

## Key events in developed markets next week

A strong case is being made in the US for a tapering of QE asset purchases, whilst supply issues continue to affect various sectors. In the UK, look out for key jobs, inflation, and retail sales releases. In Norway, the central bank is set to reinforce its hawkish tone, with a rate hike pencilled in for September



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### **US: Continued supply chain issues expected to affect retail sales and industrial production figures**

Inflation figures have reaffirmed our view that price pressures are elevated and will remain so for many quarters to come. We doubt headline inflation will fall below 5% before the end of this year with rising housing costs and strong pipeline corporate price pressures set to offset declines seen in some of the high profile components such as used car and hotel prices. Following the strong July jobs report we are now hearing more Federal Reserve officials making the case for an early taper of QE asset purchases and we expect to hear more on this at the August Jackson Hole symposium. We are now increasingly thinking we could get a September announcement on slowing monthly asset purchases from the current \$120bn per month rate, with an October start date. We suspect it will be a much swifter taper than seen last time with it possibly concluded by late 1Q 2022 or early 2Q.

There are no major Fed speakers scheduled for next week (Fed Chair Jerome Powell is making an appearance, but not discussing monetary policy). We do have the minutes to the July FOMC meeting, which may discuss some aspects of the potential taper plans. The latest jobs and inflation figures have accelerated the debate so the focus will be more on the composition of any taper rather than the timing.

As for the data, the market focus will be on retail sales and industrial production. Headline sales are likely to be dragged lower by another steep decline in auto sales. This reflects supply chain strains that are hurting auto production rather than demand for vehicles, which remains very strong – there are lots of disappointed potential buyers out there. Outside of autos we expect retail sales growth to be flat, but we have to remember that the reopening means that people now have more opportunity to spend on travel, leisure and services, which aren't reflected in retail sales in any meaningful way. Consequently, we increasingly expect to see a compositional shift in how people spend money, which will likely see retail sales underperform broader consumer spending after the reverse was true through the depths of the pandemic.

Industrial production should post a decent increase with manufacturing likely rebounding after June's decline. Nonetheless, those supply chain issues we keep talking about will continue to exert a strong headwind for growth in this sector. We will also get some decent housing figures, which should point to firm construction spending in the economy.

## ✓ UK: What to expect from a busy week of data

- Jobs (Tues): The reopening has triggered a sharp rise in job adverts, and recent payroll data suggests that's led to a decent employment bounce over the past couple of months. Expect the unemployment rate to tick slightly lower again, though unlike the Bank of England, we still think a modest rise in the jobless rate is likely later this year when wage support ends ([read more](#)).
- Inflation (Weds): Headline CPI is going to bounce around this summer, and July's data is likely to be no exception. The reopenings at the same time last year lifted prices, which likely weren't matched this July, and that means a lower annual rate of inflation. Next month we'll be comparing to last August's 'Eat Out to Help Out' which slashed restaurant prices, so unsurprisingly we'll see a sharp CPI bounce back when that data comes through. Much of this is of course noise, but the central story is that headline inflation is set to reach 3.5-4% later this year, the highest since 2012. But for the Bank of England, the more relevant question is what happens in 2022 and beyond, and we suspect CPI will ease back towards target by around this time next year.
- Retail sales: Shopping is one relative bright spot in the UK economy right now, and retail sales are comfortably above pre-virus levels. But it'll be interesting to see if the arrival of the Delta variant had much of an impact through July. Certainly, aggregate spending data from debit/credit cards has ticked a bit lower over recent weeks, and there has been a slight decrease in the number of people reporting they're visiting shops in person since mid-June, according to an ONS survey. We expect a mild decline in retail spending in July.

## ✓ Norway: Norges Bank to continue cementing itself as the hawkish outlier

At its June meeting, Norges Bank continued to buck the general cautious G10 central bank trend, and pencilled four rate hikes into its projections by the end of 2022. Two of those are due to

happen this year, and there's no obvious reason for policymakers to have changed their mind since that last meeting. While the Delta variant has pushed Covid-19 cases higher in Norway, vaccination rates are high and like elsewhere in Europe, the talk is still about ending rather than reintroducing restrictions. The trade-weighted krone is also noticeably weaker than policymakers had been factoring in last time, which in isolation is a hawkish factor for Norges Bank, which tends to set policy fairly mechanically. When it has tightened in the past, the central bank has developed a habit of telling us at the preceding meeting. We'd therefore expect an explicit mention that rates will rise in September, when we get the latest policy statement next week.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey		Prev.
<b>Monday 16 August</b>					
Norway	0700	Jul Trade Balance	-		25.0
Eurozone	1100	Jul Reserve Assets Total	-		869.05
<b>Tuesday 17 August</b>					
US	1330	Jul Retail Sales (MoM%)	-0.5	-0.2	0.6
	1330	Jul Retail Sales - control group (MoM%)	-0.2	-0.1	1.1
	1415	Jul Industrial Production (MoM%)	0.4	0.5	0.4
UK	0700	Jun ILO Unemployment Rate	4.7		4.8
	0700	Jun Employment Change	45		25.0
Netherlands	0830	Q2 GDP Prelim SA (QoQ%/YoY%)	-/-		-0.8/-2.4
	0830	Jun Trade Balance	-		4.81
Eurozone	1000	Q2 GDP Flash Estimate (QoQ%/YoY%)	-/-	2.0/13.7	2.0/13.7
<b>Wednesday 18 August</b>					
US	1330	Jul Housing Starts (000)	1625	1605	1643
	1900	Jul 28 FOMC minutes	-		-
UK	0700	Jul Core CPI (MoM%/YoY%)	0.0/1.9		0.5/2.3
	0700	Jul CPI (MoM%/YoY%)	0.1/2.1		0.5/2.5
Canada	1330	Jul CPI Inflation (MoM%/YoY%)	-/-		0.3/3.1
	1330	Jul Core CPI (MoM%/YoY%)	-/-		0.3/2.7
Portugal	-	Jun Current Account Balance	-		-2.02
Eurozone	1000	Jul CPI (YoY%)	-	2.2	2.2
<b>Thursday 19 August</b>					
Norway	0900	Key Policy Rate	0.0		0.0
Eurozone	0900	Jun Current Account SA - EUR	-		11.71
US	1330	Initial Jobless Clm	-		-
	1330	Cont Jobless Clm	-		-
<b>Friday 20 August</b>					
UK	0700	Jul Retail Sales (MoM%/YoY%)	-0.2/5.9		0.5/9.7
Canada	1330	Jun Retail Sales (MoM%)	-		-2.1
Norway	0700	Q2 GDP Growth Mainland	1.5		-1.0
	0700	Jun GDP Mainland	1.0		1.8

Source: Refinitiv, ING, \*GMT

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