

Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

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 Virovacz



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...

By Robert Carnell

Key events in developed markets next week

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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

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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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