

Key Themes

As expected the US Federal Reserve increased the FFR by 25bps last week. A key change to the statement was the removal of “stance remains accommodative” but this did not signal a change in the path of policy. Projections for real GDP growth were upgraded in line with fiscal stimulus.

US data this week confirmed that real GDP growth in Q2 was 4.2% annualised and that inflation is not accelerating. In fact, core PCE price index growth slowed and came in at 0% in Aug. The annual headline rate also slowed slightly and remains around the Fed target.

Fixed mortgage rates continued to increase to new post GFC highs this week. Growth in house prices slowed. New home sales posted a slightly better month of growth after slowing for several months. From last week, existing home sales have declined over the last few months.

European inflation data continues to be led higher by accelerating energy prices. Prelim German and Euro-area CPI growth increased in Sept, coming in at +2.3% and +2.1% respectively. Euro-area CPI ex energy in the prelim estimate was +1.3% (annual).

Bank of Japan Governor Kuroda discouraged the idea that the BoJ might start to normalise rates. Governor Kuroda confirmed that extremely low rates will remain for an “extended period of time” meaning “a fairly long period of time”.

Brexit remains in a state of flux. Awaiting revised details of the trade form of Brexit likely after the Conservative Party conference next week (from 30 Sep). UK GDP growth for Q2 was confirmed at +0.4% but Q1 growth was revised lower to +0.1%.

Expecting the US and Canada to announce details of an agreement on NAFTA early this week (Sunday). The US and Japan have agreed to commence talks for a bilateral trade deal. The start of talks protects Japanese automakers from the threat of tariffs for now.

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US Data

US FED – FOMC Rates Decision

As expected, the FOMC raised the Fed Funds Rate to 2 – 2.25%.

Overall headline inflation and inflation for items other than food and energy have remained near 2%. Job gains have been strong on average.

Future decisions on rate moves will reference labour market conditions, current and expected inflation conditions and readings on financial and international developments.

Dropped “stance remains accommodative” – from the press conference, leaving this statement out means that there is no change in the path of policy but that policy is in line with expectations.

Projections: Real GDP growth upgraded;

2018; from 2.8% in Jun to +3.1% in the latest projections

2019; from 2.4% in Jun projections to +2.5% in the latest Sept projections

2020 and 2021 remain unchanged.

Unemployment rate slightly higher for 2018 3.7% (June projection was 3.6%)

Monetary policy implementation: Interest on Excess Reserves (IOER) will increase to 2.20%.

From October, the Open Market Desk will roll over principal payments from the Fed's holdings of securities that mature each month that exceeds \$30b/mth. For MBS, roll over principal payments that exceed \$20b/mth.

Separate note:

The maximum caps have now been reached - \$30b for treasury securities and \$20b for MBS.

“Once caps reach their maximum amounts, they will remain in effect until the Committee judges that the Federal Reserve is holding no more securities than necessary to implement monetary policy efficiently and effectively”.

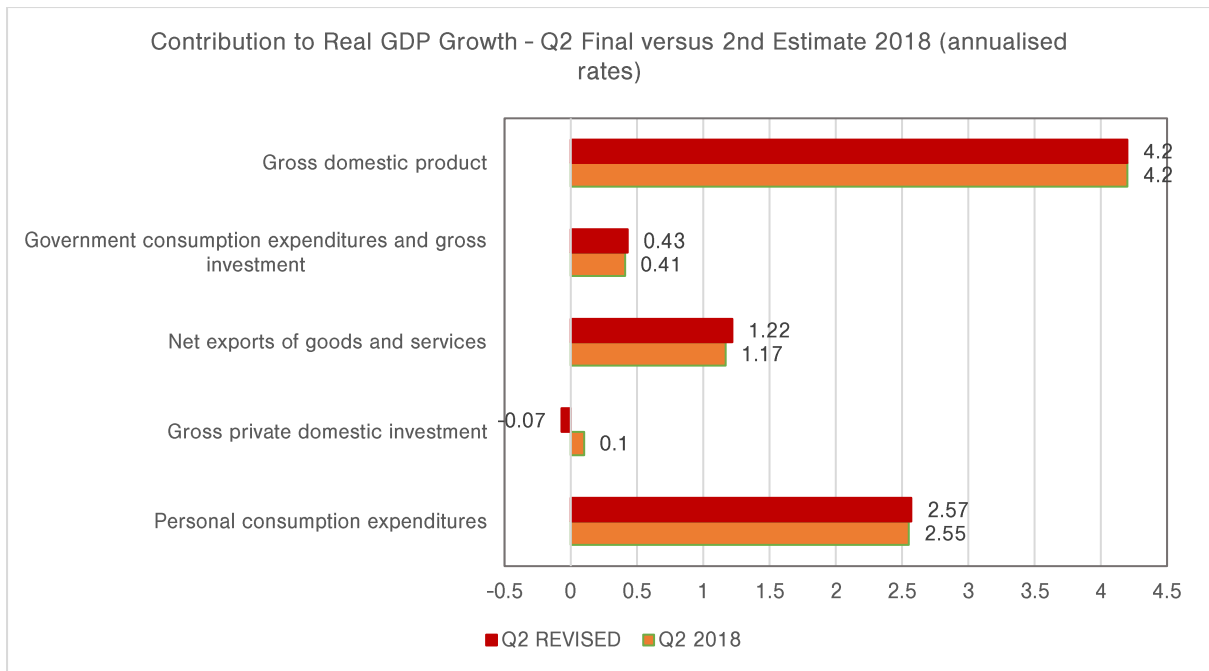
<https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

US Q2 GDP – third estimate

The third estimate of Q2 GDP was unchanged at +4.2% annualised growth, or +2.9% versus the same quarter a year ago.

There were only minor shifts in the contribution to GDP growth;

Higher contribution from personal consumption expenditure, net exports and government expenditures, which offset the small detraction from growth from private domestic investment (due to a larger decline in non-farm private inventories)

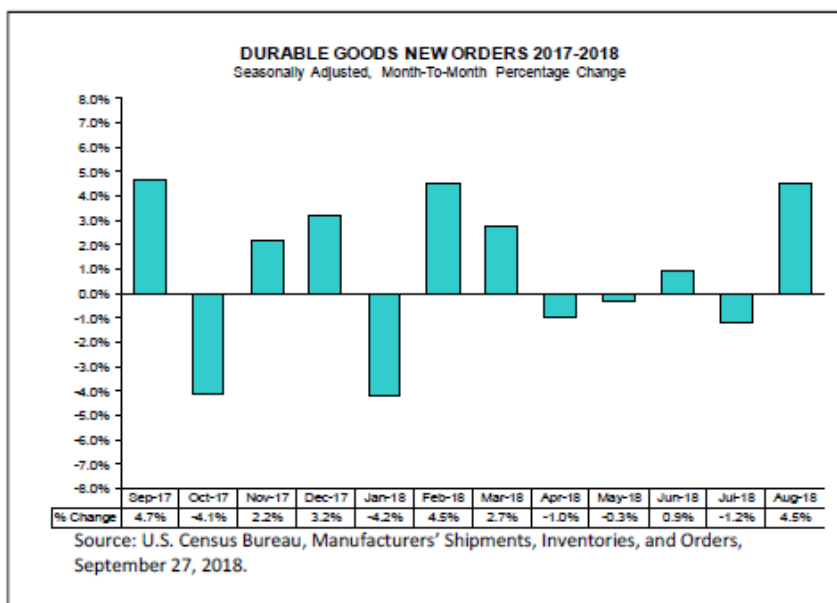


<https://www.bea.gov/news/2018/gross-domestic-product-2nd-quarter-2018-third-estimate-corporate-profits-2nd-quarter-2018>

US Durable Manufactured Goods Orders (Aug)

Growth in US durable goods increased in the latest month. Last months' increase in transport inventories was translated into higher new orders and unfilled orders this month. Shipments are also up somewhat based on transportation equipment, so its likely the next month or two will see higher shipments based on transport.

New Orders: Aug +4.5% versus Jul -1.2%



The increase in the month was mostly the result of a 13% increase in new orders for Transportation equipment (non-defence aircraft and defence capital goods). Of the +\$11.1b

increase in new orders, transportation new orders were +\$10.9b Excluding Transportation, new orders grew by +0.1% in Aug.

Shipments; Aug +0.8% versus Jul -0.1%

The majority of the +\$1.9b increase in shipments was also due to the +\$1.5b increase in transportation shipments in the latest month - although most categories made a positive contribution to overall growth in shipments.

Inventories declined in the latest month after the large increase in the month prior;

Aug -0.4% versus Jul +1.2%

In Jul, inventories increased by +\$5b, of which transportation was \$4.2b. But in the latest month, inventories declined by -\$1.4b of which, transportation equipment contributed -\$1.8b. Excluding transportation, inventories increased by +0.1% or \$384m.

Across other categories, there was a small acceleration in the growth of machinery inventories.

<https://www.census.gov/manufacturing/m3/index.html>

Personal Income and Outlays and PCE Price Index (Aug)

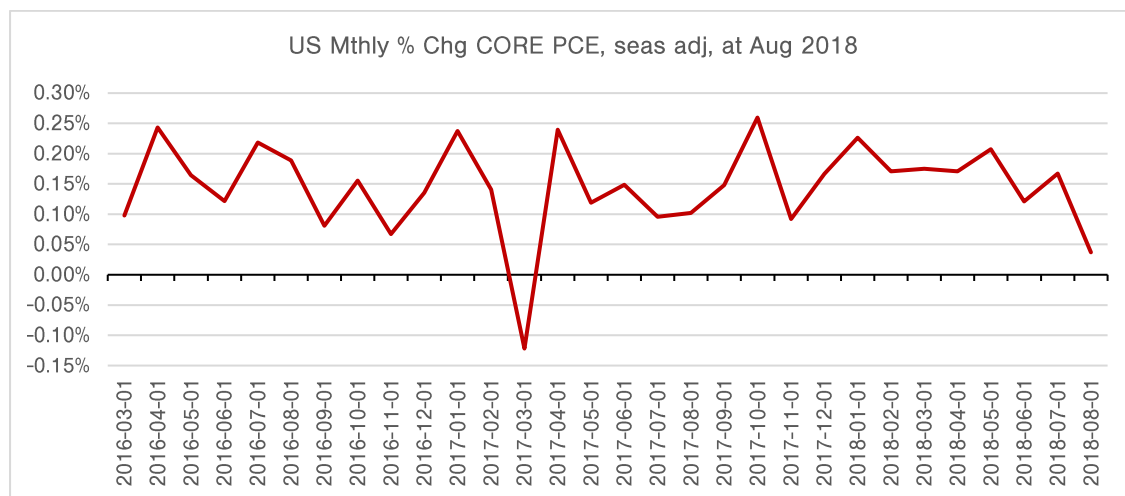
Expenditure growth remains consistent and real disposable income continued to grow in the latest month. Monthly readings of core inflation have been slowing, but headline growth of PCE price index remains unchanged due to higher growth in energy prices in the month.

Headline PCE Price Index; Aug +0.1% versus Jul +0.1%. The annual headline rate slowed from 2.34% in Jul to +2.22% in Aug

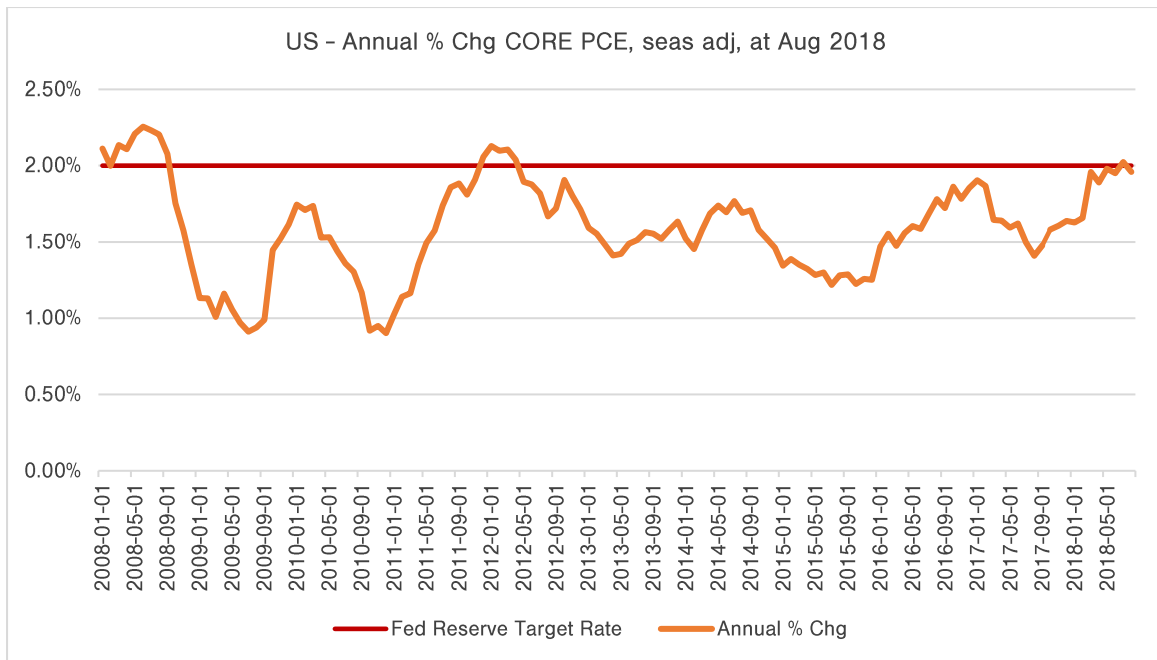
Price growth in Energy Goods & Services accelerated in the latest month; Aug +1.9% versus Jul -0.5%.

Core PCE slowed at a faster pace;

Aug 0% versus Jul +0.2%



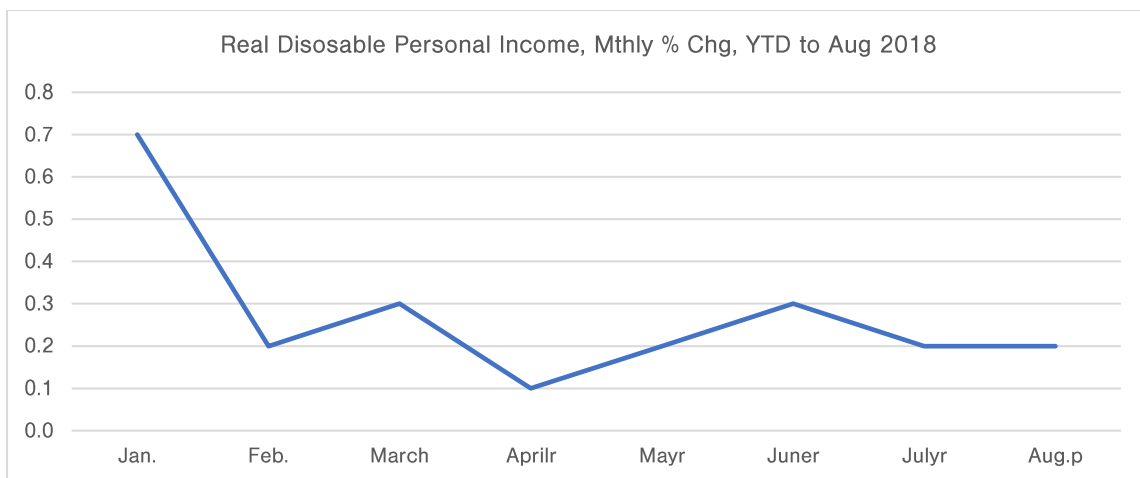
The annual rate of Core PCE price growth slowed slightly, but remains mostly in line with the Fed target rate; Aug +1.96% versus Jul +2%



Real disposable personal income growth was unchanged in the latest month;

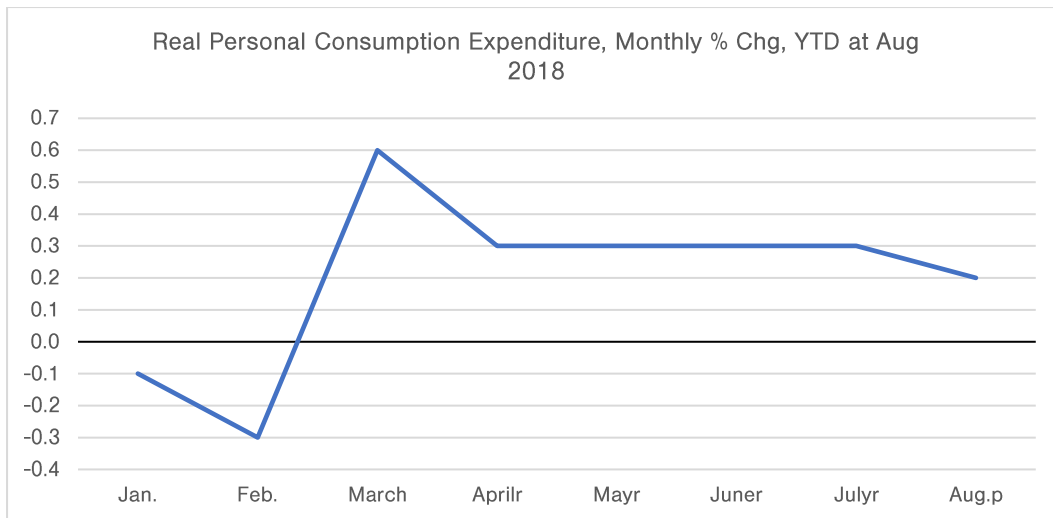
Aug +0.2% versus Jul +0.2%

Growth has remained consistent after the much stronger start to the year;



Real personal consumption expenditure also continued to grow, but at a slightly slower pace in the latest month;

Aug +0.2% versus Jul +0.3%



<https://www.bea.gov/news/2018/personal-income-and-outlays-august-2018>

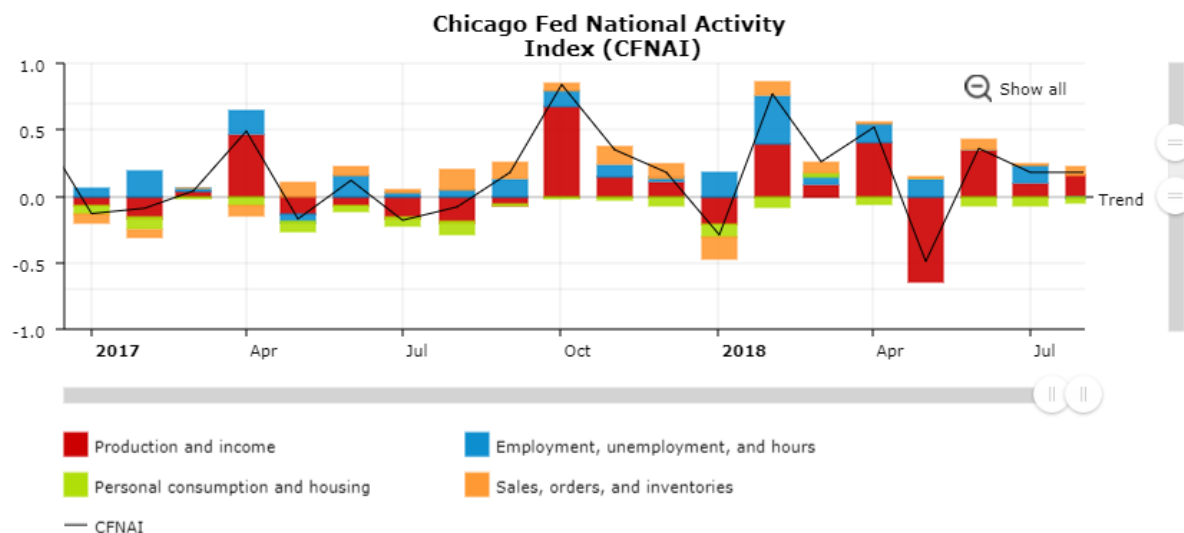
<https://fred.stlouisfed.org/series/PCEPILFE#0>

REGIONAL & NATIONAL SURVEYS

Chicago Fed National Activity Index (CFNAI) – Aug

The CFNAI was unchanged in the latest month versus the month prior. The index reading above zero highlights that growth remains at an above trend rate.

Aug 0.18 versus Jul 0.18



There were several drivers of the August result;

Production and income grew faster; Aug 0.16 versus Jul 0.1

Sales orders and inventories also grew faster; Aug 0.07 versus Jul 0.01

Personal consumption and housing remained mostly unchanged

Employment, unemployment and hours slowed; Aug -0.01 versus Jul 0.13

<https://www.chicagofed.org/research/data/cfnai/current-data>

Dallas Fed Manufacturing Survey (Sep)

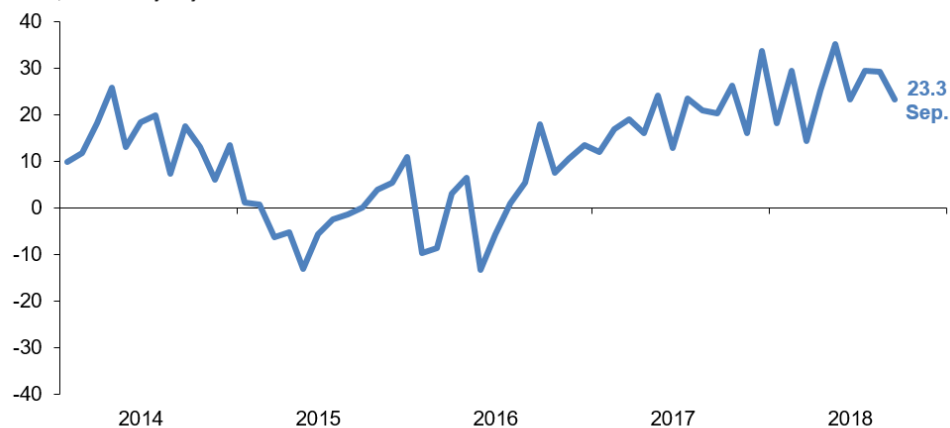
The Texas manufacturing survey continued to expand but at a slower pace in Sept.

The headline production index slowed by 6pts; Sept 23.3 versus Aug 29.3 (Jul 29.4)

Index readings slowed/fell across most of the sub-indexes. But the detailed data shows that in most cases, survey respondents shifted from a reading of 'increasing activity' to 'no change' in activity. The proportion of firms that reported a 'decrease' in activity either continue to fall or was unchanged.

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Measures of demand were all down on the prior month; New orders expansion slowed notably from 23.9 in Aug to 14.7 in Sept, the growth rate in new order also slowed by a similar number, unfilled orders slowed to almost neutral, shipments also slowed. Finished goods inventories fell from 13.9 to 6 but remains elevated compared to recent history.

Prices paid was little changed and remains close to recent highs. While prices received slowed further in Sept to 13.6 is well off its June peak of 26.2

Employment and hours worked both slowed.

Current capex expenditures slowed notably.

<https://www.dallasfed.org/research/surveys/tmos/2018/1809.aspx>

Richmond Fed Manufacturing Survey (Sep)

The headline manufacturing activity index continued to increase at a faster rate in the latest month, topping off a quarter of accelerating momentum.

Sept 29 versus Aug 24 (Jul 20, Jun 20)



Measures of demand continued to accelerate; Shipments, volume of new orders and backlog of new orders all continued to expand at a faster pace.

Local business conditions expanded at a much faster pace; Sept 27 versus Aug 13

Employment was a little softer, expanding at a slower pace; Sep 16 versus Aug 25. Wages and the average workweek expanded at a faster pace.

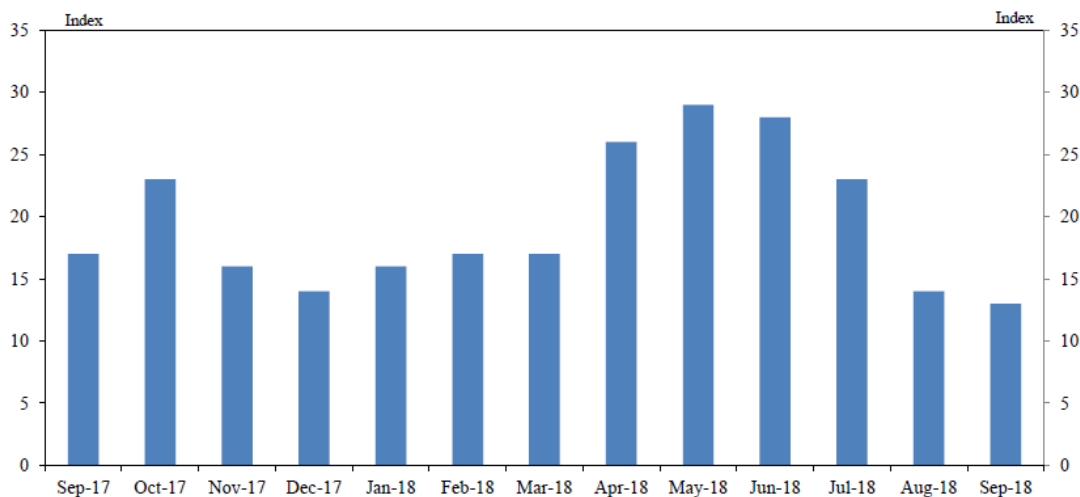
https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2018/mfg_09_25_18#tab-3

Kansas City Fed – Manufacturing Survey (Sep)

The headline composite index remains in expansion but slowed (slightly) further in the latest month. This caps off a Q3 with slower momentum in manufacturing in the region.

Sep 13 versus Aug 14 (Jul 23 and Jun 28)

Chart 1. Composite Index vs. a Month Ago



Production remained unchanged at the lowest level for the year while volume of shipments slowed significantly from a reading of 18 in Aug to 2 in Sept. Backlogs of orders also slowed. On a positive note, the volume of new orders expanded at a faster pace.

Number of employees slowed from expansion to an almost neutral pace; Sep 1 versus Aug 14. The average employee workweek remains at an almost neutral level.

Prices received for finished goods expanded at a slightly slower pace, while prices paid was little changed.

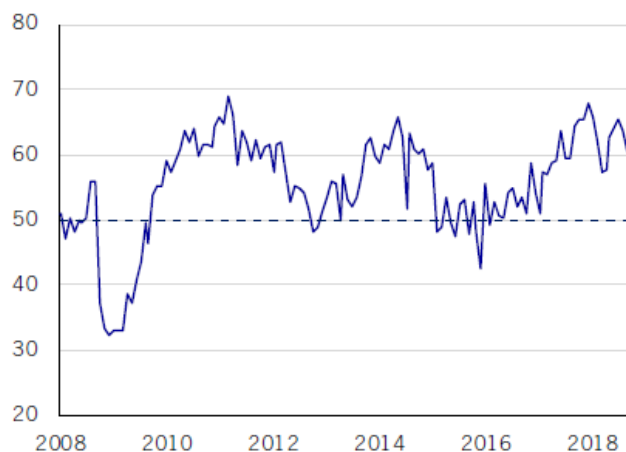
<https://www.kansascityfed.org/~media/files/publicat/research/indicatorsdata/mfg/2018/2018sep27mfg.pdf?la=en>

Chicago PMI (Sept)

The headline index of business activity continued to expand but at a slower pace in Sept. Overall momentum was at a slower pace compared to the acceleration in Q2.

Business barometer; Sept 60.3 versus Aug 63.6 (Jul 65.5 and June 64.1)

Chicago Business Barometer™



The index was led lower by slower expansion in production, new orders and employment/hiring. The expansion in production and new orders have slowed to a six and five month low respectively. Order backlogs and inventories continued to increase – in response to future order expectations and scarce availability of inputs.

Prices paid slowed slightly but remains elevated near a ten-year high. Tariffs and materials shortages especially electrical components were key areas driving up prices.

<https://s3.amazonaws.com/images.chaptermanager.com/chapters/b742ccc3-ff70-8eca-4cf5-ab93a6c8ab97/files/mni-chicago-press-release-2018-09.pdf>

HOUSING

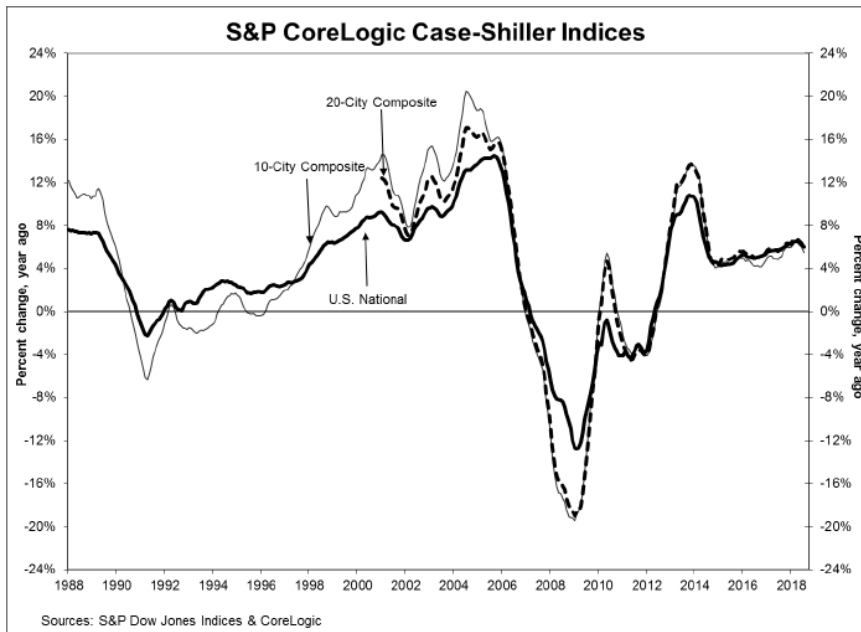
Case-Shiller House Price Index (Jul)

The latest monthly house price indices show annual price growth slowing across several measures;

National House Price Index (NSA); Jul +6% versus Jun +6.2%

10-City Composite (NSA); Jul +5.5% versus Jun +6%

20-City Composite (NSA); Jul +5.9% versus Jun +6.4%



The two strongest markets were Las Vegas +13.7% annual house price growth and Seattle +12.1%. Las Vegas is one of eight cities where prices remain below their GFC peaks despite being one of the four cities that have led the current house price recovery.

The seasonally adjusted monthly indexes also show slower growth across many cities – “15 of 20 cities saw smaller monthly increases in July 2018 than in July 2017”.

The current monthly rate implies an annual rate slower than the current annual rate;

National House Price Index (Seas adj); Jul +0.2% versus Jun +0.3%

10-City; Jul 0% versus Jun +0.1%

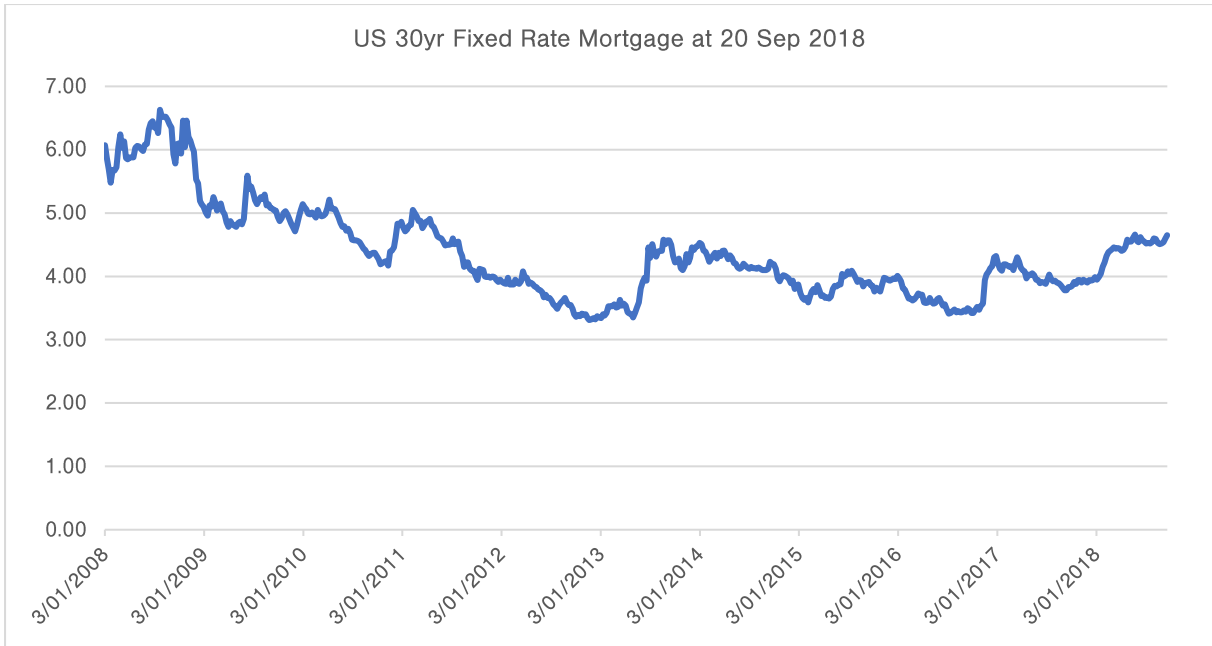
20-City; Jul +0.1% versus Jun +0.2%

The housing market has lost some momentum;

“Sales of existing single-family homes have dropped each month for the last six months and are now at the level of July 2016. Housing starts rose in August due to strong gains in multifamily construction. The index of housing affordability has worsened substantially since the start of the year”

<https://au.spindices.com/index-family/real-estate/sp-corelogic-case-shiller>

The current 30year fixed mortgage rate has continued to move higher, reaching new post GFC highs;



<http://www.freddiemac.com/pmms/>

New Residential Sales (Aug)

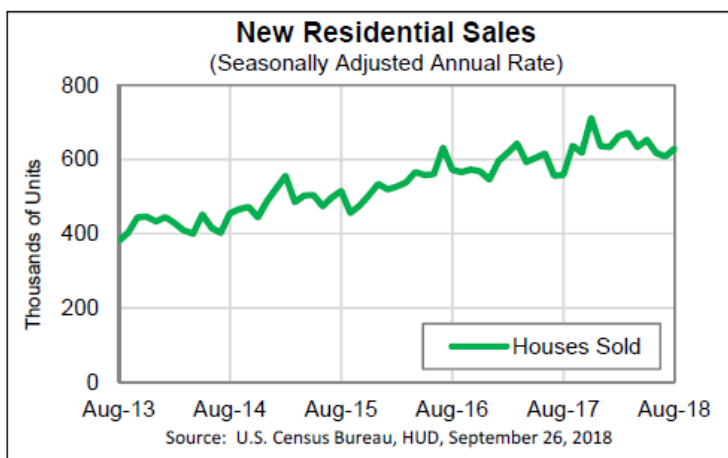
Based on the prelim estimate, the annual rate of new home sales recorded an increase in Aug after several months of slower sales.

Annualised rate;

Aug 629k versus Jul 608k sold, (or +3.5% with a variation of +/- 13.7%pts)

The current annual rate is also estimated to be above the Aug 2017 annual rate; +12.7% (with a variation of +/- 20.7%pts).

The trend of the monthly annualised estimated sales has been slowing throughout 2018;



Months supply has been increasing, but slowed slightly in the latest month;



At the same time, the median months for sale has been declining now at a YTD low of 2.8mths (median number of months for sale since completion)

<https://www.census.gov/construction/nrs/index.html>

US Tax Cuts 2.0 - House Republicans pass bill to extend individual tax cuts 28 Sept 2018

“House Republicans pushed through a new round of tax cuts Friday that would permanently extend the cuts for individuals in President Trump’s signature law that are set to expire within a decade”

“The Senate has no intention of taking up the bill, which is projected to add more than \$600 billion to the debt by the end of the next decade and much more beyond that”

https://www.washingtonpost.com/business/economy/house-republicans-pass-bill-to-extend-individual-tax-cuts/2018/09/28/2497d6bc-c326-11e8-97a5-ab1e46bb3bc7_story.html?utm_term=.2176ac67a934

The original story; https://www.washingtonpost.com/business/2018/09/13/new-estimate-gops-second-tax-cuts-would-add-trillion-deficit/?utm_term=.3d2ceb3efdc3

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Europe

German CPI – Prelim Sept

The prelim report for CPI in Germany shows that growth in the consumer price index accelerated in the latest month. This was again, mostly due to higher energy prices.

Headline annual rate: Sept +2.3% versus Aug +2%

Headline rate for the latest month; Sept +0.4%

Energy prices continue to accelerate driving up the headline rate; annual at Sept +7.7% versus Aug +6.9%

Food prices also accelerated higher; annual at Sept +2.8% versus Aug +2.6%

Growth in Services remains mostly steady; annual at Sept +1.5% versus Aug +1.4%.

https://www.destatis.de/EN/PressServices/Press/pr/2018/09/PE18_371_611.html

Euro-area Prelim CPI (Sept)

The headline annual CPI growth for the Euro-area increased at a slightly faster rate in the latest month. As per previous months, growth in energy prices is leading the CPI higher. While underlying inflation pressures are lower, higher energy costs are an obvious tax on the economy.

Annual headline growth; Sep 2.1% versus Aug 2%

Annual growth in energy prices accelerated in the latest month; Sep +9.5% versus Aug +9.2%

All items excluding energy; annual growth at Sep +1.3%

All items ex volatile items (unprocessed food, energy); annual growth Sep +1.1%

The services element of CPI has grown at a consistent pace; Annual Sept +1.3%

<https://ec.europa.eu/eurostat/documents/2995521/9271774/2-28092018-AP-EN.pdf/51cae041-707d-445c-b59d-559bb643be91>

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Japan

BoJ Governor Kuroda speech – Japan’s Economy and Monetary Policy 25 Sep 2018

The speech covers three parts – the economic situation, price developments and the conduct of monetary policy in Japan.

Despite an apparently improving economy, prices remain sluggish. The BoJ 2% target for inflation is not likely to be met within a three-year forecast window, requiring continued monetary policy easing.

The most significant part of the speech was where Governor Kuroda poured cold water on the notion of rate normalization in Japan (emphasis added);

“Partly because central banks in the United States and Europe are proceeding with monetary policy normalization recently, some market participants speculated that a policy rate hike would take place soon even in Japan. However, the situation regarding the price stability target in Japan differs substantially from that in the United States and Europe. In terms of clarifying this point, it is very important to make clear that the Bank will maintain the current extremely low levels of short- and long-term interest rates for an extended period of time”

From his speech, Governor Kuroda clarified “extended period of time” meaning “a fairly long period of time”.

Two risks in the economic landscape –

“it is necessary to thoroughly examine the extent to which recent protectionist moves, such as the trade friction between the United States and China, will affect trade as well as firms’ investment activities”

The effect “moves toward monetary policy normalization, including the policy rate hikes in the United States, will have on global capital flows and emerging economies”

Prices – Fiscal year inflation rate forecasts (CPI less Fresh Food); 2018 +1.1%, 2019 +1.5% and 2020 +1.6%. Maintaining the positive output gap to help push up prices and inflation expectations, “is likely to be the most certain path toward achieving 2 percent inflation”.

https://www.boj.or.jp/en/announcements/press/koen_2018/ko180925a.htm/

Bank of Japan – Statement on Monetary Policy 19 Sept 2018

No additional information in the statement that hasn’t been covered above.

Some clarification made regarding the purchase of JGB’s so that 10yr yields remain around zero - the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

“In case of a rapid increase in the yields, the Bank will purchase JGBs promptly and appropriately.”

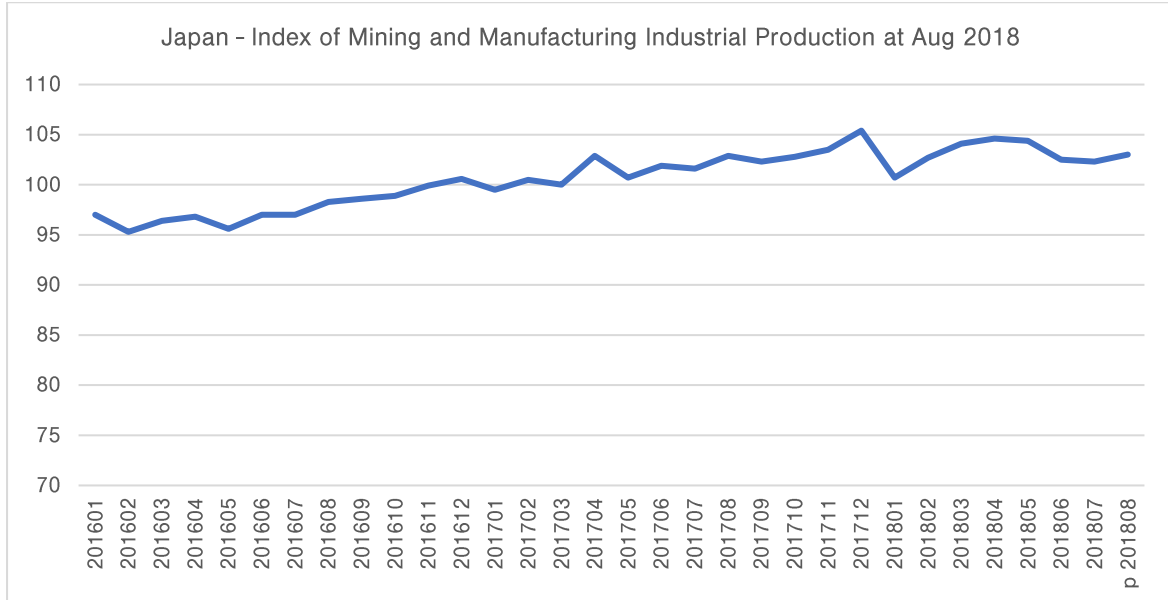
http://www.boj.or.jp/en/announcements/release_2018/k180919a.pdf

BoJ Summary of Opinions Report at the Monetary Policy Meeting 18-19 Sept -
https://www.boj.or.jp/en/mopo/mpmsche_minu/opinion_2018/opi180919.pdf

Japan Industrial Production (Aug)

Industrial production continued to grow in the latest month after several months of declining production;

Aug +0.7% versus Jul -0.2%



The overall index of mining and manufacturing production remains below the recent peak of Dec 2017. Industrial production has been increasing steadily since early 2016 but that momentum has stalled over the last three months.

Shipments also increased in the latest month after declining for several months; Aug +2.1% versus Jul -2%.

Inventories of finished goods had peaked in March and May of 2018 and have steadily declined since then; Aug -0.4% versus Jul -0.2%. The run-down of finished goods inventories is possibly contributing to the lower levels of production during the same time.

<http://www.meti.go.jp/english/statistics/tyo/iip/index.html>

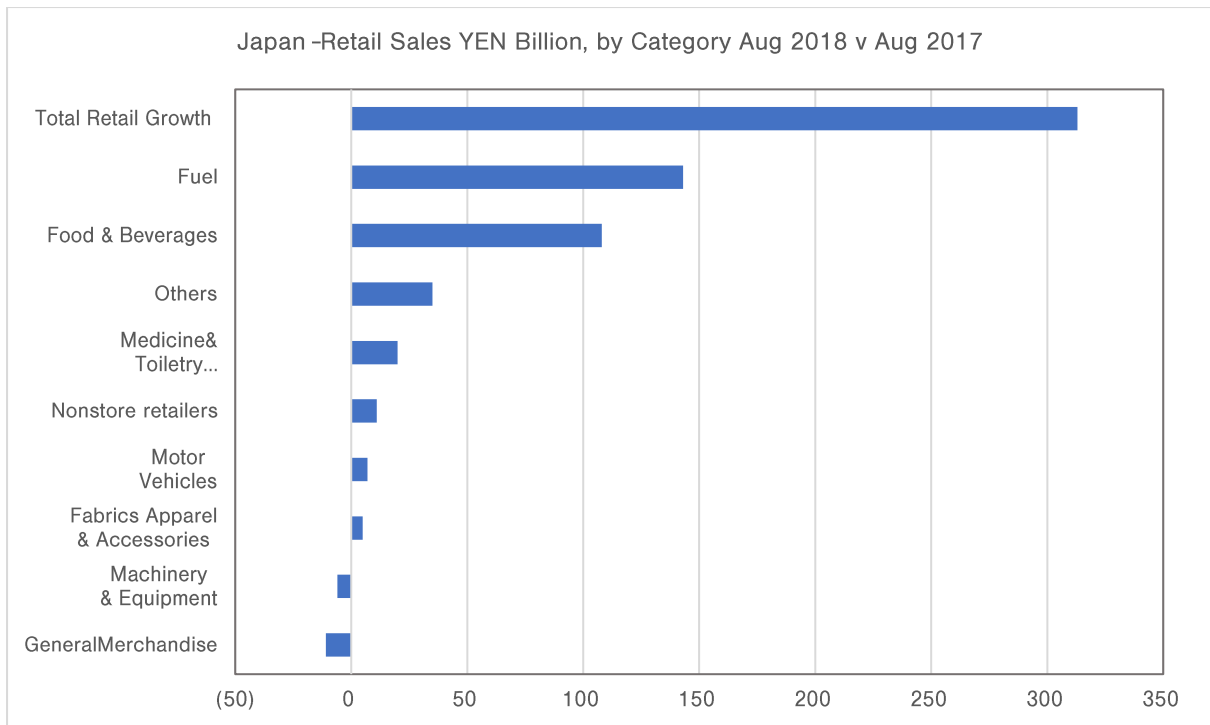
Japan Retail Sales – Prelim Aug

The growth in the value of retail sales accelerated in the latest month;

Aug +0.9% versus Jul +0.1%

The annual rate of growth in retail sales; Aug +2.7% versus Jul +1.5%

The largest contributors to the headline growth in retail sales continues to be Fuel, but in the latest month, the annual growth in Food & Beverage also made an (almost) equally large contribution to growth;



<http://www.meti.go.jp/statistics/tyo/syoudou/result/pdf/201808S.pdf>

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United Kingdom

BREXIT

It is expected that PM May is preparing “Chequers 2”, with changes that will accommodate the EU rather than those internally that want a ‘loose’ relationship with the EU. The plan will likely be laid out after the Conservative Party conference on 30 Sept.

<https://www.independent.co.uk/news/uk/politics/brexit-latest-theresa-may-deal-chequers-negotiations-eu-trade-single-market-a8561171.html>

On the UK side, the Labour Party has threatened to vote against any Brexit deal based on Chequers, which removes a large portion of support required to get any deal approved through the UK parliament.

On the EU side, ambassadors held talks to discuss and plan for a UK parliamentary rejection of a Brexit deal. The EU will likely wait until Nov (whether or not an emergency EU Council meeting is held to approve an agreement) to start “full blown” preparations for a hard Brexit.

Key timings remain unchanged:

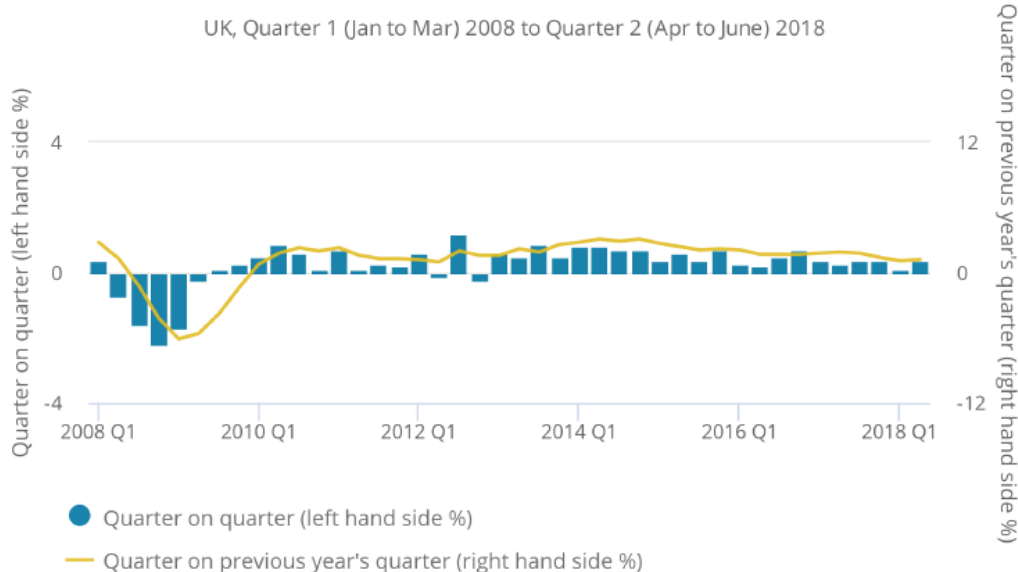
At the time of the 18 Oct EU summit, it will be decided whether an emergency EC meeting will be scheduled for 17-18 Nov to formalize the withdrawal agreement. This additional meeting will go ahead if there has been enough progress by the time of the Oct summit.

UK GDP Q2 – Final

GDP growth was unchanged in Q2 at +0.4% and revised lower in Q1 to +0.1%

Q2 2018 growth versus Q2 2017; +1.2%. The trend in GDP growth is one of overall slower growth since 2014;

Figure 1: Real GDP growth picks up to 0.4% in Quarter 2 (Apr to June) 2018, following revised growth of 0.1% in Quarter 1 (Jan to Mar) 2018



Output perspective:

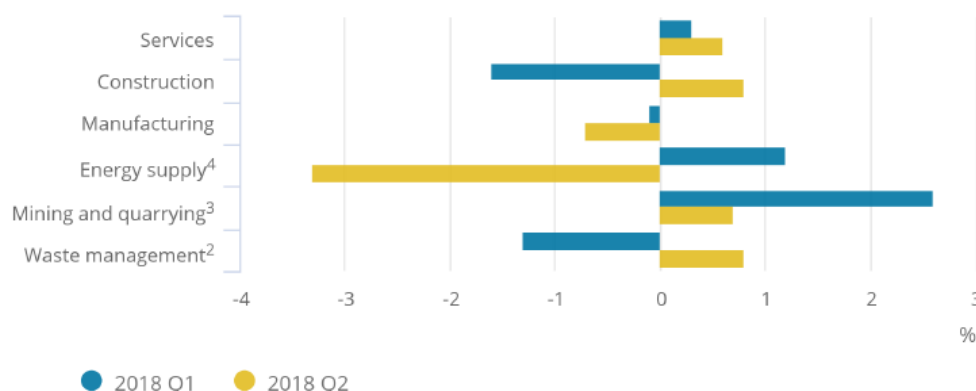
Services grew at a slightly faster pace in Q2 after a subdued +0.3% growth in Q1. Services growth has outpaced growth in the overall economy in the last two quarters – partly due to stronger retail sales at that time (led by summer and the World Cup).

Construction growth in Q1 was revised lower from -0.8% to -1.6% decline. Adverse weather was blamed for the decline.

Manufacturing has declined in both quarters, reflecting lower manufacturing export growth.

Figure 2: Services and construction picked up in Quarter 2 (Apr to June) 2018, while manufacturing fell for two consecutive quarters

UK, Quarter 1 (Jan to Mar) 2018 and Quarter 2 (Apr to June) 2018



Expenditure perspective:

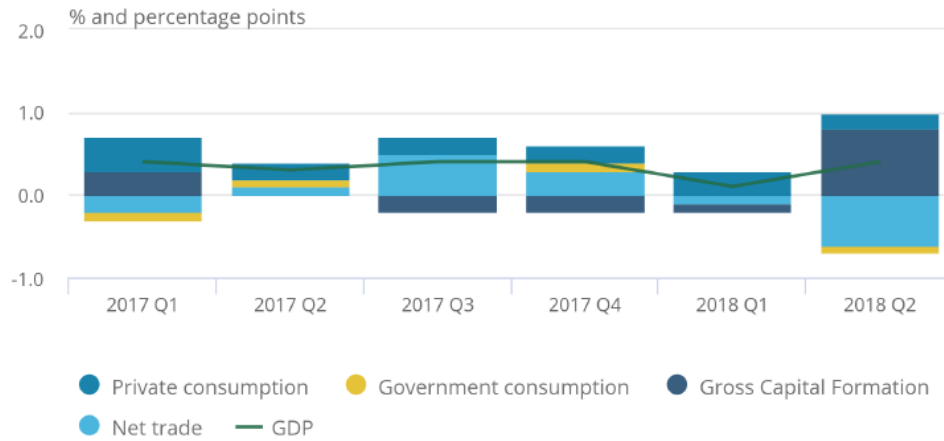
Private consumption growth slowed in Q2 versus Q1 and made a smaller contribution to overall growth in Q2.

Gross capital formation (GCF) growth accelerated in Q2 after detracting from growth in Q1. Within GCF, there was a notable 1.2%pt downward revision to business investment, now estimated to have fallen by -0.7% in Q2 (previously estimated to have grown by +0.5%)

Net trade and government consumption detracted from growth in Q2. Net trade – driven by a 2.2% fall in exports (both services and goods) – this was revise dup from the original estimate of a -3.6% fall in exports. Mostly all of the decline in exports was due to machinery and transport equipment (mainly cars) which declined by -5% - the largest fall since Q2 2011.

Figure 5: Gross capital formation drove growth in the expenditure measure of GDP in Quarter 2 (Apr to June) 2018, while net trade subtracted from growth

UK, Quarter 1 (Jan to Mar) 2017 to Quarter 2 (Apr to June) 2018



<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/apriltojune2018>

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Canada

BoC – Governor Poloz Speech – Technological Disruption and Opportunity

Summary; Setting out the positive case for disruption of industries via digital technology, how Canadian companies are embracing new technologies and what it means for the shift in skills/displacement of labour – technology is driving growth in employment more broadly and in “traditional” industries.

What the pace of change means for monetary policy;

New technologies can provide more productive capacity before inflation pressures emerge – can't raise rates too fast to 'choke off' this growth. Alternatively, raising rates too slowly may see inflation take hold.

BoC to “move rates to a more neutral level gradually, continuously updating judgement on key issues”.

“Given all the uncertainty, the Bank will continue to follow a gradual approach to raising interest rates, and remain dependent on incoming data and other sources of information to guide our decisions”

<https://www.bankofcanada.ca/2018/09/technological-disruption-and-opportunity/>

Monthly GDP – Jul

Real GDP grew in the month of July after a softer June;

Jul +0.2% versus Jun 0%

Jul 2018 v Jul 2017; +2.4% growth

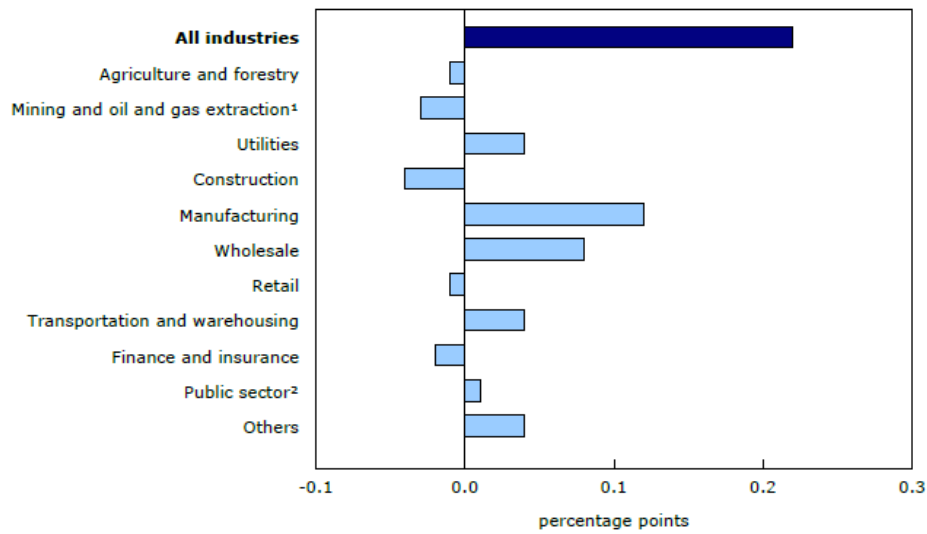
The growth in the month was led by stronger manufacturing and wholesale.

Construction and retail detracted from growth in the latest month;

Construction declined for the third time in four months – residential construction declined by -1.6%, non-residential construction declined -0.5% due to contraction in both public and commercial construction. Engineering and other construction grew by +0.2%.

Retail has declined for two months in a row – driven by declines in 3 of the 9 subsectors. Motor Vehicle and parts dealers declined by -1.9% the third decline in four months. General Merchandise declined by 1.1%. Food & Beverage stores grew by +0.9%.

Chart 3
Main industrial sectors' contribution to the percent change in gross domestic product in July



1. Includes quarrying.
2. Education, health and public administration.
Source(s): Gross domestic product by industry (1301).

<https://www150.statcan.gc.ca/n1/en/daily-quotidien/180928/dq180928a-eng.pdf?st=uena6d8q>

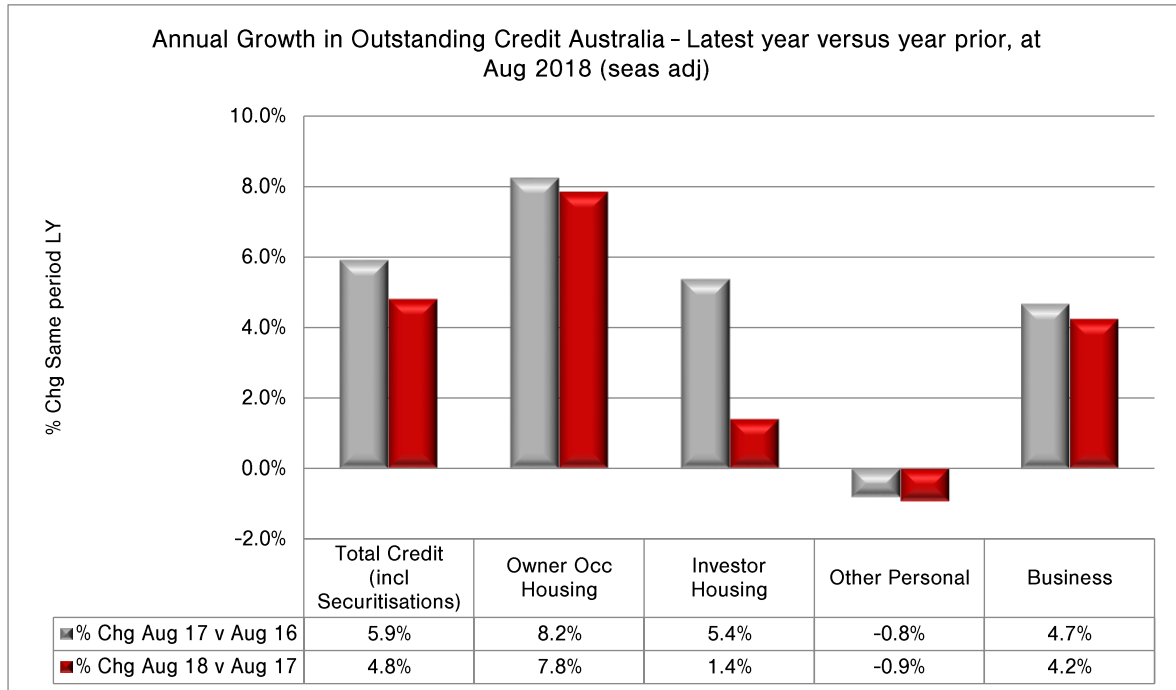
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Australia

Credit and Lending Aggregates (Aug)

The annual growth in total private credit outstanding continued to slow in the latest month.

Credit growth across most areas has been slowing, but it has been driven predominantly by slower growth in Investor Housing credit.



In the last year to Aug 2018, total private credit grew by \$131b. Most of this growth was for owner occupier housing of +\$86b, followed by business credit +\$38b, investor housing \$8b and a -\$1b for other personal credit.

Versus the prior month, the annual rate of total private credit outstanding increased from +4.6% in Jul to +4.8% in Aug.

<https://www.rba.gov.au/statistics/frequency/fin-agg/2018/fin-agg-0818.html>

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Trade

US-China

There were no escalations between the US and China this week.

A joint statement was released on the USTR website during the week – by US, EU and Japanese trade ministers. While there is no overt reference to China, they raise concerns about and unfair trade practices and the need to strengthen the effectiveness of WTO disciplines. Some parts of the joint statement appear to be targeted towards China;

“The Ministers highlighted the importance of securing a level playing field given the challenges posed by third parties developing State Owned Enterprises into national champions and setting them loose in global markets – resulting in distortions that negatively affect farmers, industrial producers, and workers in the Ministers’ home countries.”

“The Ministers recalled their shared view that no country should require or pressure technology transfer from foreign companies to domestic companies, including, for example, through the use of joint venture requirements, foreign equity limitations, administrative review and licensing processes, or other means. The Ministers found such practices to be deplorable.”

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/september/joint-statement-trilateral>

There is still the threat the US will levy a fourth round of tariffs in the remaining \$267b of Chinese imports after China retaliated with its own tariffs/duties on US imports.

Negotiations between the two countries remain stalled. Both leaders were due to meet at the G20 in November – which was a possible deadline for any agreement to be announced by the leaders. This is looking unlikely at this stage.

NAFTA

It’s now looking possible that the US-Canada will announce a revised NAFTA agreement. An announcement may be made on Sunday or Monday morning.

It was expected that the text for the new US-Mexico element of the NAFTA agreement would be published early October in line with timings for agreement by both countries. This is reported as being delayed, to provide more time for an agreement to be reached between US and Canada.

“Guajardo said his U.S. and Canadian counterparts “specifically requested” a delay in publishing the text”

<https://www.reuters.com/article/us-trade-nafta/u-s-mexico-delay-trade-text-for-more-time-to-land-u-s-canada-deal-idUSKCN1M81OE>

US- Japan Trade Talks

PM Abe has conceded to start trade negotiations with the US. Previously, Japan has resisted a specific US-Japan trade deal, preferring the US re-join the TPP.

The start of trade talks protects Japanese automakers from the threat of tariffs for now. It is expected that the US will push back on high Japanese import duties, especially on agriculture.

In a joint statement, Washington and Tokyo said they were aiming for "a United States-Japan Trade Agreement on goods, as well as on other key areas including services, that can produce early achievements."

<https://www.cnbc.com/2018/09/27/us-japan-trade-talks-tokyo-to-stay-cautious.html>

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

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