

Key events in EMEA and Latam next week

Expect moderate gains in EMEA inflation next week on the back of fuel price shocks. Meanwhile, retail sales, unemployment figures, and key Russian data will be in focus, as the effect of lockdown easing remains ambiguous



Source: Shutterstock

Hungary: Positive retail sales and inflation data may be overshadowed by fuel price shocks

We start the week with May retail sales. Based on big data, we expect some improvement on a monthly basis, translating into a 4% year-on-year drop. Fuel sales and the hospitality sector remain the main drag in sales activity. Soft indicators point toward an improvement in industry, albeit a moderate one, meaning 'only' a 10% month-on-month drop in output after a historical collapse a month ago. June inflation data might reflect the aftermath of the lockdown, translating into easing price pressure in services. On the other hand, this effect will be overridden by the fuel price shock, which should push headline CPI close to the central bank's 3% target.



Czech Republic: Inflation, unemployment and retail sales outlook looking positive

Czech inflation might stay close to the May figure and slow down just negligibly as fuel prices have started to grow in month-on-month terms. Also, food prices might further accelerate based on preliminary figures, given the typical seasonality of price gains. The unemployment rate will be released earlier, on Tuesday instead of Thursday; based on MinLab information this should stagnate in June, but some government support measures which ended in June may bring new applicants to the labour offices during the summer months. We will also get information on how retail sales and industry recovered in May after historical slumps in April caused by restrictive measures and lockdowns.

Russia: Expect higher inflation and a wider budget deficit

Russia is likely to see CPI growth accelerate from 3.0% year-on-year in May to 3.3% YoY in June. This will largely be the result of the low base effect of June 2019. The Bank of Russia has indicated that an acceleration of CPI in the direction of the 4.0% target is to be expected, therefore the pick-up in inflation is unlikely to threaten the 50bp downside to the key rate in the second half of the year. Meanwhile, the pick-up in gasoline prices as well as other non-food items on protectionist measures and the post-lockdown recovery in activity will remain factors to watch.

Balance of payments data for 2Q20 is likely to show resilience in the current account, which is likely to show a surplus close to the US\$10bn figure in 2Q19, as the drop in oil revenues is being offset by the drop in imports of goods and services, as well as by lower dividend outflows. Meanwhile, some acceleration in private capital outflows, modest portfolio inflows into the local bond market, and a likely reduction in the central banks' FX sales are factors that are likely to limit ruble appreciation in 2H20.

We expect Russia's federal budget deficit to continue widening in June, as the recovery in oil prices is 'darkened' by the OPEC+ mandated cut in the oil production, while spending growth has likely remained high. Ahead of the vote on constitutional amendments, increasing social guarantees to the population and widening the powers of the president (and allowing the current one to nominate himself in 2024 and 2030), President Putin has increased the overall fiscal stimulus package from 3.5% to 4.0% of GDP, targeting both social payments and support to business. The 7-day voting concluded with 78% 'in favour' with a 65% turnout. With around 40% of the population directly dependent on the budget, fiscal policy is likely to remain an important tool in supporting household income.

EMEA and Latam Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|-------------------------|---|-----------|---------|-------------|
| Monday 6 July | | | | |
| Hungary | 0800 May Retail Sales (YoY%) | -4.0 | - | -10.2 |
| | - Jun Budget Balance (YTD) | - | - | -1051.5 |
| Romania | 0700 May Retail Sales (MoM/YoY%) | -/- | -/- | -22.3/-18.6 |
| Tuesday 7 July | | | | |
| Poland | 1300 Jun Official Reserves Total | - | - | 132787.7 |
| Czech Rep | 0800 May Construction Output (YoY%) | - | - | -4.6 |
| | 0800 May Trade Balance (CZKmn) | - | - | -26.9 |
| | 0800 May Industrial Output (YoY%) | - | - | -33.7 |
| | 0800 Jun Unemployment Rate (%) | 3.6 | - | 3.6 |
| Hungary | 0800 May Industrial Production (MoM/YoY%) | -10/-56.3 | -/- | -30.5/-36.6 |
| Romania | 0700 1Q F GDP (SA, QoQ%) | 0.3 | - | 0.31 |
| | 0700 1Q F GDP (YoY%) | 2.4 | - | 2.41 |
| Serbia | 1100 Jun HPPI (YoY%) | - | - | -3.3 |
| | 1100 Jun HPPI (MoM%) | - | - | -0.8 |
| Croatia | 1000 Jun PPI (MoM/YoY%) | -/- | -/- | -0.6/-6.6 |
| South Africa | 0700 Jun Gross Reserves (US\$bn) | - | - | 52.8 |
| | 0900 2Q Consumer Confidence | - | - | -9.0 |
| Wednesday 8 July | | | | |
| Russia | 1700 Jun CPI (MoM/YoY%) | 0.3/3.3 | 0.3/3.2 | 0.3/3.0 |
| | 1700 Jun CPI Core (YoY%) | - | 2.9 | 2.9 |
| Czech Rep | 0800 May Retail Sales (YoY%) | - | - | -21.2 |
| | 0800 May Retail Sales Excl. Motor Vehicles (YoY%) | - | - | -10.6 |
| Hungary | 0800 Jun CPI (MoM/YoY%) | 0.4/2.8 | -/- | 0.4/2.2 |
| | 1300 Hungarian Central Bank's Minutes | | | |
| Brazil | 1300 May Retail Sales (YoY%) | -12 | - | -16.8 |
| Thursday 9 July | | | | |
| Czech Rep | 0900 Jun International Reserves (US\$bn) | - | - | 149.8 |
| Ukraine | - Jun CPI (MoM/YoY%) | 0.3/2.2 | -/- | 0.3/1.7 |
| Romania | 0700 May Avg Net Wages (YoY%) | - | - | 2.15 |
| Bulgaria | 0900 May Industrial Production (YoY%) | - | - | -15.7 |
| | 0900 May Industrial Production (MoM%) | - | - | -11.4 |
| | 0900 May Retail Sales (MoM/YoY%) | -/- | -/- | -1.4/-19.9 |
| Serbia | 1100 Repo rate (%) | 1.25 | - | 1.25 |
| Croatia | 1000 Apr Trade Balance (HRK m) | - | - | -5930.0 |
| South Africa | 1200 Apr Manufacturing Production (SA, MoM%) | - | - | -1.2 |
| | 1200 Apr Manufacturing Prod. (MoM%) | - | - | -5.4 |
| Mexico | 1200 Jun CPI (YoY%) | 2.93 | - | 2.84 |
| | 1200 Jun CPI (MoM%) | 0.16 | - | 0.38 |
| Russia | 1400 2Q Current Account Balance (US\$bn) | 8.0 | - | 21.7 |
| Mexico | 1500 Central Bank Monetary Policy Minutes | | | |
| Friday 10 July | | | | |
| Russia | 1400 May Trade Balance (US\$bn) | - | 6.7 | 6.2 |
| | - June Budget Balance YTD (RUBtr) | -1.1 | -0.5 | -0.4 |
| Turkey | 0800 Apr Unemployment Rate (%) | - | - | 13.2 |
| Czech Rep | 0800 Jun CPI (MoM/YoY%) | 0.2/2.8 | -/- | 0.4/2.9 |
| | 0800 May Export Price Index (YoY%) | - | - | 3.1 |
| | 0800 May Import Price Index (YoY%) | - | - | 0.7 |
| Romania | 0700 Jun CPI (MoM/YoY%) | 0.0/2.5 | -/- | 0.05/2.26 |
| | 0700 May Trade Balance (€m) | - | - | -1633.0 |
| Kazakhstan | - Jun International Reserves (US\$bn) | - | - | 31.5 |
| Croatia | 1000 May Tourism arrivals (YoY%) | - | - | -99.8 |
| Brazil | 1300 Jun Inflation (IPCA) (MoM%) | 0.15 | - | -0.38 |
| | 1300 Jun Inflation (IPCA) (YoY%) | 2.02 | - | 1.88 |
| Mexico | 1200 May Industrial Production (YoY%) | -21 | - | -29.3 |

Source: ING, Bloomberg

Authors

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.