

Our view on next week's key events

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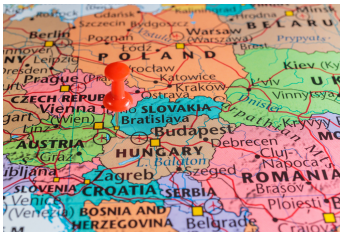
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By Min Joo Kang

Article | 28 July 2023

Key events in developed markets next week

With the best part of two months until the next Federal Reserve meeting, all eyes will be on the ISM business surveys next week as they're expected to show a further contraction in the manufacturing industry. After better inflation news in the UK, the BoE is poised for a smaller rate hike. In the eurozone, there will be important GDP and inflation data released



Source: Shutterstock

US: business surveys expected to show a further contraction in manufacturing activity

We now have the best part of two months until the next Federal Reserve meeting with the market seemingly content in the view that we are at or very close to the end of the Fed's tightening cycle and that recession can be avoided as inflation gradually returns to its 2% target. We remain sceptical, but the upcoming data isn't likely to shake the market's mindset. The July jobs report will be the focus with a figure of around 200k expected and the unemployment staying low at 3.6%. Meanwhile, the ISM business surveys are going to show a further contraction in manufacturing activity with the service sector continuing to grow.

We will be closely watching the Federal Reserve's Senior Loan Officer Opinion Survey given it is such a key leading indicator. It shows that banks have significantly scaled back their appetite to lend and this has been corroborated by weekly lending data suggesting that loan repayments are

now outstripping new lending, prompting a decline in the outstanding stock of lending in the economy. Given the importance of credit to the American economy, it's a huge concern that means we continue to see downside risk for economic activity from 4Q onwards. If that is the case it will help to intensify the disinflationary trend happening in the economy.

✓ UK: Bank of England poised for smaller rate hike after better inflation news

Welcome news on UK inflation has taken a fair amount of pressure off the Bank of England to repeat the 50 basis-point rate hike it implemented in June. Services inflation, a key metric for the Bank, dipped back in June's data, against BoE expectations for it to remain unchanged. That was complemented by better news in other areas, including food. Admittedly, this improved story on inflation was tempered by a recent upside surprise to pay growth, but that too was offset by further signs of cooling in the jobs market and an ongoing return of workers. This latter point was acknowledged in a recent press conference by Governor Andrew Bailey.

In short, there's just about enough in the latest data flow for the Bank to be comfortable with reverting back to a 25bp hike in August. While you could reasonably argue that the latest inflation number is just one data point, you could have made a similar argument about the previous month's data, which the Bank said had contained "significant news". We shouldn't rule out a 50bp hike though, especially if the committee concludes that it will likely hike again in September. Governor Bailey explained at the European Central Bank's recent Sintra conference that it was this logic that partly drove the Bank to do a 50bp hike last month.

✓ Eurozone: GDP and inflation data releases on the agenda next week

Even though the ECB only met on Thursday, next week starts with some of the most important data points ahead of the September meeting. GDP and inflation are on the agenda. The first country estimates have been decent, although Germany's stagnating GDP was worse than expected. Overall, GDP is trending very close to zero growth at the moment and the question is whether a small positive growth figure can be reached. For inflation, French data provides some relief, but for the ECB, only a strong drop would be seen as dovish evidence ahead of September. Further in the week, unemployment data will be released - also important as a cooling labour market would soften ECB concerns about inflation persistence, though there's little sign of that so far.

Key events in developed markets next week

Country	Time	Data/event	ING	Surve	Prev.
Monday 1 August					
US	1500	Jul ISM Manufacturing	51.5	52.3	53
		Jul ISM Manufacturing Prices Paid	72.0	74.9	78.5
Germany	0700	Jun Retail Sales (MoM%/YoY%)	-0.2/-	0.2/-	0.6/-3.6
Italy	0900	Jun Unemployment Rate	8.2		8.1
Eurozone	1000	Jun Unemployment Rate	-		6.6
Wednesday 3 August					
US	1445	Jul S&P Global Composite Final PMI	-		47.5
	1500	Jun Factory Orders (MoM%)	1.0	0.7	1.6
Germany	0700	Jun Imports/Exports	-0.5/-0.5		2.7/-0.5
	0700	Jun Trade Balance	-		-1.0
	0855	Jul S&P Global Composite Final PMI	-		48.0
France	0850	Jul S&P Global Composite PMI	-		50.6
UK	0930	Jul Composite PMI Final	52.8		52.8
Italy	0845	Jul Composite PMI	-		51.3
Switzerland	0730	Jul CPI (MoM%/YoY%)	-/-		0.5/3.4
Eurozone	0900	Jul S&P Global Composite Final PMI	-		49.4
	1000	Jun Retail Sales (MoM%/YoY%)	-/-		0.2/0.2
Thursday 4 August					
US	1330	Jun International Trade (USD bn)	-79.5	-82.0	-85.6
	1330	Initial Jobless Claim 000s	-		256
	1330	Continue Jobless Claim 000s	-		1359
Germany	0700	Jun Industrial Orders (MoM%)	-0.5		0.1
UK	1200	Aug BOE Bank Rate	1.75	1.75	1.25
Canada	1330	Jun Trade Balance (CAD bn)	-		5.32
Netherlands	0530	Jul CPI (MoM%/YoY% NSA)	-		0/8.6
Friday 5 August					
US	1330	Jul Non-Farm Payrolls	220	250	372
	1330	Jul Private Payrolls	190	220	381
	1330	Jul Unemployment Rate	3.6	3.6	3.6
	2000	Jun Consumer Credit	25.00	24.00	22.35
Germany	0700	Jun Industrial Output (MoM%/YoY%)	-/-1.50		0.20/-1.41
France	0745	Jun Industrial Output (MoM%)	-		0
	0745	Jul Reserve Assets Total	-		240187
	0745	Jun Trade Balance	-		-13.0
Italy	0900	Jun Industrial Output (MoM%/YoY%)	0.2		-1.1
Canada	1330	Jul Unemployment Rate	4.9		4.9

Source: Refinitiv, ING

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Key events in EMEA next week

There are no rate changes expected at the Czech National Bank meeting next week, but we will get new forecasts as market expectations turn dovish. Annual inflation in Turkey is expected to end its downtrend in July and increase to 45.2%. And June economic activity data is to be released in Hungary



Source: Shutterstock

✓ Czech Republic: No change in rates and new CNB forecast in the pipeline

The Czech National Bank's monetary policy meeting will take place on Thursday next week and a rate change is not on the table, in our view. However, we think it should be one of the most interesting sessions this year.

This is because rapid disinflation has opened up the question of a first rate cut, while the record weak koruna, in turn, has raised the question of intervention and postponement of rate cuts. The CNB will also release a new forecast that may be the central bank's last attempt to reverse very dovish market expectations.

Since the decision itself does not have much potential to surprise, the main focus will be on the governor's press conference and the new forecast. While it cannot be ruled out that some members will still vote for a rate hike, our [baseline scenario](#) assumes a unanimous decision to

leave rates unchanged.

✓ Turkey: Expect annual inflation to end its downtrend in July and increase to 45.2%

Recent lira depreciation (around 30% since end-May), large mid-year wage adjustments (a 34% hike in the minimum wage and 73.5% on average in civil servant salaries) and revenue-raising measures to offset some of the fiscal pressures related to wage hikes and earthquake reconstruction will be inflationary in the period ahead.

Given this backdrop, we expect annual inflation to end its downtrend in July and increase to 45.2% (with a 7.6% month-on-month reading) from 38.2% a month ago, while risks are on the upside.

✓ Hungary: June economic activity data

Next week's highlight is the June economic activity data in Hungary. We are going to see whether there is any momentum change. With real wage growth stuck in negative territory, we see the impact of reducing purchasing power negatively affecting consumption and domestic demand-driven subsectors in industry. Hence, the downtrend will continue with month-on-month drops in retail sales and industrial production volumes, in our view. The only thing that will help optically is the base effect. As a result, the year-on-year indexes will show improvements, a false promise of a turnaround.

Key events in EMEA next week

Country	Time	Data/event	ING Survey	Prev.
Monday 1 August				
Russia	0700	Jul S&P Global Manufacturing PMI	-	50.9
Turkey	0800	Jul Manufacturing PMI	-	48.1
Poland	0800	Jul S&P Global Manufacturing PMI	43.1	44.4
Czech Rep	0830	Jul S&P Global PMI	46.2	49.0
	1300	Jul Budget Balance	-	-183
Hungary	0800	Jul Manufacturing PMI	52.1	57.0
	0800	May Trade Balance Final	135	135
Brazil	1400	Jul S&P Global Manufacturing PMI	-	54.1
Mexico	1530	Jul S&P Global Manufacturing PMI	-	52.2
Tuesday 2 August				
Brazil	0900	Jul IPC-Fipe Inflation Index	-	0.28
	1300	Jun Industrial Output (MoM%/YoY%)	-/-	0.3/0.5
Wednesday 3 August				
Russia	0700	Jul S&P Global Services PMI	-	51.7
Turkey	0800	Jul CPI (MoM%/YoY%)	2.30/79.5	4.95/78.62
	1200	Jun Bank NPL Ratio	-	2.61
Hungary	0800	Jun Retail Sales (YoY%)	10.0	11.1
South Africa	0815	Jul Std Bank Whole Econ PMI	-	52.5
Brazil	1400	Jul S&P Global Services PMI	-	60.8
	1400	Jul S&P Global Composite PMI	-	59.4
	2200	Selic Interest Rate	-	-
Thursday 4 August				
Czech Rep	1330	CNB Repo Rate	7.00	7.00
Friday 5 August				
Czech Rep	0800	Jun Retail Sales (YoY%)	-	-5.5
Hungary	0800	Jun Industrial Output (MoM%/YoY%)	0.7/3.0	1.4/9.4
Romania	1300	Mon Policy Rate	5.75	4.75

Source: Refinitiv, ING

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Asia week ahead: Reserve Bank of Australia policy move and regional PMI data

The Reserve Bank of Australia is likely to stand pat at next week's policy meeting. Plus, we'll get PMI readings from the region



RBA likely to maintain rates as inflation slows

The Reserve Bank of Australia (RBA) can use the latest inflation data as an excuse to leave the cash rate target unchanged at 4.1% this month. But while the figures are being touted as “better than expected” the truth is that the monthly June figure was still running hot, and with base effects almost used up, there may well be more convincing periods in the months ahead for the RBA to deliver further tightening. Our current thinking is that the bank will maintain rates at the current level until September, which could respond to inflation backtracking higher, or just not making sufficient downward progress.

The latest data from the Australian Bureau of Statistics shows that the CPI for the second quarter fell to 6.0% year-on-year, lower than the 6.2% consensus. This is also the lowest quarterly rise since September 2021. As both headline and trimmed mean inflation are now below the central

bank's forecast, this gives it a good reason to believe that it is time to stop.

China PMI likely lower again

Both the manufacturing PMI released by Caixin and the official numbers are expected to dip further as the government has yet to roll out any concrete policy to boost growth. While a weak yuan could provide a lift to the export sector, it also reflects the general pessimism that has taken hold in the economy. This has led to many consumers delaying spending; thus, we should see the services PMI also drop for a second month as the effect of "revenge spending" fizzles out.

Slowing global demand weighing on India and Taiwan

Last month showed the first decline in India's manufacturing PMI after several months of expansion. This is a sign that India may be losing a little steam as rate hikes worldwide are finally impacting the global economy.

The shrinking global demand and semiconductor downturn also affects Taiwan, which has seen its PMI contracting for several months. We expect Taiwan's PMI to remain in contraction.

Trade and inflation numbers from Korea

Korean exports are expected to decline for the tenth straight month on the back of sluggish semiconductor and petroleum exports. Export details to the US and the EU should be monitored more carefully, as this could signal how consumers cope with rate hikes.

Consumer inflation should stabilise further down to 2.5% year-on-year in July (vs 2.7% in June), mainly due to the high base last year. Meanwhile, recent floods and a rebound in global oil prices should push up food and energy prices on a monthly basis.

Japan reports activity data next week

Monthly activity data should be closely watched in order to gauge whether Japan's recovery can be sustained in the second quarter. Surveys and other forward-looking data suggest that both industrial production and retail sales will gain in June, supported by solid catch-up demand and improvement in the global supply chain.

Indonesia's inflation likely steady while Philippine price pressures ease further

Both the Philippines and Indonesia will report inflation next week. Inflation in Indonesia returned to target earlier this year and we expect both headline and core inflation to remain well-behaved. Headline inflation should be flat at 3.5%YoY while core inflation could dip to 2.5%YoY from 2.6%.

Meanwhile, in the Philippines, headline inflation will continue its slide helped along by favourable base effects. Philippine inflation could edge lower to 4.8%YoY (from 5.4%) while core inflation could likely trend lower to 7.0%. Despite moderating price pressures, both Bank Indonesia and Bangko Sentral ng Pilipinas will likely keep rates untouched for the time being to provide support for their respective currencies.

Singapore retail sales could bounce in June

Retail sales, which have been a bright spot for Singapore's economy, could extend their gains for another month. June retail sales could rise by 3.5%YoY although this will be down 2.8% from the previous month. Slowing inflation coupled with the influx of foreign arrivals should provide some support, especially in services related to leisure and recreation.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 31 July					
Japan	0050	Jun Industrial O/P Prelim (MoM%/YoY%)	1.7/ 4.0	/	/5.7
China	0230	Jul NBS Manufacturing PMI	-		49
	0230	Jul NBS Non-Manufacturing PMI	-		53.2
Tuesday 1 August					
Japan	0030	Jun Unemployment Rate	2.6		2.6
	0130	Jul Jibun Bank Manufacturing PMI	49.4		49.4
	0050	Jul Monetary Base (YoY%)	-		-1.21
Australia	0530	Aug RBA Cash Rate	-	4.35	4.1
China	0245	Jul Caixin Manufacturing PMI Final	-		50.5
India	0600	Jul IHS S&P Global Manufacturing PMI	-		57.8
Indonesia	0130	Jul IHS S&P Global PMI	52.7		52.5
	0500	Jul Core Inflation (YoY%)	2.5		2.58
	0500	Jul Inflation (MoM%/YoY%)	-73.5	/	0.14/3.52
Philippines	0130	Jul Manufacturing PMI SA	50.2		50.9
Taiwan	0130	Jul IHS S&P Global Manufacturing PMI	-		44.8
South Korea	0100	Jul Export Growth Prelim	-14.5	-14.8	-6
	0100	Jul Import Growth Prelim	-22.6	-24.8	-11.7
	0130	Jul IHS S&P Global Manufacturing PMI	47.3		47.8
Wednesday 2 August					
Singapore	1400	Jul Manufacturing PMI	-		49.7
South Korea	0000	Jul CPI Growth (MoM%/YoY%)	0.3/2.5	0.2/2.4	0/2.7
Thursday 3 August					
Japan	0130	Jul Services PMI	53.9		53.9
Australia	0230	Jun Trade Balance (A\$bn)	-		11791
China	0245	Jul Caixin Services PMI	-		53.9
India	0600	Jul IHS S&P Global Services PMI	-		58.5
Friday 4 August					
Philippines	0200	Jul CPI (MoM%/YoY%)	0.2/4.8	/	0.2/5.4
	0200	Jul Core CPI (YoY%)	7		7.4
Singapore	0600	Jun Retail Sales (MoM%/YoY%)	-2.8/3.5	/	-0.2/1.8
Taiwan	0920	Jul Foreign Exchange Reserve	-		564.834

Source: Refinitiv, ING

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