Week Ahead November 14-18th: Highlights include: G20, US retail sales, UK Autumn Statement, China activity data

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- **MON:** OPEC MOMR, EZ Industrial Production (Sep), Japanese GDP (Q3).
- **TUE:** RBA Minutes (Nov), IEA OMR; Chinese Retail Sales (Oct), UK Unemployment Rate (Sep), Claimant Count (Oct), Swedish CPIF (Oct), EZ Trade Balance (Sep), GDP Flash Estimate (Q3), US PPI Final Demand (Oct).
- **WED:** UK CPI (Oct), US Export/Import Prices (Oct), US Retail Sales (Oct), Industrial Production (Oct), Canadian CPI (Oct), Japanese Trade Balance (Oct).
- **THU:** UK Autumn Statement; Australian Employment (Oct), EZ CPI Final (Oct), US Building Permits/Housing Starts (Oct), Japanese CPI (Oct).
- **FRI:** UK Retail Sales (Oct), Swedish Unemployment (Oct), US Existing Home Sales (Oct), Leading Index (Oct).

NOTE: Previews are listed in day-order

JAPANESE GDP (MON): Japanese preliminary Q3 GDP data is due early next week, with the Q/Q reading expected to slow to 0.3% from a previous 0.9% pace and annualised growth forecast to decelerate to 1.1% from 3.5% in Q2. The final Q/Q and annualised growth figures in Q2 both topped forecasts and were upgraded from the preliminary readings of 0.5% and 2.2%, respectively, with the rebound in the economy spearheaded by a boost in consumer and business spending after Japan eased COVID restrictions in late March. This was evident in Private Consumption, which rose by 1.2% and accounts for more than half of Japan's GDP, while Capital Expenditure increased by 2.0%. Nonetheless, expectations are for the economy to have cooled down in Q3 as households felt the pinch and adjusted spending due to higher inflation and with the recent rapid weakening of the JPY also a headwind for domestic demand, as this increases the costs of imports including energy with Japan reliant on imports for more than 90% of its primary energy supply.

RBA MINUTES (TUE): Traders will be looking out for more meat on the bones as to why the RBA opted for a 25bps hike as opposed to 50bps following the latest Aussie CPI metrics. Furthermore, markets will be on the watch for any hints as to whether an additional 25bps will be needed this year given the aforementioned inflation developments. To recap, on November 4th, the RBA lifted its Cash Rate Target by 25bps, taking it to 2.85%, as expected, but against some outside bets for a 50bps increase. The central bank said that the Board remains resolute in its determination to return inflation to target and expects to increase rates further over the period ahead. It also reiterated that the size and timing of future rate adjustments will continue to be determined by the incoming data and the Board's assessment of the outlook for inflation and the labour market. It noted that the central forecast for GDP has been revised down a little, with growth of around 3% expected this year and 1.5% in 2023 and 2024, while inflation is now forecast to peak at around 8% later this year, while the central forecast is for CPI to be around 4.75% over 2023 and a little above 3% in 2024. RBA Governor Lowe said the Board judged it appropriate to raise rates at a lower magnitude, but would return to larger increments if necessary. He also suggested they will hold the rate if the situation requires, and that rates were not on a pre-set path. Following the decision, analysts at ING said, "it looks more probable now that the RBA will simply stick to a 25bps rate increase pace until it believes it has taken rates high enough."

CHINESE RETAIL SALES, INDUSTRIAL PRODUCTION (TUE): Retail Sales and IP for October are expected to have slowed from the prior month, with the former seen at 0.9% (prev. 2.5%) and the latter at 5.2% (prev. 6.3%). The month saw a string of lockdowns in the run-up to the National Congress of the Chinese Communist Party. Note, since then, China's Politburo Standing Committee hosted its first meeting. Top leadership was urged to stick with COVID zero policy, state media reported, with more precise control, and stressed the need to minimise impacts on the economy. On Saturday 5th Nov, a China health commission spokesman said China will not waver in preventing a pandemic rebound and continue the dynamic clearing of cases as soon as they emerge, while it did not make adjustments to anti-COVID protocols, and a China disease control official said they are to guide localities to continue strengthening vaccinations of the elderly. Furthermore, a Peking University infectious disease expert said the current prevention strategy is still able to control COVID despite the high transmissibility of variants and asymptomatic carriers, although an Education Ministry official noted that it is necessary to prevent excessive epidemic prevention and not add extra layers of measures, according to Reuters.

UK JOBS (TUE): Expectations are for the unemployment rate in the three months to September to remain at 3.5%, employment to decline by 155k and headline wage growth to slip to 5.9% from 6%, with the ex-bonus metric seen dipping to 5.3% from 5.4%. The prior report saw the unemployment rate slip to another post-1970's trough, of 3.5% and a pick-up in wage growth. Additionally, ING highlighted that "despite all the concerns about recession… there are few signs of it in the jobs market just yet. Redundancies are low and stable, even if vacancy levels have begun to gradually tail off." This time around, analysts at Investec who are in line with consensus in expecting the unemployment rate to remain at 3.5%, say it is too early for a substantive increase in unemployment. Investec suggests that where possible "firms are initially likely to resort to hiring freezes ahead of letting staff go considering re-hiring is both challenging and expensive". With regards to wage growth, the desk notes that wage pressures are likely to remain strong on account of the tight labour market and lack of letup in inflation, which will reinforce the MPC's collective judgement that it is too soon to pause rate hikes for now. In terms of guidance further out from the MPC, the November MPR forecast the unemployment rate rising to 5% in 2023 before advancing to 6.5% by 2025, whilst the Committee also noted that there have been continuing signs that wage growth could see greater persistence. From a policy perspective, any signs of softening in the labour market could see some bets for a more aggressive rate path in 2023 pulled back, however, the release will need to be framed in the context of the inflation report the following day.

EZ GDP FLASH (TUE): Analysts expect the advanced Q3 Eurozone GDP metrics to be confirmed at 0.2% Q/Q and 2.1% Y/Y. ING's analysts were pleasantly surprised by the upside surprise in the advanced data, noting that while cracks are appearing, the economy continued to expand in Q3; "In Germany, it looks like this was mainly due to the last legs of the consumer rebound, while in France consumption growth had already stalled," the bank says. But overall, the picture remains bleak, it says: "consumer confidence is near historical lows as real wage growth is at a multiple-decade low at the moment, weighing substantially on the consumption outlook, as retail sales have already been trending down over recent quarters," while the reopening of services sectors is beginning to fade as interest rates are rising amid an uncertain outlook, and investment expectations are softening too. Accordingly, ING still expects the economy to contract over the coming quarters.

G20 (TUE-WED): The G20 summit is poised to take place between November 15-16th. The focus from a market perspective will likely be on geopolitics, with a potential meeting flagged between US President Biden and Chinese President Xi, whilst Russian President Putin will not be partaking in the event in person, but Russian Foreign Minister Lavrov will represent the country instead, according to Al Jazeera. Back to US-China, US President Biden said he is not willing to make any fundamental concessions when he meets with Chinese President Xi and he wants them to lay out what each of their red lines are. Biden added that they will discuss Taiwan and fair trade, as well as relationships with other countries, according to Reuters. On a meeting between the two presidents, China's Foreign Ministry said China is committed to realising peaceful co-existence with the US, but the Taiwan question remains at the core of China's interests, and the US needs to stop weaponizing trade issues. All-in-all, the tone of the meetings between world leaders will be noted, but it is difficult to envisage any meaningful updates from the G20.

UK CPI (WED): Expectations are for Y/Y CPI to rise to 10.8% from 10.1% with the core Y/Y rate seen falling to 6.4% from 6.5%. The prior report saw Y/Y CPI move back into double-digits and reach its highest level in 40 years amid advances in food prices, whilst the core rate rose to 6.5% from 6.4% as price pressures spread into other categories. This time around, analysts at Oxford Economics state that "inflation almost certainly jumped sharply in October, as consumers transitioned from the energy price cap to the temporary – and much higher – energy price guarantee". The consultancy adds that "there should be some mitigation from a lower reading for core inflation, given that last October's outturn was boosted by the VAT rate for the hospitality sector returning to 20% after it had been temporarily cut at the height of the pandemic". From a policy perspective, the release could have some follow-through to the December rate decision, which currently prices a 50bps increase at an 81% probability with 75bps priced at 19%. That said, the inflationary outlook is subject to great uncertainty given that the Energy Price Guarantee (which will provide some reprieve for inflation in the short-term) will be under review in April. As a reminder, the MPC currently projects that "CPI inflation starts to fall back from early next year as previous increases in energy prices drop out of the annual comparison. Domestic inflationary pressures remain strong in coming quarters and then subside. CPI inflation is projected to fall sharply to some way below the 2% target in two years' time, and further below the target in three years' time".

US RETAIL SALES (WED): Analysts expect US retail sales to rise 0.8% M/M in October (vs 0.0% M/M in September); the ex-autos measure is seen rising 0.4% M/M (prev. +0.1%), and the ex-gas and autos measure is seen rising 0.2% (prev. 0.2%). Credit Suisse estimates the deflator at 0.2%, which it says could imply retail sales growth of 1.0% in the month. The bank says auto sales will support the headline after unit vehicle sales rose strongly, while gasoline prices also ticked higher. Many analysts will be keeping an eye on the components relating to real estate activity, given the downside seen in home sales of late, which is likely to weigh on components relating to building materials and household durables. "High-frequency card spending data suggest consumer spending remained solid in October," CS writes, "healthy balance sheets and excess savings should support consumption," and adds that "results in-line with our expectation [for 1.2% M/M headline] suggest real sales remain above trend."

UK AUTUMN STATEMENT (THU): After the disastrous “mini-budget” in September and the subsequent removal of PM Truss and Chancellor Kwarteng, Chancellor Hunt will be presenting a full Autumn Statement on November 17th. Despite short-term UK borrowing costs stabilising since the bloodbath seen in late September and early October, the Chancellor will need to present plans to address the GBP 50bln “black hole” in Government finances. Accordingly, Hunt will need to embark on a programme of tax hikes and spending reductions. In terms of the split between spending and taxation, reporting from the FT (7th Nov) stated that the Chancellor currently intends to cut GBP 33bln from public spending, while raising taxes by about GBP 21bln. It’s worth noting that Hunt has already scrapped Truss’ plan to hold corporation tax at 19%, with the rate set to climb to 25%, whilst the basic rate of income tax is to remain at 20% (vs. 19% proposed by Truss). Elsewhere, Hunt previously declared he would not reverse the scrapping of the National Insurance increase. In terms of other taxes that Hunt could look at, The Times reported that he could opt to “maximise revenues from the windfall tax by increasing the rate from 25% to 30%, extending the levy until 2028 and expanding the scheme to cover electricity generators”. Pantheon Macroeconomics suggests that the Treasury could raise GBP 20bln by hiking VAT, however, this is an unlikely route given that it would further fan the flames of inflation. As such, Pantheon suggests that a bulk of the hole will need to be filled by income taxes. Recent reporting in the Telegraph stated that the Government could raise the 45% top rate or lower the GBP 150k annual income threshold at which it kicks in. Given that higher earners will likely have savings which they can draw on to maintain consumption, this could be one of the more favourable options for the Chancellor. Elsewhere, other measures touted include inheritance tax and reducing the tax-free allowance for dividend income. From a spending perspective, Pantheon Macroeconomics suggests lowering public sector investment would be the easiest option for the Government, however, this would have negative implications for the economy given the multiplier effect of such investment. Elsewhere, Hunt could opt to tweak the overseas aid budget and find additional reductions in day-to-day department spending. For the accompanying projections, Capital Economics expects “the OBR will pencil in a peak-to-trough fall in GDP of 2.0%, it will assume little in the way of catch-up growth and that it will leave its medium-term forecast for real GDP growth unchanged at 1.7%”.

AUSTRALIAN EMPLOYMENT (THU): The Employment Change is expected at 25k (prev. 0.9K), whilst the Unemployment rate is expected to remain at 3.5% and the participation rate is also seen steady at 66.6%. Desks note signs that employment momentum is easing, with September’s paltry 900 payrolls rise representing the third consecutive disappointing release, with the 3-month average around 200. “it does appear that the Australian labour market stalled heading into the last quarter of the year”, Westpac says. The bank asks whether Australia is at full employment given the upbeat business surveys and historically high vacancies “We can’t be sure if that is the case but we do know that the lack of suitable labour is a critical constraint on activity.” Westpac says. “We see there is a risk of a softer gain in employment in October while participation can remain robust, hence we see upside risk to our unemployment rate,” the bank concludes.

JAPANESE CPI (THU): National CPI is expected to move higher, to 3.5% in October from September’s 3.0%. The prior month’s reading came as the rise in underlying inflation was offset by a sharp fall in the cost of fresh food. However, analysts at CapEco highlight that food import prices will likely remain consistent with high food inflation over the coming months, whilst electricity inflation still has a bit more to climb. “We no longer think that inflation has peaked in August and September and suspect the headline figure will rise to 3.5% for October whilst underlying inflation will rise to 2.3% [from 1.8%]”. CapEco also expects core inflation to rise from 3.0% to 3.3% in October. In recent remarks, BoJ Governor Kuroda said the Y/Y increase in core consumer inflation is likely to slow from around the middle of the next fiscal year. Nonetheless from a policy perspective, the BoJ has reiterated its super-dovish stance several times in recent weeks.

UK RETAIL SALES (FRI): Expectations are for October retail sales to contract 0.5% on a M/M basis with the Y/Y rate seen at -6.5%. Ahead of the release, analysts at Moody’s note “although the unemployment rate is low, consumer confidence is dismal, and inflation is rising fast, which has and will continue to weigh heavily on goods spending”. In terms of recent retail indicators, the latest BRC Retail Sales Monitor observed “As the cost of living for consumers continued to rise, retail sales slowed in October. With November Black Friday sales just around the corner, many people look to be delaying spending, particularly on bigger purchases. Clothing and footwear, which saw stronger sales this year, declined as the mild weather meant customers held back on buying winter outfits.”. Elsewhere, the Barclaycard Spending Report for October noted “overall Retail spending grew 0.5% when compared to the same period last year as consumers spend more on Grocery (+4.0%), and at Discount Stores (+2.7%).” Adding, “This indicates an inflationary effect as 67% of Brits tell us they are looking for ways to reduce the cost of their weekly shop, with 48% of these shoppers paying closer attention to price rises of specific items they buy regularly, and buying budget or own-brand goods over branded goods”.

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