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Bundle

Our view on next week's key events

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Key events in developed markets next week

In the US, we see a further moderation in the annual rate of inflation, from 7.1% to 6.6%, and expect much sharper falls from early second quarter onwards. For the UK, we expect a negative monthly GDP figure for November, and for now are pencilling in a 0.1% fall in fourth quarter GDP. In the eurozone, we see a further improvement in the trade balance

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US: Core inflation pressure elevated for now

It is clear that economic headwinds are intensifying and business surveys are softening as a result. With business leaders becoming more pessimistic, we expect this to translate into weaker hiring and eventual job shedding as companies look to cut costs. Competitive pressures amid a weakening demand environment also suggest that inflation should slow too. However, Federal Reserve officials continue to indicate they think they have more work to do in the battle to get inflation back to the Bank's 2% target. They remain concerned that policy needs to be more restrictive and to stay restrictive for a long period of time to ensure that demand moves into balance with the economy's supply capacity and price pressures subside.

In that regard, the key data point next week is the US CPI report. We expect to see a further moderation in the annual rate of inflation from 7.1% down to 6.6%, but this is still more than three times faster than the Federal Reserve's 2% target. Fed officials have made it clear they expect goods price inflation to continue softening - expect another big drop in used car prices given the steep decline in new vehicle sales as consumers pull away from major purchases and lending criteria becomes stricter. But officials are seemingly focused on services ex housing. The consumer spending story looks OK right now and that is likely to keep core inflation pressures somewhat elevated while. It is too soon for the weakening in the housing market to show up in a clear moderation in the cost of shelter since it typically lags by 12-14 months so that is more of a story for the second quarter into the third. Meanwhile, medical care costs, having fallen for two consecutive months, are unlikely to be quite so helpful in depressing overall inflation. Still, a 0.3% month-on-month print would lead to the annual rate of core inflation hitting 5.7% versus 6% in November. We expect to see much sharper falls in the annual rate of inflation from the early second quarter onwards.

Other things to look out for include consumer confidence and small business confidence. Both are likely to remain weak given the impact of falling asset prices, high inflation and more headlines regarding job losses from some big corporate names. Also, look out for comments from officials, including Fed Chair Jerome Powell.

UK: Monthly GDP to point towards second consecutive quarter of negative growth

The UK's monthly GDP figures have been a bit all over the place recently, in part because of the Queen's funeral last September. But strip out the volatility and the economy is clearly weakening, and the constant downtrend in retail sales through last year is one such example. We expect a negative monthly figure for November, after October's artificial bounce back following September's extra bank holiday. That, and another such decline in December, would probably be just enough to lock in the second consecutive quarter of negative growth and mark the start of a UK recession that's likely to last until at least the summer. For now, we're pencilling in a 0.1% fall for overall fourth quarter GDP when the figures are released next month, and just over a 1.5% peak-to-trough fall in output over several months.

Eurozone: Further improvements in trade balance expected

The eurozone kicks off the year with new labour market data. October saw unemployment drop once more despite deteriorating economic conditions. The question is how long the labour market can continue its run of improving unemployment rates. If indeed we see unemployment decreasing further, this could unleash more hawkishness from the European Central Bank.

Besides unemployment, we also get trade and industry data. Industrial production has been resilient despite the energy shock, but survey data points to weaker activity regardless. The trade balance is important to watch as expensive energy imports have completely flipped the eurozone trade balance from surplus to deficit. October saw an encouraging improvement in the trade balance and the question is whether softening natural gas prices have caused further improvements. This is important for the fair value of the euro/dollar.

Key events in developed markets next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 9 January			
US	2000	Nov Consumer Credit	22.5	25	27.08
Germany	0700	Nov Industrial Output (MoM%/YoY%)	-0,5/-0,8		-0.1/0.2
France	0745	Nov Trade Balance	-		-12.15
Switzerland	0645	Dec Unemployment Rate Adjusted	-		2
Eurozone	1000	Nov Unemployment Rate	6.5		6.5
		Tuesday 10 January			
US	1100	Dec NFIB small buisness optimism	90.5	91.4	91.9
France	0745	Nov Industrial Output (MoM%)	-		-2.6
Norway	0700	Dec CPI (MoM%/YoY%)	-/-		-0.2/6.5
Netherlands	0530	Dec CPI (MoM%/YoY% NSA)	-		-3/9.9
	0530	Nov Manufacturing Output (MoM%)	-		-0.4
		Thursday 12 January			
US	1330	Dec Core CPI (MoM%/YoY%)	0.3/5.7	0.3/5.7	0.2/6.0
	1330	Dec CPI (MoM%/YoY%)	0.1/6.6	0.0/6.6	0.1/7.1
Norway	0700	Nov GDP Month Mainland	0.2		0
Greece	1000	Dec CPI (YoY%)	-		8.5
		Friday 13 January			
US	1500	Jan University of Michigan Sentiment Prelim	59.5	60.5	59.7
	1500	Jan University of Michigan Conditions Prelim	60.1		59.4
	1500	Jan University of Michigan Expectations Prelim	59.0		59.9
France	0745	Dec CPI (MoM%/YoY%) NSA	-		-
UK	0700	Nov GDP Estimate (MoM%/YoY%)	-0.3/0.3		0.5/1.5
Italy	0900	Nov Industrial Output (MoM%/YoY%)	0.2/-		-1/-1.6
Spain	0800	Dec CPI (MoM%/YoY%)	-/-		0.3/5.8
Sweden	0700	Dec CPIF (MoM%/YoY%)	-/-		0.7/9.5
Eurozone	1000	Nov Total Trade Balance SA	-24		-28.3
	1000	Nov Industrial Production (MoM%/YoY%)	-0.3/-0.3		-2/3.4

Source: Refinitiv, ING

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Asia week ahead: Inflation reports from Australia and India and Bank of Korea meeting

Next week's data calendar features China's growth numbers, inflation readings from Australia and India, plus a key central bank meeting

Source: Shutterstock

Inflation finally on the downtrend?

The new monthly Australian inflation series should show a further small decline in the inflation rate to 6.8% year-on-year, down from October's 6.9% rate – still too high for the Reserve Bank of Australia to stop tightening, but moving in the right direction.

And in India, further falls in food prices and stable gasoline should bring the price level down by 0.1/0.2% month-on-month, although similar falls last year mean that the inflation rate could hold up at around 5.9%YoY for a second month – still, within the Reserve Bank of India's target range and indicating that we may be closing in on peak rates.

China activity and loan data due in the coming days

China will announce loan data between 9 and 15 January and activity data and GDP data between 10 and 27 January. Loan growth should have slowed in the last month of 2022 even after the People's Bank of China cut the required reserve ratio (RRR) to absorb liquidity. The impact of the RRR cut in December should be reflected in loan growth data for January and support economic activity post-reopening.

China also reports activity data and we expect retail sales to face a deeper contraction on a yearly basis. Meanwhile, industrial production could turn from positive growth to mild contraction in December. This suggests that growth was supported mainly by fixed-asset investments for the period. As a result, GDP growth for the fourth quarter of 2022 should fall into a slight year-on-year contraction.

BoK could surprise with a pause

Bank of Korea (BoK) will meet next Friday. The market expects a 25bp hike, but we maintain our minority view that the BoK will likely stand pat this time. Since the last meeting, both inflation and inflation expectations decelerated quite meaningfully while the Korean won stabilised under the 1300 level despite a widening yield gap between the US and Korea.

The BoK is expected to use the rate hike card more carefully as there is little room left to raise interest rates in this cycle given sluggish exports and economic activity. However, given the recent rise in gasoline and power prices, upside risks remain high and thus the BoK should retain a hawkish tilt despite the pause.

Philippines exports likely to reverse recent surprise gain

Exports are expected to revert to contraction following a surprise jump in the previous month. Electronics form the bulk of outbound shipments from the Philippines and given slowing global demand we could see the overall exports sector fall back into the red. Imports on the other hand should continue to expand, resulting in the trade deficit widening to roughly $4.4bn.

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
		Saturday 7 January			
China	-	Dec FX Reserves (Monthly)	3.188		3.117
Taiwan	0800	Dec Imports/Exports	-12.2/-18.6	-10.3/-13	-8.6/-13.1
	0800	Dec Trade Balance	2.45	3.487	3.43
		Monday 9 January			
Japan	2330	Tokyo CPI (%YoY)	4.0		3.8
China	0300	Dec Imports/Exports	-11.4/-16.0		-10.6/-8.7
Indonesia	0400	Dec Forex Reserves	-		134
	0300	Dec Consumer Confidence Index	118.5		119.1
	0400	Nov Retail Sales Index (YoY)	4.1		3.7
Singapore	0900	Dec Foreign Reserves (USD bn)	-		291.3
South Korea	2300	Nov Current Account Bal NSA	-		0.88
		Tuesday 10 January			
China	-	Dec M2 Money Supply (YoY)	12.4		12.4
	-	Dec Aggregate Finance (CNY bn)	1987		1990
	-	Dec New Yuan Loan (CNY bn)	1000		1210
India	-	Dec Fiscal Deficit (USD bn)	-		-
	-	Dec Imports/Exports (USD bn)	-		-
Philippines	0100	Nov Imports/Exports (YoY%)	8,5/-5,5		7.5/20
	0100	Nov Trade Balance	-4400		-3306
South Korea	2300	Dec Unemployment Rate	3.0		2.9
		Thursday 12 January			
Australia	0030	Nov Trade Balance (AUD bn)	-		12217
India	1200	Dec CPI Inflation (YoY%)	-		5.88
	1200	Nov Industrial Output (YoY%)	-		-4
		Friday 13 January			
South Korea	0100	Jan Bank of Korea Base Rate	3.25		3.25

Source: Refinitiv, ING

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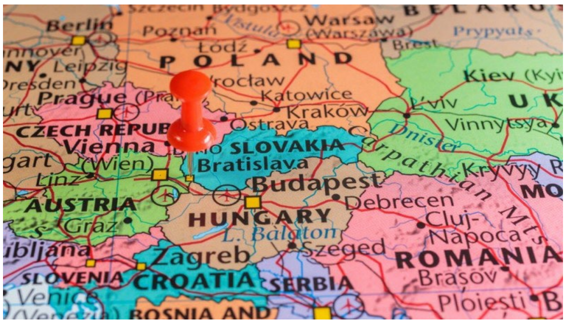
Key events in EMEA next week

In the Czech Republic, we expect the monthly rate of consumer inflation to slow from 1.2% to 0.5%, while in Hungary, we see headline inflation in December of 3.1%, moving the year-on-year reading close to 26%



Source: Shutterstock

Czech Republic: Mixed inflation picture

For December, we expect consumer inflation to slow down from 1.2% to 0.5% month-on-month, which translates into an increase from 16.2% to 16.4% year-on-year. Fuel and energy prices will again be the main questions for this print. We estimate that fuel prices fell 10% in December, the biggest month-on-month move since March this year. On the other hand, housing and energy prices slowed from November but still maintained a strong 2.2% MoM growth rate. Food inflation declined for the third month in a row (1.0% MoM) and we can expect seasonal cheapening of clothing in December.

Hungary: Sudden phase-out of fuel price cap puts pressure on inflation

We expect the Hungarian industry to show mixed performance in November as smaller subsectors will suffer, while car, electronics and electrical equipment manufacturing (including electric vehicle batteries) will keep the year-on-year production growth in positive territory. In line with that, we see a significant improvement in the November trade balance. This is not just a result of a more vivid export sector, but also due to the dropping energy consumption hence the lowering import needs.

We see the budget closing 2022 with yet another monthly deficit, although the strong nominal GDP growth will help to meet the 4.9% deficit-to-GDP target (excluding the 1.3% of GDP extraordinary gas purchase). The highlight of the week comes on 13 January, and it won't bring too much joy from an inflationary point of view. We expect headline inflation in December to be at a monthly rate of 3.1%, mainly driven by the sudden phase-out of the fuel price cap, complemented by further food price pressure. This would move the year-on-year headline reading close to 26%, while we forecast a 25.1% YoY core inflation print in the last month of 2022.

Romania: Ample liquidity backdrop blurs the relevance of the policy rate

The Romanian National Bank (NBR) will announce its latest policy rate decision on 10 January. We narrowly favour a last 25 basis points hike to 7.00%, against a no-change decision. Either way, markets might be rather indifferent to the decision as the ample liquidity backdrop significantly blurs the relevance of the policy rate. On the CPI front, we expect the 2022 year-end inflation to have reached 16.6%, though downside surprises cannot be excluded.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
		Monday 9 January			
Czech Rep	0800	Q3 Revised GDP (QoQ%/YoY%)	-0.2/1.7		-0.2/1.7
	0800	Dec Unemployment Rate	-		3.5
Hungary	0730	Nov Industrial Output (YoY%)	4.1		5.9
	0730	Nov P Trade Balance (EUR mn)	-330		-923
Mexico	1200	Dec Headline Inflation	-		0.58
	1200	Dec Core inflation	-		0.45
		Tuesday 10 January			
Turkey	0700	Nov Unemployment Rate	-		9.9
	0700	Nov Industrial Production (MoM/YoY%)	-		2.37/2.54
Romania	1300	1 Mon Policy Rate	7		6.75
Kazakhstan	1200	Dec Industrial Production (YoY%)	-		1.4
Brazil	-	Dec IPCA Inflation Index (MoM%/YoY%)	-/-		0.41/5.9
		Wednesday 11 January			
Russia	1600	Dec CPI (MoM%/YoY%)	1.0/12.2	1/12.2	0.4/12
Turkey	0700	Nov Current Account Balance	-5.6		-0.359
Czech Rep	0800	Dec CPI (MoM%/YoY%)	0.5/16.4		1.2/16.2
Hungary	1000	Dec Budget Balance (HUF bn)	-400		-876
Brazil	1200	Nov Retail sales (MoM%/YoY%)	-/-		0.4/2.7
Mexico	1200	Nov Industrial Ouput (MoM%/YoY%)	-		0.4/3.1
		Thursday 12 January			
Czech Rep	0800	Nov Retail Sales (YoY%)	-		-9.7
Serbia	1100	Dec CPI (MoM%/YoY%)	14.6		1/15.1
	1100	Jan Benchmark Interest rate	5.25		5
		Friday 13 January			
Turkey	0800	Dec Budget Balance	-		108.31
Poland	1200	Nov Current Account	-1014		-549
	0900	Dec CPI (MoM%/YoY%)	-/-		-
Czech Rep	0900	Nov Current Account Balance	-		-34.76
Hungary	0730	Dec Core CPI (YoY%)	25.1		24
	0730	Dec CPI (MoM%/YoY%)	3.1/25.9		1.8/22.5
Romania	0700	Dec CPI (YoY%)	16.6		16.76

Source: Refinitiv, ING

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