Key events in EMEA next week

Look out for rate hikes in Poland and Russia, as well as key inflation readings in Hungary

Hungary's price cap on fuel, first introduced in November 2021, has become effective at elevating oil prices

Poland: wage price spiral contributes to a hawkish shift

National Bank of Poland (NBP) Governor Adam Glapinski has made another hawkish pivot since the Monetary Policy Committee (MPC) meeting in January. Back then he said rates should rise to 3% or 4% should the economy keep growing fast. Recently he said hikes would reach a level of rates above market expectations and added that a stronger Polish złoty (PLN) would be consistent with the ongoing monetary tightening. We think this change of rhetoric and verbal intervention on PLN reflect the upside inflation risk NBP recognises due to the consumer price index (CPI) development recently and very strong activity data for 4Q21.

Also, the 4Q21 gross domestic product (GDP) data present sound GDP, and high-frequency indicators for January rather point to households' smooth consumption, which raises the odds of second-round effects. Also, NBP surveys actually point out that the wage-price spiral already started with 60% of companies recognising wage hikes due to high CPI, and plans to hike wages grew to a ten-year high. Despite the hikes NBP has delivered so far, and anti-inflation shields launched by the government, we see CPI breaking 10% year-on-year in January 2022 and staying elevated. That is why the NBP has become more hawkish recently.

In the baseline scenario, we see a 50bp hike in February, but we have changed our previous forecast as we are now expecting more hikes to occur in 2022 and a 4.5% terminal rate should be reached this year, not 2023 as we forecasted before.

Hungary: inflation figures to reflect second-round supply shocks and commodity price surge

We see the budget starting the year with a relatively small deficit as the significantly-increasing wages and the booming consumption on the year-end one-off payments will provide a boost to revenues, counterbalancing some of the discretional budgetary spending in January. The focus of the next week will undoubtedly be on the January inflation data. The almost 1% month-on-month headline inflation will translate into another 7.4% year-on-year reading. This will show the second-round effects of supply shocks (start of the year repricing) as well as the surge in commodity prices. The latter is impacting fuel as the price cap, first introduced in November 2021, has become effective at elevating oil prices. The government also introduced a price cap on food this month, but it is too early for this to be reflected in next week's data.

Core inflation is expected to reach 6.8% year-on-year, continuing its surge. After the upside surprises all across Europe, we wouldn't be shocked if the Hungarian inflation reading will do the same, thus we see risks tilted to the upside.

Russia: central bank to give new assessment of inflationary risks

Bank of Russia is likely to make a 50-100 basis point increase in the key rate to 9.0-9.5%, reiterate the hawkish signal to some extent, and increase its forecasts of the average annual key rate and year-end CPI from the currently optimistic 7.3-8.3% and 4.0-4.5%, respectively. The arguments in favour of the higher-than-standard 25bp increase in the key rate include continued acceleration in the current CPI from 8.4% year-on-year in December to 8.8-9.0% year-on-year in January, the recent ruble weakness that may have added to inflationary concerns, continued growth in corporate inflationary expectations to 14-year highs, outperformance of local lending vs. deposit growth in 2021, faster-than-expected economic growth in 4Q21 thanks to the year-end spending splurge by the government, as well as persistent upward price pressure on a global level, including in key agri commodities.

During the press conference, the CBR governor will most certainly be asked about the timeframe for the return of market foreign exchange (FX) purchases that were suspended on 24 January in response to the foreign policy-driven ruble sell-off. This week, the ruble has returned to levels seen right before the suspension, but it still remains c. 2 RUB/USD weaker than at the end of 2021, when the current round of foreign policy tensions started. Unless the market FX purchases restart this month, the CBR will end February with almost $13bn in FX purchases backlog that will need to be addressed later during the year.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Monday 7 February			
Czech Rep	0800	Dec Industrial Output (YoY%)	-		1.6
	0800	Dec Trade Balance	-		5.7
		Tuesday 8 February			
Poland	-	Feb NBP Base Rate	2.75	2.75	2.25
Czech Rep	0800	Dec Retail Sales (YoY%)	-		13.2
	0900	Jan Unemployment Rate	-		3.5
Hungary	1000	Jan Budget Balance	-150		-1171
		Wednesday 9 February			
Russia	1600	Jan CPI (MoM%/YoY%)	1.2/8.9	1.1/8.8	0.8/8.4
	1600	Dec Retail Sales (YoY%)	3.0	3.4	3.1
	1600	Dec Unemployment Rate	4.3	4.3	4.3
Ukraine	-	Jan CPI (MoM%/YoY%)	-/-		0.6/10
Romania	1300	Monetary Policy Rate	2.5		2.00
Brazil	1200	Dec Retail sales (MoM%/YoY%)	-/-		0.6/-4.2
	-	Jan IPCA Inflation Index (MoM%/YoY%)	-/-		0.73/10.06
Mexico	1200	Jan Headline Inflation	-		0.36
	1200	Jan Core inflation	-		0.8
		Thursday 10 February			
Kazakhstan	-	Jan Industrial Production (YoY%)	-		3.8
Turkey	0700	Dec Unemployment Rate	-		10.9
Serbia	1100	Feb Benchmark Interest rate	1.00		1.00
Mexico	1900	Jan Interest Rate	-		5.5
		Friday 11 February			
Russia	1030	Feb Central Bank Key Rate	9.5	9.5	8.5
Turkey	700	Dec Current Account Balance	-3.6		-2.7
Hungary	0800	Jan Core CPI (YoY%)	7.0		6.4
	0800	Jan CPI (MoM%/YoY%)	1.1/7.6		0.3/7.4
Mexico	1200	Dec Industrial Ouput (MoM%/YoY%)	-		-0.1/1.6

Source: Refinitiv, ING, *GMT

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