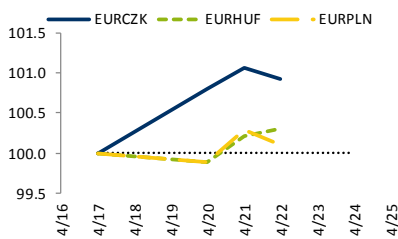




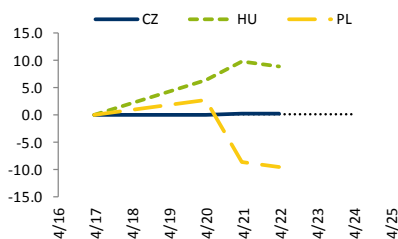
Wednesday, 22 April 2020

Forex markets (index)



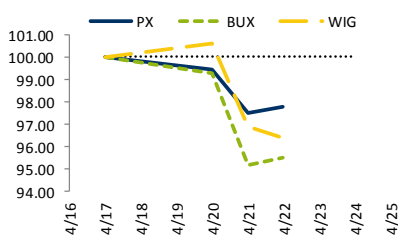
| | LAST | PREVIOUS | CHANGE (%) |
|--------|-------|----------|------------|
| EURCZK | 27.47 | 27.50 | -0.13 |
| EURHUF | 354.2 | 353.9 | 0.08 |
| EURPLN | 4,529 | 4,537 | -0.19 |

Gov. bonds 10 Y (bps change)



| | LAST | PREVIOUS | CHANGE (bps) |
|----------|-------|----------|--------------|
| CZGB 10Y | 1.244 | 1.245 | -0.1 |
| HUGB 10Y | 2.44 | 2.45 | -0.4 |
| PLGB 10Y | 1.31 | 1.32 | -0.8 |

Equity indices (index)



| | LAST | PREVIOUS | CHANGE (%) |
|-----|-------|----------|------------|
| PX | 832.7 | 830.2 | 0.31 |
| BUX | 31690 | 31582 | 0.34 |
| WIG | 43719 | 43960 | -0.55 |

Our regional insights:

While the Polish industry did not collapse yet, the Czech car manufacturing already crashed in March

The Polish industrial production for March published yesterday was the first hard macroeconomic figure from this sector to suggest how harsh the impact of the pandemic was on this sector of significant importance for the whole of Central Europe. According to the Polish Statistical Office, industry dropped by 7.2% in March, however the year-over-year decrease was only 2.3%. Nevertheless, the drop, which does not look exceedingly dramatic yet, was mostly due to the export oriented part of car production, which slumped by 28.6% year-over-year.

Although, unlike Poland, hard data from Czech industry are not available, a lot was indicated by the statistics of the Czech Automotive Industry Association yesterday. They show the mark that the corona-crisis left on Czech car production in March.

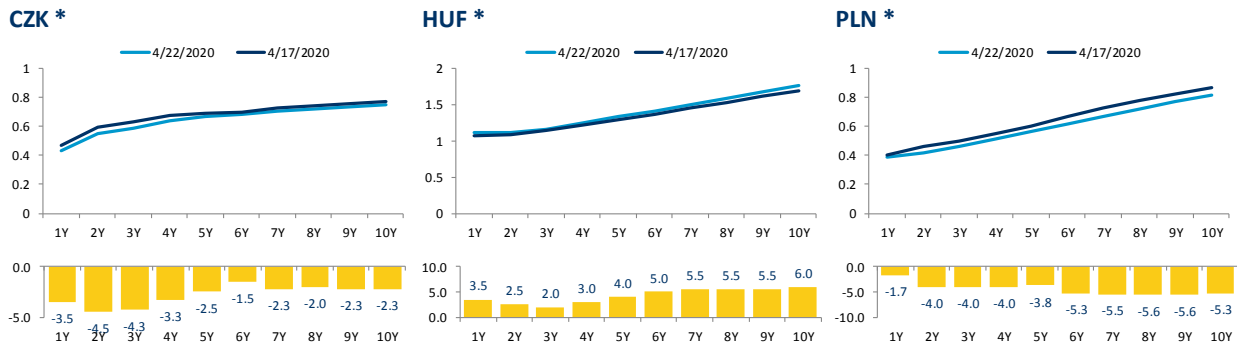
According to the current statistics, the number of cars manufactured in the Czech Republic decreased by more than 36%, or by 47,500 year-over-year. The reason is the shutdowns of all three auto plants, which started in the second half of March and are continuing at two of the three manufacturers.

With respect to its dominant weight within Czech industry, the automotive sector is also the main reason for the very weak results of industry as a whole not only for March but also for April, when its slump may reach about 90%. It is unlikely that the automotive sector would manage to offset the loss (about 160,000 cars) in the upcoming months. We expect that the auto plants will be returning to overall operation at the level of 100% production in gradual phases.

Nevertheless, the main question will be how the demand for new cars will develop. Will European companies rush to renew their vehicle fleets under the current unprecedented recession? To what extent will the European consumer be willing to purchase a new car in uncertain times? Will the efforts to quickly restart the exports to emerging markets be successful?

Let us add that coronavirus is another severe blow not only for the Czech automotive industry in the last two years. The first one is the constant threat of high penalties for excessive emissions.

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 | 04/22 | 10:00 | Retail sales | % 03/01/2020 | | | | | -2.1 | -3.1 | 0.5 | 9.6 |
| CZ | 04/22 | 12:00 | CZ bond auction 2015-2023, 0.45% | CZK B 04/01/2020 | | | | | 4 | | | |
| CZ | 04/22 | 12:00 | CZ bond auction 2020-2025, 1.25% | CZK B 04/01/2020 | | | | | 4 | | | |
| CZ | 04/22 | 12:00 | CZ bond auction 2020-2040, x.xx% | CZK B 04/01/2020 | | | | | 2 | | | |
| PL | 04/23 | 14:00 | Money supply M3 | % 03/01/2020 | | | | | 0.9 | 9.6 | 1.4 | 9.4 |
| PL | 04/24 | 10:00 | Unemployment rate | % 03/01/2020 | | | | | 5.6 | | 5.5 | |

Contacts

| Brussels Research (KBC) | | | Global Sales Force | | |
|-----------------------------------|------------------|--|--------------------|--|------------------|
| Mathias van der Jeugt | +32 2 417 51 94 | | Brussels | | |
| Peter Wuyts | +32 2 417 32 35 | | Corporate Desk | | +32 2 417 45 82 |
| Mathias Janssens | +32 2 417 51 95 | | Institutional Desk | | +32 2 417 46 25 |
| | | | France | | +32 2 417 32 65 |
| | | | London | | +44 207 256 4848 |
| | | | Singapore | | +65 533 34 10 |
| Dublin Research | | | Prague | | |
| Austin Hughes | +353 1 664 6889 | | Prague (Equities) | | +420 2 6135 3535 |
| Shawn Britton | +353 1 664 6892 | | | | +420 2 2142 4216 |
| Prague Research (CSOB) | | | Bratislava | | |
| Jan Čermák | +420 2 6135 3578 | | | | +421 2 5966 8820 |
| Petr Dufek | +420 2 6135 3560 | | | | |
| Bratislava Research (CSOB) | | | Budapest | | |
| Marek Gabris | +421 2 5966 8809 | | | | +36 1 328 99 85 |
| Budapest Research | | | | | |
| David Nemeth | +36 1 328 9989 | | | | |

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