Bundle | 10 June 2022

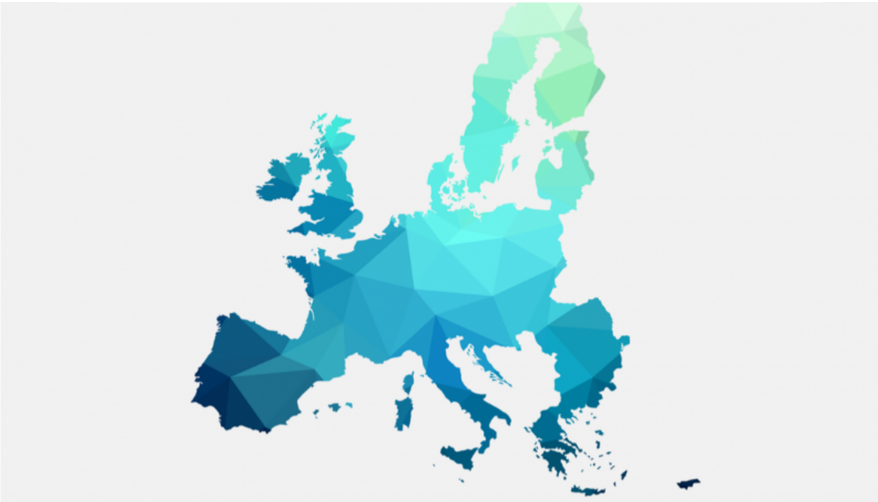
Our view on next week’s key events

Discover what ING analysts are looking for next week in our global economic calendars

In this bundle

Key events in developed markets next week

The Federal Reserve is likely to raise interest rates by 50bp next week amid more evidence that the economy is running hot. Another rate hike is also...



Source: Shutterstock

US: Strong sales and production figures cement 50bp hikes

The Federal Reserve is widely expected to raise interest rates by 50bp at the forthcoming FOMC meeting and confirm that a further 50bp hike in July is the most likely path ahead. The near-term growth story is looking good. While household incomes are failing to keep pace with the increasing cost of living, consumers appear willing to run down some of their accumulated savings to maintain their lifestyles. The investment backdrop is also good while net trade is set to make a positive contribution to 2Q GDP growth, with a 4-4.5% annualised expansion firmly on the cards. At the same time, inflation is well above target and the Fed feels the need to get a grip on the situation, hence the prospect of 100bp of rate hikes over the next couple of months.

However, there is a debate as to what happens after July. Some officials want the Fed to continue with 50bp hikes to ensure inflation is brought under control, but this risks moving policy deeply into restrictive territory and heightening the chances of a recession. Others argue that there is already evidence of the growth outlook weakening and inflation pressures tentatively softening, which could justify a pause in September. Given this growing debate, we expect to see only modest changes to the Fed's forecast profile for growth, inflation, and rates. We remain optimistic about near-term growth and we also think inflation will be sticky given ongoing geopolitical strife, supply chain issues, and labour market shortages. As such, a September hike is still our base case, but there is a growing chance the Bank switches to 25bp moves at that meeting and beyond. We expect the Fed funds rate to peak at around 3% in early 2023.

In terms of the data, the US highlights will be retail sales and industrial production. Retail sales headline growth will be depressed by weaker auto sales in May, but there should be decent strength in other parts of the report given strong readings for people movement and firm chain store sales numbers that leave us with a positive figure overall. Industrial production should also be firm with increasing oil and gas drilling adding to a strong manufacturing sector performance.

Bank of England set to resist temptation of a 50bp hike

The Bank of England will almost certainly hike rates again on Thursday, in what would be the fifth consecutive rate rise since December. But despite a growing number of global central banks opting for more aggressive rate hikes, we expect the committee as a whole to vote in favour of a more gradual 25bp move. Admittedly, we are likely to see at least three, possibly four, officials vote for a 50bp move, as was the case in May. But the committee is clearly divided, and we know that some members not only were nervous about faster rate hikes, but actually proposed scrapping the forward guidance that more rate hikes will be needed.

The wild card scenario for Thursday is therefore that we get a three-way vote split – that is some officials opting for no change, some for 50bp, and an overall majority in favour of 25bp. This would be unusual, and a three-way vote has only happened six times since 1997 and not since the financial crisis. We also suspect the announcement of a new government spending package since the May meeting will probably tempt those wavering committee members to continue backing a rate hike for the time being.

But at some point, we are likely to see further cracks in the MPC's resolve on tightening. We expect three more hikes in quick succession, taking Bank Rate to 1.75% in the autumn. But markets, which are now pricing a terminal rate above 3% next summer, are still likely overestimating the pace of hikes.

It's also a busy week for UK data, starting with April GDP which we think was probably flat on the month. The ending of free Covid testing will have weighed heavily on health output, though this will probably be largely offset by gains elsewhere. We still expect overall second-quarter growth to come in negative, largely because of an extra Bank holiday last week, but also because of a reduction in consumer spending. Expect to see more signs of that in Friday's retail sales figures, which are also being hit by the rebalancing of spending away from goods and back towards services, which are out of scope of the retail numbers. Tuesday's jobs numbers will highlight the issue of worker shortages, which have helped lift wage growth.

Switzerland: Policy rate to remain unchanged

The Swiss National Bank meets next week in a dramatically different context to its last meeting in March. After years of low inflation and even deflation, Swiss inflation reached 2.9% in May, its highest level since 2008. While this is still much lower than inflation in other developed countries, it is clearly above the SNB's 0 to 2% inflation target. Moreover, we have sensed a change in tone from the SNB recently, which is now focusing much more on the real exchange rate, which is heavily impacted by the inflation differential between Switzerland and other countries (in May, headline inflation was 2.9% in Switzerland compared to 8.1% in the eurozone). The increase in the inflation differential is pushing the real exchange rate of the Swiss franc down, which is equivalent to an easing of monetary policy and is not considered desirable by the SNB in the current context of above-target inflation. Consequently, the SNB is prepared to let the Swiss franc appreciate further in nominal terms to counterbalance the inflation differential and to stabilise the real exchange rate.

For monetary policy, this implies that the SNB is likely to seize on the ECB's rate hike to also embark on a series of rate hikes, albeit with a delay. With the ECB having de facto announced a first rate hike for July and a second one to come in September, the SNB is likely to follow suit. We expect the SNB to keep its rate unchanged at its June meeting, but to hint at future rate hikes as early as September. We expect a first hike of 25 basis points at the SNB meeting on 22 September, and a second in December. The hikes could then continue into 2023. Moreover, although this is not our base case, we cannot rule out a surprise rate hike on June 16.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 13 June			
UK	0700	Apr GDP Estimate (MoM%)	0.0		-0.1
Norway	0700	Apr GDP Month Mainland	0.5		1.0
		Tuesday 14 June			
US	1330	May NFIB small buisness optimism	94.5		93.2
Germany	0700	May CPI Final (MoM%/YoY%)	-/-		0.9/7.9
UK	0700	Apr ILO Unemployment Rate	3.6		3.7
	0700	Apr Employment Change	110		83.0
Sweden	0700	May CPI (MoM%/YoY%)	-/-		0.6/6.4
	0700	May CPIF (MoM%/YoY%)	-/-		0.6/6.4
Netherlands	0530	Apr Trade Balance	-		4.8
		Wednesday 15 June			
US	1330	May Retail Sales (MoM%)	0.1	0.2	0.9
	1330	May Retail Sales Control Group (MoM%)	0.5	0.5	1
	1900	Fed Funds Target Rate	1.5	1.5	1
	1900	Fed Interest On Excess Reserves	-		0.9
Eurozone	1000	Apr Total Trade Balance	-		-17.6
	1000	Apr Industrial Production (MoM%/YoY%)	-		-1.8/-0.8
France	0745	May CPI (MoM%/YoY%)	-		0.6/5.2
		Thursday 16 June			
US	1330	Initial Jobless Claims	-		-
	1330	Cont Jobless Claims	-		-
UK	1200	Bank of England - Bank Rate	1.25		1.0
Switzerland	0830	Q2 SNB Policy Rate	-0.75		-0.75
		Friday 17 June			
US	1415	May Industrial Production (MoM%)	0.6	0.4	1.1
Eurozone	1000	May CPI Final (YoY%)	-		8.1
UK	0700	May Retail Sales (MoM%/YoY%)	-1.0/-4.7		1.4/-4.9
Italy	1000	Apr Global Trade Balance	-		-0.1

Source: Refinitiv, ING, *GMT

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Asia week ahead: Busy week for central banks

Look out for central bank meetings, China activity data, Indian inflation, an Australian labour report, and Indonesian trade figures

Source: Shutterstock

Lots of central bank activity in the coming week

The Bank of Japan (BoJ) is scheduled to hold a rate decision meeting next Friday, and no change is expected. Governor Kuroda and other members have publicly stated on several occasions that the BoJ will retain its current accommodative monetary policy stance, as the recent cost-push inflation will be temporary and that a weak yen benefits the economy as a whole. The European Central Bank is getting closer to hiking rates and the Federal Reserve will likely be hiking another 50bp just before the BoJ meeting. The current JPY weakness is expected to deepen with rate differentials widening.

Taiwan's central bank (CBC) will also meet next week and is expected to raise interest rates by 12.5bps. While a 25bp hike is possible, an aggressive move could dampen growth as new Covid cases are still high and power outages are still a possibility due to the hot summer.

Also, China will report its 1-year medium-term lending facility rate. We expect this to remain unchanged as the central bank is looking more towards policies focused on helping SMEs following the Shanghai lockdown.

Meanwhile, the Bank of Korea will release its May MPC meeting minutes on Thursday, which will show how hawkish the committee is, predicting the path of rate hikes in the third quarter. We'll be watching closely.

China activity data

The coming week also features China retail sales, which should continue to contract on a year-on-year basis in May due to the lockdowns. Industrial production should also contract slightly in May for the same reason. We expect fixed-asset investment to exceed last month's amount as more local governments have increased infrastructure spending to support economic growth.

Indian inflation

India releases CPI inflation for May, and this should dip from 7.8% in April to about 7.0% in May thanks to a cut in fuel excise duties. This will be partially offset by higher food prices. Agricultural prices have risen across the board, though encouraging signs of a normal monsoon could help turn this around in the coming months.

Australia labour report

Following its latest rate hike, the Reserve Bank of Australia (RBA) made it clear that policymakers would be watching the labour market closely for signs of additional inflationary pressure. The surge in full-time employment last month and dive in part-time employment should give way to flatter figures for both in May. But there is still a good chance that the unemployment rate will fall to a new all-time low. And that could raise speculation about more RBA hiking in the near term.

Indonesia trade balance

Indonesia’s trade data should show import growth sustaining its double-digit pace as the economy reopens. Meanwhile, exports will likely remain in expansion mode, but the recent palm oil export ban could cap the pace of growth. The overall trade balance should stay in surplus, but we can expect a narrower surplus given our outlook for exports.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Friday 10 June			
China	-	May M2 Money Supply (YoY)	10.0		10.5
		1Y Medium Facility Lending rate (%) (13-16 June)	2.85		2.85
		Monday 13 June			
	1230	May Imports - USD	-		60.62
	1230	May Exports - USD	-		37.3
	1300	Apr Industrial Output (YoY%)	-		1.9
Indonesia	0500	Apr Retail Sales Index (YoY%)	-		9.3
		Tuesday 14 June			
India	0730	May WPI Inflation (YoY%)	15		15.08
	1300	May CPI Inflation (YoY%)	7	7.1	7.79
South Korea	0000	May Unemployment Rate	2.9		2.7
		Wednesday 15 June			
Japan	0050	May Exports (YoY%)	14.0		12.5
	0050	May Imports (YoY%)	30.0		28.2
	0050	May Trade Balance Total Yen	-1254		-842
China	0300	May Industrial Output (YoY%)	-1.5		-2.9
	0300	May Retail Sales (YoY%)	-5.0		-11.1
	0300	May Fixed Assets Investments (YoY% YTD)	7.0		6.8
Indonesia	0500	May Trade Balance (Bln of $)	-		7.56
	0500	May Exports Growth (YoY%)	-		47.76
	0500	May Imports Growth (YoY%)	-		21.97
		Thursday 16 June			
Australia	0230	May Unemployment Rate	3.8		3.9
	0230	May Reserve Assets Total	-		80089
Taiwan	-	Q2 Discount Rate	1.50		1.375
		Friday 17 June			
Japan	-	JP BOJ Rate Decision	-0.1		-0.1

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

In a quieter week for the EMEA region, the focus is on final inflation numbers

Source: Shutterstock

Poland: Expect strong second round inflation shocks

The Polish Statistical Office is expected to confirm its flash estimate of May CPI inflation at 13.9% year-on-year and provide details of its composition on Wednesday. On Friday, the National Bank of Poland will publish measures of core inflation. We estimate that core inflation, excluding food and energy prices, went up by 8.6% year-on-year from 7.7% YoY in April, maintaining strong momentum. Second-round effects are strong. Businesses face no demand barriers and are passing higher costs on to output prices.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 13 June			
Turkey	0800	Apr Current Account Balance	-2.7		-5.6
Turkey	0800	Apr Industrial Production (MoM/YoY%)	-/6.0		-0.3
Poland	1300	Apr Current Account	-3183	-2168	-2972
Serbia	1100	May CPI (MoM%/YoY%)	-/-		1.5/9.6
		Tuesday 14 June			
Czech Rep	0900	Apr Current Account Balance	-		-17.6
Hungary	0800	Apr Industrial Output Final	-		-
Kazakhstan	-	May Industrial Production (MoM%)	-		-8.0
		Wednesday 15 June			
Turkey	0900	May Budget Balance	-		-50.17
Poland	0900	May CPI (MoM%/YoY%)	-/-		1.7/13.9
Croatia	1000	May CPI (MoM%/YoY%)	-		2.6/9.4
South Africa	1200	Apr Retail Sales (YoY%)	-	1.3	1.3
Brazil	2200	Selic Interest Rate	-		12.75
		Thursday 16 June			
Russia	-	Q1 GDP (YoY% quarterly revised)	4.0	3.5	3.5
		Friday 17 June			
Russia	1300	May Budget Fulfilment (RUB tr)	0.9		1.0
Poland	1300	May Net Inflation (YoY%)	-		7.7

Source: Refinitiv, ING, *GMT

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