

## 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

Politics will continue to drive UK markets after Prime Minister Theresa May succumbed to pressure from her own party to resign



Source: Shutterstock

## ✓ UK leadership likely to dominate the headlines

May's decision to resign has injected a sense of nervousness into UK markets, given that her successor is likely to be more eurosceptic. May announced on Friday that she plans to step aside on 7 June, triggering a leadership contest which could last two to three months. Ultimately though, a new leader will face the same hurdles as Theresa May – a Parliament that is against 'no deal' and a European Union that is not prepared to renegotiate on the contentious Irish backstop. We still think a 'no deal' is unlikely, but not impossible – [read why here](#).

## ✓ Swedish housing woes set to continue plaguing economic growth

Swedish growth had a surprisingly strong end to 2018, but this positive run is unlikely to extend to next week's first-quarter data. While house prices have been more stable recently, the impact of the earlier declines is still taking its toll on real estate construction – a key component of investment. Consumer spending has also been hit although retail sales weathered the storm relatively well in the first quarter. The prospect of fairly modest real wage growth and a more sluggish jobs market suggests that consumption will remain fairly lacklustre over coming quarters. The Riksbank expects to increase rates towards the end of this year or early next, but with weak

growth and benign inflationary pressures, it's hard to see them following through with this – particularly when other global central banks are moving the other way.

## **Canada: Emerging out of the soft patch**

Canada's first-quarter GDP report won't be particularly exciting – though a touch more upbeat than what we saw in the final quarter of last year.

There will likely be a few concerns in and around the report, for example: 1) The trade deficit is the widest since the second quarter of 2016, 2) the manufacturing PMI broke below the key 50-threshold in April, falling into contraction territory and 3) construction starts were down 9.9% in 1Q19, which suggests that we aren't yet out of the housing market slump. However, we presume most of this weakness is a result of negative sentiment from a soft growth patch which emerged quite quickly between 3Q18 and 4Q18. In large part, this was due to the late-2018 oil price decline and the lingering uncertainty surrounding oil pipeline approvals.

Nevertheless, domestically, we see a strong labour market and better news on the way for the housing market - likely in the post-2Q19 period. And globally, recent optimism that a new Nafta agreement could be ratified by the end of summer along with our trade team's view that a US-China trade deal could be struck by the third quarter suggests the first quarter will be a low point for 2019. In turn, this should keep the Bank of Canada on hold at 1.75%, despite other dollar-bloc central banks talking of (or actively) cutting rates.

## **Developed Markets Economic Calendar**

| Country                 | Time | Data/event  | ING      | Survey | Prev.     |
|-------------------------|------|---|----------|--------|-----------|
| <b>Sunday 26 May</b>    |      |   |          |        |           |
| Eurozone                | 1245 | ECB Executive Board Member Lautenschlaeger Speaks (Frankfurt) |          |        |           |
| <b>Monday 27 May</b>    |      |   |          |        |           |
| Japan                   | 0600 | Mar F Leading Economic Index                                  | -        | -      | 96.3      |
| Portugal                | -    | Portugal Releases Year-to-Date Budget Report                  |          |        |           |
| <b>Tuesday 28 May</b>   |      |   |          |        |           |
| US                      | 1500 | May Consumer Confidence                                       | 130.0    | 130.0  | 129.2     |
| Eurozone                | 0900 | Apr M3 Money Supply (YoY%)                                    | -        | -      | 4.5       |
|                         | 1000 | May Economic Confidence                                       | -        | -      | 104.0     |
| Japan                   | 0050 | Apr PPI Services (YoY%)                                       | -        | -      | 1.1       |
| New Zealand             | 2200 | RBNZ Publishes Financial Stability Report                     |          |        |           |
| Sweden                  | 0800 | May Economic Tendency Indicator                               | -        | -      | 102.7     |
|                         | 0830 | Apr Retail Sales Ex. Fuel (MoM/YoY%)                          | 0.1/0.5  | -/-    | 0.5/2.0   |
| Switzerland             | 0645 | 1Q GDP (QoQ/YoY%)   | -/-      | -/-    | 0.2/1.4   |
| <b>Wednesday 29 May</b> |      |   |          |        |           |
| Japan                   | 0100 | BOJ Kuroda Speaks (Tokyo)                                     |          |        |           |
| Eurozone                | 0900 | ECB's Rehn Speaks (London)                                    |          |        |           |
| Germany                 | 0855 | May Unemployment Change (000's)                               | -        | -      | -12.0     |
|                         | 0855 | May Unemployment Rate (%)                                     | 4.9      | -      | 4.9       |
| Canada                  | 1500 | Bank of Canada Policy Rate                                    | 1.75     | 1.75   | 1.75      |
| Norway                  | 0700 | Apr Retail Sales Ex. Motor Vehicles (MoM%, SA)                | -        | -      | 0.6       |
|                         | 0700 | Apr Credit Indicator (YoY%)                                   | -        | -      | 5.8       |
|                         | 1040 | Norges Bank Governor Olsen Speaks (Stavanger)                 |          |        |           |
| Sweden                  | 0830 | 1Q GDP (QoQ/YoY%)   | 0.2/1.7  | -/-    | 1.2/2.4   |
| <b>Thursday 30 May</b>  |      |   |          |        |           |
| US                      | 1330 | 1Q S GDP (QoQ Annualised %)                                   | 3.2      | 3.1    | 3.2       |
|                         | 1700 | Fed's Clarida Speaks to the Economic Club of New York         |          |        |           |
| Italy                   | 1600 | Finance Minister Tria Speaks at Economy Festival (Trento)     |          |        |           |
| Spain                   | 0800 | May P HICP (MoM/YoY%)   | -/-      | -/-    | 1.1/1.6   |
| Canada                  | 1915 | BOC Senior Deputy Governor Wilkins Speaks                     |          |        |           |
| New Zealand             | 0300 | Finance Minister Delivers Budget                              |          |        |           |
| <b>Friday 31 May</b>    |      |   |          |        |           |
| US                      | 1500 | May F U. of Mich. Sentiment Index                             | 102.0    | 100.8  | 102.4     |
| Japan                   | 0050 | Apr P Industrial Production (MoM/YoY%)                        | 0.6/-9.8 | -/-    | -0.6/-4.3 |
|                         | 0050 | Apr Retail Trade (MoM/YoY%)                                   | 1.1      | -/-    | 0.2/1.0   |
|                         | 0050 | Apr Unemployment Rate (%)                                     | 2.5      | -      | 2.5       |
|                         | 0600 | May Consumer Confidence Index                                 | -        | -      | 40.4      |
| Germany                 | 1300 | May P CPI (YoY%)  | 1.7      | -      | 2.0       |
| Italy                   | 0900 | 1Q F GDP (QoQ/YoY%)   | 0.2/0.1  | -/-    | 0.2/0.1   |
|                         | 1000 | May P CPI (MoM/YoY%)  | 0.2/1.0  | -/-    | 0.2/1.1   |
|                         | 0900 | ECB's Visco Speaks at Bank of Italy Annual Gathering          |          |        |           |
| Canada                  | 1330 | 1Q GDP (QoQ%, Annualised)                                     | 1.0      | -      | 0.4       |
|                         | 1330 | Mar GDP, SA (MoM/YoY%)  | 0.2/1.1  | -/-    | -0.1/1.1  |
| Norway                  | 0900 | May Unemployment Rate   | 2.1      | -      | 2.3       |

Source: ING, Bloomberg

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## Asia week ahead: Bank of Korea - will it, or won't it?

China's purchasing manager's index, India's GDP and Korea's central bank meeting- where we expect a 25 basis point rate cut - are the key highlights in Asia next week



Source: Shutterstock

### ➔ China: Trade war impact is coming through

The week kicks off with China's industrial profits for April. Keeping in line with the trend of slowing exports and production, industrial profits have been shrinking. As such, surprisingly strong 13.9% annual industrial profit growth in March appears to be an aberration from a weak trend, while the cumulative profits in the first three months were still down 3.3% from a year ago. Both exports and industrial production growth slowed sharply in April, pushing the profits growth back to negative territory.

China's economic downtrend will undoubtedly exacerbate further with the escalation of the trade tensions this month. The upcoming data on purchasing manager index for manufacturing and non-manufacturing sectors will shed light on this.

## ➔ Korea: Mixed market signals on BoK policy

The market isn't pricing a Bank of Korea rate cut next week and neither is the latest Bloomberg poll suggesting anything of sorts. But the Korean Won's (KRW) recent underperformance, with close to 5% depreciation against US dollar since the central bank's last meeting on 18 April, seems to suggest that a rate cut is just around the corner.

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*What this economy needs is some fiscal support, some economic reforms, and the end of the global tech slump. The BoK can't perform miracles. – Rob Carnell, ING Asia chief economist*

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We believe the poor trade environment and ongoing tech slump will continue to depress Korea's growth, making it difficult for the central bank to defy easing. The 1.8% YoY GDP growth in 1Q19 was the lowest since the global financial crisis. This combined with negligible inflation, running well below 1% currently, underpins our outlier view of a 25bp BoK rate cut.

## ➔ India: The best of election-related market rally is behind

The odds of prime minister Narendra Modi winning the elections in India cheered the markets this week. Indeed, his Bharatiya Janata Party is leading with an absolute majority in the vote count, still going on at the time of writing this piece, and it looks set to form the government with existing coalition partners. We believe the best of election rally is behind and the economy will be back to re-assert its influence on the markets - almost negatively amid prevailing risk-off sentiments globally.

India's economic slowdown gained speed in the final quarter of the financial year 2018-19 ended in March, for which GDP data is due next week (31 May). If true, our forecast of a slowdown of growth to 6.0% from 6.6% in the previous quarter will make it the slowest growth quarter in two years. While this will validate the Reserve Bank of India's two rate cuts this year, we expect the potentially higher inflation will keep it from easing again at the next meeting in early June.

## Asia Economic Calendar

| Country                | Time* | Data/event                               | ING      | Survey | Prev.    |
|------------------------|-------|--|----------|--------|----------|
| <b>Monday 27 May</b>   |       |  |          |        |          |
| China                  | 0230  | Apr Industrial Profits (YoY%, YTD)       | -3.3     | -      | 13.9     |
| Hong Kong              | 0930  | Apr Exports (YoY%)                       | -1.5     | -      | -1.2     |
|                        | 0930  | Apr Imports (YoY%)                       | -0.5     | -      | -0.1     |
|                        | 0930  | Apr Trade Balance (HK\$ bn)              | -50.0    | -      | -59.2    |
| South Korea            | 2200  | May BOK Consumer Sentiment Index         | 102.4    | -      | 101.6    |
| <b>Tuesday 28 May</b>  |       |  |          |        |          |
| South Korea            | 2200  | Jun BOK Business Survey Index, Mfg       | 76.0     | -      | 77.0     |
|                        | 2200  | Jun BOK Business Survey Index, Non-mfg   | 76.0     | -      | 77.0     |
| <b>Thursday 30 May</b> |       |  |          |        |          |
| Thailand               | -     | Apr Manufacturing Index (YoY%)           | -1.5     | -      | -2.5     |
| <b>Friday 31 May</b>   |       |  |          |        |          |
| China                  | 0200  | May Manufacturing PMI                    | 50.2     | -      | 50.1     |
|                        | 0200  | May Non-manufacturing PMI                | 50.1     | -      | 54.3     |
| India                  | 1300  | 1Q GDP (Q) (YoY%)                        | 6.0      | -      | 6.6      |
|                        | 1300  | 2019 GDP Annual (YoY%)                   | 7.0      | -      | 7.0      |
|                        | -     | Mar Fiscal Deficit (INR crore)           | -        | -      | 80654.0  |
| Hong Kong              | 0930  | Apr Retail sales Value (YoY%)            | -0.5     | -      | -0.2     |
|                        | 0930  | Apr Retail sales Volume (YoY%)           | -1.2     | -      | -0.8     |
| South Korea            | 0000  | Apr Industrial Production (MoM, SA/YoY%) | 1.0/-2.8 | -/-    | 1.4/-2.8 |
|                        | -     | 7-Day Repo Rate                          | 1.5      | -      | 1.75     |
| Thailand               | 0730  | Apr Current Account Balance (US\$bn)     | 2.2      | -      | 6.1      |

Source: ING, Bloomberg, \*GMT

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## Key events in EMEA and Latam next week

Details behind first-quarter growth figures dominate next week. We'll discover what drove Hungary's second highest GDP growth rate ever, and find out whether a flash GDP estimate from the Czech Republic was a little too optimistic



Source: Shutterstock

### ✓ Poland: Second estimate of 1Q GDP to confirm decent economic performance

We expect the budget deficit to have narrowed in April from PLN4.5 billion to approximately PLN3 billion, in line with the Ministry of Finance's. VAT revenues should increase after a relatively soft first quarter. Public expenditures related to retirement payouts should garner more attention, as the government introduced a lump sum benefit for the elderly to be paid in late-April and May.

A second GDP estimate should confirm the initial 4.6% YoY reading. The breakdown is likely to show stable consumption at 4.2% YoY and relatively strong investment, with a growth rate of close to 7.0%. The net export contribution should be close to neutral after a strong downward revision of imports.

### ✓ Turkey: The only way is up?

Industrial production is stabilising thanks to stimulus measures introduced by the government for both households and companies. Accordingly, we expect 1Q growth to be -1.8% YoY, though the

recovery in the period ahead will likely be slower than anticipated, given corporate balance sheet vulnerabilities and a weak capital flow outlook.

### **National Bank of Hungary: Keeping things quiet - for now**

The main event next week is the National Bank of Hungary's (NBH) rate setting meeting, but we don't expect any fireworks. The NBH has made clear several times that it doesn't intend to change the course of monetary policy until the new staff forecast is available in June. Against this backdrop of a weaker currency and higher inflation, accelerating wage growth and stronger GDP data, the NBH remains tight-lipped.

Hungary posted its second-highest GDP growth rate ever in the first quarter, at 5.3%. And next Friday, we'll get a detailed breakdown of the result. We suspect the figure was driven by domestic factors, with some positives from the trade side, too.

### **Czech Republic: Possible downward growth revision for the first quarter**

The flash GDP estimate came in at 0.5% quarter-on-quarter and 2.5% year-on-year growth in 1Q. The preliminary figure was broadly in line with expectations but the high contribution from industry came as a surprise. According to monthly figures, this component stagnated in the first-quarter. As such, we wouldn't be surprised by some downward revision to the 1Q GDP figure next Friday. Then again, the gross value added calculation might differ significantly from the real industrial production figures that are available on a monthly basis.

## **EMEA and Latam Economic Calendar**



| Country                 | Time | Data/event  | ING     | Survey | Prev.    |
|-------------------------|------|---|---------|--------|----------|
| <b>Sunday 26 May</b>    |      |   |         |        |          |
| Brazil                  | 1430 | Apr C/A Balance (\$mn)                                    | 50.0    | -      | -494.2   |
| <b>Monday 27 May</b>    |      |   |         |        |          |
| Poland                  | 0900 | Apr Unemployment Rate (%)                                 | 5.6     | -      | 5.9      |
|                         | -    | Apr Budget Level (YTD)                                    | -3000.0 | -      | -4489.8  |
| Hungary                 | 2300 | May Economic Sentiment                                    | 2.5     | -      | 2.9      |
|                         | 2300 | May Business Confidence                                   | 6.2     | -      | 7.1      |
|                         | 2300 | May Consumer Confidence                                   | -8.2    | -      | -8.9     |
| Croatia                 | 1000 | Apr Unemployment Rate (%)                                 | -       | -      | 8.6      |
|                         | 1000 | Mar Real Wages (YoY%)                                     | -       | -      | 2.8      |
| Israel                  | 1100 | Apr Monthly Unemployment Rate (%)                         | -       | -      | 3.9      |
| <b>Tuesday 28 May</b>   |      |   |         |        |          |
| Hungary                 | 1300 | Policy Rate (%)   | 0.9     | -      | 0.9      |
|                         | 1300 | Overnight Deposit Rate (%)                                | -0.05   | -      | -0.05    |
| Mexico                  | 1400 | Apr Unemployment Rate (% SA)                              | 3.6     | -      | 3.6      |
| <b>Wednesday 29 May</b> |      |   |         |        |          |
| Croatia                 | 1000 | 1Q P GDP (YoY%)   | -       | -      | 2.3      |
| Mexico                  | 1800 | Mexican Central Bank Releases Inflation Report            |         |        |          |
| <b>Thursday 30 May</b>  |      |   |         |        |          |
| Poland                  | 1300 | National Bank of Poland Publishes Minutes of Rate Meeting |         |        |          |
| Hungary                 | 0800 | Mar Avg Gross Wages (YoY%)                                | 12.2    | -      | 12.1     |
| Croatia                 | 1000 | Apr Retail Sales (YoY%)                                   | -       | -      | 5.7      |
| South Africa            | 0700 | Apr M3 Money Supply (YoY%)                                | -       | -      | 7.0      |
|                         | 0700 | Apr Private Sector Credit (YoY%)                          | -       | -      | 6.1      |
|                         | 1030 | Apr PPI (MoM/YoY%)  | -/-     | -/-    | 1.3/6.2  |
|                         | 1300 | Apr National Budget Balance (ZARbn)                       | -       | -      | -20.3    |
| Brazil                  | 1300 | 1Q GDP (QoQ/YoY%)   | -/-     | -/-    | 0.1/1.07 |
| Mexico                  | 1500 | Central Bank Monetary Policy Minutes                      |         |        |          |
| <b>Friday 31 May</b>    |      |   |         |        |          |
| Turkey                  | 0700 | 1Q19 GDP (YoY%)   | -1.8    | -      | -3.0     |
|                         | 0800 | Apr Trade Balance (US\$mn)                                | -3.0    | -      | -2.1     |
| Poland                  | 0900 | 1Q F GDP (QoQ/YoY%)                                       | 1.4/4.6 | -/-    | 1.4/4.6  |
| Czech Rep               | 0800 | 1Q P GDP (QoQ/YoY%)                                       | 0.4/2.4 | -/-    | 0.5/2.5  |
| Hungary                 | 0800 | Mar F Trade Balance (€mn)                                 | 677.0   | -      | 677.0    |
|                         | 0800 | 1Q F GDP (QoQ/YoY%)                                       | 1.5/5.3 | -/-    | 1.5/5.3  |
| Serbia                  | 1100 | Apr Industrial Production (YoY%)                          | -       | -      | -2.8     |
|                         | 1100 | 1Q F GDP (YoY%)   | -       | -      | 2.3      |
|                         | 1100 | Apr Retail Sales (YoY%)                                   | -       | -      | 9.5      |
|                         | 1100 | Apr Trade Balance (€m)                                    | -       | -      | -507.0   |
| Croatia                 | 1000 | Apr Industrial Production (YoY%, SA)                      | -       | -      | 3.0      |
|                         | -    | Apr M1 Money Supply (HRKmn)                               | -       | -      | 119555.5 |
| South Africa            | 1300 | Apr Trade Balance (ZARbn)                                 | -       | -      | 5.0      |
| Brazil                  | 1300 | Apr Unemployment Rate (%)                                 | 13.0    | -      | 12.7     |

Source: ING, Bloomberg

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