

Key events in EMEA next week

Next week, we'll be looking out for a flurry of data releases in Poland, with industrial output expected to turn positive in October. Elsewhere, we expect to see the National Bank of Hungary cut the base rate to 11.50%, while the Central Bank of Turkey will likely consider a slower pace of hikes



Source: Shutterstock

Poland: Industrial output expected to turn positive in October

Industrial output (October): 1.2% YoY

We forecast that industrial production will stop falling in annual terms and turned positive in October. This is consistent with the general turnaround in the Polish economy and signs that global industry started stabilising. Domestic and German manufacturing PMI showed some signs of improvement last month, but they both remain at subdued levels. A higher number of working days will also support the reading.

PPI (October): -3.5% YoY

According to our estimates, producers' prices increased for the second consecutive month in

month-on-month terms, but annual deflation deepened to 3.5% year-on-year in October due to a high reference base from October 2022. The level of prices in manufacturing started rising again in August, and the trend continued. Still, the months ahead are expected to bring deflation on the back of base effects.

Wages (October): 13.0% YoY

Average wages continue expanding at a low double-digit rate, and the variability of the annual growth is shaped by changes in the number of workdays and bonus payments. With one working day more than in October last year and news about bonus payments in some large enterprises, we expect a relatively high wage growth reading for October. Upward pressure on wages will continue, given the ~20% increase in the minimum wage in 2024.

Employment (October): 0.0% YoY

The level of employment in the enterprise sector has started moderating slightly in recent months, but it remains similar to the corresponding months of 2022. With labour becoming scarce, businesses are unlikely to trim their workforces but working hours have moderated slightly. There are no signs of massive lay-offs, and with an economic bounceback already in the pipeline, it looks like the labour market coped very well with the recent slowdown.

Retail sales (October): 2.3% YoY

It's been a long time since we saw a positive retail sales number, but with double-digit growth of wages and headline inflation moderating to single digits, the real purchasing power of households has now started recovering. Consumers are still shy about spending money on durable goods, but with continued improvement in consumer confidence throughout 2023, it's just a matter of time before this category of goods also shows stronger sales numbers.

Unemployment rate (October): 5.0%

According to the Ministry of Family and Social Policy estimates, the number of those unemployed fell by 3.8k vs. our forecast of 4k. Given our assumptions regarding the economically active population, this translates into yet another month of the registered unemployment rate at 5.0%. The ministry is flagging the same figure.

Hungary: We see the base rate cut to 11.50%

The most interesting event in Hungary next week should have been the National Bank of Hungary's upcoming rate-setting meeting on 21 November – but the central bank's deputy governor didn't leave much to get excited about when he “spoiled” the outcome at a conference. While almost all the changes over the past months have been positive (no escalation in geopolitics, stronger global and local disinflation, slightly weaker than expected economic activity, strongly improving external balance and more upbeat market sentiment), the NBH will stand pat and stick to the 75bp pace of rate cuts.

The central bank seems to want to avoid being stigmatised by the market after recent political pressure to accelerate rate cuts. And while a small dovish shift would be professionally defensible in our view, it would carry too much reputational risk. As a result, we see the base rate cut to 11.50%. Next week will also bring the latest set of labour market data, where the base effect will push down nominal wage growth, which remains strong enough to generate positive real wage

growth for the first time in 12 months. As for the unemployment rate, we expect only a slight seasonal improvement.

✓ Turkey: CBT expected to consider slower hike with 250bp

The Central Bank of Turkey has pledged that the policy rate will be determined in a way that will create the monetary and financial conditions necessary to ensure a decline in the underlying trend of inflation. The latest inflation release in October showed the underlying trend starting to improve not only for the core but also the headline rate. Accordingly, we expect the bank to consider a slower hike with 250bp, pulling the policy rate to 37.5% in this month's MPC. However, risks are on the upside given strong tightening moves since August.

Key events in EMEA next week

Country	Time	Data/event	ING	Survey	Prev.
Tuesday 21 November					
Poland	0900	Oct Industrial Output (YoY%)	1.2	1.6	-3.1
Poland	0900	Oct PPI (YoY%)	-3.5	-3.5	-2.8
Poland	0900	Oct Wages (YoY%)	13.0	11.7	11.9
Poland	0900	Oct Employment (YoY%)	0.0	0.0	0.0
Hungary	1300	Nov Hungary Base Rate	11.50		12.25
Wednesday 22 November					
Russia	1600	Oct PPI (MoM%/YoY%)	-/-	/	4.7/16.7
Poland	0900	Oct Retail Sales (YoY%)	2.3	1.6	-0.3
South Africa	0800	Oct CPI (MoM%/YoY%)	-/-	/	0.6/5.4
	0800	Oct Core inflation (MoM%/YoY%)	-/-	/	0.2/4.5
Thursday 23 November					
Turkey	1100	Nov CBT Weekly Repo Rate	37.5		35
	1100	Nov O/N Lending Rate	39		36.5
	1100	Nov O/N Borrowing Rate	36		33.5
Poland	1300	Oct M3 Money Supply (YoY%)	8.5	8.6	8.3
Hungary	0730	Sep Average Gross Wages (YoY%)	14.1		15.2
Friday 24 November					
Poland	0900	Oct Unemployment Rate	5.0	5	5
Hungary	0730	Oct Unemployment Rate 3M	4.0		4.1

Source: Refinitiv, ING

Author

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Muhammet Mercan

Chief Economist, Turkey

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.