

WHAT TO EXPECT NEXT WEEK

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HIGHLIGHTS

- Corporate surveys will highlight the business cycle foreseeable future. The IFO will be released on Tuesday 24 as will be the French Climat des Affaires. The French momentum is currently higher than in Germany as this latter is more exposed to the international backdrop. The Italian survey on corporate confidence will be out on September the 27th and may show the impact of a pro-European government on corporate confidence.
- Markit surveys, flash estimates, will be released on Monday the 23rd for the Euro Area, France, Germany and the US. The Japanese release will be done on September the 24th. These surveys are important but I will carefully look at the New Export Order indices in the Euro Area, US and Japan. Its average is clearly consistent with the world trade profile. In August it was as low as 46.6 giving a signal of continuous contraction in trade. September date will be important.
- Consumer confidence in the US (24 for the conference board and 27 for the Michigan), in France (25), Germany (26) and Italy (27). The US conference board will give us relevant signals on the US labor market dynamics. France index will remain above its average, way above the level it has a year ago when the yellow vests demonstrations started.
- Consumption expenditures in the US (27) and Fed's preferred measure for inflation for August will be released on August the 27th. Consumers' behavior is the strongest support of the current US growth momentum. Nevertheless it can be very volatile. We expect that it will be seen in August. No strong expectations on inflation. The July core inflation rate is 1.6%.
- Inflation for September in France and Spain.
- New Home sales in August in the US. The real estate market has been stronger recently. A confirmation is expected as interest rates were low in August.

NEXT WEEK'S MAIN DATA AND EVENTS

- **Many surveys on the business cycle in September this week (Markit flash estimates September 23 and 24) (IFO and Climat des Affaires in France September 24, Italy September 27).**

Recent surveys show the slowdown in the economic activity. The main source of weakness is the manufacturing sector and it has to be linked with the downturn of the world trade. This latter is now contracting. According to CPB data, in June it was down -0.4% on a YoY change basis. The impact of this contraction in trade is directly linked to the manufacturing sector. This is notably the case in the Eurozone, specifically in Germany, but also in Japan and in the US. In this latter, the Markit index is just above the 50 threshold while the ISM, which will be released on October the 1st, is clearly below this level at 49.1 in August. This rapid deceleration is consistent with the negative change of the Industrial Production Index which is down -0.15% on a YoY basis in August.

Markit indices will be released on Monday the 23rd in the Euro Area, France, Germany and the US while the Japanese survey will be out on the 24th. The IFO survey will be out on September the 24th. Last releases have shown a synthetic index close but below its historical average. The recent slowdown perceived in Germany was impressive because the peak was very high. The important point is that the ZEW survey stabilized in September. It may give a signal on the IFO dynamics.

The French Climat des Affaires will be released on September the 24th. The interesting point with France is that its surveys are usually above the Euro Area average. This is the case for the Markit survey but the Climat des Affaires has been above its long term average for many months now (44). The last time it was below its historical average was in December 2015. The situation is quite good in France and this was confirmed by the last OECD forecast. It is expected 1.2% in France for 2020 versus 1% for the Euro Area and only 0.6% for Germany. The last interesting point will be Italy. Will the new pro-European government boost companies' confidence ? Interesting

- **The CFNAI in the US for August (27)**

This index in the past has been linked with the Fed's change in its monetary policy stance. This is no longer the case. The index shows a robust backdrop in the US. The number for August may be a confirmation for that.

- **Consumer Confidence in the US (24), in France (25), in Germany (26) and Italy (27)**

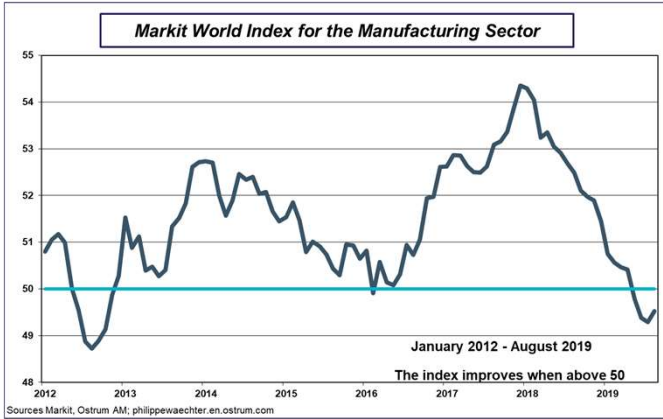
These surveys are important, notably the US conference board survey which highlights the US labor market behavior.

- **Personal consumption in August in the US and Fed's measure of the inflation rate (27)**

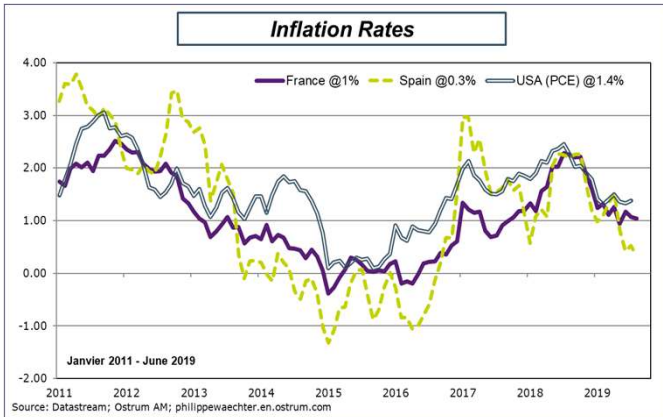
Consumption expenditures have been a strong contribution to the US dynamics this year. Retail sales suggests that its momentum was still high during Summer months. This will probably be a confirmation. At the same time, the PCE price index will not show strong acceleration in the inflation rate in August.

- **Durable goods orders in August in the US (27)** – An important indicator to apprehend the corporate investment dynamics. It has been weak recently
- **CPI release for September, flash estimates for France (27), Spain (27), retail sales in Spain (27)**
- **Final US GDP data for the third quarter (2%) (26) and Case Shiller price for the US real estate**

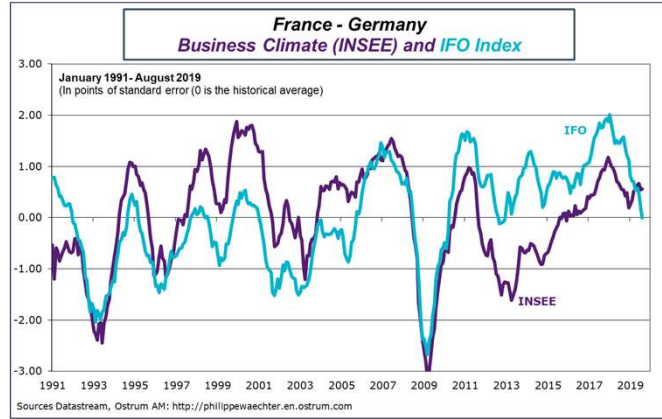
MAIN GRAPHS



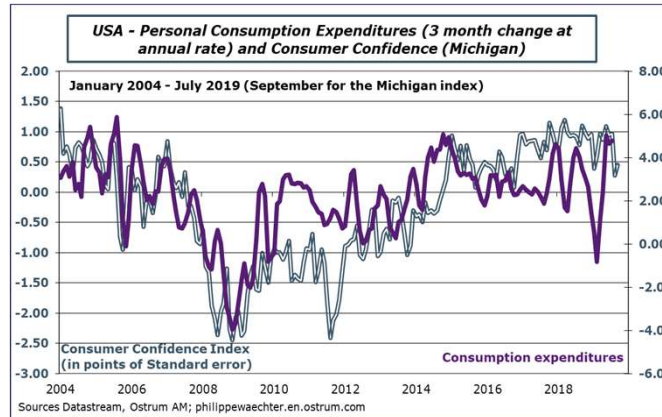
The global Markit index for the manufacturing sector has dropped deeply since the end of 2017. It has been in negative territory for 4 months. The recent stabilization is a positive signal but it was before the rapid slowdown of the US manufacturing sector. It may be temporary.



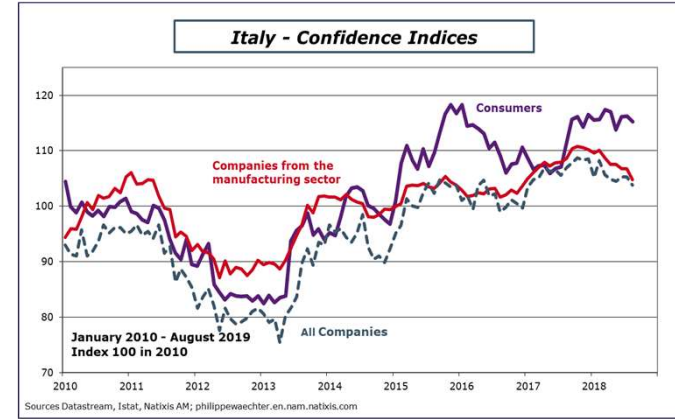
The inflation rate will not reverse the recent trend. Even energy which is on average more expensive than in August will not provoke a strong contribution as the oil price last year was above USD 80.



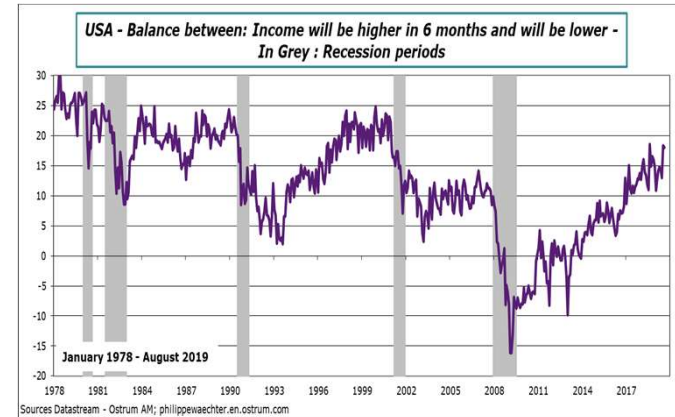
Germany and France follow the same business cycle and Germany is not necessarily the leader. Nevertheless, due to the strong Asian recovery the German index was way above its historical average. In August it was back to that average level. At the same time, the French situation is improving.



Consumer confidence is still at a very high level in September (confirmation of it next Friday with the second estimate of the index). Consumption expenditures have been very volatile in recent quarters. Confidence is not sufficient.



Interesting divergence in Italy between a strong consumer confidence index and the weakness seen in the corporate surveys. The divergence is relevant after the Italian general elections last year. The 5 stars-Liga coalition has not convinced the Italian corporate sector. The new government may reverse this trend.



American people are very optimistic on the evolution of their income in coming months. The level of this index is comparable to what was seen in the past. The crisis has been erased.

ADDITIONAL NOTES

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