

Week Ahead Economic Overview

- Eurozone monetary policy announcement
- Manufacturing production numbers for the US
- UK labour market and inflation update
- Fourth quarter China GDP data

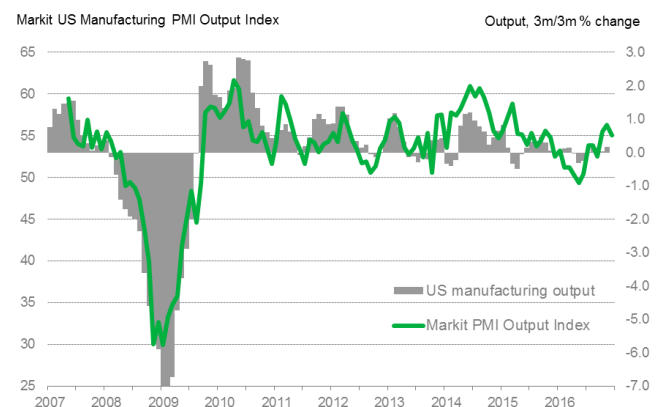
The markets will turn their attention towards Frankfurt next Thursday, when the European Central Bank announces its latest monetary policy decision. Over in the US, the release of manufacturing production numbers, real earnings data and the consumer price index will provide clues on the health of the world's largest economy. Meanwhile, GDP growth in China is expected to remain broadly unchanged while UK labour market data and inflationary figures complete the main data releases next week.

When the ECB met at the end of 2016, the Governing Council voted to [extend its asset purchase programme](#), while also setting out plans to reduce their monthly asset purchases. The intention was to reinforce the **eurozone's** economic recovery ahead of challenging political headwinds over the coming months, while also recognising the recent set of stronger economic data. [Survey data for the final month of 2016](#) was particularly impressive, pointing to the fastest expansion in the eurozone's economy since May 2011. However, monetary policy is expected to be kept unchanged, with the central bank maintaining its current benchmark interest rate at 0% for the eighth successive month.

Beforehand, an update on inflationary trends in the euro area will be published, with policymakers looking for further signs of a pick-up in prices. The consensus is for Eurozone consumer prices to increase 1.1% on an annual basis in December, up from 0.6% in November and the highest inflation rate since September 2013. Latest construction output figures and the euro area ZEW economic sentiment index will also provide a further assessment of conditions in the eurozone economy.

The **US** economy ended 2016 in a strong position, with December's set of PMI survey data signalling solid upturns in both the [manufacturing](#) and [service](#) sectors. In fact, the US goods-producing sector grew at the sharpest rate for nearly two years, fuelled by stronger domestic demand. When official manufacturing production data are updated on Wednesday, analysts will therefore look for confirmation of the sector's recent malaise lifting. US manufacturing output rose only 0.1% on an annual basis during November, with improving survey data suggesting December's figure should likely increase. Updates on capacity utilization and industrial production data will also offer clues to the health of the US goods producing sector.

US Manufacturing output



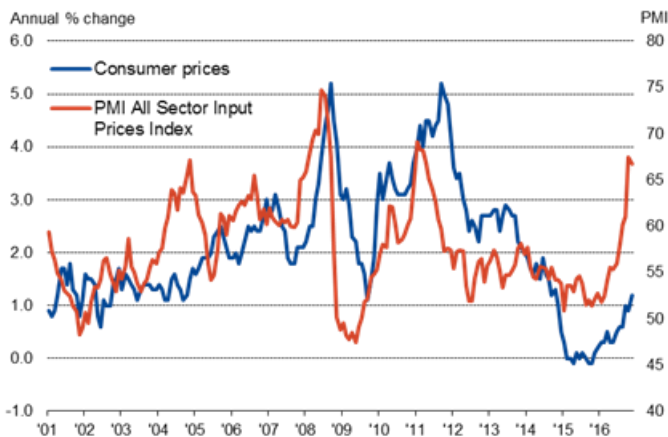
Sources: IHS Markit, U.S. Federal Reserve

The US Bureau of Labor Statistics also updates its consumer price index and real earnings data. Forecasters expect consumer price inflation to rise to 2.1% from 1.7% in November.

With the Bank of England due to have its first monetary policy committee meeting for 2017 at the beginning of February, data watchers will pay careful attention when the Office for National Statistics updates both its inflation figures and unemployment rates next week, gauging the likelihood of monetary policy change. [UK inflation hit a two-year high in November, amid rising producer costs](#) stemming from a weaker pound and

higher global commodity prices, while the UK [labour market weakened in the three months to October](#) as firms reduced headcounts in the face of Brexit-uncertainty. UK inflation looks likely to pick up to 1.4%, though underlying wage growth is expected to hold steady at 2.6%. Unemployment should meanwhile hold steady at 4.8%.

UK Inflation and producer prices



Source: IHS Markit, Office for National Statistics.

Over in China, forecasters are anticipating GDP growth for the fourth quarter to remain broadly unchanged from the 6.7% expansion registered in Q3. However, [PMI survey data pointed to the best quarter for nearly six years](#), with stronger expansions in both manufacturing and services suggesting there's some upside risk. Updated industrial output data and retail sales indicators will also give clues to the strength of Asia's largest economy.

Caixin PMI v China GDP



Monday 16 January

In Australia, the latest AIG Construction Index is issued. Corporate goods prices and machinery orders data for Japan are released. Indian inflation data is out including breakdowns for food, fuel and manufacturing. Russian foreign trade numbers are published. Meanwhile, consumer prices data are issued in Italy.

Tuesday 17 January

Retail sales data for Australia are updated. The Ministry of Economy, Trade and Industry in Japan provides latest capital utilisation numbers as well as industrial production data. In South Africa, mining production figures are issued. The ZEW publishes its indicator of economic sentiment in the euro area and Germany. Trade balance data in Italy are issued.

The Office for National Statistics issues its latest set of inflation data for the UK.

The Brazilian IGP-10 inflation index is updated.

Wednesday 18 January

Money supply data for India is published. The South African consumer prices index is announced, alongside an update on latest retail sales data. Eurozone inflation figures and construction output data are released.

In Poland, employment figures are out along with wages data.

The latest batch of unemployment data are updated in the UK.

The Bank of Canada announces its interest rate decision.

In the US there is an update on the consumer price index and real earnings data, along with the release of manufacturing and industrial production numbers and capacity utilisation figures.

Thursday 19 January

House price data for China is issued.

The ECB committee members meet to make their latest interest rate and monetary policy decisions.

Latest data from the Netherlands consumer confidence survey are released.

An update is provided on industrial output numbers, retail sales figures and the producer prices index in Poland.

Canadian manufacturing sales are published.

Friday 20 January

In China, industrial output and retail sales indicators are issued, alongside latest GDP numbers.

Bank lending data and foreign reserves numbers for India are published.

Meanwhile, producer prices data are out in Germany.

Retail sales data in the UK and Canada are issued, along with the latest Canadian consumer prices index.

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