

# WHAT TO EXPECT NEXT WEEK

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## HIGHLIGHTS

- Next Tuesday, the IMF will release its new forecasts. Comments are bearish, the global economic outlook will weaker than last spring or last July forecasts. In July, the world output growth was expected to be 3.2 % in 2019 and 3.5% in 2020. For the US, numbers were 2,6 and 1.9, for the Euro Area 1.3 and 1.6% and for China 6.2 and 6%.
- The other political event will be the European Summit on Brexit. It will take place on October 17 and 18. Two questions: will there be a new agreement between the UK and the European Union and will this agreement, if it exists, be voted by the Parliament in London ? If it is not the case, BoJo will have to ask for a delay. The Parliament want to postpone the Brexit until January the 30<sup>th</sup> , 2020.
- The most important element this week on monetary policy will be the Fed's Beige Book. Fed's members are considering a new drop of the US central bank's interest rate in December (according to the dots' graph). It will depend on the economic outlook. The Beige Book will give information on this point for a foreseeable future. We will look specifically at elements associated with the international trade.
- Industrial production indices for September in the US (17) and in China (18). August figures were lower in August and negative in the US. We can't expect a reversal. In the Euro Area the industrial production index for August will be released. Could be quite strong after German, Italian and Spanish numbers.
- The inflation rate will be confirmed at 0.9% in the Euro area for September (16). The question will be for China as pig price has pushed up the inflation rate. It will be released on October 15.
- Chinese foreign trade for the month of September (14). The dynamics of exports is still the key point of this statistic in order to perceive the impact of US tariff measures.
- Retail sales in the US (16), China (18) and the UK (17). These numbers have been rather strong in recent months notably in the US. We expect robust date in the US but weaker in the UK according to the BRC survey. In China the mild rebound seen recently should hold in September.
- Real estate data will be released in the US notably the Housing Starts figure. The data was stronger than expected in August. Will it last confirming the reversal of the real estate market ?

## NEXT WEEK'S MAIN DATA AND EVENTS

- **The most important element of the week will be the Fed's Beige Book (October 16)**

The minutes of the last Fed's meeting is very informative on the way Fed's members perceive the economic backdrop. The risk on economic activity is on the downside due to the impact of the international trade. The economic outlook is still robust but risks point at a foreseeable future. That's the conclusion of the minutes.

The Beige Book will give new information on the economic situation notably at a geographical disaggregated level. It will answer the question on the differentiated impact of the trade war on different states. This evaluation may be very informative of what the Fed could decide during its next meeting. It will take place on October 29-30.

- **Many indicators on the economic activity**

Industrial production in the US (17) and in China (18) for September. In August, the US index was down at -0.15% on a YoY basis. It may drop further in sympathy with the lower ISM manufacturing index. In China the August number was very weak at +4.8%. It's the lowest number since the 2009 crisis and no strong rebound is expected. Associated with that we continue to anticipate a mild profile for investment and retail sales. The Euro Area (14) and Japan (15) will release their industrial production indices for August. The EA number may be quite robust after the non expected improvement in Germany, in Spain and even in Italy. France, amongst the largest EA countries is the only one that had a strong drop (-0.9%). In Japan, the trend is on the downside since mid-2017.

Chinese exports (14) have been weak for months. The September figure should maintain this trend.

The Empire state Index (NY Fed) (15) and the Philly Fed (17) will highlight the US manufacturing sector in October.

In Germany, the ZEW will be release (15). Will the rebound seen on the expectations component continue ?

- **Indicators on demand**

Retail sales in the US (16) for September, in the UK for September (17) and in China (18). The US number was strong in August, weaker in the UK and with a mild rebound in China during the last 2 months

- **Confirmation of inflation rates in the Euro Area (16), France (15) and Italy (16). Inflation rate in China (15)** where the food index will be scrutinize. It has increased rapidly recently due to the pig price that was on the upside (Pigs have the African swine fever).

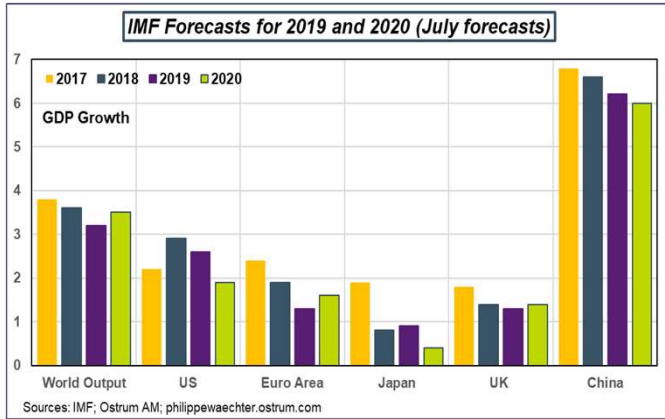
- **Labor market statistics in the UK for August (and September for claimants) (15).**

This will be interesting as the economy is weaker now. At the moment the strong momentum will reverse.

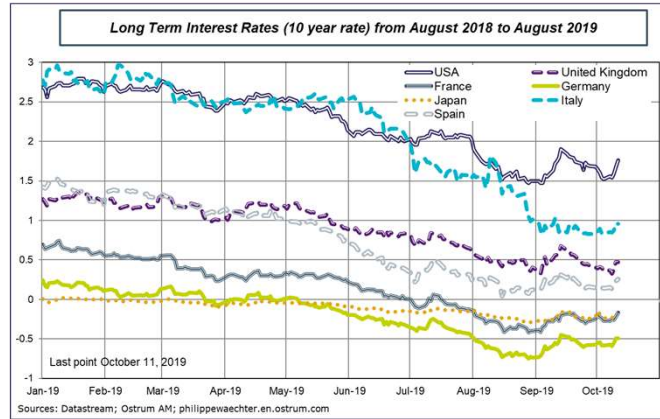
- **Real estate data in the US (16 and 17)**

The National Home Builders index will be release on October 16 and the housing starts statistics the day after (17). The acceleration on the upside for the housing starts was surprising as the market was stable for months

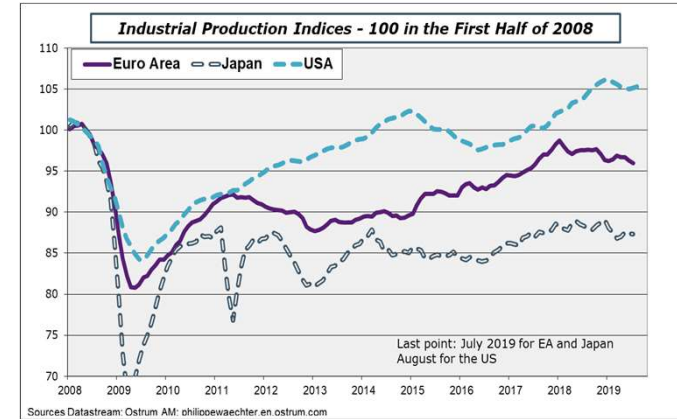
# MAIN GRAPHS



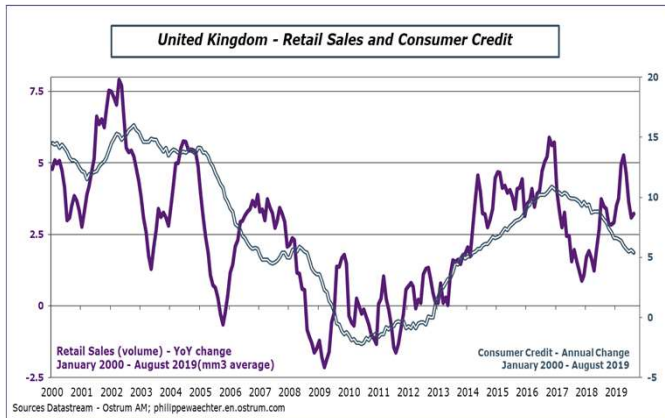
The peak of the world business cycle was in 2017 and the trough is expected to be in 2019. The IMF expects a rapid recovery in emerging countries but not in developed countries except in Germany. This recovery in emerging countries is at risk as they currently revised down their outlook.



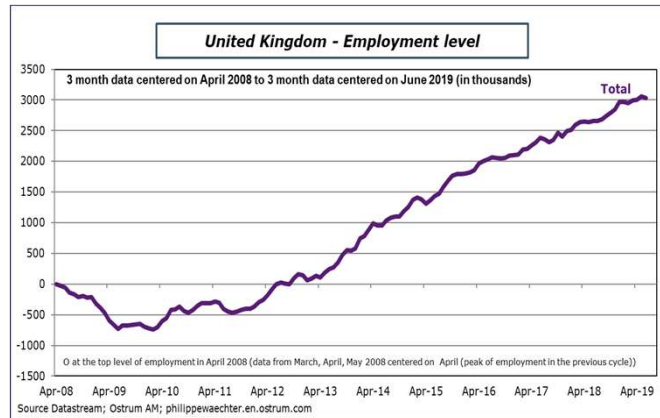
Publications of the Fed's minutes and of the ECB minutes revealed strong disagreements notably in the Euro Area. Doubts on the resumption of the QE are the main points. This uncertainty brought rates higher. In the US, the new discussion between China and US on trade and the minutes were strong factors for higher rates



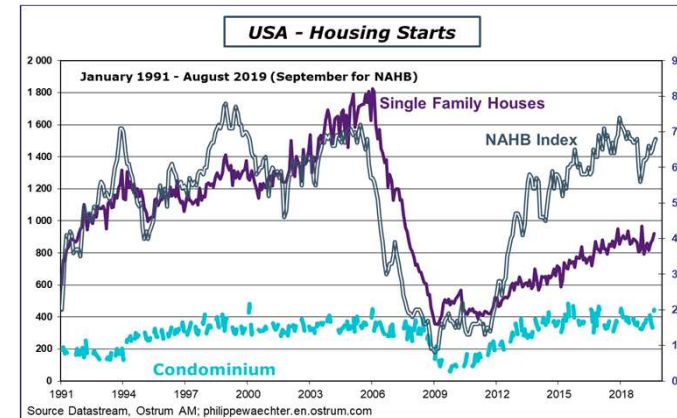
Industrial production profiles reflect weaknesses in the sector. In the US, the index is almost flat since the beginning of the year, while it declines in the Euro Area. The Japanese curve is flat at a low level. We can't have GDP growth acceleration in these three areas with these profiles



Last spring, consumers' expenditures increased rapidly in the anticipation of a Brexit. This movement was strong. Looking at the data until August we can say two things. Consumers have kept their inventories at a high level since last spring or they do not care of a Brexit at the end of this month.



The dynamics has changed on the UK labor market. The number of new jobs is still positive but the trend has changed during the last year. This reflects the lower momentum of the business cycle.



The strong number on Single Family housing start is just the exception. The last two year dynamics has been quite flat.

# ADDITIONAL NOTES

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