

BEHIND THE HEADLINES

with Ronald Temple, Chief Market Strategist

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The Week at a Glance

- Global services activity weakened, as reflected in recent Purchasing Managers' Index (PMI) data, with only Japan showing improvement while other major economies saw declines. Manufacturing PMIs remained generally soft.
- UK retail sales exceeded expectations in March, but February results were revised downward. Future results are likely to be negatively affected by trade-related uncertainty.
- Next week's US labor data from both the Job Openings and Labor Turnover Survey (JOLTS) and the Employment Situation report will offer important signals regarding the health of the labor market before any material impact of tariffs has been realized.
- China's National Bureau of Statistics (NBS) and Caixin PMIs are expected to show manufacturing slipping back into contractionary territory with moderately stronger services readings.
- Eurozone preliminary inflation readings for April are likely to show subdued price pressures across the region while the flash GDP figures for Q1-24 are expected to show muted growth except for Spain which is likely to remain a positive outlier.
- The Bank of Japan (BoJ) is expected to hold rates constant.

The Week Behind

Region	Indicator	Date	Period	Comp	Consensus	Actual	Prior Reading
Eurozone	Services PMI	23 Apr	April		50.5	49.7	51.0
United Kingdom	Services PMI	23 Apr	April		51.5	48.9	52.5
United States	Services PMI	23 Apr	April		52.6	51.4	54.4

The Week Ahead

United States	Job Openings	29 Apr	March		7.49 million	7.57 million
	Unemployment Rate	2 May	April		4.2%	4.2%
	Nonfarm Payroll Growth	2 May	April		133,000	228,000
Eurozone	Flash GDP Growth	30 Apr	Q1-24	y-o-y	1.1%	1.2%
	Flash GDP Growth	30 Apr	Q1-24	q-o-q	0.2%	0.2%
	Headline CPI	2 May	April	y-o-y	2.1%	2.2%
	Headline CPI	2 May	April	m-o-m	0.5%	0.6%
	Core CPI				2.5%	2.4%

The Week Behind

1. PMI data began to show the effects of the trade war.

The outlook: The big surprise in this week's PMI data was the weakening of services activity. Perhaps this signals that during a period of economic uncertainty, consumers cut back on discretionary services first while trying to front-load goods purchases to avoid tariffs. Given each major developed economy's dependence on services for employment and growth, these metrics will be important to watch in the months ahead.

The details: Japan was the only country with a jump in services PMI levels, while all other areas reported weakening. Manufacturing PMIs remained soft in general but outperformed in some cases, perhaps due to pull-forward of activity to mitigate tariff impacts.

April Preliminary PMI Data

Release Date	Country	Index	Consensus	Actual	Prior Month
4/22/2025	Japan Jibun Bank	Manufacturing	*	48.5	48.4
		Services	*	52.2	50.0
		Composite	*	51.1	48.9
4/23/2025	Eurozone HCOB	Manufacturing	47.4	48.7	48.6
		Services	50.5	49.7	51.0
		Composite	50.2	50.1	50.9
4/23/2025	France HCOB	Manufacturing	47.9	48.2	48.5
		Services	47.6	46.8	47.9
		Composite	47.8	47.3	48.0
4/23/2025	Germany HCOB	Manufacturing	47.6	48.0	48.3
		Services	50.2	48.8	50.9
		Composite	50.5	49.7	51.3
4/23/2025	UK S&P Global/ CIPS	Manufacturing	44.0	44.0	44.9
		Services	51.5	48.9	52.5
		Composite	50.4	48.2	51.5
4/23/2025	US S&P Global	Manufacturing	49.0	50.7	50.2
		Services	52.6	51.4	54.4
		Composite	52.0	51.2	53.5

Source: Bloomberg, S&P Global

* No consensus estimate available on Bloomberg.

2. The final University of Michigan Sentiment figures for April were modestly better than the preliminary readings.

The outlook: Consumer confidence is likely to remain volatile until uncertainty regarding trade policy and its implications on inflation and employment are resolved. The modest recovery from the preliminary figures to the final April data is encouraging, but consumer prices have not yet reflected any meaningful amount of the tariffs imposed to date.

The details: The final figures are presented in the table below.

University of Michigan Sentiment

	Consensus	Actual	Prior Reading
University of Michigan Sentiment	50.5	52.2	50.8
Current Conditions	56.0	59.8	56.5
Expectations	46.3	47.3	47.2
1 Year Inflation Expectations	6.8%	6.5%	6.7%
5-10 Year Inflation Expectations	4.4%	4.4%	4.4%

Source: Bloomberg, University of Michigan

3. UK retail sales exceeded expectations in March, but February results were revised downward.

The outlook: UK retail sales were better than expected through much of the first quarter, but the outlook for the second quarter is more negative given recent declines in other qualitative indicators related to consumer confidence and this week's PMI data.

The details: The details of the report are shown below for both month-on-month (m-o-m) and year-on-year (y-o-y) data including and excluding auto fuel.

March UK Retail Sales

	Consensus	Actual	Prior Month	Revised
Retail Sales including Auto Fuel m-o-m	-0.4%	0.4%	1.0%	0.7%
Retail Sales including Auto Fuel y-o-y	1.8%	2.6%	2.2%	1.8%
Retail Sales excluding Auto Fuel m-o-m	-0.5%	0.5%	1.0%	0.7%
Retail Sales excluding Auto Fuel y-o-y	2.0%	3.3%	2.2%	1.8%

Source: Bloomberg, UK Office for National Statistics

The Week Ahead

1. The JOLTS and Employment Situation report will be released.

The outlook: Job openings are likely to have slipped to 7.5 million in March from 7.6 million in February. (JOLTS is reported with a one-month lag.) I will continue to watch the hire and quit rates which suggest weaker conditions in the labor market than would appear evident from the unemployment rate.

The unemployment rate is expected to remain stable at 4.2% in April with a 125,000 increase in nonfarm payrolls, down from 228,000 in March. Average hourly earnings are expected to rise 0.3% m-o-m and 3.9% y-o-y. While it is still early to see a meaningful impact of trade issues on the labor market, I will watch trends in part-time and temporary employment for signals regarding employers' willingness to commit to adding headcount.

2. US Personal Consumption Expenditure (PCE) inflation will be reported along with income and spending data.

The outlook: Headline PCE inflation is expected to be flat m-o-m and up 2.2% y-o-y while core PCE inflation is expected to rise 0.1% m-o-m and 2.6% y-o-y. These figures typically do not surprise materially given that most components are reported in the Consumer Price Index and Producer Price Index reports that have already been released.

Personal income is expected to increase 0.4% m-o-m while personal expenditures are expected to rise 0.6% m-o-m.

3. China's NBS and Caixin Manufacturing PMIs are expected to remain weak.

The outlook: Both the NBS and Caixin Manufacturing PMIs are expected to slip back below 50 signaling contraction. The NBS Non-Manufacturing PMI is expected to remain just above 50.

4. Preliminary April inflation data for the Eurozone, France, and Germany will be released.

The outlook: Inflationary pressure across the Eurozone is likely to remain subdued with trade-related uncertainty weighing on economic demand and further reducing price increases.

EU HICP for April

Release Date	Country		Consensus	Prior Reading
4/29/2025	Spain	Headline m-o-m	0.3%	0.7%
		Headline y-o-y	2.0%	2.2%
4/30/2025	France	Headline m-o-m	0.4%	0.2%
		Headline y-o-y	0.7%	0.9%
4/30/2025	Germany	Headline m-o-m	0.4%	0.4%
		Headline y-o-y	2.1%	2.3%
4/30/2025	Italy	Headline m-o-m	0.6%	1.6%
		Headline y-o-y	2.3%	2.1%
5/2/2025	Eurozone	Headline m-o-m	0.5%	0.6%
		Headline y-o-y	2.1%	2.2%
		Core y-o-y	2.5%	2.4%

Source: Bloomberg

5. Flash estimates of Q1-24 GDP for the Eurozone, France, Germany, Italy, and Spain are expected.

The outlook: Eurozone growth is expected to remain slightly in positive territory with a 0.2% increase in GDP on a sequential quarter basis and a 1.1% y-o-y increase. Spain will likely remain the highlight with growth expected at 0.7% quarter-on-quarter (q-o-q) and 3.1% y-o-y while Germany is expected to show 0.2% q-o-q growth and a 0.2% contraction on a y-o-y basis.

6. The BoJ is expected to hold rates steady at its 1 May meeting.

The outlook: Markets are currently pricing a ~4% probability of a 25-basis point (bp) rate hike at the meeting. However, for the rest of the year, markets are only pricing 17 bps of rate hikes in total versus expectations for about twice as much tightening just under a month ago.

The BoJ will release updated economic forecasts at this meeting offering signals to the market regarding its confidence in sustaining the 2% inflation target amid global trade uncertainty.

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