

Week Ahead Economic Preview

ECB set to raise interest rates amid inflation worries

5 June 2026

Central bank policy meetings are scheduled for the euro area and Canada in the coming week, with policymakers lacking clarity on the inflation and growth outlooks amid uncertainty created by the war in the Middle East.

The coming week sees two key central bank policy meetings. In the eurozone, the ECB is widely anticipated to hike interest rates for the first time since 2023, with policymakers growing increasingly concerned over rising inflation. The decision is not clear cut, as the growth outlook has deteriorated. Most notably, [PMI data – closely watched by the ECB - showed business activity falling for a second successive month in May just as near-term inflationary pressures picked up](#). Having often been accused of acting too late in response to spike in inflation seen after the invasion of Ukraine, the ECB is expected to focus on the inflation danger rather than worry about growth risks. However, if the growth trajectory continues to weaken in the coming months, it could well be a case of “one and done” as far as rates are concerned, at least for the near future.

Having held rates steady at its last meeting, the Bank of Canada has meanwhile indicated that it is weighing up different scenarios for rates going forward, citing principally the uncertainty created by the war in the Middle East. While higher energy prices have driven inflation higher, Canada also benefits as an energy exporter, which can feed through to higher growth. Note that [May's PMI data](#) showed Canadian business activity returning to growth territory in May, noting the strongest expansion for on- and-a-half years, amid a surge in price pressures to add to the potential for rate hikes.

On the data side, UK GDP data for April will be closely watched after PMI data showed the [recent strength of the UK economy to have faltered](#) as the war took an increasing toll.

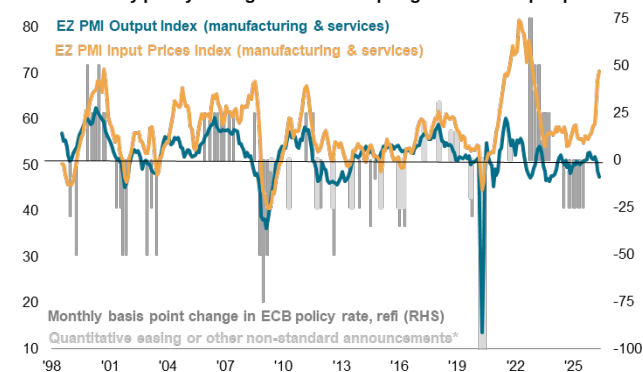
US Consumer Sentiment from the University of Michigan will also be assessed for the impact of higher prices and the cost-of-living squeeze in June. Inflation expectations could be important for Fed policymakers if they show signs of becoming unanchored.

In APAC, our picks are inflation numbers for both mainland China and India, with the former also seeing updated producer price and trade data.

Chart of the week: ECB weighs growth and inflation risks as policy meeting looms

Markets are expecting the European Central Bank to hike interest rates in the coming week for the first time since 2023 as policymakers worry about inflation caused by the supply shock from the war in the Middle East. The policy decision is by no means straightforward, however, as recent survey data have signalled a growing recession risk, which could mean any rate hikes might need to be swiftly reversed.

ECB monetary policy changes vs. PMI output growth and input prices



Data compiled June 2026 including PMI May data.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month. QE bars illustrative size only.
Sources: S&P Global PMI, S&P Global Market Intelligence, ECB.
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Selected key diary events

Monday 8 June	Tuesday 9 June	Wednesday 10 June	Thursday 11 June	Friday 12 June
Americas US Consumer Inflation Expectations (May)	Americas US NFIB Business Optimism (May) Mexico Inflation (May)	Americas Canada Bank of Canada Interest Rate Decision	Americas Mexico Industrial Production (Apr)	Americas Brazil Inflation (May) Canada Manufacturing Sales Final (Apr)
EMEA Germany Factory Orders (Apr)	Mexico PPI (May) Canada Balance of Trade (Apr) US Balance of Trade (Apr)	EMEA Italy Industrial Production (Apr)	EMEA Eurozone ECB Interest Rate Decision	Canada Wholesale Sales Final (Apr) US Michigan Consumer Sentiment Prelim. (Jun)
APAC Japan GDP Final (Q1) Japan Bank Lending (May) Australia Private Sector Credit (Apr)	US Existing Home Sales (May) US Wholesale Inventories (Apr)	APAC Japan PPI (May) Australia Building Permits (Apr) China (Mainland) Inflation (May) China (Mainland) PPI (May)	APAC South Korea Unemployment (May) Indonesia Retail Sales (Apr) China (Mainland) Vehicle Sales (May)	EMEA Germany Inflation Final (May) France Inflation Final (May) Spain Inflation Final (May) UK GDP (Apr) UK Industrial Production (Apr) UK Services Output (Apr) UK Balance of Trade (Apr) UK Construction Output (Apr)
	EMEA Germany Balance of Trade (Apr) Germany Industrial Production (Apr)			APAC Japan Capacity Utilization (Apr) Japan Industrial Production Final (Apr) India Inflation (May)
	APAC South Korea GDP Final (Q1) Australia Westpac Consumer Confidence (Jun) Australia NAB Business Confidence (May) China (Mainland) Balance of Trade (May)			

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