

Key events in developed markets next week

The European Central Bank meeting next week will likely be fairly unexciting, but keep an eye on multiple key data releases such as inflation and PMI readings



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Eurozone: ECB meeting to be fairly unexciting, but 2Q data will show signs of recovery

The eurozone focus will be on the ECB next week. The central bank will look through any temporary increases in headline inflation and will not tolerate significant moves in bond yields unless they are the result of improved growth prospects. The bank's decision to front-load asset purchases at the last meeting was meant to cap the rise in yields, which have tracked moves in US Treasuries.

The cyclical story is actually improving despite lockdowns being extended. Yes, it will take longer for the big rebound to happen, but economic activity is already improving despite lockdowns still being in place. April survey data from PMIs and consumer confidence will provide more information but we're confident that the second quarter will mark the start of the recovery.



US: Keep monitoring the infrastructure plan, as well as an expected jump in Canada's inflation

The data calendar is fairly light in the US next week so we will be following the progress of Joe Biden's infrastructure plan. There is little sign of bi-partisanship on the \$2tn package and it seems that the Democrats are going to push it through the reconciliation process to avoid the need for 60 Senators to agree to put it to a vote. Nonetheless, not all Democrats are fully on board, meaning we could yet see changes to the package, especially surrounding the taxation part. Nonetheless, the recent macro data has been painting a very upbeat picture of economic activity and job creation while there is growing evidence of emerging inflation pressures that we think could result in earlier Federal Reserve interest rate rises than the 2024 start data officials are currently indicating.

In Canada, we will see a big jump in annual inflation, which follows on from some good activity and employment numbers. This means that there is a strong chance we see another tapering of the Bank of Canada's QE purchases, which have already been cut from C\$5bn per week to C\$4bn per week although actual interest rate increases remain some way off.

UK: 'Calm before the storm' in busy data week

There's plenty of UK data to get our teeth into next week, though much of it is likely to paint a relatively calm, mid-lockdown and pre-reopening picture of the economy. Here's a summary of what to look for:

- Jobs data (Tues): Payroll-based data suggests employment has turned a corner since the start of 2021, and indeed outside of the hard-hit consumer services sector, the jobs backdrop has been improving. We don't expect any drastic changes in this latest data covering the three months to February, but it is likely that we see a gradual grind higher in the unemployment rate towards 6% over the summer as we edge towards the date when the furlough scheme is due to be discontinued (September). Still, the subsequent recovery in the jobs market will, we suspect, be faster than after past crises.
- Inflation data (Wed): After February's surprisingly low reading, we're likely to see headline CPI bounce back somewhat, albeit we'll have to wait until April's data for more seismic changes. Like everywhere else this is when base effects begin to become more prominent, but also there's been a sharp 9% rise in the household energy price cap. We expect inflation to exceed 2% later this year, mainly on energy prices, before dipping back in 2022.
- Retail sales (Fri): Credit card data points to another modest rise in retail sales in March, albeit spending is still some distance below the levels at the end of last year. However evidence from past reopenings suggests it won't take long for sales to recover to pre-Covid levels in April and May.
- PMIs (Fri): Optimism about reopening is likely to lift the services PMI further, though this hasn't been a particularly reliable gauge of GDP movements during the pandemic. Still, the general tone is consistent with healthy 2Q activity, where we expect GDP growth in the region of 5%.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 18 April					
Japan	0050	Mar Exports (YoY%)	11.4		-4.5
	0050	Mar Imports (YoY%)	5.2		11.8
	0050	Mar Trade Balance - adjusted (Yen bn)	233.1		-38.7
Monday 19 April					
Australia	0230	Mar Reserve Assets Total	-		61961
Eurozone	1000	Feb Current Account SA, EUR	-		30.5
Tuesday 20 April					
UK	0700	Feb ILO Unemployment Rate	5.0		5.0
	0700	Feb Employment Change	-120.0		-147.0
New Zealand	2345	Q1 CPI (QoQ/YoY%)	0.7/1.6		0.5/1.4
Wednesday 21 April					
UK	0700	Mar Core CPI (YoY%)	1.1		0.9
	0700	Mar CPI (MoM/YoY%)	0.3/0.7		0.1/0.4
Canada	1330	Mar CPI Inflation (MoM/YoY%)	0.3/2.4		0.5/1.1
	1330	Mar CPI BoC Core (MoM/YoY%)	-		0.3/1.2
	1500	BoC Rate Decision	0.25		0.25
Australia	0230	Mar Retail Sales Total Pre	-		30192
	0230	Mar Retail Sales (MoM%) Pre	-		-0.8
Portugal	-	Feb Current Account Balance	-		-0.28
Thursday 22 April					
Japan	0030	Mar CPI (YoY%) NSA	-0.2		-0.4
	0030	Mar CPI ex-food, energy (YoY%) NSA	-0.2		0.2
Australia	0000	Apr Manufacturing PMI Flash	-		57
	0000	Apr Services PMI Flash	-		56.2
	0000	Apr Composite PMI Flash	-		56.2
Eurozone	1245	Apr ECB Refinancing rate	0.00		0.00
	1245	Apr ECB Deposit rate	-0.5		-0.5
	1600	Apr Consumer Confidence Flash	-10.0		-10.8
Friday 23 April					
US	1445	Apr Markit Composite Flash PMI	-		59.7
	1445	Apr Markit Manufacturing PMI Flash	-		59.1
	1445	Apr Markit Services PMI Flash	-		60.4
	1500	Mar New Home Sales-Units	0.93	0.91	0.775
Germany	0830	Apr Markit Manufacturing Flash PMI	67.0		66.6
	0830	Apr Markit Service Flash PMI	52.0		51.5
	0830	Apr Markit Composite Flash PMI	58.0		57.3
France	0815	Apr Markit Manufacturing Flash PMI	-		59.3
	0815	Apr Markit Services Flash PMI	-		48.2
	0815	Apr Markit Composite Flash PMI	-		50
UK	0700	Mar Retail Sales (MoM/YoY%)	1.9/3.5		2.1/-3.7
	0930	Apr Flash Composite PMI	58.1		56.4
	0930	Apr Flash Manufacturing PMI	59.0		58.9
	0930	Apr Flash Services PMI	58.0		56.3
Eurozone	0900	Apr Markit Manufacturing Flash PMI	61.0		62.5
	0900	Apr Markit Services Flash PMI	50.0		49.6
	0900	Apr Markit Composite Flash PMI	53.0		53.2

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