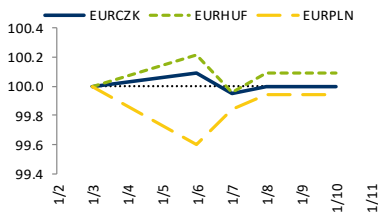


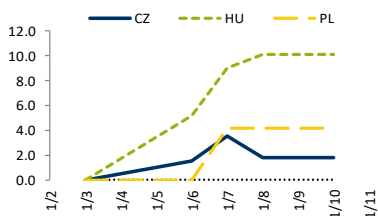
Friday, 10 January 2025

Forex markets (index)



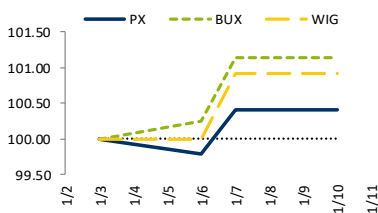
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.14	25.14	0.00
EURHUF	415.9	415.9	0.00
EURPLN	4.268	4.268	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.157	4.157	0.0
HUGB 10Y	6.76	6.76	0.0
PLGB 10Y	5.97	5.97	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1786.4	1786.4	0.00
BUX	80677	80677	0.00
WIG	82190	82190	0.00

Regional insights

Another disappointing figure from the Czech industry

Czech industrial production fell by 2.7% year-on-year in November - finishing close to our estimate (-2.5%) and slightly below market expectations (-1%). Both - the detail structure and new orders statistics - do not offer much optimism. The persistent weak industrial performance is one of the risks to our bets on an acceleration in economic growth in late 2024/early 2025 (from 0.5% QoQ to 0.6% QoQ).

Unfortunately, most of key industries are declining, including automotive, machinery (longer-term cyclical downturn) and most downstream manufacturing (plastics processing). While energy-intensive manufacturing, including metals processors, continues to decline, we are not seeing a trend up from relatively low levels of output.

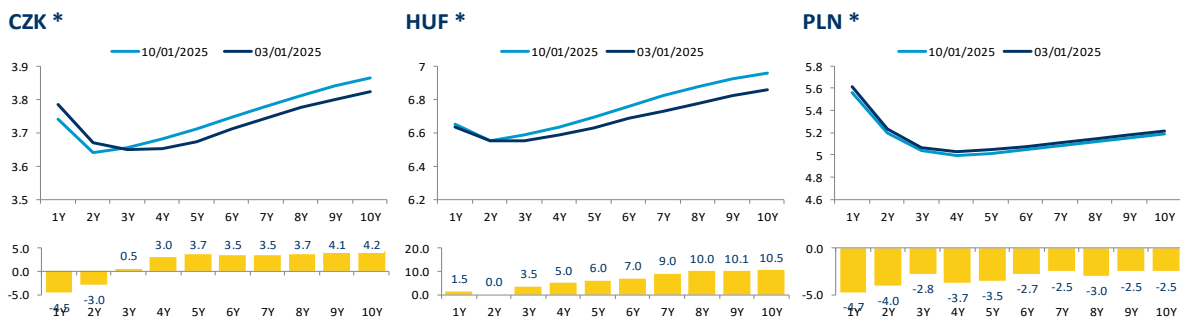
And new orders do not look good either - especially foreign orders are visibly lagging behind, as confirmed by the weak business sentiment indices abroad (IFO and PMI in the euro area). Among industries, only electrical equipment manufacturers stand out positively, reporting stable production and rising new orders in recent months.

We continue to believe that in an environment of lower European interest rates, foreign investment demand will stabilise over time and that domestic demand in the Czech Republic may also be supported by a faster inflow of money from European funds. This should eventually be reflected in the stabilisation of the most cyclical sectors, led by engineering. However, the risks are clearly skewed to the downside. The uncertainty associated with the restart of trade wars may hamper the investment cycle in Europe and the deepening export "deflation" from China (Chinese export prices are falling by more than 5%) will also have a negative impact.

Hungary's industrial production fails to find a bottom

The preliminary data show that Hungary's industrial production in November was 1.6% below October's level. The sector's performance has fallen in seven of the last nine months, with the latest data also correcting the growth seen in October, meaning that the downward trend of more than two years has not been broken. The main reason for the industry's weakness is the weak European economy. This is particularly true for the automotive industry, which is important for the Hungarian economy. But it is not only the car and battery industry that is suffering: in November 2024, output in most of the 13 manufacturing sub-sectors was below the level of a year earlier, with only three sub-sectors recording output growth. Output in the first 11 months of 2024 was 3.9% lower than in the same period in 2023. The outlook will be boosted by new large production capacity, like BYD or BMW. However, the good October figure means that industry is likely to have a better last quarter than the previous one. Therefore, the sector should still help to climb out of recession, as it could make a very slight positive contribution to the quarterly GDP growth figure.

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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	01/13	9:00	Retail sales ex autos	%	11/2024		3.3						5.5
CZ	01/13	9:00	CPI	%	12/2024	0	3.2					0.1	2.8
CZ	01/13	10:00	Current account	CZK B	11/2024							12.99	
PL	01/13	14:00	Current account	EUR M	11/2024							1064	
PL	01/13	14:00	Trade balance	EUR M	11/2024							-740	
HU	01/14	8:30	CPI	%	12/2024							0.5	3.7
PL	01/15	10:00	CPI	%	12/2024 *F							0.2	4.8
HU	01/15	14:00	Minutes of the monetary policy meeting	NBH	12/2024								
PL	01/15	15:00	Budget balance	PLN M	12/2024							-141835	
PL	01/16	14:00	Core CPI	%	12/2024							0.2	4.3
PL	01/16	15:00	Policy rate	NBP	01/2025							5.75	
CZ	01/17	9:00	PPI	%	12/2024							0.4	1.7
PL	01/17	15:00	NBP President Press Conference	NBP	01/2025								

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Jan Bureš	+420 2 6135 3574				
Bratislava Research (CSOB)			Bratislava		
Marek Gabris	+421 2 5966 8809				+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

DISCOVER MORE ECONOMIC INSIGHTS AT WWW.KBCECONOMICS.COM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

