

## Key events in EMEA and Latam next week

Expect the Polish central bank to keep rates on hold next week while PMI readings in Hungary and the Czech Republic are likely to be affected by the coronavirus outbreak in Europe



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### Poland: MPC to stay on its course

We expect the Monetary Policy Council to maintain its current stance and exclude the possibility of an interest rate hike in the coming months. The new inflation projection should confirm that CPI is likely to hover strongly above 4% in the first quarter and return towards the upper boundary of the National Bank of Poland's target in the second half of the year. In our opinion, the central bank is unlikely to indicate that CPI should exceed the target for the whole of 2020 – we see such a scenario as likely.

The MPC is likely to highlight the downward risk to its GDP growth forecast. We expect 3% year-on-year growth in 2020. The NBP inflation projection should probably present a more upbeat picture.

Meanwhile, the new PMI index for February will be published – we expect a modest pick-up from 47.4 to 47.8 points, following better sentiment in Germany and other Eurozone countries. Still, we see this rise as temporary – the coronavirus outbreak threatens economic growth in Europe.

## ✓ Czech Republic: Manufacturing PMI to print higher because of delayed release

February manufacturing PMI might head higher, but partially due to a similar reason as in Germany, as the delayed release (due to coronavirus) is positive in the PMI methodology. Real wages are likely to further slow down, partially due to higher inflation in 4Q19 compared to the previous quarter (3.0% vs 2.8%), and partially due to weaker nominal wage growth in 4Q. As such, we expect 3.2% YoY growth after 4.0% in 3Q19, while the Czech National Bank expects 4.2% growth, mainly due to an acceleration in non-market segment wages.

## ✓ Hungary: PMI to drop further

We expect to see the Hungarian PMI dropping further, reflecting the worries about the supply chain issues and the continued drop in the level of orders.

Industrial production is expected to improve on a monthly basis in January, but output should remain lower than a year ago. Along with a slowly but surely decreasing consumer confidence, we expect retail sales growth to continue its slide but still remain sound.

January data won't tell us the whole story about supply chain disruptions, travel bans and the like, so it might paint a bit of a better picture compared to the expected 1Q performances.

## ✓ Turkey: Inflation affected by recent currency weakness

We expect annual inflation to maintain its upward move in February to 12.5% (0.5% month on month) from 12.2% in January, given the likely implications of the recent currency weakness while the drop in oil prices should be a relief factor.

## ✓ Russia: CPI to edge lower but coronavirus creates uncertainties

Russian CPI is likely to show further deceleration from 2.4% year on year in January to 2.3% YoY in February, and the recent weekly data suggests an additional 0.1 pp underperformance cannot be ruled out. This, combined with improvement in household's 12-month inflationary expectations to the lowest level in almost two years, reaffirming further room for a central bank rate cut as a base case.

Meanwhile, the coronavirus outbreak is creating more uncertainty, as the global risk-off and \$15-20/bbl oil price drop have already led to USD/RUB depreciation by 6% year-to-date and to a spike in corporate inflationary expectations in February. So far the FX move does not appear strong enough to significantly worsen the CPI outlook, but further exchange rate volatility may become a factor to consider at the 20 March meeting.

## EMEA and Latam Economic Calendar

Monday 2 March				
Russia	0600 Feb Markit Manufacturing PMI	-	-	47.9
Turkey	0700 Feb Markit/ISO Manufacturing PMI	-	-	51.3
Poland	0800 Feb Markit Manufacturing PMI	47.8	-	47.4
Czech Rep	0830 Feb Markit Manufacturing PMI	46.7	-	45.2
	1300 Feb Budget Balance (CZKbn)	-	-	-8.0
Hungary	0800 Feb Manufacturing PMI	51.5	-	52.5
Romania	- Feb FX Reserves (€bn, Net)	-	-	40.3
Kazakhstan	- Feb CPI (MoM/YoY%)	-/-	-/-	0.7/5.6
	- Feb PPI (MoM/YoY%)	-/-	-/-	1.9/4.6
Serbia	1100 4Q GDP (YoY%)	6.0	4.2	4.8
South Africa	0900 Feb Kagiso PMI	-	-	45.2
	- Feb NAAMSA Vehicle Sales (YoY%)	-	-	-8.1
Tuesday 3 March				
Turkey	0700 Feb CPI (MoM/YoY%)	0.5/12.5	-/-	1.4/12.2
	0700 Feb Domestic PPI (MoM/YoY%)	-/-	-/-	1.8/8.8
Poland	- Monetary Policy Council Rate Meeting			
Czech Rep	0800 4Q P GDP (QoQ/YoY%)	0.2/1.7	-/-	0.2/1.7
Hungary	0800 Jan PPI (MoM/YoY%)	-0.5/2.4	-/-	-0.2/2.4
	0800 Dec F Trade Balance (€mn)	134.0	-	134.2
Romania	0700 Jan Unemployment Rate Total 15 - 74 Years Old SA	3.9	-	3.9
	0700 Jan PPI (MoM/YoY%)	-/-	-/-	0.3/3.9
South Africa	0930 4Q GDP (SAAR-QoQ/YoY%)	-/-	-/-	-0.6/0.1
Wednesday 4 March				
Poland	- Base Rate (%)	1.5	1.5	1.5
Hungary	0800 Jan Retail Sales (YoY%)	5.9	-	6.1
Romania	0700 Jan Retail Sales (MoM/YoY%)	-/-	-/-	0.8/8.3
South Africa	0715 Feb HSBC PMI SA	-	-	48.3
Brazil	1200 4Q GDP (QoQ/YoY%)	0.5/1.6	0.5/1.7	0.6/1.2
Thursday 5 March				
Kazakhstan	- Feb International Reserves (US\$bn)	-	-	29.3
Bulgaria	0900 4Q F GDP (QoQ/YoY%)	0.7/3.5	-/-	0.7/3.5
South Africa	0930 Feb SACCI Business Confidence	-	-	92.2
Israel	- Feb Foreign Currency Balance (US\$bn)	-	-	130.0
Friday 6 March				
Russia	1300 Feb CPI (MoM/YoY%)	0.3/2.3	-/-	0.4/2.4
Poland	1300 Feb Official Reserves Total (USDmn)	-	-	125457
Hungary	0800 Jan Industrial Production (MoM/YoY%)	1.5/-1.5	-/-	-3.8/-3.7
	- Feb Budget Balance (YTD)	-123	-	90.4
Croatia	1000 Jan Industrial Production (SA, YoY%)	-	-	-2.2
South Africa	0600 Feb Gross Reserves (US\$bn)	-	-	54.6
	0600 Feb Net Open Foreign Currency Position (US\$bn)	-	-	45.2
	- Jan Electricity Production (YoY%)	-	-	-4.0
	- Jan Electricity Consumption (YoY%)	-	-	-4.9
Czech Rep	0800 Average Real Monthly Wages 4Q19	3.2	-	4.0

Source: ING, Bloomberg

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