

## 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



Source: Shutterstock

### 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.

## Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 15 May</b>					
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
<b>Tuesday 16 May</b>					
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
<b>Wednesday 17 May</b>					
South Africa	1200	Mar Retail Sales (YoY%)	-		-0.5
Brazil	1300	Mar Retail sales (MoM%/YoY%)	-/-		-0.1/1
<b>Thursday 18 May</b>					
Mexico	2000	May Interest Rate	-		11.25
<b>Friday 19 May</b>					
Mexico	1300	Mar Retail Sales (YoY%)	-		3.4
	1300	Mar Retail Sales (MoM%)	-		-0.3

Source: Refinitiv, ING

## Authors

### Adam Antoniak

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

### 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 <http://www.ing.com>.