

Week Ahead Economic Overview

- **FOMC minutes to provide more information on likelihood of rate hike**
- **Second quarter GDP numbers out in Japan**
- **UK labour market, inflation and retail sales updates**

Analysts will be monitoring the minutes from the Fed's July meeting for hints on the monetary policy stance in the US, while data watchers in Japan are focused on preliminary second quarter GDP results. In the UK, labour market, inflation and retail sales data are out.

The **US** Federal Reserve Bank kept interest rates unchanged at their July meeting and all eyes will now turn to the wording of the banks minutes for any clues as to when the next move in rates is likely to take place. Although latest labour market data indicated that the [US economy continued to add jobs at an encouragingly solid pace in July](#), weak productivity numbers and sluggish survey data such as [Markit's PMI](#) largely eliminate chances of a September hike. December therefore seems like the most likely scenario. The FOMC releases its minutes on Wednesday.

US GDP and the PMI



US policymakers will keep an eye on updated inflation and industrial production data for more information on the state of the US economy. Consumer prices rose 1.0% in June and inflation is expected to keep steady at that pace in July. The IHS Markit forecast currently expects prices to increase by 1.2% over 2016 before

rising 2.4% in 2017. Meanwhile, markets are pencilling in a 0.3% expansion in industrial output in July, following 0.6% growth in the prior month. It would be the first back-to-back increase in production in almost a year.

Over in **Japan**, we will see preliminary second quarter GDP figures, and it doesn't look like economic growth picked up from the modest pace at the start of the year, with [Nikkei PMI data](#) for the three months to June pointing to a renewed downturn. Moreover, it is likely that the damaging effects of the earthquakes in Kumamoto and the faded boost to Q1 growth from the leap year are becoming increasingly evident. A strengthened yen following the UK's EU referendum has put additional pressure on exporters who now face a further loss in global competitiveness, while also exacerbating Japan's deflation through cheaper imports.

However, amid these negative assessments there is room for some hope. Expectations of fiscal stimulus and monetary easing policies alongside a delay in consumption-tax rises could provide the necessary boost to confidence for domestic demand to pick up in the months to come, and the PMI indices for both services and manufacturing show signs of improvement in July. But for the second quarter GDP announcement next week, expectations are less optimistic.

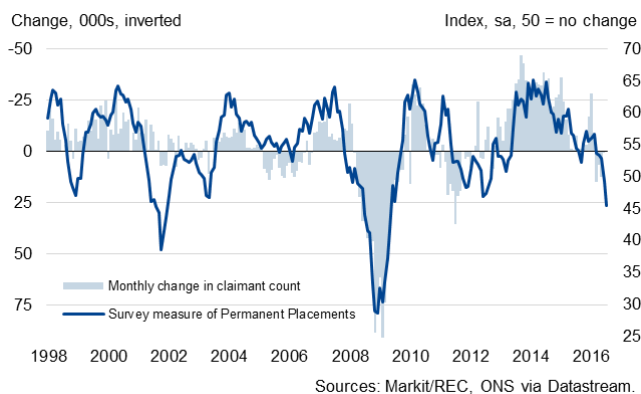
After the Bank of England last week announced a [new stimulus package to shore up the economy](#) and boost business and consumer confidence, updates on inflation, retail sales and the labour market will provide important information on the state of the **UK** economy moving into the second half of the year.

Latest [data from Visa](#) highlighted that consumer spending showed resilience despite the ongoing uncertainty following the EU referendum and the British Retail Consortium released a report signalling a 1.9% rise in total sales at the start of the third quarter, thereby adding to hopes that spending is holding up, at

least so far. The Office for National Statistics publishes official numbers on Thursday.

There could be some bad news for the labour market, however, after the latest [Markit/REC UK Report on Jobs](#) pointed to the steepest drop in staff recruitment in seven years, suggesting a marked shift in labour market conditions and adding to signs that the recent improving trend in unemployment is set for a reversal.

UK labour market



There are also a number of important data releases in the **eurozone**, with Eurostat providing updated inflation and trade figures. A flash estimate pointed to a 0.2% annual rise in consumer prices, the largest increase since the end of 2015 and adding to hopes that inflationary pressures have returned. IHS Markit currently expects inflation of 0.4% for 2016.

Monday 15 August

Preliminary second quarter GDP results are issued in Japan. Moreover, industrial production and capacity utilisation data for June are also updated.

In Russia, industrial production numbers are out.

The US sees the release of latest NY Fed manufacturing and NAHB housing market data.

Tuesday 16 August

India sees the release of wholesale price figures.

Eurostat publishes trade data for the eurozone.

In Germany, ZEW issues economic sentiment numbers.

Meanwhile, inflation figures are updated in the UK.

Manufacturing sales numbers are out in Canada.

Inflation and industrial production data are released in the US alongside building permit and housing starts figures.

Wednesday 17 August

Wage inflation data are issued in Australia.

M3 money supply information are meanwhile published in India.

Russia sees the release of inflation, retail sales and unemployment data.

Retail sales figures are also updated in South Africa.

Labour market data are published by the Office for National Statistics in the UK.

In the US, mortgage application numbers are released.

The FOMC releases minutes from its July monetary policy meeting.

Thursday 18 August

In Australia, labour market data are updated.

Trade numbers are meanwhile released in Japan.

China sees the publication of house price figures.

Current account and consumer price numbers are out in the eurozone.

In France, ILO unemployment figures are issued.

The Office for National Statistics releases retail sales numbers.

Initial jobless claims figures are released in the US alongside the latest Philly Fed manufacturing data.

Friday 19 August

Producer price numbers are out in Germany.

Public sector borrowing data are released in the UK.

Meanwhile, Canada sees the releases of inflation and retail sales figures.

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