

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

Key events in developed markets next week

Retail sales and industrial production are the US highlights next week. For the UK's wage growth data on Tuesday, the BoE's business survey points to moderation in wage growth

By James Knightley and James Smith



Asia week ahead | Australia | China...

Asia week ahead: Policy meetings in China and the Philippines

Asia data calendar features policy meetings in China and the Philippines, plus wage and job data from Australia

By Robert Carnell and Min Joo Kang



Key Events | Hungary | Poland

Key events in EMEA next week

Technical recession is expected to continue in Hungary, whilst Polish CPI declines on the back of lower annual growth in food prices

By Adam Antoniak and Peter Virovacz

Key events in developed markets next week

Retail sales and industrial production are the highlights for US data next week. The former should get a lift from robust auto sales, while the latter will be held back by falling production. As for UK's wage growth data next Tuesday, the last couple of month's readings have been more benign, and the Bank's own business survey points to a moderation in growth



Source: Shutterstock

US: Initial jobless claims moving higher due to surge in layoffs

Markets are increasingly confident that the Federal Reserve has implemented its final rate hike and we will see a pause at the June Federal Open Market Committee meeting. In fact, the next move is now priced to be a cut in September with the prospect of 75bp of rate cuts before the end of the year. Next week we will get a raft of Federal Reserve officials offering their views on the state of the economy and they are likely to continue pushing back against the market pricing given inflation continues to run hot and the jobs market remains tight. Nonetheless, the banking story is likely to dominate market sentiment with the fear that tightening lending conditions will weigh heavily on the economy and could be enough to tip it into recession.

In terms of data, we have retail sales and industrial production as the highlights. Retail sales will probably get a lift from the robust auto sales numbers for April. Outside of this component, the

release will be softer with credit card figures pointing to very modest growth on most items. Industrial production will also be held back by the fact that manufacturing surveys continue to point to falling production with lower energy prices limiting the upside for oil and gas extraction.

Home sales numbers are also released and will probably soften given the decline witnessed in mortgage applications for home purchases. Also, pay close attention to initial jobless claims which now appear to be moving higher as a lagged response to the surge in job lay-off announcements.

✓ UK: Wages data to help determine June rate hike probability

The Bank of England has made it pretty clear that the decision on whether to hike again in June will come down to the two sets of wages and inflation data out before the next meeting. Wage data has been volatile recently, and last month's surprise increase in regular pay growth followed a couple of months of more benign readings. We'll get another reading on Tuesday, but the BoE's own survey of businesses has been pointing to a moderation in wage growth. Assuming we see fresh signs of that in the official data before the June meeting, and barring a surprise resurgence in services inflation, we think the Bank will be comfortable with pausing rate hikes next month.

Key events in developed market next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|---------------------------------------|---------|---------|----------|
| Monday 15 May | | | | | |
| Sweden | 0700 | Apr CPI (MoM%/YoY%) | -/- | | 0.6/10.6 |
| | 0700 | Apr CPIX (MoM%/YoY%) | -/- | | 0.4/8 |
| Eurozone | 1000 | Mar Industrial Production (MoM%/YoY%) | - | | 1.5/2 |
| | 1100 | Apr Reserve Assets Total | - | | 1133.1 |
| Tuesday 16 May | | | | | |
| US | 1330 | Apr Retail Sales MoM | 0.5 | 0.7 | -0.6 |
| | 1415 | Apr Industrial Production (MoM%) | 0.0 | 0.0 | 0.4 |
| UK | 0700 | Mar ILO Unemployment Rate (%) | 3.8 | | 3.8 |
| | 0700 | Mar Employment Change ('000s) | 155 | | 169 |
| | 0700 | Mar Regular Pay Growth (3M/YoY%) | 6.7 | | 6.7 |
| Germany | 1000 | May ZEW Survey Expectations | -7.0 | | 4.1 |
| Canada | 1330 | Apr CPI Inflation (MoM%/YoY%) | 0.3/4.0 | | 0.5/4.3 |
| | 1330 | Apr CPI BoC Core (MoM%/YoY%) | - | | 0.6/4.3 |
| Netherlands | 0830 | Q1 GDP Prelim SA (QoQ%/YoY%) | -/- | | 0.6/3.2 |
| | 0830 | Mar Trade Balance | - | | 11.249 |
| Eurozone | 1000 | Mar Total Trade Balance SA | - | | -0.1 |
| | 1000 | Q1 GDP Flash Estimate (QoQ%/YoY%) | 0.1/- | 0.1/1.3 | 0.1/1.3 |
| Wednesday 17 May | | | | | |
| Italy | 0900 | Mar Global Trade Balance | - | | 2.108 |
| Eurozone | 1000 | Apr CPI (YoY%) | 7.0 | | 5.6 |
| Thursday 18 May | | | | | |
| US | 1330 | Initial Jobless Claim (000s) | 255 | | 264 |
| | 1330 | Continue Jobless Claim (000s) | 1845 | | 1813 |
| | 1500 | Apr existing home sales mn | 4.3 | 4.28 | 4.44 |
| Friday 19 May | | | | | |
| Canada | 1330 | Mar Retail Sales (MoM%) | - | | -0.2 |

Source: Refinitiv, ING

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Asia week ahead: Policy meetings in China and the Philippines

Next week's data calendar features policy meetings from the People's Bank of China (PBoC) and Banko Sentral ng Pilipinas (BSP), wage and job data from Australia, plus growth and price data from Japan



Wage and job data to be released in Australia

Justifying the recent increase in the cash rate, Reserve Bank of Australia (RBA) Governor Philip Lowe noted that the central bank would continue to "...pay close attention to... the evolution of labour costs", of which the main indicator is the quarterly wage price index. The next one of these is due out on 17 May. This has been rising very slowly. But with the RBA hiking in May, one wonders if it might have had advanced knowledge that this number is going to come in higher than consistent with its inflation target.

The run rate for this index on a quarterly basis has been about 0.8% quarter-on-quarter, and we would expect something similar this time. If so, that would lift the wage-price inflation rate to 3.5%. If we got a repeat of the third quarter of 2022 quarter-on-quarter result, then we could see the wage inflation rate rise as high as 3.8% year-on-year, and anything at this sort of level or above would probably set off alarm bells at the RBA.

Furthermore, April labour market data that is out on 18 May will add to the story, with the unemployment rate being a key focus. We are expecting a very slight increase to 3.6% from 3.5%, though the risk to this forecast is likely to be on the downside as labour force growth remains strong. The monthly employment change will likely see the very rapid rate of full-time jobs growth in recent months drop back, though this may be offset by a pick-up in part-time jobs, and so the overall total employment growth for April could remain at a buoyant 40,000.

Upcoming GDP and inflation data from Japan

Japan will release several data points next week. The highlight should be first-quarter GDP on Wednesday. We expect a mild improvement and GDP to grow at 0.4% QoQ seasonally adjusted. This is mainly driven by the services sector, while exports and manufacturing remained weak.

We are also expecting CPI and PPI inflation figures, which will confirm that the headline figures are continuing to cool due to falling commodity prices and the base effect. Core inflation however is expected to remain sticky and is likely to stay on the rise.

Activity data from China plus the PBoC meeting

The PBoC will decide whether to change the 1Y Medium Term Facility Rate (MLF) on 15 May. We expect no change at 2.75%. A rate cut would be perceived by the market that the economy was not on the path to recovery. However, the ongoing improvement in consumption, driven by internal tourism during the Golden Week holiday, suggests that recovery is happening. Moreover, the challenge from a weaker external sector cannot be addressed by a rate cut. It is possible that the central bank may add more liquidity to the money market via the MLF operation. But that should not lower the market interest rate significantly unless the scale of liquidity injection is large, which is not our expectation.

Meanwhile, the Statistics Bureau will also release industrial production, retail sales, fixed assets investments and surveyed jobless rate data on 16 May. Interpreting this set of data requires attention to the low base effect last year. The data should show more than 10%YoY growth for industrial production and more than 18%YoY for retail sales, but those should be moderate month-on-month growth. Industrial production reflects the existing picture of the economy, a recovery of the domestic market but a slower external market. Retail sales strength for April should only be moderate as spenders planned leisure trips in May and saved for those trips in April. Our focus for this set of data is fixed assets investments (FAI). This should give us more hints on the speed of the government implementing infrastructure investments. We expect slight improvement on a monthly basis.

BSP set to pause next week

The Philippines' central bank will hold a policy meeting next week with market participants split on whether it will keep its policy rate unchanged at 6.25%. Recent comments from BSP Governor Felipe Medalla suggest that he will end the bank's aggressive tightening cycle now that inflation has shown clear signs of heading back toward the 2-4% inflation target. Medalla also hinted at a potential reduction of the reserve requirement ratio in the coming months. We expect BSP to pause next week with inflation on the downtrend and signal an eventual rate cut by the end of the third quarter should inflation trends persist.

Key events in Asia next week

All time refers to Singapore time

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|---|------------|--------|--------------|
| Monday 15 May | | | | | |
| India | 0730 | Apr WPI Inflation (YoY%) | - | -0.2 | 1.34 |
| Indonesia | 0500 | Apr Trade Balance (USD bn) | 4.2 | | 2.91 |
| | 0500 | Apr Imports/Exports Growth (YoY%) | -8.2/-15.5 | | -6.26/-11.33 |
| China | | Apr 1Y Medium Lending Facility Rate (%) | 2.75 | | 2.75 |
| Tuesday 16 May | | | | | |
| Japan | 0050 | Q1 GDP (QoQ%) | 0.4 | | 0 |
| China | 0300 | Apr Industrial Output (YoY%) | 10.1 | 10.1 | 3.9 |
| | 0300 | Apr Retail Sales (YoY%) | 18.2 | 20.1 | 10.6 |
| | 0300 | Apr Fixed Assets Investments (YoY% YTD) | 6.0 | | 5.1 |
| | 0300 | Property Investments (YoY% YTD) | -5.7 | | -5.8 |
| | 0300 | Surveyed Jobless Rate (%) | 5.3 | | 5.3 |
| Wednesday 17 May | | | | | |
| Japan | 0050 | Apr Imports/Exports (YoY%) | 0.8/4.0 | | 7.3/4.3 |
| | 0050 | Apr Trade Balance Total (Yen) | -600 | | -754.5 |
| Thursday 18 May | | | | | |
| Australia | 0230 | Apr Unemployment Rate | - | | 3.5 |
| Philippines | 0800 | Policy Interest Rate | 6.25 | | 6.25 |
| Friday 19 May | | | | | |
| Japan | 0030 | Apr CPI (YoY%) | 3.0 | | 3.2 |
| | 0330 | Mar Tertiary Industry Index (MoM%) | 0.4 | | 0.7 |

Source: Refinitiv, ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Key events in EMEA next week

A technical recession is expected to continue in Hungary, and we forecast GDP to drop on a quarterly basis as household consumption shrinks further. As core inflation persists in Poland, next week's flash CPI readings should further reaffirm our view that there's no room for cuts this year



Source: Shutterstock

✓ Poland: Core inflation remains sticky

CPI: 14.7% year-on-year (Apr)

The flash CPI reading pointed to a decline of annual inflation to 14.7% YoY in April from 16.1% YoY in March – close to our forecast. Headline inflation moderated mainly on the back of lower annual growth in food prices, but available data indicate that core inflation remained close to the March level. Disinflation is mainly emerging from a high reference base on food, energy and gasoline, but core inflation remains sticky so far.

GDP (flash): -1.5% year-on-year (1Q23)

According to our forecasts, the beginning of 2023 brought a decline in annual GDP amid falling household consumption. Consumption spending fell in the fourth quarter of 2022 in annual terms and the scale of the decline most likely deepened in the first quarter of this year, as indicated by dismal retail sales data in recent months. We expect growth of fixed investment, a negative

contribution from change in inventories and a positive impact of improving the foreign trade balance in the first quarter. Data on GDP composition in first quarter 2023 will be published on 31 May.

☑ Hungary: Technical recession continues

The only interesting data release in Hungary is related to the economic activity in the first quarter, and we'll soon know more about the progress of the technical recession. Spoiler alert – it has continued.

We think that the real GDP dropped by 0.6% on a quarterly basis, mainly due to shrinking domestic demand. With that, we will also see the year-on-year reading drop into the red.

In this environment, it's difficult to find a silver lining

High inflation and a high interest rate environment are suffocating household consumption and investment activity, while public investments have been delayed for budgetary reasons. In this environment, it is difficult to find a silver lining – though if we want to name one, it could be net exports. Falling consumption and investments mean lowering import needs, along with demand destruction in energy. In contrast, export activity is holding up well thanks to car and EV battery manufacturing and tourism. All in all, it seems the only positive contribution to GDP growth might come from net exports.

Key events in EMEA next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|------------------------------|-----------|--------|----------|
| Monday 15 May | | | | | |
| Turkey | 0900 | Apr Budget Balance | - | | -47.22 |
| Poland | 0900 | Apr CPI (MoM%/YoY%) | -/- | | 0.7/14.7 |
| | 1300 | Mar Current Account | 852 | 2350 | 2586 |
| Ukraine | - | Mar Trade Balance YTD | - | | -3.71 |
| Tuesday 16 May | | | | | |
| Poland | 0900 | Q1 GDP (QoQ%/YoY%) Flash | -/-1.5 | | -2.4/2.0 |
| Hungary | 0730 | Q1 GDP (QoQ%/YoY%) Prelim | -0.6/-0.8 | -/-0.8 | -0.4/0.4 |
| Romania | 0700 | Q1 GDP Flash (YoY%) | 3.7 | 3.4 | 4.5 |
| Wednesday 17 May | | | | | |
| South Africa | 1200 | Mar Retail Sales (YoY%) | - | | -0.5 |
| Brazil | 1300 | Mar Retail sales (MoM%/YoY%) | -/- | | -0.1/1 |
| Thursday 18 May | | | | | |
| Mexico | 2000 | May Interest Rate | - | | 11.25 |
| Friday 19 May | | | | | |
| Mexico | 1300 | Mar Retail Sales (YoY%) | - | | 3.4 |
| | 1300 | Mar Retail Sales (MoM%) | - | | -0.3 |

Source: Refinitiv, ING

Author

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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