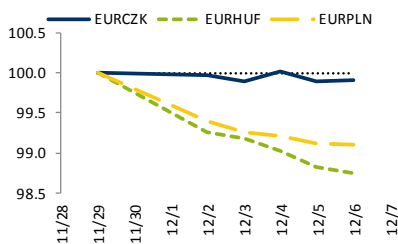




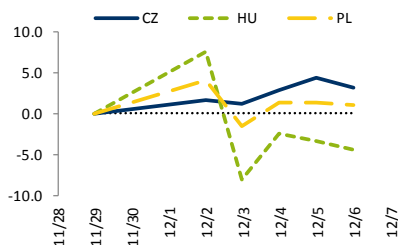
Friday, 06 December 2019

Forex markets (index)



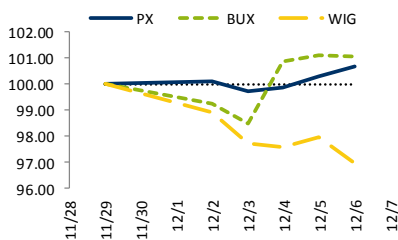
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.53	25.53	0.02
EURHUF	330.3	330.6	-0.08
EURPLN	4.275	4.276	-0.02

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.457	1.469	-1.2
HUGB 10Y	1.85	1.87	-0.6
PLGB 10Y	2.01	2.01	-0.2

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1088.2	1083.9	0.39
BUX	44163	44182	-0.04
WIG	55746	56339	-1.05

Regional insights

The Hungarian economy still outperforms strongly

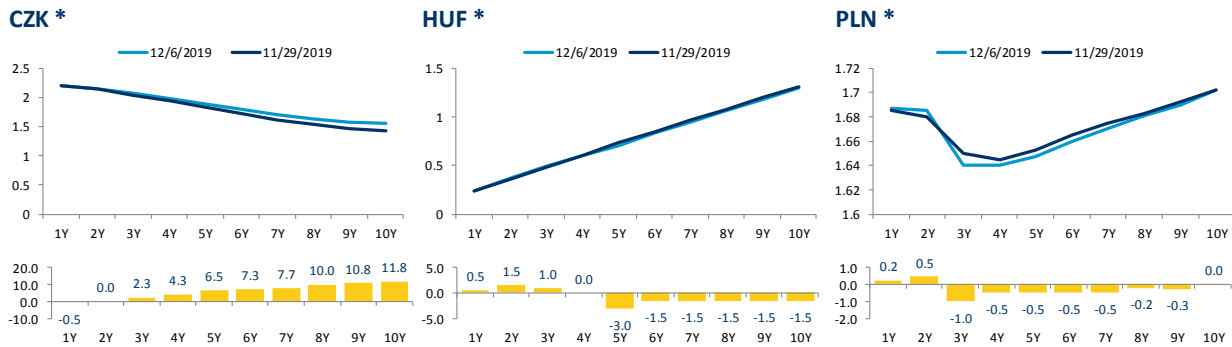
The Hungarian economy started the last quarter in 2019 strongly in both industrial sector and retail business. The preliminary industrial production figure showed 6.1% YoY growth in October and so the YTD performance of the sector was up by 6.3% YoY. The vehicle, electronic and optical equipment and devices production slowed down, while the food and tobacco production rose above the average. The vehicle production was quite volatile during the year, so it is still hard to predict, that the current down turn of performance is driven by the global deteriorating environment or it is just a temporary stop. As there are more news coming about global lay-offs in the sector, it is quite likely that we might see weaker figures in vehicle production in the coming quarters.

But in the retail sales the quite elevated speed around 5% YoY may remain in the next year as well. The October figure showed 6.2% YoY growth and so the YTD figure was up by 5.9% YoY. The sector is boosted by the massive real wage growth of around 7-8% YoY and also by the booming consumer borrowing. As the National Bank of Hungary may maintain the current low interest environment in 2020 and the households' debt-to-GDP ratio is still low compared to the region, the consumer loans may boost the consumption further, just like the real wage growth, although the latter may slightly slow in next year to around 5% YoY. The retail sector growth is still driven mainly by sell of the non-food products (up by 8.8% YoY), but the fuel consumption is also high (6.8% YoY).

We think that the construction sector is still booming in 4Q19 (even close to 20% YoY), but we expect a massive slow down for 2020 (to around 10% YoY).

The outstanding economic growth in the year so far (5.1% YoY) and the strong start of the last quarter suggests that the Hungarian economy was quite immune to the deteriorating European performance and although it may slowly spill over, the GDP may grow around 4.2% YoY in 4Q19 as well and so **the Hungarian GDP may be up by 4.8% YoY in 2019. The high growth is driven by the usage of the EU funds money as well, which might remain maximum at the same level in 2020, but most likely it might be slightly smaller.** Additionally according to the government's plan the fiscal support might be also less as the budget was planned with 1% of GDP deficit compared to this year's one of 1.8% of GDP. So we maintain our view that the Hungarian economy may slow to around 3.5% YoY in 2020. The main drivers of the growth might remain the domestic consumption and investment from the demand side, while market services and construction from the supply side, but the industrial production might remain also positive contributor to the economic growth, although with a smaller pace than in this year.

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	12/06	9:00	Retail sales	% 10/01/2019		3.6		2.4		2.8		8.2
HU	12/06	9:00	Industrial output	% 10/01/2019				6.4		6.5		3.1 9
CZ	12/09	9:00	Construction output	% 10/01/2019		1.7						0.2
CZ	12/09	9:00	Trade balance (national)	CZK B 10/01/2019	10.0							25.1
CZ	12/09	9:00	Industrial output	% 10/01/2019		-1.5						4.9
CZ	12/09	9:00	Unemployment rate 15-64	% 11/01/2019	2.6							2.6
HU	12/09	9:00	Trade balance	EUR M 10/2019 *P								539
CZ	12/09	10:00	FX reserves of the CNB	EUR B 11/01/2019								131.9
HU	12/09	11:00	Budget balance	HUF B 11/01/2019								-575.4
CZ	12/10	9:00	CPI	% 11/01/2019	0.1	2.9						0.5 2.7
HU	12/10	9:00	CPI	% 11/01/2019								0.6 2.9
PL	12/13	10:00	CPI	% 11/2019 *F								0.1 2.6

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