Essential Reading

July MPC Summary of additional UK and global data – Decision meeting update

By (Asia and EMEs), (US) and (Euro area), (Global and Commodities), (D&O) and (Housing), (Inflation),

This databox covers ID and MA data received/published between 2 July (Pre-MPC) and 8 July. Data received since the update provided on 3 July, ahead of the Discussion meeting, are in red. The assessment section summarises news over the whole period since pre-MPC.

International Assessment

At Pre-MPC we highlighted that GDP news in Q1 had been mixed at best. We didn't see a synchronised or a sustained global slowdown. Data since Pre-MPC confirm this assessment but recent developments in Greece and China increase downside risks.

EA: The June composite PMI was revised up a little compared to the flash release but this doesn't affect our best guess for Q2 which remains unchanged at 0.5%. On 5 July, the Greek public voted 'NO' in a referendum asking them to accept the creditors' most recent offer on structural reforms and debt sustainability analysis. The ECB has maintained ELA for Greek banks at €89bn but increased collateral haircuts. Greek banks remain closed and capital controls are still in place. The creditors have given Greece a deadline of 10 June to submit new written proposals to the Eurogroup, ahead of a €A leaders summit on 12 July. This is now seen as the final opportunity for a deal.

China: May PMI data were a touch weaker than expected, but these do not materially affect our Q2 best guesses which remains at 1.6%, unchanged relative to pre-MPC. Policy action so far has not been effective at stopping the decline in equities: share indices continue to trade lower (they have now fallen by 25% since mid-June), and around 40-50% of Chinese A share companies have apparently been suspended from trading over the past couple of days. There are also some signs that the falls are affecting other markets. The credibility of the authorities in managing the economy through a soft patch is likely to have been damaged to some extent, and there is the risk that actions over the past weekend will be perceived as a panic response and feed wider risk aversion in the stock market. While this could affect confidence more broadly it is difficult to motivate a material impact on the short-run macro outlook from a wealth effect alone. A more worrying prospect is that a continued fall in equities leads to other FS risks crystallising.

US: May trade data were consistent with our forecast, suggesting a neutral impact from net exports in Q1. But the composition gives us upside news to stockbuilding, pushing our Q2 nowcast to 0.9% qoq, 0.1pp higher than at pre-mpc. Labour market data in June showed slack is still eroding quickly, with the rapid pace of job openings continuing and a sharp fall in unemployment to 5.3%, , just 0.1pp above the FOMC's latest estimate for the upper tendency of the longer run rate, although the participation rate also fell..

Commodities: Oil prices have fallen by 7% since pre-MPC and 10% since the last policy meeting. The fall in oil prices has been driven by unexpected positive news from supply indicators but weakness in commodity markets including industrial metals, has also been attributed to equities and an intensification of Chinese slowdown concerns.

UK Assessment

Inflation: The short-term inflation forecast (STIF) uses a 15-day average of oil prices. On that basis, the oil price falls since pre-MPC do not result in a material change to the STIF. But if oil prices were to remain at yesterday's closing price, then we would expect inflation to be about 0.1pp lower from September onwards. (Note, however, only the STIF for November would change when rounded to 1dp, from 0.6% to 0.5%.)

Demand and Output: The data received since pre-MPC do not change our overall assessment. We continue to think that GDP growth picked up in Q2, to 0.7%.

Housing: As discussed at pre-MPC, we have revised up our forecast for house prices over the next year or so relative to the May IR. Taking the new Halifax data together with the Nationwide data that we had seen prior to pre-MPC leaves us broadly in line with the new forecast.

Corporates: The latest quarterly survey of major UK corporates' CFOs was released on 6th July. CFOs 2015 Q2 have a more positive outlook compared to the previous quarter, which Deloitte attribute to political risk and policy uncertainty dissipating following the General Election. Please note, however, that the survey was conducted between 12th and 29th June, and so will not reflect the latest developments in Greece (the referendum was announced on 27th June).

Region	Key data released since pre-MPC: International and UK			July MPC	June MPC
Euro area	**Euro-area Composite PMI: June 2015** (Released 3rd July) The euro-area composite output index increased to 54.2 in June up from 53.6 in May and slightly above the earlier flash estimate of 54.1. Within this, both the services and manufacturing indexes increased on the month. At country level, the German, French and Italian composite indices recorded solid expansions while the Spanish index fell back. **Euro-area Retail Sales: May 2015**(Released 3rd July) Euro-area retail sales increased by 0.2% oma in May 2015. These data support our best guess that domestic demand will remain robust in Q2.	EA GDP*	Q4	0.4%	0.3%
			Q1	0.5%	0.5%
			Q2	0.5%	0.5%
US	**US Non-farm Payrolls: June 2015 (Released 2nd July).** Employment data show non-farm payroll growth in 2015 Q2 averaged 221k per month. This is slightly below our May IR monitoring judgement for non-farm payroll growth to average around 250k per month in Q2 and H2 2015. The participation rate fell sharply to 62.6%. Measures of labour market slack also fell in June, as the unemployment rate decreased by 0.2pp, to 5.3%, and the broader measure of unemployment fell by 0.3pp to 10.5%. Annual growth in average hourly earnings fell by 0.1pp to 1.9% in June. **US International trade: May 2015 (Released 7 July)** The US trade deficit widened by $1.2bn to $41.9bn in May, from $40.7bn in April. In real terms, imports fell by 0.5% oma (3.7% oya) while exports fell by 1.9% oma (-0.5% oya).	US GDP*	Q4	0.5%	0.5%
			Q1	0.0%	-0.2%
			Q2	0.9%	0.7%
Asia & EMEs	**Japan PMI services/ composite** (Released 2nd July) Japanese services PMI rose to 51.8 in June (+0.3 points), the highest in the past nine months, which shows the strengthening in domestic demand. Composite PMI ticked down slightly in June (51.5, -0.1points) but it was above the average of the past 12 months. **China HSBC services PMI** (Released 3rd July) China HSBC services PMI slipped from 53.5 in May to 51.8 in June, the lowest reading since January. Service providers signalled the slowest increase in new orders in 11 months. But the new data do not change our Q2 nowcast.	China GDP*	Q4	1.7%	1.7%
			Q1	1.5%	1.5%
			Q2	1.6%	1.6%
		*oqa growth rates, data in yellow			
Global	**Global Composite PMI: June 2015** (Released 6th July) The global composite PMI fell to 53.1 in June from 53.6 in May. The index rose at the weakest pace in five months, on account of a slowdown in both manufacturing production and service sector business activity growth, particularly in emerging markets. The composite PMI suggests world GDP growth (UK-wtd) of 0.6% (oqa) in Q2, which is slightly weaker than our nowcast of 0.7%.	World GDP*	Q4	0.6%	0.6%
			Q1	0.4%	0.4%
			Q2	0.7%	0.6%
		*World GDP (UK-weighted)			
Oil	**Movements in oil prices** Oil prices have fallen by 7% since pre-MPC to US$56.46pb from US$60.78pb, and 6% across the futures curve. The latest fall in prices reflects primarily further indications of resilient supply, particularly in the US. Data published by the EIA on 1 July showed US oil inventories have risen by 2.4mb after a continuous 8-week fall. To a lesser extent, the confluence of China- and Greece-related risk has had some negative spillover effects on to oil prices. There are continued downside risks to oil prices. The Iran nuclear talks have continued past their 7 July deadline, but a deal is thought likely in the coming weeks.				
UK demand and output	**CIPS/Markit Manufacturing, June 2015** (Released 1st July) The manufacturing output index fell to its lowest level since April 2013. The manufacturing expectations index fell to a nine month low. **CIPS/Markit Construction, June 2015** (Released 2nd July) The construction output index increased in June, to its highest level in four months. There was a pickup in the construction expectations index, which increased to its highest level since February 2004. **CIPS/Markit Services, June 2015** (Released 3rd July) The services output index rebounded in June, following a five-month low in May. There was a slight fall in the services expectations index. Overall, the composite output series (combining services, manufacturing and construction) ticked up in June, driven by the increase in the services output series. The equivalent composite expectations series was broadly unchanged in June. Both composite output and expectations series remain above their average levels. **SMMT new car registrations, June 2015** (Released 6th July) New car registrations picked up by 5.0% in June, driven by business (incl. fleet) registrations. Private registrations fell on the month. Total car registrations increased modestly in Q2 2015 overall, at 1.4% compared with 1.2% in Q1. **Index of Production, May 2015** (Released 7th July) Industrial production increased by 0.4% in May, by only slightly less than we were expecting. Within that, manufacturing was much weaker than expected (-0.6%), while energy surprised to the upside (+2.8%) driven by oil and gas extraction (+7.3%). **NIESR monthly GDP estimate, June 2015** (Released 7th July) The NIESR estimate of GDP indicates output grew by 0.7% in Q2 2015.				
UK housing market	**Halifax House price index, June 2015 (Received 2nd July)** The Halifax index showed that house prices rose by 1.7% in June. This is much stronger than we had expected, although it does follow a weak outturn in May. Combining this with the published Nationwide data gives a monthly increase of 0.7%, which is a little stronger than our May forecast but roughly in line with the updated forecast shown at pre-MPC.				
Corporates	**Deloitte CFO Survey, 2015 Q2 (Received 6th July)** CFOs' uncertainty levels fell for the first time in a year, from 63% to 55%, and willingness to take greater risk onto their balance sheets rose to 59%, up from a two-year low of 51% last quarter. Regarding the top risks facing their businesses, CFOs are less worried about the risk of leaving the EU. The highest business risks are now expected to come from monetary tightening at home and the US, economic weakness in the euro area and weak demand in the UK. Expectations for inflation are higher this quarter with 64% of CFOs expecting inflation to be around the Bank's 2% target in two years' time as opposed to 58% in Q1.				