

# Week ahead economic calendar [03 - 07 Oct]

## PMI™ surveys to provide backdrop to ECB and BoE monetary policy decisions

- **PMI™ survey data eagerly anticipated ahead of BoE and ECB policy decisions**
- **US non-farm payrolls number to take centre stage on Friday**

Manufacturing PMI™ surveys for September are published around the world on Monday, followed by service sector PMIs on Wednesday. The results will be particularly closely watched for guidance on whether the Bank of England and European Central Bank will loosen policy on Thursday.

With Bank of England Monetary Policy Committee members David Miles and Ben Broadbent both making recent dovish speeches, expectations have grown that the Bank will choose to embark on more quantitative easing. It's uncertain whether the bank will make a decision in October or will delay until more information on the health of the economy, including the updated growth and inflation projections, becomes available. Final GDP data for Q2 are also published on Wednesday, and any revision from the current 0.2% growth estimate could also influence the Bank's decision makers, although no such revision is anticipated.

In Europe, recent PMI and European Commission surveys have shown that both business and consumer confidence has fallen sharply in the past two months, with declines previously exceeded only by the two-month drop seen in the immediate aftermath of the Lehman's collapse. Calls for the ECB to either reverse the two interest rate hikes made earlier in the year, or embark on quantitative easing, have grown louder in response to a broad-based slowdown across the Eurozone economy. On the other hand, hawks will be concerned by a surge in consumer price inflation from 2.5% to 3.0% in September. On balance, it looks like the ECB will choose to do nothing.

In the US, non-farm payrolls round off a busy week, which includes the ISM surveys and a speech by Fed Chairman Bernanke, all of which will be eyed for clues as to whether the Fed is considering more stimulus. Non-farm payrolls showed no growth in August and, while jobless claims have fallen more than expected, payroll growth in September is unlikely to have exceeded the 40,000 average seen over the previous four months. Such anaemic growth is insufficient to prevent an increase in the unemployment rate, which currently stands at 9.1%.

### Monday

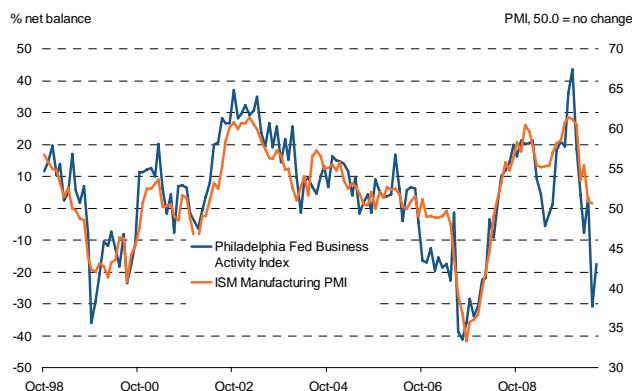
The Bank of Japan will publish the results of its **quarterly Tankan survey** early Monday morning. Business sentiment among large manufacturers likely picked up over the third quarter, as supply side pressures emanating from Japan's earthquake and tsunami eased and firms restarted production lines. However, [PMI data](#) released this morning showed a first contraction of Japan's manufacturing sector for five months in September. The latest survey findings also indicate that exporters are suffering amid a toxic combination of yen strength and sluggish global demand.

A swathe of **manufacturing PMI** releases will provide insight into global business conditions in September. [Taiwan](#) numbers will be used as a gauge of global trade flows, while survey findings for [India](#) and [Russia](#) are also published.

Attention then shifts to Europe, where **final manufacturing PMI** data for Italy, France, Germany and the single currency area as a whole are published in quick succession. [Flash numbers](#) had shown the Eurozone manufacturing sector contracting for a second successive month.

The [Markit/CIPS UK Manufacturing PMI™](#) is published mid-morning. August's survey showed UK manufacturing production, new orders and employment all declining in August. Meanwhile, manufacturing PMI data for [Canada](#) and [Brazil](#) are released ahead of the [Global Manufacturing PMI](#), which slipped to a 26-month low in August.

### ISM Manufacturing PMI



Sources: ISM, Philadelphia Fed.

In the US, **construction spending** and **vehicle sales** data are published ahead of the **ISM Manufacturing PMI**. Growth of the US manufacturing sector eased to near-stagnation last month, as new orders fell for a second successive month.

Analysts expect the headline PMI to dip further, but not below the neutral level of 50.0, according to a poll conducted by Reuters. There are risks to the downside, however, with regional business surveys having already pointed to manufacturing weakness in pockets of the US during September.

## Tuesday

Market attention will focus on the meeting of Eurozone finance ministers in Luxembourg, where the next tranche of aid to Greece will be the main topic of conversation.

On the economic data front, the [Markit/CIPS UK Construction PMI](#) is released and rounds off the Q3 picture for the sector. August data signalled slower growth of both output and new orders as headwinds caused by uncertain economic conditions impacted on sector performance.

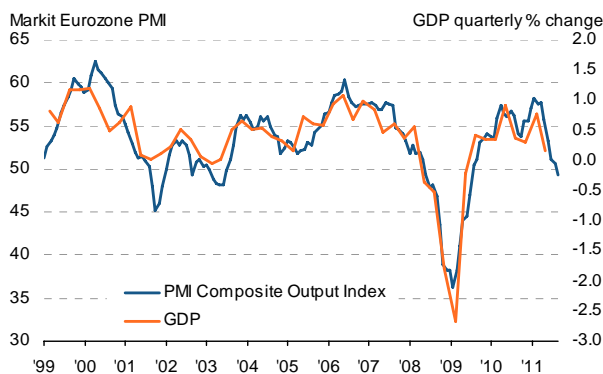
Weekly **US Redbook** and **ICSC store chain sales** are released ahead of final **factory orders** data, measuring new order for both durable and non durable goods. Meanwhile, Federal Reserve Chairman Ben Bernanke is to speak before a bipartisan congressional panel on the US economy. His words will be watched closely as investors mull over the odds of another round of asset purchases from the Fed.

## Wednesday

Markit's release of **Services PMIs** around the world will take the limelight on Wednesday.

**Final Markit Eurozone Services PMI™** data follow last week's [flash estimate](#), which showed business activity across the single currency area falling for the first time since August 2009.

### Markit Eurozone PMI™ and GDP



Sources: Eurostat, Markit.

The publication of the [Markit/CIPS UK Services PMI™](#) will be seen by many as a key gauge of the country's economic performance in September.

**Economic growth estimates** (revised; Q2), as measured by gross domestic product (GDP), for the UK and Eurozone are published, as well as Euroland **retail sales** numbers.

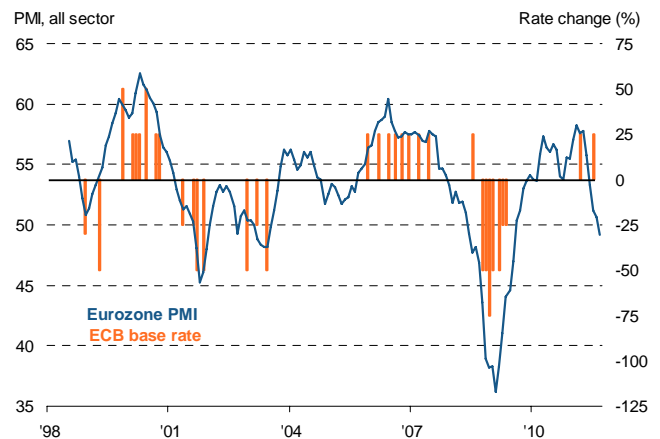
Meanwhile, in the US, **ADP Employment** and **Challenger labour** reports will pre-empt Friday's non-farm payrolls number. **Weekly MBA mortgage applications** data are also published before the **ISM non-manufacturing PMI**.

## Thursday

To QE or not to QE, that is the question **Monetary Policy Committee (MPC)** members at the Bank of England (BoE) will be mulling over next week. The September minutes revealed an unchanged voting pattern (8-1 against asset purchase; 9-0 on rates). However, most members said the decision to vote against more quantitative easing was "finely balanced". The decision is too close to call, but what is sure is that the bank will be watching the UK PMI releases closely this week to guide their hand.

From one central bank to another, the **European Central Bank (ECB)** has a major policy headache. PMI survey data have shown private sector activity growth losing momentum apace over the third quarter, leading many to call for the Monetary Council to reverse rate hikes seen earlier in the year. However, stronger-than-expected consumer price inflation (data released this morning showed inflation up from 2.5% to 3.0% in Sept, 35-month high) has tempered these hopes. Given the bank's commitment to "price stability", no change in policy is the most likely outcome. The tone of ECB President Trichet's final press conference will be analysed closely.

### ECB Policy Decision



Sources: Markit, ECB.

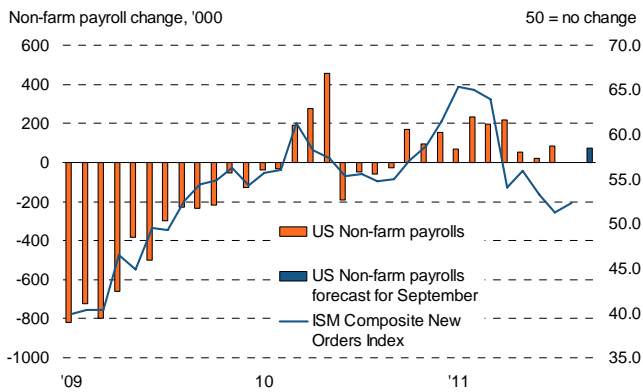
## Friday

The **Bank of Japan (BoJ)** will discuss monetary policy towards the end of the week before announcing its policy rate, which is expected to remain unchanged. A debate on whether to adopt additional monetary easing will likely take place given the softer-than-expected recovery from March's earthquake and tsunami. Additionally, talk of how to curb persistent yen strength will most probably feature on the agenda.

French **trade data** follow in advance of UK **producer prices** and German **industrial production**. A month-on-month fall in the latter is expected, mainly reflecting payback from a strong expansion in July.

The US labour report takes centre stage, with the headline-grabbing US **non-farm payrolls** number the main highlight. A 73k increase is forecast, following no change in August, but manufacturing PMI data suggest there are risks to the downside. **Average earnings, private sector payrolls, working hours** and the **unemployment rate** are also published.

**US Non-farm payrolls**



Sources: ISM, Bureau of Labour Statistics.

US **consumer credit** and **wholesale inventories/sales** draw a busy week of economic data to a close.

Markit's [commentary notes](#) and [press releases](#) can be accessed online, as can a diary of [forthcoming Markit release dates](#).

**Chris Williamson**

**Chief Economist**

Markit

Tel: +44 20 7260 2329

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

<http://twitter.com/WilliamsonChris>

For further information, please visit [www.markit.com](http://www.markit.com)

**Alex Hamilton**

**Economist**

Markit

Tel: +44 1491 461 076

Email: [alex.hamilton@markit.com](mailto:alex.hamilton@markit.com)

<http://twitter.com/MarkitEconomics>

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