

Key events in EMEA next week

Polish activity data should remain strong next week despite the negative impact of the Ukraine war on the country's supply chain and labour force. The Central Bank of Turkey, meanwhile, may leave rates on hold



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✓ Poland: Solid industrial and retail activity whilst labour market remains tight

Poland's industrial activity was still high in May (16.8% year-on-year) as businesses still have significant backlogs of work to fill. Nevertheless, output growth is set to slow in the coming months as the war in Ukraine negatively impacts demand from the euro area, and supply-side bottlenecks are likely to continue due to China's zero-Covid policy. In May, the manufacturing PMI fell below 50pts for the first time since mid-2020 on the back of deteriorating orders and output.

Retail sales are set to slow to 22.9% YoY in nominal terms in May after an impressive 33.4% YoY expansion in April. Substantial swings in annual growth are linked to Covid containment measures. Shopping malls were closed in April 2021 and reopened the following month, which created a high reference base for annual growth in May 2022. Sales of necessities are supported by the inflow of refugees from Ukraine.

Money supply growth gauged by M3 aggregated remained unchanged in May (8.2% YoY) vs. April (8.2% YoY). Household deposits have rebounded after earlier outflows amplified by the outbreak of war in Ukraine, and term deposit rates went up after a series of rate hikes by the National Bank of Poland. At the same time, higher rates are hampering demand for mortgage loans as they undermine the credit eligibility of potential borrowers.

In May, the registered unemployment rate continued declining and fell to 5.1% from 5.2% in April. The labour market is very tight and shortages of labour reported by many sectors are even higher as previously employed Ukrainian males left Poland to defend their homeland. This is particularly profound in the construction and transport sectors. The inflow of Ukrainian females may potentially ease labour shortages in agriculture, trade, and services.

✓ Turkey: CBT increases measure to combat inflation whilst policy rate is set to remain unchanged

Since April, we have seen an increasing number of measures introduced by the Central Bank of Turkey to mitigate against growing risks. These measures include putting a break on commercial loans, strengthening FX reserves, diverting local demand away from FX, increasing demand for local government bonds, and raising the attractiveness of TRY assets for foreign investors. While the effectiveness of these measures is another discussion, they signal no imminent change to policy direction and the overall monetary stance. Given this backdrop, we expect the policy rate to remain flat at 14% at the June monetary policy committee meeting.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 21 June					
Poland	0900	May Industrial Output (YoY%)	16.8	15.3	13.0
Wednesday 22 June					
Russia	1700	May PPI (MoM%/YoY%)	-/-		6.3/31.5
Poland	0900	May Retail Sales (YoY%)	22.9	23.3	33.4
Czech Rep	1330	CNB Repo Rate	-		5.75
Hungary	0730	Q1 C/A Balance (QoQ%)	-	-2.3	-2.5
South Africa	0900	May CPI (MoM%/YoY%)	-/-		0.6/5.9
	0900	May Core inflation (MoM%/YoY%)	-/-		0.4/3.9
Thursday 23 June					
Turkey	1200	Jun CBT Weekly Repo Rate	14.0		14.0
	1200	Jun O/N Lending Rate	15.5		15.5
	1200	Jun O/N Borrowing Rate	12.5		12.5
Poland	1300	May M3 Money Supply (YoY%)	8.2	8.2	8.2
Hungary	0800	May Unemployment Rate 3M	-		3.5
Mexico	1200	Jun 1st Half-Month Core Inflation (MoM%)	-		0.3
	1200	Jun 1st Half-Month Inflation (MoM%/YoY%)	-/-		-0.1/3.8
	1200	Apr Retail Sales (MoM%)	-		0.4
	1900	Jun Interest Rate	-		7.0
Friday 24 June					
Poland	0900	May Unemployment Rate	5.1	5.1	5.2
Hungary	0800	Apr Average Gross Wages (YoY%)	-		17.0
Brazil	1300	Jun IPCA-15 Mid-Month CPI	-		0.6
	1300	Jun IPCA-15 Mid-Month CPI (YoY%)	-		12.2
Mexico	1200	Apr IGAE Econ Activity (YoY%)	-		0.4

Source: Refinitiv, ING

Author

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

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