Our view on next week's key events

Discover what ING economists are looking for in our global economic calendars

In this bundle

Asia week ahead: Two big central bank rate decisions next week

Asia's data calendar features central bank decisions, Taiwan trade data and Indonesia's growth report

Consumer sentiment in Indonesia improved considerably to close out the year as daily Covid-19 infections slowed in November

RBI and BI meet to discuss monetary policy

The Reserve bank of India (RBI) meets on 9 February, and though they are not expected to raise the policy repo rate at this meeting (4.0% currently), there is an outside chance that they do. The latest Union Budget released last week was quite expansionary, and bond spreads widened out on the back of it. Throw in some toppy inflation numbers and a decent growth backdrop and it is clear that we are nearing a rate hike – if not this month, then soon. The RBI already raised the cash reserve ratio last year, and it could continue that process of unwinding emergency stimulus and liquidity measures by raising the reverse repo rate to narrow the corridor with the repo rate even if the policy repo rate is left unchanged.

Meanwhile, Bank Indonesia (BI) is expected to hold rates steady at its upcoming meeting. BI Governor Perry Warjiyo has until now been reluctant to reverse his accommodative stance, citing the need to support the nascent economic recovery. He has, however, shown some willingness to work back at least some part of his "pro-growth" stance announcing a March hike for reserve requirements. We expect Warjiyo to consider tightening policy sooner rather than later, especially with inflation creeping back to its target. In our view, the trigger points for an earlier-thananticipated reversal instance would be accelerating inflation coupled with depreciation pressure on the Indonesian rupiah linked to Fed tightening. We consequently forecast a modest rate increase from BI as early as 2Q.

Indonesia's GDP report

Market participants expect Indonesian 4Q21 GDP growth to hit 5.0%. Consumer sentiment improved considerably to close out the year as daily Covid-19 infections slowed in November. Improving sentiment translated to a pickup in retail sales, and consumption is expected to lift the overall growth print. Capital formation is also expected to recover after bank lending growth strung together a six-month growth streak. Growth momentum may slow in early 2022 with Covid-19 cases accelerating again due to the spread of Omicron.

The rest of the calendar

Taiwan will report 4Q GDP figures, gross international reserves, and January trade data next week while China's Caixin general manufacturing purchasing managers' index (PMI) services report is also due for release.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 February			
Japan	2330	Dec All Household Spending (YoY%)	0.6		-1.3
Japan	2330	Dec Labour Cash Earnings (YoY%)	1.4		0.8
	2350	Dec Current Account Balance Adjusted JPY	1095		897.3
China	0145	Jan Caixin Services PMI	52.0		53.1
	-	Jan FX Reserves (Monthly)	3.26		3.25
Indonesia	-	Q4 Balance of Payments	-		10.7
	-	Q4 Current Account/GDP	-		1.5
	-	Jan Forex Reserves USD	-		144.9
	-	Q4 GDP (QoQ%/YoY%)	-/5,1		3.51
Singapore	0900	Jan Foreign Reserves USD	-		417.9
		Tuesday 8 February			
Japan	2350	Jan M2 Money Supply (YoY%)	-		3.7
		Wednesday 9 February			
India	0700	Repo Rate	4.0		4.0
	0700	Reverse Repo Rate	3.8		3.4
	0700	Cash Reserve Ratio	-		4.0
Taiwan	0820	Jan Foreign Exchange Reserve USD	549.5		548.4
South Korea	2200	Dec Current Account Balance USD	3.14		7.16
		Thursday 10 February			
China	-	Jan M2 Money Supply (YoY%)	8.7		9.0
Indonesia	-	Feb 7-Day Reverse Repo	3.5		3.5
Taiwan	0800	Q4 GDP Final (YoY%)	-		4.88
		Friday 11 February			
India	1430	Dec Industrial Output (YoY%)	-		1.4
Indonesia	0400	Dec Retail Sales Index (YoY%)	-		10.8
Taiwan	0800	Jan WPI (YoY%)	9.35		-
	0800	Jan CPI (YoY%)	2.62		2.62
	0800	Jan Imports	28		28.1
	0800	Jan Exports	23.2		23.4
	0800	Jan Trade Balance	6.25		5.77

Source: Refinitiv, ING, *GMT

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Key events in developed markets next week

High inflation figures will sweep across developed markets, whilst some of the dovish central banks such as the Riksbank are giving hawkish signals. Also...

Sweden's central bank is expected to follow the crowd and signal an earlier rate rise

Record US inflation figures expected

In the US, the focus will be consumer price inflation and it is likely to see the headline rate hit 7.3% year-on-year, the highest rate since February 1982. The core rate, which excludes the volatile food and energy components, is expected to hit 5.9%. It was last up here in October 1982. Inflation pressures are broad-based given robust demand in an environment of significant capacity constraints in both the goods and the services sectors of the economy.

We can't rule it out going higher in the near term given extreme worker shortages caused by the Omicron variant leading to so many employee absences. This is going to keep the pressure on the Federal Reserve to hike rates in March despite high frequency economic data pointing to the clear risk that the economy will contract in the first quarter of this year. Underlying fundamentals are strong though, as highlighted by the fact that there are 1.7 job vacancies for every unemployed person in the US today. With Omicron case numbers falling in several states, we are hopeful of a substantial rebound in activity from the second quarter that will help pave the way for five Fed rate hikes this year.

UK GDP set for December decline on Omicron hit

There's little doubt that December's monthly gross domestic product (GDP) data, due next week, will have taken a hit due to Omicron. We expect roughly a half a percentage point fall in activity, with noticeable hits across consumer services and transport offset partly by even higher health output (linked to the booster vaccine push and increased testing). That will probably take GDP in monthly terms a touch back below pre-virus levels. And indeed it's worth remembering that without all the extra health spending during the pandemic, output would be more than 1% lower. Overall, the fourth quarter is likely to see output growth in the region of 1.1%.

Still, we'd expect the economy to regain its lost ground fairly quickly through the first quarter. Data since Christmas appears to show consumers more willing to visit hospitality again, while staff absence rates should be falling alongside Covid-19 cases in adults.

Riksbank to follow the crowd and signal earlier rate rise

With the European Central Bank slowly building up towards a rate rise (albeit more gradually and later than the Fed), Sweden's Riksbank may be the latest central bank to signal an earlier start to tightening. The first step is likely to involve starting quantitative tightening, which the bank has signalled is likely to come before the first rate rise. But the global inflation narrative could also prompt the Riksbank to bring forward the date of its first projected rate hike into 2023. We'll get new forecasts at its meeting next week. We think in practice the first repo rate hike could come in early 2023.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 February			
US	2000	Dec Consumer Credit	18.0	20.0	40.0
Germany	0700	Dec Industrial Output (MoM%/YoY%)	0.0/-2.5		-0.2/-2.3
France	0745	Jan Reserve Assets Total	-		223787
Switzerland	0645	Jan Unemployment Rate Adjusted	-		2.4
		Tuesday 8 February			
US	1330	Dec International Trade $	-83.5	-82.9	-80.2
France	0745	Dec Trade Balance	-		-9.7
Canada	1330	Dec Trade Balance C$	-		3.1
		Wednesday 9 February			
Germany	0700	Dec Exports	-0.5		1.7
	0700	Dec Imports	-0.9		3.3
	0700	Dec Trade Balance	-		10.9
Italy	0900	Dec Industrial Output (MoM%/YoY%)	-0.6/-		1.9/6.3
		Thursday 10 February			
US	1330	Jan Core CPI (MoM%/YoY%)	0.4/5.9	0.5/5.9	0.6/5.5
	1330	Jan CPI (MoM%/YoY%)	0.4/7.3	0.4/7.2	0.5/7
	1330	Initial Jobless Claims	225	245	260
	1330	Cont Jobless Claims	1.60	1.62	1.68
Norway	0700	Jan CPI (MoM%/YoY%)	-/-		0.7/5.3
	0700	Jan Core Inflation (MoM%/YoY%)	-/-		0.4/1.8
Sweden	0830	Riksbank Rate	0.0		0.0
Netherlands	0530	Jan CPI (MoM%/YoY%)	-0.6/5.3		5.7
	0530	Dec Manufacturing Output (MoM%)	-		0.6
Greece	1000	Dec Industrial Output (YoY%)	-		8.0
		Friday 11 February			
US	1500	Feb University of Michigan Sentiment Prelim	67.5	67.6	67.2
	1500	Feb University of Michigan Conditions Prelim	72.5		72.0
	1500	Feb University of Michigan Expectations Prelim	64		64.1
Germany	0700	Jan CPI Final (MoM%/YoY%)	0.4/4.9		0.4/4.9
UK	0700	Dec GDP Estimate (MoM%)	-0.6		0.9
	0700	4Q GDP Estimate (QoQ%)	1.1		1.1
Switzerland	0730	Jan CPI (MoM%/YoY%)	-/-		-0.1/1.5

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

Look out for rate hikes in Poland and Russia, as well as key inflation readings in Hungary

Hungary's price cap on fuel, first introduced in November 2021, has become effective at elevating oil prices

Poland: wage price spiral contributes to a hawkish shift

National Bank of Poland (NBP) Governor Adam Glapinski has made another hawkish pivot since the Monetary Policy Committee (MPC) meeting in January. Back then he said rates should rise to 3% or 4% should the economy keep growing fast. Recently he said hikes would reach a level of rates above market expectations and added that a stronger Polish złoty (PLN) would be consistent with the ongoing monetary tightening. We think this change of rhetoric and verbal intervention on PLN reflect the upside inflation risk NBP recognises due to the consumer price index (CPI) development recently and very strong activity data for 4Q21.

Also, the 4Q21 gross domestic product (GDP) data present sound GDP, and high-frequency indicators for January rather point to households' smooth consumption, which raises the odds of second-round effects. Also, NBP surveys actually point out that the wage-price spiral already started with 60% of companies recognising wage hikes due to high CPI, and plans to hike wages grew to a ten-year high. Despite the hikes NBP has delivered so far, and anti-inflation shields launched by the government, we see CPI breaking 10% year-on-year in January 2022 and staying elevated. That is why the NBP has become more hawkish recently.

In the baseline scenario, we see a 50bp hike in February, but we have changed our previous forecast as we are now expecting more hikes to occur in 2022 and a 4.5% terminal rate should be reached this year, not 2023 as we forecasted before.

Hungary: inflation figures to reflect second-round supply shocks and commodity price surge

We see the budget starting the year with a relatively small deficit as the significantly-increasing wages and the booming consumption on the year-end one-off payments will provide a boost to revenues, counterbalancing some of the discretional budgetary spending in January. The focus of the next week will undoubtedly be on the January inflation data. The almost 1% month-on-month headline inflation will translate into another 7.4% year-on-year reading. This will show the second-round effects of supply shocks (start of the year repricing) as well as the surge in commodity prices. The latter is impacting fuel as the price cap, first introduced in November 2021, has become effective at elevating oil prices. The government also introduced a price cap on food this month, but it is too early for this to be reflected in next week's data.

Core inflation is expected to reach 6.8% year-on-year, continuing its surge. After the upside surprises all across Europe, we wouldn't be shocked if the Hungarian inflation reading will do the same, thus we see risks tilted to the upside.

Russia: central bank to give new assessment of inflationary risks

Bank of Russia is likely to make a 50-100 basis point increase in the key rate to 9.0-9.5%, reiterate the hawkish signal to some extent, and increase its forecasts of the average annual key rate and year-end CPI from the currently optimistic 7.3-8.3% and 4.0-4.5%, respectively. The arguments in favour of the higher-than-standard 25bp increase in the key rate include continued acceleration in the current CPI from 8.4% year-on-year in December to 8.8-9.0% year-on-year in January, the recent ruble weakness that may have added to inflationary concerns, continued growth in corporate inflationary expectations to 14-year highs, outperformance of local lending vs. deposit growth in 2021, faster-than-expected economic growth in 4Q21 thanks to the year-end spending splurge by the government, as well as persistent upward price pressure on a global level, including in key agri commodities.

During the press conference, the CBR governor will most certainly be asked about the timeframe for the return of market foreign exchange (FX) purchases that were suspended on 24 January in response to the foreign policy-driven ruble sell-off. This week, the ruble has returned to levels seen right before the suspension, but it still remains c. 2 RUB/USD weaker than at the end of 2021, when the current round of foreign policy tensions started. Unless the market FX purchases restart this month, the CBR will end February with almost $13bn in FX purchases backlog that will need to be addressed later during the year.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 February			
Czech Rep	0800	Dec Industrial Output (YoY%)	-		1.6
	0800	Dec Trade Balance	-		5.7
		Tuesday 8 February			
Poland	-	Feb NBP Base Rate	2.75	2.75	2.25
Czech Rep	0800	Dec Retail Sales (YoY%)	-		13.2
	0900	Jan Unemployment Rate	-		3.5
Hungary	1000	Jan Budget Balance	-150		-1171
		Wednesday 9 February			
Russia	1600	Jan CPI (MoM%/YoY%)	1.2/8.9	1.1/8.8	0.8/8.4
	1600	Dec Retail Sales (YoY%)	3.0	3.4	3.1
	1600	Dec Unemployment Rate	4.3	4.3	4.3
Ukraine	-	Jan CPI (MoM%/YoY%)	-/-		0.6/10
Romania	1300	Monetary Policy Rate	2.5		2.00
Brazil	1200	Dec Retail sales (MoM%/YoY%)	-/-		0.6/-4.2
	-	Jan IPCA Inflation Index (MoM%/YoY%)	-/-		0.73/10.06
Mexico	1200	Jan Headline Inflation	-		0.36
	1200	Jan Core inflation	-		0.8
		Thursday 10 February			
Kazakhstan	-	Jan Industrial Production (YoY%)	-		3.8
Turkey	0700	Dec Unemployment Rate	-		10.9
Serbia	1100	Feb Benchmark Interest rate	1.00		1.00
Mexico	1900	Jan Interest Rate	-		5.5
		Friday 11 February			
Russia	1030	Feb Central Bank Key Rate	9.5	9.5	8.5
Turkey	700	Dec Current Account Balance	-3.6		-2.7
Hungary	0800	Jan Core CPI (YoY%)	7.0		6.4
	0800	Jan CPI (MoM%/YoY%)	1.1/7.6		0.3/7.4
Mexico	1200	Dec Industrial Ouput (MoM%/YoY%)	-		-0.1/1.6

Source: Refinitiv, ING, *GMT

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