Essential Reading

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

By (Euro area), (Global), (Commodities), (US), (Asia & EMEs), REC survey), (UK inflation), (UK D&O), (UK housing)

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

International Assessment

EA: The flash inflation release contained downside news to our short-term inflation forecast. Headline inflation was 0.1% in November, unchanged from October. We expect inflation to increase to 0.6% oya in December as the base effect from the fall in energy prices last autumn drops out of the annual calculation. Composite PMIs (up 0.3pts to 54.2 in November) and retail sales figures (down 0.1%oma in October) have not changed our nowcast of Q4 GDP, which remains at 0.4%.

The ECB announced a further loosening of monetary policy, including a cut in the deposit rate to -30bps and an extension in asset purchases by six months. This was some way short of what market participants had expected, and the market reaction was negative. See ECB Policy Decision December 2015: for further detail.

The December Eurosystem staff macroeconomic projections for GDP growth were broadly unchanged relative to September, while the inflation projections were marked down a little.

The second estimate of euro-area GDP came in at 0.3%qoq, unrevised from the first estimate and below the Nov IR forecast of 0.4%. Within this, consumption was stronger than expected, but off-set by weaker than expected investment and net trade.

US: The November employment report was the second strong report in a row, following the weaker August and September reports. With NFPs increasing by 211k in November, and being revised up by a combined 35k in September and October, the 3m MA is now back above 200k. Although annual average hourly earnings fell back in November, the overall strength of the employment report means that the FOMC will almost certainly raise rates in December, with market expectations of an increase at around 75%.

The revisions to productivity and costs by the Bureau of Labour Statistics paint a more positive picture in the middle half of 2015 than in the preliminary release. Productivity was stronger than initially estimated in Q3, and compensation per hour was higher in both Q2 and Q3. As a result unit labour costs have increased significantly faster than previously reported, and currently stand at 3.0% oya in the nonfarm business sector. Although this implies a possible build-up in pressures on US inflation, it is worth noting that ULCs are a highly volatile series, and it will be important to see whether this strength is sustained.

China: The Caixin Services PMI fell 0.8 points to 51.2 in November. The China Nowcast is unchanged at 1.6% oqa. China's reported November FX reserves fell $87bn to $3.44trn, the largest drop in reserves since August, leading to renewed concerns about continued capital outflows.

China's trade surplus fell by $7.5bn to $54.1bn in November, lower than market expectations of $63.3bn. Within this import growth fell by -8.7% oya, from -18.8% last month, beating market expectations of -11.9%. Export growth, however, was below market expectations, falling by -6.8% oya in November, from -7% last month.

November inflation figures were slightly stronger than expected but remained subdued. CPI came in at 1.5% oya (vs 1.3% in Oct; market expectations were 1.4% oya;) driven by food inflation, and PPI was -5.9% oya (vs -5.9% in Oct; market expectations were -6.0%).

Japan: Japanese Q3 GDP growth was revised up by 0.5pp to 0.3% oqa (1.0% annualised), from -0.2% oqa (-0.8% annualised) reported in the first release, beating market expectations and removing the technical recession declared in the first release three weeks ago. The Q3 figure is now 0.1pp higher than the November IR forecast of 0.2% oqa growth.

EMEs: November service sector PMIs were weak. Although they rose in Brazil and Russia, they remain below 50. The PMI fell back (to 50.1) in India. The weighted average of the three countries' service PMIs fell from 49.6 in October to 49 in November.

Commodities: The price of Brent crude has fallen 3.3% since December pre-MPC to $42pb (as of cob 4th December) and is 1.7% lower across the futures curve. This appears to be driven mainly by supply related news. Industrial metals and agricultural prices have risen 0.5% and 0.7%, respectively, since December pre-MPC. The global composite PMI points rose by 0.6pts to 53.7 in November, a three month high.

Brent oil prices have fallen 5.6% since 4th December to $39.7pb (as of cob 8th December), with the futures curve 3.7% lower. The fall was driven mainly by the outcome of the OPEC meeting last Friday. Metal prices and agricultural prices have fallen 1.4% and 1.9%, respectively.

UK Assessment

Demand & Output: No news relative to pre-MPC. Our Q4 GDP nowcast remains at 0.6%

Housing market: Growth in the Halifax house price index fell in November, converging towards the Nationwide index and causing growth in the average of lenders' indices to fall back relative to October.

Inflation: With sterling oil prices up to cob on 8 December, the outlook for near term inflation remained 0.1pp lower in March and April 2016 than the forecast shown at pre-MPC. Those forecasts are based on a 15-day average of oil prices. When the day spot price from 8 December is used instead, the updated forecast is 0.1pp lower in February and 0.2pp lower in March and April than the forecast shown at pre-MPC.

Corporate sector: There have been no UK corporate sector data releases since pre-MPC.

Region	*Key data released since pre-MPC: International and UK*	**oqa growth rates, data in yellow*		*Dec MPC*	*Nov MPC*
Euro area	**Euro-area flash HICP inflation: November 2015** *(released 2nd December)* The flash estimate of annual HICP inflation in the euro area was 0.1% oya in November, unchanged from October. Energy price inflation was -7.3% oya in November, up from -8.5% oya in October. Food, alcohol and tobacco inflation decreased to 1.5% oya in November, down from 1.6% oya in October. Core inflation (excluding energy, food, alcohol and tobacco) decreased by 0.2pp to 0.9% oya in November. The inflation flash estimate contained downside news relative to our forecast of 0.3%, although the news was closer to 0.1pp at the second decimal place. Within this, our surprise was in core inflation (0.1pp below our forecast) and to a lesser extent in food price inflation. We expect to see a significant pickup in inflation in December, to 0.6% oya, as the base effect from the fall in energy prices last Autumn drops out of the annual calculation, and a further substantial pickup is expected at the beginning of next year. **Euro-area Composite PMI: November 2015** *(released 3rd December)* The euro-area composite output index increased by 0.3 points to 54.2 in November, 0.2 points below the flash estimate. Within this, the services activity index increased by 0.1 points to 54.2. At the country level, the composite output index increased in Germany (up 1.0 to 55.2), Italy (up 0.4 to 54.3) and Spain (up 1.2 to 56.2). The score fell in France (down 1.6 to 51.0), a little below the flash estimate. The survey was mainly carried out after the Paris attacks, so there has clearly been some effect. But the fall remains relatively small given the monthly volatility of the series. **Euro-area Retail Sales: October 2015** *(released 3rd December)* Euro-area retail sales decreased by 0.1% oma (+2.5% oya) in October 2015. Retail sales increased in Spain (0.3% oma) and fell in France (-0.3% oma) and Germany (-0.4% oma). Data for Italy are not yet published. **Euro-area GDP: 2015 Q3 (second estimate)** *(released 8th December)* Euro-area GDP growth was 0.3% oqa (1.6% oya) in Q3, unrevised from the first release, following growth of 0.4% oqa (1.6% oya) in 2015 Q2. Household consumption grew by 0.4% oqa, below the November IR forecast of 0.5% oqa. Government consumption grew by 0.6% oqa, above the November IR forecast of 0.2%. Investment was unchanged on the quarter, weaker than the November IR forecast of 0.6%. The contribution to growth from stocks was 0.2pp in Q3, above the November IR forecast of 0.0pp and the net trade contribution was -0.3pp in Q3, below the November IR forecast of 0.0pp. The net trade figure is explained by relatively weak export growth (up 0.2%qoq, vs 1.6% in Q2), while imports grew by 0.9%qoq (the same rate as in Q2).	*EA GDP**	*Q3* *Q4* *Q1*	*0.3%* *0.4%* *0.4%*	*0.4%* *0.4%* *0.4%*
US	**Productivity and Costs: Third Quarter** *(revised 2 December)* **Labour productivity (measured in terms of output per hour) in the nonfarm business sector for Q3 was revised up from 0.4% qoq to 0.5% qoq. Despite the upward revision to** productivity in Q3, unit labour costs in the nonfarm business sector were also revised up in both Q2 and Q3, from 1.6% to 2.6% and from 2.0% to 3.0% respectively, as a result of upward revisions to hourly compensation in those two quarters. **Markit US Services PMI: November** *(released 3 December)* The Markit US services PMI Business Activity Index increased in November (up 1.3 to 56.1), slightly below the earlier flash estimate (56.5). The scores for input prices (up 0.4 to 52.7), output prices (up 1.4 to 52.2), employment (up 0.7 to 53.4), and new business (up 1.2 to 55.9) all increased on the month. **US ISM Non-manufacturing: November** *(released 3 December)* The ISM non-manufacturing index fell in November (down 3.2 to 55.9). Underlying this, new orders (down 4.5 to 57.5), business	*US GDP**	*Q3* *Q4* *Q1*	*0.5%* *0.4%* *0.6%*	*0.4%* *0.6%* *0.6%*

activity (down 4.8 to 58.2) and employment (down 4.2 to 55.0) all fell on the month.

US employment situation: November *(released 4 December)*
The very strong October employment report was followed by another solid report in November. Non-farm payrolls increased by 211k, above consensus expectations of a 190k rise. The already impressive October number was revised up by 27k to 298k, the highest monthly increase since December 2014. Unemployment remained at 5.0% in November - only 0.1pp above the median FOMC estimate of the long-run unemployment rate, although the U6 unemployment rate (a broader measure of labour underutilization which includes workers who are marginally attached and part time for economic reasons) ticked up by 0.1pp to 9.9% in November. This occurred as the participation rate increased slightly by 0.1pp to 62.5% in November. Annual growth in average hourly earnings (all employees) fell by 0.2pp to 2.3% in November and average hourly earnings (production and non-supervisory employees) also fell by 0.2pp to 2.0% in November.

US International Trade: October *(released 4 December)*
The US trade deficit widened by $1.4bn from $42.5bn in September to $43.9bn in October. The goods deficit increased by $2.1bn to $63.1bn. The services surplus increased by $0.6bn to $19.2bn. In real terms, imports were unchanged on the month (3.7% oya) while exports fell by 2.4% oma (-3.2% oya).

US Job Openings and Labor Turnover (JOLTS): October 2015 *(released 8 December)*
The number of job openings was little changed at 5.4 million (5.5 million in September), and the job openings rate was down 0.1pp to 3.6%. Total separations were also little changed at 4.9 million (4.9 million in September), and the total separations rate remained at 3.4%. Within this, the quit rate was 1.9% for the seventh consecutive month.

Asia & EMEs

China Caixin services PMI *(released 3rd December)*
The Caixin General Services PMI fell 0.8 points to 51.2 in November, down from 52.0 in October. The overall Caixin composite PMI increased 0.6 points to 50.5 in November, up from 49.9 in October. This China nowcast is unchanged at 1.6% oqa.

China GDP*	*Q3*	*1.7%*	*1.6%*
	Q4	*1.6%*	*1.6%*
	Q1	*1.5%*	*1.5%*

**oqa growth rates, data in yellow*

China's reported November FX reserves *(released 7th December)* fell $87bn to $3.44trn vs $3.53trn in October, the largest drop in reserves since August. Taking into account valuation effects contacts believe China sold about $50bn in FX interventions.

China's trade surplus *(released 8th December)* fell by $7.5bn to $54.1bn in November. Within this import growth fell by -8.7% oya (-18.8% in October) and export growth, fell by -6.8% oya (-7% in October).

China's November CPI inflation *(released 9th December)* came in at 1.5% y/y driven by food inflation (market expected +1.4% y/y; +1.3% in Oct) and PPI was -5.9% y/y (market expected -6.0% y/y; -5.9% in Oct).

Japanese Q3 GDP growth *(released 8th December)* was revised up by 0.5pp to 0.3% oqa (1.0% annualised), from -0.2% oqa (-0.8% annualised) reported in the first release, beating market expectations and removing the technical recession declared in the first release three weeks ago. The Q3 figure is now 0.1pp higher than the November IR forecast of 0.2% oqa growth. This upward revision was partly due to stronger business investment than previously stated, it was amended from a fall of -1.3% oqa to a rise of 0.6% oqa in Q3. Moreover, the fall in GDP in Q2 has also been largely revised away: the economy shrank by a mere 0.1% compared with a first estimate of 0.3%.

EMEs
November services PMIs were generally weak. Although service PMIs rose in Brazil by 2.5 points to 45.5 and in Russia by 2 points to 49.8, both signalled continued contraction. The services PMI in India fell by 3.1 points to 50.1.

Global

The global composite PMI rose to 53.7 in November, a three-month high, from 53.1 in October. The index suggested an acceleration in the rates of output growth in both the manufacturing and service sectors. The composite PMI points to 0.9% oqa PPP-weighted world growth in Q3 and Q4, but it has overpredicted world growth recently. However, the composite PMI points to 0.5% oqa UK-weighted world growth in Q4, a touch lower than in the Nov *IR*.

World GDP*	*Q3*	*0.5%*	*0.5%*
	Q4	*0.6%*	*0.6%*
	Q1	*0.6%*	*0.6%*

**UK-weighted*

Commodities

The price of spot Brent crude has fallen 3.3% since December pre-MPC to $42pb (as of cob 4th December), and oil is 1.7% lower across the futures curve. This appears to be explained by an unexpected rise in US crude oil inventories and OPEC leaving its supply quota unchanged at its meeting on the 4th December. For the first time in decades, the OPEC statement did not mention the quota. Industrial metals and agricultural prices have risen 0.5% and 0.7%, respectively, since December pre-MPC.

Brent oil prices have fallen 5.6% since 4th December to $39.7pb (as of cob 8th December), the lowest since February 2009. Oil is 3.7% lower across the futures curve. The fall was driven mainly by OPEC's apparent abandonment of its supply ceiling and the strengthened expectations that high OPEC supply will persist. Metal prices and agricultural prices have fallen 1.4% and 1.9%, respectively

UK Demand & Output

Markit/CIPS composite – November (released 3rd December)
The composite output series was unchanged in November, where it remains slightly above its historical average. The composite expectations series was little changed in November, only down a touch.

- **Markit/CIPS Manufacturing - November** (released before pre-MPC on the 1st December)
  The manufacturing output index fell in November, partially reversing the sharp increase in October. The expectations index fell on the month.
- **Markit/CIPS Construction – November** (released 2nd December)
  The construction output index fell sharply in November. It remains above its historical average, but now stands at its lowest level since April 2015. The expectations index also fell on the month.
- **Markit/CIPS Services – November** (released 3rd December)
  The services output index increased further in November, following the tick up in October. The index is now back above its historical average, having temporarily dipped below that level for two months previously. The services expectations index ticked up on the month.

SMMT New Car Registrations – November (released 4th December)
There was an increase of 2.0% in the total number of new car registrations (seasonally adjusted in-house) in November, which was broad based across subsectors. Three month on three month growth fell in November (by 1.0%), but the SMMT have suggested this is likely a levelling off following a prolonged period of increasing registrations. These data did not affect our Q4 GDP nowcast, which remains at 0.6%.

BRC Retail Sales Monitor – November (pre-release data, released 8th December)
The BRC measure of total retail sales (excl. fuel) rose by 0.7% in value terms in the year to October. Adjusting for inflation, sales volumes (calculated by applying in-house CPI forecasts to the BRC data) grew by 2.3%. That is lower than the average volumes growth rate for 2015 so far, with the BRC reporting that 'Black Friday' had a mixed impact across retail sub-sectors. These data do not affect our Q4 GDP nowcast, which remains at 0.6%.

Index of Production – October (released 8th December)
The total index of production rose by 0.1% in October, slightly weaker than our expectation (+0.2%) but in line with the market. Growth in September was revised up (0.0% vs -0.2% previously: both mining & quarrying and manufacturing contributed +0.1pp to the revision) however, such that three month on three month growth was slightly stronger than our expectation (+0.6 vs our expectation +0.5%). Overall, this release provided no news to our nowcast for GDP growth in Q4, which remains at 0.6%.

Within overall production there was offsetting news in manufacturing and energy:

- Manufacturing output fell by 0.4% in October which partially unwound strong monthly growth of 0.9% in September.
- Energy output grew by 1.1% in October. The increase was broad-based across extraction and utilities output.

NIESR Monthly GDP Estimate – November (released 8th December)
NIESR's monthly estimate of GDP suggested that output grew by 0.6% in the three months ending in November after growth of 0.5% in the three months ending in October 2015. This would imply a year-on-year growth rate of 2.2% for the three months to November 2015, compared with 2.3% from the three months to October 2015.

UK Housing market

Halifax house price index (received 2nd December)
Annualised three month on three month (3MO3M) inflation in the Halifax index fell to 5.7% in November, down from 11.5% in October. This means that annualised 3MO3M growth in the average of lenders' indices was 5.4%, down from 7.7% in October.

RICS residential market survey, November 2015 (received 4th December) – Data confidential until 00.01am on 10th December
The net balance of respondents expecting prices to rise over the next three months increased to +33% in November, up slightly from +29% in October. However, the net balance of respondents reporting an increase in new buyer enquiries fell, as did the net balance reporting a reduction in new instructions to sell. As such, the gap between the two – a lead indicator of pricing pressures in the market – narrowed relative to last month. The net balance on 3 month sales expectations increased to +47%, its highest positive level since 2013.

DCLG: Help to Buy: Equity Loan Scheme - 9th December
In the first 30 months (April 2013 to end September 2015), around 63,000 transactions have used the scheme, representing around 2% of total housing market transactions. Within that, 81% were to first time buyers and 83% of these transactions were outside London or the South East. The mean transacted house price was £217,999.

UK Inflation

REC Survey (received 1st December)
The REC survey for November shows that the permanent staff placements balance rose on the month. Average starting salaries were little changed on the month, while the pace at which both permanent and temporary staff availability fell increased in November.

The data received since pre-MPC do not change our overall assessment on the labour market.

Oil price update
With sterling oil prices up to cob on 8 December, the outlook for near term inflation remained 0.1pp lower in March and April 2016 than the pre-MPC forecast. Those forecasts are based on a 15-day average of oil prices. When the day spot price from 8 December is used instead, the updated forecast is 0.1pp lower in February and 0.2pp lower in March and April than the pre-MPC forecast.

	Outturn	Forecast					
	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Nov IR	-0.1	0.1	0.4	0.6	0.7	0.7	
Pre-MPC	-0.1	0.1	0.4	0.6	0.7	0.7	0.8
Cob 8 Dec (15 day avg)	-0.1	0.1	0.4	0.6	0.7	0.6	0.7
Cob 8 Dec (Single day)	-0.1	0.1	0.4	0.6	0.6	0.5	0.6