

Our view on next week's key events

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In this bundle



Key Events | United Kingdom...

Key events in developed markets and EMEA

Everything we're expecting from next week's key data releases and upcoming central bank meetings

By James Smith, James Knightley and 2 others



Asia week ahead | Australia | China...

Asia week ahead: China's trade data and an upcoming RBA decision take the spotlight

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By Robert Carnell and Lynn Song

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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 Glapiński 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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Asia week ahead: China's trade data and an upcoming RBA decision take the spotlight

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RBA meeting to be closely watched

The 7 May Reserve Bank of Australia (RBA) meeting is worth watching closely. Recent inflation data in Australia looks to have stalled on a monthly basis and has even started to nose higher. That said, Australian inflation has actually performed better than we had been expecting. We had looked for it to rise sooner and by more. On that basis, inflation isn't causing us any undue concern. This looks to us like it will be another no-change meeting. Compared to the US, Australia's economy has slowed more and the labour market softened more significantly.

Time is probably all that is needed for monetary policy to do its work. But at least one analyst has already gone out with a 25bp hike call for this meeting – and we have to admit that this is where the risks to RBA policy lie over the next few meetings. Progress has been slow, but the target rate was not expected to be reached until next year anyway.

China's trade data out next week

The key data release in China next week will be the trade data next Friday. We're expecting data to come in relatively sluggish, with export growth expected to be flat at around 0% year-on-year and import growth faring better at 6.4% YoY. China also publishes its Caixin services and composite PMI on Monday, which the market expects to cool slightly from March. Foreign reserves data will also be released sometime on Tuesday.

Robust industrial output report likely from India

We expect a robust March industrial production release in India. The recent manufacturing PMI data has been running strong consistently and isn't showing any signs of a pullback. There may be some election-related disruption in May/June, but we anticipate the growth rate to rise from 5.7% in February to 6.2% in March.

Trade and inflation numbers out from Taiwan

Taiwan publishes its CPI and PPI inflation on Tuesday, where we will see the first month of impact from the 11% electricity price hike. We expect CPI to pick up in sequential terms but to remain little changed in YoY terms around 2.1% YoY. PPI inflation may see a larger impact from the price hike in the early stages. Taiwan also publishes its trade data on Wednesday, where we are expecting both export and import growth to moderate after a strong March to 10.3% YoY and 4.2% YoY respectively.

Indonesia and Philippines report growth numbers

The coming week also features first quarter GDP reports from Indonesia and the Philippines. We expect Indonesia's first quarter GDP to expand by 5.2% YoY. Robust economic growth was supported by election-related spending after nationwide elections were held in February. Meanwhile, the Philippine economy likely grew by 6.0% YoY in the first quarter. Growth possibly received a boost from a favourable net exports contribution given the stark narrowing of the trade deficit in 2024.

Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Monday 6 May					
China	0245	Apr Caixin Services PMI	-		52.7
India	0600	Apr IHS S&P Global Services PMI	-	62	61.7
Indonesia	-	Q1 GDP (QoQ%/YoY%)	0.0/5.2		0.45/5.04
Singapore	1000	Apr Foreign Reserves USD	-		368.5
Taiwan	0920	Apr Foreign Exchange Reserve	-		568.1
Tuesday 7 May					
Japan	0130	Apr Services PMI	54.6		54.6
Australia	0530	May RBA Cash Rate	4.35		4.35
China	0900	Apr FX Reserves (Monthly)	-		3.246
Philippines	0200	Apr CPI (MoM%/YoY%)	0.3/4.2	/	0.1/3.7
	0200	Apr Core CPI (YoY%)	3.2		3.4
	-	Apr Forex Reserves USD	-		104
Taiwan	0900	Apr CPI (YoY%)	2.1		2.14
Wednesday 8 May					
Indonesia	0500	Apr Forex Reserves	-		140.4
Philippines	0200	Mar Exports (YoY%)	-11.8		15.7
	0200	Mar Imports (YoY%)	-12.6		6.3
	0200	Mar Trade Balance	-4234		-3647
Taiwan	0900	Apr Imports	4.2		7.1
	0900	Apr Exports	10.3		18.9
	0900	Apr Trade Balance	-		8.68
South Korea	0000	Mar Current Account Balance NSA	6.0		6.86
Thursday 9 May					
Japan	0030	Mar Labour cash earnings (YoY%)	2.0		1.4
China	-	Apr Exports	0		-7.5
	-	Apr Imports	6.4		-1.9
	-	Apr Trade Balance	-		58.55
Philippines	0300	Q1 GDP (QoQ%/YoY%)	6		2.1/5.6
Friday 10 May					
Japan	0030	Mar All Household Spending (MoM%/YoY%)	-		-0.5
	0030	Mar Current Account Balance NSA	3.5		2.6
China	-	Apr M2 Money Supply (YoY)	-		8.3
	-	Apr FDI (YTD)	-		-26.1
India	1300	Mar Industrial Output (YoY)	6.2		5.7
	-	Apr Fiscal Deficit - USD bn	-		15.6
	-	Apr Imports - USD bn	-		57.28
	-	Apr Exports - USD bn	-		41.68
Taiwan	0900	Q1 GDP Final (YoY%)	-		6.51

Source: Refinitiv, ING

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Disclaimer

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