The Week Ahead **Global Economy**

UK Budget, EU-Arab summit, Apple earnings

Your FT guide to this week's big events

YESTERDAY

The week begins with the last UK Budget before Brexit, which follows hot on the heels of the autumn Conservative party conference when prime minister Theresa May claimed that austerity was coming to an end.

In the short term, chancellor Philip Hammond can count on a significant forecast upgrade to the public finances, allowing increased public spending without extra borrowing or higher taxes. But the Budget will not take into account the kind of Brexit the prime minister is able to secure and, regardless of the Brexit process, the bills will still mount in the 2020s.

The third EU-Arab World Summit also begins on Monday, when heads of state, government ministers, academics and business leaders meet in Athens for an event that organisers say will "foster interactions between two rapidly changing worlds".

The Banks of England and Japan both set out monetary policy this week, but no rate changes are expected, and the BoE also releases its inflation report. On the economic data front, non-farm payrolls and manufacturing numbers will come into focus in the US as investors gauge the health of the economy and try to determine whether the Federal Reserve will step up interest rate rises. In Europe there are a number of first gross domestic product releases.

Earnings wise there are still plenty of third-quarter updates to come. Investors will pay close attention to Apple and Facebook, which both surprised Wall Street in very different ways with their quarterly reports last time around.

Facebook shocked investors by warning of a slowdown in user and sales growth, and investors will hope this was just a bump in the road as the social media platform strives to hit its target of 3bn users.

Three months ago Apple defied the doubters by showing continued strength in iPhone sales. Now the tech giant must prove it can maintain momentum into a new generation of iPhones. It is also expected to unveil new iPads, Mac computers and other new products at an event in New York on Tuesday.

Monday

Feedback

UK BUDGET

Philip Hammond's package of measures preparing the economy for Brexit will be closely watched by both businesses and households. Theresa May wants the chancellor to abolish the budget deficit, keep debt falling and cut tax thresholds.

Mrs May also said the borrowing cap for local councils wanting to build new homes would be scrapped, potentially adding to national debt. But Mr Hammond needs to find extra funds somewhere. The government has committed to finding an extra £20bn for the health service by 2023, with ministers indicating it will be partly funded by tax rises.

The timing of the Budget, outlining government tax and spending plans for the financial year, which starts next April, is unusual. It is earlier in the year to avoid clashing with November's final-stage Brexit negotiations and also starts at about 3.30pm, three hours later in the day than usual.

EU-ARAB SUMMIT

The two-day EU-Arab World Summit gets under way with energy use, migration and culture on the agenda. It takes place as policymakers from the Middle East and north Africa face challenges including war and political turmoil and the international furore over the death of journalist Jamal Khashoggi, while the EU says it wants to contribute to stability in the region.

MEXICO AIRPORT VOTE

Mexico's president-elect Andrés Manuel López Obrador is expected to announce the results of a nationwide consultation on the future of a partly built $10bn airport in Mexico City. Analysts fear its cancellation would ring alarm bells for foreign investors in the country.

CORPORATE EARNINGS

HSBC (Q3) The lender reports with its Hong Kong operations facing cyclical and structural pressures, including a loss of market share among corporate customers, which may spread to the retail arm because of competition from virtual banks.

Bank of China (Q3) reports with investors keeping a close eye on interest margins, bad loans, write-offs and the overseas presence of China's most international lender.

Ping An Insurance (Q3) China's largest insurer by market value posts results amid a restructuring after a crackdown on risk in the wider financial markets.

Mondelez (Q3) The snack maker behind Oreo and Cadbury is expected to post a fall in revenue, hurt by lower demand in Europe and Latin America.

ECONOMIC DATA

US consumer spending is forecast to have grown at an annualised rate of 0.4 per cent in September. The Core PCE index is forecast to edge up 0.1 per cent. Personal income is expected to edge up 0.4 per cent in September from 0.3 per cent in August.

Feedback

Tuesday

CONTE VISITS INDIA

Italian prime minister Giuseppe Conte will pay an official visit to India where he hopes to deepen bilateral co-operation on trade, investment and aerospace. The visit is part of celebrations to commemorate the 70th anniversary of the establishment of diplomatic relations between India and Italy.

UBER COURT CASE

Uber heads to court in the UK to defend its business model of treating drivers as self-employed. A march backed by several trade unions and involving cleaners, receptionists and security officers is due to take place in central London.

CORPORATE EARNINGS

China's third-largest lender **AgBank (Q3)** is likely to report modest profit growth and rising non-performing loans. The **Industrial and Commercial Bank of China (Q3)**, the world's largest lender, also reports.

Coca-Cola (Q3) is set to post a rise in profit and organic revenue, helped by demand for Diet Coke and Coca-Cola Zero Sugar. Investors will be keeping an eye on the impact of higher freight costs and the company's full-year revenue forecast.

Ebay (Q3) is expected to report a rise in revenue, helped by more advertising on its platform and a better user-friendly format.

General Electric (Q3) is forecast to cut financial targets for the year and detail a nearly $23bn writedown in its ailing power division. GE badly missed its earnings a year ago and also cut its full-year forecast.

Facebook (Q3) is likely to report a rise in revenue, helped by the social media group's mobile ad business. Analysts and investors will also focus on the fallout from its recent controversies, including the data hack that involved millions of Facebook accounts.

Pfizer (Q3) Investors will watch for updates on the drugmaker's business development strategy as well as news on its cancer drug franchise, including blockbuster Ibrance.

ECONOMIC DATA

EMU: GDP (Q3, first release) Eurozone GDP growth in the second quarter of 2018 was 0.4 per cent, with yearly growth downwardly revised to 2.1 per cent. For this third-quarter GDP is again expected to have grown 0.4 per cent with year-on-year growth sliding to 1.8 per cent.

France: GDP (Q3, first release) France's quarterly growth rate is forecast to rebound in the third quarter to 0.4 per cent from 0.2 per cent last quarter.

Feedback

Recommended

Italy: GDP (Q3, first release) Italy's quarterly growth came in at 0.2 per cent in the second quarter and analysts expect this to continue for the third quarter with a loss in growth momentum year on year — 1.0 per cent down from 1.2 per cent. The dispute between the Italian government and European Commission on the 2019 budget does not appear to have negatively affected growth yet, although business confidence has fallen, and the banking sector reported higher funding costs and balance sheet constraints in the latest ECB Bank Lending Survey.

Germany: Inflation (Oct) German inflation rebounded in September to 2.2 per cent after a three-month slowdown, driven by a 7.7 per cent rise in energy prices — a familiar story across Europe's economies — and a 3.1 per cent rise in the cost of goods. Analysts expect October's month-on-month consumer price inflation reading to hold steady, with 2.3 per cent forecast for the yearly print.

Wednesday

US SUPREME COURT/GOOGLE

The US Supreme Court hears arguments in a privacy settlement dispute involving Google that could put the brakes on an increasingly common form of settlement in class action suits that funnels money to unrelated third parties and charities instead of to people affected by the alleged wrongdoing.

MONETARY POLICY

The **Bank of Japan** concludes its two-day policy meeting. It is widely expected to keep monetary settings unchanged and roughly maintain its inflation and growth projections, even as trade frictions and market volatility cloud prospects for achieving its elusive 2 per cent inflation target. Haruhiko Kuroda, governor of the bank, will hold a news conference after the policy decision.

CORPORATE EARNINGS

AIG (Q3) has said it expects pre-tax catastrophe losses of as much as $1.7bn this quarter, far exceeding analysts' expectations, and investors will be waiting to see if it manages to break even.

Cereal maker **Kellogg (Q3)** is likely to report a rise in revenue, boosted by acquisitions of smaller snack brands. However, higher commodity and transportation costs may weigh on the company's profit margins.

Sanofi (Q3) Analysts forecast the French drugmaker will renew profit growth on the back of acquisitions and strong sales of its eczema treatment.

Yum Brands (Q3), the operator of fast-food chains such as Pizza Hut and Taco Bell, is set to post a rise in comparable restaurant sales, helped by higher sales in its KFC restaurants.

Feedback

UK: GfK Consumer confidence (Oct) Research house GfK's consumer confidence index fell two points to -9 in September amid uncertainty over Brexit while sub-indices for expectations for personal finances and the general economic situation over the coming year declined. With Brexit clarity still lacking, analysts forecast a one-point fall to -10

Spain: GDP (Q3, first release) Spain has been enjoying an economic revival boosted by high net exports and strong job creation. Spain's gross domestic product grew at an annualised pace of 2.5 per cent in the second quarter, slower than the expected 2.7 per cent. On a quarter-over-quarter basis, the Spanish economy grew by 0.6 per cent, in line with expectations. For the third quarter, growth is expected to continue along its current path, with a quarterly reading of 0.6 per cent.

EMU: Unemployment rate (Sep) The rate of joblessness edged down to 8.1 per cent in August, from 8.2 per cent in July — hitting its lowest level since November 2008 and boosting policymakers' hopes that the strength of the labour market would combat the slowdown in global trade. For September, analysts forecast the unemployment rate will remain at 8.1 per cent as the labour market continues to tighten across the bloc.

Thursday

MONETARY POLICY

Bank of England Markets are expecting little action from the central bank until the negotiations over the EU-UK Withdrawal Agreement are either finished or collapse into acrimony. Analysts widely expect the Monetary Policy Committee to vote in favour of keeping rates on hold.

CORPORATE EARNINGS

Apple (Q4) is expected to report a rise in revenue and profit, helped by demand for its top level iPhones.

CBS (Q3) is forecast to report a rise in profit helped by healthy ad sales and higher revenue from affiliate and subscription fees.

Kraft Heinz (Q3) is set to report a decline in sales and earnings. It has been hurt by US trade tensions and rising input costs and has said it will sell part of its Indian business.

Starbucks (Q4) is forecast to post its biggest growth in same-store sales in more than a year as the company puts behind it troubles in its home turf as well as China. Its closely monitored digital membership programme is also expected to rise.

ECONOMIC DATA

UK: BoE Inflation Report This week's inflation report should provide some interest as the central bank publishes its latest economics forecasts and provides some hints on how it interprets the wobbles within financial markets. The economy has pretty much developed along the lines of the BoE's previous set of forecasts: in August, the BoE predicted CPI inflation would reach 2.5 per

Feedback

cent in the third quarter while the unemployment rate would reach 4 per cent, which is more or less where the data ended up.

UK: Manufacturing PMI (Oct) The purchasing managers' index compiled by IHS Markit rose from an upwardly revised reading of 53 in August to 53.8 in September, reflecting a mild improvement in business conditions and expanding output and a recovery in domestic and foreign orders. However, France and Germany have seen a drop in their manufacturing PMI readings, leading analysts to think the UK could also suffer a slowdown — they forecast a reading of 53.0, which would match August's two-year low.

US: ISM manufacturing (Oct) The Institute for Supply Management said the reading for its manufacturing index came in at 59.8 in September. That compares to the 61.3 recorded in August and a shade below the reading of 60 that the market had expected. However, it still continued a growth trend that should keep policymakers on track to push ahead with another interest rate before the end of this year. Most of the comments on manufacturing in the Federal Reserve's Beige Book suggest activity remains strong, but hard data from the Census Bureau on capital equipment orders have levelled off a bit in recent months, after strong growth in the first half of the year. Analysts forecast the ISM manufacturing index would come in at 59.5 in October, little changed from September's reading.

Friday

CORPORATE EARNINGS

Alibaba will report earnings for its second-quarter on Friday. It is investing heavily in offline commerce and cloud computing amid wider fears that growth rates in China's ecommerce consumption are slowing, especially in the country's large eastern cities.

Cboe Global Markets is expected to report higher net income, helped by a fall in operating expenses during a highly volatile quarter.

Exxon Mobil (Q3) reports for a period in which crude oil prices have traded at the highest level since the 2014 oil-price collapse.

ECONOMIC DATA

US: Labour market (Oct) The October US non-farm payroll report is set to show hiring picked up, with the US economy expected to have created 189,000 jobs, up from 134,000 in September when Hurricane Florence is said to have depressed hiring. The unemployment rate is expected to hold steady at 3.7 per cent, the lowest level since 1969.

Meanwhile, average hourly earnings are expected to have risen 0.2 per cent month on month, after a 0.3 per cent increase in September. The Fed believes that the tightening labour market will eventually stoke inflation.

Feedback

US trade deficit is expected to widen to $53.7bn in September, compared with August's reading of $53.2bn, when the Census bureau reports.

Saturday

CORPORATE EARNINGS

Warren Buffett's **Berkshire Hathaway (Q3)** reports. Second-quarter earnings brought a surge in profits as its insurance business rebounded and a change in accounting rules forced the sprawling conglomerate to recognise gains on its multibillion-dollar stock portfolio.

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