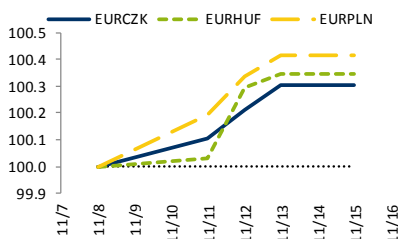




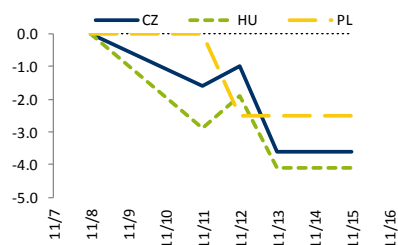
Friday, 15 November 2019

Forex markets (index)



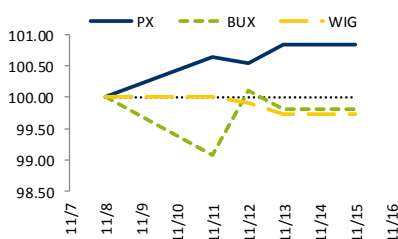
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.56	25.56	0.00
EURHUF	334.8	334.8	0.00
EURPLN	4.284	4.284	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.535	1.535	0.0
HUGB 10Y	2.06	2.06	0.0
PLGB 10Y	2.14	2.14	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1087.4	1087.4	0.00
BUX	43359	43359	0.00
WIG	59036	59036	0.00

Regional insights

Czech and Polish growth slowed in 3rd quarter

While the euro area economy has seen a decelerating economic growth throughout 2019, the expansion in Central Europe has remained solid with the real GDP growth mostly above potential. Such a resilience seems striking particularly in the context of a pronounced slowdown of the German economy which is highly integrated with the region through trade and financial channels. In this respect, the fresh set of regional GDP figures for the third quarter suggests that the CE's economies maintained steady economic momentum, albeit the growth rates saw a moderation across the region.

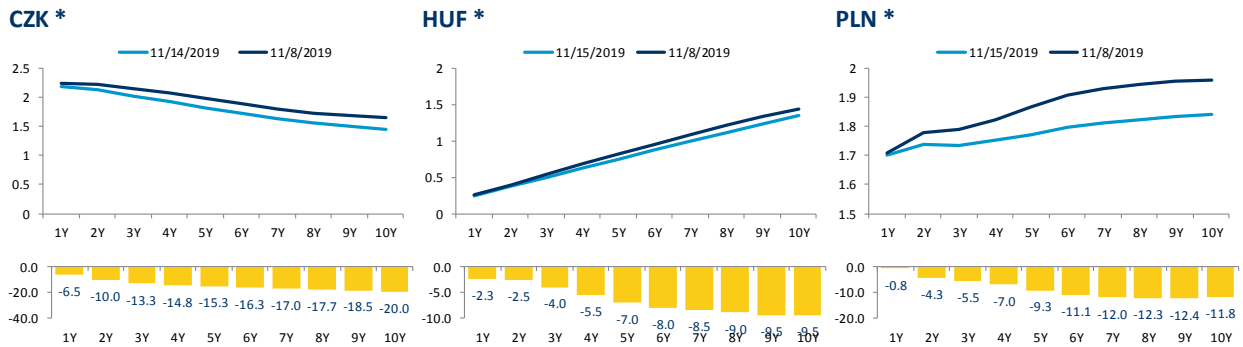
The sole exception to the latter trend is Hungary, which keeps its position of the regional growth champion with the real GDP growth accelerating from 4.9% yoy in the second quarter to 5.0% yoy in the third quarter. Meanwhile, the Polish economy experienced an economic slowdown to 3.9% yoy in Q3 from 4.6% yoy a quarter earlier. This, however, seems less dramatic if we take into account a quarter-on-quarter reading showing a pick-up in the economic activity from 0.8% qoq in Q2 to 1.3% qoq Q3. The Czech Republic recorded a year-on-year growth of 2.5%, slightly down from 2.8% yoy in the second quarter, keeping the economy on a relatively stable growth trajectory since mid-2018.

Although the detailed breakdowns of regional GDP readings are not yet available, we assume that once again robust domestic demand was the main driver of economic activity. Indeed, it is this shift from export to domestic demand-driven growth that we believe is largely behind the resilience of the CE region to the weakening economic growth in Germany. Therefore, even though the manufacturing recession in Germany has resulted in a marked slowdown in industrial production across the region in the recent months, its adverse impact on economic activity has been partly mitigated by strong private consumption. The general regional trend is thus set to remain unchanged – a buoyant household spending, underpinned by strong consumer confidence, the tight labour markets (with the unemployment rate reaching the historical lows), and rapid wage growth.

Furthermore, the fast expansion has been supported by solid investment growth in many CE's economies, which remains well above that in the euro area. In this regard, the disbursement of EU structural funds plays a crucial role, not least in the case of Poland and Hungary that are capable of absorbing more than 2% of GDP annually. Last but not least, both Poland and Hungary also rely on a favourable mix of loose monetary and fiscal policy which further underpins their impressive growth performance.

Looking further ahead, the growth prospects of the CE region remain still relatively positive. Nonetheless, much will be determined by the economic momentum in the euro area, in particular, Germany. Despite the spectacular resilience seen so far, it would be naive to think that the region that is so highly integrated into the German value chains (with the automotive industry as a prime example), would remain completely immune to long-lasting weaknesses of its key trade partner.

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	11/15	14:00	Core CPI	%					11.5	0.4	11.2	0.2	2.4

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