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Key central bank decisions

Following the [slightly lower than expected 2022 CPI release](#) recently, the Reserve Bank of Australia (RBA) can probably stick to hiking rates by only 50bp at the 2 August meeting. This will leave it able to respond further in September should the Wage price index data due on 17 August show an alarming increase in wage costs. Policy rates in Australia would still be lower than the 2.5% that RBA Governor Lowe has indicated are the lowest likely level of neutral nominal interest rates. Governor Lowe delivers the RBA statement on Monetary policy on 5 August.

The Reserve Bank of India also meets to decide what to do with policy rates on 5 August. Currently, the repo rate is 4.9%, following a 50bp rate hike in June. Since then, inflation has remained reasonably steady at just over 7%, though this owes in part to cuts in excise duties. A 25bp rate hike in August will close the gap between policy rates and inflation. We think that rates will need to get closer to 6% by the year end to eliminate the gap completely, though this could be helped if inflation also moderates, reflecting lower global agricultural prices.

Regional manufacturing data to show state of recovery post China lockdowns

The coming week also features regional manufacturing data starting with China's report on 31 July. China's manufacturing and non-manufacturing PMI indices should remain in expansion as economic activity picked up after Shanghai eased lockdowns in July. The month-on-month increase in non-manufacturing activities however should be smaller as consumers likely spent the bulk of consumption subsidies distributed in June.

Manufacturing PMI in Taiwan should settle in the range of 49-50 after demand for semiconductor chips, used in smart devices, slowed due to soft demand from Mainland China and developed economies due to accelerating inflation.

Meanwhile, Korea's manufacturing PMI is expected to decline and possibly slip below 50 as local business surveys suggest that exports and manufacturing outlook worsened meaningfully.

Inflation continues to accelerate in Asia

Several inflation reports are also scheduled for release. Philippine July inflation will likely rise to 6.3% from 6.1% in the previous month. On top of pricey energy, food inflation is also on the uptick after firms announced price increases for bread and canned goods. Red hot inflation will likely keep up the pressure on central bank to hike policy rates at the August policy meeting.

A similar theme is playing out in Korea where CPI inflation will likely rise further to 6.3% (6.0% in June) on the back of rising agricultural and utility prices. We expect to see some signs of price stabilization however as the month-on-month growth should slow after gasoline and rental prices declined last month.

Despite enjoying relatively behaved inflation so far this year, Indonesia could see headline inflation run up to 5% and core inflation rise to 3%. The central bank has preached patience on rate hikes so far but did signal adjustments would be tied to the fate of core inflation. We expect Bank Indonesia to prime for a rate hike after core inflation moves past 3% with the first increase possible by August.

Lastly, price pressures are also evident in Taiwan, where headline inflation should edge up slightly between 3.5% YoY to 4% YoY reflecting high energy prices in the hot summer.

Trade reports from Korea and Australia

Rounding out the week, we have trade numbers from Korea and Australia. Korea's export growth is expected to accelerate to 12.5% YoY (vs 5.4% in June) due to easing lockdowns in China. Imports should stabilize as global commodity prices continue to fall. Overall, the trade balance will likely remain in deficit for a fourth straight month, improving only slightly from June.

Lastly, Australia also releases trade data for June, and after the 9% surge in exports registered in May, we anticipate some pullback in the latest data which could pull the trade surplus down from the record AUD15.97bn figure recorded in May.

Asia Economic Calendar

Country	Time	Data/event	ING	Surve	Prev.
Sunday 31 July					
China	0230	Jul NBS Manufacturing PMI	50.6		50.2
	0230	Jul NBS Non-Manufacturing PMI	54.2		54.7
Monday 1 August					
Japan	0130	Jul Jibun Bank Manufacturing PMI	52.2		52.2
China	0245	Jul Caixin Manufacturing PMI Final	51.5		51.7
India	0600	Jul IHS Markit Manufacturing PMI	-		53.9
		- Jul Fiscal Deficit - USD Prelim	-		26.18
		- Jul Imports/Exports - USD Prelim	-		66.3/40.1
Indonesia	0130	Jul IHS Markit PMI	51.0		50.2
	0500	Jul Inflation (MoM%/YoY%)	0.65/5.00		0.61/4.35
	0500	Jul Core Inflation (YoY%)	3.0		2.6
Philippines	0130	Jul Manufacturing PMI SA	53.1		53.8
Taiwan	0130	Jul IHS Markit Manufacturing PMI	49.6		49.8
South Korea	0100	Jul Import/Export Growth Prelim	17.3/12.7		19.4/5.2
	0100	Jul Trade Balance Prelim	-0.5		-2.6
	0130	Jul IHS Markit Manufacturing PMI	50.0		51.3
Tuesday 2 August					
Japan	0050	Jul Monetary Base (YoY%)	-		3.85
Australia	0530	Aug RBA Cash Rate	1.85		1.35
Singapore	1400	Jul Manufacturing PMI	50.2		50.3
South Korea	0000	Jul CPI Growth (MoM%/YoY%)	0.4/6.3		0.6/6.0
Wednesday 3 August					
Japan	0130	Jul Services PMI	51.2		51.2
China	0245	Jul Caixin Services PMI	53.3		54.5
India	0600	Jul IHS Markit Svcs PMI	-		59.2
Thursday 4 August					
Australia	0230	Jun Trade Balance (AUD bn)	14138		15965
India	0530	Repo Rate	5.15		4.90
	0530	Reverse Repo Rate	3.50		3.35
	0530	Cash Reserve Ratio	4.75		4.50
Friday 5 August					
Japan	0030	Jun All Household Spending (MoM%/YoY%)	-		-1.9/-0.5
Indonesia	0500	Jul Forex Reserves	-		136.4
		- Q2 GDP (QoQ%/YoY%)	-		-0.96/5.01
Philippines	0200	Jul CPI (MoM%/YoY%)	0.65/6.3		0.90/6.1
	0200	Jul Core CPI (YoY%)	-		3.00
Singapore	0600	Jun Retail Sales (MoM%/YoY%)	-/6.0		1.8/17.8
Taiwan	0900	Jul CPI/WPI (YoY% NSA)	3.67 / 15.16		3.59 / 16.45
	0920	Jul Foreign Exchange Reserve (USD bn)	545.00		548.96
South Korea	0000	Jun Current Account Balance NSA	4.00		3.86

Source: Refinitiv, ING

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Key events in EMEA next week

Next Thursday, the Czech National Bank will hold its first monetary meeting under a new governor and a new board composition. We believe the interest rate will remain unchanged. In Hungary, we expect retail sales to continue to slow and Turkey's July inflation will likely be lower due to price cuts in gasoline



Source: Shutterstock

✓ Turkey: Relatively lower monthly inflation in July

While we have seen significant price adjustments in heavy-weight products like medicines, cigarettes, and bread, as well as the further impact of currency weakness, monthly inflation will likely be relatively lower in July at 2.3% in comparison to previous months this year thanks to price cuts in gasoline. Accordingly, we expect annual inflation of 79.5%.

✓ Czech Republic: central bank meets under new governor

On Thursday, the Czech National Bank (CNB) will hold its first monetary policy meeting under the leadership of a new governor and with a new composition of the board, including the presentation of the central bank's new forecast. Not much has changed in our view since the last [meeting](#) at the end of June. We believe the new governor will deliver what he promised when he was [appointed](#), and interest rates will remain unchanged for the first time since the first post-Covid rate hike in May last year. The new forecast will, in our view, deliver a less hawkish outlook than we have been used to in the past, but should still point to further rate hikes. For more details see our [CNB preview](#).

✔ Hungary: Retail sales expected to continue to slow

Next week we are getting the last few puzzle pieces to get (an almost) full picture of second-quarter economic activity in Hungary. We expect retail sales to continue their slowdown as rising inflation is reducing the real disposable income of households, though it still looks like a soft landing. The flexibility of manufacturing (especially among car makers) was on full display in May, when the sector showed a significant rebound as producers were able to find supplementing sources for spare parts. We expect this positive development to fuel industry further, though the raw data of year-on-year growth will show a significant slowdown due to a lower number of working days. When it comes to the third quarter, the July manufacturing PMI reading will provide a sneak peek, and based on the remarkably high stock of orders, we see more optimism for the economy.

EMEA Economic Calendar

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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Key events in developed market next week

With policymakers hinting back in June that they could force inflation lower, we are anticipating a 50bp hike from the Bank of England next week. In the US, next Friday's jobs and business survey reports are set to confirm the economy is slowing



Source: Shutterstock

✓ US: Business survey results and jobs report are set to confirm the economy is slowing quite quickly

Between now and the 21 September FOMC meeting, there are two US job reports, two inflation prints and the Jackson Hole annual symposium. Consequently, it isn't surprising that the Fed chose to be vague in its forward guidance after hiking rates [by 75bp on Wednesday](#). The Federal Reserve has made it clear it is prepared to sacrifice growth as it looks to beat inflation down toward target, but now that the US is in a technical recession and is seemingly headed toward what might be termed a "real" recession with rising unemployment and falling consumer spending, we expect the Fed to pivot to 50bp hikes in September and November.

This view should get some support from next Friday's jobs report. There are still two vacancies for every one unemployed American, and small businesses are crying out for staff, so we suspect that it will be a lack of supply that holds back the figure with payrolls set to increase by 220,000. With unemployment remaining at just 3.6%, wages still growing at around 5% year-on-year, and inflation just shy of 10%, the Fed will continue hiking for now. However, business surveys such as next week's ISM reports are set to confirm that the economy is slowing quite quickly and the Fed

will tighten policy more modestly in the coming months.

UK: Bank of England to deliver 50bp rate hike

We expect a 50bp rate hike from the Bank of England next week, its first such move this cycle. That's not because the data we've received since June's 25bp hike decision has moved the needle all that much – it hasn't. But policymakers hinted back in June that they could act 'forcefully' to get inflation lower. And with a 50bp move more-or-less priced in, that's what we expect them to do.

However, we think the Bank's window for further rate hikes is gradually closing. There are likely to be hints of this in the Bank's new forecasts, which we expect to again show inflation would be below target in 2024/25 if policymakers follow through with the number of rate hikes markets have been pricing. But aside from that, the Bank may be reluctant to signal a forthcoming pivot in policy – not least because of the hawks' concerns about recent sterling weakness. [Read more on our Bank of England outlook here.](#)

Canada: Expect a shift toward more modest incremental hikes

In Canada, a decent jobs report will suggest that the Bank of Canada still has more work to do given inflation is at 40-year highs. Like the Fed, we expect the Bank of Canada to pivot toward more modest incremental hikes in coming meetings after the surprise 100bp jump at the last meeting. We expect a 50bp hike on 7 September.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Surve	Prev.
Monday 1 August					
US	1500	Jul ISM Manufacturing	51.5	52.3	53.0
		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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