



Week Ahead 9-13th May: Highlights include US CPI, China CPI, UK GDP, RBNZ Inflation Survey, Banxico

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- **MON:** Chinese Trade Balance (Apr); EZ Sentix Index (May).
- **TUE:** Australian Retail Sales (Q1); German ZEW Survey (May); UK Prelim GDP (Q1); EIA STEO.
- **WED:** Chinese Inflation (Apr); UK GDP Estimate (Mar); US CPI (Apr).
- **THU:** Banxico; New Zealand Inflation Forecast (Q2); IEA OMR; OPEC MOMR.
- **FRI:** US Uni of Michigan Prelim Survey (May).

NOTE: Previews are listed in day-order

CHINESE TRADE BALANCE (MON): April's Trade Balance will be impacted by the COVID situation in China – which remains fluid and contingent on zero transmissions in some places. Production was largely shuttered with supply chain problems also rising. A recent piece by RBC suggested global supply chain problems look set to worsen, as China's COVID-19 lockdowns and Russia's invasion of Ukraine cause longer delays at ports and inflate costs. Export growth is expected to fall to 3.2% (prev. 14.7%) and imports are seen contracting 3.0% (prev -0.1%). Overall, the trade balance surplus is expected at USD 50.65bln (prev. USD 47.38bln).

CHINESE INFLATION (WED): April CPI Y/Y is expected to tick higher to 1.9% (prev. 1.5%), although the PPI Y/Y is seen easing to 7.8% (prev. 8.3%). Taking the Caixin PMI as a proxy, the composite release suggests “Prices data showed the rate of overall input cost inflation moderated slightly from March, but remained marked overall. Composite selling prices meanwhile fell for the first time since May 2020, albeit only marginally”. Nonetheless, as inflation remains rampant overall, Chinese policymakers are seemingly more focused on growth, with markets expecting the PBoC and the government to both maintain easy policies.

US CPI (WED): Headline consumer prices are seen rising 0.2% M/M in April (prev. 1.2%), and core consumer prices are expected to rise 0.4% M/M (prev. +0.3%). Analysts will be watching the data to see if the trends in the March CPI and PCE data—where annualised rates eased, leading to many ‘peak inflation’ calls—will be seen again. Credit Suisse expects the data will show a second month of slowing inflation, but notes that consumer prices are still shooting well-above the Fed's target. For the headline, seasonally adjusted gasoline prices fell around 7% in the month, which should drive the slowdown. For core, the Swiss bank believes that the annualised rate of prices will pare back to 5.9% in April from 6.5% in March, with used vehicle prices expected to ease for the third straight month. Shelter inflation is expected to remain elevated, while services inflation is also seen remaining high amid further reopening in April and the consumer shift in spending to services from goods. “We expect the Y/Y readings in both headline and core CPI inflation likely peaked in March, but inflation will still run well-above the Fed's 2% target,” CS writes, but warns that “Chair Powell has laid out a base case of 50bps rate increases for the next two FOMC meetings, but a significant upside surprise could leave room for more-aggressive tightening.”

UK GDP (THU): Investec's analysts expect March GDP will grow just 0.1% M/M (prev. +0.1%), and the 3m/3m rate is also seen remaining at 1.0%. Investec says that the dynamics that we saw in the February monthly data will be similar to those in the March report. “This would give quarterly GDP growth in Q1 of +1.0% – somewhat slower than Q4's +1.3%, but firmly ahead of the Eurozone's +0.2% and the US's -0.4% (de-annualised) pace of growth” Purchasing managers' data suggest that manufacturing may have contracted again, although services output will likely have remained positive, and the bank sees less drag in March than February from human health and social work activities, as much of the slowdown in Covid vaccinations and testing appears to have taken place earlier. However, it adds that the potential for a rebound in hospitality, entertainment and recreation after the peak of the Omicron wave of Covid infections was probably largely exhausted by March. “More generally, the data on hospitality and recreation output will shed light on the extent to which the weakness in retail spending in late Q1 was due to high inflation squeezing households' purchasing power, or a rotation in spending towards services, unwinding more of the pandemic shift in sales patterns,” Investec writes, “the more spending on consumer services suffered too, the more of a worrying signal this would be for the further outlook for activity.” The bank says declining GDP will be hard for the UK to avoid in Q2 since this period will include the impact of higher utility bills as well as an additional bank holiday, but says that the depth and magnitude remain uncertain.



BANXICO PREVIEW (THU): At its March meeting, the Banxico voted unanimously to hike rates by 50bps to 6.5%, as the market had expected; analysts also noted that the central bank did not describe the 50bps increment of the hike as "on this occasion", which might be taken as a sign that it is comfortable with lifting rates by that magnitude at future meetings. Banxico continues to take a data-dependent approach. Since the March meeting, the latest bi-weekly CPI data showed inflation rising to 7.7% Y/Y in the first part of April, amid broad-based price gains. Additionally, Q1 GDP data rose 0.9% Q/Q, a little short of the 1.1% analyst forecast, and although it was an encouraging start the year, analysts note the risks that lie ahead. "Looking ahead, the economic outlook remains challenging," Pantheon Macroeconomics said, "for a start, inflation will remain too high for comfort, disposable income is under renewed strain, remittances from the US likely will slow as the US housing market continues to roll over, and Banxico likely will continue to tighten to at least 8.25% over the coming meetings." Pantheon also notes that there is increased political uncertainty after President Lopez Obrador's populist policies, which will act as a headwind to capex and business sentiment. Internationally, the war in Ukraine is keeping inflation pressures alive, China's lockdown is having an impact on not only the domestic economy, but the global economy too, while the Federal Reserve in the US is pursuing a hawkish trajectory. Other analysts have said that this will keep the prospect of a 75bps rate hike at the Banxico's May meeting on the cards.

NEW ZEALAND INFLATION FORECASTS (THU): The RBNZ's quarterly survey of inflation expectations is expected to show a sharp rise in forecasts over short-term horizons – namely the one and two-year timeframes. Westpac suggested the jump higher in revisions in the Q1 release underpinned the case for a 50bps hike in April. "A result in that vein would support our forecast for another 50bp OCR hike in May," Westpac says.

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