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Our view on next week's key events

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US: Not yet the start of a new upward trend

Next week will be an interesting one with US inflation, retail sales and industrial production all released. The first thing to say is that January activity data is going to be strong throughout. The contrast between the weather in mid-late December, where it was incredibly cold, versus a very mild January couldn't be more stark. This means there will be delayed consumption plus better weather means more people out and about, which in all likelihood will lift January spending. We already know auto sales were very strong and that will lift retail sales mightily on its own.

The shock January employment jump also implies robust demand. Manufacturing, mining and construction may also look better given warmer temperatures make it easier to work and will lift output. I wouldn't class this as the start of a new upward trend though - more noise in what is generally a softening trend given business confidence is on a par with where we were during the Global Financial Crisis all those years ago. Note too, February has experienced a return to colder temperatures which could lead the correction back to more normal patterns. Nonetheless, with the Fed minded to keep hiking to ensure inflation comes down, it makes the likelihood of a May rate hike in addition to a March hike look more plausible.

Inflation could also boost the case for a May rate hike. Rising energy costs through January will lift

the headline rate, but used car prices will boost the core, too. The jump in auto sales saw dealers raise their profit margins with car auction prices jumping 2.5%, according to Mannheim data. Given the high weighting of used vehicles within the basket of goods and services used to calculate CPI, this could add 0.15pp to the MoM rate on its own. Shelter, which accounts for a third of the overall inflation basket, is also likely to remain firm given the time house prices and then new rental agreements take to show up in the data. A 0.4% MoM core CPI print (or possibly even 0.5%) would give the Fed near-term ammunition to argue for a May rate hike. Nonetheless, we think that these two components (shelter and cars) will contribute to inflation slowing sharply from mid-second quarter, with weakening corporate pricing power also contributing to getting inflation down to 2% by year-end.

UK: data to help determine whether Bank of England hikes rates in March

The Bank of England has entertained the possibility that February's 50bp rate hike might have been the last. In practice, we think we'll get one more 25bp rate hike in March, though next week's data will be important. The key words here are "inflation persistence", which is what BOE officials have said they're monitoring (read more here on what we think this means). Here's what we expect over the next week:

- Jobs/wages: Wage growth has shown little-to-no sign of easing, at least in the official numbers. Quarter-on-quarter annualised changes in weekly regular pay have been eclipsing 7% recently, so we'll be looking for any signs that this is slowing. The latest Bank of England Decision Maker survey, which we know officials pay close attention to, has hinted wage growth might have peaked.
- Inflation: Headline CPI should edge lower on a near-4% fall in petrol/diesel prices in January. Core inflation should ease too, though less dramatically. We're seeing 'core goods' inflation come off quite rapidly as demand fades and supply chains improve effectively a mirror image of what helped drive inflation higher during the pandemic. But the BoE will be watching 'core services' inflation most closely, given that it's less volatile and tends to experience more persistent trends than goods categories. We expect this measure to edge higher, though the recent fall in gas prices suggests the peak could be near. Energy prices have been a commonly cited reason among corporates for raising prices over recent months.
- Retail sales: Real-terms spending has fallen in 12 out of the last 14 months, and we don't think January was an exception. If so, it would point to a modest fall in GDP through the first quarter.

Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
	Monday 13 February			
Germany	0700 Jan CPI Final (MoM%/YoY%)	-/-		-/-
Switzerland	0730 Jan CPI (MoM%/YoY%)	-/-		-0.2/2.8
	Tuesday 14 February			
US	1100 Jan NFIB small business optimism	90	89.8	89.8
	1330 Jan Core CPI (MoM%/YoY%)	0.4/5.5	0.4/5.5	0.3/5.7
	1330 Jan CPI (MoM%/YoY%)	0.6/6.4	0.5/6.2	-0.1/6.5
UK	0700 Dec ILO Unemployment Rate	3.7		3.7
	0700 Dec Employment Change	39		27
	0700 Dec Weekly Earnings ex. bonus (3M/YoY%)	6.5		6.4
Norway	0700 Q4 GDP (Mainland, QoQ%)	-		0.8
	0700 Dec GDP (Mainland, MoM%)	-		0.2
Netherlands	0830 Q4 GDP Prelim SA (QoQ%/YoY%)	-/-		-0.2/3.1
	0830 Dec Trade Balance	-		12.48
Eurozone	1000 Q4 GDP Estimate (QoQ/YoY%)	-		0.1/1.9
	Wednesday 15 February			
US	1330 Jan Retail Sales (MoM%)	2.0	1.8	-1.1
	1415 Jan Industrial Production (MoM%)	0.8	0.6	-0.7
UK	0700 Jan Core CPI (YoY%)	6.2		6.3
	0700 Jan CPI (MoM%/YoY%)	-0.4/10.2		0.4/10.5
Italy	0800 Dec Global Trade Balance	-		1.445
Spain	0800 Jan CPI (MoM%/YoY%)	-/-		-0.3/5.8
Greece	1000 Jan CPI (YoY%)	-		7.2
Eurozone	1000 Dec Total Trade Balance SA	-		-15.2
	1000 Dec Industrial Production (MoM%/YoY%)	-		1/2
	Thursday 16 February			
US	1330 Initial Jobless Claims (000s)	200		196
	1330 Continued Jobless Claims (000s)	1695		1688
	1330 Jan PPI (MoM%/YoY%)	0.4/5.5	0.4/5.5	-0.5/6.2
	1330 Jan Housing starts (MoM%)	-1.5	-2.3	-1.4
	1330 Jan building permits	0.8	1.0	-1.0
	Friday 17 February			
UK	0700 Jan Retail Sales (MoM%/YoY%)	-0.6/-6.1		-1/-5.8
Sweden	0700 Jan Unemployment Rate	-		6.9
Eurozone	0900 Dec Current Account SA (EUR bn)	-		13.55
Source: Refinitiv,	ING			

Authors

James Knightley

Chief International Economist, US

james.knightley@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Asia week ahead: Indian inflation, Australian jobs data plus key central bank decisions

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India's inflation number to set the tone for RBI rate decision

India's January inflation will probably move higher (6.2%) after the 5.7% year-on-year reading in December. But what will be watched more closely after the latest hawkish central bank statement from the governor, will be the core CPI inflation measure. Any indication that this has moved below 6% could be significant for the Reserve Bank of India's policy, though we think despite a small decline, the ex-food and beverages inflation rate will remain just above 6% YoY.

Unemployment rate key for future RBA policy

January employment data for Australia will add to the balance of knowledge surrounding future Reserve Bank policy. However, it will have to show a further marked deterioration, following last

month's part-time driven decline in employment and rise in unemployment rate, to offset the RBA's new-found hawkishness.

After last month's decline in part-time work, we will probably see that part of the survey moderate, combined with perhaps a smaller increase in full time jobs of about 10K to deliver a total employment change of 15-20,000. If that is broadly right, we may see the unemployment rate edge up to 3.6% - still very low by historical standards.

GDP data from Japan

Japan's fourth quarter GDP data will be the highlight of next week. We expect the economy to recover from the previous quarter's contraction, led mostly by private consumption and investment. The reopening and government travel subsidy programmes should lead to a great improvement in hospitality-related activities. However, due to high inflation, the rebound will likely be limited to 0.6% (quarter-on-quarter, seasonally adjusted).

Meanwhile, core machinery orders are likely to shrink again in December amidst weak global demand conditions. Japan's export growth is also expected to drop in January as the early trade data has suggested. We believe that Japan's decision to join the US's tech export ban to China will probably have a negative impact on Japan's exports.

Weak jobs data expected from Korea

Korea's unemployment rate is expected to continue to rise to 3.6% in January (3.3% previously) on the back of a slowing economy. There have been several news reports on job losses, mostly from the IT and finance sectors. This could also be due to severe weather in January, where agricultural and construction-related employment has been negatively impacted.

China to gauge economic reopening before adjusting policy stance

The People's Bank of China will announce the 1Y Medium Term Lending Facility (MLF) interest rate next Wednesday. We expect no change to policy as the economy has started to recover. The central bank should take time to observe the pace of recovery and determine if there is a genuine need for further cuts to the policy rate and Required Reserve Ratio.

Meanwhile, new home sales should show a stable month-on-month change as we have seen a slight price pick up in the tier one cities like Beijing, Shanghai, Guangzhou, and Shenzhen while home prices of lower tier cities were still sluggish.

Indonesia to see rise in trade surplus

Recent trends within Indonesia's trade sector should extend into another month. Exports will likely remain in expansion while imports are expected to contract. This will result in the trade balance remaining in surplus of roughly \$4.2Bn. The projected trade surplus however will be lower than the highs recorded in 2022 with the current account possibly slipping back into deficit territory.

Regional central banks look to tighten policy further

Bank Indonesia (BI) is scheduled to hold its second policy meeting for the year. BI Governor Perry

Warjiyo has hinted that this current rate hike cycle could come to an end if inflation were to slow and the Federal Reserve were to turn more dovish. BI could still opt to hike by 25bp next week given renewed hawkish signals from the Fed while also ensuring core inflation heads much lower before pausing.

The Bangko Sentral ng Pilipinas (BSP) will also meet next week to discuss policy. After the blowout January inflation report, we believe that the central bank has no choice but to hike policy rates to combat above-target inflation. Governor Felipe Medalla has previously hinted at a potential shift in tone, but surging price pressures will likely mean that he doubles down on the hawkish rhetoric by hiking rates 50bp.

Key events in Asia next week

Country	Time Data/event	ING	Survey	Prev.	
	Monday 13 February				
Japan	2350 Q4 GDP (QoQ%)	0.6	0.5	-0.2	
India	1200 Jan CPI Inflation (YoY%)	6.2		5.72	
Singapore	0000 Q4 GDP Final (QoQ%/YoY%)	2.2		0.8/2.2	
	Tuesday 14 February				
India	0630 Jan WPI Inflation (YoY%)	-		4.95	
South Korea	2300 Jan Unemployment Rate	3.6		3.3	
	Wednesday 15 February				
Japan	2350 Jan Imports/Exports (YoY%)	19.0/-5.0		20.6/11.5	
	2350 Jan Trade Balance (Yen Bn)	-4200		-1448.5	
	2350 Core Machine Orders (MoM%)	-1.0		-8.3	
Indonesia	0400 Jan Trade Balance (USD bn)	4.2		3.89	
	0400 Jan Imports/Exports Growth (YoY%)	7.5		6.58	
	0400 Jan Imports Growth (YoY%)	-5		-6.61	
China	1Y Medium Lending Facility Rate (%)	2.75		2.75	
	Thursday 16 February				
Australia	0030 Jan Unemployment Rate	-		3.5	
Indonesia	- Feb 7-Day Reverse Repo	6		5.75	
Philippines	0700 1 Policy Interest Rate	6		5.5	
China	New Home Price (MoM%)	0.1		-0.25	
	Friday 17 February				
China	- Jan M2 Money Supply (YoY)	11.8	11.6	11.8	
India	- Jan Fiscal Deficit (USD bn)	-			
	- Jan Imports/Exports (USD bn)	-			
	1130 FX Reserves (USD bn)	-		576.76	
Taiwan	0800 Q4 GDP Final (YoY%)	-		-0.86	
Source: Refinitiv, ING					

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific robert.carnell@asia.ing.com

Min Joo Kang

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

Key events in EMEA next week

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Poland: Ongoing economic slowdown

Current account (December 2022): -€1,418m

Our forecasts point to a December 2022 current account deficit of €1,418m amid a sizable trade deficit. We expect a further slowdown in the annual growth of exports and imports to 16.1% YoY and 18.1% YoY, respectively. Our models point to downside risks to trade turnover. At the same time, Poland received a sizable portion of EU funds in December, however, most of this will be recorded under the capital account rather than the current account. If our forecast proves broadly correct, the current account deficit in 2022 would be around 3.1% of GDP vs. 1.4% of GDP in 2021.

Flash GDP (4Q22): 2.3% YoY

The release of annual 2022 GDP allowed us to estimate that the fourth quarter figure is likely to be slightly higher than 2% YoY. The composition of the headline figure will be unveiled later this month, but annual GDP points to a decline in household consumption in the last three months of 2022, while fixed investment held up surprisingly well. Changes in both inventories and net exports contributed positively to economic growth in the final quarter of last year. All in all, we observe an ongoing economic slowdown and project a weak first half of this year, with a negative annual

figure likely in the first quarter.

CPI (January 2023): 18.1% YoY

Forecasting January CPI was a challenge due to uncertainty linked to price adjustments by enterprises at the beginning of the year and changes to regulated prices. We forecast that headline CPI inflation jumped to 18.1% YoY from 16.6% YoY in December 2022. Although pre-tax prices of natural gas were frozen at the 2022 level and electricity prices for households were also kept unchanged up to a certain threshold of consumption, the anti-inflation shield was withdrawn and VAT rates on energy returned to 23%. Despite an increase of VAT on gasoline and diesel from 8% to 23%, retail prices remained stable as pre-tax (wholesale) prices were lowered. The reading will be less comprehensive than usual (similar to the flash release) and full details will be unveiled in March along with the annual update of CPI basket weights that will also bring a revision of the January figure. We still expect inflation to peak around 20% YoY in February.

Hungary: More proof that Hungary has been in technical recession since mid-2022

The only really important data release in Hungary is going to be the fourth-quarter GDP data. We expect the preliminary reading to prove that the Hungarian economy has been in a state of technical recession since mid-2022. After a 0.4% quarterly drop in the third quarter, we see a 1.2% decline in real GDP in the fourth. The cost-of-living crisis impacted domestic demand, thus we see a significant reduction in consumption, while the higher interest rate environment might slow private investment activity. As the government tried to rationalise its own investment activity, postponing some projects into 2023-2024, we also see this as a downward force on economic activity. The only silver lining could be exports, though the extraordinary gas purchases in the last quarter will limit the upside of this positive contribution, in our view. Regarding the production side, the single most important downward pressure will come from agriculture due to a pretty bad performance on the combination of drought, supply and productivity issues.

🗹 Romania: Accelerated cooling in the economy

January inflation should show signs of a consolidation in the downward trend, after the 16.8% peak touched back in November. We estimate the headline CPI around 15.4%, with risks skewed slightly to the upside due to car fuel prices which might have increased above our estimates after the removal of 0.5 lei subsidy starting in January. In any case, the bigger trend remains to the downside and we expect headline inflation to reach single digits around September 2023.

The high-frequency data available to date suggest rather resilient GDP growth in 4Q22, consistent with our current estimate of around a 1.0% quarterly advance. This would take the full 2022 GDP to +5.0%, arguably one of the best outcomes one could have hoped for. Much in line with external developments, there are early signs of an accelerated cooling in the economy in January, with the Economic Sentiment Index falling for the third consecutive month, particularly on the back of lower demand in the service sector.

Key events in EMEA next week

Country	Time Data/event	ING	Survey	Prev.
	Monday 13 February			
Turkey	0700 Dec Current Account Balance	-6.2		-3.7
Czech Rep	0900 Dec Current Account Balance	-		-39.3
Hungary	0730 Dec Industrial Output Final	-		2
Poland	1500 Dec Current Account Balance (EURmn)	-1418	-1614	-422
	Tuesday 14 February			
Poland	0900 Q4 GDP (QoQ%/YoY%) Flash	-/2.3		1/3.6
Hungary	0730 Q4 GDP (QoQ%/YoY%) Prelim	-1.2/0.4	-0.3/1.3	-0.4/4.0
Ukraine	- Dec Trade Balance YTD	-		-8.52
Romania	0700 Jan CPI (YoY%)	15.4		16.37
	0700 Q4 GDP Flash (YoY%)	5.1		3.8
	Wednesday 15 February			
Turkey	0800 Jan Budget Balance	-		-118.6
Poland	0900 Jan CPI (MoM%/YoY%)	3.3/18.1		-/-
South Africa	0800 Jan CPI (MoM%/YoY%)	-/-		0.4/7.2
	0800 Jan Core inflation (MoM%/YoY%)	-/-		0.2/4.9
	1100 Dec Retail Sales (YoY%)	-		0.4
Poland	0900 Jan CPI (MoM%/YoY%) 0800 Jan CPI (MoM%/YoY%) 0800 Jan Core inflation (MoM%/YoY%)	-/-		-/- 0.4/7.2 0.2/4.9

Source: Refinitiv, ING

Authors

Adam Antoniak

Senior Economist, Poland adam.antoniak@ing.pl

Peter Virovacz

Senior Economist, Hungary peter.virovacz@ing.com

Valentin Tataru

Chief Economist, Romania valentin.tataru@ing.com

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