



Global Macro Report

GLOBAL ECONOMIC ANALYSIS: PURCHASING MANAGERS' INDEX REBOUNDS IN US AND UK; US UNEMPLOYMENT RATE EDGES UP

US

- The ISM Manufacturing Purchasing Managers' Index (PMI) jumped to 51.5 in September, up 2.1 points from August's reading of 49.4 and above the consensus estimate of 50.4. The ISM Non-Manufacturing Index (NMI) registered 57.1, above the consensus estimate of 53.0, indicating a faster pace of expansion in the services sector.
- The US unemployment rate hit 5.0% in September. The figure was higher than both the consensus estimate and August's reading of 4.9%.

Europe

- In September, the Markit/CIPS UK Manufacturing PMI rebounded to 55.4 while the Services PMI edged down to 52.6, but still came in slightly higher than the consensus estimate. The better-than-expected readings were driven mainly by a weaker pound.
- Industrial production in Germany, surprisingly, rose by 2.5% month over month in August, above the forecast 1% growth.

Latin America

- The IBGE IPCA Index, which measures inflation in Brazil, increased by 8.5% year over year in September. The index rose by 0.1% month over month, as consumer prices failed to fall after the Rio 2016 Olympic Games.
- In Mexico, the Consumer Confidence Index fell to 84.1 in September from 86.5 in August.

Figure 1. Macro Indicators

Country	Indicator	Period	Actual	Survey	Prior	Impact on Consumption
US	ISM Manufacturing PMI (SA)	Sep	51.5	50.4	49.4	+
US	ISM NMI (SA)	Sep	57.1	53.0	51.4	+
US	Unemployment Rate (SA)	Sep	5.0%	4.9%	4.9%	-
US	Labor Force Participation Rate (SA)	Sep	62.9%	-	62.8%	+
UK	Markit/CIPS UK Manufacturing PMI (SA)	Sep	55.4	52.1	53.4	+
UK	Markit/CIPS UK Services PMI (SA)	Sep	52.6	52.3	52.9	+
GE	Industrial Production (SA, MoM)	Aug	2.5%	1.0%	(1.5)%	+
BZ	Industrial Production (YoY)	Aug	(5.2)%	(4.7)%	(6.6)%	-
BZ	IBGE IPCA (MoM)	Sep	0.1%	0.2%	0.4%	-
BZ	IBGE IPCA (YoY)	Sep	8.5%	8.6%	9.0%	-
MX	Consumer Confidence Index	Sep	84.1	86.5	86.5	-
MX	CPI (MoM)	Sep	0.6%	0.6%	0.3%	+
MX	Core CPI (MoM)	Sep	0.5%	0.5%	0.2%	+
MX	CPI (YoY)	Sep	3.0%	2.9%	2.7%	+

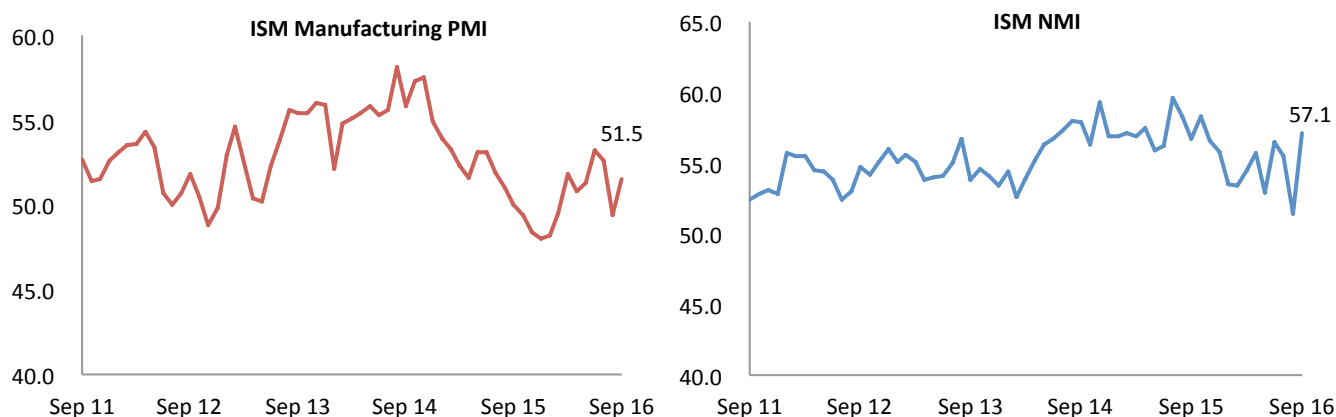
Source: Institute for Supply Management (ISM)/US Bureau of Labor Statistics/Markit/Destatis/Instituto Brasileiro de Geografia e Estatística (IBGE)/Instituto Nacional de Estadística y Geografía (INEGI)/Fung Global Retail & Technology

US: Gauges from Manufacturing and Services Sectors Rebound

The September ISM readings show a reversal of the weakness seen in August: the ISM Manufacturing PMI jumped to 51.5 and the NMI stood at 57.1.

In the US, the ISM Manufacturing PMI jumped to 51.5 in September, up 2.1 points from August’s reading of 49.4 and above the consensus estimate of 50.4. The reading represents a reversal of the weakness in August, and a return to an expansion in the manufacturing sector. The ISM NMI registered 57.1, above the consensus estimate of 53.0, indicating a faster pace of expansion in the services sector. The rebound in the ISM gauges suggests that the August weakness reflected a seasonal slowdown rather than a material slowdown in the US economy.

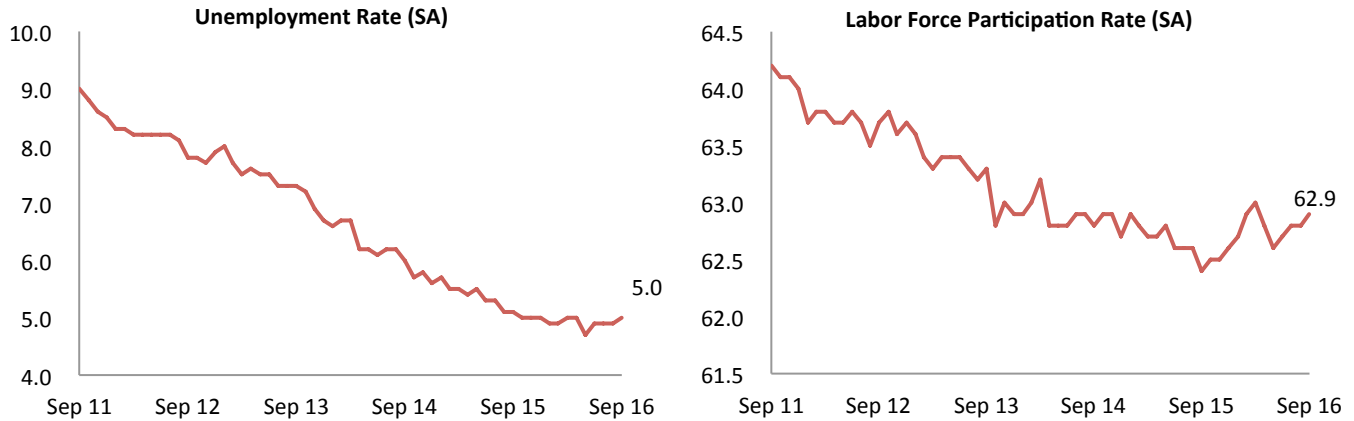
Figure 2. US: ISM Manufacturing PMI (Seasonally Adjusted); ISM NMI (Seasonally Adjusted)



Source: ISM

The US unemployment rate in September hit 5.0%, which was higher than both the consensus estimate and the August reading of 4.9%. Total nonfarm payroll employment increased by 156,000 and the labor force participation rate in September edged up by 0.1% from August, reaching 62.9%.

Figure 3. US: Unemployment Rate (Seasonally Adjusted, %); Labor Force Participation Rate (Seasonally Adjusted, %)



Source: US Bureau of Labor Statistics

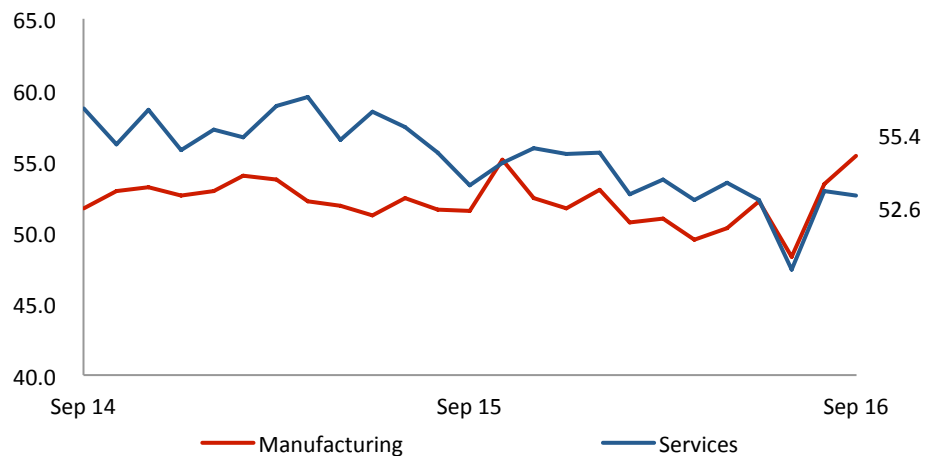
Europe: UK PMI Shows Strength; Germany’s Production Improves

The Markit/CIPS UK Manufacturing PMI stood at 55.4 in September, up from 53.4 in August, driven by growth in manufacturing output, new orders and employment. The weak pound has remained the prime growth engine driving new orders from Asia, Europe and the US.

The Markit/CIPS UK Services PMI edged down by 0.3 points, to 52.6, in September, but was above the estimate of 52.3. The services sector was supported by a weaker pound and returning confidence following initial uncertainty related to the Brexit vote. However, British Prime Minister’s pledge to trigger Article 50 by the end of March 2017 may bring shocks to the UK economy in the future.

In September, the Markit/CIPS UK Manufacturing PMI rebounded to 55.4, while the Services PMI edged down to 52.6.

Figure 4. UK: Markit/CIPS UK Manufacturing PMI and Services PMI (Seasonally Adjusted)

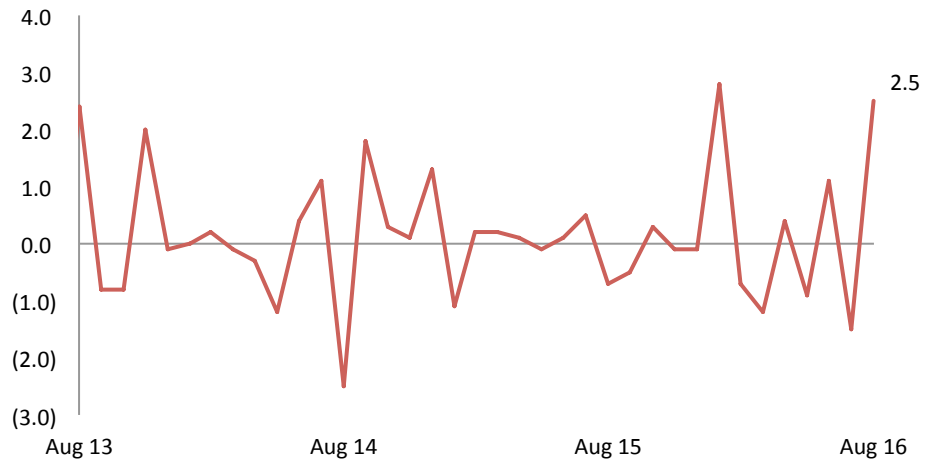


Source: Markit

Industrial production in Germany increased by 2.5% month over month in August, above the consensus estimate of 1%.

Industrial production in Germany increased by 2.5% month over month in August; the reading came in above the consensus estimate of 1%. Production excluding energy and construction rose by 3.3% in the month. The better-than-expected readings were partially driven by an increase in the output of capital goods and consumer goods, which rose by 4.7% and 3.3%, respectively.

Figure 5. Germany: Industrial Production (Seasonally Adjusted), MoM % Change



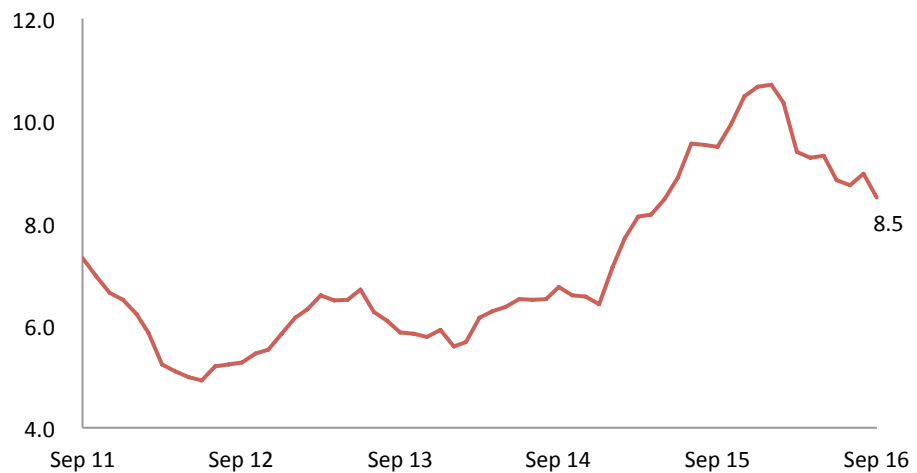
Source: Destatis

Latin America: Inflation Rises in Both Brazil and Mexico; Consumer Confidence Edges Lower in Mexico

In Brazil, the IBGE IPCA Index, which measures inflation, increased by 8.5% year over year in September; the increase was lower than the consensus estimate and the August figure.

In Brazil, the IBGE IPCA Index, which measures inflation, increased by 8.5% year over year in September; the increase was lower than both the consensus estimate and August's increase, but was almost twice the central bank's official target of 4.5%. The index rose by 0.1% month over month, as consumer prices failed to fall after the Rio 2016 Olympic Games.

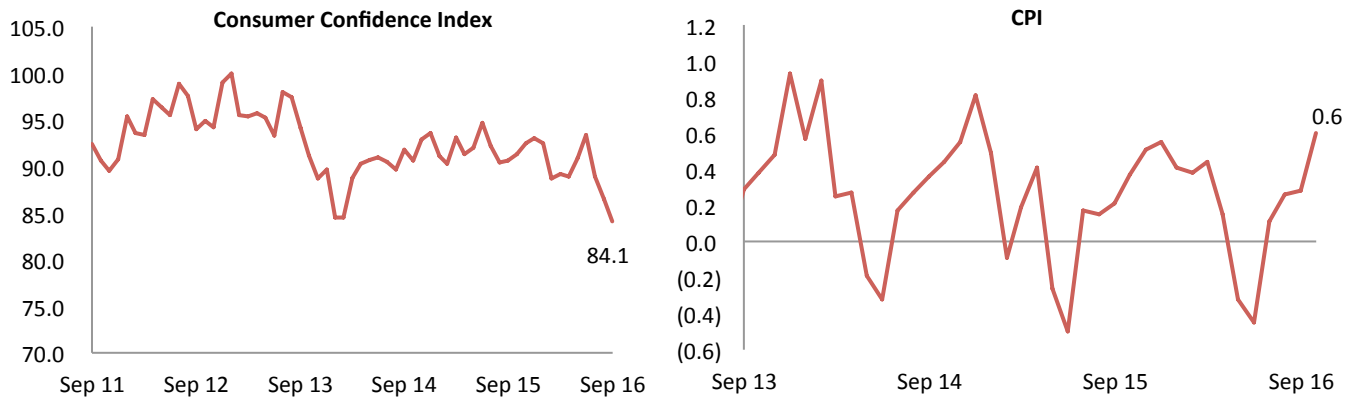
Figure 6. Brazil: IBGE IPCA Index, YoY % Change



Source: IBGE

In Mexico, the Consumer Confidence Index in September fell to 84.1, which was lower than August's reading and the consensus estimate of 86.5. The CPI increased by 0.6% month over month in September and by 3.0% year over year. The core CPI, which excludes energy and food prices, increased by 0.5% month over month.

Figure 7. Mexico: Consumer Confidence Index; CPI, MoM % Change



Source: INEGI

Figure 8. Upcoming Economic Data Releases

Date	Country/ Region	Indicator	Period Covered
Oct 18	UK	CPI	Sep
Oct 18	BZ	Retail Sales	Aug
Oct 18	US	CPI	Sep
Oct 19	UK	Jobless Claims Change	Sep
Oct 19	UK	ILO Unemployment Rate (3 Mos.)	Aug
Oct 19	US	Housing Starts	Sep
Oct 19	US	Building Permits	Sep
Oct 20	UK	Retail Sales	Sep
Oct 20	US	Existing Home Sales	Sep
Oct 24	EC	Markit Eurozone Manufacturing PMI (Prelim.)	Oct
Oct 24	MX	Unemployment Rate (SA)	Sep
Oct 25	GE	Ifo Business Climate	Oct
Oct 25	GE	Ifo Expectations	Oct
Oct 25	US	S&P CoreLogic Case-Shiller 20-City NSA Index	Aug
Oct 25	MX	Retail Sales (MoM)	Aug
Oct 26	GE	GfK Consumer Confidence	Nov
Oct 26	BZ	FGV Consumer Confidence	Oct
Oct 26	US	Wholesale Inventories (Prelim.)	Sep
Oct 26	US	New Home Sales	Sep
Oct 27	UK	GDP	3Q
Oct 27	BZ	National Unemployment Rate	Sep
Oct 27	GE	Retail Sales (MoM)	Sep

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