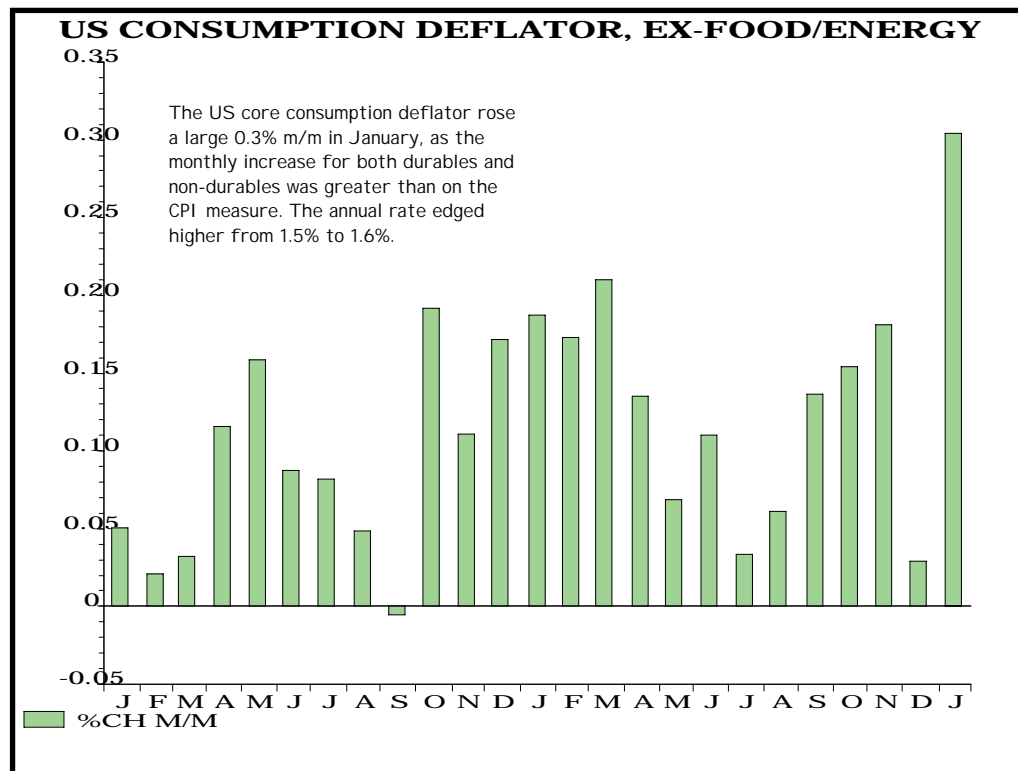


# GFC ECONOMICS

## WEEKLY CHARTBOOK

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### *CHART OF THE WEEK*

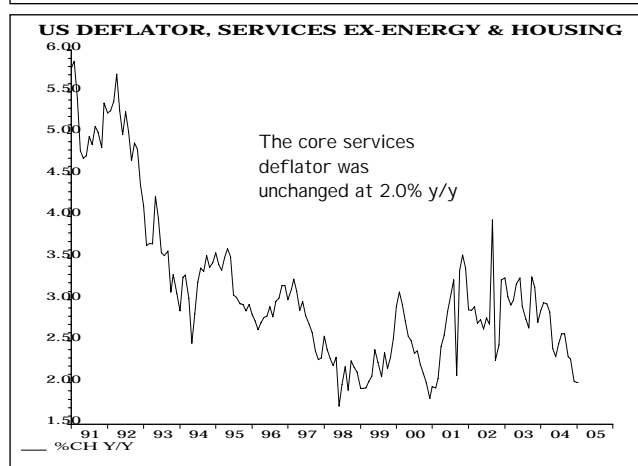
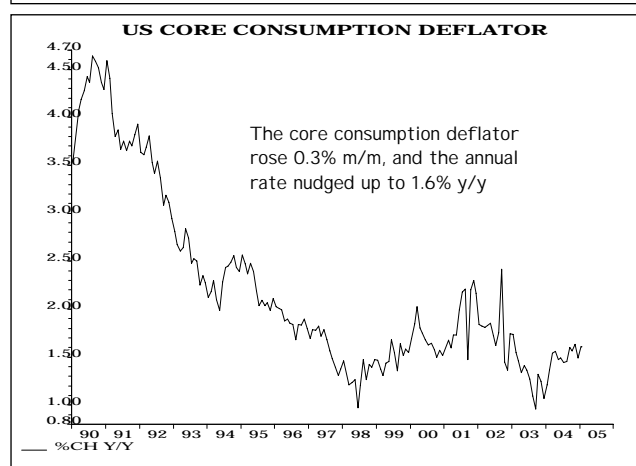
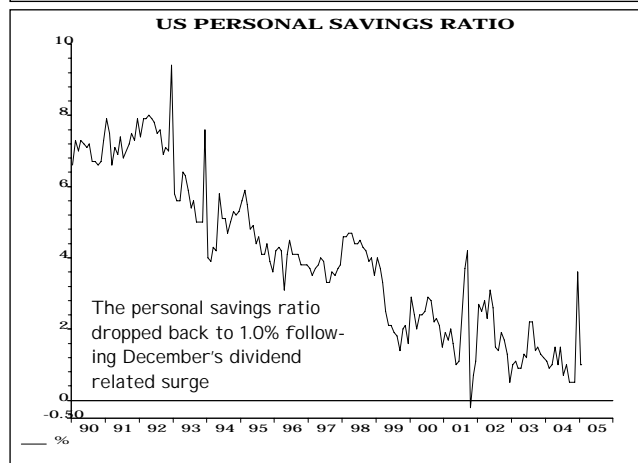
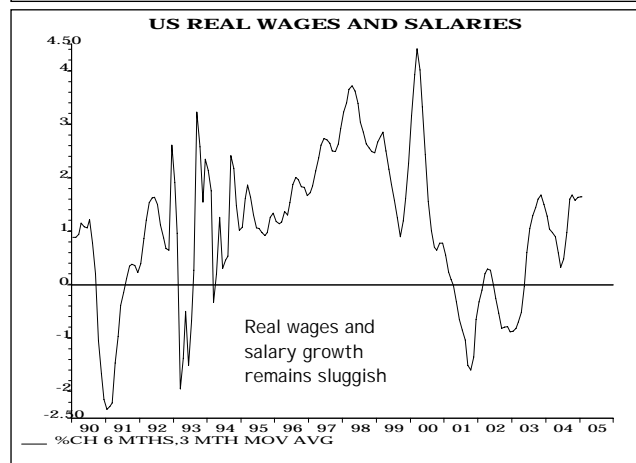
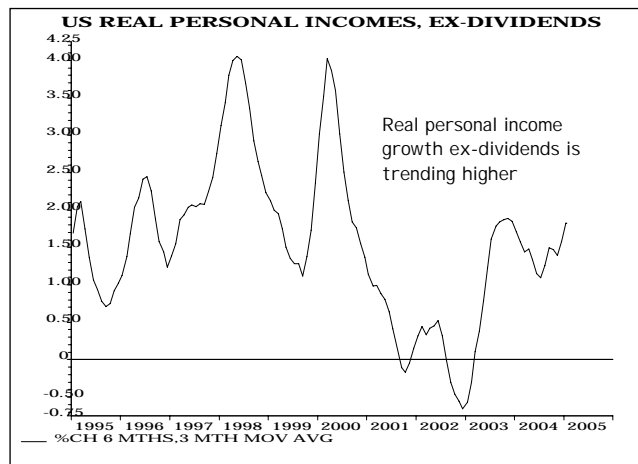
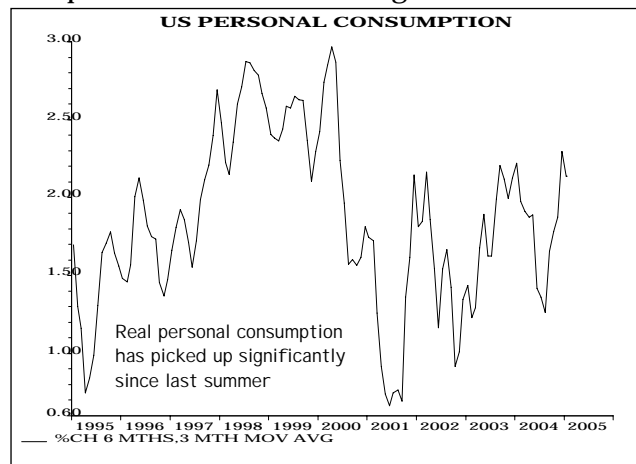


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**WEEKLY CHARTBOOK****US - 1**

Personal income and consumption remained relatively robust in January, after the strong finish to 2004 on the back of the Microsoft dividend payment. Real personal consumption did slip 0.2% m/m, but this followed a strong 0.9% m/m gain in December. Furthermore, outside of autos, spending was up 0.4% m/m. Real personal incomes, meanwhile, fell 2.5% m/m, but this was a smaller drop than the market expected after last month's \$24.8bn special dividend payment. Real wages and salaries climbed 0.5% m/m despite a large gain in the core consumption deflator. The latter rose 0.3% m/m, the largest monthly increase since December 2002. This compared with a 0.2% m/m gain in the core CPI.

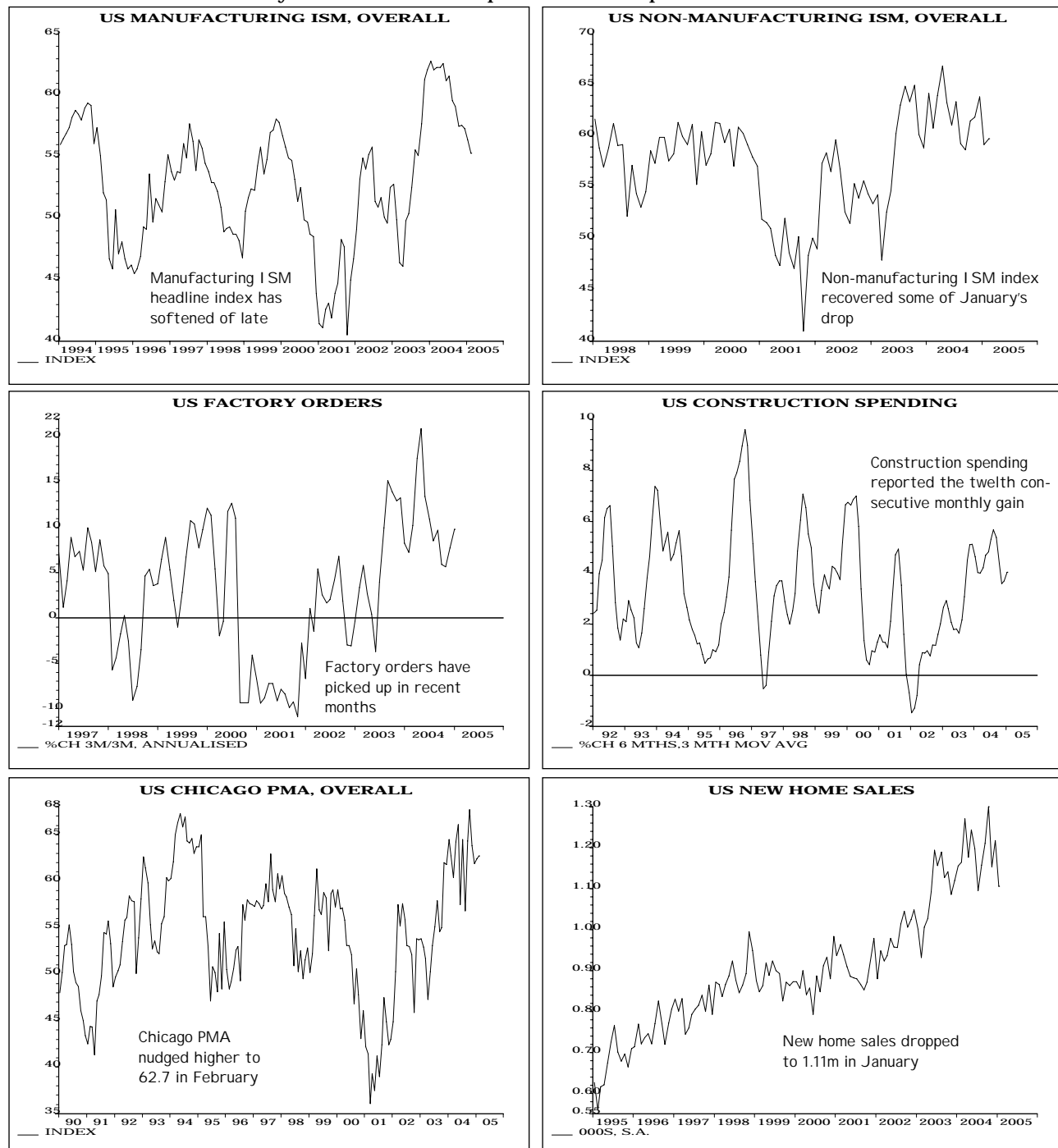


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**WEEKLY CHARTBOOK****US - 2**

This week's ISM reports remained at relatively high levels, though some of the indices did slip back. The headline manufacturing ISM index dropped from 56.4 to 55.3 in February, and the new orders index also edged lower. However, the non-manufacturing ISM nudged higher from 59.2 to 59.8; the new orders index was up and the employment index surged to its highest level since records began in 1997. On the housing front, new home sales dropped 9.2% m/m in January, but this is at odds with other housing indicators, which have shown continued strength. Indeed, construction spending rose 0.7% m/m. Elsewhere, factory orders rose a modest 0.2% m/m in January, but the broader picture has improved of late.

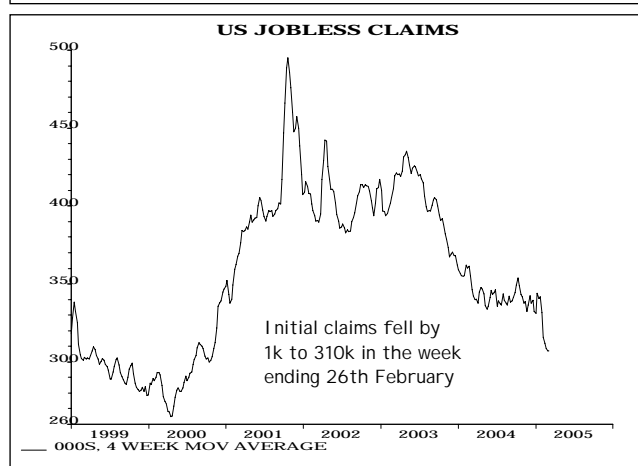
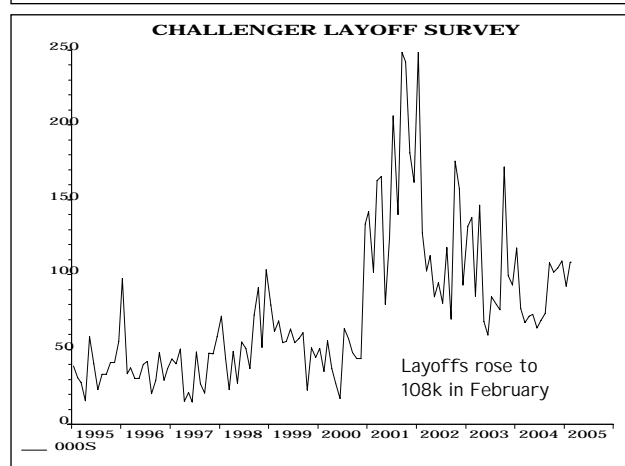
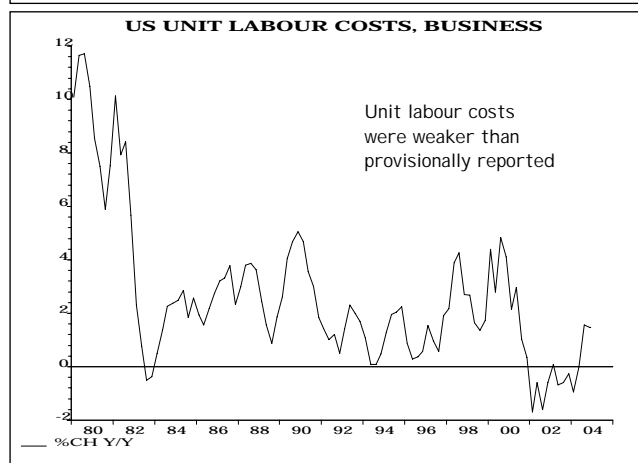
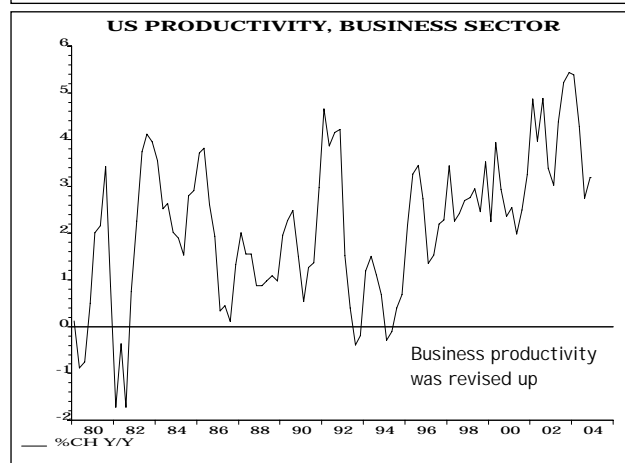
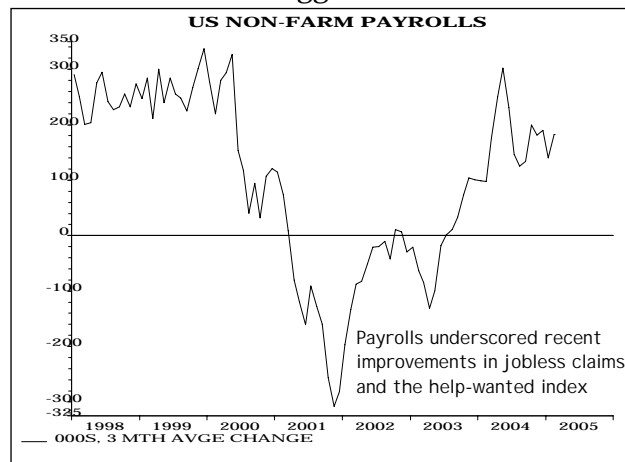


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**WEEKLY CHARTBOOK****US - 3**

Non-farm payrolls rose 262,000 in February, following a revised 132,000 gain the previous month. Manufacturing payrolls climbed 20,000, the first rise in six months. However, the report was not uniformly strong. A fall in household employment led to a bounce in the unemployment rate from 5.2% to 5.4%. Average hourly earnings were also unchanged m/m, as was the average workweek. Meanwhile, business sector productivity growth was revised up sharply in Q4 from an annualised 2.4% to 3.9%, and unit labour cost growth was reduced from 1.7% to 1.0%. Productivity growth averaged 3.9% in 2004, down only slightly from 4.5% in 2003 and 4.2% in 2002, and suggest Federal Reserve's fears of a productivity slowdown are overdone.

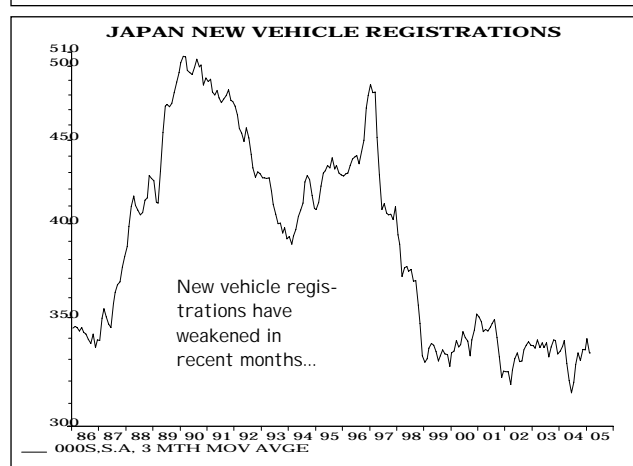
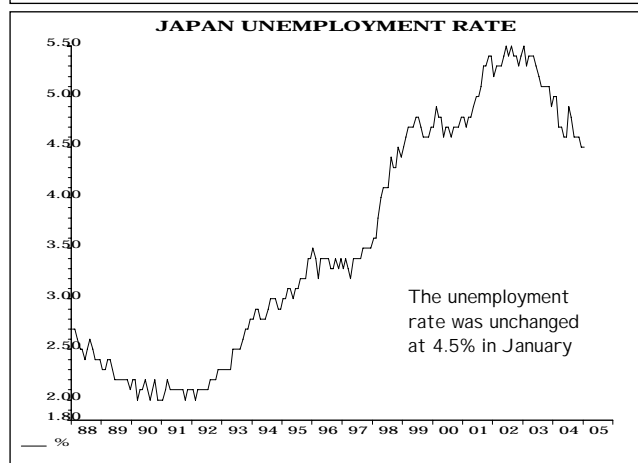
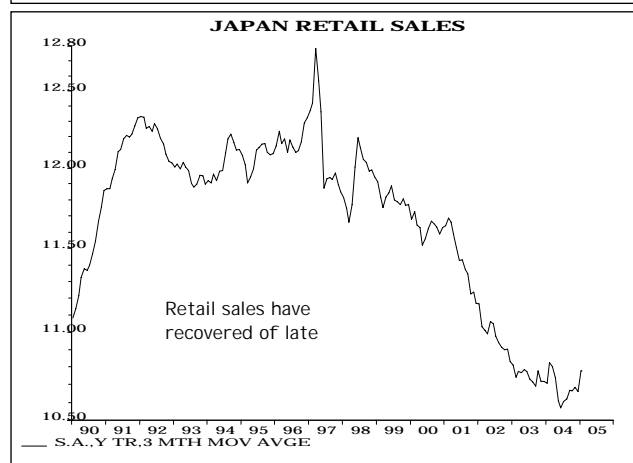
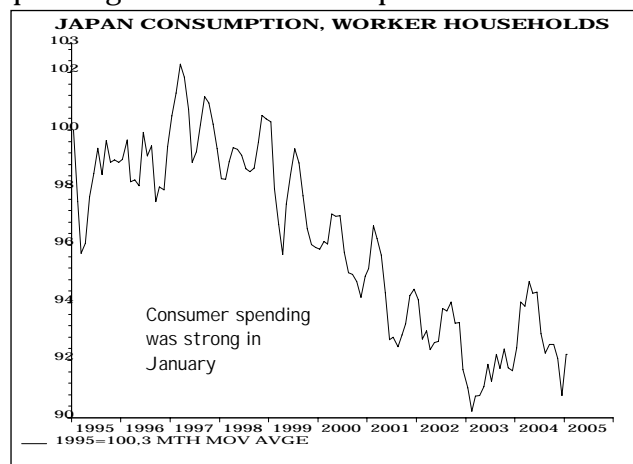


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**WEEKLY CHARTBOOK****Japan - 1**

The spending numbers picked up in January, boosting hopes of a recovery in the economy in Q1. Worker consumption surged 8.6% m/m s.a., following four consecutive monthly declines. The spike was driven by a large increase in transportation and telecommunications spending. Retail sales also jumped 4.5% m/m s.a. and household incomes rose a large 5.8% m/m s.a.. Nevertheless, one month does not constitute a trend, and although this is a good start to the year, the broader picture for consumption and income remains downbeat. Elsewhere, new vehicle registrations fell 1.1% m/m s.a. in February, the third consecutive monthly drop, though passenger car sales were up 2.3% m/m s.a..

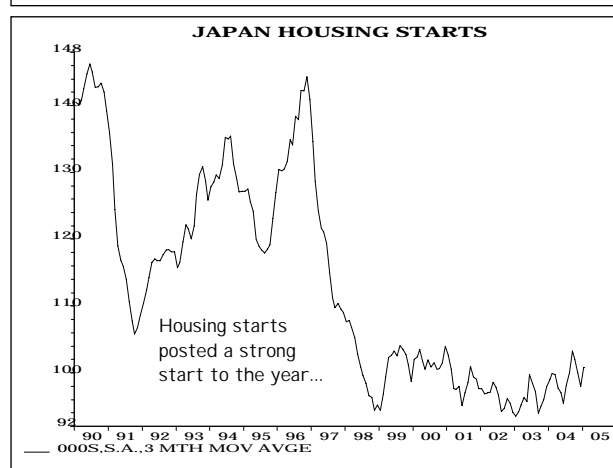
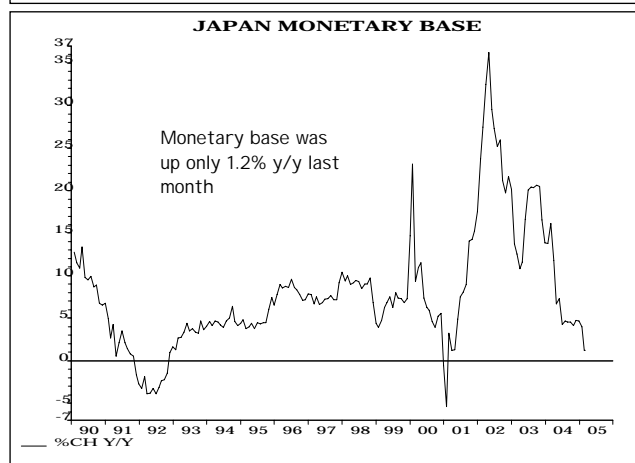
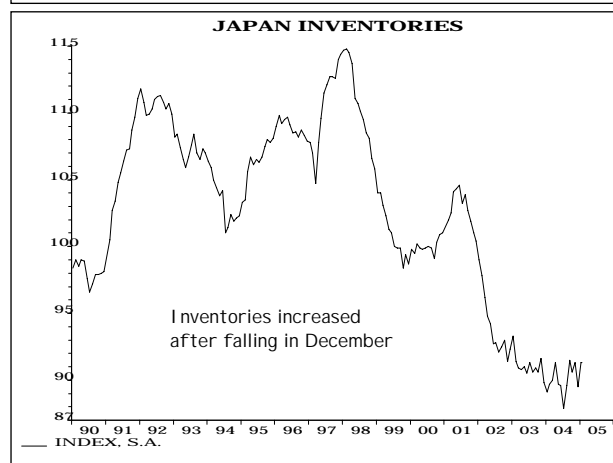
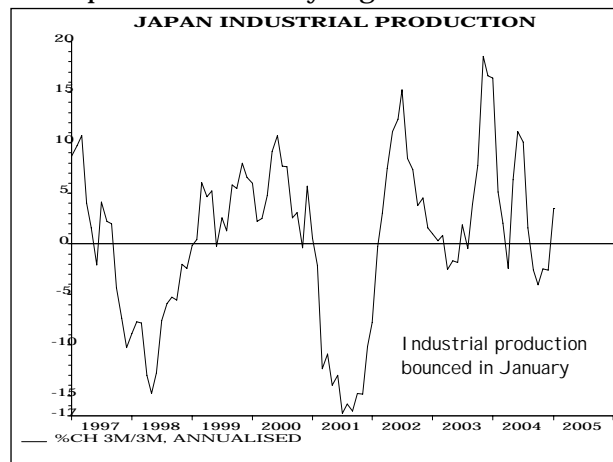


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**WEEKLY CHARTBOOK****Japan - 2**

This week's industrial production, housing starts and construction numbers underscored the solid consumption report in suggesting the economy is recovering from a disappointing Q4. Industrial output rose 2.1% m/m in January, the largest gain since April last year. Furthermore, the 6-month change has risen from a low in October of -2.1% to 1.4%. However, the report was not unequivocally strong, since inventories rose 2.0% m/m, and the inventories to shipments ratio climbed 1.6% m/m. Elsewhere, housing starts jumped 8.5% m/m s.a. in January, while construction orders spiked 10.5% m/m s.a.. The annual growth rates of both these indicators were pushed markedly higher to 6.9% and 15.8% respectively.

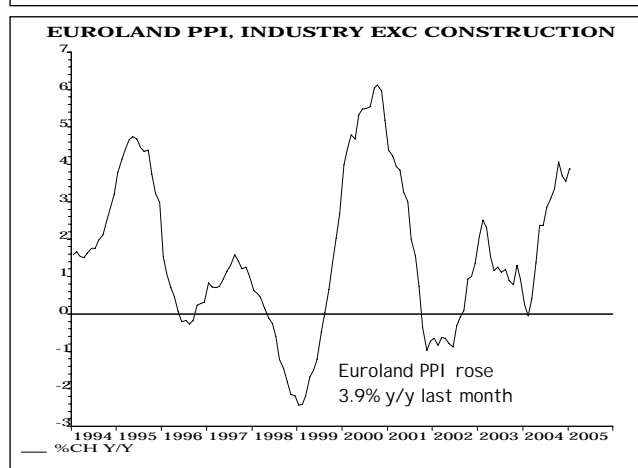
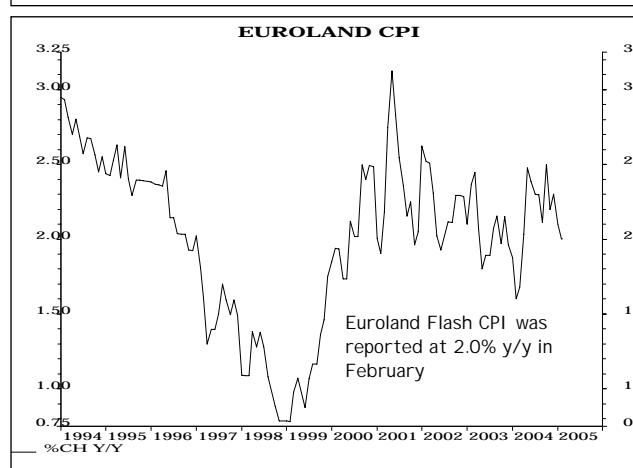
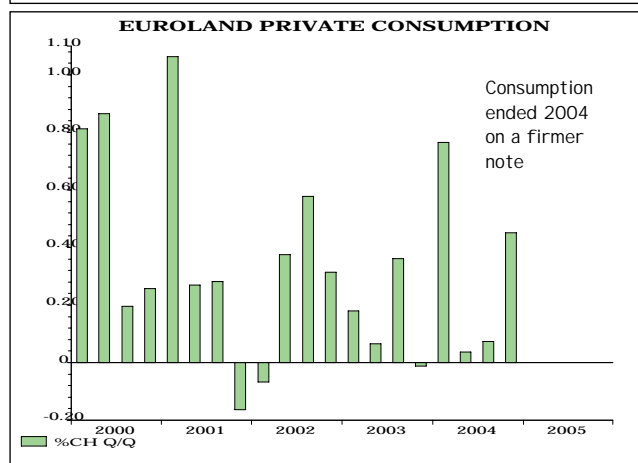
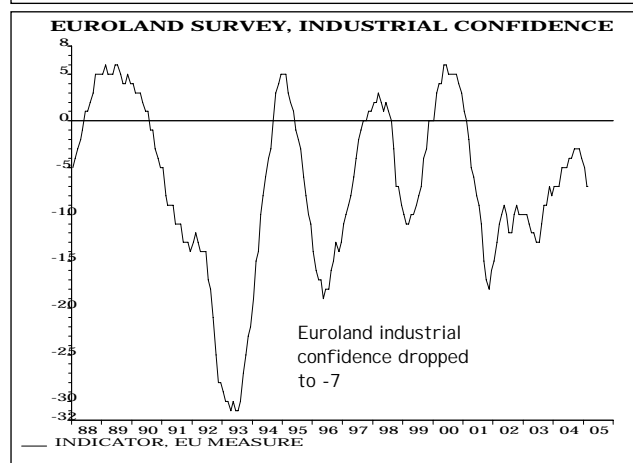
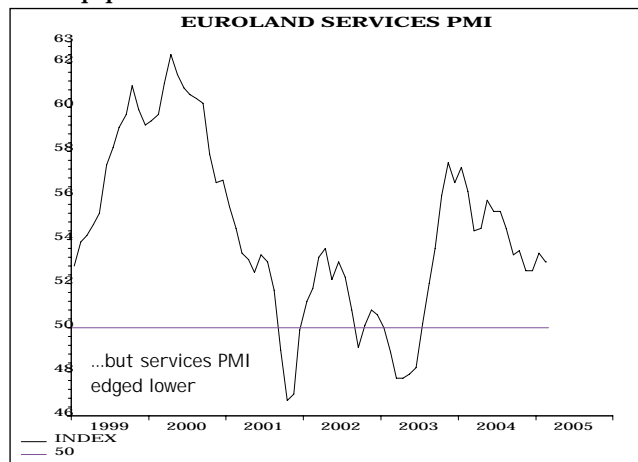
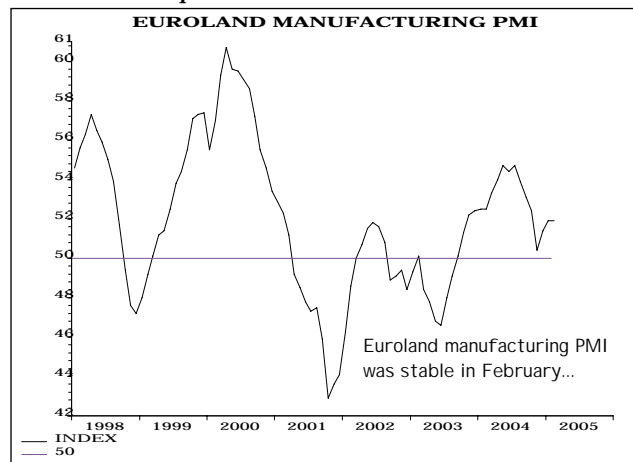


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**WEEKLY CHARTBOOK****Euroland - 1**

The Euroland PMIs lost some momentum last month and dampened hopes of a significant pick up in growth in Q1. The manufacturing PMI was unchanged at 51.9, while the services PMI edged lower to 53.0. The European Commission sentiment surveys for February also painted a subdued picture. Industrial confidence fell to its lowest level since March last year, and the overall economic sentiment indicator slipped for the second straight month. Meanwhile, headline Q4 GDP was unrevised at a low 0.2% q/q. The breakdown of growth, however, was more encouraging, as domestic final sales turned up. Consumption rose 0.5% q/q, recovering from a weak third quarter, while investment climbed 0.6% q/q.

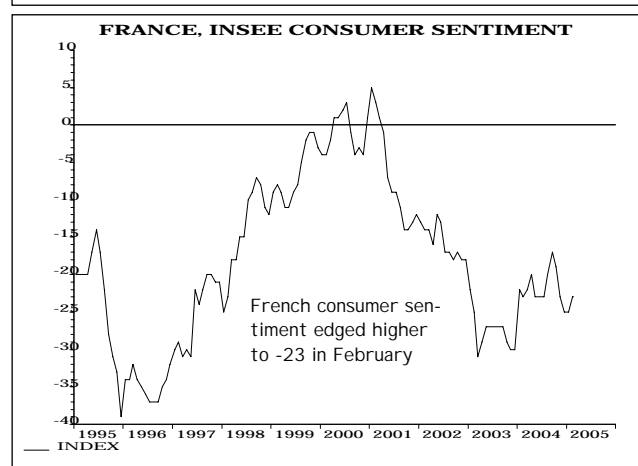
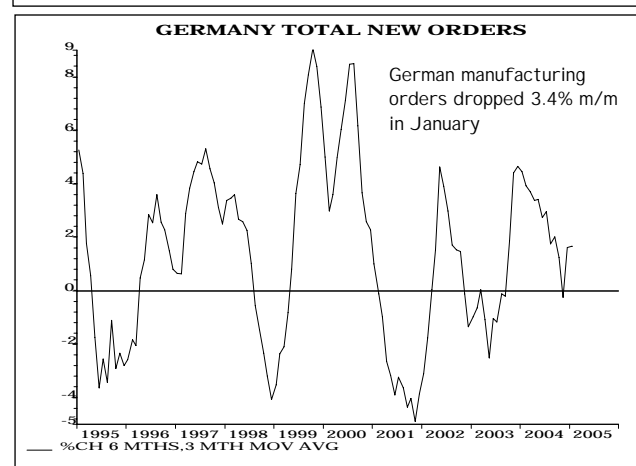
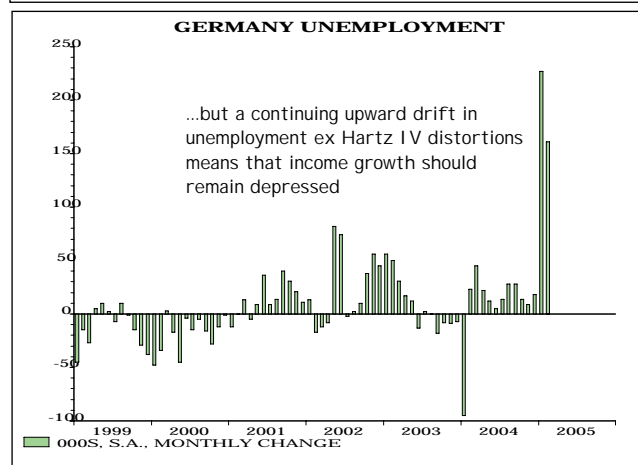
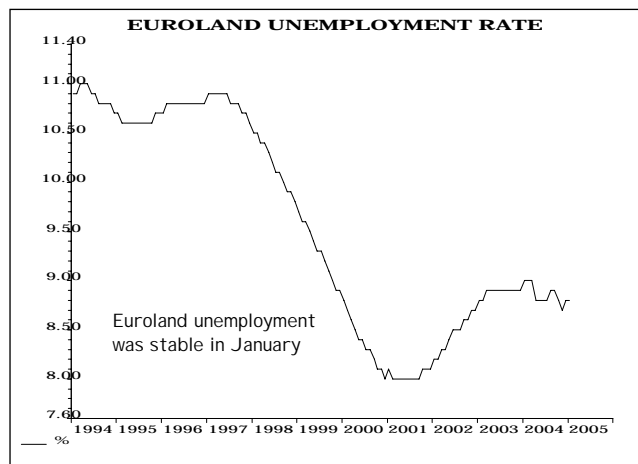
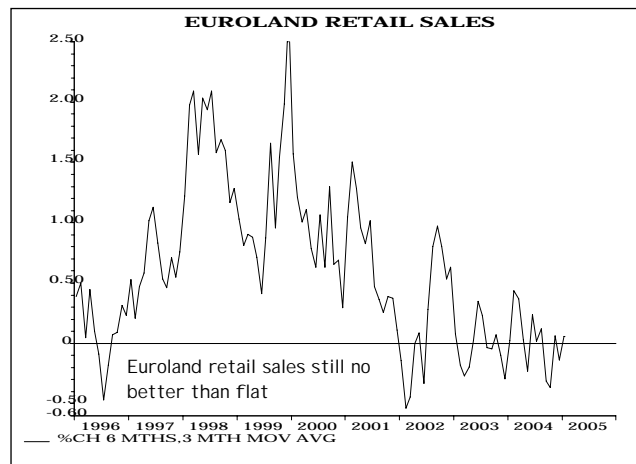


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**WEEKLY CHARTBOOK****Euroland - 2**

A raft of reports on the consumer in Euroland compounded the weak survey data, and suggest that spending will continue to struggle. Euroland retail sales rose a modest 0.3% m/m in January, as a 2.1% m/m bounce in German sales was offset by declines elsewhere. The underlying trend remains depressed and should remain so, given the continuing weakness of the labour market. Euroland unemployment was unchanged at 8.8% in January, but German unemployment surged by 161,000 in February, following a 227,000 increase the previous month. Although the bulk of these increases are due to Hartz IV, German unemployment has still risen for thirteen consecutive months.



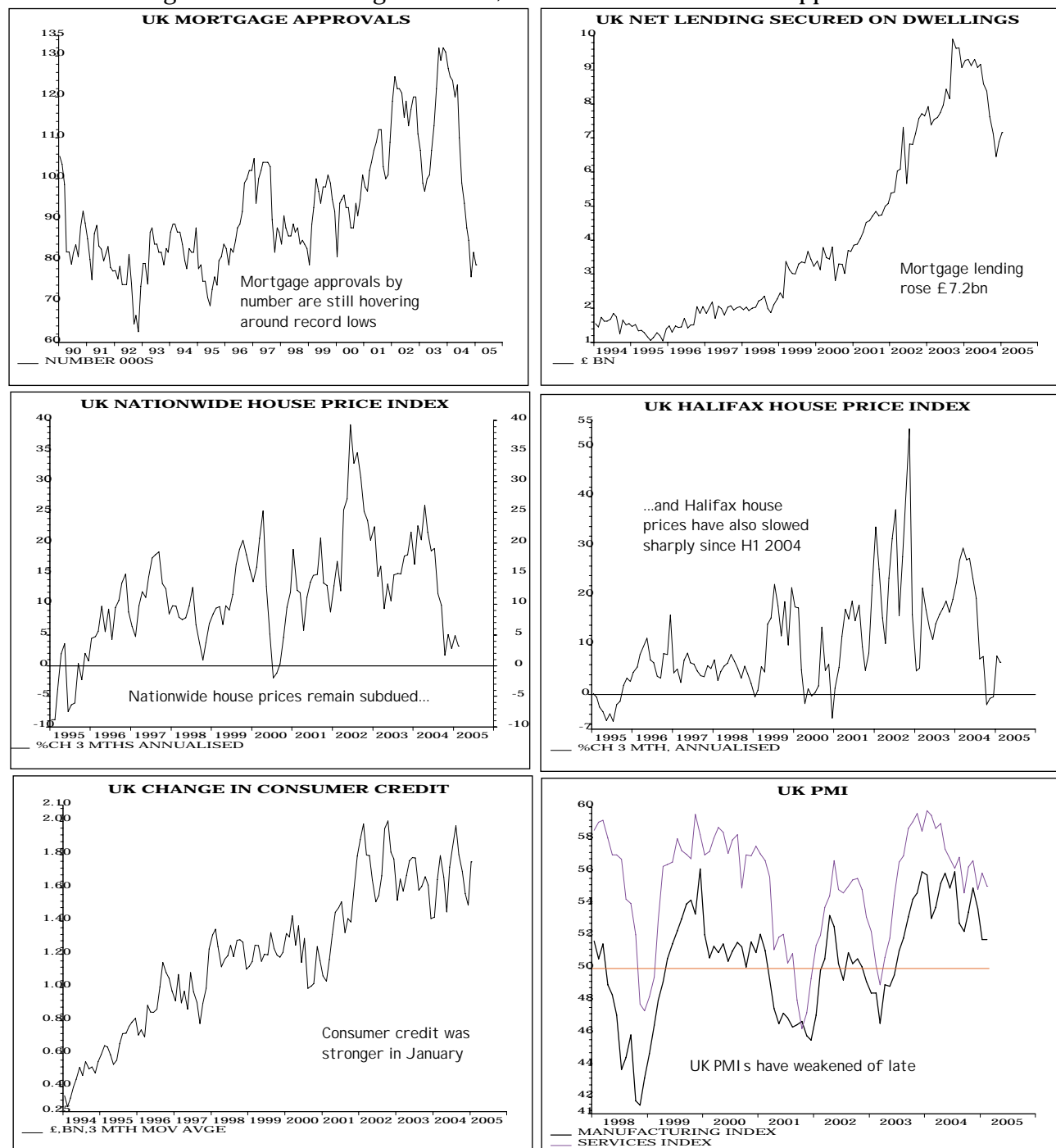
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**WEEKLY CHARTBOOK****UK**

This week's data showed further signs of stability in house prices. The Nationwide reported a 0.5% m/m rise in prices while the Halifax index fell 0.5% m/m. The annual gains in these indices have now fallen to 10.2% and 9.7% respectively. Mortgage approvals, however, continue to point to small m/m declines in prices going forward. Approvals fell 3.7% m/m in January, back close to the nine-year low touched in November. Elsewhere, consumer credit jumped £2.3bn in January but the CBI distributive trade survey showed retail sales remaining subdued in February. The PMIs meanwhile showed activity losing momentum last month. The manufacturing PMI was unchanged at 51.8, while the services PMI slipped to 55.1.



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