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September 5, 2023 – Economic Commentary

While it is unlikely that anyone in the US was thinking much about last week's employment and inflation numbers — important as they were —across the long holiday weekend, in Europe it was a different story. Christine Lagarde, head of the ECB, has already kicked off this week referencing the strong growth in the US, accompanied by inflation slowly sinking to 3%, and saying, in essence, ce n'est pas nous (that's not us). And so the last few months of the year kick off with something more of the divergence that has been hinted at all summer: US monetary policy nearing the end of its tightening cycle (remaining restrictive but not more so), Europe and Britain plagued by a combination of developments that in fact seem to resemble stagflation, and China opting to make relatively minor stimulative policy adjustments, seemingly intent on riding out slower growth than seen in a very long time. Periods of strong world economic growth have generally been characterized by relatively coordinated monetary policy, raising questions as to what might happen in 2024 under these disparate economic circumstances. The many economic forecasts which are likely to emerge in the coming weeks may well portend gloom, if not doom, but they are very preliminary at this point and should be appreciated for that. Nevertheless, it is more than slightly stunning to realize the current and future engines of world economic growth are shaping up to be in North America and non-Sino Asia.

Data to Watch:

1. US Institute of Supply Managers Survey for the Service Sector for August, released Wednesday, September 6
2. US Balance of Trade for July, released Wednesday, September 6
3. US Consumer Credit Change for July, released Friday, September 8

Suggested Reading:

1. The Generational Paradigm Shift Taking Over Markets
2. Chinese electric carmakers ramp up push overseas, setting up clash with U.S., European auto giants
3. China's Biggest Homebuilder Reels as Economy Slows

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