

Our view on next week's key events

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Key events in developed markets next week

Next week's UK data will be important for the March rate decision. We expect headline inflation to edge lower due to the 4% drop in petrol/diesel prices, and core inflation should ease too on the back of lower demand. US January activity data is going to be strong throughout given the warmer weather and we expect core inflation to rise to 0.4% month-on-month



Source: Shutterstock

✓ 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

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

Next week's data calendar features inflation readings from India, labour data from Australia, Japan's latest GDP report and rate decisions from China, Indonesia, and the Philippines



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

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Key events in EMEA next week

The most important piece of data released in Hungary next week will be fourth-quarter GDP. With the cost-of-living crisis reducing domestic consumption, we expect to see a quarter-on-quarter decline of 1.2%. In Poland, we forecast that headline CPI inflation will increase to 18.1% year-on-year in December, due to adjustments to prices



Source: Shutterstock

✓ 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	-12.3		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

Source: Refinitiv, ING

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