# Global Economic Update: Inflation Trends, Manufacturing Outlooks, and Monetary Policy Implications



### Eurozone Inflation Trends and ECB's Upcoming Decisions

Analysts predict a slight increase in Eurozone inflation this month, which may affect the European Central Bank's (ECB) plans to cut interest rates. According to Barclays, consumer prices in the Eurozone are expected to be 2.5% higher in May compared to 2.4% in April. This rise is influenced by unfavorable energy base effects and last year's subsidized German train tickets. ECB President Christine Lagarde suggested a possible rate cut on June 6, but higher inflation could hinder further cuts. Some policymakers caution that persistent inflation and elevated services prices may pause additional cuts in July.

### China's Manufacturing Sector Outlook

China's manufacturing data, set to be released on Friday, is anticipated to show slight growth. Economists expect the official purchasing managers' index (PMI) to edge up to 50.5 from 50.4 in April. Another measure, the Caixin PMI, showed a 14-month high at 51.4 last month. Industrial production rose by 6.7% year-on-year in April, outperforming forecasts, despite ongoing challenges in the real estate sector. The data will be monitored by the US and European policymakers, amid trade tensions involving tariffs and subsidies for electric vehicles.

### US Inflation and Federal Reserve Strategy

The US Bureau of Economic Analysis will release April data for the personal consumption expenditures (PCE) index, the Federal Reserve's favored inflation measure. Forecasts suggest a year-over-year rise of 2.7%, consistent with March. The core measure, excluding food and energy, is also expected to remain unchanged at 2.8%. Despite April's lower consumer price index figures, analysts believe steady PCE data won't disrupt market optimism. The Fed conveyed the first quarter as a temporary setback towards reducing inflation.

### Memorial Day Weekend Travel and Spending

The Memorial Day weekend has seen significant increases in travel and consumer spending in the US, despite inflationary pressures. AAA projected a 4% rise in travel compared to last year, with nearly 44 million Americans traveling. Royal Caribbean reported strong first-quarter earnings, hinting at a prosperous summer for the leisure industry. A Bank of America Institute analysis suggested robust, though slightly softer, spending trends for the summer, driven by domestic and international travel, particularly among younger demographics.

### Passing of Doge Meme Icon Kabosu

Kabosu, the Shiba Inu who inspired the "doge" meme and became the face of the cryptocurrency Dogecoin, passed away at the age of 18. Her owner, Atsuko Sato, confirmed the news, describing Kabosu's peaceful passing. Kabosu gained internet fame in 2010, leading to widespread use of her image in memes and ultimately the creation of Dogecoin.

### Upcoming Economic Events

* Monday: US financial markets are closed for Memorial Day.
* Tuesday: Earnings from CAVA; remarks by various Federal Reserve officials; reports on US housing prices and consumer confidence.
* Wednesday: Earnings from major retailers including Salesforce and HP; more Federal Reserve remarks.
* Thursday: Key earnings reports from Costco, Dell, and others; US GDP estimate and jobless claims data.
* Friday: Eurozone inflation data and US household income and spending figures; comments from Atlanta Fed President Raphael Bostic.