

Our view on next week's key events

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✓ US: Watch Fed commentary ahead of pre-meeting quiet period

The market remains split on whether the Federal Reserve will hike interest rates on 3 May. Core inflation continues to run too hot for the Fed's liking, but the minutes of the March FOMC meeting showed that officials acknowledged the risk that lending conditions will tighten in the wake of recent banking stresses and that the likelihood of a recession has increased. Nevertheless, that didn't stop officials from forecasting the fed funds target ceiling ending the year higher than it is today in their March projections.

Next week's data flow is unlikely to have much influence on the market's thinking. Instead, we expect the focus to be on individual Fed officials, who will get their last chance to air their views to the public ahead of the quiet period in the days leading up to the May FOMC meeting. We strongly suspect that if market conditions allow, the Fed will look to raise the policy rate one last time in May.

The data consists of housing numbers and some regional manufacturing surveys. The general view is that high borrowing costs and a lack of affordability will continue to depress activity here, but the manufacturing numbers may get a bit of a lift from the China re-opening story, which has certainly boosted activity there and should further improve any lingering supply chain issues in the US. We also look for a further increase in initial jobless claims, reflecting the spike in lay-off announcements at the start of the year.

✓ Eurozone: PMIs in focus after conflicting signals on economic direction

It's survey data week again for the eurozone, which will be especially interesting given that it has been providing conflicting signals in recent months. The PMI has been very upbeat, while the European Commission survey on sentiment has shown a more cautious picture of actual growth developments. The April data should provide some more sense of direction for an economy that is still struggling with high inflation, but also experiencing some tailwinds now that supply chain problems have faded and energy prices have moderated. Also, look at the trade balance, as we expect the deficit to shrink in the coming months as gas prices are much lower than before.

✓ UK: Data to make-or-break a May rate hike

A raft of economic data due out over the next week may well decide whether the Bank of England hikes rates by another 25bp in May. So far, Bank officials have largely refused to be drawn either way, and the most recent March meeting kept the range of options wide open. Barring any big surprises next week, we expect the committee to hold rates at 4.25% in May. Here's what we're looking for:

- **Jobs/wages (Tues):** Official wage data has finally started to turn, and regular weekly pay has increased by £1 on average over the past two months of data, compared to a rate of £3-4/month through much of 2022. Something similar next week would take the 3M/3M change (ie the average of the past three months' pay level relative to the three months before that) to roughly 4.5% on an annualised basis, down from close to 8% at the tail end of last year. That would be a clear dovish signal for the Bank, though there's still an open question of how quickly wage growth will ease back even if it has finally peaked.
- **Inflation (Weds):** Headline inflation looks set to dip back into single digits next week for the first time since August, but when it comes to the BoE's focus on "persistence", it's clear that services inflation is the most relevant metric. The data here has been volatile over the past couple of months, but our best guess for next week is that we get a fractional increase in the rate of service sector inflation. The Bank of England has said it thinks it will stay broadly unchanged in the short term – and therefore we think it would take a material upside surprise to nudge the odds in favour of another rate hike in May.
- **Retail sales/PMIs (Fri):** After a stronger run so far in 2023, we're likely to see a modest pullback in retail sales, though with energy prices set to dip from the summer and consumer confidence off the lows, the worst for the retail sector is probably now behind us. Next week's PMIs are also likely to be consistent with the relatively stagnant economic backdrop being displayed in the monthly GDP figures.

Key events in developed markets

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 April					
US	1330	Apr Empire manufacturing survey	-19	-18	-24.6
	1500	Apr NAHB home builder sentiment	44	45	44
Eurozone	1100	Mar Reserve Assets Total	-		1096.09
Tuesday 18 April					
US	1330	Mar housing starts (000s)	1420	1405	1450
UK	0700	Feb ILO Unemployment Rate	3.7		3.7
	0700	Feb Employment Change	70		65
	0700	Feb Average Weekly Earnings (3M/YoY%)	5.0		5.7
	0700	Feb Earnings ex bonuses (3M/YoY%)	6.2		6.5
Italy	0900	Feb Global Trade Balance	-		-4.194
Canada	1330	Mar CPI Inflation (MoM%/YoY%)	-/-		0.4/5.2
	1330	Mar CPI BoC Core (MoM%/YoY%)	-		0.5/4.7
Eurozone	1000	Feb Total Trade Balance SA	-		-11.3
Wednesday 19 April					
US	1900	Federal Reserve Beige Book			
UK	0700	Mar CPI (MoM%/YoY%)	0.3/9.9		1.1/10.4
Eurozone	0900	Feb Current Account SA, EUR	-		17
	1000	Mar CPI (YoY%)	-		5.7
Thursday 20 April					
Eurozone	1500	Apr Consumer Confidence Flash	-19		-19.2
US	1330	Initial Jobless Claim 000s	250		239
	1330	Continue Jobless Claim 000s	1880		1810
Friday 21 April					
US	1445	Apr S&P Global Manufacturing PMI Flash	-		49.2
	1445	Apr S&P Global Services PMI Flash	-		52.6
	1445	Apr S&P Global Composite Flash PMI	-		52.3
Germany	0830	Apr S&P Global Manufacturing Flash PMI	45.1		44.7
	0830	Apr S&P Global Service Flash PMI	51		53.7
	0830	Apr S&P Global Composite Flash PMI	51.6		52.6
France	0815	Apr S&P Global Composite Flash PMI	-		52.7
UK	0800	Mar Retail Sales (MoM%/YoY%)	-0.7/-3.1		1.2/-3.5
	0930	Apr Flash Composite PMI	51.9		52.2
	0930	Apr Flash Manufacturing PMI	48.5		47.9
	0930	Apr Flash Services PMI	52.5		52.9
Canada	1330	Feb Retail Sales (MoM%)	-		1.4
Eurozone	0900	Apr S&P Global Manufacturing Flash PMI	48		47.3
	0900	Apr S&P Global Services Flash PMI	54		55
	0900	Apr S&P Global Composite Flash PMI	53		53.7

Source: Refinitiv, ING

Key events in EMEA/LATAM next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 17 April					
Turkey	0900 Mar	Budget Balance	-		-170.56
Poland	1300 Mar	Net Inflation (YoY%)	12.3		12.0
Wednesday 19 April					
Russia	1700 Mar	PPI (MoM%/YoY%)	-/-		0.9/-7.5
South Africa	0900 Mar	CPI (MoM%/YoY%)	-/-		0.7/7
	0900 Mar	Core inflation (MoM%/YoY%)	-/-		0.8/5.2
Brazil	1200 Feb	Retail Sales (YoY%)	-		-0.8
	1300 Feb	Industrial Output (MoM%/YoY%)	-/-		-0.3/0.3
Thursday 20 April					
Mexico	1300 Feb	Retail Sales (MoM%/YoY%)	-		1.6/5.3

Source: Refinitiv, ING

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Asia week ahead: Policy meetings from China and Indonesia

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Upcoming economic and price activity from Japan

Japan will release several data points next week and we think that the trend of weak manufacturing against a strong services sector should continue. Fresh PMI data for manufacturing will likely show the sector staying in contraction while services PMI could continue to gain modestly on the back of a better tourism and leisure outlook.

Meanwhile, March exports are expected to fall again mainly due to weak China and electronics exports. CPI inflation is expected to slow to 3.1% year-on-year in March due to base effects, but based on a monthly comparison, we believe service prices will post a modest gain.

Upcoming GDP data from China

China will release its GDP report for the first quarter and activity data for March. We expect GDP growth at 3.8%YoY, with consumption and infrastructure investment as the major drivers. Strong loan growth in March should support faster infrastructure investments. Retail sales should continue to recover. However industrial production will be affected by weak external demand.

We will be monitoring how quickly infrastructure investment grows amid strong loan growth. We will also look at the details of retail sales to find clues on consumption recovery, whether it is broad-based and how fast it can grow in the coming months.

PBoC expected to cut policy rates

The People's Bank of China (PBoC) will decide whether to change the 1Y Medium Lending Facility policy rate. The central bank should have most of the information it needs to make this decision even without the GDP data. A cut of 10bp is possible if the data is not as good as the government expects. Banks will follow the central bank's decision to decide on whether to cut the Loan Prime Rate. We expect that if there is a cut of 10bp by the PBoC then banks will cut the 1Y and 5Y Loan Prime rates by 5bp and 15bp, respectively.

Bank Indonesia to keep rates unchanged

Bank Indonesia will likely keep rates untouched at 5.75% given softening inflation and a relatively stable currency. Inflation has moderated and was last reported at 5% year-over-year while the Indonesian rupiah (IDR) is one of the best-performing currencies in the region for the month. These two factors should give the central bank enough room to maintain its current policy stance at its meeting next week. A sustained slowdown of inflation coupled with a strong IDR could even open the door for possible easing by Bank Indonesia in the coming months.

Key events next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 April					
India	-	Mar Fiscal Deficit (USD bn)	-	18.3	
	-	Mar Imports/Exports (USD bn)	-		-
Indonesia	0500	Feb Retail Sales Index (YoY)	-		-0.6
Friday 14 April					
India	1230	FX Reserves (USD bn)	-		578.45
Monday 17 April					
Indonesia	0500	Mar Trade Balance (USD bn)	-		5.48
	0500	Mar Imports/Exports Growth (YoY%)	-5.2/10.3		-4.32/4.51
China	-	1Y Medium Lending Facility rate	2.75		2.75
Tuesday 18 April					
China	0300	Mar Industrial Output (YoY%)	2.5		2.4
	0300	Mar Retail Sales (YoY%)	5.0		3.5
	0300	Mar Fixed Assets Investments (YTD YoY%)	5.7		5.5
	0300	Q1 GDP (YoY%)	4.5		2.9
Indonesia	0800	Apr 7-Day Reverse Repo	5.75		5.75
Wednesday 19 April					
Japan	0050	Mar Imports/Exports YoY%	6.5/-1.9		8.3/6.5
	0050	Mar Trade Balance Total Yen	-1200		-897.7
Thursday 20 April					
Australia	2300	Apr Manufacturing PMI Flash	-		49.1
	2300	Apr Services PMI Flash	-		48.6
	2300	Apr Composite PMI Flash	-		48.5
China	0215	Apr Loan Prime Rate 1Y/5Y	3.65/4.3		3.65/4.3
Friday 21 April					
Japan	0030	Mar CPI (YoY%)	3.1		3.3
	0130	Apr Composite PMI Flash	52		52.9
	-	Apr Manufacturing PMI Flash	48.5		49.2
	-	Apr Services PMI Flash	55.2		55.0
Indonesia	0400	Mar M2 Money Supply (YoY%)	-		7.9

Source: Refinitiv, ING

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