

Key events in developed markets next week

Key releases to watch next week are inflation data from the US which is expected to jump close to 4% and UK GDP numbers which should be 'less bad' than initially feared as vaccination programmes steam ahead



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US: Inflation to jump substantially, possibly signalling earlier than expected rate hikes

There are three key data releases from the US next week.

Consumer price inflation is likely to jump to close to 4% as prices in a vibrant re-opening economy contrast starkly with those from 12 months ago when the economy was in lockdown and companies were slashing prices to generate cash flow. These “base” effects should ease as we move through the third quarter, but we continue to believe that inflation could be more persistent than we have seen in previous economic cycles. Commodity prices, freight charges, supply chain disruptions, surging house prices and rising employment costs all factor into our thinking. At the same time, the positive growth and jobs story we are seeing will mean any spare capacity will be swiftly eaten up. This leads us to conclude that the Federal Reserve is more likely to raise interest rates in early 2023 rather than leave it until 2024 as they are currently signalling.

Regarding activity, retail sales are expected to post a decent gain again after jumping 9.8% month-on-month in March on the back of the \$1400 stimulus payments. The cash deposits were made in the second half of the month, and this should mean there is some carry through on spending into April. The re-opening economy also means there are more options to spend money, and with household savings having risen \$3tn during the pandemic, there is plenty of cash ammunition to use.

Industrial production should also post another strong rise, although manufacturing could be somewhat mixed given that semi-conductor chip shortages have been impacting many sectors, especially the auto sector. Oil and gas rig counts are up strongly, though, and that should mitigate any softness there. We will also see consumer confidence reading, and given the re-opening, rising asset prices and improved job prospects, we expect to see more gains.

✓ UK GDP 'less bad' than feared in the first quarter

The combination of schools returning and healthy month for retail should help lift UK March GDP by over 2%, limiting the overall scale of the first quarter fall in activity to around 1.5% - considerably 'less bad' than feared given the Brexit disruption and the strict lockdown.

We expect substantial gains in the second quarter as the economy continues to reopen. GDP is likely to grow in the region of 5% and could be close to pre-Covid levels by the end of the year.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 May					
Japan	0030 Mar	All Household Spending (YoY%)	7.8		-6.6
Australia	0230 Mar	Retail Sales (MoM%)	-		1.4
Norway	0700 Apr	CPI (MoM/YoY%)	-/-		-0.3/3.1
	0700 Apr	Core Inflation (MoM/YoY%)	-/-		0.3/2.7
Netherlands	0530 Mar	Manufacturing Output (MoM%)	-		-2.5
Tuesday 11 May					
Italy	0900 Mar	Industrial Output (MoM/YoY%)	-/-		0.2/-0.6
Netherlands	0530 Apr	CPI (MoM/YoY% NSA)	0.3/1.7		0.3/1.9
Wednesday 12 May					
US	1330 Apr	Core CPI (MoM/YoY%)	0.3/2.4	0.3/2.3	0.3/1.6
	1330 Apr	CPI (MoM/YoY%)	0.2/3.7	0.2/3.6	0.6/2.6
Japan	0050 Mar	Current Account (JPY bn, SA)	2200		1794.7
Germany	0700 Apr	CPI Final (MoM/YoY%)	0.7/2.0		0.7/2.0
France	0745 Apr	CPI (MoM/YoY%) NSA	-		0.2/1.3
UK	0700 Mar	GDP Estimate (MoM/YoY%)	2.3/1.5		0.4/-7.8
	0700 Q1	GDP Prelim (QoQ%)	-1.4		1.3
Norway	0700 Q1	GDP Growth Mainland	-0.4		1.9
Sweden	0830 Apr	CPI (MoM/YoY%)	-/-		0.2/1.7
	0830 Apr	CPIF (MoM/YoY%)	-/-		0.2/1.9
Portugal	1100 Apr	CPI (MoM/YoY%)	-/-		0.4/0.5
Eurozone	1000 Mar	Industrial Production (MoM/YoY%)	-		-1.0/-1.6
Thursday 13 May					
Japan	0050 Apr	M2 Money Supply (YoY%)	-		1155/120
New Zealand	2330 Apr	Manufacturing PMI	-		63.6
Friday 14 May					
US	1330 Apr	Retail Sales (MoM%)	0.8	1.0	9.7
	1415 Apr	Industrial Production (MoM%)	1.0	1.3	1.4
	1500 May	University of Michigan Sentiment Prelim	90.0	89.5	88.3
	1500 May	University of Michigan Conditions Prelim	-		97.2
	1500 May	University of Michigan Expectations Prelim	-		82.7
Spain	0800 Apr	CPI (MoM/YoY%)	-/-		1.2/2.2

Source: ING, Refinitiv

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