

## Our view on next week's key events

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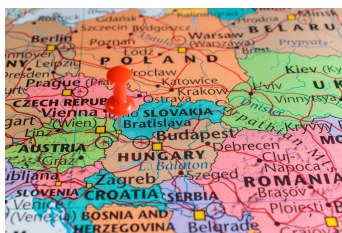
By Bert Colijn, James Knightley and James Smith



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By Muhammet Mercan

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# Key events in developed markets next week

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## US: Focus remains on initial claims data

In the US, the main focus will remain on the initial claims data, which are proving to be stickier than hoped. With the reopening of the economy gathering pace we are hopeful that we can at least get down to 2.5 million, but even this is a truly horrible figure and points to more social and economic pain for the country. We will also have a significant amount of April housing data, which we know will be bad given the plunge in mortgage applications for home purchase through March and the fact that collapsing equity markets will have seen many buyers' deposits evaporate in front of their eyes, leading to people pulling out of purchases. However, equity markets have since stabilised and moved higher while mortgage applications have recovered as Federal Reserve support for the credit system and sharply lower mortgage interest rates have helped to turn sentiment.

## Eurozone: Confidence figures will be key

Usually one of the least relevant measures now bears particular importance: consumer confidence. With lockdowns coming from absolute lows in April, the question is whether consumers are seeing confidence boosted by the careful first steps of easing in restrictions. This will be important for retail to actually recover as consumers need to be confident enough to go out and spend again, which is uncertain because of both health concerns and economic concerns. Also look out for the

PMI on Friday, which seems set to bounce back from record lows as more businesses have reopened and therefore will be doing better than last month, but the question really is by how much it can recover as many restrictions are still in place.

## Busy UK data week to give further glimpse into Covid-19 damage

Expect a packed schedule for UK data next week. On Tuesday, we'll get an initial glimpse at the jobs market situation in March, although the jury is out whether it is too early for the Covid-19 impact to heavily weigh on the figures. Faster, payroll-based data from the ONS suggests only a slight hit back then, given the lockdown didn't start formally until late into the month. Either way it's a bit academic – we know since then that over two million people have applied for unemployment benefits, while around a quarter of UK employees have been. The growing concern now is that many of the jobs currently being supported via the government's retention scheme may at some point become redundant as firms begin to adjust to the current, socially distanced operating environment.

We'll also get retail sales data for April, which could show at least a 15% decline in spending. While online will have received a boost during lockdown, physical retail still typically makes up the lion's share of purchases. With shops unlikely to fully reopen until June, and consumers clearly reluctant to return to the high street given the virus risk, the outlook for retailers remains bleak.

Separately, UK inflation will plunge on the back of falling oil prices, but also a decline in regulated water costs. Expect headline CPI to head towards zero in the next couple of months.

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 18 May</b>				
Japan	0050 1Q P GDP deflator - advance (Q) (YoY%)	-	0.7	1.2
	0050 1Q P GDP (Annualised, QoQ%)	-	-4.5	-7.1
	0530 Mar Tertiary industry index (MoM%)	-	-	-0.5
UK	1600 BOE's Teneyro Speaks About Covid-19 Response on Webinar			
<b>Tuesday 19 May</b>				
Japan	0530 Mar F Industrial production - Prel (MoM%/YoY%)	-/-	-/-	-3.7/-5.2
Eurozone	1500 ECB Chief Economist Lane Speaks at Policy Webinar			
Germany	1000 May ZEW Current Situation Index	-80	-	-91.5
UK	0930 Mar Weekly Earnings (3M avg)	2.8	-	2.8
	0930 Mar Weekly Earnings ex Bonus (3M avg)	2.8	-	2.9
	0930 Mar ILO Unemployment Rate (3M avg.)	4.4	-	4
	0930 Mar Employment Change (3M/3M)	-50	-	172
Australia	0230 RBA Minutes of May Policy Meeting			
<b>Wednesday 20 May</b>				
US	1900 Apr 29 FOMC Meeting Minutes	-	-	0
Japan	0050 Mar Core machine orders (MoM%/YoY%)	-/-	-/-	2.3/-2.4
Eurozone	1000 Apr F CPI (YoY%)	0.4	-	0.4
	1000 Apr F CPI (MoM%/YoY%)	0.3/0.9	-/-	0.3/0.9
	1500 May A Consumer Confidence	-20	-	-22.7
UK	0930 Apr CPI (MoM%/YoY%)	-0.1/0.8	-/-	0/1.5
	0930 Apr Core CPI (YoY%)	1.3	-	1.6
Canada	1330 Apr CPI (MoM%/YoY%)	-/-	-/-	-0.6/0.9
<b>Thursday 21 May</b>				
US	1500 Apr Existing Home Sales	4.3	4.39	5.27
	1500 Fed's Williams Takes Part in Discussion via Webinar			
Japan	0050 Apr Exports (YoY%)	-	-	-11.7
	0050 Apr Imports (YoY%)	-	-	-5
UK	0930 May P Markit/CIPS Manufacturing PMI	34	-	32.6
	0930 May P Markit/CIPS Services PMI	20	-	13.4
<b>Friday 22 May</b>				
Japan	0030 Apr National CPI (YoY%)	-	-	0.4
	0030 Apr CPI ex-food, energy (YoY%)	-	-	0.6
Eurozone	0900 May P Markit Manufacturing PMI	47	-	33.4
	0900 May P Markit Services PMI	38	-	12
	0900 May P Markit Composite PMI	40	-	13.6
UK	0700 Apr Retail Sales ex Auto Fuel (MoM/YoY%)	-15/-18	-	-3.7/-4.1
	0930 Apr Public Finances (PSNCR)	-	-	7.208
	0930 Apr PSNB ex Banks (Ebn)	-	-	3.05

Source: Bloomberg, ING

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# Asia week ahead: China's Twin Sessions dominate

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Source: Shutterstock

## ➔ China's Twin Sessions

China's annual rite of spring, which was delayed by more than two months due to the Covid-19 outbreak, will finally take place next week. The first of the two annual meetings, the Chinese People's Political Consultative Conference (CPPCC), starts on Thursday, 21 May. The second meeting, the National People's Congress (NPC), begins a day after with Premier Li Keqiang's work report.

Premier Li's report typically lays out economic targets for 2020 and the policy framework to

achieve those. This year it's going to be a challenging task given an unprecedented economic crisis brought on by Covid-19. The economy has suffered its worst-ever contraction in 1Q20 by 6.8% over a year ago. Although the worst of the country's outbreak is over (hopefully), a significant global demand slump will continue to undermine the recovery in the rest of the year. Adding to the woes is a growing spat with the US, carrying with it the risk of a re-escalation in the trade war between two countries.

Against such a backdrop, it looks like the government might take in stride whatever comes its way rather than hard and fast economic targeting. Obviously, it will spare no effort in keeping the economy afloat with increasingly stimulatory policies. Just ahead of the Twin Sessions the People's Bank of China (PBOC) will decide on the next move in its Loan Prime Rates for 1 and 5-year tenors. In the 1Q monetary policy report, [the PBOC has signalled aggressive monetary stimulus](#). Our Greater China Economist, Iris Pang, expect a 20 basis point LPR cut next week.

[China signals more aggressive monetary stimulus](#)

[China: Challenges shift from supply chain to global demand](#)

## ➔ Further central bank easing

The central banks in Indonesia and Thailand will be busy deciding on monetary policy. With growth taking a beating from the global pandemic, and inflation grinding lower, further policy rate cuts are on the table.

Besides growth and inflation, a key policy consideration for Bank Indonesia is currency stability. The Indonesia rupiah (IDR) has been appreciating since April and has clawed back nearly half the losses it incurred against the US dollar in the first quarter of the year. We believe this should provide BI with some space for another 25bp rate cut next week. Moreover, BI's 50bp rate cut in 1Q came despite the weak currency, suggesting that growth has taken greater prominence in policymaking. If so, the 3% GDP growth rate in 1Q, a nearly two decade low, makes an additional 25bp rate cut a done deal next week.

Thailand will put out its 1Q GDP report on Monday, 18 May, significant data for the Bank of Thailand's monetary policy decision two days later (20 May). We anticipate a sharp negative swing in GDP, to -5.1% YoY from +1.6% in 4Q19. That would make a strong argument for easing by an otherwise hawkish central bank. We have pencilled in a 25bp cut in the BoT policy rate to 0.50%. However, considering the extent of the slump we wouldn't rule out a 50bp cut, while the [steepest price fall in over a decade](#) also allows for a big cut.

[Thailand: Steepest price fall since the financial crisis reflects huge drop in demand](#)

## ➔ Some more 1Q GDP reports

Among other economic releases, Japan is due to release a provisional estimate of 1Q GDP on Monday, 18 May, while Singapore might put out a revised one sometime during the week. Given only partial, less stringent Covid-19 movement restrictions in both countries, the GDP loss is likely to be relatively small. We expect a 1.6% YoY fall in Japan. The advance estimate puts Singapore GDP growth in 1Q at -2.2% YoY. However, surprisingly strong manufacturing in March suggests an upward revision is more likely than not. We estimate a revision to -0.8%.

The full impact of the pandemic on these economies will only be realised in the current quarter. Their trade figures for April should provide some glimpse into that.

### Asia: Lockdowns work, they also hurt

## Key events

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 May</b>					
China	0230	Apr New home prices (YoY%)	5.6	-	5.4
Singapore	0130	Apr Non-oil domestic exports (MoM%/YoY%)	-21.5/-6.7	-/-	12.8/17.6
Thailand	0330	1Q GDP (QoQ%/YoY%)	-5.8/-5.1	-/-	0.2/1.6
<b>Tuesday 19 May</b>					
Indonesia	0820	BI policy decision (7-day reverse repo, %)	4.25	4.25	4.50
Singapore		- 1Q F GDP (QoQ /YoY%)	-5.4/-0.8	-/-	-10.6/-2.2
<b>Wednesday 20 May</b>					
Malaysia	0500	Apr CPI (YoY%)	-1.8	-	-0.2
Hong Kong	0900	Apr CPI (YoY%)	1.5	-	2.3
Taiwan	0900	Apr Export orders (YoY%)	2.0	-	4.3
	0920	1Q Current account balance (US\$bn)	14.0	-	17.0
Thailand	0805	Benchmark Interest Rate	0.5	-	0.8
S Korea	2200	Apr PPI (YoY%)	-	-	-0.5
<b>Friday 22 May</b>					
China		- National People's Congress begins			
Malaysia	0800	May 15 Forex reserves- Month end (US\$bn)	-	-	102.5
Thailand	0430	Apr Exports (Cust est, YoY%)	-6.0	-	4.2
	0430	Apr Imports (Cust est, YoY%)	-16.0	-	7.3
Taiwan	0900	Apr Unemployment rate (%)	3.8	-	3.8

Source: Bloomberg, ING



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## Key events in EMEA and Latam next week

In Poland, we expect April retail sales to contract by nearly 20% year-on-year. We also expect the Central Bank of Turkey to reduce the policy rate...



Source: Shutterstock

### Poland

In Poland, we expect April retail sales to contract by nearly 20% YoY. This should be the worst reading, as lockdown restrictions have been gradually loosened in May.

We expect a smaller contraction in manufacturing activity in April compared to the eurozone. However, widespread Covid infections in the mining industry may affect industrial activity and weigh on GDP also in the coming months.

Labour market data should provide evidence of the limited contraction in employment in April. We expect the unemployment rate to increase more significantly from May onwards.

### Turkey

We expect the Central Bank of Turkey to continue to reduce the policy rate (1-week repo rate) by 75 basis points to 8%, as evidenced by revisions to the inflation forecast, which provide room for more easing, as well as the recent strength in the Turkish lira following decisions by the banking regulator.



Country	Time Data/event	ING	Survey	Prev.
<b>Sunday 17 May</b>				
Israel	1100 1Q A GDP (QoQ Annualised %)	-	-13.3	4.6
<b>Monday 18 May</b>				
Poland	1300 Apr Core Inflation (YoY%)	3.6	3.6	3.6
Bulgaria	0900 Apr CPI (MoM%/YoY%)	0.0/2.1	-/-	-0.6/3
<b>Tuesday 19 May</b>				
Russia	1400 1Q A GDP (YoY%)	1.8	1.8	2.1
Croatia	1000 Apr Unemployment Rate (%)	-	-	8.6
	1000 Mar Real Wages (YoY%)	-	-	2.6
South Africa	1030 Feb Mining Production (YoY%)	-	4.6	7.51
	1030 Feb Mining Production MoM	-	-0.8	6.04
	1030 Feb Mining Production Volume Index YoY	-	-	10.17
	1030 Feb Mining Gold Production (YoY%)	-	-	4.88
	1200 Feb Manufacturing Production (SA, MoM%)	-	-2.6	2.5
	1200 Feb Manufacturing Prod. (MoM%)	-	-2.8	-2
Israel	- May 12Mth Inflation Forecast (%)	-	-	0.1
<b>Wednesday 20 May</b>				
Poland	0900 Apr Avg Gross Wages (YoY%)	5	4.4	6.3
	0900 Apr Employment (YoY%)	-0.4	-0.6	0.3
Czech Rep	0800 Apr PPI (Industrial) (MoM%)	-	-	-0.5
	0800 Apr PPI (Industrial) (YoY%)	-	-	0.4
Serbia	- Mar C/A (€mn)	-	-	-437.1
South Africa	1030 Feb Retail Sales (MoM%/YoY%)	-/-	0.4/1.1	0.9/1.2
<b>Thursday 21 May</b>				
Russia	1400 Apr Industrial Production (YoY%)	-8	-10	0.3
Turkey	1200 Benchmark Repurchase Rate	8.0	-	8.75
Poland	0900 Apr Industrial Output (YoY%)	-8.3	-12.4	-2.3
	0900 Apr PPI (YoY%)	-0.8	-1.4	-0.5
	1300 National Bank of Poland Publishes Minutes			
South Africa	- Repo rate (%)	-	-	4.25
<b>Friday 22 May</b>				
Russia	1400 Apr PPI (YoY%)	-	-6.6	-3.2
	1400 Apr PPI (MoM%)	-	-3	-1.4
Turkey	0800 May Real Sector Confidence Index SA	-	-	62.3
	0800 May Capacity Utilization (%)	-	-	61.6
	0900 Apr Foreign Tourist Arrivals (YoY%)	-	-	-68
Poland	0900 Apr Retail Sales (YoY%)	-19	-19	-9
	- Apr Budget Level (YTD)	-	-	-9354.5
Mexico	1200 Mar Retail Sales (YoY%)	-3.5	-	2.5

Source: Bloomberg, ING

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