

Key events in developed markets next week

GDP readings from November will show a pickup in growth across developed markets, however, the extent of damage caused by Omicron is yet to be considered. Persistently high inflation figures will push central banks such as the Federal Reserve to raise rates faster



Source: Shutterstock

US: Federal Reserve to normalise rate hikes with a more hawkish stance

The recent minutes to the Federal Reserve's December FOMC meeting showed that officials really want to get the ball rolling on normalising monetary policy. They effectively admitted they got the inflation call wrong and now also recognise that the labour market is in a much tighter position than they had previously thought. Consequently, having suggested just nine months ago that it would be 2024 at the earliest before the first interest rate rise, they are now saying they are likely to hike rates three times this year and three times next!

The Omicron wave is obviously a concern, but the economy appears strong and inflation pressures are intense. Next week's numbers are set to show headline CPI breaking above 7% year-on-year-fast approaching a 40-year high – with the core rate rising well above 5% YoY. This will only intensify the pressure on the Fed to start hiking rates. Retail sales may be close to flat with falling auto sales dragging the headline number lower. However, this is supply related – due to a lack of

cars to purchase – rather than weakness in demand. Moreover, industrial production should remain healthy.

The market is increasingly moving in the direction of a March interest rate hike. For now, we still favour May due to the lack of visibility provided by Omicron, but the risks are undoubtedly skewed towards earlier, swifter action from the Federal Reserve.

UK GDP set to dip after a decent November performance

We expect a reasonable growth number for November, reflecting a decent month for UK retail and a bounceback in hospitality after a weak October. The vaccine push is also doing some of the work, and it's worth remembering that health/social care growth has done a lot of the heavy lifting to get monthly GDP back to within a whisker of its pre-virus level. Of course all of this pre-dates Omicron, and December and January are likely to record negative growth readings – albeit perhaps only in tenths of a percent, and much less dramatic than the same time last year. Social spending slipped before Christmas, while worker shortages are causing firms real problems given sky-high Omicron prevalence.

Importantly, at least as far as the Bank of England outlook is concerned, we don't expect these effects to be long-lasting. With headline inflation rates set to peak higher than previously expected – and given the Bank's well publicised nervousness about what this may imply for inflation expectations – we think a February rate hike [is close to a 50:50 call](#). For now though, we narrowly think policymakers will wait until May to gather a little more clarity on Omicron's economic damage.

Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 10 January				
Norway	0700	Dec CPI (YoY%)	4.6	5.1
Netherlands	0530	Nov Manufacturing Output (MoM%)	-	1.1
Euro Zone	1000	Nov Unemployment Rate	-	7.3
Tuesday 11 January				
UK	0700	Nov GDP Estimate (MoM/YoY%)	0.4/7.3	0.1/4.6
Netherlands	0530	Dec CPI (MoM%/YoY%)	1.2/6.2	0.9/5.2
Wednesday 12 January				
US	1330	Dec Core CPI (MoM%/YoY%)	-/-	0.5/- 0.5/4.9
	1330	Dec CPI (MoM%/YoY%)	-/-	0.4/- 0.8/6.8
Norway	0700	Nov GDP Month Mainland	0.4	0.0
Euro Zone	1000	Nov Industrial Production (MoM%/YoY%)	-	1.1/3.3
Thursday 13 January				
US	1330	Initial Jobless Claims	215	213 207
	1330	Cont Jobless Claims	1760	1754.0
Italy	0900	Nov Industrial Output (MoM%/YoY%)	-/-	-0.6/2
Netherlands	0530	Nov Trade Balance	-	4.039
Friday 14 January				
US	1330	Dec Retail Sales (MoM%/YoY%)	0.0	-0.1 0.3/18.2
	1415	Dec Industrial Production (MoM%/YoY%)	0.3	0.3 0.5/5.27
	1500	Jan University of Michigan Sentiment	69.0	70.0 70.6
	1500	Jan University of Michigan Conditions	74.0	74.2
	1500	Jan University of Michigan Expectations	66.5	68.3
France	0745	Dec CPI (MoM%/YoY%)	-	0.2/2.8
Spain	0800	Dec CPI (MoM%/YoY%)	-/-	1.3/6.7
Sweden	0830	Dec CPIF (MoM%/YoY%)	1.0/3.9	0.5/3.6
Euro Zone	1000	Nov Total Trade Balance	-	2.4

Source: Refinitiv, ING, *GMT

Authors

James Knightley

Chief International Economist

james.knightley@ing.com

James Smith

Developed Markets Economist

james.smith@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.