

## Key events in EMEA next week

A technical recession is expected to continue in Hungary, and we forecast GDP to drop on a quarterly basis as household consumption shrinks further. As core inflation persists in Poland, next week's flash CPI readings should further reaffirm our view that there's no room for cuts this year



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### ✓ Poland: Core inflation remains sticky

**CPI:** 14.7% year-on-year (Apr)

The flash CPI reading pointed to a decline of annual inflation to 14.7% YoY in April from 16.1% YoY in March – close to our forecast. Headline inflation moderated mainly on the back of lower annual growth in food prices, but available data indicate that core inflation remained close to the March level. Disinflation is mainly emerging from a high reference base on food, energy and gasoline, but core inflation remains sticky so far.

**GDP (flash):** -1.5% year-on-year (1Q23)

According to our forecasts, the beginning of 2023 brought a decline in annual GDP amid falling household consumption. Consumption spending fell in the fourth quarter of 2022 in annual terms

and the scale of the decline most likely deepened in the first quarter of this year, as indicated by dismal retail sales data in recent months. We expect growth of fixed investment, a negative contribution from change in inventories and a positive impact of improving the foreign trade balance in the first quarter. Data on GDP composition in first quarter 2023 will be published on 31 May.

## ✓ Hungary: Technical recession continues

The only interesting data release in Hungary is related to the economic activity in the first quarter, and we'll soon know more about the progress of the technical recession. Spoiler alert – it has continued.

We think that the real GDP dropped by 0.6% on a quarterly basis, mainly due to shrinking domestic demand. With that, we will also see the year-on-year reading drop into the red.

*In this environment, it's difficult to find a silver lining*

High inflation and a high interest rate environment are suffocating household consumption and investment activity, while public investments have been delayed for budgetary reasons. In this environment, it is difficult to find a silver lining – though if we want to name one, it could be net exports. Falling consumption and investments mean lowering import needs, along with demand destruction in energy. In contrast, export activity is holding up well thanks to car and EV battery manufacturing and tourism. All in all, it seems the only positive contribution to GDP growth might come from net exports.

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Country	Time	Data/event	ING	Survey	Prev.
Monday 15 May					
Turkey	0900	Apr Budget Balance	-		-47.22
Poland	0900	Apr CPI (MoM%/YoY%)	-/-		0.7/14.7
	1300	Mar Current Account	852	2350	2586
Ukraine	-	Mar Trade Balance YTD	-		-3.71
Tuesday 16 May					
Poland	0900	Q1 GDP (QoQ%/YoY%) Flash	-/-1.5		-2.4/2.0
Hungary	0730	Q1 GDP (QoQ%/YoY%) Prelim	-0.6/-0.8	-/-0.8	-0.4/0.4
Romania	0700	Q1 GDP Flash (YoY%)	3.7	3.4	4.5
Wednesday 17 May					
South Africa	1200	Mar Retail Sales (YoY%)	-		-0.5
Brazil	1300	Mar Retail sales (MoM%/YoY%)	-/-		-0.1/1
Thursday 18 May					
Mexico	2000	May Interest Rate	-		11.25
Friday 19 May					
Mexico	1300	Mar Retail Sales (YoY%)	-		3.4
	1300	Mar Retail Sales (MoM%)	-		-0.3

Source: Refinitiv, ING

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