

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



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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/-0.3	-	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

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