Bundles | 2 September 2022

Our view on next week's key events

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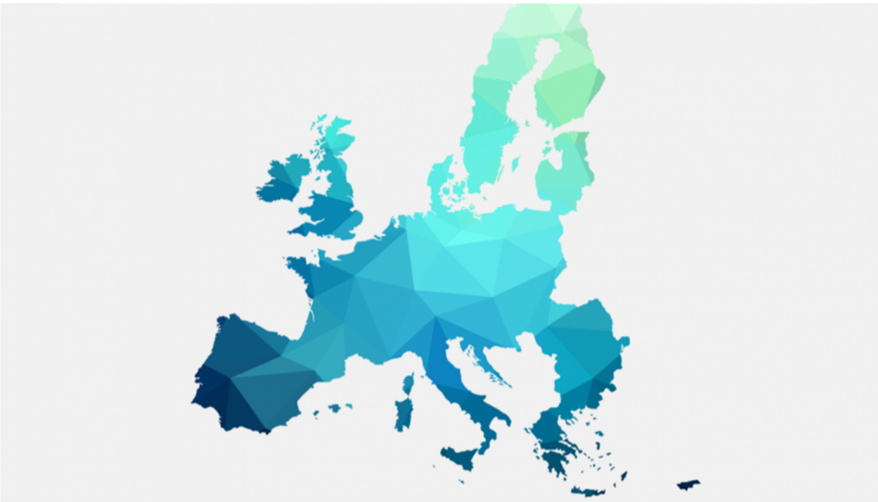
Key events in developed markets next week

Despite headline inflation at a new record high and multiple hawkish comments by European Central Bank members, we are expecting the ECB to 'only' hike by 50bp next week. In Canada, with excess demand causing inflation to remain well above target, we expect the Bank of Canada to opt for a 75bp hike on Wednesday



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US: Focus next week will be Powell's comments on monetary policy

Markets continue to favour a 75bp rate hike from the Federal Reserve on 21 September despite the economy having been in a technical recession since the first half of the year. With more than three million jobs added since the start of 2022, consumer spending continuing to grow, and inflation running at more than 8%, it is hard to argue this is a "real recession" with the fall in GDP instead down to volatility in trade and inventory data which continues to swing wildly due to ongoing supply chain issues.

Monday is a holiday and the data calendar is light so instead we will be focusing on Federal Reserve Chair Jerome Powell's comments at a conference on monetary policy next Thursday. With the Fed's "quiet period" ahead of the 21 September FOMC meeting set to kick in the following weekend, it will be the last opportunity he has to shift market expectations. We expect him to talk up the need to act forcibly to get a grip on inflation. Moreover, with core inflation set to rise from

5.9% to 6.1% on 13 September, we agree that a 75bp hike is the most likely outcome.

UK: New prime minister to face immediate test as energy bills climb

The new UK prime minister will finally be announced on Monday, and Foreign Secretary Liz Truss is widely expected to beat Rishi Sunak to be Boris Johnson's successor. Markets will be looking at two key areas in the first few days of the new leader.

First, extra government support for households and businesses amid soaring energy costs seems inevitable – the question is what form it will take. Truss has said during her campaign that her preference is for tax cuts, though the sheer scale of the energy bill increase anticipated by early next year suggests this is unlikely to be sufficient. Most households will be paying more than 10% of their income on energy in the 12 months from October, which is when the next big increase in bills kicks in. That suggests blanket support payments (or a price cap of some form), in addition to more targeted measures for low-income households, will be required – as will similar support for smaller businesses. Markets are increasingly assuming this will translate into extra Bank of England rate hikes. We agree with that assessment, even if markets are heavily overestimating the scale of tightening that's likely to be required.

Second, Brexit is expected to come back to the fore. Truss is pushing for the passage of the Northern Ireland Protocol Bill, which would enable ministers to unilaterally override parts of the deal agreed with the EU in 2019, and has already passed through the House of Commons. Press reports also suggest Truss is considering triggering Article 16, which in theory allows either side to take safeguard measures if elements of the Northern Ireland agreement aren't perceived to be working. This story is not likely to be a fast-moving one, but ultimately a unilateral move by the UK to overwrite parts of the deal could see Brussels suspend the UK-EU trade deal, which it can do with 9-12 months' notice.

Canada: Bank of Canada expected to hike rates by 75bp next week

Next week will see the Bank of Canada hike rates by 75bp after a 100bp hike in July. Inflation is well above target and the economy is growing strongly, and with the BoC having openly talked of the need to front-load policy tightening we do not expect it to switch back to more modest 50bp incremental changes just yet. Read our full BOC preview

Eurozone: ECB to implement another 50bp hike; 75bp not ruled out

Even if the ECB doves have been very silent in recent weeks, we expect the ECB to 'only' hike by 50bp next week. This would be a compromise, keeping the door open for further rate hikes. A 75bp rise looks like one bridge too far for the doves but cannot be excluded. Further down the road, we can see the ECB hiking again at the October meeting but have difficulties seeing the ECB continue hiking when the eurozone economy is hit by a winter recession. Hiking into a recession is one thing, hiking throughout a recession is another. Read our full ECB preview

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 5 September			
Germany	0855	Aug S&P Global Services PMI	48.2		48.2
	0855	Aug S&P Global Composite Final PMI	47.6		47.6
France	0850	Aug S&P Global Composite PMI	-		49.8
UK	0930	Aug Composite PMI Final	50.9		50.9
Switzerland	0800	Q2 GDP (QoQ%/YoY%)	-/-		0.5/4.4
Eurozone	0900	Aug S&P Global Composite Final PMI	-		49.2
	1000	Jul Retail Sales (MoM%/YoY%)	-/-		-1.2/-3.7
		Tuesday 6 September			
US	1445	Aug S&P Global Composite Final PMI	-		45
	1445	Aug S&P Global Service PMI Final	-		44.1
	1500	Aug ISM N-Manufacturing PMI	54.0	54.5	56.7
Germany	0700	Jul Industrial Orders (MoM%)	-1		-0.4
Netherlands	0530	Aug CPI (MoM%/YoY%) NSA	-		2.1/10.3
		Wednesday 7 September			
US	1330	Jul International Trade (USD bn)	-72.0	-70.5	-79.6
Germany	0700	Jul Industrial Output (MoM%/YoY%)	-1.0/-2.0		0.40/-0.41
Canada	1330	Jul Trade Balance (CAD bn)	4.90		5.05
	1500	BoC Rate Decision	3.25	3.25	2.50
Eurozone	1000	Q2 Employment Final (QoQ%/YoY%)	-		0.3/2.4
	1000	Q2 GDP Revised (QoQ%/YoY%)	-/-		0.6/3.9
		Thursday 8 September			
US	2000	Jul Consumer Credit	33.0	35.0	40.2
	1330	Initial Jobless Claim 000s	-		232
	1330	Continue Jobless Claim 000s	-		1438
France	0745	Jul Trade Balance	-		-13.07
Norway	0700	Jul GDP Month Mainland	-		0.3
Switzerland	0645	Aug Unemployment Rate Adjusted	-		2.2
Eurozone	1315	Sep ECB Refinancing rate	1.0		0.5
	1315	Sep ECB Deposit rate	0.5		0.0
		Friday 9 September			
US	1700	2Q Change in household wealth $bn	-600		-544
France	0745	Jul Industrial Output (MoM%)	-		1.4
Canada	1330	Aug Unemployment Rate	-		4.9
Norway	0700	Aug CPI (MoM%/YoY%)	-/-		1.3/6.8
Netherlands	0530	Jul Manufacturing Output (MoM%)	-		-0.5

Source: Refinitiv, ING

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Key events in EMEA next week

A busy week ahead for Hungary with July's economic activity data and August's inflation reading. Retail sales should improve while inflation is expected to lift further. We're also expecting a 25bp rate hike from the National Bank of Poland

Source: Shutterstock

Poland: central bank decision on rates

In recent public statements, Polish policymakers pointed out the need to continue monetary tightening albeit at a smaller scale than before. Rate-setters mainly mentioned a 25bp rate hike and some even seemed reluctant to hike at all. An upward surprise from the August flash CPI means that a 25bp rate hike to 6.75% (our baseline scenario) looks like a done deal and the Council may even discuss a 50bp rate hike. Still, the end of the rate-hiking cycle is nearing and we currently see the terminal National Bank of Poland rate at 7.0-7.5%.

Russia: inflation subsiding after a big spike

Following a sharp spike to 17.8% year-on-year in April, Russia has been on a disinflationary path due to weaker demand, ruble appreciation and a good harvest. Next Friday's CPI numbers for August are likely to show a 0.6% month-on-month decline in prices and a deceleration in the annual rate to 14.2% YoY. This challenges our year-end expectations of 13% and suggests that the actual print is likely to be at the lower end of the Bank of Russia's 12-15% range. This means that the key rate, which has already been cut from 20.0% in February-March to 8.0% in July, has room to go lower. Yet given the stabilisation of households' inflationary expectations and unclear supply-side prospects, we expect CPI to remain elevated next year and doubt that this downside to the key rate could exceed 100 basis points by year-end. The next Central Bank of Russia meeting is scheduled for 16 September.

Turkey: annual inflation expected to increase further

We expect annual inflation to have risen further in August to 81.6% (2.2% on monthly basis) from 79.6% a month ago, despite a decline in gasoline prices, as pricing pressures will likely remain broad-based with a largely supportive policy framework leading to currency weakness and external factors weighing on import prices.

Hungary: August core inflation reading expected to be 18.6%

We are facing a really busy calendar in Hungary next week. The first set of data will be July economic activity. Retail sales could improve a bit as pensioners got extra transfers from the government which is practically a retroactively increased pension due to higher-than-expected inflation. This could boost food consumption, while non-food retail got a boost from the new (less favourable) utility bill support scheme, which urged households to replace old household appliances with newer, more energy-efficient ones.

Based on PMI data, July industrial production could still be OK, though we see some downside risk here due to planned summer shutdowns. While industry is doing well despite the plethora of challenges, the trade balance is rather driven by the ever-rising energy bill of the country, and so we see further deterioration in the trade deficit in July.

The highlight of the week is going to be the August inflation reading. Due to a refined fuel price cap, which narrowed the range of beneficiaries, the Statistical Office will recalculate the fuel price higher in the consumer basket (some weighted average of capped and market prices). This might explain 0.9-1.0ppt from the 2.3% month-on-month inflation, which will lift the yearly reading up to 16.2%. As rising energy and agricultural commodity prices spill over into processed food and service providers adjusting their prices to the rising utility bills, we see core inflation at 18.6% year-on-year. However, there is one beneficiary of this sky-high inflation environment: the government budget, where we expect yet another surplus on rising revenues in August.

Kazakhstan: above expected inflation calls for another key rate hike

National Bank of Kazakhstan is likely to make another key rate hike on Monday from the current level of 14.50% to 15.00% or higher. Following the latest 50bp hike at the end of July, inflation continued to outperform the market and NBK expectations, reaching 16.1% YoY in August. Higher inflationary pressure appears to be broad-based in terms of structure and most likely calls for an adjustment in the key rate level.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 5 September			
Russia	0700	Aug Markit Services PMI	-		54.7
Turkey	0800	Aug CPI (MoM%/YoY%)	2.2/81.6		2.37/79.6
Czech Rep	0800	Q2 Gross wages (YoY%)	-		-3.6
Hungary	0800	Jul Retail Sales (YoY%)	5.1		4.5
Kazakhstan	1000	Sep Base Interest Rate	15.0		14.5
South Africa	0815	Aug Std Bank Whole Econ PMI	-		52.7
Brazil	1400	Aug S&P Global Services PMI	-		55.8
	1400	Aug S&P Global Composite PMI	-		55.3
		Tuesday 6 September			
Czech Rep	0800	Jul Industrial Output (YoY%)	-		1.7
	0800	Jul Trade Balance	-		-12.1
South Africa	1030	Q2 GDP (YoY%)	-		3
		Wednesday 7 September			
Poland	-	Sep NBP Base Rate	6.75		6.5
Czech Rep	0800	Jul Retail Sales (YoY%)	-		-5.9
Hungary	0800	Jul Industrial Output (MoM%/YoY%)	0.2/2.2		0.6/1.5
		Thursday 8 September			
Czech Rep	0900	Aug Unemployment Rate	-		3.3
Hungary	0800	Aug Core CPI (YoY%)	18.6		16.7
	0800	Aug CPI (YoY%)	16.2		13.7
	0800	Aug CPI MoM NSA	2.3		2.3
	0800	Jul Trade Balance (m EUR)	-775		-471
	1000	Aug Budget Balance	200.0		255.7
Ukraine	1200	Central bank interest rate	-		25
Serbia	1100	Sep Benchmark Interest rate	-		3
South Africa	1000	Q2 Current Account	-		143
Mexico	1200	Aug Headline Inflation	-		0.74
	1200	Aug Core inflation	-		0.62
		Friday 9 September			
Russia	1700	Aug CPI (MoM%/YoY%)	-0.6/14.2		-0.4/15.1
	1700	Q2 GDP (YoY% quarterly revised)	-		-4
Ukraine	-	Aug CPI (MoM%/YoY%)	-/-		0.7/22.2
Brazil	-	Aug IPCA Inflation Index (MoM%/YoY%)	-/-		-0.68/10.07
Mexico	1200	Jul Industrial Ouput (MoM%/YoY%)	-		0.1/3.8

Source: Refinitiv, ING

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Asia week ahead: Philippine inflation and Singapore retail sales

Next week's calendar is relatively light but we do have a key central bank decision and some inflation data out in the next few days

The week ahead

Australia's releases are in the spotlight this coming week as the Reserve Bank of Australia decides on policy while 2Q22 GDP data is also released. Within the rest of the region, the Philippines will report August inflation data that will likely show the continuation of the year-long upward trend. Meanwhile, Singapore's July retail sales data is expected to grow despite inflationary limitations.

Australia's 2Q GDP report and the RBA meeting

We will get a day-ahead steer towards the GDP figure on 6 September, with the net export figures. The trade balance during 2Q22 was extremely strong relative to 1Q22, so we anticipate a very strong contribution to GDP from the net trade side. Domestic demand figures should also look pretty strong, though labour shortages may crimp this somewhat. A figure of 1.0% quarter-on-quarter seems possible to us, a bit stronger than the 1Q22 growth rate of 0.8%.

Meanwhile, the Reserve Bank of Australia will probably not be swayed all that much by the GDP numbers, though they will likely be strong and tilt the balance a little towards larger rate increases. But the RBA will probably also have taken comfort in the 2Q22 wages price index, which showed a growth rate of only 2.6% year-on-year, softer than had been expected despite clear evidence of labour shortages and the record low unemployment rate. September will probably still deliver a 50bp rise in rates, taking the cash rate target to 2.35%, but there is a growing sense that the central bank may slow the pace of tightening from here on, and that may also add some downside risk to this meeting too.

Price pressures continue to build in the Philippines

August inflation in the Phillippines will likely stay elevated given rising food prices and expensive energy. We predict inflation to settle at 6.4%YoY, flat from the previous month although still well above the central bank's target. Transport fares are set to be adjusted higher, for the second time this year, which should ensure that inflation remains firmly on an upward trajectory in the coming months.

Retail sales reports in Singapore

July retail sales will be reported next week. We expect retail sales to remain in expansion although the pace of growth should moderate from the previous month. Sales will be supported by the return of tourists although surging inflation should cap growth. Inflation recently hit 7%YoY, which should sap some consumption momentum.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 5 September			
Japan	0130	Aug Services PMI	-		49.2
	0030	Jul All Household Spending (MoM%/YoY%)	-		1.5/3.5
China	0245	Aug Caixin Services PMI	54.2		55.5
India	0600	Aug IHS S&P Global Services PMI	54.8	55.0	55.5
Singapore	0600	Jul Retail Sales (MoM%/YoY%)	-2.0/9.0		-1.4/14.8
Taiwan	0920	Aug Foreign Exchange Reserve	544		548
		Tuesday 6 September			
Australia	0230	Q2 Current Account Balance SA	-		7.5
	0530	Sep RBA Cash Rate	2.35		1.85
Philippines	0200	Aug CPI (MoM%/YoY%)	0.5/6.4		0.8/6.4
Taiwan	0900	Aug CPI/WPI (YoY% NSA)	2.95/11.40		3.36/13.11
		Wednesday 7 September			
Australia	0230	Q2 Real GDP (QoQ%/YoY%)	1.0/6.3		0.8/3.3
China	-	Aug FX Reserves (Monthly)	3.143		3.104
	0400	Aug Imports/Exports	-0.016 / 16.3		2.3/18.0
	0400	Aug Trade Balance	-		101.3
Indonesia	0500	Aug Forex Reserves	-		132.2
Philippines	-	Aug Forex Reserves (USD bn)	-		98.8
Singapore	1000	Aug Foreign Reserves (USD bn)	-		288.2
Taiwan	0900	Aug Imports/Exports	3.55/12.06		19.4/14.2
	0900	Aug Trade Balance	-		5.03
South Korea	0000	Jul Current Account Bal NSA	-		5.61
		Thursday 8 September			
Japan	0050	Q2 GDP Revised (QoQ% ann)	-		2.2
	0050	Q2 GDP Revised (QoQ%)	-		0.5
Australia	0230	Jul Trade Balance (AUD bn)	18266		17670
Indonesia	0400	Aug Consumer Confidence Index	-		123.2
		Friday 9 September			
Japan	0050	Aug M2 Money Supply (YoY%)	-		12048027
China	0230	Aug CPI/PPI (YoY%)	3.0/4.2		2.7/4.2
Philippines	0200	Jul Imports/Exports (YoY%)	-		26/1
	0200	Jul Trade Balance	-		-5843

Source: Refinitiv, ING

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