Week Ahead 18-22nd April: China data, PBoC LPR, Flash PMIs

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- **MON:** Chinese GDP (Q1), Industrial Production (Mar) & Retail Sales (Mar)
- **TUE:** RBA Minutes (Apr); US Building Permits/Housing Starts (Mar)
- **WED:** PBoC LPR; Japanese Trade Balance (Mar), EZ Trade Balance (Feb), Canadian CPI (Mar), US Existing Home Sales (Mar), New Zealand CPI (Q1)
- **THU:** CBRT Minutes (Apr); EZ Consumer Confidence Flash (Apr)
- **FRI:** Australia CPI (Mar); Japan CPI (Mar); Canada Retail Sales (Feb); EZ, UK and US Flash PMIs (Apr), UK Retail Sales (Mar)

NOTE: Previews are listed in day-order

CHINESE GDP, INDUSTRIAL PRODUCTION, RETAIL SALES (MON): Overall, the data will likely be stale given the COVID-related developments in China, with Shanghai under lockdown, but the GDP metric will likely attract headline attention nonetheless. Q1 GDP growth is expected to slow to 3.6% from 4.0% Y/Y whilst the Q/Q metric is seen slowing to 1.1% from 1.6%. Retail Sales and Industrial Production are forecast at 3.0% (from 6.7% Jan-Feb period) and 3.9% from 7.5% (Jan-Feb period) respectively - unsurprising given the lockdowns in the world's second-largest economy. Back to GDP, SGH Macro Advisors, citing sources, suggest Chinese Premier Li stressed the need to ensure that economic growth in Q2 is not lower than in Q1, and the need to focus on ensuring stability, especially in April. On that note, China's Securities Journal recently intimated easier monetary policy in Q2 vs Q1. Note, Monday will see domestic holidays in Europe, thus volumes will likely be lighter-than-usual.

RBA MINUTES (TUE): The focus of the minutes will likely be around more information regarding the timing of a rate hike. As a reminder, a hawkish hold by the RBA saw the Cash Rate maintained at 0.1%, but the reference to a "patient" monetary policy approach was scrapped. The statement made it clear that it had shifted more aggressively to focus on inflation. The statement made no direct hints as to the timing of any rate hikes. However, last Friday, the RBA Financial Stability Review said it is important that borrowers are prepared for an increase in interest rates, and global asset markets are vulnerable to larger-than-expected rate increases. Any colour around this will attract the most attention.

CHINESE LPR (WED): The PBoC will decide on its benchmark lending rates next week where participants will be eyeing whether the central bank will reduce or maintain the 1-Year Loan Prime Rate at the current 3.70% level and with the 5-Year Loan Prime Rate at 4.60% which is the reference for mortgages. There are expectations for the PBoC to resume policy loosening to support a slowing economy caused by the pandemic and China's strict zero-COVID approach that has resulted in city-wide lockdowns in some areas including China's most populous city of Shanghai, while global demand is also seen softening owing to the Ukraine war and as several major central banks across the world begin to normalise policy. As such, many anticipate the PBoC will reduce interest rates with 15 out 20 analysts surveyed by a major newswires expecting a reduction in the Medium-term Lending Facility as early as this Friday which if lowered, would virtually guarantee a cut to the LPR next week, while Chinese press reports have also noted that a RRR cut was likely during Q2 and Citi even see the possibility for China to reduce RRR this Friday which would free up CNY 1.2tln of funds. Conversely, some economists see a narrower scope for a rate cut given the recent firmer than expected inflation data for China and after China's 10yr government bond yield briefly fell beneath its US counterpart for the first time in 12 years earlier this week, therefore, effectively lowering the appeal for Chinese bonds and which policymakers may want to avoid further exacerbating.

NEW ZEALAND CPI (WED): Overall, the quarterly nature of CPI releases and recent 50 bp RBNZ rate hike, may mean this release is somewhat staler than usual, but for Q1, the Q/Q metric is seen rising to 2.0% (prev. 1.4%), whilst the Y/Y rate is expected at 7.1% (prev. 5.9%). Analysts at ASB expect the Q/Q at 2.3% and Y/Y at 7.3%, but suggest the risks to their forecasts are tilted to the downside. "To us, the bigger issue is not so much what the inflation peak will be, but how persistent the uptick in inflation is", the desk says, adding that the outlook is uncertain and "Another 50bp hike by the RBNZ in May towards neutral levels and a period of restrictive OCR settings after that will be needed to help lower entrenched inflation and reset inflation expectation".

EZ FLASH PMI (FRI): Expectations are for the April manufacturing metric to fall to 54.3 from 56.5 with the services print set to tick lower to 55.0 from 55.6. The prior report saw S&P Global observe that “the further reopening of the eurozone economy…provided a welcome tailwind to business activity in March”. However, analysts cautioned “…the resilience of the economy will be tested in the coming months by headwinds which include a further spike in energy costs and other commodity prices…as well as worsening supply chain issues…and a marked deterioration in business optimism regarding prospects for the year ahead.”. Ahead of the upcoming release, Nordea highlights that concerns over the economic consequences of the Russia-Ukraine conflict has prompted a plunge in investor confidence via the ZEW index to its lowest level since the onset of the pandemic. Furthermore, the impact of further restrictions in China and potential supply chain disruptions comes at a time when “price pressure is already denting current purchasing power, and consumer sentiment hovers at all-time lows”. Accordingly, Nordea expects a decline in the EZ-wide composite metric.

UK FLASH PMI (FRI): Expectations are for the April services metric to decline to 60.3 from 62.6, manufacturing is expected to decline to 54.0 from 55.2, leaving the composite at 59.1 vs the previous 60.9. In the March data, S&P Global noted that “UK economic growth continued to surge higher in March after an Omicron-induced slowdown at the turn of the year”. However, “…the near-term growth outlook weakened in March, with optimism dropping to its lowest since October 2020 as the war in Ukraine and global inflation concerns took a considerable toll on business sentiment”. From a policy perspective, inflation metrics in the UK are the greatest guiding force for the BoE with annual CPI reaching 7% in March. The UK’s April inflation report will be widely anticipated given that it will encapsulate the most recent adjustment to the OFGEM price caps and could also mark a peak in inflation for the year. As such, April’s PMI figures will be analysed for commentary surrounding price pressures and whether purchasing managers are of the view that pressures could be beginning to top-out. Furthermore, given the dovish dissent by Cunliffe at the last MPC meeting on concerns over the squeeze in real household incomes, broader macro commentary will be eyed to see if it could persuade other policymakers at the BoE to follow suit.

UK RETAIL SALES (FRI): Y/Y retail sales for March are expected to rise 7.8% vs. the 7.0% increase seen in February with the M/M rate set to increase 0.6% vs. the 0.3% contraction in the prior month. Ahead of the release, it’s worth noting that BRC retail sales for March contracted 0.4% on a Y/Y basis with the consortium noting that “as consumer confidence continued to sink, March saw sales slow, and while spending remained above last year this likely reflects higher prices”. Elsewhere, the Barclaycard Consumer Spending report revealed that “…rising fuel prices and household bills are clearly starting to influence consumer behaviour, with many Brits changing their travel and shopping habits to save money”.