

## 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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# Key events in developed markets next week

Retail sales, consumer confidence and PMI data will likely reflect a rebound as economies reopen. But we remain cautious



Source: Shutterstock

## **US: Surge in housing numbers expected, but not necessarily demand**

It is a relatively quiet week in terms of US data releases. Housing numbers are set to bounce back sharply given the dramatic improvement in mortgage applications for home purchases. Record low mortgage rates have improved affordability while significant pent-up demand following weeks of lockdowns are also leading to a major bounceback. Additionally, we have to remember that according to the National Association of Realtors, the average age for a home buyer is 47 so they are less likely to have been impacted by unemployment, will be more financially secure and have better credit history versus most other demographics.

A strong housing market typically boosts demand for home furnishings and furniture, garden equipment and building supplies, so can be broadly supportive for economic activity. However, we believe that the renewed shutdown, business closures and rising joblessness will dominate the story. Indeed with 32 million people continuing to claim unemployment benefits as of the last week in June there is a real risk of a renewed downturn in consumer activity once the \$600/week Federal boost ends in two weeks. Consequently, we will be looking for any breakthrough in a new fiscal package that could at least mitigate this potential bad news for growth.

## ✔ Eurozone: All eyes on the recovery fund discussions again

It's all about this weekend for Europe as EU leaders negotiate a possible recovery fund worth €750 billion. It's possible that a deal is reached but more likely that at least one more summit is needed before an agreement is struck. Besides that, look out for eurozone survey indicators. The PMI and consumer confidence measures are due next week and provide more insight into the speed of the bounce back from the lockdown.

## ✔ UK retail sales set for further rebound, masking challenges on the high street

The evidence from other countries that exited the lockdown before the UK, as well as more timely data from the British Retail Consortium, suggests there's a good chance overall retail sales resembled something much closer to pre-virus levels in June. We expect to see another sharp rebound, although this probably masks big changes in the way consumers are spending.

Online spending was up almost 50% in May compared to where it was at the turn of the year, while many physical retailers have seen sales (unsurprisingly) collapse amid the lockdown. We should see a partial rebound in the latter as shops began to reopen, although footfall figures suggest consumers are still highly reluctant to engage with the high street. And there's growing evidence that this is largely down to safety concerns rather than financial restraint.

This might gradually change if Covid case numbers are successfully kept in check over the summer, but for the time being, reduced in-store demand suggests an increasing number of retailers are likely to begin making redundancies over coming weeks. Rising unemployment across the economy is one of the main reasons why we think it will take at least a couple of years for overall GDP to return to pre-virus levels.

We also have PMIs for the UK where there is a good chance the services index moves back above the breakeven 50 level. Importantly though this doesn't tell us much that we don't already know - things are improving off their April/May low, but the PMIs don't give us any new information on the magnitude of the change.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 20 July</b>					
Japan	0050	Jun Exports (YoY%)	-27.0	-	-28.3
	0050	Jun Imports (YoY%)	-21.0	-	-26.2
	0050	Jun Adjusted trade balance (JPY bn)	-800	-	-601
<b>Tuesday 21 July</b>					
Japan	0030	Jun National CPI (YoY%)	0.0	-	0.1
	0030	Jun CPI ex-food, energy (YoY%)	0.4	-	0.4
UK	0700	Jun Public Finances (PSNCR)	-	-	71.4
	0700	Jun PSNB ex Banks (Ebn)	-	-	55.2
Australia	0230	RBA Minutes of Jul. Policy Meeting - RBA Governor Lowe (0330) and Kent (0500) Give Speeches			
<b>Wednesday 22 July</b>					
US	1500	Jun Existing Home Sales	5.00	4.65	3.91
Canada	1330	Jun CPI (MoM/YoY%)	0.0/-0.3	-/-	0.3/-0.4
Australia	0230	ABS Australia Preliminary June Retail Sales			
<b>Thursday 23 July</b>					
Eurozone	1500	Jul A Consumer Confidence	-11.0	-	-14.7
UK	1200	BOE's Haskel Speaks the Economic Effects of Covid-19			
Norway	0700	May Unemployment Rate AKU	-	-	4.2
Sweden	0830	Jun Unemployment Rate (%)	-	-	9
<b>Friday 24 July</b>					
Eurozone	0900	Jul P Markit Manufacturing PMI	49.3	-	47.4
	0900	Jul P Markit Services PMI	50.2	-	48.3
	0900	Jul P Markit Composite PMI	49.8	-	48.5
UK	0700	Jun Retail Sales ex Auto Fuel (MoM/YoY%)	7.5/-3.7	-	10.2/-9.8
	0700	Jun Retail Sales (MoM/YoY%)	8.5/-6.4	-/-	12.0/-13.1
	0930	Jul P Markit/CIPS Manufacturing PMI	50.0	-	50.1
	0930	Jul P Markit/CIPS Services PMI	52.0	-	47.1
	0930	Jul P Markit/CIPS Composite PMI	51.8	-	47.7
Australia	0230	ABS Australia Preliminary June Merchandise Trade			

Source: ING, Bloomberg

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## Key events in EMEA and Latam next week

Multiple rate decisions are expected across the EMEA region next week. Expect rate cuts from Russia and Hungary while Turkey should stay on hold



Source: Shutterstock

### ✓ Russia: Dovish tone continues with a predicted 25bp rate cut

Russia's key rate will most likely be cut at the upcoming central bank meeting on 24 July. Since the previous decision, the current CPI trend has been in check, with annual CPI accelerating to 3.4% year-on-year largely due to statistical effects. Furthermore, inflationary expectations have been moderate among households, corporates, and market participants. Over the last month, the analyst consensus forecast for mid-2021 CPI declined from 3.7% to 3.1% YoY, putting the Russian real policy rate back towards the upper border of the peer range. Central Bank of Russia Governor Elvira Nabiullina indicated this week that she sees scope for a further reduction in the key rate. We believe the decision next week will be between a 25 and 50 basis point cut, rather than between the flat to 25bp range we expected initially.

The recent cooling of emerging market risk sentiment, combined with higher foreign policy tensions around Russia, and uncertainties regarding the size of the local state debt supply, all speak in favour of a more cautious 25bp cut, which we treat as a base case for 24 July. A more aggressive 50bp cut cannot be ruled out, however that option will more likely be accompanied by less dovish forward guidance, essentially making the two options equal in terms of potential effect on the market.

## ✔ Hungary: Another rate cut expected as further stimulus required

The National Bank of Hungary surprised everyone with a symbolic rate cut in June. Based on the latest comments and economic developments, we see the NBH cutting the base rate and the one-week deposit rate once again by 15bp to 0.60%. When it comes to the key messages, the central bank will emphasize that it doesn't want to cut the rate further as it doesn't want to get closer to the zero lower bound in rates. If further easing is needed, the NBH will carry out supportive measures using its corporate bond buying and lending programmes. As the next Inflation Report is only due in September, this time we don't expect any update regarding the central bank's overly optimistic economic outlook.

## ✔ Turkey: Staying on hold

Following a surprise end to the long rate-cutting cycle, we expect the Central Bank of Turkey to remain on hold and keep the policy rate (1-week repo rate) at 8.25% in July due to a recent deterioration in inflation and funding costs which are already aligned with the CBT's inflation forecast. Initial signs of a rebound in economic activity from the bottom in April should also be a reason to hold rates steady.

## ✔ Poland: Varied data shows uncertainty for Poland as lockdown eases

This week's data from Poland should show a mixed picture. Overall dynamics are expected to improve further, but largely owing to more favorable calendar effects. Huge surpluses in Poland's trade balance hint weak investment activity (usually a major source of imports). Still many export-oriented industries should be doing relatively well, benefiting from recovering demand among key trade partners.

## EMEALatam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Sunday 19 July</b>					
Israel	-	Jul 12Mth Inflation Forecast (%)	-	-	0.6
<b>Monday 20 July</b>					
Poland	0900	Jun Industrial Output (MoM/YoY%)	-/-3.0	-/-8.1	10.1/-17.0
	0900	Jun PPI (MoM/YoY%)	-/-1.1	-/-0.8	0.0/-1.5
Kazakhstan	1000	Jul 20 Key Policy Rate (%)	-	-	9.5
Serbia	-	May C/A (€mn)	-	-	-105.2
Croatia	1000	Jun Unemployment Rate (%)	-	-	9.5
	1000	May Real Wages (YoY%)	-	-	0.4
Israel	-	Bank of Israel Publishes Minutes of Rate Meeting			
<b>Tuesday 21 July</b>					
Poland	0900	Jun Retail Sales (MoM/YoY%)	-/-8.0	-/-	14.5/-8.6
Hungary	1300	Policy Rate (%)	0.60	-	0.75
	1300	Jul 21 Overnight Deposit Rate (%)	-0.05	-	-0.05
South Africa	0800	May Leading Indicator	-	-	97.2
<b>Wednesday 22 July</b>					
Poland	1300	Jun M3 Money Supply (MoM/YoY%)	-/-15.0	-/-	2.7/16
South Africa	1200	May Retail Sales (MoM/YoY%)	-	-	2.3/2.7
Mexico	1200	May Retail Sales (YoY%)	-20	-	-23.8
<b>Thursday 23 July</b>					
Turkey	1200	Benchmark Repurchase Rate	8.25	-	8.25
Poland	0900	Jun Unemployment Rate (%)	6.1	-	6
Ukraine	1200	Jul 23 Key Rate (%)	6.0	-	6
South Africa	-	Repo rate (%)	-	-	3.75
<b>Friday 24 July</b>					
Russia	1130	Key Rate (%)	4.25	4.25	4.5
	1300	Bank of Russia Governor Nabiullina holds news conference			
Poland	-	Jun Budget Level (YTD)	-	-	-25881.6
Czech Rep	0800	Jul Business Confidence	-	-	-16.1
	0800	Jul Consumer & Business Confidence	-	-	-15.5
	0800	Jul Consumer Confidence	-	-	-13
Kazakhstan	-	Jun M3 Money Supply (MoM%)	-	-	1
Serbia	1100	May Real Wages (YoY%)	-	-	8

Source: ING, Bloomberg

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# Asia week ahead: Who's next to fall into a recession?

Korea's 2Q GDP figure will be the highlight of next week in Asia alongside all the inflation, manufacturing and trade releases in a jammed-pack week...



Source: Shutterstock

## ➔ Will Korea be next to fall into a recession?

China might have technically averted a recession, despite falling retail sales and fixed-asset investment but Singapore wasn't as lucky as it plunged into its worst-ever recession this week.

Korea seems to be next in line as it reports 2Q GDP next week. Exports, imports, manufacturing and services output - everything was falling in the last quarter, while the second wave of Covid-19 outbreak kept confidence close to a record low.



Our house view of a 2.5% quarter-on-quarter (seasonally adjusted) GDP contraction follows a 1.3% fall in 1Q which should confirm a technical recession, marking the first recession since the SARS pandemic in 2003, and it's likely to be worse. Hopefully, it will also mark the bottom of the current downturn.

## ➔ Heavy data calendar elsewhere

Inflation, manufacturing, and trade releases for June dominate the data flow – all reflecting weak demand and falling GDP in the region.

CPI inflation has been nil to negative in Japan, Malaysia, and Singapore, as has Korea's PPI inflation. The export contraction is running in double digits in Japan and Thailand. And, weak exports and domestic demand are weighing on manufacturing in Singapore and Taiwan, although both countries have thus far been relatively unscathed by weaknesses so far this year, with Singapore supported by pharmaceuticals and Taiwan by electronics exports.

Their June manufacturing data will help to fine-tune GDP forecast for 2Q. In the case of Singapore, it will show the extent of a likely revision in the -12.6% YoY advance estimate of 2Q GDP growth released this week.

## ➔ A slow central bank week

Nothing much is going on next week in terms of macro policymaking aside from the monthly adjustment by the People's Bank of China to its prime lending rates.

Both 1-year and 5-year PLRs have been steady at 3.85% and 4.65% respectively since 10-20 basis point cuts in April.

We expect these levels to hold next week.

## Asia Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 20 July</b>				
China	0230 1-year Loan Prime Rate (%)	3.85		3.85
	0230 5-year Loan Prime Rate (%)	4.65		4.65
Taiwan	0900 Jun Export orders (YoY%)	1.1	0.8	0.44
South Korea	2200 Jun PPI (YoY%)	-	-	-1.7
<b>Tuesday 21 July</b>				
Korea	0000 Jun PPI (YoY%)	-1.4	-	-1.7
Hong Kong	0915 Jun CPI (YoY%)	1.0	-	1.5
<b>Wednesday 22 July</b>				
Malaysia	0500 Jun CPI (YoY%)	-2.4	-	-2.9
	0800 Jul 15 Forex reserves- Month end (US\$bn)	-	-	103.4
Philippines	- Jun Budget balance (PHP bn)	-82.4	-	-202.1
Taiwan	0900 Jun Unemployment rate (%)	4.2	-	4.2
Thailand	0430 Jun Exports (Cust est, YoY%)	-	-	-22.5
	0430 Jun Imports (Cust est, YoY%)	-	-	-34.4
	0430 Jun Trade balance (Cust est, US\$m)	3536	-	2695
<b>Thursday 23 July</b>				
Singapore	0600 Jun CPI (YoY%)	-0.6	-	-0.8
	0600 Jun CPI core (YoY%)	-0.3	-	-0.2
Taiwan	0900 Jun Industrial production (YoY%)	3.4	-	1.51
South Korea	0000 2Q P GDP (YoY%)	-2.1	-	1.4
	0000 2Q P GDP (QoQ%)	-2.5	-	-1.3
<b>Friday 24 July</b>				
Singapore	0600 Jun Industrial production (MoM/YoY%)	4.4/-4.6	-/-	-16.5/-7.4
Taiwan	0920 Jun Money supply (M2) (YoY%)	4.2	-	4.18

Source: ING, Bloomberg, \*GMT

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