

Key Themes

Policy easing by the US Federal Reserve followed the ECB policy easing measures announced last week. All three central banks this week indicated heightened concern for global growth and a weakening outlook.

The US Federal Reserve cut the FFR range target to 1.75-2.0%. The cut was based on the implication of global developments for the economic outlook and muted inflation pressure. The future likely path will be determined based on incoming information.

Despite the cut in rates, US data has continued to improve, especially housing related data this week. The regional manufacturing surveys for Sep were mixed. Industrial production data in Aug improved, especially with manufacturing production returning to growth in the month.

The Bank of England (BoE) kept rates on hold while forward guidance remains firmly focused on Brexit. UK CPI (H) slowed markedly in the latest Aug release and the BoE highlighted the potential shift to a lower demand environment the longer that Brexit uncertainties persist. Talks between the UK and the EU have sparked hopes for a revised Brexit deal – meetings this coming week at the UN General Assembly will be important. The crucial date remains 19 Oct 2019 – after which if there is no revised deal, the UK PM is now required to request another extension.

The Bank of Japan (BoJ) kept rates on hold and there were no changes to policy settings. That said, the BoJ continued to upgrade its level of concern on growth which was reflected in changes to the wording in its statement. The BoJ has shifted its view to that of downside risks increasing. Last month the BoJ amended its statement indicating its willingness to take additional easing measures. This month the BoJ appears to be more explicit in opening the door to the possibility of further easing;

“...slowdowns in overseas economies have continued to be observed and their downside risks seem to be increasing, the Bank judges that it is becoming necessary to pay closer attention to the possibility that the momentum toward achieving the price stability target will be lost.”

Next month will be important for the BoJ as Japan implements the consumption tax hike.

Data out of Japan confirmed the continued weaker external trade in Aug with both merchandise exports and imports declining YoY. Of note was the weaker exports to its largest export market, China. This also highlighted that demand out of China does not appear to be improving. Japan National CPI ex fresh food growth slowed. There is some evidence to suggest that, removing both fresh food and energy price changes, there is some accelerating trend in underlying price growth – albeit at low levels and with the 2% target remaining elusive.

The RBA minutes indicated that rates remained on hold as there was no further deterioration in domestic conditions that warranted a further rate cut in Sep. Signs were emerging that the established housing market (sales and prices) in Syd & Melb had begun to stabilize and that employment growth had been maintained. The latest labour market report this week though, cited by the RBA as one of the more important datapoints (for its objective to reduce spare capacity of persistently high unemployment and underemployment), showed that unemployment increased as increased participation was not matched by gains in employment growth. The composition of employment growth also raised concerns as FT employment growth slowed markedly.

Chinese data was mostly weaker. Retail sales growth slowed slightly, and growth remains lower than at a year ago. The decline in Auto sales appears to be gathering pace as Auto retail sales declined by 8% in Aug (versus -0.1% for the YTD). Annual growth in industrial production also slowed to a new near-term low of only 4.4%. Growth across all three key industrial groups continued to slow in Aug.

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US Data

FOMC Meeting Announcement – 18 Sep 2019

At this meeting the FOMC decided to lower the FFR range to 1.75% - 2%.

The decision to lower the range was NOT unanimous. Seven (7) members voted to lower the range by 25bps, one (1) member voted to lower the range by 50bps and two (2) members voted to maintain the range at 2-2.25%.

Developments - while the labour market and household spending has remained strong, investment and exports have weakened. Inflation and core inflation remain below 2%.

The decision to lower the FFR further was based on;

“the implications of global developments for the economic outlook as well as muted inflation pressures”

Forward Guidance – remains focused on a data dependent approach with the future likely course of monetary policy to be determined based on incoming information;

“As the Committee **contemplates the future path of the target range** for the federal funds rate, it will continue to monitor the implications of incoming information for the economic outlook and will act as appropriate to sustain the expansion, with a strong labor market and inflation near its symmetric 2 percent objective.”

This point was reiterated in Chairman Powell's press conference;

“The future course of monetary policy will depend on how the economy evolves and what developments imply for the economic outlook and risks to the outlook. We have often said that **policy is not on a pre-set course, and that is certainly the case today.**”

The key data points the FOMC will consider;

“a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.”

<https://www.federalreserve.gov/newsevents/pressreleases/monetary20190918a.htm>

FOMC Meeting Projections – 18 Sep 2019

Overall, there was little change in the short-term projections for 2019

<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20190918.pdf>

Press Conference – FOMC Decision

In the conference, Chairman Powell made note of the more recent funding pressures in repo markets.

While these issues are important for market functioning and market participants, they have no implications for the economy or the stance of monetary policy. This upward pressure emerged as funds flowed from the private sector to the Treasury to meet corporate tax payments and settle purchases of Treasury securities.

Chairman Powell noted that TOMO's were used to relieve the pressures. The Chairman goes onto note that (emphasis added);

Consistent with our decision earlier this year to continue to implement monetary policy in an ample reserves regime, **we will, over time, provide a sufficient supply of reserves** so that frequent operations are not required.

This may be pointing to further activity by the Fed to boost reserves.

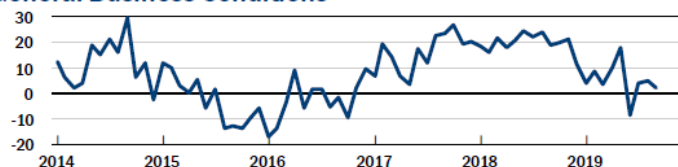
<https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20190918.pdf>

Empire State Manufacturing Survey (Sep)

Manufacturing conditions overall in Sep were little changed with growth remaining low and slowing slightly. This was led by slower growth in new orders and shipments.

Headline General Business Conditions; Sep 2 versus Aug 4.8

General Business Conditions



	Percent Reporting		Index
	Higher	Lower	
Aug	27.2	22.4	4.8
Sep	27.0	25.1	2.0
Change			-2.8

New orders growth slowed. While slightly more firms recorded higher new orders, there was a larger increase in the number of firms recording lower new orders.

Shipment growth continued to slow. Unfilled orders continued to decline, but at a slower pace. Inventories increased at a faster pace.

Employment increased at a faster pace, shifting from a decline in the month prior to growth in Sep. There was a larger increase in the proportion of firms recording increasing employment. The average workweek also increased slightly after declining in Aug.

Forward-looking indicators suggest lower optimism in future growth. The index of general business conditions in six months' time halved in Sep indicating lower growth is expected. Expected capex also recorded a relatively large slow-down, but remains positive.

https://www.newyorkfed.org/medialibrary/media/survey/empire/empire2019/esms_2019_09_survey.pdf?la=en

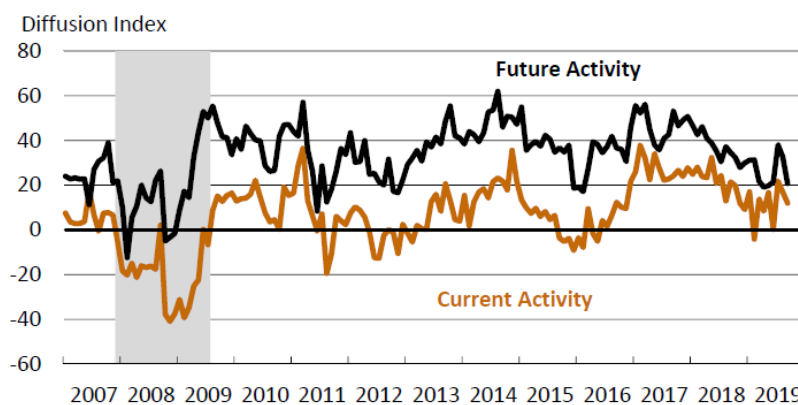
Philadelphia Fed Manufacturing Survey (Sep)

The headline index of general business activity increased at a somewhat slower pace in Sep. Despite the headline slower growth underlying indicators suggest reasonably robust performance. New orders growth slowed only slightly while shipments increased at a faster pace. Unfilled orders also increased at a faster pace suggesting that demand is starting to lift. Inventories increased at a faster pace. Employment also grew at a faster pace.

Sentiment for future activity indicated weaker expectations for growth, slowing back down close to recent lows.

Headline General Business Activity; Sep 12 versus Aug 16.8

Chart 1. Current and Future General Activity Indexes
January 2007 to September 2019



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

New orders growth slowed slightly but remains elevated since the decline in Feb. Shipments continued to increase at a faster pace. The growth of current unfilled orders increased at a much faster pace, now close to late 2017 highs. Inventory growth also increased at a much faster pace and is only 6pts below the all-time max.

Employment indicators improved with current employment growth increasing at a faster pace. The average workweek also increased at a faster pace. Both are at moderate levels.

<https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/business-outlook-survey/2019/bos0919.pdf?la=en>

Industrial Production (Aug)

US Industrial production growth increased at a faster pace in Aug. The growth in the month reversed the overall decline recorded in Jul. Contributing to the shift in the month was manufacturing production (both durable and non-durable goods production growth), mining and slower growth recorded for utilities production.

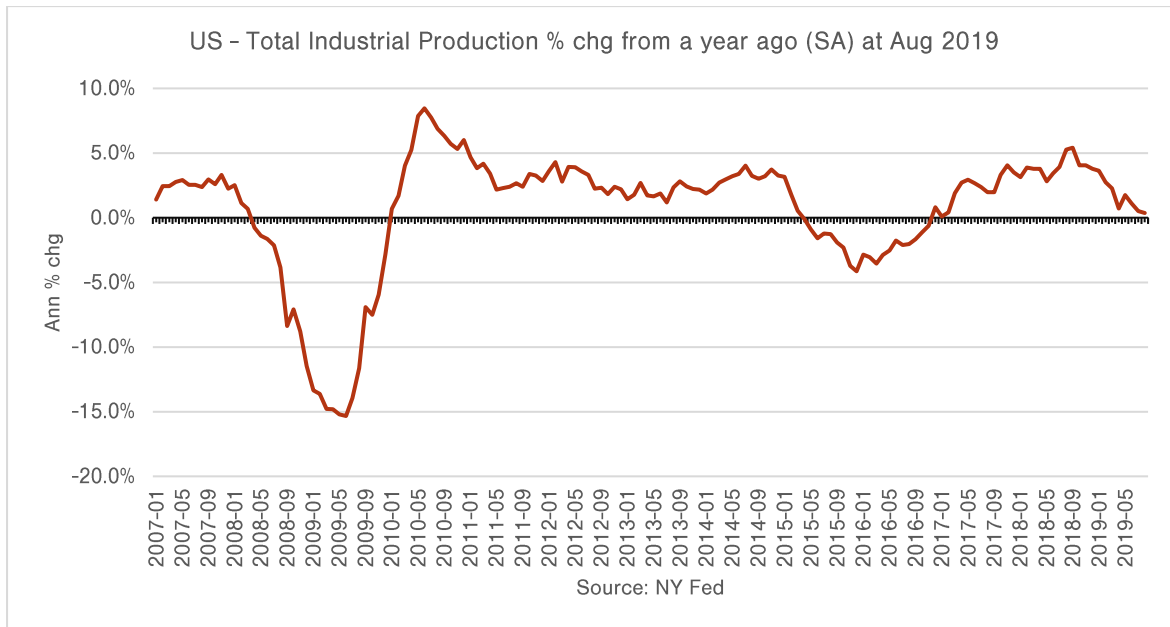
On an annual basis, overall production growth remained low and little changed from the month prior.

Overall US Industrial Production

Month change; Aug +0.6% versus Jul -0.1%

Production levels recorded in Aug remain 1% below the recent peak in Dec 2018. The annual growth in industrial production slowed slightly and remains low;

Annual change; Aug +0.4% versus Jul +0.5%



Manufacturing Production

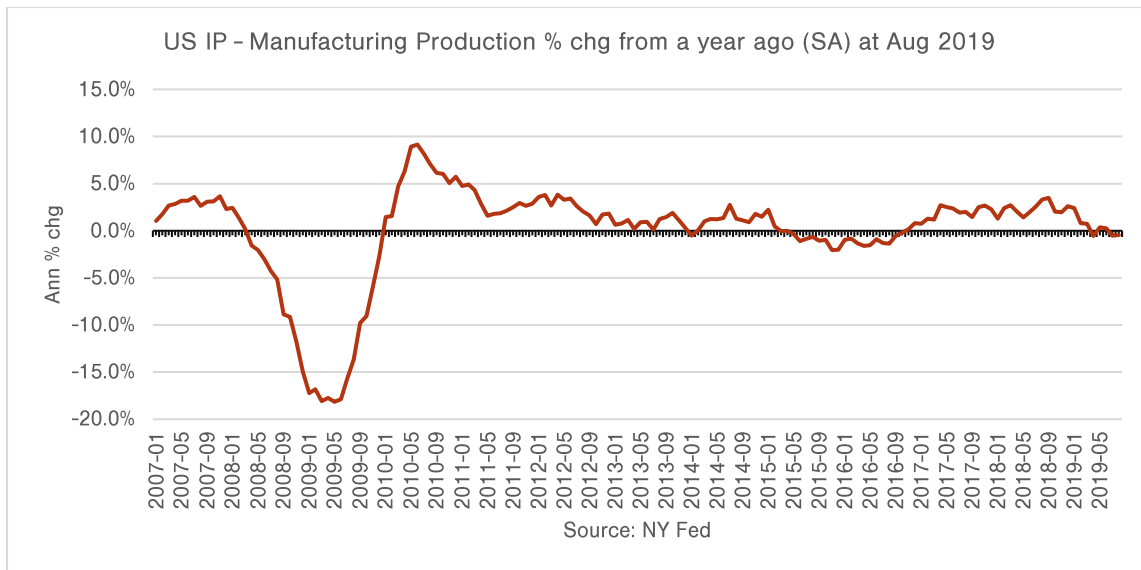
Month change; Aug +0.5% versus Jul -0.4%

Durable goods production increased versus the month prior with most categories rebounding after a weaker Jul. The production of motor vehicles and parts declined by 1% in Aug.

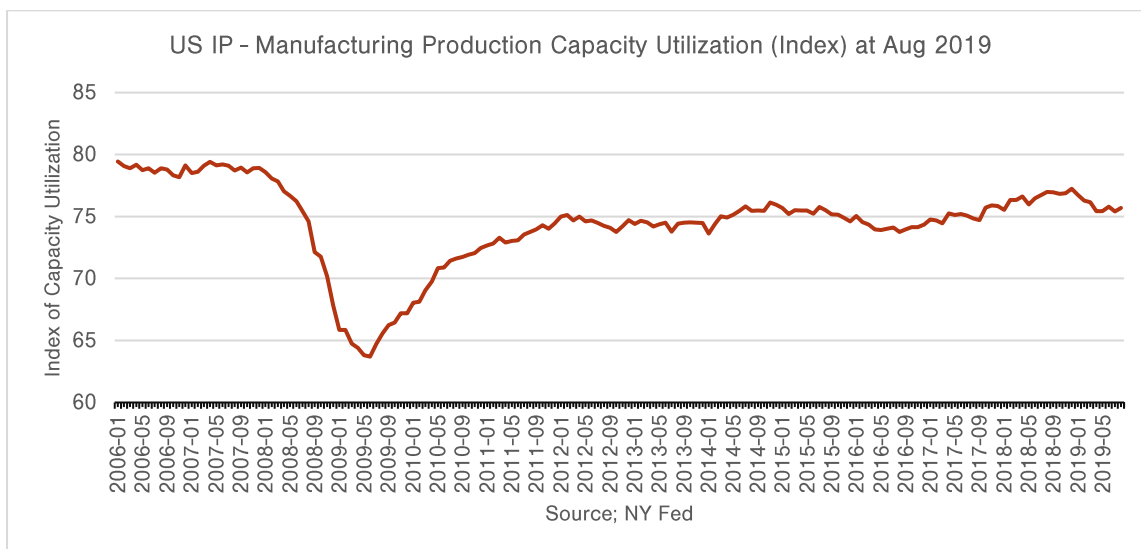
Non-durable goods production also increased in the month, but results were somewhat mixed across the categories.

On an annual basis, growth in manufacturing production continued to decline, albeit at a slow pace;

Annual change; Aug -0.4% versus Jul -0.5%



Capacity utilization for manufacturing increased slightly in Aug to 75.7% and remains -1.7% below the same month a year ago;

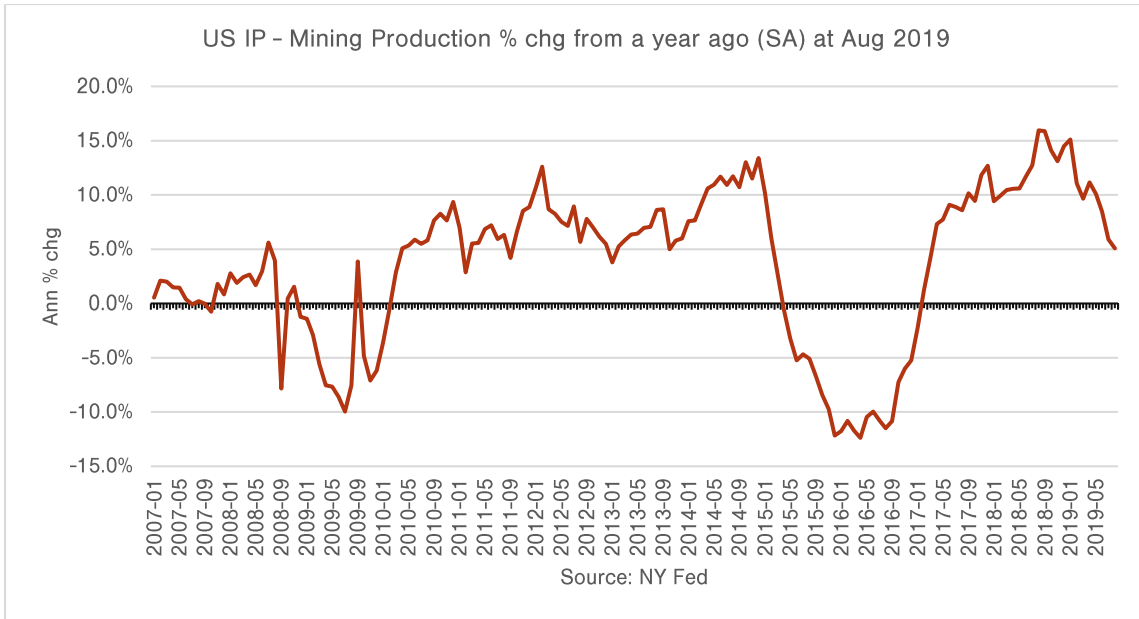


Mining Production

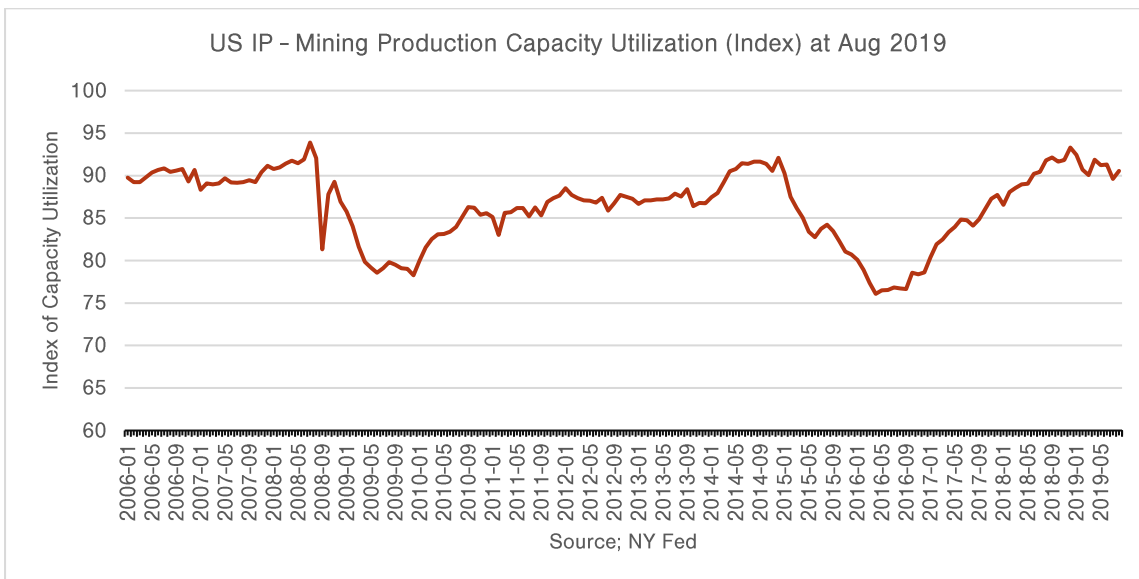
Month change; Aug +1.5% versus Jul -1.4%

Mining production growth has been accelerating since mid-2016. Annual growth has started slowing since Sep 2018, but the production index still reached a near term high in Aug.

Annual change; Aug +5.1% versus Jul +5.9%



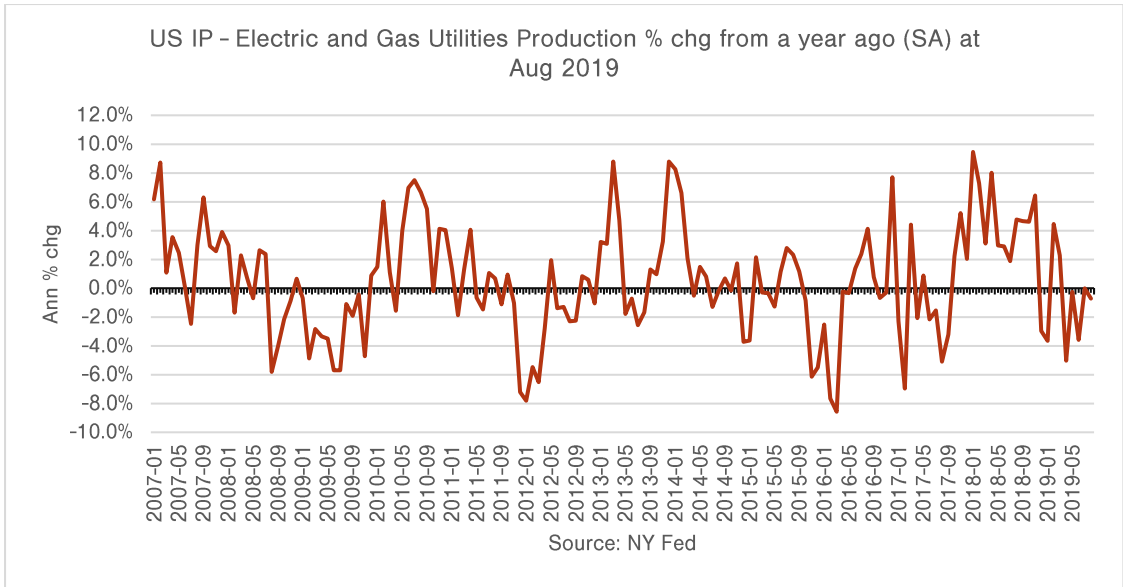
Mining capacity utilization increased in the month to 90.5% and remains 1.4% below the same time a year ago



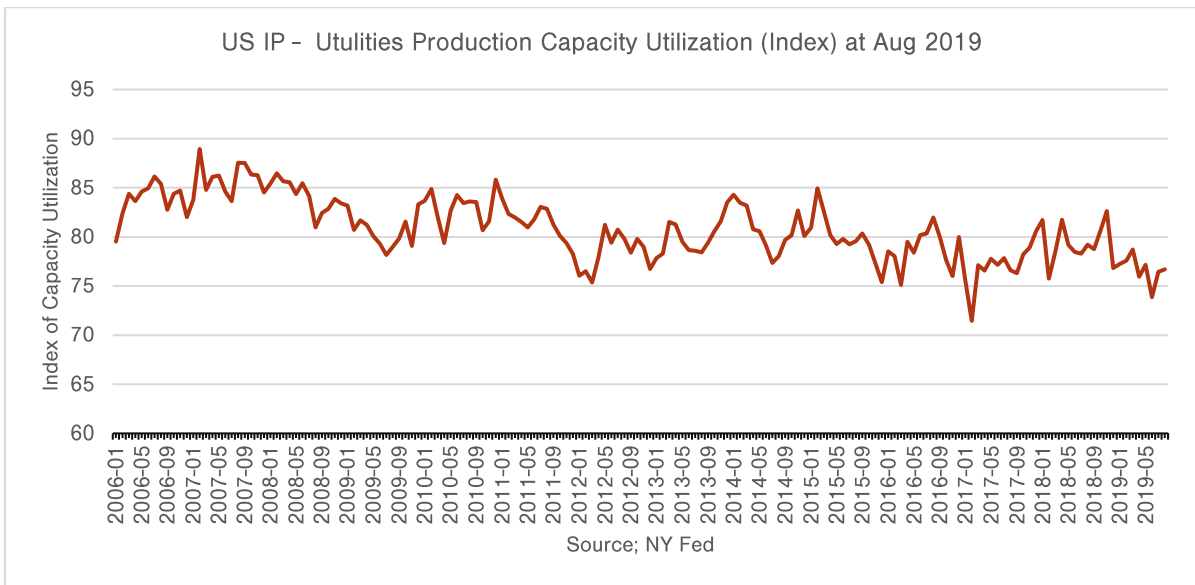
Utilities Production

Month change; Aug +0.6% versus Jul +3.7%

Annual growth in utilities production slowed to -0.7% in Aug from 0% in Jul;



Capacity utilization increased slightly from the month prior by +0.4% to 76.7% and remains 3% below the same month a year ago;

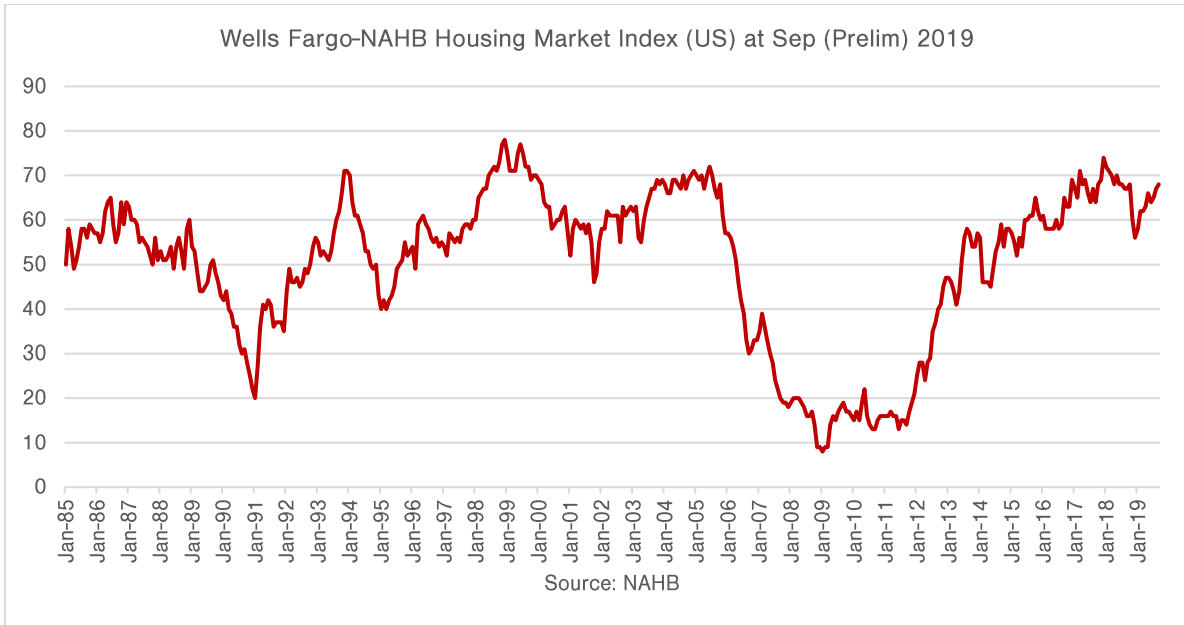


<https://www.federalreserve.gov/releases/g17/current/default.htm>

NAHB Housing Market Conditions Index (Sep)

Housing market selling conditions continued to improve in Sep with the headline index now retracing 90% of the decline since Dec 2017.

Heading Index – Housing Market Index; Sep 68 versus Aug 67

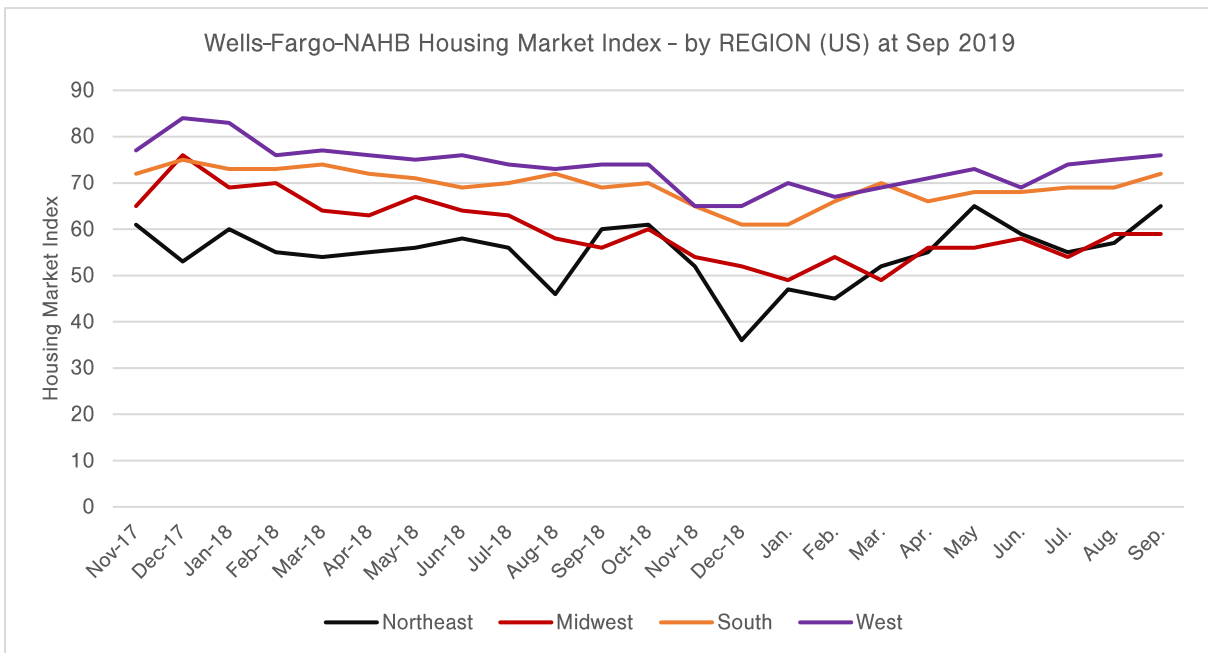


Of the housing market index components, the single-family home sales present conditions continued to improve. The index for the next six months dipped slightly. The traffic of prospective buyers remained unchanged close to the near term high.

Regional View

There was continued improvement across several regions with the Northeast, South and West positing improvements in conditions. Conditions in the Midwest were unchanged in the month.

Only in the Northeast have conditions reached (but not exceeded) the late 2017 near-term peak.



<https://www.nahb.org/en/research/housing-economics/housing-indexes/housing-market-index.aspx>

Residential Housing Permits and Starts (Aug)

New residential housing permits increased at a stronger pace in Aug. The survey data was more robust in that the 90% confidence interval, for the most part, indicate that the larger increase in permits was likely. New housing starts also increased in the month, but the regional and annual results indicate insufficient statistical evidence to suggest the changes were different from zero.

US National Housing Permits – SAAR

Month; Aug 1.42m versus Jul 1.32m.

This was a +7.7% increase over the month prior with the 90% confidence interval +/- 1.2%pts – which means the change was mostly likely an increase in permits.

The annual pace of growth in Aug was +12% and the 90% confidence interval was +/- 1.6% pts – also indicating that there was mostly likely a solid increase in sales.

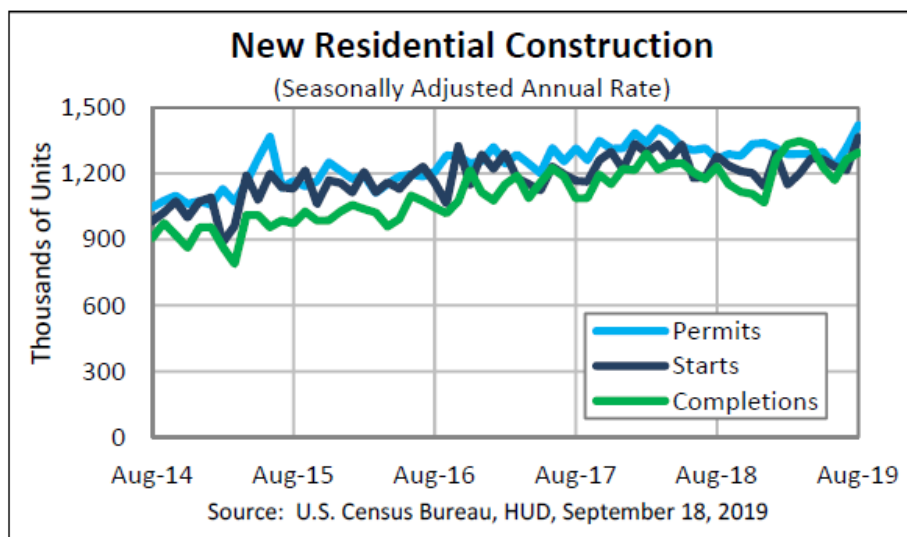
The monthly increase in permits was recorded across most regions except the West.

US National Housing Starts – SAAR

Month; Aug 1.36m versus Jul 1.215m.

This was a +12.3% increase over the month prior. The 90% confidence interval was +/- 10.2% pts. This is a wider interval and although it doesn't contain zero, suggests less certainty over the 'strength' of the increase.

The annual pace of growth was +6.6% versus the same month a year ago. The 90% confidence interval was +/- 11.6% pts which contains zero. This indicates that there is uncertainty over where sales increased or decreased versus a year ago.

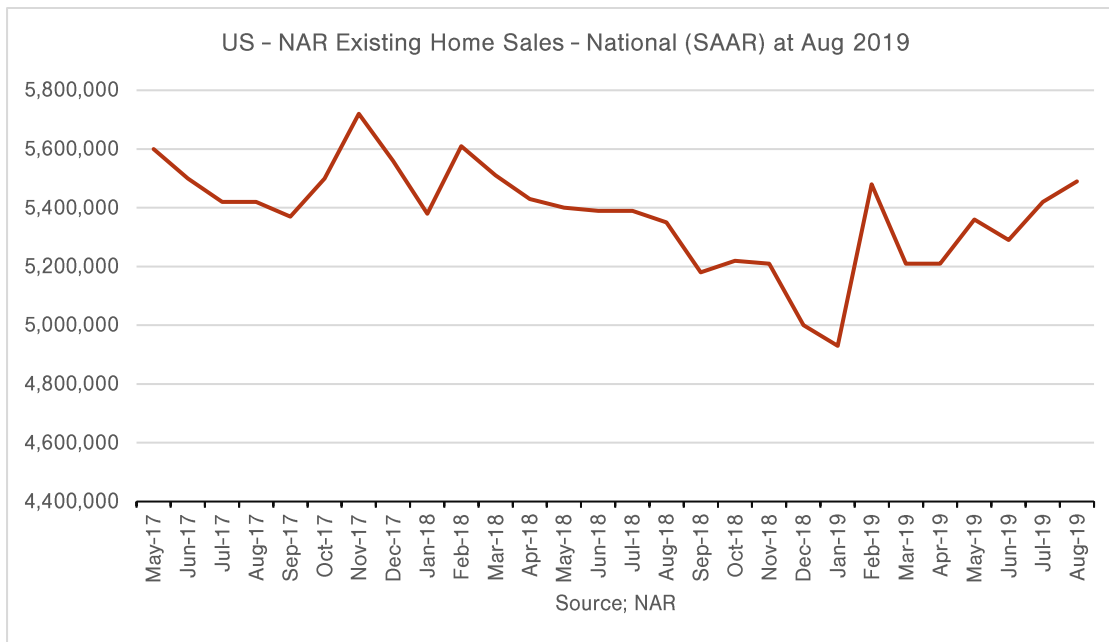


<https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

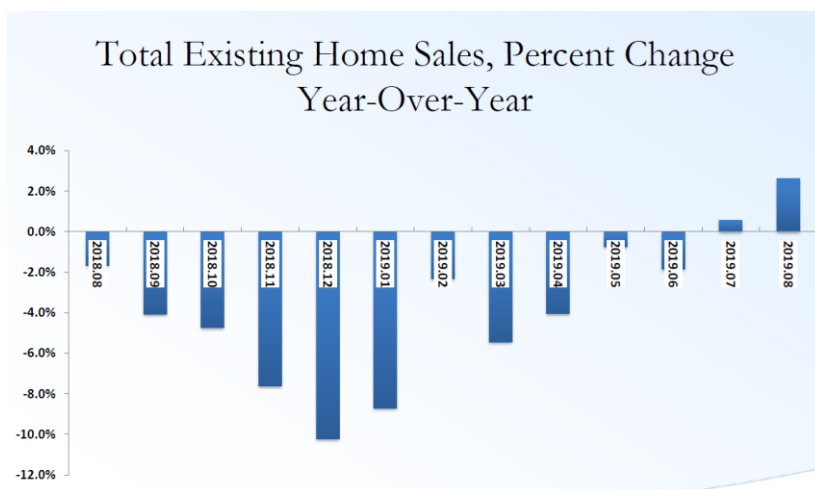
NAR Existing Home Sales (Aug)

Existing home sales continued to improve in Aug. Most markets recorded growth on the prior month except for the West. Annual growth in sales was recorded across all markets.

National Existing Home Sales – Month Seas Adj Annual Rate (SAAR); Aug 5.49m units (+1.3%) versus Jul 5.42m units.



The current annual rate of growth increased to +2.6% versus the same month a year ago.



Regional Performance

The National increase in the month was the result of increased sales across most markets, except the West where sales declined in the month.

Northeast; Aug +7.6% versus the month prior and sales are +1.4% ahead of a year ago

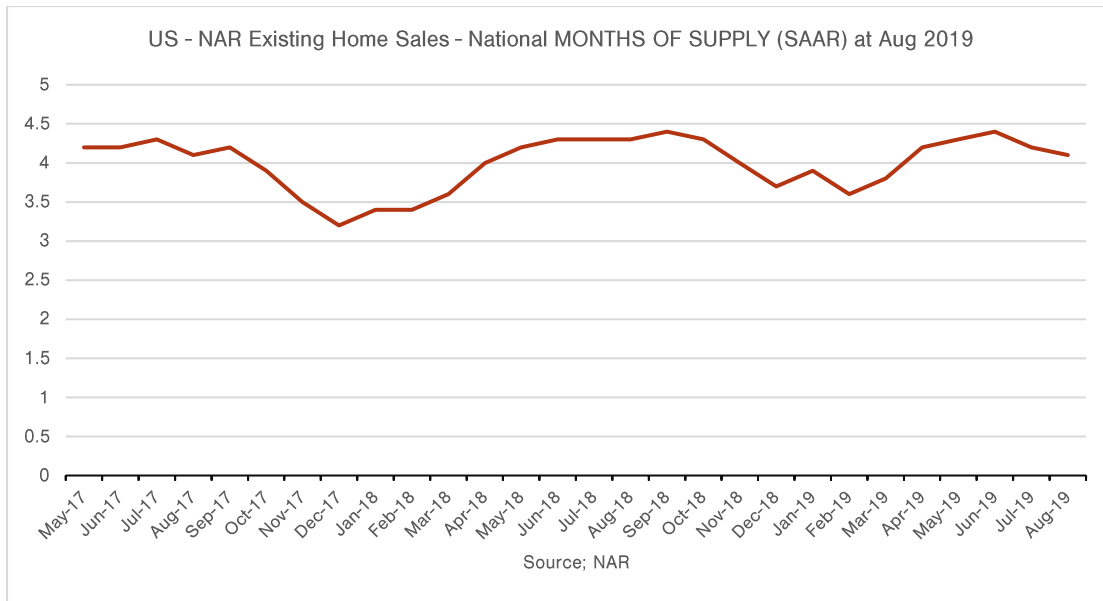
Midwest; Aug +3.1% versus the month prior and sales are +2.3% head of a year ago

South; Aug +0.9% versus the month prior and sales are +3.6% ahead of a year ago

West; Aug -3.4% versus the month prior and sales remain +1.8% ahead of a year ago

Months' Supply

The National measure of inventory continued to slow in Aug with the months' supply declining from 4.2 in Jul to 4.1 in Aug. This is the second month where supply has declined.



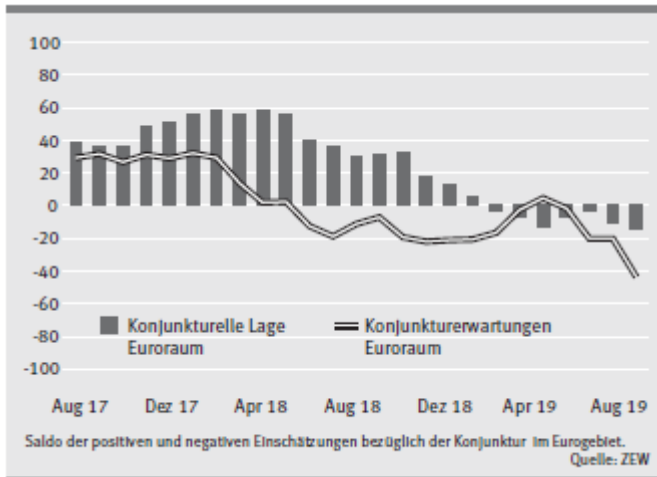
<https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

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Europe

Eurozone Zew Economic Sentiment Survey (Aug)

“Eurozone downtrend in expectations continues”



Bars; Eurozone Economic Situation

Line; Eurozone Economic Expectations

The survey data reflects the period of 4-12 Aug 2019

Expectations resumed falling in Aug to -43.6 (a fall of 23.3 pts versus the month prior).

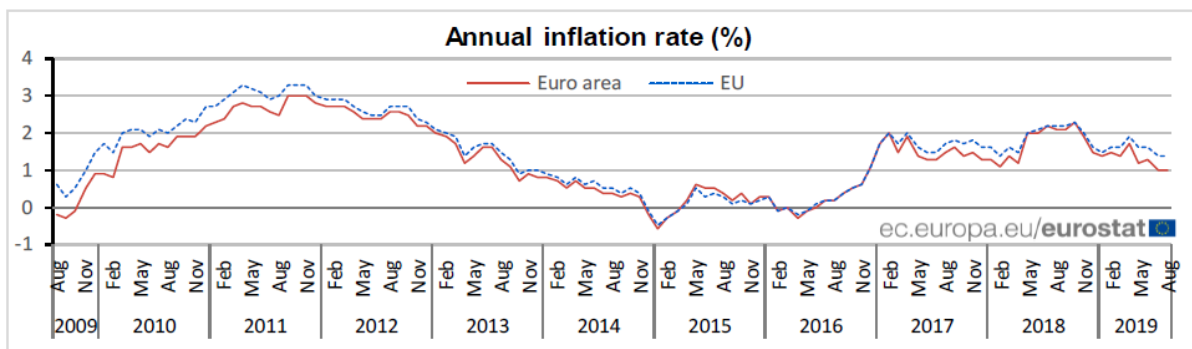
The decline in the current situation was less severe (-3.9pts) but falling to -14.5.

<https://www.zew.de/en/publikationen/zew-gutachten-und-forschungsberichte/forschungsberichte/konjunktur/zew-finanzmarktreport/>

Eurozone CPI (Aug)

The annual change in the Euro area CPI was unchanged at 1% in Aug, remaining close to recent lows in inflation growth.

Headline CPI – annual change; Aug +1% versus Jul +1%



Annual growth in core CPI was unchanged between Aug and Jul;

Core CPI ex food and energy; Aug +0.9% versus Jul +0.9%

The headline CPI growth was the result of;

Food prices that accelerated slightly, making a larger contribution to the headline 1% growth

Similarly, services prices also increased at a faster pace, making a larger contribution to headline CPI growth in Aug.

The faster growth in food and services was offset by a decline in energy prices (falling by -0.6% in the year to Aug 2019 – which was growing at 9.3% a year ago) and slower growth in non-energy industrial goods.

<https://ec.europa.eu/eurostat/documents/2995521/10059885/2-18092019-AP-EN.pdf/76b7d268-7ceb-de80-86b5-f036226aa14f>

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Japan

BoJ Rates Decision – 19 Sep 2019

The main policy levers were unchanged at this meeting and rates remained unchanged. The BoJ increased its emphasis on heightened concern regarding downside risks to the economy and prices – shifting its view to that of downside risks increasing. The bank will be re-examining price and economic developments at the next meeting and...

“...the Bank judges that it is becoming **necessary to pay closer attention** to the possibility that the momentum toward achieving the price stability target will be lost.”

While rates will likely remain low for an extended period, the Bank appears to be indicating its ready to apply further easing, especially coming into the tax hike in Oct.

Policy Settings - Yield Curve Control & Asset Purchases (7-2 majority vote)

ST Rates; -0.1% rate for Policy Rate Balances in current accounts held by financial institutions at the Bank.

LT Rates; continued to purchase JBG's such that the yields will remain around zero. The purchases will increase such that the amount outstanding will increase at an annual pace of about 80 trillion yen.

Asset Purchases; Purchases of ETF's and J-REIT's to increase at an annual pace of 6 trillion and 90bn Yen annually. Annual CP and corporate bond purchases to increase by 2.2 trillion and 3.2 trillion Yen respectively.

Recent Developments

Growth on a moderate expanding trend. Slowdowns in overseas economies observed which is impacting exports. Weakness in exports offset by stronger domestic demand. Inflation CPI ex-fresh food around 0.5% and inflation expectations were unchanged.

Risks

This statement on risks has been amended indicating heightened concern. This statement changed from 'likely to be significant' to 'downside risks seem to be increasing';

Downside risks concerning overseas economies seem to be increasing, and it also is necessary to pay close attention to their impact on firms' and households' sentiment in Japan.

Guidance

The main statement on guidance was unchanged – rates are likely to remain low for an extended period of time, at least until 2020;

“...the Bank intends to **maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020**, taking into account uncertainties regarding

economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike.”

The statement on the Bank's willingness to implement additional easing measures (added in the prior meeting), remains unchanged;

In particular, in a situation where downside risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, **the Bank will not hesitate to take additional easing measures** if there is a greater possibility that the momentum toward achieving the price stability target will be lost.

Following on from this, the BoJ seems to be more explicit in opening the door to the possibility of further easing.

“...slowdowns in overseas economies have continued to be observed and their downside risks seem to be increasing, the Bank judges that it is becoming **necessary to pay closer attention to the possibility that the momentum toward achieving the price stability target will be lost.**”

The BoJ stated that it will re-examine price and economic developments at the next meeting – which is at the end of Oct – after the tax hike.

http://www.boj.or.jp/en/announcements/release_2019/k190919a.pdf

Merchandise Trade (Aug)

On a seasonally adjusted basis, the trade deficit became smaller versus a year ago - this was the result of a further decline in exports while imports declined at a faster pace.

Key weakness for exports continues to focus on Asia and China in particular. Exports were weaker across most markets, but of note was the increase in exports to Germany. Imports declined across most regions (but to a lesser degree from Europe – supporting Euro exports) and the largest % decline in imports from the Middle East.

All values quoted are ¥.

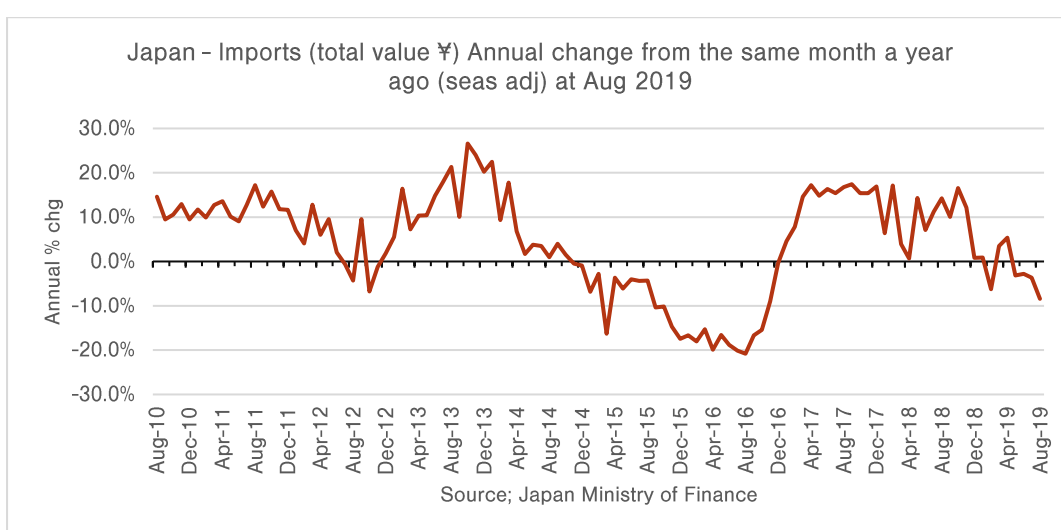
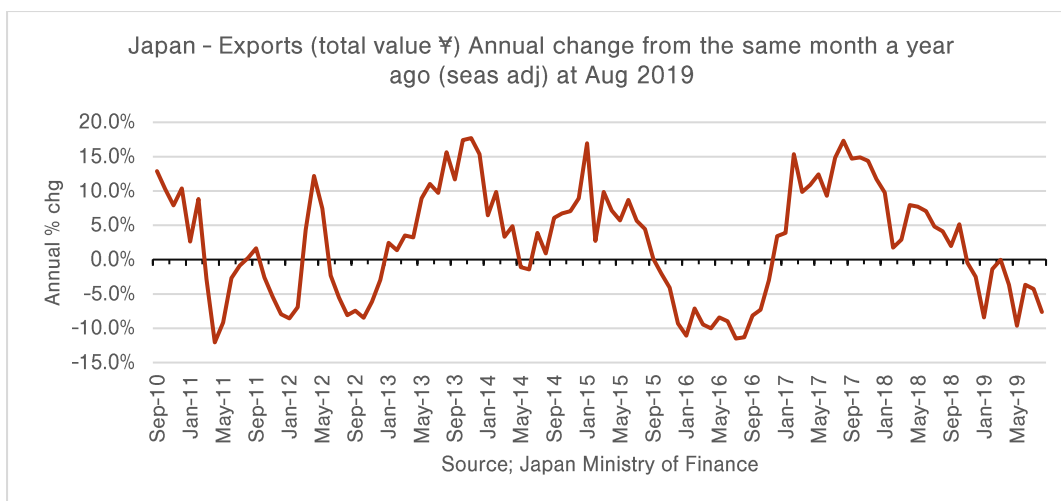
Trade Deficit Aug 2019: -130bn. The Aug 2019 deficit was smaller than the -200bn deficit a year ago - while exports declined on an annual basis, the decline in imports was larger.

(seasonally adjusted data)

Exports – annual chg (value); Aug -7.6% versus Jul -4.6%

Imports – annual change (value); Aug -8.4% versus Jul -3.6%

The value of both imports and exports declined at an accelerated pace on an annual basis in Aug;



On a monthly basis, the trade deficit increased in Aug versus Jul;

Trade deficit; Aug -130bn versus Jul -103bn

While both exports and imports declined in Aug, the larger deficit was the result of a larger decline in exports than in imports.

REGIONAL TRADE PARTNERS

Exports; total exports declined by 8.2% versus a year ago (NSA)

This month China overtook the US as the largest export market for Japanese exports (slightly).

Exports to Asia declined at a faster pace than the total; -11% and exports to China declined by 12%. Exports to all the main Asian markets declined versus a year ago.

Exports to the US did not decline as fast but declined nonetheless; -4%.

Exports to Western Europe only declined slightly by -1.5%. Within that, exports to the largest market, Germany, increased by 4% versus a year ago.

Imports; total imports declined by 12% versus a year ago (NSA)

Imports from Asia are largest source of imports and China is by far the single largest import market. Imports from China declined by 8.5%.

Imports from the US (second largest import market) declined by 9%.

Imports from Western Europe declined by only -1.2% but results among the large countries was mixed. Imports from Germany declined by 7%.

Imports from the Middle East declined by 30% versus a year ago.

KEY COMMODITY PERFORMANCE

Exports; annual decline of -8.2%. Most of the major commodity groups contributed to that decline in Aug versus a year ago.

The top three largest contributors to the decline were; Machinery exports -12.3%, transport equipment -8.2% and electrical machinery -8.2%.

Drilling down to the largest export market for Japan – China. There were some large annual declines recorded for; Machinery exports -20%, electrical machinery exports -10% and transport equipment -15%. The decline in transport equipment exports to China was mostly a due to a 30% decline in motor vehicle parts (the export of motor vehicles to China declined by only -0.1%).

Imports; annual decline of -12% (NSA) versus a year ago. The value of imports across all the main commodity groups declined versus a year ago.

The top three largest contributors to the decline in imports were; Mineral fuels -25%, Machinery -15% and electrical machinery -9%.

The decline in imports from China was predominantly led by; electrical machinery -12%, machinery -6% and chemicals -15%.

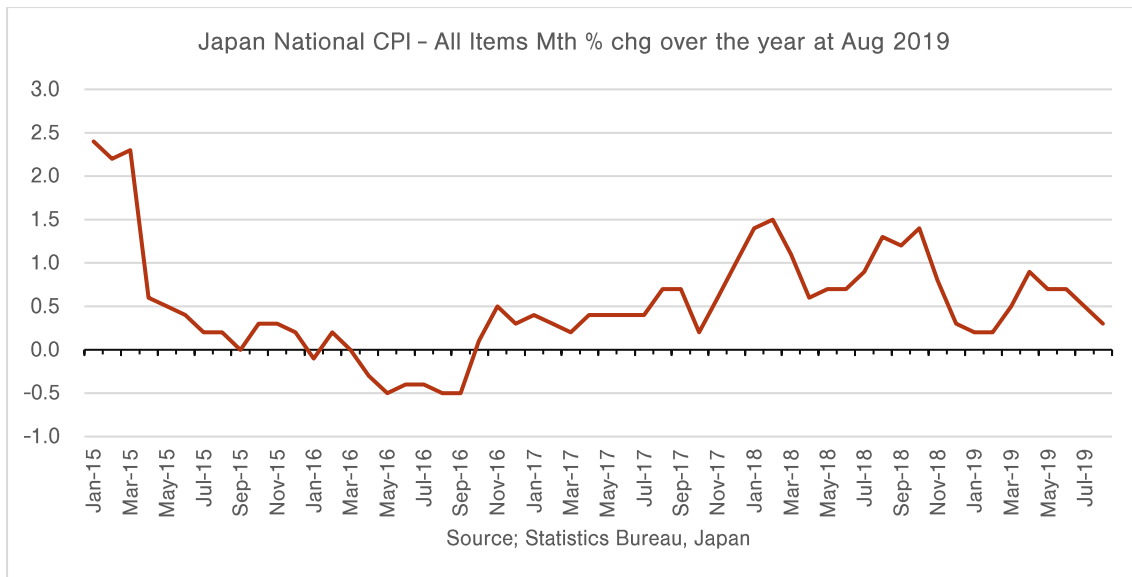
http://www.customs.go.jp/toukei/shinbun/trade-st_e/2019/201908ce.xml

CPI (Aug)

The annual growth in the headline CPI slowed further in Aug – as fresh food prices and energy prices continued to slow. Excluding fresh food, consumer prices continued to slow but by a smaller degree.

Headline CPI – annual change; Aug +0.3% versus Jul +0.5%.

A year ago, headline CPI growth was +1.3%.

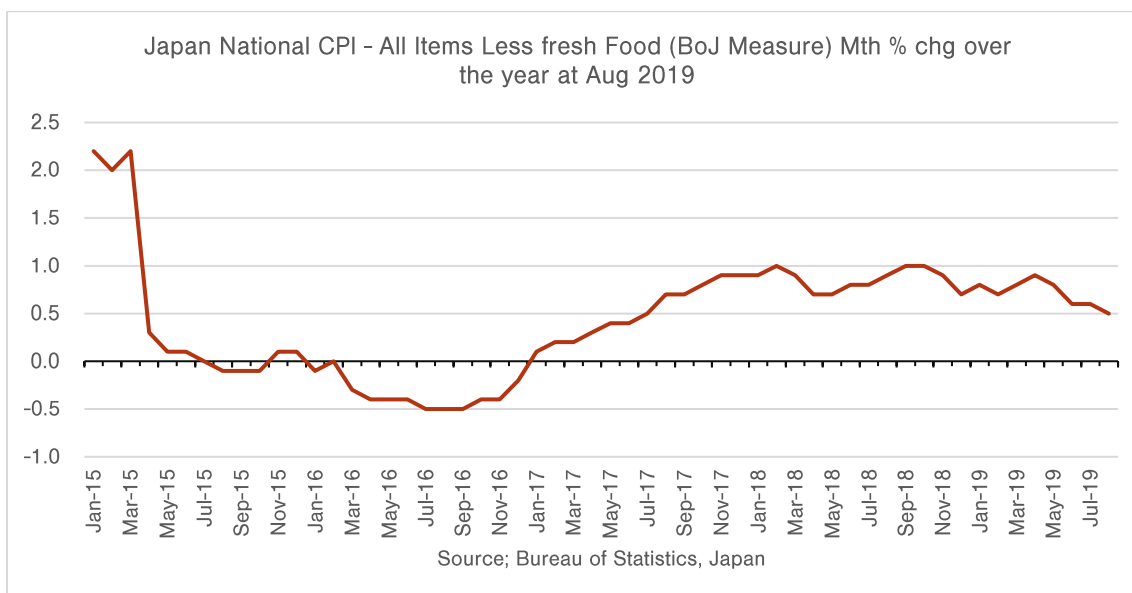


Several areas contributed to slower annual growth in Aug; slower growth in food prices, specifically fresh food prices which declined at an annual pace by 4.9% in Aug (-0.7% in Jul), fuel, light & water charges grew at a slower pace and medical care prices declined. Overall energy prices shifted into annual decline also.

The key inflation measure used by the BoJ is CPI ex Fresh Food.

CPI ex Fresh Food: Aug +0.5% versus Jul +0.6%

A year ago, CPI ex fresh food was growing at +0.9%.

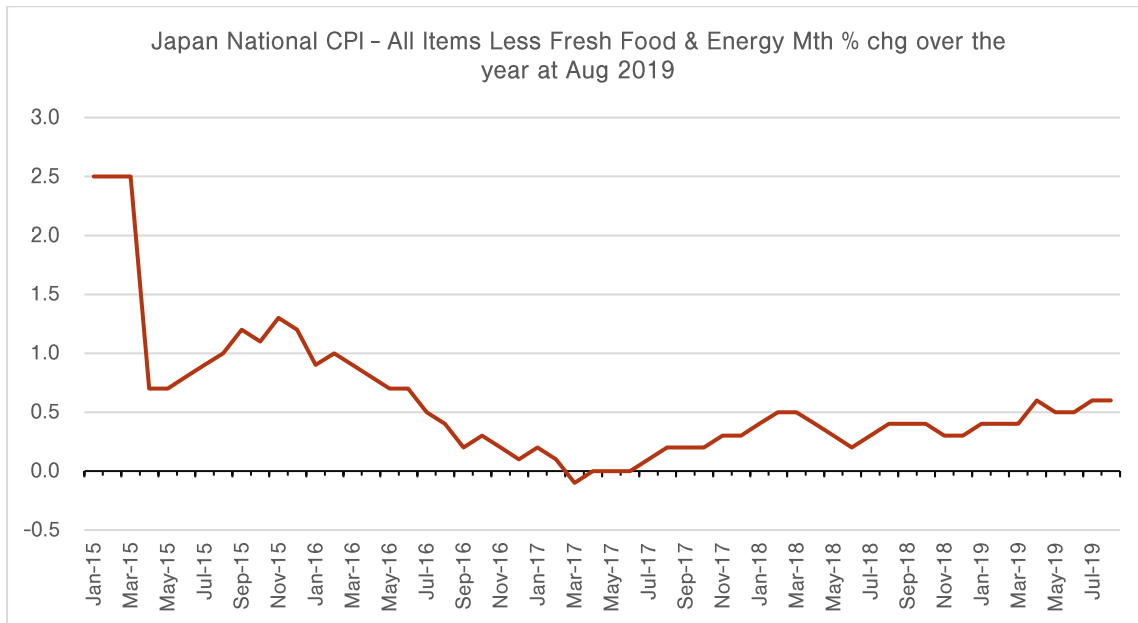


In Aug, fresh food prices declined at a faster pace from -0.7% in Jul to -4.9% in Aug. The month change in fresh food prices increased by 2%.

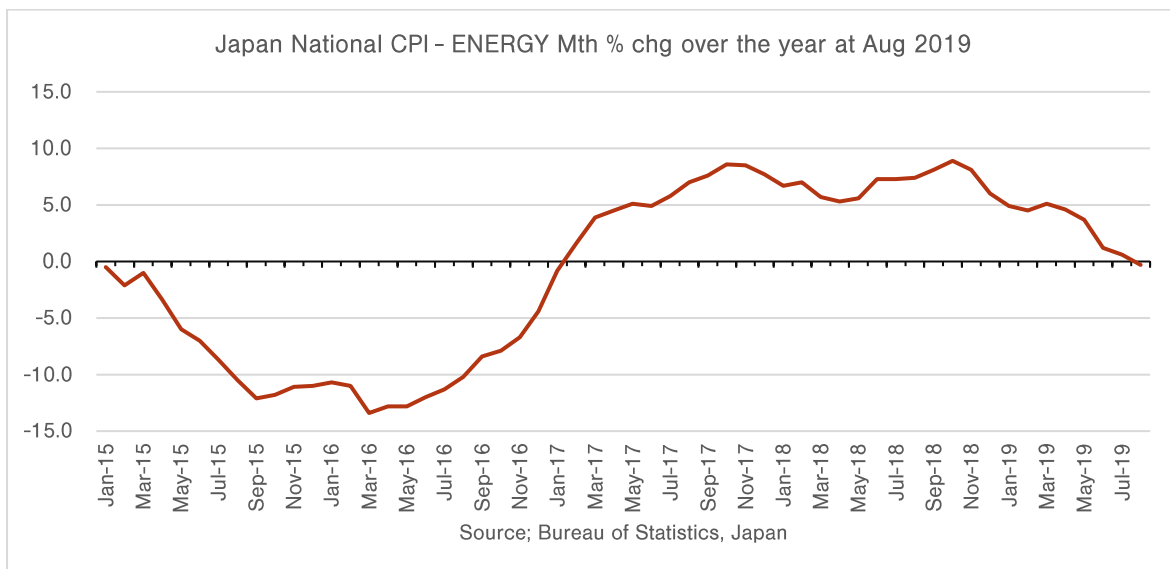
Another one of the more underlying drivers of CPI changes has been energy prices. When you exclude fresh food and energy prices, underlying CPI growth has been more stable.

CPI ex fresh food and energy; Aug +0.6% versus Jul +0.6%

Excluding fresh food and energy represents approx. 88% of the weight of the CPI.

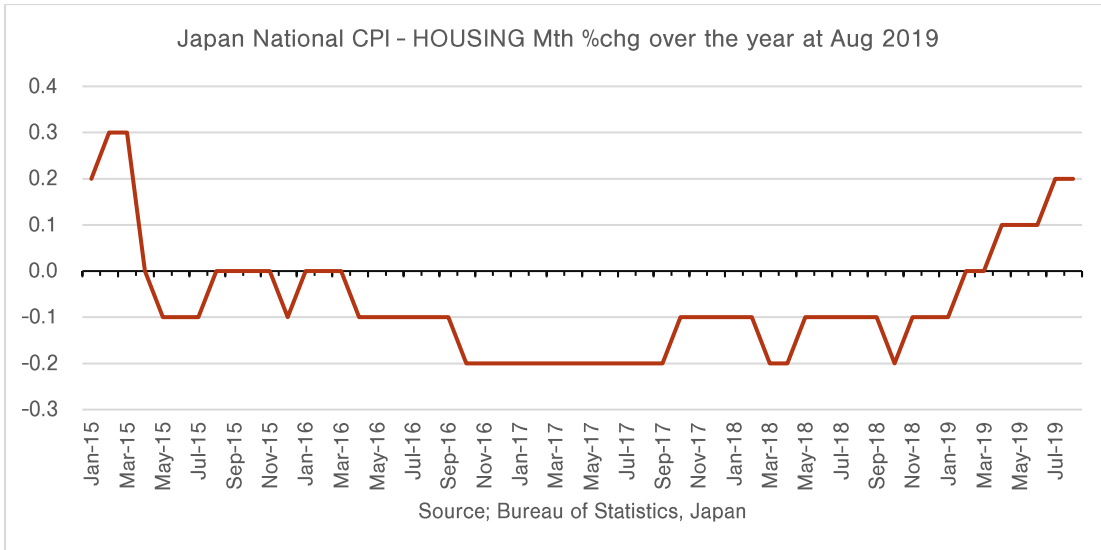


Overall energy prices (approx. 8% of the weight of the CPI) have been slowing consistently since Oct 2018;



Underlying CPI - Housing

Housing has also started to make a more consistent contribution to underlying CPI growth, albeit at a slow pace. Housing represents 21% of the index weight and on an annual basis, growth has been accelerating somewhat since Oct 2018;



<https://www.stat.go.jp/english/data/cpi/1581-z.html>

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United Kingdom

BREXIT

The UK PM met with EU President Juncker during the week. Talks were said to be positive. The EU President said that, during talks, the UK PM repeated that the UK would not request an extension to the 31 Oct Brexit deadline;

“In the segment released Sunday, Juncker said Johnson told him multiple times he would not request an extension to negotiations past the current date of Britain's planned exit on October 31.”

<https://www.politico.eu/article/juncker-uk-dont-blame-brussels-for-post-brexit-border-ireland/>

There were reports of contradictory claims that progress had been made in talks with the EU;

“The European Commission reportedly believes that the process is going backwards as the UK plans do not contain the essential elements needed to clinch an agreement. Its mood of pessimism followed a meeting between Steve Barclay, the Brexit Secretary, and Michel Barnier, the EU’s chief negotiator.” <https://brexitcentral.com/today/brexit-news-for-sunday-22-september/>

Johnson and Brexit Secretary Stephen Barclay both put a positive spin on ongoing talks with the EU this week. Barclay said they were “moving forward with momentum” and that the two sides share a “common purpose.” **The European side was a little more cautious**, with Chief EU negotiator Michel Barnier saying that “**lots of work has to be done in the next few days.**” Irish Deputy Prime Minister Simon Coveney said, “We are still waiting for serious proposals from the British government” on how to resolve the contentious Irish border issue, and that the two sides are still very far apart despite the improved “mood music.” <https://slate.com/news-and-politics/2019/09/this-week-in-brexit-embarrassment-in-brexit-and-a-contentious-court-case.html>

UK PM Johnson has until 19 Oct to secure a revised Brexit deal with the EU before he is legally obliged to request an extension. Negotiations are now becoming even more important.

The focus for the coming week will be on discussions between the EU President and the UK PM at the UN General Assembly in New York.

BoE Rates Decision – 19 Sep 2019

The Bank of England kept rates on hold and other policy measures unchanged this month.

Current Policy Settings

Bank rate; 0.75%

Non-financial investment-grade corporate bond purchases to be maintained at £10bn.

Stock of UK government bond purchases to be maintained at £435bn

Developments Since the Prior Meeting

Internationally - the trade war between the US and China has intensified, global growth outlook has weakened

Domestic – Inflation growth slowed from 2.1% in Jul to 1.7% in Aug. Brexit related uncertainties weighing on investment in the UK. The BoE has highlighted a potential shift to a lower demand environment the longer that these uncertainties persist;

Recently, however, entrenched Brexit uncertainties and slower global growth have led to the re-emergence of a margin of excess supply

The longer those uncertainties persist, particularly in an environment of weaker global growth, the more likely it is that demand growth will remain below potential, increasing excess supply. In such an eventuality, domestically generated inflationary pressures would be reduced.

Guidance

Guidance at this stage remains firmly focused on the response to Brexit with the policy response dependant on the 'type' of Brexit that eventuates (deal or no deal)

“The Committee’s interest rate decisions would need to balance the upward pressure on inflation, from the likely fall in sterling and any reduction in supply capacity, with the downward pressure from any reduction in demand. In this eventuality, **the monetary policy response would not be automatic and could be in either direction.**”

“Increased uncertainty about the nature of EU withdrawal means that the economy could follow a wide range of paths over coming years. The appropriate response of monetary policy will depend on the balance of the effects of Brexit on demand, supply and the sterling exchange rate.”

<https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2019/september-2019>

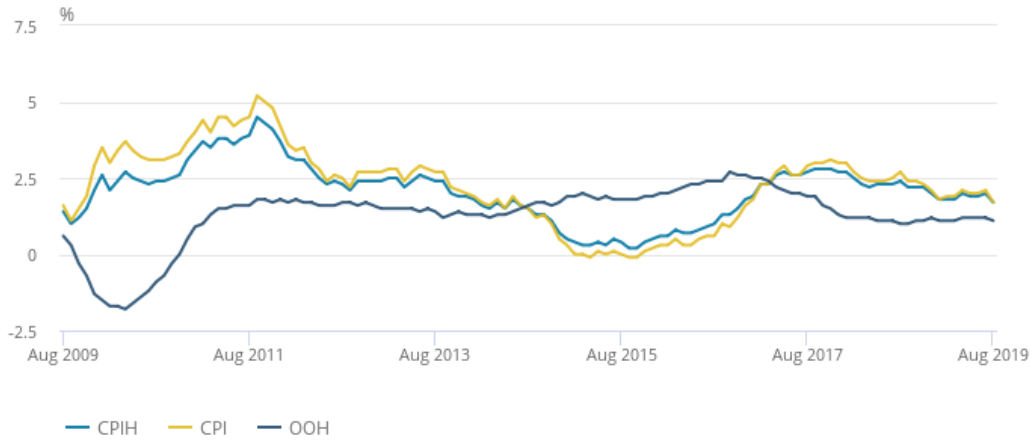
CPI (Aug)

The headline annual growth in the UK CPI slowed markedly between Aug and Jul. The contribution from most categories declined between Aug and Jul with the largest decline from recreation and culture and clothing and footwear.

Headline CPI-H – annual change; Aug +1.7% versus Jul +2.1%

Figure 1: CPIH and CPI 12-month inflation rates lowest since late 2016

CPIH, OOH component and CPI 12-month rates for the last 10 years, UK, August 2009 to August 2019



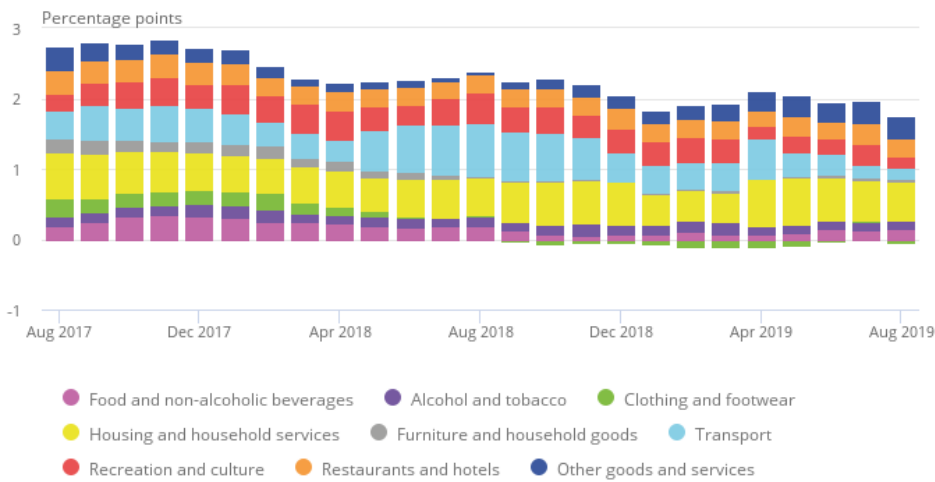
Source: Office for National Statistics – Consumer price inflation

Contribution to the Change in headline inflation

The slowdown in the annual CPI-H rate was led by a smaller contribution to growth from across most categories this month;

Figure 2: Contribution to inflation from transport has fallen since April 2019

Contributions to the CPIH 12-month rate, UK, August 2017 to August 2019



Source: Office for National Statistics – Consumer price inflation

The single largest contributor to the slow down was recreation and culture;

Recreation and culture; contributed +0.15% pts to the headline 1.7% growth in Aug, which was -0.15% from the Jul contribution of +0.3% pts.

The contribution from clothing and footwear subtracted -0.07%pts in Aug.

Most other categories also subtracted between -0.01 and -0.03%pts from growth in Aug.

Food and non-alcoholic bevs made a slightly larger contribution to growth in in Aug than in Jul.

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2019>

Retail Sales (Aug)

UK retail sales declined in Aug versus Jul and annual growth slowed – both incl and ex fuel. The month decline was led by the partial reversal of the stronger non-store sales growth that had occurred in Jul. Sales of department stores and textile/clothing and footwear also declined in the month. The slower annual growth was partially the result of cycling over prior year promotions leading into the World Cup – but the annual growth in retail sales has been slowing since the first Brexit date.

Total Retail Sales incl fuel (vol) – month change; Aug -0.4% versus Jul +0.5%

The decline in sales this month was led by a -3.2% decline in non-store retailers, a -1.3% decline in department store sales and -0.1% decline in textile/clothing/footwear sales.

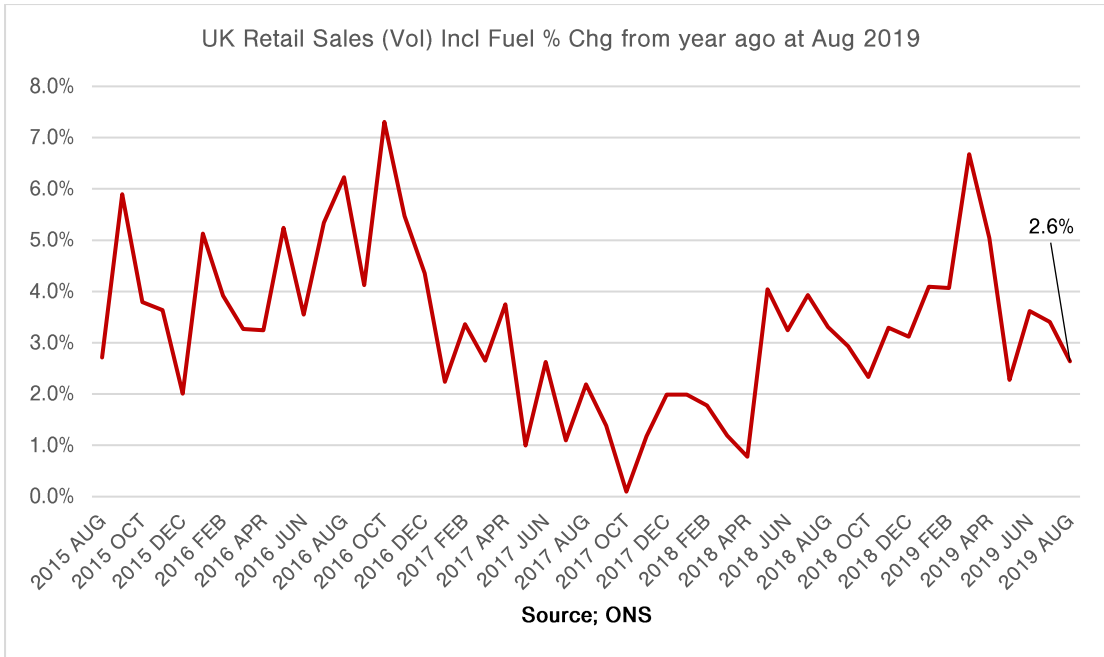
The larger decline in non-store retail sales only partly reversed the larger increase of 6.9% recorded in the month prior. From the Jul bulletin;

“The month-on-month growth of 6.9% [Jul 2019] is the largest growth since 9.2% in May 2016. Anecdotal evidence suggests that there were a range of promotions in July 2019 from non-store retailers, which boosted sales.”

Non-store retailing continued to make the larger overall contribution to annual retail sales growth.

Total Retail Sales incl fuel (vol) – annual change; Aug +2.6% versus Jul +3.4%

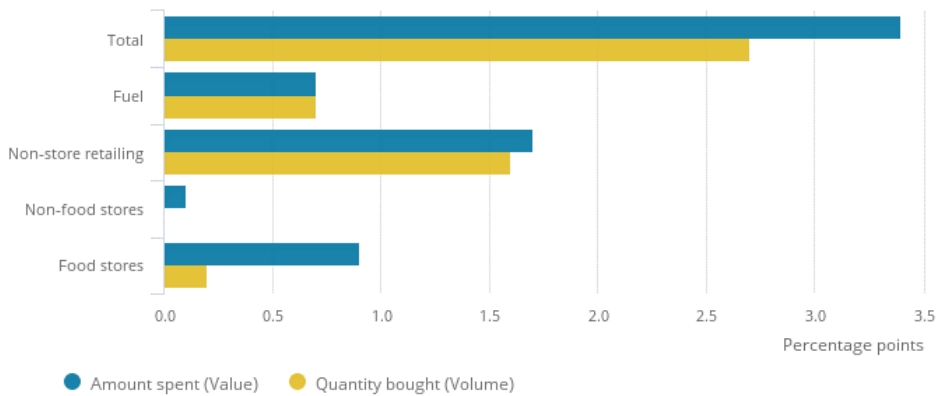
Annual growth momentum has slowed;



The largest contributor to the growth in the quantity purchased over the last year was non-store retailers and fuel. Food made a smaller contribution and non-food stores made zero contribution to growth;

Figure 2: Non-store retailing reported the largest contribution to both the amount spent and quantity bought in August 2019

Contributions to year-on-year volume and value growth from the four main retail sectors; Seasonally adjusted; Great Britain (August 2019 compared with August 2018)



Source: Office for National Statistics - Monthly Business Survey

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/august2019>

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Australia

RBA Minutes – Meeting 3 Sep 2019

At the meeting on the 3 Sep, the RBA board decided to leave rates on hold. There was no further deterioration in domestic conditions that warranted a further rate cut in Sep – as signs begin to emerge that the established housing market (sales and prices) in Syd & Melb have begun to stabilize and employment growth has been maintained.

The considerations for monetary policy continued to focus on;

Internationally - the continued downside risks to global growth, further monetary easing by central banks and low long-term government yields

Domestically – the labour market remained a key focus. While employment had continued to grow, unemployment had remained stubbornly high. This was mostly the result of new all-time highs in labour force participation. Wage growth remained low and there was little indication that any wage pressure was building. In other words, spare capacity remains in the labour market.

Some signs of improvement in the established housing market esp. Syd & Melb. Housing credit growth remained low and interest rates were at record low levels. Low building approvals suggest that weakness in dwelling investment to remain in the near-term.

Demand for credit by investors continued to be subdued and credit conditions, especially for small and medium-sized businesses, remained tight.

[Note; Much of the previous ‘boom’ in house prices was driven by credit growth for investors/high rise attached dwellings. This quote in the minute’s highlights that while some credit growth is beginning to flow again (to owner occupiers), one part of the market remains quite subdued. The implication of this is for construction jobs – much of the investor credit fed into demand for high-rise apt construction. Tight credit conditions for small business also has implications for the productive economy.]

Economic growth in the quarter was little changed from the prior quarter (around 0.5%) – the official release highlighted that net exports was an important driver of that result. Gross National Expenditure recorded 0% growth – underlying the weaker domestic activity.

The RBA continues to look to;

Output growth supported by low interest rates, recent tax cuts, signs of ‘stabilization’ in the housing market and a brighter outlook for resources sector.

Consumption growth remains a key uncertainty – it is expected to increase over time, supported by a gradual increase in household disposable income (tax cuts, interest rate cuts)

Inflation pressure remains subdued and is expected to pick up as output growth increases and the labour market tightens (no evidence of either happening yet).

Guidance – remained unchanged, with low rates expected for an extended period of time;

“...members judged that it was reasonable to expect that **an extended period of low interest rates** would be required in Australia to make sustained progress towards full employment and achieve more assured progress towards

the inflation target. Members would assess developments in both the international and domestic economies, including labour market conditions, and would ease monetary policy further if needed to support sustainable growth in the economy and the achievement of the inflation target over time.”

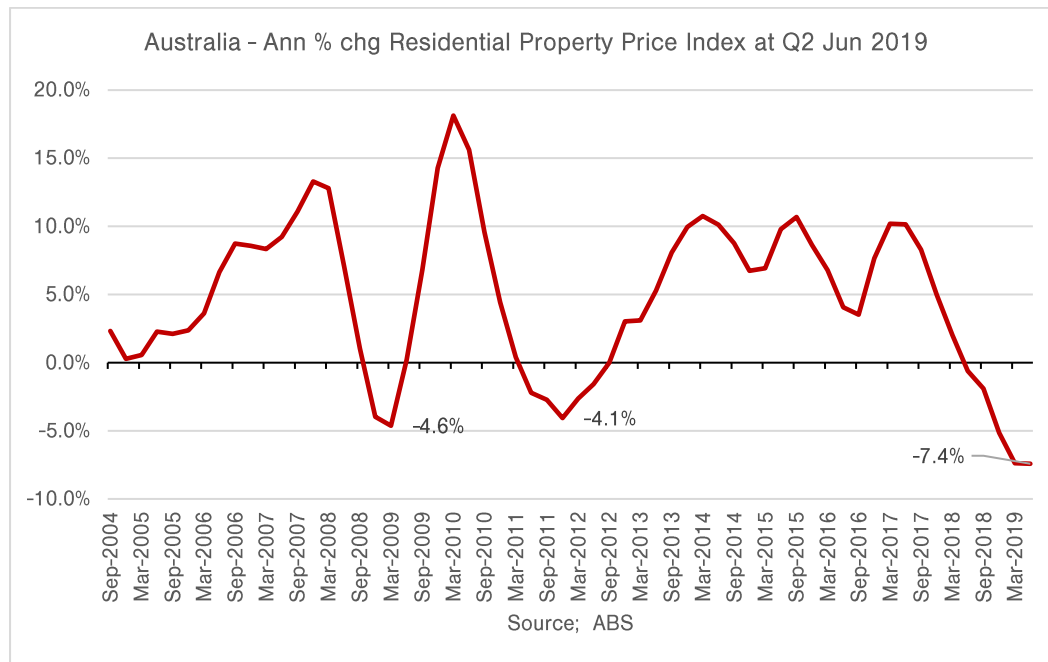
<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2019/2019-09-03.html>

House Price Index Q2

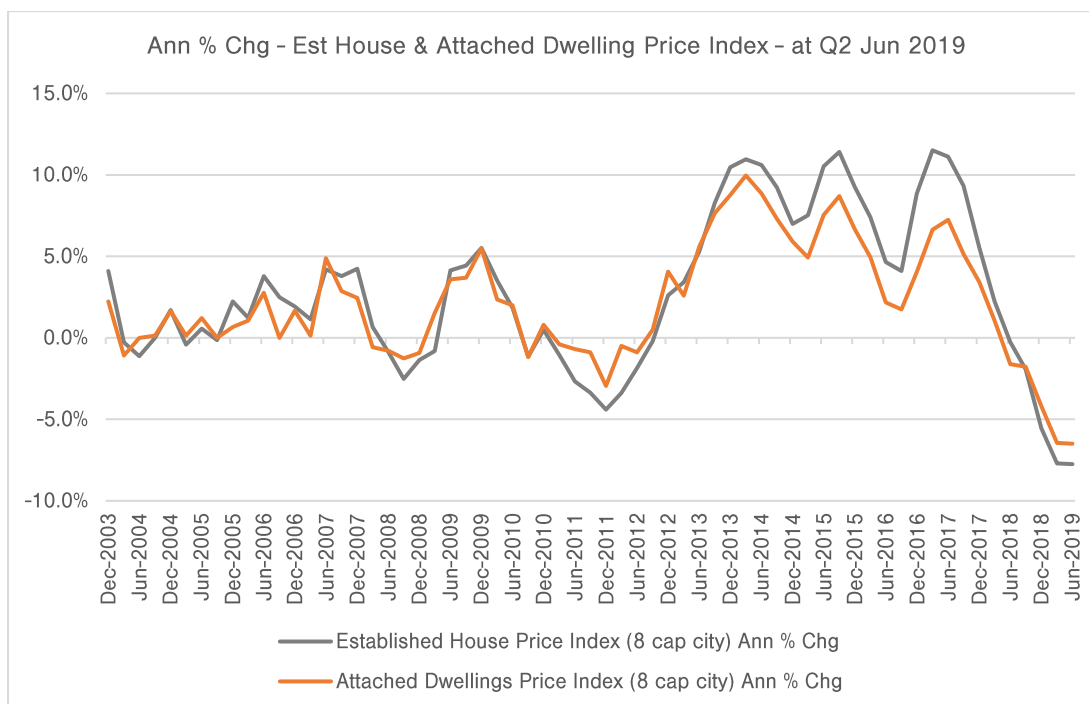
House prices in Australia continued to decline on a quarterly and annual basis in Q2. The decline in the quarter slowed somewhat versus the decline in the prior quarter. The annual decline remained constant at -7.4% (no acceleration at a National level). This is consistent with the data on housing finance which started to improve from May and includes one of the two interest rate cuts.

National House Price Index – quarter change; Q2 -0.7% versus Q1 -3%

The annual decline was unchanged at -7.4% in Q2



Prices for both established dwellings and attached dwellings declined at a similar pace in the quarter and on an annual basis.



Established Dwellings

Quarter change; Q2 -0.6% versus Q1 -3.1%.

Prices across most markets declined at a slower pace in Q2 except for Adelaide. Prices still declined by a faster pace than the National average (-0.6%) in Melbourne, Brisbane, Perth and Darwin.

The annual decline in prices for established dwellings was unchanged at -7.7% from a year ago. The annual declines in Melb and Sydney (both -10%) continue to lead the annual decline.

Attached Dwellings

Quarter change; Q2 -0.8% versus Q1 -3%

On a quarterly basis, the decline in attached dwelling prices slowed across Most markets, except for in Perth, Darwin and Canberra which price declines accelerated in Q2.

The annual decline in prices for attached dwellings increased slightly from -6.4% in Q1 to -6.5% in Q2. The markets still declining faster than the national rate at Sydney (-8.6%) and Darwin (-8.8%). Prices for attached dwellings in Melb are declining by -5.8%, Perth by -5.2% and Hobart by -6.1% versus a year ago.

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6416.0Main+Features1Jun%202019?OpenDocument>

Labour Market Survey (Aug)

The consistent insight from the recent labour market surveys was that employment growth would need to begin to accelerate in order to absorb the increase in participation that was starting to result in a series of monthly increases in total unemployed persons. This month, the annual picture shifted – as employment growth continued to slow (but remains elevated), the

growth in the labour force increased at a faster pace as participation reached another new all-time high. This resulted in an annual increase in total unemployed persons and an increase in the unemployment rate.

The monthly picture is similar but highlights a negative shift in the composition of the employment growth with slowing FT employment.

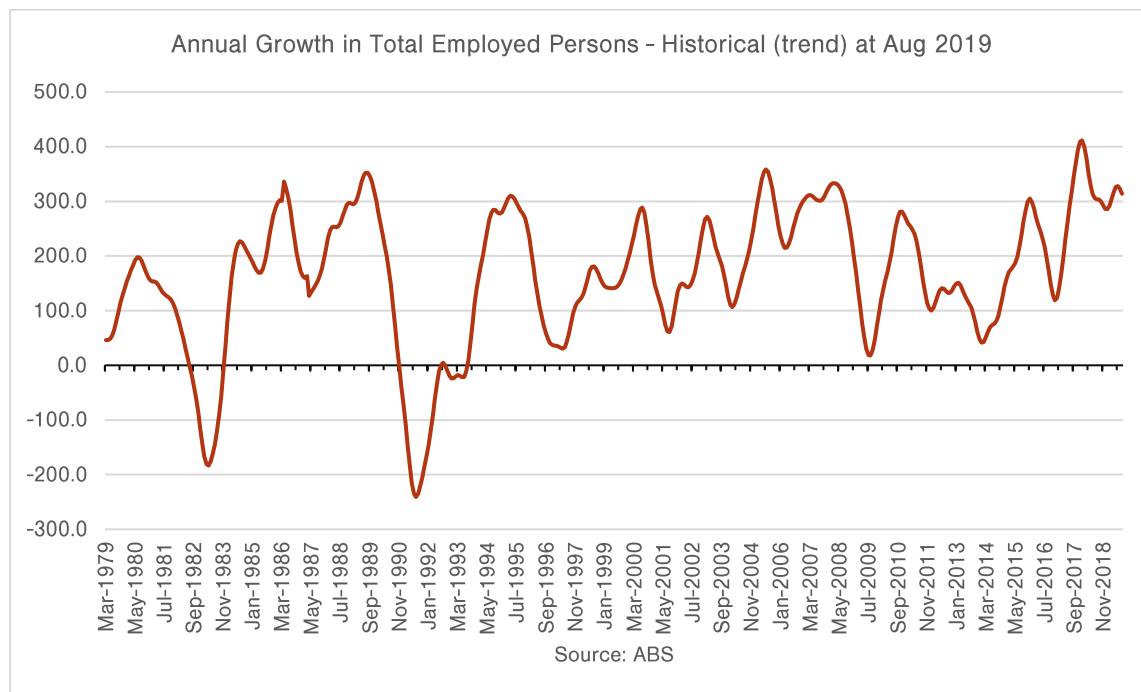
The labour force outcomes will be noted by the RBA as it aims to reduce that 'space capacity' of persistently high unemployment and underemployment.

Employment

Annual and monthly growth in employment continued to slow – led by slower growth in FT employed persons.

Annual change; Aug +313k persons versus Jul +323.3k persons

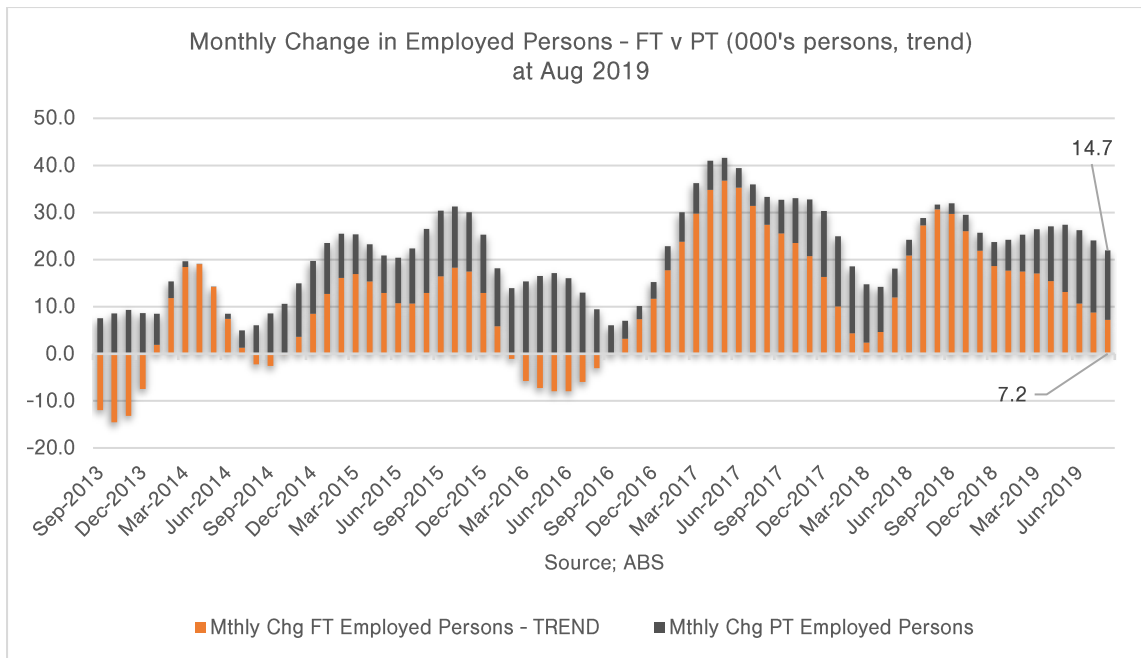
Although annual employment growth has slowed, the level of growth still remains elevated compared to history;



On a monthly basis, employment growth slowed and has been slowing now for several months. The more concerning part of the slowdown is the composition of FT and PT employment growth.

Total employed – month change; Aug +22k persons versus Jul +24k persons

Slower growth in FT employed persons has mostly led this monthly slowdown in growth;

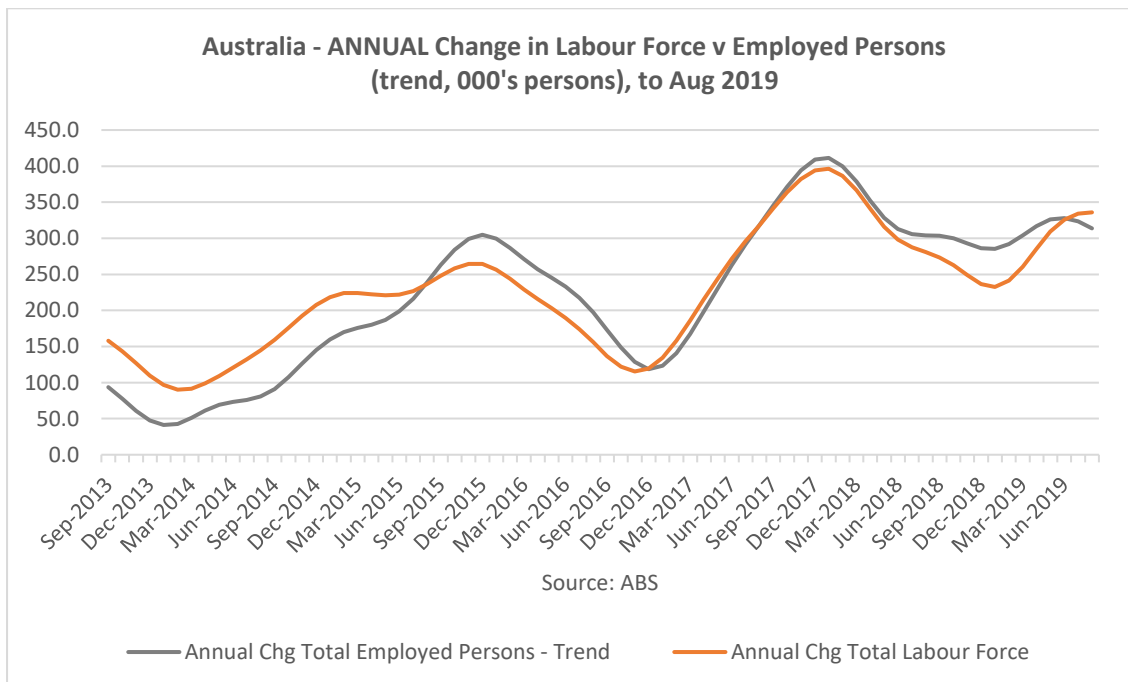


Labour Force

The broader context for understanding employment growth is comparing it to the level of growth in the labour force. If employment is growing faster than both what population and participation are adding to the labour force, then total unemployment continues to decline. Unfortunately, this is no longer the case on an annual basis.

Total labour force - annual growth; Aug 335k persons versus Jul +334k persons

Importantly, employment growth is now below that of the labour force;

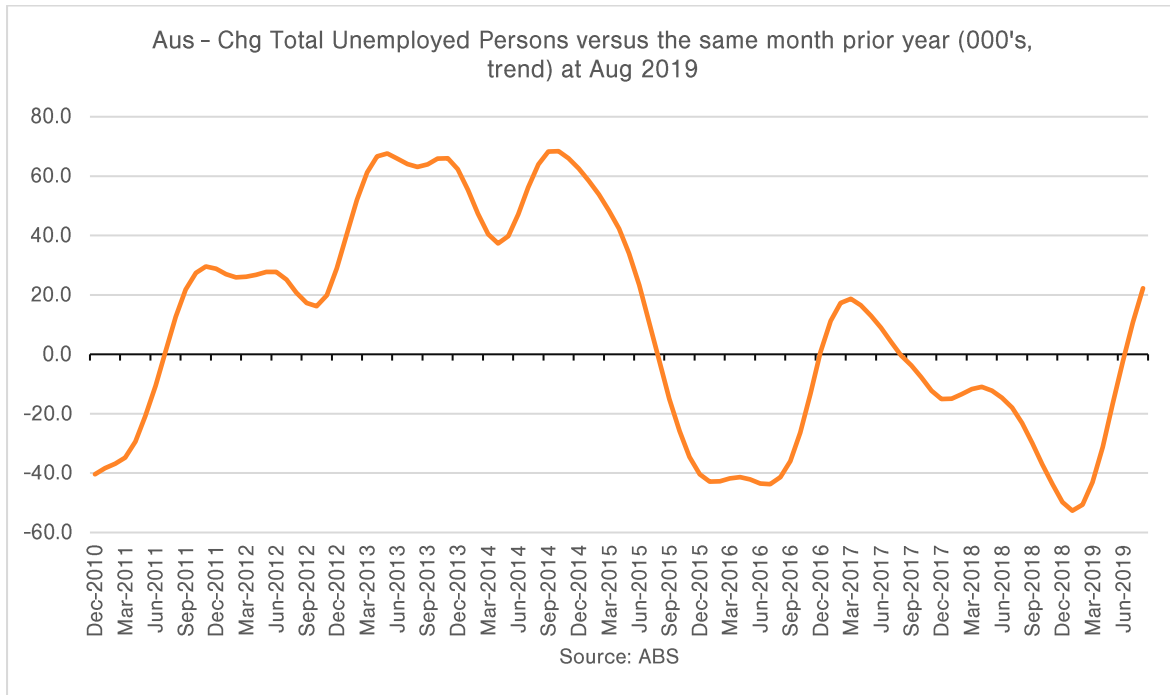


The continued growth of the labour force was due mostly to a further increase in labour force participation. At a total level, participation increased to another new all time high of 66.17% in Aug. This was led by a further increase in female participation – also reaching a new all-time high in Aug of 61.17%. Male participation also continued to increase but remains well below its all-time peak.

Total Unemployed Persons

The result of slower employment growth than that of the labour force is that total unemployed persons has now shifted back to an annual increase.

Total unemployed persons – annual change; Aug +22k persons versus Jul +10.7k



On a monthly basis, the growth in unemployed persons remains positive but has slowed somewhat;

Total unemployed persons – month change; Aug +2.6k persons versus Jul +4.6k persons

The unemployment rate has now shifted back up to 5.25% after falling to 5% back in Dec 2018.

Summary of Main Labour Market Indicators

Annual employment growth slowed in Aug, but the level remains elevated. Importantly though, this growth was lower than that of the labour force and total unemployed persons increased on an annual basis. The annual growth in the labour force increased at a slightly faster pace, due to another new all-time high in participation.

On a monthly basis, employment growth also slowed further as FT employment growth slowed. The size of the labour force also increased at a slower pace but still exceeded that of total employment. This resulted in another monthly increase in total unemployed persons.

	000's Persons	
	Annual Chg - AUG	Month Chg - AUG
The estimated change in the Labour Force due to pop growth	210.550	10.661
How many jobs available for them? (employment growth)	313.562	21.969
Difference (if positive, employment growing faster than pop est)	103.013	11.308
Change in labour force due to the change in participation	125.249	13.969
The reminder is the change in total unemployed persons	22.236	2.661
Double Check - Reported chg in size of the Labour Force	335.799	24.619
Two views of the size of the Labour Force:		
Underlying population growth plus changes in participation	335.799	24.630
Total employed persons plus total unemployed persons	335.799	24.630

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6202.0Main+Features1Aug%202019?OpenDocument>

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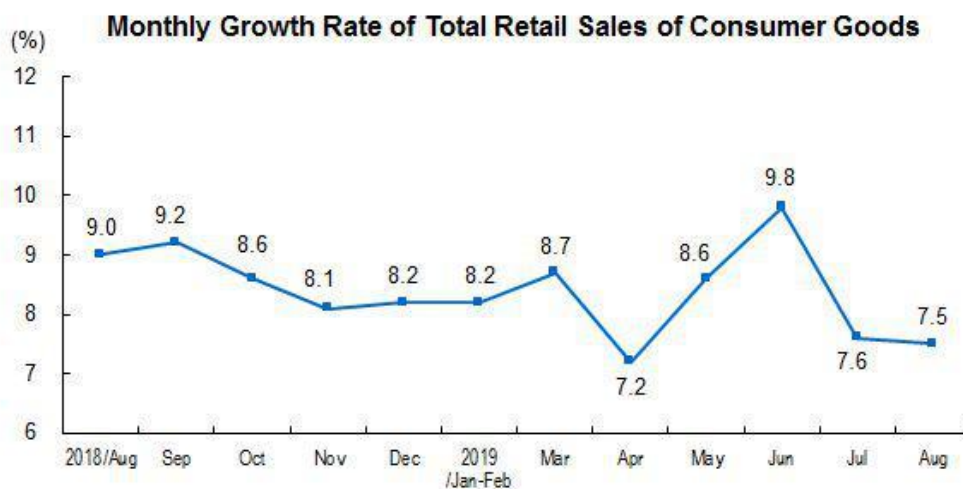
China

Retail Sales

Annual retail sales growth slowed slightly in Aug and growth remains close to recent lows. One of the key drivers of the lower growth has been sales of Autos (also note the weaker exports of motor vehicle parts from Japan to China in this report).

Nominal growth in retail sales; Aug +7.5%

Real growth in retail sales; Aug +5.6%



Looking at the main retail categories, what stands out is the decline in sales for the single largest retail category – Autos.

Autos declined by 8.1% in Aug and by -0.5% in the YTD versus the YTD a year ago (suggesting that the decline is gathering pace).

A decline in petroleum sales of -1.2% also contributed to the slower growth in the month.

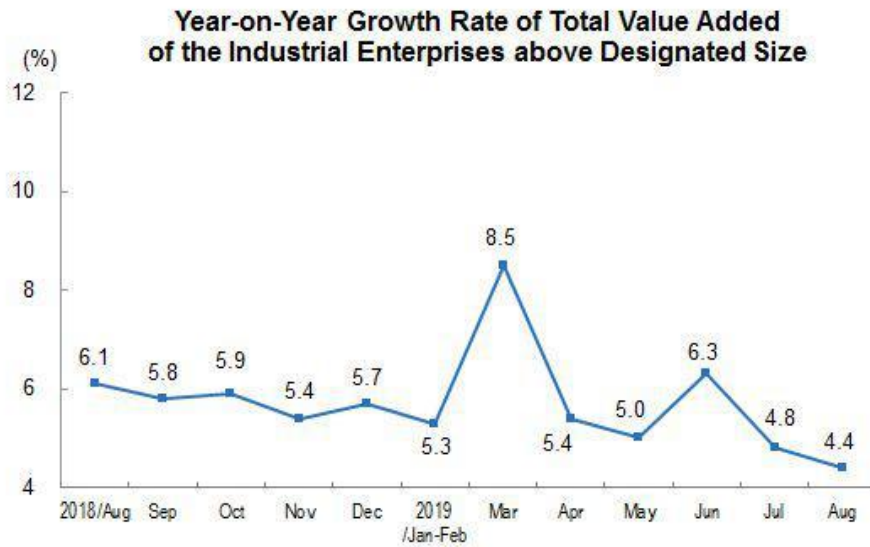
Results across other categories was mixed.

http://www.stats.gov.cn/english/PressRelease/201909/t20190917_1698002.html

Industrial Production (Aug)

There was a further slow-down in the annual pace of industrial production recorded in Aug with growth slowing to +4.4%. While this means that production is still growing, that pace of accelerating growth is yet to return despite the stimulus in place.

On a monthly basis, industrial production declined by -0.4% versus Jul.



Mining and quarrying; Aug +3.7% annual growth, slowing by 2.9% pts versus Jul

Manufacturing; Aug +4.3%, with annual growth slowing by 0.2% pts versus Jul

Utilities production and distribution of electricity, heating power, gas and water; Aug +5.9%, also slowing by 1.0% pts versus Jul

http://www.stats.gov.cn/english/PressRelease/201909/t20190917_1697963.html

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Trade

US-China Trade Talks

No detail at this stage of the upcoming talks in Washington in Oct.

Last week, US President Trump announced a two-week delay to the implementation of the tariff increase on \$250bn of imports from China originally planned for 1 Oct. The delay was in observance to the PRC's 70th anniversary on 1 Oct.

Some new tariff rates went into effect as of 1 Sep.

US; tariffs were increased to 15% on approx. \$125bn of imports from China (Annex A) and increasing the planned 10% tariff on the remaining of \$300bn of imports to a 15% tariff from 15 Dec (Annex C). <https://www.federalregister.gov/documents/2019/08/30/2019-18838/notice-of-modification-of-section-301-action-chinas-acts-policies-and-practices-related-to>

The USTR made a request for comments on increasing the original 25% tariff on \$250bn of imports to 30% from 1 Oct (now postponed by 2 weeks). <https://www.federalregister.gov/documents/2019/09/03/2019-18946/request-for-comments-concerning-proposed-modification-of-action-pursuant-to-section-301-chinas-acts>

The issue of intellectual property remains a key obstacle to the deal;

“Indeed, China’s Vice Premier Liu He has only reiterated Beijing’s position that a deal must be balanced and “expressed in terms that are acceptable to the Chinese people and do not undermine the sovereignty and dignity of the country.” <https://www.cnbc.com/2019/06/29/g20-summit-trump-and-xi-agree-to-talks-but-offer-no-clear-path-to-end-the-trade-war.html>

Reconfirming what a ‘win’ in the negotiations with China looks like – a statement of the key negotiating goals as outlined by the USTR (emphasis added);

The meetings were held as part of the agreement reached by President Donald J. Trump and President Xi Jinping in Buenos Aires to engage in 90 days of negotiations **with a view to achieving needed structural changes in China with respect to forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft of trade secrets for commercial purposes, services, and agriculture.**

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/january/statement-united-states-trade>

US-Japan Trade Talks

The coming week will be crucial to finalising the trade deal between the US and Japan. It is expected that PM Abe and US President Trump will meet on the sidelines of the UN General Assembly early in the week.

Trump and Abe are expected to secure a deal on farm tariffs and digital trade when they meet on the sidelines of the United Nations General Assembly in New York later this week. Full details of the prospective trade agreement have not been disclosed.

One unresolved issue relates to auto exports. Motegi has said he wants written assurances that Trump will not impose tariffs on U.S.-bound auto exports from Japan. However, any promises arising from this week's talks will still need Trump's final approval, adding uncertainty to the prospects of a deal, Japanese sources familiar with the matter said recently.

<https://www.japantimes.co.jp/news/2019/09/22/business/motegi-says-u-s-japan-trade-talks-will-bring-peace-mind-farmers-automakers/#.XYhDuigzaUk>

The summary of US negotiating objectives for the US-Japan trade talks;

https://ustr.gov/sites/default/files/2018.12.21_Summary_of_U.S.-Japan_Negotiating_Objectives.pdf

US-Europe Trade Talks

News last week was that the WTO had provided a confidential ruling in favour of the US for illegal subsidies provided to Airbus. A formal announcement is expected in several weeks' time.

“The decision means that U.S. President Donald Trump will almost certainly soon announce tariffs on European products ranging from cheeses to Airbus planes. One official said Trump had won the right to collect a total of between €5 billion and €8 billion. Another said the maximum sum was close to \$10 billion.” <https://www.politico.eu/article/trump-poised-to-hit-eu-with-billions-in-tariffs-after-airbus-win/>

Amid the current negotiations, the EU is now starting to transition to new leadership including a new lead trade negotiator;

“The decision sets the stage for a showdown between Europe and Washington just as the EU is transitioning to new leadership under incoming Commission President Ursula von der Leyen and Trade Commissioner-designate Phil Hogan. In unveiling her team on Tuesday, von der Leyen signaled **a robust approach to transatlantic disputes on trade and other issues with the Trump administration**” <https://www.politico.eu/article/trump-poised-to-hit-eu-with-billions-in-tariffs-after-airbus-win/>

The WTO ruling, together with new EU leadership, could see escalation in trade and tariff tensions between the EU and the US over the next few weeks once the ruling has been made official and public.

There are several fronts to the US-EU trade discussions.

Airline Subsidies

The WTO has now ruled in favour of the US (confidential judgement) over illegal European subsidies to Airbus. The EU also has a similar case pending related to Boeing.

Both sides have already identified potential areas for further sanctions if matters escalate and the US has already instigated a second process to identify further targets for tariffs.

The USTR has commenced another review; “Additional Products for Tariff Countermeasures in Response to Harm Caused by EU Aircraft Subsidies” (1 Jul 2019) <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/july/ustr-proposes-additional-products#>

According to the Federal Register announcement;

“A number of public comments submitted in response to the April 12 notice requested that the U.S. Trade Representative consider additional products that were not included in the April 12 list for possible inclusion on the final list of products to be subject to additional duties.”

https://ustr.gov/sites/default/files/enforcement/301Investigations/Notice_for_Additional_Products.pdf

The process for the latest review has been completed – with no final announcement.

“In the event the Arbitrator issues its decision prior to completion of the public comment process on the supplemental list, the USTR may immediately impose increased duties on the products included in the initial list, and take further possible actions with respect to products on the supplemental list.”

Also hanging over the negotiations are the US threats of tariffs on auto imports from Europe.

Trade Negotiations

One of the main issues standing in the way of a trade deal is that agriculture has been exempt from the negotiations by the EU.

The key sticking point remains agriculture. The EC authorised negotiations to commence between the EU and the US – but excluding agriculture. Emphasis added;

“Today's adoption of the EU negotiating directives gives a clear signal of the EU's commitment to a positive trade agenda with the US and the implementation of the strictly defined work programme agreed by Presidents Trump and Juncker on 25 July 2018. **But let me be clear: we will not speak about agriculture** or public procurement.”

https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/trade-with-the-united-states-council-authorises-negotiations-on-elimination-of-tariffs-for-industrial-goods-and-on-conformity-assessment/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Trade+with+the+United+States%3a+Council+authorises+negotiations+on+elimination+of+tariffs+for+industrial+goods+and+on+conformity+assessment

““I do not think we will reach an agreement if agriculture is not included,” McKinney told reporters on a teleconference during his visit to Brussels, citing concerns raised by U.S. lawmakers and Trump.”

<https://www.reuters.com/article/us-usa-trade-eu/no-u-s-eu-trade-deal-without-agriculture-u-s-official-idUSKCN1TS2SH>

Instex

The EU confirmed that Britain, France and Germany had established a special trade channel (Instex) that would enable trade with Iran that circumvents the US sanctions. It was announced last year that the EU would work on developing the channel.

<https://www.reuters.com/article/us-iran-nuclear-talks-statement/europe-says-iran-trade-channel-operational-statement-idUSKCN1TT2RL>

President Trump made some mention of this development at the G-20;

“President Donald Trump said there was “absolutely no time pressure” in dealing with Iran as European nations pushed to salvage what remains of the 2015 nuclear accord and avert a slide toward war.”

<https://finance.yahoo.com/news/trump-chats-putin-shakes-hands-081017994.html>

The Instex system enables trade with Iran without the use of U.S. dollars or US banks. The US has previously stated opposition to this;

“According to Bloomberg, the Treasury Department’s undersecretary for terrorism and financial intelligence, Sigal Mandelker, sent a letter on May 7 warning that Instex, the European SPV to sustain trade with Tehran, and anyone associated with it could be barred from the U.S. financial system if it goes into effect.”

“Separately, during a visit to London on May 8, Mike Pompeo also warned that there was no need for Instex because the U.S. allows for humanitarian and medical products to get into Iran without sanction.”

““When transactions move beyond that, it doesn’t matter what vehicle’s out there, if the transaction is sanctionable, we will evaluate it, review it, and if appropriate, levy sanctions against those that were involved in that transaction,” Pompeo said. “It’s very straightforward.””

Digital Services

Undeterred by the USTR investigation into the digital services tax to be approved by the Govt of France, the EU has opened its own investigation into possible anti-competitive conduct of Amazon;

“The European Commission has opened a formal antitrust investigation to assess whether Amazon's use of sensitive data from independent retailers who sell on its marketplace is in breach of EU competition rules.”

https://ec.europa.eu/commission/presscorner/detail/en/ip_19_4291

Further to the USTR S.301 investigation into the digital services tax approved by the French government, a public hearing on the tax implications has been held in the US;

“The French DST law imposes a 3% tax on annual revenues generated by some companies that provide certain digital services to, or aimed at, French

users. The tax applies only to companies with annual revenues from the covered services of at least €750 million globally and €25 million in France. The services covered are ones where U.S. firms are global leaders.”

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/august/public-hearing-section-301>

Background

The summary of US negotiating objectives for the US-EU trade talks have been published;

https://ustr.gov/sites/default/files/01.11.2019_Summary_of_U.S.-EU_Negotiating_Objectives.pdf

Section 232 – Car and Truck Imports

President Trump has agreed to delay the decision to impose tariffs on auto imports as a part of the s.232 investigation on car and truck imports on national security grounds. But he has **stated that he agrees with the conclusion of the Commerce Dept report that imports harmed national security by causing declining market share for US-owned carmakers.**

“I concur in [Commerce Secretary Wilbur Ross'] finding that automobiles and certain automobile parts are being imported into the United States in such quantities and under such circumstances as to threaten to impair the national security of the United States," Trump said in a proclamation outlining his decision.” <https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014>

As a part of the announcement, US President Trump also...

“directed U.S. Trade Representative Robert Lighthizer to pursue the negotiation of agreements with the EU, Japan and other countries that address the alleged national security threat posed by auto imports.

Lighthizer was directed to update the president on the status of those talks within 180 days.” <https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014>

The tariffs remain as negotiating leverage between the US and Japan and the EU. The S.232 report has not been made public, but President Trump’s statement provided some insight as to how the Commerce Dept justified the ‘national security’ grounds;

“The rapid application of commercial breakthroughs in automobile technology is necessary for the United States to retain competitive military advantage and meet new defense requirements,” the proclamation said.

The proclamation added that the U.S. defense industrial base depends on the “American-owned automotive sector” for development of technologies essential to military superiority. Foreign imports have eroded the ability of U.S. companies to compete and research and develop new technologies, the proclamation said.

“The lag in R&D expenditures by American-owned producers is weakening innovation and, accordingly, threatening to impair our national security,” the proclamation stated. <https://www.politico.com/story/2019/05/17/donald-trump-auto-tariffs-1330014>

NAFTA/USMCA

The US Congress was back last week, and given the increased volatility around trade, there is even more pressure on both sides to approve the USMCA. Both sides appear to be making moves to progress the approval.

During the week USTR Lighthizer provided formal responses to address concerns over labor, environment, enforcement and prescription drug provisions.

House Democrats said Thursday they believe they are making progress with the Trump administration over how to fix their concerns with the new North American trade agreement, indicating a congressional vote on the measure is still possible this year.

The two sides are likely to spend the next several weeks exchanging texts as the Trump administration continues to push for Congress to pass the agreement before the end of the year.

White House trade adviser Peter Navarro said earlier this week that the administration wants to "get this thing done within the next 30 to 60 days," — a timeline House Agriculture Chairman Collin Peterson (D-Minn.) also embraced on Thursday. <https://www.politico.com/story/2019/09/12/democrats-nafta-usmca-talks-1729037>

The Democrats continue to work with USTR Lighthizer on changes required to the USMCA before the deal can go to Congress for approval.

“The end of 2019 has become an informal deadline to get the deal approved amid concerns that it will get lost in the noise of the presidential election if it bleeds into 2020. But the campaign itself could add to pressure for action sometime over the fall, as Democrats seek to defend their House majority.” <https://www.politico.com/story/2019/08/31/democrats-trade-trump-1691486>

Canada has yet to approve the deal. It has been reported that Canada will wait to approve the deal until after 21 Oct elections. It was originally reported that Canada would not take steps to approve the deal until the US had ratified the deal. (Source; <https://www.reuters.com/article/us-usa-trade-usmca/pence-upbeat-that-congress-will-pass-usmca-trade-deal-this-year-idUSKBN1W22FF>)

US-UK Trade Talks

During his visit to the UK, President Trump announced that the US would begin talks with the UK on a trade deal as soon as Brexit was completed.

The USTR has now published the summary of specific negotiating objectives for the US-UK trade negotiations; https://ustr.gov/sites/default/files/Summary_of_U.S.-UK_Negotiating_Objectives.pdf

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