

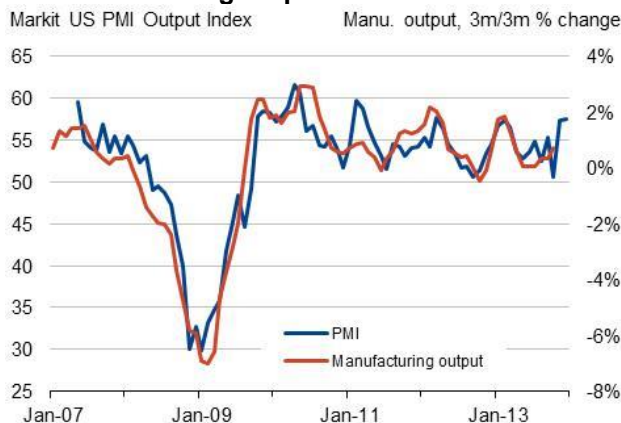
Week Ahead Economic Overview

- **US retail sales set to improve, but UK may disappoint**
- **UK inflation may hit Bank of England's target of 2.0% for first time since late-2009**
- **Eurozone industrial output might pick up**

The week sees further clues to US growth in the fourth quarter, as well as UK retail sales and inflation in December. Euro area industrial production and Japanese trade data are also notable highlights.

The US sees a wealth of data published for December, including retail sales, industrial production, housing starts and inflation, as well as the University of Michigan's consumer confidence survey for January. Buoyant Markit PMI™ surveys indicate [robust growth in both manufacturing and services](#), consistent with GDP growth slowing only slightly in the final quarter from the 4.1% annualised pace seen in the third quarter. Therefore, we should see some improvements in the production and sales numbers. Inflation is meanwhile expected to remain benign, with core prices up just 0.1%.

US manufacturing output



Sources: Markit, EcoWin.

In the UK, the focus will be on consumers. Retail sales data will reveal how spending fared over the all-important Christmas period. Trading results from retailers have been mixed, but certainly do not point to a bumper month, though perhaps with the exception of online retail sales. Sales have disappointed so far in the fourth quarter, which puts a question mark over

whether [GDP growth can meet the 0.8% rise seen in the third quarter](#).

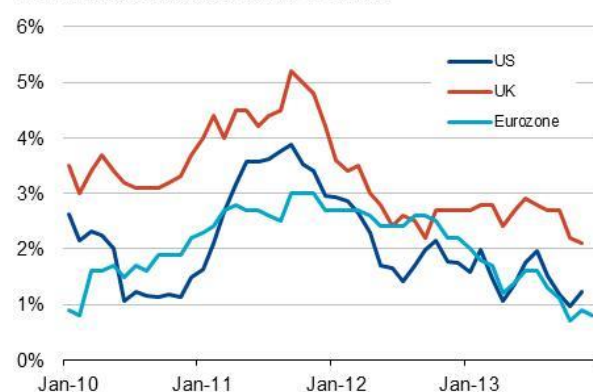
Discounting could mean UK inflation may fall further from [November's four-year low of 2.1%](#), meaning CPI would hit the Bank of England's 2.0% target for the first time since late-2009. Survey data from the British Retail Consortium showed widespread discounting led to the largest year-on-year fall in shop prices since the survey started in 2006. Lower inflation will provide a relief to Bank of England policymakers, providing more leeway to keep interest rates at a record low for as long as possible to generate a sustainable recovery.

Brighter news should come from official house price data, though this may merely raise concerns about a property price bubble in London.

Industrial production in the euro area is likely to have picked up in November, given that the PMI has been signalling the [fastest manufacturing output growth since mid-2011](#) in recent months. However, the final CPI data are also likely to confirm worries about the growing threat of deflation, after flash data showed the weakest rate of core inflation in the history of the euro.

Inflation rates

Consumer price inflation, annual % change



Source: EcoWin.

Over in Asia, the main data releases are trade and consumer confidence indicators for Japan. These are likely to show [exports proving the main impetus to economic growth](#) while consumers remain downbeat. The Bank of Japan's stimulus has boosted exports, according to the manufacturing PMI, which is running at its highest since mid-2006, buoyed by a weaker yen.

Monday 13 January

The Ulster Bank Ireland Construction PMI™, produced by Markit, is released.

Industrial production numbers are published in Italy, as well as India.

The federal budget is announced in the US.

Tuesday 14 January

Japan sees bank lending and current account data.

French international trade figures are released.

France also sees inflation data, as do Italy and the UK. The numbers for the UK also include house prices.

Industrial output figures are published for the eurozone.

The US sees retail sales, business inventories and import prices data.

Wednesday 15 January

Money supply numbers and the latest results from the economy watchers survey are published in Japan.

International trade figures are issued for the euro area.

Consumer prices data are released in Spain.

The US sees producer prices, followed by the latest results from the empire state survey.

The Federal Reserve also publishes their latest edition of the Beige Book.

The central bank in Brazil announces their latest monetary policy decision.

Thursday 16 January

Key machinery order numbers and the METI tertiary activity index are published in Japan.

Italy sees international trade data.

The final estimates of December consumer prices are released in Germany and the wider eurozone.

Consumer prices numbers are also published in the US, along with initial jobless claims and results from the NAHB builders and Philadelphia Fed's surveys.

Friday 17 January

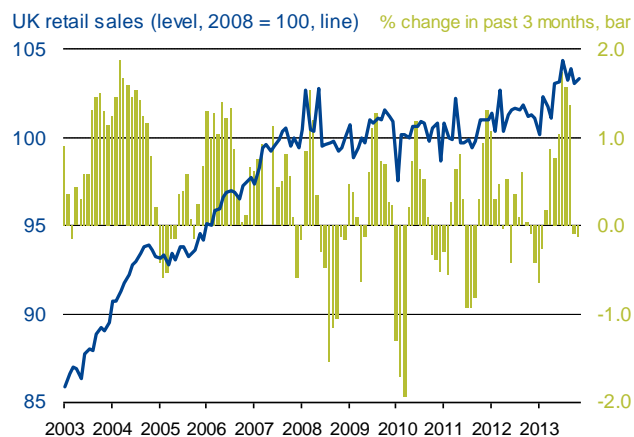
Consumer confidence indicators from the Cabinet Office are published in Japan.

December retail sales numbers are released in the UK.

Building permits, housing starts, industrial production and capacity utilisation data are released in the US.

The US also sees the preliminary estimate of consumer confidence from the University of Michigan.

UK retail sales



Source: Markit, ONS via Ecowin.

Japan exports



Sources: Markit, JMMA, EcoWin.

Markit's [commentary notes](#) and [press releases](#) can be accessed online, as can a diary of [forthcoming Markit release dates](#).

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