

Our view on next week's key events

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By James Knightley, James Smith and Carsten Brzeski



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Source: Shutterstock

✓ US: Little sign of recession...

Financial markets remain nervous about a potential US slowdown and continue to price in a significant chance of a Federal Reserve interest rate cut this year. Our view remains that the Fed will keep policy stable because a) the strength of the labour market, with rising worker pay, should underpin consumer sentiment and spending and b) we remain optimistic that the US-China trade standoff will be resolved. This should help lift much of the gloom surrounding the global economy. Trade and consumer spending will be a key theme for the week ahead and we expect positive news for the US on both.

In terms of retail sales, strong auto sales (volumes rose to an annualised 17.5mn in March from 16.56mn in February) should help. Rising gasoline prices will also boost the value of retail sales. Other categories are likely to post more modest gains, but in general we expect to see robust growth after a soft -0.2% month-on-month outcome in February.

Trade may also improve further given that companies appear to have ramped up imports in 4Q18 to avoid paying the proposed tariff hike on Chinese imports that was set to start on 1 January. This tariff hike was cancelled in mid-December, but given the lags between orders and deliveries across the Pacific, we suspect that the bulk of any rebound in imports will not happen until 2Q. Already, the Atlanta Fed's GDPNow model is pointing to 1Q GDP growth of 2.3% based on the data received

so far, and the upcoming reports have the potential to push that growth rate well above 2.5%, suggesting there is little sign of a recession yet.

✓ UK focus switches back to data as everyone takes a Brexit break

We are delighted to inform readers that after all the turmoil, the next week promises to be relatively Brexit-free. Parliament is on Easter recess, although cross-party talks between the Prime Minister and Labour will continue in the background. Most expect these talks to end unsuccessfully, despite the positions of the two leaders being relatively similar. Assuming these talks don't bear fruit, the ball will pass back into Parliament's court – either through further 'indicative votes', or maybe even a fourth vote on a version of May's deal. [Read our latest take on Brexit here.](#)

In the meantime, next week will be a big one for UK data. Wage growth looks set to remain strong amid ongoing signs of skill shortages in the jobs market – particularly in areas like construction and hospitality. With consumer price inflation set to remain benign, this makes for a better fundamental backdrop for spending. For now though, it seems the heightened uncertainty took its toll on retail sales during March as individuals held back from making large purchases. With growth set to continue lagging, [we no longer expect a Bank of England rate hike this year.](#)

✓ Germany: Quiet, but uplifting?

Next week will be a relatively quiet one for the German economy - only the ZEW index will come out. The latter should probably see another small improvement on the back of stronger financial markets and central banks' dovishness.

✓ Canada: Little argument for price levels to head down

The story behind price levels in March shouldn't be too dissimilar to that seen in February, as the negative effect of energy prices slowly dissipates. The annual figure for average gasoline prices in Canada – though still in negative territory, is gradually moving towards zero (-1.6% YoY in March). Given such prices feature through different CPI components, particularly transport and food, we think the headline figure will follow a similar upward trajectory.

Our inflation forecast for March is 1.5% YoY - the same as in February. While we aren't expecting a sizeable move upwards, a move downward in the headline figure is pretty unlikely for now.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 April					
US	1800	Fed's Evans Discusses Economy and Monetary Policy			
Japan	0100	BOJ Wakatabe Speaks at Conference			
UK	1700	BOE's Haskel Speaks on Panel in Warwick			
Sweden	0500	Mar PES Unemployment Rate	-	-	3.7
Tuesday 16 April					
US	0100	Fed's Rosengren Speaks at Davidson College in North Carolina			
	1415	Mar Industrial Production (MoM%)	0.3	0.3	0.0
Japan	0530	Feb Tertiary Industry Index (MoM%)	-0.2	-	0.4
Germany	1000	Apr ZEW Current Situation Index	15.0	-	11.1
UK	0930	Feb Weekly Earnings (3M avg)	3.6	-	3.4
	0930	Feb Weekly Earnings ex. Bonus (3M avg)	3.4	-	3.4
	0930	Feb ILO Unemployment Rate (3M avg)	3.9	-	3.9
	0930	Feb Employment Change (3M/3M)	195.0	-	222.0
Australia	0230	RBA Minutes of April Policy Meeting			
New Zealand	2345	1Q CPI (Q) (QoQ/YoY%)	-/-	-/-	0.1/1.9
Wednesday 17 April					
US	1330	Feb Trade Balance (US\$bn)	-50.5	-53.8	-51.1
	1745	Fed's Bullard Speaks at Hyman Minsky Conference			
	1900	U.S. Federal Reserve Releases Beige Book			
	2230	New York Fed's Logan Speaks at Money Marketeers of New York			
Japan	0050	Mar Exports (YoY%)	-7.0	-	-1.2
	0050	Mar Imports (YoY%)	-9.0	-	-6.6
	0050	Mar Trade Balance (¥ bn)	699.0	-	339.0
	0530	Feb F Industrial Production, Prel (MoM/YoY%)	-/-	-/-	1.4/-1.0
Eurozone	1000	Feb Trade Balance (€bn)	-	-	17038.3
	1000	Mar F Core CPI (YoY%)	-	-	0.8
	1000	Mar CPI (MoM/YoY%)	-/-	-/-	1.0/1.4
UK	0930	Mar CPI (MoM/YoY%)	0.3/2.0	-/-	0.5/1.9
	0930	Mar Core CPI (YoY%)	1.9	-	1.8
	1400	BOE's Carney, BOF's Villeroy de Galhau Speak in Paris			
Italy	0900	Mar F HICP (YoY%)	0.9	-	1.1
Canada	1330	Mar CPI (MoM, SA/YoY%)	0.2/1.5	-/-	0.3/1.5
Thursday 18 April					
US	1330	Mar Advance Retail Sales (MoM%)	1.1	0.9	-0.2
	1330	Mar Retail Sales ex. Auto and Gas (MoM%)	0.6	0.5	-0.6
Eurozone	0900	Apr P Markit Manufacturing PMI	-	48.0	47.5
	0900	Apr P Markit Services PMI	-	53.2	53.5
	0900	Apr P Markit Composite PMI	-	51.8	51.6
UK	0930	Mar Retail Sales ex. Auto Fuel (MoM/YoY%)	-0.4/3.9	-/-	0.2/3.8
	0930	Mar Retail Sales (MoM/YoY%)	-0.4/4.5	-/-	0.4/4.0
Canada	1330	ADP Canada Releases March Payroll Estimates			
Australia	0230	Mar Employment Change ('000)	-	-	4.6
	0230	Mar Unemployment Rate (%)	-	-	4.9
Sweden	0830	Mar Unemployment Rate (%)	-	-	6.6
	0500	Valueguard Swedish Home-Price Data			
Friday 19 April					
Japan	0030	Mar National CPI (YoY%)	0.5	-	0.2
	0030	Mar CPI ex. Food & Energy (YoY%)	0.3	-	0.4

Source: ING, Bloomberg

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Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Poland: Positives for the labour market, but as for industrial production...

The final CPI reading should provide further information about the increase in core inflation in March – from 1.0% to 1.3% year-on-year. We expect the higher reading was driven by supply side factors, such as bigger charges in telecommunication, rather than demand-driven growth.

Figures on the labour market should be relatively upbeat. We expect a stable increase in employment (2.9% YoY) and a modest deceleration of wages - from 7.6% to 6.8% YoY. Lower wage growth was probably driven by negative statistical effects in the construction sector.

Finally, we expect industrial production to decelerate from 6.9% to 3.5% YoY. Calendar effects subtract approximately two percentage points. Also, export-oriented sectors are likely to record a weaker performance when compared with February. We also expect a lower contribution from the mining sector.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 15 April					
Russia	-	Mar Industrial Production (YoY%)	2.5	2.7	4.1
Turkey	0800	Jan Unemployment Rate (%)	-	-	13.5
Poland	0900	Mar F CPI (MoM/YoY%)	0.3/1.7	-/-	0.3/1.7
Kazakhstan	1200	Key Policy Rate (%)	-	-	9.25
Bulgaria	0900	Mar CPI (MoM/YoY%)	-/-	-/-	0.5/3.2
Israel	1630	Mar CPI (MoM/YoY%)	-/-	-/-	0.1/1.2
Tuesday 16 April					
Russia	-	Mar PPI (MoM/YoY%)	-/-	0.5/8.3	0.1/9.0
Turkey	0800	Feb Industrial Production (MoM/YoY%)	-/-4.1	-/-	1.0/-7.3
Poland	1300	Mar Core CPI (MoM/YoY%)	0.2/1.3	-/-	0.2/1.0
Czech Rep	0800	Mar PPI (Industrial) (MoM/YoY%)	0.4/3.7	-/-	0.3/3.6
Israel	1100	4Q F GDP (QoQ Annualised %)	-	-	3.0
Wednesday 17 April					
Russia	1400	Mar Real Wages (YoY%)	0.4	1.0	0.7
	1400	Mar Retail Sales (YoY%)	1.5	1.5	2.0
Poland	0900	Mar Avg Gross Wages (MoM/YoY%)	5.4/6.8	-/-	0.4/7.6
	0900	Mar Employment (MoM/YoY%)	0.1/2.9	-/-	0.2/2.9
Serbia	-	Feb C/A (€mn)	-	-	-147.6
South Africa	0900	Mar CPI (MoM/YoY%)	-/-	-/-	0.8/4.1
	0900	Mar Core CPI (MoM/YoY%)	-/-	-/-	1.1/1.2
	1200	Feb Retail Sales (MoM%)	-	-	1.5
Israel	1100	Feb Industrial Production, SA (MoM%)	-	-	5.4
Thursday 18 April					
Poland	0900	Mar Industrial Output (MoM/YoY%)	7.6/3.5	-/-	-1.5/6.9
	0900	Mar PPI (MoM/YoY%)	-/-	-/-	0.5/2.9
	1300	National Bank of Poland Publishes Minutes of Rate Meeting			
Israel	-	Apr 12Mth Inflation Forecast (%)	-	-	1.3
	-	Mar Leading 'S' Indicator (MoM%)	-	-	0.3

Source: ING, Bloomberg

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Asia week ahead: China and Korea in the limelight

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Source: Shutterstock

➔ China's 1Q19 report card arrives

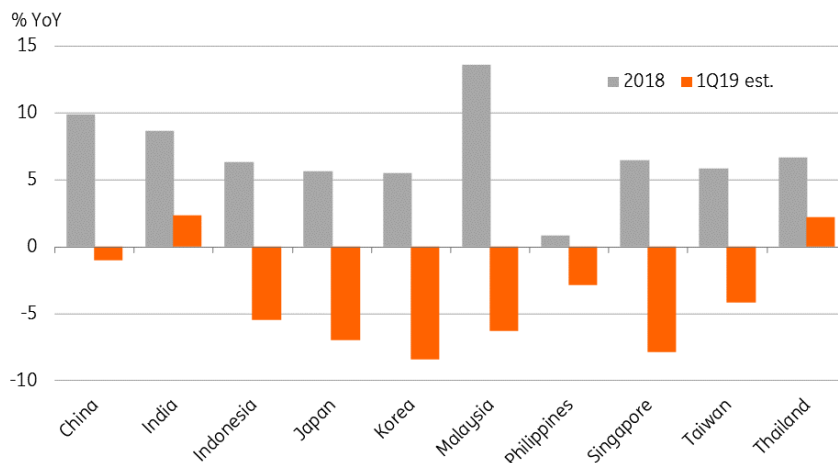
The International Monetary Fund's upgrade to the Chinese growth outlook for 2019 this week is a validation of the soft-landing of the economy amid prevailing trade tensions. This comes as macro policy in China has been geared towards preventing a significant growth slowdown. China's GDP report for the first quarter of 2019 will be a testimony of this view next week.

Other economic indicators including industrial production, fixed asset investment, and retail sales, for March - also due next week - are pointing to moderate GDP growth.

However, despite the higher tariffs in 2018, Chinese exports were by far Asia's outperformer with about 10% annual growth. Against this backdrop, some negative trade growth was inevitable. But so far there isn't a whole lot negative, at least judging by the consensus trade forecast for March (data due on 12 April), which implies less than 2% contraction in both exports and imports from a year ago.

As such, we consider our forecast of 6.2% GDP growth in 1Q19 at risk of an upside surprise. The consensus estimate is 6.3%.

Asian exports growth



Source: Bloomberg, CEIC, ING
 1Q19 actual data for Korea and Taiwan, ING's estimate for the other countries yet to release March figures.

➔ Korea – Conditions are ripe for a rate cut

We may be an outlier in our forecast of a Bank of Korea policy rate cut next week, especially just months after a 25 basis point hike in November.

The factors underlying our view are accelerated export weakness depressing GDP growth and low inflation opening the doors for policy support for the economy via lower interest rates. Over 8% fall in exports in 1Q19 from a year ago was probably the worst among Asian countries. Undoubtedly, it should have caused a dent to GDP growth from 3.1% posted in 4Q18 (ING forecast is 2.3% for 1Q19, data due 25 April).

The central bank also releases its quarterly economic outlook report on the same day as the policy meeting. We anticipate yet another downgrade to the central bank's growth, and inflation forecasts – last cut in January puts GDP growth forecast at 2.6% and inflation at 1.4%. If so, it might as well cut the policy interest rate at the same time rather than waiting for the downtrend to intensify further.

Exports drag Korean GDP growth lower



Source: CEIC, ING

Quarterly data, including ING forecast for 1Q19

➔ Asia – more trade figures ahead

The week is also heavy on March trade figures from India, Indonesia Japan, and Singapore – all possibly pointing to greater downside growth risk to Asian economies.

In view of high trade deficits, data from India and Indonesia will be closely watched as these economies and their respective currencies sway. A double-whammy of slowing exports and elevated imports owing to their strong domestic demand and rising fuel import bill with the higher oil prices point to no respite in the near term. Singapore's export trends seems akin to Korea's, both dragged down by the global technology slump and depressing GDP growth.

And alongside all of this, Asia's two most populous countries – India and Indonesia head to the polls.

-12%

ING forecast of Singapore's March NODX growth

Year-on-year

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 15 April					
India	0730	Mar WPI (YoY%)	3.2	-	2.9
	-	Mar Imports (YoY%)	-1.5	-	-5.4
	-	Mar Trade Deficit (US\$bn)	-12.8	-	-9.6
	-	Mar Exports (YoY%)	1.0	-	2.4
Indonesia	0500	Mar Exports (YoY%)	-2.6	-	-11.3
	0500	Mar Imports (YoY%)	-2.1	-	-14.0
	0500	Mar Trade Balance (US\$m)	502.0	-	329.5
Philippines	-	Feb OCW Remittances (YoY%)	3.5	-	4.4
Tuesday 16 April					
China	0230	Mar 70-Cities New Home Prices (MoM/YoY%)	0.6/12.1	-/-	0.5/11.1
Wednesday 17 April					
China	0300	Mar Fixed Asset Investment (YoY%, YTD)	6.5	6.3	6.1
	0300	Mar Industrial Production (YoY%)	6.2	6.0	5.7
	0300	Mar Retail Sales (YoY%)	8.9	8.4	8.2
	0300	1Q GDP (Q) (QoQ, SA/YoY%)	-/6.2	1.4/6.3	1.5/6.4
Philippines	-	Mar Balance of Payments (US\$m)	-	-	467.0
Singapore	0130	Mar Non-oil Domestic Exports (MoM, SA/YoY%)	-10.0/-	-/-	16.0/4.9
Thursday 18 April					
South Korea	2200	Mar PPI (MoM/YoY%)	-/-0.2	-/-	0.1/-0.2
	-	7-Day Repo Rate	1.50	-	1.75

Source: ING, Bloomberg, *GMT

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