

## Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

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# Key events in developed markets next week

With some hawkish comments from Federal Reserve officials and the Fed's favoured measure of inflation looking set to remain elevated, a pause at the June FOMC policy meeting is not a foregone conclusion. For the UK, inflation data next week will heavily determine whether policymakers pause the tightening cycle



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## US: Market on edge about a possible June rate hike

Market interest rate expectations have shifted higher over the past week thanks to a combination of favourable headlines offering hope that a default-averting deal to raise the debt ceiling can be agreed upon this coming week, plus some hawkish comments from Federal Reserve officials that mean a pause at the June FOMC policy meeting isn't a foregone conclusion. These same two issues will dominate market thinking this coming week. Politicians have talked about the possibility that a vote could be held to raise the debt ceiling as early as next week. This would be a very positive outcome, but given the personalities of the people involved, we must remain cautious until the deal is signed and approved. If talks break down, this would lead to a rapid deterioration in market sentiment.

Data includes GDP revisions, the minutes of the last FOMC meeting, and the Fed's favoured measure of inflation: the core personal consumer expenditure deflator. This inflation measure looks set to remain elevated, which could keep the market on edge about a possible June interest rate hike. Nonetheless, the activity backdrop continues to soften with real consumer spending set to

come in flat on the month in April. Recession risks remain high given the rapid tightening in lending conditions in the wake of recent bank failures and we still see the potential for lower interest rates before the end of the year.

## **UK: Inflation data to heavily determine BoE's June decision**

Next week's UK inflation data is one of two such releases ahead of the June Bank of England meeting, and will heavily determine whether policymakers pause the tightening cycle, as we expect, or hike by a further 25 basis points. More specifically, this hinges on whether we get an unexpected surge in services inflation, which otherwise looks like it's close to a peak.

Wage pressures appear to be abating, though slowly, while lower gas prices are good news for the hospitality sector, which represents a large proportion of the recent increase in overall services inflation. We'll also be watching retail sales which may partially rebound after a very wet March depressed spending, and in general, the prospect of reduced real wage pressure and improving consumer confidence suggests the worst is behind us for the sector.

## **Key events in developed market next week**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 22 May</b>					
Eurozone	1500	May Consumer Confidence Flash	-		-17.5
<b>Tuesday 23 May</b>					
US	1445	May S&P Global Manufacturing PMI Flash	-		50.2
	1445	May S&P Global Services PMI Flash	-		53.6
	1445	May S&P Global Composite Flash PMI	-		53.4
	1500	Apr New Home Sales-Units (000s)	670	660	683
Germany	0830	May S&P Global Manufacturing Flash PMI	44.2		44.5
	0830	May S&P Global Service Flash PMI	55		56
	0830	May S&P Global Composite Flash PMI	52.4		54.2
France	0815	May S&P Global Composite Flash PMI	-		52.4
UK	0930	May Flash Composite PMI	54.6		54.9
	0930	May Flash Manufacturing PMI	48		47.8
	0930	May Flash Services PMI	55.5		55.9
Eurozone	0900	Mar Current Account SA (EUR bn)	-		24.32
	0900	May S&P Global Manufacturing Flash PMI	-		45.8
	0900	May S&P Global Services Flash PMI	-		56.2
	0900	May S&P Global Composite Flash PMI	-		54.1
<b>Wednesday 24 May</b>					
US	1700	FOMC minutes	-	-	-
Germany	0900	May Ifo Business Climate	-	93	93.6
	0900	May Ifo Current Conditions	-	94	95
	0900	May Ifo Expectations	-	92	92.2
UK	0700	Apr Core CPI (YoY%)	6.3		6.2
	0700	Apr CPI (MoM%/YoY%)	0.7/8.1		0.8/10.1
<b>Thursday 25 May</b>					
US	1330	Q1 GDP 2nd Estimate	1.1	1.1	1.1
	1330	Q1 GDP Deflator Prelim	4	4	4
	1330	Q1 Core PCE Prices Prelim	4.9	4.9	4.9
	1330	Initial Jobless Claim (000s)	250		242
	1330	Continue Jobless Claim (000s)	1820		1799
Germany	0700	Q1 GDP Detailed (QoQ%/YoY%)	0/0.2		0/0.2
	0700	Jun GfK Consumer Sentiment	-24		-25.7
Sweden	0700	Apr Unemployment Rate	-		7.7
<b>Friday 26 May</b>					
US	1330	Apr Personal Income (MoM%)	0.4	0.4	0.3
	1330	Apr Personal Consump Real (MoM%)	0.0		0
	1330	Apr Consumption, Adjusted (MoM%)	0.4	0.4	0
	1330	Apr Core PCE Price Index (MoM%)	0.3	0.3	0.3
	1330	Apr Durable Goods	-1.4	-1	3.2
	1500	May U Mich Sentiment Final	57.9	57.7	57.7
UK	0700	Apr Retail Sales (MoM%/YoY%)	0.6/-2.5		-0.9/-3.1
Italy	0900	May Consumer Confidence	107		105.5

Source: Refinitiv, ING

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# Asia week ahead: Central banks decide on policy next week

Next week's data calendar features policy rate decisions from Korea and Indonesia plus key data from Taiwan and Singapore



## Service led growth to remain robust in Japan

Flash PMI and core machinery orders data will confirm that service-led growth is continuing in Japan despite weak manufacturing activity. This trend should also be reflected in prices, with core inflation excluding food and energy rising faster than headline inflation.

## Sentiment to remain sluggish in Korea

Consumer and business surveys are expected to show that sentiment has improved from the recent dip, but overall sentiment indices should remain sluggish. Meanwhile, the Bank of Korea will meet next Thursday but no action is expected as inflation continues to slow.

## Chinese banks to keep Loan Prime Rates unchanged

Chinese banks should decide to maintain both the 1Y and 5Y Loan Prime Rates on Monday, which are currently at 3.65% and 4.3%, respectively. We expect banks to hold because the People's Bank

of China (PBoC) has opted to maintain policy rates. The PBoC has also said that we could see higher CPI inflation in the near term.

## Weak demand for semiconductor chips to weigh on Taiwan's economy

Taiwan export orders and industrial production should show a more than 10% year-on-year contraction in April given the still weak demand for semiconductor chips. The current situation might not improve materially until demand for new models of US smartphones exceeds current production expectations. This is quite unlikely as the US economy is weakening.

## Bank Indonesia set to extend pause

Bank Indonesia will likely keep policy rates untouched next week. Fading price pressures have allowed the central bank to extend its pause, keeping rates at 5.75% since January. Renewed pressure on the Indonesian rupiah, however, could mean that the central bank will need to hold off on rate hikes for now to ensure FX stability.

## Soft industrial production in Singapore

Industrial production will be reported next week, and we expect sluggish exports to weigh on output for at least another month. Industrial production has largely tracked the downturn in non-oil domestic exports and the sustained slump for electronics and petrochemicals should result in another month of soft industrial production as well.

## Key events in Asia next week

Country	Time	Data/event	ING	Surve	Prev.
<b>Monday 22 May</b>					
Australia	0000 May	Manufacturing PMI Flash	-		48
	0000 May	Services PMI Flash	-		53.7
	0000 May	Composite PMI Flash	-		53
Japan	0050 Mar	Core Machinery Orders	5		-4.5
China	0215 May	Loan Prime Rate 1Y/5Y	3.65/4.3		3.65/4.3
Taiwan	0900 Apr	Unemployment rate (%)	3.6		3.59
	0900 Apr	Export Orders (YoY%)	-17.2		-25.7
South Korea	2200 May	BoK Consumer Sentiment Index	95.5		95.1
<b>Tuesday 23 May</b>					
Japan	0130 May	Manufacturing PMI Flash	49		49.5
	0130 May	Services PMI Flash	55		55.4
	0130 May	Composite PMI Flash	52		52.9
Singapore	0600 Apr	Core CPI (YoY%)	-		5
	0600 Apr	CPI (YoY%)	-		5.5
Taiwan	0900 Apr	Industrial Output (YoY%)	-14.99		-14.52
South Korea	2200 Jun	BOK Manufacturing BSI	70		68
<b>Wednesday 24 May</b>					
Taiwan	0920 Apr	Money Supply - M2 (YoY%)	6.55		6.58
<b>Thursday 25 May</b>					
Indonesia	0800 May	7-Day Reverse Repo	5.75		5.75
	0500 Apr	M2 Money Supply (YoY%)	-		6.2
Philippines	-	Apr Budget Balance	-		-210.261
South Korea	0200 May	Bank of Korea Base Rate	3.5		3.5
<b>Friday 26 May</b>					
Japan	0030 May	Tokyo CPI	-		3.5
Singapore	0100 Q1	GDP Final (QoQ%/YoY%)	-3.0/0.0		-2.7/0.1
	0600 Apr	Manufacturing Output (MoM%/YoY%)	-5.6/-4.8		9.3/-4.2
Taiwan	0900 Q1	GDP Final (YoY%)	-3.02		-3.02

Source: Refinitiv, ING

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## Key events in EMEA next week

We expect the National Bank of Hungary to deliver the first effective rate cut of a new easing cycle on Tuesday. We forecast a 100 basis point cut to the overnight quick deposit and one-day FX swap instrument rate, to 17% and 16%, respectively, while the base rate should remain on hold at 13%



Source: Shutterstock

### ✓ Poland: Sharp turnaround in PPI inflation points to further decline in headline CPI

**Retail sales:** -8.6% year-on-year (Apr)

We forecast that April retail sales declined even further than the -7.3% year-on-year fall observed in March. Consumers remain under pressure due to high prices even though headline inflation has started to moderate. Gradual disinflation and double-digit growth in nominal wages should eventually improve the real disposable income of households and hence purchasing patterns but the coming few months will be difficult for retailers. We expect household consumption to recover somewhat in the second half of 2023.

**Industrial production:** -2.5% YoY (Apr)

According to our forecasts, industry remained in the red in YoY terms as European manufacturing is also weak. The only bright spot so far is the automotive industry, but it is expected to start

shining less brightly when the backlog of work is filled and previous orders executed. Still, the scale of contraction in Polish manufacturing remains moderate.

**PPI inflation:** 6.8% YoY (Apr)

Producers' inflation most likely fell to single-digit levels as we are comparing current readings with a high reference base. We forecast a third consecutive month of decline in month-on-month terms. Prices in manufacturing have been falling in MoM terms since November last year. The sharp turnaround in PPI inflation points to a further decline in headline CPI as it usually follows producer prices with some delay but core inflation is likely to be more sticky.

**Registered unemployment:** 5.3% (Apr)

The labour market remains tight and despite some signs of weakness in employment, unemployment remains low. Even though economic conditions have deteriorated (GDP down by 0.2% YoY in the first quarter) the monthly decline in the number of unemployed in March was broadly in line with that expected in March 2022. We project a similar trend in April, which translates into a decline in the unemployment rate to 5.3% in April vs. 5.4% in March.

## ✓ Turkey: Elections still in focus

Given the Central Bank of Turkey's ongoing guidance that the current policy rate is adequate to support the recovery from the earthquakes, we expect it to keep rates on hold at the May meeting. However, the latest indicators point to a need to rebalance the economy and there is a consensus for a normalisation in monetary policy. In this regard, the CBT's signal will be closely followed as it has already taken a tightening step following the first round of elections and expanded the scope of the security maintenance requirements based on loan growth to include other commercial loans and consumer loans.

## ✓ Hungary: Beginning of a gradual, yet data-driven easing cycle

Next week in Hungary will be all about the labour market and monetary policy. For markets, the latter is more important, obviously. In our view, the National Bank of Hungary will deliver the first effective rate cut of an easing cycle on Tuesday. We see the Monetary Council cutting the overnight quick deposit rate by 100bp to 17% along with a similar-sized cut in the upper bound of the interest rate corridor. We also expect the one-day FX swap instrument rate to be cut by 100bp to 16%. With that move, the central bank will start a gradual, yet data-driven easing cycle, where we see the cuts continuing in a copy-paste fashion on a monthly basis. The Monetary Council's forward guidance will underscore that the easing cycle could be stopped at any time if there is a deterioration either in local market stability, global market confidence or regarding the developments of the external balances. Moreover, we see the NBH emphasising the continued fight against inflation, stating that the base rate will remain on hold for a long time at 13% to help reach price stability over the monetary policy horizon. In practice, this would signal that we shouldn't expect any dovish change to the base rate at least until the base rate and effective rate merge. According to our forecast, these rates will merge at 13% at the September rate decision. When it comes to the labour market, we see wage growth jumping back to double-digit territory in March as we leave behind the February one-off base effect. Due to seasonality, we see the April unemployment rate coming down to 3.9%, with the three-month average (which is the official

data) remaining at 4.1%.

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 22 May</b>					
Poland	0900	Apr Industrial Output (YoY%)	-2.5	-3.4	-2.9
<b>Tuesday 23 May</b>					
Poland	0900	Apr Retail Sales (YoY%)	-8.4	-7.8	-7.3
Hungary	1300	May Hungary Base Rate	13.00		13.00
	1300	Overnight Quick Deposit Rate	17.00		18.00
<b>Wednesday 24 May</b>					
Russia	1700	Apr PPI (MoM%/YoY%)	-/-		2.6/-10.7
Poland	1300	Apr M3 Money Supply (YoY%)	6.8	6.6	6.5
Hungary	0730	Mar Average Gross Wages (YoY%)	11.9		0.8
South Africa	0900	Apr CPI (MoM%/YoY%)	-/-		1/7.1
	0900	Apr Core inflation (MoM%/YoY%)	-/-		0.8/5.2
Brazil	1200	May IGP-M Inflation Index	-		-0.95
Mexico	1300	May 1st Half-Month Core Inflation (MoM%)	-		0.18
	1300	May 1st Half-Month Inflation (MoM%)	-		-0.16
<b>Thursday 25 May</b>					
Turkey	1200	May CBT Weekly Repo Rate	8.5		8.5
	1200	May O/N Lending Rate	10		10
	1200	May O/N Borrowing Rate	7.0		7.0
Poland	0900	Apr Unemployment Rate	5.3	5.3	5.4
South Africa	1030	Apr PPI (MoM%/YoY%)	-/-		1/10.6
Brazil	1300	May IPCA-15 Mid-Month CPI (MoM%/YoY%)	-		0.57/4.16
Mexico	1300	Apr Trade Balance SA	-		0.081
<b>Friday 26 May</b>					
Hungary	0730	Apr Unemployment Rate 3M	4.1		4.1
Kazakhstan	1000	May Base Interest Rate	16.75		-
Brazil	-	Apr Current Account	-		0.286
	-	Apr Foreign Direct Investm't	-		7.673
Mexico	1200	Q1 GDP (QoQ%/YoY%)	-		1.1/3.9

Source: Refinitiv, ING

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