

Our view on next week's key events

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With vaccination rates now above 70% in India, Covid-19 restrictions are easing

China releases policy guidance

China's annual Two Sessions (National People's Congress and Chinese People's Political Consultative Conference meetings) will take centre stage next week. The government work report is being released this Saturday (5 March), which will announce policies for the economy for 2022 ahead of the 20th Party Congress in the fourth quarter of this year. These policies will likely be geared towards the main theme of stability, which implies more pro-growth policies to offset the damage from the continued deleveraging reform on the real estate sector.

There are also many Chinese data points scheduled for release next week. We expect export and import data to reflect resilient growth on a year-on-year basis. Meanwhile, retail sales, fixed asset investments and industrial production should show a divergence in Chinese growth, with retail sales being the laggard within the economy. Loans should continue to increase robustly, although likely to a smaller extent than January – which is the usual pattern.

Trade data out in the Philippines

We expect recent trends for Philippine trade to hold with imports sustaining strong double-digit gains as the economy continues to gradually reopen. Elevated crude oil prices should also bloat the energy import bill, keeping the trade gap wider than US\$4bn. Exports on the other hand will post a decent gain on robust electronic component exports but will not likely keep up with the pace of expansion for inbound shipments. In the coming months, the trade gap should remain wide suggesting a sustained depreciation bias for the peso.

Impending Indian production data

India's January industrial production numbers will be out next week, which should reflect more of what the PMI data gave us an early glimpse of. The Omicron wave sent Covid case counts surging in January, peaking at levels (about 350,000 daily cases) only slightly lower than the second wave. With this came the unsurprising reimplementing of some movement restrictions, which were only wound back recently in India's capital. Daily Covid cases are now averaging just slightly over 10,000, boding well for the resumption of more normal activity with vaccination rates now above 70%.

Australia's business sentiment indicators should paint a positive outlook

After GDP growth figures released on Wednesday showed a sharp rebound for 4Q21 (actual: 3.4%, ING: 1.9%), February business confidence and conditions data will be released in Australia early next week. These should reflect continued improvement in business sentiment, as movement restrictions have been further reduced and states reopen their borders.

Korea may see a new president

The Korean presidential elections will take place next Wednesday (9 March). The respective candidates from the ruling party (Mr. Lee Jae-myung) and the major opposition party (Mr. Yoon Seok-yeol) have been running neck-and-neck in the polls, with around 40% support each. The latest polls have suggested Yoon is in the lead, but all remain within the statistical margin of error.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 March					
China	0300	Feb Exports	-		20.9
	0300	Feb Imports	-		19.5
	0300	Feb Trade Balance	-		94.5
		- Feb FX Reserves (Monthly)	-		3.2
Singapore	0900	Feb Foreign Reserves USD	-		418.4
Tuesday 8 March					
Japan	2350	Q4 GDP Revised (QoQ% ann)	5.8		5.4
Australia	0030	Feb NAB Business Conditions	9.6		2.7
	0030	Feb NAB Business Confidence	12.7		3.5
Indonesia	0400	Feb Forex Reserves	-		141.3
Taiwan	0800	Feb CPI (MoM%/YoY%)	-		0.58/2.84
	0800	Feb Imports	-		24.9
	0800	Feb Exports	-		16.7
	0800	Feb Trade Balance	-		4.9
Wednesday 9 March					
China	0130	Feb CPI (MoM%/YoY%)	-		0.4/0.9
Indonesia	0300	Feb Consumer Confidence Index	-		119.6
Thursday 10 March					
China		- Feb M2 Money Supply (YoY)	-		9.8
		- Feb FDI (YTD)	-		11.6
S Korea	2300	Jan Current Account Bal NSA	-4.5		6.06
Friday 11 March					
India	1200	Jan Industrial Output (YoY%)	-7		0.4
Indonesia	0400	Jan Retail Sales Index (YoY)	7.2		13.8
Philippines	0100	Jan Exports (YoY%)	14.1		7.1
	0100	Jan Imports (YoY%)	31.5		38.3
	0100	Jan Trade Balance	-4752		-5213

Source: Refinitiv, ING

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ECB President Christine Lagarde

US inflation set to reinforce the case for six rate hikes this year

While Russia's invasion of Ukraine has undoubtedly created economic uncertainty via higher commodity prices, supply and freight disruption, and general anxiety about escalating military conflict, the Federal Reserve has provided a vote of confidence in the US economy.

Chair Jerome Powell and other members of the Federal Open Market Committee (FOMC) have strongly backed the case for a 25bp rate rise on 16 March by arguing the economy is fundamentally sound. In an environment where the economy is growing strongly while unemployment is down at 4% and inflation is running at 40-year highs, interest rates should not be at zero and we fully agree that rates will be raised on 16 March with further increases to come.

Powell argued that the uncertainty means the Fed needs to be "nimble", but markets continue to price the prospect of around six 25bp rate hikes in total for the year. That view is likely to be reinforced by a strong inflation print next week. We look for the annual rate of CPI to rise to 7.9%, but an 8% reading is certainly possible, which would be the fastest rate of inflation since January

1981.

The theme of inflation will also feature heavily in the NFIB small business survey. Last month a record proportion of companies were able to raise their prices – the survey goes back 48 years. The depth and breadth of price pressures will continue to alarm many Fed officials and is likely to keep markets on edge about the prospect of sharply higher interest rates. We will also be closely following the University of Michigan consumer sentiment index to see if Russia's invasion (and its potential economic hit to household spending power via higher gasoline prices) is impacting yet.

European Central bank to keep its options open amid heightened uncertainty

The latest eurozone inflation data and the overall economic picture since the start of the war in Ukraine have once again complicated the road to normalisation.

We will probably have a situation at next week's European Central Bank (ECB) meeting in which the inflation projections for 2023 and 2024 could be at 2%, calling for ECB action. In fact, the risk of stagflation has clearly increased, complicating the ECB's dilemma: how to react to accelerating inflation that cannot be softened by monetary policy. No one can seriously expect the ECB to start normalising monetary policy at such a moment of high uncertainty.

Therefore, we expect the central bank to strike a cautious balance between staying on track for policy normalisation while at the same time keeping maximum flexibility. This strategy would mean the ECB sticks to the already-announced rotation of its asset purchase programmes, i.e. ending the Pandemic Emergency Purchase Programme in March and increasing the Asset Purchase Programme from €20bn to €40bn, and instead of announcing targets for 3Q and 4Q, announcing a monthly reduction of the net asset purchases by €5-10bn per month, starting in May. Contrary to the December meeting, the ECB will want to avoid hinting at end dates for quantitative easing (QE) or start dates for rate hikes.

UK growth set for modest rebound reflecting Omicron recovery

Despite vast numbers of Covid-19 cases before Christmas, the UK economy recorded a very modest 0.2% decline in December's GDP. Admittedly that was partly down to the widescale increase in testing and vaccines, which feeds through to GDP via health output (incidentally without that extra spending during the pandemic, GDP would be around 1.3% lower). We'll get January's numbers next week, and we expect a very slight rebound, reflecting increased appetite among consumers to socialise after the New Year. We expect to see a more noticeable recovery in February's figures due in a month's time.

Canadian jobs data set to rebound after Omicron

In Canada we will be watching the February jobs report after the Bank of Canada (BoC) raised rates this week. Markets are positioned for an aggressive series of rate increases given the economy has fully recovered all the output and jobs lost due to the pandemic while inflation is running at 30-year highs. Employment fell 83,000 in January due to Omicron-related lockdowns, but those containment measures have since been lifted and we should get a decent rebound for February. Canada also has little financial and trade linkages with Russia and given Canada is a major commodity producer, higher prices should be supportive for investment in the sector. We look for five further 25bp rate increases this year from the BoC.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 March					
US	2000	Jan Consumer Credit	24	21.5	18.9
Germany	0700	Jan Industrial Orders (MoM%)	-1.0		2.8
	0700	Jan Retail Sales (MoM%/YoY%)	-/-	1.5/9.5	-5.5/0
Tuesday 8 March					
US	1100	Feb NFIB small business optimism	98	97.4	97.1
	1330	Jan International Trade USD	-87.5	-86.6	-80.7
Eurozone	1000	Q4 Employment Final (QoQ%/YoY%)	0.5/2.1		0.5/2.1
	1000	Q4 GDP Revised (QoQ%/YoY%)	0.3/4.6		0.3/4.6
Germany	0700	Jan Industrial Output (MoM%/YoY%)	0.8/1.0		-0.3/-4.18
Norway	0700	Jan GDP Month Mainland	-0.2		-0.4
Wednesday 9 March					
Italy	0900	Jan Industrial Output (MoM%/YoY%)	-1/1.2		-1/4.4
Thursday 10 March					
US	1330	Feb Core CPI (MoM%/YoY%)	0.6/6.5	0.6/6.5	0.6/6.6
	1330	Feb CPI (MoM%/YoY%)	0.8/7.9	0.8/7.9	0.6/7.5
	1330	Initial Jobless Claims	210	-	215
Eurozone	1245	Mar ECB Refinancing rate	0.0	0.0	0.0
	1245	Mar ECB Deposit rate	-0.5	-0.5	-0.5
Norway	0700	Feb CPI (YoY%)	3.00		3.2
Netherlands	0530	Feb CPI (MoM%/YoY%)	-		0.5/6.4
	0530	Jan Manufacturing Output (MoM%)	-		1.6
Friday 11 March					
US	1500	Mar University of Michigan Sentiment	62	63.1	62.8
	1500	Mar University of Michigan Conditions	69		68.2
	1500	Mar University of Michigan Expectations	58		59.4
Germany	0700	Feb CPI Final (MoM%/YoY%)	0.7/5.1		-
UK	0700	Jan GDP Estimate (MoM%)	0.1		-0.2
Italy	0900	Jan Unemployment Rate	9.1		9
Canada	1330	Feb Unemployment rate (%)	6.3		6.5
	1330	Feb employment change (000s)	25.00		-82.7

Source: Refinitiv, ING

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Key events in EMEA next week

Expect a 50 basis-point rate hike in Poland given the potential for even higher inflation rates over the coming months as a result of the war in Ukraine....



The war in Ukraine will have a significant impact on the Polish economy. Pictured: Warsaw

✓ National Bank of Poland to hike 50bp next week

The war in Ukraine will have a significant impact on the Polish economy, primarily via international trade, subtracting some 1.3pp from 2022 GDP. However this is unlikely to deter the National Bank of Poland (NBP) from hikes, given the conflict will also result in even higher inflation, stemming from commodity prices and a weak Polish zloty (PLN).

That means the central bank is set to continue its tightening cycle in March, most likely with another 50bp rate hike. A less aggressive move would very likely affect the zloty, undermining NBP FX interventions. In fact, policymakers could employ mildly hawkish language to support the FX interventions already taken.

Looking ahead, and as a result of a slightly weaker growth outlook, even with persistently higher CPI, we no longer feel there's upside risk to our 4.5% forecast for the NBP's terminal rate. Getting there could also take longer.

✔ Hungary: Sharp increase in budget deficit expected

February's monthly budget deficit could be close to HUF 1.5 trillion due to several one-off transfers to families (tax refund), pensioners (13th-month pension) and armed forces (salary bonus) among others. On top of that, we believe that the humanitarian aid to help refugees from Ukraine will unexpectedly also factor in. But a way bigger question mark is related to the February inflation data.

We've seen upside surprises all across Europe, so we don't expect a drop in the year-on-year headline reading despite the inflation shield measures that are in place, affecting utility costs, fuel prices and some basic foods. The central bank has already signalled that annual inflation could move above 8%, so we can say that our forecast is rather conservative.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 March					
Czech Rep	0800	Q4 Gross wages (YoY%)	-		1.5
Brazil	1300	Feb Markit Services PMI	-		52.8
	1300	Feb Markit Composite PMI	-		50.9
Tuesday 8 March					
Poland	-	Mar NBP Base Rate	3.25		2.75
Czech Rep	0900	Feb Unemployment Rate	-		3.6
Hungary	1000	Feb Budget Balance	-1400		151.3
Romania	0700	Q1 GDP Flash (YoY%)	2.2		-
South Africa	0930	Q4 GDP (YoY%)	-		2.9
Wednesday 9 March					
Russia	1600	Feb CPI (MoM%/YoY%)	-/-		1/8.7
Czech Rep	0800	Jan Trade Balance	-		-15
Hungary	0800	Feb Core CPI (YoY%)	7.8		7.4
	0800	Feb CPI (MoM%/YoY%)	0.7/7.9		1.4/7.9
Brazil	1200	Jan Industrial Output (MoM%/YoY%)	-/-		2.9/-5.0
Mexico	1200	Feb Headline Inflation	-		0.59
	1200	Feb Core inflation	-		0.62
Thursday 10 March					
Turkey	0800	Jan Unemployment Rate (%)	-		11.3
Russia	-	Jun Budget Fulfilment	-		0.7
Czech Rep	0800	Feb CPI (MoM%/YoY%)	-/-		4.4/9.9
Ukraine	-	Feb CPI (MoM%/YoY%)	-/-		1.3/10
Kazakhstan	-	Feb Industrial Production (YoY%)	-		2.9
Serbia	1100	Mar Benchmark Interest rate	1.0		1.0
South Africa	0900	Q4 Current Account	-		226.4
Brazil	1200	Jan Retail Sales (MoM%/YoY%)	-/-		-0.1/-2.9
Friday 11 March					
Turkey	0700	Jan Current Account Balance	-7.1		-3.841
Turkey	0700	Jan Industrial Production (MoM/YoY%)	-0.38272		1.6/14.4
Czech Rep	0800	Jan Industrial Output (YoY%)	-		-2.1
Serbia	1100	Feb CPI (MoM%/YoY%)	-/-		0.8/8.2
Brazil	-	Feb IPCA Inflation Index (MoM%/YoY%)	-/-		0.54/10.38
Mexico	1200	Jan Industrial Output (YoY%)	-		3.0
	1200	Jan Industrial Output (MoM%)	-		1.2

Source: Refinitiv, ING

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