

Our view on next week's key events

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By James Knightley, Bert Colijn and James Smith



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US: Retail sales to rebound off stimulus checks, and industry data to show strength as well

Next week, the US data highlights will be retail sales and industrial production numbers for January and both should show the US economy started 2021 on a strong footing.

Daily credit and debit card transaction numbers show consumer spending jumped immediately after the \$600 stimulus cheques started hitting bank accounts from early January and this suggests there is clear upside risk to the consensus forecast of a 0.8% month-on-month gain after a 0.7%MoM fall in December. We also know that car sales strengthened in January.

Meanwhile, factory activity remains strong based on information in the ISM survey while higher energy prices are leading to rising rig counts with 384 in operation at the end of January versus 348 at the end of December. Colder weather is also likely to boost utility demand. Rounding out the numbers, we have housing figures which should continue to benefit from record-low mortgage rates.

✓ Eurozone: PMI and industrial data to shed light on the recovery

In the eurozone, the week starts with eurozone data on industrial and export performance in December. Expect a tick down from November for industrial production, which was influenced by a huge jump in Irish output.

Perhaps more important are PMI numbers that will come out on Friday, which should provide some insight into whether the manufacturing recovery is petering out as the second wave of the pandemic continues.

✓ UK: Reflation is a key story in the US, but is it coming to the UK too?

For the time being, the data suggests that's not the case. Inflation, like everywhere else, likely remained depressed by energy prices in January, while retail sales look set to plunge once more. More timely data has shown a post-Christmas dip in spending.

But like the US, the UK should experience some pent-up demand once the economy reopens in the spring. There are caveats though, one being that it will inevitably boost services more than goods. That could imply that retailers won't benefit fully from any post-Covid spending splurge (although some things, like clothing, may buck the trend).

Inflation will likely rise through the middle of the year – partly because of energy prices, but also as the impact of higher shipping costs are factored in. But the price impact of pent-up demand may not be huge. Aside from a few examples of pandemic price spikes (cars and bikes!), and retailers expanding margins on goods, the impact isn't gigantic. Something similar will probably be true of any rebound in services prices through this year.

So while inflation will rise to roughly 2% later this year, it's not a massive concern for the Bank of England, particularly given that unemployment is set to rise in tandem.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 14 February					
Japan	2350	Q4 GDP (QoQ% ann.)	4.9		22.9
Monday 15 February					
Norway	0700	Jan Trade Balance	-		12.1
Eurozone	1000	Dec Total Trade Balance SA	22.5		25.1
	1000	Dec Industrial Production (MoM/YoY%)	-0.4/0.4	-0.3/0.5	2.5/-0.6
Tuesday 16 February					
Japan	2350	Jan Exports (YoY%)	6.1		2.0
	2350	Jan Imports (YoY%)	-11.8		-11.6
	2350	Jan Trade Balance Total (adjusted, JPY bn)	-		751
	2350	Dec Core machine orders (MoM/YoY%)	-8.4/-11.4		1.5/-11.3
Germany	1100	ZEW index	59.0		61.8
Italy	0900	Dec Global Trade Balance	-		6.77
Netherlands	0830	Q4 GDP Prelim SA (QoQ/YoY%)	-1.2/-4.1		7.8/-2.5
Eurozone	1000	Q4 GDP Flash Estimate (QoQ/YoY%)	-0.7/-5.1	-0.7/-5.1	-0.7/-5.1
Wednesday 17 February					
US	1330	Jan Retail Sales (MoM/YoY%)	1.3	0.8	-0.7
	1415	Jan Industrial Production (MoM/YoY%)	0.6	0.4	1.6
UK	0930	Jan Core CPI (YoY%)	1.3		1.4
	0930	Jan CPI (YoY%)	0.5		0.6
Canada	1330	Jan CPI Inflation (MoM/YoY%)	-/-		-0.2/0.7
	1330	Jan CPI BoC Core (MoM/YoY%)	-		-0.4/1.5
Portugal	-	Dec Current Account Balance	-		-1.93
Thursday 18 February					
Japan	2330	Jan CPI (%YoY)	-0.5		-1.2
	2330	Jan CPI ex-food, energy (%YoY)	0.1		-0.4
Australia	0030	Jan Employment change ('000)	30.0		50.0
	0030	Jan Unemployment rate (%)	6.6		6.6
	0030	Jan Participation rate (%)	66.2		66.2
	0030	Jan Reserve Assets Total	-		60874
	2200	Feb Manufacturing PMI Flash	-		57.2
	2200	Feb Services PMI Flash	-		55.8
	2200	Feb Composite PMI Flash	-		56.0
Sweden	0830	Jan CPI (MoM/YoY%)	-/-		0.7/0.5
	0830	Jan CPIF (MoM/YoY%)	-/-		0.7/0.5
Friday 19 February					
US	1445	Feb Markit Composite Flash PMI	-		58.7
	1445	Feb Markit Manufacturing PMI Flash	-		59.2
	1445	Feb Markit Services PMI Flash	-		58.3
	1500	Jan existing home sales (mn)	6.6	6.55	6.76
Germany	0830	Feb Markit Manufacturing Flash PMI	56.0		57.1
	0830	Feb Markit Service Flash PMI	45.0		46.7
	0830	Feb Markit Composite Flash PMI	49.0		50.8
France	0745	Jan CPI (MoM/YoY%) NSA	-		0.2/0.6
	0815	Feb Markit Manufacturing Flash PMI	-		51.6
	0815	Feb Markit Services Flash PMI	-		47.3
	0815	Feb Markit Composite Flash PMI	-		47.7
UK	0700	Jan Retail Sales (MoM/YoY%)	-3.8/-1.8		0.3/2.9
	0930	Feb Flash Manufacturing PMI	52.5		54.1
	0930	Feb Flash Services PMI	41.0		39.5
Italy	0900	Jan CPI (EU Norm) Final (MoM/YoY%)	-		-1.1/0.5
Canada	1330	Dec Retail Sales (MoM%)	-		1.3
Australia	0030	Jan Retail Sales Total Pre	-		30324.2
	0030	Jan Retail Sales (MoM%) Pre	-		-4.1
Eurozone	0900	Dec Current Account SA, EUR	-		24.58
	0900	Feb Markit Manufacturing Flash PMI	52.1		54.8
	0900	Feb Markit Services Flash PMI	45.8		45.4
	0900	Feb Markit Composite Flash PMI	47.8		47.8

Source: ING, Refinitiv

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Asia week ahead: Singapore's budget in the spotlight

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Source: Shutterstock

Gong Xi Fa Cai! Happy Lunar New Year.

4.3%

Singapore's FY21-22 budget deficit

Forecast: As a percent of GDP

→ Singapore's 2021 budget

Singapore's government announces the budget for FY21-22 next week on 16 February and after the huge stimulus around 19% of GDP this year, we expect next year to be a somewhat normal year for fiscal policy but that shouldn't be construed as reverting to a budget surplus that Singapore enjoyed for almost a decade. Not just yet.

To soften the blow of the pandemic, this led to a record deficit in FY20-21, estimated at over 15% of GDP but sustaining such a high level of deficit isn't going to be a feasible policy.

We expect next year to be a somewhat normal year for fiscal policy but that shouldn't be construed as reverting to a budget surplus that Singapore enjoyed for almost a decade. Not yet

Although accelerating recovery and GDP growth this year should enable the government to scale back some of the measures, we anticipate a broad stance of supporting jobs and business to prevail. Besides, the government may look to further its climate agenda although there haven't been many green policies visible in the massive stimulus so far. But with elevated government spending, the budget deficit is here to stay in FY21-22. We forecast it to be equivalent to 4.3% of GDP.

Also, out next week will be Singapore's January trade figures, which will be a health check for the economy coming into 2021. The widely watched non-oil domestic exports had a good run in recent months, thanks to the positive global semiconductor cycle. The cycle remains in full swing as seen from strong growth in Korea and Taiwan's electronics exports.

That said, we won't be taken aback by some retracement of the recent NODX strength resulting from continued rising Covid-19 cases in key export markets. Pharmaceuticals and chemicals are the likely weak spots in that instance.

→ GDP and trade reports elsewhere

Elsewhere in the region, the week kicks off with both Japan and Thailand releasing their 4Q20 GDP numbers on Monday morning. The rising number of cases in the last quarter held back the recovery, which is likely to sharply dent the quarter-on-quarter GDP growth, bringing year-on-year growth well into the negative territory in both countries.

January trade figures from Japan, India and Indonesia should shed light on the path for these economies ahead. Firmer exports growth is our house forecast for Indonesia, But not the same case for India and Japan with forecasts of negative export growth.

We also expect Bank Indonesia to leave monetary policy on hold at the meeting next Thursday, 18 February.

And finally, Australia's January labour report will be closely scrutinised in light of the Reserve Bank of Australia's policy after the central bank decided to extend its quantitative easing earlier this month.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 15 February				
Singapore	0000	4Q20 GDP - revised (QoQ, SA/YoY%)	2.3/-3.7	2.1/-3.8
India	0630	Jan WPI Inflation (YoY%)	-	1.22
	1230	Jan Exports (%YoY)	-2	0.1
	1230	Jan Imports (%YoY)	7.5	7.6
	1230	Jan Trade deficit (US\$bn)	-15.1	-15.4
Malaysia	0400	Q4 GDP (YoY%)	-	-3.1
Indonesia	0400	Jan Exports (%YoY)	5.3	14.6
	0400	Jan Imports (%YoY)	-2.4	-0.5
	0400	Jan Trade balance (US\$m)	422	2101
Thailand	0230	4Q20 GDP (QoQ, SA/YoY%)	1.6/-4.7	6.5/-6.4
Tuesday 16 February				
Singapore	-	FY2021-22 Budget	-	6.5
Wednesday 17 February				
Singapore	0000	Jan Non-oil domestic exports (%MoM/YoY)	-4.3/0.0	6.6/6.8
Thursday 18 February				
Indonesia	0700	Feb 7-Day Reverse Repo	3.75	3.75
Hong Kong	0830	Unemployment rate (%)	6.8	6.6
Korea	2300	Jan PPI (%YoY)	-0.2	0.1
Friday 19 December				
China	-	4Q20 Current account balance (US\$ bn)	40	40.1

Source: ING, Refinitiv, *GMT

Key events in EMEA next week

A few important releases next week in EMEA. Hungary's 4Q GDP will likely decline, the Central Bank of Turkey is set to hold rates steady, Russian...



Source: Shutterstock

✓ Hungary: Decline in GDP expected amid continued drag on services

The highlight of the week in Hungary will be the preliminary 4Q20 GDP report. Although there were some silver linings during the fourth quarter, overall we expect a decrease in GDP on a quarterly basis. The biggest question mark still surrounds the performance of the service sector, which will remain the main drag on economic activity. We see industry having a positive effect, while construction and agriculture should be borderline negative and positive, respectively. The risks regarding the reading are clearly tilted to the upside, especially because of government spending, as it is hard to measure whether the spending spree in December impacted GDP or not. Prime Minister Viktor Orbán has mentioned preliminary estimates of GDP in 2020 around the -5.1 to -5.2% mark on average. That could mean a 0.0-0.1% quarter-on-quarter growth rate in 4Q20, in contrast with our -1.5% QoQ forecast which is based on public information.

✓ Turkey: Rates to stay on hold

At the February MPC, the question is whether the recent upside surprise in inflation is significant enough for further monetary tightening. Despite still high risks to price stability and the CBT's focus

on credibility, the bank will likely hold the policy rate unchanged at 17% this month and prefer to wait-and-see as its concerns shift to the inflation outlook in the medium term.

✔ Russia: Industry data to see some improvement but consumer activity remains subdued

Russian industrial production in January likely benefited from higher electricity and heating output due to cold weather and from easing in OPEC+ restrictions. At the same time, the calendar factor (January 2021 had two fewer working days than January 2020) reduced industrial support from the budget in January, and low consumer confidence speak against any material improvement in the manufacturing segment. Consumer activity has likely remained under pressure from the weak income trend in the private sector, though an improvement on the Covid-19 front leaves the door open for a positive surprise.

✔ Poland: Inflation remains subdued

Next week we receive the most important hard data from the Polish economy in January. We think inflation remained subdued due to the high food base in 2020. The labour market should be strong. Despite the prolonged lockdowns, companies continue to affirm their demand for employees. Due to a high base, employment should still be lower than a year ago, but wages should show solid growth. Year-on-year production will slow down compared to December, mainly due to the adverse calendar pattern. An expected weaker sales figure is related to restrictions in January.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 February					
Russia	1600	Jan Industrial Output	0.3	-0.1	-0.2
Turkey	0800	Jan Budget Balance	-		-40.7
Poland	1000	Jan CPI (YoY%)	2.3	2.4	2.4
	1400	Dec Current Account (ml €)	881	1050	1725
Czech Rep	0900	Dec Current Account Balance	-		18.33
Croatia	1000	Jan CPI (MoM/YoY%) NSA	-0.2/-0.6		-0.6/-0.7
Tuesday 16 February					
Hungary	0800	Q4 GDP (YoY%) Prelim	-6.3	-6.0	-4.6
Romania	0700	Q4 GDP Flash (YoY%)	-5.9	-5.9	-5.7
Wednesday 17 February					
Poland	1000	Jan Paid Employment (YoY%)	-1.0	-1.1	-1.0
	1000	Jan Gross Wages (YoY%)	6.0	4.6	6.6
Thursday 18 February					
Russia	1600	Jan Retail Sales (YoY%)	-4.0	-3.0	-3.6
	1600	Jan Unemployment Rate	6.0	6.0	5.9
Turkey	1100	Feb CBT Weekly Repo Rate	17.0		17.0
Poland	0900	Jan Industrial Output YY	-		11.2
	1000	Jan Sold Production (YoY%)	2.0	1.0	11.2
Friday 19 February					
Poland	0900	Jan Retail Sales (YoY%)	-5.0	-4.5	-0.8

Source: ING, Refinitiv

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