

## Key events in developed markets next week

In the US, the view is that Omicron is manageable, and the Federal Reserve will remain on its policy path for now. However, in the UK, the surge in cases has thrown rate hike decisions into the air



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### **US: Omicron and inflation seem under control as we approach 2022**

The US economy has performed admirably in 2021, recovering all of the lost output due to the pandemic with employment less than four million shy of the pre-pandemic level. Inflation is a concern though and the Federal Reserve is now indicating it is going to be taking action with the prospect of three interest rate hikes next year despite ongoing uncertainty about the path of Covid. The last couple of weeks of 2021 will see the release of durable goods orders, which are rebounding impressively. The core figure, which strips out volatile defence and aircraft orders, points to a very positive outlook for capital expenditure in the first half of 2022 while robust personal income numbers should allow consumers to continue spending aggressively. Other data includes regional manufacturing figures, which should continue to highlight the strength of demand though production bottlenecks remain an issue, meaning that prices should continue to grind higher (although there is evidence that some of the heat is coming out of the housing market). All in, we remain of the view that the threat from Omicron is manageable and that the economy will expand by around 4.5% next year with inflation likely to average something similar.

The odds are growing that our call for two Fed rate hikes in 2022 will be increased to three.

## ✓ UK: Omicron turbulence reduces chances of second BoE hike in February

The extremely rapid spread of Omicron in the UK looks set to hit social spending and worker availability over the festive period. Further restrictions of some form look increasingly likely, though perhaps not until after Christmas itself. One of the main remaining questions for the economy is how the Treasury will respond. Even in the absence of renewed lockdowns, consumer services businesses are set to see revenues fall, perhaps steeply, into the festive period. For the time being, the Treasury is focusing on existing support measures, though a return of the furlough scheme in some form shouldn't be ruled out.

Modelling the impact of all of this on GDP numbers is tricky, but as a rule of thumb a return of some modest restrictions – school holidays extended, hospitality constrained etc – would probably shave 1-1.5% off January GDP. A full lockdown perhaps would increase the hit to around 5%.

All of this will help determine whether the Bank of England hikes for a second time in February. Policymakers are clearly worried about inflation, and they are probably right to say that Omicron is unlikely to materially change the outlook in 12-18 months. But the current direction of Omicron and the ensuing turbulence suggests policymakers might hold fire in February, and instead wait until March or May before hiking again. In total we're looking for two rate rises next year.

## Developed Markets Economic Calendar

| Country                      | Time Data/event                                 | ING Survey |         | Prev.    |
|------------------------------|---|------------|---------|----------|
| <b>Tuesday 21 December</b>   |   |            |         |          |
| US                           | 1330 Q3 Current Account                         | -200       | -203    | -190.3   |
| Germany                      | 0700 Jan GfK Consumer Sentiment                 | -          |         | -1.6     |
| Canada                       | 1330 Oct Retail Sales (MoM%)                    | 0.8        |         | -0.6     |
| Euro Zone                    | 1500 Dec Consumer Confidence Flash              | -          |         | -6.8     |
| <b>Wednesday 22 December</b> |   |            |         |          |
| US                           | 1330 Q3 GDP Final                               | 2.1        | 2.1     | 2.1      |
|                              | 1500 Dec Consumer Confidence                    | 111        | 112.0   | 109.5    |
| UK                           | 0700 Q3 GDP (QoQ%/YoY%)                         | 1.3/6.6    |         | 1.3/6.6  |
|                              | 0930 Q3 Current Account GBP                     | -          |         | -8.6     |
| Sweden                       | 0830 Nov Retail Sales (MoM%/YoY%)               | -/-        |         | 0.4/5.2  |
| Portugal                     | - Oct Current Account Balance                   | -          |         | -1.722   |
| <b>Thursday 23 December</b>  |   |            |         |          |
| US                           | 1330 Nov Personal Income (MoM%)                 | 0.4        | 0.4     | 0.5      |
|                              | 1330 Nov Personal Consump Real (MoM%)           | 0.2        |         | 0.7      |
|                              | 1330 Nov Consumption, Adjusted (MoM%)           | 0.6        | 0.5     | 1.3      |
|                              | 1330 Nov Core PCE Price Index (MoM%)            | 0.5        | 0.4     | 0.4      |
|                              | 1330 Nov Durable Goods                          | 2.2        | 2       | -0.4     |
|                              | 1330 Initial Jobless Claims                     | -          |         | -        |
|                              | 1330 Cont Jobless Claims                        | -          |         | -        |
|                              | 1500 Dec University of Michigan Sentiment Final | 70.4       | 70.4    | 70.4     |
|                              | 1500 Nov New Home Sales-Units                   | 775        | 769     | 745      |
| Italy                        | 0900 Dec Consumer Confidence                    | -          |         | 117.5    |
| Spain                        | 0800 Q3 GDP (QoQ%/YoY%)                         | -/-        | 2.0/2.7 | 2.0/2.7  |
| Canada                       | 1330 Oct GDP (MoM%)                             | -          |         | 0.1      |
| <b>Tuesday 28 December</b>   |   |            |         |          |
| US                           | 1400 Oct CaseShiller 20 (MoM%/YoY%)             | 0.9/18.5   |         | 1.0/19.1 |
| Spain                        | 0800 Nov Retail Sales (YoY%)                    | -          |         | -0.7     |
| Sweden                       | 0830 Nov Trade Balance                          | -          |         | 0.8      |
| <b>Wednesday 29 December</b> |   |            |         |          |
| Austria                      | 0900 Dec Purchasing Managers Idx                | -          |         | 58.1     |
| Euro Zone                    | 0900 Nov Money-M3 Annual Grwth                  | -          |         | 7.7      |
|                              | 0900 Nov Broad Money                            | -          |         | 15331705 |
| <b>Thursday 30 December</b>  |   |            |         |          |
| US                           | 1445 Dec Chicago PMI                            | 60         |         | 61.8     |
| Spain                        | 0800 Dec CPI (MoM%/YoY%) Flash                  | -          |         | -        |
| Switzerland                  | 0800 Dec KOF Indicator                          | -          |         | 108.5    |
| <b>Friday 31 December</b>    |   |            |         |          |
| Switzerland                  | 0800 Nov Official Reserves Assets CHF           | -          |         | 990882.9 |
| Portugal                     | 0930 Dec CPI Flash (MoM%/YoY%)                  | -/-        |         | 0.4/2.6  |

Source: Refinitiv, ING, \*GMT

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