

## Key events in EMEA and Latam next week

Busy week in the EMEA sphere. Monetary policy meetings in Poland and Romania, with both central banks, expected to remain on hold and expect some positive news with decelerating inflation in both Russia and Turkey



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### ✓ Poland: NBP rates likely to remain flat

The key event in Poland next week is the central bank meeting. The committee should maintain its current rhetoric and reiterate that interest rates are likely to remain flat, despite a more dovish approach from the European Central Bank.

In its new inflation projection, we expect upward revisions to 2019 estimates for both activity and CPI inflation. The new GDP forecast for this year should be around 4.5% YoY vs. 4% projected in March. Revisions to inflation are likely to be smaller, at close to 2% vs. 1.7% in the previous round. At the same time, we don't expect major changes in the projection for 2020 and 2021. Next year's inflation scenario from the National Bank of Poland (NBP) is broadly consistent with our view. The NBP maintains an optimistic forecast of economic activity, but changes in this iteration are unlikely.

## ✓ Romania: Key rate on hold at 2.5%

We expect the National Bank of Romania (NBR) to keep the key rate at 2.50% on its 4 July meeting where it is likely to embrace the global dovish mood, citing the “regional context” and arguing that this year’s inflation peak is behind us. However, before that, on 3 July the parliament session runs into extra time to vote, among other appointments, for a new NBR Board on 3 July. It seems that there is cross-party support, amid some dissentients, to offer to governor Mugur Isarescu a new term. This is likely to alleviate some investor concerns about central bank independence.

## ✓ Russia: All eyes on inflation

The most recent weekly CPI data points to a noticeable and a slightly surprising slowdown in the annual inflation rate from 5.1% YoY in May to 4.6-4.8% YoY in June. The key source of the positive newsflow is the food segment (accounting for around 40% of the overall basket), which has benefitted from an ahead-of-schedule harvest on good weather and stronger-than-expected RUB exchange rate following the dovish surprise from the global central banks.

Given the favourable global agriculture price expectations until year-end and buoyant global financial markets, our year-end 2019 CPI forecast of 4.6% now has room for downward revisions. Our case for another 25 bp cut in the key rate on 26 July has strengthened.

## ✓ Turkey: Lower inflation readings

Following an improvement in inflation dynamics in May due to the tight central bank stance and weak domestic demand, we expect another benign reading in June at 0.8% MoM, pulling annual inflation down to 16.7% also with the contribution of large base effect from the last year. High inflation inertia, cost-push factors including food inflation will likely remain key upside risks in the near term.”

## ✓ Czech: Manufacturing PMI still in the contraction area

Given the recent fall in Czech industrial confidence indicator in June and just slightly improving manufacturing PMI in Germany, it is reasonable to assume that Czech manufacturing PMI will also remain in the contraction area in June and most likely close to the previous month’s value of 47.

## ✓ Hungary: Weaker retail and industrial sectors

Next week’s data should tell us the extent of the GDP growth slowdown in 2Q19. We see the manufacturing PMI making a slight correction after a positive outlier in May, but will suggest further strengthening. Against this backdrop, it hardly comes as a surprise, that industrial production is expected to accelerate further, especially after a weak reading due to the Easter-effect in April. As consumer confidence has retreated somewhat lately, we see retail sales growth to decelerating mildly.

## EMEALatam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 1 July</b>					
Russia	0700	Jun Markit Manufacturing PMI	-	-	49.8
	-	1Q F GDP (YoY%)	-	-	0.5
Turkey	0800	Jun Markit/ISO Manufacturing PMI	-	-	45.3
Poland	0800	Jun Markit Manufacturing PMI	49.2	-	48.8
Czech Rep	0830	Jun Markit Manufacturing PMI	47.3	-	46.6
	1300	Jun Budget Balance (CZK bn)	-	-	-50.9
Hungary	0800	Jun Manufacturing PMI	56.0	-	57.9
Romania	0700	May Unemployment Rate (Total, 15 - 74 Years Old, SA)	-	-	4.0
	-	Jun FX Reserves (€bn, Net)	-	-	36715.5
Kazakhstan	-	Jun CPI (MoM/YoY%)	-/-	-/-	0.6/5.3
	-	Jun PPI (MoM/YoY%)	-/-	-/-	2.3/12.2
South Africa	1000	Jun Kagiso PMI	-	-	45.4
Mexico	1500	Central Bank Economist Survey			
<b>Tuesday 2 July</b>					
Poland	-	Monetary Policy Council Rate Meeting			
Hungary	0800	Apr F Trade Balance (€mn)	228	-	228
Romania	0700	May PPI (MoM/YoY%)	-/-	-/-	0.6/5.6
Brazil	1300	May Industrial Production (YoY%)	3.2	-	-3.9
<b>Wednesday 3 July</b>					
Turkey	0800	Jun CPI (MoM/YoY%)	0.8/16.7	-/-	1/18.7
	0800	Jun Core CPI (YoY%)	-	-	15.87
	0800	Jun Domestic PPI (MoM/YoY%)	-/-	-/-	2.7/28.7
Poland	-	Base Rate (%)	1.50	-	1.50
South Africa	1030	Jun SACCI Business Confidence	-	-	93.0
Israel	-	Jun Foreign Currency Balance (US\$bn)	-	-	118.1
<b>Thursday 4 July</b>					
Hungary	0800	May Retail Sales (YoY%)	6.4	-	7.1
Romania	0700	May Retail Sales (MoM/YoY%)	-/-	-/-	-0.2/6.8
	-	Repo rate (%)	2.50	-	2.50
South Africa	1200	May Electricity Production (YoY%)	-	-	1.8
<b>Friday 5 July</b>					
Russia	-	Jun CPI Core (YoY%)	-	-	4.7
	-	Jun CPI (MoM/YoY%)	0.1/4.7	-/-	0.3/5.1
Poland	1300	Jun Official Reserves Total	-	-	118619.2
Hungary	0800	May Industrial Production (MoM/YoY%)	2.5/6.7	-/-	-1.1/6.0
South Africa	0700	Jun Gross Reserves (US\$bn)	-	-	48.3
	0700	Jun Net Open Foreign Currency Position (US\$bn)	-	-	43.2

Source: ING, Bloomberg

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