

## 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



Source: Shutterstock

### ☑ 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 Output (MoM%/YoY%)	-		-0.5/13.5

Source: Refinitiv, ING, \*GMT

## Author

### Dmitry Dolgin

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto: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 [www.ing.com](http://www.ing.com).