

Our view on next week's key events

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By James Knightley, James Smith and Bert Colijn



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By Peter Virovacz and Dmitry Dolgin

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US: Maintaining its momentum

After a disappointing August for retailers, caused by clothing discounting and a decline in restaurant sales (which make up 10% of all retail spending), sales should bounce back strongly in September. Vehicle sales jumped to an annualised 17.4 million rate from 16.6 million, while a strong jobs market and robust consumer confidence also suggest that the weak August reading was likely just a blip. Admittedly there is the potential for some disruption due to Hurricane Florence, but on balance we see upside risks to the 0.7% month-on-month consensus expectation.

Likewise, there is the risk for some data volatility within the industrial production report, but again we see some upside to the market forecast of a 0.2% MoM gain. Business surveys remain at incredibly strong levels, and with manufacturing employment having risen 18,000 on the month, we look for a very respectable 0.3% MoM increase. The post-Florence clean-up and rebuilding efforts are going to support activity in the affected region, and this should contribute to healthy activity readings for October, too.



Will there be a Brexit deal in time for the European Council meeting?

Reports suggest the UK and EU are close to reaching a deal on the Irish backstop issue, which if true would allow both sides to wrap up the overall withdrawal agreement. As ever though, the challenge is wording all of this in a way that will convince MPs to vote for it when the agreement comes to Parliament.

The political declaration – a vague statement that will set of a vision for the future trading relationship – is reportedly proving hard to get right, particularly with the Northern Irish Democratic Unionist Party (DUP) ratcheting up the pressure on the government not to push ahead with the Irish backstop.

While we might get indications that both sides agree to the Irish backstop in principle over the next week, we're unlikely to see a final version of the political declaration until a special summit in November, at the earliest. But as ever, the odds of 'no deal' really hinge on UK lawmakers approving the deal – and a vote is unlikely to take place before mid-December at the earliest.

Strong UK wage data to keep BoE on tightening course, if (and it's a big if) Brexit is smooth

Kicking off a packed week of UK data, we're likely to see another decent wage growth figure on Tuesday, confirming that skill shortages across the economy are pushing employers to raise pay to attract/retain talent. In fact, there's a possibility that headline (ex. bonuses) wage growth nudges up to the symbolic 3% level. Meanwhile a further 1.3% increase in petrol prices last month will see headline inflation remain elevated, keeping pressure on real incomes. That, coupled with the fact that employment growth appears to have stalled, indicates that the run-up to Christmas will be another big test for the high street.

Italian budget proposal: Softening?

The eurozone will be focused on the Italian budget proposal to the European Commission, and whether that will show any last minute changes that could indicate a softening of the stance on the Italian side. From a data perspective, it is another slow week for Europe. The trade balance will be interesting to watch given the trade turmoil, especially after a significant slide in the balance in July.

Swedish politics still far from answers

It's a very quiet week in Scandinavia, though Swedish house prices are worth keeping an eye on as there are signs that prices may be about to take another leg down this autumn. And 14 October is the deadline for Conservative party leader Ulf Kristersson to propose a government to the Swedish parliament. If he finds himself unable to form a government, or his proposal is voted down, the government formation mandate is likely to pass to Social Democrat leader Stefan Lofven (currently serving as caretaker PM). So far there are few signs that the post-election deadlock is any closer to breaking, so discussions could easily drag on for some time yet.



Canada: Price levels to remain flat on the month

We expect Canada's September inflation to come in at 2.6% YoY, stagnating in monthly terms. High oil prices should be the main driver in keeping headline figures aloft. Dampening effects such as slowing wage growth and typical weaknesses in household activity following the summer period, as well as the fact that the oil price rally didn't really kick off until the back end of September, should cause price levels to remain flat from August.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 13 October					
US	0330	Fed's Quarles Speaks at IIF Event in Bali			
Monday 15 October					
US	1330	Sep Advance Retail Sales (MoM%)	0.8	0.7	0.1
	1330	Sep Retail Sales ex. Auto and Gas (MoM%)	0.5	0.4	0.2
Japan	0530	Aug F Industrial Production - Prel (MoM/YoY%)	-/-	-/-	0.7/0.6
New Zealand	2245	3Q CPI (Q) (QoQ/YoY%)	-/-	-/-	0.4/1.5
Tuesday 16 October					
US	1415	Sep Industrial Production (MoM%)	0.3	0.2	0.4
Eurozone	1000	Aug Trade Balance (€bn)	14392	-	12755.9
Germany	1000	Oct ZEW Current Situation Index	-	-	76
UK	0930	Sep Claimant Count Rate (%)	-	-	2.6
	0930	Aug Weekly Earnings (3M avg)	2.6	-	2.6
	0930	Aug Weekly Earnings ex. Bonus (3M avg)	2.9	-	2.9
	0930	Aug ILO Unemployment Rate (3M avg.)	4	-	4.0
	0930	Aug Employment Change (3M/3M)	35	-	3.0
Italy	1000	Sep F HICP (YoY%)	1.6	-	1.6
Australia	0130	RBA Oct. Meeting Minutes			
	-	RBA's Debelle Gives Speech in Sydney			
Wednesday 17 October					
EU	1800	EU27 Leaders Meet to Discuss Brexit at European Council Meeting			
Eurozone	1000	Sep F Core CPI (YoY%)	0.9	-	0.9
	1000	Sep F CPI (MoM/YoY%)	0.5/2.1	-/-	0.5/2.1
UK	0930	Sep CPI (MoM/YoY%)	0.1/2.5	-/-	0.7/2.7
	0930	Sep Core CPI (YoY%)	2.0	-	2.1
Thursday 18 October					
US	1330	Fed's Bullard Speaks to Economic Club of Memphis			
EU	-	EU27 Leaders Meet for European Council Meeting			
Japan	0050	Sep Exports (YoY%)	5.8	-	6.6
	0050	Sep Imports (YoY%)	15.5	-	15.3
UK	0930	Sep Retail Sales ex. Auto Fuel (MoM/YoY%)	-0.1/4.1	-/-	0.3/3.5
	0930	Sep Retail Sales (MoM/YoY%)	-0.1/3.9	-/-	0.3/3.3
Canada	1330	ADP Publishes September Payrolls Report			
Australia	0130	Sep Employment Change ('000)	8	-	44
	0130	Sep Unemployment Rate (%)	5.3	-	5.3
Sweden	0800	Valueguard Housing Price data			
	0830	Sep Unemployment Rate (%)	-	-	6.1
Friday 19 October					
US	1500	Sep Existing Home Sales	5.30	5.31	5.34
	1400	Fed's Kaplan Speaks in New York			
	1700	Fed's Bostic Speaks on Economic Outlook			
Japan	0030	Sep National CPI (YoY%)	1.4	-	1.3
	0030	Sep CPI ex. Food and Energy (YoY%)	0.5	-	0.4
	0735	BOJ Kuroda Speaks in Tokyo			
UK	0930	Sep PSNB ex. Banks (£bn)	-	-	6.8
	0930	Sep Public Finances (PSNCR)	-	-	3.1
	1630	BOE Governor Carney Speaks in New York			
Italy	1400	Bank of Italy Releases the Quarterly Economic Bulletin			
Canada	1330	Sep CPI (MoM/YoY%)	0.0/2.6	-/-	-0.1/2.8
Belgium	-	Belgium Sovereign Debt to be Rated by Moody's			

Source: ING, Bloomberg

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Asia week ahead: Spotlight on China and Korea

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Source: Shutterstock

➔ China: Engineering a soft-landing as the trade war escalates

China is due to publish its first GDP report since the trade war kicked off in early July, and we think it is likely to show only a negligible impact. However, it is entirely possible that third-quarter data might not even capture the full impact of the trade war.

This is because the first formal salvo of the \$34bn of US tariffs hit on 6 July, followed by \$16bn on 23 August and a further escalation to an additional \$200bn a month later. Moreover, exports were little affected with still high single-digit year-on-year growth. This is what, we think, underpins the

consensus view of 6.6%, a meagre drop from the 6.7% in the previous quarter. Our forecast is 6.5%.

Among the remaining economic indicators due in September, consensus expectations indicate a slight slowdown in exports and industrial production growth, steady retail sales growth, and a pick-up in fixed asset investment growth - all consistent with the forecast of a slight dip in GDP growth.

Beijing is trying to offset potential export weakness (as a result of higher tariffs) by boosting domestic infrastructure spending and dialing back on deleveraging and manufacturing sector reforms. With macro policy geared towards a soft-landing, our house view remains that the economy continuing to eke out GDP growth at an excess of 6% during the tariffs era.

6.5% China's 3Q GDP growth
ING forecast

➔ Korea: A close-to-call central bank policy decision

The Bank of Korea will meet next Thursday (18 October) while also releasing its quarterly Economic Outlook simultaneously which includes the central bank's revised economic forecasts.

The consensus appears to be split between 'no change' and 'a rate hike' as the central bank seems to be under political pressure to rein in the property market. Based on the Kookmin Bank home price index, home price inflation in Seoul has come in at 10% year on year in September, but we don't see much signs of overheating elsewhere. Apart from the current low levels of interest rates sustaining the risks of overheating in the real estate market and swelling the household debt further, there are no solid economic grounds to resume tightening just yet - after the one-off rate hike in November 2017.

It's true monetary easing was one of the reasons behind the rise in apartment prices, but there were other factors such as housing imbalance and Seoul's development plans that boosted investors' confidence in the future of real estate - Governor Lee

Asia's heavily export-dependent economy is at the forefront of bearing the brunt of the trade war impact as export growth has slowed sharply to 4.7% YoY in the first nine months of this year from 18.5% a year ago. This is despite the fact the full impact of the trade war is yet to come through.

This makes another downgrade to the BoK's GDP growth forecast (2.9% for 2018 and 2.8% for 2019) imminent. While this will weaken the argument for tightening, consumer price inflation has gained momentum recently, but a policy status-quo is our baseline for the upcoming meeting.

1.5%

ING forecast of BoK policy rate
Unchanged

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 October					
India	0730	Sep WPI (YoY%)	5.0	-	4.5
	-	Sep Trade Deficit (US\$bn)	-17.7	-	-17395
	-	Sep Exports (YoY%)	-5.0	-	19.2
	-	Sep Imports (YoY%)	19.5	-	25.4
Indonesia	0500	Sep Exports (YoY%)	2.9	-	4.2
	0500	Sep Imports (YoY%)	12.3	-	24.7
	0500	Sep Trade Balance (US\$m)	-1022.4	-	-1021.4
Philippines	-	Aug OCW Remittances (YoY%)	2.9	-	5.2
Tuesday 16 October					
China	0230	Sep PPI (YoY%)	3.5	3.5	4.1
	0230	Sep CPI (YoY%)	2.7	2.6	2.3
Wednesday 17 October					
Singapore	0130	Sep Non-Oil Domestic Exports (MoM/YoY%)	-11.0/4.3	-/-	0.4/5.0
Thursday 18 October					
South Korea	-	7-Day Repo Rate	1.5	-	1.5
Friday 19 October					
China	0300	3Q GDP (QoQ, SA/YoY%)	0.0/6.5	-/-	1.8/6.7
	0300	Sep Retail Sales (YoY%)	8.7	9.1	9
	0300	Sep Industrial Production (YoY%)	5.5	6	6.1
	0300	Sep Fixed Asset Investment (YTD, YoY%)	5.5	5.5	5.3
Thailand	-	Sep Exports (Cust est, YoY%)	-	-	6.7
	-	Sep Imports (Cust est, YoY%)	-	-	22.8

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Three reasons why Hungary's MPC meeting shouldn't surprise

In Hungary, the earlier-than-usual Monetary Policy Committee (MPC) meeting- due to a national holiday on 23 October- will likely be a non-event given (1) the National Bank of Hungary (NBH) made a lot of adjustments just three weeks ago; (2) one of them was that the NBH will do major adjustments only quarterly when it releases its new Inflation Report; and (3) the September inflation readings didn't provide any major surprise as core inflation was at 2.4% year-on-year.

✓ Russia: Industrial and consumer activity to soften

We expect Russian economic activity indicators for September to show signs of softening compared to the summer months. Industrial output should slow after the completion of large state-sponsored CAPEX projects and as result of calendar effects. The preliminary gauge of consumer sentiment also points to a likely deceleration in spending growth following the end of the electoral cycle, the recent budget policy decision and a new round of external uncertainties.

✓ Poland's confidence indicators worsening should see sub-consensus data releases

We expect sub-consensus industrial production (3.9%YoY), wages (6.7%) and retail sales (7%) figures in September. Monthly activity data from 3Q18 still suggests GDP growth of close to 5% YoY, but given the worsening of nearly all confidence indicators, a slowdown in the 4Q is the most likely scenario.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 14 October					
Kazakhstan	-	Sep Industrial Production (YoY%)	-	-	1.9
Monday 15 October					
Russia	-	Sep Industrial Production (YoY%)	2.0	2.5	2.7
Turkey	0800	Jul Unemployment Rate (%)	-	-	10.16
Poland	0900	Sep F CPI (MoM/YoY%)	0/1.8	-/-	0/1.8
	1300	Aug C/A (€mn)	-396	-	-809
	1300	Aug Trade Balance (€mn)	-342	-	-432
	1300	Aug Exports (€)	17023.1	-	17115
	1300	Aug Imports (€)	17365.3	-	17547
Czech Rep	0900	Aug C/A (CZKbn)	-10	-	-0.1
Romania	-	Aug C/A YTD (€mn)	-	-	-4811
Kazakhstan	1200	Key Policy Rate (%)	-	-	9.0
Bulgaria	0900	Sep CPI (MoM/YoY%)	-/-	-/-	0.1/3.5
Israel	1630	Sep CPI (MoM/YoY%)	-/-	-/-	0.1/1.2
Tuesday 16 October					
Turkey	0800	Aug Industrial Production (MoM/YoY%)	-/3.8	-/-	3.5/5.6
Poland	0900	Sep Avg Gross Wages (MoM/YoY%)	-0.5/6.7	-/-	-0.6/6.8
	0900	Sep Employment (MoM/YoY%)	0.1/3.4	-/-	0.0/3.4
	1300	Sep Core CPI (MoM/YoY%)	0.0/0.8	-/-	0.1/0.9
Czech Rep	0800	Sep PPI (Industrial) (MoM/YoY%)	0.4/3.3	-/-	0.1/3.3
	0800	Aug Export Price Index (YoY%)	-	-	1.8
	0800	Aug Import Price Index (YoY%)	-	-	2.5
Hungary	1300	Policy Rate (%)	0.9	-	0.9
Israel	1100	2Q F GDP (QoQ Annualised %)	-	-	1.8
Wednesday 17 October					
Russia	1400	Sep Retail Sales (YoY%)	2.3	2.4	2.8
	1400	Sep Real Wages (YoY%)	6.1	6.5	7.0
	-	Sep PPI (MoM/YoY%)	-/-	0.8/14.3	10.4/15.3
Poland	0900	Sep Industrial Output (MoM/YoY%)	4.6/3.9	-/-	0.8/5
	0900	Sep PPI (MoM/YoY%)	0.3/2.8	-/-	0/3
South Africa	1200	Aug Retail Sales (MoM/YoY%)	-/-	-/-	1.3/1.3
Thursday 18 October					
Hungary	0800	OTP Bank Deputy CEO, Konzum Chairman-CEO Speaks			
Mexico	1500	Central Bank Monetary Policy Minutes			
Friday 19 October					
Poland	0900	Sep Retail Sales (MoM/YoY%)	-2.0/7.0	-/-	0.9/9
Hungary	0800	Aug Avg Gross Wages (YoY%)	12.3	-	12.8
Serbia	-	Aug C/A (€mn)	-	-	-161.1

Source: ING, Bloomberg

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