Week Ahead Economic Preview

- **Bank of England to be guided by UK GDP, HFI, retail sales and inflation data**

- **Flash Eurozone and Japan PMI surveys to provide steers on economic health in second quarter**

- **FOMC policy in spotlight amid meeting minutes and May PMI numbers**

The week sees a range of data that will add to views on policy decisions at major central banks.

Bank of England policy steers

The week includes a particular wealth of data releases which will provide clues as to whether the Bank of England will remain on course to hike interest rates this year. The Bank back-tracked from a May rate rise after data showed the UK economy performing worse than expected at the start of the year and inflation falling faster than anticipated. Policymakers have pencilled in an upward revision to first quarter GDP growth, though the consensus is for the second estimate to remain unchanged at 0.1%. We suspect there may be scope for an upward revision, as PMI data indicated a 0.3% rise.
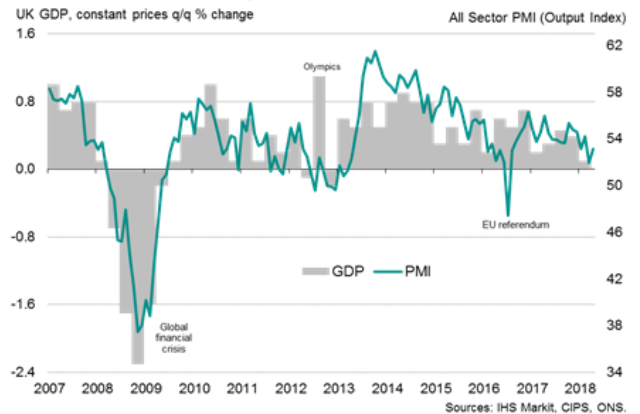
Any upward revision with improve the odds of a summer rate hike by the BoE, but other data may muddy the picture. First of all, the HFI survey (which Mark Carney referred to in the May press conference) is published on Monday and will provide the first indication of household sentiment and finances in May.

UK inflation, as measured by the consumer price index, is meanwhile generally expected to hold steady at 2.5% in April, while retail sales are forecast to rebound (albeit only partially) in April after a 1.2% slump in March. However, that would still leave sales flat on a year ago, highlighting a steadily weakening trend in consumer spending which could in turn cast doubt on the Bank of England's expectation of a solid second quarter rebound in the economy.
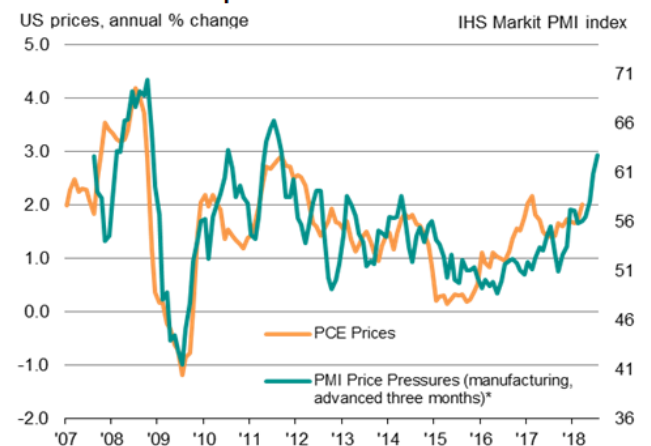
Eurozone slowdown?

The ECB will meanwhile be keenly eyeing the Eurozone flash PMI to gauge growth momentum and price trends. The survey data provided an advance indication of the slowdown in the single currency area earlier this year, and the May data will provide important steers on second quarter growth.
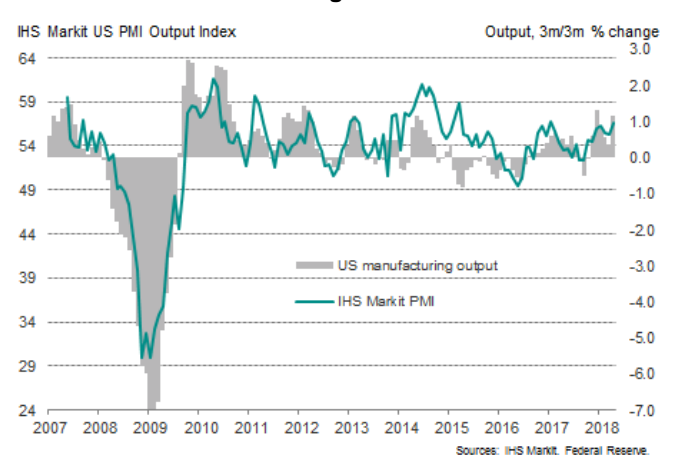

UK PMI and GDP compared

UK GDP, constant prices q/q % change — All Sector PMI (Output Index)

Sources: IHS Markit, CIPS, ONS.

IHS Markit PMI US price index v PCE inflation

US prices, annual % change — IHS Markit PMI index

PCE Prices

PMI Price Pressures (manufacturing, advanced three months)*

IHS Markit US Manufacturing PMI

IHS Markit US PMI Output Index — Output, 3m/3m % change

US manufacturing output

IHS Markit PMI

Sources: IHS Markit, Federal Reserve.

Note that the average PMI reading for the first two months of the quarter generally provides a very accurate guide to the full quarter's GDP.

Read more about recent Eurozone trends, and the potential impact of bad weather and the timing of Easter holidays, on the PMI numbers here.

FOMC guidance from PMI

The minutes from the latest FOMC minutes will be parsed in every detail for indication of the timing of the next US rate hike. However, clues will also be found in the flash PMIs, as well as durable goods orders, the University of Michigan consumer survey and home sales data. IHS Markit's flash PMI numbers accurately anticipated the upturn in manufacturing growth at the start of the second quarter, and May's data will give a good indication of overall GDP growth. However, perhaps more important will be the survey's price gauges, which have acted as a reliable advance indication of inflation trends, and which hit a seven-year high in April.

PMI clues for Japan rebound

In Japan, a weak start to 2018 has cast doubt on the health of the economy, though PMI numbers have indicated an improved picture at the start of the second quarter, albeit with disappointing export trade. The flash Nikkei manufacturing PMI will provide a further sense of whether the economy is set to rebound in the second quarter.

Monday 21 May

UK HFI survey (May)

Japan trade (Apr)

Thailand GDP (Q1) and trade (Apr)

Taiwan export orders (Apr)

US Chicago Fed National Activity Index (Apr)

Brazil business confidence (May)

Tuesday 22 May

Russia unemployment rate (Apr)

Spain trade balance (Mar)

US Richmond Fed Manufacturing Index (May)

UK public sector borrowing (Apr)

CBI manufacturing (May)

Wednesday 23 May

IHS Markit flash PMI surveys (US, Eurozone, Japan, Germany and France)

Australia construction work done (Q1)

Singapore and Malaysia inflation (Apr)

France unemployment rate (Q1)

UK inflation (Apr)

Euro area consumer confidence (flash, May)

Mexico GDP (final, Q1)

US new home sales (Apr)

FOMC minutes (May)

Thursday 24 May

South Korea monetary policy decision

Germany GDP (final, Q1) and consumer confidence (Jun)

France business confidence (May)

UK retail sales (Apr)

US house price index (Mar) and existing home sales (Apr)

Friday 25 May

Taiwan GDP (final, Q1)

Germany Ifo surveys (May)

UK GDP (2nd est, Q1) and business investment (preliminary, Q1)

US durable goods orders (Apr) and Michigan surveys (May)

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