

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



United Kingdom...

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

By James Smith and James Knightley



Czech Republic | Hungary...

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

By Adam Antoniak , Frantisek Taborsky and 2 others



Asia week ahead | China | India...

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

Key events in developed markets next week

All eyes will be on the US next week with inflation being the main theme as CPI and PPI are both released. In the UK, the economy appears to be stagnating with GDP set to show a modest increase in the second quarter



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

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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. In Hungary, all eyes will be on updates regarding inflation, budgetary and external balances. Plus, another month of sizeable current account surplus is forecasted in Poland



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

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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. Elsewhere, look for second-quarter GDP releases from Indonesia and the Philippines



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

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