

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



Key Events

Key events in developed markets next week

Despite the headline rate of inflation being depressed in the US, core inflation continues to rise. We look for a 0.4% month-on-month increase in prices,...

By James Knightley, James Smith and Bert Colijn



Key Events | Czech Republic | Hungary...

Key events in EMEA next week

Inflation data is in focus next week, with a substantial increase expected in Poland. In Hungary, the Ministry of Finance will release the preliminary...

By Adam Antoniak , Frantisek Taborsky and Peter Virovacz



Asia week ahead | China | India...

Asia Week Ahead: Inflation readings and a central bank decision

Inflation is in the spotlight in Asia next week while the Bank of Korea considers another rate hike

By Min Joo Kang

Key events in developed markets next week

Despite the headline rate of inflation being depressed in the US, core inflation continues to rise. We look for a 0.4% month-on-month increase in prices, nudging core inflation up to 6.5%. In the UK, next week's new jobs figure will be in focus, where we suspect the unemployment rate will notch a little higher



Source: Shutterstock

✓ US: core inflation set to rise rapidly in the short term

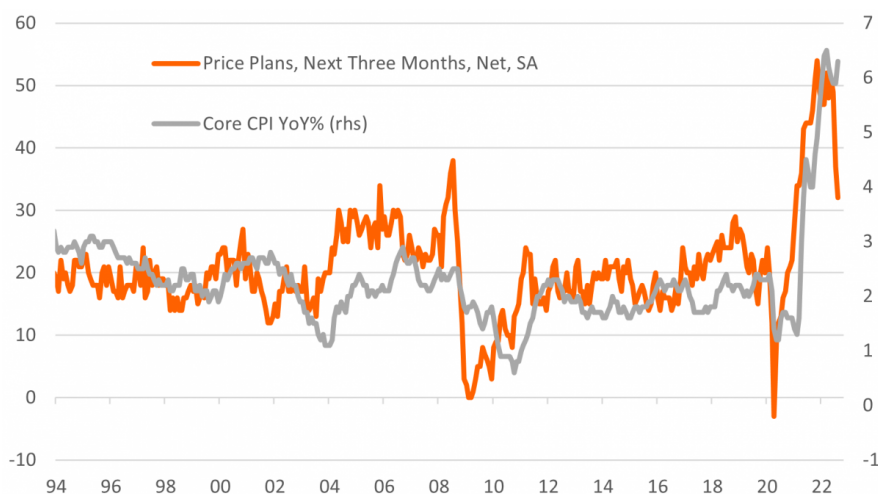
The main US data report to watch next week will be consumer price inflation. The headline rate will be depressed by the lagged effects of the fall in gasoline prices, which is also likely to translate into lower airline fares to some extent. However, the core (ex food and energy) component is set to continue rising at a rapid pace. We look for a 0.4% MoM increase in prices, which would nudge the annual rate of core inflation up to 6.5% from 6.3% - remember it was down at "just" 5.9% in June and July. This unfavourable shift is primarily due to housing costs and recreation prices and should cement expectations for a fourth consecutive 75bp interest rate increase from the Federal Reserve on 2 November.

However, the medium-term outlook for inflation is looking more encouraging. Inflation expectations continue to fall back - we will get an update from the NY Federal Reserve Bank's survey and the University of Michigan consumer sentiment report next week, which publish both short and longer-term consumer expectations of inflation - while corporate price plans appear to be rapidly declining. In this regard, we will be closely watching the NFIB small business optimism

report. Within it, there is a series for the proportion of businesses that are looking to raise their prices in the coming period. Last month it plunged and as the chart below shows, it has historically had a great relationship with predictive power for core inflation. If it falls further this would give us more confidence that the Fed will hike rates more modestly in December given this softening inflation backdrop in an environment of weakening economic activity.

Also watch for retail sales. Auto sales rebounded and should provide a lift while gasoline will be less of a drag given a recent stabilisation in prices. We will also get the minutes of the Federal Reserve's September FOMC meeting when they hiked rates 75bp.

Corporate price plans rapidly declining



Source: Macrobond, ING

✓ UK: jobs data in focus as BoE mulls huge November hike

The UK unemployment rate fell last month. This was driven not by a corresponding increase in employment but by another surge in the number of people classed as inactive – that’s neither in work nor actively seeking it. This is overwhelmingly because of an increase in long-term sickness, and it’s hard to escape the conclusion that this is linked to pressure in the health service. This is likely to be the dominant trend in next week’s new jobs figures, even if we suspect the unemployment rate will notch a little higher again. For the time being, the Bank of England will view all of this through the lens of worker shortages. The Bank’s latest survey of firms has shown another increase in wage growth expectations and no material improvement in the number of companies finding it hard to get staff. We’re expecting a 100bp rate hike in November, though this will partly depend on how sterling trades between now and then. If the situation calms, we wouldn’t rule out a 75bp move, not least because the committee is heavily divided.

✓ Eurozone: expect the energy crisis to worsen the trade deficit

The eurozone focuses on industrial performance next week with industrial production and trade in goods data due to be released. The trade data continues to be dominated by the energy crisis. A trade surplus of around €20bn per month turned into a deficit of around €40bn in July as energy prices soared. With August seeing new highs reached for natural gas prices, expect the trade deficit to have increased. In terms of production, shutdowns due to high energy costs are likely to have

had a significant effect already.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 October					
US		- National holiday	-		-
Norway	0700	Sep CPI (MoM%/YoY%)	-/-		-0.2/6.5
	0700	Sep Core Inflation (MoM%/YoY%)	-/-		-0.5/4.7
Netherlands	0530	Aug Manufacturing Output (MoM%)	-		-0.5
Greece	1000	Sep CPI (YoY%)	-		11.4
	1100	Aug Industrial Output (YoY%)	-		7
Tuesday 11 October					
US	1100	Sep NFIB survey	91.0	91.8	91.8
UK	0700	Aug ILO Unemployment Rate	3.7		3.6
	0700	Aug Employment Change	-115		40
Italy	0900	Aug Industrial Output (MoM%/YoY%)	-/-		0.4/-1.4
Wednesday 12 October					
US	1330	Sep PPI (MoM%/YoY%)	0.1/8.3	0.2/8.4	-0.1/8.7
	1900	FOMC meeting minutes	-		-
UK	0700	Aug GDP Estimate (MoM%)	0.0		0.2
Netherlands	0530	Aug Trade Balance	-		6.77
Eurozone	1000	Aug Industrial Production MoM	-1.7		-2.3
	1000	Aug Industrial Production YoY	-1.3		-2.4
Thursday 13 October					
US	1330	Sep Core CPI (MoM%/YoY%)	0.4/6.5	0.4/6.5	0.6/6.3
	1330	Sep CPI (MoM%/YoY%)	0.2/8.1	0.2/8.1	0.1/8.3
	1330	Initial Jobless Claim (000s)	225		219
	1330	Continue Jobless Claim (mn)	1380		1361
Germany	0700	Sep CPI Final (MoM%/YoY%)	1.9/10		1.9/10
Sweden	0700	Sep CPI (MoM%/YoY%)	-/-		1.8/9.8
	0700	Sep CPIF (MoM%/YoY%)	-/-		1.5/9
Friday 14 October					
US	1330	Sep Retail Sales MM	0.3	0.2	0.3
	1500	Oct University of Michigan Sentiment Prelim	58	58.9	58.6
	1500	Oct University of Michigan Conditions Prelim	59.2		59.7
	1500	Oct University of Michigan Expectations Prelim	57		58
France	0745	Sep CPI (YoY%) NSA	-		5.6
	0745	Sep CPI (MoM%) NSA	-		-0.5
Spain	0800	Sep CPI (MoM%/YoY%)	-/-		-0.6/9
Eurozone	1000	Aug Total Trade Balance SA	-45.0		-40.3
	1200	Sep Reserve Assets Total	-		1130.63

Source: Refinitiv, ING

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Key events in EMEA next week

Inflation data is in focus next week, with a substantial increase expected in Poland. In Hungary, the Ministry of Finance will release the preliminary budget balance for September



Source: Shutterstock

✓ Poland: Current account widen to 5% of GDP and Sep CPI expected at 17.2%

Current account (Aug): EUR-1573mn

Weakening domestic demand and somewhat lower pressure from commodity prices eased pressure on Poland's trade balance, but the scale of the external imbalance remains substantial. We forecast that in August exports in EUR went up by 14.7% YoY, while imports rose by 16.3% YoY. According to our forecasts, the cumulative 12-month current account will widen towards 5% of GDP by the end of the year.

CPI (Sep, final): 17.2%YoY

We expect the StatOffice to confirm its flash estimate of September consumer inflation at 17.2% YoY. The substantial upswing (from 16.1%YoY in August) was linked to rising prices of food and energy (mainly coal), but the scale of increase in core inflation is also shocking. According to our estimates, core inflation excluding food and energy prices jumped from 9.9% YoY in August to 10.7% YoY in September. Core prices increased by some 1.4% MoM, confirming that another wave of higher costs (mainly energy and transport) is being passed onto the prices of final products.

Upward pressure on prices remains substantial and inflation is becoming stubbornly persistent. Deeply negative real interest rates and expansionary fiscal policy do not give much hope for significant disinflation anytime soon.

Czech Republic: Unchanged year-on-year pace of inflation

According to our estimates, inflation slowed again to 0.2% in September from 0.4% in August, which would be the slowest pace since November last year. In annual terms, this implies a stable rate at 17.2%. Compared to the previous month, we see higher prices for food (1.6%), clothing (1.8%) due to the start of the winter season and education (1.4%) due to the start of the school year. On the other hand, prices fell in transport (-1.5%) due to a drop in fuel prices (-4.1%) and tourism (-4.4%) due to the end of the summer season. For energy prices, we expect a similar pace of price increases as in the previous two months, although a few energy price hikes have again been announced for September by the main suppliers. However, the statistical office approach is still unclear and the last two months suggest that we can expect a gradual pass-through of these changes into the CPI rather than a spike in energy prices. Of course, as in the last two months, an upward spike in CPI energy prices cannot be ruled out, but otherwise, we see YoY inflation peaking in these months and we should see a decline by the end of the year, though still above the 16% YoY level.

Hungary: Inflation still moving higher whilst budget improves

Next week is all about the budget and inflation in Hungary. The Ministry of Finance is going to release the preliminary budget balance for September, where we expect a further deterioration with the pressure coming from the expenditure side, while the revenue side will see a boost from the windfall taxes only in the fourth quarter. In this regard, we expect a significant improvement in the months ahead. When it comes to the September inflation print, we see both the core inflation and the headline reading moving higher. The significant uptick in headline inflation is coming from the change in the utility bill support scheme. This could add roughly 3ppt to the year-on-year headline inflation as households were facing higher utility bills in September. The move in core inflation will come mainly from services and processed food as rising energy costs for corporates and the drought feed into consumer prices.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Thursday 6 October					
Turkey	1230	W 3 Gross FX Reserves	-		71.34
Monday 10 October					
Turkey	0800	Aug Unemployment Rate	-		10.1
Czech Rep	0800	Sep Unemployment Rate	-		3.4
Hungary	1000	Sep Budget Balance	-300		-237
Ukraine	-	Sep CPI (MoM%/YoY%)	-/-		1.1/23.8
Kazakhstan	-	Sep Industrial Production (YoY%)	-		2.5
Tuesday 11 October					
Turkey	0800	Aug Current Account Balance	-2.2		-4.01
Czech Rep	0800	Sep CPI (MoM%/YoY%)	0.2/17.2		0.4/17.2
Hungary	0800	Sep Core CPI (YoY%)	21.0		19.0
	0800	Sep CPI (YoY%)	19.9		15.6
	0800	Sep CPI MM NSA	3.9		1.8
Serbia	1100	Oct Benchmark Interest rate	4		3.5
Brazil	-	Sep IPCA Inflation Index (MoM%/YoY%)	-/-		-0.36/8.73
Wednesday 12 October					
Turkey	0800	Aug Industrial Production (MoM/YoY%)	3.0/0.6		-6.2/2.4
Romania	0700	Sep CPI (YoY%)	15.4	15.2	15.32
Serbia	1100	Sep CPI (MoM%/YoY%)	13.2		1.2/13.2
Mexico	1200	Aug Industrial Output (YoY%)	-		2.6
	1200	Aug Industrial Output (MoM%)	-		0.4
Thursday 13 October					
Ukraine	-	Aug Trade Balance YTD	-		-4.21
Friday 14 October					
Poland	0900	Sep CPI (MoM%/YoY%)	-/-		1.6/17.2
	1300	Aug Current Account	-1573	-1446	-1735
Czech Rep	0900	Aug Current Account Balance	-		-24.17
Kazakhstan	-	Sep Industrial Production (MoM%)	-		-0.4
Croatia	1000	Sep CPI (YoY%) NSA	12.3		12.3
	1000	Sep CPI (MoM%) NSA	0.9		0.1

Source: Refinitiv, ING

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Asia Week Ahead: Inflation readings and a central bank decision

Inflation is in the spotlight in Asia next week while the Bank of Korea considers another rate hike



The week ahead

In the coming week, several regional economies will report their inflation figures while the Bank of Korea meets to discuss policy. On top of prices and central bank decisions, we also get trade data from China and the Philippines.

Inflation readings from India and China

India's September inflation numbers are likely to be lifted by higher food prices, in particular, tomatoes, which jumped to almost INR44/kg in September from INR35/kg in August. That will help push food prices up by about 1.7% from the previous month and take the headline inflation rate to 7.8% year-on-year from its current rate of 7.0%. There is some seasonality at work in these price increases, and the effects of this price spike on inflation will likely dissipate quickly, taking inflation back to the low 7s by the following month, enabling the Reserve Bank of India to adopt a more gradual tightening path at its December meeting.

Meanwhile, China's inflation should see a slight pick-up to 2.7%YoY in September (2.5%YoY previous) as the economy gradually recovers.

Bank of Korea to hike another 50bp

The Bank of Korea (BoK) holds a meeting next Wednesday to discuss policy. We expect the BoK to raise interest rates by 50bp, given the faster-than-expected rate hike by the Fed coupled with persistently high domestic inflation.

China and Philippine trade reports

The coming week also features trade data from China. External demand for China's exports has been weaker due to elevated global inflation and therefore we should only expect mild growth for both exports and imports.

In the Philippines, recent trends in trade activity will likely continue. Exports will likely manage only a modest gain while imports are expected to post another month of double-digit gains. The trade deficit should test historic lows once again and put pressure on the Philippine peso in the near term.

Japan and India's industrial data

Industrial production data is also on the data calendar although India's industrial production data for August is a bit lagged. In Japan, machinery orders data will be released and we expect a continuous recovery thanks to manufacturers catching up with previously unmet existing vehicle orders and the economic reopening.

Other important data reports: China loan data and Singapore's GDP

China will release loan data next week that should show another strong month of loan growth which is unusual towards the end of the year. The strong performance is likely due to more lending to SMEs and the agricultural sector. We do not expect any change for the 1Y Medium Term Lending Facility rate (currently at 2.75%). The central bank has stated several times that the current interest rate level is about the neutral level.

Lastly, growth in Singapore may settle at 3.0% YoY with quarter-on-quarter growth almost flat. Retail sales have held up decently in the quarter as have non-oil domestic exports.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 8 October					
China	0245	Sep Caixin Services PMI	53		55
Monday 10 October					
China		- Sep M2 Money Supply (YoY)	12.1		12.2
Indonesia	0400	Sep Consumer Confidence Index	-		124.7
Tuesday 11 October					
Japan	0050	Current Account Balance (JPY bn)	-		229.0
Philippines	0200	Aug Exports (YoY%)	2.1		-4.2
	0200	Aug Imports (YoY%)	25.6		21.5
	0200	Aug Trade Balance	-5948		-5927
Wednesday 12 October					
Japan	0050	Core Machine Orders (MoM%)	1.0		5.3
India	1300	Sep CPI Inflation (YoY%)	7.8		7.0
	1300	Aug Industrial Output (YoY%)	2.2		2.4
South Korea	0200	Oct Bank of Korea Base Rate	3.0		2.5
Thursday 13 October					
China		- 1Y Medium Lending Facility rate (%)	2.75		2.75
Friday 14 October					
China	0230	Sep CPI (YoY%)	2.7		2.5
	0400	Sep Imports/Exports	3.3/4.0		0.3/7.1
	0400	Sep Trade Balance	74.1		79.4
India	0730	Sep WPI Inflation (YoY%)	11.7		12.4
	1230	Sep Imports/Exports (USD bn)	717/438		710/438
South Korea	0000	Sep Unemployment Rate	2.7		2.5
Singapore	0100	Q3 GDP Flash (QoQ%/YoY%)	0.1/0.3		-1.0/4.4

Source: Refinitiv, ING

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