

Highlights include: Japanese, UK, Canadian and NZ inflation reports, ECB, Global Flash PMIs, Aussie and UK jobs

- **MON:** Holiday: Japanese Marine Day (Jul), Chinese LPR (Jul), German PPI (Jun), Canadian CPI (Jun), NZ Inflation Rate Y/Y (Q2)
- **TUE:** Norwegian Unemployment Rate (Jun), UK Unemployment Rate (May), German/EZ ZEW Economic Sentiment (Jul), US ADP Employment Change Weekly, South Korean PPI (Jun)
- **WED:** Eurogroup EU-UK summit, Japanese Balance of Trade (Jun), UK Inflation (Jun), South African CPI (Jun)
- **THU:** South Korean GDP (Q2), Aussie Jobs (Jun), ECB Policy Announcement (Jul), CBRT Policy Announcement (Jul), SARB Policy Announcement (Jul), Canadian Retail Sales (May), US Jobless Claims (Jul), EZ Consumer Confidence Flash (Jul)
- **FRI:** CBR Policy Announcement (Jul), Global Flash PMIs (Jul), Japanese CPI (Jun), Swedish PPI (Jun), Unemployment Rate (Jun), UK Retail Sales (Jun), US Building Permits (Jun), Canadian PPI (Jun)

WEEK AHEAD

CHINESE LPR (MON): The PBoC will announce China's benchmark lending rates next week and is widely expected to leave them unchanged, with the 1-year Loan Prime Rate at 3.00% and the 5-year Loan Prime Rate at 3.50%. These rates serve as the benchmark for most new loans and mortgages, respectively. The LPRs have remained unchanged for 13 consecutive months and are likely to stay at current levels in the near term, as the central bank is seen preferring to adjust policy through its daily liquidity operations. It also introduced overnight reverse repo operations late last month to improve the efficiency of interest rate transmission. China's recent economic data has been mixed, supporting a wait-and-see approach. GDP growth slowed to 4.3% Y/Y in Q2, missing expectations of 4.4% and down from 5.0%, leaving it below the government's 2026 growth target of 4.5%-5.0%. However, activity data was more encouraging, with both industrial production and retail sales exceeding forecasts in June. The latest trade data also beat expectations across all major components, giving policymakers scope to maintain the status quo.

NEW ZEALAND INFLATION (MON): Westpac expects annual inflation to rise to 4.1% from 3.1%, citing continued strength in energy prices amid the US-Iran conflict. This is slightly above the RBNZ's forecast of 3.9% and is therefore likely to reinforce hawkish expectations for the Bank. However, policymakers may focus on whether higher energy prices are feeding through to other components of inflation. Even so, Westpac analysts said weakening demand could limit businesses' ability to pass higher costs on to consumers. Money markets currently price a 66% chance of a rate hike at the RBNZ's September meeting and fully price in an increase by October.

CANADIAN CPI (MON): The June inflation report is expected to show a moderation in price pressures, reflecting the continued decline in energy prices throughout the month. However, as with the May release, the data is likely to receive less attention given renewed tensions in the Middle East and the subsequent rebound in oil prices to around USD 80/bbl. At its July meeting, the BoC said, "CPI inflation is expected to stay elevated in June and then ease gradually in the coming months, returning to around 2% in early 2027, although this forecast is dependent on the path for oil and gasoline prices". In May, headline CPI rose 1.0% M/M, above expectations of 0.7% and up from 0.4% previously, while annual inflation accelerated to 3.2% from 2.8%. Core CPI increased 0.6% M/M from 0.2% previously, while the annual core rate edged up to 2.2% from 2.1%.

UK JOBS REPORT (TUE): April's report was a somewhat stronger-than-expected series, though the internals seemingly showed that firms remained cautious about making new hires. After the data, at the June BoE, Governor Bailey said the labour market was showing some further softening, while Mann said such activity had seen a moderation. A softening that speaks against any tightening, works against current market expectations for 36bps of tightening by end-2026 and chimes with the on-hold for the foreseeable narrative. For the tally to May, the unemployment rate is once again seen ticking up to 5%, reverting back to March's figure after defying consensus for an increase to 5% from 4.9%. Wages may lift, given the period's PMI cited "strong wage pressures" as a factor in lifting input costs. However, the report is likely to be somewhat looked through given this week's Middle East escalation, and as we look to June's CPI on Wednesday and then the July Flash PMIs on Friday.

UK INFLATION (WED): June's PMI showed that while price pressures were elevated, some of the Middle East related pressure had started to moderate given the MoU signing; however, that has been somewhat unwound by the latest flare up in tensions between the US and Iran. Nonetheless, the June CPI series should show a moderation in the headline from May's 2.8% Y/Y rate, driven by declines in the energy-related components. As a reminder, the BoE's June view is 3.1% Y/Y. For the BoE, a moderation from the prior rate would be welcome, though given the uncertainty currently seen around the Middle East situation and recent energy upside, such a print is likely to do little more than reinforce the on-hold for the foreseeable narrative, though market pricing may moderate marginally from the currently 36bps implied end-2026 tightening. Conversely, an unexpected pick-up from the prior rate would fan the growing hawkish voices at the BoE, with Greene and Pill hawkish dissenters and Mann's 'activist' language potentially indicative of her not being too far from such a vote.

AUSTRALIAN JOBS REPORT (THU): Employment change is expected to print at 15k, softer than the prior 40.3k, while the unemployment rate is seen steady at 4.4%. The 3-month average of the employment change has fallen since the strong start of the year, with Westpac thinking there is some genuine weakness in the labour market. Employment growth has effectively stalled over

April and May and on a 3-month average basis, employment is growing well below the pace of the working-age population, the firm says.

ECB POLICY ANNOUNCEMENT (THU): ECB is widely expected to keep rates on hold at its July confab, given recent economic data, commentary from policymakers and lower energy prices (relative to recent extremes). On the domestic footing, EZ data has pointed towards keeping rates steady in July. Headline inflation in June (Y/Y 2.8% vs prev. 3.2%) and the Services component also eased from the prior (3.2% vs prev. 3.5%). Given the lack of evidence that second-round effects are feeding through into broader prices, the ECB has scope to hold rates at its forthcoming meeting, Oxford Economics wrote. On the activity side, June PMIs improved from the previous month, suggesting the growth slowdown could be bottoming out. The accompanying commentary said that the "near-unprecedented cooling of cost pressures" will moderate some hawkish views and reduce the odds of near term tightening. However, the July PMI report is due a day later and is likely to be clouded by heightened uncertainty over the renewed US-Iran conflict and rebound in energy prices. This will keep policymakers on their toes and set the stage for ECB President Lagarde to reiterate her familiar "data dependent" and "meeting by meeting" approach. To remind, she said late June that there was no evidence of second-round effects that warranted a "more forceful policy response at this stage". That prompted a dovish adjustment, with traders effectively pricing out a back-to-back move. She later clarified, however, that "we are more likely to face shocks in the coming years that push inflation away from target". Money markets assign a 15% probability of a 25bps rate hike in July, c. 90% probability for September, and fully price in a move by October. As a result, July's focus is on guidance for September or, more likely, any more general clues from policymakers on the trajectory of the economy and policy.

CBRT POLICY ANNOUNCEMENT (THUR): The CBRT is due to announce its latest policy decision on 23rd July, with analysts divided between a rate cut and no change. At its previous meeting, the central bank left its key policy rate unchanged at 37.0%, while maintaining the interest rate corridor at 450bps, with the upper and lower bounds at 40.0% and 35.5%, respectively. Consensus had expected the MPC to leave rates unchanged, although views were split. Since then, annual inflation has eased to 32.1% in June from 32.6% in May, helped by lower energy prices following the US-Iran memorandum of understanding, which has since broken down. Despite the softer inflation reading, most analysts continue to forecast year-end inflation above the CBRT's 26% target, including Goldman Sachs and MUFG at 30%, suggesting interest rates are likely to remain higher for longer, particularly after the renewed escalation in Gulf tensions. Governor Karahan recently ruled out resuming weekly repo funding before the meeting, saying it would not be appropriate to restart operations ahead of the decision as the Bank wanted to assess the latest inflation data first.

SARB POLICY ANNOUNCEMENT (THUR): The South African Reserve Bank is due to announce its latest policy decision on Thursday, 23rd July, with PNC expecting it to leave the repo rate unchanged at 7.00%, although the decision is seen as finely balanced. Inflation has accelerated following the conflict in the Middle East and the failure of the ceasefire to hold. Reflecting the worsening inflation outlook, Bank of America now expects the SARB to raise the repo rate by 25bps to 7.25% next week, taking the prime lending rate to 10.75%. PNC expects headline inflation, due one day before the policy decision, to rise to around 4.7% in June from 4.5% in May. While this remains well above the MPC's 3% target, it argues the increase is largely driven by higher fuel prices resulting from the conflict with Iran. PNC added there is still little evidence of meaningful second-round inflation effects and expects inflation to ease to around 4.3% in July, remain near that level in August and then drift towards 4.0% by year-end. It also believes the June inflation data is unlikely to influence the MPC's decision, as the committee will have completed its forecasts before the release. After the SARB raised rates by 25bps at its previous meeting, with four members voting in favour and two preferring no change, PNC said the early, pre-emptive increase reduces the likelihood of another hike in July. However, it acknowledged that renewed conflict in the Middle East and higher oil prices over the past week have made the decision more finely balanced. In its latest comments, Governor Kganyago said inflation expectations had risen slightly and reiterated that future policy decisions would remain data dependent.

UK FLASH PMI (FRI): June's series showed a positive end to Q2 for the manufacturing sector, while services saw a loss of momentum Q/Q, hit by cost pressures, weak demand and ongoing uncertainty. Though, the price narrative was improving. However, the recent resurgence in energy benchmarks on renewed Middle East strikes and fresh restrictions/levies around the Strait of Hormuz mean price pressures may well return, but at the very least business uncertainty will pick up once more in July. Furthermore, uncertainty may be exacerbated by the imminent appointment of Burnham as PM, with particular focus on who his Chancellor selection is. Participants will digest the data to see how the balancing act between price pressures and an otherwise tepid economy are faring, in the context of the recent hawkish repricing.

EZ FLASH PMI (FRI): The report will cover July, a period marked by persistent geopolitical uncertainty, the closure of the Strait of Hormuz and a rebound in energy prices. As PMI surveys typically cover the first two to three weeks of the month, the data should capture the latest escalation and is likely to point to growing pessimism among European businesses. This follows a solid June PMI release, which suggested the euro zone economy remained resilient enough to avoid recession, albeit with no growth. The July report will be published after the ECB's policy decision, at which interest rates are expected to remain unchanged. With the ECB's next meeting scheduled for September and another PMI release due beforehand, the report may attract less attention from policymakers.

JAPANESE CPI (FRI): Expectations are for headline inflation to rise to 1.7% Y/Y, from 1.5%, while the core inflation figure is seen rising to 1.6% Y/Y from 1.4%. Contrary to the market consensus, analysts at Mizuho expect core CPI, the BoJ's preferred inflation measure, to gradually cool in the next few months, driven by a continued slowdown in food price inflation. However, the firm sees higher crude prices from the Iran conflict to feed into inflation and therefore expects prices to rise thereafter. Core inflation is expected to stay below the BoJ's 2% target through autumn 2026 before rising to 2.5-3.0% through early 2027, according to Mizuho. For the BoJ, markets are expecting the Bank to hold rates at its July meeting.

WEEK IN REVIEW

FED CHAIR WARSH TESTIMONY (TUE): In his pre-House testimony text release, he said that if they get policy right, and they will, the inflation surge of the last five years will be a thing of the past and reiterated that the Fed has no tolerance for persistently elevated inflation. Warsh added that the balance sheet task force will probe the advantages and disadvantages of the ample reserves regime and explore alternatives. Following his text, Warsh testified in the House and noted that inflation is a choice. The Fed wants economic growth to be more broad-based, and the central bank is committed to the inflation target and price stability, once again stressing the importance of returning inflation to target. On the balance sheet, any change in balance sheet policy would be previewed, explained and broadly communicated in advance. Later on, he added that they have inherited a large balance sheet and are open-minded to reform. As always, spoke on a broad range of topics, and said his best guess is AI will augment work, not replace, and that AI may be disruptive for jobs in the near term but will create new jobs. Speaking on today's inflation metrics, noted it does not say mission accomplished, and does not think that after today's CPI report, everything is swell. The Chair added that it is one data point, do not want to overread or cherry-pick data, and that he is doubling down on the 2% inflation target. Warsh said the June CPI was soft relative to expectations, and not cherry-picking, there is still plenty of work to do. Said it is incorrect that he prefers the Dallas trimmed mean measure of inflation and needs new measures to understand underlying inflation. Doesn't think QE is inherently inflationary, especially in a crisis, and in periods of crisis, is willing to be quite aggressive with the balance sheet.

CHINESE ACTIVITY DATA (TUE/WED): The latest Chinese GDP and activity data was mixed. GDP growth slowed to 4.3% Y/Y in Q2, below expectations of 4.4% and down from 5.0%, marking the weakest pace of growth since late 2022 and falling short of China's official 2026 full-year growth target of 4.5-5.0%. Q/Q growth also eased to 0.9% from 1.3%, in line with forecasts. By contrast, June activity data was more encouraging. Industrial production rose 5.3% Y/Y, beating expectations of 4.7% and accelerating from 4.5%, while retail sales unexpectedly returned to growth, rising 1.0% Y/Y versus expectations for a 0.1% decline after a 0.6% fall previously. However, fixed asset investment continued to weaken, contracting 5.7% Y/Y year-to-date versus expectations of a 5.0% decline after a 4.1% contraction previously, while the unemployment rate edged down to 5.0% from 5.1%. The mixed data suggests policymakers have scope to remain patient while assessing the outlook for the domestic economy and global developments. China's National Bureau of Statistics said economic activity remained within a reasonable range and attributed the slowdown in Q2 mainly to short-term and external factors, while adding that the expansion had laid a solid foundation for achieving the full-year growth target. ING economist Lynn Song was more cautious, describing the data as a significant deceleration and highlighting the sharp contraction in investment alongside only modest growth in retail sales.

US CPI (TUE): US CPI was cooler-than-expected in June, and will temper some of the hawkish bets recently seen after Governor Waller said that another firm core inflation reading this week would see him consider a near-term rate hike. If it was hot, Waller said he would take it as a signal, not noise, adding that he would need to see several months of softer core inflation before becoming confident that price pressures were moving back towards target. Highlighting some of the winding back of hawkish bets, post-data, for July 4.2bps of hikes are priced in (vs. 9.8bps pre-data), and by year-end now 32.7bps (prev. 41.1bps). Looking at the metrics, headline M/M printed -0.4% (exp. -0.1%, prev. 0.5%) with Y/Y at 3.5% (exp. 3.8%, prev. 4.2%). Core M/M came in at 0.0% (exp. 0.3%, prev. 0.2%), with Y/Y at 2.6% (exp. 2.9%, prev. 2.9%). The index for energy fell 5.7% in June after rising 3.9% in May, 3.8% in April, and 10.9% in March. Overall, the print will quell some of the fears of sticky inflation, for now, but as Waller said on Monday, he would need to see several months of lower core inflation to feel inflation is moving in right direction, and if inflation comes down [in the next reading], he will need a couple more that way to see that as a signal. Fed Chair Warsh speaking after the data also said that today's data does not say mission accomplished, and he does not think that everything is "swell", while reiterating his commitment to the 2% target. Oxford Economics notes headline inflation has tentatively peaked, but the bigger takeaway from the downside surprise was the benign reading of core prices, and while the Fed is worried about a broadening out of inflationary pressures, and that wasn't evident in the June CPI details. Ahead, and as Oxford points out, there are three inflationary forces that the Fed is on high alert for: tariffs, AI, and oil passthrough. Tariff effects were not discernible, while AI-related price pressures weren't as evident as expected. Digging through the details, OxEco notes there was some sign of oil passthrough to certain consumer goods, and this feedthrough process could take longer than expected, given recent events in the Middle East. Looking ahead to PCE, Oxford suggests it won't be as soft as the CPI, but it will still allow Fed officials to resist pressure to hike in their upcoming meeting and reinforces their baseline forecast for them to leave rates unchanged for 2026. Numerically, their prelim nowcast of the PCE index sees a 0.2% M/M decline in the headline index and a 0.1% increase in the core index. Pantheon Macroeconomics provisionally estimated the core PCE deflator rose by 0.16% in June, allowing the inflation rate to drop to 3.3%, from 3.4% in May.

US PPI (WED): The June PPI report was softer than expected, reinforcing the benign inflation message from Tuesday's CPI release. Headline PPI declined 0.3% M/M (exp. +0.3%), reversing May's 1.1% increase and falling below the lowest analyst estimate of -0.2%. This left annual PPI at 5.5% Y/Y, beneath both the 6.2% consensus and the prior 6.5% reading. Core PPI rose 0.2% M/M, below the 0.4% consensus and the prior month's pace, leaving the annual core rate at 4.7% Y/Y, below expectations of 5.2% and down from 4.9% previously. Meanwhile, super core PPI (excluding food, energy and trade services) increased just 0.1% M/M, slowing from 0.8% in May, while the annual rate was unchanged at 5.1%. Within the report, the PPI components that feed into the PCE inflation measure were generally encouraging. Portfolio management prices slowed sharply to 0.51% from 4.80%, although air transportation services accelerated to 1.88% from -0.33%. Healthcare-related components were mixed but, on balance, leaned softer. The report provides further evidence that inflation pressures eased in June and supports the view that a near-term Fed rate hike may not be necessary. However, policymakers are likely to remain cautious. Chair Warsh reiterated on Tuesday that the Fed is not out of the woods yet, while Governor Waller said earlier this week that he would need to see several more benign inflation prints before concluding that inflation is sustainably moving back towards target. Oxford Economics noted that lower energy prices were a key driver of the decline in headline PPI and expects another energy-led fall in July. On core prices, the consultancy highlighted that strong AI-related demand continues to support producer prices for technology goods, particularly amid shortages of DRAM memory chips, suggesting inflation in that sector is likely to remain elevated. Following the latest CPI and PPI data, Oxford Economics continues to forecast headline PCE inflation at 3.7% Y/Y, marking a further slowdown from 4.1% in May.

BOC POLICY ANNOUNCEMENT (WED): The BoC left its policy rate unchanged at 2.25%, in line with expectations. The Governing Council said it remains comfortable that the current policy rate is appropriate to support the economic recovery while returning inflation to its 2% target. Governor Macklem reiterated that the BoC is looking through the direct impact of higher oil prices on

inflation but warned that "the longer they remain elevated, the bigger the risk they spill over to other goods and services". He added that if higher oil prices begin feeding more broadly into inflation, consecutive rate hikes may be required to keep inflation under control. Elsewhere, the Monetary Policy Report raised the Bank's 2026 inflation forecast and lowered its growth forecast, while making the opposite revisions for 2027. Policymakers continue to expect CPI inflation to remain elevated in June before easing gradually over the coming months and returning to around 2% in early 2027. The BoC also left its neutral policy rate estimate unchanged at 2.25-3.25%, reflecting limited evidence that higher energy prices have passed through broadly to other consumer prices.

SNB MINUTES (THU): The SNB released the minutes of its June meeting, at which it left interest rates unchanged at 0.00%, in line with expectations. The minutes contained no material new information and largely reiterated the policy statement and subsequent press conference. One notable point was the observation that "although inflation risks have increased in recent months and stronger second-round effects are possible, there is no immediate need for action". This reinforces market expectations that the SNB will remain on hold for the foreseeable future.

BOK POLICY ANNOUNCEMENT (THU): The Bank of Korea unanimously decided to raise its 7-day repo rate by 25bps to 2.75%, as expected. The Bank indicated that further tightening remains possible as growth and inflation risks strengthen. BoK said 2026 growth is likely to considerably exceed its 2.6% May forecast and acknowledged that core inflation could come in above its previous 2.4% projection. It noted that future decisions will depend on the timing of any further increase in inflation pressures, the pace of economic improvement and financial stability conditions. Governor Shin said all major components of South Korea's GDP remain robust and warned that sustained strength in GDI could intensify demand-side price pressures. He explicitly said the BoK will respond until inflation stabilises at its target level, while how actively it responds to inflation risks will depend on incoming data, with Q2 GDP to be assessed closely. Policymakers will also monitor exchange-rate volatility, the housing market, household debt growth and the impact of higher rates on the Bank's special loan programmes.

UK GDP (THU): Not much was learned from the latest UK GDP data. The economy grew by 0.1% M/M in May, broadly in line with expectations, while revisions left April's reading in contractionary territory. The ONS said the modest expansion in May was driven entirely by the services sector, with both production and construction weighing on the headline figure. For the BoE, the latest data does not justify more policy tightening than markets currently price. While the figures point to modest growth broadly in line with expectations, policymakers are likely to focus on next week's labour market and inflation data, as well as the fiscal implications of the incoming prime minister. ING questioned the strength of the report, noting that while the headline figure points to resilient growth, survey data and labour market indicators remain weak. It expects growth to slow to 0.1-0.2% in the third quarter and estimates Q2 growth at 0.4%. Pantheon Macro raised its Q2 GDP forecast to 0.3% from 0.2% following the release and said its measure of underlying GDP, which excludes volatile sectors and the effects of tariff front-running, tax changes and supply disruptions, increased by 0.3% M/M. Pantheon added that, for the BoE, a prolonged period of rates on hold remains the base case, although resilient growth is one reason why a rate hike appears more likely than a cut. Lloyds said it was unlikely any MPC members would change their votes on the basis of the report, noting that the data was broadly in line with expectations and reinforced the view that UK economic activity has held up better than anticipated.

US RETAIL SALES (THU): US retail sales rose 0.2% M/M in June (exp. 0.2%, prev. 1.0% revised from 0.9%), while sales excluding autos fell 0.2% M/M (exp. -0.1%, prev. 0.8%). However, the details were firmer, with retail sales excluding autos and gasoline rising 0.4% M/M (prev. 0.5%) and the closely watched control group increasing 0.5% M/M (exp. 0.5%, prev. 0.7%), in line with expectations. Within the report, the strongest monthly gains were seen in motor vehicle & parts dealers (+1.9%), nonstore retailers (+1.9%), sporting goods, hobby, musical instrument & bookstores (+1.3%), and electronics & appliance stores (+0.8%), while gasoline stations (-5.3%) posted by far the largest decline, alongside weaker sales at health & personal care stores (-0.8%), clothing & clothing accessories (-0.3%), miscellaneous retailers (-0.3%), and food & beverage stores (-0.2%). On an annual basis, headline retail sales rose 6.7% Y/Y. Analysts at ING suggest the retail sales data appears consistent with Q2 GDP real consumer spending growth of a touch above 2%, a marked improvement on the 0.5% annualised rate in Q1.

Copyright © 2026 Newsquawk Voice Limited. All rights reserved.

Registered Office First Floor, 10 Chiswell Street, London, EC1Y 4UQ · Registered Number 12020774 · Registered in England and Wales.

newsquawk.com · +44 20 4545 5000 · sales@newsquawk.com