

Article | 21 January 2022

KEY EVENTS

Key events in developed markets next week

Strong economic activity across developed markets is allowing central banks to end Covid containment measures and begin their tightening cycles



Source: Shutterstock

✓ US: QE asset purchases to end early

The Federal Reserve meeting will be the main focus and we strongly suspect that we could see the announcement of the ending of QE asset purchases brought forward from the mid-March end-point currently signalled, to an immediate cessation. In an environment where the economy has fully recovered the lost output from the pandemic, where unemployment is back below 4% and where inflation is at near 40-year highs, it seems strange to say the least for them to continue stimulating the economy. We also expect the Bank to indicate that March is the likely lift-off point for interest rates and confirm expectations that the balance sheet will start to be reduced later in the year. However, policymakers may note some caution on near-term activity relating to Omicron, which has seen consumer caution kick in while increased worker absences on health grounds are also set to have hit the economy hard in the December-January period. Nonetheless, Covid cases appear to have peaked and a swift economic rebound in February and March should allow the Bank to hike rates by 25bp on 16 March.

4Q GDP expectations have been reduced in recent weeks on the back of the softer December

activity figures and so we think GDP growth of 5.2% annualised is more likely than the 6% rate we have previously expected. December personal income and spending should back this view, with spending set to fall sharply given the steep decline already seen in the retail sales figures.

☑ **Canada: First rate hike of many expected next week**

Separately, we now look for the Bank of Canada to raise interest rates 25bp at the 26 January meeting – the same day as the Fed. Activity is strong, the economy is at record employment and inflation is at 30-year highs. Covid containment measures are also set to be eased at the end of the month and this should signal the green light to hike rates. At least three more hikes are likely this year with some analysts expecting as many as five increases.

☑ **UK PMIs unlikely to give many Omicron clues**

The UK's services purchasing managers index already staged a fairly sharp fall in December on the arrival of Omicron. And since then, other data suggests the economic impact probably hasn't been huge, and may have begun to improve in January. Worker illness will have held back production for many industries, particularly consumer services where other surveys have shown absence rates to be highest. But consumer spending, at least at social venues, appears to have begun to rebound now that individuals are less cautious about self-isolating (which was the case ahead of Christmas). We expect a flat or marginally higher PMI reading than December, though we'd note these numbers haven't had a great track record of predicting GDP moves through the pandemic. Regardless, the Bank of England appears on track to hike rates again in February.

Developed Markets Economic Calendar

THINK economic and financial analysis

| Country | Time Data/event | ING | Survey | Prev. |
|-----------------------------|-----------------------------------------|----------|--------|----------|
| Monday 24 January | | | | |
| US | 1445 Jan Markit Composite Flash PMI | - | | 57.0 |
| Germany | 0830 Jan Markit Manufacturing Flash PMI | 58 | | 57.4 |
| | 0830 Jan Markit Service Flash PMI | 48 | | 48.7 |
| | 0830 Jan Markit Composite Flash PMI | 49.6 | | 49.9 |
| France | 0815 Jan Markit Composite Flash PMI | - | | 55.8 |
| UK | 0930 Jan Flash Composite PMI | 54 | | 53.6 |
| | 0930 Jan Flash Manufacturing PMI | 57.5 | | 57.9 |
| | 0930 Jan Flash Services PMI | 54 | | 53.6 |
| Eurozone | 0900 Jan Markit Manufacturing Flash PMI | 58 | | 58.0 |
| | 0900 Jan Markit Services Flash PMI | 52.5 | | 53.1 |
| | 0900 Jan Markit Composite Flash PMI | 52.6 | | 53.3 |
| Tuesday 25 January | | | | |
| US | 1400 Nov CaseShiller 20 (MoM%/YoY%) | 0.9 | 1.0 | 0.9 |
| | 1500 Jan Consumer Confidence | 110.0 | 112.0 | 115.8 |
| Germany | 0900 Jan Ifo Business Climate | 95 | | 94.7 |
| | 0900 Jan Ifo Current Conditions | 95 | | 96.9 |
| | 0900 Jan Ifo Expectations | 94 | | 92.6 |
| Wednesday 26 January | | | | |
| US | 1500 Dec New Home Sales-Units | 0.76 | 0.77 | 0.74 |
| | 1900 Fed Funds Target Rate | 0.125 | 0.125 | 0.125 |
| | 1900 Fed Interest On Excess Reserves | 0.15 | 0.15 | 0.15 |
| Canada | 1500 BoC Rate Decision | - | | 0.25 |
| Thursday 27 January | | | | |
| US | 1330 4Q GDP (QoQ% annualised) | 5.2 | 5.8 | 2.3 |
| | 1330 Dec Durable Goods | -0.4 | -0.2 | 2.6 |
| | 1330 Initial Jobless Claims | - | - | 286 |
| | 1330 Cont Jobless Claims | - | - | 1635 |
| Germany | 0700 Feb GfK Consumer Sentiment | -8 | | -6.8 |
| Friday 28 January | | | | |
| US | 1330 4Q Employment Cost index (QoQ%) | 1.3 | 1.1 | 1.3 |
| | 1330 Dec Personal Income (MoM%) | 0.5 | 0.5 | 0.4 |
| | 1330 Dec Consumption, Adjusted (MoM%) | -0.9 | -0.7 | 0.6 |
| | 1330 Dec Core PCE Price Index (MoM%) | 0.5 | 0.5 | 0.5 |
| | 1500 Jan U Mich Sentiment Final | 68.5 | 68.8 | 68.8 |
| | 0630 Q4 GDP Preliminary (QoQ%/YoY%) | -/- | | 3/3.3 |
| Italy | 0900 Jan Consumer Confidence | 117 | | 117.7 |
| Sweden | 0700 Q4 GDP (QoQ%/YoY%) | 1.2/5.5 | | 2/4.7 |
| | 0700 Dec Unemployment Rate | - | | 7.5 |
| Eurozone | 0900 Dec Money-M3 Annual Growth | 6.6 | | 7.3 |
| | 0900 Dec Broad Money | 15430000 | | 15390560 |
| | 1000 Jan Business Climate | 1.5 | | 1.8 |
| | 1000 Jan Economic Sentiment | 115 | | 115.3 |
| | 1000 Jan Consumer Confidence Final | - | | - |
| Germany | - 4Q GDP Growth (QoQ%) | -0.2% | | - |

Source: Refinitiv, ING, *GMT

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

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 www.ing.com.