

Key events in EMEA and Latam next week

We expect Turkey to hike its one-week repo rate on Thursday to further support the lira. Also watch out for strong inflation readings from the EMEA and Latam regions



Source: Shutterstock

Turkey: Hike expected to prevent a TRY slide

The Central Bank of Turkey tightened liquidity again last month, pulling the effective cost of funding up to 19.25%. The bank signalled a hike in policy rates following the latest inflation release to halt a slide in the Turkish lira and restore price stability. Accordingly, we expect the bank to raise the one-week repo rate by 325 basis points to 21%, and start funding banks via one-repo auctions again.

Meanwhile, growth in 2Q is likely to decelerate to 5.4% year-on-year given that the PMI has fallen below the 50 threshold, sectoral confidence indicators have declined and industrial production and retail sales have softened.

August CPI to stay above the National Bank of Hungary's target

The August inflation reading is the only important event in Hungary next week. We see the

headline CPI declining from the five-year high of 3.4% YoY, but will likely remain above the National Bank of Hungary's inflation target. The main reason behind the deceleration is the higher base of oil/fuel prices. In the meantime, we expect core CPI to remain unchanged at 2.5% YoY.

✓ Romania CPI to bounce back to 5.0% in August

We expect inflation to inch up in August, from 4.6% in July, on the back of regulated gas price hikes. We also expect food inflation, which posted negative monthly rates in June and July, to remain flat versus the previous month. The producer price index, for the food industry, has been recently drifting upwards, which poses some risks to the inflation outlook. We are comfortable with our year-end inflation forecast at 3.6% YoY, which is 0.1 percentage points above the central bank's projection.

We see the National Bank of Romania keeping rates unchanged at the next two meetings scheduled for the rest of this year; absent signs of contagion from recent emerging market jitters.

✓ Poland: Neither an upgrade nor a downgrade

We expect Moody's to maintain an A2 rating with a stable outlook. The major obstacle preventing an upgrade is the strongly negative international investment position (-59% GDP after 1Q), as well as risks regarding the institutional outlook (e.g. clash with European Commission on judiciary reform) - the latter especially overshadowing a solid fiscal stance. According to the 2019 budget bill draft, the deficit of the general government should not exceed 1.8% GDP - a historically low reading.

Moreover, the final inflation reading should have minimal relevance in our opinion; the flash figure suggesting August core inflation accelerated to 0.8% YoY. Another increase in September and October seems unlikely in our opinion. Headline CPI should decelerate from September onwards on lower food and fuel prices. We expect November readings close to 1% YoY vs. 2% YoY in August.

✓ Czech: Accelerating inflation points to need for tightening

Although fuel prices stagnated in monthly terms in August, and food prices might even fall slightly - according to preliminary data, we see an acceleration of core inflation given solidly growing wages, a weak koruna and a pickup in energy prices for households. As such, year-on-year inflation should accelerate towards the 2.5% mark, which would confirm mounting inflationary pressures. This will most likely motivate the Czech National Bank to tighten monetary policy further at the forthcoming meeting at the end of September.

EMEA and Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------------|------|--|----------|--------|----------|
| Monday 10 September | | | | | |
| Turkey | - | 2Q GDP (YoY%) | 5.4 | - | 7.4 |
| Russia | - | 2Q P GDP (YoY%) | - | 1.8 | 1.8 |
| Czech Rep | 0800 | Aug CPI (MoM/YoY%) | 0.1/2.5 | -/- | 0.2/2.3 |
| | 0800 | Aug Unemployment Rate (%) | 3 | - | 3.1 |
| Ukraine | - | Aug CPI (MoM/YoY%) | -/- | -/- | -0.7/8.9 |
| Romania | 0700 | Jul Trade Balance (€m) | - | - | -1302.6 |
| Kazakhstan | - | Aug International Reserves (US\$bn) | - | - | 30.8 |
| Bulgaria | 0900 | Jul Industrial Production (MoM/YoY%) | -/- | -/- | 1/3.63 |
| | 0900 | Jul Retail Sales (MoM/YoY%) | -/- | -/- | 0.4/6.1 |
| Tuesday 11 September | | | | | |
| Russia | 1400 | Jul Trade Balance (US\$bn) | - | 15.25 | 15.56 |
| Hungary | 0800 | Aug CPI (MoM/YoY%) | -0.1/3.2 | -/- | 0.3/3.4 |
| Romania | 0700 | Jul Industrial Production (MoM/YoY%) | -/- | -/- | 1.6/6.7 |
| | 0700 | Jul Industrial Sales (MoM/YoY%) | -/- | -/- | -0.4/15 |
| | 0700 | Aug CPI (MoM/YoY%) | 0.2/5.0 | -/- | -0.5/4.6 |
| South Africa | 1200 | Jul Manufacturing Prod. (MoM%) | - | - | 0.7 |
| | 1200 | Jul Manufacturing Prod. (SA, MoM%) | - | - | 0.3 |
| Mexico | 1400 | Jul Industrial Production (YoY%) | 1.2 | - | 0.23 |
| Wednesday 12 September | | | | | |
| Serbia | 1100 | Aug CPI (MoM/YoY%) | -/- | -/- | -0.3/2.4 |
| South Africa | 1200 | Jul Retail Sales (MoM/YoY%) | -/- | -/- | -1.2/0.7 |
| Thursday 13 September | | | | | |
| Turkey | 1200 | Benchmark Repurchase Rate | 21 | - | 17.75 |
| Poland | 0900 | Aug F CPI (MoM/YoY%) | -0.1/2 | -/- | 0/2 |
| | 1300 | Jul C/A (€mn) | -744 | - | -240 |
| | 1300 | Jul Trade Balance (€mn) | -378 | - | -413 |
| | 1300 | Jul Exports (€) | 17190.5 | - | 18071 |
| | 1300 | Jul Imports (€) | 17568.8 | - | 18484 |
| Czech Rep | 0900 | Jul C/A (CZKbn) | - | - | -1.6 |
| Romania | - | Jul C/A YTD (€m) | - | - | -3781 |
| Bulgaria | 0900 | Aug CPI (MoM/YoY%) | -/- | -/- | 0.7/3.5 |
| Brazil | 1300 | Jul Retail Sales (YoY%) | 1.1 | - | 1.5 |
| Friday 14 September | | | | | |
| Russia | 1130 | Key Rate (%) | - | 7.25 | 7.25 |
| Turkey | 0800 | Jul C/A (US\$mn) | -1.2 | - | -2.973 |
| Poland | 1300 | Aug Core Inflation (MoM/YoY%) | 0.1/0.8 | -/- | -0.1/0.6 |
| | - | Poland Sovereign Debt to Be Rated by Moody's | | | |
| Israel | 1200 | Aug CPI (MoM/YoY%) | -/- | -/- | 0/1.4 |

Source: ING, Bloomberg

[Click here to download a printer-friendly version of this table](#)

Authors

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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>.