

## Key events in EMEA and Latam next week

One main question in EMEA and Latam next week will be why Hungary's 3Q18 GDP was so surprisingly strong? Russian CPI will be watched closely too, as it could nudge our base case to a hike in December



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### Hungary: Why 3Q18 GDP was surprisingly strong

We expect manufacturing PMI to continue its rebound and in line with this, we see industrial production bringing positive momentum in October, along with a pick-up in retail sales growth.

The statistical office will release the detailed GDP figures, so finally we will have evidence behind the surprisingly strong 3Q18 GDP growth. We expect strong readings in consumption and investment activity. The budget deficit will improve on an expected inflow of HUF 100bn from Brussels and one-offs, as the government has already paid the October public wages and family allowances, improving the cash-flow in November.

### Turkish inflation past its peak?

We think inflation peaked in October, so will likely record a decline of -0.8% month on month in November. This is on the back of tax cuts on certain goods and a decline in energy prices, which should pull the annual figure down to 22.4% from 25.2% a month ago. However, inflation is still set

to remain in the 22-25% range in early 2019, before falling more rapidly in the second half.

## ✓ A December hike could be on the cards for Russia

The November CPI reading will be an important one for the upcoming central bank meeting in December, which currently fluctuates between a hold at 7.50% and hike to 7.75%.

Further acceleration in CPI growth vs. October's 3.5% YoY is inevitable, and for the most part, accounted for by the market and the Bank. However, steady -0.15% week on week inflation seen in the last three weeks suggests that even our above-consensus expectation of 3.9-4.0% YoY for November could be exceeded, as overall local prices are catching up with the rouble depreciation of 12-13% year-to-date and the recent pick up in gasoline prices.

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*For now, it would be premature to consider a rate hike a base case scenario*

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But having said that, the recent deterioration in households' 12-month CPI expectations from 9.3% to 9.8% coupled with increased likelihood of restored FX purchases on the market since January 2019 - which were indicated recently by the CBR governor and corresponds to higher currency liquidity, should mean that a 4.0%+ CPI reading for November (and the corresponding risk of December CPI exceeding the 4.2% central bank target) would increase the arguments in favour of a rate hike, regardless of the external backdrop.

We also note that even if the central bank proceeds with FX purchases in January 2019, it will not necessarily weaken the rouble from the current levels. First, the expected current account surplus of \$25-30 billion in 1Q19F would be enough to cover the likely \$10 billion FX purchases and the \$5-10 billion net corporate foreign debt redemption. Second, the return of FX interventions will take place only in case of no deterioration of the external environment. We continue to expect USD/RUB to be in RUB 63-65 range at the end of the year and 1Q19F on balance of payment fundamentals provided no new external shocks take place.

## ✓ Potential slowdown will keep National Bank of Poland on hold

The next central bank meeting in Poland is likely to be a non-event as governor A.Glapinski should maintain dovish rhetoric as CPI inflation is likely to undershoot the lower boundary of the Bank's inflation target (1.5% YoY) in the forthcoming months. No change in policy is also supported by the potential activity slowdown.

The PMI reading should fall further, close to the 50 pkt recession threshold. Sentiment deterioration mainly reflects doubts regarding the weaker activity of the western EU countries.

## ✓ Still a strong story for Czech wage growth

Wages in the third quarter should remain strong, but due to the base effect related to increasing public wages a year ago, we expect a slowdown to 8% YoY from 8.6% YoY in the previous quarter. Given the average inflation in 3Q18 is 2.4%, real wage growth should reach 5.5% YoY.

Retail sales will continue to be affected by new emission norms hindering sales of new cars. But retail sales excluding cars should solidly reach above the average YTD-growth, supported partially by the calendar bias.

### **Serbia's central bank to stay on hold at 3%**

The minor uptick in inflation from 2.1% in September to 2.2% in October will not be a reason for the National Bank of Serbia to change its policy stance at the December meeting. Moreover, core inflation remained muted at 1.1% for the third consecutive month. Hence, we expect another neutral communique pointing to evenly distributed balance of risks.

## **EMEA and Latam Economic Calendar**

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 3 December</b>					
Russia	0600	Nov Market Manufacturing PMI	-	-	51.3
Turkey	0700	Nov Market/ISO Manufacturing PMI	-	-	44.3
	0700	Nov CPI (MoM/YoY%)	-0.8/22.4	-/-	2.7/25.2
	0700	Nov Domestic PPI (MoM/YoY%)	-/-	-/-	0.9/45.0
	0700	Nov Core CPI (YoY%)	21.2	-	24.3
Poland	0800	Nov Market Manufacturing PMI	50.0	-	50.4
Czech Rep	0830	Nov Market Manufacturing PMI	52.0	-	52.5
	1300	Nov Budget Balance (CZKbn)	-	-	5.7
Hungary	0800	Nov Manufacturing PMI	-	-	57.3
Romania	-	Nov FX Reserves (€bn, Net)	-	-	35949.2
Kazakhstan	1100	Key Policy Rate (%)	-	-	9.25
South Africa	0900	Nov Kagiso PMI	-	-	42.4
<b>Tuesday 4 December</b>					
Poland	-	Monetary Policy Council Rate Meeting			
Romania	0700	Oct PPI (MoM/YoY%)	-/-	-/-	0.3/5.6
Czech Rep	0800	Average Real Wage Growth (YoY%)	5.5	-	6.2
Kazakhstan	-	Nov CPI (MoM/YoY%)	-/-	-/-	0.4/5.3
	-	Nov PPI (MoM/YoY%)	-/-	-/-	1.8/22.9
South Africa	0930	3Q GDP (SAAR-QoQ/YoY%)	-/-	-/-	-0.7/0.4
Brazil	1100	Oct Industrial Production (YoY%)	3.5	-	-2.0
<b>Wednesday 5 December</b>					
Poland	-	Base Rate (%)	1.5	-	1.5
Hungary	0800	Oct Retail Sales (YoY%)	5.8	-	5.4
	0800	3Q F GDP (QoQ, SWDA/YoY%, NSA)	1.2/4.8	-/-	1.2/4.8
	1300	Hungarian Central Bank's Minutes			
Romania	0700	Oct Retail Sales (MoM/YoY%)	-/-	-/-	1.1/2.8
<b>Thursday 6 December</b>					
Russia	-	Nov CPI (MoM/YoY%)	0.6/4.0	0.5/3.8	0.4/3.5
Czech Rep	0800	Oct Retail Sales (YoY%)	1.5	-	-2.2
	0800	Oct Retail Sales Excl. Motor Vehicles (YoY%)	5.0	-	1.4
Hungary	0800	Oct Industrial Production (MoM/YoY%)	2.0/2.7	-/-	-2.1/2.2
Serbia	1100	Repo Rate (%)	3.0	-	3.0
<b>Friday 7 December</b>					
Poland	1300	Nov Official Reserves Total	-	-	111416.5
Czech Rep	0800	Oct Trade Balance (CZKmn)	-	-	13.7
	0800	Oct Construction Output (YoY%)	-	-	12.4
	0800	Oct Industrial Output (YoY%)	-	-	-0.9
	0900	Nov International Reserves (US\$bn)	-	-	141.5
Hungary	1000	Nov Budget Balance (YTD)	-1600	-	-1678.0
Romania	0700	3Q P GDP (QoQ, SA/YoY%)	-/-	-/-	1.9/4.3
Bulgaria	0900	3Q F GDP (QoQ/YoY%)	-/-	-/-	0.5/3.0
Serbia	1100	Nov HPPI (MoM/YoY%)	-/-	-/-	0.5/2.7
Croatia	1000	Sep Trade Balance (HRK m)	-	-	-5102.2
	1000	Nov PPI (MoM/YoY%)	-/-	-/-	0.3/3.4
	1000	Oct F Retail Sales (YoY%)	-	-	3.9
	-	Croatia Sovereign Debt to be Rated by Fitch			
South Africa	0600	Nov Gross Reserves (US\$bn)	-	-	50.2
	0600	Nov Net Open Foreign Currency Position (US\$bn)	-	-	42.2
Brazil	1100	Nov Inflation (IPCA) (MoM/YoY%)	-0.1/4.2	-/-	0.5/4.6
Mexico	1400	Nov CPI (MoM/YoY%)	0.85/4.7	-/-	0.5/4.9

Source: ING, Bloomberg

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