Week Ahead 13th-17th May: Highlights include US CPI and Retail Sales, PBoC, China inflation and activity data, Japan GDP, Australian and UK jobs

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- **SAT:** Chinese Inflation (Apr)
- **MON:** Eurogroup Meeting, New Zealand Inflation Forecasts (Q2)
- **TUE:** OPEC MOMR, German Final CPI (Apr), UK Jobs Report (Apr/Mar), German ZEW Survey (May), US PPI (Apr)
- **WED:** PBoC MLF, Riksbank Minutes, IEA OMR, Australian Wage Price Index (Q1), Swedish CPIF (Apr), EZ Flash GDP/Employment (Q1) and Industrial Production (Mar), US CPI (Apr)/Retail Sales (Apr)
- **THU:** Japanese GDP (Q1), Australian Jobs Report (Apr), Norwegian GDP (Q1/Mar), US Philly Fed
- **FRI:** Chinese Retail Sales (Apr), EZ Final CPI (Apr)

NOTE: Previews are listed in day order

CHINESE INFLATION (SAT): Chinese inflation data will be released over the weekend while markets are closed. Expectations are for the CPI Y/Y to remain at 0.1% in April, whilst PPI Y/Y is seen at -2.3% vs -2.8% in March. Domestic demand woes emanated from last month's release as CPI missed forecasts for March and cooled notably since February, whilst the manufacturing sector remains in deflation, marking 18 consecutive months of declines – with the prior month's metrics sparking some speculation of further government support to prop up the economy. Using the Caixin PMI commentary as a proxy for the upcoming release, it suggested "Improved market demand drove a continuous increase in supply. Business activity and total new orders both grew for the 16th straight month, with the latter increasing at the fastest pace since May last year, indicating a solid resurgence in demand…Prices rose modestly. Both input costs and prices charged by service providers increased, albeit only slightly. Input costs rose on increased prices for raw materials, labour and energy, which were partially passed onto consumers."

NEW ZEALAND Q2 INFLATION FORECASTS (MON): The RBNZ's quarterly Survey of Expectations will be released on the 13th. The prior quarter's release saw business leaders and professional forecasters continue to see inflation tracking down, with the 1-year out rate dipping to 3.22% from 3.60% in the prior quarter's release, and the 2-year out metric waning to 2.50% from 2.76%. ANZ at the time suggested the RBNZ might've hoped for one-year ahead inflation expectations to have fallen more, whilst Westpac said the RBNZ would be relieved to see inflation trending lower and closer to the central bank's target. At the most recent RBNZ meeting on April 10th, the OCR was maintained at 5.50% which was unanimously expected, while it kept to its hawkish-leaning tone as it stated that a restrictive monetary policy stance remains necessary to further reduce capacity pressures and inflation with the committee confident that maintaining the OCR at a restrictive level for a sustained period will return consumer price inflation to within the 1%-3% target range this calendar year.

UK JOBS REPORT (TUE): Expectations are for the unemployment rate in the 3M period to March to rise to 4.3%, whilst headline wages in the 3M/YY period to March are expected to slip to 5.5% from 5.6% and the ex-bonus figure is expected to tick lower to 5.9% from 6.0%. As a reminder, the prior report saw the unemployment rate unexpectedly jump to 4.2% from 3.9% (albeit, subject to the usual data reliability issues), employment decline by 156k, whilst "regular pay, which strips out volatile one-off/bonus payments, rose by 12% on a month-on-month annualised basis" as opined by ING. This time around, analysts at Pantheon expect the data to reflect "further easing of labour-market tightness but another strong pay rise". More specifically, the consultancy expects "March PAYE data will be revised up, and we look for a 20K month-to-month rise in payrolls employment in April". On the pay front, PM writes "we expect another solid month as firms' responses to the minimum-wage hike begin to feed into the data". From a policy perspective, as traders attempt to fine-tune bets on a potential June cut, focus will be on wage growth and if any potential cooling will give policymakers a green light to ease policy. As it stands, a June reduction is near-enough a coin flip with a cut priced at 48%.

PBOC MLF (WED): The PBoC is likely to keep the 1-year MLF rate at the current level of 2.50%. As a reminder, the central bank refrained from any adjustments to the 1-year MLF rate last month and opted to drain funds again as it conducted CNY 100bln in 1-year MLF loans vs. CNY 170bln that matured while it also maintained the benchmark Loan Prime Rates with the 1-year and 5-year LPRs kept at 3.45% and 3.95%, respectively. The central bank's actions since then have continued to point to a lack of urgency for adjustments in short-term funding rates as daily open market operations have mostly been kept to modest amounts of CNY 2bln aside from a substantial injection heading into the recent Labour Day Golden Week holiday which the central bank has since allowed to drain out of the system. Recent data releases also suggest there is no urgency to adjust policy as Trade Data showed improvements across the board and the latest Chinese PMI data printed mixed in which the official NBS Manufacturing and Caixin Manufacturing PMIs topped forecasts but Non-Manufacturing PMI disappointed although remained in expansion territory. Nonetheless, future policy loosening cannot be ruled out as PBoC Deputy Governor Zhu Hexin previously noted there is still room for monetary policy going forward and that they will closely watch the policy effectiveness, economic recovery, and achievement of goals, as well as make good use of reserve tools at the appropriate time.

US CPI (WED): Headline CPI is seen rising +0.3% M/M in April (prev. 0.4%), while the rate of core inflation is expected to rise +0.3% M/M, cooling from +0.4% prior. The recent upside in inflation, however, has still not been enough to concern Fed Chair Powell, who ruled out the possibility of interest rate rises at his post-meeting press conference in May. Instead, Powell suggested that the Committee could keep rates at current levels for longer to bring inflation back down. Powell said when the Fed gets greater confidence on inflation, rate cuts will be in its scope, but he currently does not have great confidence either way on whether there will be rate cuts this year. Other officials have echoed that sentiment, that while inflation progress has been made, there were likely to be setbacks, and the central bank still has work to do in bringing prices down. Analysts at ING said that a CPI rise of +0.3% in April was still too high for the Fed to start cutting rates this summer, and such a reading would cement the view of the Fed keeping rates higher for longer. Money markets are currently pricing around 45bps of rate cuts this year (implying one fully priced cut, with around 80% probability of another), with markets of the view that this reduction will likely come in September or November.

US RETAIL SALES (WED): Headline retail sales are seen rising +0.4% M/M in April (prev. +0.7%), while the core rate is seen rising +0.2% M/M (prev. 1.1%). Bank of America's Consumer Checkpoint data for the month noted that consumer spending and wage momentum continued, especially for lower-income cohorts, but warned that property insurance costs posed risks. The bank's data showed total card spending per household was +1.0% Y/Y in April (vs 0.3% Y/Y in March), and said that while "recent data has been noisy due to the early Easter, the leap year and other seasonal factors," "spending momentum appears to continue to be relatively soft but stable." The levels of lower-income spending growth were above that of higher-income households, and lower-income households' after-tax wages and salary growth had risen, while savings buffers remained. Still, the report said that the apparent cooling in the labour market warrants close watching; "tax refunds have been skewed towards lower-income cohorts. But while they appear to have spent some of these on retail, we see signs that they increased debt payments, possibly dampening some tax refund boosts to spending." It added that rising property insurance costs were a significant headwind for consumers and that some of the reasons for higher insurance payments were likely to be persistent.

JAPANESE GDP (THU): Expectations are for Q1 Q/Q GDP to contract 0.4% vs. a previous increase of 0.1% with the quarterly annualised print seen at -1.5% vs. prev. 0.4%. Despite averting a technical recession with the Q4 revision, the underlying data presented a mixed picture. The modest growth in Q4 was underpinned by strong exports and non-residential investment, with exports rising 2.6% due primarily to a significant increase in services exports related to one-off royalty incomes. However, private consumption continued to drag, having contracted by 0.3% in Q4, marking the third consecutive quarter of contraction. BoJ Governor Ueda on May 8th said Japan's economy is recovering moderately albeit with some weakness, and the central bank will guide policy appropriately from the perspective of stably and sustainably achieving the price target. At the most recent BoJ meeting, the outlook report showed the fiscal 2024 median forecast was cut to 0.8% from 1.2%, the fiscal 2025 median forecast was maintained at 1.0%, fiscal 2026 median forecast at 1.0%.

AUSTRALIAN JOBS REPORT (THU): Expectations are for employment in April to have expanded by 20k vs. the 6.6k contraction seen in the prior report, whilst the unemployment rate is expected to tick higher to 3.9% from 3.8%. Last month saw Australia shed 6.6k jobs – albeit 27.9k full-time jobs were added and 34.5k part-time jobs cut, with the unemployment rate rising to 3.8% from 3.7%, and the participation rate dipped 1ppt to 66.6%. Both the RBA and the Australian Treasury had predicted the unemployment rate would rise modestly as the effect of 13 rate hikes dampens demand in the economy. Analysts at ABS, at the time, suggested "The labour market remained relatively tight in March, with an employment-to-population ratio and participation rate still close to their record highs in November 2023… While they have both fallen by 0.4 percentage points since then, they continue to be much higher than their pre-pandemic levels." In the latest RBA announcement and forecasts, the Board assigned more emphasis on inflation vs labour market, whilst forecasts showed unemployment rates at 4.2% in December 2024, 4.3% in December 2025, and 4.3% in June 2026. The RBA said conditions in the labour market have eased over the past year, but remain tighter than is consistent with sustained full employment and inflation at target.

CHINESE RETAIL SALES/INDUSTRIAL PRODUCTION (FRI): Retail sales Y/Y are seen ticking higher to 3.8% from 3.1%, and Fixed Asset Investment rising to 4.6% from 4.5%, whilst there are currently no forecasts for the Industrial Production after printing at 4.5% last month. Mid-April, markets saw the joint release of Chinese GDP and Activity data, in which the former beat expectations in Q1 – driven by fixed asset investments. Industrial activity meanwhile moderated in March but has been stronger than expected at the start of the year. That being said, industrial capacity utilisation slipped in Q1 to the lowest level since 2020. “An area of concern is a sharp drop in utilisation capacity in the automobile industry”, said ING. Retail Sales in March fell to 3.1% from 4.7% whilst online retail sales outperformed – “The rollout of the trade-in policies will likely support housing appliances and auto sales in the coming quarters”, posited ING. Using the Caixin PMI data as proxies, the manufacturing release suggested that “Chinese manufacturers raised their production levels at the fastest pace since May 2023, though that still resulted in additional backlog accumulation. Sub-sector data revealed that the investment goods sector recorded the fastest growth across the measures of new orders, output, and backlogs, whilst the services release noted that “The services sector outperformed its manufacturing counterpart. Manufacturing investment goods gained momentum in April with increased production and sales, showing signs of improved downstream conditions gradually benefiting upstream markets.”