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GLOBAL ECONOMICS

THE GLOBAL WEEK AHEAD

February 7, 2025

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With thanks for research support from: Jaykumar Parmar.

Next Week's Risk Dashboard

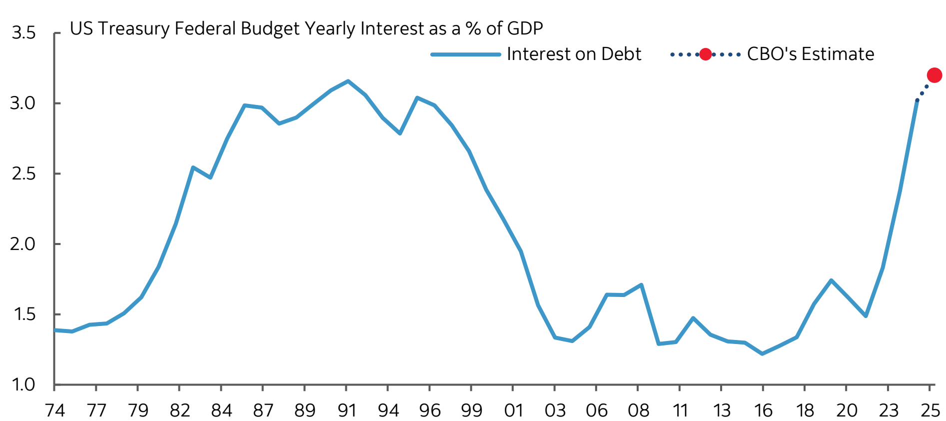
- **Trump plans US reciprocal tariffs to start the week**
- **Tracking the numbers behind US Budget talks…**
- **…and why they may thwart further easing by the Federal Reserve**
- **The unfavourable outlook for US debt and deficits**
- **Powell to deliver two rounds of Congressional testimony**
- **US CPI may inform post-March FOMC pricing**
- **Peru's central bank might be done easing, or very close to it**
- **Earnings season drones on**
- **How did US consumers kick off the new year?**
- **The UK economy is going nowhere**
- **Chinese inflation to remain very low**
- **BSP may deliver double-barrelled easing**
- **What now for Russia's central bank?**
- **Global macro indicators**

The Super Bowl of Budgets

FORECASTS & DATA

Chart of the Week

Uncle Sam's Interest Burden is Only Just Starting to Rise



Sources: Scotiabank Economics, US Treasury, CBO.

Chart of the Week: Prepared by: Jaykumar Parmar, Economic Analyst.

February 7, 2025

The Super Bowl of Budgets

The US will be where almost all of the action across global markets will unfold this week. That's one part due to several expected developments in the US, and one part because there just isn't much by way of calendar-based risk elsewhere. Of course, in this environment, off-calendar, random developments, such as US policy crafted on the fly may dominate above all else.

Key will be Federal Reserve Chair Powell's two rounds of Congressional testimony that offer the chance to update his thinking with fresh data and developments. Also key will be more US inflation reports and the first retail sales figures of 2025 as a smell test on how the consumer is holding up after a strong Q4. About seventy-five S&P500 earnings reports are due, but shock-and-awe names in, say, tech and financial services are already out.

Also watch for any substance behind President Trump's warning late this past week that 'retaliatory tariffs' are being planned on "everyone" to be unveiled in a conference early in the week and that tariffs on Japan are being considered. This is not over folks; it's just beginning. Trump's fiscal agenda is starved for funding as I'll argue and this poses a significant risk to the world—and US—outlook.

There will also be potentially significant developments in US budget negotiations geared toward delivering upon the Trump administration's aggressive fiscal policy agenda. I've attempted to provide an update on the math around US budget talks and how Trump's first 100-day plan is evolving so far for spending and revenue targets. Let's just say they have a great deal of work to do, the bar for success is set very high, but they have a considerable amount of time left to achieve the President's goals. The potential consequences to the deficit, twin deficits, debt issuance, bond yields, a potentially massive surge of private savings, and Federal Reserve policies are significant and mapped out. At this point, it seems safe to say that the US twin deficits will remain high and probably widen considerably further in coming years.

Elsewhere, UK macro data, a trio of central bank decisions out of Peru, Philippines and Russia, about 45 Canadian TSX earnings reports and limited Chinese inflation and financing data are on tap.

US BUDGET TALKS—A STEEP HILL TO CLIMB

A key question on the minds of many clients is whether Congress can succeed in delivering budgetary goals on taxes, spending increases, spending decreases and the deficit. If so, then when? What would be the net effects on the deficit and debt of the US government? What could happen to the debt ceiling? And how could fiscal and monetary policy interplay with one another?

It is premature to answer these questions aside from the rhetorical commitments of the Republicans in both chambers of Congress who are involved in the process, but we're starting to get a better picture of how the priorities are being bandied about.

Budget Reconciliation—Probably Two Bills

First up is the 'how' part. There could be one or two bills that seek to deliver upon the goals within Trump's stated desire to achieve them within the first 100 days of his term and hence by early May.

In order to maximize the chances of achieving the 100-day plan, Congress is making use of the Budget reconciliation process. This allows for legislation affecting revenues, expenditures and the debt limit to pass by simple 50+1 majority in the Senate that could be settled by the Vice President's vote instead of by 60 votes, thus avoiding the filibuster and Senate gridlock over major proposals.

In short, reconciliation is an easier, partisan way of getting major bills through given the GOP's slim majorities in both chambers. The GOP holds 53 out of 100 Senate seats with the Democrats having 45 and two independents. The GOP holds the House by a 218–215 spread with 2 vacancies for the slimmest of majorities. The GOP therefore has very little margin for error in securing widespread support with the Republicans assuming most if not all Democrats won't go along.

Congress can normally only use the budget reconciliation tool once per year, but a reconciliation bill was not passed for fiscal year 2025 which means the tactic can be used twice this year. Trump keeps saying that he would like 'one big, beautiful bill' including tax and spending measures but could tolerate two bills. Others say one bill would be too complicated to achieve all of that at once. Given that Trump has indicated he wants tax cuts to be passed within his first 100 days and given that time is ticking, reconciliation has to proceed rapidly to enable passage in both chambers and have the bill(s) signed by Trump into law. Nevertheless, it's only February.

The House GOP Is Divided...

An extension of the 'how' part involves explaining that the two chambers are going separate routes.

The House—traditionally the chamber that controls the purse—normally leads the process. House GOP members, however, are getting bogged down in competing proposals and disharmony between spending hawks and moderates.

Initial unconfirmed proposals in the House that have been reported through media outlets looked to $300B of spending cuts with $325B of more spending split between defense and border initiatives. Initial proposals would have left spending largely unaffected on net. A second recent proposal sought $900B of cuts with $300B of new spending for a net $600B reduction of spending. House Speaker Johnson has naturally expressed optimism that they can achieve agreement—with some members pushing for larger cuts—but others are skeptical.

…so the Senate is Taking the Lead This Week

Senator Lindsey Graham—who chairs the Senate budget panel—said this past week that the Senate will start its own budget reconciliation plan out of frustration toward the inability to strike agreement in the House. "It's time for the Senate to move," he said, with plans to advance a budget blueprint this week and "Hopefully we'll get started next week marking it up in committee."

Graham has indicated that a super bill is unlikely and is initially setting more moderate spending targets that would be able to deliver upon border and defense spending proposals. He pledged to fund the increases with offsetting spending cuts or measures to raise more revenues. Whatever the House settles on has to pass the Senate in one or two bills.

The Starting Points for the Numbers

Now for the starting numbers, with the obvious caveat that at this stage they are meant to be very rough and to be further informed by evolving developments.

The US government's total spending in 2024 was about $6¾ trillion including $881 billion on net interest payments. Of that $6¾ trillion, $4.06T was mandatory spending that is required by law and also known as entitlement spending or direct spending. This is almost two-thirds of US government spending and includes Social Security, Medicare, Medicaid, Veterans benefits and interest.

Discretionary spending is $1.81 trillion and requires an appropriations bill each year for Congress to approve spending levels. Discretionary spending includes defense spending of about $881 billion and most education spending.

Mandatory spending includes big ticket items, like $1.3T on Social Security, $1.89 trillion on Medicare, and $618B on Medicaid. Most of this spending was originally declared by Trump to be off limits for cuts. Now, however, it appears that Elon Musk's DOGE (Department of Governmental Efficiency) is searching for savings in these areas.

It would be very difficult to gut discretionary spending by enough to achieve the House GOP members' high-end targets for up to $1 trillion in total spending cuts and a stretch to achieve even the lower end if mandatory spending is left untouched.

What They're Thinking of Doing on Taxes and Spending So Far

Table 1 shows an attempt at projecting the budgetary changes.

What is in red reflect the White House's recently stated priorities for tax cuts over the next ten years. Tax initiatives that have been previously proposed but not recently emphasized by Trump are shown in black as are tariff revenues. All of these revenue projections are drawn from the Tax Foundation's model-based estimates.

The estimates for tax revenues are from the Tax Foundation's costing. They tend to be near the lower end of the estimated ranges in order to be reasonably conservative. The sum total of all tax measures according to them would amount to $6.8 trillion over ten years, or $7.7 trillion if we only use President Trump's recently stated priorities.

By contrast, the Committee for a Responsible Federal Budget pegs the revenue costs of Trump's tax priorities at between $5 and $11.2 trillion over ten years (**here**).

Then come spending increases. Yes, increases. Both chambers appear to be leaning toward roughly $300 billion per year of additional border and defence spending split roughly down the middle. It's unclear if this is for a temporary period and then cuts will be enacted or made permanent, but I've gone with what seems to be vague guidance about a four-year plan.

The cost of deporting migrants is shown using the American Immigration Council's estimated cost of deporting about 1 million illegal migrants per year (**here**). Here too there are high uncertainties not least of which around how quickly the mass deportation can occur and for how long. If quickly, the up-front cost is much higher; if slowly for a long time then they explain that the costs would be more spread out but amount to a higher overall tally.

Next are the possible spending cuts if they are possible to achieve through Congress and the courts.

Next are the effects of shutting down or curtailing agencies. There is a lot of uncertainty around costing these ideas not least of which because they're seemingly being made up on the fly.

For instance, the Education Department employs 4,400 people and its budget is about $68 billion. Trump probably cannot eliminate the department without Congress but can sharply reduce funding. This amount sounds big but is a small portion of the overall budget. Cutting it would mean offloading costs and responsibilities onto state governments. In that scenario, savings at the Federal level to fund other spending initiatives and tax cuts would be offset by tax hikes at the state level unless they too dramatically scaled back service. The Education Dept also manages $115B of student aid and what happens to that is unclear.

Eliminating USAID—the US government's foreign aid program—carries potential budgetary savings of about $40 billion based upon public sources for the size of its budget. Critics note that this would dramatically scale back US influence abroad and with negative effects on health and poverty programs.

Estimated savings of Federal staff reductions—if achieved—tend to be at most in the tens of billions of dollars out of the nearly $300B spent on the Federal civilian payroll and probably closer to $10B per year. Only a fraction of that workforce is thought likely to be reduced either through voluntary buyouts or layoffs. **This** recent Brookings Institution piece provides estimates but more importantly an explanation of the complications and legalities.

Other proposals may shift federal responsibilities for part of Medicaid onto states. Other than very vague guidance that Elon Musk's DOGE initiative is pouring over ways to trim costs we don't have much to go by.

The Punchline—Bigger Deficits and Debt Appear Likely

The punchline is shown in the detailed calculations shown in table 1 and ensuing charts based upon these attempts at what we kind of know but with big caveats around what is likely to become further informed.

In order to achieve all of President Trump's recently stated priorities for tax cuts plus what Congress is working toward on possible spending increases minus what they have sought thus far for spending reductions, the cumulative deficit over the next ten years would have to rise by trillions and trillions of dollars.

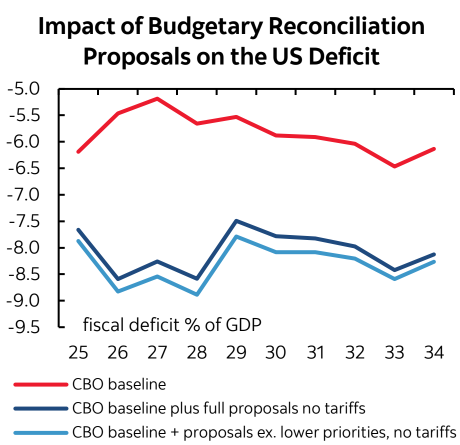
The cumulative deficit over the next ten years would rise from a CBO baseline estimate of about $21 trillion to $25.2 trillion if all of the proposals—including tariff revenues—are included. If tariffs are excluded, then the cumulative deficit would rise to about $29 trillion. If tariffs and lower priority tax items are excluded, then the cumulative ten-year deficit would rise to nearly $30 trillion.

The deficit-to-GDP ratio would be at a persistent 6% of GDP under the CBO baseline but rise to 8% under full proposals with no tariffs (chart 1).

Over the next ten years by 2034, public debt outstanding would rise by a further US$4 trillion above the CBO's baseline scenario that had already been projected to rise by about $20 trillion from today's levels assuming tariffs and all initiatives. On a CBO basis this would mean public debt rises toward $53 trillion in ten years time. On a Treasury basis that includes the Federal Reserve's holdings, public debt would rise to at least $57 trillion—or nearly three times higher than when Trump won the 2016 election.

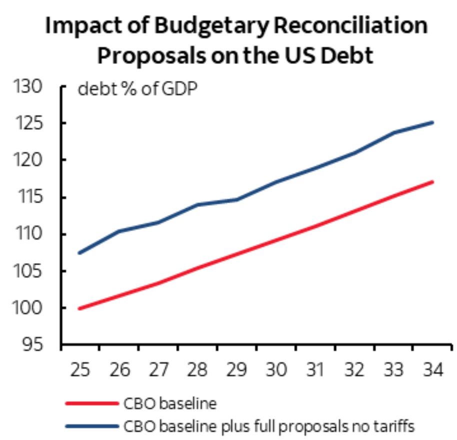
The debt-to-GDP ratio would rise by 8–9 percentage points above the baseline scenario that was already projected to rise by about seventeen percentage points toward a combined total of 126% (chart 2).

Chart 1



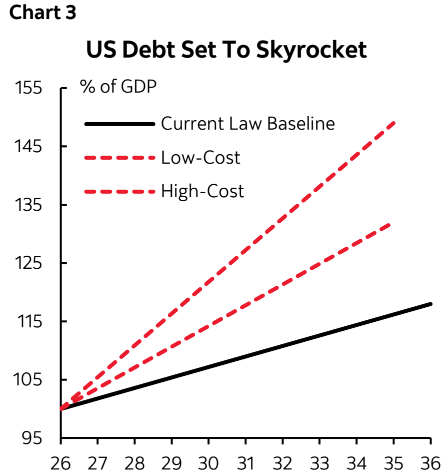
Sources: Scotiabank Economics, Tax Foundation, CBO, Brookings Institution, American Immigration Council, various media reports.

Chart 2



Sources: Scotiabank Economics, Tax Foundation, CBO, Brookings Institution, American Immigration Council, various media reports.

Chart 3



Sources: Scotiabank Economics, Committee for a Responsible Federal Budget.

Table 1

Preliminary US Budgetary Deficit Projections											
Tax Proposals:	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2025-2034**
Individual TCJA Permanence	-	(319)	(343)	(353)	(363)	(376)	(391)	(407)	(411)	(430)	**(3,392)**
Restore Full Deduction for SALT	-	(98)	(106)	(109)	(112)	(116)	(118)	(122)	(127)	(132)	**(1,041)**
TCJA Estate Tax	-	(14)	(20)	(21)	(22)	(23)	(24)	(26)	(28)	(29)	**(206)**
TCJA Business	-	(138)	(121)	(95)	(73)	(55)	(45)	(40)	(39)	(37)	**(643)**
Exempt Social Security Benefits from Income Tax	(95)	(96)	(106)	(111)	(117)	(123)	(129)	(135)	(136)	(143)	**(1,189)**
Exempt Overtime Pay from Income Tax	(65)	(64)	(69)	(71)	(74)	(76)	(78)	(81)	(83)	(87)	**(748)**
Exempt Tips from Income Tax	(10)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(14)	**(118)**
End carried interest	0.50	1.10	1.30	1.30	1.30	1.40	1.40	1.50	1.50	1.60	**13**
Create an Itemized Deduction for Auto Loan Interest	(5)	(6)	(6)	(6)	(6)	(6)	(6)	(7)	(7)	(7)	**(61)**
Lower Corporate Rate to 15% for Domestic Production Activities	(48)	(26)	(29)	(31)	(31)	(35)	(37)	(39)	(41)	(45)	**(362)**
Repeal IRA Green Energy Tax Credits	69	81	97	108	109	115	105	95	77	66	**921**
Impose a Universal 20% Tariff on All Imports Plus Additional 50% Tariff on Imports from China	318	331	346	361	375	389	403	418	434	449	**3,824**
Total Costing of Revenue Proposals	**164**	**(358)**	**(365)**	**(338)**	**(325)**	**(315)**	**(331)**	**(354)**	**(373)**	**(406)**	**(3,001)**
Total Costing of Revenue Proposals Excluding Tariffs	(154)	(690)	(712)	(699)	(699)	(704)	(735)	(772)	(806)	(855)	(6,825)
Total Costing of Revenue Proposals Ex-Tariffs and Lower Priorities	(218)	(765)	(803)	(801)	(802)	(813)	(833)	(860)	(877)	(913)	(7,697)
Possible Spending Increases:											
Defence and border	(300)	(300)	(300)	(300)	-	-	-	-	-	-	**(1,200)**
Deporting migrants	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	**(900)**
Possible Spending Cuts:											
Education Department	50	50	50	50	50	50	50	50	50	50	**500**
Federal government staff reductions	11	11	11	11	11	11	11	11	11	11	**108**
USAID	40	40	40	40	40	40	40	40	40	40	**400**
Net budgetary impact assuming tariff revenues	(125)	(648)	(655)	(627)	(314)	(305)	(321)	(343)	(362)	(395)	**(4,093)**
Net budgetary impact assuming no tariff revenues	(443)	(979)	(1,001)	(988)	(689)	(693)	(724)	(761)	(795)	(844)	**(7,917)**
Net budgetary impact assuming no tariff revenues or lower priorities	(507)	(1,054)	(1,092)	(1,090)	(791)	(802)	(822)	(850)	(866)	(903)	**(8,777)**
Deficit - CBO baseline	-1,865	-1,713	-1,687	-1,911	-1,938	-2,140	-2,233	-2,371	-2,637	-2,597	**(21,092)**
Deficit - CBO baseline plus full proposals	-1,990	-2,361	-2,341	-2,538	-2,252	-2,444	-2,553	-2,713	-2,999	-2,992	**(25,185)**
Deficit - CBO baseline plus full proposals, no tariffs	(2,308)	(2,692)	(2,688)	(2,899)	(2,627)	(2,833)	(2,957)	(3,132)	(3,433)	(3,441)	**(29,009)**
Deficit - CBO baseline plus proposals except lower priorities, no tariffs	(2,372)	(2,767)	(2,779)	(3,001)	(2,729)	(2,942)	(3,055)	(3,220)	(3,503)	(3,500)	**(29,869)**
GDP	30,136	31,341	32,538	33,765	35,047	36,394	37,792	39,252	40,768	42,330	**359,364**
Debt held by public - CBO baseline	30,103	31,883	33,636	35,601	37,581	39,748	41,992	44,372	46,985	49,556	
Debt held by public - CBO baseline plus full proposals no tariffs	32,411	34,575	36,324	38,500	40,207	42,581	44,949	47,503	50,418	52,997	
Debt:GDP - CBO baseline	99.9	101.7	103.4	105.4	107.2	109.2	111.1	113.0	115.3	117.1	
Debt:GDP - CBO baseline plus full proposals no tariffs	107.55	110.32	111.63	114.02	114.72	117.00	118.94	121.02	123.67	125.20	
Deficit:GDP - CBO baseline	-6.2	-5.5	-5.2	-5.7	-5.5	-5.9	-5.9	-6.0	-6.5	-6.1	
Deficit:GDP - CBO baseline plus full proposals no tariffs	-7.7	-8.6	-8.3	-8.6	-7.5	-7.8	-7.8	-8.0	-8.4	-8.1	
Deficit:GDP - CBO baseline plus proposals except lower priorities, no tariffs	-7.9	-8.8	-8.5	-8.9	-7.8	-8.1	-8.1	-8.2	-8.6	-8.3	

* Items shown in red are tax initiatives President Trump has recently indicated to be priorities.
Sources: Scotiabank Economics, Tax Foundation, CBO, Brookings Institution, American Immigration Council, various media reports

Other estimates have far higher debt-to-GDP scenarios including the aforementioned estimates from the Committee for a Responsible Federal Budget (charts 3).

The Debt Ceiling And Empty Promises

Such effects would require a large increase in the debt ceiling which is very likely why President Trump has suddenly advocated getting rid of it compared to previous opposition to doing so when the Democrats were in power.

While Treasury Secretary Bessent tamps down concerns about debt issuance 'for the foreseeable future' and dismisses inflation risk, he has mixed motives.

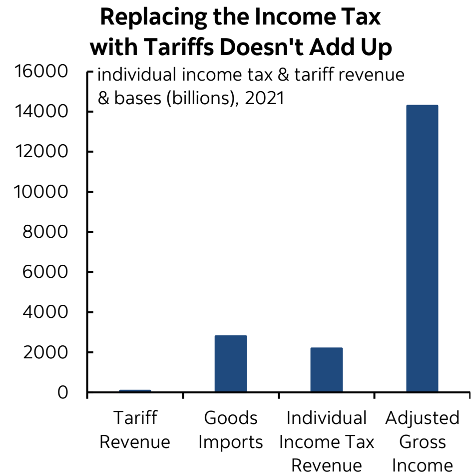
It may also be because he is aware of much more severe plans to shutter broad swathes of the Federal government in which case at least some of the costs would be offloaded onto other layers of government.

He may also be masking the extent to which the Trump administration is serious about using tariffs, although the costing estimates provided in the table I've offered would be insufficient. Indeed, as noted many times, however, the math on the tariff base doesn't line up well with hype around replacing income tax revenues (chart 4). The math also assumes that imports wouldn't be crushed by tariffs and that the rest of the world would not retaliate and damped US and global growth.

I personally put a lot of stock in the likelihood that Trump is biased toward a much bigger amount of public debt outstanding. Recall that Trump widened the fiscal deficit from about 2½% of GDP just before winning the election in 2016 to almost double that just before the pandemic struck. Tax cuts do not pay for themselves. Spending cuts this time around would have to be vastly more severe than anything that appears to be either proposed or discussed.

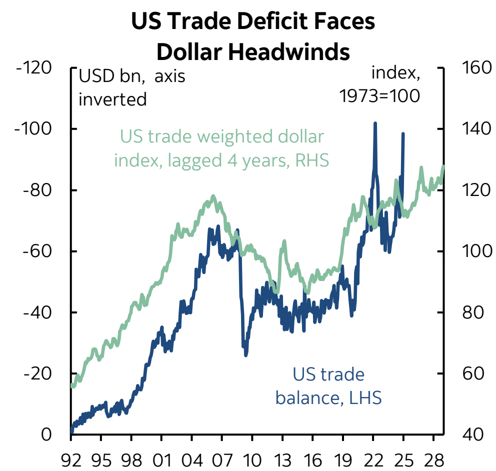
Further, the lagging effects of dollar strength are likely to continue widening the US trade deficit (chart 5) plus there are the strong-dollar implications of US policy. America is not on a path toward addressing its 'twin deficits' and appears to be making wrong choices that would inflame them further from here.

Chart 4



Sources: Scotiabank Economics, Tax Foundation.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Or promises must be broken by some combination of the President—who claims social security won't be touched—and what the House and Senate work out as a pair of compromise bills—or future administrations when the problem becomes more acute.

And/or the US private sector may sharply ramp up its savings perhaps also induced by the long-run effects of fiscal plans upon rising interest rates.

Time will tell, but much further progress is required, and the net fiscal effect across governments also has to be considered including the offloaded costs onto states.

Bad Timing for the Federal Reserve

Right now, markets have nothing material priced for the FOMC's March 19th meeting, a one-in-five chance at a quarter point cut priced for the May meeting, and a full cut priced only by the September meeting.

And yet if two budget reconciliation bills that deliver these very roughly estimated numbers based upon information we think we know so far do arrive by early May, then they may be signed into law just before the FOMC's May 7th decision. This kind of expansion of the long-run fiscal deficits of the US government and their impact upon the economy could very well thwart any further monetary policy easing and quite possibly for much longer than priced.

US CPI—UPDATED SEASONALS TO COMPLICATE EXPECTATIONS

It seems to be nearly a sure bet that the FOMC is going to be on hold at the March 19th meeting. Chair Powell said at his January press conference that "We do not need to be in a hurry to adjust our policy stance" and when pressed to clarify March expectations repeated this message.

This week's inflation signals might inform the path thereafter, alongside other data and developments not least of which being policy shifts by the US administration. The May 7th meeting is priced for half of a quarter point cut at the time of writing.

The consumer price index for January and annual revisions on Wednesday and then the producer price index for January the next day will combine to inform the next reading of the Fed's preferred price deflator for total consumer spending that lands at the end of the month. We use CPI pushed through the sausage grinder that is the different weights and methodology of the PCE gauge, and PPI for the share of its basket that gets included in PCE.

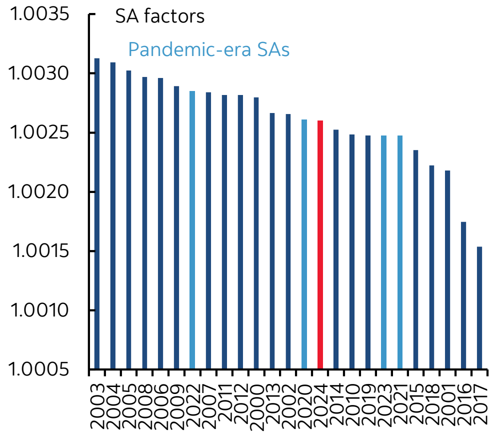
CPI is expected to rise by 0.2% m/m SA with core CPI excluding food and energy up 0.3%. Producer prices are expected to behave similarly, with total prices up 0.2% and core up 0.3%.

Nowcast measures like the Cleveland Fed's also point to 0.2% for total CPI and 0.3% for core.

One downside may be that January's seasonal adjustment factors tend to be on the lighter side in recent years (chart 6), but offsetting this in part is that the seasonally unadjusted price gains to kick off the year tend to be stronger in recent years (chart 7). That should restrain the rise somewhat before the SA factors begin to be higher than normal in recent years.

Chart 6

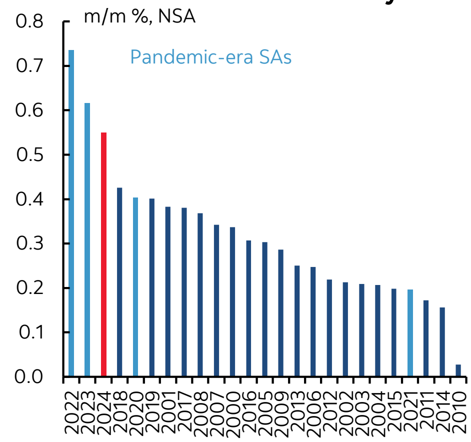
Comparing US Core CPI SA Factors for All Months of January



Sources: Scotiabank Economics, BLS

Chart 7

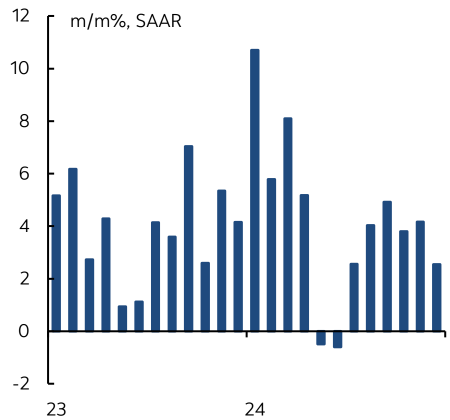
Comparing US Core CPI for All Months of January



Sources: Scotiabank Economics, BLS

Chart 8

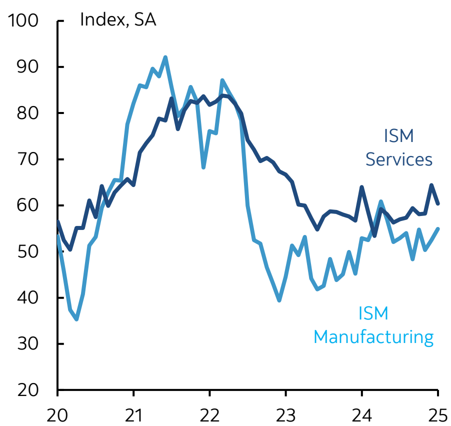
US CPI Core Services Ex-Housing



Sources: Scotiabank Economics, BLS.

Chart 9

ISM Prices Paid



Sources: Scotiabank Economics, ISM.

What causes some uncertainty about the SA adjustments, however, is that this release will include annual adjustments to seasonal adjustment factors for all months stretching back over the past five years (**here**).

Another downside could be vehicle prices. Based on industry guidance and seasonal adjustment factors, new and used vehicle prices appear to have fallen and may shave 0.1–0.2 ppts off of headline CPI. The caution is that how we track vehicle prices doesn't necessarily match how CPI captures them given different samples and quality adjustments.

What may have offset these two moderating effects is an acceleration of core goods prices after softness the prior month and if pre-tariff stockpiling took effect.

Further, shelter CPI including OER remains sticky with another 0.3% rise expected. But the key may come down to core services CPI that comprise about one-quarter of the CPI basket and that have slightly decelerated while remaining sticky nonetheless (chart 8). Price signals within ISM surveys are volatile but generally trending higher and firmly particularly for services (chart 9).

CENTRAL BANKS—POWELL TO HEADLINE

Federal Reserve Chair Powell's semi-annual Congressional testimony may be key this week amid an otherwise tame set of central banks. Three regional central banks will offer decisions this week and may impact local markets.

Federal Reserve Chair Powell's Testimony

Chair Powell delivers his semi-annual testimony before the Senate Banking Committee on Tuesday at 10amET (watch **here**). He then repeats the testimony before the House Financial Services Committee on Wednesday at 10amET (watch **here**).

He will come armed with fresh readings on the job market (recap **here**). The fact that CPI arrives on Wednesday at 8:30amET may put a different twist on the House testimony, or at least offer an updated comment.

But a couple of updated data points won't change Powell's prior guidance that "We think disinflation continues on a broad and bumpy path, that tells me we don't need to be in a hurry to adjust our policy stance." It will only be about two weeks since he last spoke. For a fuller review of what he said at the January 29th FOMC go **here**.

Also watch for any greater pressure on Powell to communicate his interpretation of what tariffs could do. He now has more facts on the matter, including the imposition of additional tariffs on China and its mild retaliation, plus the postponed tariff announcement against Canada and Mexico.

Peru's Central Bank—Probably, Possibly, Maybe Done

Peru's central bank is expected to hold its reference rate unchanged at 4.75% on Thursday after cutting in January and by a cumulative 300bps since September 2023. BCRP guided at its last statement that the policy rate "is approaching the level estimated as neutral." Since it said that, Peru's total inflation rate slipped again to 1.9% y/y and with core CPI at 2.4% and hence close to the middle of the 2% +/-1% inflation target range. What may lean toward risk of a further cut is the inflation data paired with the fact PEN is a touch firmer to the USD since the last meeting. What leans to a hold is that Peru's economy grew faster than expected in November GDP which arrived after the January decision.

Bangko Sentral ng Pilipinas—Double-Barrelled Easing

BSP is expected to cut again on Thursday. A 25bps reduction to 5½% would make cumulative easing an even 100bps. BSP is also contemplating a large reduction in the reserve requirement ratio for lenders by about the middle of this year.

Russian Central Bank—Could it Surprise Again?

The Central Bank of Russia surprised markets by holding its key rate at 21% back on December 20th against expectations for another large 200bps hike. Will it surprise again this Friday? The evidence is mixed. The ruble has appreciated by about 5% to the dollar since the last meeting which leans toward a hold given that tighter financial conditions were cited for the surprise hold in December. And yet, both headline and core inflation have increased further.

Chart 10

Other Global Macro Indicators (February 10th - February 14th)

US	CA	CPI	Other Macro	
		Monday		
		Tuesday		
	Building Permits	BZ	MX	IP
			NO	GDP
		Wednesday		
MBA		IN	IT	IP
CPI				
Treasury Budget				
		Thursday		
Claims			UK	Business Inv., GDP, Manf., IP, Trade
PPI			EC	IP
			BZ	Retail Sales
		Friday		
Retail Sales	Manf.		EC	Emp, GDP
Capacity Utilization	Wholesale Trade		CO	Retail Sales, Trade
IP				
Business Inventories				

Sources: Scotiabank Economics, Bloomberg.

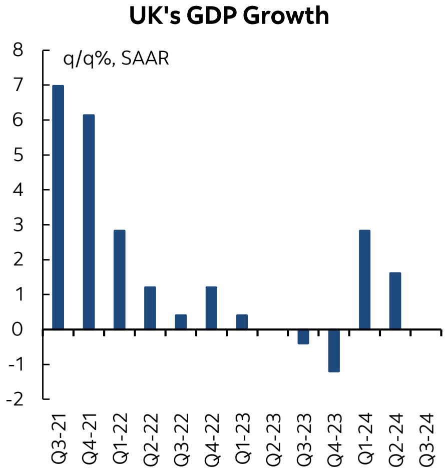
GLOBAL MACRO—US CONSUMERS AND THE UK ECONOMY IN FOCUS

Chart 10 highlights the rest of the lighter than usual line-up of global indicators.

The main one for the US will be Friday's retail sales. We know that new auto sales fell 7% m/m SA in January which should weigh down headline sales. Gasoline prices were also very slightly cooler in seasonally adjusted terms. Core sales may get a lift from Johnson Redbook same store sales that were tracking 4–5% higher in y/y terms. Friday also brings out industrial output that may rise given signals from ISM-manufacturing's production gauge and via utilities given weather effects.

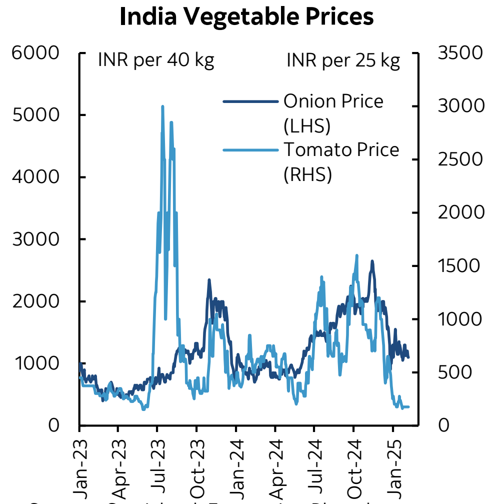
The UK economy's monthly data dump on Thursday. This will include Q4 GDP, plus December readings for industrial output, services activity, construction output and trade. The prior batch of monthly readings disappointed expectations. Essentially no growth is expected for the overall fourth quarter as the economy hovers near recession following no growth in Q3 either (chart 11).

Chart 11



Sources: Scotiabank Economics, UK Office for National Statistics.

Chart 12



Sources: Scotiabank Economics, Bloomberg.

Canada is expected to post mild gains in manufacturing shipments and wholesale sales in December's releases on Friday. Advance 'flash' readings some upside that might be a little firmer as the Canadian dollar depreciated over the month awhile late month data collection lags.

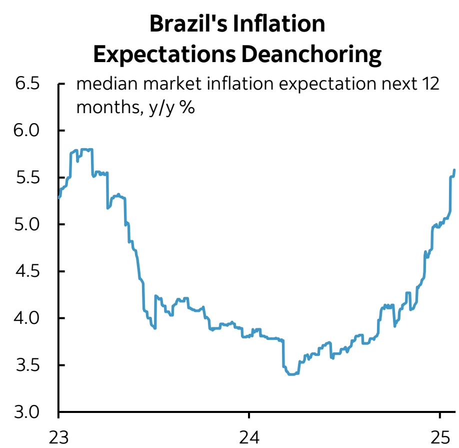
The second estimate for Eurozone GDP (Friday) will fill in some details and may reveal revisions to the initial 0% q/q SA reading. Eurozone employment growth for Q4 arrives at the same time. Details behind Germany's initial -0.2% m/m CPI estimate for January (Thursday), Norway's CPI (Monday) and GDP (Tuesday), and Swiss CPI (Thursday) round out the calendar of releases.

China will report CPI and PPI inflation for January on Saturday. Producer prices are being dragged lower by commodity prices while CPI is hovering near 0% y/y. Core CPI is only slightly firmer. Also watch for the possibility that aggregate financing figures may be released this week or the following weekend.

India's CPI report for January (Wednesday) arrives too late for the Reserve Bank of India's recent decision to have cut but should demonstrate some relief particularly through key staples in the Indian diet (chart 12).

Latin American markets face a light calendar beyond Peru's rate decision. Argentina's CPI (Thursday) will remain in nosebleed territory but falling further below 118% y/y. Yes, 118%. Brazilian inflation (Tuesday) may ease somewhat but inflation expectations remain high (chart 13).

Chart 13



Sources: Scotiabank Economics, Banco Central do Brasil.

February 7, 2025

Key Indicators for the week of February 10 – 14

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	02-11	07:00	Industrial Production (m/m)	Dec	--	--	0.1
MX	02-11	07:00	Industrial Production (y/y)	Dec	--	--	-1.4
CA	02-11	08:30	Building Permits (m/m)	Dec	--	2.0	-5.9
US	02-12	07:00	MBA Mortgage Applications (w/w)	Feb 07	--	--	2.2
US	02-12	08:30	CPI (m/m)	Jan	0.2	0.3	0.4
US	02-12	08:30	CPI (y/y)	Jan	2.8	2.9	2.9
US	02-12	08:30	CPI (index)	Jan	--	317.4	315.6
US	02-12	08:30	CPI ex. Food & Energy (m/m)	Jan	0.3	0.3	0.2
US	02-12	08:30	CPI ex. Food & Energy (y/y)	Jan	3.2	3.2	3.2
US	02-12	14:00	Treasury Budget (US$ bn)	Jan	--	--	-86.7
US	02-13	08:30	Initial Jobless Claims (000s)	Feb 08	215	--	219.0
US	02-13	08:30	Continuing Claims (000s)	Feb 01	1890	--	1886.0
US	02-13	08:30	PPI (m/m)	Jan	0.2	0.2	0.2
US	02-13	08:30	PPI ex. Food & Energy (m/m)	Jan	0.3	0.3	0.0
CA	02-14	08:30	Manufacturing Shipments (m/m)	Dec	0.7	0.7	0.8
CA	02-14	08:30	Wholesale Trade (m/m)	Dec	0.2	--	-0.2
US	02-14	08:30	Export Prices (m/m)	Jan	--	0.3	0.3
US	02-14	08:30	Import Prices (m/m)	Jan	--	0.4	0.1
US	02-14	08:30	Retail Sales (m/m)	Jan	-0.2	0.0	0.4
US	02-14	08:30	Retail Sales ex. Autos (m/m)	Jan	0.2	0.3	0.4
US	02-14	09:15	Capacity Utilization (%)	Jan	77.8	77.7	77.6
US	02-14	09:15	Industrial Production (m/m)	Jan	0.3	0.3	0.9
US	02-14	10:00	Business Inventories (m/m)	Dec	--	0.1	0.1

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
NO	02-11	02:00	GDP (q/q)	4Q	--	-1.80
IT	02-12	04:00	Industrial Production (m/m)	Dec	-0.3	0.3
GE	02-12	03:00	Current Account (€ bn)	Dec	--	24.1
GE	02-13	02:00	CPI (m/m)	Jan F	-0.2	-0.2
GE	02-13	02:00	CPI (y/y)	Jan F	2.3	2.3
GE	02-13	02:00	CPI - EU Harmonized (m/m)	Jan F	-0.2	-0.2
GE	02-13	02:00	CPI - EU Harmonized (y/y)	Jan F	2.8	2.8
UK	02-13	02:00	Business Investment (q/q)	4Q P	--	1.9
UK	02-13	02:00	GDP (q/q)	4Q P	0.0	0.0
UK	02-13	02:00	Index of Services (m/m)	Dec	0.1	0.1
UK	02-13	02:00	Industrial Production (m/m)	Dec	0.3	-0.4
UK	02-13	02:00	Manufacturing Production (m/m)	Dec	0.1	-0.3
UK	02-13	02:00	Visible Trade Balance (£ mn)	Dec	-18400.0	-19311.0
PD	02-13	04:00	GDP (y/y)	4Q P	3.30	2.70
EC	02-13	05:00	Industrial Production (m/m)	Dec	-0.5	0.2
EC	02-13	05:00	Industrial Production (y/y)	Dec	-2.9	-1.9
SP	02-14	03:00	CPI (m/m)	Jan F	0.2	0.2
SP	02-14	03:00	CPI (y/y)	Jan F	3.0	3.0
SP	02-14	03:00	CPI - EU Harmonized (m/m)	Jan F	-0.1	-0.1
SP	02-14	03:00	CPI - EU Harmonized (y/y)	Jan F	2.9	2.9
EC	02-14	05:00	Employment (q/q)	4Q P	--	0.2
EC	02-14	05:00	GDP (q/q)	4Q P	0.0	0.0
RU	**02-14**	**05:30**	**One-Week Auction Rate (%)**	**Feb 14**	**21.00**	**21.00**

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

Key Indicators for the week of February 10 – 14

ASIA PACIFIC

Country	Date	Time	Indicator	Period	Consensus	Latest
JN	02-09	18:50	Bank Lending (y/y)	Jan	--	3.1
JN	02-09	18:50	Current Account (¥ bn)	Dec	1374.2	3352.5
JN	02-09	18:50	Trade Balance - BOP Basis (¥ bn)	Dec	227.7	97.9
ID	02-10	22:00	Consumer Confidence Index	Jan	--	127.7
JN	02-11	18:50	Japan Money Stock M2 (y/y)	Jan	--	1.3
JN	02-11	18:50	Japan Money Stock M3 (y/y)	Jan	--	0.8
PH	02-10	20:00	Bank Lending (y/y)	Dec	--	9.0
JN	02-12	01:00	Machine Tool Orders (y/y)	Jan P	--	12.6
IN	02-12	05:30	CPI (y/y)	Jan	4.50	5.22
IN	02-12	05:30	Industrial Production (y/y)	Dec	4.00	5.20
IN	02-11	22:30	Exports (y/y)	Jan	--	-1.0
IN	02-11	22:30	Imports (y/y)	Jan	--	4.9
PH	**02-13**	**02:00**	**Overnight Borrowing Rate (%)**	**Feb 13**	**5.50**	**5.75**
NZ	02-13	16:30	Business NZ PMI	Jan	--	45.9
SK	02-13	18:00	Unemployment Rate (%)	Jan	3.2	3.7
MA	02-13	23:00	Current Account Balance (MYR mns)	4Q	16.4	2176.4
MA	02-13	23:00	Annual GDP (y/y)	2024 F	5.1	5.1
MA	02-13	23:00	GDP (y/y)	4Q F	4.8	4.8
IN	02-14	01:30	Monthly Wholesale Prices (y/y)	Jan	2.5	2.4

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	02-11	07:00	IBGE Inflation IPCA (m/m)	Jan	--	0.2	0.5
BZ	02-11	07:00	IBGE Inflation IPCA (y/y)	Jan	--	4.6	4.8
BZ	02-13	07:00	Retail Sales (m/m)	Dec	--	--	-0.4
BZ	02-13	07:00	Retail Sales (y/y)	Dec	--	--	4.7
PE	**02-13**	**18:00**	**Reference Rate (%)**	**Feb 13**	**4.75**	**--**	**4.75**
CO	02-14	10:00	Retail Sales (y/y)	Dec	--	--	10.4
CO	02-14	10:00	Trade Balance (US$ mn)	Dec	--	-1320.0	-1380.1

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

Global Auctions for the week of February 10 – 14

NORTH AMERICA

Country	Date	Time	Event
US	02-11	13:00	U.S. To Sell USD58 Bln 3-Year Notes
US	02-12	13:00	U.S. To Sell USD42 Bln 10-Year Notes
CA	02-13	12:00	Canada to Sell 5 Year Bonds
US	02-13	13:00	U.S. To Sell USD25 Bln 30-Year Bonds

EUROPE

Country	Date	Time	Event
NE	02-11	04:00	Netherlands to Sell Up to EU2B of 2.75% 2047 Bonds
GE	02-11	05:30	Germany to Sell EU5 Billion of 2.4% 2030 Bonds
SZ	02-12	05:00	Switzerland to Sell Bonds
SW	02-12	05:00	Sweden to Sell SEK3.5 Billion of 2.25% 2035 Bonds
GR	02-12	05:00	Greece to Sell Bonds
SW	02-12	05:00	Sweden to Sell SEK1.5 Billion of 0.75% 2028 Bonds
GE	02-12	05:30	Germany to Sell Bonds
IT	02-13	05:00	Italy to Sell Bonds

ASIA PACIFIC

Country	Date	Time	Event
JN	02-11	22:35	Japan to Sell 10-Year Linker Bonds
JN	02-13	22:35	Japan to Sell 5-Year Bonds

LATIN AMERICA

Country	Date	Time	Event
No Scheduled Auctions			

Sources: Bloomberg, Scotiabank Economics.

Events for the week of February 10 – 14

NORTH AMERICA

Country	Date	Time	Event
US	02-11	08:50	Fed's Hammack Speaks on Economic Outlook
US	02-11	15:30	Fed's Williams Gives Keynote Remarks
US	02-12	10:00	Fed's Powell Testifies to House Financial Services
US	02-12	12:00	Fed's Bostic Speaks on Economic Outlook
CA	02-12	13:30	Bank of Canada Releases Summary of Deliberations

EUROPE

Country	Date	Time	Event
UK	02-11	03:45	BOE's Mann Speaks
UK	02-11	07:15	BOE's Bailey Speaks
SW	02-11	12:00	Riksbank's Seim Discusses Economy
EC	02-12	05:00	ECB's Elderson in MNI Webcast on CLimate
UK	02-12	10:00	BOE's Greene Speaks
EC	02-12	12:00	ECB's Nagel Speaks at OMFIF Event in London
SW	02-13	02:00	Riksbank's Jansson Speaks at Handelsbanken
EC	02-13	04:00	ECB Publishes Economic Bulletin
EC	02-13	12:00	ECB's Nagel Speaks in Glasgow

ASIA PACIFIC

Country	Date	Time	Event
PH	**02-13**	**02:00**	**BSP Overnight Borrowing Rate**
PH	**02-13**	**02:00**	**BSP Standing Overnight Deposit Facility Rate**

LATIN AMERICA

Country	Date	Time	Event
PE	**02-13**	**18:00**	**Reference Rate**
UR	**02-13**		**Monetary Policy Rate**

Sources: Bloomberg, Scotiabank Economics.

Global Central Bank Watch

NORTH AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Canada – Overnight Target Rate	3.00	March 12, 2025	3.00	3.00
Federal Reserve – Federal Funds Target Rate	4.50	March 19, 2025	4.50	4.50
Banco de México – Overnight Rate	9.50	March 27, 2025	9.00	N/A

Powell's Testimony: Chair Powell testifies on the Federal Reserve's Semi-Annual Monetary Policy Report to the Senate Banking Committee and the US House Committee on Financial Services on Tuesday and Wednesday respectively at 10am EST.

EUROPE

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
European Central Bank – Refinancing Rate	2.90	March 6, 2025	2.65	2.65
European Central Bank – Marginal Lending Facility Rate	3.15	March 6, 2025	2.90	2.90
European Central Bank – Deposit Facility Rate	2.75	March 6, 2025	2.50	2.50
Bank of England – Bank Rate	4.50	March 20, 2025	4.50	4.50
Swiss National Bank – Sight Deposit Rate	0.50	March 20, 2025	0.25	0.25
Central Bank of Russia – One-Week Auction Rate	21.00	February 14, 2025	21.00	21.00
Sweden Riksbank – Repo Rate	2.25	March 20, 2025	2.00	2.00
Norges Bank – Deposit Rate	4.50	March 27, 2025	4.25	4.25
Central Bank of Turkey – Benchmark Repo Rate	45.00	March 6, 2025	43.50	43.50

Central Bank of Russia: The Central Bank of Russia's monetary policy meeting on Friday comes with significant risks and potential surprises. At its last meeting, the bank unexpectedly maintained the one-week auction rate at 21%, compared to consensus expectations for a 200bps hike. The bank cited that "monetary conditions tightened more significantly than envisaged by the October key rate decision," although inflation expectations continue to rise, with inflation risks still tilted to the upside. Additionally, according to the Governor, the meeting considered holding, a 100bp hike, and a 200bps hike, and the bank will weigh holding or hiking the rate at its next meeting. Since then, both headline and core inflation have increased further. Consensus now expects that the bank's policy rate has likely peaked at 21% for now and thus does not anticipate any changes to the policy rate on Friday. However, there remains a risk surrounding the central bank's decision, as it has surprised many times in the past.

ASIA PACIFIC

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Bank of Japan – Policy Rate	0.50	March 19, 2025	0.50	0.50
Reserve Bank of Australia – Cash Rate Target	4.35	February 17, 2025	4.10	4.10
Reserve Bank of New Zealand – Cash Rate	4.25	February 18, 2025	3.75	3.75
People's Bank of China – 1-Year Medium-Term Lending Facility Rate	2.00	February 25, 2025	2.00	2.00
Reserve Bank of India – Repo Rate	6.25	April 9, 2025	6.00	6.00
Bank of Korea – Base Rate	3.00	February 25, 2025	2.75	2.75
Bank of Thailand – Repo Rate	2.25	February 26, 2025	2.25	2.25
Bank Negara Malaysia – Overnight Policy Rate	3.00	March 6, 2025	3.00	3.00
Bank Indonesia – BI-Rate	5.75	February 19, 2025	5.75	5.75
Central Bank of Philippines – Overnight Borrowing Rate	5.75	February 13, 2025	5.50	5.50

Central Bank of Philippines: The Central Bank of the Philippines is expected to reduce its overnight borrowing rate by another 25bps on Thursday, following BSP Governor Remolona's statements to reporters that the BSP will consider CPI data in its policy rate decision and that a key rate cut is on the table for the next meeting. Governor Remolona also indicated a measured approach to monetary easing, stating, "There is no need for 100bps rate cuts if there is no hard landing." He expects a total rate cut of 50bps in 2025, with a 25bps cut in the first half and another 25bps cut in the second half. Additionally, the BSP is discussing a potential 200bps reduction in the reserve requirement ratio (RRR) in mid-2025. Since the last meeting, inflation has slowed slightly, although the BSP noted that the balance of risks to the CPI outlook still leans to the upside. In the fourth quarter, GDP grew by 1.8% quarter-over-quarter, seasonally adjusted, with the third quarter's growth being revised down from 1.7% to 1.5%.

LATIN AMERICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
Banco Central do Brasil – Selic Rate	13.25	March 19, 2025	14.25	14.25
Banco Central de Chile – Overnight Rate	5.00	March 21, 2025	5.00	5.00
Banco de la República de Colombia – Lending Rate	9.50	March 31, 2025	9.25	9.25
Banco Central de Reserva del Perú – Reference Rate	4.75	February 13, 2025	4.75	4.75

Banco Central de Reserva del Perú: Following a 25bps rate cut at its January meeting, our LATAM-based economist anticipates that the Banco Central de Reserva del Perú will maintain its reference rate at 4.75% on Thursday. Both headline and core inflation have further decelerated toward the midpoint of the 1-3% inflation target range. Notably, core inflation experienced the third weakest month-over-month change (unadjusted) in January, while inflation expectations remained stable at just below 2.5%. The bank has communicated that the interest rate is approaching the estimated neutral level of 2% in real terms, which is expected to be reached during the second quarter of 2025, according to our LATAM-based economist. Additionally, economic activity exceeded consensus expectations in November, growing by 3.9% year-over-year (consensus: 3.2%).

AFRICA

Rate	Current Rate	Next Meeting	Scotia's Forecasts	Consensus Forecasts
South African Reserve Bank – Repo Rate	7.50	March 20, 2025	7.25	7.25

Sources: Bloomberg, Scotiabank Economics.