

Key events in developed markets next week

Increased business opportunities in the US are likely to translate into another strong ISM services reading next week, but constrained labour supply remains an issue. In the UK, May's GDP data is likely to be solid but the recent flare-up in Covid-19 is likely to result in slower growth in the weeks to come



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US: Growth in business opportunities undermined by limited pool of available workers

With the US celebrating Independence Day it is a shortened trading week that will also see only a limited selection of data releases. The ISM services index is probably the premier number and should show the sector is growing very strongly with increased business opportunities thanks to the reopening. However, as with the manufacturing survey, it will highlight the lack of suitable workers that are available for recruitment.

This story will be reinforced by the JOLT – Job Opening and Labour Turnover – report. It is likely to show a new record for job openings, but that hiring continues to lag far behind given potential workers are either unable or unwilling to take a job. Childcare issues, extended unemployment benefits and upwards of two million people having taken early retirement mean that the pool of

available labour is small right now. Consequently, if firms want to expand to take advantage of the strong growth environment, they will need to pay higher wages to attract staff.

This is already showing up in the “quits” data with 3.1% of all private sector workers having quit their job last month to move to a new employer. We expect a new record high to be seen in the latest JOLTs report. Consequently, businesses are not only having problems recruiting, but an increasing number are having problems with staff retention. This adds to our belief that wage pressures will gradually build in the US economy.

In Canada, we have the jobs report for June. Some Covid containment measures are being eased after reintroduction in April but given the timing of the data collection we don't expect to see much strength in the jobs report this time round. The July release will, however, show much improvement, with Canada at the top of the league table for the proportion of the population having the first dose of the vaccine.

UK: Solid UK May GDP clouded by more recent Covid-19 concerns

In the fast-moving world of Covid-19, May's UK GDP figures now look a little outdated. We expect another solid increase in growth, albeit at a steadier pace than in April. This is essentially because the reopenings in May (indoor hospitality) were a little less impactful from a growth perspective than those in April (shops, outdoor hospitality and recreation). Nevertheless, it was clear through May that confidence had really returned, and consumers were more comfortable with socialising once more. That still seems to be the case, though many of the high frequency numbers have plateaued over recent weeks. Further gains rely on the Delta variant going into retreat, which looks unlikely in the near-term. Cases are rocketing, even if hospitalisations are surprisingly stable, and the risk is that consumers become more risk-averse again over coming weeks. We expect growth to slow from above 5% in the second quarter to a little below 2% in the third.

Developed Markets Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 5 July				
Germany	0855 Jun Markit Services PMI	58.1		58.1
	0855 Jun Markit Composite Final PMI	60.4		60.4
France	0745 May Industrial Output (MoM%)	-		-0.1
	0850 Jun Markit Services PMI	-		57.4
	0850 Jun Markit Composite PMI	-		57.1
UK	0930 Jun Markit/CIPS Services PMI Final	61.7		61.7
	0930 Jun Composite PMI Final	61.7		61.7
Italy	0845 Jun Markit/IHS Services PMI	-		53.1
	0845 Jun Composite PMI	-		55.7
Spain	0815 Jun Services PMI	-		59.4
EuroZone	0900 Jun Markit Services Final PMI	-		58.0
	0900 Jun Markit Composite Final PMI	-		59.2
Tuesday 6 July				
US	1445 Jun Markit Composite Final PMI	-		63.9
	1445 Jun Markit Services PMI Final	-		64.8
	1500 Jun ISM Non-manufacturing PMI	63.5	63.3	64
Germany	0700 May Industrial Orders (MoM%)	2.0		-0.2
UK	0930 Jun Markit/CIPS Construction PMI	64.2		64.2
Spain	0900 May Industrial production	-		48.20%
Eurozone	1000 May Retail Sales (MoM/YoY%)	-/-		-3.1/23.9
Wednesday 7 July				
US	1500 JOLTS job openings (000s)	9400	9344	9286
	1900 FOMC minutes	-	-	-
Germany	0700 May Industrial Output (MoM/YoY%)	3/31.00		-1/26.55
France	0745 Jun Reserve Assets Total	-		191234
	0745 May Trade Balance	-		-6.24
	0745 May Imports, EUR	-		46.85
	0745 May Exports, EUR	-		40.61
Norway	0700 May GDP Month	-		0.3
Thursday 8 July				
US	1330 Weekly Initial Jobless Claims	355		364
	1330 Weekly Cont Jobless Claims	3300		3469.0
	2000 May Consumer Credit	17.5		18.6
Germany	0700 May Exports	0.9		0.3
	0700 May Imports	0.9		-1.7
	0700 May Trade Balance	17		15.9
Netherlands	0530 Jun CPI (YoY% NSA)	-		2.1
	0530 Jun CPI (MoM%, NSA)	-		0.1
Friday 9 July				
UK	0700 May GDP Estimate (MoM/YoY%)	1.3/2.5		2.3/27.6
Italy	0900 May Industrial Output (MoM/YoY%)	-/-		1.8/79.5
Canada	1330 Jun Unemployment Rate	8		8.2
Norway	0700 Jun CPI (MoM/YoY%)	0.0/2.9		-0.1/2.7
Netherlands	0530 May Manufacturing Output (MoM%)	-		0.2

Source: Refinitiv, ING, *GMT

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