

Week Ahead Economic Overview

- Will the Fed start tapering?
- MPC minutes to give clues on BoE stance
- Inflation data released for US, EZ and UK

The week will be dominated by the US Fed's policy meeting and whether it will decide on Wednesday to start tapering its \$85bn per month asset purchase programme. Three-quarters of economists polled by Reuters expect the taper to start this month, despite a weaker than expected employment report for August. The unemployment rate, which is being targeted by the Fed fell to 7.3%, its lowest since 2008, though the drop was driven by people leaving the workforce rather than strong job creation. Non-farm payrolls rose 169,000 against expectations of a 180,000 rise.

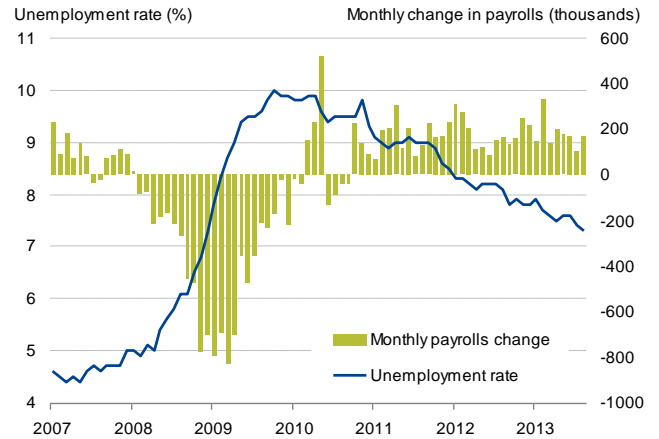
Perhaps most likely is a token gesture of a small reduction to the stimulus programme, sending a reassuring signal that the economy is recovering and that the tightening of policy will be carefully engineered in line with the economic data flow.

The minutes from the latest Bank of England Monetary Policy Committee meeting will also be heavily scrutinised, showing how the Bank views the health of the UK recovery. The MPC surprised the markets by not publishing a statement after the meeting to state that it did not believe the recent increase in bond yields to be warranted, given its 'forward guidance' that rates are not set to rise until at least 2016.

The MPC is likely to have been split: on one hand survey evidence has indicated that the economy is growing much faster than expected, with GDP on course to grow by at least 1% in the third quarter. On the other hand, the economy remains 3% smaller than before the crisis and unemployment is still at 7.8%, pointing to excess capacity in the system which needs to be mopped up before inflation becomes a concern.

Other data to watch are inflation, retail sales and government borrowing in the UK, as well as industrial production and inflation data in the US. The eurozone publishes employment and inflation data, and also sees trade data for Italy and the ZEW survey of German investor sentiment.

US labour market



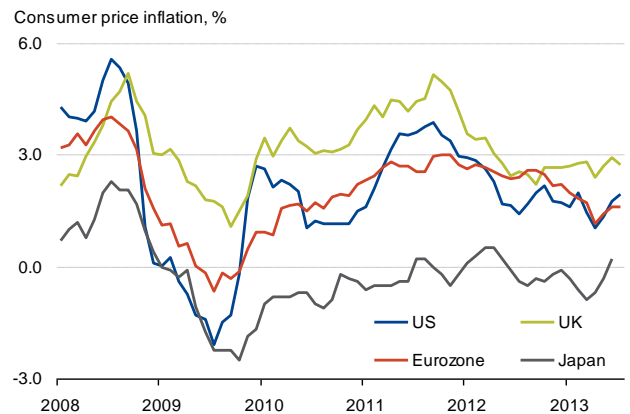
Source: EcoWin.

UK business surveys



Source: Markit (CIPS, KPMG/REC Report on Jobs).

Consumer price inflation



Source: EcoWin.

Monday 16 September

In the eurozone labour costs and employment figures are released alongside an update on the HICP.

Meanwhile, CPI data and trade balance information are released for Brazil.

India publishes the latest wholesale price index.

In Russia, industrial output data are released.

In the US, the Empire State Manufacturing Survey, capacity utilisation data and industrial production figures are reported on Monday.

Italy publishes their trade balance.

Tuesday 17 September

Economic sentiment figures are published by ZEW for the eurozone and Germany.

The UK sees the publication of CPI data, input and output prices as well as an update on ONS house prices.

In the US, CPI figures are issued alongside the results from the latest NAHB builders survey.

In Canada, manufacturing sales data are published.

Current account figures are meanwhile released in the eurozone.

Wednesday 18 September

China publishes an update to Q2 GDP.

Minutes from the previous Bank of England's Monetary Policy Committee meeting are published in the UK.

Building permits, housing starts, MBA mortgage data are published in the US, as well as the FOMC's policy decision, alongside an update of the Fed's economic projections.

The Reserve Bank of India releases minutes of its latest meeting.

Meanwhile, Russia issues real wages data as well as retail sales figures and unemployment data.

Thursday 19 September

In Japan, the All Industry Activity Index and the leading indicator from the Cabinet office are published.

Retail sales data are meanwhile released in the UK.

Initial claims data are released in the US alongside current account figures, existing home sales, the leading indicator from the Conference Board and results from the Philadelphia Fed business survey.

Canada publishes wholesale sales data.

Friday 20 September

Knight Frank and Markit publish the latest results of the UK House Price Sentiment Index.

In the UK, public borrowing data and CBI industrial trends are released.

Italy issues industrial orders data.

CPI figures are published in Brazil and Canada, with the latter also seeing an update on the BoC core rate.

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