

Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

In this bundle



Key Events | Norway | Sweden...

Key events in developed markets next week

Both the US Federal Reserve and Bank of England will meet next week to decide on interest rates

By James Smith and James Knightley



Key Events | Poland | Turkey

Key events in EMEA next week

A number of data points will be released in Poland next week, with deflation expected to deepen

By Adam Antoniak and Muhammet Mercan



Asia week ahead | China | Indonesia...

Asia week ahead: Key regional central banks to decide on policy

Central banks in the region are expected to keep rates unchanged next week

By Min Joo Kang

Key events in developed markets next week

We expect the US Federal Reserve to leave interest rates unchanged next week, although the door will be left open for future hikes. The Bank of England, on the other hand, is expected to hike rates, although a pause should not be ruled out. We think there'll be further rate hikes at both the Sweden and Norway central bank meetings



Source: Shutterstock

US: We expect to see the Fed leave interest rates on hold

The Federal Reserve has received some encouraging news on US inflation over the past few months, with two consecutive 0.2% month-on-month prints and a third coming in at 0.278%, much better than the 0.4-0.5% MoM consecutive prints we got over the prior six months. There has also been good news on moderating labour costs (the Employment Cost index and cooling average hourly earning growth) and more modest job creation. Yet activity data continues to run hot and the Fed doesn't want to take on any chances that inflation lingers. So while we expect to see the Fed leave interest rates on hold next week, the door will be left open for a potential future hike. Economists are universally expecting the Fed funds target rate range to be left at 5.25-5.5% on 20 September, with markets not pricing even 1bp of potential tightening.

In terms of its forecasts, the key change in June was the inclusion of an extra rate hike for this year, leaving the Fed funds range at 5.5-5.75%. It seems highly doubtful this will be changed given the data flow, while the unemployment and inflation numbers seem broadly on track. GDP for 2023 will be revised up substantially though given the remarkable resilience of activity and the

consumer spending splurge over the summer, much of which appears to have gone on leisure activities.

We don't think the Fed will carry through with that final forecast hike though. The combination of higher borrowing costs and less credit availability, plus pandemic-era savings being exhausted and student loan repayments restarting, should mean that households feel more of a financial squeeze in the fourth quarter and beyond. Rising credit card and auto loan delinquencies also hint at more pain with the Federal Reserve's Beige Book warning that we may be in "the last stage of pent-up demand for leisure travel from the pandemic era".

The concern is that economic softness could go too far (as highlighted by some officials in the July FOMC minutes) and heighten the chances of recession. Given this risk and the positive developments on inflation and labour costs, we think the Fed will be on hold for a number of months with the data flow gradually weakening the case for a November or December rate hike – which the market itself only gives around a 50:50 chance of happening. Our base case continues to be: more aggressive interest rate cuts through 2024 than suggested by the Fed and priced by financial markets.

UK: Bank of England to hike rates further, but don't rule out a pause

Markets are once again toying with the idea of a pause from the Bank of England next week. We certainly don't rule that out, and recent comments suggest the BoE is laying the ground for the end of this tightening cycle. The central bank might be tempted by a Fed-style "skip" this month, accompanied by strong hints that it could hike again in November.

That's not our base case, given both wage growth and services inflation – the two key metrics upon which the BoE is basing policy – are higher than forecasted back in August. We suspect the Bank will keep its options open for November, but ultimately we think September's meeting will mark the peak in this hiking cycle.

Sweden: Riksbank set for a further 25bp rate hike

With Swedish services inflation still uncomfortably high and the trade-weighted value of the krona back to its lows, the Riksbank is set for another hike this month and we don't rule out another by year-end. Yet the economy is clearly reacting to higher interest rates. A 0.8% decline in second-quarter GDP, while not as bad as initially reported, shows the economy is under strain. While the Riksbank clearly isn't quite done with rate hikes, the fragile economic backdrop suggests we're near the peak.

Norway: Norges Bank set for further hike amid higher oil prices and a weaker NOK

Back in August, Norges Bank all but confirmed it intended to hike rates again this month. The question is whether this will mark the top in the cycle. That was what was implied by the most recent interest rate projection from the central bank in June. Since then oil prices have risen a fair bit, and that's viewed as a hawkish factor in the Bank's models.

The krone has also started to weaken again, though on a trade-weighted basis is still slightly

stronger than the Bank's forecasts had been assuming in June. Underlying inflation has also been coming down, in line with the June projections.

We suspect the bank's new interest rate forecast, which will accompany next week's decision, will at least flag a risk of another hike later this year. But for now, our base case is that the central bank remains on hold beyond September.

Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
Tuesday 19 September				
Canada	1330 Aug CPI Inflation (MoM%/YoY%)	0.5/4.1	/	0.6/3.3
	1330 Aug CPI BoC Core (MoM%/YoY%)	-		0.5/3.2
Eurozone	0900 Jul Current Account SA, EUR	-		35.84
	1000 Aug CPI (YoY%)	-		5.3
Wednesday 20 September				
US	1900 Fed Funds Target Rate	5.375	5.375	5.375
	1900 Fed Interest On Excess Reserves	5.4		5.4
UK	0700 Aug Core CPI (MoM%/YoY%)	0.7/6.8	/	0.3/6.9
	0700 Aug CPI (MoM%/YoY%)	0.7/7.0	/	-0.4/6.8
Sweden	0700 Aug Unemployment Rate	-		6.2
Thursday 21 September				
US	1330 Q2 Current Account	-225	-219.8	-219.3
	1330 Initial Jobless Claims	225	-	220
	1330 Continuing Jobless Claims	1700	-	1688
UK	1200 Sep BOE Bank Rate	5.50		5.25
Norway	0900 Key Policy Rate	4.25		4.00
Sweden	0830 Riksbank Rate	4.00		3.75
Switzerland	0830 SNB Policy Rate	-		1.75
Eurozone	1500 Sep Consumer Confidence Flash	-		-16
Friday 22 September				
US	1445 Sep S&P Global Manufacturing PMI Flash	-		47.9
	1445 Sep S&P Global Services PMI Flash	-		50.5
	1445 Sep S&P Global Composite Flash PMI	-		50.2
Germany	0830 Sep S&P Global Manufacturing Flash PMI	38.6		39.1
	0830 Sep S&P Global Service Flash PMI	46.5		47.3
	0830 Sep S&P Global Composite Flash PMI	43.8		44.6
France	0815 Sep S&P Global Composite Flash PMI	-		46
UK	0700 Aug Retail Sales (MoM%/YoY%)	0.0/-1.7	/	-1.2/-3.2
	0930 Sep Flash Composite PMI	48.2		48.6
	0930 Sep Flash Manufacturing PMI	43.0		43.0
	0930 Sep Flash Services PMI	49.0		49.5
Spain	0800 Q2 GDP (QoQ%/YoY%)	-/-	/	0.4/1.8
Canada	1330 Jul Retail Sales (MoM%)	-		0.1
Eurozone	0900 Sep S&P Global Manufacturing Flash PMI	-		43.5
	0900 Sep S&P Global Services Flash PMI	-		47.9
	0900 Sep S&P Global Composite Flash PMI	-		46.7

Source: Refinitiv, ING

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Key events in EMEA next week

Next week, Turkey's central bank is expected to increase the policy rate to 30%. Meanwhile, a number of data points will be released in Poland, with deflation expected to deepen despite some rebound in global oil prices



Source: Shutterstock

☑ Turkey: Monetary policy expected to tighten further

We're expecting Turkey's central bank to make another strong move next week by hiking the policy rate to 30% (up from 25% currently).

This follows a [surprisingly big hike in August](#) which was on the back of a further deterioration in the inflation outlook and signals from President Erdogan of support for tight monetary policy and disinflation in 2024.

☑ Poland: Deflation is expected to deepen

Industrial output (August): -2.5% year-on-year

Even though we have been waiting for some signs of stability in the industrial sector, the data flow does not give much ground for optimism. External orders remain subdued as German manufacturing is underperforming. On top of that, recent PMI reports point to a deterioration in domestic orders as well. We expect annual declines in industrial output to continue in the coming months.

PPI (August): -3.5% YoY

Deflation is expected to deepen despite some rebound in global oil prices. Given the statistical base and recent developments, we expect PPI deflation to prevail for the next two or three quarters. The lack of a rebound in manufacturing is not helping either. Developments in PPI support CPI disinflation in the short term.

Wages (August): 11.8% YoY

The scale of bonuses in July this year turned out to be visibly lower than in July 2022, which pushed average wage growth down to 10.4%YoY on a high reference base, but the underlying trend remains unchanged. Therefore we forecast that wage growth in the enterprise sector will bounce back towards 12%YoY again. We project double-digit growth in average wages in 2023 and 2024, which poses a challenge to the CPI return to the target over the medium term.

Employment (August): 0.1% YoY

Nothing new on the employment front. Employment levels have stalled in recent months and annual growth is close to neutral. Demand for labour has eased amid subdued economic activity, especially in manufacturing. At the same time, businesses are reluctant to lay off workers (labour hoarding) as re-hiring is difficult amid shortages of labour. Supply-side factors (a shrinking working-age population, for instance) are a drag to employment developments.

Retail sales (August): -4.1% YoY

Despite the ongoing improvement in the real disposable income of households, consumers are still reluctant to spend. Consumer confidence has been improving for some time so consumption is set to bounce back, but the recovery is being delayed. We foresee improvement in consumer spending in late 2023 and in 2024.

Key events in EMEA next week

Country	Time	Data/event	ING Survey	Prev.
Tuesday 20 September				
Poland	0900	Aug Industrial Output (YoY%)	9.8	7.6
	0900	Aug PPI (YoY%)	24.5	24.9
	0900	Aug Corporate Sector Wages (YoY%)	13.5	15.8
	0900	Aug Corporate Sector Employment (YoY%)	2.4	2.2
Wednesday 21 September				
Russia	1700	Aug PPI (MoM%/YoY%)	-/-	-2.2/6.1
Poland	0900	Aug Retail Sales, real (YoY%)	3	2
South Africa	0900	Aug CPI (MoM%/YoY%)	-/-	1.5/7.8
	0900	Aug Core inflation (MoM%/YoY%)	-/-	0.7/4.6
Brazil	2200	Selic Interest Rate	-	13.75
Mexico	1200	Jul Retail Sales (MoM%/YoY%)	-	-0.3/4.0
Thursday 22 September				
Turkey	1200	Sep CBT Weekly Repo Rate	13	13
	1200	Sep O/N Lending Rate	14.5	14.5
	1200	Sep O/N Borrowing Rate	11.5	11.5
Poland	1300	Aug M3 Money Supply (YoY%)	6.0	6.2
Hungary	0730	Q2 C/A Balance QQ	-2.0	-2.1
	0800	Aug Unemployment Rate 3M	3.5	3.3
Mexico	1200	Sep 1st Half-Month Core Inflation (MoM%)	-	0.49
	1200	Sep 1st Half-Month Inflation (MoM%)	-	0.42
Friday 23 September				
Poland	0900	Aug Unemployment Rate	4.9	4.9
Hungary	0800	Jul Average Gross Wages (YoY%)	16.0	15.4

Source: Refinitiv, ING

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Asia week ahead: Key regional central banks to decide on policy

Central banks in Indonesia, Japan, the Philippines, and Taiwan will hold their respective policy meetings next week. China will also be announcing its 1-year and 5-year LPR rates



China's 1-year and 5-year LPR rates likely to remain unchanged

China will decide on one and five-year loan prime (LPR) rates next week. Given the current challenges, with the People's Bank of China helping to support the Chinese yuan, it is unlikely the central bank will announce any further rate cuts. We are expecting rates to remain unchanged.

Regional central banks to stand pat

The Central Bank of the Republic of China (CBC), Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) are all expected to retain current policy settings in line with the US Federal Reserve.

For Taiwan, as inflation turned up recently and with the New Taiwan dollar being quite soft, we are expecting it to hold the rate steady.

Similarly, BI will likely hold rates steady to support the Indonesian rupiah, which is down 0.78% for

the month.

Lastly, the BSP will also likely stand pat as inflation pressures flare up, with the latest inflation reading surging to 5.3% year-on-year.

Inflation and trade figures for Japan next week

We expect headline consumer inflation to slow to 3.1% YoY in August (vs 3.3% in July) with the ongoing energy subsidy programme, however, core inflation excluding fresh food and energy will likely edge up slightly to 4.4% (vs 4.3% in July), which will be a major concern for the Bank of Japan (BoJ).

For the trade report, we expect exports in August to rebound from the recent dip, with strong auto shipments while imports could decline more sharply to -18% YoY compared to the previous month as base effects dominate the rise in commodity prices and weak Japanese yen.

Meanwhile, the BoJ is likely to stay pat next week. The central bank could however probably send a subtle hawkish message to the market after higher-than-expected inflation and a weak JPY, combined with rising global oil prices, pushed inflation up further.

Key events in Asia next week

Country	Time Data/event	ING	Survey	Prev.
Tuesday 19 September				
Japan	0050 Aug Exports (YoY%)	6.7		-0.3
	0050 Aug Imports (YoY%)	-17		-13.5
	0050 Aug Trade Balance Total Yen	-300		-78.7
Singapore	NODX (YoY%)	-16.2		
Wednesday 20 September				
China	0215 Sep Loan Prime Rate 1Y	3.45		3.45
	0215 Sep Loan Prime Rate 5Y	4.2		4.2
Thursday 21 September				
Australia	0000 Sep Manufacturing PMI Flash	-		49.6
	0000 Sep Services PMI Flash	-		47.8
	0000 Sep Composite PMI Flash	-		48
Indonesia	0800 Sep 7-Day Reverse Repo	5.75		5.75
Philippines	0800 Policy Interest Rate	6.25		6.25
Taiwan	0900 Q3 Discount Rate	1.875		1.875
Friday 22 September				
Japan	- JP BOJ Rate Decision	-0.1		-0.1
India	1230 Q2 C/A Bal. \$	-		-1.3
	1230 Q2 Balance Payments \$	-		5.6
Taiwan	0900 Aug Unemployment rate (%)	-		3.43

Source: Refinitiv, ING

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