

Week Ahead Economic Overview

- Flash PMI for China, eurozone and the US
- GDP estimate for China
- UK unemployment and MPC minutes

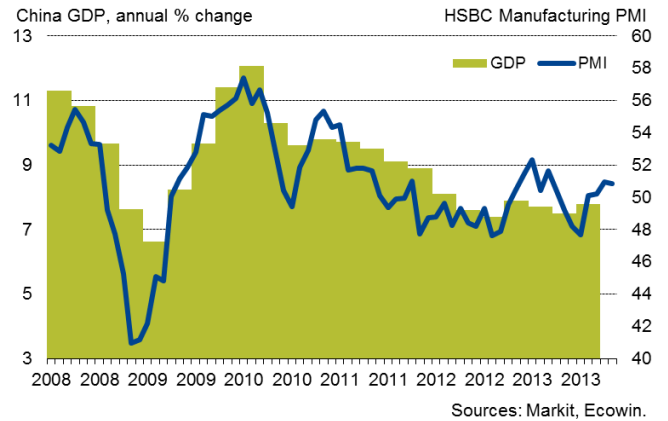
Next week sees a busy economic calendar, including GDP data for China over the weekend, flash PMI results for China, US and the eurozone during the week, plus the increasingly important UK labour market data.

Growth in China's economy is widely expected to have slowed in the fourth quarter. GDP is set to rise at an annual rate of 7.6% compared to 7.8% in the third quarter. That slowing has been signalled by PMI data: the all-sector PMI produced by Markit for HSBC hit a three-month low in December, and [the manufacturing PMI](#) also posted the weakest reading in three months, down to 50.5, the latter pointing to an easing in industrial production growth. The flash update of this manufacturing number for January will provide an important guide to whether the economy continued to slow at the start of the year.

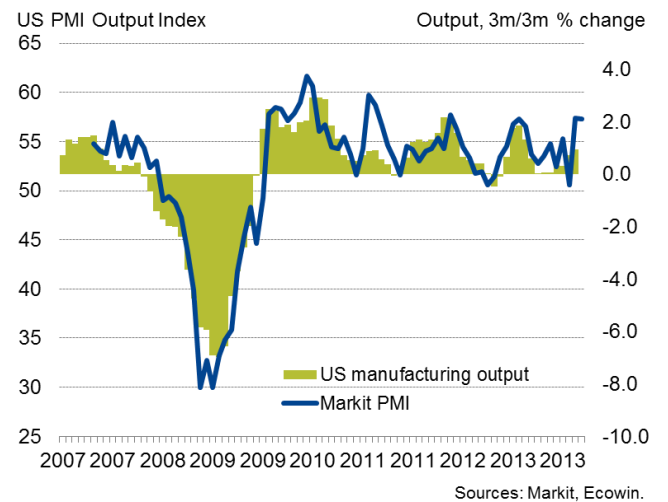
While the PMI data suggest China's growth looks to have slowed at the end of last year, growth picked up in the eurozone. At 52.1 in December, [Markit's Composite PMI Output Index](#) for the single currency area rose to its second-highest in two-and-a-half years. Growth is uneven though, with PMIs signalling robust growth in Germany but a deeper decline in France. January's flash PMI will therefore be watched not just for whether the region's recovery remains on track, but whether the national growth divergences have widened.

The PMIs will also give an important clue as to growth momentum in the US, and especially whether the non-farm payroll disappointment in December was only a temporary soft spot, perhaps linked to weather. [Markit's US Manufacturing PMI](#) hit an 11-month high of 55.0 in December signalling a strong end to the year. Importantly, the employment index signalled accelerating payroll growth. Ongoing robust data in January would of course add to the likelihood of a further Fed taper.

China GDP and the manufacturing PMI



Markit US manufacturing PMI ended 2014 on a robust note



Survey data point to rising pay pressures in the UK



Finally, UK unemployment looks set to continue to fall closer to the Bank of England's 7% threshold for considering higher interest rates. At 7.4% in the three months to October, the jobless rate has already fallen from 7.8% in June. Given the surging growth of employment that has been recorded by business surveys (recent PMI and the REC surveys have indicated employment to be growing at the fastest rate since late 1990s), we estimate that the 7% rate could have even been reached by the end 2013.

Policymakers will also be looking for signs that pay is starting to rise, something that is already apparent in the survey data. Upward pay pressures would be another sign that the Bank of England might look to review its forward guidance on when rates will rise.

The minutes from the last Monetary Policy Committee may also shed light on how united the members were about current policy guidance. It seems likely that, given the strength of the economy in recent months, rifts may have grown.

Monday 20 January

China releases its GDP estimate for the fourth quarter, followed by updates on industrial output and retail sales.

Revised industrial production figures are published in Japan, alongside an update for capacity utilisation.

Producer prices are meanwhile issued in Germany and Italy releases industrial orders data.

Tuesday 21 January

ZEW issues their latest economic sentiment and current conditions data for Germany and the eurozone.

Manufacturing sales and wholesale sales figures are released in Canada.

Wednesday 22 January

In Japan, the All Industry Activity Index is released, followed by the latest leading indicator.

The latest ILO unemployment rate is announced in the UK, alongside updates on public borrowing, average earnings and the claimant count. Furthermore, minutes from the last Monetary Policy Committee are issued.

Italy releases their current account figures.

The Bank of Canada announces its latest interest rate and publishes the Monetary Policy Report.

Thursday 23 January

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

INSEE publishes business confidence data.

CBI industrial trends data are issued in the UK.

Unemployment data are meanwhile released in Spain.

Initial claims figures, existing home sales data and the FHFA House Price Index are released in the US.

The IBGE issues an update on inflation in Brazil, alongside the publication of the latest COPOM monetary policy meeting minutes.

Canada sees its latest retail sales figures.

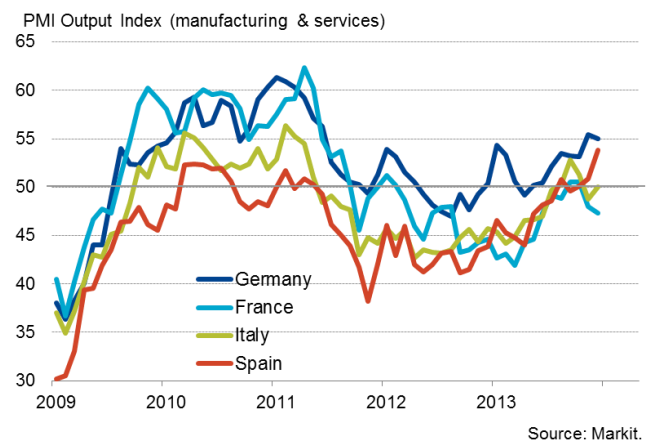
Friday 24 January

Germany issues an update on import prices, while Spain publishes producer price data.

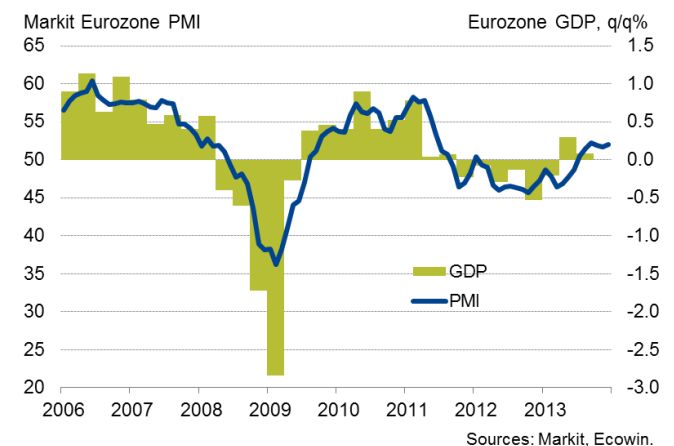
Retail sales numbers are released in Italy.

In Canada, the latest CPI is issued, alongside the Bank of Canada core rate.

Composite PMI Output Index



Markit Eurozone PMI hit a two-and-a-half year high in December



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Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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