

## Key events in EMEA next week

Significant rises in inflation are expected across emerging market economies next week, forcing some central banks to send more hawkish signals and begin their rate hike cycles



Source: Shutterstock

### Russia: Higher FX interventions and faster inflation

The Russian Finance Ministry will likely announce an increase in FX purchases from US\$4.5bn in September to US\$4.9bn in October on the back of higher oil and gas prices. The latter has come into focus recently as a result of soaring gas prices in the EU, Russia's customer. Natural gas accounts for around 15-20% of the fuel exports and the budget's fuel revenues, and it is a part of the fiscal rule – i.e. extra gas revenues are to be saved in the sovereign fund. According to our estimates, the cut-off gas price implied by the fiscal rule is US\$147/kcm, and this year the budget is looking to receive around US\$5-7bn worth of gas revenues above the volumes planned earlier this year. The increase in the FX purchases in October is unlikely to upset the FX market given the strength in the non-fuel component of the current account. According to our estimates, the 3Q21 current account surplus may exceed US\$30bn, while 4Q21 maybe north of US\$20bn.

Inflation in Russia is likely to be confirmed at a very worrisome 7.3% year-on-year for September, following the [shocking preliminary data](#) reported for the last week of the month. The near-term CPI trajectory is now substantially above the Bank of Russia's forecast range of 5.7-6.2% for the year-end, and thus we have to worsen our year-end outlook to 6.8% YoY. The final September data will

give more insight into the origins of the 0.6 percentage point spike in the annual rate over the month, but we believe it will be a combination of pre-election social payments of RUB700bn, bad weather, the post-electoral release in the administrative price controls on socially-important goods, and the global inflation in agro commodity and freight rates.

The Bank of Russia initially downplayed the importance of the recent CPI print as 'noisy', which suggests that the monetary authorities are still uncertain if they should increase the key rate hike by 25 to 50 basis points at the upcoming meeting on 22 October, but for us the latter is becoming a base case scenario. A less likely decision to stick to the 25 bp step accompanied by hawkish signals is also possible, depending on how the Bank of Russia sees the Covid-19 related risks at the moment, with a new wave of infections materialising in September amid high mortality and still sluggish 33% vaccination rate.

### **Hungary: Jump in inflation as consumption picks up**

Next week's Hungarian calendar is going to be a busy one. We expect some improvement in retail sales in August, in line with the recent up-and-down pattern. In contrast, we probably won't see a strong performance in industry as chip shortages forced carmakers into a lengthened summer shutdown period. With services booming, budget revenues picked up in our view, translating into a minor monthly surplus in the budget in September. The highlight of the week however is the September inflation reading. Last year provides a surprisingly low base on one-off factors in the core inflation basket. Thus, we expect a move above 4% YoY yet again in core inflation and as non-core elements are still adding to the price pressure, we see a jump in the headline CPI to 5.5% YoY.

### **Turkey: Upside risks to push up annual inflation figures**

We expect annual inflation to further increase to 19.5% in September (1.2% on monthly basis) from 19.25% in August, impacted by higher energy prices and exchange rate developments, with risks tilted to the upside, while core inflation is likely to inch up to 16.9%.

### **Romania: Hawkish cycle to begin after an unchanged policy rate this week**

We expect the National Bank of Romania to maintain its policy rate unchanged at 1.25% at the 5 October meeting. In our view, this will be the last meeting before the start of the hiking cycle, hence we expect a rather hawkish statement following the Board meeting. In fact, due to the significantly higher-than-estimated inflation on one hand and the political instability on the other (which by extent, dampens the fiscal consolidation), we assign a reasonable probability (25%) for the hiking cycle to start in October.

## EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
<b>Monday 4 October</b>					
Turkey	0800	Sep CPI (MoM%/YoY%)	1.20/19.50		1.12/19.25
Brazil	0900	Sep IPC-Fipe Inflation Index	-		1.44
<b>Tuesday 5 October</b>					
Russia	0700	Sep Markit Services PMI	-		49.3
Romania	1300	Monetary Policy Rate	1.25	1.25	1.25
South Africa	0815	Sep Std Bank Whole Econ PMI	-		49.9
Brazil	1300	Aug Industrial Output (MoM%/YoY%)	-/-		-1.3/1.2
	1400	Sep Markit Services PMI	-		55.1
	1400	Sep Markit Composite PMI	-		54.6
<b>Wednesday 6 October</b>					
Russia	1700	Sep CPI (MoM%/YoY%)	0.5/7.3		0.2/6.7
Poland	-	Oct NBP Base Rate	-		0.1
Hungary	0800	Aug Industrial Output (YoY%)	4.5		8.0
	0800	Aug Retail Sales (YoY%)	3.3		3.0
Brazil	1300	Aug Retail Sales (MoM%/YoY%)	-/-		1.2/5.7
<b>Thursday 7 October</b>					
Czech Rep	0800	Aug Industrial Output (YoY%)	-		7.0
	0800	Aug Trade Balance	-		-7.2
Serbia	1100	Oct Benchmark Interest rate	1.0		1.0
Mexico	1200	Sep Headline Inflation	-		0.19
	1200	Sep Core inflation	-		0.43
<b>Friday 8 October</b>					
Czech Rep	0800	Aug Retail Sales (YoY%)	-		3.1
Hungary	0800	Sep Core CPI (YoY%)	4.1		3.6
	0800	Sep CPI (MoM%/YoY%)	0.2/5.5		0.2/4.9
	1000	Sep Budget Balance	105		-97.0
Ukraine	-	Sep CPI (MoM%/YoY%)	-/-		-0.2/10.2
Brazil	1300	Sep IPCA Inflation Index (MoM%/YoY%)	-/-		0.87/9.68

Source: Refinitiv, ING, \*GMT

### Author

#### Dmitry Dolgin

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

#### Peter Virovacz

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

#### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

#### Muhammet Mercan

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

## 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 [www.ing.com](http://www.ing.com).