

GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(16 December 2019 – 20 December 2019)

Countries	Highlights
<p>US</p> <p>US housing market regaining steam; manufacturing stabilising</p>	<p>US homebuilding increased more than expected in November and permits for future home construction surged to a 12-1/2-year high as lower mortgage rates continue to boost the housing market and support the broader economy. Overall housing starts jumped 13.6% on a year-on-year basis in November. Building permits increased 1.4% to a rate of 1.482 million units in November, the highest level since May 2007. The housing market is regaining momentum after the Federal Reserve cut interest rates three times this year, pushing down mortgage rates from last year's multi-year highs.</p> <p>(Source: Reuters, 17 December 2019)</p>
<p>UK</p> <p>Bank of England holds steady on rates, awaits impact of Johnson's election win</p>	<p>The Bank of England (BoE) kept interest rates steady on Thursday, saying it was too soon to gauge how much Prime Minister Boris Johnson's election victory would lift the Brexit uncertainty that has hung over the economy. Two of the BoE's nine policymakers voted for a second month in a row for a cut to borrowing costs due to fears that Britain's jobs boom is deteriorating. But the majority took a wait-and-see approach at the penultimate rate-setting meeting for Governor Mark Carney, who is due to stand down on 31 January 2020. The BoE also thought the prospects for the global economy had improved as it noted a "partial de-escalation" of the US - China trade tensions.</p> <p>(Source: Reuters, 20 December 2019)</p>
<p>JAPAN</p> <p>Japan cabinet approves record \$939 billion budget spending plan for fiscal year 2020/21</p>	<p>Japan's government has approved a record budget spending worth USD939 billion for the coming fiscal year, the Ministry of Finance said as it tries to balance the need to boost growth and manage the industrial world's heaviest public debt burden. The 102.7 trillion yen (USD939 billion) general-account budget for the year beginning April 1 marks a 1.2% rise from the current year, boosted by record outlays for welfare and the military and other spending aimed at boosting the economy. Prime Minister Shinzo Abe has prioritised growth over fiscal reform under his "Abenomics" reflationary policy of monetary stimulus and flexible spending, and planned spending has increased for eight straight years. Part of the planned spending will help finance a USD122 billion fiscal package put together this month by Abe's cabinet to shore up growth beyond the 2020 Tokyo Olympics after hits from the U.S.-China trade war and an Oct. 1 sales tax hike to 10%.</p> <p>(Source: Reuters, 20 December 2019)</p>
<p>CHINA</p> <p>China money market set to face late - January cash crunch</p>	<p>Late December usually brings worries of a liquidity crunch in China's money market as financial institutions' demand for cash peaks before the year's end. But this December, investors are worried the bigger scare could come early in the new year. Rising cash demand for the Lunar New Year holiday and a flood of special bond issuance by local governments is likely to tighten cash conditions in January, and could prompt the central bank to free up funds banks must hold as reserves. The Lunar New Year, which falls on January 25 next year, is expected to boost short-term demand for cash by about 1.5 trillion yuan (USD214.18 billion). Banks' demand for cash for special bonds is also expected to peak in late January, bringing the total liquidity gap to as much as 2.8 trillion yuan.</p> <p>(Source: Reuters, 19 December 2019)</p>