



ECONOMIC DATA TO HIGHLIGHT CENTRAL BANK DILEMMAS

- Fed Chair Yellen's Jackson Hole comments contain no hints on the policy outlook
- Eurozone August inflation forecast to rise but remain below the ECB's target
- US employment growth expected to remain strong in August, but wage growth may still be relatively modest
- UK August surveys watched for further signs on the economic growth outlook

MARKETS HAVE BEEN WAITING FOR JACKSON HOLE

It's been a quieter week in markets. Most equity markets are higher and the oil price is close to recent highs. Currency markets have been wrapped up in anticipating the likely comments from US central bank head Janet Yellen and ECB President Mario Draghi at today's Jackson Hole economics symposium. In particular, would Yellen suggest that markets are underestimating the likelihood of further US interest rate increases and would Draghi express any concerns about the recent rapid appreciation of the euro? In the event, after Yellen's speech contained no hints on future policy moves, the euro moved to a three-week high against the dollar. Draghi is scheduled to speak at 8pm UK time.

BIG QUESTIONS AHEAD FOR THE ECB AND THE FED

Whatever Draghi says at Jackson Hole this evening, the ECB monetary policy making policymaking committee faces some difficult decisions at its upcoming meetings on 7th September and the 26th October. Draghi has already indicated that the ECB's current policy stance will be reviewed in the autumn. The Board will need to consider both whether and how quickly it should scale back its present stimulus programme, without inducing excessive euro appreciation.

Strong August Eurozone PMI and German IFO reports are just the latest indications that economic activity is buoyant. However, as Draghi has already indicated the ECB will also need to take into account that inflation is yet to return to target. Next week's release of the Eurozone 'flash' CPI (Thu) is expected to show this remains the case. We forecast annual 'headline' inflation to pick up to 1.5% from 1.3% in July and the 'core' measure to be unchanged at 1.2%. The Eurozone's relatively high unemployment rate suggests that there is still a lot of

RECAP OF THE WEEK

- Second estimate of Q2 UK GDP shows overall growth unrevised at 0.3% but consumer spending growth slower than in Q1
- CBI August industrial trends survey shows a pickup in orders, but retail survey slows sharply
- Eurozone August composite PMI rises to 55.8 from 55.7 in July due to a big rise in the manufacturing index
- German August IFO survey fell only modestly to 115.9 from all-time high in July of 116.0

Chart 1: US economy looks in reasonable shape...

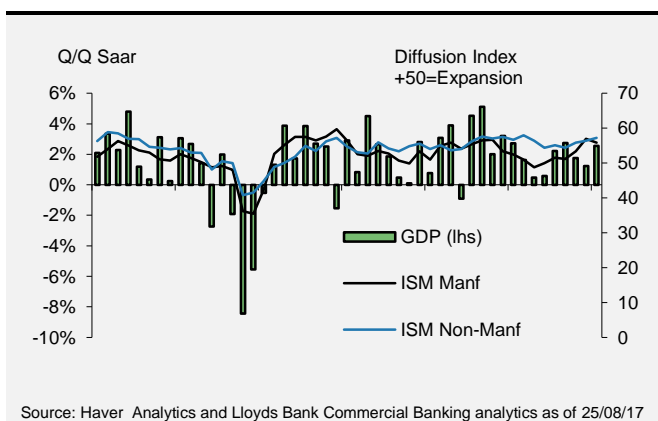
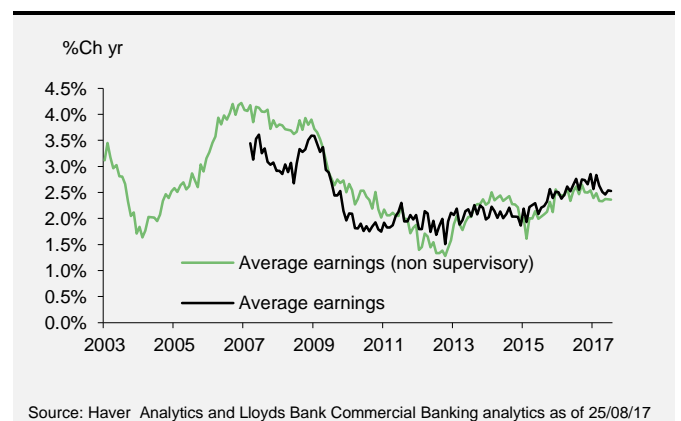


Chart 2: ...but US wage growth remains subdued



slack in the economy, a factor which should continue to bear down on domestic inflation. With the appreciation of the euro providing further deflationary pressure, it seems likely that inflation will only climb slowly. This argues for a cautious approach to policy changes by the ECB.

The Federal Reserve also faces a dilemma, in its case over whether it should continue to hike interest rates. As several Fed policymakers are arguing that the Fed can afford to be 'patient' given that inflation remains below target, further moves are far from a done deal. However, we still think that an increase in policy rates in December 0.25% is the most likely outcome.

There is plenty of new US data in the coming week. As usual, the monthly labour market report (Fri) will be seen as a key metric for the state of the economy. This is likely to show the now familiar combination of buoyant employment/low unemployment but sluggish wage growth (see next page). Other significant data for the coming week include July consumer spending (Thu). A pickup in retail sales for the same month points to a healthy monthly gain, and we look for a rise of 0.5%. However, the annual increase in the consumer expenditure deflator, the Fed's preferred measure of inflation, is expected to be only 1.4%, the same as July. That is still below the Fed's target of 2%. The second estimate of Q2 GDP is forecast to be raised to 2.7% annualised from the initial reading of 2.6%.

MIXED NEWS ON THE UK ECONOMY

This week's second estimate of UK Q2 GDP growth was unchanged from the initial reading at 0.3%. However, some of the detail of the report was disappointing. The net contribution of international trade to growth was only marginally positive, suggesting that the ongoing boost to activity from sterling's depreciation remains disappointing. In addition, consumer spending growth was weaker than in Q1, as the pickup in retail sales was offset by lower spending on other items possibly including cars.

A weaker-than-expected report on August retail activity from the CBI also prompted concerns that retail sales may have turned down once again. More positively, however, the CBI's industrial trends survey did show a pickup in orders during August. Overall, the big picture still seems to be that UK economic growth has stabilised after a weak start to the year. Nevertheless, growth is still sluggish and further weakness in consumer spending, due to the squeeze on real incomes from higher inflation, remains a key downside risk.

Over the coming week, a number of August surveys will provide further indications on whether UK economic activity is stabilising. We expect the GfK measure of consumer confidence (Thu) to rise to -11 from -12 in July. However, that would still leave it close to a four-year low. The manufacturing PMI index (Fri) rose sharply in July and the pickup in the CBI survey points to a further gain in August. Of particular interest will be whether export orders have risen again. Finally, the Lloyds Bank Business Barometer (Thu) will provide a comprehensive indication of activity in the economy as a whole.

Negotiations between the UK government and the European Commission over Brexit will resume next week (Mon or Tue). The UK seems intent on widening the scope of the talks as quickly as possible to take in the relationship after Brexit. However, so far the Commission's chief negotiator has been resistant. His position is that "sufficient progress" is needed first on the three issues of the divorce bill, the border with Ireland and the future rights of EU27 nationals, who are living or working in the UK.

In China, August 'official' (Thu) and 'Caixin' PMIs (Fri) will be watched for indications economic growth is stabilising. Many of the recent data releases have been coming in modestly below expectations. Nevertheless, it remains likely that China's 2017 GDP growth will be close to last year's outturn of 6.7%.

UPCOMING GLOBAL HIGHLIGHTS

US labour market (Aug)

Eurozone CPI (Aug)

US GDP (Q2, 2nd est)

US manufacturing ISM (Aug)

China PMIs (Aug)

Eurozone manufacturing PMI (Aug)

UPCOMING UK HIGHLIGHTS

PMI manufacturing (Aug)

GfK consumer confidence (Aug)

Lloyds Business Barometer (Aug)

Mortgage approvals (July)

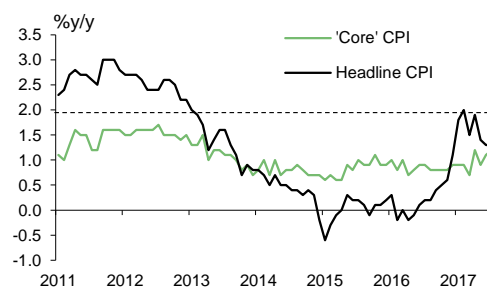
BRC shop price index (Aug)

EUROZONE 'FLASH' CPI (AUG)

	Headline
LBCB	1.5%
Cons	1.4%
Prev	1.3%
	Core
LBCB	1.2%
Cons	1.2%
Prev	1.2%

Having touched 2% earlier in the year, headline CPI inflation in the Eurozone has since fallen back, hence it has yet to return to the ECB's goal on a sustained basis. In August, we forecast headline CPI to rise to 1.5%/y/y from 1.3%/y/y, but this is expected to be primarily a function of a higher energy price base effect from a year earlier. The 'core' measure of CPI, which excludes food and energy, has shown some tentative signs in recent months that it may be edging higher. However, further increases are necessary to give the ECB confidence that stimulus measures can be removed. We expect core CPI to stay at 1.2%/y/y in August.

Eurozone headline CPI may have risen in August due to energy prices



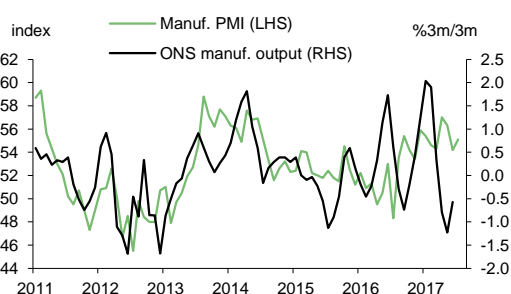
Source: Haver Analytics, LBCB analytics as of 25 August 2017

UK MANUFACTURING PMI (AUG)

	Balance
LBCB	55.5
Cons	55.0
Prev	55.1

The July manufacturing PMI rebounded to 55.1 following its outsized fall in June after the inconclusive general election result. For August, we look for a further rise, albeit a modest one, to 55.5. Our forecast is supported by continued signs of strength in the CBI's industrial trends survey. Nevertheless, disappointing official figures, with manufacturing output contracting in Q2, raises questions whether the surveys are painting an overly optimistic picture of the sector or portend a pickup in activity in the coming quarters.

The UK manufacturing PMI survey paints a more positive picture than the official data



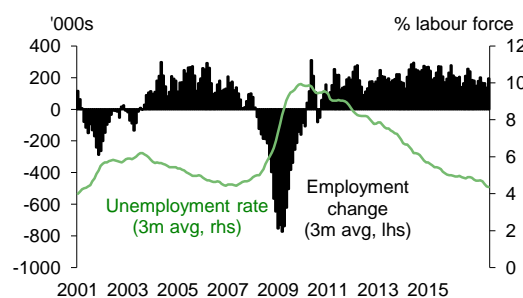
Source: Markit, ONS and LBCB analytics as of 25 August 2017

US LABOUR MARKET (AUG)

	Monthly change
Payrolls	185k
LBCB	185k
Cons	180k
Prev	209k
	%
U rate	4.3%
LBCB	4.3%
Cons	4.3%
Prev	4.3%

July payrolls rose by 209k down only modestly from 231k and the unemployment rate fell to 4.3%, equal to its cyclical low. However, wage growth remained subdued. With most indicators suggesting that the labour market remains buoyant, we expect payrolls to post another solid increase of 185k. But the unemployment rate is likely to be unchanged this month. Earnings will be watched for signs of acceleration. Nevertheless the indications are that pace of growth will still be relatively modest. We expect monthly growth to be to 0.3%, pushing the annual rate up to 2.7%.

US labour market remained buoyant in July



Source: Haver Analytics and LBCB analytics as of 25 August 2017

Weekly Economic Calendar

Ctry	Time	Release/Event	Period	Consensus	Forecast	Previous
SATURDAY 26 AUGUST						
US		Kansas City Fed hosts annual Jackson Hole Policy Symposium				
SUNDAY 27 AUGUST						
		No major events				
MONDAY 28 AUGUST						
UK		Bank Holiday				
UK		Third round of Brexit negotiations begin (may be delayed until Tuesday)				
EZ	09:00	M3 Money Supply	Jul	(5.0%)	(4.7%)	(5.0%)
US	13:30	Advance Goods Trade Balance	Jul	-\$64.6b	-\$64.6b	-\$63.9b
US	15:30	Dallas Fed Manufacturing Activity	Aug	17.0	--	16.8
JN		Cabinet Office Monthly Economic Report for August				
TUESDAY 29 AUGUST						
JN	00:30	Jobless Rate	Jul	2.8%	--	2.8%
JN	00:30	Overall Household Spending	Jul	(0.7%)	--	(2.3%)
UK	07:00	Nationwide House Prices	Aug	0.0% (2.5%)	--	0.3% (2.9%)
GE	07:00	GfK Consumer Confidence	Sep	10.8	--	10.8
FR	07:45	Consumer Spending	Jul	0.7% (1.7%)	--	-0.8% (0.5%)
FR	07:45	GDP	2Q (P)	0.5% (1.8%)	0.5% (1.8%)	0.5% (1.8%)
US	15:00	Conf. Board Consumer Confidence	Aug	120.0	121.5	121.1
WEDNESDAY 30 AUGUST						
UK		PM May begins three-day trip to Japan				
UK	00:01	BRC Shop Price Index	Aug	--	--	(-0.4%)
JN	00:50	Retail Sales	Jul	0.3% (1.0%)	--	0.2% (2.2%)
GE	08:00	CPI Saxony (first of several regional releases)	Aug			
SP	08:00	CPI EU Harmonised	Aug (P)	0.2% (1.8%)	--	-1.2% (1.7%)
UK	09:30	Net Consumer Credit	Jul	1.5b	--	1.5b
UK	09:30	Net Lending Secured on Dwellings	Jul	3.8b	--	4.1b
UK	09:30	Mortgage Approvals	Jul	65.5k	64.0k	64.7k
UK	09:30	Money Supply M4	Jul	--	--	-0.2% (5.3%)
UK	09:30	M4 Ex IOFCs 3M Annualised	Jul	--	--	5.4%
EZ	10:00	Economic Confidence	Aug	111.2	111.4	111.2
EZ	10:00	Industrial Confidence	Aug	4.8	4.8	4.5
EZ	10:00	Consumer Confidence	Aug (F)	-1.5	-1.5	-1.5
GE	13:00	CPI EU Harmonized	Aug (P)	0.1% (1.7%)	0.1% (1.7%)	0.4% (1.5%)
US	13:15	ADP Employment Change	Aug	183k	175k	178k
US	13:30	GDP Annualized	2Q (S)	2.7%	2.7%	2.6%
US	13:30	GDP Price Index	2Q (S)	1.0%	1.0%	1.0%
US	14:15	Fed's Powell Speaks at Conference				
THURSDAY 31 AUGUST						
UK	00:01	GfK Consumer Confidence	Aug	-13	-11	-12
UK	00:01	Lloyds Business Barometer	Aug	--	--	30
JN	00:50	Industrial Production	Jul (P)	-0.3% (5.1%)	--	2.2% (5.5%)
CH	02:00	Manufacturing PMI	Aug	51.3	--	51.4
CH	02:00	Non-manufacturing PMI	Aug	--	--	54.5
GE	07:00	Retail Sales	Jul	-0.6% (3.0%)	-0.6% (2.9%)	1.4% (1.5%)
FR	07:45	CPI EU Harmonized	Aug (P)	0.6% (1.0%)	--	-0.4% (0.8%)
GE	08:55	Unemployment Change (Rate)	Aug	-5k (5.7%)	-5k (5.7%)	-8k (5.7%)
EZ	10:00	Unemployment Rate	Jul	9.1%	9.0%	9.1%
IT	10:00	CPI EU Harmonized	Aug (P)	-0.1% (1.3%)	--	-1.9% (1.2%)

Ctry	Time	Release/Event	Period	Consensus	Forecast	Previous
EZ	10:00	CPI 'flash'	Aug	(1.4%)	(1.5%)	(1.3%)
EZ	10:00	Core CPI (excluding food and energy)	Aug (A)	(1.2%)	(1.2%)	(1.2%)
US	12:30	Challenger Job Cuts	Aug	--	--	(-37.6%)
US	13:30	Initial Jobless Claims	26-Aug	236k	245k	234k
US	13:30	Personal Income	Jul	0.3%	0.3%	0.0%
US	13:30	Personal Spending	Jul	0.4%	0.4%	0.1%
US	13:30	PCE Deflator	Jul	0.1% (1.4%)	0.1% (1.5%)	0.0% (1.4%)
US	13:30	Core PCE Deflator (excluding food and energy)	Jul	0.1% (1.4%)	0.1% (1.5%)	0.1% (1.5%)
US	14:45	Chicago Purchasing Manager	Aug	58.5	--	58.9
US	15:00	Pending Home Sales	Jul	0.5%	0.8%	1.5% (0.7%)
FRIDAY 1 SEPTEMBER						
JN	01:30	Manufacturing PMI	Aug (F)	--	--	52.8
CH	02:45	Caixin Manufacturing PMI	Aug	50.9	--	51.1
JN	06:00	Consumer Confidence Index	Aug	43.6	--	43.8
EZ	07:30	ECB's Nowotny in Panel Discussion in Austria				
FR	08:50	Manufacturing PMI	Aug (F)	55.8	55.8	55.8
GE	08:55	Manufacturing PMI	Aug (F)	59.4	59.4	59.4
IT	09:00	GDP	2Q (F)	0.4% (1.5%)	0.4% (1.5%)	0.4% (1.5%)
EZ	09:00	Manufacturing PMI	Aug (F)	57.4	57.4	57.4
UK	09:30	Manufacturing PMI	Aug	55.0	55.5	55.1
EZ	10:15	ECB's Constancio speaks in Italy				
US	13:30	Change in Nonfarm Payrolls	Aug	180k	185k	209k
US	13:30	Unemployment Rate	Aug	4.3%	4.3%	4.3%
US	13:30	Average Hourly Earnings	Aug	0.2% (2.6%)	0.3% (2.7%)	0.3% (2.5%)
US	14:45	Markit Manufacturing PMI	Aug (F)	--	52.7	52.5
US	15:00	ISM Manufacturing	Aug	56.5	56.7	56.3
US	15:00	University of Michigan Sentiment	Aug (F)	97.4	97.6	97.6
US	15:00	Construction Spending	Jul	0.5%	0.7%	-1.3%
US		Total Vehicle Sales	Aug	16.65m	--	16.69m
<p>Bold text denote those releases/events that are expected to attract most market attention. Data in brackets denote YoY unless stated otherwise. Market consensus estimates are taken from Bloomberg on the date of publication. * Released overnight, (r) revised, (p) preliminary, (f) final</p>						

2017 Central Bank Meetings

SEPTEMBER		
Country	Date	Event
EZ	7	ECB rate decision
UK	14	BoE MPC announcement
US	20	FOMC policy announcement + press conference
OCTOBER		
Country	Date	Event
EZ	26	ECB rate decision
NOVEMBER		
Country	Date	Event
US	1	FOMC policy announcement
UK	2	BoE MPC announcement + Inflation Report
DECEMBER		
Country	Date	Event
US	13	FOMC policy announcement + press conference
EZ	14	ECB rate decision

2018 Central Bank Meetings

JANUARY		
Country	Date	Event
EZ	25	ECB rate decision
US	31	FOMC policy announcement
FEBRUARY		
Country	Date	Event
UK	8	BoE MPC announcement + Inflation Report
MARCH		
Country	Date	Event
EZ	8	ECB rate decision
US	21	FOMC policy announcement + press conference
UK	22	BoE MPC announcement

Brexit events

w/c 28-Aug	3rd round of talks scheduled between Barnier and Davis
w/c 18-Sept	4th round of talks scheduled between Barnier and Davis
w/c 9-Oct	5th round of talks scheduled between Barnier and Davis

2017 Political Events

SEPTEMBER		
Country	Date	Event
GE	24	Bundestag elections
OCTOBER		
Country	Date	Event
UK	1-4	Conservative Party Conference
CH	tbc	National People's Party Congress
AS	15	Parliamentary elections
EU	19-20	EU Council meeting
NOVEMBER		
Country	Date	Event
DECEMBER		
Country	Date	Event
EU	14-15	EU Council meeting

2018 Political Events

JANUARY		
Country	Date	Event
FEBRUARY		
Country	Date	Event
MARCH		
Country	Date	Event

CONTACT DETAILS

Rhys Herbert
Senior Economist
T: +44 (0) 20 7158 1743
E: rhys.herbert@lloydsbanking.com

Hann-Ju Ho
Senior Economist
T: +44 (0) 20 7158 1745
E: hann-ju.ho@lloydsbanking.com

DISCLAIMER

This document is confidential, for your information only and must not be distributed, in whole or in part, to any person without the prior consent of Lloyds Bank plc ("Lloyds Bank"). This document has been prepared for information purposes only. This document should be regarded as a marketing communication, it is not intended to be investment research and has not been prepared in accordance with legal requirements to promote the independence of investment research and should not necessarily be considered objective or unbiased. This document is not independent from Lloyds Bank's proprietary interests, which may conflict with your interests. Lloyds Bank may trade as principal, may have proprietary positions, and/or may make markets in any instruments (or related derivatives) discussed in this document. The author of this document may know the nature of Lloyds Bank's trading positions or strategies in anticipation of this document. Trading personnel may be indirectly compensated in part based on the size and volume of their transactions, but the outcome of any transaction that may result from this document will not have a direct bearing on the compensation of any trading personnel. Lloyds Bank may engage in transactions in a manner inconsistent with the views expressed in this document and Lloyds Bank's salespeople, traders and other professionals' may provide oral or written market commentary or strategies to clients, which may conflict with the opinions expressed in this document.

Any views, opinions or forecast expressed in this document represent the views or opinions of the author and are not intended to be, and should not be viewed as advice or a recommendation. We make no representation and give no advice in respect of legal, regulatory, tax or accounting matters in any applicable jurisdiction. You should make your own independent evaluation, based on your own knowledge and experience and any professional advice which you may have sought, on the applicability and relevance of the information contained in this document.

The material contained in this document has been prepared on the basis of publicly available information believed to be reliable and whilst Lloyds Bank has exercised reasonable care in its preparation, no representation or warranty, as to the accuracy, reliability or completeness of the information, express or implied, is given. This document is current at the date of publication and the content is subject to change without notice. We do not accept any obligation to any recipient to update or correct this information. This document is not directed toward, nor does it constitute an offer or solicitation to, anyone in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. Lloyds Bank, its directors, officers and employees are not responsible and accept no liability for the impact of any decisions made based upon the information, views, forecasts or opinion expressed.

Lloyds Banking Group plc and its subsidiaries may participate in benchmarks in any one or more of the following capacities; as administrator, submitter or user. Benchmarks may be referenced by Lloyds Banking Group plc for internal purposes or used to reference products, services or transactions which we provide or carry out with you. More information about Lloyds Banking Group plc's participation in benchmarks is set out in the Benchmark Transparency Statement which is available on our website.

This document has been prepared by Lloyds Bank. Lloyds Bank is a trading name of Lloyds Bank plc and Bank of Scotland plc, which are both subsidiaries of Lloyds Banking Group plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.