

## Key events in developed markets next week

Watch out for further weakness in the US service sector as rate hikes continue to feed through into the economy. The Bank of Canada is set for a pause as growth data cools



### US service sector set to lose momentum as lending standards tighten

After a couple of months of US data consistently providing positive surprises, we have seen a series of misses more recently, which have helped cement expectations for an 'on hold' interest rate decision at the 20 September Federal Reserve FOMC meeting. Markets have also switched back to pricing just a 50-50 chance of any further rate hikes given growing evidence that inflation pressures are waning and that the 2% target will be in reach by early next year.

The upcoming data flow is unlikely to meaningfully alter this situation with the ISM services index on Wednesday the likely highlight. We, like the market, expect it to soften marginally and that suggests that the sector is losing a little momentum as we head towards the fourth quarter. Factory orders are likely to fall given the big drop in Boeing aircraft orders already announced, while consumer credit for July should rebound sharply given the strong retail sales and [consumer spending numbers](#) already published.

However, with banks increasingly tightening lending standards, especially for consumer credit, we

expect to see less pronounced increases in the coming months with declines looking more likely for early 2024 as financial stresses mount.

## Bank of Canada to keep rates on hold as growth cools

The Bank of Canada (BoC) is widely expected to leave the policy interest rate at 5% on 6 September. With growth cooling in the second quarter and the unemployment rate ticking higher, we suspect that the BoC will feel it has done enough, after implementing 425bp of interest rate increases, to bring inflation back to target in the medium term even though CPI did pick up a touch last month.

According to the latest Bloomberg survey, just three of 32 analysts questioned felt the bank would raise rates by 25bp with everyone else looking for no change. Overnight index swaps are pricing only around a 15% chance of a hike.

## Bank of England survey to signal that price pressures are cooling

Bank of England Chief Economist Huw Pill reinforced the message this week that we're near the end of the tightening cycle, and that how long rates stay high is now more important than how high they ultimately settle. We wouldn't take that to mean the Bank will pause at the September meeting, and we continue to expect another 25bp hike with both services inflation and wage growth having recently come in higher than expected. But November remains more of a question mark, and mounting signs of economic weakness suggest a pause is still more likely than not at this stage.

Next week, we'll get the latest Decision Maker Panel survey from the BoE, and this asks chief financial officers a range of questions about their expectations, notably on inflation. Admittedly the BoE seems to be putting less emphasis on survey data at the moment while the actual inflation data continues to come in hot. But this survey suggests that price and wage pressures are cooling, and hiring difficulties are easing.

## Key events next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 September</b>					
Germany	0700	Jul Exports	-0.5		0.1
	0700	Jul Imports	0.5		-3.4
	0700	Jul Trade Balance	17.5		18.7
Switzerland	0800	Q2 GDP (QoQ%/YoY%)	-/-	/	0.3/0.6
<b>Tuesday 5 September</b>					
US	1500	Jul Factory Orders (MoM%)	-3.0	-2.5	2.3
Germany	0855	Aug S&P Global Services PMI	47.3		
	0855	Aug S&P Global Composite Final PMI	44.6		
France	0850	Aug S&P Global Composite PMI	-		
UK	0930	Aug S&P Global/CIPS Serv PMI Final	48.7		48.7
	0930	Aug Composite PMI Final	47.9		47.9
Eurozone	0900	Aug S&P Global Services Final PMI	-		48.3
	0900	Aug S&P Global Composite Final PMI	-		47.0
<b>Wednesday 6 September</b>					
US	1330	Jul International Trade (USD)	-68	-67.5	-65.5
	1500	Aug ISM Non-Manufacturing PMI	52	52.3	52.7
Germany	0700	Jul Industrial Orders (MoM%)	-3.0		7.0
Canada	1500	Bank of Canada policy decisions (%)	5.00	5.00	5.00
Eurozone	1000	Jul Retail Sales (MoM%/YoY%)	0.2/-0.9	/	-0.3/-1.4
<b>Thursday 7 September</b>					
US	1330	Initial Jobless Claims (000s)	240	-	228
	1330	Continuing Jobless Claims (000s)	1740	-	1725
Germany	0700	Jul Industrial Output (MoM%/YoY%)	0.5/-1	/	-1.5/-1.83
UK	0930	BoE Decision Maker Panel survey	-		-
Eurozone	1000	Q2 Employment Final (YoY%)	1.5		1.5
	1000	Q2 Employment Final (QoQ%)	0.2		0.2
	1000	Q2 GDP Revised (QoQ%/YoY%)	0.3/0.6	/	0.3/0.6
<b>Friday 8 September</b>					
US	2000	Jul Consumer Credit	20	17.5	17.85
Germany	0700	Aug CPI Final (MoM%/YoY%)	0.3/6.1	/	/
Canada	1330	Aug Unemployment Rate	5.5		5.5

Source: Refinitiv, ING

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