

Key events in EMEA and Latam this week

An exciting week ahead in EMEA and Latam with central bank meetings in Poland, Brazil and Russia. Expect a rate cut from Russia on the back of subdued inflation and weak local demand



Source: Shutterstock

A rate cut from the Bank of Russia

The Bank of Russia is expected to cut the key rate (currently at 5.50%) on 19 June, and we are on the conservative side of the 50-100bp consensus range.

Acknowledging the below-expected CPI growth of [3.0-3.1% YoY](#) and weakness in local demand, the central bank is still quite wary of risks to the Russian capital account. In fact, most central bank decisions in the last 7-8 years could be easily interpreted through the prism of strengthening the capital account.

In practical terms, with net private capital outflows [accelerating](#) from a monthly US\$4-7bn in the first four months of the year to US\$10bn in May, and foreign portfolio inflows to the local public debt stagnating at +US\$0.7bn per month in April-May, the central bank may opt to keep the road to the rate floor, which we see at 4.0% in 2021, more gradual.

Additional arguments against a large-scale cut (even though the CBR mentioned the 100bp cut as one of the options on the table) include the activity data for May, the second and final month of

the nationwide Covid-19 lockdown, also to be released next week.

- First, the drop in industrial production is likely to deepen from -6.6% YoY in April to -7-8% YoY in May, however, this deterioration will be driven by Russia's 96-99% compliance with OPEC++ oil production cuts.
- Second, based on high-frequency data, retail trade should somewhat recover from the -23.4% YoY drop in April to -16-17% in May.

In any case, as the central bank's representatives have indicated that in Russia monetary easing would be more efficient when secondary effects kick in, rather than during or immediately after the lockdown. We believe that regardless of the scope of 19 June rate cut, the CBR is likely to maintain a generally dovish tone.

EMEA and Latam Economic Calendar

| Country | Time Data/event | ING | Survey | Prev. |
|--------------------------|--|---------|------------|-------------|
| Monday 15 June | | | | |
| Poland | 0900 May F CPI (MoM%/YoY%) | -/- | -/- | -0.2/2.9 |
| | 1300 Apr C/A (€mn) | - | - | 2438 |
| | 1300 Apr Trade Balance (€mn) | - | - | -69.0 |
| | 1300 Apr Exports (€) | - | - | 18763 |
| | 1300 Apr Imports (€) | - | - | 18832 |
| Czech Rep | 0900 Apr C/A (CZKbn) | - | - | -0.49 |
| Romania | - Apr C/A YTD (€m) | - | - | -1365 |
| Kazakhstan | - May Industrial Production Yearly | - | - | 6.2 |
| Bulgaria | 0900 May CPI (MoM/YoY%) | 0.0/1.7 | -/- | -0.6/1.8 |
| Israel | 1630 May CPI (MoM/YoY%) | -/- | -/- | -0.3/-0.6 |
| Tuesday 16 June | | | | |
| Russia | 1700 May Industrial Production (YoY%) | -7.0 | -8.3 | -6.6 |
| Poland | 1300 May Core Inflation (MoM/YoY%) | -/- | -/- | 0.8/3.6 |
| | - Base Rate (%) | - | 0.10 | 0.10 |
| Czech Rep | 0800 May PPI (Industrial) (MoM/YoY%) | -/- | -/- | -0.5/-0.8 |
| Israel | 1100 1Q P GDP (QoQ Annualised %) | - | - | -7.1 |
| Brazil | 1300 Apr Retail Sales (YoY%) | -20.0 | - | -1.2 |
| Wednesday 17 June | | | | |
| Russia | 1700 1Q P GDP (YoY%) | 1.6 | 1.6 | 1.6 |
| South Africa | 0900 May CPI (MoM%/YoY%) | -/- | -0.3/3.2 | 0.3/4.1 |
| | 0900 May Core CPI (MoM/YoY%) | -/- | 0.1/- | 0.6/2 |
| | 1200 Apr Retail Sales (MoM%) | - | - | -0.4 |
| Brazil | - Selic Rate | 2.25 | 2.25 | 3.00 |
| Thursday 18 June | | | | |
| Russia | 1700 May PPI (MoM/YoY%) | -/- | -4.4/-15.4 | -7.2/-10.4 |
| Poland | 0900 May Avg Gross Wages (MoM%/YoY%) | -/- | -/1.4 | -3.7/1.9 |
| | 0900 May Employment (MoM/YoY%) | -/- | -/-2.8 | -2.4/-2.1 |
| | 1300 National Bank of Poland Publishes Minutes of Rate Meeting | | | |
| Israel | - Jun 12Mth Inflation Forecast (%) | - | - | 0.6 |
| Friday 19 June | | | | |
| Russia | 1130 Key Rate (%) | 5.00 | 4.75 | 5.50 |
| | 1700 May Retail Sales (YoY%) | -16.0 | -16.6 | -23.4 |
| | 1700 Apr Real wages (YoY%) | -8.1 | -3.0 | 5.9 |
| Poland | 0900 May Industrial Output (MoM/YoY%) | -/- | -/-18.0 | -25.5/-24.6 |
| | 0900 May PPI (MoM/YoY%) | -/- | -/-1.5 | -0.6/-1.3 |
| Ukraine | - 1Q F GDP (YoY%) | -1.5 | - | -1.5 |
| Serbia | - Apr C/A (€mn) | - | - | -462.6 |
| Croatia | 1000 May Unemployment Rate (%) | - | - | 9.4 |
| | 1000 Apr Real Wages (YoY%) | - | - | 0.7 |

Source: ING, Bloomberg

Author

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group*

(being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.