

Key events in EMEA and Latam next week

Turkey, Hungary and the Czech Republic are all set to keep rates on hold next week, however we may see a 25 basis point rate cut in Mexico. Most central banks appear to be in wait-and-see mode going into autumn, as the need for further stimulus remains uncertain



Source: Shutterstock

Turkey: Widening in the corridor structure possible

The Central Bank of Turkey has started gradually hiking the effective cost of funding - up by 300bp since mid-July to 10.3% now - by changing the composition of funding. In the current scheme, the CBT could push the effective cost of funding up to the late liquidity window rate of 11.25%, implying relatively lower flexibility in comparison to the latest inflation number of close to 12%. So given the CBT's stance of not changing the policy rate due to Covid-19 related uncertainties, we could see an adjustment and widening in the corridor structure at the September MPC meeting through changes in the late liquidity window and overnight lending rates.

Hungary: Rates to remain unchanged but with a hawkish tone

We see a significant deterioration in the Hungarian current account balance in the second quarter of 2020. The collapse of international travel and trade left a huge mark on the data, in our view.

Other than this, the calendar will be light on data, so all eyes will be on the National Bank of Hungary on Tuesday. Inflation surprised on the upside recently, while growth surprised on the downside. We think the NBH will focus on the inflation story, but just by using words rather than action. Rates and unconventional tools should remain unchanged, but the press conference's tone could be a bit more hawkish than it used to be. The central bank will also reveal its main forecast figures before it releases its full Inflation Report on Thursday. We expect a major downgrade in GDP growth (from 0.3–2.0% growth to a 5–7% decline) with the inflation forecast to remain broadly unchanged.

✓ Czech Republic: CNB set to keep rates on hold

The Czech National Bank is set to stay on hold next Wednesday as the current monetary setting seems to be optimal from the perspective of the CNB's Board. The latest economic data was slightly better than the CNB expected, though the recent sharp surge in Covid cases is a clear downside risk.

EMEA Latam Economic Calendar

Country	Time Data/event	ING	Survey	Prev.
Monday 21 September				
Poland	0900 Aug Retail Sales (MoM/YoY%)	-/-	-/-	6.4/2.7
Hungary	0730 2Q C/A (€mn)	-1241	-	2.4
Tuesday 22 September				
Poland	1300 Aug M3 Money Supply (MoM/YoY%)	-/-	-/-	-0.3/16.8
Hungary	1300 Policy Rate (%)	0.6	-	0.6
	1300 Overnight Deposit Rate (%)	-0.05	-	-0.05
South Africa	0800 Jul Leading Indicator	-	-	94.1
Israel	- 12Mth Inflation Forecast (%)	-	-	0.4
Brazil	1200 Central Bank Meeting Minutes			
Wednesday 23 September				
Poland	0900 Aug Unemployment Rate (%)	-	-	6.1
	- Aug Budget Level (YTD)	-	-	-16294.3
Czech Rep	1330 Repo Rate	0.25	-	0.25
	1445 CNB news conference			
Israel	1100 Jul Industrial Production (SA, MoM%)	-	-	0.2
	1100 Aug Monthly Unemployment Rate (%)	-	-	4.6
Mexico	1200 Jul Retail Sales (YoY%)	-11.0	-	-16.6
Thursday 24 September				
Turkey	0800 Sep Real Sector Confidence Index SA	-	-	105.2
	0800 Sep Capacity Utilization (%)	-	-	73.3
	1200 Benchmark Repurchase Rate	8.25	-	8.25
Poland	1300 National Bank of Poland Publishes Minutes of Rate Meeting			
Czech Rep	0800 Sep Business Confidence	-	-	-2.8
	0800 Sep Consumer & Business Confidence	-	-	-4.7
	0800 Sep Consumer Confidence	-	-	-12.0
Hungary	- Annual Conference of Hungarian Economic Association			
Israel	- Aug Leading 'S' Indicator (MoM%)	-	-	0.15
Brazil	1200 Central Bank Quarterly Inflation Report			
Mexico	1900 Overnight Rate	4.25	4.5	4.5
Friday 25 September				
Turkey	0900 Aug Foreign Tourist Arrivals (YoY%)	-	-	-85.9
Kazakhstan	- Aug M3 Money Supply (MoM%)	-	-	4.1
Serbia	1100 Jul Real Wages (YoY%)	-	-	9.8
Brazil	1330 Aug C/A Balance (\$mn)	2400	-	1627.7

Source: ING, Bloomberg

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>.