Week Ahead 31st January - 4th February: Highlights include US jobs report, ISM; ECB, BoE , OPEC+

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MON: Chinese New Year; Chinese NBS PMIs (Jan), Composite PMI (Jan), Japanese Consumer Confidence (Jan) and Unemployment (Dec), German GDP Flash (Q4), EZ GDP Flash (Q4), Canadian Producer Prices (Dec), US Chicago PMI (Jan).

TUE: RBA Announcement; German Unemployment (Jan); EZ, UK and US Final Manufacturing PMI (Jan); US ISM Manufacturing PMI (Jan); New Zealand Jobs Report (Q4).

WED: EZ Flash CPI (Jan); US ADP National Employment.

THU: BoE Announcement; ECB Announcement; CNB Announcement; EZ, UK and US Final Services and Composite PMI (Jan); ISM Services PMI (Jan).

FRI: EZ Retail Sales (Dec); US and Canadian Labour Market Reports.

NOTE: Previews are listed in day-order

EZ FLASH GDP (MON): The Flash Q4 GDP data is expected to show growth of +0.6% Q/Q (prev. +2.2%), and +4.7% Y/Y (prev. +3.9%). Regional data showed German GDP falling by more than expected in Q4 (-0.7% Q/Q vs exp. -0.3%), although French GDP rose by more than expected (+0.7% Q/Q vs exp. +0.5%), while the estimate for Spanish GDP was also above expectations (+2.0% Q/Q vs exp. +1.4%). The divergence in growth fortunes here highlights the supply-chain issues that has been dragging on the German economy, Rabobank said. Data from Italy has not yet been published, but Rabobank estimates that the available data implies Eurozone growth will print +0.4% Q/Q; a showing in that vein would see the bank also stick to its view for 3.2% growth this year, which it says implies a further slowdown in growth in Q1 2022, although the bank believes the bloc can avoid a contraction; in Q2, it expects a modest pick-up in growth. It adds that "the inflationary peak for the Eurozone is likely to be behind us, but geopolitical risks could refuel the inflationary fire, hampering on economic growth."

NEW ZEALAND LABOUR DATA (TUE): The data for Q4 is likely to show the jobless rate declining 0.1ppts to 3.3%, job growth at +0.4% (prev. +2.0%), and participation is seen unchanged at 71.2%. Westpac is against consensus in expecting the jobless rate to rise a touch to 3.5%. The bank notes that previous data was biased downward by lockdowns in August, and other data signals that the jobs market is very tight, with labour shortages a major constraint. "Payroll data suggests that there was no drop in employment, just a slowdown from the previous frenetic rate of growth," the bank explains, adding that "on a broad suite of measures, the labour market is now beyond what the RBNZ would likely regard as 'maximum sustainable employment'." Meanwhile, the labour cost index is seen rising +0.8% Q/Q and by 0.4ppts to 2.9% Y/Y -- that annual rate would lift the rate above the pre-COVID high in 2019. "To some extent, the rise in wage inflation to date has been a catch-up after little or no pay increases in the wake of the initial COVID shock," the bank writes, "how the drum-tight labour market, and demands for higher cost-of-living adjustments, will be reflected in the data still lies ahead of us," and adds that "higher wage growth is the last key piece of the inflation jigsaw – it would provide the mechanism for an initial price shock to turn into sustained inflation."

RBA PREVIEW (TUE): The RBA is expected to keep its Cash Rate Target at 0.10% at next week’s meeting where focus will be on what the central bank does regarding its bond purchases as the current programme of AUD 4bln a week is to expire in mid-February; most analysts surveyed by Reuters expect the programme to be scrapped. RBA Governor Lowe has previously stated that it could end buying in February if economic progress was better than expected, but may also review bond buying again in May if data disappoints, while the minutes from the prior meeting noted that among the options the Board discussed aside from ceasing purchases altogether, were to reduce the pace of QE from mid-February with an expectation of a likely end point in May or slow the pace of purchases and review it again in May. However, there have been increasingly hawkish views after the recent strong data out of Australia, including the Unemployment Rate which fell 0.3ppts to 4.2% in December and with annual CPI firmer than expected in Q4. Goldman Sachs anticipates that the central bank will end QE at the upcoming meeting and hike rates in May. Others including CBA, Westpac and RBC all expect the first rate hike in August -- most of these banks have brought forward rate hike expectations, although a recent Reuters poll showed that the median expectation was for the first rate rise to occur in November. Furthermore, participants will be eyeing if there is any change in language from the Governor who previously expected conditions for a rate hike will not be met this year and stated that they are "still a fair way" from a hike with the Board prepared to be patient.

ISM MANUFACTURING PMI (TUE), SERVICES PMI (THU): Analysts expect the manufacturing headline to pare a little to 57.5 from 58.8; while the street expects the services headline to pare back to 58.7 from 62.3. The Empire Fed survey for January, tainted by the Omicron variant, fell to -0.7 from 31.9 (although the variant was not specifically mentioned within the report), although the expectations components were more stable. The Philly Fed survey rose, highlighting the divergences between the two Fed surveys that can be seen often. The details of the Philly report was more mixed. Analysts at Pantheon Macroeconomics said that, taking the Empire Fed and Philly Fed regional surveys together, the national ISM manufacturing index likely slipped to around the 57.0 level, a 14-month low. Others have noted that the data will be key in helping to shape expectations about how aggressive the Fed will be in normalising monetary policy, with many arguing that a softer outturn -- particularly with the crucial prices paid components -- could result in traders scaling-back estimates of Fed tightening (currently, over 100bps of tightening is priced through the end of this year); conversely, any strength in those measures would likely see more desks thinking about scenarios where the Fed were to move more aggressively, potentially even raising rates by 50bps in a single meeting rather than its usual 25bps increments.

OPEC+ MONTHLY MEETINGS (WED): The group is expected to continue with its plans to ease supply curbs by 400k BPD in March. The meeting comes against the backdrop of heightened geopolitical tensions – namely on the Russia /Ukraine front – with prompt Brent futures climbing above USD 90/bbl in recent days. Russia holds over 30% market share in Europe for both natural gas and oil, and to alleviate some of this threat, the US has said it is engaging with LNG suppliers to manage storage and diversion to Europe if needed. However, Saudi Arabia, Kuwait and Iraq would struggle to cover the shortfall in crude supply created by a blanket ban on Russian energy exports as they have already allocated their annual term supplies, according to Argus, while Qatar will meet with President Biden on Monday. Delegates have downplayed the significance of the price moves given that it is a function of increasing geopolitical risk premium as opposed to strengthening demand fundamentals. Another point of concern for the group is the underproduction by some African OPEC nations, dragging down real production; the recent OPEC MOMR noted that Nigeria and Angola were the main culprits. All in all, the meeting is likely to be a smooth affair.

EZ FLASH CPI (WED): Consumer prices are expected to cool slightly, with the annual rate seen ticking lower to 4.4% Y /Y in December (prev. 5.0%) with the core seen at 2.0% (prev. 2.7%) and the super-core at 2.1% (prev. 2.6%). ECB members have largely been singing from the same hymn sheet and seem to be expecting inflation to ease in the months ahead, however, officials have recently been signalling some uncertainty particularly around energy and the Russia /Ukraine geopolitics. Flash PMI data for January has recently stated that: “average prices charged for goods and services meanwhile rose [at] a rate unsurpassed in the series so far, an easing of producer input cost inflation hinted at a cooling of upward raw material price pressures.” Manufacturing input prices saw the slowest increase since April 2021 whilst manufacturing output prices saw a sharper rise. Services rate of input cost inflation meanwhile accelerated whilst services output saw the fastest rise in the series history, according to Markit. ECB Governing Council member Simkus suggested that the inflation outlook was not a reason to change its policy path, although Russian tensions were a bigger cause for uncertainty than Omicron, given Russia’s energy market-share dominance in Europe and the potential for US sanctions. In terms of the ECB’s inflation projections (released in December), the central bank expects 2022 CPI to average 4.2% before cooling to 2.9% in 2023, and then declining further to 1.6% in 2024.

BOE PREVIEW (THU): After opting to lift the Bank Rate by 15bps to 0.25% in December, the MPC is set to follow suit with a further 25bps hike to 0.5%. 29/45 surveyed analysts look for a 25bps hike, whilst markets (as has been the case in recent months) are more hawkish in their view by pricing in a 92% chance of a move on rates. Previously, the decision to raise the Bank Rate was subject to dissent from external member Tenreyro, it remains to be seen whether the policymaker will object this time around (no survey has been published on the vote split at the time of writing). In terms of the backdrop to the upcoming meeting, commentary from policymakers has been light in comparison to the run up to prior meetings with Governor Bailey cautioning that there are some concerns about the second-round effect from inflation on wages. Elsewhere, external member Mann suggested that monetary policy needs to temper 2022 expectations for wage and price increases to prevent them from being embedded in the decision-making of firms and consumers. Aside from these interjections, it appears that the Bank is taking a more hands off approach and is instead letting recent data releases cement expectations for the upcoming meeting. On which, Y/Y CPI rose to 5.4% from 5.1% and therefore printed 0.9pp above the projection laid out in the MPC's November MPR. In the labour market, the unemployment rate in the 3-months to November fell to 4.1% from 4.2% and the UK appears to have avoided a wave of mass redundancies following the winding down of the furlough scheme, with prelim December payroll numbers rising 184k M/M. November's slightly stale GDP release showed a 0.9% expansion ahead of the emergence of the Omicron variant. For the December reading, Pantheon Macroeconomics anticipates a 0.6% M/M contraction with a further 0.3% decline expected in January. That said, the impact of Omicron has been less damaging than some would have feared at the time of the prior meeting and as such, rates are set to rise to 0.5% next week; the point at which the Bank will halt reinvestments under the APF. Looking further ahead, markets expect the Bank Rate to reach 1.25% by year-end; but the likes of ING, UBS and Pantheon Macroeconomics suggest that this path is likely to prove too aggressive.

ECB PREVIEW (THU): After a blockbuster release in December which saw the central bank announce a conclusion to PEPP at the end of March and subsequently beef up its APP, the upcoming meeting (not accompanied by economic projections) is set to see policymakers take stock of the Eurozone economic outlook whilst maintaining the current parameters of its policy tools. With the statement of the release set to be relatively unchanged, focus instead will fall on the accompanying press conference and how President Lagarde judges the inflationary outlook. Since the prior meeting, Y/Y CPI rose to 5.0% in December with the core metric ticking higher to 2.7%. With the Bank moving further away from its transitory inflation stance seen last year, ING judges that the ECB will need to convey its ability to tame inflationary pressures whilst avoiding a rush from "inflation patience" to "inflation panic", as move towards the latter could lead to an aggressive hawkish repricing in the market which is already at odds with ECB comms. As it stands, markets fully price in a 10bps hike to the deposit rate by the October meeting, whilst ECB officials have been at pains to state that a hike is unlikely to take place until 2023. It is no coincidence that a lot of the commentary in recent weeks has suggested that although the transitory narrative has moved on since last year, policymakers still expect inflation to decline throughout the coming year. Some elements of the Q&A will likely centre on how the potential Ukraine-Russia conflict could impact the ECB's near-term price outlook, however, Lagarde will likely try and play down these potential impulses. From a more medium-term perspective, market participants will be congizant of upside risks to the inflation outlook in lieu of recent comments from Germany's Schnabel who cautioned that the green transition poses upside risks to medium-term inflation. SocGen raises two questions that it is looking out for in its outlook, 1) will core inflation be more closely anchored to the target than in the past? 2) how far away is a neutral policy stance? In terms of how to address the overall balancing act, ING suggests that policymakers will be best served by confirming the decisions unveiled in December whilst keeping the door open for faster asset purchase reductions and stressing the sequencing of policy rate hikes only after the end of asset purchases.

EZ RETAIL SALES (FRI): Retail sales are seen declining in in December, with the consensus looking for -0.4% M/M (prev. 1.0%). November’s release was above expectations with non-food products ex-fuel seeing a notable monthly increase, with the data likely benefitting from Black Friday and early Christmas purchases given the known delivery constraints. For December, Omicron and the renewal of restrictions in various European nations would have hampered in-person retail trade, and as such, justifying the forecasts for a decline. An observation that may be further evidenced if we see upside in the mail/internet category, which declined notably in November. On a brighter note, flash PMI data for January has shown that while the Omicron did impact activity, it is not expected to be as prolonged as initially thought; however, price pressures remain a concern and vendors within survey data expect to have to pass this on to customers, a narrative they may weigh on consumer appetite in the months ahead.

US LABOUR MARKET REPORT (FRI): Analysts expect 238k nonfarm payrolls to be added to the US economy in January, picking up from the 199k pace seen in the December data. The jobless rate is seen unchanged at 3.9%. Some desks note that the headline might be subject to downside risks given the tone of many of the January data prints, where the Omicron impact is being seen. But with that said, Credit Suisse notes that payrolls have underperformed the household-survey measure of employment, and that could mean that some mean-reversion is possible, and additionally, there tends to be larger positive seasonal adjustments at the start of the year, which could be another source of temporary upside, the bank says. Average hourly earnings are seen rising 0.5% M/M, which would see the annual rate accelerate to +5.1% Y/Y (prev. 4.7%). "Wage growth is elevated across a range of measures, but the acceleration from last year has begun to level off," CS writes, "going forward, we expect strong nominal wage growth to persist – meaning real wages will begin to accelerate as inflation moderates and the labour market approaches full employment."

CANADIAN LABOUR MARKET REPORT (FRI): There is not yet an analyst consensus for the January labour market data, but Canadian bank RBC expects the report to show a substantial weakening, and forecasts a 75k decline in employment, and for the unemployment rate to rise to 6.4% from 5.9% in December as COVID restrictions resulted in business closures. "Businesses in virtually all industries were reporting acute labour shortages just ahead of the Omicron surge, and are expected to be hesitant to let workers go as quickly as in past virus waves," RBC writes, "for sectors unaffected by closures, high rates of absenteeism due to illness and self-isolation will weigh on total hours worked, if not official employment counts." But with that said, the bank points out that the number of available unemployed workers relative to the number of job postings is already very low, and it says that will likely still be the case once restrictions are lifted.