BARCLAYS

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Global Economics Weekly
US sidesteps EM volatility

- **Sentiment toward Turkey has stabilized, but medium-term vulnerabilities remain substantial and markets continue to penalize currencies with weak fundamentals.**
- **We see contagion risk from Turkey as a relatively low-risk outcome. History indicates EM volatility is unlikely to knock the US economy, or the Fed, off course.**
- **The exception to this view may be further slowing in China, where weakness in demand is ongoing. Further fiscal easing is needed.**
- **We see the BoJ's new forward guidance as flexible and think it premature to conclude that it rules out a move toward normalization this fiscal year.**

Developed Economies

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Q3 activity data to date point to a solid start to Q3 and we expect output to expand at 3.0% q/q saar, driven by solid consumer demand and investment.

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Euro area Q2 GDP was revised up to 0.4% q/q. Solid domestic demand is consistent with growth picking up slightly in H2 18. However, downside risks remain.

UK: 'No-deal' rhetoric masks a more constructive outlook 15
The July inflation report showed a mixed set of drivers and a marginal uptick. Meanwhile wage pressures continue to decrease.

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The BoJ's forward guidance (FG) on policy rates may not be strict FG, but rather "state-dependent" FG that can change depending on the economy and prices.

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The broad-based moderation in July data suggest domestic demand remains weak, as it may take more time for recent policy easing to provide visible supports.

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Bank Indonesia raised the policy rate 25bp, to 5.50%, taking the cumulative increase this year to 125bp. We expect another 25bp rate increase this year.

EEMEA: After turmoil comes some relief 27
The sharp sell-off in the Turkish lira has sent shockwaves across EM globally, with ARS, ZAR, COP and RUB the most affected.

Latin America: Bolder policy action, but only where needed 30
Despite external volatility, Brazil's and Mexico's central banks are unlikely to hike for the time being. We expect the BCB to continue to rely on FX swaps instead

GLOBAL FORECASTS

		Real GDP % over previous period, saar					Real GDP % annual change			Consumer prices % over a year ago				Consumer prices % annual change		
	Weight#	1Q18	2Q18	3Q18	4Q18	1Q19	2017	2018	2019	1Q18	2Q18	3Q18	4Q18	2017	2018	2019
Global*	***100.0***	4.3	3.9	3.8	3.7	4.3	3.9	4.0	4.0	2.2	2.4	2.6	2.5	2.1	2.4	2.4
Advanced	*42.2*	1.6	2.7	2.4	2.4	2.2	2.2	2.3	2.1	1.8	2.1	2.3	2.1	1.8	2.1	1.8
Emerging*	*57.8*	6.2	4.7	4.8	4.6	5.8	5.2	5.3	5.2	2.8	2.8	3.1	3.2	2.7	3.0	3.2
BRIC	*38.9*	6.9	5.8	5.8	5.4	6.6	5.7	6.1	6.0	2.6	2.4	2.8	2.9	2.2	2.7	3.1
Americas*	***26.6***	2.5	2.7 ↓	2.9	2.9	2.3	2.1	2.5 ↓	2.5	2.4	2.9	2.9	2.7	2.5	2.7	2.5
United States	*19.0*	2.2	4.1	3.0	3.0	2.5	2.2	2.8	2.6	2.2	2.7	2.7	2.4	2.1	2.5	2.2
Latin America*	*7.6*	3.1	-0.8 ↓	2.7 ↑	2.8	1.9	1.7	1.7 ↓	2.3	3.5	3.6	4.2	4.1	4.3	3.9	4.1
Argentina	*0.9*	4.7	-14.4 ↓	-5.1	-0.8 ↑	1.6 ↓	2.9	-1.2 ↓	1.5 ↓	25.3	27.1 ↑	32.3 ↑	34.0 ↑	25.3	29.9 ↑	26.7 ↑
Brazil	*3.2*	1.8	0.2 ↓	4.6 ↑	3.6 ↑	1.8	1.0	1.7 ↓	2.3	2.8	3.3	4.5	4.3	3.4	3.7	4.5
Colombia	*0.7*	2.8	3.5	4.4	3.3	1.2	1.8	3.0	3.4	3.5	3.1	3.2	3.2	4.3	3.3	3.2
Mexico	*2.4*	4.6	1.2	2.4	2.2	2.0	2.0	2.3	1.9	5.3	4.6	4.7	4.6	6.0	4.8	3.9
Peru	*0.4*	2.4	3.0	3.9	6.8	3.2	2.5	3.2	3.5	1.0	1.2	1.1	1.9	2.8	1.3	2.2
Venezuela	*0.4*	34.9	-32.7	-33.3	-53.9	111.4	-13.9	-18.7	-5.0	6555	27604	100134	198276	1119	153042	1392
Asia/Pacific	***48.5***	6.3	5.3	5.6	5.3	6.2	5.5	5.71	5.6	2.1	2.0	2.2	2.2	1.7	2.1	2.4
Japan	*5.3*	-0.9	1.9	1.6	2.1 ↑	1.8	1.7	1.0 ↓	1.3 ↑	0.9	0.8	1.1	1.0	0.5	0.9	1.0
Australia	*1.2*	4.2	2.0	3.0	3.6	3.2	2.2	2.9	3.0	1.9	2.1	2.0	2.0	1.9	2.0	2.3
Emerging Asia	*42.0*	7.3	5.9	6.2	5.7	6.8	6.1	6.4	6.2	2.4	2.3	2.4	2.5	1.9	2.4	2.7
China	*22.5*	7.2	6.4	6.4	6.5	6.5	6.9	6.7	6.5	2.2	1.8	2.1	2.2	1.6	2.1	2.3
Hong Kong	*0.4*	9.2	1.8	2.0	2.4	4.9	3.8	4.2	3.5	2.4	2.1	1.6	2.8	1.5	2.2	2.0
India	*9.3*	10.1	6.8	6.8	5.4	10.3	6.2	7.7	7.5	4.6	4.8	4.7	4.3	3.3	4.6	5.1
Indonesia	*3.2*	4.4	6.2	5.8	5.8	5.3	5.1	5.3	5.5	3.3	3.2	3.6	3.9	3.8	3.5	4.0
South Korea	*2.0*	4.1	2.8	3.0	2.8	2.4	3.1	2.8	2.7	1.3	1.5	1.1	1.9	1.9	1.5	2.0
Malaysia	*0.9*	5.6	1.1 ↓	10.0 ↑	5.5 ↑	4.6 ↓	5.9	5.2	4.8	1.8	1.3	0.6	1.0	3.8	1.2	2.0
Philippines	*0.9*	5.9	5.3	8.2	7.0	7.0	6.7	6.4	7.0	3.9	4.7	5.6	5.0	2.9	4.8	3.5
Singapore	*0.5*	2.2 ↑	0.6	2.2 ↓	2.6	2.6	3.6	3.0	2.8 ↓	0.2	0.4	0.8	0.9	0.6	0.6	1.1
Taiwan	*1.2*	0.8	3.1	2.4	3.2	1.2	2.9	2.8	2.3	1.6	1.7	1.7	1.3	0.6	1.5	1.5
Thailand	*1.2*	8.1	1.6	3.9	3.2	4.9	3.9	4.2	4.2	0.7	1.4	1.4	1.2	0.7	1.2	1.6
Europe and Africa	***24.9***	2.1	2.2	0.9	1.3	2.6	2.7	2.2	2.0	2.0	2.4	2.9	2.7	2.4	2.5	2.3
Euro area	*13.9*	1.5	1.5	1.9	1.8	1.9	2.4	2.1	1.8	1.3	1.7	2.1	1.9	1.5	1.7	1.5
Belgium	*0.5*	1.3	1.3	1.6	1.5	1.3	1.7	1.5	1.3	1.6	2.2	2.7	2.5	2.2	2.2	2.2
France	*2.8*	0.6	0.7	1.4	1.5	1.7	2.3	1.6	1.6	1.5	2.1	2.5	2.4	1.2	2.2	1.6
Germany	*4.1*	1.5	1.8 ↑	1.4	2.1	2.3	2.5	1.9	1.9	1.3	1.9	2.0	1.8	1.7	1.8	1.6
Greece	*0.3*	3.1	1.5	2.0	2.4	2.5	1.3	2.1	2.3	0.3	0.7	1.2	1.3	1.1	0.9	1.0
Ireland	*0.3*	-2.3 ↓	4.1	3.6	2.4	2.6	7.2 ↓	5.9 ↓	3.2	0.5	0.4	0.7	0.6	0.3	0.6	0.3
Italy	*2.3*	1.1	1.0	1.2	1.0	1.2	1.6	1.2	1.1	0.9	1.0	1.7	1.9	1.3	1.4	1.8
Netherlands	*0.9*	2.3	2.8 ↑	4.1 ↑	2.4	1.9	3.0 ↓	3.0 ↑	2.5 ↑	1.3	1.4	1.7	1.8	1.3	1.6	2.0
Portugal	*0.3*	1.8	2.0 ↓	2.7	2.2	1.9	2.7	2.2	2.0	0.9	1.2	2.0	2.0	1.6	1.5	1.7
Spain	*1.7*	2.8	2.3	2.5	2.2	2.1	3.1	2.7	2.2	1.1	1.8	2.4	1.9	2.0	1.8	1.7
United Kingdom	*2.8*	0.9	1.5	1.5	1.3	1.6	1.7	1.3	1.3	2.7	2.4	2.3 ↑	2.1 ↑	2.7	2.4	2.0 ↑
EM Europe & Africa	*8.2*	3.6	3.6	-0.9	0.4	4.0	3.5	2.8	2.5	4.1	4.8	6.1	6.1	5.1	5.2	5.7
Poland	*1.1*	6.6	3.5	2.1	3.1	5.0	4.6	4.4	3.7	1.6	1.8	1.9	1.6	2.0	1.7	2.4
Russia	*3.9*	1.4	4.2	0.3	0.4	1.5	1.5	1.8	1.8	2.3	2.4	3.4	4.2	3.7	3.0	5.0
Turkey	*2.1*	8.0	2.8	-6.0	-2.2	8.8	7.4	4.0	3.2	10.3	12.8	15.8	14.7	11.1	13.4	11.1
Israel	*0.3*	4.5	3.3	3.0	2.8	3.5	3.3	3.7	3.5	0.2	0.7	1.3	1.0	0.2	0.8	1.0
South Africa	*0.7*	-2.5	3.0	2.0	2.2	2.0	1.2	1.3	2.3	4.1	4.5	5.0	5.0	5.3	4.6	5.5

Note: Arrows appear next to numbers if current forecasts differ from that of the previous week by 0.5pp or more for quarterly annualized GDP, by 0.2pp or more for annual GDP and by 0.2pp or more for Inflation. Weights used for real GDP are based on IMF PPP-based GDP (5yr centred moving averages). Weights used for consumer prices are based on IMF nominal GDP (5yr centred moving averages)". # IMF PPP-based GDP weights for 2017. * Aggregates for CPI exclude Argentina and Venezuela inflation rates & aggregates for Real GDP exclude Venezuela Real GDP.
Source: Barclays Research

GLOBAL SYNTHESIS

US sidesteps EM volatility

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Market sentiment toward Turkey stabilized, but medium-term vulnerabilities remain substantial. We see contagion risk as low and history indicates EM volatility is unlikely to knock the US economy, or the Fed, off course. The exception to this view is China, where weakness in demand is ongoing, the risk is a faster slowing than we expect.

Turkey has stabilized for the moment, but medium-term vulnerabilities remain sizeable

The Turkish Lira recovered much of what it lost last week due, in part, to liquidity tightening measures and statements by officials that the government would avoid capital controls, rein in inflation, support the banking sector, and address the current account deficit. That said, the currency remains about 15% below early August levels, tensions with the US administration remain high, and details about how the government plans to address imbalances were scant. The next important event for Turkey, in our view, is the release of the medium-term economic plan in September, which government officials state will contain budget targets and revenue measures. The medium-term outlook for Turkey remains difficult, with well-known pressure points of high inflation, dependence on external financing, a sizeable current account deficit, and private-sector indebtedness.[1] Volatility may have subsided, for now, but we doubt it is gone for good.

EM contagion from Turkey is likely to be low, particularly to the US

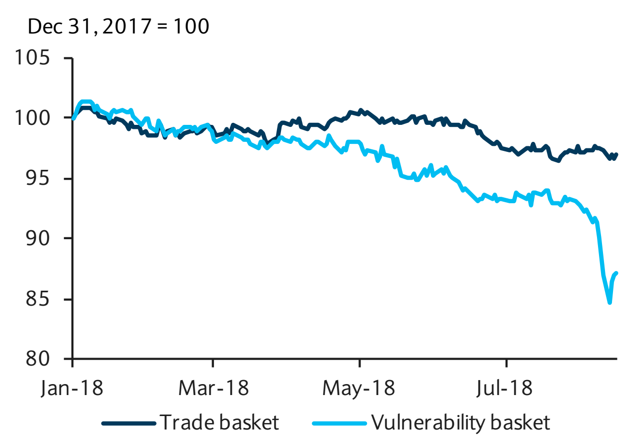
The US has sidestepped much of the volatility in EM financial markets…

…we expect this will continue …

We believe many of the problems facing Turkey are idiosyncratic and we are sceptical that the problems facing the country will trigger a contagion. Emerging markets are in a much better position to manage difficulties today than when the combination of open capital accounts, extensive US dollar liabilities, and fixed exchange rate systems were widespread. However, even if we are wrong on this point, and if history is any guide, the US economy is likely to be immune to volatility in emerging markets. In the 1990s, the US sidestepped much of the crises that spread throughout the EM universe, and we believe this would be the case today. EM crises may trigger risk-off sentiment that strengthens the USD and weakens equity markets, but it may also reduce Treasury yields, meaning the effect on financial conditions is somewhat ambiguous. The message from the July FOMC meeting,

FIGURE 1

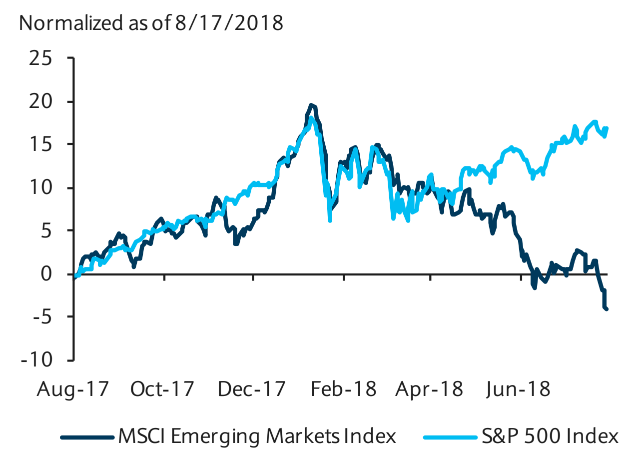
Turkey recovered some lost ground, but currencies with weak current account fundamentals have underperformed



Note: Trade basket is an index of EM currencies sensitive to trade tensions while vulnerability basket includes EM currencies with weak current account fundamentals. Source: Bloomberg, Barclays Research

FIGURE 2

US financial markets have – so far – remained immune to EM volatility



Source: Haver Analtyics, Barclays Research

[1] See *Turkey's external vulnerabilities: This time looks different*, 22 May 2018

which we expect to be repeated in the upcoming minutes, is that the US economy is "strong" and further rate hikes remain appropriate. We continue to expect two 25bp rate hikes over the remainder of the year, one in September and the second in December.

Record-low infrastructure growth in China should mean further easing

… unless it coincides with a sharper slowing in China

One caveat to our view that contagion risk is low is softness in China. July's weak outturn for fixed-asset investment and retail sales, alongside the rise in urban unemployment and slower credit growth, points to ongoing weak domestic demand. The July data are consistent with our "credit impulse view", which points to significant downward pressure on the credit-intensive old economy. As a result, we expect more meaningful fiscal loosening to support projects in the months ahead, both in the form of the planned 2018 fiscal spending (infrastructure, health care, and education) and other discretionary measures, including local-government bond issuance, loosening of regulations to support infrastructure investment, as well as support for bank purchases of corporate bonds. We maintain our view that further fiscal easing will avoid a sharper slowing in China growth, but continue to watch for signs of a repeat of 2015 when unexpected weakness prompted capital outflows and exchange rate realignment. Markets appear to be comfortable with recent CNY depreciation, as opposed to during the 2015 episode, since it is largely manufactured. We expect this to remain the case.

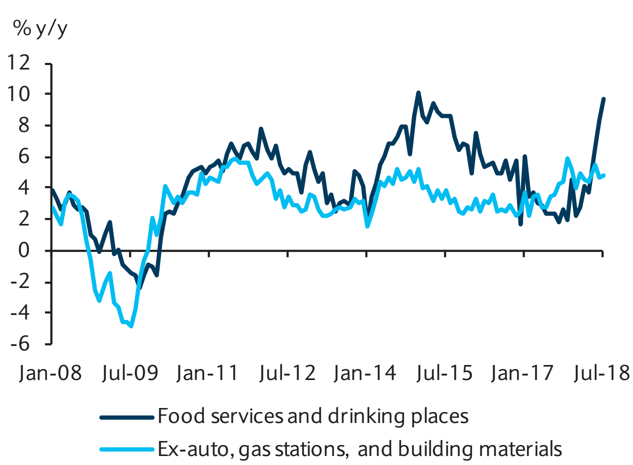
BoJ forward guidance is flexible, not rigid

BoJ forward guidance does not rule out normalization in the current fiscal year

In Japan, PM Abe appears poised for re-election to a third term as LDP president on 20 September. While it is difficult to say how much the election might affect flexibility in the conduct of monetary policy, President Abe's re-election could help to sustain the presence of the reflationist members of the Policy Board (including Deputy Governor Wakatabe), thus acting as a drag on normalization. That said, we think the BoJ's new forward guidance should be interpreted as flexible and state-dependent, and we see it as premature to conclude that the newly adopted guidance rules out the possibility that the BoJ will move toward normalization within the current fiscal year. Based on the latest MPM results, we expect the BoJ to retain its current monetary policy guidelines while continuing its stealth tapering under QE. Further widening the band of permissible fluctuation around the target for 10y JGB yields should allow long-term yields to rise.

FIGURE 3

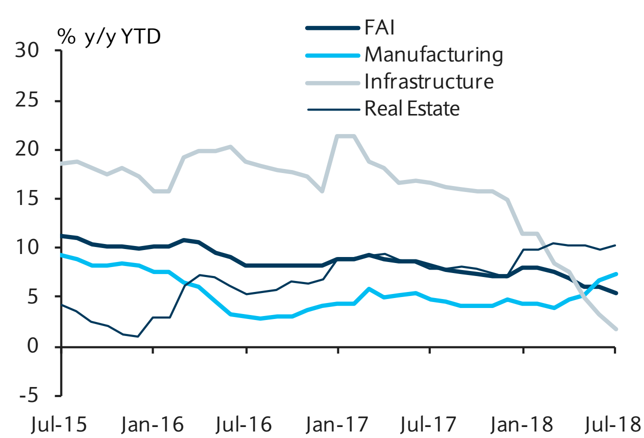
US household spending on recreational items has picked up



Source: CEIC, Barclays Research

FIGURE 4

China fixed asset investment breakdown: No halt to the deceleration in infrastructure investment



Source: CEIC, Barclays Research

GLOBAL DATA AND EVENTS

The Week Ahead

UNITED STATES		Period	Prev – 2	Prev – 1	Forecast	Consensus
22 Aug 14:00	Existing home sales, mn saar	Jul	5.41	5.38	5.43	5.45
22 Aug 18:00	FOMC meeting minutes	Aug				
23 Aug 14:00	New home sales, thous saar	Jul	666	631	650	650
EUROPE		**Period**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
18-24 Aug	**Events:** ECB minutes (Thu.);					
21 Aug 08:30	**UK:** PSNBx, £bn; to reach £0bn in July, bringing the YTD deficit to -£17bn, over £4bn better than a year ago	Jul	4.7	5.4	0.0	-1.1
23 Aug 08:00	**E19:** "Flash" composite PMI, index; increase supported by both manufacturing and services	Aug	54.9	54.3	54.7	54.4
24 Aug 06:00	**Germany:** Final GDP, % q/q; to confirm with the preliminary est.	Q2	0.4	0.5 P	0.5	0.5
JAPAN		**Period**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
23 Aug 23:30	Nationwide CPI ex-perishables (% y/y)	Jul	0.7	0.8	1.0	0.9
24 Aug 00:50	PPI services (% y/y)	Jul	1.0	1.2	-	1.2
CHINA		**Period**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
23 Aug	US tariffs on $16bn of Chinese imports and China's same-scale tariffs takes effect					
Late Aug	China's Vice Commerce Minister visits US for trade talks with US Treasury Undersecretary					
REST OF THE WORLD		**Period**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
20-22 Aug	**Brazil:** National electoral polls to be published on Monday (IBOPE) and on Wednesday (Datafolha). Investors will look for chances of Geraldo Alckmin to improve					
24 Aug 13:00	**Mexico:** Final GDP, % y/y; quarterly print could be 0.1% q/q sa, slightly above preliminary report of -0.1% q/q sa	Q2	1.3	2.7	2.7	-

Note: Times for all the events are in GMT. Source: BEA, BLS, Census Bureau, Federal Reserve, ISM, University of Michigan, IHS Markit, Bloomberg, Barclays Research

The Week That Was

Main indicators	Period	Previous	Barclays	Actual	Comments
US: Import prices, % m/m (y/y)	Jul	-0.1 (4.7) R	-0.1 (4.4)	0.0 (4.8)	Import prices were flat in July
US: Retail sales, % m/m	Jul	0.2 R	0.1	0.5	Increase driven equally by core and non-core categories
US: Non-farm productivity-p, % q/q	Q2	0.3 R	1.7	2.9	Boosted by a strong rebound in output growth
US: Unit labor cost-p, % q/q	Q2	3.4 R	2.4	-0.9	Sustained solid growth in ULC in recent years
US: Industrial production, % m/m	Jul	1.0 R	-0.2	0.1	IP edged up in July following upward revision to June data
E19: IP, % m/m (y/y)	Jun	1.4 (2.6) R	-0.2	-0.7 (2.5)	Weak performance across all subsectors barring energy
E19: GDP 2nd release, % q/q	Q2	0.3 P	0.3	0.4	Germany's upside GDP growth surprise, together with the acceleration in Netherlands and Portugal, pushed up the EA preliminary estimate
UK: Average weekly earnings, % 3m/y	Jun	2.5	2.4	2.4	The unemployment rate declined to 4%, the lowest rate since 1975. Wage growth continued to decelerate, driven primarily by private sector workers
UK: ILO unemployment rate, %	Jun	4.2	4.2	4.0	
UK: CPI, % m/m (y/y)	Jul	0.0 (2.4)	-0.1 (2.4)	0.0 (2.5)	Overall mixed and without clear directionality. We see only marginal risks to our current forecasts
UK: Retail sales, % m/m (y/y)	Jul	-0.5 (2.9)	0.1 (2.8)	0.7 (3.5)	The ONS attribute the bounce in sales to warm weather, World Cup celebrations as well as online discounting
Japan: Trade balance (JPYbn sa/nsa)	Jul	721/83	-	-231/-46	Export growth slowed in July, with shipments to the US falling y/y for a second consecutive month, while those to Asia and the EU held firm.
Indonesia: 7d Rev.Repo rate (%)	Aug	5.25	5.25	5.50	BI delivers another rate hike, flags rising uncertainty
Brazil: Economic activity index, % y/y	Jun	-2.9	-	1.8	Not enough to prevent -1.0% q/q sa decline in Q2. **Our 2018 growth forecast was lowered to 1.7% from 2.0%**

Note: For more details, please see the corresponding Data Review and Preview sections. Source: Barclays Research

GLOBAL RATES AND INFLATION

Central Bank rates

Official rate % per annum (unless stated)	Current	Start of cycle date	 level	Last move	Next move expected	Forecasts Q3 18	 Q4 18	 Q1 19	 Q2 19
Advanced									
Fed funds rate	1.75-2.00	Tightening:16 Dec 15	0-0.25	Jun 18 (+25)	Sep 18 (+25)	2.00-2.25	2.25-2.50	2.50-2.75	2.75-3.00
BoJ rate of policy-rate balances	-0.10	Easing: 30 Oct 08	0.50	Jan 16 (-20-0)	Jul 19 (+10)	-0.10	-0.10	-0.10	-0.10
BoJ target of 10y JCB yields	0.00	Easing: 21 Sep 16	-	Sep 16 (0)	Apr 19*	0.00	0.00	0.00	Shift to 5y
ECB main refinancing rate	0.00	Easing: 3 Nov 11	1.50	Mar 16 (-5)	Q1 20 (+25)	0.00	0.00	0.00	0.00
ECB deposit facility rate	-0.40	Easing: 3 Nov 11	0.75	Mar 16 (-10)	Sep 19 (+15)	-0.40	-0.40	-0.40	-0.40
BOE bank rate	0.50	Tightening 2 Nov 17	0.25	Nov 17 (+25)	Aug 18 (+25)	0.75	0.75	0.75	0.75
RBA cash rate	1.50	Easing: 3 Feb 15	2.50	Aug 16 (-25)	Feb 19 (+25)	1.50	1.50	1.75	2.00
RBNZ cash rate	1.75	Easing: 10 Jun 15	3.50	Nov 16 (-25)	Beyond Q2 19	1.75	1.75	1.75	1.75
Emerging									
China: 1y bench. lending rate	4.35	Easing: 21 Nov 14	6.00	Oct 15 (-25)	Beyond Q1 19	4.35	4.35	4.35	4.35
India: Repo rate	6.50	Tightening: 6 Jun 18	6.00	Aug 18 (+25)	Q2 19 (+25)	6.50	6.50	6.50	6.75
Indonesia: 7 day reverse repo	5.50	Tightening: 17 May	4.25	Aug 18 (+25)	Q4 18 (+25)	5.50	5.75	5.75	5.75
Korea: Base rate	1.50	Tightening: 30 Nov 17	1.25	Nov 17 (+25)	Q4 18 (+25)	1.50	1.75	1.75	2.00
Hungary: 2w deposit rate	0.90	Easing: 22 Mar 16	1.35	May 16 (-15)	Beyond Q1 19	0.90	0.90	0.90	1.20
Poland: 2w repo rate	1.50	Easing: 4 Mar 15	2.00	Feb 15 (-50)	Q3 19 (+25)	1.50	1.50	1.50	1.50
Russia: One-week repo rate	7.25	Easing: 30 Jan 15	17.00	Mar 18 (-25)	Beyond Q1 19	7.25	7.25	7.25	7.25
South Africa: Repo rate	6.50	Easing: 20 Jul 17	7.00	Mar 18 (-25)	Beyond Q1 19	6.50	6.50	6.50	6.50
Turkey: One-week repo rate	17.75	Tightening: 24 Nov 16	7.50	Jun 18 (+125)	Q3 18 (+125)	19.00	19.00	19.00	19.00
Brazil: SELIC rate	6.50	Easing: 19 Oct 16	14.25	Mar 18(-25)	Q2 19 (+25)	6.50	6.50	6.50	6.75
Mexico: Overnight rate	7.75	Tightening: 17 Dec 15	3.00	Jun 18 (+25)	Jun 19 (-25)	7.75	7.75	7.75	7.50

Note: Rates as of COB 17 August 2018. *We expect the BoJ to shorten its yield curve control target to the 5y sector in April 2019. Source: Barclays Research

Key CPI projections

	US CPI nsa	 y/y	UK RPI nsa	 y/y	 CPI y/y	Euro area HICPx* nsa	 y/y	 HICP y/y	France CPI ex tobacco* nsa	 y/y	Japan CPI ex perishables nsa	 y/y
Jan-17	242.8	2.5	265.5	2.6	1.8	100.39	1.7	1.8	100.41	1.4	99.6	0.1
Feb-17	243.6	2.7	268.4	3.2	2.3	100.77	2.0	2.0	100.52	1.2	99.6	0.2
Mar-17	243.8	2.4	269.3	3.1	2.3	101.59	1.5	1.5	101.14	1.1	99.8	0.2
Apr-17	244.5	2.2	270.6	3.5	2.7	101.96	1.8	1.9	101.23	1.1	100.1	0.3
May-17	244.7	1.9	271.7	3.7	2.9	101.84	1.4	1.4	101.28	0.8	100.3	0.4
Jun-17	245.0	1.6	272.3	3.5	2.6	101.86	1.2	1.3	101.30	0.7	100.2	0.4
Jul-17	244.8	1.7	272.9	3.6	2.6	101.33	1.3	1.3	100.94	0.7	100.1	0.5
Aug-17	245.5	1.9	274.7	3.9	2.9	101.60	1.5	1.5	101.47	0.9	100.3	0.7
Sep-17	246.8	2.2	275.1	3.9	3.0	102.04	1.5	1.5	101.30	0.9	100.3	0.7
Oct-17	246.7	2.0	275.3	4.0	3.0	102.14	1.3	1.4	101.40	1.0	100.6	0.8
Nov-17	246.7	2.2	275.8	3.9	3.1	102.20	1.5	1.5	101.47	1.1	100.7	0.9
Dec-17	246.5	2.1	278.1	4.1	3.0	102.57	1.3	1.4	101.76	1.1	100.7	0.9
Jan-18	247.9	2.1	276.0	4.0	3.0	101.64	1.2	1.3	101.67	1.3	100.4	0.9
Feb-18	249.0	2.2	278.1	3.6	2.7	101.84	1.1	1.1	101.64	1.1	100.6	1.0
Mar-18	249.6	2.4	278.3	3.3	2.5	102.83	1.2	1.3	102.42	1.3	100.6	0.9
Apr-18	250.5	2.5	279.7	3.4	2.4	103.12	1.1	1.3	102.59	1.3	100.9	0.7
May-18	251.6	2.8	280.7	3.3	2.4	103.64	1.8	1.9	103.06	1.8	101.0	0.7
Jun-18	252.0	2.9	281.5	3.4	2.4	103.76	1.9	2.0	103.07	1.7	101.0	0.8
Jul-18	252.0	2.9	281.7	3.2	2.5	103.41	2.1	2.1	102.96	2.0	101.1	1.0
Aug-18	252.3	2.8	283.3	3.1	2.2	103.64	2.0	2.1	103.51	2.0	101.4	1.1
Sep-18	252.7	2.4	283.7	3.1	2.1	104.08	2.0	2.1	103.50	2.2	101.4	1.1
Oct-18	252.7	2.4	284.1	3.2	2.2	104.14	2.0	2.0	103.65	2.2	101.7	1.1
Nov-18	252.5	2.4	284.1	3.0	2.0	104.08	1.8	1.9	103.61	2.1	101.7	1.0
Dec-18	252.4	2.4	286.4	3.0	2.0	104.40	1.8	1.8	103.90	2.1	101.7	1.0
2016		**1.3**		**1.7**	**0.7**		**0.2**	**0.2**		**0.2**		**-0.3**
2017		**2.1**		**3.6**	**2.7**		**1.5**	**1.5**		**1.0**		**0.5**
2018		**2.5**		**3.3**	**2.4**		**1.7**	**1.7**		**1.8**		**0.9**
2019		**2.2**		**2.9**	**2.0**		**1.5**	**1.5**		**1.5**		**1.0**

Note: Shaded values indicate actual data. 'R' indicates revision to front-month forecast. Note: * Based on "tracking" profile; For more information please refer to *Euro area inflation: 'Tracking' profile update* (31 July 2018) Source: Barclays Research

OUTLOOK: UNITED STATES

US recovery at cruising speed

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- **Q3 activity data to date point to a solid start to Q3 and we expect output to expand at 3.0% q/q saar, driven by solid consumer demand and investment.**
- **The economy continues to operate in an environment of slow potential output growth, leading r* to be significantly below other recoveries.**
- **We view the FOMC's strategy of gradual policy normalisation as consistent with structurally lower potential growth and equilibrium interest rates.**

Q3 data so far point to another quarter of above trend growth

Retail sales and manufacturing output point to strong start of Q3

So far activity, inflation and labor market data for July point to a strong start to Q3. This week retail sales grew faster than expected (both headline and core) and signal healthy consumer spending. Nine of the main 13 categories in the report rose, as households appear to be adjusting consumption to reflect higher after-tax incomes. Clothing and department stores sales were some of the best performers, suggesting that after struggling for much of the past year and offering significant discounts, apparel retailers are making a comeback. Another bright spot this week was manufacturing output, which rose 0.3% m/m. The July report confirms the accelerating trend in manufacturing activity that started earlier this year, which is consistent with the timing of fiscal stimulus. On a percentage 6m/6m saar basis, manufacturing output was up 4.6% in July, compared with a 1.2% increase over the preceding six-month period. Based on the strong data so far our GDP tracking model suggests the US economy will grow by 3.0% q/q saar in Q3, another quarter of significantly above trend growth.

NIPAs revisions do not change our view of potential output growth

We updated our state-space model with the revised NIPAs data…

In a previous note (*The 2018 Comprehensive Revisions to the NIPAs: Highlights, August 6, 2018*) we looked at the revised national accounts data to see if they changed our view about the cyclical position of the economy. We concluded that the revisions significantly change neither our assessment of the current cyclical position, nor our views regarding the likely stance of the Fed policy. Here we look at the comprehensive revisions in a different light and assess what they mean for the structural position of the economy – including potential growth, equilibrium interest and trend productivity. We updated our estimates of potential

FIGURE 1
Potential growth and its trend components

United States Variable (% saar)	2011	2012	2013	2014	2015	2016	2017	H1 2018	2011-pres
Potential output	0.9	1.0	1.4	1.7	1.6	1.8	1.6	1.5	1.4
Total hours	0.0	0.1	0.4	0.7	0.8	1.1	0.9	0.7	0.6
Population	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.9	1.0
LFPR	-0.9	-0.8	-0.7	-0.5	-0.1	0.1	0.0	-0.1	-0.4
Employment rate	-0.1	0.0	0.1	0.2	0.1	0.1	0.1	0.0	0.1
Non-farm work week	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Non-farm productivity	1.1	1.1	1.1	1.1	0.9	0.9	0.9	0.9	1.0
GDO to NFBO	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
NFB employment to total employment	0.1	0.1	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0

Note: Numbers may not add up due to rounding. Source: Barclays Research

… and find that the structural potion of the economy is little changed

output (y*) and the natural rate of interest (r*) using the multivariate framework we introduced in *The great destruction, Equity Gilt Study 2015*. We find that although potential output accelerated gradually from 2011 until 2016, it has slowed somewhat in recent years (Figure 1). The revised data did not change the model estimates of potential significantly, with the recent slowing extending into H1 2018 once we incorporate the latest estimates. These swings in the model's assessment of potential output growth have been driven by trend employment, most notably by what it perceives as a flattening of the trend in labor force participation.

The US remains in a low growth, low productivity, low r environment ….*

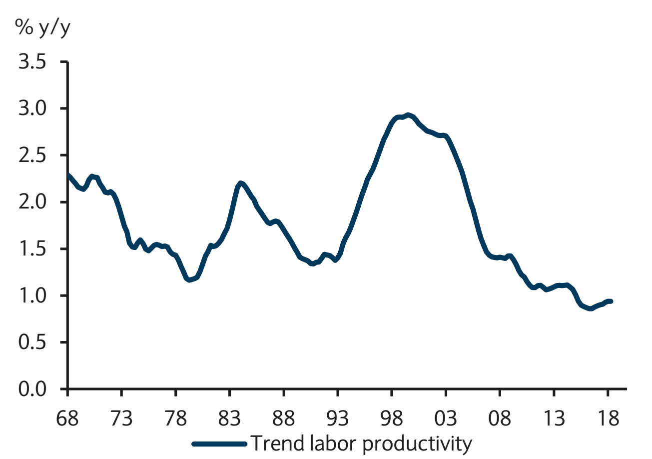
The model continues to make fairly gloomy assessments of labor productivity, with trend growth slowing to 0.9% in H1 2018 from 1.1% in 2011. We see this as a major contributing factor explaining the deceleration of potential compared with its historical behavior – for instance, trend productivity grew 2.0% on average during the decades of the 1990s and early 2000s, but it is now growing at less than half that pace (Figure 3). The recent NIPA revisions did not materially change our assessment of the productivity picture, although the latest report showed a surge in productivity growth in Q2 2018 which, in our view, is unlikely to be sustained (*US productivity growth rebounds strongly in Q2, August 15, 2018*). The latest vintage of data also revised higher growth rates in compensation per hour and unit labor costs, suggesting that labor inputs are eating into firm profits as labor markets tighten further and as businesses struggle to pass through rising input costs into retail prices.

…that will lead the FOMC to continue its gradualist approach when normalizing policy

Consistent with slow potential growth in the broader economy, our model estimates the equilibrium interest rate (r*) remains below that of previous expansions (Figure 4). Although r* has edged into positive territory of late, it is far from recovering to its historical norms. Consistent with this assessment, we believe the FOMC has little reason to deviate from its current course of gradual normalization. We expect two more 25bp increases in the federal fed funds this year (September and December), bringing the FFR range to 2.25-2.50%. In the August FOMC minutes to be released next week, we expect the committee to reiterate this gradualist strategy, while highlighting slightly elevated risks that the trade rhetoric between the US and its main trading partners will escalate to a full blown trade war. Contagion risks from emerging markets are likely not to feature into the minutes given that these concerns flared up after the August meeting. In its upcoming communications, we would expect the FOMC to downplay contagion risks from such external factors given the current strength of domestic demand.

FIGURE 2

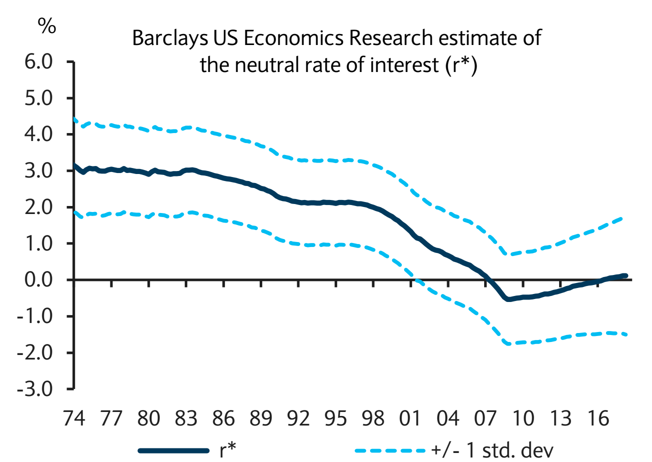
Trend labor productivity remains subdued…



Source: Barclays Research

FIGURE 3

… and r* is only just turning positive



Source: Barclays Research

GDP TRACKING: UNITED STATES

US GDP: Q3 tracking at 3.0%

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We began our Q3 GDP tracking this week with the July retail sales report. Sales were solid and raised our tracker by a tenth, to 3.1%. July IP data left our tracking unchanged. However, housing starts disappointed in July and lowered our tracker by a tenth, to 3.0%.

July retail sales were strong at both the headline and core levels. Strength in core and food & beverage categories boosted our PCE tracking estimate by three-tenths, to 3.3%. However, the components that feed into our residential investment tracking were weaker than expected, and partly offset the boost from consumption spending. In all, this increased our Q3 GDP tracking by a tenth, to 3.1%. Industrial production edged higher in July, driven primarily by manufacturing production. Weak utilities production lowered our PCE tracking estimate two-tenths, to 3.1%. However, this was largely offset by stronger auto assemblies, which boosted our inventories tracking estimate. These July IP data left our GDP tracker unchanged. Housing starts disappointed in July. The weakness was broad-based across single and multi-family segments, and points to lower private residential construction spending in Q3. As a result, our residential investment tracking estimate was lowered five-tenths, to 0%, and the overall GDP tracker declined a tenth, to 3.0%.

FIGURE 1

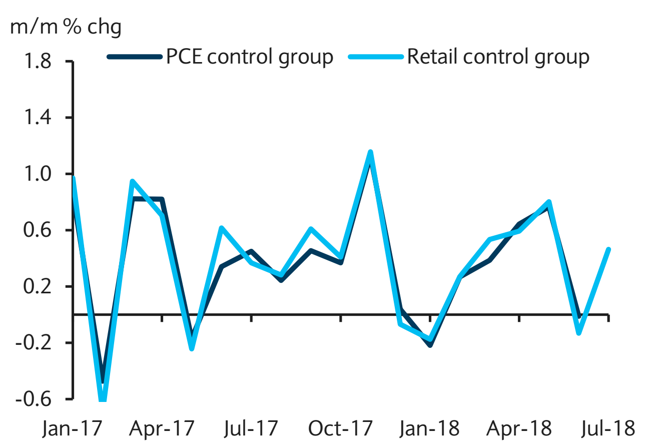
Effect of incoming data on our GDP tracking model

		Details of Q3 18 GDP tracking estimate (% q/q saar, unless indicated)											
Date	**Data release**	**GDP**	**Final sales**	**PCE**	**Res. inv.**	**Equip**	**Struct**	**IPP**	**Gov**	**Exports**	**Imports**	**Net exports (level)**	**CIPI (level)**
15-Aug	Retail sales	3.1	3.7	3.3	0.5	6.0	3.2	5.0	4.5	1.0	5.5	-889.8	-19.9
15-Aug	Industrial production	3.1	3.5	3.1	0.5	6.0	3.2	5.0	4.5	1.0	5.5	-889.8	-18.0
16-Aug	Housing starts	3.0	3.5	3.1	0.0	6.0	3.2	5.0	4.5	1.0	5.5	-889.8	-18.0
Current GDP tracking		**3.0**	**3.5**	**3.1**	**0.0**	**6.0**	**3.2**	**5.0**	**4.5**	**1.0**	**5.5**	**-889.8**	**-18.0**
	Contribution to GDP growth (pp)		*3.5*	*2.1*	*0.0*	*0.4*	*0.1*	*0.2*	*0.8*			*-0.7*	*0.2*
Barclays official GDP forecast		**3.0**	**3.5**	**3.0**	**1.0**	**6.0**	**3.2**	**5.0**	**4.5**	**1.0**	**5.5**	**-889.8**	**-19.9**

Note: Our GDP tracking estimate is distinct from our official published GDP forecast. It reflects the mechanical aggregation of monthly activity data that feed directly into the BEA's GDP calculation. Also, our methodology does not actively forecast inventories. A rebound in inventories could well push our GDP tracker above our current-quarter GDP official forecast. Our official Q3 GDP forecast stands at 3.0%, led by personal consumption and public spending. Source: Barclays Research

FIGURE 2

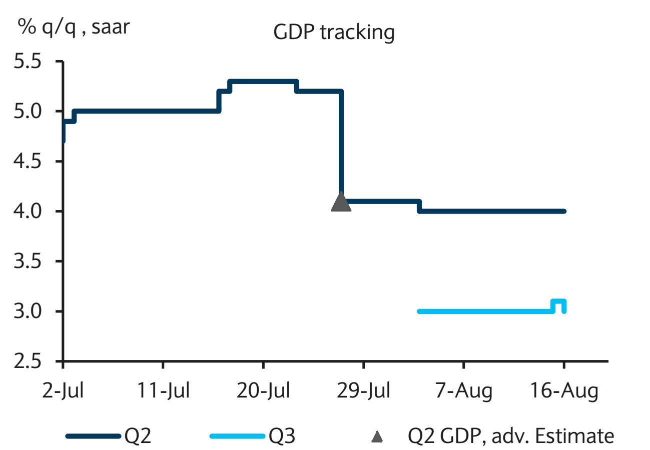
Retails sales were solid in July



Source: Census Bureau, Haver Analytics, Barclays Research

FIGURE 3

Q3 GDP tracking at 3.0%



Source: BEA, Barclays Research

DATA REVIEW & PREVIEW: UNITED STATES

Michael Gapen, Jonathan Millar, Blerina Uruci, Pooja Sriram

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
NFIB small business optimism	Jul	107.2	-	107.9	Small business optimism continues to expand
Import prices, % m/m (y/y)	Jul	-0.1 (4.7)R	-0.1 (4.4)	0.0 (4.8)	Import prices were flat in July , but fell slightly
Non petroleum import prices, % m/m (y/y)	Jul	-0.3 (1.4)	-0.1 (1.4)	-0.1 (1.3)	for the measure excluding petroleum
Non-farm productivity-p, % q/q	Q2	0.3R	1.7	2.9	Strong rebound in output growth boosts non-farm productivity
Unit labor cost-p, % q/q	Q2	3.4R	2.4	-0.9	Sustained solid growth in ULC in recent years
Empire State mfg index	Aug	22.6	-	25.6	Empire state index rises in August
Retail sales, % m/m	Jul	0.2R	0.1	0.5	Increase in retail sales driven equally by core and non-core categories
Retail sales ex autos, % m/m	Jul	0.2R	0.2	0.6	
Retail control group (core sales), % m/m	Jul	-0.1R	0.2	0.5	
Industrial production, % m/m	Jul	1.0R	-0.2	0.1	IP edged up in July driven by manufacturing, while energy and mining sectors were a drag
IP: Manufacturing (SIC) production	Jul	0.8	-0.2	0.3	
Capacity utilization, %	Jul	78.1R	-	78.1	Overall capacity utilization held steady
Business inventories, % m/m	Jun	0.3R	0.1	0.1	Business inventories rose slightly in June
NAHB housing market index	Aug	68	67	67	Homebuilder confidence tick lower in August
Philadelphia Fed mfg index	Aug	25.7	21.5	11.9	Manufacturing activity drops sharply
Housing starts, thous saar	Jul	1158R	1255	1168	Modest rise for both single and multi-family units
Conference Board Leading Economic Index®, % m/m	Jul	0.5	-	0.6	Leading index expanded in July
U of Michigan consumer sentiment- p	Aug	97.9	97.0	95.3	Consumer sentiment slipped reflecting less favorable assessments of buying conditions, particularly in higher prices of vehicles and homes

Preview of the upcoming week

Monday 20 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
11:00	Atlanta Fed President Bostic (FOMC voter) speaks on U.S. Economic Outlook in Tennessee						
Tuesday 21 August		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
	No significant events or releases scheduled						
Wednesday 22 August		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
10:00	Existing home sales, mn saar	Jul	5.45	5.41	5.38	5.43	5.45
14:00	FOMC Meeting Minutes	Aug					

Existing home sales: We expect existing home sales to have increased 1.0% m/and risen by 0.3% y/y in July. This would bring the total level of sales to 5.43mn and the three month moving average to 5.41mn.

FOMC Meeting Minutes: We expect the minutes of the August FOMC meeting to reveal that most committee members see the economy as evolving in line with expectations. We expect participants to point to strong rates of growth in consumption and employment, as indicating that fiscal stimulus is passing through to activity more or less as members anticipated when they last updated their forecasts in June. While members will likely point to upside risk from stimulus and downside risk from protectionism, we believe it likely that the main message will be that gradual rate hikes remain appropriate. We also expect to see some discussion around potential language changes to the statement, including the appropriate degree of forward guidance and whether policy remains accommodative, but we do not see these changes as making their way into the statement until closer to year-end.

Thursday 23 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
8:30	Initial jobless claims, thous (4wma)	18–Aug	219 (215)	213 (214)	212 (216)	215	-
9:00	FHFA purchase-only HPI, % m/m (y/y)	Jun	0.1 (7.1)	0.2 (6.6)	0.2 (6.5)	0.4 (6.6)	-
9:45	Markit US manufacturing PMI-p	Aug	56.4	55.4	55.3	-	55.0
10:00	New home sales, thous saar	Jul	646	666	631	650	650
23 -25 Aug	Fed Hosts Annual Jackson Hole Central Banking Symposium						

FHFA HPI: We forecast the FHFA home price index to have increased by 0.4% m/m and 6.6% y/y in June, continuing its solid pace of appreciation and broadly in line with the trend in other measures of home price appreciation such as Core logic and S&P Case Shiller.

New home sales: We forecast new home sales to increased 3% m/m in July to 650k. After falling sharply in June, we think new home sales are likely to have bounced back to some extent. Our forecast would bring the three-month average to 649k, about 10k lower than it was at the start of Q2. Looking through the month-to-month volatility in the data, we see the housing market as remaining on track for a sustained, albeit modest, recovery for the rest of this year and next. We expect that home sales will face headwinds from home inventory running down.

Friday 24 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
8:30	Durable goods orders-p, % m/m	Jul	-1.0	-0.3	0.8	-3.6	0.8
8:30	Durable goods ex transportation-p, % m/m	Jul	1.9	0.3	0.2	0.8	0.5
8:30	Core capital goods orders-p, % m/m	Jul	2.1	0.7	0.2	-	-

Durable goods orders: We expect headline orders to fall 3.6% m/m in July, with declines isolated in the volatile aircraft category. Excluding transportation, we expect orders to post a robust 0.8% m/m increase, reflecting solid readings for survey-based orders indicators and the tendency for residual seasonality in the front month of the quarter.

Source: BEA, BLS, Bloomberg, Census Bureau, Federal Reserve, ISM, University of Michigan, Haver Analytics, Barclays Research

OUTLOOK: EURO AREA

Markets unimpressed by euro area activity

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- **Euro area Q2 GDP was revised up to 0.4% q/q. Solid domestic demand is consistent with growth picking up slightly in H2 18. However, downside risks remain.**
- **Meanwhile, markets have corrected on news from Turkey and Italy. We do not think Turkey will derail euro area growth, while we await clarity on Italy's 2019 budget.**
- **German ZEW has stabilised in August. Next week, we look for euro area flash PMI composite output to pick up modestly 0.4 points to 54.7 in August.**

Euro area Q2 GDP growth was revised up to 0.4% q/q, but the story is unchanged

Euro area Q2 GDP was revised up by 0.1pp to 0.4% q/q, according to Eurostat's second estimate. While no details are available at this stage, country aggregation suggests Germany's upside surprise to 0.5% q/q, together with the acceleration in the Netherlands and Portugal, pushed the euro area preliminary estimate over the rounding point (from 0.346% q/q to 0.374% q/q). Since the headline remains close to the rounding point, the story is nevertheless unchanged.

IP was less of a drag and a further modest improvement is in the pipeline

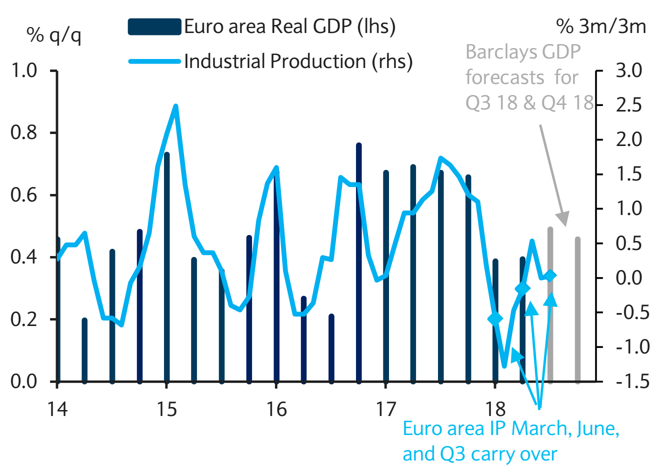
We draw from the euro area's June IP release that the -0.6% q/q fall in Q1 was reduced to -0.2% q/q in Q2, implying that the drag on GDP growth faded by the end of H1 18, as we expected. The flat Q3 IP carry-over suggests a further, albeit slight, improvement in H2 barring impact from the trade war (Figure 1). Manufacturing confidence (incl. exports orders) will be key to monitor going forward, as the trade talks continue.

Q2 trade data display little signs of the impact of the trade war, although net trade drag on growth continues

Despite the lack of GDP expenditure details at the euro area level, we draw from the moderate rebound in volume exports in both France and the Netherlands in Q2, that there has been little sign of the trade war so far. This is supported by June's euro area trade balance data. Exports grew for the fourth consecutive month, after a very poor start to the year. During this period, exports have risen by 0.9% m/m on average, admittedly slower than the 1.5% growth rate in the last five months of 2017, but more than the average of 2017 and 2016. Given exports have been outpaced by imports in the three months to June, this concurs with our expectations of a negative net trade contribution to GDP in Q2.

FIGURE 1

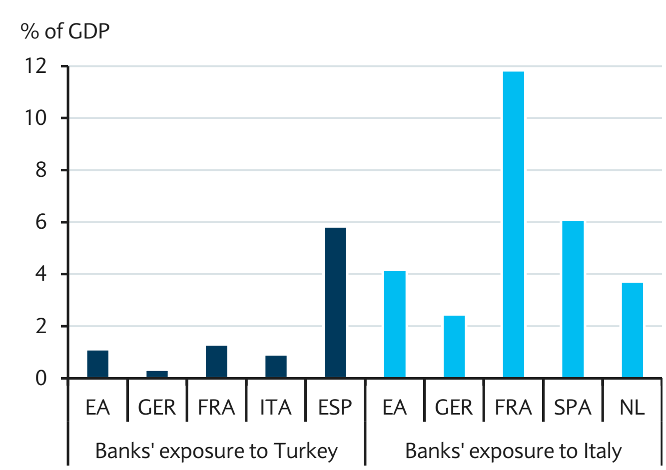
Euro area IP drag recedes in Q2



Source: Haver Analytics, Barclays Research

FIGURE 2

Euro area banks' exposure to Turkey and Italy



Source: BIS, Barclays Research. Data are for Q1 18.

Markets dismissed the good news on the euro area's activity data

Amid albeit relatively light summer liquidity, the markets dismissed this positive news and instead focused this week on the risk environment, most prominently on Turkey and Italy. Investors have feared contagion from Turkey's financial challenges and anticipated worries regarding Italy's 2019 budget. Euro and equities corrected down while 10y bunds rallied.

Turkey is too small to derail the euro area outlook. Pressure on Italy is mounting ahead of the budget

We do not think Turkey will derail the euro area outlook. It accounts for less than 3% of euro area trade flows. According to BIS data, euro area banks' claims on an ultimate risk basis in Turkey were 1.1% of euro area GDP at the end of Q1 18, concentrated mainly in Spain, and more than three times less in Italy (Figure 2). Together with the trade war, Italy features prominently in the downside risks attached to our outlook. While 10y BTP has risen above 3.0% for the first time since late May, we remain cautious in drawing conclusions before official budget documents are presented, likely by 27 September.

We remain cautiously optimistic, projecting a modest acceleration in euro area GDP growth of 0.5% q/q in H2 18

Mindful of these downside risks, we remain cautiously optimistic on our baseline, projecting a modest acceleration in euro area GDP growth to 0.5% q/q in H2 18. We think that a pick up in domestic demand will continue to underpin an above potential growth rate until the end of this year (please see: *Taking the pulse of the euro area: Solid domestic demand, net exports less so*, 2 August 18), as also shown by the breakdown of German Q2 GDP, and the further correction in the French unemployment rate in Q2, released this week.

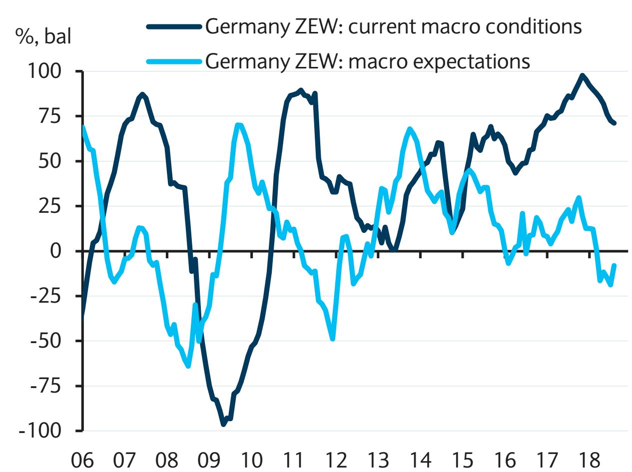
We look for a slight uptick in next week's PMIs

This week's German ZEW survey has stabilised with current conditions remaining broadly unchanged at 72.6%, well above its long-term average of -6.3%. Meanwhile, macro expectations rebounded to levels last seen in March 2018, although remaining in negative territory (Figure 3). Next week, flash August PMIs will be key to watch, notably on the manufacturing front. We look for a modest uptick in both sectors, consistent with euro area PMI composite output at 54.7.

Finally, euro area final headline and core HICP inflation were confirmed at 2.1% and 1.1% y/y for July, edging up by 0.1pp and 0.2pp, respectively, from the previous month. The latter was driven mainly by services, which we expect to continue rising very gradually over the forecast horizon (Figure 4).

FIGURE 3

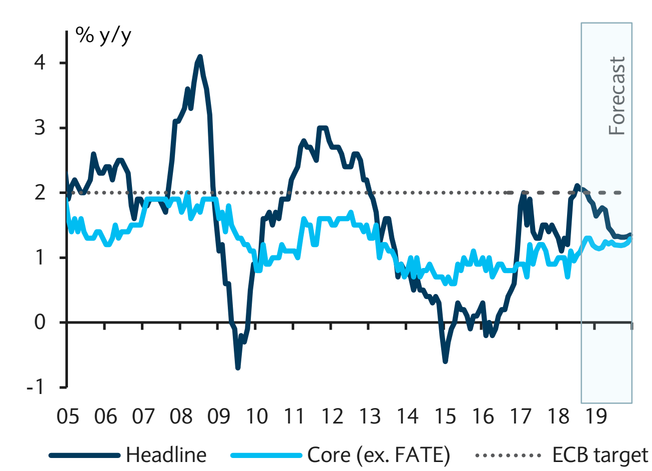
German ZEW seemingly stabilising in August



Source: Haver Analytics, Barclays Research

FIGURE 4

Euro area headline and core inflation forecast



Source: Haver Analytics, Barclays Research

DATA REVIEW & PREVIEW: EURO AREA

Francois Cabau, Radu-Gabriel Cristea, Fabio Fois, Antonio Garcia Pascual, Iaroslav Shelepko, Tomasz Wieladek

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Germany: Preliminary GDP, % q/q	Q2	0.4(R)	0.3	0.5	The preliminary Q2 GDP print came in above our forecast and consensus; buoyant growth underpinned by strong domestic demand
E19: Industrial production, % m/m (y/y)	Jun	1.4 (2.6) R	-0.2	-0.7 (2.5)	IP declined in June; the weak performance across all the subsectors, barring energy, drove the contraction
E19: GDP 2nd release, % q/q	Q2	0.3 P	0.3	0.4	The second print has been revised up by 0.1pp; Germany's upside GDP growth surprise, together with the acceleration in the Netherlands and Portugal, pushed up the euro area preliminary estimate
E19: Final HICP, % m/m (y/y)	Jul	-0.3 (2.1) P	-0.3 (2.1)	-0.3 (2.1)	Headline and core was confirmed in line with expectations; energy and services prices contributed to the annual inflation rate in July
E19: 'Eurostat' core (HICP x fd, alc, tob, ene), % m/m (y/y)	Jul	-0.5 (1.1) P	-0.5 (1.1)	-0.5 (1.1)	
E19: HICP ex tobacco, index (2015 = 100)	Jul	103.76	103.40	103.41	

Preview of the week ahead

Monday 20 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
06:00	Germany: PPI, % m/m (y/y)	Jul	0.5 (2.0)	0.5 (2.7)	0.3 (3.0)	-	0.2 (3.0)
09:00	E19: Construction output, % m/m (y/y)	Jul	-0.3 (0.9)	1.4 (1.2)	0.3 (1.8)	-	-
Tuesday 21 August		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
04:30	Netherlands: Consumer confidence index	Aug	23.0	23.0	23.0	-	-
07:00	Switzerland: M3, % y/y	Jul	3.3	2.8	2.4	-	-
13:00	Belgium: Consumer confidence index	Aug	0.0	-3.0	0.0	-	-
Thursday 23 August		**Period**	**Prev – 3**	**Prev – 2**	**Prev – 1**	**Forecast**	**Consensus**
12:30	**E19: ECB minutes**	**Jul**					
06:00	Norway: GDP, % q/q	Q2	0.7	0.7	0.6	-	-
06:45	France: Business climate, index	Aug	106.3	106.3	105.8	-	107.0
07:00	France: "Flash" manufacturing PMI, index	Aug	54.4	52.5	53.3	53.7	53.4
07:00	France: "Flash" services PMI, index	Aug	54.3	55.9	54.9	55.1	55.0
07:00	France: "Flash" composite PMI, index	Aug	54.2	55.0	54.4	54.7	54.6
07:30	Germany: "Flash" manufacturing PMI, index	Aug	56.9	55.9	56.9	57.7	56.5
07:30	Germany: "Flash" services PMI, index	Aug	52.1	54.5	54.1	54.6	54.3
07:30	Germany: "Flash" composite PMI, index	Aug	53.4	54.8	55.0	55.6	55.1
07:30	Sweden: Unemployment rate (sa), %	Jul	6.3	6.1	6.3	-	6.2
08:00	E19: "Flash" manufacturing PMI, index	Aug	55.5	54.9	55.1	55.5	55.1
08:00	E19: "Flash" services PMI, index	Aug	53.8	55.2	54.2	54.5	54.4
08:00	E19: "Flash" composite PMI, index	Aug	54.1	54.9	54.3	54.7	54.4
14:00	E19: 'Flash' consumer confidence, index	Aug	0.2	-0.6	-0.6	-	-0.7

E19 – "Flash" PMIs: We look for the euro area's flash PMI composite output to edge up to 54.7, supported by a modest increase in both manufacturing and services.

Friday 24 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
06:00	Germany: Final GDP, % q/q	Q2	0.5	0.4	0.5 P	0.5	0.5
06:00	Norway: Unemployment rate LFS, %	Jun	3.9	3.7	3.8	-	3.8
13:00	Belgium: Business confidence index	Aug	0.2	0.6	-1.3	-	-0.5

Germany – Final GDP: We expect the preliminary estimate of 0.45% q/q to be confirmed in the second release, which would also provide the detailed breakdown.

Note: All the events are listed in GMT time. Source: Haver Analytics, IHS Markit, Bloomberg, Barclays Research

OUTLOOK: UNITED KINGDOM

'No-deal' rhetoric masks a more constructive outlook

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- **The July inflation report showed a mixed set of drivers and a marginal uptick. Meanwhile wage pressures continue to decrease.**
- **The new low in the unemployment rate was driven by a fall in participation rather than job creation, with a sharp jump in numbers classified as inactive.**
- **We believe the Article 50 negotiations are on track as the trade issue does not need a final resolution as part of the Withdrawal Agreement.**

Inflation report neither provided a clear directional signal nor added clarity to the debate around the outlook for policy rates

A mixed bag for inflation and wage pressures: The July inflation report did not provide any strong directional signals. CPI rose 0.1pp to 2.5% y/y, largely due to rounding, while core CPI held steady at 1.9% y/y. The breakdown revealed a broad mix of drivers including higher fuel prices, lower clothes prices as well as volatility from video games prices. Overall, the data added little to the debate around the outlook for interest rates as domestic inflation pressures continue to ease given the subdued growth environment. There is potential for some upside risks ahead for the inflation profile given the strength in input price inflation, but it's not yet clear whether businesses will pass on price inflation to protect margins (*UK July Inflation: Pick and mix*, 15 Aug 2018).

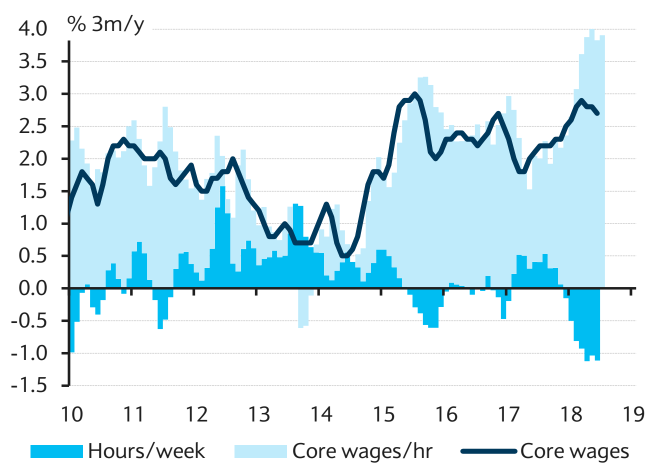
Wages continued to decelerate in line with our expectations, while surveys paint a mixed picture of the future trend

The labour market report highlighted the continued deceleration in wages as both core and headline AWE slowed by 0.1pp 3m/y in June. Although hourly wages continued to strengthen to almost 4% 3m/y, average hours worked per week continued to contract -1.1% 3m/y, capping the weekly wage bill. Looking ahead, surveys paint a mixed picture. The monthly REC jobs report for July highlighted continued strength in permanent staff salaries and suggested there may be steep increases in future salaries for new recruits as vacancies expand rapidly against the backdrop of a sharp decline in candidates available (*UK June Labour Report: A new low*, 14 August 2018)

In our view, the new low unemployment rate of 4% may be insufficient to generate fresh momentum for wages.

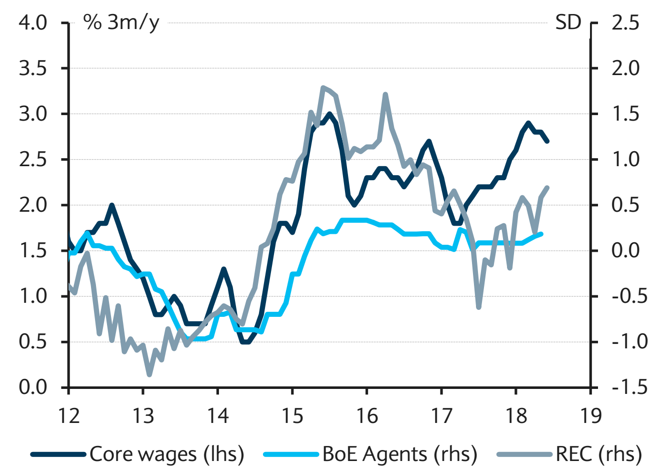
However, a quarterly survey of over 2000 employers conducted by CIPD (the professional body for HR staff) and Adecco (the recruitment agency) suggest that despite the backdrop of staff shortages, there are limited signs of wage pressure as a result of low productivity. In our view, the prospects for further wage growth are likely limited as the rise in flexible

FIGURE 1
Breakdown of nominal core wage growth



Source: ONS, Haver Analytics, Barclays Research

FIGURE 2
Surveys on nominal core wage growth



Source: ONS, Haver Analytics, Barclays Research employment implies that the current low unemployment rate may not fully capture the amount of slack in the economy. Accounting for zero contract hours, self employed and part time workers, the true rate of unemployment may actually be around 50bp higher. We examined this issue in (*UK Themes: Watch out for core distractions*, April 2017).

The flexible nature of labour markets combined with low productivity may continue to cap wage pressures

The unemployment rate did indeed fall to fresh headline grabbing lows of 4%. However, job creation slowed, and in fact during the month of June there was a marginal decline in the number employed. The decline in unemployment was driven by a fall in participation and a jump in the number classified as inactive. The majority of these individuals left the labour force due to long-term sickness, to become students or take care of families. Overall, despite the drop in the headline unemployment rate, the detail did not signal an imminent pick up in wage pressures.

Sunshine, World Cup and online promos fuels retail spending bounce

Retail sales rebounded, with the ONS citing warm weather, World Cup celebrations as well as online promotions as the main reasons for the bounce. The increase in the volume of sales was driven primarily by online sales, and clothing and footwear stores, with discounting highlighted as a key support in these categories. However, as these are all temporary factors, it is likely that as they fade in the coming months, retail sales are likely to converge back to the underlying trend and weaken *(UK July Retail Sales: Sunshine and sport fuelled spending, 16 Aug 2018)*.

Brexit – ‘No-deal’ rhetoric masks a more constructive outlook

There is little new news on Brexit this week. Article 50 negotiations have continued in Brussels. Items on the agenda included the Irish border as well as the future relationship. At the time of writing, there is no information on the progress of these meetings. Meanwhile the speculation with regards to a ’No-Deal’ scenario has persisted this week.

We see the recent increase in ‘No-Deal’ rhetoric as tactical

We believe the Article 50 (A50) negotiation process is on track and see the recent increase in ‘No-Deal’ rhetoric as tactical. A ‘Withdrawal Agreement’ in compliance with A50 already is close to fulfilled, which suggests it could be complete by year-end. Importantly, the contentious issue of trade does not need a final resolution as part of the Withdrawal Agreement. Hence, the ultimate form of Brexit – in or out of the Customs Union for instance – likely may not be resolved for years.

The issue of trade does not need a final resolution as part of the Withdrawal Agreement.

An A50 ‘Withdrawal Agreement’ is a different prospect to a trade ‘deal’ that defines the UK’s long-term relationship with the EU and is much easier to achieve. We are optimistic that it could be achieved by March 2019. A Withdrawal Agreement need not define the details of the future trade relationship, which would indeed probably be politically infeasible at this stage. Rather, it lays out high level principles, which once agreed nearly eliminate risks of a ‘Crash Out’ and reduce risks of an ‘No Deal’ by the end of the transition period, prospectively December 2020.

A ‘Deal’ regarding the long-term trade relationship is immensely more complex and experience thus far suggests the potential for further extensions of the transition agreement, which could mean we may not know the ultimate form of Brexit for years. The real ‘No Deal’ risks likely are in 2021 or perhaps even later. Ultimately, the UK and EU could settle for a comprehensive form of FTA, with the UK out of the single market, the economic area and the Customs Union.

So, our advice at this stage is to relax and get ready for a long drama, rather than an intense thriller.

DATA REVIEW & PREVIEW: UNITED KINGDOM

Fabrice Montagne, Sreekala Kochugovindan

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Average weekly earnings, % 3m/y	Jun	2.5	2.4	2.4	The unemployment rate declined to 4%, the lowest rate since 1975. However, the breakdown shows that on a monthly basis, employment declined by 13k as the number of people classified as inactive increased by 90k in June. Wage growth continued to decelerate, driven primarily by private sector workers.
Core average earnings, % 3m/y	Jun	2.8 R	2.6	2.7	
ILO unemployment rate, %	Jun	4.2	4.2	4.0	
CPIH, % y/y	Jul	2.3	2.3	2.3	Overall mixed and without clear directionality, July inflation continues to reflect contradicting trends in fuel (up) and clothes (down), with video games adding unpredictable monthly volatility. RPI surprised lower on technicalities. Overall, we see only marginal risks to our current forecasts.
CPI, % m/m (y/y)	Jul	0.0 (2.4)	-0.1(2.4)	0.0 (2.5)	
Core CPI, % y/y	Jul	1.9	1.9	1.9	
Retail Price Index	Jul	281.5	281.8	281.7	
RPI, % m/m (y/y)	Jul	0.3 (3.4)	0.1(3.3)	0.1 (3.2)	
Retail sales, % m/m (y/y)	Jul	-0.5 (2.9)	0.1 (2.8)	0.7 (3.5)	Retail sales rebounded in July following weakness in June. The ONS attribute the bounce to warm weather, World Cup celebrations as well as online discounting. However, as these temporary drivers fade, sales are likely to converge back to the underlying trend and we could see weaker sales growth for the rest of Q3.

Preview of next week

Tuesday 21 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:30	PSNB, £bn	Jul	5.8	3.9	4.5	-0.9	-2.0
09:30	PSNBx, £bn	Jul	6.6	4.7	5.4	0.0	-1.1
11:00	CBI industrial trends, total orders	Aug	-3	13	11	-	9

Public finance: Public sector finances are expected to get a boost as July is usually the second largest month of the year for cash receipts, reflecting from corporation tax payments and the second payment for self-assessment liabilities. We expect PSNBx to reach £0bn in July (PSNB: £0.9bn), bringing the YTD deficit to -£17bn, over £4bn better than a year ago. This would bring the 12 month rolling sum to £35bn, the smallest deficit in more than 15 years.

Thursday 23 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
11:00	CBI distributive trades, total sales	Aug	17	18	25	-	-

Note: All times reported are in BST. Consensus figures are taken as at 11am on Friday, 17 August 2018, from Bloomberg and, hence, may be subject to significant change, given that the 'final cut' is 3pm London time of the same Thursday. Source: Haver Analytics, Barclays Research

OUTLOOK: JAPAN

Scope for flexibility around forward guidance

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- **The BoJ's forward guidance (FG) on policy rates may not be strict FG, but rather "state-dependent" FG that can change depending on the economy and prices.**
- **We have revised our GDP forecasts, but retain our outlook for above-potential growth through mid-FY19. Fiscal headwinds and other risks loom thereafter.**
- **We have also updated our CPI projections, but continue to expect inflation to trend only around 1% y/y. However, that may not rule out BoJ normalization.**

Differing interpretations of the BoJ's forward guidance

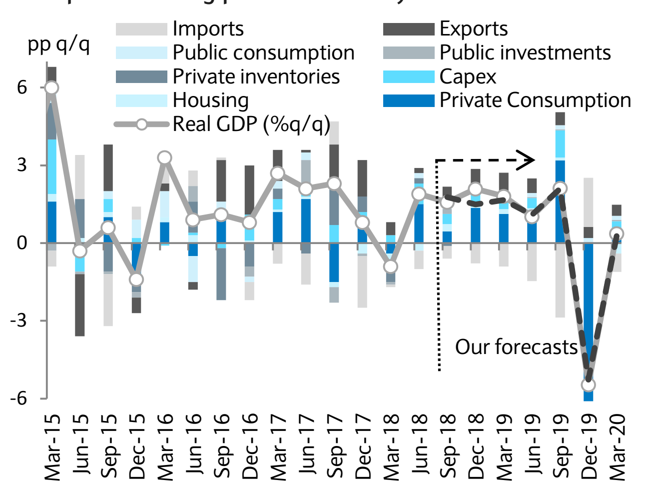
Market participants remain divided in their assessments of the forward guidance (FG) on policy rates introduced by the BoJ at the 30-31 July monetary policy meeting. While some view it as a strict form of FG with reference to a specific period of time, as evident from the market's immediate reaction to the announcement (bull-flattening of the JGB yield curve), others interpret it as a flexible "state-dependent" FG subject to revisions depending on the trends in the economy and prices, similar to the FG adopted by other major central banks. The former may be an interpretation shared by reflationist members of the Policy Board who are wary of early normalization (Deputy Governor Wakatabe, PB members Harada and Kataoka), while the latter is likely close to the understanding of other members who are concerned about the side-effects of extraordinary easing and lean toward normalization (eg, Deputy Governor Amamiya, PB member Suzuki).

Scope for flexibility

Although the BoJ's wording around the introduction of FG could be viewed as calendar-based FG in that it specifically references the timing of the consumption tax hike (its statement said "The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices including the effects of the consumption tax hike scheduled to take place in October 2019"), we think it should probably instead be interpreted as a highly flexible state-dependent form. In our view, it would be premature to conclude that the newly adopted FG rules out the possibility that the BoJ, while eyeing the timing of a recovery in CPI inflation, will move toward normalization even within the current fiscal year. Indeed, one could say the BoJ's reference to FG, even if it is actually "state-based," kept the window to future normalization open by avoiding a split within the BoJ's leadership (ie, opposition to the proposal from BoJ Deputy Governor Wakatabe).

FIGURE 1

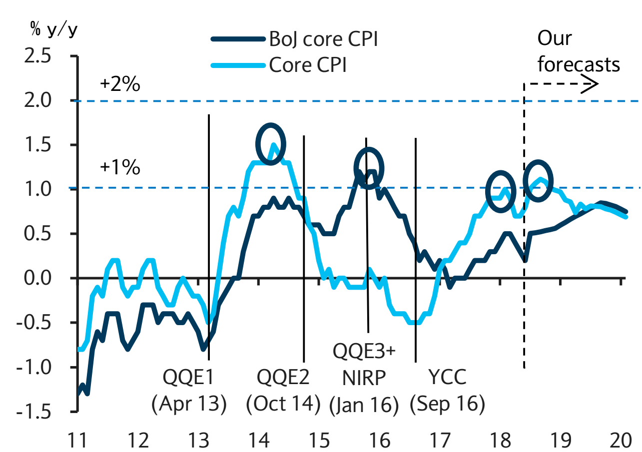
We expect a turning point in economy in mid-FY19



Source: Cabinet Office, Barclays Research

FIGURE 2

We expect core inflation of only around 1% as a trend



Source: MIC, Barclays Research

Our monetary policy outlook: Stealth normalization

Based on the latest MPM results, we expect the BoJ to: 1) retain its current monetary policy guidelines (JGB purchases under quantitative easing: JPY80trn/year; target for 10y JGB yields under yield curve control: ±0%; target for short-term rates under the negative interest rate policy: -0.1%) through FY18-19; while 2) continuing its stealth tapering under QE (reducing JGB purchases to an annualized pace of JPY37.5trn in FY18 from JPY49.9trn in FY17); and 3) further widening the band of permissible fluctuation around the target for 10y JGB yields under YCC, effectively allowing long-term yields to rise.

Our GDP forecasts revised down for Q3, up for Q4, but outlook for above-potential growth through mid-FY19 unchanged

We have revised our growth and inflation outlook for Japan to account for recent data, including Q2 GDP. For Q3, we have lowered our real GDP growth projection to +1.6% q/q saar from +1.8% (Q2 first preliminary: +1.9%), considering the impact of heavy rains and flooding in Western Japan (eg, factory shutdowns, supply chain disruptions). However, any growth undershoot linked to the natural disaster, especially on the supply side, should prove temporary. For Q4, we have revised our forecast upward to +2.1% from +1.5%, expecting growth to reaccelerate to levels well above potential. We retain our outlook for this trend to continue through H1 FY19, supported in part by frontloaded demand prior to the October 2019 consumption tax hike. Thereafter, we expect the economy to face headwinds from fiscal contraction, including payback from the above frontloading, as well as uncertainty in the global economy.

We have lowered our real GDP growth forecast for FY18 to +1.2% from +1.5%, while retaining our projection for FY19 at +0.6%. For FY18, this is comprised of an upward revision to capex, along with downward revisions to exports, housing investment and public investment, reflecting the recent trend in economic indicators (on a calendar year basis, we have lowered our forecast for 2018 to +1.0% from +1.5% and raised our projection for 2019 to +1.3% from +1.1%; see Figure 1 and *Market Strategy Japan*, 17 August 2018 for details).

Our CPI projections updated, but no change to outlook for sluggish inflation well below targeted 2%

Even assuming the output gap continues to improve (inflation gap continues to widen) as a trend on the back of sustained above-potential growth through H1 FY19, we expect CPI inflation to remain sluggish. As evident from the trend in real employee compensation in the Q2 GDP data (+3.8% y/y; Q1: +2.0% y/y), the household income environment has improved steadily on the back of higher wages. However, wage growth (unit labor costs, especially in labor-intensive service industries) has yet to reflect significantly on inflation due in part to the cautious pricing strategies adopted by Japanese companies (deflation inertia), as highlighted by the BoJ. Also, importantly, the CPI understates inflation due to a statistical failure to account for effective price hikes resulting from "adjustments to quality," as widely observed in services. Under such conditions, it may be difficult to reach the CPI price stability target of +2%, regardless of how the BoJ manages monetary policy. We believe CPI inflation is likely to converge toward a much lower rate of around +1% y/y (see Figure 2 and *Market Strategy Japan*, 17 August 2018 for details).

LDP presidential election – unclear implications for monetary policy

On the political front, PM Abe appears poised for re-election to a third term as LDP president on 20 September (see Figure 2 and *Market Strategy Japan*, 17 August 2018). At this stage, it is difficult to say how much developments around the LDP presidential election might affect flexibility in monetary policy conduct. Although Abe's re-election could help to sustain the presence of the reflationist members of the Policy Board (including Deputy Governor Wakatabe), thus acting as a drag on normalization, we also believe it could boost the BoJ's freedom to normalize by steering political interest away from extraordinary easing, which arguably helped to build up the political capital needed to amend the Constitution – a key priority of the administration.

DATA REVIEW & PREVIEW: JAPAN

Tetsufumi Yamakawa, James Barber, CFA
Previously published in the *Market Strategy Japan*, 17 August 2018

Review of this week's data

Main indicators	Period	Previous	Barclays	Actual	Comments
Trade balance (JPYbn sa/nsa)	Jul	721/83	–	-231/-46	Export growth slowed in July with shipments to the US falling y/y for a second consecutive month, while those to Asia and the EU held firm. Notably, Japanese auto exports to China spiked with Chinese tariffs on US cars. Imports surged with the rise in oil prices.

Preview for week ahead

Friday 24 August		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
08:30	Nationwide CPI ex-perishables (% y/y)	Jul	0.7	0.7	0.8	1.0	0.9
08:50	PPI services (% y/y)	Jul	1.0	1.0	1.2	–	1.2

CPI: We estimate that the nationwide CPI ex-perishables (core) rose 1.0% y/y in July (June: 0.8%). We expect core inflation to nudge up to 1.1% y/y over the next three months, then ease slightly as the contribution from oil prices and exchange rates peaks out.

Source: Bloomberg (consensus figures), Barclays Research

OUTLOOK: CHINA

Easing while deleveraging

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- **The broad-based moderation in July data suggest domestic demand remains weak, as it may take more time for recent policy easing to provide visible supports.**
- **On top of the largely targeted easing measures already rolled out, we believe the government still has room to do more (monetary, regulatory, fiscal), if necessary.**
- **Under a scenario of "meaningful stimulus," we expect credit growth to stabilise in Q4 18 and support full-year GDP growth of c.6.5-6.7%.**

July's weaker-than-expected prints for fixed asset investment (FAI) and retail sales, and the rise in the surveyed urban unemployment rate suggest still-weak domestic demand, which has been one of the drivers of the recent acceleration in the government's unwinding and easing of policy. FAI growth declined to a record low of 5.5% y/y YTD in July, from 6.0% in June, driven largely by the persistent slowdown in infrastructure investment (July: 1.8%, also a record low; June: 3.3%, 2017: 14.9%), despite stronger growth in manufacturing and real estate investment. Separately, growth in retail sales slowed to 8.8% y/y in July from 9.0% in June, and the surveyed urban unemployment rose to 5.1%, a four-month high, from 4.8% in June, underscoring the pressure facing the government to stabilise employment.

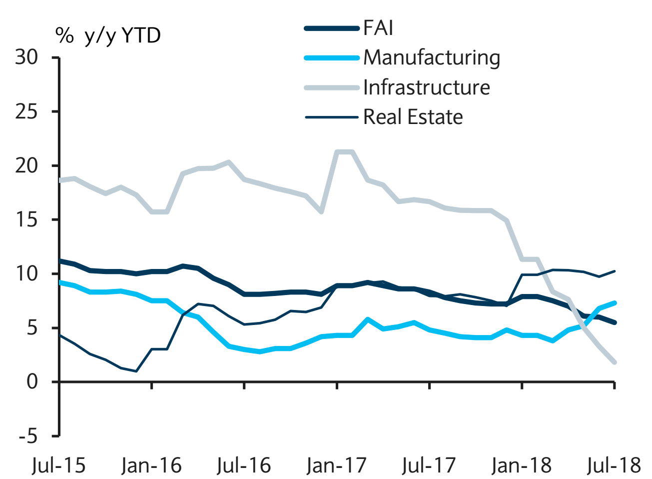
July credit growth continued to slip due to contraction in shadow lending

The weakening growth in investment reflects the continued moderation in China's broad credit growth, as the total social financing (TSF) slipped by 0.2pp, to 10.3% y/y, in July (on a new statistical basis: the PBoC added ABS and loan write-offs to TSF from July), and our Barclays Alternative Credit Aggregate (BACAR) decelerated by c.0.2pp, to c.10.7%. Similar to past months, the moderation in credit growth was driven by a sizable contraction in off-balance-sheet lending, which fell for the fifth consecutive month, although it was partially offset by a pickup in loan growth (July: 12.9%; June: 12.7%).

China's deleveraging has entered a third phase of unwinding and easing

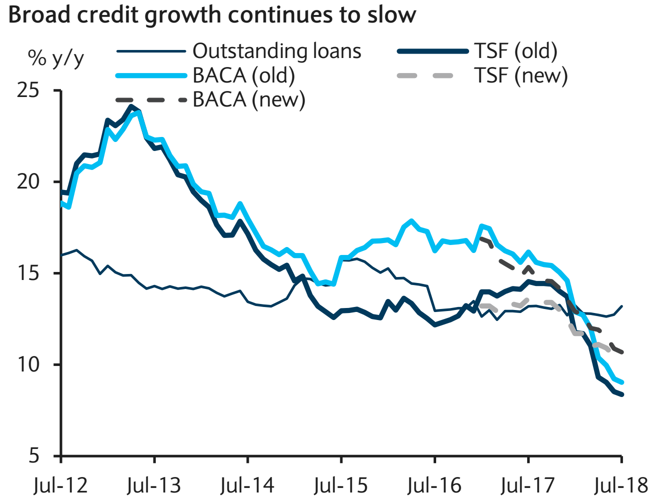
In *China: The unfolding effects of deleveraging* (9 August 2018), we described the Chinese government's deleveraging campaign and divided its policy actions into three phases, with the policy priority shifting to stabilisation, with some unwinding and easing being rolled out in the third phase (from June 2018 to present). In this phase, the policy easing has been broad-based, with loosening across monetary, regulatory, and fiscal policies, but targeted.

FIGURE 1
Record-low growth in infrastructure FAI



Source: CEIC, Barclays Research

FIGURE 2
Broad credit growth continues to slow



Source: CEIC, Wind, Barclays Research

The government can ease more on various policy fronts, if needed

To further gauge the outlook for policy and growth, in *China: Easing while deleveraging* (15 August 2018), we examined policy options under a couple of stimulus scenarios. In addition to the largely targeted easing measures rolled out in recent weeks, we think the government has room to do more, if necessary, including: 1) further monetary loosening through RRR cuts and OMO/MLF injections and lowering policy rates; 2) credit-supportive regulatory loosening, such as adjusting the MPA parameter, partially unwinding tightening regulations on LG and shadow credit activity, and extending the transition period for asset management rules; and 3) fiscal expansion via accelerating planned/discretionary spending and tax cuts.

Fiscal options include expansion in fiscal spending and further tax cuts…

On planned fiscal measures, we think there is still plenty of room for expansion in fiscal spending (eg, infrastructure, healthcare, education) in H2, given that the NPC increased the 2018LG special bond issuance quota by CNY0.55trn, to CNY1.35trn, but only about CNY0.4trn was issued in H1. Notably, the Ministry of Finance issued a guideline on 14 August requiring local governments to complete at least 80% of planned special bond issuance this year by end-September and the rest mainly in October. We also think the government can also speed up tax and fee cuts in H2, as only CNY400bn of tax cuts (out of the CNY1,165bn approved for this year) were implemented in H1.

… and more quasi-fiscal easing

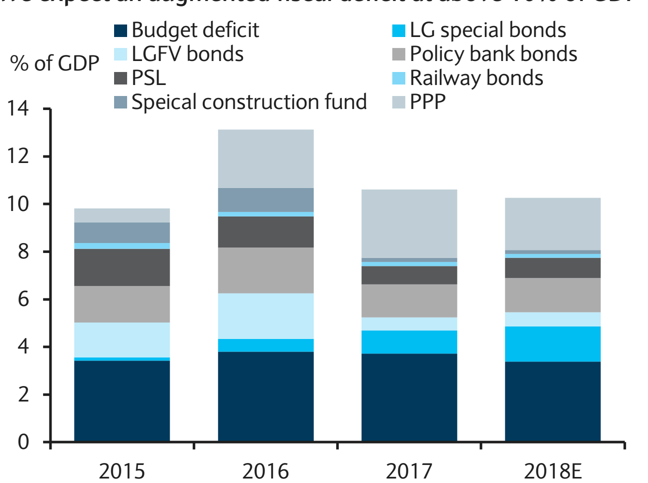
Meanwhile, we think there remains room for quasi-fiscal easing through: 1) a pickup in LGFV bond issuance via loosening of LGFV financing regulations to support infrastructure investment, and more targeted measures to support banks' purchases of corporate bonds (including LGFV bonds); and 2) a step-up in policy banks' bond financing and PSL lending.

Under the "meaningful stimulus" scenario, we expect the easing will support GDP growth of c.6.5-6.7%

Under a scenario of "meaningful stimulus" (which includes RRR cuts of 100bp in H2, material easing of LG financing, and an expansion of the augmented fiscal deficit to 10.3% of GDP from c.6% in H1), we expect credit growth to stabilise in Q4 18, while the credit impulse and infrastructure investment may bottom in Q3, supporting GDP growth of c.6.5-6.7%. A "substantial stimulus" scenario, which could be triggered by further escalation of the trade war and less effective targeted easing policy, assumes the negative impact from a trade war would be fully or more than offset by more aggressive easing measures. Finally, a scenario of "limited stimulus" might occur due to either the government misjudging the impact of the trade war and not rolling out sufficient policy easing pre-emptively, or its commitment to deleveraging, which limits its willingness to stimulate the economy.

FIGURE 3

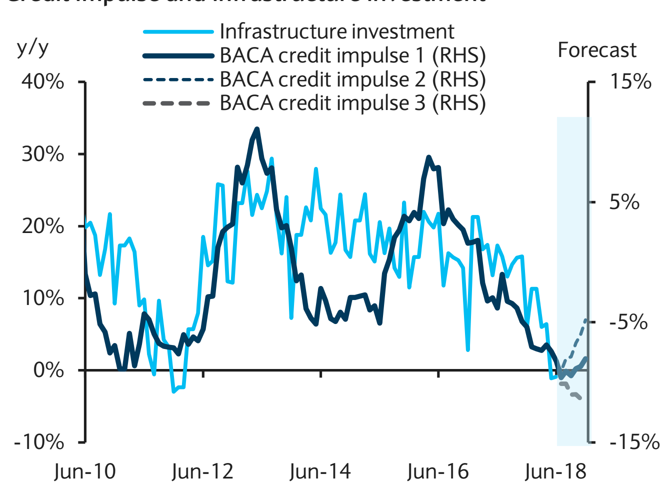
We expect an augmented fiscal deficit at above 10% of GDP



Source: Wind, Barclays Research

FIGURE 4

Credit impulse and infrastructure investment



Note: BACA growth 1) moderates in H2 at half the pace as that in H1; 2) stabilizes at July level; 3) same pace in H1. Source: CEIC, Wind, Barclays Research

OUTLOOK: EMERGING ASIA

BI remains hawkish, RBI neutral

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- **Bank Indonesia raised the policy rate 25bp, to 5.50%, taking the cumulative increase this year to 125bp. We expect another 25bp rate increase this year.**
- **Indonesia recorded trade deficit of USD2.03bn in July. The shift to a deficit this year and pressure on IDR led the government to announce measures to rein in imports.**
- **In India, the August MPC minutes support our view of a near-term pause. With the INR hitting lows and the trade deficit widening, the RBI will remain cautious.**

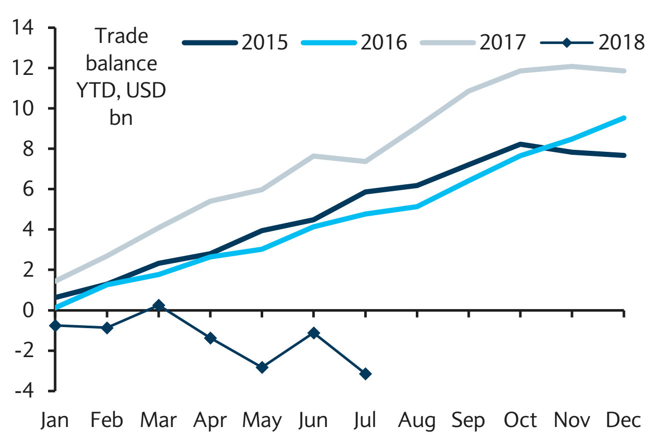
Indonesia: BI stays pre-emptive and raises rates by another 25bp

Bank Indonesia (BI) raised its 7d reverse repo rate by 25bp, to 5.50%, at the August meeting and reiterated that it will continue to follow a pre-emptive, frontloaded monetary policy stance. The central bank also said that it is observing external and domestic factors, and sees uncertainty rising globally. The latest rate hike signals, to an extent, strong policy coordination between the government and the central bank as they take measures to support IDR stability. BI has promised to continue its intervention in bond and FX markets to guard the rupiah, and the government announced measures (7.5% tariff on certain consumer goods, enhanced use of biofuels to reduce crude imports, delay capital goods imports) to ease the import bill and contain the current account deficit, which widened to USD8bn in 2Q18 (3% of GDP), the largest since Q3 14.

Trade balance turning negative this year and IDR under pressure, the government is supporting BI's "prudent, careful policy," with import restrictions

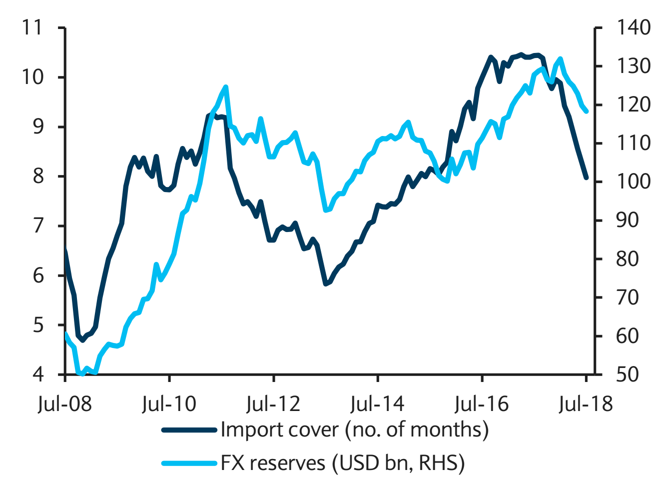
Indonesia reported trade deficit of USD2.03bn for July versus a surplus of USD1.7bn in June, as imports rose by a strong 31.6% y/y last month while exports were up 19.3%. Year through July, Indonesia has run a goods trade deficit of USD3.1bn compared with a surplus of USD7.4bn during the same period last year. This shift to a deficit has been driven by a strong increase in capital imports, alongside a pickup in consumer goods imports. Consumer imports, for instance, rose 61% y/y in July, a significant increase, and one the government wants to reduce; hence, the introduction of import duties. We believe next few trade reports will be keenly watched in light of July's large merchandise trade deficit and will determine the efficacy of the government steps to control the current account deficit.

FIGURE 1
Indonesia: Trade balance has been in deficit this year…



Source: Haver Analytics, Barclays Research

FIGURE 2
… putting pressure on FX reserves



Source: Haver Analytics, Barclays Research

We expect another 25bp rate hike in Indonesia by end-2018

With regard to monetary policy in the coming months, we forecast one more 25bp rate hike from BI in remainder of 2018, which would bring the policy rate to 5.75%. However, the focus should now shift to fiscal policy and the import restrictions, after President Jokowi stated that the government will support BI's "prudent, careful policy," with import restrictions (see "Indonesia Slaps Tariffs on Consumer Goods to Curb Imports as Rupiah Slides," *Jakarta Globe*, 14 August 2018).

India: RBI August meeting minutes suggest a pause in the near term

Tone of August minutes supports to our view of a near-term pause in rate action, barring an escalation in global risks

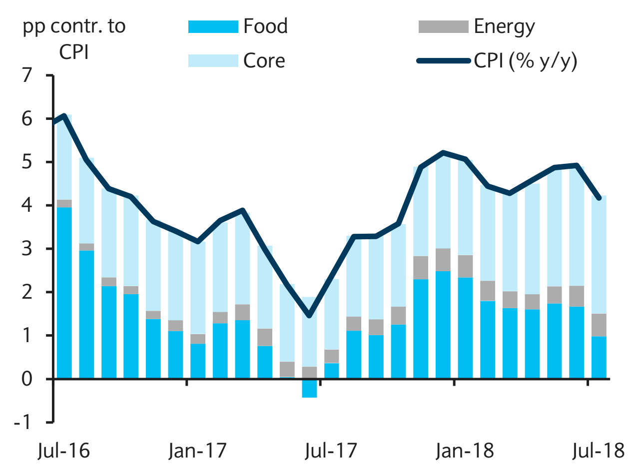
Minutes of the August monetary policy meeting, where the RBI raised the repo rate by 25bp, hinted at a pause in the near term. The minutes show that several members (with the notable exception of Prof Dholakia) were concerned about the prevalence of a number of potential upside risks to inflation, but most members feel that the two successive rate hikes (June and August) will likely help rein in inflation expectations to an extent. On the impact of the hike in minimum support prices (MSP) of agricultural commodities, the members diverged strongly. However, a common theme was that clarity in this regard would emerge only after several months – thus weakening the case for further rate action in the near term, in our view. A notable upside risk to inflation that was flagged by policymakers was via further fiscal slippages in the coming election year. Financial market uncertainty also occupied considerable mind-share of members. We see the tone of minutes as further support to our view of a near-term pause in rate action, barring unforeseen escalation in global risks (*India: RBI to tighten, gradually*, 20 July 2018).

A widening trade deficit and pressure on the INR could turn the RBI more cautious

Easing CPI inflation underpins our monetary policy view of unchanged rates until end-Q1 19 but a widening trade deficit and pressure on the INR could turn the RBI more cautious. CPI inflation decelerated to 4.2% y/y, (June: 4.9% y/y) due primarily to easing food inflation, coupled with the start of a waning of an unfavorable base effect. Upward pressure on headline CPI was maintained by a rise in the fuel and light segment, which rose by c.77bp in July, reflecting higher domestic fuel prices. Core CPI (ie, CPI ex-food, tobacco, energy; c.45% of the CPI basket) stayed flat at 6.3% y/y in July. On the trade side, the deficit widened sharply in July to USD18.0bn, which is the highest since May 2013. Imports jumped 28.8% y/y as oil imports grew 57.4% y/y. Some media reports suggest that India recently ramped up its oil imports from Iran as the deadline for US sanctions approach ("India is considering 50 per cent Iran oil cut to win US waiver," Bloomberg, 14 August 2018). Clarity in this regard is awaited.

FIGURE 3

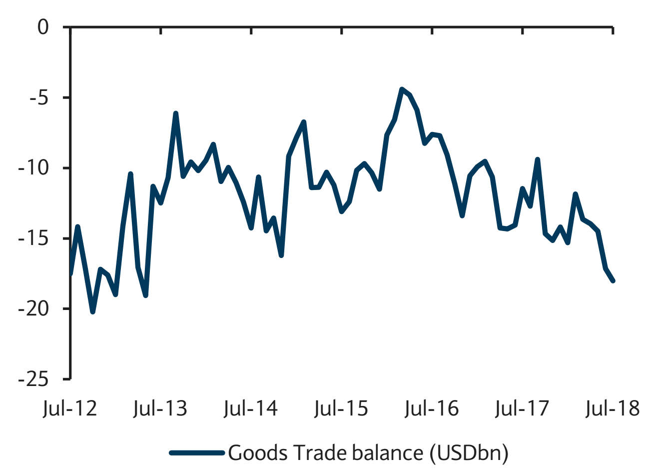
India: Food inflation fell sharply, but others largely steady



Source: Haver Analytics, Barclays Research

FIGURE 4

India: Goods trade deficit widened sharply



Source: Haver Analytics, Barclays Research

DATA REVIEW & PREVIEW: AUSTRALIA & EM ASIA

Rahul Bajoria, Jian Chang, Krishna Goradia, Angela Hsieh, Siddhartha Sanyal

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
China: M2 growth (% y/y)	Jul	8.0	8.0	8.5	Credit growth moderated in July; support from policy fine-tuning takes time
China: Aggregate financing (CNY bn)	Jul	1180.0	1000	1040	
China: New loans (CNY bn)	Jul	1840.0	1300	1450	
Singapore: Final GDP (% q/q saar / % y/y)	Q2	1.0 / 3.8	2.2 / 4.2	0.6 /3.9	Cautiously 'wait and see'; we cut our 2019 growth forecast
India: CPI (% y/y)	Jul	4.9R	4.5	4.2	CPI surprised lower; core moved sideways
India: Trade balance (USD bn)	Jul	-16.6	-15.5	-18.0	Trade deficit widened sharply in July
China: Retail sales (% y/y)	Jul	9.0	9.2	8.8	Record-low infrastructure investment growth calls for more fiscal easing
China: Fixed asset investment YTD (% y/y)	Jul	6.0	6.0	6.0	
China: Industrial production (% y/y)	Jul	6.0	6.3	6.6	
India: WPI (% y/y)	Jul	5.77	5.5	5.1	Lower food prices ease July WPI
Australia: Wage price index % q/q / (% y/y)	Q2	0.5 / 2.0R	0.55 / 2.1	0.6 / 2.1	Wage price index, Q2 18 - Modest improvement
Indonesia: Imports (% y/y)	Jul	12.8R	13.5	31.6	Large trade deficit in July, government focuses on import reduction
Indonesia: Exports (% y/y)	Jul	11.3R	11.0	19.3	
Indonesia: Trade balance (USD mn)	Jul	1.7	-0.65	-2.0	
Indonesia: Bank Indonesia 7d reverse repo rate (%)	Aug	5.25	5.25	5.50	BI delivers another rate hike, flags rising uncertainty
Philippines: Remittances (% y/y)	Jun	6.9	4.0	-4.5	Remittances turn negative in June
Australia: Employment change (k)	Jul	58.2R	15.0	-3.9	Lower unemployment rate key takeaway
Australia: Unemployment rate (%)	Jul	5.4	5.4	5.3	
Australia: Participation rate (%)	Jul	65.7	65.7	65.5	
India: RBI MPC meeting minutes	Aug	–	–	–	Cautious, but with bias for pause in the near term
Malaysia: GDP (% y/y)	Q2	5.4	5.1	4.5	Q2 GDP growth weakens further; new FX rules do not change MYR outlook
Korea: Unemployment rate (%)	Jul	3.7	3.8	3.8	5k job creation marks the lowest since January 2010
Singapore: Non-oil domestic exports (% y/y)	Jul	0.8R	12.0	11.8	Non-oil domestic exports bounce back, in line with expectations

Preview of releases for the next week

Monday 20 August		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
09:30	Thailand: GDP (% q/q sa / % y/y)	Q2	1.0 / 4.3	0.5 / 4.0	2.0 / 4.8	0.4 / 4.2	1.0 / 4.4

Thailand: We think GDP expanded at a slower pace sequentially in Q2 18, following the sharp increase in Q1 18. Incoming data suggest that both domestic and external activity supported growth in Q2.

Tuesday 21 August		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
09:30	Australia: RBA board minutes	Aug					
11:30	Thailand: Customs exports (% y/y)	Jul	12.3	11.6	8.2	11.5	10.9

Australia: The RBA board meeting minutes for August are likely to describe an ongoing constructive backdrop for growth, but express concerns around slow wage growth and recent declines in house prices.

Thailand: We expect exports to edge up marginally on a m/m sa basis, but to accelerate on a y/y basis partly because of base effects.

Thursday 23 August		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
13:00	Singapore: CPI – headline/core (% y/y)	Jul	0.1 / 1.7	0.4 / 1.7	0.6 / 1.7	0.4 / 1.8	0.6 / 1.8
13:00	Taiwan: Industrial production (% y/y)	Jul	8.8	7.6	0.4	4.2	3.0

Singapore: Headline inflation is likely to be weighed down by sharply lower CoE premiums and S&CC rebates, but these drags should be partly offset by higher water and electricity bills, as well as an increase in Changi Airport fees.

Taiwan: We expect IP growth to have improved on one additional working day and some normalisation following the sharp 2.7% m/m sa decline in June.

Friday 24 August		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
12:00	Malaysia: CPI (% y/y)	Jul	1.4	1.8	0.8	0.9	0.9
13:00	Singapore: Industrial production (% y/y)	Jul	10.8	12.9	7.4	4.0	6.0

Malaysia: Inflation is likely to remain low, amid ongoing tax holiday due to GST removal, and stable food prices.

Singapore: We expect IP growth to slow, driven by some payback in pharmaceutical production.

Source: Bloomberg, Barclays Research

OUTLOOK: EMERGING EUROPE, MIDDLE EAST AND AFRICA

After turmoil comes some relief

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- **The sharp sell-off in the Turkish lira has sent shockwaves across EM globally, with ARS, ZAR, COP and RUB the most affected.**
- **The reaction in EM currencies reflects the fact that investor focus is shifting away from fundamentals to idiosyncratic risks and vulnerabilities.**
- **SSA currencies generally held up as central banks lent greater support, albeit at the risk of eroding precious reserve buffers.**

The usual suspects bear the brunt of the sell-off

The sharp sell-off in Turkish asset prices, triggered by US sanctions, has been a reminder of EM frailties with contagion being exacerbated by the combination of idiosyncratic risks and the concentration of inflows. Those countries that were in investors' focus earlier in the year once again suffered the most. As Figure 1 shows, it is not necessarily those EMs where external vulnerabilities are the largest, but those where markets are generally concerned about the direction of policymaking (Argentina, South Africa) or other idiosyncratic risks (such as sanctions in Russia). Indeed, in Central Europe, where external vulnerabilities are among the lowest in the EM world, the Hungarian currency was still among the worst hit across EM reflecting concerns about the central bank's credibility.

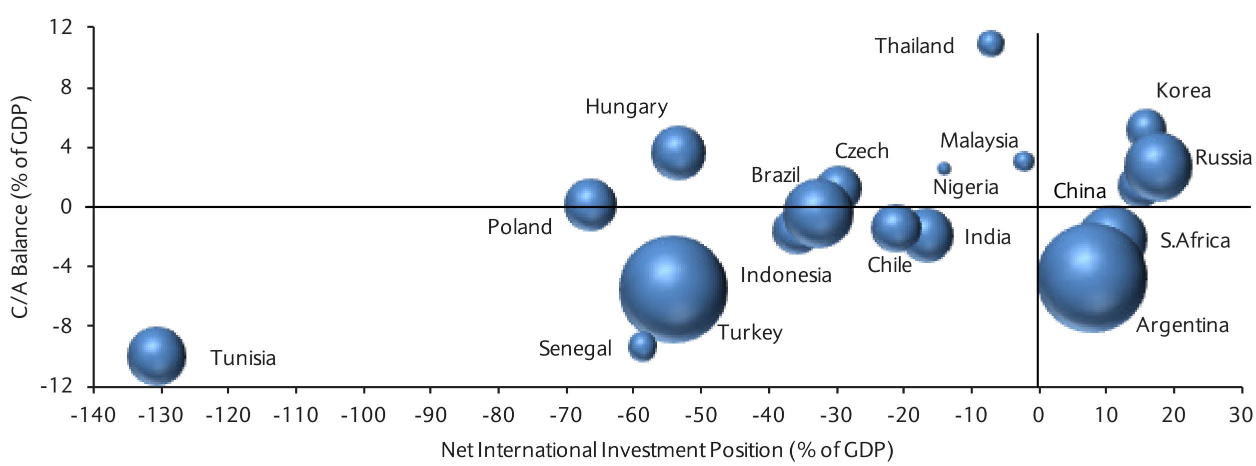
The rapid build up of foreign holdings in several local markets (Egypt, Ghana) has increased risks of sudden reversals. Moreover, reliance of some countries on non-resident deposits (Qatar and Lebanon) and on external debt markets (GCC, SSA, Ukraine) has increased dependence on non-residents. In South Africa, the share of non-resident holdings in local currency bonds has traditionally been high and relatively stable, but high yielders such as Ghana and Nigeria appear more vulnerable to sudden shifts, in our view (Figure 2).

Central banks to the rescue

Sharp currency falls have already triggered policy responses across several EM central banks. Argentina and Indonesia unexpectedly hiked interest rates, as fears mounted about

FIGURE 1

The sell-off in EM currencies has concentrated not in those economies with the largest vulnerabilities, but those where investors are concerned about the direction of policymaking or other idiosyncratic risks (eg. sanctions in Russia).



Source: Haver Analytics, Barclays Research; NB the size of the bubble is proportional to the drop in the currency relative to USD since the beginning of the year (the bigger the bubble the larger the drop in the currency).

the impact on inflation. In Turkey, policymakers have had to use their creativity as the CBT remains reluctant to hike interest rates.

The sharp sell-off in TRY has been felt elsewhere with the usual suspects, such as ZAR and RUB, once again suffering most

The measures used by the Turkish authorities have included the CBT lowering reserve requirement ratios (RRR) to release FX liquidity, as well as the steps taken simultaneously by BRSA and the CBT to tighten TRY liquidity. The BRSA imposed restrictions on swap transactions of Turkish banks, which followed the CBT's measures to tighten TRY liquidity (halting one-week repo funding). As we discussed earlier, the bar is high for a decisive rate hike, given CBT's wait and see stance on political risk-driven market volatility, as well as political opposition to higher rates (see *Turkey: TRY on trial*, 14 August). Even mounting an interest rate defence may not provide a long-lasting anchor to TRY in the absence of political tensions, which raised concerns on roll-over risks.

Policy response has followed: Turkey is tightening TRY liquidity; we think any interest rate cuts are definitely off the table in Russia now

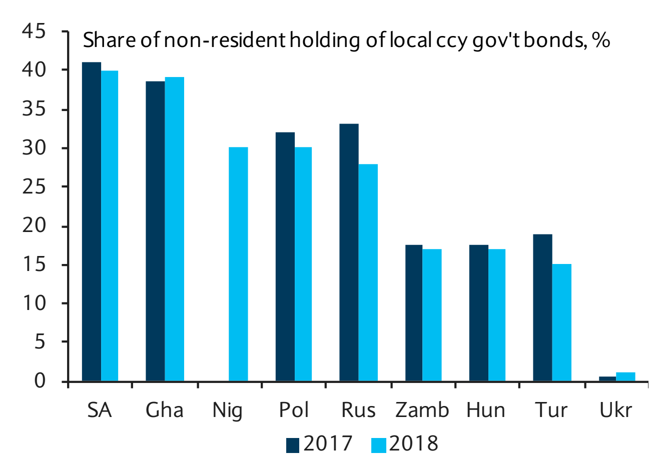
Elsewhere in EEMEA, the fall in RUB, which came under pressure before the Turkish market sell-off as the talk of sanctions on sovereign debt returned (see *US sanctions on Russia: A step closer to sovereign debt sanctions, accompanying measures also cause concern*, 3 August 2018), only strengthens our expectation that further rate cuts are off the table now for the CBR. Admittedly, the FX pass through appears to have fallen compared with a couple of years ago. But even so, we don't think it has completely disappeared: USDRUB is currently 13% above its level one year ago, and we think that the move will add at least 1ppt to the headline inflation rate over the coming 12 months or so.

We think that policy response has been most concerning in SSA as central banks appear to be intervening in the FX market. In this region inflation is most vulnerable to swings in currency

In SSA, we continue to expect a rate hike in Zambia at the August 22 MPC (see *Sub Saharan Africa MPC Round up*), and think the kwacha's drop during the latest EM rout, together with the country's weak fundamentals and low official FX reserve, strengthens the case for monetary tightening. Elsewhere, while Nigeria's, Kenya's and Ghana's currencies remained stable against the backdrop of EM turmoil, this is likely to have been due to central bank intervention. This is reflected, in Nigeria for example, in terms of falling FX reserves (-$565mn since August 1). Nevertheless, we doubt the latest EM rout has created the conditions to change our expectation for Central Banks to keep policy rates on hold (with a small possibility of an additional rate cut in Kenya). This is mainly because monetary authorities view inflationary pressures as relatively contained – inflation continued to decline through July in Ghana and Nigeria, while in Kenya recent increases are still modest – while the domestic economic recovery remains fragile and in need of policy support.

FIGURE 2

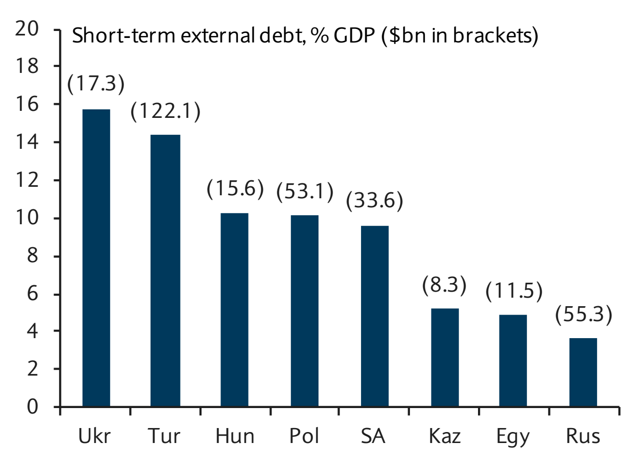
Countries with high shares of non-resident holdings are particularly vulnerable to capital outflows



Source: Haver Analytics, Barclays Research

FIGURE 3

Short-term external debt burdens are particularly heavy in Ukraine and Turkey



Source: Haver Analytics, Barclays Research

DATA REVIEW & PREVIEW: EMERGING EUROPE, MIDDLE EAST AND AFRICA

Liza Ermolenko, Durukal Gun, Michael Kafe, Brahim Razgallah, Tomasz Wieladek

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Poland: Current account (EUR bn)	Jun	0.2	-0.5	-0.2	The current account deficit remains very small, even as the trade deficit has widened.
Poland: Trade balance (EUR bn)	Jun	0.1	-0.1	-0.4	
Russia: Budget level YTD (RUB bn)	Jul	877.3	-	1383	The budget continues to benefit from high oil prices.
Hungary: Preliminary GDP (% y/y)	Q2	4.4	4.2	4.6	GDP was above expectations, as domestic demand continues to accelerate.
Poland: Final CPI (% y/y)	Jul	2.0	2.0	2.0	Inflation remained at 2% due to energy and food prices.
Poland: Preliminary GDP (% y/y)	Q2	5.2	5.0	5.1	GDP growth remains very strong.
South Africa: Mining output, m/m sa	Jun	5.0	1.5		Strong increase in diamonds, PGMs, manganese and copper
Ukraine: Preliminary GDP constant prices (% y/y)	Q2	3.1	-	3.6	Growth acceleration remains on track.
South Africa: Retail sales constant, % m/m, sa	Jun	0.9	0.5	-1.2	The effects of an earlier VAT hike have kept retail sales weak.
Israel: CPI (% y/y)	Jul	1.3	1.4	1.4	Inflation had a modest uptick.
Russia: Industrial production (% y/y)	Jul	2.2	2.5	3.9	Industrial production rebounded strongly after a slowdown.
Turkey: Industrial production WDA (% y/y)	Jun	6.4	-	3.2	IP sequentially contracted in Q2, which re-affirms anticipated loss in growth into H2.
Israel: Advanced GDP (% saar q/q)	Q2	4.7	3.3	2.0	Growth slowed, led by a fall in private consumption.
Poland: CPI core (% y/y)	Jul	0.6	0.6	0.6	Core CPI will remain weak in 2019 due to a fall in regulated prices.

Preview of upcoming data

Monday 20 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	Poland: Sold industrial output (% y/y)	Jul	9.3	5.2	6.8	9.5	10.0

Poland: Industrial production will remain strong due to deployment of EU-funded investment funds.

Tuesday 21 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:00	South Africa: Leading indicator index	Jun	106.2	105.9	105.9	106	-
13:00	Hungary: Deposit rate (%)	Aug	0.90	0.90	0.90	0.90	0.90

South Africa: We expect the leading indicator to continue to hover around 106, with some upside on hopes of macro stabilization.

Hungary: We expect the NBH to take comfort in the recent stabilization in the markets and avoid shifting the language, instead once again reiterating its dovish stance.

Wednesday 22 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
08:00	Hungary: Average gross wages (% y/y)	Jun	11.3	12.6	10.9	10.0	-
09:00	Poland: Retail sales (% y/y)	Jul	4.6	7.6	10.3	9.1	9.5
09:00	South Africa: CPI, % y/y	Jul	4.5	4.4	4.6	4.9	5.1
09:00	South Africa: Core CPI, % y/y	Jul	4.5	4.4	4.2	4.2	4.3

Hungary: We expect further slight moderation in wage growth as one-off effects unwind.

South Africa: We expect CPI to accelerate from 4.6% y/y in June to 4.9% y/y in July, thanks in large measure to the 5.23% electricity tariff award that was granted to Eskom, a 24c/l increase in the price of petrol, a 6.5%m/m increase in water tariffs and a modest rise in food prices. Core inflation, by our estimate, is likely to track broadly sideways at 4.2% y/y in July.

Poland: We expect retail sales to continue growing rapidly, on account of a buoyant labour market.

Thursday 23 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Israel: Leading 'S' Indicator (% m/m)	Jul	0.3	0.3	0.4	-	-

Friday 24 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
09:00	Poland: Unemployment rate (%)	Jul	6.3	6.1	5.9	5.8	5.9

Poland: The unemployment rate continues to fall on account of a buoyant labour market.

Note: All times reported are local London time. Consensus figures are taken from Bloomberg. Source: Bloomberg, Haver Analytics, Barclays Research

OUTLOOK: LATIN AMERICA

Bolder policy action, but only where needed

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- **Despite external volatility, Brazil's and Mexico's central banks are unlikely to hike for the time being. We expect the BCB to continue to rely on FX swaps instead.**
- **Banxico held rates unchanged at its last meeting, and we would not expect it to hike as long as the MXN remains stable despite external volatility and core inflation stays well behaved.**
- **In contrast, Argentina's central bank initiated a bold reduction in Lebac stocks, hiked the reference rate 500bp and reserves requirement 3pp, and sold US$1.1bn in reserves.**

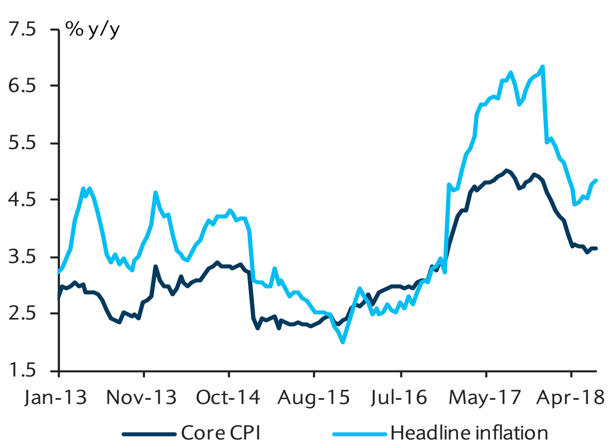
The **Brazilian** real has weakened over 5% in the past ten days, moving from 3.70 per USD to above 3.90, mainly pressured by external drivers. As the electoral campaign gets underway in the coming weeks amid high uncertainty about possible outcomes, the expectation is for increased volatility. Between May and June, when the currency was in the process of depreciating over 10%, the BCB sold nearly USD44bn in FX swaps in an attempt to contain excess volatility. This brought the bank's stock of outstanding swaps up to USD67bn, still well below the historic peak of USD115bn registered in 2015. As inflation expectations remain well anchored amid lackluster economic activity, we believe that any future episodes of excessive volatility in Brazilian assets would be first dealt with by increased amounts of FX swaps, not interest rate hikes. Indeed, the Copom repeated in its most recent minutes that there is no direct relationship between shocks and monetary policy.

In Brazil, Alckmin's chances of improvement will likely come only as the TV campaign starts on August 31, while his potential indictment will be monitored by investors

Three new presidential polls are expected to be released next week, two on Monday (Ibope and CNT/MDA) and one on Wednesday (Datafolha). As reformist candidate Geraldo Alckmin showed improvement in an Ibope poll conducted in the state of Sao Paulo earlier this month, there is expectation that he could see some modest uptick at the national level, as well. However, we caution that his best chances for improvement in polls will likely come only in September, once the TV campaign kicks in on August 31. In the meantime, investors will continue to monitor risks affecting the candidate, including his potential indictment for alleged wrongdoing during his tenure as state governor. According to website G1[2], the charges could be filed before the first round of elections on October 7, which would be extremely damaging to his campaign.

FIGURE 1

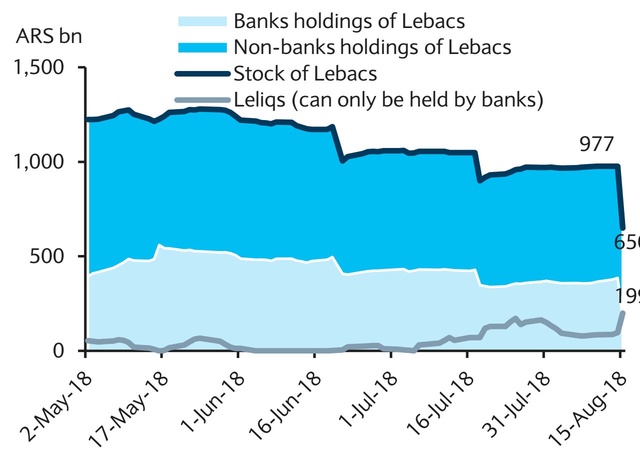
The stability of core inflation motivated the most recent policy action in Mexico



Source: INEGI, Barclays Research

FIGURE 2

Argentina's central bank initiated a bold reduction in the stock of its short-term paper held by non-banks



Source: BCRA, Barclays Research

[2] https://g1.globo.com/politica/blog/julia-duailibi/post/2018/08/16/mp-de-sp-pode-denunciar-alckmin-antes-do-1o-turno-por-caixa-2-da-odebrecht.ghtml

Banxico did not respond to a supply shock, but could deliver more hikes if the MXN is pressured up…

In **Mexico**, Banxico published the minutes of the August 2 meeting. At that time, the board decided unanimously to leave its reference rate unchanged at 7.75%. The minutes suggest that decision was based mostly on the estimate that the recent acceleration in headline inflation was driven by supply shocks, which should be transitory. Furthermore, the board believes that the core inflation has continued to decelerate amid signs that the conditions of slack in the economy have relaxed. Accordingly, it did not respond to a supply shock in the latest meeting, while it acknowledges that inflation convergence might take longer. However, it warned that it could deliver more hikes in the future if the balance of risks to inflation deteriorates, particularly if the MXN continues to be pressured up amid higher external rates and USD strength, if NAFTA negotiations fail and inflation stays high in the context of a decelerating economy.

...we expect it to remain on hold as long as core inflation is well behaved and the currency continues to stabilize

In our view, as long as core inflation remains well behaved and the currency continues to stabilize, the board will remain on hold for the rest of the year, particularly if there is positive news about the NAFTA negotiations. In addition, the fact that the private sector has agreed to increase the minimum wage by 15% next year allows us to believe that the labor market has room to accommodate it without generating inflation pressures. Finally, the stance of the 2019 fiscal budget should indicate the aggressiveness of a potential easing cycle next year. So far, the transition team has signalled its intention to run a primary surplus of 0.5% of GDP.

Argentina's central bank hiked the reference rate 500bp, hiked reserve requirements and sold US1.1bn in reserves, while it initiated a bold reduction in the stock of Lebacs

In **Argentina**, which has had notable pressure on its exchange rate, the central bank announced a package of bold measures. The ARS weakened 5.5% since last Friday, though it has stabilized at ARS29.5-30.0 in the past few days. The central bank announced it will initiate a bold reduction in the stock of short-term central bank paper held by non-banks to reduce vulnerabilities and improve the effectiveness of monetary policy. To prevent a sharp exchange rate weakening, it simultaneously hiked the reference interest rate 500bp, to 45%; hiked reserve requirements 3pp; and has sold US$1.1bn reserves in the FX market since Tuesday, when the plan to reduce the stock of Lebacs was formally announced. Some loss of reserves during this process is warranted to prevent a disruptive exchange rate movement. But a very sharp decline in reserves to defend some exchange rate level could risk stabilization further, in our view.

Reducing the stock of Lebacs could reduce exchange rate volatility and improve the effectiveness of monetary policy

Arguably, reducing the stock of Lebacs could reduce exchange rate volatility and open space for interest rates to be cut to more sustainable levels and to improve the effectiveness of monetary policy, as central bank paper is held only by banks and the risk premia fall. Reaching that equilibrium point would require a transition period, with a somewhat weaker exchange rate and higher interest rates, and might require the selling of some reserves to prevent a disruptive exchange rate weakening, which could derail inflation expectations further, as we noted in *Argentina- Clinging to local markets stabilization*, August 15, 2018. The central bank's goal is to take the stock of Lebacs to zero by year-end. In the end, the goal is that only banks hold central bank paper, in order to improve monetary policy effectiveness. This week, the stock has already fallen from ARS977bn (US$32.6bn) to c.ARS649bn (US$21.6bn), of which 60% of the reduction was from banks that can no longer subscribe to these auctions. However, banks can buy Leliqs (central bank 7-day paper), whereas non-banks cannot (Figure 2).

DATA REVIEW & PREVIEW: LATIN AMERICA

Alejandro Arreaza, Marco Oviedo, Nestor Rodriguez, Pilar Tavella

Review of the week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Colombia: Industrial production, % y/y	Jun	2.9	0.8	1.3	
Colombia: Retail sales, % y/y	Jun	5.9	4.7	6.3	Year to date retail sales have grown at an outstanding 5.7%.
Colombia: Trade balance, USD mn	Jun	-637.8	-	-719.2	
Peru: Economic activity index, % y/y	Jun	6.4	5.2	2.0	Weak print due to a sharp decline in mining activities of -4.6% y/y, while manufacturing only grew 1.5% y/y.
Peru: Unemployment rate, %	Jul	6.2	-	6.2	
Brazil: Economic activity index, % y/y	Jun	-2.9	-	1.8	Rebound in June was not enough to prevent a decline of 1.0% q/q in 2Q due to the truckers' strike in May.
Argentina: CPI inflation, % m/m	Jul	3.70	3.20	3.10	Sharper increases in transport, food, household items and entertainment. Consistent with 31.2% y/y.
Mexico: Banxico meeting minutes	Jul	-	-	-	Prudent tone confirms that Banxico will not react to supply shocks.

Preview of the week ahead

Tuesday 21 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Argentina: Budget balance, ARS mn	Jul	-10342.4	-7817.8	-56664.0	-	-

Wednesday 22 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Peru: GDP, % y/y	Q2	2.9	2.2	3.2	-	-
9:00	Mexico: Retail sales, % y/y	Jun	1.2	3.3	2.5	-	-
15:00	Argentina: Trade balance, USD mn	Jul	-924.0	-1313.0	-382.0	-	-

Thursday 23 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
8:00	Brazil: IPCA-15 inflation, % m/m	Aug	0.14	1.11	0.64	0.13	-
9:00	Mexico: First half bi-weekly CPI, % 2w/2w	Aug-15	-0.29	0.13	0.32	0.21	-
9:00	Mexico: First half bi-weekly CPI core, % 2w/2w	Aug-15	0.13	0.08	0.19	0.14	-
15:00	Argentina: Economic activity index, % y/y	Jun	2.1	-0.6	-5.8	-3.0	-

Mexico first half bi-weekly CPI: Our forecast is consistent with additional non-core food price pressures and some adjustments in the energy component. In the core, our estimation is consistent with tuitions increasing 0.9% 2w/2w, a number that would confirm that the domestic component of inflation is well behaved. Annual inflation could drop to 4.7% from 4.8% previously, while core inflation is likely to remain stable at 3.6%.

Argentina: Economic activity index, % y/y: We expect the GDP proxy to contract 3.0% y/y in June as a result of the negative impact of higher inflation and interest rates on consumption, as well as a decline in private investment in a context of higher uncertainty and higher rates.

Friday 24 August		Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
9:00	Mexico: Economic activity index, % y/y	Jun	-0.8	4.5	2.2	1.3	-
9:00	Mexico: Final GDP, % y/y	Q2	1.5	1.3	2.7	2.7	-
10:00	Mexico: Current account balance, USD bn	Q2	-5463.5	-2872.1	-6941.0	-	-

Mexico economic activity: Our models estimate a 0.1% m/m sa expansion in the monthly GDP proxy for June after a soft performance in industrial production (0.3 % m/m sa) during that month. This print would put our GDP tracker for Q2 at 0.1% q/q sa, higher than the decline reported in the preliminary report of -0.1% q/q sa.

Week 18-24	August	Period	Prev – 3	Prev – 2	Prev – 1	Forecast	Consensus
-	Brazil: CAGED formal job creations, k	Jul	115898.0	33659.0	-661.0	-	-

Source: Bloomberg, Barclays Research

COUNTRY SNAPSHOT: AUSTRALIA

	2017				2018				2019				Calendar year			
% change	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP (% chg, q/q)	0.3	1.0	0.5	0.5	1.0	0.5	0.8	0.9	0.8	0.6	0.7	0.7				
Real GDP (% chg, y/y)	1.8	2.0	2.8	2.4	3.1	2.6	2.8	3.2	3.0	3.1	3.0	2.8	2.6	2.2	2.9	3.0
Private consumption (% y/y)	2.3	2.7	2.7	2.9	2.9	2.5	2.8	2.5	2.6	2.6	2.7	3.0	2.9	2.7	2.7	2.7
Public consumption (% y/y)	3.9	3.2	2.1	5.3	5.1	2.6	2.8	2.8	3.0	3.0	2.0	2.0	4.1	3.6	3.3	2.5
Investment (% y/y)	1.1	2.1	6.8	2.6	2.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0	-2.1	3.1	3.0	3.0
Inventories contribution (pp)	0.5	-0.5	-0.3	0.0	-0.2	0.1	0.1	-0.2	0.2	0.2	0.0	0.1	0.1	-0.1	0.0	0.1
Exports (% y/y)	3.6	5.2	5.1	0.2	4.6	4.5	4.0	3.5	4.0	4.0	3.5	3.5	6.8	3.5	4.2	3.7
Imports (% y/y)	8.9	6.5	8.3	7.3	4.7	4.0	4.3	4.0	4.5	4.0	4.5	4.0	0.2	7.8	4.2	4.2
Net exports contribution (pp)	-1.2	-0.4	-0.8	-1.6	-0.2	0.0	-0.2	-0.2	-0.2	-0.1	-0.3	-0.2	1.2	-1.0	-0.1	-0.2
Nominal GDP (% chg, q/q)	1.9	0.0	0.7	0.9	2.2	0.9	1.3	1.5	1.4	1.2	1.3	1.3	3.8	5.8	5.0	5.4
Unemployment rate (end, %)	5.8	5.7	5.4	5.5	5.5	5.4	5.4	5.3	5.3	5.2	5.1	5.0	5.7	5.6	5.4	5.2
CPI inflation (y/y)	2.1	1.9	1.8	1.9	1.9	2.1	2.0	2.0	2.1	2.3	2.4	2.3	1.3	1.9	2.0	2.3
Underlying inflation (y/y)	1.7	1.9	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.1	2.2	2.3	1.5	1.9	2.0	2.2
Current account (% GDP)	-1.6	-2.4	-2.6	-3.2	-2.3	-3.0	-3.2	-3.0	-3.2	-3.2	-3.0	-3.0	-3.1	-2.5	-2.9	-3.1
RBA cash rate (period end, %)	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	2.00	2.00	2.00	1.50	1.50	1.50	2.00

Source: Australian Bureau of Statistics, Reserve Bank of Australia, Barclays Research

COUNTRY SNAPSHOT: BRAZIL

% change q/q saar (unless otherwise stated)	2017				2018				2019				Calendar year average			
	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP	4.4	2.4	1.1	0.9	1.8	0.2	4.6	3.6	1.8	1.8	1.7	1.2	-3.5	1.0	1.7	2.3
Private consumption	0.8	4.7	4.7	0.5	1.8	0.1	3.0	2.3	1.2	1.1	1.1	0.8	-4.3	1.0	1.9	1.5
Investment	-3.3	1.6	8.4	8.7	2.5	-7.8	7.4	4.1	3.2	3.2	3.2	3.2	-10.3	-1.8	2.5	3.2
Net exports (contr, % y/y)	…	…	…	…	…	…	…	…	…	…	…	…	1.6	0.1	-0.5	-0.2
Industrial output (PA)	11.4	0.0	5.0	6.6	1.2	-9.7	3.4	4.7	2.9	2.5	2.4	1.8	-6.7	2.9	0.9	2.3
CPI inflation (% y/y)*	4.6	3.0	2.5	2.9	2.7	4.4	4.5	4.2	5.2	4.2	4.0	4.3	6.3	2.9	4.2	4.3
CPI inflation (% y/y, PA)	4.9	3.6	2.6	2.8	2.8	3.3	4.5	4.3	4.9	5.0	4.0	4.1	8.7	3.4	3.7	4.5
Unemployment rate % (PA)	13.0	13.0	12.6	12.5	12.5	12.4	12.0	11.7	11.7	11.5	11.1	10.8	11.3	12.8	12.1	11.3
Key central bank rate (EOP)*	12.25	10.25	8.25	7.00	6.50	6.50	6.50	6.50	6.50	6.75	7.00	7.50	13.75	7.00	6.50	7.50
Current account (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-1.3	-0.5	-1.2	-1.2
Government balance (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-9.0	-7.8	-7.4	-6.9
Gross public debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	70.0	74.0	77.1	80.1
Gross external debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	37.6	35.4	40.4	43.3

Note: *End of period for quarters and years. Source: IBGE, BCB, National Treasury, Barclays Research

COUNTRY SNAPSHOT: CHINA

	2017				2018				2019				Calendar year average			
% change y/y	Q1	Q2	Q3	Q4	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP	6.9	6.9	6.8	6.8	6.8	6.7	6.6	6.6	6.5	6.5	6.5	6.4	6.7	6.9	6.7	6.5
Real GDP (q/q, saar)	6.9	7.0	6.7	6.4	7.2	6.4	6.4	6.5	6.5	6.6	6.3	6.2	…	…	…	…
Real GDP (% y/y, YTD)	6.9	6.9	6.9	6.9	6.8	6.8	6.7	6.7	6.5	6.5	6.5	6.5	…	…	…	…
Consumption* (pp)	5.3	4.4	4.5	4.1	5.3	5.3	4.8	4.8	4.8	4.7	4.5	4.5	4.3	4.1	4.8	4.5
Investment* (pp)	1.3	2.3	2.3	2.2	2.1	2.1	2.3	2.3	2.1	2.1	2.2	2.2	2.8	2.2	2.3	2.2
Net exports contribution* (pp)	0.3	0.3	0.1	0.6	-0.6	-0.7	-0.4	-0.4	-0.4	-0.3	-0.2	-0.2	-0.5	0.6	-0.4	-0.2
Industrial output	6.8	6.9	6.3	6.2	6.8	6.6	6.2	6.2	6.1	6.1	6.0	6.0	6.0	6.6	6.4	6.1
CPI inflation	1.4	1.4	1.6	1.8	2.2	1.8	2.1	2.2	2.1	2.5	2.3	2.3	2.0	1.6	2.1	2.3
Unemployment rate (%)	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Current account (% GDP)	0.7	1.7	1.3	1.8	-1.1	0.2	0.9	1.1	0.1	0.4	0.5	0.6	1.7	1.5	0.5	0.4
Government balance (% GDP)													-3.7	-4.0	-4.0	-4.0
General government debt (% GDP)													46.2	49.3	52.0	54.5
Key CB rate (period end, %)	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35

Note: All numbers are expressed in y/y % change unless otherwise specified. *Contributions by GDP expenditure components are all reported as "year to date" numbers officially. Source: Barclays Research

COUNTRY SNAPSHOT: EURO AREA

	2017				2018				2019				Calendar year average			
% change q/q	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP	0.6	0.7	0.7	0.7	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.4	...	...	...	...
Real GDP (saar)	2.4	2.9	2.9	2.8	1.5	1.5	1.9	1.8	1.9	1.8	1.8	1.7	...	...	...	...
Real GDP (y/y)	2.0	2.5	2.8	2.8	2.5	2.2	1.9	1.7	1.8	1.9	1.9	1.8	1.8	2.4	2.1	1.8
Private consumption	0.4	0.5	0.4	0.2	0.5	0.3	0.4	0.4	0.4	0.4	0.4	0.3	2.0	1.6	1.5	1.6
Public consumption	0.1	0.5	0.5	0.3	0.1	0.3	0.4	0.3	0.4	0.3	0.2	0.2	1.8	1.1	1.1	1.3
Investment	-0.5	2.0	-0.1	1.4	0.3	1.1	0.8	1.0	0.9	0.8	0.7	0.7	3.7	2.7	3.5	3.5
Inventories contribution (pp)	0.0	0.1	0.0	-0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.1	0.1
Final dom. demand cont. (pp)	0.1	0.8	0.3	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	2.3	1.7	1.8	1.9
Net exports contribution (pp)	0.5	-0.1	0.5	0.5	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.7	0.2	-0.1
Industrial output (ex construct.)	0.4	0.7	0.3	0.6	-0.2	0.2	0.3	0.4	0.4	0.3	0.3	0.3	1.6	2.4	1.0	1.3
Employment (q/q)	0.5	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.4	1.6	1.1	0.8
Unemployment rate %	9.5	9.1	9.0	8.7	8.6	8.5	8.3	8.2	8.1	8.0	7.9	7.8	10.0	9.1	8.4	8.0
CPI inflation y/y	1.8	1.5	1.4	1.4	1.3	1.7	2.1	1.9	1.7	1.5	1.3	1.3	0.2	1.5	1.7	1.5
Core CPI (ex food/energy) y/y	0.8	1.1	1.2	0.9	1.0	0.9	1.1	1.3	1.1	1.2	1.2	1.2	0.9	1.0	1.1	1.2
Nominal GDP (y/y)	…	…	…	…	…	…	…	…	…	…	…	…	2.5	3.5	4.0	3.3
Current account % GDP	3.2	2.8	4.1	3.7	3.9	3.7	3.6	3.5	3.5	3.5	3.4	3.5	3.6	3.5	3.7	3.5
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-1.5	-1.0	-0.9	-0.9
Gross public debt % GDP	…	…	…	…	…	…	…	…	…	…	…	…	91.3	90.5	88.1	86.1
Refi rate (period end %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depo rate (period end%)	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.25	-0.25	-0.40	-0.40	-0.40	-0.25

Note: All numbers expressed in % q/q unless otherwise specified. Source: Haver Analytics, Barclays Research

COUNTRY SNAPSHOT: FRANCE

	2017				2018				2019				Calendar year average			
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Real GDP	0.8	0.7	0.7	0.7	0.2	0.2	0.3	0.4	0.4	0.4	0.4	0.4	…	…	…	…
Real GDP (saar)	3.1	2.7	2.8	2.7	0.6	0.7	1.4	1.5	1.7	1.8	1.7	1.6	…	…	…	…
Real GDP (y/y)	1.4	2.3	2.7	2.8	2.2	1.7	1.4	1.0	1.3	1.6	1.7	1.7	1.1	2.3	1.6	1.6
Private consumption	0.0	0.4	0.4	0.2	0.1	-0.1	0.2	0.4	0.4	0.5	0.6	0.6	1.9	1.2	0.8	1.6
Public consumption	0.2	0.4	0.5	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	1.4	1.4	1.5	1.2
Investment (GFCI)	2.2	0.9	1.3	0.9	0.2	0.7	0.6	0.6	0.7	0.7	0.6	0.6	2.7	4.7	2.8	2.7
Final domestic demand	0.5	0.5	0.6	0.4	0.2	0.2	0.3	0.4	0.5	0.5	0.5	0.5	2.0	2.0	1.4	1.7
Inventories (pp)	0.9	-0.8	0.3	-0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.2	0.0	0.2
Net exports (pp)	-0.6	0.9	-0.3	0.7	-0.1	-0.3	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	0.1	0.2	-0.4
Exports	0.0	2.6	1.1	2.4	-0.3	0.6	0.9	1.2	1.2	1.2	1.3	1.4	1.5	4.7	4.0	4.7
Imports	1.9	-0.3	1.9	0.3	-0.1	1.7	1.0	1.4	1.4	1.4	1.4	1.5	3.1	4.1	3.1	5.6
Employment	0.3	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.7	1.2	1.1	0.8
Unemployment rate %	9.5	9.5	9.5	9.1	9.2	9.2	9.1	9.0	8.9	8.9	8.8	8.8	10.1	9.4	9.1	8.9
HICP inflation (y/y)	1.5	1.0	0.9	1.2	1.5	2.1	2.5	2.4	1.9	1.6	1.5	1.5	0.3	1.2	2.2	1.6
Core HICP ex food/energy (y/y)	0.5	0.5	0.6	0.6	0.9	1.0	1.1	1.2	1.2	1.3	1.4	1.4	0.6	0.6	1.1	1.3
Nominal GDP (y/y)	…	…	…	…	…	…	…	…	…	…	…	…	1.3	3.0	3.6	3.2
Current account % GDP	-1.0	-0.7	-0.6	-0.1	0.0	-0.4	-0.4	-0.5	-0.6	-0.7	-0.7	-0.8	-0.8	-0.6	-0.3	-0.7
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-3.4	-2.6	-2.2	-2.6
Government gross debt % GDP	…	…	…	…	…	…	…	…	…	…	…	…	96.6	97.0	95.5	94.8

Note: All numbers expressed in % q/q unless otherwise specified. Source: Eurostat, INSEE, Barclays Research

COUNTRY SNAPSHOT: GERMANY

	2017				2018				2019				Calendar year average			
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Real GDP	1.1	0.5	0.6	0.5	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.4	…	…	…	…
Real GDP (saar)	4.5	2.2	2.3	2.2	1.5	1.8	1.4	2.1	2.3	1.8	1.9	1.6	…	…	…	…
Real GDP (y/y)	2.1	2.2	2.7	2.8	2.0	1.9	1.7	1.7	1.9	1.9	2.0	1.9	2.2	2.5	1.9	1.9
Private consumption	0.5	0.8	0.0	0.1	0.4	0.5	0.6	0.5	0.5	0.5	0.3	0.2	1.9	2.0	1.5	1.9
Public consumption	0.1	0.5	0.5	0.4	-0.5	0.3	0.6	0.6	0.8	0.6	0.3	0.3	3.7	1.5	0.9	2.3
Investment (GFCI)	2.6	1.5	0.4	0.3	1.7	1.2	1.4	1.6	1.2	0.9	0.7	0.5	2.9	4.0	4.5	4.5
Final domestic demand	0.9	0.9	0.2	0.2	0.5	0.6	0.7	0.8	0.7	0.6	0.4	0.3	2.4	2.3	2.0	2.5
Inventories (pp)	-0.5	0.2	0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.1	-0.1	-0.1
Net exports (pp)	0.5	-0.5	0.4	0.5	-0.1	-0.2	-0.2	-0.2	-0.1	0.0	0.1	0.1	-0.4	0.2	0.2	-0.3
Exports	1.6	1.1	1.7	2.6	-1.0	0.8	0.8	0.9	1.1	1.1	1.1	1.2	2.4	5.3	3.3	4.2
Imports	0.5	2.4	1.0	1.8	-1.1	1.3	1.4	1.5	1.5	1.2	1.1	1.1	3.8	5.6	3.5	5.5
Employment	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.3	1.4	1.0	0.8
Unemployment rate %	3.9	3.8	3.7	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	4.2	3.8	3.5	3.5
HICP inflation (y/y)	1.9	1.6	1.7	1.6	1.3	1.9	2.0	1.8	1.8	1.6	1.5	1.6	0.4	1.7	1.8	1.6
Core HICP ex food/energy (y/y)	1.0	1.4	1.5	1.2	1.3	1.2	1.1	1.2	1.3	1.4	1.5	1.6	1.1	1.3	1.2	1.5
Nominal GDP (y/y)	…	…	…	…	…	…	…	…	…	…	…	…	3.6	4.0	3.8	3.6
Current account % GDP	8.1	7.0	8.2	8.1	7.8	7.3	6.7	6.2	6.2	6.2	6.3	6.4	8.4	7.9	7.0	6.3
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	1.0	1.3	0.8	0.2
Government gross debt % GDP	…	…	…	…	…	…	…	…	…	…	…	…	68.2	64.1	60.7	58.2

Note: All numbers expressed in % q/q swda, unless otherwise specified. Annual historical data are computed using quarterly aggregation and could therefore differ from other statistics sources. Source: Eurostat, Destatis, Barclays Research

COUNTRY SNAPSHOT: INDIA

	FY 17-18				FY 18-19				FY 19-20				Fiscal year average			
% change y/y	**Q1**	**Q2**	**Q3**	**Q4**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016-17**	**2017-18**	**2018-19E**	**2019-20E**
Real GDP	5.6	6.3	7.0	7.7	8.0	7.5	7.4	7.3	7.5	7.5	7.6	7.5	7.1	6.7	7.6	7.5
Private consumption	6.9	6.8	5.9	6.7	6.9	7.0	7.2	7.2	7.3	7.3	7.3	7.4	7.3	6.6	7.1	7.4
Public consumption	17.6	3.8	6.8	16.8	12.0	12.0	12.0	8.0	11.0	11.0	11.0	9.0	12.2	10.9	11.1	10.6
Fixed investment	0.8	6.1	9.1	14.4	9.0	7.0	7.0	6.0	6.0	6.0	6.5	6.5	10.1	7.6	7.2	6.3
CPI inflation (average)	2.2	3.0	4.6	4.6	4.8	4.7	4.3	4.7	5.4	5.4	5.1	4.7	4.5	3.6	4.6	5.1
Current account balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-0.7	-1.9	-2.6	-2.4
General govt balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-6.5	-6.5	-6.5	-6.3
Gross public debt (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	68.6	68.5	68.0	67.5
Repo rate (period end, %)	6.25	6.00	6.00	6.00	6.25	6.50	6.50	6.50	6.75	6.75	6.75	6.75	6.25	6.00	6.50	6.75
Cash reserve ratio (period end, %)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

Note: Values expressed in % y/y unless otherwise specified. India's fiscal year begins in April and ends in March.
Source: Barclays Research

COUNTRY SNAPSHOT: ITALY

	2017				2018				2019				Calendar year average			
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Real GDP	0.5	0.4	0.3	0.4	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	…	…	…	…
Real GDP (saar)	2.0	1.6	1.4	1.4	1.1	1.0	1.2	1.0	1.2	0.9	0.9	0.8	…	…	…	…
Real GDP (y/y)	1.3	1.6	1.7	1.6	1.4	1.2	1.2	1.1	1.1	1.1	1.0	1.0	1.0	1.6	1.2	1.1
Private consumption	0.7	0.1	0.3	0.0	0.4	0.3	0.2	0.2	0.3	0.2	0.2	0.1	1.4	1.4	0.9	0.8
Public consumption	0.1	0.1	-0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.1	0.2	0.4
Investment	-1.9	1.4	2.9	1.5	-1.4	0.5	0.3	0.2	0.2	0.2	0.1	0.1	3.3	3.9	2.1	0.9
Final domestic demand	0.1	0.3	0.7	0.3	0.0	0.3	0.2	0.2	0.2	0.1	0.1	0.1	1.6	1.6	1.0	0.7
Inventories (pp)	0.0	0.6	-0.5	-0.3	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.2	0.4	0.1
Net exports (pp)	0.4	-0.5	0.1	0.4	-0.4	-0.1	0.1	0.1	0.0	0.0	0.1	0.1	-0.3	0.2	-0.2	0.2
Exports	2.5	-0.1	1.8	1.8	-2.1	0.7	0.8	0.8	0.8	0.8	0.8	0.8	2.6	6.0	1.1	3.2
Imports	1.3	1.6	1.4	0.5	-0.9	1.1	0.6	0.6	0.7	0.7	0.6	0.6	3.8	5.7	1.9	2.7
Employment	0.5	0.2	0.4	-0.4	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.1	1.3	1.1	0.3	0.5
Unemployment rate %	11.6	11.2	11.2	11.0	11.0	11.0	10.9	10.9	10.5	10.4	10.4	10.3	11.7	11.3	11.0	10.4
HICP inflation (y/y)	1.3	1.6	1.3	1.1	0.9	1.0	1.7	1.9	1.8	1.9	1.7	1.7	-0.1	1.3	1.4	1.8
Core HICP ex food/energy (y/y)	0.6	1.0	1.1	0.5	0.6	0.5	0.8	1.3	1.3	1.5	1.5	1.6	0.5	0.8	0.8	1.5
Nominal GDP (y/y)	…	…	…	…	…	…	…	…	…	…	…	…	1.8	2.2	2.6	2.9
Current account % GDP	2.9	2.4	3.1	2.7	2.1	1.8	1.6	1.5	1.4	1.2	1.1	1.0	2.6	2.8	1.8	1.2
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-2.5	-2.3	-2.2	-2.9
Government gross debt % GDP	…	…	…	…	…	…	…	…	…	…	…	…	132.0	131.8	130.6	130.4

Note: All numbers expressed in % q/q unless otherwise specified. Source: Eurostat, Istat, Barclays Research

COUNTRY SNAPSHOT: JAPAN

	2017				2018				2019				Calendar year average			
% change q/q	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Real GDP	0.7	0.5	0.6	0.2	-0.2	0.5	0.4	0.5	0.4	0.3	0.5	-1.4	…	…	…	…
Real GDP (q/q, saar)	2.7	2.1	2.3	0.8	-0.9	1.9	1.6	2.1	1.8	1.0	2.1	-5.5	…	…	…	…
Real GDP (y/y)	1.5	1.6	2.0	2.0	1.0	1.0	1.6	1.7	1.7	1.5	1.6	-0.2	1.0	1.7	1.0	1.3
Private consumption	0.5	0.8	-0.7	0.3	-0.2	0.7	0.2	0.6	0.5	0.5	1.4	-3.0	0.1	1.0	0.7	1.5
Public consumption	0.3	0.4	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.3	0.4	0.5	0.8
Residential investment	0.8	1.3	-1.3	-3.0	-2.3	-2.7	2.5	0.5	1.6	1.8	0.9	-4.5	5.7	2.7	-5.4	3.2
Public investment	-0.2	5.4	-2.9	-0.6	-0.4	-0.1	1.0	0.5	0.2	0.2	0.2	0.2	-0.1	1.2	-0.3	1.3
Capital Investment	0.6	0.5	1.2	0.8	0.5	1.3	0.6	0.7	0.7	0.6	1.6	-1.1	0.6	2.9	3.3	2.9
Net exports (q/q cont.)	0.1	-0.3	0.6	-0.1	0.1	-0.1	0.1	-0.0	-0.1	-0.2	-0.6	0.6	0.6	0.6	0.5	0.2
Exports	1.9	0.2	2.1	2.1	0.6	0.2	0.9	1.1	1.0	0.8	0.7	0.6	1.7	6.7	4.2	3.4
Imports	1.4	1.9	-1.5	3.3	0.2	1.0	0.7	1.1	1.3	2.0	4.0	-2.5	-1.6	3.4	3.7	5.7
Ch. Inventories (q/q cont.)	0.1	-0.1	0.4	0.2	-0.2	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	-0.2	-0.1	0.1	0.0
Nominal GDP	0.2	0.8	0.8	0.3	-0.4	0.4	0.5	0.5	1.1	0.4	0.7	-0.7	1.2	1.5	1.1	2.3
Industrial output	0.2	1.8	0.4	1.7	-1.3	1.2	0.4	2.0	1.1	1.0	0.9	-1.5	-0.2	4.4	2.2	4.0
Employment	0.6	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.0	1.1	1.1	1.0	0.0
Unemployment rate (%)	2.9	2.9	2.8	2.7	2.5	2.4	2.4	2.4	2.4	2.4	2.3	2.3	3.1	2.8	2.4	2.4
CPI ex perishables (y/y)	0.2	0.4	0.6	0.9	0.9	0.8	1.1	1.0	0.9	0.8	0.8	1.6	-0.3	0.5	0.9	1.0
CPI ex food/energy (y/y)	-0.1	-0.2	-0.1	0.1	0.3	0.1	0.2	0.2	0.3	0.4	0.5	1.1	0.3	-0.1	0.2	0.6
Current account (% GDP)	4.0	3.7	4.2	4.3	3.4	4.0	3.8	3.6	4.1	3.7	3.3	4.1	3.8	4.0	3.7	3.8
Government balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-4.5	-5.1	-4.6	-4.1
Overnight call rate (% EOP)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10

Note: Central bank rates are for end of period, %. Source: BoJ, Cabinet Office, METI, MIC, MoF, Barclays Research

COUNTRY SNAPSHOT: MEXICO

% change q/q saar (unless otherwise stated)	2017				2018				2019				Calendar year average			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Real GDP	1.5	1.4	-0.2	3.6	4.6	1.2	2.4	2.2	2.0	1.2	2.0	2.5	…	…	…	…
Real GDP (% y/y)	3.3	1.8	1.6	1.5	1.3	2.3	2.9	2.6	2.0	2.0	1.9	1.9	2.9	2.0	2.3	1.9
Private consumption	1.9	4.1	2.5	1.4	6.2	3.1	2.7	2.5	2.2	1.9	2.4	2.7	3.8	3.0	3.2	2.4
Public consumption	-2.5	0.7	-1.8	2.8	4.3	1.8	1.5	1.4	1.1	1.0	1.3	1.5	2.3	0.1	1.9	1.3
Investment	-8.0	-0.4	0.3	0.0	13.5	3.1	2.7	2.6	2.3	2.1	2.5	2.7	1.1	-1.5	4.0	2.5
Real net exports (contr., % y/y)	…	…	…	...	…	…	…	...	…	…	…	...	0.2	-0.9	-0.6	0.3
Industrial output	1.3	1.3	0.6	1.6	3.2	2.8	2.4	2.4	1.2	1.2	1.5	1.6	1.2	3.4	2.2	1.7
Nominal GDP (% y/y)	11.3	8.4	7.8	7.9	8.1	8.3	9.2	8.1	6.6	6.4	5.7	5.6	8.4	8.3	7.6	5.8
CPI inflation (% y/y, avg)	5.0	6.1	6.5	6.6	5.3	4.6	4.7	4.6	4.4	4.1	3.6	3.4	2.8	6.0	4.8	3.9
Unemployment rate (%, avg)	3.5	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	3.0	3.1	3.9	3.4	3.1	3.0
Key central bank rate (%, eop)*	6.50	7.00	7.00	7.25	7.50	7.75	7.75	7.75	7.75	7.50	7.00	6.50	5.75	7.25	7.75	6.50
Current account (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-2.2	-1.7	-1.6	-1.4
Government balance (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	-2.5	-1.1	-2.0	-2.2
Gross public debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	49.4	47.2	45.9	45.6
Gross external debt (% GDP)*	…	…	…	…	…	…	…	…	…	…	…	…	38.6	35.6	36.0	37.4

Note: *End of period for quarters and years. Source: INEGI, Banxico, SHCP, Barclays Research

COUNTRY SNAPSHOT: SPAIN

	2017				2018				2019				Calendar year average			
% change q/q	Q1	Q2	Q3	Q4	Q1	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP	0.8	0.9	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5	…	…	…	…
Real GDP (saar)	3.2	3.5	2.8	2.7	2.8	2.3	2.5	2.2	2.1	2.1	2.2	2.1	…	…	…	…
Real GDP (y/y)	3.0	3.1	3.1	3.1	3.0	2.7	2.6	2.4	2.2	2.2	2.1	2.1	3.3	3.1	2.7	2.2
Private consumption	0.4	0.8	0.7	0.6	0.7	0.2	0.4	0.5	0.4	0.4	0.4	0.4	3.0	2.4	2.2	1.7
Public consumption	1.1	0.5	0.4	0.4	0.5	0.7	0.8	0.2	0.2	0.2	0.2	0.2	0.8	1.6	2.2	1.2
Investment	2.8	0.6	1.4	0.7	0.8	2.6	0.5	1.2	1.0	1.2	1.2	1.1	3.3	5.0	4.8	4.7
Final domestic demand	1.1	0.7	0.8	0.6	0.7	0.9	0.5	0.6	0.5	0.5	0.6	0.6	2.6	2.8	2.8	2.3
Inventories (pp)	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Net exports (pp)	-0.2	0.2	-0.1	0.1	0.1	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.7	0.3	0.0	0.0
Exports	2.4	1.0	0.6	0.3	1.3	-1.0	1.1	1.1	1.1	1.1	1.1	1.1	4.8	5.0	2.1	3.9
Imports	3.7	0.5	1.0	0.0	1.3	-0.3	0.8	1.5	1.2	1.2	1.2	1.2	2.7	4.7	2.5	4.4
Employment	0.7	0.8	0.7	0.4	0.1	0.6	0.6	0.5	0.6	0.5	0.5	0.5	2.5	2.6	1.8	2.1
Unemployment rate %	18.2	17.3	16.8	16.6	16.2	16.0	15.6	15.3	14.9	14.6	14.3	13.9	19.6	17.2	15.8	14.4
HICP inflation (y/y)	2.7	2.1	1.8	1.6	1.1	1.8	2.4	1.9	2.0	1.7	1.5	1.5	-0.3	2.0	1.8	1.7
Core HICP ex food/energy (y/y)	1.1	1.3	1.6	1.0	1.2	1.0	1.2	1.4	1.5	1.7	1.7	1.8	0.7	1.2	1.2	1.7
Nominal GDP (y/y)	…	…	…	…	…	…	…	…	…	…	…	…	3.6	4.0	4.3	3.9
Current account % GDP	1.8	2.0	1.7	2.0	1.9	1.4	1.4	1.3	1.5	1.5	1.5	1.5	1.9	1.9	1.5	1.5
Government balance % GDP	…	…	…	…	…	…	…	…	…	…	…	…	-4.5	-3.1	-2.3	-1.8
Government gross debt % GDP	…	…	…	…	…	…	…	…	…	…	…	…	99.0	98.3	96.7	95.9

Note: All numbers expressed in % q/q unless otherwise specified. Source: Eurostat, INE, Barclays Research

COUNTRY SNAPSHOT: SOUTH KOREA

	2017				2018				2019				Calendar year average			
% Change	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2016	2017	2018E	2019E
Real GDP (q/q, saar)	4.0	2.6	5.7	-0.8	4.1	2.8	3.0	2.8	2.4	2.8	2.4	2.4				
Real GDP (y/y)	2.9	2.8	3.8	2.8	2.8	2.9	2.2	3.2	2.8	2.7	2.6	2.5	2.9	3.1	2.8	2.7
Private consumption	2.1	2.4	2.6	3.4	3.5	2.8	2.8	2.7	2.8	3.0	2.6	3.0	2.5	2.6	3.0	2.8
Public consumption	2.4	2.8	4.3	4.1	5.8	4.8	4.0	4.5	4.5	5.0	4.0	4.0	4.5	3.4	4.8	4.4
GFCF	11.0	10.0	9.2	5.0	3.7	-1.1	1.5	1.0	2.0	1.5	0.5	1.4	5.6	8.6	1.2	1.3
Exports	3.7	0.3	4.4	-0.6	1.6	5.2	4.0	4.5	3.9	2.7	3.2	3.2	2.6	1.9	3.8	3.2
Imports	10.1	6.6	7.4	4.1	4.2	2.4	2.8	2.6	1.0	2.5	2.1	2.0	4.7	7.0	3.0	1.9
Industrial output	4.7	2.2	4.6	-3.8	-2.2	-0.6	-0.3	1.6	2.2	2.1	2.1	1.6	2.3	1.9	-0.4	2.0
Unemployment rate (%)	3.7	3.8	3.6	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
CPI inflation (y/y)	2.1	1.9	2.3	1.5	1.3	1.5	1.1	1.9	1.9	1.9	2.2	2.0	1.0	1.9	1.5	2.0
Current account (% GDP)													7.0	5.1	4.7	4.7
Consolidated fiscal balance* (% GDP)													-1.4	-1.4	-0.5	-0.6
Key CB rate (period end, %)	1.25	1.25	1.25	1.50	1.50	1.50	1.50	1.75	1.75	2.00	2.00	2.00	1.25	1.50	1.75	2.00

Note: All numbers expressed in y/y basis unless otherwise specified. *Consolidated fiscal balance is shown after excluding social security funds.
Source: Haver Analytics, Barclays Research

COUNTRY SNAPSHOT: UNITED KINGDOM

	2017				2018				2019				Calendar year average			
% Change q/q	Q1	Q2	Q3	Q4	Q1 F	Q2 F	Q3 F	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F	2016	2017	2018F	2019F
Real GDP	0.4	0.2	0.4	0.4	0.2	0.4	0.4	0.3	0.4	0.2	0.3	0.2	…	…	…	…
Real GDP (saar)	1.6	0.9	1.4	1.4	0.9	1.5	1.5	1.3	1.6	0.7	1.3	0.9	…	…	…	…
Real GDP (y/y)	1.8	1.8	1.7	1.3	1.2	1.3	1.3	1.3	1.5	1.3	1.2	1.1	1.8	1.7	1.3	1.3
Private consumption	0.6	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	3.1	1.8	1.1	1.1
Public consumption	-0.5	0.5	-0.1	0.4	0.4	0.4	0.2	0.3	0.0	0.3	0.3	0.2	0.8	-0.1	1.2	0.9
Investment	1.1	1.6	0.4	0.8	-1.3	0.8	0.5	0.3	0.4	0.4	0.3	0.3	2.3	3.4	0.9	1.7
Inventories (pp)	-0.4	-0.3	0.1	-0.4	0.2	0.7	-0.1	-0.1	0.2	-0.1	0.1	-0.1	-0.1	-0.4	0.4	0.2
Net exports (pp)	0.0	0.0	0.1	0.3	0.1	-0.8	0.1	0.2	0.0	0.0	0.0	0.1	-0.7	0.6	-0.2	-0.1
Nominal GDP (y/y)	4.3	3.8	3.5	2.9	2.7	3.1	3.3	3.3	3.0	3.3	3.2	3.1	3.9	3.6	3.1	3.1
Employment (Mn)	31.9	32.1	32.1	32.1	32.3	32.3	32.3	32.3	32.3	32.3	32.4	32.4	31.7	32.1	32.3	32.3
Employment growth	0.4	0.4	0.0	0.3	0.6	-0.1	0.0	-0.1	-0.1	0.2	0.1	0.1	1.4	1.0	0.8	0.0
Unemployment rate (%)	4.6	4.4	4.3	4.4	4.2	4.3	4.4	4.6	4.8	4.9	5.0	5.0	4.9	4.4	4.4	4.9
CPI inflation (y/y)	2.1	2.7	2.8	3.0	2.7	2.4	2.3	2.1	2.0	2.0	1.9	1.9	0.7	2.7	2.4	2.0
Current account (% GDP)	-3.2	-4.6	-3.9	-3.8	-3.4	-4.2	-4.1	-4.0	-4.0	-4.0	-4.0	-3.9	-5.2	-3.9	-3.9	-4.0
Government balance (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	-2.3	-1.9	-1.7	-1.6
Government debt (% GDP)	…	…	…	…	…	…	…	…	…	…	…	…	85.3	85.3	86.9	85.5
Bank Rate (EOP)	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.25	0.50	0.75	0.75

Note: Government balance is fiscal year forecasts, eg, 2016= FY 16/17, and defined as public sector net borrowing excluding financial interventions. Government debt is fiscal year forecasts, eg, 2016 = FY 16/17, and defined as public sector net debt. Source: ONS, Barclays Research

COUNTRY SNAPSHOT: UNITED STATES

	2017				2018				2019				Calendar year avg		
% Change q/q saar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2017	2018	2019
Real GDP	1.8	3.0	2.8	2.3	2.2	4.1	3.0	3.0	2.5	2.5	2.0	1.5	2.2	2.8	2.6
Real GDP (% y/y)	1.9	2.1	2.3	2.5	2.6	2.8	2.9	3.1	3.1	2.8	2.5	2.1			
Private consumption	1.8	2.9	2.2	3.9	0.5	4.0	3.0	3.0	2.5	2.0	2.0	1.5	2.5	2.6	2.5
Public consump and invest.	-0.8	0.0	-1.0	2.4	1.5	2.1	4.5	4.5	2.5	2.5	1.0	1.0	-0.1	1.9	2.8
Gross private investment	4.9	5.7	8.8	0.8	9.6	-0.5	4.4	3.6	3.4	3.4	2.3	1.7	4.8	4.6	3.1
Residential investment	11.1	-5.5	-0.5	11.1	-3.4	-1.1	1.0	1.0	1.0	1.0	1.0	1.0	3.3	0.7	0.9
Equipment investment	9.1	9.7	9.8	9.9	8.5	3.9	6.0	5.0	5.0	5.0	3.0	2.0	6.1	7.5	4.6
Intellectual property investment	8.0	6.6	1.7	0.7	14.1	8.2	5.0	4.0	4.0	4.0	3.0	2.0	4.6	6.6	4.1
Structures investment	12.8	3.8	-5.7	1.3	13.9	13.3	4.0	3.0	2.0	2.0	1.5	1.5	4.6	6.2	3.0
Ch. inventories (contr to GDP, pp)	-0.8	0.2	1.0	-0.9	0.3	-1.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Net exports (contr to GDP, pp)	-0.1	0.1	0.0	-0.9	0.0	1.1	-0.7	-0.6	-0.2	0.1	0.0	0.0	-0.3	-0.1	0.0
Exports	5.0	3.6	3.5	6.6	3.6	9.3	1.0	2.0	3.0	3.0	2.5	2.5	3.0	4.8	2.9
Imports	4.8	2.5	2.8	11.8	3.0	0.5	5.5	5.5	4.0	2.0	2.0	2.0	4.6	4.5	3.5
Final sales to domestic purchasers	2.6	2.6	1.7	4.0	1.9	3.9	3.5	3.4	2.7	2.4	1.9	1.5	2.5	3.2	2.9
Industrial production (%y/y)	0.2	1.9	1.3	3.0	3.4	3.6	4.6	3.1	3.0	2.0	1.8	1.5	1.6	3.6	2.1
GDP price index	2.0	1.2	2.2	2.5	2.0	3.0	2.0	2.2	2.3	2.1	2.3	2.4	1.9	2.3	2.3
Nominal GDP	3.9	4.2	4.8	5.1	4.3	7.4	4.8	5.2	4.9	4.6	4.3	4.0	4.2	5.2	4.9
Employment (avg mthly chg, K)	177	190	142	221	218	230	169	175	150	150	125	125	182	198	138
Unemployment rate (%)	4.6	4.3	4.3	4.1	4.1	3.9	3.8	3.7	3.5	3.4	3.2	3.0	4.4	3.9	3.3
CPI inflation (%y/y)	2.5	1.9	2.0	2.1	2.2	2.7	2.7	2.4	2.1	2.2	2.2	2.2	2.1	2.5	2.2
Core CPI (%y/y)	2.2	1.8	1.7	1.8	1.9	2.2	2.3	2.4	2.2	2.3	2.4	2.5	1.8	2.2	2.4
PCE price index (% y/y)	2.0	1.6	1.6	1.8	1.9	2.2	2.2	2.0	1.9	1.9	1.9	2.0	1.8	2.1	1.9
Core PCE price index (%y/y)	1.8	1.6	1.5	1.6	1.7	1.9	2.0	1.9	1.9	1.9	2.0	2.1	1.6	1.9	2.0
Current account (%GDP)	-2.2	-2.5	-2.1	-2.7	-2.8	-2.9	-3.1	-3.4	-3.4	-3.5	-3.6	-3.6	-2.3	-3.0	-3.5
Federal budget bal. ($bn)													-666	-750	-1100
Federal budget bal. (%GDP)													-3.5	-3.7	-5.2
Government debt (%GDP)													106.0	107.0	108.0
Federal funds, target range (%)	0.75-1.0	1.0-1.25	1.0-1.25	1.25-1.5	1.5-1.75	1.75-2.0	**2.0-2.25**	**2.25-2.5**	**2.5-2.75**	**2.75-3.0**	**3.0-3.25**	**3.25-3.50**			

Note: All numbers expressed in % q/q saar unless otherwise specified. Bold fed funds indicates quarter of projected rate increase. The budget balance is fiscal year. Source: BEA, BLS, Federal Reserve, US Treasury, Barclays Research

GLOBAL WEEKLY CALENDAR

Monday 20 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
15:00	**US: Fed's Bostic speaks on U.S. Economic Outlook in Tennessee**						
01:30	Thailand: GDP % q/q sa / % y/y	Q2	1.0 / 4.3	0.5 / 4.0	2.0 / 4.8	0.4 / 4.2	0.9 / 4.4
06:00	Germany: PPI, % m/m (y/y)	Jul	0.5 (2.0)	0.5 (2.7)	0.3 (3.0)	-	0.2 (3.0)
09:00	E19: Construction output, % m/m (y/y)	Jul	-0.3 (0.9)	1.4 (1.2)	0.3 (1.8)	-	-

Tuesday 21 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
01:30	**Australia: RBA board minutes**	**Aug**					
12:00	**Hungary: Deposit rate, %**	**Aug**	**0.90**	**0.90**	**0.90**	**0.90**	**0.90**
03:00	New Zealand: Credit card spending, % m/m	Jul	0.6	-1.6	2.1	-	-
03:30	Thailand: Customs exports, % y/y	Jul	12.3	11.6	8.2	11.5	11.9
04:30	Netherlands: Consumer confidence index	Aug	23.0	23.0	23.0	-	-
07:00	Switzerland: M3, % y/y	Jul	3.3	2.8	2.4	-	-
07:00	South Africa: Leading indicator index	Jun	106.2	105.9	105.9	106	-
08:30	UK: PSNB, £ bn	Jul	5.8	3.9	4.5	-0.9	-2.0
08:30	UK: PSNBx, £ bn	Jul	6.6	4.7	5.4	0.0	-1.1
10:00	UK: CBI industrial trends, total orders	Aug	-3	13	11	-	9
13:00	Belgium: Consumer confidence index	Aug	0.0	-3.0	0.0	-	-
22:45	New Zealand: Retail sales ex inflation, q/q	Q2	0.3	1.4	0.1	-	0.4

Wednesday 22 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
18:00	**US: FOMC meeting minutes**	**Aug**					
-	Peru: GDP, % y/y	Q2	2.9	2.2	3.2	-	-
00:30	Australia: Leading index, % m/m	Jul	0.2	-0.2	0.0	-	-
04:30	Japan: Index of all-industry activity, % m/m	Jun	-0.1	1.0	0.1	-	-0.8
07:00	Hungary: Average gross wages, % y/y	Jun	11.3	12.6	10.9	10.0	-
08:00	South Africa: CPI, % y/y	Jul	4.5	4.4	4.6	4.9	5.1
08:00	South Africa: Core CPI, % y/y	Jul	4.5	4.4	4.2	4.2	4.3
08:00	Taiwan: Unemployment rate, %	Jul	3.69	3.69	3.68	-	-
12:30	Canada: Retail sales, % m/m	Jun	0.8	-0.9	2.0	-	-
12:30	Canada: Retail sales ex autos, % m/m	Jun	0.0	0.2	1.4	-	-
14:00	US: Existing home sales, mn saar	Jul	5.45	5.41	5.38	5.43	5.45

Thursday 23 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
-	**US: Fed hosts annual Jackson Hole Central Banking Symposium (to 25/08)**						
12:30	**E19: ECB minutes**	**Jul**					
05:00	Singapore: CPI - headline/core, % y/y	Jul	0.1 / 1.7	0.4 / 1.7	0.6 / 1.7	0.4 / 1.8	0.6 / 1.7
05:00	Taiwan: Industrial production, % y/y	Jul	8.8	7.6	0.4	4.2	3.0
06:00	Norway: GDP, % q/q	Q2	0.7	0.7	0.6	-	-
06:45	France: Business climate, index	Aug	106.3	106.3	105.8	-	107.0
07:00	France: "Flash" manufacturing PMI, index	Aug	54.4	52.5	53.3	53.7	53.4
07:00	France: "Flash" services PMI, index	Aug	54.3	55.9	54.9	55.1	55.0
07:00	France: "Flash" composite PMI, index	Aug	54.2	55.0	54.4	54.7	54.6
07:30	Germany: "Flash" manufacturing PMI, index	Aug	56.9	55.9	56.9	57.7	56.5
07:30	Germany: "Flash" services PMI, index	Aug	52.1	54.5	54.1	54.6	54.3
07:30	Germany: "Flash" composite PMI, index	Aug	53.4	54.8	55.0	55.6	55.1
07:30	Sweden: Unemployment rate (sa), %	Jul	6.3	6.1	6.3		6.2
08:00	E19: "Flash" manufacturing PMI, index	Aug	55.5	54.9	55.1	55.5	55.1
08:00	E19: "Flash" services PMI, index	Aug	53.8	55.2	54.2	54.5	54.4
08:00	E19: "Flash" composite PMI, index	Aug	54.1	54.9	54.3	54.7	54.4
10:00	UK: CBI distributive trades, total sales	Aug	17	18	25	-	-
12:00	Brazil: IPCA-15 inflation, % m/m	Aug	0.14	1.11	0.64	0.13	-
12:30	US: Initial jobless claims, K (4wma)	18–Aug	219 (215)	213 (214)	212 (216)	-	-
13:00	US: FHFA purchase-only HPI, % m/m (y/y)	Jun	0.1 (7.1)	0.2 (6.6)	0.2 (6.5)	0.4 (6.6)	-
13:00	Mexico: First half bi-weekly CPI, % 2w/2w	Aug-15	-0.29	0.13	0.32	0.21	-
13:00	Mexico: First half bi-weekly CPI core, % 2w/2w	Aug-15	0.13	0.08	0.19	0.14	-

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.
Sources: Reuters, Market News, Bloomberg, Barclays Research

Thursday 23 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
13:45	US: "Flash" Markit US manufacturing PMI	Aug	56.4	55.4	55.3	-	55.0
14:00	E19: 'Flash' consumer confidence, index	Aug	0.2	-0.6	-0.6	-	-0.7
14:00	US: New home sales, K saar	Jul	646	666	631	650	650
19:00	Argentina: Economic activity index, % y/y	Jun	2.1	-0.6	-5.8	-3.0	-
22:45	New Zealand: Trade balance, NZD mn	Jul	193	208	-113	-	-400
22:45	New Zealand: Exports, NZD bn	Jul	5.0	5.4	4.9	-	4.8
22:45	New Zealand: Imports, NZD bn	Jul	4.8	5.2	5.0	-	5.2
23:30	Japan: Nationwide CPI, % y/y	Jul	0.6	0.7	0.7	-	1.0
23:30	Japan: Nationwide CPI ex. perishables, % y/y	Jul	0.7	0.7	0.8	1.0	0.9

Friday 24 August		Period	Prev -3	Prev -2	Prev -1	Forecast	Consensus
00:50	Japan: Services PPI, % y/y	Jul	1.0	1.0	1.2	-	1.2
04:00	Malaysia: CPI, % y/y	Jul	1.4	1.8	0.8	0.9	0.9
05:00	Singapore: Industrial production, % y/y	Jul	10.8	12.9	7.4	4.0	6.6
06:00	Norway: Unemployment rate LFS, %	Jun	3.9	3.7	3.8	-	3.8
06:00	Germany: Final GDP, % q/q	Q2	0.5	0.4	0.5 P	0.5	0.5
12:30	US: Durable goods orders-p, % m/m	Jul	-1.0	-0.3	0.8	-3.6	0.8
12:30	US: Durable goods ex transportation-p, % m/m	Jul	1.9	0.3	0.2	0.8	0.5
12:30	US: Core capital goods orders-p, % m/m	Jul	2.1	0.7	0.2	-	0.4
13:00	Belgium: Business confidence index	Aug	0.2	0.6	-1.3	-	-0.5
13:00	Mexico: Nominal GDP, % y/y	Q2	7.2	6.6	6.4	-	-
13:00	Mexico: Economic activity index, % y/y	Jun	-0.8	4.5	2.2	1.3	-
13:00	Mexico: Final GDP, % y/y	Q2	1.5	1.3	2.7	2.7	-

Note: All times reported in GMT. Some data or events are boxed to indicate their importance to financial markets. Market events are highlighted in light blue.
Sources: Reuters, Market News, Bloomberg, Barclays Research

GLOBAL KEY EVENTS

	2018					2019						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Key policy meetings/Publications												
North America												
FOMC meeting	1	26	-	8	19	30	-	20	-	1	19	31
Summary of Economic Projections	-	26	-	-	19	-	-	20	-	-	19	-
FOMC minutes	22	-	17	29	-	9	20	-	10	22	-	10
Fed's Beige Book	-	12	24	-	5	16	-	6	17	-	5	17
Fed Hosts Annual Jackson Hole Symposium	23-25	-	-	-	-	-	-	-	-	-	-	-
Bank of Canada	-	5	24	-	5	…	…	…	…	…	…	…
Europe												
EU Summit	-	20[ψ]	18-19	-	13-14	-	-	21-22	-	-	20-21	…
EU General Affairs Council	-	18	16	12	11	…	…	…	…	…	…	…
ECOFIN	-	7-8 [?]	2	6,16~	4	…	…	…	…	…	…	…
Eurogroup	-	-	1	5	3	…	…	…	…	…	…	…
ECB "policy" meeting	-	13	25	-	13	24	-	7	10	-	6	25
ECB minutes	23	-	11	22	-	10	21	-	4	8	-	4
ECB economic bulletin	9	27	-	8	27	-	7	21	24	-	20	
ECB "non-policy" meeting	1	26	10	7,21	5	9	6,20	20	-	8,22	26	10
BoE - MPC policy meeting	2	13	-	1	20	-	7	21	-	2	20	-
BoE Inflation Report	2	-	-	1	-	-	7	-	-	2	-	-
BoE minutes	2	13	-	1	20	-	7	21	-	2	20	-
BoE - FPC meeting	-	-	3	28	-	…	…	…	…	…	…	…
Riksbank	-	6	24	-	20	-	13	-	25	-	-	2
SNB	-	20	-	-	12	-	-	21	-	-	13	-
Norges Bank	16	20	25	-	13	-	-	21	-	-	20	-
Asia/RoW												
Bank of Japan	-	18-19	30-31	-	19-20	…	…	…	…	…	…	…
BoJ minutes	3	25	-	5	26	…	…	…	…	…	…	
Reserve Bank of Australia	7	4	2	6	4	-	5	5	2	7	4	2
RBNZ	9	27	-	8	-	-	13	-	-	8	-	-
Key international meetings												
IMF/IBRD	-	-	12-14	-	-	-	-	-	12-14	…	…	…
G20	-	-	-	30	1	…	…	…	…	…	…	…
G7	-	-	-	-	-	…	…	…	…	…	…	…
Asia-Europe Meeting (ASEM) summit	-	-	18-19	-	-	-	-	-	-	-	-	-
Elections / key political meetings												
US (Mid-term)	-	-	-	6	-	-	-	-	-	-	-	-
European (Parliament)	-	-	-	-	-	-	-	-	-	23	…	-
Brazil (Presidential)*	-	-	7,28	-	-	-	-	-	-	-	-	-
Colombia (Presidential)	-	-	-	-	-	-	-	-	-	-	-	-
Malaysia (General)	24	-	-	-	-	-	-	-	-	-	-	-
Japan (LDP Presidential)	-	20	-	-	-	-	-	-	-	-	-	-
Japan (Local)	-	-	-	-	-	-	-	-	TBD	-	-	-
Italy (Regional)	-	-	21	-	-	-	-	-	-	-	-	-
Sweden (Parliament)	-	9	-	-	-	-	-	-	-	-	-	-
UK Labour Party conference	-	23	-	-	-	-	-	-	-	-	-	-
UK Conservative party conference	-	30	-	-	-	-	-	-	-	-	-	-
UK End of summer recess	-	4 [#]	-	-	-	-	-	-	-	-	-	-
Scheduled end of formal UK-EU negotiations	-	-	12 [#]	-	-	-	-	-	-	-	-	-

Source: Central banks, IMF, European Commission, Reuters, Bloomberg, Market News, Barclays Research
(-) No event, (…) Event yet to be confirmed, (~) Council Budget, (≈) Informal meeting,
(*) 1st & 2nd Round, (ψ) Informal meeting in Salzburg, Austria,
(#) 4 Sep: Parliament returns and resumes Brexit withdrawal bill discussions & 12 Oct: UK and EU are planning to wrap up the negotiations a week ahead of the EU summit.

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