

## Key events in developed markets

Expect UK PMIs to follow the global downtrend in the coming week while investors will be eyeing eurozone data to assess strength in the service sector. In the US, the September employment report is set to steal the limelight



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### **US economy experiencing some bumps - but not dropping off a cliff**

The Federal Reserve has characterised the interest rate cuts of July and September as a mid-cycle adjustment to ensure US economic growth remains robust in the face of the headwinds from weaker global activity and trade relations. However, recent data has suggested that the US manufacturing sector is in recession, capital expenditure plans are being cut and the pace of hiring is slowing. Consumer confidence has also been declining, suggesting some contagion to the more domestically focused parts of the US economy.

This week, we will get the ISM manufacturing report, which may improve modestly given regional surveys did not fall as fast as this national ISM measure has done recently, but it will be the labour market that is the focus. All indications suggest that it is tight with unemployment at multi-decade lows, but uncertainty appears to be making more and more firms wary about hiring. We therefore expect further evidence to suggest that payroll growth is sitting closer to 150,000 per month versus more than 200,000 per month over the past few years. As such, the US economy is not dropping off a cliff, but it is set to experience a weaker period of growth. Consequently, we think

the Fed will choose to lower interest rates again in December and early 2020.

### **UK PMIs set to underline economic fragility**

The UK manufacturing sector has been volatile over recent months. Brexit-related stockpiling helped boost production in 1Q19, before subsequently falling back in 2Q. It's unclear whether firms will again have seen a modest increase in new orders as businesses prepare for the current 31 October deadline. Either way, with inventory still high and warehousing space limited, any increase in the manufacturing PMI will be modest and will remain well below the breakeven 50 level. Of course, it's worth remembering that manufacturing represents only around 10% of the UK economy, and the continued domestic and global uncertainty is continuing to weigh on the much larger service sector.

That said, we think it's unlikely that the Bank of England will follow the Fed and ECB into policy easing just yet.

### **Eurozone: All eyes on service sector strength**

The eurozone focus next week will be on service sector strength. The September PMI showed a marked weakening in service sector activity, increasing worries that the manufacturing downturn is starting to spill over to the wider economy. The unemployment rate for August will shed light on whether the economy will still be supported by tailwinds from the labour market. On Thursday, August retail sales will provide insight into 3Q consumer spending. The volatile indicator ticked down in July and without a bounce-back in August, consumer spending could well contribute negatively to GDP growth in 3Q. What looks like the most important indicator is inflation, to be released on Tuesday. While always important to keep an eye on, it looks like it remains stuck around 1% for the moment, so the September inflation release will likely just be glanced over by the ECB bar any big surprises.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Sunday 29 September</b>					
Eurozone	1900	ECB's Lautenschlaeger Speaks in Luxembourg			
Austria	-	Austrian National Elections			
<b>Monday 30 September</b>					
Japan	0050	Aug Retail trade (SA MoM/ YoY%)	-/-	-/-	-2.3/-2.0
	0050	Aug P Industrial production - Prel (MoM/YoY%)	-/-	-/-	1.3/0.7
	0050	BOJ Summary of Opinions			
Eurozone	1000	Aug Unemployment Rate (%)	7.5	-	7.5
Germany	0855	Unemployment Change (000's)	-	-	4.0
	0855	Unemployment Rate (%)	5.1	-	5.0
	1300	P CPI (MoM/YoY%)	0.1/1.4	-/-	-0.2/1.4
UK	0930	2Q F GDP (QoQ/YoY%)	-0.2/1.2	-/-	-0.2/1.2
Italy	1000	P HICP (YoY%)	-	-	0.5
	-	Bank of Italy to Release 2Q Credit Conditions and Risk			
Spain	0800	P HICP (MoM/YoY%)	-/-	-/-	-0.1/0.4
Norway	0700	Aug Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	0.8
<b>Tuesday 1 October</b>					
US	1500	ISM Manufacturing	51.0	50.5	49.1
	-	Fed's Evans (0815) and Bowman (1430) Speaks			
Japan	0050	3Q Tankan Manufacturing Index	-	2.0	7.0
	0050	3Q Tankan Non-manufacturing Index	-	20.0	23.0
Eurozone	0900	F Markit Manufacturing PMI	45.6	-	45.6
	1000	A Core CPI (YoY%)	0.9	-	0.9
	1000	Flash CPI (YoY%)	0.9	-	1.0
UK	0930	Markit/CIPS Manufacturing PMI	48	-	47.4
Canada	1330	Jul GDP (MoM/YoY%)	0.1/1.4	-/-	0.2/1.5
Australia	0530	RBA Cash Rate Target	1.00	1.00	1.00
	1020	RBA Governor Lowe Speaks in Melbourne			
Norway	0800	DNB/NIMA Manufacturing PMI	-	-	53.8
<b>Wednesday 2 October</b>					
US	1315	ADP Employment Change (000's)	125	140	195
	-	Fed's Barkin (1300), Harker (1400) and Williams (1550) Speaks			
Japan	0050	Monetary base (JPY tr)	-	-	516
	0600	Consumer confidence index	-	-	37.1
<b>Thursday 3 October</b>					
US	1500	ISM Non-manufacturing	55.0	55.2	56.4
	0745	Fed's Evans (0745), Rosengren (1330) and Mester (1710) Speaks			
Japan	0200	BOJ Board Member Funo Speech in Shimane			
Eurozone	0900	F Markit Services PMI	52.0	-	52.0
	0900	F Markit Composite PMI	50.4	-	50.4
	1000	Aug Retail Sales (MoM/YoY%)	0.2 / 1.9	-/-	-0.6/2.2
	0900	ECB's Rehn Press Briefing on Economic Outlook, Monetary Policy			
UK	0930	Markit/CIPS Services PMI	50.5	-	50.6
	0930	Markit/CIPS Composite PMI	50.3	-	50.2
Australia	0230	Aug Trade balance (A\$mn)	-	-	7268
Sweden	0730	Sep Swedbank/Silf Services PMI	-	-	54.1
<b>Friday 4 October</b>					
US	1330	Change in Nonfarm Payrolls ('000s)	150	140	130
	1330	Unemployment Rate (%)	3.7	3.7	3.7
	1330	Average Hourly Earnings (MoM/YoY%)	0.3/3.2	0.3/3.2	0.4/3.2
	1330	Participation Rate	63.2	-	63.2
	1330	Aug Trade Balance (US\$bn)	-56.0	-55.0	-54.0
	1525	Fed's Bostic Speaks at Tulane University			
Australia	0230	Aug Retail sales (MoM%)	-	-	-0.1
	0230	RBA Financial Stability Review			

Source: ING, Bloomberg

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