

Our view on next week's key events

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In this bundle



Key events in developed markets next week

We expect the minutes from the July FOMC meeting will continue to exhibit hawkish sentiments. In the UK, inflation and wage data will be released

By James Smith and James Knightley



Key events in EMEA next week

There will be essential data releases in Poland next week with CPI expected to fall and GDP to decline for the second consecutive quarter

By Adam Antoniak and Peter Virovacz



Asia week ahead | Australia | China...

Asia week ahead: Regional inflation data and the Philippines' rate decision

Japanese data, inflation reports and central bank moves all feature in the week ahead

By Robert Carnell and Min Joo Kang

Article | 11 August 2023

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US markets have fully embraced the soft landing story

Markets have fully embraced the soft landing story in the United States whereby growth is respectable while inflation is slowing nicely, offering the Fed the opportunity to call time on interest rate hikes and eventually cut rates in early 2024 to cushion the economy from a hard landing, as high borrowing costs and tight lending conditions inevitably take their toll.

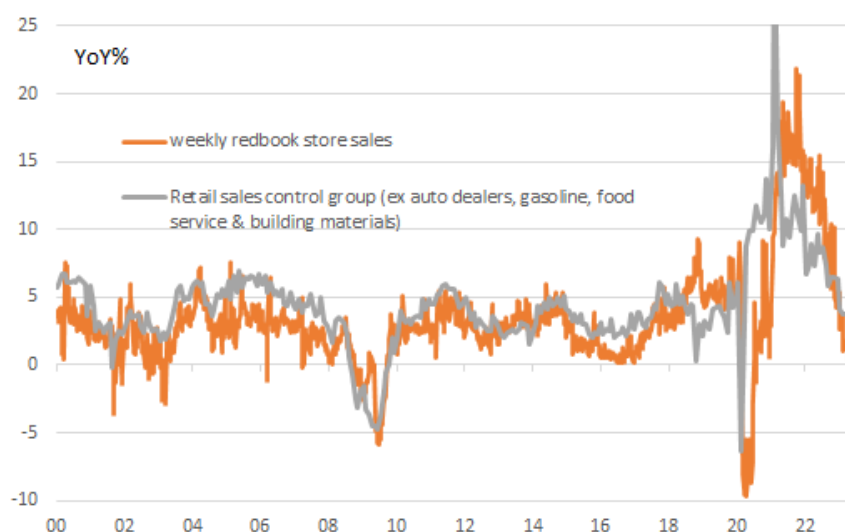
There is a lot that could go wrong though, most notably the abrupt hard stop in credit expansion seen since March and its impact on economic activity – but that is a medium-term story. In the near term, the upcoming data is unlikely to support market sentiment, with retail sales looking set to post a decent figure thanks in part to Amazon Prime Day lifting spending, higher gasoline prices boosting the value of gasoline station sales, and vehicle sales ticking higher. However, there will be areas of weakness with chain stores seeing poor sales in recent months, suggesting a risk that the year-on-year rate of retail sales growth will slow to a crawl in the next couple of months.

Meanwhile, the minutes of the July FOMC meeting will continue to exhibit hawkish sentiments with the Fed wary about signalling an imminent peak in US interest rates, fearing that this could intensify 2024 interest rate cut expectations and in turn trigger a sharp fall in Treasury yields that would be detrimental to the fight to get inflation back to target. Nonetheless, recent Fed

comments have suggested that some members of the committee think they may have done enough with the latest inflation data likely to see more members thinking along those lines. The next big Fed event will be the Jackson Hole symposium between 24-26 August, where we expect to hear Fed Chair Jerome Powell give a bit more guidance on the potential near-term path for policy rates.

Rounding out the numbers, we will likely see manufacturing production flat-lining after nine consecutive contraction prints from the ISM index. Industrial production overall may rise thanks to higher utility usage.

Retail sales vs weekly Johnson Redbook sales



✓ UK inflation and wage data to help shape BoE path after November

The Bank of England has made it abundantly clear that it's watching services inflation and wage data, and not a whole lot else, to judge how many further rate hikes are needed. We [discussed recently](#) why a September pause is unlikely but not totally out of the question, and why we think a November hike can hopefully be avoided. But that latter prediction hinges on the data showing a bit of improvement, and here's what we expect over the next week:

Jobs/wages (Tuesday): The jobs market has been cooling, and we expect to see further signs of improving worker supply in next week's figures. Indeed there's a risk that the unemployment rate ticks another 0.1pp higher. For now though wage pressures remain strong and we think private sector wage growth will remain at 7.7% (measured as the last three month's average compared to the same period last year). That will slip back over the next few readings, but the downtrend is going to be slow. We tend to agree with the BoE's forecasts that this will have only fallen to around 6% by year-end.

Inflation (Wednesday): Household energy bills fell by almost 20% in July, so it should be no surprise that the headline inflation rate should have fallen by more than one percentage point. A further improvement in food inflation should also help. But the BoE is watching services CPI and expects this to nudge up from 7.2% to 7.3% on a year-on-year basis. While the start of summer holidays

leaves plenty of scope for package holidays/air fares to throw this around, we think the risk to that Bank of England forecast is to a lower reading. We expect services inflation to remain flat or in fact go slightly lower, and if so, that would support our tentatively held view that the Bank will only hike once more.

Retail sales (Friday): If June's decent retail figures were helped by warmer weather, then the washout that was July should see a bit of weakness creep back in. July was the sixth wettest on record. Ultimately though the retail figures are of little consequence to the Bank of England right now, which is squarely focused on inflation.

✓ Norway to pivot back to 25bp rate hike following krone stabilisation

After the krone continued to weaken throughout the second quarter, Norges Bank hiked rates by half a percentage point in June and substantially increased its interest rate projection. Back then it saw rates peaking at 4.25% (from 3.75%) now, and there's little reason to believe that thinking has changed much since.

Inflation has come in largely as expected, while the krone has strengthened and Norges Bank's I44 trade-weighted index is on-track to undershoot (i.e a bigger appreciation) than had been forecast in June. That suggests we will get a 25bp rate hike next week, and assuming other central banks are very close to finishing their own tightening cycles, we suspect another 25bp hike in September will mark the peak for policy rates in Norway.

Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
Tuesday 15 August				
US	1330 Jul Retail Sales (MoM%)	0.4	0.4	0.2
UK	0700 Jun ILO Unemployment Rate	4.0		4.0
	0700 Jun Employment Change	170		102
	0700 June Avg. Weekly Earnings ex. bonus (3M/YoY%)	7.3		7.3
Canada	1330 Jul CPI Inflation (MoM%/YoY%)	0.2/2.9	0.2/2.9	0.1/2.8
Sweden	0700 Jul CPI (MoM%/YoY%)	-/-	/	1.1/9.3
	0700 Jul CPIF (MoM%/YoY%)	-/-	/	0.9/6.4
Eurozone	1100 Jul Reserve Assets Total	-		1105.6
Wednesday 16 August				
US	1415 Jul Industrial Production (MoM%)	0.3	0.4	-0.5
	1915 Jul FOMC meeting minutes	-	-	-
UK	0700 Jul Core CPI (MoM%/YoY%)	0.3/6.8	/	0.2/6.9
	0700 Jul CPI (MoM%/YoY%)	-0.5/6.7	/	0.1/7.9
Netherlands	0830 Q2 GDP Prelim (QoQ%/YoY%)	-/-	/	-0.3/1.9
	0830 Jun Trade Balance	-		9.92
Eurozone	1000 Q2 GDP Flash Estimate (QoQ%/YoY%)	-/-	0.3/0.6	0.3/0.6
	1000 Jun Industrial Production (MoM%/YoY%)	-/-	/	0.2/-2.2
Thursday 17 August				
Norway	0900 Key Policy Rate	4.00		3.75
Eurozone	1000 Jun Total Trade Balance	-		-0.9
US	1330 Initial Jobless Claims (000s)	250	-	248
	1330 Continuing Jobless Claims (000s)	1700	-	1684
Friday 18 August				
UK	0700 Jul Retail Sales (MoM%/YoY%)	-0.5/-2.0		0.7/-1.0
	0700 Jul Retail Sales ex. fuel (MoM%/YoY%)	-0.6/-2.2		
Eurozone	1000 Jul Final CPI (YoY%)	-		5.5

Source: Refinitiv, ING

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Key events in EMEA next week

There will be essential data releases in Poland next week with CPI expected to fall and GDP to decline for the second consecutive quarter



Source: Shutterstock

✓ Poland: CPI and Flash GDP to be released

CPI (July): 10.8% YoY

The StatOffice is expected to confirm its flash estimate of July CPI inflation at 10.8% year-on-year. According to preliminary estimates, the price of food and non-alcoholic beverages fell by 1.2% month-on-month, the price of energy sources for housing was unchanged vs. in June, while gasoline prices increased by 0.4%MoM. We estimate that core inflation moderated to 10.5%YoY from 11.1%YoY in the previous month. In August, annual inflation will be close to single-digit levels and will certainly fall below 10%YoY in September.

Flash GDP (2Q23): -0.3% YoY

According to our forecasts, the second quarter of 2023 was the second consecutive quarter of GDP declines in annual terms. We think the economy shrank at a similar scale as in the first quarter, with an even deeper annual decline in household consumption (close to -3%YoY), while fixed investment continued to expand. We judge the positive contribution of net exports was higher than the drag from a change in inventories. A more decisive improvement in economic activity is projected for the fourth quarter.

✔ Hungary: Second quarter GDP growth expected to turn positive

The main event of the next week in Hungary is the preliminary release of second-quarter GDP growth. After being in a technical recession for three quarters, we see Hungary ending this streak with a boom.

Our forecast shows quarter-on-quarter GDP growth of 0.8%, with the main drivers being agriculture and the services sector. The performance of the former will be helped by the exceptionally favourable weather conditions. Combine this with an awfully weak agricultural year in 2022, and the contribution of agriculture to the year-on-year growth could be close to a record high.

In contrast, with domestic demand still struggling, we expect construction and industry to be a major drag on growth. As last year's economic activity was spurred by government transfers during the first half of 2022, the base effect in general will be unfavourable. Against this backdrop, we see the GDP shrinking further on a yearly basis by 1.2% in the second quarter of 2023.

Key events in EMEA next week

Country	Time Data/event	ING	Survey	Prev.
Monday 14 August				
Poland	0900 Jul CPI (MoM%/YoY%)	0.0/11.5	/	-0.2/10.8
	1300 Jun Current Account	-		1392
Ukraine	- Jun Trade Balance YTD	-		-8.97
Tuesday 15 August				
Turkey	0900 Jul Budget Balance	-		-219.6
Wednesday 16 August				
Russia	1700 Jul PPI (MoM%/YoY%)	-/-	/	0/0
Poland	0900 Q2 GDP (YoY%) Flash	-0.3	-0.2	-0.3
	0900 Q2 GDP (QoQ%/YoY%)	-/-	/	3.8/11.1
Romania	0900 Q2 GDP (QoQ%/YoY%)	0.2/2.4		0,2/2,4
Hungary	0730 Q2 GDP (YoY%) Prelim	-1.2		-0.9
South Africa	1200 Jun Retail Sales (YoY%)	-		-1.4
Turkey	1230 Gross FX Reserves	-		72.35
Friday 18 August				
Mexico	1300 Jun Retail Sales (YoY%)	-		2.6
	1300 Jun Retail Sales (MoM%)	-		-0.5

Source: Refinitiv, ING

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Asia week ahead: Regional inflation data and the Philippines' rate decision

Japanese data, inflation reports and central bank moves all feature in the week ahead



Australia unemployment rate to increase slightly

Australia's unemployment rate came close to its all-time low of 3.4% last month, falling to 3.5%. Despite that, the Reserve Bank of Australia (RBA) [kept rates unchanged](#) last week as the inflation data was more favourable.

Although labour data is an important input into the RBA's reaction function, we think that the central bank will continue to be subordinate to the monthly inflation numbers, which must grapple with large electricity tariff hikes in July and then much less helpful base effects between August and October.

Japan to release GDP, trade and inflation data

With modest improvement in net exports and a solid recovery in service activity, we expect second-quarter GDP growth to rise 0.6% quarter-on-quarter seasonally-adjusted (vs 0.7% in the first quarter).

For inflation, we believe that private consumption has cooled moderately as the high prices in the second quarter put off consumption demand, though this is likely to be compensated by improved terms of trade as imports fell sharply due to falling global commodity prices.

However, we should expect exports to record a contraction in July, particularly due to base effects. We believe Japan's inflation should stay at the current level while core inflation is expected to accelerate further, as the previous Tokyo inflation outcome suggested.

Philippine central bank to extend rate pause?

The Philippines' central bank, Bangko Sentral ng Pilipinas (BSP), is likely to extend a pause, but persistent upside risks to the inflation outlook could give Governor Eli Remolona a reason to stay hawkish. Headline inflation has been trending lower and could be within target as early as September. This would be the main reason the BSP holds rates at 6.25%.

However, with global grain and energy prices inching higher, a fresh round of upside risks to the inflation outlook has surfaced. Persistent upside risks will likely translate to the central bank remaining hawkish even if the BSP opts to extend its current pause. We expect the BSP to keep rates untouched but signal a strong willingness to tighten further should upside risks to the inflation outlook materialise.

Inflation to surge in India

India will release its July CPI next week, and we are expecting a steep climb to over 8%, breaching the upper end of the Reserve Bank of India's (RBI's) 2-6% target range. This is due to soaring food prices caused by the erratic monsoon rains: tomatoes experienced a whopping 200% month-on-month increase in July. But this should not bother the RBI too much as food price shocks like this come and go.

The effect of food inflation has also spilled over to exports, where the Modi administration has announced an immediate ban on some non-basmati rice. As such, we are expecting a further decline in India's export to -23.6%.

Key data on industrial production and retail sales from China

While China's data has been disappointing lately, the summer season from July may usher in some better news. Data from China Railway show that there was a 14.2% increase in operating passenger trains compared to the same period in 2019. Flight numbers, on the other hand, experienced a slower recovery. They are currently running at about 48% relative to the same period in 2019, but this is still a 12% increase on a yearly and monthly basis. The rise in movement could provide a boost to consumption and strengthen retail sales.

However, the effect is unlikely to spill over into industrial production, and we should continue to see weak growth here. Both the official and Caixin Manufacturing PMI released earlier this month showed that China's recovery has yet to gain traction.

Key events in Asia next week

Country	Time Data/event	ING	Survey	Prev.
Monday 14 August				
Japan	0050 Q2 GDP (QoQ%)	0.6	0.8	0.7
India	0730 Jul WPI Inflation (YoY%)	-2.0	-2.6	-4.12
	1300 Jul CPI Inflation (YoY%)	8.0	6.43	4.81
Tuesday 15 August				
China	0300 Jul Industrial Output (YoY%)	4.1	4.3	4.4
	0300 Jul Retail Sales (YoY%)	5.0	4.0	3.1
Indonesia	0500 Jul Trade Balance (Bln of \$)	3.68	2.62	3.46
	0500 Jul Exports Growth (YoY%)	-17.9	-17.5	-21.18
	0500 Jul Imports Growth (YoY%)	-18.8	-14	-18.35
Wednesday 16 August				
Japan	0050 Jul Exports (YoY%)	-1.2	-0.6	1.5
	0050 Jul Imports (YoY%)	-15	-14.6	-12.9
	0050 Jul Trade Balance Total Yen	0	27.8	43
Indonesia	0500 Jun Retail Sales Index (YoY%)	5.2		-4.5
Thursday 17 August				
Japan	0050 Jun Core Machine Orders (MoM%)	3.0	3.4	-7.6
	0730 Jun Tertiary Industry Index (MoM%)	1.0	0.1	1.2
Australia	0230 Jul Unemployment Rate	3.4	3.6	3.5
	0230 Jul Employment Change	25k	10k	32.6k
Philippines	0800 Policy Interest Rate	6.25	6.25	6.25
	- Jul Imports (YoY%)	-15.5		-17.5
	- Jul Exports (YoY%)	-23.6		-22.0
	- Jul Trade Balance (Bln of \$)	-20.8	-21.0	-20.13
Friday 18 August				
Japan	0030 Jul CPI (YoY%)	3.2	3.3	3.0
Taiwan	0930 Q2 GDP Final (YoY%)	1.45		1.45

Source: Refinitiv, ING

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