

# Week Ahead Economic Overview

- **Bank of England sets policy with new governor, after PMI data updates**
- **ECB policy meeting unlikely to show change of stance**
- **Markets braced for US employment report**

The week starts with worldwide manufacturing PMI data released by Markit, followed by services PMIs and culminating with the US non-farm payroll report. Amongst those important data releases, the Bank of England, ECB and Reserve Bank of Australia announce their policy decisions.

Financial markets fell sharply after flash PMI data showed a deepening downturn in [China](#), on-going recession in the eurozone but steady growth in the [US](#) – the latter chiming with comments on the same day that the US Fed could start slowing its pace of bond buying by the end of the year. Policy decisions at the ECB, Bank of England and RBA will all be PMI data-dependent, with policymakers from all three central banks eyeing the dataflow carefully.

With Mark Carney taking over the reins at the Bank of England, there is heightened speculation that more aggressive stimulus is on the cards, though six of the nine Monetary Policy Committee members voted against further QE at the June meeting, suggesting the new governor has an uphill battle if he is seeking instant action, especially after recent [PMI data have shown the economic recovery gathering momentum](#). Manufacturing PMI data for June are published on Monday, followed by construction on Tuesday and services on Wednesday in a lead up to the MPC decision on Thursday.

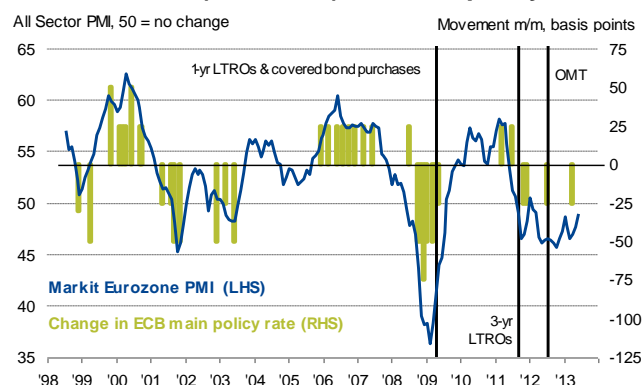
The ECB has been cheered by the PMI showing signs of stabilisation, which has reduced the chance of further action, though policymakers “stand ready to act again when needed”, according to President Mario Draghi. The detailed PMI data for the periphery will be particularly eagerly awaited, after the [flash PMI](#) indicated the downturn outside of France and Germany eased to the slowest in two years in June.

The RBA will meanwhile no doubt be swayed by PMI data for China, with the commodity-oriented Australian

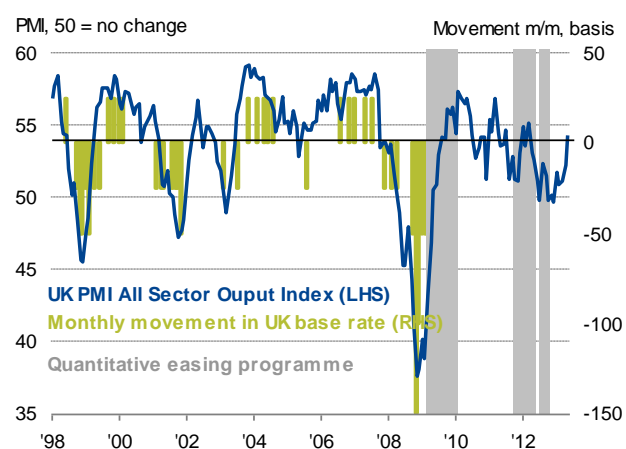
economy likely to suffer as Chinese demand for raw materials weakens.

The markets will be gearing up throughout the week for the release of US non-farm payroll and unemployment data on Friday. [Last month's better than expected non-farm payroll data](#) added to global financial market jitters that Fed tapering was growing increasingly imminent. The Fed's strategy to start tapering its \$85bn per month asset purchases by the end of the year is dependent on the unemployment rate falling from its current 7.6% to 7.0%. A rate of 6.5% would represent the threshold for rates to start rising.

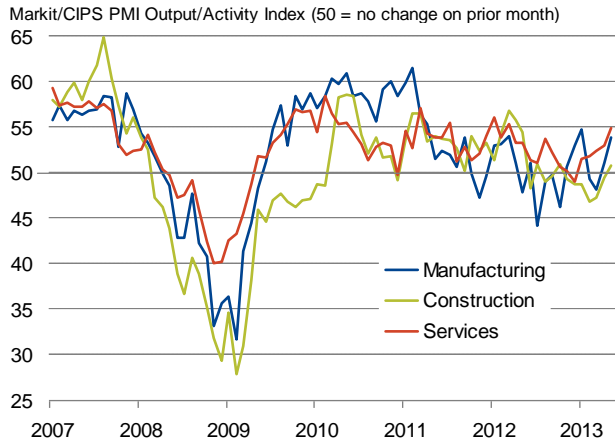
## Eurozone PMIs (with flash) and ECB policy



## UK PMIs and Bank of England policy



**UK PMI data**



**Monday 1 July**

PMI manufacturing data are released worldwide on Monday.

Business sentiment survey results (Bank of Japan) and vehicle sales data are released in Japan.

The eurozone publishes its flash inflation report for June and unemployment figures for May. Italy also releases unemployment data separately.

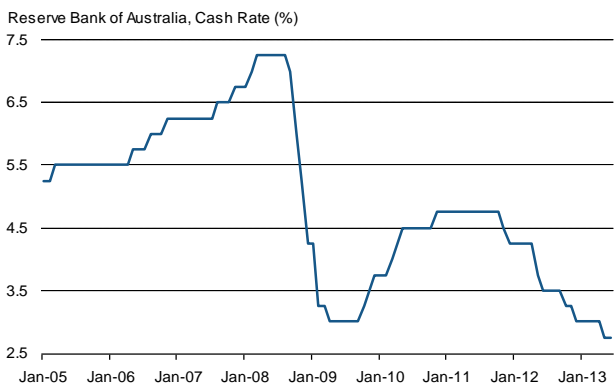
In the UK, Halifax provides an update on UK house prices, which coincides with money supply, mortgage and consumer credit numbers from the Bank of England.

The US meanwhile sees latest construction spending figures.

**Tuesday 2 July**

The Reserve Bank of Australia announces its monetary policy decision.

**Reserve Bank of Australia cash rate**



June construction PMI data are released in the UK, as well as the results of the BRC survey of retailers.

In the euro area, producer prices numbers for May are published.

The US meanwhile releases figures on vehicle sales, durable goods orders and consumer optimism (IBD).

**Wednesday 3 July**

Services PMI data are published worldwide, alongside the ISM's non-manufacturing survey for the US.

Eurozone retail sales figures are meanwhile released.

The US sees international trade and (MBA) mortgage data on Wednesday. Initial jobless claims numbers are also published alongside the latest employment reports from Challenger and ADP.

**Thursday 4 July**

Both the Bank of England and European Central Bank announce their latest monetary policy decisions on Thursday.

Italy meanwhile issues an update on the level of public debt.

The US markets are closed for Independence Day.

**Friday 5 July**

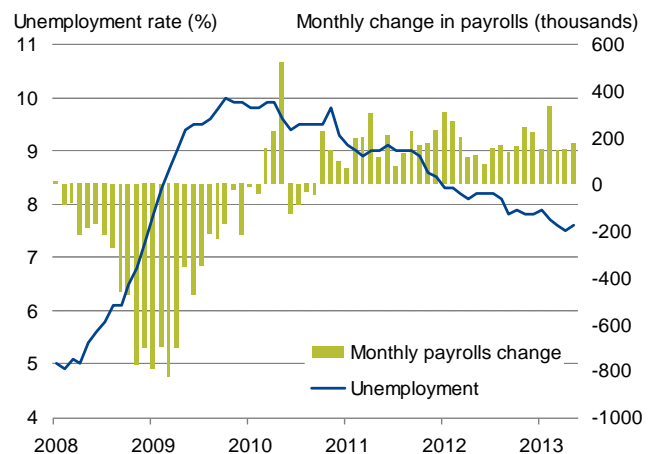
The preliminary reading of the leading indicator is made available by the Cabinet Office in Japan.

International trade data is released in France.

Industrial production statistics for Spain and factory orders in Germany are also published.

In the US, non-farm payroll figures are published alongside unemployment data in Canada.

**US employment situation**



---

Markit's [commentary notes](#) and [press releases](#) can be accessed online, as can a diary of [forthcoming Markit release dates](#).

---

## Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: [chris.williamson@markit.com](mailto:chris.williamson@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com). The intellectual property rights to the report provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*<sup>™</sup> and *PMI*<sup>™</sup> are trade marks of Markit Economics Limited. Markit and the Markit logo are registered trade marks of Markit Group Limited.