

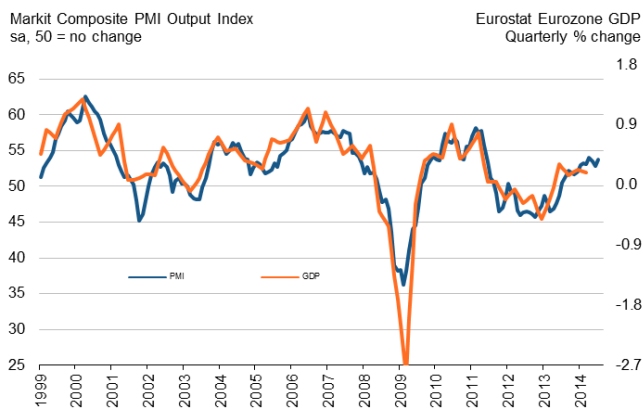
Week Ahead Economic Overview

- **Second quarter GDP for Eurozone and Japan**
- **UK Inflation Report and labour market update**
- **Industrial production data for China and the US**

The week sees the first estimate of second quarter GDP and inflation numbers for the Eurozone amid a labour market update and the publication of the latest *Inflation Report* in the UK. Outside of Europe, key releases include industrial production numbers for China and the US plus Japanese GDP.

There has been mixed news on the performance of the **eurozone** economy in the second quarter. Hopes that growth picked up from the [mere 0.2% expansion in the first quarter of 2014](#) have steadily been eroded by weak official data for many countries. Although Spain's economy grew by 0.6% in the three months to June, Italy fell back into contraction, with GDP down 0.2%. Weak industrial production data meanwhile suggest that even Germany may have struggled to grow. GDP growth in Q2 may therefore disappoint, but the numbers won't affect policy. ECB President Mario Draghi is dismissive of the weakness in the official data, which the ECB sees as largely due to special factors such as an unusually high number of holidays, and policymakers instead remain focused on the [PMI data for the second quarter](#), which are consistent with euro area growth of up to 0.4%.

Eurozone GDP and the PMI



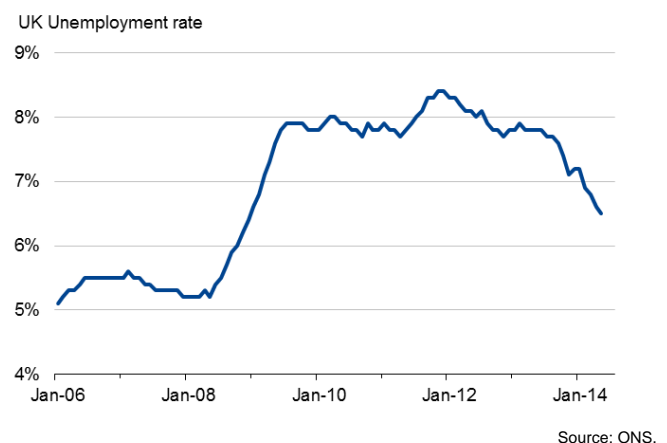
The region also sees the release of final inflation numbers after a first 'flash' estimate showed consumer prices rising at an annual rate of 0.4%, down from

0.5% in June and the weakest since 2009. The ECB expects inflation to start rising again in coming months after the [ECB cut interest rates and introduced a negative deposit rate](#) to help avert the threat of deflation.

In the **UK**, the publication of the Bank of England's quarterly *Inflation Report*, issued alongside updated labour market data, will be the highlight of the week. The report will provide updated inflation and growth forecasts, and should also provide insights into how the Bank sees the economy developing and the timing of the next interest rate rise.

Data from the Office for National Statistics showed that the headline [rate of unemployment dropped to 6.5%](#) in the three months to May and a further fall in the three months to June is likely, possibly down to 6.2%. However, policymakers are reluctant to put the brakes on the economic boom that we are seeing at the moment, fearing weak pay growth means households will struggle to service higher borrowing costs if interest rates rise, potentially causing the recovery to stall.

UK unemployment rate



Industrial production data and retail sales numbers for July are meanwhile released in the **US** and analysts will be looking for further signs that the underlying trend remains healthy after [GDP rose at an annualised rate of 4.0%](#) in the second quarter. [July's PMI results](#) suggest that the manufacturing sector is on course to provide a significant boost to GDP in the third quarter, with output growth close to June's four-year high.

In **China**, industrial production data and retail sales numbers will be eyed for signals that growth in the sector has picked up further from the 9.2% rate seen in June, as has been indicated by recent [PMI data](#).

Second quarter GDP numbers are meanwhile released in **Japan**. The Japanese economy expanded 1.6% in the first three months of the year, but [survey data](#) suggest that GDP grew at a much reduced rate in the second quarter, and possibly even fell, after the sales tax rise took place at the beginning of April.

Monday 11 August

The Bank of Japan publishes its latest monthly economic survey, while the Cabinet Office releases consumer confidence data.

Trade data are released in India.

Russia sees an update on GDP numbers.

The Conference Board Leading Economic Index for June is released in the UK.

Housing starts numbers are meanwhile issued by the Canadian Mortgage and Housing Corporation.

Tuesday 12 August

The UK Commercial Development Activity Report is published by Savills and Markit.

Retail sales numbers are published by the British Retail Consortium.

Inflation numbers and industrial production data are out in India.

Meanwhile, the Bank of Japan issues minutes from its latest meeting, while industrial production numbers and capacity utilization data are other highlights.

Current account numbers are out in France.

Inflation numbers are published in Italy and Portugal.

ZEW publishes its latest economic sentiment data for Germany and the eurozone.

The NFIB Business Optimism Index for July is issued in the US.

Wednesday 13 August

Second quarter GDP numbers are out in Japan.

Consumer confidence data and the Wage Price Index are released in Australia.

In China, industrial production numbers and retail sales figures are the highlights of the day.

Inflation numbers are meanwhile out in Germany, France and Spain.

Trade data are released in Italy.

The UK sees an update on its labour market data, followed by the Bank of England's Inflation Report.

Industrial production numbers are published for the euro area.

In the US, retail sales numbers and business inventories data are out on Wednesday.

Thursday 14 August

The RICS publishes housing costs data for the UK.

China's Conference Board publishes its Leading Economic Index for July.

France updates its labour market data.

Second quarter GDP numbers and inflation data are out in the eurozone.

Export and import prices are released in the US alongside initial claims.

In Brazil, retail sales numbers are issued.

Friday 15 August

The second estimate of Q2 GDP is released in the UK.

Producer price numbers, industrial production data, the NY Empire State Manufacturing Index and consumer sentiment information are out in the US.

Industrial production data are released in Russia.

Businesses are closed in several countries around the world due to the Assumption Day.

Oliver Kolodseike

Economist

Markit

Tel: +44 149 1461 003

Email: oliver.kolodseike@markit.com

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