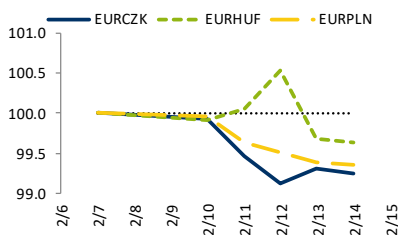




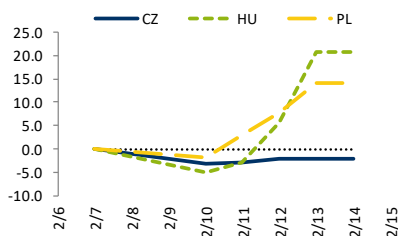
Friday, 14 February 2020

Forex markets (index)



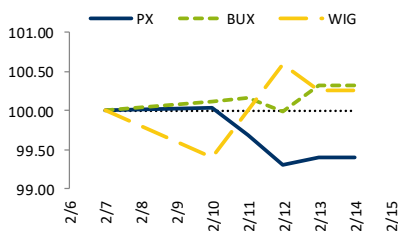
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.87	24.89	-0.06
EURHUF	337.3	337.5	-0.05
EURPLN	4.245	4.247	-0.04

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.498	1.498	0.0
HUGB 10Y	2.22	2.22	-0.1
PLGB 10Y	2.22	2.22	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1104.1	1104.1	0.00
BUX	44630	44630	0.00
WIG	57960	57960	0.00

Regional insights

Inflation significantly above targets in Central Europe

Just released January's inflation figures have showed that Central European economies are being hit by a visible positive inflation shock, which pushed year-on-year inflation figures above central bank targets.

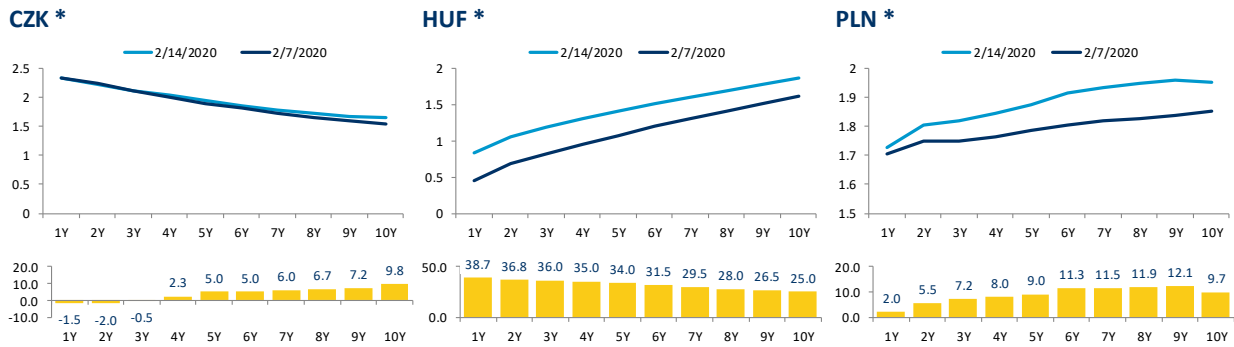
The most striking inflation example is currently **Hungary**. As yesterday's release showed **the Hungarian consumer price index jumped substantially from 4% YoY in December to 4.7% YoY in January (which is the highest read since December 2012) vs. the market consensus of 4.4% YoY. The core inflation accelerated as well, from 3.9% YoY in December to 4% YoY in January.**

The main drivers of the booming inflation were fuel, tobacco, food and alcohol prices and the surprise factor came mainly from the latter two. Both processed and unprocessed food price increases accelerated partly by seasonal reasons, partly by one-off reasons (like the swine-fever) and it looks like the price may remain elevated in that segments at least until April-May, but we expect some moderation in 2H20.

More dangerous is the development of market services prices as the price level was up by 0.7% MoM in January just like last year, which is substantially higher than what the statistical office measured between 2008 and 2017. The price increase in this sector is still around 5% YoY, which was last measured between 2007 and 2009. Taking in account the elevated wage dynamic of around 8% YoY and the strong domestic consumption (which is also supported by the government), there is a high risk that market services inflation may remain around the current level in this year. Although we can see still quite limited effects of the weak HUF on the inflation as tradeable goods price were increasing only by 0.8% YoY in January, we see growing risks of higher spill-over effects for the coming months, once new collections arrive. While the Czech economy is holding back, inflation continues to accelerate. **In January, the Czech consumer price index jumped by 1.5% MoM, which implies that the annual inflation reached an eight-year high of 3.6% (YoY).** The January inflation leap is due to food and alcohol, but inflation is pushing up prices related to housing services. Let us add that the Czech January inflation exceeded not only market expectations, but the CNB's staff forecast too.

Last but not least, an inflation spike has been also registered in **Poland, where the January inflation jumped to 4.4% YoY and 0.9% MoM.** While more expensive food is again part of the inflation story (1.7% MoM), the fact is that the core inflation is up too as everywhere in Central Europe.

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	02/14	9:00	GDP	% 4Q/2019 *A	0.2	1.9	0.2	1.7	0.3	2.0	0.4	2.5
CZ	02/14	9:00	CPI	% 01/01/2020	1	3.2	1.5	3.6	1	3.2	0.2	3.2
HU	02/14	9:00	GDP	% 4Q/2019 *P			1	4.5	0.5	4.3	1.1	5.0
PL	02/14	10:00	GDP	% 4Q/2019 *P			0.2	3.1	0	3.0	1.3	3.9
PL	02/14	10:00	CPI	% 01/01/2020			0.9	4.4	0.6	4.2	0.8	3.4

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