

Our view on next week's key events

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Bank of England to pass on negative rates

Next week's Bank of England meeting will be coupled with new information on the Bank's review it has conducted on negative rates - in particular the impact on commercial banks. However, our impression is that concerns surrounding banking sector profitability/health are unlikely to be the factor that stops the Bank in its tracks. Instead, there is a certain amount of scepticism among some committee members on how useful the policy would be in practice - particularly now that the economic outlook is looking a little brighter.

So, while we could see the Bank formally lower its estimate of the lower bound to below zero next week, we don't expect policymakers to hint that negative rates are imminent.

We expect rates to remain on hold this year, while QE remains the primary tool of delivering stimulus.



US: Fiscal stimulus talks continue and the January employment report is released

In the US we will be looking to see how much progress can be made in negotiations over Joe Biden's proposed \$1.9tn stimulus plan.

Given wafer-thin Democrat majorities in the House and the Senate, President Biden's team will need to work with Republicans to get the legislation passed –the Senate filibuster where-by 60 Senators have to agree to end a debate and bring it to a vote is the toughest challenge. Consequently, it looks increasingly likely that there will be a dilution to get enough support and the package may need to be split in two with more contentious aspects delayed and incorporated into the budget reconciliation process, which only needs a simple majority to pass. Given the Donald Trump impeachment trial is scheduled for the week of 8 February, it looks increasingly likely that it will be late March before part of the package is signed into law. Moreover, it is likely to end up being closer to \$1tn than \$1.9tn.

In terms of the data, all eyes will be on the January employment report after December saw a 140,000 fall in jobs. We expect to see a modest positive figure given a decent start to the year based on high-frequency spending data, but there should be a better figure in February now that California stay at home order has been rescinded. This has allowed restaurants to re-open for outside dining and hair salons and nail bars to start accepting customers in the US' most populous state. However substantial improvements in employment are not going to happen until there is a broader re-opening of the economy, which could still be a few months away.

There will be several Federal Reserve officials speaking next week and they may face increasingly tough questioning over financial market conditions.

Eurozone: GDP, inflation and unemployment data

It'll be a big week for eurozone indicators with a ton of data being released.

Most important is the GDP release for 4Q, for which individual country estimates have already suggested that the negative impact from the second wave will be milder than initially expected. With surprisingly positive growth figures for Germany, Belgium and Spain and a milder than expected contraction for France, the eurozone aggregate is likely to have contracted by less than 1% in the fourth quarter.

Mind the inflation reading as well, which is set to jump on German VAT effects and higher energy prices across the zone. On Monday, we will also see Eurozone unemployment released for December. This will shed light on whether jobs are falling thanks to weakness in many sectors that are most impacted by the second wave of the coronavirus.

Developed Markets Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 1 February				
US	1445 Jan Markit Manufacturing PMI Final	-		59.1
	1500 Jan ISM Manufacturing PMI	60.0	60.0	60.7
	1500 Jan ISM Manufacturing Prices Paid	-		77.6
Eurozone	0900 Jan Markit Manufacturing Final PMI	54.7		54.7
	1000 Dec Unemployment Rate	8.3		8.3
Japan	0030 Jan Jibun Bank Manufacturing PMI	-		49.7
	2350 Jan Monetary Base (YoY%)	-		18.3
Germany	0700 Dec Retail Sales (MoM/YoY%)	1.2/6.4		1.9/5.6
	0855 Jan Markit/BME Manufacturing PMI	57.0		57.0
France	0745 Jan Reserve Assets Total	-		189505
	0850 Jan Markit Manufacturing PMI	-		51.5
UK	0930 Jan Markit/CIPS Manufacturing PMI Final	52.9		52.9
Italy	0845 Jan Markit/IHS Manufacturing PMI	-		52.8
	0900 Dec Unemployment Rate	-		8.9
Spain	0815 Jan Manufacturing PMI	-		51.0
Canada	1430 Jan Markit Manufacturing PMI SA	-		57.9
Norway	0900 Jan Manufacturing DNB PMI SA	-		51.9
Sweden	0730 Jan PMI Manufacturing Sect	-		64.9
	0830 Q4 GDP (QoQ/YoY%)	-1.5/-1.6		4.9/-2.5
Switzerland	0730 Dec Retail Sales (YoY%)	-		1.7
	0830 Jan Manufacturing PMI	-		58
Netherlands	0800 Jan PMI - Manufacturing	55.0		58.2
Greece	0900 Jan PMI Manufacturing	-		46.9
Tuesday 2 February				
France	0745 Jan CPI (EU Norm) Prelim (MoM/YoY%)	-		0.2/0.0
Italy	0900 Q4 GDP Prelim (QoQ/YoY%)	-/-		15.9/-5.0
Australia	0330 Jan RBA Cash Rate	0.1		0.1
Eurozone	1000 Q4 GDP Flash Prelim (QoQ/YoY%)	-0.5/4.9	-1.8/0.0	12.5/-4.3
Wednesday 3 February				
US	1315 Jan ADP National Employment	100.0	49.0	-123
	1445 Jan Markit Composite Final PMI	-		58.0
	1445 Jan Markit Services PMI Final	-		57.5
	1500 Jan ISM Non-manufacturing PMI	56.5	57.0	57.2
Japan	0030 Jan Services PMI	-		47.7
Germany	0855 Jan Markit Services PMI	46.8		46.8
	0855 Jan Markit Composite Final PMI	50.8		50.8
France	0850 Jan Markit Serv PMI	-		46.5
	0850 Jan Markit Composite PMI	-		47.0
UK	0930 Jan Markit/CIPS Serv PMI Final	-		38.8
	0930 Jan Composite PMI Final	-		40.6
Italy	0845 Jan Markit/IHS Services PMI	-		39.7
	0845 Jan Composite PMI	-		43.0
	1000 Jan CPI (EU Norm) Prelim (MoM/YoY%)	-		0.2/-0.3
Spain	0815 Jan Services PMI	-		48.0
Eurozone	0900 Jan Markit Serv Final PMI	45.0		45.0
	0900 Jan Markit Comp Final PMI	47.5		47.5
Thursday 4 February				
US	1500 Dec Factory Orders (MoM%)	1.5	1.8	1.0
Japan	2330 Dec All Household Spending (MoM/YoY%)	-		-1.8/1.1
UK	0930 Jan All-Sector PMI	-		50.8
	1200 Feb BOE Bank Rate	0.1	0.1	0.1
	1200 Feb Asset Purchase Prog	895	895	895
Australia	0030 Dec Trade Balance (A\$bn)	-		5022
Norway	0700 Q4 GDP Growth Mainland	1.4		5.2
Eurozone	1000 Dec Retail Sales (MoM/YoY%)	0.1/-2.0		-6.1/-2.9
Friday 5 February				
US	1330 Jan Non-Farm Payrolls	100.0	85.0	-140.0
	1330 Jan Private Payrolls	120.0	70.0	-95.0
	1330 Jan Unemployment Rate	6.7	6.7	6.7
	1330 Dec International Trade \$	-69.0	-67.4	-68.1
	2000 Dec Consumer Credit	10.0	12.1	15.27
Germany	0700 Dec Industrial Orders (MoM%)	-3.0		2.3
France	0745 Dec Trade Balance	-		-3.56
	0745 Dec Imports	-		42.85
	0745 Dec Exports	-		39.29
Canada	1330 Jan Unemployment Rate	8.6		8.6
	1330 Dec Trade Balance C\$	-2.9		-3.34
Australia	0030 Dec Retail Sales (MoM%)	-		-4.2
New Zealand	0200 Jan Reserve Assets Total	-		19021
Norway	0700 Dec Manufacturing Output (MoM%)	-		1.5

Source: ING, Refinitiv

Authors

James Smith

Developed Markets Economist, UK

james.smith@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Key events in EMEA and Latam next week

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Source: Shutterstock

✓ Turkey: Inflation edging higher leaves possibility of further rate hikes

We expect January inflation (at 1.6% on monthly basis) to push the annual figure up slightly to 14.9% from 14.6%, continuing the uptrend of recent months. Elevated cost-push pressures, deteriorating expectations and relatively high trend inflation all add upside risk to the inflation outlook. Accordingly, there is a shift in the Central Bank of Turkey's focus to the medium term and it is more determined to keep a tight stance for longer, and leave the door open for more hikes depending on the inflation readings.

✓ Hungary: PMI to fall, but industry and retail data may provide some optimism

We see the Hungarian PMI dropping below 50 for the first time since September. Car manufacturers are facing supply chain issues due to the lack of computer chips, which is affecting production. Some producers have reduced working hours, others have closed factories for two weeks. This should be reflected in the PMI, signalling a contraction in January. However, industrial production at least in year-on-year terms was able to improve in December, in our view. A year

ago, there was a surprisingly strong drop, causing a low base. We expect the retail sector to finish 2020 with a relatively good reading, continuing its rebound from historic lows in spring last year.

✓ Russia: FX purchases and inflation to increase

The Finance Ministry is likely to announce US\$1.5bn of FX purchases for February, up from January's US\$1.4bn, however this will not be a major concern for the local FX market as it will be a reflection of higher oil prices. The current account and its sterilisation through FX intervention is [unlikely to be an issue until 2H21](#), but this does not mean plain sailing for the ruble in the near-term given the volatility in emerging market risk appetite, and the Russia-specific capital account issues, including persistent foreign policy tension and shaky local confidence.

CPI statistics have recently become the source of bad news, and the data for January is unlikely to be an exception. Inflation is going to shoot up from December's 4.9% YoY to 5.3-5.5% YoY in January. For the most part, the spike should be treated as a [temporary](#) event, propelled by global agriculture inflation, recent ruble depreciation, and the low base effect of 1Q21. We stand by our expectations of a post-1Q21 reversal of CPI, and see no urgency for a key rate hike, especially given the moderation of economic recovery at the end of 2020, which will likely be confirmed by the preliminary GDP data for 2020. Nevertheless, the lack of demand-driven disinflation and upward pressure on households' CPI expectations (which may go up further in response to the government's highly-publicised attempts at arresting food price growth) is a concern, which will find its way into the Bank of Russia's monetary policy communication at the forthcoming board meeting on 12 February.

✓ Czech Republic: CNB to stay on hold for now, and flash GDP data will show a decline

The Czech National Bank will stay on hold next week, but new forecasts should provide a more optimistic outlook for growth this year and it will likely maintain its tightening assumptions for the second half of this year, despite a faster appreciation of the koruna, which has delivered tighter conditions sooner than expected in the CNB's November forecast. We look for two hikes in 2H21. 4Q20 flash GDP data are due next week, and the Czech economy will decline again due to the second wave of the pandemic. Still, it should be less severe compared to the first wave, as industry did not shut down while retail and services fell less compared to the first spring wave.

EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 1 February				
Russia	0600 Jan Markit Manufacturing PMI	-		49.7
Turkey	0700 Jan Manufacturing PMI	-		50.8
	0900 Jan ITO Istanbul Retail Prices	-		1.36
	1100 Dec Bank NPL Ratio	-		3.97
Poland	0800 Jan Markit Mfg PMI	-	51.5	51.7
Czech Rep	0830 Jan Markit PMI	56.5		57
	1300 Jan Budget Balance	-		-367.4
Hungary	0800 Jan Manufacturing PMI	49.7		51.1
	0800 Nov Trade Balance Final	811.0		811.0
Tuesday 2 February				
Czech Rep	0800 Q4 Preliminary GDP (QoQ/YoY%)	-2.5/-6.4		6.9/-5.0
Brazil	1200 Dec Industrial Output (YoY%)			2.8
Russia	- 2020 GDP (YoY%)	-3.0		1.3
Hungary	0800 Dec PPI (MoM/YoY%)	1.3/7.1	-	0.0/5.5
Wednesday 3 February				
Turkey	0700 Jan CPI (MoM/YoY%)	1.6/14.9		1.25/14.6
Poland	- Feb NBP Base Rate	-	0.1	0.1
Thursday 4 February				
Czech Rep	1330 CNB Repo Rate	0.25		0.25
Hungary	0800 Dec Retail Sales (YoY%)	-0.5		-0.8
Friday 5 February				
Russia	1600 Jan CPI (MoM/YoY%)	0.8/5.3		0.8/4.9
Czech Rep	0800 Dec Retail Sales (YoY%)	-		-7.0
Hungary	0800 Dec Industrial Output (MoM/YoY%)	-2.5/5.0		-1.2/3.5

Source: ING, Refinitiv

Authors

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Asia week ahead: Big policy week in India

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Source: Shutterstock

➔ India: Not the right time for policy reversal just yet

Next week, India unveils its FY21- FY22 budget on 1 February.

With close to 10% GDP contraction sharply denting revenue and record stimulus spending, the fiscal deficit is going to be through the roof in the current fiscal year (new fiscal year starts on 1 April). Our forecast for the deficit is 7.1% of GDP, which is twice the initial target of the government at 3.5% for the year (and up from 4.6% in the previous year). The risk to this forecast is tilted to the upside.

The government may strive for some fiscal consolidation without losing sight on the policy objective of supporting recovery.

This may call for some fiscal consolidation in FY21-22, of course without losing sight of the main policy objective of supporting recovery and, at the same time, boosting investor confidence and thus keeping sovereign downgrade risk at bay. It's a balancing act.

There has been news of possible hike on import duties, which aside from raising more revenue also serves the government's 'Make in India' drive. There may be some spending curbs in the pipeline too. We anticipate the deficit being programmed to fall below 6% of GDP. Yet, we don't think it's time for fiscal consolidation given that the headwind to the economy from Covid-19 pandemic is likely to remain strong.

The key question for the RBI meeting is whether the central bank see through the recent dip in inflation and leave policy on hold?

The Reserve Bank of India also meets on 5 February. The return of inflation to the RBI's 2-6% policy target zone in December, after a year of remaining above-target, could tip the central bank to resume its easing cycle. However, any such move could prove to be premature, especially as the inflation risk isn't yet fully eliminated.

The banking system remains flushed with liquidity, which is potentially inflationary. Nor do we think it's the right time to unwind policy accommodation just yet.

Rest of Asia: Data-packed calendar

China's official purchasing manager indices due over the weekend and the Caixin counterpart due out on early Monday will set the tone for Asian markets.

The January data may reflect some front-loading activity ahead of the Lunar New Year holiday in mid-February. Likewise, Korea's trade figures for January, which will be the first to provide a glimpse of regional exports coming into the new year. We see electronics remaining to be the main exports driver as the global semiconductor cycle is in the full swing.

The January data may bear out some front-loading of activity ahead of the Lunar New Year holiday in mid-February.

Among January CPI inflation data next week, Indonesia and the Philippines should stand out, given that inflation in both countries has started to tick up in recent months and likely remained on the upward path in January, closing the door on more rate cuts. Other countries to release CPI figures are Korea, Taiwan and Thailand and all are extremely low or close to negative inflation. Hong Kong

and Singapore also sit in this group as their retail sales data should show.

The Australian and Thai central bank are also due to meet next week and both are expected to stay on hold. The ultra-low policy rates at 0.10% and 0.5% respectively are here to stay throughout 2021.

Asia Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Sunday 31 January				
China	0100	Jan NBS Non-Manufacturing PMI	53.0	55.7
	0100	Jan NBS Manufacturing PMI	51.5	51.9
	0100	Jan Composite PMI	-	55.1
Monday 1 February				
China	0145	Jan Caixin Mfg PMI Final	52.5	53.0
India	0500	Jan IHS Markit Mfg PMI	-	56.4
		- FY2021-22 Budget	-	-
Indonesia	0030	Jan IHS Markit PMI	-	51.3
		- Jan Inflation (YoY%)	1.8	1.7
Philippines	0030	Jan Manufacturing PMI SA	49.8	49.2
Taiwan	0030	Jan IHS Markit Mfg PMI	59.4	59.4
Thailand	0030	Jan Manufacturing PMI SA	-	50.8
South Korea	0000	Jan Export Growth Prelim	-	12.6
	0000	Jan Import Growth Prelim	-	2.2
	0000	Jan Trade Balance Prelim	-	6.77
	0030	Jan IHS Markit Manufacturing PMI	-	52.9
	2300	Jan CPI Growth (MoM/YoY%)	-	0.2/0.5
Tuesday 2 February				
Hong Kong	0830	Dec Retail Sales (YoY%)	-8.1	-4.0
	0830	Dec Retail Sale Volume (YoY%)	-9.0	-4.7
Singapore	1300	Jan Manufacturing PMI	-	50.5
Wednesday 3 February				
China	0145	Jan Caixin Services PMI	-	56.3
India	0500	Jan IHS Markit Services PMI	-	52.3
Thailand	0705	1-Day Repo Rate	-	0.5
Thursday 4 February				
Thailand	0300	Jan Consumer Confidence Idx	-	50.1
South Korea	2300	Dec Current Account Balance NSA	-	8.97
Friday 5 February				
India	0615	Cash Reserve Ratio	3.00	3.00
	0615	Repo Rate	4.00	4.00
	0615	Reverse Repo Rate	3.35	3.35
Indonesia	0400	Q4 GDP (QoQ/YoY%)	-	5.05/-3.49
Philippines	0100	Jan CPI (YoY%)	3.8	0.9/3.5
		- Jan Forex Reserves USD	110.2	109.8
Singapore	0500	Dec Retail Sales (MoM/YoY%)	-1.9/-3.8	7.3/-1.9
Taiwan	0800	Jan CPI (YoY%)	0.0	0.1
	0800	Jan WPI (YoY%)	-5.0	-5.1
	0820	Jan Foreign Exchange Reserve	535	529.9
Thailand	0330	Jan CPI (YoY%)	-0.4	-0.27
	0330	Jan CPI Core (YoY%)	0.2	0.19

Source: ING, Refinitiv, *GMT

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