# August MPC Summary of additional UK and global data – Decision Meeting

By (Euro area), (UK labour market), (UK inflation), (UK housing), and (UK D&O), (Global), (US) and (Asia & EMEs).

This databox covers ID and MA data received/published since August pre-MPC. Data received since the update provided on 31st July are in red.

## International Assessment

EA: The final release of the July consumer confidence data showed a modest fall, in line with the flash release. The fall in consumer confidence was relatively broad based, but indicators of business confidence were more encouraging, with most balances increasing in July.

Greek sentiment indicators deteriorated substantially in the first data released since the imposition of capital controls, with the falls looking broadly consistent with the profile for near-term Greek GDP in the August Draft. The flash release for July €A inflation was 0.2%, in line with our expectations, although the pick-up in core inflation was encouraging. We continue to expect inflation to remain close to current levels in the next few months, before beginning to pick up towards the end of the year.

The €A composite output PMI was revised up to 53.9 in the final release, although it remained down a touch from the June reading. Retail sales fell 0.6% oma in June, with the fall concentrated in Germany. Our GDP projections for both Q2 and Q3 remain at 0.4% oqa.

Asia: Japanese core-core CPI inflation (CPI ex. food & energy) edged up by 0.1pp to 0.5% in June.
In July, both Japanese manufacturing and services PMIs remained strong.

In July, our preferred survey indicators for Chinese activity gave a mixed picture. The official Chinese manufacturing PMI fell (50, -0.2), while Caixin/Markit services PMI rose (53.8, +2).

US: At 0.6% oqa GDP growth was 0.3pp below our nowcast. Two factors contributed to this error: residual seasonality and a greater drag from oil investment. Our nowcast for growth of 0.9% in Q2 included a 0.1pp boost from residual seasonality. As expected, the BEA annual revision has partially resolved these issues. In part reflecting this, 2015 Q1 GDP growth was revised upwards from 0.0% oqa to 0.2% oqa. Therefore, on the back of this release, we remove our residual seasonality adjustments over the forecast. We had been expecting the direct drag on GDP from mining and related investment to stabilise in Q2, at 0.1pp. Instead the drag roughly doubled to 0.2pp.

Annual growth in the Employment Cost Index fell by 0.6pp to 2.0% in Q2. Two jobs reports remain before the September FOMC meeting.

Annual core PCE inflation remained at 1.3% in June although the headline measure increased by 0.1pp to 0.3%.

Although the ISM manufacturing survey fell sharply in July, largely as the employment sub-index weakened, the level of both the ISM and PMI manufacturing surveys remain elevated.

Commodities: US oil inventories fell 4.2mb over the week, while the markets had been expecting a small rise. Despite this, the Brent crude price has fallen by 0.6% since August pre-MPC.

## UK Assessment

Labour market: The data received since pre-MPC do not change our overall assessment on the labour market.

Demand & Output: The data received since pre-MPC do not change our overall assessment. We still expect GDP growth of 0.7% in Q3 2015. Although consumer confidence fell back a little, the move is not large enough to affect our view of consumption prospects.

The ONS has published indicative early estimates of how real GDP between 1997-2013 will be revised in this year's Blue Book (due 30 September). Slightly stronger growth during 2011-13 of around 0.1pp per quarter is similar to the average upward revision incorporated in our backcast, so does not appear to contain significant news for us. It is hard to tell from the information currently published whether there are likely to be similar upward revisions in 2014-15.

Housing market The data received since pre-MPC are weaker than we had anticipated, and therefore suggest downside risks to the Q3 August *IR* forecast.

Inflation The August *IR* forecast uses an average of oil (and other asset) prices over the 15 days to 29 July. The oil price falls since that data cut-off would mechanically lead to a small downward revision to our Q4 forecast which on the rounding would move it from 0.4% to 0.3%. This has not been incorporated into the forecast, but presents a downside risk.

| Region | Key data released since pre-MPC: International and UK | | | Aug MPC | July MPC |
|---|---|---|---|---|---|
| *Euro area* | **EC Confidence Surveys** (released 30 July)<br>The final consumer confidence data were in line with the flash estimate released last week. The decline in consumer confidence was broad based across the euro area. The business sentiment data was more positive however, with increases in both industrial and services confidence. As expected, there was a significant deterioration in measures of economic sentiment in Greece.<br><br>**€A Flash HICP inflation** (released 31 July)<br>The €A inflation flash estimate was in line with our expectations in July, at 0.2% oya. Within this, core inflation (1.0%) was stronger than expected offsetting small downside surprises in both the energy (-5.6%) and food, alcohol and tobacco (0.9%) components.<br><br>**Unemployment** (released 31 July)<br>€A unemployment remained stable at 11.1% in June for the third month in succession. Within this, unemployment was also stable in Germany (4.7%) and France (10.2%), while it increased in Italy (by 0.2pp to 12.7%) and fell in Spain (down 0.1pp to 22.5%).<br><br>**€A PMIs** (released 3 Aug and 5 Aug)<br>The euro-area composite output index decreased to 53.9 in July, down from 54.2 in June and slightly above the earlier flash estimate of 53.7. Within this, the services business activity index fell by 0.4 points to 54.0, and the manufacturing output index was up 0.1 point to 53.7. At the country level the German index remained at 53.7, the French index decreased by 1.8 points to 51.5 and the Italian index also decreased by 0.5 points to 53.5. The Spanish index increased by 2.5 points to 58.3. Greece does not have services PMI, but the manufacturing output PMI fell by 26 points to 18.8, a record low.<br><br>**€A Retail Sales** (5 Aug)<br>Euro-area retail sales fell by 0.6% oma (+1.2% oya) in June 2015. The fall in retail sales was driven by Germany, which fell 2.3% oma. Retail sales also fell in Spain (-0.4% oma), but rose slightly in France (0.1% oma). Data for Italy and Greece are not yet published. On a quarterly basis, €A retail sales growth slowed to 0.3% oqa in Q2, down from 1.0% in Q1. | *EA GDP** | *Q1* | *0.4%* | *0.4%* |
| | | | *Q2* | *0.4%* | *0.5%* |
| | | | *Q3* | *0.4%* | *0.5%* |
| *US* | **US GDP** (released 30 July)<br>US quarterly GDP growth was 0.6% in 2015 Q2 (+2.3% oya). Consumption contributed 0.5pp to the quarterly growth rate. Fixed investment, stocks and net trade all contributed 0.0pp each. At 0.6%, the advance estimate of quarterly US GDP growth in Q2 was 0.3pp below our nowcast of 0.9%. Two factors contributed to this error: residual seasonality, and a greater drag from oil investment. Calendar year US GDP growth is now expected to be 2.3% in 2015 (vs 2.5% in *Aug Draft*). Annual PCE inflation remained stable at 0.2% in Q2, while annual core PCE inflation remained at 1.3%.<br><br>**US Employment Cost Index** (released 31 July)<br>The headline ECI measure of wage inflation increased by 0.2% oqa in Q2, 0.5pp below the Q1 outturn. The wages and salaries sub-index also grew by 0.2% oqa in Q2, down from 0.7% oqa growth in Q1. Private industry compensation was flat in Q2, while growth in government compensation increased by 0.1pp to 0.6% oqa. Annual growth in the headline ECI fell by 0.6pp to 2.0% oya in Q2, the lowest rate since Q1 2014. And annual growth in the wages and salaries sub-index also ticked down to 2.1% oya.<br><br>**US Personal Income and Outlays: June 2015** (released 3 August)<br>Real consumption remained flat in June (+2.9% yoy) as real personal disposable income grew by 0.2% on the month (3.0% yoy). The household savings rate increased by 0.2pp, to 4.8%. The core annual consumption deflator remained at 1.3% in June, while the headline annual consumption deflator increased by 0.1pp to 0.3%.<br><br>**Markit US Manufacturing PMI: July 2015** (released 3 August)<br>The Markit US manufacturing PMI increased in July (53.8, +0.2), in line with the earlier flash estimate. The scores for output (55.3, +1.4) and new orders (55.4, +0.7) increased on the month, while the scores for employment (53.8, -1.8), input prices (52.0, -0.5) and output prices (51.2, -0.1) fell on the month.<br><br>**US ISM Manufacturing: July 2015** (released 3 August)<br>The ISM manufacturing index fell by 0.8 points to 52.7 in July. Production (56.0, +2.0), new orders (56.5, +0.5) and supplier deliveries (48.9, +0.1) increased in July. Whilst employment (52.7, -2.8) fell on the month. | *US GDP** | *Q4* | *0.2%* | *0.0%* |
| | | | *Q1* | *0.6%* | *0.9%* |
| | | | *Q2* | *0.7%* | *0.7%* |
| *Asia & EMEs* | **Japanese CPI: June 2015** (released 31 July)<br>In June, inflation in Japan edged up slightly. Inflation figures are no longer contaminated by the 2014 tax hike. Headline inflation ticked down by 0.1pp to 0.4% oya, core inflation (CPI ex. food) remained the same at 0.0% oya, and core-core inflation (CPI ex. food & energy) edged up by 0.1 pp to 0.5% oya.<br><br>**China manufacturing PMI: July 2015** (released 3 August)<br>In July, both the official Chinese NBS headline manufacturing PMI (50, -0.2) and the Caixin/Markit manufacturing PMI (47.8, -1.6) fell.<br><br>**Japan manufacturing PMI: July 2015** (released 3 August)<br>In July, the Markit Japanese manufacturing PMI for Japan increased (51.2, +1.1).<br><br>**China services PMI: July 2015** (released 5 August)<br>In July, the Caixin/Markit services PMI rose (53.8, +2). Together, the July PMI releases do not change our forecast for Q3 GDP growth of 1.6% (oqa). | *China GDP** | *Q1* | *1.5%* | *1.5%* |
| | | | *Q2* | *1.7%* | *1.6%* |
| | | | *Q3* | *1.6%* | *1.7%* |
| | | | **oqa growth rates, data in yellow* | | |

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| | **Japan services PMI: July 2015** (released 5 August)<br>The Markit Japanese services PMI edged down slightly (51.2, -0.6). Within this, new business growth accelerated to a 26-month peak. | | | | |
| ***Global*** | Including the latest US GDP data, our preliminary world GDP growth (UK-weighted) suggests growth of 2.2% in 2015 (vs 2.3% in the Aug *Draft*).<br><br>**JP Morgan Global Manufacturing PMI: July 2015** (released 3 August)<br>The JP Morgan global manufacturing PMI remained at 51.0 in July. The scores for input prices (51.4,- 1.1), new exports (49.9, -0.9), employment (50.7, -0.2), new orders (51.2, -0.1), all fell on the month. The score for output (51.6,+0.2) increased. | ***World GDP**** | *Q1* | *0.4%* | *0.4%* |
| | | | *Q2* | *0.7%* | *0.7%* |
| | | | *Q3* | *0.6%* | *0.7%* |
| | | **UK-weighted* | | | |
| ***Oil*** | **US Oil inventories** (released 29 July)<br>US oil inventories fell 4.2mb this week, while markets expected a small rise. US oil inventories are now 460mb, 6% below the record high on 24 April, but 63% above their 10-year average level. Spot Brent prices have fallen by 0.6% since August pre-MPC to US$52.4pb, while the futures curve is 0.1% lower than at the time of August pre-MPC. | | | | |
| ***UK Labour Market*** | **REC survey** (released 31 July, and under embargo until 7 August)<br>The REC survey for July shows that the permanent staff placements balance has fallen to the lowest since May 2013, although as highlighted at pre-MPC, other surveys of employment remained robust. Average starting salaries for workers grew at a slower pace on the month. Permanent staff availability balance fell very slightly on the month, in contrast temporary staff availability increased on the month. The vacancy balance remained fairly flat on the month. | | | | |
| ***UK Demand & Output*** | **CBI Distributive Trades** (released 29 July)<br>The total distribution reported sales balance (on a year earlier) was unchanged in July and continued to indicate a marked increase in distribution output, with the balance around its average level from 2014. The expectations balance for August fell back, but remains well above average.<br><br>**GfK/EC Consumer confidence** (released 30 July)<br>Consumer confidence ticked down in July, following a sharp increase in June. All component balances fell, but all remain above average. Slight falls for forward and backward looking balances for the financial situation of households compared to larger ones in the equivalent balances for the general economic situation suggest that households may be viewing events in Greece as more negative for the general economy than for their own finances. The major purchases at present balance ticked down in July, having increased sharply in June to its highest level in nine years.<br><br>**CBI Composite Growth Indicator** (released 31 July)<br>The CBI Composite Growth Indicator* for July shows a tick up in the balance for the volume of output over the past three months, but a tick down in the series for volume of output expected over the next three months. Both series remain well above average.<br>**The CBI Composite Growth Indicator weights together CBI survey results for manufacturing, distribution, consumer, business & professional services output volumes into a monthly aggregate index that covers 75% of the private sector economy.*<br><br>**CIPS/Markit Manufacturing, July 2015** (released 3 August)<br>The manufacturing output index increased in July, but it continues to indicate only a modest increase in output. The expectations index fell slightly for a second consecutive month.<br><br>**CIPS/Markit Construction, July 2015** (released 4 August)<br>The construction output index ticked down in July, while the expectations index fell back by more, having increased to its highest level since early 2004 in June.<br><br>**CIPS/Markit Services, July 2015** (released 5 August)<br>There was a moderate fall in the services output index in July, however the series remains above its average. The expectations index fell slightly for a second successive month.<br><br>Overall, the composite output series ticked down in July, but remains above average, while the composite expectations series fell to its series average.<br><br>**ONS Indicative estimates of the Blue Book 2015 nominal and real measures of GDP between 1997 and 2013** (released 5th August)<br>The profile of growth is broadly unchanged, and average real GDP growth is unchanged over the whole sample. However, upward revisions are more common in later years, meaning the recovery from 2011 looks somewhat stronger. The upward revisions to later years are largely due to an improved method for making exhaustiveness adjustments for the under-coverage of small businesses and concealed income. | | | | |
| ***UK Housing market*** | **Nationwide house price index** (released 4 August)<br>House prices rose by 0.4% in July after falling 0.2% in June. This takes three month on three month inflation to 0.9%, while annual inflation ticked up a little to 3.5% from 3.3%.<br><br>**Halifax house price index** (released 4 August, and under embargo until 6 August)<br>House prices fell by 0.6% in July after rising 1.6% in June. This causes the annual inflation rate to drop back to 7% (from 9.2% in June) and three month on three month inflation is now 2.4%. | | | | |