ECONOMIC & MARKET ANALYSIS

October 5, 2000

Euro Weekly

Europe

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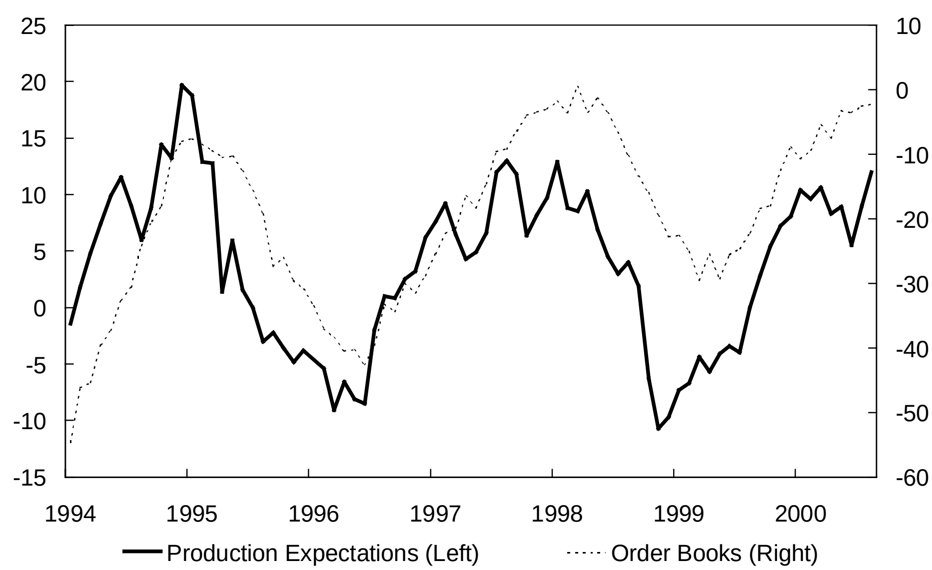
Forecasts	3-month hence	12-month hence
$/€	0.89	0.98
Repo	5.00	5.50
10-yr Bunds	5.35	5.40
£		
£/€	0.62	0.66
Base Rate	6.25	7.00
Spread vs Bunds	25bp	40bp
Sweden		
SKr/€	8.50	8.55
Call Money	4.00	4.75
Spread vs Bunds	10bp	25bp
Switzerland		
SFr/€	1.52	1.56
Call Money	3.50	4.00
Spread vs Bunds	-135bp	-135bp

Market Complacency on Rates

- **Last month's rally in Euribor futures appears to be anticipating a significant economic slowdown. However, growth is likely to remain above trend in coming quarters, prompting the ECB to tighten monetary policy by more than markets currently discount *(see page 2, José Luis Alzola).***
- **The Riksbank is preparing the ground for a near-term hike of the Swedish repo rate, possibly next week or in December. The longer monetary policy stays on hold, the higher the risks of a softer krona *(see page 5, Carmen Nuzzo).***

Figure 1. Germany — Production Expectations and Order Books in Manufacturing (Diffusion Indices), 1994-Aug 00



Source: ifo.

Euro Area — Growth is Moderating But Not Weak

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- **The recent rally in Euribor futures appears to be anticipating a significant economic slowdown.**
- **However, there is enough evidence to suggest that growth will remain strong in coming quarters.**
- **If our growth outlook materializes, the ECB will tighten monetary policy by more than is currently discounted by markets.**

The recent rally in Euribor futures appears to be discounting a significant moderation in economic growth.

The recent deterioration in some business surveys has prompted expectations of a euro-area economic slowdown and a scaling down of interest rate hike projections. Three-month Euribor futures are assuming that short-term rates will peak at about 5% early next year. By contrast, one month ago, Euribor futures were discounting a higher peak of about 5.25%. True, GDP growth in 3Q appears to have moderated to an annualized pace of about 3% (from 3¾% in 1H00), but the extent of the slowdown probably was exaggerated by one-off factors. Recent surveys suggest that growth will stay around 3½% on average in coming quarters. With above trend growth, a gradual up-trend in core inflation and warning signals in lead inflation guides, we continue to expect that the refi rate will rise to about 5¾% late next year. After this week's move, the next 25-bp increase should come by early next year.

Growth probably moderated in 3Q but the underlying trend remains very favorable.

Most surveys suggest that growth is moderating, but not sharply. For example, the manufacturing PMI fell further in September, pushing the 3Q average clearly below that of 2Q but still well above that of 1Q. The services PMI was stable in September, which leaves the 3Q average marginally lower than in 2Q but also clearly above 1Q. In September, the EU Commission's manufacturing confidence indicator was marginally lower than the peak in June. On balance, the recent readings still point to an underlying rate of expansion only modestly below that of 1H00.

The decline in some business confidence indicators masks continued strong demand prospects...

The main indicator that signals risks of a sharper downturn is Germany's *ifo*, which has fallen for three months in a row. However, its breakdown is illustrative: While the business expectations component has deteriorated since early this year, order books and production plans have continued to improve (see Figure 1). Business expectations probably have been hurt by the profit margin squeeze created by booming import costs and stiff competitive pressures in many sectors, rather than by the prospect of weak demand. Of course, a sustained deterioration in profit margins typically would translate into lower capital spending eventually. However, profitability ratios apparently remain high, and the expected moderation in oil prices will restore margins again next year.

…and partly reflects temporary factors, such as destocking and supply disruptions.

The breakdown of the manufacturing PMI shows that destocking of final products may be exaggerating the 3Q manufacturing slowdown (after an apparently sizable build-up in 2Q).[1] Also, companies in the services sector reported disruptions to activity in September because of fuel protests. Finally, some manufacturing and service sector companies registered reduced activity because of short-term capacity constraints due to unexpectedly strong demand. Against a backdrop of strong order books, these developments suggest that part of the recent moderation in manufacturing activity is temporary, while service sector output would have even

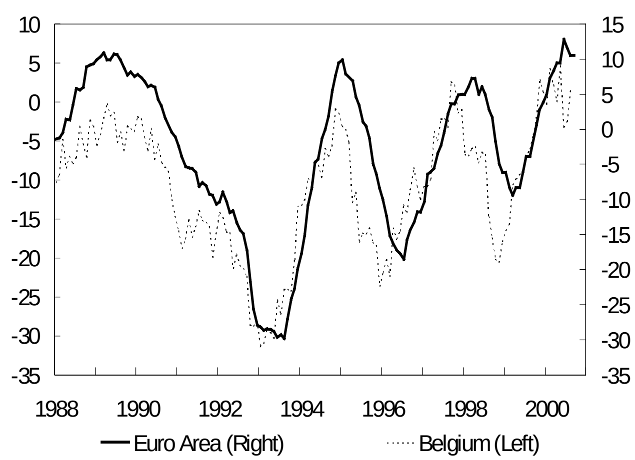
[1] The first estimate of 2Q national accounts showed a big (0.5% Q/Q non-annualized) accumulation of stocks. These figures are subject to (sometimes large) revisions, and do not distinguish between stocks of semi-manufactured and finished goods.

rebounded late last quarter in the absence of the protests. In fact, a commonly used leading indicator of manufacturing activity in the euro area — the Belgian confidence index — rebounded in August after having moderated earlier in the year (see Figure 2).

Buoyant employment expectations show that the demand outlook is very good...

The strength of employment expectations provides further evidence that there is no sharp manufacturing slowdown in sight. The EU Commission's quarterly survey of employment expectations has been a reliable guide to actual employment in that sector. For example, this series showed a modest dip in late-1998 and early-1999, correctly predicting a temporary moderation in growth at that time, when the headline business expectations indices were plunging. In 3Q, employment expectations in manufacturing continued to improve significantly, suggesting that businesses do not foresee a weakening of final demand (see Figure 3). Although no longer improving, employment expectations in construction remain buoyant. Finally, both manufacturing and services PMIs reported continued healthy expansion in employment in September — although at a slightly weaker pace than in prior months.

Figure 2. Euro Area — Belgian Leading Indicator and Euro-Area Production Expectations in Manufacturing (Diffusion Indices), 1988-Sep 00



The Belgian confidence index is through August 2000.
Sources: EU Commission and Belgian National Bank.

Figure 3. Euro Area – Employment (Yr.-on-Yr. Percentage Change) and Employment Expectations in Manufacturing (Diffusion Index), 1991-3Q 00

Employment is through 1Q00.
Sources: Eurostat and EU Commission.

...as suggested also by a survey of our sector equity analysts.

A survey of our sector equity analysts shows that euro-area companies generally face strong demand and remain reasonably optimistic about future prospects (see Figure 4). Pricing power is mixed, with some sectors raising prices — partly because of higher input costs — while others still seem to face strong competition forcing a profit margin squeeze.

In this context, the recent drop in consumer confidence probably reflects the (temporary) impact of higher oil prices.

Against this backdrop, the recent drop in consumer confidence probably reflects also the transmission to households of the negative shock from higher oil prices. Private consumption probably moderated a bit in 3Q. Evidence of this came this week: Despite a strong reading in July, retail sales are set for a slowdown compared with a very strong 2Q, while consumer confidence dropped in August-September to the levels that prevailed in mid-1999, when consumption was growing at 2¾% year on year. We estimate that real disposable income will rise by about 2½% this year. But sizable personal income tax cuts (some of which will be implemented already this quarter) and the expected moderation in oil prices should boost it by more than 3½% in 2001.

Figure 4. Euro Area — Assessment of Demand Conditions in Selected Sectors (as of Early October 2000)

Sector	Assessment of Demand	Other Important Facts
Consumer Goods		
• Luxury Goods	Extraordinarily good	Firms are expanding capacity
• Telecom Equipment (Mobile Phones)	Some slowing	Market is maturing
Consumer / Business Services		
• Hotels	Robust	Good pricing power
• Banks	High and picking up	Margins are stable
• Airlines	Strong (both passenger and cargo)	Prices are going up
Business Services		
• Media	Strong	
• Printing and Imaging	Firm	Benefiting strongly from weak euro
• Surface Transport	Strong	Margins suffer from higher fuel costs
• Telecom Equipment (Rest)	Accelerating	
Capital Goods		
• Engineering and Machinery	Firm until recently; becoming patchy	Little pricing power still
• Aerospace and Defense	Very strong (aircraft) / No longer falling (defense)	
• Oilfield Services and Equipment	Decent	No pricing power

Source: Schroder Salomon Smith Barney.

In summary, growth prospects remain favorable, and risks are evenly balanced.

The risks to this favorable growth outlook are now evenly balanced, as opposed to the largely upside risks that prevailed until a few months ago. Euro weakness boosted exports earlier this year: Real merchandise exports rose by 14.5% year on year and 13.5% year on year in 1Q and 2Q respectively. But the U.S. — and global — manufacturing slowdown probably moderated export growth last quarter. Hints of that appeared in July exports (up 10% year on year in *nominal* terms — probably only 3% or so in volume). While an export slowdown was expected, the surprisingly large and persistent spike in oil prices is denting disposable income more than anticipated a few months ago. Looking ahead, however, the projected rebound in private consumption will largely offset the export slowdown.

If growth proves resilient, the ECB probably will tighten by more than markets currently anticipate.

If, as expected, growth remains in line with our projections, the ECB probably will tighten monetary policy more than the markets are currently anticipating. The need to eventually slow growth to trend — which we believe to be around 2¾% as opposed to the historical average of 2¼% — will require modestly higher real rates, especially against a backdrop of fiscal easing. Moreover, as core inflation creeps up above 1½% on average next year, nominal rates will have to rise even more to prevent real rates from falling. Risks of a passthrough of higher input costs into core inflation were evident this week in the manufacturing PMI (with some companies describing spreading shortages of semi-manufactured goods) and in the services PMI (showing a jump in prices charged in September.) At the same time, the EU Commission survey registered in September another meaningful jump in households' inflation expectations for the year ahead.

Sweden: Near-Term Hike

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- **Riksbank recent rhetoric points to a near-term hike of the repo rate…**
- **…although not necessarily next week, with the new inflation report.**
- **The longer the Riksbank stays on hold, the higher the risks for the krona.**

The Riksbank is preparing the ground for a near-term repo rate hike.

The Riksbank has started to prepare the ground for a near-term repo rate hike, although the case for a move next week, when the new inflation report is released on October 10, is not clear cut. This week, Riksbank Governor Urban Bäckström stated: "In my opinion, the time for another increase is coming closer, at least as long as demand growth remains strong. But today I find it hard to envisage a main scenario that unequivocally threatens price stability in the period of one to two years ahead." This statement contrasts with the rhetoric of previous minutes of the Riksbank Executive Board's monetary policy meetings, which pointed to the need for increasing the repo rate "in the future", although the remarks do not suggest that monetary tightening is imminent. In any case, we expect the repo rate to be at 4% by yearend, from 3.75% currently. Moreover, market expectations that the repo rate will rise to 5%-5.25% over the next year appear too aggressive.

The authorities have strong arguments to hike on October 10…

Before the August monetary policy meeting we argued that it would be easier for the Riksbank to tighten monetary policy in October and we still think that the central bank has strong arguments to do so next week:

…including sizable fiscal easing in 2001…

- The 2001 budget will introduce fiscal easing worth SKr30 billion (1.5% of GDP) next year, largely through personal income tax cuts. This scale of relaxation is more than double the easing that the Riksbank had embedded in its June inflation projections and should provide a solid footing for economic growth next year, even if external demand slows.

…a soft trade-weighted krona…

- Moreover, the trade-weighted krona has depreciated by nearly 5% since the June inflation report (see Figure 5). At its previous meeting in August, the Board downplayed the softness of the krona, arguing that there were no reasons to revise the long-term krona projections. However, at that time, the TCW index had depreciated only by 1.5% compared with the June level. Moreover, now the risk exists that if the NASDAQ's slide persists, the krona will soften further, as capital flows out of the Swedish stock market, which is highly specialized in the technological sector. Admittedly, a Swedish stock market correction probably would have a negative impact on consumer sentiment and spending, but wealth effects are smaller than the boost to exports from the softer krona and, in any case, Swedish equity prices are still 50% above the end-1998 levels.

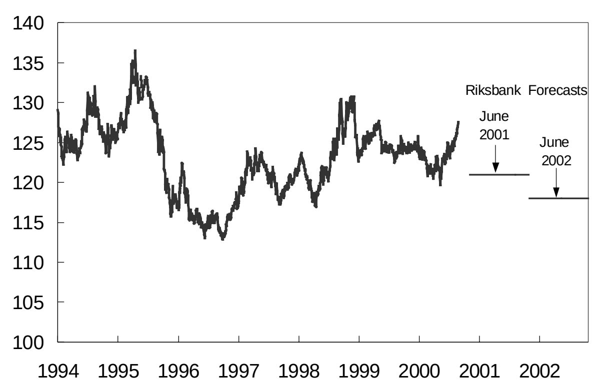
…and above-potential growth.

- Finally, second-quarter GDP was revised up to 4.3% year on year, from an initially reported 4%, largely on account of stronger domestic demand. The first release of second-quarter GDP had prompted a downward revision of consensus growth projections for this year. In contrast, a rate of growth of around 4% for the year as a whole now looks more plausible, suggesting that the Swedish economy is expanding well above potential for the third consecutive year. Moreover, business surveys continue to point to strong growth across all sectors of the economy and report rising bottlenecks, although, for now, they are not widespread.

However, underlying inflation remains low, as well as inflation expectations.

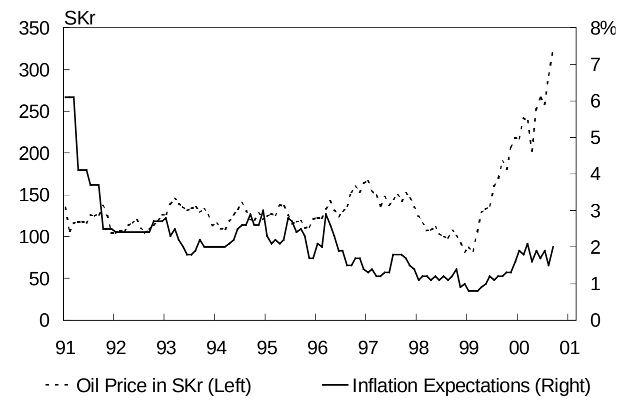
Nevertheless, despite soaring oil prices, so far consumer inflation expectations have remained remarkably low and in line with the Riksbank 2% inflation target (see Figure 6). Furthermore, because inflation remains extremely low net of oil prices, taxes and mortgage interest payments (around 0.5%) and continues to undershoot the Riksbank's expectation, the authorities still may find it difficult to justify an interest rate hike next week. The same day as the inflation report publication, Governor Bäckström will testify in Parliament on the conduct of monetary policy, in his traditional biannual hearing, and will be asked to justify why recently inflation has been persistently lower than the Riksbank's forecasts.

Figure 5. Sweden — Trade-Weighted Krona (TCW Index, Sep 1992=100), 1994-Oct 4 00



Note: A rise/drop of the index indicates a depreciation/appreciation of the trade-weighted krona.
Source: Riksbank.

Figure 6. Sweden — Consumer Inflation Expectations (Percentage) and Brent Oil Prices (Skr per Barrel), 1991-Sep 00



Note: Data prior to 1993 are quarterly. There is a break in the consumer inflation expectations series in October 1995 and January 2000.
Sources: SCB and Datastream.

A structural change may have occurred in Swedish inflation propensity.

In this week's speech, the Governor already highlighted some possible explanations, including higher Swedish productivity growth than historical norms, a more efficient functioning of the labor market and increased price competition. The Governor stated that potential GDP growth now may be between 2% and 2.5% (compared with 1.5%-2% previously). And he did not rule out the possibility that the Swedish economy could enjoy a U.S.-style productivity growth acceleration in the future. Moreover, he noted that profit margins have remained unusually low compared with previous economic upswings. This is probably the factor that has deviated most from the Riksbank's underlying inflation assumptions.

The longer monetary policy stays on hold, the higher the risks for the krona.

However, if the authorities do not tighten monetary policy next week, there is a high risk that the krona will depreciate further before the next Board monetary policy meeting in December. The krona softness since June has been marked against the U.S. dollar, reflecting dollar strength. Nevertheless, the krona also has depreciated recently against the euro and this trend may intensify now that the negative interest rate spread between the Swedish and the euro-area repo rate has widened to 100 basis points.

The forthcoming wage round will be key for the pace and the scale of future tightening.

Longer term, the wage round that will start this autumn will prove key to determining the pace and the scale of future monetary tightening. For now, however, until unions' wage demands become clearer, the Riksbank probably will weigh the upward inflation risks stemming from wage growth with the downward risks posed by a faster-than-expected global growth slowdown, suggesting that monetary policy will continue to be tightened gradually.

Notable Quotes

Wim Duisenberg, ECB President

"We don't precisely know what the so-called neutral rate is. We do believe that the monetary policy stance we have adopted today is appropriate for the current circumstances including our assessment of inflationary developments for the medium-term future. So we do regard it as the appropriate monetary policy stance."
Reuters, October 5, 2000

Hans Eichel, German Finance Minister

"There is an EU agreement. (The strategic oil reserves) are only there to deal with supply shortages and not with jumps in the oil price."
Reuters, September 29, 2000.

Romano Prodi, European Commission President

"Since we created the euro, (economic growth) has gone better and better. We increased our growth by two percentage points and in one year we will overtake them (the United States)...We have lost value to the dollar but, one must remember, this was not good for the dollar. If the Federal Reserve and our banks intervened together to support the euro it was because such a weak euro was also hurting the United States."
RAI Italian State TV/Reuters, October 4, 2000.

Jean-Pierre Roth, Swiss National Bank Deputy President

"We must guard against the illusion that we can prevent the inflation that will result [from the rise in oil prices]. We therefore expect a deterioration in the short term. (…) We have indeed a good equilibrium at present, which allows us to make sure that the situation is under control."
Quoted in *Le Temps*, own translation, October 4, 2000.

Bernard Thibault, Secretary-General of French CGT (Trade Union)

"There is a striking need to raise wages and recognize qualifications. (…) To me, having 20 firms where conflicts led to [wage] improvements as early as September is not negligible. We will ensure the diffusion [to other sectors] of the 3%-4% wage gains obtained by some employees."
Interview with *Le Monde*, own translation, October 6, 2000.

Key International Economic Indicators

Euro Area

Oct 9 — ***Industrial Production (Jul)***

Forecast: 0.4% Mo.-Mo.
Previous: -0.4% Mo.-Mo.

Industrial production probably reversed its June decline (on a seasonally adjusted basis) in July, helped by a recovery in German output following a poor performance in June. However, the gain would remain moderate compared to increases earlier in the year and compared with the 2Q average, industrial output would be less than ½% up — confirming other signs that growth in the euro area slackened somewhat in 3Q. The data will be liable to future revisions as French output data are yet to be published; however, French surveys suggested that production slowed significantly in the summer months, suggesting that a strong rise is unlikely.

Germany

Oct 6, Around 10:30 London Time — **Manufacturing Orders (Aug)**

Forecast: 0.6% Mo.-Mo.; 6.7% Yr.-Yr.
Previous: 0.2% Mo.-Mo.; 12.0% Yr.-Yr.

Manufacturing orders probably rose 0.6% month on month and 6.7% year on year in August, after July's 0.2% month on month and 12.0% year on year. The significant slowdown in the year-on-year figure is due to a base effect, as orders jumped 5.6% month on month in August last year. The year-on-year figure is likely to return to double-digit levels in September. Going forward, the recently approved tax reform is likely to lead to a temporary surge in capital goods orders, as companies lock in the old — more generous — depreciation rules.

Oct 9, Around 10:30 London Time — ***Industrial Production (Aug)***

Forecast: 0.9% Mo.-Mo.; 5.2% Yr.-Yr.
Previous: 3.5% Mo.-Mo.; 5.5% Yr.-Yr.

Industrial production probably rose 0.9% month on month in August, after a jump of 3.5% month on month in July almost fully reversing the sharp 3.7% month-on-month drop in June. The year-on-year pace probably will slow slightly to 5.2% in August from 5.5% in July. The recent pace of manufacturing orders far outstripped the pace of production, pointing to a significant backlog of orders, which is likely to fuel activity going forward.

Spain

Oct 6 — ***Industrial Production, Calendar Adjusted (Jul)***

Forecast: 8.0% Yr.-Yr.
Previous: 4.3% Yr.-Yr.

Production expectations are consistent with a rebound of manufacturing activity in July, after a temporary blip in June. Strong demand for investment and intermediate goods products should continue to lead the expansion of manufacturing activity.

Oct 13 — ***Consumer Prices, Headline (Jul)***

Forecast: 3.7% Yr.-Yr.
Previous: 3.6% Yr.-Yr.

Consumer Prices, Ex Fresh Food & Energy (May)

Forecast: 2.8% Yr.-Yr.
Previous: 2.7% Yr.-Yr.

. Higher fresh food and energy prices, following the September rebound of oil costs, probably lifted September CPI by 0.3% month on month. Net of these volatile components, core inflation probably rose by 0.2%, reflecting higher manufactured goods prices, boosted by previous input cost increases, and higher prices in selected services.

United Kingdom

Oct 9, 09:30 London Time — ***Producer Input Prices (Sep)***

Forecast: 1.9% Mo.-Mo.; 11.5% Yr.-Yr.
Previous: 0.6% Mo.-Mo.; 10.8% Yr.-Yr.

The sharp gain in both oil and nonoil commodity prices seen in September probably will cause another large jump in input prices. In sterling terms, the economist nonoil commodity index rose 6.3% month on month in September, the biggest gain since 1994, while sterling oil prices rose by nearly 25%. Our forecast does not allow for the full effect of these cost pressures to come through to the input price series in one month but assumes that, as normal, these pressures will feed through over several months.

Oct 9, 09:30 London Time — ***Producer Output Prices (Sep)***

Forecast: 0.5% Mo.-Mo.; 2.6% Yr.-Yr.
Previous: -0.3% Mo.-Mo.; 2.5% Yr.-Yr.

Excluding Tax (Aug, Sep)

Forecast: 0.4% Mo.-Mo.; 1.9% Yr.-Yr.
Previous: -0.2% Mo.-Mo.; 1.7% Yr.-Yr.

Excluding Food, Drink, Tobacco and Fuel (Sep, SA)

Forecast: 0.2% Mo.-Mo.; 1.3% Yr.-Yr.
Previous: 0.1% Mo.-Mo.; 1.3% Yr.-Yr.

The year-on-year gain in the core output price series (which excludes food, drink, tobacco and petroleum products) has been trending up over the past year, reaching a four-year high of 1.3% in August. We expect the year-on-year gain in this series to rise further in coming months, but base effects from a high gain in September 1999 may prevent a further rise in the year-on-year rate for this month. Nevertheless, we doubt that this series has peaked. The overall output price series (and the ex-tax one) probably will be boosted by high prices for petroleum products because of the sharp September rise in oil prices.

Key International Economic Indicators

United Kingdom (Cont'd)

Oct 10	***Retail Prices (Sep)***	**Forecast: 0.7% Mo.-Mo.; 3.3% Yr.-Yr.**
09:30		**Previous: 0.0% Mo.-Mo.; 3.0% Yr.-Yr.**
London Time	***RPIX (Sep)***	**Forecast: 0.7% Mo.-Mo.; 2.2% Yr.-Yr.**
		Previous: -0.1% Mo.-Mo.; 1.9% Yr.-Yr.
	RPIY (Sep)	**Forecast: 0.5% Mo.-Mo. SA; 1.9% Yr.-Yr.**
		Previous: -0.3% Mo.-Mo. SA; 1.5% Yr.-Yr.

We suspect that higher petrol prices will push the RPI higher in September, although there are a lot of uncertainties because the RPI was counted on the day when much of the country was out of petrol and thus it is not clear exactly what prices were used for petrol. We have assumed that retail petrol prices rose 4% month on month, reversing August's drop and adding 0.2% to the overall RPI. Base effects also will be slightly adverse, given that retail prices — especially goods prices — were quite soft in September 1999. Against that, the year-on-year gain in seasonal food prices probably will decline again due to base effects from a high reading a year ago. Looking forward, we expect the RPIX rate to edge up further in coming months, although it probably will stay below target for the rest of this year.

Oct 12	***BCC Quarterly Economic Survey (3Q)***	
11:00	***Service Sector Domestic Orders***	**Forecast: 28%**
London Time		**Previous: 31%**
	Service Sector Export Orders	**Forecast: 12%**
		Previous: 14%
	Manufacturing Domestic Orders	**Forecast: 7%**
		Previous: 5%
	Manufacturing Export Orders	**Forecast: 0%**
		Previous: -7%

This is the widest quarterly survey of the UK, covering both services plus manufacturing, and also with good coverage of small and medium-sized firms. The survey has a large number of questions, and it is hard to boil it down to just one or two indicators. This makes it harder for markets to interpret the survey but it is sufficiently important that it is worth the effort. We expect the readings on manufacturing to improve slightly, in response to the drop in the pound since the June-July survey, in line with the slight improvement in output expectations seen in the monthly CBI surveys since then. The other key readings are those on hiring plans and recruitment difficulties. The July survey showed a sharp rise in firms' hiring intentions, with the share of firms citing recruitment difficulties also staying high. Another reading along those lines would add to fears that productivity is not accelerating (if it is, firms would meet extra demand via higher productivity rather than by hiring more staff) and that the labor market will overheat.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

(72)
2000-EA7410

International Financial and Economic Calendar, 16 Oct 00 – 20 Oct 00

United States	Japan	Europe	Europe	United Kingdom	Canada/Australia
MONDAY 16					
		Italy 08:00 Ind. Production, Aug (Released This Week) **Germany** *Ifo* Business Climate, Sep CPI Inflation, Oct, Preliminary	**Finland** Consumer Prices, Sep Balance of Payments, Aug		
TUESDAY 17					
8:30 Business Inventories Jul 0.2% Aug 9:15 Industrial Production And Capacity Utilization Aug 0.3% 82.3% Sep 10:30 LJR Redbook		**ECOFIN Meeting** **Euro Area** 11:00 Harmonized Inflation, Sep	**Spain** Retail Sales, Aug **Sweden** Retail Sales, Aug		**Canada** 8:30 Wage Settlement Jul 2.1% Aug 2.5%*
WEDNESDAY 18					
8:30 Consumer Prices Tot ExF&E Aug -0.1% 0.2% Sep 0.4%* 0.3%* 8:30 Housing Starts and Permits Aug 1.53M 1.47M Sep 10:00 Real Earnings (Sep)		**Italy** 08:00 Final CPI, Sep	**Netherlands** Unemployment, Aug **Finland** Producer Prices, Sep	09:30 LFS Employment (Q/Q) May-Jul 93,000 Jun-Aug 100,000* 09:30 LFS Unemployment (Q/Q) May-Jul -104,000 Jun-Aug -100,000* 09:30 Claimant Count Unempl. Aug -18,000 Sep -15,000* 09:30 Average Earnings (3M Y/Y) Jul 3.9% Aug 3.8%*	**Canada** 8:30 Manufacturing Survey Jul Aug Shpmts. -1.3% 2.7%* New Ord. 4.2% -1.3%* Unfill. Ord. 5.2% 1.8%* Inventories 1.2% -0.9%* Inv./Shpmts. 1.34 1.29*
THURSDAY 19					
8:30 Jobless Claims, Oct 14 8:30 International Trade Deficit Jul $31.9B Aug 10:00 Philly Outlook Survey Sep 8.2% Oct		**ECB Governing Council Meeting (Paris)**		09:30 Retail Sales M/M Y/Y Aug 0.6% 4.0% Sep -0.4%* 3.7%* 09:30 M4, Sep 09:30 M4 Lending, Sep M/M FYTD 09:30 PSNCR Sep99 £1.9B £2.1B Sep00 £1.9B* £-17.5B* 09:30 PSNB Sep99 £-0.59B £1.0B Sep00 £0.3B* £-1.2B*	**Canada** 8:30 Int'l Merchandise Trade Jul Aug Exports -2.9% 2.8%* Imports -0.4% 1.3%* Merch. Trade C$4.2B C$4.8B* 8:30 Wholesale Trade Jul 0.6% Aug 0.8%*
FRIDAY 20					
		Spain Industrial Production, Aug		09:30 GDP, 3Q00, Preliminary Q/Q Y/Y 2Q 0.9% 3.2% 3Q 0.8%* 2.9%*	**Canada** 8:30 Consumer Prices Tot ExF&E Aug -0.2% 0.2% Sep 0.3%* 0.3%*

* Salomon Smith Barney estimates.
Times are: GMT -5 for North America; GMT +1 (London Time) for Europe; GMT +9 for Japan; GMT +11 for Australia.
Contributors: Michelle Burns, Valérie Destève, Kazue Ishibashi, Ann O'Kelly, Kathy Moloney and Jan Willbourne.

International Financial and Economic Calendar, 6 Oct 00 – 13 Oct 00

United States	Japan	Europe	Europe	United Kingdom	Canada/Australia
FRIDAY 6					
8:30 Employment Aug Sep Payroll -105K 225K* ExCensus/Strike 138K 175K* Unemp. Rate 4.1% 4.1%* Avg. Hrly. Earn. 0.3% 0.3%* 10:00 Consumer Credit Jul $9.4B Aug $15.0B*		**Germany** Manufacturing Orders M/M Y/Y Jul 0.2% 12.0% Aug 0.6%* 6.7%* **France** GDP, 2Q, Details	**Netherlands** Consumer Prices, Sep **Spain** Industrial Production, Calendar-Adjusted (Y/Y) Jun 4.3% Jul 8.0%*	00:30 BRC Shop Price Indx, Sep M/M 3M Y/Y 9:30 Industrial Production Jul -0.1% 1.8% Aug 0.0%* 1.2%* 9:30 Manufacturing Output Jul -0.3% 1.5% Aug 0.3%* 1.1%*	**Canada** 7:00 Labor Force Survey Aug Sep Employ. 27,300 35,000* Unempl. Rate 7.1%% 6.9%*
MONDAY 9					
Columbus Day Federal Gov't Holiday	Holiday	**Euro Area** 11:00 Ind. Production (M/M) Jun -0.4% Jul 0.4%*	**Germany** Industrial Production, Aug M/M Y/Y Jul 3.5% 5.5% Aug 0.9%* 5.2%* **Sweden** Riksbank's Monetary Policy Mtg.	M/M Y/Y 9:30 Producer Input Prices Aug 0.6% 10.8% Sep 1.9%* 11.5%* 9:30 Producer Output Prices Aug -0.3% 2.5% Sep 0.5%* 2.6%* 9:30 Ex Tax Aug -0.2% 1.7% Sep 0.4%* 1.9%* 9:30 Ex Food, Drink, Tob., Fuel Aug 0.1% 1.3% Sep 0.2%* 1.3%*	
TUESDAY 10					
10:30 LJR Redbook	M/M Y/Y 8:50 Wholesale Prices, Dom. Aug 0.0% 0.2% Sep 0.0%* 0.2%* 8:50 Wholesale Prices, Overall Aug 0.1% 0.2% Sep -0.1%* 0.6%* 2:00 Pvt. Machinery Orders, Ex. Ships & Elec. Power Jul -11.7% 17.9% Aug 10.0%* 26.8%*		**Sweden** CGBR, Sep Riksbank Rate Announcement Riksbank *Inflation Report*	M/M Y/Y 9:30 Retail Prices Aug 0.0% 3.0% Sep 0.7%* 3.3%* 9:30 RPIX Aug -0.1% 1.9% Sep 0.7%* 2.2%* 9:30 RPIY Aug -0.3% SA 1.5% Sep 0.5%* SA 1.9%*	**Canada** 8:15 Housing Starts Aug 146 Sep 157*
WEDNESDAY 11					
10:00 Wholesale Trade, Aug	(Released Oct 10-17) 8:50 Balance of Payments, Current Account (SA) Jul ¥1,009B Aug ¥989B*	**Euro Area** 11:00 GDP, 2Q, 2nd Release Q/Q Y/Y 1Q 0.9% 3.4% 2QP 0.9% 3.8%	**Germany** Trade Balance, Aug **Finland** Trade Balance, Sep, Preliminary		**Canada** 8:30 New Housing Price Index Jul 2.4% Aug 2.3%*
THURSDAY 12					
8:30 Jobless Claims, Oct 7 10:00 Import/Export Prices, Sep		**Netherlands** Industrial Production, Jul-Aug	**Sweden** Consumer Prices, Sep **Spain** Holiday	11:00 BCC Qrtly. Econ. Survey Domestic Export Service Sector Orders 2Q 31% 14% 3Q 28%* 12%* Manufacturing Orders 2Q 5% -7% 3Q 7%* 0%*	**Australia** Employment Aug 24.1K Sep Flat*
FRIDAY 13					
8:30 Producer Prices Tot ExF&E Aug -0.2% 0.1% Sep 0.8%* 0.2%* 8:30 Retail Sales Tot ExAuto Aug 0.2% 0.3% Sep 10:00 Univ. of Michigan (Oct Prel)	8:50 Money Supply, M2+CDs Y/Y SAAR Aug 1.7% 1.1% Sep 1.6%* -0.5%* 08:50 Broad Liquidity (Y/Y) Aug 3.4% Sep 3.2%*	**European Union** Informal European Council (Biarritz, Oct 13-14) **France** Consumer Prices, Sep, Prelim. Balance of Payments, Jul	**Spain** Consumer Prices (Y/Y) Headline Ex F&E Aug 3.6% 2.7% Sep 3.7%* 2.8%* **Finland** Industrial Output, Aug		**Canada** 8:30 Auto Sales Jul -1.5% Aug 7.3%*

* Salomon Smith Barney estimates.

Times are: GMT -5 for North America; GMT +1 (London Time) for Europe; GMT +9 for Japan; GMT +11 for Australia.

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