THINK Ahead: The tariff hokey cokey

Oh, for Heaven's sake! Is this the end of tariffs, or will this week's court drama mean they're going to go even higher? It's a tariff hokey cokey and we're wondering just what will go in and out next. Read this quick, before everything changes by Monday...

Whether you say cokey or pokey, we're shaking it all about this week

Shaking it all about

You put your whole tariff in, your whole tariff out. It's getting a bit like that, right? This week's bombshell verdict from a New York Trade Court, ruling a large chunk of President Trump's tariffs illegal, certainly opens the door to a whole range of new possibilities.

Does this offer the Administration the political cover it quietly needs in order to de-escalate on tariffs and limit the economic fallout? Or does it do the opposite, if the likes of the EU and China conclude the US can't sustain these tariffs for much longer and become yet more reluctant to give ground in negotiations, triggering the President to raise tariffs even further?

Both of those arguments have done the rounds this week, though if you ask me, both sound a little too much like 4D chess. The truth is nobody really knows what'll happen next, but markets are concluding that the legal drama doesn't change the basic tariff story. And I suspect they are right.

Don't forget that the US administration has bet the political house on reshoring activity. And tariff revenue helps broader efforts to convince the Senate to pass Trump's tax bill in its current form.

Chatting to James Knightley this week, neither of those facts has changed.

Nor has my suspicion that the current level of tariffs represents a floor. Long-suffering readers may remember I've calculated the average tariff the US is now charging across all its imports as 13%, up from just 2.5% before the President's inauguration. Eight percentage points of that 13% are made up of tariffs that are at risk from this court ruling, including the 10% baseline across the majority of America's trading partners.

But one of two things seems likely. Either the Supreme Court overturns the existing ruling, in which case, nothing changes. Or, if that fails, then surely the US Administration simply rebuilds these tariffs through other means, which, as Inga Fechner explains, there are plenty of. And in the meantime, that may well embolden Trump to crack on with other sectoral tariffs on the likes of chips and pharma, which are not subject to this court action. All the while, talks with both the EU and China are not exactly going well.

So tariffs probably aren't going down, and they might go up. Shake it all about. And all this hokey cokeying just ramps up the uncertainty that businesses are having to confront.

The problem with uncertainty, of course, is that it's quite hard to quantify. Consumer and business confidence has cratered, unsurprisingly. But the hawks over at the central banks – both in the US and out – would argue that people don't always do what they say. The 'hard data' – the official numbers on everything from spending to hiring – currently isn't looking so bad.

As James K says below, the impact of this week's drama, including everything that has (or hasn't) happened at DOGE, on US jobs data looks subtle rather than dramatic. Yes, hiring plans are increasingly on ice, but there isn't much sign that layoffs are spiking. The major question the Fed is grappling with is whether that changes into the summer, but James reckons we're more likely to see this steady cooling in jobs growth continue.

This whole debate about the hard vs. soft (sentiment) data is just as pertinent here in Europe. Admittedly a 25 basis-point cut from the ECB next week looks like a done deal now. Inflation looks pretty benign, as data next week looks set to demonstrate. And the stronger euro and lower energy prices help the dovish case too.

But as Carsten writes in his preview, the story beyond June looks more interesting. For all the noise, the eurozone is proving relatively resilient so far. And that means next week's cut could potentially be the last.

Trade tensions are a risk, clearly. Nobody is ruling out US tariffs on the EU rising again in July. But most accept that the level of ECB interest rates is now broadly neutral – that is, monetary policy is no longer actively restricting economic activity in the way it was a year ago.

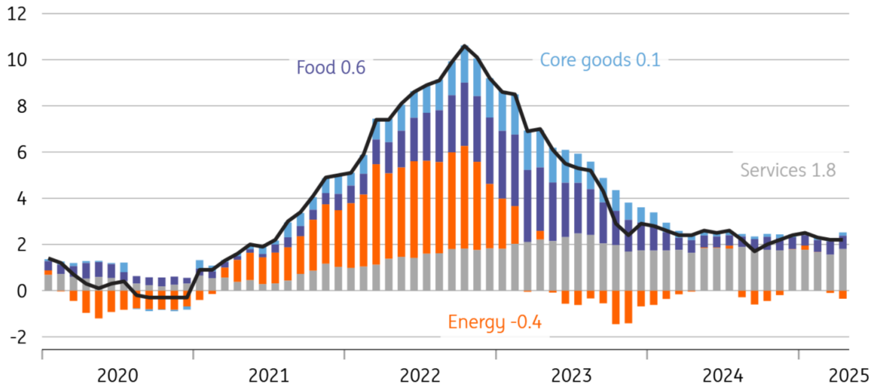
Having insured against the risks brought about by American protectionism, Frankfurt now faces more domestic questions. How long will the current period of benign inflation continue? As Carsten says, Germany's fiscal splurge and how quickly it hits the economy will be key.

That's what it's all about for next week. And if you can't wait another seven days for me to tell you how awfully uncertain everything is, then do join us on Tuesday, where you can hear James K, Carsten, Chris Turner, and me say the word "tariff", just in slightly different accents. Oh, and we'll be talking about June's central bank meetings, too. Sign up to our webinar here.

James Smith

Chart of the week: Eurozone inflation looks benign, but for how long?

Contributions to eurozone HICP inflation (YoY%)



Source: Macrobond, ING

THINK Ahead in developed markets

United States (James Knightley):

- **Jobs report (Fri):** Given the uncertainty over US trade policy and the potential economic implications, financial markets will be relieved to get hold of some important data that they can get their teeth into. Next Friday's jobs report for May is the obvious focus, and we will be looking to see if the shock of Liberation Day fed through into weaker hiring and whether the DOGE spending cuts are having a meaningful impact on federal government employment yet. We are expecting the general trend to be one of cooling employment growth as businesses become increasingly reluctant to commit to hiring and investment, given the lack of clarity on the US's trading position and worries about steep declines in consumer sentiment. Our suspicion is that the longer the trading uncertainty continues, the greater the loss of momentum in economic activity.
- **ISM manufacturing/services (Mon/Wed): T**he ISM indicators may improve a touch given the subsequent de-escalation of tensions with China that resulted in the tariffs on Chinese imported goods being cut to 30%.

Eurozone (Carsten Brzeski/Peter Vanden Houte):

- **ECB meeting (Thur): T**he latest developments in the trade and tariff saga have somewhat strengthened the case for a pause next week. However, the expected downward revision of the inflation forecasts and a much earlier drop in headline inflation to below 2%, alongside the rising risk of inflation undershooting, should tilt the balance towards a 25bp rate cut. Read our full preview.
- **Inflation (Tue):** Eurozone HICP inflation is likely to have fallen to 2.0% in May, partially driven by lower energy prices and lower core inflation. The April increase in core inflation was based on a late Easter this year, impacting holiday and leisure prices. This effect has likely reversed in May, bringing core inflation back down to 2.5%.

Canada (James Knightley):

- **Bank of Canada (Wed):** This decision is a close call. Unemployment is in danger of breaching 7% in next week's jobs report, but despite a low headline inflation print, core CPI has been moving higher again. Trade is critical to the outlook given the importance of US exports to the Canadian economy and while there has been a slight calming in tensions post Prime Minister Carney's visit to the White House, nothing can be taken for granted. We favour a 25bp cut, despite slightly better than expected 1Q GDP data.

THINK Ahead in Central and Eastern Europe/CIS

Poland (Adam Antoniak):

- **NBP rate (Wed):** With May CPI inflation broadly unchanged compared with April, the MPC has no arguments to cut rates again in June after a 50bp adjustment in May. An upswing in April wages growth also provides an argument for pausing monetary easing. More clarity on the inflation outlook should come with the release of July macroeconomic projections. We expect the Council to resume monetary easing in July with a 25bps cut, followed by similar moves in September and November, bringing the main policy to 4.50% at the end of this year. The cycle is likely to be continued in 2026.

Hungary (Peter Virovacz):

- **Industry/Retail sales (Fri):** The first set of hard data for the second quarter is due next week. We expect industrial production to contract again, both monthly and yearly, as Hungarian industry continues to lack external demand. Retail sales will be affected by two opposing factors. The exceptionally high number of long weekends may negatively impact the sector, but the Easter buying frenzy, combined with the full effect of price caps, may counterbalance this to some extent. Therefore, we expect retail sales to remain roughly stagnant on a yearly basis. Overall, these data do not paint an encouraging picture of the start to the second quarter.

Czech Republic (David Havrlant):

- The manufacturing PMI likely held steady in May, propped by hopes for better times ahead. Industrial production probably continued with mediocre annual growth, when adjusted for the number of working days. Meanwhile, annual real retail sales growth remained relatively solid, although below the sweet spot of above 5% when the consumer is at their best. Nominal and real wage growth has somewhat softened over the first quarter, which helped inflation to remain close to the target in May.

Kazakhstan (Dmitry Dolgin):

- **Central bank (Thur):** The decision is whether to hold the base rate at 16.50% or raise it. Holding the rate would be in line with the tone of the previous NBRK guidance and it is our base case, given stable inflationary expectations and strong tenge performance. However, with April's inflation at 10.7% YoY, the year-end CPI forecast of 10-12% might be challenged, potentially necessitating a rate hike later this year. If May's CPI exceeds 11% YoY (reported on 2 June), the NBRK may opt for a rate hike as early as next week.

Key events in developed markets

Country	Time (BST)	Data/event	ING	Prev.
		Monday 2 June		
US	1500	May ISM Manufacturing PMI	49.4	48.7
Germany	0855	May HCOB Manufacturing PMI Final	48.8	48.8
UK	0930	May S&P Global/CIPS Manufacturing PMI Final	45.1	45.1
Switzerland	0800	Q1 GDP (QoQ%/YoY%)	-/-	0.2/1.5
Eurozone	0900	May HCOB Manufacturing PMI Final	-	49.4
		Tuesday 3 June		
US	1500	Apr JOLTS Job Openings (mn)	7.1	7.2
	1500	Apr Factory Orders (MoM%)	-2.9	3.4
Switzerland	0730	May CPI (MoM%/YoY%)	-/-	0/0
Eurozone	1000	May CPI Flash (YoY%)	2.0	2.2
	1000	May Core CPI Flash (YoY%)	2.5	2.7
	1000	Apr Unemployment Rate	-	6.2
		Wednesday 4 June		
US	1315	May ADP National Employment	130	62
	1500	May ISM Non-Manufacturing PMI	52.0	51.6
Germany	0855	May HCOB Services PMI Final	47.2	47.2
	0855	May HCOB Composite PMI Final	48.6	48.6
France	0850	May HCOB Composite PMI	-	
UK	0930	May S&P Global/CIPS Serv PMI Final	50.2	50.2
	0930	May S&P Global Composite PMI Final	49.4	49.4
Eurozone	0900	May HCOB Services PMI Final	-	48.9
	0900	May HCOB Composite PMI Final	-	49.5
Canada	1445	BoC policy meeting	2.50	2.75
		Thursday 5 June		
US	1330	Initial Jobless Claims (000s)	235	240
	1330	Apr International Trade (USD bn)	-115	-140.5
Germany	0700	Apr Industrial Orders (MoM%)	-3.0	3.6
Eurozone	1315	Jun ECB Refinancing Rate	2.15	2.4
	1315	Jun ECB Deposit Rate	2.00	2.25
		Friday 6 June		
US	1330	May Non-Farm Payrolls	145	177
	1330	May Private Payrolls	120	167
	1330	May Unemployment Rate	4.2	4.2
	2000	Apr Consumer Credit	10.0	10.17
Germany	0700	Apr Industrial Output (MoM%/YoY%)	2.0	3.0/-0.4
	0700	Apr Exports (MoM%)	-2.0	1.1
	0700	Apr Imports (MoM%)	0.5	-1.4
	0700	Apr Trade Balance (EUR bn)	18	21.1
Canada	1330	May Unemployment Rate	6.9	6.9
Eurozone	1000	Q1 GDP Revised (QoQ%/YoY%)	-/-	0.3/1.2
	1000	Apr Retail Sales (MoM%/YoY%)	-/-	-0.1/1.5

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
		Thursday 17 April		
Ukraine	-	1 Central bank interest rate	-	15.5
		Thursday 22 May		
Turkey	1230	W 1 Gross FX Reserves	-	61.22
		Monday 2 June		
Turkey	0800	May Manufacturing PMI	-	47.3
	1200	Apr Bank NPL Ratio	-	1.93
Poland	0800	May S&P Global Manufacturing PMI	50.4	50.2
	0900	Q1 GDP Prelim (QoQ%/YoY%)	-/-	0.7/3.2
Czech Rep	0830	May S&P Global PMI	-	48.9
	1300	May Budget Balance (CZK bn)	-	-126.1
Hungary	0800	May Manufacturing PMI	50.7	50.2
Kazakhstan	-	May CPI (MoM%/YoY%)	0.7/11.0	1.2/10.7
		Tuesday 3 June		
Turkey	0800	May CPI (MoM%/YoY%)	-/-	3/37.86
Hungary	0730	Q1 GDP Final (YoY%)	0.0	0.0
		Wednesday 4 June		
	1700	Apr Retail Sales (YoY%)	2.3	2.2
	1700	Apr Unemployment Rate	2.3	2.3
	-	Apr GDP (YoY%) Monthly	2.0	1.4
Poland	1300	Jun NBP Base Rate	5.25	5.25
Czech Rep	0800	Q1 Gross wages (YoY%)	-	4.2
	0800	Apr Retail Sales (YoY%)	-	3
		Thursday 5 June		
Kazakhstan	0700	Jun Interest Rate Decision	16.50	16.50
		Friday 6 June		
Russia	1130	Jun Central Bank Key Rate	20.00	21.00
Czech Rep	0800	Apr Industrial Output (YoY%)	-	1.4
	0800	Apr Trade Balance (CZK bn)	-	32.5
Hungary	0730	Apr Industrial Output (YoY%)	-3.2	0
	0730	Apr Retail Sales (YoY%)	0.2	0.4
Romania	0800	Q1 GDP 2nd reading (QoQ%/YoY%)	0.0/0.2	0.0/0.2

Source: Refinitiv, ING

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