

Week Ahead Economic Preview

- **US, UK inflation and retail sales in the spotlight**
- **Germany, Italy, Japan and Malaysia report Q4 GDP, while eurozone sees second estimate**
- **China credit and monetary growth figures**

Inflation and retail sales figures for both the US and UK are in focus next week as analysts search for clues on the resilience of the consumer at the start of the year. A number of countries are also publishing fourth quarter GDP figures while other key data highlights include China's credit and financing statistics.

US inflation

Official numbers on US inflation will be gleaned for further clues as to the timing of the next Fed rate hike. Market expectations are for an annual rise of 1.8% for core inflation, similar to December. A stronger number will bolster the case for a steeper path of policy tightening.

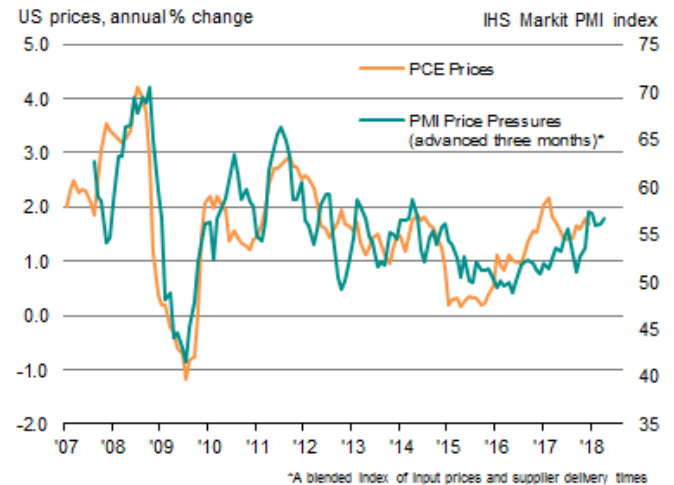
March remains the most likely month for the Fed to raise interest rates, with markets assigning a probability of over 70% to a March rate move. IHS Markit now sees four rate hikes in 2018, up from three previously, on the back of robust growth, tightening labour markets and [an uptick in inflation](#).

[IHS Markit PMI surveys](#) have already indicated a mixed but broadly encouraging start to 2018 for the US economy. Details of the survey showed that the slowdown in service sector growth could prove transitory. Furthermore, price pressures ticked higher, continuing a general upward trend, providing further support to Fed hawks.

UK data

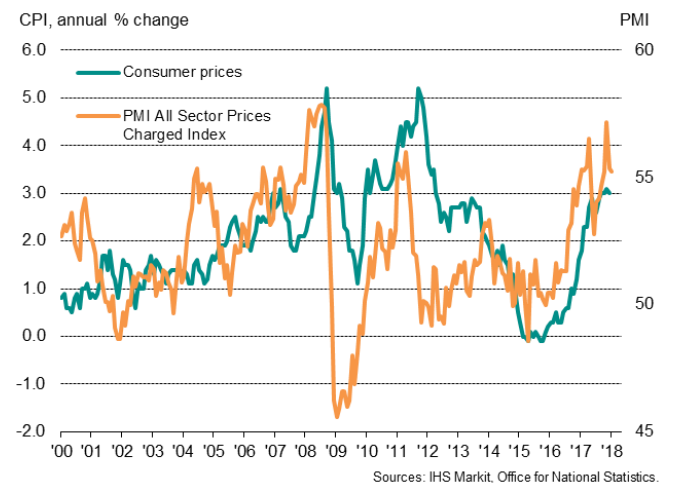
In the UK, updates to inflation and retail sales will be watched for clues as to the health of the UK consumer. Official data are expected to show inflation edging down to 2.9% in January. Easing growth of charged prices indicated by [latest PMI surveys](#) suggests that inflation may cool further in coming months. Official retail sales data will also be released, providing a key indicator of household expenditure.

US inflation pressures



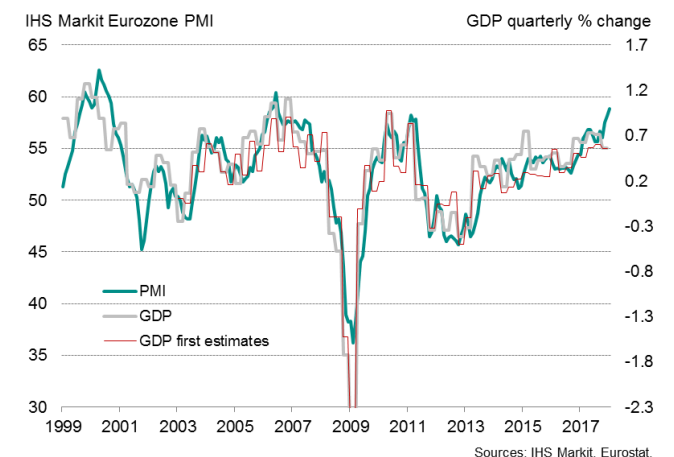
Sources: IHS Markit, Datastream

UK PMI and inflation



Sources: IHS Markit, Office for National Statistics.

Eurozone PMI vs GDP estimates



Sources: IHS Markit, Eurostat.

Continued...

Upward revision to eurozone GDP likely

Eurostat will publish the second estimate of euro area fourth quarter GDP, which could be revised up from 0.6%. There is a trend of recent releases showing weak initial GDP estimates, which are subsequently revised higher (and [more in line with the PMI](#)). Germany is also announcing its GDP performance for the closing quarter of 2017, with market expectations of a quarterly growth rate of 0.6%, down from 0.8% logged in the third quarter.

China and Japan

In China, data on credit and monetary growth will be released, providing insights into the strength of the economy at the start of the year. [Caixin PMI surveys](#) indicated a strong start to 2018 for the Chinese economy, with the fastest growth of business activity for seven years, accompanied by an improving labour market.

Japan releases its GDP data for the fourth quarter, with expectations of an annualised rate of 0.9%, down from 2.5% in the third quarter, according to a [Reuters poll](#). Nikkei PMI surveys showed the [Japanese economy](#) continued to enjoy robust growth at the start of 2018.

PMI suggests slower Malaysia Q4 GDP

Fourth quarter GDP figures for Malaysia will also be released, where a [simple regression](#) using PMI data suggests an annual growth rate of 5.7%, down from 6.2% in the third quarter. The Nikkei Malaysia Manufacturing PMI survey's gauge for output exhibits an 81% correlation with official GDP data.

Monday 12 February

Ireland Construction PMI, Northern Ireland PMI, Scotland PMI, England and Wales Regional PMI (Jan)

China new yuan loans and M2 supply (Jan)

India industrial production (Dec), inflation and trade balance (Jan)

Singapore retail sales (Dec)

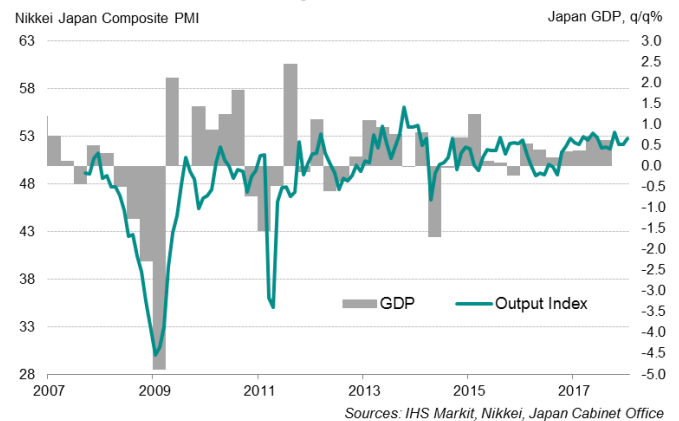
Tuesday 13 February

Japan PPI (Jan)

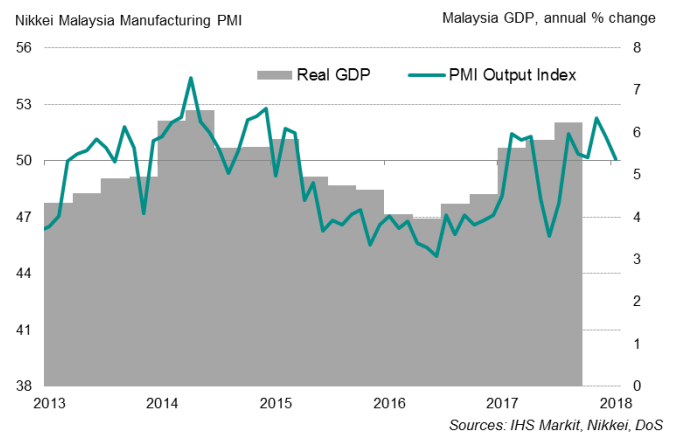
Australia business confidence (Jan)

South Africa unemployment rate (Q4)

Japan PMI and economic growth



Malaysia PMI and economic growth



Taiwan GDP (final Q4)

UK inflation (Jan)

Wednesday 14 February

Japan GDP (flash Q4)

Australia consumer confidence (Feb)

China FDI YTD

Malaysia GDP (Q4)

Thailand monetary policy decision

India WPI (Jan)

Germany inflation (final Jan)

Germany and Italy GDP (flash Q4)

Euro area industrial production (Dec) and GDP (2nd est. Q4)

US business inventories (Dec), inflation and retail sales (Jan)

Thursday 15 February

Japan machinery orders and industrial production (Dec)

Australia jobless rate and employment change (Jan)

Indonesia trade (Jan) and monetary policy decision

France unemployment rate (Q4)

Euro area trade balance (Dec)

US NY Empire State and Philadelphia Fed
manufacturing indexes (Feb)

US industrial production and PPI (Jan)

Friday 16 February

Germany wholesale prices (Jan)

UK retail sales (Jan)

US building permits and housing starts (Jan)

US Michigan consumer surveys (Feb)

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For further information, please visit www.ihsmarkit.com