

Economics | May 12, 2022

Investor Signposts: Week beginning May 15, 2022

Upcoming economic and financial market events

Australia

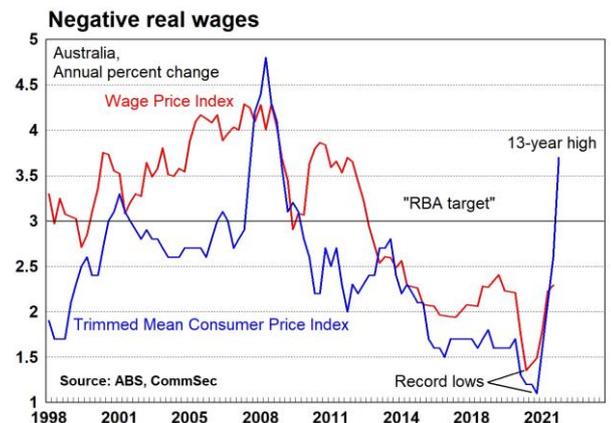
Tuesday May 17	◆ Weekly consumer confidence (May 15)	<i>Confidence is at 20-month low</i>
Tuesday May 17	◆ Reserve Bank Board meeting minutes (May 3)	<i>First interest rate hike in 11½ years</i>
Tuesday May 17	◆ Household impacts of Covid-19 survey (April)	<i>Key insights on the impact of Covid-19</i>
Wednesday May 18	◆ Wage Price Index (March quarter)	<i>Wages could lift 0.8% in the quarter</i>
Thursday May 19	◆ Labour force (April)	<i>Around 30,000 jobs could be added</i>

Overseas

Monday May 16	◆ China Retail sales/production/investment (April)	<i>Retail spending could fall 6.2% on a year ago</i>
Monday May 16	◆ US NY Empire State manufacturing index (May)	<i>Expected to fall from 24.6 to 15</i>
Tuesday May 17	◆ US Retail sales (April)	<i>Spending could lift 1%</i>
Tuesday May 17	◆ US Industrial production (April)	<i>Production is tipped to increase 0.4%</i>
Tuesday May 17	◆ US NAHB Housing Market Index (May)	<i>Tipped to ease from 77 to 75</i>
Tuesday May 17	◆ US Business inventories (March)	<i>Stocks could lift 1.9%</i>
Wednesday May 18	◆ US Housing starts (April)	<i>Starts are expected to fall 1.7%</i>
Wednesday May 18	◆ US Building permits (April)	<i>Permits could decline by 3.2%</i>
Thursday May 19	◆ US Philadelphia Fed manufacturing index (May)	<i>A steady result of 17.6 is expected</i>
Thursday May 19	◆ US Existing home sales (April)	<i>Home sales are expected to drop 2.1%</i>
Thursday May 19	◆ US Conference Board leading index (April)	<i>No change is expected</i>
Friday May 20	◆ China 1- and 5-year loan prime rates	<i>Rates could be cut by 5 basis points</i>

Australia: Wages and jobs data the headline acts alongside RBA meeting minutes

- Jobs and wages are very much in focus at present and it is the latter that hogs the limelight in the coming week. Minutes of the Reserve Bank (RBA) Board meeting on May 3 will also garner attention after the central bank hiked the official cash rate for the first time since November 2010.
- But the week kicks off on **Tuesday** with Roy Morgan and ANZ jointly issuing the weekly consumer sentiment index. And the Australian Bureau of Statistics (ABS) is scheduled to release the “Household Impacts of Covid-19” survey for April. Both surveys will likely highlight increasing cost of living pressures for Aussie households.
- Also on Tuesday**, the RBA Board issues the May monetary policy meeting minutes. At the meeting on May 3, the Board lifted the target rate for the cash rate by 25 basis points to 0.35 per cent. The RBA chose a 25 basis points rate move to signal ‘getting back to usual.’
- The RBA also increased the interest rate on Exchange Settlement balances from zero per cent to 25 basis points. And the Board announced that it will not reinvest the proceeds of maturing bonds.
- Since the meeting, the RBA has published the quarterly Statement on Monetary Policy (SOMP), including updated economic forecasts. Key measures of inflation, such as headline and trimmed mean consumer prices, were revised



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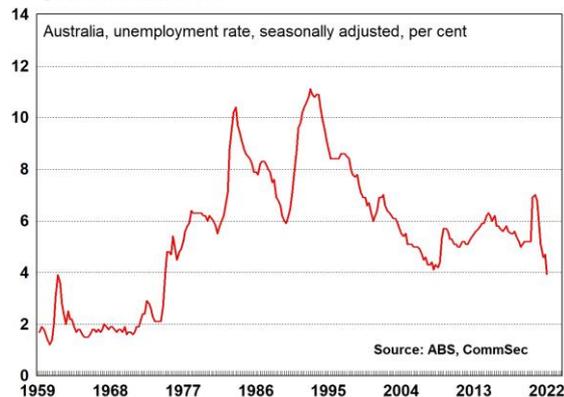
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sharply higher.

- The SOMP commentary also provided some clarity on why the Board didn't wait for the release of upcoming March quarter wages and labour costs data before tightening monetary policy.
- In fact, RBA policymakers said the evidence provided by its business liaison program is that a majority of Aussie firms now expect *"materially higher wages growth"*. At the same time, *"firms have indicated in liaison that they are now more willing to pass on input cost pressures to consumer prices."*
- **On Wednesday**, the ABS releases the much-anticipated March quarter Wage Price Index (WPI). Commonwealth Bank (CBA) Group economists expect the WPI to lift by 0.8 per cent in the quarter to be up 2.5 per cent on a year ago.
- **On Thursday**, the labour force survey is issued for April. CBA Group economists expect around 30,000 jobs to be added with the unemployment rate falling from 4 per cent to 3.9 per cent, the lowest level since 1974.

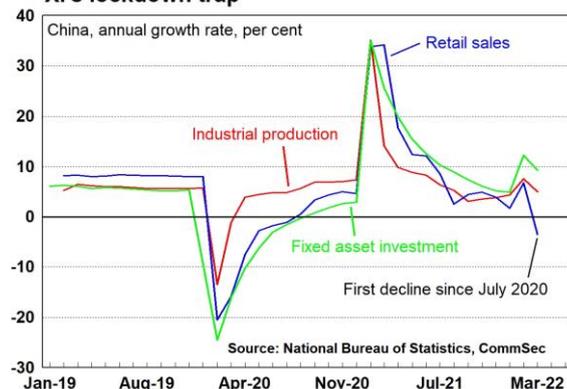
Generational lows



Overseas: Chinese economic activity data and US retail spending figures in focus

- In the coming week, Chinese monthly activity data will be closely observed amid renewed Covid-19 lockdowns. And retail sales, industrial production and housing releases dominate the US data docket.
- The week kicks-off **on Monday in China** with the release of monthly data covering retail spending, industrial production, fixed asset investment and unemployment. Chinese Premier Li Keqiang recently warned of a *"complicated and grave"* employment situation as Beijing and Shanghai tightened curbs on residents in a bid to contain Covid-19 outbreaks. The unemployment rate could lift to a two-year high of 6 per cent in April.
- The pandemic stress could also see retail spending dip by 6.2 per cent in April on a year ago. Industrial production is tipped by economists to grow by a meagre 0.5 per cent in April compared with a year ago. And fixed asset investment could decelerate to 7 per cent in the first four months of 2022 compared with a year ago.
- **In the US on Monday**, the New York Empire State manufacturing index is scheduled for May.
- **On Tuesday**, the weekly Johnson Redbook chain store sales data is issued alongside retail sales, industrial production, business inventories and the NAHB housing market index. Retail spending could lift by a solid 1 per cent in April, highlighting the durability of the American consumer, despite quicker inflation.
- **On Wednesday**, the spotlight is on the US housing market following back-to-back rate hikes by the US Federal Reserve. Weekly mortgage applications data is due from the Mortgage Bankers Association. And economists expect housing starts to fall by 1.7 per cent in April to an annual rate of 1.763 million units, down from near 16-year highs of 1.793 million in March. While builders are seeking to replenish housing inventory, applications to build – a proxy for future construction – could fall by 3.2 per cent to an annual rate of 1.81 million in April.
- **On Wednesday in China**, new home prices figures are issued for April. Prices have fallen for seven consecutive months due to a downturn in China's property sector.
- **On Thursday in the US**, an eclectic mix of data is scheduled. The usual weekly figures on claims for unemployment insurance (that is, initial jobless claims) will be issued with the influential Philadelphia Federal Reserve manufacturing index, Conference Board leading index and existing home sales figures.
- The "Philly Fed" index is tipped by economists to remain unchanged at 17.6 in May. A flat reading from the Conference Board is also expected for its leading index in April. But existing home sales could drop by 2.1 per cent in April to an annual rate of 5.65 million units.
- **In China on Friday**, economists expect 1-year and 5-year loan prime rates to be cut by 5 basis points to 3.65 per cent and 4.55 per cent, respectively.

Xi's lockdown trap



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