

Key events in EMEA and Latam next week

Multiple rate decisions are expected across the EMEA region next week. Expect rate cuts from Russia and Hungary while Turkey should stay on hold



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Russia: Dovish tone continues with a predicted 25bp rate cut

Russia's key rate will most likely be cut at the upcoming central bank meeting on 24 July. Since the previous decision, the current CPI trend has been in check, with annual CPI accelerating to 3.4% year-on-year largely due to statistical effects. Furthermore, inflationary expectations have been moderate among households, corporates, and market participants. Over the last month, the analyst consensus forecast for mid-2021 CPI declined from 3.7% to 3.1% YoY, putting the Russian real policy rate back towards the upper border of the peer range. Central Bank of Russia Governor Elvira Nabiullina indicated this week that she sees scope for a further reduction in the key rate. We believe the decision next week will be between a 25 and 50 basis point cut, rather than between the flat to 25bp range we expected initially.

The recent cooling of emerging market risk sentiment, combined with higher foreign policy tensions around Russia, and uncertainties regarding the size of the local state debt supply, all speak in favour of a more cautious 25bp cut, which we treat as a base case for 24 July. A more aggressive 50bp cut cannot be ruled out, however that option will more likely be accompanied by less dovish forward guidance, essentially making the two options equal in terms of potential effect

on the market.

Hungary: Another rate cut expected as further stimulus required

The National Bank of Hungary surprised everyone with a symbolic rate cut in June. Based on the latest comments and economic developments, we see the NBH cutting the base rate and the one-week deposit rate once again by 15bp to 0.60%. When it comes to the key messages, the central bank will emphasize that it doesn't want to cut the rate further as it doesn't want to get closer to the zero lower bound in rates. If further easing is needed, the NBH will carry out supportive measures using its corporate bond buying and lending programmes. As the next Inflation Report is only due in September, this time we don't expect any update regarding the central bank's overly optimistic economic outlook.

Turkey: Staying on hold

Following a surprise end to the long rate-cutting cycle, we expect the Central Bank of Turkey to remain on hold and keep the policy rate (1-week repo rate) at 8.25% in July due to a recent deterioration in inflation and funding costs which are already aligned with the CBT's inflation forecast. Initial signs of a rebound in economic activity from the bottom in April should also be a reason to hold rates steady.

Poland: Varied data shows uncertainty for Poland as lockdown eases

This week's data from Poland should show a mixed picture. Overall dynamics are expected to improve further, but largely owing to more favorable calendar effects. Huge surpluses in Poland's trade balance hint weak investment activity (usually a major source of imports). Still many export-oriented industries should be doing relatively well, benefiting from recovering demand among key trade partners.

EMEA Latam Economic Calendar

| Country | Time | Data/event | ING | Survey | Prev. |
|--------------------------|------|--|---------|--------|------------|
| Sunday 19 July | | | | | |
| Israel | | - Jul 12Mth Inflation Forecast (%) | - | - | 0.6 |
| Monday 20 July | | | | | |
| Poland | 0900 | Jun Industrial Output (MoM/YoY%) | -/-3.0 | -/-8.1 | 10.1/-17.0 |
| | 0900 | Jun PPI (MoM/YoY%) | -/-1.1 | -/-0.8 | 0.0/-1.5 |
| Kazakhstan | 1000 | Jul 20 Key Policy Rate (%) | - | - | 9.5 |
| Serbia | | - May C/A (€mn) | - | - | -105.2 |
| Croatia | 1000 | Jun Unemployment Rate (%) | - | - | 9.5 |
| | 1000 | May Real Wages (YoY%) | - | - | 0.4 |
| Israel | | - Bank of Israel Publishes Minutes of Rate Meeting | | | |
| Tuesday 21 July | | | | | |
| Poland | 0900 | Jun Retail Sales (MoM/YoY%) | -/-8.0 | -/- | 14.5/-8.6 |
| Hungary | 1300 | Policy Rate (%) | 0.60 | - | 0.75 |
| | 1300 | Jul 21 Overnight Deposit Rate (%) | -0.05 | - | -0.05 |
| South Africa | 0800 | May Leading Indicator | - | - | 97.2 |
| Wednesday 22 July | | | | | |
| Poland | 1300 | Jun M3 Money Supply (MoM/YoY%) | -/-15.0 | -/- | 2.7/16 |
| South Africa | 1200 | May Retail Sales (MoM/YoY%) | - | - | 2.3/2.7 |
| Mexico | 1200 | May Retail Sales (YoY%) | -20 | - | -23.8 |
| Thursday 23 July | | | | | |
| Turkey | 1200 | Benchmark Repurchase Rate | 8.25 | - | 8.25 |
| Poland | 0900 | Jun Unemployment Rate (%) | 6.1 | - | 6 |
| Ukraine | 1200 | Jul 23 Key Rate (%) | 6.0 | - | 6 |
| South Africa | | - Repo rate (%) | - | - | 3.75 |
| Friday 24 July | | | | | |
| Russia | 1130 | Key Rate (%) | 4.25 | 4.25 | 4.5 |
| | 1300 | Bank of Russia Governor Nabiullina holds news conference | | | |
| Poland | | - Jun Budget Level (YTD) | - | - | -25881.6 |
| Czech Rep | 0800 | Jul Business Confidence | - | - | -16.1 |
| | 0800 | Jul Consumer & Business Confidence | - | - | -15.5 |
| | 0800 | Jul Consumer Confidence | - | - | -13 |
| Kazakhstan | | - Jun M3 Money Supply (MoM%) | - | - | 1 |
| Serbia | 1100 | May Real Wages (YoY%) | - | - | 8 |

Source: ING, Bloomberg

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