

Key events in EMEA next week

Annual inflation in Turkey will likely decline further in May due to the policy promised by Tayyip Erdogan of making gas free for Turkish households in May. For Hungary's May inflation print, we expect core inflation to remain strong, coming in at around 0.8% on a monthly basis, while headline inflation is around 0.1%



Source: Shutterstock

Turkey: Inflation trending downwards due to election policy

Annual inflation, which maintained its downtrend to 43.7% in April with large base effects, is likely to decline further in May to 39.3% (-0.1% on a monthly basis). This is because the Turkish Statistical Institute (TurkStat) said it would reflect the impact of the government's decision to provide natural gas free of charge to households in May in its inflation calculations. TurkStat's practice is in line with Eurostat guidelines, according to its statement.

However, the outlook is quite uncertain for the rest of 2023, as a lira adjustment post-election and potential adjustments in wages and administered prices are likely to weigh on the inflation momentum.

✔ Hungary: Annual headline and core readings flirting with 22% and 23% levels

Next week is set to be a busy one in Hungary. We are going to see the first set of hard data regarding second-quarter economic activity. We expect both retail sales and industrial production to contract on a yearly basis as high inflation and high interest rates are suffocating domestic demand. The only silver lining in industry is the export-oriented sectors like car and battery manufacturing.

We see some better budgetary figures in May as the heating season has ended and this might reduce the expenditure side pressure arising from energy bills. The relatively small monthly deficit would mean that this year's budget moves roughly in parallel with last year's deficit accumulation. The even better news could be if the trade balance posts yet another monthly surplus in April, as we expect.

The highlight of the busy week will be the May inflation print. Seeing the downside surprises across Europe, we wouldn't be shocked to see something similar in Hungary. We expect the month-on-month headline inflation to come in at around 0.1% mainly on easing price pressures in food, fuel and durables. Services inflation, however, will remain strong, thus core inflation on a monthly basis will stay high around 0.8%. But thanks to base effects, the headline and core readings will flirt with 22% and 23% levels, respectively, a significant detachment from the peak reached in the first quarter.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 5 June					
Russia	0700	May S&P Global Services PMI	-		55.9
Turkey	0800	May CPI (MoM%/YoY%)	-0.1/39.3		2.39/43.68
South Africa	0815	May Std Bank Whole Econ PMI	-		49.6
Brazil	1400	May S&P Global Services PMI	-		54.5
	1400	May S&P Global Composite PMI	-		51.8
Tuesday 6 June					
Poland	1300	Jun NBP Base Rate	6.75		6.75
Czech Rep	0800	Apr Industrial Output (YoY%)	-		2.2
	0800	Apr Trade Balance	-		15.9
Hungary	0730	Apr Retail Sales (YoY%)	-11.8		-13.1
South Africa	1030	Q1 GDP (YoY%)	-		0.9
Wednesday 7 June					
Czech Rep	0800	Apr Retail Sales (YoY%)	-		-7.8
Hungary	0730	Apr Industrial Output (MoM%/YoY%)	-2.2/-6.5		0,2/-4,1
Brazil	1300	May IPCA Inflation Index (MoM%/YoY%)	-/-		0.61/4.18
Thursday 8 June					
Czech Rep	0800	May Unemployment Rate	-		3.6
Hungary	0730	May Core CPI (YoY%)	23.3		24.8
	0730	May CPI (MoM%/YoY%)	0.1/22.1		0.7/24.0
	0730	Apr P Trade Balance (EUR mn)	500		886
	1000	May Budget Balance	-100		-620
Serbia	1100	Jun Benchmark Interest rate	6		6
South Africa	1000	Q1 Current Account	-		-174
Mexico	1300	May Headline Inflation	-		-0.02
	1300	May Core inflation	-		0.39
Friday 9 June					
Russia	1130	May Central bank key rate	7.5		7.5
	1700	May CPI (MoM%/YoY%)	0.2/2.4		0.4/2.3
Ukraine	1430	May CPI (MoM%/YoY%)	-/-		0.2/17.9
Mexico	1300	Apr Industrial Output (MoM%/YoY%)	-		-0.9/1.6

Source: Refinitiv, ING

Authors

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

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>.