

Week Ahead Economic Overview

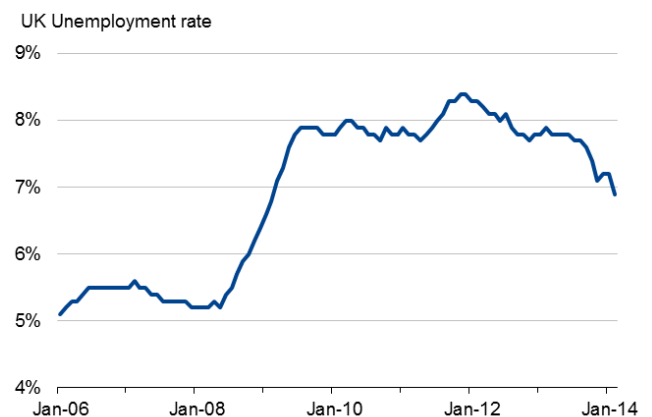
- Labour market update and Inflation Report in the UK
- GDP estimates for Eurozone and Japan
- Industrial production data for China, the Eurozone and the US

Next week sees a busy economic calendar, including first quarter GDP estimates for the Eurozone and Japan. The single currency area and the US see updates on industrial production data and inflation numbers. However, it's the UK, which sees labour market data and the Bank of England's Inflation Report, which will steal the show.

In the **UK**, the publication of the Bank of England's quarterly Inflation Report, published alongside updated labour market data, will be the highlight of the week. The report will provide updated inflation and growth forecasts, and should also provide an insight into how the Bank sees the economy developing in relation to the various measures of economic slack that it is now monitoring as part of its revamped forward guidance. However, it is unlikely that the report will see any significant change in the Bank's outlook in terms of the path for future interest rates, which it does not expect to rise until some months into 2015, and to then only increase 'gradually'. Perhaps most important will be how the Bank sees the potential for rising wage growth to feed through to higher inflation, and thereby alter the interest rate outlook. So far wage inflation has remained muted, but the updated statistics on Wednesday could show signs of a further pick up. Recruitment agencies are reporting the strongest pay growth since 2007. The unemployment rate is also set to fall again, down to 6.8%, given the improvement in the jobless benefit numbers and rising vacancies. [The PMI surveys](#) show that companies took on staff at the fastest rate seen in the 16-year survey history in April.

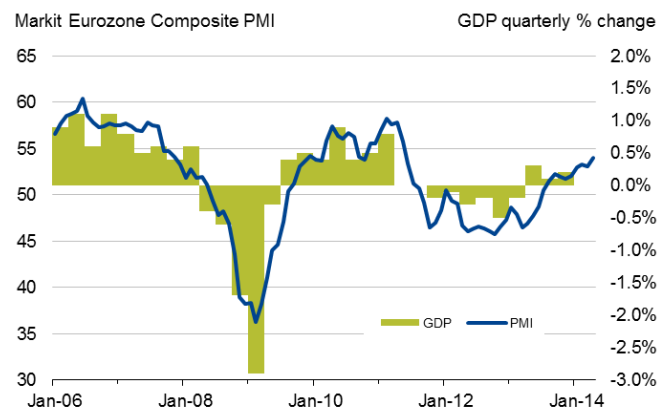
Confirmation as to whether economic growth in the **eurozone** picked up in the first quarter of 2014 will be provided by updates on GDP and industrial production. The first estimate of euro area GDP for the first quarter is expected to show that economic growth will have accelerated from [the 0.3% seen in the final quarter](#) of

UK unemployment



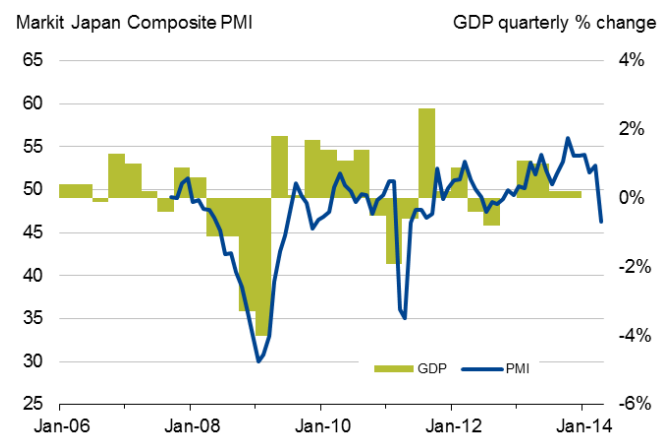
Source: ONS via Ecowin.

Eurozone GDP and the PMI



Sources: Ecowin, Markit.

Japanese GDP and the PMI



Sources: Ecowin, Markit.

last year. Eurozone Composite PMI[®] data for the first three months of the year are consistent with [economic growth of around 0.5%](#). Industrial production growth is also expected to accelerate after rising 0.2% in February. [Latest survey data](#) are broadly consistent with industrial output growing at a quarterly rate of 1%. Meanwhile, final inflation data are eagerly awaited by policy makers, after a first flash estimate signalled that consumer prices increased by 0.7%, up from 0.5% in March, but still well below the ECB's target of 2.0%.

GDP data for the first quarter of 2014 are also published in **Japan**. PMI reports for the first three months of the year showed that snow and poor weather caused business and transportation disruptions and the official data will show whether growth has slowed or picked up again from the 0.3% growth rate seen in the final quarter of 2013.

Industrial production data for April are meanwhile released in the **US** and analysts will be looking for further signs that the underlying trend is healthy after bad weather caused disruptions at the beginning of the year. [PMI data](#) suggest that the US economy should rebound after the [disappointing 0.1% annualised GDP growth](#) rate seen in the first quarter. Inflation figures and data on retail sales, which jumped 1.2% in March after a 0.7% rise in February, are also published.

China sees updates on industrial production and retail sales data and the data will show whether or not economic growth is set to pick up again, after GDP growth slowed to 7.4%. [April's HSBC China Manufacturing PMI™](#) pointed to a further deterioration in business conditions.

Monday 12 May

Markit releases the Irish Construction PMI and regional PMIs for the UK.

Business sentiment data are issued by the Bank of France.

Wholesale prices are published in Germany.

In India, updates on industrial production and consumer prices are published.

The US budget is announced.

Tuesday 13 May

The British Retail Consortium publishes its latest UK Retail Sales Monitor. The latest UK Commercial Development Activity report is also released.

Industrial production numbers and retail sales figures are issued in China.

Current account data are meanwhile released in France.

In Italy, inflation numbers are issued.

Economic sentiment and current conditions data are released for the eurozone and Germany by ZEW.

Import prices, retail sales figures and business inventories data are published in the US.

Wednesday 14 May

Inflation numbers are issued in France, Germany and Spain.

In the UK, the Inflation Report, average earnings data and claimant counts are issued alongside an update on the labour market.

Industrial production numbers are released for the euro area.

The US sees the release of producer prices numbers.

Thursday 15 May

GDP updates are issued for the eurozone, Russia and Japan, with the latter also seeing consumer confidence data, while inflation data are released in the single currency area.

In Canada, manufacturing sales figures are released.

Inflation numbers, initial claims, industrial production figures and the results of the latest NAHB builders survey and the Philadelphia Fed survey are issued in the US.

Friday 16 May

Capacity utilisation data and industrial production numbers are released in Japan.

Trade balance data are released for the eurozone.

In the US, building permits and housing starts data are released alongside the University of Michigan Sentiment Index.

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

Oliver Kolodseike

Economist

Markit

Tel: +44 149 1461 001

Email: oliver.kolodseike@markit.com

For further information, please visit www.markit.com. The intellectual property rights to the report provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are either trade marks of Markit Economics Limited or are licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.