

Our view on next week's key events

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Key events in developed markets next week

GDP growth figures dominate the developed markets calendar next week. Most economies are experiencing a slowdown in growth due to a lack of consumer confidence and fears of inflation



Source: ING
World Map

✓ US: Slowdown in growth due to a soft patch in the third quarter

It is clear that the US economy experienced a soft patch in the third quarter. This was most obviously highlighted by the steep falls in consumer confidence as the Delta Covid wave hit. High-frequency restaurant dining, air passenger travel and hotel accommodation stay figures, show households were far less inclined to go out and about, which also meant less spending. Consumer surveys show that there was a greater acknowledgement of prices going up for everything from grocery bills to cars and from houses to energy prices, which led to worries about household spending power. This may also have contributed to a bit of a pull-back in spending growth, which we have pegged as posting close to zero growth in the third quarter.

Supply chain strains and labour shortages held back production, and this is likely to show up in another big drag lower from inventories. Government spending may rebound a touch, while investment should be OK, given construction numbers and durable goods orders data. Net trade may be positive, but not for the best of reasons, given the disruption in Chinese output and the long queues of ships trying to get into US ports. Putting this all together, we have 3Q GDP growth pencilled in at around 2.5% annualised.

We are confident that the fourth quarter will be better. Those high-frequency consumer spending numbers, turned higher through mid-September into October, as the Delta wave subsided. Retail sales are holding up strongly, so it looks as though consumer spending will be in a good place through the fourth quarter. Inflation is a bit of a concern due to its impact on spending power, but incomes are rising, and household balance sheets are in great shape. We are therefore hopeful that this can allow households to weather this temporary storm. We also expect labour supply to make a gradual return, which will release some of the pressures on businesses while boosting jobs growth and household incomes. On this point, it may well be that the strong cash position of households (saving of stimulus cheque payments and uprated unemployment benefits) has diminished the urgency of finding a job. However, with the expensive holiday season fast approaching, this may encourage more potential workers to return.

Other data will include the employment cost index, which should show how inflation pressures are building in the jobs market, with rising wages and benefits required to attract and retain staff, in an environment where labour supply remains heavily constrained. We will also get the Fed's favoured measure of inflation – the core personal consumer expenditure deflator and this will continue to post readings closer to 4%YoY rather than the actual 2% target.

As for the Federal Reserve, the November 3rd taper announcement looks like a foregone conclusion, especially after recent comments from officials and the minutes of the September meeting, which clearly outlined the timetable – starting in November/December and ending around June 2022. With the economy growing, creating jobs and likely experiencing elevated inflation through to at least the middle of next year, we think the taper could end more abruptly than currently signalled, with a high probability of at least two interest rate increases in the second half of next year.

Canada: QE tapering expected this week with no changes to the base rate just yet

The Bank of Canada is set to dial back its stimulus further by tapering weekly QE purchases from C\$2bn to C\$1bn on October 27. The guidance from the BoC itself states they will start hiking interest rates when “economic slack is absorbed so that the 2 percent inflation target is sustainably achieved”, which on their forecasts, is the second half of 2022. The obvious risk is that this is achieved sooner, given Canada has regained all the jobs lost through the pandemic and the economy will benefit from surging commodity prices. The BoC could adjust their language next week and we could conceivably see the prospect of an April rate hike being fully priced in. However, we suspect that this is more likely at the December meeting when they bring QE to a conclusion.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 25 October					
Germany	0900	Oct Ifo Business Climate	98.6		98.8
	0900	Oct Ifo Curr Conditions	100		100.4
	0900	Oct Ifo Expectations	97.5		97.3
Tuesday 26 October					
US	1400	Aug CaseShiller House Prices (MoM%/YoY%)	-/-		1.5/19.9
	1500	Oct Consumer Confidence	110	110.0	109.3
	1500	Sep New Home Sales-Units	0.78	0.76	0.74
Wednesday 27 October					
US	1330	Sep Durable Goods	-0.4	-0.2	1.8
Canada	1500	BoC Rate Decision	0.25	0.25	0.25
Thursday 28 October					
US	1330	3Q GDP (QoQ% annualised)	2.6	3.0	6.7
	1330	Sep pending home sales (MoM%)	0.6	1.0	8.1
	1330	Initial Jobless Claims	295	-	290
	1330	Cont Jobless Claims	2400	-	2481
Germany	0855	Oct Unemployment Rate	5.5		5.5
	1300	Oct CPI Prelim (MoM%/YoY%)	0.2/4.3		0.0/4.1
Spain	0800	Oct CPI (MoM%/YoY%) Flash	-		0.8/4.0
Sweden	0830	Q3 GDP (QoQ%/YoY%)	-/-		0.9/9.7
Euro Zone	1000	Oct Economic Sentiment	-		117.8
	1000	Oct Consumer Confidence Final	-		-
	1245	Oct ECB Refinancing rate	-		0
	1245	Oct ECB Deposit rate	-		-0.5
Friday 29 October					
US	1330	Sep Personal Income (MoM%)	-0.5	0	0.2
	1330	Sep Personal Consumption Real (MoM%)	0.1	-	0.4
	1330	Sep Consumption, nominal (MoM%)	0.5	0.5	0.8
	1330	Sep Core PCE Price Index (MoM%)	0.2	0.2	0.3
	1500	Oct U Mich Sentiment Final	71.6	71.5	71.4
Germany	0800	Q3 GDP Flash (QoQ%/YoY%)	1.7/0.6		1.6/9.8
France	0630	Q3 GDP Flash (QoQ%/YoY%)	-/-		1.1/18.7
	0745	Oct CPI Flash (MoM%/YoY%)	-		-0.2/2.7
Italy	0900	Q3 GDP Prelim (QoQ%/YoY%)	2.2/3.3		2.7/17.3
	1000	Oct CPI Prelim (MoM%/YoY%)	0.8/3.1		1.3/2.9
Canada	1330	Aug GDP (MoM%)	-		-0.1
Euro Zone	1000	Oct CPI Flash (YoY%)	-		-
	1000	Q3 GDP Flash (QoQ%/YoY%)	-		-

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Increased social payments could increase retail sales in Russia, whilst global supply chain disruptions will continue to weigh on industrial production. In Hungary, the lack of labour will drive wage growth in the near future.



Source: Shutterstock

✓ Russian economic activity for September affected by one-offs

Russian economic activity data for September should be distorted by a massive RUB700 bn (0.6% GDP) social payments disbursement, ahead of the parliamentary elections. We do not discount the possibility that retail trade growth might show material but temporary acceleration in September vs. the 5.3% YoY increase seen in August.

Meanwhile, the picture for industrial production is mixed, as the commodity extraction sectors might benefit from the easing of OPEC+ constraints and higher global demand for other commodities. However, locally-focused manufacturing could suffer from the limited supply of intermediary and investment imports because of disruptions to global supply chains.

For 4Q21 we expect moderation in the local economic growth, outside of the export-focused sectors, as the catch up with pre-pandemic levels of activity is largely over. The budget and monetary policy signals are not very supportive, and the epidemic situation in Russia has worsened. This is causing the government to re-introduce soft restrictions in the form of non-

working days in the first week of November. The latter should not have a sizeable impact on activity, as non-working days are legally less restrictive as regular weekends and holidays, and the first week of November already has 2 official public holidays.

Nevertheless, the current situation of record-high new Covid cases and record-high mortality, along with a sluggish vaccination rate, is a reminder of the medium-term risks to the local economic growth trend. For the local policy mix, this is complicated by the fact, that the global inflationary picture is deteriorating, which prevents the local central bank from easing its approach.

Hungary: Stronger wage growth expected as labour supply issues continue

In Hungary next week it is all about the labour market data. More and more companies are complaining about the lack of labour. In this respect, we don't expect a swift change in the unemployment rate, only a gradual improvement to 3.9%. When it comes to wages, the labour shortage is pushing wage growth higher, especially in August, when a lot of seasonal work started in agriculture. The accommodation and hospitality sectors are also facing an uphill battle when it comes to wage settlements for newcomers. As a result, we expect the trend in wage growth to strengthen.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 25 October					
Poland	0900	Sep Unemployment Rate	-	5.7	5.8
Kazakhstan	1000	Oct Base Interest Rate	-		9.5
Mexico	1200	Aug IGAE Econ Activity (YoY%)	-		7.1
	1200	Sep Jobless Rate	-		4.3
Tuesday 26 October					
Russia	-	Sep GDP (YoY%) Monthly	-		3.7
Brazil	1300	Oct IPCA-15 Mid-Month CPI	-		1.14
	1300	Oct IPCA-15 Mid-Month CPI (YoY%)	-		10.05
Wednesday 27 October					
Russia	1700	Sep Industrial Output	4.5	4.6	4.7
Turkey	0800	Sep Trade Balance	2.6		-4.3
Brazil	2200	Selic Interest Rate	-		6.25
Mexico	1200	Sep Trade Balance SA	-		-3.20
Thursday 28 October					
Hungary	0800	Sep Unemployment Rate 3M	3.9		4.1
Turkey	900	Inflation Report 2021 - IV	-		-
South Africa	1030	Sep PPI (MoM%/YoY%)	-/-		0.8/7.2
Brazil	1200	Oct IGP-M Inflation Index	-		-0.64
Friday 29 October					
Russia	1700	Sep Retail Sales (YoY%)	10.5	3.8	5.3
	1700	Sep Unemployment Rate	4.4		4.4
Czech Rep	0800	Q3 Preliminary GDP (QoQ%/YoY%)	-		1.0/8.1
Hungary	0800	Aug Average Gross Wages (YoY%)	8.5		8.1
South Africa	0700	Sep M3 Money Supply (YoY%)	-		2.3
	0700	Sep Private Sector Credit Ext.	-		1.1
	1300	Sep Trade Balance (Incl. Region)	-		42.4

Source: Refinitiv, ING, *GMT

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Asia Week Ahead: Inflation affecting growth momentum?

Next week's economic calendar remains quite light in Asia, although growth and inflation reports from a number of countries are due



Inflation pickup affecting growth?

The economic calendar remains relatively light in Asia as October comes to a close. The focus is likely to shift to assessing whether the recent pickup in price pressures is taking a bite out of the growth momentum. Both Korea and Taiwan report 3Q GDP and our Chief Economist for Greater China, Iris Pang, expects Taiwan to post a decent 2.5% YoY expansion after the 7.4% showing in the previous quarter.

Inflation readings from Australia and Singapore could show whether supply chain bottlenecks are fanning additional price pressures as we near the end of 2021. Singapore could see CPI inflation steady at 2.4% but core inflation, which is closely monitored by monetary authorities, could pick up to 1.1%. Inflation concerns helped convince officials at the Monetary Authority Singapore (MAS) to tighten policy last week, sooner than most market participants had anticipated.

Industrial and manufacturing output and the BoJ policy meeting

Throughout the week, we will also get economic reports on industrial and manufacturing output. Iris Pang forecast a 12.5% YoY rise in industrial output for Taiwan, as manufacturers benefit from robust demand for semiconductors amidst the global chip shortage. Industrial production is expected to stay strong to close out the year and help bolster overall growth. Singapore, Japan and South Korea will have separate reports on manufacturing and industrial output throughout the week as well. Lastly, central bank activity has thinned out, with only the Bank of Japan (BoJ) set to decide on monetary policy in the coming week. The BoJ is likely to retain its accommodative stance, so we don't expect any surprises here.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 25 October				
Japan	0600	Aug Leading Indicator Revised	-	-2.3
Singapore	0600	Sep CPI (MoM%/YoY%)	0.3/2.4	0.6/2.4
	600	Sep Core CPI (YoY%)	1.1	1.1
Taiwan	0900	Sep Industrial Output (YoY%)	12.48	13.7
	0920	Sep Money Supply - M2 (YoY%)	8.4	8.4
South Korea	0000	Q3 GDP Growth (QoQ%/YoY%)	-/-	0.8/6
Tuesday 26 October				
Singapore	0600	Sep Manufacturing Output (MoM%/YoY%)	-5.0	5.7/11.2
South Korea	2200	Oct BoK Consumer Sentiment Index	-	103.8
Wednesday 27 October				
Japan	0050	Sep Retail Sales (YoY%)	-	-3.2
Australia	0130	Q3 CPI (QoQ%/YoY%)	-/-	0.8/3.8
China	0230	Sep Industrial Profit (YoY%)	2.5	10.1
Thursday 28 October				
Japan	-	BOJ Rate Decision	-	-0.1
	0030	Sep Unemployment Rate	-	2.8
	0050	Sep Industrial O/P Prelim (MoM%/YoY%)	-/-	-3.6/7.1
Singapore	0330	Q3 Unemployment Rate Prelim SA	-	2.7
South Korea	2300	Nov BOK Manufacturing BSI	-	92
	0000	Sep Industrial Output (YoY%)	-	9.6
	0000	Sep Service Sector Output Growth	-	-0.6
	0000	Sep Industrial Output Growth	-	-0.7
Friday 29 October				
Japan	0600	Sep Housing Starts (YoY%)	-	7.5
Australia	0130	Sep Broad Money	-	2547.93
Indonesia	0500	Sep M2 Money Supply (YoY%)	-	6.9
Taiwan	0900	Q3 GDP Flash (YoY%)	2.5	7.4

Source: Refinitiv, ING, *GMT

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