

Our view on next week's key events

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✓ Eurozone: ECB meeting to be fairly unexciting, but 2Q data will show signs of recovery

The eurozone focus will be on the ECB next week. The central bank will look through any temporary increases in headline inflation and will not tolerate significant moves in bond yields unless they are the result of improved growth prospects. The bank's decision to front-load asset purchases at the last meeting was meant to cap the rise in yields, which have tracked moves in US Treasuries.

The cyclical story is actually improving despite lockdowns being extended. Yes, it will take longer for the big rebound to happen, but economic activity is already improving despite lockdowns still being in place. April survey data from PMIs and consumer confidence will provide more information but we're confident that the second quarter will mark the start of the recovery.

✓ US: Keep monitoring the infrastructure plan, as well as an expected jump in Canada's inflation

The data calendar is fairly light in the US next week so we will be following the progress of Joe Biden's infrastructure plan. There is little sign of bi-partisanship on the \$2tn package and

it seems that the Democrats are going to push it through the reconciliation process to avoid the need for 60 Senators to agree to put it to a vote. Nonetheless, not all Democrats are fully on board, meaning we could yet see changes to the package, especially surrounding the taxation part. Nonetheless, the recent macro data has been painting a very upbeat picture of economic activity and job creation while there is growing evidence of emerging inflation pressures that we think could result in earlier Federal Reserve interest rate rises than the 2024 start data officials are currently indicating.

In Canada, we will see a big jump in annual inflation, which follows on from some good activity and employment numbers. This means that there is a strong chance we see another tapering of the Bank of Canada's QE purchases, which have already been cut from C\$5bn per week to C\$4bn per week although actual interest rate increases remain some way off.

UK: 'Calm before the storm' in busy data week

There's plenty of UK data to get our teeth into next week, though much of it is likely to paint a relatively calm, mid-lockdown and pre-reopening picture of the economy. Here's a summary of what to look for:

- **Jobs data (Tues):** Payroll-based data suggests employment has turned a corner since the start of 2021, and indeed outside of the hard-hit consumer services sector, the jobs backdrop has been improving. We don't expect any drastic changes in this latest data covering the three months to February, but it is likely that we see a gradual grind higher in the unemployment rate towards 6% over the summer as we edge towards the date when the furlough scheme is due to be discontinued (September). Still, the subsequent recovery in the jobs market will, we suspect, be faster than after past crises.
- **Inflation data (Wed):** After February's surprisingly low reading, we're likely to see headline CPI bounce back somewhat, albeit we'll have to wait until April's data for more seismic changes. Like everywhere else this is when base effects begin to become more prominent, but also there's been a sharp 9% rise in the household energy price cap. We expect inflation to exceed 2% later this year, mainly on energy prices, before dipping back in 2022.
- **Retail sales (Fri):** Credit card data points to another modest rise in retail sales in March, albeit spending is still some distance below the levels at the end of last year. However evidence from past reopenings suggests it won't take long for sales to recover to pre-Covid levels in April and May.
- **PMIs (Fri):** Optimism about reopening is likely to lift the services PMI further, though this hasn't been a particularly reliable gauge of GDP movements during the pandemic. Still, the general tone is consistent with healthy 2Q activity, where we expect GDP growth in the region of 5%.

Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 18 April				
Japan	0050	Mar Exports (YoY%)	11.4	-4.5
	0050	Mar Imports (YoY%)	5.2	11.8
	0050	Mar Trade Balance - adjusted (Yen bn)	233.1	-38.7
Monday 19 April				
Australia	0230	Mar Reserve Assets Total	-	61961
Eurozone	1000	Feb Current Account SA, EUR	-	30.5
Tuesday 20 April				
UK	0700	Feb ILO Unemployment Rate	5.0	5.0
	0700	Feb Employment Change	-120.0	-147.0
New Zealand	2345	Q1 CPI (QoQ/YoY%)	0.7/1.6	0.5/1.4
Wednesday 21 April				
UK	0700	Mar Core CPI (YoY%)	1.1	0.9
	0700	Mar CPI (MoM/YoY%)	0.3/0.7	0.1/0.4
Canada	1330	Mar CPI Inflation (MoM/YoY%)	0.3/2.4	0.5/1.1
	1330	Mar CPI BoC Core (MoM/YoY%)	-	0.3/1.2
	1500	BoC Rate Decision	0.25	0.25
Australia	0230	Mar Retail Sales Total Pre	-	30192
	0230	Mar Retail Sales (MoM%) Pre	-	-0.8
Portugal	-	Feb Current Account Balance	-	-0.28
Thursday 22 April				
Japan	0030	Mar CPI (YoY%) NSA	-0.2	-0.4
	0030	Mar CPI ex-food, energy (YoY%) NSA	-0.2	0.2
Australia	0000	Apr Manufacturing PMI Flash	-	57
	0000	Apr Services PMI Flash	-	56.2
	0000	Apr Composite PMI Flash	-	56.2
Eurozone	1245	Apr ECB Refinancing rate	0.00	0.00
	1245	Apr ECB Deposit rate	-0.5	-0.5
	1600	Apr Consumer Confidence Flash	-10.0	-10.8
Friday 23 April				
US	1445	Apr Markit Composite Flash PMI	-	59.7
	1445	Apr Markit Manufacturing PMI Flash	-	59.1
	1445	Apr Markit Services PMI Flash	-	60.4
	1500	Mar New Home Sales-Units	0.93	0.91 0.775
Germany	0830	Apr Markit Manufacturing Flash PMI	67.0	66.6
	0830	Apr Markit Service Flash PMI	52.0	51.5
	0830	Apr Markit Composite Flash PMI	58.0	57.3
France	0815	Apr Markit Manufacturing Flash PMI	-	59.3
	0815	Apr Markit Services Flash PMI	-	48.2
	0815	Apr Markit Composite Flash PMI	-	50
UK	0700	Mar Retail Sales (MoM/YoY%)	1.9/3.5	2.1/-3.7
	0930	Apr Flash Composite PMI	58.1	56.4
	0930	Apr Flash Manufacturing PMI	59.0	58.9
	0930	Apr Flash Services PMI	58.0	56.3
Eurozone	0900	Apr Markit Manufacturing Flash PMI	61.0	62.5
	0900	Apr Markit Services Flash PMI	50.0	49.6
	0900	Apr Markit Composite Flash PMI	53.0	53.2

Source: ING, Refinitiv

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Key events in EMEA next week

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Source: Shutterstock

✓ Poland: Packed week of corporate data, labour market releases and manufacturing production

Next week will be packed with hard macro data releases from Poland. On Wednesday we will see figures from the corporate sector. We estimate that in March, as in February, companies increased employment on a month-to-month basis. This is partly due to the need to fill the gaps left by workers in quarantine. However, despite the low base from 2020, employment in March still remained lower than last year, we estimate by 1.1% compared to a 1.7% YoY drop in February. In our view, wage growth accelerated slightly, to 5.3% YoY in March against 4.5% growth in February. As for manufacturing production, in March we expect a rebound in annual growth to 12.0% from 2.7% in February, similar to the consensus (+12.6%). This is more due to the low base effect from 2020. Companies continue to suffer from supply chain disruptions, including limited access to microprocessors. The low-base effect should also be seen in retail sales. We estimate these rose by 11.5% YoY in March after a 3.1% drop in February. The result will be released on Thursday, a day after manufacturing production.

✓ Russia: Rate hike coming- but by how much?

The Bank of Russia will hold its core monetary policy meeting on 21 April. We continue to expect a 25 basis point hike to 4.75%, based on the fact that the CPI seems to have peaked in March at 5.8%

YoY, but is likely to exceed 5% YoY for the most of the year, and the CBR's long-term CPI target of 4% is far from being achieved. At the same time, a 50 basis point hike will also be on the table, given the recent market volatility related to a tightening of US sanctions, although they have turned out to be lighter than initially expected. We do not exclude that the Presidential address on 21 April may serve as an important last minute input to the CBR's decision, given that some additional fiscal support measures could be announced ahead of the September Parliamentary elections.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 19 April					
Tuesday 20 April					
Russia	1700	Mar Retail Sales (YoY%)	0.0	-1.3	-1.3
	1700	Mar Unemployment Rate	5.7	5.6	5.7
	1700	Feb Real Wages (YoY%)	-0.7	0.2	0.1
Wednesday 21 April					
Poland	9000	Mar Corporate employment (YoY%)	-1.1	-1.2	-1.7
	9000	Mar Corporate wages (YoY%)	5.3	5.4	4.5
	9000	Mar Industrial production (YoY%)	12	12.6	2.7
Thursday 22 April					
Poland	9000	Mar Retail Sales (YoY%)	11.5	9.7	-3.1
Mexico	1300	Apr 1st Half-Motnh Core Infl (MoM%)	-	-	0.35
	1300	Apr 1st Half-Month Infl (MoM%)	-	-	0.53
	1300	Mar Jobless Rate	-	-	4.4
Friday 23 April					
Russia	1130	Apr Central bank key rate	4.75	4.75	4.5
Poland	1300	Mar M3 Money Supply (YoY%)	-	14.1	16.3
Mexico	1300	Feb Retail Sales (MoM/YoY%)	-	-	0.1/-7.6

Source: ING, Refinitiv

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Asia week ahead: Where is the inflation?

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Source: Shutterstock

➔ A raft of March inflation figures

Aside from India and the Philippines, there is literally no inflation in the region - and a raft of March price data should make this point.

Japan, Hong Kong, Malaysia, Singapore, and New Zealand report CPI inflation figures next week, while Korea's PPI data also is due.

The hike in fuel prices and the low base effects are working together to pressure inflation upwards in some countries like Malaysia and Singapore. But this is likely to be transitory given that demand-side pulls on prices continue to be muted and should remain so for some time to come.

Inflation in Japan continues to be in the negative territory; in Hong Kong, it's close to zero, while Korea and New Zealand are seeing some upward momentum.

➔ Indonesia central bank meeting

Inflation isn't a major issue for Asian central banks at the moment, but the transmission of higher US Treasury yields to local government bonds has frustrated their accommodative policy.

Bank Indonesia (BI) has been among the leading Asian central banks to suffer the onslaught of the recent US Treasury sell-off. Despite Indonesia's low inflation in decades (1.4% YoY in March) and the central bank holding its main policy rate at a record low of 3.50% - local government bonds were among the hardest hit in Asia with almost 70 basis points year-to-date spike in 10-year US Treasury yields passed on to the Indonesian counterpart.

The key question this might pose for BI policymakers as they meet next week (20 April) is whether they should limit the upside in bond yields with a further rate cut while low inflation still allows. However, they are also worried about rate cuts intensifying depreciation pressure on the Indonesian rupiah. The currency has been an Asian underperformer to date with a 3.5% depreciation against the USD, and this could be potentially inflationary.

Such a dilemma suggests policy status-quo likely to be the central bank's best course of action - and our house forecast of rates on hold aligns with market consensus.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 19 April					
Tuesday 20 April					
China	0230	Apr Loan Prime Rate 1Y	3.85		3.85
	0230	Apr Loan Prime Rate 5Y	4.65		4.65
Indonesia	0800	Apr 7-Day Reverse Repo	3.5		3.5
Taiwan	0900	Mar Export orders (YoY%)	35.6		48.5
Singapore	0330	Q1 Unemployment Rate Prelim SA	-		3.3
Wednesday 21 April					
South Korea	0000	Mar PPI (YoY%)	3.4		2.0
Thursday 22 April					
Taiwan	0900	Mar Unemployment rate (%)	3.7		3.73
Thailand	0430	Mar Exports (YoY%)	-		-2.59
	0430	Mar Imports (YoY%)	-		21.99
	0430	Mar Trade balance (US\$m)	62.0		7.0
Friday 23 April					
Hong Kong	1000	Mar CPI (YoY%)	0.2		0.3
Malaysia	0500	Mar CPI (YoY%)	1.2		0.1
Singapore	0600	Mar Core CPI (YoY%)	0.3		0.2
	0600	Mar CPI (YoY%)	0.9		0.7
Taiwan	0900	Mar Industrial Output (YoY%)	5.5		2.96
	0920	Mar Money Supply - M2 (YoY%)	9.1		9.12

Source: ING, Refinitiv, *GMT

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