newsquawk

Week Ahead: 19-23rd January 2026

Highlights include US PCE, BoJ, China Activity Data, Flash PMIs, and Inflation from the UK, Japan and Canada

- **MON**: US Holiday (MLK Day), Eurogroup Summit; EZ Final HICP (Dec), Canadian CPI (Dec), Chinese GDP (Q4), US Leading index (Oct), Housing Starts/Building Permits (Oct), Philadelphia Fed (Jan), New Home Sales (Nov), Australian Flash PMIs (Jan)
- **TUE**: PBoC LPR, EU Economic & Financial Affairs Council, UK Unemployment Rate & Average Earnings (Nov), Swiss Producer Prices (Dec), German ZEW (Jan), French & German Flash PMIs (Jan)
- **WED**: IEA OMR; UK CPI (Dec)
- **THU**: ECB Minutes (Dec), Norges Bank Policy Announcement, CBRT Policy Announcement; UK PSNB (Dec), Australian Employment (Dec), US PCE (Nov), US GDP/PCE Final (Q3), New Zealand CPI (Q4), Japanese CPI (Dec)
- **FRI**: BoJ Policy Announcement; UK Retail Sales (Dec), Canadian Retail Sales (Nov), US Durable Goods (Nov), Pending Home Sales (Dec), UK, EZ and US Flash PMIs (Jan), EZ Consumer Confidence Flash (Jan)

CHINESE GDP AND ACTIVITY DATA (MON): China will publish Q4 and full-year GDP with December activity figures, with Q4 growth seen easing to 4.4% Y/Y from 4.8% in Q3, the softest pace in roughly three years. 2025 growth is estimated near 4.9%, broadly in line with the official ~5% goal, underpinned by exports and policy support, while domestic demand remains subdued amid a prolonged property slump and lingering deflationary pressures. Beyond 2025, economists see growth moderating to 4.5% in 2026, heightening expectations for policy support. Markets anticipate a 10bp rate cut in Q1 by the PBoC, alongside a proactive fiscal stance from Beijing. Key risks stem from intensifying global trade frictions and export headwinds; any shortfall in external demand could trigger additional domestic stimulus.

CANADIAN CPI (MON): With the BoC at the lower end of its neutral estimate, the central bank is expected to remain on hold for the foreseeable future, with markets leaning towards the next move being a rate hike. Around 12bps of hikes are currently priced in by year-end, implying a 48% probability of a rate increase in 2026. The data will be used to help gauge rate expectations from the BoC; however, ING says market pricing for a rate hike this year is premature. "In our view, market pricing for a rate hike in late 2026 looks premature. Inflation isn't showing worrying signs, the labour market may loosen further, and the upcoming USMCA renegotiations could dampen consumer and business sentiment again." ING nonetheless expects the next move to be a hike, but in 2027.

PBOC LPR (TUE): Seen as a non-event, with both the one-year and five-year Loan Prime Rates (LPRs) expected to be maintained. In the previous release, the PBoC announced no changes to China's benchmark LPRs, keeping them unchanged for a seventh consecutive month. The one-year LPR, the benchmark for most new loans, was held at 3.00%, while the five-year LPR, the reference rate for mortgages, remained at 3.50%.

UK UNEMPLOYMENT/EARNINGS (TUE): Note, a Bloomberg report suggests the ONS has drawn up contingency plans to delay the new LFS by around six months, a point that may be updated in the November release. For November, the Unemployment rate is expected to moderate a touch to 5% (prev. 5.1%). However, due to reliability issues, the ONS points us to the non-overlapping comparison, which Investec thinks would show an unemployment rate of 4.8%. Overall, though, the message of a weaker labour market remains, but at a slower pace of decline. Wages are expected to moderate to 4.4% (prev. 4.7%) for the headline, while the ex-bonus figure is seen ticking down by 0.1pps to 4.5%. Data that is consistent with further BoE easing, though the still absolute high level of wages pushes back on the argument for near-term cuts. Further out, this trend is seen continuing with the December PMIs pointing to "worry jobs data", even once the post-Budget uncertainty had begun to clear. Market pricing implies a cut in June with c. 29bps implied; though, April's odds stand at around 21bps. More generally, we will get fresh information at the time of the February MPR, when the BoE updates its forecasts to account for the Budget.

UK CPI (WED): Prices in December are expected to increase to 3.3% Y/Y (prev. 3.2%), with the M/M figure at 0.4% (prev. -0.2%). Upside driven by measures in the Autumn Budget, namely tobacco duties. For reference, the BoE's forecast for the period is 3.5%, as per the November MPR; as a reminder, the BoE's February MPR will account for the measures announced in the Budget. The December meeting saw the BoE note that the Budget's measures will lower CPI modestly in April 2026, but then increase it by 0.1-0.2pps during 2027 and 2028. The collection period will factor into the release to a degree, with a later collection of data in December almost certainly correlated with higher airfares and, by extension, elevated inflation. For December, the period's PMIs showed a strengthening in inflationary pressures as 2025 closed out, with input prices lifting by the most in seven months and output charges rebounding. Overall, the skew to the series is a hotter one, particularly given the BoE's forecast and potential near-term impact of tobacco duties. For the BoE, the assessment that inflation will get to target mid-2026 should remain intact, even if there is a hotter one-off print. As such, the narrative of continued easing but at a potentially slower than quarterly pace will likely remain, with the next cut not priced until June (-29bps implied).

US PCE (THU): The Bureau of Economic Analysis said US personal income and outlays for October and November 2025, including PCE inflation data (the Fed's preferred gauge), will be released on 22nd January. The BEA was unable to produce normal monthly PCE inflation data during the government shutdown because of missing data sources and will approximate October and November PCE using CPI averages. Analysts said differences between CPI and PCE mean November CPI may disproportionately influence the delayed and partly modelled PCE inflation estimates. In November, headline producer prices rose 0.2% M/M, with annual PPI running at around 3.0%. Meanwhile, November CPI showed inflation of 2.7% Y/Y, undershooting expectations and partly distorted by missing data collection during the shutdown. Looking ahead to the December PCE report, due on 20th February, the data are likely to show firmer price pressures than suggested by the latest CPI. While December CPI showed headline inflation at 2.7% Y/Y and core inflation at 2.6%, underlying components point to upside risks for PCE: food prices rose 0.7% M/M, the largest increase since October 2022, and economists noted a widening gap between CPI and PCE measures. PCE places greater weight on categories where prices are currently rising, reflecting actual consumer spending patterns more closely than CPI's fixed basket. Analysts at Barclays and Morgan Stanley raised their December PCE forecasts to just under 0.5% M/M, according to Reuters, which could lift the annual rate to 2.8-2.9%. BNP Paribas also warned that PCE inflation is likely to run significantly hotter than CPI. Together with firmer producer price trends, the data suggest PCE may remain close to 3%, reinforcing expectations that price pressures will ease only gradually. Writing after the December inflation data, WSJ Fedwatcher Nick Timiraos said the latest trends are unlikely to alter the Fed's wait-and-see stance, as officials want clearer evidence that inflation is levelling off; he added that rate cuts would likely require either weakening job market conditions or further signs of fading price pressures over the coming months. Most Fed officials speaking this year have said that while inflation is easing towards its 2% target, it remains above that level, favouring a cautious stance on policy adjustments; they view current monetary policy as appropriately restrictive, with any cuts contingent on clearer disinflation progress. At the time of writing, money markets are assigning a 5% probability that rates will be cut at the 28th January confab, and just over a 20% chance of a 25bps cut by the 18th March meeting, according to CME data. Through to the end of the year, the statistical mode sees rates at 3.00-3.25% in December (vs the Fed's December projections of 3.25-3.50%, and vs the current 3.50-3.75%).

JAPANESE CPI (THU): Prior data showed headline CPI Y/Y at 2.9%, national core CPI (ex-fresh food) at 3.0%, and M/M at 0.4%. Core-core inflation (ex-fresh food and energy) eased slightly to 3.0% Y/Y from 3.1%, but price pressures remain well above the BoJ's 2% target for a 44th consecutive month, reinforcing expectations of further policy normalisation. That said, recent Bloomberg reporting suggests the BoJ is placing greater emphasis on the inflationary impact of a weak JPY, particularly as firms pass through higher import costs, which could have implications for future rate hikes. Nonetheless, the BoJ is expected to maintain its policy settings in January.

NORGES BANK (THU): Norges Bank is widely expected to keep rates unchanged at 4.00%, in line with the rate path set out at the December meeting. That meeting saw policymakers hold rates, as expected, and leave the MPR largely unchanged. On the data front, the Bank flagged risks to the inflation target if rates are cut too early, while Governor Bache also said NOK weakness could slightly lift inflation prospects. For this meeting, policymakers will assess a hotter-than-expected CPI report that beat both market consensus and Norges Bank's own forecasts, though much of the upside can be attributed to Christmas-related components such as food and transport. Elsewhere, there has been little activity data since the last meeting, although the latest Business Tendency Survey showed weak manufacturing activity in Q4 while pointing to a rebound in Q1. The NOK has strengthened since the last announcement, with EUR/NOK moving from 11.9688 to 11.7165, which should ease policymakers' concerns that currency weakness could reignite inflation pressures. SEB says the accompanying statement is likely to avoid dovish language to "avoid triggering a weaker NOK", while UBS expects the Bank to reiterate its December message.

ECB MINUTES (THU): In December, the ECB maintained its policy settings as expected. Forward guidance stuck to a meeting-by-meeting and data-dependent approach. On the inflation front, the 2026 projection was revised up while the 2027 view was lowered. Overall, the narrative that the ECB is at a 2.00% Deposit Rate terminal remains the base-case, and was corroborated further by the statement/presser. Corroboration that sparked a modest hawkish reaction. Since, remarks from officials have made clear that the "good place" narrative is widely held, and while there are some differing views around whether the next move is more likely a cut or a hike, the narrative that rates are on hold for the time being is seemingly the base case.

CBRT POLICY ANNOUNCEMENT (THU): The CBRT is expected to deliver a 150 bp rate cut at its Jan. 22 MPC meeting, taking the policy rate to 36.5%, after softer-than-expected December inflation. Headline CPI rose 0.89% M/M, pulling annual inflation down to 30.9%, well below forecasts and strengthening the case for continued easing. That said, CBRT Governor Karahan has warned inflation may remain "noisy" over the next two months, with upside risks from food prices early in 2026, while reiterating that policy will remain tight and data-dependent should the inflation outlook diverge from interim targets. Disinflation has become more broad-based, led by easing services inflation and improved inflation expectations, but sticky core inflation and elevated expectations continue to warrant caution. BBVA said December's inflation outcome creates scope for a 150bp cut, while flagging risks from minimum wage hikes and persistent services inflation.

BOJ POLICY ANNOUNCEMENT (FRI): The Bank of Japan is widely expected to hold rates steady, with a strong consensus that policy normalisation will proceed only gradually after December's hike to 0.75%, the highest level in 30 years. A large majority of economists expect no change through March, with July seen as the most likely timing for the next hike. Around three-quarters forecast rates at 1% or higher by September, while the median terminal rate estimate has risen to 1.5%. Recent reporting suggests the BoJ is likely to upgrade its economic growth outlook, reflecting the impact of the government's fiscal stimulus package, while maintaining its view that underlying inflation will converge sustainably towards target over the medium term. Officials are also said to be placing greater emphasis on the inflationary impact of a weak JPY, particularly as firms increasingly pass through higher import costs, reinforcing a data- and FX-sensitive policy stance. Political considerations may temper the pace of tightening unless yen weakness feeds more clearly into inflation. Alongside the rate decision, the Bank will release its latest quarterly outlook report. A Bloomberg poll of economists shows the BoJ is expected to retain the same inflation outlook as in the previous report. However, a more recent Reuters source report suggested the BoJ is likely to raise its economic growth and inflation forecasts for FY26. The report added that many policymakers see scope to raise the policy rate as early as April due to yen weakness. Markets saw the implied April meeting rate rising to 0.86% from 0.80%, although markets are still not fully pricing in a rate hike until September.

UK RETAIL SALES (FRI): November's figure printed softer than expected, particularly M/M, while the Y/Y was weak but still rebounded from the prior pre-revision. Activity in December may have rebounded further, as budget uncertainty passed. However, the month was categorised as a "drab Christmas" by BRC, with retail sales growth of 1.2% in December, well below the 12-month average of over 2%. Much of the downside was driven by non-food categories. Though, the details highlight a pickup in the last week of December and into January, as seasonal discounts drove activity. KPMG, on the BRC December series, remarked that it remains a challenging time for retailers as consumers dial back on spending. Overall, the release is unlikely to change the narrative of UK economic activity picking up into the end of 2025, with growth likely to surpass the BoE's view of a stagnant Q4.

UK FLASH PMIs (FRI): January's flash read follows on from a slight uptick in the December series, which saw an uptake in activity amid some signs of a recovery in confidence after pre-budget gloom. Indicators for January, via the ONS, showed a decrease in retail footfall amid the relatively adverse weather conditions seen at the start of the year. Furthermore, in terms of confidence, some 60% of respondents believe that the cost of living had increased M/M while staff turnover increased modestly in the period. For January, expectations are for the three main PMI measures to remain broadly unchanged M/M; previously at 51.4, 50.6 & 51.4 for services, manufacturing and composite, respectively.

EZ FLASH PMIs (FRI): A release that is likely to be characterised by ongoing geopolitical uncertainty, elevated energy (particularly gas) prices and renewed political uncertainty in France. However, the survey period may not encapsulate the developments over the last week, and any fresh ones we may get over the weekend and/or in the days preceding the report. To recap, December's series saw an increase to staffing levels and the trend of new business as being on a path to growth. HCOB surmised December as "overall, the recovery in services gained momentum in the fourth quarter, which is a good basis for starting the new year with confidence". Note, the metrics are unlikely to have any meaningful impact on the ECB, with the expectation firmly that they will be on hold at a 2.00% Deposit Rate for the foreseeable future.