

Week Ahead Economic Overview

- **UK inflation, retail sales and labour market data provide further guidance on monetary policy**
- **Eurostat issues second estimate of Q1 Eurozone GDP**
- **Q1 GDP releases for Italy, Russia, Japan, Thailand, Philippines and Malaysia**
- **Eyes on China's investment and retail sales figures**

The focus next week remains in the UK where inflation and retail sales data will provide further guidance on household consumption and price trends at the start of the second quarter, which will influence the direction of future monetary policy. Updated first-quarter GDP data will meanwhile offer analysts clues as to the health of the Eurozone, Russian, Japanese and other Asian economies.

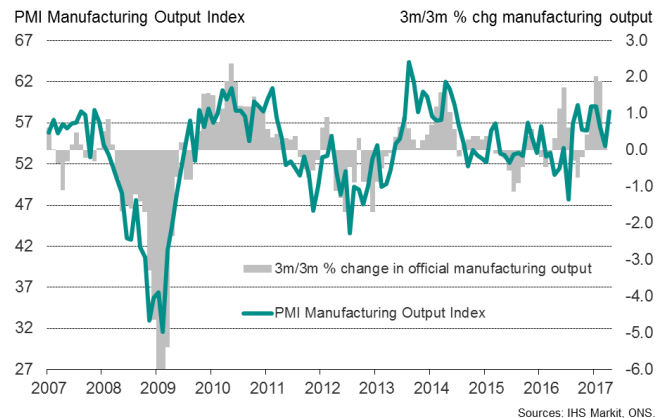
Bank Indonesia will meanwhile decide on monetary policy next week. Other key highlights will include Germany's ZEW surveys as well as China's investment and retail sales figures.

Analysts will look to official updates to inflation, retail sales data, and labour market figures, as well as the latest Markit HFI survey, for additional clues as to how the UK economy has fared in the second quarter. Recent PMI surveys indicated a pickup in business activity in the UK economy after a sluggish start to the year, but the sustainability of the upturn remains doubtful as higher prices have continued to squeeze household spending. The weaker start to the year has led the [Bank of England](#) to nudge down growth projections for 2017 to 1.9% from 2.0%.

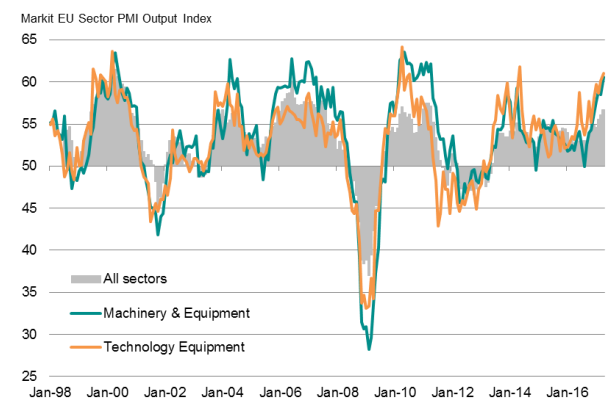
Markets are expecting UK inflation climb further above the Bank of England's target, from 2.3% to 2.6%, while unemployment is expected to hold at 4.7%. Underlying wage growth is set to remain a muted 2.2%.

Eurostat will meanwhile release the second estimate of first-quarter GDP for the euro-area next week, which is widely expected to hold at 0.5%, though PMI surveys have indicated a 0.6% rate. An upward GDP revision will add to signs of a strengthening regional economy, which will raise expectations for the ECB to take on a more hawkish stance.

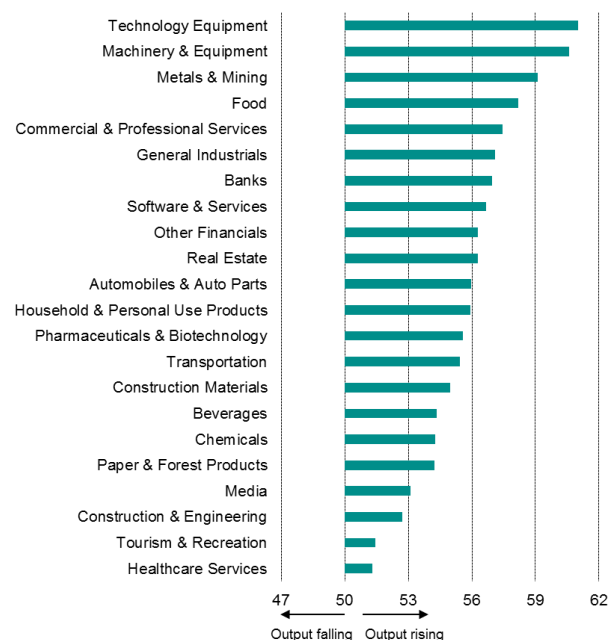
UK Manufacturing Output



Markit EU Sector PMI Output Index



Markit EU Sector PMI Output Index: April 2017



Growth in the euro-area has been increasingly broad-based, with solid expansions seen across all four of the largest euro member states. Encouragingly, the [Europe Sector PMI](#) indicated that the best performance was in sectors that hint at rising capital expenditures, which bodes well for the longevity of the current upturn.

That said, reservations over the sustainability of the recent upward price trend have so far convinced the ECB to err on the side of caution by maintaining current monetary policy settings. Traders will also monitor other key data highlights, including Germany's ZEW survey results and Euro-area's consumer confidence index

Official updates to industrial production and housing data will be scoured for signs that the US economy will see stronger growth momentum in the second quarter, which should support prevailing expectations that the next rate hike will be at the June FOMC meeting. Although April PMI data were only indicative of modest economic growth of 1.5% annualised, it is likely that seasonal effects in official data and stronger consumer spending would lift growth rates noticeably higher. IHS Markit economists are currently projecting a rebound to around 3.3% annualised growth in Q2 from a lacklustre pace of 0.7% in the first quarter.

In Asia, retail sales data will be eyed for up to date clues on China's growth trajectory after GDP data revealed the Chinese economy expanded slightly more than expected in the first quarter amid stronger growth in industrial production, investment and retail spending. However, the [renewed slide in the PMI](#) during April adds to widespread expectations that the acceleration of first-quarter GDP to 6.9% will prove short-lived. Latest trade figures also signalled a slowdown in growth of exports and imports, which confirmed the slower expansion seen in PMI new export orders.

Indonesia's central bank will set monetary policy next week, where key interest rates are expected to be unchanged amid prospects of higher economic growth. [Indonesian manufacturers](#) started the second quarter on a stronger growth footing, according to the Nikkei PMI, lending credence to the Bank Indonesia governor's view that GDP growth will likely improve in the second quarter.

Monday 15 May

Japanese producer price data is released.

China updates its figures for fixed investment, industrial production and retail sales.

Thailand's first-quarter GDP data is announced.

Retail sales in the Netherlands are issued.

US Empire State manufacturing index is updated.

Tuesday 16 May

RBA minutes for 2 May are made available.

The Eurostat issues revisions to first quarter GDP numbers.

Italy announces advance Q1 GDP data.

Germany's ZEW surveys are released.

UK inflation data and retail price index are updated.

US industrial production, housing and building data are published.

Wednesday 17 May

Singapore's NODX data are due.

Australia's consumer confidence index is released.

In Japan, industrial production and capacity utilisation data are updated.

ECB holds non-monetary policy meeting.

UK releases latest labour market data.

In the US, MBA mortgage application numbers are made available.

Russian first-quarter GDP data is out.

Brazil announces latest business confidence.

Thursday 18 May

First quarter GDP figures are issued in Japan and the Philippines.

Labour data in Australia is published.

China House Price Index is updated.

Bank Indonesia sets monetary policy.

France and the Netherlands release latest unemployment figures.

UK retail sales figures are out.

US Philadelphia Fed manufacturing index is released.

Friday 19 May

Malaysia announces its first quarter GDP data.

Germany's producer price index is updated.

Euro-area releases flash consumer confidence index.

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