

Weekly Economic Reports

March 30, 2005

Highlights

- **US:** Higher energy prices underline confidence data
- **Euroland:** String of weak data continues
- **Japan:** Disappointing IP data, but business confidence rising
- **UK:** Weak consumer numbers in March
- **China:** Government warns on overheating property prices

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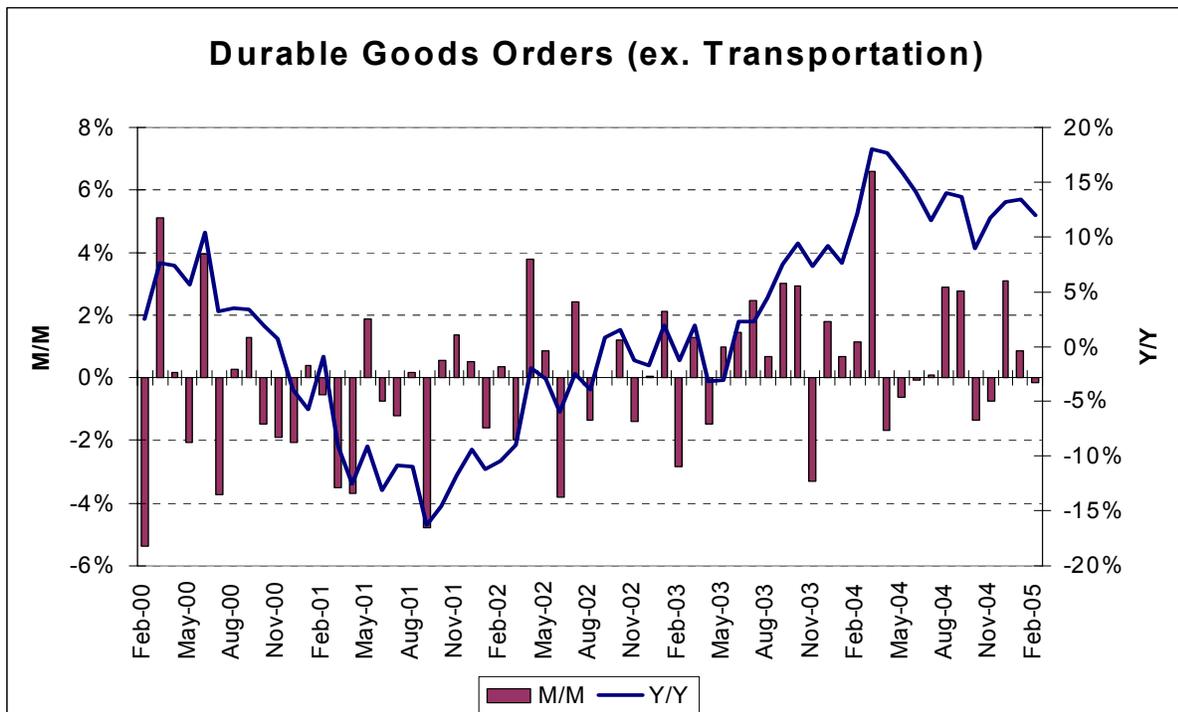
U.S.

This week's light economic data showed a stable housing market in February, weak consumer confidence in March and some softness in durable goods orders. Wal-Mart and Redbook both see March sales trending at about 4% Y/Y despite increases in gasoline prices.

Weekly Highlights

- **Durable Goods Orders**- were weak after large increases the past two months. (page 2)
- **New Home Sales**- remained firm in February, but housing is unlikely to be engine of growth for the economy. (page 3)
- **Consumer Confidence**- weak in March according to ABC and Conference Board. (page 4)

Chart of the Week

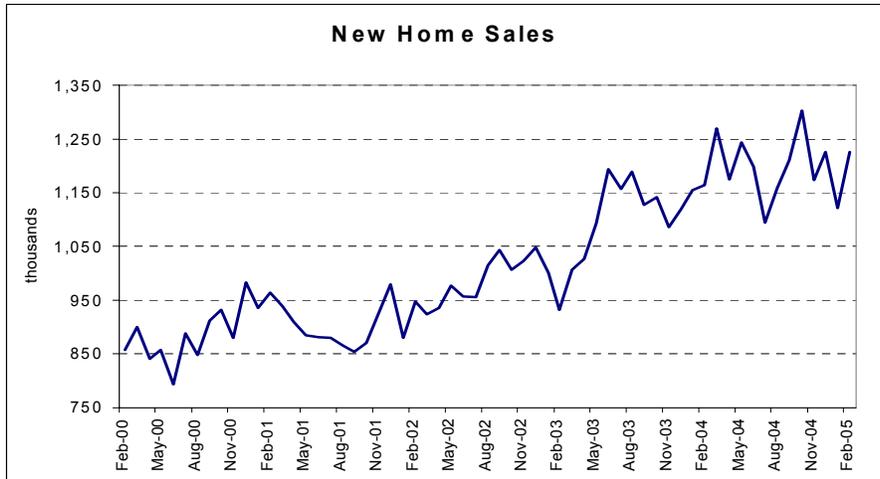


Durable goods orders, excluding transportation, decreased 0.2% M/M and increased 12.0% Y/Y in February. February's decline, in this volatile series, came after large gains in both January and December. The three month annualized growth rate is currently over 15%. It will be important to monitor if rapid growth in investment spending continues to drive GDP growth higher as many expect it to.

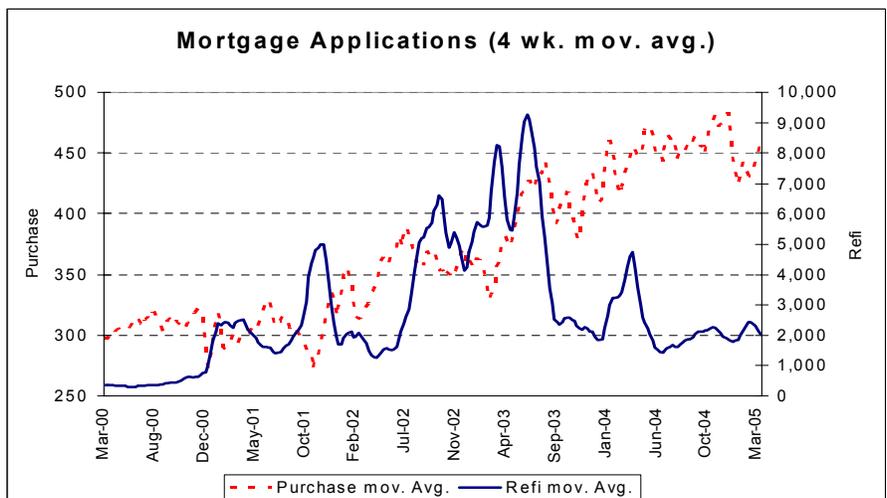
Housing Market

New home sales increased from 1,121k to 1,226k in February.

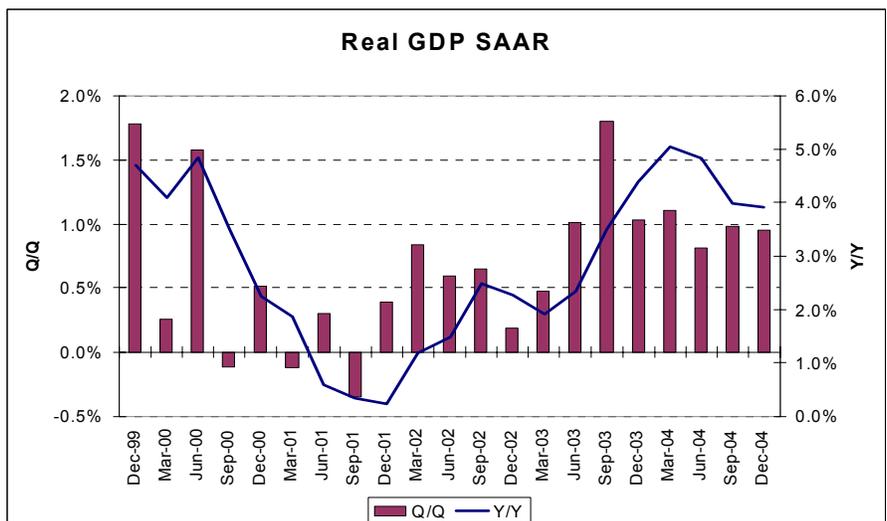
Y/Y growth is relatively flat, thus home sales do not appear likely to be an engine of economic growth.



Purchase mortgage applications increased 5.5% and refinance mortgage applications decreased 2.0% this week. The stability in purchase applications is being helped by record high ARM volumes that now represent 36.6% of the total.

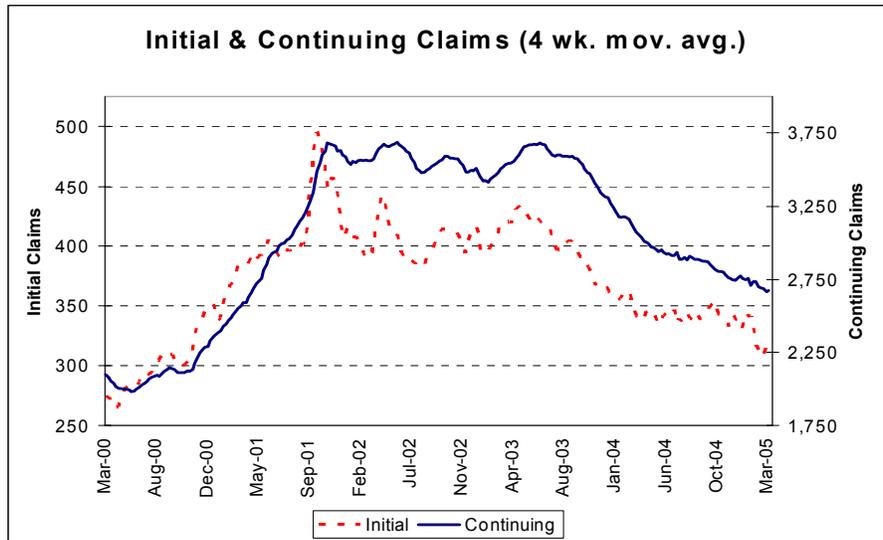


Real GDP increased at a revised 3.8% at an annualized rate in the fourth quarter of 2004, below expectations, but unchanged versus the previous estimate. This final revision did not lead to many changes in the details either- with solid consumption and robust investment driving growth.

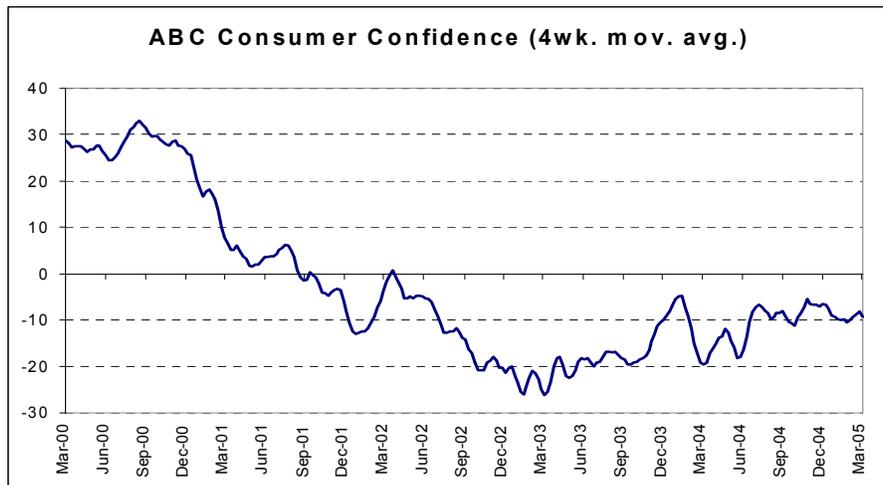


Unemployment Claims & Consumer Confidence

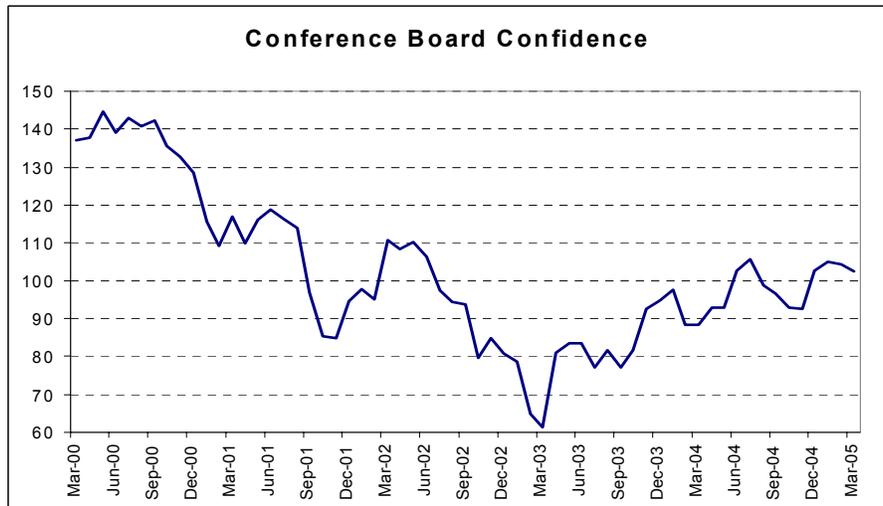
The four week moving average of initial and continuing claims increased to 322k and 2,667k. Despite the small increase in claims, the absolute levels still suggest healthy payroll gains.



The ABC Consumer Confidence Index dropped from -9 to -13 for the week of March 28th. This week's reading was the lowest since June of 2004 and was likely caused by higher gas prices at the pump. The finance, economic and buying components all declined.



The Conference Board's Index of Consumer Confidence declined from 104.4 to 102.4 in March. Expectations declined from 96.1 to 93.7 and people's assessment of current conditions declined from 116.8 to 115.6. The job components were relatively flat.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/31	Personal Income (FEB)	0.4%	-2.3%
03/31	Personal Spending (FEB)	0.5%	0.0%
03/31	PCE Core (YoY) (FEB)	1.6%	1.6%
03/31	Initial Jobless Claims (MAR 26)	320K	324K
03/31	Continuing Claims (MAR 19)	2,650K	2,673K
03/31	Help Wanted Index (FEB)	41	41
03/31	Chicago Purchasing Manager (MAR)	60.5	62.7
03/31	Factory Orders (FEB)	0.5%	0.2%
04/01	Unemployment Rate (MAR)	5.3%	5.4%
04/01	Average Hourly Earnings (MAR)	0.2%	0.0%
04/01	Change in Nonfarm Payrolls (MAR)	220K	262K
04/01	Average Weekly Hours (MAR)	33.7	33.7
04/01	U. of Michigan Confidence (MAR)	92.7	92.9
04/01	Construction Spending (FEB)	0.6%	0.7%
04/01	ISM Manufacturing (MAR)	54.9	55.3
04/01	Total Vehicle Sales (MAR)	16.7M	16.3M
04/05	ISM Non-Manufacturing (MAR)	59.3	59.8
04/05	ABC Consumer Confidence (APR 3)	NA	-13
04/06	MBA Mortgage Applications (APR 1)	NA	2.4%

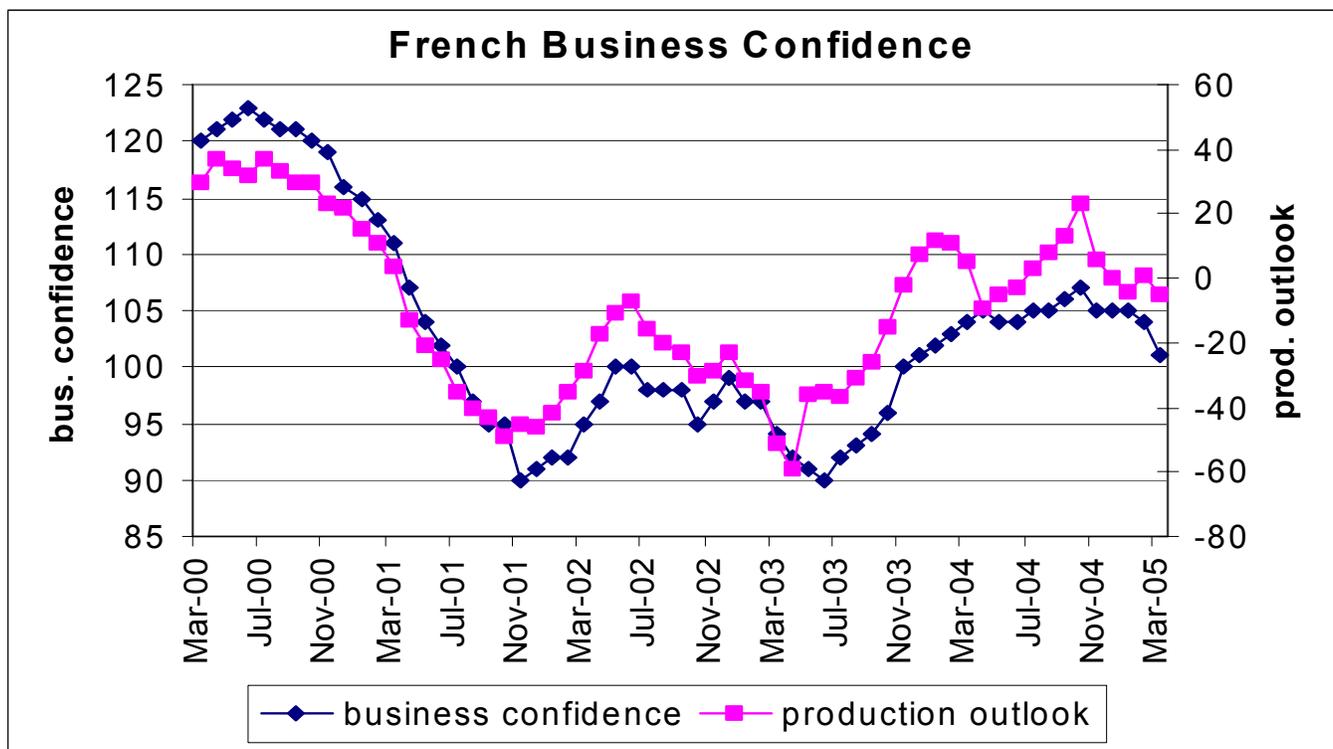
Euroland

There was minimal data released this past week due to the holiday, however, the figures released continue to confirm a deterioration of the Euroland economies. French and Italian Business Confidences both hit new lows, while Italian Export and Industrial Orders growth slowed causing Prime Minister Siniscalco to cut his 2005 growth forecast. The only variable left seems to be the timing of the ECB ending its hawkish rhetoric and discussing the viability of rate cuts.

Weekly Highlights

- **French Confidence**- fell for 3rd month in five in March. (page 6)
- **Italian Confidence** – both business and retailer confidences were below expectations. (page 7)
- **Euro Zone M3**- decelerated in March for 1st time since October. (page 8)

Chart of the Week



France's March Business Confidence fell to a 15 month low as consumer spending and export growth which were very strong in 2004, continue to decelerate. Business Confidence unexpectedly fell from 104 in February to 101 in March, while the Production Outlook Index fell from 1 to -5. Confidence has failed to increase since its peak in October, despite recent tax cuts. Rising oil prices, high unemployment and the euro's strength continue to send dismal signs to French consumers and businesses.

Italian Retailer's Confidence, Business Confidence & Private Consumption

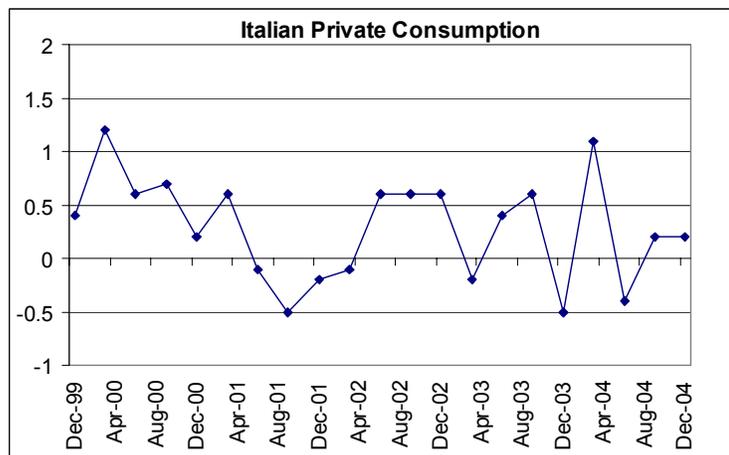
Italy's February Retailer's Confidence fell from 103.7 in January to 99.4 as prospects continue to dim due to oil prices, the euro, and a lack of domestic spending. Exports across the Euro region have reportedly "fallen sharply" in Q1.



Italy's March Business Confidence fell to an approximate 2 year low, declining from 86.6 in February to 85.0. Record oil prices and the euro's recent strength are credited for much of the pessimism.

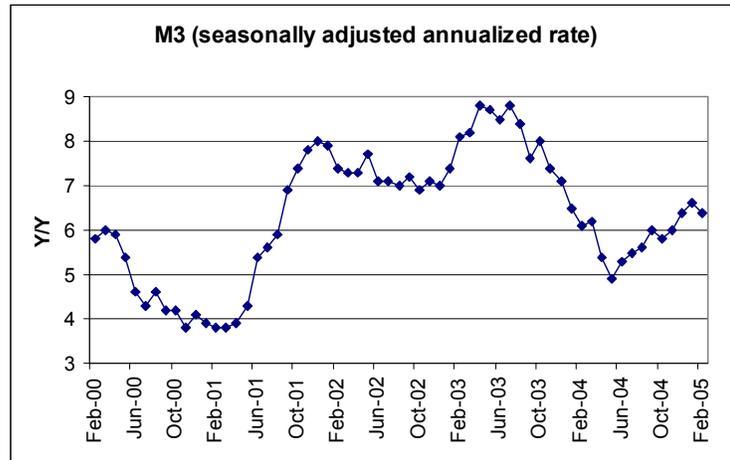


Italy's Q4 Private Consumption increased 0.2% Q/Q for the second consecutive quarter.

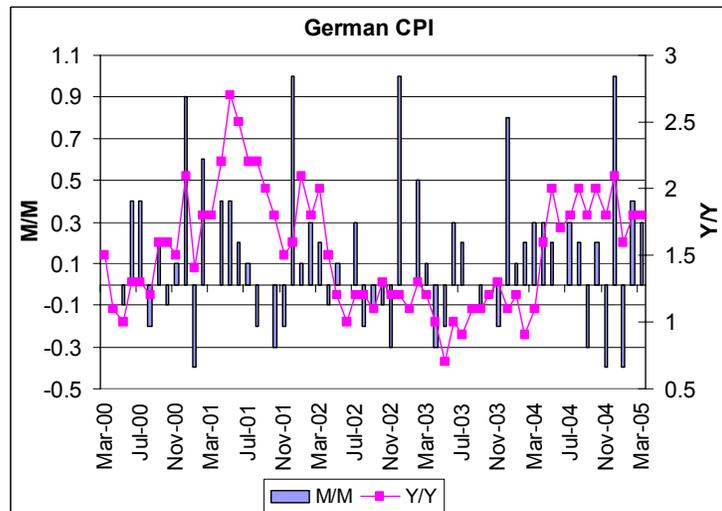


Euro Zone M3, German CPI & Italian Industrial Orders

The Euro Zone's February Money Supply growth decelerated for the first time since October, slowing from 6.6% in January to 6.4%. Private Sector Credit grew 6.6% Y/Y, up from 6.5% in January.



Germany's March CPI increased more than expected, rising 0.3% M/M and 1.8% Y/Y. Oil prices are credited with the increase as there seems to be little inflationary pressure elsewhere.

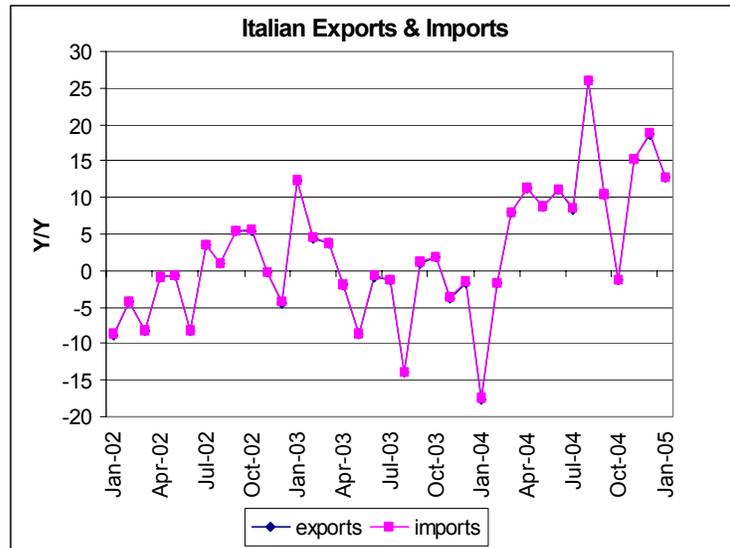


Italy's January Industrial Orders decreased 5.2% M/M while increasing 3.2% Y/Y. Market expectations were for much stronger growth of 7.5% Y/Y.



Italian Trade

Italy's January Exports and Imports both decelerated to 12% Y/Y, widening Italy's Trade Deficit from 1 billion in January to 2 billion.



News

Germany

March 30th – **Germany's March Unemployment** is said to have risen by 92,000 according to a preliminary report by Reuters. The increase in unemployment was partly due to the faltering economy and partly due to the new labor market rules, the report said.

March 30th – The **German GfK** reported that German Consumer Confidence rose for a seventh month, increasing from 4.9 in February to 5.2 in March. The index, which attempts to forecast household spending a month in advance, has consistently risen over the past few months while actual spending and other confidence surveys have continued to fall. Go figure.

France

March 24th – The **French Statistics** Office stated that 2005 growth will be slower than that experienced in 2004. They estimated Q1 growth to be 0.6% and Q2 growth to be 0.3%, down from the 0.8% growth in Q4 of 2004.

Italy

March 24th – **Italian Finance Minister, Domenico Siniscalco**, cut his 2005 growth forecast, after noting a week earlier that he would not. He stated that Italy would fall well short of both their previous forecast (2.1%) and that of the EU's (1.8%), stating, "I'd bet on 1.5%." The statement came after Italy's exports and consumption figures were below expectations.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/31	French Consumer Confidence (MAR)	-23	-23
03/31	French Unemployment Rate (FEB)	10%	10%
03/31	Spanish Retail Sales (FEB)		3.4% Y/Y
03/31	German Unemployment Rate (MAR)	11.9%	11.7%
03/31	Euro Zone Economic Confidence (MAR)	99.0	98.8
03/31	Euro Zone CPI Estimate (MAR)	2.1%	2.0%

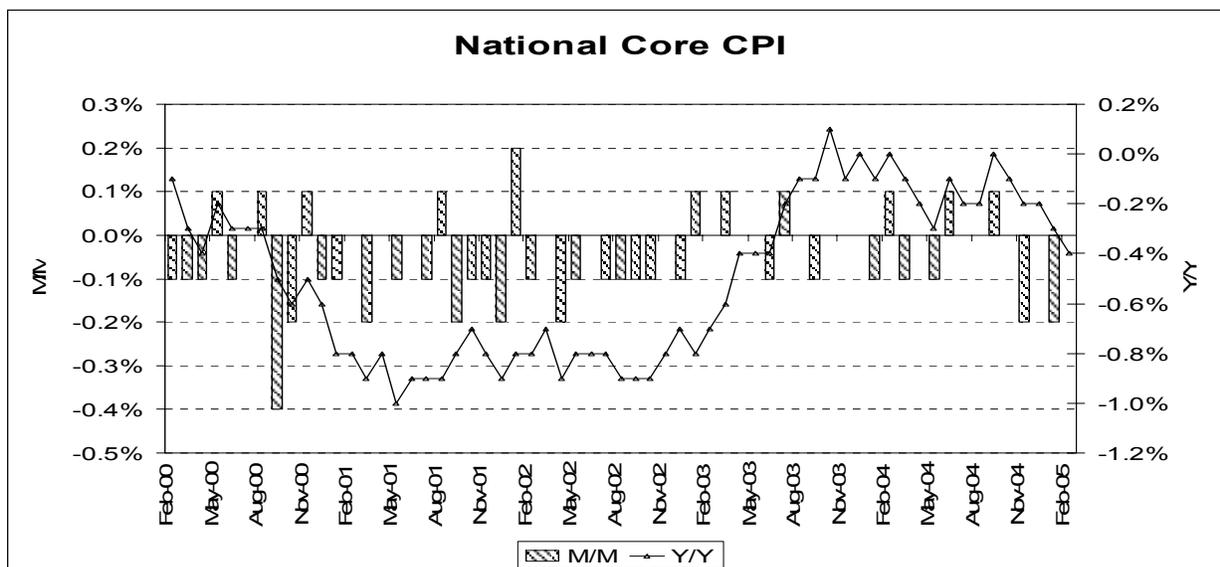
Japan

Recent economic releases in Japan were either in line with or below expectations. Retail Trade, Large Retailer's Sales, Workers' Household Spending, and Industrial Production were all on the soft side. Moreover, Nationwide Core CPI remained flat M/M and posted its largest Y/Y decrease in 20 months. On the Labor Market front, Japan's economy lost 280,000 jobs in February, after reaching its highest level since 1992 the previous month. These results however, could still be considered reasonably healthy since calculations were made against previously strong numbers.

Weekly Highlights

- **Nationwide Core CPI** - remained flat M/M and decreased 0.4% Y/Y in February. (page 12)
- **Employment** - decreased 0.4% M/M (280,000) and increased 0.2% Y/Y in February. (page 14)
- **Industrial Production** - decreased 2.1% M/M and increased 0.5% Y/Y in February, below expectations. (page 16)
- **Japan's Small Business Confidence** - increased from 47.6 to 49.3 in March. (page 15)

Chart of the Week

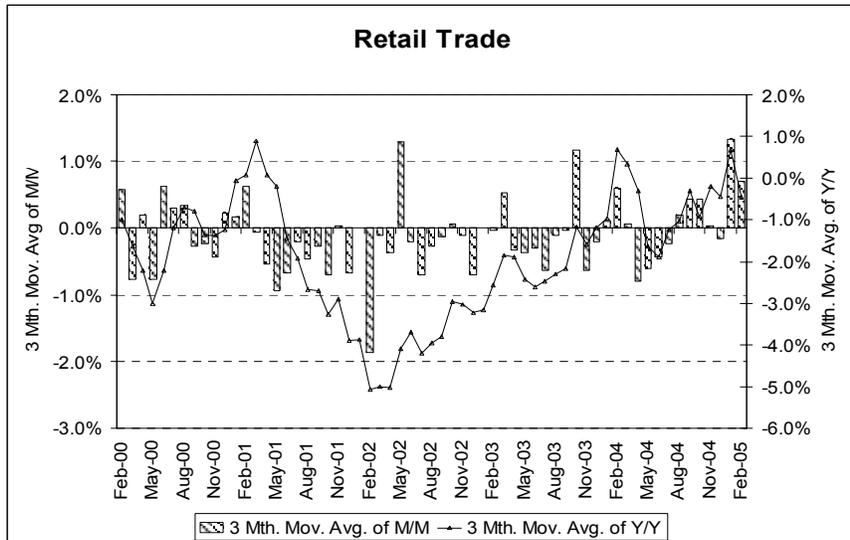


Nationwide Core Consumer Prices remained flat M/M and decreased 0.4% Y/Y in February. This decline was attributed to decreases in telephone charges and rice costs. The decline in fees for fixed-line telephones accounted for 0.2 percentage points and the cost of rice contributed 0.24 percentage points to the overall Y/Y decline in CPI. It remains to be seen if the BoJ will look past falling utility charges as it monitors the more general trend in core CPI.

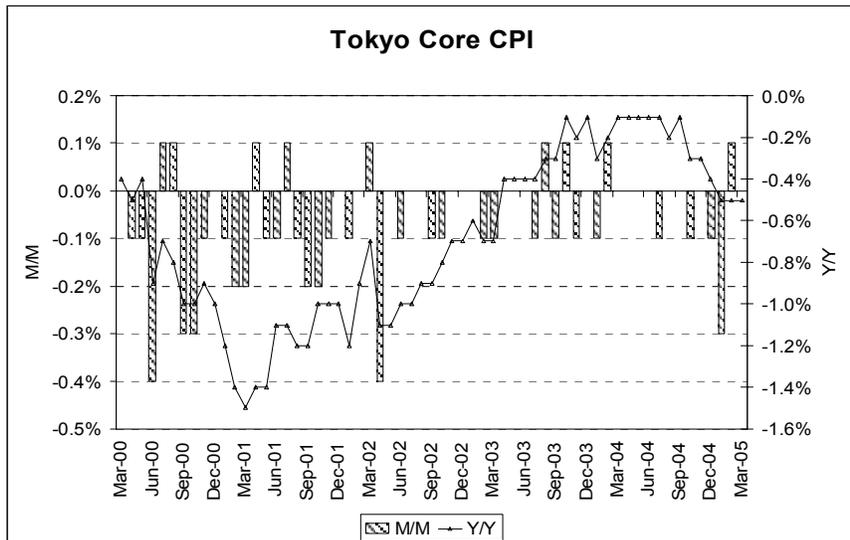
Retail Trade, Tokyo Core CPI & Large Retailers' Trade

Retail Trade decreased 2.7% M/M and 2.8% Y/Y in February, after posting its highest reading in more than six years in January.

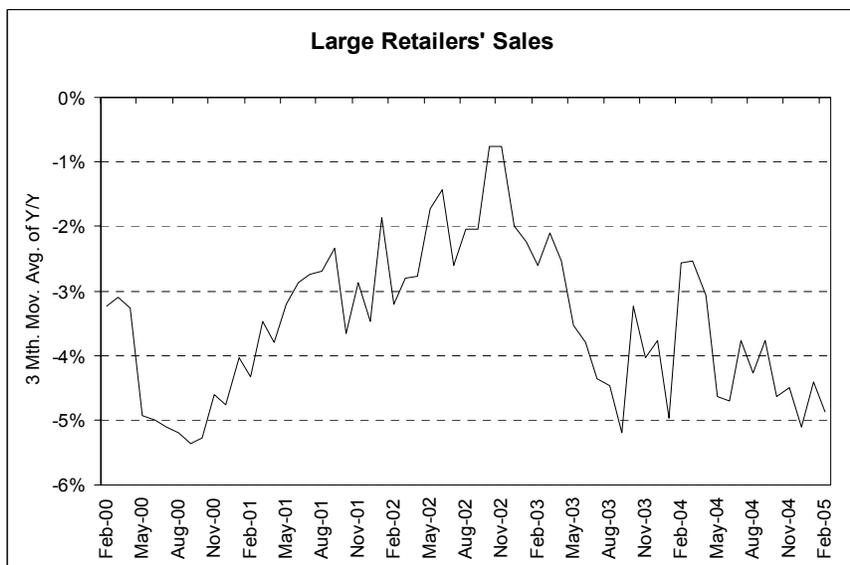
Retail Sales decreased across the board with the exception of the 17.6% increase in fuel sales.



Tokyo's Core CPI remained flat M/M and decreased 0.5% M/M, in March, in line with expectations.

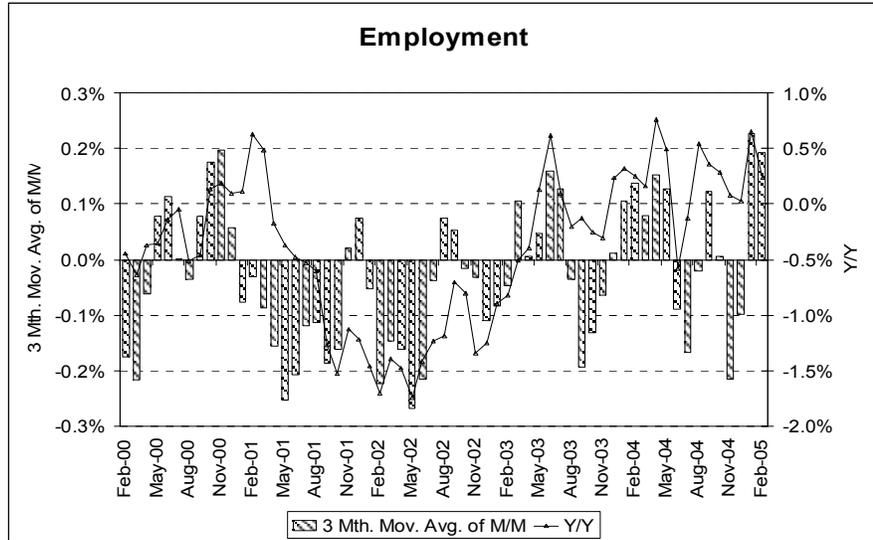


Large Retailers' Sales decreased 6.7% Y/Y in February, more or less in line with expectations of -6.0%. There was a 2.1% M/M decline. Sales in clothing and food and beverages posted results of -5.3% M/M and 0.5% M/M, respectively.

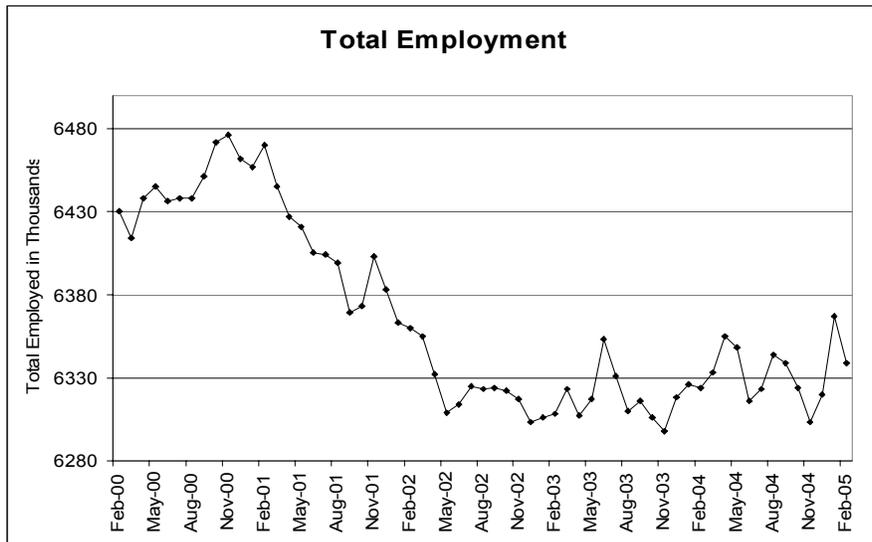


Employment Data

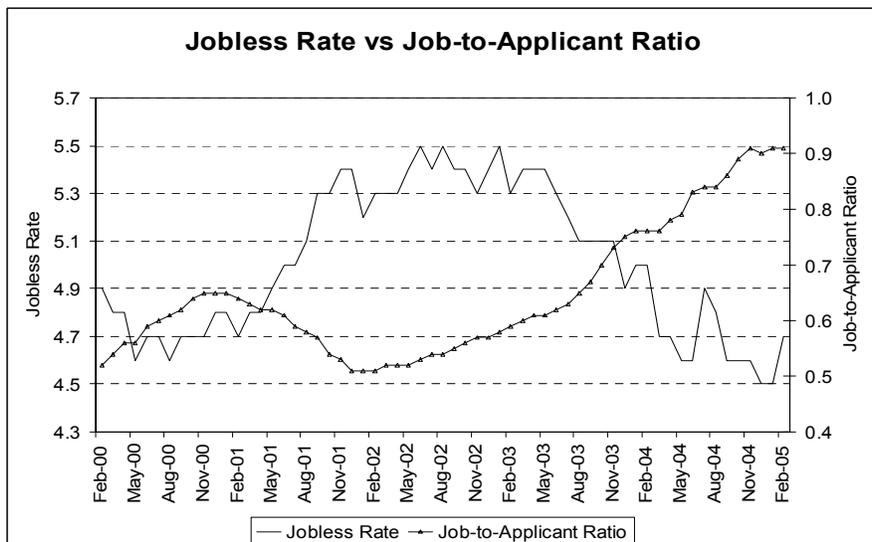
Employment decreased 0.4% M/M (280,000) and increased 0.2% Y/Y in February; this came after a 0.7% M/M increase in January.



Japan's economy lost 280,000 jobs in February after adding 470,000 jobs in January (which was its highest level since 1992).

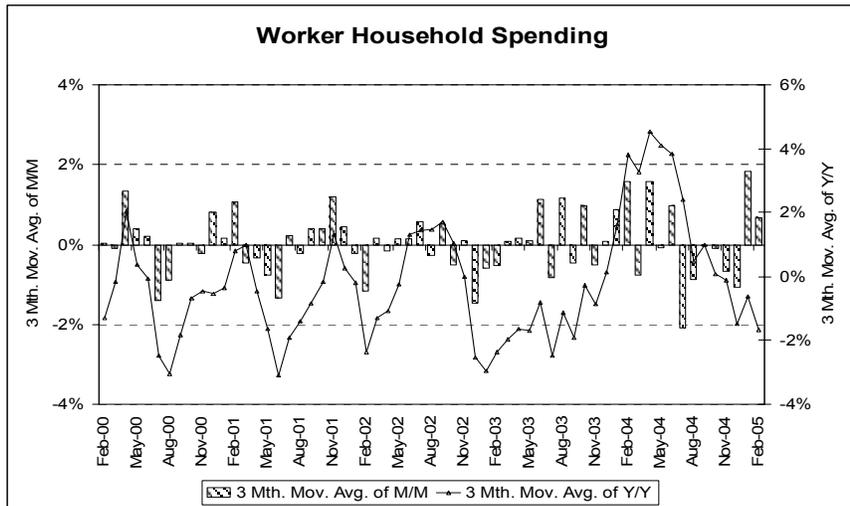


In February the Jobless Rate unexpectedly increased from 4.5% to 4.7%, after maintaining a six year low for two consecutive months. At the same time, the Job Offer to Applicant Ratio remained at .91 in February.

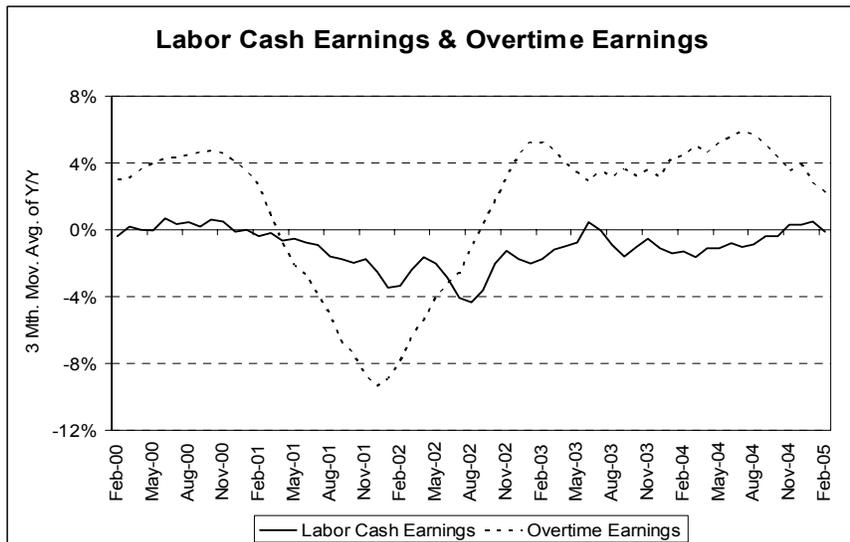


Workers' Household Spending, Labor Cash and Overtime Earnings & Small Business Confidence

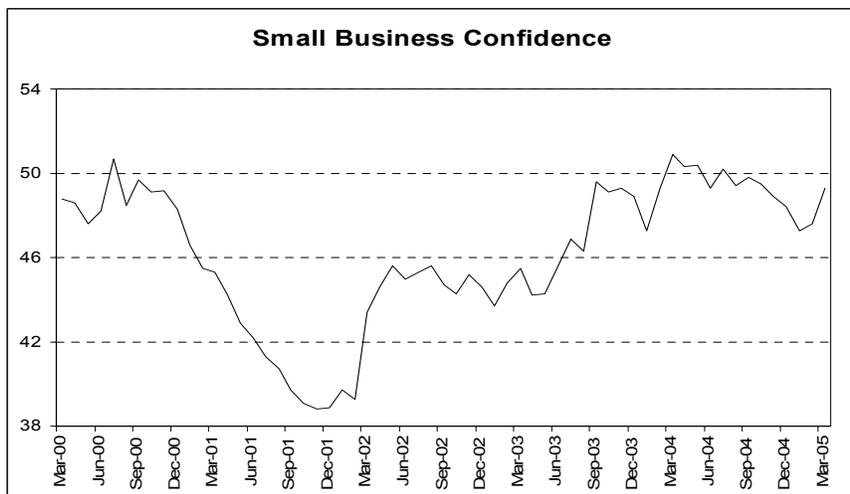
Worker's Household Spending decreased 4.1% M/M and 3.8% Y/Y in February. These results came after strong increases of 8.2% M/M and 2.6% Y/Y.



Labor Cash Earnings and Overtime earnings increased 0.1% Y/Y and 0.9% Y/Y, respectively in February.

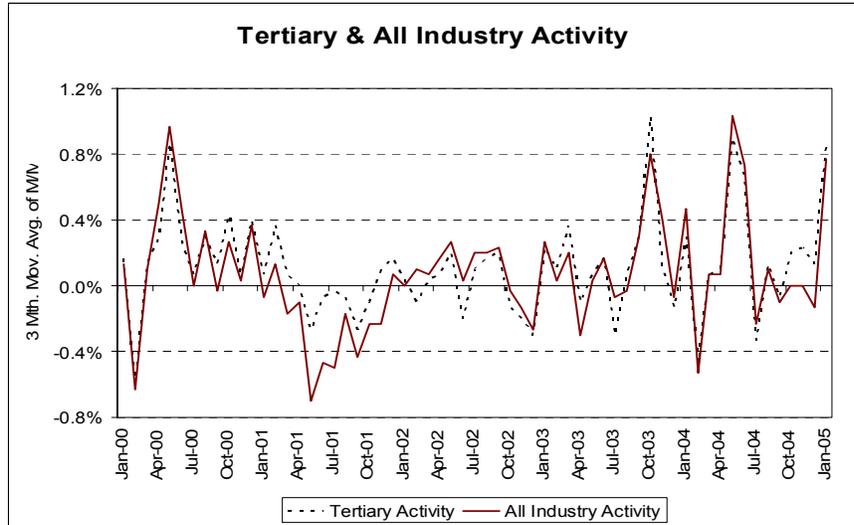


Japan's Small Business Confidence increased from 47.6 to 49.3 in March. Sentiment among small manufacturers increased from 49.0 to 50.1 in March. Business Confidence among retailers, construction companies and other non-manufacturers increased from 46.5 in February to 48.6 in March.

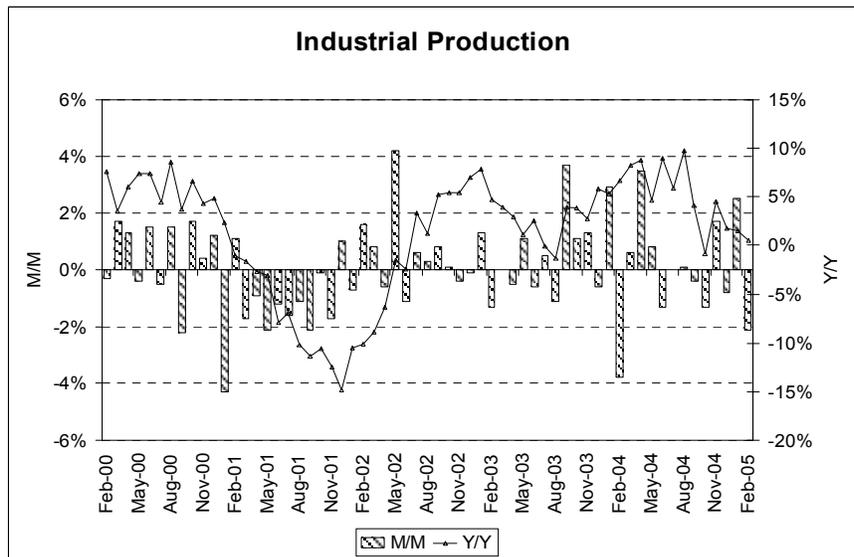


Tertiary & All Industry Activity and Industrial & Vehicle Production

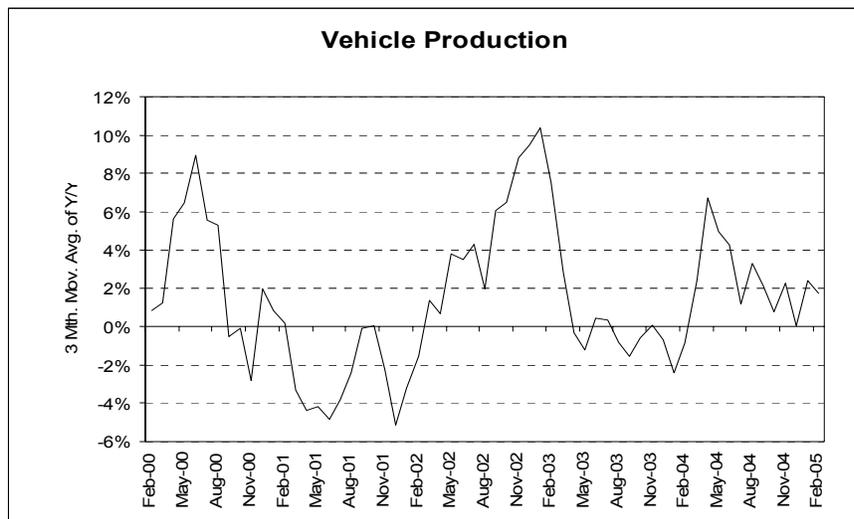
Tertiary and All Industry Activity Indices increased 2.2% M/M and 2.4% M/M, respectively, in January.



Industrial Production decreased 2.1% M/M and increased 0.5% Y/Y in February, below expectations. The decline was mainly attributed to decreases in electronic parts and machinery. Inventories increased 1.4% M/M and Shipments decreased 3.8% M/M. According to the METI's, Industrial Production is expected to increase 0.9% M/M in March and 3.9% M/M in April.

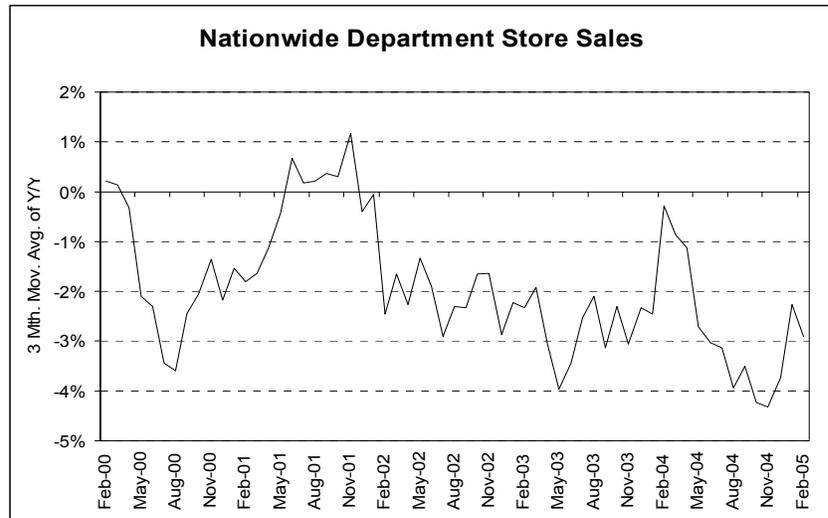


Vehicle Production increased 5% Y/Y in February.



Nationwide Dept. Store Sales

Nationwide Department Store Sales decreased 7.0% Y/Y in February.



Japan Manufacturing PMI

	Feb. 2005	Jan. 2005	Dec. 2004	Nov. 2004	Oct. 2004	Sept. 2004	Aug. 2004	July 2004
Manufacturing index	51.7	50.9	50.6	51.3	52.9	53.6	54.8	55.2
Production	51.8	50.6	49.4	51.3	53.9	55.0	56.2	56.9
New orders	52.0	50.3	49.4	48.6	52.8	54.2	55.8	56.7
Export	51.2	50.5	49.0	49.5	50.8	51.7	54.3	54.8
Supplier deliveries	46.2	45.3	44.0	42.9	42.4	42.7	41.5	41.9
Inventories	49.2	48.5	49.3	50.2	50.5	51.2	50.7	50.7
Finished goods stocks	47.9	48.1	47.2	47.0	47.5	48.9	48.5	49.0
Employment	50.9	50.5	50.6	51.4	49.4	49.5	50.8	51.0
Prices paid	60.9	63.2	64.3	71.4	71.0	67.8	66.9	67.2
Output price	50.5	50.8	51.8	51.4	50.9	48.9	50.5	49.7

News/Comments

Increase in year end bonuses

March 30th - Year end bonuses paid by firms increased 2.7% in 2004, the first increase in 8 years.

Hosoda's Comments on Jobless Rate

March 29th - "Labor conditions are basically improving," Hosoda stated at a regular press conference in Tokyo. "There's no reason to be too concerned." Hosoda's comments were made after the figures for unemployment increased from six year low of 4.5% in January to 4.7% in February.

Comments from Nobuo Inaba, a Bank of Japan executive director

March 28th - Nobuo Inaba, a Bank of Japan Executive Director, stated that ending Japan's blanket guarantee of bank deposits won't create problems. "The financial system in Japan has been regaining stability and non-performing loan ratios at financial institutions are steadily declining," Inaba, stated in an interview in Tokyo. "It's well-expected that the blanket deposit guarantee can be lifted without any major trouble at the end of this week."

Comments from Japanese Finance Minister Sadakazu Tanigaki

March 25th (Bloomberg) -- Japanese Finance Minister, Sadakazu Tanigaki, said the government needs to work with the Bank of Japan to overcome a moderate decline in consumer prices. In regards to the release of the CPI results for February and March, Tanigaki commented that "Today's number shows that moderate deflation is continuing." He further stated that "We must cooperate with the Bank of Japan to keep fighting against it." Tanigaki also reiterated that it is necessary to keep a close eye on foreign exchange rates.

Japan's Parliament approves phasing out Income Tax Break

March 30th - The Japanese Parliament approved phasing out an income tax cut, adopted in 1999 to boost economic growth and decrease public debt. In January of 2006, the government will halve the deduction to 10% and subsequently eliminated it in the following fiscal year if the economy becomes strong enough to withstand a bigger tax burden. An end to the tax rebate will generate about 3.3 trillion yen (\$30.8 billion) in additional revenue.

Key Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/31	Housing Starts (Y/Y) (FEB)	3.0%	6.9%
03/31	Annualized Housing Starts (FEB)	1.200M	1.302M
03/31	Construction Orders (Y/Y) (FEB)	15.3%	15.8%
03/31	Tankan Large Manufacturing Index (1Q)	23	22
03/31	Tankan Large Manufacturing Outlook (2Q)	23	15
03/31	Tankan Non-Manufacturing (1Q)	12	11
03/31	Tankan Non-Manufacturing Outlook (2Q)	13	10
03/31	Tankan All Industries Capex (1Q)	-1.0	7.7
04/01	Vehicle Sales (Y/Y) (MAR)	.....	-1.2%
04/04- 04/05	BoJ Monetary Policy Meeting	.....
04/05	Household spending (Y/Y) (FEB)	.....	0.5%
04/05	Household Spending (M/M) (FEB)	.....	4.3%
04/06	Leading Economic Index (FEB P)	.....	54.5%
04/06	Coincident Index (FEB P)	.....	90.0%

United Kingdom

This was a very quiet week for the U.K. The BBA reported an increase in the number of mortgages approved and the U.K. consumer continues to disappoint as the CBI reported that retail sales didn't meet expectations for a third month in a row. The sluggish consumer continues to put pressure on the MPC to postpone their one last speculated rate hike.

Weekly Highlights

- **The British Bankers Association-** reported that the number of mortgages approved increased 22.0% M/M yet decreased 25.0% Y/Y in February. (page 21)
- **The Confederation of British Industry-** reported that retail sales decreased from +2 to -9 in March. (page 21)
- **Bank of England Governor Mervyn King-** said consumer spending has slowed “markedly” while growth in earnings and house prices has stabilized. (page 22)

BBA Mortgage Lending

The British Bankers Association (BBA) reported that the number of mortgages approved increased 22.0% M/M yet decreased 25.0% Y/Y in February; the first increase in eight months. The BBA attributes the rebound to the seasonal upswing in loan approvals.

CBI Distributive Trades

The Confederation of British Industry (CBI) reported that retail sales decreased from +2 to -9 in March, below expectations of an increase to +14; this is the lowest level in six months and the third month in a row of being below expectations. On a seasonally adjusted basis, it was the weakest outturn since 1992.

Hometrack House Price Survey

Hometrack House Price Survey reported that house prices decreased 0.1% M/M in March, the least in seven months. In addition, the number of agreed sales increased 17% M/M, and 6.2% more buyers registered with estate agents. Meanwhile, Hometrack raised its house-price growth forecast for 2005 from zero to 3%.

Consumer Debt

The Financial Times is reporting that U.K. Banks wrote off over £6.0bn of consumer debt in 2004. Write-offs of debt connected to credit card lending in the U.K. have more than tripled since 1995 to over 3% by the end of 2004.

Comments

Governor Mervyn King comments

The Bank of England's Governor, Mervyn King, said consumer spending has slowed "markedly" while growth in earnings and house prices has stabilized, helping explain why the Central Bank is holding off raising borrowing costs. "Although our central projection is for the slowdown to be temporary, we identified the outlook for consumer spending in the near term as a key downside risk. At least in the near term, the pace of consumer spending has slowed quite markedly from where it was and where we thought it was going to be and in the first quarter it probably will not grow at anywhere near the rates it was," King stated.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
3/31	Nationwide House Prices		0.5% M/M 10.2% Y/Y
3/31	Mortgage Approvals	81k	79k
4/1	PMI Manufacturing	51.8	51.0
4/5	PMI Services		
1/15	Italy: Industrial Production	0.3% M/M -0.1% Y/Y	0.0% M/M 0.4% Y/Y
1/15	Germany: GDP (Annual Growth Rate)	-0.1% Q/Q	0.2% Q/Q

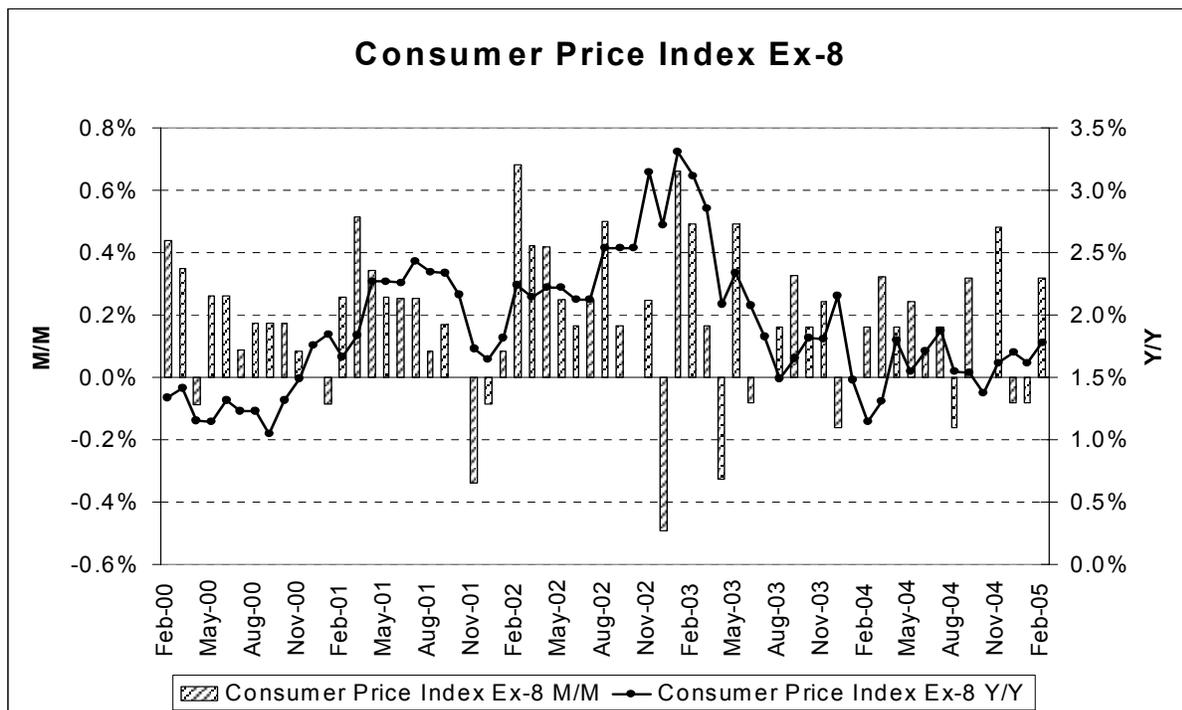
Canada

February's CPI data was in line with market expectations, while February's Industrial Product Prices and Raw Materials Prices were both above expectations. Most economists are anticipating a rate increase from the BoC by Q3 of this year.

Weekly Highlights

- **CPI x 8** – increased 0.3% M/M and 1.8% Y/Y in February. (page 23)
- **Industrial Product Prices** – increased 1.1% M/M and 2.3% Y/Y in February. (page 24)
- **Raw Materials Prices** – increased 3.1% M/M and 11.8% Y/Y in February. (page 24)

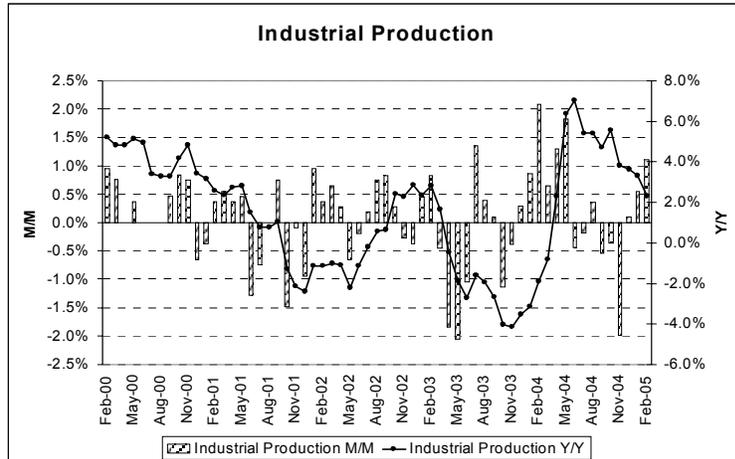
Chart of the Week



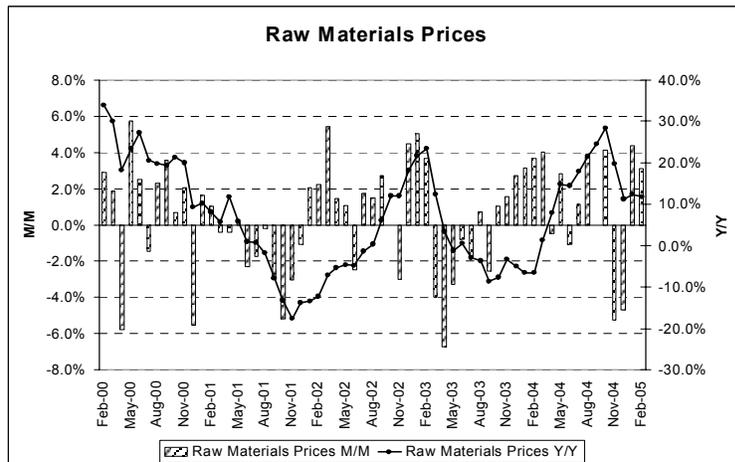
Consumer Prices in February, excluding the eight most volatile items, increased 0.3% M/M and 1.8% Y/Y, in line with market expectations. The increase reflects higher gasoline and home repair costs and was the first rise in three months. With recovering domestic demand and manufacturing, most economists are anticipating that the BoC will increase its overnight rate by 25bps by Q3.

Industrial Product Prices, Raw Materials Prices & Leading Indicators

Industrial Product Prices increased 1.1% M/M and 2.3% Y/Y in February. The increase was more than the 0.9% M/M increase the market had anticipated and was due largely to increases in the prices of petroleum, lumber, and automotive products.



Raw Materials Prices increased 3.1% M/M and 11.8% Y/Y in February due largely to increases in costs of mineral fuels and non-ferrous metals.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/31	GDP (Jan.)	0.5%	0.2%
04/06	Building Permits (Feb.)	3.0%	-11.0%
	Ivey PMI (Mar.)	62.3	63.4

Australia

This week was another relatively quiet week in Australia, with New Home Sales rising more than the market anticipated. Prime Minister, John Howard, commented that rates were reasonable, although the RBA is likely to increase its overnight rate another 25bps at either its April 5th or May 3rd meeting.

Weekly Highlights

New Home Sales – increased 35.9% M/M in Feb.

PM Howard's Comments – rates have reached a “reasonable” level.

Weekly Releases & News

New Home Sales Increase to Seven Month High

Australian New Home Sales increased to its highest level in seven months, increasing 35.9% M/M in February. The increase was due primarily to an increase in house sales, as they increased 43.6% M/M while apartment sales declined 13.4% M/M. The increases support the market's expectations for another rate hike from the RBA, which may come as soon as April 5th.

Prime Minister Howard - Rates Reasonable

In a comment given on Radio 3AW in Melbourne, Australian Prime Minister, John Howard, stated that interest rates were at a reasonable level. “If you take into account the strength of our economy, our interest rates are at a reasonable level,” Howard stated. “They're at quite low levels historically,” he also commented.

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/30	Treasury Secretary Ken Henry Address	N/A	N/A
03/31	AIG PMI (Feb.)	N/A	N/A
	Building Approvals (Feb.)	0.5%	1.7%
04/03	TD Securities Inflation Index (Mar.)	N/A	N/A
	Retail Sales (Feb.)	N/A	0.6%
04/04	AIG Performance of Services Index	N/A	N/A
	Trade Balance (Feb.)	N/A	-2721M
04/05	RBA Overnight Rate	5.75%	5.50%

New Zealand

This week's data in New Zealand was softer than the market anticipated. The Q4 trade deficit was wider than anticipated while the economy grew at a lower rate than was forecasted in February. Business Confidence remained strong in March, although economists remain split on the likelihood of additional rate hikes from the RBNZ.

Weekly Highlights

GDP – increased 0.4% Q/Q and 3.6% Y/Y in Q4. (page 28)

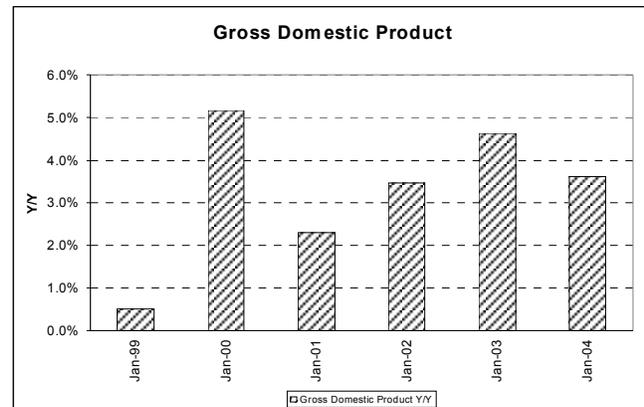
Trade Deficit – narrowed from \$314.9M to \$126.8M in Feb. (page 29)

NBNZ Businesses Confidence – decreased from -12.6% to -19.9% in March. (page 29)

Weekly Releases & News

Gross Domestic Product

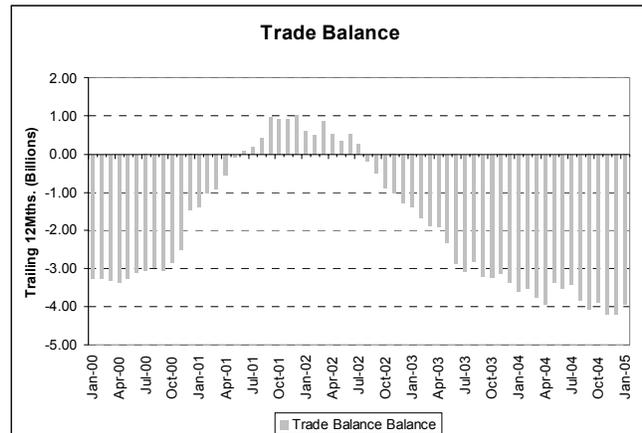
New Zealand's economy growth slowed from 0.6% to 0.4% Q/Q in Q4. Y/Y growth was 3.6%. The growth rate was slower than market expectations of 0.6% Q/Q. It was also slower than the 1.1% predicted by the RBNZ. The data suggests that the RBNZ will be less likely to increase its overnight rate at its next meeting on April 28th. Most economists now anticipate the RBNZ to leave its overnight rate unchanged through the end of the year.



Trade Balance

New Zealand's Trade deficit narrowed from -314.9M to -126.8M in February, while the Annual deficit widened from \$3.92 billion to \$4.13 billion. Economists expected a monthly surplus of \$46 million.

Imports in February increased 15% Y/Y to \$2.77 billion in February as exports increased 5.6% Y/Y to \$2.65 billion.

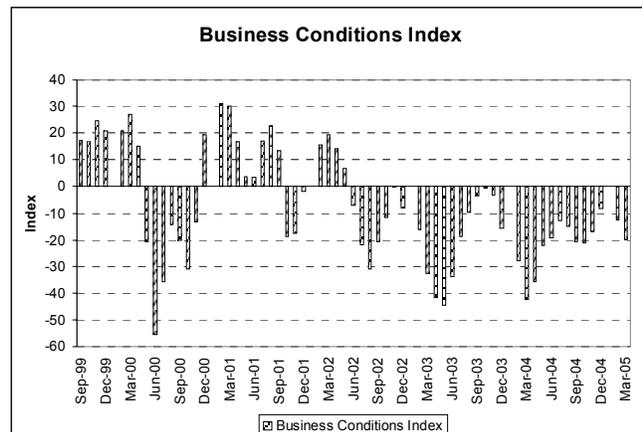


NBNZ Business Confidence

New Zealand's Business Confidence in March remained unchanged at a 12 month high as 41% of companies expect to sell more in the upcoming year.

In the report, 32% of companies expect profits to rise in 2005 and 35% expect increased exports.

Retailers were the most optimistic, with 45% anticipating an increase in sales. Construction companies were the least optimistic, saying that they may need to reduce investments and let go of workers. The survey results suggest that monetary policy will need to remain in a tightening mode for the foreseeable future.



Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/30	Building Permits (Feb.)	N/A	-7.2%

China

No economic data was released this week.

News/Data/Commentary

March 30th – *Property Boom Threatens Stability – Crackdown* - The State Council is ordering officials to control growth as it pertains to rising property prices in China. A document obtained by Bloomberg News reports the Council as saying that “Excessive growth in housing prices has directly undermined the ability of city residents to improve their living standards, affected financial and social stability, and even influenced the health of the national economy.” The document also stated that “People in charge will be held responsible if there are no effective measures to prevent housing prices from rising too fast.” The document supposedly indicates the government’s efforts to reduce urban home prices which increased approximately 1/5 in the past year.

March 29th - *Inflation Expected to Reach 3.5%* - Inflation is expected to reach between 3.0% and 3.5% in China this year. The Financial News, a Central Bank publication, reported that inflation may reach 3.15% in the first half “depending on an investment rebound that may fuel raw material, real estate and energy price increases.” GDP is also expected to climb 8.7% in 2005.

March 29th – *No Plans to Raise Interest Rates* – The People’s Bank Governor, Zhou Xiaochuan, stated that there are no plans to raise interest rates. Xiaochuan commented, “China should not follow other developed economies and readjust rates at regular intervals, because of instability in China’s markets.” He added that the PBoC “will keep close watch” at the situation in China and will “use the national economy and inflation” to determine when to increase rates.

March 28th - *China Won't Lift Interest Rate Curbs Yet* – Fearing that “banks are not strong enough to withstand competition”, China's Central Bank has decided to wait until last year’s rate increase and other changes begin to show results before liberalizing rates, Governor, Zhou Xiaochuan was reported as saying by the People’s Daily.

March 28th - *China's Economic Growth Probably Slowed to 8.8%* - The China Securities Journal reported, citing a report from the State Information Center: “China's economic growth probably slowed to 8.8 percent in the first quarter” from 9.5% in the fourth quarter of 2004. The decline is attributed to “lower agricultural output and investment in factories, roads and other fixed assets”, the Journal said.

March 27th - *China Fixed-Asset Investment is Expected to Rebound* - Xinhua News Agency, citing Deputy Secretary General, Cao Yushu of the National Development and Reform Commission, reported “China's fixed-asset investment growth may rebound, driven by the property market, and consumer price increases won't exceed 4 percent this year.” Real estate and fixed asset investment grew 27.0% and 24.5% in January and February.

March 25th - *Production Material Prices on the Rise* - Production materials prices climbed 5.1% Y/Y, in February, as a result of increased costs of oil and iron ore.

Key Dates

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
03/31	GDP Constant Price (Y/Y) – 1Q	8.5%	--
04/01	CLSA February Manufacturing PMI	--	--

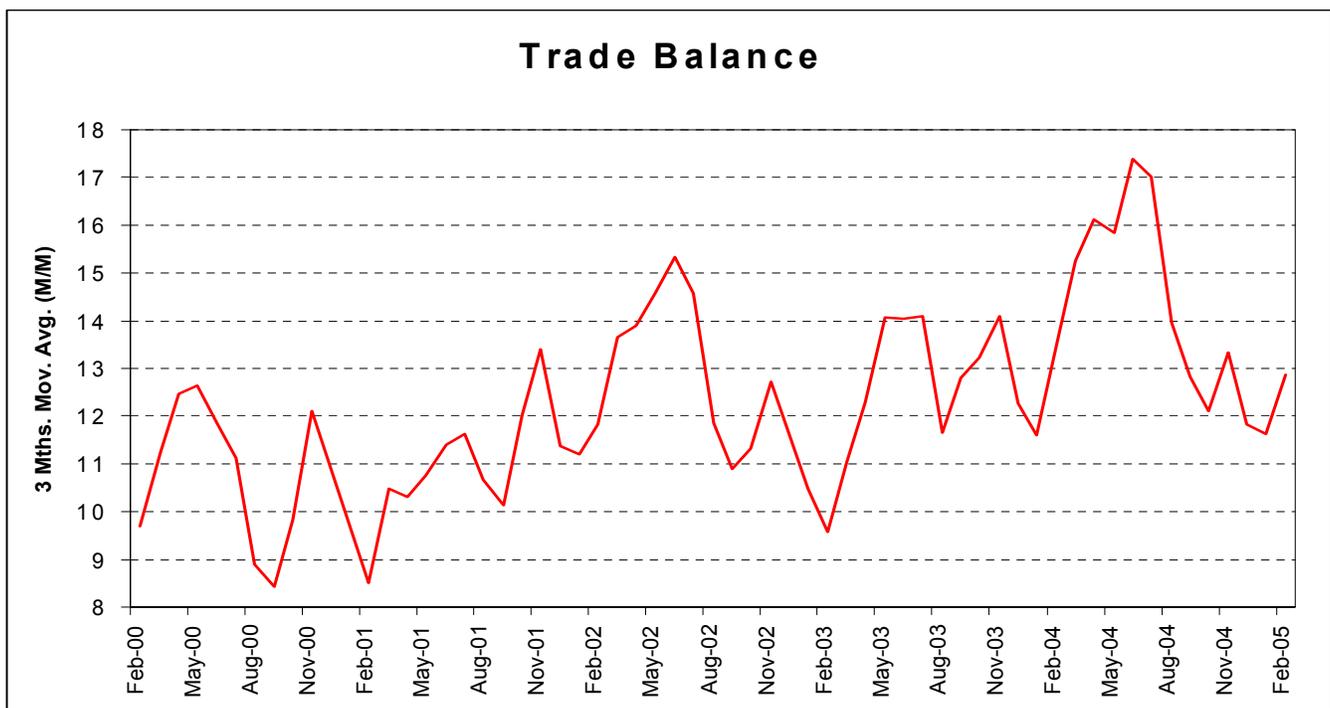
Sweden

Data from Sweden was relatively consistent with recent weeks. February's Trade Surplus narrowed considerably on rising imports and Retail Sales fell below expectations. Focus continues to be on whether or not the Central Bank should lower their key interest rate based on their revised inflation predictions and waning employment prospects.

Weekly Highlights

- **Trade Balance** - narrowed from SEK 16.2 bln, a year earlier, to SEK 13.8 bln, in February. (page 33)

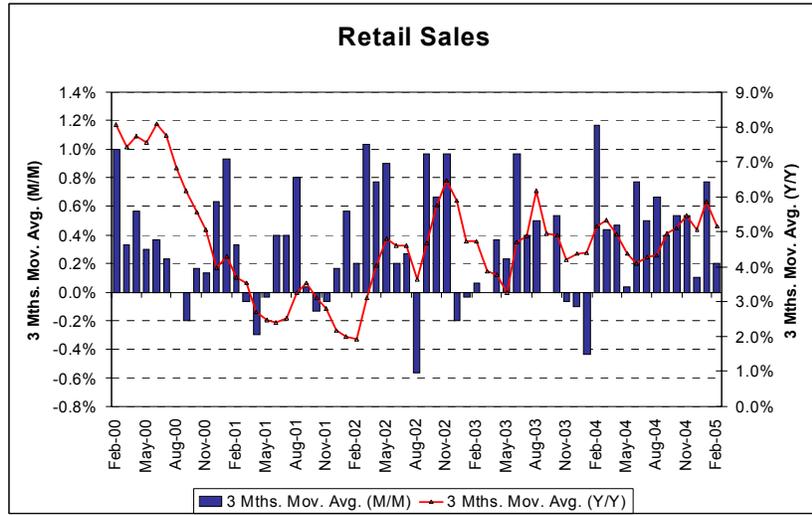
Chart of the Week



The Trade Surplus narrowed from SEK 16.2 bln, a year earlier, to SEK 13.8 bln — as imports outweighed exports in February. Exports, which amount to half of Sweden's \$376 bln economy, are showing signs of weakening as a result of the krona's appreciation against the dollar, which in turn is fueling demand for imports. Swedish imports and exports rose 9.0% and 4.0%, respectively.

Retail Sales

Retail Sales fell 0.3% M/M and rose 4.3% Y/Y in February -- the second decline in three months. This decrease was below expectations of no change to the M/M data.



News/Data/Commentary

March 30th - Central Bank Should Lower Rate - The National Institute of Economic Research (NIER) feels that the Central Bank should lower its interest rate to 1.5% since revising its 2005 inflation forecast. The NIER commented that "Inflationary pressure in the Swedish economy is very slight," and suggested the "repo rate be lowered to 1.5 percent as soon as possible." So far, the Bank has stood firm and has been opposed to changing their key rate because they are concerned that by lowering the rate, borrowing and house prices will increase.

March 30th – Swedish Opposition Leads on Economy& Jobs – A poll conducted by Sifo, a Stockholm-based pollster, showed the Swedish Opposition has the lead (43%) over Prime Minister Goeran Persson's Social Democratic Party (34%) on issues such as the economy and employment. According to the poll, "Swedish voters say the opposition coalition would create more jobs and handle the economy better than the ruling Social Democrats." Persson's Social Democrats have been the ruling power for six out of the last seven decades and is the only Social Democratic government left in that region. The upset has been attributed to a number of large companies cutting and moving jobs to lower cost areas. Head of polls at Sifo, Toivo Sjoeren stated "The jobs question is traditionally a stronghold for the Social Democrats," and therefore "losing confidence in this area is another serious setback for them."

Key Dates This Week

<i>Date</i>	<i>Indicator</i>	<i>Expectation</i>	<i>Previous</i>
04/01	Swedbank PMI Survey - March	54.0	55.6