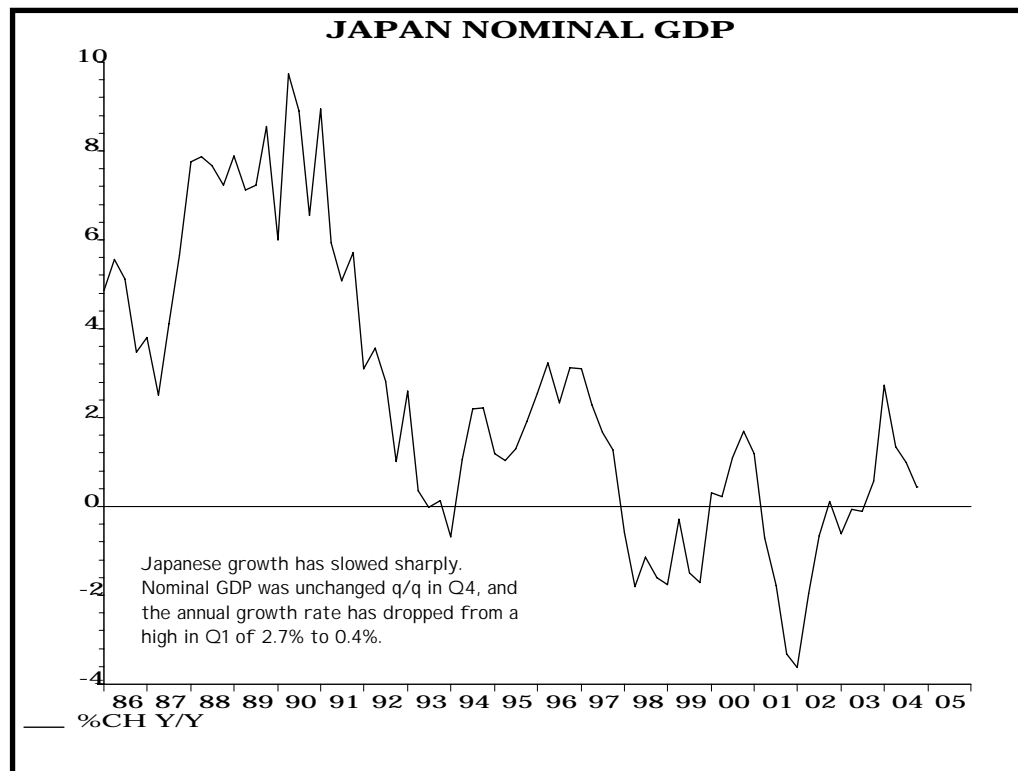


# GFC ECONOMICS

## WEEKLY CHARTBOOK

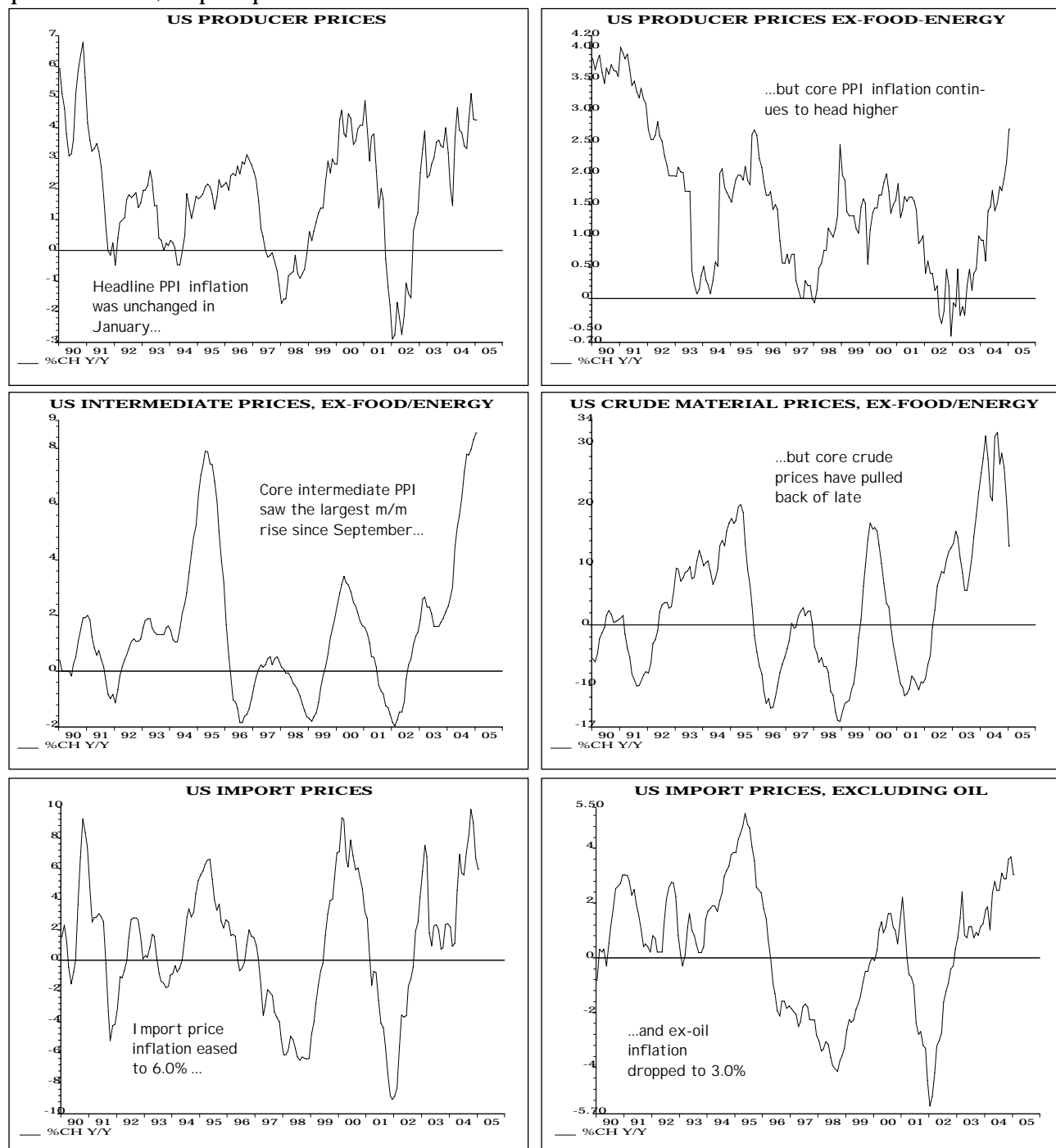
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### *CHART OF THE WEEK*



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

The PPI report for January added to the market's inflationary concerns. The headline PPI rose a modest 0.3% m/m, but the core PPI climbed 0.8% m/m, the largest gain since December 1998. This rise was fuelled by substantial increases in the prices of cigarettes and alcohol, which were up 3.4% m/m and 2.8% m/m respectively. In addition, car prices posted a 1.2% m/m rise, the largest increase since March 2003. The core intermediate PPI also rose 0.8% m/m, but the ex-food and energy crude materials index dropped 2.5% m/m, the biggest fall since last May. Import prices, meanwhile, climbed 0.9% m/m in January, driven largely by a pick-up in oil prices. Ex-oil, import prices rose a modest 0.2% m/m.

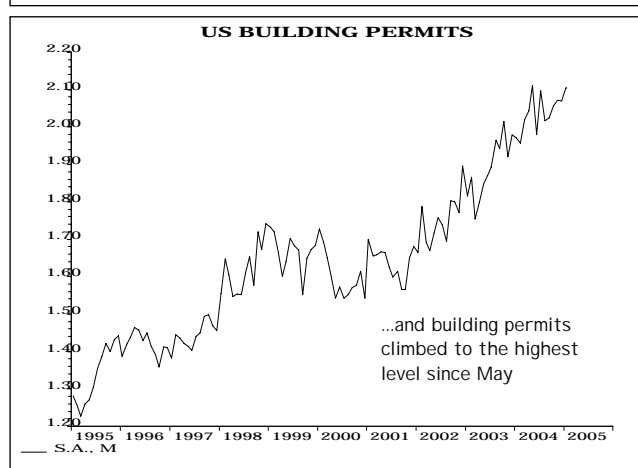
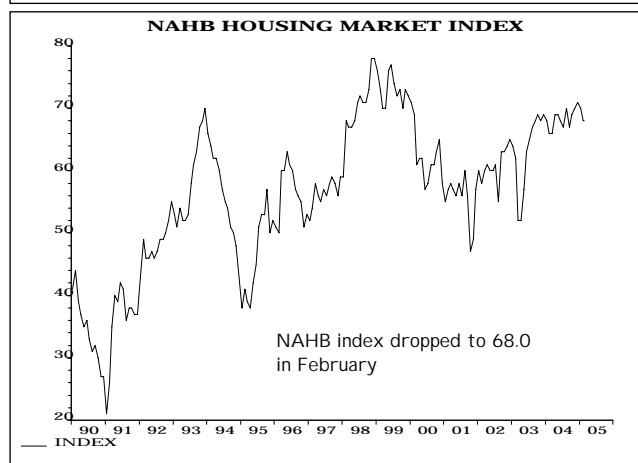
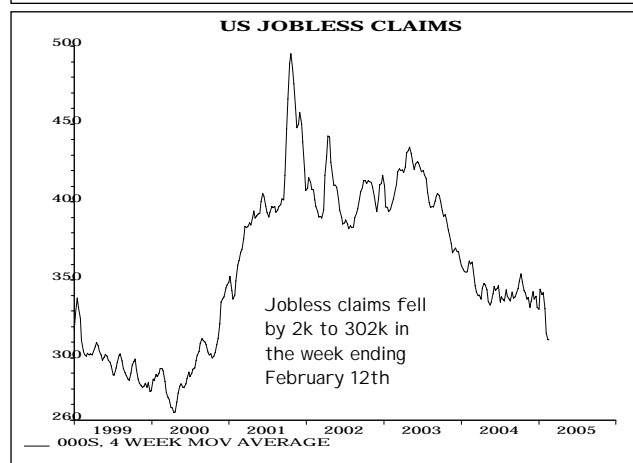
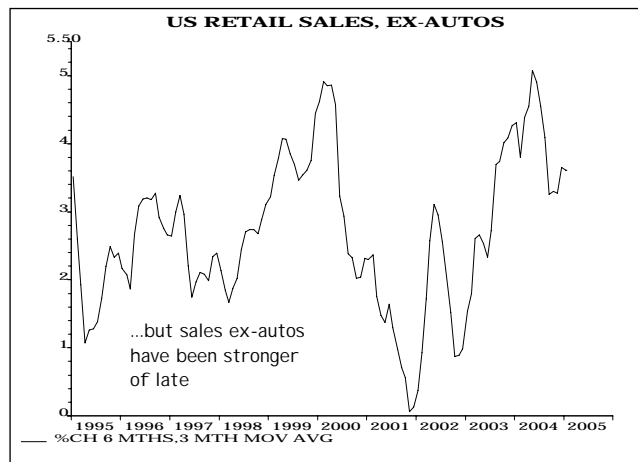
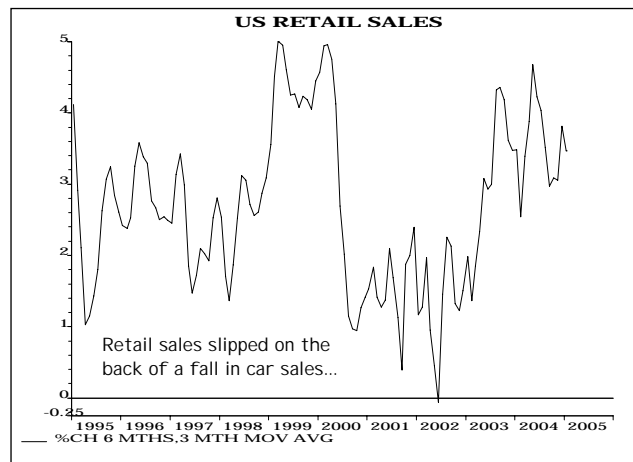


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**WEEKLY CHARTBOOK****US - 2**

This week's data showed that consumption and housing remained robust in January. Retail sales dropped 0.3% m/m, but this followed a 1.2% m/m rise the previous month. The decline was also driven by auto sales, which fell 3.3% m/m. Ex-auto sales posted a solid 0.6% m/m gain, as clothing retailers reported a strong month. Meanwhile, housing starts rose 4.7% m/m in January to 2.159m s.a., led by low mortgage rates and strong demand in the Southern states. Building permits also increased 1.7% m/m to 2.105m, although the NAHB index edged lower in February, from 70.0 to 68.0. Finally, jobless claims dropped further to record their lowest level since October 2000.

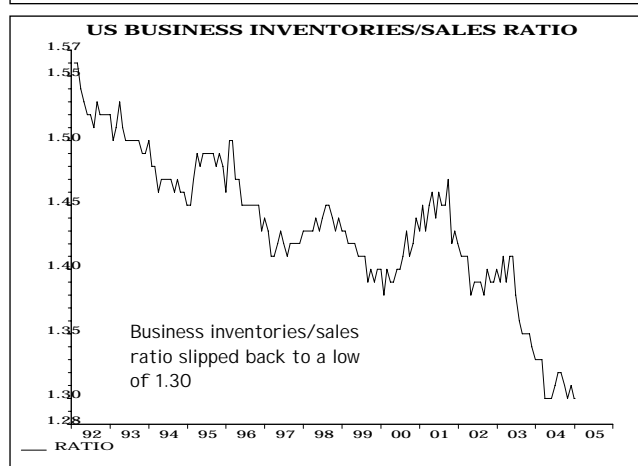
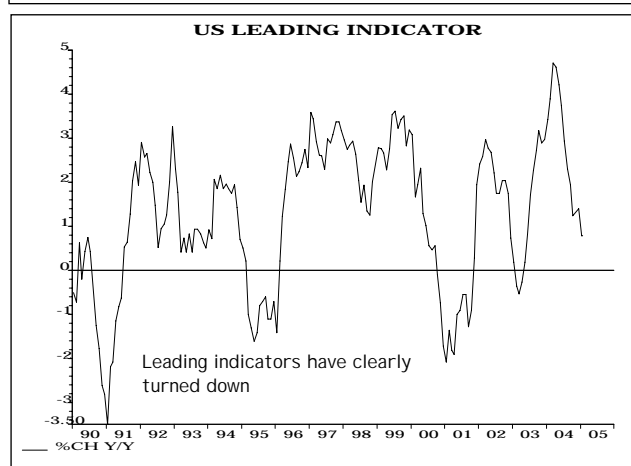
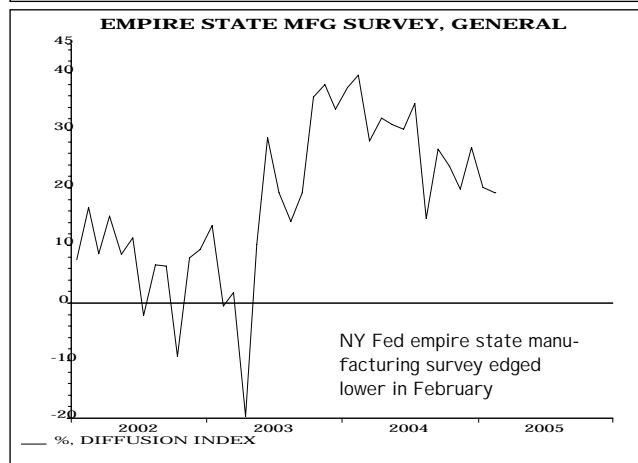
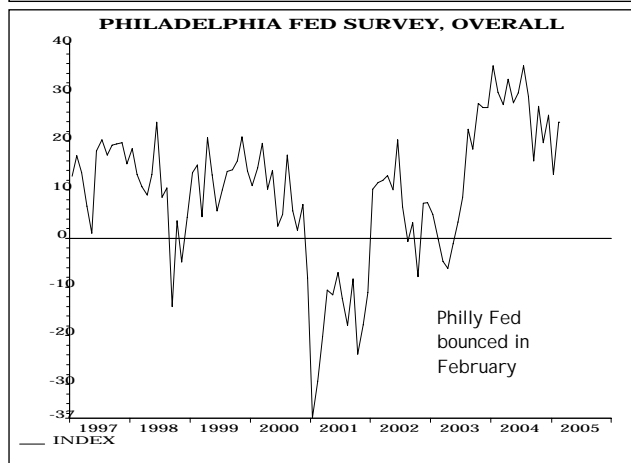
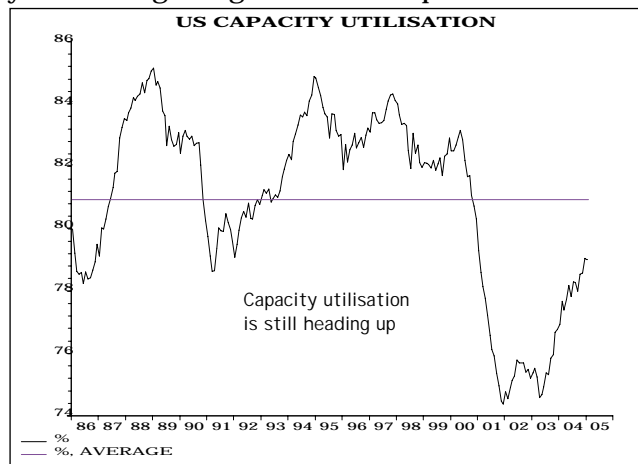
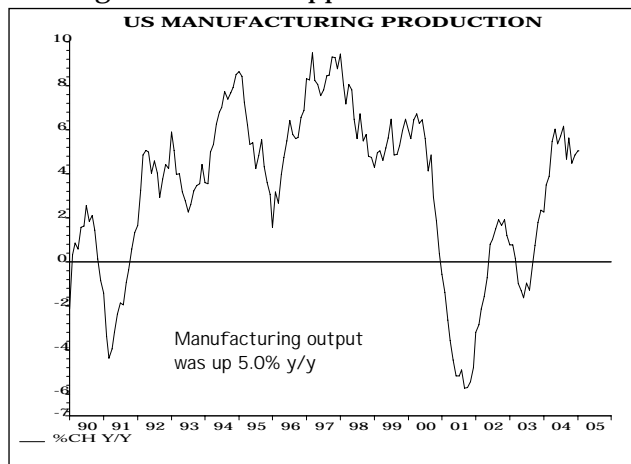


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**WEEKLY CHARTBOOK****US - 3**

Manufacturing output has picked up a little of late and rose 0.4% m/m in January, following a similar increase the previous month. Industrial production, however, was held back by a 3.0% decline in utilities output and was unchanged on the month. Capacity utilisation, meanwhile, slipped back in January to 79.0 from 79.1, but the trend remains firmly upwards. Elsewhere, this week's crop of forward looking indicators showed a mixed picture. The Philadelphia Fed Index rebounded from 13.2 to 23.9 this month, led by a strong pick-up in the shipments component. However, the Empire State manufacturing survey slipped to 19.2 in February and leading indicators dropped 0.3% m/m in January, reversing the gain from the previous month.

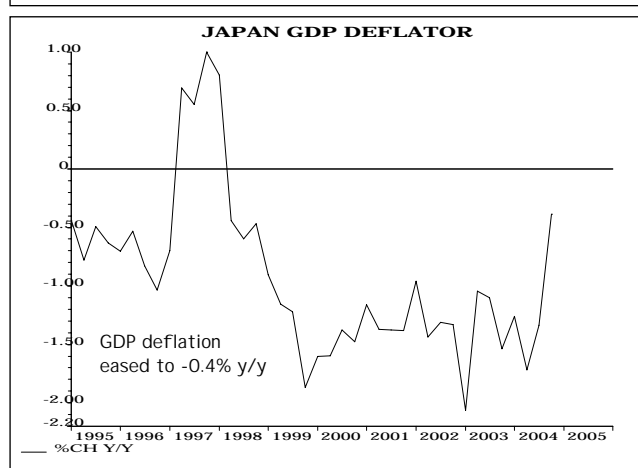
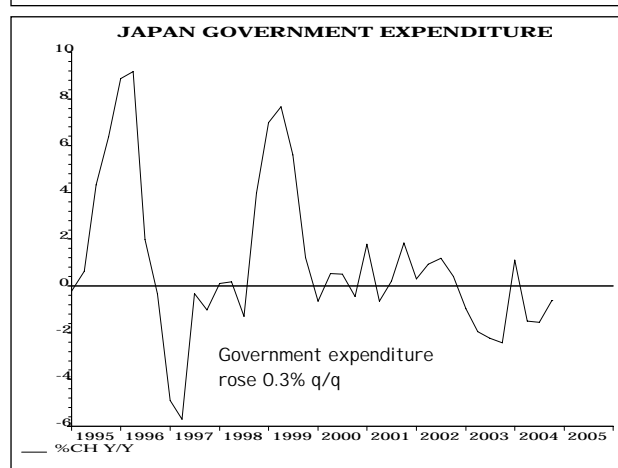
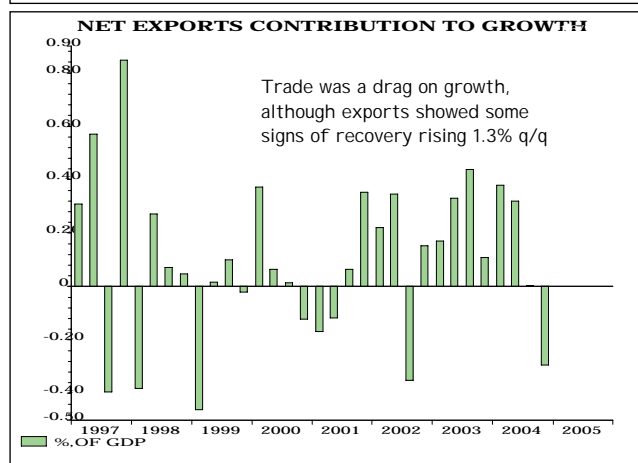
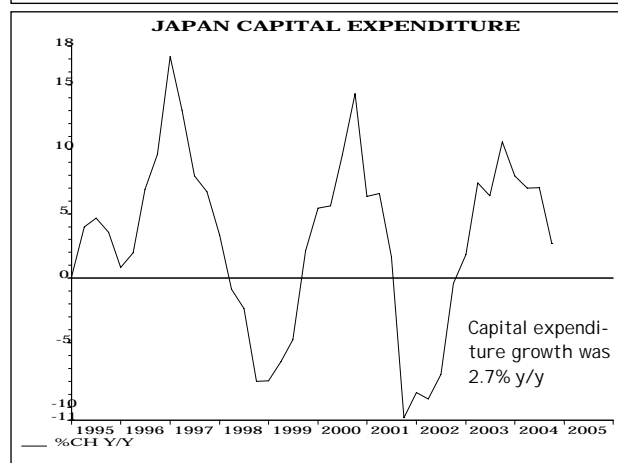
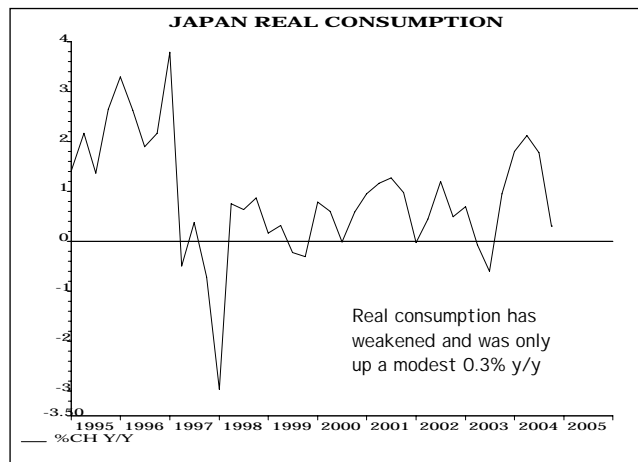
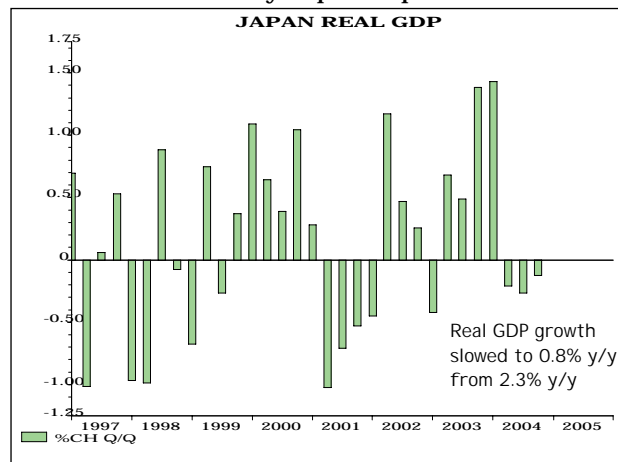


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**WEEKLY CHARTBOOK****Japan - 1**

Japan's GDP slipped 0.1% q/q in Q4. This marked the third consecutive quarter of negative growth, as the new methodology led to previous data being revised down. The contraction was driven by a 0.3% q/q drop in consumer spending, with a mild winter dampening sales of clothing and food. In addition, import growth - led in part by an increase in aircraft purchases - far outweighed export growth, and produced a 0.3% q/q drag on GDP from external demand. Meanwhile, capital spending rose 0.7% q/q, although the trend has clearly weakened of late. The GDP deflator did ease from -1.3% y/y to -0.4% y/y last quarter, but much of the improvement was driven by a pick-up in winter bonuses for civil servants.

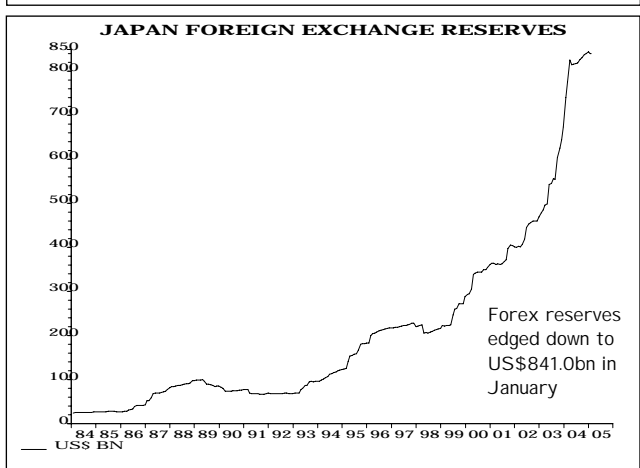
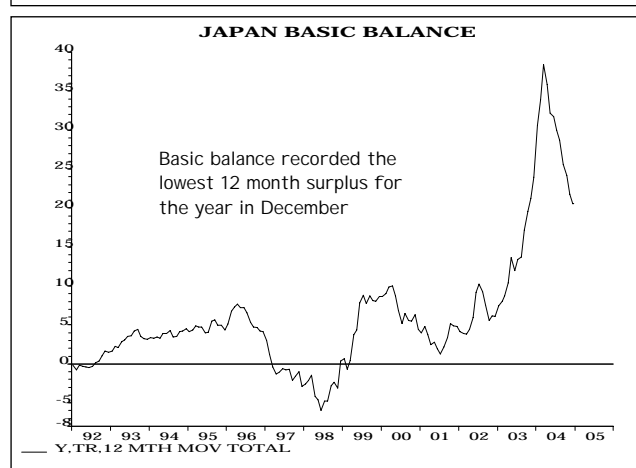
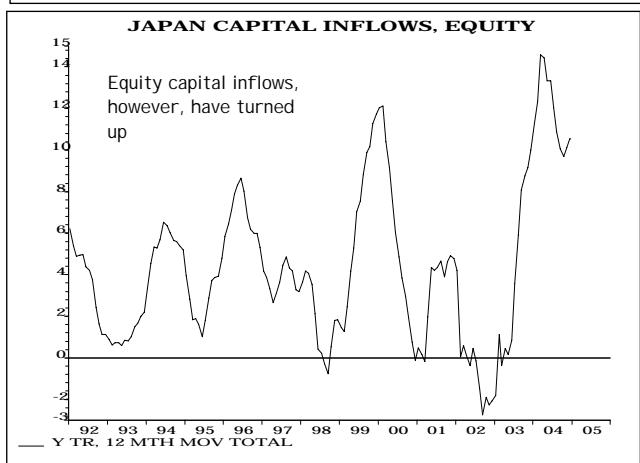
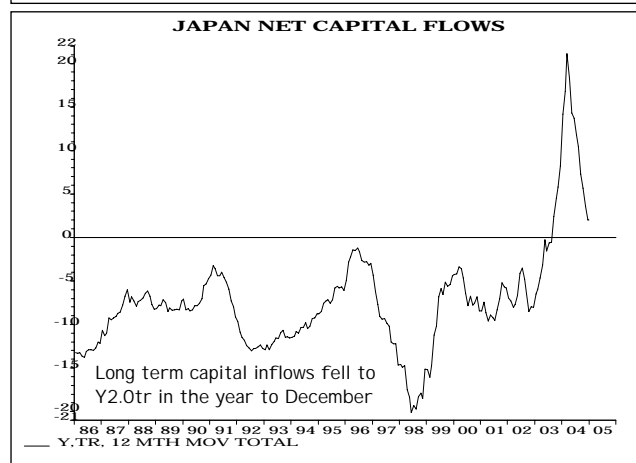
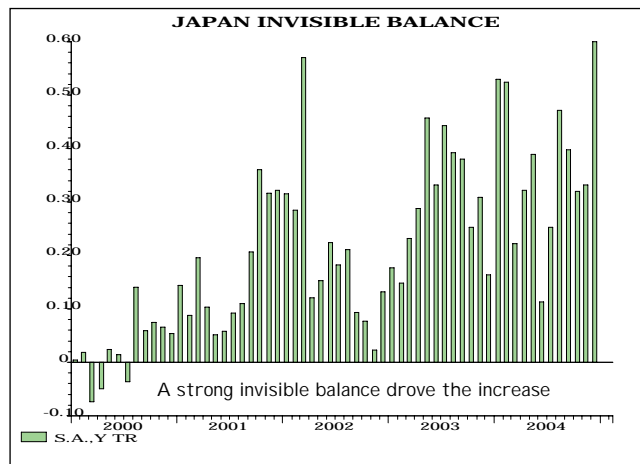
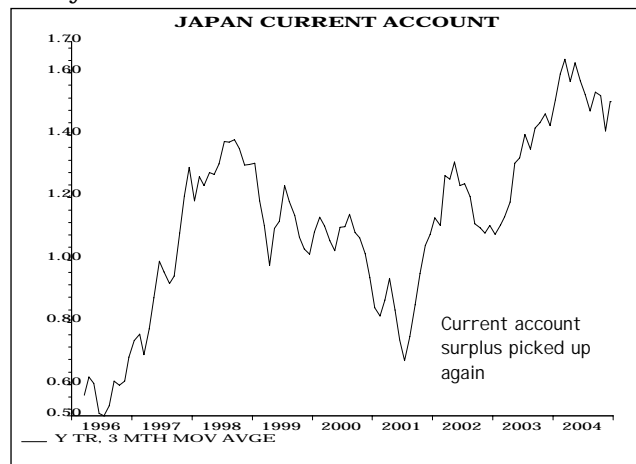


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**WEEKLY CHARTBOOK****Japan - 2**

Japan's current account surplus widened to Y1.78tr in December from Y1.39tr on a s.a. basis. However, the narrowing trend seen since early last year remains in place. The rise in December was led largely by a spike in the invisibles surplus, which rose to a record Y650.5bn from Y331.9bn the previous month. Japan, meanwhile, saw a small net capital inflow in December for the first time since March 2004. Foreigners were net purchasers of both stocks and bonds. Even so, the basic balance slipped further to Y20.6tr in the year to December. Elsewhere, a small decrease in foreign exchange reserves in January indicated that the BoJ has yet to intervene.

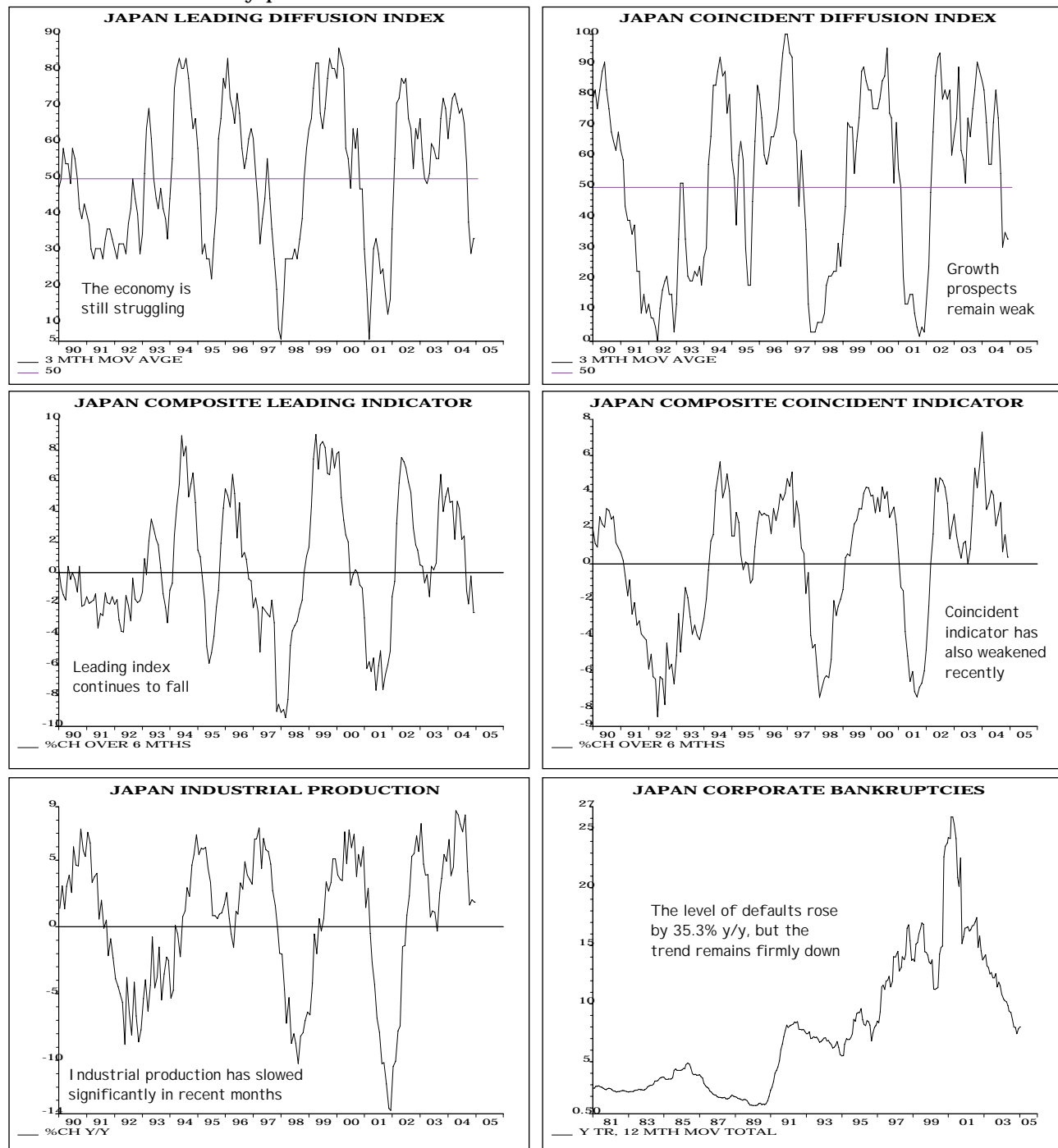


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**WEEKLY CHARTBOOK****Japan - 3**

Leading indicator revisions underscored the risks facing the economy in 2005, after the poor GDP report this week. The leading diffusion index was revised up from 40.0 to 45.5 in December, but remains below the boom/bust threshold of 50.0. Furthermore, the composite leading indicator dropped 1.4% m/m, following a strong gain in November. The coincident diffusion index also fell, from 60.0 to 30.0 and the broader picture remains weak. Elsewhere, industrial production was revised to a fall of 0.8% m/m in December, from a 1.2% m/m drop provisionally reported. Last but not least, the bankruptcy data has worsened of late, as the level of defaults in January posted a second consecutive annual increase.

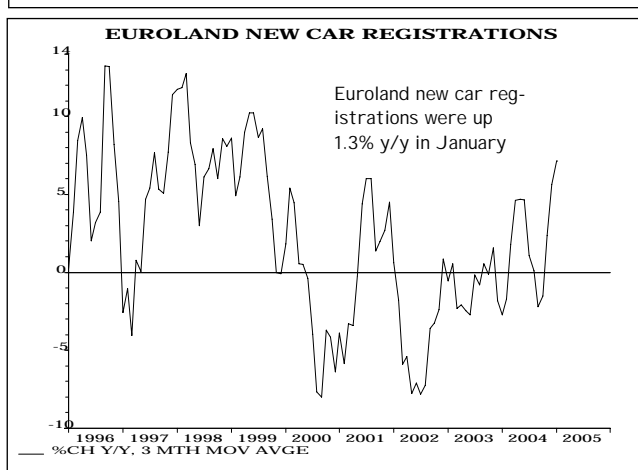
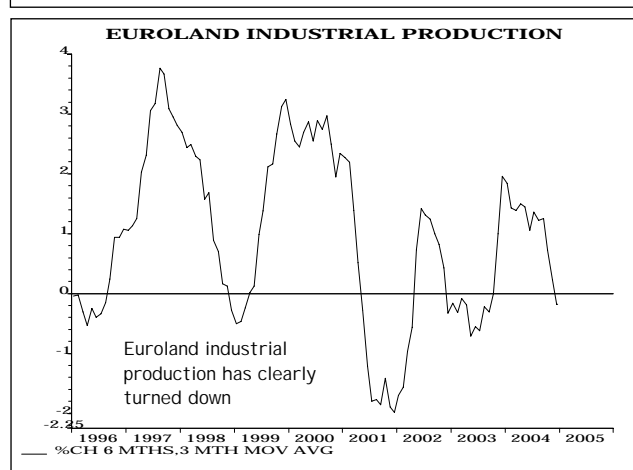
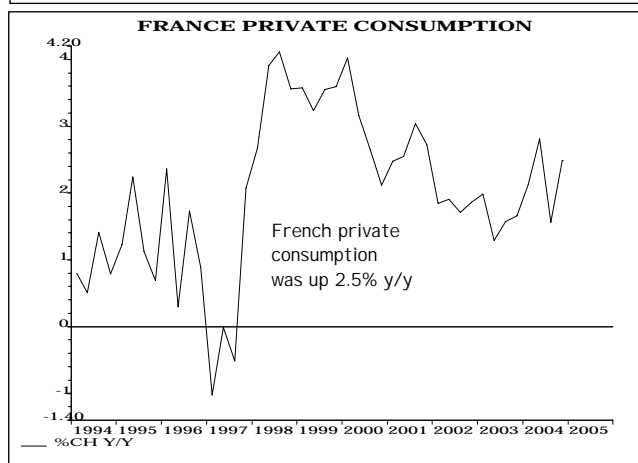
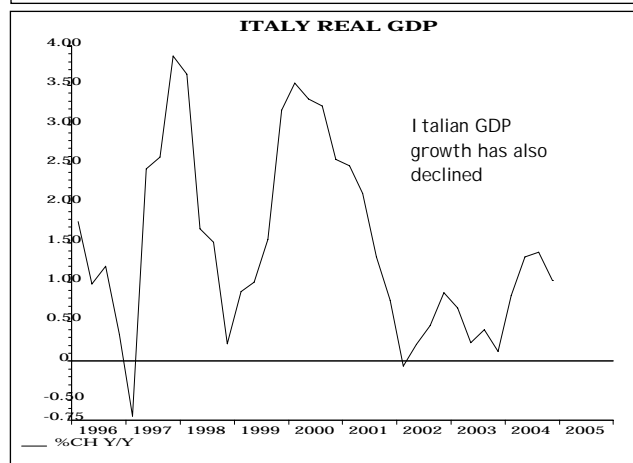
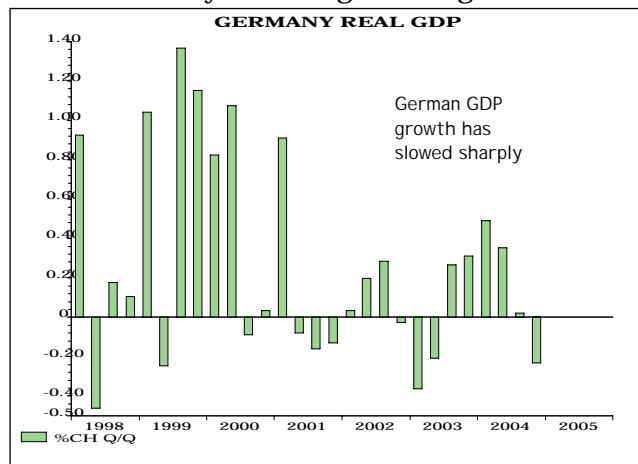
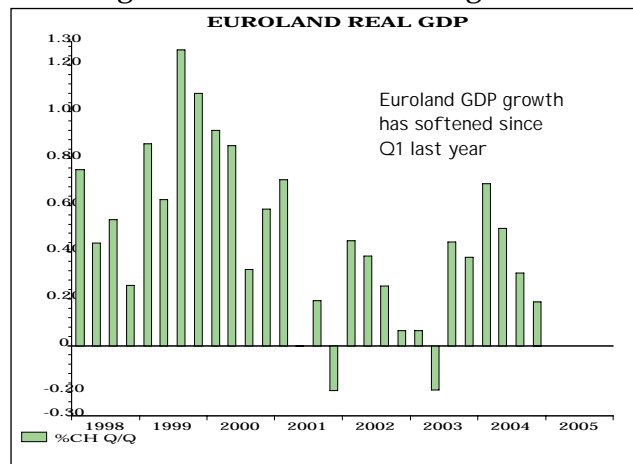


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**WEEKLY CHARTBOOK****Euroland - 1**

Euroland GDP growth rose a modest 0.2% q/q in Q4, on the back of weak growth reports from both Germany and Italy, where GDP fell 0.2% q/q and 0.3% q/q respectively. However, business confidence has picked up in Euroland in Q1, and suggests a somewhat stonger growth rate for this quarter. In France, meanwhile, GDP was confirmed at 0.8% q/q in Q4, and the breakdown showed consumption up a strong 1.2% q/q, following a decline in Q3. Elsewhere, Euroland industrial production rebounded 0.5% m/m in December, but the 6-month smoothed change still dropped into negative territory for the first time since September 2003. Finally, the annual growth rate in new car registrations slowed in January following a strong December.



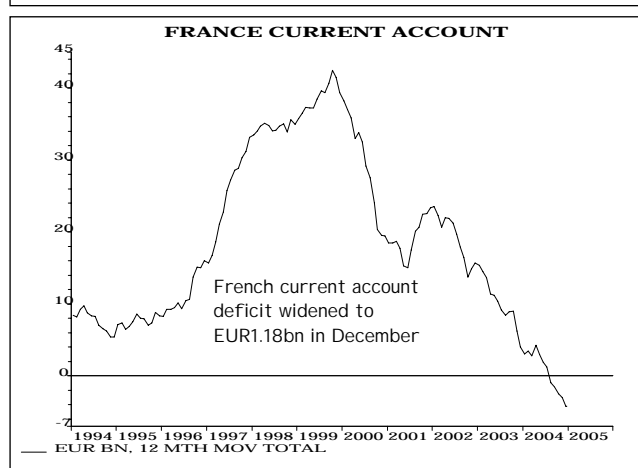
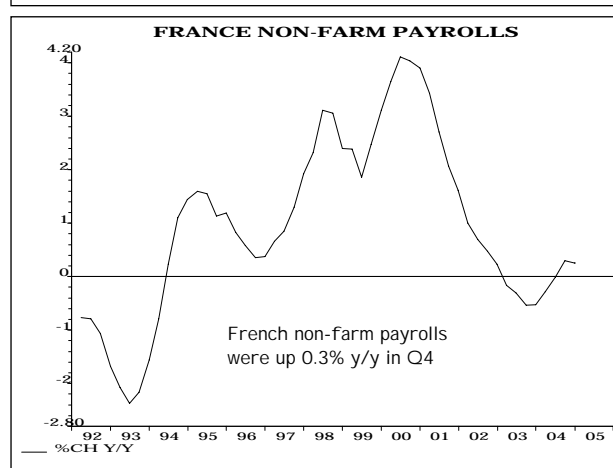
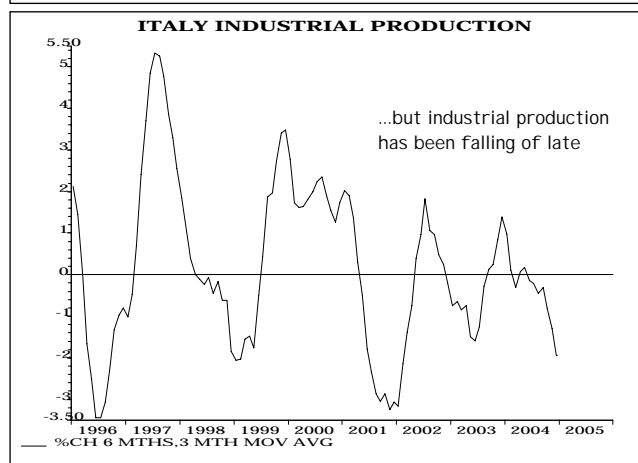
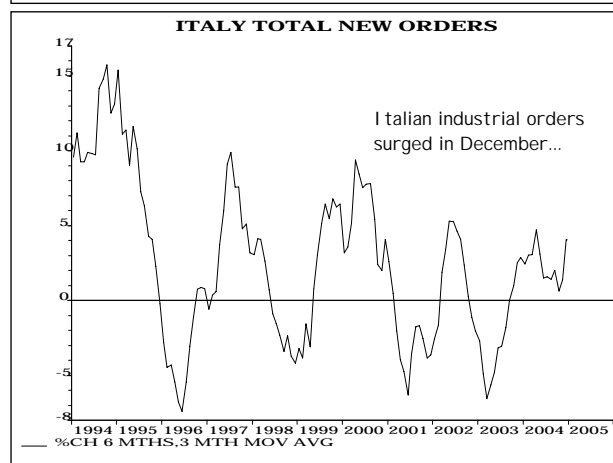
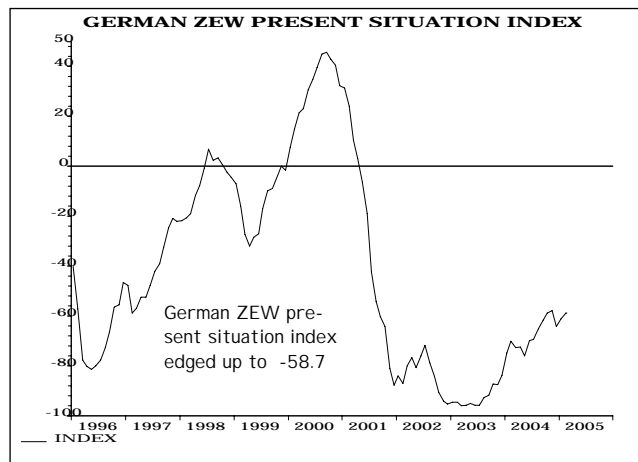
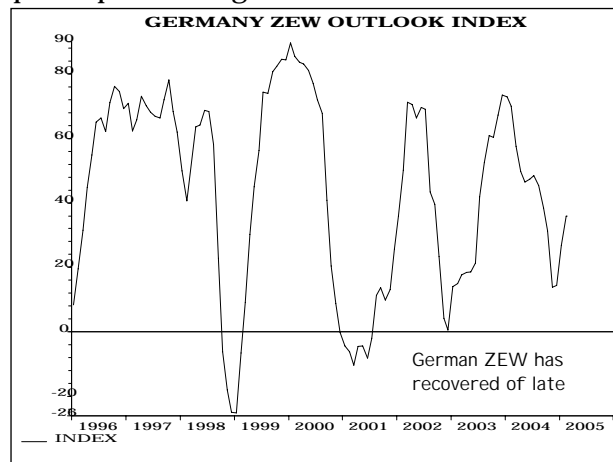
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**WEEKLY CHARTBOOK****Euroland - 2**

This week's German ZEW indices suggest that German growth should recover somewhat in Q1 following the dismal showing in Q4. The ZEW outlook index rose again in February from 26.9 to 35.9, while the present situation index also nudged higher. Meanwhile, in Italy, industrial production dropped 0.6% m/m in December and is now down 3.0% y/y. However, the worst may now be over, as industrial orders rose 5.6% m/m in December. Domestic orders rebounded 10.5% m/m from two consecutive monthly declines. Last but not least, French non-farm payrolls were flat on the quarter in Q4, and indicate the labour market has yet to benefit from the pick-up in GDP growth. The French current account deficit also widened further in December.

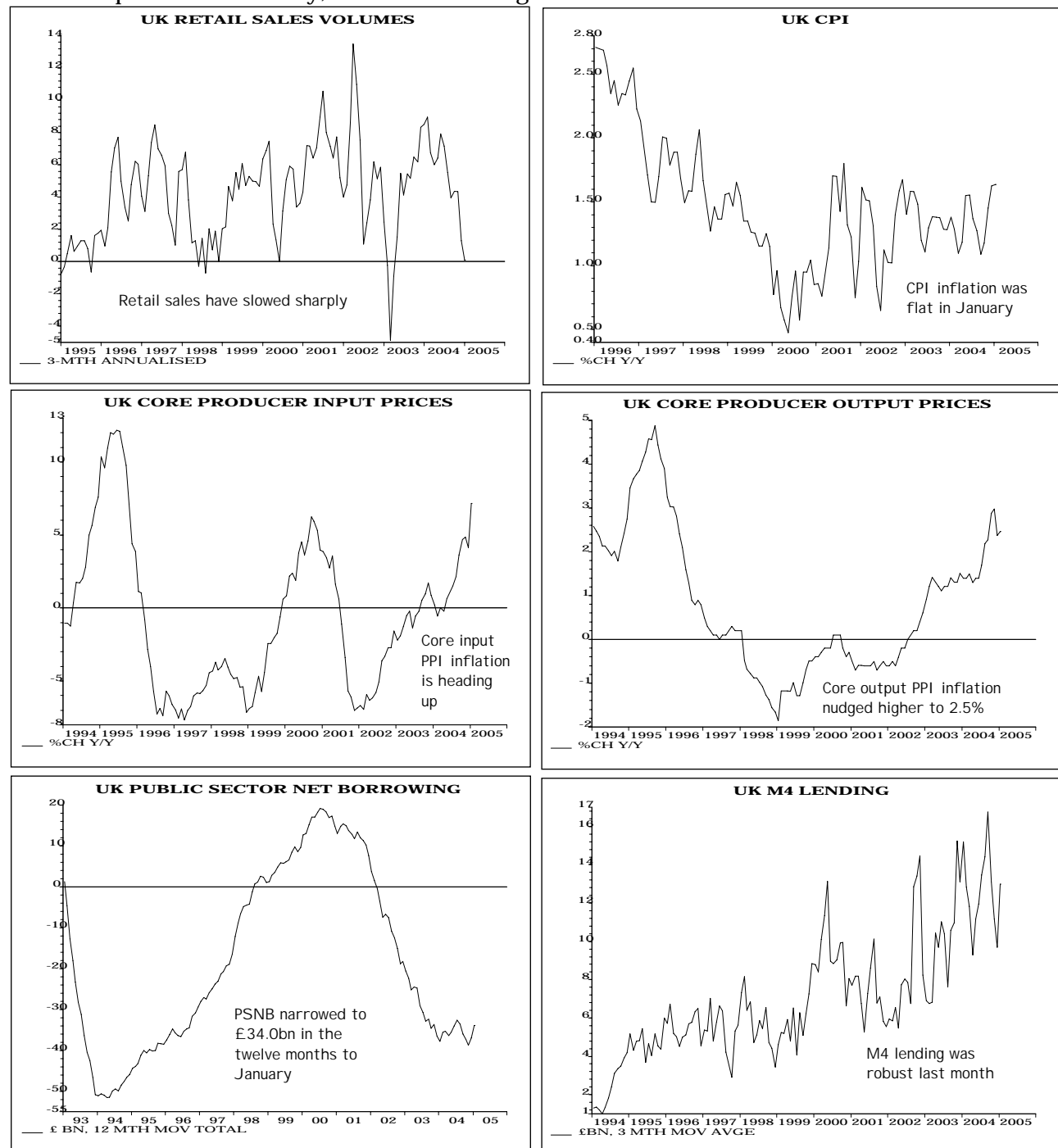


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**WEEKLY CHARTBOOK****UK - 1**

The retail sales report highlighted the downside risks to the consumer flagged in the BoE Inflation report. Retail sales did rebound 0.9% m/m in January from a revised 1.1% decline the previous month, but the 3-month annualised growth rate has fallen to 0.1%, marking the lowest level since April 2003. Meanwhile, consumer price inflation was unchanged at 1.6% in January. A rise in food, utility, and recreation inflation offset a drop in petrol, furniture and airfares inflation. However, core producer input prices accelerated from 4.1% y/y to 7.2% y/y in January, suggesting core output inflation may rise further over coming months. Elsewhere, the PSNB improved in January, while M4 lending rose £15.9bn last month.

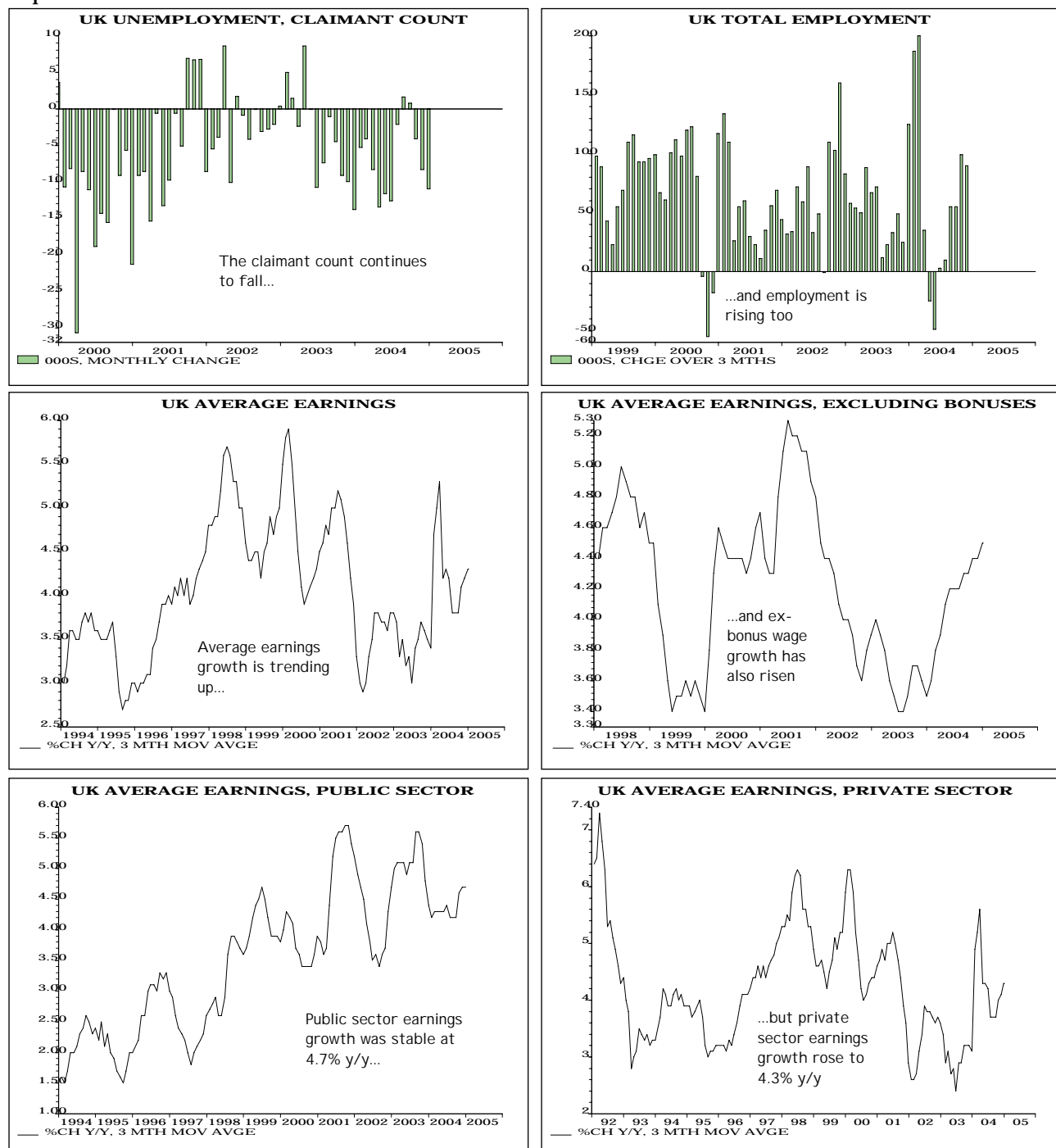


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**WEEKLY CHARTBOOK****UK - 2**

This week's labour market data may add to concerns that a shortage of labour is continuing to put upward pressure on wage inflation. The claimant count fell by 11,000 in January and employment rose by 90,000 in the three months to December, and 296,000 during 2004. However, in mitigation, the unemployment rate on the ILO measure ticked up from 4.6% to 4.7% in Q4, and shows signs of levelling out. Meanwhile, average earnings growth edged higher from 4.2% y/y to 4.3% y/y in the three months to December, boosted by a pick-up in private sector earnings. Ex-bonuses, earnings growth rose from 4.4% y/y to 4.5% y/y, moving up to the top of the MPC's comfort zone.



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