

Our view on next week's key events

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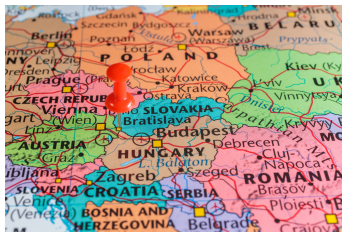
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By Peter Virovacz and Muhammet Mercan

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US: All lies on the Fed

The sell-off in risk assets on the back of intensifying coronavirus fears has added an extra downside risk to US growth. We already knew that supply chains were facing disruption while weaker demand from Asia was also going to be an issue. However, a sense that the US is increasingly vulnerable to Covid-19 is leading to a re-appraisal of the economic outlook and what it may mean for Federal Reserve policy.

So far the Fed is open-minded on the possible path ahead, but with the equity market sell-off gaining momentum, prospects of a March rate cut are rising. We'll be watching the business surveys (note we get both the manufacturing and non-manufacturing ISMs next week) for signs of increased uncertainty. In fact, this coming week's payrolls report is likely to be largely overlooked given the heightened market tensions. Even if it is good – we expect a rather middling outcome – markets are going to remain focused on the threat Covid-19 poses.

As for politics, we have already had three states decide and the self-described democratic socialist, Bernie Sanders, has been the big winner so far. Super Tuesday is coming up on 3 March and this is when a further 14 states decide who they want to take on the fight with President Donald Trump. These include big hitters like California and Texas and there is a sense that another strong

performance next week could see Bernie Sander build an unassailable lead over the alternatives such as Mike Bloomberg and Joe Biden.

The issue for the Democrat party is that Sanders is seen as a polarising candidate. He has built a significant following for his progressive policy mix including medicare for all. However, many in the Democrat party worry that Bernie Sanders plans are too extreme and he could alienate many centrist voters that are critical to defeating Donald Trump. Unless there is a rapid consolidation around one of the centrist candidates it will likely be a Trump-Sanders showdown on 3 November.

UK: Trade talks kick off

Trade talks between the UK and the EU formally kick-off on Monday, although in reality there is unlikely to be any movement from either side until much later in the year – certainly not until after the June European Council meeting.

Don't rule out the UK exiting the 11-month transition period at the end of 2020 without a free-trade agreement in place. But equally, amid all the current vocal disagreement on fishing and state aid rules, we think there is probably some wriggle room and we suspect there is still probably a better-than-50% chance of a deal being struck later in the year.

[What fish can tell us about Brexit's next wave](#)

Canada: A cautious cut on the cards

This coming week's Bank of Canada meeting is a much closer call than most would have thought likely just two weeks ago. The economy had been rebounding again after some weakness while the jobs market remains strong and inflation is broadly in line with the target, which all argue for policy stability.

However, the financial market volatility seen in the wake of heightened Covid19 fears means that the odds of a rate cut are rising. So far there has been a limited impact, but that is likely to change as supply chains are increasingly strained by a lack of foreign components/parts and confidence weakens as health worries arise. Additionally, there is a growing concern about the economic implications for the demonstrations opposing the Coastal GasLink pipeline that have severely impacted the country's rail network.

The BoC has a reputation for moving early and occasionally providing surprises and we certainly think they could choose to pre-emptively cut this coming week. After all, they have much more room to offer support than most other developed markets, given their policy rate.

Eurozone: The past is the past

With corona developments, no doubt dominating markets again next week, backwards-looking data will have to take a backseat. Eurozone inflation is unlikely to be spectacular this month, merely confirming to the ECB the slow inflation environment ahead of the March meeting.

Unemployment could be good to keep an eye on as it gives a sense of whether labour market tailwind continues to help eurozone consumption in times of material downside risks to the outlook.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 29 February					
US		- South Carolina Caucus			
Monday 2 March					
US	1500	Feb ISM Manufacturing	49	51	50.9
Japan	2350	Feb Monetary base (JPY tr)	520.4	-	517.2075
Eurozone	0900	Feb F Markit Manufacturing PMI	49.1	-	49.1
UK	0930	Feb F Markit/CIPS Manufacturing PMI	51.9	-	51.9
Norway	0900	Feb DNB/NIMA Manufacturing PMI	-	-	50.92
Tuesday 3 March					
US		- Super Tuesday			
	2330	Fed's Evans Takes Part in Moderated Q&A			
Japan	0500	Feb Consumer confidence index	38.7	-	39.1
Eurozone	1000	Feb P Core CPI (YoY%)	1.1	1.2	1.1
	1000	Feb P CPI (MoM/YoY%)	1.2	0.2/1.2	-1/1.4
	1000	Jan Unemployment Rate (%)	7.4	-	7.4
Australia	0330	RBA Cash Rate Target	0.75	-	0.75
Switzerland	0645	4Q GDP (QoQ/YoY%)	-/-	-/-	0.4/1.1
Wednesday 4 March					
US	1315	Feb ADP Employment Change (000's)	175	187.5	290.9
	1500	Feb ISM Non-manufacturing	53	55.5	55.5
	1900	U.S. Federal Reserve Releases Beige Book			
Eurozone	0900	Feb F Markit Services PMI	52.8	-	52.8
	0900	Feb F Markit Composite PMI	51.6	-	51.6
	1000	Jan Retail Sales (MoM/YoY%)	-/-	-/-	-1.6/1.3
UK	0930	Feb F Markit/CIPS Services PMI	53.3	-	53.3
	0930	Feb F Markit/CIPS Composite PMI	53.3	-	53.3
Italy	0900	4Q F GDP (QoQ/YoY%)	-/-	-/-	-0.3/0.0
Canada	1500	Bank of Canada Policy Rate	1.50	1.75	1.75
Australia	0030	4Q GDP (QoQ/YoY%)	0.3/1.9	-/-	0.4/1.7
Norway	0700	4Q Current Account Balance (NOKbn)	-	-	23927
Sweden	0730	Feb Swedbank/Silf Services PMI	-	-	52.5
Thursday 5 March					
Japan	2330	Jan Household spending (YoY%)	-2.6	-	-4.8
Japan	2330	Jan Labor cash earnings (YoY%)	-0.3	-	-0.2
Eurozone	1000	OECD Publishes Interim Economic Outlook			
UK	1300	BOE Chief Economist Andy Haldane speaks in Paris			
Canada	1745	Bank of Canada's Poloz Gives Economic Progress Report			
Australia	0030	Jan Trade balance (A\$m)	5105	-	5223
Friday 6 March					
US	1330	Jan Trade Balance (US\$bn)	-48.5	-48.8	-48.9
	1330	Feb Change in Nonfarm Payrolls ('000s)	160	190	225
	1330	Feb Unemployment Rate (%)	3.6	3.6	3.6
	1330	Feb Average Hourly Earnings (MoM/YoY%)	0.3/3.0	0.3/3.0	0.2/3.1
	1330	Feb Participation Rate	63.4	-	63.4
	1420	Fed's Evans, Mester, Bullard and Gerooge Speaks at Shadow Committee			
Japan	0500	Jan P Leading economic index	-	-	91.6
Germany	0700	Jan New Orders (MoM/YoY%)	1.0/-7.5	-/-	-2.1/-8.7
Canada	1330	Feb Net Change in Employment	-	-	34.5
	1330	Feb Unemployment Rate (%)	-	-	5.5
Australia	0030	Jan Retail sales (MoM%)	-	-	-0.5
Norway	0700	Jan Industrial Production (MoM%)	-	-	1.5
	0700	Jan GDP Mainland (MoM/YoY%)	-/-	-/-	-0.3/1.1

Source: ING, Bloomberg

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Asia week ahead: Covid-19 disrupts most things in China

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Source: Shutterstock

➔ Covid-19 destabilises everything

The Covid-19 is destabilising many things in China, including the most significant annual rite of spring - the National People's Congress, which usually takes place between 5 - 15 March. This is the platform the Communist party uses to announce economic targets and policies for the year. As things stand, the event will not begin next week and for now, no date has been pencilled for the future. What matters the most right now is reducing economic damage from the virus.

Talking about damage, we should be able to begin to gauge the extent from China's purchasing

manager index (PMI) due on 29 February, and the Caixin measure out next Monday. A prolonged shutdown of factories for most of February spells the worst for manufacturing, and services as most of these like logistics and transports are driven by manufacturing.

➔ ... and elsewhere in Asia

Lots of PMI data from the region is due next week, and are likely to follow in the footsteps of China, however hard data like trade, inflation, retail sales will be more significant than soft data and there are plenty of those in the pipeline next week.

We will have first two months' of trade data from Korea providing a sense of a toll the disease has taken on the economy so far. China absorbs one-fourth of Korea's total exports and that market has been virtually shut since the New Year holiday in January. As such the consensus median of about 3% export growth in February sounds a little too optimistic. We expect around 3% fall.

The first thing to take a beating from an epidemic is consumption. Hong Kong's retail sales data and a slew of consumer price inflation figures elsewhere will be worth watching in this respect. Besides weak spending, the lower oil price will be weighing down consumer price inflation around the region. Korea, Taiwan, Indonesia, Philippines and Thailand will release CPI data for February.

➔ Malaysian central bank to ease again

Low inflation keeps doors open for central bank policy easing to support growth. Central banks of Australia and Malaysia are deciding their policies next week. [We expect Australia's central bank to leave policy on hold.](#)

There will be more interest in Malaysia's central bank meeting given prime minister Mahathir's sudden resignation earlier this week, leaving the Bank to do more heavy-lifting to soften the economic impact of the virus. While there isn't much fiscal policy leeway for the government, Mahathir, who's currently interim prime minister, went ahead to announce an MYR 20 billion (about 1.3% of 2019 GDP) support package for sectors affected by the virus.

But, the implementation remains up in the air with no government in place just yet. Hence our forecast of a 25 basis point cut to 2.50% - the second easing move by BNM this year.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Saturday 29 February					
China	0100	Feb Manufacturing PMI	46.0	45.1	50
	0100	Feb Non-manufacturing PMI	52.0	51.5	54.1
Sunday 1 March					
South Korea	0000	Feb Imports (YoY%)	5.6	-3.6	-5.4
	0000	Feb Exports (YoY%)	-3.2	4.3	-6.3
	0000	Feb Trade balance (US\$m)	500	1300	535
Monday 2 March					
China	0145	Feb Caixin Manufacturing PMI	46.5	47.0	51.1
India	0500	Feb Nikkei Manufacturing PMI	-	-	55.3
Hong Kong	0830	Jan Retail sales value (YoY%)	-12.2	-	-19.4
	0830	Jan Retail sales volume (YoY%)	-12.1	-	-21
Indonesia	0400	Feb CPI core (YoY%)	-	-	2.9
	0400	Feb CPI (YoY%)	2.9	-	2.7
Philippines	0030	Feb Nikkei Manufacturing PMI	51.2	-	52.1
Taiwan	0030	Feb Nikkei Manufacturing PMI	48.0	-	51.8
South Korea	0030	Feb Nikkei Manufacturing PMI	49.3	-	49.8
	2300	4Q F GDP (QoQ/YoY%)	-/-	1.2/2.2	1.2/2.2
	2300	Feb CPI total (YoY%)	1.5	-	1.5
	2300	Feb CPI core (YoY%)	0.8	-	0.9
	2300	4Q19 GDP revised (QoQ/YoY%)	1.2/2.2	-/-	1.2/2.2
Tuesday 3 March					
Malaysia	0700	Overnight Policy Rate	2.50	2.75	2.75
Singapore	1300	Feb Purchasing Managers Index	-	-	50.3
Wednesday 4 March					
India	0500	Feb Nikkei Services PMI	-	-	55.5
Hong Kong	0030	Feb Nikkei PMI	-	-	46.8
Malaysia	0400	Jan Exports (YoY%)	-5.2	-	2.7
	0400	Jan Imports (YoY%)	-2.9	-	0.9
MALAYSIA	0400	Jan Trade balance (RM bn)	9.1	-	12.6
Thursday 5 March					
India	-	4Q Current account balance (US\$bn)	-	-	-6.3
Korea	-	Jan Current account balance (US\$bn)	3.8	-	4.3
Taiwan	-	Feb Forex reserves (US\$bn)	477.0	-	479.1
Philippines	0100	Feb CPI (YoY%)	3.0	-	2.9
Thailand	0330	Feb CPI (YoY%)	0.8	-	1.1
	0330	Feb Core-CPI (YoY%)	0.5	-	0.5
Friday 6 March					
Hong Kong	-	Feb Forex Reserves (US\$bn)	-	-	445.9
Malaysia	0700	Forex reserves- Month end (US\$bn)	-	-	104.3
Philippines	-	Feb Forex reserves (US\$bn)	87.1	-	86.9
Indonesia	-	Feb Forex reserves (US\$bn)	130.9	-	131.7
Taiwan	0800	Feb WPI (YoY%)	-0.4	-	-3.1
	0800	Feb CPI (YoY%)	-6.3	-	1.9

Source: ING, Bloomberg, *GMT

Key events in EMEA and Latam next week

Expect the Polish central bank to keep rates on hold next week while PMI readings in Hungary and the Czech Republic are likely to be affected by the...



Source: Shutterstock

✓ Poland: MPC to stay on its course

We expect the Monetary Policy Council to maintain its current stance and exclude the possibility of an interest rate hike in the coming months. The new inflation projection should confirm that CPI is likely to hover strongly above 4% in the first quarter and return towards the upper boundary of the National Bank of Poland's target in the second half of the year. In our opinion, the central bank is unlikely to indicate that CPI should exceed the target for the whole of 2020 – we see such a scenario as likely.

The MPC is likely to highlight the downward risk to its GDP growth forecast. We expect 3% year-on-year growth in 2020. The NBP inflation projection should probably present a more upbeat picture.

Meanwhile, the new PMI index for February will be published – we expect a modest pick-up from 47.4 to 47.8 points, following better sentiment in Germany and other Eurozone countries. Still, we see this rise as temporary – the coronavirus outbreak threatens economic growth in Europe.



Czech Republic: Manufacturing PMI to print higher because of delayed release

February manufacturing PMI might head higher, but partially due to a similar reason as in Germany, as the delayed release (due to coronavirus) is positive in the PMI methodology. Real wages are likely to further slow down, partially due to higher inflation in 4Q19 compared to the previous quarter (3.0% vs 2.8%), and partially due to weaker nominal wage growth in 4Q. As such, we expect 3.2% YoY growth after 4.0% in 3Q19, while the Czech National Bank expects 4.2% growth, mainly due to an acceleration in non-market segment wages.

Hungary: PMI to drop further

We expect to see the Hungarian PMI dropping further, reflecting the worries about the supply chain issues and the continued drop in the level of orders.

Industrial production is expected to improve on a monthly basis in January, but output should remain lower than a year ago. Along with a slowly but surely decreasing consumer confidence, we expect retail sales growth to continue its slide but still remain sound.

January data won't tell us the whole story about supply chain disruptions, travel bans and the like, so it might paint a bit of a better picture compared to the expected 1Q performances.

Turkey: Inflation affected by recent currency weakness

We expect annual inflation to maintain its upward move in February to 12.5% (0.5% month on month) from 12.2% in January, given the likely implications of the recent currency weakness while the drop in oil prices should be a relief factor.

Russia: CPI to edge lower but coronavirus creates uncertainties

Russian CPI is likely to show further deceleration from 2.4% year on year in January to 2.3% YoY in February, and the recent weekly data suggests an additional 0.1 pp underperformance cannot be ruled out. This, combined with improvement in household's 12-month inflationary expectations to the lowest level in almost two years, reaffirming further room for a central bank rate cut as a base case.

Meanwhile, the coronavirus outbreak is creating more uncertainty, as the global risk-off and \$15-20/bbl oil price drop have already led to USD/RUB depreciation by 6% year-to-date and to a spike in corporate inflationary expectations in February. So far the FX move does not appear strong enough to significantly worsen the CPI outlook, but further exchange rate volatility may become a factor to consider at the 20 March meeting.

EMEA and Latam Economic Calendar

Monday 2 March				
Russia	0600 Feb Markit Manufacturing PMI	-	-	47.9
Turkey	0700 Feb Markit/ISO Manufacturing PMI	-	-	51.3
Poland	0800 Feb Markit Manufacturing PMI	47.8	-	47.4
Czech Rep	0830 Feb Markit Manufacturing PMI	46.7	-	45.2
	1300 Feb Budget Balance (CZKbn)	-	-	-8.0
Hungary	0800 Feb Manufacturing PMI	51.5	-	52.5
Romania	- Feb FX Reserves (€bn, Net)	-	-	40.3
Kazakhstan	- Feb CPI (MoM/YoY%)	-/-	-/-	0.7/5.6
	- Feb PPI (MoM/YoY%)	-/-	-/-	1.9/4.6
Serbia	1100 4Q GDP (YoY%)	6.0	4.2	4.8
South Africa	0900 Feb Kagiso PMI	-	-	45.2
	- Feb NAAMSA Vehicle Sales (YoY%)	-	-	-8.1
Tuesday 3 March				
Turkey	0700 Feb CPI (MoM/YoY%)	0.5/12.5	-/-	1.4/12.2
	0700 Feb Domestic PPI (MoM/YoY%)	-/-	-/-	1.8/8.8
Poland	- Monetary Policy Council Rate Meeting			
Czech Rep	0800 4Q P GDP (QoQ/YoY%)	0.2/1.7	-/-	0.2/1.7
Hungary	0800 Jan PPI (MoM/YoY%)	-0.5/2.4	-/-	-0.2/2.4
	0800 Dec F Trade Balance (€mn)	134.0	-	134.2
Romania	0700 Jan Unemployment Rate Total 15 - 74 Years Old SA	3.9	-	3.9
	0700 Jan PPI (MoM/YoY%)	-/-	-/-	0.3/3.9
South Africa	0930 4Q GDP (SAAR-QoQ/YoY%)	-/-	-/-	-0.6/0.1
Wednesday 4 March				
Poland	- Base Rate (%)	1.5	1.5	1.5
Hungary	0800 Jan Retail Sales (YoY%)	5.9	-	6.1
Romania	0700 Jan Retail Sales (MoM/YoY%)	-/-	-/-	0.8/8.3
South Africa	0715 Feb HSBC PMI SA	-	-	48.3
Brazil	1200 4Q GDP (QoQ/YoY%)	0.5/1.6	0.5/1.7	0.6/1.2
Thursday 5 March				
Kazakhstan	- Feb International Reserves (US\$bn)	-	-	29.3
Bulgaria	0900 4Q F GDP (QoQ/YoY%)	0.7/3.5	-/-	0.7/3.5
South Africa	0930 Feb SACCI Business Confidence	-	-	92.2
Israel	- Feb Foreign Currency Balance (US\$bn)	-	-	130.0
Friday 6 March				
Russia	1300 Feb CPI (MoM/YoY%)	0.3/2.3	-/-	0.4/2.4
Poland	1300 Feb Official Reserves Total (USDmn)	-	-	125457
Hungary	0800 Jan Industrial Production (MoM/YoY%)	1.5/-1.5	-/-	-3.8/-3.7
	- Feb Budget Balance (YTD)	-123	-	90.4
Croatia	1000 Jan Industrial Production (SA, YoY%)	-	-	-2.2
South Africa	0600 Feb Gross Reserves (US\$bn)	-	-	54.6
	0600 Feb Net Open Foreign Currency Position (US\$bn)	-	-	45.2
	- Jan Electricity Production (YoY%)	-	-	-4.0
	- Jan Electricity Consumption (YoY%)	-	-	-4.9
Czech Rep	0800 Average Real Monthly Wages 4Q19	3.2	-	4.0

Source: ING, Bloomberg

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