

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

With UK inflation set to rise above 9% in next week's data, the Bank of England is becoming increasingly likely to pause the rate hike cycle later...

By James Knightley and James Smith



Key Events | Hungary | Poland...

Key events in EMEA next week

Preliminary GDP readings in Poland, Hungary and Romania are the key figures to look out for next week

By Peter Virovacz



Asia week ahead | Australia | China...

Asia week ahead: Key China updates

Next week will provide further insight into the regional economic consequences of China's zero-Covid policy, with labour, inflation, trade, and GDP...

By Min Joo Kang and Robert Carnell

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✓ US: Solid retail sales and industrial production numbers expected

The Federal Reserve has laid out a clear path of 50bp hikes at the June and July Federal Open Market Committee meetings, and with inflation proving to be very sticky, we are forecasting a further 50bp hike in September before the Fed switches back to 25bp moves from November. This is a touch more aggressive than the consensus, but we certainly feel that, at least in the near term, the risks are skewed towards the Fed taking more aggressive action. #

This week's data is expected to show that the domestic economy remains in a good position, with retail sales expected to post strong gains thanks to firm auto sales and the fact that retail sales are a nominal dollar value amid an environment of decent consumer demand and rising prices. Wages are rising quickly, but they are not keeping pace with the increases in the cost of living so there is a squeeze on spending power. However, households have built up significant cash savings buffers during the pandemic and we remain hopeful that this will allow consumer spending to remain robust through this period until inflation starts to slow and positive real wage growth materialises.

Industrial production numbers should be ok with manufacturing surveys holding up reasonably well amid a long backlog of orders that remain on their books. Gas and oil output should also contribute positively given a big increase in drilling activity in the wake of surging energy prices. Housing data will also be closely followed to see if there has been any negative impact on activity stemming from the sharp acceleration in mortgage rates and declining mortgage application data.

✓ UK inflation to test Bank of England's patience

Headline UK inflation is set to rise by more than two percentage points, reflecting the 54% rise in household energy prices that came through at the start of the month. Having revisited our numbers, we think there are probably enough factors to push inflation slightly above 9% in April. It's worth saying though that this is already baked into the Bank's forecasts, which anticipate a double-digit reading later this year. We're less sure it will get as bad as that, but then again inflation has consistently surprised to the upside. And another fall in the unemployment rate next week is likely to underscore the tightness of the jobs market right now, adding to wage and price pressures.

Still, it's becoming increasingly clear that the Bank of England committee is divided on how worried we should be about further wage pressures. The latest forecasts made it clear that policymakers think aggressive tightening probably won't be needed, and we think the committee is more likely to pause the rate hike cycle after another increase in June and August.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 May					
Eurozone	1000	Mar Total Trade Balance	-		-9.4
	1200	Apr Reserve Assets Total	-		1103
Tuesday 17 May					
US	1330	Apr Retail Sales (MoM%)	0.9	1.0	0.7
	1415	Apr Industrial Production (MoM%)	0.5	0.4	0.9
UK	0700	Mar ILO Unemployment Rate	3.7		3.8
	0700	Mar Employment Change	10		10.0
Italy	0900	Mar Global Trade Balance	-		-1.662
Netherlands	0830	Q1 GDP Flash (QoQ%/YoY%)	-/-		1.0/6.5
	0830	Mar Trade Balance	-		6.0
Eurozone	1000	Q1 GDP Flash Estimate (QoQ%/YoY%)	-/-	0.2/5.0	0.2/5.0
Wednesday 18 May					
US	0830	Apr Housing starts (000)	1780	1763	1793
UK	0700	Apr Core CPI (MoM%/YoY%)	-/-		0.9/5.7
	0700	Apr CPI (MoM%/YoY%)	2.6/9.1		1.1/7.0
Canada	1330	Apr CPI Inflation (MoM%/YoY%)	0.5/6.7		1.4/6.7
Eurozone	1000	Apr CPI (YoY%)	-	7.5	7.5
Thursday 19 May					
US	1000	Apr existing home sales (mn)	5.6	5.7	5.8
	1330	Initial Jobless Claims (000)	200		203
	1330	Cont Jobless Claim (000)	1320		1343
Eurozone	1000	Mar Current Account	-		20.8
Friday 20 May					
UK	0700	Apr Retail Sales (MoM%/YoY%)	0.4/-6.5		-1.4/0.9

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Preliminary GDP readings in Poland, Hungary and Romania are the key figures to look out for next week



The pre-election spending spree of the Hungarian government has provided a boost to household incomes

☑ Hungary: Upside GDP surprise expected following the pre-election spending spree

In Hungary, the main calendar event of the next week is the release of the first-quarter GDP data. As this is only a flash estimate, we hardly get any information about the growth structure. But we are expecting a major upside surprise in economic activity, taking into consideration the first quarter output of the industry, retail and construction sectors. With massive quarter-on-quarter performances in these areas, we are looking for an acceleration in GDP growth. This great outcome can be seen as a temporary phenomenon, as the pre-election spending spree of the government gave a boost to the real disposable income of households alongside the roughly 20% minimum wage increase.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 May					
Turkey	0800	Mar Current Account Balance	-5.7		-5.2
	0900	Apr Budget Balance	-		-69.0
Poland	1300	Apr Net Inflation (YoY%)	-		6.9
Ukraine		- Feb Trade Balance YTD	-		-0.2
Kazakhstan		- Q1 GDP (YoY%)	-		4.0
		- Apr Industrial Production (MoM%)	-		7.9
Croatia	1000	Apr CPI (MoM%/YoY%)	-		2.1/7.3
Tuesday 17 May					
Poland	0900	Q1 GDP Flash (QoQ%/YoY%)	-		1.7/7.3
Hungary	0800	Q1 GDP Flash (YoY%)	9.2	6.9	7.1
Romania	0700	Q1 GDP Flash (YoY%)	-	2.2	2.4
Wednesday 18 May					
South Africa	0900	Apr CPI (MoM%/YoY%)	-/-		1/5.9
	0900	Apr Core inflation (MoM%/YoY%)	-/-		0.8/3.8
	1200	Mar Retail Sales (YoY%)	-		-0.9
Friday 20 May					
Russia	1300	Jun Budget Fulfilment	-		0.7

Source: Refinitiv, ING, *GMT

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Asia week ahead: Key China updates

Next week will provide further insight into the regional economic consequences of China's zero-Covid policy, with labour, inflation, trade, and GDP...



China's zero-Covid policy bares its fangs

China will release retail sales, industrial production and fixed asset investment data on Monday. The focus will be on the degree of contraction in the retail sales figures, as well as the corresponding extent of growth in infrastructure investment to cushion the economy. These two opposing forces may not net out against each other. In addition, the issue of whether or not (or rather, how) China's leaders will continue the zero-Covid policy will continue to be a talking point in markets. Following that, the Loan Prime Rate (LPR) decision next Friday should reflect the change in the Medium Lending Facility (MLF) later this week. The regular government meeting stated that monetary policy should not result in a flood of liquidity into the market, although the market continues to price a 5bp cut in the MLF – and therefore, in the 1Y LPR as well.

Higher prices and weaker growth in Japan

We expect 1Q22 Japanese GDP to have contracted by 0.6% from the previous quarter (on a seasonally-adjusted basis) as both domestic demand and exports were dampened. We think that

consumption bottomed out at the end of 1Q22 after the government lifted some mobility restrictions. But investment is likely to remain soft as uncertainty grew rapidly throughout the quarter. In addition, the contribution of net exports will have been weak - mainly due to higher energy imports. This trend is expected to be confirmed once again in the April trade data, with imports likely to have grown at a faster pace than exports.

The consumer price index for April is also expected to rise above 2%, which will be its highest reading since 2015. Last year's one-off cuts in mobile phone rates create an environment for low base effects to take hold. When taken together with a weaker yen and rising energy prices, this should translate to higher price pressures overall.

Labour market tightness in Australia may lead to lowest unemployment rate ever

April unemployment in Australia is on track to reach its lowest-ever rate of 3.9%, as the number of unemployed people in the labour force is expected to dip slightly for a third consecutive month, while higher wages should also help deliver a mild uptick in total employment. This tightness in the labour market, coupled with comments from the Reserve Bank of Australia that their regional surveys are reporting higher wages growth, leads us to expect the wage price index growth rate for 1Q22 to come in close to 3% - in line with the RBA's previous benchmark required for "sustained" inflation. And that could set us up for another rate hike as soon as June.

Trade and GDP data affected by supply chain tightness

Recent trends for both exports and imports are likely to persist in next week's April trade report in Indonesia. Exports should sustain double-digit gains, benefiting from rising commodity prices. Meanwhile, imports should also show strong gains as imported crude oil prices stay elevated. Exports, however, may take a hit in the coming months following Indonesia's decision to ban select palm oil products to help stabilise domestic supply.

Over in Taiwan, export order growth should continue pushing on at a double-digit pace. But disruptions to supply chains and sudden electricity outages will pose problems throughout the hot summer season. Orders will reflect the ongoing growth in demand, but delivery is an issue that is somewhat out of the producers' control (primarily in the semiconductor industry).

Foreign inflows expected to grow in the Philippines

Overseas remittances will be reported next week and we expect foreign inflows to grow by 3%. Remittances have been a consistent source of foreign currency, and should offset the widening trade deficit to some extent.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 16 May					
China	0300 Apr	Industrial Output (YoY%)	4.8	0.4	5.0
	0300 Apr	Fixed Asset Investments (YoY% YTD)	10.0	7.0	9.3
	0300 Apr	Retail Sales (YoY%)	-8.8	-6.0	-3.5
Tuesday 17 May					
India	0730 Apr	WPI Inflation (YoY%)	-	14.5	14.6
Indonesia	0500 Apr	Trade Balance (Bln of \$)	1.1		4.5
	0500 Apr	Exports Growth (YoY%)	25		44.4
	0500 Apr	Imports Growth (YoY%)	36		30.9
Wednesday 18 May					
Japan	0050 Q1	GDP (QoQ%)	-0.6		1.1
Australia	0230 Q1	Wage Price Index (QoQ%)	1.3		0.7
Thursday 19 May					
Japan	0050 Apr	Exports (YoY%)	14		14.7
	0050 Apr	Imports (YoY%)	30		31.2
	0050 Apr	Trade Balance Total Yen	-854		-414.1
	0050 Mar	Core Machine Orders (MoM%)	3.0		-9.8
Australia	0230 Apr	Unemployment Rate	3.9		4.00
	0230 Apr	Reserve Assets Total	-		78615
Korea	2200 Apr	PPI	8.8		8.8
Friday 20 May					
Japan	0030 Apr	CPI (YoY%)	2.4		1.2
China	0215 May	Loan Prime Rate 1Y	3.65		3.7
	0215 May	Loan Prime Rate 5Y	4.60		4.6
Singapore	0100 Q1	GDP Final (QoQ%/YoY%)	-/-		1.4/3.4
Taiwan	1000 Apr	Export Orders (YoY%)	13.2		16.8

Source: Refinitiv, ING, *GMT

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