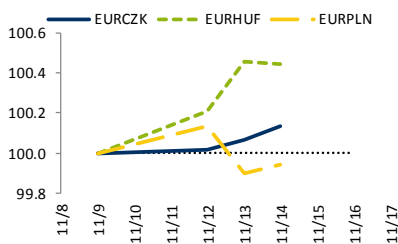




**Central
Europe**
Wednesday

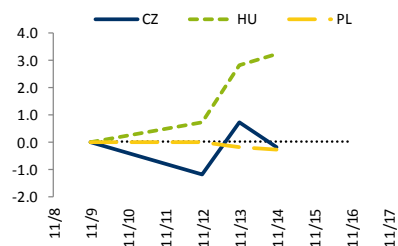
Wednesday, 14 November 2018

Forex markets (index)



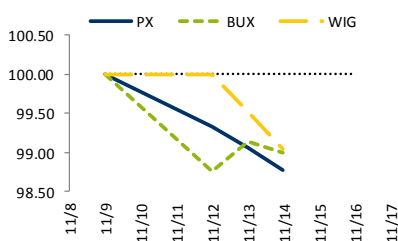
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.98	25.96	0.07
EURHUF	322.9	322.9	-0.01
EURPLN	4.292	4.290	0.04

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	2.063	2.072	-0.9
HUGB 10Y	3.70	3.69	0.1
PLGB 10Y	3.21	3.21	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1075.7	1078.8	-0.29
BUX	38200	38253	-0.14
WIG	56384	56652	-0.47

Our regional insights:

While Polish and Hungarian growth accelerated strongly, the Czech economy has already slowed

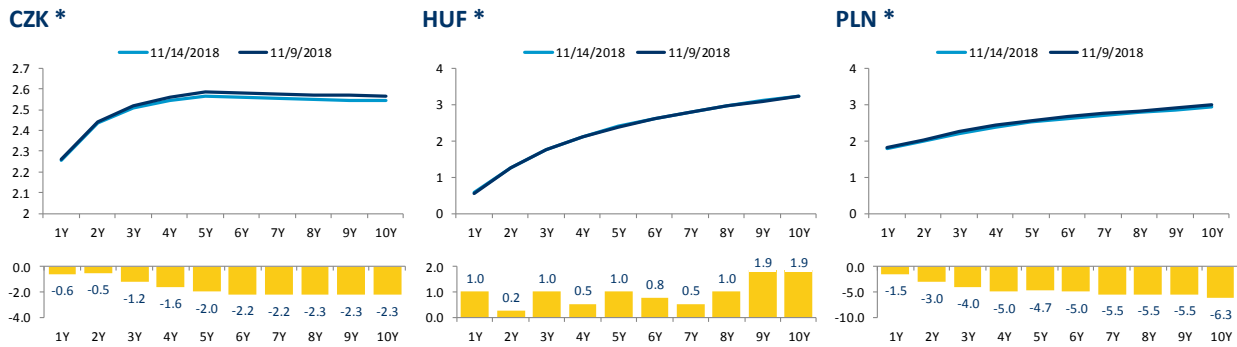
Regional economies reported ongoing sound economic growth in 2018Q3, set above the 1.7 % y/y measured in the euro area. Real growth dynamics, though, varies among countries. While the Czech economy rapidly reduced its GDP growth rate to less than a half during the last 12 months and we may witness strong growth rates in Hungary and Poland. Recall that the largest Central European economy, Poland, grew at a rate even higher than that in Hungary or in Slovakia (5.7 % y-o-y in 2018Q3). The main reason for the widening growth rate gap between the Czech Republic and Hungary or Poland are largely exhausted production capacities in the former economy and still expensive demand policies in case of the latter.

Regarding economic growth perspectives in the above mentioned countries, we expect approaching of their real growth rates in coming quarters as common strong economic interconnections with the euro area will beat country specifics. While the Czech economy should stabilize its growth rate at levels close to 2.5 % y/y, the Slovak and Hungarian economy may decelerate with their real GDP growth dropping down close to 3 % y/y.

The Czech government might face a confidence vote

While the Czech koruna remains under pressure not only because of the slowing economy, but new political jitters might play some role too. Yesterday, the Czech opposition parties have called a special session of Parliament for taking a no-confidence vote in the government of Andrej Babiš. The parties said in a joint statement that it is unacceptable that PM Babiš is suspected of obstruction of justice in the Stork's Nest case, and they called on him to resign until the investigation is complete. Seznam –the internet broadcaster- had run a hidden-video report in which Babiš's son Andrej Babiš Jr. said in Switzerland that his father wanted him to disappear from the CR because of the Stork's Nest investigation. The outcome of the confidence vote will depend on a stance of the junior government party – Social Democrats. Some of party's members already called for the Slovak model, where the vulnerable PM left its post, while the coalition survived.

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
CZ	11/14	9:00	GDP	% 3Q/2018 *A	0.6	2.5	0.4	2.3	0.6	2.6	0.7	2.4
HU	11/14	9:00	GDP	% 3Q/2018 *P		4.2	1.2	4.8	0.7	4.4	1	4.8
PL	11/14	10:00	CPI	% 10/2018 *F			0.4	1.8			0.4	1.7
PL	11/14	10:00	GDP	% 3Q/2018 *P		4.7	1.7	5.1	0.9	4.6	1	5.1
PL	11/15	14:00	Core CPI	% 10/01/2018					0.3	0.9	0	0.8
CZ	11/16	9:00	PPI	% 10/01/2018					0.2	3.4	0.3	3.2
CZ	11/16	17:00	Review rating - Fitch	3. revize								

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