

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: QE asset purchases to end early

The Federal Reserve meeting will be the main focus and we strongly suspect that we could see the announcement of the ending of QE asset purchases brought forward from the mid-March end-point currently signalled, to an immediate cessation. In an environment where the economy has fully recovered the lost output from the pandemic, where unemployment is back below 4% and where inflation is at near 40-year highs, it seems strange to say the least for them to continue stimulating the economy. We also expect the Bank to indicate that March is the likely lift-off point for interest rates and confirm expectations that the balance sheet will start to be reduced later in the year. However, policymakers may note some caution on near-term activity relating to Omicron, which has seen consumer caution kick in while increased worker absences on health grounds are also set to have hit the economy hard in the December-January period. Nonetheless, Covid cases appear to have peaked and a swift economic rebound in February and March should allow the Bank to hike rates by 25bp on 16 March.

4Q GDP expectations have been reduced in recent weeks on the back of the softer December activity figures and so we think GDP growth of 5.2% annualised is more likely than the 6% rate we

have previously expected. December personal income and spending should back this view, with spending set to fall sharply given the steep decline already seen in the retail sales figures.

☑ Canada: First rate hike of many expected next week

Separately, we now look for the Bank of Canada to raise interest rates 25bp at the 26 January meeting – the same day as the Fed. Activity is strong, the economy is at record employment and inflation is at 30-year highs. Covid containment measures are also set to be eased at the end of the month and this should signal the green light to hike rates. At least three more hikes are likely this year with some analysts expecting as many as five increases.

☑ UK PMIs unlikely to give many Omicron clues

The UK's services purchasing managers index already staged a fairly sharp fall in December on the arrival of Omicron. And since then, other data suggests the economic impact probably hasn't been huge, and may have begun to improve in January. Worker illness will have held back production for many industries, particularly consumer services where other surveys have shown absence rates to be highest. But consumer spending, at least at social venues, appears to have begun to rebound now that individuals are less cautious about self-isolating (which was the case ahead of Christmas). We expect a flat or marginally higher PMI reading than December, though we'd note these numbers haven't had a great track record of predicting GDP moves through the pandemic. Regardless, the Bank of England appears on track to hike rates again in February.

Developed Markets Economic Calendar

Country	Time	Data/event	ING Survey		Prev.
Monday 24 January					
US	1445	Jan Markit Composite Flash PMI	-		57.0
Germany	0830	Jan Markit Manufacturing Flash PMI	58		57.4
	0830	Jan Markit Service Flash PMI	48		48.7
	0830	Jan Markit Composite Flash PMI	49.6		49.9
France	0815	Jan Markit Composite Flash PMI	-		55.8
UK	0930	Jan Flash Composite PMI	54		53.6
	0930	Jan Flash Manufacturing PMI	57.5		57.9
	0930	Jan Flash Services PMI	54		53.6
Eurozone	0900	Jan Markit Manufacturing Flash PMI	58		58.0
	0900	Jan Markit Services Flash PMI	52.5		53.1
	0900	Jan Markit Composite Flash PMI	52.6		53.3
Tuesday 25 January					
US	1400	Nov CaseShiller 20 (MoM%/YoY%)	0.9	1.0	0.9
	1500	Jan Consumer Confidence	110.0	112.0	115.8
Germany	0900	Jan Ifo Business Climate	95		94.7
	0900	Jan Ifo Current Conditions	95		96.9
	0900	Jan Ifo Expectations	94		92.6
Wednesday 26 January					
US	1500	Dec New Home Sales-Units	0.76	0.77	0.74
	1900	Fed Funds Target Rate	0.125	0.125	0.125
	1900	Fed Interest On Excess Reserves	0.15	0.15	0.15
Canada	1500	BoC Rate Decision	-		0.25
Thursday 27 January					
US	1330	4Q GDP (QoQ% annualised)	5.2	5.8	2.3
	1330	Dec Durable Goods	-0.4	-0.2	2.6
	1330	Initial Jobless Claims	-	-	286
	1330	Cont Jobless Claims	-	-	1635
Germany	0700	Feb GfK Consumer Sentiment	-8		-6.8
Friday 28 January					
US	1330	4Q Employment Cost index (QoQ%)	1.3	1.1	1.3
	1330	Dec Personal Income (MoM%)	0.5	0.5	0.4
	1330	Dec Consumption, Adjusted (MoM%)	-0.9	-0.7	0.6
	1330	Dec Core PCE Price Index (MoM%)	0.5	0.5	0.5
	1500	Jan U Mich Sentiment Final	68.5	68.8	68.8
	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-		3/3.3
Italy	0900	Jan Consumer Confidence	117		117.7
Sweden	0700	Q4 GDP (QoQ%/YoY%)	1.2/5.5		2/4.7
	0700	Dec Unemployment Rate	-		7.5
Eurozone	0900	Dec Money-M3 Annual Growth	6.6		7.3
	0900	Dec Broad Money	15430000		15390560
	1000	Jan Business Climate	1.5		1.8
	1000	Jan Economic Sentiment	115		115.3
	1000	Jan Consumer Confidence Final	-		-
Germany	-	4Q GDP Growth (QoQ%)	-0.2%		-

Source: Refinitiv, ING, *GMT

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Key events in EMEA next week

A rate hike in Hungary, retail sales figures in Mexico and PPI numbers in South Africa are next week's emerging markets highlights



Source: Shutterstock

☑ Hungary: Continued tightening expected

We see some improvement in Hungarian economic sentiment in January, especially on the consumer side, driven by a 20% increase in the minimum wage as well as government measures to improve households' financial situation. Next week's labour market statistics will show a further strengthening, signalling that employers are struggling with labour shortages and costs. After an upside surprise in December's inflation reading, the National Bank of Hungary will continue its tightening cycle, with a 30bp move in the base rate and in the one-week deposit rate as well, pledging to continue hiking rates in the coming months.

EMEA Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 24 January				
Kazakhstan	0900	Jan Base Interest Rate	-	9.75
Brazil	1230	Dec Current Account	-	-6.52
	1230	Dec Foreign Direct Investment	-	4.59
Mexico	1100	Nov IGAE Econ Activity (YoY%)	-	-0.7
	1100	Dec Trade Balance SA	-	0.46
	1200	Jan 1st Half-Month Core Inflation (MoM%)	-	0.6
	1200	Jan 1st Half-Month Inflation (MoM%)	-	0.1
Hungary	0800	Jan Economic Sentiment	-0.2	-1.8
Tuesday 25 January				
Hungary	0800	Nov Average Gross Wages (YoY%)	8.9	8.5
	1300	Jan Hungary Base Rate	2.70	2.40
	1300	Jan O/N Deposit Rate	2.70	2.40
Wednesday 26 January				
Poland	1300	Dec M3 Money Supply (YoY%)	-	9.9 10.1
Brazil	1300	Jan IPCA-15 Mid-Month CPI (YoY%)	-	10.42
Mexico	1200	Nov Retail Sales (MoM%/YoY%)	-	0.3/5.3
Thursday 27 January				
Hungary	0800	Dec Unemployment Rate 3M	3.7	3.8
	0830	One-Week Deposit Rate	4.30	4.00
South Africa	0930	Dec PPI (MoM%/YoY%)	-/-	1.4/9.6
Friday 28 January				
Turkey	1100	Dec Bank NPL Ratio	-	3.22
Brazil	1100	Jan IGP-M Inflation Index	-	0.87
	1200	Dec Central Government Balance	-	3.872

Source: Refinitiv, ING, *GMT

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Asia Week Ahead: GDP reports could show impact of latest Covid wave

The coming week features inflation figures from Australia and Singapore, on top of several GDP reports



The December surge in Covid cases in Korea will have weighed on service sector activity

Inflation reports

Inflation in Australia in 3Q21 dropped to 3.0%Year-on-Year from 3.8% the previous quarter, and will likely stay close to 3.0%YoY in 4Q21. Although still higher than the Reserve Bank's (RBA) inflation target, the important fact is that this is a fraction of the inflation rates seen in the US and Europe and is not moving higher but stabilising. Markets are pricing in a similarly aggressive tightening cycle from the RBA as for the Federal Reserve, but these inflation numbers will support the more dovish message being given by the RBA.

December 2021 inflation for Singapore, meanwhile, is expected to remain elevated. Core inflation, the inflation measure monitored by monetary authorities, likely rose to 1.8%, prompting the authorities to implement supply-side measures to mitigate inflationary pressures on food items. Elevated inflation will keep the Monetary Authority of Singapore (MAS) leaning towards a hawkish change ahead of their April meeting.

Loaded Taiwan data calendar

Taiwan's December industrial production growth should slow slightly but will probably remain high at 11.6%YoY, down from 12.19% in November. This moderation is due to Covid cases in Taiwan. Unemployment should be quite flat as well since Chinese New Year is coming, which increases demand for temporary jobs in the service sector. GDP will be announced on Thursday, and we expect it to show a marginal slowdown to 3.5%YoY in 4Q21 from 3.7%YoY in 3Q21, mainly a base effect phenomenon. Full-year GDP growth should be 6% in 2021, a jump from 3.0% in 2020. The PMI for January will show that manufacturing activity grew slower – again a Covid phenomenon.

GDP figures out from Korea and the Philippines

Following a 3Q21 GDP growth rate of only 0.3%Quarter-on-Quarter, the prospect of a much stronger fourth quarter figure has been thrown into doubt by the December surge in Covid cases in Korea that likely weighed on service sector activity, along with a flat full quarter for industrial production and likely reversal of the positive swing in net exports in 3Q21. But GDP probably has little bearing on the outlook for the Bank of Korea, which is more focused on financial distortions and the housing market at present.

In the Philippines, 4Q21 GDP is expected to hit 6.7%. Household spending likely delivered much of the boost, with mobility indicators suggesting economic activity picked up with Covid cases slowing ahead of the holiday season. However, damage from a super typhoon in December likely sapped some growth momentum given substantial crop damage on top of destruction to infrastructure and property. This should bring full-year growth to 5.4% for 2021, at the upper end of the government's full-year target. The recent surge in Covid-19 infections at the end of December could mean that much of the gains made in 4Q21 will be walked back as restrictions were reinstated in January 2022.

The rest of the field

Next week also sees the publication of trade data from the Philippines which will likely figure in the fourth quarter GDP report released on the same day. The calendar also features manufacturing output and unemployment figures from Singapore, as well as trade data from Malaysia.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Saturday 22 January				
Taiwan	0800	Dec Unemployment rate (%)	3.7	3.71
Sunday 23 January				
Australia	2200	Jan Manufacturing PMI Flash	57.4	57.7
	2200	Jan Services PMI Flash	54.8	55.1
	2200	Jan Composite PMI Flash	54.6	54.9
Monday 24 January				
India	1130	M3 Money Supply	-	9.9
Singapore	0500	Dec Core CPI (YoY%)	1.8	1.6
	0500	Dec CPI (YoY%)	3.6	1.0/3.8
Taiwan	0800	Dec Industrial Output (YoY%)	11.6	12.19
	0820	Dec Money Supply - M2 (YoY%)	8.17	8.26
South Korea	2300	Q4 GDP Growth (QoQ%/YoY%)	0.9/3.7	0.3/4
Tuesday 25 January				
Australia	0030	Q4 CPI (QoQ%/YoY%)	0.9/3.1	0.8/3
South Korea	2100	Jan BoK Consumer Sentiment Index	103.1	103.9
Wednesday 26 January				
Japan	0500	Nov Leading Indicator Revised	-	1.5
Singapore	0500	Dec Manufacturing Output (MoM%/YoY%)	-/-	2.3/14.6
Thursday 27 January				
China	0130	Dec Industrial Profit (YoY%)	12.5	9
Philippines	0100	Dec Exports (YoY%)	9.1	6.6
	0100	Dec Imports (YoY%)	28.6	36.8
	0100	Dec Trade Balance	-4291	-4706
	0200	Q4 GDP (QoQ%/YoY%)	3.4/6/7	3.8/7.1
Singapore	0230	Q4 Unemployment Rate Prelim SA	-	2.6
Taiwan	0800	Q4 GDP Flash (YoY%)	3.5	3.7
Friday 28 January				
Malaysia	0400	Dec Trade Balance	-	18.9
	0400	Dec Exports (YoY%)	-	32.4
	0400	Dec Imports (YoY%)	-	38
Singapore	0230	Q4 Unemployment Rate Final SA	-	-
Taiwan	0030	Jan IHS Markit Manufacturing PMI	52.0	55.5
Sunday 30 January				
China		Official Manufacturing PMI	50.0	50.3
		Official Non-Manufacturing PMI	51.0	52.7

Source: Refinitiv, ING, *GMT

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