

Key events in developed markets next week

With the best part of two months until the next Federal Reserve meeting, all eyes will be on the ISM business surveys next week as they're expected to show a further contraction in the manufacturing industry. After better inflation news in the UK, the BoE is poised for a smaller rate hike. In the eurozone, there will be important GDP and inflation data released



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US: business surveys expected to show a further contraction in manufacturing activity

We now have the best part of two months until the next Federal Reserve meeting with the market seemingly content in the view that we are at or very close to the end of the Fed's tightening cycle and that recession can be avoided as inflation gradually returns to its 2% target. We remain sceptical, but the upcoming data isn't likely to shake the market's mindset. The July jobs report will be the focus with a figure of around 200k expected and the unemployment staying low at 3.6%. Meanwhile, the ISM business surveys are going to show a further contraction in manufacturing activity with the service sector continuing to grow.

We will be closely watching the Federal Reserve's Senior Loan Officer Opinion Survey given it is

such a key leading indicator. It shows that banks have significantly scaled back their appetite to lend and this has been corroborated by weekly lending data suggesting that loan repayments are now outstripping new lending, prompting a decline in the outstanding stock of lending in the economy. Given the importance of credit to the American economy, it's a huge concern that means we continue to see downside risk for economic activity from 4Q onwards. If that is the case it will help to intensify the disinflationary trend happening in the economy.

✓ UK: Bank of England poised for smaller rate hike after better inflation news

Welcome news on UK inflation has taken a fair amount of pressure off the Bank of England to repeat the 50 basis-point rate hike it implemented in June. Services inflation, a key metric for the Bank, dipped back in June's data, against BoE expectations for it to remain unchanged. That was complemented by better news in other areas, including food. Admittedly, this improved story on inflation was tempered by a recent upside surprise to pay growth, but that too was offset by further signs of cooling in the jobs market and an ongoing return of workers. This latter point was acknowledged in a recent press conference by Governor Andrew Bailey.

In short, there's just about enough in the latest data flow for the Bank to be comfortable with reverting back to a 25bp hike in August. While you could reasonably argue that the latest inflation number is just one data point, you could have made a similar argument about the previous month's data, which the Bank said had contained "significant news". We shouldn't rule out a 50bp hike though, especially if the committee concludes that it will likely hike again in September. Governor Bailey explained at the European Central Bank's recent Sintra conference that it was this logic that partly drove the Bank to do a 50bp hike last month.

✓ Eurozone: GDP and inflation data releases on the agenda next week

Even though the ECB only met on Thursday, next week starts with some of the most important data points ahead of the September meeting. GDP and inflation are on the agenda. The first country estimates have been decent, although Germany's stagnating GDP was worse than expected. Overall, GDP is trending very close to zero growth at the moment and the question is whether a small positive growth figure can be reached. For inflation, French data provides some relief, but for the ECB, only a strong drop would be seen as dovish evidence ahead of September. Further in the week, unemployment data will be released - also important as a cooling labour market would soften ECB concerns about inflation persistence, though there's little sign of that so far.

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| Country | Time Data/event | ING | Survey | Prev. |
|---------------------------|--|-----------|---------|----------|
| Monday 31 July | | | | |
| US | 1445 Jul Chicago PMI | 44 | 43.5 | 41.5 |
| Germany | 0700 Jun Retail Sales (MoM%/YoY%) | -0.5/-4.0 | / | 0.4/-3.6 |
| Italy | 0900 Q2 GDP Prelim (QoQ%/YoY%) | -/- | / | 0.6/1.9 |
| | 1000 Jul CPI Prelim (MoM%/YoY%) | -/- | / | 0.1/6.7 |
| Eurozone | 1000 Jul CPI Flash (YoY%) | 5.1 | | 5.5 |
| | 1000 Jul Core CPI Flash (YoY%) | 5.4 | | 5.5 |
| | 1000 Q2 GDP Flash Prelim (YoY%) | 1.1 | | 1 |
| | 1000 Q2 GDP Flash Prelim (QoQ%) | 0.1 | | -0.1 |
| Tuesday 1 August | | | | |
| US | 1500 Jul ISM Manufacturing PMI | 47.5 | 47 | 46 |
| | 1500 Jul ISM Manufacturing Prices Paid | 45 | | 41.8 |
| Germany | 0855 Jul S&P Global/BME Manufacturing PMI | 38.8 | | 38.8 |
| | 0855 Jul Unemployment Rate SA | 5.7 | | 5.7 |
| France | 0745 Jun Industrial Output (MoM%) | - | | 1.2 |
| | 0745 Jul Reserve Assets Total | - | | 212396 |
| | 0745 Jun Trade Balance | - | | -8.418 |
| UK | 0930 Jul S&P Global/CIPS Manufacturing PMI Final | - | | 45 |
| Italy | 0845 Jul S&P Global/IHS Manufacturing PMI | - | | 43.8 |
| | 0900 Jun Unemployment Rate | - | | 7.6 |
| Eurozone | 0900 Jul S&P Global Manufacturing Final PMI | 42.7 | | 42.7 |
| | 1000 Jun Unemployment Rate | 6.5 | | 6.5 |
| Wednesday 2 August | | | | |
| US | 1315 Jul ADP National Employment | 175 | 185 | 497 |
| Thursday 3 August | | | | |
| US | 1445 Jul S&P Global Composite Final PMI | - | | 52 |
| | 1445 Jul S&P Global Services PMI Final | - | | 52.4 |
| | 1500 Jun Factory Orders (MoM%) | 1.8 | -0.1 | 0.3 |
| | 1500 Jul ISM Services PMI | 53 | 53.1 | 53.9 |
| US | 1330 Initial Jobless Claims (000s) | 235 | - | 221 |
| | 1330 Continuing Jobless Claims (000s) | 1725 | - | 1690 |
| Germany | 0700 Jun Exports | 0.8 | | -0.1 |
| | 0700 Jun Imports | 0.9 | | 1.7 |
| | 0700 Jun Trade Balance | 16 | | 14.4 |
| | 0855 Jul S&P Global Services PMI | 52 | | 52 |
| | 0855 Jul S&P Global Composite Final PMI | 48.3 | | 48.3 |
| France | 0850 Jul S&P Global Composite PMI | - | | 46.6 |
| UK | 0930 Jul S&P Global/CIPS Serv PMI Final | - | | 51.5 |
| | 0930 Jul Composite PMI Final | - | | 50.7 |
| | 1200 Aug BOE Bank Rate | 5.25 | 5.25 | 5 |
| Italy | 0845 Jul Composite PMI | - | | 49.7 |
| Spain | 0815 Jul Services PMI | - | | 53.4 |
| Switzerland | 0730 Jul CPI (MoM%/YoY%) | -/- | / | 0.1/1.7 |
| Eurozone | 0900 Jul S&P Global Services Final PMI | 51.1 | | 51.1 |
| | 0900 Jul S&P Global Composite Final PMI | 48.9 | | 48.9 |
| Friday 4 August | | | | |
| US | 1330 Jul Non-Farm Payrolls (000s) | 200 | 190 | 209 |
| | 1330 Jul Private Payrolls (000s) | 180 | 160 | 149 |
| | 1330 Jul Unemployment Rate (%) | 3.6 | 3.6 | 3.6 |
| | 1330 Jul average hourly earnings (MoM%/YoY%) | 0.3/4.2 | 0.3/4.2 | 0.4/4.4 |
| Germany | 0700 Jun Industrial Orders (MoM%) | -3 | | 6.4 |
| UK | 0930 Jul All-Sector PMI | - | | 52.5 |

Source: Refinitiv, ING

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