

Our view on next week's key events

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By Robert Carnell and Min Joo Kang

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✓ US: retail sales expected to show evidence of weakness

The US economic outlook is becoming more uncertain with geopolitical tensions adding to the perception that the Federal Reserve is likely finished tightening monetary policy. Indeed, this has been the main theme from Fed speakers despite US inflation figures suggesting a certain degree of "stickiness" persists in the core services sector. The grinding higher of longer-dated Treasury yields is amplifying the monetary policy tightening with Boston Fed President Susan Collins arguing this is generating "some tightening of financial conditions. If it persists, it likely reduces the need for further monetary policy tightening in the near term.

The market is currently pricing in a one-third chance of a final 25bp rate hike this year and that could decline further if we are right and the details of the retail sales and industrial production report show evidence of weakness. Headline retail sales will be lifted by higher vehicle sales and higher gasoline prices, but strip these out and it is likely to be a far weaker report. High-frequency credit card spending numbers have been soft in September and that is normally a good barometer of direction for general spending trends. The Fed's Beige Book and the minutes of the FOMC meeting also mentioned growing evidence of household savings being run down and in an environment where real household disposable income has been shrinking, the pressure on household finances is growing. Industrial production may show a modest rise in manufacturing, but the risks are skewed to the downside from auto-related strike action which has not only impacted vehicle production but also hurt suppliers. Lower oil and gas drilling could also weigh on

total industrial production, as will utilities.

Also watch the Fed's new updated Beige Book for anecdotal evidence of a further softening in activity. Last time, they mentioned concerns about the prospects for consumer discretionary spending while commenting that the "last stage of pent-up demand for leisure travel from the pandemic era" was likely over. Meanwhile, housing data will soften further with very weak pending home sales pointing to existing home sales dropping below a 4mn annualised rate, which was last seen during the global financial crisis. Mortgage rates are fast approaching 8% and this will also hurt home builder sentiment and limit the upside for housing starts.

✓ **Canada: hot CPI data will make rate hike more likely**

Just to mention briefly that in Canada, CPI will be closely followed given the uncertainty over whether the Bank of Canada will hike again at the end of this month. A hot print could make it close to a 50-50 call. Currently, there is a one third chance priced in.

✓ **Poland: minimum wage growth boosts average wages**

Industrial output (September): -3.8% YoY

New manufacturing orders continue to shrink, albeit at a slower pace. We forecast that manufacturing output in September was substantially below levels seen a year earlier, partially as a result of the lower number of working days this year. Global trade and conditions in German industry remain unfavourable, but recent PMI readings suggest some signs of stability and chances for improvement ahead.

PPI (September): -3.4% YoY

Despite an upswing in global crude oil prices and the zloty weakening against the US dollar last month, wholesale gasoline and diesel prices declined markedly in September (down by around 6.5% month-on-month on average). We project prices in other key sectors of manufacturing declined as well, driving producer prices down by 0.4% MoM, and pushing headline PPI inflation down 3.4% YoY. Deflation is expected to continue in the coming months.

Wages (September): 10.2% YoY

Average wages and salaries in the enterprise sector are projected to have eased to 10.2% year-on-year in September from 11.9% YoY amid a higher reference base and lower number of working days, which should translate into slower growth of wages in manufacturing. Demand for labour is cooling down in some sectors of the economy but remains solid in various services. At the same time, minimum wage growth is putting upward pressure on average wages.

Employment (September): 0.0% YoY

Employment in the enterprise sector has stopped growing in recent months. We forecast a slight decline in the level of employment in monthly terms which should not have an impact overall. Despite poor economic conditions, there are no substantial lay-offs in the economy as labour is scarce due to supply-side factors. The working-age population is shrinking and some of the immigrants are leaving Poland.

Retail sales (September): -2.0% YoY

Falling inflation and strongly rising nominal wages are translating into improving real disposable income of households. As a result, we see some green shoots in retail sales and expect a turnaround in the coming months. We forecast that in September, retail sales fell by 2.0% YoY vs. -2.7% YoY in August. Consumers seem to be finally close to finding solid ground after a long period of freefall.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 October					
Eurozone	1000	Aug Total Trade Balance SA	-		2.9
	1100	Sep Reserve Assets Total	-		1118.77
Tuesday 17 October					
US	1330	Sep Retail Sales (MoM%)	0.3	0.3	0.6
	1415	Sep Industrial Production (MoM%)	-0.2	-0.1	0.4
UK	0700	Aug ILO Unemployment Rate	-		4.3
	0700	Aug Employment Change	-		-207
Canada	1330	Sep CPI Inflation (MoM%/YoY%)	0.4/4.3	/	0.4/4
	1330	Sep CPI BoC Core (YoY%)	-		3.3
	1330	Sep CPI BoC Core (MoM%)	-		0.1
Wednesday 18 October					
US	1700	Federal Reserve Beige Book	-	-	-
UK	0700	Sep Core CPI (MoM%/YoY%)	-/-	/	0.1/6.2
	0700	Sep CPI (MoM%/YoY%)	-/-	/	0.3/6.7
Italy	0900	Aug Global Trade Balance	-		6.375
Eurozone	1000	Sep CPI (YoY%)	-		4.5
Thursday 19 October					
US	1330	Initial Jobless Claims	215	-	209
	1330	Continuing Jobless Claims	1710	-	1702
		Sep existing home sales (mn)	3.85	3.9	4.04
Eurozone	0900	Aug Current Account SA, EUR	-		20.9
Friday 20 October					
UK	0700	Sep Retail Sales (MoM%/YoY%)	-/-	/	0.4/-1.4
Canada	1330	Aug Retail Sales (MoM%)	-		0.3
Sweden	0700	Sep Unemployment Rate	-		7.7

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 October					
Turkey	0900	Sep Budget Balance	-		51.27
Poland	1300	Sep Net Inflation (YoY%)	8.5		10
Kazakhstan	1300	Sep Industrial Production (MoM%)	-		1.9
Bulgaria	1100	Sep CPI (YoY%)	6.5		
Croatia	1000	Sep CPI (YoY%)	6.6		7.8
	1000	Sep CPI (MoM%)	0.4		0.5
Wednesday 18 October					
Russia	1700	Sep PPI (MoM%/YoY%)	-/-	/	4.4/10.6
South Africa	0900	Sep CPI (MoM%/YoY%)	-/-	/	0.3/4.8
	0900	Sep Core inflation (MoM%/YoY%)	-/-	/	0.3/4.8
	1200	Aug Retail Sales (YoY%)	-		-1.8
Thursday 19 October					
Poland	0900	Sep Industrial Output (YoY%)	-3.8	-3.0	-2.0
	0900	Sep PPI inflation (YoY%)	-3.4	-2.7	-2.8
	0900	Sep Wages (YoY%)	10.2	10.8	11.9
	0900	Sep Employment (YoY%)	0.0	0.0	0.0
Friday 20 October					
Poland	0900	Sep Retail Sales (YoY%)	-2.0	-2.0	-2.7

Source: Refinitiv, ING

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Asia week ahead: Incoming China data and key central bank decisions

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China GDP, retail sales and industrial production out next week

China will release its third quarter GDP next week amidst its usual monthly data deluge, and we are forecasting growth of about 4.1% year-on-year. China's macro data for the third quarter has been very soft right up until September when there was a sign of slight stabilisation. 4.1% YoY growth would keep the seasonally adjusted quarter-on-quarter rate at approximately the same pace as in the second quarter of the year on our calculations, and so is a relatively generous forecast given the backdrop (although it is down slightly from the median 4.5% estimation).

It is unlikely that the People's Bank of China (PBoC) will cut the 1-year MLF rate now that there are some signs that the economy is stabilising, especially while the CNY remains under weakening pressure. For retail sales, we should see slightly higher growth, partly due to favourable base effects and holiday spending. We expect the retail sales growth to be at 5.0% YoY. Industrial production growth may also edge slightly higher in line with recent PMI figures.

Australia unemployment to hold steady

Australia will release its employment data next week. Last month's data showed 65k newly added jobs, with the bulk of these being part-time. We are expecting some of the part-time will convert to full-time, turning part-time employment negative. In turn, it'll likely exceed the full-time total to deliver a negative total employment change. We expect the unemployment rate to remain at 3.7%.

Bank of Korea meet to decide key rate

Next week's highlight for Korea should be the Bank of Korea (BoK) meeting. No action is widely expected, but it will still be worth watching how the BoK addresses the recent pick-up in inflation with rising geopolitical tensions and its view on the inflation outlook.

Alongside rising market rates and increasing financial stress for households, household debt – including mortgages – has continuously increased for more than a couple of months. We will therefore be monitoring how the BoK responds to these challenges.

Japan inflation report and trade data

Base effects will likely lead to a slowdown for both headline (3.0% YoY) and core inflation, excluding food and energy (4.1%) in September. We believe the monthly price gain will continue, given high fuel and service prices.

The Bank of Japan (BoJ) is expected to revise up its inflation quarterly outlook, and this may improve the chances of a policy adjustment – changes to the yield curve control (YCC) or in forward guidance – at its October meeting. Meanwhile, trade is expected to rebound 2.1% YoY in October after having fallen for the previous two months. The trade balance, however, will likely remain in the deficit zone.

BI expected to extend pause as Governor Warjiyo preaches patience

Bank Indonesia (BI) will meet next week to discuss policy. We expect it to hold rates steady at 5.75% following recent comments from Governor Perry Warjiyo. BI would likely be on hold for some time largely to lend support to the currency, which has been under pressure as of late. We will see BI tracking any moves by the Federal Reserve, extending their pause should the Fed opt to refrain from hiking rates further.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 16 October					
Indonesia	0500 Sep	Trade Balance (Bln of \$)	2.5		3.12
	0500 Sep	Exports Growth (YoY%)	-10.5		-21.21
	0500 Sep	Imports Growth (YoY%)	-1.9		-14.77
China	0500 Oct	1-Yr Medium-Term Lending Facility Rate	2.5	2.5	2.5
Wednesday 18 October					
Japan	0050 Sep	Exports (YoY%)	2.1		-0.8
	0050 Sep	Imports (YoY%)	-11.7		-17.8
	0050 Sep	Trade Balance Total Yen	-200		-930.5
China	0300 Sep	Industrial Output (YoY%)	4.4	4.3	4.5
	0300 Sep	Retail Sales (YoY%)	5	4.5	4.6
	0300 Q3	GDP (YoY%)	4.1	4.5	6.3
	0300 Q3	GDP (QoQ%, SA)	0.9	1	0.8
Thursday 19 October					
Japan	0030 Sep	CPI (MoM%/YoY%) NSA	0.2/3.1		0.3/3.3
	0030 Sep	core CPI excl Food & Energy (MoM%/YoY%) NSA	0.1/4.2		0.3/4.3
Australia	0130 Sep	Unemployment Rate	3.7		3.7
	0130 Sep	Employment Change(000s)	-5		65
Indonesia	0800 Oct	7-Day Reverse Repo	5.75		5.75
South Korea	0200 Oct	Bank of Korea Base Rate	3.5		3.5
Friday 20 October					
China	0215 Oct	Loan Prime Rate 1Y	3.45	3.45	3.45
	0215 Oct	Loan Prime Rate 5Y	4.2	4.2	4.2

Source: Refinitiv, ING

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