

Key events in developed markets and EMEA next week

Strong job numbers, sticky inflation and hawkish rhetoric in the US suggest an appetite for one more interest rate rise. The outcome of next week's jobs report will be critical. Disinflation is expected to continue in Poland and we estimate next week's May flash CPI to be at 13% year-on-year, given the declines in fuel and energy prices



US: One more rate hike?

Interest rate expectations have shifted meaningfully higher since the Fed raised rates by 25bp on 3 May when the market interpreted the Fed commentary as signalling that there was a high hurdle to getting any further rate hikes. However, since then, strong job numbers, sticky inflation and a raft of hawkish rhetoric have suggested an appetite for one more rate rise, if not at the 15 June FOMC meeting, then by the 26 July meeting.

Our central thesis remains that the combination of higher borrowing costs and less credit availability weighs heavily on business and consumer spending in an environment where sentiment is already at recession levels. Historically, credit growth lags movements in lending conditions by 12 months and unemployment responds similarly. Given lending conditions started tightening rapidly more than 12 months ago and rates have risen by 500bp since March 2022, our best guess has been that the economy will be showing the effects in the second half of this year. But with several Fed officials arguing that interest rates need to be raised further to ensure

inflation returns to 2% in a timely manner, we have to accept that our view that interest rates have peaked and we will see aggressive interest rate cuts from the fourth quarter is being challenged.

Next week's data highlight, the jobs report, and whether we get a deal on the debt ceiling to avert a potentially calamitous default, will be critical in assessing whether we will indeed get a rate hike. A deal and strong jobs numbers would undoubtedly fuel expectations of another rate hike and we will likely end up accepting that is the most likely outcome. However, signs of labour market softening and market angst over the lack of a resolution on the debt ceiling could quickly see those rate hike expectations evaporate.

Other data to look for include the ISM reports, job openings and house prices.

Poland: Disinflation is expected to continue

Poland May Flash CPI: 13.0% year-on-year.

Our estimate points to a further decline in CPI inflation in Poland to 13% YoY. In our view, May brought a substantial monthly decline in fuel prices (especially diesel) and a slight decline in energy costs for housing, while food prices were little changed in monthly terms. Disinflation is expected to continue and at the end of 2023 we are likely to observe single-digit growth in CPI inflation. Further progress towards the National Bank of Poland target of 2.5% will be more difficult though.

Hungary: Eyes on European Parliament session

We don't see next week's data from Hungary as game-changers for investors, although economists can find a lot of golden nuggets. Firstly, the Statistical Office is going to release detailed GDP data regarding the first quarter's slump. We expect the details to reveal that the main weakness of economic activity was the drop in domestic demand. High inflation combined with high interest rates means a reduction in consumption and investment activity. The latter is also dragged down by the government's decision to delay (or freeze) public spending to manage the budgetary situation.

Another interesting data report is the final March trade balance, in which we will see where this positive boost in the external balance comes from. We expect a further reduction in the energy-related trade deficit, while the non-energy balance is enjoying the still-sound export activity of industry (mainly car and electric vehicle battery manufacturing).

Regarding the manufacturing PMI, we would suggest ignoring the data, as it has had nothing to do with reality recently due to a massively overweighted export sector in the index, while the domestic demand-driven manufacturing sector is plummeting in Hungary. What can impact investors' sentiment negatively is the 1 June European Parliament session, where the EP is discussing and likely adopting a resolution that would deprive the Hungarian government of the opportunity to take over the rotating EU presidency in the second half of 2024 because of rule-of-law issues.

Turkey: Outlook ahead is uncertain

Given that early indicators have shown some recovery after initial weakness following

earthquakes, we expect first-quarter GDP growth of 3.6% YoY. However, the outlook ahead is uncertain due to many factors: macro-stability risks which are potentially weighing on domestic demand, the loss of momentum in exports with the growth slowdown in the eurozone, a higher risk premium and tightening global financial conditions, as well as the challenging local regulatory environment that is increasing pressure on the corporate sector.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 30 May					
US	1400	Mar CaseShiller 20 (MoM%/YoY%)	-0.2	-0.1	0.1/0.4
	1500	May Consumer Confidence	100	99.8	101.3
Spain	0800	Apr Retail Sales (YoY%)	-		9.5
Switzerland	0800	Q1 GDP (QoQ%/YoY%)	-/-		0/0.8
Eurozone	0900	Apr Money-M3 Annual Grwth	-		2.5
	1000	May Business Climate	-		0.54
	1000	May Economic Sentiment	-		99.3
	1000	May Consumer Confidence Final	-		-17.4
Wednesday 31 May					
US	1500	Apr job openings (000s)	9350	-	9590
Germany	0855	May Unemployment Rate SA	5.6		5.6
	1300	May CPI Prelim (MoM%/YoY%)	0.2/6.5		0.4/7.2
France	0745	Q1 GDP (QoQ%/YoY%)	-/-		0.2/0.8
	0745	May CPI Prelim (YoY%)	-		6.9
Italy	0900	Q1 GDP Final (QoQ%/YoY%)	-/-		0.5/1.8
	1000	May CPI Prelim (MoM%/YoY%)	-/-		0.9/8.7
Canada	1330	Mar GDP (MoM%)	-		0.1
Portugal	1100	Q1 GDP (QoQ%/YoY%)	-/-		1.6/2.5
Thursday 1 June					
US	1315	May ADP National Employment	150	160	296
	1500	May ISM Manufacturing PMI	46.8	47	47.1
	1500	May ISM Manufacturing Prices Paid	52		53.2
Germany	0700	Apr Retail Sales (MoM%/YoY%)	1.0/-5		-2.4/-8.6
	0855	May S&P Global/BME Manufacturing PMI	42.9		42.9
UK	0930	May S&P Global/CIPS Manufacturing PMI Final	-		46.9
Italy	0845	May S&P Global/IHS Manufacturing PMI	-		46.8
	0900	Apr Unemployment Rate	-		7.8
Eurozone	0900	May S&P Global Manufacturing Final PMI	-		44.6
	1000	May CPI Flash (YoY%)	6.3		7
	1000	May Core CPI Flash (YoY%)	5.6		5.6
	1000	Apr Unemployment Rate	6.5		6.5
Friday 2 June					
US	1330	May Non-Farm Payrolls	195	180	253
	1330	May Private Payrolls	175	158	230
	1330	May Unemployment Rate	3.5	3.5	3.4
	1330	May avg hourly earnings (MoM%/YoY%)	0.3/4.3	0.3/4.3	0.5/4.4
France	0745	Apr Industrial Output (MoM%)	-		-1.1
Austria	0800	Q1 GDP Growth (QoQ%) Final	-		-0.3

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 30 May					
Turkey	0800	Apr Trade Balance	-8.8		-8.34
Czech Rep	0800	Q1 Final GDP (QoQ%/YoY%)	-		0.1/-0.2
South Africa	0700	Apr M3 Money Supply (YoY%)	-		8.9
	0700	Apr Private Sector Credit Extension	-		7.19
Brazil	1830	Apr Central Government Balance	-		-7.085
Wednesday 31 May					
Russia	1700	Apr Industrial Output	3.6	5.3	1.2
	1700	Apr Retail Sales (YoY%)	5.1	5.8	-5.1
	1700	Apr Unemployment Rate	3.5	3.6	3.5
		- Apr GDP (YoY%) Monthly	-		-1.1
Turkey	0800	Q1 GDP Quarterly (YoY%)	3.6		3.5
	1200	Apr Bank NPL Ratio	-		1.82
Poland	0900	Q1 GDP (QoQ%/YoY%)	-/-		3.9/-0.2
	0900	May Flash CPI (YoY%)	13.0		14.7
South Africa	1300	Apr Trade Balance (Incl. Region)	-		6.89
Thursday 1 June					
Russia	0700	May S&P Global Manufacturing PMI	-		52.6
Turkey	0800	May Manufacturing PMI	-		51.5
Poland	0800	May S&P Global Manufacturing PMI	45.5		46.6
Czech Rep	0830	May S&P Global PMI	-		42.8
	1300	May Budget Balance	-		-200
Hungary	0730	Q1 GDP Final (YoY%)	-0.9		-0.9
	0730	Mar Trade Balance Final	899		899
	0800	May Manufacturing PMI	56		61.9
Brazil	1400	May S&P Global Manufacturing PMI	-		44.3
Mexico	1600	May S&P Global Manufacturing PMI	-		51.1
Friday 2 June					
Brazil	0900	May IPC-Fipe Inflation Index	-		0.43
	1200	Q1 GDP (QoQ%/YoY%)	-/-		-0.2/1.9
	1300	Apr Industrial Output (MoM%/YoY%)	-/-		1.1/0.9
Mexico	1300	Apr Jobless Rate	-		2.4

Source: Refinitiv, ING

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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