

Our view on next week's key events

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By Robert Carnell

Key events in developed markets next week

All eyes will be on the US next week with the release of CPI and PPI. Second-quarter GDP for the UK comes out on Friday



Source: Shutterstock

✓ US: Inflation the main theme with CPI and PPI both released

Inflation is the main theme for next week with CPI and PPI both released in the US. Unfortunately, there is a little bit of upside risk for year-on-year figures after their recent slowdown, but this reflects falling energy costs last summer dropping out of the annual comparison. However, the Federal Reserve will be focused on the month-on-month readings which we are hopeful will come in at 0.2%MoM for headline and core for both CPI and PPI. This is what we need to see consistently to bring inflation back to the 2% target, and the Fed can take comfort that inflation pressures are softening, reducing the need for further interest rate increases.

The move higher in Treasury yields only adds to our conviction that the Fed won't need to hike interest rates further. We are approaching 4.2% for the 10Y Treasury yield in the wake of the Fitch downgrade and the Treasury funding announcement, and it could go higher over the next week as the extra bond supply hits the market. This, coupled with the stronger dollar and rising market volatility, is tightening monetary conditions and will put up mortgage rates and corporate borrowing costs.

The Federal Reserve Senior Loan Officer Opinion survey shows a further tightening of lending conditions, which in combination with higher interest rates, will be toxic for bank lending. This is going to be a major headwind for economic activity – hence our view that recession risks cannot be

ignored.

✓ UK: GDP set to show modest increase in the second quarter

Last month's GDP data showed that the King's Coronation and the extra bank holiday did very little to change the monthly GDP reading, contrary to previous royal events that resulted in a temporary dip in activity. That means overall second-quarter GDP is likely to come in marginally positive, and confirms that the economy is more-or-less stagnant right now.

All of this is of limited consequence for the Bank of England, which has been very clear that it is looking at services inflation and wage growth and not a lot else. We are doubtful that either of these figures will have staged enough of a turnaround by September to enable the BoE to pause its hiking cycle at the next meeting. A rate hike is therefore the base case, but by November we think that services inflation in particular will have shown signs of improvement. We, therefore, suspect we'll get one more hike, marking the top of the cycle.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 August					
US	2000 Jun	Consumer Credit (\$bn)	17	11	7.24
Germany	0700 Jun	Industrial Output (MoM%/YoY%)	-/-	-0.3/	-0.2/0.82
Switzerland	0645 Jul	Unemployment Rate Adjusted	-		2
France	0745 Jul	Reserve Assets Total	-		212396
Tuesday 8 August					
US	1330 Jun	International Trade \$	-65.0	-65.7	-69
Germany	0700 Jul	CPI Final (MoM%/YoY%)	-/-	/	0.3/6.2
France	0745 Jun	Trade Balance	-	-8	-8.418
Canada	1330 Jun	Trade Balance C\$	-		-3.44
Netherlands	0530 Jul	CPI (YoY%)	-		5.7
	0530 Jul	CPI (MoM%)	-		-0.3
Greece	1000 Jul	CPI (YoY%)	-		2.7
Thursday 10 August					
US	1330 Jul	Core CPI (MoM%/YoY%)	0.2/4.8	0.2/4.7	0.2/4.8
	1330 Jul	CPI (MoM%/YoY%)	0.3/3.3	0.2/3.3	0.2/3
	1330	Initial Jobless Claims (000s)	230	-	227
	1330	Continuing Jobless Claims (000s)	1720	-	1700
Norway	0700 Jul	CPI (MoM%/YoY%)	-/-	/	0.6/6.4
	0700 Jul	Core Inflation (MoM%/YoY%)	-/-	/	0.9/7
Netherlands	0530 Jun	Manufacturing Output (MoM%)	-		1.2
Greece	1000 Jun	Industrial Output (YoY%)	-		1.4
Friday 11 August					
US	1330 Jul	PPI (MoM%/YoY%)	0.2/0.7	0.2/0.7	0.1/0.1
	1500 Aug	University of Michigan Sentiment Prelim	71.5	71	71.6
	1500 Aug	University of Michigan Conditions Prelim	76.8		76.6
	1500 Aug	University of Michigan Expectations Prelim	68		68.3
France	0745 Jul	CPI (MoM%/YoY%)	-		0/4.3
UK	0700 Jun	GDP Estimate (MoM%)	0.2		-0.1
	0700 Q2	GDP Prelim (QoQ%/YoY%)	0.1/0.2		0.1/0.2
Italy	0900 Jun	Global Trade Balance	-		4.711
Spain	0800 Jul	CPI (MoM%/YoY%)	-/-	/	0.1/2.3

Source: Refinitiv, ING

Authors

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Key events in EMEA next week

Inflation is falling in the Czech Republic, but the future path is tricky as the Czech National Bank may delay rate cuts



Source: Shutterstock

✓ Czech Republic: Inflation is falling but future path is tricky

July inflation picked up again slightly from 0.3% in June to 0.4% month-on-month, mainly due, in our view, to seasonal factors in recreation and culture and higher fuel prices. We expect a decline in food prices, indicated by the survey, because of falling agricultural producer prices and inflation in neighbouring Poland. Year-on-year inflation in the Czech Republic should therefore fall from 9.7% to 8.7% YoY mainly due to the base effect.

Looking ahead, our nowcast prediction is that inflation gets to 7.7% in September, but due to the base effect of government measures (such as the energy prices savings tariff), it will jump back above 9% and remain in the 8-9% YoY range until the end of the year. In our view, this creates a risk that the Czech National Bank will delay rate cuts until the first quarter of next year. However, our base case scenario is still a first cut in November 2023.

✓ Hungary: update regarding inflation, budgetary and external balance

All the data action is concentrated in one day in Hungary. On Tuesday, we'll get an update regarding the inflation, budgetary and external balance. The most important is obviously the price pressure story. We see strengthening disinflation on the back of dropping food prices. With both

unprocessed and processed food items having a general downtrend in prices, this will not just impact the headline reading but also core inflation.

While rising prices in fuel, services and durables will push inflation higher, the downward impact coming from food will counterbalance these. As a result, we see 0.1% month-on-month deflation in July. This, combined with a significant base effect, will translate into a remarkable drop in the yearly index to 17.3%. Core inflation will go through roughly the same change in size, resulting in a 17.8% YoY figure in July.

When it comes to the budgetary picture, we see more or less the same monthly deficit in July as we got in June. Thus, the general budgetary landscape will preserve the hope that the full-year deficit target will remain within reach. The country's external balance will continue to improve with yet another monthly surplus in the trade balance. Export activity will remain sound combined with a drag on imports coming from the weak domestic demand and lowering energy consumption.

Poland: Current account in June of €961m

We forecast that June was yet another month of sizable current account surplus, and on a 12-month cumulative basis, the current account narrowed to a mere 0.1% of GDP from 0.3% of GDP in May. We estimate that exports in euros rose by 1.7%YoY, while imports contracted by 4.3%YoY. A drop in the nominal value of imports is to a large extent associated with the falling prices of imports, especially energy sources. The narrowing current account has been one of the factors behind recent Polish zloty firming.

Romania: Key rate expected to be maintained at 7.00%

The Romanian National Bank (NBR) will announce its latest policy rate decision on 7 August. We expect the key rate to be maintained at 7.00% with no forward guidance. A new Inflation Report will be approved and presented a few days later which should largely confirm the central bank's previous inflation forecasts. We maintain our view of a first rate cut in the first quarter of 2024 with a key rate of 5.5% by the end of 2024. The easing cycle will be justified by lower inflation, but likely tempered by core and regional yields, as the interest rate differential cannot narrow excessively.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 August					
Czech Rep	0800	Jun Industrial Output (YoY%)	-		1.4
	0800	Jun Trade Balance	-		11.8
Romania	1300	Mon Policy Rate	7	7	7
Tuesday 8 August					
Czech Rep	0800	Jul Unemployment Rate	-		3.4
Hungary	0730	Jul Core CPI (YoY%)	17.8		20.8
	0730	Jul CPI (MoM%/YoY%)	-0.1/17.3		0,3/20,1
	0730	Jun P Trade Balance	500		1129
	1000	Jul Budget Balance	-100		-132.7
Wednesday 9 August					
Russia	1700	Jul CPI (MoM%/YoY%)	0.8/4.4	0.7/4.3	0.4/3.3
Ukraine	1430	Jul CPI (MoM%/YoY%)	-/-	/	0.8/12.8
Brazil	1300	Jun Retail sales (MoM%/YoY%)	-/-	/	-1/-1
Mexico	1300	Jul Headline Inflation	-		0.1
	1300	Jul Core inflation	-		0.3
Thursday 10 August					
Russia	1400	Jun Foreign Trade	-	6.4	10.42
Czech Rep	0800	Jul CPI (MoM%/YoY%)	0.4/8.7	/	0.3/9.7
Kazakhstan	1300	Jul Industrial Production (YoY%)	-		3.8
Serbia	1100	Aug Benchmark Interest rate	6.5		6.5
Mexico	2000	Jul Interest Rate	-		11.25
Turkey	0800	June Industrial Production (MoM/YoY%)	-		1.12/0.6
	0800	June Unemployment Rate	-		8.8
	1230	Gross FX Reserves	-		71.68
Friday 11 August					
Turkey	0800	Jun Current Account Balance	-0.45		-7.933
Czech Rep	0900	Jun Current Account Balance	-		0.9
Poland	0900	Jun Current Account Balance	961	1274	1392
Romania	0700	Jul CPI (YoY%)	9.6		10.25
Serbia	1100	Jul CPI (MoM%/YoY%)	0.1/12.6	/	0.7/13.7
Brazil	1300	Jul IPCA Inflation Index (MoM%/YoY%)	-/-	/	-0.08/3.16
Mexico	1300	Jun Industrial Output (YoY%)	-		3.9
	1300	Jun Industrial Output (MoM%)	-		1

Source: Refinitiv, ING

Authors

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Asia week ahead: China inflation and trade data

China's producer and consumer price updates next week may continue to fuel concern about deflation in the world's second-biggest economy



China and Taiwan to release trade data and CPI

We expect China's July CPI to be almost unchanged as recently adopted measures by the government have yet to take full effect. While the Politburo reiterated support for the economy, we await further details on the said measures.

Meanwhile, we expect PPI inflation to remain in negative territory. Despite the recent increase in oil prices, the mining and manufacturing prices are likely to drop further as evidenced by data releases this week (Caixin and property prices).

For Taiwan, July CPI inflation is expected to rise only slightly as the price of household amenities remain high amidst robust demand with consumer confidence up for a third consecutive month. The consumer confidence index rose 1.73 points from June to 68.39 points in July, the highest level since last year April.

RBI to extend pause

Food prices are still climbing in India despite government's effort to keep price increases under control. Tomato prices in July recently spiked due to seasonal factors compounded by the early arrival of monsoon rains. The government announced an export ban on non-basmati rice, resulting in a further tightening of global supply for grain. Given the lagged impact of the ban, headline inflation could still exceed RBI's target range of 2-6%.

This development however is unlikely to prompt a rate hike by the RBI as food inflation is expected to recede in the coming months.

Indonesia and Philippines to experience moderate growth in 2Q

Next week features 2Q GDP reports from Indonesia and the Philippines. Growth is expected to slow slightly in 2Q for both economies as base effects fade and higher inflation caps purchasing power. Meanwhile, tight financial market conditions are also expected to have weighed on investment activities as bank lending slowed. Despite the slowdown, Indonesia and the Philippines are expected to post respectable year-over-year expansion with Indonesia set to grow by 4.7%YoY while the Philippine economy likely grew by 5.6%YoY.

Trade data to show export in the region struggling amidst weak global demand

Several regional economies will be reporting trade data in the coming week. China and Taiwan will release trade figures that will likely show another period of contraction for both exports and imports. Soft electronic exports due to weak global demand should continue to weigh on exports, which in turn would cap the outlook for the manufacturing sectors of both China and Taiwan.

For the Philippines, June data will showcase both exports and imports likely in contraction given prospects for slowing global trade. Exports, which posted a surprise expansion in May, might revert to a contraction as demand for the mainstay export item, electronics, remains soft. Meanwhile, imports will continue to contract as global commodity prices normalize from the peaks experienced in 2022. All in all, the overall trade balance will likely stay in deficit with the shortfall pegged at roughly \$4.5bn for the month.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 7 August					
China		- Jul FX Reserves (Monthly)	3.2	3.2	3.193
Indonesia	0500	Jul Forex Reserves	138		137.5
		- Q2 GDP (YoY%)	4.7		5.03
		- Q2 GDP (QoQ%)	-		-0.92
		- Q2 Balance of Payments	-		6.5
		- Q2 Current Account/GDP	-		0.9
Philippines		- Jul Forex Reserves USD bn	100.2		99.8
Singapore	1000	Jul Foreign Reserves USD bn	-		331.2
Tuesday 8 August					
Japan	0030	Jun All Household Spending (YoY%)	-		-4
	0030	Jun All Household Spending (MoM%)	-		-1.1
China	0400	Jul Exports	-8.76	-13.3	-12.4
	0400	Jul Imports	-4.6	-5.3	-6.8
	0400	Jul Trade Balance	76.3	67.82	70.62
Indonesia	0400	Jul Consumer Confidence Index	-		127.1
Philippines	0200	Jun Exports (YoY%)	-10.5		1.9
	0200	Jun Imports (YoY%)	-15.7		-8.8
	0200	Jun Trade Balance	-4600		-4396
Taiwan	0900	Jul CPI (YoY%)	1.8	1.75	1.75
	0900	Jul Imports	-25.3	-28.7	-29.9
	0900	Jul Exports	-20.2	-24	-23.4
	0900	Jul Trade Balance	5.9	5.6	5.96
South Korea	0000	Jun Current Account Balance	-		1.93
Wednesday 9 August					
Japan	0050	Jul M2 Money Supply (YoY%)	-		12319535
China	0230	Jul CPI (MoM%/YoY%)	0.2/-0.5		-0.2/0
Indonesia	0500	Jun Retail Sales Index (YoY%)	-3		-4.5
South Korea	0000	Jul Unemployment Rate	2.7		2.6
Thursday 10 August					
China		- Jul M2 Money Supply (YoY)	10.17	10.8	11.3
India	0530	Repo Rate	6.5	6.5	6.5
	0530	Reverse Repo Rate	3.35		3.35
	0530	Cash Reserve Ratio	4.5	4.5	4.5
	1230	W 2 FX Reserves, USD	-		607.04
Philippines	0300	Q2 GDP (YoY%)	5.6		6.4
	0300	Q2 GDP (QoQ%)	-0.5		1.1
Friday 11 August					
	1300	Jun Industrial Output (YoY%)	5	5.1	5.2

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

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