BARCLAYS

Economics Research

24 April 2015

Global Economics Weekly

Central banks to stay supportive in soft patch

- **Flash PMI surveys suggest another bout of weakness in global manufacturing activity in early spring, driven by soft demand from Asia, particularly China.**
- **The ongoing weakness in industrial activity in recent years may be related to the investment slump in advanced countries, and could require policy action.**
- **In this environment, we expect central banks to remain supportive, with the Fed likely to be mindful of downside risks to export growth at next week's FOMC.**
- **In Europe, finance ministers are still struggling to reach an agreement on Greece. The situation is set to remain fluid as the government remains cash strapped.**

Developed Economies

United States: Fed unlikely to blink at softer Q1 growth 6
We have lowered our Q1 GDP growth forecast to 1.0% q/q saar as we expect private consumption growth to have slowed significantly as a result of the harsh winter.

Euro area: Overshadowed by its weakest link 11
Latest reports of progress in Greek negotiations concur with our baseline scenario of a 'muddle through'. The next known key date is 11 May.

UK: Post-election policy mix set to tighten 18
While the MPC minutes came in broadly in line with previous communications, we think that, incrementally, the MPC is now slightly more hawkish than before.

Japan: BoJ to cut outlook, but keep policy on 30 April 21
We expect the BoJ to cut its GDP and CPI forecasts at the 30 April MPM but to leave policy intact, drawing on the same information set behind its decision on 8 April.

Emerging Markets

Emerging Asia: PBoC delivers a timely stimulus 24
The PBoC cut the reserve requirement ratio (RRR) by 100bp to 18.5%, effective 20 April. The government has stepped up easing measures since March.

EEMENA: Central banks in easing mode 28
We expect Russia to cut its policy rate again next week against the background of stabilizing inflation and deepening recession.

Sub-Saharan Africa: Inflation in the spotlight in East Africa 31
We expect mixed outturns in the April inflation releases due next week in Kenya, Uganda and Zambia.

Latin America: On the right path to make the right decisions 34
Monetary policy in the region might remain neutral, except in Brazil.

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES STARTING AFTER PAGE 49

GLOBAL FORECASTS

		Real GDP % over previous period, saar					Real GDP % annual change			Consumer prices % over a year ago				Consumer prices % annual change		
	Weight*	3Q14	4Q14	1Q15	2Q15	3Q15	2014	2015	2016	4Q14	1Q15	2Q15	3Q15	2014	2015	2016
Global	*100.0*	4.2	3.3	2.4	3.5	4.0	3.4	3.4	3.8	2.5	2.2	2.2	2.3	2.8	2.4	2.9
Advanced	*44.4*	2.4	1.9	1.5	2.5	2.1	1.6	2.0	2.1	1.1	0.2	0.0	0.1	1.4	0.3	1.5
Emerging	*55.6*	5.6	4.5	3.0	4.4	5.5	4.8	4.4	5.0	4.8	5.3	5.6	5.6	5.0	5.6	5.0
BRIC	*36.0*	7.0	4.8	3.5	4.7	6.4	5.9	5.0	5.6	3.5	4.4	4.5	4.3	3.9	4.4	3.5
Americas	*29.3*	3.8	2.0	0.1	2.2	2.1	1.9	1.9	2.3	3.7	3.0	3.1	3.6	3.8	3.6	4.4
United States	*20.0*	5.0	2.2	1.0 ↓	3.0	2.5	2.4	2.6	2.5	1.2	-0.1	-0.3	0.1	1.6	0.2	2.0
Latin America	*9.3*	1.2	1.6	-1.7	0.7	1.2	0.8	0.4	1.8	11.7	13.0	14.5	15.4	11.1	15.0	12.5
Argentina	*1.1*	-4.0	-2.0	0.0	1.5	2.5	-0.5	0.0	2.5	39.8	41.0	42.3	42.6	37.6	42.1	27.3
Brazil	*3.5*	0.6	1.3	-2.0	-2.0	-1.2	0.1	-1.1	0.5	6.5	7.7	8.0	8.2	6.3	8.0	5.9
Chile	*0.5*	1.6	3.8	2.4	2.8	4.1	1.9	2.8	3.7	5.3	4.4	3.7	3.7	4.4	3.7	3.2
Colombia	*0.7*	3.6	2.9	3.0	2.0	2.5	4.6	2.7	3.3	3.5	4.4	4.8	4.6	2.9	4.5	3.1
Mexico	*2.5*	2.1	2.7	1.1	3.7	3.0	2.1	2.6	3.1	4.2	3.1	3.3	3.0	4.0	3.0	3.4
Peru	*0.4*	1.9	3.6	3.4	3.4	5.2	2.4	3.5	4.6	3.2	2.8	2.4	2.5	2.5	2.5	2.5
Venezuela	*0.6*	5.6	-0.2	-26.2	-2.4	-1.6	-4.1	-6.2	-2.8	65.4	90.4	120.7	145.1	62.2	138.3	142.2
Asia/Pacific	*45.1*	6.2	5.3	4.8	5.9	6.8	5.6	5.6	5.9	2.2	1.9	1.5	1.3	2.7	1.6	2.1
Japan	*5.5*	-2.6	1.5	0.6	2.7	1.5	0.0	0.4	1.6	2.7	2.2	0.3	-0.2	2.6	0.5	0.4
Australia	*1.3*	1.4	2.2	3.4	3.7	4.0	2.7	3.0	3.5	1.7	1.1	1.4	1.7	2.5	1.6	2.8
Emerging Asia	*38.3*	7.6	5.9	5.4	6.4	7.7	6.5	6.4	6.5	2.1	1.8	1.8	1.6	2.8	1.8	2.5
China	*20.1*	8.2	6.8	5.4	6.6	7.8	7.4	6.8	6.6	1.5	1.2	1.1	1.0	2.0	1.2	1.6
Hong Kong	*0.5*	5.9	1.5	2.4	2.0	2.8	2.3	2.5	2.4	5.1	4.5	4.3	2.3	4.4	3.3	2.4
India	*8.4*	10.3	4.6	7.2	7.7	10.4	7.2	7.6	7.9	4.1	5.2	5.2	3.8	6.6	4.9	6.0
Indonesia	*2.9*	5.0	5.6	5.2	4.8	5.7	5.0	5.3	5.6	6.5	6.5	6.4	5.6	6.4	5.4	4.5
South Korea	*2.0*	3.2	1.1	3.1 ↑	4.9 ↓	5.7 ↓	3.3	3.5	4.5	1.0	0.6	0.5	1.0	1.3	0.9	2.2
Malaysia	*0.9*	3.8	8.4	2.0	3.0	5.0	6.0	4.5	5.3	2.8	0.7	2.2	2.7	3.1	2.1	2.5
Philippines	*0.8*	2.7	10.6	5.3	6.6	6.0	6.1	6.5	6.0	3.6	2.5	2.4	2.0	4.2	2.3	3.5
Singapore	*0.5*	2.6	4.9	2.8	3.6	4.5	2.9	3.4	3.0	0.0	-0.6	-0.2	0.2	1.0	0.1	1.5
Taiwan	*1.2*	4.4	4.8	3.3 ↓	6.1 ↑	4.3 ↑	3.7	4.5	4.3	0.8	-0.6	-0.7	0.4	1.2	0.3	2.1
Thailand	*1.1*	4.8	7.1	4.5	5.0	4.0	0.7	5.0	4.5	1.1	-0.4	-0.3	0.3	1.9	0.2	2.5
Europe and Africa	*25.7*	1.0	1.4	0.6	0.8	1.2	1.3	1.0	1.5	1.6	1.7	1.8	2.2	1.7	1.9	2.0
Euro area	*14.4*	0.7	1.3	2.0	1.7	1.7	0.9	1.5	1.7	0.2	-0.3	0.0	0.2	0.4	0.2	1.1
Belgium	*0.5*	1.3	0.7	1.7	1.6	1.6	1.0	1.3	1.5	0.0	-0.4	0.0	0.3	0.5	0.2	1.6
France	*3.0*	1.1	0.3	1.8	1.4	1.4	0.4	1.2	1.6	0.3	-0.3	0.0	0.2	0.6	0.2	1.0
Germany	*4.1*	0.4	2.8	2.7	1.8	1.3	1.6	1.8	1.5	0.4	-0.2	0.0	0.2	0.8	0.2	1.5
Greece	*0.3*	2.8	-1.5	-2.3	-1.0	0.3	0.7	-0.5	1.1	-1.9	-2.1	-1.5	-0.9	-1.4	-1.2	1.0
Ireland	*0.3*	0.3	0.1	5.0	5.4	5.6	4.7	3.6	3.2	0.1	-0.3	-0.3	-0.1	0.3	0.0	1.5
Italy	*2.4*	-0.5	-0.1	1.1	1.5	1.3	-0.4	0.7	1.3	0.1	-0.2	0.0	0.2	0.2	0.1	0.7
Netherlands	*0.9*	0.9	1.8	1.7	1.6	1.5	0.8	1.6	1.7	0.2	-0.5	-0.3	-0.1	0.3	-0.1	0.6
Portugal	*0.3*	1.1	2.1	2.0	2.4	2.7	0.9	2.1	2.4	0.0	0.0	0.3	0.2	-0.2	0.3	0.4
Spain	*1.8*	2.1	2.7	2.9	2.9	3.0	1.4	2.7	2.4	-0.6	-1.1	-0.7	-0.4	-0.2	-0.4	1.0
United Kingdom	*2.8*	2.5	2.5	3.3	2.2	2.4	2.8	2.7	2.2	0.9	0.1	0.2	0.3	1.5	0.3	1.6
Switzerland	*0.5*	2.6	2.4	1.2	-0.8	0.8	2.0	1.2	1.8	-0.1	-0.8	-0.9	-1.0	0.0	-0.9	-0.3
EM Europe & Africa	*8.0*	1.0	1.1	-3.0	-1.4	-0.1	1.6	-0.6	1.1	7.0	9.9	10.0	10.3	6.3	9.9	6.6
Poland	*1.1*	3.2	2.8	3.7	3.2	2.9	3.3	3.1	3.2	-0.5	-1.1	-1.0	-0.9	0.1	-0.7	1.0
Russia	*4.1*	0.1	-2.1	-8.9	-5.0	-3.0	0.5	-4.0	-1.0	9.6	16.5	16.8	17.3	7.8	16.4	8.8
Turkey	*1.7*	1.3	4.9	3.9	2.2	3.1	2.8	3.1	3.4	8.8	7.5	6.4	6.0	8.9	6.6	6.9
Israel	*0.3*	0.2	6.8	3.6	3.3	3.3	2.7	3.5	3.3	-0.2	-0.9	-0.9	-0.4	0.5	-0.5	1.8
South Africa	*0.8*	2.1	4.1	0.4	1.5	2.6	1.5	2.0	2.4	5.7	4.0 ↓	4.7	6.0 ↑	6.1	5.3 ↑	6.5

Note: Arrows appear next to numbers if current forecasts differ from that of the previous week by 0.5pp or more for quarterly annualized GDP, by 0.2pp or more for annual GDP and by 0.2pp or more for Inflation. Weights used for real GDP are based on IMF PPP-based GDP (5yr centred moving averages). Weights used for consumer prices are based on IMF nominal GDP (5yr centred moving averages)". * IMF PPP-based GDP weights for 2014. Source: Barclays Research

GLOBAL SYNTHESIS

Central banks to stay supportive in soft patch

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Flash PMI surveys suggest another bout of weakness in global manufacturing activity in early spring, driven by soft demand from Asia, particularly China. In this environment, we expect central banks across the globe to remain supportive.

Flash PMIs point to softer manufacturing activity

Flash PMI surveys published this week for the larger countries were softer than market expectations, reflecting weak trends in international trade and casting a shadow over the growth outlook going into the second quarter.

Markit flash PMI reflects persistent softness in China

In China, the Markit flash manufacturing index fell in April, as we expected, with sub-indices on output and new orders down to multi-month lows. Indications of mounting deflationary pressures were confirmed by declines in indices of output and input prices. We conclude that Q1 weakness will stretch into Q2 before activity picks up again in H2 as a result of policy measures aimed at stabilising the property market, boosting infrastructure investment and lowering the cost of financing. In Japan, the flash manufacturing PMI index fell back below the 50 threshold, to 49.7, its lowest reading in a year, with output and new orders both down. The April Reuters Tankan survey released this week also pointed to lower confidence in Japan's manufacturing sector, but suggested a better situation in the service sector, reflecting improved consumer sentiment. Finally, based on March trade data, we think Japan's seasonally adjusted import volumes were sharply lower, with slightly higher export volume driven by sales to Europe and the US; Japan's exports to Asia remained sluggish. Overall, Japanese economic activity seems to be driven by domestic demand, particularly the services sector, while manufacturing activity may be dragged down by weak activity in Asia (more specifically, China).

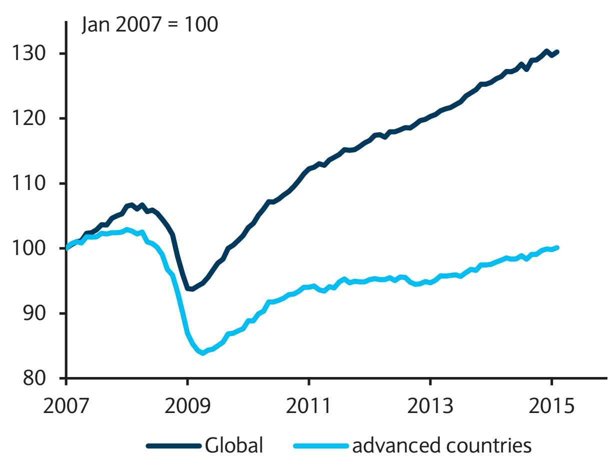
Asian weakness weighs on activity in Japan, where domestic demand seems to be holding firm

Industrial activity, although still growing, has slowed slightly in the US and the euro area

Manufacturing PMI also softened in the US and, to a lesser extent, in the euro area in April. We think US manufacturing activity is likely to continue to suffer from dollar strength in the coming months, while reduced capital expenditure in the energy sector should also drag activity lower. In the euro area, new orders gave back some of last month's improvement, particularly in new export orders. This echoes actual German factory order flows, which have weakened recently, reflecting the growth slowdown in the US and in several large emerging markets (including China). However, as in Japan, the April services sector survey is showing

FIGURE 1

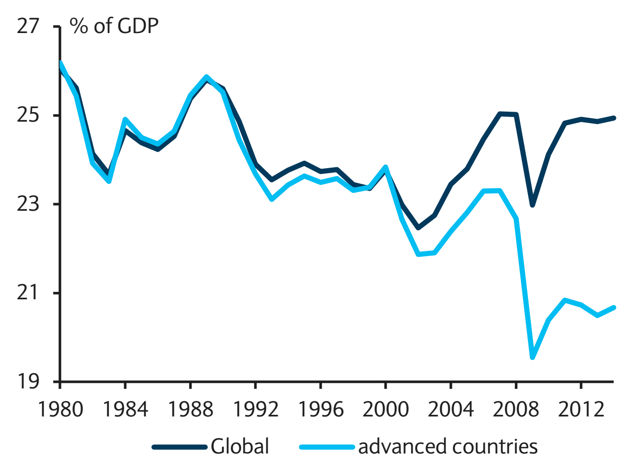
Global industrial production



Source: Haver Analytics, Barclays Research

FIGURE 2

Gross Fixed Capital Formation (% of GDP)



Source: IMF, Barclays Research

ongoing strength in domestic activity, despite giving back some of last month's improvement, with indicators on outstanding business and business expectations still near recent highs.

The current weakness in industrial activity may be related to the investment slump, requiring policy action

Despite repeated tentative rebounds in recent years, industrial activity has stayed quite subdued globally, especially in advanced countries, where it remains below pre-crisis levels (Figure 1). Although consumer demand in advanced countries seems to be benefiting from the impact of lower oil prices on household real disposable income (especially in Europe), this mostly helps the service sector; softness persists in the industrial sector. Flash PMI surveys for April are in line with this observation.

In the Global Economic Outlook published by the IMF before its spring meetings, a full chapter was devoted to investment, based on the observation that private fixed capital formation contracted sharply during the global recession and has hardly recovered since then (Figure 2). Subdued global activity, heightened uncertainty and reduced public investment are the main factors generally put forward to explain the persistent weakness of fixed capital formation at the global level. The IMF considers that the weakness of investment in the recovery is mainly a problem of the advanced economies and stems primarily from weak output, which may itself reflect a permanent drop in potential output rather than just a cyclical problem. Thus, the IMF argued, a mix of measures to support demand in the near term and boost supply in the longer term is needed to get out of the negative feedback loop between investment and industrial output.

Central banks across the world remain accommodative

Central banks are clearly playing their part in this task. Despite a six-year recovery, interest rates are still at zero in the US and the size of the Fed's balance sheet has not yet been reduced. We expect policy to be kept on hold at next week's FOMC meeting and the statement to be little changed from March. Although we expect the committee to take a similar view to ours that the Q1 GDP weakness is temporary, we think it will be mindful of the downside risks to export growth stemming from the still-subdued global growth outlook and the stronger dollar.

A bold move by the PBoC

The People's Bank of China (PBoC) boldly cut the reserve requirement ratio by 100bp last weekend, a bigger change than the market expected. Weak economic data and rising deflationary risks were among the main factors behind the move. The government has stepped up easing measures since March and there also appears to be a shift in the PBoC's stance toward more loosening. We expect the PBoC to continue to inject liquidity and to lower interest rates. We maintain our call for one additional 25bp benchmark rate cut in Q2 and look for two more 50bp RRR cuts in 2015, with the risk of more if growth continues to disappoint.

The BoJ and the ECB are still in easing mode

Although we do not expect the BoJ to change its policy stance at next week's meeting, we do expect further easing to be announced at the 14-15 July meeting, with additional asset purchases and a cut in the IOER. In the euro area, we expect the ECB to continue its asset purchase programme at least until September 2016, as noted by ECB President Mario Draghi during the press conference on 15 April.

Watch Greece

As expected, the Eurogroup did not reach an agreement on Greece today, and the situation remains fluid as the government runs out of cash. Monday's decision to pool all remaining public cash reserves in an account at the Bank of Greece should allow the country to muddle through for a couple more weeks, but pressure will likely continue to mount and an accident cannot be ruled out. Such an event could lead to overdue payment to the IMF and would likely require the instalment of capital controls. It would also likely hurt confidence in the euro area and temporarily weigh on the recovery, although a Greek exit from the single currency is not our baseline scenario.

GLOBAL RATES AND INFLATION

Central Bank rates

Official rate % per annum (unless stated)	Current	Start of cycle date	Start of cycle level	Last move	Next move expected	Q2 15	Q3 15	Q4 15	Q1 16
Advanced									
Fed funds rate	0-0.25	Easing: 17 Sep 07	5.25	Dec 08 (-75-100)	Sep 15 (+25)	0-0.25	0.25-0.5	0.5-0.75	0.75-1.0
BoJ overnight rate	0.10	Easing: 30 Oct 08	0.50	Oct 10 (0-10)	H2 18 (+20)	0-0.10	0-0.10	0-0.10	0-0.10
ECB main refinancing rate	0.05	Easing: 3 Nov 11	1.50	Sep 14 (-10)	-	0.05	0.05	0.05	0.05
ECB deposit facility rate	-0.20	Easing: 3 Nov 11	0.75	Sep 14 (-10)	-	-0.20	-0.20	-0.20	-0.20
BOE bank rate	0.50	Easing: 6 Dec 07	5.75	Mar 09 (-50)	Q4 15 (+25)	0.50	0.50	0.75	1.00
RBA cash rate	2.25	Easing: 3 Feb 15	2.50	Feb 15 (-25)	May 15 (-25)	2.00	2.00	2.00	2.00
RBNZ cash rate	3.50	Tightening: 13 Mar 14	2.50	Jul 14 (+25)	Q3 16 (+25)	3.50	3.50	3.50	3.50
Emerging									
China: 1y bench. lending rate	5.35	Easing: 21 Nov 14	6.00	Feb 15 (-25)	Q2 15 (-25)	5.10	5.10	5.10	5.10
Indonesia: O/N policy rate	7.50	Easing: 17 Feb 15	7.75	Feb 15 (-25)	Q2 15 (-25)	7.25	7.25	7.25	7.25
India: Repo rate	7.50	Easing: 15 Jan 15	8.00	Mar 15 (-25)	Q2 15 (-25)	7.25	7.25	7.25	7.25
Korea: Base rate	1.75	Easing: 12 Jul 12	3.25	Mar 15 (-25)	Q1 16 (+25)	1.75	1.75	1.75	2.00
Hungary: 2w deposit rate	1.80	Easing: 28 Aug 12	7.00	Apr 15 (-15)	May 15 (-15)	1.50	1.50	1.50	1.50
Poland: 2w repo rate	1.50	Easing: 7 Nov 12	4.75	Feb 15 (-50)	Beyond Q4 15	1.50	1.50	1.50	1.50
Russia: One-week repo rate	14.00	Easing: 30 Jan 15	17.00	Mar 15 (-100)	Apr 15 (-150)	11.50	10.50	9.50	8.50
South Africa: Repo rate	5.75	Tightening: 29 Jan 14	5.00	Jul 14 (+25)	Sep 15 (+25)	5.75	6.00	6.00	6.25
Turkey: 1wk repo rate	7.50	Easing: 22 May 14	10.00	Jan 15 (-50)	Beyond Q1 16	7.50	7.50	7.50	7.50
Brazil: SELIC rate	12.75	Tightening: 17 Apr 13	7.25	Mar 15 (+50)	Apr 15 (+50)	13.25	13.25	13.25	12.25
Chile: Monetary policy rate	3.00	Easing: 12 January 12	5.25	Oct 14 (-25)	Q3 15 (+25)	3.00	3.25	4.00	4.50
Mexico: Overnight rate	3.00	Easing: 16 Jan 09	8.25	Jun 14 (-50)	Oct 15 (+25)	3.00	3.00	3.50	4.00

Note: Rates as of COB 23 Apr 2015, Source: Barclays Research

Key CPI projections

	US		UK			Euro area			France		Japan	
	CPI		RPI		CPI	HICPx		HICP	CPI ex tobacco		CPI ex perishables	
	nsa	y/y	nsa	y/y	y/y	nsa	y/y	y/y	nsa	y/y	nsa	y/y
Jan-14	233.9	1.6	252.6	2.8	1.9	115.93	0.7	0.78	125.04	0.5	100.4	1.2
Feb-14	234.8	1.1	254.2	2.7	1.8	116.28	0.6	0.71	125.71	0.8	100.5	1.3
Mar-14	236.3	1.5	254.8	2.5	1.7	117.39	0.4	0.47	126.29	0.5	100.8	1.4
Apr-14	237.1	2.0	255.7	2.5	1.8	117.57	0.6	0.72	126.24	0.6	103.0	3.1
May-14	237.9	2.1	255.9	2.4	1.5	117.44	0.4	0.49	126.27	0.6	103.4	3.4
Jun-14	238.3	2.1	256.3	2.6	1.9	117.57	0.4	0.50	126.22	0.3	103.4	3.3
Jul-14	238.3	2.0	256.0	2.5	1.6	116.78	0.3	0.38	125.81	0.4	103.5	3.3
Aug-14	237.9	1.7	257.0	2.4	1.5	116.91	0.3	0.37	126.38	0.4	103.5	3.1
Sep-14	238.0	1.7	257.6	2.3	1.3	117.43	0.3	0.31	125.88	0.2	103.5	3.0
Oct-14	237.4	1.7	257.7	2.3	1.3	117.35	0.3	0.38	125.92	0.4	103.6	2.9
Nov-14	236.2	1.3	257.1	2.0	1.0	117.12	0.2	0.28	125.70	0.3	103.4	2.7
Dec-14	234.8	0.8	257.5	1.6	0.5	117.01	-0.2	-0.16	125.81	0.0	103.2	2.5
Jan-15	233.7	-0.1	255.4	1.1	0.3	115.13	-0.7	-0.62	124.53	-0.4	102.6	2.2
Feb-15	234.7	0.0	256.7	1.0	0.0	115.87	-0.4	-0.28	125.37	-0.3	102.5	2.0
Mar-15	236.1	-0.1	257.1	0.9	0.0	117.20	-0.2	-0.09	126.20	-0.1	103.0	2.2
Apr-15	236.3	-0.3	258.4	1.1	0.1	117.49	-0.1	0.00	126.15	-0.1	103.3	0.3
May-15	237.3	-0.3	259.0	1.2	0.4	117.44	0.0	0.05	126.20	-0.1	103.6	0.2
Jun-15	237.8	-0.2	258.8	1.0	0.2	117.58	0.0	0.06	126.18	0.0	103.4	0.0
Jul-15	237.9	-0.1	258.6	1.0	0.3	116.76	0.0	0.03	125.82	0.0	103.3	-0.2
Aug-15	238.3	0.2	259.5	1.0	0.3	117.05	0.1	0.16	126.46	0.1	103.3	-0.2
Sep-15	238.7	0.3	260.3	1.0	0.4	117.75	0.3	0.31	126.16	0.2	103.3	-0.2
Oct-15	238.3	0.3	260.1	0.9	0.3	117.93	0.5	0.53	126.46	0.4	103.4	-0.2
Nov-15	238.2	0.9	260.3	1.2	0.6	117.99	0.7	0.77	126.37	0.5	103.3	-0.1
Dec-15	238.1	1.4	261.5	1.6	0.8	118.28	1.1	1.11	126.77	0.8	103.3	0.1
2013		**1.5**		**3.0**	**2.6**		**1.3**	**1.4**		**0.7**		**0.4**
2014		**1.6**		**2.4**	**1.5**		**0.4**	**0.4**		**0.4**		**2.6**
2015		**0.2**		**1.1**	**0.3**		**0.1**	**0.2**		**0.1**		**0.5**
2016		**2.0**		**2.6**	**1.6**		**1.1**	**1.1**		**0.9**		**0.4**

Note: Shaded values indicate actual data. 'R' indicates revision to front-month forecast. Source: Barclays Research

OUTLOOK: UNITED STATES

Fed unlikely to blink at softer Q1 growth

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- **We have lowered our Q1 GDP growth forecast to 1.0% q/q saar as we expect private consumption growth to have slowed significantly as a result of the harsh winter.**
- **Weather-related weakness in Q1 will likely be transitory and much of the lost output should be recovered in the second quarter; thus, we forecast Q2 growth of 3% saar.**
- **We expect the FOMC to remain on hold next week and the April statement to be little changed from March.**

Q1 GDP weakness should mean Q2 strength

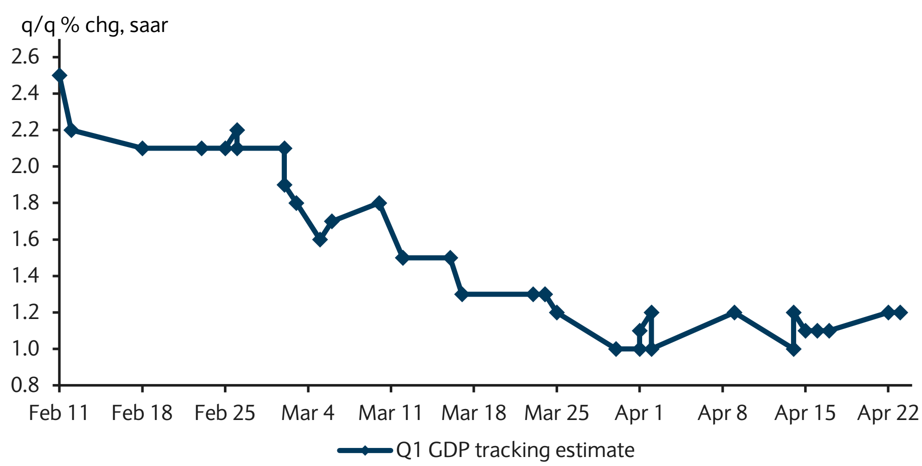
We have revised our Q1 GDP growth to 1.0%q.q saar on harsh weather conditions…

We have lowered our Q1 GDP forecast to 1% q/q saar from 1.5%. Core retail sales growth was weaker-than-expected in March. In addition, January and February data were revised down significantly. As a result, we now expect private consumption to have grown by only 1.8% q/q saar (2.5% previously), constrained by harsh winter weather in many parts of the country. Monthly trade data for the first two months of Q1 15 suggest real imports and exports both fell sharply in Q1 as a result of the closure at US West Coast ports. On balance, we think net trade is likely to subtract about 0.4pp from Q1 growth. We have tracked the weather-sensitive components of activity throughout Q1 and the data available so far point to activity being about 1pp lower on a q/q saar basis than it would otherwise have been (Figure 1). This is based on slower-than-expected outturns mainly for vehicle and retail sales, housing starts, durable goods, personal spending, and factory orders (see *The many moving parts of Q1 GDP growth*). We view the risks to our revised forecast as evenly balanced, given the downward revisions to retail sales data and the sharp decline in energy-related investment.

…but expect a rebound to 3.0% growth in Q2

Yet we think the underlying momentum in the economy remains benign and expect some of the output lost in Q1 should be made up in Q2. We forecast economic growth of 3.0% in Q2 as consumption spending and residential investment rebound after the Q1 weakness. We expect structures investment growth to remain subdued as evidence to date suggests that companies are front-loading reductions in capital expenditure and drilling investment in the calendar year. More broadly, we are cautiously optimistic about the pace of economic growth once the volatility driven by weather and West Coast port closures has passed. Our outlook for consumption spending remains constructive given past employment gains and our

FIGURE 1
Downside surprises on Q1 activity data have led us to revise GDP growth lower



Source: Barclays Research

expectation that labor market momentum will continue. Nominal compensation in the nonfarm business sector rose by 5.3% and 6.9% q/q saar in Q3 14 and Q4 14, respectively, which should support our outlook for 3.0% real consumption growth in 2H 15. Notwithstanding our outlook for domestic demand, we expect a more moderate rate of headline GDP growth of 2.5% saar in H2 as the acceleration in the growth of consumer spending is offset by the effect of past dollar appreciation on net trade.

A cautiously optimistic Fed as inflation stabilizes

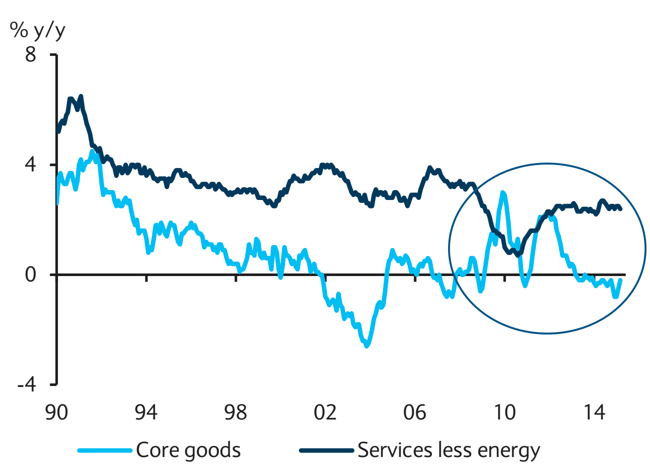
We expect the FOMC to remain on hold next week …

We expect the FOMC to remain on hold at next week's meeting, in line with consensus expectations, with no meaningful change in the April statement relative to March. Given the date, we expect the committee to remove the language from the statement ruling out an April rate hike. However, we do not expect this to be replaced with another specific reference to calendar time as the FOMC moves toward full data-dependence mode and away from time guidance. Reflecting data developments since the last FOMC meeting, we think the committee will likely point to the stabilisation in inflation as the energy drag seems to have waned and core inflation prints have surprised to the upside. We also think the committee is likely to look through the weak payroll data in March and maintain that '*underutilization of labor resources continues to diminish.*' Although we expect the committee to take a similar view to ours that the Q1 GDP weakness is temporary, we think it will be mindful of the downside risks to export growth stemming from still-subdued global growth outlook and the stronger dollar.

… and to take comfort from recent data that inflation may be stabilizing and labor markets continue to improve

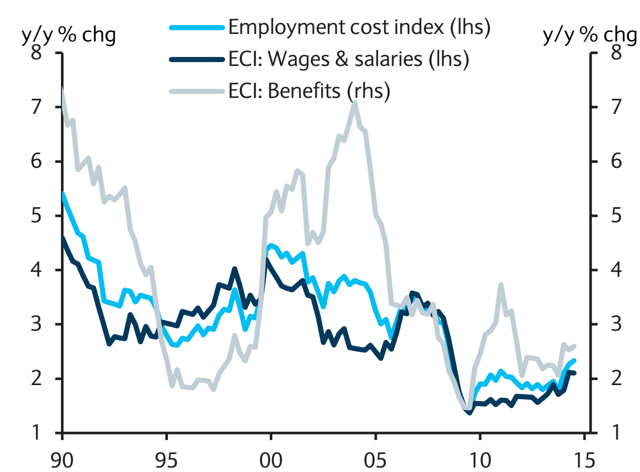
Since the March FOMC meeting, there have been two further inflation releases (for February and March). Both showed solid prints for core inflation and also indicate that the drag from declining energy prices is fading. Core CPI has risen by 0.2% m/m for three consecutive months and the March reading was particularly solid, with the pace of increase for core goods and services prices accelerating (Figure 2). In addition, energy prices have increased by a healthy 1.0% for a couple of months now, suggesting that energy prices have stabilized and that their drag on headline inflation is likely over. In our view, price developments since March will reassure the FOMC that inflation has likely stabilized, keeping the window open for rate hikes that we see starting in September. Although the March payroll report was weaker than expected, we think the committee will dismiss one month's print as noise and view the slowdown in the Q1 average pace of job increases relative to Q4 as broadly consistent with the slowing in activity. In addition, wage growth picked up slightly in March and should bolster the FOMC's view that continued labor market improvements and the diminishing of slack are starting to provide some support to wages.

FIGURE 2
Core goods and services prices are both stabilizing



Source: BLS, Haver Analytics, Barclays Research

FIGURE 3
Underlying labor market conditions continue to improve



Source: BLS, Haver Analytics, Barclays Research

GDP TRACKING: UNITED STATES

US GDP tracking: Q1 1.1%

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Strong existing home sales in March and upward revisions to new home sales data for prior months boosted our GDP tracking estimate by a net one-tenth on stronger residential investment. The March durable goods report showed weakness in core equipment shipments, which cut our tracking estimate by one-tenth at week-end.

- Existing home sales rose to 5.19mn in March (forecast: 4.95mn). Later in the week, new home sales reportedly fell in March, but were revised up in January and February. Taken together, the revised quarterly profile for total home sales suggests more brokers' commissions and slightly stronger residential investment growth. This boosted our Q1 GDP tracking estimate by one-tenth.

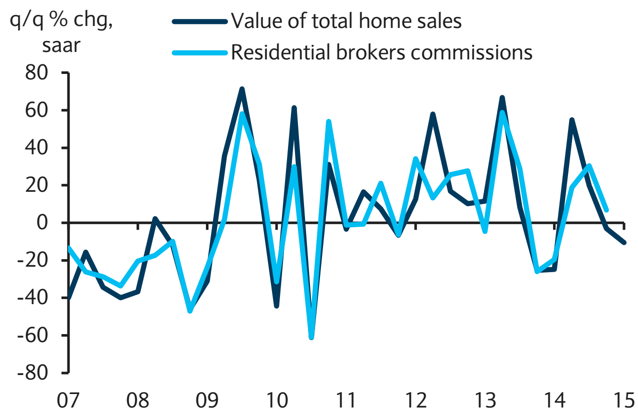
- The March durable goods reported showed core capital goods shipments fell 0.4% m/m in March and were revised lower to 0.1% m/m in February. The softness in core shipments suggests a bit less equipment investment in Q1, which cut our GDP tracking estimate one-tenth to 1.1%.

FIGURE 1
GDP tracking*

Release Date	Indicator	Period	Q1 tracking
17-Apr	Consumer price index	Mar	1.1
22-Apr	Existing home sales	Mar	1.2
23-Apr	New home sales	Mar	1.2
24-Apr	Durable goods orders	Mar	1.1
29-Apr	**Q1 GDP – advance estimate**	Q1	
1-May	**Construction spending**	Mar	

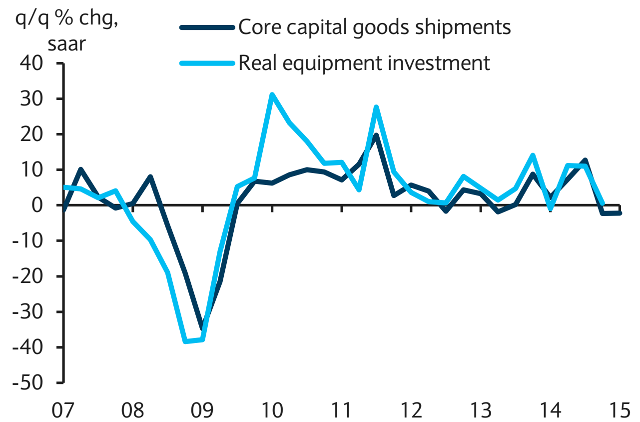
Source: Barclays Research

FIGURE 2
The value of total home sales fell 3% in Q1



Source: NAR, Census Bureau, BEA, Haver Analytics, Barclays Research

FIGURE 3
Core capital goods shipments fell 0.4% in March



Source: Census Bureau, BEA, Haver Analytics, Barclays Research

Note: *Our GDP tracking estimate is distinct from our published GDP forecast. It reflects the mechanical aggregation of monthly activity data that feed directly into the BEA's GDP calculation.

DATA REVIEW & PREVIEW: UNITED STATES

Michael Gapen, Blerina Uruçi, Jesse Hurwitz

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
FHFA purchase-only HPI, % m/m (y/y)	Feb	0.3 (5.1)	0.6	0.7 (5.4)	Home price appreciation gains momentum
Existing home sales, mn saar	Mar	4.89 R	4.95	5.19	Boosts our Q1 GDP tracking estimate one-tenth to 1.2%
New home sales, thous saar	Mar	543 R	547	481	March sales disappoint, but Jan and Feb sales revised up
Durable goods orders, % m/m	Mar	-1.4	-0.3	4.0	A surge in aircraft and motor vehicle orders masks weakness in core equipment orders
Durable goods ex transportation, % m/m	Mar	-1.3 R	-0.7	-0.2	

Preview of the next week

Monday 27 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	There are no significant events or releases						

Tuesday 28 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	S&P/Case-Shiller 20-city HPI, %m/m (y/y)	Feb	0.8 (4.3)	0.9 (4.4)	0.9 (4.6)	0.8 (4.8)	0.7 (4.7)
10:00	Consumer confidence index	Apr	103.8	98.8	101.3	103.0	102.5

S&P/Case-Shiller 20-city HPI: We forecast house prices to have increased by 0.8% m/m in February, bringing the y/y growth rate to 4.8%. During Q1, housing starts data slowed significantly as construction was hit by the unseasonably cold weather in some parts of the country, although that weakness did not seem to show in other housing indicators such as home sales and price appreciation. The FHFA home price index picked up in February and a similar move for the S&P/Case Shiller survey would support our view that the slowdown in starts was likely weather related and temporary.

Consumer confidence: We look for the Conference Board's consumer confidence index to rise to 103.0 in April from 101.3 in March. The preliminary estimate of the University of Michigan consumer sentiment index showed solid gains in early April, supported by lower jobless claims and gains in stock prices. We expect the Conference Board's index to show an improvement on the month, though less than the preliminary U of M estimate given the uptick in retail gasoline prices since mid-month.

Wednesday 29 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:30	Real GDP, % q/q saar	Q1	4.6	5.0	2.2	1.0	1.0
08:30	Real consumer spending, % q/q saar	Q1	2.5	3.2	4.4	1.8	1.8
08:30	GDP price index, % q/q saar	Q1	2.1	1.4	0.1	0.5	0.5
10:00	Pending home sales, % m/m	Mar	-1.5	1.2	3.1	3.4	1.1
14:00	FOMC rate decision, %	Apr	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25	0.00-0.25

GDP: We look for the advance estimate of GDP to report annualized growth of 1.0% in Q1, driven by a 1.8% rise in private consumption and gains in equipment and intellectual property investment. We look for a sharp 11.0% contraction in structures investment, in line with the precipitous decline in oil and gas drilling activity. Monthly trade data suggest sharp declines in real imports and exports, and we expect the net trade balance to subtract about 0.4pp from overall growth. We expect no significant contributions to GDP growth from government expenditures, private residential investment or private inventory investment.

Pending home sales: We forecast pending home sales to have increased 3.4 % m/m in March, to move the index to 110.6 from 106.9. The pending home sales survey tracks signed contracts on single-family homes, condos and co-ops. The MBA mortgage applications for purchase rebounded 4.9% m/m in March and the NAHB buyer traffic measure rose to 41 (from 37), both suggesting a pick-up in sales activity.

FOMC: We expect the FOMC to remain on hold at next week's meeting and not make any meaningful changes to the monetary policy statement. We expect the committee to remove any language from the statement that rules out an April rate hike, in line with the time lapse of such an assertion. This puts the FOMC in full data dependency mode and ends calendar-based forward guidance. Reflecting data developments since the last FOMC meeting, we think the committee will likely point to the stabilization in inflation as the drag from energy prices has waned and core inflation prints have surprised to the upside. We think they are likely to look through the weak payroll data in March and maintain that 'underutilization of labor resources continues to diminish'. Although we expect the committee to share our view that weakness in Q1 GDP growth is temporary, we think they will be mindful of the downside risks to export growth stemming from the still subdued global growth outlook as well as the stronger dollar.

Thursday 30 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:30	Employment cost index, % q/q	1Q	0.7	0.7	0.6	0.5	0.6
08:30	Personal income, % m/m	Mar	0.3	0.4	0.4	0.3	0.2
08:30	Personal spending, % m/m	Mar	-0.2	-0.2	0.1	0.6	0.5
08:30	PCE price index, % m/m (y/y)	Mar	-0.2 (0.8)	-0.4 (0.2)	0.2 (0.3)	0.2 (0.4)	0.2 (0.4)
08:30	Core PCE price index, % m/m (y/y)	Mar	0.0 (1.3)	0.1 (1.3)	0.1 (1.4)	0.2 (1.4)	0.2 (1.4)
08:30	Initial jobless claims, thous (4wma)	25-Apr	282 (283)	294 (283)	295 (285)	295	-
09:45	Chicago PMI index	Apr	59.4	45.8	46.3	51.0	50.0
08:30	Fed Governor Tarullo (FOMC voter) speaks in Washington						

ECI: We forecast the Employment Cost Index (ECI) to have increased 0.5% q/q and 2.5% y/y. Employment costs have increased at a steady pace since early 2014 in line with the improvement in the labor market and activity. We expect the pace of growth in this measure to firm gradually as the unemployment rate falls and slack in the economy diminishes further.

Personal income & spending: We forecast personal income to have risen 0.3% m/m in March, driven by a 0.2% m/m rise in wage and salary income and positive contributions from rental and dividend income. We look for personal spending to have risen 0.6% m/m in nominal terms, based on our forecast of a 0.4% m/m rise in real PCE and a 0.2% m/m rise in the PCE price index. This 0.2% m/m rise in the headline PCE price index would bring the y/y rate of PCE inflation to 0.4%. We expect core PCE prices to have also risen 0.2% m/m, or1.4% y/y.

Chicago PMI: We look for the Chicago PMI to rise to 51.0 in the April reading, after two consecutive monthly prints below the 50.0 mark that divides expansion from contraction. The index barely improved in March after plunging in February as orders and production both remained weak. We believe the magnitude of the decline overstates the slowdown in Midwestern manufacturing activity however, and we look for a rebound in April.

Friday 1 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Vehicle sales, mn saar	Apr	16.6	16.2	17.1	-	-
08:30	Cleveland Fed President Mester (FOMC non-voter) speaks in Philadelphia						
09:45	Markit PMI-f, index	Apr	54.8	55.1	55.7	-	-
10:00	Construction spending, % m/m	Mar	0.8	-1.7	-0.1	0.3	0.5
10:00	ISM manufacturing index	Apr	53.5	52.9	51.5	51.0	52.0
10:00	Michigan consumer sentiment index	Apr	95.4	93.0	95.9 P	95.5	96.0
15:45	San Francisco Fed President Williams (FOMC voter) speaks in California						

Construction spending: We look for total construction spending to have risen 0.3% m/m in March, following the 0.1% m/m decline reported for February. The sharp decline in February housing starts is likely to cut into the private residential portion of the report, a trend that is likely to persist for the next several months. We look for modest gains in the private nonresidential sector and a solid advance in public sector construction spending in March to offset this weakness, and expect total construction spending to have risen 0.3% m/m, halting its two-month decline.

ISM manufacturing index: We forecast the ISM manufacturing index to decline to 51.0 in the April reading. Other indicators of manufacturing activity have fallen during the month, driven by slowdowns in production and new orders. In the March ISM survey, new orders fell to the lowest level since May 2013. We expect domestic manufacturing will continue to experience headwinds from a stronger dollar and weak international demand, leading us to look for another modest monthly decline in the April ISM.

U. Michigan consumer sentiment: We expect the University of Michigan index of consumer sentiment to be revised down slightly to 95.5 in the final estimate, from the preliminary reading of 95.9. Retail gasoline prices have risen 3.5% from the end of the preliminary survey period as of this writing, which we expect will offset stocks gains and push the index down slightly at month-end.

OUTLOOK: EURO AREA

Overshadowed by its weakest link

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- **Latest reports of progress in Greek negotiations concur with our baseline scenario of a 'muddle through'. The next known key date is 11 May.**
- **However, while Greece has, technically speaking, until the end of June to conclude the current review, it will also need to secure another bailout by then.**
- **Despite a surprising fall, April "flash" PMI composite remains encouraging. The latest indicators suggest ongoing improved momentum.**

Negotiations are progressing slowly

Over the past week, EU officials have set low expectations for this week's Eurogroup meeting. In his remarks at the press conference, Mr Dijsselbloem said, "I understand that there have been recently some positive signs, but there are still wide differences to cover and to bridge on substance." He added: "I would like to reiterate again that a comprehensive deal is necessary before any disbursements can take place." While attention has been diverted to the next scheduled Eurogroup meeting on 11 May when an agreement could be reached, we recall that such a meeting can actually be held overnight.

Key Presidential decree to pool public bodies' cash reserves…

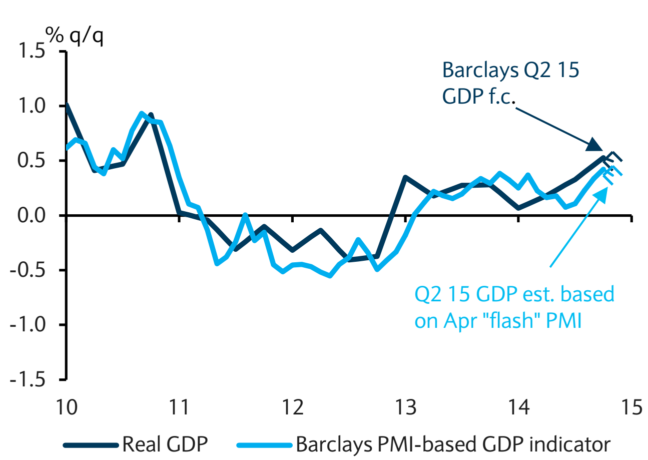
…. reduce the risk of an imminent defaut

On Monday, the Greek President reportedly signed a decree allowing the Greek central state to pool local authorities' remaining cash reserves (except pension funds) in an interest bearing account at the Central Bank. *Ekathimerini* reported that the government had hoped to draw €2.5bn from this – this will be put to a Parliamentary vote on Friday 24 April - effectively enabling the state to cover its domestic payment needs for April (€1.9bn). This concurs with our analysis published in the GMD focus (*Greece: public finance under the microscope*, 20 April 2015) that Greece's public coffers had virtually dried up since the beginning of this month. Additional support from local authorities, together with possible underperformance of primary expenditures (vs 2015 budget) and a limited increase in arrears, could provide Greece with sufficient funds to last until at least the end of May.

The fact that the domestic political picture is deteriorating is a factor to consider

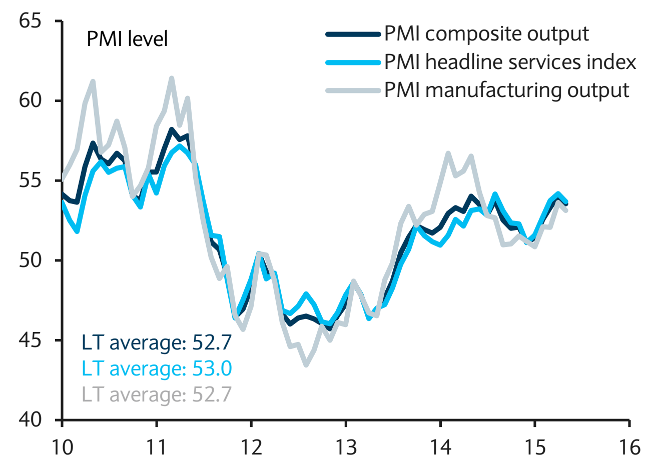
There were two other important developments in Greece this week. First, according to a poll conducted by the University of Macedonia, the approval rating for the strategy being employed by PM Tsipras and FM Varoufakis has fallen to 45.5% from 72% in March, while the majority of Greeks want to stay in the euro area. As we have highlighted in the past, an

FIGURE 1
Euro area PMI based GDP indicator



Source: Haver Analytics, Barclays Research

FIGURE 2
Euro area PMI by sector



Source: Haver Analytics, Barclays Research

accident in Greece – pushing the country into a full blown crisis – may not have to be necessarily related to public/bank finance, but could also be triggered by domestic politics (parliament/population). As such, these aspects should not be overlooked, as deadlines for the conclusion of the second programme continue to be pushed out, and a new programme will have to be agreed before the end of June.

Bloomberg has reported that the ECB will discuss haircuts on ELA collateral

As reported by Bloomberg on April 24, the ECB is set to discuss raising haircuts on Greek assets brought as collateral for ELA at its regular non-monetary policy meeting scheduled for May 6, with the final decision dependent on the evolution of bailout talks. In our view, the ECB, as a rules-based institution, will continue to provide ELA support as long as Greek banks are solvent and able to provide adequate collateral. We think the ECB is unlikely to precipitate a crisis.

A detailed analysis can be found in this week's Infocus: *Staying "ELA-ive"*. Given our estimate of remaining ELA eligible collateral of c.25-30bn (net of haircut), we think that deposit outflows would have to continue at the same pace since the end of November 2014 (-€28bn), before a shortage of ELA eligible collateral arose sufficient to induce ECB actions.

Early Q2 business confidence points to ongoing improved momentum

Euro area April "flash" composite PMIs declined from March's 11-month high, but remain encouraging at 53.5

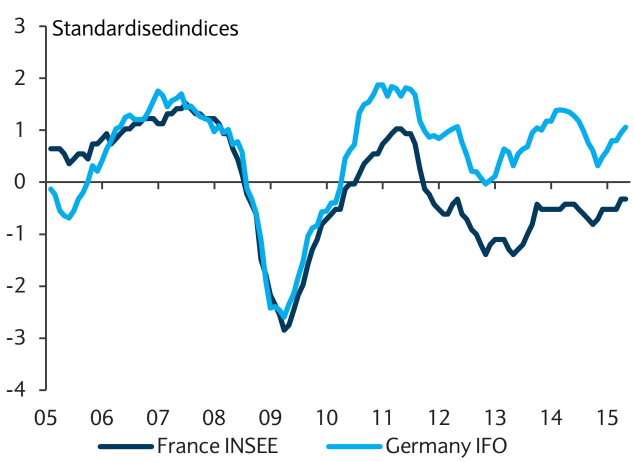
Euro area "flash" composite PMIs were weaker than expected in April, declining from March's 11-month high, but remain encouraging at 53.5 (-0.5 points). The drop was driven equally by the manufacturing and service sector. At the composite level, new orders moderated only slightly (-0.3 points to 53.8), supporting strong hiring intentions (51.9). Germany and France bore the brunt of the euro area downward adjustment, but we estimate that confidence rose further in the periphery (Italy, Spain and Ireland) to levels not seen since mid-2007.

The generally positive picture was confirmed across business cycle data this week

The generally positive picture was confirmed across business cycle data this week. German IFO concurred with the ZEW survey with improved business climate supported by the current situation, while expectations edged down but remain at a high level. In France, the INSEE headline business climate is unchanged but at its highest level since March 2012, and breakdowns in both manufacturing and services sectors painted a rather rosy picture. Finally, in Italy, manufacturing orders and sales released this week have confirmed our improving GDP growth baseline scenario. However, frictions emerged lately within the ruling PD party, which may culminate in a Parliament split ahead of a possible confidence vote on the voting system reform; this could hamper political stability and business sector confidence.

FIGURE 3

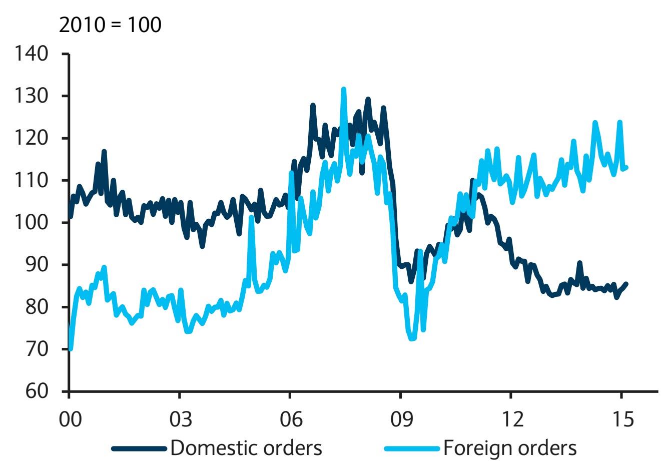
IFO and INSEE business climate heading north



Source: Haver Analytics, Barclays Research

FIGURE 4

Italy: industrial orders – Trend (index, sa)



Source: Haver Analytics, Barclays Research

IN FOCUS: EURO AREA

Staying 'ELA-ive'

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This is an edited excerpt of an article published in *Global Rates Weekly*, 23 April 2015.

ELA borrowing is crucial for Greek banks to fill the funding gap caused by deposit flight, which is likely to continue given rising uncertainty. So, any limitation in ELA or rise in haircuts on ELA collateral might create funding problems, thus escalating the crisis. We still recommend going short ERM5 as a good risk-reward trade to hedge the risk of the Greek crisis worsening.

This week, markets have been affected by press discussion that the ECB (Reuters, Ekathimerini, 22 April 2015) could be looking to reduce its exposure on Greek banks by increasing haircuts pledged at the ELA. Furthermore, the ECB is reportedly (Bloomberg, 24 April) planning to discuss increased haircuts on Greek assets brought as collateral for ELA at its regular non-monetary policy meeting scheduled on 6 May, with a final decision pending the outcome of bailout talks.

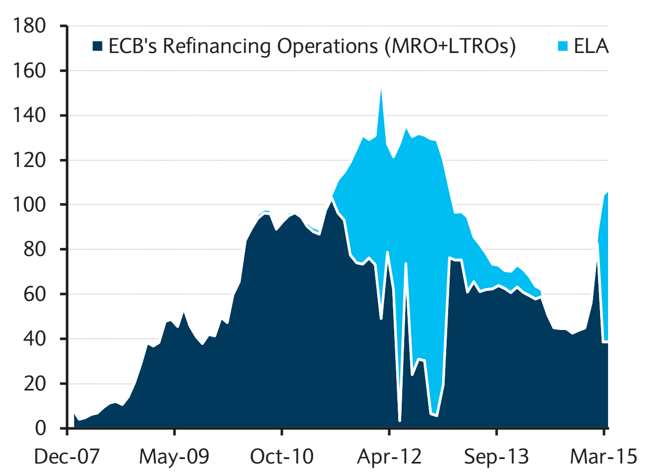
Eurosystem exposure to Greece has continued to increase

Increasing Eurosystem exposure to Greece via ECB borrowing, ELA and banknotes

The Eurosystem's exposure to Greece amounts currently to about €110bn, which corresponds to about 60% of the Greek GDP. It is worth noting that it was about €54bn as of the end of last year. Basically it has doubled in just a quarter as a consequence of the high political and economic uncertainty after the end-of-January general election, that has generated the flight of deposits and the worsening of funding conditions for Greek banks with no access to the repo market.

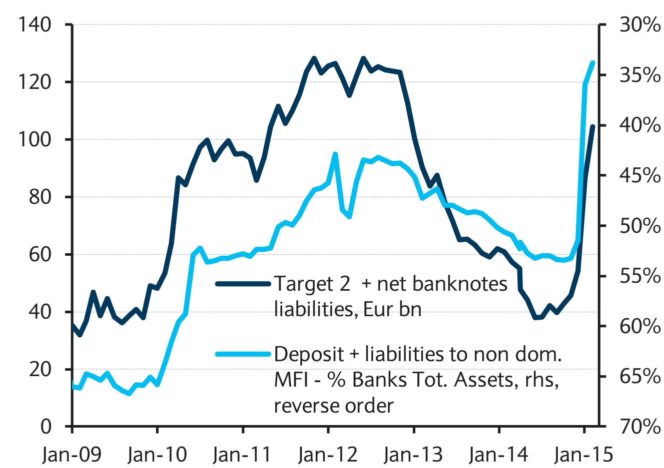
Interestingly, such exposure is not only related to Target 2 liabilities, which reflects the liquidity outflows from the Greek banking system, but also to the increased demand for banknotes (which does not affect the Target 2 exposure), as people prefer not to keep their money in the Greek banks.

FIGURE 1
ELA usage vs. ECB borrowing (€bn)



Source: Central Bank of Greece, Barclays Research

FIGURE 2
Increasing Eurosystem exposure on rising funding gap for Greek banks



Source: Central Bank of Greece, Barclays Research

Target 2 liabilities and Eurosystem borrowing

Target 2 exposure close to €100bn

ECB borrowing and ELA have filled the funding gap so far

As shown in Figure 2, Target 2 liabilities amounted to €96bn as of the end of March, close to the highest level since the beginning of the crisis in Greece (€109bn in November 2011). It was at about €30bn in June last year, the lowest level since 2009. The massive increase, with acceleration in Q1 2015, was the result of liquidity outflows as international banks closed their credit lines to Greek banks. This, together with the rising flight of deposits (part of which remained in Greece in the form of banknotes) has led Greek banks to fill the funding gap through the usage of Eurosystem liquidity. Therefore, the flipside of such a situation has been increased borrowing of Eurosystem liquidity both via the ECB's regular operations and, in the absence of eligible collateral, via ELA (see Figure 1).

As of the end of March, the ECB borrowing amounted to about €38.5bn, of which €29.5bn was at the MRO and €9bn at the LTRO. Such amounts have been stable since the beginning of February, when the MRO dropped by €45bn because of the ECB's decision to no longer accept bonds issued or guaranteed by the Greek government as eligible collateral.

EFSF bonds with very low haircuts are used at the regular refinancing operations

As suggested by the data provided by the four largest Greek banks (which represent almost the entire Greek banking system) at the presentation of the 2014 results, EFSF bonds are the securities used as collateral to get ECB borrowing at its regular operations. The haircuts applied are very low. Indeed, as reported by the Central Bank of Greece in its balance sheet, the "Assets eligible as collateral for Eurosystem monetary policy operations and intraday credit" as at the end of March amounted to €40.3bn, approximately the same as the liquidity borrowed, suggesting a very low haircut on this kind of collateral brought by Greek banks.

Haircuts on ELA collateral are already at very high levels…

The usage of ELA at the end of March was €68.5bn, up from €65.6bn as of the end of February. Currently it should be higher, at about €73bn, given the several increases in the ELA ceiling decided by the ECB, to the current level of €75.5bn. As we discussed in the *Euro Money Markets Weekly: Greece is the word*, 10 February 2015, the usage of ELA by Greek banks was much higher in 2012, when it moved above €100bn, taking it to the historically high level of €124bn in May 2012. However, this was due to special circumstances such as the launch of 'the private sector involvement offer', the expiration of the buyback scheme in July 2012 and the delay in the recapitalisation process for the Greek banking system. This time, the usage of ELA is due to more structural factors mainly related to the uncertainty about the programme and the commitment to structural reform; therefore, risks are more skewed to a further increase towards the level hit in 2012, or even higher, if deposit outflows continue.

There is no information on the kind of collateral used for ELA as well as on the size of the haircuts. We believe it is made up of Greek T-bills, Greek government bonds, banks' bonds with government guarantees, some securitization, loans and covered bonds. Also, based on the amount of "Assets accepted by the Bank of Greece as eligible collateral for emergency liquidity assistance to credit institutions" (€137.3bn), reported by the Central Bank of Greece in its monthly update of the balance sheet, we estimate an average haircut on such collateral of about 50%.

… any increase would favour an escalation of the situation, making it even riskier

As pointed out by ECB member Benoit Coeure in his interview with Kathimerini[1], the ECB will continue to provide ELA to Greek banks as long as they are solvent and they have adequate collateral (the two conditions required by the EU Treaty). Over the past few days, attention on the ECB's decision on ELA has increased because of some commentary reported on Bloomberg that the ECB's Governing Council could decide to increase the haircut on the collateral used by Greek banks in the ELA borrowing. In our view, given the ongoing deposit flight that should continue as long as uncertainty remains high and the likely further reduction in the collateral availability even for ELA, any increase in the haircuts might potentially create a big enough cash shortfall for the Greek banks that would be equivalent to a cut in the ELA.

[1] http://www.ecb.europa.eu/press/inter/date/2015/html/sp150422.en.html

Therefore, what is a typical risk management measure, adopted to hedge rising risk, could result in an escalation of the crisis, causing the situation to become even riskier, eventually resulting in a lack of eligible collateral, which legally could prevent the ECB from providing further ELA assistance. In our view, the ECB is unlikely to want to be the trigger for an escalation of the Greek situation unilaterally.

We estimate that there is €25-30bn of residual ELA-eligible collateral for Greek banks

Based on the data provided by the four largest banks, ELA eligible collateral availability amounted to about €100bn (net of haircut) as of the end of February. As the amount currently used should be at about €73bn, very close to the new ceiling according to our calculations, we estimate that Greek banks should have €25-30bn (net of haircut) of further ELA-eligible collateral to use. Therefore, in the very near term, the risk of a shortage of ELA collateral should be negligible in our view, barring a sharp acceleration of deposit flight, that would mirror the development posted in Q1 with about a €20bn drop in banks' deposits between the end of December and the end of February (the ECB's M3 report, to be published on April 29, will provide the figure for the end of March).

Increase in the usage of banknotes

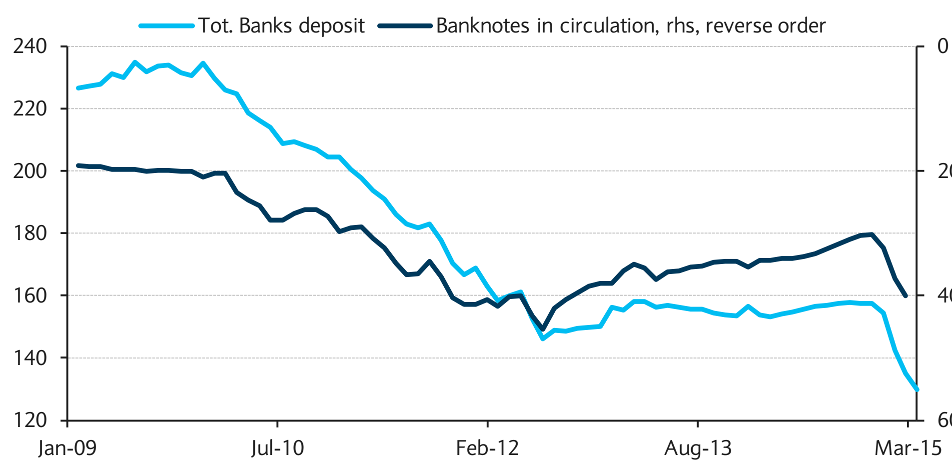
Part of the banks' deposits has moved in banknotes

The other component of the Eurosystem exposure to Greece is represented by the usage of banknotes in excess of the initial endowment. Basically, according to the Eurosystem's accounting regime, a share of 8% of the total value of the euro banknotes in circulation in the Eurosystem is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation are allocated to the NCBs on a monthly basis too. Each NCB shows in its balance sheet under the Liability item 1 ("banknotes in circulation") a share of the euro banknotes issued corresponding to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to the NCB, and the value of euro banknotes put into circulation in the country is disclosed in the Central Bank's balance sheet as an intra-Eurosystem claim/liability related to banknote issue (as "Other claims within the Eurosystem (net)" or "Liabilities related to other operations within the Eurosystem", respectively).

For Greece, the amount of banknotes in access of its quota has increased since the beginning of last year from about €4bn to €14bn, suggesting that part of the deposit flight has been due to an increase in the usage of banknote (and not in liquidity outflows towards other banking system that would have resulted in an increase in Target 2). Interestingly, the usage of banknotes has not reached the highest level hit in mid-2012, suggesting that there could be room for a further withdrawal of deposits, which would force Greek bank to use more ELA. Figure 3 shows the evolution of the usage of banknotes in Greece as well as of the banks' deposits, with a strong correlation between them.

FIGURE 3

Where part of banks' deposits have gone so far (€bn)



Source: Central Bank of Greece, Barclays Research

DATA REVIEW & PREVIEW: EURO AREA

Apolline Menut, Francois Cabau, Fabio Fois, Antonio Garcia Pascual, Philippe Gudin, Thomas Harjes

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Germany: ZEW economic expectations index	Apr	54.8	-	53.3	ZEW financial investors lower expectations slightly
Italy: Industrial orders, % m/m (y/y)	Feb	-3.7 R (-5.5)	-	0.8 (2.0)	Orders momentum resumes
Italy: Retail sales sa, % m/m (y/y)	Feb	0.2 (1.2) R	-	-0.2 (0.1)	Sales paid back in February
France: Business climate, index	Apr	96	-	96	France business surveys for April: Breakdowns maintain hope, balancing out uninspiring headlines
France: "Flash" composite PMI, index	Apr	51.5	-	50.2	
E19: "Flash" composite PMI, index	Apr	54.0	54.7	53.5	Flash PMI disappoints on lower confidence in Germany and France
Germany: IFO business climate, index	Apr	107.9	108.0	108.6	IFO business climate up again in April

Preview of the week ahead

Saturday 25 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	**E19: Informal Ecofin meeting (Riga, Latvia)**						
Monday 27 April		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
07:00	**E19: ECB SSM Chair Nouy speaks on "European Financial Integration and Stability" in Brussels**						
08:30	**E19: ECB Executive Board Member Cœuré speaks on "European Financial Integration and Stability" in Brussels**						
12:00	**E19: ECB Vice-President Constâncio speaks on "European Financial Integration and Stability" in Brussels**						
12:20	**Germany: Chancellor Merkel speaks on bilateral and European issues in Warsaw, Poland**						
16:00	France: Jobseekers net change (sa), k	Mar	14.3	-19.1	12.8	-	-
Tuesday 28 April		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
-	Spain: Budget, year-to date, € bn	Mar	-40.1	-6.1	-11.8	-	-
06:45	France: Consumer confidence indicator, index	Apr	90	92	93	-	94
07:00	Sweden: Consumer Confidence, index	Apr	98.6	97.6	100.5	-	101.0
07:00	Sweden: Manufacturing confidence Indicator, net balance	Apr	107	10.5.8	101.2	-	102.0
07:00	Sweden: Economic Tendency Indicator, index	Apr	105.3	104.2	101.5	-	-
07:30	Sweden: Retail Sales, % m/m (y/y)	Mar	-0.6 (3.3)	1.2 (5.01)	0.2 (4.8)	-	0.2 (3.4)
Wednesday 29 April		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
07:30	**Sweden: Interest rates announcement, %**	**Apr**	**0.00**	**-0.10**	**-0.25**	**-**	**-0.25**
-	Germany: Baden-Wuerttemberg CPI, % m/m (y/y)	Apr	-1.0 (-0.4)	0.9 (0.0)	0.6 (0.4)	0.0 (0.3)	-
-	Germany: Bavaria CPI, % m/m (y/y)	Apr	-1.0 (-0.2)	0.9 (0.3)	0.5 (0.5)	0.0 (0.6)	-
-	Germany: Hesse CPI, % m/m (y/y)	Apr	-1.0 (-0.6)	1.0 (0.1)	0.4 (0.2)	0.0 (0.3)	-
-	Germany: North Rhine Westphalia CPI, % m/m (y/y)	Apr	-1.0 (-0.4)	0.8 (0.0)	0.5 (0.2)	0.0 (0.2)	-
-	Germany: Brandenburg CPI, % m/m (y/y)	Apr	-1.2 (-0.6)	0.9 (-0.1)	0.5 (0.2)	0.0 (0.2)	-
-	Germany: Saxony CPI, % m/m (y/y)	Apr	-1.2 (-0.3)	0.9 (0.3)	0.5 (0.5)	0.0 (0.5)	-
-	Germany: Preliminary HICP, % m/m (y/y)	Apr	-1.3 (-0.5)	1.0 (-0.1)	0.5 (0.1)	-0.1 (0.3)	-0.1 (0.2)
-	Germany: Preliminary CPI, % m/m (y/y)	Apr	-1.1 (-0.4)	0.9 (0.1)	0.5 (0.3)	0.0 (0.5)	-0.1 (0.4)
-	Belgium: CPI, % m/m (y/y)	Apr	-0.1 (-0.7)	0.4 (-0.4)	0.1 (-0.4)	-	-
07:00	Spain: Adjusted retail sales, % y/y	Mar	6.3	3.9	2.7	-	3.6
08:00	Italy: Consumer confidence, index	Apr	101.8	107.7	110.9	111.2	-
08:00	Italy: Business confidence, index	Apr	99.9	100.5	103.7	104.1	-
08:00	E19: M3, % m/m (y/y)	Mar	0.0 (3.6)	0.5 (3.7)	0.6 (4.0)	0.2 (4.4)	(4.3)
08:00	E19: Loans to private sector (adjusted), % m/m (y/y)	Mar	0.2 (0.1)	0.2 (0.4)	0.1 (0.6)	0.1 (0.8)	-
09:00	E19: Industrial confidence, index	Apr	-4.5	-4.6	-2.9	-	-2.8

09:00	E19: 'Final' consumer confidence, index	Apr	-8.5	-6.7	-4.6 P	-	-4.6
10:00	Ireland: Unemployment rate, %	Apr	10.3	10.1	10.0	-	-
13:00	Belgium: Preliminary GDP, % q/q	Q1	0.1	0.3	0.2	-	-

Euro area - M3: We expect further pick up in money growth and normalization of bank lending flows.

Thursday 30 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
06:00	Germany: Retail sales sa, % m/m (y/y)	Mar	0.8 (5.2)	0.9 (5.0)	-0.1 (3.6)	-0.2 (2.8)	0.4 (3.0)
06:45	France: Hshld consum. goods, % m/m (y/y)	Mar	1.6 (0.7)	0.7 (2.6)	0.1 (3.0)	0.2	-0.6 (2.0)
07:00	Spain: Preliminary GDP, % q/q	Q1	0.5	0.5	0.7	0.7	0.8
07:00	Austria: GDP, % q/q	Q1	0.0	0.1	-0.2	-	-
07:00	Swi: KoF leading indicator	Apr	96.1	90.3	90.8	-	91.6
07:00	Spain: Preliminary HICP, % y/y	Apr	-1.5	-1.2	-0.8	-1.0	-0.7
07:55	Germany: Unemployment change (000s, sa); (rate, %)	Apr	-10 (6.5)	-20 (6.5)	-14 (6.4)	-5 (6.4)	-14 (6.4)
08:00	Norway: Unemployment rate LFS, %	Feb	3.7	3.8	3.9	-	4.0
08:00	Italy: Unemployment rate, %	Mar	12.7	12.6	12.7	12.6	-
09:00	Italy: Preliminary HICP, % m/m (y/y)	Apr	-2.5 (-0.5)	0.3 (0.1)	2.1 (0.0)	0.4 (-0.1)	-
09:00	Italy: Preliminary CPI, % m/m (y/y)	Apr	-0.4 (-0.6)	0.4 (-0.1)	0.1 (-0.1)	0.1 (-0.3)	-
09:00	E19: "Flash" HICP, % y/y	Apr	-0.6	-0.3	-0.1	0.0	0.0
09:00	E19: 'Eurostat' core (HICP x fd, alc, tob, ene), y/y	Apr	0.6	0.7	0.6	0.7	0.6
09:00	E19: Unemployment rate, %	Mar	11.4	11.4	11.3	11.3	11.2

Germany – Retail sales: We expect some further moderation of sales momentum after the winter surge.

France – Hshld consum. goods: We project French households' goods consumption to increase by a modest 0.2% in March, mainly by autos. Such an outturn would be consistent with a 1.9% q/q increase in Q1, +1.7pp from Q4 14.

Germany – Unemployment: We expect a slight drop in the number of unemployed (-5k) while the unemployment rate should hold steady.

Euro area – Flash inflation: We forecast euro area "flash" HICP inflation to have edged up to 0.0% in April from -0.1% previously and core HICP inflation to have increased to +0.7% from +0.6% (with downside risks). We expect the small uptick to have been led by German inflation, which we project to have risen to +0.3% from +0.1% y/y previously. Meanwhile, we expect Italian and Spanish inflation to have declined compared to March, to -0.1% and -1.0% from 0.0% and -0.8%, respectively.

Friday 01 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	**ECB public holiday**						
05:00	Ireland: Manufacturing PMI, index	Apr	55.1	57.5	56.8	-	-

OUTLOOK: UNITED KINGDOM

Post-election policy mix set to tighten

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- **While the MPC minutes came in broadly in line with previous communications, we think that, incrementally, the MPC is now slightly more hawkish than before.**
- **March budget execution showed further catch-up of income and wealth tax revenues, delivering a FY total net borrowing just below target.**
- **Tentative estimations based on party manifestos show that fiscal plans of the Conservatives would have the biggest negative impact on GDP, and Labour the least.**

The April MPC appeared marginal more hawkish over the medium term.

While the minutes of the March MPC came in broadly in line with previous communication, the Bank nonetheless appeared incrementally more hawkish relative to the medium-term prospects for inflation. Two arguments were put forward to highlight this view:

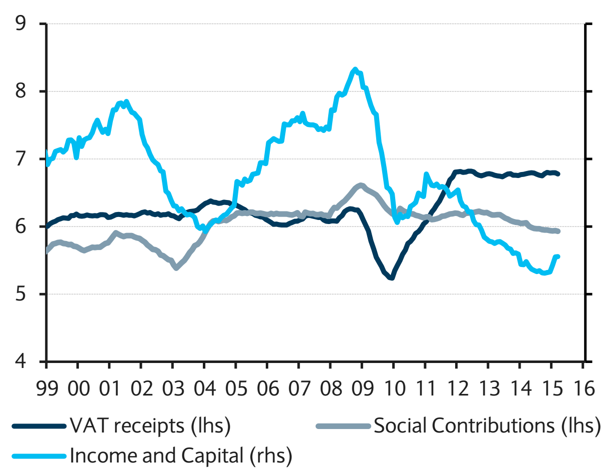
Faster exchange rate pass through may induce quicker pick up of inflation

- In the recent downside surprises to inflation and wages, the BoE sees a possible illustration of a faster short-term pass-through from exchange rate appreciation. Such an outcome, though, would mean less medium-term pass through, and with it a faster pick-up in prices over that period. As written in the minutes "…it was possible that the appreciation of sterling was feeding through more quickly into the CPI than expected. That could mean less downward pressure on prices to come and a faster pickup in inflation when the effects of recent falls in energy and food prices [drop] out of the annual comparison."

May inflation report to provide more insights regarding the outlook for output and productivity

- The MPC also discussed domestic inflationary pressures announcing further work on supply side factors, including outlook for productivity. Commenting on the impact of slack in the economy, the committee stated that "it was unlikely that activity growth could be maintained at its current pace for long, without generating greater inflation in wages and prices, in the absence of some material improvement in labour productivity." Given that current forecasts by the bank do not show a "material" pick up in productivity, such a statement highlights that medium-term risks on wages and inflation are tilted to the upside.

FIGURE 1
Current tax receipts breakdown (Cum.12M, % of GDP)



Source: ONS, Barclays Research

FIGURE 2
Breakdown of fiscal plans based on party manifesto

	Cons	Lib Dem	Lab	SNP
number of years	*4*	*3*	*4*	*5*
Total reduction	5.2	3.9	3.6	3.6
Tax increase	0.7	1.1	1.1	0.5
Spending cuts	4.6	2.8	2.5	3.1
Social Security	0.6	0.1	0	-0.2
Non-Departemental	0.9	0.7	0.9	1.2
Departemental	3.1	2	1.7	2.2
Interest payment	0	0	-0.1	-0.1
Share of spending	88%	72%	69%	86%
Share of unspecified	69%	44%	53%	56%

Source: IFS, Barclays Research

In light of these discussions, we believe that a rate hike by the end of the year is still likely. However, such a call remains highly conditional on economic developments, as well as the outcome of the 7 May general election and subsequent policies. As we wrote last week (*Global Economics Weekly: UK Outlook: Core Concerns*, 17 April 2015), foreign ownership of UK public debt has been trending lower since the beginning of the year and 12-month net flows reached their lowest levels ever recorded in February (since records began in 1982). While we do not expect any financial disruptions in the wake of the election, we nonetheless highlight that concerns relating to a possible EU-referendum or pressure from the SNP to reopen independence discussions might induce a more prudent stance by investors, leading to lower investment and lower confidence.

Public Sector Net Borrowing just below its full-year target

PSNB ended the year just below full-year target

March Public Sector Net Borrowing excl. financial intervention (PSNBx) stood at £7.4bn, just slightly better than the £7.8bn deficit in March 2014. For the entire FY 2014-15, PSNBx came in at £87.3bn, £11.1bn less than last year and £2.9bn below the most recent OBR target of £90.2bn. Current receipts stood at £613bn, up by £21bn as income and capital taxes finally caught up in the last months of the FY. Conversely, current expenditures slowed in recent months and posted only a slight overall increase (by £3.9bn to £648bn), owing to lower interest payments while net social benefits increased by £5.4bn.

Recent months have seen much improvement in tax collection as well as some slowdown in expenditure

Weakness in income and wealth tax was among the main drags on revenues but the situation has been improving in recent months. As a share of GDP, direct tax revenues remain historically low and this momentum would need to be maintained in order to get closer to the historical average. On the spending side, the biggest change relates less to lower interest rates (small overall contribution) than to a slowdown in other current spending (Total excl. benefits and interest). Overall, we continue to highlight risks to budget execution relating to structural changes in the economy and the lack of policy response to address revenue shortfalls. Looking ahead, these structural elements would need to be addressed by decisive policies, possibly generating frictions given that most low hanging fruit has already been picked.

Fiscal austerity plans by the main parties

Manifestos fail to be wholly specific on fiscal plans, but the IFS has provided its estimations

After the Scottish National Party released its manifesto this week, we now have the manifesto of all four main parties. The Institute of Fiscal Studies quickly released a report comparing each party's fiscal consolidation plans, looking at the overall stance and its composition. Our main take-aways are as follows:

- The Conservatives are planning the most radical reduction in the deficit, bringing it down from 5.0% to a surplus of 0.2% over the next four years (5.2% of GDP swing). Conversely, Labour and the SNP project a deficit reduction of 3.6% of GDP, with SNP planning this adjustment over five years rather than four. The Liberal Democrats offer an intermediate solution (3.9%) following the Conservative plans closely in the first years but ending a year earlier (see Figure 2).
- In terms of composition, the Conservatives want to achieve about 90% of the savings through spending cuts, while for the Liberal Democrats and Labour, the share of spending adjustment is lower at about 70%. Surprisingly, the share of spending cuts in the SNP programme is also 90%, but that owes to a smaller overall adjustment. That said, the IFS highlights that the amount of details released in the manifesto is insufficient to make a proper estimation of the breakdown and unspecified measures represent from 40% of the total adjustment (Lib Dem) to 70% (Conservatives).

Conservative plans likely to be the most costly in terms of growth

By applying stylised spending (1.0) and revenue (0.6) short-term fiscal multipliers, we conclude that the negative fiscal impulse of the different programmes ranges from 3.2% (Labour), to 3.4% (SNP), 3.5% (Lib Dem), and 4.9% (Conservatives).

DATA REVIEW & PREVIEW: UNITED KINGDOM

Fabrice Montagné

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
MPC minutes, Bank Rate vote	Apr	9-0	9-0	9-0	The BoE votes remain unchanged even as the MPC discusses exchange-rate pass-through and sees more medium-term upside risks to inflation.
MPC minutes, asset purchase vote	Apr	9-0	9-0	9-0	
Retail sales, % m/m (y/y)	Mar	0.6 (5.4) R	0.7 (5.7)	-0.5 (4.2)	Steep decline in automotive fuel dragged retail sales lower
Retail sales exl. fuel, % m/m (y/y)	Mar	0.6 (4.8) R	-	0.2 (5.0)	
PSNCR, £bn	Mar	-0.2 R	-	19.4	Borrowing undershot the FY target after recent months showed a marked improvement in tax collection and a slowdown in expenditure.
PSNB, £bn	Mar	4.8 R	9.7	6.7	
PSNBx, £bn	Mar	5.5 R	10.0	7.4	

Preview of the next week

Monday 27 April		Period	Prev 3	Prev 2	Prev 1	Forecast	Consensus
11:00	CBI industrial trends, total orders	Apr	4	10	0	-	5

Tuesday 28 April		Period	Prev 3	Prev 2	Prev 1	Forecast	Consensus
09:30	GDP preliminary release, % q/q (y/y)	Q1	0.8 (2.9)	0.7 (2.8)	0.6 (3.0)	0.8 (3.3)	0.5 (2.6)
09:30	BBA lending data	Mar	-	-	-	-	-

Q1 GDP Preliminary release: We expect GDP to accelerate to 0.8% in Q1 from 0.6% in Q4, with stronger household consumption supported by lower energy prices and a rebound in investment making up for a drop in capital spending in Q4 2014. If realized, the carryover on 2015 growth would be 1.8pp.

Wednesday 29 April		Period	Prev 3	Prev 2	Prev 1	Forecast	Consensus
08:00	Nationwide house price Index, % m/m (y/y)	Apr	0.3 (6.8)	-0.1 (5.7)	0.1 (5.1)	-	0.2 (4.1)
11:00	CBI distributive trades, total sales	Apr	39	1	18	-	25

Thursday 30 April		Period	Prev 3	Prev 2	Prev 1	Forecast	Consensus
00:05	GfK consumer confidence, index	Apr	1	1	4	2	4

GfK: We expect GfK consumer confidence to remain elevated (at 2 points after 4 in March) or to ease at the margin as policy uncertainties relating to the elections are mounting.

Friday 01 May		Period	Prev 3	Prev 2	Prev 1	Forecast	Consensus
09:28	Manufacturing PMI, index	Apr	53.0	54.0	54.4	-	54.6
09:30	Consumer credit, £bn	Mar	0.5	0.8	0.7	0.8	0.8
09:30	Mortgage lending, £bn	Mar	1.6	1.6	1.7	1.9	1.8
09:30	Mortgage approvals, k	Mar	60.3	60.7	61.8	64.0	62.5

Lending report: We expect lending activity to pick up, with mortgage approvals increasing to 64k (after 61.8) and mortgage lending to increase by £1.9bn (after £1.7bn) in March. We expect March consumer credit flows to be similar to the February level at about 0.8bn. If realized, this would translate into a 1.7%y/y growth rate for secured lending and 6.5% y/y for consumer lending.

OUTLOOK: JAPAN

BoJ to cut outlook, but keep policy on 30 April

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- **We expect the BoJ to cut its GDP and CPI forecasts at the 30 April MPM but to leave policy intact, drawing on the same information set behind its decision on 8 April.**
- **However, assuming weaker price data and inflation expectations in the months ahead, we still expect the BoJ to ease at the 14-15 July MPM.**
- **On the more immediate horizon, we see a potential upside risk to our Q1 real GDP forecast from net exports, albeit due mainly to an abrupt decline in March imports.**

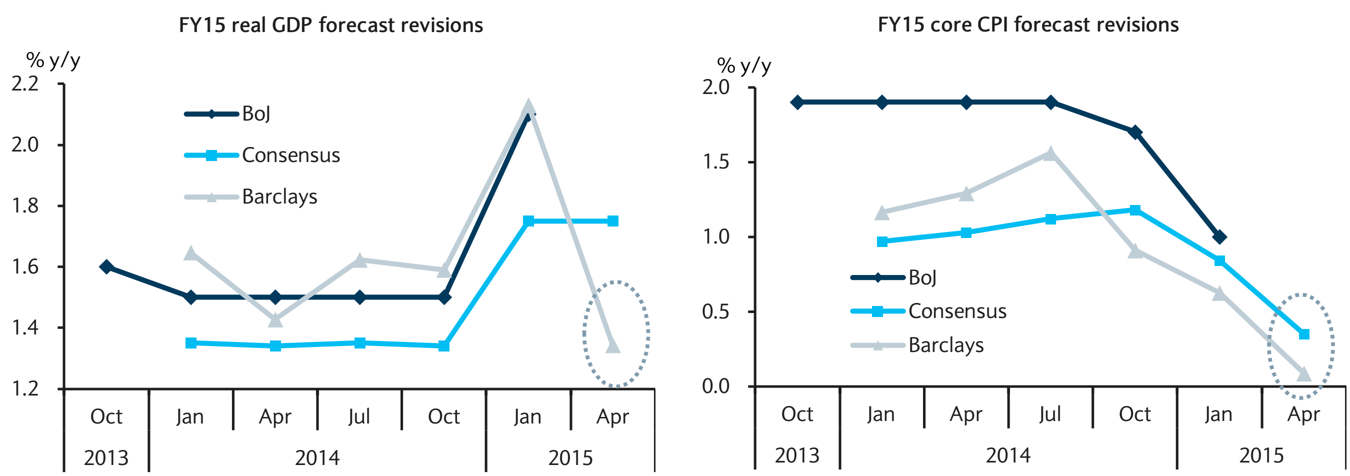
We expect the BoJ to leave policy intact on 30 April

The BoJ will hold a monetary policy meeting (MPM) and release its semi-annual Outlook Report on 30 April. We expect it to keep current policy intact, primarily because it did so at the 7-8 April MPM and will be making its decision based on the same information set related to the CPI (the March data will not be released until 1 May) and inflation expectations (the latest Tankan “price outlook of enterprises” was released on 2 April and household inflation expectations, although newly published on 17 April, remained unchanged).

However, assuming weaker price data and inflation expectations in the months ahead, we still expect the BoJ to ease at the 14-15 July MPM

Instead, we continue to forecast further easing at the 14-15 July MPM, when the BoJ conducts an interim assessment of the Outlook Report. At that stage, we believe the prospect of the core CPI falling below the previous year’s level in June or July and staying there until around November will have become much clearer based on the ongoing gradual decline in consumer durables prices and the trend in LNG prices, which have started to follow the earlier drop in oil prices and should eventually lower electricity rates. The information set will also include the June BoJ Tankan’s “price outlook of enterprises” (release: 2 July), which we expect to come down due in part to the rapidly widening margin of y/y decline in the corporate goods price index for domestic consumer durables. In this context, we believe the BoJ will feel compelled to recognize the risk to its outlook for 2% CPI inflation “in or around” FY15 and ease further (increasing equity-linked ETF buying, cutting the IOER to 0.05% from 0.1%, in our view) in order to anchor inflation expectations.

FIGURE 1
FY15 real GDP and core CPI forecast revisions: BoJ vs. Barclays and consensus



Notes: Horizontal axis marks dates of revision; 2) BoJ uses the median of the majority of Policy Board members; 3) consensus is based on the ESP forecast survey of the Japan Center for Economic Research (JCER) conducted 26 March-2 April; 4) Barclays forecasts were last updated on 27 March for the core CPI and 30 March for real GDP. Source: BoJ, JCER, Barclays Research

GDP and CPI forecasts updated for FY15-16 and newly published for FY17 as part of Outlook Report on 30 April

The Outlook Report due for release on 30 April will include an update of CPI and GDP forecasts for FY15-16, along with new projections for FY17. As such, it will reflect, among other factors, the anticipated effects of the April 2017 VAT hike to 10% from the current 8%. Based on the BoJ's handling of the April 2014 hike, we expect it to present its FY17 CPI forecast both including and excluding the hike with a 1.3pp gap between the two figures, assuming a two-thirds pass-through.

We expect cuts to FY15 GDP and CPI forecasts

We expect the BoJ, while keeping policy intact, to cut its FY15 real GDP forecast to the upper-1% level (from 2.1% as of January) and its core CPI projection to the upper -0% level (1.0%). This would bring the BoJ closer to Barclays and consensus (Figure 1). The BoJ currently projects core CPI inflation of 2.2% for FY16, which is also above Barclays (0.5%) and consensus (1.23%).

We see a potential upside risk to our Q1 real GDP forecast from net exports, albeit due mainly to an abrupt decline in March imports

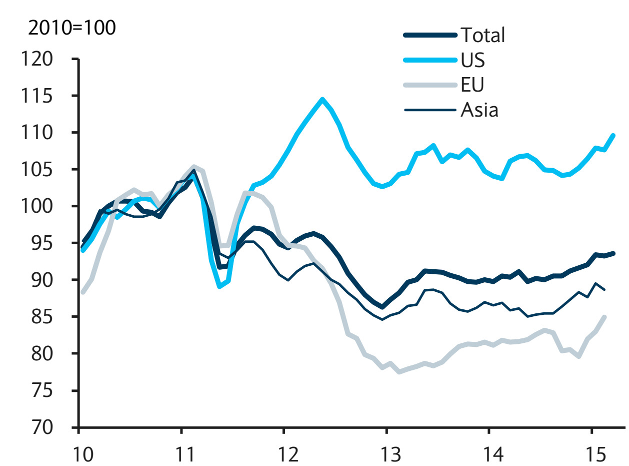
On the more immediate horizon, this week's March trade data indicated a possible upside risk to our forecast for real GDP growth of 0.1% q/q (0.6% saar) in Q1. We had assumed a -0.4pp q/q contribution from net exports based on the rapid decline in February exports. The March trade data, however, suggest this contribution may be closer to 0.0pp. That said, this "improvement" reflects surprisingly weak imports rather than an upside surprise to exports. Indeed, export volume slowed from Q4 to Q1, led by a sluggish YTD trend to Asia, which accounts for roughly half of Japanese exports (Figure 2). Also, the weak import figures need to be checked against yet-to-be-released consumption and IP data for that period and may also imply an offsetting downside risk there. Our forecasts remain under review.

However, we still expect real GDP growth to exceed potential through 2016

From Q2 onward, we continue to expect real GDP growth in excess of potential (about 0.5% annualized, in our estimates), driven not only by a bottoming of net exports, but also a gradual pick-up in private consumption. With the help of wage hikes at this spring's annual labor-management negotiations, we expect real wages (nominal wages/CPI) – household terms of trade – to turn up y/y in April, when the effects of last April's VAT hike run their course. Purchasing power also appears set to improve on the back of falling LNG import prices (Figure 3), which we expect to push electricity rates below the previous year's level starting in May. In this week's Reuters Tankan survey, the DI of business sentiment in the retail industry rose to 0 in April from -9 in March, pulling out of negative territory for the first time in six months. Although the level of the DI remains low, it has shown a clear recovery during the past two months in line with the improvements in consumer sentiment.

FIGURE 2

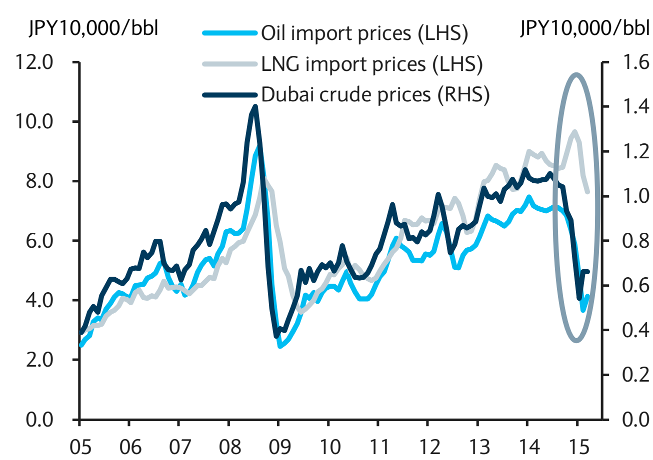
Q1 Japanese export volume slowed by Asia



Note: SA by Barclays Research. 3mma. Source: MoF, Barclays Research

FIGURE 3

LNG import prices down for a third consecutive month, while oil import prices rise for the first in eight



Note: Import prices = import value / import volume.
Source: MoF (trade), Bloomberg, Barclays Research

DATA REVIEW & PREVIEW: JAPAN

Kyohei Morita, Yuichiro Nagai, James Barber, CFA

Review of this week's data

Main indicators	Period	Previous	Barclays	Actual	Comments
Index of tertiary industry activity (% m/m)	Feb	0.7	-0.5	0.3	The index was supported by eating/accommodation, real estate/goods leasing and transport/postal services. Negative contributions came from wholesale/retail, electricity/gas and miscellaneous services
Trade balance, nsa/sa (JPYbn)	Mar	-425/-639	230/-127	229/3	Japan logged a seasonally adjusted surplus in March, moving into the black for the first time in 49 months. As a three-month moving average, export volumes have slowed, weighed down by Asia. LNG import prices fell 6.9% in March, a third consecutive decline, while oil rose 12.4%, the first rise in eight months.
Services PPI (% y/y)	Mar	3.3	3.0	3.2	The SPPI, which is closely linked to cost adjustments in the corporate sector, has slowed for the past two months. In February, much of this was due to weakness in advertising, perhaps in reaction to the pick-up in February 2014, when the Sochi Olympics were held. In March, prices were slightly softer across the board, turning flat in relation to SG&A, possibly signaling cost cuts to cope with sluggish sales and wage hikes.
Index of all-industry activity (% m/m)	Feb	0.5	-0.9	0.1	The all-industry index edged higher in February on an upturn in the tertiary index, which accounts for over 60% of the total. Industrial production, which has a weighting of nearly 20%, fell in February.

Preview of the week ahead

Thursday 30 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:50	Industrial production (% m/m)	Mar	0.2	4.1	-3.1	-2.3	-2.4
n.a.	BoJ MPM and semi-annual Outlook Report						

Industrial production: We estimate that production fell for a second consecutive month in March. Another focus will be the METI forecast indices for April (revised) and May (new). PMI and other data suggest IP may not recover in line with the current April METI forecast (3.6% m/m).

BoJ: We expect the BoJ to cut its GDP and CPI forecasts at the 30 April MPM but to leave policy intact, drawing on the same information set behind its decision on 8 April.

Friday 1 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:30	National CPI ex-perishables (% y/y)	Mar	2.5	2.2	2.0	2.2	2.1
08:30	Tokyo CPI ex-perishables (% y/y)	Apr	2.2	2.2	2.2	0.5	0.5
08:30	Unemployment rate/jobs-applicants ratio	Mar	3.4/1.14	3.6/1.14	3.5/1.15	3.5/1.16	3.5/1.15
08:30	Real household spending (% y/y)	Mar	-3.4	-5.1	-2.9	-12.3	-11.8
10:30	Wages per worker (% y/y)	Mar	0.9	0.6	0.1	0.0	0.4

CPI: We estimate that core inflation ex-VAT effects rose 0.2% y/y in February, but look for it to fall below the previous year's levels in July and stay there through October. In our view, the BoJ's 2% target will remain out of reach even toward end-2016.

Employment: We estimate that unemployment stayed at 3.5% while the jobs/applicants ratio improved. However, policies are needed to resolve labor shortages and alleviate structural unemployment, turning attention to the third "arrow" of Abenomics.

Household survey: We estimate that real household spending fell sharply y/y in March – the flipside of last year's frontloading prior to the April VAT hike. However, we expect GDP-based private consumption to sustain modest growth through 2016.

Wages per worker: We expect wages per worker to flatten y/y in March with a continuing drag from the scheduled and overtime pay of part-timers, assuming another decline in production.

OUTLOOK: EMERGING ASIA

PBoC delivers a timely stimulus

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- **The PBoC cut the reserve requirement ratio (RRR) by 100bp to 18.5%, effective 20 April. The government has stepped up easing measures since March.**
- **We forecast one additional 25bp rate cut in Q2 and look for two more 50bp RRR cuts in 2015, with the risk of more if growth continues to disappoint in China.**
- **In Korea, Q1 GDP came in marginally higher than expected, but risks of further monetary easing from the BoK cannot be discounted yet.**

China: RRR easing provides relief

PBoC delivers significant monetary easing

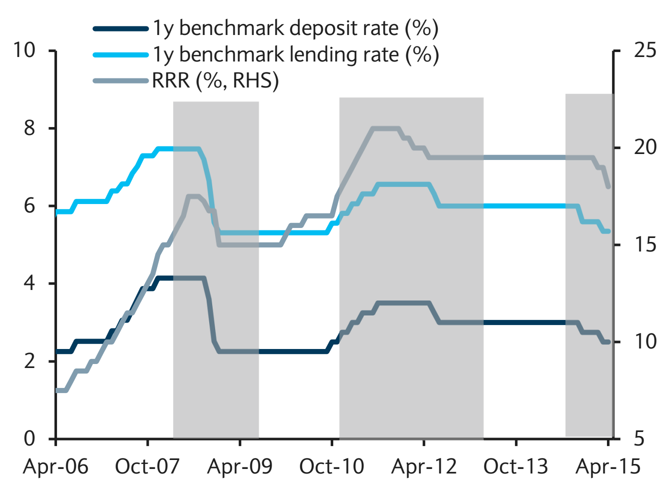
On 19 April, the PBoC lowered the reserve requirement ratio (RRR) by 100bp for all deposit-taking institutions, and an additional 50-200bp for qualified banks and policy banks. This is the second RRR cut since the 50bp delivered on 4 February and will release more than CNY1.2trn liquidity available to the banking system, in our view. The weak March data, rising deflation risks, and the liquidity pressure from the CNY1trn local government debt swap amid reduced capital inflows are the main drivers behind the larger-than-expected move, in our view. We believe the government has stepped up easing measures since March, and there could be also a shift in the PBoC's stance towards more loosening.

We expect one benchmark rate cut of 25bp in Q2, and two more 50bp RRR cuts in 2015

The move by the PBoC is in line with our view. We expect the PBoC to continue its use of both quantity and price based tools, i.e., RRR and interest rate cuts, to inject liquidity and lower real interest rates. We maintain our forecast for one additional 25bp benchmark rate cut in Q2, and look for two more 50bp RRR cuts in 2015, with the risk of more if growth continues to disappoint.

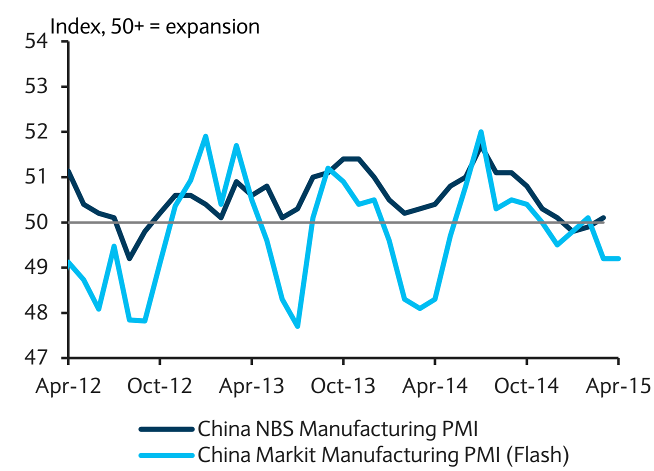
Looking ahead, April Markit "flash" manufacturing PMI dipped to 49.2 from its final reading of 49.6 in March, below market expectations (consensus: 49.6; Barclays: 49.0). The latest PMI suggests that downside risks to China's 2015 growth have started to materialise after a disappointing Q1. We maintain our below-consensus 6.8% 2015 growth forecast (consensus 7.0%), and expect the growth slowdown to stretch into Q2 before picking up in 2H. This assumes stepped-up policy easing measures to stabilise the property market, boost infrastructure investment, and lower the cost of financing in the economy.

FIGURE 1
China: RRR and interest rate moves



Source: Haver Analytics, Barclays Research

FIGURE 2
China: Flash Markit PMI and NBS PMI



Source: Haver Analytics, Barclays Research

Korea: Q1 GDP lifted by construction, we see improvement in Q2

Korea's Q1 GDP supported by higher construction investment

Korea's Q1 GDP has surprised to the upside. The advance estimate of Q1 GDP showed expansion of 0.8% q/q sa (Q4: 0.3%; Q3: 0.8%), while on a y/y basis growth slowed moderately to 2.4% y/y (Q4: 2.7%; Q3: 3.3%) – the slowest since Q1 2013. Growth in Q1 was led by a strong pickup in construction investment, in particular in residential building investment, reflecting the ongoing property market recovery. Private consumption also improved, growing at 0.6% q/q sa on the back of increased spending on durables and services. Although the BoK recently lowered its 2015 growth forecast to 3.1% from 3.4%, we are turning more optimistic on Q2 as leading indicators continue to suggest an inflexion point for activity. The global semiconductor equipment book-to-bill ratio, which tends to lead Korea's activity indicators by three to four months, jumped to a nine-month high of 1.10x in March (February: 1.03; January: 1.04; December: 0.99), suggesting that Asia's electronics manufacturers are investing in plant and machinery again, an indicator of increased activity from Q2. We continue to forecast full-year GDP growth of 3.5% (BoK: 3.1%) on a brisk summer launch season for consumer electronics and an improved external outlook. We maintain our call for rates to stay on hold for the rest of the year. While we see a risk of a further rate cut, we think any easing is less likely to occur before July – the next scheduled quarterly review of the economy.

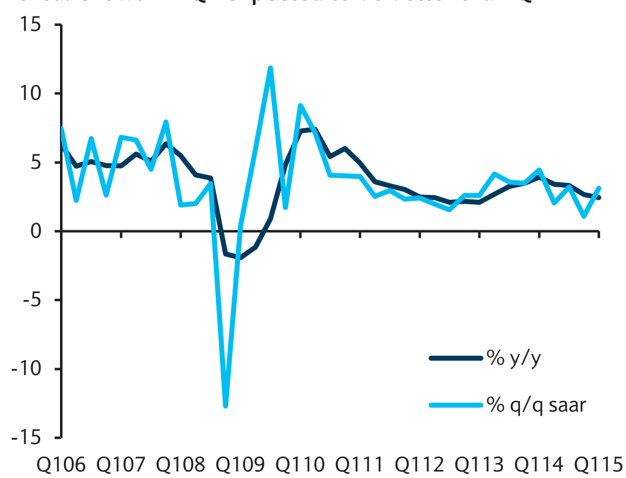
India: Officials predict a weaker-than-normal monsoon

India may face weather aberrations in summer, according to the Met department

According to the India Meteorological Department (IMD), the monsoon seasonal rainfall is likely to be 93% of the Long Period Average (LPA) with a model error of ± 5%. While such an outcome will be considered "below normal" rainfall (normal: 96-104% of LPA), we think the shortfall, if limited to the IMD's current forecasts, will likely not be too damaging per se for agricultural production and agro-prices. Separately, Skymet, a private-sector weather forecasting and agriculture risk solutions company, has predicted "normal" monsoon rains in India as it forecasts the monsoon season rainfall to be at 102% of LPA (error margin of ±4%). Monsoon rainfall will remain an important variable for the Reserve Bank of India (RBI) in calibrating monetary policy, as it will have implications for both inflation and growth. Unless India faces significant weather aberrations in the coming months, we expect retail inflation – the RBI's key focus at the moment – to average 5% in FY 15-16 (H1 15-16: 4.5% and H2 15-16: 5.5%), materially lower than the RBI's early-2016 target of 6%. With a likely well-anchored inflation trajectory, a largely stable outlook for the INR and only a modest uptick in growth momentum, we expect another 25bp cut in the repo rate in June, which would take it to 7.25%.

FIGURE 3

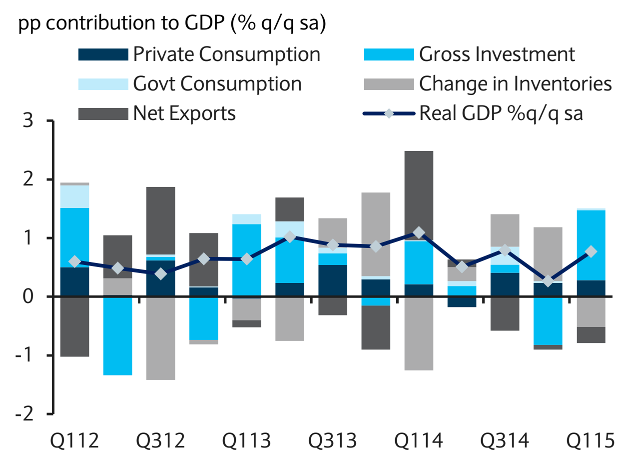
Korea: Growth in Q2 expected to be better than Q1



Source: Haver Analytics, Barclays Research

FIGURE 4

Korea: Q1 GDP lifted by higher investment



Source: Haver Analytics, Barclays Research

DATA REVIEW & PREVIEW: AUSTRALASIA & EM ASIA

Angela Hsieh, Kieran Davies

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
New Zealand: CPI (% q/q)	Q1	-0.2	-0.2	-0.3	Softer inflation suggests increased risk of further easing.
Australia: RBA board minutes	Apr	–	–	–	The RBA retained a strong easing bias.
Taiwan: Unemployment rate (%)	Mar	3.74	3.78	3.75	Job-switching post the CNY holidays behind the increase.
Australia: Headline CPI (% q/q)	Q1	0.2	0.1	0.2	Underlying inflation is broadly tracking at the midpoint of the 2-3% target band.
Malaysia: CPI (% y/y)	Mar	0.1	0.9	0.9	Fuel prices drove up inflation.
Korea: Preliminary GDP (% q/q sa / % y/y)	Q1	0.3 / 2.7	0.6 / 2.2	0.8 / 2.4	Growth lifted by construction investment; we expect an acceleration in Q2.
China: Flash Markit manufacturing PMI (index)	Apr	49.6	49.0	49.2	Subdued PMI points to downside risks to 2015 growth outlook.
Singapore: CPI – headline / core (% y/y)	Mar	-0.3 / 1.3	-0.7 / 1.1	-0.3 / 1.0	Services inflation remains stable.
Taiwan: Industrial production (% y/y)	Mar	3.3	7.0	6.5	Electronics continue to shine.
Singapore: Industrial production (% y/y)	Mar	-3.6	-5.7	-5.5	Petrochemicals recover further.

Preview of releases for the next week

Monday 27 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
27-30 Apr	Thailand: Manufacturing production (% y/y)	Mar	-0.1	-0.8	3.6	3.9	4.5

Thailand: Manufacturing likely to pay back some of the strength from February, but a low base will support y/y growth.

Tuesday 28 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
11:00	Thailand: Customs exports (% y/y)	Mar	1.9	-3.5	-6.1	-1.8	-4.5

Thailand: Exports will continue to be weighed by weakness in oil-linked sectors and poor demand from China, but autos should perform better.

Wednesday 29 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
15:30	Thailand: Benchmark interest rate (%)	Apr	2.00	2.00	1.75	1.75	1.75

Thailand: BoT to keep policy on hold, but the statement is likely to maintain a dovish tilt given the weakness in domestic demand.

Thursday 30 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
05:00	New Zealand: RBNZ official cash rate (%)	Apr	3.50	3.50	3.50	3.50	3.50
07:00	Korea: Industrial production (% y/y)	Mar	1.5	1.8	-4.7	-1.6	-1.6
08:30	Taiwan: Preliminary GDP (% y/y)	Q1	3.9	4.3	3.4	4.0	3.5
15:30	Thailand: BoT Monthly Press Release on Economic and Monetary Conditions	Mar	–	–	–	–	–

New Zealand: We expect rates to remain on hold with a neutral bias. We expect the RBNZ to complain about the high real exchange rate. To us, the RBNZ is likely to downplay continued weak inflation, but may note that lower inflation expectations would be a potential trigger for lower rates.

Korea: The planned refinery maintenance and inventory overhang in the auto sector are likely to have weighed on production. This is also consistent with the drop in the Markit manufacturing PMI to 49.2 after expansionary readings above 50 in January and February.

Taiwan: We expect Q1 GDP to expand at 0.8% q/q sa on solid domestic consumption, which will likely help offset the drag from weaker exports amid a mixed external environment.

Friday 1 May		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
07:00	Korea: CPI (% y/y)	Apr	0.8	0.5	0.4	0.4	0.4
08:00	Korea: Exports (% y/y)	Apr	-0.9	-3.3	-4.2	-6.3	-7.0
09:00	China: NBS manufacturing PMI (index)	Apr	49.8	49.9	50.1	50.0	50.0
12:00	Thailand: CPI/Core CPI (% y/y)	Apr	-0.41 / 1.64	-0.52 / 1.45	-0.57 / 1.31	-0.80 / 1.10	-0.90 / 1.20

Korea: Inflation is likely to stay flat as retail pump prices bottomed in February and stayed relatively firm in March and April. We expect exports to have contracted further on the back of a high base last year while stabilised oil prices and new launches in electronics are likely to help ease the drag.

China: We expect a modest decline in the NBS manufacturing PMI, given the weak output and new orders indicators.

Thailand: We expect inflation to decline further, led by a resumption in the fall in petrol prices, while continued falls in prepared food inflation are also likely to push core inflation lower.

Note: Release dates and consensus estimates for all of the data given in tables above are subject to change. Source: Bloomberg, Barclays Research

OUTLOOK: EMERGING EUROPE, MIDDLE EAST AND NORTH AFRICA

Central banks in easing mode

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- **We expect Russia to cut its policy rate again next week against a background of stabilizing inflation and deepening recession.**
- **Turkey kept its policy rates on hold as expected, but was unable to achieve TRY stability.**
- **Hungary continued its rate cutting cycle this week. Next week, we expect Israel to deliver the final rate cut, which would bring its policy rate to zero.**

Central Bank of Russia likely to deliver another rate cut next week

Next week, we expect the Central Bank of Russia to continue its rate cutting cycle and to cut its main policy rate by 150bp to 12.5%. Inflation accelerated to 16.9% y/y in March, but weekly inflation readings point to stabilization in April and a likely slowdown afterwards. RUB appreciation (25% vs. USD since end-January) is one of the key reasons behind inflation stabilization. In addition, weakening domestic demand has started to exert notable downward pressure on inflation as well. March real sector indicators showed deterioration (Figure 2), confirming that the recession is deepening and is likely to last at least a few more quarters. The government has estimated that real GDP fell by about 2% y/y in Q1. Against this background, stabilization of inflation gives the central bank more room to continue its rate cutting cycle to support the plunging economy.

Israel is likely to cut its base rate by 10bp to 0%

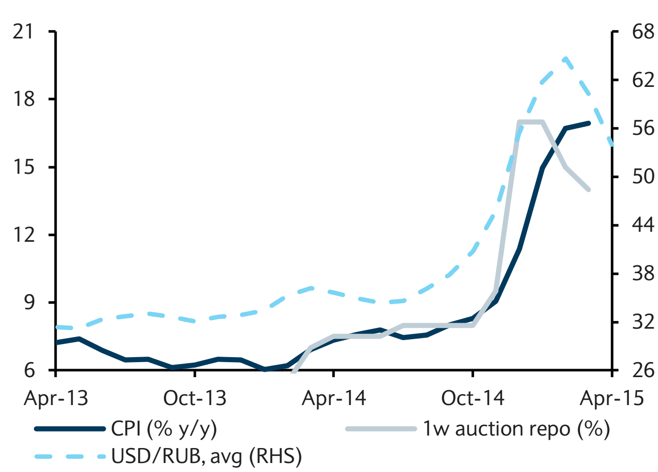
We expect Bank of Israel (BoI) to cut its base rate by 10bp to 0% next week. Inflation remained unchanged at -1.0% in March, highlighting the prevailing deflationary pressures. The ILS remained broadly unchanged on REER terms since last MPC meeting, and USDILS retreated towards 3.90, which we think likely provide an incentive for the BoI to signal its bias for a weaker ILS by cutting rates.

CBT remained on hold; TRY unlikely to find support

This week, Central Bank of Turkey (CBT) kept the policy rate and corridor rates unchanged, in line with our expectations as well as the overwhelming consensus expectations. The accompanying MPC statement is a verbatim of the March statement, regarding the assessment of the domestic and external environments, as well as the inflation outlook. Meanwhile, the CBT announced some changes to remuneration of TRY required reserves (RR) and FX depo lending rates, which were last week announced as potential measures to be discussed in this meeting.

FIGURE 1

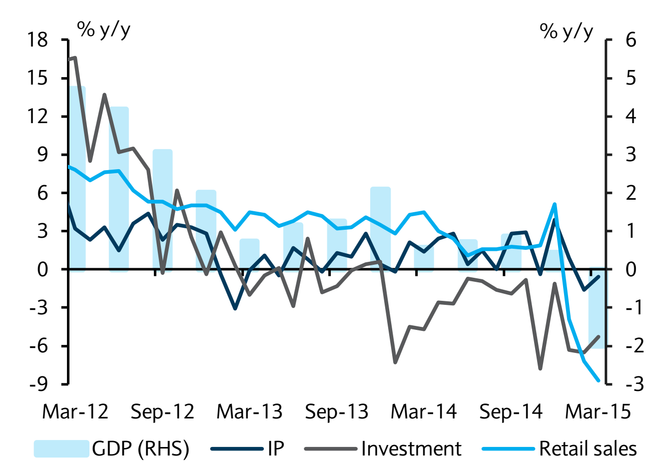
Stabilizing inflation facilitates further rate cuts in Russia…



Source: CBR, Haver Analytics, Barclays Research

FIGURE 2

…as recession continues to deepen



Note: Estimate for Q1 15 GDP. Source: Haver Analytics, Barclays Research

The CBT increased the remuneration of TRY RR by 50bp, which is not significant for the banking sector, as it would increase annual earnings by only about 0.3% based on our banks analysts' calculations. The remuneration of TRY RR may also have some implications for the utilisation of the reserve option mechanism (ROM) at the margin, potentially releasing some FX liquidity. CBT also cut FX depo lending rates for USD and EUR by 50bp. The CBT's FX depo facility is a buffer for the banks during times of short-term FX liquidity squeezes rather than a fix for the fundamental issue of the increased reliance of the banking sector on short-term external funding, and pressures on the currency as a result of the corporate FX mismatches. The CBT recently increased transaction limits of banks in the FX and Banknote market to USD22bn, which compares with short-term external debt of the banking sector of about USD90bn. Overall, we believe it is unlikely that these measures will be supportive for TRY itself, against a backdrop in which the market is repricing the political risk as the elections draw nearer.

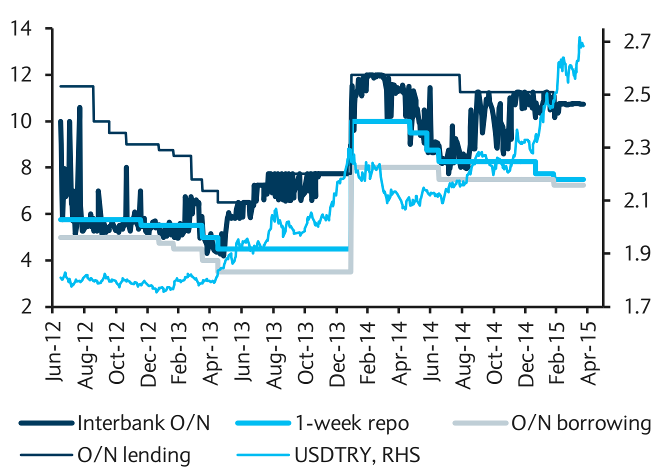
The ongoing slowdown in growth momentum and the politicians' sensitivity to higher rates ties CBT's hands to engineer a policy response to break investor scepticism and TRY's underperformance. The capacity/appetite of the CBT to defend the TRY by offering FX to the market is limited given that net FX reserves are at about USD34bn. The initial optimism that Turkey should be one of the biggest beneficiaries of cheap oil has faded over recent months. The current account deficit is narrowing but remains one of the largest in EM, while the export outlook remains challenging. Inflation proved to be stickier than initially expected: the pick-up in food prices and ongoing TRY weakness clouds the inflation outlook.

Hungary delivered another rate cut, and more cuts are likely to follow

National Bank of Hungary (NBH) cut its policy rate by 15bp to 1.8%, in line with our forecast and the unanimous consensus. We maintain our view that further rate cuts are likely given continued deflationary pressures and ECB QE-related appreciation pressures on HUF, and expect the policy rate at 1.5% at end-Q2.

FIGURE 3

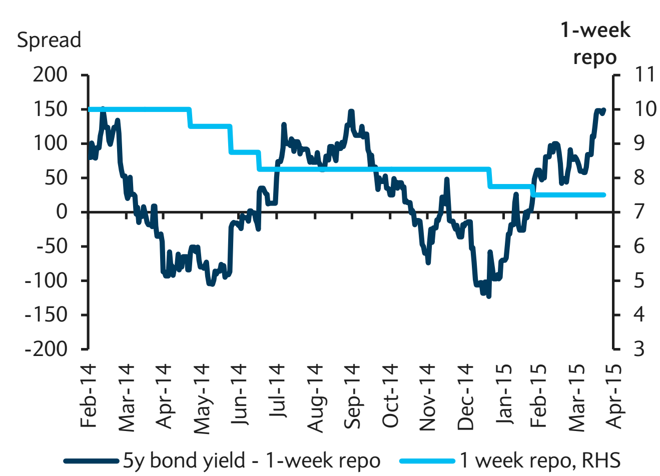
CBT maintain its cautious monetary policy stance…



Source: Haver, Barclays Research

FIGURE 4

…keeping yield curve inverted



Source: Haver, Barclays Research

DATA REVIEW & PREVIEW: EMERGING EUROPE, MIDDLE EAST AND NORTH AFRICA

Eldar Vakhitov, Daniel Hewitt, Durukal Gun, Alia Moubayed

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Russia: Real wages (% y/y)	Mar	-7.4	-11.0	-9.3	Real wages continue to contract, not least on high inflation
Russia: Retail sales real (% y/y)	Mar	-7.2	-8.5	-8.7	Consumer demand contracts further
Russia: Investment in productive capacity (% y/y)	Mar	-6.5	-7.0	-5.3	Investment has been negative since 2013 and there is no recovery in sight given high interest rates
Russia: Unemployment rate (%)	Mar	5.8	5.9	5.9	The rate is gradually increasing, but remains low
Poland: Sold Industrial output (% y/y)	Mar	4.9	-	8.8	Robust print points to solid growth
Poland: Retail sales real (% y/y)	Mar	2.4	-	6.6	Broad-based recovery indicates resilient consumer demand
Ukraine: Industrial production (% y/y)	Mar	-22.5	-	-21.1	Deep recession continues
Hungary: Deposit rate (%)	Apr	1.95	1.80	1.80	Further cuts are likely as deflationary pressures persist
Turkey: Benchmark repo rate (%)	Apr	7.50	7.50	7.50	CBT reiterates that cautious monetary policy stance is necessary due to uncertainty in global markets and elevated food inflation
Turkey: Overnight lending rate (%)	Apr	10.75	10.75	10.75	
Turkey: Overnight borrowing rate (%)	Apr	7.25	7.25	7.25	
Turkey: Consumer confidence	Apr	64.4	-	65.4	Consumer confidence remains subdued

Preview of the next week

Monday 27 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
14:00	Israel: Discount rate (%)	Apr	0.25	0.10	0.10	0.00	0.10

Israel: Inflation remained unchanged at -1.0% y/y in March, highlighting the prevailing deflationary pressures. ILS remained broadly unchanged on REER terms since the previous MPC meeting, and USDILS retreated towards 3.90, which we think likely provide incentive for BoI to signal its bias for weaker ILS by cutting rates.

Tuesday 28 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Ukraine: Current account (USD bn)	Q1	-1.1	-1.3	-1.5	-	-

Ukraine: Current account deficit continues its adjustment driven by sharp import contraction due to the recession and UAH depreciation.

Wednesday 29 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Ukraine: GDP constant prices (% y/y)	Q1 P	-4.5	-5.4	-14.8	-	-14.2

Ukraine: GDP is likely to continue its sharp contraction, as recession turns out to be longer and deeper than initially expected, not least because of the prolonged instability in Eastern Ukraine.

Thursday 30 April		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
11:30	Russia: One week auction rate (%)	Apr	17.00	15.00	14.00	12.50	13.00
08:00	Turkey: Trade balance (USD bn)	Mar	-8.5	-4.3	-4.7	-5.9	-6.1

Russia: Inflation has stabilized and the exchange rate has appreciated in recent weeks, which gives the central bank more room to continue its rate-cutting cycle in order to support the contracting economy.

OUTLOOK: SUB-SAHARAN AFRICA

Inflation in the spotlight in East Africa

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- **We expect mixed outturns in the April inflation releases due next week in Kenya, Uganda and Zambia.**
- **Monetary policy nevertheless has a tightening bias in Kenya and Uganda, in our view. The Bank of Zambia will likely retain a tight stance after the recent SRR hike.**
- **In South Africa, next week's March trade data will be telling for the Q1 current account balance. We look for a ZAR7.3bn deficit.**

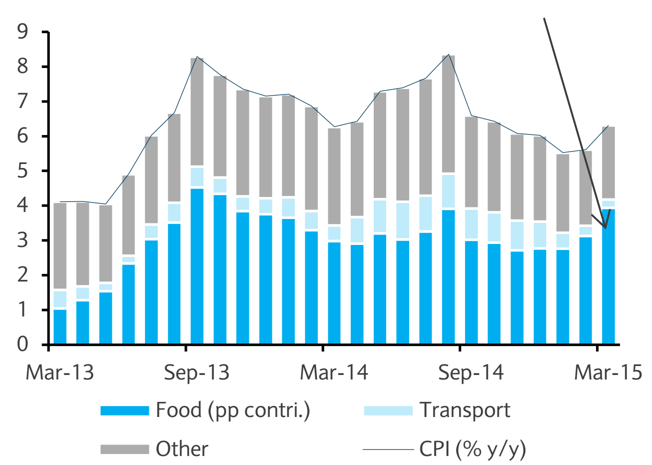
The first batch of April inflation readings from the region are due next week, including in Kenya, Uganda and Zambia. We expect mixed results, with Kenya's inflation expected to have edged lower to 6.2% y/y from 6.3% in March. Increased food price pressures have been the main driver of the rise in the country's headline inflation rate in recent months – food inflation jumped to a 15-month high of 10.9% y/y last month as higher prices of vegetables, milk and other food products more than offset lower prices of some staple foods (including maize). In our view, food prices likely continued to push higher in April, though we believe this increase will be countered by lower transport inflation. The latter is likely to have fallen into negative territory in April, after the low print of 2.8% y/y in March, showing the effects of lower fuel prices since the start of the year. With non-food inflation subdued at 3.2% y/y in March, developments in food prices are likely to remain the main driver of the short-term inflation trend, while FX depreciation poses further risks to the outlook. In our trajectory through 2015, we expect headline inflation to remain within the 5% +/-2.5pp target. Although this inflation backdrop is supportive of an unchanged monetary policy stance in the foreseeable future, we think a tightening bias remains, particularly given persistent FX pressures. The Central Bank of Kenya MPC meets next on 7 May, when we expect an unchanged stance.

Uganda's headline inflation likely rose to 2.3% y/y in April

In Uganda, we expect food price deflation (-2.2% y/y in March) to have eased further, pushing headline inflation higher to 2.3% y/y from 1.9% in March. Developments in core inflation will be important to look out for to gauge potential effects of FX depreciation. Core inflation rose to a one-year high of 3.7% y/y in March, tracking closer to the Bank of Uganda's (BoU's) 5% medium-term target. Rising core inflation and the expectation for it to

FIGURE 1

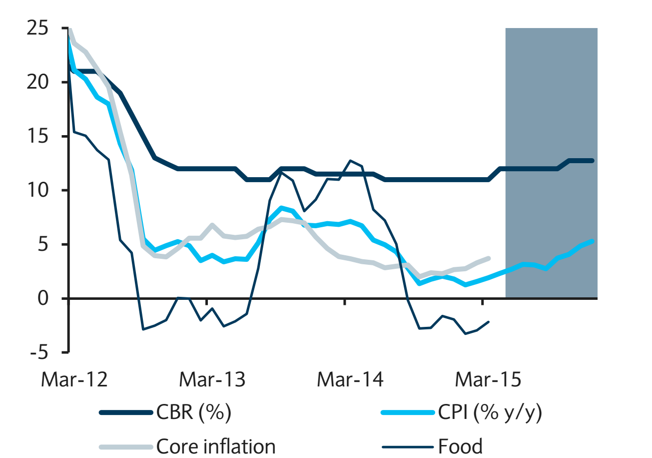
Kenya food inflation higher in recent months



Source: KNBS, Barclays Research

FIGURE 2

Uganda's inflation expected to track higher



Source: UBoS, BoU, Barclays Research

breach the target in upcoming months saw the BoU hike its policy central bank rate (CBR) by 100bp on 8 April. The Bank indicated that core inflation may rise to 7-9% by June 2016, with depreciation of the exchange rate and faster real GDP growth expected to exert upward pressure on inflation over the medium term. Though the BoU's tightening came earlier than we expected, we believe further tightening is possible in H2 (see Uganda – Monetary policy turns tighter, *African Viewpoints*, 15 April 2015). In Zambia, we expect CPI inflation to have remained unchanged at 7.2% y/y in April, remaining close to the 7% end-2015 target. The weaker kwacha poses a threat to the outlook.

South Africa's trade data will be telling for Q1 15 current account balance

In South Africa, March trade data will be in focus – we project a ZAR7.3bn deficit

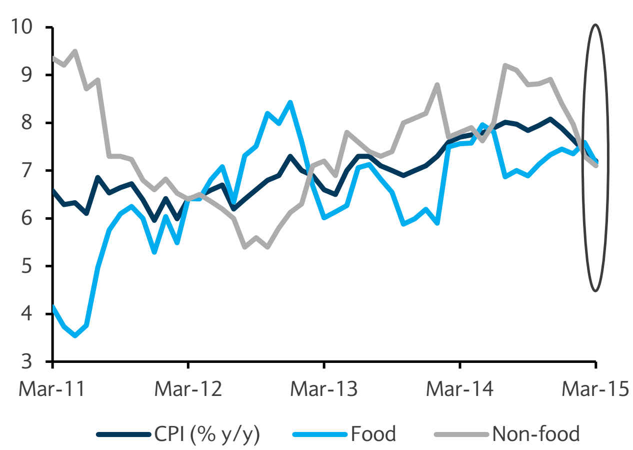
In South Africa, attention will shift to external vulnerabilities as SARS publishes the March merchandise data. The trade data are of course very volatile and have strong seasonal influences. We are expecting a merchandise trade deficit of ZAR7.3bn in the March data (February: -ZAR8.5bn). Factors supportive of a lower deficit include the lower oil price and a sharp rebound in car exports, with the latter reported to have increased 38% y/y in March, according to NAAMSA. The falling export commodity prices and unpredictable effects of electricity load shedding are the main adverse risks to our forecast. Given our forecast of the March trade balance, our calculations of the cumulative Q1 seasonally adjusted and annualised SARS data would point to a deterioration in the trade deficit relative to Q4 14. While this would suggest a deterioration in the current account deficit over the quarter all else staying equal, it is important to note that the SARB made substantial adjustments to the SARS trade data in Q4 14 and the possibility of further adjustments in a direction that is hard to foresee in Q1 15 cannot be ruled out.

The National Treasury will also publish March fiscal data

The second part of South Africa's twin deficit problem will also be in the spotlight next week as the National Treasury releases the March budget data on 30 April. We are pencilling in a deficit of ZAR18.9bn, in line with the provisional financing data released in early April. As this is the final print of the 2014/15 fiscal year, a print in line with our forecast should ensure that the National Treasury hits its consolidated budget deficit target of 3.9% of GDP (and perhaps even outperforms it slightly given the Finance Minister's statement that main government tax receipts in the last fiscal year had outperformed expectations by about 0.2 % of GDP). However, risks for the upcoming fiscal year remain. The most immediate is the ongoing wage negotiations round where the state offer of 5.9% for this year remains a good distance away from the unions' demand of 10%. Both parties are due back at the table before the end of this month for further talks.

FIGURE 3

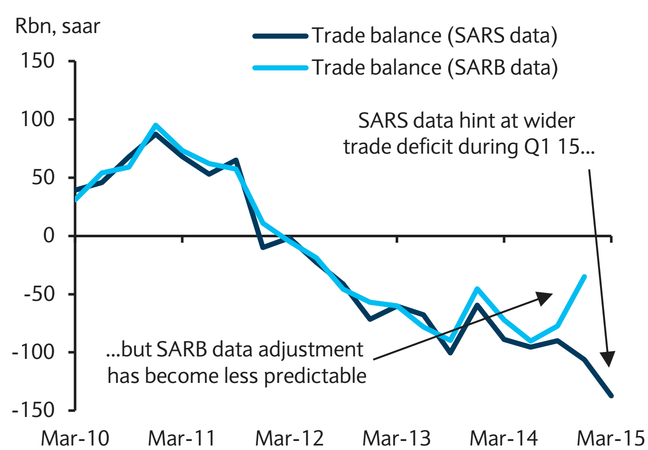
Convergence in Zambia's food and non-food inflation



Source: CSO, Barclays Research

FIGURE 4

Recent divergence between SARB and SARS trade data



Source: SARS, SARB, IHS-Global Insight, Barclays Research

DATA REVIEW & PREVIEW: SUB-SAHARAN AFRICA

Dumisani Ngwenya, Miyelani Maluleke, Ridle Markus

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
South Africa: CPI (% y/y)	Mar	3.9	4.2	4.0	Headline inflation likely to rise further over the coming months on fuel, food and electricity prices.
South Africa: Core CPI (% y/y)	Mar	5.8	5.8	5.7	Suggests limited FX and demand-pull pressures.
South Africa: Leading indicator (index)	Feb	98.9	-	98.7	Consistent with a moderate growth outlook.
Uganda: Real GDP (% y/y)	Q4 14	0.1	-	6.0	Largely led by higher growth in agricultural output.
Mauritius: April MPC Meeting Minutes					Minutes suggest that the growth-supportive stance will remain in upcoming months.

Preview of the week ahead

Monday, 27 April		Period	Prev - 3	Prev - 2	Prev - 1	Forecast	Consensus
-	Angola: Policy rate (%)	-	9.00	9.00	9.25	9.50	-

Angola: Amid FX pressures, rising inflation suggests that a firm tightening bias in monetary policy remains. The BNA has hiked by a cumulative 50bp thus far in this cycle.

Thursday, 30 April		Period	Prev - 3	Prev - 2	Prev - 1	Forecast	Consensus
08:00	South Africa: PSCE (% y/y)	Mar	8.5	9.2	8.7	8.2	-
10:00	South Africa: PPI (% y/y)	Mar	5.8	3.5	2.6	2.2	-
14:00	South Africa: Trade balance (ZARbn)	Mar	6.7	-24.2	-8.5	-7.3	-
14:00	South Africa: Budget balance (ZARbn)	Mar	22.7	-29.0	14.0	-18.9	-
-	Kenya: CPI (% y/y)	Apr	5.5	5.6	6.3	6.2	-
-	Uganda: CPI (% y/y)	Apr	1.3	1.6	1.9	2.3	-
10:00	Zambia: CPI (% y/y)	Apr	7.7	7.4	7.2	7.2	-

South Africa: Although the trade is inherently volatile, we are looking for smaller deficit in March with factors supportive of a lower deficit, including stronger car exports and lower oil prices. Meanwhile, a budget deficit print in line with our expectations would pose no risk to the Treasury hitting its budget deficit target of 3.9% of GDP in 2014/15.

Kenya: We expect food inflation to steer further upward though we expect this to be offset as annual transport inflation (2.8% y/y in March) likely turned negative in the month. Notwithstanding risks from food price pressures, we project inflation to remain within the 5% +/- 2.5pp target range through 2015.

Uganda: Annual food price deflation (-2.2% y/y in March) will likely continue to dissipate, pushing overall inflation higher. Developments in the core inflation warrant a close watch after it rose to a one-year high of 3.7% y/y in March, tracking closer to the 5% medium-term target. Lagged effects of FX depreciation are an important risk to the outlook.

Zambia: We look for a flat print in April, with a possibility that inflation will ease to below the 7% end-2015 target in upcoming months. A weaker ZMW remains a key risk.

OUTLOOK: LATIN AMERICA

On the right path to make the right decisions

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- **Monetary policy in the region might remain neutral, except in Brazil.**
- **We expect a 50bp hike in Brazil, but the long end of the curve to start to reflect the weakness of the economy.**
- **In Mexico, Banxico will likely remain on hold, as inflation remains under control, while in Colombia and Peru, there is no room for additional monetary stimulus.**

Brazil: BCB still tightening, but yield curve should start moving down

Next week, the Copom will host the April monetary policy meeting, in which we and the market consensus expect the BCB to hike the Selic rate 50bp, to 13.25%. The marginal upside surprise in recent inflation prints and, more important, the strong hawkish tone adopted by board members in recent speeches highlighting that the BCB remains committed to taking inflation to the mid-point of the target by 2016 suggest that the central bank should keep the pace of tightening at this meeting. Furthermore, we expect the BCB to issue a very laconic statement after the decision, being data dependent until the next meeting, scheduled for June 3.

We forecast a 50bp hike in the Selic rate next week, leading to the end of the tightening cycle by June

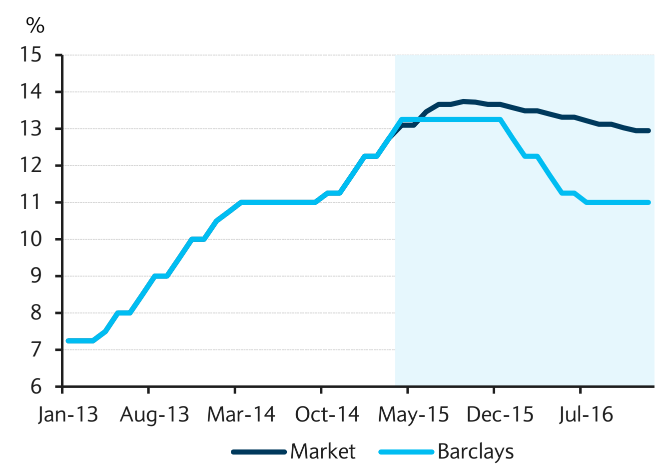
By then, we believe that the mix of improvement in fiscal policy, relatively stable inflation (in y/y terms) and sequential negative growth data should all lead the BCB to stop the tightening cycle. The risks for another hike at that meeting lie in the behavior of inflation expectations, a key data point that the BCB is trying to anchor around the mid-point of the target, as well as the release of the Quarterly Inflation Report (QIR) by the end of June. In terms of communication, the BCB could wait for the QIR to publish the new set of inflation forecasts, expecting the IPCA to converge to 4.5% by the end of 2016, and end the cycle afterwards.

Yield curve should move down, given the recession and lower risk now that Petrobras released its audited financial results

Regardless, markets still price c.100bp of tightening; as such, we continue to believe that the yield curve in Brazil should move down. The continued deterioration of the economic environment as mid-year approaches should lead markets to price in more easing of monetary policy in 2016 than it is. In addition, the uncertainty regarding the release of Petrobras' FY 14 audit results, which increased the risk premia in Brazil asset prices, is now

FIGURE 1

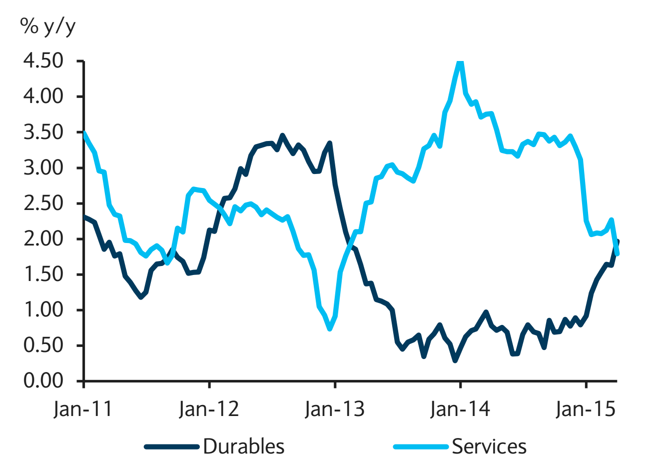
We believe markets price-in too little easing in 2016, and as such we expect the yield curve in Brazil to move down



Source: Bloomberg, Barclays Research

FIGURE 2

Annual durable goods and services inflation are below 3% in Mexico



Source: INEGI, Barclays Research

gone. Those were published on Wednesday, April 22, and regardless of the operation results, impairment write-down and graft-related losses, this meaningfully lowers the risks of the sovereign having to inject money in the company in the short term to cover a debt anticipation event that would have occurred if results were not published and bond covenants broken.

Banxico: The policy puzzle

The board of Banxico is likely debating three policy actions…

In Mexico, the board of Banxico continues to debate what is the best reaction to an eventual increase in the US fed funds rate. According to the latest minutes and recent statements from board members, it seems that the debate is focusing on three possible actions: implement a pre-emptive hike ahead of the Fed to contain market volatility and anchor inflation expectations; wait for the Fed to move first and then start a hiking cycle in the following meeting to keep the rate spread between Mexico and US constant, avoiding excessive MXN depreciation and allowing a proper pricing along the peso curve; or make the monetary policy decision based only on domestic conditions: inflation and growth evolution, leaving FX to adjust to the external shocks.

…but we believe it will hike this year, as we expect inflation to accelerate in 2016

Since the US Fed will likely implement a first hike later, it gives the board time to analyze these options and make the best adjustment. In our view, if the Fed starts its hiking cycle in September, Banxico will likely decide on the second option, ruling out the first, as there is no clear evidence that FX volatility is affecting inflation dynamics and expectations. In particular, durables and services inflation are close to 2% y/y, providing room to absorb additional MXN pass-through pressure in the coming months (Figure 2). Accordingly, by moving ahead of the Fed, Banxico might not get any benefit from controlling inflation since inflation is already at target. Moreover, by the time the US Fed hikes, the MXN will likely have depreciated further and the local curve have adjusted, reflecting the expectation of higher rates, making it very difficult for Banxico to keep the reference rate unchanged at 3.00%. Finally, if the Fed does not make a move this year, we believe that inflation will accelerate starting in 2016, motivating Banxico to start hiking in December, even if the Fed remains on hold, as the board would likely take the opportunity to maintain inflation close to target during that year. As a consequence, we believe that Banxico will remain on hold one more time at the April 30 meeting.

Andean economies: No room for rate cuts

In Colombia, the current account rules out an additional cut, while in Peru, real rates are close to zero

Although the Colombian economy continues to signal deceleration, rate cuts are unlikely. Inflation is above the target and has continued to accelerate, and the current account deficit is expected to widen this year after the decline in oil prices to about 6.0% of GDP, which should keep the authorities very cautious. Even Minister of Finance Mauricio Cardenas who has been one of the most dovish members of Banrep board, has explicitly said that cutting interest rates when there is a large current account deficit would not be advisable. He has said that they would like to have a lower current account deficit, and that requires a neutral stance in the monetary policy. While some moderation of the current account deficit in 2016 and a decline in inflation as the economy moves into a negative output gap could give Banrep some room to manoeuvre next year, a tightening by the Fed and other countries in the region would still leave very limited space for the bank to provide a stimulus to the economy. In the case of Peru, the authorities have already given a significant stimulus to the economy, and real interest rates are almost at zero. Although growth has continued to disappoint, with GDP rising just 0.9% in February (the consensus expected 1.2%), we still expect a recovery in the coming months. The mining projects being expanded or entering into the production phase should lead to an increase in cooper production, which is likely to support growth.

DATA REVIEW & PREVIEW: LATIN AMERICA

Alejandro Arreaza, Marco Oviedo, Bruno Rovai, Sebastian Vargas

Review of the week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Argentina: Trade balance, USD mn	Mar	53	-	43	Expecting the increase in soybean exports on April
Brazil: Current account balance, USD bn	Mar	-6.9	-	-5.7	The current account balance was larger than the FDI flow of USD4.3bn during the month
Colombia: Trade balance, USD mn	Feb	-1797.6	-	-1245.6	FX depreciation starts to lead to imports moderation
Mexico: Economic activity index, % y/y	Feb	2.0	2.4	2.3	The economy's growth stalled at the margin
Mexico: First half bi-weekly CPI, % 2w/2w	Apr	0.18	-0.10	-0.45	Positive surprise due to a decrease in perishable prices
Mexico: First half bi-weekly CPI core, % 2w/2w	Apr	0.15	0.12	0.03	Services price declines offset FX pass-through

Preview of the week ahead

Monday 27 April		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
9:00	Mexico: Unemployment rate, %	Mar	3.8	4.5	4.3	4.4	-
9:00	Mexico: Trade balance, USD mn	Mar	253.7	-3247.5	558.3	-	-

Mexico unemployment rate: We expect to see the SA series to improve to 4.4% in March from 4.5% in February as unemployment in the US has decreased to 5.5% and formal employment continues to expand (0.3% m/m sa in March).

Tuesday 28 April		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
8:00	Brazil: Unemployment rate, %	Mar	4.3	5.3	5.9	6.2	-

Wednesday 29 April		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
-	Brazil: Selic overnight rate, %	Apr	11.75	12.25	12.75	13.25	-
-	Brazil: Central government budget, BRL bn	Mar	1.1	10.6	-7.4	-	-
7:00	Brazil: IGP-M inflation, % m/m	Apr	0.76	0.27	0.98	1.07	-
9:00	Chile: Manufacturing production, % y/y	Mar	3.1	1.0	-0.1	1.5	-
9:00	Chile: Retail sales, % y/y	Mar	2.0	1.9	2.9	3.5	-

Brazil Selic overnight rate: We expect the BCB to hike the Selic rate by 50bp, given the recent marginally upside surprise in inflation prints and the markedly hawkish tone in speeches of board members, highlighting and calling for enforcing the commitment to the midpoint of the target by the end of 2016. We expect the decision to be followed by a very laconic, data-dependent statement, as the BCB would like to continue seeing inflation expectations moving down, as it tries to regain credibility.

Thursday 30 April		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
9:00	Chile: Unemployment rate, %	Apr	6.0	6.2	6.1	6.3	-
9:30	Brazil: Primary budget balance, BRL bn	Mar	-12.9	21.1	-2.3	-	-
12:00	Colombia: Unemployment rate, %	Mar	9.3	11.8	10.0	-	-
14:00	Mexico: Overnight rate, %	Apr	3.00	3.00	3.00	3.00	-
23:00	Mexico: Budget balance (YTD), MXN bn	Mar	-545.0	-91.5	-150.7	-	-

Mexico overnight rate: As no relevant price pressures have been identified, growth remains weak and the US Fed will likely delay a first hike, the board of Banxico will remain on hold under a rather dovish statement.

Friday 01 May		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
1:00	Peru: CPI inflation, % m/m	Apr	0.17	0.30	0.76	0.26	-
1:00	Peru: WPI inflation, % m/m	Apr	-0.31	0.35	0.69	-	-

COUNTRY SNAPSHOT: AUSTRALIA

	2014				2015				2016				Calendar year average			
% change	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**2013**	**2014**	**2015E**	**2016E**
Real GDP (% chg, q/q)	1.1	0.5	0.4	0.5	0.8	0.9	1.0	1.0	0.9	0.8	0.8	0.7	..	..	..	
Real GDP (% chg, y/y)	3.0	2.7	2.7	2.5	2.2	2.7	3.3	3.8	3.8	3.7	3.5	3.2	2.1	2.7	3.0	3.5
Private consumption (% y/y)	2.3	2.6	2.4	2.8	2.9	3.0	3.3	3.3	3.5	3.6	3.5	3.4	1.7	2.5	3.1	3.5
Public consumption (% y/y)	2.1	2.1	1.8	2.0	2.0	1.8	1.2	1.3	1.8	2.2	2.4	2.5	0.8	2.0	1.6	2.2
Investment (% y/y)	-3.1	-0.3	-1.2	-3.3	-1.7	-5.5	-2.1	0.8	2.2	3.1	3.6	3.7	-3.5	-2.0	-2.2	3.2
Inventories contribution (pp)	-0.5	0.2	0.6	-0.1	0.7	-0.1	-0.2	0.4	0.2	0.0	0.0	0.0	-0.4	0.0	0.2	0.0
Exports (% y/y)	9.0	3.4	7.6	7.2	5.6	10.2	9.1	10.7	9.8	8.6	7.4	6.2	6.2	6.7	8.9	8.0
Imports (% y/y)	-1.5	-1.6	-1.1	-2.6	-1.2	-2.5	-0.2	4.2	6.1	7.3	7.6	7.5	-1.8	-1.7	0.0	7.1
Net exports contribution (pp)	2.1	1.0	1.8	2.0	1.4	2.6	2.0	1.5	1.0	0.5	0.2	0.0	1.6	1.7	1.9	0.4
Nominal GDP (% chg, q/q)	1.0	0.2	-0.1	0.6	0.5	0.8	1.1	1.2	1.4	1.3	1.4	1.3	3.3	3.2	2.4	5.2
Unemployment rate (end, %)	5.8	6.1	6.2	6.1	6.1	6.2	6.2	6.1	6.0	5.9	5.7	5.5	5.9	6.1	6.1	5.5
CPI inflation (y/y)	2.9	3.0	2.3	1.7	1.1	1.4	1.7	2.2	2.9	2.9	2.7	2.6	2.4	2.5	1.6	2.8
Underlying CPI (y/y)	2.7	2.8	2.4	2.1	2.2	2.1	2.6	2.7	2.9	3.0	2.8	2.7	2.5	2.5	2.4	2.8
Current account (% GDP)	-2.2	-3.4	-3.0	-2.4	-2.4	-2.7	-3.1	-3.3	-3.5	-3.7	-3.9	-4.0	-3.3	-2.8	-2.9	-3.8
RBA cash rate (period end, %)	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.00	2.50

Source: Australian Bureau of Statistics, Reserve Bank of Australia, Barclays Research

COUNTRY SNAPSHOT: BRAZIL

% change q/q saar (unless otherwise stated)	2014				2015				2016				Calendar year average			
	Q1	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2013**	**2014**	**2015E**	**2016E**
Real GDP	2.6	-5.4	0.6	1.3	-2.0	-2.0	-1.2	-0.4	1.0	1.4	1.6	2.0	…	…	…	…
Real GDP (% y/y)	2.0	-0.6	-0.5	-0.3	-1.4	-0.5	-1.0	-1.4	-0.7	0.2	0.9	1.5	2.7	0.1	-1.1	0.5
Private consumption	1.0	-2.0	1.6	4.5	-2.4	-1.6	-0.8	0.4	0.8	0.8	1.2	1.6	2.9	0.9	-0.1	0.5
Investment	-1.9	-16.9	-2.0	-1.6	-7.0	-11.5	-2.0	-1.6	-0.8	0.8	1.2	2.0	6.1	-4.4	-6.0	-1.1
Net exports (contr, % y/y)	0.1	0.4	0.3	-0.6	0.1	-0.4	-0.1	0.7	0.4	0.3	0.2	0.1	-0.8	0.0	0.1	0.3
Industrial output (PA)	-0.4	-7.9	-1.2	-5.4	-3.0	-2.6	-1.7	-0.7	0.9	1.6	2.0	2.5	2.2	-3.1	-3.2	0.4
CPI inflation (% y/y)*	6.2	6.5	6.7	6.4	8.2	7.9	8.2	8.2	6.0	5.5	5.5	5.6	5.9	6.4	8.2	5.6
CPI inflation (% y/y, PA)	5.8	6.4	6.6	6.5	7.7	8.0	8.2	8.2	6.9	5.7	5.5	5.7	6.2	6.3	8.0	5.9
Unemployment rate % (PA)	4.9	4.6	4.9	5.1	5.4	5.9	6.1	6.1	6.3	6.5	6.7	6.7	5.4	4.9	5.9	6.6
Key central bank rate (EOP)*	11.00	11.00	11.00	11.75	12.75	13.25	13.25	13.25	12.25	11.25	11.00	11.00	10.00	11.75	13.25	11.00
Current account (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-3.4	-3.9	-3.6	-3.3
Government balance (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-3.3	-6.7	-5.9	-5.2
Gross public debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	56.7	63.4	66.2	67.5
Gross external debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	12.9	14.8	18.7	19.6

Note: *End of period for quarters and years. Source: IBGE, BCB, National Treasury, Barclays Research

COUNTRY SNAPSHOT: CHINA

	2014				2015				2016				Calendar year average			
% change y/y	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2013**	**2014**	**2015E**	**2016E**
Real GDP	7.4	7.5	7.3	7.3	7.0	6.7	6.6	6.7	6.9	6.9	6.6	6.4	7.7	7.4	6.8	6.6
Real GDP (q/q, saar)	6.6	7.7	8.2	6.8	5.4	6.6	7.8	7.2	6.3	6.6	6.6	6.6	…	…	…	…
Real GDP (% y/y, YTD)	7.4	7.4	7.4	7.4	7.0	6.9	6.8	6.8	6.9	6.9	6.8	6.6	…	…	…	…
Consumption* (pp)	5.7	4.0	3.6	3.8	3.9	3.6	3.5	3.5	3.3	3.7	3.5	3.5	3.9	3.8	3.5	3.5
Investment* (pp)	3.1	3.6	3.0	3.6	3.0	3.3	3.0	3.1	3.0	2.8	3.0	2.9	4.2	3.6	3.1	2.9
Net exports contribution* (pp)	-1.4	-0.2	0.8	0.0	0.1	0.0	0.3	0.2	0.4	0.4	0.3	0.2	-0.3	0.0	0.2	0.2
Industrial output	8.7	8.9	8.0	7.6	6.4	7.2	6.7	6.9	6.5	6.9	6.7	6.3	9.7	8.3	6.8	6.6
CPI inflation	2.3	2.2	2.0	1.5	1.2	1.1	1.0	1.4	1.6	1.5	1.6	1.8	2.6	2.0	1.2	1.6
Unemployment rate (%)	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Current account (% GDP)	0.3	3.1	2.8	1.9	4.2	4.1	5.2	1.4	1.3	3.0	5.2	2.5	1.9	2.1	3.5	3.0
Government balance (% GDP)	…	…	…	…	…	…	…	…					-2.0	-1.8	-2.4	-2.3
Key CB rate (period end, %)	6.00	6.00	6.00	5.60	5.35	5.10	5.10	5.10	5.10	5.10	5.10	5.10	6.00	5.60	5.10	5.10

Note: All numbers are expressed in y/y % change unless otherwise specified. *Contributions by GDP expenditure components are all reported as "year to date" numbers officially. Source: Barclays Research

COUNTRY SNAPSHOT: EURO AREA

	2014				2015				2016				Calendar year average			
% change q/q	**Q1**	**Q2**	**Q3**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2013**	**2014E**	**2015E**	**2016E**
Real GDP	0.3	0.1	0.2	0.3	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	...	...	...	...
Real GDP (saar)	1.1	0.3	0.7	1.3	2.0	1.7	1.7	1.7	1.6	1.6	1.7	1.7	...	...	...	...
Real GDP (y/y)	1.1	0.8	0.8	0.9	1.1	1.4	1.7	1.8	1.7	1.6	1.7	1.7	-0.4	0.9	1.5	1.7
Private consumption	0.2	0.2	0.5	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	-0.6	1.0	1.6	1.3
Public consumption	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7
Investment	0.4	-0.5	0.0	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.7	0.8	-2.4	1.0	1.4	2.6
Inventories contribution (pp)	0.1	0.0	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	0.0
Final dom. demand cont. (pp)	0.3	0.1	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	-0.8	0.9	1.4	1.4
Net exports contribution (pp)	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.4	0.1	0.4	0.3
Industrial output (ex construct.)	0.1	0.1	-0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	-0.7	0.7	0.9	1.2
Employment (q/q)	0.2	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-0.7	0.6	0.8	0.8
Unemployment rate %	11.8	11.6	11.5	11.5	11.4	11.3	11.2	11.1	11.0	10.8	10.7	10.5	12.0	11.6	11.2	10.7
CPI inflation (y/y)	0.7	0.6	0.4	0.2	-0.3	0.0	0.2	0.8	1.2	1.2	1.1	1.1	1.4	0.4	0.2	1.1
Core CPI (ex food/energy) y/y	0.8	0.8	0.8	0.7	0.6	0.8	0.7	0.9	0.7	0.8	0.9	0.9	1.1	0.8	0.7	0.8
Current account % GDP	2.1	2.1	2.6	2.6	2.7	2.8	2.9	2.9	2.9	2.9	2.8	2.8	1.9	2.3	2.8	2.8
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-2.9	-2.5	-2.1	-1.7
Refi rate (period end %)	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.25	0.05	0.05	0.05

Note: All numbers expressed in % q/q unless otherwise specified. Source: Barclays Research

COUNTRY SNAPSHOT: INDIA

	FY 14-15				FY 15-16				FY 16-17				Fiscal year average			
% change y/y	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2013-14	2014-15	2015-16	2016-17
Real GDP	6.5	8.2	7.5	7.4	7.3	7.6	7.9	8.0	8.0	7.9	7.9	8.0	6.9	7.4	7.8	8.0
Private consumption	4.3	8.7	3.5	6.8	7.0	7.3	7.3	7.5	7.3	7.3	7.5	7.5	6.2	5.8	7.3	7.4
Public consumption	-2.0	5.8	31.7	8.0	8.5	9.5	7.0	8.0	9.0	9.0	9.0	9.0	8.2	9.3	8.3	9.0
Fixed investment	7.7	2.8	1.6	8.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	3.0	5.0	7.5	8.0
CPI inflation (average)	7.9	6.7	4.1	5.2	5.2	3.8	5.1	5.8	6.0	5.9	5.9	5.1	10.0	6.0	5.0	5.7
Current account (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-1.7	-1.0	0.1	-1.0
General govt balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-7.1	-6.4	-6.0	-5.5
Repo rate (period end, %)	8.00	8.00	8.00	7.50	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	8.00	7.50	7.25	7.25

Note: Values expressed in y/y % unless otherwise specified. India's fiscal year begins in April and ends in March.
Source: Barclays Research

COUNTRY SNAPSHOT: JAPAN

	2014				2015				2016				Calendar year average			
% change q/q	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2013	2014	2015E	2016E
Real GDP	1.3	-1.6	-0.7	0.4	0.1	0.7	0.4	0.4	0.3	0.3	0.4	0.7	…	…	…	…
Real GDP (q/q, saar)	5.1	-6.4	-2.6	1.5	0.6	2.7	1.5	1.8	1.2	1.4	1.7	2.7	…	…	…	…
Real GDP (y/y)	2.4	-0.3	-1.4	-0.8	-1.8	0.5	1.6	1.6	1.8	1.5	1.5	1.8	1.6	0.0	0.4	1.6
Private consumption	2.2	-5.0	0.3	0.5	0.1	0.3	0.4	0.5	0.2	0.2	0.3	0.5	2.1	-1.2	-0.2	1.3
Public consumption	-0.3	0.4	0.2	0.3	0.4	0.3	0.2	0.2	0.2	0.3	0.3	0.2	1.9	0.3	1.2	0.9
Residential investment	2.4	-10.3	-7.0	-1.2	1.2	2.3	2.0	1.5	1.0	1.3	1.1	2.7	8.7	-5.2	-3.0	6.0
Public investment	-2.2	1.1	2.1	0.8	-2.2	-3.8	-6.4	-4.7	-3.8	-3.0	-1.2	0.3	8.0	3.7	-7.4	-13.5
Capital Investment	5.9	-5.0	-0.2	-0.1	1.7	1.5	1.6	1.0	1.0	0.9	0.9	1.1	0.4	4.1	2.2	4.4
Net exports (q/q cont.)	-0.3	1.0	0.0	0.2	-0.4	0.3	0.0	0.1	0.1	0.1	0.1	0.0	-0.3	-0.0	0.3	0.6
Exports	6.5	-0.3	1.5	2.8	2.1	2.9	1.8	1.7	1.7	1.5	1.5	1.5	1.5	8.2	8.6	7.0
Imports	6.9	-5.3	1.0	1.3	4.2	1.2	1.5	1.3	1.2	1.0	1.2	1.2	3.1	7.2	6.4	5.0
Ch. Inventories (q/q cont.)	-0.5	1.4	-0.8	-0.2	0.2	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.4	0.1	0.0	-0.0
Nominal GDP	1.4	0.3	-0.9	1.0	-0.0	1.0	0.5	0.7	0.4	0.5	0.5	0.7	1.1	1.6	1.4	2.2
Industrial output	2.9	-3.8	-1.9	1.8	1.1	1.4	1.7	1.4	1.0	1.0	1.3	1.5	-0.8	2.0	2.5	5.2
Employment	-0.1	0.3	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8	0.8	0.9	0.8
Unemployment rate (%)	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.3	3.3	3.3	3.2	3.2	4.0	3.6	3.4	3.3
CPI inflation (y/y)	1.3	3.3	3.2	2.7	2.2	0.3	-0.2	-0.0	0.3	0.2	0.5	0.6	0.4	2.6	0.5	0.4
Core CPI ex food/energy (y/y)	0.6	2.3	2.3	2.1	2.1	0.5	0.4	0.3	0.1	0.1	0.2	0.2	-0.2	1.8	0.8	0.1
Current account (% GDP)	-1.1	0.7	0.5	2.0	2.4	2.6	2.9	2.9	2.9	2.9	2.8	2.8	0.8	0.5	2.7	2.8
Government balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-9.3	-8.3	-7.2	-6.9
Overnight call rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Note: Central bank rates are for end of period, %. Source: BoJ, Cabinet Office, METI, MIC, MoF, Barclays Research

COUNTRY SNAPSHOT: MEXICO

% change q/q saar (unless otherwise stated)	2014				2015				2016				Calendar year average			
	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2013	2014E	2015E	2016E
Real GDP	1.4	4.2	2.1	2.7	1.1	3.7	3.0	3.0	3.0	3.1	3.1	3.1				
Real GDP (% y/y)	2.0	1.6	2.2	2.6	2.5	2.4	2.6	2.7	3.2	3.0	3.0	3.1	1.4	2.1	2.6	3.1
Private consumption	2.4	4.7	2.0	1.8	1.9	3.4	3.0	3.0	3.0	3.1	3.1	3.1	2.2	2.0	2.6	3.0
Public consumption	-0.3	0.4	10.6	-3.1	0.9	2.0	1.7	1.7	1.7	1.7	1.7	1.7	1.4	2.5	1.6	1.7
Investment	0.9	9.1	7.2	5.7	3.0	4.3	4.0	4.0	5.5	4.0	4.0	5.5	-1.6	2.3	4.8	4.5
Exports	-1.8	17.9	11.0	14.9	7.0	5.7	6.0	6.0	6.0	5.9	5.9	6.0	2.2	7.3	9.0	6.0
Imports	25.5	-3.5	6.8	16.5	5.1	6.3	6.0	6.0	6.0	6.0	6.0	6.0	2.5	5.7	7.2	6.0
Industrial output	2.4	4.7	2.0	1.8	1.9	3.4	3.0	3.0	3.0	3.1	3.1	3.1	2.2	2.0	2.6	3.0
Nominal GDP (% y/y)	-0.3	0.4	10.6	-3.1	0.9	2.0	1.7	1.7	1.7	1.7	1.7	1.7	1.4	2.5	1.6	1.7
CPI inflation (% y/y, avg)	4.2	3.6	4.1	4.2	3.1	3.3	3.0	2.8	3.4	3.3	3.5	3.3	3.8	4.0	3.0	3.4
Unemployment rate (%, avg)	4.7	4.9	4.8	4.5	4.3	4.2	4.0	3.9	3.8	3.7	3.6	3.5	4.9	4.7	4.1	3.7
Key central bank rate (%, eop)*	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.50	4.00	4.00	4.00	4.00	3.50	3.00	3.50	4.00
Current account (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-2.4	-2.1	-2.0	-2.3
Government balance (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-2.3	-3.2	-3.5	-3.0
Gross public debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	38.3	42.4	45.4	45.7
Gross external debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	30.0	32.7	38.7	40.3

Note: *End of period for quarters and years. Source: Haver Analytics, Barclays Research

COUNTRY SNAPSHOT: SOUTH AFRICA

% change q/q saar	2014				2015				2016				Calendar-year average			
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	2013	2014F	2015F	2016F
Real GDP	-1.6	0.5	2.1	4.1	0.4	1.5	2.6	3.4	1.4	2.6	2.7	2.7	2.2	1.5	2.0	2.4
Real GDP (y/y)	2.1	1.3	1.5	1.3	1.8	2.0	2.1	2.0	2.2	2.5	2.5	2.4	2.2	1.5	2.0	2.4
Private consumption	1.0	1.0	1.1	1.6	2.6	1.4	1.9	2.0	3.0	2.7	2.5	2.4	2.9	1.4	1.8	2.4
Public consumption	1.7	2.4	1.4	1.0	2.0	2.4	2.5	2.6	2.5	2.4	2.2	2.3	3.3	1.9	1.9	2.4
Investment	-9.2	-5.4	2.4	2.6	1.6	1.8	2.2	2.9	3.1	3.4	3.7	3.7	7.6	-0.4	1.6	3.0
Exports	1.6	-15.7	8.6	22.7	1.4	5.2	5.8	5.9	5.9	6.0	6.3	6.0	4.6	2.6	6.3	5.9
Imports	21.7	-14.2	12.5	7.8	5.9	5.9	5.9	5.9	6.4	6.5	6.6	6.6	1.8	-0.5	5.6	6.3
Industrial output (y/y)	1.8	-1.7	-0.3	0.1	…	…	…	…	…	…	…	…	1.4	…	…	…
CPI inflation (y/y)	5.9	6.5	6.2	5.7	4.0	4.7	6.0	7.1	7.6	6.9	5.8	5.6	5.8	6.1	5.3	6.5
Core CPI ex food/energy (y/y)	5.4	5.6	5.7	5.7	5.8	5.7	5.8	5.7	5.6	5.5	5.5	5.5	5.2	5.6	5.8	5.6
Current account (% GDP)	-4.6	-6.2	-5.8	-5.1	-4.6	-4.0	-4.1	-4.1	-4.1	-4.4	-4.5	-4.6	-5.8	-5.4	-4.2	-4.4
Government balance (% GDP)*	...	...	...	...	…	…	…	…	...	...	...	...	-3.9	-4.2	-3.6	-2.6
Repurchase rate (period end, %)	5.50	5.50	5.75	5.75	5.75	5.75	6.00	6.00	6.25	6.50	6.75	6.75	5.00	5.75	6.00	6.75

Note: All numbers expressed in q/q saar % unless otherwise specified; *Consolidated budget figures represent financial years (ie, FY 09/10 = 2010).
Source: SARB, Statistics South Africa, National Treasury, Barclays Research

COUNTRY SNAPSHOT: SOUTH KOREA

	2014				2015				2016				Calendar year average			
% Change	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2013	2014	2015E	2016E
Real GDP (q/q, saar)	4.4	2.0	3.2	1.1	3.1	4.9	5.7	5.1	4.4	3.6	3.9	4.1				
Real GDP (y/y)	3.9	3.4	3.3	2.7	2.4	3.1	3.7	4.7	5.0	4.7	4.2	4.0	2.9	3.3	3.5	4.5
Private consumption	2.6	1.7	1.5	1.4	1.5	2.5	3.0	3.3	3.7	3.1	3.0	2.9	1.9	1.8	2.6	3.2
Public consumption	3.0	1.6	3.6	3.1	3.1	3.1	3.1	3.5	3.8	3.3	3.2	3.0	3.2	2.8	3.2	3.3
Investment	5.8	3.3	3.3	0.7	2.5	4.3	4.3	5.7	6.5	5.0	5.0	4.8	3.1	3.3	4.2	5.3
Exports	4.2	3.4	2.2	1.4	0.0	3.0	3.7	5.0	6.0	4.8	4.9	4.8	4.3	2.8	2.9	5.1
Imports	3.2	2.9	2.3	0.1	1.8	1.8	1.5	2.5	2.5	3.2	4.0	4.0	1.7	2.1	1.9	3.4
Industrial output	0.6	0.4	1.2	-1.8	-1.3	1.1	3.1	5.6	6.3	5.1	3.4	2.2	0.7	0.1	2.1	4.2
Unemployment rate (%)	3.5	3.7	3.5	3.5	3.7	3.4	3.3	3.2	3.3	3.4	3.5	3.5	3.1	3.5	3.4	3.5
CPI inflation (y/y)	1.1	1.6	1.4	1.0	0.6	0.5	1.0	1.7	1.9	2.2	2.2	2.4	1.3	1.3	0.9	2.2
Current account (% GDP)													6.2	6.3	6.8	5.9
Government balance (% GDP)													-2.6	-1.5	-2.3	-2.6
Key CB rate (period end, %)	2.50	2.50	2.25	2.00	1.75	1.75	1.75	1.75	2.00	2.25	2.50	2.50	2.50	2.00	1.75	2.50

Note: All numbers expressed in y/y basis unless otherwise specified.
Source: Barclays Research

COUNTRY SNAPSHOT: UNITED KINGDOM

	2014				2015				2016				Calendar year average		
% Change q/q	Q1	Q2	Q3	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2014	2015E	2016E
Real GDP	0.9	0.8	0.6	0.6	0.8	0.5	0.6	0.6	0.5	0.6	0.6	0.5	…	…	…
Real GDP (saar)	3.6	3.4	2.5	2.5	3.3	2.2	2.4	2.4	2.0	2.3	2.2	2.0	…	…	…
Real GDP (y/y)	2.7	2.9	2.8	3.0	2.9	2.6	2.6	2.6	2.2	2.3	2.2	2.1	2.8	2.7	2.2
Private consumption	0.8	0.5	1.0	0.4	0.9	0.8	0.5	0.5	0.5	0.5	0.4	0.4	2.5	2.9	1.9
Public consumption	0.2	1.7	0.5	-0.2	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	1.7	0.5	0.3
Investment	3.2	0.7	1.7	-0.6	2.5	1.5	1.5	1.5	1.0	1.5	1.5	1.0	7.8	5.4	5.5
Inventories (pp)	-0.2	-0.2	0.0	-0.5	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.1
Net exports (pp)	0.1	0.2	-0.5	0.8	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.1	0.0
Nominal GDP Y/Y	4.7	4.7	4.6	4.3	3.4	2.8	2.9	3.1	3.7	3.9	3.9	3.8	4.6	3.1	3.8
Employment	30.5	30.7	30.8	30.9	31.0	31.0	31.1	31.1	31.1	31.2	31.2	31.2	30.7	31.1	31.2
Unemployment rate %	6.8	6.3	6.0	5.7	5.6	5.5	5.4	5.5	5.6	5.6	5.6	5.7	6.2	5.5	5.6
CPI inflation (y/y)	1.8	1.7	1.5	0.9	0.1	0.2	0.3	0.6	1.5	1.6	1.7	1.7	1.5	0.3	1.6
Core CPI y/y	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Current account % GDP	-4.7	-5.4	-6.1	-5.6	-5.8	-6.0	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.5	-5.9	-5.9
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-5.6	-4.3	-3.5
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.50	0.50	0.75	1.50

Note: *Fiscal year forecasts, 2013 = FY 13-14; excludes the impact of financial sector interventions. Source: ONS, Barclays Research

COUNTRY SNAPSHOT: UNITED STATES

	2014				2015				2016				Calendar year average			
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2013	2014	2015	2016
Real GDP	-2.1	4.6	5.0	2.2	1.0	3.0	2.5	2.5	2.5	2.5	2.5	2.0	2.2	2.4	2.6	2.5
Real GDP (% y/y)	1.9	2.6	2.7	2.4	3.2	2.8	2.2	2.2	2.6	2.5	2.5	2.4				
Private consumption	1.2	2.5	3.2	4.4	1.8	3.5	3.0	3.0	3.0	2.5	2.5	2.0	2.4	2.5	3.1	2.8
Public consump and invest.	-0.8	1.7	4.4	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	-2.0	-0.2	0.3	0.1
Residential investment	-5.3	8.8	3.2	3.8	0.5	8.0	6.0	5.0	5.0	5.0	4.0	3.0	11.9	1.6	4.3	5.0
Equipment investment	-1.0	11.2	11.0	0.6	4.0	5.0	5.0	6.0	6.0	7.0	7.0	5.0	4.6	6.4	5.1	6.1
Intellectual property investment	4.6	5.5	8.8	10.3	6.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	3.4	4.8	7.0	5.2
Structures investment	2.9	12.6	4.8	5.9	-11.0	2.5	2.5	3.0	3.0	4.0	3.0	3.0	-0.5	8.2	0.4	3.1
Exports	-9.2	11.1	4.5	4.5	-9.5	4.5	4.5	4.5	4.5	5.0	5.0	5.0	3.0	3.2	1.2	4.7
Imports	2.2	11.3	-0.9	10.4	-5.5	6.0	5.5	5.5	5.5	5.0	5.0	5.0	1.1	4.0	3.1	5.3
Net exports (contr to GDP, pp)	-1.7	-0.3	0.8	-1.0	-0.4	-0.4	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	0.2	-0.2	-0.4	-0.3
Final sales	-1.0	3.2	5.0	2.3	1.0	2.9	2.5	2.5	2.5	2.4	2.5	2.0	2.2	2.4	2.5	2.5
Ch. inventories (contr to GDP, pp	-1.2	1.4	0.0	-0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
GDP price index	1.3	2.1	1.4	0.1	0.5	2.1	2.4	2.1	1.8	2.2	2.3	2.3	1.5	1.5	1.3	2.1
Nominal GDP	-0.8	6.8	6.4	2.4	1.6	5.1	4.9	4.6	4.4	4.7	4.8	4.4	3.7	3.9	3.9	4.6
Industrial output	3.9	5.7	4.1	4.6	-1.0	2.1	2.1	2.4	2.4	2.8	2.8	2.1	2.9	4.2	2.3	2.5
Employment (avg mthly chg, K)	193	284	237	324	197	225	225	225	225	200	200	175	199	260	218	200
Unemployment rate (%)	6.6	6.2	6.1	5.7	5.6	5.3	5.1	5.0	4.8	4.7	4.6	4.4	7.4	6.2	5.3	4.6
CPI inflation (%y/y)	1.4	2.1	1.8	1.2	-0.1	-0.3	0.1	0.9	2.0	2.0	1.9	2.0	1.5	1.6	0.2	2.0
Core CPI (%y/y)	1.6	1.9	1.8	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	1.8	1.7	1.7	1.9
PCE price index (% y/y)	1.1	1.6	1.5	1.1	0.3	0.2	0.4	1.0	1.8	1.8	1.8	1.9	1.2	1.3	0.5	1.8
Core PCE price index (%y/y)	1.2	1.5	1.5	1.4	1.4	1.4	1.4	1.6	1.7	1.7	1.8	1.9	1.3	1.4	1.4	1.8
Current account (%GDP)	-2.4	-2.2	-2.2	-2.6	-2.7	-2.7	-2.8	-2.8	-2.8	-2.8	-2.8	-2.9	-2.4	-2.4	-2.8	-2.8
Federal budget bal. (%GDP)													-4.1	-2.8	-2.4	-2.0
Federal funds, target range (%)	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0.25-0.5	0.5-0.75	0.75-1.0	1.0-1.25	1.5-1.75	2.0-2.25				

Note: All numbers expressed in q/q saar % unless otherwise specified. The budget balance is fiscal year. Source: BEA, BLS, Federal Reserve, US Treasury, Barclays Research

GLOBAL WEEKLY CALENDAR

Monday 27 April		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
07:00	**E19: ECB SSM Chair Nouy Speaks on "European Financial Integration and Stability" in Brussels**						
08:30	**E19: ECB Executive Board Member Cœuré speaks on "European Financial Integration and Stability" in Brussels**						
12:00	**E19: ECB Vice-President Constâncio speaks on "European Financial Integration and Stability" in Brussels**						
12:20	**Germany: Chancellor Merkel speaks on bilateral and European issues in Warsaw, Poland**						
13:00	**Israel: Discount rate, %**	**Apr**	**0.25**	**0.10**	**0.10**	**-**	**0.10**
-	Thailand: Manufacturing production, % y/y (to 30/04)	Mar	-0.1	-0.8	3.6	3.9	4.0
-	Philippines: Fiscal balance, PHP bn (to 30/04)	Mar	-46.3	...	...	-	-
10:00	UK: CBI industrial trends, total orders	Apr	4	10	0	-	5
16:00	France: Jobseekers net change (sa), k	Mar	14.3	19.1	12.8	-	-

Tuesday 28 April		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	Spain: Budget, year-to date, € bn	Mar	-40.1	-6.1	-11.8	-	-
01:00	Philippines: Total imports, % y/y	Feb	-1.7	0.0	-14.2	-	-3.1
06:45	France: Consumer confidence indicator, index	Apr	90	92	93	-	94
07:00	Sweden: Consumer Confidence, index	Apr	98.6	97.6	100.5	-	101.0
07:00	Sweden: Manufacturing confidence Indicator, net balance	Apr	107	10.5.8	101.2	-	102.0
07:00	Sweden: Economic Tendency Indicator, index	Apr	105.3	104.2	101.5	-	-
07:30	Sweden: Retail Sales, % m/m (y/y)	Mar	-0.6 (3.3)	1.2 (5.01)	0.2 (4.8)	-	0.2 (3.4)
08:30	UK: GDP preliminary release, % q/q (y/y)	Q1	0.8 (2.9)	0.7 (2.8)	0.6 (3.0)	0.8 (3.3)	**0.5 (2.6)**
08:30	UK: BBA lending data	Mar	-	-	-	-	-
08:30	Thailand: Customs exports, % y/y	Mar	1.9	-3.5	-6.1	-1.8	-3.5
13:00	US: S&P/Case-Shiller 20-city HPI, %m/m (y/y)	Feb	0.8 (4.3)	0.9 (4.4)	0.9 (4.6)	0.8 (4.8)	0.8 (4.7)
14:00	US: Consumer confidence index	Apr	103.8	98.8	101.3	103.0	102.5
20:00	New Zealand: Imports, NZD bn	Mar	4.6	3.6	3.9	-	4.1
22:45	New Zealand: Trade balance, NZD mn	Mar	-194.8	33.0	50.0	-	300.0
22:45	New Zealand: Exports, NZD bn	Mar	4.4	3.7	3.9	-	4.4

Wednesday 29 April		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	**Brazil: Selic overnight rate, %**	**Apr**	**11.75**	**12.25**	**12.75**	**13.25**	**13.25**
07:30	**Sweden: Interest rates announcement, %**	**Apr**	**0.00**	**-0.10**	**-0.25**	**-**	**-0.25**
07:30	**Thailand: Benchmark interest rate, %**	**Apr**	**2.00**	**2.00**	**1.75**	**1.75**	**1.75**
18:00	**US: FOMC rate decision, %**	**Apr**	**0.00-0.25**	**0.00-0.25**	**0.00-0.25**	**0.00-0.25**	**0.00-0.25**
21:00	**New Zealand: RBNZ official cash rate, %**	**Apr**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**
-	Ukraine: GDP constant prices, % y/y (to 30/04)	Q1 P	-4.5	-5.4	-14.8	-	-14.2
-	Germany: Baden-Wuerttemberg CPI, % m/m (y/y)	Apr	-1.0 (-0.4)	0.9 (0.0)	0.6 (0.4)	0.0 (0.3)	-
-	Germany: Bavaria CPI, % m/m (y/y)	Apr	-1.0 (-0.2)	0.9 (0.3)	0.5 (0.5)	0.0 (0.6)	-
-	Germany: Hesse CPI, % m/m (y/y)	Apr	-1.0 (-0.6)	1.0 (0.1)	0.4 (0.2)	0.0 (0.3)	-
-	Germany: North Rhine Westphalia CPI, % m/m (y/y)	Apr	-1.0 (-0.4)	0.8 (0.0)	0.5 (0.2)	0.0 (0.2)	-
-	Germany: Brandenburg CPI, % m/m (y/y)	Apr	-1.2 (-0.6)	0.9 (-0.1)	0.5 (0.2)	0.0 (0.2)	-
-	Germany: Saxony CPI, % m/m (y/y)	Apr	-1.2 (-0.3)	0.9 (0.3)	0.5 (0.5)	0.0 (0.5)	-
-	Germany: Preliminary HICP, % m/m (y/y)	Apr	-1.3 (-0.5)	1.0 (-0.1)	0.5 (0.1)	-0.1 (0.3)	-0.1 (0.2)
-	Germany: Preliminary CPI, % m/m (y/y)	Apr	-1.1 (-0.4)	0.9 (0.1)	0.5 (0.3)	0.0 (0.5)	-0.1 (0.4)
-	Belgium: CPI, % m/m (y/y)	Apr	-0.1 (-0.7)	0.4 (-0.4)	0.1 (-0.4)	-	-
01:00	New Zealand: Business confidence, index	Apr	30.4	34.4	35.8	-	-
07:00	Spain: Adjusted retail sales, % y/y	Mar	6.3	3.9	2.7	-	3.6
07:00	UK: Nationwide house price Index, % m/m (y/y)	Apr	0.3 (6.8)	-0.1 (5.7)	0.1 (5.1)	-	0.2 (4.1)
08:00	Italy: Consumer confidence, index	Apr	101.8	107.7	110.9	111.2	-
08:00	Italy: Business confidence, index	Apr	99.9	100.5	103.7	104.1	-
08:00	E19: M3, % m/m (y/y)	Mar	0.0 (3.6)	0.5 (3.7)	0.6 (4.0)	0.2 (4.4)	(4.3)
08:00	E19: Loans to private sector (adjusted), % m/m (y/y)	Mar	0.2 (0.1)	0.2 (0.4)	0.1 (0.6)	0.1 (0.8)	-
09:00	E19: Industrial confidence, index	Apr	-4.5	-4.6	-2.9	-	-2.8
09:00	E19: 'Final' consumer confidence, index	Apr	-8.5	-6.7	-4.6 P	-	-4.6
10:00	UK: CBI distributive trades, total sales	Apr	39	1	18	-	25
10:00	Ireland: Unemployment rate, %	Apr	10.3	10.1	10.0	-	-
11:00	Brazil: IGP-M inflation, % m/m	Apr	0.76	0.27	0.98	1.07	1.14
12:30	Canada: Industrial product price, % m/m	Mar	-1.5	-0.3	1.8	-	-

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.
Sources: Reuters, Market News, Bloomberg, Barclays Research

Wednesday 29 April		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
12:30	US: Preliminary GDP, % q/q saar	Q1	4.6	5.0	2.2	1.0	1.0
12:30	US: Preliminary consumer spending, % q/q saar	Q1	2.5	3.2	4.4	1.8	1.8
12:30	US: Preliminary GDP price index, % q/q saar	Q1	2.1	1.4	0.1	-0.9	0.5
13:00	Belgium: Preliminary GDP, % q/q	Q1	0.1	0.3	0.2	-	-
14:00	US: Pending home sales, % m/m	Mar	-1.5	1.2	3.1	3.4	1.0
22:45	New Zealand: Building consents, % m/m	Mar	-2.5	-4.6	-6.3	-	-
23:00	Korea: Industrial production, % y/y	Mar	1.5	1.8	-4.7	-1.6	-1.6
23:05	UK: GfK consumer confidence, index	Apr	1	1	4	2	4
23:50	Japan: Industrial production, % m/m	Mar	0.8	3.7	-3.1	-2.3	-2.3

Thursday 30 April		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	BoJ MPM and semi-annual Outlook Report						
07:30	Thailand: Bank of Thailand Press Release on Economic and Monetary Conditions						
10:30	Russia: One week auction rate, %	Apr	17.00	15.00	14.00	12.50	12.75
12:30	US: Fed Governor Tarullo (FOMC voter) speaks in Washington						
18:00	Mexico: Overnight rate, %	Apr	3.00	3.00	3.00	3.00	3.00
00:30	Taiwan: Preliminary GDP, % y/y	Q1	3.9	4.3	3.4	4.0	3.5
01:30	Australia: Import price index, % q/q	Q1	-3.0	-0.8	0.9	-	1.0
01:30	Australia: Export price index, % q/q	Q1	-7.9	-3.9	0.0	-	0.0
01:30	Australia: RBA private-sector credit, % m/m	Mar	0.5	0.6	0.5	-	0.5
02:30	Singapore: Prelim unemployment rate – 1st est., %	Q1	2.0	2.0	1.9	-	2.0
06:00	Germany: Retail sales sa, % m/m (y/y)	Mar	0.8 (5.2)	0.9 (5.0)	-0.1 (3.6)	-0.2 (2.8)	0.4 (3.0)
06:45	France: Hhsld consum. goods, % m/m (y/y)	Mar	1.6 (0.7)	0.7 (2.6)	0.1 (3.0)	0.2	-0.6 (2.0)
07:00	Spain: Preliminary GDP, % q/q	Q1	0.5	0.5	0.7	0.7	0.8
07:00	Austria: GDP, % q/q	Q1	0.0	0.1	-0.2	-	-
07:00	Swi: KoF leading indicator	Apr	96.1	90.3	90.8	-	91.6
07:00	Spain: Preliminary HICP, % y/y	Apr	-1.5	-1.2	-0.8	-1.0	-0.7
07:30	Thailand: Current account, $ mn	Mar	5147	2506	3508	-	2850
07:55	Germany: Unemployment change (000s, sa); (rate, %)	Apr	-10 (6.5)	-20 (6.5)	-14 (6.4)	-5 (6.4)	-14 (6.4)
08:00	Norway: Unemployment rate LFS, %	Feb	3.7	3.8	3.9	-	4.0
08:00	Italy: Unemployment rate, %	Mar	12.7	12.6	12.7	12.6	-
09:00	Italy: Preliminary HICP, % m/m (y/y)	Apr	-2.5 (-0.5)	0.3 (0.1)	2.1 (0.0)	0.4 (-0.1)	-
09:00	Italy: Preliminary CPI, % m/m (y/y)	Apr	-0.4 (-0.6)	0.4 (-0.1)	0.1 (-0.1)	0.1 (-0.3)	-
09:00	E19: "Flash" HICP, % y/y	Apr	-0.6	-0.3	-0.1	0.0	0.0
09:00	E19: 'Eurostat' core (HICP x fd, alc, tob, ene), y/y	Apr	0.6	0.7	0.6	0.7	0.6
09:00	E19: Unemployment rate, %	Mar	11.4	11.4	11.3	11.3	11.2
12:30	Canada: GDP, % m/m (y/y)	Feb	-0.2 (2.1)	0.3 (2.8)	-0.1 (2.4)	-	-0.2
12:30	US: Employment cost index, % q/q	Q1	0.7	0.7	0.6	0.5	0.6
12:30	US: Personal income, % m/m	Mar	0.3	0.4	0.4	0.3	0.2
12:30	US: Personal spending, % m/m	Mar	-0.2	-0.2	0.1	0.6	0.5
12:30	US: PCE price index, % m/m (y/y)	Mar	-0.2 (0.8)	-0.4 (0.2)	0.2 (0.3)	0.2 (0.4)	0.2 (0.4)
12:30	US: Core PCE price index, % m/m (y/y)	Mar	0.0 (1.3)	0.1 (1.3)	0.1 (1.4)	0.2 (1.4)	0.2 (1.4)
12:30	US: Initial jobless claims, k (4wma)	25-Apr	282 (283)	294 (283)	295 (285)	295	-
13:45	US: Chicago PMI index	Apr	59.4	45.8	46.3	51.0	50.0
23:00	Korea: CPI, % y/y	Apr	0.8	0.5	0.4	0.4	0.4
23:30	Japan: Jobs/applicants ratio	Mar	1.14	1.14	1.15	1.16	1.15
23:30	Japan: Unemployment rate, %	Mar	3.4	3.6	3.5	3.5	3.5
23:30	Japan: Real household spending, % y/y	Mar	-3.4	-5.1	-2.9	-12.3	-11.8
23:30	Japan: Tokyo CPI, % y/y	Apr	2.3	2.3	2.3	0.8	0.7
23:30	Japan: Tokyo CPI ex. perishables, % y/y	Apr	2.2	2.2	2.2	0.5	0.5
23:30	Japan: Tokyo CPI ex. food and energy, % y/y	Apr	1.7	1.7	1.7	0.2	0.2
23:30	Japan: Nationwide CPI, % y/y	Mar	2.4	2.4	2.2	2.4	2.2
23:30	Japan: Nationwide CPI ex. perishables, % y/y	Mar	2.5	2.2	2.0	2.2	2.1
23:30	Japan: Nationwide CPI ex. food and energy, % y/y	Mar	2.1	2.1	2.0	2.0	2.0
23:30	Australia: AIG/PWC manufacturing PMI, index	Apr	49.0	45.4	46.3	-	-

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.
Sources: Reuters, Market News, Bloomberg, Barclays Research

Friday 01 May		Period	Prev-3	Prev-2	Prev-1	Forecast	Consensus
-	**E19: ECB Public holiday**						
12:30	**US: Cleveland Fed President Mester (FOMC non-voter) speaks in Philadelphia**						
19:45	**US: San Francisco Fed President Williams (FOMC voter) speaks in California**						
-	Venezuela: CPI inflation, % m/m (to 14/05)	Mar	5.3	...	...	-	8.0
-	US: Vehicle sales, mn saar	Apr	16.6	16.2	17.1	-	16.9
00:00	Korea: Exports, % y/y	Apr	-0.9	-3.3	-4.3	-6.3	-7.0
00:00	Australia: RP Data-Rismark house price, % m/m	Apr	1.3	0.3	1.4	-	-
01:00	China: NBS manufacturing PMI, index	Apr	49.8	49.9	50.1	50.0	50.0
01:00	China: NBS non-manufacturing PMI, index	Apr	53.7	53.9	53.7	-	-
01:30	Australia: Producer price index, % q/q	Q1	-0.1	0.2	0.1	-	-
01:30	Japan: Wages per worker, % y/y	Mar	0.9	0.6	0.1	0.0	0.4
04:00	Thailand: CPI, % y/y	Apr	-0.41	-0.52	-0.57	-0.8	-0.8
04:00	Thailand: Core CPI, % y/y	Apr	1.64	1.45	1.31	1.1	1.2
05:00	Peru: CPI inflation, % m/m	Apr	0.17	0.30	0.76	0.26	-
05:00	Japan: Auto sales, % y/y	Apr	-18.9	-14.2	-13.1	-	-
05:00	Ireland: Manufacturing PMI, index	Apr	55.1	57.5	56.8	-	-
06:30	Australia: Commodity price index, % y/y	Apr	-19.4	-21.6	-19.7	-	-
08:28	UK: Manufacturing PMI, index	Apr	53.0	54.0	54.4	-	54.6
08:30	UK: Consumer credit, £bn	Mar	0.5	0.8	0.7	0.8	0.8
08:30	UK: Mortgage lending, £bn	Mar	1.6	1.6	1.7	1.9	1.8
08:30	UK: Mortgage approvals, k	Mar	60.3	60.7	61.8	64.0	62.5
13:45	US: Final Markit PMI, index	Apr	54.8	55.1	55.7	-	-
14:00	US: Construction spending, % m/m	Mar	0.8	-1.7	-0.1	0.3	0.5
14:00	US: ISM manufacturing index	Apr	53.5	52.9	51.5	51.0	52.0
14:00	US: Final Michigan consumer sentiment index	Apr	95.4	93.0	95.9 P	95.5	96.0

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.
Sources: Reuters, Market News, Bloomberg, Barclays Research

GLOBAL KEY EVENTS

	2015									2016				
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Forthcoming central bank announcement dates														
North America														
FOMC meeting	29	-	17	29	-	17	28	-	16	27	...	...	...	...
FOMC minutes	8	20	-	8	19	-	8	18	-	...	...	...	...	...
Fed's Beige Book	15	-	3	15	-	2	14	-	2	...	...	....	...	...
Bank of Canada	15	27	-	15	-	9	21	-	2	...	...	...	...	...
Europe														
ECB "policy" meeting	15	-	3	16	-	3	22	-	3	...	...	...	...	...
ECB monthly bulletin	*22*	-	*10*	*23*	-	*10*	*29*	-	*10*	...	...	....	...	...
ECB "non-policy" meeting	1	6,20	17	1	5	16	7	4,18	12	...	...	...	...	...
Bank of England	9	11	4	9	6	10	8	5	10	14	4	17	14	12
BoE Inflation Report	-	13	-	-	...	-	-	...	-	-	...	...	...	...
BoE minutes	22	20	17	22	19	23	21	18	23	27	17	30	27	25
Riksbank	29	-	-	2	-	3	28	-	15	...	...	...	...	...
SNB	-	-	18	-	-	17	-	-		...	...	...	...	...
Norges Bank	-	-	18	-	-	24	-	-	17	...	...	...	...	...
Asia/RoW														
Bank of Japan	7-8,30	21-22	18-19	14-15	6-7	14-15	6-7, 30	18-19	17-18	...	...	...	...	...
BoJ minutes	13	8,27	24	21	12	18	13	5,25	24	...	...	...	...	...
Reserve Bank of Australia	7	5	2	7	4	1	6	3	1	...	...	...	...	...
RBNZ	30	-	11	23	-	10	29	-	10	...	...	...	...	...
Key international meetings														
IMF/IBRD	17-19	-	-	-	-	-	9-11	-	-	-	-	-	15-17	-
EU Summit	-	-	25-26	...	...	...	...	...	...	...	...	...	...	...
ECOFIN	24-25	12	19	...	...	....	...	...	...	...	...	...	...	...
G20	16-17	15-16	-	-	-	-	-	15-16	-	...	...	...	...	...
G7	-	27-29	07-08	-	-	04-05	-	-	-	...	...	...	...	...
Elections														
Argentina (General)	-	-	-	-	-	-	**25**	-	-	-	-	-	-	-
Austria (Presidential)	-	-	-	-	-	-	-	-	-	-	-	-	28	-
Canada (Federal)	-	-	-	-	-	-	19	-	-	-	-	-	-	-
Egypt (Parliamentary)	25-27#	-	-	-	-	-	-	-	-	-	-	-	-	-
Finland (Parliamentary)	19	-	-	-	-	-	-	-	-	-	-	-	-	-
Germany (Regional)	-	10	-	-	-	-	-	-	-	-	-	-	-	-
Ireland (Constitution refurundum)	-	May	-	-	-	-	-	-	-	-	-	-	-	-
Ireland (Parliamentary)	-	-	-	-	-	-	-	-	-	-	-	-	3	-
Japan (Regional)	12,16	-	-	-	-	-	-	-	-	-	-	-	-	-
Korea (Parliamentary)	-	-	-	-	-	-	-	-	-	-	-	-	13	-
Latvia (Presidential)	-	-	Jun	-	-	-	-	-	-	-	-	-	-	-
Mexico (Legislative)	-	-	7	-	-	-	-	-	-	-	-	-	-	-
Netherlands (Senate)	-	26	-	-	-	-	-	-	-	-	-	-	-	-
Poland (Presidential)	-	10	-	-	-	-	-	-	-	-	-	-	-	-
Poland (Parliamentary)	-	-	-	-	-	-	Oct	-	-	-	-	-	-	-
Portugal (Parliamentary)	-	-	-	-	-	27*	-	-	-	-	-	-	-	-
Portugal (Presidential)	-	-	-	-	-	-	-	-	-	Jan	-	-	-	-
Slovakia (parliamentary)	-	-	-	-	-	-	-	-	-	-	-	Mar	-	-
Spain (Parliamentary)	-	-	-	-	-	-	-	-	20	-	-	-	-	-
Spain (Regional)	-	24	-	-	-	27	-	-	-	-	-	-	-	-
Switzerland (Parliamentary)	-	-	-	-	-	-	18	-	-	-	-	-	-	-
Taiwan (Presidential and Legislative)	-	-	-	-	-	-	-	-	-	16	-	-	-	-
Turkey (General)	-	-	7	-	-	-	-	-	-	-	-	-	-	-
United Kingdom (Parliamentary)	-	7	-	-	-	-	-	-	-	-	-	-	-	-
Venezuela (Parliamentary)	-	-	-	-	-	-	-	-	Dec	-	-	-	-	-

Note: (*) to be confirmed, (…) Event yet to be confirmed, (#) Second round

Source: Central banks, IMF, European Commission, Reuters, Bloomberg, Market News, Barclays Research

CRITICAL EVENTS CALENDAR FOR US, EURO AREA, JAPAN AND UK

Date	Country	Event	Likely outcome: Our assessment
April 2015			
24-25 Apr	Euro area	Informal eurogroup meeting (Riga, Latvia)	As reported in various media reports (FT, Ekathimerini, Bloomberg), work progress on Greece is likely to have been insufficient for a decision to be made at that meeting. It is likely to only take stock of the progress
27-Apr	Germany	Chancellor Merkel meets Polish PM Kopacz (Warsaw, Poland)	
27-Apr	Italy	€ 1.0bn BTPei Auction	
29-Apr	US	FOMC meeting	
29-Apr	Italy	€ 1.5bn CCT Auction	
29-Apr	Italy	€ 7.0bn BTP Auctions	
30-Apr	Japan	BoJ monetary policy meeting	GDP and CPI forecasts updated for FY15-16 and newly published for FY17 as part of semi-annual Outlook Report. We expect the BoJ to cut its FY15 real GDP forecast to the upper-1% level (from 2.1% as of January) and its core CPI projection to the upper -0% level (1.0%)
May 2015			
May	Ireland	Constitution referendum	
May	EU	EC publishes spring economic forecasts	
May	EU	EC presents country-specific recommendations	
07-May	Spain	€ 5.0bn SPGB Auctions	
07-May	UK	Parliamentary elections	
10-May	Germany	Regional election (state of Bremen)	
11-May	UK	BoE Policy meeting	
11-May	Euro area	Eurogroup meeting (Brussels)	
12-May	EU	ECOFIN meeting (Brussels)	
13-May	UK	BoE Inflation report	
21-22 May	Japan	BoJ monetary policy meeting	
24-May	Spain	Regional elections	
26-May	Netherlands	Senate elections	
27-29 May	G7	Finance Ministers and Central Bank Governors Meeting (Saxony, Germany)	
27-May	Spain	Regional elections	
June 2015			
June	Latvia	Presidential election	
04-Jun	UK	BoE Policy meeting	
03-Jun	Euro area	ECB Governing Council meeting	
07-08 Jun	G7	G7 Summit (Bavaria, Germany)	
15-16 Jun	G20	G20 Deputies and Finance ministers meeting (Turkey)	
17-Jun	US	FOMC meeting	
18-19 Jun	Japan	BoJ monetary policy meeting	
18-Jun	Euro area	Eurogroup meeting (Brussels)	
19-Jun	EU	ECOFIN meeting (Brussels)	
25-26 Jun	EU	EU Summit (Brussels)	
July 2015			
01-Jul	EU	Luxembourg holds EU presidency for H2 15	
09-Jul	UK	BoE Policy meeting	

Date	Country	Event	Likely outcome: Our assessment
14-15 Jul	Japan	BoJ monetary policy meeting	We expect the BoJ to lower its CPI forecasts and to take further easing measures, including an increase in equity-linked ETF purchases and an IOER cut to 0.05% from the current 0.1%. This will be the first MPM following the replacement of PB member Morimoto, opponent of the narrowly passed 5-4 vote on QQE2 in October 2014
16-Jul	Euro area	ECB Governing Council meeting	
28-Jul	US	FOMC meeting	
August 2015			
06-Aug	UK	BoE Policy meeting	
06-07 Aug	Japan	BoJ monetary policy meeting	
September 2015			
03-Sep	Euro area	ECB Governing Council meeting	
04-05 Sep	G7	G7 Meeting	
10-Sep	UK	BoE Policy meeting	
14-15 Sep	Japan	BoJ monetary policy meeting	
17-Sep	US	FOMC meeting	
27-Sep	Portugal	Parliamentary elections (tbc)	
27-Sep	Spain	Regional elections	

Source: Barclays Research

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