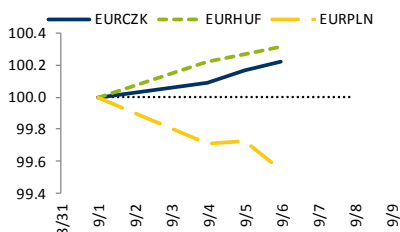




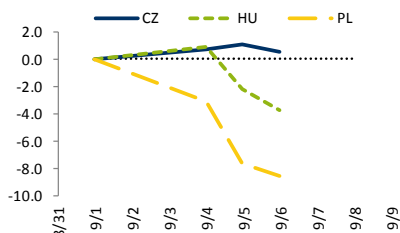
Wednesday, 06 September 2017

Forex markets (index)



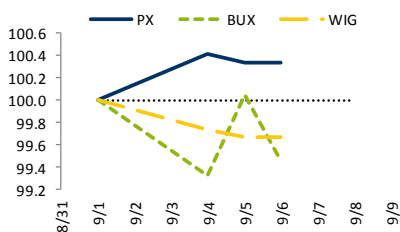
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.11	26.10	0.06
EURHUF	306.4	306.3	0.05
EURPLN	4.234	4.242	-0.18

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.988	0.994	-0.6
HUGB 10Y	2.93	2.94	-0.5
PLGB 10Y	3.21	3.22	-0.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1025.4	1025.4	0.00
BUX	37516	37736	-0.58
WIG	64995	64995	0.00

Our regional insights:

Another CNB's rate hike in early November?

Tightening on the Czech labour market is pushing wages quickly upwards and Czech employees have finally the opportunity to feel even more what economic growth means to their wallets. **In the second quarter, the average wage in the Czech Republic increased by 7.6% to CZK 29,346. In real terms, this is an increase of 5.3%. The last time that Czech wages grew so rapidly was in 2007.** The faster wage growth is mainly due to the strong economic growth that is generating vacancies at an almost record rate. Obviously, there is a growing disparity between available staff and the supply of jobs on the labour market, so companies are forced to more and more curry favour with employees or wrestle for them. Even the higher minimum wage, which grew by about 11% this year, cannot be ignored. In addition, the public sector was not left out, with almost a 9% year-on-year increase in public administration.

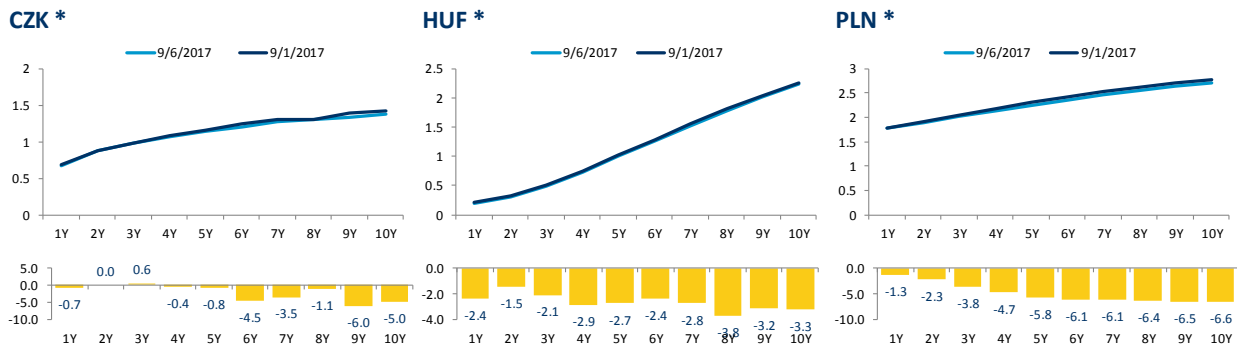
Wages in the Czech economy have set the pace, which will probably remain for the rest of this year. So far, there is no indication that labour market pressures will ease, so companies will have to "fight" more and more for employees. For employees this means further growth in the standard of living and opportunities for higher consumption. Moreover, higher demand will come with higher inflation - especially in housing-related services.

For the CNB, the latest data on wages is another sign of the Czech economy having taken up an almost unbelievable growth pace and that the room for more tightening has been fully opened. On the other hand it seems that new Bank Board members rely more heavily on the staff projection output, so the central bank will wait with another rate hike until November 2nd (when a new projection is going to be released). This (also our) view was confirmed by yesterday's comment made by CNB's governor Rusnok.

Stronger demand will make NBP more neutral

It is widely expected that the NBP's monetary policy will not change at today's meeting as inflation is still clearly below the inflation target (2.5%) and even slightly below the level expected by the central bank in its third quarter forecast. On the other hand, the NBP's macro assessment could be slightly more positive, especially with regard to the latest Polish GDP data. Detailed statistics for the second quarter showed a very rapid growth in domestic demand. If we add to this the rapid growth of (real) wages, the MPC may think that the NBP view summarized in the August statement on the monetary policy decision has been too dovish and will make its tone more neutral.

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).

Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	9:00	Construction output	% 07/01/2017					1.8			8.5
CZ	9:00	Industrial output	% 07/01/2017		3.7		3.3		6.7		2.2
CZ	9:00	Trade balance (national)	CZK B 07/2017	6		-2.1		-0.6			18.8
HU	9:00	Industrial output	% 07/01/2017			-4.2	0.2	0.5	7	-1.2	6.5
PL	14:00	NBP meeting	% 09/01/2017	1.5				1.5			1.5
CZ	10:00	FX reserves of the CNB	EUR B 08/01/2017								124.3
CZ	9:00	Unemployment rate 15-64	% 08/01/2017	4				4			4.1
HU	9:00	Trade balance	EUR M 07/2017 *P								998
HU	9:00	CPI	% 08/01/2017		2.5			0	2.6	0	2.1

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