

## Key events in developed markets next week

US inflation will take the spotlight next week alongside UK-EU negotiations and 2Q GDP numbers. And a dovish Canadian central bank is likely to keep rates on hold



Source: Shutterstock

### **US: Inflationary rebound won't last long**

US inflation numbers will be in focus given the Federal Reserve's recent framework review that included a formal adoption of average inflation targeting.

As the Fed's Lael Brainard said in her recent speech, this means they are willing to "accommodate rather than offset inflationary pressures moderately above 2 percent" thereby allowing the economy to run a little hotter than they would have otherwise.

We expect inflation to continue rebounding in August to reflect the lagged effects of supply constraints relating to Covid-19 containment measures amidst the re-opening of the economy, but this will not last long given the US economy is still 10% smaller than it was at the end of last year and there are around 12 million fewer people in work.

In general, we expect inflation to remain subdued with core rates likely to remain well below 2% for a prolonged period with a Fed rate hike unlikely until the second half of 2023.

## ✓ Canada: Rates to stay on hold

The Bank of Canada meets next week and will keep interest rates unchanged at 25 basis points.

The Canadian economy has performed midway between the US and Europe with output falling a little over 13% through the first half of the year. Growth has now returned, but the spare capacity in the economy means the prospect of a rate hike is very distant, especially given added uncertainties relating to Canada's higher weighting of foreign trade and commodities relative to the US.

Like everywhere else, high-frequency indicators have pointed to a recent levelling off in activity suggesting the dovish tone from the central bank will persist, especially with inflation remaining benign given the large output gap.

## ✓ UK: Don't expect much from trade talks; GDP to show further sign of rebound

UK and EU negotiators will meet again next week, but an imminent breakthrough seems unlikely.

---

*We expect roughly 17% growth in the third quarter, although importantly this still leaves the size of the economy around 8% smaller than pre-crisis levels*

---

We're reaching the point where political intervention is needed, and the UK will soon need to table a proposal on state aid if talks are to start moving in the right direction. There are growing signs that the de-facto October deadline for a deal to be wrapped up maybe breached (although some time will be needed before year-end for ratification). But, we still think a basic free-trade agreement is narrowly the most likely scenario this autumn. [Read our latest monthly update for more info on what all of this means for the outlook in 2021.](#)

Separately, data is likely to show that the economy rebounded by another 6-7% during July, given that many lockdown measures were eased during the month (notably in the accommodation and food sectors). We think the rate of growth is likely to slow in August, but pick up marginally again in September on the back of the return of schools and universities in September (which bizarrely feed into GDP numbers).

Overall, we expect roughly 17% growth in the third quarter, although importantly this still leaves the size of the economy around 8% smaller than pre-crisis levels, and the pace of the recovery is likely to stall as we head into the winter as unemployment starts rising.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 7 September</b>					
Germany	0700	Jul Industrial Production (MoM/YoY%)	3.0/-8.9	-/-	8.9/-11.7
Italy		- Bank of Italy Report on Balance-Sheet Aggregates			
Norway	0700	Jul Industrial Production (MoM/YoY%)	-/-	-/-	-2.2/3.1
Sweden	0530	SEB Swedish Housing-Price Indicator			
	0830	2Q Current Account Balance (SEKbn)	-	-	80.6
<b>Tuesday 8 September</b>					
US	1100	Aug NFIB Small Business Optimism	99.2	98.9	98.8
Japan	0030	Jul Household spending (YoY%)	-0.5	-	-1.2
	0030	Jul Labor cash earnings (YoY%)	-1.8	-	-2.0
	0050	2Q F GDP (Annualised, QoQ%)	-29.0	-28.5	-27.8
	0050	2Q F GDP deflator - advance (Q) (YoY%)	-	1.5	1.5
	0050	Jul C/A Balance, adjusted (Yen bn)	-	-	1049.2
Eurozone	1000	2Q F GDP (QoQ/YoY%)	-12.1/-15.0	-/-	-12.1/-15.0
Germany	0700	Jul Trade Balance (€bn)	18.0	-	15.5
Italy	1000	Istat Releases the Monthly Economic Note			
Norway	0700	Jul GDP Mainland (MoM%)	-	-	3.7
Portugal		- Bank of Portugal Releases Data on Banks			
<b>Wednesday 9 September</b>					
Canada	1500	Bank of Canada Policy Rate	0.25	0.25	0.25
Sweden	0700	Prospera's Big Swedish Inflation Expectations Survey			
<b>Thursday 10 September</b>					
Japan	0050	Jul Core machine orders (MoM/YoY%)	3.3/-17.9	-/-	-7.6/-22.5
Eurozone	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.5	-	-0.5
Australia	0200	Sep CPI expectations (YoY%)	-	-	3.3
Norway	0700	Aug CPI (MoM/YoY%)	-/-	-/-	0.7/1.3
	0700	Aug CPI - ATE (MoM/YoY%)	-/-	-/-	0.9/3.5
Sweden	0830	Aug CPI (MoM/YoY%)	-/-	-/-	0.2/0.5
	0830	Aug CPIF (MoM/YoY%)	-/-	-/-	0.2/0.5
<b>Friday 11 September</b>					
US	1330	Aug CPI (MoM/YoY%)	0.3/1.3	0.3/1.2	0.6/1.0
	1330	Aug CPI ex. food and energy (MoM/YoY%)	0.3/1.6	0.2/1.6	0.6/1.6
Japan	0050	Aug PPI (MoM/YoY%)	0.1/-0.6	-	0.6/-0.9
	0050	3Q BSI - All Industry (QoQ%)	-42.5	-	-47.6
	0050	3Q BSI - Large manufacturing (QoQ%)	-44.0	-	-52.3
Germany	0700	Aug F CPI (MoM/YoY%)	-0.1/0.0	-/-	-0.1/0.0
UK	0700	July UK Monthly GDP (MoM%)	6.7	-/-	8.7
Spain	0800	Aug F HICP (MoM/YoY%)	-/-	-/-	0.0/-0.6

Source: ING, Bloomberg

### Authors

#### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

#### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.