

Key events in EMEA next week

We expect the Central Bank of Turkey to hike its policy rate by 5ppt next week to 35%. In Hungary, a marked strengthening of the forint could allow the central bank to make an even bigger cut at its policy meeting than our 50bp base case



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✓ Turkey: We project a 5ppt hike

The CBT's focus has remained on anchoring inflation expectations and achieving disinflation. Following a 12.5ppt hike at each of the last two MPC meetings, we expect the central bank to raise rates by another 5ppt at the October meeting, bringing the policy rate to 35%. This would lead to a positive ex-ante real policy rate based on the 33% inflation forecast for 2024 in the medium-term plan. Macro-prudential tightening should also help disinflation efforts. However, in the rate-setting note released last month, the CBT's assessment of the inflation outlook showed some changes as it saw that i) the adjustments in FX, wages and taxes have now largely passed through to inflation, and ii) the underlying trend in monthly inflation will start to decline. The new reference to the declining monthly inflation trend implies that we should not rule out the possibility that the policy rate this month could be adjusted by less than 5ppt.



Hungary: We expect a 50bp cut in the key rate

In Hungary next week, there will be a spotlight on the labour market and monetary policy. With respect to the former, we have seen some seasonal enhancement in the number of people at work, indicating a slight fall in the unemployment rate in September. Although there was a projected strong year-on-year wage increase in August (15.3%), this wouldn't bring any significant change in wage growth. As a result, we will have had 12 months of negative real wage growth. Nevertheless, there is a silver lining. This trend likely ended in September, as the inflation rate has already significantly dropped to 12.2%. This leads us to the topic of monetary policy. With a policy rate of 13%, September marks the start of a new era of ex-post positive real interest rates. Due to the recent progress in inflation dynamics and market sentiment, our projection is that the Hungarian central bank will reduce the key rate by 50 basis points at next week's rate-setting meeting. However, given [the agility of monetary policy](#), a marked strengthening of the forint on the back of the expected positive outcome of a deal with the EU could provide an opportunity for the National Bank of Hungary to make an even bigger interest rate cut than our base case.

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Country	Time	Data/event	ING	Survey	Prev.
Monday 23 October					
Poland	1300	Sep M3 Money Supply (YoY%)	7.3	7.3	7.3
Tuesday 24 October					
Poland	0900	Sep Unemployment Rate	5	5	5
Hungary	0730	Aug Average Gross Wages (YoY%)	15.3		15.2
	1300	Oct Hungary Base Rate	12.5		13
Wednesday 25 October					
Russia	1700	Sep Industrial Output	-	5.8	5.4
Thursday 26 October					
Turkey	1200	Oct CBT Weekly Repo Rate	35.0		30
	1200	Oct O/N Lending Rate	36.5		31.5
	1200	Oct O/N Borrowing Rate	33.5		28.5
Ukraine	1200	Central bank interest rate	-		20
South Africa	1030	Sep PPI (MoM%/YoY%)	-/-	/	1/4.3
	1300	Oct IPCA-15 Mid-Month CPI (YoY%)	-		5
		- Sep Current Account	-		-0.78
		- Sep Foreign Direct Investment	-		4.27
Friday 27 October					
Russia	1030	Oct Central bank key rate	-	14	13
Hungary	0730	Sep Unemployment Rate 3M	4.0		4.1

Source: Refinitiv, ING

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