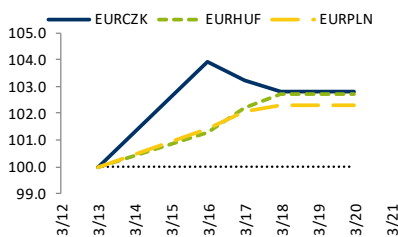




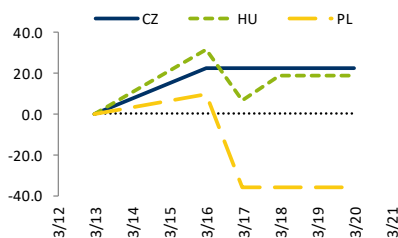
Friday, 20 March 2020

Forex markets (index)



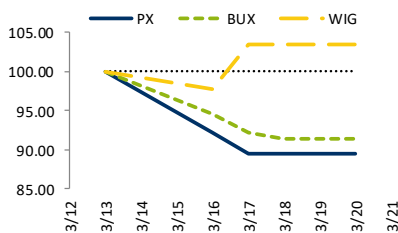
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.00	27.00	0.00
EURHUF	349.2	349.2	0.00
EURPLN	4.479	4.479	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.604	1.604	0.0
HUGB 10Y	2.95	2.95	0.0
PLGB 10Y	1.79	1.79	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	738.2	738.2	0.00
BUX	31239	31239	0.00
WIG	39925	39925	0.00

Regional insights

Hungary's government and NBH started their fight with Covid-19

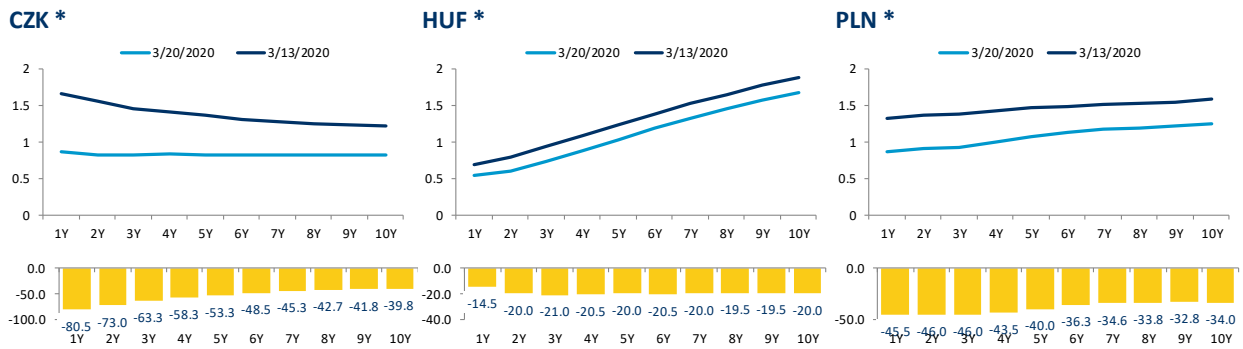
The Hungarian government and the National Bank of Hungary joined their PEERs as they started to introduce measures in order to limit the negative effects caused by the Covid-19 virus. The first step was the introduction of moratorium of corporate's and households' monthly instalments till the end of the year. Second step was that the short term credits will be renewed automatically till the end of June. Third step was that the maximum level of the interest rate of the new consumer loans (granted from 19th March on) was capped at 5%pt above the National Banks base rate (0.9% plus 5%pt). It means that without help by the National Bank of Hungary, it is quite likely that the banks won't give consumer loans for the households, because it becomes too risky. The fourth and fifth steps supports the most endangered sectors like tourism, hospitality, accommodation, culture and sport services. The social contribution fees paid by the employer will be abolished, while the part paid by the employee will be moderated substantially till the end of June, but it can be expended if needed. The effect of this latter step is roughly 0.2% of GDP on the budget.

The Finance Ministry is also working on a new budget for 2020 and also on the 2021 budget proposal, which will be announced soon, but as the first steps only have a small budgetary deficit effect, further packages can be expected from the government in the near future.

The Prime Minister Mr. Orban emphasized that they are focusing on maintaining jobs, but the unemployment rate will increase. The government is working on a program, which will help the people who are losing their job. The budget balance was planned with 1% of GDP deficit for this year, but with close to 4% YoY GDP growth, which will be substantially lower in this year. The positive side of the budget plan was that the base of the tax revenues was also lower than it turned out finally to be at the end of the year, and roughly 1% of GDP reserves were built in addition as well. As we don't know what kind of measures may come in what size, it is very hard to predict what this year's budget deficit will be, but it may go above 3% of GDP.

The National Bank of Hungary introduced a daily foreign currency swap facility to maintain the appropriate HUF liquidity in the market. The tenor is one week. The sharply falling fuel price is pushing down the inflation well below 3% YoY in April, meaning that this year the average inflation may be around 2.8% YoY, which is below the NBH's inflation target. It also means that the National Bank of Hungary can hold current monetary conditions unchanged.

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	03/20	10:00	Retail sales	%	02/01/2020					-2.7	6.3	-20.4	5.7

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