The UK Government and the European negotiating team have reached a new deal. Despite this the Prime Minister had to send a three-month extension request to the EU. However, there is still a chance that the deal will be passed into law before the 31st of October. With 11 days to go all options (deal, no deal, extension) are still on the table.

(Another) deal. Boris Johnston was able to shake Jean-Claude Juncker’s hand on a new Brexit deal last week. The key changes were focussed on the arrangements to allow Northern Ireland (NI) to leave the EU customs area, whilst avoiding a hard border with the Republic of Ireland. There will be more checks on goods entering NI from the UK and tariffs will have to be paid, where something is “at risk” of being taken into the EU. NI will also keep the same product standards as the EU, introducing potential divergence from the UK.

But these arrangements are still theoretical. The Government has not yet got the deal and associated legislation through the Parliament. Expect long nights and lots of crunch votes to come…

Tables turning around? The improving trend in the UK labour market took a turn for the worse over the summer. Maybe Brexit uncertainty is starting to take its toll. Employment fell by 56k in the three months to August compared to the previous three months whilst the unemployment rate increased to 3.9% (+0.1 pp m/m) in August. Moreover, average weekly earnings growth dropped to 3.8%y/y in the three months to August (from c.4%). In addition, the number of job vacancies fell further in July. All this suggests the labour market performance has passed its peak.

Easing off. Northern Ireland's labour market has been rewriting the record books of late. A full set of labour market statistics for Q3 are not yet available, however, the Labour Force Survey for the three months to the end of August provides a good indication of how the quarter is shaping up. The unemployment rate in the three months to August was 2.9%, a shade above its recent record low. But there are signs that the jobs market is losing some momentum. Employee numbers have fallen by almost 2% in the latest period relative to Q2. A turning point is also evident with the total number of weekly hours worked in Jun-Aug falling 3% from the record highs in the first half of 2019.

Autumn break. Consumers' enthusiasm for spending more at the shops has been providing a major support to the UK economy. So it's a little worrisome that September data suggest the steady upwards march of retail sales is slowing. After falling by 0.3% in August, sales volumes merely stagnated last month. Thankfully, first impressions can be misleading. The picture looks healthier once more volatile items are removed, with non-fuel sales up 0.2% in September. With retailers now shifting an impressive 3.1% more than a year ago, it's perhaps unsurprising that households are taking a breather.

Stay calm. Mercifully, prices across the UK economy are enjoying a period of relative stability. Consumer prices rose by 1.7% y/y in September, unchanged from August and still below the 2% target. Indeed ‘core’ inflation was just 1.5%. Two of the biggest causes are the rising costs of meals out and broadband, up 2.7% and c.4.5% y/y respectively. UK houses prices rose by 1.3% y/y in August, well below the 3.8% rise in average wages. Inflation is set to slow further as the prices paid by producers fell by 2.8% in September. Good news for consumers and retailers!

Heading south. Business conditions deteriorated across the UK in September, according to the latest monthly PMI survey. Seven of the twelve UK regions posted a fall in output, with the same number recording a decline for Q3. The East of England was the only region to see any notable growth last month. Private sector output growth in the North West, South West and Northern Ireland is around seven-year lows. Notably, employment fell in all UK regions in September, the first time since the global financial crisis.

Brexit fever. We are all suffering from ‘Brexhaustion’ and the never ending saga that is Brexit. But the impact on businesses is more worrying. The NI Chamber’s Q3 survey sheds some more light on the symptoms. Two-thirds of firms have experienced a negative impact from Brexit in terms of sales, costs and recruitment. 1 in 2 businesses say that Brexit has negatively impacted on turnover. Perhaps most concerning of all are the growth and investment plans being put on hold due to Brexit uncertainty. 50% of firms have pushed the pause button on this front. A big dose of certainty could go a long way in getting investment flowing again. But don’t hold your breath.

Snap. The official Northern Ireland statistics for Q3 services and manufacturing output will be confirmed in December. That provides plenty of time to manage expectations downwards. Following a gloomy set of figures from the PMI surveys, the NI Chamber’s poll of members in the third quarter reveals a similar picture. There was a smattering of negative indicators and multi-year lows with NI ranked bottom of all the UK regions across most indicators. Cash flow is a persistent problem and firms are pulling back on investment. Manufacturing posted its worst trade performance in a decade. Despite all this gloom businesses are keen to hire. The only snag is around four out of five firms are experiencing recruitment difficulties.

Pullback. Contrary to market expectations, US retail sales fell 0.3%m/m in September, the first monthly decline in seven months, partially reversing August’s rise. Weakness was widespread with only five out of thirteen major categories showing higher sales. Non-store sales also declined in September. The outlook for consumer spending hinges on continued employment growth. Payrolls have slowed recently, but hiring persists. Alongside positive real incomes and a relatively high personal savings ratio, the backdrop for the household sector looks supportive, at least near-term.

Rolling on. China’s gradual slowdown continued in Q3 with GDP rising 6%y/y, the slowest pace since at least the early 1990s. Tariffs are biting (exports fell 3.2% in September) but there’s a squeeze at home, too. Relatively tight credit conditions are keeping investment subdued. Meanwhile consumers are feeling the pinch. Inflation notched up to 3% last month (it was just 1.7% back in January). A bout of African swine fever has pushed pork inflation to almost 70%! To cap it off the IMF downgraded the country’s growth forecast for 2020 to 5.8% from 6%. The gradual slowdown looks set to roll on.

Firing up? It’s been a challenging year for the global economy. Emphasising just how challenging conditions have become, the IMF downgraded global growth this year to just 3%, which would be the weakest pace since the financial crisis. A rise to 3.4% is projected in 2020. Growth in the US, Japan and China is expected to cool. Global growth now rests on improvements across numerous emerging markets in Eastern Europe, the Middle East, Latin America and Africa. Plus faster growth in India. Oh and Germany. Chancellor Merkel best get that fiscal stimulus readied.

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