Week Ahead: 2nd-6th June 2025

Highlights include US NFP, ISM PMIs, ECB, BoC, EZ CPI, Canada Jobs, Swiss CPI and Aussie GDP

- **MON**: Swiss GDP (Q1), EZ/UK/US Final Manufacturing PMI (May), US ISM Manufacturing PMI (May)
- **TUE**: RBA Minutes, South Korean Election, South Korean CPI (May), Swiss CPI (May), EZ Flash CPI (May), US Durable Goods (Apr)
- **WED**: BoC Announcement, Australian GDP (Q1), EZ/UK/US Final Services and Composite PMI (May), ISM Services PMI (May)
- **THU**: ECB Announcement, Swiss Unemployment (May), Swedish CPIF (May), EZ PPI (Apr), Canadian Trade Balance (Apr)
- **FRI**: RBI Announcement, CBR Announcement, German Trade Balance (Apr), EZ GDP R (Q1), EZ Retail Sales (Apr), EZ Employment Final (Q1), US Jobs Report (Mar), Canadian Jobs Report (May)

US ISM MANUFACTURING PMI (MON): The consensus currently expects headline ISM manufacturing to be unchanged at 48.7 in May (note: these expectations may change ahead of the data release). As a basis of comparison, S&P Global's flash US manufacturing PMI for May rose to a 3-month high of 52.3 from 50.2 in April; the output index also rose to a 3-month high, and back above the 50 mark which separates expansion and contraction (came in at 50.7 from 49.6). S&P Global said improved performances were driven by faster growth in new orders, with manufacturing inflows rising at the sharpest pace for 15 months. Manufacturing input inventories showed the largest increase on record as firms aimed to guard against tariff-related issues. Manufacturing output returned to growth after declines in March and April, though only slightly. Manufacturing input costs rose at the sharpest rate since August 2022, while export declines eased from April's steep fall. Manufacturers' selling prices increased sharply, posting the largest monthly rise since September 2022. Confidence about the outlook reached its highest level in three months, despite manufacturing jobs being cut for a second consecutive month.

RBA MINUTES (TUE): Minutes of the latest RBA confab will likely be dissected for more details, particularly after RBA Governor Bullock, at the post-meeting presser, revealed that the board discussed cutting by 25bps or 50bps. In terms of the decision itself, RBA cut the Cash Rate by 25bps to 3.85%, which was widely expected with money markets pricing in a 99.5% likelihood ahead of the announcement. RBA stated that inflation continues to moderate, the outlook remains uncertain and that maintaining low and stable inflation is the priority. RBA board judged that the risks to inflation have become more balanced and noted that uncertainty in the world economy has increased over the past three months and that volatility in financial markets rose sharply for a time. Furthermore, the board assessed that this move on rates will make monetary policy somewhat less restrictive, while it remains cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and supply. RBA also released its Quarterly Statement on Monetary Policy which noted that the escalation of global trade conflict is a key downside risk to the economy and that the global growth outlook was downgraded, while the central bank trimmed core domestic inflation forecasts and slightly raised its unemployment view. Oxford Economics noted that it views "rates as still being in slightly restrictive territory after this cut and expects to see two more rate cuts in the second half of 2025".

SOUTH KOREAN ELECTION (TUE): South Korea will conduct its presidential election on Tuesday to choose its new head of state following months of political instability that began with former President Yoon's botched martial law declaration in December which led to his arrest and impeachment. It also resulted in a period of three different acting Presidents over a six-month period. There are a total of six candidates although polling suggests it is essentially a two-horse race with only the two candidates from South Korea's two major political parties having a realistic chance of winning. The opposition Democratic Party of Korea's Lee Jae-myung is the clear front-runner who is ahead across opinion polls followed by the ruling People Power Party's candidate Kim Moon-soo. The DPK's Lee previously ran for election in 2022 but narrowly lost against the since-ousted former President Yoon and is seen by supporters as a working-class hero. He had previously worked in a factory prior to becoming a human rights lawyer, he is also a politician serving in the National Assembly, as well as the leader of the DPK party and was previously the Governor of Gyeonggi Province from 2018 to 2021. Lee recently said that an extra budget will be needed to boost the economy in the short term and that a deadline on tariff talks with the US should be reconsidered, while he also stated that heightened military tensions with North Korea are burdening South Korea's economy. Furthermore, Lee has pledged to restore the hotline between North Korea and South Korea, as well as noted that there is no need to antagonise China or Russia. He had also previously criticised former President Yoon for being overly friendly towards the US and for showing blatant hostility against China and North Korea. Conversely, the incumbent PPP's Kim Moon-soo is the status quo candidate who recently served as the Labour Minister and was also a former Governor of Gyeonggi Province during 2006-2014, while Kim has vowed to create a business-friendly environment and said he may consider nuclear armament if possible as part of a US alliance, although has trailed behind DPK candidate Lee across opinion polls with a recent Realmeter survey showing support for the DP's Lee at 49.2% vs 36.8% for Kim.

SWISS CPI (TUE): There is currently no newswire consensus for the May figure. April's headline came in shy of market consensus at 0.0% Y/Y, and cooler than the SNB's Q2 average forecast of 0.2% Y/Y. A figure which, at the time, significantly increased the odds of a 25bps cut in June to 0.00% and saw a slight chance of a 50bps cut into negative territory implied. Since, Chairman Schlegel has spoken a significant and somewhat unusually large amount of times for the SNB, remarks which have focussed primarily on currency manipulation. On the subject of inflation, Schlegel said negative inflation cannot be ruled out in the coming months, but made the point that the focus is not on the current inflation level but instead on mid-term price stability. Remarks which potentially imply the SNB has some scope to look through cooler-than-expected inflation, i.e. somewhat diminishing the odds of a cut into negative territory, though a 25bps cut to the Zero-Lower-Bound (ZLB) in June looks all-but-certain at this stage. Overall, a figure significantly below the SNB's 0.2% Y/Y Q2 average, particularly if it is in negative territory, increases the odds of the SNB moving from the current 0.25% policy rate straight into negative rates.

EZ FLASH CPI (TUE): Data from member nations thus far includes an as-expected cooling of the Italian harmonized Y/Y figure to 1.9%. Spain also eased to 1.9%, slightly cooler than forecast. France's inflation also eased more than forecast to 0.7% while Germany unexpectedly remained at the prior rate of 2.1%; while unexpected vs newswire consensus, the German outturn matched the skew from state CPIs. For the EZ, the headline Y/Y is seen moderating to 2.0% (prev. 2.2%) with the super core expected to tick down to 2.5% (prev. 2.7%); note, that some desks had expected the super-core to remain sticky at prior levels, but this was before the marked moderation seen in Spain's core figure though perhaps offset by the stickiness seen in the German equivalent. The ECB meeting begins the day after HICP prints (decision on Thursday), into which the base case is very much for a 25bps cut. As such, while the May figure is of course important it is unlikely to have any real sway on the announcement in June. However, the trajectory and timing of cuts post-June is less clear, details on that will be keenly sought during the ECB, a point that the inflation figure may have some influence on.

BOC ANNOUNCEMENT (WED): The upcoming meeting is a statement-only affair with a follow-up press conference with Governor Macklem, there will be no update to the MPR. In between the prior BoC meeting and the upcoming meeting, money market expectations have fluctuated in response to recent data. As it stands, money markets are only pricing in 5bps of easing. Before the recent hot inflation data, a 25bps cut was priced with a 60% probability, but since the hotter-than-expected inflation report, this is no longer the case and a hold is priced as the more likely scenario (80% probability of a hold), which was also bolstered after strong Q1 GDP in Canada. At the prior meeting, the BoC left rates on hold and continued to provide no guidance due to the uncertainties ahead. However, Governor Macklem did note they are prepared to act decisively if incoming information points clearly in one direction. It is also worth noting that the Minutes of the meeting found that the council was split on whether to cut or hold. Those who favoured a cut cited near-term inflation risks and signs that the economy was weakening. Looking ahead, money markets are pricing in 35bps of easing throughout the year - this fully prices one more rate cut from the BoC, with a 52% probability of a second.

US ISM SERVICES PMI (WED) : The consensus currently sees the headline ISM Services PMI ticking up to 52.0 from 51.6. In terms of a comparison, the S&P Global Services PMI in May rose to 52.3 from 50.8, a two-month high. The S&P Global report noted that "Export orders continued to fall, dropping especially sharply for services, supply chain delays intensified, and prices charged for goods and services surged to an extent not seen since August 2022, overwhelmingly linked to tariffs". In terms of demand, growth for services was the strongest since March, primarily fueled by domestic demand, but exports of both goods and services fell for the second consecutive month, with trade policy widely linked to falling foreign sales of both goods and services. Exports of services fell at the sharpest rate since the early 2020 lockdowns, and excluding the pandemic, saw the sharpest fall since late 2014. Looking ahead, confidence about the outlook rose to a four-month high in services. In terms of prices, average prices for both goods and services rose at a rate not seen since August 2022, when pandemic-related shortages caused widespread price inflation. Charges levied for services rose to the greatest extent since April 2023. On employment, service sector payrolls were trimmed for the second time in four months.

AUSTRALIAN GDP (WED): There are currently no expectations for Australian GDP growth. In terms of the most recent RBA, the central bank cut the Cash Rate by 25bps to 3.85%, which was widely expected with money markets pricing in a 99.5% likelihood of a move ahead of the announcement. RBA stated that inflation continues to moderate, the outlook remains uncertain and that maintaining low and stable inflation is the priority. Furthermore, the board assessed that this move on rates will make monetary policy somewhat less restrictive, while it remains cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and supply. RBA also released its Quarterly Statement on Monetary Policy which noted that the escalation of global trade conflict is a key downside risk to the economy and that the global growth outlook was downgraded, while the central bank trimmed core domestic inflation forecasts and slightly raised its unemployment view. Analysts at HSBC, in a note dated mid-May, forecasted a "modest negative growth impact" in Australia and suggested that the market shocks are likely slightly disinflationary for the country.

ECB POLICY ANNOUNCEMENT (THU): Consensus looks for the ECB to cut rates by 25bps with markets assigning a 95% chance of such an outcome. As a reminder, the prior meeting saw policymakers pull the trigger on another 25bps rate cut, taking the Deposit Rate to 2.25%; a level which saw the central bank omit the reference to rates being viewed as restrictive. Within the statement, one of the main takeaways was that the Eurozone growth outlook deteriorated owing to rising trade tensions. Since then, whilst there has been an easing of tensions between the US and China, which led to an improvement in the global trade outlook, a deal between the EU and the US remains elusive. The lack of progress prompted US President Trump to recommend a 50% tariff on the EU as of June 1st. This threat has since been pushed back to July 9th and the EU is increasing efforts to get an agreement. However, large gaps between the two sides remain. From a data perspective, flash CPI metrics for the Eurozone will not be released until Tuesday. However, in recent remarks, Chief Economist Lane is confident that the Bank's task to bring inflation back to 2% is "mostly completed". On the growth front, PMI data for May showed an improvement in the manufacturing sector and a deterioration in services with both metrics still in contractionary territory. The accompanying release noted "the eurozone economy just cannot seem to find its footing". Assuming the ECB cuts by 25bps next week, the focus will be on any clues as to what comes thereafter given the apparent split of views on the GC. The accounts of the ECB meeting (albeit when trade tensions were higher) showed that some members would have been comfortable with a 50bps reduction, whilst those at the hawkish end of the spectrum, such as Austria's Holzmann, think the Bank should pause until April. Currently, markets see a total of 54bps of loosening by year-end (including the expected June cut). For the accompanying macro projections, Rabobank expects growth to be revised down a touch for both 2025 and 2026 while the inflation view is likely to be trimmed for 2025 to 2.0% (Mar. 2.3%) but increased for 2026 to 2.3% (Mar. 2.0%).

SWEDISH CPIF (THU): There is currently no newswire consensus for Sweden's CPIF figures on Thursday, but Danske Bank predicts that the headline will remain unchanged from the prior reading of 0.2% M/M & 2.3% Y/Y. As for the core figure, the bank sees M/M cooling to 0.1% (prev. 0.5%) and Y/Y cooling to 2.4% (prev. 3.1%). To recap April's report; CPIF remained steady at 2.3% whilst the core figure saw a slight uptick, thanks to rising travel prices. Following this, with inflation remaining elevated and the uncertain economic environment, the Riksbank opted to keep rates steady at 2.25%. Policymakers highlighted that "it is somewhat more probable that inflation will be lower than that it will be higher than in the March forecast. This could suggest a slight easing of monetary policy going forward" – but the Bank remained cautious by noting the "impact on inflation is more difficult to assess". SEB suggests that barring any surprises, they see the Riksbank delivering a 25bps cut at the next meeting (June); markets currently price in a 40% chance of such a move, so this will be a very important report for policymakers.

RBI ANNOUNCEMENT (FRI): The RBI will hold its 3-day policy meeting next week where there are expectations for the central bank to lower rates again by 25bps to reduce the Repurchase Rate to 5.75% from the current 6.00% level. As a reminder, the RBI cut its main rates by 25bps as widely expected at the last meeting in April with the decision made unanimously and it also shifted its policy stance to accommodative from neutral. Meanwhile, Governor Malhotra said during the policy address that the accommodative stance signals the intended direction of policy rates going forward and that going forward, absent any shocks, the Monetary Policy Committee will only consider the status quo, and a rate cut. Furthermore, he stated that tariff measures have exacerbated uncertainties with some trade frictions coming through and unsettling the global community, as well as noted that higher tariffs will have an impact on net exports and the dent on global growth due to trade frictions will impede domestic growth. As such, the MPC's accommodative stance and ongoing trade uncertainty support the case for the RBI to continue cutting rates, while the recent softening of inflation data also provides further scope for the RBI to continue loosening its policy as CPI in April printed 3.16% vs. Exp. 3.27% (Prev. 3.34%) to remain below the central bank's 4% target but within the 2-6% flexible band.

US JOBS REPORT (FRI): The consensus currently expects 130k nonfarm payrolls to be added to the US economy in May (vs 177k in April; the 3-month average currently stands at 155k, 6-month at 193k, and the 12-month at 157k). The unemployment rate is seen unchanged at 4.2% (note: the Fed's March projections forecast unemployment would rise to 4.4% this year). Average hourly earnings are expected to rise by +0.3% M/M, picking up in pace from the +0.2% M/M reported in April. Analysts will be watching the Federal job loss figures, which many think will tick up as severance periods end. Weekly jobless claims data that coincides with the BLS survey window for the jobs report showed initial claims at 226k (vs 216k in the April survey window), and continuing claims at 1.919mln (vs 1.833mln in the April window). The Conference Board's monthly consumer confidence data showed views of the labour market weakening in May, though the outlook for the labour market was less negative. Additionally, consumers' outlook for their income prospects turned positive in May, CB said. In terms of the Fed's balance between still above-target inflation, and a "solid" labour market, the recent FOMC meeting minutes noted that risks of higher inflation and higher unemployment have risen recently, and officials saw risks of the labour market weakening in the coming months, and said that it could face difficult trade-offs if inflation persists while the labour market weakens.

CANADIAN JOBS REPORT (FRI): Participants will be watching the labour market report to see whether or not Trump's tariffs are having an impact on the labour market. In between the prior BoC meeting and the upcoming meeting, money market expectations have fluctuated in response to recent data. As it stands, money markets are only pricing in 5bps of easing. Before the recent hot inflation data, a 25bps cut was priced with a 60% probability, but since the hotter-than-expected inflation report, this is no longer the case and a hold is priced as the more likely scenario (80% probability of a hold), which was also bolstered after strong Q1 GDP in Canada. Given this jobs report takes place after Wednesday's BoC rate decision, it will likely shape expectations for the July meeting, where 16bps of easing is priced, implying a 64% probability of a cut.