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Our view on next week's key events

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By Peter Virovacz

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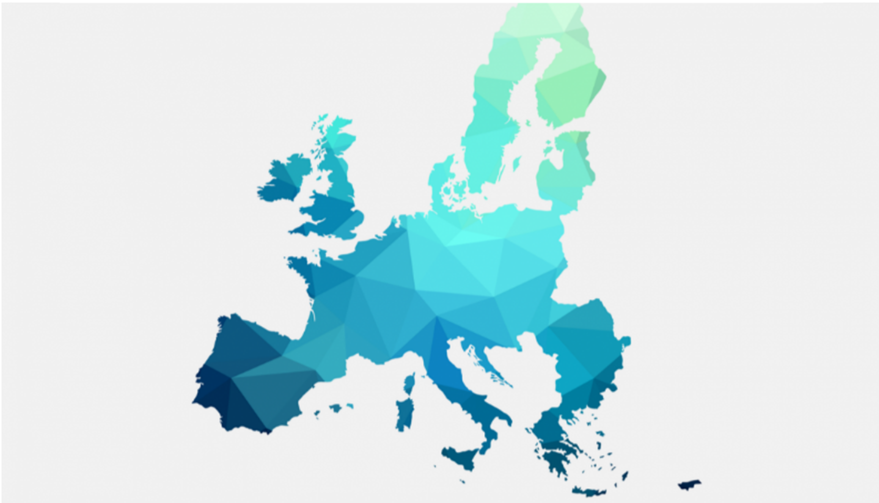

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Big week for UK data as economic risks build

There are three things to watch in the UK in the coming week. First up, it's the jobs report where we expect wage growth (ex-bonuses) and jobs growth to slip back further – although both are mainly a function of base effects. Pay had an exceptionally bad start to 2017, which has been flattering the year-on-year comparison through the early parts of this year. Importantly, the Bank of England (BoE) remains confident wage pressures will continue to build.

But it's not quite the same story for inflation, due to be released on Wednesday. While headline CPI is being kept aloft by higher oil prices, core inflation is likely to remain at 2% as the impact of the pound's post-Brexit plunge continues to wear off.

Increasingly though, we think the bigger headache for the BoE is likely to be growth. Following a dip in June, Thursday's retail sales data may stabilise. But much of the recent improvement has been down to the sun, and as normal British summer weather conditions are restored, the cracks in the retail sector are likely to resurface. Incomes remain under pressure, while the increased talk of a 'no deal' Brexit could dampen confidence over coming months. For this reason, we don't expect another Bank of England rate hike before the UK leaves the EU next year.

Norges Bank to reiterate hawkish stance

Norges Bank (NB) meets on Thursday and while we don't expect a rate hike this time around, the Norwegian central bank is likely to reiterate its intention to raise the policy rate by 25 basis points to 0.75% in September. This should support the krone and Norwegian rates, as markets are still some way from fully pricing a September hike from the NB. Elsewhere, Swedish house price data for July are worth watching as the housing market remains a key source of uncertainty to the Swedish economic outlook, though we don't expect prices to have moved much over the summer holiday period.

German GDP data could still surprise

After this week's disappointing industrial data, 2Q18 GDP data could still surprise to the upside and outperform the eurozone's 0.3%.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 10 August			
US	1330	Jul CPI (MoM%)	0.2/3.0	0.2	0.1
	1330	Jul CPI ex. food and energy (MoM/YoY%)	0.2/2.3	0.2/2.3	0.2/2.3
Japan	0050	Jul PPI (MoM/YoY%)	-	0.2/2.9	0.2/2.8
	0050	2Q P GDP (Annualised, QoQ%)	-	1.4	-0.6
	0050	2Q P GDP Deflator - Advance (Q) (YoY%)	-	0	0.5
	0530	Jun Tertiary Industry Index (MoM%)	-	-0.3	0.1
UK	0930	Jun Trade Balance (£m)	-2500	-2500	-2790
	0930	2Q P GDP (QoQ/YoY%)	0.4/1.4	0.4/1.3	0.2/1.2
	0930	Jun Industrial Production (MoM/YoY%)	0.5/0.8	0.3/0.7	-0.4/0.8
Canada	1330	Jul Net Change in Employment	-	19	31.8
	1330	Jul Unemployment Rate (%)	6	5.9	6
Australia	0230	RBA Statement on Monetary Policy			
Norway	0700	Jul CPI (MoM/YoY%)	0.5/2.6	0.3/2.6	0.6/2.6
	0700	Jul Core CPI-ATE (MoM/YoY%)	0.4/1.3	-/-	0.4/1.1
Sweden	0830	Jul CPI (MoM/YoY%)	0.5/2.0	0.5/2	0.2/2.1
	0830	Jul CPIF (MoM/YoY%)	0.5/2.2	-/-	0.3/2.2
	0830	Jul Core CPIF ex-energy (MoM/YoY%)	0.3/1.2	-/-	0.1/1.4
Portugal	1100	Portugal Releases Construction Output, Employment and CPI Report			
Greece	-	Greece Sovereign Debt to be Rated by Fitch			
		Monday 13 August			
Italy	0900	Jul F HICP (YoY%)	-	-	1.9
Sweden	0730	SEB Swedish Monthly Housing-Price Indicator			
Portugal	1100	Portugal Releases Services Sales and Employment Report			
		Tuesday 14 August			
US	1100	Jul NFIB Small Business Optimism	107	-	107.2
	1600	New York Fed to Release Q2 2018 Household Debt & Credit Report			
Japan	0530	Jun F Industrial production - Prel (MoM/YoY%)	-/-	-/-	-2.1/-1.2
Eurozone	1000	Jun Industrial Production (WDA, YoY%)	2.6	-	2.4
	1000	2Q P GDP (QoQ/YoY%)	0.3/2.1	-/-	0.3/2.1
Germany	0700	2Q P GDP (QoQ/YoY%)	0.4/2.5	-/-	0.3/2.3
	0700	Jul F CPI (MoM/YoY%)	70	-/-	0.3/2
	1000	Aug ZEW Current Situation Index	-	-	72.4
UK	0930	Jul Claimant Count Rate (%)	-	-	2.5
	0930	Jun Weekly Earnings (3M avg)	2.5	-	2.5
	0930	Jun Weekly Earnings Ex. Bonus (3M avg)	2.6	-	2.7
	0930	Jun ILO Unemployment Rate (3M avg.)	4.2	-	4.2
	0930	Jun Employment Change (3M/3M)	80	-	137
Spain	0800	Jul F HICP (MoM/YoY%)	-/-	-/-	-1.2/2.3
Netherlands	0830	2Q P GDP (QoQ%)	0.6	-	0.6
Portugal	0930	Portugal Reports Second-Quarter GDP Estimate			
	1100	Portugal Reports Second-Quarter Labor Cost Index			
	-	Bank of Portugal Releases Data on Banks			
		Wednesday 15 August			
US	1330	Jul Advance Retail Sales (MoM%)	0	0.2	0.5
	1330	Jul Retail Sales ex. Auto and Gas (MoM%)	0.5	-	0.3
	1415	Jul Industrial Production (MoM%)	0.3	0.2	0.62
UK	0930	Jul CPI (MoM/YoY%)	0.0/2.5	-/-	0/2.4
	0930	Jul Core CPI (YoY%)	2	-	1.9
		Thursday 16 August			
Japan	0050	Jul Exports (YoY%)	-	-	6.7
	0050	Jul Imports (YoY%)	-	-	2.6
Eurozone	1000	Jun Trade Balance (€bn)	-	-	16885.2
UK	0930	Jul Retail Sales Ex Auto Fuel (MoM%/YoY%)	0.2/2.8	-/-	-0.6/3
	0930	Jul Retail Sales (MoM/YoY%)	0.2/3.0	-/-	-0.5/2.9
Australia	0200	Aug CPI Expectations (YoY%)	-	-	3.9
	0230	Jul Employment Change ('000)	-	-	50.9
	0230	Jul Unemployment Rate (%)	-	-	5.4
Norway	0900	Deposit Rates	0.5	-	0.5
		Friday 17 August			
US	1500	Aug P U. of Mich. Sentiment Index	97.8	97.8	97.9
Eurozone	1000	Jul F Core CPI (YoY%)	1.1	-	1.1
	1000	Jul F CPI (MoM, YoY%)	-0.3/2.1	-/-	-0.3/2.1
Canada	1330	Jul CPI (MoM/YoY%)	0.1/2.5	-/-	0.1/2.5
Australia	-	RBA's Ellis Speech in Canberra			
Hungary	-	Hungary Sovereign Debt to be Rated by S&P			

Source: ING, Bloomberg

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Asia week ahead: Bank Indonesia pauses tightening

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6.4% **China industrial production growth**

ING forecast for July, up from 6.0% in June

More Chinese economic data for July

As expected, China's July trade data showed little impact from the US-China trade war in the initial phase of $34bn of tariffs. The remaining economic data for July – industrial production, retail sales, fixed asset investment, and monetary indicators – is likely to reinforce the same message.

We increase our industrial production growth forecast to 6.4% year on year for July from the 6% in June on the back of firmer exports. Investment and monetary data will shed light on whether recent liberalisation measures in areas of financial securitisation and asset management have started showing results.

5.25% BI policy rate

ING forecast, no change from current level

Indonesian central bank tightening cycle isn't over just yet

Indonesia's central bank will hold its policy meeting next Thursday (16 August). After a cumulative 100 basis point of policy interest rate hikes in May and June, Bank Indonesia paused tightening at the July meeting. We aren't looking for any policy moves next week, and Indonesian economic data since the July meeting supports our call. However, this doesn't mean that the Indonesia tightening cycle is over just yet.

Most of the policy tightening so far was aimed at curbing the weakness of the Indonesia rupiah, while inflation has been running in the lower half of 2.5 - 4.5% policy target. A likely swing in the trade balance to a deficit in July from a surplus in June could reignite the currency pressure.

July trade data is also due next week (15 August). The rupiah will come under pressure once the trade war begins to hurt exports. Moreover, higher tariffs together with the currency weakness will pressure inflation higher. and we continue to expect one more 25 basis point hike later this year.

5.2% Malaysia 2Q GDP growth

ING forecast, down from 5.4% in 1Q

Singapore and Malaysia report second quarter GDP

Singapore reports revised GDP figures for the second quarter. The advance estimate released in July revealed a slowdown in GDP growth to 3.8% YoY from 4.3% in the first quarter. But the subsequent data showed strong industrial production growth which leads us to revise upwards our second quarter growth to 4.0%.

But that's not important. We think the non-oil domestic exports figure for July - the first hard activity data for the current quarter will be more significant for GDP growth amid growing global trade tensions. June NODX was exceptionally weak with 11% month on month fall (seasonally adjusted), so we expect some clawback in July.

As for Malaysia, we forecast a slowdown to 5.2% YoY in the second quarter from 5.4% in the previous quarter – which is still among the strong growth economies in Asia. We infer from widening external trade surplus that net exports, which displaced domestic demand as GDP growth driver in the first quarter, remained in the driving seat.

We think the best of GDP growth in Asian economies is over and the global trade war is going to depress growth going forward.

4.8%

India CPI inflation

ING forecast for July, down from 5.0% in June

Inflation and trade figures matter for India's central bank

India’s consumer prices and trade data for July are due. A likely dip in CPI inflation below 5% may come as a relief for the central bank's tightening policy. However, this tells us more about what happened a year ago than what's happening now - the high-base year effect.

We don't expect any moderation in key CPI drivers of food, fuel and transport prices. Typically, July is the month with a sharp month-on-month rise in the food components in the year.

On the trade side, the widening trade deficit trend underway since February this year looks set to remain in place. We forecast a further widening of the trade deficit to $16.9bn in July from $16.6bn in June as a result of slower export and faster import growth. Oil contributes to almost half of the trade deficit.

We don’t expect overhang on the Indian rupee from widening trade deficit and elevated inflation to lift anytime soon. Hence our forecast of continued central bank policy tightening ahead.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 10 August			
China	-	Jul Money supply (M2) (YoY%)	8.2	8.2	8
	1000	Jul Aggregate Finance	1380	-	1180
	1000	Jul Total Loan Growth	12.75	-	12.73
	1010	Jul Financial Institution Loans (Yuan bn)	2040	-	1840
India	1300	Jun Industrial Production (YoY%)	6.5	-	3.2
Hong Kong	0930	2Q GDP (QoQ, SA/YoY%)	4.5	-/-	2.2/4.7
Malaysia	0500	Jun Industrial Production (YoY%)	3.9	3.5	1.5
Singapore	0600	Jun Retail Sales Value (MoM/YoY%)	-/-	-/1.2	0.1/0.1
		Sunday 12 August			
India	-	Jul Trade Deficit (US$bn)	-16900	-	-16600
	-	Jul Exports (YoY%)	15	-	17.57
	-	Jul Imports (YoY%)	26	-	21.31
		Monday 13 August			
India	1300	Jul CPI (YoY%)	4.8	-	5
Singapore	0100	2Q F GDP (QoQ/YoY%)	-/-	-/-	1/3.8
		Tuesday 14 August			
China	0300	Jul Retail Sales (YoY%)	9.4	9.1	9
	0300	Jul Industrial Production (YoY%)	6.4	6.3	6
	0300	Jul Fixed Asset Investment (YTD, YoY%)	6.5	6	6
India	0730	Jul WPI (YoY%)	5	-	5.77
		Wednesday 15 August			
Indonesia	0500	Jul Imports (YoY%)	17	-	12.66
	0500	Jul Exports (YoY%)	15.1	-	11.47
	0500	Jul Trade balance (US$mn)	-580	-	1742.6
	-	BI Policy Decision (7-day reverse repo, %)	5.25	-	5.25
Philippines	-	Jun OCW Remittances (YoY%)	5.3	-	6.9
		Thursday 16 August			
Malaysia	0500	2Q GDP (QoQ, SA/YoY%)	-/5.2	-/-	1.4/5.4
	0500	2Q Current Account (Q) (MYR bn)	-	-	15000
		Friday 17 August			
Singapore	0130	Jul Non-oil Domestic Exports (MoM/YoY%)	4.4/11.8	-/-	-10.8/1.1
Taiwan	1000	2Q F GDP (YoY%)	3.3	-	3.29
South Korea	0000	Jul Unemployment Rate (% SA)	3.7	-	3.7

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

Two key events to watch in Hungary

In Hungary, there are only two events to watch out for next week, but they're important. On Tuesday, the Statistical Office releases the advance estimate of 2Q18 GDP. We expect a mild deceleration to 4% year-on-year, as both the industry and retail sectors have shown some sign of softening recently.

On Friday, the rating agency Standard & Poor's will review its sovereign debt ratings. In our view, the potential for an upgrade is 50/50. S&P gave a positive outlook exactly a year ago, and the important metrics are looking good. But recent market turmoil and deficit numbers (the EU-transfer story) could prevent the agency from acting. Neither outcome (confirm or upgrade) would come as a surprise, so we only expect a limited market reaction after the decision.

Double-digit investment growth could boost Polish GDP in 2Q

We expect 2Q18 GDP to grow by 5.3% year on year based on solid consumption and double-digit investment growth. The contribution from net exports should be positive after a -1.2% deficit in the first quarter, which was likely a statistical anomaly. Data on the labour market is expected to confirm a moderation of wage pressures in the enterprise sector - we forecast stable salary growth of 7.4% YoY.

Czech Republic reliant on domestic demand as growth driver

A flash estimate for 2Q Czech GDP should show growth accelerated slightly, in quarterly terms, after the 0.5% reading we saw in the first quarter. However, due to a high base rate and negative net exports, the annual rate should decelerate towards 2.5% - which would be the lowest YoY reading this year.

This shouldn't be taken as negative news as both household consumption and investments are likely to remain solid. As such, domestic demand will be the main driver of overall economic expansion this year, while net exports will detract from growth. This is due to weaker export activity as well as strong imports, predominantly driven by higher domestic demand and import-intense investments.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 10 August			
Russia	1400	Jun Trade Balance (US$bn)	-	15.5	15.151
	-	2Q A GDP (YoY%)	-	1.9	1.3
Turkey	0800	Jun C/A (US$mn)	-2.9	-3	-5.885
Czech Rep	0800	Czech National Bank Publishes Minutes From Board Meeting			
Romania	0700	Jun Industrial Production (MoM/YoY%)	-/-	-/-	-0.4/3.6
	0700	Jun Industrial Sales (MoM/YoY%)	-/-	-/-	11/11.4
	0700	Jul CPI (MoM/YoY%)	-0.3/4.8	-0.1/5.2	0.02/5.4
Brazil	1300	Jun Retail Sales (YoY%)	3.8	2.5	2.7
Mexico	1400	Jun Industrial Production (YoY%)	0.3	0.25	0.26
		Monday 13 August			
Poland	1300	Jun C/A (€mn)	-777	-476	42
	1300	Jun Trade Balance (€mn)	-119	-66	98
	1300	Jun Exports (€)	17391	17810	17251
	1300	Jun Imports (€)	17510	17827	17153
Czech Rep	0900	Jun C/A (CZKbn)	-14	-	-2.2
Romania	-	Jun C/A YTD (€m)	-	-	-3018
	1300	National Bank of Romania Publishes Minutes of Rate Meeting			
Serbia	1100	Jul CPI (MoM/YoY%)	-/-	-/-	0.4/2.3
Israel	1100	Jul Trade Balance (US$mn)	-	-	-2142.5
		Tuesday 14 August			
Poland	0900	Jul F CPI (MoM/YoY%)	-0.1/2	-/-	-0.1/2
	0900	2Q P GDP (QoQ/YoY%)	1.2/5.3	1/5	1.6/5.2
Czech Rep	0800	2Q A GDP (QoQ/YoY%)	0.7/2.5	-/-	0.5/4.2
Hungary	0800	2Q P GDP (SWDA, QoQ/NSA, YoY%)	0.7/4.0	-/-	1.2/4.4
Ukraine	-	2Q P GDP (YoY%)	-	-	3.1
Romania	0700	2Q A GDP (SA, QoQ/YoY%)	0.9/3.4	-/-	0.06/4
Bulgaria	0900	2Q P GDP (QoQ/YoY%)	-/-	-/-	0.91/3.2
	0900	Jul CPI (MoM%)	-	-	0.1
South Africa	1030	Jun Mining Production (MoM/YoY%)	-/-	-/-	5/-2.6
		Wednesday 15 August			
Russia	-	Jul Industrial Production (YoY%)	-	2.6	2.2
Turkey	0800	May Unemployment Rate (%)	-	-	9.61
Kazakhstan	-	Jul Industrial Production (YoY%)	-	-	4.2
South Africa	1200	Jun Retail Sales (MoM/YoY%)	-/-	-/-	1.1/1.9
Israel	1630	Jul CPI (MoM/YoY%)	-/-	-/-	0.1/1.3
		Thursday 16 August			
Turkey	0800	Jun Industrial Production (MoM/YoY%)	-/5.0	-/-	-1.6/6.4
Poland	1300	Jul Core Inflation (MoM/YoY%)	0/0.6	0/0.6	0.1/0.6
Czech Rep	0800	Jul PPI (Industrial) (MoM/YoY%)	0.0/3.1	-/-	0.6/2.9
	0800	Jun Export Price Index (YoY%)	-	-	-1.5
	0800	Jun Import Price Index (YoY%)	-	-	-2.3
Serbia	-	Jun C/A (€mn)	-	-	52.8
Israel	1100	2Q A GDP (QoQ Annualised %)	-	-	4.7
		Friday 17 August			
Russia	1400	Jul Retail Sales (YoY%)	-	3	3
	1400	Jul Real wages (YoY%)	-	7	7.2
	-	Jul PPI (MoM/YoY%)	-/-	1.1/17.4	3.4/16.1
	-	Russia Sovereign Debt to be Rated by Fitch			
Turkey	0800	Aug Consumer Confidence	-	-	73.07
	-	Turkey Sovereign Debt to be Rated by S&P			
Poland	0900	Jul Avg Gross Wages (MoM/YoY%)	-0.3/7.4	-0.1/7.7	3.2/7.5
	0900	Jul Employment (MoM/YoY%)	0.1/3.5	0.2/3.6	0.2/3.7
Kazakhstan	-	2Q P GDP YTD YoY	-	-	4.1

Source: ING, Bloomberg

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