

Key events in developed markets next week

Persistent inflation is hurting consumer confidence across developed markets. In the US, buyers face affordability issues in the housing market, and retail sales are set to fall further in the UK



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US: Housing demand may start to falter with higher mortgage rates

Housing data will be the key story in the US next week. Mortgage rates have surged in response to higher market interest rates, with the average 30Y fixed rate now above 5% having started the year at 3.3%. Coupled with the fact that house prices have risen more than 30% nationally since the start of the pandemic there are clear affordability issues for new potential buyers. Consequently, we suspect that home sales will soon start to top out and with construction having surged over the past 18 months, we sense that the housing market could soon switch from excess demand to one that is experiencing excess supply. With the Federal Reserve only now starting to raise rates and with consumer confidence being hurt by high inflation the risk of this sector experiencing price falls over the next year and becoming a drag on economic activity are undoubtedly growing.

✓ Canada: More rate hikes to follow

In Canada, inflation is set to move even higher on rising energy costs and given the positive growth outlook from the Bank of Canada following its recent 50bp rate hike, we strongly suspect there will be another 50bp interest rate increase at the June 1st policy meeting.

✓ UK: Watch out for another slide in retail sales as cost of living crunch begins

UK retail sales slipped in February and we could see a further decline for March. The outlook for retailers is undoubtedly challenging, not least because consumer spending on services is essentially back to pre-virus levels, drawing resources away from goods after two years of high demand. At the same time, the sharp rise in household energy and petrol costs suggests consumer appetite for non-essentials will fall. Consumer confidence has already fallen close to the lows of March 2020 and the financial crisis. Taken together with the likely decline in health output now free Covid-19 testing has finished, we suspect second-quarter growth will come in modestly negative. The jury's out on whether the economy will endure a technical recession, given that the large pool of household savings in UK bank accounts (and perhaps an increase in credit card borrowing) will dampen the fall in consumer spending.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 19 April					
US	1330	Mar housing starts (000)	1760	1748	1769
Eurozone	1200	Mar Reserve Assets Total	-		1091.8
Wednesday 20 April					
Italy	0900	Feb Global Trade Balance	-		-5.1
Canada	1330	Mar CPI Inflation (MoM%/YoY%)	1.1/6.3		1.0/5.7
Eurozone	1000	Feb Industrial Production (MoM%/YoY%)	-	0.2/0.8	0.0/-1.3
	1000	Feb Total Trade Balance	-		-7.7
Thursday 21 April					
Eurozone	1000	Mar CPI Final (YoY%)	-	7.5	7.5
	1600	Apr Consumer Confidence Flash	-		-18.7
US	1330	Cont Jobless Claims	1450	-	1475
	1330	Initial Jobless Claims	180	-	185
Friday 22 April					
US	1445	Apr Markit Composite Flash PMI	-		57.7
	1445	Apr Markit Services PMI Flash	-		58.0
	1445	Apr Markit Manufacturing PMI Flash	-		58.8
Germany	0830	Apr Markit Composite Flash PMI	-		55.1
	0830	Apr Markit Service Flash PMI	-		56.1
	0830	Apr Markit Manufacturing Flash PMI	-		56.9
France	0815	Apr Markit Composite Flash PMI	-		56.3
UK	0800	Mar Retail Sales (MoM%/YoY%)	-0.2/2.8		-0.3/7.0
	0930	Apr Flash Services PMI	61		62.6
	0930	Apr Flash Manufacturing PMI	55		55.2
Canada	1330	Feb Retail Sales (MoM%)	0.4		3.2
Eurozone	0900	Apr Markit Composite Flash PMI	-		54.9
	0900	Apr Markit Services Flash PMI	-		55.6
	0900	Apr Markit Manufacturing Flash PMI	-		56.5

Source: Refinitiv, ING, *GMT

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