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GLOBAL ECONOMIC HIGHLIGHTS

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Consumption Spending Rose in October and the Trade Deficit Fell; Jobs Expected to Be Solidly Higher in November Report

UNITED STATES: Personal income rose 0.5% in October, with labor market income up 0.8% on increased jobs and higher wages; government transfer payments fell 0.5%. Personal consumption expenditures rose 1.3% on the month, with spending on durable goods jumping 3.3% as higher auto production enabled higher auto sales; spending on nondurable goods rose 1.6% and spending on services 0.9%. Spending is rising faster than income, making the personal saving rate fall to 7.3% in October from 8.2% in September; the saving rate is back around its pre-pandemic 7.5% after soaring in 2020. The personal consumption expenditures price index rose 0.6% on the month, up from 0.4% in the previous four months and echoing the acceleration of CPI inflation in the month. After adjusting for inflation, real personal income was down 0.3% in October, while real personal spending rose 0.7%. The PCE price index rose 5.0% on the year in October; like the CPI, the PCE price index had its highest year-over-year increase since 1990 in October.

The peak is likely past for the trade deficit: The trade deficit in goods shrank sharply in October from September's record high, falling \$14.1 billion dollars to \$82.9 billion from \$97.0 billion. October saw the lowest goods trade deficit since October 2020. Exports rose 10.7% on the month to \$157.4 billion, while imports rose 0.5% to \$240.3 billion. Exports of petroleum products, manufactured goods, and foods/feeds/beverages jumped on the month.

Real GDP growth in the third quarter was revised up a hair to 2.1% annualized in the second estimate from 2.0% in the first estimate. The Markit services PMI dipped to 57.0 in the October flash release from 58.7 in September, while the manufacturing PMI rose to 59.1 from 58.4.

The December 3 release of the Bureau of Labor Statistics' November jobs report will likely show nonfarm payroll employment up 575,000 from October with the unemployment rate down 0.1 percentage point to 4.5%, and average hourly earnings up 0.5% on the month.

EUROZONE: The flash release of the Markit manufacturing PMI for the Eurozone rose to 58.6 in November from 58.3 in October, and the flash services PMI rose to 56.6 from 54.6. Despite this, the euro has depreciated to its weakest since mid-2020 on fears of renewed lockdowns as coronavirus case loads rose to new record highs in several European countries.

UNITED KINGDOM: The flash release of the Markit/CIPS manufacturing PMI for the UK rose to 58.2 in November from 57.8 in October, while the flash services PMI was little changed at 57.7 after 57.8.

JAPAN: The flash release of the Jibun Bank manufacturing PMI rose to 54.2 in November from 53.2 in October, and the flash release of the services PMI rose to 52.1 from 50.7 and was the strongest since September 2019, the last month before the October 2019 hike in the value added tax (a kind of sales tax) that kicked off a recession in Japan. Retail sales rose 1.1% in October from September after an upwardly-revised 2.8% increase in September (2.7% in the prior release); retail sales were up 0.9% from a year earlier in October.

CANADA: Canada had over one million job vacancies at the start of September, according to Statistics Canada. The job vacancy rate, which measures all vacant positions as a proportion of all positions (vacant

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and occupied), was 6%. The construction, manufacturing, and retail sectors all are seeing record vacancies. With the labor force 252,000 or 1.2% above the pre-crisis level, Canada's labor force has recovered faster than the U.S.'s, where the labor force is still 3 million or 1.8% below the pre-crisis level. Even so, the Bank of Canada's business survey reports that 36% of businesses still suffered from labor shortages that restricted their ability to meet demand in the third quarter of 2021.

AUSTRALIA: Retail sales rose 4.9% in October from the previous month, the largest increase since November 2020, following a 1.3% increase in September. Growth in the manufacturing sector improved slightly as the flash Markit manufacturing PMI rose to 58.5 in November from 58.2 in October. The flash Markit services PMI rose to 55.0 in November from 51.8 in October.

MEXICO: The peso plunged to a year-to-date low on November 26 when President Andres Manuel Lopez Obrador appointed Victoria Rodriguez to lead the central bank; Rodriguez is the current Undersecretary of Expenditures for the Department of Finance, has little professional experience related to central banking, and is not well known to the international financial community. Financial markets are pricing in a risk that the appointment could erode the independence of Mexico's central bank.

Monthly real GDP fell 0.4% in September after a 1.2% decline in August; monthly real GDP is down 2.8% from its recovery-to-date peak in March. In the third quarter, real GDP fell 0.4%, or 1.7% annualized. CPI inflation rose to the highest in 20 years in mid-November: the total CPI index rose 7.0% from a year earlier, with double-digit increases in prices of fruits, vegetables, and meat, and energy prices up over 15%. Core prices in the CPI index rose 5.5% on the year.

BRAZIL: The IPCA-15 mid-month inflation index rose 1.2% from mid-October to mid-November, unchanged from the prior month and the highest reading for the month since 2002 (the IPCA-15 is not seasonally-adjusted). Annual IPCA-15 inflation accelerated to 10.7%, the highest since February 2016. Annual IPCA-15 inflation has accelerated in every month this year. Consumer prices have accelerated at a strong clip this year despite the Central Bank of Brazil's aggressive interest rate hikes. After double-digit IPCA-15 inflation over the past three months, and facing a worsening inflation outlook, the Central Bank of Brazil will likely increase the Selic rate from 7.75% to 9.25% when policymakers meet on December 8.

INDIA: The third quarter's real GDP release on November 30 will likely show 8.0% growth on a year-over-year basis. With over 30% of the population fully vaccinated, consumer spending has improved in India, and an improving global economy has supported exports. Monetary policy remains accommodative, and inflation has stayed within the RBI's 2%-6% target range in eight out of ten months this year.

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