

Our view on next week's key events

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Strong US data to give the Fed further pause for thought

The US economy is likely to experience 6%+CPI readings through 1Q 2022 and we forecast the economy to expand at a 6%+ annualized rate in the current quarter, which does raise the question – why is the Fed continuing to stimulate the economy?

There is a strong argument that it can stop immediately, but that is not the view of the Federal Reserve. However, the blowout CPI report has heightened market expectations of the Fed taking swifter action on policy normalization and we would not be surprised to see the Fed take the decision to accelerate its QE tapering path so that it concludes in Q1 rather than Q2 2022.

The October retail sales and industrial production reports are next week's highlights and both should be strong. Retail sales will be lifted by the 6%MoM increase in new vehicle units sold – the first increase since April – while gasoline station sales will be boosted by the surge in gasoline prices. Elsewhere, rising household income and wealth should mean decent gains although we continue to expect a rebalancing trend away from the purchase of physical things that show up in retail sales, towards services, which are picked up in broader consumer spending.

Industrial production should see good manufacturing growth based on the ISM report already released. US oil and gas rig counts averaged 538 in October, up from 508 in September, which

should lift the mining component. Utilities could be a drag given October 2021 was significantly warmer than usual meaning there is less demand for heating.

Data to push the Bank of Canada closer to rate hikes

In Canada, another strong CPI reading and retail sales report will increase the implied probability that the Bank of Canada will soon raise interest rates for the first time this cycle. The BoC decided to end QE last month and the strong recovery and elevated inflation readings prompted them to signal the prospect of earlier monetary policy tightening. At the moment the market is pricing around a 12% chance of a December move with a 25bp hike fully priced for March. We see this as a likely outcome and expect 100bp of rate hikes from the BoC next year.

UK jobs numbers to edge the Bank of England closer to December rate hike

Before hiking rates for the first time, the Bank of England has made it clear it wants to get more clarity on what's going on in the jobs market now the furlough scheme has ended. Next week's data will give us further clues, but early evidence suggests there hasn't been a huge spike in redundancies now wage support has stopped. We are more likely to see some underemployment - perhaps early retirements or people working fewer hours than they'd like. But barring a huge negative surprise, recent comments suggest policymakers will proceed with a rate hike - and most likely at the December meeting (or at the latest February).

Inflation is only going in one direction for now, and we expect another jump next week on the recent increase in the energy price cap. We expect headline CPI to peak at around 4.5% next April.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 November					
Sweden	0830	Oct CPIF (MoM%/YoY%)	-/-		0.5/2.8
Tuesday 16 November					
US	1330	Oct Retail Sales (MoM%)	1.5	1.0	0.7
	1415	Oct Industrial Production (MoM%)	0.9	0.8	-1.3
France	0745	Oct CPI (MoM%/YoY%)	-		0.4/2.6
UK	0700	Sep ILO Unemployment Rate	4.4		4.5
	0700	Sep Employment Change	150		235
Netherlands	0830	Q3 GDP Prelim (QoQ%/YoY%)	1.6/4.5		3.8/10.4
Eurozone	1000	Q3 GDP Revised (QoQ%/YoY%)	-/-		2.2/3.7
Wednesday 17 November					
UK	0700	Oct CPI (MoM%/YoY%)	0.7/3.8		0.3/3.1
Canada	1330	Oct CPI Inflation (MoM%/YoY%)	0.5/4.4		0.2/4.4
Greece	1000	Sep Unemployment rate	-		13.9
Euro Zone	1000	Oct CPI (YoY%)	-		4.1
Thursday 18 November					
US	1230	Initial Jobless Claims	-		-
	1230	Cont Jobless Claims	-		-
Sweden	0830	Oct Unemployment Rate	-		8.2
Friday 19 November					
UK	0700	Oct Retail Sales (MoM%/YoY%)	0.4/-2.0		-0.2/-1.3
Canada	1330	Sep Retail Sales (MoM%)	1.2		2.1
Eurozone	0900	Sep Current Account, EUR	-		13.39

Source: Refinitiv, ING

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Key events in emerging markets next week

Expect a rate hike in Hungary and a rate cut in Turkey next week



Source: Shutterstock

Hungarian central bank to hike rates - though perhaps less dramatically than elsewhere

Next week's events will be concentrated on Tuesday with the third quarter GDP release and the National Bank of Hungary's rate-setting meeting. On economic activity, we see 1% quarter-on-quarter growth, which would mark a significant slowdown compared to the previous period. The more moderate growth is mainly caused by net exports. Strong domestic demand (consumption and investment) is driving imports, while global value chain issues are holding back export activities.

However, even with such issues, we see GDP growth at 7.7% on average in 2021. In the meantime, inflation is soaring, price expectations are rising, and real interest rates are plunging, so the forint is depreciating.

In short, the Hungarian central bank is under pressure. Yet, we see a 30bp hike and a signal that a bigger cut in QE could come next month. So we don't see Hungary following in the footsteps of the Czech and Polish national banks with big one-off hikes. The government decided to cap non-premium fuel prices for three months from mid-November, reducing a major upside risk for inflation, and reducing the chances of strong second-round effects.

Turkish central bank set for further rate cut

The Central Bank of Turkey (CBT) foresees that “supply-side transitory factors leave limited room for the downward adjustment to the policy rate”. In our view, this guidance implies that after one further 100bp rate cut at the November meeting, the central bank will likely stop its frontloaded easing cycle, at least until the year-end. The governor’s rhetoric in the inflation report release, and moderation in some core inflation indicators in October, also support this expectation.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 November					
Turkey	0800	Oct Budget Balance	-		-23.59
Poland	0900	Oct CPI (MoM%/YoY%)	-/-		1/6.8
	1300	Sep Current Account	-1435	-1264	-1686
Czech Rep	0900	Sep Current Account Balance	-		-37.8
Ukraine	-	Sep Trade Balance YTD	-		-1.73
Tuesday 16 November					
Poland	1300	Oct Net Inflation (YoY%)	-		4.2
Hungary	0800	Q3 GDP (YoY%) Prelim	7.6		17.9
	1300	Nov Hungary Base Rate	2.10		1.80
	1300	Nov O/N Deposit Rate	1.15		0.85
Romania	0700	Q3 GDP Flash (YoY%)	-		13.9
Croatia	1000	Oct CPI (MoM%/YoY%)	-		1.0/3.3
Wednesday 17 November					
South Africa	0800	Oct CPI (MoM%/YoY%)	-/-		0.2/5
	0800	Oct Core inflation (MoM%/YoY%)	-/-		0.3/3.2
	1100	Sep Retail Sales (YoY%)	-		-1.3
Russia	1600	Q3 GDP (% YoY)	4.5	4.6	10.5
Thursday 18 November					
Turkey	1100	Nov CBT Weekly Repo Rate	15		16
	1100	Nov O/N Lending Rate	-		17.5
	1100	Nov O/N Borrowing Rate	-		14.5

Source: Refinitiv, ING

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Article | 12 November 2021

Asia week ahead: Japan GDP and Chinese activity data in focus

Economic activity looks set to have slowed in both Japan and China recently on a combination of energy challenges and Covid-19. Meanwhile, we have plenty of trade data due across the region over the next week



Japan's 3Q GDP report

It looks like growth in Japan has been far weaker than we had previously expected. Movement restrictions that were put in place ahead of the postponed Olympics to combat rising daily case numbers had a much more substantial impact than we had been expecting.

We will likely see an outright contraction of consumer spending, business investment and non-residential construction from the previous quarter. Exports look as if they were basically unchanged from the previous quarter, and although import growth slowed, it will nonetheless deliver a drag to GDP on a net basis. The unknown is the inventory contribution, which is likely to be positive, though it is not clear how much the overall figure should be adjusted to account for this. We are guessing not much – but this is a likely source of error to our -0.6% quarter-on-

quarter forecast, which is at the lower end of the consensus.

China activity data

China's industrial production and retail sales data are also scheduled for the coming week and we expect activity to have slowed further in October. Electricity outages experienced during the month likely had a negative impact on industrial production. Meanwhile, a recent pickup in Covid-19 infections may have dampened retail sales in October.

Trade numbers from Japan, India and Indonesia

Next week's data calendar rounds out with several trade reports from the region. Indonesia's trade report should continue the trend of outsized year-on-year expansion for both inbound and outbound shipments. This trend is supported by the overall pickup in economic activity after heightened restrictions last August. Indonesia's trade balance is expected to remain in surplus in the near term, which should help limit the current account deficit.

Japan also releases October trade data, as does India. In both cases, recovering demand coupled with rising import prices will likely see imports rising faster than exports and taking the trade balance deeper into negative territory.

Lastly, we do have one central bank meeting lined up for next week. Bank Indonesia decides on policy on 18 November although this meeting is likely a non-event after Governor Perry Warjiyo telegraphed a pause for the rest of the year.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Sunday 14 November					
Japan	2350	Q3 GDP (QoQ%)	-0.6	-0.2	0.5
Monday 15 November					
China	(Nov 15-16)	1Y Medium Term Liquidity Facility (%)	3		2.95
China	0200	Oct Industrial Output (YoY%)	3		3.1
	0200	Oct Retail Sales (YoY%)	3.8		4.4
	0200	Oct Fixed Assets Investments (YTD YoY%)	6.3		7.3
India	0630	Oct WPI Inflation (YoY%)	11		10.66
	1130	Oct Trade Deficit (USD bn)	-23		-19.9
Indonesia	0400	Oct Consumer Confidence Index	-		95.5
	0400	Oct Trade Balance (USD bn)	3.9		4.37
	0400	Oct Exports Growth (YoY%)	44		47.64
	0400	Oct Imports Growth (YoY%)	40		40.31
Tuesday 16 November					
Japan	2350	Oct Exports (YoY%)	17		13
	2350	Oct Imports (YoY%)	25		38.6
	2350	Oct Trade Balance (JPY bn)	-807		-623
Thursday 18 November					
Japan	2330	Oct CPI (MoM%)	-0.3		0.4
Indonesia	0700	Nov 7-Day Reverse Repo	3.5		3.5

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

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