

Key events in EMEA next week

Inflation is falling in the Czech Republic, but the future path is tricky as the Czech National Bank may delay rate cuts. In Hungary, all eyes will be on updates regarding inflation, budgetary and external balances. Plus, another month of sizeable current account surplus is forecasted in Poland



Source: Shutterstock

✓ Czech Republic: Inflation is falling but future path is tricky

July inflation picked up again slightly from 0.3% in June to 0.4% month-on-month, mainly due, in our view, to seasonal factors in recreation and culture and higher fuel prices. We expect a decline in food prices, indicated by the survey, because of falling agricultural producer prices and inflation in neighbouring Poland. Year-on-year inflation in the Czech Republic should therefore fall from 9.7% to 8.7% YoY mainly due to the base effect.

Looking ahead, our nowcast prediction is that inflation gets to 7.7% in September, but due to the base effect of government measures (such as the energy prices savings tariff), it will jump back above 9% and remain in the 8-9% YoY range until the end of the year. In our view, this creates a risk that the Czech National Bank will delay rate cuts until the first quarter of next year. However, our base case scenario is still a first cut in November 2023.

✓ Hungary: update regarding inflation, budgetary and external balance

All the data action is concentrated in one day in Hungary. On Tuesday, we'll get an update regarding the inflation, budgetary and external balance. The most important is obviously the price pressure story. We see strengthening disinflation on the back of dropping food prices. With both unprocessed and processed food items having a general downtrend in prices, this will not just impact the headline reading but also core inflation.

While rising prices in fuel, services and durables will push inflation higher, the downward impact coming from food will counterbalance these. As a result, we see 0.1% month-on-month deflation in July. This, combined with a significant base effect, will translate into a remarkable drop in the yearly index to 17.3%. Core inflation will go through roughly the same change in size, resulting in a 17.8% YoY figure in July.

When it comes to the budgetary picture, we see more or less the same monthly deficit in July as we got in June. Thus, the general budgetary landscape will preserve the hope that the full-year deficit target will remain within reach. The country's external balance will continue to improve with yet another monthly surplus in the trade balance. Export activity will remain sound combined with a drag on imports coming from the weak domestic demand and lowering energy consumption.

✓ Poland: Current account in June of €961m

We forecast that June was yet another month of sizable current account surplus, and on a 12-month cumulative basis, the current account narrowed to a mere 0.1% of GDP from 0.3% of GDP in May. We estimate that exports in euros rose by 1.7%YoY, while imports contracted by 4.3%YoY. A drop in the nominal value of imports is to a large extent associated with the falling prices of imports, especially energy sources. The narrowing current account has been one of the factors behind recent Polish zloty firming.

✓ Romania: Key rate expected to be maintained at 7.00%

The Romanian National Bank (NBR) will announce its latest policy rate decision on 7 August. We expect the key rate to be maintained at 7.00% with no forward guidance. A new Inflation Report will be approved and presented a few days later which should largely confirm the central bank's previous inflation forecasts. We maintain our view of a first rate cut in the first quarter of 2024 with a key rate of 5.5% by the end of 2024. The easing cycle will be justified by lower inflation, but likely tempered by core and regional yields, as the interest rate differential cannot narrow excessively.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 August					
Czech Rep	0800	Jun Industrial Output (YoY%)	-		1.4
	0800	Jun Trade Balance	-		11.8
Romania	1300	Mon Policy Rate	7	7	7
Tuesday 8 August					
Czech Rep	0800	Jul Unemployment Rate	-		3.4
Hungary	0730	Jul Core CPI (YoY%)	17.8		20.8
	0730	Jul CPI (MoM%/YoY%)	-0.1/17.3		0.3/20.1
	0730	Jun P Trade Balance	500		1129
	1000	Jul Budget Balance	-100		-132.7
Wednesday 9 August					
Russia	1700	Jul CPI (MoM%/YoY%)	0.8/4.4	0.7/4.3	0.4/3.3
Ukraine	1430	Jul CPI (MoM%/YoY%)	-/-	/	0.8/12.8
Brazil	1300	Jun Retail sales (MoM%/YoY%)	-/-	/	-1/-1
Mexico	1300	Jul Headline Inflation	-		0.1
	1300	Jul Core inflation	-		0.3
Thursday 10 August					
Russia	1400	Jun Foreign Trade	-	6.4	10.42
Czech Rep	0800	Jul CPI (MoM%/YoY%)	0.4/8.7	/	0.3/9.7
Kazakhstan	1300	Jul Industrial Production (YoY%)	-		3.8
Serbia	1100	Aug Benchmark Interest rate	6.5		6.5
Mexico	2000	Jul Interest Rate	-		11.25
Turkey	0800	June Industrial Production (MoM/YoY%)	-		1.12/0.6
	0800	June Unemployment Rate	-		8.8
	1230	Gross FX Reserves	-		71.68
Friday 11 August					
Turkey	0800	Jun Current Account Balance	-0.45		-7.933
Czech Rep	0900	Jun Current Account Balance	-		0.9
Poland	0900	Jun Current Account Balance	961	1274	1392
Romania	0700	Jul CPI (YoY%)	9.6		10.25
Serbia	1100	Jul CPI (MoM%/YoY%)	0.1/12.6	/	0.7/13.7
Brazil	1300	Jul IPCA Inflation Index (MoM%/YoY%)	-/-	/	-0.08/3.16
Mexico	1300	Jun Industrial Output (YoY%)	-		3.9
	1300	Jun Industrial Output (MoM%)	-		1

Source: Refinitiv, ING

Authors

Adam Antoniak

Senior Economist

adam.antoniak@ing.pl

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@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>.