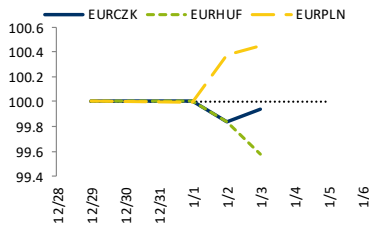


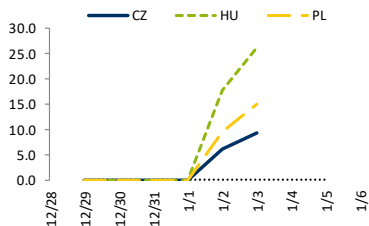
Wednesday, 03 January 2024

**Forex markets (index)**



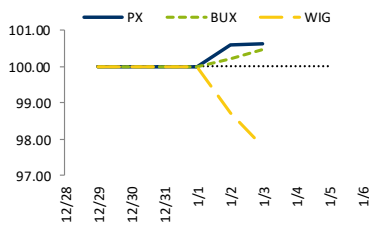
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.68	24.65	0.10
EURHUF	380.8	381.8	-0.25
EURPLN	4.365	4.362	0.07

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.844	3.814	3.0
HUGB 10Y	6.13	6.05	1.4
PLGB 10Y	5.34	5.29	1.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1422.9	1422.3	0.04
BUX	60889	60745	0.24
WIG	76741	77451	-0.92

## Our regional insights:

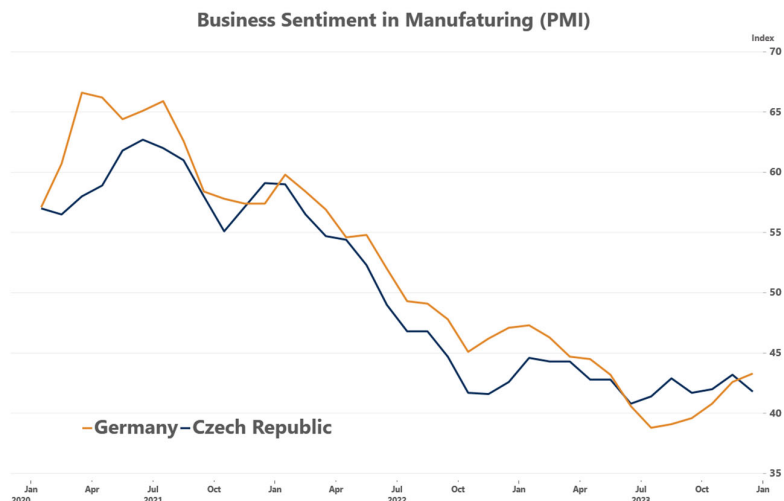
### Weak Czech PMIs signal a technical recession

Business confidence in the Czech manufacturing sector deteriorated again at the end of last year. The PMI index fell from 43.1 to 41.8 in December, remaining deep in the territory indicating a decline in industrial activity (<50) throughout 2023. **The main reason for the continued downturn remains weak demand, leading to a decline in production and especially new orders.**

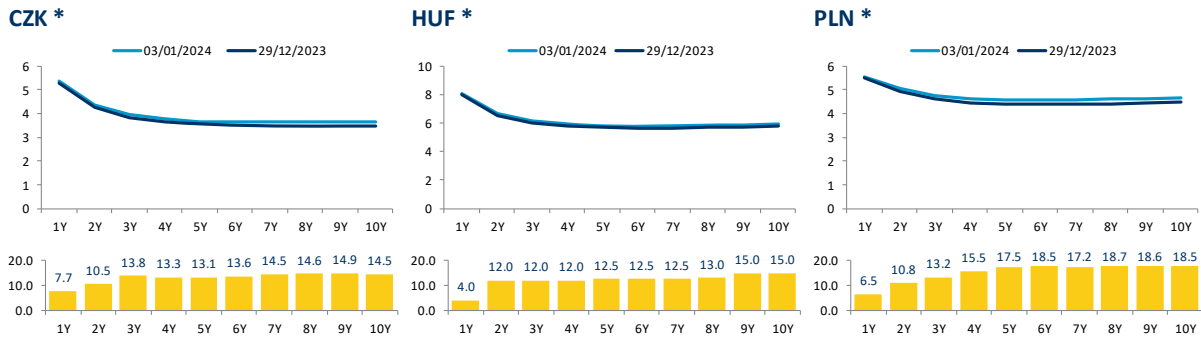
Recall that the rate of decline in new orders in December was the fastest in three months and one of the steepest in more than three and a half years. Weak demand is reflected in lower orders not only domestically, but to an even greater extent in the Czech Republic's key export markets, especially Germany. Production fell at the fastest pace since the middle of last year, which we believe will be reflected in weaker hard data on industrial production in November and December. Lower business demand translated into a sharper decline in employment, with the pace of contraction one of the fastest in more than 36 months.

The deterioration in industrial sentiment has confirmed that **the Czech economy was flirting with a (technical) recession in 2023Q4.** After a quarter-on-quarter contraction of 0.5% in 2023Q3, another red zero is on the table, which would imply an annualised contraction of the economy of 0.5%.

Given lower inflation and a return to real wage growth, we expect a mild economic recovery driven by consumer demand in 2024. We estimate relatively modest growth of 1.4% next year, with consumption growth likely to be rather gradual and external demand remaining a big question mark. Moreover, **the government's consolidation package, which came into force on January 1st, will keep a lid on Czech economic expansion in 2024.**



## Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday). Source for all market data: Bloomberg

## Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	01/04	8:30	Trade balance	EUR M 11/2023 *P								1003
CZ	01/04	14:00	Budget balance	CZK B 12/01/2023								-269.1
HU	01/05	8:30	PPI	% 11/01/2023								-0.6 -6.6
HU	01/05	8:30	Unemployment rate	% 11/01/2023								4.1
CZ	01/05	9:00	GDP	% 3Q/2023 *F					-0.5	-0.7		-0.5 -0.7
PL	01/05	10:00	CPI	% 12/2023 *P					0.3	6.4		0.7 6.6

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