

Key events in EMEA and Latam next week

It's a busy week of data releases with inflation, industry data, FX purchases and flash GDP, which should shed some light on the effects of the second wave. Also, the Czech National Bank is expected to maintain its policy stance for now



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Turkey: Inflation edging higher leaves possibility of further rate hikes

We expect January inflation (at 1.6% on monthly basis) to push the annual figure up slightly to 14.9% from 14.6%, continuing the uptrend of recent months. Elevated cost-push pressures, deteriorating expectations and relatively high trend inflation all add upside risk to the inflation outlook. Accordingly, there is a shift in the Central Bank of Turkey's focus to the medium term and it is more determined to keep a tight stance for longer, and leave the door open for more hikes depending on the inflation readings.

Hungary: PMI to fall, but industry and retail data may provide some optimism

We see the Hungarian PMI dropping below 50 for the first time since September. Car

manufacturers are facing supply chain issues due to the lack of computer chips, which is affecting production. Some producers have reduced working hours, others have closed factories for two weeks. This should be reflected in the PMI, signalling a contraction in January. However, industrial production at least in year-on-year terms was able to improve in December, in our view. A year ago, there was a surprisingly strong drop, causing a low base. We expect the retail sector to finish 2020 with a relatively good reading, continuing its rebound from historic lows in spring last year.

✓ Russia: FX purchases and inflation to increase

The Finance Ministry is likely to announce US\$1.5bn of FX purchases for February, up from January's US\$1.4bn, however this will not be a major concern for the local FX market as it will be a reflection of higher oil prices. The current account and its sterilisation through FX intervention is [unlikely to be an issue until 2H21](#), but this does not mean plain sailing for the ruble in the near-term given the volatility in emerging market risk appetite, and the Russia-specific capital account issues, including persistent foreign policy tension and shaky local confidence.

CPI statistics have recently become the source of bad news, and the data for January is unlikely to be an exception. Inflation is going to shoot up from December's 4.9% YoY to 5.3-5.5% YoY in January. For the most part, the spike should be treated as a [temporary](#) event, propelled by global agriculture inflation, recent ruble depreciation, and the low base effect of 1Q21. We stand by our expectations of a post-1Q21 reversal of CPI, and see no urgency for a key rate hike, especially given the moderation of economic recovery at the end of 2020, which will likely be confirmed by the preliminary GDP data for 2020. Nevertheless, the lack of demand-driven disinflation and upward pressure on households' CPI expectations (which may go up further in response to the government's highly-publicised attempts at arresting food price growth) is a concern, which will find its way into the Bank of Russia's monetary policy communication at the forthcoming board meeting on 12 February.

✓ Czech Republic: CNB to stay on hold for now, and flash GDP data will show a decline

The Czech National Bank will stay on hold next week, but new forecasts should provide a more optimistic outlook for growth this year and it will likely maintain its tightening assumptions for the second half of this year, despite a faster appreciation of the koruna, which has delivered tighter conditions sooner than expected in the CNB's November forecast. We look for two hikes in 2H21. 4Q20 flash GDP data are due next week, and the Czech economy will decline again due to the second wave of the pandemic. Still, it should be less severe compared to the first wave, as industry did not shut down while retail and services fell less compared to the first spring wave.

EMEALatam Economic Calendar

Country	Time	Data/event	ING Survey	Prev.
Monday 1 February				
Russia	0600	Jan Markit Manufacturing PMI	-	49.7
Turkey	0700	Jan Manufacturing PMI	-	50.8
	0900	Jan ITO Istanbul Retail Prices	-	1.36
	1100	Dec Bank NPL Ratio	-	3.97
Poland	0800	Jan Markit Mfg PMI	-	51.5
Czech Rep	0830	Jan Markit PMI	56.5	57
	1300	Jan Budget Balance	-	-367.4
Hungary	0800	Jan Manufacturing PMI	49.7	51.1
	0800	Nov Trade Balance Final	811.0	811.0
Tuesday 2 February				
Czech Rep	0800	Q4 Preliminary GDP (QoQ/YoY%)	-2.5/-6.4	6.9/-5.0
Brazil	1200	Dec Industrial Output (YoY%)		2.8
Russia	-	2020 GDP (YoY%)	-3.0	1.3
Hungary	0800	Dec PPI (MoM/YoY%)	1.3/7.1	- 0.0/5.5
Wednesday 3 February				
Turkey	0700	Jan CPI (MoM/YoY%)	1.6/14.9	1.25/14.6
Poland	-	Feb NBP Base Rate	-	0.1
Thursday 4 February				
Czech Rep	1330	CNB Repo Rate	0.25	0.25
Hungary	0800	Dec Retail Sales (YoY%)	-0.5	-0.8
Friday 5 February				
Russia	1600	Jan CPI (MoM/YoY%)	0.8/5.3	0.8/4.9
Czech Rep	0800	Dec Retail Sales (YoY%)	-	-7.0
Hungary	0800	Dec Industrial Output (MoM/YoY%)	-2.5/5.0	-1.2/3.5

Source: ING, Refinitiv

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