

## Our view on next week's key events

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#### Key Events

##### **Key events in developed markets and EMEA next week**

After a strong run of data activity in the US, keep an eye out for more key releases this week. In Poland, CPI data will be in focus

By James Knightley, Peter Virovacz and Rafal Benecki



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##### **Asia week ahead: Australian central bank likely to keep rates on hold**

A look at the Asia Pacific calendar for the week ahead: Reserve Bank of Australia on hold, while manufacturing is likely a mixed bag

By Min Joo Kang

# Key events in developed markets and EMEA next week

Keep an eye out for key data releases in the US next week, including the jobs report and the ISM manufacturing and service sector reports. In Poland, a continued decline in CPI could signal rate cuts sooner than expected



## ✓ US: July rate hike looks like a done deal

Last week, Fed Chair Jerome Powell again reiterated the Federal Reserve base case of two further rate hikes in 2023. Markets had been sceptical, but a strong run of activity data has shifted attitudes, with a 25bp hike fully priced by September and a further 10bp or so priced by the November FOMC meeting. We had been thinking the Fed funds rate had hit a peak in May, but the central bank's robust position on the need for further tightening, sticky inflation and a tight jobs market means we have to accept that a July rate hike looks a done deal. It would take a very soft June jobs report, surprise softness in the June core CPI print and/or a financial system issue to deter the Fed from hiking.

This week's data calendar includes the jobs report plus the ISM manufacturing and service sector reports. The ISM surveys suggest the economy is struggling, something not borne out in the official activity data. The manufacturing ISM has been in contraction (sub-50 territory) for seven months in a row and this week's report looks set to make it eight consecutive months of contraction. The service sector ISM is still above 50, but barely. We look for a fourth consecutive month where the headline index is hovering in the 50-52 range. We will also be closely following the employment sub-indices, along with the job opening data and the ADP private payrolls series as we look to firm

up our forecasts for Friday's non-farm payrolls print.

Last month, the rise in non-farm payrolls was immensely strong at 339,000, but we do expect to see a moderation this month with something closer to the 225,000 mark. The unemployment rate jumped to 3.7% from 3.4% last month given the household survey data painted a very different picture to the payrolls data – with households reporting that employment actually fell. We see this reversing part of the jump and coming in at 3.6%. Meanwhile, average hourly earnings should soften a touch with another 0.3% month-on-month print, which would bring the annual rate of wage growth down to 4.2%.

### ✓ **Canada: Sticky inflation could see another rate hike in July**

In Canada, the market is split as to whether the Bank of Canada will hike rates again in July after raising rates 25bp in June. Prior to that, interest rates had been on hold since the January meeting. Decent growth, a tight jobs market (set to be confirmed by next week's data) and sticky inflation mean that we favour another BoC hike on July 12.

### ✓ **Poland: No policy change expected from Narodowy Bank Polski**

We expect no policy changes from the National Bank of Poland (NBP) in July. However, we estimate that the chances of a rate cut after the vacation have increased to 65-70% where we previously saw 50%, given guidance provided by some MPC members, including President Adam Glapiński. We also see the possibility that the NBP will make more than one cut in 2023. Our short-term inflation forecasts are optimistic, with CPI falling to single digits in September or August – which should further strengthen the MPC's dovish stance.

Our longer-term forecasts are pessimistic (stabilisation of core at 5% year-on-year in 2024-25). Polish inflation problems are closer to those of developed countries given strong labour markets plus an election cycle. However, the NBP should find support from emerging market central banks, which started hikes earlier than developed markets and now may be further ahead on their easing path. The market perception of rate cuts in Poland should be still positive – at least as long as headline CPI continues decreasing – despite the Fed, European Central Bank, and Bank of England continuing to hike and maintaining a hawkish stance.

### ✓ **Hungary: Disinflation to continue on food, durables and energy prices**

The first week of July will be a busy one when it comes to the Hungarian data calendar, and our main focus will be on the May economic activity data. Dropping fuel prices in May might help retail sales a bit, though we still see a double-digit year-on-year contraction in volumes. When it comes to industry, after a bleak April a mild rebound is expected on a monthly basis, but when it comes to the yearly figure (due to the lower number of working days) we see the raw index moving further south.

The latest budgetary data will make Thursday exceptionally busy. We expect the budget to post a moderate deficit in June, with the main driver being the revenue side's weakness in reducing domestic demand. Last but not least, Friday will bring us the June inflation prints. We expect the speedy disinflation to continue on food, durables and energy price, although services will

counterbalance the impact in our view. With favourable base effects, we see the headline drop a touch below 20% YoY, while core inflation moves close to 21% YoY. We see risks tilted to the downside.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 3 July</b>					
US	1500	Jun ISM Manufacturing PMI	47.5	47.2	46.9
	1500	Jun ISM Manufacturing Prices Paid	44		44.2
	1500	May construction spending (MoM%)	0.6	0.4	1.2
		- Jun Vehicle Sales (mn)	15.2	15.25	15.05
Germany	0855	Jun S&P Global/BME Manufacturing PMI	41		41
UK	0930	Jun S&P Global/CIPS Manufacturing PMI Final	46.2		46.2
Italy	0845	Jun S&P Global/IHS Manufacturing PMI	45		45.9
Switzerland	0730	Jun CPI (MoM%/YoY%)	-/-	/	0.3/2.2
Euro Zone	0900	Jun S&P Global Manufacturing Final PMI	-		43.6
<b>Tuesday 4 July</b>					
US		- National holiday	-	-	-
Germany	0700	May Imports/Exports	0.5/0.5		-1.7/1.2
	0700	May Trade Balance	18.6		18.4
<b>Wednesday 5 July</b>					
US	1500	May Factory Orders (MoM%)	0.9	0.6	0.4
	1900	Jun FOMC minutes	-	-	-
Germany	0855	Jun S&P Global Services PMI	54.1		54.1
	0855	Jun S&P Global Composite Final PMI	50.8		50.8
France	0745	May Industrial Output (MoM%)	-		0.8
UK	0930	Jun Composite PMI Final	52.8		52.8
Italy	0845	Jun Services PMI	52.5		54
Spain	0815	Jun Services PMI	-		56.7
Euro Zone	0900	Jun S&P Global Services Final PMI	-		52.4
	0900	Jun S&P Global Composite Final PMI	-		50.3
<b>Thursday 6 July</b>					
US	1315	Jun ADP National Employment	240	250	278
	1330	May International Trade (USD bn)	-70	-70.5	-74.6
	1330	Initial Jobless Claims (000s)	225	-	239
	1330	Continuing Jobless Claims (000s)	1730	-	1742
	1500	Jun ISM Non-Manufacturing PMI	52.0	51.1	50.3
Germany	0700	May Industrial Orders (MoM%)	1.5		-0.4
Canada	1330	May Trade Balance (CAD bn)	-		1.94
Euro Zone	1000	May Retail Sales (MoM%/YoY%)	0.1/-	/	0/-2.6
<b>Friday 7 July</b>					
US	1330	Jun Non-Farm Payrolls	225	200	339
	1330	Jun Private Payrolls	210	195	283
	1330	Jun Unemployment Rate	3.6	3.6	3.7
	1330	Jun Avg Hourly Earnings (MoM%/YoY%)	0.3/4.3	0.3	0.3/4.3
Germany	0700	May Industrial Output (MoM%/YoY%)	-0.2/2.3	/	0.3/1.75
Canada	1330	Jun employment change (000s)	15	-	-17.3
	1330	Jun Unemployment Rate	5.1	-	5.2
Norway	0700	May GDP Month Mainland	-		-0.4

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 3 July</b>					
Russia	0700	Jun S&P Global Manufacturing PMI	-		53.5
Turkey	0800	Jun Manufacturing PMI	-		51.5
Poland	0800	Jun S&P Global Manufacturing PMI	46		47
Czech Rep	0830	Jun S&P Global PMI	-		42.8
Hungary	0730	Apr Trade Balance Final	308		308
	0800	Jun Manufacturing PMI	58.5		57.1
Brazil	1400	Jun S&P Global Manufacturing PMI	-		47.1
Mexico	1600	Jun S&P Global Manufacturing PMI	-		50.5
<b>Tuesday 4 July</b>					
Turkey	1200	May Bank NPL Ratio	-		1.86
Czech Rep	1300	Jun Budget Balance	-		-271.4
Brazil	0900	Jun IPC-Fipe Inflation Idx	-		0.2
	1200	May Industrial Output (MoM%/YoY%)	-/-	/	-0.6/-2.7
<b>Wednesday 5 July</b>					
Russia	0700	Jun S&P Global Services PMI	-		54.3
Turkey	0800	Jun CPI (MoM%/YoY%)	-/-	4.84/39.47	0.04/39.59
Romania	1300	Mon Policy Rate	-	7	7
Kazakhstan	1000	Jul Base Interest Rate	-		16.75
South Africa	0815	Jun Std Bank Whole Econ PMI	-		47.9
Brazil	1400	Jun S&P Global Services PMI	-		54.1
	1400	Jun S&P Global Composite PMI	-		52.3
<b>Thursday 6 July</b>					
Poland	1300	Jul NBP Base Rate	6.8		6.75
Hungary	0730	May Industrial Output (YoY%)	-9.8		-8.3
	0730	May Retail Sales (YoY%)	-11.5		-12.6
	1000	Jun Budget Balance	-200		-53.6
Turkey	1230	Gross FX Reserves	-		60.78
<b>Friday 7 July</b>					
Czech Rep	0800	May Industrial Output (YoY%)	-		1.2
	0800	May Trade Balance	-		8.4
Hungary	0730	Jun Core CPI (YoY%)	21.2		22.8
	0730	Jun CPI (YoY%)	19.9		21.5
	0730	Jun CPI MM NSA	0.2		-0.4
South Africa	1300	May Trade Balance (Incl. Region)	-	6	3.54

Source: Refinitiv, ING

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# Asia week ahead: Australian central bank likely to keep rates on hold

The Reserve Bank of Australia (RBA) is likely to keep rates untouched at 4.1%, while inflation reports from the region are likely to show moderating readings



## RBA likely to keep rates untouched at 4.1%

Following the surprisingly large fall in May headline CPI inflation to 5.6% year-on-year from 6.8% in April, there seems little prospect of the RBA hiking rates again following what, by its own admission, was a finely balanced decision in June. That hike only got over the line because of the large upward spike in April inflation, so it would seem extremely odd to hike again if inflation surprises on the downside.

We are keeping an open mind on one final hike this cycle, and the September meeting looks like the most likely candidate to us. July CPI will have to absorb a large electricity tariff spike of 20% YoY, or more by some estimates, and the base effects are less helpful over the third quarter too. But that will probably be it for the RBA, in our view.

## China Caixin PMI numbers to show struggling sector

Caixin PMI data will take their cue from the official PMI numbers due out on 30 June. These are likely to show that the manufacturing sector is still struggling, but may also show service sector strength waning, as re-opening pent-up demand starts to normalise again.

## India's strong PMI reading points to strong growth

Both India's manufacturing and service sector PMIs are running at extremely strong levels. The manufacturing sector, in particular, has shown an acceleration in recent months, but may now be due a slight correction lower. Not being very exposed to either China or the global semiconductor slowdown is helping India.

## Korea trade and inflation data set for release

Exports in Korea are expected to contract again in June. But due to strong auto and vessels exports, the contraction (-6.4%) should be quite a bit lower than the previous month of -15.2% YoY. We think vessel exports should be strong this year due to the imminent delivery of pre-order ships, considering that the shipbuilding period is at least two-to-three years. But since this does not reflect the current global demand cycle, it is necessary to focus more on exports excluding ship data to understand global demand conditions better.

Meanwhile, we expect consumer inflation to decelerate quite sharply in June and reach the 2% range mainly due to the high base last year. The gains from utility fees should be partially offset by the decline in gasoline, fuel and rent prices.

## Japan's Tankan survey to show economic recovery

Business survey data will be released in Japan next week. Both Tankan and PMI surveys will show that the country's economy is on the path to recovery, led by solid service activity in particular.

## Inflation to moderate further in Indonesia and the Philippines

Headline inflation is set to moderate further for both Indonesia and the Philippines. Inflation should remain within target in Indonesia, settling at 3.8%YoY, while core inflation could be flat at 2.7%YoY. Meanwhile, Philippine inflation should sustain its downtrend, with May inflation possibly slipping to 5.5%YoY from 6.1% previously. Slowing inflation should give both Bank Indonesia and the Bangko Sentral ng Pilipinas space to keep rates untouched in the near term.

## Key events in Asia this week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Saturday 1 July</b>					
South Korea	0100	Jun Export Growth Prelim	-6.4	-3	-15.2
	0100	Jun Import Growth Prelim	-8.6	-11	-14
<b>Monday 3 July</b>					
Japan	0050	Tankan Large Outlook (Mfg/Non-Mfg)	4/20		3/15
	0130	Jun Jibun Bank Manufacturing PMI	49.8		49.8
	0050	Jun Monetary Base (YoY%)	-		-1.29
China	0245	Jun Caixin Manufacturing PMI Final	50.2		50.9
India	0600	Jun IHS S&P Global Mfg PMI	57.4	58	58.7
Indonesia	0130	Jun IHS S&P Global PMI	-		50.3
	0500	Jun core Inflation (YoY%)	2.7	2.65	2.66
	0500	Jun Inflation (MoM%/YoY%)	-3.8	0.09/4.0	0.09/2.66
Philippines	0130	Jun Manufacturing PMI SA	-		52.2
Singapore	1400	Jun Manufacturing PMI	-		49.5
Taiwan	0130	Jun IHS S&P Global Manufacturing PMI	-		44.3
South Korea	0130	Jun IHS S&P Global Manufacturing PMI	49		48.4
<b>Tuesday 4 July</b>					
Australia	0530	Jul RBA Cash Rate	4.1	4.1	4.1
South Korea	0000	Jun CPI Growth (MoM%/YoY%)	0.2/2.9	0.2/2.85	0.3/3.3
<b>Wednesday 5 July</b>					
Japan	0130	Jun Services PMI	54.2		54.2
China	0245	Jun Caixin Services PMI	53		57.1
India	0600	Jun IHS S&P Global Services PMI	59.8	60.4	61.2
Philippines	0200	Jun CPI (MoM%/YoY%)	0.2/5.5	/	0/6.1
	0200	Jun Core CPI (YoY%)	7.5		7.7
Singapore	0600	May Retail Sales (MoM%/YoY%)	-2.3/-1.3	/	0.3/3.6
Taiwan	0920	Jun Foreign Exchange Reserve	-		562.87
<b>Thursday 6 July</b>					
Japan	0030	May All Household Spending (MoM%/YoY%)	-		-1.3/-4.4
Australia	0230	May Trade Balance (AUD bn)	-		11158
Taiwan	0900	Jun CPI (YoY% NSA)	-		2.02
<b>Friday 7 July</b>					
China	-	Jun FX Reserves (Monthly)	-		3.177
Indonesia	0500	Jun Forex Reserves	-		139.3
Philippines	-	Jun Forex Reserves (USD bn)	-		101.3
Singapore	1000	Jun Foreign Reserves (USD bn)	-		325.7
Taiwan	0900	Jun Imports/Exports	-		-21.7/-14.1
	0900	Jun Trade Balance	-		4.89
India	1230	FX Reserves (USD bn)	-		596.1
South Korea	0000	May Current Account Balance NSA	-		-0.79

Source: Refinitiv, ING

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