

Our view on next week's key events

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Key events in developed markets next week

The CPI report release will be in focus in the US next week, while attention in the UK shifts to November's GDP figures



Source: Shutterstock

✓ US: CPI report expected to show a soft print this month

The data highlight in the US will be consumer price inflation. The Federal Reserve certainly appears to be more relaxed about the inflation backdrop, with the minutes of the December FOMC meeting acknowledging that upside risks had “diminished” and this improved situation being cited as the main factor behind officials predicting a lower path for the Fed funds rate in 2024 than previously thought. The core PCE deflator has been showing more benign month-on-month readings than CPI over the past six months, but we think the CPI report will also show a soft print this month, given falling gasoline prices and more benign housing rent data. Core CPI is set to break below 4% year-on-year for the first time since May 2021, and this will give the Federal Reserve added confidence that inflation is on the path to sustainability reaching the 2% target by mid-2024.

✓ UK: Monthly GDP set for modest rebound after October's weakness

The level of UK activity contracted in October, according to the most recent monthly GDP figures, and a large part of that was down to an unusually large dip in manufacturing activity. The truth is that these figures are becoming increasingly unhelpful for judging the state of the UK economy, and assuming most of the factors behind October's dip were temporary, we'd expect a bit of a

bounce back in the November figures due next week. Whether or not that happens will largely dictate whether the UK economy enters a “technical” recession, following a very slight fall in overall third-quarter GDP following recent revisions to the data. The reality is that a couple of quarters of -0.1% growth, if it happens, is not much to write home about.

While the jobs market is cooling, so far there aren't the widespread signs of job losses that are more typically associated with recessionary periods. For now, we think the UK economy will flatline through the first half of this year as positive real wage growth is offset by the ongoing passthrough of higher interest rates. The Bank of England is still more heavily focused on the inflation numbers – and with both wage growth and services inflation likely to stay sticky in the near term, the market may be getting ahead of itself in pricing a May rate cut. A lot will depend on the next couple of inflation and jobs reports, but for now, we're sticking to our call of an August rate cut with 100bp of easing in the second half of 2024.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 January					
US	2000	Nov Consumer Credit	9.5	10	5.13
Germany	0700	Nov Industrial Orders (MoM%)	1.5		-3.7
	0700	Nov Exports	0.3		-0.2
	0700	Nov Imports	0.8		-1.2
	0700	Nov Trade Balance	-		17.8
France	0745	Dec Reserve Assets Total	-		222926
Switzerland	0730	Dec CPI (MoM%/YoY%)	-/-	/	-0.2/1.4
Eurozone	1000	Nov Retail Sales (MoM%/YoY%)	-/-	/	0.1/-1.2
	1000	Nov Unemployment Rate	-		6.5
Tuesday 9 January					
US	1100	Dec NFIB small business optimism	91	90.6	90.6
	1330	Nov International Trade \$bn	-65	-64.5	-64.3
Germany	0700	Nov Industrial Output (MoM%/YoY%)	0.3/-3.2	/	-0.4/-3.38
France	0745	Nov Trade Balance	-		-8,597
Canada	1330	Nov Trade Balance C\$bn	-0.6		2.97
Switzerland	0645	Dec Unemployment Rate Adjusted	-		2.1
Wednesday 10 January					
France	0745	Nov Industrial Output (MoM%)	-		-0.3
Italy	0900	Nov Industrial Output (MoM%/YoY%)	-/-	/	-0.2/-1.1
Norway	0700	Dec CPI (MoM%/YoY%)	-/-	/	0.5/4.8
	0700	Dec Core Inflation (MoM%/YoY%)	-/-	/	-0.2/5.8
Netherlands	0530	Nov Manufacturing Output (MoM%)	-		-0.5
Greece	1000	Nov Industrial Output (YoY%)	-		10.5
Thursday 11 January					
US	1330	Dec Core CPI (MoM%/YoY%)	0.2/3.8	0.2/3.8	0.3/4
	1330	Dec CPI (MoM%/YoY%)	0.1/3.1	0.2/3.3	0.1/3.1
	1330	Initial Jobless Claims (000)	215	-	202
	1330	Continuing Jobless Claims (000)	1885	-	1855
Netherlands	0530	Dec CPI (YoY% NSA)	-		1.6
	0530	Dec CPI (MoM%, NSA)	-		-1
Friday 12 January					
US	1330	Dec PPI (MoM%/YoY%)	0.0/1.2	0.1/1.3	0.0/0.9
	1330	Dec core PPI (MoM%/YoY%)	0.2/1.9	0.2/1.9	0.0/2.0
France	0745	Dec CPI (YoY%) NSA	-		
	0745	Dec CPI (MoM%) NSA	-		
UK	0700	Nov GDP Estimate (MoM%/YoY%)	0.3/0.5	/	-0.3/0.3
Italy	0900	Nov Global Trade Balance	-		4.699
Spain	0800	Dec CPI (MoM%/YoY%)	-/-	/	0/3.1
Netherlands	0530	Nov Trade Balance	-		10.797
Greece	1000	Dec CPI (YoY%)	-		3

Source: Refinitiv, ING

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Asia week ahead: Inflation readings across the region

Inflation figures for China, Australia and India will take centre stage over the coming week in Asia



✓ China: Chance December inflation figures move slightly back up towards zero

China's December inflation reading will be carefully watched following its recent descent into negative annual rates, and there is a chance it will begin to move slightly back up towards zero. For all the talk of pork prices being the culprit of China's negative inflation, this was actually something that happened a year ago when prices spiked on the back of a swine fever outbreak. Wholesale pork prices in recent months have been extremely stable, falling only very slightly in December from November.

What is different this month is that pork prices in December 2022 had already begun to fall and this will help inflation to edge back towards positive readings. Last month's figures were also hit by lower gasoline prices – and while the average gasoline price in China in December is probably a little lower than November, it hasn't fallen quite as much, and the implied month-on-month overall inflation reading could be a lot closer to zero than the negative November figure.

✓ India: Inflation to stay at 5.5% YoY

We also have Indian December inflation on the calendar next week, where there has been a broad-based decline in the prices of food, especially seasonal vegetables, potatoes, tomatoes and onions. This was also the pattern last year, so the impact on the inflation rate will be pretty small, if any, and should remain at about 5.5% year-on-year.

✓ Australia: Inflation rate could decline substantially

Australian inflation is also coming up. Last year's surge in energy and food prices on the back of unseasonal cold and wet weather is unlikely to be repeated, at least not to the same extent, though we note that recent flooding in Queensland could still push up the prices in some areas. Even so, the comparison with last year's spikes should be benign enough to see the inflation rate decline – perhaps substantially.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 January					
Japan	2330	Nov All Household Spending (YoY%)	-		-2.5
	2330	Nov All Household Spending (MoM%)	-		-0.1
	2330	Dec Tokyo CPI (YoY%)	2.5		2.7
	2330	Dec Tokyo Ex-Fresh Food (YoY%)	2.2		2.3
Indonesia	0400	Dec Forex Reserves	-		138.1
	0300	Dec Consumer Confidence Index	-		123.6
Philippines	0100	Nov Exports (YoY%)	-		-17.5
	0100	Nov Imports (YoY%)	-		-4.4
	0100	Nov Trade Balance	-		-4174
South Korea	2300	Nov Current Account Balance NSA	7		6.8
Tuesday 9 January					
Indonesia	0400	Nov Retail Sales Index (YoY%)	-		2.4
Taiwan	0800	Dec Imports	-		-14.8
	0800	Dec Exports	-		3.8
	0800	Dec Trade Balance	-		9.8
South Korea	2300	Dec Unemployment Rate	2.9		2.8
Wednesday 10 January					
China	-	Dec M2 Money Supply (YoY)	-		10
	-	Dec FDI (YTD)	-		-10
India	-	Dec Fiscal Deficit - USD bn	-		20.58
	-	Dec Imports - USD bn	-		54.48
	-	Dec Exports - USD bn	-		33.9
Thursday 11 January					
Australia	0030	Nov Trade Balance (A\$bn)	-		7129
South Korea	0100	Jan Bank of Korea Base Rate	3.5		3.5
Friday 12 January					
China	0130	Dec CPI (YoY%)	-0.4		-0.5
	0130	Dec CPI (MoM%)	0		-0.5
	0300	Dec Exports	-		0.5
	0300	Dec Imports	-		-0.6
	0300	Dec Trade Balance	-		68.39
India	1200	Dec CPI Inflation (YoY%)	5.5		5.55
	1200	Nov Industrial Output (YoY%)	-		11.7

Source: Refinitiv, ING

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Key events in EMEA next week

Rates are set to remain unchanged in Poland's first MPC meeting of the year, while inflation figures come into focus in the Czech Republic



Source: Shutterstock

✓ Poland: Rates to remain unchanged

Current account (Nov): €2074mn

We expect yet another hefty surplus on the current account balance in November on the back of sizeable surpluses on goods and services trade balances still being supported by lower prices of energy imports. According to our estimates, exports fell by 1.6% year-on-year, while imports shrank by 9.6% YoY compared with +1.6% YoY and -8.4% YoY respectively in October. In such a scenario, the 12-month rolling current account surplus should improve to 1.5% of GDP from 1.1% after October.

NBP rate (Jan): 5.75% (unchanged)

The first MPC policy sitting this year will be a non-event, as rate setters are widely expected not to make any policy decisions in January. The National Bank of Poland (NBP) rates will remain unchanged (with the main policy rate still at 5.75%) as the Council awaits more information about inflation developments. On the one hand, the short-term inflation outlook looks more favourable than projected in the November NBP staff scenario as authorities have extended measures “freezing” electricity and gas prices for households until mid-2024. On the other, the 2024 draft budget prepared by the new ruling coalition envisages an even higher fiscal gap and borrowing

needs than the already record-high imbalance proposed by the former Morawiecki government in September. We expect the MPC to stick to wait-and-see approach until at least March, when the new macroeconomic projections will be prepared.

✓ Czech Republic: Last big inflation number

We estimate that prices remained unchanged in December, which translates into a stable inflation figure of 7.3% YoY, the same as in November. We see core inflation falling further from 3.9% to 3.7% YoY. The main upward drivers here are food prices. Otherwise, other items are stable or falling. Fuel prices in particular fell massively in December, where the drop in oil prices has been most pronounced. The risk here is housing prices, including energy prices, which showed a surprise increase in November. In January, the comparative base from last year and the much smaller month-on-month growth compared to last January should come into play. For now, we estimate 2.8% YoY, but we will see more after the December number.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 January					
Czech Rep	0800	Nov Industrial Output (YoY%)	-		1.9
	0800	Nov Trade Balance	-		12.8
Hungary	0730	Nov Retail Sales (YoY%)	-6.4		-6.5
	1000	Dec Budget Balance	-		-587
Tuesday 9 January					
Poland	1300	Jan NBP Base Rate	5.75	5.75	5.75
Czech Rep	0800	Dec Unemployment Rate	-		3.5
Hungary	0730	Nov Industrial Output (YoY%)	-0.8		-3.2
Ukraine	1330	Dec CPI (MoM%/YoY%)	-/-	/	0.5/5.1
Wednesday 10 January					
Turkey	0700	Nov Current Account Balance	-1.6		0.186
Kazakhstan	1200	Dec Industrial Production (YoY%)	-		4.3
Thursday 11 January					
Czech Rep	0800	Dec CPI (MoM%/YoY%)	0.0/7.3	/	0.1/7.3
Serbia	1100	Jan Benchmark Interest rate	6.5		6.5
Friday 12 January					
Russia	1600	Dec CPI (MoM%/YoY%)	0.8/7.5	0.9/7.6	1.1/7.5
Poland	1300	Nov Current Account	2074	1571	2036
Czech Rep	0900	Nov Current Account Balance	-		19.84
Hungary	0730	Dec Core CPI (YoY%)	7.5		9.1
	0730	Nov Industrial Output Final	-0.8		
	0730	Dec CPI (YoY%)	5.7		7.9
	0730	Dec CPI MM NSA	-0.2		0
Ukraine	1330	Nov Trade Balance YTD	-		-22.3
Romania	0700	Dec CPI (YoY%)	6.5		6.72
	1300	Mon Policy Rate (%)	7	7	7
Serbia	1100	Dec CPI (MoM%/YoY%)	0.3/7.2	/	0.5/8

Source: Refinitiv, ING

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