

Our view on next week's key events

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Source: Shutterstock

US: Federal Reserve to normalise rate hikes with a more hawkish stance

The recent minutes to the Federal Reserve's December FOMC meeting showed that officials really want to get the ball rolling on normalising monetary policy. They effectively admitted they got the inflation call wrong and now also recognise that the labour market is in a much tighter position than they had previously thought. Consequently, having suggested just nine months ago that it would be 2024 at the earliest before the first interest rate rise, they are now saying they are likely to hike rates three times this year and three times next!

The Omicron wave is obviously a concern, but the economy appears strong and inflation pressures are intense. Next week's numbers are set to show headline CPI breaking above 7% year-on-year-fast approaching a 40-year high – with the core rate rising well above 5% YoY. This will only intensify the pressure on the Fed to start hiking rates. Retail sales may be close to flat with falling auto sales dragging the headline number lower. However, this is supply related – due to a lack of cars to purchase – rather than weakness in demand. Moreover, industrial production should remain healthy.

The market is increasingly moving in the direction of a March interest rate hike. For now, we still favour May due to the lack of visibility provided by Omicron, but the risks are undoubtedly skewed towards earlier, swifter action from the Federal Reserve.

✓ UK GDP set to dip after a decent November performance

We expect a reasonable growth number for November, reflecting a decent month for UK retail and a bounceback in hospitality after a weak October. The vaccine push is also doing some of the work, and it's worth remembering that health/social care growth has done a lot of the heavy lifting to get monthly GDP back to within a whisker of its pre-virus level. Of course all of this pre-dates Omicron, and December and January are likely to record negative growth readings – albeit perhaps only in tenths of a percent, and much less dramatic than the same time last year. Social spending slipped before Christmas, while worker shortages are causing firms real problems given sky-high Omicron prevalence.

Importantly, at least as far as the Bank of England outlook is concerned, we don't expect these effects to be long-lasting. With headline inflation rates set to peak higher than previously expected – and given the Bank's well publicised nervousness about what this may imply for inflation expectations – we think a February rate hike [is close to a 50:50 call](#). For now though, we narrowly think policymakers will wait until May to gather a little more clarity on Omicron's economic damage.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 January					
Norway	0700	Dec CPI (YoY%)	4.6		5.1
Netherlands	0530	Nov Manufacturing Output (MoM%)	-		1.1
Euro Zone	1000	Nov Unemployment Rate	-		7.3
Tuesday 11 January					
UK	0700	Nov GDP Estimate (MoM/YoY%)	0.4/7.3		0.1/4.6
Netherlands	0530	Dec CPI (MoM%/YoY%)	1.2/6.2		0.9/5.2
Wednesday 12 January					
US	1330	Dec Core CPI (MoM%/YoY%)	-/-	0.5/-	0.5/4.9
	1330	Dec CPI (MoM%/YoY%)	-/-	0.4/-	0.8/6.8
Norway	0700	Nov GDP Month Mainland	0.4		0.0
Euro Zone	1000	Nov Industrial Production (MoM%/YoY%)	-		1.1/3.3
Thursday 13 January					
US	1330	Initial Jobless Claims	215	213	207
	1330	Cont Jobless Claims	1760		1754.0
Italy	0900	Nov Industrial Output (MoM%/YoY%)	-/-		-0.6/2
Netherlands	0530	Nov Trade Balance	-		4.039
Friday 14 January					
US	1330	Dec Retail Sales (MoM%/YoY%)	0.0	-0.1	0.3/18.2
	1415	Dec Industrial Production (MoM%/YoY%)	0.3	0.3	0.5/5.27
	1500	Jan University of Michigan Sentiment	69.0	70.0	70.6
	1500	Jan University of Michigan Conditions	74.0		74.2
	1500	Jan University of Michigan Expectations	66.5		68.3
France	0745	Dec CPI (MoM%/YoY%)	-		0.2/2.8
Spain	0800	Dec CPI (MoM%/YoY%)	-/-		1.3/6.7
Sweden	0830	Dec CPIX (MoM%/YoY%)	1.0/3.9		0.5/3.6
Euro Zone	1000	Nov Total Trade Balance	-		2.4

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

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Source: Shutterstock

✓ Hungary: Industrial production and inflation readings to reflect winter holiday shutdowns

After the Hungarian government's announcement of freezing some of the year-end spending, we see a much lower monthly deficit in December than we used to see in the past couple of years. The November industrial production data will show us the impact of the winter holiday shutdowns; thus we expect another decline. The most important data next week comes on Friday when we get the December inflation reading. The significant drop in fuel prices probably had a major impact on the headline number, thus we see monthly inflation at just 0.1%, the lowest reading in 2021. With that, the YoY figure will move south to 7.2%. In contrast, core inflation will rise to around 6% YoY on durables, processed food and services.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 10 January					
Turkey	0700	Nov Current Account Balance	-2.5		3.16
Czech Rep	0800	Dec Unemployment Rate	-		3.3
Ukraine	-	Dec CPI (MoM%/YoY%)	-/-		0.8/10.3
Romania	1300	Monetary Policy Rate	-	2.00	1.75
Kazakhstan	-	Dec Industrial Production (YoY%)	-		3.3
Tuesday 11 January					
Hungary	1000	Dec Budget Balance	-250		-1009
Brazil	1200	Dec IPCA Inflation Index (MoM%/YoY%)	-/-		0.95/10.74
Mexico	1200	Nov Industrial Output (MoM%/YoY%)	-		0.6/0.7
Wednesday 12 January					
Russia	1600	Dec CPI (MoM%/YoY%)	-/-	0.7/8.2	1/8.4
Czech Rep	0800	Dec CPI (MoM%/YoY%)	-/-		0.2/6
Hungary	0800	Nov Industrial Output (MoM%/YoY%)	-0.4/-2.4		0.3/-2.7
Serbia	1100	Dec CPI (MoM%/YoY%)	-/-		0.9/7.5
Thursday 13 January					
Poland	1300	Nov Current Account	-1440	-1400	-1791
Czech Rep	0800	Nov Retail Sales (YoY%)	-		5.6
	0900	Nov Current Account Balance	-		-3.68
Serbia	1100	Jan Benchmark Interest rate	-		1.00
Friday 14 January					
Russia	-	Dec Budget Fulfilment	-		0.7
Turkey	0800	Dec Budget Balance	-		32
Poland	0900	Dec CPI (MoM%/YoY%)	-/-		-/-
Hungary	0800	Dec Core CPI (YoY%)	5.9		5.3
	0800	Dec CPI (MoM%/YoY%)	0.1/7.2		0.7/7.4
Ukraine	-	Nov Trade Balance YTD	-		-2.57
Romania	0700	Dec CPI (YoY%)	-		7.8
Kazakhstan	-	Dec Industrial Production (MoM%)	-		6.1
Brazil	1200	Nov Retail sales (MoM%/YoY%)	-/-		-0.1/-7.1

Source: Refinitiv, ING, *GMT

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Asia week ahead: Trade and inflation reports

Trade reports, inflation from China and India plus a central bank meeting are on the calendar in the week ahead



Trade data

Asia's data calendar is heavy on trade reports for the coming week, with Australia, China and the Philippines all scheduled to release data on exports and imports. Both exports and imports for China likely posted double-digit growth last December. China's exports are forecast to have jumped 20.1%, benefiting from some last-minute Western demand tied to the holiday shopping season. Meanwhile, China's imports are also expected to jump sharply, by 37.8%, this time fuelled by domestic demand ahead of the Lunar New Year. Meanwhile, recent trends in Philippine trade data will likely continue. Philippine imports are expected to grow 36.9%, outpacing the modest 10.4% expansion in exports. Double-digit import growth is tied to the economic reopening while export growth was likely driven by global demand for Philippine electronics components. The overall Philippine trade balance is projected to remain in deficit for November.

China and India inflation

Next week also features inflation reports from China and India. For China, PPI inflation is forecast to rise over 10% year-on-year and it should be slower than November's 12.9% rise due to lower LNG and coal prices. On the other hand, CPI inflation on a yearly basis should also be slower due to the base effect of pork prices.

Meanwhile, India releases December CPI inflation data on 12 January. The month-on-month CPI index will probably show a reversal of last month's gains, mainly due to some moderation in earlier vegetable price increases. But an even larger food price decline last December means that the year-on-year rate of inflation will probably rise quite sharply. We've pencilled in a 5.5% increase, but there is upside risk to this figure in our view.

BoK policy meeting

The Bank of Korea meets on Friday 14 Jan and although Governor Lee Ju-yeol has indicated that rates have not yet peaked and would probably rise again in 1Q22, the last meeting didn't provide any indication that there would be a further imminent cut, so we think if we get one more in the first quarter, it will probably be at the end of the quarter, which will also coincide with Governor Lee's last meeting before he steps down. He may of course opt to leave it up to his successor.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Friday 7 January				
India	1130	FX Reserves, USD	-	635.1
Monday 10 January				
China		- Dec M2 Money Supply (YoY%)	8.6	8.5
		- Dec New Yuan Loan (CNY bn)	1557	1270
Philippines		- Dec Forex Reserves USD	-	107.7
Tuesday 11 January				
Australia	0030	Nov Trade Balance (A\$bn)	11494	11220
Indonesia	0400	Nov Retail Sales Index (YoY)	-	6.5
Philippines	0100	Nov Exports (YoY%)	10.4	2
	0100	Nov Imports (YoY%)	36.9	25.1
	0100	Nov Trade Balance	-3876	-4016
South Korea	2300	Dec Unemployment Rate	3.3	3.1
Wednesday 12 January				
Japan	2350	Dec M2 Money Supply (YoY%)	-	-4.1
China	0130	Dec CPI (YoY%)	1.8	2.3
	0130	Dec PPI (YoY%)	10.5	0.4
China		- 1Y Medium Lending Facility (%)	2.95	2.95
India	1200	Dec CPI Inflation (YoY%)	5.5	4.91
	1200	Nov Industrial Output (YoY%)	2.6	3.2
Friday 14 January				
China	0300	Dec Exports	20.1	22.0
	0300	Dec Imports	37.8	31.7
	0300	Dec Trade Balance	54.72	71.7
India	0630	Dec WPI Inflation (YoY%)	12.7	14.23
	1130	Dec Fiscal Deficit - Bn INR	7785.7	6956
South Korea	0100	Jan Bank of Korea Base Rate	1.0	1.0

Source: Refinitiv, ING, *GMT

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