

Our view on next week's key events

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Key events in developed markets next week

Financial markets are becoming more nervous about the prospect of recession, but for now at least, the US dataflow suggests that shouldn't be the base case. Europe remains more vulnerable and next week's PMIs will give an important read on whether growth is slowing amid weaker consumer sentiment



The extra bank holiday for the Queen's Platinum Jubilee will impact economic performance in 2Q

✓ US data remains solid despite financial market recession fears

Recession fears are gripping financial markets, but US economic data suggests the situation isn't anywhere near that grave, at least not yet.

People movement data, air passenger numbers, April retail sales, and industrial production reports all point to a healthy rebound in growth in 2Q22, while the strong jobs market means employment and wages are both rising. That said, we do acknowledge that household incomes are being squeezed by inflation and this poses risks for consumer spending, while surging mortgage rates are already showing signs of being a major drag on housing activity. With the Fed applying the brakes to growth via higher interest rates we do expect slower economic activity in the second half of the

year, but for now a recession is not our base case.

This week's data highlights will be the April personal income and spending report, which will also include the Fed's favoured measure of inflation – the core personal consumer expenditure deflator. This should show decent real spending growth with households prepared to run down some of the savings accumulated through the pandemic and inflation topping out, which may come as a bit of relief to markets. Durable goods orders should be firm based on manufacturing surveys and continue to point to a positive outlook for business capital expenditure, while 1Q GDP may be revised a couple of tenths of a percentage point higher thanks to revisions to retail sales. Housing numbers will be soft though given the rising cost of borrowing and consumer caution.

It is a fairly quiet week for Fed speakers, but the minutes of the May FOMC meeting are expected to confirm that 50bp interest rate hikes at the June and July FOMC meetings are the overwhelmingly favoured path for monetary policy.

Eurozone PMIs in focus following surprisingly strong services data last month

There's not too much data about the eurozone coming out next week, but Tuesday's PMI will be widely watched. Last month saw a surprisingly strong PMI as services performed very well due to the reopening effects following the pandemic. Manufacturing was plagued by supply chain problems and weakening demand. The question that poses is how long consumers will continue to outspend on services as prices have surged. This month's data will shed more light on that.

UK services activity set to slow on consumer caution

There's a fairly stark difference between UK consumer confidence right now, which is at all-time lows, and service sector business surveys which have so far shown more resilience. We'd expect the former story to begin to catch up with the latter though, and next week's PMIs are likely to point to a further reduction in demand among services. The combination of a weaker consumer, as well as lower health output now that free Covid testing has largely stopped, and the impact of an extra Bank holiday in 2022, likely means UK GDP will contract modestly in the second quarter.

Key events next week

| Country | Time | Data/event | ING Survey | | Prev. |
|------------------|------|------------------------------------|------------|---------|----------|
| Monday 23 May | | | | | |
| Germany | 0900 | May Ifo Business Climate | 91.4 | | 91.8 |
| | 0900 | May Ifo Curr Conditions | 96.2 | | 97.2 |
| | 0900 | May Ifo Expectations | 86.9 | | 86.7 |
| Tuesday 24 May | | | | | |
| US | 1445 | May Markit Manufacturing PMI Flash | - | | 59.2 |
| | 1445 | May Markit Services PMI Flash | - | | 55.6 |
| | 1445 | May Markit Composite Flash PMI | - | | 56 |
| | 1500 | Apr New Home Sales-Units mn | 0.71 | 0.755 | 0.763 |
| Germany | 0830 | May Markit Manufacturing Flash PMI | 53 | | 54.6 |
| | 0830 | May Markit Service Flash PMI | 56 | | 57.6 |
| | 0830 | May Markit Composite Flash PMI | 53 | | 54.3 |
| France | 0815 | May Markit Composite Flash PMI | - | | 57.6 |
| UK | 0930 | May Flash Manufacturing PMI | 56 | | 55.8 |
| | 0930 | May Flash Services PMI | 56 | | 58.9 |
| Eurozone | 0900 | May Markit Manufacturing Flash PMI | 53.5 | | 55.5 |
| | 0900 | May Markit Services Flash PMI | 57.7 | | 57.7 |
| | 0900 | May Markit Composite Flash PMI | 55 | | 55.8 |
| Wednesday 25 May | | | | | |
| US | 1330 | Apr Durable Goods | 0.4 | 0.5 | 1.1 |
| Germany | 0700 | Q1 GDP Detailed (QoQ%/YoY%) | 0.2/4.0 | 0.2/4.0 | 0.2/4.0 |
| | 0700 | Jun GfK Consumer Sentiment | -26 | | -26.5 |
| Sweden | 0700 | Apr Unemployment Rate | - | | 8.2 |
| Thursday 26 May | | | | | |
| US | 1330 | Q1 GDP 2nd Estimate | -1.2 | -1.3 | -1.4 |
| | 1330 | Initial Jobless Claims (000s) | 200 | - | 218 |
| | 1330 | Cont Jobless Claims (000s) | 1310 | - | 1317 |
| Italy | 0900 | May Consumer Confidence | - | | 100 |
| Canada | 1330 | Mar Retail Sales (MoM%) | 0.7 | | 0.1 |
| Friday 27 May | | | | | |
| US | 1330 | Apr Personal Income (MoM%) | 0.6 | 0.5 | 0.5 |
| | 1330 | Apr Personal Consump Real (MoM%) | 0.4 | - | 0.2 |
| | 1330 | Apr Consumption, Adjusted (MoM%) | 0.8 | 0.7 | 1.1 |
| | 1330 | Apr Core PCE Price Index (MoM%) | 0.3 | 0.3 | 0.3 |
| | 1500 | May U Mich Sentiment Final | 59.1 | 59.1 | 59.1 |
| Spain | 0800 | Apr Retail Sales (YoY%) | - | | -4.2 |
| Eurozone | 0900 | Apr Money-M3 Annual Grwth | 6.1 | | 6.3 |
| | 0900 | Apr Broad Money | 16691000 | | 15679280 |

Source: Refinitiv, ING

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Key events in EMEA next week

Labour market figures in Hungary and Turkish policy rates are the key releases to look out for next week



The Central Bank of Turkey

✓ Hungary: Double-digit wage growth expected in March

Next week we will see the latest set of labour market data in Hungary. After a significant jump in wages in February due to a six-month bonus payment to the armed forces, we expect a more moderate growth rate in March. However, due to the labour shortage and the minimum wage increase, this moderate rise will still be well into double-digit territory, around 14% year-on-year. We don't see any significant change in the unemployment rate as the latest surveys show that companies are still complaining about a lack of labour and are ready to hire new workers.

✓ Turkey: Policy rate to remain on hold

Recent Central Bank of Turkey moves that 1) tightened reserve requirements to curb TRY commercial loan growth and 2) aimed to encourage a higher take-up of FX-protected deposits on the retail side and strengthen its FX reserves moves, signal that there is no reason to expect the bank to change its stance and policy rate in the near term. This is despite ongoing challenges to external balances and the inflation outlook. Given this backdrop, we expect that the policy rate will be kept unchanged at 14%.

EMEA Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|----------------------------------|------|--------|----------|
| Monday 23 May | | | | | |
| Poland | 0900 | Apr Retail Sales (YoY%) | - | 30.6 | 22.0 |
| Tuesday 24 May | | | | | |
| Poland | 1300 | Apr M3 Money Supply (YoY%) | - | 8.6 | 7.9 |
| Hungary | 0800 | Mar Average Gross Wages (YoY%) | 14.2 | | 31.1 |
| Brazil | 1300 | May IPCA-15 Mid-Month CPI (YoY%) | - | | 12.0 |
| Mexico | 1200 | May 1st Half-Month Infl (MoM%) | - | | 0.2 |
| Wednesday 25 May | | | | | |
| Russia | 1700 | Apr PPI (MoM%/YoY%) | -/- | | 5.9/26.7 |
| Poland | 0900 | Apr Unemployment Rate | - | 5.3 | 5.4 |
| Mexico | 1200 | Q1 GDP (YoY%) Final | - | | 1.6 |
| | 1200 | Apr Trade Balance | - | | -1.9 |
| Thursday 26 May | | | | | |
| Turkey | 1200 | May CBT Weekly Repo Rate | 14.0 | | 14.0 |
| | 1200 | May O/N Lending Rate | 15.5 | | 15.5 |
| | 1200 | May O/N Borrowing Rate | 12.5 | | 12.5 |
| Hungary | 0800 | Apr Unemployment Rate 3M | 3.7 | | 3.8 |
| South Africa | 1030 | Apr PPI (MoM%/YoY%) | -/- | | 2.5/11.9 |
| Mexico | 1200 | Mar Retail Sales (MoM%/YoY%) | - | | 0.8/6.4 |
| Friday 27 May | | | | | |
| Croatia | 1000 | Q1 GDP (YoY%) | - | | 9.7 |

Source: Refinitiv, ING, *GMT

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Asia week ahead: Central bank policy meetings the highlight next week

Bank of Korea and Bank Indonesia meet next week while Singapore reports on inflation



Bank Indonesia will likely keep rates unchanged at the 24 May meeting

Bank of Korea likely to hike but Bank Indonesia may opt to pause

Bank of Korea (BoK) will meet on 26 May and we expect it to deliver a 25 bp rate hike. Price pressures remain high while fiscal conditions will support growth. This will justify frontloading a rate hike. However, some markets are speculating a possible 50 bps hike in May, but we think that the BoK won't rush and will keep the powder dry for potential future hikes.

Meanwhile, Bank Indonesia (BI) will likely keep rates unchanged at the 24 May meeting although expect BI Governor Perry Warjiyo to whip out a "hawkish pause". A blowout trade surplus recorded in April gave BI some breathing room but the central bank may need to consider tightening in the near term. Expect BI to keep rates unchanged while setting the table for a rate hike at the June meeting.

Singapore's inflation to heat up further

Singapore's core inflation will likely move past 3% as price pressures stay elevated. Accelerating

core inflation was one of the main reasons for the Monetary Authority of Singapore tightening, although it believes inflation should moderate by the second half of the year.

Taiwan industrial production and GDP report

Taiwan will release industrial production on Monday, we will then see the impact of China's lockdown on logistics and how this development affects Taiwan's production.

There will be an update on 1Q GDP on Wednesday, and we believe there will be no change at 3.06%YoY from the preliminary release.

China industrial profits could show extent of recent lockdowns

China's industrial profits will be released on Friday and it will be interesting to see if receivables have improved after the government urged state-owned enterprises to clean up outstanding balances with small and medium-sized enterprises (SMEs). This is one of the government's measures to help SMEs survive the recent lockdowns. Receivables have been high for a while as big corporates tend to delay payments to SMEs.

The rest of the field

The coming week also features sentiment indices from Korea. Both consumer and business surveys will continue to improve mainly due to reopening and larger than expected fiscal support. Meanwhile, Japan will report PMI data which should show services benefiting from the reopening, while manufacturing PMI should slide a bit with margin squeeze and supply chain disruption.

Key events next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|--------------------------------------|-------|--------|-----------|
| Monday 23 May | | | | | |
| Australia | 0000 | May Manufacturing PMI Flash | - | | 58.8 |
| | 0000 | May Services PMI Flash | - | | 56.1 |
| | 0000 | May Composite PMI Flash | - | | 55.9 |
| Philippines | - | Apr Budget Balance | - | | -187.7 |
| Singapore | 0600 | Apr Core CPI (YoY%) | 3.3 | | 2.9 |
| | 0600 | Apr CPI (MoM%/YoY%) | -/5.4 | | 1.3/5.4 |
| Taiwan | 0900 | Apr Industrial Output (YoY%) | 0.3 | | 2.2 |
| | 0900 | Apr Unemployment rate (%) | 3.9 | | 3.7 |
| South Korea | 2200 | May BoK Consumer Sentiment Index | 105 | | 103.8 |
| Tuesday 24 May | | | | | |
| Indonesia | - | May 7-Day Reverse Repo | 3.5 | | 3.5 |
| Taiwan | 0920 | Apr Money Supply - M2 (YoY%) | 8.2 | | 8.1 |
| South Korea | 2200 | Jun BOK Manufacturing BSI | 90 | | 88.0 |
| Wednesday 25 May | | | | | |
| Japan | 0600 | Mar Leading Indicator Revised | - | | 0.9 |
| Thursday 26 May | | | | | |
| Singapore | 0600 | Apr Manufacturing Output (MoM%/YoY%) | -/6.0 | | -12.6/3.4 |
| South Korea | 0200 | May Bank of Korea Base Rate | 1.75 | | 1.5 |
| Friday 27 May | | | | | |
| China | 0230 | Apr Industrial Profit (YoY% YTD) | -5.4 | | 8.5 |
| Taiwan | 0900 | Q1 GDP Final (YoY%) | 3.06 | | 3.1 |

Source: Refinitiv, ING

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