Week Ahead April 24-28th: US GDP, PCE, ECI; EZ GDP; Aus CPI; BoJ, BoC mins, CBRT

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- **MON:** German Ifo Survey (Apr).
- **TUE:** Riksbank Announcement, South Korean GDP (Q1), US Richmond Fed Index (Apr), New Zealand Trade Balance (Mar)
- **WED:** BoC Minutes, Australian CPI (Mar/Q1), US Durable Goods (Mar).
- **THU:** CBRT Announcement, EZ Business Climate (Apr), US GDP Adv. (Q1)/ PCE Prices Adv. (Q1).
- **FRI:** BoJ Announcement and Outlook Report, Eurogroup meeting, Japanese Tokyo CPI (Mar)/ Retail Sales (Mar) / Industrial Profits (Mar), French, German and Spanish Prelim CPI (Apr), German Unemployment (Apr), US PCE (Mar).

NOTE: Previews are listed in day-order

NEW ZEALAND TRADE BALANCE (TUE): There are currently no expectations for the March Kiwi trade balance. The February Trade Balance printed at a deficit of USD 714mln, with the desk at Westpac expecting the March Trade Balance at a deeper deficit of USD 850mln. The desk suggests imports are starting to lose steam on softer domestic demand.

BOC MINUTES (WED): At its meeting, the Bank of Canada left rates unchanged at 4.50%, as expected, and maintained language that it was prepared to do more on rates if needed to bring inflation back to target. The average GDP forecasts were revised higher for 2023, but down for 2024, while growth is seen picking up again in 2025. On inflation, the 2023 average CPI forecast was revised lower, while 2024 was left unchanged. The statement noted that getting inflation to 2% could be more difficult as expectations are coming down only slowly, while service price inflation and wage growth remain elevated, and corporate pricing behaviour has yet to normalise. The central bank also lowered its output gap estimate, though left its neutral rate view unchanged. At his post meeting press conference, Governor Macklem revealed that the Governing Council discussed whether it had raised rates enough, but said that the full work through of prior hikes was not yet done. Officials also considered the likelihood that rates may need to remain restrictive for longer to return inflation to target. The Governor also pushed back on market pricing for rate cuts, saying that does not look like the most likely scenario. Analysts at Oxford Economics now expect rates to be left unchanged throughout 2023, noting their CPI forecasts are aligned with the BoC, but they see much weaker GDP growth in 2023 than the BoC expects.

AUSTRALIAN CPI (WED): Q/Q Q1 CPI is seen cooling to 1.3% from 1.9% in Q4 last year, but the Y/Y rate is expected to have ticked higher to 6.9% from 6.8%. Meanwhile, the Trimmed Mean CPI is forecast at 1.4% Q/Q (prev. 1.7%), and Y/Y at 6.7% (prev. 6.9%). Weighted Mean CPI is seen at 1.3% Q/Q (prev. 1.6%) and Y/Y at 1.3% (prev. 1.6%). Last quarter, the largest upward contributions came from domestic and international holiday travel alongside energy prices. Analysts at Westpac suggest the expected downticks in Q/Q metrics "is due to an ongoing moderation in inflation for food, a seasonal decline in clothing & footwear, a further moderation in dwellings and household contents & services inflation, as well as falling prices for auto fuel and audio visual & computing equipment." Regarding the RBA, the minutes released this month stated that the Board considered a rate hike at the April policy meeting before deciding to pause, as it agreed on a stronger case to pause and reassess the need for further tightening at future meetings, whilst highlighting that Inflation is still too high and the labour market has loosened a little, but remains very tight. As a reminder, the RBA held rates at 3.60%, as expected and heavily priced in the money markets, although analysts were near-evenly split between expectations for a 25bps hike and a pause.

RIKSBANK ANNOUNCEMENT (WED): Expected to hike the Key Policy Rate by 50bp to 3.50%, 96% of respondents to SEB's survey expect such a magnitude while the remainder look for 25bp. The 50bp increment is merited by CPIF-XE remaining above target and stubbornly elevated in tandem with the domestic economy generally faring relatively well. Such a move would follow the 50bp hike in February, which was accompanied by guidance for another hike of either 25bp or 50bp in April. While inflation remains above-target, the March release was cooler-than-expected for the core measure and was accompanied by a marked easing in the headline rate to 8.3% from 9.4%. A dynamic which could be used to justify a discussion, or perhaps even a vote for, a more modest 25bp rate rise by the more dovish members. On this, the domestic Trade and Enterprise unions have called for rates to be left unchanged, citing the recent prudent wage agreement and non-expansionary government budget. Overall, expected to hike by 50bp, though a discussion around and/or vote(s) for other magnitudes cannot be ruled out; albeit, the likes of SEB and Nordea expect another hike in June to a 3.75% peak given inflation. Additionally, the statement will likely keep emphasis on SEK appreciation as being “desirable”.

CBRT ANNOUNCEMENT (THU): The consensus is for the CBRT to leave its One-Week Repo Rate unchanged, at 8.50% in April. At its previous meeting, the central bank noted stronger economic activity and caveated its views with concerns of recession in developed economies. The CBRT reiterated it is to use all instruments decisively for price stability and the medium-term 5% inflation target, whilst suggesting the transparent, predictable, and data-driven decision-making framework is to continue. Traders will continue to frame the CBRT meeting in the context of the upcoming May 14th elections. Ahead of the confab, and the elections, SocGen notes traders' chatter that the central bank has tightened its grip on the currency ahead of the election, is now tracking and vetting TRY exchange rates and has requested detailed reports on FX valuations. Analysts have suggested that the CBRT may return to more conventional monetary policy strategies after the election is out of the way, and will be forced to lift rates. The most recent central bank poll found the Repo Rate is seen at 13.75% in 12-months time; previously, the view was for 12.8%.

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US ADVANCED GDP (THU): The rate of US GDP growth is expected to cool in Q1, with the consensus looking for the first estimate of 2023 output to show growth of 2.0% Q/Q (prev. +2.6%). At the time of writing, the Atlanta Fed's forecasting model is tracking growth of 2.5% in Q1. However, in recent weeks, many sell-side nowcasting models have been moving lower. And ahead, the rate of growth is expected to cool further. At its March meeting, the Federal Reserve trimmed its growth view for 2023 as a whole, and now projects GDP at 0.4% from its prior view of 0.5%. For now, the Fed continues to prioritise inflation in its policymaking, so while traditionally traders might expect weak growth data to generate a dovish response, that may not be seen until prices have come back down further towards target. Nevertheless, money markets are still pricing at least one full 25bps rate cut, and around 50% chance of another later this year, after a 25bps rate rise in May.

BOJ ANNOUNCEMENT AND OUTLOOK REPORT (FRI): The Bank of Japan will conduct its first policy meeting under the leadership of newly appointed Governor Ueda next week, which will also be the first meeting for Deputy Governors Uchida and Himino, with the central bank expected to maintain current monetary policy settings of rates at -0.10% and QQE with YCC to flexibly target 10yr JGB yields at 0% within a +/- 50bps tolerance range, according to 24 out of 27 economists surveyed by Reuters. Comments from the new officials have suggested no hurry to exit from ultra-easy policy as Ueda stated during his inaugural speeches last week that the BoJ will continue monetary easing until the price target is stably and sustainably achieved and noted that domestic consumer inflation is currently around 3%, but likely to slow ahead. Furthermore, Governor Ueda warned against a sudden normalisation of policy and Deputy Governor Uchida also said they will continue monetary easing to achieve the price stability target sustainably and stably, while other officials said they are not expecting an abrupt shift in policy under the new Governor. Nonetheless, participants will be on the lookout for potential clues about when the central bank could begin normalisation as most economists cited by Bloomberg expect some sort of policy shift by June, although some have warned that the BoJ could maintain policy well into Q2. Meanwhile, recent data releases have been mixed which supports a patient approach, including the quarterly Tankan survey as the large manufacturers’ sentiment index deteriorated for the 5th consecutive quarter and fell to its lowest since December 2020, but the large non-manufacturers sentiment index printed at its highest in more than 3 years. Furthermore, household spending disappointed, but machinery orders topped forecasts and the latest national inflation metrics matched largely consensus, with headline CPI at 3.2% and Core CPI at 3.1%, but showed an acceleration in nationwide Ex. Fresh Food & Energy CPI to 3.8% (prev. 3.5%). The central bank will also release its latest Outlook Report containing Board members’ median forecasts for Real GDP and Core CPI, with the current estimates for growth at 1.9%, 1.7% and 1.1% for fiscal years 2022, 2023 and 2024, respectively, while inflation is seen at 3.0%, 1.6% and 1.8% for the respective aforementioned years. In addition, a recent press report stated that the central bank is mulling CPI projections for FY25 between 1.6%-1.9%, which would remain below the 2% price goal and support the case for a delayed exit from easy policy.

TOKYO CPI (FRI): Core Tokyo CPI is expected to have eased to 3.1% from 3.3% amid stabilising energy prices and base effects. The release is seen as a leading indicator of the national metrics due a couple of weeks later. Last month Core consumer inflation in Tokyo slowed for the second consecutive month, but remained well above the central bank's 2% target. The slowdown was primarily due to government measures to curb utility costs. However, the core came in at the fastest year-on-year pace since 1990. That was also reflected in the national metrics released recently – with the Core CPI Y/Y rising to 3.8% from the prior 3.5%, and above the forecast of 3.4%. Sources via Reuters suggested the BoJ is likely to maintain ultra-loose monetary policy and make no change to interest rate targets and the yield tolerance band at its meeting next week, and will likely maintain dovish guidance and could discuss adjusting the reference on COVID-19 in coming meetings. This follows reports the BoJ is reportedly open to tweaking Yield Curve Control (YCC) this year if wage momentum holds, according to Reuters sources; may engage in more lively debate at June and July meetings; but there is no current consensus on how soon to phase YCC out, with the July wage tally reportedly key.

EZ Q1 GDP (FRI): Prelim Q1 GDP data for the Eurozone is expected to show Q/Q growth of 0.1% (vs. prev. 0.0%) with the Y/Y rate at 1.3% (vs. prev. 1.8%). Ahead of the upcoming release, analysts at Investec note that “over the winter period the macroeconomic story from the Euro area has been it's better-than-expected performance” whereby fears of a winter recession have been averted thanks to milder weather and a subsequently better energy backdrop. Investec states that surveys such as the PMIs “have pointed to a continued pickup in the services sector”, whilst “industrial output has grown 1.0% and 1.5% (m/m) in January and February respectively and hence looks set to record positive growth on the quarter”. Accordingly, the desk looks for a small Q/Q increase of 0.1%. As ever, GDP data will be deemed as stale in some quarters with traders more mindful of recent PMI metrics, whereby data for April highlighted the differing fortunes for the manufacturing and services sectors, with the former delving deeper into contractionary territory and the latter moving further above the 50 mark. On which, ING concludes the data "sheds a positive light on the economic performance in the eurozone, as a pickup in service sector activity is boosting growth". From a policy perspective, inflation data and the Bank Lending Survey released ahead of the May meeting will likely carry greater sway over the upcoming decision whereby 25bps is priced at 68% and 50bps at 32%.

US PCE (FRI): The consensus expects core PCE to rise 0.3% M/M in March, matching the prior rate; the annual measure is seen easing by 0.1ppts to 4.5% Y/Y. The data is likely to confirm that the process of gradual disinflation continued in March, Credit Suisse says, but the core run rate is still set to remain higher than the Fed’s target. "The CPI release indicated that core goods prices edged higher in March, however, modest disinflation in shelter, which is a smaller weight in the PCE than CPI, should offset most of this so that the monthly inflation rate stays flat," CS writes.

US EMPLOYMENT COSTS (FRI): The data is said to be one of the key measures that Fed officials look to when assessing longer-term remuneration trends; officials have indicated that they want to see a slowdown in wage inflation, amongst other things, in order to help bring down the rate of services inflation. "We expect that the ECI will show a continued modest slowdown in the pace of wage gains as the quit rate has eased in recent months," Moody's says. There has been sequential easing in this measure over the course of the last few reports (1.4% in Q1 2022, 1.3% in Q2, 1.2% in Q3, and 1.0% in Q4), although that trend may be tested, if the consensus view is anything to go by: analysts are currently looking for a rise of 1.1% Q/Q in Q1 (prev. +1.0%).