THINK Ahead vibe check! We're looking at you, central bankers

Financial markets are getting bad vibes from the US economy right now. The energy isn't great in the UK, either. But central banks aren't buying the hype. James Smith is winning over the TikTok generation this week, as the team looks ahead to another fun-filled week of central bank drama

Influencers, Ashtin Earle, Patrick Ta and Alix Earle will probably not read this article

How bankers can inject more rizz

Central banks are good for many things, but talking the language of the Instagram generation sadly isn't one of them. Few things are less welcome on TikTok than a monetary policy statement. It's like sliding into your DMs using a fax machine.

It's time to get down with the kids, guys. Here's how the central banks can inject more rizz into next week's flurry of rate decisions. [Rizz = charisma, boomer!].

In fact, out with the 'rate decisions', in with the "vibe check". And in the US at least, the economic vibes are not good.

The data hasn't been great; consumer spending has been weaker. Keep an eye out for more of that in next week's retail sales, as James Knightley discusses below. First quarter GDP estimates are horrendous. The Atlanta Fed's GDP now-cast is looking at a sharp fall in activity this quarter, even if that's been heavily skewed by sharply higher gold imports.

It's not just the data that's giving investors the ick. Tariff flip-flopping is damaging economic sentiment both inside and outside financial markets. And remember, this is probably just the start. Tariffs on Canada and Mexico don't seem to be sticking, but it could be a very different story for Europe this spring.

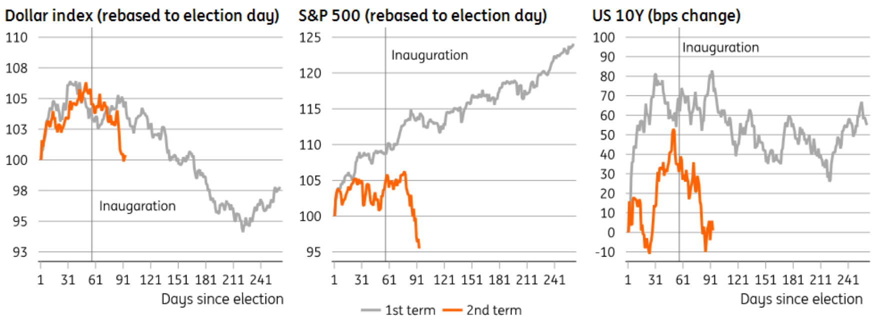
Then there's the cost-cutting at DOGE. It's making employers 'lowkey shook' (that's a 'bit nervous', to you; keep up!). Layoffs spiked in February to levels not dissimilar to financial crisis and dot-com bubble peaks. The irony is this hasn't made any dent on the public finances, at least not yet. Federal spending is up 13% relative to the same point in last fiscal year; revenues are up 2%.

In short, there's a growing perception in markets that President Trump's economic policy 'negatives' so far haven't been matched by the potential 'positives' from tax cuts, nor from an immediate deregulation dividend. Plenty of main character energy from the Trump administration on the economy, whatever that means...

Of course, vibes aren't the same thing as hard economic facts. Fed bossman Powell said recently that "sentiment readings have not been a good predictor" of macro trends. And by implication, stock markets might be getting a bit de lulu about the prospect of an imminent downturn (FYI, that means delusional, Jerome).

Time will tell whether he's right, but for now James K expects the Fed to 'stay chill' next week and he doesn't expect any further cuts this side of summer, as he explains in this lit video. But he reckons markets are right to be questioning the US exceptionalism storyline in general and for that reason, rate cuts can resume in the autumn.

How markets have reacted President Trump's election vs. his first term



Source: Macrobond, ING calculations

The UK's strapped and Germany's big flex

A lot of those sentences could just as easily be written about the UK. Just about every survey says firms are slashing hiring ahead of a big tax hike on employers next month. The government is facing up to spending cuts at the Spring Statement, albeit the Treasury is still set to splash plenty of cash this year. Sorry, did I say cash?

In spite of all of that, markets have not ramped up expectations for Bank of England easing anywhere near as much as for the Fed. Not for the first time in recent years, investors think the BoE will end up having to keep rates more restrictive. And it's not difficult to see why.

Wage growth is at 6%, and services inflation is at 5%. The energy is simply too hawkish. Catherine Mann, the arch-hawk-turned-dove, may have caught all the headlines last month with her vote for a 50bp rate cut. But as for the rest of the committee, it's a "big nope" when it comes to speeding up easing.

Just like the Fed, the Bank is sceptical about some of the signals coming from the economic surveys. We'll get fresh stats on the British jobs market next Thursday, but thus far we've not had the same tangible increase in layoffs that we've started to see in the US.

Nobody's expecting a cut next week, but that doesn't mean more aren't in the pipeline. Those inflation metrics should look better later this year. I'm still looking at three more cuts this year and a lower end-point than markets are currently pricing. And if there's a small chance it could all happen a lot faster if the jobs market really does turn for the worst.

As for next week, the true 'vibe check' comes from Germany. For investors, the massive infrastructure and defence spending announcement is what TikTok might call a "big flex". A game-changer, in other words, but one which rests on a crucial vote in Germany's parliament on Tuesday. A vote where, speaking to Carsten Brzeski, there still carries a degree of uncertainty, despite reports of an agreement between the Greens and CDU/SPD.

If there's a common thread running through all of this, it's that vibes alone aren't enough for central banks. They need hard data and concrete government policies. Until we get more of that, expect them to tread carefully.

And before I get ghosted by my younger colleagues for wrecking their lingo, I'd better leave it there. Have a dope week.

THINK Ahead in developed markets

United States (James Knightley)

- **Interest rates (Wed):** The highlight will be the Federal Reserve policy decision. After 100bp of interest rate cuts in late 2024, the Fed is expected to leave rates unchanged for a second consecutive meeting. The growth story has cooled, but inflation remains above target and the economy continues to add jobs so there is no pressing need for additional support right now. That could well change as government austerity measures and tariff fears intensify, but for now we expect the Fed to leave policy rates unchanged until the September FOMC meeting. Note the Federal Reserve will also release updated economic forecasts. We don't expect them to significantly change anything with projections for two 25bp rate cuts this year remaining their central view.
- **Retail sales (Mon):** In terms of the data, February retail sales will be in focus given the large drop seen in January that also translated into broader spending weakness. Some of the softness can be attributed to cold weather and the disruption from LA fires. However, it is

clear that consumer confidence has weakened substantially on the back of concerns about government spending cuts impacting jobs and entitlements, with the prospect of significant tariffs putting up prices and squeezing household spending power. We look for a modest rebound, but it looks as though consumer spending will make only a limited positive contribution to 1Q GDP growth.

- **Housing (Tue):** We will also get quite a lot of housing data – existing home sales, building permits, housing starts and homebuilder sentiment. We expect continued weakness here with high prices and high mortgage rates prompting weakness in demand while from a supply perspective immigration controls and tariffs threaten higher wage and construction costs that will hurt profit margins.

United Kingdom (James Smith)

- **Jobs report (Thu):** Expect wage growth to remain stuck at 6% in what is becoming a major bone of contention for the Bank of England. Pay pressures have remained much stickier than might have been expected given the gradual but prolonged cooling we've seen in the wider jobs market. We'd expect wage growth to fall gradually as the year goes on, particularly if the rise in employers' tax in April prompts a rise in layoffs. Hiring intentions have fallen sharply but so far there's been no tangible impact on redundancy statistics.
- **Bank of England (Thu):** Nobody is expecting a rate cut next week; the BoE is comfortable with cutting once per quarter, and having done so in February, the next cut is baked in for May. But in the absence of new forecasts or a press conference, the major question is how many officials go against the 'on hold' decision and vote for faster cuts. We expect a 6-3 vote in favour of keeping rates steady.

Sweden (James Smith)

- **Interest rates (Thu):** Following 175bp worth of rate cuts, it looks like Sweden's Riksbank is finally done with easing. We don't expect any change to the policy rate, currently 2.25%, at the 20 March meeting and we no longer expect any further changes later this year. Read our full preview.

THINK Ahead for Central and Eastern Europe

Poland (Adam Antoniak)

- **External position (Mon):** We forecast that the current account was slightly in surplus in January, but of a smaller magnitude than in January 2024. As a result, the 12-month cumulative balance eased to neutral (0% of GDP) from a slight surplus (0.1% of GDP) in 2024 as a whole. Exports declined slightly, whereas imports increased. The trade balance continues to deteriorate amid poor external demand for Polish goods and solid domestic demand driving imports.
- **Labour market (Thu):** February's data should confirm that wage growth eased to a single-digit pace and should put less upward pressure on consumer inflation in the months ahead. The level of employment was barely changed in February vs. January, translating into an annual decline, but over the course of this year, annual changes should turn positive assuming the level of employment continues to stabilise.
- **Industry (Thu):** Despite the manufacturing PMI rising above 50, industrial output was still in decline in February amid negative calendar effects and lacklustre external orders and demand. Stagnant manufacturing should start improving over the course of this year.

Producer prices remain in deflation, but that should soon change.

Czech Republic (David Havrlant)

- **PPI (Mon):** Price dynamics within industry remained muted in February, still suffocated by the elevated competition in the sector given the impression of demand across the main European trading partners. Some relief has been provided by softer brent crude prices, despite a transitory increase at the onset on the year.
- **Confidence (Fri):** March business and consumer confidence is set to carry on the divergence we've seen since the start of the year. The expected marginal deterioration in the mood of consumers is linked to easing conditions in the labour market, though largely driven by seasonal aspects. In contrast, business sentiment should receive a boost from the reviving construction sector, while we also see Czech manufacturing gradually gaining some solid ground beneath its feet.

Armenia & Uzbekistan (Dmitry Dolgin)

- **Interest Rates (Tue):** We anticipate that the Central Bank of Armenia (CBA) will consider a 25 basis point cut, reducing the current rate from 6.75% to 6.50%, due to subdued inflation. Although the CPI accelerated to 2.5% year-on-year in February, it remains below the recently lowered long-term target of 3%. The continuous strength of the Armenian dram and modest Producer Price Index (PPI) growth limit immediate inflationary risks.
- However, there is also a possibility that the CBA might pause the current multi-year rate cut cycle. This would allow the monetary authorities to assess the impact of recent fiscal policy easing, which saw the consolidated deficit nearly double to 3.5% of GDP in 2024, and the rapid acceleration of domestic lending, including the dollarization of corporate credit, amid sluggish retail funding growth. Additionally, the progress of ongoing peace negotiations with Azerbaijan, which has recently expressed suspicions about the EU monitoring mission in Armenia, will be a key factor to watch in the near term.
- **Interest rates (Thu).** The Central Bank of Uzbekistan (CBRU) decided to postpone its policy rate decision from March 13 to March 20 to incorporate new macroeconomic data expected to be released soon. Similar rescheduling occurred in April 2023 and October 2022, with the eventual key rate decision being 'on hold' in both cases. The new relevant domestic macro inputs to be incorporated in the coming days will include inflationary expectations by households and businesses for February (January readings were largely benign), the final estimates for the February CPI, and banking sector statistics.
- Our base case scenario is an unchanged key rate of 13.50%. The wait-and-see approach could be warranted by the upcoming tariff hike scheduled for April 2025, which may lead to a temporary CPI spike from 10.1% year-on-year (YoY) as of February to 11.5-12.5% YoY, moving farther away from the long-term 5% CPI target. Meanwhile, a rate cut is also possible given the smaller-than-expected inflationary effect of the first round of tariff liberalization in 2024 and the expected CPI slowdown to below 10% YoY in the second half of 2025. A disinflationary surprise combined with positive external shocks could potentially speed up the rate cut cycle in Uzbekistan.

Key events in developed markets next week

Country	Time (GMT)	Data/event	ING	Prev.
		Monday 17 March		
US	1230	Feb Retail Sales (MoM%/YoY%)	0.6	-0.9/4.2
Netherlands	1400	Jan Trade Balance (EUR bn)	-	10.29
		Tuesday 18 March		
US	1230	Feb Building Permits (mn)	1450	1.473
	1230	Feb Housing Starts (mn)	1390	1.366
	1315	Feb Industrial Production (MoM%/YoY%)	-/-	0.5/2
Italy	0900	Jan Trade Balance (EUR bn)	-	5.98
Canada	1230	Feb CPI (MoM%/YoY%)	0.3/1.9	0.1/1.9
Eurozone	0900	ECB Rehn Speech	-	-
	1000	Jan Trade Balance (EUR bn)	-	15.5
	1000	Mar ZEW Economic Sentiment Index	-	24.2
		Wednesday 19 March		
US	1800	Fed Funds Target Rate (Upper Bound)	4.50	4.50
	1830	FOMC Press Conference	-	-
Eurozone	1000	Feb CPI (MoM%/YoY%)	-/-	-0.3/2.6
		Thursday 20 March		
US	1230	Q4 Current Account (USD bn)	-340	-310.9
	1230	Initial Jobless Claims	226	220
	1400	Feb Existing Home Sales (mn)	3.9	4.08
UK	0700	Jan Unemployment Rate	4.4	4.4
	0700	Jan Employment Change (3M/3M, 000s)	85	107
	0700	Avg. Weekly Earnings ex Bonus (3M/YoY%)	5.9	5.9
	0700	Avg. Weekly Earnings (3M/YoY%)	6.0	6.0
	1200	BoE Bank Rate	4.50	4.50
Sweden	0830	Riksbank Rate	2.25	2.25
Netherlands	0530	Feb Unemployment Rate	-	3.8
Switzerland	0830	SNB Policy Rate	0.25	0.50
		Friday 21 March		
US	1305	Fed Williams Speech	-	-
Canada	1230	Jan Retail Sales (MoM%)	-	2.5
Eurozone	0800	Jan Current Account (SA, EUR bn)	-	38.4
	0845	ECB Holzmann Speech	-	-
	1500	Mar Consumer Confidence Flash	-	-13.6

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (GMT)	Data/event	ING	Prev.
		Monday 17 March		
Poland	1300	Jan Current Account (EUR mn)	458	-803
	1300	Jan Trade Balance (EUR mn)	-115	-2236
Czech Rep	0800	Feb PPI (MoM%/YoY%)	0.2/0.2	0.2/0.5
Ukraine	1330	Jan Trade Balance (USD mn)	-	-3770
Kazakhstan	1330	Feb Industrial Production (YoY%)	-	2.3
		Tuesday 18 March		
Armenia	0800	Mar Refinancing Rate	6.50	6.75
		Wednesday 19 March		
Russia	1600	Feb PPI (MoM%/YoY%)	-/-	0.5/9.7
		Thursday 20 March		
Uzbekistan	0530	Mar Policy Rate	13.50	13.50
Poland	0900	Feb Employment Growth (YoY%)	-0.9	-0.9
	0900	Feb Industrial Output (YoY%)	-2.5	-1
	0900	Feb PPI (YoY%)	-0.7	-0.9
	0900	Feb Wages (YoY%)	8.1	9.2
		Friday 21 March		
Russia	1030	Central Bank Key Rate	21.00	21.00
Czech Rep	0800	Mar Consumer Confidence	96.5	96.6
	0800	Mar Business Confidence	98.3	98

Source: Refinitiv, ING

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