Scotiabank

GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

February 4, 2022

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With thanks for research support from: Marc Ercolao.

Next Week's Risk Dashboard

- The ripple effects of hurtling toward March
- China's welcome back—and catch-up!
- US inflation: disinflationary first round omicron influences?
- BoC's Macklem: productivity and monetary policy
- CBs: Banxico, Peru, Riksbank, Russia, RBI, BoT, BI
- Other inflation: Mexico, Chile, Colombia, Brazil, NZ-e…
- …Norway, Switzerland, Taiwan
- Other releases

Central Bankers Are on the Mooooove

FORECASTS & DATA

Chart of the Week

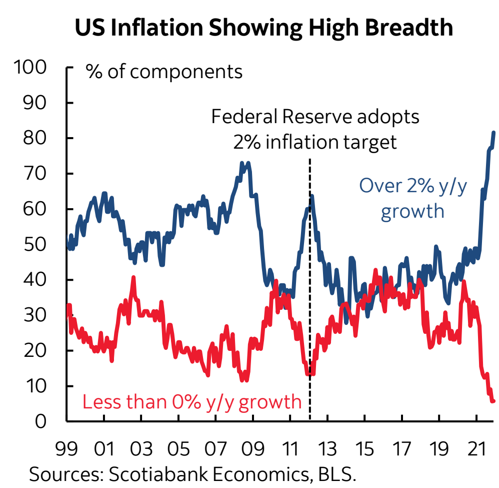


Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

February 4, 2022

Central Bankers Are on the Moooove

China, you can never go on holiday again. See what happened when you did this past week?

Of course I'm referring to the sudden wave of conspicuously coordinated tightening steps by major global central banks that all curiously circled March on their calendars. There were plenty ahead of them as many EM central banks and some DM central banks like the RBNZ and Norges had already raised rates. The Fed's pivot that began at the December FOMC and gathered steam at Chair Powell's confirmation testimony last month was perhaps the driving force that cleared the way for the others as the Fed has strongly guided its intention to hike in March. The BoE has hiked twice since the Fed's December FOMC, the ECB's Lagarde is pivoting toward what will probably be brought forward guidance on subsequent hike plans at its March meeting, the Bank of Canada blew it in January but will rush into the Fed's waiting arms in March, and the RBA will probably again codify reference to willingness to follow them all again after stating that other central bank actions would influence its now done deal to end bond purchases. Phew! All that after many months of denying that inflation was an issue and they all come to a coordinated agreement that, whoops, guess it is!

The ripple effects of the Fed's moves will continue to reverberate through markets over the coming week that will also bring the focus to US inflation, several other regional central banks, more BoC communications and a smattering of regional macro reports. I'll wrap up this note with an opinion on resulting equity market volatility.

US INFLATION: ARE PANDEMIC BURSTS INFLATIONARY OR DISINFLATIONARY?

Are extreme COVID-19 waves like omicron more, or less inflationary? We'll get some preliminary evidence when CPI for January is released on Thursday.

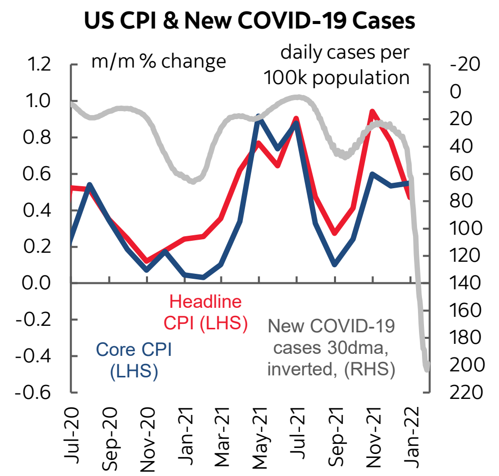
My estimate is somewhat lower than others at 0.2% m/m SA for headline and core CPI with headline at ~7% y/y and core at 5¼% y/y. Clearly 'low' is meant in a relative sense to other estimates as one would hardly call ~7% inflation low in absolute terms! But the question is whether inflationary pressures will accelerate or abate at the margin and for how long if so.

Chart 1 is a big part of the reason why I think inflation could land a little lower than others think. Recent experience has shown that when pandemic cases rise (plotted inversely for effect), month-to-month changes in price rise more slowly. When pandemic cases fall, price changes accelerate. That's especially true if we just look at proxies for high-contact sector prices (chart 2). This observation is partially against the impression one might have that pandemic waves cause accelerating inflation; that's likely true as the full effects on supply chains work through over time, but the first-round effects on headline price measures have tended to be disinflationary.

The main reason for this is that the high contact pandemic-related price categories tend to suffer significant declines in prices when cases surge. Examples include airfare, travel and lodging, food away from home (e.g. restaurants, take-out, etc.), personal care services (English: haircuts, etc.) and other related categories. When this happens, it can tend to dominate overall price swings.

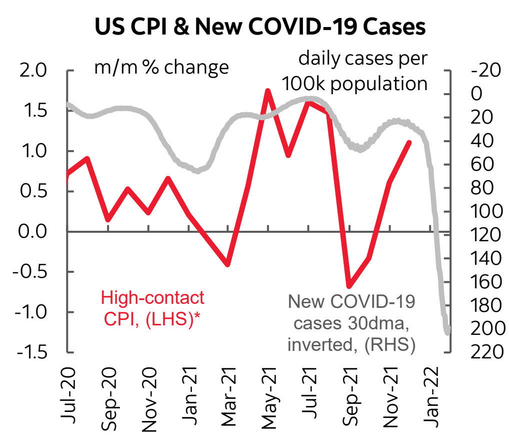
If aggregate price pressures decelerate for such reasons then it would likely be treated as transitory. If price pressures do not decelerate then it could be evidence of how deeper resilience to COVID-19 waves and heightened supply chain challenges at full capacity are driving greater sustained inflation risk that one shouldn't look through. The trend has certainly pointed toward broadening price pressures (chart 3). The upside surprise on nonfarm payrolls also leans in the direction of this point (**recap**).

Chart 1



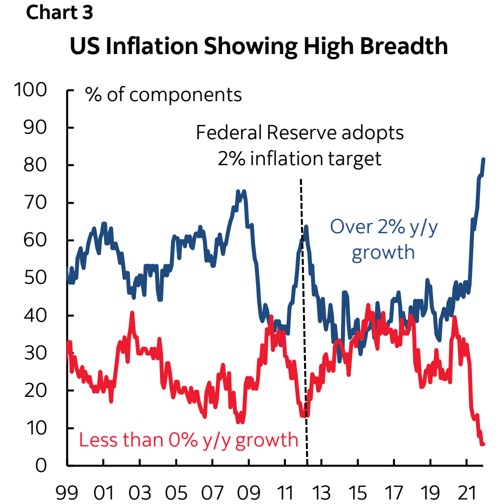
Sources: Scotiabank Economics, Bloomberg.

Chart 2



*Weighted index including food at home, public transportation, lodging, and personal care services.
Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, BLS.

There are other influences on the estimate:

- Base effects would drive the year-over-year headline CPI rate down to ~6.6% from 7% previously. Core CPI would dip a quarter-point to 5 ¼% if the only thing that changed was the year-ago reference point.
- Seasonal influences average around +0.4% m/m NSA for headline and core CPI during the month of January over recent years.
- Gasoline prices should be a minor effect. NSA prices were up 1½% m/m which, at about a 4% CPI weight, only adds 0.06% m/m.
- Home heating costs estimated by natural gas spot prices were up sharply (16% m/m) but a very low weight in CPI will mean this category adds up to 0.1% m/m to CPI.
- JD Power indicates that new vehicle prices were down 0.8% m/m NSA which, at a ~3.9% CPI weight, subtracts only -0.03% m/m NSA.
- Used vehicle prices were also down 3.4% m/m NSA according to trade-in values through JD Power and, at a 3.42% CPI weight, they subtract 0.1% m/m. The Manheim used vehicle index climbed by 0.8% m/m SA but is not used in CPI and in any event the same weight would imply little contribution to inflation.
- Because of the earlier pandemic arguments, I've assumed that m/m price changes will only run at a fairly normal pace of 0.2% SA with no extra addition. There could be downside risk to this estimate.

THE BOC'S PRODUCTIVITY DILEMMA

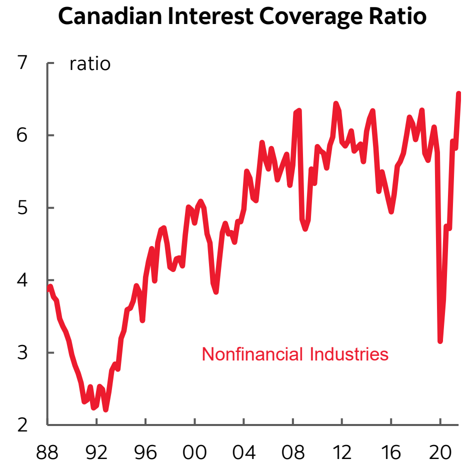
Bank of Canada Governor Macklem will speak on Wednesday about 'The Evolution of Canadian Businesses' before the Canadian Chamber of Commerce. A press conference will follow. At his recent parliamentary testimony, he said that investment and productivity growth would be focal points. Before your eyes glaze over, the implications of how the BoC views this topic and where we may go from here can easily impact the outlook for the Bank of Canada monetary policy decisions.

The implications for monetary policy were laid bare during his recent testimony. Macklem said their forecasts depend upon achieving faster productivity growth as implied by quicker GDP growth than employment gains and if that is not achieved "we will have to raise interest rates more" given the risk to inflation.

That said, we're not fully sure what to expect as his speech could go down multiple paths. Corporate interest coverage is the best it has been in many years (chart 4). Debt-to-equity ratios are stable (chart 5). Past Governors have used such occasions to wag a finger at businesses with controversial advice on how they should be run including cash management and investment appetite and hopefully this isn't another example. Indeed, this one could very well be different.

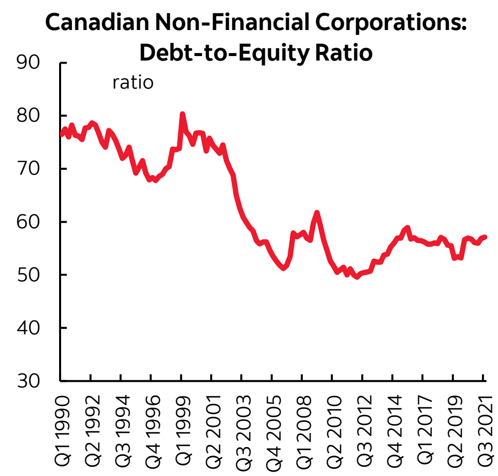
Why? Ottawa is shedding signals that it intends to ramp up the focus upon addressing weak potential GDP growth (the economy's sustainable noninflationary speed limit when slack disappears). Finance Minister Freeland recently noted that this would feature prominently in the upcoming Winter budget (date TBD). Ottawa coordinates fiscal and monetary policy and so it's no surprise to hear Macklem leaning in that direction with his communications focus. Both face deep challenges accompanied by skepticism around the probability of success given the complexity of the matter and the limited policy tools to drive productivity.

Chart 4



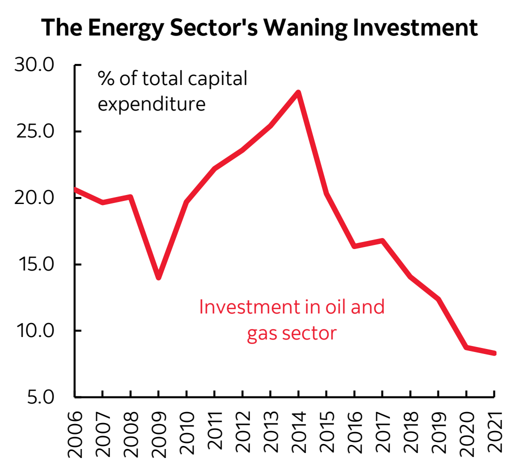
Sources: Scotiabank Economics, Statistics Canada.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

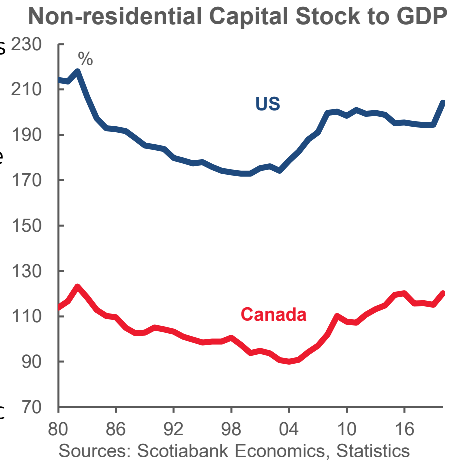
Chart 6



Sources: Scotiabank Economics, Statistics Canada.

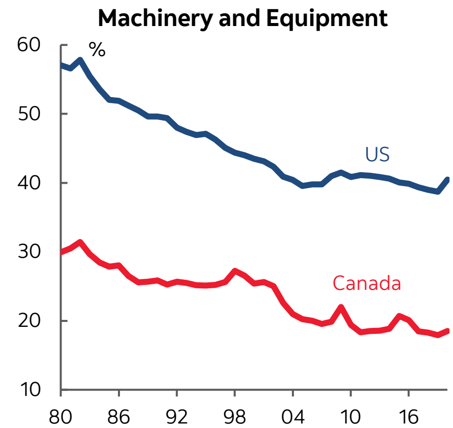
Indeed, is public policy perhaps contributing to poor productivity? Is it also endemic to the nature of the Canadian economy and its limited population across great distances? Studies like **this** one show that large Canadian operations can be as productive as large US operations. Studies like **this** one have in the past shown that Canada's poor productivity growth relative to the US has tended to be more focused upon a greater weight upon smaller-size firms in Canada. It's doubtful Ottawa has the levers or political will to craft policies that try to overcome such challenges. Are easy money policies, endless fiscal supports both in awful times like the pandemic and in periods that are more like bumps in the road before the pandemic plus an outdated system of taxation perversely lessening pressures in the economy to invest, adopt new technologies and address productivity? Does the country rely too heavily on policies that divert excessive resources toward current consumption by households and governments? Have we diverted too many resources away from traditionally high value-added sectors such as energy that attracted large amounts of investment capital (chart 6) with once greater promise for higher output per hour worked over time? Charts 7 and 8 show that Canada has long under-invested as indicated by the capital stock (the sum total of all investment over time) as a share of GDP and relative to the US.

Chart 7



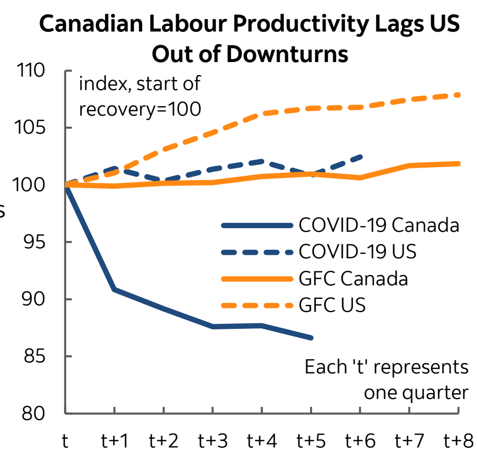
Sources: Scotiabank Economics, Statistics Canada, BEA.

Chart 8



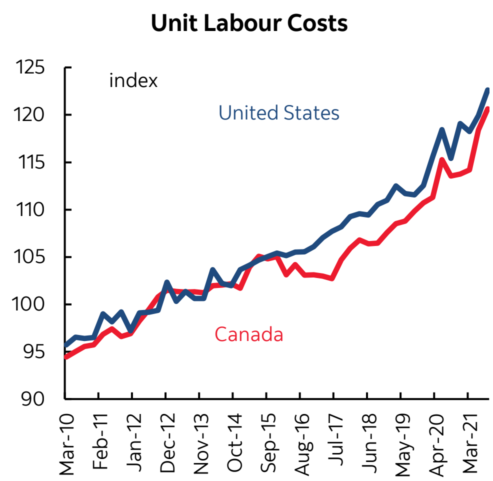
Sources: Scotiabank Economics, Statistics Canada, BEA.

Chart 9



Sources: Scotiabank Economics, Statistics Canada, Bureau of Labour Statistics.

Chart 10



Sources: Scotiabank Economics, Bloomberg.

Whether or not Canada can turn around its poor standing on this issue is a big risk to the BoC's policy guidance and one reason why we have a fairly aggressive rate hike path. Macklem was pretty dismissive toward the fact that productivity growth has been weak to date in the pandemic by saying it's natural and something to be expected. That seems too dismissive given the evidence in chart 9. Canada typically does experience weaker productivity gains than the US while coming out of major shocks like the GFC and the pandemic, but this time is much more striking. The US is experiencing soft trend productivity growth during the pandemic and is witnessing a much weaker trend than coming out of the GFC. Canada, however, had soft productivity growth coming out of the GFC but is now watching labour productivity absolutely plummet in absolute terms. As a consequences, Canada's recent rate of increase in unit labour costs (productivity adjusted employment costs) has been faster than the US but has quickened in both countries (chart 10).

Because Canada's problem is much worse than the US and much worse than after exiting from the GFC, I'm not sure what gives the Governor so much confidence that productivity gains will be strong going forward. In my view, Canada's public policy emphasis upon redistributive goals with aggressive support programs emphasized a fuller jobs recovery sooner than the US but this came at the relative price of productivity growth.

There are many other challenges facing the nation's productivity growth that have made it ripe for sloganeering and finger wagging. Ottawa has tried in the past to generate productivity agendas that have not borne much fruit, perhaps given competing policy measures and the complexity of the issue. Unless a productivity miracle suddenly lurks around the corner, higher rates may be the price to pay for the inflationary consequences. On that, there is room for all stakeholders to come together rather than Ottawa hopefully not resorting to a lecture about needing to improve or else higher rates will be your fault.

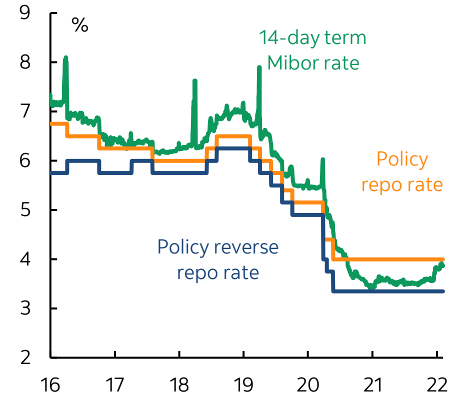
CENTRAL BANKS—SEVEN MORE!

Had enough of central banks? Too bad, hang in there, there will be another seven central banks delivering policy decisions and forward guidance over the coming week. They all fall into the camp of those that are important to their regional markets but absent the ability to markedly impact the global market tone. Expectations are outlined below.

- **RBI (Friday):** India's central bank is expected to hold its policy repo rate at 4% but watch forward guidance and a potential adjustment in the policy interest rate corridor. Like other central banks, the RBI may raise its inflation forecast and perhaps marry that to possible guidance toward rate hikes later this year given that inflation is running at 5.6% and hence toward the upper end of the 2–6% target range. A technical adjustment to the policy rate corridor is expected to narrow the spread between the reverse repo and repo policy rates given that liquidity developments have driven market rates closer to the upper bound (chart 11).
- **Bank of Thailand (Wednesday):** No change is expected to the policy rate of 0.5%. The central bank judges minimal pass-through risk from higher headline inflation that is in the upper half of its 1–3% target range. In its defence, core inflation is running at a miniscule 0.4% y/y rate.
- **Riksbank (Thursday):** No policy changes are likely at this meeting with the benchmark rate remaining at 0%, but rate guidance may be brought forward. Headline inflation is running at 3.9% y/y with core inflation at about 1.7%. Hawkish pivots by the ECB, BoE and Fed may also influence forward guidance. The last time the Riksbank issued a policy decision was way back on November 25th when it said the repo rate would be on hold until 2024. Of all the central banks most likely to be trigger-shy, however, the Riksbank's experience when it hiked in 2010 only to rapidly reverse course over 2011–16 is likely to counsel greater caution this time.
- **Banxico (Thursday):** Our Mexican economics team expects another 50bps hike to the overnight rate that would lift it to 6%. That would fall on the heels of the 50bps hike in December and drive a cumulative 200bps of tightening since last June. With headline CPI inflation running at 7.4% y/y and core at 5.9%, Mexican inflation is running far above the inflation target (chart 12).
- **Banco Central de Reserva del Perú (BCRP):** A 50bps hike in the reference rate to 3.5% is expected. Our Lima-based economist expects the benchmark rate to reach at least 4.50% by year-end 2022. Inflation has moderated slightly in January to 5.7% y/y but still runs considerably above the bank's 2% +/-1% target range (chart 13).
- **Bank Indonesia (Thursday):** No policy rate change is expected with the 7-day reverse repo rate remaining at 3.5%. A dominant concern at the central bank has been the stability of the capital account and its linkages to rupiah volatility. Headline inflation at 2.2% y/y and core at 1.8% y/y are toward the lower end of the central bank's 2–4% target range and with the rupiah being relatively stable since the Fed's hawkish pivot at the December FOMC. There may come a time, however, when a widening interest rate differential could be destabilizing and motivate Bank Indonesia to gradually tighten policy.
- **Central Bank of Russia (Friday):** Most within consensus expect a rate hike of between 50–100bps following 425bps of hikes since one year ago almost to the day. Headline inflation of 8.4% y/y and core CPI at 8.9% y/y are continuing to trend higher. Geopolitical and sanctions risk hangs over the ruble and hence inflation and the central bank's policy risks.

Chart 11

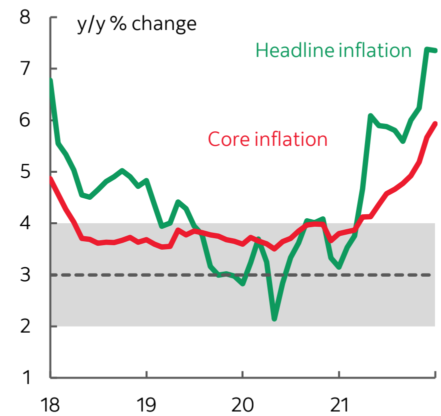
RBI Likely to Adjust its Policy Rate Corridor



Sources: Scotiabank Economics, Bloomberg.

Chart 12

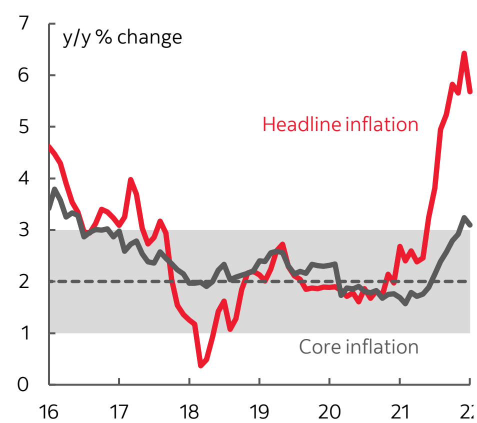
Mexico: Headline & Core Inflation



Sources: Scotiabank Economics, INEGI.

Chart 13

Peru: Headline & Core Inflation



Sources: Scotiabank Economics, BCRP, INEI.

WELCOME BACK, CHINA!

A smattering of regional macro readings will be set against the backdrop of renewed China risk while the country nevertheless celebrates hosting the Winter version of a rather awkward round of the Olympics.

China's financial markets reopen following the annual Spring Festival. They will have a lot of catching up to do by way of global developments (e.g., ECB and BoE hawkish pivots, US payrolls, etc.) and that will likely feed significant volatility at the start of the week. Domestic calendar-based risk will nevertheless go easy on investors with just the private sector versions of the services and composite PMIs for January due out on Monday and maybe social credit aggregate financing figures for January if not this week then the following week. That said, China macro risk had been escalating in the weeks and months before the holiday and so focus may return to developments in its property finance market, heightened COVID-19 watch after holiday travel, and policy guidance.

Beyond CPI, US markets will face very light macro calendar-based risk. The University of Michigan's consumer sentiment index for February will provide the freshest take on consumer attitudes including spending intentions and inflation expectations (Friday). The trade deficit in December (Tuesday) is expected to widen again as the services balance gets tacked onto the preliminary reading of the monthly merchandise goods deficit that crossed -US$100 billion for the first time. The US current account deficit as a share of GDP continues to widen toward pre-GFC peaks.

The inflation du jour reports will roll in across Latin American and some Asia-Pacific markets ahead of several policy decisions in Latin America. Continued hot gains in inflation are expected at the margin in month-over-month terms for January even if we may be seeing year -over-year rates starting to diverge. Colombia kicks it off at the start of the week followed by Chile (Tuesday), Mexico and Brazil on (Wednesday). The RBNZ's measure of 2-year ahead inflation expectations has been soaring (chart 14) and will be closely watched for further pressure into 2022-Q1 that could reinforce concern about expectations becoming unmoored on the path to the RBNZ's next decision on February 22nd.

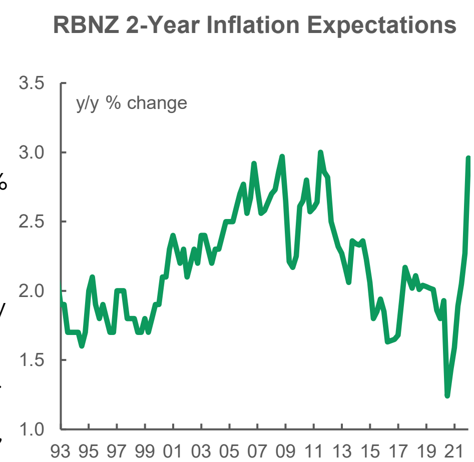
UK macro reports might struggle for much attention after the Bank of England's more hawkish narrative shift, but a batch of releases on Friday will inform how the UK economy performed at the end of last year and how it is handing off into 2022. Q4 GDP growth was likely about ¾%–1% q/q SA non-annualized. Omicron may have driven a weaker services index reading and downside risk to industrial output that also arrive Friday for December.

Beyond Governor Macklem's speech, Canada only faces trade figures for December (Thursday). They almost never impact markets but, as the US deficit has been widening through importing more from its trade partners, Canada's monthly balance has been at least temporarily going the other direction.

Miscellaneous other developments will include Norway's inflation (Thursday), Swiss CPI (Friday), Q4 GDP figures from Indonesia (Monday) and Malaysia (Thursday), Germany's industrial output and trade figures for December (Monday and Wednesday, respectively) and Italian industrial output (Wednesday)

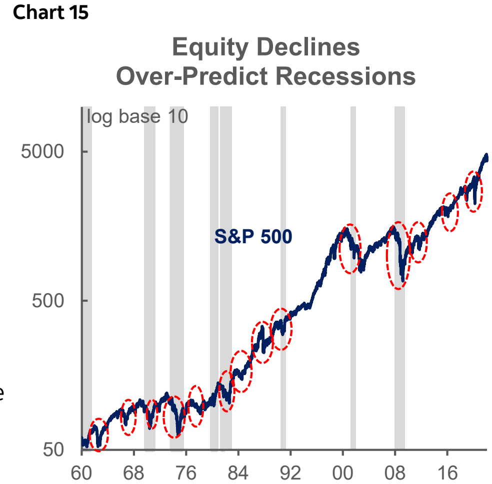
With all that lies ahead over the coming week, one of the debates in markets is whether equity volatility portends a recessionary period which implies that a monetary policy mistake may be underway. That doesn't make a whole lot of sense to this point at least. The S&P500 is down…wait for it…not even 6% from the peak toward the end of 2021 into early 2022. That's a flesh wound, not a correction. Further, it's very possible that equities are not yet thinking through the possibility that the Fed may tighten for very good reasons into a strong economy as evidenced by the robust jobs report. Third, remember Paul Samuelson's famous quip that "the stock market has called nine of the last five recessions." That's rather dated now, but the point still generally stands that equity market volatility over-predicts recessions as shown in chart 15 and often has stocks falling when the economy is already in recession which clearly is not the case at this point. The one form of asset market inflation the Fed should arguably be more focused upon is the housing market with prices up nearly one-fifth over the past year and given evidence that the housing wealth effect tends to be far more powerful than the equity wealth effect.

Chart 14



Sources: Scotiabank Economics, Bloomberg.

Chart 15



Source: Scotiabank Economics, Bloomberg.
Shaded bars indicate recession periods.

Key Indicators for the week of February 7 – 11

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	02/07	15:00	Consumer Credit (US$ bn m/m)	Dec	--	23.4	40.0
CA	02/08	08:30	Merchandise Trade Balance (C$ bn)	Dec	4.0	--	3.1
US	02/08	08:30	Trade Balance (US$ bn)	Dec	--	-83.0	-80.2
MX	02/09	07:00	Bi-Weekly Core CPI (% change)	Jan 31	--	0.3	0.3
MX	02/09	07:00	Bi-Weekly CPI (% change)	Jan 31	--	0.3	0.4
MX	02/09	07:00	Consumer Prices (m/m)	Jan	0.6	0.6	0.4
MX	02/09	07:00	Consumer Prices (y/y)	Jan	7.1	7.0	7.4
MX	02/09	07:00	Consumer Prices Core (m/m)	Jan	0.5	0.6	0.8
US	02/09	07:00	MBA Mortgage Applications (w/w)	Feb 4	--	--	12.0
US	02/09	10:00	Wholesale Inventories (m/m)	Dec F	--	2.0	2.1
US	02/10	08:30	CPI (m/m)	Jan	0.2	0.5	0.5
US	02/10	08:30	CPI (y/y)	Jan	7.0	7.3	7.0
US	02/10	08:30	CPI (index)	Jan	--	280.5	278.8
US	02/10	08:30	CPI ex. Food & Energy (m/m)	Jan	0.2	0.5	0.6
US	02/10	08:30	CPI ex. Food & Energy (y/y)	Jan	5.6	5.9	5.5
US	02/10	08:30	Initial Jobless Claims (000s)	Feb 5	250	235	238
US	02/10	08:30	Continuing Claims (000s)	Jan 29	1,650	1,625	1,628
MX	**02/10**	**14:00**	**Overnight Rate (%)**	**Feb 10**	**6.00**	**6.00**	**5.50**
US	02/10	14:00	Treasury Budget (US$ bn)	Jan	--	--	-21.3
MX	02/11	07:00	Industrial Production (m/m)	Dec	--	--	-0.1
MX	02/11	07:00	Industrial Production (y/y)	Dec	--	--	1.6
US	02/11	10:00	U. of Michigan Consumer Sentiment	Feb P	67.5	67.5	67.2

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
GE	02/07	02:00	Industrial Production (m/m)	Dec	0.5	-0.2
FR	02/08	02:45	Current Account (€ bn)	Dec	--	-3,615
FR	02/08	02:45	Trade Balance (€ mn)	Dec	--	-9,727
SP	02/08	03:00	Industrial Output NSA (y/y)	Dec	--	5.6
GE	02/09	02:00	Current Account (€ bn)	Dec	20.0	17.6
GE	02/09	02:00	Trade Balance (€ bn)	Dec	11.0	11.6
IT	02/09	04:00	Industrial Production (m/m)	Dec	-0.9	1.9
SW	**02/10**	**03:30**	**Riksbank Interest Rate (%)**	**Feb 10**	**0.00**	**0.00**
UK	02/11	02:00	GDP (q/q)	4Q P	1.1	1.1
UK	02/11	02:00	Index of Services (m/m)	Dec	-0.7	0.7
UK	02/11	02:00	Industrial Production (m/m)	Dec	0.1	1.0
UK	02/11	02:00	Manufacturing Production (m/m)	Dec	0.1	1.1
UK	02/11	02:00	Visible Trade Balance (£ mn)	Dec	-12750.0	-11337.0
RU	**02/11**	**05:30**	**One-Week Auction Rate (%)**	**Feb 11**	**9.50**	**8.50**

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of February 7 – 11

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
AU	02/06	19:30	ANZ Job Advertisements (m/m)	Jan	--	--	-5.5
CH	02/06	20:45	Caixin Services PMI	Jan	--	50.5	53.1
ID	02/06	23:00	Real GDP (y/y)	4Q	4.0	4.8	3.5
JN	02/07	00:00	Coincident Index CI	Dec P	--	92.6	92.8
JN	02/07	00:00	Leading Index CI	Dec P	--	103.7	103.2
AU	02/07	00:30	Foreign Reserves (AUD bn)	Jan	--	--	80.8
SI	02/07	04:00	Foreign Reserves (US$ mn)	Jan	--	--	417,900
JN	02/07	18:30	Household Spending (y/y)	Dec	--	0.0	-1.3
JN	02/07	18:50	Bank Lending (y/y)	Jan	--	--	0.6
JN	02/07	18:50	Current Account (¥ bn)	Dec	--	106.4	897.3
JN	02/07	18:50	Trade Balance - BOP Basis (¥ bn)	Dec	--	-200.7	-431.3
HK	02/07	19:30	Purchasing Managers Index	Jan	--	--	50.8
MA	02/07	23:00	Industrial Production (y/y)	Dec	--	6.5	9.4
CH	02/07		Foreign Reserves (US$ bn)	Jan	--	3,254	3,250
JN	02/08	18:50	Japan Money Stock M2 (y/y)	Jan	--	3.6	3.7
JN	02/08	18:50	Japan Money Stock M3 (y/y)	Jan	--	3.3	3.4
IN	**02/08**	**23:30**	**Repo Rate (%)**	**Feb 9**	**4.00**	**4.00**	**4.00**
IN	02/08	23:30	Reverse Repo Rate (%)	Feb 9	3.35	3.55	3.35
IN	02/08	23:30	Cash Reserve Ratio (%)	Feb 9	4.00	4.00	4.00
JN	02/09	01:00	Machine Tool Orders (y/y)	Jan P	--	--	40.6
TH	**02/09**	**02:00**	**BoT Repo Rate (%)**	**Feb 9**	**0.5**	**0.5**	**0.50**
SK	02/09	18:00	Current Account (US$ mn)	Dec	--	--	7,156
PH	02/09	20:00	Unemployment Rate (%)	Dec	--	--	6.5
CH	02/09		New Yuan Loans (bn)	Jan	3,300	3,700	1,132
MA	02/10	02:00	Foreign Reserves (US$ bn)	Jan 31	--	--	116.2
ID	**02/10**	**02:20**	**BI 7-Day Reverse Repo Rate (%)**	**Feb 10**	**3.50**	**3.5**	**3.50**
NZ	02/10	16:30	Business NZ PMI	Jan	--	--	53.7
MA	02/10	23:00	Current Account Balance (MYR mns)	4Q	--	--	11,600
MA	02/10	23:00	Annual GDP (y/y)	2021	3.4	3.4	-5.6
MA	02/10	23:00	GDP (y/y)	4Q	2.5	3.3	-4.5
TA	02/11	03:00	CPI (y/y)	Jan	2.5	2.5	2.6
TA	02/11	03:00	Exports (y/y)	Jan	--	17.6	23.4
TA	02/11	03:00	Imports (y/y)	Jan	--	25.0	28.1
TA	02/11	03:00	Trade Balance (US$ bn)	Jan	--	5.9	5.8
IN	02/11	07:00	Industrial Production (y/y)	Dec	--	1.70	1.40
ID	02/11		Consumer Confidence Index	Jan	--	--	118.3

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CO	02/05	12:00	Consumer Price Index (m/m)	Jan	1.1	1.1	0.7
CO	02/05	12:00	Consumer Price Index (y/y)	Jan	6.4	6.4	5.6
CL	02/08	06:00	CPI (m/m)	Jan	0.4	0.5	0.8
CL	02/08	06:00	CPI (y/y)	Jan	6.9	7.0	7.2
BZ	02/09	07:00	IBGE Inflation IPCA (m/m)	Jan	--	0.6	0.7
BZ	02/09	07:00	IBGE Inflation IPCA (y/y)	Jan	--	10.4	10.1
BZ	02/09	07:00	Retail Sales (m/m)	Dec	--	-0.5	0.6
BZ	02/09	07:00	Retail Sales (y/y)	Dec	--	0.7	-4.2
PE	**02/10**	**18:00**	**Reference Rate (%)**	**Feb 10**	**3.50**	**3.5**	**3.00**
BZ	02/11	07:00	Economic Activity Index SA (m/m)	Dec	--	0.3	0.7
BZ	02/11	07:00	Economic Activity Index NSA (y/y)	Dec	--	0.7	0.4

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.

Global Auctions for the week of February 7 – 11

NORTH AMERICA

Country	Date	Time	Event
US	02/08	13:00	U.S. To Sell 3-Year Notes
US	02/09	13:00	U.S. To Sell 10-Year Notes
CA	02/10	12:00	Canada to sell 5 Year Bonds
US	02/10	13:00	U.S. To Sell 30-Year Bonds

EUROPE

Country	Date	Time	Event
AS	02/08	05:15	Austria to Sell Bonds
SW	02/09	04:00	Sweden to Sell Bonds
SZ	02/09	05:15	Switzerland to Sell Bonds
GE	02/09	05:30	Germany to sell 1.5 Billion Euros of 2050 Bonds
IT	02/11	05:00	Italy to Sell Bonds

ASIA-PACIFIC

Country	Date	Time	Event
CH	02/08	21:35	China to Sell CNY70 Bln 2-Yr Upsized Bonds
CH	02/08	21:35	China to Sell CNY70 Bln 5-Yr Upsized Bonds

LATIN AMERICA

No Scheduled Auctions.

Sources: Bloomberg, Scotiabank Economics.

Events for the week of February 7 – 11

NORTH AMERICA

Country	Date	Time	Event
CA	02/09	12:00	Bank of Canada's Macklem Gives Speech
US	02/09	12:00	Fed's Mester Speaks on Economic and Policy Outlook
MX	**02/10**	**14:00**	**Overnight Rate**

EUROPE

Country	Date	Time	Event
UK	02/09	08:10	BOE chief economist Huw Pill speaks
SW	**02/10**	**03:30**	**Riksbank Interest Rate**
EC	02/10	05:00	European Commission publishes Economic Forecasts
EC	02/10	07:30	ECB's Villeroy speaks
UK	02/10	15:15	Bank of England Governor Andrew Bailey speaks
RU	**02/11**	**05:30**	**Key Rate**

ASIA-PACIFIC

Country	Date	Time	Event
IN	**02/08**	**23:30**	**RBI Repurchase Rate**
IN	02/08	23:30	RBI Reverse Repo Rate
IN	02/08	23:30	RBI Cash Reserve Ratio
TH	**02/09**	**02:00**	**BoT Benchmark Interest Rate**
ID	**02/10**	**02:20**	**Bank Indonesia 7D Reverse Repo**

LATIN AMERICA

Country	Date	Time	Event
PE	**02/10**	**18:00**	**Reference Rate**

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	0.25	March 2, 2022	0.50	0.50
Federal Reserve – Federal Funds Target Rate	0.25	March 16, 2022	0.50	0.50
Banco de México – Overnight Rate	5.50	February 10, 2022	6.00	6.00

Banco de México (Banxico): We expect Banxico to hike the monetary policy rate by 50 bps to 6.00% on February 10. We updated our call from a 25 bps hike as inflationary pressures, especially on the core component at 5.9% y/y, are still tilted to the upside. Additionally, the Fed, ECB, BoE and fellow Latam central banks have taken a more hawkish stance. We expect a terminal monetary policy rate of 7.00% in the second half of 2022.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	0.00	March 10, 2022	0.00	0.00
European Central Bank – Marginal Lending Facility Rate	0.25	March 10, 2022	0.25	0.25
European Central Bank – Deposit Facility Rate	-0.50	March 10, 2022	-0.50	-0.50
Bank of England – Bank Rate	0.50	March 17, 2022	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	March 24, 2022	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	8.50	February 11, 2022	9.50	9.50
Sweden Riksbank – Repo Rate	0.00	February 10, 2022	0.00	0.00
Norges Bank – Deposit Rate	0.50	March 24, 2022	0.75	0.75
Central Bank of Turkey – Benchmark Repo Rate	14.00	February 17, 2022	14.00	14.00

Central Bank of Russia (CBR): The monetary policy committee is expected to hike rates yet again in the face of rampant inflation. Consensus estimates tightening on the order of 100 bps but anywhere between 50–125bps is on the table. Whether this will be the last hike in the tightening cycle will depend on if inflation peaks in January and shows signs of a sustained slowdown. Geopolitical and sanctions risk hangs over the ruble and hence inflation and the central bank's policy risks. **Sweden Riksbank:** No imminent policy changes are expected at this week's meeting. The repo rate will remain on hold at 0.00%. On Feb. 1, the central bank announced that, on a quarterly basis, it will begin to publish more detailed information about asset purchases. Key will be updated forward guidance on the rate path since the last time the Riksbank issued a policy decision was way back on November 25th when it said the repo rate would be on hold until 2024. That may be brought forward in light of other pivoting central banks and currency risks.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	-0.10	March 18, 2022	-0.10	0.00
Reserve Bank of Australia – Cash Target Rate	0.10	February 28, 2022	0.10	0.10
Reserve Bank of New Zealand – Cash Rate	0.75	February 22, 2022	1.00	1.00
People's Bank of China – 1-Year Loan Prime Rate	3.70	February 20, 2022	3.60	3.65
Reserve Bank of India – Repo Rate	4.00	February 8, 2022	4.00	4.00
Bank of Korea – Bank Rate	1.25	February 24, 2022	1.25	1.25
Bank of Thailand – Repo Rate	0.50	February 9, 2022	0.50	0.50
Bank Negara Malaysia – Overnight Policy Rate	1.75	March 3, 2022	1.75	1.75
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	February 10, 2022	3.50	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.00	February 17, 2022	2.00	2.00

Reserve Bank of India (RBI): The RBI will be making a monetary policy decision on February 9; the benchmark repurchase rate is expected to remain on hold at 4.0%. Nevertheless, the RBI may hint at approaching monetary normalization in the upcoming meeting; we expect the first rate hike to take place before mid-year. Inflation in India remains elevated at 5.6% y/y, slightly below the upper limit of the RBI's inflation target of 2-6%. **Bank of Thailand (BoT):** Thai monetary authorities will be making a policy decision on February 9, and we expect the benchmark rate to be left unchanged at 0.5% to support the economy's recovery. Nevertheless, as inflation is accelerating, the BoT's window of opportunity to underpin economic activity is closing. Accordingly, we expect the BoT to start normalizing monetary policy in the second half of the year. **Bank Indonesia (BI):** BI's monetary policy announcement is scheduled for February 10; we expect the policy rate to remain unchanged at 3.5%. Contained inflation (at 2.2% y/y in January, within BI's target range of 2%-4%) allows for accommodative monetary policy for now. Nevertheless, given the approaching rate liftoff in the US, BI has highlighted the need to maintain stability, which will be achieved by starting to normalize Indonesian monetary conditions gradually. The central bank will first tweak the current stance, e.g., by raising the reserve requirement ratios, and only later will implement benchmark interest rate hikes. We expect the first interest rate increase to take place in Q3 2022.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	10.75	March 16, 2022	11.00	10.75
Banco Central de Chile – Overnight Rate	5.50	March 29, 2022	6.50	6.00
Banco de la República de Colombia – Lending Rate	4.00	March 31, 2022	5.00	4.50
Banco Central de Reserva del Perú – Reference Rate	3.00	February 10, 2022	3.50	3.50

Banco Central de Reserva del Perú (BCRP): We expect the BCRP to raise the reference rate by 50 bps to 3.50% at the February 10 policy rate meeting. We expect the benchmark rate to reach at least 4.50% by year-end 2022. Inflation has moderated slightly in January to 5.7% y/y but still runs considerably above the bank's 2% +/–1% target range.

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	4.00	March 24, 2022	4.00	4.00

Forecasts at time of publication.
Sources: Bloomberg, Scotiabank Economics.