

Our view on next week's events

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By Dmitry Dolgin and Piotr Poplawski

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✓ US: Policy rate unlikely to budge in the near term

In the US we are building up to the 16 September FOMC meeting where we are likely to see new forward guidance from officials.

They have already announced the conclusions to their strategy review which shows they will now tolerate periods of inflation modestly in excess of 2% through shifting to a framework of average inflation targeting 2%. Effectively, this means the Fed will not pre-emptively raise rates before inflation has hit 2%, directly implying that interest rates will be lower for longer. The new language may well include a time factor, such as saying interest rates will not rise before the end of 2022. Or it could be outcome contingent, such as they will not raise interest rates before the unemployment rate has fallen to 5% and inflation has sustainably reached 2%.

Either way, this is unlikely to be massively market-moving given the Fed's "dot plot" of individual member forecasts suggests just two members expect rates to be raised before the beginning of 2023 – it will merely reinforce the message that the Fed really, really won't be raising rates imminently, thereby anchoring the short end of the curve even more sturdily.

✓ Brexit fireworks set to continue as Internal Market Bill starts parliamentary passage

The UK government has put forward a bill which could potentially grant powers to override parts of the withdrawal agreement, in particular related to state aid.

This casts a real cloud over talks, and at best chances of a deal now appear to be 50:50. The next question though is whether the bill can get through parliament. Unlike last year, where we became accustomed to late-night votes, this is unlikely to have any trouble going through the House of Commons over the next couple of weeks.

But with the bill containing provisions that would break international law, the bigger question is whether the House of Lords will seek to block it. This is presumably what Brussels will be keeping a keen eye on over the next few weeks. Successful passage would presumably see the chances of a deal recede yet further.

✓ UK data – The calm before the storm?

Like the rest of Europe, the 'mechanical' rebound in GDP (rising activity by virtue of the fact that shops and restaurants have re-opened) is coming to an end, and recovery is likely to stall as we head towards the winter. It might be too early to see signs of that in next week's data, and again we think the jobs data is unlikely to see a sharp rise in unemployment just yet. But this is likely to change – the ONS reckons there is a pool of just over 1 million workers who have become either inactive or unpaid (but still employed) as a result of the pandemic. As these dislocated workers begin their job search, this will see them reclassified as unemployed for the purposes of labour statistics.

Unfortunately, there are also growing signs that redundancies have continued through the summer, and this too is likely to push up the unemployment rate as we head into the winter – potentially to around 9%.

We also have inflation next week, which is likely to plummet on the combined forces of the Eat Out to Help Out scheme (50% off food on certain days during August) and targeted VAT cuts. There is a chance that headline inflation dips into negative, although this is of course temporary. Still, our broader view is that the crisis is unlikely to be inflationary, given the emerging slack in the jobs market.

For the Bank of England, the combination of muted inflation, higher unemployment and a longer recovery all point to further stimulus. The main question next week for markets will be whether the Bank signals a more cautious outlook, but also if policymakers give any further clues on negative rates. Recent communication suggests they are in the toolbox, but that QE is seen as a more important tool for offering extra support.

✓ Eurozone: Industry data to lift recovery spirits

After the ECB kept its powder dry last week, focus in the eurozone will return to how fast the recovery is at the moment.

August data was pretty downbeat, but next week's industry data for July will probably still cast the recovery in a rather favourable light. In fact, as manufacturing PMI outperformed services in

August, it could well be that the rebound of the industrial sector lasts somewhat longer. Also interesting will be trade data, which will be dominated by reopening effects but could be curbed by an appreciating euro.

The ECB did not appear to be overly concerned by the stronger euro from an inflation perspective just yet, but will we already see signs of slowing exports?

Developed Markets Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 14 September				
Japan	0530 Jul Tertiary industry index (MoM%)	-	-	7.9
	0530 Jul F Industrial production - Prel (MoM/YoY%)	-/-	-/-	8/-16.1
Finland	0900 Bank of Finland Economic Forecast			
Eurozone	1000 Jul Industrial Production (WDA, (YoY%)%)	-7.9	-	-12.3
Sweden	0500 Aug PES Unemployment Rate	-	-	5.7
Finland	- Finnish Government 2021 Budget Negotiations			
Tuesday 15 September				
US	1415 Aug Industrial Production (MoM%)	1.2	0.9	3.03
Germany	1000 Sep ZEW Current Situation Index	-40.0	-	-81.3
UK	0700 Jul Weekly Earnings (3M avg)	-1.0	-	-1.2
	0700 Jul Weekly Earnings ex Bonus (3M avg)	-0.2	-	-0.2
	0700 Jul ILO Unemployment Rate (3M avg.)	4.0	-	3.9
	0930 Jul Employment Change (3M/3M)	-105	-	-220
Italy	0900 Aug F HICP (YoY%)	-	-	-0.5
Australia	0230 RBA Minutes of Sep. Policy Meeting			
	0230 2Q House price index (% QoQ/YoY)	1.5/10.5		1.6/7.4
Sweden	0830 Aug Unemployment Rate (%)	-	-	8.9
Wednesday 16 September				
US	1330 Aug Advance Retail Sales (MoM%)	1.1	1.3	1.2
	1330 Aug Retail Sales ex. Auto and Gas (MoM%)	0.9	1.1	1.5
	1900 FOMC Rate Decision (Upper bound)	0.25	0.25	0.25
	1930 Powell Holds Post-FOMC Meeting Press Conference			
Japan	0050 Aug Exports (YoY%)	-8.3	-	-19.2
	0050 Aug Imports (YoY%)	-12.1	-	-22.3
	0050 Aug Adjusted trade balance (¥ bn)	490.7		-34.8
Eurozone	1000 Jul Trade Balance (€bn)	17898	-	17143
UK	0700 Aug CPI (MoM/YoY%)	-0.7/0.0	-/-	0.4/1.0
	0700 Aug Core CPI (YoY%)	0.5	-	1.8
Canada	1330 Aug CPI (MoM/YoY%)	-/-	-/-	0.0/0.1
New Zealand	2345 2Q GDP (Q) (QoQ/YoY%, SA)	-7.0/-7.5	-	-1.6/-0.2
Thursday 17 September				
Japan	- Policy Rate	-0.1	-	-0.1
	- BoJ 10-year yield target (%)	-	-	0.00
Eurozone	1000 Aug F CPI (MoM/YoY%)	-0.4/0.4	-/-	-0.4/0.4
UK	1200 BoE Policy Rate	0.1	-	0.1
Canada	1330 ADP Releases Payroll Data			
Australia	0230 Aug Employment change ('000)	33.0	-	114.7
	0230 Aug Unemployment rate (%)	7.5	-	7.5
	0230 Reserve Bank of Australia Bulletin			
Finland	0900 Governor Olli Rehn Speaks at Bank of Finland Briefing			
Friday 18 September				
US	1500 Sep P U. of Mich. Sentiment Index	73.0	74.0	74.1
	1500 Fed's Bullard Discusses the Covid Recovery Challenge			
Japan	0030 Aug National CPI (YoY%)	0.0	-	0.3
	0030 Aug CPI ex-food, energy (YoY%)	-0.3	-	0.4
UK	0700 Aug Retail Sales ex Auto Fuel (MoM%)	-0.2	-	2.0/3.1
	0700 Aug Retail Sales (MoM%)	0.5	-/-	3.6/1.4
Sweden	0500 Valueguard HOX Sweden Home-Price Index			

Source: ING, Bloomberg

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Article | 10 September 2020

Asia week ahead: Central bank policy dominates

Three Asian central banks hold their policy meetings. And, there is a flood of activity data from around the region. All this will make it an exciting...



Source: Shutterstock

➔ Central bank policy-making

Central banks in Japan, Taiwan and Indonesia meet next week. All are expected to leave policies on hold. Yet, there will be some interest here. Especially so in the Bank of Japan's meeting, which is the first since Prime Minister Shinzo Abe's resignation in late August, the event that might have fuelled speculation about even easier BoJ policy to soften the Covid-19 blow to the economy. ING's Japan watcher, Rob Carnell, however, cautions against it ([here is why](#)). The markets will also be watching Japan's August CPI inflation and trade figures next week, none of which is going to make

much sense from the BoJ policy perspective.

For the central bank with the longest history of unorthodox policies, doing yet more of the same seems a particularly pointless exercise. – Rob Carnell on BoJ policy

The interest in Bank Indonesia's policy stems from the steady downward grind in CPI inflation, which at 1.3% year-on-year in August was the lowest in the last two decades (since April 2000). Will this move BI for the fifth rate cut this year? ING's Indonesia expert, Nicholas Mapa, doesn't think so amidst intensifying currency depreciation due to debt monetisation worries ([here is more](#)). Coming ahead of the BI meeting, August trade data should continue to reflect downside pressure on growth.

What about Taiwan's Central Bank of the Republic of China (CBC) policy? CBI's has been one of the steadiest monetary policy in Asia. It didn't change from mid-2016 until the Covid-19 outbreak at the start of this year. And, with just one 25bp rate cut in March this year, the easing cycle is done, in our view. Our Greater China Economist, Iris Pang, doesn't expect another move, in either direction, over our forecasting horizon until end-2022.

[Abe resigns as Japan's PM](#)

[Indonesian inflation cools further but focus shifts to central bank charter changes](#)

➔ And, busy data schedule

China's remaining activity data for August, including industrial production, retail sales, fixed asset investment, and home sales will be in focus. Iris Pang doesn't see growth for these differing much from the July pace.

August CPI inflation will be the highlight of India's data calendar. The Covid-19 supply shock to food prices and administrative hikes in fuel prices drove inflation above the central bank's (Reserve Bank of India) 6% policy limit in April, which is where it has been since, including the 6.9% recorded in July. We expect no let-up in price pressure in August. Our forecast for August is 7.1%. Also, look out for India's August trade figures for what these say about growth.

Singapore's non-oil domestic exports for August is an interesting release too. Pharmaceutical exports, the key support to NODX earlier this year, has lost its vigour in recent months, but a pick-up in electronics exports kept the headline NODX growth in positive territory. We expect pretty much the same in August, though with a more moderate NODX growth than July's 6.0% YoY.

Down under, Australia's jobs report for August and New Zealand's 2Q20 GDP will be the ones to watch. The worsened Covid-19 outbreak in the state of Victoria underpins our house forecast of a sharp slowdown in Australia's employment growth, which is also the consensus view. Our forecast for New Zealand GDP is a 7% quarter-on-quarter fall.

Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 14 September				
China	0230 Aug New home prices (YoY%)	4.8	-	4.8
India	0730 Aug WPI (YoY%)	-0.2	-0.27	-0.58
	1300 Aug CPI (YoY%)	7.1	6.86	6.93
Tuesday 15 September				
China	0300 Aug Industrial Production (YoY%)	5.0	5.2	4.8
	0300 Aug Retail Sales (YoY%)	-0.6	0.0	-1.1
	0300 Aug Fixed asset investment (YTD, YoY%)	-1.4	-0.4	-1.6
India	- Aug Trade deficit (US\$bn)	-7.6	-6.8	-4.83
	- Aug Exports (YoY%)	-8.0	-	-10.2
	- Aug Imports (YoY%)	-21.0	-	-28.4
Indonesia	0500 Aug Trade balance (US\$mn)	2185	-	3263
	0500 Aug Exports (YoY%)	-10.2	-	-9.9
	0500 Aug Imports (YoY%)	-25.3	-	-32.55
Philippines	- Jul OCW remittances (YoY%)	-5.7	-	7.7
Thursday 17 September				
Indonesia	0820 BI policy decision (7-day reverse repo, %)	4.0	-	4.0
Singapore	0130 Aug Non-oil domestic exports (MoM/YoY%)	0.5/1.5	-/-	1.2/6.0
Taiwan	- Benchmark Interest Rate	1.125	-	1.125

Source: ING, Bloomberg, *GMT

Article | 11 September 2020

Key events in EMEA and Latam next week

Poland and Russia's central bank meet next week and both are expected to keep rates on hold, but keep an eye on inflation figures and some key industry...



Source: Shutterstock

✓ Russia: Rates to stay unchanged, but the rate cut cycle may not be over yet

The Bank of Russia is likely to keep the 4.25% key rate unchanged at the upcoming monetary policy meeting on 18 September.

The arguments in favour of a pause in the rate cut cycle include strengthening of CPI, better than expected trend in the overall GDP and consumption, increased volatility on the local financial market, and a halt in the rate cycle among Russia's peers. Meanwhile, the mid-term guidance should not exclude further cuts in the next six months, provided external factors, including foreign policy context, allows it.

In other events, macro activity data for August should point at some modest recovery in industrial output, constrained by the adverse calendar factor, and some recovery in consumption, though the latter might have been limited by the re-opening of outward tourism to popular resort destinations.

✓ Poland: Fast recovery in 3Q expected

Poland's central bank meets next week and is unlikely to bring much new to the table. Recent real activity figures showed substantial recovery, but the Council is likely concerned with the strength of the zloty, possibly underlining CPI may continue to slide down in the coming months. Hence it's unlikely that the current consensus within the MPC of flat rates for long should change.

In terms of key figures next week we expect solid industrial production growth, slightly above consensus. A rise in PMI export orders suggests industrial recovery should be more balanced compared to July (when automotive played the key role). We also expect a less deep contraction of employment compared to the consensus.

Overall the figures should support our scenario of fast GDP recovery this quarter.

EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Sunday 13 September				
Israel	1100 Aug Trade Balance (US\$m)	-	-	-2066
Monday 14 September				
Turkey	0800 Jul Industrial Production (MoM/YoY%)	-3.5	-/-	17.6/0.09
Poland	1300 Jul C/A (€mn)	1516	1797	2842
Czech Rep	0900 Jul C/A (CZKbn)	-	-	1.81
Ukraine	- National Bank of Ukraine Publishes Minutes of Rate Meeting			
Romania	0700 Jul Industrial Production (MoM/YoY%)	-/-	-/-	16.2/-14.3
	0700 Jul Industrial Sales (MoM/YoY%)	-/-	-/-	20.0/-10.29
	- Jul C/A YTD (€mn)	-	-	-3497
Tuesday 15 September				
Russia	1700 Aug Industrial Production (YoY%)	-7.5	-6.4	-8.0
Poland	0900 Aug F CPI (MoM/YoY%)	2.9	2.9	-0.1/2.9
	- Base Rate (%)	0.1	0.1	0.1
	- Monetary Policy Council Rate Meeting			
Hungary	0805 Hungary Central Bank Deputy Governor Virag Speaks			
Kazakhstan	- Aug Industrial Production Yearly	-	-	-9.6
Bulgaria	0900 Aug CPI (MoM/YoY%)	0.0/1.2	-/-	0.5/1.2
Israel	1630 Aug CPI (MoM/YoY%)	-/-	-/-	0.2/-0.6
Wednesday 16 September				
Russia	1700 Aug PPI (MoM/YoY%)	-	0.9/0.7	4.3/-2.2
Poland	1300 Aug Core Inflation (MoM/YoY%)	4.1	4.1	0.2/4.3
Czech Rep	0800 Aug PPI (Industrial) (MoM/YoY%)	-	-	0.1/-0.1
South Africa	1200 Jul Retail Sales (MoM/YoY%)	-	-	6.4/-7.5
Israel	1100 2Q P GDP (QoQ Annualised %)	-	-	-28.7
Brazil	- Selic Rate	2.0	2.00	2.00
Thursday 17 September				
Poland	0900 Aug Avg Gross Wages (MoM/YoY%)	3.3	4	1.8/3.8
	0900 Aug Employment (MoM/YoY%)	-1.4	-1.7	1.1/-2.3
South Africa	- Repo rate (%)	-	-	3.5
Friday 18 September				
Russia	1130 Key Rate (%)	4.25	4.25	4.25
	1400 Aug Retail Sales (YoY%)	-2.5	-1.7	-2.6
	1400 Jul Real wages (YoY%)	0.1	0.1	0.6
Poland	0900 Aug Industrial Output (MoM/YoY%)	3.0	2.8	3.4/1.1
	0900 Aug PPI (MoM/YoY%)	-1.0	-0.9	0.3/-0.6
Ukraine	- 2Q F GDP (YoY%)	-11.4	-	-11.4
Serbia	- Jul C/A (€mn)	-180	-	-196
Croatia	1000 Aug Unemployment Rate (%)	9.0	-	9.0
	1000 Jul Real Wages (YoY%)	2.5	-	2.7

Source: ING, Bloomberg

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