

GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(6 May 2019 – 10 May 2019)

Countries	Highlights
<p>US</p> <p>Automakers expect White House to delay decision on auto tariffs: sources</p>	<p>Automakers expect US President Donald Trump to delay a decision due next week on whether to impose steep tariffs on imported cars and auto parts on national security grounds for up to 6 months as talks continue with the European Union and Japan. In February, the Commerce Department submitted its "Section 232" national security report. Administration officials have said tariff threats on autos are a way to win concessions from Japan and the EU. Last year, Trump agreed not to impose tariffs as long as talks with the two trading partners were proceeding in a productive manner. The industry says tariffs of up to 25% on millions of imported cars and parts would add thousands of dollars to vehicle costs and potentially lead to hundreds of thousands of job losses throughout the US economy. Major automaker groups said last year the cumulative effect for the United States would be an US\$83 billion annual price increase and argued there was no evidence auto imports posed a national security risk.</p> <p><i>(Source: Reuters, 9 May 2019)</i></p>
<p>UK</p> <p>Pre-Brexit rush by factories boosts UK economy in early 2019</p>	<p>Britain's economy got a sharp one-off boost in the first three months of 2019, as manufacturers rushed to deliver orders before a Brexit that never came. Year-on-year GDP growth picked up to an 18-month high of 1.8% in early 2019, up from 1.4% in the last three months of 2018. Britain's Office for National Statistics (ONS) said factories rushed to complete orders ahead of the original March 29 Brexit deadline, spurring a 2.2% jump in output in the first quarter and marking the sector's biggest contribution to overall economic growth in nearly 20 years. Businesses also bought an extra 4.6 billion pounds (US\$6.0 billion) worth of stocks in the first quarter, the biggest increase since late 2016, which statisticians said added 0.7 percentage points to the first-quarter growth rate. However, some sectors - such as car dealers, wholesalers and warehouses reported relatively little stockpiling. Net trade took a record 2.2% off the quarterly rate of GDP growth and Britain's first-quarter trade deficit hit a record high 18.3 billion pounds. However, data unexpectedly showed a return to growth for business investment in the 1Q 2019, after contracting for every quarter of 2018.</p> <p><i>(Source: Reuters, 10 May 2019)</i></p>
<p>JAPAN</p> <p>Japan's wage tumble overshadows spending growth, keeps BOJ under pressure</p>	<p>Japan's household spending rose more than expected in March 2019 but real wages tumbled the most in nearly four years, dashing hopes consumer sector activity may soften the blow from external factors such as global trade conflicts. The data add to recent weak signs in the export-reliant economy, which has been hit by slumping shipments to China and soft factory output, and cast doubt on the Bank of Japan's (BOJ) view that growth will rebound in the second half of this year. Fading recovery prospects were among key topics of debate at the BOJ's rate review in April, a summary of the meeting showed. Household spending gained 2.1% from a year earlier, government data showed, rising for the fourth straight month and beating market forecasts for a 1.7% increase. But separate data showed inflation-adjusted real wages fell 2.5% in March from a year earlier, the biggest decline since 2015, casting doubt about the resilience of consumption. The data underlines the challenge policymakers' face in breaking Japan's sticky deflationary mind-set. The modest rise in household spending, however, may help Japan's economy avert a contraction in January-March.</p> <p><i>(Source: Reuters, 10 May 2019)</i></p>

CHINA

China to tighten steel capacity swapping, boost domestic iron ore output

China should fine-tune monetary policy in a pre-emptive way based on economic growth and price changes. The economy expanded at a steady 6.4% pace in 1Q 2019, defying expectations for a further slowdown, with industrial output, retail sales and investment in March all growing faster than expected following a raft of growth-boosting measures rolled out in recent months. China's growth last year cooled to a near 30-year low of 6.6%, weighed down by weak investment and escalating trade war with the US. Producer and consumer price gauges in China have picked up, easing concerns about deflationary risks, but broader inflation levels are still modest. While analysts cautioned it was too early to call a turnaround, some market watchers bumped up their China growth forecasts and lowered their expectations of further support measures. In March, the government announced billions of dollars in additional tax cuts and infrastructure spending to help businesses and protect jobs. Regulators are likely to keep up efforts to keep credit available to smaller firms at more affordable rates, though there are concerns that a recent surge in bank lending could fuel another jump in bad loans and speculation in property markets.

(Source: Reuters, 9 May 2019)

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