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BoK to move sans governor? China likely to cut

The Bank of Korea (BoK) will meet on Thursday for its rate decision meeting. Given Governor-nominee Mr Rhee Chang-yong's parliamentary hearing scheduled for 19 April, the Monetary Policy Committee will be held for the first time in the absence of a governor. Indeed, the absence of a governor makes it even more difficult to predict BoK's decision-making in a situation where inflationary pressures rise and concerns about the future growth outlook grow.

However, the Korean economy has shown its resilience so far with solid exports and continued recovery in consumer activities despite all the headwinds. After the 4.1% of March CPI releases, the BoK had already noted that the inflation would stay above 4% level for a while, and the governments both incoming and outgoing have declared inflation as one of the top priorities to tackle. Also, after checking the March FOMC meeting minutes, very clear guidance from the Fed minutes could erase one element of uncertainty for the BoK as well.

With a very close call, we move forward the rate hike call from May to April. Nevertheless, the question remains as to whether the BoK is enterprising enough to make such an important decision in the absence of the governor. It is only because holding MPC without a governor itself is unprecedented. However, we think the BoK will make a data-dependent decision rather waiting for

a new governor on board. If not, a couple of dissenting votes next week, then a rate hike will follow in May.

Next week also features a central bank decision from China and we expect the policy rate, the 1-year medium term lending facility, to be cut by 10 bps to 2.75%.

China reports trade, credit and inflation figures

Trade data in March should reflect the beginning of the impact on export activities from the current Covid lockdown. We expect slower growth for both exports and imports on a yearly basis.

China will also release its credit data and we expect a stronger growth of credit in March compared to a month ago, which was a long holiday. Meanwhile, Inflation data will be published on 11 April, and will likely reflect a mild inflation environment even as Covid has pushed up food prices in some cities. PPI inflation on the other hand will continue to be high but should edge down following the global oil price.

The rest of the field

Korean March Labour data will be released on 13th and we expect the unemployment rate to rise to 3.4%. The previous month's strong gain in employment was driven by temporary factors related to the pandemic. Also, usually in March, college graduates actively seek job opportunities thus labor participants rise faster than the actual hiring.

Indonesia's reports retail sales on 11 April which will likely sustain recent gains. We do expect some moderation however from the previous month's growth as faster inflation and a spike in Covid daily infections weighed on sales for the period.

Lastly, we also have 1Q GDP for Singapore will likely hit 3.6% as growth also moderating from previous quarter, given quickening inflation pressures.

Asia Economic Calendar

| Country | Time | Data/event | ING Survey | Prev. |
|---------------------------|------|-------------------------------|------------|----------|
| Monday 11 April | | | | |
| China | 0230 | Mar CPI (MoM%/YoY%) | -/- | 0.6/0.9 |
| | | - Mar FDI (YTD) | - | 37.9 |
| | | - Mar M2 Money Supply (YoY) | - | 9.2 |
| India | 1230 | Mar Merchandise Exports - USD | 34.1 | 34.6 |
| | 1230 | Mar Merchandise Imports - USD | 56.0 | 55.4 |
| | 1230 | Mar Fiscal Deficit - USD | - | 18.7 |
| Indonesia | 0500 | Feb Retail Sales Index (YoY) | 5.4 | 15.2 |
| Philippines | | - Mar Forex Reserves USD | 107.3 | 108.0 |
| Tuesday 12 April | | | | |
| South Korea | 0000 | Mar Unemployment Rate | 3.4 | 2.7 |
| Australia | 0230 | Mar NAB Business Conditions | 1.9 | 8.5 |
| | 0230 | Mar NAB Business Confidence | 2.1 | 12.7 |
| India | 1300 | Feb Industrial Output (YoY%) | 6.2 | 1.3 |
| | 1300 | Mar CPI Inflation (YoY%) | 6.2 | 6.1 |
| Wednesday 13 April | | | | |
| China | 0400 | Mar Trade Balance | - | 116.0 |
| | 0400 | Mar Imports | - | 15.5 |
| | 0400 | Mar Exports | - | 16.3 |
| Thursday 14 April | | | | |
| Australia | 0230 | Mar Employment Change | 43.5 | 77.4 |
| | 0230 | Mar Participation Rate | 66.6 | 66.4 |
| | 0230 | Mar Unemployment Rate | 4 | 4.0 |
| India | 0730 | Mar WPI Inflation (YoY%) | - | 13.1 |
| Singapore | 0100 | Q1 GDP Flash (QoQ%/YoY%) | 0.5/3.6 | 10.7/6.1 |
| South Korea | 0200 | Apr Bank of Korea Base Rate | 1.50 | 1.25 |

Source: Refinitiv, ING, *GMT

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Key events in developed markets next week

New record CPI readings will keep central banks in the US and Canada on their rate hike paths. In the UK, the market continues to overestimate the number...



✓ US: Fresh price jumps prompt further tightening

The Federal Reserve has laid the groundwork for a 50bp interest rate rise and an announcement of phased-in quantitative tightening at the 4 May Federal Open Market Committee (FOMC) meeting. Fifty basis point rate hikes are also likely at the June and July FOMC meetings, in our view, with an eventual Fed funds peak of 3% in early 2023. Markets are not there yet, but this week's upcoming data could push them further in that direction.

The highlight will be the March consumer price inflation release and it is expected to jump again due to the surge in gasoline prices. The national average was \$3.50/gallon in February versus \$4.19/gallon in March. Food prices have been rising sharply too while supply chain strains, rising commodity prices, and higher labour cost inputs in an environment where companies have decent pricing power mean broad-based contributions. As such, we look for the headline rate to reach 8.6% year-on-year and the ex-food and energy core figure to hit 6.7%. This would be the highest headline inflation rate since December 1981 and the highest core rate since August 1982, which will heap more pressure on the Fed to hike interest rates.

Retail sales will also be influenced by the surge in gasoline prices given this is a nominal dollar figure change and demand for gasoline is pretty inelastic. Strip out gasoline and the numbers will obviously be softer, but not necessarily terrible given employment and wages continue to rise, partially offsetting the higher cost of living, and household wealth has surged through the pandemic. Industrial production on 15 April should also be interesting. We look for another solid report with a keen eye on whether US oil and gas output is on the rise given the rapid increase in prices and European countries having a desire to diversify away from Russia as an energy provider.

✓ **Canada: Rate hike expected with employment and inflation at record levels**

In Canada, the highlight will be the Bank of Canada (BoC) policy meeting. We expect a 50bp interest rate increase given the economy is in a strong position, particularly given commodity production is such an important story, employment is at record levels, and inflation is at 30+ year highs. BoC voters have made the case for acting aggressively and we expect them to follow up their words with strong action.

✓ **ECB: Look for more clarity on the central bank's options**

The macro-economic backdrop with looming stagflation has complicated the ECB's life, and probably also widened the rift between doves and hawks. While the doves are likely to focus on the worsening economic outlook and high uncertainty, the hawks have been very vocal in calling for at least two rate hikes this year.

Next week's meeting is not a meeting for actual policy action. There simply is too little hard data on the macro-economic implications of the war in Ukraine yet. And there simply is too much uncertainty about how the war will evolve. Staying put and continuing with the announced reduction of net asset purchases looks like the only viable option for now. However, given the latest market pricing of future ECB rate hikes and unclarity about the ECB's exact reaction function in these times of high uncertainty, ECB President Christine Lagarde could be forced to somewhat limit the ECB's optionality to a few options.

[Read our full preview here](#)

✓ **UK: Packed data week set to point to another rate hike in May**

- **February GDP (11 April):** Expect another modest recovery in UK GDP through February. Card spending data suggests consumer services continued to recover after Omicron, even if other areas (eg retail) looked less exciting. Clearly, this data is somewhat outdated now, and we're expecting at least one negative monthly growth reading in the second quarter. That's partly because of the rapidly increasing squeeze on living standards, but also because the government has now ended free Covid-19 testing (and vaccine numbers will have also dropped in the aftermath of the booster campaign). Both feed through to the GDP figures, and indeed health spending through the pandemic has been a key driver of growth at various points. Expect a modestly negative overall second quarter GDP figure, but the jury's out on whether the economy is heading into a technical recession.
- **Jobs report (12 April):** The jobs market is undeniably hot right now, with vacancies high and

the unemployment rate back to pre-Covid levels. The question is how much of the recent labour shortage issues are borne out of a) increased churn after the post-Covid reopenings last year, which could begin to fade or b) structural issues, linked to lower migration and increased inactivity rates. For the time being, wage growth remains strong and that's been a key reason behind recent Bank of England hikes. Expect a similar story from next week's figures.

- **Inflation (13 April):** Petrol prices were up almost 9% in March and that's going to drag headline inflation higher again, along with mounting pressures elsewhere (notably from food). We expect CPI to peak a little above 8% in April when the 54% increase in the household energy cap feeds through. And broadening price pressures related to the war in Ukraine will keep headline rates above 6% throughout this year.

All in all, there's likely to be enough here to keep the Bank of England on track for one or perhaps two more 25bp rate hikes at the next couple of meetings. But mounting growth risks suggest the Bank is nearing the point of pausing its tightening cycle ahead of the summer. After all, a lot of the external cost pressure is inflationary in the short-term but potentially disinflationary in the medium-term given the hit to growth. Markets are still probably overestimating the number of rate hikes that the Bank is likely to deliver this year.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---------------------------|------|--|---------|---------|-----------|
| Monday 11 April | | | | | |
| UK | 0700 | Feb GDP Estimate (MoM%) | 0.2 | | 0.8 |
| Italy | 0900 | Feb Global Trade Balance | - | | -5.052 |
| Norway | 0700 | Mar Core Inflation (MoM%/YoY%) | -/- | | 1.2/3.7 |
| | 0700 | Mar CPI (MoM%) | - | | 1.1 |
| Tuesday 12 April | | | | | |
| US | 1330 | Mar CPI (MoM%/YoY%) | 1.3/8.6 | 1.2/8.4 | 0.8/7.9 |
| | 1330 | Mar core CPI (MoM%/YoY%) | 0.6/6.7 | 0.5/6.6 | 0.5/6.4 |
| Germany | 0700 | Mar CPI Final (MoM%/YoY%) | 2.5/7.3 | | 2.5/7.3 |
| France | 0745 | Feb Trade Balance | - | | -8.03 |
| UK | 0700 | Feb Employment Change | 65 | | -12 |
| | 0700 | Feb ILO Unemployment Rate | 3.9 | | 3.9 |
| Wednesday 13 April | | | | | |
| UK | 0700 | Mar CPI (MoM%/YoY%) | 0.7/6.6 | | 0.8/6.2 |
| Italy | 0900 | Feb Industrial Output (MoM%/YoY%) | - | | -3.4/-2.6 |
| Spain | 0800 | Mar CPI (MoM%/YoY%) | - | | 3.0/9.8 |
| Canada | 1500 | BoC Rate Decision | 1.00 | 1.00 | 0.50 |
| Thursday 14 April | | | | | |
| US | 1330 | Mar Retail Sales (MoM%) | 0.6 | 0.5 | 0.3 |
| | 1330 | Mar retail sales - control group (MoM%) | -0.2 | -0.1 | -1.2 |
| | 1330 | Continuing Jobless Claims (000s) | 1500 | | 1523 |
| | 1330 | Initial Jobless Claims (000s) | 170 | | 166 |
| | 1500 | Apr University of Michigan Expectations Prelim | 53.0 | | 54.3 |
| | 1500 | Apr University of Michigan Conditions Prelim | 67.0 | | 67.2 |
| | 1500 | Apr University of Michigan Sentiment Prelim | 58.5 | 58.8 | 59.4 |
| Sweden | 0700 | Mar CPIF (MoM%/YoY%) | -/- | | 0.9/4.3 |
| | 0700 | Mar CPI (MoM%) | - | | 0.9 |
| Eurozone | 1245 | Apr ECB Deposit rate | -0.5 | | -0.5 |
| | 1245 | Apr ECB Refinancing rate | 0 | | 0 |
| Friday 15 April | | | | | |
| US | 1415 | Mar Industrial Production (MoM%) | 0.5 | 0.4 | 0.5 |
| France | 0745 | Mar CPI (MoM%/YoY%) | -/- | | 1.4/4.5 |

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Base rate announcements in Ukraine and Turkey, as well as CPI releases across emerging markets will dominate this week's calendar



The Central Bank of Turkey

✓ Turkey: No changes to the policy framework

Last month, acknowledging the likely impact of geopolitical risks, the Central Bank of Turkey opted to remain mute and reiterated that it would continue to use all available instruments decisively “within the framework of liraisation strategy”. So, it is likely a signal that the current policy framework will continue in the near term. Given this backdrop, we expect that the policy rate will be kept unchanged at 14%.

EMEA Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|---------------------------|------|--------------------------------------|---------|--------|----------|
| Monday 11 April | | | | | |
| Russia | 1400 | Feb Foreign Trade | - | | 21.2 |
| Turkey | 0800 | Feb Current Account Balance | -5.7 | | -7.1 |
| | 0800 | Feb Unemployment Rate | - | | 12.1 |
| Czech Rep | 0800 | Mar CPI (MoM%/YoY%) | - | | 1.3/11.1 |
| Kazakhstan | - | Mar Industrial Production (YoY%) | - | | 4.7 |
| Mexico | 1300 | Feb Industrial Output (MoM%/YoY%) | -/- | | 1.0/4.3 |
| Tuesday 12 April | | | | | |
| Turkey | 800 | Feb Industrial Production (MoM/YoY%) | 0.2/7.5 | | -0.3 |
| Romania | 0700 | Mar CPI (YoY%) | 9.6 | 9.4 | 8.5 |
| Serbia | 1100 | Mar CPI (MoM%/YoY%) | 8.9 | | 1.1/8.8 |
| Wednesday 13 April | | | | | |
| Poland | 1300 | Feb Current Account | - | | -64.0 |
| Czech Rep | 0900 | Feb Current Account Balance | - | | 7.7 |
| Hungary | 0800 | Feb Industrial Output Final | - | | 4.5 |
| Brazil | 1300 | Feb Retail sales (MoM%/YoY%) | - | | 0.8/-1.9 |
| Thursday 14 April | | | | | |
| Turkey | 1200 | Apr O/N Borrowing Rate | 12.5 | | 12.5 |
| | 1200 | Apr O/N Lending Rate | 15.5 | | 15.5 |
| | 1200 | Apr CBT Weekly Repo Rate | 14 | | 14.0 |
| Ukraine | 1200 | Central bank interest rate | - | | 10.0 |
| | - | Feb Trade Balance YTD | - | | -0.2 |
| Kazakhstan | - | Mar Industrial Production (MoM%) | - | | 1.3 |
| Friday 15 April | | | | | |
| Turkey | 0900 | Mar Budget Balance | - | | 69.7 |
| Poland | 0900 | Mar CPI (MoM%/YoY%) | - | | 3.2/10.9 |
| Croatia | 1000 | Mar CPI (YoY%) | 6.6 | | 6.3 |

Source: Refinitiv, ING, *GMT

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