

Week Ahead Economic Overview

- **FOMC taper decision**
- **Flash PMIs for China, US and eurozone**
- **UK labour market and GDP data to guide policy**

The markets will be trading water in the lead up to the US FOMC decision on Wednesday, though flash PMIs released on Monday will also guide sentiment about growth momentum in China, Europe and the US.

A stronger-than-expected run of [non-farm payroll data](#) and a surprise slide in the US unemployment rate to a five-year low of 7% has increased the likelihood of the FOMC deciding to start tapering its huge \$85bn monthly injections into the economy at its December meeting.

The fact that the markets have also started to greet good economic news positively may also encourage the Fed, as it suggests that tapering will not cause the rise in risk aversion seen back in May. Key to the successful transition to a normalisation of policy will be managing expectations of very slow adjustments to the stimulus, so the December meeting may be limited to forward guidance, notable in the press conference.

Monday's flash PMIs from Markit will provide insight into how the year has ended for the US, eurozone and China. [November data](#) had shown the global upturn rebounding. However, while growth is likely to have remained firm in the US in the fourth quarter and picked up in [China](#), there are renewed worries about the [eurozone](#), where the PMI fell for a second month running in November, with renewed downturns in France and Italy of particular concern. The US also sees the services flash PMI published on Wednesday.

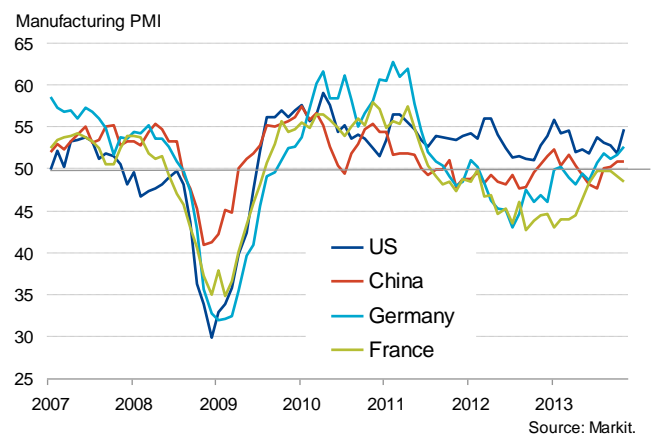
In the UK, all-important labour market data will be accompanied by updates to government borrowing, retail sales, inflation, services output and a new estimate of third quarter GDP data. Unemployment fell to 7.6% in September, and there is a [strong chance of the rate falling further to 7.5% in October](#), moving closer to the Bank of England's policy threshold of 7%. Average earnings data will also be under the microscope given the current focus on the cost of living. We expect [pay growth to start edging higher](#), alongside

the tightening labour market. The first indication of the plight of UK households in December will also be revealed by Markit's [Household Finance Index](#).

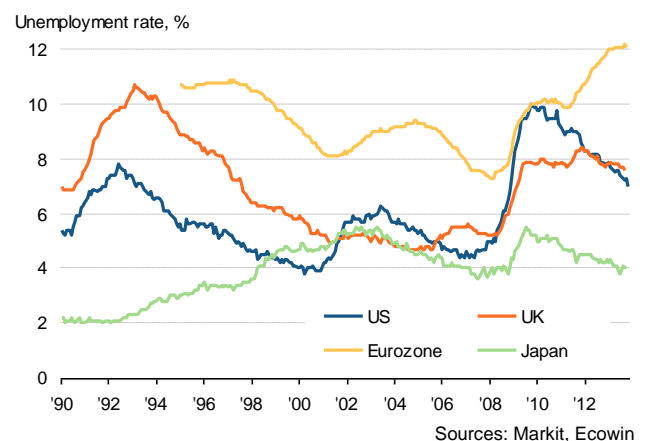
There is a strong chance that UK inflation could tick higher after slumping to a surprise one-year low of 2.2% in October, while GDP data (currently showing a 0.8% rise in the third quarter) [may get revised up](#) if services output data for September come into line with the strong survey results.

An upbeat-sounding Bank of Japan is meanwhile not expected to add any further stimulus. Its policy decision comes after the Tankan survey, which looks likely to have followed the [PMI](#) upwards in the fourth quarter, though this in part reflects spending being brought forward ahead of next year's sales tax rise – something the government is planning to soften with a mini-stimulus package.

Markit Flash Manufacturing PMIs



Unemployment



Monday 16 December

Markit Flash PMI™ data for December are released for China, the eurozone and the US.

The Tankan survey results are published in Japan.

International trade data are issued for Italy and the wider euro area.

Results from the CBI industrial trends survey are released in the UK.

Labour costs and productivity data are out in the US, alongside industrial production and capacity utilisation numbers.

Tuesday 17 December

Minutes from the previous Reserve Bank of Australia policy meeting are published.

Inflation numbers are released in the UK and the eurozone. Employment and labour costs figures are also out for the euro area.

ZEW sentiment indicators are meanwhile published for Germany.

Consumer prices and current account data are released in the US, as well as the latest results from the NAHB builders survey.

Wednesday 18 December

Customs cleared trade data are released in Japan, alongside an update on Chinese house prices.

Monetary policy decisions are announced in India and the US, while minutes from the Bank of England's meeting are published.

The UK also sees unemployment data and the CBI distributive trades survey results.

In Germany, IFO sentiment indicators are the highlights.

The Markit Flash US Services PMI™ will provide an early indication of business trends in the service sector in December.

Building permits and housing starts data are also published in the US.

Thursday 19 December

Both the leading indicator (Cabinet Office) and all industry activity index are published in Japan.

UK retail sales are also published.

Initial claims and existing home sales data, the leading indicator (Conference Board) and the Philadelphia Fed's survey results are released in the US.

Friday 20 December

The Bank of Japan announces their latest monetary policy decision.

The Knight Frank/Markit UK House Price Sentiment Index is published.

Consumer confidence data for Germany and the UK (both GfK) and the eurozone (European Commission) are released on Friday.

INSEE meanwhile provides an update on French business sentiment.

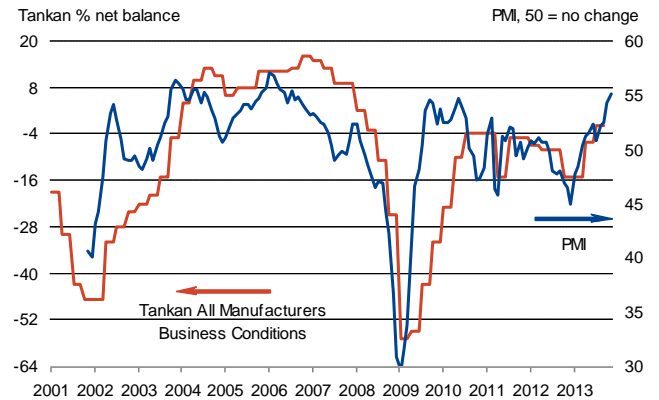
Germany also sees producer prices numbers.

Industrial orders and retail sales figures are released in Italy, while current account data are out in the eurozone.

The final estimate of third quarter GDP is released in the UK, alongside services output, current account and public sector net borrowing data.

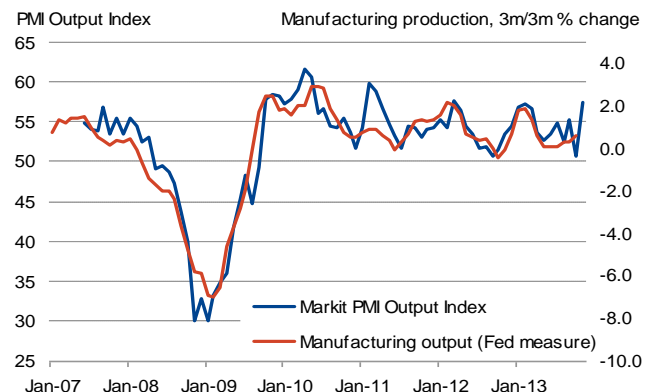
The US similarly sees an update on third quarter GDP.

Japanese manufacturing



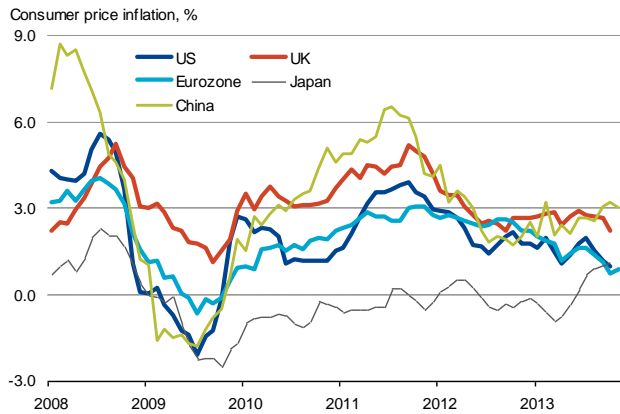
Sources: Markit, Bank of Japan.

US manufacturing



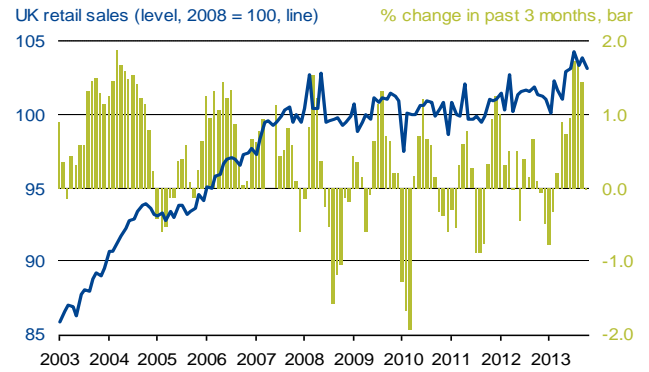
Sources: Markit, Ecowin/US Federal Reserve.

Inflation



Source: Ecwin.

UK retail sales



Source: Markit, ONS via Ecwin.

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

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