

Key events in developed markets and EMEA

A quiet week in the US features the Senior Loan Officer Opinion survey as the main highlight. Elsewhere, we see a brighter UK outlook as signs point to positive growth in the first quarter, another subdued jobs report in Canada, and the Riksbank cutting by 25bp. Hungarian inflation figures and Poland's next central bank meeting will also be in focus



US: Further easing of credit standards expected

We have a much quieter week in store for the US with very limited data releases to note. The highlight may well end up being the Federal Reserve's Senior loan Officer Opinion survey, which typically has a strong lead quality for bank lending growth. Banks became much more cautious on their lending practices in the wake of bank failures in March/April 2023, but started to relax their criteria again as Fed support stabilised the system. We expect to see a further easing of credit standards for corporates, but with borrowing costs remaining higher for longer and businesses wary about borrowing excessively, we are not expecting an imminent turnaround in lending. Moreover, for the household sector, rising delinquencies could see banks remaining cautious on extending credit to some parts of the market, especially consumer credit.

In terms of the numbers, the University of Michigan consumer sentiment index will also be closely

followed after the sharp fall in the Conference Board measure of consumer confidence. It appears that households are becoming a little more anxious about the jobs market and the high cost of living, with the Fed's Beige book talking of consumers "trading down" to cheaper products and services. Companies such as Starbucks and McDonalds reported weaker traffic, with low income households feeling increasingly stressed and rising loan delinquencies providing further evidence of pressure building. Another weak confidence reading would add to the sense that consumer spending will slow, which in turn should help to dampen inflation pressures to some extent.

✓ **UK: Bank of England to stop short of endorsing June rate cut**

The Bank of England is turning more optimistic. Governor Andrew Bailey has drawn a clear distinction between the US and UK inflation outlooks, implicitly endorsing a rate cut by the summer. The question is whether the Bank goes further this week by tweaking its forward guidance, which currently states that rates need to stay restrictive for an "extended period". Removing that line would be tantamount to signalling a June rate cut, and we think the Bank will be reluctant to take that step just yet.

There's a lot of uncertainty about the next inflation reading, and we think policymakers would prefer to keep their options open. However, look out for downgrades to medium-term inflation forecasts, which could be read as an implicit signal that policymakers are comfortable with markets pricing rate cuts this year.

Growth to rebound as outlook turns brighter

We already know from January and February's monthly GDP numbers that the UK economy has had a better start to the year. Admittedly, a lot of this can be blamed on volatile retail data around Christmas, which dragged down fourth quarter GDP and was immediately recovered at the start of this year. But the outlook for the UK economy does appear to be improving. PMIs point to better momentum against a backdrop of positive real wage growth and a mortgage squeeze that is starting to fade.

✓ **Canada: Another subdued jobs number**

In Canada, we will be closely watching the jobs data. The unemployment rate has already risen from 5% to 6.1% over the past 12 months as labour force growth (fuelled by immigration) has outpaced job creation. We expect to see another subdued jobs number given tepid GDP growth, which will likely mean the unemployment rate hits 6.2%. This labour market slack is easing inflation pressures emanating from the jobs market and may be a factor that tips the Bank of Canada into choosing to cut interest rates at its 5 June policy meeting. Currently, 14bp of a potential 25bp rate cut is priced.

✓ **Sweden: Riksbank to cut 25bp**

The overall economic environment suggests that the Riksbank will cut its policy rate by 25bp in its May meeting. Inflation is slowing more than expected and therefore no longer justifies the tight grip of restrictive monetary policy, while the unemployment rate is rising and new vacancies are falling. That said, the weak krona remains a key concern for the Riksbank as policymakers signal it remains one of the biggest inflationary risks, so we expect officials to push back against the idea of back-to-back rate cuts and adopt a cautious tone.

✓ Poland: NBP will keep rates unchanged

The National Bank of Poland will keep rates unchanged as CPI inflation rises again and core inflation is projected to start stabilising at an elevated level. According to the flash estimate in April, consumer inflation increased to 2.4% year-on-year from 2.0% YoY in March. The main part of core prices disinflation is also most likely behind us. Inflation is expected to keep rising by the end of the year, but the path through the second half of the year is subject to exceptionally high uncertainty due to regulated prices. The government is working on a partial freeze in energy prices for this period, but there are still many unanswered questions – including the level of distribution charges in electricity bills and measures (if any) to contain natural gas prices and gas distribution charges. We think NBP Governor Adam Glapński will point to those uncertainties and rising headline inflation as the main rationale for keeping interest rates at 5.75% for the time being. Our baseline scenario sees rates remaining unchanged this year.

✓ Hungary: April inflation will mark the end of the disinflation process

Next week will be an extremely busy one in Hungary. While we have already seen Hungary's first quarter GDP data (which surprised to the upside), the statistics office did not release too many details. What was highlighted, however, was a negative contribution to growth from industry. In this respect, we expect a significant monthly decline in industrial production in March, which will push the year-on-year performance back deep into contraction. However, the working day effect will be extreme as there were three fewer working days in March 2024 than a year ago. This means that the calendar-adjusted year-on-year performance won't be quite as scary, though still negative.

Given that market services made a positive contribution to GDP growth in the first quarter, and that among these services it is business and investment-related services that are flourishing, we expect another mediocre retail sales performance on a monthly basis. With a high base, this will push the year-on-year print close to zero. We see an improvement in the budget deficit in April due to seasonal factors such as corporate tax payments. Last but not least, April inflation will mark the end of the disinflation process, as we expect the year-on-year figure to be slightly higher on a high (0.8%) monthly repricing. The most significant pro-inflationary influences are services and fuel prices.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 May					
US	1900	Federal Reserve Senior loan Officer Opinion Survey			
Germany	0855 Apr	S&P Global Services PMI	53.3		53.3
	0855 Apr	S&P Global Composite PMI	50.5		50.5
France	0850 Apr	S&P Global Composite PMI	-		49.9
Italy	0845 Apr	Composite PMI	-		53.5
Spain	0815 Apr	Services PMI	-		56.1
Eurozone	0900 Apr	S&P Global Services PMI Final	-		52.9
	0900 Apr	S&P Global Composite PMI Final	-		51.4
Tuesday 7 May					
US	2000 Mar	Consumer Credit	15.0	16.5	14.12
Germany	0700 Mar	Industrial Orders (MoM%)	0.5		0.2
	0700 Mar	Exports	1.8		-2
	0700 Mar	Imports	-1		3.2
	0700 Mar	Trade Balance	22		21.4
France	0745 Apr	Reserve Assets Total	-		238902
	0745 Mar	Trade Balance	-		-5.244
Switzerland	0645 Apr	Unemployment Rate Adjusted	-		2.3
Netherlands	0530 Apr	CPI (MoM%/YoY%)	-		0.5/3.1
Wednesday 8 May					
Germany	0700 Mar	Industrial Output (MoM%/YoY%)	2.0/-4.6	/	2.1/-4.76
Sweden	0830	Riksbank Rate	3.75		4.00
Netherlands	0530 Mar	Manufacturing Output (MoM%)	-		1.4
Thursday 9 May					
US	1330	Initial Jobless Claims	215	-	208
	1330	Continuing Jobless Claims	1785	-	1774
UK	1200 Apr	BOE Bank Rate	5.25	5.25	5.25
Friday 10 May					
US	1500 May	University of Michigan Sentiment Prelim	77	77	77.2
	1500 May	University of Michigan Expectations Prelim	74	-	76
	1500 UoM	1Yr inflation expectations	3.3	-	3.2
	1500 UoM	5-10Yr inflation expectations	3.0	-	3.0
UK	0700 Mar	GDP Estimate (MoM%)	0.1		0.1
	0700 Q1	GDP Prelim (QoQ%/YoY%)	0.4/0.0		-0.3/-0.2
Italy	0900 Mar	Industrial Output (MoM%/YoY%)	0.6/-		0.1/-3.1
Canada	1330 Apr	Unemployment Rate	6.2	6.2	6.1
	1330 Apr	net change in employment (000)	15	20	-2.2
Norway	0700 Apr	CPI (MoM%/YoY%)	-/-	/	0.2/3.9
	0700 Apr	Core CPI (MoM%/YoY%)	-/-	/	0.2/4.5
Greece	1000 Mar	Industrial Output (YoY%)	-		1.6

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 May					
Russia	0700	Apr S&P Global Services PMI	-		51.4
Turkey	1200	Mar Bank NPL Ratio	-		1.55
South Africa	0815	Apr Std Bank Whole Econ PMI	-		48.4
Tuesday 7 May					
Czech Rep	0800	Mar Industrial Output (YoY%)	-		0.7
	0800	Mar Trade Balance	-		34.6
Hungary	0730	Mar Retail Sales (YoY%)	0.2		1.1
Wednesday 8 May					
Hungary	0730	Mar Industrial Output (YoY%)	-6,1		1.8
Thursday 9 May					
Poland	1300	May NBP Base Rate	5.75	5.75	5.75
Hungary	1000	Apr Budget Balance	-282		-617
Czech Rep	0800	Apr Unemployment Rate	-		3.9
	0800	Mar Retail Sales (YoY%)	-		6.1
Friday 10 May					
Hungary	0730	Apr Core CPI (YoY%)	4.1		4.4
	0730	Apr CPI (MoM%/YoY%)	0.8/3.7		0.8/3.6
Ukraine	1330	Apr CPI (MoM%/YoY%)	-/-	/	0.5/3.2
Serbia	1100	May Benchmark Interest rate	6.5		6.5

Source: Refinitiv, ING

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