

Our view on next week's key events

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In this bundle



Key Events | Hungary...

Key events in developed markets and EMEA next week

As the US jobs market remains tight and activity holds up, we're expecting a further 25bp move from the Federal Reserve next week

By James Knightley and Peter Virovacz



Asia week ahead | Australia | Indonesia...

Asia week ahead: Key central bank meetings in Japan and Indonesia

Will the Bank of Japan finally make changes to its yield curve control? Meanwhile, we think Bank Indonesia is likely to stand pat

By Min Joo Kang

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US: The Fed starts slowing the pace of rate hikes as inflation moves lower

After ten consecutive interest rate hikes over the last 15 months, the Federal Reserve left the Fed Funds target rate unchanged at 5-5.25% in June. However, the central bank has characterised this as a slowing in the pace of rate hikes rather than an actual pause, with two further hikes signalled for the second half of 2023 in their individual forecast projections. Since then, inflation has moved lower, but the jobs market remains tight and activity has held up well. As such, commentary from officials has broadly indicated that they feel the need to hike again on July 26th, which would bring the Fed funds to range up to 5.25-5.5%. We suspect that the accompanying press conference will acknowledge encouraging signs on inflation, but also a desire not to take any chances that could allow it to re-accelerate. We expect the door to be kept open for further policy tightening later in the year.

In terms of data, the highlight will be second quarter GDP. The first quarter posted a firm 2% annualised growth rate, led by consumer spending. We suspect that the second quarter will be slower at around 1.5%, with inventories as the main contributor to growth. Meanwhile, durable goods orders should be lifted by very strong figures from Boeing, which received 304 aircraft orders in June, up from 69 in May. Outside of transportation, the data will be softer given that the ISM manufacturing new orders series has been in contraction territory for the last ten months. We will

also get the June reading of the Fed's favoured inflation measure, the core personal consumer expenditure deflator. As with the CPI report, we expect it to slow quite markedly with broadening signs of disinflation in more categories.

Hungary: National Bank of Hungary expected to keep the base rate at 13%

The highlight over the next week in the EMEA region will be the upcoming rate decision by the National Bank of Hungary. With the central bank keeping the market and price stability issues separated, we don't see any reason for the Monetary Council to change its mindset regarding the base rate. While inflation's direction of travel has been favourable, it remains elevated and we therefore expect the NBH to keep the base rate at 13%, pushing the expected change into the not-too-distant future.

In contrast, the decision regarding the effective rate will be exciting. Should we see renewed weakening in the HUF, we can imagine the central bankers sitting on their hands and keeping the effective rate unchanged. However, with the forint strengthening since the June inflation data release, we're instead betting on the continuation of the 100bp rate cut cycle. As a result, we see the effective rate being lowered to 15%. Meanwhile, we're also expecting to see strong labour market data – much like the rest of the EU – as shortages keep wage growth elevated and deter companies from lay-offs despite the challenging economic environment.

Key events in developed markets next week

| Country | Time Data/event | ING | Survey | Prev. |
|--------------------------|--|----------|--------|----------|
| Monday 24 July | | | | |
| US | 1445 Jul S&P Global Manufacturing PMI Flash | - | | 46.3 |
| | 1445 Jul S&P Global Services PMI Flash | - | | 54.4 |
| | 1445 Jul S&P Global Composite Flash PMI | - | | 53.2 |
| Germany | 0830 Jul S&P Global Manufacturing Flash PMI | 40.4 | | 40.6 |
| | 0830 Jul S&P Global Service Flash PMI | 52.5 | | 54.1 |
| | 0830 Jul S&P Global Composite Flash PMI | 49.8 | | 50.6 |
| France | 0815 Jul S&P Global Composite Flash PMI | - | | 47.2 |
| UK | 0930 Jul Flash Composite PMI | - | | 52.8 |
| | 0930 Jul Flash Manufacturing PMI | - | | 46.5 |
| | 0930 Jul Flash Services PMI | - | | 53.7 |
| Eurozone | 0900 Jul S&P Global Manufacturing Flash PMI | - | | 43.4 |
| | 0900 Jul S&P Global Services Flash PMI | - | | 52 |
| | 0900 Jul S&P Global Composite Flash PMI | - | | 49.9 |
| Tuesday 25 July | | | | |
| US | 1400 May CaseShiller 20 (MoM%/YoY%) | 0.4/-2.5 | / | 0.9/-1.7 |
| | 1500 Jul Consumer Confidence | 113 | 112 | 109.7 |
| Germany | 0900 Jul Ifo Business Climate | 88.1 | | 88.5 |
| | 0900 Jul Ifo Current Conditions | 92.5 | | 93.7 |
| | 0900 Jul Ifo Expectations | 83.2 | | 83.6 |
| Wednesday 26 July | | | | |
| US | 1500 Jun New Home Sales-Units (mn annualised rate) | 0.735 | 0.722 | 0.763 |
| | 1900 Fed Funds Target Rate (ceiling %) | 5.5 | 5.5 | 5.25 |
| | 1900 Fed Interest On Excess Reserves | 5.4 | | 5.15 |
| Thursday 27 July | | | | |
| US | 1330 Jun Durable Goods (MoM%) | 2.5 | 0.4 | 1.8 |
| | 1330 Jul 22 initial jobless claims (000) | 235 | - | 228 |
| | 1330 2Q GDP QoQ% annualised | 1.5 | 1.8 | 2 |
| Germany | 0700 Aug GfK Consumer Sentiment | -24 | | -25.4 |
| Italy | 0900 Jul Consumer Confidence | - | | 108.6 |
| Spain | 0800 Jun Retail Sales (YoY%) | - | | 6 |
| Eurozone | 1315 Jul ECB Refinancing rate | 4.25 | | 4 |
| | 1315 Jul ECB Deposit rate | 3.75 | | 3.5 |
| US | 1330 Initial Jobless Claims | - | 242 | 237 |
| | 1330 Continuing Jobless Claims | - | 1.729 | 1.729 |
| Friday 28 July | | | | |
| US | 1330 Jun Personal Income (MoM%) | 0.5 | 0.5 | 0.4 |
| | 1330 Jun Personal Consumption Real (MoM%) | 0.2 | | 0 |
| | 1330 Jun Consumption, Adjusted (MoM%) | 0.4 | 0.4 | 0.1 |
| | 1330 Jun Core PCE Price Index (MoM%) | 0.2 | 0.2 | 0.3 |
| | 1500 Jul U Mich Sentiment Final | 72.6 | | 72.6 |
| Germany | 1300 Jul CPI Preliminary (MoM%/YoY%) | 0.6/6.4 | / | 0.3/6.4 |
| France | 0630 Q2 GDP Preliminary (QoQ%/YoY%) | -/- | / | 0.2/0.9 |
| | 0745 Jul CPI Prelim (YoY%) | - | | 5.3 |
| Canada | 1330 May GDP (MoM%) | - | | 0 |
| Sweden | 0700 Q2 GDP (QoQ%/YoY%) | -/- | / | 0.6/0.8 |
| Eurozone | 0700 Jun Unemployment Rate | - | | 7.9 |
| | 1000 Jul Business Climate | - | | 0.06 |
| | 1000 Jul Economic Sentiment | - | | 95.3 |
| | 1000 Jul Consumer Confidence Final | - | | |

Source: Refinitiv, ING

Key events in EMEA next week

| Country | Time Data/event | ING | Survey | Prev. |
|--------------------------|---------------------------------------|------|--------|---------|
| Monday 24 July | | | | |
| Poland | 1300 Jun M3 Money Supply (YoY%) | 7.5 | 7.8 | 7.1 |
| | 1300 Jul 1st Half-Month Infl (MoM%) | - | | 0.02 |
| Tuesday 25 July | | | | |
| Poland | 0900 Jun Unemployment Rate | 5 | 5 | 5.1 |
| Hungary | 0730 May Average Gross Wages (YoY%) | 16.7 | | 15.5 |
| | 1300 Jul Hungary Base Rate | 13 | | 13 |
| Brazil | 1300 Jul IPCA-15 Mid-Month CPI | - | | 0.04 |
| | 1300 Jul IPCA-15 Mid-Month CPI (YoY%) | - | | 3.4 |
| Wednesday 26 July | | | | |
| Russia | 1700 Jun Industrial Output | 6.7 | 6.7 | 7.1 |
| Brazil | - Jun Current Account | - | | 0.649 |
| | - Jun Foreign Direct Investment | - | | 5.38 |
| Thursday 27 July | | | | |
| Ukraine | 1200 Central bank interest rate | - | | 25 |
| South Africa | 1000 Jun PPI (MoM%/YoY%) | -/- | / | 0.6/7.3 |
| Brazil | 1830 Jun Central Government Balance | - | | -45.014 |
| | 1300 Jun Jobless Rate | - | | 2.9 |
| Friday 28 July | | | | |
| Turkey | 0800 Jun Trade Balance | - | | -12.53 |
| Hungary | 0730 Jun Unemployment Rate 3M | 3.8 | | 3.9 |
| Brazil | 1200 Jul IGP-M Inflation Index | - | | -1.93 |

Source: Refinitiv, ING

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Asia week ahead: Key central bank meetings in Japan and Indonesia

Will the Bank of Japan finally make changes to its yield curve control? Meanwhile, we think Bank Indonesia is likely to stand pat



Australia's second quarter CPI data are a key variable for the central bank

The highlight for the week will be the second quarter CPI release in Australia on Wednesday. The inflation outlook will help determine whether the Reserve Bank of Australia (RBA) hikes rates again in the second half of the year. The unemployment data released earlier today showed that the unemployment in June stood at 3.5%, slightly lower than the consensus of 3.6%. The improvement in the labour market could point to solid economic activity despite the recent string of tightening. As such, CPI for the second quarter is likely to remain elevated but lower compared to the first quarter.

Taiwan's industrial output to continue decline

Given the poor performance of China's second-quarter data, industrial output in export-reliant Taiwan is likely to have remained in contraction last month. Semiconductor production plays an

integral role in Taiwan's industrial output. A report released by TrendForce recently showed that global foundry sales will decrease by 4% year-on-year in 2023, with many major firms suggesting no significant rebound in orders.

Korea's GDP to pickup

Korea's GDP growth in the second quarter is expected to accelerate to 0.5% quarter-on-quarter seasonally-adjusted compared to the first quarter's 0.3%. The improvement in net export contributions is likely to have driven overall growth on the back of a sharp decline in imports, while private consumption growth will probably remain flat. Monthly activity data should stay soft with construction and service activity declining in June.

BoJ meeting to be a close call?

The Bank of Japan (BoJ) will meet on Friday and we believe that recent swings in the FX and Japanese government bond markets reflect market expectations for policy adjustment. It is a close call, but we still think yield curve control (YCC) tweaks are possible, given that recent data support steady inflation growth and a sustained economic recovery.

BI expected to pause

Bank Indonesia (BI) is set to extend its pause, keeping policy rates at 5.75%. Inflation has returned to target but pressure on the Indonesian rupiah (IDR) of late may give Governor Perry Warjiyo reason to keep rates steady. We expect BI to stay on hold for a couple more meetings and only consider a potential rate cut once the IDR stabilises.

Singapore inflation to slow

Favourable base effects and moderating commodity prices could help both headline and core inflation dip in Singapore. Headline inflation may edge lower to 4.6% YoY with core inflation also expected to slow. The Monetary Authority of Singapore will be weighing the upside GDP growth surprise alongside the improving price outlook for its meeting later this year.

Key events in Asia next week

| Country | Time (GMT+8) | Data/event | ING | Survey | Prev. |
|--------------------------|--------------|--------------------------------------|----------|--------|------------|
| Monday 24 July | | | | | |
| Japan | 0130 | Jul Manufacturing PMI Flash | 50 | | 49.8 |
| | 0130 | Jul Services PMI Flash | 54.5 | | 54.0 |
| | 0130 | Jul Composite PMI Flash | 52.5 | | 52.1 |
| Singapore | 0600 | Jun Core CPI (YoY%) | 4.6 | | 4.7 |
| | 0600 | Jun CPI (YoY%) | 4.6 | | 5.1 |
| Taiwan | 0900 | Jun Industrial Output (YoY%) | - | | -15.73 |
| | 0900 | Jun Unemployment rate (%) | - | | 3.5 |
| | 0920 | Jun Money Supply - M2 (YoY%) | - | | 6.63 |
| Australia | 0000 | Jul Manufacturing PMI Flash | - | | 48.2 |
| | 0000 | Jul Services PMI Flash | - | | 50.3 |
| | 0000 | Jul Composite PMI Flash | - | | 50.1 |
| Tuesday 25 July | | | | | |
| Indonesia | 0800 | Jul 7-Day Reverse Repo | 5.75 | | 5.75 |
| | 0500 | Jun M2 Money Supply (YoY%) | - | | 6.1 |
| South Korea | 0000 | Q2 GDP Growth (QoQ%/YoY%) | 0.5/0.7 | / | 0.3/0.9 |
| | 2200 | Jul BoK Consumer Sentiment Index | 101 | | 100.7 |
| Wednesday 26 July | | | | | |
| Japan | 0600 | May Leading Indicator Revised | - | | 1.4 |
| Australia | 0230 | Q2 CPI (QoQ%/YoY%) | -16.0 | / | 1.4/7 |
| Philippines | - | Jun Budget Balance | - | | -122.2 |
| Singapore | 0600 | Jun Manufacturing Output (MoM%/YoY%) | 5,0/-9,2 | / | -3.9/-10.8 |
| Thursday 27 July | | | | | |
| Singapore | 0330 | Q2 Unemployment Rate Prelim SA | 1.9 | | 1.8 |
| South Korea | 2200 | Aug BOK Manufacturing BSI | 74 | | 72 |
| Friday 28 July | | | | | |
| Japan | - | JP BOJ Rate Decision | -0.1 | | -0.1 |
| | 0030 | Tokyo CPI (YoY %) | 3.0 | | 3.1 |
| Taiwan | 0900 | Q2 GDP (YoY%) Prelim | - | | -2.87 |
| | 0000 | Jun Industrial Output (YoY%) | -6.5 | | -7.3 |
| | 0000 | Jun Industrial Output Growth | -1.0 | | 3.2 |

Source: Refinitiv, ING

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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