

Our view on next week's key events

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By James Knightley, Bert Colijn and James Smith



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✓ US: The long and distant past

The upcoming July activity and inflation data is likely to be very constructive, but unfortunately, in the market's mind, this is the long and distant past and doesn't reflect the current situation of escalating US-China trade and geopolitical tensions. The fear is that recent developments will hit sentiment, lead to higher costs and damage supply chains. In turn, this will hurt profitability and make businesses more reluctant to invest and hire new workers, which could result in a broader economic downturn. Therefore while the small business sector, industrial production and retail sales may all post decent gains for July, the story may not be so positive for the rest of the year. As such, the market has moved to price in a greater chance of aggressive Federal Reserve interest rate cuts and it will, therefore, be trade and political developments that will drive market moves rather than the economic data next week.

✓ How bad is the eurozone industrial slump?

Next week will shed light on how broad-based the eurozone industrial slump really is. German data for June was rather alarming and the question is whether the problem is mainly centred around Germany or whether it is more widespread across the monetary union. Also important is the data on eurozone trade, which is due out on Friday. For now, eurozone exports have held up rather well and the pain was felt more in the production of intermediates. June data on trade will provide more insight into the impact of global trade uncertainty on eurozone exports.

Hectic UK data calendar

Amid a busy week for UK data, what really stands out is that wage growth may well hit another post-crisis high. While an uplift in public sector wages back in April is partly behind the recent acceleration in regular pay growth, it's also true that skill shortages in the jobs market are pressuring firms into lifting earning levels more rapidly. This has been a lone hawkish factor for the Bank of England and means that despite a more benign consumer price inflation backdrop, talk of a rate cut seems a little premature.

Having said that, there's not too much to be cheery about in the UK growth mix at the moment. Retail sales are likely to have slipped back in July, despite a more favourable backdrop for real wage growth.

Will Norges Bank hint at a September rate hike?

Despite the deteriorating global growth backdrop, the Norwegian central bank has hiked interest rates twice since the start of the year. And while there's a clear risk that trade tensions intensify further, the strong domestic story suggests Norges Bank could hike rates again in the second half of this year. Breakeven rates in the energy sector are considerably lower than current oil prices, according to the central bank, and this is translating into substantially higher investment.

So it's really a question of "when" rather than "if" when it comes to another Norges Bank rate hike. We have been pencilling in December for the next move, although it looks increasingly likely that it could occur as soon as September. The central bank has a habit of explicitly flagging rate hikes at the meeting prior to the move, so we'll be watching next week's statement for a clearer signal – although given that a lot could still change on trade between now and September, policymakers may choose to keep their options open.

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 August					
Australia	0000	RBA's Debelle Gives Speech in Sydney			
Tuesday 13 August					
US	1100	Jul NFIB Small Business Optimism	105.0	104.9	103.3
	1330	Jul CPI (MoM%)	0.2/1.6	0.3	0.1
	1330	Jul CPI ex. food and energy (MoM/YoY%)	0.2/2.1	0.2/2.1	0.3/2.1
Japan	0050	Jul PPI (MoM/YoY%)	0.3/-0.3	-/-	-0.5/-0.1
	0530	Jun Tertiary industry index (MoM%)	-0.1	-	-0.2
Germany	0700	Jul F CPI (MoM/YoY%)		-/-	0.5/1.7
	1000	Aug ZEW Current Situation Index		-	-1.1
UK	0930	Jun Weekly Earnings (3M avg)	3.6	-	3.4
	0930	Jun Weekly Earnings ex Bonus (3M avg)	3.8	-	3.6
	0930	Jun ILO Unemployment Rate (3M avg.)	3.8	-	3.8
	0930	Jun Employment Change (3M/3M, 000s)	70.0	-	28.0
Spain	0800	Jul F HICP (MoM/YoY%)	-/-	-/-	-1.1/0.7
Australia	2300	RBA's Kent Gives Speech in Sydney			
Sweden	0500	Jul PES Unemployment Rate	-	-	3.6
Wednesday 14 August					
Japan	0050	Jun Core machine orders (MoM/YoY%)	-6.8/-3.8	-/-	-7.8/-3.7
Eurozone	1000	Jun Industrial Production (WDA, YoY%)	-0.6	-	-0.5
	1000	2Q P GDP (QoQ/YoY%)	0.2/1.1	-/-	0.2/1.1
Germany	0700	2Q P GDP (QoQ/YoY%)		-/-	0.4/0.7
UK	0930	Jul CPI (MoM/YoY%)	-0.1/2.0	-/-	0.0/2.0
	0930	Jul Core CPI (YoY%)	1.8	-	1.8
Sweden	0830	Jul CPIF (YoY%)	1.3	-/-	1.7
Netherlands	0830	2Q P GDP (QoQ%)	-	-	0.5
Portugal	0930	Portugal Reports Second-Quarter GDP Estimate			
Thursday 15 August					
US	1330	Jul Advance Retail Sales (MoM%)	0.3	0.3	0.4
	1330	Jul Retail Sales ex. Auto and Gas (MoM%)	0.5	-	0.7
	1415	Jul Industrial Production (MoM%)	0.2	0.3	0.0
Japan	0530	Jun F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-3.6/-4.1
UK	0930	Jul Retail Sales ex Auto Fuel (MoM/YoY%)	-0.4/2.1	-/-	0.9/3.6
	0930	Jul Retail Sales (MoM/YoY%)	-0.4/2.4	-/-	1/3.8
Australia	0200	Aug CPI expectations (YoY%)	3.2	-	3.2
	0230	Jul Employment change ('000)	37.0	-	0.5
	0230	Jul Unemployment rate (%)	5.2	-	5.2
	0230	Jul Participation rate (%)	66.0	-	66.0
Norway	0900	Deposit Rates	1.25	-	1.25
Friday 16 August					
US	1500	Aug P U. of Mich. Sentiment Index	97.0	-	98.4
Eurozone	1000	Jun Trade Balance (€bn)	19032	-	20238.5

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Romania: Maintaining the good rhythm

The good economic momentum seems to have been maintained in the second quarter, but not to the extent that of acceleration. Retail sales have been virtually flat in 2Q19 versus 1Q19 while the trade balance continued widening at a constant rate. Some green shoots are visible in the construction sector while confidence indicators have been improving as well. We, therefore, maintain our 0.5% quarter-on-quarter growth forecast (3.7% year-on-year) for 2Q.

✓ Czech Republic: CPI stable with some upside risk

Czech inflation should remain at 2.7% YoY in July (0.2% MoM), taking into account that fuel prices declined slightly in annual terms (-1.2% MoM) and also food prices usually decline during the summer (-0.5% MoM) as the harvest reaches the market. Still, volatility in food and alcoholic beverages poses some risks towards higher price dynamics. The Czech National Bank also estimates 2.7% CPI in July in its latest forecast. Flash 2Q GDP should slow down slightly towards 2.5% after 2.8% in 1Q19, while the central bank expects 2.7%.

✔ Hungary: Weakening growth yet stronger than its neighbors

We see Hungarian GDP growth slowing down in 2Q19. Based on the high-frequency data in the retail sector, industry and construction, all of them closed a weaker period in April-June versus the first quarter. The quarterly growth rate could be the worst in the past two years. However, the annual economic performance at 4.5% is expected to be strong enough to keep Hungary in the top shelf of all EU member states when it comes to GDP growth. The main driver will remain consumption and investment activity.

✔ Poland: Softening growth expected at 4.6%

We expect 2Q GDP growth to slow down modestly from 4.7% to 4.6% YoY, slightly above the market consensus of 4.5%. Private consumption should remain sound (4.6% YoY), while investments are likely to decelerate after a very strong 1Q. Last quarter numbers were distorted by the weak performance in June related to breaks in manufacturing enterprises work after heat-related disruptions.

The final CPI reading should confirm 2.9% YoY dynamics. The major focus will be on the structure of core inflation. After the flash reading, we estimate an increase from 1.9% to 2.1% YoY. The key factor is whether higher dynamics was an effect of tourism-related activities (rather temporary) or a broad-based acceleration. We see recent growth as rather persistent and forecast CPI above 2% in the coming months and close to 2.5% YoY on average in the fourth quarter.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 11 August					
Kazakhstan	-	Jul Industrial Production Yearly	-	-	5.9
Monday 12 August					
Czech Rep	0800	Jul CPI (MoM%/YoY%)	0.2/2.7	-/-	0.2/2.7
	0800	Jun Export Price Index (YoY%)	-	-	2.0
	0800	Jun Import Price Index (YoY%)	-	-	2.0
Romania	0700	Jul CPI (MoM/YoY%)	-0.3/4.0	-/-	-0.2/3.8
	0700	Jun Industrial Sales (MoM/YoY%)	-/-	-/-	8.7/7.6
Serbia	1100	Jul CPI (MoM/YoY%)	-0.4/1.4	-/-	-0.3/1.5
Tuesday 13 August					
Poland	1300	Jun C/A (€mn)	198	243	1006.0
	1300	Jun Trade Balance (€mn)	-22.0	-150	96.0
	1300	Jun Exports (€)	19276	18650	19703.0
	1300	Jun Imports (€)	19297	18800	19607.0
Czech Rep	0900	Jun C/A (CZKbn)	-	-	11.2
Romania	-	Jun C/A YTD (€m)	-	-	-3401
Israel	1100	Jul Trade Balance (US\$m)	-	-	-1818.7
Wednesday 14 August					
Poland	0900	2Q P GDP (YoY%)	4.6	4.5	4.7
Czech Rep	0800	2Q A GDP (QoQ/YoY%)	0.5/2.5	-/-	0.6/2.8
Hungary	0800	2Q P GDP (SWDA QoQ, YoY%)	0.8/4.5	-	1.5/5.3
Ukraine	-	2Q P GDP (YoY%)	-	-	2.5
Romania	0700	Jun Industrial Production (MoM/YoY%)	-/-	-/-	-2.0/-1.7
	0700	2Q A GDP (SA QoQ, YoY%)	0.5/3.7	-	1.3/5.0
Bulgaria	0900	2Q P GDP (QoQ/YoY%)	-/-	-/-	1.2/3.5
	0900	Jul CPI (MoM/YoY%)	-/-	-/-	-0.6/2.8
South Africa	1200	Jun Retail Sales (MoM/YoY%)	-/-	-/-	0.1/2.2
Thursday 15 August					
Russia	-	Jul Industrial Production (YoY%)	4.7	2.9	3.3
Turkey	0800	May Unemployment Rate (%)	-	-	13.0
Serbia	-	Jun C/A (€mn)	-	-	-124.2
Israel	1630	Jul CPI (MoM/YoY%)	-/-	-/-	-0.6/0.8
Mexico	1900	Overnight Rate	8.00	8.00	8.25
Friday 16 August					
Russia	-	Jul PPI (MoM/YoY%)	-	0.2/3.4	-0.6/4.1
Turkey	0800	Jun Industrial Production (MoM/YoY%)	-/0.5	-/-	1.3/-1.3
Poland	1300	Jul Core Inflation (YoY%)	2.1	-	1.9
Czech Rep	0800	Jul PPI (Industrial) (MoM/YoY%)	-	-	-0.7/2.5
Kazakhstan	-	2Q P GDP (YTD YoY%)	-	-	3.8

Source: ING, Bloomberg

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Source: Shutterstock

➔ China: Still, steady as she goes

This week saw a further escalation in trade tensions, further diminishing hopes of the two sides returning to the negotiation table in September. The next event risk could be a hike in the newly-announced 10% US tariffs on \$300 billion of Chinese goods, (which are due to come into effect in September) to 25%, or even more as President Trump has hinted.

Despite all of this, the Chinese economy, especially exports have been performing quite well. Following slightly better manufacturing PMI for July, an [unusual export bounce](#) in July asserts this

view, while also sustaining the upside potential for the rest of July economic data next week. Hence the above-consensus growth forecasts by our Chinese economist Iris Pang, who expects manufacturing to rise by 6.5%, fixed asset investment by 6%, and retail sales by 9.5% (consensus 6.0%, 5.9%, and 8.6% respectively). Meanwhile, July monetary data due any time from now until 15 August should reinforce that the authorities aren't letting their guard down in providing the necessary fiscal stimulus.

[China: Exports better than expected with unusual jump in some items](#)

➔ India: Test of RBI's aggressive easing

India's forthcoming manufacturing, trade, and inflation releases will be gleaned in the light of [RBI's additional rate](#) cut this week. Like China, India's 2% export growth in the first half of 2019 - the fastest among Asian countries - testifies that the Indian economy is performing well despite external headwinds, while stimulatory economic policies support domestic spending. As this holds a line under GDP growth, rising food price inflation has already begun to drive headline consumer price inflation higher.

With the escalation of border tensions undermining growth prospects further, we can't rule out RBI cutting rates further this year. We now pencil in additional 50 bp easing by year end, replacing our stable policy view.

So far economic data conforms to our view that the economy has had enough stimulus and the latest RBI rate cut wasn't really required. However, coinciding with the RBI meeting, the events about the disputed state of Kashmir may have had government's heavy hands in the RBI's unexpectedly big, 35 basis point rate cut decision this week. With the escalation of border tensions undermining growth prospects further, we can't rule out RBI cutting rates further this year. We are now pencilling in additional 50 bp easing this year, replacing our stable policy view.

[India's RBI cuts more than consensus by 35bp](#)

➔ The rest of Asia: Reeling under export weakness

July trade figures from Singapore and Indonesia will inform on the growth of these economies coming into the third quarter of the year. Singapore seems to be the weakest link in export performance in Asia with contraction in non-oil domestic exports now running in high teens (-17% YoY in June, -20% ING forecast for July). If so, any recovery from a sharp GDP slowdown in the second quarter would be a far cry, though we estimate a slight upward revision to 2Q growth to 0.2% YoY from 0.1% in advance report. Our Singapore watcher, Rob Carnell, sees this week's [sharp fall in the 3-month SIBOR](#) (Singapore interbank offer rate) as a clue to the imminent off-cycle central bank policy easing.

However, alongside China and India, Malaysia is also another notable exception to the export-led GDP slowdown, as what we expect the country's GDP report for 2Q to reveal next week. Relatively

firmer exports and manufacturing growth led us to raise our 2Q GDP growth forecast to 4.8% from 4.6%, following a brief slowdown to 4.5% in the previous quarter.

Also due next week is Malaysia's inflation data for July, which is likely to underscore the lack of inflation pressures, allowing the central bank to cut rates in the event that growth deteriorates. That's not quite our baseline though, with a forecast of stable BNM policy maintained for now.

[Singapore short term rates drop](#)

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 August					
China	-	Jul Aggregate finance (Yuan bn)	1862.9	1625	2262.9
	-	Jul Financial institution loans (Yuan bn)	1400	1275	1663.6
	-	Jul Money supply (M2) (%YoY)	8.5	8.4	8.5
Tuesday 13 August					
India	1300	Jul CPI (YoY%)	3.4	3.1	3.2
	-	Jul Exports (YoY%)	-5.5	-	-9.7
	-	Jul Imports (YoY%)	-4.5	-	-9.1
	-	Jul Trade deficit (US\$bn)	-18.0	-15.2	-15.3
Singapore	0100	2Q F GDP (QoQ Annualised/ YoY%)	-2.9/0.2	-/-	-3.4/0.1
Wednesday 14 August					
China	0300	Jul Fixed asset investment (YTD YoY%)	6.0	5.9	5.8
	0300	Jul Industrial Production (YoY%)	6.5	6.0	6.3
	0300	Jul Retail Sales (YoY%)	9.5	8.6	9.8
India	0730	Jul WPI (YoY%)	2.0	1.9	2.0
South Korea	0000	Jul Unemployment rate (SA%)	4.1	-	4.0
Thursday 15 August					
China	0230	Jul 70-cities New home prices (% YoY/MoM)	10.5/0.5	-	10.8/0.7
Indonesia	0500	Jul Exports (YoY%)	-7.1	-	-9.0
	0500	Jul Imports (YoY%)	-16.2	-	2.8
	0500	Jul Trade balance (US\$m)	-205	-	196
Philippines	-	Jun OCW remittances (YoY%)	-0.1	-	5.7
Friday 16 August					
Hong Kong	0930	2Q F GDP (Q) (QoQ SA, YoY%)	-/0.6	-/-	-0.3/0.6
	0930	Unemployment rate	2.9	-	2.8
Malaysia	0500	Jul CPI (YoY%)	1.5	-	1.5
	0500	2Q GDP (QoQ SA, YoY%)	0.9/4.8	-/-	1.1/4.5
	0500	2Q Current account (Q) (MYR bn)	5.3	-	16.4
Singapore	0130	Jul Non-oil domestic exports (MoM SA, YoY%)	3.9/-20.0	-/-	-7.6/-17.3

Source: ING, Bloomberg, *GMT

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