It has proved difficult to replace the “infamous” Irish border backstop. It is still unclear if the PM has enough time and creativity to secure a deal before the mid-October deadline. After a historical ruling by the WTO the US has announced import tariffs on $7.5 billion of imports from the EU, effective October 18th.

Triple dip. Incoming UK economic data doesn’t make for pleasant reading. September’s PMIs revealed that the services sector joined construction and manufacturing in contraction mode. The UK All Sector Output Index fell for a second successive month, easing from 49.7 in August to 48.8. Ignoring the post-EU referendum drop in output in July 2016, the latest readings mark the first broad-based decline since April 2009. Significantly, the weakness in demand – much of it Brexit related – is filtering into the labour market. Staffing levels fell at their fastest pace in almost a decade. This survey points to a marginal 0.1% q/q fall in Q3 GDP. Following Q2's decline, a 'technical recession' may be just around the corner.

Falling again. During Q2 UK business investment fell for the fifth time in six quarters, reversing a one quarter increase registered in Q1. On a quarterly basis the decline was 0.4%, on an annual basis 1.4%. The biggest contribution to this decline was from ICT equipment and other machinery and equipment. The last time we had 2 consecutive quarters of falling business investment was during the financial crisis. Endemic uncertainty makes businesses postpone their investment projects. Irrespective of the resolution of the situation, this will have negative consequences for future economic growth.

Don't blame us. UK consumers are hardly at fault for the 0.2% second quarter drop in economic activity. Household spending, which accounts for 60p in every pound of GDP, grew by a healthy 0.4% in the three months to June. So what are people's growing pay-packets being spent on? Drearily, most of the extra spending in Q2 was due to higher home heating bills. It's not all bad though; expenditure on clothing and footwear rose 1.4%, while households managed to slash spending on life insurance by a whopping 9%. Time to repeat this feat by investing in home energy efficiency improvements perhaps?

Relief rally. UK consumers' propensity to keep spending, even in the face of higher prices, kept growth going in the aftermath of the EU referendum. But at the cost of a plummeting saving ratio. That reached its nadir in Q1 2017 when households spent everything they earned, plus a little bit more, and ended up with a saving ratio of -0.4% on a cash basis. A combination of strong jobs growth, higher wages and weaker inflation has helped households get back to a more sustainable position. In Q2 2019, the saving ratio was 4%, not exactly prudent, but at least as good as most of the UK's recent recovery. That should be a relief.

Shift. The UK’s loss of economic momentum is increasingly palpable. Add to that growing evidence that the global manufacturing downturn is beginning to broaden out. Reflecting on that backdrop Bank of England Monetary Policy Committee member Michael Saunders recently warned that rate cuts may be required to shore up growth, even if a no deal Brexit is avoided. While just one member, it perhaps hints at the direction of travel of the wider committee. Uncertainty is the key word. It has become entrenched (spending is being deferred) and it could continue even if a no deal is avoided.

Stuck in reverse. Normally a record year for the labour market would be positive for consumer spending. Not so when it comes to buying a new set of wheels. Record employment and strong wage growth have gone largely unnoticed at car showrooms. Last month local dealers reported their weakest September for sales in over 13 years. During the twelve months to September 2019 there were close almost 52,000 new cars sold, 6,000 (10%) fewer than the recent high in mid-2016 and 25% below 2007’s pre-downturn high. 2019 looks set to be the fourth year out of the last five with falling new car sales. With economic conditions deteriorating, the outlook for consumer sensitive sectors looks set to weaken too.

WeWork. Despite the worsening economic weather, Eurozone unemployment inched (or is that centimetred?) lower in August. The total unemployment rate across the 19 member states fell to 7.4% from 7.5% in July and 8% back in August 2018. In fact, unemployment is now the lowest it’s been since early 2008. Not bad. Spanish and Greek unemployment, while still high (13.8% & 17%) are nonetheless well down on their sobering 25%+ peaks. Joblessness is falling across the board and, in the current climate, we should welcome good news whenever it comes.

Softly does it. Annual Eurozone inflation slowed again in September, dropping below 1% to 0.9% p.a. But while a welcome boon for consumers, it’s a headache for central bankers, especially now that inflation is less than half the 2% ceiling the ECB aims for. The principal cause was a large fall in energy prices, down 1.8% p.a., so there’s a slim chance September’s short spike in oil prices may halt the slow softening of inflation across member states. But with global demand weak and inflation low, official interest rates are easing across the world.

Lacklustre. US non-farm payrolls posted a 136k rise in September, a tad below market expectations. Manufacturers shed labour in September, however, employment in services and health/education remains pretty robust. The unemployment rate dipped to 3.5% last month, the lowest rate since 1969, but average earnings growth cooled to 2.9%yoy in September versus 3.2%yoy in August. The Federal Reserve faces a dilemma. Manufacturing and investment are suffering from global headwinds, but the household sector looks in pretty good shape. No “smoking gun” for an early rate cut.