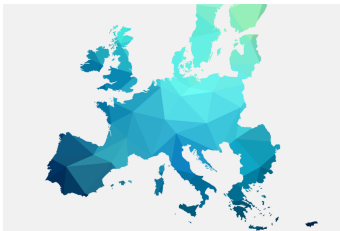


Our view on next week's key events

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Russia's central bank meeting is the key thing to watch in an otherwise busy week for data in the EMEA region

By Peter Virovacz and Dmitry Dolgin

Key events in developed markets next week

US inflation is likely to reach new highs next week, adding fuel to fire at the Fed as to whether it should be talking more seriously about tapering. However that is something the ECB will be at pains to avoid at next Thursday's meeting, but like in the US, we don't think policymakers can totally avoid this debate for much longer



Source: Shutterstock

✓ US inflation set to hit new highs

The US economy is growing strongly and is creating jobs, but inflation is making the headlines.

This week we are likely to see consumer price inflation rise further – our forecast is 4.8% year-on-year for May with core (ex-food and energy inflation) rising to 3.3% from 3%. For the former this would mark the highest inflation reading since 2008 – when oil prices surged to \$146/barrel – while for the core rate it would be the strongest reading since 1993!

This should mark the peak in inflation, though, given much of it is being driven by comparing price levels in a vibrant re-opening economy versus those of twelve months ago, when there were sharp falls in prices across the board as companies desperately sought cash. Nonetheless, supply chain issues, rising commodity prices, labour market shortages and rising house prices suggest to us inflation could remain more elevated and be more persistent than the Federal Reserve are publicly

forecasting. This is a key factor why we think the Fed will raise the interest rate sooner than 2024.

Other data includes consumer confidence, which should remain firm, but look out for a further increase in inflation expectations, which could signal consumers are getting more anxious. If it happens it could offer evidence that rising worker wage demands could be a factor that also keeps inflation higher for longer. Meanwhile, the trade balance may shrink marginally, but this likely reflects issues surrounding supply chain issues and trouble getting components and parts rather than any drop-off in domestic demand.

European Central Bank: Avoiding taper talk

Here are our three things to watch out for from the ECB - for the full preview, see [here](#)

1. **New forecasts:** While confidence indicators point to strong activity, actual 1Q GDP was weaker than ECB staff had expected in March. We, therefore, expect the growth projections to remain broadly unchanged for 2021 and 2022. The inflation projections, however, could be revised upwards.
2. **Assessing financing conditions:** Last year, favourable financing conditions suddenly became a new quasi target for the ECB. No clear definitions were given, but since December, bond yields have increased by around 40bp. The ECB will provide the first quarterly assessment of financing conditions and official comments that rising yields were a natural development at turning points in recovery already point to a possible communication line, preventing the ECB from being caught in its own logic from a few months ago.
3. **(Avoiding) Taper talk:** Even if economic developments would, in our view clearly justify at least having a first tapering discussion, the sheer mention of such a discussion could push up bond yields further and consequently undermine the economic recovery before it has actually started. The fact that several more dovish statements have been made by ECB officials recently underlines this view. However, the ECB will not be able to avoid the tapering discussion for long.

UK GDP set for reopening boost as Covid-19 variant concerns build

The reopening of shops and outdoor hospitality/recreation in April will, unsurprisingly, lead to another decent monthly growth figure in the UK. But while much of this is a simple byproduct of lockdown easing, it's also clear that confidence has really bounced back too among both consumers and businesses. Social spending had already exceeded last summer's levels before indoor hospitality reopened in May, while the number of job adverts in hospitality is above pre-virus levels.

But this recovery in confidence is likely to face its first real test over coming weeks as concerns surrounding the new 'delta' Covid-19 variant (first detected in India) grow. Latest estimates suggest it may be 50% more transmissible than the previously dominant strain, which in theory means that hospitalisations could rise quickly among unvaccinated groups. The more positive news is that the vaccines still seem to work, though are more reliant on the second dose. 50% of the population has now had both doses, but there is likely to be growing talk about pushing back

the final 21 June step of the reopening plan to buy more time for greater vaccine coverage.

That said, this doesn't necessarily need to cause a major issue for the path of GDP - the April/May reopening stages were more consequential in this regard. But it will be more economically problematic if the renewed spread begins to dent confidence. We suspect this will most heavily depend on whether vaccines continue to show promise in preventing serious illness, particularly among more vulnerable groups.

Bank of Canada: Laying the groundwork for reducing stimulus

The central bank has outlined the case for a 2H22 interest rate increase and this is likely to be repeated at the upcoming meeting given a surprisingly resilient economy and a vaccine program that has got real traction. The Bank of Canada may also lay the groundwork for a third tapering of the QE asset purchases at the July policy meeting, which would see weekly bond-buying cut to C\$2bn.

Key events in developed markets next week

Country	Time	Data/event	ING Survey		Prev.
Monday 7 June					
US	2000	Apr Consumer Credit	24.5	25.3	25.84
Japan	0050	Q1 GDP Revised (QoQ%)	-1.1	-	-1.3
	0050	Apr C/A Balance, adjusted (JPY bn)	1300	-	1696.5
	0050	Apr Labor cash earnings (YoY%)	0.8	-	0.2
Germany	0700	Apr Industrial Orders (MoM%)	-	-	3.0
France	0745	May Reserve Assets Total	-	-	183428
Spain	0800	Industrial Production (YoY%)	-	-	12.4
Tuesday 8 June					
US	1330	Apr International Trade (USD)	-70	-68.1	-74.4
Germany	0700	Apr Industrial Output (MoM/YoY%)	-/-	-	2.5/4.87
France	0745	Apr Trade Balance	-	-	-6.07
Canada	1330	Apr Trade Balance (CAD)	-	-	-1.14
Netherlands	0530	May CPI (MoM/YoY% NSA)	-0.1/1.9	-	0.5/1.9
Eurozone	1000	Q1 Employment Final (QoQ/YoY%)	-0.3/-2.1	-	-0.3/-2.1
	1000	Q1 GDP Revised (QoQ/YoY%)	-0.6/-1.8	-	-0.6/-1.8
Wednesday 9 June					
Germany	0700	Apr Trade Balance	-	-	14.3
Canada	1500	BoC Rate Decision	0.25	0.25	0.25
Norway	0700	Apr GDP (MoM%)	-	-	-0.4
Thursday 10 June					
Japan	0050	May PPI (%YoY/MoM)	4.6/0.5	-	3.6/0.7
US	1330	May Core CPI (MoM/YoY%)	0.3/3.3	0.4/3.4	0.9/3
	1330	May CPI (MoM/YoY%)	0.5/4.8	0.4/4.6	0.8/4.2
France	0745	Apr Industrial Output (MoM%)	-	-	0.8
Italy	0900	Apr Industrial Output (MoM/YoY%)	0.4/73	-	-0.1/37.7
New Zealand	2330	May Manufacturing PMI	-	-	58.4
Norway	0700	May CPI (MoM/YoY%)	-/-	-	0.3/3.0
Sweden	0830	May CPIF (YoY%)	2.2	-	2.5
Netherlands	0530	Apr Manufacturing Output (MoM%)	-	-	3.1
Eurozone	1245	Jun ECB Refinancing rate	0.0	-	0.0
	1245	Jun ECB Deposit rate	-0.5	-	-0.5
Friday 11 June					
Japan	0050	2Q BSI - All Industry (% QoQ)	-6.5	-	-4.5
	0050	2Q BSI - Large manufacturing (% QoQ)	-2.5	-	1.6
US	1500	Jun University of Michigan Sentiment Prelim	83.5	83.3	82.9
UK	0700	Apr GDP Estimate (MoM/YoY%)	2.2/27	-	2.1/1.4
Spain	0800	May CPI (MoM/YoY%)	-/-	-	-

Source: Refinitiv, ING

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Asia week ahead: China's May data dump

The trade, manufacturing, and inflation figures for May crowd next week's economic calendar in Asia. China will be in the spotlight for the usual monthly data dump that may reveal some softening of activity due to the Golden Week holiday



Source: Shutterstock

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 June					
China		- May Exports (YoY%)	32.1		32.3
		- May Imports (YoY%)	53		43.1
		- May Trade Balance (USD bn)	47.9		42.86
		- May FX Reserves (USD tr)	3.22		3.198
Indonesia		- May Forex Reserves	138.1		138.8
Philippines		- May Forex Reserves (USD bn)	-		107.25
Singapore	1000	May Foreign Reserves (USD bn)	-		385.7
South Korea	0000	Apr Current Account Bal (USD bn)	10.3		7.82
Tuesday 8 June					
Taiwan	0900	May CPI (YoY%)	1.9		2.1
	0900	May WPI (YoY%)	11.5		9.6
	0900	May Exports (YoY%)	16.5		38.7
	0900	May Imports (YoY%)	7.2		26.4
	0900	May Trade balance (US\$bn)	4.7		6.2
South Korea	0000	Q1 GDP Growth (QoQ/YoY%)	1.6/1.8		1.6/1.8
	0000	May Unemployment Rate	3.6		3.7
Wednesday 9 June					
China	0230	May CPI (YoY%)	1.5		0.9
	0230	May PPI (YoY%)	9.2		6.8
Indonesia		- May BI consumer confidence index	102.3		101.5
Philippines	0200	Apr Exports (YoY%)	115.2		31.6
	0200	Apr Imports (YoY%)	158.9		16.6
	0200	Apr Trade Balance (USD mn)	-2401.6		-2412
Thursday 10 June					
China		- May Aggregate finance (Yuan bn)	2800		1850.7
		- May Financial institution loans (Yuan bn)	2226		1470
		May Money supply (M2) (%YoY)	8.1		8.1
Friday 11 June					
India	1300	Apr Industrial Output (YoY%)	67		22.4
Malaysia	0500	Apr Industrial Output (YoY%)	38		9.3

Source: Refinitiv, ING

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Key events in EMEA next week

Russia's central bank meeting is the key thing to watch in an otherwise busy week for data in the EMEA region



Source: Shutterstock

✓ Hungary's reopening set to lift economic and inflation data

With the first phase of reopening in April, we expect the Hungarian industry to benefit, showing further strength.

As the reopening is gradual, May brought more easing which should translate not only into higher economic activity, but also result in a monthly surplus when it comes to the budget balance. However, the real excitement comes with the May CPI readings, which we believe will also be affected by the reopening, unsurprisingly. This means higher core and headline inflation figures, justifying the hawkish turnaround from the central bank last month.

✓ Russia set for a busy data week and central bank meeting

In Russia, the week will be busy, culminating with the key rate decision on Friday.

The recent statements made by the central bank suggest that a 25bp hike to 5.75% should be treated as a base case scenario. At the same time, given the likely acceleration of CPI from 5.5% YoY in April to 5.8-5.9% YoY, elevated inflationary expectations by the Russian consumers, skyrocketing producer price inflation, and a pick up in lending growth suggest that the likelihood of another 50bp hike this time is not significantly lower than the base case.

In other news, the May balance of payments will be released on 9 June, with a key focus on the current account (balancing between no travel plus strong exports and accelerating merchandise imports) and strong private capital outflows. The data might be pivotal in determining the medium-term prospects for the rouble currently at a crossroads. Also, budget fulfilment numbers for 5M21 will be out by the end of the week, likely posting a surplus amid strong oil revenue collection and suggesting that our expectations of a 1.2% GDP deficit might have some room for reduction for the full year.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 June					
Russia	1700 May	CPI (MoM/YoY%)	0.6/5.8	0.6/5.8	0.6/5.5
Czech Rep	0800 Apr	Industrial Output (YoY%)	-		14.9
	0800 Apr	Trade Balance	-		18.5
	0800 May	Unemployment Rate	-		4.1
Kazakhstan	1000 Jun	Base Interest Rate	-		9.0
Tuesday 8 June					
Czech Rep	0800 Apr	Retail Sales (YoY%)	-		6.6
Hungary	0800 Apr	Industrial Output (YoY%)	72.0		16.5
	1000 May	Budget Balance	175		100.5
Brazil	1300 Apr	Retail sales (MoM/YoY%)	-/-		-0.6/2.4
Wednesday 9 June					
Poland	- Jun	NBP Base Rate	-		0.1
Hungary	0800 May	Core CPI (YoY%)	3.6		3.1
	0800 May	CPI (MoM/YoY%, NSA)	0.7/5.4		0.8/5.1
Ukraine	- May	CPI (MoM/YoY%)	-/-		0.7/8.4
Brazil	1300 May	IPCA Inflation Index (MoM/YoY%)	-/-		0.31/6.76
Mexico	1300 May	Headline Inflation	-		0.33
	1300 May	Core inflation	-		0.37
Thursday 10 June					
Turkey	0700 Apr	Unemployment Rate (%)	-	-	13.10
Czech Rep	0800 May	CPI (MoM/YoY%)	-/-		0.5/3.1
Kazakhstan	- May	Industrial Production (MoM%)	-		-3.3
Friday 11 June					
Turkey	0700 Apr	Industrial Production (MoM/YoY%)	-0.5/	-/-	0.7/16.6
Russia	1130 Jun	Central bank key rate	5.25	5.25	5.00
Romania	0700 May	CPI (YoY%)	-		3.24
Kazakhstan	- May	Industrial Production (YoY%)	-		0.8
Mexico	1300 Apr	Industrial Output (MoM/YoY%)	-		0.7/1.7

Source: Refinitiv, ING

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