

Key events in EMEA next week

In Poland, GDP and CPI releases will be the highlight of next week. Meanwhile, we expect to see headline inflation in the Czech Republic heading closer to the central bank's target, while fourth quarter GDP in Hungary should be positive due to base effects. We forecast the National Bank of Romania will keep rates on hold at its February meeting



Source: Shutterstock

Poland: Headline inflation expected to moderate below 4% YoY

GDP (4Q23): 1.0% YoY

Since the StatOffice has already released the preliminary 2023 GDP estimate, the fourth quarter result is less of a mystery now. Economic growth at 0.2% year-on-year in 2023 implies growth of around 1.0% YoY in 4Q23. This is a bit of a disappointing reading, following encouraging signs in 3Q23. Household consumption, in particular, fell short of expectations as it most likely stalled in YoY terms after expanding by 0.8% YoY in 3Q23. Despite the rebound in real disposable income, households remain hesitant and cautious with spending. At the same time, fixed investment continued to rise at a solid pace (7-8% YoY). We estimate that foreign trade contributed positively

to 4Q23 GDP growth, while the change in inventories was still a serious drag on growth. We still remain positive on the 2024 outlook and forecast consumption-led growth of 3%.

CPI (January): 3.8% YoY

The January CPI report will be of a preliminary nature as the reading will still be based on the 2023 basket weights and limited in detail (only the main categories will be unveiled). We estimate that food prices changed little vs. December 2023 and headline CPI inflation moderated below 4% YoY amid a high reference base from January 2023, when VAT on energy was restored. The figure will be revised in March along with the update of CPI basket weights. Still, we expect a V-shaped inflation path in 2024, with rapid disinflation in 1Q24 and a bounceback in the second half of 2024 as measures that froze energy prices will expire and authorities introduce new solutions (yet to be decided).

✓ Czech Republic: After more than two years, inflation is finally close to target

For January, we expect the traditional high seasonality in the Czech Republic to push prices up by 1.9% month-on-month. Almost all items in the consumer basket rose, in our view. However, the main issue will be the change in energy prices, which are rising in the regulated component but falling in the market component. Overall, however, we expect housing prices, which include energy prices, to have gone up 0.7% in January. On the other hand, downward pressure on inflation is coming from the volatile components i.e. food and fuel prices. In both cases, we expect a decline of around 1% MoM. The headline YoY number should thus fall to 2.7% due to the large base effect from last year. Core inflation should stagnate around 3.6% YoY. The central bank expects a headline number for January of 3.0% YoY. If January inflation does indeed show levels somewhere below 3%, we believe that other months should be at similar levels comfortable for the central bank.

✓ Hungary: Low base saves the day for 4Q GDP

The only (and really important) data point will be the release of 4Q GDP in Hungary. We expect a significant positive contribution from agriculture thanks to base effects and supportive weather, while industry, construction and services will all contribute negatively to the year-on-year GDP growth index. But once again, the low base will save the day. As the fourth quarter of 2023 had two fewer working days than the last quarter of 2022, we expect significant revisions to previous data points due to seasonal adjustments. In short, we will see an economy in a gentle recovery phase, emerging from a technical recession. Despite the positive momentum in the second half of the year, the full-year performance remains disappointing, with a 0.7% contraction in 2023.

✓ Romania: National Bank of Romania to keep rates on hold

In Romania, we expect the NBR to keep rates on hold at its 13 February meeting and we think it's likely that we will see some mildly dovish signs put forward by officials. On 14 February, we expect to learn that annual growth picked up in the fourth quarter, on the back of accelerating private consumption and still-strong fixed investment. That said, we think that less positive developments are due on the inflation front, as data will likely show that price pressures picked up to 7.1% in January (December: 6.6%) as firms pushed higher taxation costs onto consumers.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 February					
Turkey	0700	Dec Unemployment Rate	-		8.8
Ukraine	1330	Dec Trade Balance YTD	-		-24.35
Croatia	1000	Jan CPI (YoY%)	-		4.5
	1000	Jan CPI (MoM%)	-		-0.5
Tuesday 13 February					
Turkey	0700	Dec Current Account Balance	-3.2		-2.722
Poland	1300	Dec Current Account	-		1325
Czech Rep	0900	Dec Current Account Balance	-		43.52
Romania	1300	Mon Policy Rate	7		7
Wednesday 14 February					
Russia	1600	Jan CPI (MoM%/YoY%)	0.68/7.26	/	0.7/7.4
Poland	0900	Q4 GDP (YoY%) Flash	1.0		0.5
	0900	Q4 GDP (QoQ%) Flash	-1.2		1.5
Hungary	0730	Q4 GDP (YoY%) Prelim	1.1	0.9	-0.4
Romania	0700	Jan CPI (YoY%)	7.1		6.61
	0700	Q4 GDP Flash (YoY%)	2.2		1.1
Bulgaria	1000	Q4 GDP Flash (YoY%)	1.8		1.8
South Africa	1100	Dec Retail Sales (YoY%)	-		-0.9
Thursday 15 February					
Turkey	0800	Jan Budget Balance	-		-842.53
Poland	0900	Jan CPI (MoM%/YoY%)	0.2/3.8	/	0.1/6.2
Czech Rep	0800	Jan CPI (MoM%/YoY%)	1.9/2.7	/	-0.4/6.9
Kazakhstan	0900	Jan Industrial Production (MoM%/YoY%)	-/-	/	7.8/4.3
Bulgaria	1000	Jan CPI (YoY%)	3.9		4.7

Source: Refinitiv, ING

Author

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

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@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 www.ing.com.