

Our view on next week's key events

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Watch out for further weakness in the US service sector as rate hikes continue to feed through into the economy



US service sector set to lose momentum as lending standards tighten

After a couple of months of US data consistently providing positive surprises, we have seen a series of misses more recently, which have helped cement expectations for an 'on hold' interest rate decision at the 20 September Federal Reserve FOMC meeting. Markets have also switched back to pricing just a 50-50 chance of any further rate hikes given growing evidence that inflation pressures are waning and that the 2% target will be in reach by early next year.

The upcoming data flow is unlikely to meaningfully alter this situation with the ISM services index on Wednesday the likely highlight. We, like the market, expect it to soften marginally and that suggests that the sector is losing a little momentum as we head towards the fourth quarter. Factory orders are likely to fall given the big drop in Boeing aircraft orders already announced, while consumer credit for July should rebound sharply given the strong retail sales and [consumer spending numbers](#) already published.

However, with banks increasingly tightening lending standards, especially for consumer credit, we expect to see less pronounced increases in the coming months with declines looking more likely for early 2024 as financial stresses mount.

Bank of Canada to keep rates on hold as growth cools

The Bank of Canada (BoC) is widely expected to leave the policy interest rate at 5% on 6 September. With growth cooling in the second quarter and the unemployment rate ticking higher, we suspect that the BoC will feel it has done enough, after implementing 425bp of interest rate increases, to bring inflation back to target in the medium term even though CPI did pick up a touch last month.

According to the latest Bloomberg survey, just three of 32 analysts questioned felt the bank would raise rates by 25bp with everyone else looking for no change. Overnight index swaps are pricing only around a 15% chance of a hike.

Bank of England survey to signal that price pressures are cooling

Bank of England Chief Economist Huw Pill reinforced the message this week that we're near the end of the tightening cycle, and that how long rates stay high is now more important than how high they ultimately settle. We wouldn't take that to mean the Bank will pause at the September meeting, and we continue to expect another 25bp hike with both services inflation and wage growth having recently come in higher than expected. But November remains more of a question mark, and mounting signs of economic weakness suggest a pause is still more likely than not at this stage.

Next week, we'll get the latest Decision Maker Panel survey from the BoE, and this asks chief financial officers a range of questions about their expectations, notably on inflation. Admittedly the BoE seems to be putting less emphasis on survey data at the moment while the actual inflation data continues to come in hot. But this survey suggests that price and wage pressures are cooling, and hiring difficulties are easing.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 September					
Germany	0700	Jul Exports	-0.5		0.1
	0700	Jul Imports	0.5		-3.4
	0700	Jul Trade Balance	17.5		18.7
Switzerland	0800	Q2 GDP (QoQ%/YoY%)	-/-	/	0.3/0.6
Tuesday 5 September					
US	1500	Jul Factory Orders (MoM%)	-3.0	-2.5	2.3
Germany	0855	Aug S&P Global Services PMI	47.3		
	0855	Aug S&P Global Composite Final PMI	44.6		
France	0850	Aug S&P Global Composite PMI	-		
UK	0930	Aug S&P Global/CIPS Serv PMI Final	48.7		48.7
	0930	Aug Composite PMI Final	47.9		47.9
Eurozone	0900	Aug S&P Global Services Final PMI	-		48.3
	0900	Aug S&P Global Composite Final PMI	-		47.0
Wednesday 6 September					
US	1330	Jul International Trade (USD)	-68	-67.5	-65.5
	1500	Aug ISM Non-Manufacturing PMI	52	52.3	52.7
Germany	0700	Jul Industrial Orders (MoM%)	-3.0		7.0
Canada	1500	Bank of Canada policy decisions (%)	5.00	5.00	5.00
Eurozone	1000	Jul Retail Sales (MoM%/YoY%)	0.2/-0.9	/	-0.3/-1.4
Thursday 7 September					
US	1330	Initial Jobless Claims (000s)	240	-	228
	1330	Continuing Jobless Claims (000s)	1740	-	1725
Germany	0700	Jul Industrial Output (MoM%/YoY%)	0.5/-1	/	-1.5/-1.83
UK	0930	BoE Decision Maker Panel survey	-		-
Eurozone	1000	Q2 Employment Final (YoY%)	1.5		1.5
	1000	Q2 Employment Final (QoQ%)	0.2		0.2
	1000	Q2 GDP Revised (QoQ%/YoY%)	0.3/0.6	/	0.3/0.6
Friday 8 September					
US	2000	Jul Consumer Credit	20	17.5	17.85
Germany	0700	Aug CPI Final (MoM%/YoY%)	0.3/6.1	/	/
Canada	1330	Aug Unemployment Rate	5.5		5.5

Source: Refinitiv, ING

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Asia week ahead: Reserve Bank of Australia to decide on rates

South Korea and the Philippines report inflation figures for August, while the Reserve Bank of Australia meets to decide if the current rate pause will continue



RBA to continue rate pause

The Reserve Bank of Australia (RBA) will meet next week to decide if the current rate pause will continue. July's CPI came in at 4.9% year-on-year, lower than June's 5.4% and below the survey consensus of 5.2%. This is the lowest pace of inflation since it peaked last December at 8.4%.

On top of cooling price growth, the latest unemployment rate also increased from 3.5% in June to 3.7% in July. As such, we expect the RBA to hold rates while looking for more signs that inflation is under control.

Caixin Services PMI to show slower expansion

Caixin will release its service PMI for China next Tuesday. Taking our cues from the official non-manufacturing PMI released earlier this week, we should see a slower expansion of the service

sector with the PMI falling to around 53.8.

Trade data in the region remain weak

China's imports and exports faced an unexpected plunge last month, with imports falling to 12.4% YoY and exports falling to 14.5% YoY. Both figures are lower than the consensus forecast. For the export side, weakness in global demand is likely to continue to weigh heavily. For imports, domestic demand has not shown any meaningful signs of improvement, so they are also likely to remain weak.

Taiwan's trade data might show some signs that the semiconductor cycle is troughing. Taiwan's exports fell less than expected last month and we expect this slight improvement to carry on. For the Philippines, trade data will also be reported with exports posting another month of modest gains, but the overall trade balance will still likely settle at -\$3.7bn.

High energy prices to affect region's CPI inflation

Taiwan's CPI inflation rate has been below the target range of 2% for two consecutive months, with the July inflation rate at 1.88% and core inflation at 2.73%. August inflation is likely to remain subdued, helped by high ongoing base effects for energy and food prices.

Meanwhile, inflation in South Korea is facing upward pressure once again after falling to 2.3% last month. It is expected to rise to 2.6% in August with the main contributors being rises in transportation fees, pump prices and fresh food prices. The first two are associated with strong oil prices after recent supply cuts from OPEC+, while fresh food prices have been affected by Typhoon Khaun destroying agriculture yields.

Lastly, Philippine inflation could pick up to 5.0% YoY from 4.7% in July. The recent uptick in energy and rice prices could offset slower inflation for select food items.

Singapore retail sales to extend gains

The sustained increase in visitor arrivals to Singapore appears to be helping to support retail sales, in particular department store sales and services related to tourism activities. We expect retail sales to post a modest 2.0% YoY gain for the month.

Key events next week

Country (GMT+8)	Time	Data/event	ING	Survey	Prev.
Monday 4 September					
Japan	0730	Jul All Household Spending (YoY%)	-		-4.2
	0730	Jul All Household Spending (MoM%)	-	-2.5	0.9
South Korea	0700	Aug CPI Growth (MoM%/YoY%)	-/-	0.3/2.7	0.1/2.3
	0700	Q2 GDP Growth (QoQ%/YoY%)	-/-	0.6/0/9	0.6/0.9
Tuesday 5 September					
Japan	0830	Aug Services PMI	-		54.3
Australia	0930	Q2 Current Account Balance SA	-	4	12.3
	1230	Sep RBA Cash Rate	4.1	4.1	4.1
China	0945	Aug Caixin Services PMI	53.8	53.9	54.1
India	1300	Aug IHS S&P Global Services PMI	61.9		62.3
Philippines	0900	Aug CPI (MoM%/YoY%)	0.6/4.9	0.5/4.6	0.1/4.7
	0900	Aug Core CPI (YoY%)	6.7		6.7
Singapore	1300	Jul Retail Sales (MoM%/YoY%)	-/2.0	/3.7	-0.8/1.1
Taiwan	1620	Aug Foreign Exchange Reserve	570		566.493
Thailand	1200	Aug CPI Headline Inflation	-	0.8	0.38
	1200	Aug CPI Core Inflation (YoY%)	-	0.82	0.86
	1200	Aug CPI Index	-		107.82
Wednesday 6 September					
Australia	0930	Q2 Real GDP (QoQ%/YoY%)	0.1/1.5	0.1/1.5	0.2/2.3
Taiwan	1600	Aug CPI (YoY% NSA)	1.92		1.88
Thursday 7 September					
Japan	0750	Q2 GDP Revised (QoQ% ann)	-		6
	0750	Q2 GDP Revised (QoQ%)	-		1.5
Australia	0930	Jul Trade Balance (A\$bn)	11000	10500	11321
China	1100	Aug Exports	-13.2		-14.5
	1100	Aug Imports	-11.8		-12.4
	1100	Aug Trade Balance	77		80.6
		- Aug FX Reserves (Monthly)	3.17		3.204
Indonesia	1200	Aug Forex Reserves	-		137.7
Philippines		- Aug Forex Reserves USD	-		99.7
Singapore	1700	Aug Foreign Reserves USD	-		340.8
Thailand	1100	Aug Consumer Confidence Idx	-		55.6
South Korea	0700	Jul Current Account Balance NSA	-		5.87
Friday 8 September					
Indonesia	1100	Aug Consumer Confidence Index	-		123.5
Philippines	0900	Jul Exports (YoY%)	3.2		0.8
	0900	Jul Imports (YoY%)	-12.4		-15.2
	0900	Jul Trade Balance	-3700		-3918
Taiwan	1600	Aug Imports	-18		-20.9
	1600	Aug Exports	-9.5		-10.4
	1600	Aug Trade Balance	6.5		8.48

Source: Refinitiv, ING

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Key events in EMEA next week

Hungarian inflation is in focus next week after hawkish central bank comments



Source: Shutterstock

Hungarian inflation in focus amid busy data week

We have a very busy week ahead in Hungary. First of all, the first batch of hard data for July should reinforce our view that the Hungarian economy is not out of the woods yet. We expect both retail sales and industrial production to remain well below last year's levels.

Perhaps the most important data release will come on Friday when the Statistical Office will announce the inflation rate for August. We have made a last-minute change based on big data and anecdotal evidence. We see a significant rise in the month-on-month inflation print as the removal of food price caps may have a bigger pro-inflationary impact than we initially thought. Against this backdrop, food, fuel and services will be responsible for the rise in monthly inflation. However, with a favourable base effect, the year-on-year figure is expected to show continued disinflation. A higher-than-consensus inflation print could trigger a sharp market reaction, especially after the hawkish comments at the central bank's August rate-setting meeting.

We expect the trade balance to remain in surplus in July, while the fiscal situation could improve in August with better revenues thanks to buoyant tourism (partly related to the World Athletics Championships in Budapest).

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 4 September					
Turkey	0800	Aug CPI (MoM%/YoY%)	-/-	/	9.49/47.83
Czech Rep	0800	Q2 Gross wages (YoY%)	-		-6.7
Tuesday 5 September					
Russia	0700	Aug S&P Global Services PMI	-		54
South Africa	0815	Aug Std Bank Whole Econ PMI	-		48.2
	1030	Q2 GDP (YoY%)	-		0.2
Wednesday 6 September					
Poland		NBP rate decision (Sep)	6.50		6.75
Czech Rep	0800	Jul Industrial Output (YoY%)	-		0.9
	0800	Jul Trade Balance	-		18.2
Hungary	0730	Jul Retail Sales (YoY%)	-7.8		-8.3
Thursday 7 September					
Czech Rep	0800	Jul Retail Sales (YoY%)	-		-4
Hungary	0730	Jul Industrial Output (YoY%)	-6.9		-3.8
Serbia	1100	Sep Benchmark Interest rate	6.5		6.5
South Africa	1000	Q2 Current Account	-		-66.2
Romania	0700	2Q23 GDP (YoY%)	1.1		1.1
Mexico	1300	Aug Headline Inflation	-		0.48
	1300	Aug Core inflation	-		0.39
Friday 8 September					
Russia	1700	Aug CPI (MoM%/YoY%)	0.25/5.1	/	0.6/4.3
	1700	Q2 GDP (YoY% quarterly revised)	4.9		4.9
Czech Rep	0800	Aug Unemployment Rate	-		3.5
Hungary	0730	Aug Core CPI (YoY%)	-		17.5
	0730	Aug CPI (YoY%)	16.3		17.6
	0730	Aug CPI MM NSA	0.6		0.3
	0730	Jul P Trade Balance	1200		1481
	1000	Aug Budget Balance	45		-44.3
Ukraine	1430	Aug CPI (MoM%/YoY%)	-/-	/	-0.6/11.3

Source: Refinitiv, ING

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