

Key events in developed markets next week

3Q GDP data releases both in the US and Europe are likely to show record rebound numbers from the second-quarter slump, but who will be really cheering when second wave concerns are becoming pressing by the week



Source: Shutterstock

Eurozone: GDP, inflation and jobs data to show the recovery is headed

A very busy week for the Eurozone as GDP, inflation and unemployment data will give a strong sense of where things are headed in terms of the recovery. Perhaps more accurately: where things were headed ahead of the second wave and new restrictions that have made the outlook all the more uncertain.

Inflation for October is likely to remain in the negative territory although the timing of the sales period in certain countries could cause an upside surprise.

With short-time work schemes still in place, unemployment is likely to have increased in September. GDP data released on Friday will look back at 3Q and will likely be stellar due to the bounce-back effect from the lockdown.

US: Fiscal stimulus talks continue and 3Q GDP will reflect the rebound

They will... they won't.. they will... debate over whether the Democrats, the White House and the Republican Senators can finally hammer out an agreement on another fiscal stimulus will remain a key theme. The case for fiscal stimulus is strong in an environment where unemployment benefits are being tapered and Covid-19 cases are rising, causing anxiety for households and businesses with the nagging concern that some form of containment measures could yet be introduced in the US. Yet Senate Republicans are wary to deliver ahead of the election – partly on concerns of the level of national debt and partly because of the sense that the White House is caving into Democrat demands. We have doubts that there will be a deal before the election, but a fiscal stimulus is coming.

The key data release will be 3Q GDP growth and we expect it to be a record 34.5% annualised growth thanks to consumer spending rebounding on pent up demand after lockdowns and the support for household incomes coming from increased unemployment benefits, which saw upwards of 70% of recipients receive higher incomes than when they were actually working. Residential fixed investment will also be a big growth driver given the strength in housing numbers, fueled by record-low mortgage rates. Inventories have also been rebuilt and will provide a further boost to headline growth. Business investment is likely to provide more muted upside given plenty of spare capacity while net trade will be a drag. Even after this impressive figure we should note that economic output will still be 3.2% below that of the end of 4Q19.

Canada: Central bank policy to remain unchanged

The Bank of Canada policy meeting will deliver no additional stimulus with the policy rate left at 0.25%.

The economy likely expanded at an annualised rate in excess of 40% in 3Q20 having contracted 38.7% in 2Q20 while the labour market has seen nearly 2.3 million of the 3 million jobs lost in March and April recovered. Inflation remains low though and like the US Federal Reserve, we expect Canada's central bank communique to stress there is little prospect of any policy tightening anytime soon.

Developed Markets Economic Calendar

Country	Time Data/event	ING Survey		Prev.
Monday 26 October				
Australia	0030 ABS Australia Preliminary September Merchandise Trade			
Japan	0500 Aug F Leading economic index	-	-	88.8
Germany	0900 Oct IFO Business Climate	94.0	-	93.4
	0900 Oct IFO Expectations	97.0	-	97.7
	0900 Oct IFO Current Assessment	91.0	-	89.2
Tuesday 27 October				
US	1230 Sep P Durable Goods Orders (MoM%)	1.1	1.0	0.5
	1230 Sep P Durable Goods Orders (ex. Transport, MoM%)	0.6	0.5	0.6
	1400 Oct Consumer Confidence	100.0	101.9	101.8
Eurozone	0900 Sep M3 Money Supply (YoY%)	8.8	-	9.5
Australia	0600 RBA's Bullock Gives Online Speech			
Sweden	0830 Sep Household Lending (YoY%)	-	-	5.28
Portugal	- Portugal Releases Year-to-Date Budget Report			
Wednesday 28 October				
US	2200 Fed's Kaplan Takes Part in Panel Discussion with Mark Carney			
Japan	2350 Sep Retail trade (MoM/YoY%)	-/-	-/-	4.6/-1.9
Canada	1400 Bank of Canada Policy Rate	0.25	0.25	0.25
Australia	0030 3Q CPI (QoQ/YoY%)	-	-	-1.9/-0.3
Norway	0700 Sep Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	-4.9
Sweden	0800 Oct Economic Tendency Indicator	-	-	94.5
	0830 Sep Retail sales (Ex. Fuel, MoM/YoY%)	-	-	-0.27/2.98
Portugal	1500 Portuguese Parliament Holds Initial Vote on 2021 Budget			
Thursday 29 October				
US	1230 3Q A GDP (QoQ Annualised %)	34.5	32.0	-31.4
Japan	0500 Oct Consumer confidence index	-	-	32.7
	2350 Sep P Industrial production - Prel (MoM/YoY%)	-	-	1.0/-13.8
	- Policy Rate	-0.1	-	-0.1
	- Oct 29 BoJ 10-year yield target (%)	-	-	0.00
Eurozone	1000 Oct Economic Confidence	90.2	-	91.1
	1245 ECB Main Refinancing Rate	0.00	-	0.00
	1245 ECB Marginal Lending Facility	0.25	-	0.25
	1245 ECB Deposit Facility Rate	-0.5	-	-0.5
Germany	0855 Oct Unemployment Change (000's)	-	-	-8.0
	0855 Oct Unemployment Rate (%)	6.3	-	6.3
	1300 Oct P CPI (MoM/YoY%)	-0.3/-0.4	-/-	-0.2/-0.2
Spain	0800 Oct P HICP (MoM/YoY%)	-/-	-/-	0.4/-0.6
Sweden	0830 Riksbank: Publication of Payments in Sweden 2020			
Friday 30 October				
US	1400 Oct F.U. of Mich. Sentiment Index	81.0	81.0	81.2
Eurozone	1000 Sep Unemployment Rate (%)	8.2	-	8.1
	1000 3Q A GDP (QoQ/YoY%)	8.9/-7.8	-/-	-11.8/-14.8
	1000 Oct P CPI (MoM/YoY%)	0.1/-0.4	-/-	0.1/-0.3
	1000 Oct P Core CPI (YoY%)	0.1	-	0.2
Germany	0700 3Q P GDP (QoQ/YoY%)	-/-	-/-	-9.7/-11.3
Italy	1100 3Q P GDP (QoQ/YoY%)	-/-	-/-	-13.036/-1.0
Canada	1230 Aug GDP (MoM/YoY%)	-/-	-/-	3.0/-5.0
Australia	0030 3Q PPI (Q) (QoQ/YoY%)	-	-	-1.2/-0.4
Norway	0700 Sep Credit Indicator (YoY%)	-	-	4.7
	0900 Oct Unemployment Rate	-	-	3.7

Source: ING, Bloomberg

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

James Knightley

Chief International Economist, US

james.knightley@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 www.ing.com.