Week Ahead March 27-31st: Highlights include US PCE, China PMIs, EZ CPI, Aus CPI

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- **MON:** German Ifo Survey (Mar).
- **TUE:** NBH Policy Announcement, US Advanced Goods Trade Balance (Feb), US Richmond Fed (Mar).
- **WED:** CNB Policy Announcement, Australian CPI (Feb).
- **THU:** SARB Policy Announcement, CBRT Minutes, Banxico Policy Announcement, Spanish Flash CPI (Mar), EZ Business Climate (Mar), German Prelim CPI (Mar), US GDP (Q4) & PCE Prices (Q4).
- **FRI:** Japanese Tokyo CPI (Feb), Chinese Official PMIs (Feb), German Retail Sales (Feb), French Prelim. CPI (Feb), EZ Flash CPI (Mar), US PCE (Feb), Canada GDP (Jan), US University of Michigan Final (Mar).

NOTE: Previews are listed in day-order

AUSTRALIAN CPI (WED): The monthly CPI for February is expected to have cooled slightly to 7.2% from January's 7.4%, with the forecast range between 6.7-7.7%. Desks warn that the metric is volatile, as last month's release surprised to the downside with a 3.6% decline in clothing and footwear. Analysts at Westpac say the February survey will incorporate quarterly data for various sectors, such as restaurants, household services, motor vehicle services, urban transport fares, communication, and insurance, among others. Westpac's 7.4% annual forecast is based on a 0.8% increase for the month.

CBRT MEETING MINUTES (THU): The CBRT maintained its Weekly Repo Rate at 8.50%, as widely expected. The Bank noted stronger economic activity, but caveated with concerns of recession in developed economies. The CBRT said the earthquake impact on production, consumption, employment, and expectations are being assessed, but no permanent hit to the Turkish economy is anticipated from the natural disaster. The Bank reiterated that it will use all instruments decisively for price stability and to reach the 5% medium-term inflation target, whilst suggesting the transparent, predictable, and data-driven decision-making framework is to continue. The decision aligns with previous guidance that the benchmark rate was at an "adequate" level. Desks were divided on whether the Bank would pause or cut rates again, with six out of 18 economists forecasting another 50bps ease for this meeting. As elections approach in May, some analysts eye the April 27th meeting for the possibility of a pre-election cut to rates.

SARB ANNOUNCEMENT (THU): The Reserve Bank is expected to lift rates by 25bps to 7.50%, according to a Reuters poll; a minority of those surveyed are looking for an unchanged decision. Analysts will be looking to any commentary from the central bank that suggests its hiking cycle has concluded, given the prospects for cooling inflation ahead, combined with soft economic momentum. "We expect only a further 25bps rate hike in this cycle, and still-contained wage and services inflation support our long-standing view that aggressive tightening isn't required amid weak economic growth," Standard Bank said, adding that "if the ZAR remains weaker than we foresee, the inflation consequences and /or risks could impel the SARB to hike more aggressively than we currently see as necessary."

BANXICO ANNOUNCEMENT (THU): Banxico unanimously hiked by a consensus-topping 50bps in February, with its decision motivated by core inflation dynamics. But the central bank suggested that, with its monetary stance attained, it will likely hike by a lower magnitude at the March meeting as it sees inflation converging towards its target by Q4 2024. Accordingly, many are looking for a 25bps hike next week. Data released this week showed mid-month CPI rising 0.2% M/M, slightly short of the +0.3% that the street was looking for, while the headline rate of inflation slowed to 7.1% Y/Y from 7.5%. Pantheon Macroeconomics notes that inflation has continued to fall in Q1, and that is helping to improve the economic outlook. "The main threat now to economic activity is further Banxico policy tightening," Pantheon says, "we think any rate hike over the next few months is a mistake; we think policymakers have done enough to return inflation to the target," and adds that "moreover, we can't be sure that the threats to the global banking system are over."

JAPANESE TOKYO CPI (FRI): Core Tokyo CPI is expected to have eased to 3.1% from 3.3% amid stabilising energy prices and base effects. The release is seen as a leading indicator of the national metrics due a couple of weeks later. Desks highlight that Japan's headline CPI in February fell largely due to the implementation of government energy subsidies. Food prices saw a minor uptick, with non-fresh food contributing most to the increase. The above-forecast rise in the "super-Core" CPI (excluding fresh food and energy) was driven by higher import costs, accelerating consumer goods prices, and faster inflation in clothing, footwear, and medical supplies. Analysts at Pantheon Macroeconomics, following the February National release, suggested the BoJ's upcoming meeting on April 28th (led by new governor Kazoo Ueda) is expected to maintain easy policy settings given the international banking fears. Pantheon thinks Ueda is likely to maintain that Japan's economy requires easy monetary policy throughout the year, while exploring options to adjust the yield curve control policy for sustainability.

CHINESE NBS PMI (FRI): The Manufacturing PMI for March is seen ticking lower to 50.5 from 52.6 in February, with no expectations for the Non-Manufacturing and Composite metrics at the time of writing. In February, the PMIs overall surprised markets to the upside, with the services figure suggesting a strong consumption recovery during the Chinese New Year holidays, driven by the economic reopening. However, ING cautioned that the sustainability of this rebound is uncertain, with more muted consumption activity expected in February before a gradual increase in March. The services industry is predicted to outperform manufacturing in 2023, the desk said. For this month, ING anticipates a M/M decline in export orders, but an increase in domestic orders within the manufacturing PMI, attributing this to a slowdown in demand from external markets. The non-manufacturing PMI is also expected to post slower growth, reflecting that the Chinese economic recovery has been gradual in pace.

EZ FLASH CPI (FRI): Expectations are for headline HICP to fall to 7.3% Y/Y in March from 8.5% in February, with the super-core metric expected to advance to 5.7% Y/Y from 5.6%. The prior report saw a modest downtick in the headline rate, while the super-core reading unexpectedly rose, which analysts attributed to unfavourable base effects. For the upcoming release, Credit Agricole expects a strong decline in headline inflation to 6.8% Y/Y, in line with huge negative base effects for energy, one year after the outbreak of the Ukraine war, adding that the decline in energy inflation to 0.4% in March from 13.7% in February would explain 155bp of the 172bp slowdown in headline inflation Y/Y. However, the bank cautions that it expects food and core inflation to be stickier, with the former slowing only very slightly to 5.5%. Beyond the upcoming release, the Credit Agricole expects that headline inflation should continue to fade, but will be very bumpy on account of base effects, policy measures and their withdrawals. From a policy perspective, the upcoming release will be the first of two inflation reports due before the May 4th ECB meeting, and therefore will not have the 'final' say in cementing expectations for the event. As it stands, market pricing is essentially 50-50 on whether the ECB will stand pat on rates or opt for a +25bps increase. However, it is worth noting that this piece has been produced during a bout of notable banking turmoil in the Eurozone and therefore, markets are likely more dovishly priced than they would be if this phase of selling pressure abates.

US PCE, PERSONAL INCOME AND SPENDING (FRI): Core PCE is expected to rise 0.4% M/M in February, cooling vs the +0.6% in January; the annual rate of core PCE is seen moderating to 4.3% Y/Y from 4.7%. Credit Suisse notes that "goods prices continue to be the key driver of disinflation, with shelter and other services remaining stubbornly strong," adding that "monthly headline inflation should be similar to core, but the annual measure should drop to 5.1% Y/Y owing to an easy base effect." Meanwhile, US Personal Income is expected to rise 0.3% M/M in February, cooling vs the +0.6% M/M in January; Personal Spending is also seen rising 0.3% M/M, which would be cooler than the +1.8% prior - that January reading was supported by a one-off rise in social security payments; CS says it does not expect a mean-reversion lower, although in the months ahead, growth will likely stagnate. "Personal spending likely stabilised – a positive outcome after extreme strength last month," the bank writes, "there are also likely to be some upward revisions to January consumer spending, further solidifying the outlook for Q1 GDP growth."