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Charts of the Week: Almost Singing the Same Tune

A HAVER ANALYTICS® podcast and publication

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Almost Singing the Same Tune

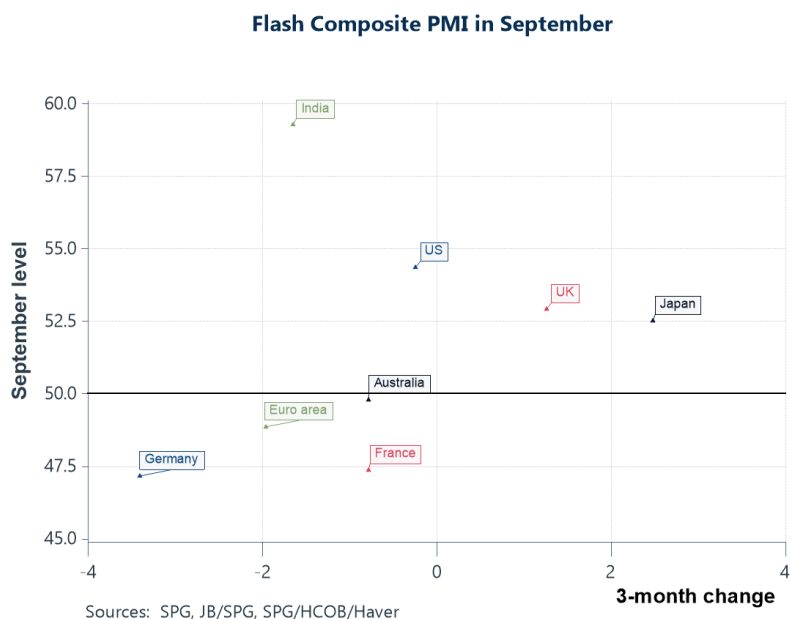
The incoming data over this week have painted a more downbeat picture of the global economic outlook. Latest flash PMI surveys, for instance, revealed broadly-based evidence suggesting that global growth is moderating, and that the euro area in particular is possibly sliding back into recession (chart 1). That more downbeat view was further supported over the past few days by some weakness in other data releases for US consumer confidence (chart 2), for South Korea's trade and from separate business surveys for Germany and the UK (chart 3). Despite these weaker signals, financial markets have largely taken this news in their stride, possibly due to growing confidence that central banks, and especially the Fed, will still manage to engineer a soft landing for the global economy. China's unexpected announcement of new stimulus measures this week has also provided some reassurance (chart 4). However, several cyclical and structural challenges remain. Service sector inflation, for example, has remained stubbornly high in most major economies in recent months (see chart 5). That was certainly a key factor behind the Reserve Bank of Australia's decision not to initiate an easing cycle this week, in vivid contrast to many of its global peers. Additionally, what constitutes a "normal" level for inflation and real interest rates remains highly debatable, especially in light of recent and prospective supply-side transformations (chart 6).

The global business cycle

A comparison of the latest composite PMI with its level 3 months ago reveals that activity in most major economies has been losing momentum. And the euro area – and Germany in particular – is at high risk of

sliding back into recession. The exceptions to this concern the UK and Japan, where growth appears to have picked up a little compared with 3 months ago. India's still-high composite PMI also stands out in suggesting that although growth has slowed, it has done so from a relatively robust level.

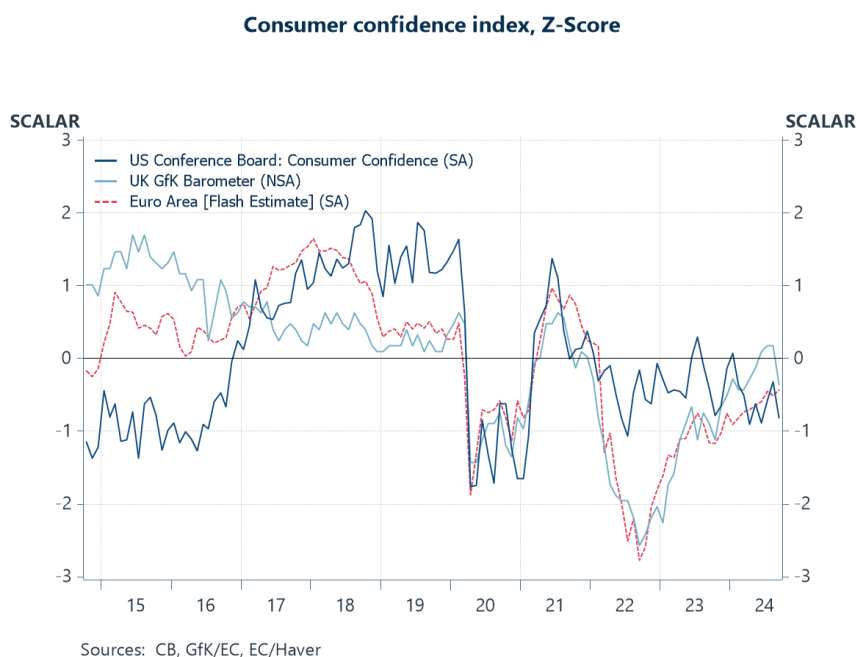
Chart 1: Flash Composite PMIs: 3 month changes versus latest level



US and European consumer confidence

As chart 1 above additionally suggests, latest PMI data equally suggest that the US economy has continued to perform well compared with many of its peers over the past 3 months. That said, there have been a number of other data points that have equally been amplifying concerns. One of these was this week's survey from the Conference Board revealing a sharp decline in US consumer confidence in September. That latest surveys also reveal that euro area consumer confidence improved little in September also stands at odds with the messaging from the flash PMIs.

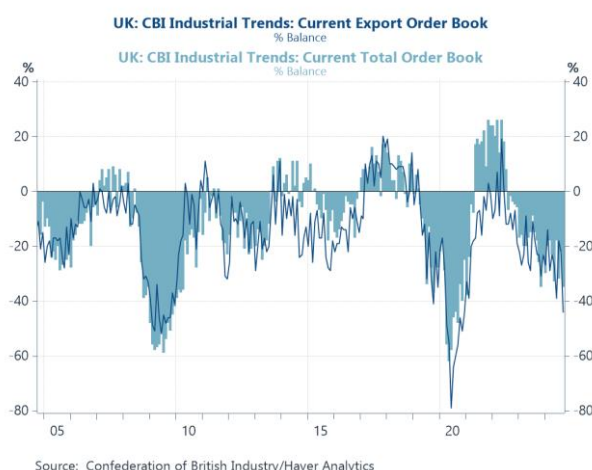
Chart 2: Consumer confidence in the US, euro area and UK



The UK manufacturing sector

Other data releases this week have tended to support a more pessimistic take on the global economic outlook. South Korea's trade data for the first 20 days of September, for example, revealed a broadly-based loss of momentum in its export growth. That chimed too with the messaging from this week's German ifo survey. And it chimed too with the underlying details of the latest UK CBI Industrial Trends Survey showing a steep decline in export orders as well (chart 3).

Chart 3: UK CBI Industrial Trends Survey: New orders and export orders



China's economic policies

China's economy has also been struggling in recent months, which is arguably another reason why global growth has been losing some momentum. But in an unexpected move to shore up its economy, China's central bank Governor Pan announced a series of easing measures this week, including a 50 bps cut to the reserve requirement ratio and a 20 bps reduction in the 7-day reverse repo rate. Specific to the property sector, the Governor also revealed that the central bank would guide rates on existing mortgages down by 50 bps and reduce down payments for second-home buyers from 25% to 15%. On the government side, China's top decision-making body additionally pledged to stabilize the real estate market and strictly regulate increases in housing stock.

As chart 4 below suggests the initial market reaction to these policy decisions has been positive, with Chinese equity market rallying and government bond yields hovering close to record lows.

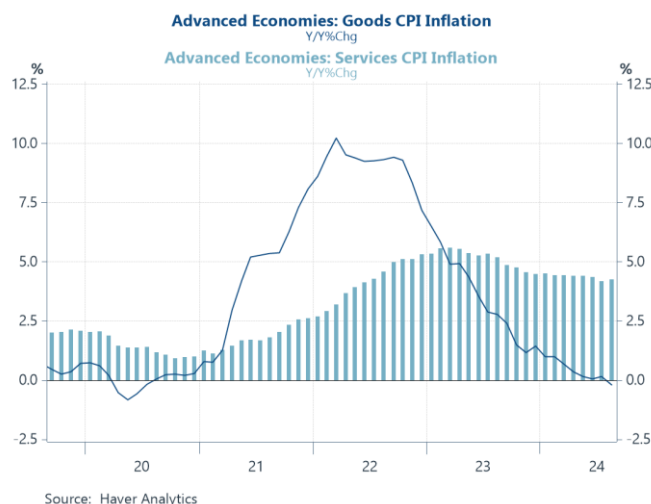
Chart 4: China equity market and 10-year bond yield



Good versus Services Inflation

These easing initiatives from China coupled with the broader easing cycles that have been initiated by other central banks in recent months have left soft landing narratives in vogue in financial markets in recent days. Still, there are some issues that central banks need to ponder before lowering their policy rates too aggressively in the coming months, one of which is the still-lofty pace of service sector inflation in most advanced economies (chart 5).

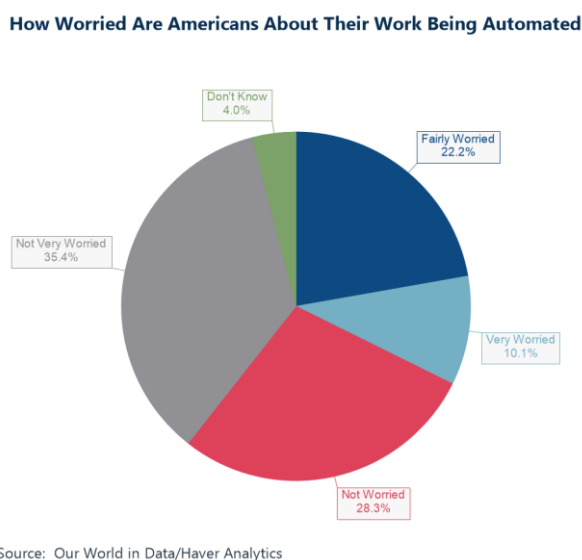
Chart 5: Advanced economies: Goods sector versus service sector CPI inflation



AI and work automation

The structural supply-side transformations that are unfolding in the world economy also create tremendous uncertainty about how monetary policy ought to be calibrated. One of these transformations, of course, concerns Artificial Intelligence. While this technology offers tremendous productivity-related promise, it could equally be destabilizing for labour markets in the period ahead. On that score, latest survey evidence from Yougov and sourced from the Our World in Data group for the US have revealed some mixed messages about how destabilizing it might be. Survey respondents were specifically asked, "How worried, if it all, are you that your type of work could be automated within your lifetime?" As chart 6 below suggests, around 64% of respondents were not that worried, but some 32% were either fairly worried or very worried.

Chart 6: American workers concerns about AI and work automation



About the author



Haver Analytics is pleased to bring [Andrew Cates's](#) commentaries on the state of the global economy to its clients.

Andy Cates has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as

Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units.

He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Data featured in this commentary:

Chart 1: Flash Composite PMIs: 3 month changes versus latest level

Series 1: `diff(H111MTG@MKTPMI,3)`

H111MTG@MKTPMI [US PMI: Composite Output [Flash] (SA,50+=Expansion)]

Series 2: `H111MTG@MKTPMI`

H111MTG@MKTPMI [US PMI: Composite Output [Flash] (SA,50+=Expansion)]

Series 3: `diff(H112TG@MKTPMI,3)`

H112TG@MKTPMI [UK PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 4: `H112TG@MKTPMI`

H112TG@MKTPMI [UK PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 5: `diff(H534TG@MKTPMI,3)`

H534TG@MKTPMI [India PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 6: `H534TG@MKTPMI`

H534TG@MKTPMI [India PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 7: `diff(H158TG@MKTPMI,3)`

H158TG@MKTPMI [Japan PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 8: `H158TG@MKTPMI`

H158TG@MKTPMI [Japan PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 9: `diff(H134TG@MKTPMI,3)`

H134TG@MKTPMI [HCOB Germany PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 10: `H134TG@MKTPMI`

H134TG@MKTPMI [HCOB Germany PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 11: `diff(H132TG@MKTPMI,3)`

H132TG@MKTPMI [HCOB France PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 12: `H132TG@MKTPMI`

H132TG@MKTPMI [HCOB France PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 13: `diff(H023TG@MKTPMI,3)`

H023TG@MKTPMI [HCOB Euro Area PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 14: `H023TG@MKTPMI`

H023TG@MKTPMI [HCOB Euro Area PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 15: `diff(H193TG@MKTPMI,3)`

H193TG@MKTPMI [Australia PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Series 16: `H193TG@MKTPMI`

H193TG@MKTPMI [Australia PMI: Composite Output [Flash] (SA, 50+=Expansion)]

Chart 2: Consumer confidence in the US, euro area and UK

Series 1: [zs\(CCIN@USECON\)](#)

CCIN@USECON [Conference Board: Consumer Confidence (SA, 1985=100)]

Series 2: [zs\(UGFCI@UK\)](#)

UGFCI@UK [UK: GfK Consumer Confidence Barometer (NSA, % Bal)]

Series 3: [zs\(E025CF@EUDATA\)](#)

E025CF@EUDATA [EA16-20: Consumer Confidence Indicator, Percent Balance [Flash Estimate] (SA, %)]

Chart 3: UK CBI Industrial Trends Survey: New orders and export orders

Series 1: [UCBIEO@UK](#)

UCBIEO@UK [UK: CBI Industrial Trends: Current Export Order Book(% Balance)]

Series 2: [UCBITO@UK](#)

UCBITO@UK [UK: CBI Industrial Trends: Current Total Order Book(% Balance)]

Chart 4: China equity market and 10-year bond yield

Series 1: [S924SH3@INTDAILY](#)

S924SH3@INTDAILY [China: China Security Index: Shanghai-Shenzhen-300 (Dec-31-04=1000)]

Series 2: [R924MA@INTDAILY](#)

R924MA@INTDAILY [China: 10 Year Treasury Bond Mid Yield (% p.a.)]

Chart 5: Advanced economies: Goods sector versus service sector CPI inflation

Series 1: [N110GIC@G10](#)

N110GIC@G10 [Advanced Economies: Goods CPI Inflation (Y/Y%Chg)]

Series 2: [N110SIC@G10](#)

N110SIC@G10 [Advanced Economies: Services CPI Inflation (Y/Y%Chg)]

Chart 6: American workers concerns about AI and work automation

Series 1: [USQWFXG@GLSECTOR](#)

USQWFXG@GLSECTOR [US: Fairly Worried About AI: All Adults (%)]

Series 2: [USQWVXG@GLSECTOR](#)

USQWVXG@GLSECTOR [US: Very Worried About AI: All Adults (%)]

Series 3: [USQWAXG@GLSECTOR](#)

USQWAXG@GLSECTOR [US: Not Worried About AI: All Adults (%)]

Series 4: [USQWNXG@GLSECTOR](#)

USQWNXG@GLSECTOR [US: Not Very Worried About AI: All Adults (%)]

Series 5: [USQWDXG@GLSECTOR](#)

USQWDXG@GLSECTOR [US: Don't Know If Worried About AI: All Adults (%)]

For more info on our data offerings please email sales@haver.com