

Our view on next week's key events

Discover what ING analysts are looking for next week in our global economic calendars

In this bundle



Canada...

Key events in developed markets next week

Keep an eye out for US GDP data and a reiteration of the ECB's focus on data dependency next week

By James Knightley and Carsten Brzeski



Asia week ahead | Japan | Philippines | Singapore...

Asia Week Ahead: Bank of Japan likely to retain yield curve control

A BoJ meeting is the highlight for the coming week

By Min Joo Kang



Poland | Turkey

Key events in EMEA next week

All of the latest on what our team will be looking out for in the CEE region next week

By Adam Antoniak and Muhammet Mercan

Key events in developed markets next week

All eyes will be on the release of fourth quarter US GDP figures on Thursday, which we expect to come in at around 2.5%. Over in the eurozone, the ECB will likely stress a focus on data dependency as markets gear up for rate cuts. In Canada, inflation looks set to soften further in the coming months and we're favouring rate cuts from the second quarter onwards



Source: Shutterstock

US: Fourth quarter GDP growth expected to come in at around 2.5%

Market confidence in the March Federal Reserve interest rate call that had been fully priced in has waned over the past week, and is likely to be pared back even further over the week ahead. We continue to favour May as the starting point for the first rate cut from the Fed. We expect fourth quarter GDP growth to come in at around 2.5% on Thursday – and with the unemployment rate ending 2023 at just 3.7% and inflation still well above target in year-on-year terms, there seems to be little pressure to start cutting rates imminently. Fed officials do acknowledge that they will likely end up cutting interest rates this year, but they too are pushing back on the time and scale of that first move. Their individual forecasts suggest three 25bp rate cuts this year versus the 150bp of rate cuts markets are discounting.

While we disagree on the market's timing of the first move, we too expect 150bp of rate cuts this

year. Inflation in YoY terms is above the 2% target, but the December month-on-month core personal consumer spending deflator reading should come in below 0.2% for the sixth month out of the past seven. This is the key threshold that we consistently need to be under to be confident YoY inflation will return to 2%. The Fed itself suggests neutral policy interest rate is 2.5%, so we have 300bp to play with just to get back to “neutral”. Consequently, we see downside risks to the central bank's current prognosis and see the Fed funds rate ending this year at 4%, then hitting 3% in the first half of 2025.

Eurozone: ECB to stress data dependency as markets gear up for imminent rate cuts

Back in December, the European Central Bank basically announced the end of the current rate hiking cycle. Financial markets took that signal and the current economic weakness as clear signs of imminent rate cuts. However, even if actual growth continues to turn out weaker than the ECB had expected every single quarter, as long as the eurozone remains in de facto stagnation mode and doesn't slide into a more severe recession – and as long as the ECB continues to predict a return to potential growth rates one or two quarters later – there is no reason for the central bank to react. Certainly not as long as inflation remains off target.

The irony of market pricing right now is that it makes the need for actual policy rate cuts less urgent. Financing conditions have eased since early December, doing the work that actual rate cuts should do, supporting growth but also pushing up inflation risks. Consequently, the more aggressive the market prices future rate cuts, the less needed and likely those cuts will be. At the same time, given the high degree of uncertainty surrounding both the growth and inflation outlook, any more explicit forward guidance the ECB might give next week could easily become outdated by actual macro developments. Therefore, the most likely outcome of next week's ECB meeting will be to stress data dependency and to give some insights into potential conditions for a rate cut without pre-committing to anything.

[Read our full ECB preview here](#)

Canada: Rate cuts from the second quarter onwards

Canadian core inflation came in hotter than expected in December and rules out the Bank of Canada shifting meaningfully in a dovish direction at the January policy meeting. However, higher interest rates are biting. The latest BoC Business Outlook Survey reported softening demand and “less favourable business conditions” in the fourth quarter with high interest rates having “negatively impacted a majority of firms”, leading to most firms not planning to add new staff. As such, inflation looks set to soften further in coming months and so we favour rate cuts from the second quarter onwards, most likely starting in April.

Key events in developed markets next week

Country	Time Data/event	ING	Survey	Prev.
Wednesday 24 January				
US	1445 Jan S&P Global Manufacturing PMI Flash	-		47.9
	1445 Jan S&P Global Services PMI Flash	-		51.4
	1445 Jan S&P Global Composite PMI Flash	-		50.9
Germany	0830 Jan S&P Global Manufacturing Flash PMI	43.9		43.3
	0830 Jan S&P Global Service Flash PMI	48.9		49.3
	0830 Jan S&P Global Composite Flash PMI	47.7		47.4
France	0815 Jan S&P Global Composite Flash PMI	-		44.8
UK	0930 Jan Flash Composite PMI	51.4		52.1
	0930 Jan Flash Manufacturing PMI	47.0		46.2
	0930 Jan Flash Services PMI	52.5		53.4
Canada	1500 BoC Rate Decision	5.00	5.00	5.00
Eurozone	0900 Jan S&P Global Manufacturing Flash PMI	-		44.4
	0900 Jan S&P Global Services Flash PMI	-		48.8
	0900 Jan S&P Global Composite Flash PMI	-		47.6
Thursday 25 January				
US	1330 4Q GDP (QoQ% ann)	2.5	1.9	4.9
	1330 4Q core PCE deflator (QoQ% ann)	2.0	-	2.0
	1330 Dec Durable Goods	3.4	1.0	5.4
	1500 Dec New Home Sales-Units	0.67	0.65	0.59
	1330 Initial Jobless Claims	200	-	187
	1330 Continuing Jobless Claims	1820	-	1806
Germany	0900 Jan Ifo Business Climate	87.3		86.4
	0900 Jan Ifo Current Conditions	88.6		88.5
	0900 Jan Ifo Expectations	85.2		84.3
Italy	0900 Jan Consumer Confidence	107.3		106.7
Norway	0900 Key Policy Rate	4.50		4.50
Eurozone	1315 Jan ECB Refinancing rate	4.50		4.50
	1315 Jan ECB Deposit rate	4.00		4.00
Friday 26 January				
US	1330 Dec Personal Income (MoM%)	0.3	0.3	0.4
	1330 Dec Personal Consumption Real (MoM%)	0.5		0.3
	1330 Dec Consumption, Adjusted (MoM%)	0.6	0.4	0.2
	1330 Dec Core PCE Price Index (MoM%/YoY%)	0.2/2.9	0,2/3,0	0,1/3,2
Germany	0700 Feb GfK Consumer Sentiment	-25.5		-25.1
Sweden	0700 Dec Unemployment Rate	-		7.1
Eurzone	0900 Dec Money-M3 Annual Grwth	-		-0.9
	0900 Dec Broad Money	-		16007453

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Asia Week Ahead: Bank of Japan likely to retain yield curve control

The Bank of Japan meets next week and will likely maintain its yield curve control policy. Elsewhere, Korea reports 4Q GDP and Singapore inflation should stay elevated



BoJ to maintain YCC

The Bank of Japan is expected to maintain its YCC policy and negative short-term rate policy at its January meeting. Inflation will likely slow further in January and the cautionary mood following the recent earthquake will prevail.

Meanwhile, Tokyo CPI inflation is expected to decelerate to 2.2% year-on-year in January with government subsidies on energy bills and a high base last year contributing as well.

Japan's export sector to show gains

December exports should gain 6.0% YoY on the back of a recovery in IT machinery and motor vehicle exports. We believe the recent earthquake hasn't interrupted production much while the service sector-led recovery continues, with the flash PMIs confirming the trend.

Korea's GDP report

Tighter credit terms and news of a major construction company's debt restructuring will hamper business and consumer sentiment in December. For 4Q GDP, stronger-than-expected exports will be the main engine of growth, yet partially offset by the contraction of construction investment and private consumption. Thus, we expect 4Q GDP to decelerate to 0.4% quarter-on-quarter (seasonally adjusted) from the previous quarter's 0.6% growth.

Singapore inflation to stay elevated

Price pressures in Singapore likely persisted at the end of 2023 with December headline inflation likely settling at 3.6% YoY. CPI unexpectedly dipped in November and we could see prices up 0.2% on a month-on-month basis.

Core inflation, which is the central bank's preferred inflation gauge, should remain at 3.2% YoY, suggesting that the Monetary Authority of Singapore will likely maintain its current policy settings at its first meeting of the year.

Philippine trade balance to stay in substantial deficit

December trade figures will likely show imports rising modestly while we could see a surprise bounce in exports. Imports are tipped to gain by almost 4% YoY due to robust inbound consumer goods imports linked to strong domestic demand.

Meanwhile, exports could benefit from a favourable base and outbound shipments of non-electronic items. The overall trade balance, however, will likely remain in deep deficit with the shortfall likely hitting \$4.4bn. This development suggests that the current account remains in deficit, pointing to sustained pressure on the Philippine peso.

Key events in Asia next week

Country	Time Data/event	ING	Survey	Prev.
Monday 22 January				
China	0115 Jan Loan Prime Rate 1Y	3.45		3.45
	0115 Jan Loan Prime Rate 5Y	4.2		4.2
Indonesia	0400 Dec M2 Money Supply (YoY%)	-		3.3
Taiwan	0800 Dec Unemployment rate (%)	-		3.37
Tuesday 23 January				
Japan	2350 Dec Exports (YoY%)	6		-0.2
	2350 Dec Imports (YoY%)	-3		-11.9
	2350 Dec Trade Balance Total Yen	-700		-780.4
	- JP BOJ Rate Decision	-0.1		-0.1
Australia	2200 Jan Manufacturing PMI Flash	-		47.6
	2200 Jan Services PMI Flash	-		47.1
	2200 Jan Composite PMI Flash	-		46.9
Singapore	0500 Dec Core CPI (YoY%)	3.2		3.2
	0500 Dec CPI (YoY%)	3.6		3.6
	0500 Dec CPI (MoM%)	0.2		-0.2
Taiwan	0800 Dec Industrial Output (YoY%)	-		-2.48
South Korea	2100 Jan BoK Consumer Sentiment Index	98		99.5
Wednesday 24 January				
Japan	0030 Jan Manufacturing PMI Flash	48		47.9
	0030 Jan Services PMI Flash	51		51.5
	0030 Jan Composite PMI Flash	49.5		50
	2330 Jan Tokyo CPI (YoY %)	2.2		2.4
	2330 Jan Tokyo CPI Ex-Fresh Food (YoY %)	2		2.1
	2330 Jan Tokyo CPI Ex-Fresh Food, Energy (YoY %)	3.4		3.5
Taiwan	0820 Dec Money Supply - M2 (YoY%)	-		5.33
South Korea	2100 Feb BOK Manufacturing BSI	70		72
	2300 Q4 GDP Growth (QoQ%/YoY%)	0.4/2.0		0.6/1.4
Friday 26 January				
Japan	0500 Nov Leading Indicator Revised	-		-1.2
Philippines	0100 Dec Exports (YoY%)	8.7		-13.7
	0100 Dec Imports (YoY%)	3.9		0.02
	0100 Dec Trade Balance	-4416		-4693
Singapore	0500 Dec Manufacturing Output (MoM%/YoY%)	2.2/-6.1	/	-7.8/1

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Key events in EMEA next week

Next week brings a flurry of data releases in Poland, including the unemployment rate, which increased to 5.1% after running at an all-time low of 5% since July. The Central Bank of Turkey has signalled that its tightening cycle will be completed as soon as possible, and we expect one more hike by 250bp in the January MPC meeting



Source: Shutterstock

✓ Poland: Unemployment rate inches up to 5.1% after running at all time lows since July

Industrial output (December): -6.4% YoY

After some encouraging signs in the beginning of the fourth quarter of last year, industrial output weakened again afterwards as global manufacturing remains under pressure and external demand remains soft. We project awful December reading, amplified by negative calendar effects. Industry remains the weakest spot of the economy and is the main drag to economic recovery that in the fourth quarter was slower than we had expected.

Retail sales (December): -0.3% YoY

While real disposable income of households has improved alongside falling inflation, consumer demand rebound remains slow. Our estimates suggest that the winter holiday period didn't bring much good news for retailers. We still see household consumption rebounding in 2024, but the

pace of recovery was weak towards the end of 2023. Demand for durable goods is particularly soft, with the exception of car sales.

Wages (December): 9.4% YoY

December is traditionally a month of bonus payments in mining, but last year, some of those payments had already taken place in October. If this reduces December payments, we may see a temporary slowdown in average wage growth to a single-digit pace amid a high reference base. Nevertheless, robust wage growth is expected to continue this year. From 1 January the minimum wage went up from PLN 3600 a month to PLN 4242 a month (gross). In the 2024 state budget, the government plans a 30% wage increase for teachers and 20% for civil servants.

Employment (December): -0.3% YoY

We forecast further easing in the enterprise employment level in December and negative annual readings are here to stay for quite some time. The scale of deterioration is negligible given the recent performance of the economy and the negative output gap, confirming that structural factors (i.e., unfavourable demographics) keep the labour market tight.

Unemployment rate (December): 5.1%

Our forecast and the Ministry of Family Labour and Social Policy estimates both point to a slight seasonal increase in the number of those unemployed in December last year. As a result, the registered unemployment rate inched up to 5.1% after running at all-time-low of 5.0% since July.

Turkey: We expect one more hike by 250bp to 45% in January MPC

Last month, the Central Bank of Turkey provided guidance that its tightening cycle would be completed as soon as possible. The bank also reiterated that the monetary tightening required for the sustained price stability would be maintained as long as necessary. Accordingly, we expect one more hike by 250bp to 45% in the January MPC meeting, and then for the central bank to remain mute until the late third quarter or early four quarter of the year.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 22 January					
Poland	0900	Dec Industrial Output (YoY%)	-6.4	-5	-0.7
	0900	Dec Retail Sales (YoY%)	-0.3	1.5	-0.3
	0900	Dec Average Wages (YoY%)	9.4	11.6	11.8
	0900	Dec Employment (YoY%)	-0.3	-0.2	-0.2
Tuesday 23 January					
Hungary	0730	Nov Average Gross Wages (YoY%)	-		14
Wednesday 24 January					
Poland	0900	Dec Unemployment Rate	5.1	5.1	5
	1300	Dec M3 Money Supply (YoY%)	-	8.1	7.6
South Africa	0800	Dec CPI (MoM%/YoY%)	-/-	/	-0.1/5.5
	0800	Dec Core inflation (MoM%/YoY%)	-/-	/	0.2/4.5
Thursday 25 January					
Turkey	1100	Jan CBT Weekly Repo Rate	45.0		42.5
	1100	Jan O/N Lending Rate	46.5		44
	1100	Jan O/N Borrowing Rate	43.5		41
Ukraine	- 2	Central bank interest rate	-		15
South Africa	0930	Dec PPI (MoM%/YoY%)	-/-	/	-0.6/4.6
Friday 26 January					
Hungary	0730	Dec Unemployment Rate 3M	-		4.3

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