

## Key events in EMEA and Latam next week

Production and retail sales data is expected to show a continued stagnation in the EMEA region. Keep an eye on inflation data from Russia and Turkey, as well as a rate decision from Poland



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### **Russia: Inflation rising, but foreign policy and fiscal consolidation remain unclear**

The Russian Finance Ministry is likely to announce around \$1.1bn in regular FX sales for October, which should be added to the \$0.8bn of residual FX sales coming from a one-off transaction that took place earlier this year. This will mean an increase from \$0.7bn of total FX sales in September, but it remains unclear whether this would guarantee a strong recovery in the rouble given the upcoming SBER dividends (up to \$2.0-2.5bn could be attributable to foreign institutional investors) and the persistently negative foreign policy backdrop.

In other news, Russian CPI should keep crawling up to 3.7% year-on-year in September on the recovery in demand, the RUB depreciation, and a low base effect. At this point, it appears that even if the Russian key rate, currently at 4.25%, has some downside, any cuts before the year-end are unlikely. The two key unknowns that need to be addressed are foreign policy issues (part of which should be more clear after the US elections) and prospects of fiscal consolidation in Russia (finalisation of plans expected by December).

## ✔ Hungary: Recovery stagnation

The slowdown in the recovery is expected to continue in August. We see both the retail sector and industry continuing their upward trend, but the monthly improvement will be lower than what we saw in July. Retail sales will be supported by a very strong domestic holiday season, while industrial production will continue to regain capacity after the sudden stop caused by Covid. As the short-term work scheme ended in August, the budget could see some relief in September, showing a minor improvement before it gets worse again. What matters most, however, is the September CPI reading. Fuel prices increased, which will impact headline inflation but this will be the peak and in the fourth quarter we see a strong decline.

## ✔ Turkey: Inflation outlook under pressure

In September, we envisage monthly inflation to be at 1.1% month-on-month, translating into 11.9% on an annual basis - a slight increase from 11.8% a month ago. The resurgent FX volatility is likely to further weigh on an already challenging inflation outlook.

## ✔ Czech Republic: Industrial production to remain subdued, but slight growth in retail sales

Car production remained 5% lower YoY, so August industrial production is also likely to remain in mild contraction (YoY) as in July. Retail sales will continue to grow slightly, mainly non-food items, except car sales, which will most likely experience a double-digit YoY fall again as indicated by new registrations in August.

## ✔ Poland: Rates to stay on hold

We expect the MPC to keep interest rates unchanged this week, in line with the consensus. The Council has already delivered substantial easing, including an open-ended asset purchase programme. The MPC should maintain its dovish bias, despite some central banks in the region tightening policy to slow inflation and defend local currencies. The Polish zloty's weakness is likely welcomed by the Council, as it will be expected to foster exports. In past months, central bankers were concerned with the resilience of the zloty as a factor delaying the post-Covid recovery. We expect no additional rate cuts, as PLN has already eased considerably. Moreover, moving rates into a negative territory is unlikely to improve credit activity. If anything, investors should track the MPC's comments on inflation, which failed to decelerate markedly in the third quarter despite lacklustre demand. Markets are speculating over how much more quantitative easing is in the pipeline in the remainder of 2020 and 2021 but this week's meeting should provide little insight into that.

## EMEALatam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
<b>Saturday 3 October</b>				
Israel	- Sep Foreign Currency Balance (US\$bn)	-	-	161.7
<b>Monday 5 October</b>				
Turkey	0800 Sep CPI (MoM/YoY%)	1.1/11.9	-/-	0.86/11.03
	0800 Sep Domestic PPI (MoM/YoY%)	-/-	-/-	2.35/11.53
Hungary	0800 Aug Retail Sales (YoY%)	1.6	-	0.4
Romania	0700 Aug Retail Sales (MoM/YoY%)	-/-	-/-	3.9/4.2
South Africa	0815 Sep HSBC PMI SA	-	-	45.3
<b>Tuesday 6 October</b>				
Russia	1700 Sep CPI (MoM/YoY%)	-0.1/3.7	-0.1/3.7	0.0/3.6
	1700 Sep CPI Core (YoY%)	-	3.2	3.1
Hungary	0800 Aug Industrial Production (MoM/YoY%)	4.2/-3.0	-/-	7.17/-7.71
	- Sep Budget Balance (YTD)	-2000	-	-2261.3
Croatia	1000 Sep PPI (MoM/YoY%)	-/-	-/-	-0.5/-4.1
<b>Wednesday 7 October</b>				
Poland	1300 Sep Official Reserves Total	-	-	139112
	- Base Rate (%)	0.1	-	0.1
	- Monetary Policy Council Rate Meeting			
Czech Rep	0800 Aug Construction Output (YoY%)	-	-	-10.4
	0800 Aug Trade Balance (CZKmn)	-	-	13.4
	0800 Aug Industrial Output (YoY%)	-4.3	-	-4.9
	0900 Sep International Reserves (US\$bn)	-	-	159.1
Hungary	1300 Hungarian Central Bank's Minutes			
Kazakhstan	- Sep International Reserves (US\$bn)	-	-	35.4
Serbia	1100 Sep HPPI (MoM/YoY%)	-	-	0.0/-1.3
South Africa	0600 Sep Gross Reserves (US\$bn)	-	-	55.8
	0700 Sep Net Open Foreign Currency Position (US\$bn)	-	-	50.5
	1030 Sep SACCI Business Confidence	-	-	82.8
<b>Thursday 8 October</b>				
Czech Rep	0800 Aug Retail Sales (YoY%)	-3.7	-	-1.1
	0800 Aug Retail Sales Excl. Motor Vehicles (YoY%)	1.8	-	3.00
Hungary	0800 Sep CPI (MoM/YoY%)	0.2/-	-/-	0.0/3.9
Serbia	1100 Repo rate (%)	1.25	-	1.25
Brazil	1300 Aug Retail Sales (YoY%)	6.1	4.6	5.5
Mexico	1200 Sep CPI (MoM/YoY%)	0.4/4.2	-	0.39/4.05
	1500 Central Bank Monetary Policy Minutes			
<b>Friday 9 October</b>				
Poland	1300 National Bank of Poland Publishes Minutes of Rate Meeting			
Ukraine	- Sep CPI (MoM/YoY%)	-/-	-/-	-0.2/2.5
Romania	0700 Aug Avg Net Wages (YoY%)	-	-	8.1
	0700 2Q F GDP (SA, QoQ%)	-12.3	-	-12.26
	0700 2Q F GDP (YoY%)	-10.5	-	-10.47
Bulgaria	0900 Aug Industrial Production (MoM/YoY%)	-	-	2.3/-5.96
	0900 Aug Retail Sales (MoM/YoY%)	-/-	-/-	0.1/-17.5
Croatia	1000 Jul Trade Balance (HRK m)	-	-	-5248
Brazil	1300 Sep Inflation (IPCA) (MoM/YoY%)	0.46/2.95	0.52/3.02	0.24/2.44

Source: ING, Bloomberg

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