

## 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



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### 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**

| Country                     | Time | Data/event                         | ING      | Survey | Prev.    |
|-----------------------------|------|------------------------------------|----------|--------|----------|
| <b>Monday 24 January</b>    |      |                                    |          |        |          |
| 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     |
| <b>Tuesday 25 January</b>   |      |                                    |          |        |          |
| 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     |
| <b>Wednesday 26 January</b> |      |                                    |          |        |          |
| 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     |
| <b>Thursday 27 January</b>  |      |                                    |          |        |          |
| 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     |
| <b>Friday 28 January</b>    |      |                                    |          |        |          |
| 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

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