

WHAT TO EXPECT NEXT WEEK

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Philippe Waechter
Chief Economist

Twitter: @phil_waechter

Blog: philippewaechter.en.ostrum.com

Soundcloud: phil_waechter

Instagram: economic_dynamics

<https://www.facebook.com/philwaechter/>

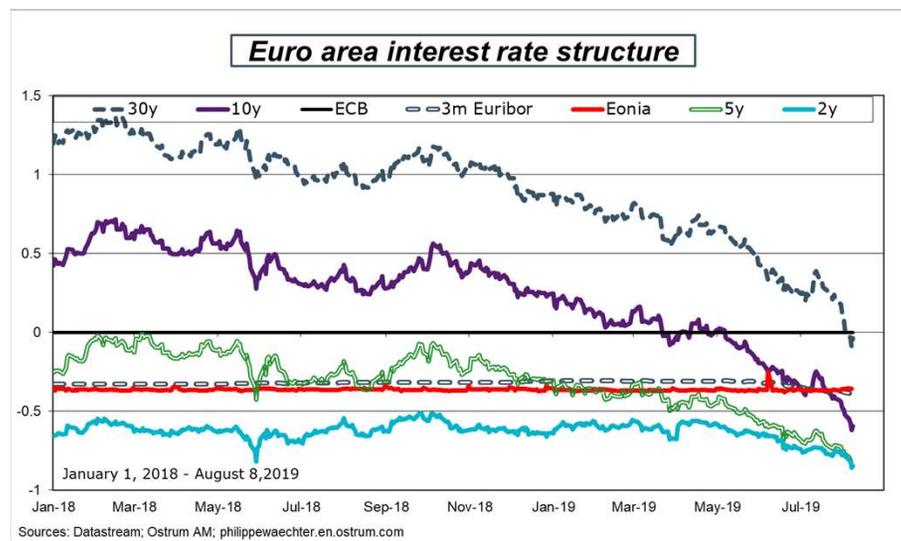


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HIGHLIGHTS

- The recent volatility on financial markets, through lower interest rates, was the consequence of lower expectations on global growth after the White House announcements. In the coming week, there will be data on retail sales in the US (15), China (14) and UK (15). These data will show the robustness of the domestic demand. If these data are strong in the US and in China, financial arbitrage may be modified in favor of risky assets
- GDP growth in Germany will be, in the Euro Area, the most important indicator of the week (14). The industrial production index dropped dramatically in the second quarter (-7.5% at annual rate) and this downturn is consistent with a negative growth figure (probably more than the consensus at -0.1%).
The ZEW survey for August (13) will highlight the duration of this drop
- Employment figures in the Euro Area and the detail for GDP will be released on August the 14th. Employment figures will be important as the unemployment rate is low now (7.5% in June) and the economic dynamics is lower.



NEXT WEEK'S MAIN DATA AND EVENTS

- **Domestic demand will be the main macro aggregate data to look at. Retail Sales in the US for July (August 15), in the UK for July (August 15) and in China for July (August 14)**

The recent volatility on financial market is linked with the uncertainty on global economic growth. Recent surveys have shown weaknesses in developed countries and stability at a low level for emerging countries. Measures taken by the White House on Chinese exports in the US last Thursday implied gloomier expectations on global growth and therefore arbitrage on financial markets between risky and non-risky assets. Interest rates dropped at an historical low level in Europe (all the yield curve is negative) Retail sales is a strong component of domestic demand. Positive figures in July could relax the perception of a rapid slowdown and therefore change the financial arbitrage mentioned above.

One important issue is that the oil price was, on average, at the same level than in June. The drop was seen only in late July and in August. Therefore the boost in retail sales will be seen in August rather than in July.

Nevertheless, weekly data in the US suggest that July retail sales are probably robust. This will not necessarily be the case in the UK. Households are still very pessimistic on the economic momentum for the next 12 months, we cannot expect a rapid and strong rebound. Moreover the current political mess is not the kind of situation that may reduce uncertainty.

The Chinese consumption will also be very important on this issue. It will show the risk on the Chinese growth.

- **German figures with the GDP for the second quarter (August 14) and the ZEW survey for August (August 13)**

Industrial production is on a downside trend. Its quarterly change has been negative in 5 of the last 6 quarters. As the graph in page 4 shows, the current drop in economic activity is strong by historical standard and probably consistent with a recession in Germany.

The ZEW survey for August will give elements on the duration of this GDP drop.

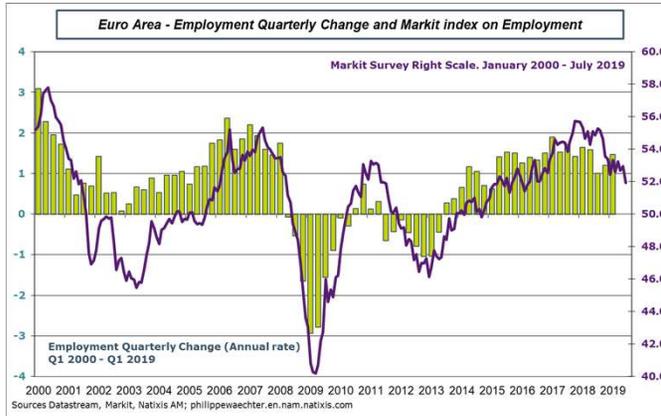
A recession in Germany would be good news for the Eurozone as it would change the German public finance dynamics. Boosting internal demand would improve imports and reduce the too large external trade imbalance. That would be profitable for the Eurozone as it would help to get a more endogenous and autonomous growth dynamics.

- **Many figures in the US on industrial side. The industrial production index for July (August 15), the New York Fed index (Empire State) for August (August 15), the PhillyFed index for August (August 15) and the NFIB (Small companies index) for July (August 13)**

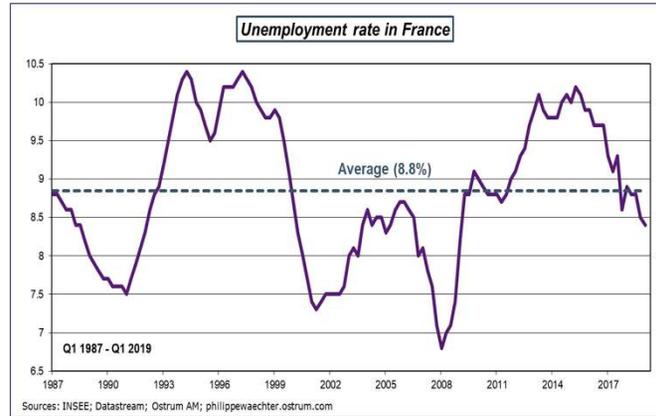
The recent figures show that the industrial dynamics is weaker now. It's what we seen on the Industrial production index in recent months but also on the ISM and Markit surveys for the manufacturing sector. The US business cycle is now weaker on the production side as the White House economic policy implies higher uncertainty and constraints

- **CPI in the UK (August 14) in the US (August 12), in France (August 14) and in Germany (August 13) for July**
Housing starts in the US for July (August 15), productivity and labor costs for Q2 in the US (August 15) Employment, and GDP for Q2 in the Euro Area and Industrial production for June (August 14), ind;production for japan in June (August 15)

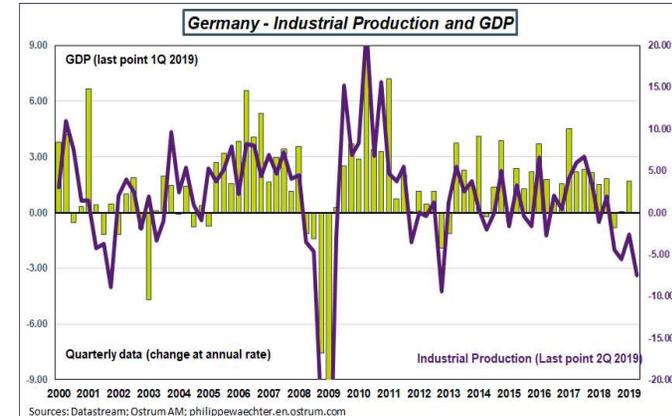
MAIN GRAPHS



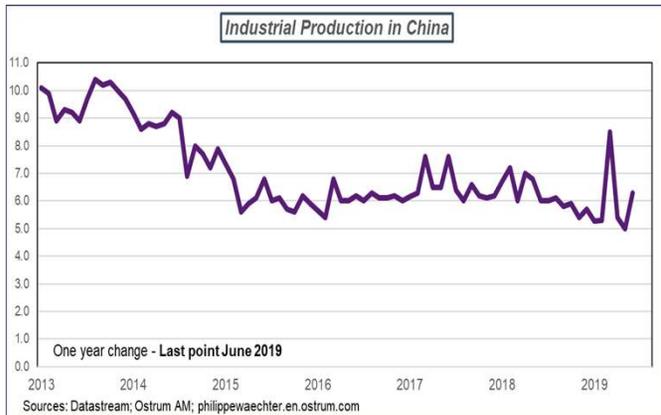
Employment for the Second quarter in the Euro area will be released on August the 13th. The Markit survey shows that the employment momentum is still robust but is no longer accelerating. This is consistent with the slower global dynamics.



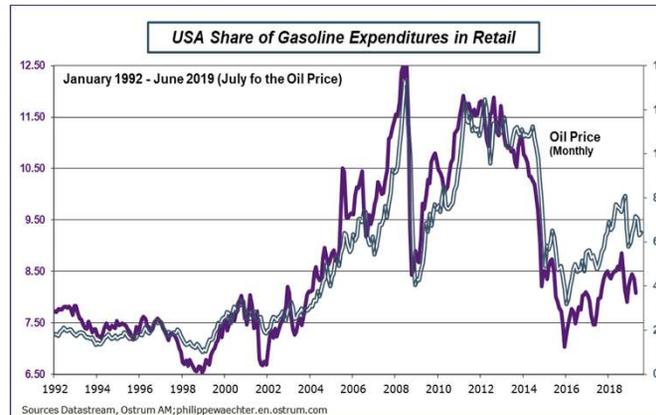
The unemployment rate for France will be released on August the 14th. It will probably be lower than in the second quarter. Employment figures for the second quarter (released on August the 9^h) are still strong and a lower unemployment rate would be consistent with them.



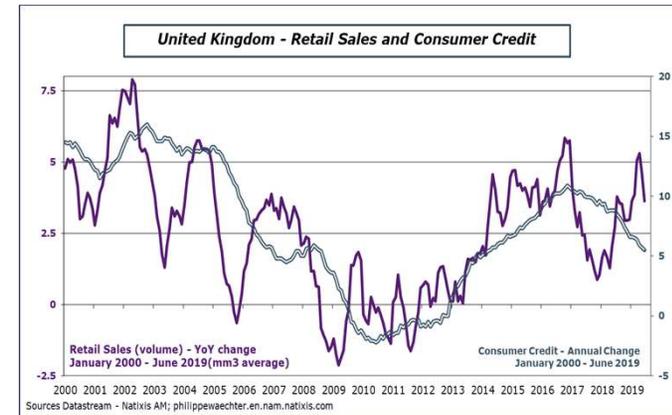
The recent drop in the German industrial production is consistent with a recession in Germany.



Industrial production, Investment and retail sales in China will be released on August the 14th. The industrial production index is important as it may show the impact of the US trade policy.



Retail sales will remain robust in July. The oil price will not be a constraint. In August the lower oil price will boost retail sales



The current economic backdrop in the UK is weaker. There was a boost on sales, on production and on inventories accumulation before the theoretical moment Brexit date. Its postponement has a negative impact.

ADDITIONAL NOTES

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Registered Office: 43, avenue Pierre Mendès-France – 75013 Paris – Tel. +33 1 78 40 80 00

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