

# Our view on key events for the rest of 2023

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By Min Joo Kang

# Key events in developed markets for the rest of 2023

Following the dovish shift in the Fed's policy stance, there was a fall in Treasury yields alongside quite a significant sell-off in the dollar. Looking forward to the end of 2023 we have the release of some key data on housing and durable goods orders. In the UK, we expect services inflation to remain sticky as markets eye several 2024 rate cuts



Source: Shutterstock

## ✓ US: Dovish shift in the Fed's policy stance has seen Treasury yields fall sharply

The dovish shift in the Federal Reserve's policy stance has seen Treasury yields fall sharply and the dollar sell off quite significantly. This has raised the question, does the Fed know something that we don't or is this shift more down to the argument that real interest rates are already high and will rise further as inflation falls? This de facto tightening of the policy stance could in itself offer scope for interest rate cuts, as suggested by Fed Governor Chris Waller. Nonetheless, the recent data remains strong with a tight jobs market, and core inflation still running double its target at 4% while retail sales activity remained firm in November. Consequently, we don't expect an imminent interest rate cut and continue to believe that a second-quarter move is more likely than one in the first quarter.

The data over the next couple of weeks includes housing transactions, which are likely to remain

subdued due to a general lack of affordability that has translated into very weak mortgage application activity for home purchases. Durable goods orders should rebound partially after a big aircraft order-related drop last month while the November personal spending and income report will provide an update on the Fed's favoured measure of inflation – the core personal consumer expenditure deflator – which is expected to be more benign than the core CPI print, coming in at 0.2% month-on-month rather than 0.3%.

## **UK: Services inflation to remain sticky as markets eye several 2024 rate cuts**

The Bank of England set a different narrative to the Federal Reserve at its final meeting of the year and offered another rebuff against 2024 rate cuts. The fact is that markets aren't taking much notice, and investors are pricing four rate cuts next year. We agree with that conclusion, though we'll have to wait for further progress on domestically-generated inflation before the Bank pulls the trigger. The Bank said in its latest statement that the recent fall in services inflation isn't totally down to factors that are relevant for monetary policy. Certainly, it looks like services inflation will remain sticky in the near term and we expect it to stay at 6.6% next week and around these levels into early next year. But by next summer, we expect services inflation to be back to the 4% area and headline CPI should be pretty close to target. That's likely to be a catalyst for rate cuts, and our base case is August for the first move – though if markets are ultimately right that the ECB/Fed hike early in the spring, then the BoE could feasibly move earlier too. [Read more](#) on why the UK isn't so different to the eurozone in terms of inflation in our recent note.

## **Key events in developed markets for the rest of 2023**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 December</b>					
Germany	0900	Dec Ifo Business Climate	87		87.3
	0900	Dec Ifo Current Conditions	89.2		89.4
	0900	Dec Ifo Expectations	84.8		85.2
<b>Tuesday 19 December</b>					
US	1330	Nov housing starts (000s)	1365	1360	1372
Canada	1330	Nov CPI Inflation (MoM%/YoY%)	-0,1/2,9	-0,2/2,8	0.1/3.1
	1330	Nov CPI BoC Core (YoY%)	-		2.7
	1330	Nov CPI BoC Core (MoM%)	-		0.3
Eurozone	1000	Nov CPI (YoY%)	-		3.6
<b>Wednesday 20 December</b>					
US	1330	Q3 Current Account	-225		-212.1
	1500	Dec Consumer Confidence	105	103.3	102
	1500	Nov existing home sales (mn)	3.75	3.78	3.79
Germany	0700	Jan GfK Consumer Sentiment	-28		-27.8
UK	0700	Nov Core CPI (MoM%/YoY%)	0.2/5.7		0.3/5.7
	0700	Nov CPI (MoM%/YoY%)	0.2/4.4		0.0/4.6
	0700	Nov Services CPI (YoY%)	6.6		6.6
Eurozone	0900	Oct Current Account SA, EUR	-		31.23
	1500	Dec Consumer Confidence Flash	-		-16.9
<b>Thursday 21 December</b>					
US	1330	Q3 GDP Final	5.2	5.2	5.2
	1330	Initial Jobless Claims	220	-	202
	1330	Continuing Jobless Claims	1890		1876
Canada	1330	Oct Retail Sales (MoM%)	0.6	0.8	0.6
<b>Friday 22 December</b>					
US	1330	Nov Personal Income (MoM%)	0.4	0.4	0.2
	1330	Nov Personal Consumption Real (MoM%)	0.3		0.2
	1330	Nov Consumption, Adjusted (MoM%)	0.4	0.3	0.2
	1330	Nov Core PCE Price Index (MoM%/YoY%)	0.2/3.4	0,2/3,4	0,2/3,5
	1330	Nov Durable Goods	2.8	2.4	-5.4
	1500	Dec U Mich Sentiment Final	69.4	69.4	69.4
	1500	Nov New Home Sales-Units	0.685	0.685	0.679
UK	0700	Q3 GDP (QoQ%/YoY%)	0.0/0.6	/	0/0.6
	0700	Nov Retail Sales (MoM%/YoY%)	0.8/-1.1	/	-0.3/-2.7
Italy	0900	Dec Consumer Confidence	103		103.6
Spain	0800	Q3 GDP (QoQ%/YoY%)	-/-	/	0.3/1.8
Canada	1330	Oct GDP (MoM%)	-		0.1
<b>Tuesday 26 December</b>					
US	1400	Oct CaseShiller 20 (MoM%)	0.5	-	0.7
<b>Thursday 28 December</b>					
Spain	0800	Nov Retail Sales (YoY%)	-		5
<b>Friday 29 December</b>					
US	1445	Dec Chicago PMI	51	50	55.8
Spain	0800	Dec CPI (YoY%) Flash NSA	-		
	0800	Dec CPI (MoM%) Flash NSA	-		
Portugal	0930	Dec CPI Flash (YoY%)	-		

Source: Refinitiv, ING

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## Key events in EMEA for the rest of 2023

For the rest of 2023, there will be a flurry of data releases in Poland. Elsewhere, we see a continuation of Hungary's 75bp rate cutting cycle, while the Central Bank of Turkey is forecast to raise rates by 250bp at its next meeting



Source: Shutterstock

### ✓ Poland: 2024 should be a year of economic rebound driven by household consumption

#### Industrial output (November): 1.4% YoY

In line with our expectations, industrial output turned positive and expanded in annual terms in October. We project further growth in November albeit at a sluggish pace as manufacturing activity remains subdued. Still, a sharp improvement in the manufacturing PMI last month gives ground for cautious optimism with respect to a recovery in the Polish industrial sector in the months ahead.

#### PPI (November): -3.7% YoY

Producer price deflation continued in November, but the PPI is no longer in freefall as prices have stabilised in recent months. We estimate that last month, the PPI went up by 0.1% month-on-month. Combined with a favourable reference base from last year, this should lift the November PPI to -3.7% year-on-year from -4.1% YoY in October. We still expect PPI deflation to

continue in the coming months in annual terms.

#### **Wages (November): 11.2% YoY**

In the absence of large bonus payments, wage growth most likely moderated to 11.2% YoY in November from 12.8% YoY in October, but it remains in double-digit territory. With an expected economic rebound, sharp increase in the minimum wage, and wage hikes in public administration in 2024, we expect upward pressure on wages to continue, especially given the tight labour market.

#### **Employment (November): -0.2% YoY**

Enterprise sector employment has been moderating slightly in recent months, pushing the annual figure into negative territory, but it remains resilient amid softer economic conditions. Demand for labour remains solid and supply is limited. Although there is usually some delay between economic activity and the labour market response, we judge that the job market has coped very well with the recent slowdown.

#### **Retail sales (November): 2.0% YoY**

Falling inflation has lifted real disposable household income, and consumer confidence has been improving for many months, laying the ground for a rebound in private consumption. Still, the improvement in retail sales remains relatively slow so far. Nevertheless, 2024 should be a year of economic recovery driven by household consumption.

#### **Unemployment (November): 5.1%**

We project a slight increase in the number of unemployed and an increase in the registered unemployment rate to 5.1% in November from 5.0% in October. According to the Ministry of Family and Social Policy estimates, the number of unemployed increased, but the unemployment rate remained unchanged. The official figure may still match our forecast unless the activity rate increased last month.

### **Hungary: Continuation of the 75bp rate cutting cycle in December**

As usual, the end of the year in Hungary is not very exciting from an economic calendar point of view. The highlight could be the National Bank of Hungary's interest rate decision on 19 December. However, as the central bank seems pretty set on the pace of easing, we don't expect any major surprises. We see a continuation of the 75bp rate cutting cycle in December. The Monetary Council will tell us about the positive developments in the main macroeconomic indicators while highlighting all the surrounding risks that justify a cautious and gradual approach. If all goes well, the central bank could confirm its previous commitment to continue with interest rate cuts of the same magnitude. The only case in which we would think about forecasting an accelerated pace of easing would be if we saw the Federal Reserve and the European Central Bank openly talking about the upcoming rate cuts in 2024. Apart from the central bank decision, we see some confirmation of an improving external balance, with both the final trade balance in October and the third quarter current account showing significant surpluses. On the labour market side, wage growth will remain strong enough to see a continuation of the real wage growth that started in September after being in negative territory for 12 months.



## ✓ Turkey: We expect a 250bp hike in December

Last month, the Central Bank of Turkey decided to slow the pace of monetary tightening and complete the tightening cycle in a short period. The bank also signalled its intent not to start cutting earlier and remained committed to keeping its tight stance for longer to ensure sustained price stability. Given this backdrop, we expect it to come up with a 250bp rate hike at the December MPC (vs 500bp a month ago) while remaining vocal about the inflation outlook.

## Key events in EMEA for the rest of 2023

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 18 December</b>					
Poland	1300	Nov Net Inflation (YoY%)	7.3		8
<b>Tuesday 19 December</b>					
Hungary	1300	Dec Hungary Base Rate	10.75		11.50
<b>Wednesday 20 December</b>					
Russia	1600	Nov PPI (MoM%/YoY%)	-/-	/	2/21.6
Poland	0900	Nov Industrial Output (YoY%)	1.4		1.6
Poland	0900	Nov PPI (YoY%)	-3.7	-3.9	-4.1
Poland	0900	Nov Wages (YoY%)	11.2	11.2	12.8
Poland	0900	Nov Employment (YoY%)	-0.2	-0.2	-0.1
<b>Thursday 21 December</b>					
Turkey	1100	Dec CBT Weekly Repo Rate	42.5		40
	1100	Dec O/N Lending Rate	44.0		41.5
	1100	Dec O/N Borrowing Rate	41.0		38.5
Poland	0900	Nov Retail Sales (YoY%)	2.0		2.8
Poland	0900	Construction output (YoY%)	5.1	7.3	9.8
Hungary	0730	Oct Average Gross Wages (YoY%)	13.5		14.1
Czech Rep	1330	2 CNB Repo Rate	-		7
<b>Friday 22 December</b>					
Poland	1300	Nov M3 Money Supply (YoY%)	8.2	8.2	8.2
	1308	Nov Unemployment Rate	5.1		5
Hungary	0730	Q3 C/A Balance (EUR bn)	0.63		0.69
	0730	Oct Trade Balance Final	1037		1037
<b>Wednesday 27 December</b>					
Russia	1600	Nov Industrial Output	4.5	4.4	5.3
	1600	Nov Retail Sales (YoY%)	10.2	11.7	12.7
	1600	Nov Unemployment Rate	2.9	2.9	2.9
	-	Nov GDP (YoY%) Monthly	-	3.6	5
<b>Friday 29 December</b>					
Russia	0600	Dec S&P Global Manufacturing PMI	-		53.8
	0600	Dec S&P Global Services PMI	-		52.2
Turkey	0700	Nov Trade Balance	-5.9		-6.52
	1100	Nov Bank NPL Ratio	-		1.54
South Africa	0600	Nov M3 Money Supply (YoY%)	-		6.08
	0600	Nov Pvt Sector Credit Ext.	-		3.94
	1200	Nov Trade Balance (Incl. Region)	-		-12.7

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## Asia week ahead: Central bank decisions plus RBA minutes to close out 2023

As we approach the end of the year, activity in Asia will be relatively light, so we are previewing all data until year-end. The last few highlights of 2023 include rate decisions from China, Japan and Indonesia, while Korea will release its survey on Business Sentiment



### China LPR expected to remain on hold amidst pressure on the CNY

China will decide on its benchmark lending rate, the 5Y LPR. With the CNY still under depreciation pressure, there is little chance that the LPR will be reduced on this occasion. Were we to see some broader based USD weakness, then this might return as a possibility. Until then, rates will remain unchanged.

### RBA minutes likely to keep options open

The Reserve Bank of Australia's minutes of the "no change" December policy meeting could push back at the market's view that rates have definitely peaked. While peaked rates is also our view, we

still believe that there is some upside risk of a further hike in the first quarter of next year – a view supported by recent strong labour data. The minutes will probably go large on “uncertainty” and “risks” to leave the door open to whatever materialises.

## **Taiwan export orders could claw back to positive year-on-year growth**

Taiwan will release its November export and industrial production in the next two weeks. Export orders may claw their way back to a positive year-on-year rate in November, after registering a -4.6% YoY rate in October. The semiconductor cycle is showing further signs of recovery, which will help. We are expecting export orders to grow at 4.2% YoY. Industrial output will follow suit and grow at 1.0% YoY.

## **BoJ expected to tone down hawkishness as inflation cools**

The Bank of Japan is due to meet for the last time this year. We expect the BoJ to maintain all its major policy settings, though the overall tone about future policy at the press conference and statement could start to soften.

Consumer inflation will drop substantially thanks to the government’s energy subsidy programs, and inflation is likely to decelerate to 2.7% YoY in November from 3.3% in October.

Industrial production activity will slide modestly, despite stronger output in the IT sector. The production interruptions of several major car makers will be the main driver of the decline.

## **Korea surveys to show mixed sentiment**

South Korea will release multiple survey results in the last week of the year. The survey outcomes are expected to signal a slowdown for domestic growth. Consumer sentiment could dampen further with the recent tightening of mortgages and weak property market condition. Manufacturing sentiment will likely improve due to the turnaround of the semiconductor cycle, but non-manufacturing sentiment could slide.

We expect industrial production to rebound modestly as indicated by upbeat data for manufacturing, supported by gains in automobile and semiconductor industries. Inflation will likely stabilise further in December. Gasoline prices should decline further but will be partially offset by price rises in services and manufactured food prices.

## **Bank Indonesia likely to pause**

Bank Indonesia is expected to keep policy rates untouched at 6% at its meeting next week. BI Governor Perry Warjiyo indicated that inflation may accelerate next year and that policy rates may need to remain at current levels to ensure price stability.

On the other hand, BI may prefer to refrain from hiking rates further next week with an eye to supporting growth momentum. GDP growth recently slipped below market expectations so the central bank may want to resort to other tools to support the IDR before it considers raising rates again.

## Singapore inflation to dip but remain relatively elevated

November inflation could dip to 4% YoY in Singapore, down from the previous month due to favorable base effects.

Despite the slowdown, inflation remains elevated ahead of the scheduled implementation of the Goods and Services Tax (GST) early next year. We expect core inflation on the other hand to hover about 3.2% YoY.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Tuesday 19 December</b>					
Japan	2350	Nov Exports (YoY%)	-	2.1	1.6
	2350	Nov Imports (YoY%)	-	-8.4	-12.5
	2350	Nov Trade Balance Total Yen	-		-662.5
		- JP BOJ Rate Decision	-		-0.1
<b>Wednesday 20 December</b>					
China	0115	Dec Loan Prime Rate 1Y	3.45	3.45	3.45
	0115	Dec Loan Prime Rate 5Y	4.2	4.2	4.2
Taiwan	0400	Nov Export Orders (YoY%)	4.6		-4.2
<b>Thursday 21 December</b>					
Japan	2330	Nov CPI (MoM%) NSA	-		0.9
	2330	Nov CPI NSA	-		107.1
Australia	0030	Nov Reserve Assets Total	95000		94568
Indonesia	0700	Dec 7-Day Reverse Repo	6	6	6
<b>Friday 22 December</b>					
Taiwan	0800	Nov Unemployment rate (%)	3.4		3.41
<b>Monday 25 December</b>					
Japan	0500	Oct Leading Indicator Revised	-		-0.6
	2330	Nov Unemployment Rate	-		2.5
Indonesia	0400	Nov M2 Money Supply (YoY%)	-		3.4
Taiwan	0800	Nov Industrial Output (YoY%)	1		-2.32
	0820	Nov Money Supply - M2 (YoY%)	5.1		5.7
<b>Tuesday 26 December</b>					
Singapore	0500	Nov Core CPI (YoY%)	3.2		3.3
	0500	Nov CPI (YoY%)	4		4.7
	0500	Nov CPI (MoM%) NSA	0.25		0.2
	0500	Nov Manufacturing Output (MoM%/YoY%)	-6.8/5.5	/	9.8/7.4
South Korea	2100	Dec BoK Consumer Sentiment Index	-		97.2
<b>Wednesday 27 December</b>					
Japan	0500	Nov Housing Starts (YoY%)	-		-6.3
	2350	Nov Industrial O/P Prelim (MoM%/YoY%)	-/-	/	/
	2350	Nov Retail Sales (YoY%)	-		4.2
South Korea	2100	Jan BOK Manufacturing BSI	-		72
	2300	Nov Industrial Output (YoY%)	-		1.1
	2300	Nov Industrial Output Growth	-		-3.5
<b>Thursday 28 December</b>					
Philippines	-	Nov Budget Balance	-		-34.4
South Korea	2300	Dec CPI Growth (MoM%/YoY%)	-/-	/	-0.6/3.3
<b>Friday 29 December</b>					
India	1100	Q3 C/A Bal. \$	-9.5		-9.2

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