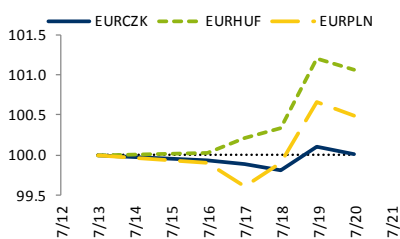
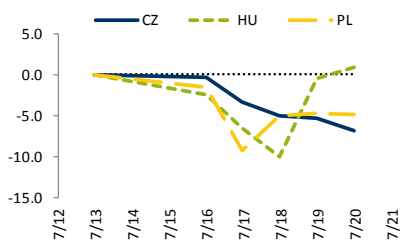




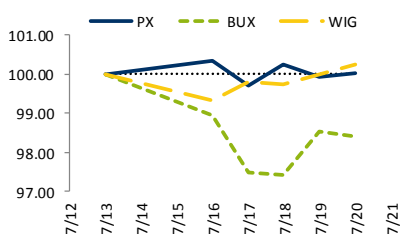
Friday, 20 July 2018

Forex markets (index)

	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.91	25.93	-0.09
EURHUF	326.4	326.9	-0.14
EURPLN	4.334	4.342	-0.17

Gov. bonds 10 Y (bps change)

	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.055	2.070	-1.5
HUGB 10Y	3.37	3.35	0.4
PLGB 10Y	3.12	3.12	0.0

Equity indices (index)

	LAST	PREVIOUS	CHANGE (%)
PX	1084.8	1083.9	0.08
BUX	35078	35118	-0.11
WIG	56726	56586	0.25

Regional insights**The OECD praises the Czech economy, but warns about the risks**

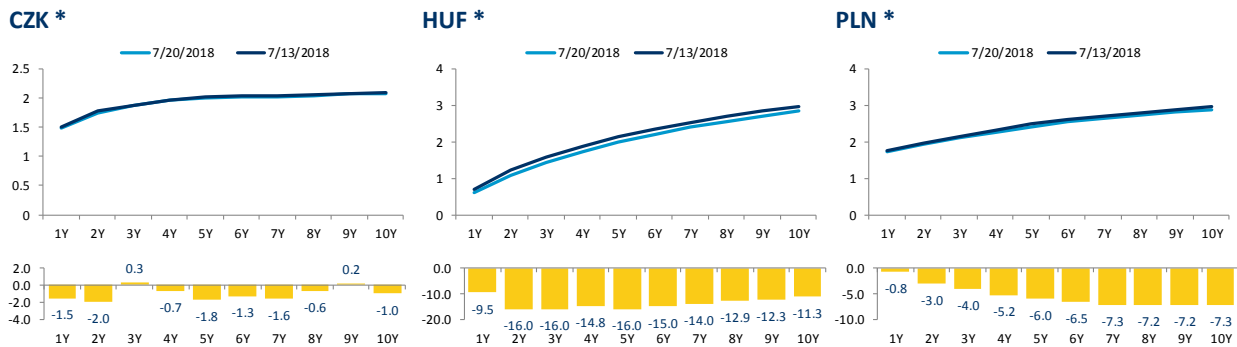
Several days after the European Commission downgraded the Czech economy's growth estimate for this year to 3%, the Organization for Economic Co-operation and Development (OECD) also presented their outlook. It predicts a slowdown in the Czech economic growth as well, but a more modest one, i.e. from 4.6% last year to 3.8% this year. In addition, the Paris-based organization presented a comprehensive analysis of the Czech economy, which contains both words of praise and warnings.

First on a positive note. Overall, the OECD evaluates the economic situation in the Czech Republic very favourably. Economic growth is balanced and based on solid foundations; the unemployment rate is among the lowest among the group of developed economies. The fiscal policy is also positively assessed not only with regard to low public debt, but also with the overall improvement of the fiscal framework (e.g. the implementation of the National Budgetary Council). Finally, the OECD welcomes the monetary tightening by the CNB, to which it recommends not to ease up normalizing interest rates and, if inflationary pressures persist, to be ready to raise rates even more rapidly.

According to the OECD, the Czech economy is already showing signs of overheating. The main obstacle to higher growth rates is the shortage of labour, which is getting more acute every month according to the labour market statistics. However, the Paris-based organisation also looks at the risks associated with rising property prices and in the long term, with the aging of the Czech population, which could jeopardize fiscal stability.

These remarks are, however, nothing new. The figures for the first quarter suggest that the domestic economy is indeed slowing down, which will be even more visible in the coming quarters along with the depletion of the last remaining free capacities. Still, the expected growth of slightly above 3% this year can be considered solid without a need for major concerns. After a dynamic growth, the economy is only cyclically slowing down towards long-term sustainable growth levels.

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
HU	9:00	Wages	% ytd. 05/01/2018					11.2		12.6	
PL	10:00	Retail sales	% 06/01/2018					1.5	7.9	2.7	7.6
CZ	17:00	Review rating - S&P	AA- 2nd revision								

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
Dublin Research		France	+32 2 417 32 65
Austin Hughes	+353 1 664 6889	London	+44 207 256 4848
Shawn Britton	+353 1 664 6892	Singapore	+65 533 34 10
Prague Research (CSOB)		Prague	+420 2 6135 3535
Jan Cermak	+420 2 6135 3578	Prague (Equities)	+420 2 2142 4216
Petr Dufek	+420 2 6135 3560		
Bratislava Research (CSOB)		Bratislava	+421 2 5966 8820
Marek Gabris	+421 2 5966 8809		
Budapest Research		Budapest	+36 1 328 99 85
David Nemeth	+36 1 328 9989		

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

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 data of the report and are subject to change without notice.

