Our view on next week's key events

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By Min Joo Kang

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 cutes 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 CPIF (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 Ouput (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

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Asia week ahead: Flurry of data from China plus key central bank meeting

Next week's data calendar is packed, with a data dump from China, India's inflation reading, Australia's labour figures, Japan's trade data and the Bank Indonesia policy meeting

Upcoming activity data from China

China will release two months' worth (January and February) of activity data on Wednesday, and we should see an approximate picture of economic growth in the first quarter. We expect retail sales to rise about 5% year-on-year, year-to-date in February, which looks optimistic, but industrial production may increase a more modest 2%YoY YTD as export-related manufacturing declines due to weak external demand. The surveyed jobless rate could improve to 5.3% (5.5% previously), which will provide support for consumption in the coming months. Meanwhile, home prices should be stable in the first two months but should pick up more in the coming quarters as there are still down payments on deposit accounts waiting for confidence in the housing market to return.

Overall, we believe this set of data should point to a stable recovery of the economy. Given the data, it is likely that the People's Bank of China will keep the 1Y medium-term lending facility (MLF) interest rate unchanged at 2.75%, and there should be no net injection of liquidity from MLF.

Has inflation peaked in India?

On Monday, India releases CPI data for February. Widespread declines in the price of foodstuffs in February together with flat prices for gasoline should see the headline inflation rate dip back below the Reserve Bank's 6% upper target bound – well below the consensus forecast of a more modest decline from 6.5% to 6.3%. More importantly, we may also see core measures dipping lower too, which could also encourage thoughts that the RBI may be near to or have even peaked already in this rate cycle.

RBA to look to upcoming labour data for confirmation of peak rates

Australian labour data for February will be interesting after two months of decline. The upcoming labour data will give an indication as to whether the previous releases were arbitrary or if there is confirmation that the economy really is slowing down. With the Reserve Bank of Australia indicating that it is getting close to peak cash rates, a much weaker employment number could even give rise to thoughts that rates may have already peaked at 3.6%.

Jobless rate expected to rise in Korea

Korea's jobless rate is expected to rise as the slowdown in construction and manufacturing activity continues while IT and financial services also begin to trim down headcount. Rising unemployment shouldn't be a major concern for the Bank of Korea just yet as the unemployment rate should stay close to the relatively healthy level of 3% for some time.

Upcoming trade data from Japan

Japan's February trade figures should begin to normalise with the unwinding of Lunar New Year effects. Exports are expected to rise 9.0%YoY (vs 3.5% in January). Core machinery orders data is also expected to rise as the domestic economy continues to expand with the services sector leading the recovery.

Can Bank Indonesia pause again?

Bank Indonesia (BI) meets next week to decide on policy. BI recently declared victory over inflation with Governor Perry Warjiyo indicating that he need not hike rates anymore this year. Decelerating core inflation could give BI a reason to keep rates untouched although recent pressure on the Indonesian rupiah (IDR) could force the central bank to take a hard look at a potential rate hike.

Possible bounce back for trade in Indonesia and the Philippines

Trade activity should pick up for both Indonesia and the Philippines, however, the trend of worsening trade balances should persist for both economies. Indonesia's hefty trade surplus had previously been a key support for the IDR in 2022. This trend has since reversed and we are likely to see a further narrowing of the trade surplus to roughly $3.3bn by February. Meanwhile, the Philippine trade deficit is expected to remain substantial and settle at around $4.3bn. The narrowing trade surplus in Indonesia and the persistent trade deficit in the Philippines point to depreciation pressure for both the IDR and the Philippine peso in the near term.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 13 March			
India	1200	Feb CPI Inflation (YoY%)	-		6.52
Singapore	0230	Q4 Unemployment Rate Final SA	-		2
		Tuesday 14 March			
India	0630	Feb WPI Inflation (YoY%)	-		4.73
Philippines	0100	Jan Imports/Exports (YoY%)	1.7/6.4		-9.9/-9.7
	0100	Jan Trade Balance	-4307		-4596
South Korea	2300	Feb Unemployment Rate	3.2		2.9
		Wednesday 15 March			
Japan	2350	Feb Exports/Imports (YoY%)	9.0/16.0		3.5/17.8
	2350	Feb Trade Balance (Yen bn)	-1365		-3496.6
	2350	Core Machine Orders (MoM%)	2		1.6
China	0200	Feb Industrial Output (YoY% YTD)	2	2.8	3.6
	0200	Feb Retail Sales (YoY% YTD)	5	3.5	-0.2
	0200	Feb Fixed Assets Investments (YoY% YTD)	4.5	4.5	5.1
	0200	Surveyed jobless rate	5.3	5.3	5.5
	0120	Mar 1Y Medium Term Lending Facilities rate	2.75	2.75	2.75
Indonesia	0400	Feb Trade Balance (USD bn)	3.3		3.87
	0400	Feb Imports/Exports Growth (YoY%)	20.7/13.8		1.27/16.37
		Thursday 16 March			
Australia	0030	Feb Unemployment Rate	-		3.7
Indonesia	-	Mar 7-Day Reverse Repo	5.75		5.75
		Friday 17 March			
Philippines	-	Jan Budget Balance	-		-378.4

Source: Refinitiv, ING

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