

## Key events in developed markets next week

Both the Federal Reserve and the Bank of England are on course for further rate hikes, whilst key GDP and CPI releases across developed markets dominate next week's economic calendar



We expect a decent bounce-back in UK retail sales after December's fairly shocking decline

### US: Markets continue to price in more rate hikes

Financial markets are now fully pricing in six rate hikes from the Federal Reserve following the very strong jobs data for January and the fact inflation is at a 40-year high. Fed funds futures contracts imply a better than evens chance of a 50bp hike, with St Louis Fed President James Bullard seemingly on board. Other officials are more cautious though. What can interest rate increases do when inflation is primarily the result of labour market shortages, supply chain strains and production bottlenecks? However, taking some of the strength out of the economy can allow a better demand-supply balance. We will be closely following the Fed commentary over the coming weeks to see how balance of thought is shifting within the Federal Open Market Committee.

Of course, the data could yet have an influence. The highlights next week will be retail sales and industrial production. Retail sales have been soft in recent months, but auto sales jumped in January and should ensure a decent overall gain. However, outside of this component sales growth is likely to be softer given that the Omicron variant clearly had a detrimental impact on

consumer behaviour with a notable drop-off in restaurant dining, air passenger numbers, and mobility in areas of retail and recreation. Should sales come in softer than hoped it could reignite fears of a potential flat to even negative 1Q GDP reading. Industrial production should be OK, with the cold January set to boost utility output as people tried to heat their homes. The ISM survey also points to ongoing growth.

## **Busy UK data week to keep Bank of England on course for more rate hikes**

The Bank of England appears on track to hike interest rates at both the March and May meetings, and there's not much in next week's data calendar that's likely to alter that timeline.

We expect another notch lower in the unemployment rate, which now sits virtually where it was pre-virus – albeit beneath the surface employment is still some way below, while the number of working-age people who have left the labour market has risen. Elsewhere, the consensus for UK inflation looks a touch high, and in fact we expect headline CPI to tick slightly lower. However, this is only a temporary blip. Inflation is set to peak close to 7% in April when the electricity price hike comes through.

Finally, we expect a decent bounce-back in retail sales after December's fairly shocking decline. At the time that appeared to be partly the consequence of people shifting Christmas shopping into October and November relative to past years. Still, the outlook for retail looks difficult this year amid the rising cost of living and an ongoing rotation away from goods spending towards services.

## **Developed Markets Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 14 February</b>					
Italy	0900	Dec Global Trade Balance	-		4.16
<b>Tuesday 15 February</b>					
UK	0700	Dec ILO Unemployment Rate	4.0		4.1
	0700	Dec Employment Change	35		60.0
Spain	0800	Jan CPI (MoM%/YoY%)	-/-		-0.5/6
Netherlands	0830	Q4 GDP Flash (QoQ%/YoY%)	-/-		2.1/5.2
	0830	Dec Trade Balance	-		4.6
Greece	1000	Jan CPI (YoY%)	-		5.1
Eurozone	1000	Dec Total Trade Balance SA	-		-1.3
	1000	Q4 GDP Flash (QoQ%/YoY%)	0.3/4.6	0.3/4.6	0.3/4.6
	1100	Jan Reserve Assets Total	-		1057
<b>Wednesday 16 February</b>					
US	1330	Jan Retail Sales (MoM%/YoY%)	1.5	1.7/-	-1.9/16.9
	1415	Jan Industrial Production (MoM%/YoY%)	0.4	0.4/-	-0.1/3.7
UK	0700	Jan CPI (MoM%/YoY%)	-0.2/5.3		0.5/5.4
Canada	1330	Jan CPI Inflation (MoM%/YoY%)	0.4/4.6		-0.1/4.8
	1330	Jan CPI BoC Core (MoM%/YoY%)	-		0.0/4.0
Norway	0700	Q4 GDP Growth Mainland	1.2		2.6
Eurozone	1000	Dec Industrial Production (MoM%/YoY%)	0.0/-2.2		2.3/-1.5
<b>Thursday 17 February</b>					
US	1330	Initial Jobless Claims	215		223
	1330	Cont Jobless Claims	1590		1621
<b>Friday 18 February</b>					
France	0745	Jan CPI (MoM%/YoY%)	-		0.3/2.9
UK	0700	Jan Retail Sales (MoM%/YoY%)	1.7/9.9		-3.7/-0.9
Canada	1330	Dec Retail Sales (MoM%)	0.1		0.7
Sweden	0830	Jan CPI (MoM%/YoY%)	-/-		1.3/4.1
Eurozone	0900	Dec Current Account SA, EUR	-		23.6
	1500	Feb Consumer Confidence Flash	-8.0		-8.5

Source: Refinitiv, ING, \*GMT

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