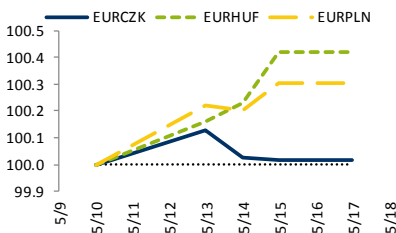




Central Europe
Friday

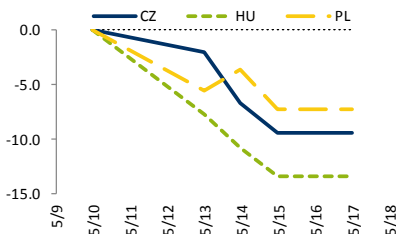
Friday, 17 May 2019

Forex markets (index)



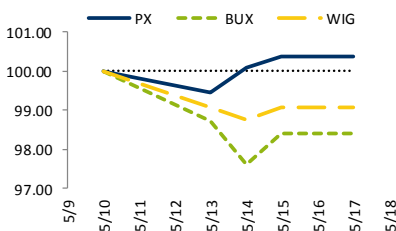
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.75	25.75	0.00
EURHUF	325.0	325.0	0.00
EURPLN	4.312	4.312	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.859	1.859	0.0
HUGB 10Y	3.14	3.14	0.0
PLGB 10Y	2.82	2.82	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1053.3	1053.3	0.00
BUX	40407	40407	0.00
WIG	56374	56374	0.00

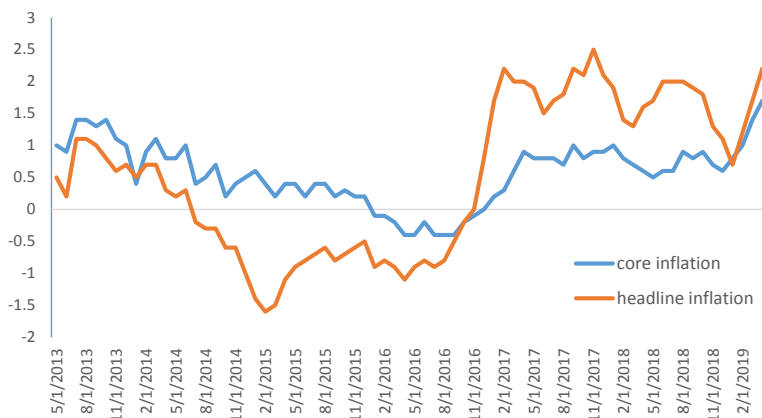
Regional insights

The Polish economy becomes hotter, but the NBP will not change its policy soon

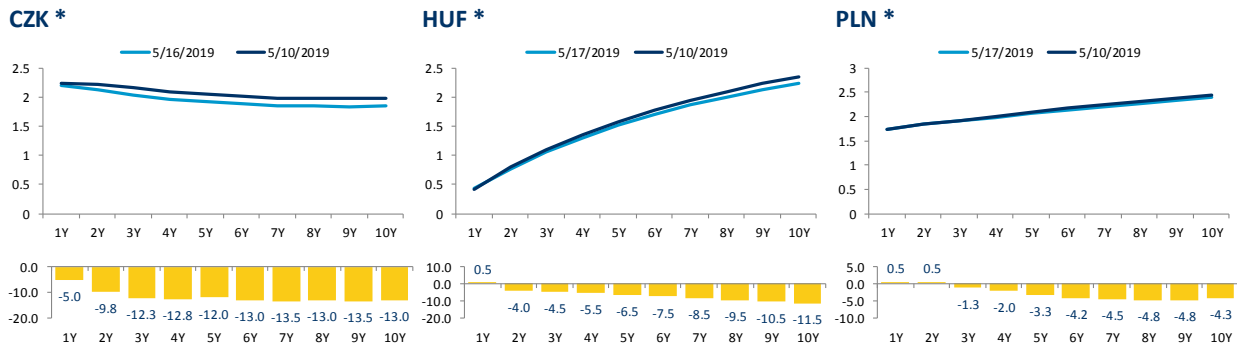
The National Bank of Poland (NBP) intends to ignore the increasing core inflation and very fast-growing economy as it is not going to change its monetary policy for a long time. This was the message presented at the press conference following the Wednesday meeting of the Monetary Policy Committee, where NBP Governor Glapinsky reiterated his view that the official interest rates would not change until the end of the Committee's mandate. Effectively, this would mean that the main interest rate shall remain at a record low (1.50%) until 2022. Experience from the recent years indicates that such an NBP interest rate hike is not out of the question; however, in our opinion, Poland's monetary policy could tighten sooner - probably as early as 2020.

In our view, the experience of other Central European economies is instructive in this regard. During this business cycle, the CNB and the NBH in the Czech Republic and Hungary, respectively, did not seem to be forced to tighten their policy for a long time; it rather looked like the monetary policy cycle would never even start. Nonetheless, the really tight labour market and rapid growth in nominal wages eventually pushed core inflation up above the inflation target in both the Czech Republic and Hungary, so the CNB as well as the NBH had to tighten monetary conditions by increasing the official interest rates (as the FX exchange rate stagnated). Even now, the Polish economic parameters are quite similar to those of the Czech or Hungarian ones in many regards, the only difference being that headline inflation is artificially kept lower by electricity price freeze. Another difference, which might actually encourage the NBP to tighten its policy after the election, is the upcoming fiscal expansion, which will heat the Polish labour market up even more.

PL: Inflation (yoy in %)



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

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
Dieter Lapeire	+32 2 417 25 47		France		+32 2 417 32 65
Dublin Research			London		+44 207 256 4848
Austin Hughes	+353 1 664 6889		Singapore		+65 533 34 10
Shawn Britton	+353 1 664 6892				
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560				
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

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.

