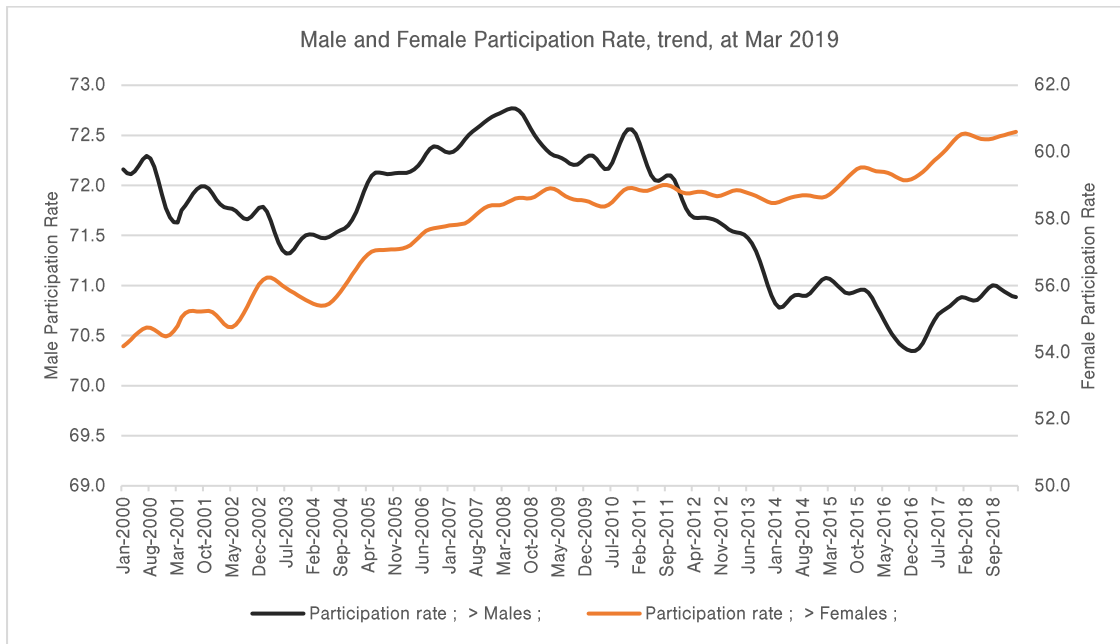


This quite simply means that, on a monthly basis, employment growth is not high enough to absorb both what population and participation add to the total labour force. In the chart above, the monthly change in the labour force has remained mostly stable but employment growth has slowed more.

Contributing most to the current growth in the labour force has been the estimate of what population has added to the labour force.

Growth in participation on the other hand has remained low but has still grown. At a total level, the labour force participation rate reached a new all time high (in trend terms) in Mar; 65.65%. This is +0.05% pts higher than a year ago.

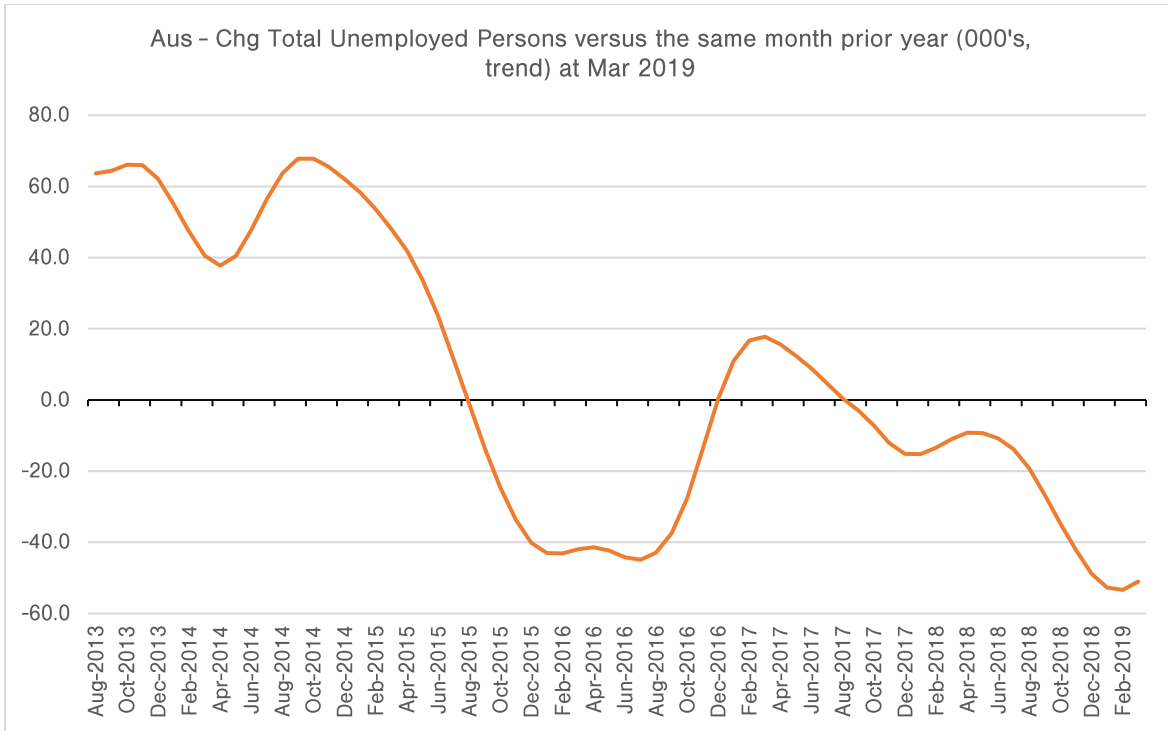
The increase in participation has been led by females while male participation has continued to fall;



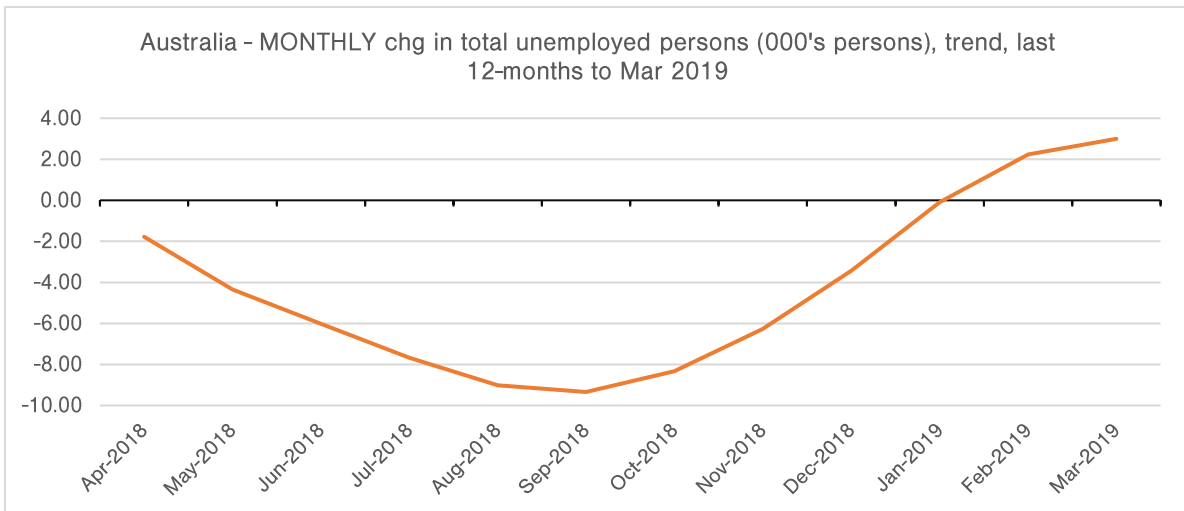
Total Unemployed Persons

On an annual basis, employment growth has been higher than that of the total labour force growth, resulting in further declines in the number of unemployed persons;

Mar -51k persons versus Feb -53k persons. The annual change in total unemployed persons a year ago at mar 2018 was only -11k persons.



The underlying monthly trend shifted about 6 months ago, as the decline in unemployed persons started to slow. In the last two months, the change in total unemployed persons has turned positive (ie adding to the number of total unemployed persons);



The current unemployment rate is 5%, still on par with Feb at 5%.

Summary of key labour market indicators:

	000's Persons	
	Annual Chg - Mar	Month Chg - Mar
The estimated change in the Labour Force due to pop growth	238.199	21.866
How many jobs available for them? (employment growth)	299.100	20.716
Difference (if positive, employment growing faster than pop est)	60.901	-1.150
Change in labour force due to the change in participation	9.837	1.851
The reminder is the change in total unemployed persons	-51.064	3.001
Double Check - Annual chg in size of the Labour Force	248.036	23.715
Two views of the size of the Labour Force:		
Underlying population growth plus changes in participation	248.036	23.718
Total employed persons plus total unemployed persons	248.036	23.718

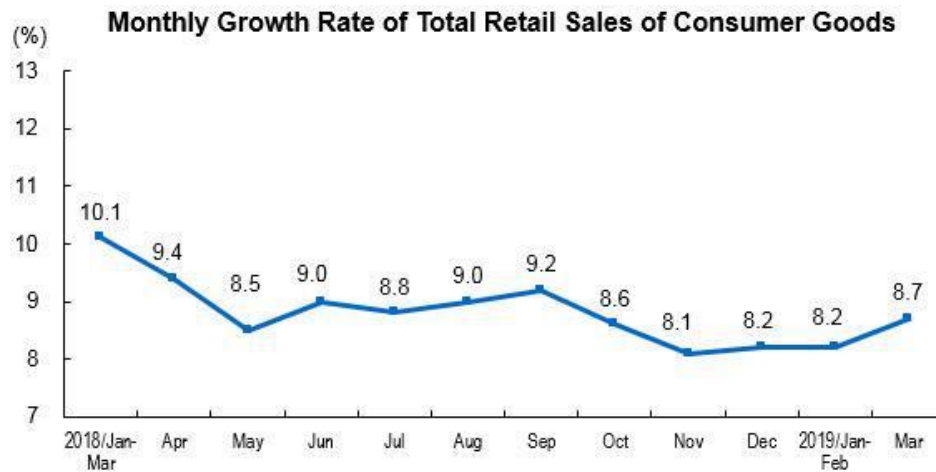
<https://www.abs.gov.au/AUSSTATS/abs@.nsf/ProductsbyCatalogue/6050C537617B613BCA25836800102753?OpenDocument>

[Return to top](#)

China

Retail Sales (Mar)

Retail sales of consumer goods grew at a faster pace; Mar +8.7% versus Feb +8.2% (nominal value)



http://www.stats.gov.cn/english/PressRelease/201904/t20190418_1660365.html

Industrial Production (Mar)

Annual growth (real terms) in total industrial production increased at faster pace; Mar +8.5% versus Feb +5.3%.

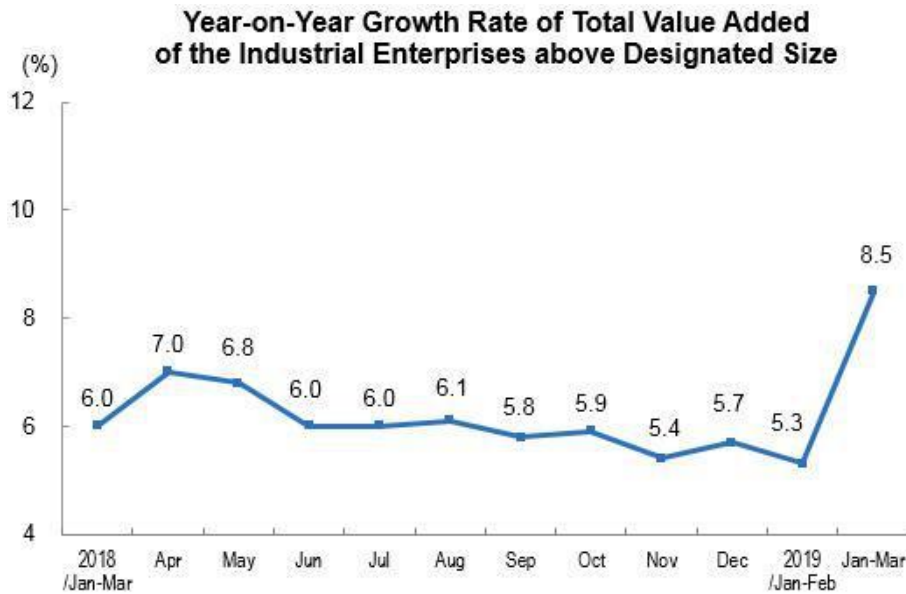
The monthly change in real terms was +1%

The three sectors;

Mining and quarrying; Mar + 4.6% versus a year ago

Manufacturing; Mar +9% versus a year ago

Production and distribution of electricity, heating power, gas and water; Mar +7.7% versus a year ago



http://www.stats.gov.cn/english/PressRelease/201904/t20190417_1660114.html

Q1 GDP – Prelim Results

Annual growth in GDP at Q1 2019; +6.4%

The stronger performing sectors;

- Finance growing at 7%
- Info transmission & software +21%
- Renting and leasing activities +8.3%
- Transport storage & post +7.3%

Growth in some of the larger sectors slightly underperformed versus the headline rate of growth;

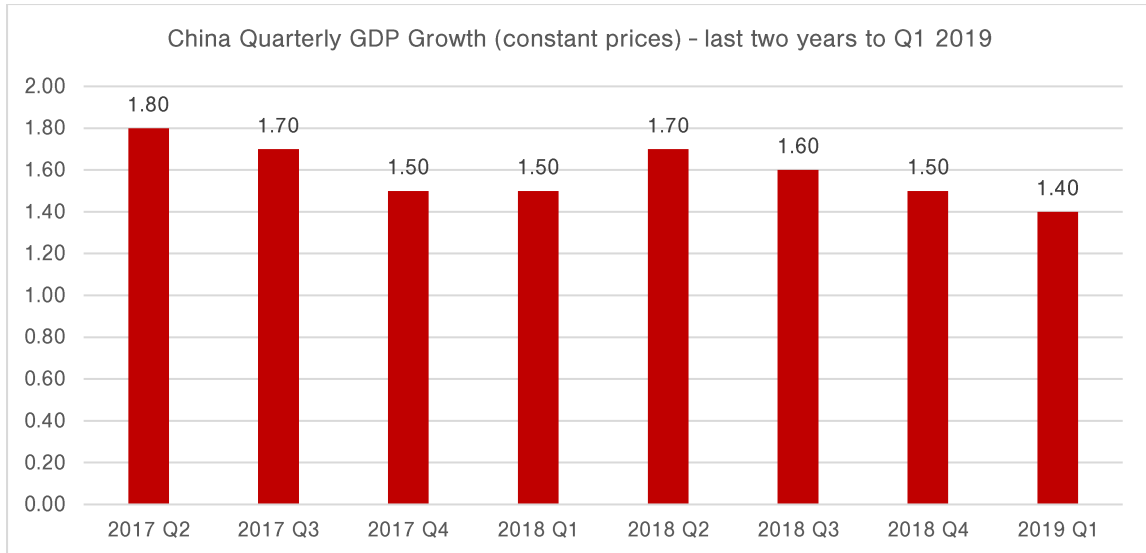
- Industry +6.1% (slightly underperformed)
- Construction +6.2%
- Wholesale & retail trades +5.8%

Quarter on Quarter Growth

The Q1 2019 growth of +1.4% was slower than the +1.5% in Q4 2018 – despite stimulus starting to have an effect.

The Q1 2019 growth was also lower than the Q1 growth in 2018 of +1.5%.

The quarterly growth rate has continued to slow over the last four quarters.



http://www.stats.gov.cn/english/PressRelease/201904/t20190418_1660345.html

[Return to top](#)

Trade

US-China Trade Negotiations

USTR Lighthizer and Treasury Secretary Mnuchin will reportedly travel to China for further talks next week w/c 29 Apr in the hope of finalising details of the deal.

In the following week, Vice Premier Liu He is scheduled to travel to Washington;

“The next week, Chinese Vice-Premier Liu He will go to Washington for talks, which officials hope will lead to the announcement of a deal and the details of a signing summit, probably for late May, according to the report.”

<https://www.scmp.com/news/china/diplomacy/article/3006694/two-more-rounds-talks-set-may-amid-hope-us-china-trade-war>

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 ITC evaluating the USMCA was released during the week;

“We welcome the International Trade Commission’s independent analysis of the USMCA. This report is an important step forward in gaining congressional approval of the USMCA. The ITC analysis shows that USMCA will increase U.S. employment by 176,000 jobs and is projected to increase GDP by 0.35%. This is more than double the 0.15% growth rate the ITC projected for the multilateral Trans-Pacific Partnership. These findings validate President Trump’s action to withdraw from TPP and renegotiate the disastrous NAFTA. With USMCA, we will have stronger growth, more trade and more jobs – particularly in manufacturing. There can be no doubt that the USMCA is a big win for America’s economy.”

Links to the detail can be found in the USTR announcement; <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/statement-us-trade-representative>

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.cnbc.com/2019/03/29/trumps-nafta-usmca-trade-deal-faces-bipartisan-roadblock-in-congress.html>

Section 232 – Car and Truck Imports

The final report on the s.232 investigation was 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 commenced during the week. There was no news on progress made during the negotiations. The two representatives will ‘meet again in the near future to continue talks’.

“The United States and Japan discussed trade issues involving goods, including agriculture, as well as the need to establish high standards in the area of digital trade. In addition, the United States raised its very large trade deficit with Japan – \$67.6 billion in goods in 2018.” <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/april/statement-ustr-meetings-discuss>

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

Posturing between the EC and US continued this week as both countries prepare for trade talks. The importance and impact of this trade negotiation is not to be underestimated – especially considering current EU economic performance.

Last week the EC authorised negotiations to commence between the EU and the US. Emphasis added;

“Today's adoption of the EU negotiating directives gives a clear signal of the EU's commitment to a positive trade agenda with the US and the implementation of the strictly defined work programme agreed by Presidents Trump and Juncker on 25 July 2018. **But let me be clear: we will not speak about agriculture** or public procurement.”

https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/trade-with-the-united-states-council-authorises-negotiations-on-elimination-of-tariffs-for-industrial-goods-and-on-conformity-assessment/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Trade+with+the+United+States%3a+Council+authorises+negotiations+on+elimination+of+tariffs+for+industrial+goods+and+on+conformity+assessment

Emphasis added;

“[US President] Donald Trump reiterated his threat that trade talks with the EU must open up markets to farmers or he would impose tariffs on European car imports. **EU negotiating directives agreed Monday say agriculture must be excluded from planned negotiations.**”

“EU trade chief Cecilia Malmström held out hope Monday that a transatlantic trade deal could be done "quite quickly" if both sides could agree on a basis to start negotiations, but such an agreement appears difficult to reach amid the row over agriculture.”

“Brussels has said it would immediately suspend trade talks should Trump impose auto tariffs.”

<https://www.politico.eu/article/trump-to-eu-include-agriculture-in-us-trade-talks-or-face-tariffs/>

A further escalation between the US and EU on aircraft subsidies. Last 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>

This week the EC has identified approx. €20bn in US exports for tariffs;

“The European Commission Wednesday said it wants to hit around €20 billion of U.S. exports with tariffs in retaliation for unlawful subsidies given by the U.S to American aircraft manufacturer Boeing.” <https://www.politico.eu/article/eu-prepares-e20b-retaliation-against-us-over-boeing-subsidies/>

<https://www.politico.eu/tag/eu-us-trade-talks/>

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

[Return to top](#)