Key events in EMEA next week

Emerging markets will continue to face high inflation figures, putting pressure on central banks in Hungary and Russia to hike rates

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Hungary: Year-on-year inflation figures still high, despite the disappearance of reopening effects

After a rather weak June, we expect Hungarian industry to rebound in July with strong month-on-month growth. However, the roller coaster will continue as supply chain issues have reappeared in August, causing temporary shutdowns in car manufacturing. As the reopening-related shocks fade, we expect inflation to be driven by seasonal factors again. Add to that the strengthening Hungarian forint, and some calm in commodities, and we might see some minor decline in prices on a monthly basis. However, this is not enough to see a marked drop in the year-on-year headline reading, so it will hardly ease pressure on the central bank to continue its rate hike cycle.

Russia: Rate hike cycle to continue

Inflation and the key rate will be in focus next week. The most recent local activity and CPI indicators suggest that inflationary pressure continues to mount in Russia – mainly due to a spike in global cost inputs, but also due to a tighter labour market and incoming social payments from August-September totalling around 1% of households' annual income. In August, Russian CPI most likely edged up by 0.1-0.2ppt to 6.6-6.7% year-on-year, slightly exceeding our initial expectations and reinforcing the cautious stance by the Bank of Russia. The good news is that even with this pick up, the CPI trend is still within the Bank of Russia's base case scenario, meaning little urgency to make sharp adjustments to the key rate. We still expect a 25bp hike at the 10 September meeting, to 6.75%. But the risk is that the key rate ceiling, which we previously saw at 6.75-7.00%, may now be facing upward pressure, putting more emphasis on the CBR's medium-term signal.

In other news, Russia's balance of payments for August should point to a relatively strong current account in the US$5-8bn range, which combined with persistent US$2.5 bn portfolio inflows into the local currency public debt (OFZ) should explain why the ruble managed to avoid any adverse seasonality last month. Meanwhile, the ruble's relative underperformance vs. its peers in recent weeks suggests that corporate capital outflows remain a drag on the currency, keeping the local FX market sensitive to global risk appetite, which may deteriorate in the event of faster-than-expected Fed tapering.

EMEA Economic Calendar

		Monday 6 September			
Czech Rep	0800	Jul Industrial Output (YoY%)	-		11.4
	0800	Jul Trade Balance	-		-6.9
	0900	Aug Unemployment Rate	-		3.7
		Tuesday 7 September			
Czech Rep	0800	Jul Retail Sales (YoY%)	-		7.2
Hungary	0800	Jul Industrial Output (YoY%)	13.5		22
		Wednesday 8 September			
Russia	1700	Aug CPI (MoM%/YoY%)	0.1/6.6		0.3/6.5
Poland	-	Aug NBP Base Rate	-	0.1	0.1
Hungary	0800	Jul Trade Balance	460		629
	0800	Aug CPI (MoM%/YoY%)	-0.1/4.5		0.5/4.6
	1000	Aug Budget Balance	-115		-103
		Thursday 9 September			
Russia	-	Q2 GDP (YoY% quarterly revised)	-		10.3
Ukraine	1200	Central Bank Interest Rate	-		8
	-	Aug CPI (MoM%/YoY%)	-/-		0.1/10.2
Serbia	1100	Sep Benchmark Interest rate	1.0		1.0
South Africa	1000	Q2 Current Account	-		267.3
Brazil	1300	Aug IPCA Inflation Index (MoM%/YoY%)	-/-		0.96/8.99
Mexico	1200	Aug Headline Inflation	-		0.59
		Friday 10 September			
Turkey	800	Jul Unemployment Rate	-		10.4
Russia	1130	Sep Central Bank Key Rate	6.75		6.5
	1400	Jul Foreign Trade	-		18.30
Czech Rep	0800	Aug CPI (MoM%/YoY%)	-/-		1.0/3.4
Romania	0700	Aug CPI (YoY%)	5.1		4.95
Brazil	1300	Jul Retail Sales (MoM%/YoY%)	-/-		-1.7/6.3
Mexico	1200	Jul Industrial Ouput (MoM%/YoY%)	-		-0.5/13.5

Source: Refinitiv, ING, *GMT

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