

Key events in developed markets next week

Recovery from the crisis is not looking good in developed markets. Talks about fiscal stimulus have broken down in the US, labour markets in the US and UK are looking weaker, and new restrictions in the UK and eurozone could put downward pressure on economic activity



Source: Shutterstock

US: fiscal stimulus talks collapsing doesn't bode well for recovery

The breakdown in talks on another broad fiscal package may result in a more wary set of comments from Federal Reserve officials this week. The potential of \$250 billion or so of targeted aid is obviously a positive, but it falls well short of the \$1.6-2.4 trillion stimulus that markets had been hoping for and the Federal Reserve had been pencilling into its thinking based on the minutes of the September FOMC meeting. FOMC members will reiterate the point that interest rates are not going to be moved up anytime soon and they could potentially do more quantitative easing. After all, there is a long way to go in the recovery and it is important to remember they cannot generate demand, they can only help to ensure the smooth functioning of markets and the flow of credit.

The data flow includes inflation numbers, which have surprised on the upside recently, but given

the flatlining energy components, we look for fairly benign 0.2% month-on-month increases in both headline and core inflation. Friday then sees the release of retail sales, industrial production and consumer confidence. All three should post decent increases given manufacturing business survey numbers, car sales, credit and debit card transaction numbers, rising equity markets and the strengthening housing market. However, the labour market improvements are stalling and income support from government benefits are waning, suggesting that the numbers may soften more as we head towards year-end.

UK data to show further pressure in the jobs market

The UK unemployment rate has stayed pretty stable over recent months, but that looks set to change. We expect another slow uptick for the three months to August, as the forthcoming end to the furlough scheme continues to add pressure. While we don't have great visibility on how many workers are still benefitting from the Job Retention Scheme, the latest ONS business survey suggests around 9% of employees are still fully or partially furloughed. A proportion of those are still likely to return to work over the coming weeks but it is also unfortunately likely that the unemployment rate could rise to 9 or 10% by the end of this year or early next, as a chunk of previously-furloughed workers are made redundant.

This, combined with the recent closure of hospitality in Scotland (with areas in England reportedly set to follow), will put further pressure on the Bank of England to add stimulus in November. We expect another expansion in the Bank's asset purchase target.

Eurozone: Recovery slowing?

The pace of the recovery continues to be watched very closely as parts of Europe start to introduce new restrictive measures to fight the new surge in Covid-19 cases. Industrial production for August will show whether the industrial recovery has maintained its pace or whether it has slowed down. As reopening effects are fading and German data already showed stagnation, we're not getting our hopes up for a strong August reading.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 10 October					
Italy	1030	Finance Minister Gualtieri speaks at Confindustria event			
Monday 12 October					
Japan	0050	Sep PPI (MoM/YoY%)	0.2/-0.5	-	0.2/-0.5
	0050	Aug Core machine orders (MoM/YoY%)	-4.0/-14.2	-/-	6.3/-16.2
UK		- BOE's Haskel (1500) and Bailey (1700) speaks.			
Sweden	0500	Sep PES Unemployment Rate	-	-	5.6
	0530	SEB Swedish Housing-Price Indicator			
Switzerland	0645	SECO October 2020 Economic Forecasts			
Tuesday 13 October					
US	1100	Sep NFIB Small Business Optimism	101	100.9	100.2
	1330	Sep CPI (MoM/YoY%)	0.2/1.4	0.2/1.4	0.4/1.3
	1330	Sep CPI ex. food and energy (MoM/YoY%)	0.2/1.7	0.2/1.7	0.4/1.7
Germany	0700	Sep F CPI (MoM/YoY%)	-0.2/-0.2	-/-	-0.2/-0.2
	1000	Oct ZEW Current Situation Index	-55	-	-66.2
UK	0700	Aug Weekly Earnings (3M avg)	-1	-	-1.0
	0700	Aug Weekly Earnings ex Bonus (3M avg)	0.2	-	0.2
	0700	Aug ILO Unemployment Rate (3M avg.)	4.4	-	4.1
	0700	Aug Employment Change (3M/3M)	-65	-	-12.0
Sweden	0830	Sep CPIF (YoY%)	0.8	-	0.7
	1600	Riksbank's Ingves Speaks on Future Payments			
Portugal		- Bank of Portugal Releases Data on Banks			
Wednesday 14 October					
US	1400	Fed's Clarida Speaks at Annual IIF Meeting			
	2000	Fed's Kaplan, Quarles Speak on Financial Supervision			
	2300	Fed's Kaplan to Hold Virtual Town Hall			
Japan	0530	Aug F Industrial production - Prel (MoM/YoY%)	-	-	1.7/-13.3
Eurozone	1000	Aug Industrial Production (WDA, (YoY%)%)	-7.3	-	-7.7
	1300	ECB Chief Economist Lane Speaks			
UK	1400	BOE's Haldane speaks			
Spain	0800	Sep F HICP (MoM/YoY%)	-/-	-/-	0.4/-0.6
Australia	2245	RBA's Lowe Gives Speech Online			
Sweden	0730	Riksbank's Floden in Panel Debate			
Thursday 15 October					
US	1600	Fed's Quarles Speaks at IIF Annual Meeting			
	2200	Fed's Kashkari Speaks on U.S. Economic Outlook			
Japan	0530	Aug Tertiary industry index (MoM%)	-	-	-0.5
UK	1400	BOE's Cunliffe speaks.			
Australia	0100	Oct CPI expectations (YoY%)	-	-	3.1
	0130	Sep Employment change ('000)	49	-	111
	0130	Sep Unemployment rate (%)	6.5	-	6.8
	0130	Sep Participation rate (%)	64.9	-	64.8
Norway	0900	Norges Bank 3Q Survey of Bank Lending			
Sweden	0830	Sep Unemployment Rate (%)	-	-	8.8
Friday 16 October					
US	1330	Sep Advance Retail Sales (MoM%)	0.8	0.7	0.6
	1330	Sep Retail Sales ex. Auto and Gas (MoM%)	0.5	0.4	0.7
	1415	Sep Industrial Production (MoM%)	0.8	0.7	0.4
	1500	Oct P. U. of Mich. Sentiment Index	81.5	80.5	80.4
Eurozone	1000	Aug Trade Balance (€bn)	23053	-	20342.8
	1000	Sep F CPI (MoM/YoY%)	0.1/-0.3	-/-	0.1/-0.3
	1000	Sep F Core CPI (YoY%)	0.2	-	0.2
Italy	0900	Sep F HICP (YoY%)	-	-	-0.9
	1400	Bank of Italy Releases the Quarterly Economic Bulletin			
Sweden		- Riksbank's Ingves Participates in IMF's Virtual Autumn...			

Source: ING, Bloomberg

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@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>.