GLOBAL ECONOMICS WEEKLY

Monetary tightening: EM led and cautious

- **We expect more clarity regarding an EU rescue package imminently, as markets are increasingly demanding more details in the face of heavy near-term financing needs for Greece.**
- **No surprises from central bank announcements this week.**
- **EM central banks are leading the monetary tightening process in this cycle, but are proceeding cautiously so far.**
- **FOMC minutes suggest that an upside US growth surprise - which is our forecast - will be necessary to generate a rate hike this year.**

Developed Economies

US: Love labor's lift 7
We expect labor income growth to pick up, reflecting a rebound in hours and, in time, wage growth, boosting consumer spending and limiting disinflation.

Euro area: Rebalancing 14
We have lowered our euro area Q1 GDP estimate by 0.1pp (to 0.1% q/q) on account of downside German news. However, we have raised our 2010 HICP forecast to 1.7%.

UK: The sound and fury of pre-election economics 17
The general election will take place on 6 May, and plans for cutting the fiscal deficit are at the forefront of the election campaign.

Japan: Further monetary easing: Prospects and problems 20
This week, the BoJ officially recognized that the economic recovery is broadening and that financial conditions have eased beyond the interbank market.

Emerging Markets

China: Solid growth and benign CPI inflation expected 23
We continue to believe a move in the CNY could occur as early as April/May, likely via a widening of the trading band, but an initial, one-off revaluation is unlikely.

Emerging Asia (ex-China): What inflation expectations? 25
EM Asia continues to experience downside inflation surprises in March, as food prices moderate.

EMEA: Microclimate 30
Understanding the region requires a sharper pencil than ever, as country-specific issues dominate.

Latin America: Birds of a feather? 34
According to market perceptions, central bankers in Latin America are dovish. However, we think the evidence supporting this perception is scant.

GLOBAL FORECASTS

	Real GDP % over previous period, saar							Real GDP % annual chg			Consumer prices % over a year ago			
	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2009	2010	2011	4Q09	2Q10	4Q10	2Q11
Global	4.5	4.8	4.4	4.3	4.1	4.1	3.9	-1.0	4.3	4.2	1.6	2.6	2.8	2.4
Developed	1.3	3.2	2.5	2.8	2.7	2.8	2.3	-3.4	2.4	2.6	0.7	1.5	1.5	1.3
Emerging	8.6	6.9	6.9	6.1	5.9	5.9	5.9	2.0	6.7	6.1	3.9	5.3	5.8	5.1
BRIC	10.9	7.6	9.1	7.7	7.4	6.8	7.3	4.7	8.1	7.5	2.3	4.4	4.8	4.1
America	3.0	5.8	3.8	4.1	3.7	3.6	2.8	-2.4	3.9	3.4	2.3	3.1	2.9	2.8
United States	2.2	5.6	3.5	4.0	3.5	3.5	2.5	-2.4	3.5	3.2	1.4	2.1	1.6	1.7
Canada	0.9	5.0	5.0 ↑	4.0	4.0	3.5	3.5	-2.6	3.5	3.4	0.8	1.3	1.7	1.9
Latin America	5.7	6.4	4.3	4.3	4.1	3.9	3.4	-2.4	4.9	3.9	6.3	7.5	8.6	7.4
Argentina	-2.8	-0.2	3.2	4.4	4.6	4.5	3.6	-2.2	4.2	2.7	14.8	20.7	26.6	23.8
Brazil	7.0	8.4	6.0	3.8	4.0	3.6	4.0	-0.2	5.7	4.5	4.3	4.8	5.2	4.6
Chile	6.6	5.9	1.5	6.0	10.0	6.0	5.0	-1.5	5.2	5.7	-1.9	0.9 ↓	3.4 ↓	3.4 ↑
Colombia	1.7	4.7	4.0	4.0	5.5	5.5	4.5	0.4	4.1	4.8	2.4	2.6	2.8	2.7
Mexico	10.4	8.4	4.0	5.3	3.0	3.5	3.5	-6.5	5.5	3.3	4.0	4.6	5.1	3.6
Peru	10.0	11.5	10.3	6.1	4.9	5.7	5.5	1.1	6.3	5.9	0.2	1.6	2.7	3.0
Venezuela	-8.1	-3.1	-3.8	0.8	2.0	1.9	-3.6	-3.3	-1.7	1.0	25.1	27.0	28.6	25.2
Asia/Pacific	8.2	5.8	6.8	5.8	6.0	5.9	6.2	3.2	6.8	6.3	0.5	2.0	2.4	2.3
Japan	-0.6	3.8	3.9	1.3	2.5	2.7	1.8	-5.2	2.7	1.9	-1.7	-1.6	-1.1	-0.5
Australia	0.8	1.9	2.6	3.5	4.0	2.9	5.5	0.9	2.8	3.7	2.0	2.8	3.0	3.5
Emerging Asia	10.9	6.6	7.8	7.1	7.0	6.9	7.5	5.6	8.1	7.6	1.6	4.0	4.3	3.7
China	9.8	9.6	8.5	8.4	8.4	8.4	8.8	8.7	9.6	9.0	0.7	3.1	4.5	3.9
Hong Kong	1.6	9.2	1.8	1.8	2.7	2.7	4.8	-2.7	4.3	4.0	1.3	1.7	2.2	2.6
India	16.2	-2.2	12.0	9.0	8.0	7.0	8.0	6.4	8.4	8.4	4.7	9.3	6.5	4.7
Indonesia	6.2	6.5	7.4	6.6	6.1	5.3	7.4	4.5	6.5	6.2	2.6	4.5	5.8	6.5
Korea	13.6	0.7	3.4	3.2	7.1	4.6	1.8	0.2	5.0	4.0	2.4	1.9	1.6	1.0
Malaysia	9.8	7.3	5.1	6.6	-0.8	4.1	6.1	-1.7	6.0	5.0	-0.2	2.1	2.5	2.4
Philippines	1.8	4.4	5.7	4.1	2.4	4.9	7.4	0.9	4.3	5.3	3.0	5.7	6.3	5.4
Singapore	11.5	-2.8	15.7 ↑	1.3 ↓	4.0 ↓	3.3 ↓	8.6 ↑	-2.0	6.5	4.0	-0.8	3.5	3.8	1.6
Taiwan	10.2	18.0	-1.3	2.4	3.0	3.0	4.1	-1.9	6.0	4.0	-1.2	1.3	1.5	1.8
Thailand	6.9	15.3	3.0	1.0	-3.0	5.1	8.1	-2.3	5.0	4.5	1.9	3.2 ↓	3.5 ↓	2.5
Europe and Africa	1.9	2.5	2.4	2.8	2.4	2.6	2.3	-4.5	1.9	2.6	1.7	2.7	2.9	2.2
Euro area	1.6	0.2	0.5	1.9	1.6	1.8	1.9	-4.0	1.0	2.1	0.4	1.6	2.0	1.4
Germany	2.9	0.0	-0.2 ↓	3.5	2.0	1.9	2.7	-4.9	1.5	2.6	0.3	1.5	1.9	1.2
France	0.9	2.4	1.2	1.2	0.9	1.5	1.7	-2.2	1.4	1.8	0.4	2.0	2.1	1.3
Italy	2.1	-1.3	1.0	1.6	2.2	2.5	1.6	-5.1	0.9	2.0	0.7	1.4	1.6	1.3
Spain	-1.1	-0.6	-1.0	0.3	0.1	1.6	1.6	-3.6	-0.6	1.5	0.2	1.6	2.4	2.0
Netherlands	2.1	0.9	2.4	2.4	1.8	1.8	1.7	-4.0	1.6	1.9	0.6	0.6	1.7	1.0
United Kingdom	-1.1	1.8 ↑	2.0	2.5	2.6	2.4	2.0	-4.9	1.4	2.2	2.1	3.4	2.7	1.5
Sweden	-0.4	-2.2	2.5	2.6	2.7	2.8	2.7	-4.7	1.2	2.7	-0.4	1.9	2.2	1.8
EM Europe & Africa	4.2	8.5	7.0	5.0	4.2	4.5	3.3	-5.1	4.1	3.8	6.7	6.2	6.4	5.9
Czech Repub.	2.3	3.0	-2.2	5.2	2.5	17.7	-13.6	-4.1	1.7	2.6	1.0	1.1	2.3	2.5
Hungary	-7.0	-2.8	-1.0	1.2	2.4	2.2	2.6	-6.3	0.4	3.8	5.6	4.5	2.7	2.3
Poland	3.0	7.5	5.1	0.2	0.2	0.9	5.7	1.6	3.5	3.6	3.5	2.3	2.9	2.6
Russia	10.3	15.0	9.4	7.0	5.9	4.0	4.0	-7.7	4.6	3.6	8.8	6.8	8.0	7.8
Turkey	-5.0	0.0	8.2	4.5	3.6	4.9	4.1	-5.5	5.1	4.4	6.5	9.9	7.9	6.1
South Africa	0.9	3.2	4.3	4.4	4.4	4.4	4.4	-1.8	3.3	4.4	6.0	5.3	5.2	5.4

Note: * Arrows appear next to numbers if current forecasts differ from that of the previous week by 0.5pp or more for quarterly annualized GDP, by 0.2pp or more for annual GDP and by 0.2pp or more for Inflation. Weights used for real GDP are based on IMF PPP-based GDP (2008). Weights used for consumer prices are based on IMF nominal GDP (2008). Source: Barclays Capital

GLOBAL SYNTHESIS

Monetary tightening: EM led and cautious

Larry Kantor
+1 (212) 412 1458
larry.kantor@barcap.com

This week was dominated by a number of central bank announcements and further turbulence surrounding Greece, while there were few notable data releases. In fact, there was not much new regarding Greece either, and that is part of the problem. The country has a huge amount of debt to roll over in the next six weeks, and the EU-IMF support package announced a couple of weeks ago remains vague, with uncertainty about not only the terms of a package, but even the circumstances that would trigger it. This caused renewed selling of Greek debt, and spreads have now reached new highs. We believe that support will be forthcoming, if necessary, to avoid a near-term default, but the widening of spreads and the beginning of spill-over into other markets increases the urgency of providing a clear plan. The bottom line is that this is an issue that the EU and IMF can and will almost certainly deal with in the near term, although the path toward fiscal sustainability for Greece is likely to be long and fraught with risks over the long term.

Renewed selling of Greek debt highlights the urgency to provide a clear support package

There were no real surprises among the central bank announcements this week either, but it is worth stepping back to assess the likely path of monetary tightening this year. In the typical global business cycle, the US leads the world out of recession and the Federal Reserve sets the path for monetary tightening. This time 'round, a number of developing economies – including China, Brazil, India and Korea – led the recovery and are or will likely be tightening policy before the Fed. Since this has not happened before, it will be interesting to see how the respective central banks manage the process.

Contrary to previous cycles, developing economies are tightening policy before the Fed

At this point, policymakers in the developing world seem rather cautious, and tightening has been tentative. The economies can be characterized generally as either having little slack or even overheating, with policies at extremely accommodative settings, yet little action has so far been taken. The risks at this point, therefore, seem tilted toward monetary authorities falling behind the curve, rather than being too aggressive.

The risks seem tilted toward monetary authorities falling behind the curve, rather than being too aggressive

Brazil is a case in point. COPOM decided to pass on a rate hike in their March meeting, which was in line with our expectations. But markets are pricing in significant rate hikes, and the tone of the communiqué was clearly hawkish. We – and the marketplace – expect a rate hike at the next meeting, the beginning of a tightening process that we believe will deliver a total of 250bp this year.

Monetary tightening in non-Japan Asia has also proceeded cautiously, even though output has more than recovered what was lost during the downturn (Figure 1). India began the process last month with a 25bp move, and we expect another 150bp this year – hardly draconian in a country where the key policy rate is 5% and inflation is nearly 10%. Korea has remained on hold despite a strong economic rebound, as inflation has so far been more subdued than expected. All signs are that any tightening will be gradual, and may not begin until at least the summer. China, by contrast, is fighting an over-heating economy with what appear to be timely interventions. So far, policymakers have raised reserve requirements and applied official guidance on bank lending, which appear to be starting to work. We expect official rate hikes to commence this summer, while a loosening of the currency peg that will allow for gradual appreciation could come at any time.

Monetary tightening in non-Japan Asia has proceeded cautiously

A significant upside growth surprise (our forecast) would be required to trigger a hike in the funds rate this year

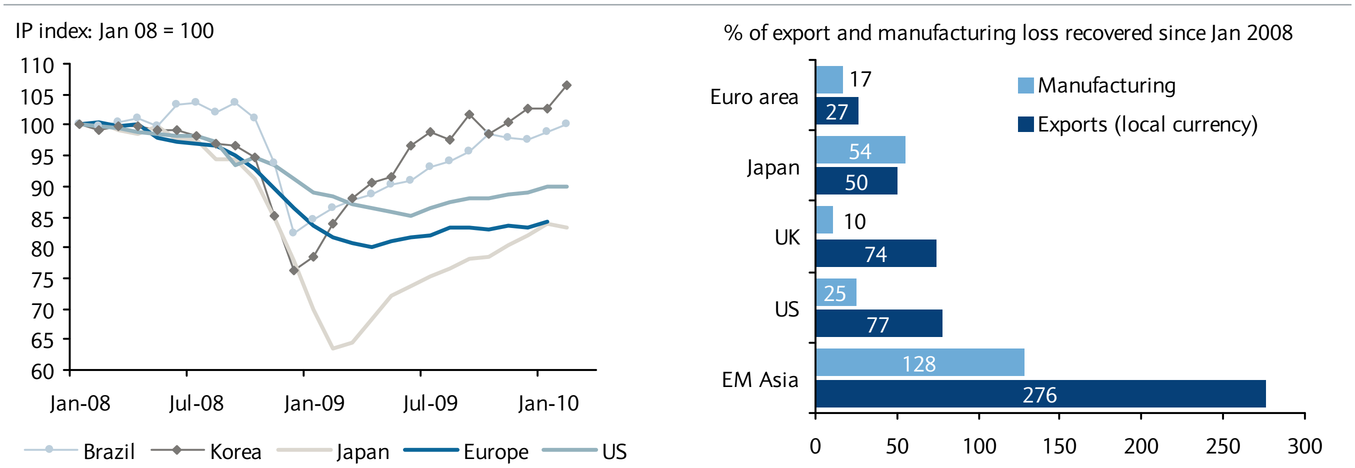
Meanwhile, minutes from the March FOMC meeting and comments from various Federal Reserve officials provided little clarity on the timing of Fed tightening, other than to confirm that it will not happen in the next few months. One notable aspect of the minutes was the discussion of "extended period" language, which suggested that it referred to the expectation of the majority of the FOMC but in no way constrained the Committee from responding to ongoing developments. This expectation, along with the caution towards growth prospects and the comfort with financial market developments expressed this week by the three most senior members of the FOMC, makes it clear that a significant upside growth surprise would be required to trigger a hike in the funds rate this year. That, however, is exactly our expectation, and we continue to look for the Fed to begin to hike rates in September. That said, there is enough slack in the economy that the Fed will be extremely cautious as it tightens, and policy will likely remain very accommodative well into next year.

No change in ECB policy, but BoE to hike rates as soon as August

The meetings of the ECB and Bank of England revealed no change in policy or assessments. We expect the ECB to stay pat throughout 2010, reflecting a lagging economy, as well as financial volatility associated with southern European fiscal woes. By contrast, we project the BoE to hike rates as soon as August, reflecting a pickup in the economy, along with a stubborn inflation rate.

The bottom line is that despite stronger economic growth nearly everywhere and an improvement in financial markets that has exceeded even the most optimistic expectations, the process of removing the extreme monetary accommodation that was put in place during the crisis is likely to be cautious. This continues to signal a green light when it comes to asset prices.

Figure 1: Slack in developed economics; not EM



Note: Index of industrial production for Europe is a GDP-weighted average of the UK, Germany, France, Italy and Spain. Source: Haver, Barclays Capital.

Note: Recovery calculated as % (current level - through since Jan 08)/(Jan 08 level - trough since Jan 08). Source: Haver Analytics, Barclays Capital

GLOBAL RATES AND INFLATION

Central Bank rates

Official rate	Current	Start of cycle date	Start of cycle level	Last move	Next move expected	Forecasts as at end of Q2 10	Q3 10	Q4 10	Q1 11
% per annum (unless stated)									
Advanced									
Fed funds rate	0-0.25	Easing: 17 Sep 07	5.25	Dec 08 (-75-100)	Sept 2010 (+25)	0-0.25	0.50	1.00	1.00
BoJ overnight rate	0.10	Easing: 30 Oct 08	0.50	Dec 08 (-20)	Q2 2012 (+20)	0.10	0.10	0.10	0.10
ECB repo rate	1.00	Easing: 8 Oct 08	4.25	May 09 (-25)	Q1 2011 (+25)	1.00	1.00	1.00	1.25
BOE bank rate	0.50	Easing: 6 Dec 07	5.75	Mar 09 (-50)	Q3 2010 (+50)	0.50	1.00	1.50	2.00
Swiss National Bank	0-0.75	Easing: 8 Oct 08	2.75	Mar 09 (-25)	Beyond 2010	0-0.75	0-0.75	0-0.75	0-0.75
Norges Bank	1.75	Tightening 29 Oct 09	1.25	Dec 09 (+25)	May 2010 (+25)	2.00	2.25	2.50	2.75
Riksbank	0.25	Easing: 8 Oct 08	4.75	Jul 09 (-25)	Sept 2010 (+25)	0.25	0.50	1.00	1.25
Bank of Canada	0.25	Easing: 4 Dec 07	4.50	Apr 09 (-25)	Jul 2010 (+25)	0.25	0.75	1.50	2.00
Emerging									
China: Working capital rate	5.31	Easing: 12 Sep 08	7.47	Dec 08 (-27)	Q2 10 (+27)	5.58	5.85	6.12	6.39
Hong Kong: Base rate	0.50	Easing: 19 Sep 07	6.75	Dec 08 (-100)	Q3 10 (+25)	0.50	0.75	1.25	1.25
India: Repo rate	5.00	Hiking: 19 Mar 10	4.75	Mar 10 (+25)	Q2 10 (+25)	5.25	5.75	6.25	6.50
Korea: O/N call rate	2.00	Easing: 8 Oct 08	5.25	Feb 09 (-50)	Q2 10 (+25)	2.25	2.25	2.75	3.00
Poland: 2w repo rate	3.50	Easing: 26 Nov 08	6.00	Jun 09 (-25)	Oct 10 (+25)	3.50	3.50	3.75	4.00
Russia: refi rate	8.25	Easing: 24 Apr 09	13.00	Mar 10 (-25)	Apr 10 (-25)	7.50	7.50	8.00	8.00
South Africa: repo rate	6.50	Easing: 11 Dec 08	12.00	Mar 10 (-50)	Q1 11 (+50)	6.50	6.50	6.50	7.00
Turkey: CBT rate	6.50	Easing: 20 Nov 08	16.75	Nov 09 (-25)	Sep 10 (+50)	6.50	7.00	8.00	9.00
Brazil: SELIC rate	8.75	Easing: 21 Jan 09	13.75	Jul 09 (-50)	Apr 10 (+50)	9.75	10.75	11.25	11.25
Chile: Monetary Policy Rate	0.50	Easing: 8 Jan 09	8.25	Jul 09 (-25)	Jul 10 (+25)	0.50	1.25	2.75	4.25
Mexico: Overnight Rate	4.50	Easing: 16 Jan 09	8.25	Jul 09 (-25)	Aug 10 (+25)	4.50	5.00	5.50	6.00

Note: Rates as of COB 8 April 2010. Source: Barclays Capital

Key CPI projections

	US		UK			Euro area			France		Sweden		Japan	
	CPI		RPI		CPI	HICPx		HICP	CPI ex tobacco		CPI		CPI ex perishibles	
	nsa	y/y	nsa	y/y	y/y	nsa	y/y	y/y	nsa	y/y	nsa	y/y	nsa	y/y
Nov 09	216.3	1.8	216.6	0.3	1.9	108.28	0.35	0.5	118.31	0.33	301.03	-0.7	99.9	-1.7
Dec 09	215.9	2.7	218.0	2.4	2.9	108.61	0.80	0.9	118.60	0.82	301.69	0.9	99.8	-1.3
Jan 10	216.7	2.6	217.9	3.7	3.5	107.75	0.87	1.0	118.32	1.02	299.79	0.6	99.2	-1.3
Feb 10	216.7	2.1	219.4	3.8	3.0	108.02	0.71	0.9	118.99	1.19	301.59	1.2	99.2	-1.2
Mar 10	217.8	2.4	220.2	4.2	3.1	109.02	1.26	1.4	119.62	1.54	303.94	1.7	99.5	-1.2
Apr 10	218.3	2.4	222.1	5.0	3.5	109.69	1.53	1.7	120.23	1.89	305.30	2.0	98.9	-1.8
May 10	218.7	2.3	223.1	4.8	3.4	109.77	1.54	1.7	120.40	1.88	305.42	2.0	99.0	-1.5
Jun 10	219.2	1.6	223.6	4.8	3.2	109.75	1.38	1.5	120.37	1.72	305.10	1.6	98.9	-1.4
Jul 10	219.3	1.8	223.2	4.6	3.1	109.38	1.74	1.9	119.92	1.80	304.28	1.8	98.8	-1.3
Aug 10	219.6	1.7	224.0	4.5	3.0	109.61	1.59	1.7	120.39	1.67	304.71	1.8	98.8	-1.3
Sep 10	220.0	1.9	225.0	4.5	3.0	109.90	1.84	2.0	120.45	1.97	306.78	2.1	98.9	-1.3
Oct 10	219.7	1.6	225.5	4.4	3.0	110.24	1.92	2.0	120.58	1.99	307.78	2.2	99.1	-1.0
Nov 10	219.5	1.5	225.6	4.1	2.7	110.26	1.83	2.0	120.59	1.93	307.72	2.2	98.9	-1.0
Dec 10	219.3	1.6	226.7	4.0	2.4	110.66	1.89	2.0	120.97	2.00	308.15	2.1	98.7	-1.1
Jan 11	220.0	1.5	225.0	3.3	1.7	109.77	1.87	2.0	120.97	1.78	306.44	2.2	98.1	-1.1
Feb 11	220.8	1.9	226.6	3.3	1.8	110.17	1.99	2.0	120.97	1.81	307.65	2.0	98.1	-1.1
Mar 11	221.5	1.7	227.7	3.4	1.7	110.77	1.61	1.7	120.97	1.53	309.29	1.8	98.4	-1.1
Apr 11	222.2	1.8	229.3	3.2	1.5	111.16	1.34	1.4	120.97	1.25	310.76	1.8	98.4	-0.5
May 11	222.3	1.7	230.4	3.3	1.5	111.19	1.29	1.4	120.97	1.23	311.10	1.9	98.5	-0.5
Jun 11	222.9	1.7	231.5	3.6	1.6	111.15	1.28	1.4	120.97	1.30	310.75	1.9	98.4	-0.5
2009		**-0.4**		**-0.5**	**2.2**		**0.2**	**0.3**		**0.1**		**-0.3**		**-1.3**
2010		**2.0**		**4.4**	**3.1**		**1.5**	**1.6**		**1.7**		**1.8**		**-1.3**
2011		**1.7**		**3.4**	**1.5**		**1.3**	**1.4**		**1.3**		**1.9**		**-0.6**

Note: Shaded values indicate actual data. ‘R’ indicates revision to front-month forecast. Source: Barclays Capital

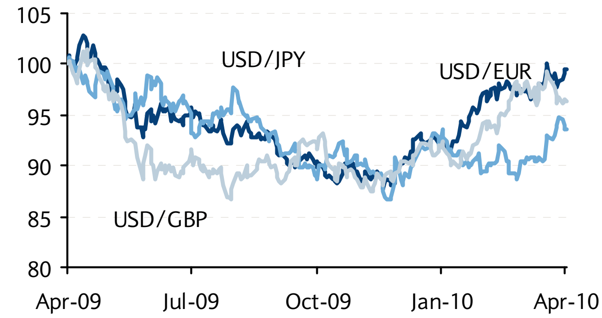
GLOBAL MARKETS WATCH

Global Equities

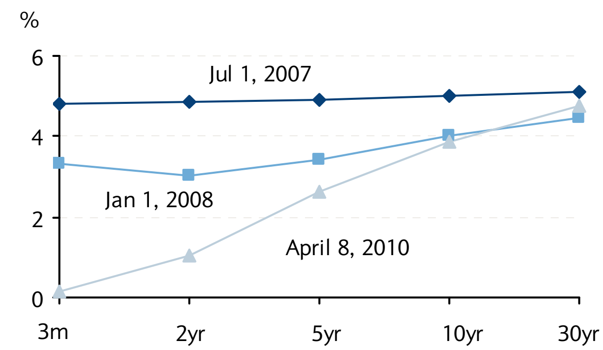
		1-week	% chng from 12/31/2009	
	Index	(% chng)	Local Curr	USD
Global	Weighted Avg.	0.3	4.2	-1.7
Developed	Weighted Avg.	-0.7	2.1	-4.2
Emerging	Weighted Avg.	0.7	5.3	1.7
BRIC	Weighted Avg.	0.6	3.1	1.1
United States	S&P 500	0.7	6.4	6.4
Euro area	FTSE Euro 100	-0.7	3.2	-3.8
Japan	Nikkei 225	-0.7	5.9	4.8
UK	FTSE 100	-0.6	5.5	-0.3
Emerging Asia	Weighted Avg.	0.2	0.0	-1.3
China	Shanghai Comp.	-0.9	-4.8	-4.8
India	NIFTY	0.3	2.0	1.9
Korea	KOSPI	0.8	3.0	6.8
EMEA	Weighted Avg.	0.3	9.2	9.8
Russia	MICEX	-0.2	7.8	10.0
Turkey	ISE	1.2	10.6	10.7
South Africa	JALSH	0.0	4.9	6.7
Latin America	Weighted Avg.	1.2	5.2	-2.1
Brazil	Bovespa	0.9	4.7	2.4
Mexico	IPC	0.9	4.5	10.7

Note: Updated as of COB 8 April 2010. Weighted averages calculated using IMF share of world GDP (2007). EM Asia includes China, India, HK, Indonesia, Korea, Malaysia, Singapore, Taiwan, Thailand and Vietnam. EMEA includes Russia, Czech Republic, Hungary, Poland, Romania, Turkey, Ukraine and South Africa. LatAm includes Brazil, Argentina, Chile, Colombia, Mexico, Peru and Venezuela. Source: Bloomberg, Barclays Capital

Key USD Exchange Rates



US Treasury Yields



Source: Bloomberg, Barclays Capital

Rates, Credit and Commodities

		1 week	3 months	12 months
	Latest	ago	ago	ago
Rates				
2 year Treasury	1.06	1.06	0.98	0.92
10 year Treasury	3.89	3.87	3.83	2.86
30 year Treasury	4.75	4.73	4.72	3.67
Overnight LIBOR	0.23	0.22	0.17	0.26
3-month LIBOR	0.29	0.29	0.25	1.14
Spread 3M LIBOR over 3M OIS	0.08	0.09	0.11	0.93
Credit				
Barclays Global Aggregate	48.7	48.9	51.5	126.8
Barclays US Aggregate	49.2	50.9	57.5	174.3
Barclays EM Aggregate	262.6	272.0	307.3	688.7
Barclays US Credit	132.0	136.3	148.8	465.8
Barclays US Corporate IG	144.7	149.6	162.2	524.4
Commodities				
CRB/Reuters Commodities Index	439.3	433.9	433.0	326.7
WTI	85.4	84.9	82.8	49.4
Gold	1150.6	1126.8	1138.3	880.5
Barclays Metals Total Return Index	133.6	132.5	129.3	85.4
Barclays Agri. Total Return Index	116.1	115.9	134.6	114.4

Note: Updated as of COB 8 April 2010. Barclays indices expressed in option-adjusted spreads. Source: Bloomberg, Barclays Capital

Global FX

		1-week	3-month	12-month
	Spot	% Chg.	% Chg.	% Chg.
G7 Rates				
DXY Dollar Index	81.53	0.9	5.2	-4.5
EUR/USD	1.34	-1.7	-7.3	0.6
USD/JPY	93.38	-0.5	0.8	-6.4
GBP/USD	1.53	-0.1	-4.6	3.8
USD/CHF	1.07	1.8	4.8	-6.4
USD/CAD	1.00	-0.6	-2.7	-19.0
USD/AUD	1.07	1.8	4.8	-6.4
USD/NZD	1.41	0.1	4.2	-18.1
Selected EM Rates				
USD/KRW	1123	-0.3	-0.7	-17.1
USD/CNY	6.82	0.0	0.0	-0.2
USD/BRL	1.78	0.9	3.2	-19.2
USD/RUB	29.42	0.5	-1.2	-12.6
USD/INR	44	-1.0	-2.9	-11.4
USD/TRY	1.50	-1.2	2.6	-5.4
USD/MXN	12.22	-0.9	-3.8	-8.6

Note: Updated as of COB 8 April 2010. DXY Dollar Index consists of EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%) and CHF (3.6%). Source: Bloomberg, Barclays Capital

OUTLOOK: UNITED STATES

Love labor's lift

Michelle Meyer
+1 212 526-7977
michelle.meyer@barcap.com

Peter Newland
+1 212 526 3153
peter.newland@barcap.com

- **The FOMC minutes stressed that policy tightening is state contingent, suggesting that "extended period" is not associated with a precise time frame.**
- **FOMC officials are quite concerned about weak labor conditions and, as a result, sluggish labor income growth.**
- **We expect labor income growth to pick up, reflecting a rebound in hours and, in time, wage growth, boosting consumer spending and limiting disinflation. The strength of the labor market recovery holds the key.**

FOMC officials are concerned that weak labor market conditions will suppress spending and exert downward price pressure

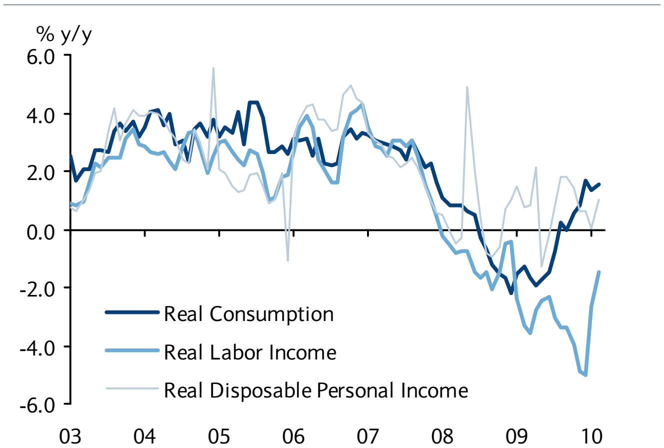
The minutes from the March 16 FOMC meeting struck a relatively dovish tone, noting that the recovery could not be sustained without a substantial pickup in job creation (note: prior to the March job report). The minutes specifically noted that the weakness in the labor market has resulted in sluggish wages and, in turn, labor income growth, which constrains consumer spending and exerts downward pressure on inflation. In addition to this cautious description of the economy, there was no new discussion on the exit strategy or the discount rate, suggesting the Fed is not any closer to tightening policy. The minutes also made it clear that there is a great deal of uncertainty about the appropriate policy path, stating that the "extended period" phrase does not refer to calendar time. Rather, it is state contingent, putting the focus on the impending data, particularly labor market indicators.

Labor income set to rise, supporting spending

We believe that labor income is on the cusp of a rebound…

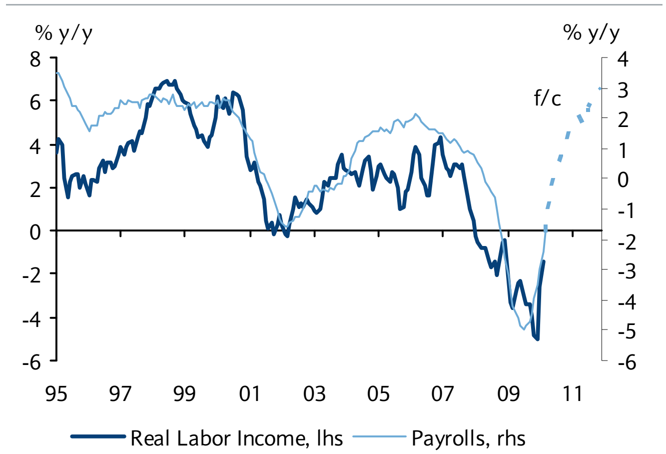
The main channel by which labor conditions feed into the economy is through labor income, which reflects both wages and hours worked. The narrowest measure of wages is average hourly earnings, which captures hourly and incentive wage rates, thereby excluding salaried employees, benefits, profit-sharing and other forms of compensation. In addition, the data do not control for shifts in the mix of jobs. Based on this gauge, nominal wages are up 1.8%, which implies no growth in real wages. The broadest measure of wages is compensation per hour, which includes all wages, salaries, and benefits such as executive compensation and stock options. Multiplying this measure by hours worked yields total

Figure 1: Spending has outpaced income growth



Source: BLS, BEA, Barclays Capital

Figure 2: Job creation portends labor income growth



Source: BLS, BEA, Barclays Capital

compensation, otherwise known as labor income. Total compensation, inflation adjusted, has turned sequentially higher over the past two months, but is still falling 1.5% y/y. [1]

…which should lead to a sustained improvement in spending

Despite declining real labor income, real consumer spending has started to rebound, up 1.6% y/y in February (Figure 1). There are two reasons for this. First, during the recession, disposable income was supported by transfer payments and other income, offsetting the sharp drop in labor income. Second, consumer spending fell by more than disposable income and is now catching up, reflecting pent-up demand. However, in order for the pickup in consumer spending to continue, disposable income will have to turn decisively higher and, absent further government support, this requires greater labor income. As Figure 2 shows, there is a strong relationship between payroll growth and labor income, and we believe that we are on the cusp of decisive job creation.

Not quite out of the perfect disinflation storm

However, wages will remain soft, keeping downward pressure on inflation

While labor income should pick up, supporting spending, the gain will initially reflect an increase in hours worked rather than wages. It is the wage component that is important for the inflation outlook. Two factors underlie pricing decisions: costs (labor costs being the most significant) and the mark-up of prices over costs. Firms are currently faced with a perfect disinflation storm with labor costs held down by weak wage growth and strong productivity (Figure 3) and mark-ups squeezed by weak demand.

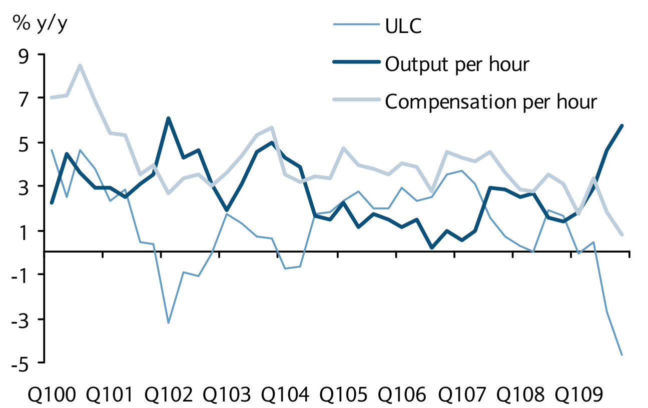
But falling unemployment and slowing productivity growth will limit the disinflation pressure

These forces are likely to lead to further disinflation in consumer prices in the near term, but they will not persist indefinitely: While several FOMC members believe that labor market slack (ie, a high unemployment rate relative to the NAIRU) will subdue wages for a long time to come, we believe that the NAIRU rose during the recession, which suggests that, as the unemployment rate declines, negative wage pressures could ease sooner than they expect (Figure 4) (see "NAIRU on the rise," *Global Economics Weekly*, January 29, 2009). In addition, if hiring ramps up, as we are forecasting, we expect productivity growth to slow, limiting further declines in unit labor costs. This is because we believe that the surge in productivity growth reflects transitory cyclical factors (ie, the rebound in output alongside declining employment and hours) rather than a permanent structural increase.

Bottom line: the labor market holds the key

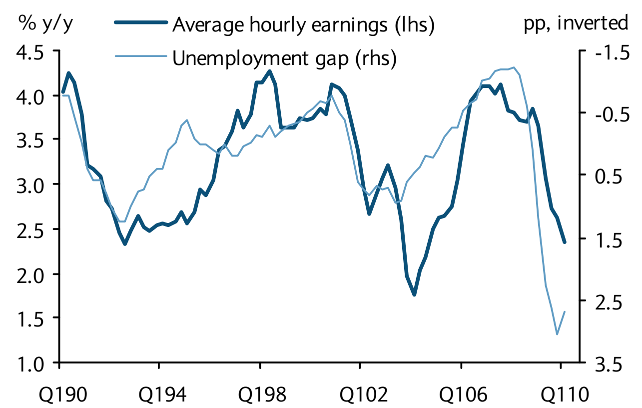
The bottom line is that the outlook for the labor market is key. If job creation picks up, as we expect, supporting wages, policymakers may become more comfortable that labor income growth and, in turn, consumer spending will be sustained and disinflation limited.

Figure 3: Two forces pushing unit labor costs down



Source: BLS, Barclays Capital

Figure 4: Nominal wages and the unemployment gap*



Note: * The difference between the unemployment rate and the NAIRU.
Source: BLS, Barclays Capital

[1] We refer to compensation from the personal income report, which is slightly different than total nonfarm compensation from the BEA, as it does not include those who are self-employed.

IN FOCUS: UNITED STATES

New line-up for the FOMC

Michelle Meyer
+1 212 526 7977
michelle.meyer@barcap.com

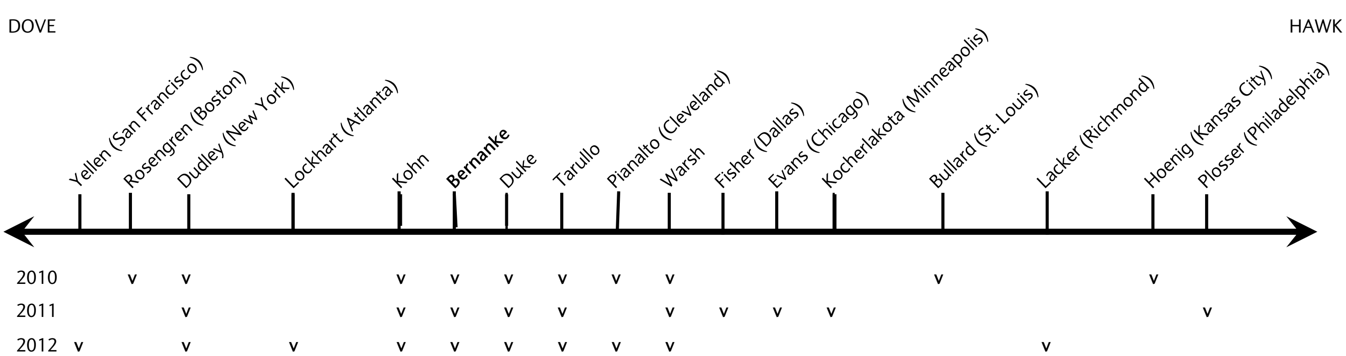
The debate over whether the Fed risks waiting too long to tighten policy or starting too early has heated up in the FOMC. This helps to divide the "hawks" from the "doves."

The Federal Reserve has begun the process of "normalizing" policy by ending its liquidity programs, completing its asset-purchase program, and hiking the discount rate. These actions were in response to healing in financial markets and seemingly came with an easy consensus in the FOMC. The next step will be more contentious. The FOMC must decide not only *when* to tighten policy but also *how*. This has created a growing divide between the "hawks" and the "doves" on the FOMC.

The hawks on the FOMC are more confident about the recovery and worry about stoking inflation or creating financial imbalances by keeping policy too accommodative for too long. However, they do not have a consensus about the best way to start tightening policy. St. Louis Fed President Bullard and Richmond Fed President Lacker believe the first step should be to sell assets, yet both believe that it is still appropriate to keep interest rates "exceptionally low" for an "extended period." Kansas City Fed President Hoenig disagrees and dissented at the two most recent FOMC meetings in favor of tweaking the language. He believes that hiking rates "sooner rather than later would reduce longer-run risks to macroeconomic and financial stability." The most hawkish official, in our view, is Philadelphia Fed President Plosser, who expressed discomfort with the extended period language and also supports asset sales.

At the other end of the spectrum lie the doves, who believe the recovery is fragile and are concerned about downward pressure on inflation from the large output gap. They are more worried about repeating the mistakes of the Great Depression by tightening policy too quickly and stifling the recovery. NY Fed President Dudley recently remarked that the output gap will be closed only "very gradually", and there is more risk of inflation declining than rising. Of the doves who speak explicitly about the exit timeline, they prefer to hike short-term rates prior to selling assets. We believe Fed Chairman Bernanke and Vice Chairman Kohn are more aligned with the doves on the FOMC, at least for now.

Figure 1: FOMC dove/hawk line-up



Note: "V" signifies voting member. The Federal Reserve Board currently has two vacancies. Vice Chairmen Kohn is set to retire in June and according to press reports, San Francisco Fed President Yellen is likely to be nominated as his replacement. Source: Barclays Capital

IN FOCUS: UNITED STATES

Reheating food prices

Nicholas Tenev
+1 212 526 5452
nicholas.tenev@barcap.com

After a big run-up starting in 2006, food prices have fallen from their peak and are now down 1.5% y/y in the US. However, evidence from producer prices, import prices, and emerging markets shows that food price inflation is making a comeback.

The higher they fly, the harder they fall

US consumer food prices soared from 2006 through 2008, with the CPI food at home category peaking on a y/y basis at 7.6% in September 2008. Perhaps more remarkably, the gain was nearly simultaneous across all major categories of consumer food (Figure 1). Three major categories (cereals and bakery products, dairy, and fruits and vegetables) peaked at more than 12% y/y within a 12-month period. As the financial crisis came to a head in late 2008, US food prices took a nosedive, troughing a year later in November 2009. While food at home makes up only about 8% of the CPI, the drop in food prices dragged the y/y rate for November 2009 down a substantial 0.24 percentage points.

After big gains in 2006-08, food prices collapsed in 2009

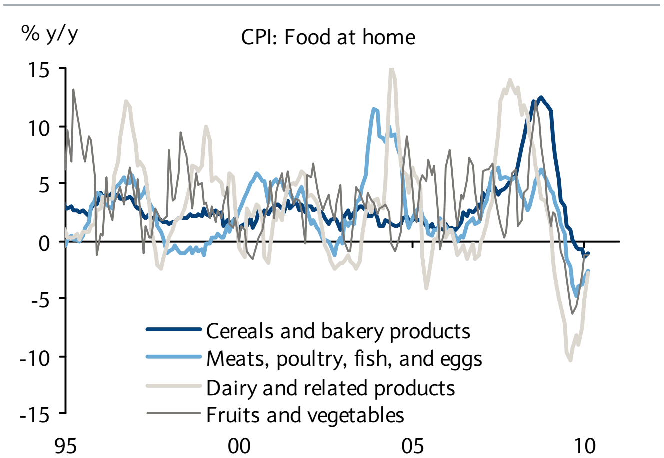
Food prices are often volatile, which is why they are excluded from the core CPI and are difficult to forecast. However, the broad-based rise and fall over the past couple of years prompts the question of whether we may be due for a reinflation of food prices as the global economic recovery continues.

Pressures in the pipeline

Producer price indices point to a rebound in food prices

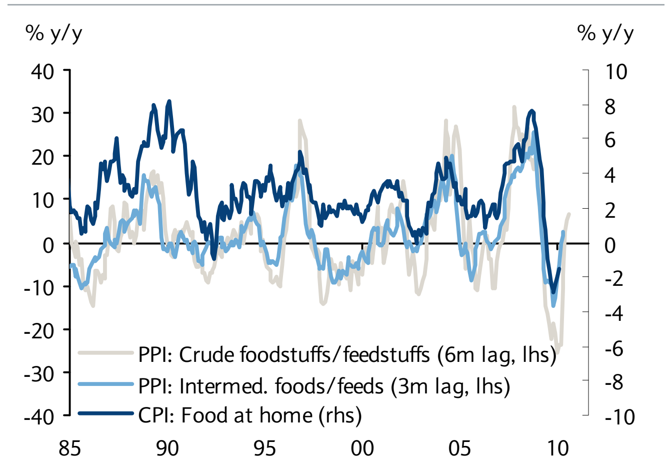
When the prices of raw goods change, they are passed through to the prices of intermediate production goods, which in turn are passed through to the prices of final consumer goods. Producer price indices offer a valuable look at these price pressures in the pipeline, before they hit consumers. For food, intermediate foods in the PPI tend to lead CPI food at home by three months, while crude food prices provide valuable information six months ahead. Both experienced sharp declines and are now rebounding – a sign that reinflation of consumer food prices may be in store over the next couple of quarters (Figure 2). Similarly, import prices for food have been leading CPI food prices by around five months and are now up 5.4% y/y – further evidence that consumer food prices may be set for a bounce.

Figure 1: Food prices have fallen hard from great heights



Source: BLS, Haver Analytics

Figure 2: PPIs indicate that food prices are on the rise again



Source: BLS, Haver Analytics

Commodities futures suggest little inflation, but EM inflation could spill over

Commodities futures indicate modest food price inflation…

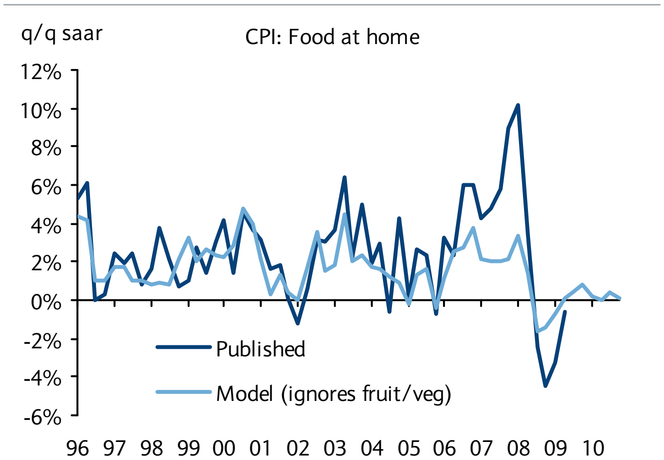
So far, commodities futures do not show a run-up in food prices. A battery of simple models translating commodities futures to the main components of the food at home category of the CPI suggests only moderate inflation in a food prices over the next couple of years (Figure 3). While corn futures point to significant inflation in the cereals and bakery component, meat and dairy futures indicate only tepid price increases. We were unable to find futures significantly correlated with the fruits and vegetables component in the CPI, which was one of the main contributors to the run-up in 2006-08. Hence, the model underpredicted the severity of the swings in food price inflation during and since that period and may be underestimating the risks of a strong rebound.

…but booming emerging markets could provide a better early indicator

Another possible source of upward pressure on food prices may be emerging markets. Both agricultural commodities and some finished consumer food items are globally traded, so it is possible for inflation abroad to spill over into the US. During the 2006-08 surge, food prices in China led those in the US by six months, while food prices in Brazil led by three months (Figure 4). Inflation data from both of those countries suggest that if the linkage is preserved, the US will soon be facing firm food price inflation. Moreover, emerging market growth has bounced back from the global recession and is now booming – we expect 6.7% annualized growth in 2010 and 6.1% in 2011. If emerging market food prices retrace the upward path they took during the booming growth before the recession, US food prices could be pushed higher as well. Figure 4 also includes a forecast based on a model incorporating crude PPI, China's food CPI, and the unemployment rate as a measure of slack. The model predicts monthly food at home inflation of about 0.25% through Q3 2010, roughly in line with our baseline forecast.

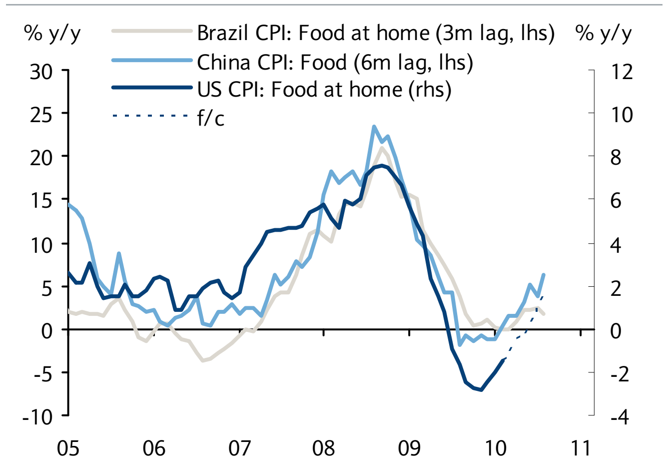
The big swings in food prices over the past few years have had a substantial direct effect on headline CPI. As we showed in "Food prices inform consumer expectations," *Global Economics Weekly*, 19 February 2010, food prices may also be especially influential on consumer inflation expectations. Thus, we think food prices merit close monitoring in coming months.

Figure 3: Futures show little threat of a rebound



Source: BLS, Bloomberg, Haver Analytics, Barclays Capital

Figure 4: EM inflation may be another early warning



Source: BLS, China National Bureau of Statistics, Fundação Instituto Brasileiro de Geografia e Estatística, Haver Analytics

DATA REVIEW & PREVIEW: UNITED STATES

Dean Maki, Michelle Meyer, Peter Newland, Theresa Chen, Nicholas Tenev

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
ISM non-manufacturing index	Mar	53.0	53.0	55.4	Jump in new orders and gain in business activity
Pending home sales, % m/m	Feb	-7.8 R	-1.0	8.2	Suggests strong spring selling season
FOMC minutes	3/16	"Extended period" does not refer to calendar time but rather progress in economic activity			
Change in consumer credit, $ bn	Feb	10.6 R	2.0	-11.5	Reversed gain in January
Initial jobless claims, thous	3-Apr	442 R	435	460	Volatility around Easter holiday

Preview of the week ahead

Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
14:00	Budget balance, $ bn	Mar	-96.3 ('07)	-48.2 ('08)	-191.6 ('09)	-65.0	-105.0

Budget balance: We look for the federal budget deficit to be $65bn in March, $127bn less than the deficit in March 2009 ($192bn). The expected decrease in the deficit from the previous year reflects less spending on the Troubled Asset Relief Program (TARP) and GSEs. In terms of revenues, receipts from net corporate income taxes improved and revenues from the Federal Reserve increased significantly. The estimated March deficit would bring the FY 2010 budget total to -$717bn thus far.

Tuesday 13 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:30	Trade balance, $ bn	Feb	-36.1	-39.9	-37.3	-40.0	-39.0
08:30	Import prices, % m/m (y/y)	Mar	0.2 (8.6)	1.3 (11.5)	-0.3 (11.2)	1.0 (11.7)	0.9 (11.7)

Trade balance: After narrowing to $37.3bn in January, we expect the nominal trade deficit to resume its upward trend, widening to $40.0bn in February. We expect gains in real exports and imports after January's slump in trade, leading to widening in the real goods balance. Since export prices fell more than import prices, this will widen the nominal deficit as well.

Import prices: We expect import prices to increase 1.0% in March, pushing the y/y rate to 11.7% from 11.2%. This largely reflects a jump in petroleum prices during the month. Excluding petroleum prices, we are looking for a 0.4% m/m increase.

Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:30	CPI, % m/m (y/y)	Mar	0.2 (2.7)	0.2 (2.6)	0.0 (2.1)	0.1 (2.4)	0.1 (2.4)
	Core CPI, % m/m (y/y)	Mar	0.1 (1.8)	-0.1 (1.6)	0.1 (1.3)	0.1 (1.2)	0.1 (1.2)
	CPI index nsa	Mar	215.949	216.687	216.741	217.8	NA
08:30	Retail sales, % m/m	Mar	-0.2	0.1	0.3	1.1	1.0
	Retail sales ex autos, % m/m	Mar	-0.1	0.5	0.8	0.3	0.5
	Retail sales ex autos & gas, % m/m	Mar	-0.2	0.5	0.9	0.4	0.5
	Core retail sales, % m/m	Mar	-0.2	0.6	0.9	0.5	NA
09:30	Cleveland Fed President Pianalto (FOMC voter) speaks on the state of US and world economies						
10:00	Business inventories, % m/m	Feb	0.5	-0.3	0.0	NA	0.3
10:00	Fed Chairman Bernanke testifies before the Joint Economic Committee of Congress						
13:00	Dallas Fed President Fisher (FOMC non-voter) speaks on the state of US and world economies						
14:00	Fed releases Beige Book report						

CPI: We expect a 0.1% increase in the CPI and the core CPI in March. This is consistent with an NSA CPI index print of 217.8, up from 216.741 in February. The core CPI has been fairly soft in the past two months. In January, this partly reflected a sharp drop in the lodging away from home component and, in February, declines in apparel and air fares. We expect a return to a trend-like 0.1% increase in March, with softness in some services prices, such as rent and OER, offset by firming in goods prices. Vehicle sales were boosted in March by aggressive incentives from Toyota and other dealers. This could translate into soft new vehicle prices, although many of the incentives were finance-related, which are not picked up in the CPI. Among the non-core components, a significant gain in gasoline prices should be tempered by a large negative seasonal factor.

Retail sales: We expect retail sales to increase a solid 1.1% in March, translating to a 5.9% y/y gain. A strong bounce in auto sales, reflecting aggressive incentives, will be the main driver of spending. We forecast retail sales ex-autos to increase a more modest 0.3%, but after subtracting soft gasoline and building material sales, we look for a healthy 0.5% increase in "core" retail sales. Comparable chain store sales were incredibly strong in March, with retailers citing warm weather and an early Easter holiday as the impetus. Our forecast implies a strong 6.1% q/q saar gain in core retail sales in Q1, indicative of a notable turnaround in spending.

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:30	Initial jobless claims, thous (4wma)	10-Apr	445 (454)	442 (448)	460 (450)	450 (449)	440 (447)
08:30	Empire State manufacturing index	Apr	15.92	24.91	22.86	25.0	24.0
09:00	Net long-term TIC flows, $ bn	Feb	126.4	63.3	19.1	NA	NA
09:15	Industrial production, % m/m	Mar	0.5	0.9	0.1	0.9	0.6
	Capacity utilization, %	Mar	71.8	72.5	72.7	73.5	73.3
10:00	Philadelphia Fed mfg index	Apr	15.2	17.6	18.9	19.5	20.0
10:30	Richmond Fed President Lacker (FOMC non-voter) speaks at a credit market symposium						
12:15	St. Louis Fed President Bullard (FOMC voter) speaks on "Containing Risks in the New Global Financial Landscape"						
13:00	NAHB housing index	Apr	15	17	15	17	16
13:40	Atlanta Fed President Lockhart (FOMC non-voter) speaks on the economic outlook						
21:00	San Francisco Fed President Yellen (FOMC non-voter) speaks on the economic outlook						

Empire State manufacturing: We expect the Empire State manufacturing index to increase to 25.0 in April from 22.86 in March, roughly in line with its February print. The forward-looking new orders index jumped to 25.43 in March; we expect the headline to follow as the manufacturing rebound continues.

Industrial production: Industrial production is likely to jump 0.9% in March, following a soft 0.1% gain in February. We believe part of the swing in production owes to weather distortions as the blizzards likely hit output in February. This is consistent with the 1.2% increase in manufacturing hours worked in March after falling 1.0% in February. In addition, the survey data point to continued expansion as the ISM production index increased to 61.1 from 58.4. We also expect motor vehicle production to pick up based on automaker schedules. We believe this should translate to a 1.3% gain in manufacturing production. Elsewhere, we expect utilities output to decline 1.5% after increasing notably over the prior three months, reflecting a return to warmer weather.

Philadelphia Fed manufacturing: We look for the Philadelphia Fed manufacturing index to improve to 19.5 in April from 18.9 in March. The new orders index has been lagging the headline index somewhat, but this has been true of the Philadelphia survey in some past recoveries. Our forecast of a modest gain is consistent with the improvement in the manufacturing sector.

NAHB: We expect the NAHB housing index to bounce back to 17 in April after falling to 15 in March. The warmer weather likely led to a pick-up in buyer traffic and building. In addition, the government announced an extension to HAMP (Home Affordable Modification Plan), which should prolong foreclosures from entering the housing market.

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:30	Housing starts, thous	Mar	573	611	575	615	610
09:00	Fed Governor Warsh (FOMC voter) speaks on 'Beyond the Exit'						
09:55	U/M consumer sentiment index	Apr P	74.4	73.6	73.6	74.5	75.0
12:30	Kansas City Fed President Hoenig (FOMC voter) speaks on the financial crisis						

Housing starts: We expect housing starts to increase 7% to 615,000 in March, reversing the decline in February. We believe that inclement weather depressed starts in February, given that starts fell in the South and the Northeast, which were hit by the blizzard, and rose in the West and Midwest. Moreover, building permits have been trending higher, increasing 2.4% in February and 16% since October. We suspect that builders are preparing for the spring selling season, which is likely to receive a bigger boost from the homebuyer tax credit and the unusually harsh winter weather.

U/M consumer sentiment: We expect the University of Michigan's index of consumer sentiment to increase to 74.5 in the April preliminary release after holding steady at 73.6 in the past two months. The equities market has continued to rally through the beginning of April and labor conditions have improved.

OUTLOOK: EURO AREA

Rebalancing

James Ashley
+44 (0) 20 7773 4669
james.ashley@barcap.com

- **We have lowered our euro area Q1 GDP estimate by 0.1pp (to 0.1% q/q) on account of downside German news. However, we have raised our 2010 HICP forecast to 1.7%.**
- **We have rebalanced our Q1 GDP growth estimate: we now expect a smaller decline in construction investment, but forecast a contraction in private consumption.**
- **Rising oil prices have pushed up our euro area HICP forecasts to an average of 1.7% y/y this year, with six consecutive readings of 2.0% y/y expected from September.**

We attach little importance to the downwards revision to euro area Q4 09 GDP growth...

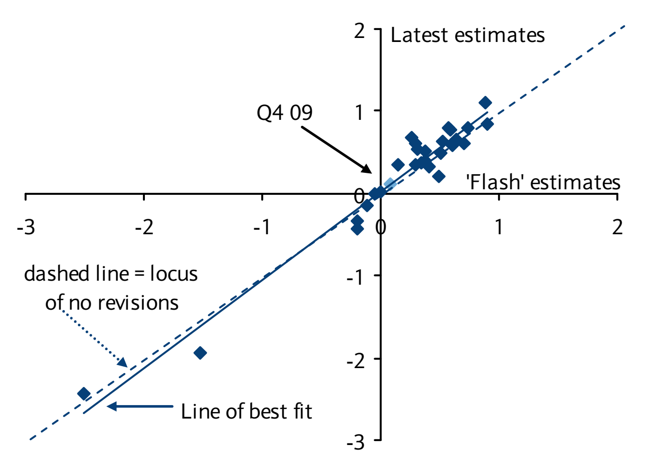
...and we expect the latest reading to be revised back up to 0.1% q/q later in the year

This week's downwards revision to euro area Q4 GDP growth serves to highlight the sizeable gulf between recent official data and a number of the key survey indicators. We have repeatedly discussed the reasons for that discrepancy and continue to believe that the underlying growth trend lies somewhere between the two. This week's GDP revision does not alter that assessment by one iota. That conviction comes, in part, from our view that in the current environment, the latest Q4 growth estimate of 0.04% q/q is not materially different – in terms of economic significance – from the prior estimate of 0.11% q/q. Moreover, we expect the downgrade to the euro area's Q4 growth rate to prove temporary: we maintain our view that the latest German industrial production data are consistent with a 0.1pp upwards revision to German Q4 09 GDP growth, which would, in turn, lead to a subsequent revision to the euro area growth estimate (back up to 0.1% q/q).

Construction activity has been revised down for Q4 09, but there has been positive news on Q1 output

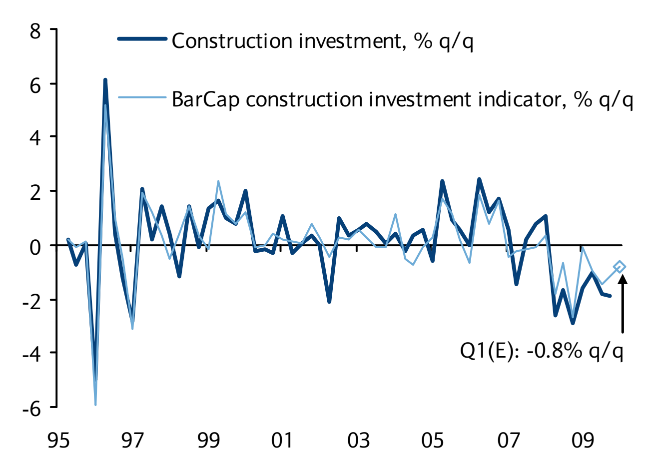
However, where the latest national accounts data do provide greater clarity is in resolving a number of hitherto puzzling discrepancies in the growth composition. Most conspicuously, Q4 construction sector output (both residential and non-residential) was revised down to show a modest contraction (-0.3% q/q, rather than the previously reported increase of 1.2% q/q). Nonetheless, the news this week has not been all negative: whereas euro area construction output in January originally had been reported as a decline of 2.2% m/m, that has now been revised up to a mere -0.3 m/m, helped by exceptionally strong January readings in Austria (18.5% m/m) and Belgium (9.4% m/m). As a result, the construction outlook for Q1 is now far less bleak.

Figure 1: Euro area real GDP growth, % q/q (2003 onwards)



Source: Eurostat, Barclays Capital

Figure 2: Euro area construction investment



Source: Haver, Barclays Capital

Although those Austrian and Belgian readings are somewhat anomalous (given the inclement weather in January throughout the euro area, which had a major negative effect on German and Italian construction output), the result is to leave the level of euro area construction output in January 1.5% below the Q4 level, rather than the previously reported -3.2%. Accordingly, if the latest vintage of construction data is to be believed, then construction investment is now on course for a relatively modest contraction of 0.8% q/q. Having already signalled that the risks to our Q1 construction investment forecasts were tilted to the upside, the revisions to the January data have thrown that view into even sharper relief. As a result, we have now revised up those forecasts (albeit still below -0.8%).

Private consumption looks to have fallen in Q1 10 in both Germany and France...

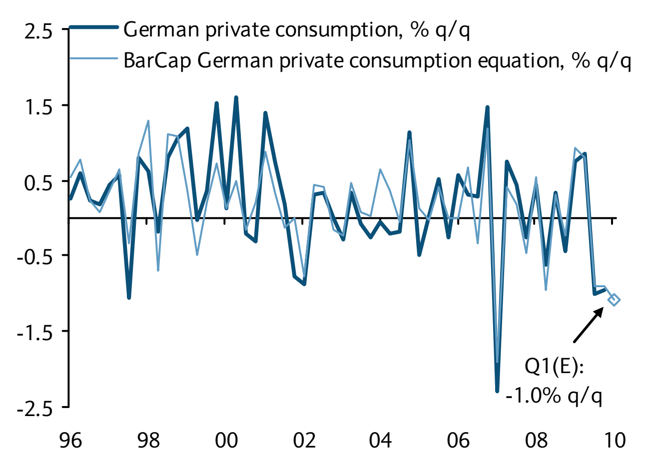
...and we have revised down our estimate for Q1 GDP growth in Germany, although the output remains bright for Q2

By contrast, we have this week made downwards revisions to our estimates for Q1 private consumption growth in Germany and France. In both cases, private consumption looks to have fallen, although Germany looks to have been particularly weak (Figures 3 and 4). Consequently, although our estimate for French Q1 real GDP growth is unrevised (0.3% q/q, with upside risks) we have lowered our German GDP forecast: rather than an increase of 0.2% q/q in Q1, we now look for real GDP to have been unchanged on the quarter (with risks even of a negative Q1 reading). Importantly, however, we continue to expect a surge in German Q2 real GDP growth (0.9% q/q) – in part due to an unwind of some of the temporary negative factors weighing on Q1 activity.

Our euro area HICP inflation forecasts have been revised still higher, reaching 2.0% y/y for six consecutive months from September 2010

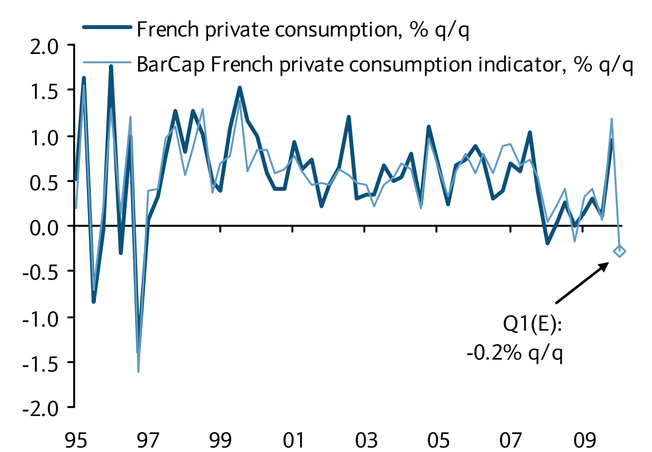
Paradoxically, despite those revisions (which have precipitated a 0.1pp downgrade to our euro area Q1 GDP growth estimate, to 0.1% q/q), our inflation forecasts have again been revised higher this week, due to rising oil prices. We now forecast euro area HICP to average 1.7% y/y in 2010 (up by 0.3pp since the start of last month) and to record readings of 2.0% y/y for six consecutive months from September this year (the first time inflation has reached such rates since November 2008). Moreover, in our view, the risks to that profile are still skewed to the upside. That said, from March 2011 onwards, we expect headline inflation to ease markedly, and core inflation is forecast to remain subdued throughout both this year and next. Accordingly, while the ECB will be vigilant for signs that the H2 10 pickup in headline HICP rates might be having an effect on medium-term inflation expectations, we maintain our view that the large negative output gap (and the resulting weak core inflation) warrants policy rates remaining on hold throughout 2010.

Figure 3: German private consumption, % q/q



Source: Haver, Barclays Capital

Figure 4: French private consumption, % q/q



Source: Haver, Barclays Capital

DATA REVIEW & PREVIEW: EURO AREA

Julian Callow, James Ashley, Laurence Boone, Fabio Fois, Kerri Maddock, Thorsten Polleit

Review of last week's data releases

Main indicators	Period	Previous	BarCap	Actual	Comments
Germany: IP, % m/m (y/y)	Feb	0.1 R	1.1	0.0	Below expectations
E16: Final GDP, % q/q	Q4	0.1 P	0.0 R	0.0	Downgrade likely to prove temporary

Preview of week ahead

Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Italy: Industrial production, % m/m (y/y sa)	Feb	0.7 (-8.7)	-0.2 (-4.9)	2.6 (-0.2)	-1.1 (-2.6)	-0.5
Tuesday 13 April		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
06:00	Germany: Final CPI, % m/m (y/y)	Mar	-0.6 (0.8)	0.4 (0.6)	0.5 (1.1) P	0.5 (1.1)	0.5 (1.1)
06:00	Germany: Final HICP, % m/m (y/y)	Mar	-0.6 (0.8)	0.4 (0.5)	0.6 (1.3) P	0.6 (1.3)	0.6 (1.3)
06:45	France: CPI, % m/m (y/y)	Mar	0.3 (0.9)	-0.2 (1.1)	0.6 (1.3)	0.4 (1.6)	0.4 (1.5)
06:45	France: CPI ex-tobacco index (y/y)	Mar	118.60	118.32	118.99	119.62	119.50
06:45	France: HICP, % m/m (y/y)	Mar	0.3 (1.0)	-0.2 (1.2)	0.6 (1.4)	0.5 (1.7)	0.5 (1.6)
07:30	Sweden: CPI, % m/m (y/y)	Mar	0.2 (0.9)	-0.6 (0.6)	0.6 (1.2)	0.8 (1.7)	0.5
08:00	Portugal: HICP, % m/m (y/y)	Mar	0.2 (-0.1)	-0.6 (0.1)	0.0 (0.2)	1.2 (0.6)	0.5 (1.6)
Wednesday 14 April		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
06:00	Finland: HICP, % m/m (y/y)	Mar	0.2 (1.8)	0.1 (1.6)	0.4 (1.3)	0.6 (1.5)	-
08:00	Sweden: AMV Unemployment rate, %	Mar	5.6	5.8	5.6	5.7	5.4
09:00	E16: Industrial production, % m/m (y/y wda)	Feb	1.2 (-6.9)	0.5 (-4.0)	1.6 (1.1)	0.1 (3.2)	0.1

Euro area - IP: We are in line with the consensus in expecting euro area IP (Wednesday) to have edged up 0.1% m/m in February, after climbing 1.5% mm in January. Here it should be noted that we expect a downward revision of 0.1pp to January's data as a consequence of revisions occurred to German and French data. An outturn in line with our expectations would leave the Jan-Feb index c.2.4% above Q4 09 when it increased 1.9% q/q.

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
07:00	Spain: Final HICP, % m/m (y/y)	Mar	-1.1 (1.1)	-0.2 (0.9)	(1.4)-flash	0.7 (1.4)	(1.4)
07:00	Spain: CPI, % m/m (y/y)	Mar	-1.0 (1.0)	-0.2 (0.8)	-	0.7 (1.4)	0.7 (1.4)
07:00	Spain: Core CPI, % y/y	Mar	0.1	0.1	-	0.2	0.2
Friday 16 April		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Forecast**	**Consensus**
06:00	E16: New car registrations, % y/y (nsa)	Mar	17.0	12.7	3.0	-	-
08:00	Italy: Final CPI, % m/m (y/y)	Mar	0.1 (1.3)	0.1 (1.2)	0.3 (1.4) P	0.3 (1.4)	0.3 (1.4)
08:00	Italy: Final HICP, % m/m (y/y)	Mar	-1.5 (1.3)	0.0 (1.1)	1.5 (1.4) P	1.5 (1.4)	1.5 (1.4)
08:00	Austria: HICP, % y/y	Mar	0.3 (1.1)	-0.4 (1.2)	0.2 (0.9)	0.5 (1.3)	-
09:00	E16: Trade balance, € bn (sa)	Feb	3.6	3.3	1.8	4.0	3.1
09:00	E16: HICP, % m/m (y/y)	Mar	-0.8 (1.0)	0.3 (0.9)	(1.5) "flash"	0.9 (1.4) R	0.9 (1.5)
09:00	E16: HICP ex tobacco, index (2005 = 100)	Mar	107.75	108.02	-	109.02 R	-
09:00	E16: 'Eurostat' core (HICP x fd, alc, tob, ene), % m/m (y/y)	Mar	-1.5 (0.9)	0.4 (0.8)	-	0.8 (0.9)	-
09:00	E16: 'ECB' core (HICP x unproc.fd, ene), % m/m (y/y)	Mar	-1.2 (0.8)	0.3 (0.7)	-	0.7 (0.8)	0.8 (0.9)

Euro area - HICP: We now look for a downward revision for euro area HICP inflation to 1.4% y/y when the Final numbers are released, from the "flash" reading of 1.5% y/y. The biggest news on the inflation front out next week is France, released on Tuesday, where we are in line with the consensus in looking for the HICP to have increased by 0.5% m/m in March. Our forecast for the euro area HICP is currently 1.44% y/y to 2dp, thus still signalling some risks of a confirmation at 1.5% y/y if we receive any upside new next week. In terms of core inflation, we expect there to be a slightly pick-up in March, following historical lows on both the 'Eurostat' and 'ECB' measures but for our own measure of Underlying HICP to trend lower.

OUTLOOK: UNITED KINGDOM

The sound and fury of pre-election economics

Simon Hayes
+44 (0) 20 7773 4637
simon.hayes@barcap.com

- **The general election will take place on 6 May, and plans for cutting the fiscal deficit are at the forefront of the election campaign.**
- **Although the parties are nominally divided over the appropriate pace and timing of fiscal tightening, in practical macroeconomic terms the differences appear modest.**
- **A hung parliament could prove helpful for deficit reduction in allowing the controlling parties to back-track on expensive tax and spending commitments.**

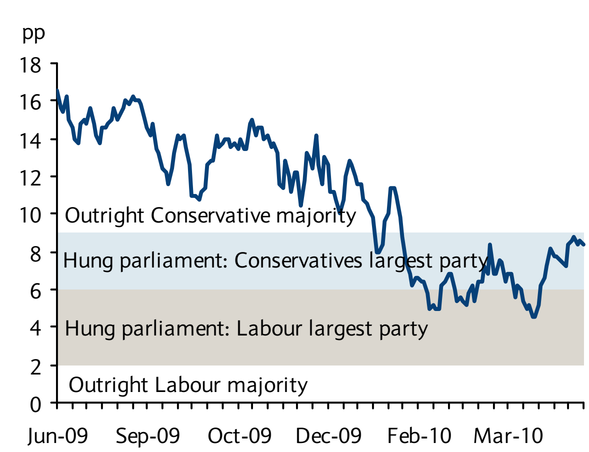
There is substantial uncertainty surrounding the outcome of the forthcoming general election

The Prime Minister this week confirmed that the general election will be held on 6 May. The outcome is far from certain. Recent individual polls have ranged from suggesting a small Conservative majority to a hung parliament with Labour as the largest single party. Taking an average of the five most recent polls suggests that the most likely outcome is a hung parliament with the Conservatives as the largest party (Figure 1).

Plans to cut the fiscal deficit are at the forefront of the election campaign. We have already written at length about the government's plans (see, for example, *No harm done*, 24 March 2010). In a nutshell, the government has introduced the Fiscal Responsibility Act that requires it to halve the deficit over the next four years (ie, by 2013-14) and to have the public-debt-to-GDP ratio falling by 2015-16. According to the recent Budget, about 20% of the planned reduction comes from the expected cyclical recovery in the economy (albeit on the Treasury's above-consensus growth forecasts for 2011 and beyond), 35% comes from lower government investment and 45% emanates from a cut in the structural current budget (Figure 2).

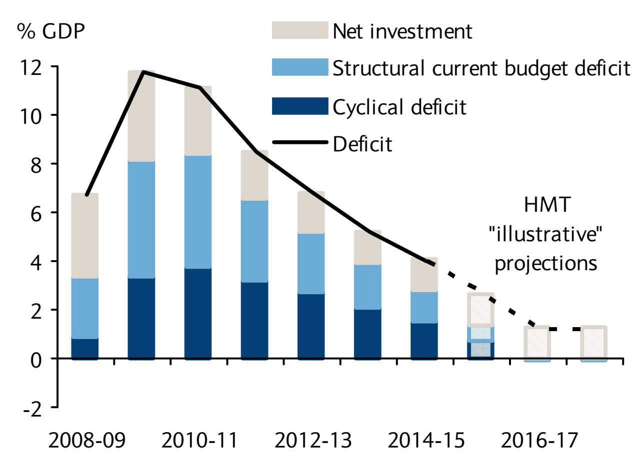
This last element is particularly cloudy, however, as detailed departmental spending plans have been drawn up only for the first year of the four-year adjustment period. Moreover, the government has said it will protect health, front-line education and policing from cuts. The implied real reductions in other public services are consequently large – the Institute for Fiscal Studies (IFS) estimates 20-30% in real terms over four years – raising questions about

Figure 1: Conservatives' poll lead over Labour, average of last five polls



Source: UK Polling Report, Electoral Calculus, Barclays Capital

Figure 2: The public sector deficit, Budget 2010 projections



Source: HM Treasury, Barclays Capital

their feasibility. The IFS has also sounded a warning about the plausibility of the reliance on "efficiency gains" to achieve a structural deficit reduction.

Standard & Poor's and Fitch have both indicated that the government's plan is not adequate for the UK to retain its triple-A credit rating. Fitch has called for an additional tightening of 1% of GDP (about £14bn in today's terms) by 2014-15.

The gap between the Conservatives' plans and those of the government amounts to just 0.6% of GDP

Given the state of the opinion polls, the current government plans are perhaps the least likely to be enacted. However, the opposition parties' positions on this issue are rather vague. The Conservatives have suggested they would seek to balance the cyclically adjusted current budget at the forecast horizon. This would require additional tightening of 0.6% of GDP (about £8.5bn in today's terms) relative to the Budget projections – not an especially large amount, and somewhat less than Fitch has indicated would be necessary.

The Conservatives have said they would begin spending cuts in the current fiscal year following an "emergency" Budget to be held within 50 days of the election. They have said they would make such cuts in consultation with the Bank of England – presumably on the basis that more aggressive fiscal tightening might need to be offset by looser monetary policy – but the BoE, which has statutory independence for the purposes of monetary policy, has said it is unaware of what such consultation might involve.

The commitment to cut the deficit sooner draws a clear rhetorical line between the Conservatives and the government, which has said it would not cut spending until 2011. However, amid lingering concerns about the robustness of the economic recovery, the Conservatives have insisted that the cuts would not be "swingeing". The Conservatives have also pledged to undo most of the rise in National Insurance Contributions that the government has pencilled in for next April, funded by unspecified cuts in public services spending outside its own protected areas of health, defence and overseas aid. Taking these factors together with the rather modest size of the overall gap between the two parties' commitments suggests that the practical difference between the two in macroeconomic terms is not dramatic.

The Liberal Democrats have also committed to an "emergency" Budget, to be held no later than the end of June. They have said they would reduce the cyclically adjusted deficit at least as fast as the government's plans, and that they would identify and cut £15bn of additional "lower priority" spending. However, the only hard commitment made so far is to raise the personal allowance for income tax to £10,000 from £6,475, which would increase the deficit.

No party has articulated a comprehensive deficit reduction plan

The impression one is left with is that there is rather less substance to the debate about cutting the deficit than its prominence as an election issue would suggest. No party has articulated a comprehensive deficit reduction plan. In fact, the specific commitments that have been made – protecting certain areas of spending, cutting some taxes – arguably make cutting the deficit more difficult rather than easier. Given the closeness of the election, there remains a risk that further commitments are made that prove unhelpful by restricting the next government 's room for manoeuvre.

A minority government may have more leeway to assemble a credible deficit reduction plan

From this perspective, a hung parliament may turn out to be a blessing. In the absence of an outright victory for Labour an emergency Budget seems likely. If this involves more than one party, then presumably all pre-election commitments are up for potential amendment or abandonment. A minority government may have greater leeway to assemble a credible deficit reduction plan than one that is encumbered by expensive pre-election promises.

DATA REVIEW & PREVIEW: UNITED KINGDOM

Varun Bhabha

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
PMI construction, index	Mar	48.5	48.5	53.1	First expansion since February 2008
BoE housing equity withdrawal, £ bn	Q4	-5.1 R	-	-4.0	Equity injections total £22.3bn in 2009
BRC shop price index, % y/y	Mar	1.7	-	1.2	
PMI services, index	Mar	58.4	57.5	56.5	PMIs indicate 0.6% q/q growth in Q1
SMMT new car registrations, % y/y	Mar	26.4	-	26.6	
Industrial production, % m/m (y/y)	Feb	-0.4 (-1.5)	0.5 (-0.6)	1.0 (-0.1)	An expansion of industrial production in Q1 now looks likely
Manufacturing output, % m/m (y/y)	Feb	-0.9 (0.2)	0.4 (0.6)	1.3 (1.4)	
BoE MPC Bank Rate decision, %	Apr	0.5	0.5	0.5	In line with market expectations
BoE MPC asset purchase target, £ bn	Apr	200	200	200	
Producer input prices, % m/m (y/y)	Mar	0.1 (6.9)	2.1 (738)	3.6 (10.1)	Sharpest rises since end of 2008 support the view that inflation is set to remain stubbornly high.
Producer core output prices, % m/m (y/y)	Mar	0.3 (2.9)	0.2 (3.0)	0.7 (3.6)	
Producer output prices, % m/m (y/y)	Mar	0.3 (4.1)	0.5 (4.5)	0.9 (5.0)	

Preview of week ahead

Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	No data releases or policy speeches scheduled						

Tuesday 13 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
00:01	RICS housing market survey, price balance	Mar	30	31	17	10	17
00:01	BRC retail sales monitor, total sales, % y/y	Mar	6.0	1.2	4.5	-	-
09:30	Trade balance, £ bn	Feb	-6.8	-7.0	-8.0	-7.2	-7.3

Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	No data releases or policy speeches scheduled						

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
00:01	Nationwide consumer confidence, index	Mar	71	74	80	-	-

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	No data releases or policy speeches scheduled						

OUTLOOK: JAPAN

Further monetary easing: Prospects and problems

Kyohei Morita
+81 (3) 4530 1688
kyohei.morita@barcap.com

Yuichiro Nagai
+81 (3) 4530 1064
yuichiro.nagai@barcap.com

James Barber
+81 (3) 4530 1542
james.barber@barcap.com

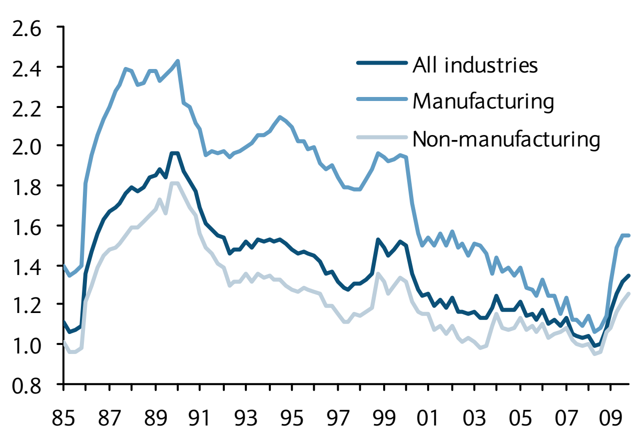
- **This week, the BoJ officially recognized that the economic recovery is broadening and that financial conditions have eased beyond the interbank market.**
- **This combination reduces the need for further easing and highlights the distortions (eg, deteriorating terms of trade) that can arise from an accommodative policy.**
- **On 30 April, the BoJ releases its semiannual Outlook Report, including its updated GDP and CPI forecasts. The FY 11 CPI forecast will be the main focus.**

The past two weeks have, in our view, substantially dampened the prospects of further monetary easing. As discussed last week, Japan's economic recovery is gaining sustainability, with a gradual pass-through to non-manufacturers and a pick-up in capex. The BoJ effectively recognized these improvements in this week's monthly report, saying that business sentiment is improving generally, rather than only among large manufacturers, and noting that capex is "leveling out" without the "on the whole" qualifier used in last month's report. In its headline assessment of the economy, the BoJ continued to say the economy "has been picking up" but added that this was due not only to "various policy measures" but also to "improvement in overseas economic conditions." Special emphasis was given to emerging economies as the driving force.

Improvements not only in the economy, but also in financial conditions

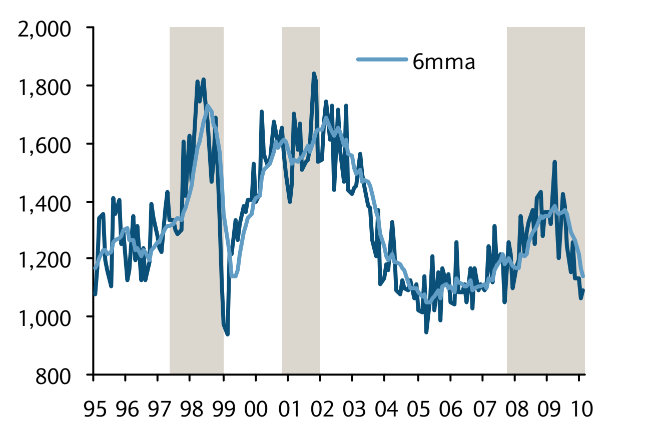
In addition to these economic improvements, the BoJ noted that financial conditions "have shown increasing signs of easing," with improvement not only within the BoJ's immediate sphere of the interbank market, but also in the non-manufacturing sector and other areas. For all companies combined, the latest Tankan shows that the liquidity ratio in the current phase (1.35 months at end-March 2010) exceeds the peak reached during the period of quantitative easing in 2001-06 (1.24 months at end-March 2004; Figure 1). Under these conditions, bankruptcies and default rates are on the decline (Figure 2).

Figure 1: Buildup of corporate liquidity (in months)…



Note: liquidity ratio (months) = (end-term cash and deposit balance + end-term TB balance)/average monthly sales for the given fiscal year.
Source: Barclays Capital based on the BoJ Tankan

Figure 2: … makes it easier to stay afloat (bankruptcies, '000s/month)



Note: Only bankruptcies with liabilities totaling at least JPY10mn; shaded portions represent economic recessions.
Source: Barclays Capital based on the data of Tokyo Shoko Research

The Governor's "view"

In his post-MPM press conference, BoJ Governor Shirakawa hardly downplayed the Bank's upward revisions. Indeed, he even underscored that "several buds of a self-sustaining recovery can be seen," and stressed that prolonged monetary accommodation under such conditions "brings various imbalances to the economy" that could "ultimately exert a major shock." To some extent, he may be attempting to deflect political pressure on the BoJ to take further action to combat deflation. This pressure could strengthen if the economy slows in Apr-Jun (as we expect) and Cabinet approval ratings continue to fall ahead of the July upper house elections.

Deteriorating terms of trade

Even so, Mr. Shirakawa's concerns are very real. One risk highlighted by the latest Tankan report is that Japan's terms of trade are deteriorating, as discussed last week. If the BoJ implements quantitative easing at a time when the financial conditions of companies are improving, there is a need to ask where the liquidity will flow. The most likely answer: either into the JGB market, if domestically, or overseas. The latter could mean an upward push on commodities that worsens Japan's terms of trade. For the equity market, the implications are substantial. By our estimate, a 1% increase in non-wage costs due to deteriorating terms of trade would lower the FY 10 operating earnings of the Japanese manufacturing sector to JPY7.3trn from JPY10.7trn (see *Japan Economic Commentary*, 7 April 2010).

The "Outlook"

Terms of trade are also, of course, affected by prices at home. The outlook for the FY 11 core CPI will be the main focus of the BoJ's semiannual Outlook Report due for release 30 April (Figure 3). As of January, the median projection came to -0.2% with a "majority range" from -0.3% to -0.1%. This compares with our forecast of -0.5%. In the 30 April report, we expect a new median projection of around -0.1% with a range from -0.3% to +0.1%. If the range includes a positive figure, expectations of further monetary easing should recede. One risk, of course, is exchange rates. Just when the JPY finally seemed to be showing a clear pattern of depreciation, this once again looks uncertain. Rapid appreciation, whether due to developments in Greece or some other factor, could still spur the BoJ into action if it triggers a collapse in share prices and strengthening expectations for deflation.

Figure 3: Outlook for the "Outlook Report"

	Real GDP			
	BoJ		BarCap	Consensus
	As of Jan	BarCap expectations for BoJ in April		
FY10 median (range)	1.3% (+1.2～+1.4%)	2.3% (+2.0～+2.5%)	2.4%	1.7%
FY11 median (range)	2.1% (+1.7～+2.4%)	2.1% (+1.8～+2.3%)	1.8%	1.7%

	Core CPI			
	BoJ		BarCap	Consensus
	As of Jan	BarCap expectations for BoJ in April		
FY10 median (range)	-0.5% (-0.6～-0.5%)	-1.3% (-1.5～-1.0%)	-1.3%	-0.9%
FY11 median (range)	-0.2% (-0.3～-0.1%)	-0.1% (-0.3～+0.1%)	-0.5%	-0.3%

Note: Core CPI excludes perishables. "Range" is the forecast range for the majority of Policy Board members. Consensus is from the ESP survey. Source: BoJ, Barclays Capital

DATA REVIEW & PREVIEW: JAPAN

Kyohei Morita, Yuichiro Nagai, James Barber

Review of this week's data

Main indicators	Period	Previous	Barclays	Actual	Comments
Current account (JPY bn)	Feb	900	1553	1471	
Core machinery orders (m/m)	Feb	-3.7%	10.0%	-5.4	Downside surprise, but orders still on track to rise 1.5% q/q for Jan-Mar as a whole (Oct-Dec: 0.5%).
Economy Watchers DI	Mar	42.1	NA	47.4	Highest reading since April 2007. Employment component came to 51.3 (Feb: 48.0), clearing the 50 threshold for first time in three years, indicating that, on balance, conditions are starting to improve.
Composite index of consumption	Feb	0.3%	NA	0.0%	Jan-Feb average is 0.9% higher than in Oct-Dec, a result consistent with our forecast for GDP-based real private consumption in Jan-Mar (1.1% q/q versus 0.7% q/q in Oct-Dec).

Preview of week ahead

Monday 12 April		Period	Prev 2	Prev 1	Latest	Barclays	Consensus
8:50	Mar money stock, M2/M3 (y/y)	Mar	3.1/2.2%	3.0/2.2%	2.7/2.0%	2.6/1.9%	2.7/2.0%
	Mar bank lending including *shinkin* banks (y/y)	Mar	-1.0%	-1.5%	-1.5%	-1.6%	NA
Tuesday 13 April		**Period**	**Prev 2**	**Prev 1**	**Latest**	**Barclays**	**Consensus**
8:50	Mar corporate goods price index (y/y)	Mar	-3.9%	-2.1%	-1.5%	-0.9%	-1.1%

Week ahead: Next week's highlights are the March bank lending and CGPI reports. We expect the outstanding balance of loans (including *shinkin*) to fall 1.6% y/y after a 1.5% drop in February, marking a fourth consecutive monthly decline. The drop in bankruptcies and SME defaults has improved the lending environment for banks (ie, reduced credit costs), but the increase in liquidity behind this improvement has, ironically, weakened the demand for funds. In addition, supply has been affected by falling land prices (ie, drop in value of collateral) and the "moratorium" on loan repayments by SMEs. In this environment, it is hard to expect a turnaround in lending for now.

For the CGPI, we expect the y/y decline to ease to 0.9% in March from 1.5% in February. Material makers have started to raise prices, and we expect this to be reflected in items with close links to commodity markets. At the same time, however, prices have moved into a new phase of "homemade" deflation linked to a lack of domestic demand. In short, the global output gap is pushing prices higher "upstream," while the domestic output gap is pushing them lower "downstream." In this context, the focus of Japan's price problems has shifted from deflation to deteriorating terms of trade.

OUTLOOK: CHINA

Solid growth and benign CPI inflation expected

Wensheng Peng
+852 2903 2651
wensheng.peng@barcap.com

Jian Chang
+852 2903 2654
jian.chang@barcap.com

- **We continue to believe a move in the CNY could occur as early as April/May, likely via a widening of the trading band, but an initial, one-off revaluation is unlikely.**
- **We do not think the reissuance of the 3y CB bill necessarily has implications for a benchmark rate hike, but we expect a rise in auction yields in shorter-dated bills.**
- **In the coming week, we expect generally strong March activity data, with headline numbers influenced by base effects; CPI inflation is likely to be moderate.**

We continue to believe a one-off revaluation is unlikely

CNY revaluation continued to top the headlines. A *New York Times* report saying that "China is very close to announcing a revision of its currency policy, to allow greater variation and a small jump against the dollar" caused the 1y CNY forward (NDF) to strengthen the most in six weeks. In our view, recent developments, with the Sino-US relationship seemingly moving from "confrontation" to "cooperation", suggest ground is being prepared for a policy move. We see a move could happen as early as April/May, but the exact timing is still uncertain, as it is a political decision that depends upon many factors. Our baseline on the form of the move is still an announcement of a widening of the trading band with no initial, one-off revaluation, followed by a gradual pace of appreciation at annual rate of about 5%.

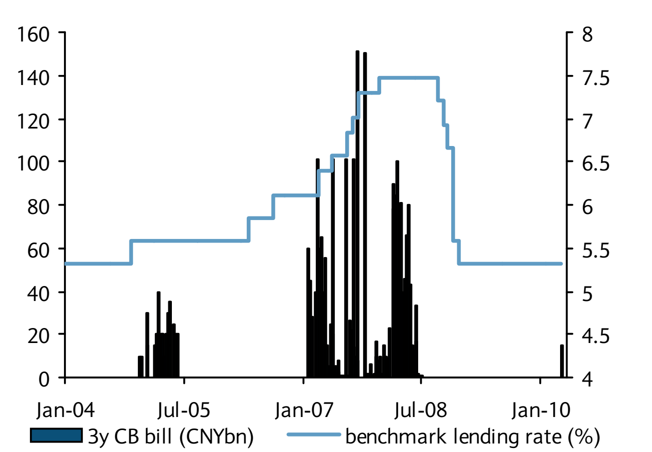
The reissuance of 3y CB bill does not necessarily imply a step closer to a benchmark rate hike

This Thursday, the PBoC resumed the issuance of 3y central bank (CB) bills for the first time since June 2008 (Figure 1). The longer-maturity bill will allow the PBoC to lock up liquidity for a longer term, but we do not think this move in itself necessarily has implications for a benchmark rate hike. Historically, 3y CB bills have only been issued in two periods: December 2004-May 2005, and January 2007-June 2008. Issuance was more associated with the need to drain excess liquidity, which sometimes coincides with rising inflationary pressures (eg, in 2007), but did not necessarily precede a benchmark rate hike.

We see it more as a tool used by the PBoC to manage liquidity

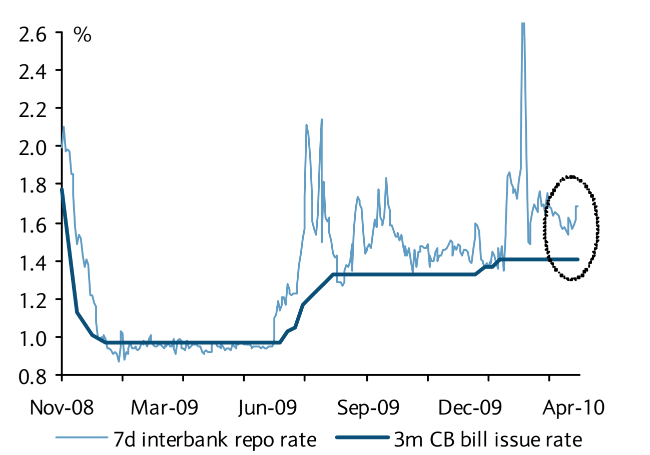
In fact, the move is not so surprising. The market has been expecting the reissuance of the 3y central bank bill, which is one of the tools the PBoC can use in its open market operations to manage liquidity. This would also help to maintain the yield curve, given the expected maturing of the 2007 vintage and offer alternative longer-maturity, higher-yields products for banks' asset allocation.

Figure 1: The issuance of the 3y CB bill is resumed…



Source: CEIC, Barclays Capital

Figure 2: …and the 7d repo rate rose to four-week high



Source: CEIC, Barclays Capital

… but the move is a carefully calculated one

The size of the first 3y issuance, at CNY15bn and currently auctioned bi-weekly, is moderate compared with the weekly auction of around CNY100bn for shorter-dated bills, which suggests the PBoC is careful in selecting an optimal mix of tools to manage liquidity. While 3y bills and RRR hikes both lock funds for a longer term, the former are more expensive for the PBoC, as the yield of 2.75% is higher than the 1.62% paid on required reserves.

We see increasing pressure for a rise in the bill issue rate

Figure 2 shows that the 7d repo rate has been rising since end-March on the back of the PBoC's aggressive net liquidity withdrawal, totalling CNY900bn in the seven weeks following the Chinese New Year holiday. Historically, 7d repo rates spike during holidays and large IPOs, but the latest increase to four-week high of 1.7% seems unrelated to any special event. If the rate remains at a relatively high level, we see an increased probability that the PBoC will raise short-dated CB bill issuing rates again in the coming weeks. The undersubscription of the 273-day government bond auction this Friday reflects market concerns about a near-term rise in the 1y CB bill issuing rate.

Next week, we expect generally strong data…

The full batch of the March data, as well as Q1 GDP, will be released in the coming week. This will be the first set of data this year that is free of Chinese New Year-related distortions, although base effects will continue to affect the magnitude of y/y comparisons. Overall, we expect the data to show continued strength in economic growth and a moderate pick-up in CPI inflation from the January-February average of 2.1%. We expect inflation to rise to about 3% by mid-year, and continue to expect the benchmark rate to increase in Q2, likely in the latter part of the quarter.

… with y/y GDP growth peaking in Q1, and March IP, FAI and retail sales showing solid growth…

We expect real GDP growth to rise to 11.3% from 10.7% in Q4 09, mainly owing to base effects. With the March NBS PMI rebounding to 55.1 from February's 52, we look for continued strong expansion in industrial activity. We forecast y/y growth, however, to moderate to 18% in March from the average of 20.7% in January-February, owing to the high year-earlier base. FAI growth surprised to the upside in January-February, and we expect some normalisation in March owing to base effects and the government's tightening of controls over bank lending. We forecast the monthly y/y growth will moderate from 26.6% in January-February to 25.7% in March, bringing YTD growth to 26.1% y/y. With signs of a possible softening in auto sales, we expect retail sales growth to record lower, but still robust, growth of 17.8% y/y, compared with the 17.9% averaged in January-February.

… possibly a short-lived trade deficit on strong import growth…

Owing to a high base of comparison, we forecast March export growth will slow to 22% y/y from February's 45.7%. We expect import growth to rise to 56% y/y from 44.7%, reflecting strong domestic demand and a pick-up in import prices. This will result in a modest trade deficit of USD2.1bn in March, though we believe trade balance will return to surplus territory in the coming months (See "China: A trade deficit in March is possible, but unlikely to be sustained", *Global Economic Weekly*, 26 March 2010).

… a modest pick-up in CPI inflation and a moderate pace of new lending

We expect a moderate pick-up in the March CPI inflation, to 2.4% y/y from the 2.1% averaged in January-February, mainly reflecting an uptick in non-food inflation. We expect the PPI to rise further to 6.8% in March from 5.4% in February and 4.3% in January, owing to the continued rise in input costs, as seen in the March PMI. Reports suggest new lending was CNY500-CNY700bn in March, compared with CNY700bn in February and CNY1.4trn in the January. We forecast y/y M2 growth will moderate to 22.1% from 25.5% in February, mainly attributable to the high year-earlier base (for more on March CPI and new lending, see "China Outlook", *Global Economics Weekly*, 2 April 2010).

OUTLOOK: EMERGING ASIA

What inflation expectations?

Rahul Bajoria
+65 6308 3511
rahul.bajoria@barcap.com

Wai Ho Leong
+65 6308 3292
waiho.leong@barcap.com

Prakriti Sofat
+65 6308 3201
prakriti.sofat@barcap.com

- **EM Asia continues to experience downside inflation surprises in March, as food prices moderate.**
- **We expect this trend to be reflected next week in China, which also releases industrial production and Q1 GDP.**
- **Next week, we also expect Monetary Authority of Singapore to maintain its neutral stance, though we see an outside chance of it moving to a mild appreciation bias.**

Inflation: Downside surprises continue to weigh on monetary policy

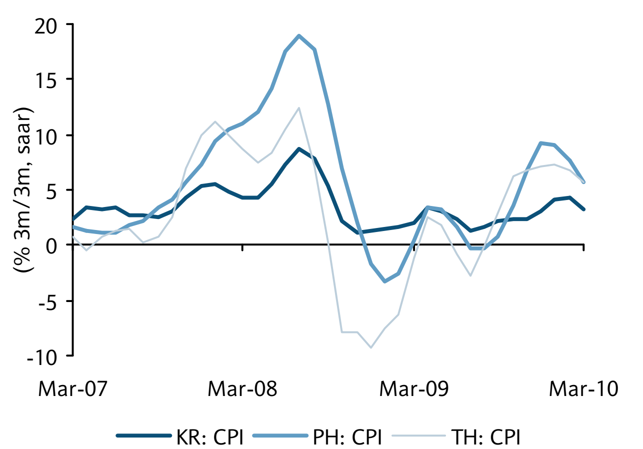
In EM Asia, inflation has only surprised to the downside so far in March

The trend of downside surprises in March inflation readings continues to be a theme in EM Asia. Following Korea, Indonesia and Thailand, March inflation readings came in below expectations in Taiwan and the Philippines. In seasonally adjusted m/m terms, the pick-up in Taiwan was relatively measured, at 0.3%, and in the Philippines, headline CPI actually fell 0.1%. Inflationary pressures in both countries have eased significantly since January and December. In Korea and Indonesia, relatively contained inflation continues to afford policymakers the flexibility to keep rates steady for longer. Next week, we expect a moderate pick-up in China's March CPI inflation, to 2.4% y/y from the 2.1% averaged in January-February, mainly reflecting a moderation in food price inflation. We continue to expect the benchmark rate to increase in Q2, likely in the latter part of the quarter, as CPI inflation rises to about 3%.

Downside inflation surprises in Indonesia helped Bank Indonesia maintain the policy rate at its current level

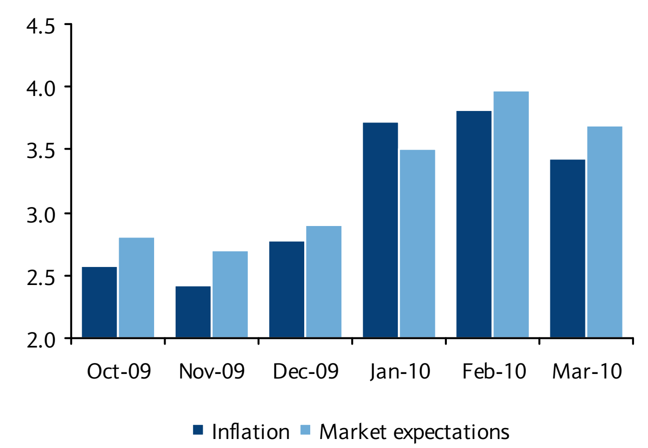
In the rest of Asia, some central banks are standing pat to support the recovery. On Tuesday, Bank Indonesia kept the policy rate at 6.5% for the eighth consecutive month, against a backdrop of continued downside surprises in inflation. The main objective of keeping rates anchored remains supporting credit growth. Furthermore, in the press release that accompanied its decision, BI noted that the outlook economic growth had improved and the impact on financial markets of debt issues faced by Greece has been less than expected.

Figure 1: Inflation momentum is slowing across the region



Source: CEIC, Barclays Capital

Figure 2: Downside surprises for Indonesia inflation



Source: Bloomberg, CEIC, Barclays Capital

Bank of Korea: We continue to look for a June rate hike

Statements from the BoK continue to be neutral

The Bank of Korea kept its base rate unchanged at 2% today for the 14th consecutive month. The decision was widely expected. Today was the first meeting chaired by the BoK's new governor, Kim Choong Soo. The BoK continues to see "… *considerable degree of uncertainty over the actual growth path caused by the enhanced liquidity control in China and fiscal problems in Europe*", but expects greater clarity in the coming months. The new governor mentioned that the economy will face "considerable upward price pressures" in the second half even though inflation is slowing down now.

A rate hike, coupled with the strong balance of payments dynamics, will be supportive of the KRW, which we expect to drift towards 1,050 by year-end

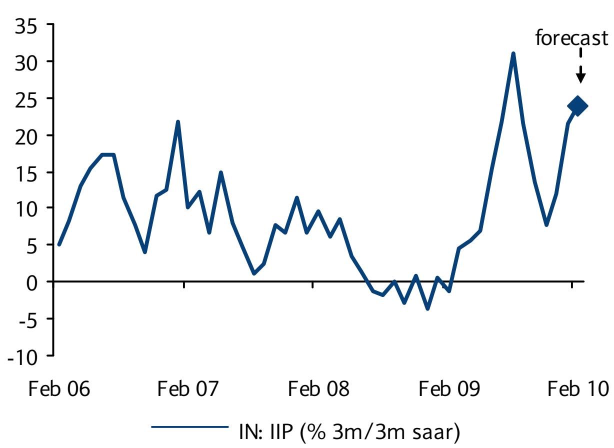
The governor noted that prudential measures were being used to stem any rapid increase in house prices, and said specific issues needed to be resolved using specific tools – like allowing the CD rates to drift lower in response to the weakness in the housing market. If the improving momentum in real sector activity and the labour market is sustained, we expect rate normalisation to begin in late Q2 with a 25bp hike, shortly after the 2 June elections of provincial governors and regional council members. The BoK's concerns about inflation in H2 10 support our view that policy rates could be increased gradually and pre-emptively around the middle of the year (bearing in mind that monetary impulse will take effect after a two-quarter lag). Following the first rate hike, we expect the central bank to remain on hold until after the Fed begins its normalisation cycle, which our US colleagues believe will occur in September 2010. We continue to expect rates to rise by another 50bp in Q4 10, bringing the cumulative increase to 75bp in 2010.

Week ahead: the focus is on India and Singapore

Next week: Focus on India and Singapore

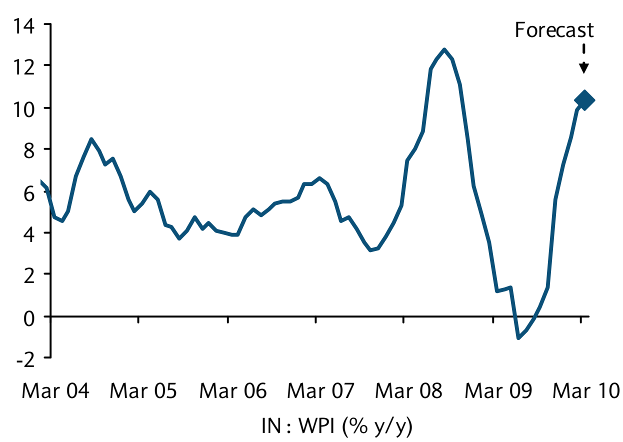
Next week, apart from the data released in China, our focus will be on Monetary Authority of Singapore and Indian industrial production and wholesale prices. In Singapore, we expect the semi-annual monetary policy statement to be released along with the advance estimate of Q1 GDP. We expect growth to show a strong rebound in Q1, and we expect the MAS to maintain its current neutral policy stance. However, given that the tone of global data has been stronger than expected, there is an outside chance that the MAS moves to a gradual tightening stance in April. In India, we expect industrial production to surprise to the upside, rising by 16.3% y/y due to the recovery in durable goods output. We also expect the March WPI to breach double-digits in March, which is likely to evoke hawkish rhetoric from the Reserve Bank of India.

Figure 3: Industrial production likely picked up in India



Source: CEIC, Barclays Capital

Figure 4: While inflation is expected to peak in March



Source: CEIC, Barclays Capital

IN FOCUS: THAILAND

Exit strategy complicated by politics

Rahul Bajoria
+65 6308 3511
rahul.bajoria@barcap.com

After meeting policymakers in Bangkok, we now believe the Bank of Thailand is ready to begin normalising rates. One potential constraint remains – street protests against the government. We maintain our base view of rate hikes to begin in June.

Bank of Thailand's normalisation hinges on the duration of street protests

Bank of Thailand's rate decision at the 21 April policy meeting is contingent on the nature of the political demonstrations during the next two weeks

We believe the decision at the April meeting will be largely determined by political stability – or lack thereof – in the coming weeks. We believe political and social analysts were expecting the approach of the Songkran (the Thai New Year) celebrations to mark the end of political tensions over the near term. However, the recent breakdown of negotiations between the administration and the protesters is a signal that a near-term reconciliation appears remote. With demonstrators storming the grounds of Thailand's parliament on 7 April, Prime Minister Abhisit placed Bangkok under the martial law, which gives greater powers to the armed forces to prevent escalation in nature of protests. If the protests turn peaceful again, we believe the risk of the BoT hiking the policy rates 25bp at the April policy meeting increase significantly. However, if the street protests escalate into violence, we believe the BoT will be inclined to postpone the hike to the June policy meeting.

A 25bp rate hike is not likely to affect deposit and lending rates

We maintain our base call for BoT to start hiking rates on 2 June. We continue to expect the BoT to increase its policy rate in a gradual manner, hiking the policy rate 75bp by Q4 10, taking it to 2.0%. Recent data continue to support our view that the domestic growth recovery is taking a more definite shape in Thailand. Given strong external demand, improved domestic sentiment and the effect of fiscal stimuli, we believe domestic demand is likely to remain elevated in 2010. Recent rhetoric from the BoT indicates that it is looking to normalise its policy stance, but is waiting for more visibility on domestic political dynamics. Even if the BoT chooses to hike in April, we see little effect on market lending and deposit rates, as loan growth remains weak and domestic liquidity is flush. With loan growth remaining weak and deposit base remaining high, likelihood of an effect on lending or deposit rates remains low in case of a rate hike.

Figure 1: The risks of an April rate hike have gone up

Possibilities	21 April 2010	2 June 2010
Probability of a rate hike	35%	80%
Factors supporting rate hikes	Recent economic data show evidence of a sustainable recovery. The government withdraws the Emergency decree prior to the meeting. Commodity prices rise further, leading to another windfall gain in income for farmers. Street demonstrations end or continue to be peaceful.	Higher probability of reconciliation between protesters and the government in two months. Q1 GDP and May core inflation surprise on the upside. More indications that the recovery is sustainable. More clarity on the policy response to sovereign debt problems in Europe.
Factors opposing rate hikes	Core inflation remains below the lower bound of the target range. Lack of clarity on developments in Europe, and fiscal issues continuing to pose risks to growth in Asia.	Thailand's output gap is likely to remain in negative territory.

Source: Barclays Capital

An upbeat outlook for production and employment

The cyclical recovery chugs along in the Thai manufacturing sector

Speaking to officials at the Bank of Thailand and other policymakers, we believe the consensus view among policymakers is that economy has recovered from the shock of the global financial crisis. Furthermore, they believe Thailand's manufacturing sector has embarked on a sustained recovery, as external demand has recovered robustly in the past six months. Capacity utilisation levels have rebounded to pre-Lehman crisis levels; this indicates that the manufacturing sector has recovered from the crisis and is currently enjoying a cyclical bounce.

The strong recovery in the labour market provides room for policymakers to start pulling back stimulus

This recovery trend has also been reflected in the gradual decline in the unemployment rate, which hit a low of 0.9% in December 2009. This has come at a time when both the number of jobs created and the labour participation rate have been rising. The bulk of the jobs created have been in the non-agricultural sector. We believe the Thai Khem Keng ("Strong Thailand") scheme has helped by creating temporary jobs, strengthening the job market.

Strong recovery in the labour market

While the process of inventory rebuilding has been slow, we see signs that the restocking process is progressing. As the recovery becomes more entrenched and turns sustainable, we expect the inventory build-up to prolong the production cycle in terms of both quantity and quality.

Core inflation outlook: Manageable in the near term

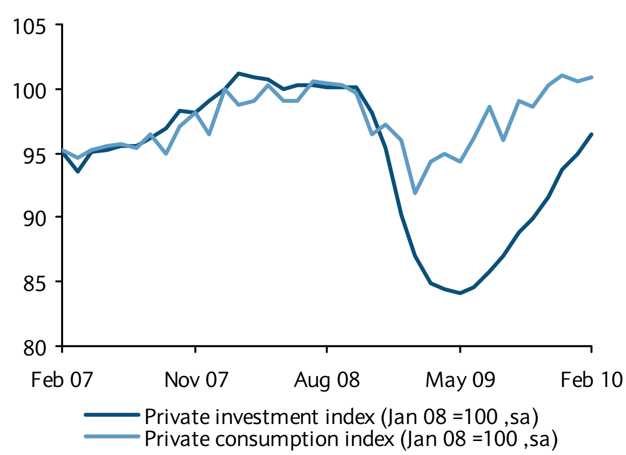
Core inflation to rise gradually in the coming months

With the continuation of some parts of the utilities support programme introduced in the wake of the global financial crisis, Thailand's inflation outlook appears manageable in the short term. While headline CPI has risen to 3.4% y/y in March, it is below the 4.1% seen in January. In addition, given the weaker-than-expected prints in February and March, we expect core inflation to show modest increases in the coming months. We expect the rise in core inflation to be in line with improving domestic demand.

We lower our forecast of 2010 headline inflation to 3.5% from 4%

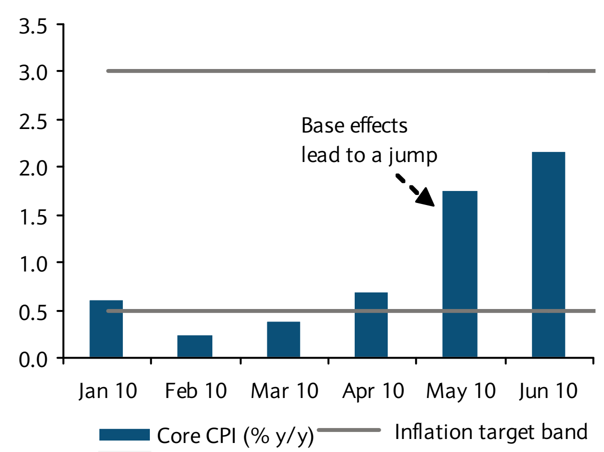
In terms of the drivers of inflation, food prices have come off in the past couple of months. Although transport and motor fuel prices in Thailand have risen in the past few months, we expect the energy component's contribution to inflation to remain well behaved. In light of the downside surprise in March, we revise our headline inflation forecast to 3.5% from 4.0% earlier. We expect inflation to pick up again from June, when another set of housing-related subsidies are likely to be withdrawn. We remain comfortable with our 2010 core inflation forecast of 2.1%.

Figure 2: Domestic demand has recovered solidly



Source: CEIC, Barclays Capital

Figure 3: Core inflation is expected to rise gradually



Source: CEIC, Barclays Capital

DATA REVIEW & PREVIEW: ASIA

Rahul Bajoria, Jian Chang, David Forrester

Review of last week's data releases

Main indicators	Period	Previous	BarCap	Actual	Comments
Indonesia: Bank Indonesia (%)	–	6.5	6.5	6.5	Rates unchanged, given benign inflation.
Taiwan: CPI (% y/y)	Mar	2.4	1.5	1.3	Declining food prices lead to downside surprise.
Korea: Bank of Korea base rate (%)	–	2.0	2.0	2.0	We expect rate hikes to begin in late Q2.

Preview of week ahead

Sunday 10 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
–	China: M2 (% y/y)	Mar	27.6	26	25.5	22.1	23
12:00	China: Exports (% y/y)	Mar	17.7	21	45.7	22	27
12:00	China: Imports (% y/y)	Mar	55.9	85.5	44.7	56	55

China: M2: The moderation reflects the high year-earlier base as lending surged in Q1 09.
China: Exports: Continued recovery; the moderation reflects base effects.
China: Imports: Strong pick-up on robust domestic demand and higher import prices.

Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
09:30	Australia: Housing finance (% m/m)	Feb	-6.2	-5.1	-7.9	–	–
–	India: Industrial production (% y/y)	Feb	11.8	17.6	16.7	16.3	15.9

India: Strong activity in February likely to generate a decent m/m rise.

Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
06:45	New Zealand: Retail sales (% m/m)	Feb	0.8	-0.4	0.8	–	–
08:00	Singapore : Monetary authority of Singapore MPS						
07:00	Korea: Unemployment rate (%)	Mar	3.6	4.8	4.4	4.0	–
08:00	Singapore: Adv GDP estimate (% q/q saar)	Q1	20.4	14.9	-6.8	15.7	15.6
14:30	India: WPI (% y/y)	Mar	8.1	8.6	9.9	10.4	

Singapore: On balance, we continue to expect the Monetary Authority of Singapore (MAS) to maintain its current neutral policy stance. However, given that the tone of global data indicators has been stronger than expected, there is an outside chance of the MAS moving to a small appreciation bias.
Korea: Private sector employment likely improved.
India: March WPI should signal the near-term peak in inflation.

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
10:00	China: GDP (% y/y)	Q1	7.9	9.1	10.7	11.3	11.6
10:00	China: CPI (% y/y)	Mar	1.9	1.5	2.7	2.4	2.6
10:00	China: PPI (% y/y)	Mar	1.7	4.3	5.4	6.8	6.5
10:00	China: IP (% y/y)	Mar	18.5	20.7	20.7	18	18
10:00	China: YTD, FAI (% y/y)	Mar	30.5	26.6	26.6	26.1	26
10:00	China: Retail sales (% y/y)	Mar	17.5	17.9	17.9	17.8	18

China: GDP: Y/Y growth is expected to peak in Q1 10 due to base effects.
China: CPI: Food price inflation moderated in March, making a smaller contribution to overall CPI inflation.
China: PPI: PMI suggests continued rise in input costs.
China: IP: PMI points to continued strong expansion in industrial activity; the moderation reflects high base in March 2009.
China: FAI: Monthly y/y growth is normalised to 25.7% from 26.6% in January-February.
China: Retail sales: Continued robust retail sales, with possible signs of moderation in auto sales.

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
–	Singapore: Non-oil domestic exports (% y/y)	Mar	11.8	17.6	23.4	14.0	–

Singapore: Fuelled by the temporary pick-up in North Asian appetite for electronic components.

OUTLOOK: EMERGING EUROPE, MIDDLE EAST & AFRICA

Microclimate

Christian Keller
+44 (0) 20 7773 2031
christian.keller@barcap.com

- **Understanding the region requires a sharper pencil than ever, as country-specific issues dominate.**
- **Greece's debt problems and some inflation trends may provide a common backdrop, but for now, countries in the region seem mainly affected by their idiosyncratic issues such as elections, IMF relations, potential 'exit' strategies, etc.**

Hungary goes to vote

Elections on Sunday (second round on 25 April)

This week brought further signs that an export-driven recovery is underway in Hungary (eg, IP growth of 8.4% y/y in February) and that the budget remains on track (Q1 budget figures were slightly better than expected). On Sunday, 11 April, the first round of the elections takes place (the second round is on 25 April). A victory for the opposition Fidesz seems very likely, given its lead in the polls (Figure1). The main question is whether it may gain an absolute majority, which would facilitate ambitious local government reform through constitutional changes. Such reform is deemed crucial to reducing structurally high government spending levels. A reassuring victory could also make Fidesz less concerned about the local election in October, possibly expediting negotiations with the IMF on a potential successor program (the existing one runs out in fall). Fidesz has made significant noise regarding the need to adjust the 2010 budget. Once in power, however, it will have to face the reality not only of the IMF but also an EU that seems unwilling to allow Hungary to deviate from the agreed 3.8% deficit target (ie, a slight reduction from the 4.0% in 2009). In our constructive baseline scenario, we assume that Fidesz will not escalate a conflict over fiscal targets, but constrain itself to largely cosmetic changes and stick to a debt reduction strategy. Such an approach could lead to lower risk premium on Hungarian assets, allowing interest rates to fall further and thereby promoting more local currency lending.

Can Fidesz win absolute majority?

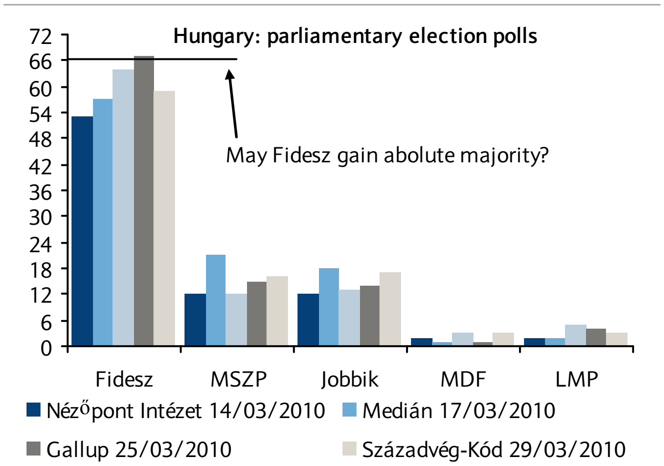
Will Fidesz continue fiscal consolidation?

Turkey's 'exit strategy' – much ado about … not a lot

Talk of 'exit strategy' has fuelled speculation

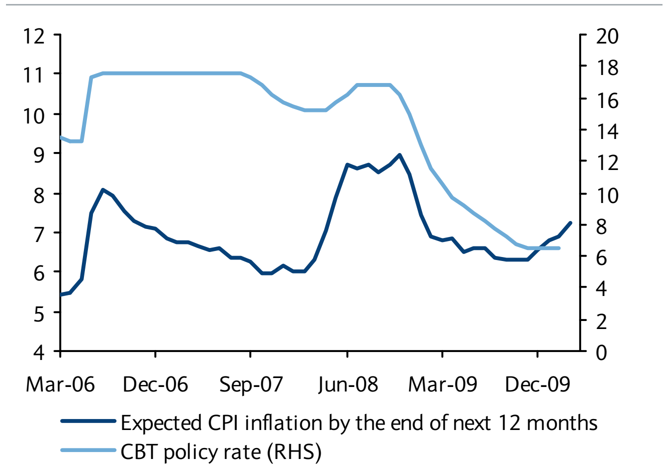
Speculation about monetary policy increased when the CBT announced that the day following its regular MPC meeting (13 April), it will also present its 'exit' strategy (14 April).

Figure 1: Hungary: First round of Parliamentary elections



Source: Reuters, Barclays Capital

Figure 2: Turkey: Rate hikes will come, but not next week



Source: CBT, Haver Analytics, Barclays Capital

But there is little to 'exit' from…

However, there is little to 'exit' from: 1) the CBT's intermediary role in the FX market to reduce counterparty risk and provide additional FX to banks in need. This was mainly a post-Lehman emergency measure that is no longer necessary. The effect on FX or any other market should be very limited. 2) The 1pp reduction in the reserve requirement ratio on TRY deposits, and 3) Introduction of the 3m repo facility. These two have increased banks' TRY term liquidity (TRY2-3bn via reserves and TRY10-14bn via repos, we estimate) and, if removed at once, should have an effect on the local bond market. For exactly that reason, however, we believe the CBT will tread carefully, prepare banks well in advance and do things in a phased manner. This is also true, in our view, for the potential 'technical rate adjustment', whereby the (1-week) repo rate would become the new policy rate. The CBT has been contemplating such a move for some time, and given the now permanent TRY liquidity shortage in the local market, it would like to encourage interbank lending. However, we do not think the CBT would combine such a move with a surprise hike. In our scenario, the MPC will leave rates unchanged on 13 April, noting in its statement the improvements in the economy. On 14 April the CBT will hold discussions with banks and present the phased 'exit' measures discussed above. While this may have implications for local bond markets (but not swaps), we continue to expect the CBT to hold off with actual rate hikes until September. We do not see what would bring the CBT suddenly to contradict its long-standing rhetoric and surprise markets with a hike, in particular when inflation expectations have behaved relatively well and the TRY has strengthened recently. Indeed, the focus on an 'exit strategy' should perhaps be seen as part of a buying time before starting actual hikes.

…and the CBT is likely to move gradually

'Technical rate' adjustment also more likely at a later date

Scaling back 3m repo could have an effect on local bonds

We see rates unchanged

Central Europe's inflation moderation

Still favorable inflation trends in Central Europe

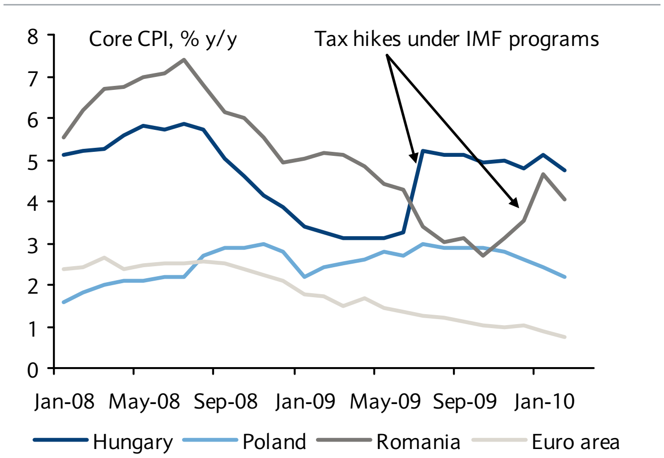
Inflation prints (for March) and current account data (for February) are the most important macro events to follow next week. We expect another set of benign headline numbers, including in Israel, where the recovery had started earlier than in the rest of the region. Closer to the border of the euro area, where core inflation shows little signs of trending up, we expect a deceleration in y/y CPI inflation rates in Poland, Hungary and Romania.

South Eastern Europe's potential 'ouzo' risk

Greek banks main risk for EM Europe

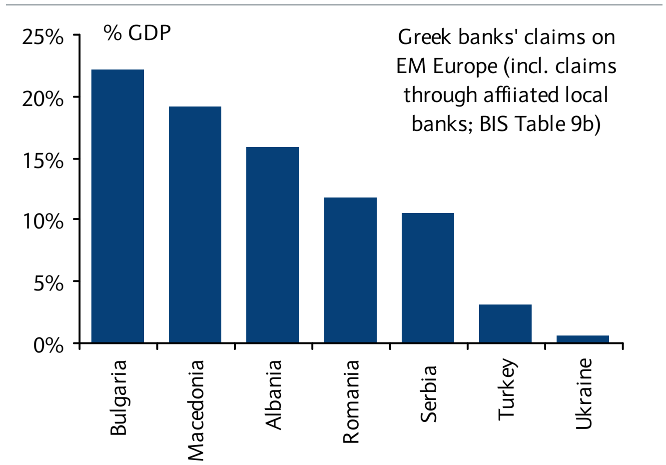
As we have opined before, the main immediate contagion risk for EM Europe from Greece would be from Greek bank exposure. We know where they are (Figure 4). However, the most vulnerable countries are also small, making potential IMF help less complicated.

Figure 3: Hungary: Inflation in emerging Europe



Source: National central banks, haver Analytics; Barclays Capital

Figure 4: Greek banks' activities across EM Europe



Source: BIS, Haver Analytics, Barclays Capital

DATA REVIEW & PREVIEW: EMERGING EUROPE & AFRICA

George Christou, Jeffrey Schultz, Christian Keller, Daniel Hewitt, Alia Moubayed, Toni Dang

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Turkey: Consumer Prices (% y/y)	Mar	10.13	9.3	9.6	Food continues to surprise on the upside
Russia: Consumer Prices (% y/y)	Mar	7.2	6.6	6.5	Base effects remain helpful until H2
Ukraine: Consumer Prices (% y/y)	Mar	11.5	11.2	11.0	As expected.
Czech Republic: Retail Sales (% y/y)	Feb	-5.0	-3.0	-2.1	Slightly stronger than expected, still declining
Czech Republic: Trade Balance (CZK bn)	Feb	13.1	19.0	15.3	Trade surplus reflects strong exports, modest imports
Hungary: Industrial Output (% y/y)	Feb P	5.7	10.0	8.4	Lower than our forecast but above consensus
Romania: Net Wages (% y/y)	Feb	5.2	-	3.9	Government wage freeze is keeping real wages negative
Romania: Retail Sales (% y/y)	Feb	-10.3	-8.0	-8.0	As expected, domestic demand remains weak
Hungary: Budget Balance (HUF, YTD)	Mar	-351	-	-610	Q1 budget performance was tight but on track
Hungary: Trade Balance (EUR mn)	Feb P	290	-	374	Exports continue to perform well
Turkey: Industrial Production NSA (% y/y)	Feb	12.3	13.0	18.1	Large base effect, but impressive nevertheless
South Africa: SACCI Business Confidence	Mar	83.0	-	83.2	Improved business climate reflected in March number
South Africa: Vehicle sales (%, y/y)	Mar	16.2	-	15.0	Sales continue to show robust growth, encouraging signs from commercial sales
South Africa: Manufacturing Production NSA (% y/y)	Feb	3.7	4.6	2.7	Lower than expected but showing sector's recovery remains on track.
South Africa: Mining production (%, y/y)	Mar	9.7	-	5.8	Second consecutive month of positive y/y growth, indicative of improved global demand conditions

Preview of week ahead

Saturday 10 April – Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	Russia: Budget Level (RUB bn, YTD)	Mar	-2326	87	-195	-	-
	Kazakhstan: Industrial Production (%)	Mar	12.1	10.3	10.5	-	11.0
	Kazakhstan: Real Wages (% y/y)	Feb	6.1	6.9	1.2	-	-
	Egypt: CPI (% y/y)	Mar	13.2	13.6	12.8	12.0	-
	Ukraine: Industrial Production (% y/y)	Mar	7.4	11.8	5.6	-	7.9
08:00	Romania: Consumer Prices	Mar	4.7	5.2	4.5	4.4	-
08:00	Turkey: Current Account (USD bn)	Feb	-1.7	-3.1	-3.0	-	-

Egypt: A combination of base effects and slow recovery in domestic demand will drive y/y inflation to lower levels.

Romania: We expect inflation deceleration to proceed at a modest pace during 2010. Given the weak growth indicators, there is risk that inflation will decline at a faster pace.

Turkey: We are mainly interested in the composition of the capital flows: more large "errors & omissions" or more FDI?

Tuesday 13 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Hungary: Consumer Prices (% y/y)	Mar	5.6	6.4	5.7	5.5	5.7
	Romania: Current Account (EUR bn, YTD)	Feb	-4.7	-5.1	-0.1	-	-
13:00	Poland: Current Account (EUR mn)	Feb	-1433	-959	-710	+16	-
13:00	Poland: Trade Balance (EUR mn)	Feb	-288	-645	-171	+215	-
17:00	Turkey: Rate announcement	Apr-13	6.5	6.5	6.5	6.5	6.5

Hungary: We expect a small deceleration in March. The base effect starts bringing y/y rates down more sharply from July.

Poland: We predict current and trade account improvements occurred in February on strong exports and muted imports.

Turkey: Expect language adjustment in the MPC statement and the presentation of a phased 'exit strategy', but rates on hold.

Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	Russia: Industrial Production (% y/y)	Mar	2.7	7.8	1.9	-	3.0
10:30	South Africa: Retail Sales Constant (% y/y)	Feb	-6.6	-3.8	-1.7	0.1	-
13:00	Hungary: Central Bank's Minutes	Apr-14	n/a	n/a	n/a	n/a	n/a
	Poland: Budget Level (PLN bn, YTD)	Mar	-23.8	-4.80	-16.7	-	-

Hungary: In our view, the most recent MC statement signalled potentially less restraint in further rate cuts; we look for whether the minutes will confirm this.

South Africa: Small positive y/y print in retail sales expected, the first positive headline print in 12 months.

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Turkey: Unemployment Rate	Jan	13.0	13.1	13.5	-	-
13:00	Poland: CPI (% y/y)	Mar	3.5	3.5	2.9	2.6	-
16:30	Israel: Consumer Prices (% y/y)	Mar	3.9	3.8	3.6	3.4	-

Turkey: There are signs of improvements in the labour markets, but unemployment rates are likely to remain elevated.

Poland: Deflation will continue due to declining core inflation.

Israel: Inflation is decelerating on low food inflation and deflation in furnishings and clothing. Energy and fruits and vegetables are providing some resistance.

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Hungary: Average Gross Wages (% y/y)	Feb	-3.0	0.0	6.5	5.0	4.7
08:00	Turkey: Consumer Confidence	Mar	78.8	79.2	81.9	-	-

Hungary: The labour market is split between export-related industries doing better and a bleak outlook in the service sector.

Turkey: Recent data should add to consumer confidence (although we think the indicator is of only limited use in Turkey).

OUTLOOK: LATIN AMERICA

Birds of a feather?

Guilherme Loureiro
+55 11 5509 3295
guilherme.loureiro@barcap.com

Guillermo Mondino
+1 212 412 7961
guillermo.mondino@barcap.com

Jimena Zuniga
+1 (212) 412 5361
jimena.zuniga@barcap.com

- **According to market perceptions, central bankers in Latin America are dovish. However, we think the evidence supporting this perception is scant.**
- **This week, March inflation numbers were unveiled by a number of countries, showing, by and large, either small or even negative surprises.**
- **We believe the data are consistent with our view that Brazil's COPOM will hike 50bp in April, as opposed to 75bp; we continue to expect Mexico to tighten in August.**

According to market perceptions, central bankers in Latin America are dovish. In some cases, there has even been a perception that central banks could be behind the curve, for example in Brazil. We do not necessarily share those views. Rather, we think Latin central bankers are carefully evaluating the information that is coming along and, in a world with still significant uncertainty, are rationally responding with some caution. However, when the data suggest otherwise, we hold that central banks will adequately adjust their stance.

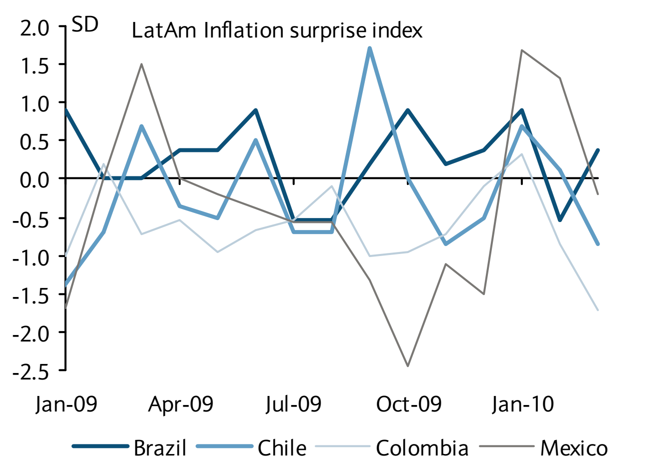
No surprises or those on the low side across the board

This week, March inflation numbers were unveiled by a number of countries, showing, by and large, either small or even negative surprises (Figure 1). While inflation surprises may sometimes mask increased expected inflation, the actual levels seem somewhat distant from the more hawkish views that support "behind-the-curve" assessments.

For Brazil, this should contain hawkish sentiment

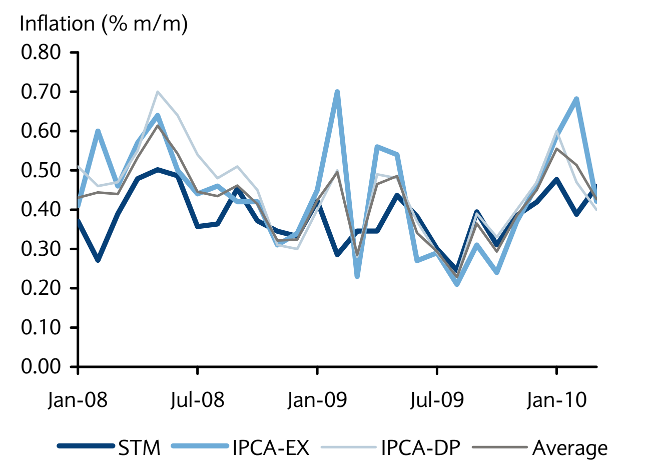
Brazil's March inflation print should sooth somewhat the most belligerent among the hawks. While headline inflation came out slightly above consensus (0.52%, consensus 0.5%, BarCap 0.45%), it still showed a significant deceleration relative to February's high reading (0.78%). Indeed, it had surprised because of its strength in the first two months of 2010. While we were expecting seasonal factors on food, transportation and education to push inflation up, we were surprised by their intensity. Contributing to this environment, we also saw core measures moving up, raising broader concerns that something beyond seasonal pressures was driving the process. As a result, the central bank let markets know that it would be monitoring developments at the time of

Figure 1: Good surprises or no surprises



Note: z-score of the difference between realized and expected inflation
Source: Bloomberg, Barclays Capital

Figure 2: Tame core pressures in Brazil



Source: Bacen, Barclays Capital

determining the pace of the tightening cycle. The March releases showed signs that inflation may have brought some relief.

Core inflation pressures seem tame…

The average of the main core measures showed that inflation is softening (Figure 2), inflation ex-food is printing below 3% at annualised rates and the upward pressure is concentrated on food prices, specifically on produce. This group was influenced by the atypically strong rain in Brazil in the past months, which reduced produce supply, but we expect this effect to be temporary. On the other hand, both education and transport prices are softening after tuition and bus fares hikes earlier this year. The services sector, while benefitting from slowing education price increases, represents, in our view, one of the major risks. This sector should work as an effective sign of the potential effect of strong economic growth pushed by domestic demand. Irrespective of these concerns, we maintain our view that inflation has peaked and expect IPCA inflation to stay at 5.2% by year-end.

…supporting our relatively less aggressive monetary policy call

We also think that thanks to the latest prints, the central bank is likely to hike interest rates by 50bp (as opposed to a more hawkish 75bp) at the April 28 COPOM meeting and continue doing so for the rest of the year, for a total hiking cycle of 250bp. Much in line with last week's inflation report, we expect such a cycle to suffice to bring inflation back down to a level close to target.

In Mexico, an inflation spike is also unlikely, but even so, the 3% goal for 2011 seems ambitious

Meanwhile, inflation in Mexico was in line with expectations this week, after a few high-side surprises this year. This brought the y/y reading to 5.0%, but we continue to expect limited further damage beyond this level, in line with the central bank's view. The problem, in our opinion, is 2011, when Banxico's 3% target and forecast seem sanguine relative to inflation expectations (as measured by medium-term breakevens) north of 4%. We believe this will lead the central bank to start withdrawing monetary stimulus in August.

This, along with a fast narrowing of the output gap, should lead Banxico to start hiking in August

Furthermore, we maintain our assessment that activity in Mexico will continue to grow strongly to close the year at 5.5%, with some reassurance this week from a strong IMEF (Mexico's ISM). Indeed, this week's March manufacturing and non-manufacturing indexes surprised with strong prints at 55.2 and 55.1, respectively, against a consensus of 52.3 and 53.2. If growth is close to our estimated path, the output gap will close at a faster pace than currently acknowledged by Banxico. As a result, the bank will probably continue to increase the "hawkishness" of its communication gradually, as it began to do in March (*Mexico: A notch more hawk*, 19 March 2010).

Despite a low inflation print, Chile's central bank will likely maintain a hawkish tone

Certainly, in Chile, central bank communication has been miles away from dovish, with the monetary policy report (IPOM) triggering a massive sell-off in yields. If any doubts were raised by what appeared to be dovish comments by Central Bank Governor Jose De Gregorio on 7 April, they should have been dispelled by the chief economist's clarification that the market "correctly interpreted the IPOM" as reported by Bloomberg. Thus, in the case of Chile, we are comfortable with our assessment that the CPI surprise in March can hardly overrule the medium-term assessment contained in the report, and we expect the statement accompanying the April 15 decision to carry a hawkish tone, preparing the market for a first rate hike in July at the latest (*Chile: CPI surprise changes little*, 8 April 2010).

The perception of excessive dovishness, thus, seems unwarranted

Overall, while Latin central banks are perceived as dovish, it seems to us the evidence of dovishness is scant. With the exception of Chile, where, in our view, the dovish market reaction to the earthquake warranted a clarification, we think the incoming data are supporting a moderate stance that will adjust gradually in coming months.

DATA REVIEW & PREVIEW: LATIN AMERICA

Alejandro Grisanti, Guilherme Loureiro, Marcelo Salomon, Sebastian Vargas, Jimena Zuniga

Review of the week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Chile – IMACEC indicator (% y/y)	Feb	4.2	4.5	2.7	Early evidence of the earthquake effects
Chile – Central bank meeting minutes	Apr	N/A	N/A	N/A	BCCh said it cannot allow an "unsustainable boom"
Uruguay – CPI inflation (% m/m)	Mar	0.56	0.51	0.95	Inflation surprise. We still expect a rate hike in June.
Mexico – IMEF manufacturing index	Mar	51.9	52.5	55.2	A reassuring sign that suggests momentum in Q2
Colombia – CPI inflation (% m/m)	Mar	0.83	0.65	0.25	A significant surprise, not entirely due to food
Chile – Trade balance (USD mn)	Mar	1332	1250	1364	Reassuring sign that exports did not collapse
Brazil – IGP-DI inflation (% m/m)	Mar	1.09	0.90	0.63	Industrial wholesale prices pushed the slowdown
Brazil – IPCA inflation (% m/m)	Mar	0.78	0.45	0.52	Softer core measures indicate inflation is losing steam
Chile – CPI inflation (% m/m)	Mar	0.3	0.5	0.1	Unlikely to change the BCCh's medium-term views
Mexico – CPI inflation (% m/m)	Mar	0.58	0.71	0.71	In line with our view of little further damage
Mexico – Core CPI inflation (% m/m)	Mar	0.40	0.34	0.36	See above.
Peru – Reference rate	Apr	1.25%	1.25%		
Peru – Trade balance (PEN mn)	Feb	362	N/A		
Venezuela – CPI inflation (% m/m)	Mar	1.60	N/A		
Colombia – Monetary policy minutes	Apr	N/A	N/A		

Preview of the week ahead

Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
10:00	Mexico – Gross fixed invest. (% y/y)	Jan	-12.5	-7.3	-4.1	N/A	N/A
10:00	Mexico – Industrial production (% y/y)	Feb	-1.54	1.56	3.64	4.5	N/A

Mexico IP: The forecast is consistent with a 0.7% m/m SA gain, after a breather in January

Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
8:00	Brazil – Retail sales (% y/y)	Feb	8.6	9.2	10.4	11.1	N/A
15:00	Argentina – CPI inflation (% m/m)	Mar	0.9	1.0	1.2	1.0	N/A

Brazil Retail sales: Consistent with 0.9% m/m SA increase from January. The slowdown when compared to the previous month reflects mainly a softer growth of sales of home appliances.

Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
7:00	Brazil – IGP-10 inflation (% m/m)	Apr	0.20	1.08	1.10	0.70	N/A
16:00	Brazil – Tax collection (BRL bn)	Mar	73.9	73.0	53.5	62.0	N/A
18:00	Chile – Overnight target rate	Apr	0.50%	0.50%	0.50%	0.50%	0.50%
N/A	Peru – GDP (% y/y)	Feb	4.22	4.88	3.60	4.2	N/A

Brazil IGP-10 inflation: We expect food prices to continue exerting upward pressures on the agricultural wholesale prices group and on the consumer price component.

Brazil tax collection: Besides the stronger print compared with February, it does not reflect a tax collection recovery when one accounts for seasonal effects.

Chile overnight rate: We expect the accompanying statement to maintain a hawkish tone, as the central bank prepares the market for a first rate hike in July at the latest.

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
10:00	Mexico – Overnight target rate	Apr	4.50%	4.50%	4.50%	4.50%	N/A
15:00	Argentina – Econ. Activ. Index (% y/y)	Feb	2.4	4.8	4.9	5.0	N/A
17:00	Colombia – Trade balance (USD mn)	Feb	181.4	293.0	359.1	N/A	N/A

Mexico overnight rate: Banxico's tone in the accompanying statement is unlikely to shake the market, as the central bank's migration to a more hawkish stance is likely to remain gradual. We continue to expect a first rate hike in August.

Week 12-16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
N/A	Mexico – Vehicle production (AMIA)	Mar	154k	165k	167k	N/A	N/A

COUNTRY SNAPSHOT: BRAZIL

	2009				2010				2011				Calendar year average		
% change y/y*	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP (q/q saar)	**-3.6**	**5.6**	**7.0**	**8.4**	**6.0**	**3.8**	**4.0**	**3.6**	**4.0**	**5.2**	**6.0**	**4.5**	**-0.2**	**5.7**	**4.5**
Real GDP	-2.1	-1.6	-1.2	4.3	6.8	6.3	5.5	4.3	3.8	4.2	4.7	4.9			
Private consumption	1.5	3.0	3.9	7.7	9.3	7.9	6.9	5.8	4.5	4.5	4.0	4.0	4.1	7.4	4.2
Public consumption	4.3	3.9	1.6	4.9	1.6	2.5	2.5	2.4	2.0	2.5	2.5	3.0	3.7	2.2	2.5
Investment	-14.2	-16.0	-12.5	3.6	19.6	20.3	14.2	8.4	12.0	13.0	14.0	13.0	-9.9	15.3	13.0
Net exports contribution (pp)	-1.5	-0.9	-0.8	-2.6	-2.8	-3.2	-3.3	-2.7	-2.5	-2.3	-2.4	-2.0	-1.4	-3.0	-2.3
Industrial output	-14.6	-12.3	-8.2	6.1	10.5	7.3	6.5	5.5	2.0	3.5	5.5	3.5	-7.3	8.6	3.6
Employment (q/q saar)	1.4	0.1	0.8	1.9	2.9	4.2	3.6	4.0	2.1	2.0	2.8	2.6	1.4	2.6	2.4
Unemployment rate (%)	8.6	8.6	7.9	7.2	8.2	8.0	7.8	7.6	7.9	7.8	7.6	7.5	8.1	7.9	7.7
CPI inflation	**5.6**	**4.8**	**4.3**	**4.3**	**5.2**	**4.8**	**5.2**	**5.2**	**4.7**	**4.6**	**4.7**	**4.8**	**4.3**	**5.2**	**4.8**
Core CPI ex food/energy	6.0	5.7	5.0	5.0	4.8	4.7	4.9	4.9	4.6	4.6	4.6	4.7	5.0	4.9	4.7
Current account % GDP	-1.6	-1.3	-1.2	-1.6									-1.6	-2.5	-3.0
Government balance % GDP	-2.7	-3.1	-4.1	-3.3									-3.3	-2.6	-2.2
Selic rate (period end %)	**11.3**	**9.3**	**8.8**	**8.8**	**8.8**	**9.8**	**10.8**	**11.3**	**11.3**	**11.3**	**11.3**	**11.3**	**9.9**	**10.0**	**11.3**

Note: *All numbers expressed as y/y % unless otherwise specified. Source: IBGE. BCB, National Treasury, Barclays Capital

COUNTRY SNAPSHOT: CHINA

	2009				2010				2011				Calendar year average		
% change y/y	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP (q/q saar)	7.6	17.6	9.2	6.9	8.5	8.4	8.4	8.4	8.8	8.8	8.8	8.8	…	…	…
Real GDP	6.2	7.9	9.1	10.7	11.3	9.4	9.0	8.7	8.8	8.9	9.0	9.1	8.7	9.6	9.0
Private consumption	7.8	9.0	10.4	11.4	12.2	11.3	9.7	9.2	9.4	9.7	10.3	10.6	9.7	10.6	10.0
Public consumption	8.4	9.3	10.2	11.9	9.8	9.4	9.0	8.8	8.9	9.1	9.3	9.3	10.0	9.2	9.2
Investment	16.0	18.5	20.2	21.4	13.6	11.6	9.2	8.5	9.5	10.2	10.7	11.4	19.0	10.7	10.5
Net exports contribution (pp)	-4.3	-4.8	-4.0	-2.4	0.2	0.3	0.3	0.4	0.4	0.1	-0.1	-0.2	-3.9	0.3	0.0
Industrial output	5.3	9.0	12.3	17.9	19.5	13.9	11.1	10.5	10.8	11.3	11.6	12.1	11.0	13.8	11.3
Unemployment rate (%)	4.3	4.3	4.4	4.3	4.3	4.2	4.2	4.1	4.1	4.0	4.0	4.0	4.3	4.2	4.0
CPI inflation	-0.6	-1.5	-1.3	0.7	2.2	3.1	4.0	4.5	4.5	3.9	3.1	2.3	-0.7	3.5	3.5
Current account (% GDP)		6.6		5.0		5.2		5.2		4.7		4.7	5.8	5.2	4.7
Government balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-2.2	-2.8	-1.0
Key CB rate (period end, %)	5.31	5.31	5.31	5.31	5.31	5.58	5.85	6.12	6.39	6.66	6.66	6.66	5.31	5.72	6.59

Note: All numbers are expressed in y/y % change unless otherwise specified. Source: Barclays Capital

COUNTRY SNAPSHOT: EURO AREA

	2009				2010				2011				Calendar year average		
% Change q/q	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2009E	2010E	2011E
Real GDP	-2.5	-0.1	0.4	0.0	0.1	0.5	0.4	0.4	0.5	0.5	0.7	0.7	...	...	...
Real GDP (saar)	-9.5	-0.5	1.6	0.2	0.5	1.9	1.6	1.8	1.9	2.1	2.7	2.7	...	...	...
Real GDP (y/y)	-5.0	-4.9	-4.1	-2.2	0.4	1.0	1.0	1.4	1.8	1.8	2.1	2.4	-4.0	1.0	2.1
Private consumption	-0.5	0.1	-0.1	0.0	-0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	-1.0	0.1	1.4
Public consumption	0.6	0.6	0.7	-0.1	0.2	0.3	0.2	0.1	0.1	0.1	0.1	0.1	2.3	1.0	0.6
Investment	-5.2	-1.6	-0.9	-1.3	-0.9	0.4	0.2	0.5	0.6	0.7	0.8	0.8	-10.8	-2.2	2.6
- residential construction	-2.2	-1.8	-2.3	-1.9	-2.3	0.9	-0.2	-0.1	0.2	0.4	0.6	0.6	-9.4	-4.7	1.0
- non-residential construction	-1.0	-0.3	-1.3	-1.8	-1.6	0.4	-0.2	-0.2	-0.2	-0.1	0.2	0.4	-5.1	-3.5	-0.2
- non-construction investment	-8.9	-2.2	0.0	-0.8	0.1	0.2	0.8	1.4	1.3	1.3	1.3	1.3	-14.5	-0.2	4.8
Inventories contribution (pp)	-1.0	-0.6	0.5	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.1	0.1	-0.9	0.5	0.3
Net exports contribution (pp)	-0.2	0.7	0.0	0.3	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	-0.8	0.8	0.4
Industrial output (ex construct.)	-8.0	-1.2	2.3	-0.1	-0.6	0.3	0.1	0.3	0.3	0.7	0.8	0.8	-13.3	0.5	1.8
Employment (q/q)	-0.8	-0.5	-0.5	-0.3	-0.2	-0.2	-0.1	0.0	0.1	0.1	0.1	0.2	-1.9	-1.0	0.1
Unemployment rate %	8.8	9.3	9.7	9.9	10.0	10.3	10.5	10.4	10.4	10.3	10.1	9.8	9.4	10.3	10.1
CPI inflation (y/y)	1.0	0.2	-0.4	0.4	1.1	1.6	1.8	2.0	1.9	1.4	1.2	1.1	0.3	1.6	1.4
Core CPI (ex food/energy) y/y	1.6	1.6	1.3	1.1	0.8	0.8	0.8	0.9	1.0	1.0	0.9	0.8	1.4	0.8	0.9
Current account % GDP	-1.7	-0.6	-0.2	-0.1	0.1	0.2	0.3	0.3	0.5	0.6	0.7	0.8	-0.7	0.2	0.6
Government balance % GDP	...	...	...	...	...	...	...	...	...	...	...	...	-6.3	-6.2	-5.1
Refi rate (period end %)	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.75	2.00	1.00	1.00	2.00

Note: All numbers expressed in q/q % unless otherwise specified. Source: Barclays Capital

COUNTRY SNAPSHOT: INDIA

	FY 2010				FY 2011				FY 2012				Fiscal year average		
% change y/y	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2010	2011	2012
Real GDP (q/q saar)	6.7	16.2	-2.2	12.0	9.0	8.0	7.0	8.0	8.0	10.0	10.0	8.0	…	…	…
Real GDP	6.1	7.9	6.0	8.5	7.5	7.8	8.6	8.2	8.1	8.1	9.6	8.3	7.2	8.0	8.5
Private consumption	1.7	5.5	3.4	7.0	7.0	7.0	7.5	7.0	7.3	7.3	7.5	8.0	4.4	7.0	7.5
Public consumption	10.2	26.9	-10.3	11.0	7.0	8.0	8.5	7.5	5.0	5.0	6.0	8.0	7.3	7.8	6.1
Investment	4.2	7.3	8.9	12.0	15.0	13.5	13.0	13.0	12.0	11.4	12.0	12.5	8.2	13.6	12
Net exports	26.7	10.0	-25.1	6.9	42.1	27.4	24.0	20.5	10.6	8.8	-8.4	18.1	2.1	29.1	7.0
Industrial output	3.8	9.3	13.0	16.2	14.7	11.0	8.0	7.0	6.0	7.0	8.0	9.0	10.7	9.5	7.5
WPI inflation (y/y)	0.6	-0.2	4.7	9.7	9.3	7.6	6.5	5.0	4.7	4.9	5.0	4.8	3.4	7.2	5.3
Current account (% GDP)	-2.2	-3.9	-3.4	1.5	-1.2	-2.2	-2.8	0.6					-1.8	-1.6	-1.7
General govt balance (% GDP)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					-11.0	-8.3	-7.5
Repo rate (period end, %)	4.75	4.75	4.75	5.00	5.25	5.75	6.25	6.50	6.50	7.00	7.00	7.50	5.00	6.50	7.50

Note: Values expressed in y/y % unless otherwise specified. India's fiscal year begins in April of previous year and ends in March of the current year. Source: Barclays Capital

COUNTRY SNAPSHOT: JAPAN

	2009				2010				2011				Calendar year average		
% change	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP (q/q, saar)	-13.7	6.0	-0.6	3.8	3.9	1.3	2.5	2.7	1.8	1.4	1.6	1.7	-5.2	2.7	1.9
Real GDP (q/q)	-3.6	1.5	-0.1	0.9	1.0	0.3	0.6	0.7	0.5	0.3	0.4	0.4	-	-	–
Private consumption (q/q)	-1.3	1.1	0.6	0.7	1.1	0.0	0.3	0.5	0.2	0.3	0.4	0.4	-1.0	2.5	1.2
Public consumption (q/q)	0.8	0.3	0.1	0.6	0.3	0.0	-0.4	-0.2	0.0	-0.1	-0.2	-0.2	1.6	0.6	-0.5
Residential investment (q/q)	-6.6	-9.4	-7.8	-3.3	0.5	4.1	5.9	1.3	-3.1	-2.3	0.7	0.3	-14.2	-2.2	0.1
Public investment (q/q)	3.6	6.6	-1.5	-1.3	-2.9	-3.2	-0.2	0.4	-2.3	-0.5	0.0	0.5	6.0	-5.0	-3.2
Capital Investment (q/q)	-8.7	-4.2	-2.6	0.9	2.1	1.4	0.9	1.2	1.6	0.8	0.5	0.4	-19.3	1.9	4.3
Net exports (q/q)*	-0.6	1.8	0.3	0.5	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.1	-1.2	1.0	0.5
Ch. Inventories q/q*	-1.0	-0.4	-0.2	-0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-0.3	-0.1	0.2
Nominal GDP (q/q)	-3.7	-0.1	-0.6	0.1	0.6	-0.1	0.5	0.7	0.3	0.2	0.1	0.2	-6.1	0.7	1.4
Industrial output (q/q)	-22.1	8.3	7.4	4.5	4.7	1.2	1.8	2.2	2.8	1.5	1.5	1.5	-22.4	17.2	8.1
Employment (q/q)	-0.5	-0.8	-0.3	-0.2	0.0	-0.1	0.0	0.1	0.1	0.1	0.3	0.2	-0.5	-0.6	0.4
Unemployment rate (%)	4.5	5.1	5.4	5.2	4.9	4.9	5.0	5.0	4.9	4.8	4.7	4.5	5.1	5.0	4.7
CPI inflation (y/y)	0.0	-1.0	-2.3	-1.7	-1.2	-1.6	-1.3	-1.1	-1.1	-0.5	-0.4	-0.5	-1.3	-1.3	-0.6
Core CPI ex food/energy (y/y)	-0.2	-0.5	-0.9	-1.1	-1.1	-1.9	-1.5	-1.2	-1.1	-0.5	-0.4	-0.5	-0.7	-1.4	-0.6
Current account (% GDP)	1.9	3.0	2.9	3.4	3.2	3.4	3.5	3.6	3.6	3.6	3.6	3.6	2.8	3.4	3.6
Government balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-8.8	-9.5	-8.0
Overnight call rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Note: *Contribution. Central bank rates are for end of period %. Source: BoJ, Cabinet Office, METI, MIC, MoF, Barclays Capital

COUNTRY SNAPSHOT: KOREA

	2009				2010				2011				Calendar year average		
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP	0.5	11.0	13.6	0.7	3.4	3.2	7.1	4.6	1.8	1.5	6.2	8.5	…	…	…
Real GDP (y/y)	0.1	2.6	3.2	0.2	0.8	0.8	1.7	1.1	0.5	0.4	1.5	2.1	0.2	5.0	4.0
Private consumption	-4.4	-0.8	0.8	5.6	3.5	1.8	1.7	1.2	3.0	2.1	2.0	2.5	0.2	2.0	2.4
Public consumption	7.3	7.1	5.0	0.9	5.0	2.0	4.0	0.0	5.0	2.0	1.0	0.0	4.9	2.7	2.0
Investment	-8.1	-2.7	-0.8	6.4	30.0	12.0	14.0	0.0	3.5	3.2	2.0	1.5	-0.9	12.6	2.5
Net exports	104.5	93.1	99.7	30.9	-71.4	-38.3	-53.1	62.4	-36.9	22.5	50.8	20.9	74.8	-22.2	22.4
Industrial output	-15.7	-6.1	4.3	16.2	22.6	12.1	1.0	1.1	1.6	-1.5	2.4	1.5	-0.7	8.4	1.0
Unemployment rate (%)	3.7	4.0	3.3	3.2	4.8	4.4	4.0	3.8	3.8	3.6	3.6	3.4	3.8	3.2	3.0
CPI inflation (y/y)	3.9	2.8	2.0	2.4	2.7	1.9	1.5	1.6	1.1	1.0	1.5	1.7	2.8	1.7	1.5
Current account (% GDP)	5.1	6.5	6.0	4.6	3.0	2.0	1.0	2.2	2.0	1.0	0.4	0.3	5.1	2.4	0.8
Government balance (% GDP)	-4.5	-6.0	-6.0	-4.5	-4.5	-4.1	-3.7	-3.7	-2.5	-1.5	-1.0	-1.0	-5.3	-4.0	-1.5
Key CB rate (period end, %)	2.0	2.0	2.0	2.0	2.25	2.50	2.50	2.8	3.0	3.3	3.5	3.8	2.0	2.5	3.4

Note: All numbers expressed in q/q saar unless otherwise specified. Source: Barclays Capital

COUNTRY SNAPSHOT: MEXICO

	2009				2010				2011				Calendar year average		
% change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP	-24.9	1.1	10.4	8.4	4.0	5.3	3.0	3.5	3.5	2.5	3.0	3.5	-6.5	5.5	3.3
Real GDP (y/y)	-7.9	-10.0	-6.1	-2.3	5.9	7.1	5.1	4.0	3.8	3.1	3.1	3.1	-6.5	5.5	3.3
Private consumption (y/y)	-8.7	-9.6	-5.2	-1.9	4.9	5.9	4.8	4.0	3.9	3.4	3.4	3.4	-6.3	4.9	3.6
Public consumption (y/y)	3.7	1.0	2.6	2.4	0.2	2.0	0.2	0.0	0.1	0.2	0.4	0.5	2.4	0.6	0.5
Investment (y/y)	-7.3	-15.2	-12.5	-8.9	-1.5	4.6	4.0	5.1	4.9	3.5	3.5	3.5	-11.0	3.1	4.8
Net exports contribution (pp)	1.1	1.8	1.9	0.2	-1.8	-2.3	0.1	-0.9	-0.8	-0.7	-0.6	-0.7	1.3	-0.2	-0.5
Industrial output	-19.9	-2.0	7.2	10.0	6.6	7.9	5.0	4.0	3.0	3.0	3.5	3.5	-7.3	6.8	3.8
Employment (sa, y/y)	-2.2	-3.9	-3.9	-2.3	1.2	3.1	4.1	3.9	2.9	2.9	2.6	2.6	-3.1	3.1	2.7
Unemployment rate (sa, %)	4.8	5.7	5.8	5.6	5.3	5.0	4.8	4.6	4.5	4.4	4.3	4.2	5.5	4.9	4.4
CPI inflation (y/y)	6.2	6.0	5.1	4.0	4.7	4.6	4.8	5.1	4.0	3.6	3.4	3.5	5.3	4.8	3.6
Core CPI (y/y)	5.8	5.6	5.1	4.6	4.5	4.1	4.0	4.1	3.7	3.7	3.7	3.6	5.3	4.2	3.7
Current account (4Q % GDP)	-1.8	-1.5	-1.3	-0.6	…	…	…	…	…	…	…	…	-0.6	-0.1	-0.3
Public balance (4Q % GDP)	-1.3	-1.6	-2.2	-2.2	…	…	…	…	…	…	…	…	-2.3	-2.7	-1.9
Key CB rate (period end, %)	6.75	4.75	4.50	4.50	4.50	4.50	5.00	5.50	6.00	6.00	6.25	6.50	4.50	5.50	6.50

Note: All numbers expressed as q/q saar % unless otherwise specified. Source: Haver Analytics, Barclays Capital

COUNTRY SNAPSHOT: SOUTH AFRICA

	2009				2010				2011				Calendar year average		
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP	-7.4	-2.8	0.9	3.2	4.3	4.4	4.4	4.4	4.4	4.4	4.5	4.5	-1.8	3.3	4.4
Real GDP (y/y)	-0.7	-2.7	-2.2	-1.4	1.4	3.2	4.1	4.4	4.4	4.4	4.5	4.5	-1.8	3.3	4.4
Private consumption	-5.8	-5.2	-1.9	1.4	2.4	3.0	3.4	3.7	4.0	4.2	4.4	4.6	-3.1	1.5	3.9
Public consumption	6.7	0.9	8.1	2.3	3.2	3.7	3.8	3.8	3.8	3.8	3.9	3.9	4.7	3.7	3.8
Investment	5.2	-2.5	-6.5	-0.9	2.9	4.5	5.5	6.1	6.9	7.4	7.8	8.2	2.3	1.4	6.7
Exports	-56.9	-12.6	11.0	20.0	-21.5	5.3	6.8	6.7	5.6	6.6	9.6	9.6	-19.5	0.0	6.9
Imports	-28.7	-36.2	-1.1	26.2	7.9	8.3	8.1	9.4	9.3	9.0	9.2	9.4	-17.4	6.5	9.0
Industrial output (y/y)	-13.2	-18.7	-13.5	-4.3	…	…	…	…	…	…	…	…	…	…	…
CPI inflation (y/y)	8.4	7.7	6.4	6.0	5.7	5.3	5.1	5.2	5.4	5.4	5.5	5.5	7.1	5.3	5.5
Core CPI ex food/energy (y/y)	8.1	8.4	7.8	6.9	5.8	5.5	5.4	5.4	5.4	5.4	5.4	5.4	7.8	5.7	5.6
Current account (% GDP)	-6.7	-3.4	-3.1	-2.8	-3.2	-3.7	-4.1	-4.5	-4.8	-5.1	-5.2	-5.3	-4.0	-3.9	-5.1
Government balance (% GDP)*	-1.0	-9.5	-8.0	-6.3	…	…	…	…	…	…	…	…	-6.7	-5.7	-4.8
Repurchase rate (period end, %)	9.5	7.5	7.0	7.0	6.5	6.5	6.5	6.5	7.0	7.5	8.5	8.5	7.0	6.5	8.5

Note: All numbers expressed in q/q saar % unless otherwise specified. *Quarterly numbers are not seasonally adjusted or annualised, while annual numbers represent financial years. Source: SARB, Statistics South Africa, National Treasury, Absa Capital

COUNTRY SNAPSHOT: UNITED KINGDOM

	2009				2010				2011				Calendar year average		
% Change q/q	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP	-2.6	-0.7	-0.3	0.4	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.5	...	...	...
Real GDP (saar)	-10.0	-2.7	-1.1	1.8	2.0	2.5	2.6	2.4	2.0	2.0	1.8	2.1	...	...	...
Real GDP (y/y)	-5.3	-5.9	-5.3	-3.1	0.0	1.3	2.2	2.4	2.4	2.3	2.1	2.0	-4.9	1.4	2.2
Private consumption	-1.6	-0.9	0.0	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.3	0.4	-3.2	1.3	1.7
Public consumption	-0.4	0.9	0.6	1.0	0.4	0.4	-0.2	-0.2	-0.4	-0.4	-0.5	-0.5	2.2	1.9	-1.1
Investment	-7.3	-7.2	2.8	-2.7	-0.9	-1.5	-0.6	0.0	1.0	1.1	1.1	1.2	-14.9	-4.7	2.0
Inventories (q/q cont.)	-0.1	0.6	-0.6	0.7	0.3	0.4	0.3	0.0	0.0	0.0	0.0	0.0	-1.2	1.1	1.3
Net exports (q/q cont.)	0.0	0.4	-0.2	-0.3	0.0	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.7	-0.1	0.8
Nominal GDP	-3.0	-0.9	1.0	1.1	1.3	1.2	1.1	1.1	0.9	0.9	0.9	1.0	-3.6	4.2	4.0
Industrial output	-4.8	-0.5	-1.0	0.4	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.3	-10.2	0.3	1.1
Employment	-0.6	-0.8	0.0	0.0	0.0	0.2	0.2	0.2	0.0	0.1	0.0	0.1	-1.6	0.0	0.4
Unemployment rate %	7.1	7.8	7.8	7.8	7.9	7.8	7.8	7.8	7.8	7.9	7.9	8.0	7.6	7.9	7.9
CPI inflation y/y	3.0	2.1	1.5	2.1	3.2	3.4	3.0	2.7	1.7	1.5	1.5	1.4	2.2	3.1	1.5
Core CPI y/y	1.6	1.6	1.7	2.2	2.8	2.8	...	...	...	...	...	...	1.8	...	...
Current account % GDP	-1.2	-1.9	-1.7	-0.5	-1.9	-1.8	-1.8	-1.5	-1.3	-1.2	-1.0	-0.9	-1.3	-1.7	-1.1
Govt. balance % GDP	...	...	...	...	...	...	...	...	...	...	...	...	-11.9	-11.1	-9.2
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.50	2.00	2.50	3.00	3.50	0.50	1.50	3.50

Source: ONS, Barclays Capital

COUNTRY SNAPSHOT: UNITED STATES

	2009				2010				2011				Calendar year average		
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Real GDP	-6.4	-0.7	2.2	5.6	3.5	4.0	3.5	3.5	2.5	3.0	3.5	3.5	-2.4	3.5	3.2
Private consumption	0.6	-0.9	2.8	1.6	2.5	2.5	2.5	3.0	2.0	2.5	3.0	3.5	-0.6	2.2	2.6
Public consump and invest.	-2.6	6.7	2.6	-1.3	2.5	4.0	-1.1	1.5	-0.2	-0.7	-1.0	-1.2	1.8	1.8	0.0
Residential investment	-38.2	-23.3	18.9	3.8	-8.0	20.0	30.0	30.0	25.0	20.0	15.0	10.0	-20.5	7.9	22.8
Equip. & software investment	-36.4	-4.9	1.5	19.0	15.0	15.0	15.0	10.0	7.0	8.0	15.0	15.0	-16.6	12.3	10.7
Structures investment	-43.6	-17.3	-18.4	-18.0	-12.0	-6.0	0.0	2.0	4.0	6.0	8.0	8.0	-19.8	-11.2	3.6
Net exports ($ bn, real)	-387	-330	-357	-348	-360	-366	-368	-383	-397	-404	-411	-423	-356	-369	-409
Final sales	-4.1	0.7	1.5	1.7	2.2	3.6	3.1	3.3	2.2	2.6	3.3	3.3	-1.8	2.4	3.0
Ch. inventories ($ bn, real)	-113.9	-160.2	-139.2	-19.7	20.0	32.0	44.0	48.0	52.0	58.0	63.0	68.0	-108.3	36.0	60.3
GDP price index	1.9	0.0	0.4	0.5	1.2	1.3	1.3	1.2	1.5	1.5	1.8	1.9	1.2	0.9	1.5
Nominal GDP	-4.6	-0.8	2.6	6.1	4.6	5.3	4.9	4.7	4.0	4.5	5.4	5.5	-1.3	4.5	4.7
Industrial output	-19.0	-10.4	6.4	6.6	8.0	8.0	7.0	6.0	6.0	5.5	5.0	5.0	-9.7	6.1	6.0
Employment (avg mthly chg, K)	-753	-477	-261	-90	54	333	30	250	275	325	350	350	-395	167	325
Unemployment rate (%)	8.2	9.3	9.6	10.0	9.7	9.5	9.3	9.0	8.7	8.5	8.2	7.8	9.3	9.4	8.3
CPI inflation (% y/y)	0.0	-1.2	-1.6	1.4	2.4	2.1	1.8	1.6	1.7	1.7	1.7	1.8	-0.4	2.0	1.7
Core CPI (% y/y)	1.7	1.8	1.5	1.7	1.4	1.1	1.0	0.9	1.2	1.3	1.3	1.4	1.7	1.1	1.3
Core PCE price index (% y/y)	1.7	1.6	1.3	1.5	1.5	1.2	1.1	1.0	1.0	1.1	1.2	1.3	1.5	1.2	1.2
Current account (% GDP)	-2.9	-2.8	-2.9	-3.2	-3.4	-3.4	-3.5	-3.6	-3.8	-3.9	-4.0	-4.1	-2.9	-3.5	-3.9
Federal budget bal. (% GDP)													-10.0	-8.5	-7.0
Federal funds rate (%)	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0.50	1.00	1.00	1.00	1.50	2.00			

Note: All numbers expressed in q/q saar % unless otherwise specified. The budget balance is fiscal year. Source: BEA, BLS, Federal Reserve, US Treasury, Barclays Capital

GLOBAL WEEKLY CALENDAR

		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
Saturday 10 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
07:45	E16: ECB President Trichet speaks at a conference on "Freedom and Prosperity" in Italy						
-	China: M2, % y/y (to 15/4)	Mar	27.6	26	25.5	22.1	23
04:00	China: Exports, % y/y	Mar	17.7	21	45.7	22	27
04:00	China: Imports, % y/y	Mar	55.9	85.5	44.7	56	55
Sunday 11 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
23:50	Japan: M2/M3, % m/m (y/y)	Mar	3.1 (2.2)	2.9 (2.1)	2.7 (2.0)	2.6 (1.9)	2.7 (2.0)
Monday 12 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	Italy: Industrial production, % m/m (y/y sa)	Feb	0.7 (-8.7)	-0.2 (-4.9)	2.6 (-0.2)	-1.1 (-2.6)	-0.5
14:00	US: Budget balance, $ bn	Mar	-96.3 ('07)	-48.2 ('08)	-191.6 ('09)	-65.0	-105.0
23:01	UK: RICS housing market survey, price balance	Mar	30	31	17	10	17
23:50	Japan: Corporate goods price index, % y/y	Mar	-3.9	-2.1	-1.5	-0.9	-1.1
Tuesday 13 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
15:45	**US: Fed Governor Tarullo (FOMC voter) speaks to investors on "Forging a Stable Financial System"**						
06:00	Germany: Final CPI, % m/m (y/y)	Mar	-0.6 (0.8)	0.4 (0.6)	0.5 (1.1) P	0.5 (1.1)	0.5 (1.1)
06:00	Germany: Final HICP, % m/m (y/y)	Mar	-0.6 (0.8)	0.4 (0.5)	0.6 (1.3) P	0.6 (1.3)	0.6 (1.3)
06:45	France: CPI, % m/m (y/y)	Mar	0.3 (0.9)	-0.2 (1.1)	0.6 (1.3)	0.4 (1.6)	0.4 (1.5)
06:45	France: CPI ex-tobacco index (y/y)	Mar	118.60	118.32	118.99	119.62	119.50
06:45	France: HICP, % m/m (y/y)	Mar	0.3 (1.0)	-0.2 (1.2)	0.6 (1.4)	0.5 (1.7)	0.5 (1.6)
07:30	Sweden: CPI, % m/m (y/y)	Mar	0.2 (0.9)	-0.6 (0.6)	0.6 (1.2)	0.8 (1.7)	0.5
08:30	UK: Trade balance, £ bn	Feb	-6.8	-7	-8	-7.2	-7.3
13:30	US: Trade balance, $ bn	Feb	-36.1	-39.9	-37.3	-40.0	-39.0
13:30	US: Import prices, % m/m (y/y)	Mar	0.2 (8.6)	1.3 (11.5)	-0.3 (11.2)	1.0 (11.7)	0.9 (11.7)
13:30	US: Nonpetroleum import prices, % m/m (y/y)	Mar	0.5 (-0.2)	0.5 (1.2)	0.2 (2.1)	0.4 (3.4)	-
Wednesday 14 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
15:00	**US: Fed Chairman Bernanke testifies before the Joint Economic Committee of Congress**						
19:00	**US: Fed releases Beige Book report**						
00:00	Singapore: Adv GDP estimate, % q/q (saar)	Q1	1.2	0.5	1.5	15.7	15.6
09:00	E16: Industrial production, % m/m (y/y wda)	Feb	1.2 (-6.9)	0.5 (-4.0)	1.6 (1.1)	0.1 (3.2) R	0.1
13:30	US: CPI, % m/m (y/y)	Mar	0.2 (2.7)	0.2 (2.6)	0.0 (2.1)	0.1 (2.4)	0.1 (2.4)
13:30	US: Core CPI, % m/m (y/y)	Mar	0.1 (1.8)	-0.1 (1.6)	0.1 (1.3)	0.1 (1.2)	0.1 (1.2)
13:30	US: CPI index nsa	Mar	215.949	216.687	216.741	217.8	-
13:30	US: Retail sales, % m/m	Mar	-0.2	0.1	0.3	1.1	1.0
13:30	US: Retail sales ex autos, % m/m	Mar	-0.1	0.5	0.8	0.3	0.5
13:30	US: Retail sales ex autos and gas, % m/m	Mar	-0.2	0.5	0.9	0.4	0.5
13:30	US: Core retail sales, % m/m	Mar	-0.2	0.6	0.9	0.5	-
15:00	US: Business inventories, % m/m	Feb	0.5	-0.3	0	-	0.3
18:00	Argentina: CPI, % m/m	Mar	0.9	1	1.2	1	-
23:01	UK: Nationwide consumer confidence, index	Mar	71	74	80	-	-
Thursday 15 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:00	**E16: ECB monthly bulletin published**	**Apr**					
02:00	China: GDP, % y/y	Q1	7.9	9.1	10.7	11.3	11.6
02:00	China: CPI, % y/y	Mar	1.9	1.5	2.7	2.4	2.6
02:00	China: PPI, % y/y	Mar	1.7	4.3	5.4	6.8	6.5
02:00	China: Industrial production, % y/y	Mar	18.5	20.7	20.7	18	18
02:00	China: YTD, FAI, % y/y	Mar	30.5	26.6	26.6	26.1	26
02:00	China: Retail sales, % y/y	Mar	17.5	17.9	17.9	17.8	18
07:00	Spain: Final HICP, % m/m (y/y)	Mar	-1.1 (1.1)	-0.2 (0.9)	(1.4) "flash"	0.7 (1.4)	(1.4)
13:30	US: Initial jobless claims, thous (4wma)	10-Apr	445 (454)	442 (448)	460 (450)	450 (449)	440 (447)
13:30	US: Empire State manufacturing index	Apr	15.92	24.91	22.86	25.0	24.0
14:00	US: Net long-term TIC flows, $ bn	Feb	126.4	63.3	19.1	-	-
14:15	US: Industrial production, % m/m	Mar	0.5	0.9	0.1	0.9	0.6
14:15	US: Capacity utilization, %	Mar	71.8	72.5	72.7	73.5	73.3
15:00	US: Philadelphia Fed manufacturing index	Apr	15.2	17.6	18.9	19.5	20.0
18:00	US: NAHB housing index	Apr	15	17	15	17	16

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.

Friday 16 April		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
-	**E16: EU Economic and Financial Affairs Council in Madrid (to 18/04)**						
1:00	**US: San Francisco Fed President Yellen (FOMC non-voter) speaks on the economic outlook**						
14:00	**US: Fed Governor Warsh (FOMC voter) speaks on regulation**						
17:30	**US: Kansas City Fed President Hoenig (FOMC voter) speaks on the financial crisis**						
6:00	E16: New car registrations, % y/y (nsa)	Mar	17.0	12.7	3.0	-	-
8:00	Italy: Final CPI, % m/m (y/y)	Mar	0.1 (1.3)	0.1 (1.2)	0.3 (1.4) P	0.3 (1.4)	0.3 (1.4)
8:00	Italy: Final HICP, % m/m (y/y)	Mar	-1.5 (1.3)	0.0 (1.1)	1.5 (1.4) P	1.5 (1.4)	1.5 (1.4)
8:00	Austria: HICP, % y/y	Mar	0.3 (1.1)	-0.4 (1.2)	0.2 (0.9)	0.5 (1.3)	-
9:00	E16: Trade balance, € bn (sa)	Feb	3.6	3.3	1.8	4.0	3.1
9:00	E16: HICP, % m/m (y/y)	Mar	-0.8 (1.0)	0.3 (0.9)	(1.5) "flash"	0.9 (1.4) R	0.9 (1.5)
9:00	E16: HICP ex tobacco, index (2005 = 100)	Mar	107.75	108.02	-	109.02 R	-
9:00	E16: 'Eurostat' core (HICP x fd, alc, tob, ene), % m/m (y/y)	Mar	-1.5 (0.9)	0.4 (0.8)	-	0.8 (0.9)	-
9:00	E16: 'ECB' core (HICP x unproc.fd, ene), % m/m (y/y)	Mar	-1.2 (0.8)	0.3 (0.7)	-	0.7 (0.8)	0.8 (0.9)
13:30	US: Housing starts, thous	Mar	573	611	575	615	610
14:55	US: U/M consumer sentiment index	Apr	74.4	73.6	73.6	74.5	75.0

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.

GLOBAL KEY EVENTS

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Forthcoming central bank announcement dates									
North America									
FOMC meeting	27-28	-	22-23	-	10	21	-	2-3	14
FOMC minutes	*6*	*19*	-	*14*	-	*31*	*12*	-	*24*
Congressional testimony	-	-	-	*Jul*	-	-	-	-	-
Fed's Beige Book	*15*	-	*10*	*29*	-	*9*	*21*	-	*2*
Bank of Canada	21	-	4	21	-	10	20	-	8
Europe									
ECB "policy" meeting	8	6	10	8	5	2	7	4	2
ECB monthly bulletin	*15*	*13*	*17*	*15*	*12*	*9*	*14*	*11*	*9*
ECB "non-policy" meeting	*22*	*20*	*24*	*22*	*19*	*16*	*21*	*18*	*16*
Bank of England	8	10	10	8	5	9	7	4	9
BoE Inflation Report	-	*12*	-	-	*11*	-	-	*10*	-
BoE minutes	*21*	*19*	*23*	*21*	*18*	*22*	*20*	*17*	*22*
Riksbank	20	-	-	2	n/a	n/a	n/a	n/a	n/a
SNB	-	-	17	-	-	16	-	-	16
Norges Bank	-	5	23	-	11	22	27	-	15
Asia/RoW									
Bank of Japan	6-7, 27	20-21	15-16	14-15	10-11	16-17	13-14,30	19-20	17-18
BoJ minutes	*12*	*6, 26*	*18*	21	14	25	19	*5,26*	*24*
Reserve Bank of Australia	7	5	2	7	4	1	6	3	1
RBNZ	29	-	10	29	-	16	28	-	9

Source: Central banks, IMF, European Commission, Reuters, Bloomberg, Market News, Barclays Capital

GLOBAL ECONOMICS RESEARCH

Piero Ghezzi
Head of Economic and Emerging Markets Research
+44 (0)20 3134 2190
piero.ghezzi@barcap.com

Global

Nick Verdi
International Economist
+44 (0)20 7773 2173
nick.verdi@barcap.com

Mimi Yang
International Economist
+1 212 526 5194
mimi.yang@barcap.com

The Americas

Dean Maki
Head of US Economics Research
+1 212 526 1731
dean.maki@barcap.com

Michael Gavin
Head of Emerging Markets Strategy
+1 646 412 5915
michael.gavin@barcap.com

Guillermo Mondino
Head of Latin American Research
+1 212 412 7961
guillermo.mondino@barcap.com

Theresa Chen
US Economist
+1 212 526 7195
theresa.chen@barcap.com

Alejandro Grisanti
Senior Economist – Ecuador, Peru, Venezuela, Central America and the Caribbean
+1 212 412 5982
alejandro.grisanti@barcap.com

Marcelo Salomon
Chief Brazil Economist
+55 (0)11 5509 3295
marcelo.salomon@barcap.com

Michelle Meyer
US Economist
+1 212 526 7977
michelle.meyer@barcap.com

Peter Newland
US Economist
+1 212 526 3153
peter.newland@barcap.com

Nicholas Tenev
US Economist
+1 212 526 5452
nicholas.tenev@barcap.com

Sebastian Vargas
Economist – Argentina
+54 (0)11 4850 1230
sebastian.vargas@barcap.com

Jimena Zuniga
Economist – Chile, Colombia, Mexico
+1 212 412 5361
jimena.zuniga@barcap.com

Europe

Julian Callow
Chief European Economist
+44 (0)20 7773 1369
julian.callow@barcap.com

Matthew Vogel
Head of Emerging EMEA Research
+44 (0)20 7773 2833
matthew.vogel@barcap.com

James Ashley
Senior European Economist
+44 (0)20 7773 4669
james.ashley@barcap.com

Varun Bhabha
UK Economist
+44 (0)20 313 42155
varun.bhabha@barcap.com

Laurence Boone
Chief French Economist
+33 1 44 58 3236
laurence.boone@barcap.com

Leef H Dierks
German Economist
+49 69 7161 1781
leef.dierks@barcap.com

Fabio Fois
European Economist
+44 (0) 20 3134 1136
fabio.fois@barcap.com

Jeff Gable
Head of ABSA Capital Research
+27 11 895 5368
jeff.gable@absacapital.com

Simon Hayes
Chief UK Economist
+44 (0)20 7773 4637
simon.hayes@barcap.com

Christian Keller
Chief Economist – Emerging Europe
+44 (0)20 7773 2031
christian.keller@barcap.com

Kerri Maddock
European Economist
+44 (0)20 313 42300
kerri.maddock@barcap.com

Alia Moubayed
Senior Economist – Middle East & North Africa
+44 (0)20 313 41120
alia.moubayed@barcap.com

Thorsten Polleit
Chief German Economist
+49 69 7161 1757
thorsten.polleit@barcap.com

Asia

Peter Redward
Head of Emerging Asia Research
+65 6308 3528
peter.redward@barcap.com

Wensheng Peng
Head of China Research
+852 2903 2651
wensheng.peng@barcap.com

Kyohei Morita
Chief Japan Economist
+81 3 4530 1688
kyohei.morita@barcap.com

Rahul Bajoria
Regional Economist – India, Malaysia, Thailand
+65 6308 2153
rahul.bajoria@barcap.com

James Barber
Japan Research
+81 3 4530 1542
james.barber@barcap.com

Jian Chang
Regional Economist – China, Hong Kong
+852 2903 2654
jian.chang@barcap.com

David Forrester
FX Strategy – Australia, New Zealand
+65 6308 3406
david.forrester@barcap.com

Wai Ho Leong
Senior Regional Economist – Korea, Malaysia, Singapore, Taiwan
+65 6308 3292
waiho.leong@barcap.com

Yuichiro Nagai
Japan Economist
+81 3 4530 1064
yuichiro.nagai@barcap.com

Prakriti Sofat
Regional Economist – Indonesia, Philippines, Vietnam
+65 6308 3201
prakriti.sofat@barcap.com

Analyst Certification(s)

We, Julian Callow, Dean Maki, Rahul Bajoria, James Barber, Varun Bhabha, Jian Chang, Theresa Chen, Simon Hayes, Larry Kantor, Christian Keller, Guilherme Loureiro, Ian Marsberg, Guillermo Mondino, Kyohei Morita, Yuichiro Nagai, Peter Newland, Nicholas Tenev, Sebastian Vargas, Matthew Vogel, Mimi Yang and Jimena Zuniga, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Capital Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to https://ecommerce.barcap.com/research/cgi-bin/all/disclosuresSearch.pl or call 212-526-1072.

Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays Capital may have a conflict of interest that could affect the objectivity of this report. Any reference to Barclays Capital includes its affiliates. Barclays Capital and/or an affiliate thereof (the "firm") regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). The firm's proprietary trading accounts may have either a long and / or short position in such securities and / or derivative instruments, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, the firm's fixed income research analysts regularly interact with its trading desk personnel to determine current prices of fixed income securities. The firm's fixed income research analyst(s) receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the investment banking department), the profitability and revenues of the Fixed Income Division and the outstanding principal amount and trading value of, the profitability of, and the potential interest of the firms investing clients in research with respect to, the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Barclays Capital trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. Barclays Capital produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.