

Key events in developed markets next week

Policymaker comments next week will give us a sense of whether the conflict in Ukraine and the impact on energy prices have altered plans for the fast-approaching March central bank meetings. We still expect a 25bp hike from the US Federal Reserve and Bank of England over the next month, and indeed from the Bank of Canada this Wednesday



US job growth was strong and wages rose in November

US Federal Reserve on track for a 25bp hike in March

Market attention will obviously continue to focus on the Russian military assault on Ukraine and the geopolitical fallout. Sanctions are being ramped up and tensions, along with market volatility, will likely remain high. This is going to be reflected in the commentary from Federal Reserve Chair Jerome Powell when he appears before both the House and Senate banking panels next week. His hawkish commentary following the January Federal Open Market Committee (FOMC) meeting resulted in market interest rate hike expectations jumping higher with a strong chance of a 50bp

interest rate increase priced in by financial markets. We suspect he will be more cautious next week given the financial market nervousness and this will likely cement expectations for a 25bp rate increase on 16 March.

Nonetheless, Powell will continue to suggest we should be braced for a series of interest rate increases given the economy is performing well, is creating jobs in significant numbers, and is experiencing broad-based inflation pressures. Indeed, the spike in commodity prices makes it even more likely that we will see headline US inflation touch 8% in the next couple of months.

Datawise, the February jobs report is set to show another decent increase in employment with the unemployment rate expected to fall back to 3.9% with average hourly earnings rising at a 5.7% annual rate. Business surveys are also likely to rebound following the depressing effect of the Omicron wave in January and early February.

Eurozone inflation key for the March ECB decision

For the eurozone, next week's data will still not have incorporated the recent escalation of the Russia-Ukraine conflict, meaning that final Purchasing Managers' Index (PMI) data will still provide limited information about current events. The February inflation release will nevertheless be key for the European Central Bank (ECB). It will be the last inflation reading before the important March ECB meeting and we could move even higher than January. Petrol prices have been rising steeply in February, resulting in plenty of potential for energy inflation to have increased further.

Will Bank of England speakers offer more pushback against rate hike expectations?

By the end of Wednesday, we will have heard from all nine Bank of England committee members in the space of a little over a week. That's interesting in itself, having had virtually no commentary from Bank officials in the December-February intermeeting period.

What we've heard so far, including from Governor Andrew Bailey, suggests officials are likely to continue hiking rates at the March and probably May meetings amid concern about higher domestically-generated inflation. But it's also clear that there is growing wariness about the amount of tightening markets are pricing for this year, which amounts to at least five more hikes. So far the pushback from policymakers has been fairly subtle, and we doubt that will change with the speeches we get over the coming days. After all, market expectations, while steep, are effectively providing policymakers with a hedge against persistently high inflation.

However, the pressure on household incomes from energy prices is likely to result in slower, perhaps negative growth, later this year. We also expect some of the recent pressure on wages to abate now that the post-reopening movement in the jobs market slows. We therefore think the Bank will deliver fewer hikes than markets expect this year.

Bank of Canada to hike rates with several more to come

Concern about the Omicron wave led the Bank of Canada (BoC) to delay hiking rates in January. These worries appear to have been misplaced with the domestic economy firing on all cylinders and inflation at 30-year highs. [A 25bp rate hike is our call](#) for next week's meeting despite geopolitical nervousness. We continue to look for six interest rate increases in total from the BoC this year, with a further three in 2023. This would leave the policy rate at 2.5% by the end of next

year, a level it was last at all the way back in October 2008.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 28 February					
US	1445	Feb Chicago PMI	61.5	62.5	65.2
Spain	0800	Feb CPI Flash (MoM%/YoY%)	-		-0.4/6.1
Sweden	0700	Q4 GDP Final (QoQ%/YoY%)	1.4/6.2		1.4/6.2
	0800	Q4 GDP (QoQ%/YoY%)	-/-		1.7/4.1
	1100	Q4 GDP (QoQ%/YoY%)	-/-		1.6/5.8
Tuesday 1 March					
US	1500	Feb ISM Manufacturing PMI	58.4	58.1	57.6
	1500	Feb ISM Manufacturing Prices Paid	78.0		76.1
Germany	0700	Jan Retail Sales (MoM%/YoY%)	2		-5.5/0
	0855	Feb Markit/BME Manufacturing PMI	58.5		58.5
	1300	Feb CPI Prelim (MoM%/YoY%)	0.6/5.1		0.4/4.9
UK	0930	Feb Markit/CIPS Manufacturing PMI Final	57.3		57.3
Italy	0845	Feb Markit/IHS Manufacturing PMI	-		58.3
	1000	Feb CPI Prelim (MoM%/YoY%)	-/-		0/5.1
Canada	1330	Q4 GDP (YoY%)	-		3.97
Eurozone	0901	Feb Markit Manufacturing Final PMI	58.4		58.4
Wednesday 2 March					
US	1000	Fed Chair Powell testifies before House panel			-
	1315	Feb ADP National Employment	500	323	-301
Germany	0855	Feb Unemployment Rate	5.1		5.1
Canada	1500	BoC Rate Decision	0.5		0.25
Eurozone	1000	Feb CPI Flash (YoY%)	5.2		-
	1000	Feb Core CPI Flash (YoY%)	2.3		-
Thursday 3 March					
US	1000	Fed Chair Powell testifies before Senate panel			
	1330	Initial Jobless Claims	225		232
	1330	Cont Jobless Claims	1420		1476
	1500	Jan Factory Orders (MoM%)	0.6	0.5	-0.4
	1500	Feb ISM Non-Manufacturing PMI	61.8	61	59.9
	1500	Fed Beige Book			-
Germany	0855	Feb Markit Services PMI	56.6		56.6
	0855	Feb Markit Comp Final PMI	56.2		56.2
UK	0930	Feb Markit/CIPS Services PMI Final	60.8		60.8
	0930	Feb Composite PMI Final	60.2		60.2
Switzerland	0730	Feb CPI (MoM%/YoY%)	-/-		0.2/1.6
Eurozone	900	Feb Markit Services Final PMI	55.8		55.8
	900	Feb Markit Composite Final PMI	55.8		55.8
	1000	Jan Unemployment Rate	7		7
Friday 4 March					
US	1330	Feb Non-Farm Payrolls	450	400	467
	1330	Feb Private Payrolls	425	370	444
	1330	Feb Unemployment Rate	3.9	3.9	4.0
Germany	0700	Jan Exports	1.0		0.9
	0700	Jan Imports	0.0		4.7
	0700	Jan Trade Balance	8.0		6.8
France	0745	Jan Industrial Output (MoM%)	-		-0.2
UK	0930	Feb All-Sector PMI	-		54.4
	0930	Feb Markit/CIPS Cons PMI	-		56.3
Italy	0900	Q4 GDP Final (QoQ%/YoY%)	-/-		0.6/6.4
Austria	0800	Q4 GDP Final(QoQ%)	-		-2.2
Eurozone	1000	Jan Retail Sales (MoM%/YoY%)	1.5/9.7		-1.5

Source: Refinitiv, ING, *GMT

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@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 <http://www.ing.com>.