

Our view on next week's key events

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Inflation in Indonesia will likely pick up this year

Reserve Bank of Australia meets to discuss policy

The Reserve Bank of Australia (RBA) will meet on 1 February 2022. This was always going to be an interesting meeting as it has been flagged as the moment for when a decision on the RBA's asset purchase scheme would be taken. At the December meeting, the RBA was still clinging to its dovish message, although it had ditched date references and was clearly in the process of walking back from its original "nothing until 2024" pledge. Now the prospect of a change in policy rests on other central banks (pretty obvious which way that is going, with the Federal Reserve likely to hike interest rates in March), the unemployment rate (dropped to 4.2% in December from 4.6% in November) inflation (has risen to 3.5%, well above the top of the RBA's 2-3% target range), and the performance of the bond market (10Y yields have risen to just below 2% now).

The only missing part of the puzzle is wages growth. The RBA can probably still cling to its position on rates while this last element remains unclear, though the writing must surely be on the wall for the asset purchase scheme? The wages puzzle may be solved on 23 February when the 4Q21 wage price index is released. Once this breaks 3.0%, we think the RBA will need to consider raising rates.

That could come as soon as 2Q22.

Inflation reports from Indonesia and Philippines

Inflation readings will also be out next week from Indonesia and the Philippines. Both Bank Indonesia (BI) and Bangko Sentral ng Pilipinas (BSP) have stayed dovish throughout 2021 citing the need to support their respective domestic economies. Below-target inflation in Indonesia and a supply-side driven price surge in the Philippines may have justified the dovish tilt last year but 2022 may be a different story.

Indonesia's inflation will likely pick up this year, with base effects and surging global crude oil prices likely to play a factor. In the Philippines, we expect price pressures to extend into 2022 given persistent struggles to quell African Swine Fever (ASF) coupled with likely higher food prices due to crop damage from a recent super-typhoon. Improving growth dynamics for both Indonesia and the Philippines also suggest that some demand-side pressure will begin to build in 2022. Inflation dynamics coupled with a hawkish Fed could convince erstwhile dovish central banks to consider policy normalisation sooner rather than later.

The rest of the field

The coming week features data reports out from Japan and Purchasing Managers' Index (PMI) manufacturing numbers at the start of the week. Manufacturing reports could show the initial impact of the Omicron variant. Elsewhere, South Korea will release inflation numbers and preliminary trade figures while Indonesia will report 4Q21 GDP.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 30 January				
Japan	2350	Dec Industrial O/P Prelim (MoM%/YoY%)	1.6/3.1	7.0/3.5
	2350	Dec Retail Sales (YoY%)	3.3	1.9
Monday 31 January				
Japan	0500	Dec Housing Starts (YoY%)	6.5	3.7
	2330	Dec Unemployment Rate	2.8	2.8
South Korea	2200	Feb BOK Manufacturing BSI	92	89.0
Tuesday 1 February				
Japan	0030	Jan Jibun Bank Manufacturing PMI	54.2	54.6
	2350	Jan Monetary Base - JPY tr	673	659.4
Australia	0330	Feb RBA Cash Rate	0.1	0.1
India	-	Jan Fiscal Deficit Flash - Bln INR	-	6956.1
Indonesia	0400	Jan Inflation (YoY%)	2.1	1.87
	0400	Jan Inflation (MoM%/YoY%)	0.48	0.57/1.56
South Korea	0000	Jan Export Growth Prelim	22.4	18.3
	0000	Jan Import Growth Prelim	42.3	37.1
	0000	Jan Trade Balance Prelim	-4.4	-0.45
Wednesday 2 February				
Indonesia	0030	Jan IHS Markit PMI	53.7	53.5
Philippines	0030	Jan Manufacturing PMI SA	50.9	51.8
Thursday 3 February				
Japan	0030	Jan Services PMI	47.6	52.1
Australia	0030	Dec Trade Balance (A\$bn)	9350	9423
India	0500	Jan IHS Markit Services PMI	53	55.5
India	0500	Jan IHS Markit Manufacturing PMI	54.6	55.5
Indonesia	-	Q4 GDP (QoQ%/YoY%)	5.1	1.55/3.51
Singapore	1300	Jan Manufacturing PMI	-	50.7
South Korea	0030	Jan IHS Markit Mfg PMI	51.2	51.9
	2300	Jan CPI Growth (MoM%/YoY%)	0.3/3.8	0.2/3.7
Friday 4 February				
Philippines	0100	Jan CPI (MoM%/YoY%)	3.9	0.3/3.6
	0100	Jan Core CPI (YoY%)	3.2	3.0
Singapore	0500	Dec Retail Sales (MoM%/YoY%)	6.1	2.5/1.9

Source: Refinitiv, ING, *GMT

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We expect annual inflation in Turkey to hit 45.2%

↑ Hungary: Economic activity is gradually improving

In Hungary, next week is about economic activity data as the Statistical Office is releasing the December figures of retail sales and industrial production. The December manufacturing Purchasing Managers' Index (PMI) provided a significant upside shock and despite the year-end holiday season, we see an improving performance in industry. This will be complemented by rising retail sales. Despite month-on-month growth being moderate, in our view, last year's low base will help to nudge the yearly base reading higher. Eventually, with these positive outcomes in December, the 4Q21 GDP growth could provide a nice upside surprise.

↓ Turkey: Inflation spiral continues

In January, significant adjustments in administrative prices including electricity, natural gas, tobacco and alcohol, and gasoline, as well as continuing pass-through from recent large currency volatility already point to another sharp increase in the Consumer Price Index (CPI). Accordingly, we expect annual inflation to rise further up to 45.2% (8.5% on a monthly basis) from 36.1% in December.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 31 January					
Russia	-	Dec GDP (YoY%) Monthly	-		5.2
Turkey	0700	Dec Trade Balance	-		-5.4
	1100	Dec Bank NPL Ratio	-		3.2
Poland	0900	Q4 Annual GDP (YoY%)	-	5.5	-2.5
South Africa	0600	Dec M3 Money Supply (YoY%)	-		6.4
	0600	Dec Private Sector Credit Ext.	-	2.6	2.5
	1200	Dec Trade Balance (Incl. Region)	-		35.8
Tuesday 1 February					
Russia	0600	Jan Markit Manufacturing PMI	-		51.6
Turkey	0700	Jan Manufacturing PMI	-		52.1
Poland	0800	Jan Markit Manufacturing PMI	-		56.1
Czech Rep	0800	Q4 Preliminary GDP (QoQ%/YoY%)	-		1.6/3.3
	0830	Jan Markit PMI	-		59.1
	1300	Jan Budget Balance	-		-419.7
Hungary	0800	Jan Manufacturing PMI	55.1		64.8
Brazil	1300	Jan Markit Manufacturing PMI	-		49.8
Mexico	1530	Jan Markit Manufacturing PMI	-		49.4
Wednesday 2 February					
Hungary	0800	Nov Trade Balance Final	81		81
Brazil	0800	Jan IPC-Fipe Inflation Index	-		0.57
	1200	Dec Industrial Output (MoM%/YoY%)	-/-		-0.2/-4.4
	2100	Selic Interest Rate	-		9.25
Thursday 3 February					
Russia	0600	Jan Markit Services PMI	-		49.5
Turkey	0700	Jan CPI (MoM%/YoY%)	8.5/45.2		13.58/36.08
Czech Rep	1330	CNB Repo Rate	-		3.75
Hungary	0800	Dec Retail Sales (YoY%)	4.3		3.8
South Africa	0715	Jan Std Bank Whole Econ PMI	-		48.4
Brazil	1300	Jan Markit Services PMI	-		53.6
	1300	Jan Markit Composite PMI	-		52.0
Friday 4 February					
Hungary	0800	Dec Industrial Output (YoY%)	5.0		2.6

Source: Refinitiv, ING, *GMT

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Key events in developed markets next week

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It's becoming increasingly clear that Omicron's economic impact in the UK has been mild

✓ US: PMIs and jobs data could cause some market caution

Federal Reserve Chair Jerome Powell has indicated that the central bank will soon be raising interest rates and that the economy, and importantly the jobs market, can withstand significantly higher interest rates. The marked shift in the concern about inflation means a minimum of four interest rate hikes and potentially five should be the baseline for 2022. This week's data flow could cause some market caution though. It is clear that the Omicron wave hit the economy very hard in December based on consumer spending numbers and we don't expect much, if any, improvement in January. We therefore expect downside risk for the January ISM releases as higher costs and consumer caution weigh on activity readings.

The January jobs report is likely to be weak, with a payrolls gain of just 100k expected. The risks are likely to be to the downside given the sharp drop-off in activity and higher-than-expected jobless claims since the Omicron wave hit. Admittedly there are more than 10 million job vacancies right now, but consumer and business caution has been heightened by the latest pandemic developments and hiring is set to have slowed.

Nonetheless, we remain hopeful that with Covid case numbers now falling in many states, we will start to see consumers re-engage with the economy. That should pave the way for much stronger activity and job readings in February and March.

✓ Eurozone: A bumper week of data ahead of Thursday's ECB meeting

It's a big week in the eurozone with both gross domestic product (GDP) and inflation data due ahead of the European Central Bank (ECB) meeting. The GDP figures for the fourth quarter will give us a sense of how big an impact the fourth wave of coronavirus on the Eurozone economy has been. The first bits of hard data have given some reason for optimism, but the largest impact will have come in December, for which little information is available so far.

We expect a substantial slowdown from the third quarter, but still positive growth. For inflation, January is likely to show a modest decline. The impact of gas prices is still likely to increase, which is the same for goods inflation. However the German VAT effect will drop out of the numbers and oil price base effects will also play in favourably.

When it comes to the ECB, we don't expect the central bank to give any hints on possible rate hikes. The time for this has not come, yet. Remember that the ECB and the eurozone economy are still lagging behind the Fed and the US economy in terms of the cycle, inflation, wages and labour market tightness. We don't expect any policy announcements at next week's meeting. Instead, the ECB's main challenge will be regarding communication – on the one hand, to confirm its more hawkish stance on inflation and on the other, to keep any speculation on premature rate hikes at bay. [Read more in our full preview](#)

✓ Bank of England to hike rates again and initiate quantitative tightening

It's becoming increasingly clear that Omicron's economic impact in the UK has been mild. That, combined with growing fears on the monetary policy committee about elevated headline inflation, suggests the Bank will increase rates by a further 25bp next Thursday. That also means the threshold to kick-start balance sheet reduction will also have been met, and we'd expect the Bank to end reinvestments of maturing bonds imminently.

Keep an eye open for what policymakers have to say on future rate hikes too. Markets, which are pricing roughly five rate rises this year, are likely overestimating what's to come. But we doubt policymakers will offer any material pushback at this stage. We expect a total of two or maybe three rate rises in total this year.

Developed Markets Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 31 January					
US	1445	Jan Chicago PMI	60.5	62.5	63.1
Germany	1300	Jan CPI Flash (MoM%/YoY%)	-0.3/3.9		0.5/5.3
Italy	0900	Q4 GDP Flash (QoQ%/YoY%)	-/-		2.6/3.9
Spain	0800	Jan CPI Flash (YoY%)	-		6.5
Eurozone	1000	Q4 GDP Flash (QoQ%/YoY%)	0.4/-	0.3/-	2.2/3.9
Tuesday 1 February					
US	1445	Jan Markit Manufacturing PMI Final	-		55.0
	1500	Jan ISM Manufacturing PMI	55.0	58.3	58.7
	1500	Jan ISM Manufacturing Prices Paid	69.0		68.2
	1500	Dec JOLTS job openings (mn)	10.3	-	10.6
Germany	0700	Dec Retail Sales (MoM%/YoY%)	-1,7/3,1		0.6/-2.9
	0855	Jan Markit/BME Manufacturing PMI	-		60.5
	0855	Jan Unemployment Rate SA	5.1		5.2
France	0745	60.5	-		0.2/3.4
	0930	Jan Markit/CIPS Manufacturing PMI Final	56.9		56.9
Canada	1330	Nov GDP (MoM%)	-		0.8
Eurozone	0900	Jan Markit Manufacturing Final PMI	59.0		59.0
	1000	Dec Unemployment Rate	7.2		7.2
Wednesday 2 February					
US	1315	Jan ADP National Employment	150	208	807
Italy	1000	Jan CPI Flash (MoM%/YoY%)	-/-		0.5/4.2
Eurozone	1000	Jan CPI Flash (YoY%)	4.8		5.0
	1000	Jan Core CPI Flash (YoY%)	2.4		2.7
Thursday 3 February					
US	1445	Jan Markit Composite Final PMI	-		50.8
	1445	Jan Markit Services PMI Final	-		50.9
	1500	Dec Factory Orders (MoM%)	0.0	0.1	1.6
	1500	Jan ISM Non-Manufacturing PMI	58.0	59.8	62.0
	1330	Initial Jobless Claims	245	-	260
	1330	Cont Jobless Claims	1600	-	1675
Germany	0855	Jan Markit Services PMI	52.2		52.2
	0855	Jan Markit Composite Final PMI	54.3		54.3
France	0850	Jan Markit Composite PMI	-		52.7
UK	0930	Jan Markit/CIPS Services PMI Final	53.3		53.3
	0930	Jan Composite PMI Final	53.4	53.4	53.4
	1200	Feb BOE Bank Rate	0.5	0.5	0.25
	0845	Jan Composite PMI	-		54.7
Eurozone	0900	Jan Markit Services Final PMI	51.2		51.2
	0900	Jan Markit Composite Final PMI	52.4		52.4
	1245	Feb ECB Refinancing rate	0.0	0.0	0.0
	1245	Feb ECB Deposit rate	-0.5	-0.5	-0.5
Friday 4 February					
US	1330	Jan Non-Farm Payrolls	100	186	199
	1330	Jan Private Payrolls	100	172	211
	1330	Jan Unemployment Rate	3.9	3.9	3.9
Germany	0700	Dec Industrial Orders (MoM%)	-2		3.7
France	0745	Dec Industrial Output (MoM%)	-		-0.4
Canada	1330	Jan Unemployment Rate	-		5.9
Eurozone	1000	Dec Retail Sales (MoM%/YoY%)	-/-		1.0/7.8

Source: Refinitiv, ING, *GMT

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