

Key events in developed markets and EMEA next week

In the US, upcoming data is likely to hint at a softening growth story though this is unlikely to deter the Federal Reserve from tightening policy again this month. UK inflation data will determine the size of the August rate hike. And the Central Bank of Turkey is expected to hike by 5ppt to 20%



US: Fed still believes it needs to do more policy tightening

The recent softer private sector jobs growth and lower-than-expected inflation data have seen expectations for the terminal Fed funds rate move lower in recent days. Nonetheless, the Fed still believes it needs to do more policy tightening to ensure inflation returns to 2% and stays there. We fully expect a further 25bp rate hike from the Federal Reserve on 26 July but doubt that policymakers will carry through with the second hike that they envisioned in their recent forecasting round.

The upcoming data is likely to hint at a softening growth story with industrial activity set to remain subdued. The ISM manufacturing survey has been indicating contraction (sub-50 readings) for eight consecutive months while lower energy prices have resulted in a fall in oil and gas drilling rigs operating in the US from 755 at the start of May to 680 as of last week. Retail sales will be lifted by rebounding auto sales numbers and higher gasoline station sales, but outside of these components, we expect sales to struggle. The weekly Johnson Redbook same-store sales numbers

have turned negative year-on-year while Opentable restaurant dining numbers are also down YoY. Consumer credit has also started slowing in recent months, pointing to weak growth in spending. Adding to the fears for a recession will be a fifteenth consecutive drop in the Conference Board's leading index for the US.

Housing data is likely to correct after a very strong set of readings in May, most notably for housing starts. The lack of existing homes available for sale and high mortgage rates are depressing the number of transactions, but construction is improving given stable pricing and a pick up in new home sales due to the lack of properties on the market.

✓ UK: inflation data to determine size of August rate hike

Whether the Bank of England hikes by another 50 basis points in August, or is content with a smaller 25bp move, will almost entirely hinge on next week's inflation data. June's meeting made it clear that the Bank is laser-focused on the CPI and wage numbers, and not a lot else. Next week, we should see headline CPI dip noticeably, though this is largely because last June's near-10% surge in fuel prices won't be matched – and in fact, petrol/diesel pump prices were down by 2.6% last month. Food inflation should also decline modestly too, not least because producer price inflation has been easing for several months now. Core inflation should inch slightly lower too, though it's the services component that matters most to the Bank of England, and we expect this to stay at 7.4% – a post-Covid high. This is also the Bank of England's expectation, according to the June meeting minutes.

Assuming we're right on services inflation, August's meeting then becomes an extremely close call. The latest pay data came in hot but was balanced out by some better news on the supply of workers. A further rise in services CPI would probably cement another 50bp move, and a downside surprise would probably nudge the dial in favour of a 25bp move.

✓ Poland: Industrial output decreases YoY in June

Industrial output (June): -2.2% YoY

We forecast that industrial production remained in the red in June, falling for the fifth consecutive month in annual terms. Last month's PMI report points to a further sharp deterioration in new orders, particularly from Germany, which suggests that weakness in Poland's manufacturing activity is likely to continue in the near term. On a positive note, capital goods manufacturing has remained solid recently, giving reason to expect further growth in fixed investment.

PPI (June): 1.3% YoY

Rapid disinflation in producer prices likely continued in June and annual growth is trending towards negative figures. In monthly terms, PPI has been falling since February this year and prices in manufacturing have been declining in MoM terms since November last year. Given the high reference base, this has led to a rapid drop in annual wholesale inflation. June's PMI report showed that the downward pressure on manufacturing prices remains strong. In the second half of 2023, we expect producer prices to be lower than in the second half of 2022.

Retail sales (June): -5.5% YoY

We forecast that retail sales of goods fell again in June as the broad-based decline in consumption demand continued. Higher prices and a deterioration in the real purchasing power of households

trimmed spending. According to our estimates, 2Q23 was the third consecutive quarter of annual decline in private consumption in Poland. Some improvement should be visible towards the end of this year as CPI inflation moderates and real wage growth returns.

Wages (June): 12.1% YoY

Nominal wage growth stabilised at low double-digit levels. We project wage pressure to continue over the medium term despite some deterioration in economic activity. Demographic trends are curbing the supply of labour and the gap has mostly been filled with immigrants. On top of that, the government has pursued sharp increases in minimum wages recently. In 2024, the minimum wage is proposed to rise by more than 20%.

Employment (June): 0.4% YoY

The level of employment in the enterprise sector has been moderating slightly in recent months and annual growth remains low. A cooling in manufacturing has reduced the demand for workers in some sectors. At the same time, unemployment remains at very low levels and the supply of labour is limited.

Turkey: Expected policy rate hike of 5ppt to 20%

The CBT has acknowledged that inflation has been well above its target, which calls for more effective use of monetary policy. The June decision was considered to be "the first step of the monetary tightening process". Given this backdrop and rising pricing pressures amid i) FX pass-through from recent lira weakness, ii) strong mid-year wage adjustments and iii) inflationary effects from government measures to raise revenue (i.e. tax hikes), we expect a policy rate hike of 5ppt to 20%. However, risks point to a smaller move given the bank's signals of gradualism.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 July					
Eurozone	1100	Jun Reserve Assets Total	-		1140.49
Tuesday 18 July					
US	1330	Jun Retail Sales (MoM%)	0.7	0.5	0.3
	1415	Jun Industrial Production (MoM%)	0.1	0.1	-0.2
Canada	1330	Jun CPI Inflation (MoM%/YoY%)	-/-		0.4/3.4
	1330	Jun CPI BoC Core (MoM%/YoY%)	-		0.4/3.7
Wednesday 19 July					
US	1330	Jun housing starts (000)	1500	1470	1631
UK	0700	Jun Core CPI (MYoY%)	7.0		7.1
	0700	Jun CPI (MoM%/YoY%)	0.3/8.1		0.7/8.7
Eurozone	1000	Jun CPI (YoY%)	5.5		5.4
Thursday 20 July					
Eurozone	0900	May Current Account SA, EUR	-		4
	1500	Jul Consumer Confidence Flash	-16.5		-16.1
US	1330	Initial Jobless Claims	230	245	237
	1330	Continuing Jobless Claims	1730	1.723	1.72
Friday 21 July					
US	1500	Jun existing home sales (mn)	4.2	4.22	4.3
	1500	Jun leading index (MoM%)	-0.6	-0.6	-0.7
UK	0700	Jun Retail Sales (MoM%/YoY%)	-0.4/-2.2		0.3/-2.1
Canada	1330	May Retail Sales (MoM%)	-		1.1

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 July					
Turkey	0900	Jun Budget Balance	-		118.9
Poland	1300	Jun Net Inflation (YoY%)	11.1		11.5
Wednesday 19 July					
Russia	1700	Jun PPI (MoM%/YoY%)	-/-	/	3.7/-3.6
South Africa	0900	Jun CPI (MoM%/YoY%)	-/-	/	0.2/6.3
	0900	Jun Core inflation (MoM%/YoY%)	-/-	/	0.1/5.2
	1200	May Retail Sales (YoY%)	-		-1.6
Thursday 20 July					
Turkey	1200	Jul CBT Weekly Repo Rate	20.0		15
	1200	Jul O/N Lending Rate	21.5		16.5
	1200	Jul O/N Borrowing Rate	18.5		13.5
Poland	0900	Jun Industrial Output (YoY%)	-2.2	-1.6	-3.2
	0900	Jun PPI (YoY%)	1.3	0.7	3.1
	0900	Jun Counstruction output (YoY%)	0.0	1.8	-0.7
	0900	Jun Wages (YoY%)	12.1	12.1	12.2
	0900	Jun Employment (YoY%)	0.4	0.4	0.4
Friday 21 July					
Russia	1130	Jul Central bank key rate	8.00	8.00	7.50
Poland	0900	Jun Retail Sales (YoY%)	-5.5	-5.0	-6.8

Source: Refinitiv, ING

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