

Key events in developed markets next week

The Bank of England looks set to raise rates by another 25bp on Thursday. Although it will imply further tightening is possible, we think this hike will likely be the last. In the US, a flood of inflation data over the coming week is expected to show the disinflation trend



Source: Shutterstock

US: Upcoming data set to show the disinflation trend is firmly in place

After this week's 25bp interest rate increase from the Federal Reserve, we think we are at the peak and the next move will be interest rate cuts in late 2023. The long and varied lags involved in monetary policy changes – coupled with a rapid tightening of credit conditions resulting from recent banking stresses – mean the headwinds for the US economy are intensifying. Job lay-off announcements and weak business and household sentiment already indicate there are real-world impacts with the upcoming data flow set to show that this is now weighing on price pressures.

We will get import price inflation, producer price inflation and consumer price inflation over the coming week, and all three are set to show that the disinflation trend is now firmly in place. Import prices are falling in year-on-year terms already and we expect PPI to edge close to 2% YoY. CPI is still running well above the 2% target, but we do at least expect the annual to slow to 4.9%, having

peaked at close to 10%.

Keeping in mind that the Federal Reserve has a dual target of 2% inflation and maximum employment, we expect to see recessionary forces push inflation close to target by year-end, with unemployment rising. We think this could result in 50bp interest rate cuts at both the November and the December FOMC meetings.

UK: Bank of England set for 25bp hike but we're near the peak

After some hawkish inflation and wage data last month, the Bank of England looks poised for another 25 basis point rate hike on Thursday. Admittedly when you scratch beneath the surface, this data wasn't a total disaster for the central bank. For one thing, CPI has outpaced the Bank's forecasts because of food and core goods prices, neither of which will be viewed as long-lasting trends. The BoE's own "Decision Maker Panel" survey of CFOs has also been repeatedly pointing to lower price and wage pressure.

We doubt the Bank will want to shut down its options on Thursday – another unhelpful set of data over the coming weeks would pile on the pressure for them to do more in June. Expect the Bank to retain its data-dependent guidance that implies further tightening is possible – though the clear dovish risk is that the Bank “does a Fed” and waters down this guidance further, perhaps removing the bit about further tightening. Either way, we think Thursday's hike is likely to be the last. [Catch up on our latest preview here](#)

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 May					
Germany	0700	Mar Industrial Output (MoM%/YoY%)	-1/1.4		2/0.7
	0700	Apr CPI Final (MoM%/YoY%)	0.4/7.2		0.4/7.2
Tuesday 9 May					
France	0745	Apr Reserve Assets Total	-		217784
	0745	Mar Trade Balance	-		-9.904
Wednesday 10 May					
US	1330	Apr Core CPI (MoM%/YoY%)	0.3/5.5	0.3/5.4	0.4/5.6
	1330	Apr CPI (MoM%/YoY%)	0.4/4.9	0.4/5.0	0.1/5
Italy	0900	Mar Industrial Output (MoM%/YoY%)	-/-		-0.2/-2.3
Norway	0700	Apr CPI (MoM%/YoY%)	-/-		0.8/6.5
	0700	Apr Core Inflation (MoM%/YoY%)	-/-		0.6/6.2
Netherlands	0530	Mar Manufacturing Output (MoM%)	-		0.4
Greece	1000	Mar Industrial Output (YoY%)	-		5.2
	1000	Apr CPI (YoY%)	-		4.6
Thursday 11 May					
US	1330	Initial Jobless Claim (000s)	250		242
	1330	Continue Jobless Claim (000s)	1820		1805
	1330	Apr PPI (MoM%/YoY%)	0.3/2.4	0.3/2.4	-0.5/2.7
	1330	Apr Core PPI (MoM%/YoY%)	0.2/3.3	0.2/3.3	0.4/5.6
UK	1200	May BOE Bank Rate	4.50	4.50	4.25
Netherlands	0530	Apr CPI (MoM%/YoY%, NSA)	-		0.2/4.4
Friday 12 May					
US	1330	Apr import prices (MoM%/YoY%)	0.2/-4.9	0.3/-	-0.6/-4.6
	1500	May University of Michigan Sentiment Prelim	62.5	63.1	63.5
	1500	May University of Michigan Conditions Prelim	67		68.2
	1500	May University of Michigan Expectations Prelim	60		60.5
France	0745	Apr CPI (MoM%/YoY%) NSA	-		0.6/5.9
UK	0700	Mar GDP Estimate (MoM%/YoY%)	0.0/0.4		0.0/0.5
	0700	Q1 GDP Prelim (QoQ%)	0.1		0.1
Spain	0800	Apr CPI (MoM%/YoY%)	-/-		0.6/4.1
Norway	0700	Q1 GDP Growth Mainland	-		0.8
	0700	Mar GDP Month Mainland	-		-0.2

Source: Refinitiv, ING

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.