

Key events in EMEA next week

Poland GDP to decline, Hungary budget balance to show a record deficit, Russia and Romania to keep rates on hold, while Czech inflation is set to decelerate. And these are just some of the key data releases to watch out for in EMEA next week



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Poland: 4Q GDP data to show contraction

The annual 2020 GDP decline by 2.8% translated into -2.9% YoY in 4Q20 in Poland. Like other countries, 4Q20 showed a diminishing impact of the pandemic.

While the number of Covid-19 cases during this period was much higher than in the spring, our index of economic restrictions indicates that those associated with the second wave of the pandemic were a quarter to a half less onerous.

We estimate that the quarter-on-quarter contraction of GDP in 4Q20 was only about a tenth of that in 2Q20 (-1.2% quarter-on-quarter in 4Q20 vs. -9% QoQ in 2Q20).



Hungary: Record budget deficit however pressures could ease

After a rough year in 2020, we expect the Hungarian budget to start this year with a record January deficit. However, EU transfers may counterbalance the missing revenue and the extra expenditures on Covid-19 defence, so we can't rule out an upside surprise.

On Friday, we will get insight as to whether the usual pricing pattern remains or if the pandemic has changed seasonality. Usually, we see a significant repricing at the start of the year, especially in services. This time given that the majority of the services are still closed, we might see some easing in the headline inflation.

On the other hand, fuel and tobacco prices will put significant upside pressure on the average price index.

✓ Russia: Rates to stay on hold for now but the dovish tone is fading

Bank of Russia is likely to keep the key rate unchanged at 4.25% next week, of which there is little doubt in the market, but the accompanying statement will be in focus.

While previously there were expectations that the central bank will maintain a dovish stance due to weak demand and presumed temporary nature of CPI acceleration, now this view is challenged by [higher than expected CPI](#), [smaller than expected drop in GDP](#), and [continued pressure on the local financial markets](#).

The central bank commentary, particularly on the CPI trend, may show whether its previous guidance on return to neutral policy stance (nominal key rate of 5-6% amid CPI of 4%) not earlier than 2022-23 still stands or is becoming more urgent.

Aside from that, January balance of payments is due to be released on Tuesday likely showing a widening in the current account surplus as a result of higher Urals price and seasonal decline in imports, confirming that the key challenges to the ruble performance lie on the capital account side. Budget fulfilment for January, expected sometime during the week, is likely to show small surplus due to seasonality before slipping into deficit later into the year.

Given the excess cash held by the finance ministry (coming from RUB4.6 tr net local debt placement amid RUB4.1 tr budget deficit and net withdrawal of RUB0.3 tr from the bank deposits in 2020), there is no urgency to actively place new local debt at the moment.

✓ Czech Republic: Inflation to decelerate below 2%

January CPI should further slow down below 2% due to a high base, however, volatile food prices might again bring some surprise as they have in the last few months and January CPIs are the most uncertain to estimate as many prices change at the beginning of the year. Still, CPI below 2% in some months of this year shouldn't come as a surprise, as many ad-hoc factors pushed inflation higher last year, and those are unlikely to repeat this year.

Industrial production should record a solid figure in December 2020, amid i) low base ii) calendar bias iii) and solid car production which increased by 11% in December according to the Czech automotive industry association.

EMEA Latam Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 8 February					
Czech Rep	0800	Dec Industrial Output (YoY%)	-		0.4
	0800	Dec Trade Balance	-		32.2
	0800	Jan Unemployment Rate	-		4.0
Hungary	1000	Jan Budget Balance	-250		-2250
Tuesday 9 February					
Ukraine	-	Jan CPI (MoM/YoY%)	-/-		0.9/5.0
Romania	1300	Monetary Policy Rate	1.25		1.25
Brazil	1200	Jan IPCA Inflation Index (MoM/YoY%)	-/-		1.35/4.52
Mexico	1200	Jan Headline Inflation	-		0.38
	1200	Jan Core inflation	-		0.55
Wednesday 10 February					
Turkey	0700	Nov Undemployment Rate (%)	-	-	12.7
Kazakhstan	-	Jan Industrial Production (MoM%)	-		5.7
Brazil	1200	Dec Retail sales (MoM/YoY%)	-/-		-0.1/3.4
Thursday 11 February					
Kazakhstan	-	Jan Industrial Production (YoY%)	-		-0.7
Mexico	1200	Dec Industrial Output (MoM/YoY%)	-		1.1/-3.7
	1900	Jan Interest Rate	-		4.25
Friday 12 February					
Turkey	0700	Dec Industrial Production (MoM/YoY%)	-/3.1	-/-	1.31/11.00
	0700	Dec Current Account Balance (US\$ bn)	-3.3		-4.063
Russia	1030	Feb Central bank key rate	4.25	4.25	4.25
Poland	0900	Q4 GDP (QoQ/YoY%) Flash	-2.9		7.9/-1.5
Czech Rep	0800	Jan CPI (MoM/YoY%)	0.8/1.7		-0.2/2.3
Hungary	0800	Jan Core CPI (YoY%)	4.0		4.0
	0800	Jan CPI (MoM/YoY%)	0.8/2.6		0.3/2.7
Romania	0700	Jan CPI (YoY%)	2.35		2.1

Source: ING, Refinitiv

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