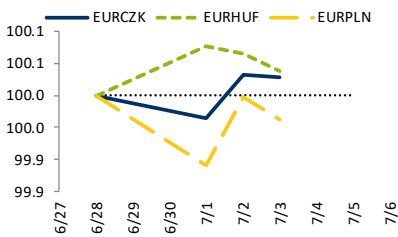




Central Europe
Wednesday

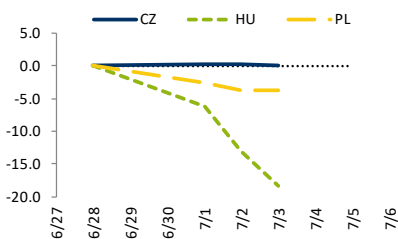
Wednesday, 03 July 2019

Forex markets (index)



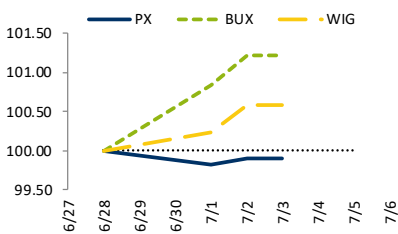
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.45	25.45	0.00
EURHUF	323.0	323.1	-0.03
EURPLN	4.243	4.244	-0.04

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.471	1.472	-0.1
HUGB 10Y	2.43	2.48	-2.2
PLGB 10Y	2.35	2.35	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1040.7	1040.7	0.00
BUX	40767	40767	0.00
WIG	60538	60538	0.00

Our regional insights:

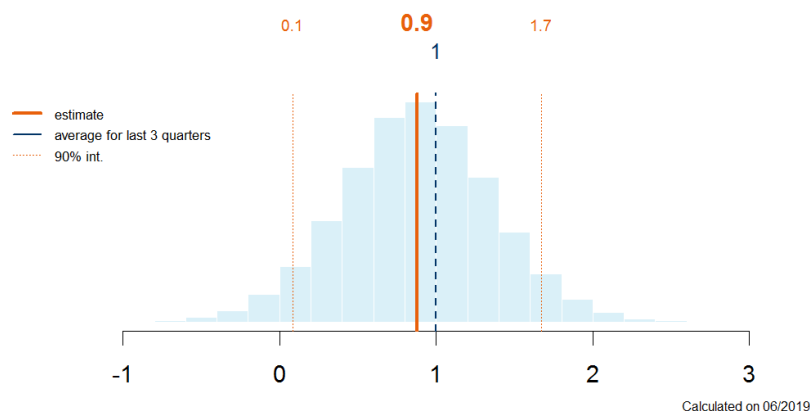
NBP to upgrade GDP and inflation forecasts for 2019

Although today's meeting of the Polish central bank will bring nothing revolutionary, this time it may be a little more interesting than in previous cases. Poland's inflation has been gradually accelerating and in June it even reached the NBP target again (2.5%). One part of the inflation acceleration is caused by the rise in prices of some food products; however, the NBP's monetary policy committee may be more interested in the fact that even the core component of inflation has been gradually increasing. Therefore, the inflation has been rising slightly faster than expected by the NBP forecast, which will have to be revised upwards.

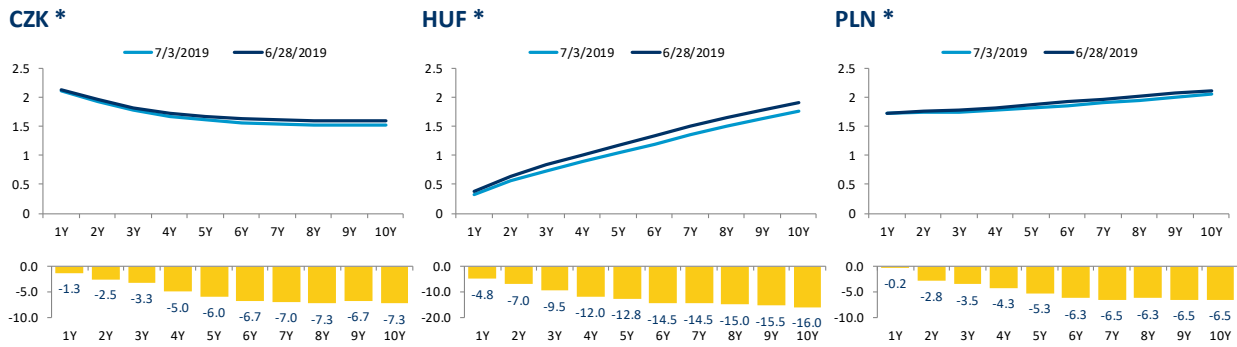
The NBP will also have to revise upwards its estimate of this year's GDP growth. Although the euro area is slowing down, it is not noticeable in the Polish economic performance this year, and after the excellent 1Q GDP (1.5% qoq), economic growth is likely to be very good in the second quarter as well. Our nowcast indicates that Polish GDP could grow by 1% qoq in the second quarter (see the chart below). In this context, the Polish central bank's estimated GDP growth of 4% this year appears very low.

Bottom line: the new NBP forecast could bring a significantly more pro-inflation picture of the Polish economy than the previous one. The NBP president, Glapinsky, will try to compensate for this impression by dovish rhetoric, but the zloty might ignore it and consider the bullish fundamentals of the Polish economy more as a message that NBP interest rates are not changing before 2022.

Nowcast of the Polish GDP for 2019Q2 (q-o-q change 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
PL	07/03	14:00	NBP meeting	% 07/01/2019	1.5				1.5		1.5	
HU	07/04	9:00	Retail sales	% 05/01/2019					5.9		7.1	
HU	07/05	9:00	Industrial output	% 05/01/2019					5.0	-1	6	

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