Week Ahead 13th-17th November; Highlights include Biden-Xi meeting; US CPI, retail sales; China activity data

Week Ahead 13-17th November

- **MON:** OPEC OMR, Canadian Remembrance Day (Observed).
- **TUE**: IEA OMR; UK Average Earnings/Unemployment (Oct/Sep), EZ Employment (Q3), German ZEW (Nov), US NFIB (Oct), CPI (Oct), Japanese GDP (Q3).
- **WED:** Chinese Retail Sales/Industrial Output (Oct), UK CPI (Oct), EZ Trade Balance (Sep), US PPI Final Demand (Oct), Retail Sales (Oct), Japanese Trade Balance (Oct).
- **THU:** CBRT FSR (Oct); Australian Employment (Oct), Chinese House Prices (Oct), US IJC (6 Nov w/e), Export /Import Prices (Oct).
- **FRI:** US Government shutdown deadline.

NOTE: Previews are listed in day order

UK LABOUR MARKET DATA (TUE): Expectations are for the unemployment rate in the 3-month period to September to rise to 4.3% from 4.2%, the employment change to contract 198k, headline earnings growth of 8.3% in the 3M/YY period in September vs. prev. 8.1%, and with the ex-bonus print seen holding steady at 7.8%. Note, the data published will be based on experimental statistics given the declining response rate to the Labour Force Survey. For the upcoming release, Pantheon Macroeconomics notes that “on balance, survey indicators suggest payroll employee numbers merely held steady in October”. The consultancy adds that “Labour market slack likely will continue to increase if employment flatlines, as growth in the workforce will remain supported by immigration”. On the earnings front, PM observes “Month-to-month growth in average weekly wages likely slowed in September, despite public-sector pay deals”. From a policy perspective, given that the MPC has refrained from hiking rates for two meetings and the lack of reliability of the data, the release will likely pass with little in the way of fanfare. It’s also worth noting that at the November MPR, the MPC revised higher its medium-term equilibrium rate of unemployment to 4.5% from 4.25%.

JAPANESE GDP (TUE): Japan’s Q3 Prelim GDP is likely to show the first contraction in four quarters, according to a poll conducted by Reuters, with the Q/Q print seen at -0.1% (prev. 1.2%), whilst the annualised figure is expected at -0.6% (prev. +4.8%). “This is largely due to a technical payback from the solid gain in the second quarter”, say ING. In terms of the other components of the release, Private Consumption is expected at +0.2% (prev. -0.6%), Capital Expenditures at +0.3% (prev. -1.0%), and External Demand at -0.1% (prev. +1.8%). The desk at Dai-ichi Life Research suggested that “the recovery in consumption will likely remain moderate due to the pain from rising inflation.” From a central bank perspective, BoJ governor Ueda has suggested that the economy is recovering moderately and this is likely to continue, but the Bank will patiently maintain easing to support economic activity.

US CPI: (TUE): Core CPI is expected to rise 0.3% M/M in October, matching the rate seen in September, while the annual rate of core inflation is also seen unchanged, at 4.1% Y/Y. The October data is likely to have been driven by stable energy prices and possible declines in vehicle prices, as high borrowing costs reduce consumer demand. The incoming inflation data will form a key part of how the Fed proceeds with policy; Chair Powell this week endorsed a cautious approach to policy. He said officials were committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2% over time, and the FOMC is not yet confident that it has achieved such a stance, adding that if officials feel that it is appropriate to tighten policy further, they would not hesitate to do so, noting that ongoing progress toward target was not assured, and inflation readings have recently given “a few head fakes.” Powell said the Fed would continue to “move carefully” on policy so that it can “address both the risk of being misled by a few good months of data, and the risk of overtightening.” Ahead, analysts at ING forecast a slowdown in inflation, with the headline rate of CPI easing to 3.3% by December, and possibly hitting a range of 2.0-2.5% by April 2024; core CPI is likely to test 2.0% in Q2. ING argues that this outlook means that the Fed will not need to raise interest rates any further. “Sharper declines are likely in the first half of 2024,” ING writes, “Powell acknowledged that ‘given the fast pace of the tightening, there may still be meaningful tightening in the pipeline’ - this will only intensify the disinflationary pressures that are building in an economy that is showing signs of cooling." ING adds that "with growth concerns likely to increase, this should give the Fed the flexibility to respond with interest rate cuts," which it would not describe as stimulus, but instead a move to bring monetary policy to a more neutral footing.

CHINESE ACTIVITY DATA (WED): October Retail Sales are forecast at 7.0% Y/Y (prev. 5.5%), Industrial Output at 4.5% Y/Y (prev. 4.5%) and Urban Investments at 3.1% Y/Y (prev. 3.1%). The data will be used to gauge China's recovery, which the latest inflation numbers painted as fragile. The PBoC's policy adviser was on the wires on Friday and suggested China can achieve slightly above 5% GDP growth this year, but exports are still expected to face relatively big pressure next year, and weak external demand and inadequate domestic demand increase overcapacity pressure. Analysts at ING see Industrial output slowing to 4.3% "due to base effects, and the official manufacturing PMI also hinted at a contraction in manufacturing activity, contributing to the slowdown.", whilst Retail Sales are expected to be boosted by the first post-pandemic "Golden Week" holiday. ING posits "China is unlikely to cut the MLF rates as the yuan is still facing downward pressure amid expectations of "higher for longer" US rates."

BIDEN-XI MEETING AT APEC FORUM (WED-FRI): US President Biden and China's President Xi will hold talks on the sidelines of the APEC forum in San Francisco, which will be only the second in-person meeting between the two. No big breakthroughs are expected from the talks. Instead, analysts will be looking for incremental signs of improvements in relations. An official has said Biden will discuss Ukraine, Israel, human rights, Taiwanese elections, South China Sea, North Korea and fair economic relations when the two meet on November 15th. The official added that Biden might raise Chinese election influence operations, Fentanyl, AI and US detainees in China. The US also plans to take necessary steps to restore military communication with China and will press the issue "assertively" with Xi, and underscore a desire for China to tell Iran to not escalate the crisis in the Middle East. Geopolitical analysts at RANE said that the talks will help to restart working-level dialogues on issues like trade disputes, but will fail to address the root cause of escalating US-China tensions and augur little progress on key policy disputes, including climate change mitigation.

UK CPI (WED): Expectations are for headline Y/Y CPI to fall to 4.9% from 6.7%, with the core Y/Y rate seen declining to 5.8% from 6.1%. The prior report saw the headline Y/Y rate unexpectedly hold steady at 6.7% with the all services reading ticking higher to 6.9% from 6.8% due to increases in the volatile package holidays category, as observed by ING who also noted that the 6.9% figure was below the MPC forecast of 7%. This time around, analysts at Investec note that there will" almost certainly be a sharp decline in October's headline rate", albeit this is more due to base effects. This will mostly be expressed via utility prices given that in October 2022 gas and electricity prices rose by 36.9% and 16.9% respectively, thanks to the surge in wholesale energy costs as highlighted by Investec with the desk also touting recent anecdotal evidence of a moderation in food price inflation. From a policy perspective, given that the MPC has kept rates unchanged for two consecutive meetings, the release will likely have little bearing on the immediate policy horizon. However, a dovish release could bring forward expectations for 2024 rate cuts. Note, the release may be framed in the context of the performance of the all-services inflation print which the MPC expects to hold steady at 6.9%.

US RETAIL SALES (WED): Headline retail sales are seen slipping in October, with the consensus looking for -0.1% M/M (prev. +0.7%). Bank of America's October credit and debit card spending data showed a decline of 0.2% M/M in October (vs prev. +0.2% M/M in September), taking the annual rate to -0.5% Y/Y (vs +0.7% in September). The bank said that in contrast to the trends seen in the summer, there is no longer a convergence of services and retail spending. "This month, we saw a meaningful convergence between lower- and higher-income households' spending growth, which could be partly explained by the rebound in wage growth for the latter," it writes, noting that rising mortgage payments have started to disproportionately weigh on some higher-income households. "This has led to slower spending for homeowners relative to high-income renters, and if rent inflation softens further, renter spending outperformance could play out in middle- and lower-income families too." BofA adds that despite a jump in households resuming student loan repayments, it is still seeing little signs of a negative impact on spending, and says that household balance sheets still remain in robust shape.

AUSTRALIAN JOBS (THU): October employment is expected at 18k (prev. 6.7k), while the Unemployment Rate is seen ticking higher to 3.7% (prev. 3.6%) and Participation is expected to remain at 66.7%. In the RBA's latest SoMP, the Bank downgraded its unemployment rate forecast across the horizon period, while for Dec, the forecast was lowered to 3.75% from 4.00%. "Conditions in the labour market have gradually eased across a range of measures, but they remain tight. Employment growth has slowed from its strong pace late last year and it is now roughly keeping pace with growth in the working-age population. Firms have been adjusting the hours worked by staff in response to easing demand growth in the economy. This has seen the underemployment rate pick up a little more than the unemployment rate recently, but both remain low by historical standards. Recent strong population growth has added to the supply of labour while also adding to aggregate demand", said the RBA in the release.

UK RETAIL SALES (FRI): In terms of recent indicators, October's BRC retail sales metric rose 2.6% Y/Y with the accompanying release noting "retail sales growth slowed as high mortgage and rental costs further shook consumer confidence. Many households are also delaying their Christmas spending in the hopes they can grab a bargain in the upcoming Black Friday sales". Elsewhere, the Barclaycard Consumer Spending report observed "Overall Retail spending grew 1.2% in October 2023 compared to this time last year, the lowest year-on-year growth since December 2022. This comes as the unseasonably warm October weather meant that consumers held back on making seasonal purchases such as winter coats and jumpers, resulting in spend at Clothing retailers falling for the fourth consecutive month, at -3.0% in October 2023".

US GOVERNMENT SHUTDOWN (FRI): The US government is set to face another shutdown deadline on Friday November 17th, giving the GOP majority House and Democratic majority Senate a week to agree on a stopgap measure to keep the government open. Reuters notes that the House could vote on a plan on Tuesday, however the House is struggling to agree on a detailed spending plan for the FY ending September 30th 2024. Similar to the prior debacle, some Republicans are calling for any measure to include spending cuts and measures that the Democrats would likely reject. The House has passed seven appropriation bills but the remaining five are facing headwinds. Meanwhile, the Senate has passed three bills with strong bipartisan support and could also start moving forward on a measure shortly. Punchbowl added that providing Schumer files cloture on the short-term CR, it will set up an initial procedural vote for early next week. The Senate CR is likely to see the government funded for another month to mid December, something that will anger House Republicans.