

Macroeconomic review. Business and inflation: United States, Euro area, and Russia USA

1. **Nonfarm Payrolls grew by 642 thousand in June**, after growth by 886 thousand in May.
2. **Jobless Claims number was 364 thousand in the previous week**, after 415 thousand a week earlier.
3. **Core PCE Price Index increased 3.9% in May**, after 3.6% growth in June.

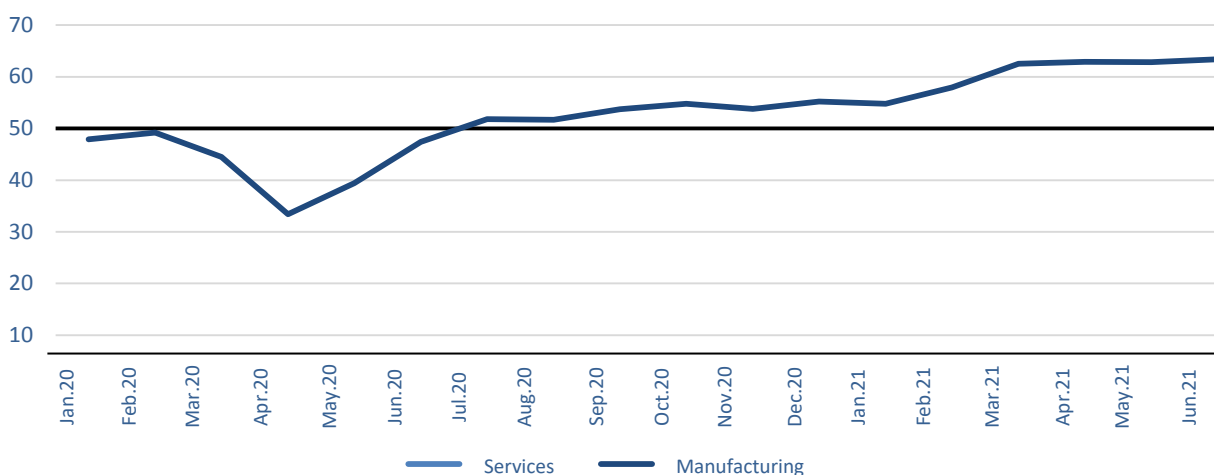
Recovery of the U.S. economy is slowing down as Government support programs are being wrapped up, and low base effect is receding.

Core PCE Price Index reached its maximum since 1992 — another alarm signaling inflation pressure growth in the United States. Our expectation is that Federal Reserve will announce in August gradual wrapping-up of stimulus programs.

Euro area

1. **Unemployment Rate went down to 7.9% in May** over 8.1% in April.
2. **Consumer Confidence Index increased to -3.3 in June** over -5.1 in May.
3. **IHS Markit Business Index grew to 59.2 in June** over 57.1 in May.

Euro area business index*



Source: IHS Markit

* Value above 50 refers to growth in business activity, and value below 50 refers to a decline.

While economic activity in the United States is slowing down, Euro area's figures are smashing through record highs. This is partially due to the fact that Euro area's economy is only beginning to recover. Europe's Central Bank will continue to follow extremely mild monetary policy with high QE rates within at least the nearest six months, since economic activity growth doesn't trigger inflation pressure.

Russia

1. ***Paid Services Rendered to Population dropped by 4.3% (MoM) in May after growth by 0.2% (MoM) in April.***
2. ***Retail Sales increased 1.1% (MoM) in May after growth by 0.3% (MoM) in April.***
3. ***IHS Markit Manufacturing PMI went down to 49.2 in June as compared to 51.9 in May.***
4. ***Unemployment Rate went down to 4.9% in May over 5.2% in April.***
5. ***Consumer Inflation Expectations grew to 11.9% in June over 11.3% in May.***
6. ***From June 1 through June 28, Consumer Price Index had grown by 0.63%.***

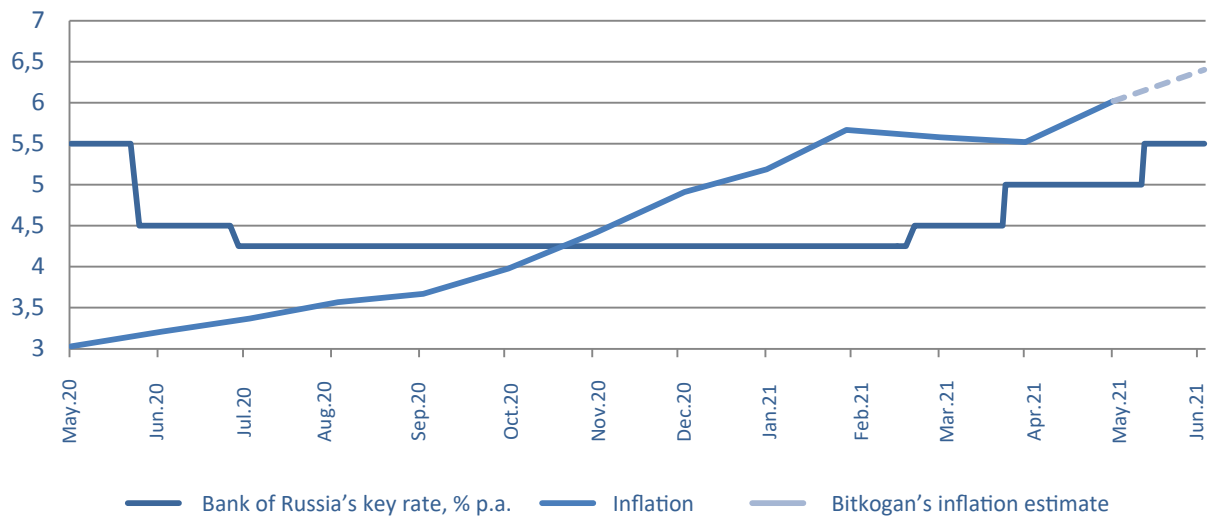
Russia's economy data is controversial. On one hand, Unemployment Rate dropped by as much as 0.3 percentage points in May, and Retail Sales increased. On the other hand, Consumer Services and Manufacturing PMI were going down.



Source: Rosstat

It appears that the new coronavirus strain is beginning to gradually impact the Services sector, so Unemployment Rate in Russia can exceed 5% again. Negative trends are being observed in Manufacturing due materials getting more expensive and declining demand, rather than because of new coronavirus wave.

Bank of Russia's Key Interest Rate to Inflation Ratio, %



Sources: The Bank of Russia, Rosstat, Bitkogan's estimates

Rosstat's preliminary data and inflation expectations both indicate that inflation in Russia continues to grow. According to our estimates, inflation reached 6.3%–6.5% in June. Given the growing inflation pressure, our expectation is that the Bank of Russia will increase its key rate by at least 0.5 percentage points at the next meeting. The key rate is likely to reach 6.5% within several months. This may put upward pressure on Russia's short-term Government Bond yield.

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