



Global Macro Report

GLOBAL ECONOMIC ANALYSIS:

US HOUSING MARKET CURTAILED BY SHORTAGE AND LOWER AFFORDABILITY; EUROPE'S PMI POINTS TO FURTHER EXPANSION

US

- Housing starts in August totaled a seasonally adjusted 1,142,000, down 5.8% month over month, apparently curtailed by a drop in building permits in July.
- Building permits in August totaled a seasonally adjusted 1,139,000, down 0.4% month over month and 2.3% year over year.
- Existing home sales declined by 0.9% month over month in August, to 5.3 million. The decline was mainly driven by a lack of supply and lower affordability.

Europe

- The Markit Eurozone Manufacturing Purchasing Managers' Index (PMI), which measures economic activity in the euro area, stood at 52.6 in September, pointing to an expansion of the manufacturing sector.
- In the UK, the Rightmove national average asking price increased by 0.7% month over month in September, but rose by 4.0% year over year.

Latin America

- Mexico's retail sales in July grew by 7.9% year over year and by 0.4% month over month. The month-over-month reading has increased for three straight months.

Figure 1. Macro Indicators

Country/ Region	Indicator	Period	Actual	Survey	Prior	Impact on Consumption
US	Housing Starts (Thous.)	Aug	1,142	1,190	1,212	-
US	Housing Starts (MoM)	Aug	(5.8)%	(1.8)%	1.4%	-
US	Building Permits (Thous.)	Aug	1,139	1,165	1,144	-
US	Building Permits (MoM)	Aug	(0.4)%	1.8%	(0.8)%	-
US	Existing Home Sales (Mil.)	Aug	5.3	5.5	5.4	-
US	Existing Home Sales (MoM)	Aug	(0.9)%	1.1%	(3.4)%	-
US	Housing Affordability Index	Jul	157.1	-	153.2	-
EU	Markit Eurozone Manufacturing PMI (Prelim.)	Sep	52.6	51.5	51.7	+
UK	Rightmove House Prices (MoM)	Sep	0.7%	-	(1.2)%	+
UK	Rightmove House Prices (YoY)	Sep	4.0%	-	4.1%	+
MX	Retail Sales (MoM)	Jul	0.4%	0.4%	1.0%	+
MX	Retail Sales (YoY)	Jul	7.9%	7.8%	9.4%	+

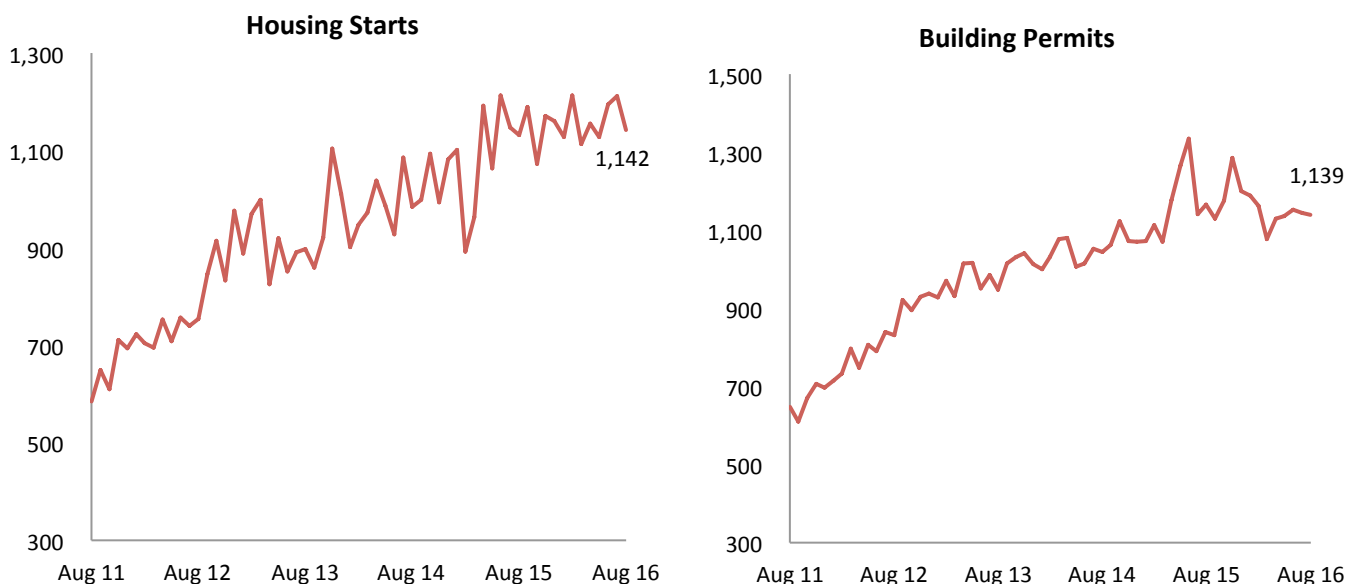
Source: US Census Bureau/Markit/National Association of Realtors/Rightmove/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

US: Housing Market Curtailed by Supply and Affordability

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US housing starts in August totaled a seasonally adjusted 1,142,000, down 5.8% month over month but up 0.9% year over year; the August reading was weaker than the expected 1,190,000 starts, which would have represented a 1.8% drop month over month. Single-family housing starts, a better indicator of consumer confidence and housing demand, were down 6% month over month. Housing starts seemed to be dragged down by a drop in building permits in July.

US building permits in August totaled a seasonally adjusted 1,139,000, down 0.4% month over month and 2.3% year over year. The decline in building permits will continue to weigh on housing starts.

Figure 2. US: Housing Starts (Seasonally Adjusted Annual Rate, Thous.) and Building Permits (Seasonally Adjusted Annual Rate, Thous.)

Source: US Census Bureau

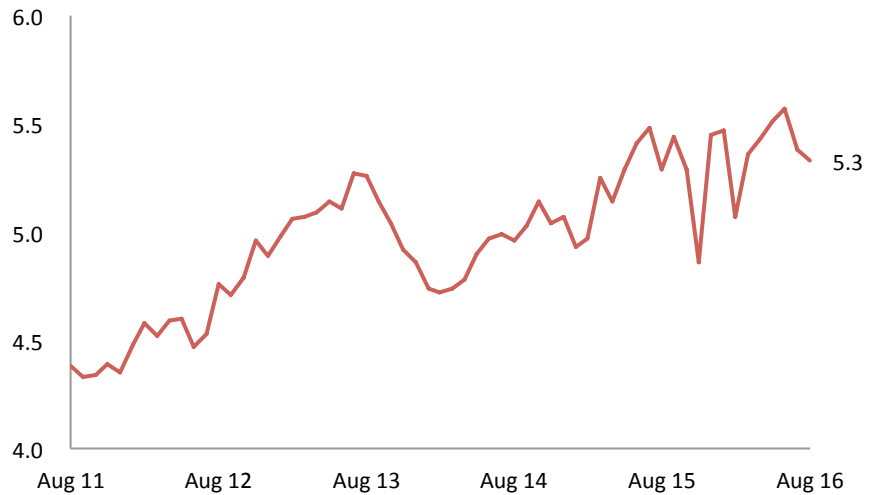
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Existing home sales declined by 0.9% month over month in August, to 5.3 million. Sales of single-family houses fell by 2.3%, while sales of multifamily condominiums and co-ops jumped by 10.5%.

The decline in existing home sales was mainly due to a lack of supply and lower affordability. As indicated by a 3.3% drop in the number of houses available for sale, homeowners appear to be reluctant to put their homes on the market, as they expect home prices to rise at a much faster pace than income growth.

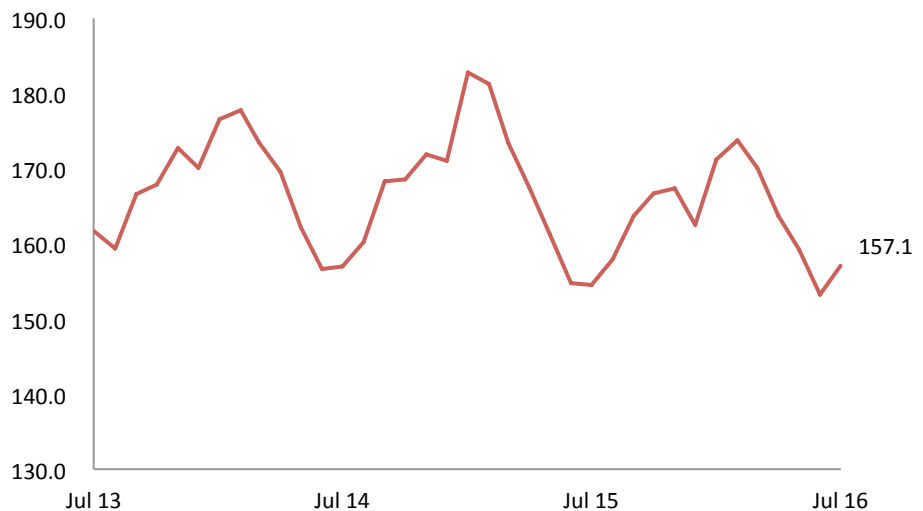
Figure 3. US: Existing Home Sales (Seasonally Adjusted Annual Rate, Mil.)



Source: National Association of Realtors

The Housing Affordability Index has fallen this year, from 173.8 in February to 157.1 in July. The median house price has grown at a faster pace than the median family income (which has increased only moderately) and at a faster pace than the mortgage rate has declined during the year, driving down affordability.

Figure 4. US: Housing Affordability Index

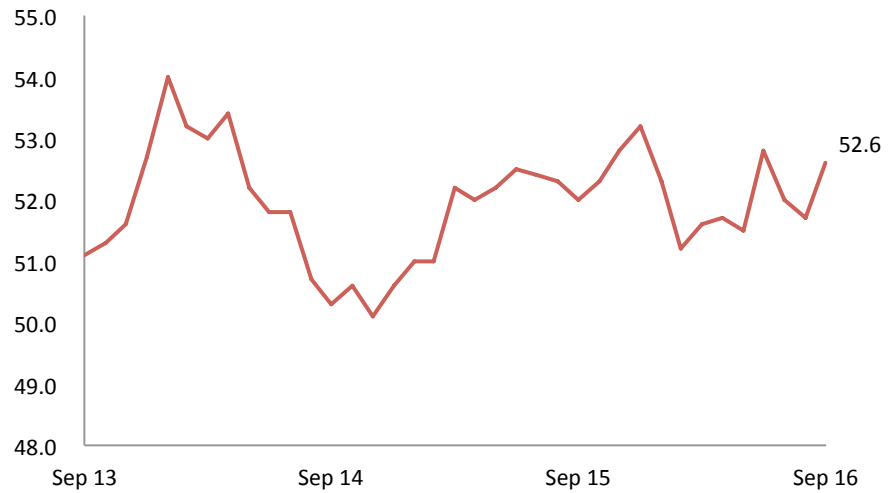


Source: National Association of Realtors

Europe: Manufacturing PMI Points to Expansion; UK Housing Price Ticks Up

The Markit Eurozone Manufacturing PMI, which measures economic activity in the euro area, stood at 52.6 in September, up from 51.7 in August and above the 50.0 threshold—pointing to an expansion of the manufacturing sector.

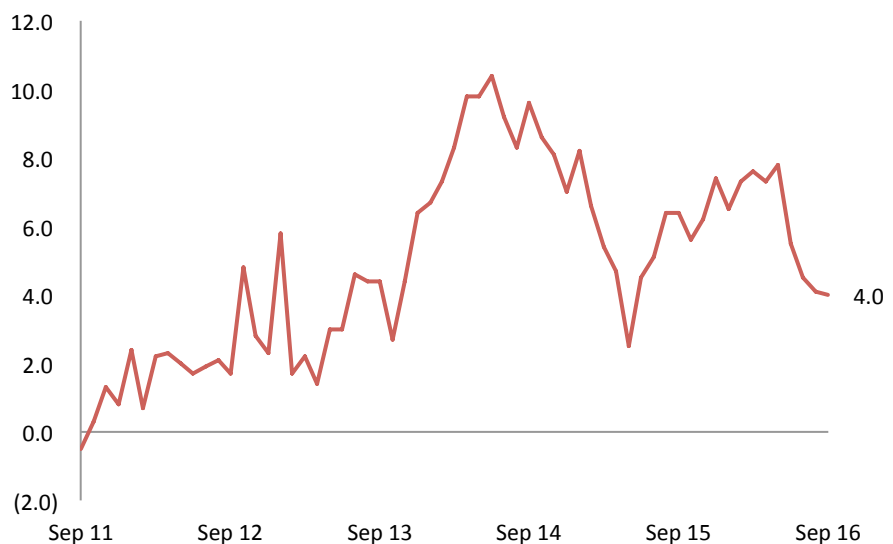
Figure 5. EU: Markit Eurozone Manufacturing PMI (Seasonally Adjusted)



Source: Markit

In the UK, the Rightmove national average asking price increased by 0.7% month over month and by 4.0% year over year in September. UK housing prices were likely boosted by an improvement in confidence as the Brexit effect abated and by a recent interest rate cut that increases housing affordability.

Figure 6. UK: Rightmove National Average Asking Price (Nonseasonally Adjusted), YoY % Change



Source: Rightmove

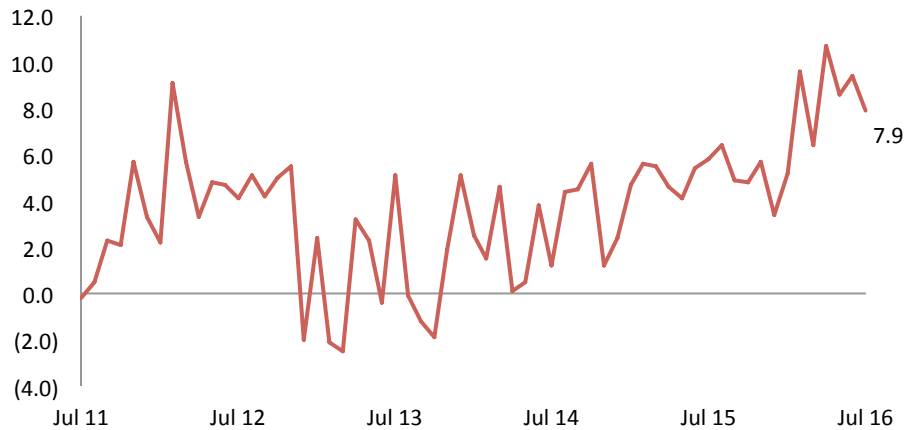
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Mexico's retail sales in July grew by 7.9% year over year and by 0.4% month over month. The month-over-month reading has increased for three straight months.

Latin America: Mexico's Retail Sales Grow for Three Straight Months

Mexico's retail sales in July were up 7.9% year over year, slightly above the consensus estimate of 7.8%. Sales grew by 0.4% month over month, in line with the consensus estimate. The month-over-month reading has increased for three straight months.

Figure 7. Mexico: Retail Sales (Nonseasonally Adjusted), YoY % Change



Source: INEGI

Figure 8. Upcoming Economic Data Releases

Date	Country/ Region	Indicator	Period Covered
Oct 3	EU	Markit Eurozone Manufacturing PMI (Final)	Sep
Oct 3	UK	Markit UK Manufacturing PMI	Sep
Oct 3	US	ISM Manufacturing Index	Sep
Oct 3	US	ISM Prices Paid	Sep
Oct 3	US	ISM New Orders	Sep
Oct 3	World	J.P. Morgan Global Manufacturing PMI	Sep
Oct 4	BZ	Industrial Production	Aug
Oct 5	UK	Markit/CIPS UK Services PMI	Sep
Oct 5	UK	Markit/CIPS UK Composite PMI	Sep
Oct 5	US	ISM Non-Manufacturing Index	Sep
Oct 6	US	Initial Jobless Claims	Oct 1
Oct 6	MX	Consumer Confidence Index	Sep
Oct 7	GE	Industrial Production	Aug
Oct 7	BZ	IBGE Inflation IPCA	Sep
Oct 7	US	Unemployment Rate	Sep
Oct 7	US	Labor Force Participation Rate	Sep
Oct 7	MX	CPI	Sep
Oct 7	US	Wholesale Inventories (Final)	Aug
Oct 7	US	Wholesale Trade Sales	Aug
Oct 7	US	Consumer Credit	Aug
Oct 11	GE	ZEW Survey Current Situation	Oct
Oct 11	GE	ZEW Survey Expectations	Oct
Oct 12	FR	CPI (Final)	Sep
Oct 13	GE	CPI (Final)	Sep
Oct 13	US	Initial Jobless Claims	Oct 8
Oct 14	US	Retail Sales Advance	Sep

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