

## Key events in developed markets next week

Central banks in developed markets are unlikely to shift to a more hawkish stance this week. The US jobs market is still suffering from an insufficient supply of labour, and the Bank of England is waiting of clearer signs of growth



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### **US: No shift in policy stance expected until the jobs market improves**

The first week of August sees the release of a couple of key data points that will help to determine whether the Federal Reserve will be pushed into an earlier tapering of its quantitative easing. The Fed persists with its transitory description of inflation pressures and has made it clear we won't see a shift in its policy stance until there is further significant improvement in the jobs market. With six million fewer Americans in work than before the pandemic started, a big rise in non-farm payrolls will go some way to raising expectations of earlier Fed action.

Firms are desperate to hire in order to take advantage of the stimulus-fuelled growth environment, but the issues have been finding suitable staff that are willing and able to do the work. For example, the National Federation of Independent Businesses reports that a record proportion of small businesses have vacancies they cannot fill, and this is stifling the recovery.

Reasons for this include childcare issues, worries about returning to work amid the ongoing pandemic, early retirement and extended and uprated unemployment benefits that may have diminished the financial attractiveness of going to work.

With many states having ceased these extra unemployment benefits, the pool of available workers should in theory be on the rise and we are hopeful that we can see payroll growth around the 900k mark. As schools return to in person tuition in September this pool should increase further, and we expect to see significant jobs growth that will be the catalyst for an eventual December QE taper announcement.

We will also see the ISM manufacturing index which should report strong demand, but again highlight the supply side strains in the economy that are limiting output growth. Extended supplier delivery times, a massive backlog of orders and low customer inventories are all indicative of the supply chain problems bedeviling the US economy. With price rises continuing, companies are able to pass them on to customers given this environment. This is a key factor that leads us to believe inflation pressures will be more persistent than many at the Fed do - hence our expectation of the first interest rate rises coming through in late 2022.

### **UK: Bank of England unlikely to turn more hawkish, despite recent comments**

We expect the Bank of England to strike a cautiously optimistic tone next week – though crucially we’re unlikely to get any fresh hints on the possible timing of future hikes. Nor are we likely to see an early end to the Bank’s QE programme – something that newly-turned BoE hawk Michael Saunders has recently advocated.

While the Bank is likely to raise its inflation forecast for this year, the near-term growth outlook has become clouded by the rise in Covid-19 prevalence. Meanwhile markets are already pricing a modest amount of tightening over the next year or two, and that suggests little need for the Bank to signal a more concrete timeline for rate hikes just yet.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 2 August</b>					
US	1445	Jul Markit Manufacturing PMI Final	-		63.1
	1500	Jul ISM Manufacturing PMI	60.0	60.5	60.6
	1500	Jul ISM Manufacturing Prices Paid	-		92.1
Germany	0700	Jun Retail Sales (MoM%/YoY%)	-/-	1.8/-	4.2/-2.4
	0855	Jul Markit/BME Manufacturing PMI	-		65.6
France	0850	Jul Markit Manufacturing PMI	-		58.1
UK	0930	Jul Markit/CIPS Manufacturing PMI Final	60.4		60.4
Italy	0845	Jul Markit/IHS Manufacturing PMI	62.6		62.2
Spain	0815	Jul Manufacturing PMI	-		60.4
Norway	0900	Jul Manufacturing DNB PMI	-		60.8
Switzerland	0730	Jul CPI (MoM%/YoY%)	-/-		0.1/0.6
	0730	Jun Retail Sales (YoY%)	-		2.8
	0830	Jul Manufacturing PMI	-		66.7
Greece	0900	Jul PMI Manufacturing	-		58.6
Eurozone	0900	Jul Markit Manufacturing Final PMI	-		62.6
<b>Tuesday 3 August</b>					
US	1500	Jun Factory Orders (MoM%)	-		1.7
Canada	1430	Jul Markit Manufacturing PMI	-		56.5
<b>Wednesday 4 August</b>					
US	1315	Jul ADP National Employment	-		692
	1445	Jul Markit Composite Final PMI	-		59.7
	1445	Jul Markit Services PMI Final	60.5		59.8
	1500	Jul ISM Non-Manufacturing PMI	-	60.2	60.1
Germany	0855	Jul Markit Services PMI	-		62.2
	0855	Jul Markit Composite Final PMI	-		62.5
France	0850	Jul Markit Services PMI	-		57
	0850	Jul Markit Composite PMI	-		56.8
UK	0930	Jul Markit/CIPS Services PMI Final	57.8		57.8
	0930	Jul Composite PMI Final	57.7		57.7
Italy	0845	Jul Markit/IHS Services PMI	58		56.7
	0845	Jul Composite PMI	-		58.3
Spain	0815	Jul Services PMI	-		62.5
Eurozone	0900	Jul Markit Services Final PMI	-		60.4
	0900	Jul Markit Composite Final PMI	-		60.6
	1000	Jun Retail Sales (MoM%/YoY%)	-/-		4.6/9
<b>Thursday 5 August</b>					
US	1330	Jun International Trade \$	-	-71.5	-71.2
	1330	Initial Jobless Claims	-		-
	1330	Cont Jobless Claims	-		-
Germany	0700	Jun Industrial Orders (MoM%)	-		-3.7
France	0745	Jun Industrial Output (MoM%)	-		-0.3
UK	0930	Jul Markit/CIPS Cons PMI	66.3		66.3
	1200	Aug BOE Bank Rate	0.1	0.1	0.1
	1200	Aug Asset Purchase Prog	895	895	895
Canada	1330	Jun Trade Balance C\$	-		-1.39
Netherlands	0530	Jul CPI (MoM%/YoY%)	0.3/1.2		0.2/2
<b>Friday 6 August</b>					
US	1330	Jul Non-Farm Payrolls	900	926	850
	1330	Jul Private Payrolls	-	750	662
	1330	Jul Unemployment Rate	5.7	5.7	5.9
	2000	Jun Consumer Credit	-		35.3
Germany	0700	Jun Industrial Output (MoM%/YoY%)	-/-		-0.3/17.2
France	0745	Jul Reserve Assets Total	-		186242
	0745	Jun Trade Balance	-		-6.8
	0745	Jun Imports, EUR	-		46.2
	0745	Jun Exports, EUR	-		39.4
Italy	0900	Jun Industrial Output (MoM%/YoY%)	1.2/13.3		-1.5/21.1
Canada	1330	Jul Unemployment Rate	-		7.8

Source: Refinitiv, ING, \*GMT

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