Decision Economics: Eurozone Indicator/Event Calendar

2-Aug-19 **You/Husby**

Key Releases (August 5 - August 16)

* Wed 7/31: Real GDP: Eurozone GDP is set to decelerate in Q2 as output in Germany led the slowdown.

(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)

Date	Time (CET)	Time (EDT)		Economic Indicator	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Mon 8/5											
Tue 8/6											
Wed 8/7											
Thu 8/8	10:00 AM	4:00 AM		ECB Economic Bulletin							
Fri 8/9											
Mon 8/12											
Tue 8/13	11:00 AM	5:00 AM	Aug	ZEW Survey Eurozone Expectation	-20.9	-16.6	-2.5	4.5	-1.6	-20.2	-20.3
Wed 8/14	11:00 AM	5:00 AM	Jun	Industrial Production (SA)							
				M/M	2.0	0.0	-0.3	-0.4	0.9	**-0.3**	
				Y/Y	-0.4	0.0	-0.5	-0.4	-0.5	**-0.6**	
Thu 8/15											
Fri 8/16											

Indicator/Event Wrap-Up

While holding all levers untouched Thursday, the **ECB** made an anticipated move toward easing in September, laying out that a package of rate cuts, likely rate tiering to protect bank profitability, and quantitative easing. Expect a 10-20 bps rate cut in September and a likely announcement of asset purchases to begin likely immediately, or at latest around the turn of the year. Measures aren't likely to move the needle on economic outcomes given (as elsewhere) headwinds have causes not amenable to monetary policy solutions, but given flagging performance relative to its mandate and global risks, the central bank will need to

Second quarter **Eurozone GDP** rose an in-line 0.2% q/q, decelerating to 1.1% y/y, from 1.2%, ultimately a tenth firmer than expectations. Core inflation, meanwhile, settles back to 0.9% y/y in the flash July estimate, after 1.1% in June. Moderate growth and too-slow inflation will reinforce expectations of ECB action in September, the package likely to include a limited rate cut and announcement of fresh asset purchases.

Accompanying the output growth slowdown, Eurozone aggregate **inflation** slid to 1.1% y/y in July from 1.3% y/y in June, with the core edging down to 0.9% y/y from 1.0% in prior month. The continuous drop of inflation supports our expectation for ECB's easing measures including a rate cut in September.

Markit **PMI** figures are softer-than-expected in the Eurozone, with the manufacturing survey slipping 0.8 points to 46.4 (A fresh multi-year low after stability the prior four months), and services down 0.3 points to 53.3. The latter measure is still up compared to an average of 51 in December 2018/January 2019. The German manufacturing PMI is still a notable source of weakness, slipping 1.9 points to 43.1, while the services measure there is far sturdier, down just 0.4 points to 55.4. The French manufacturing PMI dips a matching 1.9 points to 50.0, while the services measure falls 0.7 points to 52.2.

Industrial production exceeded expectation in May, jumping to 0.9% m/m from -0.5% in April, supported by strong gains in both capital goods and consumer goods and led by increases in Denmark and France. **German** industrial production came in worse-than-expected in April, sinking to -1.8% y/y or -1.9% m/m, compared to -0.9% y/y or 0.5% m/m in March, dragged by the -2.5% m/m decline in manufacturing and construction output. **France**, on the other hand, released better-than-expected industrial production figures, rebounding 0.4% m/m and 1.1% y/y in April from the -1.1% m/m or -0.7% y/y contraction in March.

DE Assessment, Underlying Themes

Economy: Recovery continues and with better signs increasingly evident, especially consumer momentum. DE sees continued moderate growth, with GDP growth edging up from the 1.8% pace seen in 2016 to around 2.0% in 2017, then 2.0% again in 2018. Risks more balanced now.

Inflation: HICP inflation moving towards the 2% target. Focus on core, likely to stay around 1%, or higher, but also with volatility.

ECB: Policymakers have made it clear to shift to a more dovish stance, with announcement of a new TLTRO program beginning in September, due to the risk of a persistent slowdown coming ahead.

Decision Economics: United Kingdom Indicator/Event Calendar

2-Aug-19 **You/Husby**

Key Releases (August 5 - August 16)

* Fri 8/9: Gross Domestic Product: Q2 GDP is expected to further slowdown due to weak demand home and abroad and elevated uncertainty.

Date	Time (GMT)	Time (EDT)		Economic Indicator	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
				(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
Mon 8/5	9:30 AM	4:30 AM	Jul	Services PMI (SA)	50.1	51.3	48.9	50.4	51	50.2	**50.5 (50.1)**
			Jul	Composite PMI (SA)	50.3	51.5	50.0	50.9	50.9	49.7	**49.6**
Tue 8/6											
Wed 8/7											
Thu 8/8											
Fri 8/9	9:30 AM	4:30 AM	2Q P	**Gross Domestic Product (SA)**							
				Q/Q	0.5			**0 (0)**			
				Y/Y	1.8			**1.4 (1.4)**			
			Jun	Industrial Production (SA)							
				M/M	0.7	0.3	1.4	-2.9	1.4	**-0.2 (0)**	
				Y/Y	-0.3	-0.2	1.4	-1.1	0.9	**-0.1 (-0.1)**	
			Jun	Trade Balance (SA) (£ Million)	-6710.0	-7026	-6531	-3716	-2324	**-2550 (-2650)**	
Mon 8/12											
Tue 8/13	9:30 AM	4:30 AM	Jun	ILO Unemployment Rate 3M (SA)	3.9	3.9	3.8	3.8	3.8	**3.8**	
			Jun	Avg. Weekly Earnings 3M (Y/Y)	3.5	3.5	3.3	3.2	3.4	**3.2**	
Wed 8/14	9:30 AM	4:30 AM	Jul	Consumer Price Index (NSA)							
				M/M	-0.8	0.5	0.2	0.6	0.3	0.0	**0.1**
				Y/Y	1.8	1.9	1.9	2.1	2.0	2.0	**2.0**
				Core CPI (Y/Y)	1.9	1.8	1.8	1.8	1.7	1.8	**1.8**
	9:30 AM	4:30 AM	Jul	PPI Output (NSA)							
				M/M	0.0	0.3	0.1	0.3	0.3	-0.1	**0.1**
				Y/Y	2.1	2.4	2.2	2.1	1.9	1.6	**1.7**
Thu 8/15	9:30 AM	4:30 AM	Jul	Retail Sales (Inc. Fuels) (Volume, SA)							
				M/M	0.9	0.4	1.3	-0.2	-0.6	1.0	**-0.4**
				Y/Y	4.2	4.1	6.8	5.1	2.2	3.8	**3.0**
Fri 8/16											

Indicator/Event Wrap-Up

The **Bank of England** is managing a contingent policy stance, keeping policy rates on hold ahead of Brexit deadlines in coming months. As in the U.S., economic conditions along warrant thinking about an upward adjustment to policy rates, but downside risks and global uncertainty mean that this is no time to take action. The BOE will respond with the rest of us, and the GBP will continue to suffer as inflation stays up, yields stay down, and Brexit risks remain elevated.

CPI remained unchanged at 2.0% y/y in June, with core CPI edging up to 1.8% y/y from 1.7%, with food and apparel prices rising in the month despite lower energy prices. Looking ahead, prices should continue to fall as BoE hold rates unchanged, unless the pound continues to depreciate due to Brexit risks.

U.K. **employment** data came in slightly above expectation in June, with unemployment rate unchanged at 3.8%, and weekly earnings growth rising to 3.4% y/y from 3.2% and earnings growth ex-bonuses rising to 3.6% y/y from 3.2% on a 3m-average basis.

Industrial production rebounded back to positive territory in May, up to 1.4% m/m or 0.9% y/y compared to -2.9% m/m in prior month, but slightly missed estimates due to lower-than-expected manufacturing production figures which rebounded to 1.4% m/m or 0.0% y/y.

April GDP came in below expectation, slowing -0.4% m/m from -0.1% in March. **Q1 GDP** rose an anticipated and strong 0.5% q/q, led by Brexit-related swings in the trade balance (steady exports, strong rise in stockpiling imports), and a solid increase in the consumer spending portion (0.7%), also probably boosted by Brexit buying, but also supported by a solid labor market and wage gains.

DE Assessment, Underlying Themes

Economy: Growth remains soft in 2018, slowing to the worst reading since 2012. Uncertainty related to Brexit process persists, below-par growth to continue in 2019 whatever the final Brexit outcome will be. A hard Brexit will probably be avoided, but the delay of an orderly plan passed in Parliament could hurt policy and growth.

Inflation: CPI has been declining since the second half of 2018, while wages growth accelerates steadily and begins to stabilize.

BOE: The Bank of England should keep rates low and shift to a more dovish stance with the Eurozone and global slowdown. Brexit risk still elevated after Prime Minister Boris Johnson came in office.

Decision Economics: DEU & FRA Indicator/Event Calendar

2-Aug-19 **You/Husby**

Key Releases (August 5 - August 16)

* Wed 8/7: Germany Industrial Production: Expected to decline in June from the temporary pickup in May as trade tensions and weak manufacturing continued.
* Fri 8/9: France Industrial Production: To contract modestly following two consecutive expansions on softer activity worldwide.

Date	Time (CET)	Time (EST)		Economic Indicator	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
				(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
Mon 8/5											
Tue 8/6											
Wed 8/7	8:00 AM	2:00 AM	Jun	Germany Industrial Production							
				M/M	-0.2	0.4	0.4	-2.0	0.3	-0.8 (-0.9)	
				Y/Y	-2.0	0.2	-0.9	-2.3	-3.7	-4.2	
Thu 8/8											
Fri 8/9	8:45 AM	2:45 AM	Jun	France Industrial Production							
				M/M	1.5	0.3	-1.3	0.5	2.1	-0.2	
				Y/Y	2.1	0.7	-0.8	1.1	4.0	2.5	
Mon 8/12											
Tue 8/13											
Wed 8/14	8:00 AM	2:00 AM	2Q P	**Germany Real GDP**							
				Q/Q	0.4			0.1			
				Y/Y	0.7			0.3			
Thu 8/15											
Fri 8/16											

Indicator/Event Wrap-Up

While holding all levers untouched Thursday, the **ECB** made an anticipated move toward easing in September, laying out that a package of rate cuts, likely rate tiering to protect bank profitability, and quantitative easing. Expect a 10-20 bps rate cut in September and a likely announcement of asset purchases to begin likely immediately, or at latest around the turn of the year. Measures aren't likely to move the needle on economic outcomes given (as elsewhere) headwinds have causes not amenable to monetary policy solutions, but given flagging performance relative to its mandate and global risks, the central bank will need to show it is vigilant.

Second quarter **Eurozone GDP** rose an in-line 0.2% q/q, decelerating to 1.1% y/y, from 1.2%, ultimately a tenth firmer than expectations. Core inflation, meanwhile, settles back to 0.9% y/y in the flash July estimate, after 1.1% in June. Moderate growth and too-slow inflation will reinforce expectations of ECB action in September, the package likely to include a limited rate cut and announcement of fresh asset purchases. **France GDP** grew 0.2% q/q or 1.3% y/y in Q2, compared to 0.3% q/q or 1.2% y/y,

Accompanying the output growth slowdown, Eurozone aggregate **inflation** slid to 1.1% y/y in July from 1.3% y/y in June, with the core edging down to 0.9% y/y from 1.0% in prior month. The continuous drop of inflation supports our expectation for ECB's easing measures including a rate cut in September. **Germany Inflation** strengthened unexpectedly to 1.7% y/y from 1.6%, while **France inflation** edged down to 1.1% y/y from 1.2%.

Markit **PMI** figures are softer-than-expected in the Eurozone, with the manufacturing survey slipping 0.8 points to 46.4 (A fresh multi-year low after stability the prior four months), and services down 0.3 points to 53.3. The latter measure is still up compared to an average of 51 in December 2018/January 2019. The German manufacturing PMI is still a notable source of weakness, slipping 1.9 points to 43.1, while the services measure there is far sturdier, down just 0.4 points to 55.4. The French manufacturing PMI dips a matching 1.9 points to 50.0, while the services measure falls 0.7 points to 52.2.

Echoing the downbeat PMI results in the Eurozone and Germany Wednesday, the **German Ifo Confidence Index** slipped markedly on both expectations and current conditions components. The downdraft in expectations is worst since the financial crisis, exceeding the 2012 lows. Results are consistent with further deceleration in real

Industrial production exceeded expectation in May, jumping to 0.9% m/m from -0.5% in April, supported by strong gains in both capital goods and consumer goods and led by increases in Denmark and France. **German** industrial production came in worse-than-expected in April, sinking to -1.8% y/y or -1.9% m/m, compared to -0.9% y/y or 0.5% m/m in March, dragged by the -2.5% m/m decline in manufacturing and construction output. **France**, on the other hand, released better-than-expected industrial production figures, rebounding 0.4% m/m and 1.1% y/y in April from the -1.1% m/m or -0.7% y/y contraction in March.

DE Assessment, Underlying Themes

EZ Economy: Recovery continues and with better signs increasingly evident, especially consumer momentum. DE sees continued moderate growth, with GDP growth edging up from the 1.8% pace seen in 2016 to around 2.0% in 2017, then 2.0% again in 2018. Risks more balanced now.

EZ Inflation: HICP inflation moving towards the 2% target. Focus on core, likely to stay around 1%, or higher, but also with volatility.

ECB: Policymakers have made it clear to shift to a more dovish stance, with announcement of a new TLTRO program beginning in September, due to the risk of a persistent slowdown coming ahead.

Decision Economics: Japan Indicator/Event Calendar

2-Aug-19 **You/Husby**

Key Releases (August 5 - August 16)

* Fri 8/9: Real GDP: Q2 GDP is set to slow due to exacerbated trade conditions and persistently low domestic activity.

Date	Time (JST)	Time (EDT)		Economic Indicator	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
				(Consensus Ests. in parentheses, Green = DE Above, Red = DE Below)							
Mon 8/5											
Tue 8/6	8:30 AM	7:30 PM (-1)	Jun	Household Spending (Y/Y)	2.0	1.7	2.1	1.3	4.0	**1.5 (1.5)**	
			Jun	Labor Cash Earnings (Y/Y)	-0.6	-0.7	-1.3	-0.3	-0.5	**-1.2 (-0.9)**	
Wed 8/7											
Thu 8/8											
Fri 8/9	8:50 AM	7:50 PM (-1)	2Q P	**Real GDP**							
				Q/Q	0.6			**0 (0.2)**			
				Y/Y	0.1			**0.2 (0.4)**			
			Jul	Money Stock M2 (Y/Y)	2.3	2.3	2.4	2.5	2.6	2.3	**2.4 (2.3)**
Mon 8/12											
Tue 8/13	1:30 PM	12:30 AM	Jun	Tertiary Industry Activity (SA) (M/	0.6	-0.6	-0.4	0.8	-0.2	**-0.3**	
Wed 8/14	8:50 AM	7:50 PM (-1)	Jun	Core Machinery Orders (SA) (M/N	-5.4	1.8	3.8	5.2	-7.8	**2.6**	
Thu 8/15											
Fri 8/16											

Indicator/Event Wrap-Up

Two of nine board members at the **Bank of Japan** voted against the decision to keep yield curve settings unchanged at -0.1% and 0% for the short-term and 10yr yield, respectively. There were also no adjustments to forward guidance or asset purchases. Governor Kuroda reiterated the central bank would weigh the benefits and costs of more easing, and the statement was clearer about not hesitating to do more if needed, if the CPI target warrants. The explanation for the current lack of additional easing measures likely comes to that balance of benefits and risks, as observers increasingly believe that kneecapping the domestic banking sector is no path to success, which is what further rate reductions broadly imply.

Industrial production disappointed in June after two months of better-than-expected figures, down -3.6% m/m compared to up 2.0% m/m in prior month, with year-over-year gauge plunging to -4.1% y/y from -2.1% y/y. **Retail sales** figures were above expectation, slowing to unchanged m/m or 0.5% y/y in June. Department store and supermarket sales continued to decline in the month, maintaining the -0.5% y/y decline in May.

July Tokyo CPI figures were in-line with expectation, with headline figure edging down to 0.9% y/y, ex-fresh food gauge unchanged at 0.9% y/y, and ex-fresh food and energy measure holding at 0.8% y/y. **National CPIs** were in-line with expectation, with headline figure unchanged at 0.7% y/y in June. The core gauge excluding fresh food dropped to 0.6% y/y from 0.8% in prior month, while the excluding fresh food and energy measure unchanged at 0.5% y/y.

Tankan survey result came in worse than expected in the second quarter, with large manufacturing enterprises business conditions index falling to 7 from 12 in Q1, and outlook index sliding to 7 from 8. All industry capital expenditure was resilient, which gre 1.2% y/y in 1Q. The low readings may reflect uncertainties related to China's slowdown, Brexit, and unresolved U.S.-China trade issues.

First quarter **GDP** in Japan rose a surprising 0.5% q/q (Consensus: -0.1%; DE: 0.1%), albeit driven in large part by a plunge in imports (-4.6% q/q, or -17.2% annualized) while exports fell 2.4% (or 9.4% annualized). Household and business spending both fell q/q.

DE Assessment, Underlying Themes

Economy: DE is not optimistic about Japan's economy in 2019 due to soft production and consumption outlook, not to mention the global slowdown. But the 2020 Olympic Game related demand, both in private and public aspects, may help to extend the economic expansion.

Inflation: As chances of meeting its inflation target on schedule were never high, BOJ has decided to removed the projection from the Statement. DE expects, thanks to growth initiatives, inflation target could be achieved around fiscal 2019.

BOJ: Central bank doves are firmly in charge, with the BOJ's Kuroda indicating he might consider buying more assets or pull yields lower in order to reach the bank's inflation target.