Macro Monthly

Economics
Global

More central banks cutting rates

- The Federal Reserve has finally started to loosen the monetary reins…
- …but with uncertainties relating to labour markets, trade flows, fiscal dynamics, and the US election…
- …we examine the growth and inflation outlooks across regions and sectors

After the global growth concerns that sprung up over the summer, in aggregate, data over the last few weeks have brought about some calm.

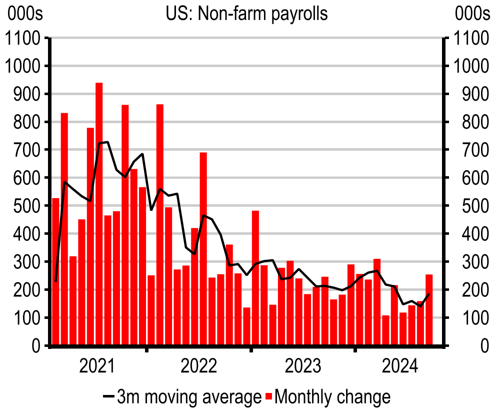
Encouraging US releases

The US employment release was strong in September

US labour market data look much healthier, after the 254k jobs added in September and the drop in the unemployment rate, even if some other variables point to workers losing confidence in their job prospects.

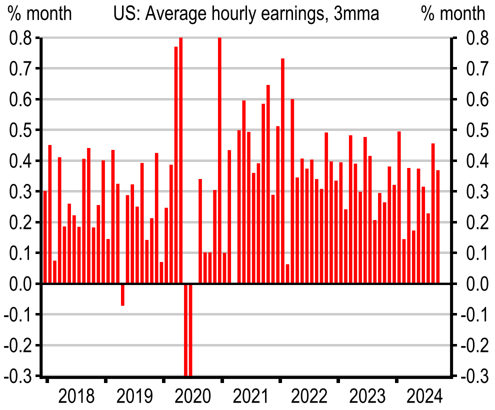
The rest of the US data remain robust as well. **Consumer spending keeps ticking along**, and the Atlanta Fed's GDP now points to 2.5% growth (q-o-q annualised) in the third quarter. However, elsewhere across the world, the story isn't quite as comforting.

1. Non-farm payrolls picked up in September, breaking a downward trend…



Source: Macrobond

2. …and wage growth may be edging higher



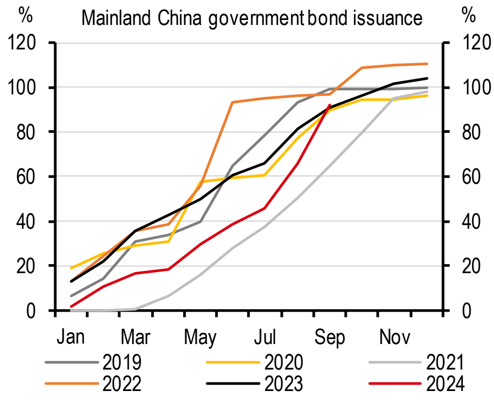
Source: Macrobond

Less rosy data elsewhere

Low confidence in China is holding back spending

We have seen further soft data in mainland China – with weaker surveys backing up **subdued retail spending and still-weak construction activity**. Authorities have responded with further stimulus; however, with consumer confidence at record lows, we don't expect a rapid recovery in the data.

3. Fiscal stimulus may further accelerate in mainland China…



Source: Wind. Note: SLGB net issuance progress

4. …and stocks have responded optimistically to the news

Source: Macrobond

European manufacturing data have been weak

In Europe, there is little room for cheer. The **manufacturing data have gone from bad to worse**, and, despite still robust labour markets, consumers are not showing the same appetite to spend as those in the US. In the UK, where things are broadly improving, uncertainty over the budget has sapped consumer and business confidence.

Services outperforming

Inflationary pressures have subsided

There is also a clear sectoral split. The latest round of PMI data indicates a widening gap between the world's manufacturing and service sectors – with the former showing further declines, while **growth continues in the latter**. This means that the uneven trade recovery is still reliant on electronics and US demand.

Against this backdrop, **many of the cost pressures have muted a bit**. Commodity prices are volatile but still lower than earlier this year, while shipping cost pressures continue to fade, despite the port strikes in the US and ongoing conflicts across the world.

Central banks easing

More central banks are cutting rates

And so more central banks are **starting or accelerating their easing plans**. The Federal Reserve's 50bp cut in September may not be repeated in November, but we have seen more central banks either start to or prepare to move more aggressively with their easing cycles.

Finally, the US election is now only a few weeks away. The race remains extremely close – for both the presidency and Congress. The outcome of the election **will play a big role in shaping the outlook** for 2025 and 2026.

Our forecasts

We forecast 2024 global GDP growth of 2.7%

Our GDP growth forecasts are largely unchanged with an upgrade to the US and a smaller one to India offset by a downgrade to Europe, keeping our 2025 global GDP growth forecast unchanged at 2.6%, while we have **edged up our 2024 forecast by 0.1% to 2.7%**.

On inflation we keep our **2024 global forecast unchanged at 5.5%**, even though we have lowered the forecast for the advanced economies from 2.8% to 2.6%, which has been offset by an increase in the emerging economy aggregate, mainly driven by Latin America. For 2025, our global inflation forecast has fallen from 3.7% to 3.3%.

Key GDP growth forecasts

% Year	2024 forecast		2025 forecast		2026 forecast
World	**2.7**	**(2.6)**	**2.6**	**(2.6)**	**2.7**
US	2.7	(2.4)	1.9	(1.6)	1.8
Mainland China	4.9	(4.9)	4.5	(4.5)	4.4
Japan	0.1	(0.4)	1.3	(1.2)	0.8
India*	7.1	(7.3)	6.7	(6.5)	6.5
Eurozone	0.7	(0.6)	1.0	(1.3)	1.3
UK	1.1	(0.9)	1.4	(1.3)	1.8
Brazil	3.4	(2.0)	2.4	(2.1)	2.6
Mexico	1.4	(2.1)	1.0	(1.8)	2.5

Note: *India data is calendar year forecast here for comparability. Previous forecasts are shown in parenthesis and are from the Macro Monthly dated 11 July 2024. Green indicates an upward revision, red indicates a downward revision.
Source: Bloomberg, HSBC Economics

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
27 Sep	US	Total PCE price index (year)	Aug	2.2%	2.3%	2.5%	↓
30 Sep	Mainland China	Caixin Manufacturing PMI (Index)	Sep	49.3	50.5	50.4	↓
30 Sep	Mainland China	Caixin Services PMI (Index)	Sep	50.3	51.6	51.6	↓
30 Sep	UK	GDP (year)	Q2, final	0.7%	0.9%	0.9%	↓
1 Oct	Eurozone	HICP (year)	Sep, flash	1.8%	1.8%	2.2%	→
1 Oct	US	ISM manufacturing (Index)	Sep	47.2	47.5	47.2	↓
3 Oct	US	ISM services (Index)	Sep	54.9	51.7	51.5	↑
4 Oct	US	Nonfarm payrolls, monthly change (000s)	Sep	254	150	159	↑

Source: Bloomberg, HSBC
↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
13 Oct	Mainland China	PPI/CPI	Sep
16 Oct	UK	CPI	Sep
17 Oct	Eurozone	European Central Bank interest rate announcement	-
17 Oct	US	Retail sales	Sep
18 Oct	Mainland China	Retail sales	Sep
18 Oct	Mainland China	GDP	Q3
18 Oct	UK	Retail sales	Sep
21 Oct	Mainland China	People's Bank of China interest rate announcement	-
24 Oct	EU, UK, US	PMIs	Oct
30 Oct	Eurozone	GDP	Q3
31 Oct	Eurozone	HICP	Oct
31 Oct	US	Personal Consumption Expenditure	Sep
1 Nov	US	Non-farm payrolls	Oct

Source: LSEG Eikon, HSBC

Disclosure appendix

Important disclosures

1 This report is dated as at 08 October 2024.

2 All market data included in this report are dated as at close 07 October 2024, unless a different date and/or a specific time of day is indicated in the report.

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