



# Week Ahead

08 – 14 Aug



Nordea Research, 07 August 2015

## Next week's key events

- **US**

In Thursday's retail sales report for July our focus will as always be on the so-called control sales, which filter into GDP and exclude autos, gasoline and building materials. Following the surprisingly weak June reading (-0.1%) we expect a solid 0.5% increase in control sales in July.

- **Euro area**

Euro area GDP (Fri) probably increased by 0.4% over the quarter in Q2, as in Q1. Recent weakness in industrial production and retail sales in a number of member countries points to a downside risk. ZEW expectations for Germany (Tue) are hard to forecast, with some relief about the Greek "solution" on the one hand and Chinese wobbles on the other. All in all, we expect a small increase after four declines in a row.

- **China**

We do not expect Chinese macro data to deteriorate much more from the current levels, but there is little room for upside surprises. Watch out for exports and imports (Sat) as well as industrial production growth (Wed).

- **Norway**

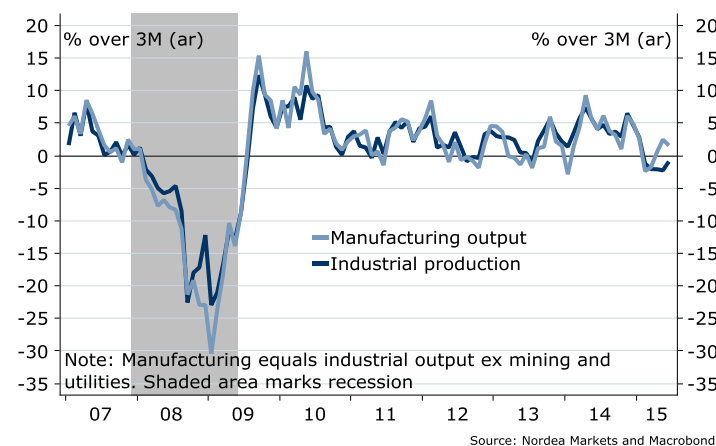
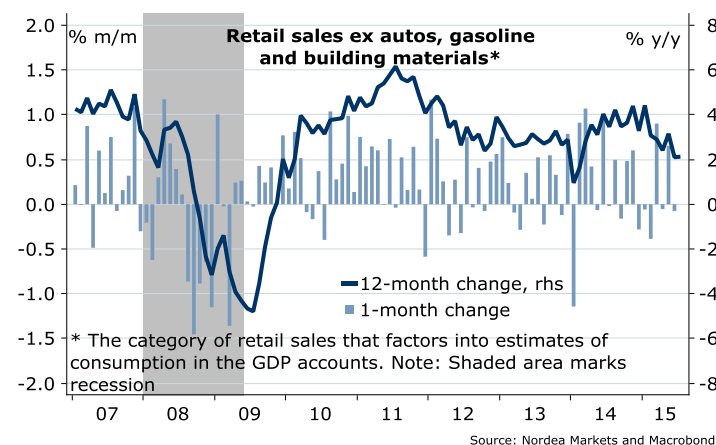
We believe the core CPI figure for June to be an outlier and forecast July core inflation at 2.4% y/y (Mon).

- **Sweden**

We expect CPI to decline (Thu). The main factor driving down prices in July is the summer clothing and footwear sale. Energy prices fell too.

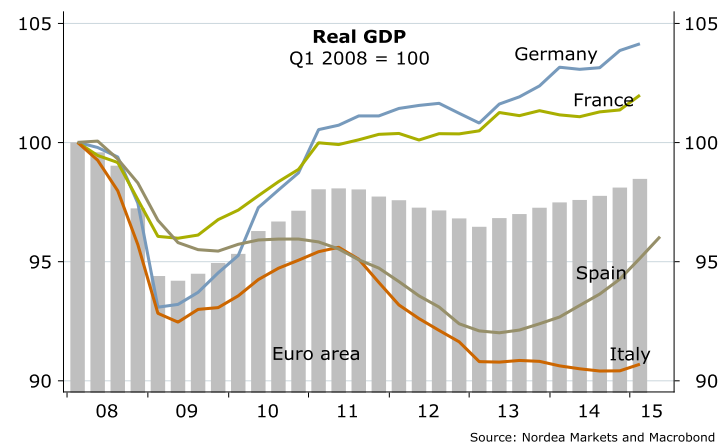
# US: focus on retail sales and other second-tier data

- In Thursday's **retail sales** report for July our focus will always be on the so-called control sales, which filter into GDP and exclude autos, gasoline and building materials. Like overall retail sales, the control group has recently been rather unstable. Following the surprisingly weak June reading (-0.1%) we expect a solid 0.5% increase in control sales in July. Vehicle sales have already been reported solidly in July, so overall retail sales should see a 0.6% gain after -0.3% in June. We continue to believe that falling goods prices is a key reason behind this year's slowdown in retail sales, which are measured in current prices.
- Industrial production** (Friday) probably began Q3 with a solid increase as well, supported by stronger motor vehicle output. Auto sales remained close to a decade high in July. Consensus forecast: 0.3%.
- On Wednesday the Job Opening and Labour Turnover Survey (**JOLTS**) will report on job openings, new hires, and separations including layoffs and quits – important parts of the Fed's labour market assessments. In May the number of job openings was little changed from April's new record high (data extend back to December 2000).



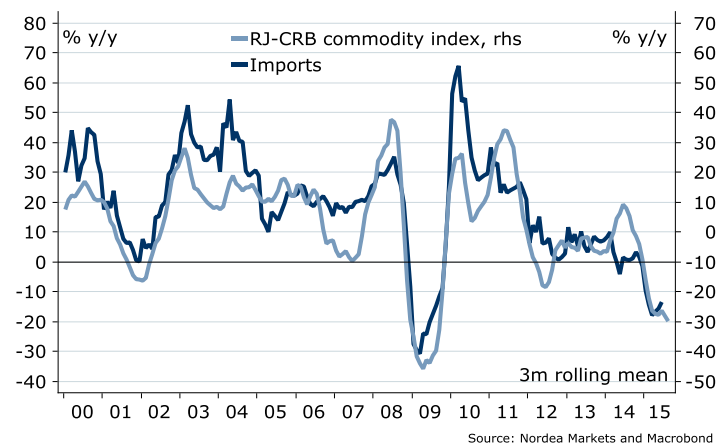
# Euro area: GDP growth stays strong in Q2 (Fri)

- Euro area GDP growth will during the second quarter of the year remain at similar levels as we have seen in the beginning of the year.
- Our forecast for Q2 quarterly growth is 0.4 %. During the whole year we expect the economy to grow at still modest 1.3 %.
- The weak currency together with ECB's expanded asset purchase programme and the still low oil price keep stimulating the monetary union's economy even if the Greek situation has added unwanted uncertainty.
- Insufficient structural reforms and large public and private debt burdens however put a lid on longer term growth potential.
- Spanish preliminary growth numbers, that already have been published, verify that the strong growth momentum in the country remains in place. The Spanish economy grew 1.0 % from the previous quarter, with growth increasing from already high levels.



# China: sluggish macro data (whole week)

- We do not expect Chinese macro data to deteriorate much more from the current levels, but there is little room for upside surprises.
- **Exports and imports** on Saturday are likely to remain sluggish, according to the leading indicators such as PMI export orders and commodity price index (for imports).
- This will likely open the discussion on whether Beijing will weaken the CNY to boost competitiveness. While we do not exclude the possibility of the CNY being used as a policy tool at some point, it will hardly happen now. Just weeks after the largest stock market crash since 20058 and with stock price volatility remains elevated, a firm CNY is what Beijing prefers now.
- In addition, an IMF staff report recommended in early August to delay the decision of including the CNY in the SDR basket by one year to fall 2016. The rising uncertainty of not being included in the SDR this year may give Beijing more incentives for a stable CNY.
- **Industrial production** growth (Wednesday) is likely to stay below 7, even though the housing recovery has improved demand. Producers are in destocking mood, so output will remain suppressed. This was indicated by the unexpected low PMI index for July.



# Norway: core CPI for June was an outlier

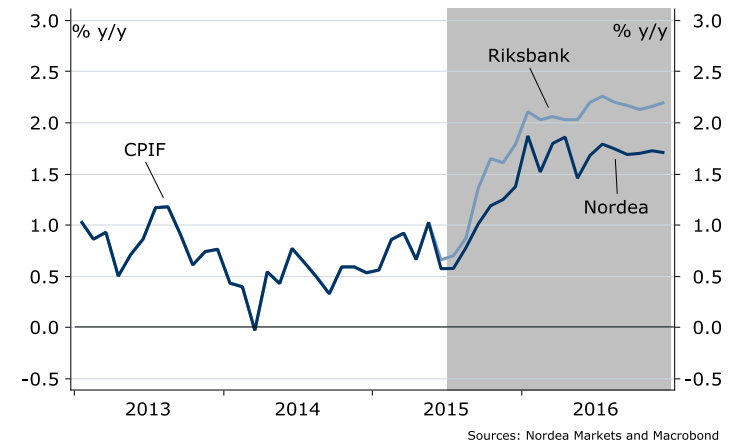
- In June core inflation jumped to 3.2% y/y from 2.4% in May, far above expectations. Norges Bank's June forecast was 2.5%.
- We believe the June figure to be an outlier and forecast July core inflation at 2.4% y/y (**Mon 10:00**).
- The timing of holiday starts meant airfares were sky high in June this year, in contrast to 2014, and will most likely fall in July. Add to this that food prices in July last year increased far above the normal seasonal pattern
- If we are right and inflation fall back the gap to Norges Bank's forecast will fall from 0.7% to 0.2% points (Norges Bank's July forecast was 2.2%). That is not enough to have any significant effect on the outcome of the September meeting and we will keep our forecast for a cut.
- There are a lot of uncertainty connected to our forecast. If core inflation remains at about 3% and there is no obvious reason to believe it is temporary we will leave our forecast for a September cut.
- Consensus is not yet known, but we believe the market also look for an weaker figure than in June.



M-o-m growth this month and same month last year. Contribution to change in y-o-y growth				
M-o-m	Weight	July(14)	July(15)	Contr.to ch.
Food and non-alcoholic bev.	0.14	3.1%	1.0%	-0.31 %
Alcoholic beverages and tobacco	0.04	1.2%	0.8%	-0.02 %
Clothing and footwear	0.05	-5.1%	-5.0%	0.02 %
Housing (incl. rents)	0.20	0.3%	0.2%	-0.01 %
Furnishings etc.	0.07	1.9%	0.5%	-0.08 %
Medical care	0.03	0.6%	0.1%	-0.01 %
Transport ( include airfares)	0.14	1.3%	-1.0%	-0.31 %
Communications	0.03	0.0%	0.0%	0.00 %
Culture and recr. (incl books)	0.12	0.4%	0.2%	-0.03 %
Education	0.01	0.0%	0.0%	0.00 %
Restaurants and hotels	0.06	-0.6%	-0.6%	0.00 %
Misc.goods and serv.	0.10	0.1%	0.2%	0.00 %
Total core inflation	1.00	0.63 %	-0.14 %	-0.8 %

# Sweden: yet another too low CPI reading (Thu)

- We expect **CPI to decline by 0.3% m/m** in July. We see CPIF at 0.6% y/y.
- Thus, we expect CPIF-inflation to remain 0.1% point **below the Riksbank's forecast**.
- The main factor driving down prices in July is the summer clothing and footwear sale. Energy prices fell too.
- We expect a minor increase in food prices. Package holidays and international flights have most likely increased in July as they normally do.
- We see inflation **below the Riksbank's view also going forward**. Consequently, we expect the Riksbank to take further measures.
- Read more [here](#).



Forecasts for July, %	Nordea	Riksbank	Prior
CPI m/m	-0.3		-0.3
CPI y/y	-0.4	-0.3	-0.4
CPIF m/m	-0.2		-0.2
CPIF y/y	0.6	0.7	0.6
CPI, index	312.52		313.33

# Calendar

<b>Saturday, 08/08/2015</b>				Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Jul		-1.5%		2.8%
	CN	Imports (y/y)	Jul		-8.0%		-6.1%
	CN	Trade balance (USD)	Jul		55.00bn		46.54bn
<b>Sunday, 09/08/2015</b>				Nordea	Consensus	Actual	Previous
03:30	CN	CPI (y/y)	Jul		1.5%		1.4%
<b>Monday, 10/08/2015</b>				Nordea	Consensus	Actual	Previous
09:00	DK	CPI (y/y)	Jul	0.4%			0.7%
09:00	DK	CPI, EU harmonized (y/y)	Jul				0.7%
09:00	DK	Current account balance (sa)	Jun	13.0bn			13.8bn
09:00	DK	Industrial production (m/m, sa)	Jun	1.5%			-3.6%
09:00	DK	Trade balance, ex. ships (sa)	Jun	7.0bn			7.9bn
09:00	GB	House prices, Halifax (y/y, 3mma) (Exp 05- 10 Aug)	Jul		8.3%		9.6%
09:30	SE	Industrial orders (y/y)	Jun				5.9%
09:30	SE	Industrial production (m/m)	Jun				0.1%
09:30	SE	Industrial production (y/y)	Jun				3.3%
10:00	NO	CPI (y/y)	Jul	1.4%			2.6%
10:00	NO	CPI, core (y/y)	Jul	2.4%			3.2%
18:25	US	Fed's Lockhart Speaks to the Atlanta Press Club					
<b>Tuesday, 11/08/2015</b>				Nordea	Consensus	Actual	Previous
11:00	DE	ZEW, current situation	Aug	64	63.5		63.9
11:00	DE	ZEW, expectations	Aug	35	30		29.7
14:30	US	Nonfarm productivity (q/q annualised, preliminary)	Q2		1.4%		-3.1%
14:30	US	Unit labor costs (q/q annualised, preliminary)	Q2		-0.2%		6.7%
15:00	US	NFIB small business optimism index	Jul		96		94.1
<b>Wednesday, 12/08/2015</b>				Nordea	Consensus	Actual	Previous
07:30	CN	Fixed asset inv. excl. rural YTD (y/y)	Jul		11.5%		11.4%
07:30	CN	Industrial production (y/y)	Jul		6.6%		6.8%
07:30	CN	Retail sales (y/y)	Jul		10.6%		10.6%
08:00	SE	Prospera, inflation expectations survey					
08:00	SE	Unemployment, Swedish Public Employment Service	Jul				3.9%
10:30	GB	Earnings, ex bonus, average (y/y, 3mma)	Jun				2.8%
10:30	GB	Unemployment rate, claimant count	Jul				2.3%
11:00	EU	Industrial production (m/m, sa)	Jun	-0.6%	0.2%		-0.4%
13:00	US	Mortgage applications, MBA	Aug				4.7%
14:00	RU	GDP (y/y) (Exp 11- 12 Aug) Advance	Q2		-4.5%		-2.2%
16:00	US	JOLTs job openings	Jun				5363

# Calendar

<b>Thursday, 13/08/2015</b>					Nordea	Consensus	Actual	Previous
02:00	KR	BoK announces interest rates (7-day repo rate)	Aug			1.50%		1.50%
08:45	FR	HICP (m/m)	Jul	-0.5%				-0.1%
08:45	FR	HICP (y/y)	Jul	0.2%				0.3%
09:30	SE	CPI (m/m)	Jul	-0.3%				-0.3%
09:30	SE	CPI (y/y)	Jul	-0.4%				-0.4%
09:30	SE	CPI, index	Jul	312.52				313.33
09:30	SE	CPIF (m/m)	Jul	-0.2%				-0.2%
09:30	SE	CPIF (y/y)	Jul	0.6%				0.6%
11:00	SE	SNDO to auction inflation-linked bonds (SEK 1bn)						
14:30	US	Import prices (m/m)	Jul			-1.0%		-0.1%
14:30	US	Import prices (y/y)	Jul					-10.0%
14:30	US	Jobless claims, continuing	Aug					
14:30	US	Jobless claims, initial	Aug					
14:30	US	Retail sales control group	Jul	0.5%	0.5%			-0.1%
14:30	US	Retail sales, ex auto and gas (m/m)	Jul					-0.2%
14:30	US	Retail sales, less autos (m/m)	Jul		0.5%			-0.1%
14:30	US	Retail sales (m/m)	Jul	0.6%	0.4%			-0.3%
16:00	US	Business inventories (m/m)	Jun			0.3%		0.3%
<b>Friday, 14/08/2015</b>					Nordea	Consensus	Actual	Previous
08:00	DE	GDP (q/q, preliminary, sa)	Q2	0.5%				0.3%
08:00	DE	GDP (y/y, preliminary, wda)	Q2	1.5%				1.0%
08:45	FR	GDP (q/q, preliminary)	Q2	0.2%				0.6%
10:00	IT	GDP (q/q, preliminary)	Q2	0.3%	0.3%			0.3%
11:00	EU	GDP (q/q, preliminary, sa)	Q2	0.4%				0.4%
11:00	EU	GDP (y/y, preliminary, sa)	Q2	1.3%				1.0%
11:00	EU	HICP (m/m, final)	Jul	-0.6%				0.0%
11:00	EU	HICP (y/y, final)	Jul	0.2%				0.2%
11:00	EU	HICP core (y/y, final)	Jul	1.0%				0.8%
14:30	US	PPI final demand (m/m)	Jul		0.2%			0.4%
14:30	US	PPI final demand (y/y)	Jul					-0.7%
14:30	US	PPI, core (m/m)	Jul		0.1%			0.3%
14:30	US	PPI, core (y/y)	Jul					0.8%
15:15	US	Capacity utilization	Jul		77.90%			77.80%
15:15	US	Industrial production (m/m)	Jul		0.3%			0.2%
16:00	US	Consumer confidence, U. of Mich., 5-10Y inflation (prelim.)	Aug					2.80%
16:00	US	Mortgage delinquencies (Exp 10-14 Aug)	Q2					5.54%
16:00	US	Mortgage foreclosures (Exp 10-14 Aug)	Q2					2.22%

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