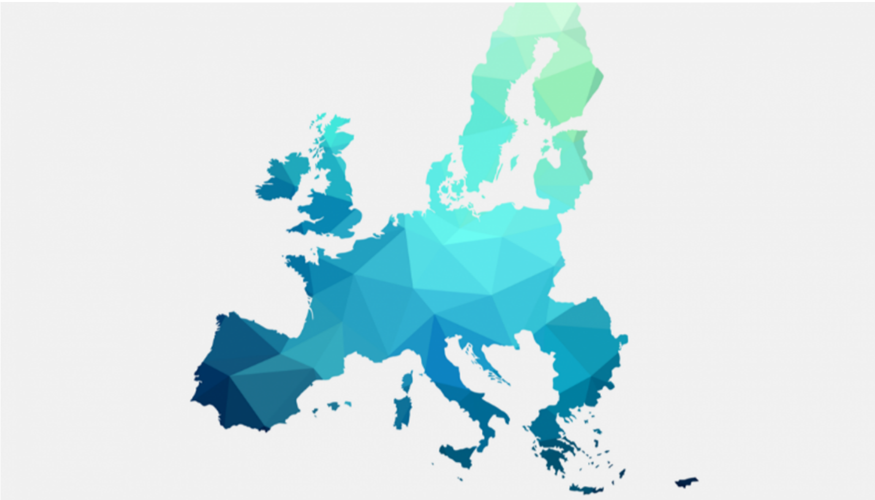
Key events in developed markets next week

Retail sales, consumer confidence and PMI data will likely reflect a rebound as economies reopen. But we remain cautious



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US: Surge in housing numbers expected, but not necessarily demand

It is a relatively quiet week in terms of US data releases. Housing numbers are set to bounce back sharply given the dramatic improvement in mortgage applications for home purchases. Record low mortgage rates have improved affordability while significant pent-up demand following weeks of lockdowns are also leading to a major bounceback. Additionally, we have to remember that according to the National Association of Realtors, the average age for a home buyer is 47 so they are less likely to have been impacted by unemployment, will be more financially secure and have better credit history versus most other demographics.

A strong housing market typically boosts demand for home furnishings and furniture, garden equipment and building supplies, so can be broadly supportive for economic activity. However, we believe that the renewed shutdown, business closures and rising joblessness will dominate the story. Indeed with 32 million people continuing to claim unemployment benefits as of the last week in June there is a real risk of a renewed downturn in consumer activity once the $600/week Federal boost ends in two weeks. Consequently, we will be looking for any breakthrough in a new fiscal package that could at least mitigate this potential bad news for growth.

Eurozone: All eyes on the recovery fund discussions again

It’s all about this weekend for Europe as EU leaders negotiate a possible recovery fund worth €750 billion. It's possible that a deal is reached but more likely that at least one more summit is needed before an agreement is struck. Besides that, look out for eurozone survey indicators. The PMI and consumer confidence measures are due next week and provide more insight into the speed of the bounce back from the lockdown.

UK retail sales set for further rebound, masking challenges on the high street

The evidence from other countries that exited the lockdown before the UK, as well as more timely data from the British Retail Consortium, suggests there’s a good chance overall retail sales resembled something much closer to pre-virus levels in June. We expect to see another sharp rebound, although this probably masks big changes in the way consumers are spending.

Online spending was up almost 50% in May compared to where it was at the turn of the year, while many physical retailers have seen sales (unsurprisingly) collapse amid the lockdown. We should see a partial rebound in the latter as shops began to reopen, although footfall figures suggest consumers are still highly reluctant to engage with the high street. And there’s growing evidence that this is largely down to safety concerns rather than financial restraint.

This might gradually change if Covid case numbers are successfully kept in check over the summer, but for the time being, reduced in-store demand suggests an increasing number of retailers are likely to begin making redundancies over coming weeks. Rising unemployment across the economy is one of the main reasons why we think it will take at least a couple of years for overall GDP to return to pre-virus levels.

We also have PMIs for the UK where there is a good chance the services index moves back above the breakeven 50 level. Importantly though this doesn't tell us much that we don't already know - things are improving off their April/May low, but the PMIs don't give us any new information on the magnitude of the change.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 20 July			
Japan	0050	Jun Exports (YoY%)	-27.0	-	-28.3
	0050	Jun Imports (YoY%)	-21.0	-	-26.2
	0050	Jun Adjusted trade balance (JPY bn)	-800	-	-601
		Tuesday 21 July			
Japan	0030	Jun National CPI (YoY%)	0.0	-	0.1
	0030	Jun CPI ex-food, energy (YoY%)	0.4	-	0.4
UK	0700	Jun Public Finances (PSNCR)	-	-	71.4
	0700	Jun PSNB ex Banks (£bn)	-	-	55.2
Australia	0230	RBA Minutes of Jul. Policy Meeting			
	-	RBA Governor Lowe (0330) and Kent (0500) Give Speeches			
		Wednesday 22 July			
US	1500	Jun Existing Home Sales	5.00	4.65	3.91
Canada	1330	Jun CPI (MoM/YoY%)	0.0/-0.3	-/-	0.3/-0.4
Australia	0230	ABS Australia Preliminary June Retail Sales			
		Thursday 23 July			
Eurozone	1500	Jul A Consumer Confidence	-11.0	-	-14.7
UK	1200	BOE's Haskel Speaks the Economic Effects of Covid-19			
Norway	0700	May Unemployment Rate AKU	-	-	4.2
Sweden	0830	Jun Unemployment Rate (%)	-	-	9
		Friday 24 July			
Eurozone	0900	Jul P Markit Manufacturing PMI	49.3	-	47.4
	0900	Jul P Markit Services PMI	50.2	-	48.3
	0900	Jul P Markit Composite PMI	49.8	-	48.5
UK	0700	Jun Retail Sales ex Auto Fuel (Mom/YoY%)	7.5/-3.7	-	10.2/-9.8
	0700	Jun Retail Sales (MoM/YoY%)	8.5/-6.4	-/-	12.0/-13.1
	0930	Jul P Markit/CIPS Manufacturing PMI	50.0	-	50.1
	0930	Jul P Markit/CIPS Services PMI	52.0	-	47.1
	0930	Jul P Markit/CIPS Composite PMI	51.8	-	47.7
Australia	0230	ABS Australia Preliminary June Merchandise Trade			

Source: ING, Bloomberg

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