

Our view on next week's key events

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In this bundle



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By James Knightley, Bert Colijn and 2 others



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By Peter Virovacz, Muhammet Mercan and 2 others

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Congressional change?

It is a key week for the US, with the midterm elections on Tuesday and the Federal Reserve's FOMC meeting two days later. In terms of the election, opinion polls continue to suggest the Republicans are under pressure. The loss of Congressional control would make life increasingly difficult for President Trump and have major implications for policy. President Trump was already somewhat limited by congressional deadlock, but if the Republicans lose the House (but probably retain the Senate) it becomes even more challenging for him, i.e. he will struggle to pass major legislation.

Bi-partisan action may be possible in areas such as infrastructure spending, but for the most part, divisions between and within the two parties will remain material. Faced with this, President Trump will likely focus on areas where executive powers give him more leeway to set the agenda, such as trade policy. With China ramping up its fiscal stimulus, this hints that both sides will be "digging in" with little prospect of any meaningful easing of tensions.

As for the Federal Reserve meeting, while officials no longer describe monetary policy as "accommodative", it is far from restrictive. A positive domestic story and rising inflation pressures mean the Federal Reserve will continue to signal "gradual" rate hikes ahead, setting us up for a December move.

Next week to shed light on eurozone's poor third quarter

After 3Q GDP data for the eurozone and some member states this week, it seems likely that German GDP growth will have gone through another soft patch. An entire batch of monthly industrial data coupled with September retail sales should hopefully shed some light on the eurozone's surprisingly disappointing third quarter, and if there's potential for growth to be revised upwards.

UK growth set to boom but can it last?

There's little doubt the UK economy had a good run over the summer, helped along by the better weather. However, as we move into the winter, there's a risk that momentum slows once again.

Consumers remain reasonably cautious, partly because higher petrol prices are offsetting the recent strength in wage growth. Meanwhile, the higher perceived risk of a 'no deal' Brexit is likely to see a greater proportion of firms take contingency action, and that's already being tentatively reflected to some extent in the PMIs and hiring indicators. For that reason, it looks very unlikely that the Bank of England will hike rates before May 2019, at the earliest.

Riksbank and Norges Bank speakers set to spell out guidance

Next week sees a number of speeches from Swedish and Norwegian central bankers as both the Riksbank and Norges Bank seek to spell out their guidance for gradual interest rate increases over coming quarters. In Norway, the October inflation reading is a key data point; we continue to see upside risk to the NB's inflation forecast but expect the bank to reiterate its intention to keep rate increases gradual - by which it means a pace of two hikes per year.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 4 November					
Japan	2350	BoJ Minutes of Policy Meeting			
Monday 5 November					
US	1500	Oct ISM Non-manufacturing	59.0	59.5	61.6
Japan	0100	BoJ Kuroda Speaks in Nagoya			
Eurozone	1245	ECB Vice President Guindos Speak in Brussels			
UK	0930	Oct Market/CIPS Services PMI	53.0	-	53.9
	0930	Oct Market/CIPS Composite PMI	52.9	-	54.1
^{New Zealand}	0100	Treasury Publishes Monthly Economic Indicators			
Norway	1430	Norges Bank Deputy Governor Nicolaisen Speaks in London			
Sweden	0730	Oct Swedbank/Silf Services PMI	-	-	56.6
	0500	Maklarstatistik Swedish Housing Price Data			
Tuesday 6 November					
US	-	2019 Mid-term Elections			
Eurozone	0900	Oct F Market Services PMI	53.3	-	53.3
	0900	Oct F Market Composite PMI	52.7	-	52.7
	0730	ECB's Praet (0730) and Coeure (1115) on Panel in Brussels			
	1200	ECB's Lautenschlaeger Speaks in Frankfurt			
Germany	0700	Sep New Orders (MoM/YoY%)	0.5/-2.3	-/-	2/-2.1
Australia	0330	RBA Cash Rate Target	1.5	1.5	1.5
Norway	0830	Norges Bank Deputy Governor Matsen Speaks in Trondheim			
	0915	Norges Bank Governor Olsen Speaks in Oslo			
Sweden	0900	Swedish FSA Mortgage Margin Report			
	0900	Riksbank's Af Jochnick Speaks in Oslo			
	1515	Riksbank Governor Ingves Speaks in Stockholm			
Wednesday 7 November					
Japan	0000	Sep Labour Cash earnings (YoY%)	2.5	-	0.8
	0130	BoJ Funo Speaks in Kochi			
	0500	Sep P Leading Economic Index	-	-	104.5
	2350	Sep Core Machine Orders (MoM/YoY%)	-2.5/16.2	-/-	6.8/12.6
	2350	Sep C/A Balance, Adjusted (Yen bn)	1380	-	1428.8
Eurozone	1000	Sep Retail Sales (MoM/YoY%)	0.4/0.8	-/-	-0.2/1.8
Germany	0700	Sep Industrial Production (MoM%)	2.1/2.4	-	-0.3
^{New Zealand}	2000	RBNZ OCR Decision - mps	1.75	-	1.75
Norway	0700	Sep Industrial Production (MoM/YoY%)	-/-	-/-	1.8/2.3
Sweden	1630	Riksbank's Floden Speaks in Stockholm			
Thursday 8 November					
US	1900	FOMC Rate Decision (Upper bound)	2.25	2.25	2.25
Eurozone	0900	ECB Publishes Economic Bulletin			
	1000	European Commission Updates Economic Forecasts			
	1415	ECB's Coeure Speaks in Berlin			
Germany	0700	Sep Trade Balance (€bn)	18.2	-	17.1
Italy	-	Bank of Italy Report on Balance-Sheet Aggregates			
Sweden	0800	Ingves, Floden in Open Hearing on Monetary Policy			
Friday 9 November					
US	1500	Nov P U. of Mich. Sentiment Index	97.0	97.5	98.6
UK	0930	Sep Trade Balance (£m)	-	-	-1274
	0930	3Q P GDP (QoQ/YoY%)	0.5/1.4	-/-	0.4/1.2
	0930	Sep Monthly GDP (MoM%)	0.1	-	0.0
	0930	Sep Industrial Production (MoM/YoY%)	-/-	-/-	0.2/1.3
Australia	0030	Sep Home loans (MoM%)	-	-	-2.1
	0030	RBA Statement on Monetary Policy			
Norway	0700	Oct CPI (MoM/YoY%)	0.1/3.4	-/-	0.6/3.4
	0700	Oct CPI - ATE (MoM/YoY%)	0.2/1.8	-/-	0.5/1.9

Source: ING, Bloomberg

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Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

James Smith

Developed Markets Economist, UK

james.smith@ing.com

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Asia week ahead: Indonesia and Philippines unscathed

Data on trade, inflation, and GDP, together with central bank policy meetings is likely to add to the market volatility, but concerns around the slowdown...



Source: Shutterstock

➔ China slowdown concerns downplayed

China's October data dump started this week on a mixed note.

The official manufacturing purchasing manager's index fell in October, but its Caixin counterpart rose, but both indexes remained in the expansionary territory - a figure above 50. However, what is striking is the seventh consecutive fall in the PMI new export orders component, a sign of the trade war impact slowly coming through.

However, the hard data paints a positive picture. The average 12% year on year growth of China's export in the first nine months of this year was twice as fast as a year ago and based on our house forecast of 23% YoY growth in October, the strength persisted into the final quarter of the year, even as the US tariffs on \$260bn of Chinese goods took effect. Likewise, a 23% surge in Korea's exports in October reinforces the message.

But Beijing isn't quite as relaxed. This week China's Politburo signalled timely measures to counter the slowdown, and the State Council announced a stimulus plan but stopped short of revealing the total amount. We suspect the details must be in the making and will drive the markets as soon as they hit the newswires over the coming weeks.

23% China's October export growth
ING forecast

➔ Indonesia and Philippines on steady growth path

It wasn't all bad for Indonesia and the Philippines - the two Asian economies hit hardest by the emerging market contagion in the third quarter. At least that's what the consensus 3Q GDP growth forecasts for the duo suggest.

Despite the aggressive tightening by respective central banks, the 5.2% consensus estimate for Indonesia is hardly a slowdown from the 5.3% pace of the previous quarter, while the Philippines' growth rate sped to 6.4% from 6.0%.

Firmer growth also means greater resolve by central banks to tighten the policies if emerging market contagion hits again as external risks loom large. But with the inflation pressure in both economies starting to subside and currencies stabilised, the tightening pressure also appears to have eased. Inflation in Indonesia remains anchored at the 3% level and is expected to recede from the 6.7% peak reached in September in the Philippines. That said, we still expect one more 25bp policy rate hikes by Bank Indonesia and the Bangko Sentral ng Pilipinas before the end of the year.

6.3% Philippines 3Q GDP growth
ING forecast - Up from 6% in 2Q

➔ Malaysia's central bank to stay on hold

[Malaysia's 2019 budget](#), due to be released tomorrow will set the tone for local markets for the week in which the country's central bank also announces its monetary policy decision. Coming just ahead of the meeting, September data on trade and industrial production will be key inputs for the Bank. We expect the Bank to remain on hold and leave the policy rate at 3.25%. And we aren't alone; there is a solid consensus behind this view.

The activity data will reinforce a sustained slowdown in Malaysia's GDP growth. This warrants

continued monetary policy accommodation to the economy, especially when weak public finances are squeezing the fiscal support. The government budget deficit is poised to rise above the 3% mark in the current year (ING forecast 3.2%) and remain there through 2020.

3.25% BNM policy rate
To be unchanged through 2019

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 5 November					
India	0500	Oct Nikkei Services PMI	51.0	-	50.9
Korea	2300	Sep Current A/C Balance (US\$m)	6245	-	8439.8
Malaysia	0400	Sep Exports (YoY%)	6.5	-	-0.3
	0400	Sep Imports (YoY%)	11	-	11.2
	0400	Sep Trade Balance (RM bn)	5.6	-	1.6
Indonesia	-	3Q GDP (QoQ/YoY%)	-/5.2	3.1/5.2	4.2/5.3
Tuesday 6 November					
Philippines	0100	Oct CPI (YoY%)	6.5	-	6.7
Taiwan	0800	Oct CPI (YoY%)	2.0	-	1.7
	0800	Oct WPI (YoY%)	6.7	-	6.6
Wednesday 7 November					
China	-	Oct Forex Reserves (US\$bn)	3062	-	3087.03
Malaysia	0700	Oct 31 Forex reserves- Month end (US\$bn)	-	-	102.8
Philippines	0100	Sep Exports (YoY%)	4.5	-	3.1
	0100	Sep Imports (YoY%)	20.6	-	11.0
	0100	Sep Trade Balance (US\$m)	-3100	-	-3513
-	-	Oct Forex Reserves (US\$bn)	-	-	74938.8
Taiwan	0800	Oct Exports (YoY%)	10.0	-	2.6
	0800	Oct Imports (YoY%)	17.7	-	13.9
Thursday 8 November					
China	-	Oct Trade Balance (US\$bn)	34.7	-	31.7
	-	Oct Imports (YoY%)	30.5	-	14.3
	-	Oct Exports (YoY%)	23.0	-	14.5
Malaysia	0700	Overnight Policy Rate	3.25	-	3.25
Philippines	0200	3Q GDP (SA, QoQ/YoY%)	-/6.3	-/-	1.3/6.0
Friday 9 November					
China	0130	Oct PPI (YoY%)	4	-	3.6
	0130	Oct CPI (YoY%)	2.8	-	2.5
Indonesia	1000	3Q Current Account Balance (US\$bn)	-8.5	-	-8.03
Malaysia	0400	Sep Industrial Production (YoY%)	2.0	-	2.2

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

It's a packed week ahead for EMEA and Latam, with key data on inflation and consumer spending along with several monetary policy decisions



Source: Shutterstock

✓ Hungary: Busy data week to bring soft figures

In Hungary, the economic calendar for next week is very busy. We expect the manufacturing PMI survey to follow the lead of global indices, dropping closer to the key 50-threshold. On Wednesday, we see retail sales growth slowing down a bit, and industrial production will likely disappoint on Thursday due to issues in the automotive sector.

The October CPI reading might accelerate further to 3.7% year-on-year on the back of energy and food prices, with core inflation remaining roughly unchanged. We don't expect the National Bank of Hungary to react. A busy week should close on a positive note, however, with an improvement in the budget balance.

✓ Poland: Monetary Policy Committee to be more cautious

We expect the Monetary Policy Committee to maintain a dovish stance during Wednesday's meeting but there may be a caveat. The Council should reiterate its forward guidance of flat rates until the end of 2019 but it's unlikely to extend that guidance into 2020. The new projections should show that the trajectory of CPI is unchanged though the GDP profile will likely be adjusted. We expect an upward revision to 2018 growth and a downward revision to the

2019 forecast from the July report.

✓ Turkey: Inflation to rise further in October

Headline CPI is likely to go up further in October. This is due to the broad-based pick-up in price pressures and across-the-board increases in all major price categories. The drop in the Turkish lira is still lifting import prices and cost-led price pressures have increased- as seen by annual PPI inflation rising above 46%. We expect monthly inflation at 2.7%, pulling the annual figure up to 25.2% from 24.5%.

✓ Russia: CPI to accelerate but key rates will stay on hold

Russian CPI is likely to accelerate to 3.6% YoY in October. The near-term inflationary risks seem to be in check:

- Weekly CPI growth has been slowing down throughout October
- Households' 12-month CPI expectations improved by 0.8 percentage points
- The government has reached an 11th hour agreement with oil companies to put retail gasoline prices on hold.

As a result, CPI appears to be on track to fit into the CBR's 3.8-4.2% YoY guideline for year-end, which reinforces our expectations of an unchanged key rate, at 7.5%, in the coming months.

Barring the local near-term CPI trend, the framework for Russian monetary policy remains skewed towards risks.

- First, the geopolitics-related news flow might intensify soon, with US mid-term elections on 6 November and the US-RUS presidential meeting on 11 November - this is followed by Congress coming back from recess on 12 November, with a couple of sanction-related bills (DETER/DASKAA) potentially on the agenda.
- Second, the current agreement on gasoline prices between the Russian government and oil companies expires at the end of March 2019, and so far does not provide much assurance that flat local gasoline prices are sustainable in the longer-term, given the upcoming VAT/excise tax hikes next year.

<https://think.ing.com/snaps/bank-of-russia-confirms-stand-by-mode/>

✓ Romania: Key rate on hold at 2.5% with a hawkish twist

We expect the National Bank of Romania (NBR) to stay on hold at 2.50% on 6 November. But a likely upward revision to the inflation outlook and fears of "de-anchoring inflation expectations" require a hawkish twist in tone.

Liquidity management, relative strength in the Romania leu and macro-prudential measures could be cited as reasons for a firmer policy stance. We attach a 25% probability to the NBR frontloading the hike to boost its credibility. FX is the only thing on the central's bank mind- at least as long as inflation remains well above the target band- due to high and rapid FX pass-through. As deputy governor Liviu Voinea said, "volatility on the global markets is the key risk" for monetary policy "at the moment", reiterating that the central bank remains in a tightening cycle and rate hikes are not over, but the timing "either this year or next, depends on evidence". His comments sounded very

hawkish to us.

Serbia: Key rate on hold at 3% and chance of tightening could be delayed

With core inflation muted at 1.1% in September, and the headline rate quite well behaved at 2.1% (from 2.6% in August), the National Bank of Serbia (NBS) has little reason to change its stance at the 8 November meeting. As base effects will dissipate towards the end of the year, we expect inflation to approach the 3.0% mid-point of the NBS target interval but remain below it for this year.

The dinar remained stable against the single currency without too much central bank support. Some mild concerns regarding a potential deceleration of the economy could emerge after the 3Q18 flash GDP data showed the economy expanding by 3.7% YoY, after 4.9% and 4.8% growth in the first two quarters, respectively. Italy being the largest export destination for Serbia is an additional reason for forecast uncertainty for the NBS. Hence, the chances for tightening to be delayed further into late 2019, or even into 2020, depending on the ECB are rising.

Czech: Negative calendar bias sees disappointing September data

Real economic activity in September might disappoint slightly due to a negative calendar bias. While retail sales (excluding cars) should remain solid, total retail sales will be affected by a double-digit drop in new car registrations in September - due to the new emission limits.

Industrial production growth (in YoY terms) will likely fall into negative territory due to the relatively high base from last year. On the other hand, the October unemployment rate will decelerate slightly based on seasonal effects. Further, typical seasonality, together with solid household consumption and higher food (+0.8% MoM) and fuel prices (+1.0% MoM), should push inflation to 2.4% YoY.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 5 November					
Turkey	0700	Oct CPI (MoM/YoY%)	2.7/25.2	-/-	6.3/24.5
	0700	Oct Domestic PPI (MoM/YoY%)	-/-	-/-	10.9/46.2
	0700	Oct Core CPI (YoY%)	-	-	24.1
Czech Rep	0800	Sep Retail Sales (YoY%)	-2	-	2.5
	0800	Sep Retail Sales Excl. Motor Vehicles (YoY%)	3.5	-	4.2
Hungary	0800	Aug F Trade Balance (€mn)	51.0	-	51.0
	0800	Oct Manufacturing PMI	52.5	-	53.8
Ukraine	-	National Bank of Ukraine Publishes Minutes of Rate Meeting			
Romania	0700	Sep Retail Sales (MoM/YoY%)	-/-	-/-	-0.1/1.7
Tuesday 6 November					
Russia	-	Oct CPI (MoM/YoY%)	0.4/3.6	0.4/3.6	0.2/3.4
Poland	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	Sep Trade Balance (CZKmn)	14	-	2.3
	0800	Sep Construction Output (YoY%)	-	-	11.9
	0800	Sep Industrial Output (YoY%)	-1.5	-	1.9
Romania	-	Repo Rate (%)	2.5	-	2.5
Wednesday 7 November					
Poland	1300	Oct Official Reserves Total	-	-	112880.2
	-	Base Rate (%)	1.5	-	1.5
Czech Rep	0900	Oct International Reserves (US\$bn)	-	-	144.1
Hungary	0800	Sep Retail Sales (YoY%)	6.0	-	6.8
	1300	Hungarian Central Bank's Minutes			
Romania	0700	Sep Avg Net Wages (YoY%)	-	-	12.9
Serbia	1100	Oct HPPI (MoM/YoY%)	3.0	-/-	0.2/2.6
South Africa	0600	Oct Gross Reserves (US\$bn)	-	-	50.4
	0600	Oct Net Open Foreign Currency Position (US\$bn)	-	-	42.2
	0930	Oct SACCI Business Confidence	-	-	93.3
Israel	-	Oct Foreign Currency Balance (US\$bn)	-	-	115.5
Brazil	1100	Oct Inflation (IPCA) (MoM/YoY%)	0.45/4.6	-/-	0.5/4.5
Thursday 8 November					
Czech Rep	0800	Oct Unemployment Rate (%)	2.9	-	3.0
Hungary	0800	Sep Industrial Production (MoM/YoY%)	-1.0/4.0	-/-	3.8/4.5
	0800	Oct CPI (MoM/YoY%)	0.4/3.7	-/-	0.3/3.6
	0800	Hungary's Finance Minister Varga Speaks at Conference			
Kazakhstan	-	Oct International Reserves (US\$bn)	-	-	30.0
Bulgaria	0900	Sep Industrial Production (MoM/YoY%)	-/-	-/-	0.8/2.3
	0900	Sep Retail Sales (MoM/YoY%)	-/-	-/-	0.5/5.1
Serbia	1100	Repo Rate (%)	3.0	-	3.0
Croatia	1000	Aug Trade Balance (HRK m)	-	-	-6241.1
	1000	Sep F Retail Sales (YoY%)	-	-	3.1
South Africa	1100	Sep Manufacturing Prod. (SA, MoM/YoY%)	-/-	-/-	0.1/1.3
Mexico	1400	Oct CPI (MoM/YoY%)	0.64/5.0	-/-	0.4/5.0
Friday 9 November					
Russia	1300	Sep Trade Balance (US\$bn)	-	17.0	15.8
Czech Rep	0800	Oct CPI (MoM/YoY%)	0.5/2.4	-/-	-0.3/2.3
	0800	Czech National Bank Publishes Minutes From Board Meeting			
Hungary	1000	Oct Budget Balance (YTD)	-1100	-	-1496.5
Ukraine	-	Oct CPI (MoM/YoY%)	-/-	-/-	1.9/8.9
Romania	0700	Sep Trade Balance (€m)	-	-	-1393.2
Croatia	1000	Oct PPI (MoM/YoY%)	-/-	-/-	0.4/3.4
Mexico	1400	Sep Industrial Production (YoY%)	-0.5	-	0.2

Source: ING, Bloomberg

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Authors

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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