

Key events in EMEA and Latam next week

Central banks of Turkey, Poland and Serbia meet next week. Rates are likely to remain on hold, though we could see some interesting macro-prudential developments in Poland regarding mortgage loans. Also expect inflation to tick up in Serbia, Hungary and the Czech Republic



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Turkey: Expect a cut

We expect the Central Bank of Turkey (CBT) to cut its policy rate cut by 175 basis points to 18% at the next MPC meeting. This follows a faster-than-expected recovery in the inflation outlook and an ongoing improvement in inflation expectations. The continuation of the easing cycle is also supported by improving external financial conditions, while the risk to our call is tilted to the upside.

Poland: MPC meeting focused on mortgage loans

We expect the next monetary policy committee (MPC) meeting to be focused on the European Court of Justice's ruling regarding mortgage loans. Previously, several members communicated the need to lower capital requirements – the chairman's opinion should be crucial for the final recommendations to the Committee of Financial Stability. The committee consists of representatives from the National Bank of Poland (NBP), Ministry of Finance, Financial Supervision

Authority (KNF) and The Bank Guarantee Funds.

The comments regarding interest rate policy should not change, despite the risk of temporarily overshooting the NBP's inflation target upper band (CPI above 3.5% YoY) in 1Q of 2020. We expect the MPC to keep rates flat in the remainder of 2019 and in 2020.

Some discussion may be related to the redistribution of the NBP's profit in 2020. Current rules will force the NBP to use them for rebuilding reserves. Some MPC members highlighted the need to amend current regulations to allow for the transfer to the government's budget.

Serbia key rate decision: Lie back and assess previous easing

After two rather surprising 25 basis points rate cuts, the National Bank of Serbia (NBS) is likely to keep the key rate unchanged at 2.50% at its 12 September meeting. We have been forecasting a terminal key rate of 2.50% for this year but the timing of rate cuts has been slightly different than we expected as the NBS decided to front-load its policy easing. That said, we should see monetary policy on auto-pilot for the rest of the year at least from the interest rates perspective, with the NBS likely focusing more on EUR/RSD stability.

Hungarian inflation expected to bounce back

After decreasing for two months, we expect Hungarian inflation to rebound and show a mild increase in August. We see two factors behind the move. First, there is a carry-over effect stemming from the excise duty hike on tobacco in the previous month, while fuel prices also picked up in August. Forint weakening might also show up to some extent in the prices of durables. Against this backdrop, we also see core inflation ticking higher by 0.1ppt.

Czech: Inflation still flying high

While Czech inflation was supposed to decelerate close to 2.5% in 2H19, it remains higher so far, mainly due to food prices affected by the bad harvest last year. As such, volatile food prices represent the main risk for the August print, which might fluctuate around 2.9% depending on food prices. Despite the fact that inflation might hit 3% this year, it is no game-changer for the Czech National Bank (CNB) as it will decelerate in 2020, also due to a high base. The CNB announced it will remain on hold for some time, despite its model recommending a hike, as risks stemming from global developments warrant a wait-and-see approach, according to CNB Board members.

Romania: Inflation to stay above target in August as well

We expect August CPI to remain flat compared to the previous month as price movements in some food items were offset by changes in others. Fuel costs remained constant while EUR/RON traded unchanged as well. This will translate into a 3.80% year-on-year headline inflation.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------------|------|--------------------------------------------------|---------|--------|-----------|
| Monday 9 September | | | | | |
| Russia | 1400 | 2Q P GDP (YoY%) | 0.9 | 0.9 | 0.9 |
| Czech Rep | 0800 | Aug Unemployment Rate (%) | 2.7 | - | 2.7 |
| | 0900 | Aug International Reserves (US\$bn) | - | - | 144.9 |
| Hungary | 1000 | Aug Budget Balance (YTD) | -330.0 | - | -352.7 |
| Ukraine | - | Aug CPI (MoM/YoY%) | -/- | -/- | -0.6/9.1 |
| Romania | 0700 | Jul Avg Net Wages (YoY%) | - | - | 15.5 |
| | 0700 | Jul Trade Balance (€m) | - | - | -1130.9 |
| Kazakhstan | 1200 | Key Policy Rate (%) | - | - | 9.00 |
| | - | Aug International Reserves (US\$bn) | - | - | 27.7 |
| Brazil | 1300 | Jul Retail Sales (YoY%) | 1.5 | - | -0.3 |
| Mexico | 1200 | Aug CPI (MoM/YoY%) | 0.0/3.2 | -/- | 0.4/3.8 |
| Tuesday 10 September | | | | | |
| Czech Rep | 0800 | Aug CPI (MoM/YoY%) | 0.0/2.9 | -/- | 0.4/2.9 |
| | 0800 | Jul Export Price Index (YoY%) | - | - | 0.1 |
| | 0800 | Jul Import Price Index (YoY%) | - | - | -0.7 |
| Hungary | 0800 | Aug CPI (MoM/YoY%) | 0.3/3.4 | -/- | 0.2/3.3 |
| Kazakhstan | - | Aug Industrial Production Yearly | - | - | 3.2 |
| Bulgaria | 0900 | Jul Industrial Production (MoM/YoY%) | -/- | -/- | -1.9/-3.6 |
| | 0900 | Jul Retail Sales (MoM/YoY%) | -/- | -/- | 0.0/0.1 |
| Croatia | 1000 | Aug PPI (MoM/YoY%) | -/- | -/- | 0.4/0.3 |
| South Africa | 1100 | 3Q BER Business Confidence | - | - | 28.0 |
| | 1200 | Jul Manufacturing Prod. (MoM%) | - | - | -3.2 |
| | 1200 | Jul Manufacturing Production (SA MoM%) | - | - | -1.5 |
| Wednesday 11 September | | | | | |
| Russia | 1400 | Jul Trade Balance (US\$bn) | - | 11.0 | 12.5 |
| Poland | - | Base Rate (%) | 1.50 | 1.50 | 1.50 |
| Hungary | 1300 | Hungarian Central Bank's Minutes | | | |
| Romania | 0700 | Aug CPI (MoM/YoY%) | 0.0/3.8 | -/- | -0.2/4.1 |
| South Africa | 1030 | Aug SACCI Business Confidence | - | - | 92.0 |
| Israel | 1100 | Aug Trade Balance (US\$m) | - | - | -1733 |
| Mexico | 1200 | Jul Industrial Production (YoY%) | -2.0 | - | -2.9 |
| Thursday 12 September | | | | | |
| Turkey | 1200 | Benchmark Repurchase Rate | 18.00 | - | 19.75 |
| Romania | 0700 | Jul Industrial Production (MoM/YoY%) | -/- | -/- | -1.0/-4.1 |
| | 0700 | Jul Industrial Sales (MoM/YoY%) | -/- | -/- | -7.6/-0.2 |
| Serbia | 1100 | Aug CPI (MoM/YoY%) | 0.6/1.9 | -/- | -0.2/1.6 |
| | 1100 | Repo rate (%) | 2.50 | - | 2.50 |
| Croatia | 1000 | Jul Tourism arrivals (YoY%) | - | - | 11.7 |
| South Africa | 1030 | Jul Mining Production (MoM/YoY%) | -/- | -/- | 3.3/-4.2 |
| Israel | - | Bank of Israel Publishes Minutes of Rate Meeting | | | |
| Friday 13 September | | | | | |
| Turkey | 0800 | Jul C/A (US\$m) | 1.2 | - | -0.5 |
| | 0800 | Jul Industrial Production (MoM/YoY%) | -/- | -/- | -3.7/-3.9 |
| Poland | 0900 | Aug F CPI (MoM/YoY%) | -/- | -/- | 0.0/2.8 |
| | 1300 | Jul C/A (€mn) | -445 | -334 | 21 |
| | 1300 | Jul Trade Balance (€mn) | -240 | -56 | -77 |
| | 1300 | Jul Exports (€mn) | 19015 | 19050 | 18068 |
| | 1300 | Jul Imports (€mn) | 19255 | 19106 | 18145 |
| Czech Rep | 0900 | Jul C/A (CZKbn) | - | - | -3.9 |
| Romania | - | Jul C/A YTD (€mn) | -6025 | - | -5135 |

Source: ING, Bloomberg

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