

Week Ahead Economic Preview

- Inflation data for US and euro area to provide clues to future policy direction
- Germany federal election
- September flash Japan Manufacturing PMI to give important signals of growth at the end of Q3

US inflation, durable goods orders and housing market data will provide further Fed policy guidance, while ECB watchers will be parsing updated euro area inflation figures for clues as to the timing of the next ECB policy move. The week also sees the result of the eagerly awaited German federal election.

Updated UK GDP numbers could also affect the Bank of England's increasingly hawkish policy stance.

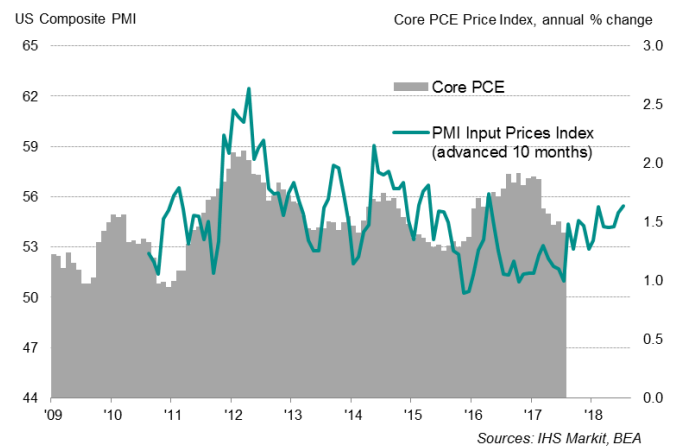
In Asia, the flash PMI for Japan and a host of official data releases are published alongside the Bank of Japan's latest meeting minutes, while the Caixin Manufacturing PMI will provide an important indication of production trends in China at the end of the third quarter.

In the US, the Fed's willingness to pare down its \$4.5 trillion balance sheet has reflected its intention to continue normalising monetary policy. [Survey data](#) showed an upturn in price pressures during August, sending an additional hawkish signal for policy. If personal consumption expenditure (PCE) price data chime with the signals from the PMI data that inflation is picking up, then another rate hike in December will look increasingly likely. Following the latest FOMC meeting, Fed funds futures indicate that there is a 70% chance of a rate increase by December, up from 46% just a week ago.

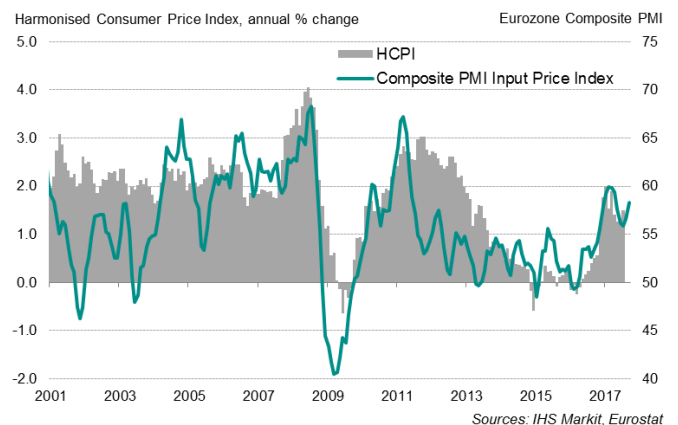
Meanwhile, US durable goods orders and housing statistics will be assessed for consumption and investment trends.

As is the case in the US, the markets will eagerly await euro area inflation statistics to gauge the future direction of monetary policy. The ECB is expected to wind down its asset purchase programme in response to [firmer growth in the euro area](#), but concerns over the strength of the euro — and its dampening effect on inflation — has raised some doubts as to whether a decision to end its stimulus scheme will be announced as soon as the October policy meeting.

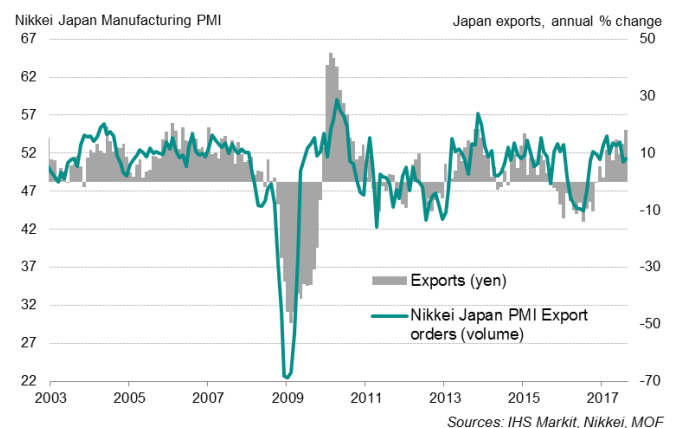
US PMI and core PCE price index



Eurozone PMI and inflation



Japan PMI and export growth



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Analysts will also be keenly watching the German federal elections on Sunday September 24. Results of the Dutch and French elections held earlier in the year significantly eased expectations of political risks. A successful campaign for Chancellor Angela Merkel will go some distance to further allay those worries relating to the rise of populism.

The UK economic diary includes the final estimate of GDP in the second quarter. The current estimate stands at 0.3%, unrevised from the preliminary figures. [Recent PMI data](#) suggest that the sluggish pace of expansion persisted into the third quarter.

In China, the Caixin China Manufacturing PMI will provide an important lead on economic performance at the end of the third quarter. The data will be released on Saturday September 30, ahead of a seven-day national holiday. China analysts will also be eyeing industrial profit numbers to assess the health of the industrial sector.

Meanwhile, September's flash PMI survey for Japan's manufacturing sector will give early indications as to how growth, and export performance in particular, has progressed at the end of the third quarter. Recent official data showed [strong annual growth in Japan's exports](#) during August, confirming the pick-up signalled by the earlier PMI survey data. However, the survey data suggest the extent of the upturn has likely overstated the underlying picture in the third quarter. A range of economic data, including unemployment, construction output, inflation, industrial output and retail sales will provide further insights into the health of Japan's economy, as with the minutes from the Bank of Japan's latest policy meeting.

Monday 25 September

Nikkei Flash Japan Manufacturing PMI (September)

BoE Financial Policy Committee statement

Germany IFO surveys (September)

US Chicago Fed National Activity Index (August) and Dallas Fed Manufacturing Index (September)

Brazil consumer confidence (September)

Tuesday 26 September

France business confidence (September)

US new home sales (August), CB consumer confidence (September) and S&P/Case-Shiller home prices (July)

Wednesday 27 September

BOJ meeting minutes (July 19-20)

Bank of Thailand interest rate decision

China industrial profits (August)

France consumer confidence (September)

Italy business and consumer confidence (September)

UK Nationwide housing prices (September)

US durable goods orders and pending home sales (August)

Thursday 28 September

Vietnam GDP (Q3)

Germany preliminary inflation (September) consumer confidence

Euro area business and consumer confidence (September)

Spain preliminary inflation and business confidence (September)

US GDP and PCE prices (Q2 final)

US wholesale inventories (August) and Kansas Fed Manufacturing Index (September)

Friday 29 September

Japan unemployment rate, retail sales, construction orders and housing starts (August)

South Korea and Thailand industrial production (August)

Australia private sector credit (August)

India infrastructure output (August)

Germany retail sales (August) and unemployment rate (September)

Euro area, France and Italy preliminary inflation (September)

UK GDP and business investment (Q2 final)

UK consumer confidence (September), mortgage approvals and lending (August)

US PCE prices, personal income and spending (August)

US Michigan consumer sentiment surveys (September)

Bernard Aw

Principal Economist

IHS Markit

Tel: +65 6922 4226

Email: bernard.aw@ihsmarkit.com

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