

Key events in EMEA and Latam next week

Data releases across the EMEA region include inflation and retail sales out of the Czech Republic, as well as news from Hungary on the budget, inflation and minimum wage. Keep an eye on Poland, too, as a rate cut could be on the way



Source: Shutterstock

✓ Czech Republic: Inflation to decelerate and retail sales will reflect the lockdown

December's CPI is likely to decelerate further to 2.5% year-on-year after 2.7% the month before amid lower prices of food and a high base. Still, a surprise is more likely this time due to the impact of Covid on prices in December after the end of the second lockdown, and relatively volatile food prices. The November lockdown will be fully visible in November's retail sales, which are likely to fall more significantly again, though not as much as last April (-10% YoY) as restrictions were slightly less severe and retailers were better able to switch online quicker than during the spring wave.

✓ Hungary: Budget data, inflation readings and minimum wage

We start next week with the Ministry of Finance releasing the last budget data for 2020 on Monday. We expect the cash-flow budget to end up at around HUF 3.9 trillion in deficit, overshooting the latest government goal of HUF 3.6tn. On Thursday, all eyes will be on the inflation

readings. We see the December headline CPI remaining steady at 2.7% year-on-year in contrast to the central bank's (implied) forecast of 3%. Core inflation will decrease marginally on durables, clothing and processed food, but these effects will be counterbalanced by a further increase in tobacco and fuel prices, both being non-core factors. In addition, we are waiting for an official agreement on the minimum wage increase (somewhere around 3-5%), as the debate between the interested parties (government, employees and employers) has stretched into this year for the first time ever.

✓ **Poland: Rate cut could be on the way but currency developments will be key**

The highlight of this week will be the MPC meeting. Following a surprise central bank intervention against the zloty and MPC remarks, markets have started to price in easing as soon as January. We see the odds of a rate cut at 50% in 1Q. Much may depend on the PLN performance. If EUR/PLN nears levels seen at the latest intervention (4.45), policy action will be more likely.

Recent remarks from MPC Chairman Adam Glapiński suggest further easing will be contingent on another wave of the pandemic. This is highly unlikely to come before the next meeting, so PLN developments will be key.

We expect no more than a 10bp cut. Some MPC members have commented that moving rates into a negative territory may be illegal, so we expect no such action until the law is amended.

Author

Peter Virovacz

Senior Economist, Hungary
peter.virovacz@ing.com

Piotr Poplawski

Senior Economist, Poland
piotr.poplawski@ing.pl

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 www.ing.com.