

Key events in developed markets next week

Fed speakers will be watched closely after the latest inflation reading, while key releases from the UK are likely to be overshadowed by worries about the new Covid-19 variant as the next phase of reopening is scheduled for Monday



Source: Shutterstock

US: Fed vigorously watched after inflation reading, and Biden's spending plans remain a hot topic

The US macro story remains positive with the economy posting vigorous growth, but the recent jobs numbers have highlighted supply constraints in the economy while inflation numbers continue to surprise on the upside. The data calendar is light this week so there is little to add to the debate other than to reinforce the message that the property market is red hot and regional manufacturing is performing well, albeit having to deal with supply shortages. Consequently, the focus is likely to be on Federal Reserve policy and whether President Biden can get traction in Congress with his spending plans. There are four Fed speakers currently scheduled and the minutes to the April FOMC meeting. Officials continue to indicate they think inflation is “transitory”, but rising price pressures are proving increasingly difficult to dismiss completely.

In Canada, CPI readings for April are likely to jump, similar to what we saw in the US. Certainly, part of this is down to comparing prices from lockdown last year to prices today in a reopening

economy, but there are also other frictions, and given strong demand we could see more evidence of corporate pricing power emerging.

✓ UK: Positive UK data and further reopenings overshadowed by new Covid-19 variant

It's a hectic week in the UK next week, and here are our four things to look out for:

- Reopenings and variants: Monday's reopening of indoor hospitality is being overshadowed by rising rates of the India-originating Covid-19 variant in parts of the UK. The more positive news is that the vaccines do appear to be working against this strain - so far, prevalence has not really increased among the predominantly-vaccinated over-50s in affected areas.
- Employment (Tues): The jobs market has turned a slight corner since the start of the year: the furlough scheme has shielded the hardest-hit sectors against further redundancies, while hiring has picked up elsewhere. Expect another slight decline in unemployment this time. More importantly, the buoyant reopening means that most firms should be financially able to bring back most of their staff from furlough, before wage support ends in September. While unemployment is still likely to rise to around 6% when this happens, we think it could be falling again by year-end.
- Inflation (Weds): April data means we're now comparing prices to the lows of the pandemic last year. Throw in a 9% rise in household energy bills in April, and the rate of headline inflation is likely to increase considerably from March. We expect headline CPI to exceed the 2% target later in the year, before drifting back below that level in 2022. For that reason, the Bank of England is unlikely to be in a rush to tighten before 2023.
- Retail sales and PMIs (Fri): More timely spending data points to another decent rise in retail sales, linked to the reopening of shops in April. And the broader economic outlook is aided by rising consumer and business confidence, as the vaccination programme offers greater optimism about the durability of the emerging recovery. This is likely to be main message from next week's PMIs.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 May					
US	1500	May NAHB index	84.0	83.0	83.0
Japan	0050	Q1 GDP (ann. QoQ%)	-1.2	-4.5	11.7
Eurozone	1100	Apr Reserve Assets Total	-		849.37
Tuesday 18 May					
UK	0700	Mar ILO Unemployment Rate	4.8		4.9
	0700	Mar Employment Change	50		-73.0
Italy	0900	Mar Global Trade Balance	-		4.754
Norway	0700	Apr Trade Balance	-		25.4
Netherlands	0530	Mar Trade Balance	-		5.433
	0830	Q1 GDP Prelim SA (QoQ/YoY%)	-/-		-0.1/-2.8
Eurozone	1000	Mar Total Trade Balance SA	18.7		18.4
	1000	Q1 GDP Flash Estimate (QoQ/YoY%)	-0.6/-1.8	-0.6/-1.8	-0.6/-1.8
Wednesday 19 May					
US	1400	Apr 28 FOMC minutes			
Japan	0050	Apr Exports (YoY%)	29.0		16.1
	0050	Apr Imports (YoY%)	4.0		5.8
	0050	Apr Trade Balance (Yen bn, adjusted)	557		297
	0050	Mar Core machine orders (MoM/YoY%)	-1.4/-9.7		-8.5/-7.1
UK	0700	Apr Core CPI (MoM/YoY%)	0.3/1.2		0.4/1.1
	0700	Apr CPI (MoM/YoY%)	0.6/1.5		0.3/0.7
Canada	1330	Apr CPI Inflation (MoM/YoY%)	0.5/3.1		0.5/2.2
Portugal	-	Mar Current Account Balance	-		-0.335
Thursday 20 May					
Japan	0030	Apr CPI (YoY%) NSA	-0.5		-0.2
	0030	Apr Core CPI (YoY%) NSA	0.2		0.3
Australia	0230	Apr Unemployment Rate	5.4		5.6
	0230	Apr Employment change ('000)	45.0		70.7
	0230	Apr Participation rate (%)	66.3		66.3
	0000	May Manufacturing PMI Flash	-		59.7
	0000	May Services PMI Flash	-		58.8
	0000	May Composite PMI Flash	-		58.9
Eurozone	1000	Mar Current Account SA, EUR	-		25.88
Friday 21 May					
US	1445	May Markit Composite Flash PMI	-		63.5
	1445	May Markit Manufacturing PMI Flash	-		60.5
	1445	May Markit Services PMI Flash	-		64.7
	1500	Apr existing home sales (mn)	6.1	6.05	6.01
Germany	0830	May Markit Manufacturing Flash PMI	65.6		66.2
	0830	May Markit Service Flash PMI	50.6		49.9
	0830	May Markit Composite Flash PMI	55.6		55.8
France	0815	May Markit Manufacturing Flash PMI	-		58.9
	0815	May Markit Services Flash PMI	-		50.3
	0815	May Markit Composite Flash PMI	-		51.6
UK	0700	Apr Retail Sales (MoM/YoY%)	4.0/36		5.4/7.2
	0930	May Flash Composite PMI	62.7		60.7
	0930	May Flash Manufacturing PMI	60.0		58.9
	0930	May Flash Services PMI	63.0		61
Canada	1330	Mar Retail Sales (MoM%)	-		4.8
Australia	0230	Apr Retail Sales (MoM%) Pre	-		-0.8
Eurozone	0900	May Markit Manufacturing Flash PMI	63.3		62.9
	0900	May Markit Services Flash PMI	52.5		50.5
	0900	May Markit Composite Flash PMI	55.9		53.8
	1500	May Consumer Confidence Flash	-		-8.1

Source: ING, Refinitiv

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.