Week Ahead 12-16th February: Highlights include US CPI, US Retail Sales, Aussie jobs, UK employment /wages, GDP and CPI data

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- **MON**: BoC SLOS, Indian CPI (Jan), Export/Imports (Jan), Holiday: China (New Year), Hong Kong, Tokyo
- **TUE**: OPEC MOMR, Swedish Unemployment (Jan), UK Unemployment/Wages (Dec), Swiss CPI (Jan), EZ /German ZEW (Feb), US CPI (Jan), NFIB (Jan). Holiday: China (New Year), Hong Kong
- **WED:** Indonesian Presidential Election, UK CPI (Jan), Norwegian GDP (Dec), EZ Employment (Q4), Japanese GDP (Q4), Holiday: China (Spring Festival)
- **THU:** IEA OMR, Australian Employment (Jan), UK GDP (Dec/Q4), EZ Trade (Dec), US Import/Export Prices (Jan), IJC (w/e 10th Feb), Philadelphia Fed (Feb), Retail Sales (Jan), Industrial Production (Jan), Business Inventories (Dec), New Zealand Manufacturing PMI (Jan), Holiday: China (Spring Festival)
- **FRI:** CBR Policy Announcement, UK Retail Sales (Jan), German WPI (Jan), US Building Permits/Housing Starts (Jan), Uni. of Michigan Prelim. (Feb), Holiday: China (Spring Festival)

NOTE: Previews are listed in day order

UK EMPLOYMENT/WAGES (TUE): Expectations are for the unemployment rate in the 3-month period to December to come in at 4.0% with headline wage growth in the 3M/YY in the same period seen declining to 5.8% from 6.5%, while the ex-bonus metric is seen cooling to 6.0% from 6.6%. The prior release saw the unemployment rate hold steady at 4.2%. However, since then, as part of the ONS' Labour Force Survey re-weighting, the unemployment rate in the 3-month period to November is now estimated at 3.9%. On the wages front, headline earnings growth slowed to 6.5% from 7.2%, and the ex-bonus metric slipped to 6.6% from 7.2%. Note, the upcoming release will see the ONS resume publishing its Labor Force Survey. Analysts at Investec notes, however, that data “provided so far are still based on a smaller-than-desired sample of responses,” adding that efforts by the ONS will take time to filter through. As such, markets will remain sceptical over the reliability of the data. Investec thinks employment could contract in December by circa 33k, and wonders whether weaker activity data in H2 was factored into hiring decisions. Note, the earnings metrics will not be subject to methodological changes and will therefore likely take greater precedence, particularly given the emphasis on the data by MPC members. On which, Investec suggests that declines in Y/Y growth will primarily reflect base effects.

SWISS CPI (TUE): SNB Chairman Jordan has noted that while he expects inflation to increase given VAT, rents and electricity, it should not surpass the 2.0% mark. Alongside acknowledging the likely short-term increase, Jordan emphasised that inflationary pressures are declining. The January release does not include an update to the quarterly rental price index, which will next be published alongside February's inflation number. The last print (Dec.) was hotter than expected at 1.7% and a slight surprise against the SNB's forecast for a 1.6% Q4 average. January's metrics will be closely watched and given the guidance from Jordan outlined above, a significant uptick, particularly if it occurs before the Feb. rental data, may well spark a hawkish reaction given the SNB's unwillingness to allow CPI to deviate from the 0-2% band. Albeit, this will need to be assessed in the context that any increase is expected to be short-term and comes in the context of a broader cooling in Swiss inflation thus far. Furthermore, traders will also be mindful of recent marked CHF action and speculation that the SNB could act to offset some of the currency strength

US CPI (TUE): The consensus view looks for headline CPI to rise +0.2% M/M in January (prev. +0.2%), and the core CPI measure is seen rising +0.3% M/M, matching the rate seen in December. As always, the data will be framed in the context of the Fed's policy function, where traders see lower inflation readings as a sign that the central bank could begin cutting rates, while any pickup in price pressures would see traders wager on a 'higher for longer' playbook. Fed Chair Powell recently welcomed the notable easing of inflation, but reiterated that officials were attentive to risks that it posed to both sides of its mandate, and that ongoing progress was 'not assured'. Powell warned that reducing policy restraint too soon or too much risked reversing the progress on inflation, and said officials wanted greater confidence that inflation was moving down sustainably (though he has conceded that if inflation were to move back up, that would be a surprise). Powell declined to offer a number of months that low inflation was needed to achieve this confidence.

RBNZ INFLATION EXPECTATIONS SURVEY (TUE): Traders will focus on the Survey of Expectations (SoE) ahead of the 28th February RBNZ confab and in the context of ANZ's recent call change - in which it forecasts 25bps hikes in both February and April taking the OCR to 6%, citing that the RBNZ may not be feeling like they've done enough to meet their inflation mandate. On the upcoming SoE release, ANZ suggests the metrics are likely to decline further, but any increase in the long-term measure would be a red flag. The prior Survey of Expectations (released in November) saw expectations for annual inflation one-year-ahead fall 57bps, from 4.17% to 3.60%, and two-year-ahead inflation expectations decreased 7bps from 2.83% to 2.76%, respectively. However, the mean five-year-ahead annual inflation expectation was 2.43%, an increase of 18bps from the prior quarter's mean estimate of 2.25%, and the mean ten-year-ahead annual inflation expectation increased by 6bps to 2.28% from 2.22% in the previous quarter. Analysts at Westpac meanwhile suggest "With headline inflation dropping back, we expect that the slide in shorter term inflation expectations seen in recent months will continue in the RBNZ's latest Survey of Expectations. That includes a fall in the closely watched survey of inflation 2 years ahead", but the desk also says the importance of this particular measure has waned over time but softening in expectations will nonetheless be welcomed.

UK CPI (WED): Expectations are for the headline annual rate of CPI to rise to 4.2% Y/Y from 4.0%, with the core rate expected to cool to 5.0% Y/Y from 5.1%. The prior release saw an unexpected uptick in inflation with headline Y/Y CPI advancing to 4.0% from 3.8% while the All Services metric ticked higher to 6.4% Y/Y from 6.3%. The ONS noted that "the increase in the annual rate was largely the result of the increase in tobacco duty." For the upcoming release, Pantheon Macroeconomics highlights the likely role played by base effects which will disrupt the recent run of downside surprises relative to MPC expectations. This is also expected to be visible in the service print, which it expects to rise to 6.9% Y/Y from 6.4%. Such an outturn would likely prompt further scepticism over imminent rate cuts by the MPC and push back market pricing which fully prices a first 25bps reduction in August, with 75bps of easing seen by year-end. That being said, one reason for optimism could come via food inflation which Pantheon expects to fall sharply in January.

JAPANESE GDP (WED): Q4 GDP Q/Q is expected at +0.3% (prev. -0.7%; range -0.1% to +0.9%), with the Annualised Q/Q seen at +1.4% (prev. -2.9%; range -0.3% to +3.7%), Private Consumption Q/Q at +0.1% (prev. -0.2%; range -0.4% to +0.3%), Capital Expenditures Q/Q at +0.3% (prev. -0.4%; range -0.2% to +1.3%), and External Demand Q/Q at +0.3% (prev. -0.1%; range 0 – 0.8%). Desks suggest any rebound in Q4 GDP should be modest based on recent data, whereby Industrial Production rose but missed expectations, whilst Retail Sales also unexpectedly declined, although the chip cycle and vehicle demand should support growth, according to some analysts. Analysts at ING said, "The gains in manufacturing output suggest 4Q23 GDP rebounded (0.3% Q/Q s.a.) from a mild contraction in 3Q23 (-0.7%), with the risk skewed to the upside." The desk suggests that weak retail sales should be the main drag on overall growth, whilst "households' cautious consumption behaviour could further discourage the Bank of Japan from raising its policy rates." BoJ's Deputy Governor Uchida recently suggested the Bank will not aggressively hike rates even after ending negative rates and added that Japan's real interest rate is in deep negative territory and monetary conditions are very accommodative – "we don't expect this to change in a big way" Uchida said.

AUSTRALIAN EMPLOYMENT (THU): The January Employment Change is forecast to have seen the addition of 30k jobs (prev. -65.1k), with the forecast range between +10k to +55k, according to Reuters. The Unemployment Rate is expected to have ticked higher to 4.0% (prev. 3.9%), with the analyst expectation range between 3.8-4.0%. The participation rate is seen steady at 66.8% (forecast range 66.7-67.0%). Analysts note that conditions in the labour market softened heading into the end of 2023, and Westpac posits that "the underlying trend continues to speak to labour demand easing from a robust level." The desk forecasts a below-market jobs addition of +15k, with the unemployment rate at 4.0% and participation at 66.8%. Westpac however warns that "January's data should be interpreted carefully, given the risk that one–off dynamics may cause large swings in hours worked or unemployment", with the desk highlighting two dynamics that have played a significant role in labour market outcomes since the COVID reopening. The first dynamic being more opportunities to change jobs resulting in an "unexpected lift in the number of people who were not working but had a job lined up after the holidays", and the second dynamic is the tourism recovery which has seen a greater number people take leave over the holidays.

UK GDP (THU): Expectations are for flat growth in the December GDP report. The prior release saw growth in November expand by 0.3% vs the 0.3% contraction in the prior month. Pantheon Macroeconomics notes that "output rebounded in consumer-facing sectors after spending in October was adversely affected by Storm Babet and the later-than-usual timing of school holidays in some areas" For the upcoming release, Pantheon (forecasts -0.3% M/M) says the report "will create a negative first impression, but the reality is the economy is now on the up." If Pantheon's forecast is realised, the consultancy suggests that it would contribute to a 0.1% Q/Q decline. Such an outcome would put the UK in a mild recession. However, given the shallowness of such a decline, it would be regarded in some quarters as something closer to "stagnation". Although a 0.1% print would be below the MPC's forecast of a flat reading, greater attention next week will likely instead be placed on CPI and wage metrics.

US RETAIL SALES (THU): Retail sales are expected to rise 0.2% M/M in January (prev. +0.6%), and the ex-autos measure is also seen rising +0.2% M/M (prev. +0.4%). Bank of America's Consumer Checkpoint release for February showed consumer spending softening in January, with total card spending per household -0.2% Y/Y (prev. +0.2% Y/Y), and on a seasonally adjusted basis, its data suggests household spending -0.3% M/M. BofA says weather factors were largely to blame for the weakness, noting that when the weather was better, spending was resilient. It also said that in the later part of the month, total card spending per household rebounded across the country. "Despite the freeze, consumer confidence has rebounded as of late," it writes, "it does, however, remain relatively weak given the consumer has been resilient over the last year and the labour market has been solid." BofA says 'sticker shock' could explain that dynamic. Ahead, "as the rate of inflation comes down, this sticker shock should begin to fade, particularly as after-tax wages and salaries growth remains healthy for low and middle-income households in our data," adding that "consumers' savings buffers remain elevated and Bank of America's latest Participant Pulse shows no significant sign that people are tapping into their longer-term retirement savings."

UK RETAIL SALES (FRI): Expectations are for headline retail sales to advance to 1.0% M/M in January from the 3.2% contraction in December. In terms of recent retail indicators, BRC’s retail sales indicator rose 1.4% Y/Y, with the accompanying report noting “easing inflation and weak consumer demand led retail sales growth to slow. While the January sales helped to boost spending in the first two weeks, this did not sustain throughout the month.” Elsewhere, the Barclaycard Consumer Spending report stated “overall retail spending grew 1.7% in January 2023, an uplift compared to the year-on-year growth of 0.6% in December 2023. This increase was predominantly driven by a rise in spend growth at supermarkets, which saw an uplift compared to December as consumers returned to their regular grocery shopping routines after the Christmas break.”