

## Our view on next week's key events

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## ✓ Testing the Fed's "patience"

With the Federal Reserve sounding more relaxed on inflation and re-affirming its patient strategy with regards to interest rate policy, financial markets have already shifted to pricing in an 80% chance of a 25 basis point rate cut this year, with two full 25bp rate cuts priced in for the end of next year. We think this is too aggressive with the coming week set to see some respectable US economic figures, which should help to ease fears of a marked slowdown in activity. The scheduled reports include retail sales, the ISM business surveys and the March employment report.

Retail sales should post another respectable gain, given household incomes are growing nicely and confidence is healthy. Rising gasoline prices may also contribute to a stronger headline value sales figure. Meanwhile, we would expect the ISM indices to show that the US economy continues to expand at a decent pace based on regional indices.

However, after the disappointing 20,000 figure from February, the highlight will be the jobs report. Coming after a massive 311,000 rise in payrolls in January, we suspect there may be some data quality issues and suggest that the labour market story is more nuanced. Reports from employment surveys - such as the NFIB report, indicate that the appetite to hire workers remains strong, but the problem is finding suitable applicants at a time when unemployment is so low. As

such, firms are competing for labour and this is pushing up worker pay. We therefore expect to see payrolls growth of around 160,000 for March, with average earnings rising 0.3% month-on-month and the unemployment rate staying at 3.8%.

### **Germany: Economic recovery? To be determined...**

It will be a crucial week for our call of a bottoming out, followed by a gradual rebound, of the entire German economy. Industrial production data for February will show whether the downward trend of the entire manufacturing sector will continue or could be brought to a halt. Elsewhere, the European Central Bank will release the minutes of its March policy meeting. Watch out for any signs on how to alleviate some of the negative rate pressure on banks.

### **All eyes on Brexit indicative votes if PM May's deal fails**

If Prime Minister Theresa May is unable to gather enough support to get her deal approved by Parliament, the so-called 'indicative votes' process will go to the next stage on Monday. The exact process has not been confirmed, but ultimately it's likely to see the options of a permanent customs union pitted against a second referendum – or possibly even the two options combined.

The big question is whether any option can command a stable majority. Don't forget that if the Prime Minister returns to Brussels and renegotiates her deal, there will need to be a reliable majority of MPs who will be prepared to formally back the revised agreement (or more accurately, a reworked political declaration). There is also a raft of legislation that will need to be passed before the UK can actually leave the EU with a deal.

In the end, we still think a tweaked version of the current deal to include a customs union is the most likely option to gain majority support. This begs the question of whether the Conservative eurosceptics decide 'enough is enough' and vote against the government in another no-confidence motion – or indeed whether the Prime Minister herself decides to call an election as a more palatable alternative to Parliament's wishes. An election isn't our central scenario, but it's definitely getting more likely.

For more info on the latest scenarios, [see our latest piece](#)

### **Canada: Labour market should give us a reason to be positive**

One of the only areas that appears to have been pretty consistent in providing good news recently is the strength of the labour market, and we suspect this won't change in March. With some recent figures showing that job vacancies increased in the final quarter of last year (the ninth consecutive increase in the annual figure) our view- that the underlying positive momentum will continue- is reinforced.

Firms across both provinces and sectors are finding they need to take on extra workers. The unemployment rate is likely to sit around its current level though because – although jobs are available, the participation rate is being kept under pressure (partly attributable to the increase in immigration).

Nonetheless, unless we start to see some material translation of labour market strength into household activity, the Bank of Canada will still be firmly in wait-and-see mode.

## Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 1 April</b>					
US	1330	Feb Advance Retail Sales (MoM%)	0.5	0.3	0.2
	1330	Feb Retail Sales ex. Auto and Gas (MoM%)	0.4	-	1.2
	1500	Mar ISM Manufacturing	54.5	54.8	54.2
Japan	0050	1Q Tankan Manufacturing Index	-	13.0	19.0
	0050	1Q Tankan Non-manufacturing Index	-	22.0	24.0
Eurozone	0900	Mar F Markit Manufacturing PMI	-	-	47.6
	1000	Mar A Core CPI (YoY%)	-	1.0	1.0
	1000	Mar Flash CPI (YoY%)	-	1.5	1.5
UK	0930	Mar Markit/CIPS Manufacturing PMI	51.5	-	52.0
Canada	2010	BoC's Poloz Speaks in Iqaluit			
New Zealand	2200	NZIER Business Opinion Survey			
Sweden	0730	Mar Swedbank/Silf Manufacturing PMI	51.0	-	52.5
Norway	0800	Mar DNB/NIMA Manufacturing PMI	55.0	-	56.3
<b>Tuesday 2 April</b>					
US	1330	Feb P Durable Goods Orders (MoM%)	-0.5	-0.8	0.3
	1330	Feb P Durable Goods Orders ex. Transport (MoM%)	0.2	0.2	-0.2
Japan	0050	Mar Monetary Base (JPY tr)	-	-	497.3
Eurozone	1000	Feb Unemployment Rate (%)	-	-	7.8
Australia	0430	RBA Cash Rate Target	-	1.5	1.5
<b>Wednesday 3 April</b>					
US	1315	Mar ADP Employment Change ('000's)	170.0	180.0	183.0
	1500	Mar ISM Non-manufacturing	58.5	58.2	59.7
	1330	Fed's Bostic Speaks at American Banker Association Summit			
Eurozone	0900	Mar F Markit Services PMI	-	-	52.7
	0900	Mar F Markit Composite PMI	-	-	51.3
	1000	Feb Retail Sales (MoM/YoY%)	-/-	-/-	1.3/2.2
UK	0930	Mar Markit/CIPS Services PMI	50.8	-	51.3
	0930	Mar Markit/CIPS Composite PMI	51.0	-	51.5
Australia	0130	Feb Retail Sales (MoM%)	-	-	0.1
	0130	Feb Trade Balance (A\$m)	-	-	4549.0
Sweden	0730	Mar Swedbank/Silf Services PMI	-	-	55.9
<b>Thursday 4 April</b>					
US	1800	Fed's Mester Speaks at Banking Conference			
Eurozone	-	ECB Mar Policy Meeting Minutes			
Germany	0700	Feb New Orders (MoM/YoY%)	2.0/-2.4	-/-	-2.6/-3.9
<b>Friday 5 April</b>					
US	1330	Mar Change in Nonfarm Payrolls ('000s)	160.0	175.0	20.0
	1330	Mar Unemployment Rate (%)	3.8	3.8	3.8
	1330	Mar Average Hourly Earnings (MoM/YoY%)	0.3/3.5	0.3/-	0.4/3.4
	1330	Mar Participation Rate	63.2	-	63.2
Japan	0100	Feb Labor Cash Earnings (YoY%)	-	-	1.2
	0600	Feb P Leading Economic Index	-	-	96.5
Germany	0700	Feb Industrial Production (MoM/YoY%)	0.6/-1.3	-/-	-0.8/-3.3
Italy	1000	Istat Releases the Monthly Economic Note			
	-	Bank of Italy Report on Balance-Sheet Aggregates			
Canada	1330	Mar Net Change in Employment	-	-10.0	55.9
	1330	Mar Unemployment Rate (%)	5.8	5.8	5.8
Norway	0700	Feb Industrial Production (MoM/YoY%)	-/-	-/-	-2.2/-3.4
Sweden	0500	Maklarstatistik Swedish Housing Price Data			

Source: ING, Bloomberg

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## Authors

### **James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### **James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

### **Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Key events in EMEA and Latam next week

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Source: Shutterstock

### ✓ Turkey: High inflation and sticky expectations will concern policymakers

Headline and core inflation [decelerated in February](#). In March, we're looking for a reading of 1.1%, pulling the annual figure up slightly to 19.8% from 19.6%. Despite some stabilisation in the outlook, high levels of inflation and sticky expectations will likely remain one of the main concerns for the Central Bank of Turkey.

### ✓ Hungary: More arguments for strong growth in 1Q

We'll get more clues next week about Hungary's economic activity in the first quarter. So far, the picture has been promising.

The manufacturing PMI has recently shown a decoupling from eurozone figures, which suggests we might see further improvement in Hungary. Industrial data was surprisingly strong in January and we think the positive momentum could roll over into February. The same could be true for the retail sector as well.

Overall, we anticipate that 1Q19 GDP will be robust - despite concerns about a slowdown in the rest



of Europe.

### **National Bank of Romania: A long pause**

We expect no change from the National Bank of Romania next week. The CPI has recently surprised on the upside but the central bank will need more time to assess the changes to the bank levy and spillovers from weaker eurozone data. The NBR is likely to continue to use liquidity management, and eventually FX interventions, to deter the depreciation of the Romanian leu - at least for a while.

### **Czech Republic: PMI under pressure**

The recent fall in Germany's manufacturing PMI (below the 45 threshold) together with weaker Czech industrial confidence in March suggest that the Czech manufacturing PMI will remain in contraction territory and will most likely deteriorate further.

February retail sales should remain solid although new car registrations have continued to fall annually. Still, annual declines were much stronger in previous months so the figures are signalling some stabilisation.

### **Poland: Dovish signals delivered as PMI expected to undergo yet another drop**

We expect Poland's Monetary Policy Committee to maintain its forward guidance, signalling no rate changes until the end of 2020. That said, recent comments of some centrist members, e.g. Grażyna Ancyparowicz or Jerzy Osiatyński, suggest the possibility of hikes in the coming year to prevent fiscal stimulus-related inflation growth.

However, the propensity to hike is likely to fade in the coming months given worsening external conditions and a dovish shift in policy from the European Central Bank (as well as other central and eastern European central banks).

A dovish signal should be delivered next week via the manufacturing PMI. Following a deterioration in German and eurozone manufacturing data, we are expecting yet another drop in the index.

## EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 1 April</b>					
Russia	0700	Mar Markit Manufacturing PMI	-	-	50.1
	-	4Q GDP (YoY%)	-	-	1.5
Turkey	0800	Mar Markit/ISO Manufacturing PMI	-	-	46.4
Poland	0800	Mar Markit Manufacturing PMI	46.9	-	47.6
Czech Rep	0830	Mar Markit Manufacturing PMI	46.9	-	48.6
	1300	Mar Budget Balance (CZKbn)	-	-	-19.9
Hungary	0800	Mar Manufacturing PMI	56.3	-	55.7
	0800	Jan F Trade Balance (€mn)	382.0	-	382.0
Romania	0700	Feb Unemployment Rate, SA	-	-	3.9
	-	Mar FX Reserves (€bn, Net)	-	-	36364.7
Kazakhstan	-	Mar CPI (MoM/YoY%)	-/-	-/-	0.3/4.8
	-	Mar PPI (MoM/YoY%)	-/-	-/-	0.1/7.7
South Africa	1000	Mar Kagiso PMI	-	-	46.2
<b>Tuesday 2 April</b>					
Poland	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	4Q F GDP (QoQ/YoY%)	0.9/2.8	-/-	0.9/2.8
Romania	0700	Feb PPI (MoM/YoY%)	-/-	-/-	0.6/3.9
	-	Repo Rate (%)	2.5	-	2.5
Brazil	1300	Feb Industrial Production (YoY%)	3.5	-	-2.6
<b>Wednesday 3 April</b>					
Turkey	0800	Mar CPI (MoM/YoY%)	1.1/19.8	-/-	0.2/19.7
	0800	Mar Domestic PPI (MoM/YoY%)	-/-	-/-	0.1/29.6
	0800	Mar Core CPI (YoY%)	-	-	18.1
Poland	-	Base Rate (%)	1.5	-	1.5
Israel	-	Mar Foreign Currency Balance (US\$bn)	-	-	118.0
<b>Friday 5 April</b>					
Russia	-	Mar CPI Core (YoY%)	-	-	4.4
	-	Mar CPI (MoM/YoY%)	0.5/5.4	-/-	0.4/5.2
Poland	1300	Mar Official Reserves Total	-	-	112485.7
Czech Rep	0800	Feb Retail Sales (YoY%)	2.5	-	1.5
	0800	Feb Retail Sales Ex. Motor Vehicles (YoY%)	4.5	-	4.7
Hungary	0800	Feb Industrial Production (MoM/YoY%)	2.0/6.5	-/-	0.6/5.0
	0800	Feb Retail Sales (YoY%)	5.4	-	5.4
Romania	0700	Feb Retail Sales (MoM/YoY%)	-/-	-/-	1.9/6.1
South Africa	0700	Mar Gross Reserves (US\$bn)	-	-	50.8
	0700	Mar Net Open Foreign Currency Position (US\$bn)	-	-	43.7

Source: ING, Bloomberg

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## Authors

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

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## Asia week ahead: India's central bank to ease policy, again

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Source: Shutterstock

### ➔ US-China trade talks – an unfinished agenda

US and Chinese trade negotiators are going back and forth between Beijing and Washington, but doubts about a deal abound. Speculation that it could take months to reach an agreement suggests the current round of negotiations may not produce any tangible result. If that's the case, the markets will have little to celebrate in the coming days.

With neither side apparently in a rush to bridge their trade differences, a continued truce seems to be the best course for markets, for now.

## ➔ Asian growth slowdown – more to go

There's no denying that the trade conflict is already adversely impacting the economy, particularly the Chinese economy, which is clearly negative for the markets. This weekend's release of China's manufacturing and non-manufacturing purchasing manager indexes (PMIs) will tell us more about this. The manufacturing PMI has been in sub-50, contractionary territory since December, which is where we see it staying in March. Weak PMI surveys square with the hard data on industrial production showing a sharp slowdown in the first two months of the year, which sets GDP growth on course for a further slowdown in 1Q19.

A host of PMI and trade figures from the rest of Asia will also help to cement expectations for GDP growth in the first quarter. Besides trade protectionism, a slowdown in global electronics demand has been a drag on Asian exports growth. March trade data from Korea could highlight this trend.

## ➔ India's central bank – riding the wave of global easing

The Reserve Bank of India's Monetary Policy Committee unveils the outcome of its bi-monthly policy review on Thursday, 4 April. The RBI was the first Asian central bank to ease policy this year, cutting key interest rates by 25 basis points at the last meeting in February. And now there is a near-unanimous consensus for another 25 basis point cut next week. We have joined the consensus, revising our earlier forecast of stable rates for the rest of the year.

Does the economy really need more monetary stimulus when fiscal policy has been extremely stimulatory? We don't think so, especially now that inflation has started to grind higher, and growth remains well-supported by domestic demand, thanks to loose fiscal policy. But the political pressure from the government to ease remains intact, although we are sceptical that a monetary boost will really help the government to win an edge over its rivals in the coming elections (see [India: Rising odds of another rate cut](#)).

## Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
<b>Sunday 31 March</b>					
China	0200	Mar Non-manufacturing PMI	54.2	54.2	54.3
	0200	Mar Manufacturing PMI	49.5	49.6	49.2
<b>Monday 1 April</b>					
China	0245	Mar Caixin Manufacturing PMI	50.1	50.3	49.9
Hong Kong	0930	Feb Retail sales Value (YoY%)	2.8	-	7.1
	0930	Feb Retail sales Volume (YoY%)	2.7	-	6.9
Indonesia	-	Mar CPI (YoY%)	2.5	-	2.6
	-	Mar CPI Core (YoY%)	-	-	3.1
Taiwan	0130	Mar Nikkei Manufacturing PMI	46.8	-	46.3
Thailand	0500	Mar CPI (YoY%)	0.8	-	0.7
	0500	Mar CPI Core (YoY%)	0.6	-	0.6
South Korea	0100	Mar Exports (YoY%)	-7.4	-	-11.1
	0100	Mar Imports (YoY%)	-5.3	-	-12.6
	0100	Mar Trade Balance (US\$mn)	4800	-	2964.0
	0130	Mar Nikkei Manufacturing PMI	47.5	-	47.2
<b>Tuesday 2 April</b>					
India	0600	Mar Nikkei Manufacturing PMI	53.8	-	54.3
South Korea	0000	Mar CPI (MoM/YoY%)	-0.7	-/-	0.4/0.5
<b>Wednesday 3 April</b>					
Hong Kong	0130	Mar Nikkei PMI	-	-	48.4
Singapore	1400	Mar PMI	50.6	-	50.4
Thailand	0300	Bank of Thailand's MPC Minutes			
<b>Thursday 4 April</b>					
India	0600	Mar Nikkei Services PMI	-	-	52.5
	0715	RBI Policy Decision (Repo Rate, %)	6	-	6.25
Malaysia	0500	Feb Exports (YoY%)	5	-	3.1
	0500	Feb Imports (YoY%)	3	-	1.0
	0500	Feb Trade Balance (RM bn)	10.7	-	11.5
<b>Friday 5 April</b>					
Malaysia	0800	Mar Forex Reserves (US\$bn)	-	-	102.6
Philippines	0200	Mar CPI (YoY%)	3.4	-	3.8
	-	Mar Forex Reserves (US\$bn)	-	-	82780.8

Source: Bloomberg, ING, \*GMT

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