

## Key events in developed markets next week

With inflation data undershooting expectations, and GDP growth stalling, we have much more confidence that the Bank of Canada will leave rates unchanged next week. For the UK, the economy is likely to register an overall first-quarter GDP decline, and we expect a technical recession in the first half of this year



Source: Shutterstock

### **US: Job growth set to moderate after debatable January employment surge**

Financial markets are fully buying into the Federal Reserve's higher-for-longer narrative on interest rates with the US 2Y Treasury yield fast approaching 5% and the 10Y breaking above 4%. Strong activity at the start of the year and a surprise jump in core inflation now means that 25bp rate hikes at the March, May and June FOMC meetings are the minimum expectations from the Federal Reserve. In fact, markets are pricing a 25% chance that the Fed moves by 50bp at the March FOMC meeting. There are two events to watch next week that will have an important bearing on the near-term outlook for monetary policy.

Firstly, Federal Reserve Chair Jerome Powell will be appearing before Congress to present the central bank's Semi-Annual Monetary Policy Report. His testimony will be closely followed for hints

as to whether he thinks there should be a re-acceleration in the Fed's policy tightening or whether having hiked rates so far and so fast that the more modest 25bp incremental moves remain the most sensible course of action to take. He will be appearing before the Senate on Tuesday and the House of Representatives on Wednesday.

After that, all eyes will be on the February jobs report after the blowout 517,000 jump in January payrolls caught everyone by surprise. It was 200,000 higher than even the most optimistic forecasts out there and didn't tally with any of the business surveys such as the ISMs, the ADP jobs report or numbers from the National Federation of Independent Businesses. On a non-seasonally adjusted basis, payrolls actually fell 2.5mn, which wasn't far away from the 2.6mn drop in 2021 and 2.8mn drop in 2022. It is therefore likely that labour hoarding in the form of reduced seasonal layoffs post the holiday season was responsible for the strength while 'generous' seasonal adjustment factors appear to have provided an additional boost to generate the seasonally adjusted 517,000 gain. Significantly, the fact that full-time employment has flat-lined since March 2022, meaning all the job creation has been in part-time positions, was largely overlooked.

We have pencilled in a 200,000 jobs gain for February but we have next to no confidence. Any random guess between -500k and +500k would be just as valid as our own guestimate. Business surveys of employment remain soft and job loss announcements are up 440% year-on-year and there is a high chance of revisions to January's 517,000 jump. Given that pretty much anything could happen in this report, the likelihood of significant market volatility in the hours and potentially days around the jobs report is high.

## ✓ Canada: Bank of Canada to keep rates on hold

We have much more confidence that the Bank of Canada will leave policy rates unchanged next week. At the 25 January BoC policy meeting, the governing council stated that it expects to "hold the policy rate at its current level while it assesses the impact of the cumulative interest rate increases" at upcoming meetings. The data since then has shown inflation undershooting expectations and GDP growth stalling, yet the economy continuing to create jobs. We will get an update on Canadian jobs at the end of the week and we wouldn't be surprised to see a correction lower given the volatility in the series. [Read our full preview here.](#)

## ✓ UK: GDP still set for first quarter decline, despite likely January rebound

UK economic output fell sharply in December, and probably only partially rebounded in January. Admittedly, these monthly GDP figures have been hard to read, owing to distortions surrounding both the Queen's funeral last September and then the World Cup (which threw around consumer services activity). That December plunge, however, means that the economy is likely to register an overall first-quarter GDP decline (our current forecast is for a 0.2% fall). The underlying trend in the economy appears to be one of very gradual contraction, thanks in part to an ongoing downtrend in retail spending. We're expecting a technical recession in the UK in the first half of this year, albeit one that's not much to write home about. The fall in wholesale gas prices should help consumer bills fall by the summer, which should limit further damage to consumer spending.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 6 March</b>					
US	1500	Jan Factory Orders (MoM%)	-1.8		1.8
Germany	0800	Jan Industrial Orders (MoM%)	-1.5		3.2
UK	0930	Feb All-Sector PMI	-		48.5
	0930	Feb S&P Global/CIPS Cons PMI	-		48.4
Switzerland	0730	Feb CPI (MoM%/YoY%)	-/-		0.6/3.3
Eurozone	1000	Jan Retail Sales (MoM%/YoY%)	-/-		-2.7/-2.8
<b>Tuesday 7 March</b>					
US	1500	Federal Reserve Semi annual Monetary Policy Report & Senate testimony			
	2000	Jan Consumer Credit	27	25	11.56
France	0745	Feb Reserve Assets Total	-		228704
Switzerland	0645	Feb Unemployment Rate Adjusted	-		1.9
<b>Wednesday 8 March</b>					
US	1315	Feb ADP National Employment	240	190	106
	1330	Jan International Trade (USD bn)	-69.0	-68.8	-67.4
	1500	House hears Powell Monetary Policy Report testimony			
Germany	0700	Jan Industrial Output (MoM%/YoY%)	1.0/-3.2		-3.1/-4.23
	0700	Jan Retail Sales (MoM%/YoY%)	2.8	2.4/-	-5.3/-6.4
Canada	1330	Jan Trade Balance (CAD bn)	-		-0.16
	1500	BoC Rate Decision	4.5	4.5	4.5
Eurozone	1000	Q4 GDP Revised (QoQ%)	-		0.1
<b>Thursday 9 March</b>					
US	1330	Initial Jobless Claim 000s	200		190
	1330	Continue Jobless Claim 000s	1680		1655
	1700	4Q Change in Household wealth \$bn	150		-392
<b>Friday 10 March</b>					
US	1330	Feb Non-Farm Payrolls	200	220	517
	1330	Feb Private Payrolls	210	198	443
	1330	Feb Unemployment Rate	3.4	3.4	3.4
Germany	0700	Feb CPI Final (MoM%/YoY%)	0.5/8.7		-
France	0745	Jan Trade Balance	-		-14.9
UK	0700	Jan GDP Estimate (MoM%/YoY%)	0.1		-0.5
Spain	0800	Jan Retail Sales (YoY%)	-		4
Canada	1330	Feb Unemployment Rate	-		5
	1330	Feb employment change (000s)	-35		150
Norway	0700	Feb CPI (MoM%/YoY%)	-/-		0.2/7
	0700	Feb Core Inflation (MoM%/YoY%)	-/-		0.2/6.4
Netherlands	0530	Jan Manufacturing Output (MoM%)	-		1.6
Greece	1000	Jan Industrial Output (YoY%)	-		-1.4

Source: Refinitiv, ING

## Authors

### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto: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>.