Our view on next week's key events

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Key events in developed markets next week

Plenty of UK data next week. The jobs market is no longer tightening and we believe that core inflation has peaked. The expectation is for headline inflation to close in on 10%. In the US, with falling gasoline prices and rising order books, we expect a rebound in both industrial production and retail sales numbers

Source: Shutterstock

US: Industrial production and retail sales should both point to a rebound in 3Q economic activity

Financial markets are currently favouring the Federal Reserve's September FOMC meeting delivering a 50bp rate hike rather than a third consecutive 75bp move. However, there is a lot of data to go between now and then, plus there is the annual Fed symposium in Jackson Hole at the end of this month. In terms of the imminent data, the highlights will be industrial production and retail sales and both should point to a rebound in third-quarter economic activity. Retail sales at the headline level will be modestly depressed due to falling gasoline prices weighing on gas station sales as it is a nominal dollar figure. However, this frees up cash to spend on other goods and services so the "core" rate of retail sales growth should rebound and help to translate into rising real consumer spending. At the same time, the manufacturing sector continues to experience rising order books with business surveys pointing to rising output. This should be further boosted by increased oil and gas drilling activity, which should lift overall industrial production more. At this early stage, we expect third-quarter GDP to grow at a 3% annualised rate.

UK: data to keep Bank of England on track for another 50bp hike in September

There's plenty of UK data next week to digest, but there are two things to watch out for. Firstly, look out for further signs that the jobs market is no longer tightening – and potentially at the margin beginning to weaken. Online job adverts point to a gradual fall in unfilled vacancies over the coming months, while there have been hints that the number of people unemployed for less than six months has begun to rise (even if redundancies are still ultra-low). Still, various surveys suggest labour shortages remain a key issue for businesses, and that's a key part of why the Bank of England is concerned about inflationary pressures staying elevated, even as the impact of higher energy bills eventually begins to fall out of the inflation numbers towards the end of next year.

Speaking of inflation, expect headline inflation to close in on 10%, reflecting a further rise in fuel costs (which have since reversed in August) and higher food prices. But core inflation appears to have peaked, not least because goods price pressures are fading as consumer demand wanes and supply constraints gradually ease. All-in-all, we suspect the Bank of England will hike again by 50bp in September, though we think we are nearing the end of this tightening cycle.

Norway: Norges Bank set to hike again – but will it be 25 or 50bp?

Having hiked rates by 50bp in June, on paper there are good reasons for Norway's central bank to do the same again next week. Crucially the latest inflation readings have come in above the bank's forecasts again. Then again, Norges Bank literally said in the first line of its monetary policy statement last month that it plans to hike rates by 25 basis points this month. Indeed the overall message was, having previously hiked once per quarter, it now intends to do 25bp rate rises at both of the quarterly meetings going forward. And while the bank will be nervous about inflation, its models will also be acknowledging the fact that global market rates have fallen since June, which in isolation would be interpreted as a dovish factor. Bottom line: it's a close call next week, though we narrowly favour a 25bp move. As other central banks have found in recent weeks, Norges Bank faces a choice between sticking to its "forward guidance", or adapting to the latest economic data.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 15 August			
Eurozone	1200	Jul Reserve Assets Total	-		1122.09
		Tuesday 16 August			
US	1415	Jul Industrial Production (MoM%)	0.3	0.2	-0.2
UK	0700	Jun ILO Unemployment Rate	3.8		3.8
	0700	Jun Employment Change	300		296
Canada	1330	Jul CPI Inflation (MoM%/YoY%)	0.1/7.6		0.7/8.1
	1330	Jul CPI BoC Core (MoM%/YoY%)	-		0.3/6.2
Eurozone	1000	Jun Total Trade Balance SA	-24		-26
Germany	1000	ZEW Survey Expectations	-48.0		-53.8
		Wednesday 17 August			
US	1330	Jul Retail Sales (MoM%)	0.3	0.2	1.0
	1900	Minutes to July FOMC meeting			
UK	0700	Jul Core CPI (YoY%)	5.7		5.8
	0700	Jul CPI (MoM%/YoY%)	0.4/9.8		0.8/9.4
Netherlands	0830	Q2 GDP Prelim SA (QoQ%/YoY%)	0.8/3.4		0.4/6.7
	0830	Jun Trade Balance	-		5.53
Eurozone	1000	Q2 GDP Flash Estimate (QoQ%/YoY%)	0.7/4		0.7/4
		Thursday 18 August			
US	1330	Initial Jobless Claims 000s	265		262
	1330	Continuing Jobless Claims 000s	1430		1428
	1500	Jul existing home sales (mmn)	4.75	4.85	5.12
Norway	0700	Q2 GDP Growth Mainland	1.4		-0.6
	0900	Key Policy Rate	1.5		1.25
Eurozone	1000	Jul CPI (YoY%)	8.9		8.9
		Friday 19 August			
UK	0001	Aug Consumer Confidence	-39		-41
	0700	Retail Sales inc. fuel (MoM/YoY%)	-0.2/-3.3		-0.1/-5.8
	0700	Retail Sales excl. fuel (MoM/YoY%)	-0.4/-3.3		0.4/-5.9

Source: Refinitiv, ING

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Key events in EMEA next week

A busy week next week for Poland with inflation and GDP readings. In Hungary, we expect the 2Q GDP reading to be the last quarter-on-quarter reading this year to not show a reduction in economic performance, as we see a technical recession in the next couple of quarters

Source: Shutterstock

Poland: Our analysis of next week's key releases

Second-quarter GDP: Despite initial signs of an economic slowdown in the second quarter, we expect that economic activity was still some 6.5% higher than in 2Q21 on the back of strong consumer demand and further restocking. However, the latter was at a smaller scale than in 1Q22 in terms of its contribution to annual GDP growth. Strong domestic demand was accompanied by a negative contribution of net exports as imports growth outpaced sluggish exports.

July Wages: Wages and salaries in the enterprise sector continued expanding at a double-digit pace in July, but probably fell short of inflation for the third consecutive month despite one-off payments in mining that were supposed to compensate for the higher price of consumer goods. A substantial increase in the minimum wage planned from the beginning of 2023 may somewhat reduce wage demands in the coming months.

July Employment: Employment growth remains slow as the number of potential workers is thin and official data do not include refugees from Ukraine employed according to simplified employment procedures. Official employment continues to expand in trade and services, whereas manufacturing reported month-on-month declines in the last two months. Yet the labour market still remains tight and heavily reliant on immigration.

July PPI: Upward pressure on producers' prices eased recently amid declines in wholesale gasoline prices and a downward correction in prices of many industrial commodities as global recession fears intensified. Still, July prices were nearly one-fourth higher than in the corresponding month of 2021. Given lags between PPI and CPI, it may continue driving core inflation upwards in the coming quarters.

Hungary: 2Q22 will be the last QoQ reading to not show a reduction in economic performance

The only top-tier release next week in Hungary is second-quarter GDP data. We expect a significant slowdown in economic activity both in quarterly and yearly terms. However, we believe that Hungary was able to avoid a drop in the volume of GDP versus the previous quarter, as industry was able to shake off the supply-side issues by the end of the quarter. In the meantime, retail sales suggest that consumption has started its soft landing, but we are not ready to call a drop yet in the second quarter. In all, we see consumption and investment activity doing enough to counterbalance the negative impact of net exports. However, this will probably be the last quarter-on-quarter reading in 2022 not to show a reduction in economic performance, as we see a technical recession in the next couple of quarters.

Romania: 2Q22 growth estimated to be 3.4% year-on-year

After a very strong first quarter, the economy seems to have entered a phase of quasi-stagnation. We estimate 2Q22 growth at +0.4% versus 1Q22 (+3.4% year-on-year), though we might be a touch on the optimistic side here. However, the high-frequency data does seem to support our call, with retail sales expanding by 2.9% versus 1Q22, a quasi-flat construction activity, while the weak link remains industrial production which has probably contracted in the second quarter. External trade remained vibrant and will probably contribute negatively to growth, with the trade balance deficit expanding by 15.0% versus the previous quarter. We do stress that the numbers for the first quarter have been influenced by methodological changes as well and we cannot exclude statistical data revisions.

Faced with rising living costs, higher interest rates, and a gloomy informational environment, consumers are likely to turn more cautious in the second half of 2022 and stay that way throughout the winter. However, the latest wage data confirms that the labour market remains a strong argument for the soft-landing camp against a grimmer outlook. Should inflation confirm the estimated downward profile starting in 4Q22, Romania could get away without a technical recession throughout this soft landing phase. All things considered, we estimate full-year growth at 5.0%, based on the very strong first quarter and almost flat quarterly growth afterwards.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 15 August			
Turkey	0900	Jul Budget Balance	-		-31
Ukraine	-	Jun Trade Balance YTD	-		-0.88
Kazakhstan	-	Jul Industrial Production (MoM%)	-		-6.8
		Tuesday 16 August			
Poland	1300	Jul Net Inflation (YoY%)	9.2		9.1
		Wednesday 17 August			
Russia	1700	Jul PPI (MoM%/YoY%)	-/-		-4.1/11.3
Poland	0900	Q2 GDP (YoY%) Flash	6.5		8.5
	0900	Q2 GDP (QoQ%) Flash	-1.2		2.5
Hungary	0800	Q2 GDP (YoY%) Prelim	6.1	6.1	8.2
	0800	Q2 GDP (QoQ%) Prelim	0.4		2.1
Romania	0700	Q2 GDP Flash (YoY%)	3.4	3.5	6.4
Croatia	1000	Jul CPI (MoM%/YoY%) NSA	-/12.2		1.1/12.1
South Africa	1200	Jun Retail Sales (YoY%)	-		0.1
		Thursday 18 August			
Turkey	1200	Aug CBT Weekly Repo Rate	-		14
	1200	Aug O/N Lending Rate	-		15.5
	1200	Aug O/N Borrowing Rate	-		12.5
		Friday 19 August			
Poland	0900	Jul Wages (YoY%)	12.8		13.0
	0900	Jul Employment (YoY%)	2.1		2.2
	0900	Jul PPI (YoY%)	24.8		25.6

Source: Refinitiv, ING

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Asia week ahead: China activity data, Japan's GDP and BSP policy decision

Next week kicks off with China activity data followed by growth data from Japan and a policy meeting in the Philippines

China activity data

We start the week with a flurry of data from China on Monday. Upcoming reports include industrial production, retail sales, and fixed asset investment but the focus will be on new home prices and property investment.

Some cities in China have probably experienced home prices edging higher, as reported in the media, but most should still face downward pressure. We don't expect any surprises in property investment. Meanwhile, the gap in construction activity should be partly filled by infrastructure outlays.

Next week also features the People's Bank of China policy decision with the central bank announcing the Medium Lending Facility policy rate sometime between 13-18 August. We expect a pause (2.85%) as the central bank is currently absorbing liquidity after a big jump in loan growth in June. A rate cut would offset the central bank's previous liquidity absorption efforts.

Japan's GDP, trade, and core machinery orders

Japan's data release calendar is loaded with GDP, trade and core machinery orders. We expect Japan's 2Q GDP to rebound to 0.6% quarter-on-quarter from a mild contraction of -0.1% in the first quarter. The rebound will likely be due to a recovery in consumption and investment. However, Japan's trade performance will continue to weigh on GDP with the trade balance recording a substantial deficit in August.

Other key events: BSP policy meeting and Indonesia's trade report

Trade data out of Indonesia next week will likely show that the recent trend has been sustained, with exports and imports both registering double-digit gains. Exports, however, will likely outpace imports again this month, resulting in a healthy trade surplus. Indonesia has benefited largely from the commodity price spike and demand for energy, and these trade surpluses will likely support the Indonesian rupiah in the near term.

Bangko Sentral ng Pilipinas (BSP) is widely expected to tighten next week. BSP Governor Medalla pointed to a 50bp rate hike and we believe that's still likely despite the recent disappointing GDP report. BSP will probably retain its hawkish rhetoric as inflation stays above the central bank's target. We have the policy rate settling at 4.5% by year-end.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 15 August			
China	0300	Jul Industrial Output (YoY%)	3.1	4.5	3.9
	0300	Jul Retail Sales (YoY%)	16.0	5.0	3.1
	0300	Jul Fixed Assets Investments (YTD YoY%)	5.9		6.1
Japan	0050	Q2 GDP (QoQ%)	0.6	0.6	-0.1
Indonesia	0500	Jul Trade Balance (USD bn)	3.90		5.09
	0500	Jul Imports/Exports Growth (YoY%)	22.1/35.7		21.98/40.68
		Tuesday 16 August			
India	0730	Jul WPI Inflation (YoY%)	-		15.18
		Wednesday 17 August			
Japan	0050	Jul Imports/Exports (YoY%)	-		46.1/19.4
	0050	Jul Trade Balance Total (Yen)	-		-1383.8
	-	Core machinery orders (MoM%)	-		-5.6
		Thursday 18 August			
China	0300	Surveyed Jobless Rate (%)	5.4		5.5
		1Y Medium Lending Facility rate (%)	2.85		2.85
Australia	0230	Jul Unemployment Rate	-		3.5
	0230	Jul Reserve Assets Total	-		82004
Philippines	0800	Policy Interest Rate	3.75		3.25
		Friday 19 August			
Japan	0030	Jul National CPI (YoY%)	2.5		2.4

Source: Refinitiv, ING

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