

## Key events in EMEA next week

Expect a dovish bias from Poland's central bank, though rising inflation means we're looking for a rate hike before the end of the year. In Russia, inflation data is in focus ahead of a likely rate hike this month



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### **Poland: NBP continues its dovish stance with no policy shift expected**

The National Bank of Poland meets on Wednesday. We expect no policy shift just yet, as central bankers will probably want to assess the risks related to the fourth wave of Covid-19. Still, investors will look to the policy statement for any changes in the Bank's inflation projection. The statement after the June meeting and the latest MPC comments suggest that a substantial rise in the Bank's CPI projection is to be expected.

On Friday, Chairman Adam Glapiński may hold a conference (not yet confirmed). So far, he has remained confident in the temporary nature of inflation and regulatory / external factors behind it. It's likely that he will retain his relatively dovish bias, especially given the recent downward CPI surprise, particularly in the core rate. Nonetheless, statements from other MPC members suggest his rhetoric doesn't necessarily reflect the consensus within the council, as concerns about persistently elevated inflation are rising.

For the market, any statements regarding QE will be crucial. Mixed messages from the MPC left investors confused as to whether bond purchases will be continued alongside a rate hike cycle.

We expect the overall communication from the MPC to remain dovish, albeit with rising concerns over the medium-term CPI prospects, supporting our call of an initial rate hike in 4Q21 (most likely alongside the next projection in November).

## **Russia: Reopening and imports could put pressure on the non-oil current account**

An announcement on Russian FX purchases on Monday, according to the fiscal rule, should result in an increase from US\$3.0bn in June to US\$4.1bn in July, the highest amount since early 2020. This increase should reflect the higher oil price and the recovery in the physical volume of oil exports. All else equal, stronger FX intervention should be neutral for the ruble, however, we note that the state of Russia's overall balance of payments is important to watch. The current account surplus for 2Q21, to be reported on Friday, should be in a strong US\$15-20 bn range after US\$23bn in 1Q21. But for the second half of the year, a quick acceleration of merchandise imports and the reopening of popular foreign tourist destinations could put pressure on the non-oil current account. Also, the still sizeable net private capital outflow, which stood at US\$18bn in 1Q21 remains a factor preventing strong ruble appreciation.

The rates market will be watching the final CPI print for June, to be released on Wednesday. Given the recent surprise in the weekly data, we now expect the CPI rate to jump from 6.0% to 6.5% year-on-year, which combined with recently-released positive data on economic activity for May should reinforce the Central Bank of Russia's hawkish stance for the near-term. Governor Elvira Nabiullina recently indicated that the 23 July rate hike decision will be in the 25-100bp range, and we now tend to believe that the actual decision will be between 75 and 100bp hike.

## EMEA Economic Calendar

| Country                 | Time | Data/event                           | ING Survey | Prev.      |
|-------------------------|------|--------------------------------------|------------|------------|
| <b>Monday 5 July</b>    |      |                                      |            |            |
| Turkey                  | 0800 | Jun CPI (MoM/YoY%)                   | -/-        | 0.89/16.59 |
| Brazil                  | 1400 | Jun Markit Services PMI              | -          | 48.3       |
|                         | 1400 | Jun Markit Composite PMI             | -          | 49.2       |
| <b>Tuesday 6 July</b>   |      |                                      |            |            |
| Hungary                 | 0800 | May Retail Sales (YoY%)              | -          | 10.6       |
| <b>Wednesday 7 July</b> |      |                                      |            |            |
| Russia                  | -    | Jun CPI (MoM/YoY%)                   | 0.7/6.5    | 0.7/6      |
| Czech Rep               | 0800 | May Industrial Output (YoY%)         | -          | 55.1       |
|                         | 0800 | May Trade Balance                    | -          | 19.3       |
| Hungary                 | 0800 | May Industrial Output (YoY%)         | -          | 58.8       |
| Romania                 | 1300 | Mon Policy Rate                      | 1.25       | 1.25       |
| Brazil                  | 1300 | May Retail sales (MoM/YoY%)          | -/-        | 1.8/23.8   |
| <b>Thursday 8 July</b>  |      |                                      |            |            |
| Poland                  | -    | Jul NBP Base Rate                    | -          | 0.1        |
| Czech Rep               | 0800 | May Retail Sales (YoY%)              | -          | 7.5        |
| Hungary                 | 0800 | Jun Core CPI (YoY%)                  | -          | 3.4        |
|                         | 0800 | Jun CPI (YoY%)                       | -          | 5.1        |
|                         | 0800 | Jun CPI MM NSA                       | -          | 0.5        |
| Brazil                  | 1300 | Jun IPCA Inflation Index (MoM/YoY%)  | -/-        | 0.83/8.06  |
| Mexico                  | 1200 | Jun Headline Inflation               | -          | 0.2        |
|                         | 1200 | Jun Core inflation                   | -          | 0.5        |
| <b>Friday 9 July</b>    |      |                                      |            |            |
| Turkey                  | 0800 | May Current Account Balance          | -          | -1.712     |
| Hungary                 | 1000 | Jun Budget Balance                   | -          | -269       |
| Ukraine                 | -    | Jun CPI (MoM/YoY%)                   | -/-        | 1.3/9.5    |
| Russia                  | 1400 | 2Q current account balance (US\$ bn) | 17.5       | 23.2       |

Source: Refinitiv, ING, \*GMT

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