

## Key events in EMEA and Latam next week

A heavy data week ahead in EMEA and Latam with a flurry of central bank meetings. With a common 'on hold' theme amongst the banks, it's the commentary that we'll be watching most closely



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### ✓ Turkey: Collection of downside inflation risks to weigh on annual figure

Following a broad-based disinflationary trend in December, we expect January inflation to remain relatively benign at 0.9%, pulling the annual figure down to 20.1%. This is due to weak domestic demand, a stable currency, the government's decision to extend tax cuts on consumer durables and price cuts in natural gas, electricity and water - though food prices could pose upside risks.

### ✓ Hungary: GDP saved by the retail sector? Probably not

We think the retail sector ended 2018 on sound footing, but there's not enough momentum here to repeat the nearly 5% Hungarian GDP growth in 4Q18. The growth of industrial production remains sluggish despite an expected rebound in December. We see the general budget starting 2019 with a surplus due to some accounting measures regarding the EU money inflow.

## ✓ **Russia: Accelerating prices not an argument for the central bank to react - yet**

CPI growth in Russia is set to accelerate from 4.3% YoY in December 2018 to around 5.2% YoY in January 2019, primarily as a result of the VAT hike from 18% to 20% - effective 1 January.

We doubt that this acceleration will be an argument for the central bank to react in any way, because the VAT hike should have only a temporary effect on CPI, and it has been factored into the monetary policy framework since mid-2018. We therefore expect the Central Bank of Russia (CBR) to keep the key rate unchanged at 7.75% next Friday. At the same time, the CBR's commentary will be in focus for clues about the subsequent meeting in March, where the outcome is more uncertain.

We'll be looking for signals of whether the CBR is seeing risks of CPI hitting the previously indicated 6% threshold in the coming months and/or inflationary expectations continuing to deteriorate at the household and corporate level.

## ✓ **Romania: National Bank flexibility constrained by fiscal measures**

With the ROBOR-linked tax apparently here to stay, the National Bank of Romania's (NBR) room for manoeuvre on rates seems quite limited. Fortunately, there seem to be no imminent inflationist pressures which would require monetary tightening. We look for no change at the 7 February meeting. As was the case in January, media attention will likely be channelled towards the NBR's stance on fiscal measures and its communication with the government.

## ✓ **Serbia: National Bank on hold again due to external uncertainties**

With year-end inflation at 2.0% - well within the 3.0%  $\pm$ 1.5ppt target band - and expectations well contained, the National Bank of Serbia (NBS) seems to be turning its attention now towards maintaining a stable EUR/RSD rate. In 2019 so far, intervention has been one-sided but this time towards selling EUR/RSD and preventing the dinar's depreciation. Interbank rates have tightened a bit but for now, we don't see meaningful pressure on either FX or interest rates.

## ✓ **Czech Republic: Global economic uncertainty to encourage wait-and-see approach**

December statistics will be affected by the calendar bias: Two working days will be missing compared to November, leading to weaker figures on the surface. Still, new car sales fell significantly, according to the preliminary figures in December, which will likely push total retail sales on an annual basis into negative territory.

The most important event, however, will be the Czech National Bank's (CNB) rate decision on 7 February. Given recent comments from CNB board members highlighting uncertainty stemming from the global economy, we expect a wait-and-see approach and thus rates on hold.

## EMEA and Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 February</b>					
Turkey	0700	Jan CPI (MoM/YoY%)	0.9/20.1	-/-	-0.4/20.3
	0700	Jan Domestic PPI (MoM/YoY%)	-/-	-/-	-2.2/33.6
	0700	Jan Core CPI (YoY%)	-	-	19.5
Romania	0700	Dec PPI (MoM/YoY%)	-/-	-/-	-0.8/4.9
<b>Tuesday 5 February</b>					
Poland	-	Monetary Policy Council Rate Meeting			
Czech Rep	0800	Dec Retail Sales (YoY%)	-0.4	-	3.3
	0800	Dec Retail Sales Ex. Motor Vehicles (YoY%)	3.1	-	6.1
Hungary	0800	Dec Retail Sales (YoY%)	5.1	-	4.9
Romania	0700	Dec Retail Sales (MoM/YoY%)	-/-	-/-	1.5/6.0
<b>Wednesday 6 February</b>					
Russia	-	Jan CPI Core (YoY%)	-	-	3.7
	-	Jan CPI (MoM/YoY%)	1.2/5.2	1.2/5.2	0.8/4.3
Poland	-	Base Rate (%)	-	-	1.5
Czech Rep	0800	Dec Trade Balance (CZKmn)	-8.0	-	20.2
	0800	Dec Construction Output (YoY%)	-	-	0.0
	0800	Dec Industrial Output (YoY%)	1.1	-	4.8
Brazil	-	Selic Rate	6.5	-	6.5
<b>Thursday 7 February</b>					
Poland	1300	Jan Official Reserves Total	-	-	116964.6
Czech Rep	0900	Jan International Reserves (US\$bn)	-	-	142.6
	1200	Repo Rate	1.75	-	1.75
Hungary	0800	Dec Industrial Production (MoM/YoY%)	1.2/3.3	-/-	-1.1/3.5
Romania	-	Repo Rate (%)	2.5	-	2.5
Serbia	1100	Repo Rate (%)	3.0	-	3.0
Croatia	1000	Nov Trade Balance (HRK m)	-	-	-5980.5
	1000	Dec F Retail Sales (YoY%)	-	-	5.8
South Africa	0600	Jan Gross Reserves (US\$bn)	-	-	51.6
	0600	Jan Net Open Foreign Currency Position (US\$bn)	-	-	43.1
Israel	-	Jan Foreign Currency Balance (US\$bn)	-	-	115.3
Mexico	1400	Jan CPI (MoM/YoY%)	0.3/4.6	-/-	0.7/4.8
	1900	Overnight Rate	8.25	-	8.25
<b>Friday 8 February</b>					
Russia	1030	Key Rate (%)	7.75	7.75	7.75
Czech Rep	0800	Jan Unemployment Rate (%)	3.2	-	3.1
Hungary	1000	Jan Budget Balance (YTD)	120.0	-	-1445.0
Ukraine	-	Jan CPI (MoM/YoY%)	-/-	-/-	0.8/9.8
Kazakhstan	-	Jan International Reserves (US\$bn)	-	-	30.9
Bulgaria	0900	Dec Industrial Production (MoM/YoY%)	-/-	-/-	0.4/1.2
	0900	Dec Retail Sales (MoM%)	-	-	0.8
Brazil	1100	Jan Inflation (IPCA) (MoM/YoY%)	0.4/3.8	-/-	0.2/3.8

Source: ING, Bloomberg

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