

# WHAT TO EXPECT NEXT WEEK

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# HIGHLIGHTS

- **Markit surveys: Flash estimates for December (December 16)**

The flash estimates will be available for the US, Japan, the Euro Area, Germany, France and the United Kingdom. These indices usually stabilized in October and November. The Euro index which was the weakest was marginally stronger in November as the German index was up. Nevertheless, the activity is still contracting rapidly in Europe. The only exception in this survey is the US index. The services indices will probably continue to slow. Composite indices will not rebound.

- **The IFO index in Germany (18), the French Climat des Affaires (19) and the Italian business survey (20) - All these surveys will be for December**

The main question is on Germany after the strong rebound seen in the ZEW survey. But keep in mind that the ZEW dropped more deeply before and it is just a catch up.

The other question is on the French survey which will take into account the impact of the public sector strike. Trains cannot circulate and transportation in Paris is not really working. In the long run, the impact of a strike cannot really be seen as there is a rapid catch up when the strike stops but before that the situation can worsen. That's a risk for the December survey.

- **The US industrial production for November (Dec 17)**

The US industrial profile follows the ISM manufacturing index trajectory. The ISM was at 48.1 in November. We expect a supplementary slowdown in the US production.

- **China: The Industrial production, retail sales and investment for November (Dec 16)**

The situation remains weak in China. The exports momentum was low in November and this will reflect in the industrial production. We do not expect a rebound in real retail sales. Inflation was up in November with the pork crisis limiting the HH purchasing power.

- **The Bank of England after the general elections result (Dec 19)**

What will be the Bank of England position as the Brexit is almost a sure move at the end of next month. The central bank will be a major actor during the transition to the long term regime which will take place after the end of 2020.

- **French consumption in goods for November (Dec 20)**

Consumption has started a mild rebound in goods since the end of last spring. This is not sufficient as it doesn't match the rapid and strong improvement of the purchasing power.

- **Other statistics**

National Association of Home Builders (16), US Housing Starts (17) and Existing Home Sales (19)

NY Fed index on the manufacturing sector (16) and PhylliFed (19)

CPI Japan for November (20)

UK: Labour market (17), CBI survey (17), inflation (18) and retail sales (19)

## NEXT WEEK'S MAIN DATA AND EVENTS PAGE 1

- **Markit surveys: Flash estimates for December (December 16)**

We've seen a kind of consolidation in November's surveys on the manufacturing sector. The Euro Area index stopped its drop and the US index was up at a strong level.

The main question is the possibility of an extension of this stabilization. This would be positive for growth at the end of 2019. The new year would then not start with a very negative carryover.

With these estimates we also have the number in services. They all show a deceleration in recent months. It's the consequence of the manufacturing slowdown. There is no immunization of the rest of the economy to a negative shock on the manufacturing sector. Our hope is a stabilization of the manufacturing indices but probably a U-Turn in the US index (too high)

- **The IFO index in Germany (18), the French Climat des Affaires (19) and the Italian business survey (20) - All these surveys will be for December**

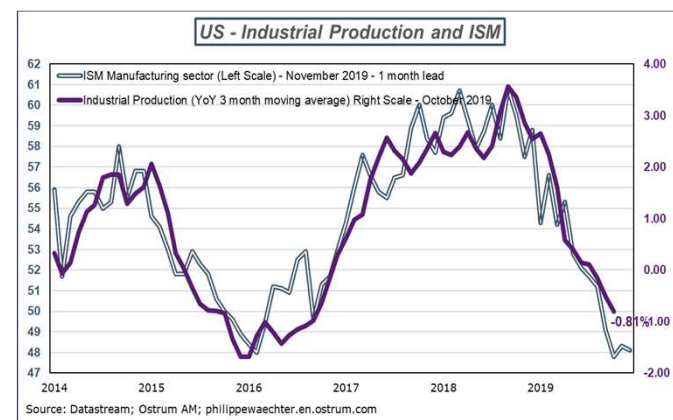
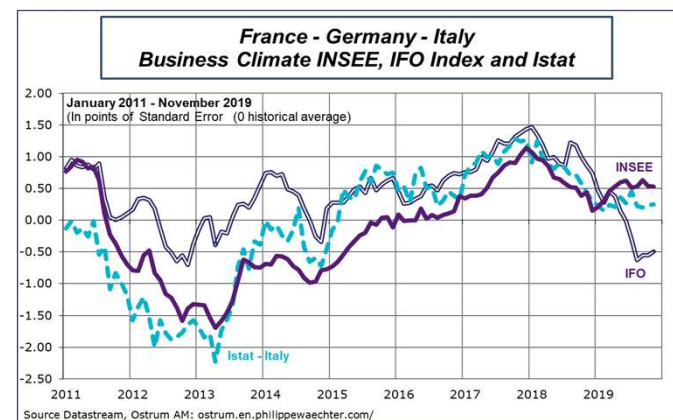
The German situation is still weak and we can expect a stabilization at a low level of the IFO index. The point to keep in mind was the strong improvement in the ZEW survey. But both surveys do not have exactly the same profile.

Compared on the same basis, the ZEW survey dropped dramatically lower than the IFO index. Then the recent improvement is just a catch up. In points of standard error on the same period, the ZEW is still way below the IFO.

The question will be for France as its index has been above its historical average during many months. It will probably continue but we will have to take into account the impact of the strike in the public sector since December the 5<sup>th</sup>. The Italian survey is quite robust, still above its historical average.

- **The US industrial production for November (Dec 17)**

The US industrial production index was negative on a YoY basis in October. Due to the strong correlation with the ISM index, it will probably drop further in November. The ISM and the Markit indices are following divergent trajectories. It's not new. The spread between the two indices is far from being 0. Usually we focus on the ISM. The new point is that the ISM gives a negative signal and the Markit a positive one. We will probably have a convergence between the two (the spread is at its max)



## NEXT WEEK'S MAIN DATA AND EVENTS PAGE 2

- China: The Industrial production, retail sales and investment for November (Dec 16)**

The risk is to have again weak figures for all these data. There is still a shock on the external trade (seen with the negative number for exports in November) and the Chinese central bank signaled last week that it was worried by the high level of households' indebtedness. No action on the central bank side to boost retail sales. Moreover, the pork crisis has pushed up the inflation rate penalizing the purchasing power.

On the investment side, the Chinese central bank is trying to manage the credit dynamics. As it doesn't want to allow a rapid growth of credit outside the banking system (shadow banking) we can't expect strong numbers on capital expenditures.

- The Bank of England after the general elections result (Dec 19)**

The Brexit is at hand now after the general elections. Boris Johnson who campaigned on the Brexit will manage an exit at the end of January next year. The interesting point will be the reaction of the Bank of England. Brexit is no longer an expectation, it will be for real in one month. The BoE will have an important role in the transition.

In the UK we will have the CBI orders survey on December 17, the retail sales index for November (19) and the UK employment report for October on Dec.17. The inflation rate for November is expected on December the 18<sup>th</sup>.

- French consumption in goods for November (Dec 20)**

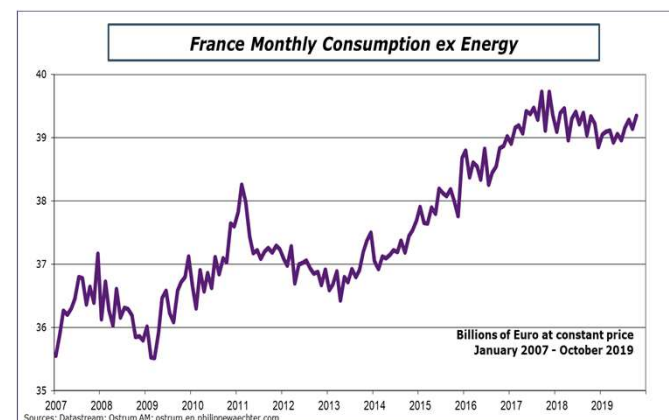
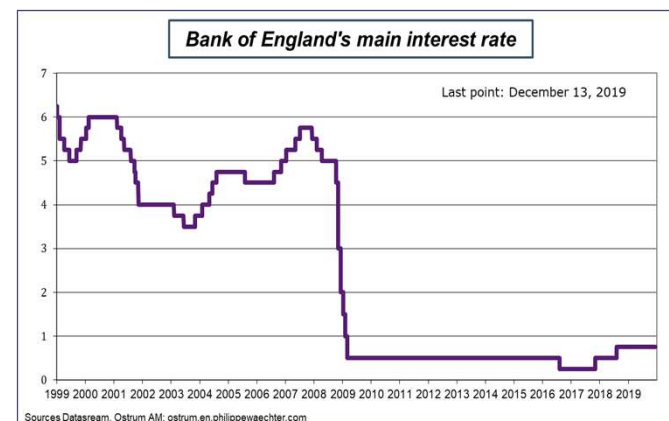
Despite a strong growth of households' purchasing power, at least since the beginning of the year, the HH expenditures on goods have been weak. They are stronger in services but we do not have the data on a monthly basis. On the graph we see a limited improvement since last June.

- Other statistics**

National Association of House Builders (16), US Housing Starts (17) and Existing Home Sales (19)

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# ADDITIONAL NOTES

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