

Our view on next week's key events

Discover what ING economists are looking for in our global economic calendars

In this bundle



Asia week ahead | Australia | China...

Asia Week Ahead: Policy decisions among next week's data releases

A packed schedule of policy decisions alongside labour, inflation, trade and activity data

By Min Joo Kang



Key Events

Key events in developed markets next week

The instability of markets has failed to rattle the rate hike forecasts in developed markets such as the US and the UK. Industrial production and retail...

By James Knightley, James Smith and Bert Colijn



Key Events | Turkey

Key events in EMEA next week

Look out for CPI releases and central bank rate decisions to dominate the EMEA calendar this week

By Muhammet Mercan

Asia Week Ahead: Policy decisions among next week's data releases

A packed schedule of policy decisions alongside labour, inflation, trade and activity data



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Policy decisions on the table

China's one-year Medium-Term Lending Facility policy rate will be announced next week. We expect a 10bp cut, which should then pass on to a Loan Prime Rate cut the week after of 10bp for the one-year rate and 5bp for the five-year rate. This would be consistent with the monetary policy direction set in the Two Sessions that just passed – to front-load pro-growth policies that will jolt its economy.

Meanwhile, Bank Indonesia (BI) will also meet to discuss policy next week with the central bank widely expected to keep rates unchanged. Despite the pause, we do expect BI to highlight inflation as a growing concern, with a possible shift in tone to prepare markets for a potential reversal in its stance should the ongoing Russia-Ukraine conflict spark inflationary pressures in the coming months.

Similarly, the Bank of Japan (BoJ) is expected to keep its policy rate unchanged. Inflation has gone up rapidly over the past few months, but still remains below the BoJ's target and lags the global upward trend.

Trade figures should be up across the board

Trade numbers will be out for Indonesia and India, alongside non-oil domestic exports (NODX) for Singapore. Indonesia's exports and imports should still record strong gains as the economy reopens. More notably, we should see a decent pickup in energy exports for February after a slump in January caused by a temporary export ban for coal. Meanwhile, Singapore's NODX should sustain the recent streak of expansion, although momentum may begin to slow by March given recent geopolitical developments.

Certain Indian exports are also likely to be a key beneficiary of such developments, such as its agricultural exports, as an alternative source in markets where production has been disrupted. Nonetheless, soaring commodity prices may weigh on its overall export numbers due to rising input costs for manufacturers. As it stands, India still remains on pace to exceed its annual export target of US\$400bn.

Activity data out of China

China will release activity data next week. We expect fairly weak retail sales growth in the first two months of the year, mainly from bonus cuts and strict Covid measures. Industrial production could be softer, with impacts from supply chain disruption and chip shortages. Fixed asset investment growth could be stable, and more growth is expected in the coming months after the Two Sessions highlighted the importance of infrastructure spending to economic growth.

Employment numbers from Australia and Korea

We will see Australian labour figures out next week. We expect the easing of Covid-related labour shortages to be reflected by a slightly quicker pace of employment gains (mainly full-time) compared to last month, although unemployment and participation rates should remain unchanged for the time being. Business sentiment has picked up considerably after disruptions posed by the Omicron surge faded, with a pickup in business activity concurrently with more workers seeking employment in a tight labour market.

In South Korea, the unemployment rate should go down a bit despite the recent Covid surge, as the government continued to ease social distancing measures during the month.

Indian prices may surprise to the upside

Price surges for basic commodities like crude and edible oils should predominantly keep prices elevated for Indian consumers through a rise in food prices, which compose almost half of its CPI basket, and is unlikely to abate in the immediate term as some food crops are used for ethanol production (to then be used as substitutes for petroleum). Consumers should also see elevated transportation prices (the third biggest component of the CPI basket) as a consequence of rising oil prices. All in all, we see inflation risks skewed to the upside (February year-on-year CPI consensus: 5.9%, ING: 6.4%).

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 March					
China		1Y Medium Lending Facility rate (%) (13th to 16th)	2.75		2.85
India	0630	Feb WPI Inflation (YoY%)	-		13.0
	1130	Feb Exports (YoY%)	22.2		25.3
	1130	Feb Imports (YoY%)	47		23.5
	1130	Feb Fiscal Deficit - USD	-		21.2
	1200	Feb CPI Inflation (YoY%)	6.4		6.0
Tuesday 15 March					
Japan	2350	Feb Trade Balance Total Yen	-339		-2191.1
	2350	Feb Imports YY	25		39.6
	2350	Feb Exports YY	15		9.6
China	0200	Feb Retail Sales (YoY%)	3	3.8	1.7
	0200	Feb Industrial Output (YoY%)	5	4.0	4.3
	200	Feb Fixed Assets Investments d(YoY% YTD)	5		4.9
Indonesia	0400	Feb Imports Growth (YoY%)	42.5		36.8
	0400	Feb Exports Growth (YoY%)	30.5		25.3
	0400	Feb Trade Balance (Bln of \$)	1022.1		0.93
South Korea	2300	Feb Unemployment Rate	3.4		3.6
Thursday 17 March					
Japan	2330	Feb CPI (YoY%)	0.7		0.5
Australia	0030	Feb Reserve Assets Total	-		84946
	0030	Feb Unemployment Rate	4.2		4.2
	0030	Feb Employment Change (000s)	24.1		12.9
Indonesia	-	Mar 7-Day Reverse Repo	3.5	3.5	3.5
Taiwan	0800	Q1 Discount Rate	1.125		1.125
Friday 18 March					
Japan	-	JP BOJ Rate Decision	-0.1		-0.1

Source: Refinitiv, ING, *GMT

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Key events in developed markets next week

The instability of markets has failed to rattle the rate hike forecasts in developed markets such as the US and the UK. Industrial production and retail sales data will fail to direct markets as they will not reflect the latest war developments



✓ US: Fed will stick to its rate hike path this week

The US Federal Reserve is set to raise interest rates this week with the consensus firmly settled on a 25bp move after Fed Chair Jerome Powell stated that is what he would propose and support. It may not be a unanimous decision with a strong likelihood that two Federal Open Market Committee members will vote for a more aggressive 50bp hike given [inflation is already close to 8%](#) and is soon set to test 9% at a time when the economy is growing and creating jobs in significant number. However, the uncertainty created by Russia's invasion of Ukraine is likely to lead to the majority of the committee backing Powell's motion. They will also be releasing their updated dot plot diagram of individual projections for interest rates. Currently, the median is for three 25bp rate hikes in total by year-end, but it is likely to end up being much closer to the six hikes markets are fully discounting after this update. However, the Fed is likely to emphasise a need to be "nimble" given the uncertain geopolitical backdrop while acknowledging that the surge

in commodity prices not only poses an upside risk for inflation, but also a downside risk for growth.

In terms of the economic data, we will be following retail sales and industrial production. Autos sales fell by around 7% in February so this is quite a big drag that will mean overall positive growth will be difficult to achieve. Nonetheless, even if sales are flat on the month, the total value of retail spending is still going to be 24% higher than in February 2020 when Covid hit. We expect a greater weighting of spending to move towards services in coming quarters, but with household finances looking solid and wages rising this does not mean we expect retail sales to fall. Industrial production will be interesting given the surge in oil and gas prices. Rig counts are rising in response and the government is likely to become increasingly willing to permit drilling, to ease the financial pain for households and businesses.

UK: Bank of England to plough on with rate hikes despite fresh uncertainty

Markets have concluded that the higher energy prices that have resulted from the war in Ukraine will see the Bank of England double-down on its tightening plans. In the short-term investors are probably correct in that we'd expect the Bank to hike rates for the third time next week, and probably again in May. Policymakers have made it abundantly clear that they want to get some pre-emptive tightening done to mitigate against their concerns about higher inflation rates becoming more sustained.

However, we suspect the Bank will opt for another 25bp rate rise this week, rather than a larger 50bp move. While four out of nine policymakers voted for such a move back in February, the remainder of the committee indicated that they worried such a move would simply add further fuel to market interest rate expectations. Markets are once again pricing six rate rises this year, and comments from officials have offered some modest pushback against these expectations.

Our own view is that after a couple more hikes, the committee is likely to pause and put greater emphasis on the deteriorating growth backdrop. After all, such a sharp rise in oil and gas prices is more likely to be medium-term disinflationary, even if it keeps headline inflation rates higher this year.

Eurozone: Data releases won't paint an accurate picture with ongoing uncertainty

Next week's eurozone data will be about industry, but only cover January and February. With economic developments so driven by the war in Ukraine at the moment, these production and trade figures will be of little help to give direction to markets. Some information to be taken from them is that industrial production in January likely continued its rise thanks to a German rebound. So manufacturing was showing strength ahead of the war. The trade data out on Friday is nominal and currently dominated by commodity price developments, hardly relevant for the outlook. For direction on the eurozone economy, look to geopolitical and market developments at the moment.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 March					
France	0745	Jan Trade Balance	-		-11.3
Italy	0900	Jan Global Trade Balance	-		1.1
Spain	0800	Jan Retail Sales (YoY%)	-		-2.3
Sweden	0700	Feb CPIF (MoM%/YoY%)	-/-		-0.5/3.7
	0700	Feb CPI (MoM%)	-		-0.5
Tuesday 15 March					
France	0745	Feb CPI (MoM%/YoY%)	-/-		0.7/3.6
UK	0700	Jan Employment Change	25		-38.0
	0700	Jan ILO Unemployment Rate	4.0		4.1
Netherlands	0530	Jan Trade Balance	-		3.9
Eurozone	1000	Jan Industrial Production (MoM%/YoY%)	3.1/2.5		1.2/1.6
	1100	Feb Reserve Assets Total	-		1056.8
Wednesday 16 March					
US	1230	Feb Retail Sales (MoM%)	0.0	0.4	3.8
	1800	Fed Interest On Excess Reserves	-		0.15
	1800	Fed Funds Target Rate	0.375	0.375	0.125
Canada	1230	Feb CPI Inflation (MoM%/YoY%)	0.7/5.3	-	0.9/5.1
Thursday 17 March					
US	1315	Feb Industrial Production (MoM%)	0.6	0.5	1.4
UK	1200	Bank of England - Bank Rate	0.75		0.5
Eurozone	1000	Feb CPI (YoY%)	-		5.8
Friday 18 March					
UK	0700	Feb CPI (MoM%/YoY%)	cro123*		-0.1/4.4
	0700	Feb Core CPI (MoM%)	-		-0.4
Canada	1230	Jan Retail Sales (MoM%)	0.9		-1.8
Sweden	0700	Feb Unemployment Rate	-		8.3
Eurozone	1000	Jan Total Trade Balance	-10.3		-9.7

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Look out for CPI releases and central bank rate decisions to dominate the EMEA calendar this week



We expect Turkey's central bank to remain mute again during this month's rate-setting meeting

✓ Turkey: Policy rate to remain unchanged

Prioritising the liraisation strategy since December, the Central Bank of Turkey has adopted a wait-and-see approach and kept a more optimistic view than that of the market on the country's inflation path. Despite the external outlook with escalating geopolitical risks turning less supportive, we expect the bank to remain mute again in this month's rate-setting meeting, keeping the policy rate at 14%.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 14 March					
Russia	1300	Jan Foreign Trade	-		26.7
Czech Rep	0800	Jan Retail Sales (YoY%)	-		3.3
Romania	0600	Feb CPI (YoY%)	-	9.0	8.4
Kazakhstan		- Feb Industrial Production (MoM%)	-		-18.9
Tuesday 15 March					
Turkey	0800	Feb Budget Balance	-		30.0
Poland	0900	Feb CPI (MoM%/YoY%)	-		-
Wednesday 16 March					
Poland	1300	Feb Net Inflation (YoY%)	-		5.3
	1300	Jan Current Account	-1400		-3957
Czech Rep	0900	Jan Current Account Balance	-		-18.3
Croatia	1000	Feb CPI (MoM%/YoY%)	-/-		0.3/5.7
South Africa	1100	Jan Retail Sales (YoY%)	-		3.1
Brazil	2100	Selic Interest Rate	-		10.75
Thursday 17 March					
Turkey	1100	Mar O/N Borrowing Rate	12.5		12.5
	1100	Mar O/N Lending Rate	15.5		15.5
	1100	Mar CBT Weekly Repo Rate	14.0		14.0
Ukraine		- Jan Trade Balance YTD	-		-4.7
Friday 18 March					
Russia	1030	Mar Central Bank Key Rate	-		9.5
Poland	0900	Feb Industrial Output (YoY%)	-		19.2

Source: Refinitiv, ING, *GMT

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