

Our view on next week's key events

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✓ Focus on Eurozone retail sales and German industrial data

Next week looks set to be a light week for the Eurozone, although April retail sales could be interesting as one of the first 2Q18 hard data points. Germany was strong and a good month for sales could be in the making for the Eurozone overall. The entire batch of German industrial data should also provide further evidence of a gradual rebound of the economy in the second quarter.

✓ Services PMI to give steer on UK second quarter growth

Next week's PMIs will be a key input into the Bank of England's thought process, as it seeks to establish how much of the first quarter slowdown was temporary. We may see a bit of an uptick in the services index following the better weather over the past few weeks (particularly around the early-May bank holiday weekend, which will have helped retailers). But the economy continues to be plagued by Brexit uncertainty and in the consumer sector specifically, lower household demand, so any PMI increase is likely to be relatively modest.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 1 June					
US	1330	May Change in Nonfarm Payrolls ('000s)	170	190	164
	1330	May Unemployment Rate (%)	3.9	3.9	3.9
	1330	May Average Hourly Earnings (MoM/YoY%)	0.3/2.7	0.2/2.6	0.1/2.6
	1330	May Participation Rate	62.8	-	62.8
	1500	May ISM Manufacturing	57.5	58.2	57.3
	0130	Fed's Kaplan (0130) and Kashkari (1355) Give Speeches			
Eurozone	0900	May F Markit Manufacturing PMI	54.5	55.5	55.5
UK	0930	May Markit/CIPS Manufacturing PMI	54.2	53.5	53.9
Italy	0900	1Q F GDP (QoQ/YoY%)	-/-	0.3/1.4	0.3/1.4
Global	-	G-7 Finance Ministers and Central Bankers Meet in Whistler (until 02/06)			
Sweden	0730	May Swedbank/Silf Manufacturing PMI	55	55	54.5
	0730	Swedish FSA Head Thedeen Gives Speech			
	1100	Riksbank's Ingves Gives Speech			
Monday 4 June					
US	1500	Apr F Durable Goods Orders (MoM%)	-1.7	-	-1.7
	1500	Apr F Durable Goods Orders (ex. Trans, MoM%)	0.9	-	0.9
Japan	0050	May Monetary base (JPY tr)	499	-	498.305
Eurozone	1230	ECB's Nowotny Speaks at Conference in Vienna			
Australia	0230	Apr Retail sales (MoM%)	-	-	0
N. Zealand	2300	N.Z. Government 10-Month Financial Statements			
Sweden	1100	Riksbank's Ingves Gives Speech on E-money			
Tuesday 5 June					
US	1500	May ISM Non-manufacturing	57.2	57.4	56.8
Eurozone	0900	May F Markit Services PMI	53.9	-	53.9
	0900	May F Markit Composite PMI	54.1	-	54.1
	1000	Apr Retail Sales (MoM/YoY%)	0.9/1.6	-/-	0.1/0.8
UK	0930	May Markit/CIPS Services PMI	53	-	52.8
Australia	0530	RBA Cash Rate Target	1.5	1.5	1.5
N. Zealand	0300	Treasury Publishes Monthly Economic Indicators			
Portugal	1500	Portuguese Prime Minister Speaks at Debate in Parliament			
Wednesday 6 June					
US	1330	Apr Trade Balance (US\$bn)	-52	-51.3	-48.956
Japan	0100	Apr Labor cash earnings (YoY%)	2.4	-	2
Eurozone	0915	EBA's Enria, ECB's Hakkorainen Speak on Supervision in Lisbon			
Australia	0230	1Q GDP (QoQ/YoY%)	0.2/1.9	-/-	0.4/2.4
Thursday 7 June					
Japan	0600	Apr P Leading economic index	-	-	104.4
Eurozone	1000	1Q F GDP (QoQ/YoY%)	0.4/2.5	-/-	0.4/2.5
Germany	0700	Apr New Orders (YoY%)	1.0/ 3.6	-	0/3.1
Italy	0930	Bank of Italy Report on Balance-Sheet Aggregates			
Australia	0230	Apr Trade balance (A\$m)	723	-	1527
Norway	0700	Apr Industrial Production (MoM%)	-	-	-0.7
	0845	Norway's SSB Presents Economic Outlook			
Friday 8 June					
Japan	0050	Apr C/A Balance, adjusted (Yen bn)	2122	-	1772.3
	0050	1Q F GDP (Annualised, QoQ%)	0	-	-0.6
	0050	1Q F GDP deflator - advance (Q) (YoY%)	-	-	0.5
Germany	0700	Apr Trade Balance (€bn)	22.9	-	24.7
	0700	Apr Industrial Production (MoM%)	0.1	-	1
Canada	1330	May Net Change in Employment	-	-	-1.1
	1330	May Unemployment Rate (%)	-	-	5.8

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

A data-heavy week expected in EMEA and Latam. Look out for improvements in Czech data and a mixed performance from Hungary and Serbian central bank meetings



Source: Shutterstock

✓ Czech data to strengthen

After somewhat weaker March data, April statistics should come in positive again, partially due to the calendar bias and a low base from April last year. Still, wage dynamics should accelerate further, with real wage growth above 6.5% year on year, the strongest in the previous 15 years. This suggests that household consumption will remain the main growth factor this year.

Taking into account the weak Czech koruna lagging behind the Czech National Bank's expectations, solid data and inflation likely to be above the 2% target in May, a June hike scenario is becoming more and more likely.

✓ Turkish inflation pressures to intensify

We expect May inflation to come in at 1.7% month on month, pulling the annual figure up to 12.2% from 10.85%. This stems from intensifying inflationary pressures with the recent Turkish lira depreciation weighing on the outlook for core goods, energy inflation and the upward pressure from domestic PPI.

For the June MPC, we don't rule out a measured 50bp hike in the 1-week repo rate at 16.5% after

the simplification by the central bank.

Serbia: Key rate on hold at 3%

Inflation is likely to have reached its lowest point this year in April at 1.1% YoY, but this was not enough to convince the National Bank of Serbia (NBS) to cut key rate further at the last meeting.

We look for a no-change decision at next week's meeting as going forward inflation should slowly resume its upward trend while the external environment also warrants caution. The Serbian dinar appreciation pressures could be among the few factors calling for a cut, but in our view, this is not enough.

Hungary: Action-packed start to June

We are facing an action-packed start to June with economic activity slightly mixed in April. Retail sales may strengthen further on the back of one-offs and due to the increasing wage bill. Industrial production may slow down further if we believe soft indicators.

The statistical office will release the details behind the surprisingly strong GDP data in 1Q18. We expect consumption and investment to be the main drivers, with more momentum on the consumption side.

The budget balance could deteriorate further. We might even see the bottom in May as the Ministry of Finance recently announced that "Hungary needs deficit cuts in response to market risk". Last but not least, we see headline inflation accelerating on the back of the oil price shock, in line with Europe.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 1 June					
Russia	0700	May Markit Manufacturing PMI	-	51.1	51.3
Turkey	0800	May Markit/ISO Manufacturing PMI	-	-	48.9
Poland	0800	May Markit Manufacturing PMI	-	53.2	53.9
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Czech Rep	0800	1Q P GDP (QoQ/YoY%)	0.6/4.6	0.5/4.5	0.5/4.5
	0830	May Markit Manufacturing PMI	56.4	56.2	57.2
	1300	May Budget Balance (CZKbn)	-	-	0.77
Hungary	0800	Mar F Trade Balance (€mn)	558	-	558
	0800	May Manufacturing PMI	53	-	53.3
	-	Hungary Sovereign Debt to Be Rated by Moody's			
Kazakhstan	-	May CPI (MoM/YoY%)	-/-	-/-	0.4/6.5
	-	May PPI (MoM%/YoY%)	-/-	-/-	-0.7/13.5
Bulgaria	-	Bulgaria Sovereign Debt to be rated by S&P and Fitch			
Monday 4 June					
Turkey	0800	May CPI (MoM/YoY%)	1.7/12.2	-/-	1.87/10.9
	0800	May Domestic PPI (MoM/YoY%)	-/-	-/-	2.6/16.4
	0800	May Core CPI (YoY%)	-	-	12.24
Ukraine	-	National Bank of Ukraine Publishes Minutes of Rate Meeting			
Romania	0700	Apr PPI (MoM/YoY%)	-/-	-/-	0.15/3.82
	-	May FX Reserves (€bn, Net)	-	-	37165.2
Kazakhstan	1200	Jun 4 Key Policy Rate (%)	-	9	9.25
Tuesday 5 June					
Russia	-	May CPI (MoM/YoY%)	-/-	-/-	0.4/2.4
Poland	-	Monetary Policy Council Rate Meeting (until 06/06)			
Czech Rep	0800	Apr Retail Sales (YoY%)	7.4	-	-1.8
	0800	Apr Retail Sales Excl. Motor Vehicles (YoY%)	6.7	-	3.7
Hungary	0800	Apr Retail Sales (YoY%)	8.2	-	7.3
	0800	1Q F GDP (SWDA, QoQ/YoY%)	1.2/4.4	-/-	1.2/4.4
Romania	0700	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.6/5.2
South Africa	1030	1Q GDP (SAAR-QoQ/YoY%)	-/-	-/-	3.1/1.5
Brazil	1300	Apr Industrial Production (YoY%)	1	-	1.3
Wednesday 6 June					
Poland	-	Base Rate (%)	-	-	1.5
Czech Rep	0800	Apr Trade Balance (CZKmn)	16	-	18.731
	0800	Apr Construction Output (YoY%)	-	-	-0.7
	0800	Apr Industrial Output (YoY%)	9.3	-	-1.1
Hungary	0800	Apr Industrial Production (MoM/YoY%)	0.9/1.5	-/-	-0.7/1.9
	1300	Hungarian Central Bank's Minutes			
Thursday 7 June					
Russia	0700	Bank of Russia Governor Nabiullina speaks in St. Petersburg			
Turkey	1200	Benchmark Repurchase Rate	17	-	8
	1200	Overnight Lending Rate	18.5	-	9.25
	1200	Overnight Borrowing Rate	15.5	-	7.25
Poland	1300	May Official Reserves Total	-	-	113227.6
Czech Rep	0900	May International Reserves (US\$bn)	-	-	147
Hungary	1000	May Budget Balance (YTD)	-1325	-	-1081.4
Romania	0700	1Q P GDP (SA, QoQ/YoY%)	-/-	-/-	0/4
Bulgaria	0900	1Q F GDP (QoQ/YoY%)	-/-	-/-	0.8/3.5
Serbia	1100	May HPPI (MoM/YoY%)	-/-	-/-	0.2/-1.2
	1100	Repo rate (%)	3	-	3
Croatia	1000	Mar Trade Balance (HRK m)	-	-	-4792.9
	1000	Apr F Retail Sales (YoY%)	-	-	2.1
South Africa	0700	May Gross Reserves (US\$bn)	-	-	49.54
	0700	May Net Open Foreign Currency Pos. (US\$bn)	-	-	43.1
	1200	Apr Manufacturing Production (SA, MoM%)	-	-	1.3
Israel	-	May Foreign Currency Balance (US\$bn)	-	-	115.4
Mexico	1400	May CPI (MoM/YoY%)	-0.4/4.3	-/-	-0.3/4.6
Friday 8 June					
Poland	-	Poland Sovereign Debt to be rated by Fitch			
Czech Rep	0800	May Unemployment Rate (%)	3	-	3.2
Hungary	0800	May CPI (MoM/YoY%)	0.5/2.6	-/-	0.7/2.3
Ukraine	-	May CPI (MoM/YoY%)	-/-	-/-	0.8/13.1
Kazakhstan	-	May International Reserves (US\$bn)	-	-	31.8
Bulgaria	0900	Apr Industrial Production (MoM/YoY%)	-/-	-/-	2.3/1.7
	0900	Apr Retail Sales (MoM/YoY%)	-/-	-/-	0.1/2.3
Croatia	1000	May PPI (MoM/YoY%)	-/-	-/-	0.5/1.1
Brazil	1300	May Inflation (IPCA) (MoM/YoY%)	0.5/3	-/-	0.2/2.8

Source: ING, Bloomberg

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Asia week ahead: Spotlight on India's central bank

Expect the Reserve Bank of India to tighten by 25bp to stem the currency weakness. Trade and inflation releases for May will be the other highlights



➔ Anything actually happening on the trade war?

So far everything has been limited to verbal skirmishes but no action. While we will continue to see more trade noise in the period ahead, markets will focus on hard data. And there is plenty on the calendar from China, Taiwan, Malaysia, and the Philippines.

We expect sustained export strength in China and Taiwan with double-digit growth, but less so in the other two economies. After underperforming in 2017, China's exports have been doing well this year with 14% year-to-date growth. On the other end is the Philippines with a 6% fall explaining the ongoing plight of the peso.

Meanwhile, China's foreign exchange reserve data for May will provide a sense of capital outflows amid accelerated USD appreciation against major currencies, including the yuan. Our [Greater China Economist, Iris Pang](#) expects this to be reflected in a drawdown of reserves, by about \$20bn

a month. She also expects continued CNY depreciation ahead and has revised the [USD/CNY forecast to 6.60 from 6.33](#) for 2018.

[Why we're forecasting the yuan to depreciate](#)

➔ Will India's RBI tighten policy?

We are in the consensus minority forecasting a rate hike at the June meeting next Wednesday. The emerging market central banks of Turkey, Indonesia, and the Philippines tightened policy recently as their currencies came under intense selling pressure from events around the world. The accelerated weakness of the rupee is likely to force the RBI on the same path.

It's still a close call as analysts' consensus remains tilted towards Reserve Bank of India's (RBI) on-hold policy. We believe RBI policymakers are coming to terms with the need to pre-empt inflation pressure, which will worsen with the weakening currency. And the earlier they move, the better it will be.

This is why we've brought forward our forecast timing of the first 25bp rate hike [to June from August](#). Absent any policy support forthcoming, we will review our end-2018 USD/INR forecast of 68.3 for another upward revision.

[Weak Indian rupee to push RBI to tighten next week](#)

➔ Any inflation relief in Indonesia or the Philippines?

Not much based on our house forecasts. The double-whammy of higher oil prices and weak currencies will keep inflation elevated in both these economies. We think recent policy rate hikes by respective central banks are just the beginning of the tightening cycle.

Our economist [Joey Cuyegkeng](#) now forecasts additional 50bp policy rate hikes by both the central banks in the rest of the year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 1 June					
China	0245	May Caixin Manufacturing PMI	51.3	51.2	51.1
India	0600	May Nikkei Manufacturing PMI	51.3	-	51.6
Taiwan	0130	May Nikkei Manufacturing PMI	53.5	-	54.8
Thailand	0430	May CPI (YoY%)	1	1.3	1.07
	0430	May Core-CPI (YoY%)	0.6	0.69	0.64
South Korea	0000	1Q F GDP (QoQ/YoY%)	1.1/2.8	1.1/2.8	1.1/2.8
	0000	May CPI (MoM/YoY%)	-1.8	0.2/1.7	0.1/1.6
	0100	May Exports (YoY%)	9.2	10.5	-1.5
	0100	May Imports (YoY%)	13.9	10	14.5
	0100	May Trade balance (US\$m)	4345	6600	6609
	0130	May Nikkei Manufacturing PMI	48.3	-	48.4
Monday 4 June					
Indonesia	0500	May CPI core (YoY%)	-	-	2.69
	0500	May CPI (YoY%)	3.3	-	3.41
Singapore	1400	May Purchasing Managers Index	53.1	-	52.9
South Korea	2300	Apr Current A/c Balance (US\$m)	5050	-	5180.4
Malaysia	0030	Apr Nikkei manufacturing PMI	48.3	-	48.6
Tuesday 5 June					
India	0600	May Nikkei Services PMI	-	-	51.4
	-	1Q Current account balance (Q) (US\$bn)	-	-12.75	-13.465
Hong Kong	0130	May Nikkei PMI	-	-	49.1
Malaysia	0500	Apr Trade balance (RM bn)	8.5	-	14.69
	0500	Apr Imports (YoY%)	4	-	-9.64
	0500	Apr Exports (YoY%)	3.3	-	2.23
Philippines	0200	May CPI (YoY%)	4.7	-	4.5
Taiwan	0900	May CPI (YoY%)	1.5	-	1.98
	0900	May WPI (YoY%)	3.8	-	2.53
Wednesday 6 June					
India	1000	Jun 6 RBI policy decision (repo rate, %)	6.25	6	6
Thursday 7 June					
China	-	May Forex Reserves (US\$bn)	3106	-	3124.85
Hong Kong	-	May Forex Reserves (US\$bn)	-	-	434.4
Malaysia	0800	May 31 Forex reserves- Month end (US\$bn)	-	-	109.4
Philippines	-	May Forex reserves (US\$bn)	-	-	79608.8
Friday 8 June					
China	-	Mar Trade Balance (US\$bn)	32.3	-	28.382
	-	Mar Exports (YoY%)	16	-	12.7
	-	May Imports (YoY%)	26	-	21.5
Philippines	0200	Apr Exports (YoY%)	-5.1	-	-8.2
	0200	Apr Imports (YoY%)	11	-	0.1
	0200	Apr Trade balance (US\$m)	-2627	-	-2608
Taiwan	0900	May Exports (YoY%)	15.5	-	10
	0900	May Imports (YoY%)	11	-	4.9
	0900	May Trade balance (US\$bn)	5.2	-	4.15

Source: ING, Bloomberg

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