

**Asian and European industrial health under scrutiny this week**  
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Europe's and Asia's industrial health will be closely watched in the coming week for an indication of how solid – or weak – a footing the global economy was on at the start of the year.

With China's leaders seeking to rebalance the world's industrial powerhouse more toward consumer spending, and with bad weather distorting most United States data since the start of the year, some clarity would be helpful.

After private sector business surveys suggesting services activity around the world is on the up, investors and policymakers will shift their focus to industrial production figures for the euro zone, Britain, Japan and China.

Industrial output growth in China, the world's second largest economy, is likely to have slowed further in January from 9.7% in December, hurt by weaker local and foreign demand.

Economists in a Reuters poll forecast a decline to a 9.5% annual pace, which is still strong and would not yet show the kind of rebalancing policymakers are looking for. Those figures are due on Thursday.

"China's export growth is likely to have softened in February after the surge in January due to the front-loading of exports before the Lunar New Year," said David Mann at Standard Chartered.

Beijing says it is aiming for economic growth of about 7.5% this year, compared with last year's actual expansion of 7.7%, as it seeks to revamp a maturing economy and move it towards slower but better-quality growth.

Germany, whose export-driven economy has been the driving force behind the 18-member euro zone's very slow recovery from recession, will also publish trade data this week.

"Last year, the German trade engine spluttered, already suffering from weaker demand from some emerging economies," said James Knightley, senior economist at ING.

"Ongoing problems in emerging markets combined with the winter weather in the United States could make the German export soft patch last longer than expected."

Selling more goods to a swelling global consumer base in Asia and elsewhere may be just the mix required. But as long as unemployment in the bloc remains high, there is little prospect for a strong rebound in euro zone consumer spending.

Industrial production figures for the euro area are expected to show a healthy rebound in January from December's 0.7% decline, according to the latest Reuters poll.

The main Markit Purchasing Managers' Index rose to its highest in more than 2-1/2 years last month, which may help explain why the European Central Bank decided to leave policy unchanged at its March meeting and signal it is content to wait and see.

After the ECB appeared to rule out any middle-of-the road options, hinting the bank would either do nothing or else take bold policy action should the outlook deteriorate, there are a host of its policymakers speaking during the week, possibly offering further guidance.

In the United States, where jobs growth was better than expected in February, there is much more certainty about the trajectory of monetary policy.

For the Federal Reserve to alter the pace at which it is winding down its massive bond-buying program – 10 billion dollars per month – the US economic outlook would have to change dramatically, top Fed officials said last week.

One, Atlanta Fed President Dennis Lockhart, told Reuters in an interview that even a third month of below-par US jobs growth would not be enough to warrant such a move.

After employers added 175,000 jobs to their payrolls last month, having already created 129,000 new positions in December, any talk of a change will have been muted.

If anything, US retail sales data due on Thursday are expected to show a return to growth in February after unseasonably cold weather took its toll the month before.

That could solidify expectations that the Fed will wind down its bond purchase programme by the end of this year and consider raising interest rates some time in 2015.

Japan will announce revisions to its fourth quarter GDP data today – something it is prone to do heavily. Tokyo said last month the economy expanded 0.3% in the fourth quarter, well below the median estimate of 0.7%.

The disappointing data poses a challenge to Japanese policymakers as unprecedented stimulus efforts have showed few signs of sparking momentum in consumption and exports. Inflation also remains dangerously low there.

Central banks in Korea, Indonesia and Thailand all meet this week, and are expected to leave policy unchanged.

Thai consumer confidence tumbled to a 12-year low in February, highlighting the toll that prolonged political unrest, now in its fifth month, is taking on Southeast Asia's second-biggest economy.

But the Reserve Bank of New Zealand, well ahead of most developed nations, is nearly certain to lead the way with a rate hike at its policy review to choke off growing inflation pressures in its rapidly-growing economy. – Reuters, March 10, 2014.

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