

Our view on next week's key events

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By James Knightley and James Smith



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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

By Adam Antoniak and Frantisek Taborsky

Key events in developed markets next week

In the US, the main data highlight next week will be the release of the CPI report, which should show a soft print for this month given falling gasoline prices and more benign housing rent data. Over in the UK, all eyes will be on the November GDP figures, where we're forecasting a modest rebound following the weakness seen in October



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

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Asia week ahead: Inflation readings across the region

Next week, we expect China's December inflation reading should move slightly back up towards zero following its recent descent into negative annual rates. Elsewhere, India's inflation will likely remain around 5.5% YoY, while in Australia the comparison with last years spike should be benign enough to see the inflation rate decline



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

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Key events in EMEA next week

Next week's focus will be on Poland's first MPC decision of this year, where we expect rates to remain unchanged as the council awaits more information on inflation developments. Elsewhere, we estimate that prices will remain unchanged in the Czech Republic, translating into a stable inflation figure of 7.3% YoY



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

Author

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

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