

## Key events in developed markets next week

Data from the US continues to show a strong recovery is under way amid a successful vaccine rollout. Asset purchase tapering from the Bank of England is on the cards and the Scottish Independence debate will be in the limelight



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### **US: From strength to even more strength**

After another very strong GDP print, attention switches to the jobs story in the coming week. With 142 million Americans having received at least one dose of the Covid vaccine, the economy continues to reopen and consumers have more opportunities to spend their money – remember that household cash, checking and savings deposits have increased by \$3tn since late 2019. The jobs report data is collected the week of the 12th of each month and between March 12 and April 12 we have seen a massive uptick in restaurant diners, a surge in airport travellers and very strong daily credit and debit card transaction numbers, which point to large increases in employment in the leisure and hospitality industries, retail and travel and logistics. Rising industrial output and a red-hot property market also point to good gains in manufacturing and construction employment meaning that in total, we expect to see total US employment rise by more than one million. We will get more data during the week to help us firm up our forecasts, including the ISM manufacturing and service reports along with the ADP's survey of private payrolls.

In addition to highlighting strong order books, the ISM reports are also likely to indicate ongoing rapid increases in prices, which means we have a combination of strong growth, a vibrant jobs market and the prospect of more elevated and sustained inflation pressures in the US economy. As such, we suspect the Federal Reserve will be forced into an earlier policy tightening than the 2024 date for the first interest rate hike they are currently signalling, particularly with another \$4tn of fiscal support set to hit the economy in addition to the \$5tn already spent to support the economy through the pandemic.

## ✔ Expect cautious optimism from the Bank of England – and some tapering?

We expect a series of upgrades to the Bank of England's forecasts, including a bigger rebound in 2Q and a lower peak in unemployment. This encouraging outlook potentially means the Bank will take the opportunity next week to taper the pace of its asset purchases. At face value, this should come as no surprise – the BoE has already told us it will be doing this at some point. Policymakers expect to wrap up the remaining amount of gilt purchases around the end of the year, but at the current £4.4bn weekly pace, it will get there months earlier. A cut in the weekly buying pace to roughly £3bn/week from now onwards would allow the Bank to reach its target holdings of £875bn worth of government bonds around the end of the year.

## ✔ Scottish Independence debate in focus as UK voters go to the polls

There are various UK votes next week, including Scottish Parliamentary elections. These come following a period of renewed focus on the question of Scottish Independence, though voters are now more 50:50 on the issue, erasing a previous lead for 'Yes' that had built up through the pandemic. The main question next week is whether the Scottish National Party (SNP) manages to gain an outright majority in the Scottish parliament, though there is a possibility of a coalition with the pro-independence Green party if they don't.

The upshot is a formal request for a second independence referendum is likely over the next few years. And while London, which ultimately holds the power to allow one, will likely continue to reject such calls, the question is unlikely to go away. Indeed, if a referendum hasn't been granted by 2024, the issue will likely play a key role in the next general election scheduled for that year.

## ✔ Norges Bank – the hawkish outlier

As this is an 'in-between' meeting, we don't expect much news from the Norges Bank next week. The Norwegian central bank looks on track to hike rates in December barring a negative economic surprise, and in fact, a move in September can't be ruled out if the recovery in Europe is faster than expected over the summer.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 3 May</b>					
US	1445	Apr ISM manufacturing	65.5	65.0	64.7
Germany	0700	Mar Retail Sales (MoM/YoY%)	0.0/1.5		1.2/-9.0
	0855	Apr Markit/BME Manufacturing PMI	66.0		66.4
France	0850	Apr Markit Manufacturing PMI	-		59.2
Italy	0845	Apr Markit/IHS Manufacturing PMI	-		59.8
Spain	0815	Apr Manufacturing PMI	-		56.9
Canada	1430	Apr Markit Manufacturing PMI SA	-		58.5
Eurozone	0900	Apr Markit Manufacturing Final PMI	-		63.3
<b>Tuesday 4 May</b>					
US	1330	Mar International Trade \$	-74.0	-72.4	-71.1
	1500	Mar Factory Orders (MoM%)	2.3	2.0	-0.8
UK	0930	Apr Markit/CIPS Manufacturing PMI Final	60.7		60.7
Canada	1330	Mar Trade Balance C\$	-		1.04
Australia	0230	Mar Trade Balance (A\$bn)	8.3		7.5
	0530	May RBA Cash Rate	0.1	0.1	0.1
New Zealand	2345	Q1 HLFS Unemployment Rate	-		4.9
<b>Wednesday 5 May</b>					
US	1315	Apr ADP National Employment	920.0	850.0	517.0
	1445	Apr Markit Composite Final PMI	-		62.2
	1445	Apr Markit Services PMI Final	-		63.1
	1500	Apr ISM Non-Manufacturing PMI	64.5	64.0	63.7
Germany	0855	Apr Markit Services PMI	50.0		50.1
	0855	Apr Markit Composite Final PMI	56.0		56.0
France	0850	Apr Markit Services PMI	-		50.4
	0850	Apr Markit Composite PMI	-		51.7
Italy	0845	Apr Markit/IHS Services PMI	-		48.6
	0845	Apr Composite PMI	-		51.9
Spain	0815	Apr Services PMI	-		48.1
Norway	0700	Dec Labour Force Survey	-		5.0
Eurozone	0900	Apr Markit Services Final PMI	-		50.3
	0900	Apr Markit Composite Final PMI	-		53.7
<b>Thursday 6 May</b>					
Japan	0050	Apr Monetary Base (JPY bn)	649.0		643.6
	0050	Mar Labor cash earnings (YoY%)	-1.3		-0.4
Germany	0700	Mar Industrial Orders (MoM%)	-0.8		1.2
UK	0930	Apr Markit/CIPS Services PMI Final	60.1		60.1
	0930	Apr Composite PMI Final	60.0		60.0
	1200	May BOE Bank Rate	0.1	0.1	0.1
	1200	May Asset Purchase Prog	895		895
Norway	0700	Mar Manufacturing Output (MoM%)	-		-0.4
	0900	Key Policy Rate	0.00		0.00
Eurozone	1000	Mar Retail Sales (MoM/YoY%)	-/-		3.0/-2.9
<b>Friday 7 May</b>					
US	1330	Apr Non-Farm Payrolls	1050.0	925.0	916.0
	1330	Apr Private Payrolls	950.0	859.0	780.0
	1330	Apr Unemployment Rate	5.7	5.8	6.0
	2000	Mar Consumer Credit	17.0		27.6
Germany	0700	Mar Industrial Output (MoM/YoY%)	6.3/9.3		-1.6/-6.11
	0700	Mar Exports	-0.5		0.9
	0700	Mar Imports	-1.0		3.6
	0700	Mar Trade Balance	18.0		19.1
France	0745	Mar Industrial Output (MoM%)	-		-4.7
	0745	Apr Reserve Assets Total	-		182839
	0745	Mar Trade Balance	-		-5.25
	0745	Mar Imports, EUR	-		43.91
	0745	Mar Exports, EUR	-		38.66
Canada	1330	Apr Unemployment Rate	7.2		7.5
New Zealand	0400	Apr Reserve Assets Total	-		18154
Spain	0900	Mar Industrial production YoY			-2.1

Source: ING, Refinitiv

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