

## Key Themes

More countries, as well as individual US states, have tightened quarantine measures in an effort to slow the spread of the Coronavirus. This is having significant impacts on economic activity – not to mention enormous social impacts. Governments and central banks are ramping up stimulus, safety net support and liquidity measures.

Major central banks made out-of-cycle announcements on policy changes and further accommodations during the week. There was further co-ordinated central bank action to address USD shortages during the week.

On Mar 20, the EC proposed activating the 'general escape clause of the Stability and Growth Pact' - allowing member states to respond with greater fiscal flexibility. In the US, a \$1TR stimulus package was yet to be approved by the Senate at the time of writing (will likely pass with changes).

The combined Jan-Feb data for China started to show a severe impact – retail sales fell by over 23% (real terms), industrial production fell by 13.5% and fixed asset investment fell by 24.5%.

The Mar data for US, Europe and Asia will start to highlight the extent of the economic shock. Once the extent of this shock becomes apparent, there is likely to be some further calibration especially with required levels of fiscal stimulus.

US data this week – starting to show some impact in the hard data. The first two Mar regional manufacturing surveys both showed a significant fall in manufacturing activity. Initial jobless claims increased by 70k to 281k – and this is expected to get much worse next week (estimates are for initial claims to be in the millions). There was some softness in mortgage applications.

US housing – strength in West/South existing home sales in Feb, but conditions starting to weaken into Mar. Retail sales (val) already weakening in Feb – well before the oil price shock (from first week of Mar).

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Australia – House Price Index Q4, Labour Market (Feb)

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China – Fixed Asset Investment, Industrial Production & Retail Sales (Feb)

Trade – US-China Trade Talks, US-Japan Trade Talks, US-Europe Trade Talks, Section 232. Car and Truck Imports, NAFTA/USMCA, US-UK Trade Talks

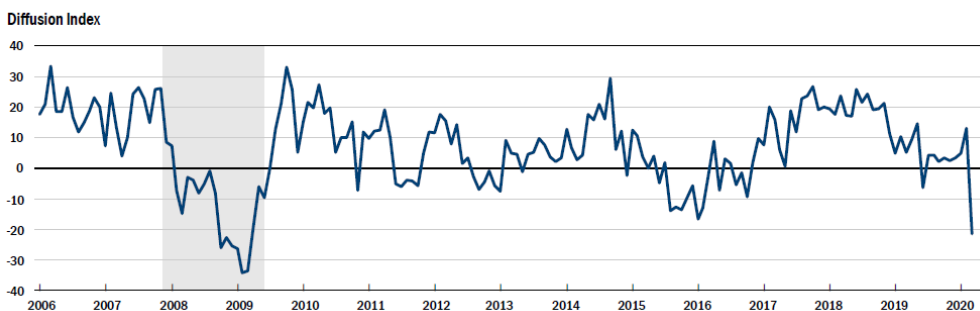
## US Data

### NY Empire State Manufacturing Index (Mar)

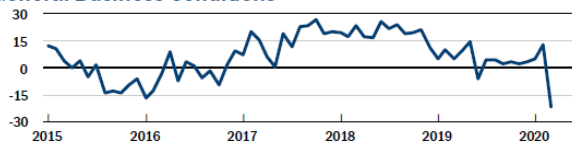
The NY state manufacturing index declined notably into contraction in Mar. The 34.4pt drop was the largest recorded for the survey. The level of the general business conditions index at -21.5 is the lowest since the GFC.

Headline Business Conditions Index; Mar -21.5 versus Feb +12.9

#### General Business Conditions Seasonally Adjusted



#### General Business Conditions



	Percent Reporting		Index
	Higher	Lower	
Feb	34.0	21.0	12.9
Mar	20.0	41.6	-21.5
Change			-34.4

The decline was led by a significant fall in new orders, which had been trending higher over the prior months; Mar -9.3 versus Feb +22.1. Shipments shifted into slight contraction.

Unfilled orders slowed to a more neutral level of growth as did delivery times. Inventory growth slowed and growth remains relatively low.

Prices paid were little changed but growth in prices received slowed.

Employment indicators weakened. The change in the number of employees shifted into decline and the average employee workweek declined at a faster pace. Both measures remain above the 2016 period of weakness at this stage.

Forward looking indicators of activity deteriorated significantly – with a 21.7 fall in the expected business conditions six months head. At this point, employment indicators for six months head remain positive, with expectations indicating a slower pace of growth.

[https://www.newyorkfed.org/medialibrary/media/survey/empire/empire2020/esms\\_2020\\_3\\_survey.pdf?la=en](https://www.newyorkfed.org/medialibrary/media/survey/empire/empire2020/esms_2020_3_survey.pdf?la=en)

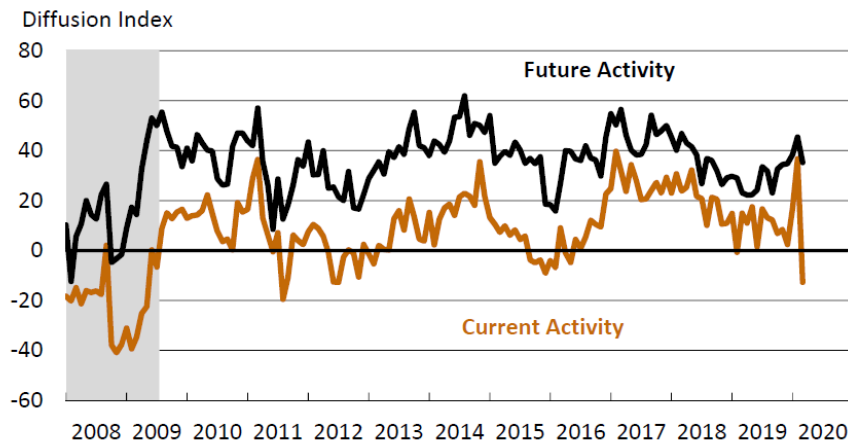
## Philly Fed Manufacturing Survey (Mar) – data collected 9-16 Mar

There was a marked deterioration in manufacturing activity in the region. The relatively large increase in activity recorded in Feb was more than retraced in Mar. Most indicators were affected. Employment growth remained positive but indicating slower growth. Indicators of future activity six months from now moderated, but remain elevated at this stage.

Headline General Business Activity Index; Mar -12.7 versus Feb 36.7

**Chart 1. Current and Future General Activity Indexes**

January 2008 to March 2020



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 shifted significantly from accelerating growth in Feb to a sharp contraction in Mar; Feb 33.6 versus Mar -15.5pts. growth in shipments shifted back down to neutral. Firms worked through unfilled orders, as backlogs declined again. Inventory growth slowed to zero.

Growth in both prices paid and prices received slowed notably.

Employment growth remained positive, but indicated slower growth. The average employee workweek slowed to zero growth.

Firms remain fairly optimistic regarding the level of general activity in six months' time.

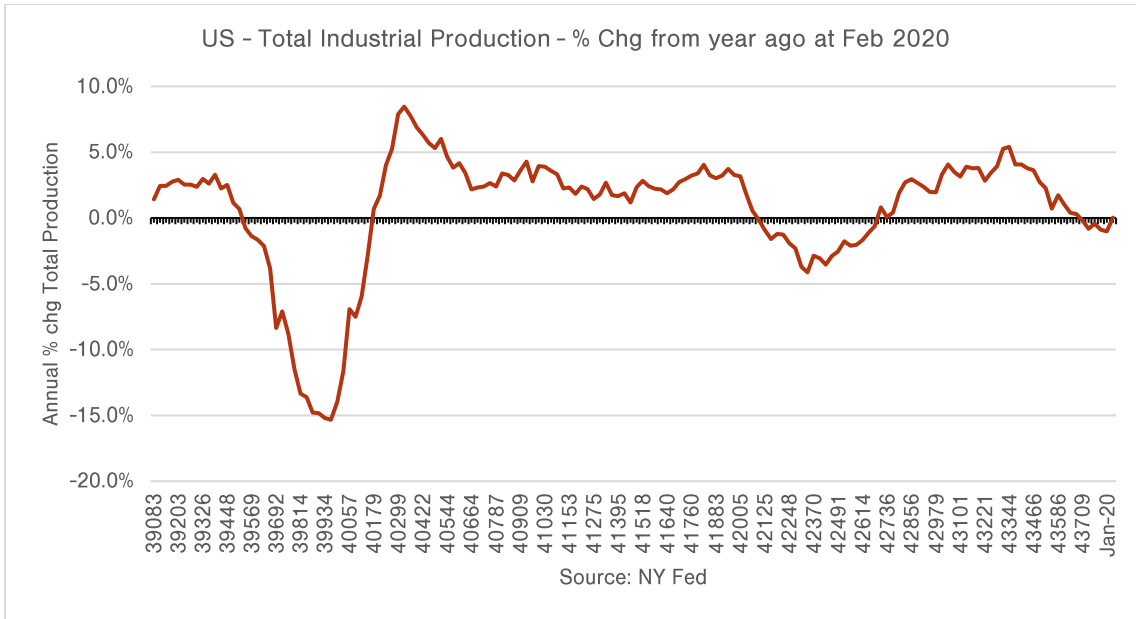
<https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey>

## Industrial Production (Feb)

On a monthly basis, total US industrial production shifted back into growth in Feb. Low growth in manufacturing and a small decline in mining production were offset by much stronger growth in utilities production for the month. On an annual basis, overall industrial production growth was flat in Feb.

Industrial Production – month change; Feb +0.6% versus Jan -0.5%

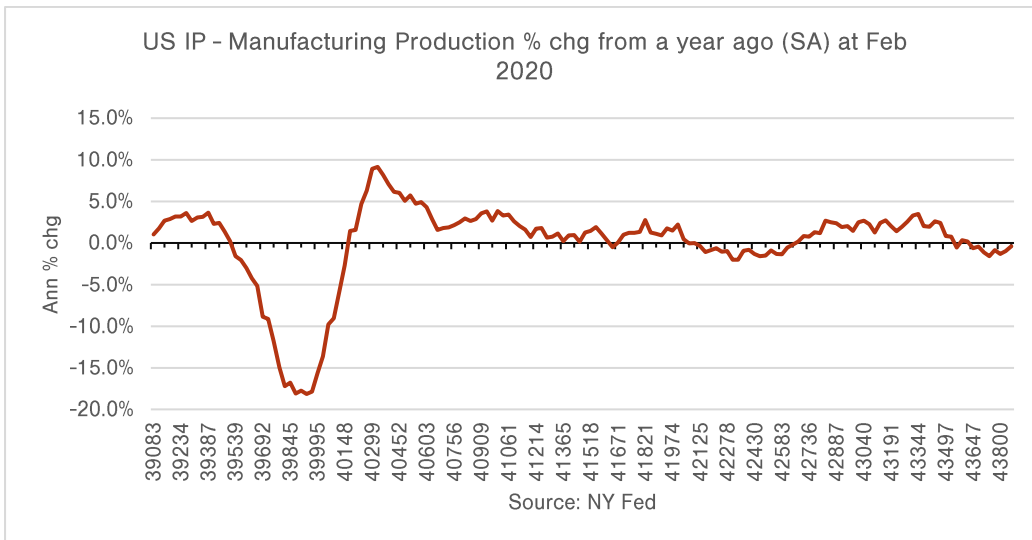
On an annual basis, total industrial production growth was unchanged from a year prior;



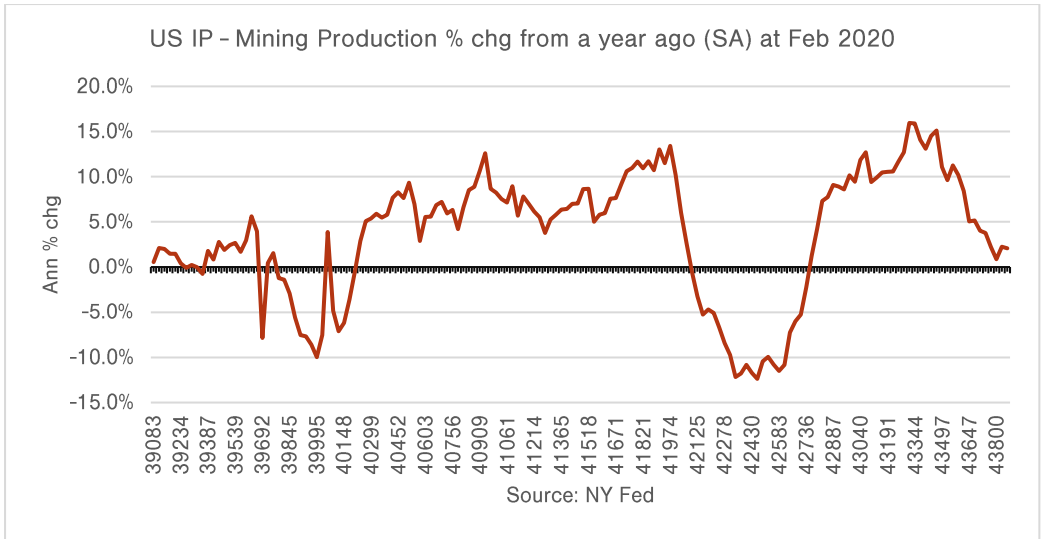
Three main industry groups make up total industrial production;

MANUFACTURING output increased slightly in Feb, growing by +0.1%. This was the result of a rebound in durable goods manufacturing output of +0.3% (although five of the eleven categories still recorded growth below 0%). Output of non-durable goods declined slightly – led by larger declines across petroleum and coal products and chemicals. Four out of the nine non-durable goods categories recorded growth in the month below 0%.

On an annual basis, manufacturing output in in Feb remains -0.4% below a year ago;



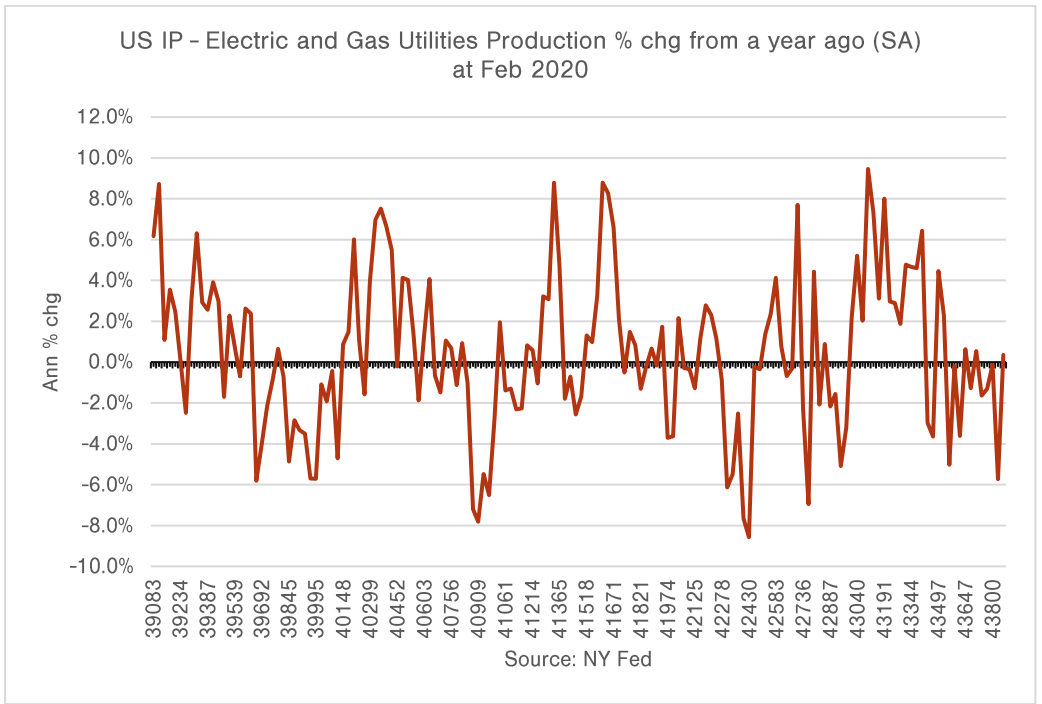
MINING output declined by 1.5% in Feb after growing by 1% in Jan. On an annual basis, mining production remains 2.1% above a year ago;



UTILITIES production rebounded strongly, growing by 7.1% in Feb after declining by 4.9% in Jan.

“...as temperatures returned to more typical levels following an unseasonably warm January.”

Annual growth in utilities output rebounded back to a low level of growth +0.4%;



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

## Retail Sales (Feb)

US retail sales declined in Feb with sales falling across the majority of categories. The decline was led by a more significant decline in the value of gasoline sales as well as a fall in motor vehicle sales. On an annual basis, growth in retail sales slowed slightly.

US Retail Sales – month change; Feb -0.5% (-\$2.8bn) versus Jan +0.6%

The decline was led by;

Gasoline sales falling -2.8% or -\$1.2bn (after a -0.4% decline in Jan)

Motor vehicle sales declining by -0.9% or -\$1bn (after increasing by +0.8% in Jan)

Declines were also recorded across food service and drinking places (-0.5%), general merchandise, clothing and clothing accessories (-1.2%), health and personal care (-0.1%), electronics (-1.4%) and furniture (-0.4%).

Overall food and bev store sales growth was flat at 0%. Within that, sales across grocery stores declined by -0.1% after a -0.2% decline in Jan.

Sales across non-store retailers accelerated from +0.2% in Jan to +0.7% in Feb (+\$0.5bn) , but was not larger enough to offset declines across other categories. There may be a great shift to non-store sales over the next few months.

US Retail Sales – annual change; Feb +4.3% versus Jan 5%



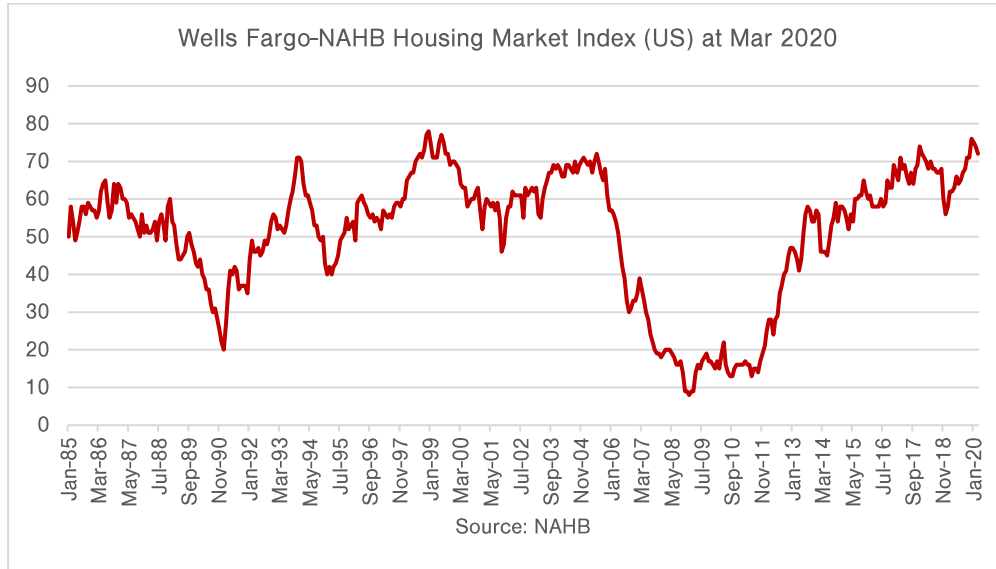
<https://www.census.gov/retail/index.html>

## NAHB Housing Market Index (Mar)

The housing market index continued to drift lower in Mar, but remains above the 12mth SMA. By region, the West, while it remains at a higher level than other regions, has deteriorated the most.

Headline NAHB Housing Market Index; Mar 72 versus Feb 74

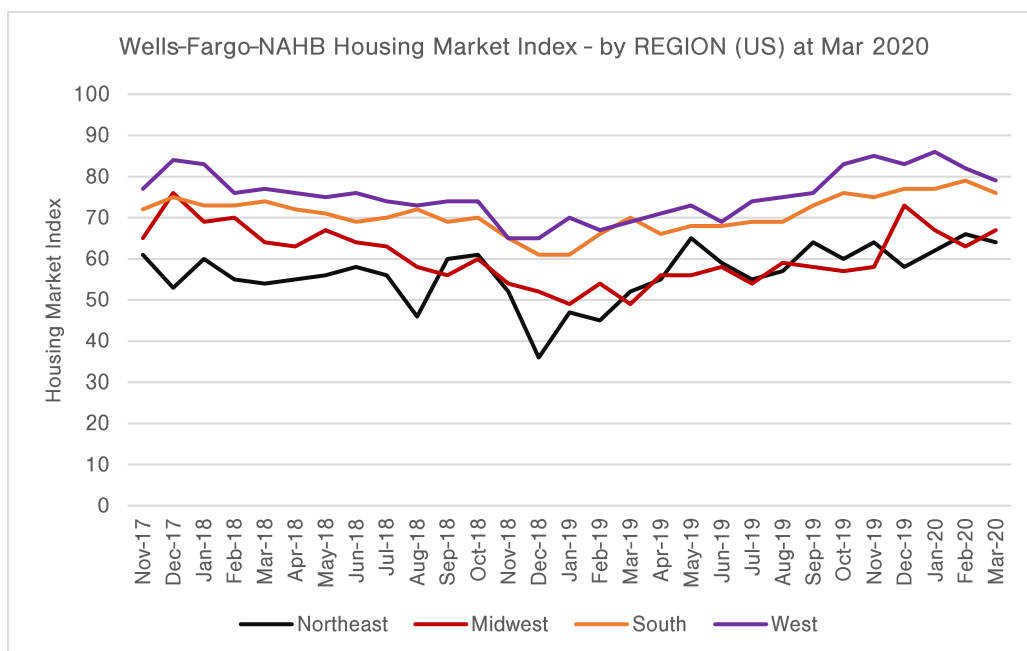
In this cycle, the index peaked at 76 in Dec 2019;



### Conditions by Region

The Midwest was the only region to see conditions improve this month, but remains below the Dec 19 peak.

The West has recorded the largest slow-down and is now almost on par with the 12-mth moving average.





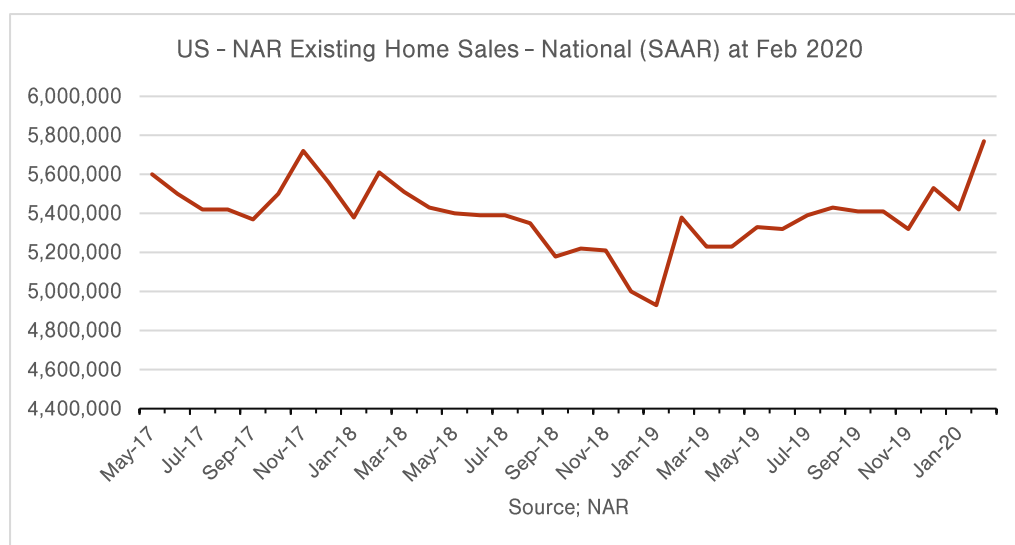
<https://www.nahb.org/News-and-Economics/Housing-Economics/Indices/Housing-Market-Index>

## Existing Home Sales (Feb)

Existing home sales growth accelerated in Feb, increasing by +6.5%. The increase in the month was led by two regions – West and South.

National Existing Home Sales – month change; Feb 5.77m (+6.5%) versus Jan 5.42m

On an annual basis, existing home sales are +7% ahead of the same month a year ago.

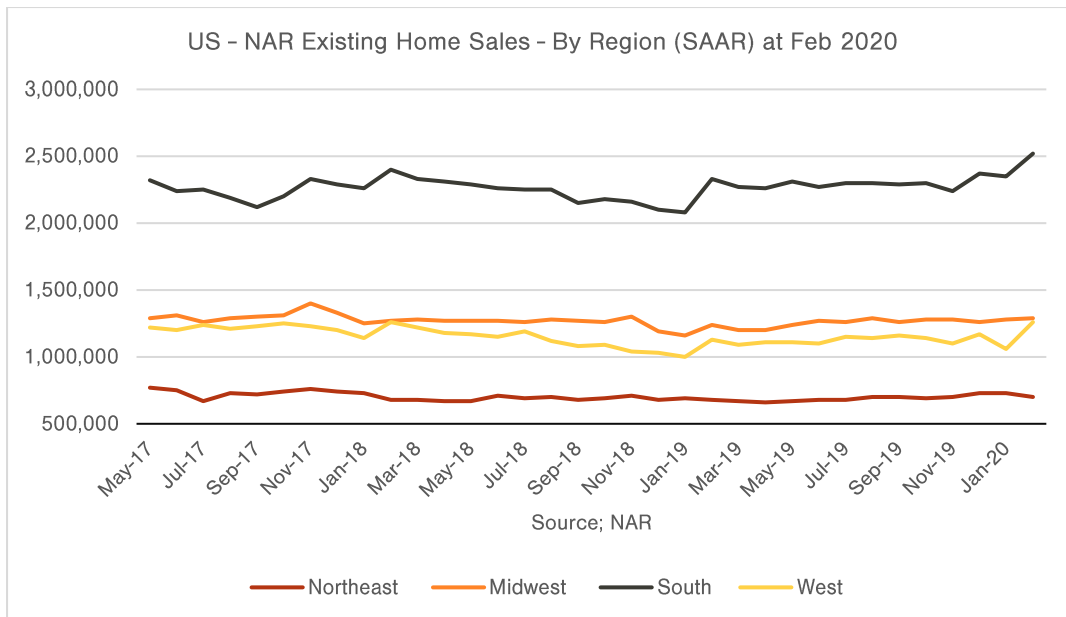


Leading the growth in the month were two regions;

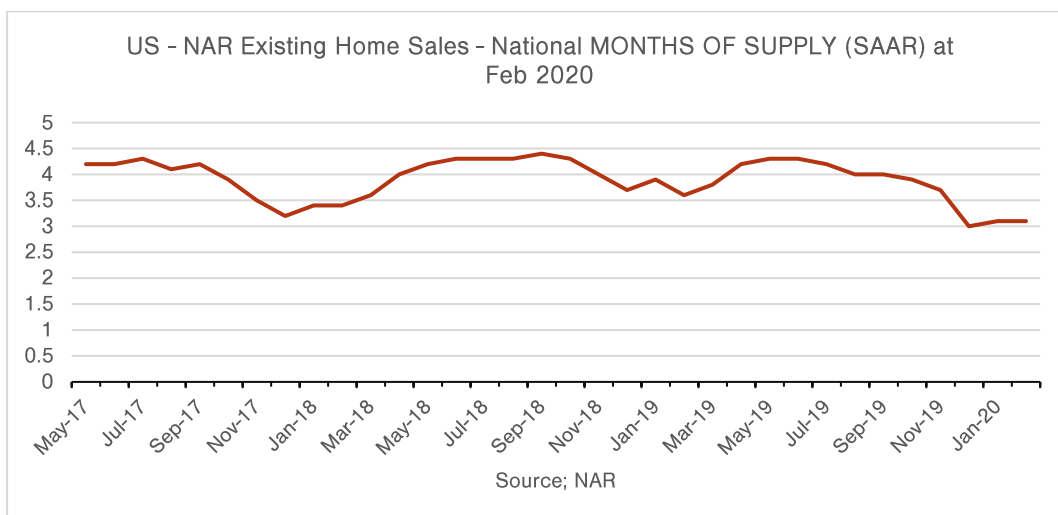
West; Feb 1.26m versus Jan 1.06m (+18.9%)

South; Feb 2.52m versus Jan 2.35m (+7.2%)

Existing home sales in the Northeast declined by 4.1% while sales in the Midwest increased by 0.8%.



Inventory of homes increased by 5% in the month, but given the increase in sales, the months' supply was unchanged at 3.1;



<https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

### Mortgage Applications (13 Mar)

The Market Composite Index declined by -8.4% versus a week ago. This is the main measure of mortgage application volume.

The Refinance Index declined by 10% versus a week ago, but was +402% higher than the same week a year ago.

"Purchase activity was flat but remained over 10 percent higher than a year ago. The purchase market was on firm footing to start the year and has so far

held steady through the current uncertainty. Looking ahead, a gloomier outlook may cause some prospective homebuyers to delay their home search, even with these lower mortgage rates."

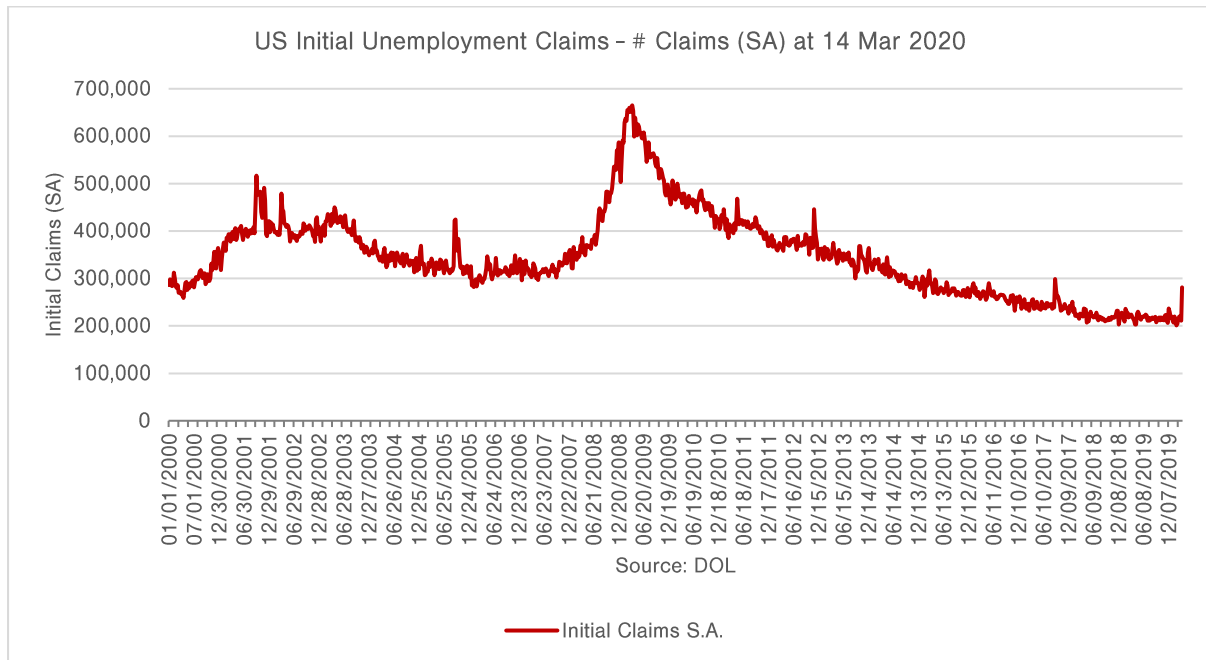
<https://www.mba.org/2020-press-releases/march/mortgage-applications-decrease-in-latest-mba-weekly-survey>

## US Initial Unemployment Claims (14 Mar)

For the week ending 14 Mar, the advance report on initial unemployment claims increased by 70k. The next report is likely to be significantly higher.

**Initial claims;** week 14 Mar (advance report) 281k versus week prior 7 Mar 211k (+33% increase, SA data)

In the same week a year prior, initial claims were 219k.



Notable increases (by growth and total number) from the week prior (note NSA data – weekly change was +25%); California +34%, Illinois +25%, Connecticut +36%, Maryland +40%, Massachusetts +57%, Nevada +181% (also the third largest increase by actual number of claims), Pennsylvania +27%, Washington state +124%.

<https://www.dol.gov/ui/data.pdf>

## JOLTS (Jan)

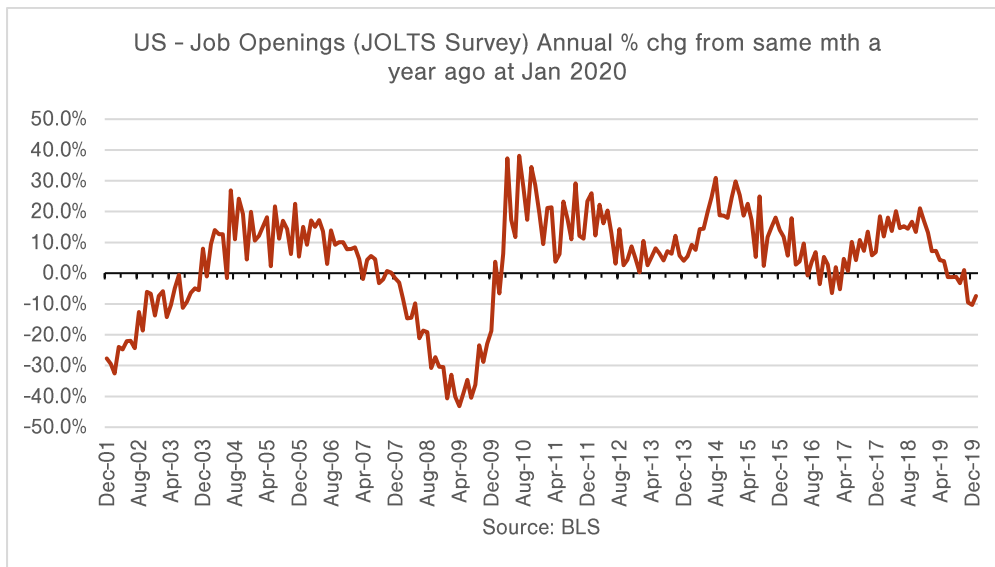
The Jan JOLTS report was mostly positive. Job openings increased in the month, but new hires were lower than the prior month. Separations were lower than the month prior due to a lower number of layoffs and discharges. The number of quits in Jan were identical to the number in Dec. The annual growth in quits has slowed notably over the last 12 months

indicating a lower inclination to change jobs voluntarily than a year ago (some caution?). The overall separation rate in Jan is on par with the 12-mth average.

### Job Openings

Jan 6.9m versus Dec 6.5m

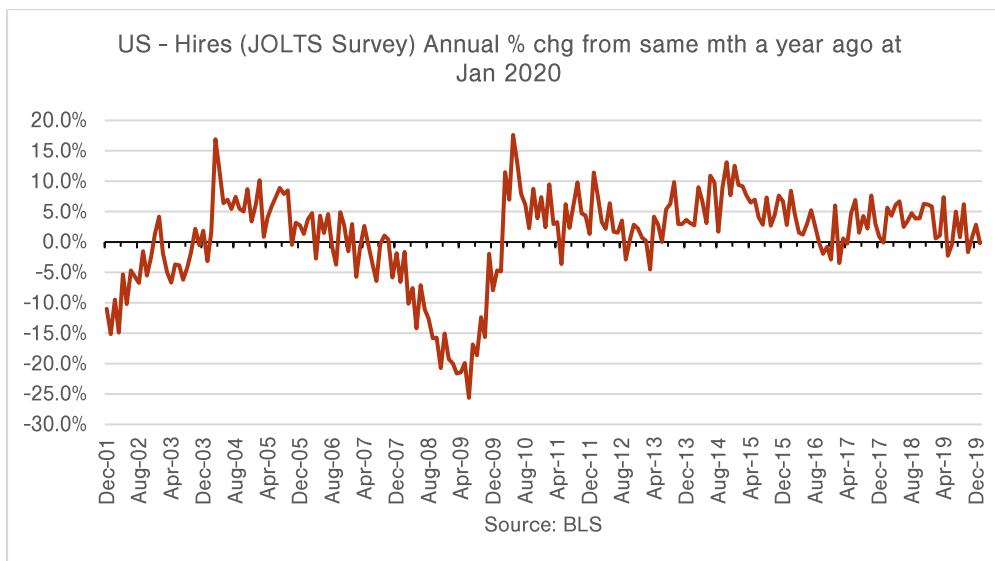
Despite the increase in the month, the level of job openings remains 7% below a year ago and is below the 12-mth average. The job openings rate increased to 4.4 just below the 12-mth average of 4.5.



### Job Hires

Jan 5.8m versus Dec 5.9m

Although the number of hires slowed in Jan, the level remains on par with the 12-mth average and the level from a year ago. The hire rate slowed to 3.8, just below the 12-mth average of 3.9.

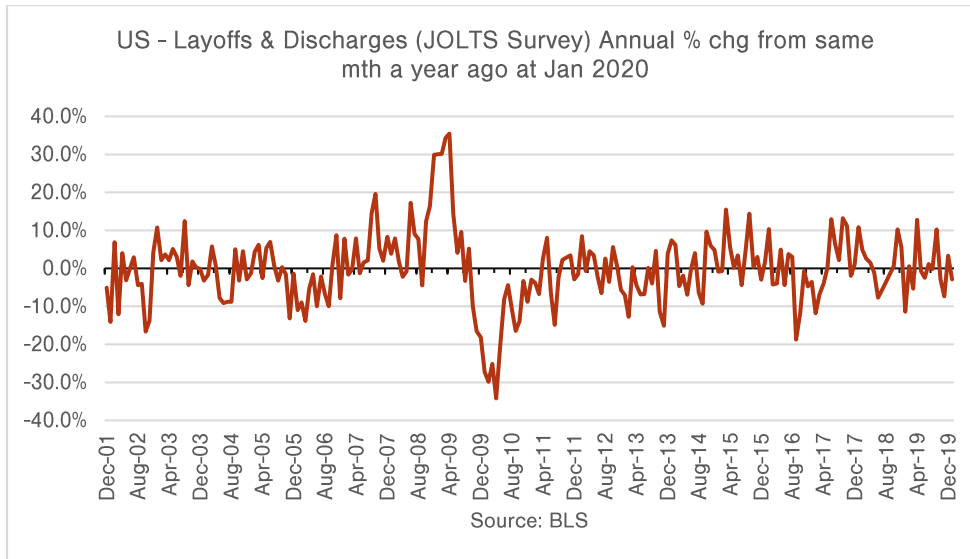


## Total Separations

The two main components of separations are layoffs and discharges (involuntary) and quits.

### Layoffs and discharges; Jan 1.7m versus Dec 1.9m

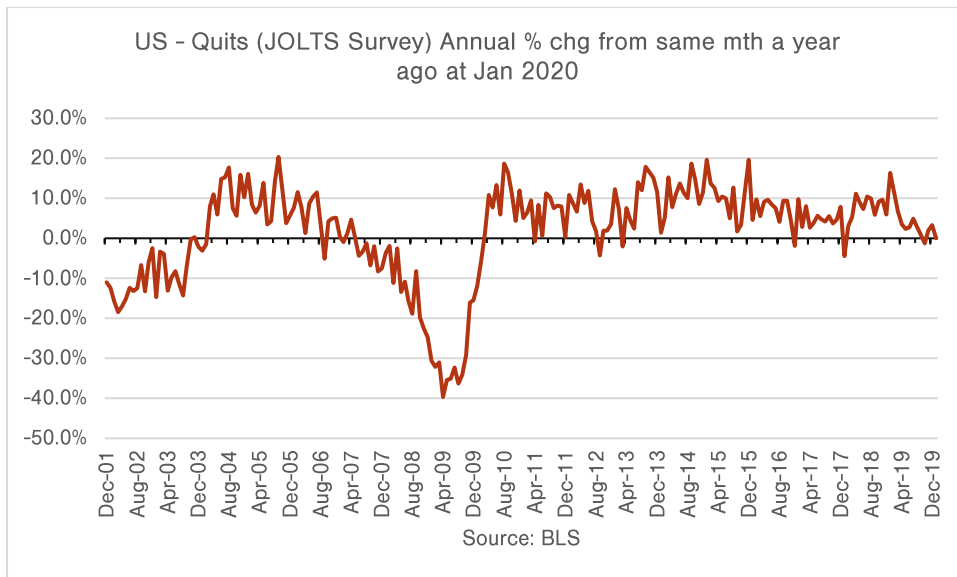
Layoffs and discharges are the involuntary separations – a lower number is more positive news. The Jan level is now 7% below the 12-mth average and 3% below the level a year ago. The discharge rate fell to 1.1, just below the 12-mth average of 1.2.



### Quits; Jan 3.5m versus Dec 3.5m

The number of quits in Jan and Dec were virtually identical. Higher quits indicates that more workers are making a voluntary decision to change jobs. The Jan level remains on par with the 12-mth average and is equal to a year ago. The quit rate was unchanged at 2.3 which is also equal to the 12-average.

Its important to note though, that the pace of quits was much higher a year ago. The annual growth in the number of workers voluntarily changing jobs has slowed notably since the start of 2019.



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

## Fed Decision (15 Mar)

Details of the FOMC statement were shared in last weeks briefing document. The FFR was reduced to 0-0.25%

Details regarding QE and repo operations are outlined in the briefing document each week.

<https://www.rba.gov.au/media-releases/2020/mr-20-09.html>

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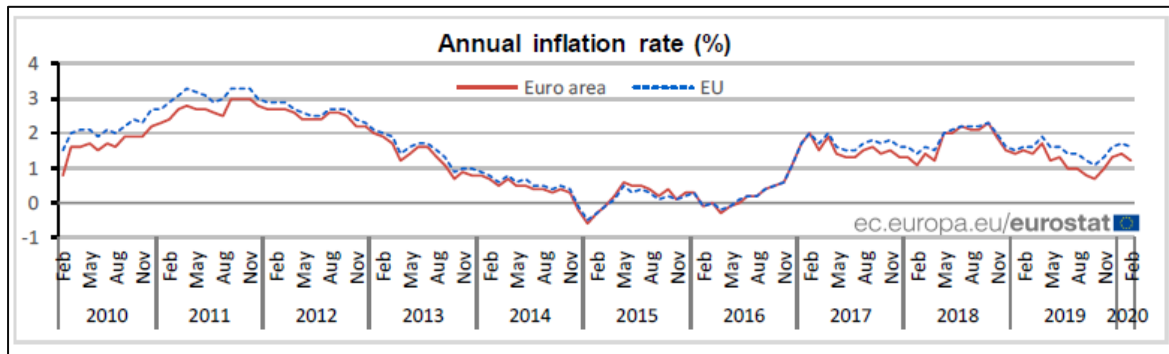
## Europe

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### CPI (Feb)

Annual consumer price growth slowed somewhat in Feb. The slower growth was mostly the result of a much smaller contribution from the growth in energy prices versus a year ago.

Euro Area CPI – annual change; Feb +1.2% versus Jan +1.4%



The largest contributor to the slower growth in headline CPI was energy. In Jan 2020, energy price changes added +0.2%pts to the 1.4% annual growth. In Feb 2020, this reversed to detracting -0.03%pts from headline CPI growth of +1.2%. We are likely to see this dynamic play out further in CPI data in the coming months given the changes in oil prices during Mar 2020.

The contribution from other CPI components were either little changed or increased in Feb;

Food, alcohol and tobacco prices contributed +0.41%pts to headline CPI growth (+0.4%pts in Jan). Food prices will be important to watch as supply issues come to the fore in the coming months.

Non-energy industrial prices added +0.13%pts to headline CPI growth (up from +0.08%pts In Jan).

Services, the largest component by index weight, added +0.72%pts to headline CPI growth in Feb (up from +0.69%pts in Jan).

<https://ec.europa.eu/eurostat/documents/2995521/10545916/2-18032020-AP-EN.pdf/74bbdcd7-78f4-b794-e3e7-f0454b019bee>

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# Japan

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## Industrial Production – Final (Jan)

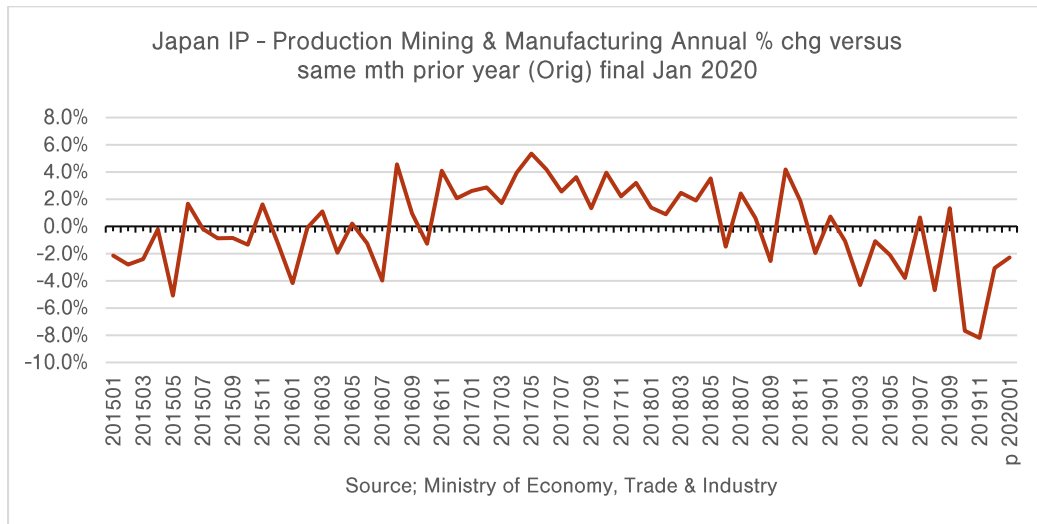
After several weaker months, there was a further increase in industrial production and shipments in Jan. Inventories also continued to increase. Despite the improvement in the month, the level of production and shipment activity remain below the same month a year ago.

### Production

**Mining & Manufacturing Production – month chg (SA):** Jan +1% versus Dec +1.2%

The index of mining and manufacturing peaked in this cycle in Dec 2017 and is still 6% below that peak. Most of the industry groups remain well below near term peaks, with the exception of food and tobacco (which is only 3% below its recent peak reached in Jan 2019).

On an annual basis, production remained 2.3% below the same month a year ago;



### Shipments

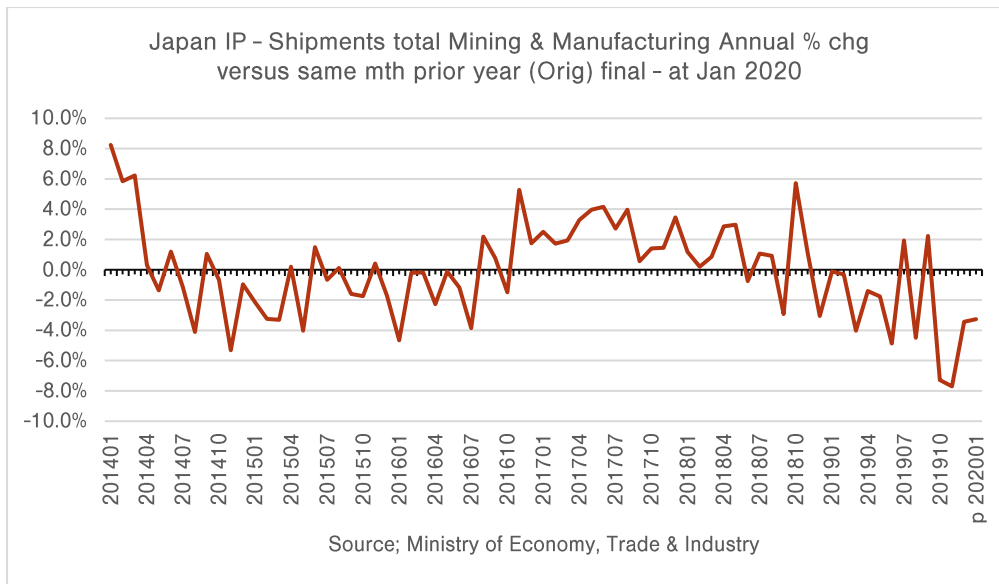
**Mining and Manufacturing Shipments – month change (SA):** Jan +0.6% versus Dec +0.3%

Despite the overall increase, several industries still recorded lower shipments in the month; fabricated metals, production machinery, general purpose and business-oriented machinery, electronic parts and devices, electrical machinery, chemicals and petroleum and coal products.

Transport equipment and food & bev shipments were notably higher.

On an annual basis, shipments are 3.3% below a year ago;





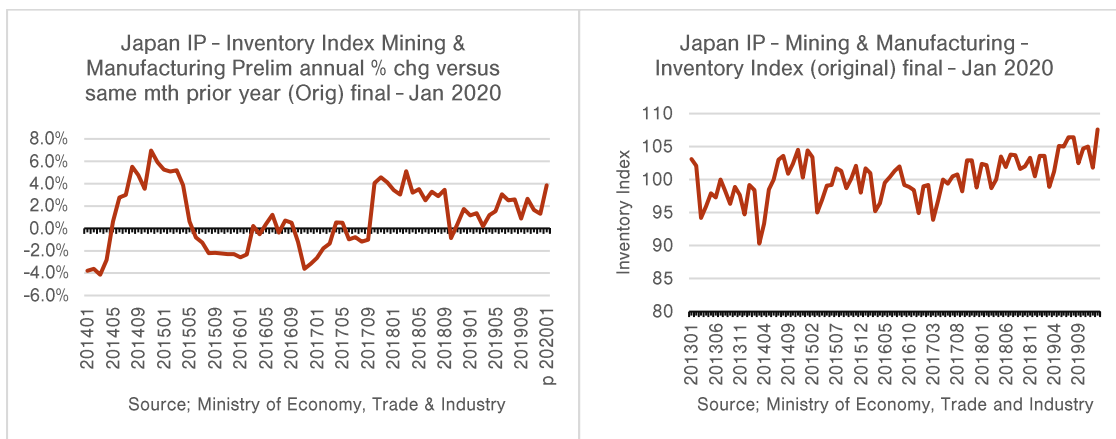
### Inventory

The index of inventory continued to increase at a faster pace in the month;

Mining and Manufacturing Inventory – month change (SA); Jan +1.6% versus Dec +0.9%

The index of inventory was higher across transport equipment, petroleum and coal products and electronic parts and devices.

On an annual basis, the index of inventory is 4% above that of a year ago. The index (NSA) is at a new near-term high;



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

### **Merchandise Trade (Feb)**

The prelim merchandise trade data for Feb indicated that the merchandise trade balance (surplus) increased significantly from a year ago. The trade surplus increased from 328m Yen

in Feb 2019 to 1.1bn Yen in Feb 2020. The increase was mostly the result of a 14% decline in imports, while exports also declined by 1%.

All values quoted in YEN.

Japan Merchandise Trade Surplus – annual at Feb 2020; 1.1bn

Exports – annual change at Feb 2020; -1%

Imports – annual change at Feb 2020; -14%

#### EXPORTS by Region

Overall exports show little sign of weakness on a YEN basis. Exports to the US were 2.6% below a year ago (the largest export market), while exports to China were down by only -0.4%.

Exports to Europe were down by 4.5%, well below the headline 1% decline. Exports to most European countries declined.

#### EXPORTS by Commodity

The largest contributor to the overall decline in exports was machinery (-8.8%) and transport equipment (-4.1%).

This was partly offset by growth in electrical machinery (+9.8%), manufactured goods (+4.1%) and chemicals (+3.4%).

#### IMPORTS by Region

The larger impact on trade was the overall 14% decline in the YEN value of imports – imports from most regions declined versus a year ago. The largest market for imports is China – and Japanese imports from China declined by -47% in Feb versus a year ago. Imports from most Asian markets were lower also. Imports from North America were down 7% (and -6% from the US). Imports from Europe declined by 8%.

Imports from the Middle East were also lower by 3%.

#### IMPORTS by Commodity

Most commodity classifications recorded a decline in imports in Feb (versus a year ago). The larger contributors were other (-22%), electrical machinery (-19%), machinery (-25%) and mineral fuels (-10%).

Raw materials imports increased versus a year ago, growing by 6% - led by ores of non-ferrous and iron ore.

[https://www.customs.go.jp/toukei/latest/index\\_e.htm](https://www.customs.go.jp/toukei/latest/index_e.htm)

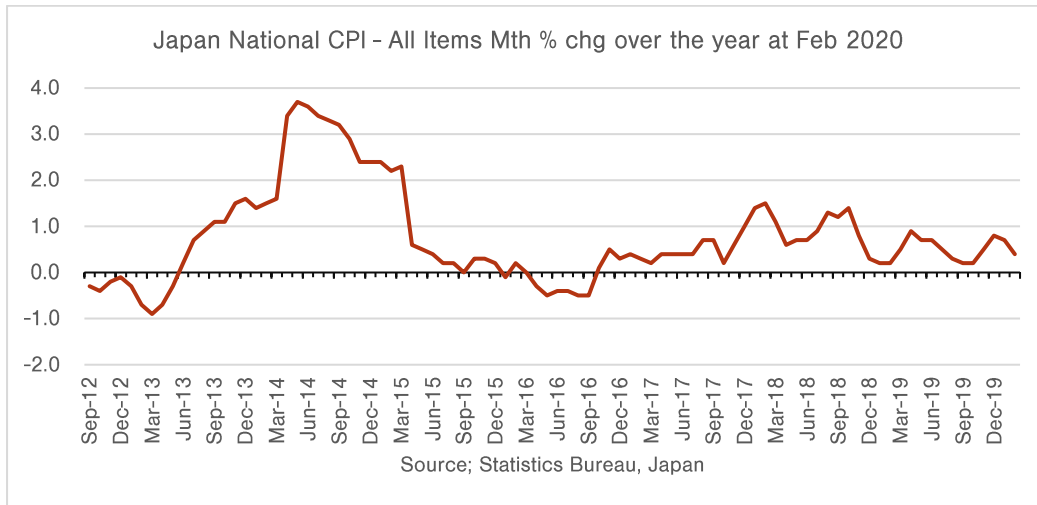
## **National CPI (Feb)**

The headline annual change in consumer prices slowed in the year to Feb and prices declined versus Jan. Measures of underlying CPI growth also slowed on an annual basis and declined on a monthly basis.

Headline All Items CPI – annual change; Feb+0.4% versus Jan +0.7%

Annual growth in food prices remained elevated at +1.2% despite a 1.9% decline in fresh food prices. Of the larger weight categories; annual fuel, light & water charges declined by 1%,

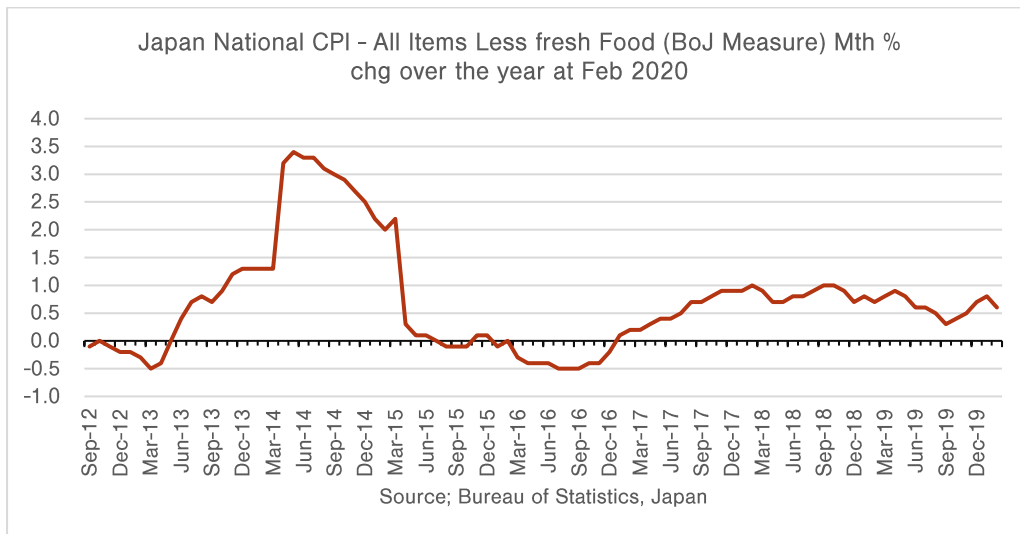
transport prices increased at a slower pace of 1.4% (only down from 1.7%), culture/recreation prices also increased at a slower pace of 1.1% (versus +2.1% annual in Jan). Misc prices declined by 2.9%.



Underlying CPI growth also slowed;

The preferred BoJ measure is All items less Fresh Food.

**All items Ex Fresh Food CPI – annual change; Feb +0.6% versus Jan +0.8%**



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

## BoJ Rates Decision

Statement 16 Mar 2020;

[https://www.boj.or.jp/en/announcements/release\\_2020/k200316b.pdf](https://www.boj.or.jp/en/announcements/release_2020/k200316b.pdf)

Announcement of co-ordinated action with the BoC, BoE, ECB and US Federal Reserve to “enhance provision of liquidity via USD swap line arrangements”.

[https://www.boj.or.jp/en/announcements/release\\_2020/rel200320a.pdf](https://www.boj.or.jp/en/announcements/release_2020/rel200320a.pdf)

[https://www.boj.or.jp/en/announcements/release\\_2020/rel200321a.pdf](https://www.boj.or.jp/en/announcements/release_2020/rel200321a.pdf)

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## United Kingdom

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### Bank of England – Special Monetary Policy Committee meeting 19 Mar 2020

The Monetary Policy Committee at a special meeting on 19 March voted to cut Bank rate to 0.1% and increase its holdings of UK government and corporate bonds by £200 billion.

This is over and above the measures announced on 11 Mar 2020

The minutes of this special meeting are to be released at the same time as the minutes for the next Committee meeting on 25 Mar.

<https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2020/monetary-policy-summary-for-the-special-monetary-policy-committee-meeting-on-19-march-2020>

### BREXIT

The next round of Brexit negotiations was due to commence during this week in London. Face to face meetings were cancelled.

The lead negotiator for the EU, Michel Barnier, announced that he had tested positive for Coronavirus (verified via Twitter account).

The EU published a draft legal agreement for the future of the EU-UK partnership. The link to the draft is embedded in the release.

The UK has indicated that it will put forward some texts covering some of the elements of the future EU-UK relationship outlined in the Political Declaration.

Given developments related to COVID-19, EU and UK negotiators are currently exploring alternative ways to continue discussions, including if possible the use of video conferences. Both sides remain in close contact with one another. Substantive work on the legal texts on both sides will continue over the coming weeks. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_447](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_447)

[https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_20\\_455](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_20_455)

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# Australia

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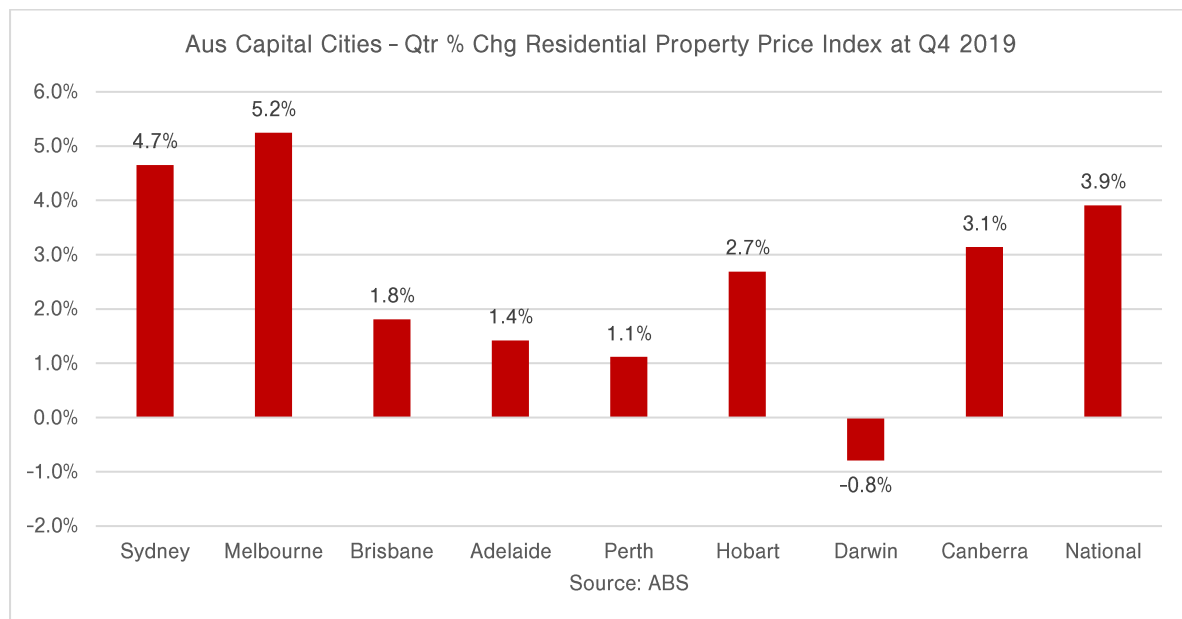
## House Price Index Q4

National house price growth continued to accelerate at the end of Q4 2019. The annual growth in prices returned to positive territory on a National basis.

Prices accelerated across both established houses and attached dwellings. Overall residential property prices grew across most states with the exception of Darwin, which remained below the prior quarter. The results are consistent with the continued improvement in housing lending, which indicates that first home buyers are one of the key drivers of this current rebound in residential prices.

National Residential Property Price Index – quarter change; Q4 +3.9% versus Q3 +2.4%

On a quarterly basis, growth was led higher by both Sydney and Melbourne markets. Growth was positive across other capital cities but was lower than the National pace of growth. Prices in Darwin declined slightly.

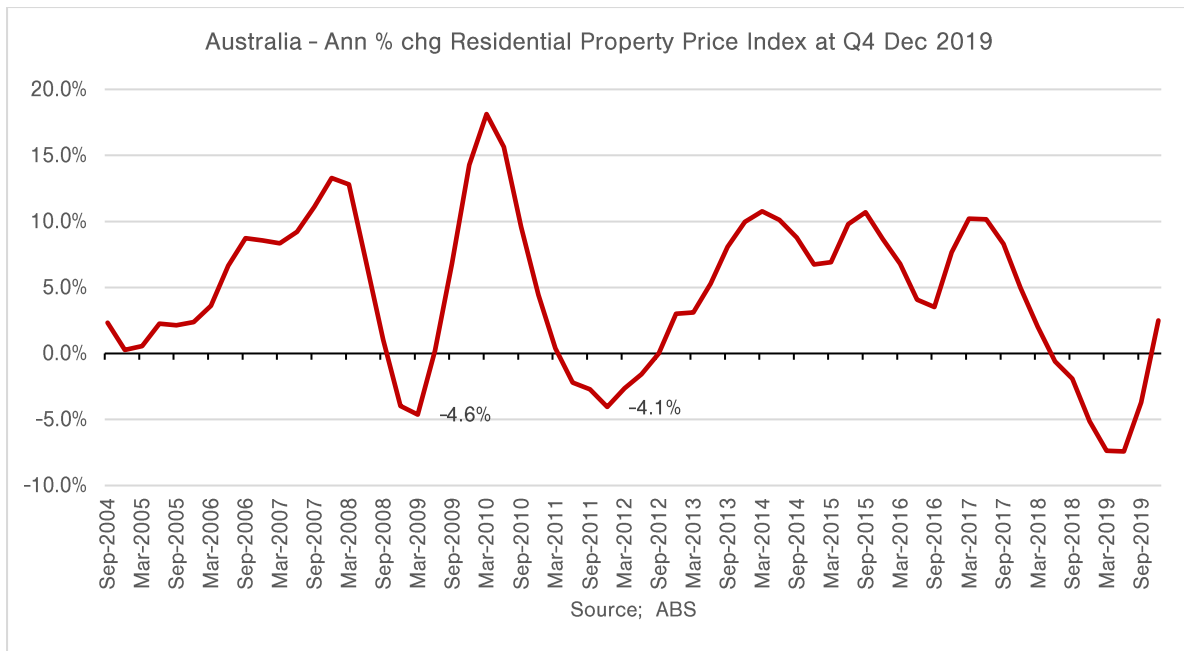


In the quarter, growth in established house prices accelerated further from +2.5% in Q3 to +4.2% in Q4.

Growth in the prices of attached dwellings (apartments/units) also increased at a faster pace from +2.5% in Q3 to +3.4% in Q4.

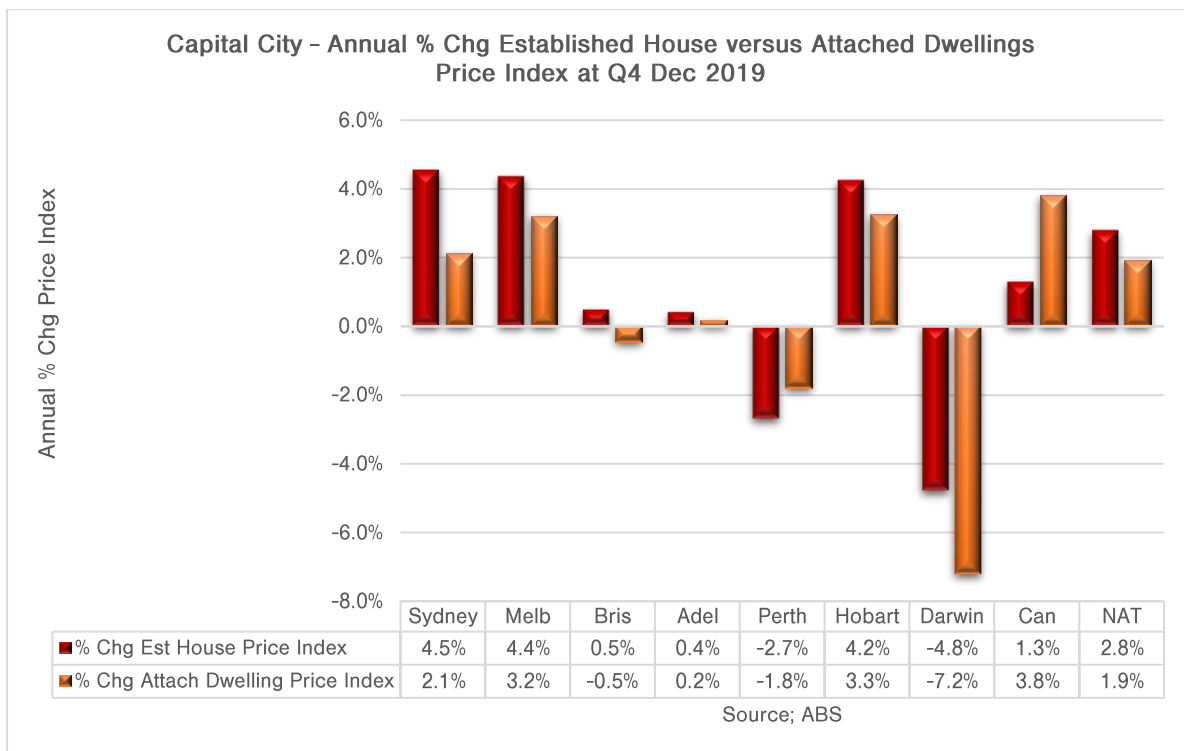
National Residential Property Price Index – annual change; Q4 +2.5% versus Q3 -3.7%

Annual growth in residential property prices returned to positive territory in Q4;



A return to positive annual growth was recorded across both established houses and attached dwellings (units/apartments).

The capital city summary indicates that house and apartment prices in Sydney and Melbourne are predominantly leading the index higher (both markets have a higher weighting in the index).



<https://www.abs.gov.au/ausstats/abs%40.nsf/mediareleasesbyCatalogue/6496B4739650C270CA2581F3000E3B4D?OpenDocument>

## Labour Market (Feb)

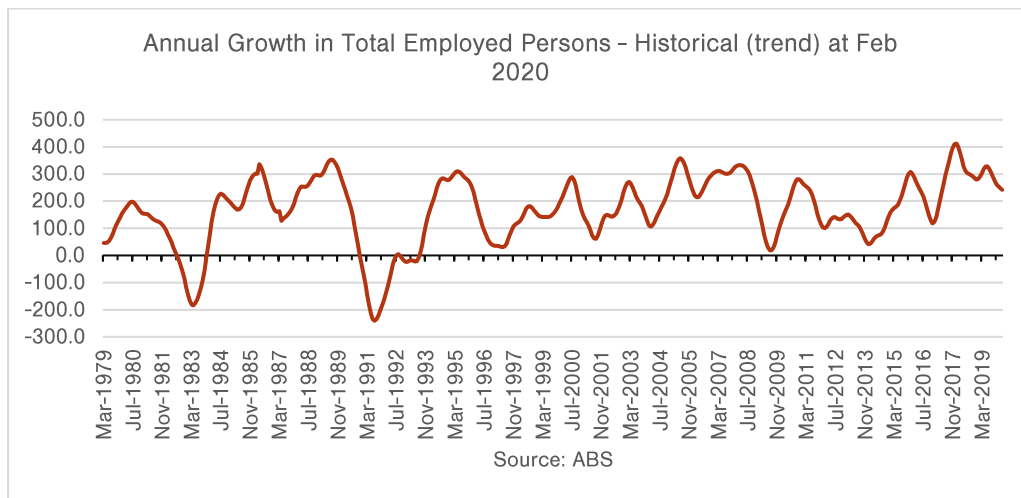
Labour market conditions on an annual basis were little changed; employment growth continued to slow and unemployed persons continued to increase. The monthly data appears to paint a picture of improving conditions with faster growth in total employment, but the decline in total unemployed persons is slowing.

The total monthly hours worked data indicates that the labour market has been weakening over the last three months especially. This is likely about to get much worse.

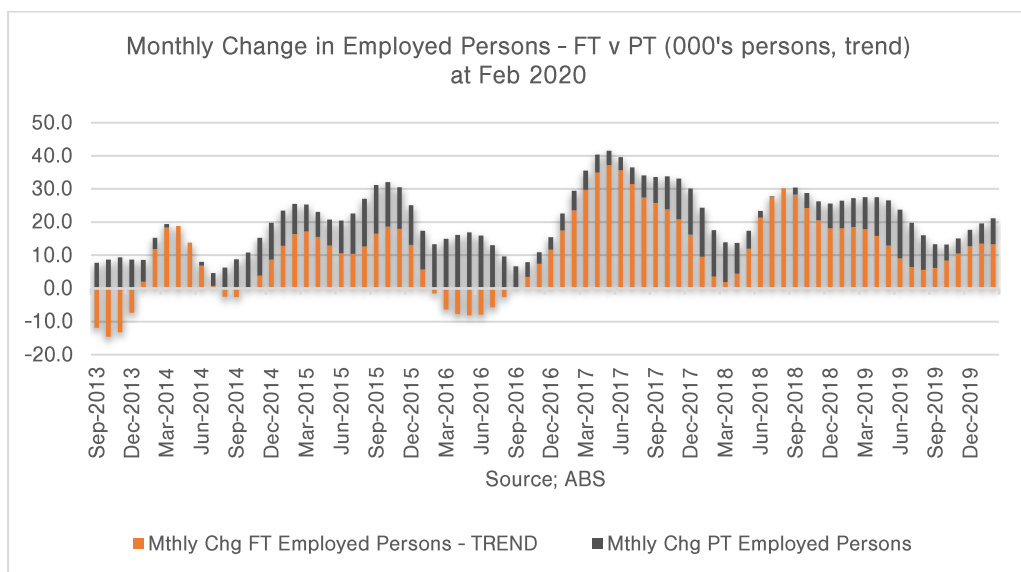
### Employment

On an annual basis, employment growth continued to slow;

**Employment growth – annual change; Feb 241.3k versus Jan 247.4k (Max 412k Jan 2018)**



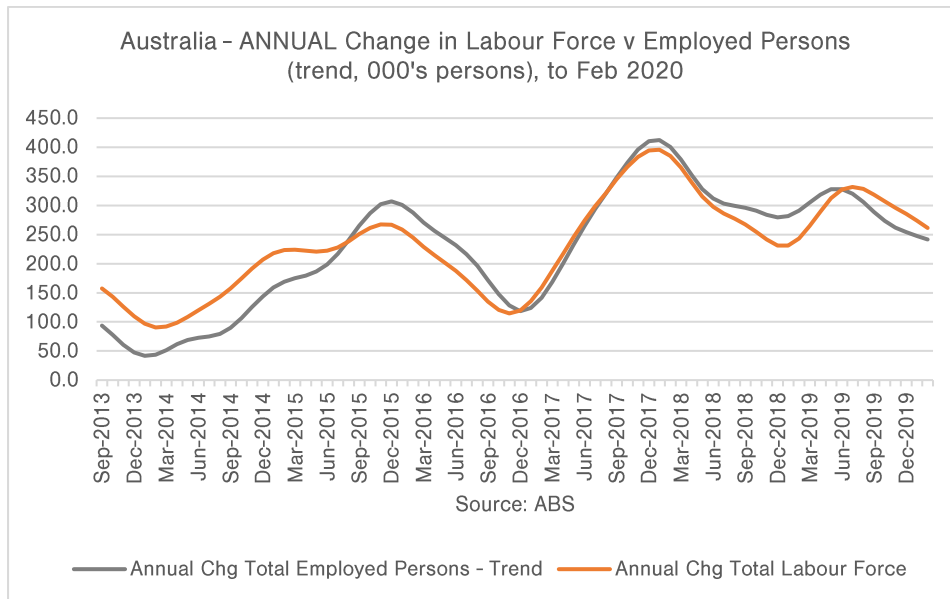
On a monthly basis, there was a small increase in the pace of employment growth; Feb +21k versus Jan 19.6k. Most of the change was FT employed persons, but growth in FT employed persons did not accelerated in the month. Growth in PT employment did accelerate;



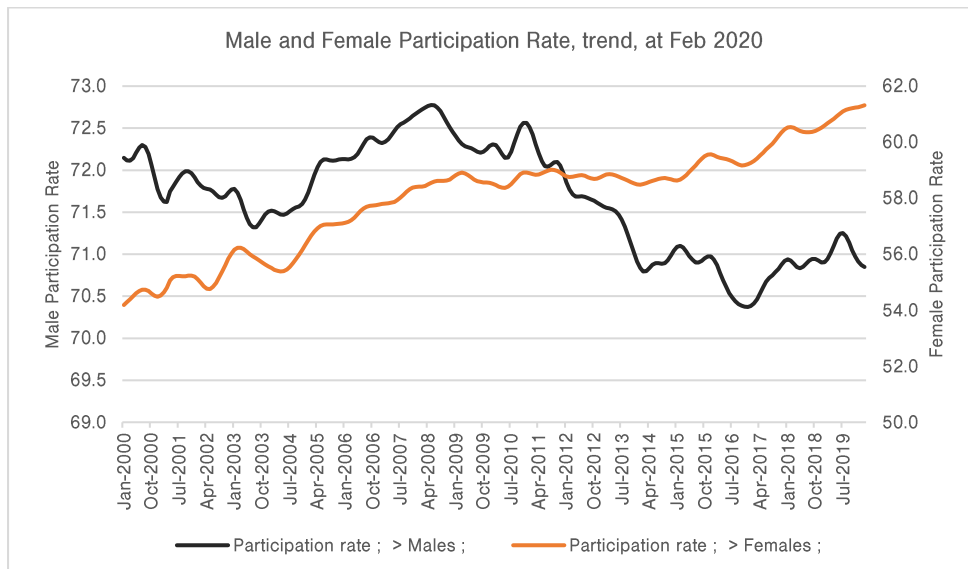


## Labour Force

Annual growth in the labour force has also continued to slow. On an annual basis, that growth remains above that of total employment growth – which means that unemployment is still higher than a year ago.



On a monthly basis though, the labour force growth has been accelerating since Nov 2019. This has been driven by both underlying population growth as well as changes in participation since Nov. Since Nov, the monthly decline in participation (-0.03%pts) has now shifted to a small monthly increase in participation in Feb (+0.009% pts). Female participation growth has accelerated through that time, while male participation decline has become slower.



The female participation rate reached another new all time high this month; 61.32%

### Total Unemployed Persons

While both annual employment and labour force are growing at a slower pace, the change in the labour force remains above that of employment. This means, on an annual basis, total unemployed persons continue to increase, albeit at a slower pace;

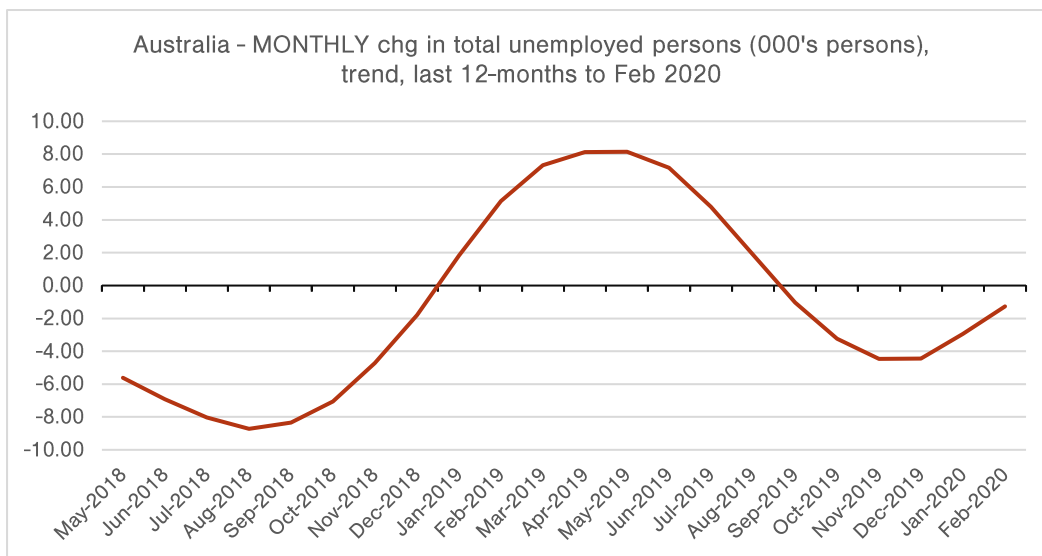
Total Unemployed persons – annual change; Feb +20K versus Jan +26.5k

The change in that trend has been slowing – while this is a positive development, its tempered somewhat by the fact that annual employment growth is not accelerating (and neither is hours worked).

The monthly picture is a little more positive. Employment has been growing faster than the labour force since Sep 2019. But there is an underlying dynamic at play; while monthly employment growth has been accelerating slightly, so has the growth in the labour force due especially to increased participation. So while unemployed persons had been declining month on month since Sep, that decline has been getting smaller;

Total Unemployed persons – month change; Feb -1.3k persons versus Jan -3k persons

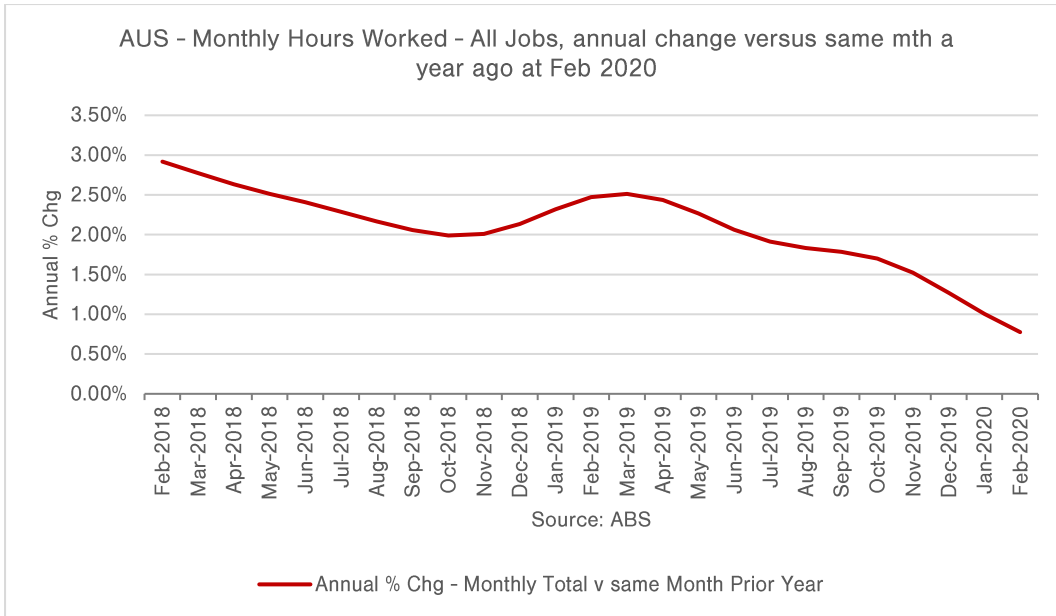
There is little doubt that this monthly change in total unemployed persons is about to start increasing again;



### Hours Worked

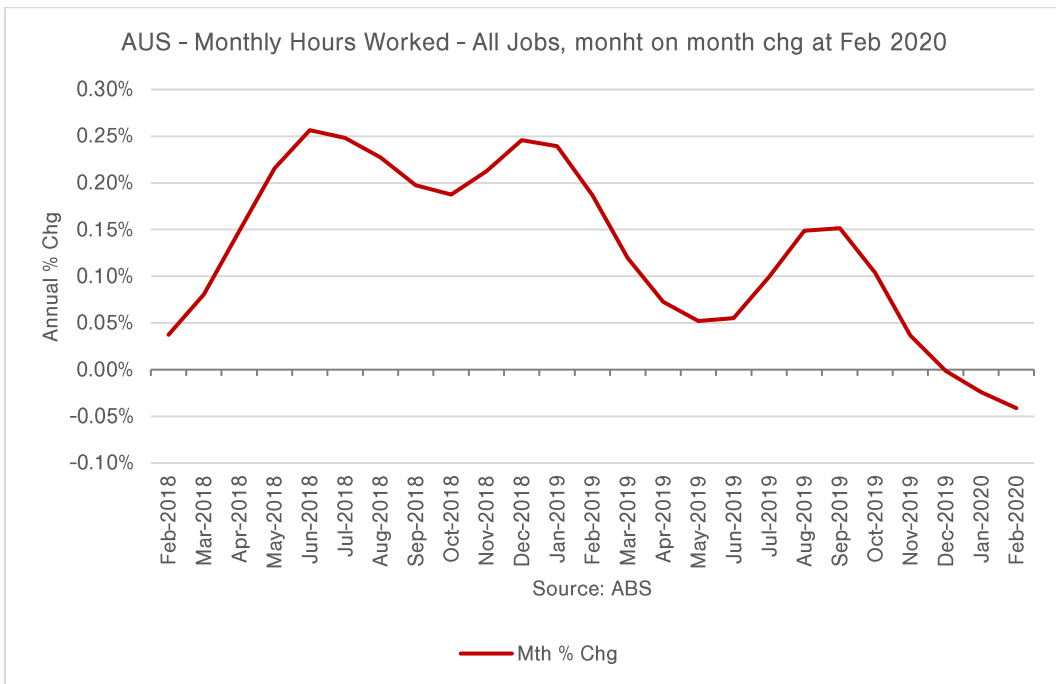
The change in hours worked for Feb already paints a more concerning picture of the labour market over the last few months.

On an annual basis, growth in hours worked has slowed to +0.78%. A year ago, that growth was +2.32% growth;



Annual growth in FT hours worked has slumped to a mere +0.29% - a year ago that growth was +2.44%. PT hours annual growth is higher at +3.12% - a year ago, it was +2.61% growth.

On a monthly basis, hours worked has declined slightly in Feb versus Jan by -0.04%. This is now the third month of very weak hours worked figures;



## Summary Main Labour Market Indicators

	000's Persons	
	Annual Chg - Feb	Month Chg - Feb
The estimated change in the Labour Force due to pop growth	203.085	18.049
How many jobs available for them? (employment growth)	241.310	21.122
Difference (if positive, employment growing faster than pop est)	38.225	3.074
Change in labour force due to the change in participation	58.271	1.810
The remainder is the change in total unemployed persons	20.046	-1.264
Double Check - Reported chg in size of the Labour Force	261.356	19.856
<b>Two views of the size of the Labour Force:</b>		
Underlying population growth plus changes in participation	261.356	19.859
Total employed persons plus total unemployed persons	261.356	19.859

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6202.0Main+Features1Feb%202020?OpenDocument>

## RBA Monetary Policy Decision Announcement – 19 Mar 2020

On 16 Mar, RBA Governor Lowe announced that the Reserve Bank would announce further policy measures on 19 Mar. The main points;

1. A reduction in the overnight cash rate to 0.25%
2. 3yr govt bond yield target of 0.25%
3. Term funding facility for the banking system, with additional benefits if the banks lend to small and medium sized business.
4. The exchange settlement balances at the Reserve Bank will be paid 10bps rather than zero

<https://www.rba.gov.au/media-releases/2020/mr-20-08.html>

## USD Swap Lines Extended – Reserve Bank of Australia and US Federal Reserve Announce Swap Arrangement – 20 Mar 2020

The Reserve Bank of Australia and the Federal Reserve will establish a temporary reciprocal currency arrangement (swap line) for the provision of US dollar liquidity. The Federal Reserve will also establish temporary arrangements with the Banco Central do Brasil, the Danmarks Nationalbank, the Bank of Korea, the Banco de Mexico, the Norges Bank, the Reserve Bank of New Zealand, the Monetary Authority of Singapore and the Sveriges Riksbank.

<https://www.rba.gov.au/media-releases/2020/mr-20-09.html>

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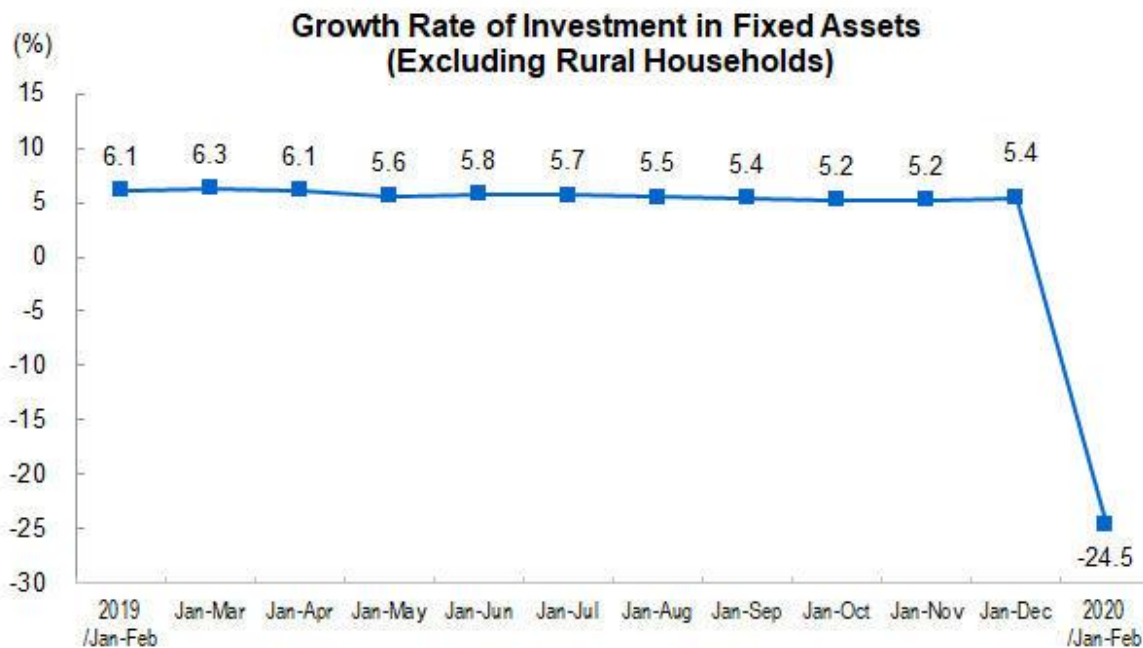
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## China

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### Fixed Asset Investment (Jan & Feb)

For the combined Jan-Feb period, investment in fixed assets fell by almost a quarter versus a year ago. Both private and state-owned enterprises contributed to the decline. Every industrial sector recorded declines in the Jan-Feb 2020 period.

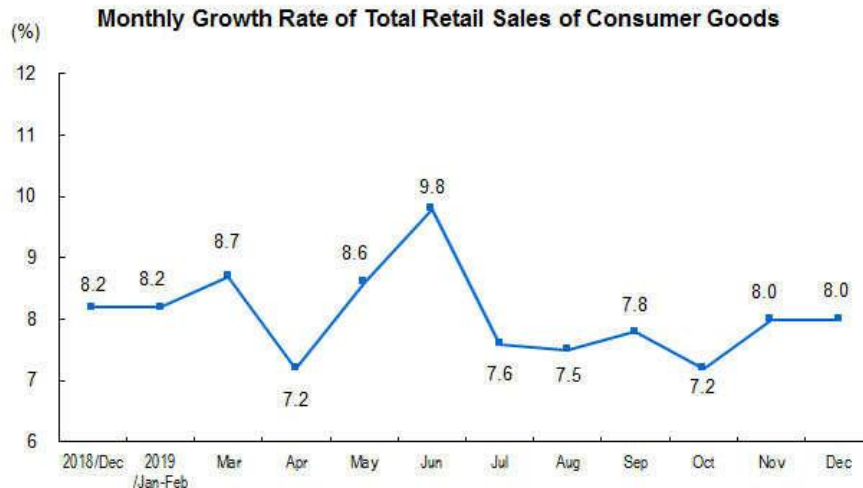


[http://www.stats.gov.cn/english/PressRelease/202003/t20200317\\_1732659.html](http://www.stats.gov.cn/english/PressRelease/202003/t20200317_1732659.html)

### Retail Sales (Jan & Feb)

The combined result for retail sales in Jan & Feb was a 20.5% (nominal) decline in sales versus the same time a year ago. In real terms, the decline was 23.7%.

The official release (link below) does not include an updated chart, but rather the sales chart up to Dec 2019;



Online sales in Feb appeared to be less affected according to official reports;

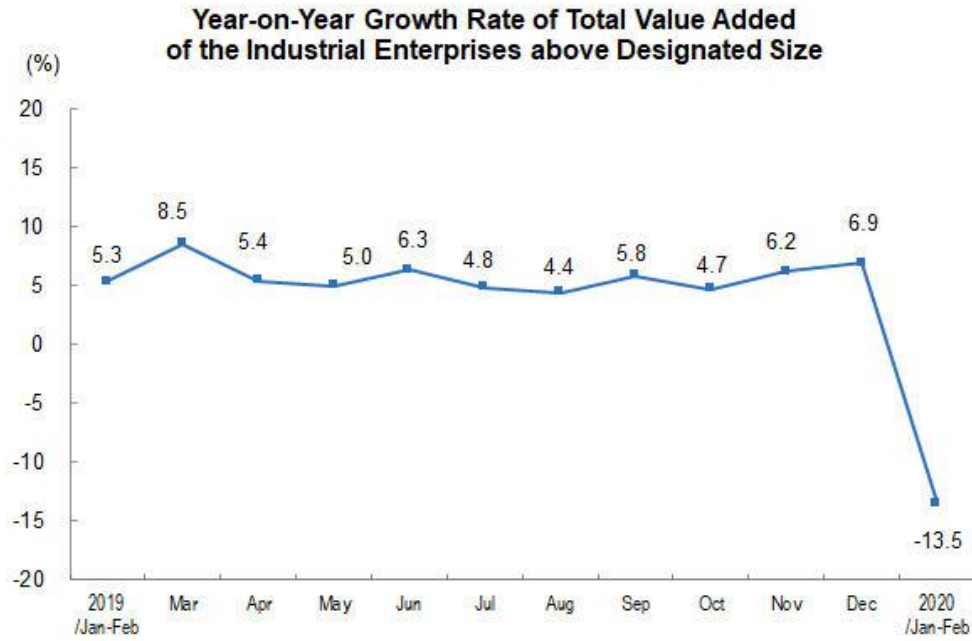
From January to February, the national online retail sales reached 1,371.2 billion yuan, down 3.0 percent year on year. Among them, the online retail sales of physical goods reached 1,123.3 billion yuan, an increase of 3.0 percent, accounting for 21.5 percent of the total retail sales of social consumer goods; among the online retail sales of physical goods, food and consumer goods increased by 26.4 and 7.5 percent respectively, while clothing goods decreased by 18.1 percent.

[http://www.stats.gov.cn/english/PressRelease/202003/t20200317\\_1732694.html](http://www.stats.gov.cn/english/PressRelease/202003/t20200317_1732694.html)

## Industrial Production (Jan & Feb)

The combined result for Jan & Feb 2020 was a 13.5% decline in industrial production in China versus a year ago.

From a month on month basis, in February, the added value of industries above designated size decreased by 26.63 percent over the previous month.



**Of the three main industry groups;**

In view of three sectors, from January to February, the added value of mining industry fell by 6.5 percent year-on-year, that of manufacturing industry dropped by 15.7 percent, and that of production and distribution of electricity, heat, gas and water industry decreased by 7.1 percent.

[http://www.stats.gov.cn/english/PressRelease/202003/t20200317\\_1732640.html](http://www.stats.gov.cn/english/PressRelease/202003/t20200317_1732640.html)

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## Trade

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### US-China Trade Talks

Timing for the commencement of the second phase of the deal remains unclear amid the breakout of the Coronavirus;

The question right now is the timing of a theoretical phase two agreement. China's fight against a mysterious viral infection that's infected hundreds of thousands is clouding the near-term outlook.

[https://finance.yahoo.com/news/steve-schwarzman-on-phase-two-trade-deal-outlook-130000221.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xLLmNvbS8&guce\\_referrer\\_sig=AQAAACX-q3at62V2Tic-8dQFYsO1aYKy56Lwh\\_6LcNtLmeyzxwicbFsdFp168Cx5LAZZJx1cdA7B-dBre56Zxr9XEMmOuIR3iiddF\\_XyFQqms-UNgh2buYJVvCLcD7FgW\\_p7AVgGOLJhvB5vCwefUnQJQX7HxB51j19htdO6Pqw3zeE](https://finance.yahoo.com/news/steve-schwarzman-on-phase-two-trade-deal-outlook-130000221.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xLLmNvbS8&guce_referrer_sig=AQAAACX-q3at62V2Tic-8dQFYsO1aYKy56Lwh_6LcNtLmeyzxwicbFsdFp168Cx5LAZZJx1cdA7B-dBre56Zxr9XEMmOuIR3iiddF_XyFQqms-UNgh2buYJVvCLcD7FgW_p7AVgGOLJhvB5vCwefUnQJQX7HxB51j19htdO6Pqw3zeE)

Reconfirming what a 'win' in the negotiations with China looks like – a statement of the key negotiating goals as outlined by the USTR from the initial USTR objectives (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>

### US-Japan Trade Talks

The focus in early 2020 will be on phase two of the deal – originally planned to begin from April or May this year;

After the deal enters into force, the countries have agreed to conclude consultations for further trade talks within four months. Then discussions between their lead negotiators, Foreign Minister Toshimitsu Motegi and U.S. Trade Representative Robert Lighthizer, will start again in earnest.

The United States is seeking a full-fledged free trade agreement that covers areas including services and investment.

<https://www.japantimes.co.jp/news/2019/12/04/business/economy-business/upper-house-approves-united-states-japan-trade-deal/#.Xe3HTegzaUk>



The issue for phase two talks is auto tariffs;

Japan has said it has received U.S. assurance that it would scrap tariffs on Japanese cars and car parts, and that the only remaining issue was the timing. But Washington has not confirmed that.

<https://www.reuters.com/article/us-usa-trade-japan/japan-lower-house-passes-u-s-trade-deal-auto-tariffs-still-in-question-idUSKBN1XT0IK>

Details from the Congressional Research Service;

<https://crsreports.congress.gov/product/pdf/IF/IF11120#targetText=Japan's%20Diet%20however%20will%20have,effect%20on%20January%201%202020>.

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

[https://ustr.gov/sites/default/files/2018.12.21\\_Summary\\_of\\_U.S.-Japan\\_Negotiating\\_Objectives.pdf](https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf)

## US-Europe Trade Talks

There are several fronts to the US-EU trade discussions.

### Airline Subsidies

From 18 Oct, the US had implemented tariffs on some EU imports as a part of the WTO ruling on the Airbus case. This week, the USTR announced a further increase in the tariff rate in aircraft imported from the EU into the US from 10% to 15% - effected from 18 Mar 2020.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/february/ustr-revises-75-billion-award-implementation-against-eu-airbus-case>

The counter-case where the EU is pursuing tariffs against US support for Boeing is running approx. six-months behind.

### Trade Deal Negotiations

The key sticking point remains agriculture. The EC authorised negotiations to commence between the EU and the US – but excluding agriculture. 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](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)

““I do not think we will reach an agreement if agriculture is not included,” McKinney told reporters on a teleconference during his visit to Brussels, citing concerns raised by U.S. lawmakers and Trump.”

<https://www.reuters.com/article/us-usa-trade-eu/no-u-s-eu-trade-deal-without-agriculture-u-s-official-idUSKCN1TS2SH>

The threat of auto tariffs also remains an issue, despite the US missing the S.232 deadline of 14 Nov. <https://www.cnbc.com/2019/11/08/trump-wont-impose-tariffs-on-european-cars-eu-juncker-says.html>

#### Digital Services

France on Monday agreed to suspend a 3% digital tax on U.S. tech companies in exchange for Washington holding off on a threat to impose tariffs of up to 100% on a \$2.4 billion list of French imports, a French diplomatic source said.

<https://www.reuters.com/article/us-usa-trade-deals/after-china-trade-deal-europe-and-uk-next-on-trumps-to-do-list-idUSKBN1ZL2TJ>

The USTR S.301 investigation into the digital services tax approved by the French government has been completed and released its report on 2 Dec 2019;

“USTR’s decision today sends a clear signal that the United States will take action against digital tax regimes that discriminate or otherwise impose undue burdens on U.S. companies,” Ambassador Robert Lighthizer said. **“Indeed, USTR is exploring whether to open Section 301 investigations into the digital services taxes of Austria, Italy, and Turkey.** The USTR is focused on countering the growing protectionism of EU member states, which unfairly targets U.S. companies, whether through digital services taxes or other efforts that target leading U.S. digital services companies.” <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/conclusion-ustr%E2%80%99s-investigation>

The proposed action includes up to 100% duties on certain French products imported into the US. The USTR is now inviting comments on the proposed action at a public hearing in Washington on 6-8 Jan 2020. <https://www.federalregister.gov/documents/2019/12/06/2019-26325/notice-of-determination-and-request-for-comments-concerning-action-pursuant-to-section-301-frances>

and

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/january/public-hearing-proposed-action-frances-digital-services-tax-0>

#### Background

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

## **Section 232 – Car and Truck Imports**

Back in May 2019, President Trump has agreed to delay the decision to impose tariffs on auto imports as a part of the s.232 investigation on car and truck imports on national security grounds. A Reuters article during the week reported that President Trump may no longer be

able to impose tariffs under this S.232 investigation because of the missed announcement deadline. Source: <https://www.reuters.com/article/us-usa-trade-autos/trump-can-no-longer-impose-section-232-auto-tariffs-after-missing-deadline-experts-idUSKBN1XT0TK>

The 1962 act is clear about the time limits that a president has for invoking tariffs to protect U.S. national security.

The article outlines other recent cases where the increase in tariffs have been challenged due to missed deadlines (Turkey and the increase in steel tariffs in 2018).

The article outlines the “escape hatch” for President Trump;

A clause in the 1962 law may offer an escape hatch for Trump. If an agreement is not reached within 180 days or proves ineffective, “the President shall take such other actions as the President deems necessary to adjust the imports of such article so that such imports will not threaten to impair the national security.” It adds that Trump would be required to publish these actions in the Federal Register, but does not specify a time frame.

For the moment, there have been no announcements made by the USTR or by the USTR on the Federal Register.

The threat of auto tariffs is likely to remain as negotiating leverage between the US and Japan and the EU. The S.232 report has not been made public, but President Trump’s statement provided some insight as to how the Commerce Dept justified the ‘national security’ grounds. There are other avenues for how these tariffs may be implemented.

## **NAFTA/USMCA**

The Canadian parliament rushed the ratification of the USMCA last week. Legislation was rushed through as the Canadian parliament

The House of Commons lower chamber, which had weeks of deliberations left, agreed the instant approval on Friday after opposition legislators dropped their objections. The upper Senate chamber backed the pact later in the day, Deputy Prime Minister Chrystia Freeland told reporters.

In a letter to the U.S. Congress on Wednesday, Lighthizer sent notice of an entry-into-force date of June 1 for USMCA, according to a spokesman for the Senate Finance Committee, which oversees tax and trade issues.

<https://www.reuters.com/article/us-usa-trade-usmca-canada/canadian-parliament-rushes-through-ratification-of-usmca-trade-pact-idUSKBN2102I5>

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/march/ambassador-lighthizer-statement-canadas-approval-usmca>

## **US-UK Trade Talks**

With Brexit now completed, the US President reconfirmed his eagerness to begin talks with the UK on a trade deal. The likely priority for the UK will be the UK-EU trade deal negotiation

to complete the transition. 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](https://ustr.gov/sites/default/files/Summary_of_U.S.-UK_Negotiating_Objectives.pdf)

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