Our view on next week’s events

Discover what ING analysts are looking for next week in our global economic calendars

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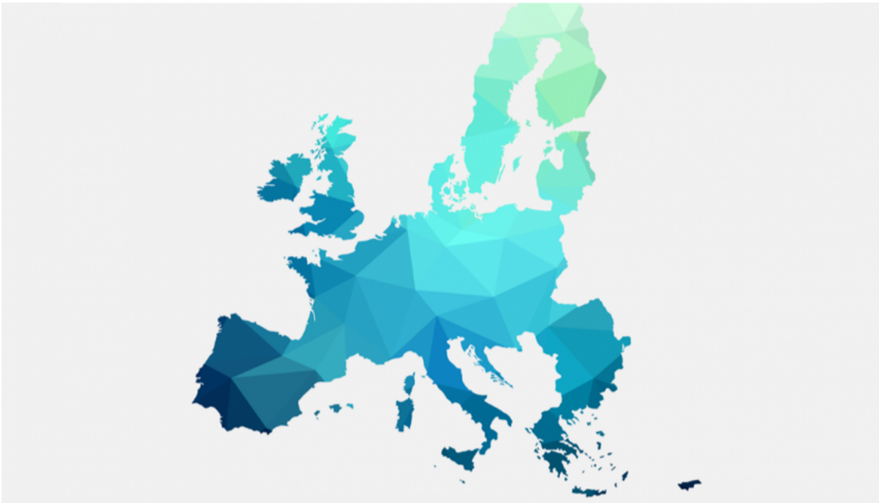

Source: Shutterstock

US: Inflationary rebound won't last long

US inflation numbers will be in focus given the Federal Reserve's recent framework review that included a formal adoption of average inflation targeting.

As the Fed's Lael Brainard said in her recent speech, this means they are willing to "accommodate rather than offset inflationary pressures moderately above 2 percent" thereby allowing the economy to run a little hotter than they would have otherwise.

We expect inflation to continue rebounding in August to reflect the lagged effects of supply constraints relating to Covid-19 containment measures amidst the re-opening of the economy, but this will not last long given the US economy is still 10% smaller than it was at the end of last year and there are around 12 million fewer people in work.

In general, we expect inflation to remain subdued with core rates likely to remain well below 2% for a prolonged period with a Fed rate hike unlikely until the second half of 2023.

Canada: Rates to stay on hold

The Bank of Canada meets next week and will keep interest rates unchanged at 25 basis points.

The Canadian economy has performed midway between the US and Europe with output falling a little over 13% through the first half of the year. Growth has now returned, but the spare capacity in the economy means the prospect of a rate hike is very distant, especially given added uncertainties relating to Canada's higher weighting of foreign trade and commodities relative to the US.

Like everywhere else, high-frequency indicators have pointed to a recent levelling off in activity suggesting the dovish tone from the central bank will persist, especially with inflation remaining benign given the large output gap.

UK: Don't expect much from trade talks; GDP to show further sign of rebound

UK and EU negotiators will meet again next week, but an imminent breakthrough seems unlikely.

> *We expect roughly 17% growth in the third quarter, although importantly this still leaves the size of the economy around 8% smaller than pre-crisis levels*

We're reaching the point where political intervention is needed, and the UK will soon need to table a proposal on state aid if talks are to start moving in the right direction. There are growing signs that the de-facto October deadline for a deal to be wrapped up maybe breached (although some time will be needed before year-end for ratification). But, we still think a basic free-trade agreement is narrowly the most likely scenario this autumn. Read our latest monthly update for more info on what all of this means for the outlook in 2021.

Separately, data is likely to show that the economy rebounded by another 6-7% during July, given that many lockdown measures were eased during the month (notably in the accommodation and food sectors). We think the rate of growth is likely to slow in August, but pick up marginally again in September on the back of the return of schools and universities in September (which bizarrely feed into GDP numbers).

Overall, we expect roughly 17% growth in the third quarter, although importantly this still leaves the size of the economy around 8% smaller than pre-crisis levels, and the pace of the recovery is likely to stall as we head into the winter as unemployment starts rising.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 September			
Germany	0700	Jul Industrial Production (MoM/YoY%)	3.0/-8.9	-/-	8.9/-11.7
Italy	-	Bank of Italy Report on Balance-Sheet Aggregates			
Norway	0700	Jul Industrial Production (MoM/YoY%)	-/-	-/-	-2.2/3.1
Sweden	0530	SEB Swedish Housing-Price Indicator			
	0830	2Q Current Account Balance (SEKbn)	-	-	80.6
		Tuesday 8 September			
US	1100	Aug NFIB Small Business Optimism	99.2	98.9	98.8
Japan	0030	Jul Household spending (YoY%)	-0.5	-	-1.2
	0030	Jul Labor cash earnings (YoY%)	-1.8	-	-2.0
	0050	2Q F GDP (Annualised, QoQ%)	-29.0	-28.5	-27.8
	0050	2Q F GDP deflator - advance (Q) (YoY%)	-	1.5	1.5
	0050	Jul C/A Balance, adjusted (Yen bn)	-	-	1049.2
Eurozone	1000	2Q F GDP (QoQ/YoY%)	-12.1/-15.0	-/-	-12.1/-15.0
Germany	0700	Jul Trade Balance (€bn)	18.0	-	15.5
Italy	1000	Istat Releases the Monthly Economic Note			
Norway	0700	Jul GDP Mainland (MoM%)	-	-	3.7
Portugal	-	Bank of Portugal Releases Data on Banks			
		Wednesday 9 September			
Canada	1500	Bank of Canada Policy Rate	0.25	0.25	0.25
Sweden	0700	Prospera's Big Swedish Inflation Expectations Survey			
		Thursday 10 September			
Japan	0050	Jul Core machine orders (MoM/YoY%)	3.3/-17.9	-/-	-7.6/-22.5
Eurozone	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.5	-	-0.5
Australia	0200	Sep CPI expectations (YoY%)	-	-	3.3
Norway	0700	Aug CPI (MoM/YoY%)	-/-	-/-	0.7/1.3
	0700	Aug CPI - ATE (MoM/YoY%)	-/-	-/-	0.9/3.5
Sweden	0830	Aug CPI (MoM/YoY%)	-/-	-/-	0.2/0.5
	0830	Aug CPIF (MoM/YoY%)	-/-	-/-	0.2/0.5
		Friday 11 September			
US	1330	Aug CPI (MoM/YoY%)	0.3/1.3	0.3/1.2	0.6/1.0
	1330	Aug CPI ex. food and energy (MoM/YoY%)	0.3/1.6	0.2/1.6	0.6/1.6
Japan	0050	Aug PPI (MoM/YoY%)	0.1/-0.6	-	0.6/-0.9
	0050	3Q BSI - All Industry (QoQ%)	-42.5	-	-47.6
	0050	3Q BSI - Large manufacturing (QoQ%)	-44.0	-	-52.3
Germany	0700	Aug F CPI (MoM/YoY%)	-0.1/0.0	-/-	-0.1/0.0
UK	0700	July UK Monthly GDP (MoM%)	6.7	-/-	8.7
Spain	0800	Aug F HICP (MoM/YoY%)	-/-	-/-	0.0/-0.6

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

Inflation data will be in focus in both Hungary and the Czech Republic next week, which should point towards some stabilisation now that economies have...

Source: Shutterstock

Hungary: Inflation to stabilise

The key data in Hungary next week will be the August inflation reading.

After causing a significant upside surprise in July, inflation is more than likely to stabilise. On a monthly basis, we expect inflation to remain unchanged. Given that, one-off factors were behind the acceleration last month, this time we should see the underlying processes stabilising inflation.

This means a 3.9% year-on-year CPI reading with 4.4% YoY core inflation. In the months ahead, we expect significant deceleration, which should provide monetary policy a break. However, the fiscal story continues to deteriorate but the August deficit will be in line with the updated 7-9% deficit range forecast by the Ministry of Finance.

Czech Republic: Inflation to stay moderate

Czech August CPI should slightly moderate to 3.2% amid weaker food prices though fuel prices slightly improved and core prices were surprising on the upside in recent months despite Covid-19. Still, the central bank should remain on hold for some time as signalled by recent central bank communication.

July industrial production is likely to remain modestly in contraction territory but summer months are usually affected by company holidays, and thus less reliable.

Russia: Current account & GDP data, political talks and monetary policy guidance

- August balance of payments should show if the current account remains close to zero and whether there is any improvement in the resident capital flows.
- The structure of the 2Q20 GDP drop could affect expectations about recovery. The recent macro statistics for July suggested stronger than expected consumer trend.
- The meeting between the president of Russia and Belarus may hint at the role Russia is willing to take in resolving the political crisis in Belarus. The development of the chemical warfare story would also bring more clarity as to whether it will result in new EU/US sanctions, and if so, whether they would be personal or sectoral, and if it could endanger the Nord Stream 2 gas pipeline project.
- Updated three-year monetary policy guidelines to be released on 10 September, are likely to shed more light on the central bank's take on the recent change in the global monetary policy rhetoric and the increase in market volatility. Currently, the combination of accelerating inflation, faster than expected consumer recovery, and market volatility in July-September are all pointing towards a likely pause in the key rate cut cycle.

EMEALatam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 September			
Poland	1300	Aug Official Reserves Total	-	-	137674
Czech Rep	0800	Jul Construction Output (YoY%)	-	-	-11.5
	0800	Jul Trade Balance (CZKmn)	-	-	34.1
	0800	Jul Industrial Output (YoY%)	-5.5	-	-7.0
Hungary	1400	Opus CEO, OTP Bank Deputy CEO Speak at Online Conference			
Kazakhstan	1000	Key Policy Rate (%)	-	-	9.0
	-	Aug International Reserves (US$bn)	-	-	35.3
Serbia	1100	Aug HPPI (MoM/YoY%)	-	-	0.7/-1.4
South Africa	0700	Aug Gross Reserves (US$bn)	-	-	57.9
	0700	Aug Net Open Foreign Currency Position (US$bn)	-	-	48.1
Israel	-	Aug Foreign Currency Balance (US$bn)	-	-	157.7
		Tuesday 8 September			
Czech Rep	0800	Aug Unemployment Rate (%)	3.8	-	3.8
Hungary	0800	Jul P Trade Balance (€mn)	225	-	655
Romania	0700	Jul Avg Net Wages (YoY%)	-	-	5.0
	0700	2Q P GDP (SA, QoQ%)	-	-	-12.3
	0700	2Q P GDP (YoY%)	-	-	-10.5
Croatia	1000	Aug PPI (MoM/YoY%)	-/-	-/-	0.7/-4.0
	1000	Jun Trade Balance (HRK m)	-	-	-4855
South Africa	1030	2Q GDP (SAAR-QoQ%)	-	-	-2.0
	1030	2Q GDP (YoY%)	-	-	-0.1
Israel	-	Bank of Israel Publishes Minutes of Rate Meeting			
		Wednesday 9 September			
Russia	1700	2Q P GDP (YoY%)	-8.5	-8.5	-8.5
Czech Rep	0900	Aug International Reserves (US$bn)	-	-	157.8
Hungary	0800	Aug CPI (MoM/YoY%)	0.0/3.9	-/-	1.1/3.8
	1000	Aug Budget Balance (YTD)	-2450	-	-2165
	1300	Hungarian Central Bank's Minutes			
Ukraine	-	Aug CPI (MoM/YoY%)	-/-	-/-	-0.6/2.4
Romania	0700	Jul Trade Balance (€m)	-	-	-1321
Brazil	1300	Aug Inflation (IPCA) (MoM/YoY%)	0.23/2.43	0.18/2.38	0.36/2.31
Mexico	1200	Aug CPI (MoM/YoY%)	0.3/3.95	-	0.66/3.62
		Thursday 10 September			
Turkey	0800	Jun Unemployment Rate (%)	-	-	12.9
Czech Rep	0800	Aug CPI (MoM/YoY%)	-0.2/3.2	-/-	0.4/3.4
	0800	Jul Export Price Index (YoY%)	-	-	2.0
	0800	Jul Import Price Index (YoY%)	-	-	-1.5
Romania	0700	Aug CPI (MoM/YoY%)	-/-	-/-	0.0/2.8
Bulgaria	0900	Jul Industrial Production (MoM/YoY%)	-	-	5.8/-7.8
	0900	Jul Retail Sales (MoM/YoY%)	-/-	-/-	0.9/-18.1
Serbia	1100	Repo rate (%)	-	-	1.25
South Africa	1200	Jul Manufacturing Prod. (MoM%)	-	-	-16.3
	1200	Jul Manufacturing Production (SA, MoM%)	-	-	16.8
	-	3Q BER Business Confidence	-	-	5.0
Brazil	1300	Jul Retail Sales (YoY%)	3.0	-	0.5
		Friday 11 September			
Russia	1400	Jul Trade Balance (US$bn)	-	6.0	5.3
Turkey	0800	Jul C/A (US$mn)	-1.1	-	-2.93
Serbia	1100	Aug CPI (MoM/YoY%)	-	-	0.2/2.0
Croatia	1000	Jul Tourism arrivals (YoY%)	-	-	-72.7
Mexico	1200	Jul Industrial Production (YoY%)	-10.0	-	-16.7

Source: ING, Bloomberg

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Asia week ahead: Malaysian central bank decides policy

Monthly data dump in China and Japan packs the Asian economic calendar next week, but our focus will be on Malaysia's central bank's decision

Source: Shutterstock

China and Japan data dump

August activity data from China including trade, foreign reserves, inflation and monetary indicators will be under the spotlight for the economic recovery in the current quarter.

Exports are back in play to be the key driver for Asia's biggest economy. At $237.6 billion in July, China's monthly exports were just shy of the $238.3 billion record level achieved in December 2019. If materialised, our forecast of a 16% year-on-year rise in August will lead to a new record of $249 billion. The persistently large trade surplus and hot money inflows in the global risk-on rally in

August should shore up foreign reserves. Inflation should remain subdued and monetary data should underscore continued accommodative policy.

> *Exports are back in play to be the key driver for Asia's biggest economy. At $237.6 billion in July, China's monthly exports were just shy of the $238.3 billion record level achieved in December 2019*

The Japanese economy has been reeling under the Covid-19 impact on consumer and business spending. Labour cash earnings and household spending growth is likely to remain in negative territory in July, although to a lesser extent than in June. Businesses continued to observe caution on their capital spending given low confidence currently, as the July core machine orders and 3Q BSI Confidence Index releases will likely confirm.

1.50% ING forecast of BNM policy rate

After a 25bp cut next week

Malaysia central bank meeting

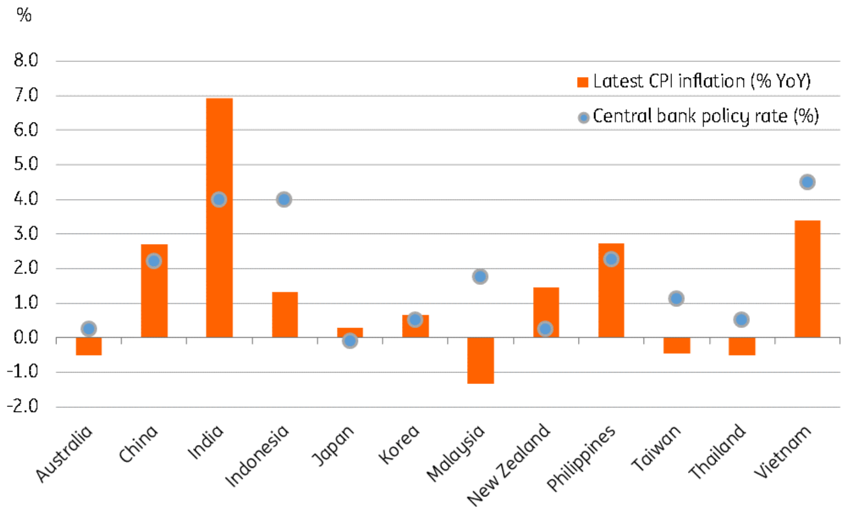
The Malaysian central bank will meet next week in a two-day meeting to be concluded on Thursday, 10 September. We have long been calling a 25 basis point rate cut at this meeting, taking the overnight policy rate down to a fresh low of 1.50%.

Even as Malaysia remains largely immune to the Covid-19 outbreak, its economy was one of the hardest hit in Asia with a 17% YoY GDP plunge in 2Q. Things are looking better as we move into 3Q with a second straight monthly export bounce in July boosting the trade surplus to the highest ever, 25 billion Malaysian ringgit (MYR). While this bodes well for GDP growth, a couple more quarters of negative GDP growth still looks inevitable.

Substantiating the rate cut argument further is the negative CPI inflation streak that's likely to prevail through the rest of the year as a result of anaemic domestic demand. With -1.3% YoY inflation in July, the real policy interest rate is one of the highest in Asia (see figure) -- not a good backdrop for economic recovery.

And, the relative outperformance of the MYR in the emerging market rally since June should provide more comfort to the central bank in cutting rates to stimulate growth.

Real interest rate* in Malaysia is one of the highest in Asia



Source: CEIC, ING

* Defined as nominal policy rate minus latest inflation rate.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 4 September			
India	-	2Q Current account balance (Q) (US$bn)	11.0	18.0	0.58
		Monday 7 September			
China	-	Aug Exports (YoY%)	16.2	6.0	7.2
	-	Aug Imports (YoY%)	-1.0	1.0	-1.4
	-	Aug Trade Balance (US$bn)	71.3	45.8	62.3
	-	Aug Forex Reserves (US$bn)	3179.0	3168.5	3154.4
Hong Kong	-	Aug Forex Reserves (US$bn)	-	-	450.0
Philippines	-	Aug Forex reserves (US$bn)	-	-	98000
Taiwan	0900	Aug Exports (YoY%)	0.0	-	0.4
	0900	Aug Imports (YoY%)	-3.0	-	-6.8
	0900	Aug Trade balance (US$bn)	6.7	-	5.4
		Tuesday 8 September			
Taiwan	0900	Aug WPI (YoY%)	-8.0	-	-9.15
	0900	Aug CPI (YoY%)	-0.6	-	-0.52
		Wednesday 9 September			
China	0230	Aug PPI (YoY%)	-1.6	-2.0	-2.4
	0230	Aug CPI (YoY%)	2.9	2.3	2.7
South Korea	0000	Aug Unemployment rate (% SA)	4.2	-	4.2
		Thursday 10 September			
China	-	Aug Money supply (M2) (YoY%)	10.7	10.7	10.7
		Aug Aggregate finance (Yuan bn)	1792	-	1694
		Aug New yuan loans (Yuan bn)	1050	-	992.7
Malaysia	0800	Overnight Policy Rate	1.5	-	1.75
Philippines	0200	Jul Exports (YoY%)	-	-	-13.3
	0200	Jul Imports (YoY%)	-	-	-24.5
	0200	Jul Trade balance (US$mn)	-	-	-1303
		Friday 11 September			
India	1300	Jul Industrial production (YoY%)	-12.0	-	-16.6
Malaysia	0500	Jul Industrial production (YoY%)	2.8	-	-0.4

Source: ING, Bloomberg, *GMT

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