

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

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