

## Key events in developed markets next week

Financial markets are becoming more nervous about the prospect of recession, but for now at least, the US dataflow suggests that shouldn't be the base case. Europe remains more vulnerable and next week's PMIs will give an important read on whether growth is slowing amid weaker consumer sentiment



The extra bank holiday for the Queen's Platinum Jubilee will impact economic performance in 2Q

### US data remains solid despite financial market recession fears

Recession fears are gripping financial markets, but US economic data suggests the situation isn't anywhere near that grave, at least not yet.

People movement data, air passenger numbers, April retail sales, and industrial production reports all point to a healthy rebound in growth in 2Q22, while the strong jobs market means employment and wages are both rising. That said, we do acknowledge that household incomes are being squeezed by inflation and this poses risks for consumer spending, while surging mortgage rates are already showing signs of being a major drag on housing activity. With the Fed applying the brakes to growth via higher interest rates we do expect slower economic activity in the second half

of the year, but for now a recession is not our base case.

This week's data highlights will be the April personal income and spending report, which will also include the Fed's favoured measure of inflation – the core personal consumer expenditure deflator. This should show decent real spending growth with households prepared to run down some of the savings accumulated through the pandemic and inflation topping out, which may come as a bit of relief to markets. Durable goods orders should be firm based on manufacturing surveys and continue to point to a positive outlook for business capital expenditure, while 1Q GDP may be revised a couple of tenths of a percentage point higher thanks to revisions to retail sales. Housing numbers will be soft though given the rising cost of borrowing and consumer caution.

It is a fairly quiet week for Fed speakers, but the minutes of the May FOMC meeting are expected to confirm that 50bp interest rate hikes at the June and July FOMC meetings are the overwhelmingly favoured path for monetary policy.

### **Eurozone PMIs in focus following surprisingly strong services data last month**

There's not too much data about the eurozone coming out next week, but Tuesday's PMI will be widely watched. Last month saw a surprisingly strong PMI as services performed very well due to the reopening effects following the pandemic. Manufacturing was plagued by supply chain problems and weakening demand. The question that poses is how long consumers will continue to outspend on services as prices have surged. This month's data will shed more light on that.

### **UK services activity set to slow on consumer caution**

There's a fairly stark difference between UK consumer confidence right now, which is at all-time lows, and service sector business surveys which have so far shown more resilience. We'd expect the former story to begin to catch up with the latter though, and next week's PMIs are likely to point to a further reduction in demand among services. The combination of a weaker consumer, as well as lower health output now that free Covid testing has largely stopped, and the impact of an extra Bank holiday in 2022, likely means UK GDP will contract modestly in the second quarter.

## **Key events next week**

Country	Time	Data/event	ING Survey		Prev.
Monday 23 May					
Germany	0900	May Ifo Business Climate	91.4		91.8
	0900	May Ifo Curr Conditions	96.2		97.2
	0900	May Ifo Expectations	86.9		86.7
Tuesday 24 May					
US	1445	May Markit Manufacturing PMI Flash	-		59.2
	1445	May Markit Services PMI Flash	-		55.6
	1445	May Markit Composite Flash PMI	-		56
	1500	Apr New Home Sales-Units mn	0.71	0.755	0.763
Germany	0830	May Markit Manufacturing Flash PMI	53		54.6
	0830	May Markit Service Flash PMI	56		57.6
	0830	May Markit Composite Flash PMI	53		54.3
France	0815	May Markit Composite Flash PMI	-		57.6
UK	0930	May Flash Manufacturing PMI	56		55.8
	0930	May Flash Services PMI	56		58.9
Eurozone	0900	May Markit Manufacturing Flash PMI	53.5		55.5
	0900	May Markit Services Flash PMI	57.7		57.7
	0900	May Markit Composite Flash PMI	55		55.8
Wednesday 25 May					
US	1330	Apr Durable Goods	0.4	0.5	1.1
Germany	0700	Q1 GDP Detailed (QoQ%/YoY%)	0.2/4.0	0.2/4.0	0.2/4.0
	0700	Jun GfK Consumer Sentiment	-26		-26.5
Sweden	0700	Apr Unemployment Rate	-		8.2
Thursday 26 May					
US	1330	Q1 GDP 2nd Estimate	-1.2	-1.3	-1.4
	1330	Initial Jobless Claims (000s)	200	-	218
	1330	Cont Jobless Claims (000s)	1310	-	1317
Italy	0900	May Consumer Confidence	-		100
Canada	1330	Mar Retail Sales (MoM%)	0.7		0.1
Friday 27 May					
US	1330	Apr Personal Income (MoM%)	0.6	0.5	0.5
	1330	Apr Personal Consump Real (MoM%)	0.4	-	0.2
	1330	Apr Consumption, Adjusted (MoM%)	0.8	0.7	1.1
	1330	Apr Core PCE Price Index (MoM%)	0.3	0.3	0.3
	1500	May U Mich Sentiment Final	59.1	59.1	59.1
Spain	0800	Apr Retail Sales (YoY%)	-		-4.2
Eurozone	0900	Apr Money-M3 Annual Grwth	6.1		6.3
	0900	Apr Broad Money	16691000		15679280

Source: Refinitiv, ING

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