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Markit Economic Research

21/04/2011

Week ahead economic calendar [25-29 April]

GDP and inflation data to provide central bank policy insights

- **US GDP growth is expected to have slowed in Q1, but the reading could well understate the current strong pace of growth momentum. Bernanke's first ever FOMC press conference will be watched closely for policy clues.**
- **Great uncertainty persists regarding the first estimate of Q1 GDP for the UK. The economy is expected to pull out of the decline seen in the final quarter of last year, but we would not be surprised if growth was as weak as 0.3% or as strong as 0.8%.**
- **The Bank of Japan is due to update its growth projections, which will highlight the uncertainty as to how long production and supply chains will be affected by the earthquake. Manufacturing PMI™ data for April will add clues.**
- **Eurozone inflation data may add to calls for a further hike in rates by the ECB.**

Monday

US home sales for March, if weaker-than-expected, would underscore the view held by the Federal Reserve that the housing market 'continues to be depressed'.

Tuesday

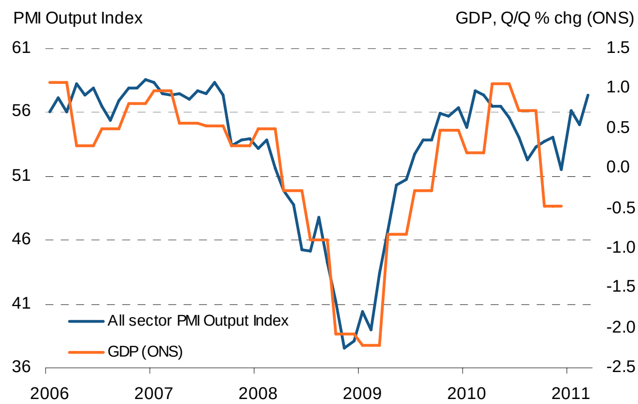
S&P/Case-Shiller house price data for February will add further insights into the US housing market, following disappointing data for January which showed a 3.1% annual decline in the 20-City Composite index. Ongoing weakness may well influence the Fed in delaying any withdrawal from ultra loose policy and could even add to calls for further quantitative easing, as may the **Conference Board's consumer confidence survey** for April, which fell sharply in March.

CBI manufacturing survey data for April will hopefully add to the picture of buoyant UK business conditions portrayed by the PMI, rather than the surprising stagnation indicated by the official February data.

Wednesday

The first estimate of **UK gross domestic product** (GDP) for Q1 is likely to show a bounce back from the shock 0.5% fall in the final quarter of last year. However, disappointing industrial production, retail sales and construction figures suggest that growth may have remained weak. Our model is currently indicating a 0.4% increase, but much will likely rest on the performance of the construction industry, which could cause growth to be as weak as 0.3%. In contrast, the PMIs point to a 0.7-0.8% increase, though only an especially strong GDP reading would risk tipping the heavily-split Bank of England's policymakers towards tightening in early May.

UK GDP



Consumer price inflation data for Germany (running at 2.1% in March) will serve as a useful gauge of price pressures across the Eurozone as a whole, ahead of the region's flash release on Friday.

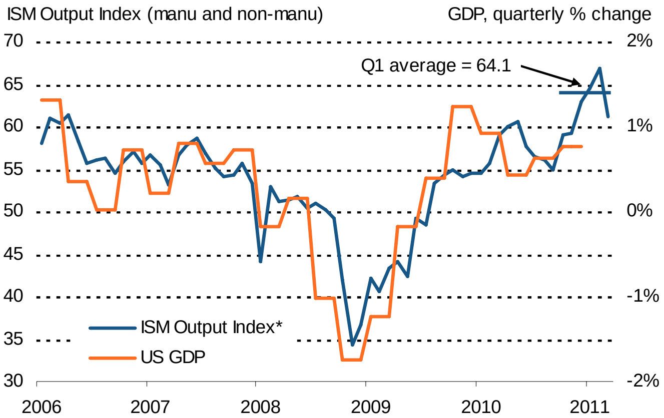
The **US Federal Reserve's Open Market Committee (FOMC) first ever press conference** will be watched closely for clues as to the future direction of policy. In a similar situation to the UK, policymakers are likely to remain split between the need for tighter policy or further stimulus. On one hand, core inflation remains weak and the fragility of the housing market remains a big concern, but on the other hand the labour market is finally showing some signs of life, while surveys such as the ISM and headline inflation are flashing warning signals regarding the need for tighter policy.

Thursday

The **Bank of Japan** is due to announce their policy decision and provide an update of their outlook for growth and inflation. The bank has stressed the uncertainty relating to how long the economy may take to recover due to supply disruptions caused by the 11 March earthquake. **Japanese manufacturing PMI** data for April will provide an update of the disruption caused to global supply chains (the PMI suffered a record fall in March), while a host of other economic data for Japan, notably industrial production, inflation and unemployment data, will likely add to a picture of an economy in distress.

The **US sees the first publication of GDP for Q1**. Despite promising employment numbers, underlying weakness in the housing market and record high oil prices has led a number of prominent institutions to downgrade their economic growth forecasts for Q1 and 2011 as a whole. A poll conducted by Reuters has GDP rising at an annualised rate of 2.0% in Q1, down from 3.1% in the final quarter of last year. However, upbeat surveys such as the ISM suggest that a stronger number should not be a surprise.

US GDP



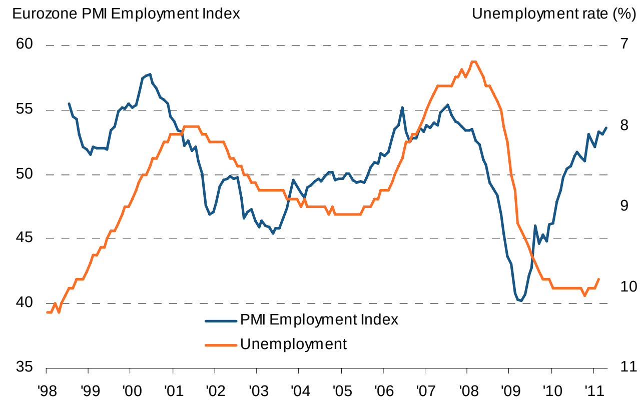
Retail PMI data for Germany, France and Italy will give clues as to consumer spending trends in April, needed to help sustain economic growth in coming months.

Friday

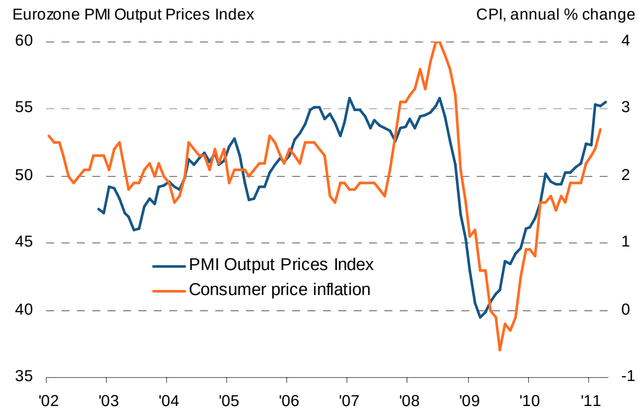
Final **Manufacturing PMI data for China** from HSBC/Markit follow the flash PMI, which pointed to weaker output and price trends following policy tightening by the People's Bank of China.

Eurozone consumer price inflation and unemployment data are likely to add to calls for additional rate hikes by the European Central Bank (ECB). Inflation jumped to 2.7% in March and the jobless rate slid to a 14-month low of 9.9% in February. PMI data indicate a strong likelihood that price pressures intensified and employers took on more staff in recent months.

Eurozone unemployment



Eurozone inflation



The week draws to a close **with US personal income and employment cost** data, as well as the **Chicago PMI**, which acts as a reliable guide to the ISM manufacturing survey.

Markit's commentary notes and press releases can be accessed online, as can a diary of forthcoming Markit release dates.

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