

# Week Ahead

Friday, 7 January 2022

## Inflation data to confirm increased price pressure

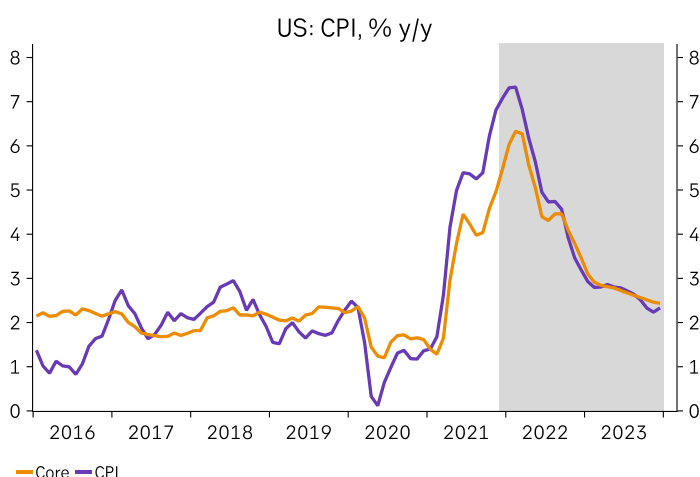
**Global outlook:** A hawkish stance from the Fed has roiled financial markets at the start of the new year, with investors reassessing how to price assets in an environment of rising interest rates. The Fed's December minutes were more hawkish than expected despite the decision to speed up tapering and the large increase in FOMC members' rate hike projections (more [here](#)). Comments by regional Fed presidents have also supported market's speculations of earlier rate hikes. The market is currently pricing 80% probability for lift off in March and totally 3.5 rates hikes to the end of this year. A weak [job report](#) for December did little to change this view. This week offers another week of interesting data centred on US numbers. US inflation is expected to continue higher in December with headline CPI to reach 7.1% y/y and core inflation to rise to 5.5% (Wed). Higher prices on used cars and accelerating rent prices suggest inflation will continue to rise in coming months and implies some upside risks to our forecast for 2022. Card data indicate strong retail sales in December despite increased virus spread and sentiment indicators signals that industrial production remained strong by the end of 2021 (Fri). The calendar in the euro area is thin with focus on labour market data (Mon) and industrial production (Wed). UK GDP for November is due Friday.



**Lina Fransson**  
Fixed Income Strategist  
+46 70 432 21 31  
[lina.fransson@seb.se](mailto:lina.fransson@seb.se)

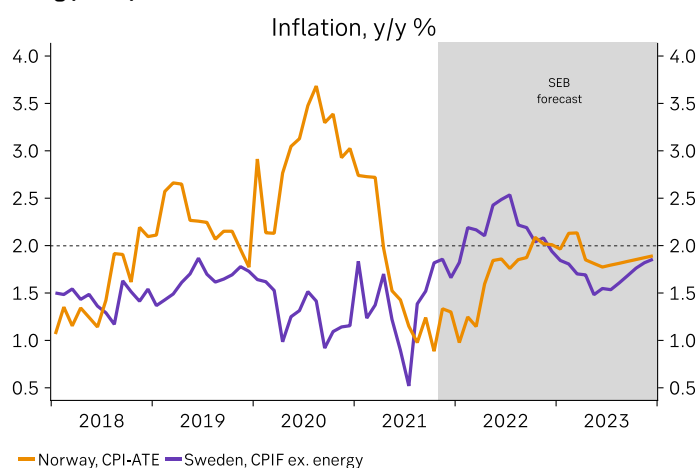
**Nordic outlook:** The Swedish calendar offers a string of interesting data with Fridays' CPI numbers as the largest potential market driver. During the last 1-2 months, our forecasts for inflation have been adjusted upwards in line with rising electricity prices and CPIF looks set to approach 4.2% in December and remain above 4% y/y until the middle of next year (more [here](#)). Look out for comments on the higher inflation prints from Governor Ingves around lunch on Friday. Other data include SEB's housing price indicator, industrial production and Nov GDP indicator (Mon) and budget balance (Tue). In December, Norges Bank's clearly signalled that it has become more worried about inflation risks and didn't want to wait hiking rates despite new restrictions. CPI-ATE is predicted to be stable at 1.3% in December (Mon) but a gradual normalisation of food inflation and higher international prices will exert significant upward pressure on CPI-ATE in 2022. November GDP numbers (Wed) will likely continue to show high activity but restrictions are expected to lower growth in coming months.

### US inflation to rise further in December



Source: Macrobond, SEB

### Rising price pressure also in the Nordics



Source: Macrobond, SEB

# Key Economic Indicators & Events: 10 – 16 Jan, 2022

Date	CEST	Country	Event	Period	SEB forecast*	Consensus*	Last*
<b>Mon 10</b>	<b>Auctions:</b> Germany/France/US to sell bills (11:30/14:50/17:30) <b>Speeches:</b> Fed's Bostic discusses U.S. economic outlook (18:00) <b>Other:</b> US and Russia to hold security talks about i.a. Ukraine and NATO, SEB to publish Swedish housing price indicator (06:30)						
	08:00	DEN	CPI	Dec	0.0/3.5		0.3/3.4
	08:00	NOR	CPI   CPI-ATE	Dec	0.5/5.1   -0.1/1.3	--/5.1   --/1.4	0.8/5.1   0.1/1.3
	09:30	SWE	Private sector production	Nov	1.0/3.7		1.3/3.7
	09:30	SWE	Industry   Industrial orders	Nov	-1.0/2.1   0.5/5.5		4.9/6.8   1.5/6.4
	09:30	SWE	Household consumption	Nov			0.8/5.5
	09:30	SWE	GDP indicator	Nov	0.3/5.5		1.2/4.8
	10:30	EA	Sentix Investor Confidence	Jan		12.3	13.5
	11:00	EA	Unemployment Rate	Nov	7.2	7.2	7.3
	12:00	POL	Trade Balance	Nov			-1985m
	16:00	US	Wholesale Trade Sales   Inventories F mom	Nov		--   1.2	2.2   1.2
<b>Tue 11</b>	<b>Auctions:</b> UK to sell bonds (11:00), Germany to sell inflation-linked bonds (11:30), US to sell notes (19:00) <b>Speeches:</b> Fed's George to discuss the economic and policy outlook (15:30), Senate Banking Committee holds hearing on Powell nomination (16:00), Fed's Bullard to discuss economy and monetary policy (22:00) <b>Other:</b> SEB to publish Swedish Entrepreneur Indicator (06:30), Bundesbank handover ceremony Weidmann-Nagel (11:00)						
	01:30	AUS	Trade Balance	Nov		\$10700m	\$11220m
	01:30	AUS	Retail Sales mom	Nov		3.5	4.9
	09:30	SWE	Budget Balance	Dec			37.6b
	12:00	US	NFIB Small Business Optimism	Dec		98.5	98.4
<b>Wed 12</b>	<b>Auctions:</b> Norway to sell bonds (11:00), Germany to sell bonds (11:30), US to sell notes (19:00) <b>Reports:</b> Dustin Group <b>Other:</b> Fed releases Beige Book (20:00), NATO and Russia to meet in Brussels, deadline for comments on the European Commission's proposal on nuclear/gas in the context of the taxonomy, Poland CPI (final 12:00)						
	00:50	JAP	BoP Current Account Balance	Nov		¥585.0b	¥1180.1b
	02:30	CHI	PPI   CPI yoy	Dec		11.3   1.7	12.9   2.3
	08:00	NOR	Mainland GDP   GDP	Nov	0.5   --	0.5   --	0.0   -1.8
	11:00	EA	Industrial Production	Nov		0.9/1.7	1.1/3.3
	13:00	US	MBA Mortgage Applications	7 Jan			-5.6
	14:30	US	CPI   CPI ex food and energy	Dec	0.5/7.1   0.5/5.5	0.4/7.1   0.5/5.4	0.8/6.8   0.5/4.9
	14:30	US	Earnings yoy real avg hourly   weekly	Dec			-1.9   -1.9
	20:00	US	Monthly budget statement	Dec			-\$191.3b
<b>Thu 13</b>	<b>Auctions:</b> US to sell bills/bonds (17:30/19:00) <b>Speeches:</b> Senate banking committee holds Brainard nomination hearing (16:00), Fed's Barkin to discuss economic outlook (18:00), Fed's Evans on the economy and monetary policy (19:00) <b>Other:</b> Swedish housing price data From Maklarstatistik(06:00), Norges Bank's Bank lending survey for Q4 2021 (10:00), Bank of England Bank Liabilities/Credit Conditions Surveys (10:30)						
	01:01	UK	RICS House Price Balance	Dec		70.0	71.0
	06:00	SWE	PES Unemployment Rate	Dec			3.5
	10:00	IT	Industrial Production	Nov		0.5/3.7	-0.6/2.0
	14:30	US	PPI ex food and energy   Final Demand	Dec		0.4/8.0   0.4/9.8	0.7/7.7   0.8/9.6
	14:30	US	Continuing claims   Initial jobless claims	Jan 1 8			1754k   207k
<b>Fri 14</b>	<b>Speeches:</b> Riksbanks Ingves on the Riksbank's view of economic development and challenges for the Swedish economy (13:10), Fed's Williams speaks at council on foreign relations (17:00) <b>Other:</b> France CPI (final 08:45), ICA Gruppen to be delisted and the last day of trading Nasdaq Stockholm is 13 Jan, Earnings 4Q: Wells Fargo, Citigroup, JPMorgan, BlackRock						
	00:50	JAP	PPI	Dec		0.3/8.8	0.6/9.0
	07:00	FI	CPI	Dec			0.4/3.7
	07:00	FI	GDP Indicator WDA YoY	Nov			4.3
	08:00	UK	Monthly GDP mom   3m/3m	Nov	0.4   0.0	0.4   0.8	0.1 0.9
	08:00	UK	Industrial   Manufacturing Production	Nov		0.2/0.6   0.2/-0.3	-0.6/1.4   0.0/1.3
	08:00	UK	Trade Balance GBP/Mn   Non EU GBP/Mn	Nov		£2400m   --	£2027m   -£8618m
	09:30	SWE	CPI   CPI excl. energy	Dec	1.3/4.2 0.4/1.7	1.3/4.2   0.4/1.8	0.5/3.6   0.1/1.9
	09:30	SWE	CPI   CPI level	Dec	1.3/3.9   --	1.3/3.9   352.52	0.5/3.3   348.03
	10:00	GER	GDP NSA YoY	2021			-5.0
	11:00	EA	Trade Balance SA   NSA	Nov		1.5b   --	2.4b   3.6b
	14:30	US	Retail sales advance mom   ex auto mom	Dec	0.2   --	0.0   0.2	0.3   0.3
	14:30	US	Retail sales control group   ex auto and gas	Dec	0.5   --	0.1   --	-0.1   0.2
	14:30	US	Import price index   ex petroleum mom	Dec		0.3/--   --	0.7/11.7   0.7
	14:30	US	Export price index	Dec		0.4/--	1.0/18.2
	15:15	US	Manufacturing (SIC)   Industrial mom production	Dec	0.5   0.3	0.5   0.3	0.7   0.5
	16:00	US	Business inventories	Nov		1.0	1.2
		CHI	Trade Balance	Dec		\$73.40b	\$71.72b

\* MoM/YoY unless otherwise state

Filip Carlsson, [filip.carlsson@seb.se](mailto:filip.carlsson@seb.se)

## NOR: CPI (Dec)

Monday 10, 08:00

% mm/yy	SEB	Cons.	Norges Bank	Prev.
CPI	0.5/5.1	-/5.1	5.1	0.8/5.1
CPI-ATE	-0.1/1.3	-/1.4	1.3	0.1/1.3

- CPI-ATE has trended lower since the middle of last year but we predict that the inflation rate now is approaching a trough.
- Underlying trends for CPI-ATE are mixed but we predict international prices will exert more upward pressure on underlying inflation than assumed by Norges bank in 2022. Furthermore, food prices are currently falling markedly, and a predicted gradual normalisation of food inflation will exert significant upward pressure on CPI-ATE in 2022.
- Electricity prices continued to rise significantly in December but a government decision to subsidise 55% of the electricity cost above 70 öre/kwh between December and March means that the electricity spike during the winter will have significantly lower impact on CPI than we earlier predicted. The government has also delayed a planned rise in the network fees to July from January 2022. According to our estimate electricity will still increase significantly in December, but uncertainty surrounding the impact from subsidy is substantial.

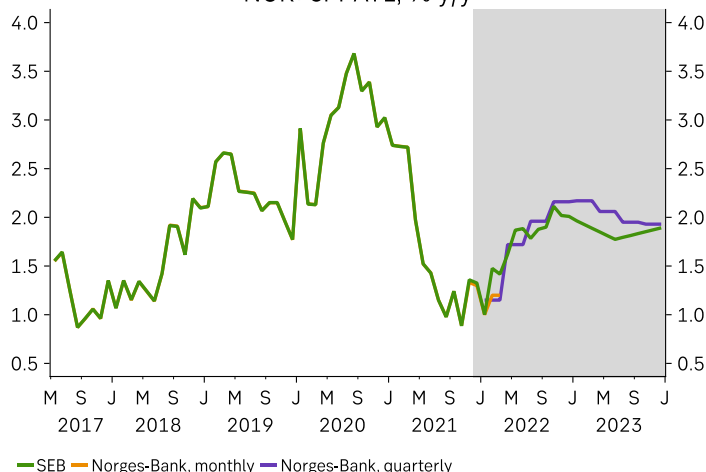
## DEN: CPI (Dec)

Monday 10, 08:00

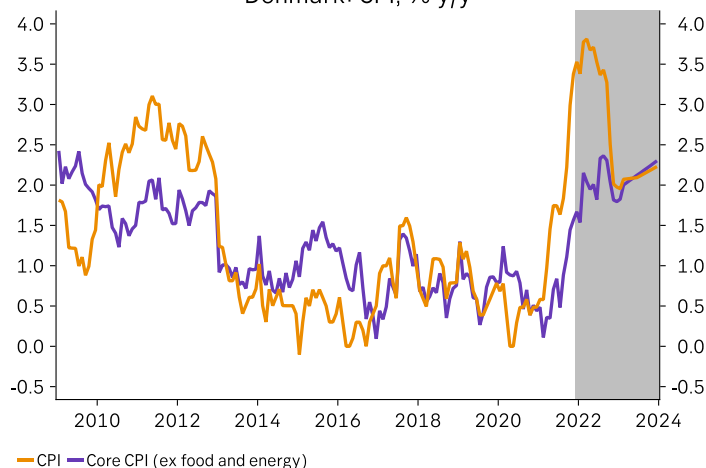
% mm/yy	SEB	Cons.	Prev.
CPI	0.0/3.5	---	0.3/3.4

- CPI has increased markedly, and higher energy prices are expected to continue to push inflation higher in the near term. Despite a recent setback the price increases on natural gas and electricity are far larger than any historic upturn. More pass-through could make the spike in energy significantly larger, with inflation possibly reaching a peak above 4%.
- Forwards imply that energy prices will reverse large parts of the upturns next spring.
- Core inflation (ex food and energy) has also turned higher and CPI ex food and energy has increased to the highest level since 2013. Higher international prices and indirect effects from higher input prices are expected to push core inflation higher but the strength of the upturn is uncertain. Wage inflation took a marked step higher in the second quarter of 2021 and the y/y increase was the highest since 2009. Wage inflation continued to edge higher in Q3.

NOR: CPI-ATE, % y/y



Denmark: CPI, % y/y

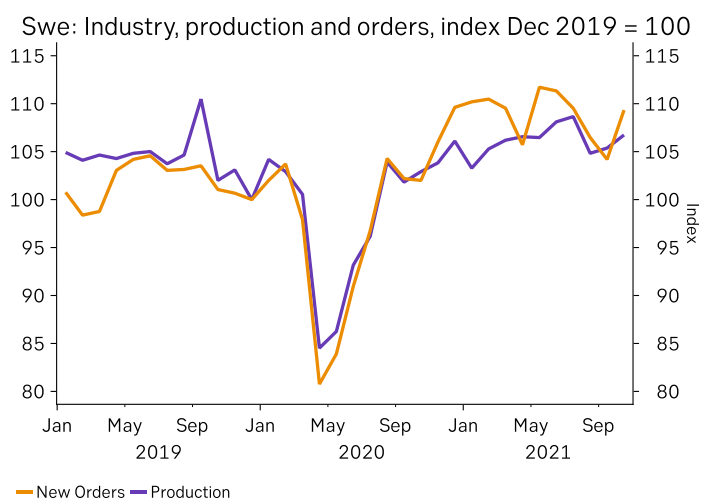


## SWE: Industrial production/orders (Nov)

Monday 10, 09:30

% mm/yy	SEB	Cons.	Prev.
Production, industry	1.0/3.7		1.3/3.7
New orders	-1.0/2.1		4.9/6.8
Production, business sector	0.5/5.5		1.5/6.4

- Business sector production rebounded in September and October after declining markedly in August.
- The outlook for the near term is a bit mixed, but we predict production continued to rise in November. Sentiment indicators have declined slightly from high levels but still suggest firm near term growth. Still, the industry which has been the key driver during the recovery is showing signs of losing momentum especially according to the NIER survey.
- Industrial orders rebounded strongly in October after having declined for 3 consecutive months.
- Sharply higher energy prices add to the downside risk for growth over the coming winter months and spring.

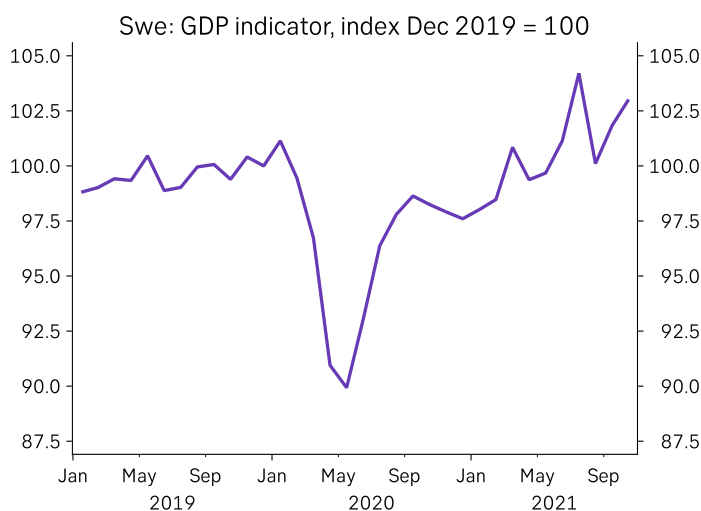


## SWE: GDP indicator (Nov)

Monday 10, 09:30

% mm/yy	SEB	Cons.	Prev.
Activity indicator	0.3/5.5		1.2/4.8

- The GDP indicator has been volatile over the past 3-4 months with a large decline in August being partly reversed in September and October
- Only a few hard data points have been presented for November, but goods exports and retail sales improved slightly.
- Underlying growth is expected to slow over the next 1-2 quarters partly due to production problems. We also see downside risks to demand due to rising energy prices and to some extent increased virus spread. Sentiment indicators have so far remained resistant although sentiment in both the business sector and even more so in the household sector has started to decline.
- Still, the GDP indicator so far suggests slight upside risks to the Riksbank's Q4 GDP estimate (0.9%, 4.7% y/y), even though the difference is small compared to the volatility.



## Euro area: Unemployment (Nov)

Monday 10, 11.00

%	SEB	Cons.	Prev.
Unemployment	7.2	7.2	7.3

- Since peaking in Aug-Sep last year, unemployment has steadily fallen. In October it reached 7.3%, in line with the pre-pandemic level. It is also the level where unemployment historically has bottomed at the peak of economic cycles.
- Employment is heading higher with the Q3 level, usually the strongest quarter, just above the pre-pandemic level. Indicators point at continued rising employment, but the rising infections will be a headwind, especially for the service sector. Also, high energy prices will put pressure on household purchasing power where services might face a headwind as food and energy is a necessity over the winter months.
- The euro area has not seen people leaving the labour market in the same extent as in the US, but increased participation rates will be important for employment to rise.

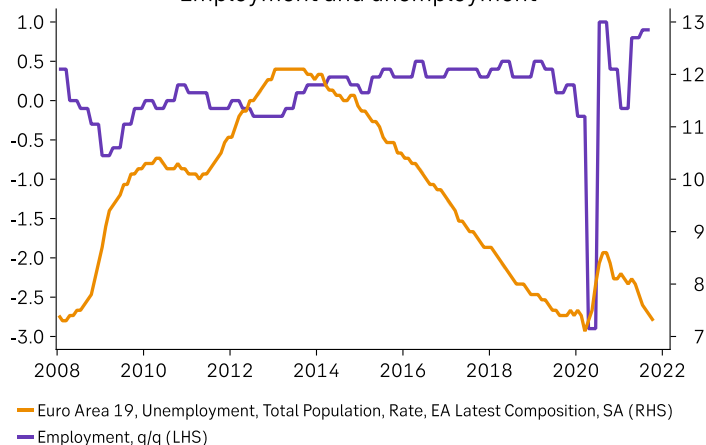
## ES/EA/IT: Industrial production (Nov)

Tue 11 09:00, Wed 12 11:00, Thu 13 10:00

m/m / y/y, %	SEB	Cons.	Prev.
Spain, yoy			-0.9
Euro area mom/yoy		0.9/1.7	1.1/3.3
Italy yoy / mom		0.5/3.7	-0.6/2.0

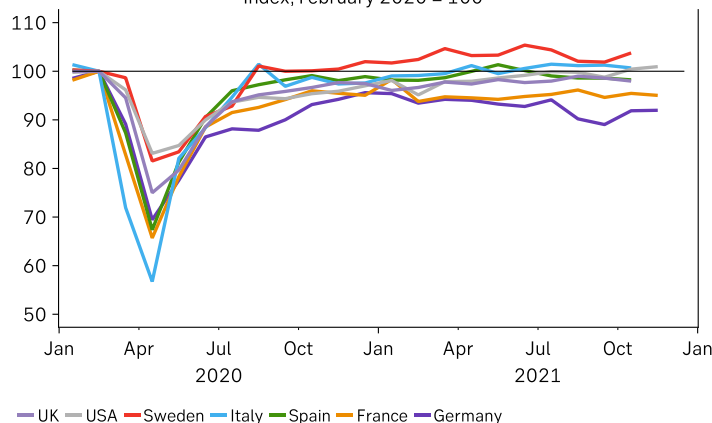
- Despite somewhat declining indicators they remain at firmly expansionary levels. Orders are strong but incoming new orders has softened somewhat and companies report rising production, albeit not as strong compared to the pre-pandemic level. There is hope for better sales going forward but there are also growing supply side constraints affecting production. Input prices also remain at very high levels.
- Until supply side problems and price issues eases, the scope for an uptick is limited and a sideways movement is expected.
- New waves of Covid and reimposed containment measures are not expected to have a major effect on production as long as more strict measures that close production is not reintroduced.

Employment and unemployment



Source: Eurostat, Macrobond, SEB

Industrial production  
Index, February 2020 = 100



Source: German Federal Statistical Office (Statistisches Bundesamt), French National Institute of Statistics & Economic Studies (INSEE).

## SWE: Budget balance (Dec)

Tuesday 11, 09:30

SEK bn	NDO	Cons.	Prev.
Month	-91.5		37.6
Last 12 months	22		28

- The budget in October and November was totally SEK 40bn stronger than the NDO's forecast.
- Lower expenditure and lending to government agencies explains the deviation while tax revenues were SEK 4bn higher. This implies that large parts of the deviation could be temporary.
- The government has presented support measures because of new corona restrictions and the government is likely to present more fiscal measures with e.g. compensation to households for rising electricity prices. The spring budget (presented in April) is also likely to include more measures than normal considering the general election in September.
- Still, the upside surprise has been very large during a short period of time and risks continue to be skewed towards lower supply of government debt.

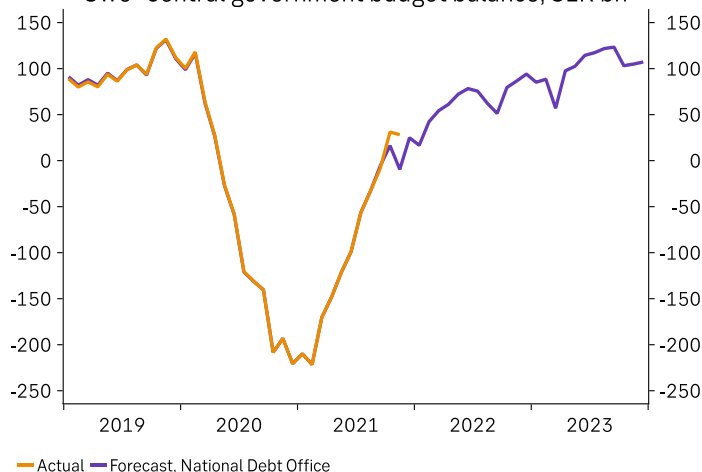
## NOR: Monthly GDP (Nov)

Wednesday 12, 08.00

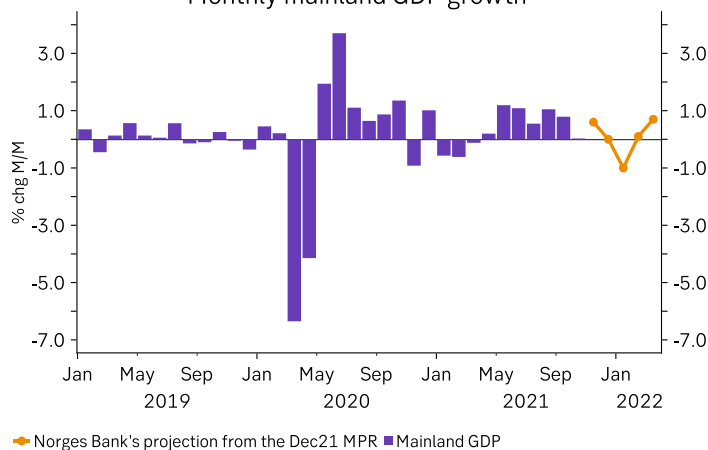
% mm	SEB	Cons.	Prev.
Mainland GDP	0.5	0.5	0.0
Overall GDP	---	---	-1.8

- Sequential growth in mainland GDP was unchanged in October due to weakness from temporary factors, e.g. mackerel fishing and electricity production. The latter will boost growth in Nov. Excluding temporary factors mainland GDP rose 0.3% m/m.
- Private consumption was likely strong in November as goods consumption rebounded a hefty 2.7% m/m. Production-side data is softer.
- High infection rates and containment measures imposed in December will primarily lower growth in January. Norges Bank has lowered its short term growth trajectory with sequential growth seen at 1.3% in Q4 and -0.4% in Q1 2022.
- Mainland GDP growth is expected to have picked up in November. We forecast a 0.5% m/m gain while Norges Bank estimates a 0.6% m/m increase.

Swe: Central government budget balance, SEK bn



Monthly mainland GDP growth

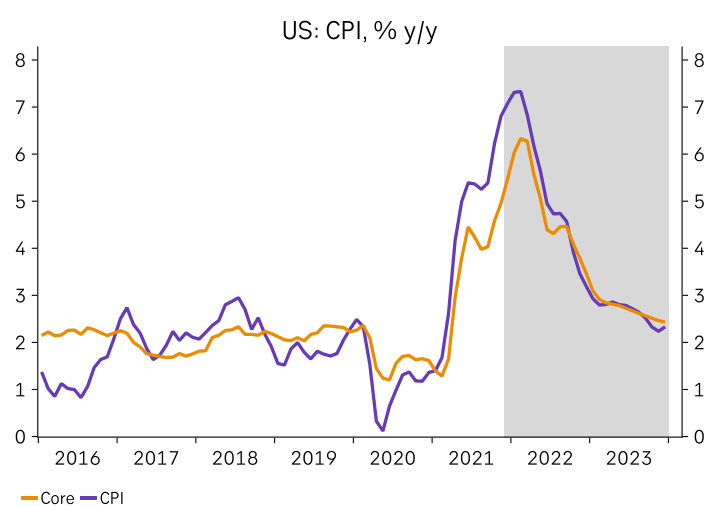


Source: Statistics Norway, Norges Bank, Macrobond, SEB

**US: CPI (Dec)****Wednesday 12, 14:30**

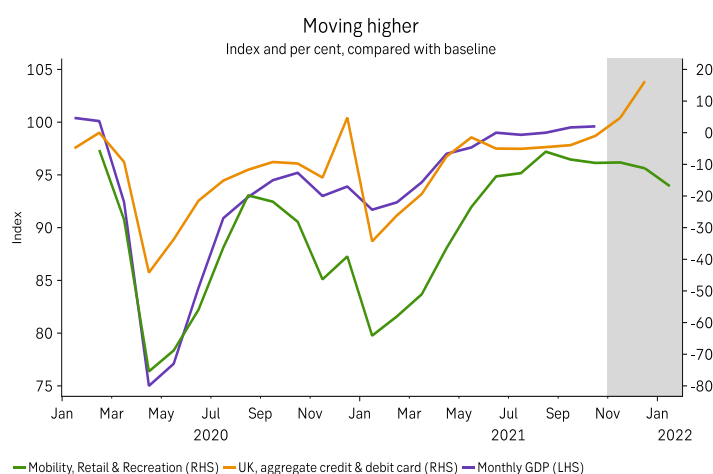
% mm/yy	SEB	Cons.	Prev.
CPI (headline)	0.5/7.1	0.4/7.1	0.8/6.8
CPI ex. food energy (core)	0.5/5.5	0.5/5.4	0.5/4.9

- After 3 months with weaker price increases core inflation accelerated in October and November and we predict the pace to remain at approximately the same level over the next 3 months.
- Used car prices have taken another large step higher and this is expected to give significant contributions to CPI in November - January.
- Rents are accelerating and some indicators imply significant upside risks over the next 6-12 months.
- There are some signs that the supply and production problems are easing from a high level, but the increased virus-spreads could cause new problems in 2022. Still goods prices are expected to continue to be the main driver of high inflation in the near term.
- Service prices have remained muted after being strong during the spring. Lower demand for hospitality and travel services could dampen inflation temporarily in the near term.
- Petrol prices have declined slightly and so have natural gas prices.

**UK: GDP (Nov)****Friday 14 08.00**

	SEB	Cons.	Prev.
GDP, m/m %	0.4	0.4	0.1
GDP, y/y %	7.5	--	4.6

- Over past months mobility rates have turned lower amid rising infections rates forcing people to self-isolate, although this has been more pronounced in December. So far, England faces less restrictions compared with the rest of the UK.
- Payment card transactions have turned markedly higher in particular durable goods as households appear to have prepared for Christmas earlier than normal.
- So far, data indicates a rather robust economic activity in Q4 despite various headwinds. The high inflation readings and in particular higher energy cost should dampen purchases at least in the first months of 2022.



Source: U.K. Office for National Statistics (ONS), Google, Macrobond, SEB

## SWE: CPI (Dec)

Friday 14, 09:30

% mm/yy	SEB	Cons.	Riksbank	Prev.
CPI	1.3/3.9	1.3/3.9	---	0.5/3.3
CPIF	1.3/4.2	1.3/4.2	2.9	0.5/3.6
CPIF ex. Energy	0.4/1.7	0.4/1.8	1.7	0.1/1.9

- Electricity prices have continued to increase, and we have therefor raised our near term forecast significantly. CPIF is expected to rise significantly already this month and remain above 4% y/y until the middle of next year. The government and parliament are expected to present support measures to households which temporarily could lower inflation significantly. The Moderate party has proposed that the electricity tax should be scrapped in January and February which would lower inflation by approx. 0.7pp these months. Forwards continue to imply that electricity prices will far sharply during the spring and summer.
- The outlook for CPIF ex energy is more mixed but indicators imply that underlying inflation will likewise rise over the next 6-9 months. Higher international prices are the most important reason but indirect effect from energy prices is also an upside risk.

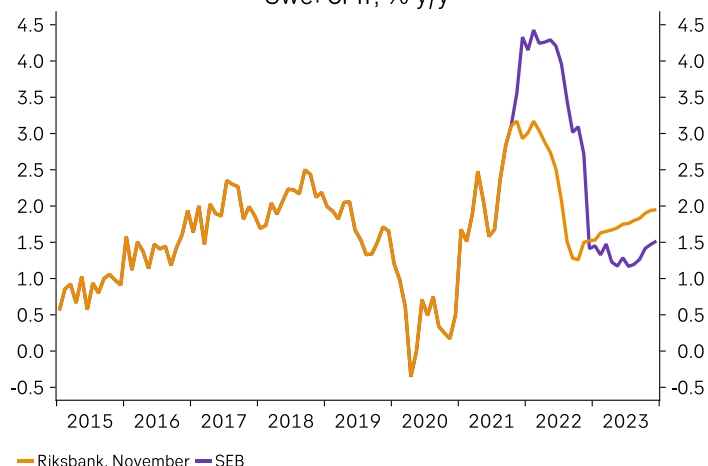
## US: Retail sales (Dec.)

Friday 14, 14.30

% mm	SEB	Cons.	Prev.
Retail sales & food services	0.2	0.0	0.3
Ex. Auto   ex. auto and gas	-- --	0.2 --	0.3 0.2
Retail control	0.5	0.1	-0.1

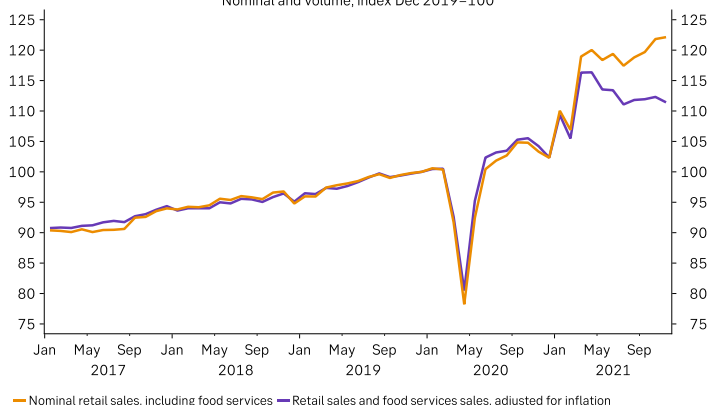
- Retail sales disappointed in November following several solid months. In volume terms, sales fell by 0.8%.
- Consumers have been resilient given fading fiscal support and high inflation eroding real incomes. High levels of excess savings during the pandemic will continue to support spending, but the failure to pass the Build Back Better bill will make fiscal policy even less supportive in 2022 which is a downside risk going forward. The shift from goods to services spending will weigh on retail sales though partly offset by new waves of infections.
- In December, sales will be held back by a decline in vehicle sales and a fall in gasoline prices.

Swe: CPIF, % y/y



— Riksbank, November — SEB

Retail sales boosted by high inflation  
Nominal and volume, index Dec 2019=100



— Nominal retail sales, including food services — Retail sales and food services sales, adjusted for inflation

Source: U.S. Bureau of Economic Analysis (BEA), U.S. Census Bureau, Macrobond, SEB

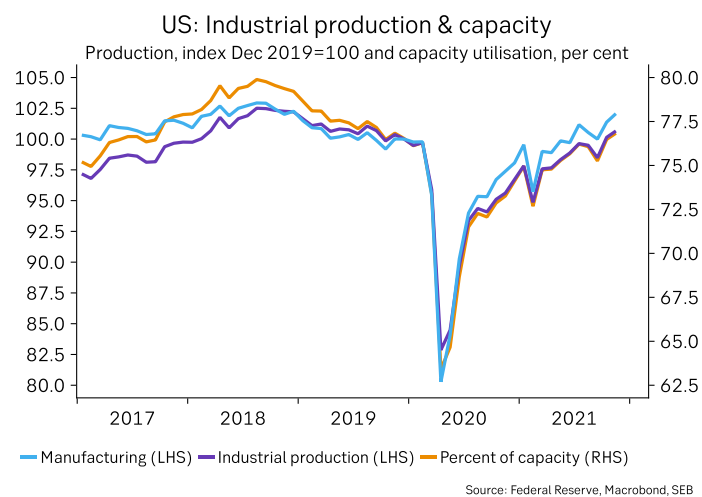


## US: Industrial production (Dec)

Friday 14, 15.15

% mm	SEB	Cons.	Prev.
Industrial production	0.3	0.3	0.5
Manufacturing production	0.5	0.5	0.7
Capacity utilization	--	77.1	76.8

- Industrial production has during H2 2021 been held back by temporary weather-related disturbances (Hurricane Ida) and supply restrictions, not least in the auto sector.
- Supply disturbances have shown clear signs of easing, which support a continued pick-up in the affected sectors such as autos. We expect overall production to continue to rise at a solid pace, supported by a still high order backlog. Orders and production indices in surveys (manufacturing ISM) have remained at clear expansionary levels, though down from previous highs, while capacity utilization is still below long-term historical averages. The fast spreading Omicron virus variant creates risks for new disturbances, however, which is a downside risk for the beginning of 2022.



**Disclaimer**

This report has been compiled by SEB Large Corporates & Financial Institutions, a division within Skandinaviska Enskilda Banken AB (publ) ("SEB") to provide background information only.

Opinions, projections and estimates contained in this report represent the author's present opinion and are subject to change without notice. Although information contained in this report has been compiled in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made with respect to its correctness, completeness or accuracy of the contents, and the information is not to be relied upon as authoritative. To the extent permitted by law, SEB accepts no liability whatsoever for any direct or consequential loss arising from use of this document or its contents.

The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of the SEB Group or any person or entity within the SEB Group that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realised. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. Anyone considering taking actions based upon the content of this document is urged to base investment decisions upon such investigations as they deem necessary.

In the UK, this report is directed at and is for distribution only to (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (The "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This report must not be acted on or relied upon by persons in the UK who are not relevant persons. In the US, this report is distributed solely to persons who qualify as "major U.S. institutional investors" as defined in Rule 15a-6 under the Securities Exchange Act. U.S. persons wishing to effect transactions in any security discussed herein should do so by contacting SEBEI.

The distribution of this document may be restricted in certain jurisdictions by law, and persons into whose possession this documents comes should inform themselves about, and observe, any such restrictions.

This document is confidential to the recipient, any dissemination, distribution, copying, or other use of this communication is strictly prohibited.

Skandinaviska Enskilda Banken AB (publ) is incorporated in Sweden, as a Limited Liability Company. It is regulated by Finansinspektionen, and by the local financial regulators in each of the jurisdictions in which it has branches or subsidiaries, including in the UK, by the Financial Services Authority; Denmark by Finanstilsynet; Finland by Finanssivalvonta; and Germany by Bundesanstalt für Finanzdienstleistungsaufsicht. In Norway, SEB Enskilda AS ('ESO') is regulated by Finanstilsynet. In the US, SEB Securities Inc ('SEBEI') is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBEI and ESO are direct subsidiaries of SEB.