

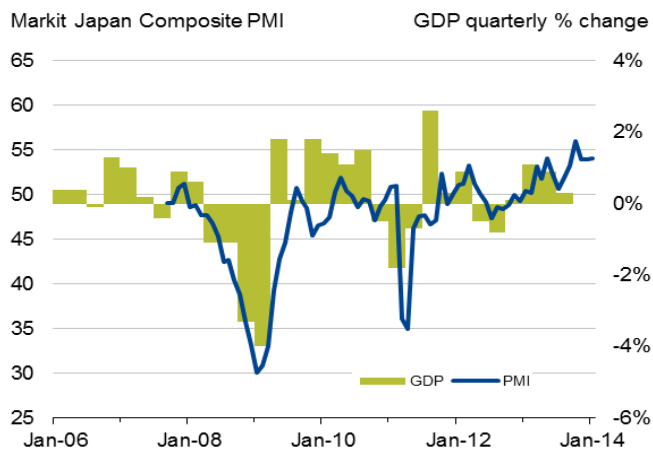
# Week Ahead Economic Overview

- Japan fourth quarter GDP
- Flash PMIs for China, Eurozone and the US
- UK labour market and retail sales updates
- US and UK inflation

Next week's economic calendar features the first estimate of fourth quarter GDP for Japan, flash PMI™ results for China, US and the Eurozone and an update on the UK labour market.

The first estimate of Japanese GDP for the final quarter of last year is expected to show that economic growth will have accelerated from the 0.3% expansion in the third quarter of 2013. The PMI surveys are broadly consistent with quarterly [GDP growth of 1.5-2.0%](#), led by a survey record increase in manufacturing output.

## Markit/JMMA Japan Composite PMI and GDP



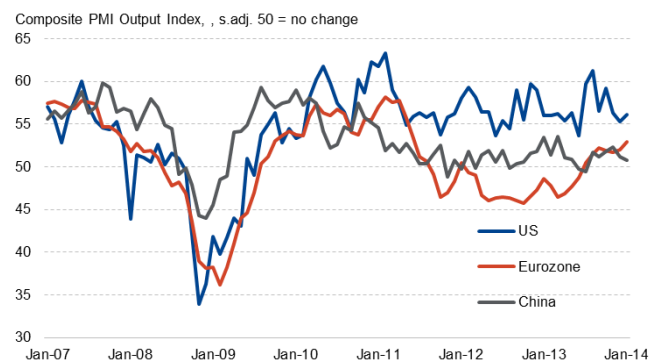
Sources: Markit, Cabinet Office (via Ecwin).

Other highlights of the week are Markit's flash PMI releases. January's survey data suggested that growth had slowed in China at the beginning of 2014, with the [Composite Output Index falling from 51.2 in December to 50.8](#). Much of this slower rate of expansion was attributed to [manufacturing](#), where the headline PMI posted below the 50.0 no-change mark for the first time since July 2013.

The flash PMI data will also show if the eurozone's growth momentum has been maintained into February, after growth in the [eurozone economy picked up speed to a two-and-a-half year high in January](#). Output

growth in Germany was the sharpest in 31 months, while the rate of contraction eased in France. Any further improvement in the PMI would reduce the likelihood of any further action by the ECB, after it disappointed many by leaving policy unchanged at its February meeting.

## Composite Output PMI



Sources: Markit, HSBC.

The PMIs will also give an important clue as to whether growth momentum has picked up again in the US after [cold weather caused a slowdown in January](#). The Fed needs to see signs of the economy gathering speed again, especially in terms of hiring [after two weak months of non-farm payroll growth](#), to justify further tapering of its asset purchases. The release of the latest UK labour market data will be closely watched by policy makers. The [unemployment rate fell to 7.1%](#) in the three months to November, its lowest level since March 2009. In its most recent Inflation Report, the Bank of England started to [downplay the importance of unemployment in policymaking](#), and instead focused on a wider range of economic variables to determine just how much slack is in the economy. Unemployment is likely to breach the Bank's 7.0% threshold some two years earlier than they envisaged when first setting out 'forward guidance' last summer, supported by strong survey data. January PMI data showed that [private sector hiring gathered momentum again](#) to equal October's all-time high.

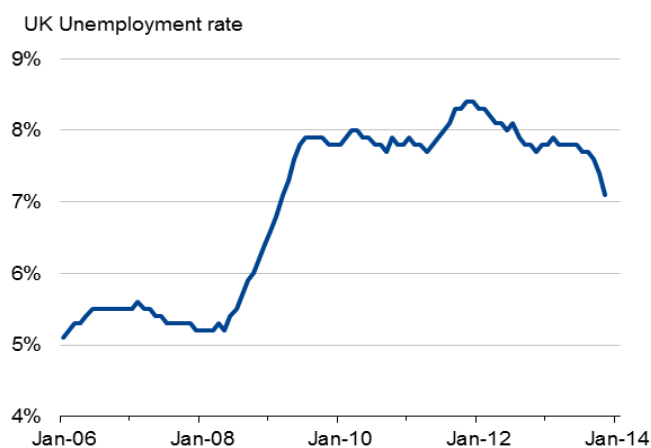
Perhaps most closely watched will be employee earnings data, which has been surprisingly subdued so far in the recovery. Any upturn, [as has been hinted at by surveys of recruitment agencies](#) would suggest that

the Bank's latest assessment of the economy is too dovish, and that rates may need to rise earlier and faster than currently envisaged.

Inflation in the UK is nevertheless meanwhile expected to have eased further in January, having fallen to the Bank of England's 2.0% target for the first time in over four years in December.

Inflation in the US is likely to have been pushed higher due to the improving economy and brighter consumer mood. However, the increase is likely to have been less than the 0.3% monthly rise seen in December.

### UK unemployment at 7.1% in November



Source: ONS (via Ecwin).

### Monday 17 February

The Markit UK Household Finance Index is published, followed by the Bank of Scotland Report on Jobs.

Japan issues its final industrial production numbers for December, alongside an update on capacity utilisation and its first estimate of Q4 GDP.

Industrial output data are published in Russia.

Italy releases an update on its current account numbers.

The CNI Industrial Confidence Index is published in Brazil.

### Tuesday 18 February

Current account numbers are released for the eurozone, while Italy publishes an update on its trade balance.

In the UK, consumer prices, house prices as well as input and output prices are issued.

Economic sentiment and current conditions data are released for the eurozone and Germany by ZEW.

Russia sees the publication of producer price figures.

The most recent Empire State Survey is published in the US, followed by the NAHB builders survey.

### Wednesday 19 February

Japan sees the release of the All Industry Activity Index, the Bank of Japan monthly report and its leading indicator.

Claimant count numbers and the ILO unemployment rate are issued in the UK, while the Bank of England publishes minutes from its latest MPC meeting.

Real wages, retail sales and unemployment numbers are released in Russia.

In the US, producer prices, building permit numbers and housing starts data are issued.

Canada sees the release of wholesale sales numbers.

### Thursday 20 February

The February Flash PMI is published by Markit for China, France, Germany, the Eurozone and the US.

Producer prices are issued in Germany, while France sees the release of consumer prices.

Industrial orders data are released in Italy.

The latest CBI industrial trends data are issued in the UK.

Brazil sees an update on its unemployment rate.

Consumer price data, initial claims, the leading indicator and the Philadelphia Fed Survey Index are all published in the US.

### Friday 21 February

Italy sees an update on inflation numbers.

Retail sales numbers and an update on public borrowing are issued for the UK.

In Canada, consumer price numbers and retail sales data are published alongside the Bank of Canada core rate.

Current account data are issued in Brazil.

### Chris Williamson

#### Chief Economist

Markit

Tel: +44 207 260 2329

Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

---

**Oliver Kolodseike**

**Economist**

Markit

Tel: +44 149 1461 001

Email: [oliver.kolodseike@markit.com](mailto:oliver.kolodseike@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com). The intellectual property rights to the report provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are either trade marks of Markit Economics Limited or are licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.