

## Key events in developed markets next week

UK GDP to show an improvement next week as the reopening of the economy gets underway. Meanwhile across the pond, the US outlook remains robust with retail sales, industry data and inflation all pushing higher



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### **US: Reopening means retail sales and industry data to surge, as well as inflation to push higher**

With the US economy opening up more and more each day the outlook for activity and job creation continues to brighten. At the same time there will be long-term scarring on the economy, resulting in supply constraints given thousands of businesses have closed and skills have been lost. In an environment of stimulus fuelled demand, this risks pushing inflation higher and allowing it to stay more elevated for longer than we have seen in previous cycles.

In terms of the coming week, we expect to see some very strong retail sales and industrial production numbers. Improved weather will play its part after February's winter storms disrupted logistics and deterred people from going out to spend money. March will consequently see a bounce back. The latest \$1400 individual stimulus payments will help further lift retail sales, although given it came towards the back end of the month we are likely to see something closer to a 5% month-on-month gain rather than the 8% gain of January when stimulus payments of \$600

were paid out at the beginning of the month. Moreover, with more restaurants and entertainment venues opening up and travel showing a strong recovery there are clearly more options to use the extra money and we increasingly expect to see spending move away from physical “things” toward services and “experiences”.

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Industrial production looks set to grow strong with order books looking very full and customer inventories at record low levels. At the same time, rising commodity prices should boost mining and oil extraction although the utilities component will be a drag due to more seasonal weather after a particularly harsh and cold February across much of the country.

We will also get consumer price inflation numbers and with fuel prices continuing to rise strongly we expect to see a 0.5% MoM gain, which will push the annual rate of headline inflation from 1.7% up to 2.4% with core inflation pushing higher too. The annual rate of inflation will continue to climb in the coming months as prices in a re-opened economy contrast starkly with those from 12 months ago when the lockdowns were at intense. We also suspect that the strong housing market will contribute more significantly to inflation pressures given housing rents and owners equivalent rent account for around a third of the inflation basket. Currently, house prices are rising by more than 10%YoY and typically there is a 14 month lag between house prices and developments in the CPI rent components.

Putting it all together, next weeks data flow of broad strength in activity and rising inflation is likely to keep upward pressure on interest rate hike expectations and longer-dated Treasury yields. While the Federal Reserve continues to indicate little prospects of a rate rise before 2024, our house view remains for a 1H23 move with risks increasingly skewed towards an earlier rate hike in late 2022.

## UK GDP to show mild February improvement

All the data we've had so far suggests that next week's GDP data should show a modest improvement after January's near-3% fall in activity, which had coincided with the introduction of lockdown and new UK-EU trade ties. Retail data was slightly improved in February, and past experience of reopenings suggests the forthcoming reopening of shops should see a rapid recovery in spending levels to pre-Covid-19 levels. In fact, we're looking for a 4-5% bounce in GDP in the second quarter, assuming the May part of the reopening plan goes ahead.

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Elsewhere, data from France suggest next week's trade figures are likely to show the UK export

situation improved in February. Anecdotal evidence and other traffic data suggest some of the initial teething problems had been ironed out by then, though ONS survey data suggests some firms in the more sensitive manufacturing and wholesale/retail sectors were still finding it hard to export at all through much of the first quarter.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 12 April</b>					
Japan	-	Mar PPI (MoM/YoY%)	0.1/0.2		0.4/-0.7
UK	0001	Mar BRC Retail Sales (YoY%)	-		9.5
Norway	0700	Feb GDP (MoM%)	-		-0.3
	0700	Feb GDP Mainland (MoM%)	-		-0.2
Eurozone	1000	Feb Retail Sales (MoM/YoY%)	-/-		-5.9/-6.4
<b>Tuesday 13 April</b>					
US	1330	Mar Core CPI (MoM/YoY%)	0.2/1.5	0.2/1.6	0.1/1.3
	1330	Mar CPI (MoM/YoY%)	0.5/2.4	0.5/2.4	0.4/1.7
UK	0700	Feb GDP Estimate (MoM%)	0.7		-2.9
Germany	500	ZEW Economic Sentiment	79.0		76.6
Italy	0900	Feb Industrial Output (MoM/YoY%)	-/-		1.0/-2.4
Sweden	0600	Mar Reg Unemployment Rate	-		8.7
Portugal	1100	Mar CPI (MoM/YoY%)	-/-		1.4/0.5
<b>Wednesday 14 April</b>					
Japan	-	Feb Core machine orders (MoM/YoY%)	1.0/3.7		-4.5/1.5
Spain	0800	Mar CPI (MoM/YoY%)	-/-		1.0/1.3
New Zealand	0300	Cash Rate	0.25		0.25
Sweden	0830	Mar CPI (MoM/YoY%)	-/-		0.3/1.4
	0830	Mar CPIF (MoM/YoY%)	-/-		0.3/1.5
Netherlands	0530	Feb Trade Balance	-		4.98
Eurozone	1000	Feb Industrial Production (MoM/YoY%)	-		0.8/0.1
<b>Thursday 15 April</b>					
US	1330	Mar Retail Sales (MoM%)	5.2	4.7	-3.0
	1415	Mar Industrial Production (MoM%)	4.5	2.9	-2.2
Germany	0700	Mar CPI Final (MoM/YoY%)	5.0/1.7		0.5/1.7
France	0745	Mar CPI (MoM/YoY%) NSA	-		0.6/1.1
Australia	0230	Mar Employment change ('000)	35.0		89.1
	0230	Mar Unemployment rate (%)	5.7		5.8
	0230	Mar Participation rate (%)	66.1		66.1
New Zealand	2330	Mar Manufacturing PMI	-		53.4
Norway	0700	Mar Trade Balance	-		25.1
Eurozone	1100	Mar Reserve Assets Total	-		848.6
<b>Friday 16 April</b>					
US	1500	Apr University of Michigan Sentiment Prelim	89.0	88.6	84.9
	1500	Apr University of Michigan Conditions Prelim	96.0		93.0
	1500	Apr University of Michigan Expectations Prelim	85.0		79.7
Italy	0900	Feb Global Trade Balance	-		1.59
Eurozone	1000	Feb Total Trade Balance SA	-		24.2

Source: ING, Refinitiv

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