

Our view on next week's key events

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✓ US: Next week's inflation data is set to show prices rising more rapidly than the Fed would like to

After a cumulative 225bp of Federal Reserve rate hikes, including two consecutive 75bp moves, financial markets are pricing just under 110bp of additional interest rate increases over the next six months. We continue to look for 50bp rate hikes in September and November with a final 25bp hike in December despite the US economy having fulfilled the requirement of a technical recession, with two consecutive quarters of negative GDP growth in the first half of this year. This was primarily due to big swings in trade and inventory positioning. Given that unemployment is still falling and consumer spending is still growing, it is not yet what we might term a “real” recession.

Moreover, next week's inflation data is set to show prices continuing to rise more rapidly than the Fed would like, although the recent sharp falls in gasoline prices do provide some relief. Indeed, the headline rate of CPI may rise just 0.2% month-on-month, which would be the smallest monthly increase since January 2021 and result in the annual rate of inflation slowing to 8.7% from 9.1%. However, the core rate is still expected to post a 0.4% MoM gain with housing costs continuing to boost the index. This would mean the ex-food and energy annual rate of inflation rises to 6% from 5.9%, reinforcing the message that it is still a long battle to get inflation back to the 2% target.

The other US release we will be paying close attention to is the University of Michigan sentiment

index. It has plunged as the cost of living crisis and falling equity markets sapped spending power and confidence. However, now that gasoline prices have dropped from a national average of \$5/gallon in June to below \$4.15 in early August, this should provide some relief and support. Consequently, we expect the index to bounce far more than the consensus is looking for while inflation expectations may also drop back a little. With it costing less to fill up gasoline tanks, households will have more cash in their pockets. With trade and inventories likely to be more helpful for growth in the current quarter, we think 3Q GDP can bounce back into positive territory. We are currently pencilling 3% annualised GDP growth.

UK: GDP figures in focus following Bank of England's recession call

Next week's UK GDP numbers take on fresh significance in light of the [Bank of England's forecast](#) for a five-quarter recession starting later this year. In practice, Friday's figures – covering June (and 2Q overall) – will be heavily skewed by the addition of an extra bank holiday. Previous jubilee holidays in 2002/2012 have seen sharp falls in manufacturing and wholesale/retail output, which is typically recovered the following month. Meanwhile, the number of doctor appointments fell in June according to the latest NHS figures, which points to a month-on-month decline in health output – a key source of volatility in recent monthly GDP readings. In short, it could be hard to separate the impact of rising inflation from the noise.

But the risk of a recession this winter is undoubtedly rising. It's worth remembering the Bank of England's recession forecast, which predicts a peak-to-trough GDP hit of around 2%, is premised a) on Bank Rate reaching 3% in coming months (which we think is unlikely) and b) no further fiscal support (which is unrealistic). The strength of the jobs market and the potential for 'labour hoarding' by companies may also help limit the scale of the downturn. Nevertheless, with demand weakening and the supply side strains showing hints of easing (at least judging by goods prices), we think the Bank is nearing the end of its tightening cycle. We expect another 50bp rate hike in September, but that could be more or less it.

Eurozone: Mixed signals for June's industrial production numbers

For the eurozone, the calendar is as empty as the offices around the continent this summer. The main indicator of note is industrial production for June due out on Friday, for which signals are pretty mixed. In general, manufacturing businesses indicate rough weather at the moment with declining new orders and shrinking output. Also, input shortages have been fading but continue to keep specific industries from full production. Friday's release will give a sense of how much these factors impacted actual production figures in June and put recessionary concerns into further perspective.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 August					
Switzerland	0645	Jul Unemployment Rate Adjusted	-		2.2
Greece	1000	Jul CPI (YoY%)	-		12.1
Tuesday 9 August					
US	1100	Jul NFIB small business optimism	-	89.5	89.5
Wednesday 10 August					
US	1330	Jul Core CPI (MoM%/YoY%)	0.4/6.0	0.5/6.1	0.7/5.9
	1330	Jul CPI (MoM%/YoY%)	0.2/8.7	0.2/8.8	1.3/9.1
Germany	0700	Jul CPI Final (MoM%/YoY%)	-/-	-7.6	0.9/7.5
Norway	0700	Jul CPI (YoY%)	-		6.3
	0700	Jul Core Inflation (YoY%)	-		3.6
Netherlands	0530	Jun Manufacturing Output (MoM%)	-		-2.3
Greece	1000	Jun Industrial Output (YoY%)	-		3.2
Thursday 11 August					
US	1330	Jul PPI (MoM%/YoY%)	0.1/10.1	0.2/10.3	1.1/11.3
	1330	Jul core PPI (MoM%/YoY%)	0.4/7.8	0.4/-	0.4/8.2
	1330	Initial Jobless Claims 000s		265	260
	1330	Continue Jobless Claim 000s		1425	1416
Friday 12 August					
US	1500	Aug University of Michigan Sentiment Prelim	55.0	51.8	51.5
	1500	Aug University of Michigan Conditions Prelim	61.0		58.1
	1500	Aug University of Michigan Expectations Prelim	49.0		47.3
France	0745	Jul CPI (MoM%/YoY%) NSA	-		0.3/6.1
UK	0700	Jun GDP Estimate (MoM%)	-1.1		0.5
	0700	Q2 GDP Prelim (QoQ%)	-0.1		0.8
Italy	0900	Jun Global Trade Balance	-		-0.01
Spain	0800	Jul CPI (MoM%/YoY%)	-/-		-0.2/10.8
Sweden	0900	Jul CPI (MoM%/YoY%)	-/-		1.4/8.7
	0900	Jul CPIF (MoM%/YoY%)	-/-		1.2/8.5
Eurozone	1000	Jun Industrial Production (MoM/YoY)	-0.5/0.1		0.8/1.6

Source: Refinitiv, ING

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Key events in EMEA next week

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Source: Shutterstock

✓ Poland: July CPI in focus

The final CPI reading is unlikely to differ markedly from the flash estimate of 15.5% YoY. However, given that gas prices at the pump continued to decline in the final week of July, we do not rule out a downward revision to 15.4% YoY (our initial forecast). We expect the summer months to be marked by relatively stable, albeit very high, inflation. Inflationary pressure is projected to re-emerge with the beginning of the heating season in autumn and at the beginning of 2023 due to the upswing in regulated prices.

✓ Czech Republic: Energy prices show their full power

Announced price hikes by the country's major suppliers in July should be the main driver of inflation over the coming months. Although the direction is certain, the impact is difficult to calculate due to the uneven pass-through of energy prices into the CPI, based on the different proportions of fixed and floating contracts. Food prices may see a month-on-month decline (1.6%) for the first time since last October. Fuel prices should also counteract the rise in energy prices with a 0.3% MoM decline. Overall, we expect prices to jump by 2.2% MoM and 18.5% YoY in July.

In the longer term, August and September should bring another massive hike in energy prices,

which should push the peak in inflation to around 20.0% YoY in September. However, with energy prices gradually being written into the CPI, we should stay around this level until the end of the year with another price spike to be expected in January amid a seasonal repricing.

✔ Hungary: Inflation is expected to accelerate both in monthly and annual terms

Next week's highlight is the July CPI reading in Hungary. There is a high degree of uncertainty surrounding the forecast, but one thing is clear: inflation is expected to accelerate both in monthly and yearly terms. Based on industrial and agricultural producer prices, we expect further strengthening in food and durables inflation. On top of that, EUR/HUF moved to a record high during July, possibly adding further pressure to price increases. The proverbial icing on the cake is the tax change which came into effect from 1 July, raising the excise duty and the so-called public health product tax. These mainly impact prices of tobacco, alcoholic beverages and processed foods. We expect a close to 2% month-on-month inflation with the yearly index moving up above 13%, while year-on-year core inflation will jump through the 15% threshold. Though rising inflation is a pain for households, it is a gain for the budget (via increased revenues). On the other hand, the one-off pension correction (since the value of pensions must be maintained in real terms by law) will push the monthly deficit higher than usual in July.

EMEA Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 8 August				
Czech Rep	0800 Jun Industrial Output (YoY%)	-		3.3
	0800 Jun Trade Balance	-		-23.3
	0900 Jul Unemployment Rate	-		3.1
Hungary	1000 Jul Budget Balance	-275		-155
Tuesday 9 August				
Hungary	0800 Jul Core CPI (YoY%)	15.2		13.8
	0800 Jul CPI (YoY%)	13.3		11.7
	0800 Jul CPI (MoM%) NSA	1.9		1.5
Brazil	- Jul IPCA Inflation Index (YoY%)	-		11.89
Mexico	1200 Jul Headline Inflation	-		0.84
	1200 Jul Core inflation	-		0.77
Wednesday 10 August				
Russia	1700 Jul CPI (MoM%/YoY%)	-0.2/15.3	-0.2/15.3	-0.4/15.9
Turkey	0800 Jun Unemployment Rate	-		10.1
Czech Rep	0800 Jul CPI (MoM%/YoY%)	2.2/18.5		1.6/17.2
Ukraine	- Jul CPI (MoM%/YoY%)	-/-		3.1/21.5
Kazakhstan	- Jul Industrial Production (YoY%)	-		3.5
Brazil	1300 Jun Retail sales (YoY%)	-		-0.2
Thursday 11 August				
Turkey	0800 Jun Current Account Balance	-3.4		-6.5
Romania	0700 Jul CPI (YoY%)	14.6		15.05
Serbia	1100 Aug Benchmark Interest rate	-		2.75
Mexico	1200 Jun Industrial Output (YoY%)	-		3.3
	1200 Jun Industrial Output (MoM%)	-		0.1
	1900 Aug Interest Rate	-		7.75
Friday 12 August				
Turkey	0800 Apr Industrial Production (MoM/YoY%)	0.1/6.7		-0.5/9.1
Poland	0900 Jul CPI (MoM%/YoY%)	-/-		0.4/15.5
Czech Rep	0900 Jun Current Account Balance	-		-22.76
Serbia	1100 Jul CPI (MoM%/YoY%)	0.6/12.2		1.6/11.9
Russia	- Q2 GDP (YoY%)	-4.3		3.5

Source: Refinitiv, ING

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Asia week ahead: Regional trade figures and China's inflation report

Trade reports will be the focus for the coming week, while China will also release its latest inflation data



Trade reports from the region

China exports likely expanded by around 15% year-on-year in July as shipments for the winter holiday season were sent out in advance to avoid port congestion issues. Imports on the other hand should pick up moderately as domestic consumption recovers.

Meanwhile, Taiwan's trade figures are also expected to expand but weakness in industrial production points to a possible slowdown in growth in the coming months.

Philippine trade data is also scheduled for next week and we are likely to see recent trends hold. Exports should post modest gains while imports are likely to record another strong double-digit rise due to bloated energy imports. The trade balance will likely widen to \$5bn which points to renewed depreciation pressure for the peso.

China inflation release, bucking the regional trend

Unlike the sharp acceleration in prices for the region, CPI inflation is expected rise gently in China while PPI inflation could slow to 5%YoY from 6% in July as raw material prices fell on slower real estate construction activity.

Philippine 2Q GDP to sustain recent momentum

Also on deck for next week is the Philippine second-quarter GDP report. Election-related spending will likely boost growth to 8.8%YoY with household consumption getting an extra lift after mobility curbs were relaxed in March. Improved growth prospects coupled with above-target inflation point to Bangko Sentral ng Pilipinas staying hawkish for the rest of the year.

Other key reports out next week: China loan growth and Korea's labour data

Other important data scheduled for release in the coming days are China's bank lending numbers and Korea's labour report.

China releases monetary data sometime next week and we expect a more moderate pickup in loan growth for July. This would be a slowdown from the jump in June as the People's Bank of China tightened liquidity after mid-July.

Meanwhile, Korea's labour report is expected to show the sector's resilience with the unemployment rate staying below 3%, delivered largely by the services sector. With the summer season starting in late July, job creation for leisure and hospitality is likely to increase and support service sector employment further.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 7 August					
China	0400	Jul Imports/Exports (YoY%)	5.5/14.2		1.0/17.9
	0400	Jul Trade Balance (USD bn)	83.42		97.94
		- Jul FX Reserves Monthly (USD tr)	3.05		3.07
Monday 8 August					
Indonesia	0400	Jul Consumer Confidence Index	-		128.2
		- Q2 Balance of Payments	-		-1.8
		- Q2 Current Account/GDP	-		0.1
Philippines		- Jul Forex Reserves (USD bn)	-		102.0
Singapore	1000	Jul Foreign Reserves (USD bn)	-		314.3
Taiwan	0900	Jul Imports/Exports (YoY%)	23.4/10.7		19.2/15.2
Tuesday 9 August					
Philippines	0200	Jun Imports/Exports (YoY%)	25.2/4.8		31.4/6.2
	0200	Jun Trade Balance	-5200		-5678
	0300	Q2 GDP (QoQ%/YoY%)	0.4/8.8		1.9/8.3
Wednesday 10 August					
China	0230	Jul CPI (YoY%)	2.7		2.5
	0230	Jul PPI (YoY%)	5.9		6.1
South Korea	0000	Jul Unemployment Rate	2.9		2.9
Thursday 11 August					
Indonesia	0500	Jun Retail Sales Index (YoY)	-		2.9
Friday 12 August					
India	1230	Jul Fiscal Deficit (USD)	-		
	1230	Jul Imports/Exports Final (USD bn)	-		
	1300	Jul CPI Inflation (YoY%)	-		7.0
	1300	Jun Industrial Output (YoY%)	-		19.6
Taiwan	0900	Q2 GDP Final (YoY%)	3.1		3.1

Source: Refinitiv, ING

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