

Global Data Watch

- Expecting a December Fed hike; Sept. hold requires CPI moderation
- Impressive balance in 1H26 global GDP as Europe, non-tech activity lift
- Japan intervenes while the BoJ keeps door open to September hike
- Next week: Global PMI up; US jobs (75k); Banxico holds, COPOM cuts

And isn't it ironic?

July central bank meetings reinforced our view that a broad DM hiking cycle is on the horizon. While we look for one hike from each G4 central bank before year-end, markets appropriately price in the risk of earlier and more action. This risk bias is linked to the rising possibility that the Fed starts earlier than our forecast for December. The anticipated 2H26 moderation in US inflation and consumer spending should stay the Fed's hand until a clearer tightening in labor markets is established. While data surprises may prompt earlier action (we forecast a 4.3% July u-rate next week), this week's FOMC meeting highlights another reason why the committee may act earlier.

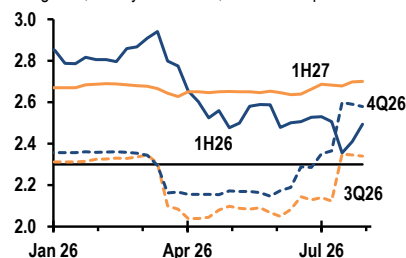
The three July dissents (we expected two) show a rising number of hawkish FOMC members not likely to be dissuaded by a new chair's advocacy of patience. Nonetheless, the majority of FOMC voters appear data dependent as they look towards September. Two upcoming employment and CPI reports are central data points, but there is also dependence on market signals around financial conditions and Fed credibility. Ironically, a new Fed chair wanting to divorce Fed meeting communication from market pricing dominated the market response to this week's meeting. Warsh's reiteration of his commitment to price stability was undermined by his reticence to consider rate hikes and his failure to endorse the Fed's well-defined PCE target. He also hinted that market movements could substitute for Fed action, encouraging a bear steepening towards higher real yields. Absent a reversal in these signals, there will be added pressure on the data-dependent majority to counter this move with action in September.

The cycle curving the shocks

With the latest quarter's GDP reports rolling in, the global economy's resilience in the face of the latest shock is confirmed. Smoothing out the quarterly China volatility, global GDP rose at a solid 2.5%ar in 1H26 (Figure 1). Although modestly lower than we had anticipated before the closing of the Strait of Hormuz, the sustained resilience across sectors and countries was impressive.

Figure 1: J.P. Morgan global GDP

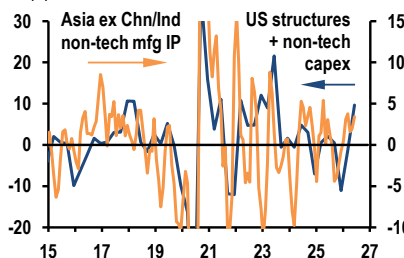
%chg saar; fctst by date made, black line is potential



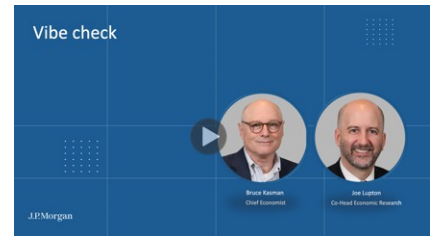
Source: J.P. Morgan Global Economics

Figure 2: Non-tech capex and manufacturing

%q/q, saar %3m/3m, saar



Source: National sources, J.P. Morgan. Details on request.



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The global consumer (ex. China) continued to grow at a faster than 2%*ar*, despite a 4.9%*ar* surge in consumer prices last quarter. Fears that the energy shock would produce weakness in areas most exposed to the shock — Western Europe and non-tech Asia — proved unfounded. Although the US grew a trend-like 1.8%*ar* in 1H26, its role as a global demand engine is far greater than this outcome suggests. US import volumes grew at a double-digit rate in each of the past two quarters, spurred on by 15%*ar* average gains in equipment spending. The indirect global benefits of supportive US financial conditions and a patient Fed are also contributing to positive outcomes elsewhere.

The energy sector disruption has not ended, and geopolitics could still weigh on global growth. Notwithstanding these concerns, our baseline forecast is for a cyclical lift in business spending and hiring to combine with China's policy stimulus, raising global GDP growth to an above-potential 2.7%*ar* over the coming quarters. This week's Politburo meeting guidance supports our view for a "more proactive fiscal policy" in China, which emphasizes faster policy implementation and selective new initiatives.

Tech equipment spending has been an important growth driver, and incoming reports suggest that this demand impulse remains strong. However, recent reports support the view that a broader pickup in spending is taking hold. Asia's non-tech industrial activity has picked up smartly alongside a rebound in US fixed investment spending (Figure 2). The surge in 1H26 US software spending points to the implementation of tech spending gains across a broader set of companies.

We had anticipated a positive turn in the inventory cycle as part of the rebound in non-tech activity, but available indicators in the US and most of Asia suggest continued weak stockbuilding despite strong final demand. This could be a sign of lingering caution, but we are inclined to link this development to last quarter's strong final demand that surprised producers and generated tech sector capacity constraints.

The underpinnings for sustaining this cyclical lift in business spending are a normalization in business sentiment from last year's trade war shock, alongside a profit rebound and supportive credit conditions. Incoming GDP reports point to sustained strong profit gains. Indeed, US 1H26 nominal GDP rose 6.8%*ar* while labor compensation rose 3.9%*ar*. Next week's global PMIs are expected to provide further reinforcement that global growth momentum is building. We look for a rise in the all-industry output index, consistent with improving expectations and solid industrial activity gains.

The search for better income balance

The message from consumers remains upbeat with the US reporting strong 0.4% *m/m* May and June real gains. Global goods spending outside China is tracking a 4%*ar* gain in the three months through May. The surprising strength into mid-year contributes to an upside-bias to current quarter growth forecasts that anticipate a material cooling in consumer spending. We nonetheless believe that positive consumption outcomes require better news on real income. A better balance between household purchasing power and profit growth is expected to come from a moderation in global inflation and a pickup in job growth.

Both of these dynamics appear to be underway (Figure 3). Global CPI inflation moderated sharply in June, helped by falling energy prices and a slower core gain. Following a 4.9%*ar* gain last quarter, we anticipate global CPI (ex. China and Türkiye) to rise 2.4%*ar* this quarter, even with crude oil prices expected at \$86/bbl. The pickup in job growth is anticipated to be more modest — to a 0.7%*ar* globally and a roughly 100k pace in the US. But its realization may be more significant as it boosts household sentiment and reinforces our view that there are not structural impediments to job growth.

Figure 3: Global inflation and employment

%q/q, *saar*, both scales; shaded region denotes *fcst*



The incoming news from the Euro area is encouraging; we estimate a 0.8%*ar* rise in 2Q26 employment and are tracking a healthy midyear lift in sentiment. There also appear to be positive developments taking place in EM Asia's tech producers, where a growth boom now appears to be broadening out. This week's slide in the Conference Board's July survey suggests US households remain downbeat around labor market outcomes. Against this backdrop, we forecast a 75K rise in July employment next week. While consistent with hours growth rising close to 1%*ar* over the past three months, it leaves average job gains at a modest 87k.

Domestic demand perking up in North Asia

The AI-driven export boom continues to power EMAX growth, but the key development is that strength is becoming increasingly broad-based. First-half growth has averaged a

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substantial 5% as domestic consumption and investment join the jump in tech-related exports. Our forecast sees second-half growth moderating to a more trend-like basis, but risks are skewed to the upside. North Asia is seeing the strongest gains, and we follow up last week's upward revision to our 2H GDP forecast for Korea with an upgrade to Taiwan.

Last week's impressive June Taiwan IP was followed by a remarkable 2Q GDP print which came in at 9.9% ar. While AI-driven exports remains the key catalyst, gross capital formation has emerged as a key growth driver. Private consumption also delivered its strongest annual gain in nearly three years, helped by fiscal support to households. In Korea, IP soared 6.4% m/m last month, joined by large gains in non-tech production. Unlike Taiwan, domestic consumption here remains more uneven. However, notwithstanding the recent equity market sell-off, equity prices are still up more than 150% since March 2025 and should provide a boost to consumers in 2H26.

Varying pressures across DM central banks

Reduced downside growth risks reinforce the case for European central banks to remain focused on inflation. Euro area GDP excluding Ireland accelerated to a 1.3% ar in 2Q26, while Swedish growth averaged 3% ar in 1H26. Consumers appear to have smoothed through the energy shock and business activity has held up better than expected. Against this backdrop, the ECB was on hold this week but seems ready for a second hike in September. July core inflation surprised on the firm side, with core prices rising 0.35% m/m. Alongside stronger growth and ongoing Middle East tensions, the risks are skewed for hikes beyond September.

The BoE also held rates steady this week, though the number of dissents for a hike rose to a 6-3 vote. Governor Bailey and the center of the Committee struck a fairly cautious tone, stressing the lack of convincing evidence that higher energy prices are feeding into broader inflation dynamics. Even so, policymakers acknowledged clear upside inflation risks. We still expect a hike in November, but that will likely require firmer core inflation and further signs that wage settlements for next year are tracking above the BoE's assumptions.

The BoJ held rates unchanged this week in a meeting preceded by FX intervention, but policy communication shifted in a more hawkish direction. Officials reinforced their willingness to move more quickly, and Governor Ueda maintained a balance by leaving the door open for a September hike while reiterating that underlying inflation has yet to sustainably reach 2%. We continue to expect a hike in October, though the backdrop — of strong industrial activity, firm retail spending, and signs that inflation pressures are broadening — warrants an earlier and larger move than we are forecasting. A

September Fed hike could, partly through its impact on the yen, deliver an earlier BoJ hike.

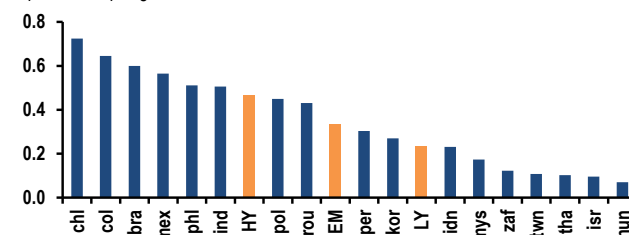
Australia stands apart from the broader tightening narrative. Second-quarter inflation came in materially below the RBA's forecasts and inflation breadth measures also improved. While policymakers are likely to retain a tightening bias in their guidance for now, this week's data reinforces our view that the hiking cycle has ended and that the next move in rates will ultimately be lower rather than higher.

Fed factor wanes in EM

For EM, the combination of resilient growth, firmer inflation, and a renewed Fed hiking cycle is raising the risk of a more restrictive policy stance. However, the Fed Funds rate itself is only weakly linked to EM policy. What matters more is how Fed policy is transmitted through the USD and US Treasury yields. Even there, EM central banks have become less sensitive than in previous cycles as foreign ownership of local-currency bond markets has declined materially over the past decade. The stronger relationship observed after COVID largely reflected the global nature of the inflation shock, which produced a synchronized policy response across economies. Outside a handful of EMs (e.g.: Korea, Colombia, Singapore), policy rates remain restrictive and significant additional tightening would likely require an abrupt surge in the dollar or Treasury yields. Neither appears to be a material risk at present. Within EM, the sensitivity to US rates is highest in LatAm and emerging Asia (Figure 4).

Figure 4: EM policy rate sensitivity to Fed rate

Impact of 1%-pt higher US rate*



Source: J.P. Morgan. Combined coefficient of Fed Funds rate and 10-yr UST yields. Blue bars from country-specific regressions, orange bars from panel with fixed effects.

Banxico to hold, while COPOM eases

Domestic fundamentals promote policy divergence in LATAM and we expect Mexico's Banxico to keep rates unchanged next week following softer inflation and weak activity data, while Brazil's COPOM is likely to deliver another 25bp cut. However, a Fed hike would pressure regional currencies, increasing the premium on policy credibility. For Banxico, that raises the hurdle for renewed easing. For Brazil, it strengthens the case for preserving optionality as disinflation progresses and the calibration cycle continues.

Global Economic Outlook Summary

	Real GDP			Real GDP						Consumer prices			
	% over a year ago			% over previous period, saar						% over a year ago			
	2025	2026	2027	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	4Q25	2Q26	4Q26	2Q27
United States	2.1	2.0 ↓	2.0	2.1	1.5 ↓	<u>1.8</u>	1.8	2.3	2.3	2.7	3.8	3.6	1.9
Canada	1.9	0.6	1.6	-0.1	<u>2.0</u>	1.4	1.4	1.7	1.7	2.2	3.0	2.7	1.6
Latin America	2.1	1.9	1.8	1.6	2.9 ↓	1.7	1.6	2.2	1.3	3.9	4.3	4.4	3.8
Argentina	4.4	2.7	3.0	3.0	-1.5	3.8	4.5	4.0	2.0	31.8	32.8	29.4	20.5
Brazil	2.3	2.0	1.3	4.5	<u>2.0</u>	1.2	1.0	2.4	0.4	4.5	4.6	4.9	3.8
Chile	2.5	1.0	3.2	-1.1	<u>1.0</u>	5.0	3.5	2.5	3.0	3.4	4.0	3.8	3.4
Colombia	2.6	2.6	1.5	2.4	<u>2.5</u>	1.5	0.5	1.5	2.0	5.3	5.8	6.2	5.9
Ecuador	3.7	3.0	2.0	4.5	<u>0.3</u>	1.0	2.0	3.0	2.3	1.4	1.9	2.2	1.5
Mexico	0.5	1.4	1.7	-2.4	6.1 ↓	<u>0.7</u>	1.0	1.2	1.5	3.7	3.9	3.7	3.5
Peru	3.4	3.0	2.9	2.4	<u>2.5</u>	4.0	2.5	3.5	2.7	1.4	4.0	4.1	3.2
Uruguay	1.8	1.1	1.4	3.2	<u>0.4</u>	0.0	1.0	1.3	0.0	4.0	3.1	4.3	5.1
Asia/Pacific	4.5	4.2	3.9	5.6	2.8 ↑	3.7	4.1	4.1	4.1	1.2	2.0	2.3	2.0
Japan	1.1	0.8	1.0	1.8	<u>1.3</u>	1.0	1.3	1.0	0.7	2.7	1.5	2.9	3.5
Australia	2.0	2.0	1.8	1.1	<u>1.6</u>	1.5	1.9	1.5	1.7	3.6	3.9 ↓	3.9 ↓	3.6
New Zealand	0.2	2.1	2.3	3.2	<u>1.2</u>	3.4	1.2	4.0	1.0	3.1	3.8	3.7	2.4
EM Asia	5.2	4.9	4.4	6.5	3.1 ↑	4.2	4.7	4.6	4.7	0.9	1.9	2.1	1.7
China	5.0	4.6	4.3	6.3	2.4	<u>4.3</u>	4.9	4.5	4.5	0.6	1.1	1.0	0.7
India	7.7	6.5	6.3	8.0	<u>5.1</u>	5.0	6.2	6.3	6.7	0.8	4.1	5.6	5.5
Ex China/India	4.0	4.8	3.8	6.1	<u>4.0</u> ↑	3.4	3.2	4.1	4.1	1.8	2.9 ↑	3.2	2.2
Hong Kong	3.6	3.4	2.9	12.1 ↓	-2.4 ↓	<u>2.8</u>	2.8	3.0	2.8	1.3	1.9 ↑	1.7	1.6
Indonesia	5.1	4.7	4.9	5.7	<u>3.6</u>	3.0	2.6	6.2	6.1	2.8	2.9	3.5	2.6
Korea	1.1	3.8	3.3	7.5	2.5	<u>4.0</u>	3.0	3.5	3.5	2.4	3.0	3.5	2.6
Malaysia	5.2	5.3	4.5	1.7	8.5	<u>5.0</u>	4.5	4.0	4.0	1.4	2.0	2.1	1.8
Philippines	4.4	4.0	5.6	3.8	<u>4.9</u>	5.7	8.2	4.1	5.5	1.7	6.8	6.5	3.8
Singapore	5.0	4.6	2.5	5.3	4.6	<u>1.0</u>	1.0	3.0	3.0	1.2	1.7	2.4	1.9
Taiwan	8.8	9.9	3.7	6.9	9.9 ↑	<u>3.2</u>	3.2	4.0	4.0	1.3	2.2 ↑	2.2	1.7
Thailand	2.4	2.8	2.5	2.7	<u>0.8</u>	2.8	2.8	2.8	2.4	-0.5	2.7	3.1	0.6
Western Europe	1.3 ↓	1.0 ↑	1.4	0.4 ↑	1.9 ↑	1.0	1.4	1.5	1.5	2.3	2.9	3.0 ↑	2.1
Euro area	1.3 ↓	0.8 ↑	1.4	0.0 ↑	1.8 ↑	<u>1.0</u>	1.5	1.5	1.5	2.1	3.0	3.1 ↑	2.0
Germany	0.3	1.0	1.5 ↓	1.7 ↑	0.9 ↓	<u>1.3</u>	1.8	1.8	1.8	2.3	2.6	2.5 ↑	1.9 ↓
France	0.9	0.5 ↓	1.0	-0.6 ↓	0.0 ↓	<u>0.5</u>	1.3	1.3	1.0	0.8	2.4	2.9 ↑	1.8 ↑
Italy	0.7	0.9 ↑	0.6	1.3 ↑	0.8 ↑	<u>0.5</u>	0.8	0.8	0.5	1.2	3.0	3.9 ↑	1.8 ↓
Spain	2.8	2.6 ↑	1.9 ↑	2.5	2.9 ↑	<u>2.0</u>	2.0	1.8	1.8	3.1	3.6	3.3 ↓	2.4 ↓
Norway	1.7	1.0	1.6	0.6	<u>1.4</u>	1.8	1.8	1.8	1.5	3.1	3.1	3.1	2.5
Sweden	1.7	2.6 ↑	2.2 ↑	-0.6	7.1 ↑	<u>2.0</u>	2.3	2.0	1.8	0.5	0.5 ↑	0.9	1.8
United Kingdom	1.3	1.2	1.2	2.5	<u>1.5</u>	0.8	1.0	1.6	1.2	3.4	2.8	3.0	2.7
EMEA EM	2.1	1.9 ↑	2.8	-0.6	3.5 ↑	3.0 ↓	2.9 ↓	2.7 ↑	2.4	10.6	10.4	9.9 ↑	8.5
Czech Republic	2.5	2.1 ↓	2.2 ↓	0.8	1.5 ↓	2.3 ↓	2.5	2.1	2.1	2.2	2.0	1.9	1.9
Hungary	0.4	2.1 ↓	2.9 ↓	3.2	1.6 ↓	3.0 ↑	2.8	3.0	3.3	3.8	1.9	2.2 ↑	3.1 ↑
Israel	2.9	3.6	4.2	-3.8	<u>10.5</u>	5.5	3.8	3.5	3.5	2.5	1.8	1.9 ↑	1.7 ↑
Poland	3.6	3.4	2.9	2.4	<u>4.3</u>	3.3	3.0	2.8	2.5	2.6	2.9	3.2	3.3
Romania	0.7	0.0	3.0	0.0	<u>3.4</u>	3.6	3.2	2.8	2.4	9.7	10.7	5.4	4.3
Russia	1.0	0.5 ↑	1.6	-3.1	2.3 ↑	1.0 ↓	2.0 ↓	1.5 ↑	1.5	6.6	5.6	6.6 ↑	6.2 ↑
South Africa	1.1	1.1	1.4	2.2	<u>0.0</u>	1.5	1.2	1.6	1.6	3.6	4.5	4.4	3.1
Türkiye	3.6	3.0	4.6	0.5	<u>4.0</u>	5.5	4.6	4.5	3.5	31.6	32.4	29.6 ↑	24.0 ↓
Global	2.8	2.5	2.5	2.7 ↑	2.3 ↑	2.3	2.6	2.7	2.7	2.7	3.4	3.4	2.5
Developed markets	1.7 ↓	1.5 ↑	1.7	1.4 ↑	<u>1.6</u>	1.4	1.6	1.9	1.8	2.6	3.3	3.3	2.1 ↓
Emerging markets	4.2	4.0	3.8	4.7	<u>3.1</u>	3.7	4.0	4.0	3.9	2.8	3.5	3.6	3.0
Emerging ex China	3.6	3.5	3.4	3.4	3.7 ↑	3.1	3.2 ↓	3.6 ↑	3.4	4.7	5.6	5.8	5.0
Global — PPP weighted	3.3	3.0 ↑	3.0	3.2 ↑	2.6 ↑	2.6	3.0	3.1	3.0	2.9	3.7	3.8	3.0

Source: Government agencies and J.P. Morgan Global Economics. Details on request. Note: For some emerging economies seasonally adjusted GDP data are estimated by J.P. Morgan. Bold denotes changes from last edition of *Global Data Watch*, with arrows showing the direction of changes. Underline indicates beginning of J.P. Morgan forecasts. Unless noted, concurrent nominal GDP weights calculated with current FX rates are used in computing our global and regional aggregates. Regional CPI aggregates exclude Argentina and Ecuador. Source: J.P. Morgan. Any long-form nomenclature for references to China; Hong Kong; and Taiwan within this research material is Mainland China; Hong Kong SAR (China) and Taiwan (China).

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G-3 economic outlook detail

	2025	2026	2027	2026				2027	
				1Q	2Q	3Q	4Q	1Q	2Q
United States									
Real GDP	2.1	2.0	2.0	2.1	1.5	1.8	1.8	2.3	2.3
Private consumption	2.6	2.0	1.9	0.5	3.2	1.8	1.5	2.0	2.0
Equipment investment	8.3	10.6	6.9	15.8	15.2	10.0	10.0	5.0	5.0
Non-residential construction	-5.3	-5.2	-0.4	-4.7	-5.0	-4.0	-4.0	2.0	2.0
Intellectual property products	5.6	9.0	5.6	13.8	8.8	7.0	7.0	5.0	5.0
Residential construction	-2.2	-3.3	2.8	-7.8	1.5	0.0	0.0	4.0	6.0
Inventory change (\$ bn saar)	28.5	-16.7	22.0	-16.7	-50.8	-17.4	18.0	22.5	23.3
Government spending	1.1	0.4	1.3	4.4	-0.8	1.4	1.4	1.5	1.5
Exports of goods and services	1.6	4.4	1.9	10.9	4.5	2.5	2.5	1.5	1.5
Imports of goods and services	2.7	3.7	5.2	11.8	11.5	10.0	9.0	3.0	3.0
Domestic final sales contribution	2.4	2.2	2.3	2.2	3.2	2.4	2.3	2.5	2.6
Inventories contribution	-0.1	-0.2	0.2	0.2	-0.7	0.6	0.6	0.1	0.0
Net trade contribution	-0.1	0.0	-0.5	-0.4	-1.0	-1.2	-1.1	-0.3	-0.3
Consumer prices (%oya)	2.7	3.4	2.3	2.7	3.8	3.6	3.6	3.0	1.9
Excluding food and energy (%oya)	2.9	2.6	2.6	2.5	2.7	2.5	2.7	2.6	2.5
Core PCE deflator (%oya)	2.8	3.3	2.3	3.1	3.3	3.4	3.4	2.7	2.3
Federal budget balance (% of GDP, FY)	-5.8	-6.3	-5.8						
Personal saving rate (%)	4.6	3.1	2.7	3.9	2.8	2.9	2.9	2.7	2.7
Unemployment rate (%)	4.3	4.2	4.0	4.3	4.3	4.2	4.1	4.0	4.0
Industrial production, manufacturing	0.8	1.2	1.3	1.4	4.7	1.2	1.0	1.0	1.0
Euro area									
Real GDP	1.3	0.8	1.4	0.0	1.8	1.0	1.5	1.5	1.5
Private consumption	1.4	0.9	1.3	1.0	0.3	0.8	1.5	1.5	1.5
Capital investment	3.0	1.3	2.3	-1.2	2.0	2.5	3.0	2.5	2.0
Government consumption	1.4	2.0	1.2	2.4	1.5	1.3	1.3	1.3	1.3
Exports of goods and services	2.0	0.6	2.4	-1.2	1.5	2.5	2.5	2.5	2.5
Imports of goods and services	3.6	2.0	2.7	1.4	2.0	2.8	2.8	2.8	2.8
Domestic final sales contribution	1.7	1.2	1.4	0.8	0.9	1.2	1.7	1.6	1.5
Inventories contribution	0.2	0.3	0.0	0.5	1.1	-0.2	-0.2	-0.1	0.0
Net trade contribution	-0.6	-0.6	0.0	-1.3	-0.2	0.0	0.0	0.0	0.0
Consumer prices (HICP, %oya)	2.1	2.8	2.1	2.0	3.0	3.0	3.1	2.7	2.0
ex food, alcohol and energy	2.4	2.4	2.3	2.3	2.4	2.4	2.5	2.5	2.4
General govt. budget balance (% of GDP, FY)	-2.8	-3.1	-2.8						
Unemployment rate (%)	6.4	6.3	6.1	6.2	6.3	6.3	6.2	6.2	6.1
Industrial production	1.7	-0.2	2.6	-3.7	2.3	2.5	3.0	3.0	2.5
Japan									
Real GDP	1.1	0.8	1.0	1.8	1.3	1.0	1.3	1.0	0.7
Private consumption	1.3	1.3	0.7	1.4	2.5	0.6	0.6	0.6	0.6
Business investment	2.1	0.9	1.3	-2.8	2.0	1.0	1.5	1.5	1.0
Residential construction	-2.4	-0.1	0.3	3.7	-2.0	0.0	0.5	0.5	0.5
Public investment	-0.4	1.2	0.5	6.1	0.5	0.5	0.5	0.5	0.5
Government consumption	0.9	1.7	1.2	1.3	4.0	1.0	1.0	1.0	1.0
Exports of goods and services	2.5	1.0	0.7	7.4	-4.0	1.5	1.0	1.0	1.0
Imports of goods and services	3.8	0.2	1.0	1.7	-4.0	2.0	2.0	1.0	1.0
Domestic final sales contribution	1.1	1.3	0.9	0.9	2.4	0.7	0.8	0.8	0.7
Inventories contribution	0.1	-0.6	0.1	-0.1	-1.1	0.3	0.6	0.2	-0.1
Net trade contribution	-0.2	0.2	0.0	1.0	0.0	-0.1	-0.2	0.0	0.0
Consumer prices (%oya)	3.2	1.9	3.4	1.4	1.5	1.8	2.9	4.0	3.5
ex food and energy	1.5	1.8	3.0	1.4	1.1	1.8	2.7	3.1	3.1
General govt. net lending (% of GDP, CY)	-6.7	-6.8	-6.6						
Unemployment rate (%)	2.5	2.5	2.5	2.7	2.5	2.5	2.5	2.5	2.5
Industrial production	0.1	2.5	1.4	10.3	1.1	1.2	1.2	1.5	1.5
Memo: Global industrial production	..	..	..	3.4	2.6	2.8	2.2	2.6	2.0
%oya	2.3	2.1	2.3	1.7	1.9	2.2	2.6	2.4	2.4

Source: Government agencies and J.P. Morgan Global Economics. Details on request.

Global Central Bank Watch

	Official rate	Current rate (%pa)	4-qrtr change (bp)		Last change	Next mtg	Forecast next change	Forecast (%pa)				
			Last	Next				Sep 26	Dec 26	Mar 27	Jun 27	Sep 27
Global		3.97	-43	-9				4.00	4.04	4.01	3.97	3.87
excluding US		4.06	-26	-24				4.11	4.06	4.01	3.96	3.82
Developed		3.08	-34	16				3.16	3.32	3.32	3.32	3.24
Emerging		5.27	-56	-46				5.25	5.12	5.02	4.94	4.81
Latin America		10.02	-67	-58				9.81	9.82	9.85	9.67	9.44
EMEA EM		14.68	-292	-230				14.57	13.88	13.19	12.71	12.38
EM Asia		2.34	-3	-3				2.38	2.34	2.36	2.38	2.31
The Americas		4.53	-72	12				4.50	4.70	4.70	4.68	4.65
United States	Fed funds	3.75	-75	25	10 Dec 25 (-25bp)	16 Sep 26	Dec 26 (+25bp)	3.75	4.00	4.00	4.00	4.00
Canada	O/N rate	2.25	-50	0	29 Oct 25 (-25bp)	2 Sep 26	On hold	2.25	2.25	2.25	2.25	2.25
Brazil	SELIC O/N	14.25	-75	-150	17 Jun 26 (-25bp)	<u>5 Aug 26</u>	Aug 26 (-25bp)	13.75	13.75	13.75	13.25	12.75
Mexico	Repo rate	6.50	-150	0	7 May 26 (-25bp)	<u>6 Aug 26</u>	On hold	6.50	6.50	6.50	6.50	6.50
Chile	Disc rate	4.50	-25	75	16 Dec 25 (-25bp)	8 Sep 26	1Q27 (+25bp)	4.50	4.50	4.75	5.00	5.25
Colombia	Repo rate	12.00	275	-50	30 Jun 26 (+75bp)	30 Sep 26	Jun 27 (-25bp)	12.00	12.00	12.00	12.00	11.50
Peru	Reference	4.25	-25	100	11 Sep 25 (-25bp)	13 Aug 26	7 Oct 26 (+25bp)	4.25	4.50	4.75	5.00	5.25
Europe/Africa		5.33	-56	-52				5.46	5.34	5.18	5.03	4.81
Euro area	Depo rate	2.25	25	0	11 Jun 26 (+25bp)	10 Sep 26	Sep 26 (+25bp)	2.50	2.50	2.50	2.50	2.25
United Kingdom	Bank rate	3.75	-25	0	18 Dec 25 (-25bp)	17 Sep 26	Nov 26 (+25bp)	3.75	4.00	4.00	3.75	3.75
Norway	Dep rate	4.25	0	0	7 May 26 (+25bp)	13 Aug 26	Sep 26 (+25bp)	4.50	4.50	4.50	4.25	4.25
Sweden	Repo rate	1.75	-25	25	23 Sep 25 (-25bp)	20 Aug 26	Dec 26 (+25bp)	1.75	2.00	2.00	2.00	2.00
Czech Republic	2-wk repo	3.75	25	25	18 Jun 26 (+25bp)	<u>6 Aug 26</u>	Nov 26 (+25bp)	3.75	4.00	4.00	4.00	4.00
Hungary	Base rate	5.75	-75	-100	21 Jul 26 (-25bp)	25 Aug 26	Aug 26 (-25bp)	5.25	5.00	4.75	4.75	4.75
Israel	Base rate	3.50	-100	-50	6 Jul 26 (-25bp)	1 Sep 26	Sep 26 (-25bp)	3.25	3.00	3.00	3.00	3.00
Poland	7-day interv	3.75	-125	0	4 Mar 26 (-25bp)	2 Sep 26	On hold	3.75	3.75	3.75	3.75	3.75
Romania	Base rate	6.50	0	-50	7 Aug 24 (-25bp)	10 Aug 26	May 27 (-25bp)	6.50	6.50	6.50	6.25	6.00
Russia	Key pol rate	14.00	-400	-275	24 Jul 26 (-25bp)	11 Sep 26	Sep 26 (-25bp)	13.75	13.00	12.25	11.50	11.25
South Africa	Repo rate	7.00	0	0	28 May 26 (+25bp)	23 Sep 26	Sep 26 (+25bp)	7.25	7.25	7.25	7.25	7.00
Türkiye	1-wk repo	37.00	-600	-600	22 Jan 26 (-100bp)	10 Sep 26	22 Oct 26 (-100bp)	37.00	35.00	33.00	32.00	31.00
Asia/Pacific		2.29	6	2				2.32	2.32	2.34	2.38	2.32
Australia	Cash rate	4.35	50	-25	5 May 26 (+25bp)	11 Aug 26	Aug '27 (-25bp)	4.35	4.35	4.35	4.35	4.10
New Zealand	Cash rate	2.50	-75	75	8 Jul 26 (+25bp)	2 Sep 26	Sep 26 (+25bp)	2.75	3.00	3.25	3.25	3.25
Japan	O/N call rate	1.00	52	50	16 Jun 26 (+25bp)	18 Sep 26	Oct 26 (+25bp)	1.00	1.25	1.25	1.50	1.50
Hong Kong	Disc. wndw	4.00	-75	25	10 Dec 25 (-25bp)	-	Dec 26 (+25bp)	4.00	4.25	4.25	4.25	4.25
China	7-day rev repo	1.40	0	-20	7 May 25 (-10bp)	-	4Q 26 (-10bp)	1.40	1.30	1.30	1.30	1.20
Korea	Base rate	2.75	25	100	16 Jul 26 (+25bp)	27 Aug 26	Aug 26 (+25bp)	3.00	3.25	3.50	3.75	3.75
Indonesia	BI RRR	5.75	50	25	18 Jun 26 (+25bp)	19 Aug 26	Sep-26 (+25bp)	6.00	6.00	6.00	6.00	6.00
India	Repo rate ²	5.25	-25	0	5 Dec 25 (-25bp)	<u>5 Aug 26</u>	On hold	5.25	5.25	5.25	5.25	5.25
Malaysia	O/N rate	2.75	0	25	9 Jul 25 (-25bp)	3 Sep 26	Nov 26 (+25bp)	2.75	3.00	3.00	3.00	3.00
Philippines	Rev repo	4.75	-50	75	18 Jun 26 (+25bp)	27 Aug 26	Aug 26 (+25bp)	5.00	5.50	5.50	5.50	5.50
Thailand	1-day repo	1.00	-75	0	25 Feb 26 (-25bp)	26 Aug 26	On hold	1.00	1.00	1.00	1.00	1.00
Taiwan	Official disc.	2.00	0	0	21 Mar 24 (+12.5bp)	17 Sep 26	On hold	2.00	2.00	2.00	2.00	2.00

Source: J.P. Morgan.

Bold denotes move since last GDW and forecast changes. Underline denotes policy meeting during upcoming week. Aggregates are GDP-weighted averages.

Any long-form nomenclature for references to China; Hong Kong; and Taiwan within this research material is Mainland China;

Hong Kong SAR (China) and Taiwan (China).

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Economic Activity Tracking

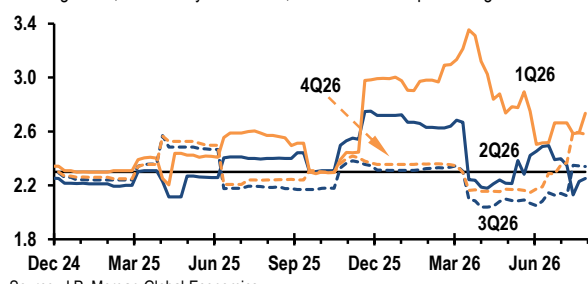
See [here](#) for real-time snapshots and methodology reports.

JPM forecast evolution, GDP and CPI

Our tracking estimate for 2Q global real GDP was broadly steady at 2.3%ar this week. Our forecast for 3Q growth moved sideways at 2.3%ar (Figure 1). Our 3Q26 core CPI forecast ticked up to 2.8%ar (Figure 2).

Figure 1: J.P. Morgan global GDP

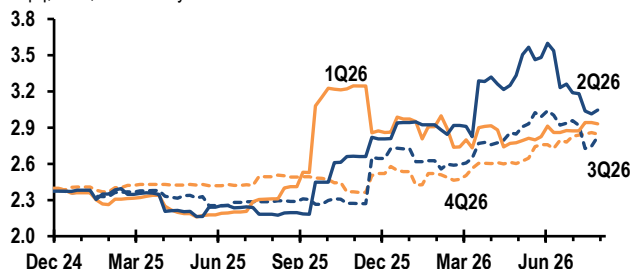
% change saar; forecast by date made, black line shows potential growth



Source: J.P. Morgan Global Economics

Figure 2: J.P. Morgan global core CPI forecast

%q/q, saar; forecast by date made



Source: J.P. Morgan Global Economics

Table 1: Change in forecast revision indexes

%-pt revision to rolling year-ahead outlook over 13 weeks

	GDP	Inflation	Core inflation	Policy rate
Global	0.2	0.1	0.1	0.2
DM	0.1	0.0	0.1	0.1
US	0.1	-0.1	0.0	0.3
Euro area	0.0	-0.1	0.2	0.0
UK	0.5	-0.4	-0.1	0.0
Japan	0.6	1.1	0.8	0.0
EM	0.3	0.3	0.2	0.4
EM Asia	0.4	0.2	-0.1	0.2
M. China	0.3	0.1	-0.3	0.1
Korea	1.5	0.6	0.8	0.8
Taiwan	0.5	0.2	-0.2	0.0
India	0.4	0.9	0.1	0.0
LatAm	0.2	0.2	0.4	1.1
Brazil	0.7	0.6	0.7	2.5
Mexico	0.7	-0.3	0.0	0.0
EM EMEA	-0.4	0.5	1.4	0.7
CE4	0.0	-0.2	0.3	0.2
Türkiye	-0.3	1.0	4.5	1.0
South Africa	0.2	0.2	0.6	0.8

Source: JPM Global Economics. Long-form nomenclature for China & Taiwan: Mainland China & Taiwan (China).

GDP nowcaster and recession probabilities

Our nowcaster estimate of 2Q global GDP growth moved sideways at 2.6%ar, 0.3%-pt above our 2Q forecast (Table 2).

Table 2: Real GDP

%q/q, saar. Underline indicates J.P. Morgan forecast.

	2Q26		3Q26	
	Actual/Fcst	Nowcast	Forecast	Nowcast
Global	<u>2.3</u>	2.6	<u>2.3</u>	2.8
Weighted Avg*	<u>2.0</u>	3.7	<u>2.2</u>	3.1
Developed*	<u>1.6</u>	2.7	<u>1.4</u>	1.6
US	1.5	3.0	<u>1.7</u>	1.8
EMU	1.8	2.2	<u>1.0</u>	0.9
UK	<u>1.5</u>	2.5	<u>0.8</u>	2.6
Canada	<u>2.0</u>	4.5	<u>1.4</u>	2.3
Japan	<u>1.3</u>	1.0	<u>1.0</u>	2.2
Emerging*	<u>2.8</u>	5.3	<u>3.5</u>	5.6
EM Asia*	<u>2.7</u>	6.8	<u>4.2</u>	7.7
China	2.4	6.7	<u>4.3</u>	8.3
Korea	2.5	5.3	<u>4.0</u>	4.0
Taiwan	9.9	7.5	<u>3.2</u>	5.4
Singapore	4.6	15.4	<u>1.0</u>	5.2
Latam*	<u>2.9</u>	1.5	<u>1.7</u>	1.5
Brazil	<u>2.0</u>	2.6	<u>1.2</u>	2.3
Mexico	6.1	-0.5	<u>0.7</u>	-1.1
Argentina	-1.5	1.9	<u>3.8</u>	2.3
Chile	<u>1.0</u>	1.4	<u>5.0</u>	4.4
Colombia	<u>2.5</u>	4.4	<u>1.5</u>	4.3
Peru	<u>2.5</u>	0.7	<u>4.0</u>	2.7
EMEA EM*	<u>2.8</u>	3.4	<u>2.7</u>	1.6
Poland	<u>4.2</u>	4.2	<u>3.2</u>	2.9
Hungary	1.6	1.7	<u>2.5</u>	2.0
Czech Rep.	1.5	3.1	<u>2.2</u>	2.8
Romania	<u>3.4</u>	0.2	<u>3.6</u>	1.4
Russia	<u>2.2</u>	4.1	<u>1.0</u>	0.1
Türkiye	<u>4.0</u>	3.8	<u>5.5</u>	2.9
South Africa	<u>0.0</u>	1.2	<u>1.5</u>	1.9

Source: J.P. Morgan Global Economics. * Aggregates are GDP weighted averages of constituents. The long-form nomenclature for references to China and Taiwan is Mainland China and Taiwan (China).

The [July DM flash PMIs](#) point to firmer growth momentum, with the output index at its highest since November as services and Western Europe strengthened. Details were also positive: the employment and future output indexes rebounded from recessionary levels, supporting our forecast for a recovery in labor demand. [Global export volumes](#) remain around 5% above a year ago, but the early-year surge is cooling, led by EM Asia. [Inflation momentum fell in June](#) as energy prices reversed, while global core inflation held near a 2.8% annualized pace. Core services inflation has begun to moderate, but we expect core goods inflation to rise toward 2%.

Table 3: J.P. Morgan global aggregates

%ch, sa (ar for qrt). PMIs are levels. Confidence is std.dev from 2010-19 avg

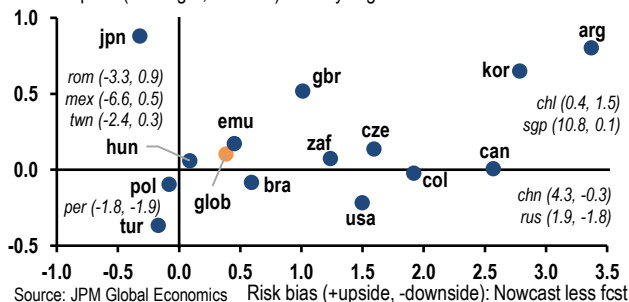
	2Q26	3Q26	Jun 26	Jul 26	Aug 26	Sep 26
PMI, mfg	53.3	52.5	53.0	52.7	52.4	52.3
PMI, serv	51.4	52.7	51.7	52.3	52.8	53.1
IP	2.2	1.4	0.1	0.2	0.2	0.2
Retail sales	1.1	2.8	0.2	0.2	0.2	0.2
Auto sales	16.6	1.2	-0.2	0.3	0.3	0.2
G-3 cap. ship.	5.8	1.1	0.2	0.3	0.0	0.1
G-3 cap. orders	16.2	4.1	-0.1	-0.2	0.7	0.1
Cap. exports	29.5	9.1	2.1	0.5	0.3	0.8
Mfg bus conf	-0.6	-0.4	-0.5	-0.4	-0.3	-0.3
Cons conf	-0.4	0.6	0.9	0.8	0.5	0.5
Nowcast (ar)	2.6	2.8	3.0	2.9	2.9	3.0

Source: J.P. Morgan Global Economics, S&P Global, and national statistical agencies. Note. Shaded values show forecasts computed by the Kalman filter estimates from the dynamic factor model. Underlined values are our estimates based on available data and our judgment.

Around 60% of the economies we track have seen data surprise stronger over the past 30 days. The nowcaster implies upside risks to 2Q26 growth in about two-thirds of these economies (Figure 3).

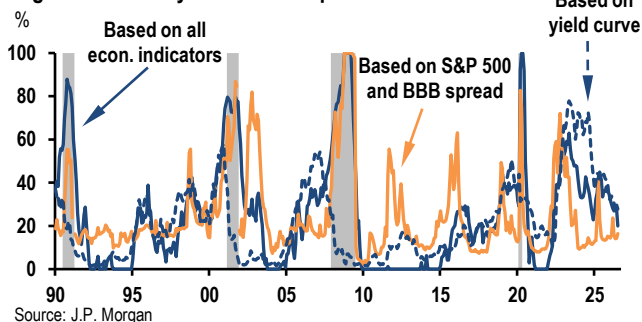
Figure 3: GDP nowcaster: risk bias for 2Q26 vs data surprises

Data surprise (+stronger, -weaker): 30-day chg in NRI



The US recession probability based on data through July 24 is about 20% (Figure 4).

Figure 4: US one-year recession probabilities since 1995

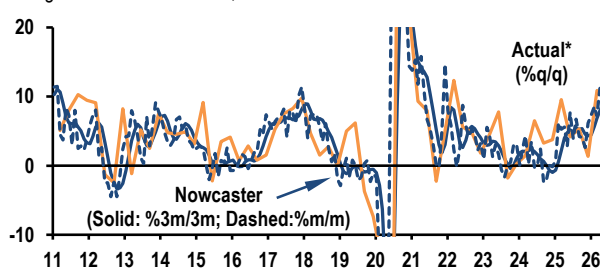


Capex Nowcaster

[Our CapexNow model](#) 2Q26 estimate ticked up to 9.8%ar this week. Observed 1Q capex rose 10.9%ar (Figure 5).

Figure 5: Global capex, actual and nowcaster

%chg saar. Actual thru 1Q26; Nowcast thru 2Q26.

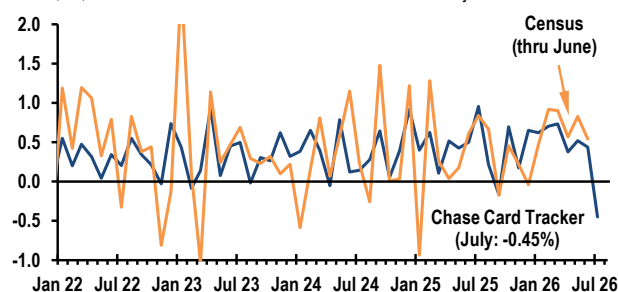


Global consumption tracking

Based on [Chase Consumer Card data](#) through July 21, our estimate of the US Census control measure of retail sales is -0.45% in July (Figure 6).

Figure 6: US retail sales control, Census and Chase Card Nowcaster

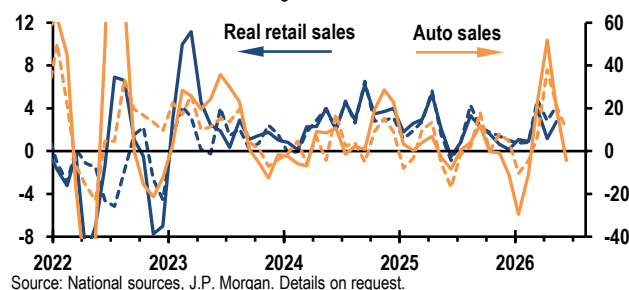
%m/m, sa; Chase Card Tracker is a model-fit with latest monthly forecast



Global retail sales accelerated to a 2.78%ar in the three months through May. Global auto sales fell 4.3%3m ar in June, but rose 9.9%ar ex. China (Figure 7).

Figure 7: Global consumer spending

%3m, saar, both scales; dashed is global ex. China



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NLP of central bank speak

G-4 central bank communications this week include:

- [BoJ statement](#) (HDS: -3, trailing 5-speech avg: 0)
- [BoE statement](#) (HDS: +12, trailing 5-speech avg: -17)
- [Fed's Warsh Q&A](#) (HDS: +32, trailing 4-sp avg: +32)
- [Fed's Warsh statement](#) (HDS: +49, trailing 3-sp avg: +27)
- [Fed statement](#) (HDS: +25, trailing 5-speech avg: -7)

Table 4: Hawk-Dove Scores

3m mov avg: -100 (Dovish) to +100 (Hawkish)

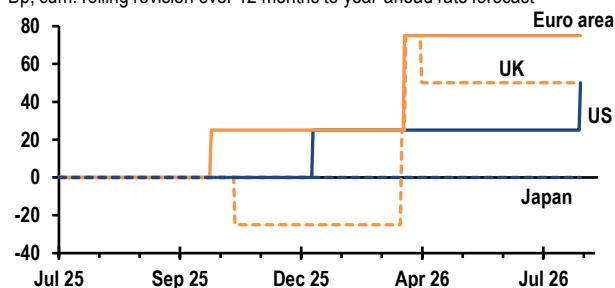
	Current	Change over period		
		1m	3m	6m
United States	20.0	7.9	11.1	20.5
Euro area	17.5	-0.5	3.7	12.7
United Kingdom	23.9	0.8	15.7	27.4
Japan	15.9	0.0	12.6	4.2
Australia	31.8	1.5	4.0	22.0
Canada	-1.8	-2.6	-7.7	3.5
Sweden	9.2	-1.1	0.3	2.3
Korea	39.5	19.3	36.1	36.8
Indonesia*	3.0	-7.1	13.5	19.3
Czechia*	41.7	0.0	5.1	-0.4
South Africa	18.1	-0.1	15.8	-4.0
Brazil*	5.9	0.0	11.9	3.9
Mexico*	2.0	0.0	3.2	11.7

Source: J.P. Morgan. * HDS based on CB statements and are not moving averages; rest reflect speeches.

JPM forecast evolution, policy rates

Figure 8: J.P. Morgan policy rate forecast revision index, DM

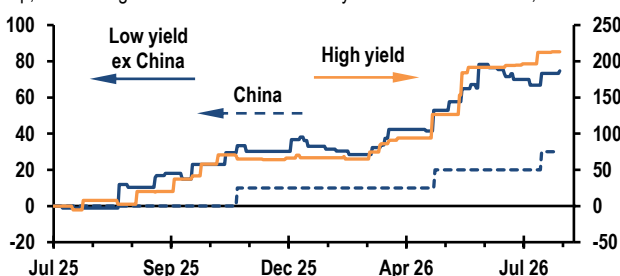
Bp; cum. rolling revision over 12 months to year-ahead rate forecast



Source: J.P. Morgan Global Economics

Figure 9: J.P. Morgan policy rate forecast revision index, EM

Bp; cum. rolling revision over 12 months to year-ahead rate forecast; both scales



Source: J.P. Morgan Global Economics

J.P. Morgan forecasts vs. market

Table 5: Policy Rate: J.P. Morgan and Market

	Current %pa	Basis point change from current							
		End 3Q26		End 4Q26		End 2Q27		End 4Q27	
		JPM	Mkt	JPM	Mkt	JPM	Mkt	JPM	Mkt
Global	3.91	3	11	7	20	0	28	-14	2
Global Ex-China	4.60	4	15	12	28	2	38	-13	6
Developed	3.08	7	19	23	35	23	51	14	48
US	3.75	0	17	25	33	25	47	25	37
EMU	2.25	25	28	25	45	25	59	0	57
Japan	1.00	0	11	25	29	50	55	75	80
UK	3.75	0	18	25	40	0	60	-25	58
Norway	4.25	25	23	25	31	0	29	-25	12
Sweden	1.75	0	14	25	26	25	54	25	79
Canada	2.25	0	4	0	20	0	59	0	80
Australia	4.35	0	4	0	14	0	12	-49	0
New Zealand	2.50	25	24	50	59	75	102	75	125
Emerging	5.27	-1	1	-14	0	-33	-3	-54	-51
Emerging Ex-China	8.71	-2	59	-19	59	-53	54	-84	0
EM Low Yield	1.97	1	-16	-2	-14	1	-11	-5	-5
EM High Yield	11.66	-7	70	-38	62	-100	45	-148	13
EM HY Ex-RU	11.22	-3	89	-26	84	-72	85	-119	44
EM Asia	1.54	2	1	-4	3	0	4	-8	11
EM Asia Ex-China	2.53	17	19	35	48	70	76	70	103
China	1.40	0	0	-9	-2	-9	-5	-19	-1
Hong Kong	4.00	0	--	25	--	25	--	25	--
India	5.25	0	16	0	35	0	65	0	98
Indonesia	5.75	25	--	25	--	25	--	25	--
Korea	2.75	25	25	50	59	100	91	100	119
Malaysia	2.75	0	0	25	4	25	13	25	23
Philippines	4.75	25	--	75	--	75	--	75	--
Taiwan	2.00	0	4	0	21	0	41	0	63
Thailand	1.00	0	12	0	20	0	43	0	64
EMEA EM	15.74	-8	69	-83	35	-211	-31	-282	-48
Czechia	3.75	25	17	25	41	25	59	0	49
Hungary	5.75	-50	--	-75	--	-100	--	-100	--
Israel	3.50	-25	-37	-50	-48	-50	-48	-50	-45
Poland	3.75	0	5	0	16	0	37	0	31
Romania	6.50	0	--	0	--	-25	--	-50	--
Russia	14.00	-25	-46	-100	-69	-250	-170	-300	-169
South Africa	7.00	25	17	25	50	25	64	-25	55
Turkey	37.00	0	78	-200	-40	-500	-172	-700	-234
LATAM	10.02	-17	26	-15	32	-33	46	-79	-226
Brazil	14.25	-50	-34	-50	-32	-100	-26	-200	--
Chile	4.50	0	0	0	9	50	24	100	30
Colombia	12.00	50	51	50	62	25	40	-75	-51
Mexico	6.50	0	4	0	14	0	47	0	93
Peru	4.25	0	--	25	--	75	--	100	--

-- indicates market-based policy rate forecast is unavailable. Market-based forecast data are lagged 1-2 days.

FRI is Forecast Revision Index, the bp cumulative revision to rolling year-ahead policy rate forecast

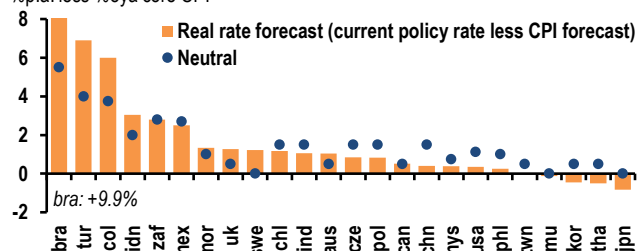
Real rate defined as policy rate less %oya core inflation.

Source: J.P. Morgan Global Economics. The long-form nomenclature for China, Hong Kong, and Taiwan is Mainland China, Hong Kong SAR (China), and Taiwan (China).

Real policy rates

Figure 10: Real policy rate and neutral: forecast for 3Q26

%p.a. less %oya core CPI



Source: J.P. Morgan Global Economics. US uses core PCE forecast.

See [here](#) for NLP methodology and a full set of central bank NLPs. For additional policy rate detail, see our full [policy rate QED](#) report.

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J.P. Morgan Market Watch

Bonds

In the US, short-end yields fell (2-12bp WoW), long-end yields jumped (1-10bp WoW) and the curve twist-steepened (~15bp) after the Fed held rates—an unusually rare post-FOMC pattern. The move was accelerated by Warsh's remarks that raised doubts about the Fed's inflation-fighting credibility and commitment to the 2% PCE target. As a result, [our call shifts to a December hike](#) (from 3Q27) with risks skewed to further bearish steepening, prompting us to [unwind our 5s/30s curve flatteners and initiate 5Yx5Y ZC inflation swap wideners](#).

In the **Euro area**, we view the recent steepening Euro curves as unjustified and largely a sympathy move to US Fed-credibility-driven steepening. We see intermediate German yields as cheap and thus remain high-conviction long 10Y Germany outright and long 10Y Bund vs UST as we expect German curve directionality to revert to bull steepening/bear flattening. In the **UK**, [the BoE left rates on hold](#) while turning slightly more hawkish with a tighter 6-3 vote and a wait-and-see stance that retains an implicit tightening bias despite dovish forecasts; we still expect a November hike contingent on firmer underlying services inflation or wage expectations and hold long 10Y gilts. In **Japan**, the BoJ held rates steady but sounded more hawkish (raising the risk of a September hike if the yen weakens), while GPIF-driven flows, fiscal/tax uncertainty, and mixed super-long JGB demand dynamics leave curve pressure and supply-demand headwinds intact; we hold tactical 5s/20s JGB curve steepeners. ([GFIMs](#), Jul 31st)

In **EM** rates, we stay cautious amidst ongoing US-Iran escalations and higher energy prices and remain MW overall. We stay OW Hungary, Colombia, Mexico and Paraguay and UW Thailand, Chile and Peru ([EM Strategy Update](#), Jul 24th).

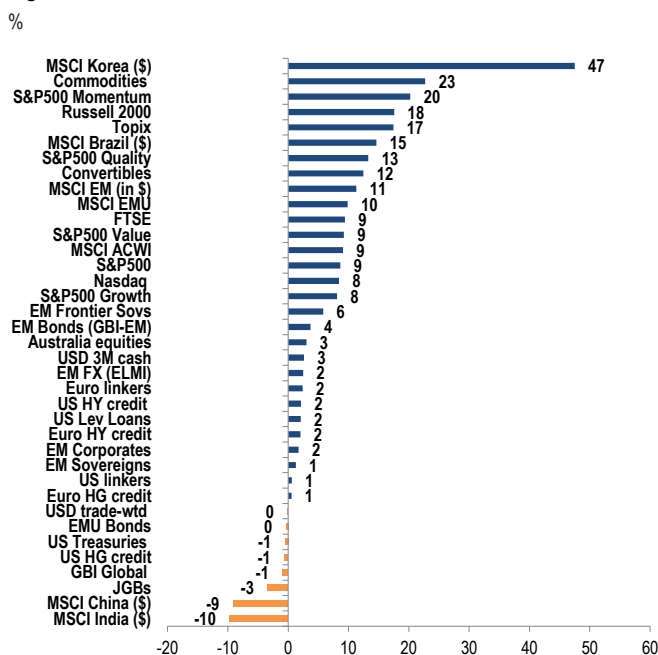
Credit

AI-related credit has had a brutal month, with spreads widening sharply, especially in high-performance compute (HPC) corporate bonds, while securitized data-center paper has been far more resilient. Since early June, HG HPC has widened 38bp to 208bp, and HY HPC has widened 153bp to 418bp, while Data Center AAA CMBS is only ~5-10bp wider amid lighter structured issuance. Data-center project finance has underperformed hyperscalers: HG projects now trade ~99bp wide to related hyperscalers (slightly tighter vs. May), but HY projects trade ~208bp wide (~25bp wider vs. May). The move looks less like market capacity stress and more like investors increasingly dictating pricing and terms as issuance grows ([AI Capex Funding](#), Jul 31st).

LL funds reduced cash from a 4yr high but still hold elevated liquidity and are modestly rotating into riskier credit. Average cash fell 53bp QoQ to 4.35% (still +39bp vs the long-term average) as loan exposure rose to 87.5% and bond exposure slipped to 5.6%; HY funds cut loan allocation to 3.37% (a low since 4Q23). Funds underweighted BBs and NR loans and overweighted Bs and CCCs versus the index, though portfolio yield is 14bp below the index, suggesting similar overall risk. Biggest sector weights are Technology (13.3%), Financials (11.4%), and Healthcare (11.2%), with QoQ shifts led by Healthcare (+71bp) and Services (-62bp). Largest borrowers include TDG and BASSPR, and portfolios tilt toward larger, performing, above-par, private, loan-only issuers ([2Q26 Leveraged Loan Fund Analysis](#), Jul 28th).

Euro IG hyperscaler credit has notably underperformed this month, widening 18bp since 6-Jul (to ~104bp) vs. just 3bp for the broader EUR Senior Non-Financial benchmark, as supply indigestion fears rose after Amazon's \$25bn deal. YTD, hyperscalers have issued about €23.5bn in euro-denominated issuance (plus £5.5bn GBP and CHF5.9bn), but the euro share of total HG syndicated hyperscaler issuance is only 11.4% (GBP 3.1%), below prior expectations as more funding has gone to smaller currencies (CAD, CHF, JPY). Given the lighter-than-expected EUR issuance, the FY26 euro-denominated US hyperscaler supply forecast is cut to €50bn (still ~€27bn likely in Sep-Nov). Hyperscalers are 1.2% of EUR IG today but could reach ~5.7%-7.9% by 2030 ([European Credit Weekly](#), Jul 31st).

Figure 1: Year-to-date returns



Source: J.P. Morgan

Currencies

In **DM FX**, [despite a significant selloff post-FOMC this week](#), Fed action (potentially a December hike), still-supportive carry, and Iran-driven ToT support keep us long USD versus a basket of G10 low yielders (EUR, CHF, SEK, CAD, NZD).

In **EM FX**, [we stay OW overall but remain cautious](#) on renewed Middle East tensions. Regionally, we are OW LatAm (OW: COP, MXN, PYG), MW EMEA (OW: CZK, HUF; UW: RSD) and UW Asia (UW: THB).

Commodities

Iran may aim to influence the Strait of Hormuz not by closing it, but by “regulating” passage through non-discriminatory service fees that it could argue are permitted under international law. Working with Oman, Iran could frame charges as payment for specific services (traffic management, safety, escorts, emergency response, environmental protection) rather than a transit toll, seeking at least tacit UN/IMO acceptance. UNCLOS generally bars fees for mere passage in natural straits but allows charges for services rendered (Article 26), and similar models exist in the Turkish Straits, Danish Straits, and Russia’s Northern Sea Route. The bigger challenge would be enforcement and collection: illustrative fees could be material (e.g., ~\$260k round trip for a very large crude carrier), and dollar settlement would be easiest for shippers—but US sanctions complicate payment, potentially creating leverage for negotiations ([Oil Markets Weekly](#), Jul 30th).

LNG transit via the Strait of Hormuz remains halted, constraining Qatar’s exports and raising winter supply-risk concerns. Bloomberg ship-tracking shows the last LNG vessel exit on July 12 and last confirmed entry on July 10, while deliveries to Kuwait have slowed to just one in the past two weeks. With fewer ballast vessels inside the Strait, QatarEnergy is slowing loadings; we estimate only two cargoes loaded at Ras Laffan last week versus five the week before, alongside 23 LNG vessels still in the Gulf and limited Gulf demand (Kuwait + UAE). Qatar’s implied liquefaction utilization has dropped to ~13% (7-day average) from 22% last week and 30% two weeks ago. Meanwhile, a tighter JKM/TTF spread has flipped netbacks toward Europe, but physical flows are little changed ([Global LNG Supply & Shipping Tracker](#), Jul 27th).

Sugar is the most-exposed agricultural commodity to a potentially very strong El Niño, which could simultaneously disrupt the top export regions—India, Thailand, and Center-South Brazil—through different weather channels, tightening global supply. NOAA expects El Niño to strengthen through

year-end, with a 97% chance it will last into early spring 2027 and an 81% chance of “very strong” conditions in Q4, potentially the largest event since 1950. El Niño-driven rainfall shifts can alter planting, crop development, and harvest quality. Sugar stands out because these three origins represent ~65% of global exports. India’s risk is largest but often delayed due to irrigation and policy levers; strong events have preceded 17–27% below-trend output, implying 3–5 mt (up to 8–9 mt in very strong cases) at risk vs a 32.5 mt forecast. Thailand’s impact is mixed but very strong events cut ~13–14% (~1.5 mt). Brazil’s risk is smaller (0.6–1.0 mt) but more immediate via wet-season harvest disruption and weaker sugar recovery ([Agricultural Commodities Tracker](#), Jul 15th).

JPM Forecasts

Rates	Current	Sep-26	Dec-26	Mar-27	Jun-27
US (SOFR)	3.65	3.60	3.60	3.60	3.60
10-year yields	4.73	4.65	4.70	4.75	4.75
Euro area (depo)	2.25	2.50	2.50	2.50	2.50
10-year yields	3.21	2.95	2.90	2.85	2.80
Italy-Germany 10Y (bp)	81	85	85	80	80
Spain-Germany 10Y (bp)	45	45	45	45	45
United Kingdom (bank rate)	3.75	3.75	4.00	4.00	3.75
10-year yields	5.05	4.80	4.80	4.75	4.70
Japan (call rate)	1.00	1.00	1.25	1.25	1.50
10-year yields	2.79	2.95	2.95	2.95	3.05
EM Local (GBI-EM yield)	6.23		6.03		
Currencies	Current	Sep-26	Dec-26	Mar-27	Jun-27
JPM USD Index	107.4	108.0	108.6	109.0	109.7
EUR/USD	1.15	1.14	1.13	1.12	1.10
USD/JPY	159	160	164	164	164
GBP/USD	1.35	1.31	1.28	1.29	1.28
AUD/USD	0.70	0.70	0.69	0.69	0.69
USD/CNY	6.75	6.70	6.7	6.75	6.80
USD/KRW	1437	1540	1560	1580	1585
USD/MXN	17.33	17.35	17.30	17.30	17.30
USD/BRL	5.07	5.15	5.20	5.15	5.15
USD/TRY	47.52	49.00	51.40	53.70	56.11
USD/ZAR	16.54	16.25	16.00	15.90	15.75
Commodities	Current	Sep-26	Dec-26	Mar-27	Jun-27
Brent (\$/bbl, qtr avg)	90	86	80	71	67
WTI (\$/bbl, qtr avg)	85	81	74	67	63
Gold (\$/oz, qtr avg)	4,038	4,300	4,500	4,600	4,700
Copper (\$/metric tonne, qtr avg)	13,853	14,500	14,800	14,000	13,800
Aluminum (\$/metric tonne, qtr avg)	3,207	3,800	3,700	3,450	3,200
Iron ore 62% Fe (\$/metric tonne, qtr avg)	94	105	100	100	100
Wheat (\$/bu, qtr avg)	6.4	5.6	5.8	5.7	5.7
Soybeans (\$/bu, qtr avg)	11.78	10.50	11.00	11.00	11.30
Credit	Current	Dec-26			
US High Grade (bp over UST)	JPM JULI	94	95		
Euro High Grade (bp over Bunds)	iBoxx HG	91	90		
US High Yield (bp vs. UST)	JPM HY	317	350		
Euro High Yield (bp over Bunds)	iBoxx HY	319	300		
EM Sovereigns (bp vs. UST)	JPM EMBIGD	247	250		
EM Corporates (bp vs. UST)	JPM CEMBI	169	180		

Source: J.P. Morgan

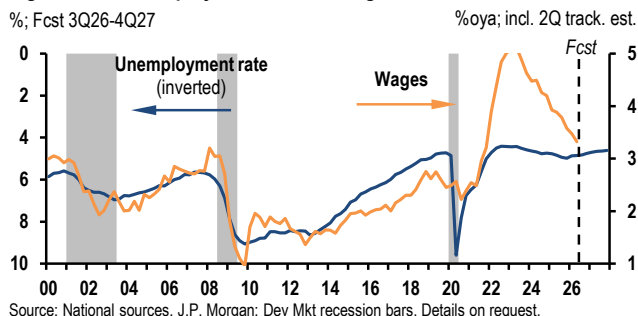
27 July 2026

The wages of our inflationary sins

- **Projected cyclical lift to tighten labor markets, slowing wage disinflation in the DM**
- **Wages play key role in DM inflation via service prices**
- **A post-pandemic steepening in the Phillips curve provided disinflation with minimal labor market pain...**
- **...but raises risks that the expected labor market re-acceleration will halt wage disinflation**
- **Productivity should provide some offset, but effect is more limited in wage-sensitive service sector**
- **DM wage growth stuck at 3% to keep core inflation above central bank targets**

Few are doubting that inflation will remain well above central bank targets for a sixth straight year and likely remain elevated into 2027. Less appreciated is that this has less to do with the headline-grabbing energy shock and pass-through to broader prices and more to do with fundamental supply-demand imbalances that are now showing little sign of abating. If the key call we expressed in our year-ahead 2026 outlook is right, the cyclical uplift will continue through 2H26—driven less by the implementation of productivity enhancing AI-technologies and more from a recovery in labor markets. Combined with building supply constraints in both labor and goods production, the demand pickup could keep global inflation stuck near 3%ar through 2H26 and into 2027.

Figure 1: DM unemployment rate and wages

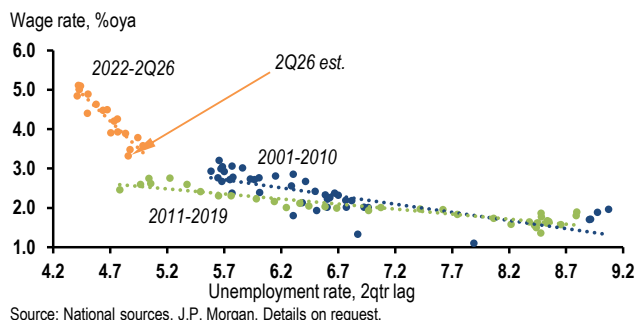


This note examines the impulse from labor market pressures on DM core inflation. As the energy shock fades (notwithstanding the recent intensification of the Middle East conflict), the labor market recovery is coming into sharper relief. Against a backdrop of weak labor supply, labor markets are expected to tighten further from already-low levels of unemployment and put a floor under wages (Figure 1).

How much pressure comes from labor markets will depend on two key factors.

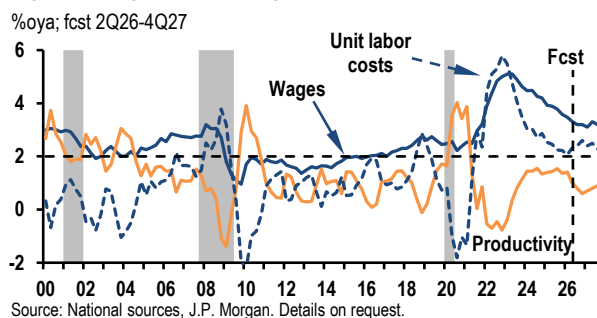
- **Flattery will get you everywhere.** The degree to which wage gains move with tightening labor markets will depend crucially on whether the flatter pre-pandemic (and thus less inflationary) Phillips curve is once again in operation or the steeper post-pandemic (and more inflationary) curve continues (Figure 2). The more recent steeper curve would suggest considerably more wage pressure as unemployment rates drop amid the cyclical upturn in employment expected over the coming year.

Figure 2: Wage Phillips curve, DM



- **Productivity offers a helping hand.** Productivity can short-circuit the inflationary consequences of rising wage inflation. While DM productivity growth has come off last year's boil, we expect it to firm again over the coming year and settle around 1%ar. If wage growth runs around 3%ar, unit labor costs would expand at a manageable 2%ar growth pace (Figure 3).

Figure 3: Wages, productivity, and unit labor costs, DM



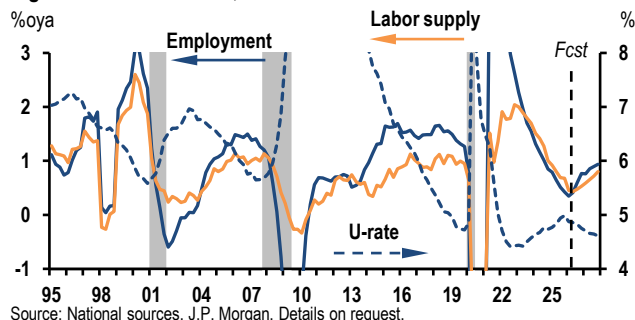
The case for a flatter Phillips curve is plausible. The rapid wage inflation of recent years may have owed less to supply-demand pressures and more to headline inflation pressures boosting wage demands. With the surge in inflation contained, the old relationship could reassert itself. Moreover, wages could undershoot the Phillips curve, adding to the uncertainty. The case for productivity tempering the wage impulse is less convincing given that inflation pressures are in services, which are more connected to wages than unit labor costs (as illustrated below). Nevertheless, central banks will be sensitive to these issues, and labor market developments in

particular, even while recognizing heightened uncertainty.

From labor markets to inflation

After surging in the wake of the pandemic, wage gains in the DM peaked in late-2023 at 5.1%oya and have since fallen rapidly. However, the path of decline is at risk of leveling out above pre-pandemic norms. Our forecast looks for employment growth to double from a weak 0.4%oya in 2025 to 0.8%oya this year and then move up to near 1%oya in 2027 (Figure 4). While we look for some recovery in labor supply as the strength in hiring draws in discouraged workers, it is not expected to keep pace. As a result, the DM unemployment rate is projected to drift lower in the coming year and return to the multi-decade lows seen in 2022.

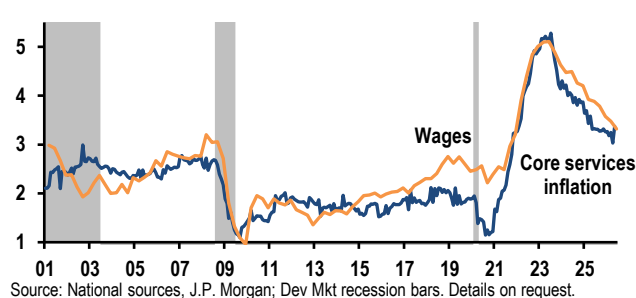
Figure 4: Labor markets, DM



The tightening in labor markets is likely to put a floor under wage gains. Much is discussed about “anchored” inflation expectations as a gravitational pull on underlying inflation. However, cyclical factors drive deviations from this anchor. In this regard, while inflation expectations are the long-run anchor for inflation, the labor market and wage dynamics represent a short-run anchor. If our labor market outlook is right, wage gains should find support somewhat above 3%oya (Figure 5). This is a pace higher than anything seen in the two decades before the pandemic.

Figure 5: DM core services inflation and wages

%oya; wages incl. 2Q26 tracking estimate (US is PCE inflation)



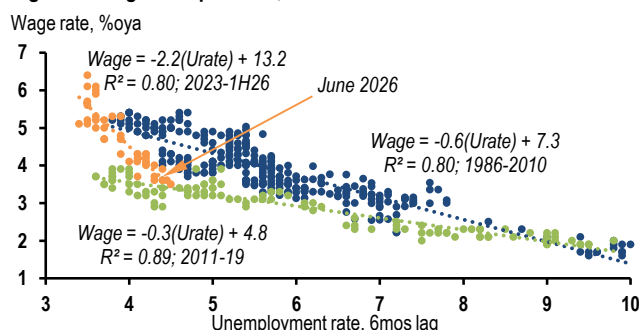
The elevated pace of wage inflation provides a guide to the stickiness of core service inflation. With the unemployment

rate moving lower and putting a floor under wage disinflation above 3% annualized, core service inflation should see similar support in the same range. On net, this should keep overall DM core inflation running around a similar pace and above the zone where central banks would feel comfortable.

Ask Phillips, but beware the answer

Central bank policy will rest importantly on the evolution of wages. Wage growth is in part an outcome of the interaction between supply and demand in the labor market. In the pre-pandemic period, the wage-slack dynamic showed wages as relatively inelastic to changes in the unemployment rate. This then changed after the pandemic, as wages jumped faster than many expected.

Figure 6: Wage Phillips curve, US

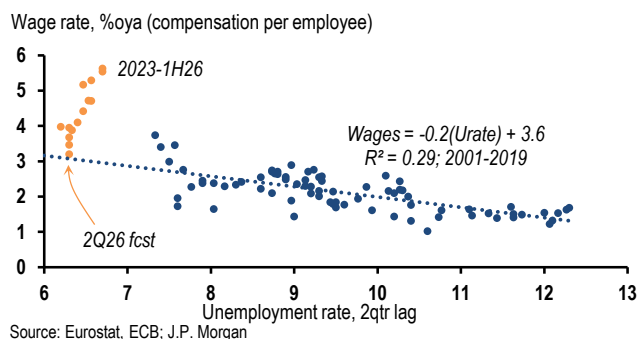


In the US, a 1%-pt rise in the unemployment rate brought down wages by just 0.3%-pt before the pandemic. This so-called wage-Phillips curve relationship was the basis for Chair Powell’s ominous warning in August 2022 that “some pain” in the labor market would be needed to bring inflation back to target. In the event, the wage-Phillips curve had steepened, delivering a wage rate that returned to its pre-pandemic “sluggish wage growth” curve even as the unemployment rate rose only modestly from a multi-decade low (Figure 6).

The steepness of the post-pandemic Phillips curve has been a blessing in delivering a sharp fall in inflation without considerable labor market pain. But this comes with a potential cost as labor markets look to be tightening now, with sizable implications for inflation and thus policy setting. Much hinges on whether the wages move with the pre-pandemic or the post-pandemic Phillips curve. Our forecast looks for the US unemployment rate to drop 0.3%-pt from last quarter to the start of early next year. If the pre-pandemic Phillips curve re-engages, then wage inflation will only move up 0.1%-pt. However, if the post-pandemic curve (since 2022) is active, then wage inflation will jump 0.7%-pt—in turn boosting core inflation by 0.4%-pt according to Table 1 below.

27 July 2026

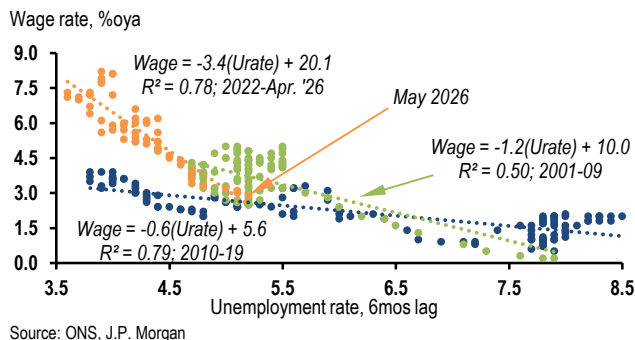
Figure 7: Wage Phillips curve, EMU



The same dynamics can be seen in Western Europe. The Euro area Phillips curve has turned nearly vertical in the post-pandemic period (Figure 7). This has aided in a “painless” disinflation experience. Indeed, despite the unemployment rate being near historic lows, wage inflation has slumped from a peak of 5.6% in 2Q23, to its latest reading of 3.5%. This steepening of the Phillips curve aligns with the ECB’s view that the surge in wage growth in 2022-23 was a response to temporarily high inflation rather than a product of labor market tightness. As with the US, the risk is that the steeper Phillips curve is operative, and any further tightening could also result in a rapid acceleration in wages. Alternatively, wages could just be disconnected from the labor market.

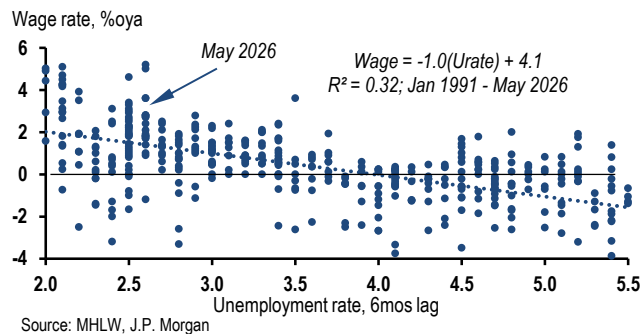
The UK has seen a relatively larger increase in its unemployment rate in recent years, aiding in wage disinflation. The BoE has argued that compositional changes in employment are biasing the average earnings data down by around 0.5%, so the disinflationary impulse may be somewhat more tempered. Nevertheless, the slowing in wage growth has been larger than the pre-pandemic Phillips curve would suggest (Figure 8). As with the US and EMU, this suggests that any cyclical lift that tightens labor markets could transmit more rapidly to wages. This risk is amplified by the evidence from the vacancy-to-unemployed ratio showing tighter labor conditions than implied by the unemployment rate.

Figure 8: Wage Phillips curve, UK



The transmission of labor market tightness to wages is far looser in Japan (Figure 9). Wage inflation has fallen from its 5.2% pace in December 2024, but it remains elevated at 2.8%. Along with the relationship to the unemployment rate being weak, there is no sign of a steepening in the Phillips curve, as with the US and Western Europe. Cost-push pressures have likely boosted wages in recent years, reversing the causality in Table 1 below. As headline inflation settles down, wage inflation should follow. If right, underlying consumer price inflation should continue to drift higher toward the BoJ’s target and allow for gradual rate normalization.¹

Figure 9: Wage Phillips curve, Japan



Wages at work across G-4 inflation

The primary channel for the pass-through of wage inflation to consumer price inflation is through services. Whereas goods prices are more heavily dependent on external factors—commodity costs, prices of imports, etc.—services are not only traded less but also rely on labor as a larger share of their value-added. (More on this point is discussed in the context of productivity in the next section.) This wage-services inflation relationship broadly holds across the DM, with the correlation between core services and wages being particularly tight in the US and the Euro area (Table 1).

This close relationship has proven an important disinflationary force over the last three years, though the degree to which wages have returned to their pre-pandemic pace varies. The deceleration in wage growth has been greatest in the US. That said, while the Fed has recently characterized labor costs as broadly consistent with 2% inflation, it is still on the higher end, and the risks are skewed upward with a cyclical labor market lift (Figure 10).

1. For Phillips curves elsewhere in the DM, see here for a discussion of Australia (<https://www.jpmm.com/research/content/GPS-5345921-0>)

Table 1: Wage impact on core inflation

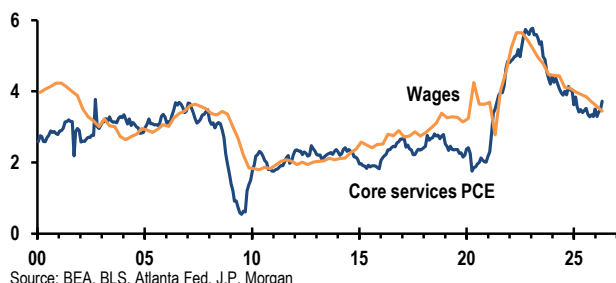
Robust regression; Coefficient on wage inflation (t-stats)

	Start date	Core	Core goods	Core services
US	Jan 1990	0.4 (12.4)	0.0 (0.6)	0.6 (18.6)
Euro area	Jan 2013	0.6 (16.2)	0.1 (4.0)	1.0 (23.5)
Japan	Jan 1991	0.4 (14.7)	0.5 (15.5)	0.3 (12.0)
UK	Mar 2001	0.0 (-1.5)	-0.1 (-0.9)	0.5 (14.0)
Canada	Jan 1998	0.0 (0.2)	-0.2 (-3.5)	0.3 (9.8)
DM	Jan 2013	0.7 (22.9)	0.2 (10.3)	1.0 (35.6)

Source: National sources, J.P. Morgan. Details on request. US uses PCE inflation, EMU uses ECB monthly wage tracker.

Figure 10: US core services inflation and wages

%oya; wages incl. 2Q26 tracking estimate



Source: BEA, BLS, Atlanta Fed, J.P. Morgan

Average hourly earnings have also slowed markedly in the UK, from 8.4%ar at its peak in June 2021 to 2.9% in April 2026 (Figure 11). However, the BoE has argued that compositional changes in employment are biasing the average earnings data down. We see the underlying rate running closer to a 3.5-4% annualized pace. To the extent that this is pointing to similar core service inflation, the conditions are not consistent with the BoE's target.

Figure 11: UK core services inflation and wages

%oya; wages incl. 2Q26 tracking estimate



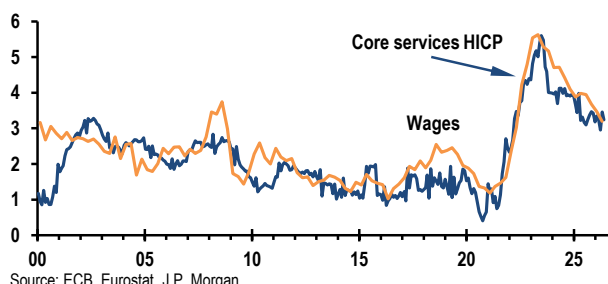
Source: ONS, J.P. Morgan

Euro area measured wage growth is still running well above its pre-pandemic pace, though—like the rest of the DM—it

has maintained a steady downward trend from its peak (Figure 12). With headline inflation undershooting the ECB's 2% target in the decade preceding the pandemic, a return to pre-pandemic wage growth is not inherently desirable. Nonetheless, 3% is still not something the ECB will be comfortable with. To this end, more forward-looking measures are encouraging; both the ECB's wage tracker and recent corporate surveys suggest wage growth could slip below 3% in the near term.

Figure 12: Euro area core services inflation and wages

%oya; wages incl. 2Q26 tracking estimate

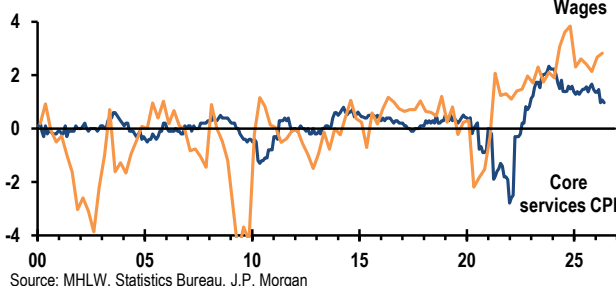


Source: ECB, Eurostat, J.P. Morgan

The wage-service inflation correlation is the weakest in Japan (Figure 13). Even so, strong wage growth is expected to lift underlying inflation in the second half of the year, keeping the BoJ on a tightening path. The BoJ's hope is that inflation will gradually drift up to the 2% target. However, the concern is that, with businesses and consumers becoming accustomed to pricing changes, the link between cost pressures and inflation will strengthen and inflation will overshoot absent a steady normalization in policy rates.

Figure 13: Japan core services inflation and wages

%oya; wages incl. 2Q26 tracking estimate



Source: MHLW, Statistics Bureau, J.P. Morgan

Productivity less serviceable

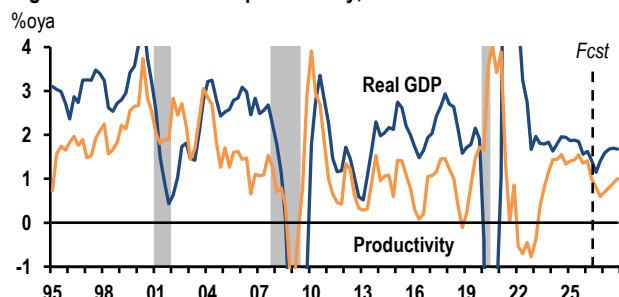
Productivity can temper the inflation impulse from a tightening labor market. To the extent that businesses can get more product out of workers, they can also afford to pay more without squeezing margins or raising prices. The recent jump in DM productivity growth to 1.4%ar has helped considerably in keeping unit labor costs in check even amidst high wage inflation (Figure 14). With DM productivity growth expected

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to run around 1% and wages projected to get stuck around 3%, the increase in unit labor costs should drop back toward 2% over the coming year.

sector inflation than unit labor costs (Table 2). The result is that the inflation pressures coming from labor markets are manifesting in the service sector, where productivity gains (and thus unit labor costs) are playing less of a role.

Figure 14: Real GDP and productivity, DM



Source: National sources, J.P. Morgan. Details on request.

A 2% run-rate in unit labor costs appears manageable. This would suggest a stable profit margin with 2% consumer price inflation. However, there are a few points of caution. First, whether this then translates into similar gains in pricing will depend in part on the pricing power of firms. Second, to the extent that the wage-to-pricing pass-through is greater for services (where productivity is lower than for goods), the linkage to unit labor costs is muted.

Table 2: DM wage and ULC impact on core inflation

Robust regression; Coefficient on %oya inflation (t-stats)

	Wages	ULC	R-sq	SEE
Core	0.56		0.11	0.60
		0.11	0.05	0.92
Core goods	0.10		0.01	1.37
		0.11	0.04	1.31
Core services	0.88		0.61	0.36
		0.42	0.32	0.62

Source: National sources, J.P. Morgan. Details on request. Agg uses PCE inflation for US.

The so-called Baumol effect refers to the fact that service industries must raise wages to compete with high-productivity sectors (like manufacturing) for workers, even if service sector workers are less productive.² To preserve margins, these service sectors need to increase prices in response to rising wages. This is also the reason that some central banks often look at “super-core” inflation (core services ex-housing), as it provides a cleaner read on labor market-driven inflation pressures. While productivity acts as a shock absorber in the goods sector, there is less cushion in services. This is borne out in the data. In contrast to the goods sector, there is a much larger impact of wages on DM service

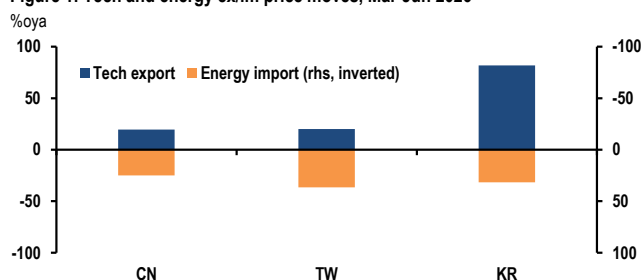
2. The Baumol effect is an intra-economy version of the cross-country differential productivity outcomes described by the Balassa-Samuelson effect.

East Asia: Terms of trade amid tech and oil volatility

- East Asia's terms of trade have been shaped by opposing forces: a negative energy shock and a positive AI-driven tech price upcycle.
- Korea has seen the largest TOT improvement since late 2025, while China lags and Taiwan sits in the middle, reflecting differences in supply chain position and trade structure.
- Tech price support is likely to persist while energy prices remain volatile, but the translation of nominal TOT gains into real growth may warrant closer examination.

Asia has been caught in the cross currents of an energy shock and tech boom. On the one hand, East Asian economies – China, Taiwan and Korea – as major energy importers, saw rising bills after the Middle East conflict; on the other hand, these tech-heavy economies are also witnessing significant export gains led by the AI-driven [tech price](#) cycle. Post-conflict price movements in both tech exports and energy imports have been substantial compared to the previous year (Figure 1). This raises the question of which force has had the greater impact on trade income. Terms-of-trade (TOT), defined as the ratio of export prices to import prices, measures the purchasing power of an economy's exports in terms of imports and provides a useful framework for analyzing these offsetting price shocks.

Figure 1: Tech and energy ex/im price moves, Mar-Jun 2026

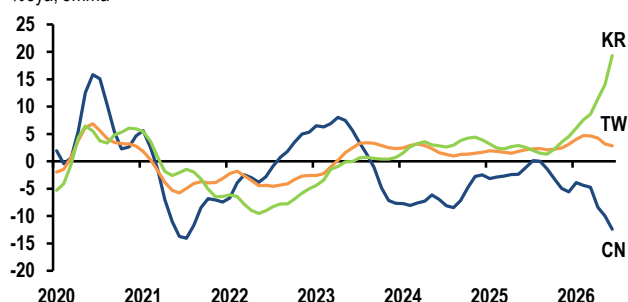


Source: National sources, and J.P. Morgan

Opposing two price forces in TOT

Recent headline TOT developments suggest that these dual-sided price shocks have affected external purchasing power differently across the three economies. Korea has seen the most improvement since late 2025, Taiwan sits in the middle, while China's has weakened the most (Figure 2). Breaking down headline TOT growth by energy and tech sectors helps identify the main drivers behind these divergent outcomes.

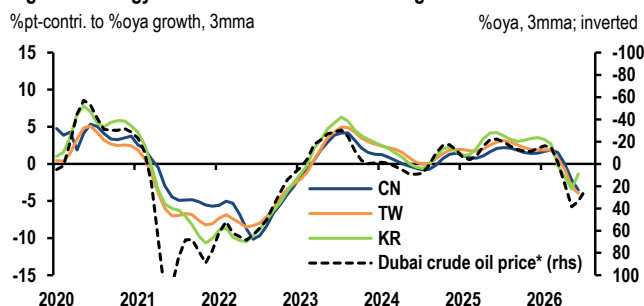
Figure 2: Headline terms of trade growth
%oya, 3mma



Source: National sources, and J.P. Morgan

The energy sector has experienced a universal negative TOT shock across all three economies, as seen in 2021-2022 (Figure 3). The movement also tracked Dubai crude oil prices—a useful proxy for energy costs relevant to Asia. This is unsurprising given that all East Asian economies are significant net importers of energy products, with net imports accounting for roughly 10–15% of total customs imports.

Figure 3: Energy contribution to terms of trade growth



Source: National sources, Haver, and J.P. Morgan * As of Jul 24.

On the tech side, the picture is more nuanced (Figure 4). China's tech TOT response has been relatively tepid, while Taiwan has recorded a moderate improvement since 4Q25. Korea has been the clear winner, with tech TOT growth accelerating sharply over the same period. The similar timing of TOT gains in Taiwan and Korea suggests a potential common driver—the AI-led tech price upcycle. Importantly, China's muted tech TOT contribution does not imply limited movement in tech prices. As discussed earlier in [this note](#), both China's tech export and import prices have risen significantly. In fact, China's headline TOT growth has been driven primarily by factors outside of tech and energy.

Divergent tech windfalls in East Asia

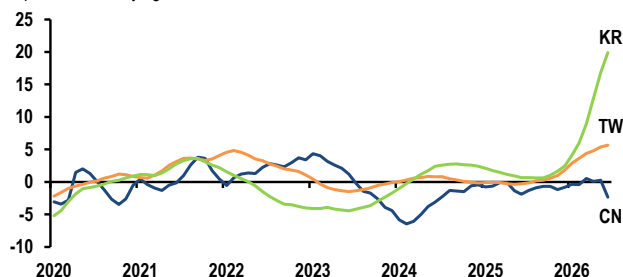
The differentiated response to higher tech prices likely reflects two factors: First, economies occupy different positions within the regional tech supply chain. China, as a major manufacturing base for consumer electronics, sits relatively downstream and relies heavily on imported components such

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as memory and high-end processors from Korea and Taiwan. As a result, it is more exposed to upstream component price increases, while its ability to pass higher costs through to export prices depends on corporate pricing power.

Figure 4: Tech contribution to terms of trade growth

%pt-contri. to %oya growth, 3mma



Source: National sources, and J.P. Morgan

In contrast, Taiwan's export mix is more concentrated in high-value AI-related hardware, including servers and related equipment, where demand is less price-sensitive and firms possess stronger pricing power. This may help explain why Taiwan, despite also relying heavily on imported Korean memory products, has experienced a more positive tech TOT shock. Korea, meanwhile, benefits directly as a leading producer of memory products and has captured the largest [tech windfall](#), amplified by AI-related demand and supply bottlenecks, compared to the previous semiconductor cycle.

Second, China's much larger and more diversified manufacturing base makes its aggregate export and import price indices less sensitive to AI-related price shocks. AI-related products account for a larger share of Korea's and Taiwan's trade structures, allowing tech price gains to translate more directly into headline TOT improvements. In contrast, China's broader trade basket dilutes the impact of any single technology cycle. In addition, some imported AI-related components may ultimately serve domestic demand rather than exports, given China's large domestic tech demand, thereby weakening the pass-through from higher import prices to export prices at the aggregate level.

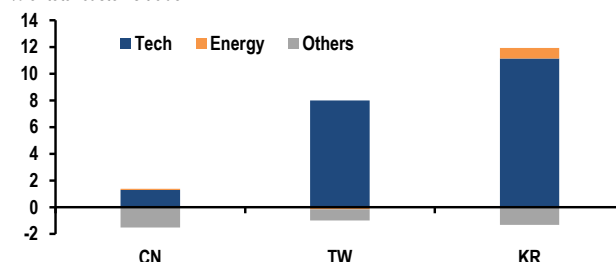
2H26: Intact tech upcycle, volatile oil

Overall, after navigating multiple price shocks in 1H26, Korea recorded the largest trade-surplus gains among the three economies relative to total customs trade value (Figure 5). Tech accounted for most of the gains in Korea and Taiwan, reflecting positive TOT shocks in the sector, while China's tech and non-tech-non-energy sectors posted gains and losses of broadly similar magnitude. Volume effects also matter. Despite the negative energy TOT shock across all three economies, energy trade deficits narrowed in Korea and China, suggesting lower net import volumes that provided a posi-

tive contribution to trade balances as well as a cushioning effect from oil-based product export price increases. Taiwan's tech-surplus gains also appear larger than its tech TOT improvement alone would imply, likely pointing to sizeable volume growth alongside favorable prices. For Korea, tech export volumes in 1H also remained solid compared to last year, combined with the significantly better TOT.

Figure 5: Trade surplus/deficit change breakdown, 1H26 vs. 1H25

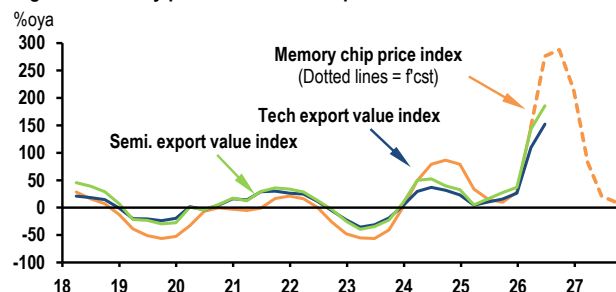
% of total customs trade



Source: Haver, National sources, and J.P. Morgan

Looking ahead, the energy-related drag on East Asia's TOT may linger around given volatile Middle East supply outlook, while AI-driven tech price support is likely to persist as AI capex remains a key pillar of global growth in our [mid-year outlook](#), along with 'higher for longer' memory upcycle view from our [Asia tech analysts](#) (Figure 6). While positive tech-related TOT shocks may continue to support nominal income – including corporate earnings and fiscal revenues, their impact on real production and real net exports is less straightforward. A larger nominal trade surplus does not necessarily translate into stronger real growth if it is driven by pure price gains rather than improvements in product quality, production volumes, or value-added creation. How net exports' contribution to real GDP growth and real trade gains evolve across the region in 2H26 may warrant a closer examination.

Figure 6: Memory price and Korea's export value indices



Source: Bank of Korea, Asia Pacific equity research team (May 2026), and J.P. Morgan

South America: Reform-driven capex and growth

- South America (ex-Brazil) may be entering its first broad-based, reform-led investment cycle in over two decades...
- ... as pro-market governments across the region move to unlock mining, energy and infrastructure
- If executed, reform-driven investment could lift potential growth by 30–70bp over the next decade

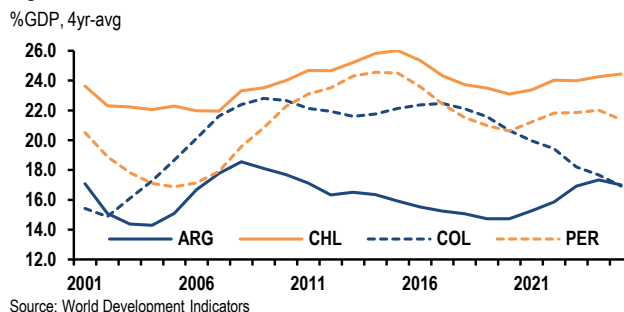
South America's largest economies may be approaching their first broad-based, reform-led investment cycle in more than two decades, with the exception of Brazil. A rare alignment of market-oriented governments and pro-investment policy initiatives is taking shape across the region, creating the potential for a meaningful upswing in capital spending. Four developments stand out: Argentina's RIGI framework and the recently expanded "Super RIGI"; Chile's newly approved National Reconstruction and Economic and Social Development Law, the signature reform of President Kast; Peru's Fujimori administration inheriting one of the region's largest mining-investment pipelines; and Colombia's expected reversal, under President-elect De la Espriella, of the Petro-era freeze on fracking and upstream hydrocarbon licensing.

Taken together, announced and prospective investments across these four economies could reach US\$250–300 billion over the next decade, concentrated in mining, energy and infrastructure. Argentina and Chile appear to offer the clearest near-term upside. In both countries, the key reforms have largely cleared the political and legislative hurdles that typically delay investment decisions, while sizeable project pipelines are already visible at the project level.

Peru's opportunities are also substantial, though likely to unfold more gradually. Its mining pipeline is among the largest in the region, but fewer than one-third of projects have advanced to detailed engineering or execution, suggesting that much of the headline investment remains years away from deployment.

In Colombia, the incoming administration's push to revive energy development may ultimately unlock significant investment, but the legal path is far from straightforward. Fracking remains subject to constitutional and judicial constraints that executive action alone is unlikely to overcome. Even so, Colombia's investment story extends well beyond hydrocarbons. After years of weak capital formation, a more business-friendly policy environment could support a broader recovery in private investment, regardless of how quickly energy projects move forward.

Figure 1: Fixed investment as % of GDP



Regional backdrop: Politics and capital spending align

The political backdrop is reinforcing the investment story. President Kast is already in office in Chile, Keiko Fujimori took office in Peru on July 28 and De la Espriella will be inaugurated in Colombia on August 7. Together, these transitions mark a broader regional shift toward supply-side reforms and market-oriented economic policies.

The key question is no longer whether the political pivot is occurring. It is. The more important issue is how much of the announced investment pipeline ultimately translates into actual fixed investment, over what timeframe, and what that means for potential growth, external balances and medium-term current-account dynamics.

Argentina: RIGI as a bridge

Argentina's Large Investment Incentive Regime ([RIGI](#)), enacted in August 2024, offers approved projects 30 years of fiscal, customs and foreign-exchange stability in exchange for minimum investment commitments. The enrollment window, initially scheduled to close in mid-2026, has been extended, with the possibility of an additional extension at the government's discretion.

According to the latest official data, 20 projects representing roughly US\$46 billion have already received approval, while another 23 projects worth approximately US\$102 billion remain under review. Together, the pipeline approaches US\$150 billion, equivalent to roughly 21% of GDP. The headline number should be interpreted cautiously. Mining and energy megaprojects typically require four to six years to move from approval to completion, underscoring the distinction between announced investments and actual capital spending. Still, the scale is difficult to ignore.

The project mix is unusually diverse. Mining accounts for a large share of the pipeline, with lithium and copper projects concentrated in San Juan, Salta, Catamarca, Jujuy and Mendoza. At the same time, hydrocarbons have become increas-

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ingly important as RIGI's scope expanded to include upstream oil and gas activities linked to Vaca Muerta.

This combination is what sets Argentina apart. Mining offers export diversification, while hydrocarbons already provide a path toward energy self-sufficiency and eventual LNG exports. Together, they give Argentina both the region's largest prospective investment pipeline and the broadest sectoral base.

Chile: Turning permits into projects

Chile's investment challenge is as much about reversing a long decline as it is about creating new incentives. Annual growth in fixed investment averaged 8% between 1996 and 2013, but slowed to just 1.4% between 2014 and 2025. Economic growth followed a similar trajectory, falling from roughly 5% to about 2%. Against that backdrop, President Kast's [National Reconstruction and Economic and Social Development Law](#), commonly known as the RED reform, represents the most ambitious overhaul of Chile's investment framework in years. The legislation amends 36 laws and 15 decrees, combining tax reductions, investment-stability provisions and measures aimed at reducing regulatory uncertainty.

One of its most consequential elements is the creation of compensation mechanisms for projects that receive environmental approval only to see those approvals later overturned by the courts. The provision directly addresses a longstanding source of uncertainty for investors, particularly in mining and infrastructure.

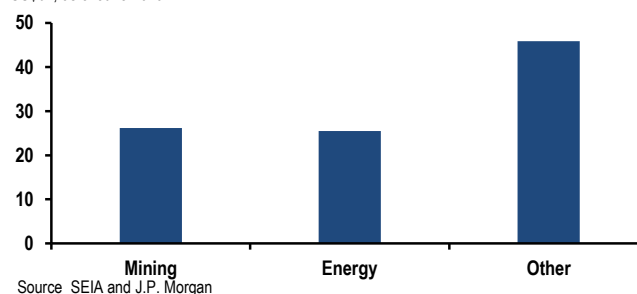
Importantly, of the 63 articles of the mega-reform (38 permanent and 25 transitional), eight of these rules have been challenged by the opposition, related to aquaculture concessions, environmental rating procedures (including the right to compensation for investors) and tax invariability, which would perhaps be the only point of the so-called "heart" that would remain pending. Among the rules that were not the subject of challenges before the Constitutional Court are, for example, the reduction of the corporate tax from 27% to 23%; the tax reintegration; the elimination of the capital gains tax; the reduction of contributions and a limited employment credit. The administration is to bring forward the entry into force of the initiative even though there are allenges from the opposition in the Constitutional Court. However, to do this, first the pending article of needs to be approved by the joint committee and resolve a couple of final observations (vetoes, in legislative jargon) that will be made by the President Kast, issues that would be voted on in a quick movement in the first week of August.

The investment opportunity is large. Chile's official investment registry currently includes projects worth roughly

US\$314 billion, equivalent to 77% of GDP. Of that total, about US\$90 billion is already advancing through environmental review. Recent permitting reforms are also beginning to matter. Law 21.770, enacted in 2025, seeks to reduce approval times by 30% to 70% through streamlined procedures and parallel processing. While separate from the RED reform, the two initiatives work in tandem: one accelerates project approvals, while the other improves the underlying investment framework.

A further boost could come from efforts to expand domestic copper refining and lithium processing capacity. If successful, these initiatives could generate as much as US\$100 billion in additional investment over time while strengthening Chile's position in critical-mineral supply chains (Figure 2).

Figure 2: Chile: Projects under environmental review
US\$bn, as of June 2026



Peru: A deep pipeline

Keiko Fujimori's narrow election victory paves the way for a decidedly pro-business administration. Unlike Argentina's RIGI or Chile's RED reform, Peru's story is less about creating new incentives than preserving an investment framework that already exists. This matters because the country possesses one of the region's most comprehensive mining project pipelines. The Ministry of Energy and Mines currently lists 66 projects worth a combined US\$64 billion, heavily concentrated in copper (Figure 3, see [note](#)).

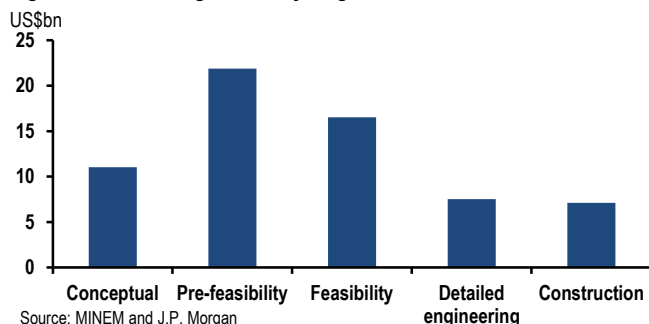
The challenge is execution. Only about 18% of the portfolio has reached the construction or detailed-engineering phase, while another 30% remains at the feasibility stage. In other words, much of the investment still faces a lengthy development process before capital is deployed.

Infrastructure provides another source of support. Since early 2023, ProInversión has awarded more than US\$16 billion in concessions, with an additional US\$30 billion expected between 2026 and 2028.

For Peru, the key risk is political rather than economic. Mining investments often require five to ten years to move from

planning to production. The central question is whether the country's political system can provide the continuity required to turn a substantial project pipeline into realized investment.

Figure 3: Peru mining CAPEX by stage



Colombia: Beyond the fracking debate

De la Espriella's victory signals a sharp break from Petro's approach to energy policy. The incoming administration has pledged to reopen upstream licensing and revive discussions around hydraulic fracturing, potentially unlocking up to US\$8.5 billion in investment. Yet the legal hurdles are significant. Court rulings and existing restrictions mean executive decrees alone are unlikely to be sufficient. Regulatory reforms, environmental approvals and community consultation processes would still need to be completed before commercial fracking could become a reality.

The bigger story, however, may have less to do with fracking than with the broader investment climate. Fixed investment has averaged just 17% of GDP over the past three years, nearly five percentage points below its pre-pandemic norm. A combination of deregulation, clearer incentives and fiscal consolidation could help reverse that decline, even if energy-sector projects take longer to materialize. Even without fracking, the country can reverse the material decline in fixed investment, which tanked by about 6%-pt of GDP in the last six years (see [note](#)).

Quantifying the opportunity

Using a standard growth-accounting framework, the reforms discussed above operate primarily through one channel: higher capital accumulation. To estimate their impact, we apply sector-specific capital-output relationships and adjust headline project pipelines for execution risk.

Table 1: Capex pipeline in Argentina, Chile and Peru

	US\$bn	%GDP
Argentina		
RIGI	148	21
Approved	46	7
In evaluation	102	15
Chile		
Investment registry	314	77
Under environmental review	90	22
Peru		
Mining pipeline	64	16
o/w Greenfield	41	10
o/w Brownfield	24	6
ProInversion 26-28	30	8

Source: MinEco, MINEM, SEIA, OGP

These are necessarily illustrative calculations rather than forecasts. Nevertheless, they suggest that sustained reform implementation could produce a meaningful lift in potential growth over the next decade. On our estimates, Argentina stands to gain the most, with potential growth rising by roughly 40–70bp over the next five years. Chile and Peru could see gains of 30–50bp, while Colombia's upside is closer to 30–40bp.

Table 2: Translating capex impulse into potential GDP growth uplift

Country	Potential growth uplift, yrs 1–5	Potential growth uplift, yrs 6–10	Cumulative GDP level effect, yr 5 / yr 10
Argentina	+0.4 to +0.7	+0.8 to +1.2	+2–3 / +8–12
Chile	+0.3 to +0.5	+0.6 to +0.9	+1.5–2.5 / +6–9
Peru	+0.3 to +0.5	+0.5 to +0.8	+1.5–2.5 / +5–8
Colombia	+0.3 to +0.4	+0.4 to +0.6	+1.0–1.5 / +4–7

Source: J.P.Morgan

For the first time in many years, South America's largest economies, with the exception of Brazil, are moving beyond discussion of investment-led growth. They are beginning to assemble the policy frameworks, political alignment and project pipelines needed to make it plausible. Whether the opportunity delivers on its promise will depend less on announcements than on execution. The reforms are largely in place; the challenge now is turning blueprints into shovels in the ground.

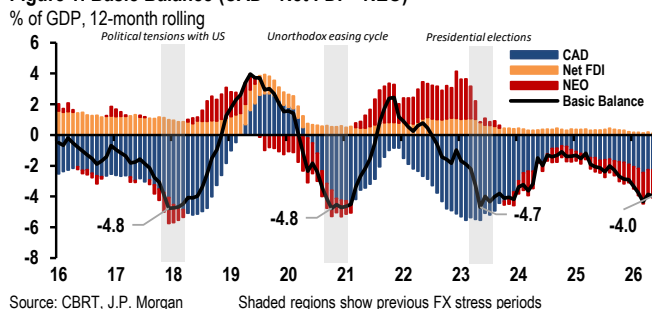
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Türkiye: Dissecting FX supply-demand dynamics

- Although external financing needs are approaching levels comparable to prior FX stress periods, we view the FX regime as sustainable in the near term
- Gross reserves, at \$163bn (including gold), are a strong buffer against an external financing gap of \$21bn over the next 12 months
- In addition, we expect dollarization by residents to remain contained for now

The cornerstone of the disinflation program launched in 2H23 has been the real appreciation of the Turkish lira. As the current account deficit (CAD) subsequently widened, market participants have, over the course of this year, increasingly questioned the sustainability of the prevailing FX regime. Türkiye's basic balance – which we define as current account deficit plus net errors and omissions outflows, less net FDI – widened to -4% of GDP, thereby approaching the levels observed during previous currency stress periods (Figure 1).

Figure 1: Basic Balance (CAD - Net FDI + NEO)



This note assesses the adequacy of the CBRT's FX reserves to bridge the shortfall between FX supply and demand and, in the event that pressure were to emerge, seeks to identify the timing and the channel through which such pressure would most likely materialize. We examine this across five channels: the current account deficit, financial flows, external debt repayments, dollarization by Turkish residents, and outflows attributable to net errors and omissions. We conclude that the prevailing FX regime is sustainable for a period of at least 12 months, with an estimated financing gap of \$21bn remaining comfortably covered by the CBRT's FX reserves.

No FX pressure until November

In Türkiye, the monthly current account deficit (CAD) is not evenly distributed across the year. Throughout the summer and until November, we expect the CAD to remain broadly contained. Tourism receipts are at their seasonal peak and

energy demand at its seasonal trough, while decelerating domestic demand and cooling credit growth should limit the risk that real appreciation triggers a surge in imports (Figure 2). Moreover, Türkiye's external debt repayments (aggregate of Treasury, financials, and corporates) are also light over the period from July to October 2026 (Figure 3). As a result, we see no pressure on FX reserves from BoP dynamics until November.

Figure 2: Monthly current account deficit forecast

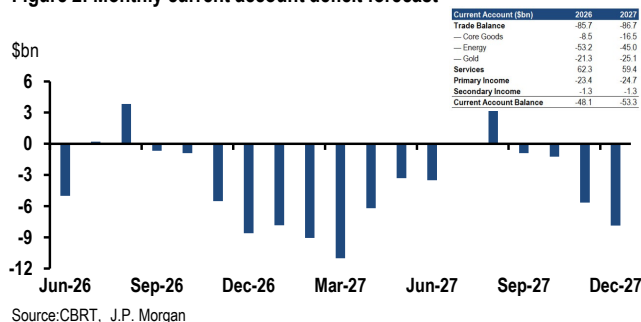
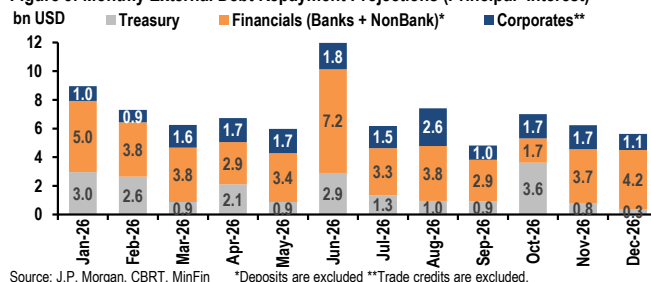


Figure 3: Monthly External Debt Repayment Projections (Principal+Interest)



We expect this outlook to change going into winter, starting in November. This is attributable in part to seasonal factors, as heating demand elevates energy bills during the winter period. The remaining drivers are specific to the current year. A substantial share of Türkiye's natural gas is procured under contracts indexed to Brent crude oil prices; critically, these contracts do not reference prevailing spot prices but rather the average of prices observed over the preceding six to nine months. Consequently, the elevated Brent crude oil prices recorded in 2Q26 will not be reflected in the energy import bill immediately. Because of this six- to nine-month lag, their impact is expected to materialize only toward the end of 2026. Winter seasonality will subsequently sustain this pressure into the first quarter, rendering the November 2026 to March 2027 period the most demanding stretch of the window – and the interval most likely to weigh on FX reserves.

In 2027, we expect energy prices to moderate and domestic demand to re-accelerate. Our commodities team [anticipates](#) that Brent crude oil prices will average \$63 per barrel, thereby reducing the energy bill to \$45bn from \$53bn. Concurrent-

ly, we expect GDP growth to accelerate to 4.6% in 2027 from 3.0% in 2026, with the stronger domestic demand pulling in more imports, doubling the core goods deficit to \$16bn from \$8bn. Two further pressures should build alongside stronger import demand: with gold [expected](#) to average \$4,775 per ounce, the value of gold imports rises, while a heavier interest burden widens the primary income deficit. The net result is a wider current account deficit of \$53bn in 2027 against \$48bn in 2026, with its source shifting from energy to domestic demand (Figure 2).

Mind the \$21bn gap

On the basis of our current account forecasts set out above, we estimate Türkiye's total external financing needs at \$296bn over the next 12 months from June 2026 to May 2027. This figure combines the \$54bn current account deficit with \$242bn of external debt due within one year, irrespective of original maturity. We estimate an external financing gap of \$21bn over the next 12 months (Table 1). When measured against the CBRT's \$163bn in gross FX reserves, the external financing gap is comfortably covered, leaving substantial capacity to absorb the two remaining sources of drain: Turkish residents' FX demand and net errors and omissions outflows.

Table 1. External financing gap estimation for the next 12 months (bn USD)

Total External Financing Needs (1)	296.0	
Current Account Deficit	54.0	
External Liabilities	242.0	
Deposits (CBRT + Banks)	93.8	
General Government	12.0	
Banks	43.4	
Corporates	26.5	
Trade Credits	64.3	
External Financing Items (2)	275.0	Rollover Assumption*
Net FDI Inflows**	1.8	
Net Portfolio Inflows**	5.3	
Deposits (CBRT + Banks)	93.8	100%
General Government Borrowing ***	13.0	109%
Banks Borrowing ***	52.8	122%
Corporates Borrowing ***	44.0	154%
Trade Credits	64.3	100%
External Financing Gap (1) - (2)	21.0	

Source: J.P. Morgan, CBRT. *Annualized as of May 26 **Treasury's guidance of \$13bn ***Average b/w June 2023 - May 2026.

Net errors and omissions (NEO)

A further drag on the CBRT's FX reserves in recent years has been net errors and omissions (NEO), the balance of payments line that captures unrecorded FX outflows. In Türkiye, NEO has been persistently negative over the past couple of years, signaling unrecorded FX outflows, and reached -\$29.9 bn on a 12-month rolling basis as of May 2026 (Figure 4). While the individual components of NEO are inherently difficult to disentangle, three main factors appear to have driven the latest widening in Türkiye's case. The first is profit-taking by foreign investors on long lira carry-trade positions. Because much of this is conducted through FX swaps rather than recorded asset purchases, the outflows from realized gains are not captured in the financial account and surface in NEO. We expect these outflows to persist, though the CBRT's planned BoP [revision](#) will record financial derivatives as a separate financial-account line, shifting where they are captured so these flows would be captured there as recorded out-

flows rather than surfacing in NEO. The second and third factors – unrecorded gold imports and dollarization by residents outside the banking system – should remain subdued. The attractive lira returns are expected to keep dollarization limited, and weaker dollarization in turn means less gold demand, particularly with no elections expected in the next 12 months.

Figure 4: Net errors and omissions



CBRT's FX reserves are sufficient

We conclude that the CBRT has sufficient capacity to sustain the current FX regime over the next 12 months. The CBRT's \$62bn in FX reserves covers the \$21bn external financing gap. The CBRT also holds a further \$100bn in gold reserves, which can be sold if conditions deteriorate, as demonstrated during the Middle East conflict. Pressure on FX reserves should remain limited through the summer and until November, but then build thereafter as the energy bill rises over the November 2026 to March 2027 window – a period the CBRT's FX reserves are well positioned to absorb.

One risk to this framework is an increase in dollarization among Turkish residents ahead of the next elections. When residents dollarize, however, they largely convert their lira deposits into FX deposits held at local banks, and the CBRT can draw on this FX through swaps with those banks to defend the lira. This extends both the capacity of the CBRT and the duration over which it can defend the current managed FX regime. By way of illustration, during the 2023 presidential and 2024 municipal elections, gross reserves remained above \$100bn, supported by the FX swaps with local banks, while net reserves excluding FX swaps declined to as low as -\$65bn. Despite this negative net FX position, the CBRT was able to defend the lira. The CBRT's net reserves excluding FX swaps have since turned positive, standing at \$38bn. Accordingly, as long as the FX deposits remain within the banking system, the current managed FX regime can be sustained even under such circumstances.

The authors wish to thank Burak Gok of the EMEA EM Economics team at J.P. Morgan for his valuable contribution to this report.

United States

- **Chair Warsh's ineffective defense of Fed credibility may compel the FOMC to hike by year-end**
- **We see a move in December, but hot inflation readings could result in a hike as early as September**
- **Conversely, softer numbers combined with June's low inflation reading could delay any action**
- **We expect payrolls to rise 75k next week, with a temporary rise in the unemployment rate to 4.3%**

The main event of this week was the the FOMC meeting. The Committee left rates on hold, as expected, with three hawkish dissents. However, the big news came in the post-meeting press conference. Warsh's performance surprised and, based on the market reaction, disappointed many observers—ourselves included. Fed chairs have been hosting these press conferences since 2012, and this week's was, in our opinion, the most troubling yet by a long shot. Warsh failed to tie his tough talk on inflation to any conditional plan of action. And under the banner of not providing forward guidance, the chair didn't give any color on the reasoning for the Committee's decision to remain on hold earlier that day.

Most objectionable, from a central banker's perspective, was Warsh's casting doubt on the use of PCE as the Fed's focus for inflation. The chair said the PCE was "the proper standard answer" to the Fed's preferred inflation measure. But then he added "who knows come after next January what we might say about strategy. I suspect the task forces might have something to add." This combined two doubts the market has had about Warsh. First, that he might try to "move the goalposts" on inflation, by redefining the target measure. Second, that the task forces are there to rubber stamp the chair's policy preferences. In either case, the market didn't like what it heard, with the curve sharply steepening and breakeven inflation compensation rising as the chair spoke.

In our view, the damage to the Fed's credibility will add some urgency for the rest of the Committee to act to defend the institution's inflation mandate. Consequently, we have pulled forward our expectation for the next rate hike from 2H27 to December this year, with policy rates on hold at 3.75-4.0% thereafter. There is clearly a risk that the FOMC hikes at the next meeting in September. Between now and then we will receive two jobs reports and two CPI reports. The jobs reports recently have been uneventful, and for next week's July report we expect a similarly moderate 75k with a likely temporary rebound in the unemployment rate from 4.2% to 4.3%. However, if the CPI heats up the following week, the discussion around the September FOMC would intensify.

The FOMC and its discontents

As noted, this week's FOMC decision to keep policy unchanged was accompanied by three dissents, which is an uncommonly large number. All three are regional bank presidents (Hammack, Kashkari, and Logan), and all three wanted to raise rates by 25bp this week. Each published a statement explaining their reasons for dissenting, and each contained a number of shared themes: a growing impatience with five-plus years of above-target inflation and worries that it could become embedded; an assessment that even after accounting for recent shocks, inflation would remain elevated; a belief that the economy is at full employment, so inflation is the more pressing concern; and a worry that avoiding small moves now would necessitate more aggressive moves later. All three dissented earlier in the year over language and have skewed hawkish, so they offer a limited signal as to where the center of the Committee currently sits.

Hammack and Logan also said that they believe current policy is not sufficiently restrictive. Since late last year, our call for the Fed's next move to be a hike was conditioned in large part on the idea that the rest of the FOMC would—eventually—reach the same conclusion. As noted above, recent events put new urgency into that decision. That said, our forecast threads the case between hiking and holding, and Chair Warsh may appeal to his colleagues to be patient until the task forces deliver some early findings. So we see two-sided risks to the Fed call: that the Committee may need to hike multiple times, and that the data flow will manage to cool just enough to keep policy where it is. We see a greater risk for the former than the latter, and balance those risks with a single hike at year-end. Incoming data should do a lot to clarify the upcoming decisions facing the FOMC.

Slightly softer labor market persists

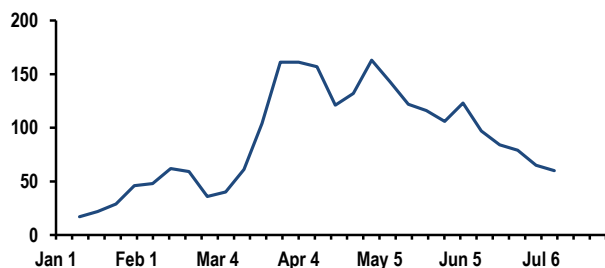
While inflation has become the top concern for some Fed officials and market participants, the performance of the labor market will also matter for the FOMC. We don't expect the incoming data to raise concerns about an overheating labor market. Payroll growth slowed in June after a torrid start to the year, and we think the three-month run rate will moderate a bit further in July. The run rate for the weekly ADP employment figures has steadily, if gradually, decelerated over the past two months (Figure 1). One thing we aren't worried about is a fall-off in employment following the World Cup, whose effects we think are too small to be noticed.

While the jobless claims data continue to signal a robust labor market, other indicators, such as the Conference Board's labor differential, hint at some upward drift in the unemployment rate. We look for a reversal of the sizable decline in prime-age participation last month, and there is a risk of a

repeat of last July's spike in unemployed new entrants. We thus look for unemployment to edge up to 4.3% for July, before it eventually resumes a very gradual decline. Average hourly earnings should rise 0.2% (3.5oya). This week the 2Q ECI report confirmed that compensation growth is stabilizing at a level higher than before the pandemic—but so too may be productivity growth, a fact some Fed officials have noted favorably in recent months. Productivity growth does appear to have dipped below a 1.0% pace over the last three quarters, but this data is noisy and may yet re-accelerate.

Figure 1: ADP estimate of private payroll growth

000s, 4wk total



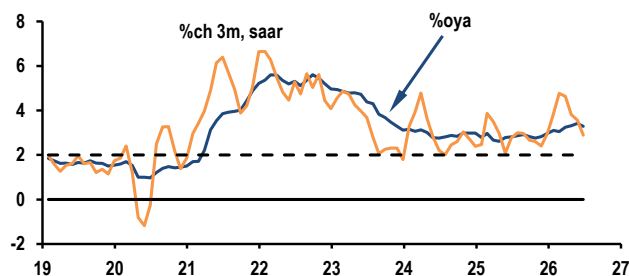
Source: ADP, J.P. Morgan

Downside surprise to PCE inflation

June's flat reading on core CPI was followed up by a moderate 0.13%/m/m rise in core PCE, which was not as bad as the 0.22% we had predicted. While easing the immediate pressure on the Fed, this is just one number, and it would take a continued run of softer inflation readings to allow the FOMC to remain patient and refrain from hiking. However, potential new pressures await in goods prices as well as a return to more trend-like readings in ex-housing services inflation. Looking past the single monthly print, core inflation still rose 3.3% over the last 12 months and 2.9% saar over the last three, so by those metrics it remains well above target. The question, of course, is the trend.

Figure 2: Core PCE inflation

Percent, sa



Source: BEA, J.P. Morgan

Recall that at the June FOMC the SEP median had expected core PCE to rise 3.3%Q4/Q4 this year. Inflation could yet come in below that pace, and our reading of the dots was that

a majority of voters would be willing to keep rates on hold were that to play out. However, the three dissents at the most recent FOMC meeting, Waller's hawkish speech just ahead of the June CPI, and the points we raise above about FOMC credibility suggest that the threshold to hold rates steady has likely dropped. Indeed, given that core PCE is already at 3.3%oya, a 3.3% Q4/Q4 reading would imply no progress toward target over the second half of this year.

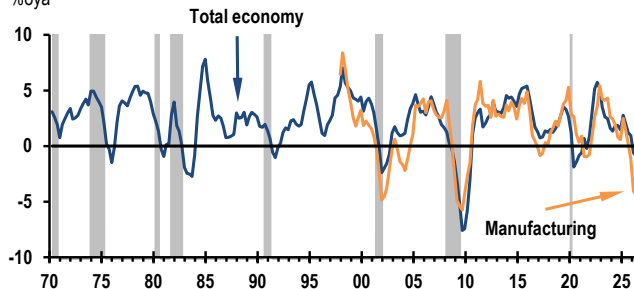
GDP: final sales run ahead of output

Real GDP growth rose 1.5%/q/q saar in 2Q, roughly similar to 1Q once one strips out that quarter's mechanical lift from the government re-opening. The contours of 2Q growth included a very robust 3.9% gain in private domestic final sales, driven by consumption, equipment investment, and IPP, with a large 1.7%-pt drag from trade and inventories as stored or imported products helped meet that final demand.

One of the more perplexing developments here is inventories, which have fallen for five straight quarters, with much of that coming in the manufacturing sector (Figure 3). This type of behavior is more typical of a recession, and yet goods-producing industries have been performing relatively well, at least in comparison to the standards of recent years. Normally, this type of inventory drawdown would lead us to raise our growth forecast for coming quarters, under the expectation that firms will need to restock, with at least some of that coming from domestic production. We have held off for now while we evaluate why the inventory decline has occurred. The inventory decline has overlapped closely with the trade war, and there is some possibility that an eventual re-stocking might come disproportionately via higher imports.

Figure 3: Real inventories

%oya



Source: BEA, J.P. Morgan

31 July 2026

Data releases and forecasts

Sources for all: ADP/Moody's Analytics, BEA, BLS, Census Bureau, Conference Board, Department of Labor, Federal Reserve Board, ISM, J.P. Morgan forecasts, NAHB, NAR, NFIB, NY Fed, Philadelphia Fed, S&P Global, Standard & Poor's, University of Michigan, US Treasury

Mon Aug 3 9:45am	S&P Global manufacturing PMI (US final) Index, sa				
		Jun 25	Jun 26	Flash Jul 26	Final Jul 26
	Composite	52.9	53.9	53.8	<u>54.0</u>
	Output	53.1	56.2	53.6	
	ISM-weighted composite	52.8	54.0	53.9	

Mon Aug 3 10:00am	ISM manufacturing Sa				
		Apr	May	Jun	Jul
	Overall index	52.7	54.0	53.3	<u>54.0</u>
	New orders	54.1	56.8	56.0	
	Production	53.4	54.3	52.2	
	Employment	46.4	48.6	49.7	
	Supplier deliveries	60.6	60.6	57.4	
	Inventories	49.0	49.9	51.4	
	Export orders	47.9	50.6	48.5	
	Imports	50.3	53.0	52.9	
	Prices	84.6	82.1	73.0	

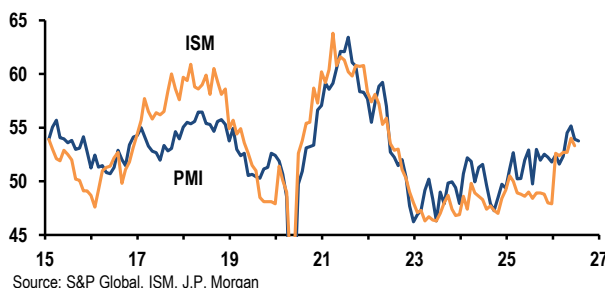
We expect the ISM manufacturing survey in July to rise from 53.3 to 54.0, while we likewise expect the final PMI to hold at 54.0, hardly different from the flash reading. The ISM series has held on to the large spike from the beginning of the year, reaching a cycle-high level of 54.0 in May before inching down to 53.3 in June. The average ISM-weighted composite from the already released July Empire, Philadelphia, Richmond, Dallas, and Kansas City Fed surveys rose to 55.5 from 53.9 in June.

The PMI has noted that some recent strength came from front-loading in response to the Middle East conflict, which could begin to wane. This was mirrored by a drop in the inventory metric in the flash PMI, although supplier delivery times continue to lengthen to the longest in the current cycle. Both input and output price measures in the recent PMI report continued to moderate from recent highs.

While both new orders and production remain at solid levels in the ISM survey, production has been steadily trending down since the January spike. The employment index has been improving since the turn of the year, reaching an 18-month high of 49.7 in June. The inventories index in the ISM report has also been elevated in recent months, moving close to levels seen during the Liberation Day period; and a drop in the metric in the coming report could reflect some pullback in anticipatory demand.

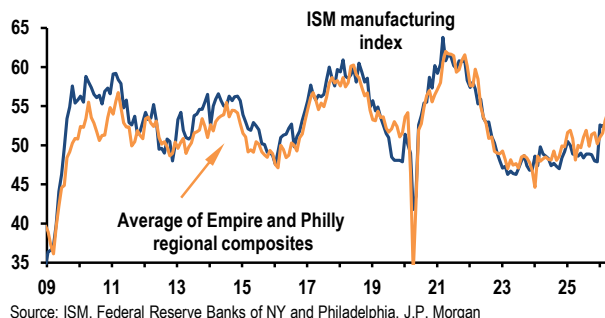
PMI and ISM manufacturing composites

Diffusion index, sa



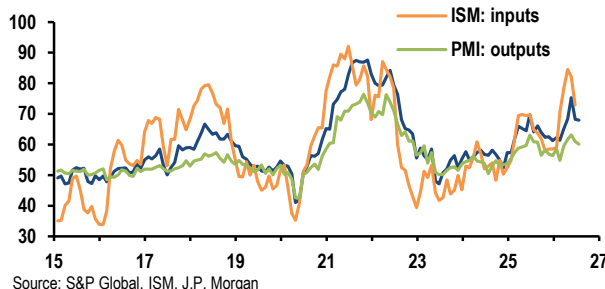
ISM manufacturing index and regional ISM-weighted composites

index, sa



PMI and ISM manufacturing prices

Diffusion index



Mon Aug 3 10:00am	Construction spending %/m, sa				
		Mar	Apr	May	Jun
	Nominal	0.4	0.3	0.1	<u>0.1</u>
	Private	0.5	0.3	0.0	<u>0.0</u>
	Residential	1.2	1.0	0.3	<u>0.0</u>
	New residential	1.4	0.5	-0.1	<u>-0.1</u>
	Improvements	0.9	1.6	0.9	
	Nonresidential	-0.3	-0.5	-0.3	<u>-0.1</u>
	Public	0.2	0.5	0.5	<u>0.3</u>

We expect construction spending to rise 0.1%/m in June, the same as May. Private construction remains a drag on total spending, while the public component has been strong in recent months. Housing starts in June recovered from a large drop in the prior month, led by a jump in the volatile multi-family segment, while single-family starts were still down

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Global Economic Research
United States
31 July 2026

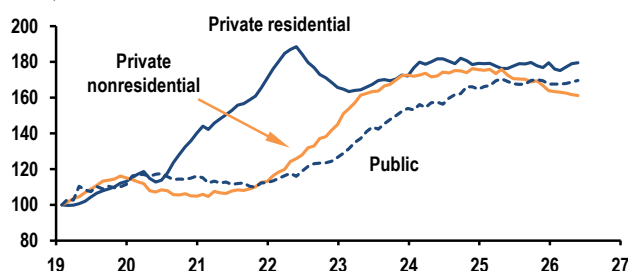
J.P.Morgan

0.2% m/m, which, coupled with falling prices, is likely to weigh on new residential spending. Looking ahead, elevated mortgage rates and elevated inventories are unlikely to stimulate new construction as builders remain reliant on incentives and price cuts to move existing supply.

Real nonresidential construction has been declining consecutively for over 10 quarters, with 2Q marking a 5.0%q/q drop. We recently [noted](#) that the unwind of investments into semiconductor manufacturing facilities, which had earlier been boosted by the CHIPS Act, has been weighing on nonresidential spending. While data center construction remains on the rise, supported by surging AI demand, spending outside of manufacturing remains muted. For June, the steady growth in heavy and civil engineering construction could point to a rise in highway and street construction for the public segment.

Main categories of construction spending, nominal

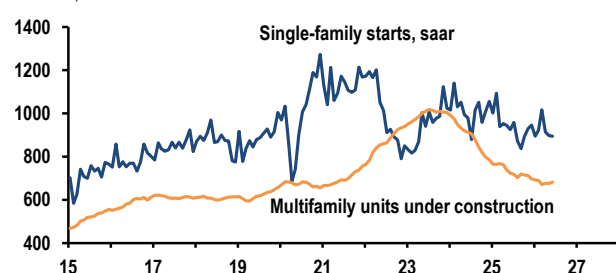
Index, sa



Source: Census Bureau, J.P. Morgan

Leading indicators of residential construction spending

Mn units, sa



Source: Census Bureau, J.P. Morgan

Mon
Aug 3

Light vehicle sales

Millions, saar

	Apr	May	Jun	Jul
Light trucks and autos	16.2	16.1	16.6	<u>16.7</u>
Domestics	12.5	12.4	12.7	
Autos	1.8	1.8	1.8	
Light trucks	10.7	10.6	10.9	
Imports	3.8	3.7	3.9	

[Our auto equities team expects](#) light vehicle sales in July to rise to 16.7mn from 16.6mn in June. Much of this reflects resilient demand from consumers despite the uptick in gasoline prices and wider price pressures. The team notes a boost from sales during the July 4th week, along with another surge

through the end of the month.

Tue Aug 4 8:30am	International trade \$billion, samr	Mar	Apr	May	Jun
	Balance(BOP basis)	-56.6	-54.6	-77.6	<u>-72.0</u>
	Services	29.5	28.3	28.9	<u>30.0</u>
	Goods	-86.1	-82.9	-106.5	<u>-102.0</u>
	Exports (%m/m)	2.2	3.0	-3.2	<u>-0.7</u>
	Services	0.5	0.1	0.7	<u>1.4</u>
	Goods	3.1	4.4	-5.1	<u>-1.8</u>
	Imports (%m/m)	2.3	2.0	3.3	<u>-2.0</u>
	Services	-1.8	1.6	0.3	<u>0.5</u>
	Goods	3.5	2.1	4.0	<u>-2.6</u>

We expect the trade deficit to narrow to \$72.0bn in June from \$77.6bn the prior month. Much of this reflects the already released advance goods trade report, which saw goods exports fall by 1.8% m/m and imports drop by 2.6% m/m. For services, we expect a strong 1.4% uptick in exports following the solid 0.7% rise in May, boosted by the World Cup from a combination of international travel and tourism spending, along with IP exports from foreign broadcasting rights.

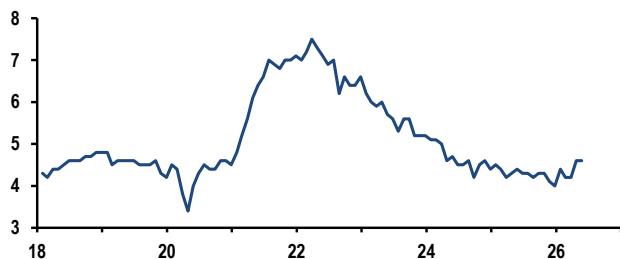
Tue Aug 4 10:00am	JOLTS Thousands, sa, unless noted	Mar	Apr	May	Jun
	Job openings	6887	7585	7594	<u>7500</u>
	Job openings rate (%)	4.2	4.6	4.6	<u>4.5</u>
	Hires	5535	5215	5170	
	Hires rate (%)	3.5	3.3	3.3	
	Separations	5377	5038	5101	
	Separations rate (%)	3.4	3.2	3.2	
	Quits	3160	3043	3065	
	Quits rate (%)	2.0	1.9	1.9	
	Layoffs	1884	1667	1708	
	Layoffs rate (%)	1.2	1.0	1.1	

We look for the job openings rate in the JOLTS to fall from 4.6% in May to 4.5% in June. The Indeed measure of daily job openings ticked up slightly between the end of May and June, but over the course of the year it and other private measures had not mirrored a recent uptick in JOLTS, so we expect JOLTS to move back down. The rise in JOLTS job openings was also unusually concentrated in professional and business surveys. Other labor indicators were mixed: the unemployment rate fell in June, but the Conference Board labor market differential continued weakening in both June and July.

31 July 2026

Job openings rate

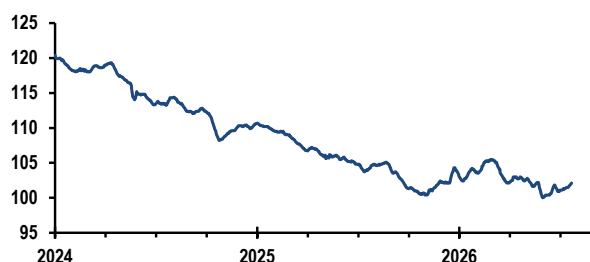
Percent, sa



Source: BLS, J.P. Morgan

Daily Indeed job postings

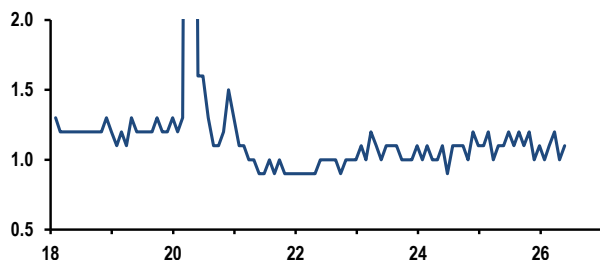
Index, sa



Source: Indeed, J.P. Morgan

Layoff and discharges rate

Percent, sa



Source: BLS, J.P. Morgan

Wed Aug 5 9:45am	S&P Global services PMI (US final)				
	Index, sa				
		Jun 25	Jun 26	Flash Jul 26	Final Jul 26
	Business activity	52.9	51.2	53.6	<u>53.5</u>
Wed Aug 5 10:00am	ISM services				
	Sa				
		Apr	May	Jun	Jul
	Headline composite	53.6	54.5	54.0	<u>54.5</u>
	Business activity	55.9	57.7	55.4	
	New orders	53.5	57.3	55.1	
	Employment	48.0	47.9	51.2	
	Prices	70.7	71.3	67.7	

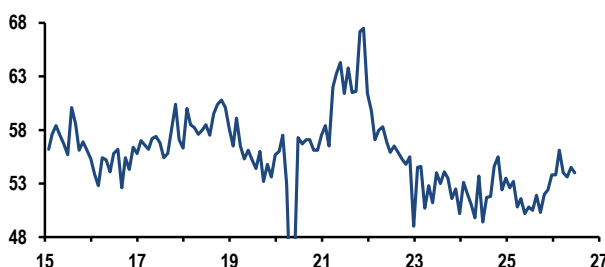
We expect the July ISM services composite to inch higher to 54.5 from 54.0 in June. We also look for the final PMI services business activity to remain stable at 53.5 from 53.6 in the preliminary print. The wedge between business activity measures from the two surveys had widened since the end of last

year, with the ISM metric signaling a more optimistic message. The new business measure in the ISM survey rose to 60.6 in March, the highest level in over three years, before dropping to 55.1 in June, while the PMI counterpart had been recovering from a recent trough of 49.5 in April to 53.7 in the early June print. However, the PMI press release continues to cite a boost to activity from the World Cup that could fade next month.

While the PMI price indexes had a muted reaction to the beginning of the Middle East conflict earlier this year, the flash July report saw a jump in inflationary pressures. The input price index rose to 62.2 from 59.9 in June, and the output price metric ticked up to 58.9 from 57.8. Meanwhile, the ISM prices index, which saw a 7.7point spike in March, fell in the latest June report to 67.7 from 71.3 in May, although some of the recent escalation in the Middle East conflict could impede this recovery.

ISM services composite

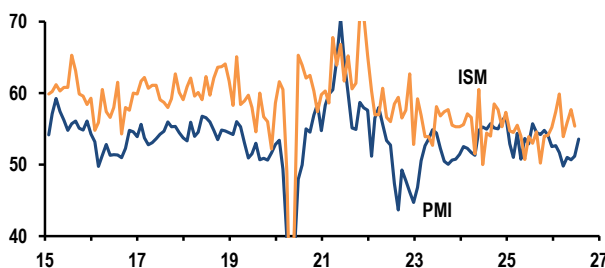
Diffusion index, sa



Source: ISM, J.P. Morgan

PMI and ISM services business activity

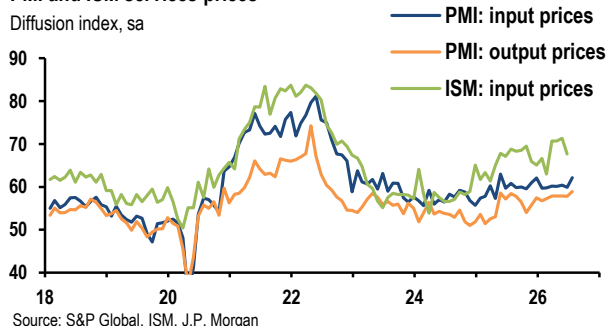
Diffusion index, sa



Source: S&P Global, ISM, J.P. Morgan

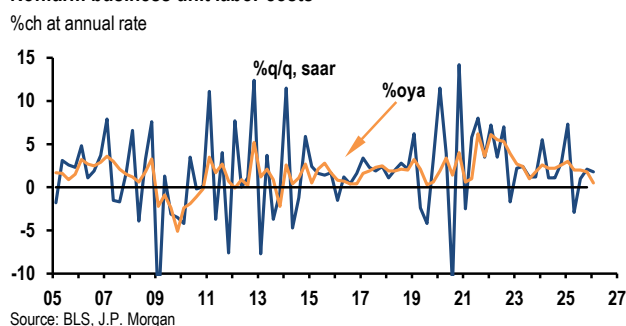
PMI and ISM services prices

Diffusion index, sa



Nonfarm business unit labor costs

%ch at annual rate



Thu Aug 6 8:30am
Productivity and costs
Nonfarm business sector, %q/q, saar, unless noted

	3Q25	4Q25	1Q26	Prel 2Q26
Productivity	5.2	1.6	0.3	0.5
%oya	2.5	2.5	2.8	1.9
Output	5.4	1.3	1.0	1.7
%oya	2.8	2.7	3.2	2.3
Hours	0.2	-0.2	0.7	1.3
%oya	0.4	0.2	0.4	0.5
Hourly compensation	6.2	3.7	2.1	2.5
%oya	4.5	4.3	3.3	3.6
Unit labor costs	1.0	2.1	1.8	2.1
%oya	2.0	1.8	0.5	1.7

Thu Aug 6 8:30am
Jobless claims
Thousands, sa

	New claims (wr.)		Continuing claims		Insured Jobless, %
	Wkly	4-wk avg	Wkly	4-wk avg	
May 23	212	208	1771	1776	1.2
May 30	225	215	1786	1778	1.2
Jun 6	230	219	1800	1786	1.2
Jun 13 ¹	227	224	1812	1792	1.2
Jun 20	216	225	1806	1801	1.2
Jun 27	217	223	1821	1810	1.2
Jul 4	217	219	1798	1809	1.2
Jul 11	209	215	1789	1804	1.2
Jul 18 ¹	188	208	1782	1798	1.2
Jul 25	197	203			
Aug 1	210	201			

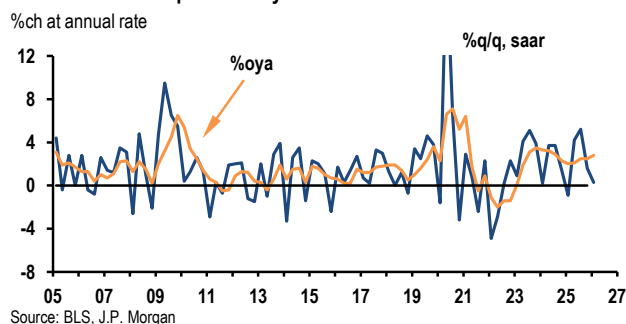
1. Payroll survey week

We expect nonfarm business productivity to have risen 0.5%/q saar in 2Q, with unit labor costs increasing 2.1%/q saar. While quarterly readings of productivity are generally volatile, the resulting 1.9%oya rise would mark the lowest in three years, with particularly soft readings over the course of 1H26. We expect hours worked to grow 1.3%/q saar, recovering after a sharp 0.2%/q decline in 4Q25, when hours were dragged down by the self-employed.

We expect initial jobless claims to rise to 210k from 197k in the prior week. The series has been running at unusually low levels, touching the lowest level since 1969 in the payroll survey week of June. We expect claims to inch higher in the coming week, reflecting residual seasonality. Continuing claims continue to move lower and the four-week average is down 7.6%oya, suggesting further eventual declines in the unemployment rate.

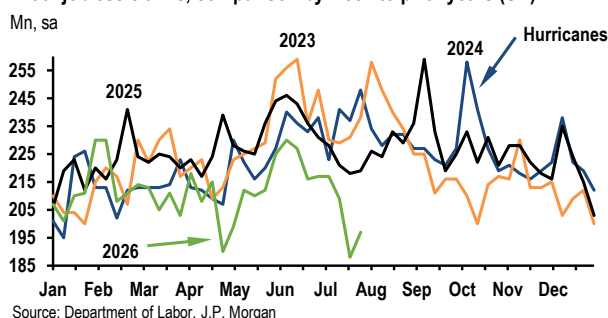
Nonfarm business productivity

%ch at annual rate



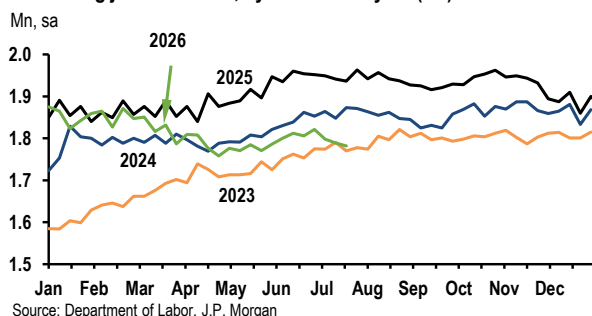
Initial jobless claims, comparison by week to prior years (SA)

Mn, sa



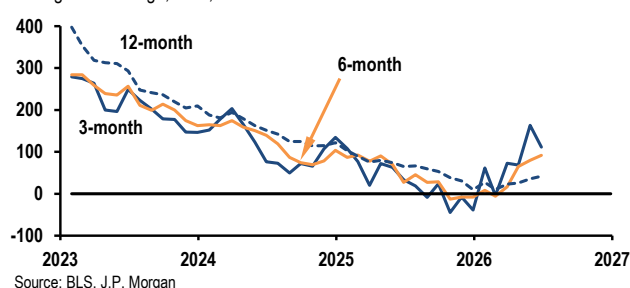
31 July 2026

Continuing jobless claims, by week of the year (SA)



Growth in nonfarm payroll employment

Average m/m change, 000s, sa



Labor-market report

Fri Aug 7 8:30am	Sa				
		Apr	May	Jun	Jul
Payroll employment (ch, m/m, 000s)		148	129	57	<u>75</u>
Private payrolls		150	97	49	<u>75</u>
Goods-producing		6	7	10	<u>10</u>
Construction		3	6	11	<u>5</u>
Manufacturing		-1	-2	3	<u>5</u>
Service-providing		142	122	47	<u>65</u>
Private service-providing		144	90	39	<u>65</u>
Wholesale trade		1	4	2	
Retail trade		24	8	-8	
Professional services		20	11	36	
Temporary help		11	-1	9	
Education/health		67	45	69	
Leisure and hospitality		-7	40	-61	
Government		-2	32	8	<u>0</u>
Average weekly hours		34.3	34.3	34.3	<u>34.3</u>
Index, hrs worked (%m/m)		0.3	0.1	0.1	<u>0.0</u>
Hourly earnings (%m/m)		0.2	0.3	0.3	<u>0.2</u>
(%oya)		3.6	3.4	3.5	<u>3.5</u>
Unemployment rate (%)		4.3	4.3	4.2	<u>4.3</u>
Participation rate (%)		61.8	61.8	61.5	<u>61.7</u>

We expect that nonfarm payrolls rose 75k overall (and 75k private) in July and that the unemployment rate increased from 4.2% to 4.3%. We also expect that the workweek held at 34.3 and that average hourly earnings rose a high-side 0.2%.

Establishment Survey

Employment growth has averaged around 100k in both the past three and six months, representing an acceleration in comparison to last year's sluggish 10k average pace. Our would thus represent a slight moderation in the recent pace, though not anything that should prove too worrying.

Labor market indicators

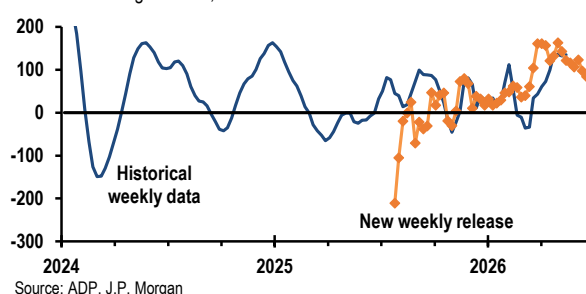
	Jul 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26
Nonfarm payroll employment (m/m ch, 000s)	64	160	-156	214	148	129	57	
Ex federal government	73	197	-160	221	149	126	55	
Private	65	180	-148	202	150	97	49	
Initial jobless claims (payroll reference week)	221	210	208	205	215	210	227	188
Four-week average	229	205	220	211	211	203	224	208
Continuing jobless claims (payroll reference week)	1,941	1,823	1,827	1,816	1,776	1,785	1,812	1,782
Four-week average	1,949	1,866	1,848	1,846	1,795	1,773	1,792	1,798
CB labor market differential	11.0	6.8	5.7	6.1	7.5	5.0	3.8	3.1
PMI all-industry employment	51.5	50.7	50.4	49.7	50.2	47.9	49.1	50.7
ISM all-industry employment	46.7	50.1	51.6	45.5	47.9	48.0	51.1	
Fed surveys all-industry employment	50.6	50.7	49.6	50.0	49.3	50.3	52.5	52.8
Chicago Fed CFSEEC current hiring	-32.0	-17.9	-32.2	-25.1	-20.6	-7.3	-7.8	-5.2
NFIB: net % percent planning to increase employment	14	16	12	13	9	11		
NFIB: % of firms with open positions	33	31	33	32	34	29	32	
Indeed job openings index (average)	104.3	103.3	104.6	103.9	102.7	101.9	100.8	101.4
FRB Cleveland WARN factor (layoff indicator, nsa)	-0.37	-0.09	0.03	-0.28	-0.07	-0.18	-0.57	
Challenger announced job cuts (000s, nsa)	62	108	48	61	83	97	46	
Ex government	58	107	48	59	74	93	44	
Census BTOS employee index (average, nsa)	48.2	46.8	47.2	47.7	48.0	48.4	48.7	48.6
ADP private employment (m/m ch, 000s)	77	11	66	61	105	122	98	
Revelio private employment (m/m ch, 000s)	20	46	3	39	79	91	189	
Revelio government employment (m/m ch, 000s)	-5	3	-2	-2	-4	21	72	
Intuit small business employment (%m/m)	0.12	-0.07	-0.11	-0.11	-0.09	-0.07	-0.10	

Source: BLS, DoL, S&P Global, ISM, Federal Reserve system, NFIB, Indeed, Challenger, ADP, Revelio, Intuit, J.P. Morgan

The most prominent leading indicator that has slowed between June and July has been the weekly ADP data, whose four-week cumulative gain fell from 97k in the June payroll survey week — the week including the 12th — to 60k in the week ending July 11. This has a sizable error band in predicting month-to-month changes in the BLS figure, but we do take signal from this about recent trends in the labor market.

ADP four week change in private payroll employment

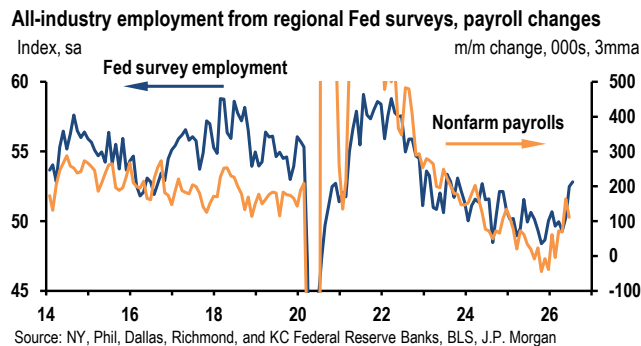
Cumulative change in 000s, sa



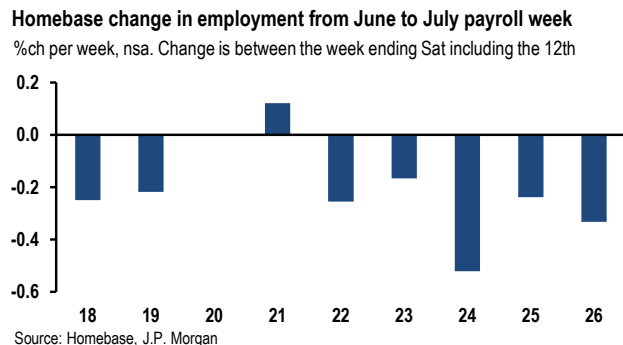
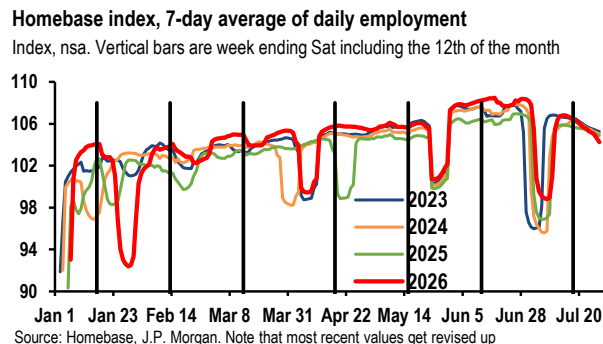
Some other metrics have been more upbeat, especially jobless claims. Initial jobless claims in the July payroll survey week fell to 188k, the lowest since 1969, and well below the level of prior years around the same time. There are large seasonal moves during this time of year and thus the low reading could reflect seasonal adjustment challenges, but it was notable that

claims remained unusually low in the following week as well.

Among the business surveys, the regional Fed surveys have in both of the last two months been stronger than the prior couple years. The PMI all-industry employment index has also risen, though for that survey the gain is less impressive, since it only finishes reversing a large May drop.

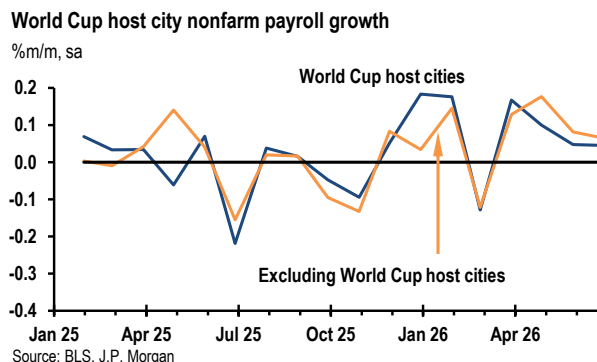


Daily employment data from Homebase has meanwhile been a little bit soft, and probably suggests a bit slower growth than the recent trend.



Another drag on July employment could be World Cup employment, assuming there started to be some moderate reduction in employment as the number of matches dwindled. However, we doubt the effect is large enough to matter. Nothing has stood out to us in the industry breakdown of employ-

ment so far, and likewise we don't see excess employment growth in World Cup cities being reported on the BLS's MSA employment data.



Government employment has recently turned positive again, though we expect no gain in July. Local government non-education employment jumped 28k in May and then eked out a small gain in June, with more detailed segment data through May showing the rise was concentrated in general administration. This might have been linked to poll workers, and if so could pull back in July since there were [no primary dates](#) in the first half of the month.

Seasonal considerations

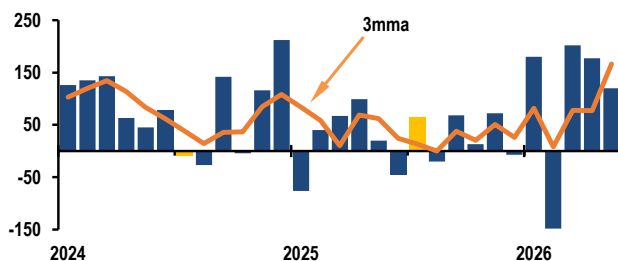
We believe the [early timing of Memorial Day](#) likely boosted leisure and hospitality employment in May (+40k) and depressed it in June (-61k). That left the actual level of leisure and hospitality employment the lowest since February despite a possible lift from the World Cup. Employment now looks low relative to trend in the sector and growth should firm up in July. Leisure and hospitality rose an average of 10k per month in the last year, and fell 2k per month in the last six months.

There is also a general concern that summer employment growth may have weakened over the last few years due to changing seasonal employment patterns. We've found this hard to validate since the weakness hasn't always shown up in the same sector or month. As we discuss in the Household Survey section below, there has been a pattern of recent college graduates seemingly taking longer to find employment during the summer months, which could create a pattern of summer weakness that doesn't always appear in the same industry or month. In any case, July was a weak month in 2024 but not in 2025, with August being the month that has been weak in both years.

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Private payroll growth

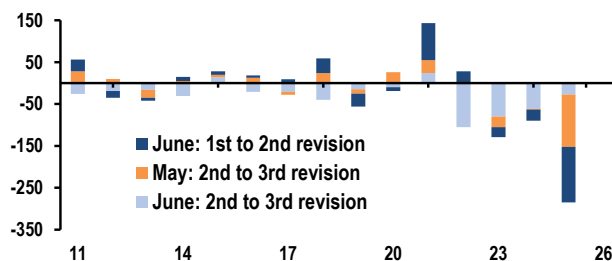
m/m in 000s, July months highlighted in yellow



Source: BLS, J.P. Morgan

Revision pattern for May and June payrolls

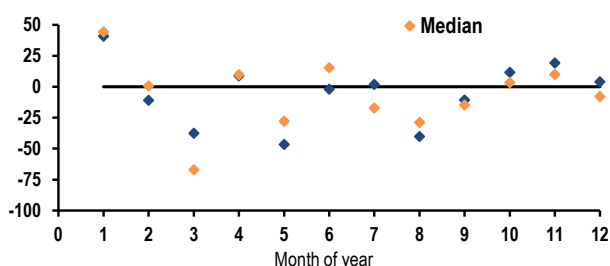
000s



Source: BLS, J.P. Morgan

First print of private NFP change less 3mma just before report

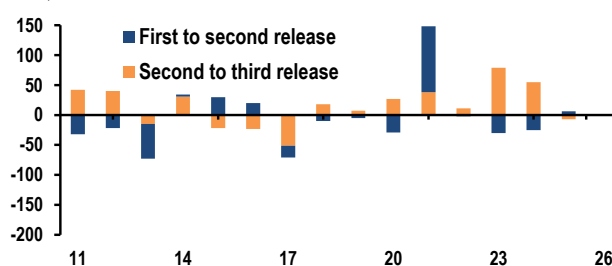
000s, sa. 2010-2025 ex 2020-21



Source: BLS, St Louis Fed, J.P. Morgan

Revisions to July nonfarm payrolls

000s, sa



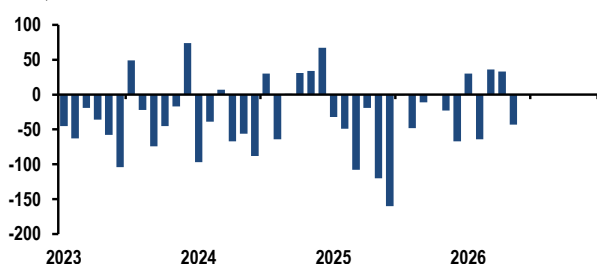
Source: BLS, J.P. Morgan

Revisions

The revision pattern has recently turned more balanced, so the consistent pattern of downward revisions in earlier years may no longer hold. That being said, May and June have tended to see downward revisions at the time of the July report, whereas July itself doesn't have a clear directional bias to revisions.

Revision to change in nonfarm payrolls, 1st to 3rd estimate

000s, sa. Last bar is 1st to 2nd estimate



Source: BLS, J.P. Morgan

Hours and earnings

The workweek has held at 34.3 for three straight months, the first time it has maintained that level for more than two consecutive months over the last couple years. The strengthening job market could be starting to lead to slightly better hours figures, and we expect the workweek to hold again at 34.3.

Average hourly earnings rose 0.35%/m/m in June and have averaged 0.26% in the last three months. The number of weekdays in the month can affect reported earnings growth, with more workdays leading to lower hourly earnings. This July had 23 weekdays, the most possible, which in the past has meant earnings growth centered around the trailing average. Given the strong June reading we look for a small pull-back in July, and forecast a high-side 0.2% reading.

Household survey

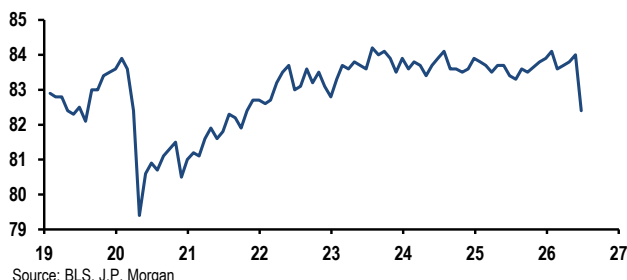
The unemployment rate was 4.2% (4.189%) in June, the lowest in a year. We expect the rounded unemployment rate to rebound to 4.3% in July, even as the ongoing moderation in continuing claims suggests that unemployment will return to a downward trend in coming months.

Two technical factors could be in play for July. First, the participation rate plunged 0.3%-pt in June, with much of that concentrated in an unusually large decline in the 25-34-year-old segment. We suspect this is mostly noise and participation

will rebound. That doesn't necessarily imply a mechanical increase in unemployment, but it does probably create upward pressure on the unemployment rate. We look for participation to rebound at least 0.2%-pt, to 61.7%. Offsetting some of the rebound in the 25-34-year-old group will be some residential seasonality in the 16-24-year-old segment which causes participation to fall in the summer.

Participation rate, 25-34 year olds

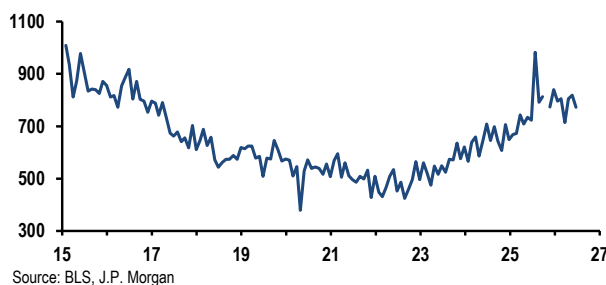
Percent, sa



A second factor to consider is that there was an unusual spike in unemployed new labor force entrants in July of 2025. This did not occur in prior years so we don't know that this is a re-occurring issue. However, it could highlight challenges seasonally adjusting the flow of summer job seekers, or a genuine increase in joblessness among that group.

Unemployed new labor force entrants

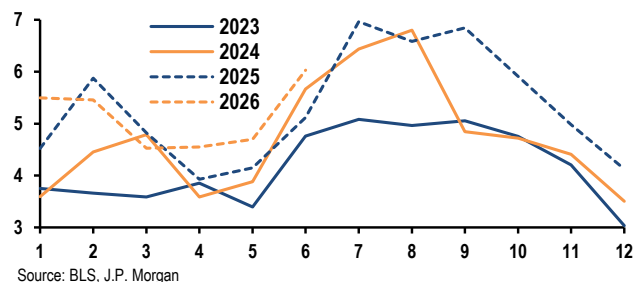
000s, sa



A separate point to highlight is that the unemployment rate among young college graduates has shown more of a pronounced summer hump over the last few years, with this year's pattern tracking a similar path. This will tend to create upward seasonal pressure on the unemployment rate.

Unemployment rate, college-educated 22-27 year old, by month

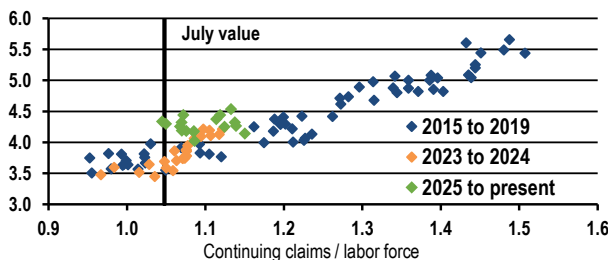
Percent, nsa



Away from these considerations, leading indicators are mixed, in the same way they have been in recent months. As before, the most upbeat signal comes from continuing claims. They are now in line with their level in 2023, a period when the unemployment rate was still near the mid-3% range. As we [discussed recently](#) we don't expect unemployment to immediately return to such a low level because of still high long-term unemployment, but the signal here is that unemployment should fall over time.

Unemployment rate vs. continuing claims to labor force ratio

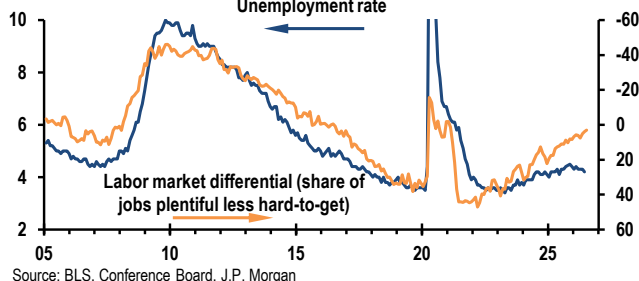
Unemployment rate



On the other hand, the labor market differential and the NFIB survey have both continued to weaken. Both of these have proven to be successful contemporaneous (labor market differential) and leading (NFIB) indicators of unemployment. Nonetheless, continuing claims have better called the drop in unemployment that began late last year.

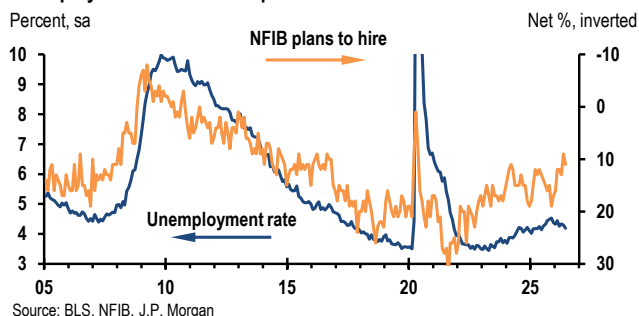
Unemployment rate and Conference Board labor market differential

% , sa



31 July 2026

Unemployment rate vs. NFIB plans to hire



Review of past week's data

Sources for all: ADP/Moody's Analytics, BEA, BLS, Census Bureau, Conference Board, Department of Labor, Federal Reserve Board, ISM, J.P. Morgan forecasts, NAHB, NAR, NFIB, NY Fed, Philadelphia Fed, S&P Global, Standard & Poor's, University of Michigan, US Treasury

Durable goods (Jul 27)

%m/m, sa

	Apr	May	Jun	
New orders	8.5	-4.5	<u>1.8</u>	0.3
Ex transportation	1.5	1.4	<u>0.4</u>	0.6
Nondef cap. gds ex air	-0.6	1.4	<u>0.0</u>	0.9
Shipments	0.7	1.0	<u>0.4</u>	0.7
Ex transportation	0.6	0.8	<u>0.4</u>	1.0
Nondef cap. gds ex air	0.6	0.1	<u>0.2</u>	1.9
Inventories	0.3	0.2		0.1

Total durable goods orders rose 0.3% in June, as the civilian aircraft segment rebounded 3.7%. Ex-transportation orders firmed 0.6%, and core capital goods orders—nondefense ex aircraft—increased 0.9%, on top of an upwardly revised 1.9% May gain. Durable goods shipments rose 0.7% overall, 1.0% ex transportation, and 1.9% for core capital goods, the largest monthly gain since late 2021. Core capital goods shipments expanded 11.1%ar in 2Q, even stronger than 1Q's 8.4% pace.

International trade (adv.) (Jul 28)

\$bn, samr, unless noted

	Apr	May	Jun	
Balance of goods, Cen. Basis	-82.2	-82.2	-105.9	-101.5
Exports (%samr)	4.4	4.1	-5.3	-1.8
Imports (%samr)	4.9	1.9	4.0	-2.6

In the June advance goods trade report, exports fell 1.8% and imports declined 2.6%. This was the second straight fall in exports though this comes after brisk growth in earlier months. The decline in June was a bit concentrated in industrial supplies, which can be affected by prices and volumes for petroleum and precious metals, and excluding that exports were flat. The drop in imports was widespread, affecting every major category. The capital goods deficit narrowed \$2bn on the month, but is still much wider for 2Q overall, driven by surging tech imports.

Consumer confidence (Jul 28)

Sa

	May	Jun	Jul	
Conference Bd index	90.6	94.2	92.2	<u>90.5</u> 90.8
Present situation	119.4	146.4	118.5	114.9
Jobs plentiful	24.8	24.9	25.5	24.6
Jobs hard to get	19.8	22.5	21.7	21.5
Labor mkt diff	5.0	2.4		3.1
Expectations	71.4	74.4	74.7	74.7

Consumer confidence inched down in July to 90.8 from 92.2 in June, as the present situation index continued to deteriorate and is now at its lowest in the current cycle. The [press release noted](#) that “Comments about food and grocery prices increased,” and while comments on war and energy prices were muted, they could increase in the final survey given the higher gas prices near the end of the month. The expectations index remained steady at 74.7, moving in a stable range since the summer of last year. The most concerning signal from the report was the muted print on the labor market differential, which saw its June value revised from a cycle-low 2.4% to 3.8%, before falling to a new cycle low of 3.1% in July.

Gross domestic product (Jul 30)

%ch, q/q, saar, real, unless noted

	4Q25	1Q26	Adv 2Q26	
Real GDP	0.5	2.1	<u>1.5</u>	1.5
(%oya)	2.0	2.7	<u>2.1</u>	2.1
Final Sales	0.3	1.9	<u>1.7</u>	2.2
(%oya)	2.2	3.5	<u>2.1</u>	2.2
Domestic final sales	0.6	2.2	<u>3.1</u>	3.1
(%oya)	1.8	2.0	<u>2.2</u>	2.2
Net exports (pct.pt.contr.)	-0.2	-0.4	<u>-1.5</u>	-1.0
Inventories (pct.pt.contr.)	0.1	0.2	<u>-0.2</u>	-0.7
Consumption	1.9	0.5	<u>2.5</u>	3.2
Equipment	4.3	15.8	<u>15.0</u>	15.2
Intellectual property	5.4	13.8	<u>6.0</u>	8.8
Nonres. structures	-6.5	-4.7	<u>-4.0</u>	-5.0
Residential investment	-1.7	-7.8	<u>-0.5</u>	1.5
Government	-5.6	4.4	<u>2.0</u>	-0.8
Exports	-3.2	10.9	<u>6.0</u>	4.5
Imports	-1.0	11.8	<u>15.0</u>	11.5
Net exports (\$bn)	-968.7	-1001.8	<u>-1095.0</u>	-1074.7
Inventories (ch, \$bn)	-15.6	-16.7	<u>-26.9</u>	-50.8
Nominal GDP	4.2	5.8	<u>6.4</u>	7.9
(%oya)	5.4	6.1	<u>6.2</u>	6.5
GDP chain price index	3.7	3.6	<u>4.8</u>	6.2
(%oya)	3.3	3.3	<u>4.0</u>	4.3
PCE price index	1.9	0.5	<u>5.2</u>	3.2
(%oya)	2.8	3.1	<u>3.9</u>	3.8
Core PCE price index	2.7	4.4	<u>3.5</u>	3.4
(%oya)	2.9	3.1	<u>3.4</u>	3.3
Corporate profits (%q/q, sa)	6.0	1.7		
(%oya)	9.6	12.8		
Employee compensation	2.9	3.4	3.4	<u>4.0</u> 3.7
(%oya)	4.2	3.7	3.7	<u>4.0</u> 4.0
Wages and salaries	2.7	3.4	3.4	<u>4.0</u> 3.8
(%oya)	4.0	3.6	3.6	<u>4.0</u> 4.0

2Q real GDP rose 1.5%q/q, saar and the broad story here is that private domestic final sales were strong (3.9%), driven by consumption (3.2%), equipment (15.2%), and IPP (8.8%), though with an offset primarily from trade and inventories. Trade and inventories together took off 1.7%-pt, matching our forecast collectively, though with more of that coming from inventories (-0.7%) and less from trade (-1.0%) than we had

predicted. This now marks the fifth straight quarter that inventories have declined, including a \$51bn annualized drop in 2Q. On equipment investment, there was a pause in computer investment, which fell 3.5% after a huge runup in earlier quarters. Weaker parts of the report included government (-0.8%) and nonresidential structures (-5.0%). The BEA noted that the drop in federal nondefense spending, which drove the government decline, was a function of sales from the Strategic Petroleum Reserve. For nonresidential structures, the decline in 2Q is part of a recurring pattern, as this segment has been falling for 2.5 years straight.

Personal income (Jul 30)

%m/m, sa, unless noted

	Apr		May		Jun	
Personal income	0.0		0.7	0.7	<u>0.0</u>	0.2
Wages & salaries	0.3	0.3	0.4		<u>0.4</u>	0.2
Disposable personal income	-0.4	0.0	0.7	0.7	<u>0.0</u>	0.2
Real disposable personal income	-0.5	-0.4	0.3	0.2	<u>0.0</u>	0.3
Consumption	0.4	0.5	0.7	0.9	<u>0.4</u>	0.3
Real consumption	0.0		0.3	0.4	<u>0.4</u>	0.4
PCE price index	0.4		0.4		<u>-0.03</u>	-0.11
PCE price index (%oya)	3.8		4.1		<u>3.75</u>	3.67
Core price index	0.3		0.3		<u>0.22</u>	0.13
Core price index (%oya)	3.3		3.4		<u>3.37</u>	3.29
Mkt-Based Core	0.3		0.2			0.2
Mkt-Based Core (%oya)	3.1		3.2			3.0
Saving rate	3.0	3.0	3.0	2.8	<u>2.6</u>	2.7

The June core PCE deflator rose just 0.13%/m/m (1.6%/m/m ar, the lowest since March 2025). The market-based core PCE deflator was slightly firmer at 0.18%/m/m, though both the regular and market-based core rose 2.9% saar in the last three months. All the key categories rose at a similar rate to the overall core PCE in June, with goods increasing 0.09%/m/m, services 0.15%, and services ex housing (supercore) 0.12%.

Consumer spending remains strong, though that continues to outpace disposable income, leading to an ongoing fall in the saving rate. Real consumption rose 0.4%/m/m, slightly more than the 0.3% rise in real disposable personal income.. The saving rate fell to 2.7%, which is now down 0.9% in just the last six months.

Employment cost index (Jul 31)

	4Q25	1Q26	2Q26	
Total(%q/q, sa)	0.7	0.9	<u>0.8</u>	0.9
Wages and salaries	0.7	0.8	<u>0.8</u>	0.9
Benefits	0.8	1.2	<u>1.0</u>	1.0
Total(%oya,nsa)	3.4	3.4	<u>3.3</u>	3.4
Wages and salaries	3.4	3.3	3.1	
Benefits	3.4	3.6	<u>3.9</u>	3.8

The employment cost index (ECI) showed total hourly compensation expenses rose 0.9% (3.6%ar) between March and June. Except for a brief dip in 2H25 the quarterly rates have held in a narrow range over the last couple of years, and the over-year-ago rate has now held at 3.4% for three straight

quarters. The over-year-ago rate of growth for wages edged down again, from 3.3% to 3.2%, which especially for private-sector workers (3.1%oya) puts things back nearly where they were just before COVID. It is thus benefit costs that are holding total compensation above pre-COVID rates. The over-year-ago growth in benefit costs was 3.8%, the most since the start of 2025, and up from a recent low of 3.4% at the end of 2025

Consumer sentiment (Jul 31)

	Jun	Pre Jul	Fin Jul	
Univ. of Mich. Index (nsa)	49.5	54.4	<u>53.0</u>	55.2
Current conditions	47.7	54.9		54.8
Expectations	50.7	54.0		55.4
Inflation expectations				
Short term	4.6	4.2		4.2
Long term	3.3	3.3		3.3

The final University of Michigan consumer sentiment print for July inched higher to 55.2 from 54.4 in the preliminary report. Much of this improvement came from the expectations index, which rose by 1.4 points to 55.4 in the final reading, while the current conditions measure inched down by 0.1 points to 54.8, although both indexes remain above their June prints. Inflation expectations held steady from the early report and were slightly lower than in June. One-year inflation expectations are down to 4.2% in July from 4.6% in the prior month, and the five-year-ahead expectations remain steady at 3.3%.

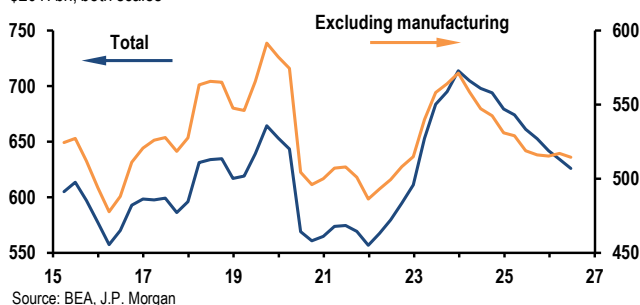
31 July 2026

US Focus: When will nonres. construction stabilize?

Nonresidential construction fell 5.0%q/q saar in 2Q, the tenth straight quarterly decline (Figure 1). That nonresidential structures spending is continuously falling is perhaps surprising when data center construction is soaring. Moreover, we expect a continued decline in the near-term, as spending related to the CHIPS Act continues to drop. By next year, though, we should get some tepid growth again, and we look for nonresidential investment to rise 2% in 2027.

Figure 1: Real nonresidential structures investment

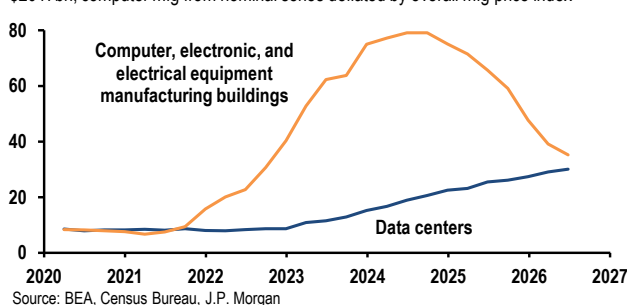
\$2017bn, both scales



A useful starting point is to look at two parts of the technology buildout together: data centers and computer manufacturing. The AI boom is, of course, driving growing demand for data centers. But the wind down of spending on computer manufacturing projects that were supported by the 2022 CHIPS Act is moving in the opposite direction. The nominal level of these two categories are now about equal, but the absolute dollar decline in computer manufacturing facilities is much greater than the growth in data centers, so their combined change in spending is still negative (Figure 2). Note that data center construction spending excludes the IT equipment inside of them, which is part of equipment investment.

Figure 2: Real data center and computer manufacturing construction

\$2017bn; computer mfg from nominal series deflated by overall mfg price index



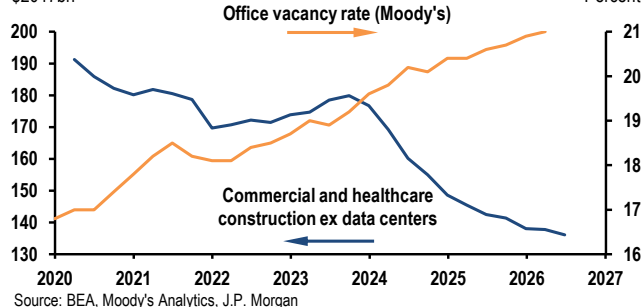
If the last year's rate of decline persists, spending on computer manufacturing facilities will fall back to their pre-CHIPS

Act level within the next year, at which point this drag will abate, though it could be more drawn out if a slower decline observed in 2Q persists. It's also worth pointing out that this decline is not a sign of weakness, but rather the natural counterpoint to the huge surge in construction that began in 2021. And as construction finishes up, output can rotate from putting up buildings to making semiconductors.

Even after computer manufacturing construction stabilizes, this won't necessarily translate into quick growth in overall nonresidential investment. Nonresidential structures investment excluding manufacturing has recently been close to flat, falling 0.9%oya in 2Q, though that's a much smaller rate of decline than persisted through early last year (Figure 1). Spending is still falling because while data centers are growing — up 18%oya — they account for less than 6% of total nonresidential construction. Spending on commercial and healthcare buildings excluding data centers fell 4.5%oya, held back by high office vacancy rates and elevated mortgage rates (Figure 3), with both those headwinds likely to persist.

Figure 3: Commercial/healthcare cons. ex data centers, office vacancy

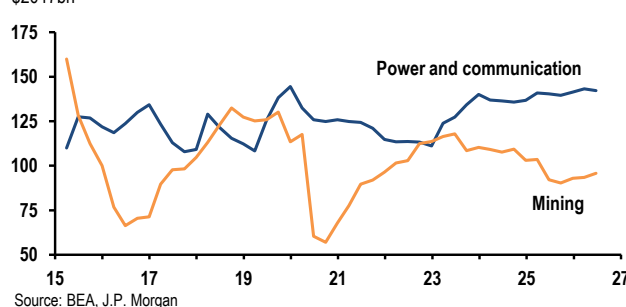
\$2017bn



Among other major groups, only power/communication and mining are up, though not by much. Power and communication should also be benefitting from data center demand, though real spending only rose 1.2%oya (Figure 4). Note some parts of power investment will appear in equipment.

Figure 4: Real power/communication, mining structures investment

\$2017bn

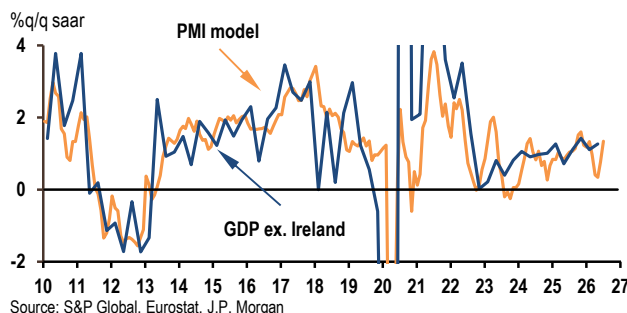


Euro area

- Euro area GDP grew 1.8%q/q saar 2Q26, with 0.5%-pt of this due to distortions from Ireland
- Ex-Ireland growth of 1.3%q/q saar shows resilience to the energy shock and creates upside risk to 2H26
- Euro area core inflation looks stickier again after upside surprise in July
- ECB outlook remains hostage to the energy crisis, but risk remain skewed to another hike after September

This week delivered key growth and inflation data. On growth, the 2Q preliminary GDP release confirmed the region has remained resilient despite heightened geopolitical uncertainty and the energy shock, as it has for the past two-and-a-half years. GDP rose 1.8% q/q saar, with only 0.5%-pt due to Ireland-related distortions; ex-Ireland growth was 1.3% q/q saar—above potential—despite the sharp purchasing-power hit from higher energy prices. The Euro area PMI dropped sharply at the start of the Iran conflict but rebounded in July to its pre-war level (Figure 1). There is a risk that next week's final PMI is revised down as tensions increased over the course of the month, and the final survey will incorporate responses from the latter part of July. If not, the survey would imply growth running near a ~1.5% ar pace.

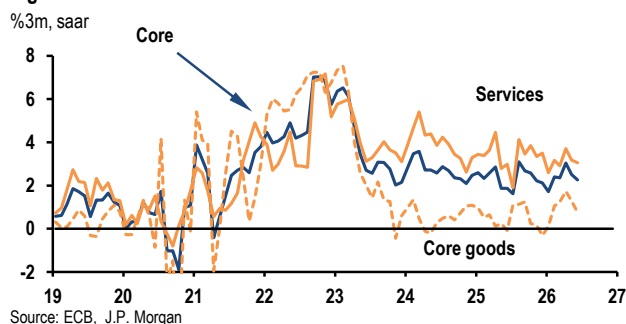
Figure 1: Euro area real GDP



On inflation, this week's flash HICP report for July showed an 0.35% m/m, sa rise in core prices. This left core inflation momentum looking stickier again, at ~2.5% ar (Figure 2). The full details in the final release in mid-August will help to gauge the sources of this: a sticky pre-war trend, energy pass-through, rising tech prices, noise in July or something else. Our view on these sources has moved around this year. We entered the year with a benign view on inflation, with incoming wage data still supportive of this. The actual inflation data were firmer, however, in the Jan-Apr period, suggesting greater pre-war stickiness than we had expected, especially as signs of energy pass-through were modest. Fading drags from tech prices likely contributed as well. The May-June data on core were softer again, but that impression is now being

reversed by the July report. That core is still running above target would be consistent with the pricing surveys from the business surveys, which have moderated from their recent peaks but are still at elevated levels.

Figure 2: Euro area core inflation

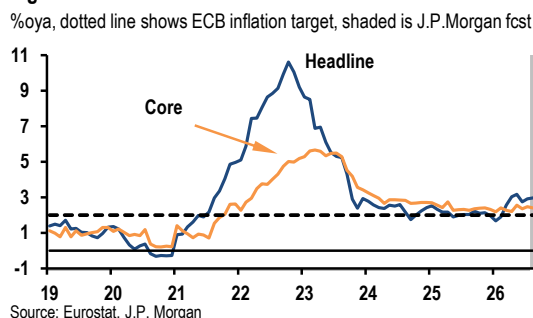


The ECB's narrative has also changed in recent months, from seeing clear signs of indirect effects from energy to core to seeing a softer trend in June. The July report will likely rebalance that as well and reinforce the case for a September hike, with ongoing tensions in the Middle East and significant upside surprises to its recent growth view also contributing to that. With September feeling highly likely, the bigger question is about what happens thereafter. Our forecast has September as the final hike. Risks are skewed to one additional rate increase thereafter, but this remains somewhat dependent on how the situation in the Middle East evolves. Despite low storage levels, Brent and TTF still tend to fall quickly when hostilities recede.

Core inflation stuck at 2.5% ar

Euro area headline and core inflation ticked up 0.1%-pt to 2.9% oya and 2.5% oya, respectively (Figure 3). This was in line with our expectations on headline and was 0.1%-pt higher on core, although our forecast was close in the rounding.

Figure 3: Euro area HICP inflation



Energy inflation rose 1.5%-pt to 10.0% oya as new tensions in the Middle East pushed up Brent (and hence fuel prices) during the month and as some energy support measures expired

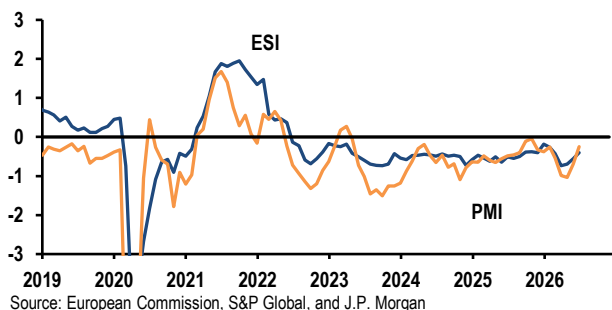
in some countries. Further pass-through is likely in August unless Brent declines again. Food inflation continues to surprise on the downside, slipping another 0.3%-pt to 1.2%oya, mostly reflecting moderation in unprocessed food inflation. We note, however, that pass-through from energy to food can take quite a while and, therefore, some upward pressures may still show up. In the ECB staff's forecast, the peak impact from the energy shock on food inflation is not until 1H27. Goods (0.41%/m/m, sa) rather than services (0.33%/m/m, sa) drove the upside surprise on core. This pushed up the annual rate of core goods inflation by 0.2%-pt to 0.9%oya, while services inflation increased 0.1%-pt to 3.3%oya. The latter was a move of only 4bp, however.

Sentiment rise reinforces PMI signal

The [EC survey](#) reinforces the message from the flash PMI that the growth backdrop is improving. The EC sentiment survey was particularly encouraging, with the headline ESI rising 1.5pts to 96.9 and the improvement broad-based across both sectors and countries (Figure 4). The detail fits our interpretation of the recent hard data. Euro area households appear to have smoothed the latest real income shock, helping to sustain spending through 2Q, with goods demand, including autos, proving particularly resilient. The latest survey evidence suggests that any consumption slowdown was temporary. Consumer confidence remains low in absolute terms but improved further in July (+1.7pts m/m), consistent with household spending gaining traction at the start of 3Q. Taken together with the other July releases available so far, the survey data lift our 3Q household consumption nowcast to +1.7% ar, from +1.3% prior to the PMI release and 0.9% in late June. It remains early days and hard data are not yet available, so the signal should be treated cautiously. Still, taken at face value, the latest evidence points to a meaningful upside risk to our current +0.75% ar consumption forecast.

Figure 4: Euro area EC economic sentiment and PMI

Std. deviations from 1999-2019 avg



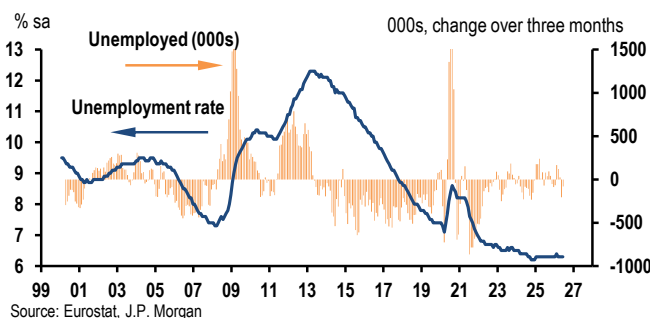
Source: European Commission, S&P Global, and J.P. Morgan

Labour market remains source of resilience

The resilience in household spending continues to be underpinned by an equally resilient labour market. Despite the size-

able energy shock, firms do not appear to have materially pulled back on hiring, with employment growth tracking an acceleration from 0.3%ar in 1Q to ~0.8%ar in 2Q, broadly in line with our forecast. June unemployment data reinforce that message. The Euro area unemployment rate held steady at 6.3%, remaining near its historical low for over a year and a half (Figure 5). While the number of unemployed increased by 71,000 over the month, this was largely driven by Italy, where data is very volatile, making monthly readings noisier.

Figure 5: Euro area unemployment

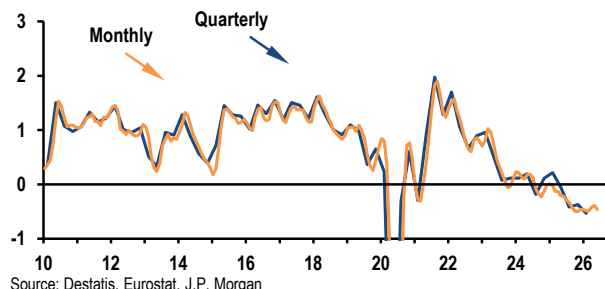


Source: Eurostat, J.P. Morgan

That said, the German labour market remains a pocket of weakness. The latest data showed employment fell by 23,000 in June, bringing the cumulative decline in employment in 2Q to 68,000 (-0.5% q/q saar, Figure 6), versus a 48,000 drop in 1Q. Meanwhile, the number of unemployed rose by 6,000 in July, pushing the national unemployment rate up 0.1%-pt to 6.4%. Forward-looking indicators offer little reassurance: vacancies were unchanged in July, remaining near recent lows, and the flash employment PMI, despite improving, points to continued weakness in hiring at the start of 3Q. Taken together, the data suggest labour market conditions will continue to lag the broader improvement in activity in the near term. The silver lining remains the cyclical lift in productivity: The 0.9% ar 2Q GDP expansion combined with a 0.5%q/q saar contraction in employment implies a +1.4% q/q saar rise in output per worker, leaving labour productivity growing at an average 1.2%ar pace over the past year.

Figure 6: Germany employment

%q/q, %3m/3m saar



Source: Destatis, Eurostat, J.P. Morgan

Data releases and forecasts

Week of August 3 - 7

Purchasing managers index final - manufacturing					
		May	Jun	Flash Jul	Final Jul
Mon	Euro area				
Aug 3	Manufacturing - Headline	51.6	51.4	52.0	<u>52.0</u>
10:00am	Manufacturing - Output	51.3	51.7	53.0	<u>53.0</u>
Purchasing managers index final					
		May	Jun	Flash Jul	Final Jul
Mon	Germany				
Aug 3	Manufacturing - Headline	50.1	50.3	52.2	<u>52.2</u>
9:55am	Manufacturing - Output	50.4	51.6	54.7	<u>54.7</u>
Purchasing managers index final					
		May	Jun	Flash Jul	Final Jul
Mon	France				-
Aug 3	Manufacturing - Headline	49.7	51.2	50.0	<u>50.0</u>
9:50am	Manufacturing - Output	47.8	49.1	48.8	<u>48.8</u>
Purchasing managers index final					
		Apr	May	Jun	Jul
Mon	Italy				-
Aug 3	Manufacturing - Headline	52.1	52.9	52.2	<u>52.2</u>
9:45am	Manufacturing - Output	52.4	53.2	52.8	<u>53.0</u>
Purchasing managers index final					
		Apr	May	Jun	Jul
Mon	Spain				-
Aug 3	Manufacturing - Headline	51.7	51.2	49.7	<u>49.7</u>
9:15am	Manufacturing - Output	52.0	50.6	49.3	<u>49.5</u>
Purchasing managers index final - services & composite					
		May	Jun	Flash Jul	Final Jul
Wed	Euro area				
Aug 5	Services - Activity	47.7	49.4	51.6	<u>51.6</u>
10:00am	Composite - Output	48.5	50.0	51.9	<u>51.9</u>
	Composite- Employment	49.0	49.9	50.3	<u>50.3</u>
	Composite - New Orders	48.1	49.2	52.2	<u>52.2</u>
	Composite - Future Output	56.6	58.1	58.4	<u>58.4</u>
	Composite - Input Prices	69.9	64.4	63.1	<u>63.1</u>
	Composite - Output Prices	57.1	55.7	54.6	<u>54.6</u>
Purchasing managers index final					
		May	Jun	Flash Jul	Final Jul
Wed	Germany				
Aug 5	Services - Activity	48.1	48.6	49.6	<u>49.6</u>
9:55am	Composite - Output	48.8	49.5	51.2	<u>51.2</u>

Purchasing managers index final

		May	Jun	Flash Jul	Final Jul
Wed	France				
Aug 5	Services - Activity	44.3	46.8	49.8	<u>49.8</u>
9:50am	Composite - Output	44.9	47.2	49.6	<u>49.6</u>

Purchasing managers index final

		Apr	May	Jun	Jul
Wed	Italy				-
Aug 5	Services - Activity	49.8	49.4	50.2	<u>52.6</u>
9:45am	Composite - Output	50.5	50.4	50.8	<u>52.7</u>

Purchasing managers index final

		Apr	May	Jun	Jul
Wed	Spain				-
Aug 5	Services - Activity	47.9	50.1	54.2	<u>56.6</u>
9:15am	Composite - Output	48.7	50.2	53.3	<u>55.1</u>

Manufacturing orders

		Mar	Apr	May	Jun
Thu	Germany				
Aug 6	Volumes, sa				
8:00am	Total (%m/m)	4.5	-3.2	1.9	<u>0.0</u>
	%oya	6.2	2.1	6.3	-
	Total ex. bulk orders (%m/m)	4.5	-3.3	1.0	<u>1.0</u>
	%oya	4.3	1.9	6.4	-
	Domestic (%m/m)	1.8	-2.4	1.3	<u>0.0</u>
	%oya	3.4	-2.6	6.6	-
	Foreign (%m/m)	6.2	-3.8	2.2	<u>0.0</u>
	%oya	7.9	5.2	6.1	-

German orders have been impacted strongly by lumpy flows of defence and other bulk orders. Such orders are recorded in full in the month they are placed and therefore cause spikes in headline orders. These spikes are noisy but should not be ignored as they cumulate to a large orders backlog for German industry. Ex-bulk orders have also moved higher, however, giving a picture of an underlying pickup. Both export orders and domestic orders have increased. These developments have run ahead of slower improvement signaled by the German manufacturing PMI. For June, we have penciled in a temporary pause in total orders and another increase in ex-bulk orders.

Industrial production

		Mar	Apr	May	Jun
Fri	Germany				
Aug 7	Industry incl constr (%m/m, sa)	-0.1	0.2	0.9	<u>0.5</u>
8:00am	%oya, sa	-3.5	-0.8	0.1	-
	Industry ex constr (%m/m, sa)	-0.8	0.2	0.8	<u>0.6</u>
	Manufacturing (%m/m, sa)	-0.5	0.3	0.8	<u>0.7</u>
	Construction (%m/m, sa)	3.6	0.3	0.9	<u>0.0</u>
	Energy (%m/m, sa)	-4.3	0.0	0.5	<u>-1.0</u>

The April/May average for German IP was already 2.1%ar above 1Q26, which included a rebound in construction that was partly due to the weather. The VDA report for June showed car production increasing and both total orders and factory sales in manufacturing have shown an even firmer trend through May than IP. The German manufacturing PMI has also moved back to signaling underlying growth in IP. All of this points to further growth in IP.

Industrial production

		Mar	Apr	May	Jun
Wed	France				
Aug 5	Ind production (%m/m, sa)	1.4	0.3	-0.1	<u>0.2</u>
8:45am	%oya, sa	1.3	2.9	3.2	-
	Manuf prod (%m/m, sa)	1.3	0.6	-1.0	<u>0.8</u>

French manufacturing output declined in May, with broad-based falls across sectors. Some recovery from this is likely in June, although the PMI was still signaling a weak underlying trend.

Industrial production

		Mar	Apr	May	Jun
Thu	Italy				
Aug 6	Ind production (%m/m, sa)	0.7	0.4	-0.3	
10:00am	%oya, sa	1.3	1.0	1.1	
	Manufacturing (%m/m, sa)	0.4	0.3	-0.4	

Retail sales

		Mar	Apr	May	Jun
Thu	Euro area				
Aug 6	Sales ex. autos and petroleum, volumes, sa				
11:00am	%m/m	0.8	-0.3	0.2	<u>0.2</u>
	%oya	2.3	0.9	1.6	-

Through 2Q, the signal for household spending on goods (retail goods and autos) has been very robust. We expect Euro area retail sales to have increased further by 0.2%m/m in June, likely boosted by fuel sales as fuel prices continued to come off in June. Country-level detail available so far remains limited, but data in Spain shows a 0.3%m/m rise. Our forecast, however, embeds some payback in Germany after a very strong May.

Retail sales

		Mar	Apr	May	Jun
Mon	Germany				
Aug 3	Sales ex. autos, volumes, sa				
8:00am	%m/m	0.0	-0.4	1.1	<u>-0.3</u>
	%oya	0.6	-0.6	1.8	-

Retail sales rebounded by 1.1% m/m in May, partly driven by a recovery in fuel sales following the government's tax cuts aimed at cushioning consumers from higher energy prices. Even so, fuel sales remained below pre-shock levels, leaving scope for further improvement as the measures were in place through June. That said, other components of the May report were also robust, and we expect some payback in June.

Unemployment

		3Q25	4Q25	1Q26	2Q26
Fri	France				
Aug 7	%, sa				
7:30am	ILO unemployment rate	7.7	7.9	8.1	-
	ILO mainland unemp. rate	7.5	7.7	7.9	-

Foreign trade

		Mar	Apr	May	Jun
Fri	Germany				
Aug 7	€ bn, values, sa				
8:00am	Trade balance	14.9	14.7	19.0	-
	year earlier	19.9	16.9	18.8	-
	Exports	135.5	136.6	137.9	-
	%m/m	0.3	0.8	0.9	-
	Imports	120.6	121.9	118.9	-
	%m/m	4.5	1.1	-2.5	-

Producer prices

		Mar	Apr	May	Jun
Wed	Euro area				
Aug 5	%m/m, nsa	3.4	0.7	0.2	-
11:00am	%oya, nsa	2.0	5.0	5.9	-

Source: European Commission, Eurostat, ECB, FSO, Bundesbank, IFO, INSEE, ISAE, Istat, INE, CBS, BNB, Markit, and J.P. Morgan forecast

Review of past week's data

National business surveys

	May	Jun	Jul
German IFO survey			
2015=100, sa			
Business climate	85.0	~~85.6~~ 85.7	~~85.9~~ 86.6
Business situation	86.1	87.0	~~87.1~~ 86.5
Business expectations	83.9	~~84.4~~ 84.3	~~84.8~~ 86.7

Germany's July Ifo adds to the run of better-than-expected activity signals after last week's upbeat flash PMI. What stands out in the July Ifo is the improvement in sentiment despite a less supportive backdrop: firms reported some dete-

rioration in current conditions, energy prices have moved higher and geopolitical and trade tensions have re-intensified. Even so, the pick-up was led by industry and closely-linked segments such as wholesale trade. This may reflect growing confidence that the government's reform push, alongside ongoing fiscal support, is beginning to translate into firmer, more sustainable demand and a more supportive business environment. That said, it is still too early to conclude that this marks a durable shift. At the same time, the tone appears to be improving beyond manufacturing alone, hence a sense that the worst of the Middle East conflict-related shock may be behind us could also be helping.

Real GDP

	4Q25	1Q26	2Q26	
Euro area (flash estimate)				
%q/q, sa	0.2	0.0	<u>0.3</u>	0.4
%q/q, saar	0.8	0.0	<u>1.0</u>	1.8
%oya	1.1	0.5		1.0
<i>ex. Ireland</i>				
%q/q, sa	0.4	0.3	<u>0.3</u>	
%q/q, saar	1.4	1.1	<u>1.0</u>	1.3
%oya	1.1	1.1		1.2

See main text.

Real GDP

	4Q25	1Q26	2Q26	
Germany (flash estimate)				
%q/q, sa	<u>0.2</u>	0.3	<u>0.3</u>	0.4
%q/q, saar	<u>1.0</u>	1.1	<u>1.4</u>	1.7
%oya	<u>0.4</u>	0.3	<u>0.3</u>	0.6

Germany's growth slowed from an upwardly revised 1.7%ar in 1Q (previously 1.4%ar) but still printed at 0.9%ar in 2Q, only slightly below our 1.25%ar expectation. The release contained limited detail. Destatis noted higher exports, supported by a rebound in industry that may have benefitted from client stockbuilding and appears to have been less exposed than some peers to supply bottlenecks, as also highlighted in yesterday's Bundesbank monthly report. Destatis also pointed to sluggish consumption and declining investment. Separately, as part of its annual revision, Destatis revised 2024 growth higher: instead of a -0.5%oya decline previously reported, the data now indicate flat GDP in 2024 (0.0%), with only more modest revisions to other recent years.

Real GDP

	4Q25	1Q26	2Q26	
France (1st estimate)				
%q/q, sa	<u>0.2</u>	0.3	-0.1	<u>0.1</u>
%q/q, saar	<u>0.8</u>	1.1	<u>-0.4</u>	-0.6
%oya	1.1	<u>0.9</u>	0.8	-
<i>GDP components (%q/q, saar):</i>				
Private consumption	1.0	<u>-0.7</u>	-1.0	0.7
Government consumption	<u>0.7</u>	1.0	<u>1.2</u>	1.1
Fixed investment	<u>0.9</u>	0.7	<u>-2.3</u>	-3.2
Exports	<u>3.5</u>	3.9	<u>-13.3</u>	-11.8
Imports	<u>-3.9</u>	-3.0	<u>-3.7</u>	-2.8
<i>Contribution to GDP growth (%q/q, saar):</i>				
Domestic final sales	0.9	<u>-0.6</u>	-0.9	0.6
Inventories	<u>-2.5</u>	-2.0	<u>3.7</u>	3.6
Net trade	<u>2.5</u>	2.3	<u>-3.4</u>	-3.2

Despite headwinds from the conflict in the Middle East, the French economy grew 0.7%ar in 2Q. Part of the gain reflects payback from 1Q's contraction, but the rebound is still encouraging. Looking ahead, the latest PMI suggests improved momentum at the start of 3Q. We expect growth to run at a 0.5%ar pace near term, before a more marked pick-up to 1.25%ar by year-end. The renewed escalation in the Middle East and a sustained rise in energy prices pose some downside risks, but 2Q resilience puts the economy on a firmer footing going into 3Q. The rebound in domestic demand was notable, contributing about 0.6%-pt to growth. Household consumption rose 0.7%ar despite the real income squeeze, underpinned by stronger non-energy goods spending (including cars). Government consumption continued to rise, up 1.8%ar. These gains more than offset a 1.1%ar decline in gross fixed capital formation, driven by weaker public (-3.9%ar) and household investment (-2.5%ar), although corporate investment holding up despite higher uncertainty and costs is a positive signal. Net trade contributed about 2.5%-pts, though largely offset by a drawdown in inventories.

Real GDP

	4Q25	1Q26	2Q26	
Italy (flash estimate)				
%q/q, sa	0.3	0.3	<u>0.1</u>	0.2
%q/q, saar	<u>1.2</u>	1.3	<u>1.4</u>	1.3
%oya	<u>0.9</u>	0.8	0.8	-

Italy grew 0.8%ar, down from 1.1%ar in 1Q but slightly above our 0.5%ar expectation. The first release contains limited detail, but Istat highlighted an expansion in services, alongside declines in agriculture, forestry and fishing and in industry. On the demand side, Istat attributed the 2Q GDP outcome to a positive contribution from domestic demand (including inventories) offset by a negative contribution from net exports.

Real GDP

	4Q25	1Q26	2Q26	
Spain (flash estimate)				
%q/q, sa	0.8	0.6	~~0.5~~	0.7
%q/q, saar	3.1	2.5	~~2.0~~	2.8
%oya	~~2.6~~	2.7	2.7	-
<i>GDP components (%q/q saar)</i>				
Private consumption	3.6	~~2.5~~	2.7	-
Government consumption	~~0.8~~	0.9	~~2.2~~	2.6
Fixed capital formation	~~8.8~~	8.7	~~4.5~~	1.4
Exports	2.9	-2.3	-	3.4
Imports	4.7	~~4.4~~	-3.7	-

Spain expanded strongly in 2Q: The Spanish economy shrugged off headwinds created by the conflict in the Middle East, growing 2.8%ar in 2Q, above our (2%ar) and the consensus expectations (2.4%ar). This is also stronger than the 2% signaled by the average 2Q PMIs. The details were encouraging, with growth continuing to be underpinned by domestic demand. Our forecast foresees the economy expanding at 2% in 3Q. While the re-escalation in the conflict in the Middle East, pose some downside risks, our view has been that risks have been increasingly skewed to the upside, with the June PMI (and the Euro area flash release for July) suggesting the economic growth is likely holding up at an elevated pace. We will wait for the final July PMI next week to take stock and fine tune our forecast.

Economic Sentiment Survey

	May	Jun	Jul
Euro area			
<i>% balance of responses, sa</i>			
Economic confidence	~~93.7~~	94.1	~~95.0~~
Industrial confidence	~~7.9~~	-7.8	~~7.7~~
Construction confidence	~~3.9~~	-4.0	~~4.5~~
Retail confidence	~~10.9~~	-10.6	~~9.7~~
Service confidence	~~2.6~~	3.6	~~3.2~~
Consumer confidence	~~19.0~~	-18.9	~~17.7~~

See main text.

National business surveys

	May	Jun	Jul
Italy (ISAE survey)			
<i>2000=100, sa</i>			
Producer confidence	~~87.9~~	88.1	~~88.4~~

Unemployment

Harmonized measure, sa (Eurostat)

	Apr	May	Jun
Euro area			
Unemployment rate (%)	~~6.2~~	6.3	~~6.2~~
Unemployment (ch m/m, 000s)	~~95.0~~	-87.0	~~55.0~~

See main text.

Labour market

	May	Jun	Jul
Germany			
Unemployment			
Registered (ch m/m, 000s, sa)	~~42~~	-11	~~2~~
000s, nsa	2950.5	2935.9	3007.2
%, sa	6.3	6.3	~~6.3~~
IAB barometer (110=very good, nsa)	99.1	99.3	99.4
May	Jun	Jul	
Vaccancies			
Change m/m, 000s, sa	1.0	0.0	-
Employment			
IAB barometer (110=very good, nsa)	100.1	99.9	99.4
Apr	May	Jun	
Change m/m, 000s, sa	~~6~~	-18.0	~~8~~

See main text.

Domestic consumption

	Apr	May	Jun
France			
<i>Consumption of goods, volumes, swda</i>			
%m/m	-0.5	~~0.5~~	0.3
%oya	-0.3	~~0.3~~	0.1

Consumer prices

Euro area (flash)

%oya, unless otherwise stated

	May	Jun	Jul
HICP	3.2	2.8	~~2.9~~
Core	2.6	2.4	~~2.4~~
Core goods	0.9	0.7	~~0.7~~
Services	3.5	3.2	~~3.3~~
Energy	10.8	8.5	~~10.7~~
Food	1.9	1.5	~~1.5~~
HICP (%m/m, sa ECB)	0.0	-0.1	~~0.5~~
Core	0.2	0.1	~~0.2~~
Core goods	0.1	-0.1	~~0.2~~
Services	0.2	0.2	~~0.3~~
Energy	-1.2	-1.8	~~3.0~~
Food	-0.1	-0.1	~~0.3~~

Consumer prices

Germany (prelim)

%oya, unless otherwise stated

	May	Jun	Jul	
HICP	2.7	2.4	<u>3.0</u>	2.8
CPI	2.6	2.3	<u>2.7</u>	2.8
%m/m, nsa	-0.2	-0.3	<u>0.8</u>	
Core CPI	2.5	2.5	<u>2.4</u>	
%m/m, nsa	<u>0.3</u>	0.4	<u>0.2</u>	0.1
Baden Wuerttemberg	2.4	2.1	<u>2.4</u>	2.5
Bavaria	2.6	2.5	<u>2.9</u>	2.8
Brandenburg	2.8	2.4	<u>2.8</u>	2.7
Hesse	2.6	2.3	<u>2.8</u>	2.7
North-Rhine West	2.4	2.1	<u>2.6</u>	2.7
Saxony	2.8	2.3	<u>2.9</u>	2.8

Consumer prices

France (prelim)

%oya, unless otherwise stated

	May	Jun	Jul	
HICP	2.8	2.0	<u>2.0</u>	2.4
CPI	2.4	1.8	<u>1.8</u>	2.1
%m/m, nsa	0.1	-0.3	<u>0.2</u>	0.6

Consumer prices

Italy (prelim)

%oya, unless otherwise stated

	May	Jun	Jul	
HICP	3.2	3.0	<u>2.8</u>	2.9
CPI	3.2	3.0	<u>2.9</u>	2.8
%m/m, nsa	0.4	0.0	<u>0.4</u>	0.2

Consumer prices

Spain (flash)

%oya, unless otherwise stated

	May	Jun	Jul	
HICP	3.6	3.6	<u>4.1</u>	3.8
CPI	3.2	3.2	<u>3.7</u>	3.5
%m/m, nsa	0.1	0.6	<u>0.4</u>	0.2

Import and export price indexes

Germany

Terms of trade

	Apr	May	Jun	
%m/m, sa	-0.4	-0.2		0.6
%oya, sa	-2.4	-3.1		-2.3
Export prices				
%m/m, nsa	0.8	0.5		0.1
%oya, nsa	2.9	3.4		3.5
Import prices				
%m/m, nsa	1.2	0.7		-0.7
%oya, nsa	5.3	6.8		6.1

Producer prices

France

	Apr	May	Jun	
%m/m, nsa	-2.0	<u>-0.3</u>	-0.2	-0.6
%oya, nsa	2.3	<u>3.0</u>	3.1	2.6

National Balance sheet

	Apr	May	Jun	
Euro area				
M3 (%m/m sa)	<u>-0.4</u>	0.0	<u>0.7</u>	0.4
M3 (%oya)	<u>2.7</u>	2.8	<u>3.2</u>	3.0
Loans (%oya) ¹	3.5	3.9		3.9
Loans (m/m, €bn) ¹	34.7	<u>69.5</u>	69.2	55.1
Of which				
To households	<u>18.6</u>	17.0	<u>17.3</u>	17.1
To nonfinancial corporates	23.6	<u>33.8</u>	34.3	25.6

¹ Loans to nonbank private sector, adjusted for securitization

The annual growth in bank lending to the real economy held steady at 3.5%oya, after accelerating by 0.3%-pt in May. The annual growth rates of bank lending to non-financial corporations and households were also unchanged, at 4.0%oya and 3.0%oya, respectively. Broad money (M3) growth increased by 0.3%-pts to 3.3%oya, up from a downwardly revised 3.0%oya increase in May. These developments are notable, given that the ECB's bank lending survey has been signaling some tightening in credit conditions and lending standards via the bank lending channel.

Source: European Commission, Eurostat, ECB, FSO, Bundesbank, IFO, INSEE, ISAE, Istat, INE, CBS, BNB, Markit, and J.P. Morgan forecasts

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Japan

- **PM's food-tax cut plan could lower inflation but widen the fiscal deficit; the announcement came alongside FX intervention**
- **BoJ held while revising up its assessment of upside inflation risks, but Ueda did not convey urgency**
- **We think an October hike remains most likely, but September is possible if yen weakens further**
- **Activity data suggest solid 2Q activity, and Tokyo CPI suggests broadening inflation pressures**

Prime Minister Takaichi announced a policy to cut the consumption tax rate on food products from the current 8% to 1% for a two-year period starting next spring. The two-year reduction had also been part of the ruling party's campaign pledges in last year's lower-house election, but internal opposition remained strong—reflecting insufficient discussion of funding sources and concerns about having to raise the rate again in the future—and the National Council to which the PM delegated deliberations had been unable to reach a conclusion. However, with cabinet approval ratings on a declining trend, albeit still at relatively high levels, the PM has now effectively made a final decision. If implemented, a mechanical calculation suggests that the measure would likely lower headline inflation by around 1.5%-pt for a year from next spring onward, while also leading to an annual loss of tax revenue of ¥5 trillion (0.7% of GDP) when related policies are included. As work on next fiscal year's budget accelerates, the risk is rising that the direction of fiscal expansion will become clearer, alongside a strategic investment budget estimated to exceed ¥10 trillion (1.4% of GDP).

The BoJ held rates as expected, with one dissent. But the key takeaway is less the decision itself than how the BoJ is conditioning the next move. Policy guidance shifted in a more hawkish direction: beyond the Middle East, the BoJ explicitly added AI-related demand and exchange-rate swings as factors that could pull hikes forward, and it sharpened its warning that an upside deviation of underlying inflation above the 2% target could warrant faster tightening to prevent adverse effects on the economy. Still, Governor Ueda's press conference did not convey urgency; he kept the door open to a September move while signaling an incremental approach and continuing to maintain the official view that underlying inflation has not yet reached 2%. We continue to think the BoJ's main scenario is still an October hike. The clear risk to this outlook is the exchange rate: if the yen were to weaken further again—even after the FX intervention on the eve of the policy announcement—a September hike could come into view.

This week's incoming data reinforced the view that underlying inflation remains on an upward trend backed by strong economic activity. Industrial production remained firm—largely flat in 2Q after a sharp rise in 1Q—and retail sales were also strong, with some pullback in June but an increase of 7.3%q/q saar for 2Q as a whole. The earthquake in Kumamoto, which struck a cluster of semiconductor and related plants, could temporarily weigh on July production, but the impact is unlikely to be prolonged as many factories are planning to resume operations from early August. With inventory restocking demand keeping manufacturers' production plans upbeat and consumer sentiment improving, we expect this strong momentum to carry into 3Q. Against this backdrop, the July Tokyo CPI suggests that inflationary pressures are beginning to broaden across a wide range of goods and services, even as policy measures continue to hold prices down.

Cautious by default, gear shift under pressure

There was one dissenting vote, with Takata calling for a rate hike. The Outlook Report revisions to the economic and inflation forecasts were mechanical in nature: the near-term growth forecast was nudged slightly higher, while the FY26 inflation forecast was lowered to reflect the reintroduction of electricity and gas subsidies. By contrast, the monetary policy guidance was adjusted in a more hawkish direction. Until June, the only factor explicitly cited as something to watch in judging the timing and pace of adjustments to [the degree of monetary accommodation](#) was developments in the Middle East—an item that was more likely to argue for delaying hikes. This time, however, the BoJ added the expansion of AI-related demand and the impact of exchange-rate fluctuations, both of which could bring forward rate hikes. In addition, new language was inserted stating that “the perspective of stabilizing underlying CPI inflation at a level around 2% becomes important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2% from materializing and thereby exerting an adverse impact on the economy afterward.” The BoJ has pointed to upside inflation risks since the previous meeting, but this time it made it clearer in its guidance that such risks could translate into a faster pace of rate hikes.

At the press conference, Governor Ueda repeatedly said that the BoJ would consider appropriate policy operations “from the next meeting onward,” deliberately keeping the door open to a rate hike at the September meeting. Even so, the overall tone did not suggest an imminent sense of urgency. When asked about assessing the effects of past rate hikes, Governor Ueda noted that “so far, funding demand and financial institutions' lending stance have remained firm, and accommodative financial conditions have been maintained,” while also stress-

ing that “it takes time to judge the effects of cumulative rate hikes to date”. In other words, he did not signal a policy shift toward meaningfully shortening the interval between hikes. Meanwhile, even as it referred to “upside inflation risks,” the BoJ has continued to maintain its official view that “underlying inflation has not yet reached 2%”, despite dissenting votes from two board members. This combination appears somewhat inconsistent.

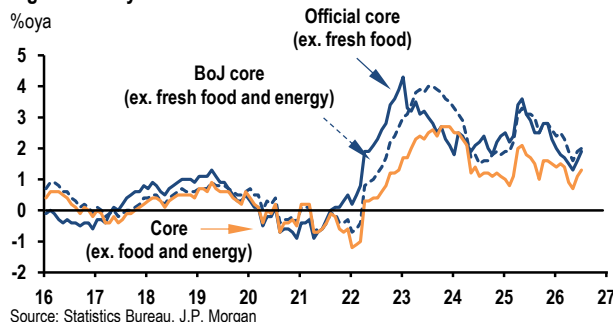
That said, a rapid weakening of the yen may be a factor that could prompt the BoJ to bring forward a hike. Governor Ueda reiterated his longstanding view that the exchange rate has recently been having a larger impact on prices. He also indicated that, with underlying inflation nearing 2%, if the BoJ misjudges the outlook and inflation overshoots, the negative impact on the economy could be larger than in the past. Persistent yen weakness is positioned as one such risk factor. Even after yesterday’s FX intervention, USDJPY quickly rose back above the 160 level, and if depreciation pressures intensify further, a September hike could come into view.

We continue to think that the BoJ still has October as its main scenario for the next hike. We do not agree with the BoJ’s official view that “underlying inflation has not reached 2%”. However, we interpret the fact that it continues to maintain that view while highlighting upside inflation risks as evidence that the BoJ’s stance remains incremental. Of course, the clear risk to this outlook is the exchange rate, and if the yen were to weaken sharply again, a September hike could also come into view.

Inflation uptrend continues in Tokyo CPI

The July Tokyo CPI indicated that inflation remains on an upward trajectory, following June. The rise in inflation was broad-based across goods and services. The global core measure (ex. food and energy) rose 0.2%/m/m sa to 1.3%oya, up 0.2%-pt from 1.1% in June (Figure 1). The official core CPI (ex. fresh food) rose more strongly, reflecting strength in food inflation: it increased 0.3%/m/m sa to 1.9%oya, with the oya rate up by 0.3%-pt from the previous month. While these inflation readings may look low at first glance, we need to note that various government subsidies are depressing prices across a wide range of goods and services by close to 1%-pt. Excluding these effects, the underlying inflation is near 3%.

Figure 1: Tokyo core CPI



Looking at the breakdown, the only categories with inflation below the BoJ’s 2% target in July are largely limited to goods and services affected by government subsidies or fee-waiver programs, such as energy, childcare nursery and medical costs. By contrast, goods and services that are priced through more market-driven mechanisms exceed 2% in almost every category. Notable examples include furniture and household utensils (3.4%oya) and food excluding fresh food (3.9%), both of which are sensitive to petroleum-related input costs and yen depreciation.

We expect this broadening of inflation to continue into year-end. From the August through October releases, electricity subsidies introduced during the summer are likely to push energy inflation down again, but their effect in keeping overall inflation subdued should be limited. Many firms have already announced future price hikes, and if strong domestic demand persists alongside a continued weak-yen trend, the number of such increases is likely to grow further. In such an environment, if fiscal policy shifts in a more expansionary direction and the BoJ’s rate hikes remain only gradual, markets are likely to remain wary of a delayed policy response.

June activity resilient despite a pullback in retail sales

Japan’s June industrial production rose 1.3%/m/m sa, beating both our forecast and consensus expectations (JPM: 0.8%, consensus: 0.7%). The manufacturing sector continues to hold up despite tighter supply conditions following the energy price shocks, with output rising for a third consecutive month. After a 10.3% q/q saar surge in 1Q, production was essentially flat in 2Q, edging up 0.1% q/q saar. Manufacturers also remain constructive on the near-term outlook: their projections point to further gains in July and August. Together with the recent pickup in PMI manufacturing output, this suggests production growth should remain upbeat through 3Q—although this week’s earthquake may temporarily disrupt activity, adding near-term downside risk.

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Inventories also began to rebuild in June, rising 2.3%/m/m sa (Figure 2). Inventory levels had been declining since late last year, and the energy shocks likely reinforced the drawdown, pushing inventories back toward pandemic-era lows. The June uptick may indicate that supply constraints are easing, likely supported by progress in alternative procurement. If inventory rebuilding continues, it should provide an additional tailwind for production through 2H.

Figure 2: Inventories and inventory to shipment ratio

2020=100, sa

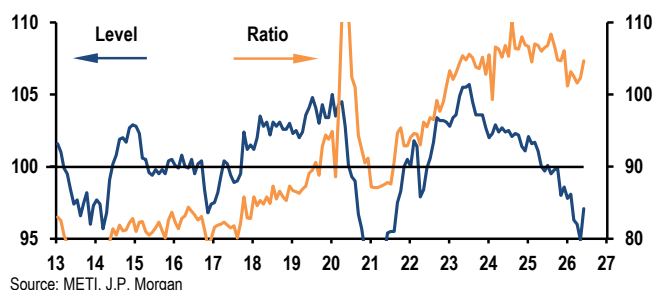
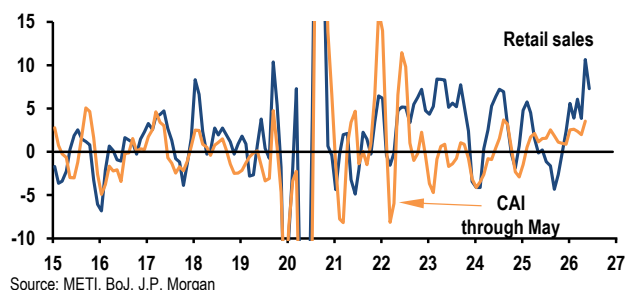


Figure 3: Retail sales and BoJ Consumption Activity Index (CAI)

%3m/3m, saar



June retail sales fell 4.1%/m/m sa, broadly in line with our expectation for a 4.0% decline but well below consensus. The weakness largely reflects payback after three consecutive monthly gains, compounded by unfavorable weather, which likely limited opportunities to go out. The print also suggests a partial reversal of the recent durable-goods surge, which had been supported by government auto tax cuts, clean-energy vehicle subsidies, and special replacement demand for air conditioners. Despite the June pullback, 2Q retail momentum remained strong: robust gains in April and May lifted sales in the quarter, with retail sales up 7.3%/q/q saar (Figure 3), driven primarily by a 52.2% surge in motor vehicle sales. While the strength in 1H26 spending should gradually ease as durable-goods tailwinds fade, we expect underlying resilience to persist, supported by improving income conditions and government energy subsidies that help cushion real purchasing power. Consistent with this view, early signals from July consumer confidence suggest the recovery is continuing, with the index up 1.1 points to 34.9.

Data releases and forecasts

Week of August 3 - 7

Wed	Employers' survey – preliminary				
Aug 5	%oya				
8:30am		Mar	Apr	May	Jun
	Monthly wages per employee	3.1	3.6	3.3	<u>3.4</u>
	Scheduled payments	3.4	3.3	3.0	
	Full-timers monthly	3.9	3.6	3.6	
	Part-timers hourly	4.3	4.7	5.0	
	Overtime payments	3.1	4.8	2.8	
	Special payments	-0.7	10.3	7.4	
	Real wages (total)	1.6	2.2	1.8	
	*Real wages deflated by headline CPI				

We expect the Employers' Survey to indicate solid increase in scheduled payments and summertime bonus growth in June.

Review of the past week's data

Services producer prices (Jul 27)

	Apr	May	Jun	
%oya	<u>3.3</u>	3.4	<u>3.3</u>	3.4
Ex. international transportation	<u>2.8</u>	2.9	<u>3.0</u>	3.1

Consumer sentiment (Jul 30)

DI, sa	May	Jun	Jul	
Consumer sentiment	33.6	33.8	<u>34.1</u>	34.9
Standard of living	31.2	32.0	—	33.1
Income growth	40.3	40.3	—	40.9
Labor market conditions	38.3	38.4	—	40.1
Durables purchases	24.4	24.6	—	25.6
% of respondents, "Rise" minus "fall"				
Inflation expectations in next 12 months				
Nsa	91.6	91.1	—	90.3
Sa	91.5	90.8	—	89.6

1. The DI asks whether a respondent thinks that now is a good time to purchase durables

Although the level of confidence remains 4.8 points below February and household inflation expectations remain elevated since the oil price shock, but expectations eased modestly this month. The share of households expecting inflation above 2% fell by 1.8%pts to 82.8%. This possibly reflects expectations that the oil price shock will fade. Anticipation of a government consumption tax cut on food items may have contributed to the decline in their inflation expectations. Together with improved inflation outlook, sentiment also appears to be benefiting from firmer income conditions: summer bonus payments are boosting household income in the June–July period, and the income growth DI increased.

The sustained recovery in sentiment—despite confidence still being low in level terms—combined with improving income conditions suggest that domestic demand remains solid at the start of this quarter. Looking ahead, that resilience could be tested later in the year. If inflation accelerates from this summer as we expect, real income gains could come under pressure and, with sentiment still modest, consumption may face a growing headwind.

Tokyo consumer prices (Jul 31)
2020-based

	May	Jun	Jul	
%oya				
Overall	1.4	1.7	<u>2.0</u>	
Core (ex fresh food)	1.3	1.6	<u>2.0</u>	1.9
Ex fresh food and energy	1.6	1.9	<u>2.2</u>	2.0
Ex food and energy	0.7	1.1	<u>1.4</u>	1.3
%m/m, sa				
Overall	0.2	0.3	<u>0.3</u>	0.4
Core (ex fresh food)	0.2	0.3	<u>0.3</u>	
Ex fresh food and energy	0.1	0.4	<u>0.4</u>	0.3
Ex food and energy	0.0	0.2	<u>0.3</u>	0.2

The only categories with inflation below the BoJ's 2% target in July are largely limited to goods and services affected by government subsidies or fee-waiver programs. For energy, the negative oya rate narrowed from -2.3% in June to -0.7% in July because the summer electricity subsidies had not yet been fully reflected in the data. Even so, gasoline subsidies continue to restrain energy inflation. Meanwhile, the downward effect from the expansion of free childcare on miscellaneous expenses remains sizable, with the category still at -6.5%oya in July. Medical costs have moved away from the near-zero inflation seen before June due to revisions to administered medical service fees from June onward, but the pace of increase remains relatively contained at 1.5%oya.

By contrast, goods and services that are priced through more market-driven mechanisms exceed 2% in almost every category. Notable examples include furniture and household utensils (3.4%oya) and food excluding fresh food (3.9%), both of which are sensitive to petroleum-related input costs and yen depreciation. Food inflation had been trending down since the second half of last year alongside declines in rice prices, but it has stopped falling, and signs of a turnaround are beginning to emerge.

Labor force survey (Jul 31)
Sa

	Apr	May	Jun
Unemployment rate (% sa)	2.5	2.5	<u>2.5</u>
Job offers ratio (% sa)	1.18	1.17	<u>1.18</u>

Industrial production – preliminary (Jul 31)

%m/m, sa	Apr	May	Jun	
Production	0.5	0.1	<u>0.8</u>	1.3
Shipments	1.3	0.5	—	-0.4
Inventories	-0.3	-1.1	—	2.3
Inventory/shipments ratio	-0.9	0.7	—	2.3

Within June's production details, tech-related output was mixed. Electronics output fell 6.3%m/m sa, led by a 17.0% drop in integrated circuits. Overall, tech production appears to be losing momentum, remaining broadly flat over the quarter after a 6.3%q/q saar increase in 1Q. By contrast, production in tech-related material and machinery remained resilient: chemicals rose 1.2% m/m sa, and electrical and information/communications machinery increased 5.8% m/m sa. Machinery output was also broadly solid, possibly consistent with a 5.0% m/m sa rise in core capital goods shipments. Auto production rose 1.1% m/m sa, and automakers have continued to build inventories since April.

Commercial sales (Jul 31)

%m/m, sa	Apr	May	Jun	
Total retail sales	2.1	1.7	<u>4.0</u>	-4.1
%oya	2.8	5.0	<u>0.1</u>	0.5

Within durable goods, home appliance sales fell 10.3%m/m sa after a 7.2% jump in May. Industry reporting indicates this decline is largely payback from earlier air-conditioner sales, which were boosted by replacement demand ahead of next year's regulatory changes. Auto sales declined for a second consecutive month, with June down 2.0%m/m sa, though this is not sufficient to offset the 14.9% rise recorded in April. Non-durable goods were also broadly soft. Apparel sales dropped 14.2%, consistent with weather-related weakness that reduced demand for seasonal items. A similar dynamic likely weighed on general merchandise, down 7.3%. Food sales fell 1.5% in June and have been roughly flat recently; however, with food prices increase expected to accelerate from this summer, the impact on real volumes and nominal sales bears close monitoring.

Housing starts (Jul 31)

	Apr	May	Jun	
Housing units %oya	11.4	33.9	<u>10.6</u>	18.6
%m/m, sa	-1.7	4.6	<u>-3.0</u>	3.9
Mn units, saar	0.72	0.76		0.79
Floor space, 6mma (%m/m, sa)	-1.7	0.3		0.1

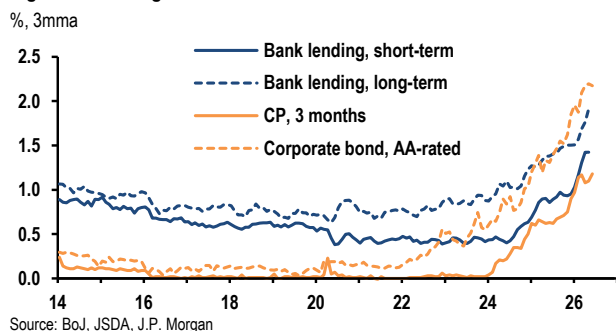
Sources for all data tables: ADA, BoJ, CAO, JCSA, JDSEA, JFA, JLM, VMA, Markit, METI, MHLW, MILT, MoF, Reuters, Statistics Bureau, J.P. Morgan forecasts.

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Japan Focus: BoJ's sole lens on financial conditions

With the policy rate moving closer to the estimates of neutral and the BoJ's projected path toward 2% underlying inflation nearing completion, the Bank's communication on the timing of additional rate hikes is likely to tilt increasingly toward the degree of monetary accommodation in financial conditions. [The BoJ has framed](#) that assessment through three lenses: (1) real interest rates, (2) the gap between the current real rate and the natural rate, and (3) their transmission to the real economy. However, the first two guideposts are becoming less operational. Real-rate signals are harder to interpret amid CPI noise driven by policy-related factors and the absence of a single, unambiguous measure of "underlying" inflation. Meanwhile, after decades of exceptionally low rates, estimates of the natural rate remain highly uncertain—and [Deputy Governor Uchida has explicitly noted](#) that it cannot be used as a basis for policy decisions. As a result, the BoJ is likely to lean more heavily on the third lens: evidence from the real-economy transmission channel, especially as reflected in market pricing and lending dynamics. In practice, that implies communication around additional hikes will hinge on confirming that financial conditions remain accommodative after the cumulative tightening to date.

Figure 1: Lending interest rates



Against that backdrop, the BoJ is likely to put greater weight on a set of financial-conditions indicators it regularly cites: short- and long-term lending rates (Figure 1), the Tankan DI regarding banks' lending stance and firms' financial conditions (Figure 2), bank lending and corporate bond issuance (Figure 3), and the money stock. These indicators will be central to assessing how quickly the BoJ can conclude that financial conditions would remain accommodative even after another rate increase. Beyond these measures, the BoJ also monitors a broader set of financial conditions—such as equity and property market developments and loan terms—through its semiannual [Financial System Report](#).

Figure 2: BoJ Tankan survey

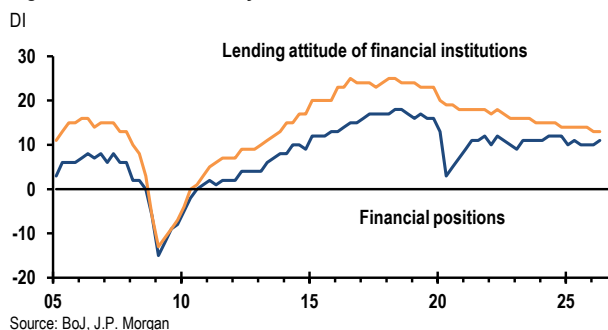
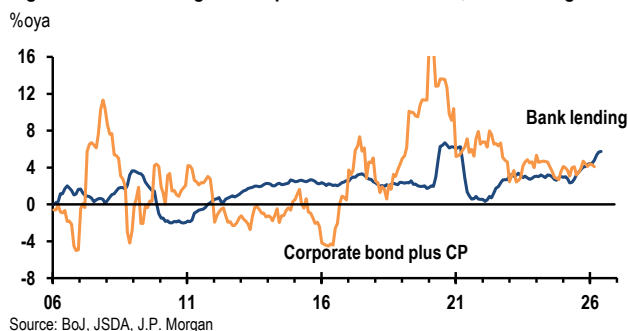
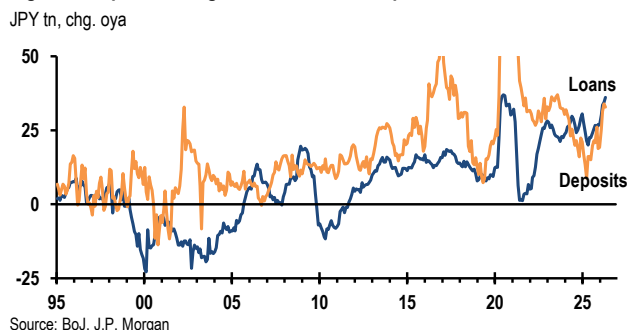


Figure 3: Bank lending and corporate bond issuance, outstanding



One notable development is that lending growth has continued to strengthen despite higher rates, with data through June suggesting that capex-related corporate borrowing is a key driver. Reflecting resilient demand for bank credit, deposit growth is also recovering (Figure 4). We previously [argued](#) that QT alongside higher rates could tighten liquidity conditions and potentially pressure parts of the banking sector; however, stronger deposit inflows appear to be cushioning the decline in excess liquidity. Against this backdrop, the money stock has continued to rise despite a sharp contraction in the monetary base.

Figure 4: Japan banking sector loans and deposits



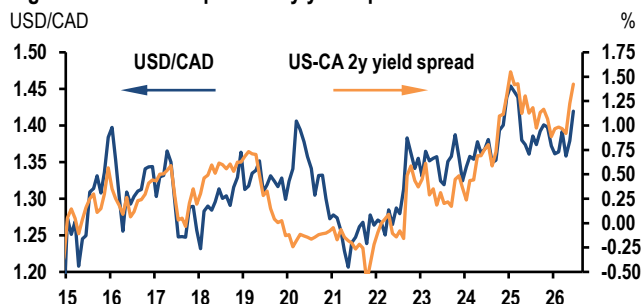
Canada

- **An earlier Fed hike is unlikely to move the BoC**
- **The Summary of Deliberations points to the trade shock mattering more than the oil shock**
- **We look for a solid July jobs report**

With the Bank of Canada meeting in advance of many other central banks this month, information about the factors influencing the decision to remain on hold were made available this week via the Summary of Deliberations. Broadly speaking, while a number of risks were discussed, we don't think conditions are likely to evolve in a way that makes a case for tightening policy later this year. Our US team [now looks for the Fed to hike in December](#) of this year. But given the very different economic conditions and outlooks, we suspect that any action by the Fed will have little impact on the BoC.

Indeed, in recent years members of the Governing Council have sought to downplay any mechanical links between Fed policy rates and those in Canada. While a widening interest rate gap might pressure the currency to weaken—which would could feed back into additional inflationary pressures—Governor Macklem has noted that the BoC is not targeting a particular level of the exchange rate. Although the currency has weakened against the USD recently, it remains below levels seen in early 2025 despite a broadly similar move in the yield differential as then (Figure 1).

Figure 1: USD/CAD spot and 2y yield spread



Risks abound; rates held steady

Within the [Summary of Deliberations](#) for the July policy meeting, the Governing Council called out a number of risks around its baseline forecast for inflation to gradually slow. These included unexpectedly high gasoline prices (due to very high refining margins), lingering supply chain disruptions from the Middle East war, and some “upward drift” in medium-term inflation expectations. But there is little evidence of a broader pass-through, and inflation should ease modestly further if oil prices continue to fall. Crude prices have been volatile of late, but prices are still below recent

highs and do not create an obvious need to hike.

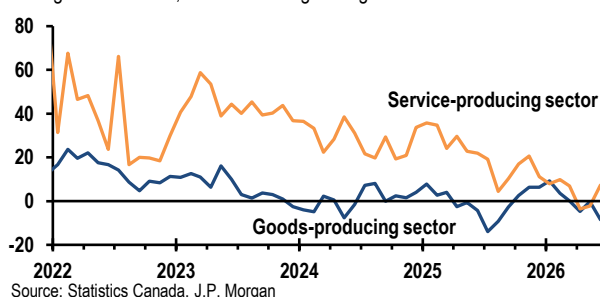
The Governing Council also saw growth picking up in 2Q, but questioned whether that could be sustained. Among a range of downside risks, the trade war remained the top concern. While improving business sentiment gave members more confidence in a strengthening outlook, they also saw risks that this pickup could fade. The subsequent announcement of additional US tariffs on Canada—particularly the threatened 50% under section 338 with no USMCA exemptions—risks short-circuiting the nascent recovery. Weak business investment also could reduce productivity, adding inflationary pressure even if growth remains lackluster.

Expect another decent jobs gain in July

We look for employment to rise 20k in July, a third consecutive gain to extend the jobs rebound into 3Q. As in June, we expect the composition to favor services over trade-exposed goods industries (Figure 2). Gains will likely be concentrated in health care, education, and professional services, while trade-exposed sectors are likely to again be weak. We expect manufacturing to remain roughly unchanged and transportation and warehousing to see modest declines. Thus far, the trade war damage has remained largely in export-oriented industries, while domestic services have held up.

Figure 2: Labour Force Survey employment

Change in thousands, 6-month moving average



We assume labor force growth of around 10k, a touch below the pace of recent months. This pace would be consistent with an ongoing deceleration in population growth to near 0.7%oya, from a peak of 3.6%oya in mid-2024. With employment gains modestly outpacing softer labor force growth, we expect the unemployment rate to hold at 6.5%. While matching its lowest level since January, it is still well above most estimates of full employment (likely below 6%). A print along these lines would leave the excess-supply narrative intact. Combined with the weak employment intentions in the 2Q Business Outlook Survey and oil prices materially below their earlier peaks, we don't think a modest improvement in the July employment data will push the BoC toward the hawkish path still priced by markets.

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Data releases and forecasts

Week of August 3 - 7

Tue International trade

Aug 4 Sa

8:30am

	Mar	Apr	May	Jun
Balance (C\$ bn)	1.88	3.41	4.24	<u>4.51</u>
Exports (%m/m)	10.7	2.6	0.9	<u>1.1</u>
Imports (%m/m)	0.0	0.5	-0.2	<u>0.8</u>
Real balance	-4.29	-4.48	-4.25	

We project that Canada's nominal merchandise trade surplus widened to C\$4.5bn in June from C\$4.2bn in May. We think nominal exports grew 1.1% in June, while imports firmed 0.8% on the month. Strength in energy exports continues to provide an offset to weakness elsewhere.

Fri Labor force survey

Aug 7 Sa

8:30am

	Apr	May	Jun	Jul
Employment (mn)	21.03	21.12	21.14	<u>21.16</u>
(ch, m/m, 000s)	-17.7	87.8	18.2	<u>20.0</u>
(%m/m)	-0.1	0.4	0.1	<u>0.1</u>
(%oya)	0.3	0.7	0.5	<u>0.7</u>
Labor force (mn)	22.60	22.60	22.61	<u>22.63</u>
(%m/m)	0.1	0.0	0.0	<u>0.1</u>
(%oya)	0.4	0.3	0.1	<u>0.2</u>
Unemployment rate (%)	6.9	6.6	6.5	<u>6.5</u>
Avg hrly earnings (%oya)	4.8	3.2	3.7	<u>3.6</u>
Hours worked (%m/m)	0.0	0.6	0.2	<u>0.1</u>

We project that employment rose by 20k workers in July. We expect soft growth in the labor force to leave the unemployment rate unchanged at 6.5%. Average hourly earnings for permanent workers firmed to 3.7%oya in June. We expect wage growth to return to a gradual downward trajectory in July, consistent with a labor market operating under conditions of excess supply. We think hiring conditions will remain subdued in the months ahead as trade policy uncertainty persists and the drag from less generous immigration policies continues to weigh on labor supply.

Review of past week's data

Monthly GDP

sa

	Mar	Apr	May	
Total,%m/m	-0.4	-0.2	-0.5	0.6
%oya	-0.4	0.5	1.1	<u>-1.3</u>

Monthly GDP rose 0.3% in May after expanding 0.6% in March. Strength was fairly broad-based but most pronounced in the energy sector, construction, and accommodation and food services. Statistics Canada's advance estimate for June suggests GDP grew a further 0.2% in June. That would leave 2Q GDP on track to expand 3.4%ar, implying some upside risk to our forecast for a softer 2.0% gain.

Sources: Statistics Canada, Ivey Business School, CMHC, S&P Global, Teranet/National Bank of Canada, CREA, CFIB, Bank of Canada, J.P. Morgan forecasts

Mexico

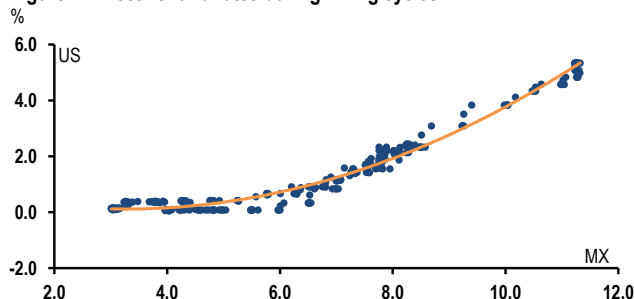
- **Banxico to remain on-hold at 6.50% next week**
- **July inflation to sit at 3.10% as benign dynamics extend to 2H**
- **GDP expands 6.2%saar in 2Q on the back of a strong start in April**
- **May domestic demand data next week to confirm 2Q lost traction fast**

Banxico is likely to keep rates unchanged at next week's meeting as it balances benign domestic inflation dynamics, below-potential growth and the risk of a potential Fed rate hike later this year. Against this backdrop, we expect the statement to maintain a neutral tone, although it could gradually shift in a more hawkish direction as the Fed factor gains traction. The day after Banxico's decision, July inflation data should show headline inflation running at 3.10%oya, as both core and non-core inflation continue to trend lower. On the growth front, next week's demand-side data releases should provide additional insight following this week's flash 2Q GDP report. The strong print was underpinned by robust growth early in the quarter, although momentum weakened thereafter. In line with this moderation, we expect declines in both consumption and investment during May.

Banxico preview - Holding course

Next week, we expect Banxico to keep the policy rate unchanged at 6.50%, extending the pause that followed the end of the easing cycle in May. In our view, the current policy stance remains broadly consistent with domestic conditions, as inflation remains just 10bps above the 3% target and economic slack continues to linger. Therefore, the discussion is likely to become increasingly centered on the interaction between a benign domestic backdrop and a potentially less favorable external environment, particularly if the Fed tightens later this year (Figure 1)—this week, our U.S. team front-loaded its [call](#) for a hike to take place in December, instead of 3Q27. The market is pricing a hike by 3Q26.

Figure 1: Effective fund rates during hiking cycles



Source: J.P. Morgan with data from Banxico and FOMC. Weekly data

Indeed, the Board will have to account for a potentially less favorable relative monetary backdrop. Interestingly, the relationship between Banxico and Fed policy rates has strengthened as U.S. monetary policy has moved deeper into restrictive territory. This suggests that an isolated December hike would not necessarily trigger a mechanical response — particularly if the cyclical conditions of each economy are different — but it could increase the pressure on Banxico's stance and raise the bar for renewed easing. In fact, we expect the tone of the statement to turn increasingly neutral and eventually hawkish to incorporate the Fed factor.

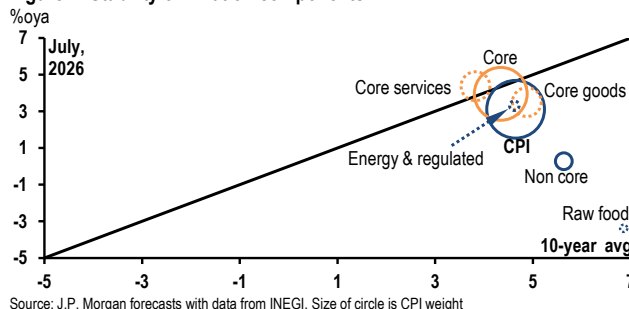
In our view, Banxico is likely to retain its guidance that it is appropriate to maintain the reference rate at its current level, as the current stance remains consistent with the domestic conditions. However, the possibility of a hike from the Fed — and its potential implications for the peso—raises the bar for renewed easing and creates an asymmetric risk around an otherwise prolonged pause.

We continue to expect rates on hold for the foreseeable future, though we will reassess our framework after Banxico's statement next week. By incorporating the increased risk of hikes from the Fed, as was evident in the COPOM Minutes earlier this month, we believe “relative monetary conditions” will gain relevance as soon as next week.

July CPI Preview: Just a touch above target

The inflation print for the full month of July should come in close to Banxico's 3% target, with headline inflation expected at 3.10%oya (Figure 2), as the favorable inflation dynamics observed in the first half of the month are likely to extend into the second half. Core inflation should decline to 3.94%oya, as benign core goods inflation helps offset upside pressures in services during the second half of the month, following a couple of fortnights in which services inflation delivered relatively soft readings. Within non-core inflation, fruit and vegetable prices should post a modest increase after six consecutive fortnights of declines. This increase should be partially offset by declines in energy and livestock prices.

Figure 2: Stability of inflation components



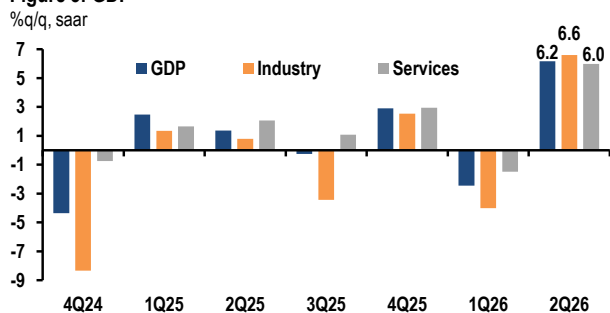
Source: J.P. Morgan forecasts with data from INEGI. Size of circle is CPI weight

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Flash GDP: Good but not stellar

Mexico's flash 2Q26 GDP disappointed relative to our expectation of a 7.0%saar increase, although it rose a still solid 6.2%. In annual terms, this left GDP growth at 2.2%oya, with 1H26 GDP at 1.1%oya following a downward revision to 1Q26 GDP (from 0.2%oya to 0.1%). Growth was broad-based, with agriculture rising 13.9%saar, the industrial sector expanding 6.6%, and services up by 6.0% (Figure 3). However, most of the quarter's strength stemmed from a robust April reading, while May and (most likely) June came in on the soft side.

Figure 3: GDP



Source: INEGI. 2Q26 data is Flash GDP

We are sticking to our 1.4%/y GDP growth forecast, as we continue to expect growth to remain resilient in 2H26. Here, the IMEF's July PMIs should help us gauge momentum heading into 2H26 (we expect the non-manufacturing index to fall by 0.2pts and manufacturing to rise by 0.9pts to 48.8 and 48.2, respectively).

Exports strengthen amidst domestic woes

Next week's data releases should help complement the June trade balance figures and provide a more complete picture of 2Q26 demand-side dynamics. Starting with the external sector, June posted a year-to-date balance of US\$9.9bn. The surplus was driven by non-oil exports that continued to comfortably outpace imports, which in any case remain strongly anchored by intermediate good imports.

On the domestic front, three May releases are due. Within consumption, private consumption for May is expected to decline 0.2%samr, while June remittances are expected to increase 5.6%oya.

On the investment front, gross fixed investment in May is also expected on the soft side, posting a 3.0%samr decline. The main driver behind the contraction should be weaker construction activity, as reflected in the May industrial production data, following the 6.5%samr surge recorded in April.

Data releases and forecasts

Week of August 3-7

Mon	Remittances				
Aug 3		Mar	Apr	May	Jun
11:00am	Total (US\$ bn)	5.5	5.0	5.6	5.6
	%oya	6.0	3.7	3.8	5.6
Mon	IMEF PMI survey				
Aug 3	Index, sa				
2:00pm		Apr	May	Jun	Jul
	Manufacturing	48.9	48.3	47.3	48.2
	Non-manufacturing	48.8	48.8	49.0	48.8
Wed	Gross fixed investment				
Aug 5	%oya				
8:00am		Feb	Mar	Apr	May
	Total	-8.0	-0.6	5.9	-0.5
	M&Eq	-11.3	-1.4	1.3	-0.7
	Construction	-4.7	0.1	10.1	0.3
Thu	Policy Rate				
Aug 6		Apr	May	Jun	Aug
3:00pm	%	6.75	6.50	6.50	6.50
Fri	Consumer prices				
Aug 7		Jun 1H	Jun 2H	Jul 1H	Jul 2H
8:00am	%2w/2w	-0.11	-0.20	0.07	0.08
	Core	0.19	0.02	0.16	0.09
	%oya	3.55	3.18	3.10	3.10
	Core	4.12	3.94	3.95	3.92
		Apr	May	Jun	Jul
	All items (%m/m)	0.20	-0.21	-0.27	0.01
	%oya	4.45	3.94	3.37	3.10
	Core (%m/m)	0.31	0.22	0.24	0.21
	%oya	4.26	4.19	4.03	3.94

Review of past week's data

Trade balance				
	Apr	May	Jun	
Balance (US\$ bn)	4.5	2.3		4.1
Exports (US\$ bn)	72.0	69.5		72.6
%oya	32.6	25.4		34.3
Imports (US\$ bn)	67.5	67.3		68.5
%oya	24.1	24.0		28.0
Real GDP (flash estimate)				
	4Q25	1Q26	2Q26	
%oya	1.7	0.2	4.7	2.2
%q/q, saar	2.9	-2.4	7.0	6.2

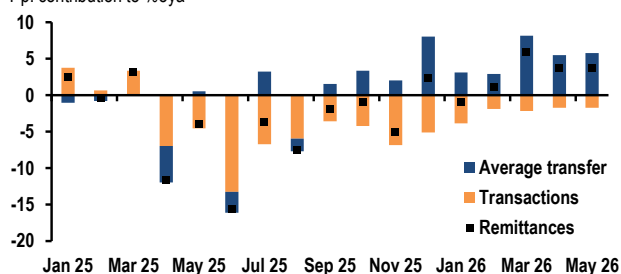
Sources: Banxico, IMEF, INEGI, and J.P. Morgan forecasts

Mexico Focus: Remittances - Borderline steady

In 2025, remittances broke their long-standing upward trend and plateaued, as raids and deportations increased in the U.S. A closer look at the data suggests that the weakness in remittances was driven by a decline in the number of transactions rather than by a fall in the average amount sent (Figure 1), though demographic changes are worth taking into account.

Figure 1: Composition of annual remittance growth

Pp. contribution to %oya



Data from Mexico's Interior Ministry shows that 160K Mexican nationals were deported in 2025 (Figure 2). While elevated, this figure remains well below the maximum observed in 2022-23. Remittances peaked in 2024 at US\$65bn and started their gradual decline in 2025.

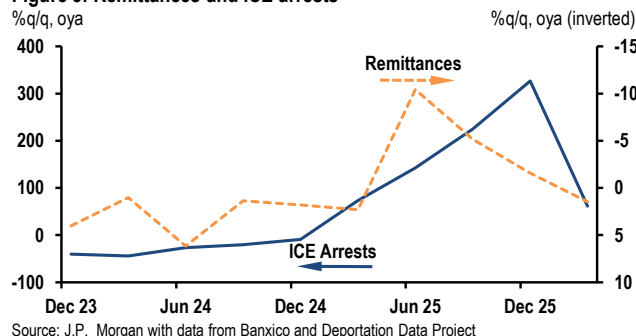
Figure 2: Deportations of Mexicans from the U.S.

Thousands (12-month sum)



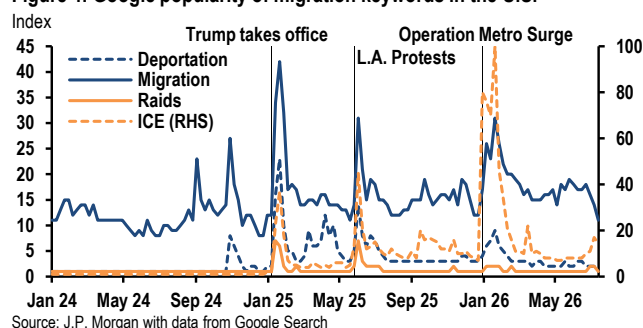
The timing of the decline appears to coincide with a period of heightened uncertainty regarding U.S. immigration policy (Figure 3). This uncertainty peaked in mid-2025. We believe that the decline in the number of transactions was driven by fears of detention. As a precautionary measure, migrants may have reduced the frequency with which they leave their home, leading to fewer transactions without meaningfully affecting the average amount sent per transfer. Under this interpretation, the recent improvement in remittance flows is easier to explain.

Figure 3: Remittances and ICE arrests



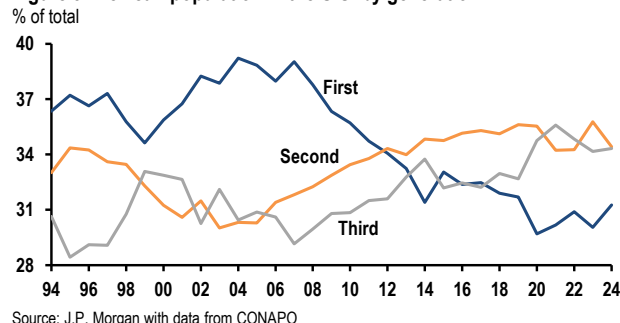
While the number of deportations has not declined, public attention toward deportations and migration issues has eased considerably, as evidenced by search trends (Figure 4). As a result, remittances may have scope to recover even if U.S. immigration policy remains unchanged, with migration losing relevance, all while U.S. economic conditions and the strong FX move to the fore.

Figure 4: Google popularity of migration keywords in the U.S.



The new migration policy was unlikely to be the only driver of the weakening in remittances; demographic considerations are also worth looking at. Since 2019, Mexicans have had the slowest rate of growth in the U.S.-Hispanic population (5% vs. 23% among non-Mexicans, according to [Pew Research](#)) and third-generation Mexicans are likely to be above first- and second-gen as the dominant group by 2025 (Figure 5).

Figure 5: Mexican population in the U.S. by generation



31 July 2026

Brazil

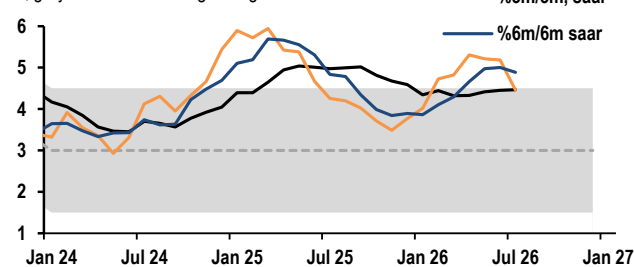
- We expect the BCB to cut the policy rate by 25bp next week, with a final 25bp easing in September
- This week: the June CPI preview and June–July economic indicators were soft
- Next week: we expect IP to fall 0.7% m/m sa, inaugurating a sequence of weak June hard-activity readings
- The current account deficit has narrowed, but the primary fiscal deficit has widened since the end of 2025

Amid a challenging dataset and an unusual anticipation of the rollover of its relevant horizon, the BCB's arguments for the 25bp cut in June raised controversy among economic commentators in Brazil. Since then, the data releases have favored the continuation of the central bank's calibration cycle. In this context, we, the consensus, and market pricing [expect the BCB to cut by 25bp for the fourth consecutive meeting next week](#).

The recent and upcoming data are also likely to lead the BCB to complete its calibration cycle with a final 25bp cut at the September meeting. This week's [July CPI preview \(IPCA-15\) was notably soft](#). Core IPCA-15 has decelerated substantially across different metrics, running close to the target on its one-month seasonally adjusted rate, and slowing to 4.4% over the last three months and to 4.9% over the last six months (Figure 1). While inflation remains incompatible with the BCB's 3% target, this print was preceded by [soft CPI releases, a trend that should continue at least through the September COPOM meeting](#). This should reinforce the perception that near-term inflation dynamics have improved relative to much of the first half of the year, when expectations for policy easing were curtailed.

Figure 1: BCB core (IPCA-15)

%, gray lines show the target range

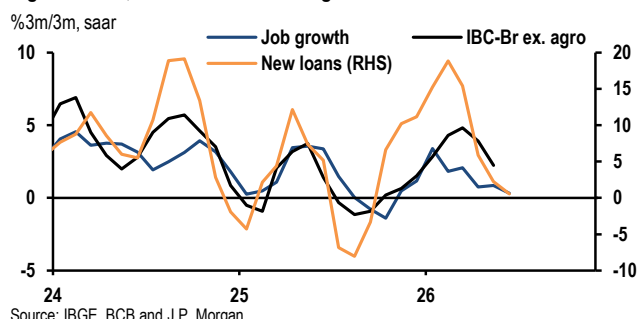


Source: IBGE, BCB and J.P. Morgan

The activity readings have also been soft. Coincident indicators had already suggested the economy was going through a soft patch between the end of 2Q and the beginning of 3Q, and this week's labor, credit, and sentiment releases reinforced that view. New loans grew in June, driven by a recovery in corporate lending, but [overall credit growth continues to decelerate following the sharp acceleration at the turn of](#)

[the year](#). Similarly, [job growth continued to slow](#) — partly reflecting constraints on labor supply — with wage growth also decelerating in June (Figure 2). Next week's industrial production report, for which we expect a 0.7% m/m sa decline, should be the first hard activity reading available to reinforce that weakness last month.

Figure 2: Job, credit and economic growth

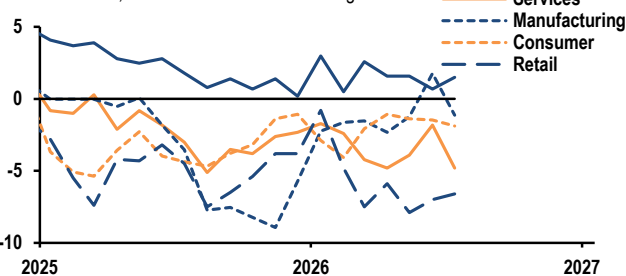


Source: IBGE, BCB and J.P. Morgan

Initial readings for July indicate that the softness in economic growth has extended into this month. Sentiment readings from both consumers and businesses were generally soft, with a marked decline in the services sector (Figure 3). Partial coincident indicators also suggest a decline in July following the expected contraction in June.

Figure 3: Business and consumer confidence (FGV)

Diffusion index, deviation from historical average



Source: FGV and J.P. Morgan

The activity readings through July and inflation numbers through August are the data the BCB should have in hand by its September meeting. Barring a tightening in global financial conditions with material effects on the exchange rate, a renewed escalation in the Middle East conflict with consequences for global prices, or a sharp increase in medium-term inflation expectations, we maintain our out-of-consensus view that the BCB will extend its calibration to September, ending the cycle at 13.75% in September.

Beyond those two meetings, we expect the BCB to pause. Toward year-end, the central bank is likely to face higher inflation readings, particularly as the initial effects of El Niño begin to materialize, alongside higher rates in developed markets. Meanwhile, even as GDP growth decelerates, the economy may prove more resilient due to the lagged impact of government credit programs. These challenges may be

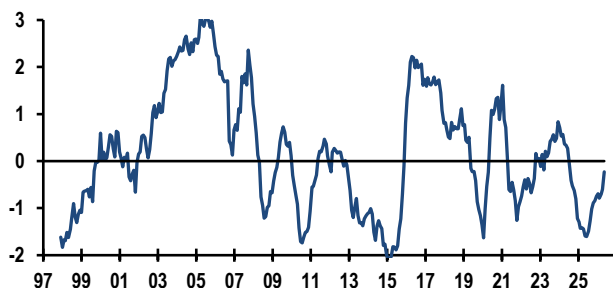
compounded by domestic political uncertainty following the October elections, leaving the [BCB more cautious heading into year-end](#).

Narrowing CAD through mid-year

One of the most encouraging developments for the Brazilian economy in the first half of the year has been the [improvement in the external accounts](#). Driven by falling imports and some support from the oil shock, the current account deficit (CAD) has narrowed from 3% in 2025 to 2.5% over the 12 months ending in June, with prospects for further declines to 2.3% of GDP by year-end. Meanwhile, longer-term capital inflows are improving, reducing reliance on more volatile — and recently negative — portfolio flows. As a result, netting out Brazilian direct investment abroad, the basic balance deficit narrowed to just 0.2% of GDP, the best result in almost two years (Figure 4).

Figure 4: Basic balance

% of GDP



Source: BCB

Nominal fiscal deficit reached 10% of GDP

While the news on the external accounts has been more positive, the news on the fiscal accounts remains more challenging from a structural standpoint. Relative to the end of last year, the primary (ex. interest) deficit widened from 0.4% to 1.2% of GDP, driven mostly by the central government but, more recently, also by a surprisingly large deficit in regional governments and SOEs last month. With rising interest expenses and the reversal of last year's FX swap gain into a loss this year, the 12-month trailing nominal deficit reached 10% of GDP in June, up from slightly over 8% at the end of 2025.

Data releases and forecasts

Week of August 03- 07

Tue Industrial production

Aug 04

8:00am	Mar	Apr	May	Jun
%m/m sa	0.3	0.7	-0.2	<u>-0.7</u>
%oya	4.4	2.7	0.2	<u>3.4</u>

Wed **COPOM meeting**

Aug 05

	Mar	Apr	Jun	Aug
Selic rate	14.75	14.50	14.25	<u>14.00</u>

Fri **Wholesale prices (IGP-DI)**

Aug 07

7:00am	Apr	May	Jun	Jul
%m/m	2.41	0.87	-0.79	<u>-1.08</u>
%oya	0.78	2.53	3.59	<u>2.54</u>

Review of past week's data

Week of July 27 - 31

Consumer prices (IPCA-15)

	May	Jun	Jul	
%m/m	0.62	0.41	<u>0.45</u>	0.06
%oya	4.64	4.80	<u>4.64</u>	4.52

Current account balance

	Apr	May	Jun	
Current account (CA)	-1.6	-3.3	<u>-3.4</u>	-2.3
CA, 12-month sum	-64.2	-64.2	<u>-64.4</u>	-61.3
CA, 12-month sum, %GDP	-2.7	-2.6	<u>-2.6</u>	-2.5
Foreign direct investment	8.9	7.9	<u>7.9</u>	9.1

Wholesale prices (IGP-M)

	May	Jun	Jul	
%m/m	0.84	-0.50	<u>-1.44</u>	-1.16
%oya	1.95	3.16	<u>2.77</u>	2.76

National unemployment rate

	Apr	May	Jun	
Rate, 3-month average (nsa)	5.8	5.6	<u>5.3</u>	5.4

Formal job creation

	Apr	May	Jun	
Net, in thousands (nsa)	85.9	72.9	<u>145.0</u>	145.2

Fiscal sector

	April	May	Jun	
BRL bn				
Primary	24.6	-56.1	<u>-56.4</u>	-55.3
12-month sum, as % of GDP				
Primary	1.0	1.1	<u>4.4</u>	1.2
Nominal	9.4	9.6	<u>9.5</u>	10.0
Net debt, % of GDP	67.4	67.9	<u>67.8</u>	68.5

Source: BCB, FGV, IBGE, Ministry of Labor and J.P. Morgan

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Argentina

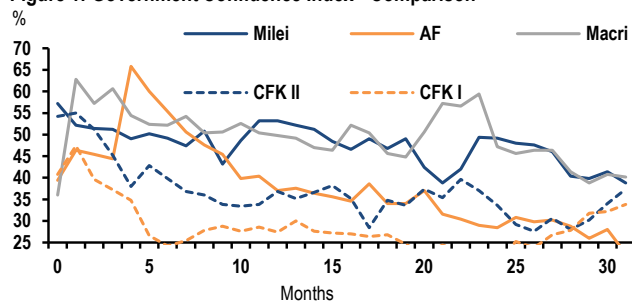
- The ICG posted a 6.5% m/m decline and reversed the gains of June, matching the level of Sep-25
- The ICC followed the same trend and fell 4.8% m/m, though 2H July could provide seasonal impulse
- Registered wage employment was broadly flat in May (+0.03% m/m sa)

Following strong readings of sentiment indicators in June, the figures for July reflect a reversal. The pullback came despite a renewed disinflation trend, and alongside an uneven sectoral recovery in economic activity, as we previously [noted](#).

The government confidence index (ICG) measured by Universidad Di Tella posted a 6.5% m/m, nsa (-5.0% m/m sa) decline to 38.8% and reversed the gains observed in June, standing 21% below 2025 year-end levels. This monthly print matched the level seen in Sep-25, prior to the legislative elections in Buenos Aires Province—and represents the lowest level of the Milei administration, but still roughly in line with the historical series average.

When compared to prior administrations, the picture remains somewhat more favorable for the Milei government, even considering the fiscal and monetary tightening in place since then. Though it stands a bit below the Macri administration's (-3.9%) by a comparable timeframe, it exceeds the numbers seen in both of Cristina F. Kirchner's governments (+14.8% and +3.4%, respectively) as well as the Fernandez administration (+73.3%) (Figure 1).

Figure 1: Government Confidence Index - Comparison



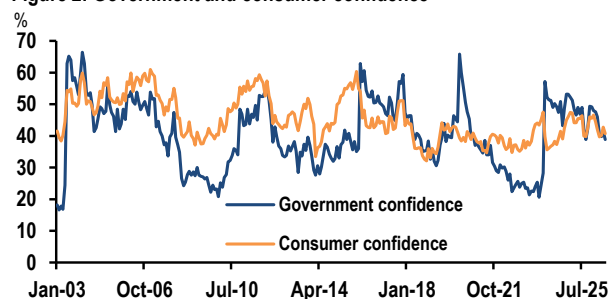
Source: Di Tella and J.P. Morgan

Geographically, the decline was broad-based, although the interior continues to be the government's stronghold, with the highest approval rate (41.8%). In the interior, the drop was less pronounced (-4.7%), while the sharpest contraction occurred in Greater Buenos Aires area (-10.9%, 32.6% approval), where industrial and manufacturing activity is more concentrated.

Meanwhile, the consumer confidence index (ICC) followed the same trend, decreasing 4.8% m/m and reversing the May and June gains (Figure 2). The index stands 12.3% below a year earlier, while it remains 5.1% above the minimum of the Milei administration. Similar to the ICG, the index also contracted on a geographical basis—marked by the -6.35% m/m in Greater Buenos Aires—while also showing less support from low-income households (-11.5% m/m).

Since the indexes are measured during the weeks of 1 and 15-16 of July, they don't capture the effect of the winter holidays in 2H July, which could provide a seasonal impulse. Looking ahead, our base case assumes that the disinflation process lingers supporting a recovery in real wages and in activity momentum that leads to a rebound in sentiment indicators.

Figure 2: Government and consumer confidence



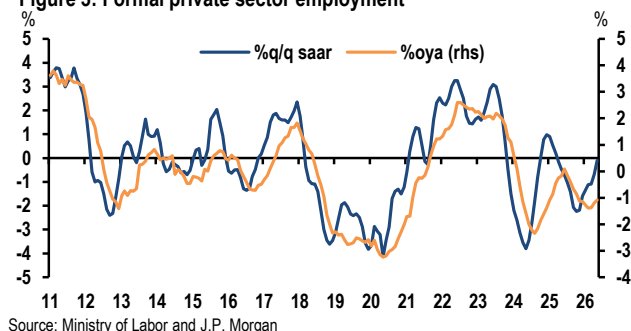
Source: Di Tella and J.P. Morgan

Formal jobs steady, construction up

As household concerns shift away from inflation and toward activity and employment, tracking monthly labor-market prints becomes increasingly relevant for assessing implications for government approval—particularly as the electoral cycle approaches next year.

May data indicated that registered wage employment edged down 1.1% oya, roughly in line with the prior three-month average (-1.3%). On a sequential basis, looking at the seasonally adjusted monthly data (J.P. Morgan Chase's methodology), formal jobs have stopped declining, yet job creation hasn't taken off yet. Indeed, formal jobs printed at +0.03% m/m sa in May from +0.07% m/m sa in April and -0.07% in 1Q26. That said, employment posted three consecutive months of (meager, but still positive) growth for the first time since Jan-25. Consistent with this, the 3m/3m saar figure improved further, with the contraction easing further from -0.6% in April to -0.1% in May (Figure 3).

Figure 3: Formal private sector employment

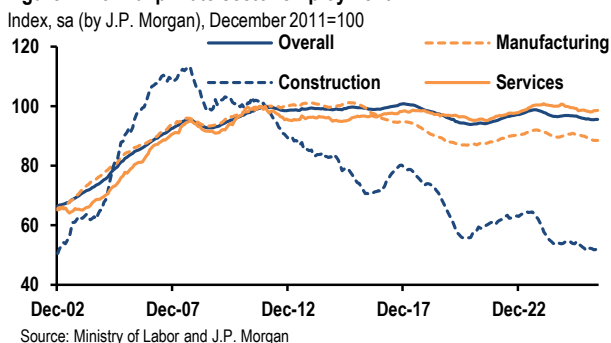


By sector, manufacturing was broadly flat (-0.01% m/m sa), coming from -0.2% 3mma through April, while other sectors posted sub-1% monthly changes that did not materially move the aggregate. However, the most encouraging signal came from construction, which rose 0.6% m/m sa from -0.2% 3mma through April. A sustained recovery in construction ahead remains key to support headline economic activity and sentiment indicators, given the sector's importance for labor demand—especially in Greater Buenos Aires.

In level terms, formal employment stands 2.1% above the post-2003 average, but remains 3.7% below the 2016–2019 average—reflecting sizable shortfalls in manufacturing (-6%) and construction (-30%).

But these dynamics are not new, since formal job creation has been broadly flat on average over the past 15 years, while manufacturing employment has been on a downtrend for roughly a decade (Figure 4). The counterpart has been a gradual shift toward lower-quality self-account employment, which has grown at an average 2.6% per year since 2016, as well as an increase in informality.

Figure 4: Formal private sector employment



The persistent lack of high-quality job creation underscores the structural headwinds facing the labor market, including regulatory rigidities, rising informality/underemployment, and tax pressures. The recently approved labor reform has started to address these issues, though in our view a compre-

hensive tax reform—alongside continued targeted micro-reforms to reduce costs and lift productivity—is also needed for formal job creation to accelerate sustainably.

The authors wish to thank Tobias Zapata of the Latin America Economics Research team, JPMorgan Chase Bank Sucursal Buenos Aires, for his contribution to this report.

Data releases and forecasts

Week of August 3 - 7

Mon Aug 3	Tax revenues				
		Apr	May	Jun	Jul
	%oya, real terms	-3.9	1.8	-7.4	—
Fri Aug 7	Construction				
		Mar	Apr	May	Jun
	%oya	12.7	-2.8	4.2	—
Fri Aug 7	Manufacturing				
		Mar	Apr	May	Jun
	%oya	5.0	-2.5	-5.7	—

Review of past week's data

No data releases.

Source: Ministerio de Hacienda, INDEC and J.P. Morgan forecasts

31 July 2026

Andeans

- **Chile:** The CBC left the policy rate unchanged at 4.50%, as expected
- We continue to view the next policy-rate move as a 25bp hike, with 1Q27 remaining our base-case timing
- **Peru:** K. Fujimori was sworn in on July 28 as president, after winning the runoff by fewer than 50k votes
- Her inaugural address paired a security-and-order agenda with a broad social policy package

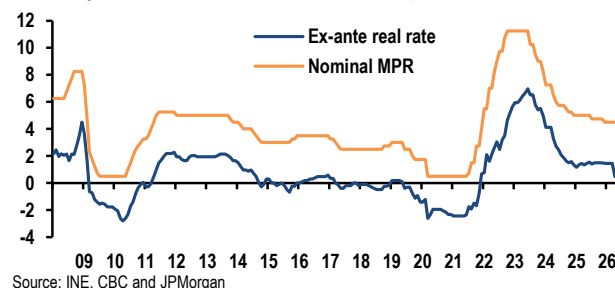
Chile: CBC on hold

The CBC left the policy rate unchanged at 4.5%, as expected, with a unanimous decision. The Board retained its meeting-by-meeting guidance and highlighted the Middle East conflict as the main source of above-normal uncertainty (Figure 1).

The statement balances dovish and hawkish elements. The dovish tilt stems from weaker than expected activity data. May's Imacec fell short of the June Monetary Policy Report's central scenario on both measures: total activity contracted by -0.9%oya, while ex-mining activity expanded by just 0.7%oya. The Board attributes part of the shortfall to supply-side factors in the natural resource sectors. On the demand side, the more persistent drag remains investment. The statement notes that high-frequency indicators point to a sharper slowdown in 2Q capex than staff had projected. Even so, the forward-looking outlook remains constructive. A strong capex pipeline for 2026-29 suggests the current weakness reflects timing effects rather than a downgrade to the medium-term investment cycle. The Board also noted that consumption momentum is easing from the strong pace seen earlier this year, broadly in line with its projections.

The hawkish message comes from inflation dynamics. Headline CPI rose to 4.3%oya in June, exceeding the central scenario contemplated by the monetary authority. More importantly, the Board explicitly noted that the surprise was concentrated in core inflation, which reached 3.4%oya, while volatile components evolved broadly as expected. Fuel pass-through has tracked historical norms, narrowing the explanation for the core overshoot to underlying demand pressures and services inflation rather than a one-off energy shock.

Figure 1: Chile nominal and real monetary policy rate
%, deflating nominal MPR with 12-m ahead inflation as per EEF



Overall, the statement aligns closely with the cyclical narrative we have been highlighting. Activity has materially underperformed expectations in the first half of the year, but consumption has proven more resilient than we anticipated in the face of the second-quarter gasoline shock. We continue to expect capex weakness to reverse in the coming months as the administration's flagship investment bill is enacted and the associated regulations are implemented. Against this backdrop, core inflation, particularly core services inflation, has remained persistent. In our base case, core price pressures are likely to intensify as activity regains momentum. In addition, the weaker exchange rate, driven by tighter external monetary conditions, could add further pressure to core services inflation. As a result, we continue to view the next policy-rate move as a 25bp hike, with 1Q27 remaining our base-case timing.

Peru: Keiko Fujimori's era begins

Keiko Fujimori was sworn in on July 28 as Peru's ninth president in a decade, after winning the June runoff by fewer than 50,000 votes. Her inaugural address paired a security-and-order agenda with a broad social policy package. On security, she unveiled an "iron-fist" anti-crime strategy modeled in part on El Salvador's approach, including plans for a new megaprison and identity protection for judges handling organized-crime cases. On the social front, she announced a reorganization of programs aimed at combating rural malnutrition and a 15% increase in the minimum wage (Remuneración Mínima Vital).

Fujimori also announced that Pensión 65 benefits will double every two months for adults living in extreme poverty. The program currently covers roughly 824,000 beneficiaries and was presented as the first step toward a progressive universal pension system. Additional measures included mobile enrollment brigades for rural, Amazonian, high-Andean, and border communities, a relaunch of food-assistance programs targeting rural malnutrition, and a new youth employment initiative. The fiscal cost of the pension increase could amount to roughly 0.2% of GDP.

The cabinet, sworn in on the afternoon of July 28 and convening for its first council meeting the following day, is led by

Prime Minister Luis Galarreta. The most consequential economic appointment was Elmer Cuba, a former BCRP board director, as head of the MEF. In his first public remarks, Cuba pledged reforms to help the economy “grow healthily again” and said he would review and amend regulations that threaten fiscal stability, an apparent reference to the growing number of congressionally mandated spending measures. The appointment of a technically respected, market-savvy economist to the MEF materially lowers the risk that the administration’s social agenda evolves into fiscal dominance. That said, social spending commitments have continued to expand in recent years (see note).

On infrastructure, Fujimori pledged to complete Line 2 of the Lima-Callao Metro and advance Lines 3 through 6, alongside metro systems in Arequipa, Piura, and Trujillo, the Lima-Ica and Lima-Barranca commuter rail projects, and the Nueva Carretera Central. The infrastructure related capex pipeline (ProInversion) amounts to 8% of GDP. Infrastructure aside, Peru has a deep mining capex pipeline, for up to 16% of GDP.

Regarding inflation, we estimate that the 15% increase in the minimum wage will add roughly 30-40bp to headline CPI over the next 12 months. Our baseline had assumed a 10% increase, implying an additional 10-13bp of upward pressure relative to our current forecast. Even so, given the substantial uncertainty surrounding the inflationary effects of a potentially severe El Niño event, we are leaving our forecasts unchanged for now. Still, the added pressure on core prices increases the likelihood that the BCRP will tighten monetary conditions ahead, in line with our baseline.

Colombia

Data releases and forecasts

Week of August 3 - 7

Tue	Exports				
Aug 4					
		Mar	Apr	May	Jun
\$bn		5.3	4.6	5.2	<u>4.3</u>

Review of past week’s data

National Unemployment

	Apr	May	Jun	
%, sa	8.60	8.10	~~8.30~~	8.20

Policy rate

	May	Jun	Jul	
%	11.25	12.00	~~12.50~~	12.00

Source: DANE, BanRep and J.P. Morgan

Chile

Data releases and forecasts

Week of August 3 - 7

Mon	Economic activity				
Aug 3		Mar	Apr	May	Jun
	%oya	-0.2	-1.2	-0.9	<u>1.8</u>
Fri	CPI				
Aug 7		Apr	May	Jun	Jul
	%oya	4.0	3.9	4.3	<u>3.62</u>
	%m/m	1.3	0.2	0.0	<u>0.18</u>
Fri	Trade balance				
Aug 7		Apr	May	Jun	Jul
	\$bn	1.9	2.4	3.3	<u>2.8</u>

Review of past week’s data

Policy rate

	May	Jun	Jul
%	4.50	4.50	4.50

Retail sales

	Apr	May	Jun	
%oya	4.1	4.8	~~2.8~~	5.1

Manufacturing

	Apr	May	Jun	
%oya	-2.5	-7.2	~~-4.5~~	-3.2

Unemployment

	Apr	May	Jun	
%	8.92	9.23	~~9.30~~	9.40

Source: CBC, INE, and J.P. Morgan estimates

Peru

Data releases and forecasts

Week of August 3 - 7

Sat	CPI				
Aug 1		Apr	May	Jun	Jul
	%oya	4.0	3.9	4.0	<u>4.1</u>
	%m/m	0.5	-0.2	0.2	<u>0.3</u>

Review of past week’s data

No data releases.

Source: INEI, BCRP, and J.P. Morgan estimates

31 July 2026

United Kingdom

- **BoE held rates, with downside inflation surprises and tighter financial conditions buying more time**
- **There is clear daylight between the dovish and hawkish camps, with a high bar to a September hike**
- **Yet the BoE acknowledges that risks to its inflation forecast remain skewed to the upside**
- **We stick with a November hike, but lay out some of the potential triggers for a move**

The MPC voted 6-3 to hold Bank Rate at 3.75% this week, in line with our expectations. Mann switched her vote, joining Pill and Greene in preferring a 25bp hike. She had used a speech in early July to signal that she was leaning towards voting for tighter policy. Her paragraph in the minutes suggested a desire to guard against the inflation risks emanating from the recent collapse of the US-Iran Memorandum of Understanding, and the related volatility in energy prices, ultimately prompted her to switch. There is clear daylight between the MPC's hawkish and dovish camps, but the vote split was narrower than in June and consensus expectations heading into this week's meeting. So we see the split as an incremental hawkish shift.

The policy statement was subtly changed in June, with mixed elements. On the one hand, less emphasis was placed on the weakness in activity and labor market conditions than in June, likely reflecting a recent string of more upbeat growth releases. The message was supported by an upwardly revised GDP forecast for this year from 0.8% to 1.1%.

The statement also explicitly flagged that the risk of material second-round effects in price and wage-setting, against which policy needs to lean, is greater the longer higher energy prices persist. But the majority of the committee were keen to point out that there had been little evidence so far of second round effects materializing, while recent inflation prints had also surprised on the downside, signaling a more favorable starting position ahead of a period in which inflation is widely expected to rise. The statement maintained the same forward guidance stating that the MPC "stands ready to act", which we view as a soft implicit tightening bias.

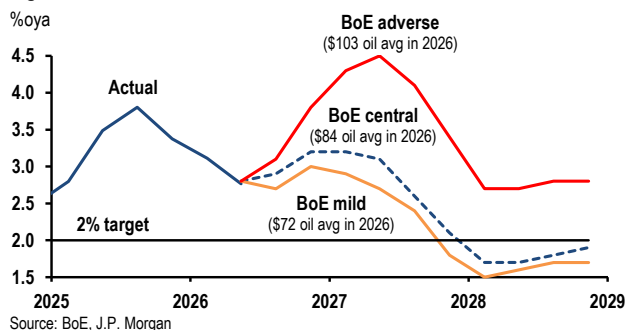
Unlike the last forecast meeting in April, the BoE published a central projection. This showed inflation settling at 1.9% in the final year of the forecast, conditioned on a market curve that included about 50bps of hikes over the next year. This would usually indicate that some but not all of the market's assumed future tightening is warranted. Yet the BoE's messaging around its forecast was surprisingly dovish given the context, with the Bank remarking that the tightening priced in

by markets should reflect upside risks around the inflation outlook rather than a central case for rates.

The more dovish tone was further borne out during the MPC's press conference. In response to a journalist question, Bailey noted that nobody should come away from the meeting thinking that the BoE was edging towards a hike. Similarly, Lombardelli - who has leaned hawkish in the past - said that her vote to hold rates was not a close one. These comments gave the impression that the committee's centre ground was not looking to tee up a September hike, although Bailey remarked that he was staying open minded on the possibility of second round effects later this year, signs of which have largely been absent to date.

We maintain our forecast for a November hike. But we acknowledge this would require movement on at least a couple of the following triggers. First, a potential firming in the Bank's favored measures of underlying services inflation - after adjusting for fiscal changes - or signs that inflation is likely to overshoot the BoE's relatively benign year-end inflation forecast of 3.2% for 4Q. Second, early evidence emerges that the 2027 pay round will be materially stronger than the 3.1% increase projected by the BoE (e.g. 3.5% or higher). Third, the dataflow continues to signal a more resilient growth picture (e.g. GDP stronger than the BoE's 0.3%/q annualized forecast for 3Q). And fourth, given that the views of the committee's centre ground are conditional on potential second round effects proving modest, should energy prices remain elevated for a more prolonged period or rise further, this could shift how these members currently view the balance of risks to the inflation outlook. The BoE's adverse scenario, which assumes oil prices average \$114 in H2 2026 and some de-anchoring of long-run inflation expectations, would likely prompt a full hiking cycle (Figure 1). This is unlikely, but a shift above the central scenario could warrant some tightening.

Figure 1: BoE CPI inflation scenarios



The Monetary Policy Report also contained the BoE's annual review of its quantitative tightening programme, ahead of its decision on the pact in September. It concluded that the pro-

gramme has so far had no significant impact on market liquidity and only a modest impact on gilt yields. However, there were some hints that the BoE could subtly tweak its approach to QT at next month's meeting. The BoE raised its estimate of the cumulative impact QT has had on the gilt market from 15-25bps last year to 20-30bps. This suggests the MPC may be more inclined to slow the pace of QT as redemptions slow in the year ahead. We continue to look for a downshift in the overall pace from £70bn currently to £50bn from September.

Data releases and forecasts

Week of August 3 - 7

Mon	PMI survey final, manufacturing				
Aug 3	% balance, sa				
9:30am			Flash	Final	
		May	Jun	Jul	Jul
	Overall index	53.9	52.5	52.8	<u>52.6</u>
	Output	52.2	52.6	53.6	<u>53.5</u>
Wed	New car registrations				
Aug 5	%3m/12m nsa				
9:00am		Apr	May	Jun	Jul
	Total	10.4	10.0	13.3	-
	Private (ex. bus. and fleet)	13.2	13.6	16.1	-
Wed	PMI survey final, services & composite				
Aug 5	% balance, sa				
9:30am			Flash	Final	
		May	Jun	Jul	Jul
	Services business activity	49.3	48.8	51.8	<u>51.6</u>
	Composite				-
	Output	49.7	49.3	52.1	<u>51.9</u>
	New orders	49.8	48.0	50.4	<u>50.2</u>
	Employment	47.1	46.8	48.2	<u>48.2</u>
Thu	PMI survey final, construction				
Aug 6	% balance, sa				
9:30am		Apr	May	Jun	Jul
	Overall index	39.7	38.2	38.4	-

July's flash PMI flagged improvements in growth, sentiment, and inflation pressures. Given the flash survey was conducted the 9th and 22nd July, and the press release contained few references to the more downbeat news on geopolitics and higher energy prices, we think there is scope for some of July's improvements to partially unwind. In particular, we are likely to see slightly softer output and new orders balances than shown in the flash, while the cost and price balances will probably be revised modestly higher.

Fri	Lloyd's house price index				
Aug 7	sa				
7:00am		Apr	May	Jun	Jul
	%m/m	-0.1	-0.1	0.2	-
	%oya	0.4	0.5	0.6	-
	%3m/3m saar	1.0	-0.7	-1.6	-

Review of past week's data

CBI survey of distributive trades

% balance		May	Jun	Jul	
Volume of retailer sales	-46	-54	-	-26	

Money supply

Sa		Apr	May	Jun	
M4 ex IOFCs (%m/m)	0.3	0.4	-	0.5	
M4 ex IOFCs (%3m/3m, ar)	~~6.4~~	6.5	~~6.0~~	6.2	4.9
M4 (%m/m)	~~0.2~~	0.3	0.1	-	0.8
M4 (%oya)	4.5	4.3			5.0
M4 lending (%m/m)1	0.2	0.1			1.8
M4 lending (%oya)1	6.5	~~6.0~~	6.1		7.5

1. Excludes the effect of securitization.

Net lending to individuals (BoE release)

£ bn, average		Apr	May	Jun	
Consumer credit (ch, m/m)	~~4.7~~	1.8	1.7	-	1.8
Mortgage approvals (000s, sa)	~~66.0~~	65.2	~~56.2~~	56.6	58.2
Secured lending (ch, m/m)	4.4	4.6	~~2.9~~	3.3	7.7

UK mortgage demand remained relatively soft in June. Approvals for new home purchases rose to 58.2k, from 56.6k in May, but stayed well below the six-month average. Meanwhile, the more upbeat story on secured lending was partly a result of lower repayments. The breakdown of the US-Iran ceasefire agreement earlier this month caused swap rates to shift higher again, after falls in June. Despite remaining slightly below the highs seen at the start of the war, two- and five-year swap rates are still 80-90bps above pre-conflict levels. Unless a significant easing in Middle East tensions materializes, quoted mortgage rates are expected to remain elevated. This should keep mortgage affordability and housing market sentiment subdued over the next few months, preventing a strong rebound in approvals.

Nationwide house price index

Sa		May	Jun	Jul	
%m/m	-0.6	0.0	-	0.1	
%oya	1.7	2.3			1.8
%3m/3m saar	~~5.2~~	5.1	2.8	-0.1	

Source: Rightmove, CBI, BBA, BCC, GFK, BRC Markit, SMMT, RICS, Land Registry, ONS, BoE, and J.P.Morgan forecasts

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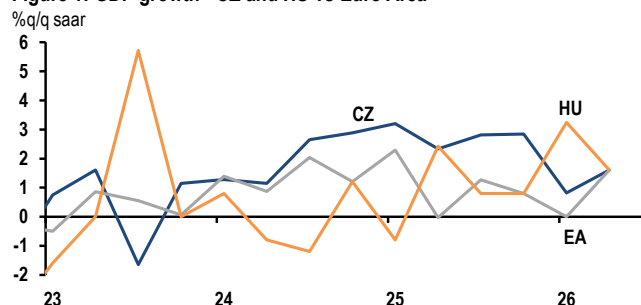
Central Europe

- **CEE: Growth underperforms in 2Q26, printing in line with the EA, but well below our expectations**
- **Poland: Flash CPI for July shows acceleration in core CPI to 3.2%oya...**
- **...likely removing NBP cuts from the table; the balance of risks is shifting towards a hike**
- **Czech Republic: CNB to stay on hold next week, we now expect a hike in November only**
- **Hungary: CPI likely remained contained in July, but core expected to pick up**

CEE: Growth undershoots in 2Q26

The first reads on 2Q26 GDP point to softer-than-anticipated momentum in CEE economic growth. In both countries where data have been published this week, the Czech Republic and Hungary, the economy expanded by 0.4%/q sa in 2Q26 (or 1.6%/q saar - figure 1), which although not terrible, comes in considerably below our forecasts. There is a sort of reversal of fortunes going on: for the Czech economy, the last two quarters have been the weakest in a long while, whereas for Hungary (despite the lower-than-predicted reading) they are the best the country has seen in recent years.

Figure 1: GDP growth - CZ and HU vs Euro Area

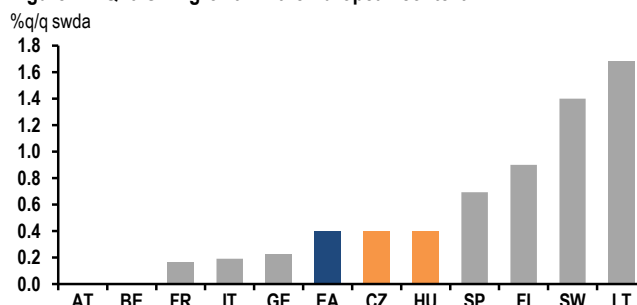


Source: CSU, KSH, Eurostat, J.P. Morgan

It is tempting to attribute the softer-than-expected 2Q data to the temporary spike in oil prices, but this explanation appears insufficient. While retail sales moderated in both Hungary and the Czech Republic, consumption remained relatively robust and can explain only a predictable portion of the slowdown. A cross-country comparison (Figure 2) suggests that European growth as a whole weathered the oil shock reasonably well, and there is little reason to believe CEE should have been disproportionately affected, particularly given the region's relatively generous government measures to shield households from higher fuel prices. Indeed, CEE growth has converged with the Euro Area's, after a period of outperformance (which we consider the normal state of things, considering the region's higher growth potential). For the moment,

the recent improvement in Germany's economy has yet to generate a meaningful spillover to the region, with net exports continuing to weigh on growth.

Figure 2: 2Q26 GDP growth in the European context



Source: Eurostat, National statistical offices, J.P. Morgan

Poland: Risks shifting from cuts to hikes

As expected, Polish CPI jumped from 2.5%oya in June, to 3% (Consensus: 3%oya, J.P. Morgan: 3.1%), driven mainly by a sharp increase in fuel prices (13.9%/m/m), after the government removed temporary VAT cuts and reinstated the normal level of excise taxes. Based on the price surveys at the pump level, we had estimated an even larger monthly increase of 18% in fuel prices, so it's possible the final CPI release will have more of an impact, or alternatively, it will reflect instead in August's CPI. The remaining details are broadly as expected (Table 1). Other energy prices were virtually unchanged and food prices fell another 0.8%/m/m to -0.4%oya, which though soft, is roughly as expected.

Table 1: Poland CPI details¹

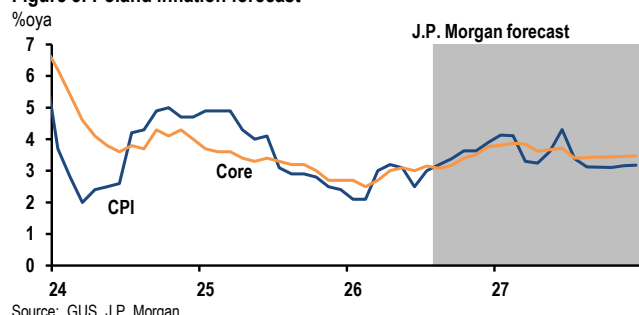
	%m/m					%oya				
	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
All	1.1	0.6	-0.3	-0.5	0.8	3.0	3.2	3.1	2.5	3.0
Food & NAB	0.0	0.6	-1.0	-0.7	-0.8	2.1	1.9	0.5	-0.2	-0.4
Fuels	15.6	-1.8	-0.1	-7.5	13.9	8.6	8.5	12.5	5.3	15.8
Other energy	0.0	0.3	0.0	-0.4	0.1	3.9	4.6	4.9	4.8	4.0
Core ¹	0.5	0.9	-0.1	0.3	0.5	2.7	3.0	3.1	3.0	3.2

Source: GUS

¹ Preliminary, July core CPI is J.P. Morgan estimate

While the flash release does not include core CPI, the available details allow for a close approximation. We estimate core inflation rose by a strong 0.45%/m/m, which, if confirmed, would lift annual core CPI to 3.2%oya, from 3.0% (risks skewed to 3.1%, on rounding). This is notably higher than our initial forecast for a modest decline to 2.9%oya. After under-shooting through most of 2025, core CPI bottomed at 2.5%oya in February and has since been on an upward trend, and we expect it to rise further, reaching close to 4%oya around the turn of the year (Figure 3). The final CPI release will provide greater clarity on the drivers of this acceleration, whether from core goods, which have undershot regional peers for several months, or from services, which would be of even greater concern.

Figure 3: Poland inflation forecast



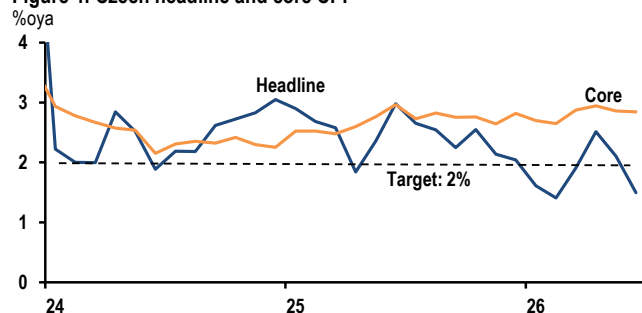
Source: GUS, J.P. Morgan

Following the last MPC meeting, Governor Glapiński signaled that rate cuts could start as early as September. While we acknowledge this risk, we believe the focus should be on persistent core inflation rather than a temporarily soft headline CPI print. Several MPC members have expressed more cautious views, and the renewed firmness in core inflation, together with upside risks from Middle East tensions, should keep cuts off the table. If anything, the balance of risks is gradually shifting towards hikes, although the bar for tightening remains high. The final CPI details will be key for assessing the NBP rate outlook.

CNB on hold next week, hiking later

The flash release of Czech CPI for July is unlikely to be as affected by energy prices as Poland's. Pump-level surveys suggest fuel prices rose 2.8%/m in July, lifting annual fuel inflation to 18.9%oya, but with only a marginal impact on headline inflation. Given the subdued state of food inflation, as well as other energy prices (supported by electricity tax cuts earlier in the year), headline inflation is likely to have remained contained in July at 1.6%oya, up from 1.5%. This is despite elevated fuel inflation and, more worryingly, the persistence of core inflation, which has remained above target since mid-2018.

Figure 4: Czech headline and core CPI



Source: CSU, CNB, J.P. Morgan,

Despite this underlying structural issue, the CNB is in no rush to act. Recent communications have focused on the need to wait for additional data, downplayed strong wage growth on

methodological grounds, and emphasized early signs of a slowdown in credit growth. Given the softer GDP figures for 2Q26 (following an even weaker 1Q), this wait-and-see approach is likely to gain further support within the Board and increases the likelihood that the CNB remains on hold next week. Yet the problem does not go away. In our view, core inflation remains structurally above target, while the re-escalation of tensions in the Middle East adds further upside risks via both fuel and natural gas prices. We think a rate hike will still take place, but later than previously expected, most likely in 4Q26, against a backdrop of tightening by DM central banks.

Hungary: CPI to stay low in July

Similarly to the Czech case, fuel prices moved only marginally in July and are therefore unlikely to be a major factor behind next week's CPI release. More interesting, in our view, are two other developments. The first is food price momentum, which, although still subdued, has shown signs of picking up in recent months. The second is the evolution of core CPI, particularly whether the expiry of the "voluntary price agreements" between specific sectors and the previous government results in higher inflation readings. To our understanding, caps on banking fees, telecom prices and pharmaceutical prices all expired around mid-year, and we should therefore start to see some normalization in pricing dynamics. As a result, we expect core inflation measures to move somewhat higher, with core CPI rising to 2.2%oya (from 2.0%) and core CPI excluding food to 3.3%oya (from 3.1%). Headline CPI, however, is set to remain contained at 1.7%oya (flat), which should leave the NBH comfortable enough to deliver another 25bp rate cut in August, taking the policy rate to 5.5%.

Data releases and forecasts

Czech Republic:

Mon	PMI				
Aug 3	Index				
9:00am		Apr	May	Jun	Jul
	PMI, Manufacturing	52.9	52.2	53.9	—
Wed	Consumer prices				
Aug 5	%oya				
9:00am		Apr	May	Jun	Jul
	%oya	2.5	2.1	1.5	1.6
	%m/m nsa	0.5	0.1	-0.3	—
	Food	-1.3	-1.9	-3.4	—
	Housing	1.2	1.3	1.3	—
	Transport	8.7	9.4	5.7	—

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Thu	Industrial output				
Aug 6	%oya				
9:00am		Mar	Apr	May	Jun
	Production, nsa	4.0	1.6	-1.0	—
	Production, wda	0.9	1.6	2.0	—
	%m/m sa	-0.1	1.4	-0.4	—

Thu	External trade				
Aug 6	CZK bn				
9:00am		Mar	Apr	May	Jun
	Trade balance	29.7	8.2	9.9	—
	Ytd	69.6	77.8	87.7	—
	Ytd a year ago	76.4	94.7	105.6	132.6
	Exports %oya	7.4	5.9	5.7	—
	Imports %oya	7.4	8.7	6.1	—

Thu	CNB rate decision
Aug 6	%

On hold, see main text.

Hungary:

Thu	Industrial output				
Aug 6	%oya				
9:00am		Mar	Apr	May	Jun
	Production, wda	3.7	0.9	5.4	—
	Production, nsa	6.7	0.9	-0.4	—
	%m/m swda	3.2	-1.1	2.3	—

Thu	Retail trade				
Aug 6	% change				
9:00am		Mar	Apr	May	Jun
	%oya wda	8.1	3.6	4.8	—
	%m/m swda	1.9	-1.2	0.8	—

Fri	Consumer prices				
Aug 7	%oya				
9:00am		Apr	May	Jun	Jan
	All items (KSH)	2.1	1.8	1.7	<u>1.7</u>
	%m/m nsa	0.4	0.0	0.0	—
	Food	1.5	0.5	0.2	—
	Consumer durables	2.6	2.4	1.9	—
	Fuel	0.1	2.0	1.6	—
	Services	3.9	4.3	4.0	—
	Core inflation	2.2	1.9	2.0	—
	%m/m, sa	0.2	0.0	0.1	—
	Regulated g&s (NBH)	2.5	2.0	1.9	—
	Market g&s (NBH)	2.0	1.7	1.6	—

Poland:

Mon	PMI				
Aug 3	Index				
9:00am		Apr	May	Jun	Jul
	PMI, Manufacturing	48.8	49.4	46.1	—

Romania:

Thu	Retail sales				
Aug 6	%oya				
9:00am		Mar	Apr	May	Jun
	Retail sales, sa	-3.7	-6.2	-4.8	—
	%m/m, nsa	2.0	-2.5	1.3	—

Review of past week's data

Czech Republic:

Real GDP, preliminary

%oya, unless otherwise stated

	4Q25	1Q26	2Q26	
Real GDP, nsa	2.8	2.2	—	<u>2.0</u>
%q/q saar	2.8	0.8	—	<u>1.6</u>

GDP growth accelerated only modestly to 0.4%q/q in 2Q26 from 0.2%q/q in 1Q, while annual growth slowed to 2.0%oya from 2.2%. The outcome disappointed both market expectations (0.6%q/q) and our forecast (0.8%q/q saar), despite high-frequency indicators pointing to broad-based strength across industry, construction and services. The stats office confirmed solid gains in industry and services, but expenditure details suggest weak investment was the key drag.

Hungary:

Real GDP, preliminary

%oya, unless otherwise stated

	4Q25	1Q26	2Q26	
Real GDP	0.8	1.7	—	<u>1.7</u>
%q/q saar	0.7	3.2	—	<u>1.6</u>

GDP growth slowed to 0.4%q/q in 2Q26 from 0.8%q/q in 1Q26, well below our forecast (0.9%q/q). On an annual basis, growth remained broadly unchanged at 1.7%oya nsa (1.6%oya sa). While no expenditure breakdown is available yet, the statistical office noted positive contributions from industry and services, offset by a drag from agriculture.

External trade

EUR mn	Mar	Apr	May	
Trade balance	1285	370	—	799
Ytd	~~2570~~	2278	~~2944~~	2649
Ytd a year ago	~~3472~~	2703	~~4620~~	3852
Exports, %oya	6.5	9.1	—	10.0
Imports, %oya	10.9	17.0	—	6.4

Poland:

Consumer prices, preliminary

%oya, unless otherwise stated

	May	Jun	Jul	
%oya	3.1	2.5	—	<u>3.0</u>
%m/m, nsa	-0.3	-0.5	—	<u>0.8</u>

Türkiye

• Inflation momentum to rise in July

The Middle East re-escalation has pushed Brent crude oil prices back around \$90 per barrel, reintroducing upside risks to the inflation outlook alongside the gradual phase-out of the fuel tax buffer mechanism. Against this external backdrop, we expect inflation momentum to rise in July, with headline CPI rising by 2.0% m/m and annual inflation easing only marginally to 32.0% oya from 32.1% in June. On a seasonally-adjusted basis, headline CPI momentum is expected to pick up to 2.4% sa, from 1.7% in June, while core momentum rises to 2.6% sa, from 2.0%, signaling that underlying price pressures remain firm.

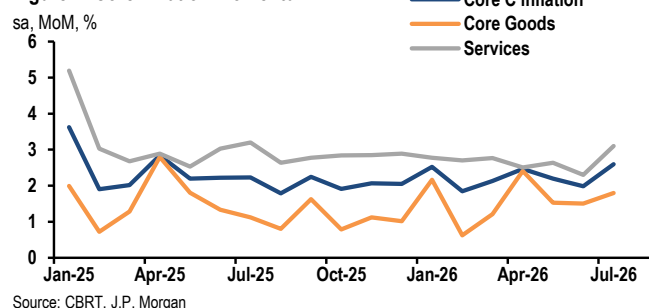
In light of these developments, we have revised up our end-26 inflation forecast to 29.5% oya, from 29% previously, reflecting higher energy prices and the gradual phasing out of the fuel tax buffer mechanism. If energy prices remain elevated, risks to the inflation outlook are skewed to the upside.

We expect one-week repo auctions to remain suspended until the 10 September MPC meeting, with the effective funding rate maintained at the 40% overnight lending rate until then. If the Middle East conflict de-escalates by that time, we expect the CBRT to resume one-week repo auctions, lowering the effective funding rate from 40% to 37%. Thereafter, we expect 100bp cuts at both the October and December meetings, bringing the one-week repo rate to 35% by end-26. Conversely, should energy prices instead remain elevated, we see risks skewed toward fewer rate cuts and high rates for longer, contingent on the duration and intensity of the Middle East conflict.

Inflation momentum to rise in July

July CPI data, scheduled for release next Monday (3 August), is set to show an increase in inflation momentum. We expect headline CPI to rise by 2.0% m/m in July, while year-over-year inflation is expected to edge down marginally from 32.1% to 32.0% oya. On a seasonally-adjusted basis, headline CPI momentum is expected to pick up to 2.4% sa in July, from 1.7% in June, while core inflation momentum is expected to climb to 2.6% sa, from 2.0% in June (Figure 1).

Figure 1: Core inflation momentum

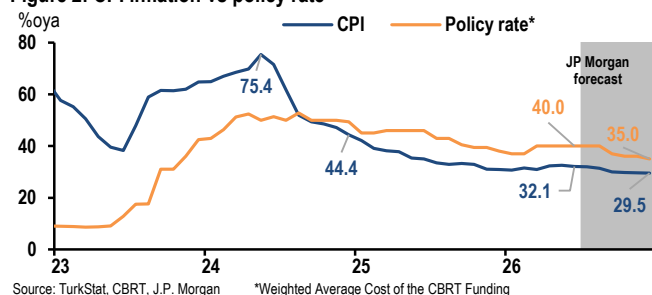


The acceleration in the inflation momentum is led by services, where we expect momentum to rise to 3.1% sa from 2.5% in June (Figure 1). Part of this reflects one-off increases: regulated health service fees added an estimated 0.2%-pt to the July print, while communication prices were hiked. The pressure extends well beyond these one-offs, however, with rents rising on higher contract renewals and restaurant and hotel inflation remaining elevated amid a strong tourism season. Core goods momentum also picks up to 1.8% sa from 1.5%, driven by durable goods.

Beyond core inflation, energy prices are a further concern. The renewed Middle East conflict has pushed Brent oil prices back around \$90 per barrel, lifting motor fuel prices by 3.2% m/m this month. Prior to the re-escalation, as oil prices had fallen meaningfully, the Ministry of Treasury and Finance started to phase out its sliding scale mechanism on fuel prices (i.e. fuel tax buffer), the mechanism that had shielded consumers from higher oil prices. With oil prices higher again, this phase-out has become a fresh source of upside risk to the inflation outlook. In the gradual phase-out process, 50% of any increase in domestic refinery prices (previously 75%) will be offset by special consumption tax cuts until July 31. Between August 1 and September 30, the offset will fall to 25% of the increase in domestic refinery prices. From October 1, the sliding scale mechanism will end altogether. Should MinFin continue to unwind the buffer rather than restore it, retail fuel prices would rise sharply and keep inflationary pressures elevated in the months ahead. We have revised up our end-26 forecast to 29.5% oya (previously 29%) due to the impact of the Middle East re-escalation on fuel and food prices (Figure 2).

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Figure 2: CPI inflation vs policy rate



Data releases and forecasts

Mon	Consumer prices				
Aug 3	% change				
10:00am		Apr	May	Jun	Jul
	Consumer prices				
	%oya	32.4	32.6	32.1	32.0
	%m/m	4.2	1.7	1.0	2.0
	Core CPI (C)				
	%oya	29.8	30.4	29.8	30.5
	%m/m	3.5	2.9	1.5	2.3

See main text.

Source: TurkStat

Fri	Central govt. budget (cash basis)				
Aug 7	TRY bn				
11:00am		Apr	May	Jun	Jul
	Budget balance	-251	-252	51	—
	Revenues	1273	1146	1514	—
	Expenditures	1524	1398	1463	—

The Treasury cash balance posted a TRY50.8bn surplus in June, versus a TRY455.7bn deficit a year earlier, taking the 12-month deficit to 2.6% of GDP from 3.3%. Lower interest payments helped, but the bigger driver was primary spending, up 19.9%oya and at its lowest share of GDP since early 2024.

This reflects smaller transfers to the Social Security Institution (SGK), which runs the pension and public health insurance system. December's law raised premium rates and lowered incentives, boosting SGK's own revenues and cutting its need for budget support. Starting in August, the state will also stop paying its automatic contribution of 25% of premiums collected, and will cover only SGK's remaining deficit. This outperformance is notable given the unbudgeted oil tax buffer mechanism, which caps pump prices and lowered SCT collections on fuels during March-June and is only now fading out gradually. We therefore see downside risks to our 4.0% of GDP deficit forecast.

Source: Ministry of Treasury and Finance

Review of past week's data

Labor market data

%, unless otherwise stated

	Apr	May	Jun	
Unemployment	8.2	8.1	—	7.6
Broad unemployment	30.1	31.0	—	28.8

Headline unemployment fell to 7.6% in June from 8.1%, the lowest since the monthly series began in 2005. The monthly move was employment-led, with employment up 227k against a labour force gain of only 58k. Broad labor underutilization, which adds underemployed and discouraged workers to the unemployed, is still 28.8%, roughly four times the headline rate. We therefore do not read 7.6% as evidence of a tightening labor market, and we expect labor data to reflect weak economic activity in the coming months.

Source: TurkStat

Israel

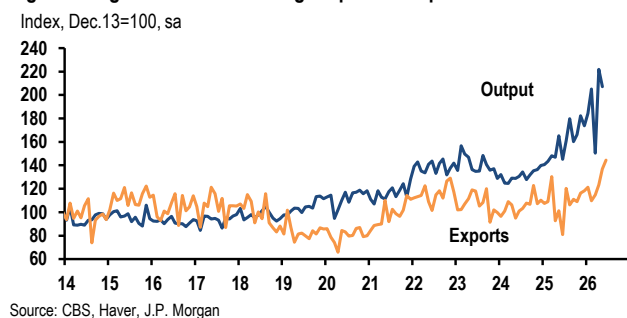
- **Manufacturing output up 14.5%oya in May**
- **ICT revenues stagnate**
- **Consumer remains in good shape**

This week's activity releases confirmed that the economic recovery from the Iran war shock is proceeding fine. Although manufacturing output edged lower in May, it was still an impressive 14.5% higher than a year ago (Figure 1). However, growth has been uneven across sectors. High-tech manufacturing output and exports have surged (Figure 2). The rest of the sector has stagnated. It remains unclear to what extent the intellectual property-based income, booked in Israel but generated by the multinationals' international activity, could have distorted measured manufacturing exports and output, a point the BoI has highlighted recently.

Figure 1: Manufacturing output - Israel

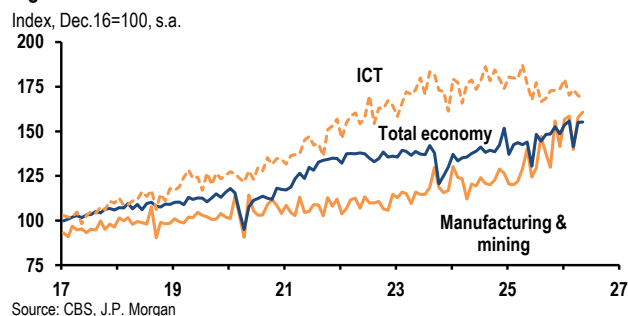


Figure 2: High-tech manufacturing output and exports - Israel



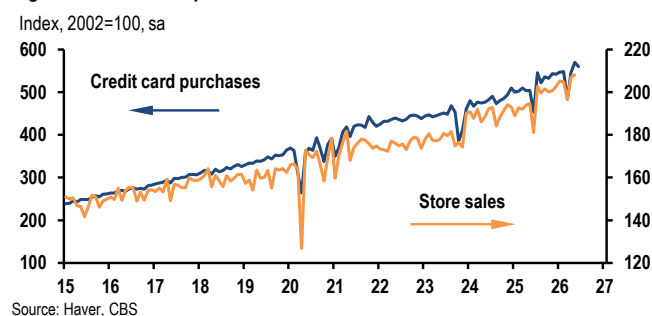
The data on real revenues also confirm that manufacturing is doing great: the sector has been the prime driver of overall revenue growth over the past year. That said, (real) revenues in information and communication — one of the main export engines of the economy — have stagnated in recent quarters and were down about 4.6%oya in May (Figure 3). The news-flow about job cuts in the sector aligns well with this trajectory.

Figure 3: Real revenues



Meanwhile, Israel's consumer remains in good shape. Although credit card sales edged down in June, this followed very strong increases in April-May and the overall level of consumer demand remains solid (Figure 4). A reversal in the trajectory of wealth effects following the correction in equity markets may temper consumption growth in 2H26, in our view. We also remain of the view that BoI's near-term growth forecasts may be slightly too optimistic.

Figure 4: Credit card purchases vs chain store sales



Data releases and forecasts

No major releases scheduled

Review of past week's data

Manufacturing production

%oya					
	Mar	Apr	May		
%oya	-1.2	~~30.0~~ 29.9	~~18.0~~ 14.5		
%m/m sa	~~-17.5~~ -18.2	~~29.8~~ 29.9			-6.3

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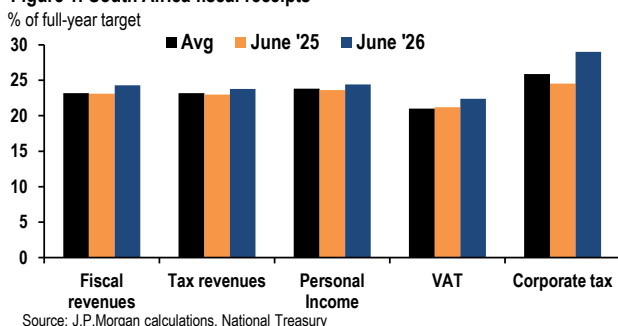
South Africa

- **Strong June fiscal receipts boosted by terms of trade and non-tax revenue**
- **We now track a 3.5% deficit in FY26/27 with a 1.7% primary surplus**
- **Food inflation outlook not yet at significant risk despite likely severe El Niño**

Fiscal data for June confirm preliminary indications based on issuance and cashflow of strong fiscal receipts at mid-year, now tracking comfortably ahead of National Treasury's expectations. Government revenue in the current fiscal year through to June rose to 24.3% of the full-year target (vs. 23.2% for the prior three years), suggesting over-collection of about R23bn so far this year (Figure 1).

Approximately half of this is due to solid tax receipts (up 9.2%oya in 2Q26 vs. full-year growth target of 5.8%/y/y) as corporate tax payments rose 25.1%oya in June. The latter is very likely driven by mining companies that benefitted from elevated commodity export prices and transfer most of their corporate tax payments in the months of June and December. That said, personal income tax payments and value added taxes are also tracking ahead of plan. The non-tax component is supported by mining royalties, about R4bn ahead of plan in June, with the remainder due to profits on financial transactions that are less predictable.

Figure 1: South Africa fiscal receipts



Our expectation is for a notably softer contribution from the export sector in the second half of the fiscal year, while part of the earlier temporary petrol levy cut (with about R7bn remaining) would also impact the fiscal balance this year beyond budget plans. Despite higher inflation, spending momentum so far is broadly on track. That said, an additional allocation to capex projects may well be considered in the MTBPS given the bigger than expected windfall gains from terms-of-trade, partly incorporated into our projections. We now track a main budget deficit of 3.5% of GDP in FY26/27 (Treasury: 3.7%), from 4.3% in FY25/26, lifting the primary

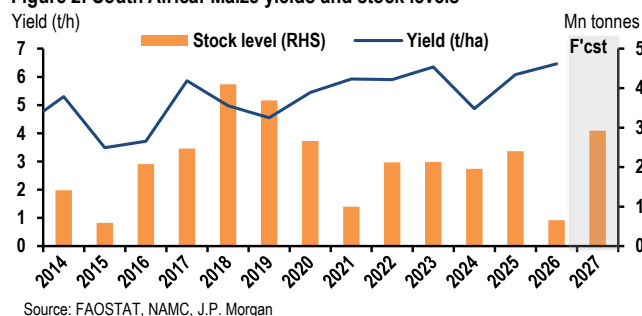
surplus to 1.7% of GDP (Treasury: 1.6%).

El Niño: more heat than bite?

Our global team recently estimated that a combined severe El Niño and oil shock could add 0.6%pts ar to global headline inflation on average in 1H27 and 0.3%pts for the full year (y/y). Without the oil shock, the impact of a severe El Niño on food inflation historically was on the order of 0.7%pts at its peak. In the global analysis, South Africa's food inflation dynamics screened as significantly more sensitive to a drought than many EM peers. However, the impact on headline inflation is dampened as the weight of food inflation in the CPI index is on the lower side.

A further factor that tempers our concern is that South Africa enters this cycle with a sizeable buffer in the form of a record maize harvest and ample carry-over stocks from the previous season (Figure 2). Therefore, the crop yield would need to decline by more than about 40% relative to recent levels before the country would need to import maize and prices would jump to impact-parity pricing. In our view, given the favorable starting point and the magnitude of previous El-Niño episodes, such a drop is not the base case in the first year of the cycle. As highlighted in our [previous note](#), South African food inflation is driven primarily by the exchange rate and global food prices. Under our global team's super El Niño and 30% oil price shock scenario, we anticipate that food inflation could rise by 2%-2.5%pts at peak, lifting headline CPI by roughly 0.4% after three quarters.

Figure 2: South Africa: Maize yields and stock levels



Data releases and forecasts

Week of Aug 03 - Aug 07:

Mon	New vehicle sales			
Aug 3	%oya, except as noted			
12:00 am		Apr	May	Jun
	Total vehicle sales	13.0	12.8	15.2
	%m/m nsa	-17.5	6.5	6.7

Mon	Barclays BER PMI				
Aug 3	Index				
11:00am		Apr	May	Jun	Jul
	PMI (% weights)	52.6	50.8	47.3	—
	Business activity (25)	52.8	43.5	45.6	—
	New sales orders (30)	52.9	44.6	40.6	—
	Suppliers' performance (15)	61.4	61.6	60.0	—
	Inventories (10)	52.3	55.8	49.0	—
	Employment (20)	43.8	48.4	41.4	—
	Memo: prices paid	85.6	84.8	71.3	—
	Business expectations	47.4	52.9	56.6	—
	PMI nsa	47.4	49.2	43.9	—
Fri	SARB official reserves				
Aug 7	US\$ bn, except noted				
8:00am		Apr	May	Jun	Jul
	Gross reserves	77.1	76.6	74.1	—
	International liquidity	73.8	73.5	71.3	—
	Gross reserves (R bn)	1293.4	1242.4	1213.1	—

Review of past week's data

Monetary and credit aggregates

%oya, except as noted

	Apr	May	Jun	
M3	9.8	9.6	—	9.3
M0	12.1	8.7	—	11.0
Private sector credit	~~9.2~~ 8.9	8.6	—	7.8
%m/m nsa	~~0.4~~ -0.1	~~0.0~~ 0.2	—	0.6
Credit to households	4.6	4.7	—	4.9
Total domestic credit	~~8.9~~ 8.6	8.7	—	7.7

Fiscal revenue and expenditure

Rand bn, sa

	Apr	May	Jun	
Balance	-63.6	-14.6	—	80.1
Revenue	117.5	146.5	—	241.5
Expenditure	181.1	161.2	—	161.4

See main text.

Source: StatsSA ,SARB,Haver Analytics, J.P. Morgan

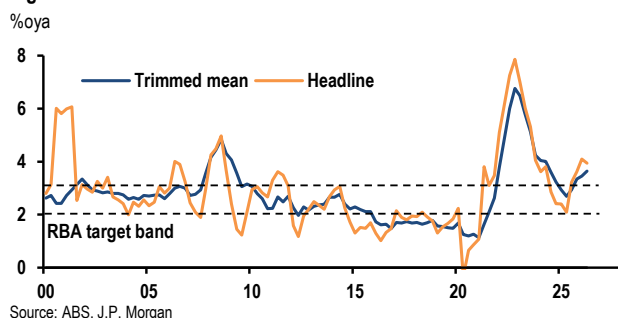
31 July 2026

Australia and New Zealand

- Australian inflation lands below expectations
- Dwelling approvals miss Treasury target in FY26
- NZ unemployment rate expected to hold at 5.3%

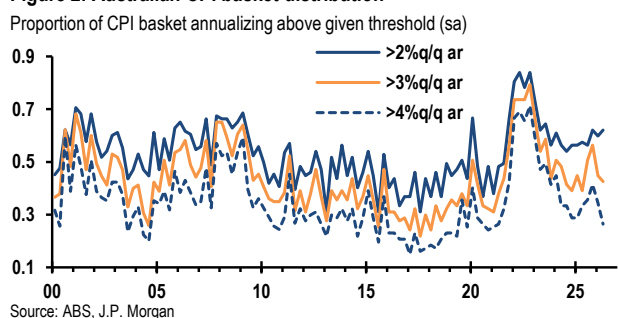
Australia's 2Q CPI came in softer than the already downwardly revised expectations, crystallizing a material undershoot versus the RBA's forecast (1.4%/q/q). Headline inflation rose 0.6%/q/q, below both JPM and consensus (0.8% and 0.7%, respectively), while trimmed mean also undershot at 0.9%/q/q (Figure 1). While we expect leadership to retain a hiking bias so long as spot inflation remains elevated, the data support our view that the hiking cycle is over and the next move is down in 2027.

Figure 1: Australian headline and trimmed mean inflation



Our research has flagged: 1) that RBA hikes have been front-footed, in the sense that inflation/inflation expectations risk was not fundamentally high ([here](#) and [here](#)); and 2) that CPI has been tracking under RBA forecasts, for 2Q in particular. This week's data reinforce both themes, showing that the inflation surge over the past year has been driven by relatively narrow channels, namely goods and energy. Despite concerns that Middle East-related supply shocks are spilling over into other channels, measures of inflation breadth eased in 2Q, particularly in the right tail of the CPI basket. In the quarterly data, the share of items rising more than 3%/q/q (annualised) and 4% q/q fell to multi-year lows (Figure 2).

Figure 2: Australian CPI basket distribution

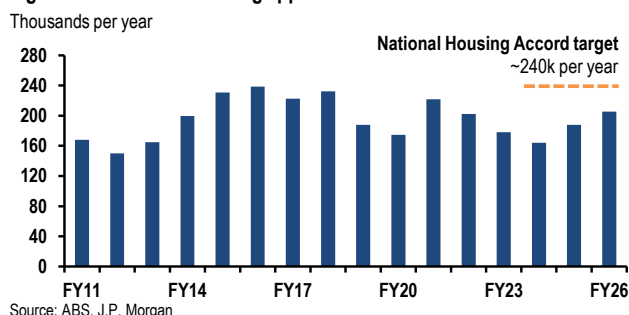


The outlook for global goods and energy of course remains uncertain and fuel excise unwinds lie ahead in July/August, which will boost headline. However, the lack of pressure broadly across the CPI distribution provides some buffer for this in core, and from 2H26, the electricity subsidy unwind starts dropping out of annual bases, providing a further downward bias.

Room to improve for housing supply

Australian residential building approvals rose a firmer-than-expected 7.2%/m in June (JPM: +3.0%/m, consensus: -0.5%/m), taking total approvals over FY26 to 205k (Figure 3). This is a solid 9.2% increase over the prior year and the highest since FY21, but still well short of the government's ~240k per year target. Accounting for the accumulated shortfall through FY25 and FY26, nearly 270k new dwellings will now need to be built each year to meet the National Housing Accord's target of 1.2m homes by FY29, a more than 30% uplift from the latest result. Even so, the composition offers some encouragement, which has shifted towards detached approvals (40% in FY25 vs 33% in FY21), which carry a larger, faster per-unit impact on GDP.

Figure 3: Residential building approvals



In other data, private sector credit rose 0.8%/m in June, above both J.P. Morgan and consensus forecasts (0.6%/m) and marking the fourth consecutive upside surprise. Housing credit held steady at 0.6%/m, though early signs of softening are emerging with three-month and annual growth rates beginning to turn lower. Business credit drove the outperformance over the month, rising 1.1%/m and pushing the annual rate to a new cycle high of 10.8%/oya. [Structural tailwinds](#) from intensifying lender competition and non-bank credit growth are likely to keep this segment supported through year-end, and provide a partial offset to headwinds from more cyclical credit segments.

NZ labor market improving, but gradually

Though the US-Iran conflict saw NZ business surveys step back in 2Q, that wasn't evident in hiring outcomes, with Stats NZ's monthly measure of filled jobs up 0.2% on a 3m/3m

basis through June. We expect employment in the household survey will be slightly stronger still, up 0.3%q/q reflecting firmer reported growth in the working age population, including an upward revision to 1Q. Jobless welfare claims have been trending lower and the NZIER survey measures of labor availability and factor constraints tightened in 2Q, despite headwinds from profitability/oil price channels.

These indicators suggest a consistent downward bias to the unemployment rate. But having already fallen in 1Q and with job advertisements seeing some payback after a very strong start to the year, we expect an unchanged outcome for 2Q at 5.3%. Our model for the LCI is quite levered to business survey reports of labor capacity, which alongside a 1.9% increase in the minimum wage effective April 1 should see a pick-up in the LCI to 0.7%q/q. Given the trajectory of the growth data (GDP beat in 1Q, with upward revisions) and inflation (well above target), accommodative policy can only be maintained in the presence of labor market risk. A weak 2Q labor market report is, then, in our view the only factor that could derail a second consecutive RBNZ hike in September.

Australia

Data releases and forecasts

Week of August 4 - 7

Tue	ANZ job advertisements				
Aug 4		Apr	May	Jun	Jul
11:30am	%m/m, sa	-0.7	1.9	-0.2	
Tue	Household spending indicator				
Aug 4		Mar	Apr	May	Jun
11:30am	%m/m, sa	1.7	-1.1	1.3	-0.2
	%oya	6.4	5.1	5.5	4.9

Retail fuel prices fell around 10% through June, which should mechanically drag on nominal household spending via the transport segment and support an unwinding of May's strength. Beyond the fuel distortion, consumer sentiment remained depressed and households stayed cautious amid the prospect of further RBA tightening, likely weighing on discretionary spending, though some offset may come from World Cup-related recreational spending. On balance, we expect a modest decline in June following May's sharp rise. From here, we see limited further upside to household spending as the lagged effects of earlier tightening feed through, while the drag from the housing slowdown is expected to build through 2H26, with discretionary goods categories most exposed.

Thu	Goods trade balance				
Aug 6		3Q25	4Q25	1Q26	2Q26
11:30am	A\$bn, sa	-1.7	1.4	-3.0	

Review of past week's data

Monthly headline CPI					
	Apr	May	Jun		
%m/m, nsa	0.4	-0.7	<u>0.4</u>		-0.1
%oya	4.2	4.0	<u>4.3</u>		3.8
Monthly trimmed mean					
	Apr	May	Jun		
%m/m, sa	0.3	0.4			0.3
%oya	3.4	3.6			3.6
Quarterly headline CPI					
	4Q25	1Q26	2Q26		
%q/q, nsa	0.6	1.4	<u>0.8</u>		0.6
%oya	3.6	4.1	<u>4.2</u>		4.0
Quarterly trimmed mean					
	4Q25	1Q26	2Q26		
%q/q, sa	0.9	0.8	<u>0.9</u>		0.8
%oya	3.4	3.5	<u>3.7</u>		3.6
Residential building approvals					
	Apr	May	Jun		
%m/m, sa	-0.2	-1.0	<u>3.0</u>		7.2
Producer price index					
	4Q25	1Q26	2Q26		
%q/q	0.8	0.4			1.3
Private sector credit					
	Apr	May	Jun		
%m/m, sa	0.7	0.7	<u>0.6</u>		0.8

New Zealand

Data releases and forecasts

Week of August 4 - 7

Wed	Household labor force survey				
Aug 5		3Q25	4Q25	1Q26	2Q26
8:45am	Unemployment rate (% sa)	5.3	5.4	5.3	<u>5.3</u>
	Employment change (%q/q, sa)	-0.1	0.5	0.1	<u>0.3</u>
Wed	Labor cost index				
Aug 5		3Q25	4Q25	1Q26	2Q26
8:45am	%q/q, sa	0.4	0.4	0.5	<u>0.7</u>

Review of past week's data

NZ ANZ business confidence				
	May	Jun	Jul	
Index, sa	10.0	36.6		56.1

Sources: ABS, ANZ, RBA, Stats NZ, BNZ, J.P. Morgan

Greater China

- **China: July Politburo places near-term focus on fiscal execution**
- **Broad-based weakness in NBS manufacturing PMI**
- **Hong Kong SAR: 2Q GDP remained solid; revise up 2H GDP growth forecast**
- **Taiwan: Strong 2Q GDP, with domestic demand stepping up; CBC minutes centered on CPI debates**
- **Next week: RatingDog PMI, trade, FX reserve; Hong Kong sales and PMI; Taiwan PMI, CPI and trade**

Fiscal easing in the rest of the year is the key to the second half recovery. We see the 2Q slowdown as a result of fiscal under-execution, implying meaningful untapped fiscal capacity for 2H. The key risk is weak transmission ahead of a local leadership reshuffle, which may reinforce risk aversion and slow project rollout. Weak July NBS PMIs add uncertainty around the expected 3Q rebound, but we will watch next week's RatingDog PMI and trade data to gauge quarter-start momentum. If growth struggles to remain within the 4.5%-5.0% target range in 3Q, it would raise the likelihood of additional easing later this year, in our view.

July Politburo focuses on execution

The policy message from the July Politburo broadly validated our call on priorities, sequencing and sector focus. Near-term focus remains on fiscal execution, including faster spending and accelerated use of bond proceeds. The statement explicitly called for "timely and pragmatic incremental policies" and "greater counter-cyclical adjustment," suggesting a somewhat more dovish tone than in April amid the 2Q slowdown and lingering external uncertainties. We think additional easing remains on the table, but is likely to be data-dependent and contingent on growth momentum and policy implementation.

The Politburo reaffirmed support for AI and industrial upgrading, underscoring innovation and technological self-reliance as long-term strategic priorities. The statement on consumption largely echoed the recently released Consumption 15th FYP and stayed supply-centric. The reference to services trade and more balanced trade developments was notable, signaling the official response to rising global imbalances pressures.

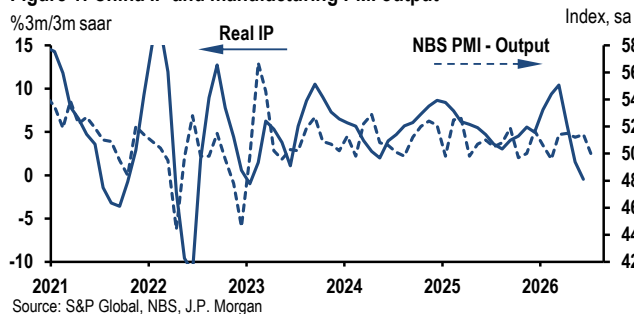
The 5 October Plenum is expected to focus on party discipline and governance, which historically leaves limited scope for a "9/24-style" policy surprise. Meanwhile, ongoing anti-corruption efforts and personnel reshuffles ahead of the 21st Party Congress could reinforce risk aversion among local officials and slow project execution, implying a more gradual

transmission of policy intent to actual investment spending than in previous cycles.

NBS manufacturing PMI weakened sharply

July NBS manufacturing PMI unexpectedly fell 1.1pts, to 49.2, with broad weakness across major production and demand components. Output PMI slipped 1.5pts, to 49.9, below the 50-threshold for the first time in five months, suggesting the pace of June's industrial production rebound may not be sustained (Figure 1). New orders fell 2.7pts, to 48.5, and export orders edged down 0.5pt, to 49.6, likely reflecting typhoon-related port disruptions, with a potential late-month recovery not captured.

Figure 1: China IP and manufacturing PMI output



Despite the recent re-escalation in the Middle East, input prices grew at a slower pace (down 1.0pt, to 53.2). However, output price PMI declined to 47.8, indicating weak downstream pricing power and renewed deflation risks. Non-manufacturing PMI dropped to the lowest since end-2022, at 49.0. Service PMI deteriorated despite the cushion from summer tourism demand, while the construction PMI contracted more sharply, to 47, partly due to heat and heavy rainfall.

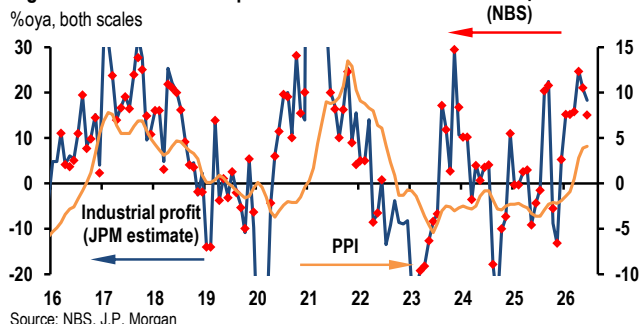
Overall, the July PMIs signal downside risks to near-term activity and increase the urgency for faster fiscal execution and bond-proceeds deployment. Further easing is possible, but likely data-dependent and tied to the scale of any 3Q slowdown. Externally, Middle East risks remain, but their marginal drag may ease as economies adjust. Exports should stay relatively resilient on the global IP/AI upcycle despite rising tariff risks. We look to next week's RatingDog PMIs and the trade report for further clarity.

Industrial profit growth remained narrow

Headline industrial profit growth was 18.7%oya in 1H26, slightly below the 18.8% in the first five months, as the monthly pace of expansion moderated to June's 15.1%oya from 21.1% in May (Figure 2). The headline profit gains were driven by a relatively narrow set of tech-related and raw material sectors, accounting for nearly 93% of the headline

profit growth in 1H. Electronics manufacturing profit rose 96.9%oya ytd on the back of a global AI upcycle, lifting adjacent industries' profits, including ICs manufacturing and non-ferrous metal. In contrast, rising producer prices have squeezed the profits of downstream and consumer-related industries.

Figure 2: China industrial profits and PPI

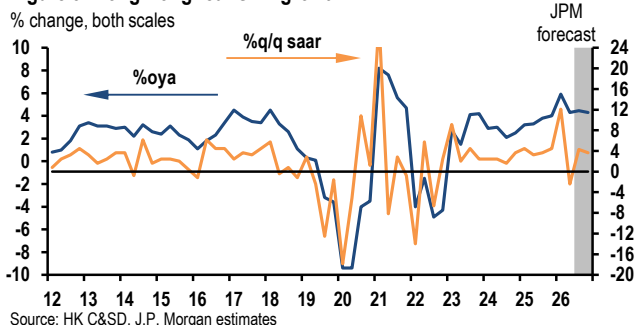


Looking ahead, we expect the two-speed profit growth to persist. Tech-related industries should continue to outperform, supported by the government's multi-year "AI+" and industrial upgrading agenda, as well as the global IP and AI cycle. However, spillovers to employment, income and household demand are expected to be limited in the near term, capping the prospects for a broader profit recovery.

Hong Kong SAR: 2Q GDP remained solid

Hong Kong SAR's 2Q GDP growth remained solid, at 4.3%oya, despite moderating from 1Q's near five-year high of 5.9% (Figure 3). On a seasonally adjusted basis, 2Q GDP fell 2.4%q/q saar, partly reflecting the rebasing effect from 2023-24 prices. Domestic consumption and investment grew at a slower pace, while net trade was less of a drag on export acceleration.

Figure 3: Hong Kong real GDP growth



Hong Kong's strong business momentum from 1H is expected to continue, supported by active IPO fundraising activity and new tax incentives aimed at attracting investment funds. Meanwhile, a continuing housing upcycle is expected to lift

consumer confidence and consumption via a positive wealth effect. Hong Kong may also benefit indirectly from the ongoing global AI upcycle as a re-export hub, though net trade contribution could be volatile due to price effects. The main macro risk is a more hawkish Fed under the linked exchange rate system, but we expect the near-term impact to be limited before our US economist's projected rate hike in December. We revised up our 3Q and 4Q GDP growth forecasts to 4.3% q/q saar and 3.6%, respectively, with full-year growth now at 4.7% y/y.

Taiwan: CBC minutes focus on CPI debates

The 2Q CBC minutes revealed a more hawkish tilt despite an unchanged policy stance. While most board members continued to view inflation as largely supply-driven and partly offset by government stabilization measures, concerns broadened to services inflation, inflation expectations, oil-price pass-through and negative real rates. The emergence of two dissenting votes for a rate hike suggests the bar for future tightening has fallen, even though inflation is not yet seen as warranting immediate action.

That said, Governor Yang argued in his July Legislative Yuan testimony that inflation pressures remain manageable and that the CBC has room to assess whether recent price increases become more persistent. We continue to expect the CBC to stay on hold through year-end. We acknowledge the gradual broadening of inflation pressures to services and rising upside risks from energy markets and extreme weather disruptions, making upcoming CPI releases critical. Nonetheless, we share Governor Yang's assessment that there is still time to evaluate whether these pressures become more persistent, and continue to expect inflation to gradually moderate toward 2% in 2H26, reducing the need for near-term policy tightening.

Another quarter of strong GDP

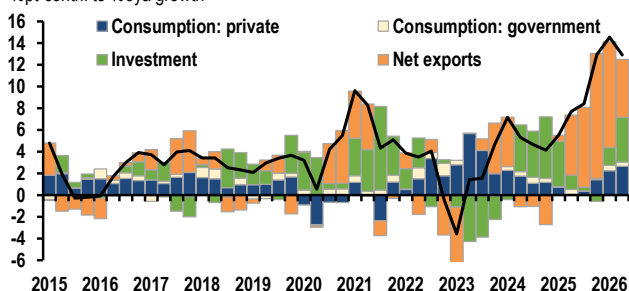
Taiwan's advanced 2Q26 GDP again surprised to the upside, expanding 12.9%oya (9.9% q/q saar) and extending the expansion streak to 13 consecutive quarters. While AI-driven exports remained a major growth engine, their contribution moderated as imports surged on stronger semiconductor-related capex (Figure 4). Encouragingly, growth became more broad-based, with investment emerging as a key driver and private consumption posting its strongest annual gain in nearly three years. As a result, domestic demand contributed 7.0%pts, accounting for more than half of headline GDP growth, the highest share in five quarters.

June activity data paved the way for solid 3Q growth. Stronger industrial production, rising semiconductor equipment imports, and increasingly bullish guidance from TSMC and Hon Hai reinforce our view that the AI capex cycle is extend-

ing into 2027 and beyond. At the same time, firmer retail sales, improving consumer confidence and equity-driven wealth effects suggest domestic demand is gaining traction. Reflecting stronger AI investment, resilient exports and a recovering consumer sector, we raise our 3Q and 4Q GDP forecasts to 4.5% and 5.5% q/q saar, respectively, and upgrade our 2026 growth forecast to 11.4%/y/y. Should the recovery in private consumption gain further momentum, it could generate greater core inflation pressure and tilt risks to the hawkish side of our on-hold CBC outlook.

Figure 4: Taiwan GDP growth breakdown

%pt-contri. to %oya growth



Source: DGBAS, J.P. Morgan

China

Data releases and forecasts

Week of August 3-7

Mon Aug 3 9:45am	Purchasing managers index				
	Index				
	Overall (RatingDog)	Apr	May	Jun	Jul
	Output	52.2	51.8	51.7	<u>52.5</u>
		53.8	53.4	52.8	
Fri Aug 7	Merchandise trade				
	US\$bn				
	Balance	Apr	May	Jun	Jul
	Exports	84.7	105.4	125.6	<u>107.2</u>
	%oya	359.2	376.8	412.4	<u>398.4</u>
	Imports	14.0	19.4	27.0	<u>24.0</u>
	%oya	274.5	271.3	286.8	<u>291.2</u>
		25.2	27.4	36.0	<u>30.1</u>
Fri Aug 7	FX reserves				
	US\$bn				
	FX reserves	Apr	May	Jun	Jul
		3411	3442	3416	<u>3422</u>

Review of past week's data

Industrial profits (27 Jul)

% change				
	Apr	May	Jun	
%oya	24.7	21.1		15.1
%oya, ytd	18.2	18.8		18.7

Purchasing managers index (31 Jul)

Index				
	May	Jun	Jul	
Overall (NBS)	50.0	50.3	<u>50.2</u>	49.2
Output	51.2	51.4		49.9

Hong Kong SAR

Data releases and forecasts

Week of August 3-7

Tue Aug 4 4:30pm	Retail sales volume				
	% change				
	%oya	Mar	Apr	May	Jun
	%m/m sa	9.8	6.5	4.8	<u>5.9</u>
		0.8	-1.7	0.7	<u>0.1</u>
Wed Aug 5 8:30am	S&P Global Hong Kong PMI				
	Index, sa				
	Overall	Apr	May	Jun	Jul
	Output	48.6	50.4	52.0	<u>51.8</u>
		48.3	51.6	52.7	

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Global Economic Research
Greater China
01 August 2026

J.P.Morgan

Review of past week's data

Merchandise trade (27 Jul)

US\$bn

	Apr	May	Jun	
Balance	-29.5	-44.2	~~-73.1~~	-52.0
Exports	620.9	611.2	~~601.9~~	641.1
%oya	42.9	40.8	~~44.1~~	53.4
Imports	650.4	655.4	~~675.0~~	693.0
%oya	44.4	42.0	~~41.6~~	45.4

Real GDP (31 Jul)

% change

	25Q4	26Q1	26Q2	
%oya	4.0	5.9	~~2.8~~	4.3
%q/q saar	4.5	12.1	~~3.0~~	-2.4

Taiwan

Data releases and forecasts

Week of August 3-7

Mon S&P Global Taiwan PMI Mfg

Aug 3 Index, sa

	Apr	May	Jun	Jul
Overall	55.3	56.1	55.2	<u>55.6</u>
Output	54.8	55.6	55.8	

Thu Consumer prices

Aug 6 % change

	Apr	May	Jun	Jul
%oya	1.7	2.2	2.6	<u>2.5</u>
%m/m sa	0.4	0.3	0.4	<u>0.2</u>

Fri Merchandise trade

Aug 7 US\$bn

	Apr	May	Jun	Jul
Balance	14.4	17.9	12.2	<u>16.9</u>
Exports	67.6	78.5	74.8	<u>80.1</u>
%oya	39.0	51.7	40.3	<u>41.3</u>
Imports	53.3	60.6	62.6	<u>63.2</u>
%oya	29.2	54.9	51.8	<u>49.2</u>

Review of past week's data

Real GDP (31 Jul)

% change

	25Q4	26Q1	26Q2	
%oya	13.0	14.6	~~11.3~~	12.9
%q/q saar	28.7	6.9	~~4.5~~	9.9

Source: NBS, China Customs, Hong Kong Census and Statistics Department, Taiwan Ministry of Economic Affairs, DGBAS, MoF, J.P. Morgan forecasts. The long-form nomenclature for references to China; Hong Kong; and Taiwan within this research material is Mainland China; Hong Kong SAR (China); and Taiwan (China).

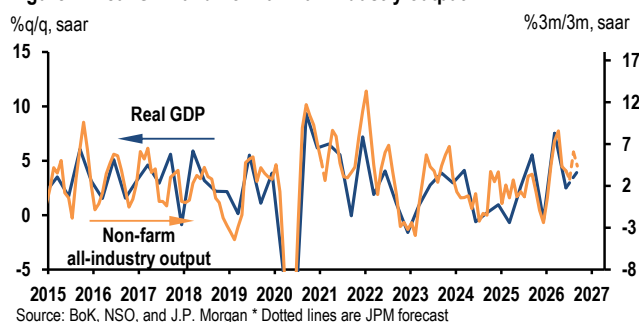
31 July 2026

Korea

- **Upside surprise in June IP led by stronger non-tech rebound; growth momentum on track**
- **Domestic demand recovered in June and CSI rose in July**

Korea's latest activity data point to a firmer start to 3Q, reinforcing our view that growth is re-accelerating with a modest upside bias. June industrial production rebounded sharply and broadly, led by non-tech normalization as earlier crude-import disruptions eased, while services/consumption indicators remained steady and capex momentum stayed robust, supported by machinery orders and investment-plan surveys. Consistent with this, the monthly GDP proxy surged in June and the three-month trend strengthened to a pace above what 2Q GDP implies, suggesting that 3Q IP and overall activity are on a solid footing even if some normalization follows in July–August. We therefore maintain our 3Q growth forecast at 4% q/q saar, with risks tilted modestly to the upside (Figure 1).

Figure 1: Real GDP and non-farm all-industry output



Non tech led June IP rebound

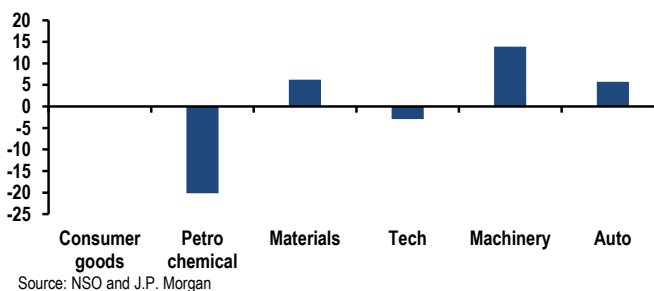
Industrial production jumped 6.4% m/m, sa in June, materially stronger than expected and beyond a mechanical rebound after the April–May declines. The upside reflected a broad-based recovery in non-tech output and shipments, consistent with firmer domestic demand conditions and an easing of the crude-import disruptions that weighed on parts of manufacturing earlier in 2Q. With the June level now elevated, some payback in July is possible, but the June rebound provides a stronger starting point for 3Q activity than the prior monthly trajectory suggested.

Under the hood, non-tech production drove the surge, rebounding 8.5% m/m, sa, while tech output rose 1.7% after May's sharp decline—still consistent with a post-peak adjustment phase rather than a renewed tech acceleration. Non-tech gains were broad, led by autos and transport equipment, with supportive increases in rubber/plastics and metal processing,

while petroleum refining continued to normalize as supply constraints eased. The shipment rebound was equally notable: non-tech shipments jumped and the shipments-to-inventories ratio fell sharply. On a three-month trend basis, strength in machinery, autos, and industrial materials more than offset ongoing petrochemical weakness, lifting the non-tech trend into positive territory (Figure 2).

Figure 2: IP growth by industry

%3m/3m saar, June 2026



Domestic demand recovered in June

Consumer backdrop looks steady heading into early 3Q. The Bank of Korea's July consumer sentiment index edged up and remained in the mid-100s, suggesting households have largely looked through recent equity-market weakness and renewed geopolitical noise, supported instead by a better outlook for living conditions and income. Hard consumption data were mixed: June retail sales rebounded, led by a sharp rise in auto sales alongside stronger auto production, while non-auto sales posted a more modest gain helped by durables (boosted by promotions) and softer semi-durables. Even with the June bounce, the sequential trend in retail sales remains weak, consistent with a consumption mix that has been more services-led than goods-led in 2Q amid energy-related headwinds for goods demand.

Investment data were more constructive in June, with facility investment rising strongly and broad-based gains across key categories such as vehicles, ICT, and electrical machinery, alongside continued strength in domestic machinery orders. While the sequential capex trend has mechanically cooled from the February peak, it remains robust relative to the 2Q GDP capex print, and survey evidence continues to support solid investment growth into 2H. Construction investment also rose in June, nearly reversing the March–April drop, driven by building activity, but forward-looking indicators are less favorable: past construction starts point to renewed weakness in 3Q, and construction orders saw a sharp correction after an unusually strong run-up.

Data releases and forecasts

Week of August 3-7

Sat	Customs trade				
Aug 1	US\$ bn, nsa				
9am		Apr	May	Jun	Jul
	Trade balance	23.6	26.8	36.1	<u>29.0</u>
	Exports	85.7	87.6	102.2	<u>96.0</u>
	Imports	62.1	60.8	66.1	<u>67.0</u>

Mid-July exports held up to suggest a 0.4% m/m, sa gain in full month July. The details of the high-frequency data point to continued resilience across both tech and non-tech categories.

Mon	Purchasing Managers Index				
Aug 3	Index, sa				
9.30am		Apr	May	Jun	Jul
	PMI - Manufacturing	53.6	54.8	52.1	<u>52.5</u>

Tue	Consumer prices				
Aug 4	% change				
8am		Apr	May	Jun	Jul
	%oya	2.6	3.1	3.2	<u>3.1</u>
	%m/m, nsa	0.5	0.5	0.1	<u>0.1</u>

Oil pump prices likely declined m/m following the downward adjustment in the price cap, limiting the headline m/m increase despite the robust core price gain.

Thu	Current account				
Aug 6	US\$ bn, nsa				
8am		Mar	Apr	May	Jun
	Balance	37.9	28.3	38.6	<u>45.0</u>

Given that the customs trade surplus reached a record high in June and the travel balance has been improving, we expect the current account surplus to have strengthened further.

Review of past week's data

Consumer survey (Jul 28)

100=long-term average, nsa

	May	Jun	Jul	
Index	106.1	106.6	<u>105.0</u>	106.8

Within the key sub-components, monthly changes were generally muted. In terms of contribution to the headline CSI's 0.2pt gain, the household income outlook index was the first, followed by the household living conditions outlook.

FKI business survey

100=neutral reading, sa

	May	Jun	Jul	
One-month outlook	97.0	96.7	<u>98.0</u>	91.1
Current conditions	96.1	92.0	<u>95.0</u>	94.1

Industrial production (Jul 31)

% change

	Apr		May		Jun	
%oya	<u>1.5</u>	1.3	<u>-0.9</u>	-1.1	<u>3.8</u>	5.8
%m/m, sa	<u>-0.7</u>	-0.8	<u>-3.0</u>	-2.9	<u>3.7</u>	6.4

See main text.

Shipments and inventories

%oya

	Apr		May		Jun	
Shipments	<u>-1.1</u>	-1.3	<u>-3.8</u>	-4.0	<u>0.7</u>	4.1
Inventories	<u>-0.4</u>	-0.3	1.8		<u>1.9</u>	3.5

Composite leading indicator

2020=100

	Apr		May		Jun	
Index	127.5		<u>128.8</u>	128.7	<u>129.9</u>	130.2

Service activity

% change

	Apr		May		Jun	
%oya	<u>3.7</u>	3.8	<u>4.9</u>	4.6	<u>5.2</u>	5.3

Consumption goods sales

% change

	Apr		May		Jun	
%oya	<u>1.6</u>	1.4	<u>1.7</u>	1.5	<u>4.6</u>	4.2
%m/m, sa	<u>-3.5</u>	-3.7	0.1		<u>3.6</u>	2.7

See main text.

Sources: BoK, NSO, Markit, Customs office, FKI and J.P. Morgan forecasts.

31 July 2026

ASEAN

- **MAS unexpectedly tightened its FX policy by raising the slope of the policy band, likely by 25bp**
- **We now expect a similar response in October, underpinned by our view of an above-trend growth outlook**
- **BI Governor resigns, likely further raising policy uncertainty amid rising external headwinds**
- **Next week, we monitor regional PMI and CPI data, as well as Indonesia's FX reserves, trade and GDP data**

MAS surprised with a very slight slope tightening this week, likely in response to inflation concerns while the positive output gap is also widening. We now pencil in another FX policy tightening in October, likely bringing the FX policy slope to 150bp. BI Governor Perry Warjiyo resigned on Monday, raising some uncertainty about the policy outlook during the leadership transition.

Next week, we highlight FX reserves in Indonesia as a key data release to watch, as a further decline could trigger a credit rating downgrade by Fitch, amid rising concerns about the monetary policy outlook. Our out-of-consensus forecasts include a swing to a goods trade surplus for Indonesia, a further decline in Thailand's headline inflation in July and above-consensus 2Q26 GDP growth in the Philippines.

MAS: More tightening, but in smaller doses

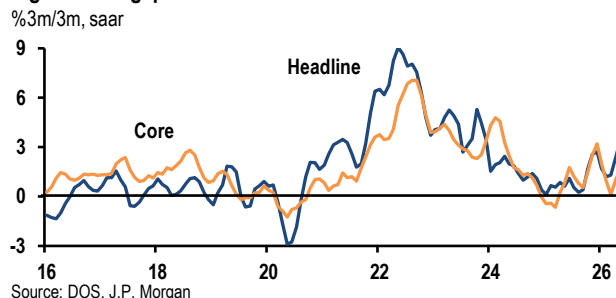
The MAS bucked our and consensus expectations for a policy hold, and further increased the slope of its S\$NEER band. However, the degree of slope adjustment was unusual, with the MAS characterizing it as “very slight”—the first such slope increment. We believe this week's “very slight” increase likely reflects a 25bp increment, raising our estimate of the policy band slope from 100bp to 125bp.

The very slight tightening in the policy stance was accompanied by a hawkish shift in the statement's tone, with the MAS now expecting the economy to “grow at a firm pace in the second half of the year”. The central bank now expects the positive output gap to widen slightly this year instead of narrowing slightly, as indicated in the April statement.

Despite maintaining its 2026 headline and core CPI forecasts at 1.5–2.5%oya (JPMf core: 1.9%oya), the MAS noted that, alongside elevated energy prices, potential demand spillovers from the ongoing AI boom also pose upside risks to inflation. But these upside risks contrast with as-of-yet contained inflation pressures, allowing the MAS to adopt a more patient and incremental approach to policy tightening amid still-elevated uncertainty, in our view (Figure 1).

We believe the MAS would further tighten its policy settings in October—when year-ago core inflation would likely be around its peak—to continue leaning against a strong economy to keep inflation contained. Accordingly, we now look for another “very slight” (i.e., 25bp) slope increase at the October monetary policy review.

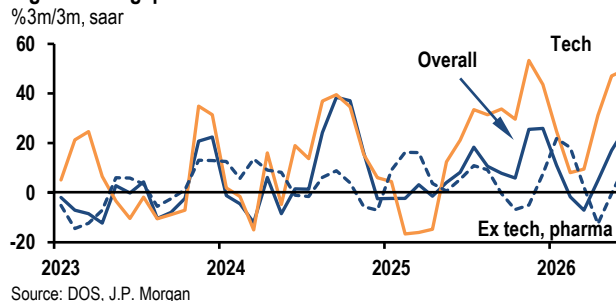
Figure 1: Singapore CPI - headline vs core



Singapore: IP takes a breather

Singapore's [industrial production](#) cooled in June after robust gains earlier in the quarter. Output fell 7.2% m/m, sa, taking year-ago growth to 7.2%oya—below our and consensus expectations (J.P. Morgan: 8%oya, consensus: 9.3%oya). However, the June drop followed solid average gains of 5.9% m/m in April and May, and IP's 3m/3m momentum accordingly strengthened further from 17.1%ar to 25.9%ar (Figure 2).

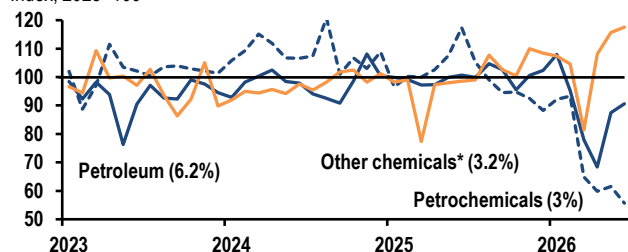
Figure 2: Singapore IP



Tech was the main swing factor, down 16% m/m, sa, with a roughly 20% drop across the semiconductor and infocomm segments. But despite the sharp pace of monthly decline, tech IP's 3m/3m pace held near cycle highs at 49.6% saar (vs 47.1% saar previously), consistent with the cluster's typically lumpy month-to-month profile. Outside tech, non-tech/non-biomedical production also slipped 4.7% m/m, sa, led by precision engineering (-10.1%) and general manufacturing (-10.8%), but its 3m/3m trend improved to 11.1%ar on the back of strong earlier gains. Chemicals also edged down 1.8% m/m, sa as petrochemicals output fell another 9.6% and is now down around 40% from its pre-conflict average (Figure 3).

Figure 3: Singapore chemicals IP product segments

Index; 2025=100



Source: DOS, J.P. Morgan. *Ex speciality chemicals

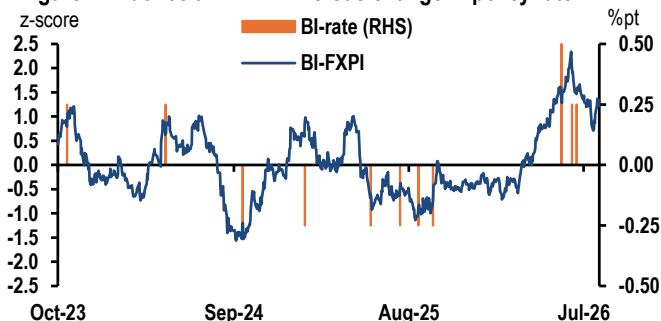
But the moderation in tech and non-tech/non-biomedical manufacturing last month was offset by a rebound in the noisy biomedical cluster, where output jumped 29.2% m/m, sa. Nevertheless, the cluster's 3m/3m contraction deepened to -15.2% ar, with the level of output remaining well below its 4Q25 peak. As such, despite the June uptick, the biomedical cluster was a drag on 2Q manufacturing growth, which was instead boosted by an acceleration in the tech and non-tech/non-biomedical sectors.

Indonesia: BI governor resigns

Bank Indonesia (BI) Governor Perry Warjiyo [resigned](#), citing "personal reasons", ahead of the expiry of his second five-year term in May 2028. Senior Deputy Governor Destry Damayanti will serve as acting governor until the new governor is appointed. Ms. Damayanti has been a Senior Deputy Governor since 2019.

We maintain our forecast for a 25bp September hike to 6%, reflecting our view that FX pressures will re-emerge, and conditional on our assumption that the leadership transition will not materially change the policy reaction function in the near term. Our [BI-FX Pressure Index](#) (BI-FXPI), which is our high-frequency gauge of FX pressures and monetary policy bias, averaged 1.3 z-score this week, again overshooting the threshold of 1.0 that tends to correspond with a tightening bias (Figure 4).

Figure 4: Indonesia - BI-FXPI versus change in policy rate



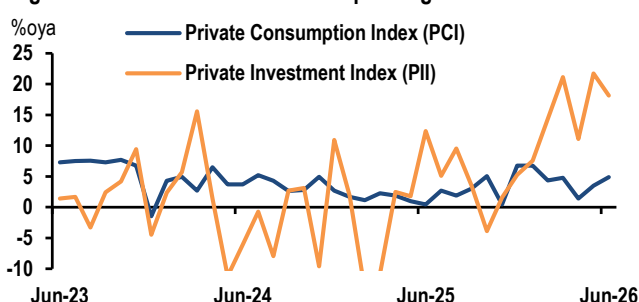
Source: Bloomberg Finance L.P., J.P. Morgan

Thailand: Sustained investment-led growth

Economic activity data unveiled more signs of growth resilience in June, led by the double-digit expansion in the Private Investment Index for the fifth consecutive month, at 18.2% oya in June from 21.7% in May (Figure 5). Private Consumption Index growth also improved to an encouraging 4.9% oya from 3.5%, as tensions in the Middle East eased alongside falling fuel prices. Improving domestic demand has contributed to the persistence of the current account deficit for the fourth month at USD3.5bn in June, though narrowing from USD6.4bn in May (Figure 6).

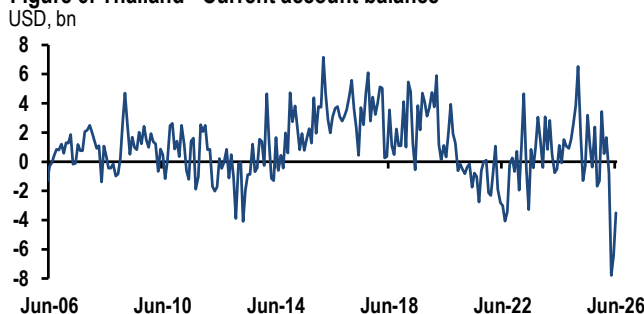
We reiterate our 2026 GDP growth forecast of 2.8% (Consensus: 1.9%) and our current account deficit forecast of 2.2% of GDP (Consensus: a surplus of 1.0%), reflecting our constructive view on [investment-led growth](#) after the election.

Figure 5: Thailand - Private sector spending



Source: CEIC, J.P. Morgan

Figure 6: Thailand - Current account balance



Source: CEIC, J.P. Morgan

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Indonesia

Data releases and forecasts

Week of Aug 3-7

Mon	Consumer prices				
3-Aug	% change				
12:00pm		Apr	May	Jun	Jul
	Total, %oya	2.4	3.1	3.3	<u>3.2</u>
	%m/m, sa	0.1	0.3	0.4	<u>0.2</u>
Mon	Merchandise trade				
3-Aug	US\$ bn, nsa				
12:00pm		Mar	Apr	May	Jun
	Trade balance	3.3	0.1	-1.6	<u>1.0</u>
	Exports, %oya	-3.1	22.0	-5.7	<u>4.0</u>
	Imports, %oya	1.5	22.5	22.2	<u>21.0</u>
Wed	Real GDP				
5-Aug	% change				
12:00pm		3Q25	4Q25	1Q26	2Q26
	%oya	5.0	5.4	5.6	<u>5.1</u>
	%q/q, saar	1.4	0.9	-0.8	<u>3.5</u>

Review of past week's data

No data released.

Malaysia

Data releases and forecasts

Week of Aug 3-7

No data releases.

Review of past week's data

No data released.

Philippines

Data releases and forecasts

Week of Aug 3-7

Wed	Consumer prices				
5-Aug	% change				
9:00am		Apr	May	Jun	Jul
	Total, %oya	7.2	6.8	6.4	<u>6.3</u>
	%m/m, sa	3.0	-0.6	-0.1	<u>0.2</u>
Fri	Real GDP				
7-Aug	% change				
10:00am		3Q25	4Q25	1Q26	2Q26
	%oya	4.0	3.0	2.8	<u>3.1</u>
	%q/q, saar	1.4	2.4	3.8	<u>4.9</u>

Review of past week's data

Merchandise trade

US\$ bn, nsa	Apr	May	Jun	
Trade balance	-6.4	-5.5	~~-5.2~~	-4.9
Exports, %oya	7.2	7.6	~~43.2~~	24.1
Imports, %oya	27.3	21.9	~~45.3~~	19.6

Singapore

Data releases and forecasts

Week of Aug 3-7

Mon	Purchasing managers index				
3-Aug	Index				
9:00pm		Apr	May	Jun	Jul
	PMI	50.7	51.0	51.3	<u>51.5</u>
	PMI—electronics	51.7	51.9	52.2	<u>52.4</u>

Review of past week's data

Industrial production

% change	Apr	May	Jun	
%oya	~~46.5~~	12.8	~~43.0~~	17.8
%m/m, sa	~~6.2~~	4.9	~~-0.7~~	6.9
				~~-3.0~~
				-7.2

Thailand

Data releases and forecasts

Week of Aug 3-7

Thu	Consumer prices				
6-Aug	% change				
11:30am		Mar	Apr	May	Jun
	Total, %oya	2.9	2.8	2.4	<u>2.0</u>
	%m/m, sa	2.3	0.1	-0.5	<u>-0.6</u>

Review of past week's data

Manufacturing production

% change	Apr	May	Jun	
%oya	-0.9	-1.3	~~0.9~~	-3.1
%m/m, sa	0.0	-0.5	~~0.9~~	-2.4

BoP current account balance

US\$ bn	Apr	May	Jun	
Current account	-7.8	-6.4	~~-5.5~~	3.5

Sources: Central Bureau of Statistics, Indonesia; Department of Statistics, Malaysia; Coordination Board and National Statistics Office, Philippines; Singapore Statistics Department; Office for Industrial Economics, Thailand; Bank of Thailand; J.P. Morgan forecasts

India

- **RBI expected to remain on hold, favoring a data-dependent, “wait and watch” approach...**
- **...even as its tone on inflation is expected to turn more cautious**
- **For now, however, inflation is tracking below the RBI’s forecast**
- **Industrial activity was strong in June**

The RBI is expected to stay on hold at next week’s policy review, favoring a data-dependent, “wait-and-watch” approach on account of continued uncertainty on multiple fronts (the Middle East; El Niño; global financial conditions). That said, the tone of the MPC is likely to turn more cautious, citing inflation risks, with the implication that the MPC will respond if inflation becomes more broad-based. In the meantime, the MPC is likely to express vigilance on both growth and inflation dynamics.

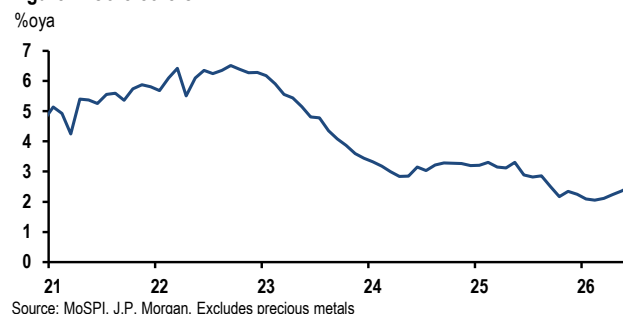
RBI expected to remain on hold

We expect the MPC to keep policy rates on hold at next week’s Monetary Policy Review, favoring a data-dependent, “wait-and-watch” approach. The Committee is likely to signal that it is closely monitoring whether the supply-side pressures are getting embedded in broader price dynamics and inflation expectations. The MPC has emphasized on various occasions that monetary policy has limited ability to counter the direct impact of a supply-driven inflation shock; it becomes operationally relevant only once second-round effects are evident.

In the previous policy statement, the MPC explicitly noted that “risks of higher inflation are amplified” due to disruptions from the Middle East conflict and weather-related uncertainty emanating from El Niño. Both sources of uncertainty persist. While oil prices have eased from the extreme highs seen earlier, there is still uncertainty about how geopolitical developments will evolve. Meanwhile, the probability of a severe El Niño has increased from 62% to 81%. Monsoon rains are tracking 15% below normal, and kharif sowing is 5% below last year. That said, the RBI has incorporated some risk of a weak monsoon into its forecasts.

For now, however, inflation appears to be tracking below the RBI’s forecasts, with 2Q inflation printing at 3.9% (vs. the RBI’s forecast of 4.2%) and 3Q inflation expected at 4.6%ooya (vs. the RBI’s forecast of 5.1%). While core-core momentum (core inflation ex. petrol, diesel and precious metals) has ticked up, it is still contained, at 3.5% on 3m/3m, saar in June (below the RBI’s 4% target). On a %ooya basis, core-core inflation was just 2.5%ooya in June (Figure 1).

Figure 1: Core-core CPI



Further, there remains a wide band of uncertainty around how weather patterns will evolve and the consequent implications for inflation – particularly if this turns into a “super El Niño.” That said, large buffer stocks could help moderate food-price pressures stemming from El Niño-related disruptions. Moreover, there have been episodes – such as in 2015, another “super El Niño” year – when food inflation remained contained. All told, the MPC is likely to reiterate upside risks of inflation even as it keeps its extant forecast of 5.1% for FY27 unchanged.

On growth, the MPC is expected to sound confident, with 1Q26 GDP growth printing strong, at 7.8%ooya, and high-frequency indicators showing no material impact from the Middle East crisis. In fact, indicators such as credit growth, auto sales, early reads from 2Q corporate results and industrial production point to a cyclical uptrend. However, risks to growth still persist from the Middle East conflict and El Niño. Consequently, the RBI could keep its growth forecast unchanged, at 6.6%.

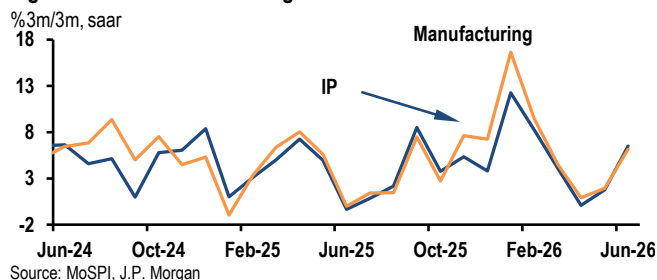
Industrial activity was strong in June

Industrial production (IP) was strong in June, rising 7.3%ooya following a reading above 5.0% in May. On a sequential basis, industrial activity increased 1.5% m/m, sa in June on the back of a 0.2% rise in May. More broadly, activity appears to have held up well amid the Middle East crisis and is now expanding at a healthy pace. IP growth accelerated to 6.5% in 2Q from 4.1% in 1Q (%3m/3m, saar).

Manufacturing – which better captures underlying industrial momentum – also posted a strong gain, rising 1.7% m/m, sa in June (-0.9% in May). On a %3m/3m, saar basis, manufacturing growth increased to 6.2% in 2Q, firming from 4.5% in 1Q (Figure 2).

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Figure 2: IP and Manufacturing



These encouraging trends in industrial activity are consistent with other indicators – such as credit growth, auto sales and early signals from corporate earnings – suggesting that a cyclical pickup in the economy is under way.

Services slow in May

The Statistics Office recently introduced the Index of Services Production (ISP), a new monthly high-frequency indicator. The series is currently on a trial basis and covers 19 subsector indices, representing about 60% of the overall services basket. Using the weights proposed by the technical advisory body, we compute a composite index.

In its second release (covering May), year-on-year composite growth slowed sharply, to 9.8% from 20.8% in April (FY26 average: 18.4%). The deceleration was driven largely by base effects. On a sequential basis, the composite index declined 1.1% m/m, nsa in May. Given the trial nature of the series and data limitations – because of which we are unable to carry out seasonal adjustment – the readings remain volatile.

That said, several sectors continued to post strong growth in both April and May: retail trade; accommodation and food services; banking; real estate; and IT services (Table 1).

Table 1: Index of Services Production

Broad Sub -Sector	April'26 (%oya)	May'26 (%oya)	FY26	Weight
Retail Trade	30.8	13.3	30.5	18.5
Accommodation and food	37.2	27.4	35.6	4.2
Banking	12.2	12.1	12.0	10.7
Real estate activities	27.7	17.8	7.8	1.6
IT and computer related services	15.2	10.3	13.8	21.9
Weighted avg.	20.8	9.8	18.4	

Source: MoSPI, J.P. Morgan

Data releases and forecasts

Week of Aug 3-7

Wed	RBI monetary policy meeting				
5-Aug	% pa				
	Policy rate	May	Jun	Jul	Aug
		5.25	5.25	5.25	5.25

Review of past week's data

Industrial production (Jul 28)				
% change				
	Apr	May	Jun	
%oya	4.9	5.0	5.8	7.3

Sources: MoSPI, RBI, J.P. Morgan

US economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug Manufacturing PMI (9:45am) Jul final <u>54.0</u> ISM manufacturing (10:00am) Jul <u>54.0</u> Construction spending (10:00am) Jun <u>0.1%</u> Senior loan officer survey (2:00pm) 3Q Light vehicle sales Jul <u>16.7mm</u>	4 Aug International trade (8:30am) Jun <u>\$72bn</u> Durable goods (10:00am) Jun JOLTS (10:00am) Jun <u>7.5mm</u> Factory orders (10:00am) Jun Kansas City Fed President Schmid speaks(8:15pm)	5 Aug ADP employment (8:15am) Jul Services PMI (9:45am) Jul final <u>53.5</u> ISM services (10:00am) Jul <u>54.5</u> Announce 30-year bond <u>\$25bn</u> Announce 3-year note <u>\$58bn</u> Announce 10-year note <u>\$42bn</u> Fed Governor Cook speaks(4:05pm) San Francisco Fed President Daly speaks(8:35pm)	6 Aug Productivity and costs prelim (8:30am) 2Q <u>0.5%</u> Unit labor costs <u>2.1%</u> Initial claims (8:30am) w/e Aug 1 <u>210,000</u> Wholesale trade final (10:00am) Jun St. Louis Fed President Musalem speaks(5:30pm)	7 Aug Employment (8:30am) Jul <u>75,000</u> Unemployment rate <u>4.3%</u> Average weekly hours <u>34.3</u> Average hourly earnings <u>0.2%</u> Consumer credit (3:00pm) Jun Richmond Fed President Barkin speaks(10:00am)
During the week: Fed Vice Chair Bowman speaks (8 Aug)				
10 Aug	11 Aug NFIB survey (6:00am) Jul Existing home sales (10:00am) Jul Auction 3-year note <u>\$58bn</u>	12 Aug CPI (8:30am) Jul Federal budget (2:00pm) Jul Auction 10-year note <u>\$42bn</u>	13 Aug PPI (8:30am) Jul Initial claims (8:30am) w/e Aug 8 Auction 30-year bond <u>\$25bn</u> Announce 30-year TIPS (r) <u>\$8bn</u> Announce 20-year bond <u>\$16bn</u> Richmond Fed President Barkin speaks(8:40am)	14 Aug Retail sales (8:30am) Jul Business inventories (10:00am) Jun Consumer sentiment (10:00am) Aug preliminary
17 Aug Empire State survey (8:30am) Aug NAHB survey (10:00am) Aug TIC data (4:00pm) Jun	18 Aug Housing starts (8:30am) Jul Import prices (8:30am) Jul Business leaders survey (8:30am) Aug Industrial production (9:15am) Jul Pending home sales (10:00am) Jul	19 Aug FOMC minutes (2:00pm) Auction 20-year bond <u>\$16bn</u>	20 Aug Initial claims (8:30am) w/e Aug 15 Philadelphia Fed manufacturing (8:30am) Aug QSS (10:00am) 2Q adv Leading indicators (10:00am) Jul Auction 30-year TIPS (r) <u>\$8bn</u> Announce 2-year note <u>\$69bn</u> Announce 5-year note <u>\$70bn</u> Announce 2-year FRN (r) <u>\$28bn</u> Announce 7-year note <u>\$44bn</u>	21 Aug Services PMI (9:45am) Aug flash
24 Aug	25 Aug FHFA HPI (9:00am) Jun, 2Q S&P/Case-Shiller HPI (9:00am) Jun, 2Q New home sales (10:00am) Jul Consumer confidence (10:00am) Aug Richmond Fed survey (10:00am) Aug Auction 2-year note <u>\$69bn</u>	26 Aug Durable goods (8:30am) Jul Real GDP (8:30am) 2Q second Personal income (8:30am) Jul Auction 5-year note <u>\$70bn</u> Auction 2-year FRN (r) <u>\$28bn</u>	27 Aug Wholesale trade (8:30am) Jun Initial claims (8:30am) w/e Aug 22 KC Fed survey (11:00am) Aug Auction 7-year note <u>\$44bn</u>	28 Aug Consumer sentiment (10:00am) Aug final

Source: Private and public agencies and J.P. Morgan. Further details available upon request.

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Euro area economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug Euro area PMI Mfg Final (10:00am) Jul Headline: 52.0 Germany PMI Mfg Final (9:55am) Jul Headline: 52.2 Retail sales (7:00am) Jun -0.3% m/m, sa volumes ex. autos France PMI Mfg Final (9:50am) Jul Headline: 50.0 Italy PMI Mfg (9:45am) Jul Headline: 52.2 Spain PMI Mfg (9:15am) Jul Headline: 49.7	4 Aug France Monthly budget situation (8:45am) Jun	5 Aug Euro area PMI S&C Final (10:00am) Jul Services Activity: 51.6 Composite Output: 51.9 PPI (11:00am) Jun Germany PMI S&C Final (9:55am) Jul Services Activity: 49.6 Composite Output: 51.2 France Industrial production (8:45am) Jun 0.2% m/m, sa PMI S&C Final (9:50am) Jul Services Activity: 49.8 Composite Output: 49.6 Italy PMI Serv. & Cmp (9:45am) Jul Services Activity: 52.6 Composite Output: 52.7 Spain PMI Serv. & Cmp (9:15am) Jul Services Activity: 56.6 Composite Output: 55.1	6 Aug Euro area Retail sales (11:00am) Jun 0.2% m/m, sa volumes ex. autos/ petrol Germany Mfg orders (8:00am) Jun Total: 0.0% m/m, sa Italy Industrial production (10:00am) Jun	7 Aug Germany Foreign trade (8:00am) Jun Industrial production (8:00am) Jun 0.5% m/m, sa incl constr. France Unemployment (7:30am) 2Q Foreign trade (8:45am) Jun
10 Aug Netherlands CBS bus. conf. (6:30am) Jul	11 Aug Italy Foreign trade (10:00am) Jun Netherlands CPI Final (6:30am) Jul	12 Aug Germany HICP & CPI Final (8:00am) Jul Italy HICP & CPI Final (10:00am) Jul	13 Aug Euro area IP (11:00am) Jun Spain HICP & CPI Final (9:00am) Jul	14 Aug Euro area Employment prelim (11:00am) 2Q GDP 2 nd Est. (11:00am) 2Q France HICP & CPI Final (8:45am) Jul
17 Aug	18 Aug Germany ZEW bus. survey (11:00am) Aug	19 Aug Euro area Balance of Payments (10:00am) Jun HICP final (11:00am) Labour costs prelim (11:00am) 2Q	20 Aug Euro area Construction output (11:00am) Jun Germany PPI (8:00am) Jul	21 Aug Euro area Consumer Expectations Survey (9:00am) Aug PMI Mfg Flash (10:00am) Aug PMI S&C Flash (10:00am) Aug EC cons. Conf. (4:00pm) Aug ECB negotiated pay settlements (11:00am) 2Q Germany PMI S&C Flash (9:30am) Aug PMI Mfg Flash (9:30am) Aug GDP Final Est. (11:00am) Jun France INSEE bus. conf. (8:45am) Aug PMI Mfg, S&C Flash (9:15am) Aug
24 Aug Germany Import price index (8:00am) Jul	25 Aug Germany IFO bus. survey (10:00am) Aug France INSEE cons. conf. (8:45am) Aug Spain PPI (9:00am) Jul Belgium BNB bus. conf. (3:00pm) Aug	26 Aug	27 Aug Euro area National balance sheet (10:00am) Jul Germany GfK cons. conf. (8:00am) Sep France PPI (8:45am) Jul	28 Aug Euro area EC cons. Conf. (11:00am) Aug Germany Employment & unemployment (9:55am) Aug France HICP & CPI Flash (8:45am) Aug GDP Final Est. (8:45am) Jun Cons. of mfg goods (8:45am) Jul Spain HICP & CPI Flash (9:00am) Aug Italy ISAE bus. conf. (11:00am) Aug ISAE cons. conf. (11:00am) Aug

Highlighted data are scheduled for release on or after the date shown. Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request.

Japan economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug PMI manufacturing final (9:30am) Jul	4 Aug Auction 10-year note	5 Aug Employers' survey (8:30am) Jun 3.4 %oya PMI services final (9:30am) Jul Minutes of Jun 15, 16 BoJ Monetary Policy Meeting (8:50am)	6 Aug Auction 6-month bill Auction 30-year note	7 Aug All household spending (8:30am) Jun Coincident CI prelim (2:00pm) Jun Consumption activity index (2:00pm) Jun Auction 3-month bill
10 Aug Bank lending (8:50am) Jul Current account (8:50am) Jun Economy watchers survey (2:00pm) Jul Summary of Opinions of Jul 30-31 BoJ Monetary Policy Meeting (8:50am)	11 Aug <i>Holiday: Japan</i>	12 Aug Reuters Tankan (8:30am) Aug M2 (8:50am) Jul Auction 10-year note	13 Aug Corporate goods prices (8:50am) Jul	14 Aug Auction 3-month bill
17 Aug GDP prelim (8:50am) 2Q IP final (1:30pm) Jun Tertiary sector activity index (1:30pm) Jun	18 Aug Auction 5-year note	19 Aug Private machinery orders (8:50am) Jun Auction 1-year note	20 Aug Trade balance (8:50am) Jul Auction 20-year note	21 Aug Nationwide core CPI (8:30am) Jul PMI manufacturing prelim (9:30am) Aug PMI services prelim (9:30am) Aug Real exports and imports (2:00pm) Jul Auction 3-month bill
24 Aug Auction 10-year note	25 Aug Coincident CI final (2:00pm) Jun	26 Aug Corporate service prices (8:50am) Jul	27 Aug	28 Aug Tokyo core CPI (8:30am) Aug Job offers to applicants ratio (8:30am) Jul Unemployment rate (8:30am) Jul Auction 3-month bill Auction 2-year note
During the week: Nationwide department store sales (24-28 Aug)				

Note: Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request.

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Canada economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug	4 Aug International trade(8:30am) Jun -C\$4.5bn S&P Global manufacturing PMI(9:30am) Jul	5 Aug	6 Aug S&P Global composite PMI(9:30am) Jul	7 Aug Labor Force Survey(8:30am) Jul 20k U-rate: 6.5% Ivey PMI(10:00am) Jul
10 Aug	11 Aug	12 Aug Building permits(8:30am) Jun	13 Aug	14 Aug Manufacturing sales(8:30am) Jun Wholesale sales(8:30am) Jun
17 Aug CPI(8:30am) Jul International transactions in securities(8:30am) Jul	18 Aug Housing starts(8:15am) Jul BoC Senior Loan Officer Survey(8:15am) 2Q	19 Aug	20 Aug IPPI(8:30am) Jul	21 Aug Retail sales(8:30am) Jun
24 Aug	25 Aug	26 Aug	27 Aug Current account(8:30am) 2Q	28 Aug Monthly GDP(8:30am) Jun Quarterly GDP(8:30am) 2Q

Source: Private and public agencies and J.P. Morgan. Further details available upon request. All existing home sales are tentative.

Latin America economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug Argentina Tax Collections Jul Brazil PMI Manufacturing Jul Paraguay CPI Jul Chile Economic activity <u>1.8%oya</u> Mexico Remittances Jun <u>US\$5.6bn</u> ; <u>5.6%oya</u> IMEF manufacturing index Jul <u>48.2</u> IMEF nonmanufacturing index Jul <u>48.8</u>	4 Aug Brazil FIPE CPI Jul IP Jun <u>-0.7% m/m,sa</u> ; <u>3.4%oya</u> Colombia Exports Jun <u>US\$4.3bn</u>	5 Aug Argentina Vehicle production Jul Vehicle sales Jul Mexico GFI May <u>-0.5%oya</u> Uruguay CPI Jul	6 Aug Brazil Trade balance Jul Mexico Banxico meeting Aug <u>6.50%</u>	7 Aug Brazil Auto production Jul IGP-DI Jul <u>-1.08% m/m</u> ; <u>2.54%oya</u> Chile CPI Jul <u>0.18% m/m</u> ; <u>3.62%oya</u> Trade balance Jul <u>US\$2.8bn</u> Mexico Core CPI Jul <u>0.21% m/m</u> ; <u>3.94%oya</u> CPI Jul <u>0.01% m/m</u> ; <u>3.10%oya</u> Auto report Jul Biweekly core CPI Jul <u>0.09% 2w/2w</u> ; <u>3.92%oya</u> Biweekly CPI Jul <u>0.08% 2w/2w</u> ; <u>3.10%oya</u> Argentina Construction Jun Industrial Production Jun
During the week: Peru CPI (Aug 1) Jul <u>0.3% m/m</u> ; <u>4.1%oya</u> Brazil BCB meeting Aug (5-9 Aug) <u>14.0%</u> Brazil Vehicle sales Jul (7-11 Aug)				
10 Aug Colombia CPI Jul	11 Aug Brazil IPCA Jul Mexico IP Jun Uruguay Industrial production Jun	12 Aug Brazil PMS Jun	13 Aug Brazil Retail sales Jun Argentina CPI Jul Peru Reference rate Aug	14 Aug Colombia Retail sales Jun IP Jun
During the week: Peru Economic Activity Jun (15 Aug) Peru National Unemployment rate Jul (15 Aug)				
17 Aug Brazil IGP-10 Aug Economic Activity Jun	18 Aug Argentina Budget balance Jul Uruguay BCU rate decision Aug Chile Current Account Balance 2Q GDP 2Q Colombia Economic Activity Jun GDP 2Q	19 Aug Colombia Trade balance Jun	20 Aug Argentina Economic activity Jun Trade balance Jul	21 Aug Mexico Retail sales Jun
During the week: Peru GDP 2Q (17-28 Aug) Mexico ANTAD same-store sales Jul (17-21 Aug)				
24 Aug Mexico GDP monthly proxy Jun Biweekly core CPI Biweekly CPI Paraguay BCP rate decision Aug	25 Aug Brazil FGV: consumer confidence Aug	26 Aug Brazil IPCA-15 Aug	27 Aug Brazil Current Account Jul FDI Jul U-rate Jul Mexico Trade balance Jul Unemployment Jul Uruguay National Unemployment rate Jun	28 Aug Brazil Central government budget Jul IGP-M Aug Chile Unemployment Jun
During the week: Brazil Tax collections Jul (27-31 Aug)				

Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request.

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UK and Scandinavia economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug United Kingdom PMI Mfg final (9:30am) Jul Output: 53.5 Sweden PMI Mfg (8:30am) Jul	4 Aug	5 Aug United Kingdom New car regs (9:00am) Jul PMI Services & comp. final (9:30am) Jul Services business activity: 51.6 Composite Output: 51.9 Sweden PMI Services (8:30am) Jul	6 Aug United Kingdom PMI Construction (9:30am) Jul Sweden CPI Flash (8:00am) Jul CPIF: 0.5% oya Core: 0.3% oya	7 Aug United Kingdom Lloyd's House Price Index (7:00am) Jul Sweden Budget Balance (8:00am) Jul Norway IP Mfg (8:00am) Jun
10 Aug United Kingdom S&P/REC jobs report (12:01am) Jul Sweden Industrial production & orders (8:00am) Jun Production value index (9:30am) Jun Norway CPI (8:00am) Jul PPI (8:00am) Jul	11 Aug United Kingdom BRC retail sales monitor (12:01am) Jul	12 Aug Sweden Household consumption (9:30am) Jun Norway Consumer confidence (8:30am) 3Q	13 Aug United Kingdom RICS HPI (12:01am) Jul Construction output (7:00am) Jun Monthly GDP (7:00am) Jun GDP Flash (7:00am) 2Q Industrial production (7:00am) Jun Index of services (7:00am) Jun Trade balance (7:00am) Jun Business investment prelim (7:00am) 2Q Sweden PES unemployment (6:00am) Jul CPI Final (8:00am) Jul Norway Norges Bank rate announcement (10:00am) Aug Building statistics (10:00am) Jul Investments in oil and gas (10:00am) 2Q	14 Aug
17 Aug United Kingdom Rightmove HPI (12:01am) Aug Norway Trade balance (8:00am) Jul	18 Aug United Kingdom Labor market report (7:00am) Jul Productivity flash (9:30am) 2Q	19 Aug United Kingdom CPI (7:00am) Jul ONS HPI (9:30am) Jun	20 Aug United Kingdom CBI industrial trends (11:00am) Aug Sweden Riksbank rate announcement (9:30am) Aug	21 Aug United Kingdom Gfk cons. conf. (12:01am) Aug Retail sales (7:00am) Jul Public sector finances (7:00am) Jul PMI Mfg Flash (9:30am) Aug PMI Services Flash (9:30am) Aug Sweden LFS unemployment (9:30am) Jul
24 Aug Norway Credit indicator growth (8:00am) Jul	25 Aug	26 Aug United Kingdom CBI distributive trades (11:00am) 2Q Sweden PPI (8:00am) Jul	27 Aug United Kingdom Car manufacturing (12:01am) Jul CBI Service Sector Survey (12:01am) 2Q Sweden Trade balance (8:00am) Jul Household lending (8:00am) Jul Financial markets statistics (9:00am) Jul Norway GDP (8:00am) 2Q	28 Aug United Kingdom Lloyds business barometer (12:01am) Aug Nationwide HPI (8:00am) Aug Sweden GDP final (8:00am) 2Q Retail sales (8:00am) Jul Economic Tendency survey (9:00am) Aug Norway Retail sales (8:00am) Jul Labor directorate unemployment (8:00am) Jul

Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request

Emerging Europe/Middle East/Africa economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3 Aug Russia Manufacturing PMI (9:00am) Jul Turkey CPI (10:00am) Jul <u>32.0%oya</u> PMI (10:00am) Jul Poland PMI (9:00am) Jul Hungary PMI (9:00am) Jul Czech Republic PMI (9:30am) Jul Nigeria PMI (9:45am) Jun South Africa Barclays PMI (11:00am) Jul Vehicle sales Jul Kazakhstan CPI Jul <u>10.2%oya</u>	4 Aug Ukraine GDP prelim (2:00pm) 2Q GDP (2:00pm) 2Q <u>1.1%oya</u>	5 Aug Czech Republic CPI prelim (9:00am) Jul <u>1.6%oya</u> Ghana CPI Jul <u>4.9%oya</u>	6 Aug Romania Retail sales (9:00am) Jun Hungary Industrial output (8:30am) Jun Retail sales (8:30am) Jun Czech Republic Industrial output (9:00am) Jun Trade balance (9:00am) Jun CNB rate decision (2:30pm) Aug on hold at 3.75%	7 Aug South Africa Gross reserves (8:00am) Jul Hungary CPI (8:30am) Jul <u>1.7%oya</u> Turkey Cash budget balance (5:30pm) Jul Ukraine FX reserves Jul Angola CPI Jul <u>9.3%oya</u>
During the week: Egypt FX reserves Jul (3-9 Aug) Angola CPI Jul (7-14 Aug) Egypt CPI Jul (8-12 Aug) Oman CPI Jul (9-20 Aug)				
10 Aug Romania Trade balance (9:00am) Jun NBR rate decision Aug Turkey Industrial output (10:00am) Jun Israel Consumer confidence (1:00pm) Jul Ukraine CPI (2:00pm) Jul Belarus CPI Jul	11 Aug Czech Republic CPI (9:00am) Jul South Africa Quarterly Labour Force Survey (11:30am) 2Q Manufacturing output (1:00pm) Jun Israel Chain store sales (1:00pm) Jul Russia Foreign trade (4:00pm) Jun Kazakhstan FX reserves Jul Kenya CBK rate decision Aug	12 Aug Romania CPI (9:00am) Jul Serbia CPI (12:00pm) Jul Russia GDP flash (7:00pm) 2Q CPI (7:00pm) Jul	13 Aug Romania Industrial output (9:00am) Jun Turkey Current account (10:00am) Jun Czech Republic Current account (10:00am) Jun Poland CPI (10:00am) Jul Current account (2:00pm) Jun Israel Trade balance (1:00pm) Jul Serbia NBS rate decision (12:00pm) Aug Saudi Arabia CPI Jul Uganda BOU rate decision Aug	14 Aug Romania GDP flash (9:00am) 2Q Current Account Jun Poland GDP prelim (10:00am) 2Q Core inflation (2:00pm) Jul Israel CPI (2:30pm) Jul Russia Current account prelim (4:00pm) 2Q Kazakhstan GDP prelim 2Q
During the week: Israel GDP flash 2Q (16 Aug) Qatar International reserves Jul (10-11 Aug) Kazakhstan Retail sales Jul (12-13 Aug) Kuwait CPI Jul (15-25 Aug)				
17 Aug Czech Republic PPI (9:00am) Jul Turkey Central govt budget balance (11:00am) Jul Israel Unemployment rate (1:00pm) Jul Nigeria CPI Jul	18 Aug	19 Aug South Africa CPI (10:00am) Jul Retail sales (1:00pm) Jun Russia PPI (7:00pm) Jul Serbia Current account Jul	20 Aug Poland Industrial output (10:00am) Jul PPI (10:00am) Jul Average gross wages and Employment (10:00am) Jul Egypt CBE rate decision Aug	21 Aug Turkey Capacity utilization (10:00am) Aug
During the week: Poland Budget balance Jul (17-31 Aug) Qatar CPI (19-22 Aug) Bahrain CPI Jul (23-27 Aug)				
24 Aug Poland Retail sales (10:00am) Jul Kenya GDP 2Q	25 Aug Poland Unemployment (10:00am) Jul Hungary NBH rate decision (2:00pm) Aug	26 Aug Russia Industrial output (7:00pm) Jul	27 Aug Zambia CPI Jul	28 Aug Hungary Unemployment (8:30am) Jun Czech Republic GDP prelim (9:00am) 2Q
During the week: Kenya CPI Jul (28-31 Aug)				

Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request.

31 July 2026

Non-Japan Asia economic calendar

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Times shown are local. Source: Private and public agencies and J.P. Morgan. Further details available upon request.

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
01 - 07 August	03 August	04 August	05 August	06 August	07 August
	- Indonesia CPI (Jul) - Türkiye CPI (Jul) - United States Construction spending (Jun) - ISM mfg (Jul) - Light vehicle sales (Jul) - SLOOS (2Q) - Global Mfg PMI (Jul)	- Brazil IP (Jun) - Korea CPI (Jul) - United States Factory orders (Jun) - JOLTS (Jun) - Trade balance (Jun)	- Brazil COPOM mtg: -25bp - Czechia CPI (Jul) - India RBI mtg: no chg - Indonesia GDP (2Q) - Japan Employers' srvy (Jul) - Philippines CPI (Jul) - United Kingdom New car regs (Jul) - United States ADP employment (Jul) - ISM services (Jul) - Global Composite PMI (Jul)	- Brazil Trade balance (Jul) - Czechia CNB mtg: no chg - Euro area Retail sales (Jun) - Germany Mfg orders (Jun) - Mexico Banxico mtg: no chg - Sweden CPI (Jul) - Taiwan CPI (Jul) - Thailand CPI (Jul) - United States Prod and costs (2Q, prl) - Wholesale trade (Jun)	- Canada Labor force survy (Jul) - Chile CPI (Jul) - China FX reserves (Jul) - Trade balance (Jul) - Germany IP (Jun) - Hungary CPI (Jul) - Japan CAI (Jun) - Mexico CPI (Jul) - Philippines GDP (2Q) - Taiwan Trade balance (Jul) - United States Cons credit (Jun) - Employment (Jul)
08 - 14 August	10 August	11 August	12 August	13 August	14 August
- China CPI (Jul) - Money supply/TSF (Jul, released 9-15 Aug) - PPI (Jul)	- Colombia CPI (Jul) - Norway CPI (Jul) - Romania NBR mtg: no chg - Türkiye IP (Jun)	- Australia RBA mtg: no chg - Brazil IPCA (Jul) - Mexico IP (Jun) - United States Existing home sales (Jul) - NFIB srvy (Jul)	- Germany HICP (Jul, fnl) - India CPI (Jul) - Japan Reuters Tankan (Aug) - Romania CPI (Jul) - Russia CPI (Jul) - GDP (2Q) - United States CPI (Jul)	- Argentina CPI (Jul) - Brazil Retail sales (Jun) - Euro area IP (Jun) - Norway Norges Bank mtg: no chg - Peru BCRP mtg: no chg - Poland CPI (Jul) - United Kingdom GDP (2Q, prl) - IP (Jun) - Trade balance (Jun) - United States PPI (Jul)	- Euro area Employment (2Q, prl) - GDP (2Q, 2nd) - Israel CPI (Jul) - Malaysia GDP (2Q) - Poland GDP (2Q) - Romania GDP (2Q) - United States Business inventories (Jun) - Retail sales (Jul) - UMich cons snt (Aug, prl)

Source: Private and public agencies and J.P. Morgan. Further details available upon request. Any long-form nomenclature for references to China and Taiwan within this research material is Mainland China and Taiwan (China).