

Key events in EMEA next week

We expect the National Bank of Hungary to deliver the first effective rate cut of a new easing cycle on Tuesday. We forecast a 100 basis point cut to the overnight quick deposit and one-day FX swap instrument rate, to 17% and 16%, respectively, while the base rate should remain on hold at 13%



Source: Shutterstock

✓ Poland: Sharp turnaround in PPI inflation points to further decline in headline CPI

Retail sales: -8.6% year-on-year (Apr)

We forecast that April retail sales declined even further than the -7.3% year-on-year fall observed in March. Consumers remain under pressure due to high prices even though headline inflation has started to moderate. Gradual disinflation and double-digit growth in nominal wages should eventually improve the real disposable income of households and hence purchasing patterns but the coming few months will be difficult for retailers. We expect household consumption to recover somewhat in the second half of 2023.

Industrial production: -2.5% YoY (Apr)

According to our forecasts, industry remained in the red in YoY terms as European manufacturing is also weak. The only bright spot so far is the automotive industry, but it is expected to start shining less brightly when the backlog of work is filled and previous orders executed. Still, the scale of contraction in Polish manufacturing remains moderate.

PPI inflation: 6.8% YoY (Apr)

Producers' inflation most likely fell to single-digit levels as we are comparing current readings with a high reference base. We forecast a third consecutive month of decline in month-on-month terms. Prices in manufacturing have been falling in MoM terms since November last year. The sharp turnaround in PPI inflation points to a further decline in headline CPI as it usually follows producer prices with some delay but core inflation is likely to be more sticky.

Registered unemployment: 5.3% (Apr)

The labour market remains tight and despite some signs of weakness in employment, unemployment remains low. Even though economic conditions have deteriorated (GDP down by 0.2% YoY in the first quarter) the monthly decline in the number of unemployed in March was broadly in line with that expected in March 2022. We project a similar trend in April, which translates into a decline in the unemployment rate to 5.3% in April vs. 5.4% in March.

Turkey: Elections still in focus

Given the Central Bank of Turkey's ongoing guidance that the current policy rate is adequate to support the recovery from the earthquakes, we expect it to keep rates on hold at the May meeting. However, the latest indicators point to a need to rebalance the economy and there is a consensus for a normalisation in monetary policy. In this regard, the CBT's signal will be closely followed as it has already taken a tightening step following the first round of elections and expanded the scope of the security maintenance requirements based on loan growth to include other commercial loans and consumer loans.

Hungary: Beginning of a gradual, yet data-driven easing cycle

Next week in Hungary will be all about the labour market and monetary policy. For markets, the latter is more important, obviously. In our view, the National Bank of Hungary will deliver the first effective rate cut of an easing cycle on Tuesday. We see the Monetary Council cutting the overnight quick deposit rate by 100bp to 17% along with a similar-sized cut in the upper bound of the interest rate corridor. We also expect the one-day FX swap instrument rate to be cut by 100bp to 16%. With that move, the central bank will start a gradual, yet data-driven easing cycle, where we see the cuts continuing in a copy-paste fashion on a monthly basis. The Monetary Council's forward guidance will underscore that the easing cycle could be stopped at any time if there is a deterioration either in local market stability, global market confidence or regarding the developments of the external balances. Moreover, we see the NBH emphasising the continued fight against inflation, stating that the base rate will remain on hold for a long time at 13% to help reach price stability over the monetary policy horizon. In practice, this would signal that we shouldn't expect any dovish change to the base rate at least until the base rate and effective rate merge. According to our forecast, these rates will merge at 13% at the September rate decision. When it comes to the labour market, we see wage growth jumping back to double-digit territory in

March as we leave behind the February one-off base effect. Due to seasonality, we see the April unemployment rate coming down to 3.9%, with the three-month average (which is the official data) remaining at 4.1%.

Key events in EMEA next week

| Country | Time | Data/event | ING | Survey | Prev. |
|-------------------------|------|--|-------|--------|-----------|
| Monday 22 May | | | | | |
| Poland | 0900 | Apr Industrial Output (YoY%) | -2.5 | -3.4 | -2.9 |
| Tuesday 23 May | | | | | |
| Poland | 0900 | Apr Retail Sales (YoY%) | -8.4 | -7.8 | -7.3 |
| Hungary | 1300 | May Hungary Base Rate | 13.00 | | 13.00 |
| | 1300 | Overnight Quick Deposit Rate | 17.00 | | 18.00 |
| Wednesday 24 May | | | | | |
| Russia | 1700 | Apr PPI (MoM%/YoY%) | -/- | | 2.6/-10.7 |
| Poland | 1300 | Apr M3 Money Supply (YoY%) | 6.8 | 6.6 | 6.5 |
| Hungary | 0730 | Mar Average Gross Wages (YoY%) | 11.9 | | 0.8 |
| South Africa | 0900 | Apr CPI (MoM%/YoY%) | -/- | | 1/7.1 |
| | 0900 | Apr Core inflation (MoM%/YoY%) | -/- | | 0.8/5.2 |
| Brazil | 1200 | May IGP-M Inflation Index | - | | -0.95 |
| Mexico | 1300 | May 1st Half-Month Core Inflation (MoM%) | - | | 0.18 |
| | 1300 | May 1st Half-Month Inflation (MoM%) | - | | -0.16 |
| Thursday 25 May | | | | | |
| Turkey | 1200 | May CBT Weekly Repo Rate | 8.5 | | 8.5 |
| | 1200 | May O/N Lending Rate | 10 | | 10 |
| | 1200 | May O/N Borrowing Rate | 7.0 | | 7.0 |
| Poland | 0900 | Apr Unemployment Rate | 5.3 | 5.3 | 5.4 |
| South Africa | 1030 | Apr PPI (MoM%/YoY%) | -/- | | 1/10.6 |
| Brazil | 1300 | May IPCA-15 Mid-Month CPI (MoM%/YoY%) | - | | 0.57/4.16 |
| Mexico | 1300 | Apr Trade Balance SA | - | | 0.081 |
| Friday 26 May | | | | | |
| Hungary | 0730 | Apr Unemployment Rate 3M | 4.1 | | 4.1 |
| Kazakhstan | 1000 | May Base Interest Rate | 16.75 | | - |
| Brazil | - | Apr Current Account | - | | 0.286 |
| | - | Apr Foreign Direct Investm't | - | | 7.673 |
| Mexico | 1200 | Q1 GDP (QoQ%/YoY%) | - | | 1.1/3.9 |

Source: Refinitiv, ING

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