Week Ahead 11th-15th September: Highlights include UK Jobs, US CPI & Retail Sales, ECB and Chinese Activity Data

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- **MON:** Norwegian CPI (Aug)
- **TUE:** EIA STEO, OPEC MOMR; Swedish Unemployment (Aug), UK Unemployment (Aug) & Wages (Jul), Norwegian GDP (Jul), Germany/EZ ZEW (Sep)
- **WED:** IEA OMR; UK GDP Estimate (Jul), US CPI (Aug)
- **THU:** ECB Policy Announcement, Norges Bank Regional Network; Australian Employment (Aug), Swedish CPIF (Aug), US Retail Sales (Aug), IJC (w/e 4th Sep), New Zealand Manufacturing PMI (Aug)
- **FRI:** Quad Witching, CBR Policy Announcement, ECB TLTRO Repayment Publication; Chinese Industrial Output /Production, Retail Sales, House Prices (Aug), EZ Trade Balance (Jul), US Export/Import Prices (Aug), Industrial Production (Aug), NY Fed Manufacturing (Sep), Uni. of Michigan Prelim. (Sep)

NOTE: Previews are listed in day order

NORWEGIAN CPI (MON): The prior reading was broadly in-line with the Norges Bank's own forecast and cemented expectations for the 25bp hike that was delivered in August. The August inflation release will be carefully scrutinised, firstly for signs of the energy upside that has been seen in other European inflation metrics, and secondly for any indication that such pressure is having an impact on other areas of the economy. Irrespective of the release, the Norges Bank has already guided participants towards another hike occurring in September given inflation remains markedly above target. Instead, the data will be more influential when assessing the new policy rate path, which as of June's MPR, looks for an end-2023 peak in the tightening cycle just shy of 4.25%. Evidently, if September sees a 25bp hike then this peak will be subject to an automatic upward revision, with the August inflation data and upcoming regional network survey likely the key factors in determining how much, if any, further tightening will be priced.

UK UNEMPLOYMENT AND WAGES (TUE): Expectations are for the unemployment rate in the 3M period to July to rise to 4.3%, whilst average earnings (ex-bonus) in the 3M/YY period to July are expected to fall to 7.6% from 7.8%. The prior report saw an unexpected jump in the unemployment rate to 4.2% from 4.0%, whilst wage growth remained stubbornly high at 8.2% in the 3M/YY period for June with the caveat that the total growth rate was affected by the NHS one-off bonus payments made in June. This time around, ING flags that the September rate decision will hinge on three variables – services inflation (due the day before the next meeting), private sector wage growth and the vacancy /unemployment ratio (both due on Tuesday). For Tuesday's data, ING expects that headline wage growth will likely remain around 8.2%, albeit "there's an outside risk that we see this nudge slightly lower, on the basis that separate data from firms' payrolls indicated that median pay actually fell in level terms during August". Elsewhere, the desk expects a further modest rise in unemployment, as well as a renewed fall in vacancies. From a policy perspective, the BoE's September meeting is widely expected to see the MPC deliver another 25bps hike and therefore, the upcoming release might be more relevant for pricing beyond September, whereby markets assign a circa 60% chance of another hike by year-end.

UK GDP ESTIMATE (WED): A consensus is yet to be published for the data. The prior report saw M/M growth of 0.5% in June with the better-than-expected outturn attributed to a ramp-up in manufacturing production. This time around, analysts at Pantheon Macroeconomics (forecast -0.2% M/M) expect the upcoming release will likely show that the economy is sluggish but not sliding into recession. Looking under the hood, PM says it would "be shocked if manufacturing output didn't fall in July, after June's 2.2% month-to-month increase". Looking beyond the upcoming release, PM continues to expect GDP to rise by 0.2% quarter-on-quarter in Q3 and by 0.3% in Q4, underpinned by a pick-up in households' real disposable income. From a policy perspective, it is likely that expectations for the September meeting will be guided more by developments in the labour market and on the inflation front with some in the market potentially cynical over relying too heavily on GDP data given the recent ONS revisions which revealed that the UK economy had returned to pre-pandemic levels much quicker than previously thought.

US CPI (WED): Headline inflation is expected to rise 0.5% M/M in August, picking up in pace versus the 0.2% M/M printed in July; the core rate is seen up 0.2% M/M, matching the prior month. Higher energy prices are likely to drive the headline up, but the core rate is seen steady. "While inflation will continue to moderate, the path to 2% price growth will be slow and rocky," Moody's writes, "the ongoing decline in used-vehicle prices will provide some downward pressure, but the biggest shoe yet to drop is related to housing and rent prices, where weakness from late 2022 has yet to show up in the CPI." Fed officials have recently been striking a balanced approach to guiding policy, welcoming the progress already made in bringing price pressures down, but noting that there is still further to go, while generally caveating their policy views around incoming data. From the market's perspective, the FOMC has already reached its terminal rate, and instead, the focus appears to be on when the central bank will begin to cut rates. Recent data releases have seen the timing swing towards May when the data has been weak, and out to July when data has been strong; the CPI data is likely to continue this pattern.

ECB ANNOUNCEMENT (THU): 39/69 analysts surveyed by Reuters expect the ECB to stand pat on the deposit rate at 3.75% with the remaining 30 looking for a 25bps hike to 4.0%. Market pricing leans more in favour of a “pause” with such a move priced at around 63%. As a recap of the July meeting, Lagarde noted that the September decision will be based on the data and the Governing Council is "open-minded". Since July, Q2 Q/Q growth was revised lower to just 0.1% from 0.3% whilst more timely survey data saw the Eurozone composite PMI in August fall to 46.7 from 48.6 with the accompanying release noting that “The disappointing numbers contributed to a downward revision of our GDP nowcast which stands now at -0.1% for the third quarter”. As such, the narrative around the Eurozone’s growth outlook is a particularly negative one. Furthermore, interest rate increases are clearly having an impact on lending in the Eurozone with bank lending to the private sector at just 1.6% Y/Y in July. That being said, the fight against inflation is far from being won with August HICP holding steady at 5.3% Y/Y, the super-core reading still at an elevated level of 5.3% Y/Y and 5y5y forward expectations around the 2.6% mark. This puts the ECB in a bind of needing to be cautious in the face of slowing growth but not conveying a sense of complacency over inflation. Even though inflation is set to fall throughout the remainder of the year, the ECB has been consistent in its messaging that it will be following the actual data rather than projections; such a stance, it could be argued, would suggest that the Bank still has one more hike in its locker. Hawkish bodies on the GC such as Kazimir and Knot appear to subscribe to this view with the former suggesting that one more hike is still required; it remains to be seen how close to a consensus view this is on the GC with President Lagarde continuing to stress the Bank’s meeting-by-meeting approach. If the ECB opts to keep rates steady, ING suggests “…an earlier end to PEPP reinvestments could eventually be the bargaining chip the doves would have to accept for the hawks to agree to a pause”. For the accompanying macro projections, consensus expects the medium-term 2025 inflation projection to be revised lower to 2.1% from 2.2%.

AUSTRALIAN EMPLOYMENT (THU): participants will be eyeing the report to see if the labour market rebounds following the surprise contraction in July. As a reminder, the prior seasonally-adjusted reading was disappointing as the Employment Change showed an unexpected 14.6k decline in jobs (Exp. 15.0k increase), which was solely driven by a drop in full-time jobs and the Unemployment Rate rose to 3.7% vs. Exp. 3.6% (Prev. 3.5%), although in trend terms, employment actually increased by more than 27k and unemployment was steady at 3.6%. There are currently no expectations yet for the upcoming data, while the release is not likely to have any major ramifications on RBA policy with the central bank more focused on inflation and given the upcoming changes, including the impending handover of leadership to Deputy Governor Bullock this month who will steer the Bank through next year’s scheduled reforms.

SWEDISH CPIF (THU): July’s CPIF release was incrementally softer than market expectations, but at 6.4% YY remained above the Riksbank’s 5.9% 2023 forecast and well above the 2% target level. As with other regions, the data will be scoured for any indications that the recent upturn in energy prices is making itself known. In addition, the Riksbank will be attentive to potential signs of the upside influencing other areas of the economy. For the Riksbank, the inflation data may factor into the communication used, but is unlikely to have much bearing on guidance for at least one more hike this year. On that, desks have been lifting their calls for the Riksbank given continued SEK weakness and the Bank's ongoing verbal intervention against it; for instance, the likes of Nordea expect hikes in September and November to a 4.25% peak.

US RETAIL SALES (THU): Retail sales are expected to rise 0.2% M/M in August, cooling from the 0.7% gain in July. The ex-gas and autos measure is seen rising 0.4% M/M, down from a rate of 1.0% in July. While the data set will offer a glimpse on the health of the consumer amid concerns that the economy may slow significantly in the months ahead, traders will also be watching the University of Michigan's prelim survey release due Friday, where the rise in energy prices is likely to have weighed on sentiment.

CHINESE ACTIVITY DATA (FRI): Retail sales Y/Y in August are expected to rise by 2.8% (prev. 2.5%), whilst there is currently no consensus for Industrial Production metrics. The data will be closely watched to diagnose the health of the world’s second-larger economy and to gauge the drip-feed of stimulus seen over recent weeks. Using the anecdotal commentary from Caixin PMIs as a proxy, the release suggests that “Trends diverged on a sector basis, with a renewed upturn in manufacturing sales counteracting a growth slowdown in the service sector." The Senior Economist at Caixin noted "Overall, the manufacturing sector improved in August, the services sector grew at a slower pace, and there was still considerable downward pressure on the economy… Looking ahead, seasonal impacts will gradually subside, but the problems of insufficient domestic demand and weak expectations may form a vicious cycle for a protracted period of time." To recap, the July data saw several downside surprises. Chinese Industrial Production YY printed at 3.7% vs. Exp. 4.4%, Chinese Retail Sales YY at 2.5% vs. Exp. 4.5%, and Chinese Urban Investment YTD YY 3.4% vs. Exp. 3.8%. The PBoC that day cut the MLF rate, the 7-day Reverse Repo rate, and the 7-day and 1-month SLF rates. ING analysts at the time warned, "Now the idea of a consumer-spending-led recovery is looking very vulnerable.".