

Key events in EMEA next week

July CPI readings will be the highlight for the coming week. In Hungary, we're expecting inflation of close to 2% from the prior month and 13% year-on-year. For Poland, we believe the final CPI reading is unlikely to differ from the flash estimate of 15.5% YoY. In the Czech Republic, we expect prices to jump by 2.2% month-on-month and 18.5% YoY



Source: Shutterstock

Poland: July CPI in focus

The final CPI reading is unlikely to differ markedly from the flash estimate of 15.5% YoY. However, given that gas prices at the pump continued to decline in the final week of July, we do not rule out a downward revision to 15.4% YoY (our initial forecast). We expect the summer months to be marked by relatively stable, albeit very high, inflation. Inflationary pressure is projected to re-emerge with the beginning of the heating season in autumn and at the beginning of 2023 due to the upswing in regulated prices.

Czech Republic: Energy prices show their full power

Announced price hikes by the country's major suppliers in July should be the main driver of inflation over the coming months. Although the direction is certain, the impact is difficult to

calculate due to the uneven pass-through of energy prices into the CPI, based on the different proportions of fixed and floating contracts. Food prices may see a month-on-month decline (1.6%) for the first time since last October. Fuel prices should also counteract the rise in energy prices with a 0.3% MoM decline. Overall, we expect prices to jump by 2.2% MoM and 18.5% YoY in July.

In the longer term, August and September should bring another massive hike in energy prices, which should push the peak in inflation to around 20.0% YoY in September. However, with energy prices gradually being written into the CPI, we should stay around this level until the end of the year with another price spike to be expected in January amid a seasonal repricing.

Hungary: Inflation is expected to accelerate both in monthly and annual terms

Next week's highlight is the July CPI reading in Hungary. There is a high degree of uncertainty surrounding the forecast, but one thing is clear: inflation is expected to accelerate both in monthly and yearly terms. Based on industrial and agricultural producer prices, we expect further strengthening in food and durables inflation. On top of that, EUR/HUF moved to a record high during July, possibly adding further pressure to price increases. The proverbial icing on the cake is the tax change which came into effect from 1 July, raising the excise duty and the so-called public health product tax. These mainly impact prices of tobacco, alcoholic beverages and processed foods. We expect a close to 2% month-on-month inflation with the yearly index moving up above 13%, while year-on-year core inflation will jump through the 15% threshold. Though rising inflation is a pain for households, it is a gain for the budget (via increased revenues). On the other hand, the one-off pension correction (since the value of pensions must be maintained in real terms by law) will push the monthly deficit higher than usual in July.

EMEA Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 August					
Czech Rep	0800	Jun Industrial Output (YoY%)	-		3.3
	0800	Jun Trade Balance	-		-23.3
	0900	Jul Unemployment Rate	-		3.1
Hungary	1000	Jul Budget Balance	-275		-155
Tuesday 9 August					
Hungary	0800	Jul Core CPI (YoY%)	15.2		13.8
	0800	Jul CPI (YoY%)	13.3		11.7
	0800	Jul CPI (MoM%) NSA	1.9		1.5
Brazil	-	Jul IPCA Inflation Index (YoY%)	-		11.89
Mexico	1200	Jul Headline Inflation	-		0.84
	1200	Jul Core inflation	-		0.77
Wednesday 10 August					
Russia	1700	Jul CPI (MoM%/YoY%)	-0.2/15.3	-0.2/15.3	-0.4/15.9
Turkey	0800	Jun Unemployment Rate	-		10.1
Czech Rep	0800	Jul CPI (MoM%/YoY%)	2.2/18.5		1.6/17.2
Ukraine	-	Jul CPI (MoM%/YoY%)	-/-		3.1/21.5
Kazakhstan	-	Jul Industrial Production (YoY%)	-		3.5
Brazil	1300	Jun Retail sales (YoY%)	-		-0.2
Thursday 11 August					
Turkey	0800	Jun Current Account Balance	-3.4		-6.5
Romania	0700	Jul CPI (YoY%)	14.6		15.05
Serbia	1100	Aug Benchmark Interest rate	-		2.75
Mexico	1200	Jun Industrial Output (YoY%)	-		3.3
	1200	Jun Industrial Output (MoM%)	-		0.1
	1900	Aug Interest Rate	-		7.75
Friday 12 August					
Turkey	0800	Apr Industrial Production (MoM/YoY%)	0.1/6.7		-0.5/9.1
Poland	0900	Jul CPI (MoM%/YoY%)	-/-		0.4/15.5
Czech Rep	0900	Jun Current Account Balance	-		-22.76
Serbia	1100	Jul CPI (MoM%/YoY%)	0.6/12.2		1.6/11.9
Russia	-	Q2 GDP (YoY%)	-4.3		3.5

Source: Refinitiv, ING

Authors

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Peter Virovacz

Senior Economist, Hungary

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>.