Essential Reading

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

This databox covers ID and MA data received/published since October pre-MPC. Data received since the update on 1st September are in red.

International Assessment

EA: The inflation flash estimate of -0.1% oya in September presented us with small downside news. Within this, the surprise was mostly in core inflation and to a smaller extent energy prices. We now expect inflation to increase to 0.1% in October, followed by sharper rises in November and December as base effects from the fall in energy prices last autumn drop out of the annual calculation.

Euro-area retail sales for August and the composite PMI for September were both consistent with our Q3 nowcast of 0.4%.

China: Overall, the services PMIs released since pre-MPC provide a small degree of downside news. We have marked down the Q3 Nowcast by 0.1pp to 1.6% (the same as the August IR).

EMEs: The Reserve Bank of India cut its policy rate by 50bps to 6.75% on Tuesday. The RBI statement suggested that the larger-than-expected cut in the policy rate (markets had expected rates to be cut by 25 bp) was intended to boost investment at a time when it saw the Indian economy's recovery as being "far from robust".

US: Although stabilising in September, the Markit Manufacturing PMI remains at a level similar to its lows from the start of the year, and is considerably below its values from a year ago, prior to the appreciation of the dollar. The ISM Manufacturing PMI has continued falling, and now at 50.2 is just above the neutral reading of 50.

The September employment report was a disappointing one. Non-Farm Payrolls increased by just 142,000 in September, and the already low August number was revised down to 136,000. This brings down the 3-month moving average down to 167,000 - compared to over 300,000 at the start of the year. While in the household survey the unemployment rate remained at 5.1%, civilian employment actually fell, but this was offset by an even larger decline in the labour force. As a result the participation rate dropped by 0.2pp to 62.4%. Average hourly earnings also remained flat oma, against market expectations of a 0.2% increase. The weak September employment numbers make the possibility of an October hike, already low before the release of the report, practically zero. If sustained, the loss in momentum in the labour market may cause the FOMC to delay raising rates until after the end of the year. But prior to the December FOMC meeting there will be another two employment reports released, which could significantly alter the labour market picture. The trade gap widened, likely showing the effects from the appreciation of the dollar, but the release was not a surprise given the advance data in the international trade in goods report from 29 September.

Commodities: The price of Brent crude is up 1% since October pre-MPC to $47pb (cob 30th September). Brent has been trading in the range of $46-$50pb for the past three weeks. Market contacts view that concerns about Russia strikes in Syria support Brent prices, but it is offset by larger-than-expected US crude stocks. Brent spot price is now 16% higher than the August trough reflecting concerns over Chinese growth prospects and resilient oil supply. Industrial metals prices have risen 3% since October pre-MPC in response to supply cut announcements by large metal producers. Agricultural prices are unchanged.

Brent prices have risen 3% since the latest update (cob 30th September) and 4% since October pre-MPC, to $48pb (cob 5th October). News of lower output from Libya and Iran added upward pressure on Brent prices, but there are still concerns on further build in US stocks. Metal prices have fallen 1% since the latest update, but have risen 25 since October pre-MPC. Weaker dollars and supply cut announcements from metal producers supported metal prices. Agricultural prices have risen 1% since October pre-MPC.

UK Assessment

Demand & Output: No news relative to the briefing on 30 September. Q3 nowcast is 0.6%.

We had received Markit/CIPS data ahead of pre-MPC, so they do not provide news relative to that. There was no news to our nowcast from SMMT new car registrations data; we therefore continue to expect GDP growth of 0.6% in Q3 2015.

Housing market: The September RICS data continue to suggest near-term momentum in housing activity. But the Halifax house price index fell back in September by 0.9%.

Inflation: Our forecast remains unchanged since pre-MPC. Small movements in the oil price did not affect our forecast on the rounding.

Corporates

The survey results suggest CFOs have become more uncertain about business prospects, reducing their appetite for investment expenditures and hiring, while a growing share of CFO's expect inflation under 1.5% in two years' time.

Region	*Key data released since pre-MPC: International and UK*	**oqa growth rates, data in yellow*		*Oct MPC*	*Sept MPC*
Euro area	**Euro-area flash HICP inflation: September 2015** (released 30th Sept – during pre-MPC) The flash estimate of annual HICP inflation in the euro area was -0.1% oya in September, down 0.2pp from 0.1% in August. Energy price inflation was -8.9% oya in September, down from -7.2% oya in August. Food, alcohol and tobacco inflation increased to 1.4% oya in September, up from 1.3% oya in August. Core inflation (excluding energy, food, alcohol and tobacco) remained unchanged at 0.9% oya in September. The inflation flash estimate presented us with small downside news. Within this, the surprise was mostly in core inflation and to smaller extent energy prices. We now expect inflation to increase to 0.1% in October, followed by sharper rises in November and December as base effects from the fall in energy prices last autumn drop out of the annual calculation. **Euro-area unemployment: August 2015** (released 30th Sept – during pre-MPC) The unemployment rate in the euro area remained at 11% in August. The unemployment rate increased by 0.1pp in France to 10.8% and by 0.1pp in Portugal to 12.4%, but decreased by 0.1pp in Italy to 11.9%, by 0.1pp in Spain to 22.2% and by 0.1pp in Germany to 4.5%. Unemployment remained at 9.5% in Ireland. The latest data for Greece show that unemployment increased by 0.2pp to 25.2% in June. **Euro-area manufacturing PMI: September** (released 1st October) The euro-area manufacturing output PMI was 53.4 in September, -0.5 index points lower than in August and below the earlier flash estimate of 53.5. The German index fell by 1.2 index points to 54.0, as did the Spanish index by 2.9 points to 53.2, the Italian index by 2.2 points to 53.8 and the Irish index by 1.1 points to 53.8. The French index increased by 3.6 index points to 52.0, as did, and the Dutch index by 0.4 points to 55.0. The Greek index increased by 4.4 points to 39.6, but remains deep in contractionary territory. **Euro-area Composite PMI: September 2015** (released 5th October) The euro-area composite output index fell to 53.6 in September, down from 54.3 in August and below the earlier flash estimate of 53.9. At the country level the German index fell by 0.9 points to 54.1, the Spanish index fell by 4.2 points to 54.6 and the Italian index fell by 1.6 points to 53.4. The French index rose by 1.7 points to 51.9. The euro-area services business activity index fell to 53.7 in September from 54.4 in August, below the earlier flash estimate of 54.0. At the country level the German services index fell by 0.8 points to 54.1, the Spanish index fell by 4.5 pts to 55.1 and the Italian index fell by 1.3 points to 53.3. The French index increased by 1.3 points to 51.9. **Euro-area Retail Sales: August 2015** (released 5th October) Euro-area retail sales remained stable oma (+2.3% oya) in August 2015. Data for July were revised up by 0.2pp to 0.6% oma Retail sales increased in France (0.3% oma) and in Spain (0.2% oma) in August, but fell in Germany (-0.4% oma). Data for Italy are not yet published.	***EA GDP****	*Q1* *Q2* *Q3*	*0.5%* *0.4%* *0.4%*	*0.5%* *0.4%* *0.4%*
US	**Markit US Manufacturing PMI: September** (released 1 October) The Markit US manufacturing PMI ticked up in September (53.1, +0.1), slightly above the earlier flash estimate (53.0). The score for output (54.5, +0.7) rose on the month, the score for new orders remained flat (54.7), while the scores for employment (50.8, -1.6), output prices (50.0, -2.0), and input prices (47.9, -4.4) fell on the month. **US ISM Manufacturing: September** (released 1 October) The ISM manufacturing index fell in August (50.2, -0.9), the lowest reading for this index since May 2013. Production (51.8, -1.8) employment (50.5, -0.7) and new orders (50.1, -1.6) all fell on the month. **US employment situation**: September (released 2 October) Having averaged around 213k in H1, employment growth softened by more than expected in Q3. September non-farm payrolls increased by 142k and there were downward revisions of 59k to the previous two months. Unemployment remained at 5.1% in September - only 0.2pp above the median FOMC estimate of the long-run unemployment rate and 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 0.3pp to 10.0% in September. The recent falls in the unemployment rate are partly due to a decline in the participation rate, which at 62.4% in September is a new low for the cycle. Annual growth in average hourly earnings (all employees) remained at 2.2% in September and average hourly earnings (production and non-supervisory employees) also remained at 1.9% in September. **US Light vehicle sales: September** (released 1 October) Sales of light vehicles (passenger cars and light trucks) increased by 0.4 million units in September to an annual rate of 18.1 million units. This was the highest reading since July 2005.	***US GDP****	*Q1* *Q2* *Q3*	*0.2%* *1.0%* *0.5%*	*0.2%* *0.9%* *0.6%*

Markit US Services PMI: September (released 5 October)
The Markit US services PMI Business Activity Index fell in September (55.1, -0.1pp), 0.5pp below the earlier flash estimate. The final Markit US Composite PMI Output Index also fell in September (55.0, -0.7pp), 0.3pp below the flash estimate. The fall mainly reflected a weaker contribution from services (55.1, -1.0pp).

US ISM non-manufacturing: September (released 5 October)
The ISM non-manufacturing index fell in September (56.0, -2.1pp). Underlying this, new orders (56.7, -6.7) and business activity (60.2, -63.9) fell, whilst employment (58.3, +2.3) increased on the month.

US International Trade: August (released 6 October)
The US trade deficit widened by $6.5bn from $41.8bn in July to $48.3bn in August. The goods deficit increased by $6.6bn to $67.9bn. The service supply of $0.1bn to $19.6bn. In real terms, in August imports increased by 1.2% oma (-2.2% oya) while exports decreased by 2.0% oma (6.2% oya).

Asia & EMEs

China
Overall, the services PMIs released since pre-MPC provide a small degree of downside news. We have marked down the Q3 Nowcast by 0.1pp to 1.6% (the same as the August IR).

The September NBS services PMI was unchanged at 53.4, while the Caixin services PMI fell 1.0 points to 50.5.

The official NBS headline manufacturing PMI for China increased by 0.1 points to 49.8 in September. The final Caixin manufacturing PMI was revised up by 0.2 since the flash estimate, although it remains 0.1 below the August figure.

Japan
The manufacturing PMI for Japan fell by 0.7 points to 51.0 in September.

The all industries Tankan business conditions index came out better than expected at 8 in September. The forecast is for conditions to worsen in the December survey

EMEs
The Reserve Bank of India cut its policy rate by 50bps to 6.75% on Tuesday. The RBI statement suggested that the larger-than-expected cut in the policy rate (markets had expected rates to be cut by 25 bp) was intended to boost investment at a time when it saw the Indian economy's recovery as being "far from robust".

*China GDP**			
	Q1	*1.5%*	*1.5%*
	Q2	*1.7%*	*1.6%*
	Q3	*1.6%*	*1.6%*

**oqa growth rates, data in yellow*

Global

UK-weighted world GDP growth disappointed in 2015Q2, mainly due to a slower-than-expected growth in EMEs, particularly Brazil and Russia. However, world GDP growth in 2015Q1 was revised up as a result of an upward revision of US GDP growth. Further out, world activity is expected to recover gradually.

Composite Global PMI: August (release 5th October)
The JPM global composite PMI fell to 52.8 in September from 53.9 as weaknesses in emerging markets continued to drag on world growth. The global export orders PMI contracted further from 49.8 to 49.1. Both indicators point to UK-weighted world GDP growth of 0.5%oqa in Q3, a touch lower relative to our nowcast.

*World GDP**			
	Q1	*0.5%*	*0.4%*
	Q2	*0.5%*	*0.7%*
	Q3	*0.6%*	*0.6%*

**UK-weighted*

Oil

The price of Brent crude is up 1% since October pre-MPC to $47pb (cob 30th September). Brent has been trading in the range of $46-$50pb for the past three weeks. Market contacts views that concerns about Russia strikes in Syria support Brent prices, but it is offset by larger-than-expected US crude stocks. Brent spot price is now 16% higher than the August trough reflecting concerns over Chinese growth prospects and resilient oil supply.

Brent prices have risen 3% since the latest update (cob 30th September) and 4% since October pre-MPC, respectively, to $48pb (cob 5th October). News of lower output from Libya and Iran added upward pressure on Brent prices, but there are still concerns on further build in US stocks.

UK Demand & Output

Blue Book 2015 (released 30 September)
Further to the Blue Book 2015 briefing presentation on the 30th September, this supplementary chartpack contains additional charts and tables.

Markit/CIPS Manufacturing (released 1 October)
The manufacturing output index was broadly unchanged in September. It remains just above its series average. The expectations series fell to around its series average.

BCC Quarterly Economic Survey (released 1 October)
A composite output series from the BCC Quarterly Economic Survey (which weights together domestic and export sales balances for services and manufacturing) ticked up in Q3 2015, and remains above average. This strength was driven by domestic services sales, with export services sales continuing to trend downwards. The balance for manufacturing domestic sales was broadly unchanged in Q3, while the export manufacturing sales balance continues to fall.

A composite expectations series for output over the next three months (based on weighting together the manufacturing and

services confidence balances for turnover) ticked down slightly in Q3, but remains above average.

Markit/CIPS Construction (released 2 October)
The construction output index increased in September to its highest level since February 2015, with a broad based increase across sub-sectors. The expectations index eased for a third consecutive month, but remains above average.

Markit/CIPS Services (released 5 October)
The services output index fell sharply in September. It is now below its historical average and at its lowest level since April 2013. The services expectations balance also fell on the month.

Overall the composite Markit/CIPS series fell in September. While it continues to indicate a moderate increase in output, this was the third consecutive month the series has fallen, taking it to below its historical average and to its lowest level since April 2013. The composite series ticked down in September as a result of a broad based fall across industry sectors. It is now below its historical average and at its lowest level since May 2013. The composite indices were shown at the Blue Book 2015 briefing presentation.

SMMT New Car Registrations (released 6 October)
According to the Society of Motor Manufacturers and Traders, total new car registrations (seasonally adjusted in-house) rose by 0.6% in September, driven by business (incl. fleet) registrations (+2.6%). Private registrations ticked down on the month (by 1.8%). Quarterly growth in Q3 2015 remained solid (+2.1%). This was broad based across private (+1.7%) and business (incl. fleet) (+2.5%) registrations.

UK Housing market

RICS Residential Market Survey (received 5th October, **Bank Confidential and under embargo until 8 October**)
The September RICS data show a similar picture to last month. House price expectations have fallen slightly, however, and the gap between new buyer enquiries and new instructions to sell narrowed a little, suggesting slightly less near-term pressure on house prices.

Halifax house price index (received 5th October)
According to the Halifax index house prices fell in September by 0.9%, following a sharp rise in August of 2.7%. This means the average of lenders' indices has fallen by 0.1% on the month, and is weaker than anticipated in the August IR and November BMK forecasts.

UK Inflation

The REC survey for September shows that the permanent staff placements balance fell slightly on the month leaving the balance for Q3 lower than in Q2. Average starting salaries for workers were fairly flat on the month. Permanent and temporary staff availability both fell at a slower pace, leaving the combined measure elevated. The vacancy balance fell slightly on the month.
The data received since pre-MPC do not change our overall assessment on the labour market.

The latest inflation forecasts are based on the oil price as of close of business 30th September. There has been no significant change in the oil price since pre-MPC, leaving our forecast unchanged. This update is using the 15 day average of oil prices (this is the standard method).

	Outturn	Forecast					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Aug IR		0.1	0.1	0.3	0.6	0.9	1.1
Latest (single day)	0.0	-0.1	0.2	0.5	0.7	0.8	0.8
Latest (15 day)	0.0	0.0	-0.1	0.2	0.5	0.7	0.8

The latest inflation forecasts are based on the oil price as of close of business 5th October. The latest petrol price data has pushed up our October forecast from -0.1 to 0.0 on the rounding. This update is using the 15 day average of oil price (this is the standard method).

	Outturn	Forecast					
	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Aug IR		0.1	0.1	0.3	0.6	0.9	1.1
Latest (single day)	0.0	0.0	0.0	0.2	0.5	0.7	0.9
Latest (15 day)	0.0	0.0	0.0	0.2	0.5	0.7	0.8

Corporates

Deloitte CFO Survey, 2015 Q3 (Received 5th October)

The survey results suggest CFOs have become more uncertain about business prospects, reducing their appetite for investment expenditures and hiring. The proportion of CFOs who say levels of financial and economic uncertainty are above normal rose by 19pp to 73%, the largest increase in five years. CFOs significantly raised their rating of business risks from EMEs, but still (narrowly) saw monetary tightening in the UK or US as the most pressing risk. The share of CFOs who thought hiring, capital expenditure and discretionary spending would be higher in 12 months fell back notably, reversing gains since 2013. Although this report informs our view on the corporate sector, less than half of the survey firms' revenues are generated in the UK, so it is not clear what the direct implications are for the UK outlook