



## Key Developments<sup>1</sup> & Chart of the week

14 May 2021

US gyrations continue: last week, soft employment; this week, soft sales but a price surge.

	Outcome	Previous	Comment
US PPI (Apr, y-o-y)	+6.2%	+4.2%	More signs of 'upstream' pressures
US CPI (Apr, y-o-y)	+4.2%	+3.1%	More than just 'transitory' factors
China PPI (Apr, y-o-y)	+6.8%	+4.4%	Much as in 'advanced' economies
China CPI (Apr, y-o-y)	+0.9%	+0.4%	But fell 0.3% on the month
China credit growth (Apr, y-o-y)	+9.9%	+10.6%	Slowing, as intended by the PBoC
US retail sales (Apr, m-o-m)	-0.8%	9.0%	'Core' and total both stall out

### US PPI and CPI. Transitory factors and 'base effects',<sup>2</sup> but perhaps more as well?

- 'Core' PPI for its part rose 0.7% in April for the second month in a row, producing an annual increase of 4.1%<sup>3</sup> – mounting evidence of 'upstream' inflationary pressures.
- 'Core' CPI for its part rose 0.9% in April,<sup>4</sup> taking annual 'core' inflation to 3.0%.<sup>5</sup> 'Headline' CPI rose 0.8%, taking the annual rate to 4.2%.<sup>6</sup>

### China PPI and CPI. 'Upstream' price pressures similar to 'advanced' economies

- Annual PPI inflation has turned around by more than 10 pts since May last year: China is not exempt from the 'upstream' price pressures evident elsewhere.
- That said, annual 'headline' (and 'core') CPI inflation, while now back in positive territory, are still under 1% – after briefly turning negative earlier this year.

### China credit growth. Slowing, in line with the authorities' intentions

- 'Total social financing', the broadest measure of credit growth in China, slowed to 9.9% y-o-y in April, the slowest since August 2019 and down from 12.1% last July.

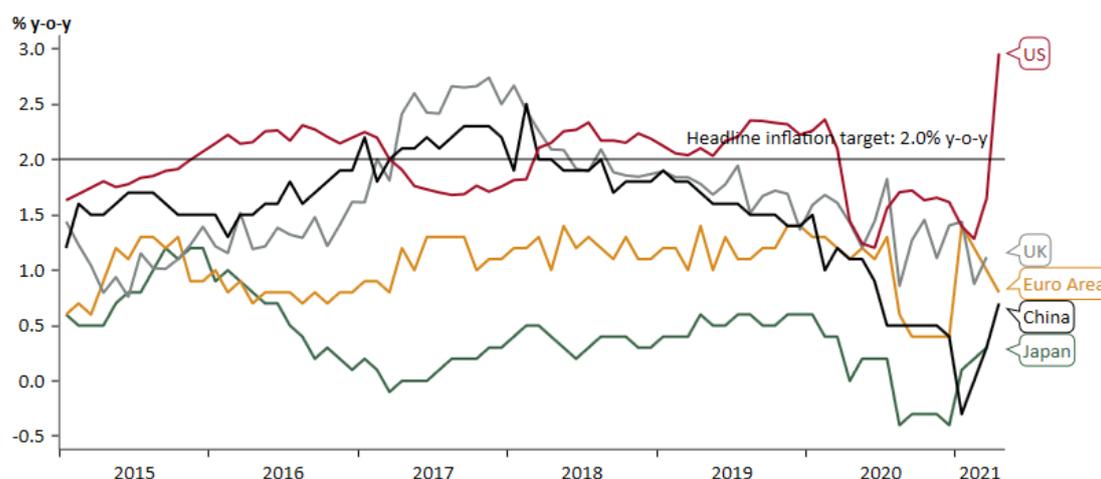
### US retail sales. 'Core' and total both stall out

- 'Core' retail sales fell 0.8%, after last month's 9% blow-out. Total sales were flat.<sup>7</sup>
- Last month's low payroll numbers are now more explicable: spending has fallen off.

**Bottom line:** No material challenge to our World View yet. Bottleneck inflation is evident, but demand pressure to take this into wage inflation is not – so far at least.

### Chart of the week. Accelerating (core) consumer-price inflation is basically a US story

- Elsewhere inflation remains below 2%, albeit with China not immune to 'upstream' pressures



Source: Macrobond and Llewellyn Consulting

<sup>1</sup> *Key Developments* presents what in our judgement represent the past week's most important individual data, policy announcements, and any other developments that may support, or challenge, our understanding of the way in which key economies and financial markets are evolving.

These weekly judgements are cumulated and assessed in our quarterly ***Economic Risks***. When an issue warrants particular consideration, we examine it in detail in our ***Analysis*** pieces and ***Global Letters***. And when in our judgement the accumulated evidence warrants it, we modify our quarterly ***World View***.

<sup>2</sup> As expected, 'base effects' (negative monthly changes this time last year) contributed to the jumps in annual inflation rates. And 'transitory' factors (higher petrol prices, increases in prices of new and used cars, and higher air fares) contributed to the monthly increases. But there were also other increases (e.g. restaurant meals) that are harder to dismiss as 'transitory'. It may take some months to establish whether price inflation is *trending* higher.

<sup>3</sup> The highest reading since December 2008.

<sup>4</sup> The largest monthly increase since September 1981.

<sup>5</sup> The highest figure since January 1996.

<sup>6</sup> The highest reading since November 2007.

<sup>7</sup> This zero figure follows an upward-revised 10.7% for March.

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