

Our view on next week's key events

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By Dmitry Dolgin

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✓ US: Shutdown strains continue

The record US government shutdown seems destined to enter its fifth week on Saturday with the financial strain it is placing on the 800,000 workers who aren't receiving their paychecks undoubtedly increasing.

While they represent less than 1% of total US employment, it will mean lower consumer spending in localised areas with high proportions of federal workers, but with nearly half of them not actually turning up to work (furloughed employees), there are broader [implications](#) for the US economy. The Department of Commerce, the Department of Housing and Urban Development, the Department of Transportation and the Department of the Treasury are severely impacted, which means a delay in new business permits, processing of federal loans for things such as home purchases and visa applications. This will stifle business activity and weaken economic growth at the margin.

The 420,000 federal employees working without pay include federal law enforcement officers and Transport Security Administration staff. There are already reports that security lines are lengthening at airports as some of those workers affected fail to turn up to work. Indeed, with people struggling to make payments on bills and rent some are taking jobs elsewhere to get some cash. The longer the shutdown lasts, the greater the risk of walkout and disruption at airports and

crime agencies, as staff seek paid employment elsewhere -this too will have negative economic implications.

Another implication is that we are not getting the usual data flow from the US, as statisticians have also been furloughed, which makes gauging the performance of the US economy very challenging. In combination to the economic headwinds the shutdown has generated, this only heightens the likelihood of a first-quarter pause from the Federal Reserve.

✔ 'Plan B' goes to parliament in the UK– but too early for real cross-party progress

Markets have taken comfort in the apparent willingness of the UK government to seek cross-party consensus on Brexit, and that will be the focus when the government returns to parliament on Monday with details of 'Plan B'.

But in the short-run, hopes for significant cross-party progress may be overdone. The government appears very reluctant to water down its existing red lines, despite suggestions it may inch closer to endorsing a permanent customs union. Doing so would likely raise the hackles of Conservative Brexiteers, which [as we noted in more detail](#), the Labour Party may use as an opportunity to put forward a second motion of no-confidence over coming weeks in the hope some disgruntled Conservative lawmakers decide “enough is enough”. There are no guarantees this strategy would prove successful of course, but this may partly explain why Labour Party leadership are reluctant to endorse a second referendum at this stage, despite pressure from Labour MPs.

In other words, while some cross-party compromise, and in turn an application to [extend Article 50](#) is getting more likely, we aren't there just yet. In the meantime, the countdown to March 29 continues, and with no imminent resolution in sight, the economy is likely to remain turbulent.

✔ Nothing new from the ECB, but we'll get an insight into Eurozone sentiment

Next week will bring insight into Eurozone sentiment in January. 2018 saw confidence indicators contract by the month, but perhaps the start of the year brings hope. For consumers, there is more to like than last year with lower oil prices and a strong labour market, although downside risks bring ample reason for concern about the global economy. The PMI will bring insight into whether orders continue to weaken, which would fuel worries about a prolonged slowdown in growth.

We don't expect any significant changes at the ECB meeting. ECB president Mario Draghi will probably try to sound somewhat more dovish without giving away any hints at possible changes in the ECB's stance. Obviously, the downside risks to the growth outlook already signalled in December have not receded, but at the same time, it is still too early to sound the alarm bells. Unless there is a huge accident in financial markets or the economy, we expect the ECB to sit tight and stick to its current forward-guidance and communication until the June meeting.

✔ German Ifo's: Don't expect a miracle

As regards Germany, the Ifo index will not yet show any turnaround in sentiment. Instead, rather expect another weakening on the back of increased uncertainty.

Norges Bank to signal a March rate hike

The key event in the Nordics next week is the Norges Bank (NB) meeting. While we don't expect a change in policy this time around, the central bank is likely to confirm its intention to raise rates in March.

While a downward revision may temper this hawkish signal to the forecast for interest rates and increased concern about momentum in the global economy, the likelihood is that the NB will be the only G10 central bank hiking rates in the first quarter. This underlines the relative strength of the Norwegian economy and remains a key reason why see NOK as likely to outperform peers this year.

Meanwhile, Sweden looks likely to finally have a new government after four months of stalemate ended this week with a complicated accord among four centrist parties that will support a minority government led by the Social Democrats. This removes the risk of new elections in the near term, though the new government will face a continuous balancing act between pushing through market-friendly reforms demanded by the Centre and Liberal parties and placating the Left. On balance, the new government's policy mix – somewhat lower taxes, increased spending, and reforms to the labour and housing markets – should help a slowing economy over the next couple of years.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 21 January					
UK		- Gov. Returns to Parliament with Details of New Brexit Plan			
Portugal	1400	Bank of Portugal Governor Speaks at Conference on Innovation			
Tuesday 22 January					
US	1500	Dec Existing Home Sales	-	5.3	5.3
Japan	2350	Dec Exports (YoY%)	-6.0	-	0.1
	2350	Dec Imports (YoY%)	3.3	-	12.5
Germany	1000	Jan ZEW Current Situation Index	44.0	-	45.3
UK	0930	Nov Weekly Earnings (3M avg)	3.4	-	3.3
	0930	Nov Weekly Earnings ex Bonus (3M avg)	3.4	-	3.3
	0930	Nov ILO Unemployment Rate (3M avg.)	4.1	-	4.1
	0930	Nov Employment Change (3M/3M)	95.0	-	79.0
	0930	Dec Public Finances (PSNCR)	-	-	4.4
	0930	Dec PSNB Ex. Banks (£bn)	-	-	7.2
N.Zealand	2145	4Q CPI (QoQ/YoY%)	-/-	-/-	0.9/1.9
Wednesday 23 January					
Japan	0430	Nov All Industry Activity Index (MoM%)	0.3	-	1.9
	-	Policy Rate	-0.1	-	-0.1
	-	BoJ 10-year Yield Target (%)	-	-	0.0
	-	BoJ Outlook Report			
Eurozone	1500	Jan A Consumer Confidence	-6.0	-	-6.2
Thursday 24 January					
Japan	0500	Nov F Leading Economic Index	-	-	99.3
Eurozone	0900	Jan P Markit Manufacturing PMI	51.2	-	51.4
	0900	Jan P Markit Services PMI	51.3	-	51.2
	0900	Jan P Markit Composite PMI	51.1	-	51.1
	1245	ECB Main Refinancing Rate	0.0	-	0.0
	1245	ECB Marginal Lending Facility	0.25	-	0.25
	1245	ECB Deposit Facility Rate	-0.4	-	-0.4
Australia	0030	Dec Employment Change ('000)	15.0	-	37.0
	0030	Dec Unemployment Rate (%)	5.1	-	5.1
Norway	0700	Nov Unemployment Rate AKU	-	-	4.0
	0900	Deposit Rates	0.75	-	0.75
Sweden	0830	Dec Unemployment Rate (%)	-	-	5.5
Friday 25 January					
Eurozone	0900	ECB Survey of Professional Forecasters			
Germany	0900	Jan IFO Business Climate	100.5	-	101.0
	0900	Jan IFO Expectations	97.1	-	97.3
	0900	Jan IFO Current Assessment	104.0	-	104.7
Sweden	0830	Dec Retail sales (Ex. Fuel, MoM/YoY%)	-/-	-/-	0.9/1.1

Source: ING, Bloomberg

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Asia week ahead: Central banks to take cues from GDP

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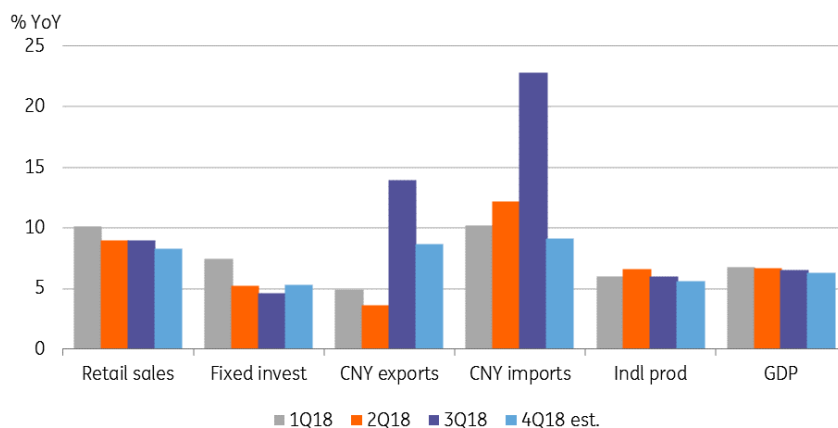
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➔ Downside risk to China's growth

The week begins with China's 4Q18 GDP and December data on retail sales, fixed asset investment, and industrial production. The consensus estimate of 6.4% year-on-year GDP growth is barely a slowdown from 6.5% in the previous quarter despite all the hue and cry that weighed down global markets in the last quarter. However, a sharp deceleration in manufacturing and retail sales as well as in trade growth, and falling industrial profits signal a downside risk to the consensus GDP estimate. Our house forecast is 6.3%.

Net trade seemed to have offset some of the slack in domestic spending. Although export growth slowed in the last quarter, import growth slowed by more than exports and the trade surplus widened from a year ago. Net trade subtracted from GDP growth in the first three quarters of 2018 but contributed to it in the final quarter.

China: What's driving GDP growth?



Source: Bloomberg, CEIC, ING

➔ Asia's GDP growth ends 2018 on weaker note

Korea and the Philippines also report GDP for 4Q18. As with China, we think consensus growth estimates -- 2.8% for Korea and 6.4% for the Philippines -- are subject to asymmetric downside risk (ING forecasts 2.1% and 5.9% respectively).

Singapore's industrial production figures for December will indicate the direction of revision to the advance release of 4Q GDP estimate of 2.2%. It will certainly be downward given disappointing non-oil domestic exports in December. Likewise, Taiwan's December IP data will help to fine-tune estimates of GDP growth in the last quarter.

➔ More reasons for central banks to stay on hold in 2019

A weak end to one year makes it arithmetically harder for the following year to score well, underpinning our view that most Asian central banks will leave policies on hold this year, if not ease.

Central banks in Japan, Korea, and Malaysia meet next week. All are expected to remain on hold. Our interest lies in the Bank of Korea's policy as the central bank also releases its quarterly Economic Outlook on the same day (24 January). In its October report, the BoK forecast 2.7% GDP growth for 2019, the same as its estimate for 2018. The 2018 growth forecast is unlikely to be met and the pace for 2019 looks to be far off in view of the global slowdown in the tech sector. As such, a downgrade to the BoK's growth outlook for the current year shouldn't come as surprise to anyone. However, we don't think this will move the central bank to reverse the December rate hike just yet.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 21 January					
China	0200	Dec Retail Sales (YoY%)	8.0	8.2	8.1
	0200	Dec Industrial Production (YoY%)	5.4	5.3	5.4
	0200	Dec Fixed Asset Investment (YTD, YoY%)	6.1	6.0	5.9
	0200	4Q GDP (QoQ, SA/YoY%)	-/6.3	1.5/6.4	1.6/6.5
Taiwan	0800	Dec Export Orders (YoY%)	-2.0	-	-2.1
Thailand	-	Dec Exports (Cust est, YoY%)	2.5	-	-1.0
	-	Dec Imports (Cust est, YoY%)	8.0	-	14.7
	-	Dec Trade Balance (US\$m)	-1322.0	-	-1180
South Korea	2100	Dec PPI (MoM/YoY%)	-0.2	-/-	-0.7/1.6
	2300	4Q P GDP (QoQ/YoY%)	0.0	-/-	0.6/2.0
Tuesday 22 January					
Hong Kong	0815	Dec Composite CPI (%YoY)	2.6	-	2.6
Malaysia	0700	Forex Reserves, Month-end (US\$bn)	-	-	101.4
Wednesday 23 January					
Malaysia	0400	Dec CPI (YoY%)	0.3	-	0.2
Singapore	0500	Dec CPI (YoY%)	-0.3	-	0.3
	0500	Dec CPI Core (YoY%)	1.7	-	1.7
Taiwan	0800	Dec Industrial Production (YoY%)	-2.0	-	2.1
Thursday 24 January					
Malaysia	0700	Overnight Policy Rate	3.25	-	3.25
Philippines	0200	4Q GDP (QoQ, SA/YoY%)	-/5.9	-/-	1.4/6.1
Taiwan	0820	Dec Money Supply (M2) (YoY%)	3.2	-	3.1
South Korea	2100	BoK Consumer Sentiment Index	96.4	-	97.2
	-	7-Day Repo Rate	1.75	-	1.75
Friday 25 January					
Singapore	0500	Dec Industrial Production (MoM/YoY%)	6.1/-5.9	-/-	2.8/7.6

Source: ING, Bloomberg

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Source: Shutterstock

✓ Poland: Consumers still making big purchases

We expect stable retail sales - close to 8% year-on-year. According to official GUS surveys, the propensity of consumers to make major purchases has not diminished so far, despite the slowdown in the eurozone.

✓ Russia: Industrial output to accelerate, thanks to cold weather

Activity data for December to be released next week should be more or less in line with November. Industrial output is likely to show some mild acceleration supported by more intense electricity and heat output in response to the cold weather, as average temperatures in Russia in December were around 5 degrees Celsius lower than in December last year.

Household consumption has likely remained elevated at around 3% YoY, as Russians stocked up on expensive durables ahead of a VAT hike on 1 January. So even if the reported figures are in line or higher than forecasts, one should expect a much more modest result throughout 2019 on higher taxation and a likely deceleration in retail lending growth from the high 20%+ rates seen last year.

EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Sunday 20 January					
Israel	-	Jan 12mth Inflation Forecast (%)	-	-	1.2
Monday 21 January					
Israel	1100	Nov Industrial Production (SA, MoM%)	-	-	0.4
	-	Bank of Israel Publishes Minutes of Rate Meeting			
Tuesday 22 January					
Poland	0900	Dec Retail Sales (MoM/YoY%)	16.4/8.0	-/-	-2.7/8.2
Hungary	0800	Nov Avg Gross Wages (YoY%)	10.6	-	10.8
South Africa	0700	Nov Leading Indicator	-	-	105.7
Israel	-	Dec Leading 'S' Indicator (MoM%)	-	-	0.3
Mexico	1400	Dec Unemployment Rate, SA (%)	3.3	-	3.3
Wednesday 23 January					
Russia	-	Dec Industrial Production (YoY%)	2.6	2.5	2.4
Turkey	0700	Jan Consumer Confidence	-	-	58.2
Poland	1300	Dec M3 Money Supply (MoM/YoY%)	2.0/8.6	-/-	1.1/8.8
Kazakhstan	-	Dec M3 Money Supply (MoM%)	-	-	0.8
South Africa	0800	Dec CPI (MoM/YoY%)	-/-	-/-	0.2/5.2
	0800	Dec Core CPI (MoM%, NSA)	-	-	0.2
Thursday 24 January					
Russia	-	Dec PPI (MoM/YoY%)	-/-	0.6/16.1	0.7/16.8
Poland	0900	Dec Unemployment Rate (%)	5.8	-	5.7
Czech Rep	0800	Jan Business Confidence	-	-	15.8
	0800	Jan Consumer & Business Confidence	-	-	14.0
	0800	Jan Consumer Confidence	-	-	6.8
South Africa	0700	4Q Consumer Confidence	-	9.5	7.0
Friday 25 January					
Russia	1300	Dec Real wages (YoY%)	3.7	4.4	4.6
	1300	Dec Retail Sales (YoY%)	2.8	2.9	3.0
Turkey	1130	Jan Real Sector Confidence Index, SA	-	-	97.7
	1130	Jan Industrial Confidence	-	-	91.5
	1130	Jan Capacity Utilization (%)	-	-	74.1
Serbia	1100	Dec Real Wages (YoY%)	-	-	5.2
Croatia	1000	Dec Unemployment Rate (%)	-	-	9.4
	1000	Nov Real Wages (YoY%)	-	-	3.4
Mexico	1400	Nov Retail Sales (YoY%)	4.2	-	3.0

Source: ING, Bloomberg

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