

Our view on next week's key events

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In this bundle



Key Events

Key events in developed markets next week

Expect Fed Chair Powell to reiterate his comment 'an ounce of prevention is worth more than a pound of cure' as he testifies before Congress next...

By James Knightley and James Smith



Asia week ahead: The slow-burn continues

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Key events in EMEA and Latam next week

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By Dmitry Dolgin , Valentin Tataru and Peter Virovacz

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Source: Shutterstock

✓ US: Pulling the trigger

The main focus in the US will be Federal Reserve Chair Jerome Powell testifying to Congress on monetary policy. At the June FOMC meeting officials clearly signalled they were preparing the groundwork for an interest rate cut to mitigate against “uncertainties” that could weigh on the economic outlook.

Activity data is showing signs of softening, inflation pressures are benign and markets are keen for action (as is President Trump). We expect the Fed Chair to signal a 25bp rate cut at the July FOMC meeting and he is likely to repeat his comment that “an ounce of prevention is worth more than a pound of cure”. Financial markets are currently pricing in three rate cuts for 2019 with a fourth coming in early 2020, but we think this is overdone given solid US economic fundamentals and the likelihood that a US-China trade deal will eventually be signed later this year. A long-term trade deal would be a huge fillip for global growth and financial market risk appetite, hence why we only expect two 25bp rate cuts this year – one in July and one in September.

✓ Canada: Cautious optimism

The Bank of Canada is widely expected to keep monetary policy unchanged given recent

improvements in sentiment and activity data and a surprise pick-up in inflation. We also have to remember that the BoC raised interest rates far less aggressively than the Federal Reserve so while rate cuts look likely in the US, monetary policy is still described as “accommodative” in Canada.

UK: Lacklustre GDP points to stable BoE rate outlook

Next week’s UK monthly GDP report is set to be a fairly noisy one. Back in April, the fact that several car manufacturers brought forward their annual shutdown saw output plummet. Now that those closures have finished, car production moved back to more normal levels in May should translate into a partial rebound in overall industrial output.

But away from vehicles, the manufacturing sector is being plagued by a slowdown in new orders as firms grapple with what to do with elevated stock levels, having built up so much inventory in anticipation of a possible ‘no deal’ scenario earlier in the year. Much of this is noise, but even once that is stripped out, the underlying trend doesn’t look much prettier. For that reason, we struggle to see the Bank of England increasing interest rates this year, although equally, we think markets are getting a bit ahead of themselves when beginning to price in a 2019 rate cut.

Sweden: Inflation to back-up Riksbank rate hike guidance

While Swedish inflation will dip back below the Riksbank’s 2% target, importantly it is still likely to come in roughly in line with the Riksbank’s latest forecast. In other words, it would support policymakers’ recent guidance that the next rate hike could come as soon as late-2019. In reality though, we think this is unlikely. Global risks are mounting, and there was a subtle nod to this in the Riksbank’s July statement. Similarly, we think there’s a risk that next year’s wage negotiations produce a more lacklustre outcome than the central bank’s recent set of forecasts suggest. We expect the repo rate to remain on hold for the foreseeable future.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 6 July					
Sweden	0910	Riksbank's Ingves Gives Speech in France			
Monday 8 July					
Japan	0050	May P C/A Balance, adjusted (Yen bn)	1231	-	1600.1
	0050	May Core machine orders (MoM/YoY%)	-4.6/5.7	-/-	5.2/2.5
	0130	BoJ Governor Kuroda Speaks at Branch Managers Meeting			
Germany	0700	May Industrial Production (MoM/YoY%)	1.0/-2.8	-/-	-1.9/-1.8
	0700	May Trade Balance (€bn)	19.0	-	17.9
Tuesday 9 July					
US	1100	Jun NFIB Small Business Optimism	-	-	105.0
	-	Fed's Bullard (1510) and Bostic (1900) speaks			
Japan	0030	May Labor cash earnings (YoY%)	-0.2	-	-0.3
Norway	0700	May GDP Mainland (MoM%)	-	-	0.3
Wednesday 10 July					
US	1900	Jun 19 FOMC Meeting Minutes			
	1500	Fed's Powell Testifies Before House Financial Services Panel			
	1830	Fed's Bullard To Speak at Washington University in St. Louis			
Japan	0050	Jun PPI (MoM/YoY%)	0.2/0.7	-/-	-0.1/0.7
UK	0930	May Industrial Production (MoM/YoY%)	1.5/1.1	-/-	-2.7/-1
	0930	May Services Index (MoM%)	0.0	0.1	0.0
	0930	May GDP (MoM%)	0.2	-	-0.4
	0930	May Trade Balance (£m)	-	-	-2740
Canada	1500	Bank of Canada Policy Rate	1.75	1.75	1.75
New Zealand	-	RBNZ's Orr Scheduled to Speak on Phase 2 Review			
Norway	0700	Jun CPI (MoM/YoY%)	-/-	-/-	-0.3/2.5
	0700	Jun CPI - ATE (MoM/YoY%)	-/-	-/-	-0.2/2.3
Thursday 11 July					
US	1330	Jun CPI (MoM%)	0.0/1.6	0.0	0.1
	1330	Jun CPI ex. food and energy (MoM/YoY%)	0.2/2.0	0.2/-	0.1/2
	1500	Fed's Powell Testifies Before Senate Banking Committee			
Japan	0530	May Tertiary industry index (MoM%)	0.1	-	0.8
Germany	0700	Jun F CPI (MoM/YoY%)	0.3/1.6	-/-	0.3/1.6
UK	1030	BOE publishes Financial Stability Report			
Australia	0200	Jul CPI expectations (YoY%)	-	-	3.3
Sweden	0830	Jun CPI (MoM/YoY%)	-0.2/1.7	-/-	0.3/2.2
	0830	Jun CPIF (MoM/YoY%)	-0.1/1.7	-/-	0.3/2.1
Friday 12 July					
Japan	0530	May F Industrial production - Prel (MoM/YoY%)	-/-	-/-	2.3/-1.8
Eurozone	1000	May Industrial Production, WDA, YoY%	-	-	-0.4
UK	0930	BOE's Vlieghe speaks in London			
Italy	1400	Bank of Italy Releases the Quarterly Economic Bulletin			
Spain	0800	Jun F HICP (MoM/YoY%)	-/-	-/-	-0.1/0.6

Source: ING, Bloomberg

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Asia week ahead: The slow-burn continues

The global trade war is slowly taking its toll on Asian economies. Even if it's not evident from Chinese data just yet, the slow-burn continues in the...



Source: Shutterstock

➔ China: Mixed message from June data

Like the broad consensus, we forecast the June activity data from China will contain mixed messages. While the trade war continues to weigh on exports and manufacturing, monetary indicators testify the fiscal stimulus is doing its best to counter the export-led slowdown.

Despite being a few points below 50, China's unchanged manufacturing PMI in June was quite a bad start to the June data releases. Clearly, trade and new lending will be the focal points next week, while industrial production, fixed asset investment, and retail sales releases – all feeding into

the GDP release – aren't due for another two weeks.

For now, markets should take comfort that China's GDP growth remains firmly within the target of 6% - 6.5% for 2019. Anything above the lower end of this target range will be a bonus.

[Watch: China to double fiscal stimulus](#)

→ Singapore: Second quarter report card arrives

Singapore's advance GDP estimate for 2Q19 is expected next week; no confirmed date, but most likely to be released on 12 July. The advance estimate is typically based on data for the first two months of the quarter. Indeed, export weakness intensified with double-digit year-on-year declines in non-oil domestic exports in April and May. This export weakness transmitted into weak GDP via manufacturing. The manufacturing PMI remained in contractionary territory in June, suggesting that the drag continued into the third month.

The trade and tech war and global tech slump are hanging over the entire region, and we think waiting until the next Singapore central bank meeting in October to downscale the SGD appreciation path might be too long a wait – ING Asia Chief Economist, Rob Carnell

Singapore central bank's managing director, Ravi Menon, flagged 2Q GDP growth coming in weaker than 1Q, hinting at the possibility of an intra-meeting policy adjustment to support growth. If true, will our forecast of 0.8% YoY (-0.2% QoQ annualized) 2Q GDP growth be enough to trigger central bank easing before October? It could quite well possibly be.

→ Malaysia: Firmer growth, steady policy

Malaysia's central bank reviews its monetary policy next week. But having cut rates by 25 basis points in May, we don't think it's time for another cut to the 3.0% overnight policy rate just yet. We aren't alone - the consensus also agrees with us. The economy doesn't need any more easing, given the firmer activity growth in recent months, which in fact, indicates an unusual acceleration of [GDP growth in 2019](#).

With close to zero inflation keeping the real (policy) interest rate high relative to most other Asian economies, there is plenty of space for easing if the economy does pivot in an undesirable direction. For now, we believe the central bank will assess the economic risks as fairly balanced between growth and inflation and save that policy space for the future.

Our baseline view is that growth remains firm and monetary policy will remain stable for the rest of the year.

[Malaysia's exports beat expectations, again](#)

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 July					
China	-	Jun Forex Reserves (US\$bn)	3106	3111	3101
Monday 8 July					
Taiwan	0900	Jun Exports (YoY%)	3.4	-	-4.8
	0900	Jun Imports (YoY%)	0.8	-	-5.9
	0900	Jun Trade balance (US\$bn)	6.0	-	4.49
Tuesday 9 July					
China	-	Jun Money supply (M2) (YoY%)	8.5	8.6	8.5
	-	Jun Aggregate finance (Yuan bn)	1900	1895.0	1395.2
	-	Jun Financial institution loans (Yuan bn)	1615	1725.0	1180
Malaysia	0800	Overnight Policy Rate	3.00	-	3.00
Wednesday 10 July					
China	0230	Jun CPI (YoY%)	2.7	2.7	2.7
	0230	Jun PPI (YoY%)	-0.5	0.3	0.6
Philippines	0200	May Exports (YoY%)	-1	-	0.4
	0200	May Imports (YoY%)	-0.2	-	-1.9
	0200	May Trade balance (US\$m)	-3137.3	-	-3499
South Korea	0000	Jun Unemployment rate (% SA)	4.2	-	4.0
Friday 12 July					
China	-	Jun Trade Balance (US\$bn)	62.7	45.0	41.7
	-	Jun Exports (YoY%)	4.3	-1.3	1.1
	-	Jun Imports (YoY%)	-7.5	-3.5	-8.5
India	1300	Jun CPI (YoY%)	3.2	-	3.1
	1300	May Industrial production (YoY%)	2.7	-	3.4
Malaysia	0500	May Industrial production (YoY%)	3.5	-	4.0
Singapore	-	2Q GDP - advance (%QoQ ann/ YoY)	-0.2/0.8	-	3.8/1.2
	0600	May Retail sales value (MoM SA/YoY%)	-0.8/-1.9	-/-	0.5/-1.8

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Russia: A halved current account

The Russian current account has probably halved from the seasonally strong \$34 billion in 1Q19 to \$17 billion in 2Q19. The key question is whether the net private capital outflow, which primarily reflects the accumulation of international assets by the corporate sector and the population, has decelerated accordingly. The preliminary data for 5M19 suggests that it is a quite significant \$5 billion per month, and that is in addition to the \$3-5 bn monthly mandatory FX purchases by the central bank mandated by the budget rule, which is here to stay.

With the current account surplus effectively sterilised by the accumulation of international assets by the private sector and the government, portfolio flows into the state bond market (OFZ) is the key variable tipping the scales for the rouble. This year has been very successful in this regard, with monthly inflows into OFZ reaching \$3.0-3.5 bn in the last couple of months, but further prospects are uncertain, as the level of non-resident holding local bonds has approached the historical high of \$41 bn. The prospects of further global risk-on are unclear, and it remains to be seen how the recent idea of investing part of the Russian state savings (NWF) locally from 2020 chimes with foreign investors who have perceived Russia as a low macro risk.

[More about our views on RUB here](#)

✔ Serbia: NBS on hold at 3.00%. Time for a dovish twist?

We expect Serbia's central bank to keep its key rate on hold at 3.00% at the July meeting. The inflation peak is behind us - 3.1% in April - and we estimate that inflation will remain relatively stable in the vicinity of 2.0% for the rest of the year.

With this impediment out of the way, we believe the central bank is mulling another round of policy easing. As the currency is almost at a five-year high against the euro, the NBS had to ramp-up its interventions to new historical highs: €735 million were bought in June to keep the EUR/RSD close to the 118.00 level. For now, it looks that the central bank is happy to expand its FX reserves and keep the exchange rate stable, but should the inflows (predominantly bond related) continue, a rate cut will likely be seriously considered in the near term. Moreover, chiefly mentioned as main reason for which the NBS still takes a cautious approach was "persistent uncertainty in the international environment".

While issues are still there – e.g. trade tensions, oil price, global slowdown etc – at least from the monetary policy side a wave of dovishness seems to be mounting as the long-expected policy normalisation of the ECB appears more and more distant, while US Fed is expected to cut rates. Hence, with the external uncertainties slightly diminished, we forecast a 25 basis points rate cut from the NBS in 3Q19 and another 25 basis points in 4Q19.

✔ Romania: June inflation still above the target at 3.7%

We expect June CPI to inch 0.4ppt lower to 3.7% driven by lower fuel price and stronger RON. Assuming no supply shocks, the inflation path should be better behaved for the rest of the year, although we don't necessarily envisage meaningfully lower prints going forward. The NBR is likely to look-through this year's above-target inflation numbers and even turn dovish once it's got the chance.

✔ Czech Republic: Softer inflation for the summer?

After slightly higher than expected inflation in May, driven mainly by higher vegetable prices, we will probably see annual CPI growth to decelerate towards 2.7 % on the back of higher base effect, as in MoM terms, prices stagnated or increased just slightly in June. Indeed, fuel prices just stagnated in June and food prices should also moderate its rapid price growth as new harvest is entering the market. June unemployment rate will stagnate, while May industrial production growth will slow down, as well as retail sales, which were affected by the effect of Easter shopping in April. We will also see the Minutes from the June CNB monetary meeting next Friday.

✔ Hungary: Lower inflation - but not enough for central bank to react

In Hungary, the key release of the week comes on Tuesday - the June CPI readings. We expect to see a significant drop in the headline indicator due to the high base on energy and tobacco prices. On the other hand, we saw some softening in fuel and food prices throughout last month, which has also dragged down headline inflation. In the meantime, we forecast core CPI to move further upwards, meaningfully above the 4% YoY level. However, we don't expect any reaction by the central bank as its latest forecast also sees the core CPI remaining above the upper limit of the

tolerance band.

Poland presents inflation forecasts

The central bank of Poland will present its inflation projection. According to the latest MPC statement, CPI forecast for 2019 was revised higher from 1.7% to 2%YoY. The change to the 2020 figure was marginal to 2.8%YoY, but still, we expect the central bank to present a considerably different structure in comparison to the last report in March.

For the rest of 2019, we expect strong upward revision to food prices, and downward revision to core inflation and energy prices. On the other hand, the 2020 figures should be opposite – next year CPI should be dominated by a core inflation increase. In the case of GDP, the central bank revised its 2019 forecast from 4.0% to 4.5% and made minor changes to estimates for 2020 and 2021. The performance of investments should be a major focus – we expect deceleration after the very strong 12.1% Q1 reading.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 July					
Israel	-	Jun Foreign Currency Balance (US\$bn)	-	-	118.1
Monday 8 July					
Russia	-	2Q P C/A (US\$bn)	17.0	-	33.7
Poland	0800	National Bank of Poland Publishes Inflation Report			
Czech Rep	0800	May Construction Output (YoY%)	-	-	8.9
	0800	May Trade Balance (CZKmn)	14.0	-	17.6
	0800	May Industrial Output (YoY%)	1.2	-	3.3
Hungary	1000	Jun Budget Balance (YTD)	-676	-	-176.4
Romania	0700	May Avg Net Wages (YoY%)	-	-	14.8
	0700	1Q F GDP (SA, QoQ%)	1.3	-	1.3
	0700	1Q F GDP (YoY%)	5.0	-	5.0
Serbia	1100	Jun HPPI (MoM/YoY%)	-/-	-/-	0.2/1.3
Tuesday 9 July					
Czech Rep	0800	May Retail Sales (YoY%)	4.0	-	4.8
	0800	May Retail Sales Excl. Motor Vehicles (YoY%)	5.0	-	6.9
	0800	Jun Unemployment Rate (%)	2.6	-	2.6
	0900	Jun International Reserves (US\$bn)	-	-	143.7
Hungary	0800	Jun CPI (MoM/YoY%)	-0.1/-3.5	-/-	0.7/3.9
Ukraine	-	Jun CPI (MoM/YoY%)	-/-	-/-	0.7/9.6
Kazakhstan	-	Jun International Reserves (US\$bn)	-	-	28.1
Bulgaria	0900	May Industrial Production (MoM/YoY%)	-/-	-/-	-1.9/2.4
	0900	May Retail Sales (MoM%)	-	-	-0.1
Croatia	1000	Apr Trade Balance (HRK m)	-	-	-6787.7
	1000	Jun PPI (MoM/YoY%)	-/-	-/-	-0.1/1.5
Mexico	1200	Jun CPI (MoM/YoY%)	0.1/4.0	-/-	-0.3/4.3
Wednesday 10 July					
Hungary	1300	Hungarian Central Bank's Minutes			
Romania	0700	Jun CPI (MoM/YoY%)	-0.2/3.7	-/-	0.5/4.1
	0700	May Trade Balance (€m)	-	-	-1382.7
Kazakhstan	-	Jun Industrial Production Yearly	-	-	-1.6
Brazil	1300	Jun Inflation (IPCA) (MoM/YoY%)	0.0/3.3	0.0/3.3	0.1/4.7
Thursday 11 July					
Turkey	0800	May C/A (US\$bn)	-0.1	-	-1.3
Czech Rep	0800	Jun CPI (MoM/YoY%)	0.1/2.7	-/-	0.7/2.9
	0800	May Export Price Index (YoY%)	-	-	3.1
	0800	May Import Price Index (YoY%)	-	-	3.4
Romania	1300	National Bank of Romania Publishes Minutes of Rate Meeting			
Serbia	1100	Repo rate (%)	3.0	-	3.0
Croatia	1000	May Tourism arrivals (YoY%)	-	-	16.4
South Africa	1030	May Mining Production (MoM/YoY%)	-/-	-/-	-2.3/-1.5
	1030	May Mining Gold Production (YoY%)	-	-	-19.5
	1030	May Mining Production Volume Index YoY	-	-	1.7
	1200	May Manufacturing Prod. (MoM%)	-	-	4.6
	1200	May Manufacturing Production (SA, MoM%)	-	-	2.8
Israel	1100	Jun Trade Balance (US\$mn)	-	-	-1790.5
Brazil	1300	May Retail Sales (YoY%)	2.5	-	1.7
Mexico	1500	Central Bank Monetary Policy Minutes			
Friday 12 July					
Russia	1400	May Trade Balance (US\$bn)	-	13.7	13.7
Turkey	0800	May Industrial Production (MoM/YoY%)	-/-1.0	-/-	-1/-4
Romania	0700	May Industrial Production (MoM/YoY%)	-/-	-/-	1.1/0.4
	0700	May Industrial Sales (MoM/YoY%)	-/-	-/-	-4.7/9.7
Serbia	1100	Jun CPI (MoM/YoY%)	-/-	-/-	-0.3/2.2
Mexico	1200	May Industrial Production (YoY%)	-0.5	-	-2.9
Czech Rep	0800	Czech National Bank Publishes Minutes of Rate Meeting			

Source: ING, Bloomberg

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