

Our view on next week's key events

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By Robert Carnell

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✓ US: Supply constraints and rising costs to give higher inflation readings

The main economic data points of interest in the US over the coming week will be the various inflation readings.

Federal Reserve doves suggest that inflation shouldn't get as much focus as it has been doing, given that price pressures have been focused in relatively few sectors such as used car prices and areas that have been feeling particular reopening frictions. We are less sanguine and expect to see price pressures broaden out across more areas of the US economy given ongoing supply constraints, including a lack of suitable workers, and robust, stimulus-fuelled demand.

Numerous surveys, including the ISM and NFIB reports, suggest companies are experiencing rising pricing power and are prepared to use it to pass higher costs on to customers and preserve profit margins. Given the lags between these inflation components and actual house price growth, we also expect to see housing costs increasingly be a major source of inflation pressures.

With CPI and PPI set to hit new highs and import price inflation running in double digits, next week's

data is likely to give more ammunition to the relative hawks within the Federal Reserve's FOMC membership and support the case for an earlier tapering of asset purchases and interest rate hikes starting in 2022. Also, watch for rising inflation expectations amongst consumers as measured by the University of Michigan consumer sentiment report.

✓ UK: Buoyant second quarter growth to give way to lacklustre summer of activity

Next week's UK GDP will likely show a huge 5% growth rate for the second quarter.

Of course, that's largely a function of the reopenings, but it also represents the rapid rebound in confidence and appetite to socialise again among consumers. Ultimately this is a bit out of date now, and the reality is that the growth rate is likely to slow markedly over the summer. We're pencilling in 1.5% third-quarter growth due to the disruption from higher Covid-19 cases and perhaps some renewed reluctance to visit hospitality and other venues given the risk of getting 'pinged'. That said, this is likely to pause rather than stamp out the recovery, and we still think the size of the UK economy will be at, or close to, pre-virus levels around the end of this year.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|----------------------------|------|--|----------|--------|-----------|
| Monday 9 August | | | | | |
| Germany | 0700 | Jun Exports | - | | 0.3 |
| | 0700 | Jun Imports | - | | 3.4 |
| | 0700 | Jun Trade Balance | - | | 12.6 |
| Switzerland | 0645 | Jul Unemployment Rate Adjusted | - | | 3.1 |
| Greece | 1000 | Jun Industrial Output (YoY%) | - | | 14 |
| | 1000 | Jul CPI (YoY%) | - | | 1 |
| Tuesday 10 August | | | | | |
| Norway | 0700 | Jul CPI (YoY%) | 2.7 | | 2.9 |
| Germany | 1000 | ZEW Survey | - | | - |
| Netherlands | 0530 | Jun Manufacturing Output (MoM%) | - | | 1.4 |
| Wednesday 11 August | | | | | |
| US | 1330 | Jul Core CPI (MoM%/YoY%) | 0.5/- | 0.5/- | 0.9/4.5 |
| | 1330 | Jul CPI (MoM%/YoY%) | 0.5/- | 0.5/- | 0.9/5.4 |
| | 1330 | Initial Jobless Clm | - | | - |
| | 1330 | Cont Jobless Clm | - | | - |
| Germany | 0700 | Jul CPI Final (MoM%/YoY%) | -/- | | 0.9/3.8 |
| Sweden | - | Jul Reg Unemployment Rate | - | | 7.9 |
| Portugal | 1100 | Jul CPI (MoM%/YoY%) | -/- | | -0.3/1.5 |
| Thursday 12 August | | | | | |
| UK | 0700 | Jun GDP Estimate (MoM%/YoY%) | 0.6/15 | | 0.8/24.6 |
| | 0700 | Jun Industrial Output (MoM%/YoY%) | -/- | | 0.8/20.6 |
| | 0700 | Q2 GDP Prelim (QoQ%/YoY%) | 5.0/22.4 | | -1.6/-6.1 |
| Italy | 0900 | Jun Global Trade Balance | - | | 5.64 |
| Eurozone | 1000 | Jun Industrial Production (MoM%/YoY%) | - | | -1/20.5 |
| Friday 13 August | | | | | |
| US | 1500 | Aug University of Michigan Sentiment Prelim | 82 | 82 | 81.2 |
| | 1500 | Aug University of Michigan Conditions Prelim | - | | 84.5 |
| | 1500 | Aug University of Michigan Expectations Prelim | - | | 79.0 |
| France | 0745 | Jul CPI (MoM%/YoY%) | - | | 0.1/1.2 |
| Spain | 0800 | Jul CPI (MoM%/YoY%) | -/- | | -0.7/2.9 |
| Sweden | 0830 | Jul CPIX (MoM%/YoY%) | 1.6 | | 1.6 |
| Eurozone | 1000 | Jun Total Trade Balance | - | | 9.4 |

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Look out for a strong current account in Russia, an interest rate announcement in Turkey, and rising inflation figures in other emerging market economies



Source: Shutterstock

✓ Russia: Expect to see a relatively strong current account, but capital outflows remain a risk

Russia's balance of payments for July, to be reported on 10 August, will likely show strength on the current account side thanks to strong fuel and non-fuel revenues amid restrained imports of services. The monthly current account surplus is expected to remain in a US\$6-7 bn range, in line with 2Q21, and exceeding the [FX purchases](#) seen in July as well as the ones announced for August. Portfolio inflows into the local currency state public debt (OFZ) have been rebounding since mid-July and should also reinforce the ruble's position. Meanwhile, private capital outflows remain the key risk factor for the ruble in the near term.

Elsewhere, the budget surplus may almost double from RUB0.6 tr in the first six months of the year to RUB1.1 tr in the first seven months, mainly on seasonal factors, but also reflecting strong revenue collection on both the fuel and non-fuel side, as economic activity is recovering. Speaking of which, the preliminary estimate of quarterly GDP on 12 August should show a material improvement from -0.7% year-on-year in 1Q21 to c.+10% YoY in 2Q22, primarily thanks to the low base effect, and suggesting the return of economic activity back to pre-Covid levels. With economic growth likely to moderate from now on, the Bank of Russia's key focus is to remain on inflation,

which is now showing signs of peaking, but the elevated inflationary expectations by households and the increased reliance of consumption on unsecured borrowing and withdrawal of deposits should keep the hawkish bias of monetary policy in place.

Turkey: Current repo rate to be maintained until inflation drops significantly

Driven by food inflation and administrative price adjustments, annual inflation - at 18.95% - maintained its uptrend in July, and almost aligned to the policy rate. While core inflation has lost momentum, inflation dynamics will likely remain challenging, with still buoyant demand conditions, elevated services inflation, and the impact of a normalisation in pandemic control measures. We expect the headline figure to remain above 18% until November before recording a pronounced decline in the last two months of the year due to base effects. Given this backdrop, we expect the Central Bank of Turkey to remain on hold at the August MPC and subsequent months, and focus on a measured cut, given its guidance that the current stance would be maintained until there is a significant fall in inflation.

Romania: Gas and electricity price hikes to push up inflation

Starting in July, a new round of price hikes for gas and electricity has come into effect which, together with higher fuel prices, should push July inflation close to 5.0%. Flirting with this level could be the new normal for the rest of the year.

Hungary: Strong monthly inflation expected to confirm the August rate hike

We expect some easing in Hungarian inflation pressures in July. However, our forecast of 4.7% YoY will still be well above the National Bank of Hungary's latest projection and of course, way out of the 2-4% tolerance band. Moreover, as the deceleration is due to base effects, the strong monthly inflation will cement the 30bp rate hike expectation for the August meeting in Hungary. When it comes to the fiscal metrics, the monthly shortfall in July will be relatively small as revenues are rebounding on a strong economic performance while expenditures are falling further on the phasing out of some Covid-related temporary measures.

Poland: Strong rebound in GDP, CPI and current account figures following restrictions easing

Friday the 13th will be a busy day for data releases from Poland. First, the Central Statistical Office will publish its final estimate for July CPI - in our opinion this should come in at 5.0% YoY, in line with the flash estimate. This will also be when the GDP estimate for 2Q21 is released. In our view, the result should confirm the strength of the rebound in response to the gradual easing of Covid restrictions which started at the end of April. We estimate YoY GDP growth at 10.8% compared to a 0.9% drop a quarter before and the consensus forecast at 11%. The double-digit growth rate is the result of a low base last year and an acceleration in the QoQ growth to over 2% from 1.1% in 1Q21. The icing on the cake will be the balance of payments published by the National Bank of Poland. We estimate that the surplus of the current account increased to EUR771m in June from EUR60m in May. The market is slightly more pessimistic, expecting EUR514m.

EMEA Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|----------------------------|------|--------------------------------------|----------|--------|-----------|
| Monday 9 August | | | | | |
| Czech Rep | 0900 | Jul Unemployment Rate | - | | 3.7 |
| Hungary | 1000 | Jul Budget Balance (Monthly) | -95 | | -392 |
| Ukraine | - | Jul CPI (MoM%/YoY%) | -/- | | 0.2/9.5 |
| Mexico | 1200 | Jul Headline Inflation | - | | 0.53 |
| | 1200 | Jul Core inflation | - | | 0.57 |
| Tuesday 10 August | | | | | |
| Turkey | 0700 | Jun Unemployment Rate (%) | - | | 12.4 |
| Czech Rep | 0800 | Jul CPI (MoM%/YoY%) | -/- | | 0.5/2.8 |
| Hungary | 0800 | Jul Core CPI (YoY%) | 3.5 | | 3.8 |
| | 0800 | Jul CPI (MoM%/YoY%) | 0.5/4.7 | | 0.6/5.3 |
| Kazakhstan | - | Jul Industrial Production (MoM%) | - | | 0.2 |
| Brazil | 1300 | Jul IPCA Inflation Index (MoM%/YoY%) | -/- | | 0.53/8.35 |
| Russia | 1400 | Jul Balance of payments | - | | - |
| Wednesday 11 August | | | | | |
| Russia | 1400 | Jul budget balance, RUB tr YTD | 1.1 | | 0.6 |
| Romania | 0700 | Jul CPI (YoY%) | 4.85 | | 3.94 |
| Kazakhstan | - | Jul Industrial Production (YoY%) | - | | 1.5 |
| Brazil | 1300 | Jun Retail sales (MoM%/YoY%) | -/- | | 1.4/16 |
| Mexico | 1200 | Jun Industrial Output (MoM%/YoY%) | - | | 0.1/36.4 |
| Thursday 12 August | | | | | |
| Turkey | 1200 | Aug CBT Weekly Repo Rate | 19.0 | | 19 |
| | 1200 | Aug O/N Lending Rate | 20.5 | | 20.5 |
| | 1200 | Aug O/N Borrowing Rate | 17.5 | | 17.5 |
| | 0700 | Jun Industrial Production (MoM/YoY%) | 2.1/21.7 | | 1.35/40.7 |
| Serbia | 1100 | Jul CPI (MoM%/YoY%) | 0.0/3.0 | | 0.3/3.3 |
| | 1100 | Aug Benchmark Interest rate | 1 | | 1 |
| Mexico | 1900 | Aug Interest Rate | - | | 4.25 |
| Friday 13 August | | | | | |
| Turkey | 0800 | Jun Current Account Balance | -0.7 | | -3.1 |
| Poland | 0900 | Jul CPI (MoM%/YoY%) | -/- | | 0.4/5 |
| | 0900 | Q2 GDP (QoQ%/YoY%) Flash | 10.8 | 11.0 | 1.1/-0.9 |
| | 1300 | Jun Current Account | 770 | 514 | 60.0 |
| Czech Rep | 0900 | Jun Current Account Balance | - | | 7.2 |
| Ukraine | - | Jun Trade Balance | - | | -1.1 |
| Kazakhstan | - | Q2 GDP (YoY%) | - | | -1.5 |
| Russia | 1700 | 2Q21 GDP (YoY%) | 9.5 | | -0.7 |

Source: Refinitiv, ING, *GMT

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Asia week ahead: Growth hit by Covid-19 again

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Outflows from China, downbeat news from India

China's foreign exchange reserves, due on Saturday, should show net capital outflows in July. This is due to the government's tightening of regulations on tech companies, education centres, and other industries. Several restrictive policy measures unveiled over a short time frame have led to uncertainty in the market.

Elsewhere in Asia, the Philippines central bank will likely keep rates at 2.0% to help support the economic recovery. However, a possible reduction in the reserve requirement is now likely to help shore up liquidity support.

In India, with the central bank meeting out of the way on Friday (6 Aug), the focus will shift to inflation, trade and manufacturing figures and what these imply for monetary policy. There are not going to be any upbeat releases. Inflation will likely stay near the top of the central

bank's 2-6% policy target while growth should soften as favourable base effects wane and the Delta variant hits the economy. That said, the RBI could still be among the first few Asian central banks to withdraw policy accommodation by early next year (on inflation grounds). We have brought forward our forecast for the first 25bp rate hike from 3Q22 to 1Q22.

GDP releases to reflect Covid-19 measures

In Malaysia, 2Q21 GDP should also capture the impact of the latest Covid-19 wave.

The nationwide movement restrictions will prove to be a significant hit to GDP growth in that quarter. We expect growth to contract by 6.5% quarter-on-quarter, though this will still deliver an 11% year-on-year expansion due to low base effects. The finance ministry recently flagged a possible cut to its 2021 growth outlook, currently 6% to 7.5%, as the economy is taking a significant beating from the third wave of Covid-19. Second-quarter GDP data could be a trigger for this downgrade. Our full-year 2021 forecast is 4.4% after the recent downgrade from 5.3%. We think macro policy has almost hit a wall, and GDP figures are unlikely to have any meaningful impact on future policy direction.

In the Philippines, we look for 2Q21 GDP to expand by 10.9% YoY, but like elsewhere, this is mainly due to large base effects after 2Q20 GDP contracted by 16.9%. Tighter mobility curbs imposed in 3Q will further translate to growth momentum stalling, with our full-year growth forecast likely to be revised lower, depending on the duration of restrictions.

China July trade data will also be released on Saturday (7 Aug). This data should show a bigger surplus from stronger exports of electronic parts and products, which should also support GDP in 3Q to some extent, offsetting damage caused by stricter social distancing measures now that Covid-19 is hitting China again.

Asia Economic Calendar

| Country | Time Data/event | ING Survey | Prev. |
|----------------------------|------------------------------------|------------|----------|
| Saturday 7 August | | | |
| China | - Jul Exports | 25.2 | 32.2 |
| | - Jul Imports | 35.4 | 36.7 |
| | - Jul Trade Balance | 57.4 | 51.5 |
| | - Jul FX Reserves (Monthly) (\$tn) | 3.185 | 3.214 |
| Monday 9 August | | | |
| Japan | 0050 Jun Current Account | 2450.0 | 1979.7 |
| China | 0230 Jul CPI (YoY%) | 1.3 | 1.1 |
| Malaysia | 0500 Jun Industrial Output (YoY%) | 4.7 | 26 |
| Indonesia | - Jul Forex Reserves | - | 137.1 |
| | - Q2 Balance of Payments | - | 4.1 |
| | - Q2 Current Account/GDP | - | -0.4 |
| Taiwan | 0900 Jul Imports | 33.5 | 42.3 |
| | 0900 Jul Exports | 42.2 | 35.1 |
| | 0900 Jul Trade Balance | 5.35 | 5.15 |
| Tuesday 10 August | | | |
| Japan | 0050 Jul M2 Money Supply (YoY%) | 5.7 | 5.9 |
| China | - Jul M2 Money Supply (YoY) | 8.7 | 8.6 |
| | - Jul Aggregate Finance (CNY bn) | 2100.0 | 3668.9 |
| | - Jul New Yuan Loan (CNY bn) | 1575 | 2120 |
| Philippines | 0300 Q2 GDP (QoQ%/YoY%) | - | 0.3/-4.2 |
| Singapore | 1000 Jul Foreign Reserves USD | - | 398.4 |
| Taiwan | 0900 Q2 GDP Final (YoY%) | 7.47 | 7.47 |
| South Korea | 0000 Jul Unemployment Rate | 3.8 | 3.7 |
| Wednesday 11 August | | | |
| Indonesia | 0500 Jun Retail Sales Index (YoY) | - | 14.7 |
| Thursday 12 August | | | |
| India | 1300 Jul CPI Inflation (YoY%) | 6.1 | 6.3 |
| | 1300 Jun Industrial Output (YoY%) | 16.0 | 29.3 |
| Philippines | 0900 Policy Interest Rate | - | 2 |
| Friday 13 August | | | |
| Malaysia | 0500 Q2 Current Account Balance | 12.0 | 12.3 |
| | 1300 Q2 GDP (YoY%) | 11.0 | -0.5 |
| China | - MLF interest rate (%) | 2.95 | 2.95 |
| | | | - |

Source: Refinitiv, ING, *GMT

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