

## Our view on next week's key events

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All of the latest on what we're expecting for next week's central bank meetings for the Federal Reserve, the Bank of England and the National Bank of Hungary

By James Knightley, James Smith and Frantisek Taborsky



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#### Asia week ahead: Regional inflation and GDP readings plus China PMIs

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By Robert Carnell, Lynn Song and Min Joo Kang

# Key events in developed markets and EMEA next week

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## ✓ US: Federal Reserve expected to keep the Fed funds target range unchanged at 5.25-5.50%

The Federal Reserve is widely expected to keep the Fed funds target range unchanged at 5.25-5.50% on Wednesday while continuing the process of shrinking its balance sheet via quantitative tightening.

At its December FOMC meeting we saw a dovish shift from the Fed, signalling that it expected to cut the policy rate by 75bp this year. Given the perception that the Fed always starts out conservatively and typically ends up shifting policy by more than initially suggested, this was interpreted by markets as giving them the green light to push on more aggressively. Just a few weeks ago seven 25bp moves were being priced by markets for this year with the first cut coming in March, but recent strong jobs and activity data have since scaled that back to a 50-50 call while Fed commentary has also suggested that FOMC members are not in a hurry to cut.

Nonetheless, inflation pressures continue to soften, with the Fed's favoured measure of inflation, the core PCE deflator, running at 2% annualised for two consecutive quarters. We think it is only a matter of time before they do indeed cut interest rates, but we think the starting point will be in May. We continue to see some downside risks for growth in the coming quarters relative to the

consensus as the legacy of tight monetary policy and credit conditions weighs on activity and Covid-era accrued household savings provide less support. Our forecast is for the Fed funds target range to be cut to 3.75-4% by the end of this year.

On Friday, we have the US jobs report for January. It does feel as though there have been a growing number of job lay-off announcements, but this is not apparent in jobless claims data. We have little survey data to go on at this stage, but given the strength in activity numbers, there seems little reason to expect the jobs market to roll over. We look for payrolls growth of around 200,000, once again led by government, leisure and hospitality and education and healthcare services. Nonetheless, the household survey is expected to show the unemployment rate ticking a little higher to 3.8%.

## UK: Bank of England to drop tightening bias but remain cautious on rate cuts

The Bank of England was careful not say anything at the December meeting that could be misconstrued as an endorsement of market pricing on rate cuts. Investors are currently pricing roughly 100bp of cuts this year. But the reality is that defending a “higher for longer” stance on interest rates is getting harder to defend as the inflation backdrop shows signs of improving.

Both services inflation and private-sector wage growth, the two variables guiding BoE policy right now, are well below the Bank's November projections. Even so, we expect the Bank will still want to tread carefully. Lower market rates will at least offset the recent improvement in inflation and it's possible the BoE's two year-ahead forecast will be a little above 2%.

What really matters for markets though are what the Bank does to its policy statement. We suspect it will drop the suggestion that it could raise rates further, but keep the signal that rates need to stay restrictive for an extended period. As for the vote split, we suspect the hawks will finally throw in the towel and stop voting for a rate hike. At the same time, we think it's probably too early to see the doves voting for a cut. That leads us to expect a unanimous decision to keep rates on hold.

## Hungary: NBH cuts rates by 100bp but FX will be key

We see the [National Bank of Hungary](#) cutting the base rate by 100bp on 30 January. This could bring the key rate down to 9.75% after the rate-setting meeting, while we expect the Monetary Council to also cut both ends of the rate corridor by 100-100bp. There remains one major factor that poses a downside risk to our call and that is FX stability. We believe that if we were to see a further marked deterioration in EUR/HUF, this would encourage the central bank to remain more cautious and maintain the previous pace of 75bp of easing.

However, as the central bank will certainly remain in data-dependency mode, this does not mean that 100bp cuts will be automatic going forward. Rather, we expect the NBH to cautiously assess both internal and external developments and act accordingly on a meeting-by-meeting basis. Catch our full [National Bank of Hungary preview](#) here for all the latest details.

## Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 29 January</b>					
Sweden	0700	Q4 GDP (QoQ%/YoY%)	-/-	/	-0.3/-1.4
<b>Tuesday 30 January</b>					
US	1400	Nov CaseShiller 20 (MoM%/YoY%)	0.5/5.6	/	0.6/4.9
	1500	Jan Consumer Confidence	112	111.3	110.7
Germany	0900	Q4 GDP Flash QQ	-0.3		-0.1
	0900	Q4 GDP Flash YY	-0.2		-0.8
France	0630	Q4 GDP Preliminary (QoQ%/YoY%)	-/-	/	-0.1/0.6
Italy	0900	Q4 GDP Prelim (QoQ%/YoY%)	-0.1/0.2	/	0.1/0.1
Spain	0800	Jan CPI (YoY%) Flash	-		3.1
	0800	Jan CPI (MoM%) Flash	-		0
Eurozone	1000	Q4 GDP Flash Prelim (YoY%)	0		0
	1000	Q4 GDP Flash Prelim (QoQ%)	-0.1		-0.1
	1000	Jan Business Climate	-		-0.45
	1000	Jan Economic Sentiment	96.8		96.4
	1000	Jan Consumer Confidence Final	-16.1		
<b>Wednesday 31 January</b>					
US	1315	Jan ADP National Employment	130	150	164
	1330	4Q Employment Cost Index (QoQ%)	0.9	1.0	1.1
	1445	Jan Chicago PMI	48.5	48.1	46.9
	1900	Fed Funds Target Rate (upper bound)	5.5	5.5	5.5
	1900	Fed Interest On Excess Reserves	5.4	5.4	5.4
	1930	Fed Chair Powell holds press conference	-	-	-
Germany	0700	Dec Retail Sales (MoM%/YoY%)	-/-	/	-2.5/-2.4
	0855	Jan Unemployment Rate SA	5.9		5.9
	1300	Jan CPI Prelim (MoM%/YoY%)	0.1/3.4	/	0.1/3.7
France	0745	Jan CPI Prelim (YoY%)	-		4.1
	0745	Jan CPI (EU Norm) Prelim (MoM%)	-		0.1
Italy	0900	Dec Unemployment Rate	7.5		7.5
	0900	Jan CPI Prelim (MoM%/YoY%)	1.0/1.5	/	0.2/0.5
Spain	0800	Dec Retail Sales (YoY%)	-		5.2
Canada	1330	Nov GDP (MoM%)	-		0
Portugal	0930	Jan CPI Flash (YoY%)	-		1.4
<b>Thursday 1 February</b>					
US	1500	Jan ISM Manufacturing PMI	47.0	47.4	47.4
	1500	Jan ISM Manufacturing Prices Paid	45.8		45.2
	1330	Initial Jobless Claims	220	-	214
	1330	Continuing Jobless Claims	1840	-	1833
Germany	0855	Jan S&P Global/BME Manufacturing PMI	-		
UK	0930	Jan S&P Global/CIPS Manufacturing PMI Final	-		
	1200	Jan BOE Bank Rate	5.25	5.25	5.25
Italy	0845	Jan S&P Global/IHS Manufacturing PMI	46.5		45.3
Sweden	0830	Riksbank Rate	4.00		4.00
Eurozone	0900	Jan S&P Global Manufacturing Final PMI	46.6		
	1000	Jan CPI Flash (YoY%)	2.5		2.9
	1000	Jan Core CPI Flash (YoY%)	3.2		3.4
	1000	Dec Unemployment Rate	6.5		6.4
<b>Friday 2 February</b>					
US	1330	Jan Non-Farm Payrolls (000s)	200	180	216
	1330	Jan Private Payrolls (000s)	150	148	164
	1330	Jan Unemployment Rate	3.8	3.8	3.7
	1330	Jan avg hourly earnings (MoM/YoY%)	0.3/4.1	0.3/4.1	0.4/4.1
	1500	Jan U Mich Sentiment Final	78.8	78.8	78.8
France	0745	Dec Industrial Output (MoM%)	-		0.5

Source: Refinitiv, ING

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Tuesday 30 January</b>					
Turkey	1100	Dec Bank NPL Ratio	-		1.51
Czech Rep	0800	Q4 Preliminary GDP (QoQ%/YoY%)	-		-0.6/-0.8
Hungary	1300	Jan Hungary Base Rate	9.75		10.75
South Africa	0600	Dec M3 Money Supply (YoY%)	-		5.46
	0600	Dec Pvt Sector Credit Ext.	-		3.84
<b>Wednesday 31 January</b>					
Russia	1600	Dec Industrial Output	3.7	5.1	4.3
		- Dec GDP (YoY%) Monthly	4.0	3.8	4.4
Turkey	0700	Dec Trade Balance	-6.1		-5.92
South Africa	1200	Dec Trade Balance (Incl. Region)	-		21.02
<b>Thursday 1 February</b>					
Russia	0600	Jan S&P Global Manufacturing PMI	-		54.6
Turkey	0700	Jan Manufacturing PMI	-		47.4
Poland	0800	Jan S&P Global Manufacturing PMI	-		47.4
Czech Rep	0830	Jan S&P Global PMI	-		41.8
	1300	Jan Budget Balance	-		-288.5
Hungary	0730	Nov Trade Balance Final	-		1718
	0800	Jan Manufacturing PMI	-		52.8
<b>Friday 2 February</b>					
South Africa	0715	Jan Std Bank Whole Econ PMI	-		49

Source: Refinitiv, ING

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# Asia week ahead: Regional inflation and GDP readings plus China PMIs

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## Australia inflation out next week

Australia's CPI inflation figure for the fourth quarter of last year is due for release – and more importantly, the December number, which will drive the quarterly result. Last year, cold, wet weather pushed up the prices of fresh food as well as energy (shortage of LNG and coal as mines were flooded) and collided with the re-opening surge in demand for tourism which caused recreation prices to spike higher. The net result of this was a 1.6% month-on-month increase in the CPI index and an inflation rate of 8.4%.

This December will also see holiday prices and recreation spike higher (as is normal for the time of year) but probably not to the same degree as last year. So, we expect the CPI increase to come in at about 0.8% MoM, which would take the inflation rate all the way down from 4.3% to only 3.5% year-on-year, within spitting distance of the RBA's 2-3% target. That's all very well, but the run rate for Australian monthly CPI is still way too high to take inflation meaningfully lower in the medium term. We will need to see this slow markedly over the first half of the year if rate cut expectations

are not to turn sour.

## India's fiscal deficit likely on track to achieve target

India's fiscal deficit for December is due and since August, a combination of solid growth and buoyant revenue plus fiscal discipline has led to much lower deficit figures than the corresponding months a year earlier.

The relevant comparison for December 2023 is December 2022's INR148.22bn deficit. Anything around this sort of level or better would leave India well on track to achieve its deficit target for 2023/24 of 5.9% GDP equivalent.

## China PMIs could trend slightly higher to start 2024

The National Bureau of Statistics of China releases its January PMI data next week, which will provide the first key data point for indicating how the country's economy has started off the year. The manufacturing PMI has been in contraction for eight of the past nine months. By sub-index, production has been the bright spot recently, remaining in expansion for the past seven months.

New orders have been sluggish, contracting throughout the fourth quarter of 2023. Employment and inventories have both been in contraction even longer, below 50 for 10 consecutive months. For the January 2024 data, we expect the manufacturing PMI to edge up to 49.5 to start the year, remaining below the 50 threshold but implying a smaller contraction.

## Taiwan 4Q GDP expected to come in at 3.6% YoY

Taiwan's 2023 fourth quarter GDP is expected to rise to 3.6% YoY, which would mark the third consecutive quarter of higher YoY growth. Both private consumption and government spending are expected to be drivers of fourth quarter growth.

The contribution from net exports likely improved, as exports saw weak YoY growth and imports continued to see double digit declines through October to November 2023. In contrast, gross fixed capital formation is expected to remain a drag on the GDP numbers due to an unfavourable base effect.

## Hong Kong 4Q GDP to accelerate

We expect Hong Kong's fourth quarter GDP data release to confirm further recovery in the economy, with fourth quarter growth rising 4.9% YoY and taking annual growth to 3.4% YoY. Though the high yearly growth is bolstered by a favourable base effect, monthly economic data including retail sales and the private sector PMI also indicate a sequential recovery. Heading into 2024, with the base effect normalising, we are likely to lead to more muted YoY growth.

Private consumption expenditure and gross domestic fixed capital formation are expected to remain the main contributors to fourth quarter GDP, while a recovery of exports in October and November should signal a moderate uptick in the net exports component as well.

## Japan releases industrial production and jobs report

Japan's industrial production has been quite soft over the past months, possibly related to temporary production interruptions of car manufacturers. However, we expect to see a nice

rebound from December on the back of solid output gains in vehicles and machinery, suggested by stronger than expected December exports outcomes.

Meanwhile, labour market conditions should remain tight, supported by the service sector. Healthy labour conditions will likely support the modest growth of retail sales.

## **Korea's trade, inflation and industrial production**

Korea's exports are expected to jump sharply to 16.5% YoY in January (vs 5.0% in December), exaggerated by favourable calendar effects. The lunar new year celebration fell into January last year, it should therefore distort the headline outcomes for a couple of months. Aside from more working day effects, January exports are expected to improve on the back of semiconductor recovery and inventory restocking for vehicles. Meanwhile, imports should decline even faster, reflecting falling commodity prices and weak domestic demand. We expect manufacturing PMI to rebound in January, led mainly by solid external demand.

January headline inflation should slow down quite sharply to 2.6% YoY (vs 3.2% in December) but mainly due to a higher year-earlier base in utility fees. The Bank of Korea may be concerned about potential price hikes when government subsidy programmes end in March, and no rate hike is expected at the February meeting as a result. December IP will not be particularly market moving as fourth quarter GDP data for 2023 has already been released. We expect manufacturing industrial production to rise for a second month but at a slower pace. Robust gains in semiconductors should continue, but vehicle outputs are expected to decline. Sluggish retail sales and construction investment must also have dragged down overall growth.

## **Philippines 4Q growth could hit 5.5%**

Philippine fourth quarter GDP should expand by 5.5% YoY, with growth fueled by robust household consumption and accompanied by a healthy dose of government expenditure. We are, however, expecting capital formation to stay subdued given elevated borrowing costs, while a stark widening of the trade deficit should result in net exports turning negative.

This should bring full year 2023 growth to 5.5% YoY, which is decent but unfortunately below the government's official target of 6-7%. With growth slipping below the government's target, we believe the central bank will refrain from tightening policy rates further – although Governor Eli Remolona has reiterated his preference to maintain his current hawkish stance for now.

## **Indonesia inflation likely settled at 2.7%**

Price pressures in Indonesia remain relatively subdued, with January headline inflation likely at 2.7% YoY. This is within Bank Indonesia's 2024 inflation target of 1.5-3.5%. Even so, Governor Perry Warjiyo remains wary of a potential flare up in price pressures to start the year. He may particularly be worried about potential food price spikes due to El Nino, and he has indicated BI will likely not cut policy rates until the second half of the year.



## Key events in Asia next week

Country	Time Data/event	ING	Survey	Prev.
<b>Monday 29 January</b>				
Japan	2330 Dec Unemployment Rate	-		2.5
<b>Tuesday 30 January</b>				
Japan	2350 Dec Industrial O/P Prelim (MoM%/YoY%)	-/-	/	-0.9/-1.4
	2350 Dec Retail Sales (YoY%)	-		5.3
Singapore	0230 Q4 Unemployment Rate Prelim SA	2		2
South Korea	2300 Dec Industrial Output (YoY%)	-		5.3
	2300 Dec Industrial Output Growth	-		3.3
<b>Wednesday 31 January</b>				
Japan	0500 Dec Housing Starts (YoY%)	-		-8.5
Australia	0030 Q4 CPI (QoQ%/YoY%)	1.0/4.4	/	1.2/5.4
Australia	0030 Dec CPI (MoM%/YoY%)	0.8/3.5		0.3/4.3
India	1130 Dec fiscal deficit (INR bn)	-100		-148
China	0130 Jan NBS Manufacturing PMI	49.5		49
	0130 Jan NBS Non-Manufacturing PMI	50.7		50.4
Philippines	0200 Q4 GDP (YoY%)	5.5		5.9
	0200 Q4 GDP (QoQ%)	2.4		3.3
Taiwan	0800 Q4 GDP (YoY%) Prelim	-		2.32
<b>Thursday 1 February</b>				
Japan	0030 Jan Jibun Bank Manufacturing PMI	-		
	2350 Jan Monetary Base (YoY%)	-		7.86
China	0145 Jan Caixin Manufacturing PMI Final	51.1		50.8
India	0500 Jan IHS S&P Global Manufacturing PMI	55.1		54.9
Indonesia	0030 Jan IHS S&P Global PMI	52.5		52.2
	0400 Jan Core Inflation (YoY%)	2.1		1.8
	0400 Jan Inflation (MoM%/YoY%)	0.4/2.7	/	0.41/2.6
Philippines	0030 Jan Manufacturing PMI SA	52		51.5
Taiwan	0030 Jan IHS S&P Global Manufacturing PMI	-		47.1
South Korea	0000 Jan Export Growth Prelim	-		5
	0000 Jan Import Growth Prelim	-		-10.8
	0000 Jan Trade Balance Prelim	-		4.46
	0030 Jan IHS S&P Global Manufacturing PMI	-		49.9
	2300 Jan CPI Growth (MoM%/YoY%)	-/-	/	0/3.2
<b>Friday 2 February</b>				
Singapore	1300 Jan Manufacturing PMI	50.7		50.5

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