

Key events in developed markets and EMEA next week

In the UK, all eyes are on Wednesday's Spring Statement and we believe there's little room for the Chancellor to row back on his previous plans for fiscal consolidation



US: Broad support for a 50bp move

After very strong data for January, all eyes are on the February numbers as markets look to gauge what the Federal Reserve has in store for interest rates. Warm weather and supportive seasonal adjustments to the data clearly boosted the activity story at the start of the year so we expect to see at least a partial correction in retail sales and industrial activity given the weather has subsequently followed more seasonal patterns. Inflation looks set to continue running hot though and that should mean that the market continues to favour a 50bp hike on 22 March.

Fed Chair Jerome Powell's hawkish shift clearly signals that the Fed is focused on the here and now. Importantly, these views were expressed during testimony to Congress so these were not personal opinions but the views of the majority of the Federal Open Market Committee. Given this broad support for a more aggressive response, it seems likely that we will need to see significant weakness in all reports to prevent a 50bp move from happening.



UK: Budget to scrap energy bill hike but maintain frugal medium-term plans

Wednesday's Spring Statement from UK Chancellor Jeremy Hunt will be the third fiscal event since last September, but hopefully the least dramatic. The fall in wholesale gas prices means the Chancellor can scrap the planned increase in energy unit prices, which for the average household would have seen the annual bill rise from £2,500 (or £2,100 when accounting for a fixed discount which expires this month) to £3,000. By the summer, bills are likely to fall to £2,100 on an annualised basis, without any government support at all. Perhaps the key question is whether the Chancellor maintains plans for fixed one-off payments for low-income and vulnerable households. None of this necessarily precludes a recession, but it should mean it's milder than expected a few months ago when gas prices were higher.

The near-term fiscal situation is also helped by the reduced risk premium in government borrowing since November's Budget, and also the fact that recent borrowing figures have come in roughly £25bn lower than projected. But the medium-term picture, which is determined by new forecasts from the Office for Budget Responsibility, is unlikely to give the Chancellor much – if any – room to row back on his previous plans for fiscal consolidation. The OBR's medium-term growth numbers have long looked too optimistic, and inflation too low. Unfortunately lowering government capital investment looks like the path of least resistance, at least politically, to achieve the government's main fiscal goal of stabilising net debt as a percentage of GDP in the medium term.

We'll also get another round of jobs numbers next week, and we'll be looking for clearer signs that wage growth is finally peaking. Survey data suggests it is, but so far the official numbers have continued to show persistently large increases in pay on a three-month annualised basis. This is one reason why we think the Bank of England is likely to hike by 25bp at its March meeting, though with encouraging trends emerging in the surveys of pricing behaviour, we think by May the committee will be more relaxed.

Eurozone: Supply chain improvements should provide some optimism

The eurozone will look forward to industrial data next week, for which some optimism is warranted on the back of a rebound in German production. Supply chain problems are fading rapidly, which allows industry to catch up on previous orders. Production data will show whether other countries are also profiting from this or whether slowing new orders dominate the direction of production at this point.

Poland: Rates cuts are unlikely this year given the path of core inflation

Current account: €-508m (January)

The external imbalance is projected to gradually narrow over the course of 2023. The trade deficit should shrink on the back of improving terms of trade. Both exports and imports growth are slowing down, but the correction in energy commodities is expected to put a stronger drag on imports than softer external demand curbing exports. Solid January industrial output data from Germany back our trade forecasts. In January, we expect exports of goods to have expanded by

21.9% year-on-year, while imports grew by 19.5% YoY. In 2023, we expect the current account deficit to be 2.1% of GDP vs. 3.1% of GDP in 2022.

CPI inflation: 18.7% YoY (Feb)

The February CPI reading is highly uncertain due to the annual update of basket weights. We estimate that the update may bring an upward revision of the January reading to 17.4% YoY from 17.2% YoY reported previously. We believe that consumer inflation peaked in February at 18.7% YoY amid a low reference base – in February 2022, the government cut VAT rates on gasoline, food, electricity, natural gas and central heating.

The months ahead will bring disinflation on the back of stabilising fuel and energy prices that will gradually bring down annual CPI inflation to single-digit levels in the fourth quarter. At the same time, core inflation is projected to remain sticky and elevated as the earlier energy shock should continue feeding into the prices of other goods and services. In our view, the path of core inflation will not allow the National Bank of Poland to start cutting rates this year and the easing cycle may start in late 2024.

Key events in developed markets

Country	Time	Data/event	ING	Survey	Prev.
Monday 13 March					
Greece	1000	Feb CPI (YoY%)	-		7
Tuesday 14 March					
US	1230	Feb Core CPI (MoM%/YoY%)	0.4/5.5	0.4/-	0.4/5.6
	1230	Feb CPI (MoM%/YoY%)	0.4/6.2	0.4/-	0.5/6.4
UK	0700	Jan ILO Unemployment Rate	3.8		3.7
	0700	Jan Employment Change	65		74
	0700	Weekly earnings ex bonus (3M/YoY%)	6.6	6.6	6.7
Italy	0900	Jan Industrial Output (MoM%/YoY%)	0.3/-		1.6/0.1
Spain	0800	Feb CPI (MoM%/YoY%)	-/-		1/6.1
Netherlands	0530	Feb CPI (YoY% NSA)	-		7.6
Wednesday 15 March					
US	1230	Feb Retail Sales MM	-0.5	0.2	3
UK	-	Spring Budget	-		-
Italy	0800	Jan Global Trade Balance	-		1.067
Sweden	0700	Feb CPI (MoM%/YoY%)	-/-		-1.1/11.7
	0700	Feb CPIX (MoM%/YoY%)	-/-		-1.3/9.3
Eurozone	1000	Jan Industrial Production (MoM%/YoY%)	1,2/1		-1.1/-1.7
	1100	Feb Reserve Assets Total	-		1125.35
Thursday 16 March					
Norway	0700	Jan GDP Month Mainland	-		0.4
Netherlands	0530	Jan Trade Balance	-		9.311
Eurozone	1315	Mar ECB Refinancing rate	3.5		3
	1315	Mar ECB Deposit rate	3.0		2.5
Friday 17 March					
US	1315	Feb Industrial Production (MoM%)	0.2	0.4	0
	1400	Mar University of Michigan Sentiment Prelim	-	67.5	67
	1400	Mar University of Michigan Conditions Prelim	-		70.7
	1400	Mar University of Michigan Expectations Prelim	-		64.7
Sweden	0700	Feb Unemployment Rate	-		7.6
Eurozone	1000	Feb CPI (YoY%)	8.5		8.6
	1000	Feb Core CPI (YoY%)	5.6		5.3

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 13 March					
Turkey	0700	Jan Current Account Balance	-10.1		-5.91
Romania	0600	Feb CPI (YoY%)	15.3		15.07
Serbia	1100	Feb CPI (MoM%/YoY%)	15.4		1.4/15.8
Mexico	1200	Jan Industrial Output (MoM%/YoY%)	-		0.7/3
Tuesday 14 March					
Czech Rep	0800	Jan Retail Sales (YoY%)	-		-8.2
Wednesday 15 March					
Turkey	0800	Feb Budget Balance	-		-32.24
Poland	0900	Feb CPI (MoM%/YoY%)	0.9/18.7		/
South Africa	1100	Jan Retail Sales (YoY%)	-		-0.6
Thursday 16 March					
Poland	1300	Jan Current Account	-508		-2526
	1300	Jan Net Inflation (YoY%)	-		11.5
Czech Rep	0900	Jan Current Account Balance	-		-7.77
Ukraine	1200	Central bank interest rate	-		25
Friday 17 March					
Russia	1030	Mar Central bank key rate	7.5	7.5	7.5
Ukraine	-	Jan Trade Balance YTD	-		-11.1

Source: Refinitiv, ING

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

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 <http://www.ing.com>.