



Week Ahead

7 – 13 March



Nordea Research, 06 March 2015

Next week's key events

- **US**

Next week will deliver a lot of second-tier data. Most important data release will be Thursday's retail sales data for February where we expect an overall rise of 0.6%. With the intense focus on inflation expectations, Friday's University of Michigan consumer survey should be monitored closely.

- **Euro area**

The ECB's QE will start on Monday 9th March – by coincidence exactly six years after the equity market rally started in 2009. Also on Monday, the Eurogroup will meet to discuss the next steps following the decision to extend the financial assistance to Greece. Data-wise it will be a calm week. We expect industrial production to have increased by 0.3% m/m in January. Recent indicators point towards GDP growth in Q1 that roughly matches the 0.3% q/q increase reported for Q4 2014. We currently pencil in 0.4.

- **China**

Next week is busy on Chinese data. After painting a grim picture for January, we expect most of the macro numbers to deliver better news for February. However, the Chinese New Year may still play a role.

- **Russia**

After 200 b.p. cut in January Russian Central Bank may keep key interest rates unchanged at the meeting on March 13. However the probability of key rate cut at the meeting is not zero given recent data showed sharp deceleration of weekly inflation.

- **Sweden**

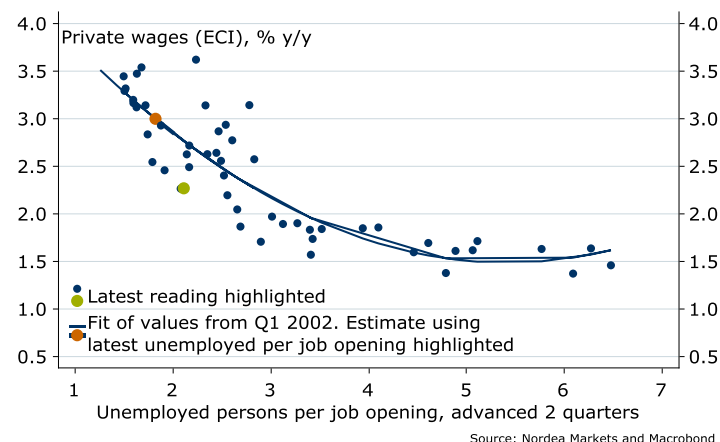
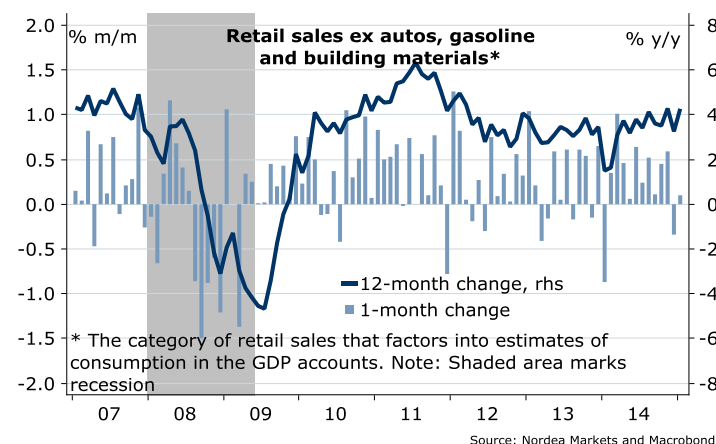
Finally! This week we'll have the inflation expectation survey from Prospera, probably the most single important statistics for the Riksbank. We expect the CPI to be up by 0.6% m/m in February. The CPIF should come in at 0.7% y/y.

- **Norway**

February core inflation is the last important figure to be released before Norges Bank finish its March interest rate forecast. We forecast February core inflation (Tue 10:00) at 2.4% unchanged from January.

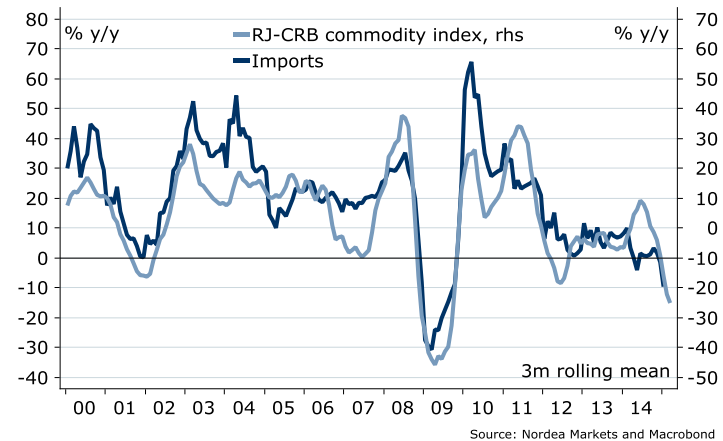
US: A lot of second-tier data delivered

- Next week's most important US data release will be Thursday's **retail sales** data for February. Our focus will as always be on the so-called control sales, which filters into GDP and excludes autos, gasoline and building materials. Following a surprisingly weak 0.1% rise in January we expect a 0.5% increase in control sales. Overall retail sales should rise 0.6%, supported by higher gasoline prices.
- On Tuesday the Job Opening and Labor Turnover Survey (**JOLTS**) will report on job openings, new hires, and separations including layoffs and quits – important parts of the Fed's labour market assessments. Last month the report showed the most job openings since 2001.
- In the **NFIB small business survey** on Tuesday we will especially focus on the net percentage of firms reporting an increase in labour compensation and the net share reporting few or no qualified applicants for job openings. Historically both indices have tended to be good leading indicators for wage growth.
- With the intense focus on **inflation expectations**, Friday's University of Michigan consumer survey should be monitored closely. In February 5-10Y inflation expectations slipped to 2.7% from January's 2.8%.



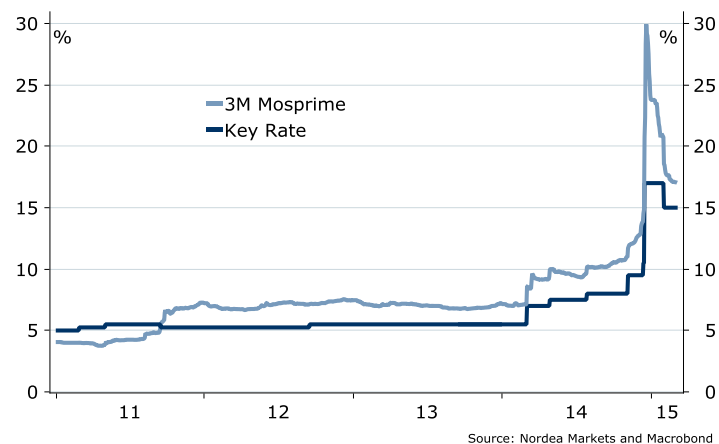
China: Correction in exports (Sun) & flat CPI (Tue)

- Next week is busy on Chinese data. After painting a grim picture for January, we expect most of the macro numbers to deliver better news for February. However, a pinch of salt should be taken as the Chinese New Year may still play a role.
- **Export and import** fell by 3.3% y/y and 19.9% in January, respectively. As we mentioned in the trade figure comment, it was mainly due to the Chinese New Year, which foreign trade numbers are very sensitive to. Trade balance usually spike around the New Year.
- As a correction, **export** growth is likely to rebound this month. Consensus expects +14.2% y/y. The expectation on **import** growth is less upbeat. As we show in the upper chart, the sharp decline in commodity prices have been the main reason behind the drop in imports. This trend is likely to continue for a few more months.
- Other interesting data include **CPI** inflation, which we expect to be 0.9%, almost unchanged from January. The current deflation fear in China may be overblown. According to our model, CPI inflation is likely to rebound sharply once the basis effect from the oil price drop has faded away. **PPI** inflation will remain negative due to pressure from overcapacity in heavy industry.



Russia: Central Bank's decision in focus (Fri)

- Russian Central Bank may keep key interest rates unchanged at the meeting next week after 200 b.p. cut in Jan. However the probability of key rate cut at March 13 CBR meeting is not zero.
- Inflation stays in double digits. In February inflation has reached 17% y/y, which is not the bottom. Inflation is expected to reach its peaks in April-May near 18% y/y due to postponed effect of weak rouble and food import ban.
- On the other hand the latest weekly inflation data showed deceleration of inflation, which may be a sign of wash-out of devaluation effect. Thus the probability of key rate cut at March 13 CBR meeting has increased.
- Recession in the economy weighs on the CBR. Moreover current level of the key rate does not reflect the expectations of lower inflation in H2 2015 and the need for monetary stimulus given the current recession.
- In sum, there is no doubt that the Central Bank will have to ease in 2015 and the coming meeting will reveal the regulator's intentions.



Sweden: All eyes on inflation expectations (Wed)

- Finally! This week we'll have the **inflation expectation survey** from Prospera, probably the most single important statistics for the Riksbank. In the latest outcome from this quarterly survey, inflation expectations on the 5-year horizon fell to its lowest level in 15 years. This obviously worried the Riksbank and was an important reason to the unconventional steps in February.
- Inflation expectations are highly correlated with actual inflation development, and the continued low inflation suggests continued low expectations. That said, the sharp drop in December seems to be a bit excessive, which suggests that price expectations will not fall further. (Wednesday)
- Inflation, February:** We expect the CPI to be up by 0.6% m/m in February. The CPIF should come in at 0.7% y/y according to our forecast, in line with the Riksbank's view. Read more [here](#) (Wednesday)



Forecasts for February, %	Nordea	Riksbank	Prior
CPI m/m	0.6		-1.1
CPI y/y	0.0	-0.1	-0.2
CPIF m/m	0.7		-1.0
CPIF y/y	0.7	0.7	0.6
CPI, index	312.62		310.75

Norway: Core inflation – the last input (Tue)

- February core inflation is the last important figure to be released before Norges Bank finish its March interest rate forecast.
- One could argue that the significant weakening of NOK toward the end of 2014 argues for inflation above the forecast made by Norges Bank early December. We believe it is too early to see any effect of this.
- We forecast February core inflation (Tue 10:00) at 2.4% unchanged from January
- That is 0.1% below Norges Bank's forecast , after inflation being 0.2% points above in January.
- With core inflation at 2.4% or 2.5% Norges Bank will conclude that inflation has been as expected
- Base effects on clothes and shoes argues for higher core inflation in February than January. But we believe the normal February rise in airfares were more moderate this year than last year
- Food prices could surprise . Prices are normally raised quite strongly in February – but the strength varies significantly

Strong m-o-m growth - as last year

M-o-m growth this month and same month last year. Contribution to change i y-o-y growth				
M-o-m	Weight	Feb(14)	Feb(15)	Contr.to ch.
Food and non-alcoholic bev.	0.14	1.3%	1.2%	-0.02 %
Alcoholic beverages and tobacco	0.04	0.9%	0.6%	-0.01 %
Clothing and footwear	0.05	0.2%	1.2%	0.05 %
Housing (incl. rents)	0.20	0.1%	0.1%	-0.01 %
Furnishings etc.	0.07	2.3%	1.6%	-0.03 %
Medical care	0.03	-0.1%	0.0%	0.00 %
Transport (include airfares)	0.14	1.8%	1.2%	-0.06 %
Communications	0.03	-0.1%	0.7%	0.02 %
Culture and recr. (incl books)	0.12	-0.5%	-0.3%	0.04 %
Education	0.01	0.0%	0.0%	0.00 %
Restaurants and hotels	0.06	0.3%	0.3%	0.00 %
Misc.goods and serv.	0.10	0.3%	0.3%	0.00 %
Total core inflation	1.00	0.6 %	0.6 %	-0.02 %

Calendar

Sunday, 08/03/2015				Nordea	Consensus	Actual	Previous
	CN	Exports (y/y)	Feb		13.8%		- 3.3%
	CN	Imports (y/y)	Feb		- 10.0%		- 19.9%
	CN	Trade balance (USD)	Feb		5.85bn		60.03bn
Monday, 09/03/2015				Nordea	Consensus	Actual	Previous
00:50	JP	GDP (q/q, final)	Q4		0.5%		0.6%
09:00	CZ	CPI (y/y)	Feb		- 0.1%		0.1%
09:30	SE	Business sector production (m/m)	Jan				0.0%
09:30	SE	Household consumption (m/m)	Jan				- 1.3%
09:30	SE	Household consumption (y/y)	Jan				1.8%
12:00	NO	Norges Bank announces auction of Treasury bonds					
18:05	US	Fed's Kocherlakota Speaks to Bankers in Minneapolis					
Tuesday, 10/03/2015				Nordea	Consensus	Actual	Previous
00:30	US	Fed's Fisher Speaks at Rice University on 10 Years at the Fed					
02:30	CN	CPI (y/y)	Feb	0.9%	1.0%		0.8%
08:45	FR	Industrial production (m/m)	Jan	- 0.5%			1.5%
09:00	DK	CPI (m/m)	Feb	0.5%			- 0.5%
09:00	DK	CPI (y/y)	Feb	- 0.2%			- 0.1%
09:00	DK	CPI, EU harmonized (m/m)	Feb				- 0.6%
09:00	DK	CPI, EU harmonized (y/y)	Feb				- 0.3%
09:00	GB	House prices, Halifax (m/m) (Exp 05 - 10 Mar)	Feb		- 0.2%		2.0%
10:00	NO	CPI (y/y)	Feb	2.1%			2.0%
10:00	NO	CPI, core (y/y)	Feb	2.4%			2.4%
14:00	NO	CPIX and other inflation indicators	Feb				2.4%
15:00	US	JOLTs job openings	Jan				5028
15:00	US	NFIB small business optimism index	Feb		99.0		97.9

Calendar

Wednesday, 11/03/2015					Nordea	Consensus	Actual	Previous
06:30	CN	Fixed asset inv. excl. rural YTD (y/y)	Feb			15.0%		
08:00	SE	Nordea's Economic Outlook is published						
08:00	SE	Prospera, inflation expectations survey						
08:00	SE	Unemployment, Swedish Public Employment Service	Feb					4.4%
09:30	SE	CPI (m/m)	Feb	0.6%				- 1.1%
09:30	SE	CPI (y/y)	Feb	0.0%				- 0.2%
09:30	SE	CPI Index	Feb	312.62				310.75
09:30	SE	CPIF (m/m)	Feb	0.7%				- 1.0%
09:30	SE	CPIF (y/y)	Feb	0.7%				0.6%
10:30	GB	Industrial production (y/y)	Jan					0.5%
10:30	GB	Manufacturing production (y/y)	Jan					2.4%
13:00	US	Mortgage applications, MBA	Mar					0.1%
Thursday, 12/03/2015					Nordea	Consensus	Actual	Previous
09:00	DK	Current account balance	Jan					12.0bn
09:00	DK	Trade balance, ex. ships (sa)	Jan					6.3bn
09:30	SE	Unemployment, labour force survey (AKU)	Feb	8.1%				8.4%
09:30	SE	Unemployment, labour force survey (AKU), sa	Feb	7.7%				7.8%
11:00	EU	Industrial production (sa, m/m)	Jan	0.3%	0.3%			0.0%
14:30	US	Import prices (m/m)	Feb		0.1%			- 2.8%
14:30	US	Import prices (y/y)	Feb					- 8.0%
14:30	US	Jobless claims, continuing	Feb					2421k
14:30	US	Jobless claims, initial	Mar					320k
14:30	US	Retail sales (m/m)	Feb	0.6%	0.5%			- 0.8%
14:30	US	Retail sales control group	Feb	0.5%	0.4%			0.1%
14:30	US	Retail sales, ex auto and gas (m/m)	Feb					0.2%
14:30	US	Retail sales, less autos (m/m)	Feb		0.6%			- 0.9%
16:00	US	Business inventories (m/m)	Jan		0.1%			0.1%
Friday, 13/03/2015					Nordea	Consensus	Actual	Previous
08:00	SE	House prices, Mäklarstatistik (y/y)	Feb					9%
11:30	RU	CBR Annouces Interest Rates (Key Rate)	Mar	15.00%				15.00%
12:00	RU	Trade balance (USD)	Jan					12.9bn
13:30	US	PPI final demand (m/m)	Feb		0.3%			- 0.8%
13:30	US	PPI final demand (y/y)	Feb					0.0%
13:30	US	PPI, core (m/m)	Feb		0.1%			- 0.1%
13:30	US	PPI, core (y/y)	Feb					1.6%
16:00	US	Consumer confidence, U. of Mich., 5- 10Y inflation (prelim.)	Mar					2.7%
16:00	US	Consumer confidence, University of Michigan (preliminary)	Mar		96			95.4

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