

Our view on next week's events

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US: Uncertain employment prospects, flattening spending and rising Covid-19 cases

In the immediate wake of the Covid-19 lockdown the US economy lost 22 million jobs, but as the reopening got underway through May and accelerated in June and July, 9.3 million of those jobs have since been clawed back. The market is looking for a further 1.5 million jobs to have been added in August, which would leave employment a net 11.4 million lower than in February.

Unfortunately, we are a little more pessimistic. On the positive front, the Markit PMI numbers suggest a modest expansion in employment while the Census Bureau has reported that a net 240,000 temporary jobs were created by them for field operations in collating data for the 2020 Census. On the neutral front, the initial claims data has been moving gradually lower, while on the negative front, data from Homebase – a payroll tracking firm monitoring employment trends of around a million people employed in the small business sector – plateaued through July and the most recent data has suggested jobs have been shed. This was in response to renewed lockdowns as the number of Covid-19 cases started to rise again and state governors started to worry that their healthcare systems could struggle to deal with an influx of patients. With many small businesses forced to close again this has countered much of the more positive newsflow.

As such, we are looking for a more modest payrolls growth figure of 900,000. This means we also see some upside for the unemployment rate, particularly with uncertainty over the Federal government unemployment benefit boost likely incentivising some people to start looking for work more actively. Remember that under the current rules you do not have to be looking for work to claim unemployment benefits, but you need to do so to be counted as officially unemployed. A rise in the participation rate would therefore likely mean the unemployment rate remains stable despite a rise in employment.

This would offer further evidence of a plateauing in the US recovery, a belief that is also supported by the daily data on credit and debit card transactions produced by www.tracktherecovery.org. It suggests that the level of spending has largely flatlined since June with the latest consumer confidence suggesting anxiety over rising Covid cases, the cuts to unemployment benefit payments and worries about employment prospects. We will also be watching the ISM reports to see how medium and large size firms are coping, but given they are currently under less constraint than small businesses, they should continue to tell a positive story.

Developed Markets Economic Calendar

Country	Time Data/event	ING Survey		Prev.
Monday 31 August				
Japan	0050 Jul P Industrial production - Prel (MoM/YoY%)	1.4/-21.4	-/-	1.9/-18.2
	0050 Jul Retail trade (MoM/YoY%)	-1.7	-/-	13.1/-1.3
	0600 Aug Consumer confidence index	27.7	-	29.5
Germany	1300 Aug P CPI (MoM/YoY%)	-0.4/-0.3	-/-	-0.5/-0.1
Italy	0900 2Q F GDP (QoQ/YoY%)	-12.3/-17.2	-	-12.36/-17.26
Portugal	0930 Portugal Releases Consumer Price Index Estimate			
Spain	0800 Aug P HICP (MoM/YoY%)	-/-	-/-	-1.6/-0.7
Portugal	1100 Portugal Reports Second-Quarter GDP Figures			
	1100 Portugal Releases Monthly Employment, Unemployment Estimates			
Tuesday 1 September				
US	1500 Aug ISM Manufacturing	54.5	54.5	54.2
Eurozone	0900 Aug F Markit Manufacturing PMI	51.7	-	51.7
	1000 Jul Unemployment Rate (%)	8	-	7.8
	1000 Aug P CPI (MoM/YoY%)	0.0/0.2	-/-	-0.4/0.4
	1000 Aug P Core CPI (YoY%)	0.9	-	1.2
	1900 Klaas Knot Speaks About Economy			
Germany	0855 Aug Unemployment Change (000's)	-	-	-18.0
	0855 Aug Unemployment Rate (%)	6.6	-	6.4
UK	0930 Aug F Markit/CIPS Manufacturing PMI	55.3	-	55.3
Australia	0530 RBA Cash Rate Target	0.25	-	0.25
Norway	0900 Aug DNB/NIMA Manufacturing PMI	-	-	43.3
Wednesday 2 September				
US	1315 Aug ADP Employment Change (000's)	1400	1250.0	167.0
	1700 Fed's Mester to Discuss U.S. Outlook and Monetary Policy			
	1900 U.S. Federal Reserve Releases Beige Book			
Japan	0050 Aug Monetary base (JPY tr)	585	-	576.30
Australia	0230 2Q GDP (QoQ/YoY%)	-5.5/-4.8	-/-	-0.3/1.4
Norway	0700 2Q Current Account Balance (NOKbn)	-	-	66078
Sweden	1000 Riksbank's Jansson Gives Speech			
Thursday 3 September				
US	1330 Jul Trade Balance (US\$bn)	-52	-51.5	-50.7
	1500 Aug ISM Non-manufacturing	57	57.5	58.1
	1730 Fed's Evans Discusses Economy and Monetary Policy			
Eurozone	0900 Aug F Markit Services PMI	50.1	-	50.1
	0900 Aug F Markit Composite PMI	51.6	-	51.6
	1000 Jul Retail Sales (MoM/YoY%)	-/-	-/-	5.7/1.3
UK	0930 Aug F Markit/CIPS Services PMI	60.1	-	60.1
	0930 Aug F Markit/CIPS Composite PMI	60.3	-	60.3
Australia	0230 Jul Trade balance (A\$m)	8.9	-	8202
Sweden	0730 Aug Swedbank/Silf Services PMI	-	-	54.8
	0850 Riksbank's Skingsley Gives Speech			
Friday 4 September				
US	1330 Aug Change in Nonfarm Payrolls ('000s)	900	1575	1763
	1330 Aug Unemployment Rate (%)	10.2	9.9	10.2
	1330 Aug Average Hourly Earnings (MoM/YoY%)	0.0/4.4	0.0/4.4	0.2/4.8
	1330 Aug Participation Rate	61.8	-	61.4
Germany	0700 Jul New Orders (MoM/YoY%)	5/-5.7	-/-	27.9/-11.3
Canada	1330 Aug Net Change in Employment	400	-	419
	1330 Aug Unemployment Rate (%)	10	-	10.9
Australia	0230 Jul Retail sales (MoM%)	0.7	-	2.7

Source: ING, Bloomberg

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Key events in EMEA and Latam

2Q GDP data released across the EMEA and Latam will reflect the economic contraction during the global lockdown. However, higher frequency wage, retail...



Source: Shutterstock

✓ Hungary: Strong wage and retail data expected

Those who follow Hungarian data better be prepared - a busy week ahead.

We start the week with wage data for June, reflecting the spillover effect of wage increases at the beginning of the year. The strong wage growth was also reflected in the June retail figures, so this hardly can be seen as a gamechanger.

Unlike July retail sales data, the first hard data for the third quarter, we expect further improvement in the retail sector, posting the first positive figure in year-on-year terms since March. Of course market will be interested in the industrial outlook too and we will get to know the August manufacturing PMI reading where we see some softening due to the regular summer shutdowns, which happened despite the Covid-related closures earlier in the year.

But more importantly, these summer shutdowns also affected the July industrial performance. Thus we see only a minor improvement on a monthly basis mainly due to missing production in car manufacturing and related suppliers. This means that we still expect a 12% gap in production on a yearly basis.

✓ Turkey: Economy showing a V-shape recovery despite inflation challenges

The 2Q GDP will likely show a big hit with the breakout of pandemic though recent hard indicators point to a strong rebound, signifying a 'V' so far.

We expect 18% YoY contraction in the second quarter. Regarding August inflation, we envisage a 0.5% MoM, translating into 11.4% on an annual basis, down from 11.8% a month ago. Despite the supportive impact of domestic demand compression, exchange rate developments point to continuing challenges for the inflation outlook.

✓ Czech Republic: GDP, budget, PMI and wage growth data

The Czech statistical office will refine 2Q GDP growth and publish more details next week after the flash estimate suggested the Czech economy contracted by 8.4% QoQ (-10.7 YoY), which was slightly weaker than expected contraction.

August budget data will shed more light on tax income as some taxes-collection was postponed till August due to Covid-19, and manufacturing PMI will show how Czech companies are recovering from Covid-19 crisis, with PMI hovering most likely around 50 points.

Average wage growth is likely to show negative YoY dynamics in 2Q as employees in furlough or quarantine was receiving weaker wages and compensation from the Governments were not taken as a "wage".

EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 31 August				
Turkey	0800 Jul Trade Balance (US\$bn)	-2.75	-	-2.85
	0800 2Q GDP (YoY%)	-18	-	4.5
Poland	0900 2Q F GDP (QoQ/YoY%)	-	-	-8.9/-8.2
Hungary	0800 Jun Avg Gross Wages (YoY%)	9.0	-	9.4
Serbia	1100 Jul Retail Sales (YoY%)	-	-	11.5
	1100 Jul Industrial Production (YoY%)	-	-	2.6
	1100 Jul Trade Balance (€m)	-	-	-395.9
	1100 2Q GDP (YoY%)	-	-	5.00
Croatia	- Jul M1 Money Supply (HRKmn)	-	-	150340
South Africa	0700 Jul M3 Money Supply (YoY%)	-	-	11.1
	0700 Jul Private Sector Credit (YoY%)	-	-	5.6
	1300 Jul Trade Balance (ZARbn)	-	-	46.6
	- 2Q Unemployment Rate (%)	-	35.0	30.1
Tuesday 1 September				
Russia	0700 Aug Markit Manufacturing PMI	-	-	48.4
Turkey	0800 Aug Markit/ISO Manufacturing PMI	-	-	56.9
Poland	0800 Aug Markit Manufacturing PMI	-	-	52.8
	0900 Aug P CPI (MoM/YoY%)	-/-	-/-	-0.2/3.0
Czech Rep	0800 2Q P GDP (QoQ/YoY%)	-8.4/-10.7	-/-	-8.4/-10.7
	0830 Aug Markit Manufacturing PMI	49.5	-	47.0
	1300 Aug Budget Balance (CZKbn)	-	-	-205.1
Hungary	0800 Aug Manufacturing PMI	50.3	-	50.8
	0800 2Q F GDP (SWDA, QoQ%)	-14.5	-	-14.5
	0800 2Q F GDP (NSA, YoY%)	-13.6	-	-13.6
	0800 Jun F Trade Balance (€mn)	696.8	-	696.8
Romania	0700 Jul Unemployment Rate Total 15 - 74 Years Old SA	-	-	5.2
	- Aug FX Reserves (€bn, Net)	-	-	41808.6
Kazakhstan	- Aug CPI (MoM/YoY%)	-/-	-/-	0.3/7.1
	- Aug PPI (MoM/YoY%)	-/-	-/-	7.2/-13.7
Croatia	1000 Jul Industrial Production (SA, YoY%)	-	-	-1.8
South Africa	1000 Aug Kagiso PMI	-	-	51.2
	- Aug NAAMSA Vehicle Sales (YoY%)	-	-	-29.6
Brazil	1300 2Q GDP (QoQ/YoY%)	-11/-12	-9.5/-11.5	-1.5/-0.25
Wednesday 2 September				
Hungary	0800 Jul PPI (MoM/YoY%)	0.9/3.7	-/-	0.7/3.1
Romania	0700 Jul PPI (MoM/YoY%)	-/-	-/-	0.8/-0.5
Thursday 3 September				
Turkey	0800 Aug CPI (MoM/YoY%)	0.5/11.4	-/-	0.58/11.76
	0800 Aug Domestic PPI (MoM/YoY%)	-/-	-/-	1.02/8.33
Hungary	0800 Jul Retail Sales (YoY%)	1.3	-	-0.1
Ukraine	1200 Key Rate (%)	-	-	6.0
Romania	0700 Jul Retail Sales (MoM/YoY%)	-/-	-/-	6.3/0.9
South Africa	0815 Aug HSBC PMI SA	-	-	44.9
	1200 Jul Electricity Production (YoY%)	-	-	-5.8
	1200 Jul Electricity Consumption (YoY%)	-	-	-4.9
Brazil	1300 Jul Industrial Production (YoY%)	-4	-	-9.0
Friday 4 September				
Russia	1700 Aug CPI (MoM%/YoY%)	-/-	-/-	0.4/3.4
	1700 Aug CPI Core (YoY%)	-	-	3.0
Czech Rep	0800 Jul Retail Sales (YoY%)	-1.3	-	-3.7
	0800 Jul Retail Sales Excl. Motor Vehicles (YoY%)	0.5	-	0.0
Hungary	0800 Jul Industrial Production (MoM%/YoY%)	2.5/-12.0	-/-	17.1/-12.2
Bulgaria	0900 2Q F GDP (QoQ/YoY%)	-	-	-9.8/-8.2
South Africa	- Aug SACCI Business Confidence	-	-	82.8

Source: ING, Bloomberg

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Asia week ahead: Gauging the depth of India's economic slump

A busy Asian economic calendar and policy directives will keep markets on toes next week. However, the key focus will be India's GDP report



Source: Shutterstock

A busy data pipeline

Chinese purchasing manager index for August will kick off next week and at the time of writing, the consensus for is stable manufacturing and non-manufacturing PMIs at their July levels - 51.1 and 54.2 respectively.

PMIs from other parts of the region, due a day or two after China are likely to gain more attention given most of them were still in the sub-50 contractionary region in July. We don't have much hope for India, Indonesia, Philippines or Korea, where Covid-19 infections accelerated in August, but

PMIs may not drift very far from the threshold of 50 in Malaysia, Singapore and Taiwan either.

Meanwhile, hard data on manufacturing in July from Japan and Korea will give some idea of GDP growth in the next quarter. The broad-based slump in both exports and domestic demand suggests the negative GDP trend is here to stay for the rest of the year. Look out for Korea's export figures for August for more insight too.

Inflation numbers for August from Korea, Indonesia and the Philippines are due too. Subdued inflation remains the baseline view for most Asian economies this year. Any further dip in inflation in Indonesia and the Philippines should make way for more rate cuts by the central bank as rising Covid-19 cases dampen growth further. Jobs data in the Philippines will be an interesting watch from this perspective.

July retail sales from Australia, Japan, Hong Kong, and Singapore will shed light on the recovery of private consumption. Automobiles are helping the recovery in Singapore's retail sales, while consumers in other countries continue to reel under Covid-19 restrictions.

How bad was the Covid-19 hit to the Indian economy?

The key question of the week ahead will be how much has Covid-19 impacted the Indian economy? The answer comes on Monday with the country's GDP report for the April-June quarter - the first quarter of the fiscal year 2020-21. Our last stab at forecasting this was a 17.8% year-on-year contraction while the consensus is 19.2%.

Although this might be the low point in the ongoing crisis, the rapid increase in infections this quarter provide no hope of a near-term recovery. Less than a week ago total Covid-19 cases reached the 3-million mark. Currently, the number is over 3.3 million, suggesting that the next milestone isn't probably far off. We also believe that the macro policy has hit a snag amid stretched public finances and rising inflation. This means pretty much nothing can save the economy from continued deep declines for the rest of the year. We have also cut our forecast of India's full-year GDP growth from -5.2% to -8.6%, erasing the gains over the last two years.

Australia also reports its 2Q20 GDP. A recession is certain with our -5.5% QoQ seasonally adjusted forecast, down from -0.3% in 1Q (consensus -6.1%). The economy continues to be under stress from the recent surge in Covid-19 infections in Victoria and over 25,000 cases nationwide so far.

Just a day ahead of the GDP release comes will be the central bank meeting and we expect no change to the cash rate target of 0.25%.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 31 August					
China	0200	Aug Manufacturing PMI	51.2	51.2	51.1
	0200	Aug Non-manufacturing PMI	54.3	-	54.2
India	1300	2Q GDP (Q) (YoY%)	-17.8	-19.75	3.10
		- Jul Fiscal deficit (INR crore)	-	-	196020
South Korea	0000	Jul Industrial production (MoM/YoY%)	1.2/-1.0	-/-	7.2/-0.5
Thailand		- Jul Current account (US\$m)	750	-	-247
Tuesday 1 September					
China	0245	Aug Caixin Manufacturing PMI	52.7	52.5	52.8
India	0600	Aug Nikkei Manufacturing PMI	-	-	46.0
Hong Kong	0930	Jul Retail sales value (YoY%)	-21.9	-	-24.8
	0930	Jul Retail sales volume (YoY%)	-24.1	-	-25.4
Indonesia	0500	Aug CPI core (YoY%)	-	-	2.07
	0500	Aug CPI (YoY%)	1.6	-	1.54
Philippines	0130	Aug Nikkei Manufacturing PMI	49.8	-	48.4
Taiwan	0130	Aug Nikkei Manufacturing PMI	50.5	-	50.6
South Korea	0000	2Q F GDP (QoQ/YoY%)	-	-	-3.3/-2.9
	0100	Aug Exports (YoY%)	0.1	-	-7.1
	0100	Aug Imports (YoY%)	-13.0	-	-11.6
	0100	Aug Trade balance (US\$m)	7090	-	4134
	0130	Aug Nikkei Manufacturing PMI	48.3	-	46.9
Wednesday 2 September					
South Korea	0000	Aug CPI (YoY%)	0.2	-	0.3
Thursday 3 September					
India	0600	Aug Nikkei Services PMI	-	-	34.2
Hong Kong	0130	Aug Nikkei PMI	-	-	44.5
Singapore	1400	Aug Purchasing Managers Index	-	-	50.2
Friday 4 September					
India		- 2Q Current account balance (Q) (US\$bn)	-	-	0.58
South Korea	0000	Jul Current account (US\$bn)	7.2	-	6.88
Malaysia	0800	Aug 28 Forex reserves- Month end (US\$bn)	-	-	104.3
Philippines	0200	Aug CPI (YoY%)	2.7	-	2.7
Philippines		- July unemployment rate (%)	22.9	-	17.7
Singapore	0600	Jul Retail sales value (YoY%)	-11.3	-	-27.8
	0600	Jul Retail sales value (MoM% SA)	23.3	-	51.1
Taiwan	0800	Aug Forex reserves (US\$bn)	497.6	-	496.2

Source: ING, Bloomberg, *GMT

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