

Our view on next week's key events

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Source: Shutterstock

✓ Russia: Macro full house

The Russian current account surplus for 4Q21 is likely to be reported at a solid \$40-45bn leading to \$120-125bn full-year figure. Russia's current account is likely to remain strong in 2022 as well, thanks to strong commodities on the one hand, and still restrained foreign travel on the other. Elevated [FX purchases announced for January](#) could be seen as only a minor setback for the ruble, given the expected \$40-45bn current account surplus for 1Q22. Nevertheless, this does not mean cloudless skies for the ruble, given that the capital account may still come under pressure from local structural outflows and foreign policy-driven restraint from portfolio investors.

In other news, the budget balance for 2021 is likely to be reported in a RUB0.5-1.0tn range, or around 0.4-0.8% of GDP, mainly thanks to strong revenue collection and some restraint in spending. The 2022 draft is also guiding for [consolidation](#) and under our house view on oil should also remain in surplus this year. However, the recent political turmoil in Kazakhstan and elevated local inflation may force the government to increase spending plans for the military, internal security forces, and for social payments, suggesting looser fiscal policy vs. initial plans.

Inflation remains a hot topic, as during the first 10 days of January CPI growth picked up from [8.4% year-on-year in December](#) to 8.6% YoY, contrary to most expectations. This, combined with

potential fiscal easing, means that our earlier expectations of [0-50bp upside to the 8.5% key rate](#) is becoming too optimistic and should shift to a 50-100bp range. The weekly CPI readings, to be released each Wednesday, will be closely watched by the market at least until the next monetary policy meeting, to be held on 11 February.

✓ Turkey: Policy rate to remain unchanged

In the last MPC meeting, the Central Bank of Turkey said it had used up the envisaged limited room for easing this month and had concluded its easing cycle, which has been ongoing since September. Given this backdrop, we expect the bank to stay on hold and keep the policy rate unchanged at 14%.

EMEA Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Friday 14 January				
Turkey	0800	Dec Budget Balance	-	32
Monday 17 January				
Poland	1300	Dec Net Inflation (YoY%)	-	4.7
Croatia	1000	Dec CPI (MoM%/YoY%)	-	0.7/4.8
Tuesday 18 January				
Russia	1400	4Q21 Current account (\$bn)	42.0	- 36.9
Wednesday 19 January				
South Africa	0800	Dec CPI (MoM%/YoY%)	-/-	0.5/5.5
	0800	Dec Core inflation (MoM%/YoY%)	-/-	0.1/3.3
	1100	Nov Retail Sales (YoY%)	-	1.8
Thursday 20 January				
Turkey	1100	Jan CBT Weekly Repo Rate	14.0	14.0
	1100	Jan O/N Lending Rate	15.5	15.5
	1100	Jan O/N Borrowing Rate	12.5	12.5
Ukraine	1200	Central bank interest rate	-	9
Mexico	1200	Dec Jobless Rate	-	3.7
Russia	-	2021 Budget Fulfilment (RUB tr)	0.5	-4.1
Friday 21 January				
Poland	0900	Dec Industrial Output (YoY%)	-	15.2
	0900	Dec Unemployment Rate	-	5.4

Source: Refinitiv, ING, *GMT

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Key events in developed markets next week

Housing data and regional business survey releases will have little impact on the Federal Reserve's interest rate path. In the UK, look out for key jobs, inflation, and retail sales figures



Source: Shutterstock

✓ Four rate hikes expected in the US regardless of this week's data

Financial markets are firmly behind the view that the Federal Reserve will raise interest rates four times this year and will soon seek to shrink the \$8.8tn of assets it has on its balance sheet. There will be little to alter this belief in the coming week with housing data and regional business surveys the most significant releases in what is a holiday shortened week. We will be looking to see what sort of hit the Omicron wave has had on manufacturing in the regions while the housing numbers should continue to point to solid activity. The next key release is the 4Q Employment Cost Index on 28 January. Another solid rise here could cement expectations for a March interest rate hike.

✓ Growing inflation could force a rate hike in Canada

In Canada, the CPI report is the key release and with headline inflation set to break above 5% we could see growing expectations of a January Bank of Canada interest rate hike. We are more cautious on the timing at this stage given some uncertainty over the Omicron hit to economic activity, but higher interest rates are certainly coming.

✔ What to expect in a busy week of UK data:

- **Jobs (Tues):** The labour market has withstood the end of the furlough scheme last September pretty well. Redundancies have stayed stable, and we expect next week's data to echo the favourable hiring backdrop. But what matters most for the Bank of England are wages, and the jury's still out on where they are headed. As various data distortions fade, it looks like wage growth is roughly where it was pre-pandemic, which is a key part of the Bank's hiking rationale. There's also some evidence that pay rises have been larger in more short-staffed sectors, like IT and transport. Whether we're headed for a wage-price spiral though, we're less convinced.
- **Inflation (Weds):** Expect CPI to nudge a little higher once again, helped partly by accelerating food inflation, and perhaps further upside to used car prices (which are already up 30% in the past six months). Inflation is unlikely to peak until April, where we expect a roughly 50% increase in the household energy price cap, taking headline CPI to the 6.5% area. Importantly, gas futures prices are still pretty elevated for next winter, and if that stays the case we are looking at another 10% increase in electricity costs in October's cap update. As things stand, inflation is set to stay close to 4% until the end of this year, but dip noticeably below target in 2023.
- **Retail sales (Fri):** We expect a fall in sales after a bumper November, following what appears to have been a stronger-than-usual Black Friday trading period. What's less clear is if the arrival of Omicron, and reduced spending at social venues, translated into a boost for goods purchases, like we saw in past Covid waves. We suspect that effect will be much less pronounced, and short-lived, with early hints that consumers are less cautious about visiting hospitality venues than they were just before Christmas.

With Omicron's effect looking like it has been fairly modest, and given well-publicised concerns on the MPC about ever-higher rates of headline inflation, we think a February Bank of England rate rise is looking increasingly likely. But markets, which have been pricing Bank rate around 1% by the summer, are likely still overestimating the pace of tightening.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 18 January					
UK	0700	Nov ILO Unemployment Rate	4.1		4.2
	0700	Nov Employment Change	160		149
Canada	1330	Dec CPI Inflation (MoM%/YoY%)	0.3/5.3		0.2/4.7
	1330	Dec CPI BoC Core (MoM%/YoY%)	-		0.0/3.6
Germany	-	ZEW Index	39.0		29.9
Wednesday 19 January					
Germany	0700	Dec CPI Final (MoM%/YoY%)	0.5/5.3		0.5/5.3
UK	0700	Dec CPI (MoM%/YoY%)	0.3/5.2		0.7/5.1
Eurozone	0900	Nov Current Account SA, EUR	18.5		18.1
Thursday 20 January					
US	1330	Initial Jobless Claims	220	200	230
	1330	Cont Jobless Claims	1.5	-	1.55
Norway	0900	Key Policy Rate	0.5		0.5
Eurozone	1000	Dec CPI (YoY%)	5.0	5.0	5.0
Friday 21 January					
UK	0600	Dec Retail Sales (MoM%/YoY%)	-0.7/3.3		1.4/4.7
	1300	BoE's Mann gives speech			
Canada	1330	Nov Retail Sales (MoM%)	-		1.6
Eurozone	1500	Jan Consumer Confidence Flash	-8.2		-8.3

Source: Refinitiv, ING, *GMT

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Asia week ahead: China GDP report to set the tone next week

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China's job market has started to stabilise

China GDP

When China releases its activity and GDP data on Monday, we expect to see a slight uptrend in retail sales and fixed asset investments, as the job market has started to stabilise and the government has encouraged the start of infrastructure investments managed by local governments. GDP growth in the fourth quarter of 2021 will be down compared to the previous quarter, due to defaults in real estate companies and some base effect.

Trade data

Indonesia's export sector continues to benefit from strong demand for resources, while imports are likely to sustain their recent surge with the economy gradually reopening post-Delta-related lockdowns. The overall trade balance is expected to stay in a healthy surplus and keep the current account in positive territory. This should help support the Indonesian rupiah in the near term with the fate of the currency likely tied more to financial market flows. Japan will also release trade data, and we expect to see a slowdown in the rate of export growth, while imports remain firm. This could lead to a worsening of the trade deficit. That won't help the Japanese yen, which has been very soft in recent months.

Labour reports

Australia's December labour report follows on from the strong gains on reopening seen in November. Most of the jobs lost during the last lockdown look to have been restored, though there may be some shift from part-time to full-time workers, and a rising participation rate may result in a modestly higher unemployment rate before it begins to decline again over 2022. Until wages and inflation data are released, this should not have too much impact on expectations for the Reserve Bank of Australia's policy this year.

Central bank policy

Bank Indonesia holds its first meeting of the year and we do not expect any changes in terms of policy from Governor Perry Warjiyo. We will be on the lookout for any change to his overall position for the year, after Warjiyo recently indicated he would be open to shifting to a “pro-stability” stance in 2022. The coming year will likely see inflation return to target, with both supply-side and demand-pull factors coming into play.

Rest of the field

China will announce its one-year and five-year Loan Prime Rates. The December cut of 5 basis points did not bring about stronger loan growth. The People's Bank of China may want to wait and see if the transmission mechanism works after the Chinese New Year. We expect further easing by March around the Two Sessions meeting.

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