

Our view on next week's key events

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Key events in developed markets next week

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Source: Shutterstock

✓ US: Expect weaker data over the next few quarters

The US data has continued to soften over recent weeks. Both the manufacturing and service sector ISM indices are in contraction territory, CEO confidence is at its lowest level since the Global Financial Crisis, retail sales have fallen by 1% or more for the past two months, industrial production has fallen for the past three and residential construction has posted six consecutive monthly declines. Despite this, the fourth quarter GDP report is expected to show that the economy expanded at a rate in excess of 2% annualised. Consumer spending should be an important driver given the strong performance in October, but aside from that, the growth will largely be focused on net trade and inventory building. This is not “good” growth. Imports are falling because of the deteriorating domestic growth story while inventories are increasing, partly because of improved supply chains, but also because demand is not as strong as many businesses expected. The GDP growth figures over the next few quarters will be much weaker.

Aside from this report, durable goods orders will be strong given Boeing received orders for 250 aircraft in December (led by United Airlines' order for nearly 200 Boeing 737 Max and 787 aircraft), up from 21 in November. Strip this one-off story out and the underlying picture is significantly weaker. Meanwhile, new home sales will suffer as a lagged response to the downturn in mortgage

applications. Also watch out for the Fed's favoured measure of inflation, the core personal consumer expenditure deflator. We expect it to show a relatively benign 0.2% month-on-month reading, which would confirm the easing trend in price pressures. There are no scheduled Federal Reserve speakers due to the proximity to the upcoming FOMC meeting and the self-imposed "quiet period". We expect a 25bp interest rate increase on 1 February.

✓ Canada: Final hike of 25bp

The Bank of Canada is getting close to the end point of its interest rate hiking phase. Inflation is showing signs of coming off, but the jobs market remains hot and as such we expect a final 25bp interest rate hike on 25 January. The BoC will likely characterise this as a pause, but we expect it to mark the peak as global recessionary forces are increasingly felt within Canada and inflation numbers continue to subside.

Key events in developed markets next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|--|-------|--------|-------|
| Tuesday 24 January | | | | | |
| US | 1445 | Jan S&P Global Manufacturing PMI Flash | - | | 46.2 |
| | 1445 | Jan S&P Global Services PMI Flash | - | | 44.7 |
| | 1445 | Jan S&P Global Composite Flash PMI | - | | 45 |
| Germany | 0700 | Feb GfK Consumer Sentiment | -36.0 | | -37.8 |
| | 0830 | Jan S&P Global Manufacturing Flash PMI | 47.5 | | 47.1 |
| | 0830 | Jan S&P Global Service Flash PMI | 48.7 | | 49.2 |
| France | 0830 | Jan S&P Global Composite Flash PMI | 49.0 | | 49 |
| | 0815 | Jan S&P Global Composite Flash PMI | - | | 49.1 |
| UK | 0930 | Jan Flash Composite PMI | 49.1 | | 49 |
| | 0930 | Jan Flash Manufacturing PMI | 46.5 | | 45.3 |
| | 0930 | Jan Flash Services PMI | 49.5 | | 49.9 |
| Eurozone | 0900 | Jan S&P Global Manufacturing Flash PMI | 49.1 | | 47.8 |
| | 0900 | Jan S&P Global Services Flash PMI | 50.4 | | 49.8 |
| | 0900 | Jan S&P Global Composite Flash PMI | 50.3 | | 49.3 |
| Wednesday 25 January | | | | | |
| Germany | 0900 | Jan Ifo Business Climate | 88.9 | | 88.6 |
| | 0900 | Jan Ifo Current Conditions | 94.1 | | 94.4 |
| | 0900 | Jan Ifo Expectations | 85.0 | | 83.2 |
| Canada | 1500 | BoC Rate Decision | 4.5 | 4.5 | 4.25 |
| Thursday 26 January | | | | | |
| US | 1330 | 4Q GDP (QoQ% ann.) | 2.3 | 2.8 | 3.2 |
| | 1330 | Dec Durable Goods | 4.2 | 2.9 | -2.1 |
| | 1500 | Dec New Home Sales-Units 000s | 610 | 615 | 640 |
| | 1330 | Initial Jobless Claims (000s) | 210 | 213 | 190 |
| | 1330 | Continue Jobless Claims (000s) | 1.66 | 1.65 | 1.647 |
| Italy | 0900 | Jan Consumer Confidence | - | | 102.5 |
| Friday 27 January | | | | | |
| US | 1330 | Dec Personal Income (MoM%) | 0.2 | 0.2 | 0.4 |
| | 1330 | Dec Personal Consumption Real (MoM%) | 0 | | 0 |
| | 1330 | Dec Consumption, Adjusted (MoM%) | -0.3 | -0.1 | 0.1 |
| | 1330 | Dec Core PCE Price Index (MoM%) | 0.2 | | 0.2 |
| | 1500 | Jan U Mich Sentiment Final | 64.6 | 64.6 | 64.6 |
| Sweden | 0700 | Dec Unemployment Rate | - | | 6.4 |
| Eurozone | 0900 | Dec Money-M3 Annual Grwth | 4.6 | | 4.8 |

Source: Refinitiv, ING

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Key events in EMEA next week

In Poland, we estimate that December unemployment inched up to 5.2% for seasonal reasons though the labour market remains strong. Inflationary pressure...



Source: Shutterstock

✓ Poland: Further cooling in economic activity

The final set of monthly data for the fourth quarter is expected to show signs of further cooling in economic activity. We forecast that both industrial output and retail sales expanded only slightly more than 1% year-on-year last month. Retail sales are under pressure from declining real wages, despite additional demand from refugees which has supported sales of necessities (food, clothing). Industry is slowing alongside weaker activity in Europe, however, the improved functioning of supply chains has lifted some sectors (e.g. automotive). We think that inflationary pressures continued to moderate, but PPI inflation remained very high in December. Monetary developments reflect tighter economic conditions. With the main National Bank of Poland policy rate at 6.75%, new housing loans have been some 70% lower than last year in recent months. The labour market remains sound with few signs of any deterioration as a result of slowing growth. The limited availability of workers is keeping unemployment low. We estimate that in December, registered unemployment inched up to 5.2% from 5.1% in November on the back of seasonal factors.

✓ Hungary: No monetary policy pivot yet

Next week's event calendar in Hungary is dominated by the first rate-setting meeting of the National Bank of Hungary in 2023. The Monetary Council wants to see an improvement in the

trend of risk perceptions, along with improving external and internal balances. Regarding the latter, though we've seen a downside surprise in inflation in December, the peak is still ahead of us with further upside risks. An improvement in the current account balance is not yet visible. The forint's darkest days may be over but the valuation of the currency remains exceptionally fragile in our view. Any premature hint at a monetary policy pivot (stepping away from the hawkish "whatever it takes" stance) might trigger a renewed sell-off in local assets. Against this backdrop, we see the central bank sticking with its recent playbook, changing nothing. The second half of the week will bring some labour market data, where we might see wage growth accelerating further in November as companies have been reacting to the wage demands of employees in a high-inflation environment amid a tight labour market. The latter might be proven with a broadly unchanged unemployment rate in December.

Key events in EMEA next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|--|-------|--------|-----------|
| Monday 23 January | | | | | |
| Poland | 0900 | Dec Industrial Output (YoY%) | 1.2 | 1.4 | 4.6 |
| | 0900 | Dec Retail Sales (YoY%) | 1.5 | 1.4 | 1.5 |
| | 0900 | Dec PPI (YoY%) | 19.5 | | 20.8 |
| Brazil | 1200 | Jan IPCA-15 Mid-Month CPI (YoY%) | - | | 5.9 |
| Tuesday 24 January | | | | | |
| Poland | 1300 | Dec M3 Money Supply (YoY%) | 6.5 | 6 | 5.6 |
| Hungary | 1300 | Jan Hungary Base Rate | 13.00 | | 13.00 |
| Mexico | 1200 | Jan 1st Half-Month Core Inflation (MoM%) | - | | 0.57 |
| | 1200 | Jan 1st Half-Month Inflation (MoM%) | - | | 0.39 |
| Wednesday 25 January | | | | | |
| Russia | 1600 | Dec PPI (MoM%/YoY%) | -/- | | -0.4/-1.9 |
| Poland | 0900 | Dec Unemployment Rate | 5.2 | 5.2 | 5.1 |
| Hungary | 0730 | Nov Average Gross Wages (YoY%) | 18.6 | | 18.1 |
| Mexico | 1200 | Nov IGAE Econ Activity (YoY%) | - | | 4.4 |
| Thursday 26 January | | | | | |
| Turkey | 0830 | Inflation Report (2023 - I) | - | | - |
| Ukraine | 1200 | 2 Central bank interest rate | - | | 25 |
| South Africa | 0930 | Dec PPI (MoM%/YoY%) | -/- | | 0.5/15 |
| Brazil | - | Dec Current Account | - | | -0.06 |
| | - | Dec Foreign Direct Investment | - | | 8.34 |
| Mexico | 1200 | Dec Jobless Rate | - | | 2.8 |
| Friday 27 January | | | | | |
| Hungary | 0730 | Dec Unemployment Rate 3M | 3.7 | | 3.8 |
| Brazil | 1730 | Dec Central Government Balance | - | | -14.69 |
| Mexico | 1200 | Dec Trade Balance SA | - | | 0.67 |

Source: Refinitiv, ING

Authors

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Asia week ahead: Australian inflation data plus regional GDP reports

The coming week features several GDP reports and sticky inflation out of Australia and Singapore



Sticky inflation figures and an RBA decision

Australian retail gasoline prices were down more than 8% month-on-month in December. Feeding this figure through to the transport component, we could see a smaller increase in the aggregate monthly price level of 0.2% MoM in December, down from an increase of 0.8% MoM in November. This should bring the December inflation rate down to 6.9% year-on-year, and the fourth quarter inflation rate down to 7.0%. With inflation still high, however, we expect the Reserve Bank of Australia (RBA) to continue with another 25bp rate hike at its meeting on 7 February.

Singapore core inflation to inch higher

Singapore is also expected to release the December 2022 inflation reports next week. Headline inflation has started to decelerate, and the latest reading could settle at 6.5% year-on-year with base effects kicking in. Core inflation, however, could still accelerate slightly to 5.2% YoY from 5.1% in the previous month. Price pressures could fade later in the year given the recent bounce in the Singapore dollar but core inflation should still be much higher than the central bank's target of 2%.

GDP reports from Korea and the Philippines

Korea's fourth quarter GDP report and surveys are scheduled to be released next week. We expect GDP to contract by -0.3% quarter-on-quarter (seasonally adjusted) on the back of sluggish exports and domestic demand. Monthly activity data suggest the manufacturing and service sectors weakened quite significantly in the fourth quarter with the terms of trade deteriorating further. Meanwhile, forward-looking survey data is expected to remain soft. Closely-watched gasoline and utility prices rose from January, and this should hurt consumer sentiment while the slowdown in external demand and weak exports could suppress business sentiment.

Similarly, the Philippines reports fourth quarter GDP and trade data next Thursday. We expect another quarter of strong growth for the Philippines, supported mostly by an extended run of "revenge spending" during the holiday season. GDP growth in the final quarter of 2022 should settle at 7.5% YoY which should bring full-year growth to 7.7% YoY. This will be faster than the official growth target of 7.5%, however, 2023 presents several challenges which could push the trajectory of growth down sharply.

Key events in Asia next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-----------------------------|------|--------------------------------------|-----------|--------|-----------|
| Monday 23 January | | | | | |
| Australia | 2200 | Jan Manufacturing PMI Flash | - | | 50.2 |
| | 2200 | Jan Services PMI Flash | - | | 47.3 |
| | 2200 | Jan Composite PMI Flash | - | | 47.5 |
| Tuesday 24 January | | | | | |
| Indonesia | 0300 | Dec M2 Money Supply (YoY%) | - | | 9.5 |
| Wednesday 25 January | | | | | |
| Australia | 0030 | Dec CPI (MoM%/YoY%) | 0.2/6.9 | | 0.8/7.3 |
| Singapore | 0500 | Dec Core CPI (YoY%) | 5.2 | | 5.1 |
| | 0500 | Dec CPI (YoY%) | 6.5 | | 6.7 |
| South Korea | 2100 | Jan BoK Consumer Sentiment Index | 89 | | 89.9 |
| | 2300 | Q4 GDP Growth (QoQ%/YoY%) | -0.3/1.5 | | 0.3/3.1 |
| Thursday 26 January | | | | | |
| Japan | 2330 | Jan Tokyo CPI (YoY%) | 3.8 | | 4.0 |
| Philippines | 0100 | Dec Imports/Exports (YoY%) | -4.5/12.0 | | -1.9/13.2 |
| | 0100 | Dec Trade Balance | -3800 | | -3677 |
| | 0200 | Q4 GDP (QoQ%/YoY%) | -17.5 | | 2.9/7.6 |
| Singapore | 0500 | Dec Manufacturing Output (MoM%/YoY%) | -1/-5.0 | | -1.2/-3.2 |
| | 0230 | Q4 Unemployment Rate Prelim SA | 2.1 | | 2 |
| South Korea | 2100 | Feb BOK Manufacturing BSI | 70 | | 71 |

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

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