

Our view on next week's key events

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In this bundle



Key Events

Key events in developed markets next week

Key US data next week could confirm whether expectations for aggressive interest rate cuts are justified while business surveys and inflation data from...

By James Knightley, James Smith and Carsten Brzeski



Key Events

Key events in EMEA and Latam next week

PMI surveys next week are likely to show that weakness in the eurozone and Germany is feeding through to sentiment in eastern Europe. But Hungary could...

By Muhammet Mercan, Peter Virovacz and Valentin Tataru



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

The current round of US-China trade talks may do little to cheer the markets next week in an otherwise busy period for economic data. The main highlight...

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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. |
|--------------------------|------|---|----------|--------|-----------|
| Monday 1 April | | | | | |
| 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 |
| Tuesday 2 April | | | | | |
| 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 |
| Wednesday 3 April | | | | | |
| 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 |
| Thursday 4 April | | | | | |
| 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 |
| Friday 5 April | | | | | |
| 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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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. |
|--------------------------|------|---|----------|--------|----------|
| Monday 1 April | | | | | |
| 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 |
| Tuesday 2 April | | | | | |
| 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 |
| Wednesday 3 April | | | | | |
| 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 |
| Friday 5 April | | | | | |
| 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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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. |
|--------------------------|-------|------------------------------------|------|--------|---------|
| Sunday 31 March | | | | | |
| China | 0200 | Mar Non-manufacturing PMI | 54.2 | 54.2 | 54.3 |
| | 0200 | Mar Manufacturing PMI | 49.5 | 49.6 | 49.2 |
| Monday 1 April | | | | | |
| 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 |
| Tuesday 2 April | | | | | |
| India | 0600 | Mar Nikkei Manufacturing PMI | 53.8 | - | 54.3 |
| South Korea | 0000 | Mar CPI (MoM/YoY%) | -0.7 | -/- | 0.4/0.5 |
| Wednesday 3 April | | | | | |
| Hong Kong | 0130 | Mar Nikkei PMI | - | - | 48.4 |
| Singapore | 1400 | Mar PMI | 50.6 | - | 50.4 |
| Thailand | 0300 | Bank of Thailand's MPC Minutes | | | |
| Thursday 4 April | | | | | |
| 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 |
| Friday 5 April | | | | | |
| 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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