

Investec Economics

The week ahead: Monday 6 February 2017

- In what looks to be a relatively quiet week for economic data, with the exception of the UK, we expect to see political news filling the void.
- In the UK, we expect Parliament to move the Government a step closer to firing the official starting gun on the Brexit process, with the 'Article 50' trigger Bill headed to 'Committee stage' in Parliament. Here amendments will be considered, before the report heads to its 'Report stage', then 'Third reading' in the Commons and then to the House of Lords. The mood music is that the Bill is likely to move through these stages without major delay.
- In US politics, we expect President Trump to continue his quick-fire approach to seeking to implement his policy goals, with no signs of a change of tack as of yet. Confirmation hearings on his Cabinet appointees will continue, after a week in which we have been reminded that Mr Trump will face push back from Congress on the bits of his policy plan that require Congress's sign off. Indeed, it appears that two Senate Republicans have taken the unusual step of opposing the President's Education Secretary nominee Betsy DeVos whilst Democrats earlier this week delayed the approval of the President's Treasury Secretary nominee Steve Mnuchin in the Senate Finance Committee; Republicans on the Committee had to change the rules to get his vote through.
- This week saw the publication of the Bank of England's Inflation Report. Despite applying a material upgrade to its UK growth outlook, the MPC maintains a very benign outlook for domestic inflationary pressure. With this outlook in mind, we think that the next Bank rate move is more likely to be up than down, but will not take place any time soon (see out note '[Steady but \(not quite\) neutral](#)' for full details).
- Next week's UK data might give us a very early idea of how the MPC's new projections are playing out, with releases due. Official statistics on the performance of the UK industrial and construction sectors are due at the end of the week and will shape expectations of whether any revisions will be made to Q4 GDP, initially estimated at +0.6% q/q. Trade figures due Friday will provide another health check on the boost provided by the weaker pound, post-Brexit vote. Finally, on the housing sector, we have the January RICS housing report and Halifax house price data out too.
- In the Euro area, the economic release calendar looks thin. Here, the highlights are likely to be Germany's new manufacturing orders for December alongside industrial output numbers for France and Germany.
- Globally, Chinese markets will be back for their first full week after the Lunar New Year holiday, catching up on global developments, particularly from the new US administration. There are also several Chinese economic releases set for publication including the January trade numbers, the latest lending figures and the Caixin services PMI. **VC**

[Click here for diary](#)

Chris Hare
+44 (0) 20 7597 4360
chris.hare@investec.co.uk

Philip Shaw
+44 (0) 20 7597 4302
philip.shaw@investec.co.uk

Victoria Clarke
+44 (0) 20 7597 5154
victoria.clarke@investec.co.uk

Weekly Key Indicators

Indicator			Comment
BRC Retail Sales Monitor (Jan)			
00:01 Tuesday 7 February			
		Last	<ul style="list-style-type: none"> The BRC retail sales monitor showed total sales up 1.7% in December with like for like sales up 1.0%. Food sales were the main contributor to monthly growth with non-food described as 'sluggish'. One question for the January numbers will be whether lost ground from there being fewer post Boxing day shopping days, which impacted furniture sales in December, is recovered, and whether other soft categories such as electronics and household appliances also pick-up. In terms of macro drivers, one key question will be whether there are any clearer signs in the upcoming numbers of a squeeze to demand from the pick-up in inflation, although this will be easier to tell when the ONS volumes rather than values based numbers are released later in the month. VC
Total		+1.7% (yoy)	
Like-for-like		+1.0% (yoy)	
RICS Housing Survey (Jan)			
00:01 Thursday 9 February			
	Forecast	Last	<ul style="list-style-type: none"> January's survey will help to take the temperature of the UK housing market for the first time this year. December's results saw a loss of price momentum as the reported selling prices balance weakened to +24% from +28%, its first decline since July. There has been less of a clear trend in lenders' price indices. For example, the Nationwide figures showed annual house price inflation in a relatively tight range between 4%-5½% over most of 2016. Our best guess is that we will see another modest fall in the RICS balance this time, to +22%. It will also be interesting to glean what the survey says about activity levels. December's results were mixed. Average sales per surveyor were steady at 17.4 (over the latest three months), but the balance of agreed sales fell into negative territory (albeit just) for the first time since July. However we do not see any firm evidence of any such slowdown from official transactions or mortgage approvals data. PS
House price balance	+22%	+24%	
Industrial Production (Dec)			
Manufacturing Output (Dec)			
09:30 Friday 10 February			
	Forecast	Last	<ul style="list-style-type: none"> Last month's ONS Index of Production release showed the manufacturing sector expanding by +1.3% m/m in November, while the broader industrial production measure rose by +2.1% m/m (helped in part by an 8.2% increase in mining output as the Buzzard oil field recovered from earlier shutdowns). This month, in its preliminary estimate of Q4 GDP, the ONS provided a best guess of growth in December. These estimates showed another hefty monthly increase in manufacturing output (+1.2% m/m). Meanwhile, industrial production grew by +0.6% m/m (another sub-sector must have fallen on the month, but the ONS has not yet provided a full breakdown of the numbers beyond manufacturing). It is possible that manufacturing output is beginning to see a competitiveness boost from the weaker pound, while businesses more generally appear to be shrugging off Brexit related uncertainty. As a central view, we are inclined to expect the ONS's 'first stab' estimates for December to be embodied in next week's official industrial production release. CH
Industrial production	+0.6%	+2.1%	
	(+3.7% yoy)	(+2.0% yoy)	
Manufacturing output	+1.2%	+1.3%	
	(+2.6% yoy)	(+1.2% yoy)	
Trade in goods & services (Dec)			
09:30 Friday 10 February			
	Forecast	Last	<ul style="list-style-type: none"> The goods trade deficit widened by more than expected in November, to £12.2bn, from October's £9.9bn (the consensus expectation was for a shortfall of £11.5bn). Meanwhile, the goods and services deficit rose from £1.5bn to £4.2bn. Despite the downside news in the headline trade balance, there might be scope for some optimism in the volumes data. Although import volumes growth has been surprisingly robust (showing +1.8% growth in the three months to November), export growth seems to be picking up after several months of contraction: 3m/3m goods export volumes growth rose from -2.7% to +1.1% in November. Consistent with the read from the manufacturing sector (see above) a fillip from the weaker pound might be starting to come through. Also regarding the effects of the weaker pound, we will be watching out for further rises in import prices, building on the +2.0% growth seen in the three months to November. Further rises would presage higher consumer prices further down the road. We suspect that the trade shortfall narrowed in December and our forecast
Trade in goods	-£11.0bn	-£12.2bn	
- ex oil and erratics	-£10.3bn	-£11.4bn	
Goods & services trade	-£3.3bn	-£4.2bn	

is for a goods trade balance of -£11.0bn and for a goods and services balance of -£3.3bn. **CH**

Construction Output (Dec)

09:30 Friday 10 February

Construction output

Last
-0.2%
(+1.5% yoy)

- After contracting by 0.8% in Q3, the UK construction sector managed to eke out growth of just 0.1% in Q4. However it remains to be seen whether this is a Brexit related soft patch or driven by broader trends in the sector. Indeed, we note that the ONS's GDP release points to a soft patch for construction in Q4 across a number of OECD economies.
- The ONS's breakdown of its Q4 GDP figure pointed to construction output in December expanding by 1.0% on the month after the 0.1% decline in November. Clearly we will be watching next week's construction figures for any major revisions here, for hints of an overarching revision to Q4 GDP numbers, recorded at +0.6% at the first release.
- Note the tone of the end-2016 Construction PMI survey was relatively upbeat with the index rising to 54.2 in December 2016 from 52.8 in November, the strongest expansion since last March. However, the construction sector continued to experience intense cost pressures as suppliers passed on higher imported raw material prices and these will likely bite further as we move into 2017. **VC**

Investec Economics

Economics

The Week Ahead

Date	Venue	GMT	Indicator/event	For	Investec Forecast	Previous
Mon 6	UK	09:00	New car registrations	Jan		-1.1% (yoy)
			◆ Parliament to debate Article 50 Bill (committee stage, day 1 of 3)			
	GE	07:00	New manufacturing orders	Dec		-2.5% (+3.0% yoy)
Tue 7	UK	00:01	BRC Retail Sales monitor	Jan		+1.0% l-f-l, +1.7% tot (yoy)
		08:30	Halifax house prices	Jan	-0.2% (+6.0% 3m yoy)	+1.7% (+6.5% 3m yoy)
	CH	01:45	◆ Caixin services PMI	Jan		53.4
			Foreign exchange reserves	Jan		+CNY3010.5bn
	AU	03:30	RBA announcement			unch (1.50% cash rate)
	JA	05:00	Leading index (prel.)	Dec		102.80
	GE	07:00	Industrial production	Dec		+0.4% (+2.2% yoy)
	US	13:30	Trade balance	Dec		-\$45.2bn
Wed 8	JA	(23:50)	Trade balance	Dec		+¥313.4bn
		(23:50)	Current account balance	Dec		+¥1415.5bn
			Economy watchers' survey	Jan		51.4
		07:30	Business sentiment	Jan		102
	SP	08:00	Industrial production	Dec		+1.8% (+3.2% yoy)
	NZ	20:00	RBNZ announcement			unch (1.75% cash rate)
Thu 9	UK	00:01	RICS Housing Survey	Jan	+22%	+24% (house price balance)
	JA	(23:50)	Private 'core' machinery orders	Dec		-5.1% (+10.4% yoy)
	GE	07:00	Current account	Dec		+€24.6bn
		07:00	Trade balance	Dec		+€22.7bn (r)
		13:30	Weekly jobless claims	4 Feb		-14k (246k)
Fri 10	UK	09:30	◆ Industrial production	Dec	+0.6% (+3.7% yoy)	+2.1% (+2.0% yoy)
		09:30	◆ Manufacturing output	Dec	+1.2% (+2.6% yoy)	+1.3% (+1.2% yoy)
		09:30	◆ Trade in goods	Dec	-£11.0bn	-£12.2bn
		09:30	- ex oil and erratics	Dec	-£10.3bn	-£11.4bn
		09:30	Trade in goods and services	Dec	-£3.3bn	-£4.2bn
	CH	09:30	Construction output	Dec		-0.2% (+1.5% yoy)
			Trade balance	Jan		+CNY275.4bn
			Exports	Jan		+10.8% (yoy) (CNY)
		Imports	Jan		+0.6% (yoy) (CNY)	
	FR	07:45	Industrial production	Dec		+2.2% (+1.8% yoy)
			Moody's to review France credit rating			
	IT	09:00	Industrial production	Dec		+0.7% (+3.2% yoy)
			Moody's to review Italy credit rating			
US	15:00	◆ Michigan consumer sentiment (prel.)	Feb		98.5	

Expected during the week

CH	Money supply - M2	Jan	+11.3% (yoy)
	New yuan loans	Jan	+CNY1040bn
	Total social financing	Jan	+CNY1626bn

Further ahead

12 Feb	SW	Referendum on corporation tax reforms (increases)
14 Feb	US	Janet Yellen testifies to Senate Banking Committee
15 Feb	US	Janet Yellen testifies to House Financial Services Committee
23 Feb	UK	Stoke-on-Trent Central & Copeland by-elections
9 Mar	EU19	ECB announcement
15 Mar	US	FOMC announcement
16 Mar	UK	BoE announcement and minutes

Key

◆ Key event indicator