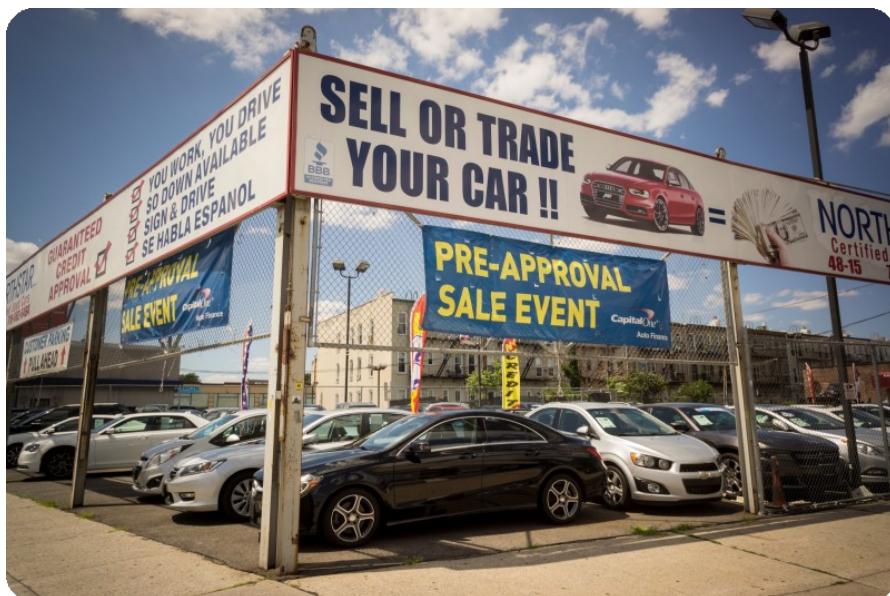


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UNITED STATES CZECH REPUBLIC HUNGARY

Think Ahead: US inflation data unlikely to block a rate cut

The US inflation report next week - the last key data point before the next Federal Reserve meeting on 17 September - should be no barrier to a rate cut. In Central and Eastern Europe, inflation updates are due from Hungary, Romania and the Czech Republic, while Turkey is expected to deliver a 200bp cut



US CPI is expected to show evidence of goods price inflation being triggered by tariffs

THINK Ahead in developed markets

United States (James Knightley)

- **Inflation** (Thur): Inflation will be the last main data point ahead of the Federal Reserve's 17 September FOMC interest rate decision. There is likely to be more evidence of goods price inflation being triggered by tariffs, but remember that core goods – items most vulnerable to tariff impact – are only 19% by weight of the inflation basket. Housing costs are 33% by weight, and there is likely to be more evidence of softening rents based on Zillow data and the Cleveland Fed's measure of new tenant rents and existing rents. Energy prices are also falling while we aren't seeing the same sort of wage pressures that contributed to inflation hitting 9% in 2022. A 0.3% month-on-

month increase in core and headline CPI will be no barrier to a 25bp rate cut, given evidence of cooling activity and a stalling jobs market.

- **Consumer Confidence** (Fri): Also watch out for the University of Michigan consumer confidence index. That is already at very weak levels as households worry about tariff-induced price hikes squeezing spending power while fears of joblessness are on the rise. Meanwhile, the government's fiscal position is set to remain dire, with another substantial monthly borrowing number expected as tariff revenues continue to disappoint relative to President Trump's aggressive commentary on their money-raising capabilities.

THINK Ahead in Central and Eastern Europe

Poland (Adam Antoniak)

- **Jul BoP** (Fri): We expect the current account balance to slide back into deficit (€761mn), after a surprising surplus (€651mn) reported in June amid weak imports. According to our estimates, the 12-month cumulative current account deficit amounted to 1% of GDP vs. 0.9% of GDP in June amid a €931mn trade deficit. We forecast that exports of goods in euros fell by 0.8% year-on-year, while imports contracted 1.6% YoY. Still, the level of the external imbalance in Poland remains low and is unlikely to significantly widen in the coming months.

Hungary (Peter Virovacz)

- **Inflation** (Tue): We don't expect significant changes from the August CPI release. The dichotomy created by government intervention remains: monthly repricing will appear subdued (although slightly higher than the historical average), while year-on-year data will remain at an uncomfortable level, significantly above the central bank's 3% inflation target. Food and services will lead the way in contributing to price changes, making it harder to see inflation expectations moving lower.

Romania (Stefan Posea)

- **Inflation** (Thur) We expect the inflation data due on Thursday to show that price pressures picked up significantly in August on the back of the recent VAT increase. We have pencilled in an acceleration to 9.8% (July: 7.8%),

Czech Republic (David Havrlant)

- **Industrial Production** (Mon): Industrial production gained pace in July, with Czech exporters beginning to recover despite continued subdued demand from the main European trading partners. This is set to be reflected in a sustained trade surplus for the month. The unemployment rate likely remained stable, as the ongoing economic

rebound gradually feeds through to labour market conditions.

- **Inflation** (Wed): The preliminary inflation estimate is expected to be confirmed, with the detailed breakdown showing a continued slowdown in annual food price dynamics and still elevated core inflation due to the persistent growth of service prices.

Turkey (Muhammet Mercan)

- **Rate Decision** (Thur): The combination of August's higher-than-expected inflation figures and the recent political and institutional developments is likely to complicate the central bank's decision-making process. In determining the magnitude of an interest rate cut at the upcoming MPC meeting, containment of market volatility will also play a critical role alongside inflation, though it has remained relatively limited so far. During the July MPC meeting, the CBT stated that future policy steps will be guided by economic data and evaluated on a meeting-by-meeting basis, emphasising a cautious and flexible approach. Taken together, these factors point to a less aggressive easing this month than previously anticipated, in our view. Accordingly, we expect a 200bp cut from the CBT to 41%.

Azerbaijan (Dmitry Dolgin)

- **Rate Decision** (Wed): We expect the Central Bank of Azerbaijan (CBAR) to maintain the refinancing rate at 7.00% at the 10 September meeting. Since the last meeting, CPI growth slowed to 4.9% YoY in July, aligning with the $4\pm 2\%$ year-end target. Moreover, we do not exclude the possibility of a further cut being discussed, given the weak GDP growth of 0.9% YoY as of 7M25, including -2.3% YoY in July, and the easing in PPI growth. However, the shrinking trade surplus and continued outperformance of bank lending vs. funding call for maintaining higher real interest rates. The CBAR commentary will likely focus on FX market flows.

Uzbekistan (Dmitry Dolgin)

- **Rate Decision** (Thur): The Central Bank of Uzbekistan (CBRU) is expected to keep the policy rate at 14.00% during the September 11 meeting, if it takes place (the July meeting was cancelled). Inflation has remained stable at around 8.8% YoY since June, while economic activity has strengthened. A rate cut is less likely but possible, as the recent USZ appreciation and ongoing fiscal consolidation efforts could improve the balance of CPI risks.

Key events next week in developed markets

Country	Time	Data/event	ING	Prev.
Monday 8 September				
US	2000	Jul Consumer Credit (USD bn)	12	7.4
Germany	0700	Jul Industrial Output (MoM%/YoY%)	1.0/2.0	-1.9/-3.5
	0700	Jul Exports (MoM%)	-1	0.8
	0700	Jul Imports (MoM%)	-3	4.2
	0700	Jul Trade Balance (EUR bn)	15	14.9
Tuesday 9 September				
France	0745	Jul Industrial Output (MoM%)	-	3.8
Netherlands	0530	Aug CPI (MoM%/YoY%)	-	1.3/2.9
Wednesday 10 September				
US	1200	PPI (MoM%)	0.3	0.9
Italy	0900	Jul Industrial Output (MoM%/YoY%)	-/-	0.2/-0.9
Norway	0700	Aug CPI (MoM%/YoY%)	-/-	0.8/3.3
Netherlands	0530	Jul Manufacturing Output (MoM%)	-	-0.1
Greece	1000	Jul Industrial Output (YoY%)	-	0.5
	1000	Aug CPI (YoY%)	-	3.1
Thursday 11 September				
US	1330	Aug Core CPI (MoM%/YoY%)	0.3/3.1	0.3/3.1
	1330	Aug CPI (MoM%/YoY%)	0.3/2.9	0.2/2.7
	1330	Initial Jobless Claims (000s)	235	237
	1900	Aug fiscal budget (USD bn)	-340	-291
Eurozone	1315	Sep ECB Refinancing Rate	2.15	2.15
	1315	Sep ECB Deposit Rate	2.00	2.00
Sweden	0700	Aug CPI (MoM%/YoY%)	-/-	/
	0700	Aug CPIX (MoM%/YoY%)	-/-	/
Netherlands	0530	Jul Trade Balance (EUR bn)	-	10.2
Friday 12 September				
US	1500	Sep Michigan Sentiment Flash	57.5	58.2
	1500	Sep Michigan Conditions Flash	62	61.7
	1500	Sep Michigan Expectations Flash	54	55.9
Germany	0700	Aug CPI Final (MoM%/YoY%)	0.2/2.2	0.1/2.2
France	0745	Aug CPI (MoM%/YoY%)	-/-	0.4/0.9
UK	0700	Jul GDP (MoM%/YoY%)	0/-	0.4/1.4
Spain	0800	Aug CPI (MoM%/YoY%)	-/-	0/2.7

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (BST)	Data/event	ING	Prev.
Monday 8 September				
Czech Rep	0800	Jul Industrial Output (YoY%)	1.3	0.0
	0800	Jul Trade Balance (CZK bn)	10.4	26.3
	0900	Aug Unemployment Rate	4.4	4.4
Hungary	1000	Aug Budget Balance (HUF bn)	-440	-12.8
Tuesday 9 September				
Hungary	0730	Aug Core CPI (YoY%)	3.9	4.0
	0730	Aug CPI (MoM%/YoY%)	0.0/4.3	0.4/4.3
Ukraine	1330	Aug CPI (MoM%/YoY%)	-/-	-0.2/14.1
Wednesday 10 September				
Azerbaijan	-	Sep Central Bank Refinancing Rate	7.00	7.00
Russia	-	Aug CPI (MoM%/YoY%)	-0.2/8.3	0.6/8.8
Czech Rep	0800	Aug CPI (MoM%/YoY%)	0.1/2.5	0.1/2.5
Thursday 11 September				
Uzbekistan	-	Sep Central Bank Policy Rate		14.00
Turkey	1200	Sep CBT Weekly Repo Rate	41.00	43.00
	1200	Sep Overnight Lending Rate	44.00	46.00
	1200	Sep Overnight Borrowing Rate	39.50	41.50
	1230	FX Reserves (USD bn)	-	91.1
Ukraine	-	Interest Rate decision	-	15.5
Romania	0700	Aug CPI (YoY%)	9.8	7.8
Serbia	1100	Sep Benchmark Interest rate	5.75	5.75
Friday 12 September				
Russia	1130	Sep Central Bank Key Rate	16.00	18.00
Turkey	0800	Jul Current Account Balance (USD bn)	-	-2.0
Poland	1300	Jul Current Account (EUR mn)	-761	651
Czech Rep	0900	Jul Current Account Balance (CZK bn)	-	-68.8
Serbia	1100	Aug CPI (MoM%/YoY%)	0.3/4.8	0.6/4.9

Source: Refinitiv, ING

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THINK economic and financial analysis

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