



Weekly Economic Indicators - U.S. and Canada

For the week of October 23, 2017 (Market calls are as of October 19, 2017)

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Monday, October 23

U.S. Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
8:30	Chicago Fed Nat Activity Index	Sep		-0.1%	-0.31
11:30	U.S. to Sell 3-Month Bills				
11:30	U.S. to Sell 6-Month Bills				

Canadian Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
8:30	Wholesale Trade Sales MoM	Aug			1.5%
10:00	Bloomberg Nanos Confidence	20-Oct			

Tuesday, October 24

U.S. Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
9:45	Markit US Manufacturing PMI	Oct P		53.3	53.1
9:45	Markit US Services PMI	Oct P		55.0	55.3
9:45	Markit US Composite PMI	Oct P			54.8
10:00	Richmond Fed Manufact. Index	Oct		16	19
11:30	U.S. to Sell 4-Week Bills				
13:00	U.S. to Sell 2-Year Notes				

Canadian Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
	Federal Government to release Fall Economic Statement				

The federal government will issue its fall economic statement on October 24th. Thanks to a smaller-than-expected deficit in fiscal year 2016/17 and stronger economic growth in the current calendar year, the government's finances are in better shape than it projected in Budget 2017. RBC Economics' full preview of the release can be found [here](#).

Wednesday, October 25

U.S. Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
7:00	MBA Mortgage Applications	20-Oct			3.6%
8:30	Durable Goods Orders	Sep P	1.5%	1.0%	2.0%
8:30	Durables Ex Transportation	Sep P	0.5%	0.3%	0.5%
8:30	Cap Goods Orders Nondef Ex Air	Sep P	0.0%	0.1%	1.1%
8:30	Cap Goods Ship Nondef Ex Air	Sep P			1.1%
9:00	FHFA House Price Index MoM	Aug		0.4%	0.2%
10:00	New Home Sales	Sep	575k	550k	560k
10:00	New Home Sales MoM	Sep		-1.8%	-3.4%
11:30	U.S. to Sell 2-Year Floating Rate Notes				
13:00	U.S. to Sell 5-Year Notes				

Canadian Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
10:00	Bank of Canada Rate Decision	25-Oct	1.0%	1.0%	1.0%
10:00	Bank of Canada Releases October Monetary Policy Report				
11:15	BOC's Poloz and Wilkins Hold Press Conference in Ottawa				

We expect the Bank of Canada to hold off on raising interest rates in the October policy decision after hiking by 25 basis points at each the last two scheduled announcement dates in July and September. Economic growth has shown clear signs of slowing in Q3 – but from a torrid, and clearly unsustainable, 3.7% average increase over the last four quarters. GDP failed to increase for the first time in 8 months in July and early data are pointing to just a minimal gain in August. Even modest increases in August and September GDP, though, would be consistent with the central bank's July forecast for a 2% (annualized) gain in Q3 as a whole. That would still be above the Bank's estimate of the economy's underlying 'potential' growth rate. Downside risks from the ongoing NAFTA renegotiations remain but the Bank could still feel reasonably comfortable that any remaining excess slack in the economy continues to be absorbed.

Indeed, the Bank's estimate of current spare capacity and expected timing of the closing of the output gap – which will be included in the Bank's updated Monetary Policy Report – will warrant attention when gauging how soon more interest rate increases should be expected. Governor Poloz was clear in comments on September 27th that he did not think the economy was fully at capacity. Nonetheless, the unemployment rate declined further in Q3, permanent worker wage growth bounced back after puzzling weakness earlier in the year, and indicators of capacity pressures in the closely-watched Q3 Business Outlook Survey ticked higher. The data make it harder to argue that there is not less slack remaining than the half a percent the Bank estimated in Q2 in July. Inflation pressures have remained quite benign but an economy that looks close to or at capacity should increase confidence that price growth will strengthen rather than weaken going forward. The Bank is also cognizant that high household debt levels might make the economy more sensitive than 'normal' to interest rate increases. That doesn't argue for lower interest rates, which would probably just contribute to further growth in borrowing. It does, though, argue that the pace of rate increases should be gradual to allow more time for households to adjust to higher interest payments. Looking through monthly/quarterly volatility in the economic data we think the economy is strong enough to warrant further interest rate hikes. We don't, though, think a third 25 basis point increase in the overnight rate in four months would meet the definition of 'gradual' and so look for no change in rates in the October announcement.

Thursday, October 26

U.S. Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
8:30	Wholesale Inventories MoM	Sep P			0.9%
8:30	Initial Jobless Claims	21-Oct	235k		222k
8:30	Continuing Claims	14-Oct			1888k
8:30	Advance Goods Trade Balance	Sep		-\$64.0b	-\$63.3b
8:30	Retail Inventories MoM	Sep			0.7%
9:45	Bloomberg Consumer Comfort	22-Oct			51.1
10:00	Pending Home Sales MoM	Sep		0.3%	-2.6%
10:00	Pending Home Sales NSA YoY	Sep			-3.1%
11:00	Kansas City Fed Manf. Activity	Oct			17

13:00 U.S. to Sell 7-Year Notes

Canadian Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
8:30	Employment, Earnings and Hous	Aug			
12:00	Canada to Sell 10-Year Bonds				
	CFIB Business Barometer	Oct			56.9

Friday, October 27

U.S. Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
8:30	GDP Annualized QoQ	3Q A	2.4%	2.5%	3.1%
8:30	GDP Price Index	3Q A		1.8%	1.0%
8:30	Personal Consumption	3Q A			3.3%
8:30	Core PCE QoQ	3Q A			0.9%
10:00	U. of Mich. Sentiment	Oct F	100	101.0	101.1

We expect U.S. GDP grew at an above-potential rate of 2.4% in Q3 after a 3.1% Q2 gain despite significant, though temporary, disruptions from hurricanes Harvey and Irma on activity in Texas and Florida, respectively. Retail sales bounced back solidly in September after seemingly being weighed down by Hurricane Harvey in August. Overall consumer spending growth likely slowed but to a still relatively solid 2.0% rate from 3.3% in Q2. The severe weather was also probably at least partly responsible for an estimated 2% dip in residential investment. Housing starts notably underperformed permit issuance in the quarter, suggesting that at least some building activity was delayed by the disruptions. Business investment likely rose another 4% in Q3 to build on a 6.7% Q2 gain as factory equipment shipments rose. We expect international trade had little impact on GDP growth on net. Inventories are assumed add a relatively modest 0.3 percentage points to growth.

Canadian Economic Data and Events

Time	Release		RBC Call	Market Call*	Prior Read
	No Releases Scheduled				

*Market calls refer to Bloomberg consensus forecasts