

Week Ahead Economic Preview

- **Flash PMI surveys to give early indication of economic performance at start of Q3**
- **Eyes on Q2 GDP for US, UK, Spain, France, South Korea and Taiwan**
- **Inflation data for Japan and US**

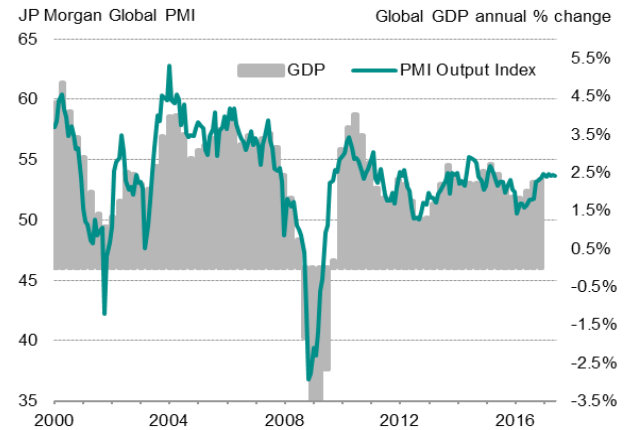
A number of countries see second quarter GDP releases while the flash July PMI data for the US, eurozone and Japan will provide early insights into the health of global economies at the start of the third quarter. Markets will also be on tenterhooks ahead of the latest US Fed policy meeting. Other key data highlights include US home sales and durable goods orders, as well as inflation numbers for Germany, France, Spain and Japan.

The Fed meeting next week is likely to be one of little action. However, any rhetoric will be gleaned for insights into policymakers' appetite for any further tightening of policy. Analysts are generally expecting the central bank to wait until September to outline plans on how it will start to unwind its \$4.5 trillion balance sheet, and until the fourth quarter before announcing the third interest rate hike of the year.

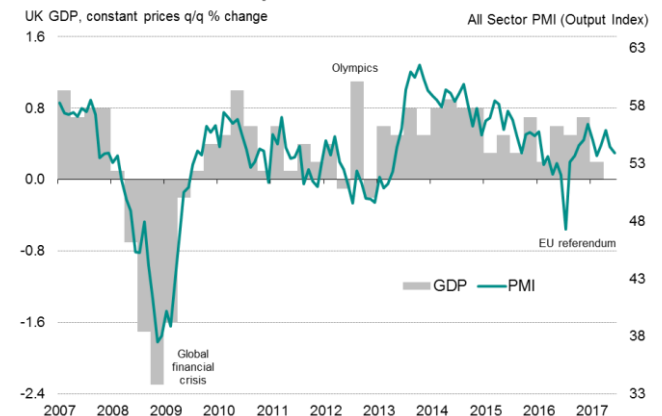
What could however sway the outlook for policy-making decisions is the extent to which US GDP has rebounded after a weak first quarter. A flow of disappointing US official data has come into line with relatively subdued PMI readings, which since April have indicated that economic growth may have failed to recover to any substantial degree in Q2. The flash July PMI data will therefore play a crucial role in gauging the health of the economy at the start of the third quarter, and thereby provide further clues as to the direction of future monetary policy.

Meanwhile, eurozone PMI survey numbers signalled that second quarter growth was running at its fastest for six years and at a level historically consistent with a tightening bias at the ECB. But the recent easing in inflationary pressures and a slight dip in the June numbers has held back the hawks, thus increasing the focus on the release of flash PMI data for July.

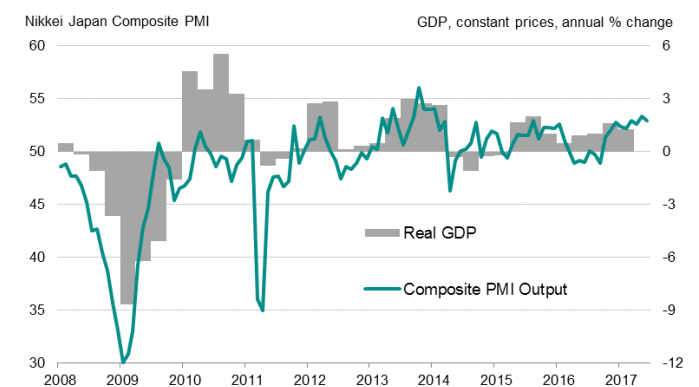
Global economic growth



UK PMI and GDP compared



Japan PMI and economic growth



Sources: IHS Markit, Nikkei, Japan Cabinet Office

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If confirmed, such strong euro area data — especially if accompanied by a pick-up in inflation — will likely add to speculation that the ECB will signal its intention to start tapering its stimulus as early as September. Meanwhile, Spain and France are announcing flash estimates of second quarter GDP; PMI data suggest both will have enjoyed strong performances.

Preliminary estimates of UK second quarter GDP numbers are also released next week, where PMI data suggest a quarterly economic growth rate of 0.4%, marking an improvement on the lacklustre opening three months of the year. Stronger retail sales growth also points to improved second quarter spending. However, recent monthly official data on industrial production and construction have been weaker than the surveys. Furthermore, PMI survey data also highlight the risk of further weakness ahead, with a marked deterioration in optimism about the economic outlook since June's general election.

In Japan, the Nikkei flash manufacturing PMI for July will likewise provide an early steer on the performance of the economy at the start of the third quarter. Despite a slowing in the manufacturing sector in June, recent PMI data have indicated that the Japanese economy continued to see a strong pace of growth in the second quarter. Japan's inflation and retail sales numbers are also updated, and will be scoured for signs of consumption strength.

Monday 24 July

IHS Markit flash July PMI results (US, eurozone, Germany, France and Japan)

IHS Markit UK Household Finance Index

BOJ minutes for June 15-16 meeting

Taiwan industrial production (June)

US existing home sales (June)

Tuesday 25 July

France business confidence (July)

Germany IFO surveys (July)

UK business confidence (Q3)

US S&P/Case-Shiller home prices (May) and consumer confidence (July)

Wednesday 26 July

Australia inflation (Q2)

UK GDP (Q2 first estimate)

US Fed interest rate decision and new home sales (June)

Brazil interest rate decision and consumer confidence (July)

Thursday 27 July

South Korea GDP (Q2 advance)

China industrial profits (YTD June)

Germany consumer confidence (August)

US durable goods orders, wholesale inventories and Chicago Fed National Activity Index (all June)

US home price index (May)

Friday 28 July

South Korea business confidence (July), industrial production and retail sales (June)

Japan inflation (July), retail sales, household spending, and unemployment (June)

GDP for Taiwan, France and Spain (Q2 advance)

UK consumer confidence (July)

Euro area business confidence (July)

Inflation for Germany, France and Spain (July)

Russia interest rate decision

US GDP (Q2 first estimate) and PCE prices

US Michigan consumer conditions (July)

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