



Central European Economic Outlook

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- **Czech Republic** 2

According to the first forecast by the Czech Statistical Office (ČSÚ), GDP grew by 1.2% y/y and 0.2% q/q in the first quarter of this year. Both figures are 0.2% lower than financial markets anticipated, albeit the market was much less optimistic than the Czech National Bank, which predicted GDP growth of 1.8%.

- **Hungary** 3

The 12-month cumulated sum-to-GDP ratio rose to 5.5%, a new record high since 1990. Thus, the export-led recovery might continue. Recall that preliminary growth data revealed 0.9% Q/Q growth rate in the first quarter, significantly better than expected. Growth thus seems to be positive for this year in Hungary and it may be between 0.5%-1.0% for the full-year depending mainly on the above mentioned export sector in the remainder of the year.

- **Poland** 4

We revised downwards Polish growth due to a bigger impact from the severe winter this year. For 2011 the reduction is only marginal and reflects lower growth outlook for the eurozone as whole. Nevertheless we continue to be bullish on the Polish economy mainly due to strong trade connections with healthy core eurozone countries including Germany. Beside that positive domestic demography and preparation for European football Championship should continue to support the economy.

- **Slovakia** 4

The Slovak economy surprisingly up by 4.6% according to flash estimate. The manufacturing sector is growing by more than 20% in the first quarter. Inflation is gradually rising. The labour market stabilizes with unemployment rate steady and seasonal job creation.

- **Central European economies in Pictures** 5

Czech Republic

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	6.8	6.1	2.5	-4.2	1.5	2.5
Private consumption (real)	y/y, %	5.0	4.8	3.6	-0.3	-0.5	1.0
Investment (gross fixed capital formation, real)	y/y, %	6.0	10.8	-1.5	-8.3	-1.0	2.0
GDP (nominal)	CZK bn	3,222.4	3,535.5	3,689.0	3,627.2	3,718.4	3,906.7
GDP (nominal)	EUR bn	113.7	127.3	147.9	137.2	147.0	160.1
Industrial production	y/y, %	8.3	10.6	-1.8	-13.5	4.0	5.0
Construction output	y/y, %	6.0	7.1	0.0	-1.0	-5.0	2.5
Retail sales	y/y, %	10.9	10.0	2.8	-4.4	-1.2	3.0
CPI	y/y, %	1.7	5.4	3.6	1.0	2.2	2.0
Inflation	average, y/y, %	2.5	2.8	6.3	1.0	1.7	2.0
Net (core) inflation	y/y, %	1.2	3.8	-1.0	0.0	1.3	1.6
PPI	y/y, %	2.6	5.3	-0.2	-0.8	1.5	2.1
Trade balance	CZK bn	39.8	87.9	67.2	151.7	157.1	172.9
Current Account (annual basis)	% of GDP	-2.4	-3.2	-0.6	-1.0	-1.1	-1.0
Current Account	EUR bn	-2.7	-4.1	-1.0	-1.5	-1.7	-1.6
FDI net	% of GDP	11.0	2.1	3.6	9.4	0.0	0.0
Foreign exchange reserves	EUR bn	23.9	23.7	26.6	28.9	30.1	32.9
Unemployment rate	e-o-p, %	7.7	6.0	6.0	9.2	9.8	9.6
Real wages	y/y, %	4.0	4.3	1.9	3.0	-0.2	1.0
Central government budget (GFS)	CZK bn	-97.3	-66.4	-19.4	-192.4	-165.0	-130.0
Central government debt (GFS)	CZK bn	802.5	892.3	999.5	1178.2	1,343.2	1,473.2
Money supply (M2)	y/y, %	9.9	13.2	6.6	4.3	4.5	6.0
CZK/EUR	average	28.34	27.76	24.94	26.45	25.30	24.40
CZK/EUR	e-o-p	27.50	26.62	26.93	26.47	24.00	23.00
2w CNB repo rate	e-o-p, %	2.50	3.50	2.25	1.00	0.75	1.50
3m PRIBOR	average, %	2.30	3.09	4.04	2.19	1.25	1.55
3m PRIBOR	e-o-p, %	2.55	4.11	3.63	1.54	1.15	1.85
10y IRS	average, %	3.79	4.23	4.23	3.69	3.42	4.22

Convergence

		2006	2007	2008	2009	2010f	2010f
GDP per capita	euroarea=100	70	73	74	74	75	77
Price level	euroarea=100	60	61	70	68	71	77
HICP	average, %	2.1	3.0	6.3	6.3	1.5	1.8
Public budgets (ESA-95)	% of GDP	-2.6	-0.7	-2.7	-5.9	-5.5	-4.7
Public debt (ESA-95)	% of GDP	29.4	29.0	30.0	35.4	40.0	42.8
Long term interest rate	spread in bps	2	6	65	162	90	90
Currency in ERM-II		no	no	no	no	no	no

Hungary

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	3.9	1.5	2.0	-6.3	0.5 ↑	2.5
Private consumption (real)	y/y, %	3.2	-2.0	0.5	-7.0	-1.0	0.5
Government consumption (real)	y/y, %	-2.8	-5.0	-2.0	-1.0	-0.5	1.0
Investment (gross fixed capital formation, real)	y/y, %	-2.1	0.0	3.0	-5.7	5.0	7.0
GDP (nominal)	HUF bn	23,562	25,585	27,270	25,500	26,200	27,500
GDP (nominal)	EUR bn	89.2	102.8	107.2	91.0	98.9 ↑	106.6
Industrial production	y/y, %	10.1	8.1	6.0	-18.7	7.0 ↑	9.0
Construction output	y/y, %	-0.5	-14.1	-5.0	-4.0	1.0 ↑	3.0
Retail sales	y/y, %	4.4	-3.0	-1.5	-7.5	-3.0 ↑	2.0
CPI	e-o-p, y/y, %	6.5	7.4	5.5	5.7	3.5	3.5
Inflation	average, y/y, %	3.9	8.0	6.5	4.2	4.4	3.5
Net (core) inflation	y/y, %	5	5.3	5.3	4.7	3.5 ↓	3.5
PPI	y/y, %	5.0	5.3	6.0	1.8	2.4 ↓	2.2
Trade balance	HUF bn	-522.4	-145	-150	4421	4000 ↑	2000
Exports (EUR basis)	y/y, %	16.8	17.1	10.0	-17.0	7.0 ↑	10.0
Imports (EUR basis)	y/y, %	14.2	14.0	9.0	-28.0	8.0 ↑	11.0
Current Account (annual basis)	% of GDP	-5.8	-5.4	-6.0	1.6	1.5 ↑	1.4
FDI net	% of GDP	2.0	1.0	2.4	1.1	1.0 ↓	0.9
Basic balance (C/A + net FDI)	% of GDP	-3.9	-2.4	-1.3	2.5	2.5 ↑	2.5
Foreign exchange reserves	EUR bn	16.4	16.5	16.5	30.0	30.0	30.0
Unemployment rate	e-o-p, %	7.5	8.1	8.0	10.5	11.5	11.0
Real wages	y/y, %	3.6	-5.2	1.0	-3.5	1.0 ↑	2.0
General gvt budget (GFS)	HUF bn	-2,034	-1480	-1111	-1020 ↓	-1441 ↑	-1238
General gvt budget (GFS)	% of GDP	-8.7	-5.8	-3.4	-4.0 ↓	-5.5 ↑	-4.5
Central gvt gross debt	HUF bn	14,706	15,576	16,800	17,820 ↑	19,261 ↓	20,499
Money supply (M3)	y/y, %	16	9.0	9.0	4.0	3.5	4.5
HUF/EUR	average	264.1	251.3	250.0	280.2	265.0 ↓	258.0
HUF/EUR	e-o-p	251.5	253.0	255.0	270.0	260.0 ↓	255.0
2w NBH depo rate	e-o-p	8.00	7.50	11.50	6.25	5.00 ↓	5.00
3m BUBOR	average	6.99	7.75	10.00	8.75	5.50 ↓	5.00
3m BUBOR	e-o-p	8.05	7.50	11.50	6.25	5.00 ↓	5.00
10y IRS	average	7.05	6.73	9.00	7.50	6.50 ↓	6.00

Convergence

		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	57	57	56	59	58	58
Price level	euroarea=100	59	66	65	62 ↓	66 ↑	68
HICP	average, %	3.9	8.0	6.5	4.2	3.8	3.5
Public budgets	% of GDP	-9.8	-6.0	-2.9	-4.0 ↓	-5.5 ↑	-4.5
Public debt	% of GDP	67.5	66.0	65.0	80.0	82.0	80.0
Long term interest rate	spread in bps	276	270	500	500	400	350
Currency in ERM-II		no	no	no	no	no	no

Poland

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	6.1	6.4	5.0	1.7	2.8 ↓	3.6 ↓
Inflation	average, y/y, %	1.0	2.5	4.2	3.6	2.4 ↓	2.6 ↓
Unemployment rate	e-o-p, %	14.9	11.3	9.5	11.9	12.5	12.0
PLN/EUR	average	3.90	3.78	3.48	4.10	3.70	3.60
PLN/EUR	e-o-p	3.83	3.60	3.90	4.30	3.60 ↑	3.30 ↓
NBP intervention rate	e-o-p, %	4.00	5.00	5.25	3.50	3.75	4.50
3m WIBOR	average, %	4.21	4.73	6.17	4.20	4.00 ↓	4.30 ↓
10y IRS	average, %	5.12	5.47	5.75	6.10	5.60 ↑	5.40 ↓

Convergence

		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	47	49	52	55	57 ↑	58 ↑
Price level	euroarea=100	61	61	66	59	66 ↑	68 ↓
Public budgets (ESA-95)	% of GDP	-3.8	-2.0	-2.7	-5.0	-7.0 ↓	-6.5 ↓
Public debt (ESA-95)	% of GDP	47.8	49.0	46.0	50.0	55.6 ↑	60.2 ↑
Long term interest rate	spread in bps	144	116	270	262.00	260 ↑	230 ↑
Currency in ERM-II		no	no	no	no	no	yes

Slovakia

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	8.5	10.4	6.4	-4.7	3.0 ↑	3.5
Private household consumption (real)	y/y, %	5.9	7.1	6.1	-0.5	1.0	1.9
Investment (gross fixed capital formation, real)	y/y, %	9.3	8.7	6.8	-8.0	3.0 ↑	4.0 ↑
GDP (nominal)	SKK bn	1,659.4	1,852.8	2,028.4	1,950.0	2,043.5 ↑	2,154.0
GDP (nominal)	EUR bn	44.5	54.8	64.8	64.7	67.5 ↑	71.5
Industrial production	y/y, %	15.1	16.9	2.5	-14.6	6.5 ↑	5.0
Construction output	y/y, %	16	5.4	11.2	-11.1	1.0 ↓	6.0
Retail sales	y/y, %	8.8	5.5	9.1	-10.3	3.5	5.0
CPI	y/y, %	4.2	3.4	4.4	0.5	2.4	3.0
Inflation	average, y/y, %	4.5	2.8	4.6	1.6	2.4	3.5
Core inflation	y/y, %	2.7	4.2	3.3	-0.2	1.5	2.5
PPI	y/y, %	5.4	2.8	6.6	-4.9	2.0	2.6
Trade balance	EUR bn	-2.6	-0.7	-0.8	1.3	-0.5 ↑	-1.0
Current Account (annual basis)	% of GDP	-7.0	-5.3	-4.6	-0.8	-2.5 ↑	-5.8
Current Account	USD bn	-3.9	-4.0	-5.3	-0.7	-3.0 ↑	-3.0
FDI net	USD bn	2.1	1.1	1.3	0.2	1.1	0.8
FDI net	% of GDP	4.7	2.0	2.0	0.3	1.6 ↓	1.1
Unemployment rate	e-o-p, %	9.4	8.0	8.4	12.7	13.5	13.5
Real wages	y/y, %	3.3	4.3	3.3	1.1	0.5	1.3
Central government budget	EUR bn	-1.1	-0.8	-0.7	-2.8	-3.9 ↓	-3.1
Central government debt	EUR bn	16.8	18.1	19.7	24.3	27.7	31.4
Money supply (M3)	y/y, %	15.3	13.0	5.0	-2.8	3.0	7.0
10y IRS	average, %	4.44	4.51	4.52	n/a	n/a	n/a

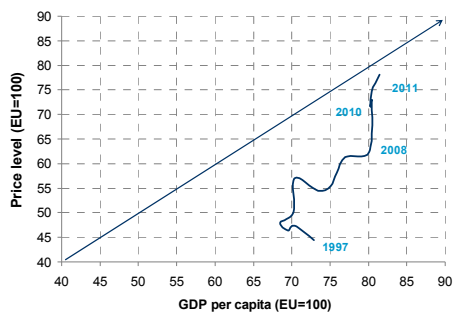
Convergence

		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	57	62	66	66	68 ↓	70
Price level	euroarea=100	57	62	67	69	70 ↓	71 ↓
HICP	average, %	4.3	1.9	4.0	0.9	2.0	2.0
Public budgets (ESA-95)	% of GDP	-3.5	-1.9	-2.2	-6.8	-6.5 ↓	-6.0
Public debt (ESA-95)	% of GDP	30.4	29.4	27.6	30.7	40.0	40.0
Long term interest rate	spread in bps	57	17	120	120	80 ↓	100
Currency in ERM-II		yes	yes	yes	EUR	EUR	EUR

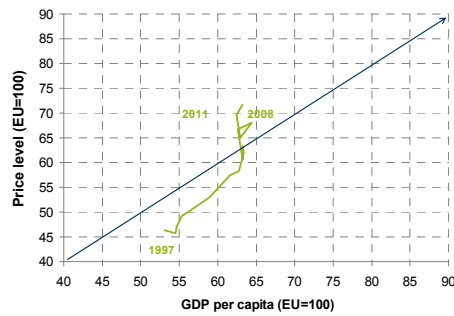


Central European Economies in Pictures

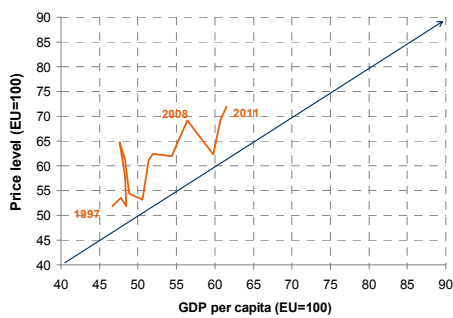
CZ: Convergence



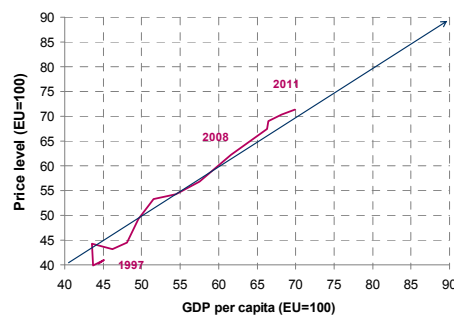
HU: Convergence



PL: Convergence



SK: Convergence





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