

## The Week Ahead: US fiscal stimulus developments in spotlight; RBI likely to cut

### ► **US: Hiring activity forecast to slow in July**

All eyes this week will be on the US fiscal stimulus negotiations and the July non-farm payrolls report. The consensus expects a sharp moderation in job gains in July, with non-farm payrolls forecast to rise by 1.58 million versus 4.8 million in June. The rise in COVID-19 infections in key states such as Florida, Texas and several others in July likely affected the labour market recovery. The unprecedented flows into and out of employment at a time of localised state-level restrictions alongside variations from the usual seasonality factors (end-of-school-year layoffs took place in April rather than in June/July) increase the uncertainty surrounding the consensus estimates. Meanwhile, the soft deadline for agreeing the next fiscal stimulus package (USD1.0-1.5 trillion) is 7 August. We believe that the government will likely extend the unemployment benefits with retroactive effect in the new fiscal package, though it is unlikely to provide any significant boost to consumer confidence. However, the new fiscal stimulus is likely to further widen the deficit and increase debt levels over the medium term. Citing the above factors, Fitch Ratings last week revised the US outlook to negative from stable whilst retaining its AAA rating.

### ► **Global: BoE on hold, whilst RBI expected to cut rates**

The BoE is widely expected to keep its monetary policy steady at its 7 August MPC meeting after expanding its asset purchase programme by GBP100 billion to GBP745 billion at the June meeting. We expect the tone of the meeting to be cautious with the MPC highlighting the downside risks to the economic and inflation outlook and the need to maintain its accommodative monetary policy as long as necessary. We do not expect any explicit communication regarding the possibility of negative interest rates at this point. There were no surprises from the Fed last week at its 28-29 July meeting with its policy stance kept steady (interest rates and asset purchases). The communication remained dovish with no indications of any imminent policy change. Fed Chair Jerome Powell continued to pledge to keep monetary policy accommodative until the US recovers from the impact of COVID-19. We expect the G4 central banks (BoE, Fed, BoJ and ECB) to remain on autopilot until 4Q2020. In India, the consensus remains divided though with the majority tilting towards a 25 bps rate cut at the 7 August policy meeting. The pick-up in inflation at a time of weak economic activity is likely to keep the MPC divided regarding rate cuts, suggesting that the decision will be a close one.

### ► **Global: 2Q GDP data broadly in line with market expectations**

The US and Eurozone real 2Q GDP data released last week were in line with the consensus estimates, showing record declines. The US economy contracted by 32.9% q-o-q SAAR in 2Q, with personal consumption falling by 34.6%. The US drop was slightly less than that in the Eurozone (when standardising GDP growth calculation methodologies) owing to the former's relatively less strict lockdown restrictions and larger fiscal support. The Eurozone economy contracted by 12.1% q-o-q (not annualised). In both cases, activity varied significantly from normal recession trends, with services hit the hardest on a sector basis.

#### Economics Team

##### Monica Malik, Ph.D.

Chief Economist

+971 (0)2 696 8458

[Monica.Malik@adcb.com](mailto:Monica.Malik@adcb.com)

##### Thirumalai Nagesh

Economist

+971 (0)2 696 2704

[Thirumalainagesh.Venkatesh@adcb.com](mailto:Thirumalainagesh.Venkatesh@adcb.com)

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## I. Economic Calendar

Fig. 1. The week ahead

Time*	Country	Event	Period	Prior	Consensus
<b>Expected this week</b>					
	UAE	CPI, y-o-y	Jun	-2.7%	
	UAE	Abu Dhabi CPI, y-o-y	Jun	-2.8%	
<b>Monday, 3 August</b>					
9:00	India	Markit India PMI Manufacturing	Jul	47.2	
12:00	Eurozone	Markit Eurozone Manufacturing PMI	Jul F	51.1	51.1
12:30	UK	Markit UK PMI Manufacturing SA	Jul F	53.6	53.6
17:45	US	Markit US Manufacturing PMI	Jul F	51.3	51.3
18:00	US	ISM Manufacturing	Jul	52.6	53.5
20:30	US	Fed's Bullard Takes Part in Virtual Discussion on Economy			
22:00	US	Fed's Evans Holds Media Roundtable on the Economic Outlook			
<b>Tuesday, 4 August</b>					
11:00	Turkey	Markit/ISO Turkey PMI Manufacturing	Jul	53.9	
11:00	Turkey	CPI, y-o-y	Jul	12.6%	12.1%
11:00	Turkey	CPI, m-o-m	Jul	1.1%	0.9%
18:00	US	Factory Orders	Jun	8.0%	5.0%
18:00	US	Durable Goods Orders	Jun F	7.3%	7.3%
<b>Wednesday, 5 August</b>					
5:45	China	Caixin China PMI Composite	Jul	55.7	
5:45	China	Caixin China PMI Services	Jul	58.4	58.0
7:15	Saudi Arabia	IHS Markit Saudi Arabia PMI	Jul	47.7	
7:15	UAE	IHS Markit UAE PMI	Jul	50.4	
8:15	Egypt	IHS Markit Egypt PMI	Jul	44.6	
9:00	India	Markit India PMI Composite	Jul	37.8	
13:00	Eurozone	Retail Sales, m-o-m	Jun	17.8%	6.3%
16:15	US	ADP Employment Change	Jul	2369K	1200K
16:30	US	Trade Balance	Jun	-\$54.6B	-\$50.0B
18:00	US	ISM Services Index	Jul	57.1	55.0
<b>Thursday, 6 August</b>					
1:00	US	Fed's Mester Discusses the Economic Outlook			
10:00	UK	Bank of England Bank Rate	6-Aug	0.1%	0.1%
10:00	UK	BOE Asset Purchase Program Total	6-Aug	745B	745B
10:15	India	RBI Repurchase Rate	6-Aug	4.0%	3.75%
10:15	India	RBI Reverse Repo Rate	6-Aug	3.35%	3.1%
15:30	UK	BOE Governor Speaks at Press Conference in London			
16:30	US	Initial Jobless Claims	1-Aug	1434K	1415K
16:30	US	Continuing Claims	25-Jul	17018K	16940K
18:00	US	Fed's Kaplan Discusses U.S. Economy at OMFIF Event			
<b>Friday, 7 August</b>					
9:00	Japan	Leading Index CI	Jun P	78.4	84.9
16:30	US	Change in Nonfarm Payrolls	Jul	4800K	1578K
16:30	US	Change in Private Payrolls	Jul	4767K	1326K
16:30	US	Unemployment Rate	Jul	11.1%	10.5%
16:30	US	Average Hourly Earnings, y-o-y	Jul	5.0%	4.2%
16:30	US	Average Hourly Earnings, m-o-m	Jul	-1.2%	-0.5%
16:30	US	Labor Force Participation Rate	Jul	61.5%	61.8%
18:00	US	Wholesale Inventories, m-o-m	Jun F	-2.0%	-2.0%
	China	Exports, y-o-y	Jul	0.5%	-0.9%
	China	Imports, y-o-y	Jul	2.7%	1.0%
	China	Trade Balance	Jul	\$46.42B	\$43.0B
	China	Foreign Reserves	Jul	\$3112.3B	\$3133.5B

\* UAE time

Source: Bloomberg

Fig. 2. Last week's data

Time*	Country	Event	Period	Prior	Consensus	Actual
<b>GCC Economies</b>						
	Bahrain	CPI, y-o-y	Jun	-2.6%		-3.4%
	Kuwait	CPI, y-o-y	Jun	1.9%		1.8%
<b>Monday, 27 July</b>						
8:30	Japan	All Industry Activity Index, m-o-m	May	-7.6%	-3.5%	-3.5%
12:00	Eurozone	M3 Money Supply, y-o-y	Jun	8.9%	9.3%	9.2%
16:30	US	Durable Goods Orders	Jun P	15.1%	6.9%	7.3%
16:30	US	Durables, ex-Transportation	Jun P	3.6%	3.6%	3.3%
16:30	US	Cap Goods Shipments, Non-def, ex-Air	Jun P	1.6%	2.4%	3.4%
18:30	US	Dallas Fed Manufacturing Activity	Jul	-6.1	-4.8	-3.0
<b>Tuesday, 28 July</b>						
18:00	US	Conf. Board Consumer Confidence	Jul	98.3	95.0	92.6
18:00	US	Richmond Fed Manufacturing Index	Jul	0.0	5.0	10.0
	Saudi Arabia	M3 Money Supply, y-o-y	Jun	10.2%		9.0%
	Saudi Arabia	SAMA Net Foreign Assets SAR	Jun	1668.4B		1661.1B
<b>Wednesday, 29 July</b>						
11:00	Turkey	Trade Balance	Jun	-3.43B	-3.1B	-2.85B
12:30	UK	Mortgage Approvals	Jun	9.3K	35.0K	40.0K
16:30	US	Wholesale Inventories, m-o-m	Jun P	-1.2%	-0.5%	-2.0%
22:00	US	FOMC Rate Decision (Upper Bound)	29-Jul	0.25%	0.25%	0.25%
22:00	US	FOMC Rate Decision (Lower Bound)	29-Jul	0.0%	0.0%	0.0%
22:00	US	Interest Rate on Excess Reserves	30-Jul	0.1%	0.1%	0.1%
<b>Thursday, 30 July</b>						
3:50	Japan	Retail Sales, y-o-y	Jun	-12.5%	-5.7%	-1.2%
13:00	Eurozone	Consumer Confidence	Jul F	-15.0		-15.0
13:00	Eurozone	Unemployment Rate	Jun	7.7%	7.7%	7.8%
16:30	US	GDP Annualized, q-o-q	2Q A	-5.0%	-34.5%	-32.9%
16:30	US	Personal Consumption	2Q A	-6.9%	-34.5%	-34.6%
16:30	US	Core PCE, q-o-q	2Q A	1.6%	-0.9%	-1.1%
16:30	US	Initial Jobless Claims	25-Jul	1422K	1445K	1434K
16:30	US	Continuing Claims	18-Jul	16151K	16200K	17018K
<b>Friday, 31 July</b>						
3:30	Japan	Jobless Rate	Jun	2.9%	3.1%	2.8%
3:50	Japan	Industrial Production, m-o-m	Jun P	-8.9%	1.0%	2.7%
5:00	China	Manufacturing PMI	Jul	50.9	50.8	51.1
5:00	China	Non-manufacturing PMI	Jul	54.4	54.5	54.2
13:00	Eurozone	GDP SA, q-o-q	2Q A	-3.6%	-12.1%	-12.1%
13:00	Eurozone	GDP SA, y-o-y	2Q A	-3.1%	-14.5%	-15.0%
13:00	Eurozone	CPI Estimate, y-o-y	Jul	0.3%	0.2%	0.4%
13:00	Eurozone	CPI Core, y-o-y	Jul P	0.8%	0.8%	1.2%
15:30	India	Eight Infrastructure Industries	Jun	-23.4%		-15.0%
16:30	US	Personal Income	Jun	-4.4%	-0.6%	-1.1%
16:30	US	Personal Spending	Jun	8.5%	5.2%	5.6%
16:30	US	PCE Core Deflator, m-o-m	Jun	0.2%	0.2%	0.2%
16:30	US	PCE Core Deflator, y-o-y	Jun	1.0%	1.0%	0.9%
17:45	US	MNI Chicago PMI	Jul	36.6	44.0	51.9
18:00	US	University of Michigan Sentiment	Jul F	73.2	72.9	72.5

\* UAE time

Source: Bloomberg

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