

## THINK Ahead: Three lions, three cuts?

The football's nearly over, England's Three Lions team has somehow ended up in the final, and here's the crossover with the global economy that nobody asked for. Welcome to our look at another hectic week in this economist's world



ING's James Smith on next week's world today

### Save us the football puns, scream our clients

The Euro 2024 championships are nearly over. For some, they already are (sorry, Dutch colleagues). And the economic football analogies that nobody asked for? Don't worry those will be gone soon too.

We've scored our fair share: Half-time team talks? [Our latest ING monthly](#) is full of them. Picking champions? Our team's latest [FX forecast update](#) has you covered. Comparing the German economy to the national team's early exit? [Yep, we've done that one too](#). Andrew Bailey's groin strain? [Ok, don't ask](#).

Hungry for more? Well, how about a team that's scored an early goal and is sitting back on its defence, is proving pretty boring to watch, and desperately needs a change in tactics?

Nope, not England this time. I'm talking about the European Central Bank. They line up in Frankfurt next week against a backdrop of [sticky domestic inflation](#) and mixed economic activity data. Keep an eye on next week's eurozone bank lending survey, which Bert Colijn reckons will show only a modest recovery in credit conditions.

Carsten isn't expecting much action from the ECB this time, not least on the bank's forward

guidance. The next match in September is more important. And the ECB has scored its fair share of own goals over the past couple of seasons, pre-committing to action that has subsequently been only reluctantly delivered. June's rate cut is just the latest example.

Still, the ECB does seem more confident in its future inflation forecasts. We reckon a September rate cut remains on track, but don't expect team captain Christine to tell us much more about that next week.

Here in London, it's not just the England football team that will be hoping to avoid bitter disappointment. Three weeks out from the Bank of England's next meeting and Governor Bailey will be hoping next week's inflation data doesn't snatch defeat from the jaws of victory. Despite lukewarm comments from the Bank's Chief Economist this week, we reckon an August rate cut is still odds-on if next week's services CPI figures don't surprise to the upside.

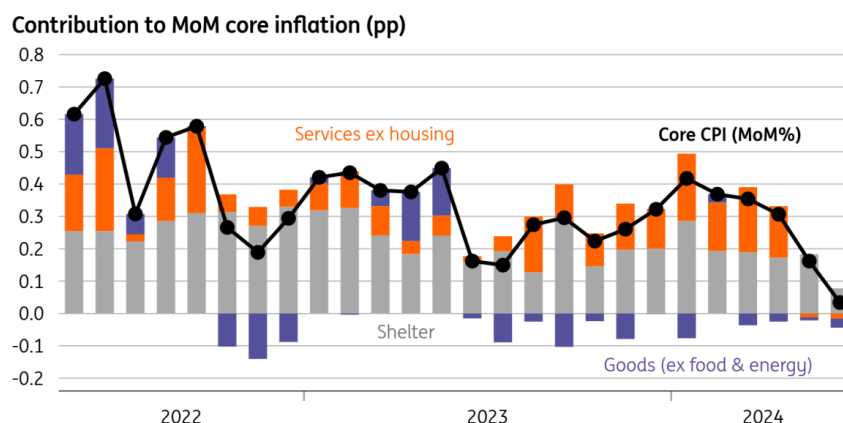
Let's hope it's a similar story to the US, where the [inflation data](#) finally seems to have taken the Fed over the line, at least in investors' minds. Core inflation has slowed considerably over the past couple of months. Just take a look at our chart of the week showing the breakdown of month-on-month changes in prices. And crucially, this slowdown is happening in the service sectors that the Fed's Jerome Powell is most focused on.

That's all but ticked one of the three boxes James Knightley thinks needs checking off before the easing cycle can begin. The other two? We're already starting to see a [further rise in the unemployment rate](#). And we need to see a slowdown in consumer spending. James reckons retail sales figures next week could disappoint.

So when it comes to that all-important September Fed meeting, to misquote a [well-known England football song](#)... Rate cuts are coming Jerome!

You'll be pleased to hear I'm on holiday next week. But then there's the Olympics...

## Chart of the week: US core inflation slows for the second month running



Source: Macrobond, ING calculations

## THINK Ahead in developed markets

### US (James Knightley)

- **Powell speech (Mon):** At his recent testimony to Congress Fed Chair Jerome Powell signalled that inflation is no longer the only concern of officials with an acknowledgement of a cooling in the economy. Consequently, while “reducing policy restraint too soon or too much could stall or even reverse the progress we have seen on inflation” officials also recognised that “reducing policy restraint too late or too little could unduly weaken economic activity and employment”. Markets are currently pricing two rate cuts this year, most probably starting in September, but ultimately, it will be down to the data flow that determines what will happen, and we expect the Fed to cut rates 25bp on three occasions.
- **Beige Book (Wed):** Powell is speaking again this week and we will also have the Federal Reserve Beige Book – an anecdotal survey on the state of the US economy – which officials place a lot of weight on. Data wise it will be the retail sales and industrial production numbers that will be of most interest. Lower gasoline prices and falling auto sales point to an outright monthly decline in retail sales given this is a dollar value figure. Weaker consumer confidence also suggests downside risks. As for industrial production, the weakness in the ISM report and regional manufacturing surveys suggest a much more subdued performance in June after surprise strength in May.

### Eurozone (Bert Colijn)

- **Bank Lending Survey (Tue):** The ECB bank lending survey is due out next Tuesday and will shed some light on how rate hikes are still impacting the economy. Expectations about loan demand have been bottoming out in recent quarters and the same holds good for credit standards. This indicates that the worst of the impact of the hike cycle on the lending channel may be behind us. Then again, expect only a very modest recovery if the recent trend continues. For the ECB, this release is unlikely to move the needle on coming rate cuts too much but it will pay close attention to see any big deviations from trend materialise.

### United Kingdom (James Smith)

- **Inflation (Wed):** Headline CPI may have dipped fractionally below 2% in June, but this probably marks the bottom. Expect this to drift higher again in the second half of the year and sit between 2-2.5%. Services inflation is the bigger deal for the Bank of England and having proven stickier than expected of late, we expect some marginal progress here too. A lot of the recent upside surprise can be traced back to price hikes at the start of the financial year, which the Bank of England has acknowledged is probably more noise than signal.

## THINK Ahead for Central and Eastern Europe

### Poland (Adam Antoniak)

- **Inflation (Mon & Tue):** Investors will seek confirmation that CPI stayed close to the NBP target in June (the flash estimate pointed to 2.6%) and that core inflation eased a bit (we see it down to 3.7% vs. 3.8% in May) in Tuesday's NBP data release.
- **Industrial output and PPI (Thu):** We expect another soft reading from the domestic industrial sector (output down by 1.3% year-on-year in June), linked to weak external demand, but also because there was one working day less than in June 2023. Producers'

price deflation should ease a bit (-5.8%YoY vs. -7.0%YoY in May).

- **Employment (Thu):** The labour market situation is projected to be stable with 12% annual increases in the average wage, coupled with an ongoing decline in employment. Data should confirm the ongoing economic recovery, but the pace of improvement in the manufacturing sector remains disappointing.

#### Czech Republic (David Havrlant)

- **Current account (Mon):** The current account balance likely remained positive in May. However, demand issues from the main foreign trading partners will be noticeable, with export performance exceeding the import side by less than in previous months.
- **PPI (Wed):** The stronger Koruna and weaker Brent crude prices in May likely helped keep industrial price growth at bay in June. The mediocre industrial production of previous months also won't have acted as an accelerator for industrial prices. That said, the growing wage bill likely will keep some pressure on prices in industry.

## Key events in developed markets next week

Country	Time Data/event	ING	Prev.
<b>Monday 15 July</b>			
US	1500 Fed's Powell speaks at Economic Club of Washington DC	-	-
Germany	0700 May Retail Sales (MoM%/YoY%)	-/-	-1.2/-0.6
Eurozone	1000 May Industrial Production (MoM%/YoY%)	-/-	-0.1/-3
Netherlands	0530 May Trade Balance	-	12.58
<b>Tuesday 16 July</b>			
US	1330 Jun Retail Sales (MoM%)	-0.3	0.1
	1500 Jul NAHB housing index	42	43
Germany	1000 Jul ZEW Economic Sentiment	-	47.5
Italy	1000 May Trade Balance	-	4.807
Canada	1330 Jun CPI (MoM%/YoY%)	-/-	0.6/2.9
	1330 Jun Core CPI (YoY%)	-	1.8
Eurozone	1000 May Trade Balance	14.8	15
	1000 Jul ZEW Economic Sentiment	-	51.3
	0900 ECB Bank Lending Survey	-	-
<b>Wednesday 17 July</b>			
US	1330 Jun Housing starts (000)	1300	1277
	1330 Jun Building Permits (000)	1395	1399
	1415 Jun Industrial Production (MoM%)	0.1	0.7
	1900 Fed Beige Book	-	-
UK	0700 Jun Core CPI (YoY%)	3.4	3.5
	0700 Jun CPI (MoM%/YoY%)	0.0/1.9	0.3/2.0
	0700 Jun Services CPI (YoY%)	5.6	5.7
Eurozone	1000 Jun CPI Final (MoM%/YoY%)	-/-	0.2/2.6
<b>Thursday 18 July</b>			
US	1330 Weekly Initial Jobless Claims (000)	-	238
UK	0700 May Unemployment Rate (%)	4.4	4.4
	0700 May Employment Change (000s)	-50	-139
Eurozone	1315 ECB Refinancing Rate	-	4.25
	1315 ECB Deposit Rate	-	3.75
	1345 ECB Press Conference	-	-
Netherlands	0530 Jun Unemployment Rate	-	-3.6
<b>Friday 19 July</b>			
UK	0700 Jun Retail Sales (MoM%/YoY%)	-0.6/0.1	2.9/1.3
Germany	0700 Jun PPI (MoM%/YoY%)	-/-	0.0/-2.2
Canada	1330 May Retail Sales (MoM%)	-	0.7
Eurozone	0900 May Current Account SA, EUR	-	38.6

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time Data/event	ING	Prev.
<b>Monday 15 July</b>			
Poland	0900 Jun CPI Final (MoM%/YoY%)	0.1/2.5	0.1/2.5
	1300 May Current Account (mn EUR)	152	-241
	1300 May Trade Balance (mn EUR)	560	202
Czech Rep	0900 May Current Account Balance	14.8	27.95
Kazakhstan	0900 Jun Industrial Production (MoM%)	-	-2.3
Bulgaria	0900 Jun CPI (MoM%/YoY%)	-0.2/2.4	-0.2/2.3
<b>Tuesday 16 July</b>			
Turkey	0900 Jun Budget Balance	-	219.41
Poland	1300 Jun Core CPI (YoY%)	3.7	3.8
Croatia	1000 Jun CPI Final (MoM%/YoY%)	-	0.1/3.3
<b>Wednesday 17 July</b>			
Russia	1700 Jun PPI (MoM%/YoY%)	-/-	1.6/16.2
Czech Rep	0800 Jun PPI (MoM%/YoY%)	0.0/1.3	-1.2/1
Kazakhstan	0900 Jun Industrial Production (YoY%)	-	2.1
<b>Thursday 18 July</b>			
Poland	0900 Jun Industrial Output (YoY%)	-1.3	-1.7
	0900 Jun PPI (YoY%)	-5.8	-7
	0900 Jun Employment Growth (YoY%)	-0.4	-0.5
	0900 Jun Corporate Sector Wage Growth (YoY%)	12.0	11.4
<b>Friday 19 July</b>			
Kazakhstan	- Jun GDP Growth (YoY%)	-	3.7

Source: Refinitiv, ING

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