

Our view on next week's key events

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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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