Key events in developed markets next week

Further 2Q GDP releases next week will reveal the extent of the damage from the last few months. The second stage of recovery is now underway so don't expect continuation of the rapid rebound

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US: Consumer and manufacturing sectors to stall after the reopening rebound

After the initial bounce in activity in the wake of the reopening of the economy, we are now in the second phase of the recovery where underlying economic fundamentals matter much more. In the case of the US, the second spike in Covid-19 cases led to many states scaling back their reopening strategies and the combination of renewed health and economic concerns pushed confidence lower in July. We expect it to stay subdued in August, especially with employment growth showing signs of stalling and incomes being squeezed for millions of people due to the $600/week Federal unemployment benefit boost having ended. It is being replaced by a new $400 payment, but even so the combination of weaker confidence, employment and incomes means that the consumer sector is going to struggle to maintain its recent run of strong performance.

Meanwhile, durable goods orders should continue to post a solid growth rate on the reopening story. Like the consumer sector, gains after the July report will be tougher to come by with leading surveys for August already indicating a slowing in the pace of manufacturing activity.

Canada: Slow recovery expected

Canada will likely post a record plunge in GDP of around 40% annualised for 2Q. Following the already announced 1Q contraction this would bring the peak-to-trough fall in Canadian GDP in the first half of 2020 to 13.8% - more than the US's 10.6% decline, but nowhere near as bad as the 20%+ falls experienced by the UK and Spain. Monthly data is now pointing to growth, but with Canada dependent much more on commodities and trade than the US it is likely to experience a slower rebound versus its economically larger neighbour.

Bank of England speakers in focus as negative rates debate rages on

With unemployment set to rise over the remainder of the year, there's going to be growing pressure on policymakers in the UK to increase support. How the Chancellor responds as the Job Retention scheme (furlough) is unwound will be particularly key. But the Bank of England is also increasingly likely to add stimulus - and the bigger question is whether a new package of support will include negative rates.

We think it's fair to say the Bank is still on the fence on this one. There was a detailed box in the latest Monetary Policy Report that went into some of the evidence on how negative rates affect bank lending - but policymakers were careful not to formally lean in one direction or another. The policy remains 'in the toolbox' according to Governor Andrew Bailey, and we'll be listening out for any further hints when he and Chief Economist Andy Haldane speak next week.

At the moment, we think QE will remain the preferred avenue of stimulus with a further expansion likely in November. Policymakers might also opt to initially move to a negative rate on the bank's targeted lending schemes, while keeping Bank rate at or above zero.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Tuesday 25 August			
US	1500	Aug Consumer Confidence	94.0	93.2	92.6
	2025	Fed's Daly Takes Part in a Panel on Inequity and Covid-19			
Australia	0230	ABS Australia Preliminary July Merchandise Trade			
Germany	0700	2Q F GDP (QoQ/YoY%)	-10.1/-11.7	-/-	-10.1/-11.7
	0900	Aug IFO Business Climate	92.0	-	90.5
	0900	Aug IFO Expectations	98.0	-	97.0
	0900	Aug IFO Current Assessment	87.5	-	84.5
Norway	0700	Jun GDP Mainland (MoM%)	-	-	2.4
		Wednesday 26 August			
US	1330	Jul P Durable Goods Orders (MoM%)	4.5	4.0	7.6
	1330	Jul P Durable Goods Orders (ex. Transport, MoM%)	3.3	2.7	3.6
Eurozone	1230	ECB's Schnabel Participates in Online Discussion			
UK	1700	BOE's Haldane speaks in Edinburgh.			
Norway	0700	Jun Unemployment Rate AKU	-	-	4.6
Portugal	-	Portugal Releases Year-to-Date Budget Report			
		Thursday 27 August			
US	1330	2Q S GDP (QoQ Annualised %)	-32.9	-32.5	-32.9
	-	Kansas City Fed Holds Annual Policy Symposium			
Japan	0530	Jun All industry activity index (MoM%)	-	-	-3.5
Eurozone	0900	Jul M3 Money Supply (YoY%)	-	-	9.2
France	0745	Survey of Industrial Investment			
Norway	0700	Jul Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	5.7
	-	Norway Wealth Fund Financial Research Conference			
Sweden	0800	Aug Economic Tendency Indicator	-	-	83.4
	0830	Jul Household Lending (YoY%)	-	-	5.1
	0830	Jul Retail sales (Ex. Fuel, MoM/YoY%)	-	-	1.17/3.90
Switzerland	0645	2Q GDP (QoQ/YoY%)	-/-	-/-	-2.6/-1.3
		Friday 28 August			
US	1500	Aug F U. of Mich. Sentiment Index	72.8	72.8	72.8
	-	Kansas City Fed Holds Annual Policy Symposium			
Eurozone	1000	Aug Economic Confidence	-	-	82.3
UK	1405	BOE Governor Bailey speaks.			
Canada	1330	Jun GDP (MoM/YoY%)	-/-	4.9/-	4.5/-13.8
	1330	2Q GDP (Annualised, QoQ%)	-40.0	-37.8	-8.2
Norway	0900	Aug Unemployment Rate	-	-	4.9
Sweden	0830	2Q GDP (QoQ%)	-8.6	-	0.1

Source: ING, Bloomberg

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