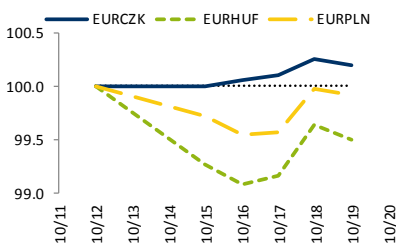




Central Europe
Friday

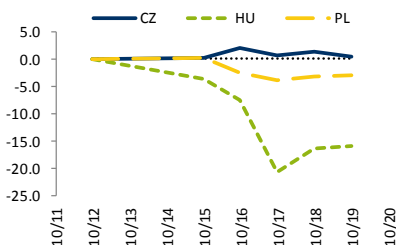
Friday, 19 October 2018

Forex markets (index)



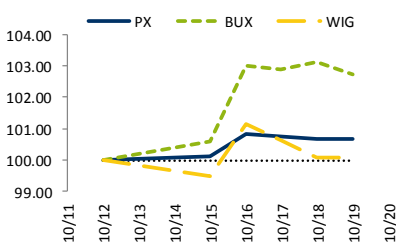
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.86	25.88	-0.06
EURHUF	323.2	323.6	-0.14
EURPLN	4.301	4.304	-0.06

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.123	2.132	-0.9
HUGB 10Y	3.76	3.76	0.1
PLGB 10Y	3.20	3.20	0.1

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1087.1	1087.1	0.00
BUX	37346	37485	-0.37
WIG	56561	56561	0.00

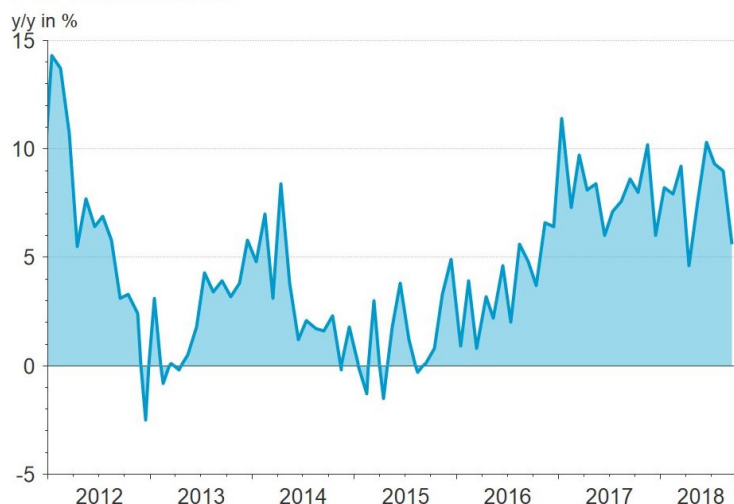
Regional insights

Weak Polish retail sales in September point to a start of tougher fuel emission standards

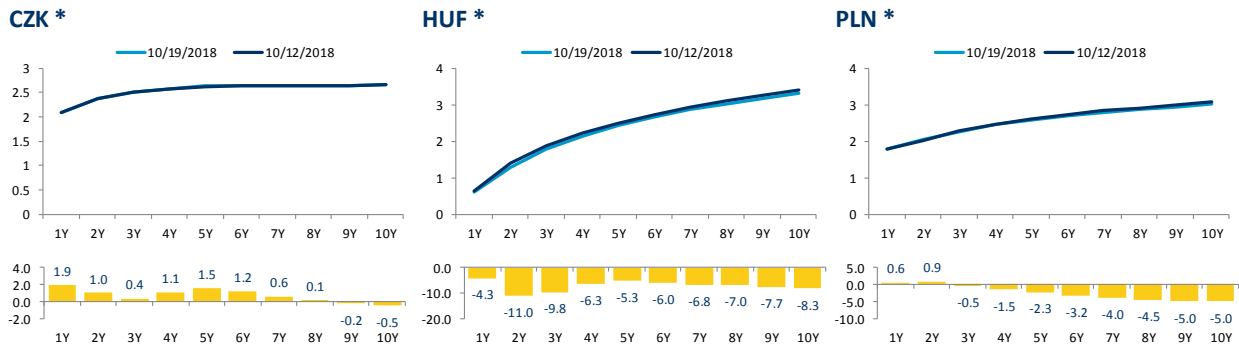
The latest series of Polish macroeconomic data brought a bit mixed impression of economic performance from the third quarter. While wage growth has continued to be strong, the latest retail sales disappointed as the real year-on-year growth slowed to 3.6%, which was the weakest figure in two years. We, however, do not draw huge conclusions from one weak monthly figure as it was probably negatively affected by poor car sales, which had to cope with the launch of tougher fuel emission standards. All-in-all, given the still solid performance by other sectors (booming construction and reasonable performance of industry) we expect GDP growth above the 4% (in year-on-year terms) in the third quarter. Of course, this is a considerably faster growth rate than that of the eurozone, which implies that the Polish economy is still living a very successful real convergence story.

No wonder, that even the rating agencies have noticed the very healthy-looking Polish economy eventually when they scored the country at the end of last week. So, **S&P decided to increase Poland's sovereign rating from BBB+ to A-**, and justified this action, inter alia, with the rapidly accelerating growth that leads to declining relative debt ratios. Moreover, S&P emphasised that a further rating upgrade could be considered if the Polish wages continue to grow rapidly while avoiding deterioration of the (external) Polish balance. This is exactly the scenario we are slightly worried about and, therefore, we do not bet on another quick upgrade of the Polish sovereign rating in the mid-term horizon.

PL: Retail sales



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	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	10/19	9:00	Wages	% ytd. 08/01/2018			10.1		12.3		12.8	
PL	10/19	10:00	Retail sales	% 09/01/2018			-3.4	5.6	-1.3	8.1	0.9	9

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