

Key events in developed markets next week

Omicron will dominate next week's developed markets economic news. Although the new variant may overshadow some data points, our base case suggests that it is unlikely to weigh significantly on growth



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US: New variant is just a scare

Newsflow surrounding Omicron will be the key market influence next week. Our base case is that this is more of a scare rather than a prelude to more severe economic restrictions that would derail the growth story. Nonetheless, at least in the near-term, the risks are skewed to the downside for economic activity given the potential for some consumer caution.

The most important data point will be November consumer price inflation. Rising gasoline, housing and second hand car prices will be the big movers, but growing evidence of rising corporate pricing power is also likely to be evident in the form of broad based 0.3%+ month-on-month readings for most components. This is likely to leave annual rates close to 7% for headline inflation with the potential for core inflation to beak above 5%. If this is the case and the scientific evidence on Omicron suggests it is a manageable threat, then the expectations of an acceleration in the Federal Reserve's QE tapering at the December FOMC meeting will grow.

We will also get the JOLTS data on job openings and resignations. This will likely show that the jobs market remains very tight with the proportion of people quitting their jobs to move to a new employer hitting new record highs. In turn, this will highlight the challenge for companies in terms of recruitment and retention of staff, which is both inflationary, through contributing to rising wage pressures, while also constraining growth as businesses are less able to meet strong demand.

Canada: Strong economy and rate path will remain unaltered

No policy changes are expected at the Bank of Canada policy meeting after policymakers decided to end QE in October and brought forward guidance for the timing of the first rate hike to mid-2022. The economy is growing strongly and inflation will soon breach 5%. At the same time, Canada has been far more successful at job creation than the US with employment already above pre-Covid levels. Given less spare capacity than most other economies, we immediately shifted to forecasting four 25bp rate hikes in 2022 after the October announcements, with one hike per quarter. We are reluctant to make any changes to this view right now given the uncertainty over Omicron, but the obvious risk is that the BoC ends up delaying the first hike until 2Q should consumer caution kick in on Covid anxiety. The BoC is also mulling changing its inflation target that could be more explicit about tolerating inflation overshoots in a move that would follow the US. However, the BoC already has a framework that is well understood and already contains flexibility so there seems little need for any radical changes.

UK: Omicron to overshadow decent UK data for the Bank of England's December decision

A decent month for UK retail and an ongoing gradual return to offices probably translated into a reasonable GDP growth rate in October. In general, UK data is giving the Bank of England the green light to go ahead with its much-discussed first rate rise. But with Omicron uncertainty unlikely to clear up entirely by the time of the Bank's December meeting, we suspect policymakers will decide to wait until the new year before doing anything. November's meeting showed that the committee as a whole is comfortable with waiting for new data, and clarity can be expected before the next meeting. Barring an Omicron disaster, we suspect policymakers will hike rates in February.

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|---|----------|--------|-----------|
| Monday 6 December | | | | | |
| Germany | 0700 | Oct Industrial Orders (MoM%) | 2.0 | | 1.3 |
| Tuesday 7 December | | | | | |
| US | 1330 | Oct International Trade \$ | -65.5 | -66.8 | -80.9 |
| | 2000 | Oct Consumer Credit | 27.5 | | 29.91 |
| Germany | 0700 | Oct Industrial Output (MoM%/YoY%) | 3,0/-2,0 | | -1.1/-0.9 |
| France | 0745 | Oct Trade Balance | - | | -6.8 |
| Canada | 1330 | Oct Trade Balance C\$ | - | | 1.9 |
| Switzerland | 0645 | Nov Unemployment Rate Adjusted | - | | 2.7 |
| Netherlands | 0530 | Nov CPI (MoM%/YoY%) | 0.4/4.6 | | 1.3/3.4 |
| Eurozone | 1000 | Q3 Employment Final (QoQ&/YoY%) | 0.9/2.0 | | 0.9/2.0 |
| | 1000 | Q3 GDP Revised (QoQ%/YoY%) | 2.2/3.7 | | 2.2/3.7 |
| Wednesday 8 December | | | | | |
| US | 1500 | Oct JOLTS job openings (mn) | 10.6 | - | 10.4 |
| Canada | 1500 | BoC Rate Decision | 0.25 | | 0.25 |
| Thursday 9 December | | | | | |
| Germany | 0700 | Oct Exports | 2,0 | | -0.7 |
| | 0700 | Oct Imports | 1,0 | | 0.1 |
| | 0700 | Oct Trade Balance | 17 | | 13.2 |
| Norway | 0700 | Oct GDP Month Mainland | - | | 0.6 |
| US | 1330 | Initial Jobless Claims | 225 | - | 222 |
| | 1330 | Cont Jobless Claims | 1920 | - | 1956 |
| Friday 10 December | | | | | |
| US | 1330 | Nov Core CPI (MoM%/YoY%) | 0.5/4.9 | 0.5/- | 0.6/4.6 |
| | 1330 | Nov CPI (MoM%/YoY%) | 0.6/6.7 | 0.7/- | 0.9/6.2 |
| | 1500 | Dec University of Michigan Sentiment | 66 | 68.5 | 67.4 |
| | 1500 | Dec University of Michigan Conditions | 73.2 | | 73.6 |
| | 1500 | Dec University of Michigan Expectations | 62 | | 63.5 |
| Germany | 0700 | Nov CPI Final (MoM%/YoY%) | -0,2/5,2 | | -0.2/5.2 |
| UK | 0700 | Oct GDP Estimate (MoM%) | 0.4 | | 0.6 |
| Italy | 0900 | Oct Industrial Output (MoM%/YoY%) | -/- | | 0.1/4.4 |
| Norway | 0700 | Nov CPI (MoM%/YoY%) | -/- | | -0.3/3.5 |

Source: Refinitiv, ING, *GMT

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