

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



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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 Ouput (YoY%) | - | | 3.9 |
| | 1300 | Jun Industrial Ouput (MoM%) | - | | 1 |

Source: Refinitiv, ING

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