

## Key events in EMEA and Latam next week

It's a data-packed week in EMEA. Russian CPI could signal a rate cut in September while in Romania, the central bank is likely to stay on hold



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### Romania: Expect a hold

We expect the National Bank of Romania (NBR) to stay on hold at 2.50% on Monday and maintain its reference to “strict control over money market liquidity”. If inflation prints below 2% a couple more times we could see a return to local policy easing, with the deposit facility becoming the de-facto policy rate.

### Hungary: A ray of sunshine among the clouds

Despite the rather gloomy outlook in manufacturing globally, we expect Hungary to remain a bright spot. Although we expect a seasonal drop in June, due to a low base, we expect year-on-year industrial production growth to accelerate. This view is supported by the still optimistic PMI reading, which suggests further expansion and previous strong growth in new orders. While industry is important from an activity point of view, the highlight of the week will be the CPI data release. We expect a mild acceleration in inflation mainly due to services and an increase in tobacco prices due to the change in excise duty. The latter means that core inflation ex-tax might remain on a decelerating path.

## ✓ Russia: Downward inflation to push for a cut in September

The weekly deflation seen in the last week of July (the first time for Russia in two years) supports our expectations of a further slowdown in CPI from 4.7% YoY in June to 4.6% YoY in July, or even slightly lower. The main driver seems to be the favourable situation on the global and local agricultural market. We continue to expect a further gradual CPI deceleration to 4.0% YoY by year-end, below the central bank's target range of 4.2-4.7% ([see here for more details](#)). The downward CPI trend should prompt the Bank of Russia (CBR) to make another 25 basis point rate cut to 7.00% in September, accompanied by an improvement in the year-end forecast.

At the same time, we doubt the CBR will be more aggressive, especially in the mid-term, as the slowdown in CPI is driven mainly by cost factors, rather than weak local demand. In fact, GDP growth should pick up somewhat from 0.5% YoY in 1Q19 to 0.8% YoY in 2Q19, and a further pick up is possible in 2H19 thanks to the planned acceleration in budget spending on National Projects, mainly reflecting CAPEX on infrastructure.

## ✓ Czech Republic: A slight downside bias?

While industrial production surprised on the upside in April and May, the June figure will be more negative, driven by the calendar bias (one less day working day), but also by a year-on-year fall in car production. Retail sales might slightly improve after a somewhat weaker May driven by some one-off factors, but new car registrations fell by 15.5% in June according to preliminary figures, so retail sales including the car segment will be weak again. The unemployment rate is likely to increase slightly, which is the usual seasonal pattern during summer months.

## ✓ Turkey: A pause in the inflation downtrend

Following a stronger than expected downtrend in inflation, there will be a pause, as electricity price hikes and other administrative price adjustments, as well as the removal of tax incentives on automobiles and some durable consumer goods, will likely push annual inflation to 16.9% (1.6% MoM) in July from 15.7% a month ago. Inflation will drop very rapidly in September and reverse thereafter because of large base effects.

## EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 5 August</b>					
Turkey	0800	Jul CPI (MoM/YoY%)	1.6/16.9	2.0/17.5	0.0/15.7
	0800	Jul Core CPI (YoY%)	-	-	14.9
	0800	Jul Domestic PPI (MoM/YoY%)	-/-	-/-	0.1/25.0
Romania	-	Repo rate (%)	2.50	-	2.50
South Africa	0815	Jul HSBC PMI SA	-	-	49.7
<b>Tuesday 6 August</b>					
Russia	-	Jul CPI Core (YoY%)	-	4.6	4.6
	-	Jul CPI (MoM/YoY%)	0.2/4.6	0.3/4.7	0.0/4.7
Czech Rep	0800	Jun Industrial Output (YoY%)	-3.3	-	3.2
	0800	Jun Construction Output (YoY%)	-	-	0.2
	0800	Jun Trade Balance (CZKmn)	████████	-	24.4
Brazil	1200	COPOM Meeting Minutes	-	-	-
<b>Wednesday 7 August</b>					
Poland	1300	Jul Official Reserves Total	-	-	117801.2
Czech Rep	0800	Jun Retail Sales (YoY%)	1.1	-	2.3
	0800	Jun Retail Sales Excl. Motor Vehicles (YoY%)	████████	-	2.7
	0900	Jul International Reserves (US\$bn)	-	-	146
Hungary	0800	Jun Industrial Production (MoM/YoY%)	-0.3/6.7	-/-	1.4/6.1
	1300	Hungarian Central Bank's Minutes	-	-	-
Romania	0700	Jun Avg Net Wages (YoY%)	-	-	14.7
Serbia	1100	Jul HPPI (MoM/YoY%)	-/-	-/-	-0.5/0.6
Croatia	1000	Jul PPI (MoM/YoY%)	-	-	-1.2/0.4
South Africa	0700	Jul Gross Reserves (US\$bn)	-	-	49.8
	0700	Jul Net Open Foreign Currency Position (US\$bn)	-	-	43.9
	1030	Jul SACCI Business Confidence	-	-	93.3
Israel	-	Jul Foreign Currency Balance (US\$bn)	-	-	120.1
<b>Thursday 8 August</b>					
Czech Rep	0800	Jul Unemployment Rate (%)	2.7	-	2.6
Hungary	0800	Jul CPI (MoM/YoY%)	0.3/3.5	-/-	-0.2/3.4
	1000	Jul Budget Balance (YTD)	-640	-	-390
Kazakhstan	-	Jul International Reserves (US\$bn)	-	-	28.2
Bulgaria	0900	Jun Industrial Production (YoY%)	-	-	0.6
	0900	Jun Industrial Production (MoM/YoY%)	-/-	-/-	0.0/0.4
	0900	Jun Retail Sales (MoM%)	-	-	-0.2
Serbia	1100	Repo rate (%)	2.75	-	2.75
South Africa	1030	Jun Mining Production (MoM/YoY%)	-	-	3.0/-1.5
	1200	Jun Manufacturing Production (SA, MoM%)	-	-	-1.5
Brazil	1300	Jul Inflation (IPCA) (MoM/YoY%)	0.2/3.2	0.2/3.2	0.0/3.4
	1300	Jun Retail Sales (YoY%)	-1.5	-	1.0
Mexico	1200	Jul CPI (MoM/YoY%)	0.4/3.8	-	0.1/4.0
<b>Friday 9 August</b>					
Russia	-	2Q A GDP (YoY%)	0.8	0.8	0.5
Turkey	0800	Jun Current Account (US\$bn)	-0.2	-	0.2
Ukraine	-	Jul CPI (MoM/YoY%)	-/-	-/-	-0.5/9
Romania	0700	Jun Trade Balance (€m)	-	-	-1481.6
Croatia	1000	May Trade Balance (HRK m)	-	-	-7582.7
	1000	Jun Tourism arrivals (YoY%)	-	-	-4.5
Mexico	1200	Jun Industrial Production (YoY%)	-2.8	-	-3.4

Source: ING, Bloomberg

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