

Dollar drops before key data, Sintra forum and tariff deadlines

- Dollar dropped to three-year low and oil prices slipped after Middle East tensions eased
- US June labour market report expected to show moderate easing; ISM surveys also in focus
- Sintra forum features major global central bank heads, including those from the US, UK and Eurozone
- Eurozone June 'flash' inflation and UK surveys among other key releases

This report summarises key economic indicators, policy events and financial market movements over the past week, and looks ahead to highlights for the upcoming week.

Risk tone lifted by lower Middle East tensions

Oil prices fell sharply back towards early June levels as an Israel-Iran ceasefire eased concerns of the Middle East crisis escalating. Brent crude oil dropped below \$70 a barrel. The more constructive risk tone supported global equity markets and led the US dollar to pare previous safe-haven gains. That contributed to the pound and the euro rising above \$1.37 and \$1.17, respectively, their highest levels for over three years. Treasury and gilt yields declined, with the 10-year gilt yield falling to around 4.50%.

On the data front, the June 'flash' composite PMI moved up slightly to 50.7 in the UK and remained at 50.2 in the Eurozone, indicating only marginal economic growth. The UK survey's output price index fell sharply. These results keep open the possibility of two more interest rate cuts by the Bank of England this year and potentially one more by the European Central Bank.

US Q1 GDP was revised to an annualised fall of -0.5% from -0.2% but is expected to rebound in Q2. The monthly 'hard' data remained volatile. The US June 'flash' PMI fell only slightly to 52.8, still signalling underlying expansion. May headline PCE inflation increased to 2.3% and the core rate to 2.7%, though tariff effects so far remain small. Some recent Fed comments have tilted dovish, raising the likelihood of a September rate cut.

Spotlight on US jobs and survey data

The upcoming week's economic data calendar features the US June labour market report on Thursday and ISM surveys for manufacturing and services on Tuesday and Thursday. Friday is US Independence Day. The 90-day tariff deadline on 9 July looms, with reports

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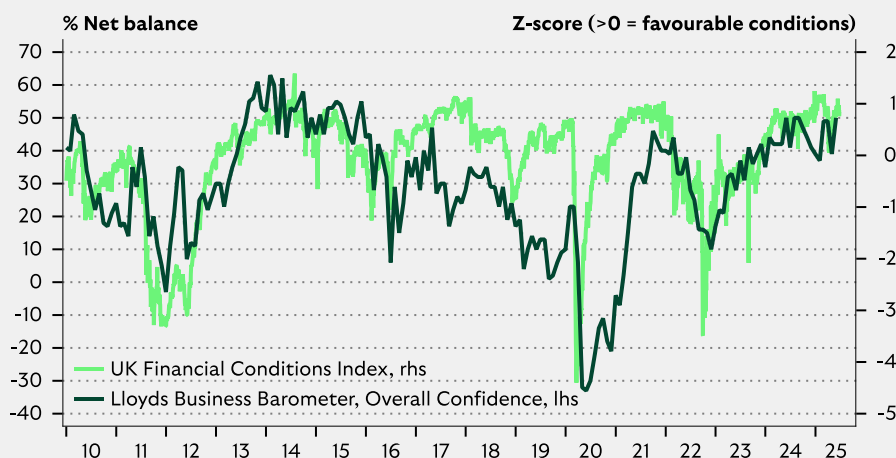
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Chart 1: UK business confidence and financial conditions



Data preview

- Eurozone 'Flash' CPI (Jun) – Tue 1 Jul (10:00 BST)
- US ISM surveys (Jun) – Tue 1 Jul & Thu 3 Jul (15:00 BST)
- US Labour market report (Jun) – Thu 3 Jul (13:30 BST)

of imminent deals or potential extensions. In the Eurozone, the data focus is on the June flash CPI estimate on Tuesday, unemployment figures on Wednesday and German factory orders on Friday.

Recent indicators suggest the US labour market is easing, with employers hesitant to hire, though layoffs remain low. Official data for May remained solid, with employment rising by 139k and the unemployment rate steady at 4.2%. We expect June data to show a 130k payroll increase and a slight unemployment rise to 4.3%. ISM surveys weakened in May, contrasting with the US PMI rebound, but we expect a June pickup. Price readings have remained high, so it will be interesting to see if this trend abates in June. Overall, the coming week's data are not expected to further increase the pressure on the Fed to consider early interest rate cuts.

In the Eurozone, we expect June headline CPI to rise slightly to 2.0% from 1.9%, driven by energy price base effects. Core inflation is expected to remain at 2.3% after the sizeable fall in May. Easing wage pressures should reassure policymakers about services inflation, while the recent oil price surge due to Middle East tensions appears short-lived. From July onwards, we expect Eurozone headline inflation to be below 2% for the rest of the year.

Sintra forum and UK reports

The global central bank highlight is the ECB forum in Sintra, Portugal from Monday to Wednesday, akin to the Kansas City Fed's Jackson Hole symposium. Titled 'Adapting to Change: Macroeconomic Shifts and Policy Responses,' the forum's key policy panel on Tuesday features BoE Governor Bailey, ECB President Lagarde, Fed Chair Powell, Bank of Japan Governor Ueda and Bank of Korea Governor Rhee. External BoE MPC member Taylor will also participate in a separate panel. On Friday, Taylor will deliver a speech on 'The Natural Rate of Interest,' where he may reiterate his view that the neutral rate is 2.75%, below current forward market interest rates. There continues to be significant uncertainty about the potential terminal rate level.

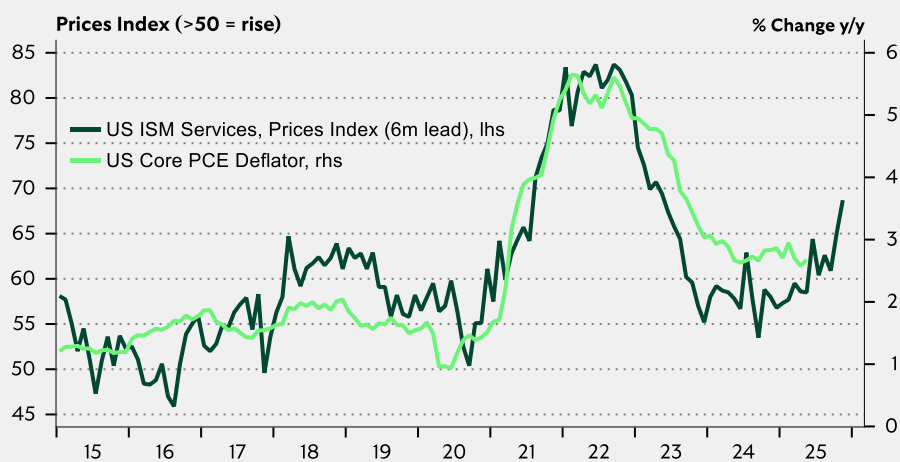
UK reports in the coming week include the Lloyds Business Barometer for June and BoE May money and credit data, including mortgage approvals, on Monday, with the DMP survey due Thursday. Updated UK Q1 GDP data are expected to confirm strong 0.7% growth, though a slowdown is anticipated in Q2. The BoE forecasts Q2 growth at around 0.25%. Survey evidence is mixed, with PMIs indicating little or no growth in Q2, while the Lloyds Business Barometer showed a rebound in May, aligning with improved financing conditions. Sterling markets will also watch domestic politics, with a key parliamentary vote on the now-amended welfare reforms scheduled for Tuesday. The UK in the past week published a new 10-year industrial strategy focusing on eight high-growth sectors and a trade strategy.

As the 9 July tariff deadline approaches, immediate attention will be on the Sintra central banking forum and key economic data, particularly from the US.

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Chart 2: US inflation not yet reflecting higher survey indications



Source: Macrobond, Lloyds Bank Market Insights



Data and policy preview:

30 June to 4 July 2025



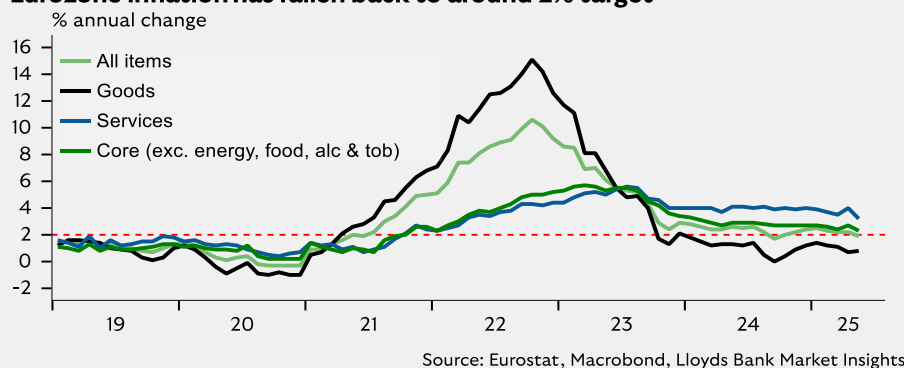
Eurozone 'Flash' CPI (Jun) – Tue 1 Jul (10:00 BST)

In May, Eurozone headline CPI fell more than expected to 1.9%, down from 2.2% in April. Services inflation dropped to 3.2%, the lowest in over three years, after a temporary spike to 4.0% in April due to the late Easter's impact on travel services prices. For June, we forecast a slight increase in headline inflation to 2.0%, driven by energy price base effects, as the 0.8% month-on-month fall in energy prices in June 2024 is unlikely to be repeated. Services inflation is forecast to have remained at 3.2%, with core CPI, including non-energy industrial goods, also staying at 2.3%. Looking ahead, easing wage pressures should reassure policymakers about services inflation, while the recent surge in oil prices due to Middle East tensions appears to have been short-lived. From July onwards, headline inflation is expected to be below 2% for the rest of the year.

Headline CPI	M/M	Y/Y
Lloyds forecast	0.3%	2.0%
Consensus	0.3%	2.0%
Previous	0.0%	1.9%

Core CPI	Y/Y
Lloyds Forecast	2.3%
Consensus	2.3%
Previous	2.3%

Eurozone inflation has fallen back to around 2% target



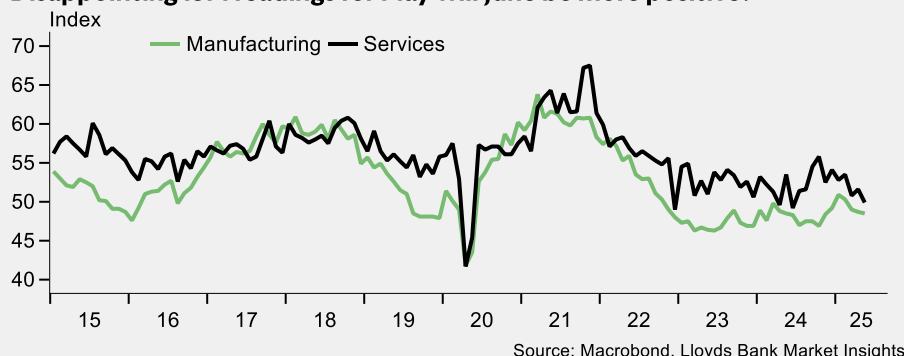
US ISM surveys (Jun) – Tue 1 Jul & Thu 3 Jul (15:00 BST)

The ISM surveys disappointed in May, with both manufacturing and services headline measures falling from April levels. This was a marked contrast with the US PMI readings, which showed a sizeable rebound from April indicating a positive impact from the delay in some larger tariff increases. The ISM reports highlighted weakness in new orders, especially for services. Despite this, we anticipate a pickup in June, with rises in both headline indices. However, the manufacturing index is expected to remain below the 50 expansionary level, while the services index is forecast to show only modest growth. Price readings from the surveys have sharply increased recently, indicating potential inflationary pressures ahead, so it will be interesting to see if there is any sign of this trend abating in June.

ISM Manufacturing	Index
Lloyds forecast	48.9
Consensus	48.8
Previous	48.5

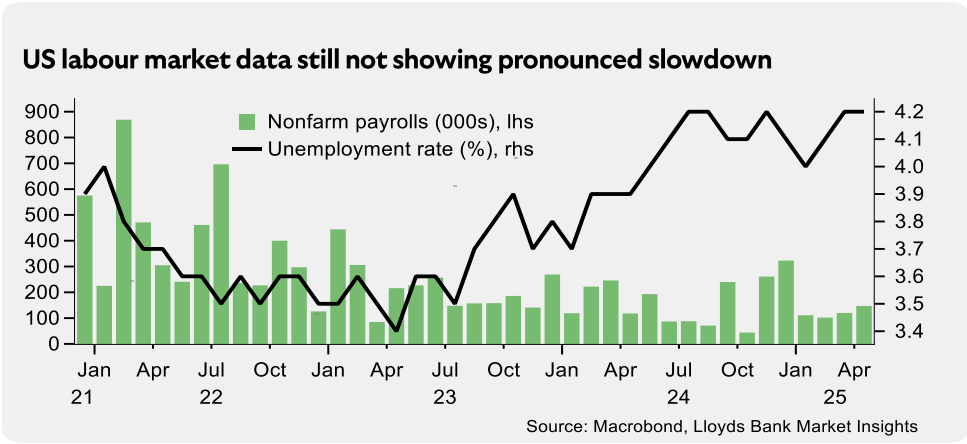
ISM Services	Index
Lloyds forecast	51.0
Consensus	50.8
Previous	49.9

Disappointing ISM readings for May will June be more positive?



US Labour market report (Jun) – Thu 3 Jul (13:30 BST)

Recent indicators have provided tentative signs that conditions in the US labour market are easing. However, this has yet to be reflected in the official reports. The latest report for May showed another solid monthly employment rise of 139k and an unchanged unemployment rate of 4.2%. Other surveys, including the official JOLTS report on labour market conditions, indicate that while employers are now more reluctant to hire, layoffs remain relatively low. We expect this trend to be confirmed by the June data, with a slower but still relatively good payroll increase of 130k and only a modest rise in the unemployment rate to 4.3%. Such outcomes should not be enough to heighten the pressure on the Federal Reserve to consider an early cut in interest rates in July.



Nonfarm payrolls

Lloyds forecast	130k
Consensus	120k
Previous	139k

Unemployment rate

Lloyds Forecast	4.3%
Consensus	4.3%
Previous	4.2%

Average hourly earnings

M/M

Lloyds Forecast	0.3%
Consensus	0.3%
Previous	0.4%



Weekly economic calendar



Ctry	Time (BST)	Time (EST)	Release/Event	Period	Consensus	Forecast	Previous
MONDAY 30 JUNE							
UK	00:01	19:01*	Lloyds Business Barometer	Jun	50	--	50
UK	07:00	02:00	GDP	1Q F	0.7% (1.3%)	0.7% (1.3%)	0.7% (1.3%)
UK	07:00	02:00	Current Account Balance	1Q	-£19.8bn	--	-£21.0bn
GE	07:00	02:00	Retail Sales	May	0.5%	--	-0.9% (4.4%)
EZ	09:00	04:00	M3 Money Supply	May	(4.0%)	(4.0%)	(3.9%)
UK	09:30	04:30	Net Consumer Credit	May	£1.2bn	£0.9bn	£1.6bn
UK	09:30	04:30	Net Lending Secured on Dwellings	May	£2.8bn	--	-£0.8bn
UK	09:30	04:30	Mortgage Approvals	May	60.5k	62.3k	60.5k
IT	10:00	05:00	CPI EU Harmonised	Jun P	0.2% (1.8%)	--	-0.1% (1.7%)
GE	13:00	08:00	CPI EU Harmonised	Jun P	0.3% (2.2%)	--	0.2% (2.1%)
TUESDAY 1 JULY							
UK	00:01	19:01*	BRC Shop Price Index	Jun	0.2%	--	-0.1%
GE	08:55	03:55	Manufacturing PMI	Jun F	49.0	--	49.0
EZ	09:00	04:00	Manufacturing PMI	Jun F	49.4	49.4	49.4
UK	09:30	04:30	Manufacturing PMI	Jun F	47.7	47.7	47.7
EZ	10:00	05:00	Flash Harmonised CPI	Jun P	0.3% (2.0%)	0.3% (2.0%)	0.0% (1.9%)
EZ	10:00	05:00	Core CPI	Jun P	(2.3%)	(2.3%)	(2.3%)
WD	14:30	09:30	ECB's Lagarde, Fed's Powell, BoE's Bailey, BoJ's Ueda on Panel at Sintra				
US	15:00	10:00	ISM Manufacturing	Jun	48.8	48.9	48.5
WEDNESDAY 2 JULY							
EZ	10:00	05:00	Unemployment Rate	May	6.2%	--	6.2%
UK	11:30	06:30	BoE's Taylor on Panel at Sintra				
US	13:15	08:15	ADP Employment Change	Jun	110k	--	37k
THURSDAY 3 JULY							
GE	08:55	03:55	Services PMI	Jun F	49.4	--	49.4
EZ	09:00	04:00	Services PMI	Jun F	50.0	50.0	50.0
UK	09:30	04:30	Services PMI	Jun F	51.3	51.3	51.3
EZ	12:30	07:30	ECB Publishes Account of June Policy Meeting				
US	13:30	08:30	Change in Nonfarm Payrolls	Jun	120k	130k	139k
US	13:30	08:30	Average Hourly Earnings	Jun	0.3% (3.9%)	0.3% (3.9%)	0.4% (3.9%)
US	13:30	08:30	Unemployment Rate	Jun	4.3%	4.3%	4.2%
US	13:30	08:30	Initial Jobless Claims	Jun 28	--	240k	236k
US	13:30	08:30	Trade Balance	May	-\$69.8bn	-\$71.1bn	-\$61.6bn
US	15:00	10:00	Factory Orders	May	7.8%	8.4%	-3.7%
US	15:00	10:00	ISM Services	Jun	50.8	51.0	49.9
FRIDAY 4 JULY							
GE	07:00	02:00	Factory Orders	May	-0.2% (5.5%)	--	0.6% (4.8%)
UK	09:30	04:30	Construction PMI	Jun	48.5	--	47.9
UK	18:30	13:30	BoE's Taylor Speaks about Natural Rate of Interest				

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



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