

Key events this week – US CPI, PPI, retail sales, output, housing, and US Fed speeches

Recap from last week: Central Bank Decisions Diverge on Tariff Uncertainty

Elevated tariff uncertainty and trade tensions remained a key theme among central bank decisions last week; however, their decisions diverged as each central bank navigated its specific exposure to global trade headwinds and domestic issues.

The FOMC kept rates unchanged as expected, and remained firmly in 'wait and see' mode. US Fed Chair Powell cited elevated uncertainty over tariffs, their effects, the broader policy landscape, and therefore the right policy response at this stage of the process.

There's so much uncertainty about the scale, scope, timing, and persistence of the tariffs. Source: [FOMC Press Conference](#) 7 May 2025

The Fed Chair acknowledged the weakening domestic sentiment but emphasized the "still solid" hard data. But with inflation still above the 2% target, the Fed Chair ruled out the opportunity for pre-emptive rate cuts. The still-solid data continues to support the Fed staying on hold as it waits for "economic conditions to evolve". There was a new statement in the decision though – an important acknowledgment that the Fed sees rising risks to both sides of its dual mandate;

The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen. Source: [FOMC Statement](#) 7 May 2025

The BoE cut rates by 25bps – a decision split 5-4, with two members preferring a 50bps cut and two members preferring to keep rates unchanged. The decision to cut reflected ongoing progress on disinflation, enabling the MPC to withdraw, gradually, its policy restraint. The minutes of the decision suggested that there was a pre-emptive element to this rate cut;

Although the current impact of the global trade news should not be overstated, the news was sufficient for those members to judge that a reduction in Bank Rate was warranted. Source: [BoE Statement](#) 8 May 2025

The PBoC announced a series of rate cuts and monetary easing measures to support domestic activity, as the Chinese economy bears the brunt of the trade war.

"This isn't just a boost for liquidity and credit – the focus on tech, consumption, and elderly care signals a broader push to support structural drivers of the economy."
Source: [Bloomberg](#)

China's overall trade data for Apr was surprisingly solid, with export growth remaining firm at +8.1% over the year. While exports from China to the US fell by -21% from a year ago due to higher tariffs (Source: [Bloomberg](#)), the report suggested that exports from China to other countries increased to offset that fall. Imports from the US also fell by -14%, while the broader decline in China's import demand eased to -0.2% over the year. This is the first "hard data" confirming slowing trade between the US and China. The opening of negotiations between the US and China offers a

glimmer of hope for a path to a reduction in the currently “unsustainable” level of tariffs on US-China trade. At the time of writing, the US and China agreed to a short reprieve with tariffs lowered for the next ninety days as talks continue. The US is to lower tariffs on China to 30% (from 145%) for 90 days and China is to lower tariffs on the US to 10% (from 125%) for 90 days (source: [Bloomberg](#)).

While central bank decisions showed diverging responses to the trade uncertainty, the 'soft' indicators continued to paint a picture of an emerging tariff drag. Last week, the global S&P PMIs for April reflected some weakening in global economic momentum. The latest Global S&P PMIs revealed a notable deceleration in global economic momentum in Apr, reaching a 17-month low but remaining in positive territory. Service sector growth eased sharply while manufacturing output growth remained sluggish. This more widespread slowdown in growth was evident in major economies like China, the euro area, and the UK. The deceleration was also pronounced in the US – led by a notable slowdown in the larger services sector. Growth in US services activity slowed to a more modest pace as firms noted that rising trade uncertainty impacted demand in both domestic and export markets. Future output sentiment continued to wane. Rising input prices due to tariffs were noted as the key reason for the increase in output/selling prices in Apr.

One other piece of hard data that continued to soften last week was Canada's labour market in Apr. Employment growth remained subdued at +7.4k as labour force participation increased – this resulted in the unemployment rate moving back up 6.9% in Apr, from 6.7% in Mar. Employment declined across some of the more tariff-exposed industries; manufacturing -33k and wholesale/retail -27k. [Statistics Canada](#) notes though that the proportion of unemployed due to layoffs in Apr (0.7%), was little changed from a year ago (0.6%). Falls in employment were partly offset by an increase in temporary employment due to the federal election.

Outlook for the week ahead; US CPI, PPI, retail sales, production & housing US Fed speeches

This week, the focus shifts to important US hard data – retail sales, CPI & PPI, industrial production, and residential construction. These datapoints will provide a critical early read on Q2 growth momentum and potentially signal whether it's beginning to align with recent softer survey trends. All of this unfolds against the backdrop of trade talk optimism and Fed commentary.

Key factors & events to watch this week;

US CPI and PPI inflation for April is expected to show monthly inflation firming. The detail will be important as to whether this begins to reflect any potential tariff impacts. The CPI & PPI will provide a leading guide for the Fed-preferred PCE inflation measure.

- Headline CPI is expected to be unchanged at +2.4% over the year in Apr, versus +2.4% in Mar. CPI is expected to increase by +0.3% over the month, up from -0.1% in Mar.
- Core CPI is expected to increase by +2.85% in Apr, up from +2.8% in Mar. Core CPI is expected to increase by +0.3% in Apr, also up from +0.1% in Mar.
- Headline PPI is expected to slow to +2.5% in Apr from +2.75% in Mar. Over the month, PPI is expected to increase by +0.2%, up from -0.4% in Mar.
- Core PPI is expected to slow to +3.1% in Apr, from +3.3% in Mar. Monthly core PPI is expected to increase by +0.3% in Apr, up from -0.1% in Mar.

US retail sales for April are expected to slow after the much stronger result in Mar.

- US retail sales are expected to increase by +0.1% in Apr, down from +1.5% in Mar.
- Last month, the retail control group increased by +0.4% - this is the measure that will feed into the GDP result.

US manufacturing and output

- US industrial production for Apr is expected to stabilize at +0.1% after falling by -0.3% in Mar. The manufacturing output figure will be important – in Mar, manufacturing output increased by +0.3%, down from +1% in Feb. The PMI indicators of manufacturing output in Apr suggest a more stalled pace of expansion.
- The first US regional manufacturing surveys for May will be released this week – the NY Empire State and Philadelphia Fed surveys. The May survey data will be interesting to gauge any leading shift in sentiment since the pause on reciprocal tariffs in early Apr.

US residential construction

- Building permits are expected to be little changed at around 1.45m (annualized) in Apr, from 1.467m in Mar.
- Housing starts are expected to increase slightly to 1.36m in Apr, from 1.32m in Mar.

Important US Fed speeches this week;

- US Fed Chair Powell will give a speech later in the week on the Framework Review – it's not clear whether this will include specific commentary on the current outlook.
- US Fed Vice Chair Jefferson and Fed Governor Kugler will both give speeches on the economic outlook. Speeches on the 'economic outlook' are usually more instructive for the specific views of FOMC members.
- Fed Governor Waller will also give a speech this week on Central Bank Research – again it's not clear whether this will include specific commentary on the economic outlook.

Outside of the US, data will focus broadly on GDP growth results for Q1 (QoQ); Euro area (second prelim) +0.4%, the UK +0.6%, and Japan -0.1%.

There will be a range of important Aus data in the lead-up to the RBA meeting next week (20 May).

- The Wage Price Index for Q1 is expected to remain little changed at +0.8% in Q1, after a +0.7% increase in Q4 2024. The annual rate is expected to remain around +3.2%.
- The Aus labour market survey is expected to show continued modest employment growth of +21k in Apr and the unemployment rate to remain unchanged at 4.1%.

US Treasury Issuance; 12 - 16 May 2025

This week, the US Treasury will auction and/or settle approx. \$632bn in ST Bills, Notes, and Bonds, raising approx. \$42bn in new money.

QT this week: Approx \$67.8bn of ST Bills, Notes, and Bonds will mature on the Fed balance sheet and will be reinvested. Approx \$3.1bn of Notes & Bonds will mature on the Fed balance sheet and will be redeemed/roll-off the balance sheet.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		Prior Auction High Rate %
12-16 May	08-May	13-May	4 week bill	85			Actual 4.225%	4.240%
	08-May	13-May	8 week bill	75			Actual 4.225%	4.220%
	07-May	13-May	17 week Bill	60			Actual 4.200%	4.190%
	08-May	13-May	16-Day CMB	25			Actual 4.240%	n/a
				245	224	21		
	12-May	15-May	13 week bill	76			Announced	4.220%
	12-May	15-May	26 week bill	68			Announced	4.090%
	13-May	15-May	6-week Bill	70			Announced	4.235%
	13-May	15-May	52 week bill	48			Announced	3.820%
				262	272	-10		
	05-May	15-May	3yr Note	58			Actual 3.824%	3.784%
	06-May	15-May	10yr Note	42			Actual 4.342%	4.435%
	08-May	15-May	30yr Bond	25			Actual 4.819%	4.813%
				125	94.2	31		
			Total - securities settling this week	632	590	42		
			Net New Cash Raised Qtr to Date	3739	3700	39		
			<i>Estimated Net Cash to be Raised Q2 (\$ Bn)</i>			514		
			Face value of US Federal Reserve SOMA securities maturing	\$B				
			Maturing & reinvestment					
		13-May	ST Bills	0.7				
		15-May	ST Bills	23.0				
		15-May	Notes & Bonds	44.1				
				67.8				
			Maturing & redemption (balance sheet roll-off)					
		15-May	Notes & Bonds	3.1				

Quantitative Tightening Overview – May 2025

The cap on US Treasury redemptions was lowered to \$5bn effective April 2025. In May, the face value of Coupons maturing on the Fed balance sheet is approx. \$76.4bn. This is more than the new \$5bn monthly cap on Treasury redemptions. So of the \$76.4bn of Coupons maturing in May, \$5bn will roll off the Fed balance sheet (redeemed) and \$71.4bn will be reinvested. It also means that all ST Bills maturing in May will be reinvested.

Summary of Total Coupons & Bills to Redeem at the \$5bn redemption cap - May			
			\$5
		Redeem \$Bn	Reinvest \$ Bn
15-May-25	Notes & Bonds	3.1	44.1
31-May-25	Notes & Bonds	1.9	27.2
	ST Bills		80.1
	Total Notes & Bonds	5.0	151.5

May 2025 ST Bill maturity schedule;

Bill Maturity Schedule - MAY			Weekly Totals \$Bn	
	Par Value of Bills Maturing	% Maturity by Wk	Bill Redemption	Bill Reinvestment
2025/05/01	15.81	20%	0.00	15.8
2025/05/06	0.74	1%	0.00	0.7
2025/05/08	12.97	16%	0.00	13.0
2025/05/13	0.72	1%	0.00	0.7
2025/05/15	23.00	29%	0.00	23.0
2025/05/20	0.71	1%	0.00	0.7
2025/05/22	13.38	17%	0.00	13.4
2025/05/27	0.72	1%	0.00	0.7
2025/05/29	12.05	15%	0.00	12.1
	80.1		0.00	80.1

<https://www.newyorkfed.org/markets/treasury-rollover-faq>

Recommended US Treasury Financing Q2 2025 and Est Q3 2025

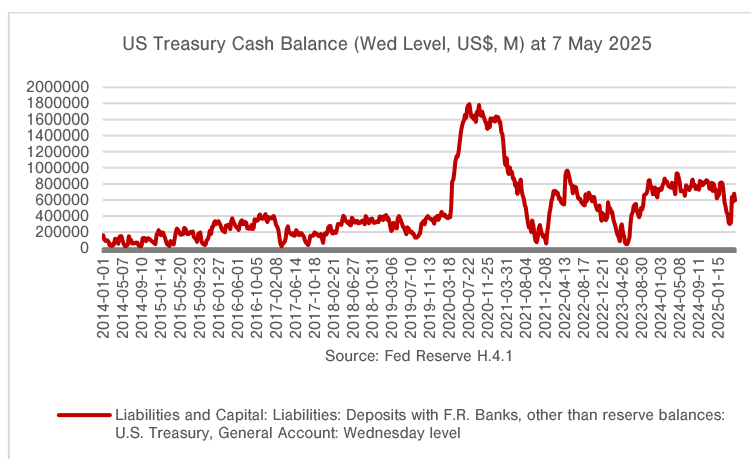
The latest update of the US Treasury borrowing requirements for Q2 and Q3 (estimate) was released last week - details on the US Treasury website [here](#).

The Q2 net borrowing requirement was revised sharply higher from an estimated \$123bn to \$514bn. The increase of \$391bn was due to a lower end of Q1 cash balance (expecting \$850bn, actual \$406bn) and projected lower net cash flows. We had estimated the TGA cash balance on Wed 26 Mar at \$316bn. The estimated cash balance at the end of Q2 is expected to be \$850bn.

Q3 estimated net borrowing requirement; The US Treasury is expected to borrow \$554bn in privately-held net marketable debt, assuming an end of Q3 cash balance of \$850bn. The end-of-June and end-of-September cash balances assume the enactment of a debt limit suspension or increase.

US Treasury Cash Levels (TGA)

As of Wed 7 May 2025, the level of the TGA decreased to \$596bn (-\$82bn compared to the week prior). The TGA balance is approx. \$221bn *lower* than the same week a year ago.



<https://www.federalreserve.gov/datadownload/Download.aspx?rel=H41&series=53198152b62add5ad59ae42b6d3d720d&filetype=sheet&label=include&layout=seriescolumn&from=01/01/2002&to=01/27/2021>

QE Program

There are no Treasury or MBS purchase operations scheduled at this time. Links to historical operation schedules; - <https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/treasury-securities/treasury-securities-operational-details>

https://www.newyorkfed.org/markets/ombs_operation_schedule

CALENDAR W/C 12 May 2025

MONDAY 12 MAY (US Eastern Time, unless stated otherwise)

US	Fed speeches: Kugler (Econ Outlook)
Australia	Westpac Consumer Confidence (May), NAB Business Conditions & Confidence (Apr)

TUESDAY 13 MAY

UK	Labour Market Survey (3mth Mar)
US	NFIB Business Sentiment (Apr), CPI (Apr)
Australia	Wage Price Index Q1

WEDNESDAY 14 MAY

US	MBA Mortgage Applications wk ending 10 May, Fed speeches: Gov Waller, Vice Chair Jefferson (Econ Outlook), Daly
Australia	Labour Market Survey (Apr)

THURSDAY 15 MAY

UK	GDP Q1
Europe	GDP Q1 – Second Prelim, Employment Q1, Eurozone Industrial Production (Mar)
US	Initial Jobless Claims wk ending 10 May, NY Empire State Manufacturing Index (May), Philadelphia Fed Manufacturing Survey (May), PPI (Apr), Retail Sales (Apr), Industrial Production (Apr), NAHB Housing Market Index (May), Business Inventories (Mar) Fed speeches; Fed Chair Powell (Framework Review), Barr
Japan	GDP Q1 - prelim

FRIDAY 16 MAY

US	Building Permits & Housing Starts (Apr), Export & Import Price Index (Apr), Michigan Consumer Sentiment – Prelim (May), Fed speeches: Daly
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