

## Our view on next week's key events

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Central bank meetings in the CEE region and US ISM services employment will be in the spotlight over the week ahead

By James Knightley, Adam Antoniak and 2 others



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#### Asia week ahead: RBA and RBI decide on policy while regional players report inflation

Central banks are widely expected to keep rates on hold next week in Asia as inflation and GDP figures are reported across the region

By Lynn Song

# Key events in developed markets and EMEA next week

A quiet week ahead in the US features the ISM services employment component as the main data release to look out for. In the CEE region, we expect the National Bank of Poland to keep rates unchanged, while optimistic forecasts could see the Czech National Bank increasing the pace of its rate cuts to 50bp. In Turkey, inflation is likely to remain under pressure



## US: ISM services employment in focus

The Federal Reserve has firmly pushed back against the chances of a March interest rate cut and the market now accepts our long held view that May will be the start point for the Fed's policy easing cycle. Inflation is heading in the right direction, but the economy is still posting decent growth rates and the labour market remains tight. We suspect that the Fed recognises its credibility was damaged by its "inflation is transitory" assertion in 2021, only to have to rapidly reversed course with significant rate hikes through 2022 and 2023. The last thing the Fed wants to do is get it wrong again at a key turning point by loosening too soon, too quickly and reigniting inflation pressures. It'll therefore be waiting for more data to fall into line, and once it's comfortable, we expect a series of rate cuts that will see the Fed funds rate down at 4% by the end of the year and 3% by summer 2025.

It is a relatively quiet week for data, with Monday the main day of interest. The ISM services employment component collapsed in January, deep into contraction territory, catching everyone

by surprise. It has been brushed off as a rogue data point by markets, but if we see a repeat, it'd be a huge story and could see the market refavouring a March cut once more. Later in the day we have the Federal Reserve's Senior Loan Officer Opinion survey. This has an excellent lead relationship on bank lending and is currently pointing to lending turning negative in year-on-year growth terms. We expect it to indicate that fewer banks tightened lending conditions in the fourth quarter – but that's a long way from saying that conditions are becoming easier. Bank caution – likely reignited by recent headlines surrounding New York Community Bancorp's struggles – may mean that lending remains constrained through the current quarter.

## Poland: February MPC meeting to keep rates unchanged

The National Bank of Poland's reaction function has seen a shift since the country's elections from ultra-dovish to neutral. The central bank's rationale behind that is the uncertain inflation outlook. NBP Governor Adam Glapiński suggested the Council would eye macro data and review its policy in March, after acknowledging the new NBP staff macro projection. The short-term inflation outlook improved markedly vs. the November projection. The mid-term prospects are a bit more uncertain (i.e., the timing of rising VAT on food and lifting the freeze on energy and gas prices), but still, the inflation picture is not too different than before the elections.

Still, Governor Glapiński has stated that he'd be unwilling to take any steps before gaining more knowledge about mid-term CPI path and the balance of risks. Given the expected inflation upswing in the second half of this year, the room for NBP rate cuts seems narrow (25-50bps), but markets bet on an aggressive rate cuts over the next 12 months. This month, the MPC will keep rates unchanged despite a disappointing performance for the economy in the fourth quarter of last year amid stagnant household consumption.

## Czech Republic: Optimistic forecasts could speed up the pace to 50bp rate cuts

The Czech National Bank will meet on Thursday next week and will present its first forecast published this year. We are going into the meeting expecting an acceleration in the cutting pace from 25bp in December to 50bp, which would mean a cut from the current 6.75% to 6.25%. This means a revision in our forecast, which previously saw an acceleration taking place in March. Still, it's certain to be a close call given the cautious approach of the board – which could bring about a 25bp cut. The board will have a new central bank forecast, which is likely to be a key factor in decision-making. Here, we see the need for revision in a few places, but overall everything points in a dovish direction.

We see from public statements that the dovish wing of the board will push for a faster pace of rate cuts given inflation numbers indicating a quick return to the 2% inflation target this year, and that it may be open to more than 50bp of rate cuts. For the rest of the board, we think the inflation indication for January and beyond in the central bank's new forecast is key. We are currently expecting 2.7% for January headline inflation, with room for it to come in lower if the anecdotal evidence of January's repricing is confirmed. This, in our view, will give the rest of the board the confidence to accelerate the pace of cutting as early as this meeting.

## Turkey: Inflation expected to be 65.1% in January

Inflation will likely remain under pressure in the near term given a higher-than-expected minimum

wage hike and increases in administrative prices due to special consumption tax and revaluation rate related adjustments. Accordingly, we expect the annual figure to be at 65.1% in January (with 6.8% month-on-month reading) vs 64.8% a month ago

## Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 5 February</b>				
US	1445 Jan S&P Global Composite PMI Final	-		52.3
	1445 Jan S&P Global Services PMI Final	-		52.9
	1500 Jan ISM Services	53.0	52.2	50.5
	1900 Federal Reserve Senior loan officer survey	-	-	-
Germany	0700 Dec Exports	-2		3.7
	0700 Dec Imports	-1.5		1.9
	0700 Dec Trade Balance	17		20.4
	0855 Jan S&P Global Services PMI	47.6		47.6
France	0855 Jan S&P Global Composite PMI Final	47.1		47.1
	0850 Jan S&P Global Composite PMI			44.2
UK	0930 Jan S&P Global/CIPS Serv PMI Final	-		53.8
	0930 Jan Composite PMI Final	-		52.5
Italy	0845 Jan Composite PMI	-		48.6
Spain	0815 Jan Services PMI	-		51.5
Eurozone	0900 Jan S&P Global Services PMI Final	-		48.4
	0900 Jan S&P Global Composite PMI Final	-		47.9
<b>Tuesday 6 February</b>				
Germany	0700 Dec Industrial Orders (MoM%)	-0.5		0.3
UK	0930 Jan All-Sector PMI	-		51.7
	0930 Jan S&P Global/CIPS Cons PMI	-		46.8
Italy	0901 Jan Consumer Confidence	107.2		106.7
Eurozone	1000 Dec Retail Sales (MoM%/YoY%)	-/-	/	-0.3/-1.1
<b>Wednesday 7 February</b>				
US	1330 Dec International Trade \$	-64	-62.3	-63.2
	2000 Dec Consumer Credit	12	16.5	23.75
Germany	0700 Dec Industrial Output (MoM%/YoY%)	-0.5/-5.0	/	-0.7/-4.87
France	0745 Jan Reserve Assets Total	-		223167
	0745 Dec Trade Balance	-		-5.943
Canada	1330 Dec Trade Balance C\$	1.1		1.57
Switzerland	0645 Jan Unemployment Rate Adjusted	-		2.2
<b>Thursday 8 February</b>				
US	1330 Initial Jobless Claims	225	-	224
	1330 Continuing Jobless Claims	1910	-	1898
Netherlands	0530 Jan CPI (YoY% NSA)	-		1.2
	0530 Jan CPI (MoM%, NSA)	-		0
<b>Friday 9 February</b>				
Germany	0700 Jan CPI Final (MoM%/YoY%)	-0.2/2.9	/	/
Italy	0900 Dec Industrial Output (MoM%/YoY%)	0.9/-2.5	/	-1.5/-3.1
Canada	1330 Jan Unemployment Rate	5.8		5.8
	1330 Jan payrolls change (000s)	15.0		-23.5
Norway	0700 Jan CPI (MoM%/YoY%)	-/-	/	0.1/4.8
	0700 Jan Core Inflation (MoM%/YoY%)	-/-	/	0.2/5.5
Netherlands	0530 Dec Manufacturing Output (MoM%)	-		-0.8
Greece	1000 Dec Industrial Output (YoY%)	-		3.1

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 5 February</b>					
Russia	0600	Jan S&P Global Services PMI	-		56.2
Turkey	0700	Jan CPI (MoM%/YoY%)	6.8/65.1	/	2.93/64.77
<b>Tuesday 6 February</b>					
Czech Rep	0800	Dec Industrial Output (YoY%)	-		-2.7
	0800	Dec Trade Balance	-		30.8
Hungary	0730	Dec Industrial Output (YoY%)	-		-5.8
	0730	Dec Retail Sales (YoY%)	-		-5.4
<b>Wednesday 7 February</b>					
Russia	1600	Dec Retail Sales (YoY%)	12.4	12.0	10.5
	1600	Dec Unemployment Rate	2.9	3.0	2.9
Poland	1300	Feb NBP Base Rate	5.75	5.75	5.75
Czech Rep	0800	Dec Retail Sales (YoY%)	-		0.9
<b>Thursday 8 February</b>					
Czech Rep	0800	Jan Unemployment Rate	-		3.7
	1330	CNB Repo Rate	6.25		6.75
Hungary	1000	Jan Budget Balance	-		-219
Serbia	1100	Feb Benchmark Interest rate	6.5		6.5
<b>Friday 9 February</b>					
Hungary	0730	Jan Core CPI (YoY%)	-		7.6
	0730	Jan CPI (YoY%)	-		5.5
	0730	Jan CPI (MoM%)	-		-0.3
Ukraine	1330	Jan CPI (MoM%/YoY%)	-/-	/	0.7/5.1
Kazakhstan	1300	Q4 GDP YTD (YoY%)	4.8		4.9

Source: Macrobond, ING

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# Asia week ahead: RBA and RBI decide on policy while regional players report inflation

Both the RBI and RBA meet next week to decide on policy, and both are expected to pause. China Caixin PMI will also be released alongside Indonesia GDP and regional inflation numbers



## RBA likely to keep setting untouched

The Reserve Bank of Australia (RBA) meets on 6 February to consider monetary policy, and there is virtually no prospect of any change. Cash rate futures are now pricing in a more than 50% chance of easing by May, helped by recent inflation data. However, we think that the inflation picture is less impressive than it appears, and is largely base effect-driven, while monthly run-rates remain high.

We expect inflation to start heading higher over January and February, which may lead to some pull back – much like we have seen in the US. The RBA may use the opportunity to push back a bit at market pricing, which could speed this adjustment along.

## RBI also set to hold

We also have the first Reserve Bank of India (RBI) meeting of the year on 8 February. Inflation is back up at the higher end of the RBI's target (5.69% vs target of 4+/-2%) as food prices have risen again. This removes any incentive the RBI has for acting unilaterally to ease policy, rather than waiting for the US Fed to move before beginning to ease – as we suspect will be the case for most regional central banks, including the RBI.

## Key data reports out from China

We will see the January Caixin services and composite PMIs to start the week, where if it follows the CFLP data, a small uptick can be expected. January foreign reserves data will be published on Thursday, where we will likely see a smaller fluctuation after two consecutive months of relatively large increases.

CPI and PPI inflation data will also be published on Friday. CPI inflation is expected to remain in negative territory for perhaps the final month, impacted by the Lunar New Year effect. High frequency data indicates that food prices edged down in sequential terms, but at a slower pace than the two previous months.

It is possible that the aggregate financing, loans and money supply data will be released as early as Friday, where we expect a spike in lending activity to start the year.

## Inflation in Taiwan expected to trend lower

Taiwan's January CPI inflation and trade data will be released on Tuesday and Wednesday respectively. Taiwan's CPI has fluctuated in a relatively stable range of around 2-3% over the past year, and is expected to trend down slightly in 2024.

January's trade data will be watched closely to gauge the impact of a sharper-than-expected drop in export orders last month.

## Indonesia GDP likely to settle at 5%

We expect fourth quarter GDP to settle at 5.0% year-on-year, supported by a healthy dose of household spending given improving retail sales figures reported in the last few months of 2023. Inflation remained subdued and at the lower end of the central bank's target, which likely fostered a good run of spending. We expect GDP to accelerate in the first quarter, however, as election-related spending helps bolster overall economic activity.

## Philippine inflation to slow

January inflation is set for release next week. We expect inflation to settle at 2.9% YoY, within the inflation target of the Bangko Sentral ng Pilipinas (BSP) and also within its inflation forecast of 2.8% to 3.6% YoY. Favourable base effects and slower inflation for key agricultural products should help lower headline inflation. BSP Governor Eli Remolona will be monitoring price developments, although he did indicate that his preference is to keep rates higher for longer.

## Key events in Asia next week

Country	Time (GMT+8)	Data/event	ING	Survey	Prev.
<b>Monday 5 February</b>					
Japan	0030	Jan Services PMI	52.7		52.7
	2330	Dec All Household Spending (YoY%)	-		-2.9
	2330	Dec All Household Spending (MoM%)	-		-1
China	0145	Jan Caixin Services PMI	-		52.9
India	0500	Jan IHS S&P Global Services PMI	-		59
Indonesia		- Q4 GDP (YoY%)	5		4.94
		- Q4 GDP (QoQ%)	0.4		1.6
Singapore	0500	Dec Retail Sales (MoM%/YoY%)	-/-	/	0.5/2.5
Taiwan	0820	Jan Foreign Exchange Reserve	-		570.595
<b>Tuesday 6 February</b>					
Australia	0330	Feb RBA Cash Rate	4.35		4.35
Philippines	0100	Jan CPI (MoM%/YoY%)	0.5/2.9	/	0.2/3.9
	0100	Jan Core CPI (YoY%)	3.8		4.4
Taiwan	0800	Jan CPI (YoY% NSA)	-		2.71
South Korea	2300	Dec Current Account Balance NSA	5		4.06
<b>Wednesday 7 February</b>					
China	0800	Jan FX Reserves (Monthly)	-		3.238
Indonesia	0400	Jan Forex Reserves	-		146.4
Philippines		- Jan Forex Reserves USD	-		102.5
Singapore	0900	Jan Foreign Reserves USD	-		351
	0000	Q4 GDP Final (QoQ%/YoY%)	-/2.8	/	7/2.8
Taiwan	0800	Jan Imports	-		-6.5
	0800	Jan Exports	-		11.8
	0800	Jan Trade Balance	-		11.1
<b>Thursday 8 February</b>					
Japan	2350	Jan M2 Money Supply (YoY%)	-		12427762
China	0130	Jan CPI (YoY%)	-0.5		-0.3
	0130	Jan CPI (MoM%/YoY%)	-/-	/	0.1/9.7
India	0430	Repo Rate	6.5		6.5
	0430	Reverse Repo Rate	3.35		3.35
	0430	Cash Reserve Ratio	4.5		4.5

Source: Refinitiv, ING

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