9 September 2022
Bundle

Our view on next week's key events

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Key events in developed markets next week

Next week's US inflation numbers will need to be quite surprising for the Fed to deviate from a 75bp hike at its September meeting. The Bank of England's scheduled meeting has been postponed, and instead the focus will be on several pieces of key UK data

Source: Shutterstock

Article updated on 9 September to reflect the postponement of the Bank of England's scheduled meeting

US: Core inflation likely to rise to 6.1%

We have the last full week of economic data ahead of the September Federal Open Market Committee (FOMC) meeting, but it will take some surprising numbers to make the Fed deviate from a third consecutive 75bp rate hike. After all, the economy is posting decent growth, creating jobs in significant numbers, and Fed Chair Jerome Powell is arguing that "we need to act now, forthrightly, strongly as we have been doing and we have to keep at it until the job is done". The data includes CPI, which should show headline inflation being depressed by lower gasoline prices, but core inflation is likely to rise to 6.1% from 5.9%. Retail sales should post flat growth, but remember this is a nominal figure and those falling gasoline prices will be a major drag. Real consumption is likely to be up in the third quarter. We also expect manufacturing output to grow further.

The deteriorating global outlook and weakening domestic housing market combined with the cumulative impact of policy tightening and the strong dollar means we think the Fed will moderate its hiking to 50bp in November and 25bp in December. Weaker wage pressure and more limited month-on-month increases in CPI thanks to lower import and other input costs would certainly help this argument.

UK: Bank of England to stick to 50bp rate hike despite energy package

The United Kingdom will observe a period of mourning following Queen Elizabeth II's death on Thursday, and Parliament will be adjourned during this time. The Bank of England's scheduled meeting has also now been postponed to the following week, but the ONS has confirmed that several pieces of important data will still be released. Here's what we expect:

July GDP (Monday): Expect a large bounce-back from June, where the addition of an extra bank holiday artificially distorted the monthly GDP numbers. Depending on the arrangements during the period of mourning, the addition of an extra bank holiday in September is possible, and this would factor into the GDP numbers for the current month. We'll therefore have to wait until the fourth quarter to get a clearer idea of how the economy is faring in GDP terms, and we suspect there's still a risk of a negative growth figure. However, the announcement of an energy price guarantee by the government considerably reduces the risk of a deep downturn, and potentially also a technical recession.

Jobs (Tuesday): Hiring demand is falling, though recent data and surveys have suggested that the worker shortages plaguing the jobs market have only improved slightly over recent months. The announcement of an energy price cap for businesses should help limit what otherwise could have been a more immediate rise in redundancies as firms' costs increased. We expect the unemployment rate to remain stable next week, but we'll also be watching closely for signs of a more pronounced return of inactive workers to the jobs market.

Inflation (Wednesday): A 6% fall in petrol/diesel prices through August will drag headline inflation slightly lower. That doesn't mean we're past the peak, though the introduction of the energy price cap means inflation is less likely to materially surpass 11% in the autumn. Without the cap, we'd forecast inflation would go to 16% or above in January. This is a double-edged sword for the BoE. On one hand, the reduced the peak in headline inflation should ease concerns about consumer inflation expectations becoming even less anchored. That points to another 50bp rate hike when the BoE meets later in September, despite the Fed and ECB going more aggressively.

The BoE has shown in past meetings that it isn't pressured to follow those other central banks, albeit the hawks will be worried about the recent slide in sterling. They will also argue that the government's action increases the risk of inflation staying elevated in the medium-term, given the reduced risk of recession, Some members are therefore likely to vote for a 75bp hike at the next meeting. But ultimately with a lot already priced into markets for the BoE, policymakers will be wary about adding fuel to the fire. As we saw with the ECB on Thursday, the decision to go with a 75bp hike saw markets price that as the default move at the next meeting.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 12 September			
UK	0700	Jul GDP Estimate (MoM%)	0.7		-0.6
Italy	0900	Jul Industrial Output (MoM%/YoY%)	-/-		-2.1/-1.2
Netherlands	0530	Jul Trade Balance	-		7.694
		Tuesday 13 September			
US	1330	Aug Core CPI (MoM%/YoY%)	0.4/6.1	0.3/6.1	0.3/5.9
	1330	Aug CPI (MoM%/YoY%)	0.0/8.2	-0.1/8.1	0.0/8.5
Germany	0700	Aug CPI Final (MoM%/YoY%)	0.3/7.9		0.3/7.9
UK	0700	Jul ILO Unemployment Rate	3.8		3.8
	0700	Jul Employment Change	160		160
Spain	0800	Aug CPI (MoM%/YoY%)	-/-		0.1/10.4
		Wednesday 14 September			
UK	0700	Aug Core CPI (YoY%)	6.1		6.2
	0700	Aug CPI (MoM%/YoY%)	0.6/9.9		0.6/10.1
Sweden	0700	Aug CPIF (MoM%/YoY%)	-/-		-0.2/8
Eurozone	1000	Jul Industrial Production (MoM%/YoY%)	-		0.7/2.4
		Thursday 15 September			
US	1330	Aug Retail Sales (MoM%/YoY%)	0.1	0	0/10.28
	1415	Aug Industrial Production (MoM%/YoY%)	0.3	0.2/-	0.6/3.9
US	1330	Initial Jobless Claim	225		222
	1330	Continue Jobless Claim	1440		1435
France	0745	Aug CPI (MoM%/YoY%) NSA	-		0.4/5.8
Eurozone	1000	Jul Total Trade Balance SA	-		-30.8
	1200	Aug Reserve Assets Total	-		1129.15
		Friday 16 September			
US	1500	Sep University of Michigan Sentiment Prelim	60	59.3	58.2
	1500	Sep University of Michigan Conditions Prelim	58.8		58.6
	1500	Sep University of Michigan Expectations Prelim	60.3		58.0
UK	0700	Aug Retail Sales (MoM%/YoY%)	-1.2/-4.4		0.3/-3.4
Italy	0900	Jul Global Trade Balance	-		-2.166
Eurozone	1000	Aug CPI (YoY%)	-	9.1	9.1

Source: Refinitiv, ING

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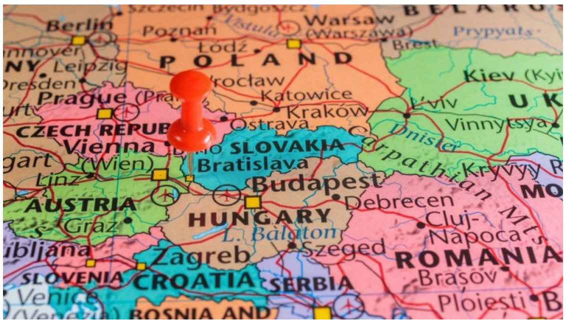
Key events in EMEA next week

We are anticipating a 25-50bp cut at the Central Bank of Russia meeting next Friday, as there's still growing inflationary pressure led by uncertainties around fiscal policies and the recovery in lending activities. For the Czech Republic, we are expecting the lowest month-on-month inflation rate this year at 0.6%, due to a drop in fuel and food prices



Source: Shutterstock

Russia: Rate cut cycle to continue

The current inflation trends seem to be tracing the lower border of the Central Bank of Russia's (CBR's) forecast range for 2022 (12.0-15.0%) and 2023 (5.0-7.0%). This inflation trajectory, according to the CBR's recent medium-term forecast, corresponds to an average key rate of 7.4% for August-December 2022 and 6.5% for 2023. Following this guidance, the key rate, currently at 8.0%, could be cut by 100bp until year-end, and by another 100bp next year. Our base case for the 16 September meeting is a restrained 25-50bp cut, reflecting growing seasonally-adjusted inflationary pressures, persistent elevated inflationary expectations by households, some recovery in lending activity, and ongoing uncertainties surrounding future fiscal policy (prospects of stimulus). At the same time, a more decisive 75-100bp cut, though less likely, is also not excluded – signalling the monetary authority's confidence in achieving longer-term inflationary targets.

Poland: exports deteriorate and inflationary pressure continues

Current account balance: We project that the current account deficit widened to some €2.6bn in July as the trade deficit increased towards €1.6bn amid easing exports and robust imports boosted by high prices of energy commodities. On a 12-month cumulative basis, the external imbalance increased above 4% of GDP and is expected to stabilise around 5% of GDP later this year as the outlook for European manufacturing and hence Polish exports deteriorate.

CPI: The August flash estimate of 16.1% year-on-year is expected to be confirmed. Inflationary pressures continue and price growth is broad-based. Monthly increases in food and energy prices turned out higher than expected. What is more, core inflation, excluding food and energy prices, accelerated towards 10%YoY from 9.3%YoY in July. In the wake of the new 2022 CPI inflation high, the National Bank of Poland will continue its rate hikes in the short term.

Czech Republic: Energy prices remain the main uncertainty for the CPI

July inflation surprised with the lowest energy price rise this year despite the biggest price hike for households being announced. Further energy price rises are announced for August, however, the ratio of fix-float contracts and the approach of the CZSO remains unclear. Even so, we believe that energy price hikes will be reflected to some extent sooner or later.

On the other hand, the massive 10% month-on-month drop in fuel prices, as well as the first food price decline this year indicated by surveys, are working to the downside. Overall, we expect the lowest month-on-month inflation rate this year at 0.6% from 1.3% last year, which should keep the annual rate steady at 17.5% YoY. However, this does not mean we have peaked. On the contrary, the effect of the drop in fuel is rather a one-off effect and energy prices should pass through to CPI in the coming months. The risk for this month is that energy prices from July will be reflected in August's number and inflation will surprise with a significant jump upwards.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 12 September			
Turkey	0800	Jul Current Account Balance (USD bn)	-3.2		-3.5
	800	Jul Unemployment Rate	-		9.7
Czech Rep	0800	Aug CPI (MoM%/YoY%)	0.6/17.5		1.3/17.5
Romania	0700	Aug CPI (YoY%)	14.9		15.0
Serbia	1100	Aug CPI (MoM%/YoY%)	0.6/12.6		1/12.8
		Tuesday 13 September			
Turkey	0800	Jul Industrial Production (MoM/YoY%)	-/8.2		1.3/8.5
Poland	1300	Jul Current Account	-2640		-1468
Czech Rep	0900	Jul Current Account Balance	-		-45.34
		Wednesday 14 September			
Ukraine	-	Jul Trade Balance YTD	-		-2.47
Kazakhstan	-	Aug Industrial Production (MoM/YoY%)	-		1.8/2.7
South Africa	1200	Jul Retail Sales (YoY%)	-		-2.5
Brazil	1300	Jul Retail sales (MoM%/YoY%)	-/-		-1.4/-0.3
		Thursday 15 September			
Turkey	0900	Aug Budget Balance	-		-64
Poland	0900	Aug CPI (MoM%/YoY%)	-/-		0.8/16.1
		Friday 16 September			
Russia	1130	Sep Central bank key rate	7.5	7.5	8
Poland	1300	Aug Net Inflation (YoY%)	-		9.3
Croatia	1000	Aug CPI (YoY%) NSA	12.2		12.3
	1000	Aug CPI (MoM%) NSA	0.2		0.4

Source: Refinitiv, ING

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8 September 2022
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Asia Week Ahead: China's activity data in focus

China's activity data and Australia's labour data will be keenly watched in the coming week

Source: Shutterstock

The week ahead

China’s activity data tops the list next week as industrial, retail data and more will be announced. Although upcoming reports will not capture the recent lockdowns, they could be a useful measure of the health of China's economy ahead of the closures. Aside from China data, we also have labour data from Australia and India’s inflation report. Other data reports in the coming week are Indonesia’s trade data and Korea’s MPC minutes, which could shed light on future rate hike decisions. Lastly, Japan reports core machinery orders which are expected to dip amid a slow global recovery.

China to share key economic data

We should continue to see weak growth in China's industrial production and smaller growth in fixed asset investment as this will be largely dragged down by residential projects. Retail sales could show slightly better growth due to the summer holidays, as this year’s inbound travel showed more activity than last year due to more flexible social distancing measures.

We expect no change in the 1Y Medium Lending Facility policy rate at 2.75% as the People's Bank of China (PBoC) has adopted a wait-and-see approach after it cut the rate last month. Loan growth should jump in August as the central bank has lowered interest rates and provided guidance for banks to increase lending.

Australia’s labour report

Australia’s labour market report for August is also set for release next week. The Reserve Bank of Australia has made labour market conditions a key input into its rate-setting behaviour, given that official inflation and wages data are released only quarterly. In July, there was a 40,900 decline in total employment, which runs against all the anecdotal evidence of labour shortages across Australia.

We would look for many of the 86,900 full-time jobs that were apparently lost in July to be replaced, and expect some upside to the +30,000 total median with up to 55,000 jobs possibly added for the month. That could result in a further decline in the unemployment rate but we believe the current 3.4% should hold, as the employment figures and unemployment rate are not directly connected.

India’s inflation could inch up to 7% after recent reprieve

Some of the recent moderation in India's high food price inflation may be waning in response to extreme weather and other factors, which could see headline inflation nudging up back towards the 7% year-on-year level. But if energy prices remain under pressure in the months ahead, this increase in inflation may prove short-lived. India also delivers industrial production data for July.

This should ease back sharply from the 12.3% YoY rate from June as reopening boosts have run their course.

Indonesia’s trade data, BoK minutes and Japan machinery orders

Other data reports in the coming week include Indonesia’s August trade data and we expect recent trends to hold. Both exports and imports should remain in expansion mode, but exports are expected to outpace imports again resulting in a hefty surplus. The trade surplus could settle at roughly $4.5bn which could support the Indonesian rupiah in the near term.

Meanwhile, the minutes from the Bank of Korea's August Monetary Policy Committee (MPC) meeting will be reported on Tuesday, revealing members' views on future rate hike decisions. Korea also reports labour data, with the unemployment rate expected to edge up to 3.0% in August as bad weather adversely affected construction and some services.

Lastly, due to a weak global demand recovery, July's core machinery orders in Japan are expected to decline and export growth is expected to slow down in August.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 12 September			
China	-	Aug M2 Money Supply (YoY)	12.2	12.1	12
	-	Aug Aggregate Finance (CNY bn)	2500		756
	-	Aug New Yuan Loan (CNY bn)	2125		679
India	1300	Aug CPI Inflation (YoY%)	7.0		6.7
	1300	Jul Industrial Output (YoY%)	4.1		12.3
	1230	Q2 C/A Balance (USD bn)	-29.8		-13.4
	1230	Q2 Balance Payments (USD bn)	-		-16
Indonesia	0500	Jul Retail Sales Index (YoY)	-		-
Singapore	0330	Q2 Unemployment Rate Final SA	-		2.1
		Tuesday 13 September			
China	-	Medium Term Lending Facility Rate (%)	2.75		2.75
India	1230	Aug Fiscal Deficit (USD bn)	-		28.68
	1230	Aug Imports/Exports (USD bn)	-		61.7/33.0
		Wednesday 14 September			
India	0730	Aug WPI Inflation (YoY%)	12.8		13.93
		Thursday 15 September			
Japan	0050	Aug Imports/Exports (YoY%)	45/25		47.2/19.0
	0050	Aug Trade Balance Total (Yen bn)	-2268		-1436.8
Australia	0230	Aug Unemployment Rate	3.4		3.4
	0230	Aug Reserve Assets Total	-		81090
Indonesia	0500	Aug Trade Balance (USD bn)	4.52		4.22
	0500	Aug Exports Growth (YoY%)	27.9		32.0
	0500	Aug Imports Growth (YoY%)	31.5		39.9
South Korea	0000	Aug Unemployment Rate	3.0		2.9
		Friday 16 September			
China	0300	Aug Industrial Output (YoY%)	3.7	4.0	3.8
	0300	Aug Retail Sales (YoY%)	5.9	4.0	2.7
	0300	Aug Fixed Assets Investment (YTD YoY%)	5.1		5.7
	0300	Aug Property Investment (YTD YoY%)	-8.76		-6.4
	0300	Surveyed jobless rate (%)	5.4		5.4

Source: Refinitiv, ING

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