

Key events in developed markets next week

All eyes will be on the ECB next week which looks somewhat hesitant and partly unable to follow in the Fed's footsteps. Aside from that, the new UK Chancellor presents his first budget, and markets will be looking closely for any clues on a Bank of England move



Source: Shutterstock

Eurozone: What can the ECB do?

Of course the focus in the eurozone will be on how Covid-19 cases develop. But other than that, all eyes will be on the European central bank, which looks hesitant and partly also unable to follow the Fed. It will be Christine Lagarde's first test case. She started off with the intention to bring monetary policy closer to the people. The ECB will have to balance between demonstrating its ability to act and the awareness that the economy needs a vaccine rather than additional monetary stimulus.

We could see a mix of several smaller measures like a 10bp rate cut, tweaks to collaterals, targeted longer-term refinancing operations (TLTRO) and an increase of the Corporate Sector Purchase Programme (CSPP).

Macro data continues to lag the virus' impact on the economy, making it difficult to get a good sense of whether the growth picture has already changed materially. Industrial production data

for January will be released next week, which will obviously not yet capture any impact of the virus, but should provide relevant information for the start of the quarter, which matters for the 1Q figures.

US: Data still lags the fear-factor

Economic data is going to take the back seat once again as policymakers try and respond to the evolving coronavirus threat. However, we do have the preliminary March reading of the University of Michigan consumer confidence. A fairly substantial fall is likely given the plunge in equity markets and the negative headlines Covid-19 has been generating and this is likely to underline market concern about weaker economic activity data in the next few months.

All of the activity and inflation data scheduled for release next week is from the period before the fear factor hit so is irrelevant really. We know the US economy started 2020 on a firm footing, but that won't count for much as spending slows and recession worries mount.

UK budget in focus

Coronavirus will overshadow next week's budget, the first major fiscal event since the new Chancellor Rishi Sunak took charge in February. There will be a particular focus on any measures to ease cash flow constraints of affected businesses, in addition to the "Time to Pay" scheme that will enable some firms to pay tax back in smaller instalments over time. All of this means that the government's scope to increase day-to-day spending will be even more constrained.

A fiscal rule contained within the Conservative manifesto commits the Chancellor to achieving a current budget balance within two-to-three years. Recent growth downgrades mean there is little – or perhaps even no – headroom to increase day-to-day spending without raising taxes, while achieving the fiscal target. The government is also looking at higher investment, although these plans are likely to come later.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 8 March					
Japan	2350	Jan C/A Balance, adjusted (Yen bn)	-	-	1714.7
	2350	4Q F GDP (Annualised, QoQ%)	6.5	-6.7	-6.3
	2350	4Q F GDP deflator - advance (Q) (YoY%)	-	1.3	1.3
Monday 9 March					
Germany	0700	Jan Trade Balance (€bn)	18	-	15.2
	0700	Jan Industrial Production (MoM/YoY%)	1.5/-4.3	-/-	-3.5/-6.8
Tuesday 10 March					
US	1000	Feb NFIB Small Business Optimism	103.8	103.4	104.3
	-	Range of democrats primaries			
Eurozone	1000	4Q F GDP (QoQ/YoY%)	0.1/0.9	-/-	0.1/0.9
Norway	0700	Feb CPI (MoM/YoY%)	0.6/1.7	-/-	0.0/1.8
	0700	Feb CPI - ATE (MoM/YoY%)	0.7/2.4	-/-	0.4/2.9
Wednesday 11 March					
US	1230	Feb CPI (MoM/YoY%)	-0.1/2.1	0.0/-	0.1/2.5
	1230	Feb CPI ex. food and energy (MoM/YoY%)	0.1/2.2	0.2/2.3	0.2/2.3
Japan	2350	Feb PPI (MoM/YoY%)	-0.2/1.1	-/-	0.2/1.7
	2350	1Q BSI - All Industry (QoQ%)	-2	-	-6.2
	2350	1Q BSI - Large manufacturing (QoQ%)	-10.9	-	-7.8
UK	0930	Jan UK Services Index (MoM%)	0.2	-	0.3
	0930	Jan Industrial Production (MoM/YoY%)	0.3	-/-	0.1/-1.8
	0930	Jan Monthly GDP (MoM%)	0.2		
Sweden	0500	Feb PES Unemployment Rate	-	-	4.1
	0830	4Q Current Account Balance (SEKbn)	-	-	68.8
	0700	Prospera's Swedish Inflation Expectations Survey			
Thursday 12 March					
Eurozone	1000	Jan Industrial Production (WDA, YoY%)	-2.9	-	-4.1
	1245	ECB Main Refinancing Rate	0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.5	-	-0.5
UK	1130	U.K. Government Announces 2020 Budget			
Australia	0000	Mar CPI expectations (YoY%)	-	-	4.0
Sweden	0830	Feb CPI (MoM/YoY%)	0.5/1.1	-/-	-1.4/1.3
	0830	Feb CPIF (MoM/YoY%)	0.1/-1.2	-/-	-1.5/1.2
Friday 13 March					
US	1400	Mar P U. of Mich. Sentiment Index	-	-	101
Japan	0430	Jan Tertiary industry index (MoM%)	-0.1	-	-0.2
Germany	0700	Feb F CPI (MoM/YoY%)	0.4/1.7	-/-	0.4/1.7
Spain	0800	Feb F HICP (MoM/YoY%)	-/-	-/-	0.0/0.9
Sweden	0830	Feb Unemployment Rate (%)	-	-	7.5

Source: ING, Bloomberg

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.