

GLOBAL WEEKLY ECONOMIC NEWS IN THE ADVANCED ECONOMIES

(15 February 2021 – 19 February 2021)

Countries	Highlights
<p>US</p> <p>US housing starts fall in January; permits soar</p>	<p>US homebuilding fell more than expected in January amid soaring lumber prices, though a surge in permits for future construction suggested the housing market remains supported by lean inventories and historically low mortgage rates. Housing starts decreased 6.0% to a seasonally adjusted annual rate of 1.580 million units last month. Homebuilding fell 2.3% on a year-on-year basis. The housing market has outperformed other sectors of the economy during the COVID-19 pandemic, supported by lower mortgages rates and demand for spacious accommodations for home offices and schooling. But expensive inputs and lack of land pose a threat to continued robust housing market gains. Permits for future homebuilding shot up 10.4% to a rate of 1.881 million units in January.</p> <p><i>(Source: Reuters, 18 February 2021)</i></p>
<p>UK</p> <p>UK downturn much milder than expected in February - PMI</p>	<p>British firms fared less badly during February's lockdown than feared and are upbeat about the prospects for growth later in 2021 when they hope the roll-out of vaccines will allow a major relaxation of COVID-19 restrictions. The IHS Markit/CIPS flash composite Purchasing Managers' Index (PMI) jumped to 49.8 in February from 41.2 in January, a much sharper improvement than had been expected by any of the economists polled by Reuters. IHS Markit said that hotels, restaurants and transport and travel companies reported steep falls in activity this month but at a slower pace than in January. Financial and business services firms enjoyed modest growth. The PMI does not cover British retailers, but separate figures from market research company GfK on Friday showed consumer sentiment was the strongest since the start of the pandemic, again largely based on recovery hopes.</p> <p><i>(Source: Reuters, 19 February 2021)</i></p>
<p>JAPAN</p> <p>Japan extends economic recovery as exports, capex shake off COVID hit</p>	<p>Japan's economy expanded more than expected in the fourth quarter, extending the recovery from its worst postwar recession thanks to a rebound in overseas demand that boosted exports and capital spending. But the recovery slowed from the third quarter's brisk pace and new state of emergency curbs cloud the outlook, underscoring the challenge policymakers face in preventing the spread of COVID-19 without choking off a fragile recovery, especially in the battered consumer sector. Japan grew an annualised 12.7% in October-December. It was slower than the revised 22.7% surge the previous quarter, when the economy got a lift from pent-up demand after a previous state of emergency was lifted in May. For the full year, Japan's economy contracted 4.8%, the first annual fall since 2009. But Japan's October-December performance was stronger than US growth of 4% and a 2.8% slump in the euro zone.</p> <p><i>(Source: Reuters, 15 February 2021)</i></p>
<p>CHINA</p> <p>China more focused on money market rates than size of liquidity operations - paper</p>	<p>China's central bank is focusing more on money market interest rates in its regular open market operations than the size of the operations. The People's Bank of China (PBOC) has achieved its goal of maintaining the stability of money market interest rates around the Lunar New Year holiday with measured, targeted open market operations. Investors should focus on interest rates of central bank open market operations and medium-term facility rates, as well as the operation of market benchmark interest rates over a period of time. Paying too much attention to the size of the central bank's liquidity operations could lead to a misunderstanding of monetary policy.</p> <p><i>(Source: Reuters, 18 February 2021)</i></p>