



Central European Economic Outlook

Written by CSOB Prague, CSOB Bratislava, Kredyt Bank Warsaw and K&H Budapest

- **Czech Republic**

Deteriorating domestic macro-outlook and gloomy regional perspectives weigh down on the koruna. The Czech currency broke through key levels around 27.40 EUR/CZK and remains vulnerable to further short term losses. Nevertheless the CNB is not bothered by weak domestic currency as Czech foreign debt is very low and denominated mostly in the korunas.

- **Hungary**

After the IMF head gave a relatively positive assessment of the developments by saying that they are 'rather satisfied'. The next milestone will be the Funds' regular assessment in February, which could concentrate on the 4th quarter budget surplus target (already met), the bank rescue package (accepted by the Parliament) and the disinflation process.

- **Poland**

The Polish Zloty stays under pressure despite the fact that the pre-ERM negotiations with European partners which were scheduled to take place in H1 2009 are set to go on as planned.

- **Slovakia**

We have revised down our 2009 GDP forecast to 3.0% from 3.9% on the back of growth downturn our main trading partners. Drop in inflation will be connected with lower deregulations, cheaper food and fuel prices. Further monetary easing of ECB is expected.

Czech Republic

Macroeconomic development

		2005	2006	2007	2008f	2009f	2010f
GDP (real)	y/y, %	6.3	6.8	6.0	4.0	1.0	2.5
Private consumption (real)	y/y, %	2.5	5.4	5.2	3.0	2.3	3.0
Government consumption (real)	y/y, %	2.9	-0.7	0.4	0.6	0.0	-0.5
Investment (gross fixed capital formation, real)	y/y, %	1.8	6.5	6.7	3.4	-5.0	1.5
GDP (nominal)	CZK bn	2,983.9	3,215.6	3,495.3	3,653.5	3,726.9	3,896.5
GDP (nominal)	EUR bn	100.2	113.5	125.9	146.5	146.4	159.7
Industrial production	y/y, %	6.7	11.2	9.0	1.0	0.7	4.0
Construction output	y/y, %	4.2	6.6	6.7	1.5	1.0	3.5
Retail sales	y/y, %	4.0	6.5	7.7	1.4	2.5	3.7
CPI	y/y, %	2.2	1.7	5.4	3.6	2.0	2.3
Inflation	average, y/y, %	1.9	2.5	2.8	6.3	1.5	2.5
Net (core) inflation	y/y, %	0.5	1.2	3.8	-1.0	0.9	1.5
PPI	y/y, %	-0.3	2.6	5.3	-0.2	1.8	2.5
Trade balance	CZK bn	38.6	39.8	86.1	70.0	110.0	145.0
Current Account (annual basis)	% of GDP	-1.3	-2.6	-2.5	-3.6	-2.1	-2.1
Current Account	EUR bn	-1.6	-3.8	-2.3	-5.4	-3.1	-3.4
FDI net	EUR bn	9.4	3.2	5.7	5.6	3.3	4.2
FDI net	% of GDP	11.0	2.1	4.6	3.8	2.3	2.6
Basic balance (C/A + net FDI)	% of GDP	9.7	-0.5	2.1	0.2	0.2	0.5
Foreign exchange reserves	EUR bn	25.1	23.9	23.7	26.6	29.3	31.9
Unemployment rate	e-o-p, %	8.9	7.7	6.0	6.0	6.8	6.8
Real wages	y/y, %	3.3	3.8	4.4	1.8	3.0	2.0
Central government budget (GFS)	CZK bn	-56.6	-97.3	-66.4	-19.4	-70.0	-50.0
Central government budget (GFS)	% of GDP	-1.9	-3.0	-1.9	-0.5	-1.9	-1.3
Central government debt (GFS)	CZK bn	691.2	802.5	892.3	999.5	1,069.5	1,119.5
Money supply (M2)	y/y, %	8.0	9.9	13.2	7.8	6.5	7.5
CZK/EUR	average	29.78	28.34	27.76	24.94	25.45	24.40
CZK/EUR	e-o-p	29.01	27.50	26.62	26.93	24.30	23.80
2w CNB repo rate	e-o-p, %	2.00	2.50	3.50	2.25	1.00	1.50
3m PRIBOR	average, %	2.01	2.30	3.09	4.04	2.30	1.90
3m PRIBOR	e-o-p, %	2.17	2.55	4.11	3.63	1.55	2.00
10y IRS	average, %	3.48	3.79	4.23	4.23	3.40	3.85

Convergence

		2005	2006	2007	2008F	2009F	2010f
GDP per capita	euroarea=100	69	70	73	75	77	79
Price level	euroarea=100	57	60	61	69	68	69
HICP	average, %	1.6	2.1	3.0	6.3	1.3	2.3
Public budgets (ESA-95)	% of GDP	-3.6	-2.7	-1.0	-1.0	-2.0	-2.0
Public debt (ESA-95)	% of GDP	29.8	29.6	28.9	28.4	29.8	29.8
Long term interest rate	spread in bps	16	2	6	65	80	50
Currency in ERM-II		no	no	no	no	no	no

Hungary

Macroeconomic development

		2005	2006	2007	2008f	2009f	2010f
GDP	y/y, %	4.2	3.9	1.5	2.0	-1.0	1.5
Private consumption (real)	y/y, %	3.8	3.2	-2.0	0.5	-2.0	1.0
Government consumption (real)	y/y, %	0.2	-2.8	-5.0	-2.0	-1.0	1.0
Investment (gross fixed capital formation, real)	y/y, %	5.3	-2.1	0.0	3.0	2.0	5.0
GDP (nominal)	HUF bn	21,785	23,562	25,585	27,270	29,000	31,000
GDP (nominal)	EUR bn	87.8	89.2	102.8	107.2	113.7	124.0
Industrial production	y/y, %	7.0	10.1	8.1	6.0	-1.0	3.0
Construction output	y/y, %	16.6	-0.5	-14.1	-5.0	-2.0	1.5
Retail sales	y/y, %	4.5	4.4	-3.0	-1.5	-4.0	2.0
CPI	y/y, %	3.3	6.5	7.4	5.5	3.0	3.0
Inflation	average, y/y, %	3.6	3.9	8.0	6.5	3.8	3.0
Core inflation	y/y, %	1.3	5.0	5.3	5.3	3.0	3.0
PPI	y/y, %	4.4	5.0	5.3	6.0	2.0	3.0
Trade balance	EUR m	-720	-522	-145	-150	-300	-500
Exports (EUR basis)	y/y, %	12.2	16.8	17.1	10.0	3.0	5.0
Imports (EUR basis)	y/y, %	9.1	14.2	14.0	9.0	-2.0	4.0
Current Account (annual basis)	% of GDP	-7.3	-5.8	-5.4	-6.0	-3.0	-3.5
Current Account	EUR bn	-6.4	-5.2	-5.5	-6.4	-3.4	-4.3
FDI net	EUR bn	4.3	1.7	1.0	2.5	2.3	2.5
FDI net	% of GDP	4.9	2.0	1.0	2.4	2.0	2.0
Basic balance (C/A + net FDI)	% of GDP	-2.4	-3.9	-2.4	-1.3	-1.0	-1.5
Foreign exchange reserves	EUR bn	15.7	16.4	16.5	16.5	16.5	16.5
Unemployment rate	e-o-p, %	7.2	7.5	8.1	8.0	9.5	10.5
Real wages	y/y, %	6.3	3.6	-5.2	1.0	-2.0	0.0
General government budget (GFS)	HUF bn	-984	-2034	-1480	-1111	-754	-775
General government budget (GFS)	% of GDP	-4.5	-8.7	-5.8	-3.4	-2.6	-2.5
Central gvt gross debt	HUF bn	12,766	14,706	15,576	16,800	16,046	15,271
Money supply (M3)	y/y, %	13.9	16.0	9.0	9.0	10.0	10.0
EUR/HUF	average	248.1	264.1	251.3	250.0	255.0	250.0
EUR/HUF	e-o-p	252.7	251.5	253.0	255.0	255.0	250.0
2w NBH repo rate	e-o-p	6.00	8.00	7.50	11.50	8.50	7.50
3m BUBOR	average	7.05	6.99	7.75	10.00	8.50	7.50
3m BUBOR	e-o-p	6.27	8.05	7.50	11.50	8.50	7.50
10y IRS	average	6.49	7.05	6.73	9.00	7.00	6.50

Convergence

		2005	2006	2007	2008f	2009f	2010f
GDP per capita	euroarea=100	57	58	57	58	58	59
Price level	euroarea=100	62	59	64	66	66	68
HICP (inflation)	average, %	3.5	3.9	8.0	6.5	3.8	3.0
General gov. balance (ESA 95)	% of GDP	-7.8	-9.8	-6.0	-2.9	-2.6	-2.5
Genera gov. debt (ESA 95)	% of GDP	61.7	67.5	66.0	65.0	69.0	65.0
Long term interest rate	spread in bps	3.64	2.76	2.70	5.00	3.00	2.00
Currency in ERM-II		no	no	no	no	no	no

Poland

Macroeconomic development

		2005	2006	2007	2008f	2009f	2010f
GDP (real)	y/y, %	3.6	6.1	6.4	5.0	1.5	3.0
Private consumption (real)	y/y, %	2.0	5.2	5.2	5.0	3.0	3.5
Government consumption (real)	y/y, %	4.8	2.3	0.7	-0.1	1.5	2.0
Investment (gross fixed capital formation, real)	y/y, %	6.5	16.5	20.4	9.0	-3.0	5.0
GDP (nominal)	PLN bn	980.9	1057.9	1163.0	1270.0	1330.0	1398.4
GDP (nominal)	EUR bn	243.7	271.1	307.7	364.9	344.6	383.1
Industrial production	y/y, %	4.1	12.4	9.7	5.5	1.0	3.0
Construction output	y/y, %	9.7	13.0	19.0	19.5	4.0	5.0
Retail sales	y/y, %	4.4	12.3	17.1	13.5	6.5	8.0
CPI	y/y, %	0.7	1.4	4.0	3.6	2.3	2.5
Inflation	average, y/y, %	2.1	1.0	2.5	4.2	2.7	2.3
Net (core) inflation	y/y, %	0.2	1.6	1.7	4.5	3.0	2.5
PPI	y/y, %	0.7	2.3	2.3	2.4	1.0	1.5
Trade balance	EUR bn	-2.5	-3.4	-8.7	-15.8	-16.2	-17.0
Exports (FOB, EUR basis)	y/y, %	17.9	19.8	13.9	14.4	2.0	5.0
Imports (CIF, EUR basis)	y/y, %	13.4	21.0	18.3	15.9	2.0	5.0
Current Account (annual basis)	% of GDP	-1.7	-2.1	-3.7	-5.4	-4.5	-4.2
Current Account	EUR bn	-4.1	-5.6	-11.3	-19.6	-15.5	-16.0
FDI net	EUR bn	7.7	11.4	15.0	10.0	5.0	10.0
FDI net	% of GDP	3.1	4.2	4.9	2.7	1.5	2.6
Basic balance (C/A + net FDI)	% of GDP	1.5	2.1	1.2	-2.6	-3.0	-1.6
Foreign exchange reserves	EUR bn	32.8	36.8	44.7	44.0	44.1	40.0
Unemployment rate	e-o-p, %	18.2	14.9	11.3	9.5	11.0	10.5
Real wages	y/y, %	1.0	3.9	6.5	6.7	2.3	2.7
Central government budget (GFS)	PLN bn	-30.0	-25.0	-27.0	-23.8	-25.0	-20.0
Central government budget (GFS)	% of GDP	-3.1	-2.4	-2.3	-1.7	-2.0	-1.5
General government budget (GFS)	% of GDP	-3.2	-2.2	-2.0	-2.7	-3.0	-2.5
Central government debt (GFS)	PLN bn	447.6	510.0	545.0	565.9	604.4	640.0
Money supply (M3)	y/y, %	11.9	11.9	12.0	15.4	9.0	12.0
PLN/EUR	average	4.03	3.90	3.78	3.48	3.86	3.65
PLN/EUR	e-o-p	3.86	3.83	3.60	3.90	3.70	3.60
NBP intervention rate	e-o-p, %	4.50	4.00	5.00	5.25	3.50	3.50
3m WIBOR	average, %	5.20	4.21	4.73	6.17	4.50	4.00
3m WIBOR	e-o-p, %	4.60	4.20	5.70	6.20	4.10	3.95
10y IRS	average, %	5.14	5.12	5.47	5.75	4.70	4.60

Convergence

		2005	2006	2007	2008f	2009f	2010f
GDP per capita	euroarea=100	46	47	49	51	52	54
Price level	euroarea=100	60	61	62	70	64	68
HICP	average, %	2.2	1.3	2.6	4.2	2.7	2.3
Public budgets (ESA-95)	% of GDP	-4.3	-3.8	-2.0	-2.7	-3.0	-2.5
Public debt (ESA-95)	% of GDP	47.1	47.8	49.0	46.0	48.0	47.0
Long term interest rate	spread in bps		144	116	270	200	150
Currency in ERM-II		no	no	no	no maybe (H2)		yes

Slovakia

Macroeconomic development

		2005	2006	2007	2008f	2009f	2010f
GDP (real)	y/y, %	6.5	8.5	10.4	7.0	3.0	4.0
Private household consumption (real)	y/y, %	6.6	5.9	7.1	6.3	3.5	4.5
Government consumption (real)	y/y, %	3.3	10.2	-1.3	4.0	2.0	3.5
Investment (gross fixed capital formation, real)	y/y, %	17.6	9.3	8.7	7.3	1.5	2.8
GDP (nominal)	SKK bn	1,485.7	1,659.4	1,852.8	2,058.3	2,177.7	2,343.2
GDP (nominal)	EUR bn	38.5	44.5	54.8	65.8	72.3	77.8
Industrial production	y/y, %	3.3	10.1	12.8	5.0	3.0	5.0
Construction output	y/y, %	15.0	16.1	5.4	11.0	4.5	6.0
Retail sales	y/y, %	9.7	8.8	5.5	7.5	5.0	5.5
CPI	y/y, %	3.7	4.2	3.4	4.4	2.8	3.6
Inflation	average, y/y, %	2.7	4.5	2.8	4.6	3.2	3.3
Core inflation	y/y, %	1.7	2.7	4.2	3.3	2.6	3.5
PPI	y/y, %	4.7	5.4	2.8	6.6	3.5	2.5
Trade balance	EUR m	-2.5	-2.5	-0.7	-0.8	-0.7	-0.5
Current Account (annual basis)	% of GDP	-8.5	-7.0	-5.3	-4.6	-4.9	-4.5
Current Account	USD bn	-4.0	-3.9	-4.0	-5.3	-5.0	-3.7
FDI net	USD bn	0.7	2.1	1.1	1.3	1.4	1.5
FDI net	% of GDP	1.8	4.7	2.0	2.0	1.9	1.9
Basic balance (C/A + net FDI)	% of GDP	-6.7	-2.3	-3.3	-2.6	-3.0	-2.6
Unemployment rate	e-o-p, %	11.4	9.4	8.0	8.2	9.0	8.0
Real wages	y/y, %	6.3	3.3	4.3	4.6	3.5	3.6
Central government budget	EUR bn	-1.1	-1.1	-0.8	-1.1	-1.0	-1.4
Central government budget	% of GDP	-0.1	-0.1	0.0	-0.1	0.0	-0.1
Central government debt	EUR bn	16.7	16.8	18.1	19.7	21.1	22.1
Money supply (M3)	y/y, %	7.4	15.3	13.0	5.0	5.5	7.0
10y IRS	average, %	3.70	4.44	4.51	4.52	n/a	n/a

Convergence

		2005	2006	2007	2008f	2009f	2010f
GDP per capita	euroarea=100	54	58	61	65	68	70
Price level	euroarea=100	54	57	62	68	71	72
HICP	average, %	2.8	4.3	1.9	4.0	2.7	3.4
Public budgets (ESA-95)	% of GDP	-2.8	-3.5	-2.0	-2.1	-2.2	-2.5
Public debt (ESA-95)	% of GDP	34.2	30.4	29.4	28.7	28.2	27.8
Long term interest rate	spread in bps	10	57	17	120	80	30
Currency in ERM-II		yes	yes	yes	yes	EUR	EUR

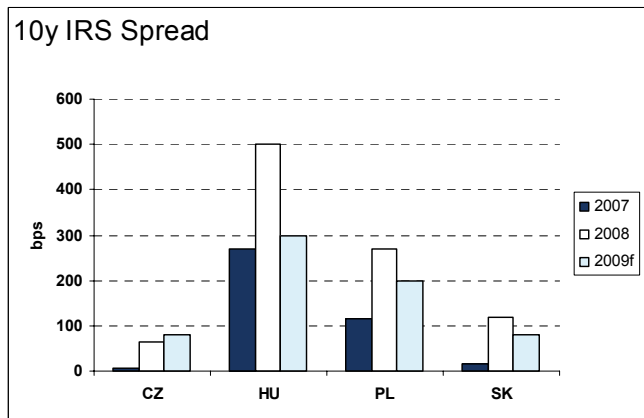
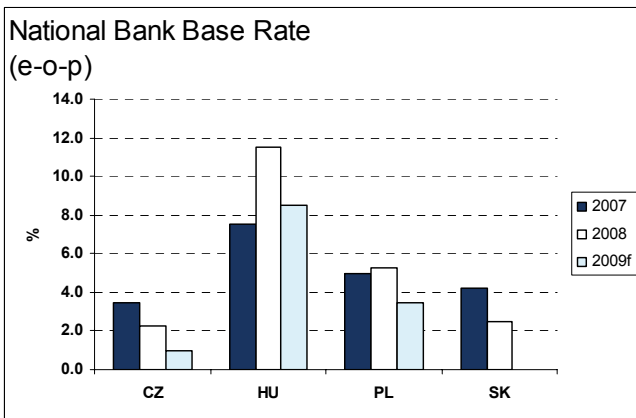
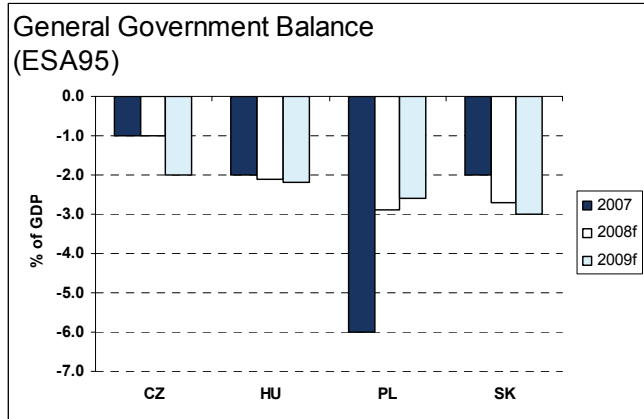
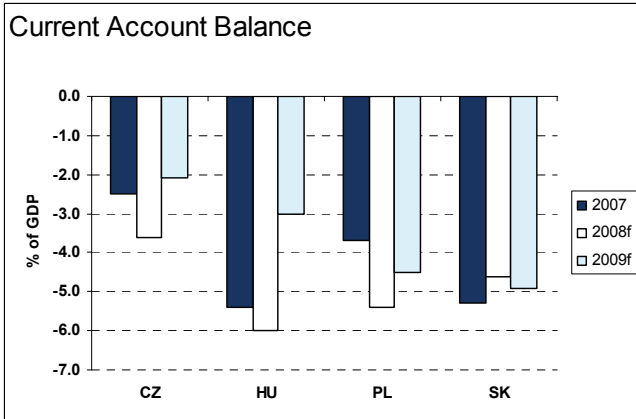
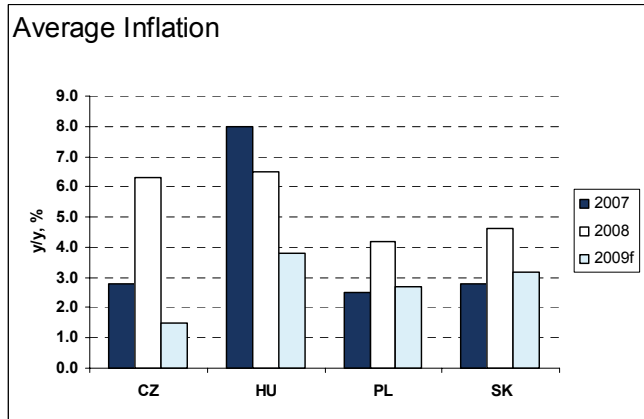
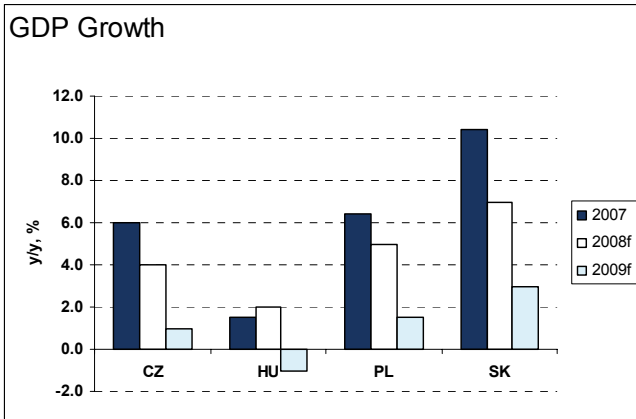
Month in Central Europe

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
5 January	6 January <i>HU</i> PPI (%) : 0.1/7.1	7 January <i>HU</i> Unemployment rate (%) : -7.8	8 January <i>CZ</i> Trade balance (CZK B) : -0.5 <i>HU</i> Industrial output (%) : -2.1/-10.1 Budget balance (HUF B) : -907 <i>SK</i> Retail sales (%)	9 January <i>CZ</i> Unemployment rate (%) : 5.8/- CPI (%) : -0.3/3.6 <i>HU</i> Trade balance (EUR M) : 100 <i>SK</i> Trade balance (SKK B) Construction output (%) Industrial output (%)
During the week:				
12 January	13 January <i>SK</i> Core CPI (%) CPI (%)	14 January <i>CZ</i> Construction output (%) -5.6 Industrial output (%) : -18.1 <i>PL</i> CPI (%) : -0.1/3.3 Money supply M3 (%) : 2.9/17.7 <i>SK</i> Wages (%)	15 January <i>CZ</i> PPI (%) : -0.5/0.8 Current account (CZK B) : -2.0/- <i>HU</i> CPI (%) : -1.5/-0.2 Industrial output (%) <i>PL</i> Trade balance (EUR M) : -1593 Current account (EUR M) : -1748 <i>SK</i> HICP (%)	16 January <i>SK</i> Unemployment rate (%)
During the week:				
19 January <i>HU</i> NBH meeting (%) : 9.5 <i>PL</i> Budget balance (PLN M) : -/9.7 Wages (%) : -/5.4	20 January <i>CZ</i> Retail sales (%) : 6.3 <i>HU</i> Wages (% , ytd.) : 8.7 <i>PL</i> Industrial output (%) : -/-1.5 PPI (%) : -1.1/1.8	21 January <i>PL</i> Core CPI (%) : -/2.9	22 January	23 January
During the week:				
26 January <i>HU</i> Retail sales (%) : -/3.0	27 January <i>PL</i> NBP meeting (%) : 4.5 <i>SK</i> Current account (SKK B)	28 January <i>PL</i> GDP (%) <i>SK</i> PPI (%)	29 January <i>PL</i> Retail sales (%) : -/1.0 Unemployment rate (%) : -/9.7	30 January <i>CZ</i> Money supply M2 (%) <i>HU</i> PPI (%) : -/9.0 Unemployment rate (%) : 8.1

Figures in italics have been already released.

m/m - monthly change; y/y - yearly change; s.a. - seasonally adjusted; n.s.a. - non-seasonally adjusted; P - preliminary; F - final
EMU, USA, UK, JPY - figures seasonally adjusted, if not stated otherwise; Central Europe - figures seasonally non-adjusted, if not stated otherwise

Central European Outlook in Pictures





Brussels Research (KBC)		Global Sales Force	
Piet Lammens	+32 2 417 59 41		
Peter Wuyts	+32 2 417 32 35	Brussels	
Didier Hanesse	+32 2 417 59 43	Corporate Desk	+32 2 417 45 82
Bob Maes	+32 2 417 51 94	Commercial Desk	+32 2 417 53 23
		Institutional Desk	+32 2 417 46 25
Dublin Research (KBC Bank Ireland)			
Austin Hughes	+353 1 6646892	London	+44 207 256 4848
Prague Research (CSOB)		Frankfurt	+49 69 756 19372
Jan Cermak	+420 2 6135 3578	Paris	+33 153 89 83 15
Petr Dufek	+420 2 6135 3560	New York	+1 212 541 06 97
Jan Bures	+420 2 6135 3574	Singapore	+65 533 34 10
Bratislava Research (CSOB)			
Marek Gabris	+421 2 5966 8400	Prague	+420 2 6135 3535
Silvia Cechovicova	+421 2 5966 8405	Bratislava	+421 2 5966 8436
Warsaw Research (Kredybank)		Budapest	+36 1 328 99 63
Piotr Radzewicz	+48 22 6345 946	Warsaw	+48 22 634 5210
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