

### Ticking along

- ◆ Elections in the UK and France have dominated the news but, for now, attention turns back to the data ...
- ◆ ... with key questions over whether the progress on growth and inflation can continue
- ◆ Our global GDP growth forecasts remain at 2.6% this year, despite changes to some country projections

#### Politics take centre stage

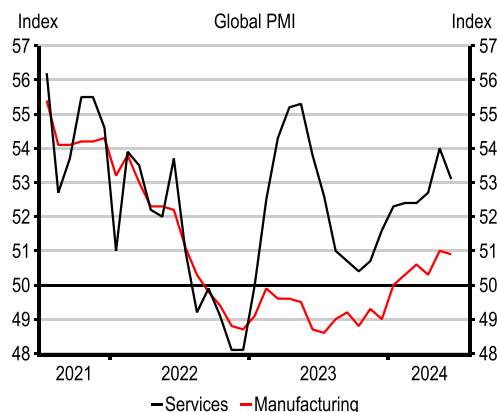
Elections have dominated the discourse in recent weeks, with the UK election seeing the Labour Party win a large majority in parliament. The French legislative elections, saw a surprise result as the far-right RN, widely expected to win the most seats, came in third behind President Macron's allies and the left-wing NFP. In the US, the first Presidential debate led to a sharp move in betting markets – now suggesting a decent chance President Biden isn't on the ticket in November (RealClearPolitics).

#### Focus back on the data

Despite these risks, the economic data across the world keep ticking along. We've seen another round of broadly decent global PMI data (see Chart 1), despite weakness in some pockets. US labour market data have wobbled a bit, but we still have a situation with **steady employment** (see Chart 2), and an **ample household savings stock across the world**.

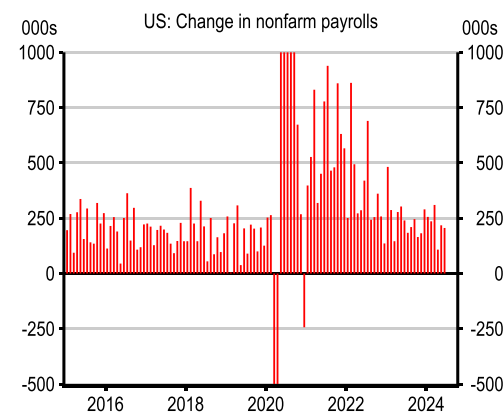
**Survey and hard data  
continue to move higher**

#### 1. PMI data remain robust



Source: Macrobond

#### 2. US labour market data may be cooling, but still looking healthy



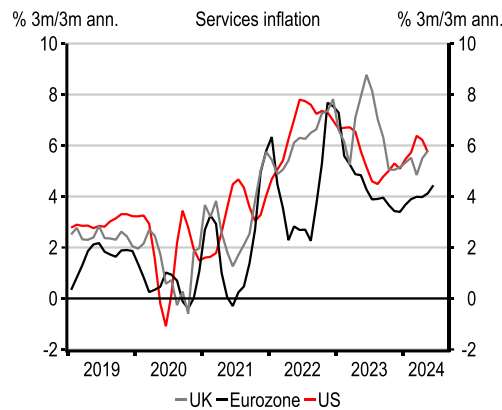
Source: Macrobond

Commodity prices could keep upward pressure on inflation

### Inflation risks resurfacing?

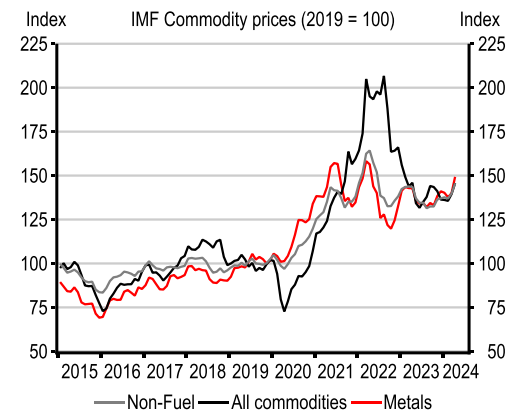
The challenge is still that this brighter growth outlook is keeping some areas of inflation stickier – **most notably on the consumer services side** (see Chart 3). Equally, we’ve seen some moves in input costs pressures on the goods side that could be getting more concerning. Freight costs have spiked and many commodity prices are either rising or staying at elevated levels (see Chart 4), **putting upward pressure on goods inflation**.

### 3. Services inflation is keeping central bankers on their toes



Source: Macrobond

### 4. Commodity prices are likely to remain elevated in 2024



Source: Macrobond

Monetary policy is tilting towards easing

### Central banks diverging

As a result, we’re seeing a **divergence in the approach from central banks**. In much of Europe, policymakers have seen enough, and have either cut or made it clear they are ready to cut rates. In the US, the Federal Open Market Committee remains divided over the timing of rate cuts, still wanting to see a bit more clarity on the path lower for inflation. Overall, we expect **two more rate cuts this year from the European Central Bank but only one from the Federal Reserve (Fed)**. Central banks in Asia are ready to follow the Fed, while those in LatAm have slowed their easing.

### Dodging the dangers

For now, the global economy has done a **remarkably good job of avoiding the huge number of pitfalls so far this year**. But the risks haven’t gone away, and with political change and geopolitical uncertainty, we cannot assume that these challenges can be overcome indefinitely.

### Our GDP growth forecasts

We forecast 2.6% global GDP growth for this year and next

The overall impact is little or no change to our growth forecasts. One familiar exception is India following another upside surprise in Q1 and where we now project 7.3% growth this year. **But our 2024 global GDP forecast stays at 2.6%**. We made small upgrades to our European forecasts, but these are largely offset by downgrades to Mexico, Thailand, Japan, Australia and New Zealand. We also kept our 2025 global GDP growth forecast at 2.6% as we anticipate neither much stimulus nor much slack to provide scope for a rapid V-shaped recovery.

### Key GDP growth forecasts

% Year	2023 actual		2024 forecast		2025 forecast	
<b>World</b>	<b>2.7</b>	<b>(2.7)</b>	<b>2.6</b>	<b>(2.6)</b>	<b>2.6</b>	<b>(2.6)</b>
US	2.5	(2.5)	2.4	(2.3)	1.6	(1.5)
Mainland China	5.2	(5.2)	4.9	(4.9)	4.5	(4.5)
Japan	1.9	(1.9)	0.4	(0.6)	1.2	(1.1)
India*	7.7	(7.7)	7.3	(6.3)	6.5	(6.6)
Eurozone	0.6	(0.5)	0.6	(0.5)	1.3	(1.3)
UK	0.1	(0.1)	0.9	(0.4)	1.3	(1.1)
Brazil	2.9	(2.9)	2.0	(2.0)	2.1	(2.3)
Mexico	3.2	(3.2)	2.1	(2.7)	1.8	(2.5)

Note: \*India data is calendar year forecast here for comparability. Previous forecasts are shown in parenthesis, and are from the Macro Monthly dated 13 April 2024. Green indicates an upward revision, red indicates a downward revision.  
 Source: Bloomberg, HSBC Economics

### Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
17 Jun	Mainland China	Retail sales (year)	May	3.7%	3.0%	2.3%	↑
19 Jun	UK	CPI (year)	May	2.0%	2.0%	2.3%	→
28 Jun	US	Total PCE price index (year)	May	2.6%	2.6%	2.7%	→
1 Jul	Mainland China	Caixin manufacturing PMI (index)	Jun	51.8	51.5	51.7	↑
1 Jul	US	ISM manufacturing (index)	Jun	48.5	49.1	48.7	↓
2 Jul	Eurozone	HICP (year)	Jun, flash	2.5%	2.5%	2.6%	→
3 Jul	Mainland China	Caixin services PMI (index)	Jun	51.2	53.4	54.0	↓
3 Jul	US	ISM services (index)	Jun	48.8	52.7	53.8	↓
5 Jul	US	Nonfarm payrolls, monthly change (000s)	Jun	206	190	218	↑

Source: Bloomberg, HSBC

↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

### Key upcoming events

Date	Market	Release	Period
14 Jul	Mainland China	Retail Sales / GDP	Jun / Q2
16 Jul	US	Retail Sales	Jun
17 Jul	UK	CPI	Jun
18 Jul	Europe	Central bank interest rate announcement	-
19 Jul	UK	Retail Sales	Jun
21 Jul	Mainland China	Central bank interest rate announcement	-
24 Jul	EU / UK / US	PMIs	Jul
30 Jul	Europe	GDP	Q2
1 Aug	UK	Central bank interest rate announcement	-
2 Aug	US	Non-Farm Payrolls	Jul
4 Aug	Mainland China	Caixin Services PMI	Jul
8 Aug	Mainland China	PPI / CPI	Jul

Source: Refinitiv Eikon, HSBC

# Disclosure appendix

## Additional disclosures

- 1 This report is dated as at 11 July 2024.
- 2 All market data included in this report are dated as at close 10 July 2024, unless a different date and/or a specific time of day is indicated in the report.
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