Our view on next week's key events

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Asia week ahead: Heading towards double-digit growth

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Growth getting boost from the low base effect

Next week kicks off with China's February data on industrial production, fixed-asset investment, retail sales, and home prices.

The trade figures, released earlier this month showed a solid 61% year-on-year bounce in exports in the first two months of 2021, which tells us that all is going exceptionally well as far as the post-pandemic economic recovery is concerned. The forthcoming releases are widely expected to carry this story forward with the exception of home prices, which are really the only indicator for which

YoY growth will still be in the single digits.

Strong activity bounce is keeping regional economies firmly on track to achieve double-digit GDP growth...

In reality, this strong activity bounce tells us more about what happened a year ago than what's going on currently. The crash in activity last year is swelling the year-on-year comparisons but it's not all about base effects. The underlying recovery also has been seen some momentum, gauging from rising consumer and business confidence around the region as well as the ongoing re-pricing in the market with a sell-off of the safe-haven treasury bonds.

Trade figures from India, Indonesia, Japan and Singapore and Australia's labour report - all for February, will shed more light on this.

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All this is keeping regional economies firmly on track to double-digit GDP growth imminently – and China will be the first in Asia to see it in the current quarter (ING forecast 12% YoY) and the majority of other Asian economies are likely to follow suit in the second quarter. Of course, this is going to be a brief phase of ultra-strong GDP growth – not more than a quarter at most, and soon to fade base effect should push things back to more normal single-digit growth very soon.

In some cases, it might even be below normal, like Thailand which is a heavily tourism-dependent economy.

Monetary policies have nowhere to go... yet

In the last few months, aside from minor tweaks, central bank meetings have become rather uninspiring events mainly for two reasons. Policy easing has almost reached its limit, and the post-Covid-19 recovery isn't quite in the bag just yet to start raising rates again.

The fact that we have three central bank meetings next week in Indonesia, Japan and Taiwan, and we anticipate no changes to the main policy rates makes the point quite well.

Recent surge in 10-year JGB yields has aroused market interest in the next week's BoJ policy meeting.

That said, there has been some pending market interest in the Bank of Japan's policy after the recent surge in bond yields. With the policy rate below zero for years, the central bank is usually left adjusting the policy via bond purchases or yield curve control. Speculation seems to be rife about tweaks to the policy band for the 10-year Japanese government bond yields, currently implied to be 40 basis point around the 0% target (20bp on either side), as the yield pushed near the top end of the policy band.

Adding to the speculation were Governor Haruhiko Kuroda's comments last week that emphasised the need to keep the borrowing cost low to support recovery. Market chatter suggests a possible widening of the trading band, allowing the 10-year yield to fluctuate more freely.

Whether Japan's central bank ends up taking that route and the extent it helps to push yields back down to 0% remains to be seen.

Asia-Pacific not immune to Treasury rout

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Sunday 14 March			
South Korea	2355	Feb Trade Balance Revised	-		2.7
		Monday 15 March			
China	0200	Feb Industrial Output (YoY%)	-	30.0	7.3
	0200	Feb Retail Sales (YoY%)	-	32.0	4.6
	0200	Feb Fixed asset investment (%YoY YTD)	49.0		2.9
	0200	Feb New home prices (% MoM)	0.3		0.3
India	0630	Feb WPI Inflation (YoY%)	-	3.2	2.0
	1130	Feb Trade balance -USD bn	-13.3	-12.9	-14.5
	1130	Feb Imports (YoY %)	7.5		2.0
	1130	Feb Exports (YoY %)	-1.0		6.2
Indonesia	0400	Feb Trade balance -USD bn	-0.7		2.0
	0400	Feb Imports (YoY %)	12.5		-6.5
	0400	Feb Exports (YoY %)	3.6		12.2
Philippines	-	Jan Budget Balance (PHP bn)	-41.2		-302.6
	-	Jan OCW remittances (YoY%)	1.5		-0.4
		Tuesday 16 March			
South Korea	2300	Feb Unemployment Rate	-		5.4
		Wednesday 17 March			
Singapore	0030	Feb NODX (MoM/YoY %)	-2.1/7.1		7.0/12.8
		Thursday 18 March			
Indonesia	0700	7-Day Reverse Repo	3.50		3.50
Taiwan	0800	Q1 Discount Rate	1.125		1.125
		Friday 19 March			

Source: ING, Refinitiv, *GMT

Key events in developed markets next week

Bank of England and Federal Reserve meetings next week will be in focus, however, don't expect any changes to asset purchases or interest rates just...

Source: Shutterstock

US: Little Fed action expected, retail sales and industry data to come in softer

The US sees the Federal Reserve meeting, which will include updated Fed forecasts, retail sales and industrial production data. Fed Chair Jerome Powell's comments last week suggest the Fed is very much in a holding pattern and while the improved vaccine news and the reality of a 2Q reopening is likely to see GDP revised higher, little else is likely to change in terms of the statement or forecasts. The bank remains relaxed on inflation and that should see limited change in the dot plot diagram of individual forecasts for the Fed funds target rate and they are likely to bat away questions on tapering given the choppiness in bond yields. Risks do indeed remain, but these are fading and we still think the Fed will end up hiking rates before the end of 2023.

Meanwhile, retail sales and industrial production will be softer than January. Retail sales jumped 5% in January on the back of the latest $600 Federal stimulus payment for people earning less than $75k so there will almost certainly be a pull back from the that fact incomes will drop back. Meanwhile, the February winter storms will have deterred people from venturing out and with many left without power this will add to the downside risks. Industrial activity could also be impact by bad weather and associated disruption. Nonetheless, with a reopening around the corner and more stimulus on its way, the outlook for activity remains very positive.

Bank of England: Three things to watch

- The economic outlook: The BoE's February outlook could be described as 'cautiously optimistic', and there's little to suggest that message will change. The vaccine programme is poised to double in pace from next week, potentially enabling all adults to receive a first dose by early June. Meanwhile, the extension of various support schemes in the latest budget should help limit the rise in unemployment this year. While we think the Bank's view could turn out to be a little over-optimistic (they expect the economy to return to pre-virus levels around the turn of the year), it does suggest very little need to look at negative rates or a significant extension in the QE scheme later this year (a small boost is possible depending on market conditions).
- How worried is the MPC about gilt yields rising? Not very, seems to the be the short answer. Deputy Governor Ben Broadbent recently said that it would take 'significant news' for the BoE to adjust the pace of its QE purchases. That said, market pricing of future BoE rate moves has moved a lot in recent months, to the extent that investors are now pricing roughly two hikes over the next three years. Governor Andrew Bailey recently offered some tentative pushback here, explaining that the economic recovery is starting from a low level of activity. Unlike the Fed, we don't think the BoE needs to be so worried about a breakout in inflation – though it's fair to say there are a diverse range of views on this topic on the MPC.
- Will we get more detail on the 'green' mandate? The Bank is now formally required to support the economic transition to 'net zero', and has indicated the starting point will be the corporate bond purchase scheme. It's probably too early to get details on this, but when the time comes we expect the Bank to target proceeds from maturing bonds in its portfolio more towards high-ESG scoring firms.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 15 March			
Norway	0700	Feb Trade Balance	-		23.1
Sweden	0830	Feb CPI (MoM/YoY%)	-/-		-0.4/1.6
	0830	Feb CPIF (MoM/YoY%)	-/-		-0.3/1.7
Eurozone	1100	Feb Reserve Assets Total	-		880.23
		Tuesday 16 March			
US	1230	Feb Retail Sales (MoM/YoY%)	-1.5	-0.4	5.3/7.43
	1315	Feb Industrial Production (MoM/YoY%)	0.4	0.5/	0.9/-1.83
Japan	2350	Feb Exports (YoY%)	-		6.4
	2350	Feb Imports (YoY%)	-		-9.5
	2350	Feb Trade Balance Total Yen	-		-323.9
France	0745	Feb CPI (MoM/YoY%) NSA	-		-0.1/0.4
New Zealand	2145	Q4 Current Account - Qtrly/Annual	-		-3.521/-2.553
Germany	0900	ZEW Economic Sentiment	77.0		71.2
	0900	ZEW Current Conditions	-60.0		-67.2
		Wednesday 17 March			
US	1800	Fed Funds Target Rate	0.125		0.125
	1800	Fed Interest On Excess Reserves	-		0.1
Canada	1230	Feb CPI Inflation (MoM/YoY%)	-/-		0.6/1
	1230	Feb CPI BoC Core (MoM/YoY%)	-		0.5/1.6
New Zealand	2145	Q4 GDP Prod Based (QoQ/YoY%), SA	-		14.0/0.4
Portugal	-	Jan Current Account Balance	-		-2.377
		Thursday 18 March			
Japan	2330	Feb CPI (MoM%) NSA	-		0.5
UK	1200	BOE Bank Rate	0.1		0.1
	1200	Asset Purchase Prog	895		895
Italy	0900	Jan Global Trade Balance	-		6.844
Australia	0030	Feb Unemployment Rate	-		6.4
	0030	Feb Reserve Assets Total	-		61000
Norway	0900	Key Policy Rate	-		0.00
Sweden	0830	Feb Unemployment Rate	-		9.3
Eurozone	1000	Jan Total Trade Balance SA	-		27.5
		Friday 19 March			
Japan	-	BOJ Rate Decision	-		-0.1
Canada	1230	Jan Retail Sales (MoM%)	-		-3.4
Australia	0030	Feb Retail Sales (MoM%) Pre	-		0.5

Source: ING, Refinitiv

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Key events in EMEA next week

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Source: Shutterstock

Russia: Rate increases coming this year, but maybe not just yet

The Bank of Russia policy meeting with be the key focus of the week. The higher-than-expected CPI of 5.7% year-on-year in February has created a case for an increase in the key rate this year. Moreover, the continued growth in CPI, to 5.6% YoY as of 9 March, suggests that a hike at the forthcoming 19 March meeting will be under serious consideration. Meanwhile, our base case is still two 25 basis point hikes - at the April and July core meetings. A March hike would be risky given the lack of CBR confidence in the strength of the economic recovery, as data on 4Q20 GDP and February activity will be available only after the 19 March meeting. A higher magnitude of rate hikes this year is also not out of the question, but a confirmation of strong economic recovery, expected by the CBR but not by us, is a pre-requisite. In any case, we expect a clearly hawkish statement by the CBR next week.

In other news, a set of activity data will be released, including industrial output on Tuesday and the remaining batch on Friday, after the CBR meeting. The recent pick up in budget spending suggests that the February activity numbers might be somewhat better than our cautious expectations, but we still doubt that the February numbers will show improvement relative to the start of January.

Poland: Multiple data releases to reveal extent of Poland's resilience so far

The coming week will be a data-rich one for Poland. On Monday, we will see the CPI inflation figures for February. We estimate that rising fuel prices should push February's CPI up to 2.8% YoY vs January's 2.7%. However, there is a risk factor related to a change in the CPI basket, which could affect both the January and February readings. The daily indicators suggest that real activity should improve relative to January. We expect the annual decline in corporate employment to be shallower than in January (-1.7% YoY vs -2.0% YoY). This should be accompanied by 5.0% YoY wage growth. Industrial output is expected to grow by 4.9% YoY in February. The improvement compared to January should be buoyed by a more favourable calendar, among other things. The lifted restrictions on shopping centres should support retail sales. We expect them to increase month-on-month but not enough to move above the level seen one year ago.

Turkey: Rate hike coming

We expect the CBT to react to upside risks on the inflation front - stemming from higher commodity prices - with a 100bp rate hike to 18%. Reviving currency volatility and the motivation to strengthen reserves and support demand for TRY assets should be other factors for such a decision.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 15 March			
Turkey	0800	Feb Budget Balance	-		-24.15
Poland	0900	Feb CPI (YoY%)	2.8	2.5	2.7
Czech Rep	0800	Jan Retail Sales (YoY%)	-		3.7
Ukraine	-	Jan Trade Balance YTD	-		-4.88
		Tuesday 16 March			
Russia	1600	Feb Industrial Output	-4.8	-2.0	-2.5
Poland	1300	Jan CAB (€/bln)	2.4	2.4	0.4
	1300	Jan Net Inflation (YoY%)	-		3.7
Czech Rep	0900	Jan Current Account Balance	-		-3.91
Croatia	1000	Feb CPI (MoM/YoY%) NSA	0.1/0.1		0.1/-0.3
		Wednesday 17 March			
Brazil	2100	Selic Interest Rate	-		2.0
Poland	1000	Feb Corporate employment (Yo	-1.7	-1.9	-2.0
	1000	Feb Corporate wages (YoY%)	5	4.8	4.7
		Thursday 18 March			
Turkey	1100	CBT Weekly Repo Rate	18		17.0
Poland	0900	Feb Industrial Output (YoY%)	4.9	4.5	0.9
		Friday 19 March			
Russia	1030	Central bank key rate	4.25	4.25	4.25
	1600	Feb Retail Sales (YoY%)	-2.5	-1.1	-0.1
	1600	Feb Unemployment Rate	5.8	5.7	5.8
	-	Feb GDP (YoY%) Monthly	-		-2.4
Poland	0900	Feb Retail Sales (YoY%)	-2.5	-2.7	-6.0

Source: ING, Refinitiv

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