

Our view on next week's key events

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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

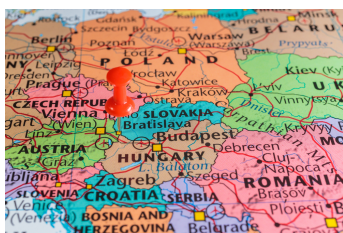


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Key events in developed markets next week

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

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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

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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

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