The Bottom Line

The Bottom Line is our weekly publication. It wraps up the week, highlighting key events and data releases for the upcoming one

Focus on eurozone inflation and US payrolls

28 August 2026

Next week's economic calendar foresees two important data releases: in the eurozone, the August inflation data will reveal a substantial increase in the headline reading due to higher energy prices, and in the US, the labour market report is expected to show some improvement. Separately, RBNZ is expected to tighten its policy by 25bp, while BoC should stay on sidelines.

TOP STORIES OF THE UPCOMING WEEK

1 **Eurozone inflation likely to rise well above 3%**

We forecast a large increase in eurozone inflation for August, to 3.4% yoy from 2.9%, the highest reading since September 2023. The acceleration has likely been driven by energy, which we think has added 0.4pp to the headline inflation rate, mainly due to a jump in the price of oil products as upward pressure on Brent prices is compounded by rising refining margins. We have also pencilled in further increases in electricity and natural gas bills. Core inflation has likely remained at 2.5% yoy, with the usual uncertainty related to potentially large seasonal swings in the prices of holiday-related services. Food inflation has likely reaccelerated somewhat from a low level, although we expect it to have remained subdued at around 1%. We have pencilled in pressure on unprocessed items stemming from unusually hot and dry summer weather, while the processed component is likely to have remained well behaved. Looking ahead, we see headline inflation hovering around 3.5% for the rest of the year, with core inflation at or just above 2.5%.

2 **US payroll weakness appears overdone, we expect an improvement**

The US labour market showed clear weakness in June-July, recording cumulatively flat payrolls growth and a 0.2pp decline in the unemployment rate to 4.1%, fully driven by falling participation. We suspect that the hiring data depict an overly pessimistic picture of the US economy, explained by a sizeable drag of the government sector that is unlikely to last for long and, possibly, some issues related to seasonal adjustment.

The average 30k increase in private employment over the last two months suggests that the labour market is anaemic but is not falling off a cliff. We expect August to show some recovery in job creation and have pencilled in a moderate rebound by 80k, with the unemployment rate picking up to 4.2% if some of the recent substantial (and suspicious) weakness in participation is reversed. At a sector level, we will closely monitor financial activities. Payrolls here have declined for most of the past year, and a continuation of this trend might suggest that AI adoption is playing a role. Overall, the US economy remains in good shape but with only one growth engine – AI, which is fuelling investment and, indirectly, consumption through wealth effects. Going forward, we expect firms to remain cautious regarding hiring amid high energy prices and uncertainty about how AI will affect staffing needs.

3 **The RBNZ is set to hike rates further; BoC on hold**

Both the Reserve Bank of New Zealand (RBNZ) and the Bank of Canada (BoC) will meet on Wednesday. The policy rate will likely rise again in New Zealand, as the RBNZ is expected to deliver another 25bp rate hike to 2.75% after a similar move in July. By contrast, rates in Canada should stay at 2.25%. The RBNZ seems to be the bolder major central bank with respect to tightening, as rates are too low in New Zealand, with forwards pricing in a total of 50bp and 100bp of new tightening by 4Q26 and 4Q27, respectively. Resuming tariff tensions with the US call for a cautious approach by the BoC. Both outcomes are sufficiently priced in, with the NZD and the CAD expected to further benefit from the current USD retreat.

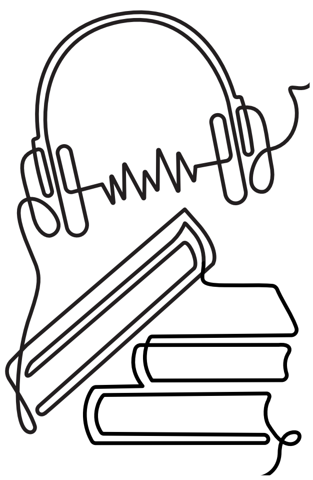
QUOTE OF THE WEEK*

> "It is time for superpowers to understand the limits of their power."

Antonio Guterres, United Nations Secretary-General

* Not an endorsement.

WHAT WE ARE READING



The multiplying risks of financing data centres ›

This *FT* article discusses the risks of the huge capex spent on data centres, including longevity, i.e. that the data centres and their equipment will become obsolete due to innovation, or that the AI revolution will not meet its potential. Moreover, the article highlights the limits of insurers' capabilities and their balance sheets.

Geoeconomics, Rediscovered ›

In this article published in the IMF's *F&D Magazine,* Josh Lipsky discusses the role of geoeconomics, as the line between economic policies and national security issues is increasingly disappearing. The webpage offers further reading on selected geoeconomic topics published in *F&D Magazine*.

The United States and its Creditors: Assessing Foreign Demand for US Assets›

Foreign investors are crucial to financing the US current account, mainly through UST purchases. In this *Hutchins Center Working Paper*, the authors examine how demand shifts across investor groups have affected the Treasury market, focusing on weakening foreign demand in recent years. Lower reserve accumulation, geoeconomic fragmentation and geopolitical tensions have reduced the appeal of USTs. Private investors are increasingly filling the gap, but their greater price sensitivity raises the risk of higher yield volatility over time.

DATA AND EVENTS CALENDAR

Date	Country	Data	Period	UniCredit	Consensus	Previous
31 Aug	GE	Consumer price index (% yoy)	Aug	3.0	-	2.8
01 Sep	EZ	Unemployment rate (%)	Jul	6.3	-	6.3
01 Sep	EZ	Core CPI (% yoy)	Aug	2.5	-	2.5
01 Sep	EZ	Consumer price index (% yoy)	Aug	3.4	-	2.9
02 Sep	US	JOLTS job openings (thousands)	Jul	-	-	7,359
02 Sep	US	ISM manufacturing (index)	Aug	-	-	55.6
02 Sep	NZ	RBNZ announces key rate (%)	-	2.75	-	2.50
02 Sep	CA	BoC announces key rate (%)	-	2.25	-	2.25
02 Sep	US	Factory orders (% mom)	Jul	-	-	-0.3
02 Sep	US	Fed releases Beige Book	-	-	-	-
03 Sep	US	ISM non-manufacturing (index)	Aug	--	-	54.1
04 Sep	GE	Industrial orders (% mom)	Jul	-1.0	-	3.1
04 Sep	US	Average hourly earnings (% yoy)	Aug	-	-	3.2
04 Sep	US	Unemployment rate (%)	Aug	4.2	-	4.1
04 Sep	US	Non-farm payrolls (change tsd. mom)	Aug	80	-	-23

Source: Bloomberg, The Investment Institute by UniCredit
Note: A detailed calendar is available here: Calendar

FORECAST TABLES

- Economics
- FI
- FX
- Risky Assets

IN CASE YOU MISSED IT THIS WEEK

Date	Title	Author
28 Aug	Coffee Break › Eurozone defence spending is starting to be reflected in manufacturing data	Tullia Bucco
27 Aug	Coffee Break › Green shoots in Germany's industry?	Dr. Andreas Rees
27 Aug	Short View › Industrials: the beneficiaries of converging investment cycles	Tobias Keller
26 Aug	Short View › Is FX intervention a "losing game"? The JPY's case	Roberto Mialich
26 Aug	Primary Market Focus › Italy issues new 10Y benchmark with 4% coupon	Dr. Luca Cazzulani
26 Aug	Coffee Break › Hyperscaler borrowing needs continue to weigh	Dr. Stefan Kolek,
25 Aug	Coffee Break › ...but remember to come back in September	Christian Stocker
24 Aug	Coffee Break › A summer twist in Treasuries	Dr. Luca Cazzulani

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3. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
4. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
5. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
6. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
7. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
8. Diversification does not guarantee a profit or protect against a loss.