Essential Reading

September MPC Summary of additional UK and global data – Decision Meeting

By (Euro area), (UK D&O), (UK D&O), (UK inflation), (UK housing), (Global), (US) and (Asia & EMEs).

This databox covers ID and MA data received/published since September pre-MPC. Data received since the update on 7th September are in red.

International Assessment

EA: The news since the pre-MPC meeting has been broadly positive, although our nowcast for Q3 GDP remains unchanged at 0.4%. The €A composite output PMI increased to 54.3 in August, which was slightly higher than in the earlier flash estimate (54.1). Retail sales grew by 0.4% on the month in July, with particular strength in Germany (+1.4% oma). The €A unemployment rate fell to 10.9% in July, from 11.1% in June.

We have slightly revised up our near-term inflation forecast. The flash estimate of HICP inflation for August (released the day before the pre-MPC meeting) was slightly higher than we had expected at 0.2%, and oil prices have risen significantly since their trough on 24 August.

The ECB's September 2015 staff macroeconomic projections now incorporate slightly weaker GDP growth and HICP inflation over the next 2 years compared with their June projections. President Mario Draghi announced an increase in the issue limit for the asset purchase programme, from 25% to 33%, provided the Eurosystem doesn't hold a blocking majority in the context of collective action clauses. This increases the flexibility in asset purchases available to the ECB.

Euro-area GDP growth in Q2 was revised up to 0.4%, 0.1pp higher than the first estimate and bringing it in line with the Aug IR. Q1 growth was also revised up to 0.5%. Household consumption grew 0.4%, in line with the Aug IR forecast, while investment fell by 0.5%, weaker than the Aug IR forecast of +0.4%.

China: In August, Chinese official NBS manufacturing PMI continued to point to a weakening manufacturing sector while the Caixin services PMI fell 2.3pts to 51.5, partly reflecting subdued financial services due to the stock market rout.

EMEs: Brazil's GDP contracted by -1.9% oqa (-2.6% oya) in Q2 2015, the second consecutive quarter of negative growth.

US: Although Non-Farm Payrolls (NFPs) increased by just 173,000 in the August employment report (below market expectations of a 217,000 increase), the June and July numbers were revised upward by a combined 44,000. The pace of growth in NFPs slowed since the end of 2014, but has picked up since the lows at the start of the year, with the 3 month moving average at 221,000. In the household survey, the unemployment rate fell by 0.2pp to 5.1%, reflecting a solid increase in civilian employment (196,000) and a small decline in the labour force (41,000). The unemployment rate now stands at the mid-point of the FOMC central tendency for the 'longer-run'. This is the last employment report prior to the September FOMC meeting, and it was generally considered strong enough to keep a September rate rise a possibility, but not strong enough to increase its likelihood significantly.

Annual core PCE inflation fell by 0.1pp to 1.2% in July and headline PCE inflation remained flat at 0.3%.

The Markit and ISM PMIs contain data collected following the start of the August market turmoil. For the most part these indices fell, following increases in July. The falls have been more pronounced for manufacturing, with the ISM manufacturing index at its lowest reading since May 2013. Many of the manufacturing scores are at values similar to the lows at the start of the year, while the services scores are still at relatively elevated levels.

Commodities: The price of Brent crude is up 2% since September pre-MPC/FPC to $49pb (cob 4th September). Prices are 20% higher than the six-year trough reached on 24 August, when oil fell to $41pb, primarily due to concerns over Chinese growth prospects amid continued excess supply of oil. Market contacts attributed the 20% rise in prices in the three trading days ahead of pre-MPC/FPC to the squeezing of historically large aggregate short positions, rather than supply or demand developments. Agricultural products and industrial metal prices are unchanged since pre-MPC/FPC.

UK Assessment

Demand & Output: The data received since pre-MPC do not change our overall assessment. We still expect GDP growth of 0.6% in Q3 2015.

July's production data was weaker than expected, particularly in the manufacturing sector. However, having already revised down the nowcast by 0.1pp ahead of pre-MPC, this data is not sufficient for us to revise down again. We still expect GDP growth of 0.6% in Q3.

Housing market: The Halifax index showed a sharp rise in house price inflation, in contrast to the weaker house price data received ahead of pre-MPC. The new data bring the average of lenders' indices broadly in line with the August IR forecast. The latest RICS survey data continue to suggest upward momentum for house price inflation.

Inflation: There are very small changes to the short term inflation forecast since pre-MPC due to changes in the oil price. Relative to the August IR our forecasts for August and September are both 0.1pp higher on the rounding (at 0.1% and 0.2% respectively).

Region	Key data released since pre-MPC: International and UK	*oqa growth rates, data in yellow		Sept MPC	Aug MPC
Euro area	**€A Flash HICP inflation: August (**released 31st August – BH before pre-MPC) The flash estimate of annual HICP inflation in the euro area was 0.2% oya in August, unchanged from July. Core inflation (excluding energy, food, alcohol and tobacco) remained at 1.0% oya The flash estimate was higher than our expectation prior to the release, and contains small upside news for our near-term inflation forecast. Taken together with the substantial rise in oil prices in recent weeks, we now expect inflation to remain at 0.2% in September, before rising in October and November as base effects from the fall in energy prices last Autumn drop out. **€A Unemployment: July** (released 1st September) The unemployment rate in the euro area fell to 10.9% in July, down from 11.1% in June. The unemployment rate increased by 0.1pp in France to 10.4% but decreased by 0.5pp in Italy to 12.0%, by 0.2pp in Spain to 22.2% and by 0.2pp in Portugal to 12.1%. Unemployment remained unchanged in Germany at 4.7% and at 9.5% in Ireland. The latest data for Greece show unemployment fell by 0.6pp to 25.0% in May. **€A Composite PMI: August** (released 3rd September) The euro-area composite output index increased to 54.3 in August, up from 53.9 in July and above the earlier flash estimate of 54.1. At the country level, the German index increased by 1.3 points to 55.0, but the French index fell by 1.3 points to 50.2. The euro-area services business activity index increased to 54.4 in August from 54.0 in July, slightly above the flash estimate of 54.3. **€A Retail Sales: July** (released 3rd September) Euro-area retail sales increased by 0.4% oma (+2.7% oya) in July 2015. Retail sales increased in Germany (1.4% oma) and in Spain (0.6% oma) but fell in France (-0.2% oma). **ECB Governing Council Meeting** (3rd September) In the press conference following the Governing Council meeting, ECB President Mario Draghi presented the ECB's September 2015 staff forecasts. The forecasts for both GDP growth and HICP inflation have been revised down (by 0.2pp and 0.4pp respectively in 2016). Regarding the Asset Purchase Programme, the President announced an increase in the issue limit from 25% to 33%, for bonds where that was possible without the Eurosystem holding a blocking majority in collective action clauses. The issuer limit remains unchanged at 33%. The President reiterated that the QE programme will run until the end of September 2016, or beyond, if necessary, and, in any case, until there is a sustained adjustment in the path of inflation that is consistent with ECB's price stability objective. **€A GDP – 2nd estimate** (8th September) Euro-area GDP growth in Q2 was revised up to 0.4%, 0.1pp higher than the first estimate. Q1 growth was also revised up by 0.1pp to 0.5%. At the country level, Italy made the major contribution to the revisions, with growth revised up to 0.3% in Q2 and 0.4% in Q1. By expenditure component, household consumption grew 0.4% in Q2, in line with the Aug IR forecast, while investment fell 0.5%, weaker than the Aug IR forecast of 0.4%. The net trade contribution in Q2 was 0.3pp, above the Aug IR forecast of 0.1pp.	***EA GDP****	*Q1* *Q2* *Q3*	*0.5%* *0.4%* *0.4%*	*0.4%* *0.4%* *0.4%*
US	**Markit US Manufacturing PMI: August** (released 1 September) The Markit US manufacturing PMI fell in August (53.0, -0.8), slightly smaller fall than the earlier flash estimate (52.9). The scores for output (53.8, -1.6), new orders (54.7, -0.7) and employment (52.4, -1.4) fell on the month, while the scores for output prices (52.0, +0.8) and input prices (52.3, +0.3) increased on the month. **US ISM Manufacturing: August** (released 1 September) The ISM manufacturing index fell in August (51.1, -1.6), the lowest reading for this index since May 2013. Production (53.6, -2.4) employment (51.2, -1.5) and new orders (51.7, -4.8) all fell on the month. **Markit US Services PMI: August** (released 3 September) The Markit US services PMI Business Activity Index rose in August (56.1, +0.4), and was higher than the earlier flash estimate (55.2). The scores for employment (55.1, +0.2), increased on the month, while the scores for new business (55.8, -1.7) output prices (49.4, -2.4) and input prices (52.9, -1.9) fell on the month. **US ISM Non-Manufacturing: August** (released 3 September) The ISM non-manufacturing index fell in August (59.0, -1.3). Underlying this, new orders (63.4, -0.4), business activity (63.9, -1.0) and employment (56.0, -3.6) all fell on the month. **US International Trade: July** (released 3 September) The US trade deficit narrowed by $3.3bn from $45.2bn in June to $41.9bn in July. The goods deficit fell by $3.4bn to $61.4bn. The services surplus remained flat at $19.6bn. In real terms, in July imports fell by -0.9% oma (4.2% oya) while exports increased by 0.9% oma (-0.6% oya). **US Employment: August** (released 4 September) US non-farm payrolls increased by 173,000 in August, below market expectations (Bloomberg survey) of a 217,000 rise, but were revised up for June (by 14,000; to 245,000) and July (by 30,000; to 245,000). The unemployment rate fell by 0.2pp to 5.1%, while the U6 unemployment rate (a broader measure of labour underutilization which includes workers who are marginally attached and part time for economic reasons) fell by 0.1pp to 10.3%. The labour force participation rate remained at 62.6% for the third consecutive month. Annual growth in average hourly earnings (production and non-supervisory employees) rose by 0.1pp to 1.9% **US Labour Market Conditions Index** (released 8 September) The Federal Reserve labour market conditions index rose by 0.3 to 2.1, which is soft compared with its values in 2014, but is the highest since January.	***US GDP****	*Q1* *Q2* *Q3*	*0.2%* *0.9%* *0.6%*	*0.2%* *0.6%* *0.7%*

Asia & EMEs	**China PMI** (released 1 September) China's official NBS PMI fell further by 0.3pts to 49.7 in August, the weakest level since August 2012, painting a consistent picture of the weakening manufacturing sector. Caixin services PMI fell 2.3pts to 51.5 in August following the 2 pts rise in July. This is the lowest reading in 13 months and Caixin noted that it was "driven in part by a softer expansion in the financial services sector caused to some extent by stock market fluctuations". **China 2014 GDP revision** (released 7 September): China has revised down its estimate of 2014 economic growth to 7.3 per cent from 7.4 per cent previously – increasing the gap to the 2014 growth target (7.5%). Industrial and agricultural output were both revised up, although this failed to offset a downward revision to services. **Q2 GDP releases:** Elsewhere, Brazil's GDP contracted by -1.9% oqa (-2.6% oya) in Q2 2015, the biggest decline by that measure since 2009 and the second consecutive quarter of negative growth. Australian GDP grew by 0.2% oqa in Q2, the weakest quarter of growth in the past two years. Korean GDP grew by 0.3% oqa in Q2 (-0.5 pp compared with Q1).	***China GDP****	*Q1*	*1.5%*	*1.5%*
			Q2	*1.7%*	*1.6%*
			Q3	*1.6%*	*1.7%*
		**oqa growth rates, data in yellow*			
Global	**Composite Global PMI: August** (release 3rd September) The JPM global composite PMI stabilised at 53.7 in August, as did the global export orders PMI at 49.9. Both indicators point to UK-weighted world GDP growth of 0.5-0.6%oqa in Q3.	***World GDP****	*Q1*	*0.4%*	*0.4%*
			Q2	*0.7%*	*0.6%*
			Q3	*0.6%*	*0.6%*
		**UK-weighted*			
Oil	The price of Brent crude is up 2% since September pre-MPC/FPC to $49pb (cob 4th September). Prices are 20% higher than the six-year trough reached on 24 August, when oil fell to $41pb, primarily due to concerns over Chinese growth prospects amid continued excess supply of oil. Market contacts attributed the 20% rise in prices in the three trading days ahead of pre-MPC/FPC to the squeezing of historically large aggregate short positions, rather than supply or demand developments.				
UK Demand & Output	**Markit/CIPS Manufacturing (released 1 September)** The manufacturing output index was broadly unchanged in August, while the expectations index increased moderately, to its highest level since March 2015. **Markit/CIPS Construction (released 2 September)** Little change in the construction output index in August; the expectations index ticked down but remained above average. **Markit/CIPS Services (released 3 September)** The services output index fell in August to around its historical average. This took the index to its lowest level since May 2013. The expectations index was little changed. Overall, the composite output series fell in August, and while it remains above average it is now at its lowest level since May 2013. The composite expectations index was broadly unchanged, and remains just below average. The composite indices were shown at September Pre-MPC. **SMMT car registrations** (released 4 September) According to SMMT, total new car registrations (seasonally adjusted in-house) rose by 4.1% in August, with both private registrations and business registrations increasing on the month. Three month on three month growth was also positive, with registrations growing by 2.3% in the three months to August. **BRC Retail Sales Monitor** (released 8 September) The value of retail sales rose only slightly in August, compared to the same month last year, according to the British Retail Consortium (BRC). Adjusting for inflation, the data suggest volumes growth remains robust, albeit a little lower than earlier in the year. The BRC suggested that growth may have been dampened in August by a combination of wet weather and slightly later timing of the summer Bank Holiday, which did not fall in the August reporting period this year. **Index of Production** (released 9 September) Industrial production fell by 0.4% in July, weaker than our expectation (-0.2%). Within that, manufacturing output was much weaker than expected, falling by 0.8% on the month, while energy was stronger than expected, increasing by 0.6%. The decline in manufacturing output was driven by a fall in motor vehicle production, where the ONS report summer shut-downs appear to have started earlier than usual, and there was anecdotal evidence of softer export demand. **UK Trade** (released 9 September) Goods exports were considerably weaker than expected in July, while goods imports were slightly weaker. Revisions to the goods trade data in 2015 H1 also indicate a larger positive net trade contribution to GDP growth in Q2. Together these suggest a large negative net trade contribution in Q3. The trade data have been volatile recently due to unusually high levels of chemicals exports in Q2. **NIESR monthly GDP estimate** (released 9 September) NIESR's opening paragraph: "Our monthly estimates of GDP suggest that output grew by 0.5 per cent in the three months ending in August after growth of 0.6 per cent in the three months ending in July 2015. Despite the slight softening, growth remains close to the estimated long run potential of the economy."				

UK Housing market

Halifax house price index (released 2 September,

House prices rose by 2.7% in August after falling by 0.4% in July. The annual inflation rate rose to 10% (from 7.2% in July) and three month on three month inflation is now 3.0%.

RICS Residential Market Survey (released 4 September,

The percentage balance of respondents expecting prices to rise over the next three months was broadly unchanged. The net balance reporting that new instructions to sell fell over the past month was lower than in July, meaning that the gap between new buyer enquiries and instructions to sell (a lead indicator of future house price inflation) fell a little on the month.

UK Inflation

The latest inflation forecasts are based on the oil price as of close of business 4th September. As noted at pre-MPC, upside news to core inflation in July caused an upward revision of our August forecast from 0.0% to 0.1%. Movements in oil prices since pre-MPC mean there is also a small upward revision in our forecast for September from 0.1% to 0.2% on the rounding. This update is using the 15 day average of oil prices (this is the standard method).

Updating for the latest DECC data on fuel prices, inflation in September is now expected to be 0.1% on the rounding, equal to the August IR forecast. This is the only change to the STIF since 7th September.

	Outturn	Forecast					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Aug IR		0.0	0.1	0.1	0.3	0.6	0.9
Latest (single day)	0.1	0.1	0.1	0.1	0.3	0.6	0.9
Latest (15 day)	**0.1**	**0.1**	**0.1**	**0.1**	**0.3**	**0.6**	**0.9**