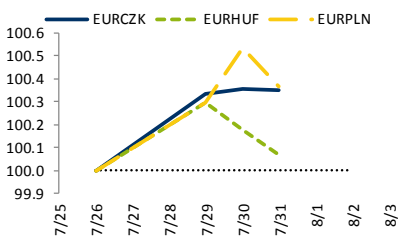




**Central Europe**  
Wednesday

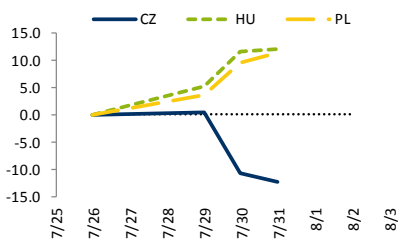
Wednesday, 31 July 2019

**Forex markets (index)**



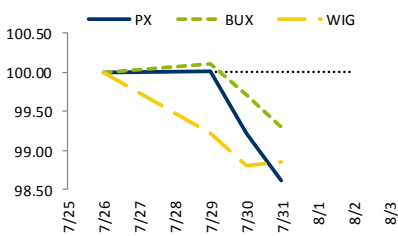
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.66	25.66	0.00
EURHUF	327.1	327.5	-0.10
EURPLN	4.291	4.298	-0.17

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.178	1.193	-1.5
HUGB 10Y	2.30	2.30	0.2
PLGB 10Y	2.21	2.19	0.9

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1055.8	1062.2	-0.61
BUX	40679	40844	-0.40
WIG	59456	59430	0.04

**Our regional insights:**

**Higher food prices drive Polish inflation to almost 3%**

The Polish headline inflation extends its gains in July as more expensive food brought the overall index higher. So, the July inflation reached 2.9% yoy, while food prices jumped 6.8% yoy. Food prices have been recently driven higher by some seasonal items – particularly among vegetables. For example potatoes are almost three times more expensive today than a year ago. Clearly, long-lasting drought has had a negative impact on harvest of some items and this have pushed food prices up in the whole region.

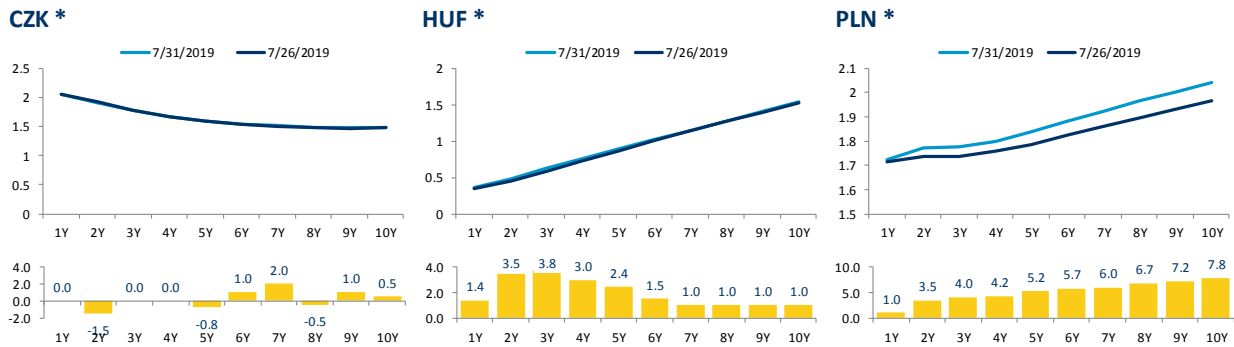
But not only food brings the Polish inflation higher. Since fuel and electricity prices remained basically flat in July, it was probably more expensive services and that is why core inflation, which was higher in July again. According to our calculations the core inflation ticked up again and reached 2.1% yoy.

Although the Polish headline inflation is above the NBP target and the core inflation has been heading up, we do not think that July's inflation readings should have an immediate on central bank's policy. While we will hear some hawkish comments from MPC members (like today's call of rate-setter Gartnar, who sees a rate hike already this year), the NBP will probably stick to its recent mantra, which says the current level of NBP's rates support macroeconomic stability in Poland. In our view the NBP will not hike in this election cycle (the parliamentary election will be held in November), but should the Polish inflation move higher we will hear more hawkish MPC voices arguing that the current NBP policy rate implies negative real interest rates (which might run against the macroeconomic stability).

**PL: Inflation year-on-year (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
HU	07/31	9:00	PPI	% 06/01/2019			1.5	5.3				
PL	07/31	10:00	CPI	% 07/2019 *P	2.7	0	2.9		2.6	0.3	2.9	
CZ	07/31	10:00	Money supply M2	% 06/01/2019								
PL	07/31	15:00	Budget balance	PLN M 06/01/2019							-2158	
HU	08/01	9:00	PMI manufacturing	07/01/2019							54.4	
PL	08/01	9:00	PMI manufacturing	07/01/2019							48.4	
HU	08/01	9:00	Trade balance	EUR M 05/2019 *F								
CZ	08/01	9:30	PMI manufacturing	07/01/2019							45.9	
CZ	08/01	13:00	CNB meeting	% 08/01/2019							2	

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