

Our view on next week's key events

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The Fed's semi-annual monetary policy testimony is the highlight of next week, with tapering being the major talking point. In the UK, a further pick-up in inflation is likely to coincide with another improvement in the jobs market



Source: Shutterstock

US: Potential tapering of QE asset purchases following rises in core inflation

The US has a busy calendar with inflation, retail sales, industrial production and Fed Chair Jerome Powell's semi-annual monetary policy testimony to Congress.

We already know that a tapering of the Fed's QE asset purchases are up for discussion and a further increase in core inflation to 4%YoY, which would mark the highest reading since December 1991, could intensify the debate. With labour supply issues and supply chain disruptions putting up costs there is growing evidence that companies are passing them onto consumers given the strong demand environment. This means elevated inflation readings are looking less transitory and more prolonged than the Fed would like.

These disruptions are also holding back activity with industrial production numbers likely to post only modest growth despite very strong order books. It is also impacting retail sales given carmakers are failing to keep up with demand and a lack of inventory of finished goods means autos could be a significant drag on consumer spending this month.

We will get an updated interpretation of what this all means when Jerome Powell gives his semi-

annual testimony to Congress. The Fed has made it clear that by moving to an “average” inflation target they are prepared to allow the economy to run somewhat hotter, with inflation temporarily running above target, to ensure more people feel the benefits of growth. However, given the supply-side strains within the economy, the likely timing of policy tightening is being brought forward and he may offer clearer hints that a tapering of QE asset purchases will start this year.

The Bank of Canada is set to announce another tapering of their QE asset purchases, reducing it to C\$2bn per week from C\$3bn. This would be the third taper with QE purchases initial up at C\$5bn per week. However, a very successful vaccine program over recent months, coupled with strong commodity markets and a rapid rebound in employment mean the economy is on course for strong growth and prolonged above-target inflation readings. We expect the BoC to re-affirm that we should expect interest rate rises from the second half of next year.

UK: Inflation to drift higher as unemployment rate falls (for now)

UK inflation data looks set to be fairly volatile over the summer months, and a further move above target next week won't necessarily tell us a great deal about where things are heading next. That said, we'll be looking for any further hints of reopening pressures after last month saw spikes in various consumer services categories. We expect inflation to peak at roughly 3% in the fourth quarter, though a higher number is certainly not inconceivable.

But things are likely to calm down in 2022, not least because wage pressures are unlikely to build significantly beyond the short-term. Next week's jobs data is likely to show further signs of recovery in the hardest-hit sectors, though the unemployment rate is still likely to notch up in the autumn as wage support is removed. We expect roughly a one-percentage-point increase in the jobless rate over coming months.

Developed Markets Economic Calendar

Country	Time Data/event	ING Survey		Prev.
Monday 12 July				
UK	0001 Jun BRC Retail Sales (YoY%)	-		18.5
Portugal	1100 Jun CPI (MoM/YoY%)	-/-		0.1/0.5
Tuesday 13 July				
US	1330 Jun Core CPI (MoM/YoY%)	0.4/4.0	0.4/4.0	0.7/3.8
	1330 Jun CPI (MoM/YoY%)	0.4/4.8	0.5/4.9	0.6/5
Germany	0700 Jun CPI Final (MoM/YoY%)	4/2.3		0.4/2.3
France	0745 Jun CPI (YoY%) NSA	-		1.5
	0745 Jun CPI (MoM%) NSA	-		0.2
Sweden	Jun Req Unemployment Rate	-		7.9
Wednesday 14 July				
US	Federal Reserve Monetary Policy testimony			
UK	0700 Jun Core CPI (MoM/YoY%)	0.2/2.0		0.8/2.0
	0700 Jun CPI (MoM/YoY%)	0.2/2.2		0.6/2.1
Spain	0800 Jun CPI (MoM/YoY%)	-/-		0.4/2.6
Canada	1500 BoC Rate Decision	0.25	0.25	0.25
Sweden	0830 Jun CPI (MoM/YoY%)	-/-		0.2/1.8
	0830 Jun CPIX (MoM/YoY%)	-/-		0.2/2.1
Netherlands	0530 May Trade Balance	-		5.22
Eurozone	1000 May Industrial Production MM	-		0.8
	1000 May Industrial Production YY	-		39.3
Thursday 15 July				
US	1330 W 0 Initial Jobless Claims	-		-
	1330 W 2 Cont Jobless Claims	-		-
	1415 Jun Industrial Production (MoM%)	0.6	0.6	0.8
UK	0700 May ILO Unemployment Rate	4.6		4.7
	0700 May Employment Change	120		113
Eurozone	1100 Jun Reserve Assets Total	-		885
Friday 16 July				
US	1330 Jun Retail Sales (MoM%)	0	-0.1	-1.3
	1330 Jun Retail Sales control group (MoM%)	0.4	0.3	-0.7
	1500 Jul University of Michigan Sentiment Prelim	87	86.5	85.5
	1500 Jul University of Michigan Conditions Prelim	-		88.6
	1500 Jul University of Michigan Expectations Prelim	-		83.5
Italy	0900 May Global Trade Balance	-		5.9
Eurozone	1000 May Total Trade Balance SA	-		9.4

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

A central bank meeting in Turkey and inflation data across the region are next week's highlights



Source: Shutterstock

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 July					
Kazakhstan		Jun Industrial Production (YoY%)	-		14
Mexico	1200	May Industrial Output (YoY%)	-		36.6
	1200	May Industrial Output (MoM%)	-		-0.2
Tuesday 13 July					
Czech Rep	0800	Jun CPI (MoM/YoY%)	-/-		0.2/2.9
Romania	0700	Jun CPI (YoY%)	-	3.7	3.75
Wednesday 14 July					
Turkey	1200	Jul CBT Weekly Repo Rate	-		19
	1200	Jul O/N Lending Rate	-		20.5
	1200	Jul O/N Borrowing Rate	-		17.5
Poland	1300	May Current Account	-		1740
Czech Rep	1400	May Current Account Balance	-		37.31
Thursday 15 July					
Poland	0900	Jun CPI (MoM/YoY%)	-/-		0.1/4.4
Ukraine		May Trade Balance YTD	-		-1.3
Friday 16 July					
Russia	1700	Jun PPI (MoM/YoY%)	-/-		2.3/35.3
Turkey	0900	Jun Budget Balance	-		-13.4
Poland	1300	Jun Net Inflation (YoY%)	-		4
Croatia	1000	Jun CPI (YoY%) NSA	-		2.1
	1000	Jun CPI (MoM%) NSA	-		0.1

Source: Refinitiv, ING, *GMT

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Asia week ahead: 2Q21 report cards arrive

It's going to be an eventful week with the Asian economic calendar packed with 2Q GDP reports, lots of June activity data and central bank policy meetings



Source: Shutterstock

➔ 2Q GDP reporting begins

China and Singapore are among the first Asian countries to release their 2Q21 GDP reports next week (Vietnam was the very first to do so in late June). But remember, the year-on-year GDP growth rates will be distorted by what happened a year ago.

The post-Covid-19 recovery saw China's GDP growth accelerate to over 18% year-on-year in 1Q21 from a trough of -6.8% YoY in the same quarter a year ago. As such, ING's house view of a slowdown to 6.0% YoY in 2Q stems from the high base effect. In Singapore, the nadir came three

months later than China and hence the peak in growth should come in 2Q this year (ING forecast 12.2% YoY vs. 1.3% in 1Q). However, these figures mask the Covid-19 spread recently.

Although both China and Singapore remain Asian success stories in keeping the pandemic under control, the latest bouts of infection and tightening of restrictions likely held back the recovery of both these economies. As an added blow for Singapore, the key GDP drivers of exports and manufacturing both lost some vigour in recent months, suggesting that a quarter-on-quarter GDP contraction is more likely than not.

➔ June data rampage

The calendar is also packed with a raft of June activity data from around the region, which will help to fine-tune the 2Q GDP estimates for reporting countries.

China's June releases on industrial production, retail sales, investment and home prices may be overshadowed by the GDP report given that all these figures arrive concurrently on 15 June. India's June data dump is also scheduled next week with the inflation report likely taking centre stage after it jumped above the central bank's 6% policy limit in May and continued to accelerate in June. Also look out for India's trade report, which should show high global oil prices driving fuel imports and the overall trade deficit higher – not good news for the beleaguered Indian rupee.

The data pipeline elsewhere including jobs reports in Australia and Korea, New Zealand's 2Q inflation, and Malaysia's industrial production will shed light on the state of these economies during the ongoing pandemic.

➔ Central bank policy meetings

Three of the Asian central banks – the Bank of Japan, the Bank of Korea and the Reserve Bank of New Zealand -- are set to review their monetary policy settings next week. We expect all of them to leave policies on hold.

The latest production figures from Japan and Korea revealed that, aside from electronics and info comms, most production sectors in these economies are suffering from both supply disruptions as well as weak demand (see Rob Carnell's note on this, "[North Asian production softens in May](#)"). And as we noted in this space last week, the brief period of inflation is behind us. Against such a backdrop, the regional central banks are nowhere near mulling a withdrawal of policy accommodation, in our view.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 July					
		- Jun M2 Money Supply (YoY)	8.2	8.2	8.3
India	1400	Jun CPI Inflation (YoY%)	6.6		6.3
	1400	May Industrial Output (YoY%)	35.0		134.4
Malaysia	0600	May Industrial Output (YoY%)	21.0		50.1
Tuesday 13 July					
China		- Jun Exports	26.1		27.9
		- Jun Imports	35.9		51.1
		- Jun Trade Balance	40.0		45.5
South Korea	0100	Jun Unemployment Rate	3.8		3.8
Wednesday 14 July					
New Zealand	0400	1 Cash Rate	0.25		0.25
India	0830	Jun WPI Inflation (YoY%)	12.0		12.9
Singapore	0200	Q2 GDP Flash (QoQ/YoY%)	-3.8/12.2		3.1/1.3
Thursday 15 July					
Australia	0330	Jun Unemployment Rate	4.9		5.1
	0330	Jun Reserve Assets Total	-		65138.0
New Zealand	0030	Jun Manufacturing PMI	60.1		58.6
	0045	Q2 CPI (QoQ/YoY%)	0.7/2.7		0.8/1.5
China	0400	Jun Industrial Output (YoY%)	8.6		8.8
	0400	Jun Retail Sales (YoY%)	10.8		12.4
	0400	Q2 GDP (YoY%)	6.0		18.3
India	1330	Jun Trade Deficit Government - USD	9.4		9.4
	1330	Jun Imports - USD	96.0		41.9
	1330	Jun Exports - USD	47.0		32.5
Indonesia	0600	Jun Consumer Confidence Index	103.2		104.4
	0600	Jun Trade Balance (Bln of \$)	2.7		2.4
	0600	Jun Exports Growth (YoY%)	46.9		58.8
	0600	Jun Imports Growth (YoY%)	38.6		68.7
South Korea	0300	Jul Bank of Korea Base Rate	0.5		0.5
Friday 16 July					
Japan		- 1 JP BOJ Rate Decision	-0.1		-0.1
Singapore	0230	Jun Non-oil domestic exports (MoM/YoY%)	3.2/11.6		-0.1/8.8

Source: Refinitiv, ING, *GMT

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