

Our view on next week's key events

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In this bundle



Key Events

Key events in developed markets next week

Small rises in Covid cases are hampering GDP growth across developed market economies. Supply chain strains and worker shortages are ongoing issues in the...

By James Knightley and James Smith



Key Events

Key events in EMEA next week

Emerging markets will continue to face high inflation figures, putting pressure on central banks in Hungary and Russia to hike rates

By Dmitry Dolgin and Peter Virovac



Asia week ahead

Asia Week Ahead: Looking out for more Delta impact

With Jackson Hole out of the way, investor focus has shifted back to economic data and specifically how much dent the Delta variant has made on China and...

Key events in developed markets next week

Small rises in Covid cases are hampering GDP growth across developed market economies. Supply chain strains and worker shortages are ongoing issues in the US and UK, and the tapering of QE asset purchases looks unlikely in the near-term in the US and Canada



Source: Shutterstock

US: Covid resurgence and continued supply chain issues hindering growth

It looks increasingly likely that the Federal Reserve will wait until November before announcing the tapering of its QE asset purchases with the US experiencing a 'softish' patch as the resurgence of Covid and ongoing supply chain strains, production bottlenecks and worker shortages all act as a brake on growth. Inflation pressures are not showing any signs of easing though with annual rate of producer price increases pushing above 8% this week. Labour market strains are set to continue with a new record number for job openings. The competition for workers means the cost of hiring new staff is on the rise as wages are bid up and this has seen a rising number of people quit their job to move to a new one. This also means that firms are increasingly focusing on staff retention and implies the potential for broader pay inflation and a more prolonged period of above-target inflation readings.



Canada: QE programme to continue with elections approaching

The Bank of Canada is set to leave policy unchanged and it could also be a little less certain about the outlook for policy. Recent softer data and higher Covid case numbers are a concern while the forthcoming election means the Bank is likely to be even more circumspect. It also means that the BoC's quantitative easing programme may continue for a little while longer although we would still expect it to be concluded by the end of 1Q 2022.

UK: GDP growth set to slow on Delta's rise

Next week we'll get July's GDP data and it's likely to show a sharp slowdown in growth. That's essentially what all the high-frequency data has pointed to – mobility data plateaued below pre-virus levels and aggregate card data stalled. There's a tail risk of a decline in monthly output, though it would likely be small if it does. That's because the recent rise in Covid-19 cases appears to have had only a small impact on consumer willingness to socialise and get out and about, even if worker shortages became a real issue for firms as self-isolation became more prevalent. Since then, there have been tentative signs of a slight improvement in activity for August. But overall, we expect further gains in GDP to be gradual from now on, particularly if negative headlines on the virus become more frequent, leading to a renewed rise in consumer caution into the winter. We expect the economy to recover to pre-virus levels around the turn of the year.

Developed Markets Economic Calendar

Monday 6 September					
Germany	0700	Jul Industrial Orders (MoM%)	-	4.1	
UK	0930	Aug Markit/CIPS Cons PMI	-	58.7	
	0930	Aug All-Sector PMI	-	59.2	
	0001	Aug BRC Retail Sales (YoY%)	-	4.7	
Tuesday 7 September					
Germany	0700	Jul Industrial Output (MoM%/YoY%)	-/-	-1.3/5.1	
France	0745	Aug Reserve Assets Total	-	190654	
Norway	0700	Jul Manufacturing Output (MoM%)	-	0.7	
Switzerland	0645	Aug Unemployment Rate Adjusted	-	3	
Netherlands	0530	Aug CPI (MoM%/YoY%)	-	0.5/1.4	
Wednesday 8 September					
US	1400	Jul job openings (mn)	10	10	10.0
	1900	Federal Reserve Beige Book			
	2000	Jul Consumer Credit	27.5	28.6	37.7
Canada	1500	BoC Rate Decision	0.25	0.25	0.25
Thursday 9 September					
US	1330	Initial Jobless Claims	-	-	
	1330	Cont Jobless Claims	-	-	
Germany	0700	Jul Exports	-	1.3	
	0700	Jul Imports	-	0.6	
	0700	Jul Trade Balance	-	13.6	
Norway	0700	Jul GDP Month Mainland	-	0.7	
Greece	1000	Jun Unemployment rate	-	15.9	
Eurozone	1245	Aug ECB Refinancing rate	-	0	
	1245	Aug ECB Deposit rate	-	-0.5	
Friday 10 September					
US	1330	Aug PPI (MoM%/YoY%)	0.6/8.2	0.5/8.1	1.0/7.8
Germany	0700	Aug CPI Final (MoM%/YoY%)	-/-		0/3.9
France	0745	Jul Industrial Output (MoM%)	-		0.5
UK	0700	Jul GDP Estimate (MoM%/YoY%)	0.2/7.8		1/15.2
Italy	0900	Jul Industrial Output (MoM%/YoY%)	-/-		1/13.9
Canada	1330	Aug Unemployment Rate	7.2		7.5
Norway	0700	Aug CPI (MoM%/YoY%)	-/-		0.9/3
	0700	Aug Core Inflation (MoM%/YoY%)	-/-		0.6/1.1
Netherlands	0530	Jul Manufacturing Output (MoM%)	-		4.4
	0530	Jul Trade Balance	-		6.46
Portugal	1100	Aug CPI (MoM%/YoY%)	-/-		-0.2/1.5
Greece	1000	Jul Industrial Output (YoY%)	-		8.8
	1000	Aug CPI (YoY%)	-		1.4

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Emerging markets will continue to face high inflation figures, putting pressure on central banks in Hungary and Russia to hike rates



Source: Shutterstock

✓ Hungary: Year-on-year inflation figures still high, despite the disappearance of reopening effects

After a rather weak June, we expect Hungarian industry to rebound in July with strong month-on-month growth. However, the roller coaster will continue as supply chain issues have reappeared in August, causing temporary shutdowns in car manufacturing. As the reopening-related shocks fade, we expect inflation to be driven by seasonal factors again. Add to that the strengthening Hungarian forint, and some calm in commodities, and we might see some minor decline in prices on a monthly basis. However, this is not enough to see a marked drop in the year-on-year headline reading, so it will hardly ease pressure on the central bank to continue its rate hike cycle.

✓ Russia: Rate hike cycle to continue

Inflation and the key rate will be in focus next week. The most recent local activity and CPI indicators suggest that inflationary pressure continues to mount in Russia – mainly due to a spike in global cost inputs, but also due to a tighter labour market and incoming social payments from August-September totalling around 1% of households' annual income. In August, Russian CPI most likely edged up by 0.1-0.2ppt to 6.6-6.7% year-on-year, slightly exceeding our initial expectations and reinforcing the cautious stance by the Bank of Russia. The good news is that even with this pick up, the CPI trend is still within the Bank of Russia's base case scenario, meaning little

urgency to make sharp adjustments to the key rate. We still expect a 25bp hike at the 10 September meeting, to 6.75%. But the risk is that the key rate ceiling, which we previously saw at 6.75-7.00%, may now be facing upward pressure, putting more emphasis on the CBR's medium-term signal.

In other news, Russia's balance of payments for August should point to a relatively strong current account in the US\$5-8bn range, which combined with persistent US\$2.5 bn portfolio inflows into the local currency public debt (OFZ) should explain why the ruble managed to avoid any adverse seasonality last month. Meanwhile, the ruble's relative underperformance vs. its peers in recent weeks suggests that corporate capital outflows remain a drag on the currency, keeping the local FX market sensitive to global risk appetite, which may deteriorate in the event of faster-than-expected Fed tapering.

EMEA Economic Calendar

Monday 6 September			
Czech Rep	0800 Jul Industrial Output (YoY%)	-	11.4
	0800 Jul Trade Balance	-	-6.9
	0900 Aug Unemployment Rate	-	3.7
Tuesday 7 September			
Czech Rep	0800 Jul Retail Sales (YoY%)	-	7.2
Hungary	0800 Jul Industrial Output (YoY%)	13.5	22
Wednesday 8 September			
Russia	1700 Aug CPI (MoM%/YoY%)	0.1/6.6	0.3/6.5
Poland	- Aug NBP Base Rate	-	0.1
Hungary	0800 Jul Trade Balance	460	629
	0800 Aug CPI (MoM%/YoY%)	-0.1/4.5	0.5/4.6
	1000 Aug Budget Balance	-115	-103
Thursday 9 September			
Russia	- Q2 GDP (YoY% quarterly revised)	-	10.3
Ukraine	1200 Central Bank Interest Rate	-	8
	- Aug CPI (MoM%/YoY%)	-/-	0.1/10.2
Serbia	1100 Sep Benchmark Interest rate	10	10
South Africa	1000 Q2 Current Account	-	267.3
Brazil	1300 Aug IPCA Inflation Index (MoM%/YoY%)	-/-	0.96/8.99
Mexico	1200 Aug Headline Inflation	-	0.59
Friday 10 September			
Turkey	800 Jul Unemployment Rate	-	10.4
Russia	1130 Sep Central Bank Key Rate	6.75	6.5
	1400 Jul Foreign Trade	-	18.30
Czech Rep	0800 Aug CPI (MoM%/YoY%)	-/-	10/3.4
Romania	0700 Aug CPI (YoY%)	5.1	4.95
Brazil	1300 Jul Retail Sales (MoM%/YoY%)	-/-	-1.7/6.3
Mexico	1200 Jul Industrial Output (MoM%/YoY%)	-	-0.5/13.5

Source: Refinitiv, ING, *GMT

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Asia Week Ahead: Looking out for more Delta impact

With Jackson Hole out of the way, investor focus has shifted back to economic data and specifically how much dent the Delta variant has made on China and its implications for global growth and recovery



US jobs numbers have received their fair share of attention this week, but we may need to increasingly watch how Delta outbreaks impact China as this will have repercussions on global supply chains.

China's trade data highlight for the week

China's trade report should be the highlight next week in Asia, alongside trade numbers from Taiwan and the Philippines.

Iris Pang expects base effects to lift China's imports and exports to double-digit gains but thinks that trade activity may have slowed on a month-on-month basis due to Covid-19 related work stoppages in key logistics hubs. These supply chain disruptions may fade by mid-September or October, but we expect the backlog could affect the US Thanksgiving shopping season.

Meanwhile, Taiwan's exports are also expected to post strong growth, given the global shortage of semiconductors. Finally, Philippine trade data will also be bolstered by base effects, but we will be focused on the overall trade balance with the widening deficit is likely to push the overall current account balance back into the red.

Regional inflation data likely to be mixed

Regional inflation reports are also scheduled for release this week, with consumer price pressures in China expected to fade in the near term after implementing strict social distancing guidelines.

The bigger story could be producer prices which may start to dip as coal prices normalise after some mines were recently reopened. Meanwhile, Philippine inflation is expected to accelerate to 4.3% despite much of the economy being closed due to partial lockdown measures. This increase will result from more expensive crude oil and a weaker PHP feeding through to domestic inflation.

Despite this renewed breach of the central bank inflation target, we don't expect any adjustments to be made by the central bank in the near term.

Central banks on hold

Lastly, both the Reserve Bank of Australia (RBA) and Bank Negara Malaysia (BNM) meet to discuss policy next week, and both are expected to keep rates unchanged.

Rob Carnell writes that "There is some market chatter about whether the RBA might pause its taper (due to go from AUD5bn per week to AUD4bn), but I suspect not. We can't expect the RBA to change monetary policy every time there is a new Covid-19 outbreak, and the taper is very slight anyway. If need be, the AUD4bn rate can be extended beyond the current November date. No change to yield curve control or cash rate should be expected either".

Meanwhile, BNM will likely pause, according to Prakash Sakpal, who writes the meeting "...will be yet another boring policy pondering by this central bank after over a year of pause. The statement should reinforce persisting downside growth risks; the central bank last month cut its 2021 GDP view sharply to a 3% to 4% range from 6% to 7.5% earlier. The return of political stability under PM Ismail Sabri Yaakob may pave the way for more fiscal stimulus. This, together with the recent outperformance of the Malaysian ringgit (MYR), will allow the BNM to leave the overnight rate at the record low level of 1.75% currently.

We consider BNM among the last Asian central banks to tighten, though not until after 2022".

Asia Economic Calendar

Country	Time Data/event	ING Survey	Prev.
Monday 6 September			
Japan	0030 Jul All Household Spending (YoY%)	3.4	-5.1
	0030 Jul All Household Spending (MoM%)	1.5	-3.2
Taiwan	0920 Aug Foreign Exchange Reserve	543.3	543.08
Thailand	- Aug CPI Headline Inflation	0.5	0.45
	- Aug CPI Core Inflation (YoY%)	0.2	0.14
South Korea	0000 Jul Current Account Bal	6.2	8.9
Tuesday 7 September			
Australia	0530 Sep RBA Cash Rate	0.1	0.1
China	- Aug Exports	20.68	19.3
	- Aug Imports	26.99	28.1
	- Aug Trade Balance	55.5	56.6
	- Aug FX Reserves (Monthly)	3.234	3.236
Philippines	0200 Aug CPI (MoM%/YoY%)	0.16/4.3	0.4/4
	0200 Aug Core CPI (YoY%)	3.1	2.9
	- Aug Forex Reserves USD	-	106.55
Wednesday 8 September			
Japan	0050 Aug M2 Money Supply (YoY%)	5.1	5.2
Thursday 9 September			
China	0230 Aug CPI (YoY%)	1.2	1
Malaysia	0800 O/N Policy Rate	1.75	1.75
Indonesia	0500 Jul Retail Sales Index (YoY)	-	2.5
Philippines	0200 Jul Exports (YoY%)	11.6	17.6
	0200 Jul Imports (YoY%)	21.4	34.2
	0200 Jul Trade Balance	-3020	-2826
Friday 10 September			
China	- Aggregate Finance (yuan bn)	3500	1056.6
	- New yuan loan (yuan bn)	1295	1080
	- Aug M2 Money Supply (YoY)	8.5	8.3
India	1230 Q2 C/A Bal. \$	-2	-8.1
	1300 Jul Industrial Output (YoY%)	9.2	13.6
Malaysia	0500 Jul Industrial Output (YoY%)	-2.8	1.4

Source: Refinitiv, ING, *GMT

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