

Key events in developed markets next week

Omicron will continue to dominate the news next week but central banks across developed markets will take different approaches to deal with the new variant. The Fed has overlooked the uncertainty and is likely to indicate an early rate hike, whereas the Bank of England is holding off on any immediate action



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US: Fed to indicate earlier hikes and tapering

The US calendar sees the Federal Reserve FOMC meeting, retail sales and industrial production. Fed Chair Jerome Powell has telegraphed the “retirement” of the “transitory” description of inflation and raised the prospect of a swifter conclusion of QE. With no opposition raised by other Fed officials despite the uncertainty presented by the emergence of the Omicron variant, next week’s meeting look set to see the Fed announce an acceleration in QE tapering. We expect a \$30bn reduction for January (to \$60bn of purchases) and a further \$30bn reduction in February with no further purchases in March onwards.

As for interest rates the Fed is likely to also indicate earlier action. As recently as March the FOMC dot plot of individual member forecasts suggested that interest rates were unlikely to increase until 2024. The June update moved this to 2023 and then in September the median expectation was for a 2022 move. Next week’s update from the Fed is set to show them shifting to a two-hike

view for next year.

Retail sales are set to post another decent outcome thanks to rising incomes and wealth providing a strong underpinning for spending while industrial production should also grow strongly since the manufacturing surveys have all been pointing to robust activity. Consequently, 4Q GDP growth is still likely to come in around 6% annualised even if the Omicron variant triggers some consumer caution in December.

✔ Bank of England to hold off on rate rise amid Omicron uncertainty

With the situation surrounding Omicron still highly uncertain, it looks more likely than not that the Bank of England will keep rates on hold again next week. But assuming the new variant doesn't deliver a sharply hindered growth outlook, we think policymakers will increase rates in February. Bank officials have continued to voice concerns about inflation, and if anything Omicron could exacerbate this further via the impact on the supply chain recovery. A lot depends on the hit to January GDP – and if we see further restrictions come in, we could see the Bank delay yet further into 2022. Still, the direction of travel for the BoE is fairly clear. We expect two rate rises next year.

✔ Norges Bank to hike rates for the second time

Back in November, policymakers in Norway formally confirmed a December rate hike was highly likely. Omicron probably doesn't move the needle enough yet to see Norges Bank change its plans, not least because oil prices remain well supported. We'll get an updated interest rate projection chart next week too, and that's likely to point towards three further rate rises in 2022.

✔ Eurozone: PMIs to shed light on Omicron impact

Some signs of life from German industrial production in October will no doubt help the eurozone figure as well, but broad concerns about input shortages and transportation problems remain. So, while October might look reasonable, it doesn't look like the sideways trend from recent months will end soon. More important perhaps is the December PMI, which will shed light on the impact of the 4th wave of the coronavirus on the economy. With some countries having introduced new restrictive measures, this is the one to look out for.

✔ ECB on course to end PEPP despite Omicron

The fourth wave of the pandemic and the new Omicron variant have complicated the European Central Bank's already not so easy life in the run-up to what is supposed to be a big bang meeting next Thursday. [Read our full preview here](#)

Developed Markets Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|------------------------------|------|---------------------------------------|---------|--------|----------|
| Tuesday 14 December | | | | | |
| UK | 0700 | Oct ILO Unemployment Rate | 4.2 | | 4.3 |
| | 0700 | Oct Employment Change | 230 | | 247 |
| Sweden | 0500 | Nov Reg Unemployment Rate | - | | 7.3 |
| | 0830 | Nov CPIF (MoM%/YoY%) | -/- | | 0.2/3.1 |
| Portugal | 1100 | Nov CPI (MoM%/YoY%) | -/- | | 0.5/2.6 |
| Eurozone | 1000 | Oct Industrial Production (MoM%/YoY%) | 1.9/3.6 | | -0.2/5.2 |
| Wednesday 15 December | | | | | |
| US | 1330 | Nov Retail Sales (MoM%/YoY%) | 0.8 | 1.2/- | 1.7/16.3 |
| | 1900 | Fed Funds Target Rate | 0.125 | | 0.125 |
| France | 0745 | Nov CPI (MoM%/YoY%) | - | | 0.4/2.8 |
| UK | 0700 | Nov CPI (MoM%/YoY%) | 0.3/4.7 | | 1.1/4.2 |
| Spain | 0800 | Nov CPI (MoM%/YoY%) | -/- | | 0.4/5.6 |
| Canada | 1330 | Nov CPI Inflation (MoM%/YoY%) | -/- | | 0.7/4.7 |
| | 1330 | Nov CPI Core (MoM%/YoY%) | - | | 0.6/3.8 |
| Greece | 1000 | Oct Unemployment Rate | - | | 13 |
| Thursday 16 December | | | | | |
| US | 1330 | Initial Jobless Claims | - | | - |
| | 1330 | Cont Jobless Claims | - | | - |
| US | 1415 | Nov Industrial Production (MoM%/YoY%) | 0.7/- | 0.7/- | 1.6/5.1 |
| | 1445 | Dec Markit Composite Flash PMI | - | | 57.2 |
| | 1445 | Dec Markit Manufacturing PMI Flash | - | | 58.3 |
| | 1445 | Dec Markit Services PMI Flash | - | | 58 |
| Germany | 0830 | Dec Markit Manufacturing Flash PMI | 56.2 | | 57.4 |
| | 0830 | Dec Markit Service Flash PMI | 51 | | 52.7 |
| | 0830 | Dec Markit Composite Flash PMI | 52 | | 52.2 |
| France | 0815 | Dec Markit Composite Flash PMI | - | | 56.1 |
| UK | 0930 | Dec Flash Composite PMI | 57.1 | | 57.6 |
| | 0930 | Dec Flash Manufacturing PMI | 57.8 | | 58.1 |
| | 0930 | Dec Flash Services PMI | 57 | | 58.5 |
| | 1200 | Dec BOE Bank Rate | 0.1 | | 0.1 |
| | 1200 | Dec Asset Purchase Prog | 895 | | 895 |
| Norway | 0900 | Key Policy Rate | 0.5 | | 0.25 |
| Switzerland | 0830 | Q4 SNB Policy Rate | - | | -0.75 |
| Eurozone | 0900 | Dec Markit Manufacturing Flash PMI | 58.1 | | 58.4 |
| | 0900 | Dec Markit Services Flash PMI | 53.2 | | 55.9 |
| | 0900 | Dec Markit Composite Flash PMI | 53.9 | | 55.4 |
| | 1245 | ECB Main Refinancing Rate | 0.00 | | 0.00 |
| | 1245 | ECB Marginal Lending Rate | 0.25 | | 0.25 |
| | 1245 | ECB Deposit Rate | -0.50 | | -0.50 |
| Friday 17 December | | | | | |
| Eurozone | 1000 | Nov CPI (YoY%) | 4.9 | | 4.9 |
| Germany | - | Ifo Headline | 94.5 | 93.5 | 96.8 |

Source: Refinitiv, ING, *GMT

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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