

Key events in developed markets next week

It's another big week for central bankers. Expect a rate hike from the Bank of England, which also kick starts the process of 'quantitative tightening'. The European Central Bank faces a balancing act between sounding more hawkish on inflation and keeping rate hike expectations at bay



It's becoming increasingly clear that Omicron's economic impact in the UK has been mild

✓ US: PMIs and jobs data could cause some market caution

Federal Reserve Chair Jerome Powell has indicated that the central bank will soon be raising interest rates and that the economy, and importantly the jobs market, can withstand significantly higher interest rates. The marked shift in the concern about inflation means a minimum of four interest rate hikes and potentially five should be the baseline for 2022. This week's data flow could cause some market caution though. It is clear that the Omicron wave hit the economy very hard in December based on consumer spending numbers and we don't expect much, if any, improvement in January. We therefore expect downside risk for the January ISM releases as higher costs and consumer caution weigh on activity readings.

The January jobs report is likely to be weak, with a payrolls gain of just 100k expected. The risks are likely to be to the downside given the sharp drop-off in activity and higher-than-expected

jobless claims since the Omicron wave hit. Admittedly there are more than 10 million job vacancies right now, but consumer and business caution has been heightened by the latest pandemic developments and hiring is set to have slowed.

Nonetheless, we remain hopeful that with Covid case numbers now falling in many states, we will start to see consumers re-engage with the economy. That should pave the way for much stronger activity and job readings in February and March.

✓ Eurozone: A bumper week of data ahead of Thursday's ECB meeting

It's a big week in the eurozone with both gross domestic product (GDP) and inflation data due ahead of the European Central Bank (ECB) meeting. The GDP figures for the fourth quarter will give us a sense of how big an impact the fourth wave of coronavirus on the Eurozone economy has been. The first bits of hard data have given some reason for optimism, but the largest impact will have come in December, for which little information is available so far.

We expect a substantial slowdown from the third quarter, but still positive growth. For inflation, January is likely to show a modest decline. The impact of gas prices is still likely to increase, which is the same for goods inflation. However the German VAT effect will drop out of the numbers and oil price base effects will also play in favourably.

When it comes to the ECB, we don't expect the central bank to give any hints on possible rate hikes. The time for this has not come, yet. Remember that the ECB and the eurozone economy are still lagging behind the Fed and the US economy in terms of the cycle, inflation, wages and labour market tightness. We don't expect any policy announcements at next week's meeting. Instead, the ECB's main challenge will be regarding communication – on the one hand, to confirm its more hawkish stance on inflation and on the other, to keep any speculation on premature rate hikes at bay. [Read more in our full preview](#)

✓ Bank of England to hike rates again and initiate quantitative tightening

It's becoming increasingly clear that Omicron's economic impact in the UK has been mild. That, combined with growing fears on the monetary policy committee about elevated headline inflation, suggests the Bank will increase rates by a further 25bp next Thursday. That also means the threshold to kick-start balance sheet reduction will also have been met, and we'd expect the Bank to end reinvestments of maturing bonds imminently.

Keep an eye open for what policymakers have to say on future rate hikes too. Markets, which are pricing roughly five rate rises this year, are likely overestimating what's to come. But we doubt policymakers will offer any material pushback at this stage. We expect a total of two or maybe three rate rises in total this year.

Developed Markets Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 31 January				
US	1445 Jan Chicago PMI	60.5	62.5	63.1
Germany	1300 Jan CPI Flash (MoM%/YoY%)	-0.3/3.9		0.5/5.3
Italy	0900 Q4 GDP Flash (QoQ%/YoY%)	-/-		2.6/3.9
Spain	0800 Jan CPI Flash (YoY%)	-		6.5
Eurozone	1000 Q4 GDP Flash (QoQ%/YoY%)	0.4/-	0.3/-	2.2/3.9
Tuesday 1 February				
US	1445 Jan Markit Manufacturing PMI Final	-		55.0
	1500 Jan ISM Manufacturing PMI	55.0	58.3	58.7
	1500 Jan ISM Manufacturing Prices Paid	69.0		68.2
	1500 Dec JOLTS job openings (mn)	10.3	-	10.6
Germany	0700 Dec Retail Sales (MoM%/YoY%)	-1,7/3,1		0.6/-2.9
	0855 Jan Markit/BME Manufacturing PMI	-		60.5
	0855 Jan Unemployment Rate SA	5.1		5.2
France	0745 60.5	-		0.2/3.4
	0930 Jan Markit/CIPS Manufacturing PMI Final	56.9		56.9
Canada	1330 Nov GDP (MoM%)	-		0.8
Eurozone	0900 Jan Markit Manufacturing Final PMI	59.0		59.0
	1000 Dec Unemployment Rate	7.2		7.2
Wednesday 2 February				
US	1315 Jan ADP National Employment	150	208	807
Italy	1000 Jan CPI Flash (MoM%/YoY%)	-/-		0.5/4.2
Eurozone	1000 Jan CPI Flash (YoY%)	4.8		5.0
	1000 Jan Core CPI Flash (YoY%)	2.4		2.7
Thursday 3 February				
US	1445 Jan Markit Composite Final PMI	-		50.8
	1445 Jan Markit Services PMI Final	-		50.9
	1500 Dec Factory Orders (MoM%)	0.0	0.1	1.6
	1500 Jan ISM Non-Manufacturing PMI	58.0	59.8	62.0
	1330 Initial Jobless Claims	245	-	260
	1330 Cont Jobless Claims	1600	-	1675
Germany	0855 Jan Markit Services PMI	52.2		52.2
	0855 Jan Markit Composite Final PMI	54.3		54.3
France	0850 Jan Markit Composite PMI	-		52.7
UK	0930 Jan Markit/CIPS Services PMI Final	53.3		53.3
	0930 Jan Composite PMI Final	53.4	53.4	53.4
	1200 Feb BOE Bank Rate	0.5	0.5	0.25
	0845 Jan Composite PMI	-		54.7
Eurozone	0900 Jan Markit Services Final PMI	51.2		51.2
	0900 Jan Markit Composite Final PMI	52.4		52.4
	1245 Feb ECB Refinancing rate	0.0	0.0	0.0
	1245 Feb ECB Deposit rate	-0.5	-0.5	-0.5
Friday 4 February				
US	1330 Jan Non-Farm Payrolls	100	186	199
	1330 Jan Private Payrolls	100	172	211
	1330 Jan Unemployment Rate	3.9	3.9	3.9
Germany	0700 Dec Industrial Orders (MoM%)	-2		3.7
France	0745 Dec Industrial Output (MoM%)	-		-0.4
Canada	1330 Jan Unemployment Rate	-		5.9
Eurozone	1000 Dec Retail Sales (MoM%/YoY%)	-/-		1.0/7.8

Source: Refinitiv, ING, *GMT

Authors

James Knightley

Chief International Economist

james.knightley@ing.com

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

James Smith

Developed Markets Economist

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 <http://www.ing.com>.