

Key events in developed markets next week

High inflation figures will sweep across developed markets, whilst some of the dovish central banks such as the Riksbank are giving hawkish signals. Also next week, UK GDP data will reflect the dampening effect of Omicron



Sweden's central bank is expected to follow the crowd and signal an earlier rate rise

Record US inflation figures expected

In the US, the focus will be consumer price inflation and it is likely to see the headline rate hit 7.3% year-on-year, the highest rate since February 1982. The core rate, which excludes the volatile food and energy components, is expected to hit 5.9%. It was last up here in October 1982. Inflation pressures are broad-based given robust demand in an environment of significant capacity constraints in both the goods and the services sectors of the economy.

We can't rule it out going higher in the near term given extreme worker shortages caused by the Omicron variant leading to so many employee absences. This is going to keep the pressure on the Federal Reserve to hike rates in March despite high frequency economic data pointing to the clear risk that the economy will contract in the first quarter of this year. Underlying fundamentals are strong though, as highlighted by the fact that there are 1.7 job vacancies for every unemployed person in the US today. With Omicron case numbers falling in several states, we are hopeful of a

substantial rebound in activity from the second quarter that will help pave the way for five Fed rate hikes this year.

UK GDP set for December decline on Omicron hit

There's little doubt that December's monthly gross domestic product (GDP) data, due next week, will have taken a hit due to Omicron. We expect roughly a half a percentage point fall in activity, with noticeable hits across consumer services and transport offset partly by even higher health output (linked to the booster vaccine push and increased testing). That will probably take GDP in monthly terms a touch back below pre-virus levels. And indeed it's worth remembering that without all the extra health spending during the pandemic, output would be more than 1% lower. Overall, the fourth quarter is likely to see output growth in the region of 1.1%.

Still, we'd expect the economy to regain its lost ground fairly quickly through the first quarter. Data since Christmas appears to show consumers more willing to visit hospitality again, while staff absence rates should be falling alongside Covid-19 cases in adults.

Riksbank to follow the crowd and signal earlier rate rise

With the European Central Bank slowly building up towards a rate rise (albeit more gradually and later than the Fed), Sweden's Riksbank may be the latest central bank to signal an earlier start to tightening. The first step is likely to involve starting quantitative tightening, which the bank has signalled is likely to come before the first rate rise. But the global inflation narrative could also prompt the Riksbank to bring forward the date of its first projected rate hike into 2023. We'll get new forecasts at its meeting next week. We think in practice the first repo rate hike could come in early 2023.

Developed Markets Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 7 February				
US	2000 Dec Consumer Credit	18.0	20.0	40.0
Germany	0700 Dec Industrial Output (MoM%/YoY%)	0.0/-2.5		-0.2/-2.3
France	0745 Jan Reserve Assets Total	-		223787
Switzerland	0645 Jan Unemployment Rate Adjusted	-		2.4
Tuesday 8 February				
US	1330 Dec International Trade \$	-83.5	-82.9	-80.2
France	0745 Dec Trade Balance	-		-9.7
Canada	1330 Dec Trade Balance C\$	-		3.1
Wednesday 9 February				
Germany	0700 Dec Exports	-0.5		1.7
	0700 Dec Imports	-0.9		3.3
	0700 Dec Trade Balance	-		10.9
Italy	0900 Dec Industrial Output (MoM%/YoY%)	-0.6/-		1.9/6.3
Thursday 10 February				
US	1330 Jan Core CPI (MoM%/YoY%)	0.4/5.9	0.5/5.9	0.6/5.5
	1330 Jan CPI (MoM%/YoY%)	0.4/7.3	0.4/7.2	0.5/7
	1330 Initial Jobless Claims	225	245	260
	1330 Cont Jobless Claims	1.60	1.62	1.68
Norway	0700 Jan CPI (MoM%/YoY%)	-/-		0.7/5.3
	0700 Jan Core Inflation (MoM%/YoY%)	-/-		0.4/1.8
Sweden	0830 Riksbank Rate	0.0		0.0
Netherlands	0530 Jan CPI (MoM%/YoY%)	-0.6/5.3		5.7
	0530 Dec Manufacturing Output (MoM%)	-		0.6
Greece	1000 Dec Industrial Output (YoY%)	-		8.0
Friday 11 February				
US	1500 Feb University of Michigan Sentiment Prelim	67.5	67.6	67.2
	1500 Feb University of Michigan Conditions Prelim	72.5		72.0
	1500 Feb University of Michigan Expectations Prelim	64		64.1
Germany	0700 Jan CPI Final (MoM%/YoY%)	0.4/4.9		0.4/4.9
UK	0700 Dec GDP Estimate (MoM%)	-0.6		0.9
	0700 4Q GDP Estimate (QoQ%)	1.1		1.1
Switzerland	0730 Jan CPI (MoM%/YoY%)	-/-		-0.1/1.5

Source: Refinitiv, ING, *GMT

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