Scotiabank

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

June 2, 2023

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With thanks for research support from: Jaykumar Parmar.

Next Week's Risk Dashboard

- **June FOMC is still 'live'**
- **The BoC needs to hike…**
- **…as its conditions have been violated**
- **Canadian jobs, wages and productivity**
- **Treasury to replenish cash account**
- **RBA decision resembles the BoC's**
- **RBI to hold, forward guidance key**
- **BCRP likely to extend hold**
- **Global inflation updates**
- **China's nonexistent inflation**
- **Other global indicators**

Macklem's Chance to Prove He's Serious

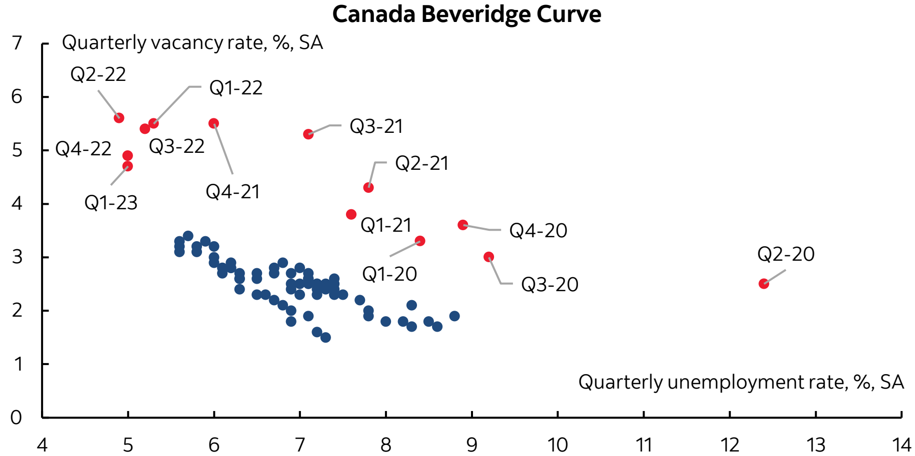
- Introduction 2
- Bank of Canada—The Conditions Have Been Violated 2–4
- Canadian Jobs—More Bodies & Hours, Less Productivity 4–5
- Other Central Banks—The Three Rs 5–6
- RBA—Sounds Familiar! 5
- RBI—Watch Guidance 5
- Peru—Soft Core CPI Should Extend the Pause 6
- Global Macro—An Otherwise Light Week 6

FORECASTS & DATA

- Key Indicators A1–A3
- Global Auctions Calendar A4
- Events Calendar A5
- Global Central Bank Watch A6

Chart of the Week

Canada Beveridge Curve



Sources: Scotiabank Economics, Statistics Canada.

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

Macklem's Chance to Prove He's Serious

A key issue overhanging global financial markets is whether the Federal Reserve is done hiking the fed funds policy rate. As the FOMC goes into communications blackout, we are unlikely to receive any further guidance from key Federal Reserve officials on what to expect into the June 14th decision unless they do so via preferred media outlets during blackout which they have done in the past. The likely silence will keep markets in limbo after a strong payrolls report that keeps the door open to further tightening. The next test may be US CPI on day 1 of the two-day June FOMC meeting.

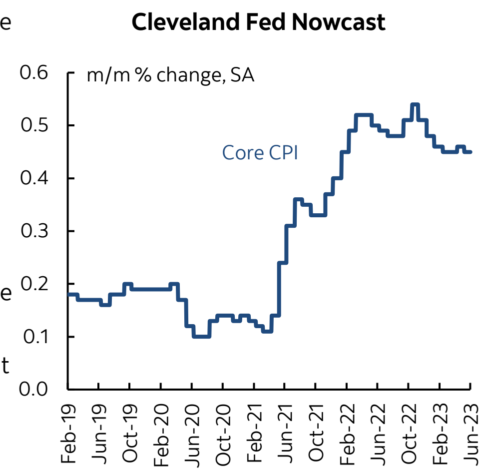
The core case for the Fed to be done hangs on interpretations of Fed-speak starting with Chair Powell's May 19th remarks and culminating in this past week's comments by other officials. Some have taken the suite of those remarks—and particularly the Chair's—as a clear sign they will pause in June. That may be applying too much literary licence to what they actually said.

Recall that on the 19th, Powell said the following:

> "Having come this far, we can afford to look at the data and the evolving outlook to make careful assessments."

He also noted that no decision had been made about the June meeting's outcome and that they will take decisions one at a time depending upon the evolution of data and events like the debt ceiling agreement's passage since those remarks were offered. What I heard the Fed chair say is quite literally that they will "look at the data" which to me sounds more like a shift away from providing explicit advance guidance that they will definitely hike toward taking it one meeting at a time. After getting another very strong payrolls report (**here**), it's now onto core CPI.

Chart 1



Sources: Scotiabank Economics, Cleveland Fed.

On that note, the Cleveland Fed's core CPI 'nowcast' is leaning toward another hot print for May of about 0.5% m/m SA (chart 1). Should core CPI turn in a hot performance then it may be difficult for the FOMC to resist another hike. Also bear in mind that when Chair Powell spoke he was concerned about political developments around the debt ceiling and the risk of market dysfunction that has now been swept aside by the highly predictable passage of the agreement in both chambers of Congress.

Markets also took comments from Governor—soon to be Vice Chair—Jefferson as supportive of a June pause. Funny, but here too what I heard him say doesn't match the market narrative. Jefferson said:

> "A decision to hold our policy rate constant at a coming meeting should not be interpreted to mean that we have reached the peak rate for this cycle."

Note the difference between signalling a potential pause "at a coming meeting" versus, say, "at the next meeting" or "soon" which would have been a June pause signal consistent with language they've tended to use to communicate a greater sense of urgency.

This coming week will offer plenty of time for markets to consider these matters absent much by way of US calendar-based developments. For that matter, we can say the same about much of the world with the exception of the week's strong focus upon Canada.

BANK OF CANADA—THE CONDITIONS HAVE BEEN VIOLATED

The Bank of Canada delivers a policy rate decision on Wednesday that will be delivered via a statement sans either forecasts or press conference. This will be followed the next day by outgoing Deputy Governor Beaudry's turn to deliver the customary economic progress report that usually follows non-MPR meetings. Beaudry will leave the BoC at the end of July and so this will be his second last policy round of involvement in the decision-making process.

Scotia Economics expects a 25bps rate hike at this meeting accompanied by continued guidance that leaves the door open to further tightening by largely retaining something either identical or very similar to the final paragraph's guidance in recent statements that has said:

> "Governing Council continues to assess whether monetary policy is sufficiently restrictive to relieve price pressures and remains prepared to raise the policy rate further if needed to return inflation to the 2% target."

If the BoC does not hike this week, then the effect of hawkish guidance on the front-end of the Canada rates curve is likely to be tantamount to a hike as an imperfect substitute toward buying time into July.

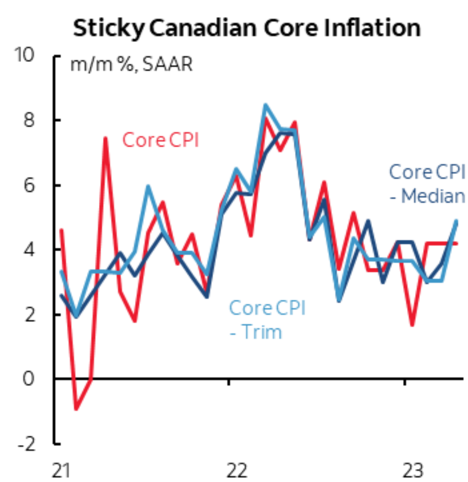
To a degree it has been mission accomplished with my view on Canadian shorter-term borrowing costs over recent months. The two-year Government of Canada bond yield had sunk to about 3.4% in March when aggressive rate cuts were being priced for this year starting by now but has since risen to about 4.3% now. Guidance against policy easing in favour of a hike bias throughout this period has driven excess returns if adhered to. Guidance in favour of pricing significant probability of a rate hike(s) by June/July has also generally worked out; June OIS pricing has swung from pricing a large cut by this coming meeting back in March to a decent shot at a hike while July OIS pricing has swung from large cumulative cuts priced in March toward about a full quarter point hike priced now. All of the rest of consensus throughout this period of time was in disbelief toward the prospects of renewed rate hikes until very recently and starting around mid-May.

The BoC has been fairly clear that its conditional hold since January relied upon developments conforming to its expectations. That clearly has not been the case.

GDP growth: The 3.1% surprise in Q1 exceeded the BoC's 2.3% forecast (**here**) and the early read on the Scotia Economics 'nowcast' for Q2 GDP growth is pointing toward 2 ½% versus the BoC's forecast for 1% Q2 growth. This indicates that the economy continues to push further into excess demand conditions in contrast to the BoC's forecast for a return toward potential growth over H1 or lower. What's more is that the details to the growth figures continue to point toward robust growth in consumer spending—including the most interest-sensitive types—and against fears that higher rates would take down spending. The BoC may have to revise its growth forecasts higher for the full year.

Inflation: Strong H1 growth will only amplify Governor Macklem's concerns about the next leg toward the 2% inflation target being harder to achieve than the first moves. As chart 2 demonstrates, the correct way to look at core inflation as the operational guide to achieving 2% headline inflation is on a month-over-month annualized and seasonally adjusted basis. All of the main measures are running at 4%+ as they jumped higher in April which is not something the BoC can afford to ignore. The only period of marked improvement was over 2022H1 and since then these measures have been moving sideways at remarkably sticky rates notwithstanding the fact it has already been ~20 months since bond market tightening began in earnest and in anticipation of policy rate hikes.

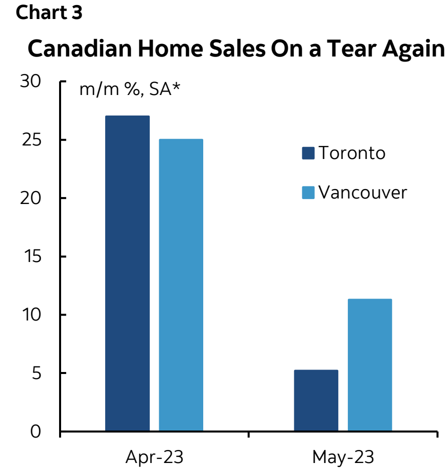
Chart 2



Sources: Scotiabank Economics, Haver.

Housing: The BoC would not hike for housing alone and is principally focused upon its 2% inflation target. That doesn't mean that it wouldn't consider a stronger case for hiking due to housing market developments. Macklem guided in April that the BoC expected a rebound in housing in the second half of the year, yet, as chart 3 vividly depicts, that is already happening. Housing matters in that if it were to feed stronger housing investment with spillover effects upon consumption then it could drive a more resilient economy and further thwart the desired push toward opening up disinflationary slack in the economy. Housing also matters from the standpoint of driving stability concerns. With commercial and industrial real estate conditions on robust terms, a pressured office market is a relatively small consideration against the emerging rebound of residential real estate. The stability risks of allowing this to get out of hand once more outweigh the downside risks that an over-leveraged minority tail of households pose to the outlook. In my opinion, the BoC has played a role in past bouts of runaway gains in house prices with rates that were too low for too long and it is very much within its scope of influence to do something about it in the context of its overall inflation forecasting framework. It cannot count upon other policy levers to do so since, to be totally candid, the country's policymakers get an 'F' for consistently applying excess stimulus to housing demand while paying short shrift to the supply side of the picture. Any further delay in raising the policy rate would only fan housing imbalances to a greater degree and the BoC would be allowing one of the most interest-sensitive sectors that used to be a drag on growth return as a significant driver of growth and with that inflationary pressures.

Chart 3



*Scotiabank Economics seasonally adjusted.
Sources: Scotiabank Economics, TRREB, REBGV.

What is clear is that the BoC faces no need to have to set up a hike this week. It has already done so in spades while making it clear that if its conditions are violated then it stands prepared to return with additional hikes. Macklem has warned that they considered a hike in April and we've since taken down more hawkish developments at home and abroad (eg. debt ceiling, regional banks). He has warned that they are concerned about the next leg down to 2% being a tougher battle. He has warned they are more concerned about upside risks to inflation than downside risks. He has delivered such messages on multiple occasions including his April press conference, his IMF media roundtable, his two rounds of testimony to parliamentary committees with SDG Rogers and in various media appearances. If markets haven't gotten the memo by now, then another month spent hammering away at the same themes won't matter. This is also why the decision does not need to be delivered by the Governor himself since he has basically already primed the path in advance.

Nevertheless, time is very much of the essence here. With each passing month that households, businesses and governments bear witness to out of control inflation, strong job markets, strong housing markets and a robust economy, faith in the BoC's ability to control inflation expectations will suffer and they may never be able to get inflation under control. Decisive action should have already been delivered, but further delay until July only to disappear for August holidays would lose precious time to send a concrete message.

In my view, the greatest risk to the economy, to inflation, and to the stability of the financial system would be a BoC that turned a blind eye to these developments instead of hiking this week and teeing up a bias toward another.

CANADIAN JOBS—MORE BODIES & HOURS, LESS PRODUCTIVITY

Canada updates jobs and wages for May on Friday and productivity figures for Q1 two days before. The estimates I've gone with imply continued resilience amid labour-driven cost pressures in part owing to poor productivity performance.

None of the releases will impact the Bank of Canada's decision on Wednesday morning. The statement is ready to send before the official release of the productivity figures and the BoC would have a decent idea of what to expect for a reading that is only a part of the picture, while the jobs figures arrive two days later and the BoC would be agnostic toward the uncertainty around a single print. If anything, this round of job figures and the next one on July 7th could be influential to the July 12th BoC decision and the accompanying updated projections.

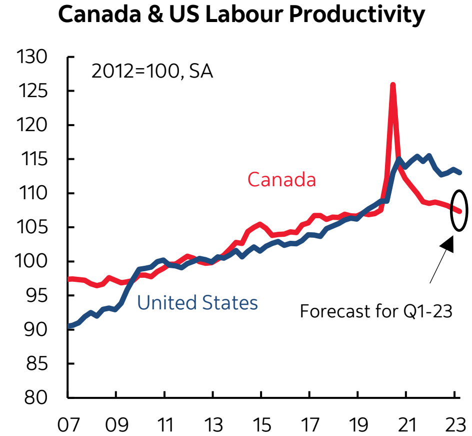
Productivity probably fell again in Q1 with an estimated drop of 0.4% q/q, or 1.8% q/q annualized. This decline is expected despite strong GDP growth of 3.1% during the first quarter because hours worked increased by more than GDP. Hours were up by 1.2% q/q SA, or 5% q/q at an annualized rate. To achieve higher output, the Canadian economy relied upon working more hours to counter an ongoing productivity challenge (chart 4).

In fact, that Canadian employers routinely rely upon hiring more workers to achieve higher output versus more emphasis upon productivity is illustrated in chart 5. Okun's 'law' is no law per se but this shows the correlations between employment growth and GDP growth.

I've guesstimated ongoing resilience in the job market with another 25k employment gain and a fairly stable unemployment rate of 5% as labour force expansion offsets job growth. Using US measurement principles that would equate to about a 4.2% unemployment rate versus the 3.7% US rate. Given confidence bands around the noise it's feasible that the unemployment rates are virtually identical in the two countries, yet Canada's natural rate of unemployment is commonly estimated to be higher than the US. As such, there is a tighter labour market north of the border than to the south at least as measured by unemployment rate spreads to OECD natural rate estimates.

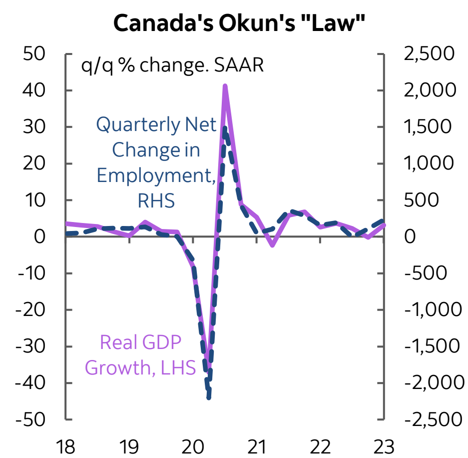
One reason for expecting continued resilience is that job vacancies remain very high at about 800,000 (chart 6). That's off the peak of over 1 million about a year ago, but it is still hundreds of

Chart 4



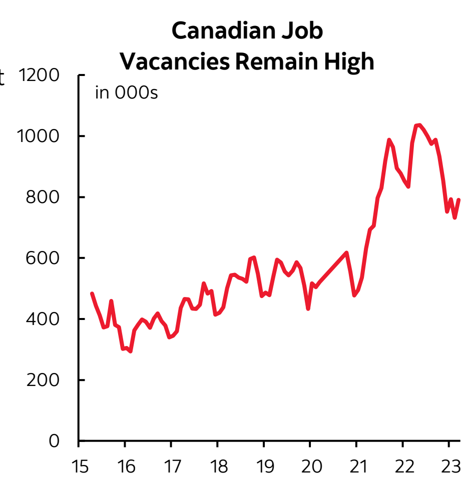
Sources: Scotiabank Economics, BLS, Statistics Canada.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

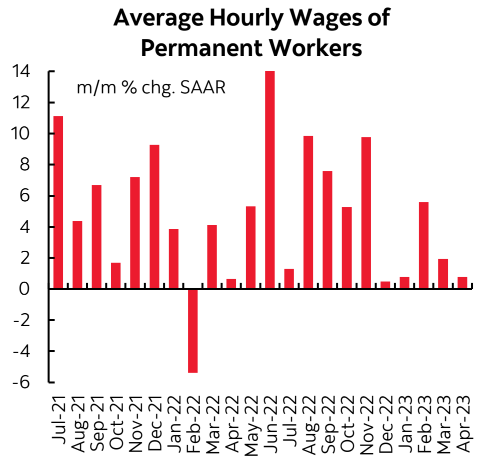
thousands higher than pre-pandemic levels. Another reason is that May can bring out increased hiring for youths in the summer job market that seems weaker than last year's but still vastly stronger than pre-pandemic levels (here).

Given some evidence of cooling wage growth, this week's fresh evidence could further inform a trend, or reset the narrative a touch. Year-over-year wage gains have been steady at around 5%, but the month-over-month gains have stalled out of late after applying standard seasonal adjustments (chart 7). Wage growth after taking account of weak productivity is probably continuing to put upward pressure upon unit labour costs that began to accelerate before the pandemic and then picked up even more over the past couple of years (chart 8). Inflation connections to the job market need to consider both the wage and productivity trends.

One issue is whether collective bargaining agreements could soon begin to show up in the wage figures, albeit the reliance upon self-reporting given that the Labour Force Survey is a consumer survey. The month of May saw faster wage gains for about 150k Federal civil servants after a strike. Airlines have also contributed to this picture including a 15.5% hourly pay hike for WestJet pilots retroactive to January 1st as well as a decision by Air Canada's pilots to withdraw from their agreement by September and pursue more aggressive wage demands over the summer as a reflection of a global shortage of pilots and planes. Universities have been among other unionized sectors seeking wage gains (examples here).

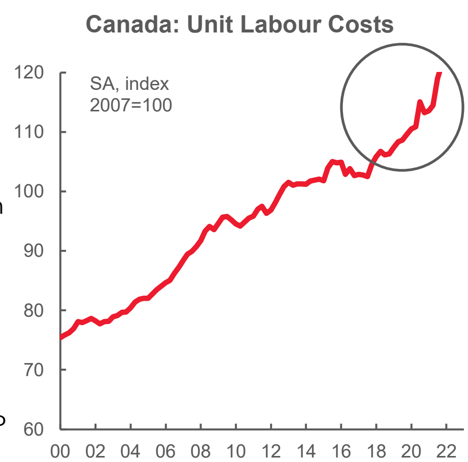
Finally, we also need to have a close look at hours worked. Current tracking is pointing toward a Q2 gain of over 2½% on a q/q SAAR basis (chart 9). May data will further inform this tracking. This matters as a guide to tracking GDP growth in Q2 since GDP is an identity defined as hours times labour productivity. If hours worked post significant growth, then this could support resilient economic growth in Q2 after Q1 GDP beat expectations with a 3.1% q/q SAAR surge—as long as productivity doesn't go pear-shaped in Q2.

Chart 7



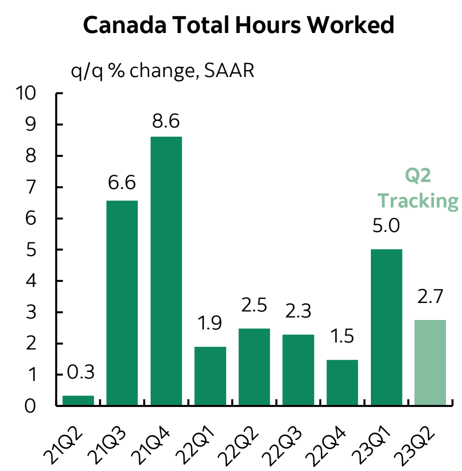
Sources: Scotiabank Economics, Statistics Canada

Chart 8



Sources: Scotiabank Economics, Bloomberg.

Chart 9



Sources: Scotiabank Economics, Statistics Canada.

Further on this count is that Patrick Perrier's nowcast model of Canadian GDP growth is tracking an early gain of about 2½% in Q2. After Q1 growth of 3.1% that beat the BoC's 2.3% April MPR forecast by a significant margin, it may be that the BoC has to upgrade its Q2 projection for 1% growth.

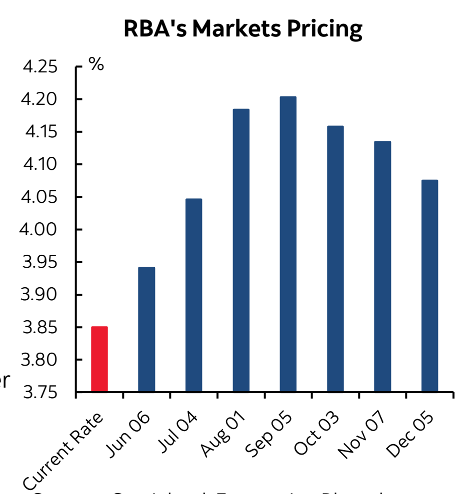
OTHER CENTRAL BANKS—THE THREE RS

Three other central bank decisions could spice things up a bit albeit potentially in difference directions to one another in some of their cases.

RBA—Sounds Familiar!

The Reserve Bank of Australia faces a similar set of market and consensus expectations as the Bank of Canada faces. There is a significant market probability attached to a hike on Tuesday with about one-third of consensus expecting a 25bps move. Minutes to the prior meeting indicated that the pause in April could have driven currency weakness and higher home prices and sounded hawkish toward the possibility of further rate hikes. Then CPI surprised higher with a rise of 6.8% y/y in April from 6.3% (consensus 6.4%) and yet underlying inflation was a bit softer while jobs were flat in April (-4.3k). Q1 GDP arrives not long after the decision. See chart 10 for future market pricing of the RBA policy rate.

Chart 10



Sources: Scotiabank Economics, Bloomberg.

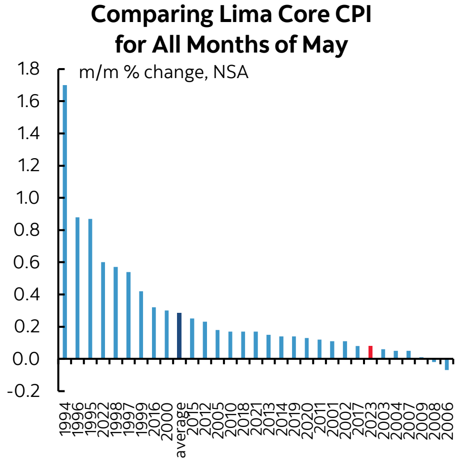
RBI—Watch Guidance

Notwithstanding the Reserve Bank of India's pattern of offering surprises in the past, consensus expects India's central bank to stand pat with an unchanged repurchase rate of 6.5% on Thursday. Whether it wipes out hawkish guidance with something more balanced and neutral may inform future policy rate pricing.

Peru—Soft Core CPI Should Extend the Pause

Banco Central de Reserva del Peru is expected to hold its reference rate unchanged at 7.75% again on Thursday evening (ET). As elsewhere, the focus may be upon forward guidance particularly as CPI landed on the screws at 0.3% m/m and 7.9% y/y but with core inflation dropping a half percentage point to 5.1% y/y in May and with the month-over-month seasonally unadjusted core CPI measure abnormally soft for a month of May (chart 11).

Chart 11

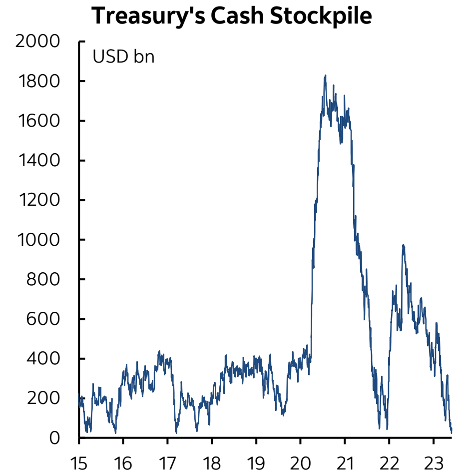


Sources: Scotiabank Economics, Bloomberg.

GLOBAL MACRO—AN OTHERWISE LIGHT WEEK

The rest of the global line-up should make for a relatively light line-up of calendar-based risks just as most of the off-calendar risk has dissipated, such as the passage of the debt ceiling agreement in the US and the stabilization of regional banking challenges. The focus now turns to the aftermath in terms of replenishing the Treasury General Account at the Federal Reserve that during the debt freeze sank toward the lowest points in years (chart 12). The effects of shorter-term debt issuance to replenish these cash balances will likely drain banking system reserves in the US and pressure nearer-term liquidity on a transitory basis as on past such occasions.

Chart 12



Sources: Scotiabank Economics, Bloomberg.

Canada has enough to focus upon with the BoC, jobs, wages and productivity as already written. Fortunately, the rest of the domestic calendar will be very lightly populated by just trade figures for April (Wednesday) that may further inform Q2 GDP tracking, plus the Ivey PMI for May (Tuesday) that could inform supply chain pressures but is difficult to read because it combines all public and private purchasing managers into one composite.

The US line-up of releases will only include factory orders that should follow the 1.1% jump in durable goods higher (Monday). ISM-services will be the main release for the week (Monday), but what it says about hiring activity is less significant now in the wake of payrolls. The overall trade deficit will probably widen on Wednesday given that we already know this happened to the merchandise component in April. Initial jobless claims have been trending around the 230k range that remains constructive to ongoing job growth and Thursday's estimates falls outside of the nonfarm reference period anyway. The Fed's flow of funds accounts for the US economy in Q1 will include updates to various measures of household and business finances on Friday.

A wave of global inflation reports will be unleashed over the coming week. One may be impactful to global markets while the rest could impact local markets. Headline Chinese CPI inflation (Thursday night ET) is expected to remain near 0% y/y while core CPI is likely to continue to hover around ¾% y/y. Switzerland, Indonesia, Thailand and Philippines update on Monday followed by Taiwan on Tuesday, Colombia and Brazil on Wednesday, Mexico and Chile on Thursday and then Norway gets the final say on Friday.

Australian Q1 GDP is expected to post a sixth straight quarter of growth on Tuesday with trade figures for April out the next day.

China's private Caixin composite PMI arrives into the Monday morning Asian open and since it is more skewed toward smaller producers than the state's PMIs that are dominated by SOEs it may not necessarily follow the already known 1.5 drop in the state's composite PMI. China also updates trade figures for May around mid-week and may update credit and money supply figures this week or next.

BoJ watchers should keep an eye on real wages during April (Monday night ET) that may begin to reflect the effects of annual Spring wage negotiations that have been coming off the bottom from earlier in the year.

Europe's calendar will be mainly focused upon German trade (Monday), factory orders (Tuesday) and industrial output (Wednesday). French Q2 payrolls (Thursday) will strive to make it 10 in a row for quarterly job gains.

Brazilian PMIs (Monday), Mexican industrial output (Friday) and India's updated PMIs (Monday) round things out.

Key Indicators for the week of June 5 – 9

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	06-05	10:00	Durable Goods Orders (m/m)	Apr F	--	1.1	1.1
US	06-05	10:00	Durable Goods Orders ex. Trans. (m/m)	Apr F	--	-0.2	-0.2
US	06-05	10:00	Factory Orders (m/m)	Apr	0.9	0.8	0.4
US	06-05	10:00	ISM Non-Manufacturing Composite	May	52.0	52.5	51.9
CA	06-06	08:30	Building Permits (m/m)	Apr	--	--	11.3
US	06-07	07:00	MBA Mortgage Applications (w/w)	Jun 02	--	--	-3.7
CA	06-07	08:30	Merchandise Trade Balance (C$ bn)	Apr	--	--	1.0
CA	06-07	08:30	Productivity (q/q a.r.)	1Q	-0.4	--	-0.5
US	06-07	08:30	Trade Balance (US$ bn)	Apr	-74.4	-75.4	-64.2
CA	**06-07**	**10:00**	**BoC Interest Rate Announcement (%)**	**Jun 7**	**4.75**	**4.50**	**4.50**
US	06-07	15:00	Consumer Credit (US$ bn m/m)	Apr	--	22.0	26.5
MX	06-08	08:00	Bi-Weekly Core CPI (% change)	May 31	--	--	0.2
MX	06-08	08:00	Bi-Weekly CPI (% change)	May 31	--	--	-0.3
MX	06-08	08:00	Consumer Prices (m/m)	May	--	--	0.0
MX	06-08	08:00	Consumer Prices (y/y)	May	--	--	6.3
MX	06-08	08:00	Consumer Prices Core (m/m)	May	--	--	0.4
US	06-08	08:30	Initial Jobless Claims (000s)	Jun 03	230	237.5	232.0
US	06-08	08:30	Continuing Claims (000s)	May 27	1800	1808.0	1795.0
US	06-08	10:00	Wholesale Inventories (m/m)	Apr F	--	-0.2	-0.2
MX	06-09	08:00	Industrial Production (m/m)	Apr	--	--	-0.9
MX	06-09	08:00	Industrial Production (y/y)	Apr	--	--	1.6
CA	06-09	08:30	Capacity Utilization (%)	1Q	81.9	--	81.7
CA	06-09	08:30	Employment (000s m/m)	May	25	--	41.4
CA	06-09	08:30	Unemployment Rate (%)	May	5.0	--	5.0

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
IT	06-05	03:45	Services PMI	May	57.0	57.6
FR	06-05	03:50	Services PMI	May F	52.8	52.8
GE	06-05	03:55	Services PMI	May F	57.8	57.8
EC	06-05	04:00	Composite PMI	May F	53.3	53.3
EC	06-05	04:00	Services PMI	May F	55.9	55.9
UK	06-05	04:30	Official Reserves Changes (US$ bn)	May	--	545.0
UK	06-05	04:30	Services PMI	May F	55.1	55.1
EC	06-05	05:00	PPI (m/m)	Apr	-3.1	-1.6
GE	06-06	02:00	Factory Orders (m/m)	Apr	2.8	-10.7
SP	06-06	03:00	Industrial Output NSA (y/y)	Apr	--	5.3
UK	06-06	04:30	PMI Construction	May	50.9	51.1
EC	06-06	05:00	Retail Trade (m/m)	Apr	0.2	-1.2
GE	06-07	02:00	Industrial Production (m/m)	Apr	0.6	-3.4
FR	06-07	02:45	Current Account (€ bn)	Apr	--	1436.0
FR	06-07	02:45	Trade Balance (€ mn)	Apr	--	-8022.8
GR	06-07	05:00	Real GDP NSA (y/y)	1Q	--	4.5
EC	06-08	05:00	Employment (q/q)	1Q F	--	0.6
EC	06-08	05:00	GDP (q/q)	1Q F	0.0	0.1
IT	06-09	04:00	Industrial Production (m/m)	Apr	0.2	-0.6
RU	06-09	06:30	One-Week Auction Rate (%)	Jun 9	7.50	7.50

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of June 5 – 9

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
SI	06-03	09:00	Purchasing Managers Index	May	--	49.7
HK	06-04	20:30	Purchasing Managers Index	May	--	52.4
AU	06-04	21:30	ANZ Job Advertisements (m/m)	May	--	-0.3
CH	06-04	21:45	Caixin Services PMI	May	55.2	56.4
ID	06-05	00:00	CPI (y/y)	May	4.2	4.3
ID	06-05	00:00	CPI (m/m)	May	0.3	0.3
ID	06-05	00:00	Core CPI (y/y)	May	2.8	2.8
SI	06-05	01:00	Retail Sales (m/m)	Apr	--	2.2
SI	06-05	01:00	Retail Sales (y/y)	Apr	--	4.5
JN	06-05	19:30	Household Spending (y/y)	Apr	-2.2	-1.9
PH	06-05	21:00	CPI (y/y)	May	6.1	6.6
AU	06-05	21:30	Current Account (AUD bn)	1Q	15.0	14114.0
AU	06-05	21:30	Australia Net Exports of GDP	1Q	-0.5	1.1
TH	06-05	23:30	CPI (y/y)	May	1.6	2.7
TH	06-05	23:30	CPI (m/m)	May	0.2	0.2
TH	06-05	23:30	Core CPI (y/y)	May	1.6	1.7
AU	**06-06**	**00:30**	**RBA Cash Target Rate (%)**	**Jun 6**	**3.9**	**3.85**
TA	06-06	04:00	CPI (y/y)	May	2.4	2.4
CH	06-06	21:00	Foreign Reserves (US$ bn)	May	3188.0	3204.8
CH	06-06	21:00	Exports (y/y)	May	-2.0	8.5
CH	06-06	21:00	Imports (y/y)	May	-8.0	-7.9
CH	06-06	21:00	Trade Balance (USD bn)	May	94.2	90.2
AU	06-06	21:30	GDP (q/q)	1Q	0.3	0.5
AU	06-06	21:30	GDP (y/y)	1Q	2.4	2.7
JN	06-07	01:00	Coincident Index CI	Apr P	99.0	98.8
JN	06-07	01:00	Leading Index CI	Apr P	98.2	97.7
JN	06-07	01:00	New Composite Leading Economic Index	Apr P	98.2	97.7
AU	06-07	02:30	Foreign Reserves (AUD bn)	May	--	92.4
TA	06-07	04:00	Exports (y/y)	May	-12.5	-13.3
TA	06-07	04:00	Imports (y/y)	May	--	-20.2
TA	06-07	04:00	Trade Balance (US$ bn)	May	--	6.7
SI	06-07	05:00	Foreign Reserves (US$ mn)	May	--	312010.0
NZ	06-07	18:45	Manufacturing Activity	1Q	--	-0.4
JN	06-07	19:50	Bank Lending (y/y)	May	--	3.2
JN	06-07	19:50	Current Account (¥ bn)	Apr	1627.6	2278.1
JN	06-07	19:50	GDP (q/q)	1Q F	0.5	0.4
JN	06-07	19:50	GDP Deflator (y/y)	1Q F	2.0	2.0
JN	06-07	19:50	Trade Balance - BOP Basis (¥ bn)	Apr	-295.0	-454.4
AU	06-07	21:30	Trade Balance (AUD mn)	Apr	14000.0	15269.0
TH	06-07	23:30	Consumer Confidence Economic	May	--	49.4
IN	**06-08**	**00:30**	**Repo Rate (%)**	**Jun 8**	**6.50**	**6.50**
IN	**06-08**	**00:30**	**Cash Reserve Ratio (%)**	**Jun 8**	**4.50**	**4.50**
MA	06-08	03:00	Foreign Reserves (US$ bn)	May 31	--	114.7
SK	06-08	19:00	Current Account (US$ mn)	Apr	--	267.9
JN	06-08	19:50	Japan Money Stock M2 (y/y)	May	--	2.5
JN	06-08	19:50	Japan Money Stock M3 (y/y)	May	--	2.1
PH	06-08	21:00	Exports (y/y)	Apr	-2.2	-9.1
PH	06-08	21:00	Imports (y/y)	Apr	-8.1	-2.7
PH	06-08	21:00	Trade Balance (US$ mn)	Apr	-4600.0	-4928.0
PH	06-08	21:00	Unemployment Rate (%)	Apr	--	4.7
CH	06-08	21:00	New Yuan Loans (bn)	May	1570.0	718.8
CH	06-08	21:30	CPI (y/y)	May	0.2	0.1
CH	06-08	21:30	PPI (y/y)	May	-4.2	-3.6
MA	06-09	00:00	Industrial Production (y/y)	Apr	1.7	3.1

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of June 5 – 9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	06-07	08:00	IBGE Inflation IPCA (m/m)	May	--	0.4	0.6
BZ	06-07	08:00	IBGE Inflation IPCA (y/y)	May	--	4.1	4.2
CO	06-07	19:00	Consumer Price Index (m/m)	May	0.65	0.7	0.8
CO	06-07	19:00	Consumer Price Index (y/y)	May	12.6	12.7	12.8
PE	**06-08**	**19:00**	**Reference Rate (%)**	**Jun 8**	**7.75**	**7.75**	**7.75**

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Global Auctions for the week of June 5 – 9

NORTH AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

EUROPE

Country	Date	Time	Event
UK	06-06	05:00	U.K. to Sell GBP2.5 Billion of 3.75% 2053 Bonds
AS	06-06	05:00	Austria to Sell 0.25% 2036 Bonds
AS	06-06	05:00	Austria to Sell 2.9% 2033 Bonds
DE	06-07	04:15	Denmark to Sell 2.25% 2033 Bonds
DE	06-07	04:15	Denmark to Sell 1.75% 2025 Bonds
SW	06-07	05:00	Sweden to Sell SEK1 Billion of 1.75% 2033 Bonds
UK	06-07	05:00	U.K. to Sell GBP4 Billion of 3.5% 2025 Bonds
NO	06-07	05:00	Norway to Sell Bonds
SW	06-07	05:00	Sweden to Sell SEK1 Billion of 0.75% 2028 Bonds
GE	06-07	05:30	Germany to Sell EU1 Billion of 0% 2025 Green Bonds
IR	06-08	05:00	Ireland to Sell Bonds

ASIA PACIFIC

Country	Date	Time	Event
CH	06-04	21:30	Hainan to Sell Bonds
CH	06-05	02:00	Henan to Sell CNY 14.61658 Bln 7Y Bonds
CH	06-05	22:30	Fujian to Sell CNY 10.52264 Bln 7Y Bonds
JN	06-05	23:35	Japan to Sell 30-Year Bonds
CH	06-06	22:35	China Plans to Sell Bonds
CH	06-07	22:30	Dalian to Sell Bonds
CH	06-07	23:30	Fujian to Sell CNY Bonds
CH	06-08	04:00	Jilin to Sell Bonds
CH	06-09	04:00	Liaoning to Sell Bonds

LATIN AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

Sources: Bloomberg, Scotiabank Economics.

Events for the week of June 5 – 9

NORTH AMERICA

Country	Date	Time	Event
US	06-05	13:30	Fed's Mester Delivers Brief Welcome Remarks
CA	**06-07**	**10:00**	**Bank of Canada Rate Decision**
CA	06-08	15:25	Bank of Canada's Paul Beaudry -- Economic Progress Report

EUROPE

Country	Date	Time	Event
EC	06-05	09:00	ECB's Lagarde Speaks
EC	06-05	10:00	ECB's Nagel Speaks
EC	06-06	04:00	ECB Consumer Expectations Survey
EC	06-07	03:50	ECB's Guindos Speaks in Brussels
AS	06-07	04:00	Austria Financial Stability Report
EC	06-07	05:10	ECB's Panetta Moderates Panel in Brussels
EC	06-09	04:00	ECB's Guindos Speaks
EC	06-09	06:45	ECB's De Cos Speaks
EC	06-09	12:00	ECB's Centeno Speaks at University in the Azores Islands

ASIA PACIFIC

Country	Date	Time	Event
AU	**06-06**	**00:30**	**RBA Cash Rate Target**
AU	06-06	19:20	RBA's Lowe-Speech
AU	06-06	19:50	RBA's Bullock-Panel Discussion
IN	**06-08**	**00:30**	**RBI Cash Reserve Ratio**
IN	**06-08**	**00:30**	**RBI Repurchase Rate**

LATIN AMERICA

Country	Date	Time	Event
PE	**06-08**	**19:00**	**Reference Rate**

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	4.50	June 7, 2023	4.75	4.50
Federal Reserve – Federal Funds Target Rate	5.25	June 14, 2023	5.25	5.25
Banco de México – Overnight Rate	11.25	June 22, 2023	11.25	11.25

BoC: Scotia Economics forecasts a 25bps rate hike with guidance that keeps the door open for further tightening when the Bank of Canada issues a policy statement on Wednesday.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	3.75	June 15, 2023	4.00	4.00
European Central Bank – Marginal Lending Facility Rate	4.00	June 15, 2023	4.25	4.25
European Central Bank – Deposit Facility Rate	3.25	June 15, 2023	3.50	3.50
Bank of England – Bank Rate	4.50	June 22, 2023	4.75	4.75
Swiss National Bank – Sight Deposit Rate	1.50	June 22, 2023	1.50	1.50
Central Bank of Russia – One-Week Auction Rate	7.50	June 9, 2023	7.50	7.50
Sweden Riksbank – Repo Rate	3.50	June 29, 2023	3.50	3.50
Norges Bank – Deposit Rate	3.25	June 22, 2023	3.50	3.50
Central Bank of Turkey – Benchmark Repo Rate	8.50	June 22, 2023	8.50	8.50

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	June 16, 2023	-0.10	-0.10
Reserve Bank of Australia – Cash Rate Target	3.85	June 6, 2023	3.85	3.85
Reserve Bank of New Zealand – Cash Rate	5.50	July 11, 2023	5.50	5.50
People's Bank of China – 1-Year Loan Prime Rate	3.65	June 19, 2023	3.65	3.65
Reserve Bank of India – Repo Rate	6.50	June 8, 2023	6.50	6.50
Bank of Korea – Base Rate	3.50	July 13, 2023	3.50	3.50
Bank of Thailand – Repo Rate	2.00	August 2, 2023	2.00	2.00
Bank Negara Malaysia – Overnight Policy Rate	3.00	July 6, 2023	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	5.75	June 22, 2023	5.75	5.75
Central Bank of Philippines – Overnight Borrowing Rate	6.25	June 22, 2023	6.25	6.25

RBA: After a surprise 25 bps hike at its May meeting, consensus expects that the RBA will hold unchanged its cash rate target at its June meeting but with markets pricing a partial chance at a 25bps hike and a minority of forecasters expecting one. **RBI:** The RBI is expected to stay on hold this week but its forward guidance will be closely monitored as the door may be pried open toward future easing.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.75	June 21, 2023	13.75	13.25
Banco Central de Chile – Overnight Rate	11.25	June 19, 2023	11.25	11.25
Banco de la República de Colombia – Lending Rate	13.25	June 30, 2023	13.25	13.25
Banco Central de Reserva del Perú – Reference Rate	7.75	June 8, 2023	7.75	7.75

Banco Central de Reserva del Peru (BCRP): BCRP is likely going to maintain its reference rate at the next meeting. Headline inflation is still above the bank's target but core inflation was soft in May.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	8.25	July 20, 2023	8.25	8.25

Sources: Bloomberg, Scotiabank Economics.