

## Key events in EMEA and Latam next week

Lots of June inflation numbers out next week from the Czech Republic, Hungary and Romania in the EMEA space. Serbia has a central bank meeting, and it'll probably stay on hold this time, but could surprise with a dovish twist



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### Russia: A halved current account

The Russian current account has probably halved from the seasonally strong \$34 billion in 1Q19 to \$17 billion in 2Q19. The key question is whether the net private capital outflow, which primarily reflects the accumulation of international assets by the corporate sector and the population, has decelerated accordingly. The preliminary data for 5M19 suggests that it is a quite significant \$5 billion per month, and that is in addition to the \$3-5 bn monthly mandatory FX purchases by the central bank mandated by the budget rule, which is here to stay.

With the current account surplus effectively sterilised by the accumulation of international assets by the private sector and the government, portfolio flows into the state bond market (OFZ) is the key variable tipping the scales for the rouble. This year has been very successful in this regard, with monthly inflows into OFZ reaching \$3.0-3.5 bn in the last couple of months, but further prospects are uncertain, as the level of non-resident holding local bonds has approached the historical high of \$41 bn. The prospects of further global risk-on are unclear, and it remains to be seen how the

recent idea of investing part of the Russian state savings (NWF) locally from 2020 chimes with foreign investors who have perceived Russia as a low macro risk.

[More about our views on RUB here](#)

### ✓ **Serbia: NBS on hold at 3.00%. Time for a dovish twist?**

We expect Serbia's central bank to keep its key rate on hold at 3.00% at the July meeting. The inflation peak is behind us - 3.1% in April - and we estimate that inflation will remain relatively stable in the vicinity of 2.0% for the rest of the year.

With this impediment out of the way, we believe the central bank is mulling another round of policy easing. As the currency is almost at a five-year high against the euro, the NBS had to ramp-up its interventions to new historical highs: €735 million were bought in June to keep the EUR/RSD close to the 118.00 level. For now, it looks that the central bank is happy to expand its FX reserves and keep the exchange rate stable, but should the inflows (predominantly bond related) continue, a rate cut will likely be seriously considered in the near term. Moreover, chiefly mentioned as main reason for which the NBS still takes a cautious approach was “persistent uncertainty in the international environment”.

While issues are still there - e.g. trade tensions, oil price, global slowdown etc - at least from the monetary policy side a wave of dovishness seems to be mounting as the long-expected policy normalisation of the ECB appears more and more distant, while US Fed is expected to cut rates. Hence, with the external uncertainties slightly diminished, we forecast a 25 basis points rate cut from the NBS in 3Q19 and another 25 basis points in 4Q19.

### ✓ **Romania: June inflation still above the target at 3.7%**

We expect June CPI to inch 0.4ppt lower to 3.7% driven by lower fuel price and stronger RON. Assuming no supply shocks, the inflation path should be better behaved for the rest of the year, although we don't necessarily envisage meaningfully lower prints going forward. The NBR is likely to look-through this year's above-target inflation numbers and even turn dovish once it's got the chance.

### ✓ **Czech Republic: Softer inflation for the summer?**

After slightly higher than expected inflation in May, driven mainly by higher vegetable prices, we will probably see annual CPI growth to decelerate towards 2.7 % on the back of higher base effect, as in MoM terms, prices stagnated or increased just slightly in June. Indeed, fuel prices just stagnated in June and food prices should also moderate its rapid price growth as new harvest is entering the market. June unemployment rate will stagnate, while May industrial production growth will slow down, as well as retail sales, which were affected by the effect of Easter shopping in April. We will also see the Minutes from the June CNB monetary meeting next Friday.

### ✓ **Hungary: Lower inflation - but not enough for central bank to react**

In Hungary, the key release of the week comes on Tuesday - the June CPI readings. We expect to see a significant drop in the headline indicator due to the high base on energy and tobacco prices.

On the other hand, we saw some softening in fuel and food prices throughout last month, which has also dragged down headline inflation. In the meantime, we forecast core CPI to move further upwards, meaningfully above the 4% YoY level. However, we don't expect any reaction by the central bank as its latest forecast also sees the core CPI remaining above the upper limit of the tolerance band.

## Poland presents inflation forecasts

The central bank of Poland will present its inflation projection. According to the latest MPC statement, CPI forecast for 2019 was revised higher from 1.7% to 2%YoY. The change to the 2020 figure was marginal to 2.8%YoY, but still, we expect the central bank to present a considerably different structure in comparison to the last report in March.

For the rest of 2019, we expect strong upward revision to food prices, and downward revision to core inflation and energy prices. On the other hand, the 2020 figures should be opposite – next year CPI should be dominated by a core inflation increase. In the case of GDP, the central bank revised its 2019 forecast from 4.0% to 4.5% and made minor changes to estimates for 2020 and 2021. The performance of investments should be a major focus – we expect deceleration after the very strong 12.1% Q1 reading.

## EMEA and Latam Economic Calendar

| Country                  | Time | Data/event   | ING       | Survey  | Prev.     |
|--------------------------|------|--|-----------|---------|-----------|
| <b>Sunday 7 July</b>     |      |  |           |         |           |
| Israel                   | -    | Jun Foreign Currency Balance (US\$bn)                      | -         | -       | 118.1     |
| <b>Monday 8 July</b>     |      |  |           |         |           |
| Russia                   | -    | 2Q P C/A (US\$bn)  | 17.0      | -       | 33.7      |
| Poland                   | 0800 | National Bank of Poland Publishes Inflation Report         |           |         |           |
| Czech Rep                | 0800 | May Construction Output (YoY%)                             | -         | -       | 8.9       |
|                          | 0800 | May Trade Balance (CZKmn)                                  | 14.0      | -       | 17.6      |
|                          | 0800 | May Industrial Output (YoY%)                               | 1.2       | -       | 3.3       |
| Hungary                  | 1000 | Jun Budget Balance (YTD)                                   | -676      | -       | -176.4    |
| Romania                  | 0700 | May Avg Net Wages (YoY%)                                   | -         | -       | 14.8      |
|                          | 0700 | 1Q F GDP (SA, QoQ%)  | 1.3       | -       | 1.3       |
|                          | 0700 | 1Q F GDP (YoY%)  | 5.0       | -       | 5.0       |
| Serbia                   | 1100 | Jun HPPI (MoM/YoY%)  | -/-       | -/-     | 0.2/1.3   |
| <b>Tuesday 9 July</b>    |      |  |           |         |           |
| Czech Rep                | 0800 | May Retail Sales (YoY%)                                    | 4.0       | -       | 4.8       |
|                          | 0800 | May Retail Sales Excl. Motor Vehicles (YoY%)               | 5.0       | -       | 6.9       |
|                          | 0800 | Jun Unemployment Rate (%)                                  | 2.6       | -       | 2.6       |
|                          | 0900 | Jun International Reserves (US\$bn)                        | -         | -       | 143.7     |
| Hungary                  | 0800 | Jun CPI (MoM/YoY%)   | -0.1/-3.5 | -/-     | 0.7/3.9   |
| Ukraine                  | -    | Jun CPI (MoM/YoY%)   | -/-       | -/-     | 0.7/9.6   |
| Kazakhstan               | -    | Jun International Reserves (US\$bn)                        | -         | -       | 28.1      |
| Bulgaria                 | 0900 | May Industrial Production (MoM/YoY%)                       | -/-       | -/-     | -1.9/2.4  |
|                          | 0900 | May Retail Sales (MoM%)                                    | -         | -       | -0.1      |
| Croatia                  | 1000 | Apr Trade Balance (HRK m)                                  | -         | -       | -6787.7   |
|                          | 1000 | Jun PPI (MoM/YoY%)   | -/-       | -/-     | -0.1/1.5  |
| Mexico                   | 1200 | Jun CPI (MoM/YoY%)   | 0.1/4.0   | -/-     | -0.3/4.3  |
| <b>Wednesday 10 July</b> |      |  |           |         |           |
| Hungary                  | 1300 | Hungarian Central Bank's Minutes                           |           |         |           |
| Romania                  | 0700 | Jun CPI (MoM/YoY%)   | -0.2/3.7  | -/-     | 0.5/4.1   |
|                          | 0700 | May Trade Balance (€m)                                     | -         | -       | -1382.7   |
| Kazakhstan               | -    | Jun Industrial Production Yearly                           | -         | -       | -1.6      |
| Brazil                   | 1300 | Jun Inflation (IPCA) (MoM/YoY%)                            | 0.0/3.3   | 0.0/3.3 | 0.1/4.7   |
| <b>Thursday 11 July</b>  |      |  |           |         |           |
| Turkey                   | 0800 | May C/A (US\$bn)   | -0.1      | -       | -1.3      |
| Czech Rep                | 0800 | Jun CPI (MoM/YoY%)   | 0.1/2.7   | -/-     | 0.7/2.9   |
|                          | 0800 | May Export Price Index (YoY%)                              | -         | -       | 3.1       |
|                          | 0800 | May Import Price Index (YoY%)                              | -         | -       | 3.4       |
| Romania                  | 1300 | National Bank of Romania Publishes Minutes of Rate Meeting |           |         |           |
| Serbia                   | 1100 | Repo rate (%)  | 3.0       | -       | 3.0       |
| Croatia                  | 1000 | May Tourism arrivals (YoY%)                                | -         | -       | 16.4      |
| South Africa             | 1030 | May Mining Production (MoM/YoY%)                           | -/-       | -/-     | -2.3/-1.5 |
|                          | 1030 | May Mining Gold Production (YoY%)                          | -         | -       | -19.5     |
|                          | 1030 | May Mining Production Volume Index YoY                     | -         | -       | 1.7       |
|                          | 1200 | May Manufacturing Prod. (MoM%)                             | -         | -       | 4.6       |
|                          | 1200 | May Manufacturing Production (SA, MoM%)                    | -         | -       | 2.8       |
| Israel                   | 1100 | Jun Trade Balance (US\$mn)                                 | -         | -       | -1790.5   |
| Brazil                   | 1300 | May Retail Sales (YoY%)                                    | 2.5       | -       | 1.7       |
| Mexico                   | 1500 | Central Bank Monetary Policy Minutes                       |           |         |           |
| <b>Friday 12 July</b>    |      |  |           |         |           |
| Russia                   | 1400 | May Trade Balance (US\$bn)                                 | -         | 13.7    | 13.7      |
| Turkey                   | 0800 | May Industrial Production (MoM/YoY%)                       | -/-1.0    | -/-     | -1/-4     |
| Romania                  | 0700 | May Industrial Production (MoM/YoY%)                       | -/-       | -/-     | 1.1/0.4   |
|                          | 0700 | May Industrial Sales (MoM/YoY%)                            | -/-       | -/-     | -4.7/9.7  |
| Serbia                   | 1100 | Jun CPI (MoM/YoY%)   | -/-       | -/-     | -0.3/2.2  |
| Mexico                   | 1200 | May Industrial Production (YoY%)                           | -0.5      | -       | -2.9      |
| Czech Rep                | 0800 | Czech National Bank Publishes Minutes of Rate Meeting      |           |         |           |

Source: ING, Bloomberg

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