

## Key events in developed markets and EMEA next week

We still favour a hawkish hold with the Federal Reserve leaving the door open to additional hikes – but if core inflation comes in above the 0.4% consensus on Tuesday, the odds will likely swing in favour of another increase. We see the European Central Bank continuing to raise rates by 25bp next week while keeping the door open for further hikes moving forward



### Join our live online event

Join our economists and strategists for a live discussion of the upcoming US Federal Reserve, European Central Bank and Bank of England meetings. We'll run through our expectations and what the meetings could mean for financial markets.

Monday 12 June – 14:00 BST, 15:00 CEST, 09:00 ET via MS Teams

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## US: Favour a hawkish hold, but Tuesday's core inflation will be key

Next week is a major one for US economic events and data. The Federal Reserve's FOMC meeting on Wednesday is the highlight. After the May 3rd decision – where Fed Chair Jerome Powell hinted that after 500bp of hikes in 14 months, they could pause at the June meeting – markets started to price in aggressive cuts for later in the year. However, over the subsequent 6 weeks, activity has remained resilient, inflation continues to run hot, payrolls jumped 339,000 and the Australian and Canadian central banks surprisingly hiked rates. Hawkish comments from a few Fed officials have added to the sense that they may not be done. Markets are currently pricing a 33% chance of a 25bp hike at the June meeting, while only around 1 in ten economists are looking for an increase.

There is an intense debate within the Fed and there is likely to be dissent, but we favour a hawkish hold, with the central bank leaving the door open to additional hikes if inflation fails to show signs of softening and the jobs market remains hot. However, should core inflation (released on Tuesday) come in at 0.5% month-on-month – or 0.6% rather than the 0.4% consensus expectation – then the odds would likely swing in favour of a hike on Wednesday, as the measure would be heading in completely the wrong direction.

The other major reports will be published after the Fed's decision, with retail sales and industrial production due for release on Thursday and the University of Michigan consumer sentiment on Friday. Auto sales are likely to drag retail sales into negative territory. Meanwhile, industrial production is likely to come in flat to lower after a surprise 0.5% jump last month, given that the ISM manufacturing survey has been in contraction territory for seven straight months and lower oil and gas prices will have disincentivised oil and gas drilling activity.

### UK: Wage growth key to Bank of England rate hike prospects

The news on wage growth has been getting slowly better recently, at least from the perspective of the Bank of England. Survey indicators suggest pay pressure is easing, while labour shortages appear to be less acute than they were a year ago. We expect the headline measure of wage growth, which excludes bonuses and compares the most recent three months to the same period last year, to edge higher – perhaps as far as 7%. But that's partly a function of base effects, and if we look at a more timely measure of momentum in pay growth – comparing the latest three months to the three months prior – wage growth does appear to have peaked. The question is how long it will take to fall back towards pre-Covid levels, and we think this will be a slow process.

We expect a 25bp rate hike later this month, though for now, the jobs market data doesn't scream the need for the Bank of England to take rates much higher than that. It does however suggest rate cuts are likely to take time to come through – and probably longer than in the US.

### Eurozone: European Central Bank to hike rates by another 25bp

Macro developments since the May meeting have clearly had more to offer the doves than the hawks at the European Central Bank. Headline inflation has continued to come down but remains far off 2%, survey-based inflation expectations have also started to slow, growth has disappointed, and confidence indicators seem to have peaked. In previous times, such a backdrop would have been enough for the ECB to consider pausing rate hikes and waiting for the effects of

the rate hikes so far to unfold fully. However, the central bank is now determined to err on the side of higher rates.

Despite recent decreases, actual headline and core inflation and expectations for a return to target in two years from now are clear arguments for the ECB to not only continue hiking by 25bp next week but also to keep the door open for rate hikes beyond then.

In terms of eurozone data, it's set to be an interesting week. After revisions to GDP resulted in the mildest of recessions over the past two quarters, the question is whether the second quarter will show much of an uptick. Industrial data out this week should show an improving trade balance for April, helped by a stronger euro and lower energy prices.

Industrial production experienced a very weak March, but the potential for an uptick remains limited. For April, German data saw just a modest uptick, while the Netherlands and Spain posted sharp declines. As a result, our view of the eurozone economy over the second quarter isn't looking too strong for the time being.

Read our full preview [here](#)

## **Poland: Current account balance in surpluses**

**Current account balance (April):** EUR1257mn

More favourable terms of trade (lower prices of imported commodities) and softer domestic demand (falling households consumption, destocking) underpinned improvement in Poland's foreign trade balance in recent months. After the beginning of this year, Poland has been running current account surpluses. We forecast that in April, the external balance was in surplus of €1257mn. We expect that exports of goods jumped up by 8.3% YoY, while imports fell by 6.3% YoY. Improving the trade balance is one of the factors behind recent PLN firming.

## **Czech Republic: Last inflation number in double-digit territory**

Inflation in the Czech Republic for May will be published on Monday. We expect a month-on-month stagnation after a 0.2% decline in April, which should translate into a big drop from 12.7% to 10.7% YoY, mainly due to base effects coming into play. In month-on-month terms, the main downward drivers are food (-1.0% MoM) and fuel (-4.2% MoM) prices. On the other hand, seasonal factors in tourism are pushing inflation up.

However, we do see downside risks, especially in food and housing prices which have the potential to collapse faster. In addition, inflation in Poland and Hungary is already indicating a clear downward bias for the May numbers. Looking ahead into June, we see a strong chance of inflation getting below 10%, confirming a quicker disinflationary pace than expected at the start of this year.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Tuesday 13 June</b>					
US	1330	May Core CPI (MoM%/YoY%)	0.4/5.2	0.4/5.3	0.4/5.5
	1330	May CPI (MoM%/YoY%)	0.2/4.2	0.2/4.3	0.4/4.9
Germany	0700	May CPI Final (MoM%/YoY%)	-0.1/6.1		-0.1/6.1
UK	0700	Apr ILO Unemployment Rate	4.0		3.9
	0700	Apr Employment Change	170		182
	0700	Regular pay growth (ex bonus, YoY%)	6.9		6.7
	0700	Total pay growth (YoY%)	6.0		5.8
Spain	0800	May CPI (MoM%/YoY%)	-/-		-0.1/3.2
Norway	0700	Apr GDP Month	-		0.4
	0700	Apr GDP Month Mainland	-		0.5
<b>Wednesday 14 June</b>					
US	1330	May PPI (MoM%/YoY%)	-0.2/-1.6	-0.1/1.5	0.2/2.3
	1330	May Core PPI (MoM%/YoY%)	0.2/2.8	0.2/2.9	0.2/3.2
	1900	Fed Funds Target (Lower bound)	5.00	5.00	5.00
	1900	Fed Funds Target (Upper bound)	5.25	5.25	5.25
	1900	Fed Interest On Excess Reserves	5.15	5.15	5.15
UK	0700	Apr GDP Estimate (MoM%)	0.2		-0.3
Sweden	0700	May CPI (MoM%/YoY%)	-/-		0.5/10.5
	0700	May CPIF (MoM%/YoY%)	-/-		0.2/7.6
Netherlands	0530	Apr Trade Balance	-		12.79
Eurozone	1000	Apr Industrial Production (MoM%/YoY%)	-0.4/-0.8		-4.1/-1.4
<b>Thursday 15 June</b>					
US	1330	May Retail Sales MM	-0.1	0	0.4
	1415	May Industrial Production (MoM%)	0.0	0.1	0.5
	1330	Initial Jobless Claim (000s)	255	-	261
	1330	Continue Jobless Claim (000s)	1790	-	1757
Eurozone	1000	Apr Total Trade Balance SA	-3		17
	1100	May Reserve Assets Total	-		1120.8
	1315	Jun ECB Refinancing rate	4.00		3.75
	1315	Jun ECB Deposit rate	3.50		3.25
<b>Friday 16 June</b>					
US	1500	Jun University of Michigan Sentiment Prelim	61	60	59.2
	1500	Jun University of Michigan Conditions Prelim	-		64.9
	1500	Jun University of Michigan Expectations Prelim	-		55.4
Italy	1000	Apr Global Trade Balance	-		7.541
Eurozone	1000	May CPI (YoY%)	6.1		5.3

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 12 June</b>					
Turkey	0800	Apr Current Account Balance	-4.35		-4.484
	0800	Apr Unemployment Rate	-		10.2
Czech Rep	0800	May CPI (MoM%/YoY%)	0/10.7		-0.2/12.7
Serbia	1100	May CPI (MoM%/YoY%)	14		0.7/15.1
<b>Tuesday 13 June</b>					
Poland	1300	Apr Current Account	1257		1643
Czech Rep	0900	Apr Current Account Balance	-		11.27
Romania	0700	May CPI (YoY%)	10.7		11.23
<b>Wednesday 14 June</b>					
Ukraine	-	Apr Trade Balance YTD	-		-5.39
South Africa	1200	Apr Retail Sales (YoY%)	-		-1.6
Brazil	1300	Apr Retail sales (MoM%/YoY%)	-/-		0.8/3.2
<b>Thursday 15 June</b>					
Russia	1700	Q1 GDP (YoY% quarterly revised)	-1.9	-1.9	-1.9
Turkey	0900	May Budget Balance	-		-132.47
Poland	0900	May CPI (MoM%/YoY%)	-/-		0/13
Ukraine	1200	Central bank interest rate	-		25
<b>Friday 16 June</b>					
Poland	1300	May Net Inflation (YoY%)	11.7		12.2

Source: Refinitiv, ING

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