Week Ahead February 13-17th: Highlights include: New BoJ Governor; US CPI, Retail Sales; UK data dump

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- **MON:** Swiss CPI (Jan), Japanese GDP (Q4), German Final CPI (Jan), Norwegian GDP (Q4), Eurogroup.
- **TUE:** OPEC MOMR; New Zealand Inflation Forecasts (Q1), UK Jobs Report (Dec), US CPI (Jan), South Korean Revised Trade Balance (Jan), EZ Flash GDP (Q4).
- **WED:** IEA OMR; UK Inflation (Jan), EZ Industrial Production (Dec), US Retail Sales (Jan), Japanese Trade Balance (Jan).
- **THU:** Australian Jobs Report (Jan), US Philly Fed (Jan), US PPI (Jan).
- **FRI:** UK Retail Sales (Jan), Canadian PPI (Jan).

NOTE: Previews are listed in day-order

JAPANESE GDP (MON): Q4 GDP is expected to have rebounded to 0.5% Q/Q from -0.2% in Q3, thus avoiding a technical recession, with the Y/Y forecast at 2.0% (prev. -0.8%). Desks highlight that the Q3 contraction was mostly led by private consumption and investments. “The reopening and government travel subsidy programmes should lead to a great improvement in hospitality-related activities”, posit the analysts at ING, although elevated inflation likely limited the upside for the rebound. Looking ahead, desks are less optimistic about the potential for Japanese GDP growth after Japan joined the US tech export ban to China.

UK JOBS REPORT (TUE): Expectations are for the unemployment in the three months to December to remain at 3.7%, employment to grow 5k vs. prev. 27k, whilst average earnings (ex-bonus) are expected to rise to 6.5% 3M/YY vs. prev. 6.4%. The prior report saw the unemployment rate hold steady at 3.7%, payroll growth in December was estimated to have increased by 28k on a M/M basis and wage growth exceeded expectations with the headline earnings metric climbing to 6.4% from 6.2%. Pantheon Macroeconomics suggests that the upcoming release will be of greater interest to the market than usual ahead of next month’s meeting, with the MPC pledging earlier this month to “monitor closely... the tightness of labour market conditions and the behaviour of wage growth.” Pantheon expects to see “clear evidence of accumulating labour market slack and fading momentum in wages around the turn of the year”. PM’s view on wages anticipates that Y/Y growth in Average Weekly Earnings will slow to 3.25% over the next nine months. Accordingly, the desk thinks that the release should further make the case that the MPC will hold the Bank rate at 4% (currently priced at 38% vs. 62% for 25bps hike).

BOJ NOMINEES (TUE): BoJ Governor Kuroda’s term ends on April 8th. The Japanese Government plans to present nominees for the new Central Bank head to Parliament on Feb 14, according to TBS, with the timing guided around 02:00GMT. Desks believe an announcement on a successor is expected by February 17th. Nikkei sources on Friday suggested the Government is reportedly likely to nominate Kazuo Ueda as the new Governor, whilst ex-FSA Chief Hamino and BoJ Executive Uchida are tipped to be the next Deputy Governors. Ueda previously served on the BoJ's Policy Board between 1999 and 2003. The University of Tokyo Professor has in the past been critical of “Abenomics”. In an article written in 2016 by the front-runner, Ueda suggested (at the time) “It is unclear how long the bank can keep buying JGBs at the current pace…BoJ could ease further by buying more JGBs or by lowering the rate on bank reserves in the near term, but this would likely only bring forward the day of reckoning.” In the 2016 article, Ueda also said “Higher inflation rates will allow the BoJ to taper JGB purchases and raise short-term interest rates. JGB yields could increase by more than inflation and the outlook for fiscal sustainability could worsen sharply.” Note, Japan’s core inflation rate rose to a new 41-year high of 4% in December. That being said, initial commentary from the touted BoJ Governor nominee suggests no rush to exit current monetary policy that is appropriate and the need to continue easy policy. Moreover, analysts at Rabobank said Ueda emerging as a likely candidate does not alter their view of BoJ policies – “We continue to expect a very cautious outlook to prevail with conditions building for a modest withdrawal of accommodation this year. We expect this would commence with an adjustment to YCC. We would not, however, expect the BoJ to move rapidly away from its accommodative stance for fear of destroying the modest inflationary pressure it is attempting to nurture”, Rabobank said, “Assuming some relaxation in YCC, we see scope for a move to USD/JPY128 on a 3-month view. However, a hawkish Fed is likely to limit the scope for JPY appreciation.” Back to the aforementioned Nikkei piece, current BoJ Deputy Governor Masayoshi Amamiya is said to have firmly refused the top spot – Amamiya was seen as the most dovish continuity candidate. Other candidates include – Chairman of the Daiwa Institute of Research Hiroshi

Nakaso - seen as a neutral option, and described as more “data-driven”, and Nikko Research Centre Chairman Hirohide Yamaguchi (former BoJ Deputy Governor from 2008-2013) – known as the hawkish candidate, and not ruling out abandoning yield curve control altogether.

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US CPI (TUE): Headline consumer prices are expected to rise 0.5% M/M in January (prev. +0.1%), with the annual rate paring to 6.2% Y/Y from 6.5% in December due to base effects. The CPI will be underpinned by a small rise in energy prices and persistent strength in food inflation, Credit Suisse says, though the sharp fall in used vehicle prices seen in recent months is unlikely to persist. For the core measure, inflation is likely to have risen by 0.4% M/M, matching the pace seen in December; though the annual rate is seen slowing to 5.5% Y/Y in January from 5.7% previously. Credit Suisse says goods prices continue to face headwinds, but the pace of decline is likely to moderate; services inflation will continue to be supported by shelter, which the bank sees remaining elevated for at least a few months before decelerating in H2. CS is in line with the market consensus, and says that if this is realised, it would be consistent with inflation eventually returning to 2%, "but any reacceleration in the monthly run rate for core CPI would be an unwelcome development for the FOMC," adding that "combined with January’s strong employment report, this would likely keep Fed rhetoric hawkish, emphasising the need for ongoing rate hikes and a low probability of a pivot toward easing this year."

UK INFLATION (WED): Expectations are for Y/Y CPI to fall to 10.3%, with the core metric expected to decline to 6.2% from 6.3%. The prior report was characterised by a modest slowdown in the headline rate of CPI to 10.5% from 10.7% with the largest downward contribution to price pressures coming from lower motor fuel prices, whilst clothing and footwear also dragged the headline lower; core held steady at 6.3%. For the upcoming release, analysts at Investec suggest that lower fuel prices and more intense competition amongst retailers will likely play a role for the headline. Investec cautions that weightings by the ONS for the inflation basket are somewhat of an unknown, however, it is plausible that the weight of energy and food prices will be raised in 2023 relative to 2022. For the inflation landscape more broadly, ING highlights “core services inflation outpaced the Bank of England’s November forecasts and indeed is showing little sign of peaking”. ING attributes this as being a major factor behind the MPC’s decision to deliver another 50bps hike this month and as such will warrant attention for the upcoming report. It is worth noting that there is still another inflation report due to be released before the March meeting. In terms of current market pricing, 25bps is priced at 62% for March (vs. 38% for unch.)

US RETAIL SALES (WED): The headline rate of retail sales is expected to rise 0.9% M/M in January, paring back some of December's 1.1% decline. The core measure of retail sales is expected to be a more subdued +0.4% M/M (prev. -1.1%), alhtough the Retail Control group is seen falling 0.3% M/M in January after -0.7% in December. "Retail sales will come in hot to start 2023, likely increasing by well over 1% after a weak reading in December," Moody's Analytics said, "a surge in vehicle sales will account for about half of the headline gain, while higher gasoline prices relative to a month prior will also provide a boost."

AUSTRALIAN JOBS REPORT (THU): The Labor Force Survey is expected to show the addition of 15k jobs in January (vs prev. -14.6k), whilst the Unemployment and Participate rates are expected to remain at 3.5% and 66.6%. Desks believe December’s job losses were related to illness disruptions. Analysts at Westpac “suspect that illness-related absences and a ‘catch-up’ in summer leave will result in an employment print slightly below trend, as opposed to another outright decline”, as their forecast aligns with the Street. The desk also points out that the unemployment rate at 3.5% is only 0.1ppt off the 50yr low print of 3.4% - “signalling a still historically tight labour market.”

UK RETAIL SALES (FRI): Expectations are for M/M retail sales in January to decline 0.5% vs. prev. -1%. Ahead of the release, analysts at ING note “Real-terms spending has fallen in 12 out of the last 14 months, and we don’t think January was an exception. If so, it would point to a modest fall in GDP through the first quarter”. In terms of recent indicators, the BRC Retail Sales metric for January printed at 3.9% Y/Y vs. prev. 6.5% with the consortium noting “As Christmas cheer subsided, retailers felt the January blues as sales growth slowed. Many retailers discounted heavily to entice consumer spend, and while there were bargains to be had in the January sales, retailers continue to be hit by lower margins and falling volumes.” Elsewhere, the Barclaycard Consumer Spending Report revealed “overall Retail spending grew 3.2% when compared to the same period last year, up from 1.2% in December 2022. This comes as Grocery spending increased 7.1% compared to the same period last year, up from 4.9% in December 2022 as Brits continue to be impacted by rising inflation”.