

Our view on next week's key events

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Key events in developed markets next week

As Interest rate expectations in the UK surge, the Bank of England is set to hike rates by 25bp given inflation data continue to come in above forecasts. Norway's Central Bank is poised for another rate hike given the weaker krone, higher swap rates and hotter inflation. And the US is left uncertain as the Fed pauses and gives a hawkish outlook for July



Source: Shutterstock

Eurozone: PMI and consumer confidence data

The eurozone will get a first sense of how the month of June is shaping up in terms of economic activity, as the PMI and consumer confidence data is released. Last month brought a pretty bleak report on the economy as the PMI indicated that services experienced slower growth and manufacturing experienced a sharper contraction. The upside was around fading inflation expectations. So far, there's little indication that activity has picked up from there. Let's see if the survey turns this around on Friday.

UK: Bank of England set for a 25bp hike amid surging interest rate expectations

After some unwelcome inflation and wage data, markets now expect the Bank of England to take rates close to 6% over the coming months. That equates to almost six additional rate hikes and is

very close to the highs we saw in the midst of the 'mini budget' crisis last year. The question for Thursday's meeting, where a 25bp hike is highly likely, is whether the Bank offers up similar pushback against investor expectations.

We suspect it won't, mainly because it will be reluctant to commit to any particular policy path given the recent tendency of inflation data to come in above forecasts. April's core inflation number came in much higher than expected, and May's data due next week will show only a fractional decline, if anything. Indeed services inflation – arguably of most relevance for the BoE – is likely to remain flat at 6.9%, or perhaps notch slightly higher.

But not pushing back against rate expectations is not the same thing as validating them. And we have strong doubts that the BoE will take rate hikes as far as markets expect. Near-6% mortgage rates would be highly problematic for the growth outlook, assuming they stayed there for some time. And beyond the headline figures, more forward-looking measures of inflation, including from the BoE's own survey of chief financial officers, suggests the story should turn more noticeably through the summer. Barring some further unpleasant and consistent surprises in the services inflation figures over the coming months, we think a 5% peak for the Bank rate seems reasonable.

US: Mortgage rates are back at 7% with property prices holding up

The hawkish hold from the Federal Reserve feels like an uncomfortable compromise, and then there is the legitimate question – if you say you are going to do an additional two interest rate rises this year, despite deteriorating leading indicators and slowing inflation, why did you not just do it immediately? There is clearly a broad range of views within the Federal Reserve FOMC, and Fed Chair Jerome Powell will be in the spotlight once again as he is grilled by politicians on Capitol Hill about the Fed's policy stance, inflation and the chances of recession. This will accompany the release of the Federal Reserve's semi-annual monetary policy report. We hope he will provide more clarity on what will be the catalyst for the next policy move, but we won't hold our breath. Unless we see a substantial drop in inflation and a material slowing in job creation, we have to accept that a July rate hike will be likely. After all, the Federal Reserve appears intent on stamping out any inflation threat once and for all even if that results in a recession.

The data flow mainly centres on the housing market. Mortgage rates are back at 7% and affordability is stretched to the limit, but the lack of available properties for sale means that prices are holding up. Existing homes are simply not available – people who would ideally move are being held prisoner by their ultra-low mortgage rate on their current property. They can't afford to take out a new mortgage on a different property at perhaps double the mortgage rate. Consequently, existing home transactions are likely to slow further with the result being new home sales are performing well as those few home buyers out there have little other option. We are therefore left with the highly unusual situation that housing construction is improving and housing starts are rising due to the dearth of properties available for sale even in such a weak demand environment.

Norway: Norges Bank to hike rates by another 25bp

Norway's central bank is poised for another rate hike, which is unlikely to be the last. We'll get another set of interest rate projections next week, and it's likely to signal a peak of roughly 3.75%, which is higher than the last version in March. The krone is weaker on a trade-weighted basis than Norges Bank had anticipated, albeit less so over recent days. Swap rates have also risen globally

since the last forecasts in March, which came amid the US banking crisis. Inflation has been a tad hotter as well. We currently expect a peak rate of 3.75% to be reached by September, though further NOK weakness and additional Fed rate hikes, were they to happen, could build the case for a 4% terminal rate.

Key events in developed markets this week

Country	Time	Data/event	ING	Survey	Prev.
Monday 19 June					
US	-	National holiday	-	-	-
	1500	Jun NAHB home builder sentiment	51	51	50
Tuesday 20 June					
US	1330	May housing starts (000)	1450	1435	1417
Eurozone	0900	Apr Current Account SA, EUR	-		31.16
Wednesday 21 June					
UK	0700	May Core CPI (YoY%)	6.7		6.8
	0700	May CPI (MoM%/YoY%)	0.4/8.4	/	1.2/8.7
Canada	1330	Apr Retail Sales (MoM%)	-		-1.4
Sweden	0700	May Unemployment Rate	-		7.5
Thursday 22 June					
US	1330	Q1 Current Account (\$bn)	-220	-217	-206.8
	1330	Initial Jobless Claim	260	-	262
	1330	Continue Jobless Claim	1790	-	1775
	1500	May existing home sales (mn)	4.22	4.27	4.28
	1500	Fed Chair Powell delivers semi-annual monetary policy testimony to Congress	-	-	-
UK	1200	Jun BOE Bank Rate	4.75	4.75	4.5
Norway	0900	Key Policy Rate	3.5		3.25
Switzerland	0830	SNB Policy Rate	-		1.5
Eurozone	1500	Jun Consumer Confidence Flash	-17		-17.4
Friday 23 June					
US	1445	Jun S&P Global Manufacturing PMI Flash	-		48.4
	1445	Jun S&P Global Services PMI Flash	-		54.9
	1445	Jun S&P Global Composite Flash PMI	-		54.3
Germany	0830	Jun S&P Global Manufacturing Flash PMI	-		43.2
	0830	Jun S&P Global Service Flash PMI	-		57.2
	0830	Jun S&P Global Composite Flash PMI	-		53.9
France	0815	Jun S&P Global Composite Flash PMI	-		51.2
UK	0700	May Retail Sales (MoM%/YoY%)	-0.2/-2.6	/	0.5/-3
	0930	Jun Flash Composite PMI	54.2		54
	0930	Jun Flash Manufacturing PMI	47		47.1
	0930	Jun Flash Services PMI	55.5		55.2
Spain	0800	Q1 GDP (QoQ%/YoY%)	-/-	/	0.5/3.8
Eurozone	0900	Jun S&P Global Manufacturing Flash PMI	44.5		44.8
	0900	Jun S&P Global Services Flash PMI	54.8		55.1
	0900	Jun S&P Global Composite Flash PMI	52.5		52.8

Source: Refinitiv, ING

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Asia week ahead: Bank Indonesia and Bangko Sentral ng Pilipinas likely to extend pause

Bank Indonesia and Bangko Sentral ng Pilipinas meet next week and we expect both to leave policy settings untouched



BI and BSP likely to extend pause

Bank Indonesia (BI) and the Bangko Sentral ng Pilipinas (BSP) both hold policy meetings next week. Moderating inflation coupled with the Federal Reserve hold at the June meeting means we are expecting both BI and BSP to hold rates steady. BI has been on hold since February, while this will be the second straight meeting that the BSP will leave the policy rate at 6.25%.

We expect BI Governor Perry Warjiyo and BSP Governor Felipe Medalla to be on hold in the near term while assessing the outlook for the Fed.

China rates to dip post PBoC cut

Loan prime rates in China are set to track the recent cut from the People's Bank of China

(PBoC). Thus, we are looking for the 1Y loan prime rate to fall to 3.55% (from 3.65%) and the 5Y loan prime rate to settle at 4.2%.

Japan inflation and PMI numbers out next week

Nationwide CPI inflation and PMI indices are due for release in Japan next week. Recently reported Tokyo CPI inflation numbers suggest that we could see a similar downtrend in the national figures with headline inflation possibly dipping to 3.2% year-on-year from 3.5%. Core inflation excluding food and energy however could be sticky and remain close to the 4% range.

PMI indices recently posted record levels of expansion but we feel that we could see a reversal in June. Despite this potential pullback, we still expect both the services and manufacturing indices to report a solid expansion.

Asia Economic Calendar

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
Tuesday 20 June					
China	0215	Jun Loan Prime Rate 1Y	3.55		3.65
	0215	Jun Loan Prime Rate 5Y	4.2		4.3
Thursday 22 June					
Australia	0000	Jun Manufacturing PMI Flash	-		48.4
	0000	Jun Services PMI Flash	-		52.1
	0000	Jun Composite PMI Flash	-		51.6
Indonesia	0800	Jun 7-Day Reverse Repo	5.75		5.75
Philippines	0800	2 Policy Interest Rate	6.25		6.25
Friday 23 June					
India	1230	Q1 C/A Balance (USD bn)	-		-18.2
	1230	Q1 Balance Payments (USD bn)	-		11.1
Japan	0030	National CPI (YoY%)	3.2		3.5
	0130	June Manufacturing PMI Flash	50		50.6
		June Service PMI Flash	55		55.9
		June Composite PMI Flash	53.5		54.3
Singapore	0600	May Core CPI (YoY%)	5		5
	0600	May CPI (YoY%)	5.6		5.7

Source: Refinitiv, ING

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Key events in EMEA next week

The Czech National Bank is due to meet on Wednesday with rates expected to remain unchanged, although the governor will still be pushing a hawkish message. The National Bank of Hungary meets as well, with 100bp cuts to the top-end of the interest rate corridor expected



Source: Shutterstock

✓ Hungary: 100bp cuts to the top-end of the interest rate corridor and to the effective rate

The highlight of the week is the National Bank of Hungary's rate-setting meeting. Though EUR/HUF is now at a higher level than a week or so ago, on a monthly comparison, nothing has changed. Forint was around 375 versus the euro when the Monetary Council met last time. In this regard, FX market stability won't be an issue when it comes to the continuation of the effective rate-cut cycle.

Other submarkets (bonds, swaps) are behaving well and the general market sentiment is supportive as well. Indicators of external balances are improving, while disinflation accelerated in May. This looks like a perfect setup for a "copy-paste" decision on 20 June. We see 100bp cuts to the top-end of the interest rate corridor and to the effective rate (the overnight quick deposit tender). The latter will sit at 16%.

The forward guidance and the tone will remain unchanged as well, in our view. This means that the

approach remains cautious and gradual and the decisions ahead are still data and sentiment driven with the base case (if everything goes well) being the continued easing until the merger of the base rate and the effective rate at 13%. Other than this, we can focus on the labour market data in Hungary, where we expect a negligible improvement. Here we point to technical factors (the dropping unemployment rate) and labour shortage (accelerating wage growth) as the main drivers.

✓ Turkey: Key rate expected to be 20% at the June MPC meeting

Following the appointment of new names to the Ministry of Treasury and Finance and the Central Bank of Turkey (CBT) in the aftermath of the elections, expectations for a pivot towards more conventional monetary policy have increased significantly. Accordingly, given that the 12M inflation expectation is at almost 30% in the Market Participants Survey of the CBT, and assuming that an adjustment in the policy rate will take not one but a few steps, we expect the key rate to be 20% at the June Monetary Policy Committee meeting. But President Erdogan's latest statements increase the upside risks to our call.

✓ Poland: PPI Inflation continues to fall as retail sales remain subdued

Industrial production: -2.0% year-on-year (May)

The industrial output decline continued in May, albeit at a slower annual pace than in April, but manufacturing remains under pressure as German and European industries underperform. The PMI survey points to a slight improvement in output and new orders last month. The boost from the automotive industry is waning as the backlog of works declines and previous orders are increasingly executed.

PPI inflation: 4.7% YoY (May)

The PPI index has been falling since February and we forecast that May marked a fourth consecutive month of declines. We estimate that prices declined in all sections of industry in May vs. April, with the potential exception of water supply. Declines in manufacturing prices are among others driven by cheaper coke and refined petroleum products. At the same time, we expect a further decline in energy prices and lower prices in mining and quarrying. The PPI index usually leads CPI with some delay, so a short-term downward trend in consumer inflation is expected to continue.

Wages: 13.0% YoY (May)

We forecast that wage growth continued rising robustly in May. Surveys suggest that businesses still plan wage increases and potentially even higher than in 2022. Moreover, in 2024 the minimum wage will increase by more than 20%, which makes us believe that double-digit growth of wages will be continued next year as well – especially given that the labour market remains tight. The LFS unemployment in Poland is the lowest in the EU and employment increased sizably in the first quarter of this year.

Employment growth: 0.5% YoY (May)

Enterprise sector employment seems to have been in a soft patch and the low annual growth of employment is mainly linked to supply-side constraints. Structural factors (a decline in the working-age population) continue to weigh on employment prospects over the medium term. At the same time, employment remains resilient to short-term headwinds.

Retail sales: -5.7% YoY (May)

Retail sales remained subdued in May, but the scale of annual decline should be somewhat lower than seen in the previous two months. Wages continue to expand at double-digit levels, so observed disinflation should gradually lead to the recovery in real disposable incomes of households and allow a rebound in purchases later this year. Still, consumption is expected to remain negative in year-on-year terms in the second quarter for the third quarter in a row.

 **Czech Republic: No hikes, no cuts**

The Czech National Bank will meet on Wednesday and we expect rates to remain unchanged. The reasons for hiking rates mentioned by the board have disappeared in recent weeks and the main focus will be on the vote split. In May, three of the seven members voted for a hike. We expect some votes for a hike to remain for hawkish central bank communication. We expect a 5:2 vote split in the baseline scenario, however central bankers voting for a hike in May have not been very vocal of late and so it is hard to assess how they see weaker inflation or wage growth.

Overall, the vote split will thus be the main question for Wednesday's meeting, which will determine the outcome. However, the governor will still be pushing a hawkish message of higher rates for longer, and premature pricing of rate cuts by the market. We see the first rate cut at the end of the year.

Key events in EMEA this week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 20 June					
Hungary	1300	Jun Hungary Base Rate	13.00		13.00
		1300 Overnight Quick Deposit Rate	16.00		17.00
Wednesday 21 June					
Russia	1700	May PPI (MoM%/YoY%)	-/-	/	2.4/-12.7
Poland	0900	May Industrial Output (YoY%)	2.0	-3.4	-6.4
	0900	May PPI (YoY%)	4.7	4.2	6.8
	0900	May Wages (YoY%)	13	12.3	12.1
	0900	May Employment (YoY%)	0.4	0.5	0.4
Czech Rep	1330	2 CNB Repo Rate	7.0	7.0	7.0
South Africa	0900	May CPI (MoM%/YoY%)	-/-	/	0.4/6.8
	0900	May Core inflation (MoM%/YoY%)	-/-	/	0.5/5.3
Thursday 22 June					
Turkey	1200	Jun CBT Weekly Repo Rate	20		8.5
	1200	Jun O/N Lending Rate	21.5		10
	1200	Jun O/N Borrowing Rate	18.5		7
Poland	0900	May Retail Sales (YoY%)	-5.7	-5.6	-7.3
Hungary	0730	Apr Average Gross Wages (YoY%)	18.0		16.6
Friday 23 June					
Turkey	0800	May Trade Balance	-12.7		-8.74
Poland	1300	May M3 Money Supply (YoY%)	7.2	7.2	6.7
Hungary	0730	May Unemployment Rate 3M	3.9		4.0

Source: Refinitiv, ING

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