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✓ 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.
Monday 6 March					
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
Tuesday 7 March					
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
Wednesday 8 March					
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
Thursday 9 March					
US	1330	Initial Jobless Claim 000s	200		190
	1330	Continue Jobless Claim 000s	1680		1655
	1700	4Q Change in Household wealth \$bn	150		-392
Friday 10 March					
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

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Asia week ahead: Reserve Bank of Australia meeting plus regional inflation data

The Reserve Bank of Australia (RBA) meeting will be the highlight for the week while several regional economies report inflation data



More confirmation needed before pausing rate hikes in Australia

Following the larger-than-expected decline in January's inflation figures, coupled with a slowdown in GDP growth in the fourth quarter, we expect that the upcoming RBA meeting is going to be much more interesting than has been the case recently. Although the January inflation rate had dropped a full percentage point, inflation still stands at 7.4% year-on-year – way higher than the RBA will be comfortable with. The RBA will want to see confirmation of a downward trend in inflation, not just a reversal of seasonal spikes to even consider pausing its current 25 basis point per meeting tightening strategy.

The softer-than-expected 4Q22 GDP number was encouraging but we would need to see confirmation from other data to conclude that a slowdown is underway, and of a sufficient

magnitude to see inflation fall back within the RBA's 2-3% target range.

Consumer prices expected to fall in Korea

Consumer inflation is expected to fall to 4.9% in February (vs 5.2% in January). The recent increase in utility fees likely raised prices for eating out and manufactured products. On the other hand, gasoline prices continue to decline and the impact of the drop in jeonse prices (rental) is expected to appear in the index. Thus, we expect consumer prices to cool out gradually in February.

Foreign reserves and trade data from China

China will report its February foreign exchange reserves data next week. The weaker yuan should lead to some capital outflows for the month and a slight fall in foreign exchange reserves. As capital flow channels have widened via stock and bond connects, capital movements in 2023 will be more reflective of exchange rate movements.

China will also release international trade data for January and February. We expect the yearly contraction to continue for exports and imports in the first two months. Import growth should contract less than exports due to strong consumption demand in China. However, imports for processing trade should continue to be affected by slowing global demand.

Trade data and CPI from Taiwan

Taiwan will report trade data for February. Both exports and imports should continue to be in yearly contraction, around 15% to 20%. This reflects falling demand for semiconductor chips as global demand weakens.

Meanwhile, Taiwan's CPI inflation should edge lower as the economy faces external demand headwinds that should have driven wage growth lower. This trend should allow the central bank (the Central Bank of the Republic of China) to pause its rate hike cycle. The central bank will likely be watching the Fed fund rate movements closely. There is a possibility that the CBC could cut interest rates in the fourth quarter.

Philippine inflation to sustain upward trend?

Price pressures in the Philippines remain evident and we could see another month of elevated inflation. The January report caught many by surprise and we could be in for another upside surprise for headline inflation again. We expect headline inflation to be 8.7%YoY or higher as food inflation is still expected to be substantial. This should prompt another rate hike from the Bangko Sentral ng Pilipinas (BSP) at its March meeting although BSP Governor Felipe Medalla signalled his preference for only a 25bp rate hike given the supply-side nature of the price increases.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Sunday 5 March					
South Korea	2300	Feb CPI Growth (MoM%/YoY%)	0.4/4.9	0.45/5.05	0.8/5.2
Monday 6 March					
South Korea	2300	Q4 GDP Growth (QoQ%/YoY%)	-0.4/1.4		-0.4/1.4
Tuesday 7 March					
Australia	0030	Jan Trade Balance (AUD bn)	-		12237
	0330	Mar RBA Cash Rate	-		3.35
China	-	Feb FX Reserves (Monthly)	-		3.184
	0300	Feb Imports/Exports	-		-7.5/-9.9
	0300	Feb Trade Balance	-		78
Indonesia	0400	Feb Forex Reserves	-		139.4
Philippines	0100	Feb CPI (MoM%/YoY%)	0.15/8.7		1.7/8.7
	0100	Feb Core CPI (YoY%)	7.4		7.4
	0300	Feb Forex Reserves USD	-		99.7
Singapore	0900	Feb Foreign Reserves USD	-		291.7
Taiwan	0800	Feb CPI (YoY% NSA)	-		3.04
	0800	Feb Imports/Exports	-		-16.6/-21.2
	0800	Feb Trade Balance	-		2.34
Wednesday 8 March					
Japan	2350	Q4 GDP Revised (QoQ% ann)	0.6		0.6
	2350	Q4 GDP Revised (QoQ%)	0.2		0.2
Indonesia	0300	Feb Consumer Confidence Index	-		123
Thursday 9 March					
Japan	2330	Jan All Household Spending (YoY%)	-		-1.3
	2330	Jan All Household Spending (MoM%)	-		-2.1
China	0130	Feb CPI (MoM%/YoY%)	-		0.8/2.1
Indonesia	0400	Jan Retail Sales Index (YoY)	-		0.7
South Korea	2300	Jan Current Account Balance NSA	-		2.68
Friday 10 March					
Japan	-	BOJ Rate Decision	-0.1		-0.1
China	-	Feb M2 Money Supply (YoY)	-		12.6
	-	Feb FDI (YTD)	-		14.5
India	1200	Jan Industrial Output (YoY%)	-		4.3
	-	Feb Fiscal Deficit - USD	-		-
	-	Feb Imports/Exports (USD bn)	-		-

Source: Refinitiv, ING

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Key events in EMEA next week

We expect the National Bank of Poland to keep rates unchanged next week and believe rate cuts are unlikely this year. For Hungary, we see core inflation...



Source: Shutterstock

✓ Poland: NBP expected to keep rates unchanged

Poland's central bank is widely expected to keep interest rates unchanged next week. Although recent CPI readings have been lower than expected, the pace of disinflation is highly uncertain and price growth may turn out to be persistently high (especially core inflation) as seen in the recent data from core markets. At the same time, the NBP will present new forecasts which may show a lower path of inflation due to a more favourable starting point and lower energy price index. Still, in our view, the persistence of core inflation will leave no room for interest rate cuts this year.

✓ Czech Republic: Headline inflation expected to slightly exceed central bank forecast

Czech headline inflation likely moderated slightly in February. Core inflation likely declined further but should still remain above 10% year-on-year. Weekly surveys suggest food prices remained more or less flat compared to January, while fuel prices started to pick up again. In our view, headline inflation in February slightly exceeded the central bank's estimate at 16.5% YoY. Still, the Bank's board is unlikely to be swayed by such a move given its firm stance on holding rates steady.

✔ Hungary: Headline inflation to show minor deceleration, while core should continue to climb

Next week will also serve up some hard evidence on how the Hungarian economy has started this year. We expect some minor improvement in retail sales activity in year-on-year terms due to base effects in January 2023. On a monthly basis, we still see a retreat in the volume of turnover. The main cause behind this weakening remains negative real wage growth. If we believe in survey indicators (which we take with a pinch of salt), we should see yet another monthly-based increase in the volume of industrial production in January. This will translate into a significant improvement compared to a year ago due to the calendar effect. We see the budget balance posting a monthly deficit roughly in line with historic standards in February. The real fireworks of the week will arrive with the February inflation print, where we see the headline reading showing a minor deceleration, while core inflation should continue its (now slow-paced) climb. The reason for the opposite direction of travel is that energy and fuel prices, which are not part of the core basket, will drag down the headline figure. At the end of the week, we foresee yet more good news: with dropping energy prices, lowering energy demand and improving export activity, we see the monthly trade balance switching back into surplus after being in deficit for 18 months.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 6 March					
Hungary	0730	Jan Retail Sales (YoY%)	-3.5		-3.9
Tuesday 7 March					
Hungary	0730	Jan Industrial Output (YoY%)	5.5		2.0
	0730	Jan Industrial Output (MoM%, swda)	0.9		3.8
South Africa	0930	Q4 GDP (YoY%)	-		4.1
Wednesday 8 March					
Poland	1300	Mar NBP Base Rate	6.75	6.75	6.75
Czech Rep	0800	Feb Unemployment Rate	-		3.9
Hungary	0730	Feb Core CPI (YoY%)	25.6		25.4
	0730	Feb CPI (MoM%/YoY%)	0.9/25.4		2.3/25.7
	1000	Feb Budget Balance	-250		-143.6
Thursday 9 March					
Czech Rep	0800	Jan Trade Balance	-		-1.2
Serbia	1100	Mar Benchmark Interest rate	5.75		5.5
South Africa	0900	Q4 Current Account	-		-18.1
Mexico	1200	Feb Headline Inflation	-		0.68
	1200	Feb Core inflation	-		0.71
Friday 10 March					
Turkey	0700	Jan Unemployment Rate	-		10.4
	0700	Jan Industrial Production (MoM/YoY%)	-		-0.22/1.63
Russia	1600	Feb CPI (MoM%/YoY%)	0.5/11.0		0.8/11.8
Czech Rep	0800	Jan Industrial Output (YoY%)	-		4
	0800	Feb CPI (MoM%/YoY%)	-/-		6/17.5
Hungary	0730	Jan P Trade Balance (EUR mn)	250		-154
Ukraine	1330	Feb CPI (MoM%/YoY%)	-/-		
Brazil	1100	Feb IPCA Inflation Index (MoM%/YoY%)	-/-		0.53/5.77

Source: Refinitiv, ING

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