

Our view on next week's key events

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By Bert Colijn, Carsten Brzeski and James Knightley



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By Valentin Tataru

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✓ Eurozone: Fall in oil prices will be a drag on inflation

Inflation data will be a key highlight in the eurozone next week. Now above the central bank target at 2.2%, the drop in oil prices will no doubt have an effect, although this has not worked through to prices at the pump one-for-one.

✓ German Ifo to shed light on whether economy will regain momentum

The prominent Ifo index of business sentiment should shed some light on whether the German economy is likely to regain momentum in the final quarter of the year or whether a disappointing third-quarter performance was more than just a soft patch.

At the same time, headline inflation should drop somewhat but not as much as the latest drop in crude oil prices might suggest. The dry summer weather and low water levels in many rivers have led to transportation bottlenecks, pushing up gasoline prices. The price difference between crude oil prices and gasoline prices has widened significantly.

✓ Riksbank December hike on tenterhooks

After a strong first half of the year, we expect a very weak 3Q GDP report from Sweden on Thursday. We expect only 0.2% quarter-on-quarter growth, and the risks to that are mainly to the downside.

Some of this weakness is temporary – a new tax on cars came into force in July, which caused significant front-loading of car sales (boosting 2Q GDP at the expense of a weaker 3Q). But near-term indicators point to a broader slowdown over the autumn, with the rapid contraction of new construction, in particular, likely to weigh on growth. In that context, the November Economic Sentiment Indicator (on Wednesday) will also be an important data release, as it speaks to the current momentum in the economy. If both the 3Q figure and the November ESI disappoint this would reduce the chance of a Riksbank hike in December.

✓ Canada: Slowing housing market will prevent any 'super growth' story

There was good news for Canadian growth in September. The trade deficit was squeezed further, manufacturing sales saw an uptick on the month and we expect the same for retail trade. All of which contribute to our forecast of 0.3% growth month-on-month.

We also expect healthy growth for the third quarter overall though it won't be as strong as the 2.9% posted in 2Q – we're looking for 2.2%. Dips in construction starts typically precede an economic slowdown, and that's exactly what we've got here (for clarity, construction starts fell 23% QoQ). But it's not as if this was unexpected. The housing market is in a difficult situation. Factors such as excess supply (linked to affordability issues), higher borrowing costs and tighter mortgage rules are holding back residential investment, and we see this lower trajectory sticking around for a while.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 25 November					
Australia	2215	RBA's Lowe Gives Speech in Sydney			
UK	-	Special European Council to Endorse Brexit Agreement			
Monday 26 November					
Japan	0500	Sep F Leading Economic Index	-	-	103.9
Eurozone	1200	ECB's Nowotny, Coeure at Central Bank Conference in Vienna			
Germany	0900	Nov IFO Business Climate	103.0	-	102.8
	0900	Nov IFO Expectations	100.4	-	99.8
	0900	Nov IFO Current Assessment	105.3	-	105.9
UK	1830	BOE Governor Carney, Former Fed Chairman Greenspan Speak			
Australia	0300	RBA's Kent Gives Speech in Sydney			
Tuesday 27 November					
US	1500	Nov Consumer Confidence	-	136.1	137.9
	1245	Fed Vice Chairman Clarida Speaks in New York			
	1930	Fed's Bostic, Evan and George Speak on Panel			
Eurozone	1500	ECB's Nouy, Bank of Portugal's Ferreira Speak in Lisbon			
new Zealand	2000	RBNZ Financial Stability Report			
Sweden	0830	Oct Household Lending (YoY%)	-	-	5.9
Portugal	-	Portugal Releases Year-to-Date Budget Report			
Wednesday 28 November					
US	1330	3Q S GDP (QoQ Annualised %)	-	3.6	3.5
	1700	Fed's Powell Speaks to Economic Club of New York			
Japan	2350	Oct Retail Trade (MoM, SA/YoY%)	-/-	-/-	0.1/2.2
Eurozone	0900	Oct M3 Money Supply (YoY%)	3.5	-	3.5
UK	0700	BOE Financial Stability Report and Stress Test Results			
Sweden	0800	Nov Economic Tendency Indicator	107	-	108.0
	0830	Oct Retail sales (Ex. Fuel, MoM/YoY%)	-/-	-/-	0.5/2.1
Thursday 29 November					
Japan	2350	Oct P Industrial Production - Prel (MoM/YoY%)	-/-	-/-	-0.4/-2.5
	0130	BOJ Masai Speaks in Fukuoka			
Germany	0855	Nov Unemployment Change (000's)	-	-	-12.0
	0855	Nov Unemployment Rate (%)	5.1	-	5.1
	1300	Nov P CPI (MoM/YoY%)	-0.1/2.2	-/-	0.2/2.5
Spain	0800	Nov P HICP (MoM/YoY%)	-/-	-/-	0.7/2.3
Norway	0700	Oct Credit Indicator (YoY%)	-	-	5.6
	-	Norges Bank Dep. Gov. Matsen (0800), Gov. Olsen (1730) Speak in Oslo			
Sweden	0830	3Q GDP (QoQ%)	0.2	-	0.8
Portugal	-	Portuguese Parliament Holds Final Vote on 2019 Budget			
Friday 30 November					
US	1400	Fed's Williams Speaks on Global Economy at G30 in New York			
Japan	0500	Nov Consumer Confidence Index	-	-	43.0
Eurozone	1000	Oct Unemployment Rate (%)	8.1	-	8.1
	1000	Nov A Core CPI (YoY%)	1.1	-	1.1
	1000	Nov Flash CPI (YoY%)	2.0	-	2.2
Italy	1000	Nov P HICP (YoY%)	1.8	-	1.7
	1100	3Q F GDP (QoQ/YoY%)	0.0/0.8	-/-	0.0/0.8
Canada	1330	3Q GDP (Annualised, QoQ%)	2.2	-	2.9
	1330	Sep GDP (MoM/YoY%)	0.3/2.5	-/-	0.1/2.5
Sweden	830	Sep Non-Manual Workers Wage growth (YoY%)	-	-	2.6
Norway	0700	Oct Retail Sales (Ex. Motor Vehicles, SA, MoM%)	-	-	-0.7
	0900	Nov Unemployment Rate	-	-	2.2
Belgium	-	Belgium Sovereign Debt to be Rated by Fitch			
Portugal	-	Portugal Sovereign Debt to be Rated by Fitch			
Ireland	-	Ireland Sovereign Debt to be Rated by S&P			

Source: ING, Bloomberg

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Asia week ahead: Increasing headwinds to growth

Manufacturing releases crowd the Asian economic calendar, but India's 3Q18 GDP and the central bank of Korea's monetary policy meeting are the...



Source: Shutterstock

➔ Asia: Some sense of 4Q18 GDP growth

China's manufacturing PMI for November coupled with hard manufacturing data from Japan, Korea, Singapore, and Thailand for October will give a sense of where GDP growth of these countries is headed in the final quarter of the year.

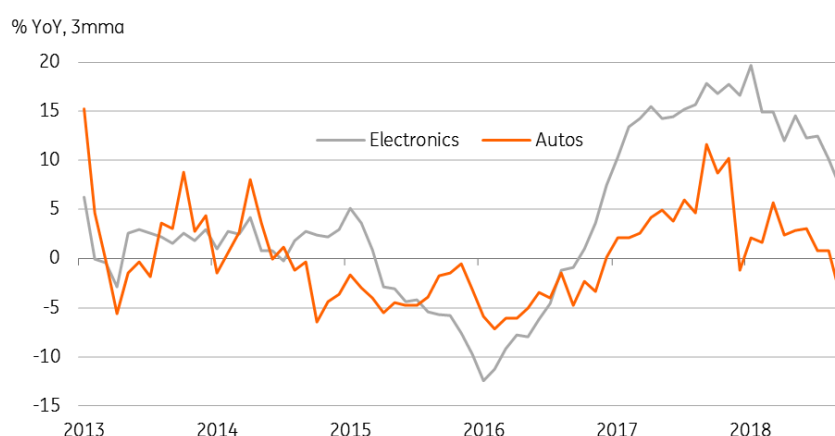
We don't see China's manufacturing PMI drifting far off the threshold level of 50; where it has hovered around since September. Even though export growth has held up since the onset of the trade war, export orders have been contracting at an increasing pace. This has dragged industrial

production growth below 6% in the last two months, supporting our view of GDP growth slipping below 6.5% in the final quarter.

Electronics matter more for the rest of the Asia reporting manufacturing data and judging by the ongoing sell-off in electronic stocks; things don't appear to be looking great. Electronic exports from Korea are still growing on an annual basis, but those from Japan, Singapore, and Thailand have either been flat or contracting. Not only electronics, but weak automobile demand has been an added drag on manufacturing in Japan and Thailand.

As such, GDP growth across Asia is poised for a sustained slowdown in the fourth quarter.

Electronics and automobile exports seem to be declining



Source: CEIC, ING

Aggregate electronics exports from Japan, Korea, Taiwan, Singapore, Malaysia and Thailand; automobile exports from Japan, Korea and Thailand.

➔ Korea central bank policy hangs in balance

Bank of Korea will announce its policy decision on 30 November and the rhetoric has been swinging between a rate hike and staying on hold.

Contrary to the message from a chunky 22% annual export growth in October, there is little room for growth optimism. Manufacturing continues to be weak, the inventory-to-shipment ratio remains elevated, and the risk of a downturn in the global electronic cycle is lingering. Supply disruptions due to nationwide factory workers' strike against labour policies is another thing.

The last central bank rate hike by 25 basis point to 1.50% was in November 2017. Even if the central bank is under pressure from the government to resume tightening to rein in rising house prices and household debt, the newly appointed finance minister Hong Nam-ki admits the next year will be "considerably difficult" for the economy. And the central bank governor Lee Ju-yeol has resisted calls of a rate hike to cap house price, despite the downward pressure on the economy.

We continue to see the BoK leaving the policy on hold until the third quarter of 2019, and even this may get pushed back if things worsen further.

1.5% ING forecast of BoK policy rate
No change until 3Q19

➔ India: The GDP peak cycle is behind us

Our view of a slowdown in India's GDP growth to 7.5% YoY in the July-September cycle from 8.2% in the previous quarter, which was the fastest rate of growth in two years, is consistent with the median consensus estimate in the latest Bloomberg survey. GDP data is due on Friday, 30 November.

After a sharp slump from late 2016, demonetisation growth started to pick in 2Q18 and gathered significant momentum over the next two quarters. While this high base effect is at work to depress the annual increase, weaker exports and private consumption, and increasing drag from net trade support expectations of GDP slowdown.

GDP slowdown and stable inflation under 4% will give more reasons to the central bank to leave the monetary policy on hold, as this is what we now forecast for the December policy meeting.

7.5% India's 2Q FY19 GDP growth
Bloomberg consensus median

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 26 November					
Hong Kong	0830	Oct Exports (YoY%)	15	-	4.5
	0830	Oct Imports (YoY%)	14	-	4.8
	0830	Oct Trade balance (HK\$ bn)	-47	-	-47.7
Philippines	-	Oct Budget Balance (PHP bn)	-	-	-96.2
Singapore	0500	Oct Industrial Production (YoY%)	3.8	-	-0.2
	0500	Oct Industrial Production (MoM% SA)	2.5	-	-4.9
South Korea	2100	Nov BOK Consumer Sentiment Index	-	-	99.5
Tuesday 27 November					
China	0130	Oct Industrial Profits (YTD, YoY%)	6.0	-	4.1
South Korea	2100	Dec BOK Business Survey Index, mfg	-	-	72.0
	2100	Dec BOK Business Survey Index, non-mfg	-	-	75.0
Thursday 29 November					
Thailand	-	Oct Manufacturing Index (YoY%)	3.3	-	-2.6
South Korea	2300	Oct Industrial production (MoM/YoY%)	2.0/1.4	-/-	-2.2/-8.4
Friday 30 November					
China	0100	Nov Non-manufacturing PMI	53.8	-	53.9
	0100	Nov Manufacturing PMI	50.1	-	50.2
India	1100	Oct Fiscal Deficit (INR crore)	-	-	3441.0
	1200	3Q GDP (Q) (YoY%)	7.5	-	8.2
Hong Kong	0830	Oct Retail Sales Value (YoY%)	-	-	2.4
	0830	Oct Retail Sales Volume (YoY%)	-	-	1.4
Taiwan	0900	3Q F GDP (YoY%)	-	2.3	2.3
Thailand	0730	Oct Current Account Balance (US\$bn)	2.0	-	2.4
South Korea	-	7-Day Repo Rate	1.5	-	1.5

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

A credit rating decision on Bulgaria and insights into Poland's strong surplus will be the key highlights next week



Source: Shutterstock

✓ Bulgaria: Rating upgrade?

After raising its outlook from stable to positive in June 2018, S&P could move to upgrade Bulgaria's sovereign credit rating further, this time into investment grade territory at 'BBB', thus aligning itself with Moody's and Fitch.

While our main scenario is still for an unchanged rating, an upgrade is possible given that some of the reasons cited for a potential upgrade in June seem to be in place- namely improved domestic financial conditions, strengthened fiscal and external buffers and declining non-performing loans. Still others - namely the balance of payments or imminent admission to the European Exchange Rate Mechanism II, are less supportive. The process to join the European Banking Union and participate in the ERM II are important milestones and help to temper worries about the domestic financial system.

✓ Weak 3Q growth figures won't stop Czech National Bank from tightening

Flash 3Q GDP growth ended below both the market's and the Czech National Bank's (CNB) forecast (2.3% year-on-year vs. 2.7%). A revised estimate released next week should confirm that household consumption remains the main driver of growth, with the weaker-than-expected

figure driven mainly by volatile investments and inventories. The data should be no game changer for the CNB, which should continue to tighten monetary policy gradually. This will be delivered via higher rates, as the Czech koruna will most likely appreciate more slowly than the CNB's forecast assumes.

Poland: An insight into the strong surplus

According to the Ministry of Finance's Teresa Czerwińska, the central budget achieved a strong surplus of PLN 6 billion at the end of October. Next week's budget data should provide greater detail about the reason for this surplus, i.e. additional revenues or lower expenses.

A final GDP reading is likely to confirm 5.1% year-on-year growth with a strong contribution from both private consumption and investments. The contribution from net exports is expected to be close to the neutral level of zero percentage points.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 25 November					
Hungary	2300	Nov Economic Sentiment	8.3	-	7.2
	2300	Nov Business Confidence	14.0	-	13.1
	2300	Nov Consumer Confidence	-8.0	-	-9.5
Serbia	1100	Sep Real Wages (YoY%)	-	-	3.5
Monday 26 November					
Turkey	1130	Nov Real Sector Confidence Index, SA	-	-	91.1
	1130	Nov Industrial Confidence	-	-	87.6
	1130	Nov Capacity Utilization (%)	-	-	75.4
Poland	0900	Oct Unemployment Rate (%)	5.6	-	5.7
	-	Oct Budget Perf. (YTD)	-	-	2.1
Czech Rep	0800	Nov Business Confidence	-	-	16.8
	0800	Nov Consumer & Business Confidence	-	-	15.4
	0800	Nov Consumer Confidence	-	-	9.5
Croatia	1000	Sep Real Wages (YoY%)	-	-	2.6
Mexico	1400	Sep Retail Sales (YoY%)	4.1	-	3.9
Tuesday 27 November					
South Africa	1000	4Q BER Business Confidence	-	-	38.0
Brazil	1230	Oct C/A Balance (\$mn)	1200	-	31.79
Mexico	1400	Oct Unemployment Rate SA (%)	3.3	-	3.3
Wednesday 28 November					
Croatia	1000	3Q P GDP (YoY%)	-	-	2.9
South Africa	0700	3Q Consumer Confidence	-	15.0	22.0
Mexico	-	Mexican Central Bank Releases Inflation Report			
Thursday 29 November					
Romania	0700	Oct Unemployment Rate, 15 - 74 Yrs Old, SA	-	-	4.1
Croatia	1000	Oct Industrial Production (SA, YoY%)	-	-	-2.6
South Africa	0600	Oct M3 Money Supply (YoY%)	-	-	7.0
	0600	Oct Private Sector Credit (YoY%)	-	-	6.3
	0930	Oct PPI (MoM/YoY%)	-/-	-/-	0.5/6.2
Israel	1100	Oct Monthly Unemployment Rate (%)	-	-	4.0
Brazil	1100	Oct Unemployment Rate (%)	11.7	-	11.9
Mexico	1500	Central Bank Monetary Policy Minutes			
Friday 30 November					
Turkey	0700	Oct Trade Balance (US\$m)	-0.5	-	-1.9
Poland	0900	Nov P CPI (MoM/YoY%)	-/-	-/-	0.4/1.8
	0900	3Q F GDP (QoQ/YoY%)	1.7/5.1	-/-	1.7/5.1
Czech Rep	0800	3Q P GDP (QoQ/YoY%)	0.5/2.4	-/-	0.4/2.3
Hungary	0800	Sep F Trade Balance (€mn)	268.0	-	268.0
	0800	Oct PPI (MoM/YoY%)	-0.1/5.3	-/-	0.1/6.7
Bulgaria	-	Bulgaria Sovereign Debt to be Rated by S&P			
Serbia	1100	Oct Industrial Production (YoY%)	-	-	-1.2
	1100	Oct Trade Balance (€m)	-	-	-400.4
	1100	Oct Retail Sales (YoY%)	-	-	5.9
Croatia	-	Oct M1 Money Supply (HRKmn)	-	-	115502.2
South Africa	1200	Oct Trade Balance (ZARbn)	-	-	-2.95
	1200	Oct National Budget Balance (ZARbn)	-	-	3.4
Brazil	1100	3Q GDP (QoQ/YoY%)	0.7/1.1	-/-	0.2/1.0

Source: ING, Bloomberg

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