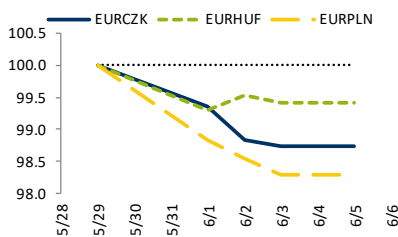




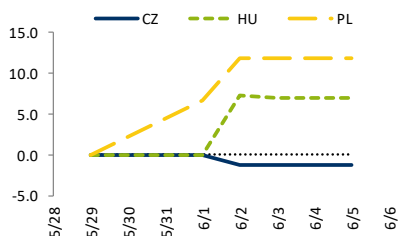
Friday, 05 June 2020

## Forex markets (index)



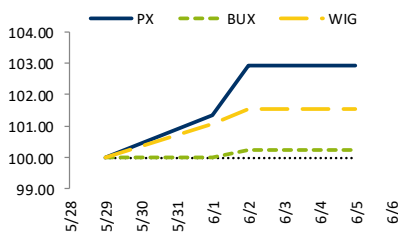
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.57	26.57	0.00
EURHUF	345.2	345.2	0.00
EURPLN	4.377	4.377	0.00

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.685	0.685	0.0
HUGB 10Y	1.96	1.96	0.0
PLGB 10Y	1.28	1.28	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	921.8	921.8	0.00
BUX	35967	35967	0.00
WIG	48879	48879	0.00

## Regional insights

## The Hungarian industry down by 37% in April

The Hungarian Statistical Office has released first hard macro data from the second quarter of the year, which should show the most severe impact of the pandemic. Yesterday's release of retail sales figure revealed a drop by 10.2% YoY in April. There were huge differences among the groups: clothes and footwear sales fell by 90% YoY, furniture and electronic equipment by 24% YoY, while food, beverages and tobacco only by 0.4% YoY. Although online sales is in an increasing trend in the last year, there was an extraordinary jump of 104% YoY and so it represented 12.5% of the whole retail market. The restrictions (staying at home) radically influenced the fuel consumption as well, which dropped by 26.3% YoY. Based on the available figures it looks like that retail sales might suffer in May as well, although the decrease might be only around 5% YoY and we might see some stabilization in June as most of the restrictions has been abolished and the households may make up part of their missed consumption as well.

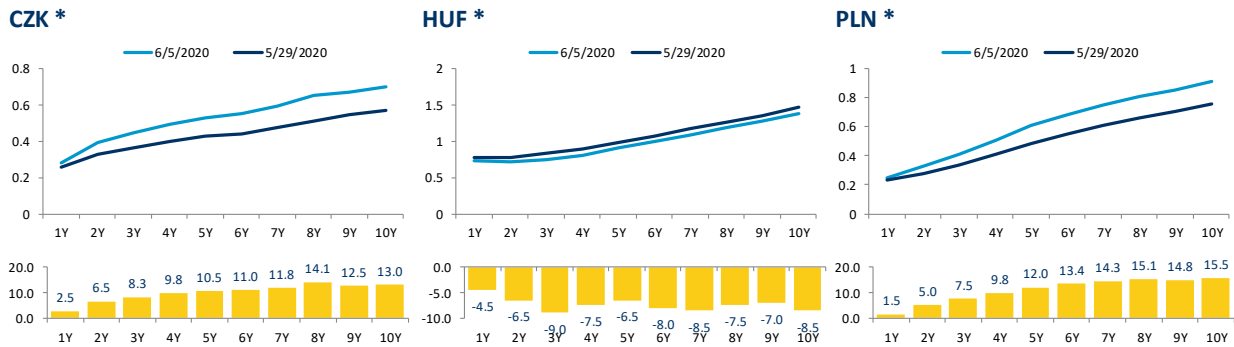
Meanwhile, the industrial production adjusted with working days shows a massive fall of 36.6% YoY for April, which is 10%pts bigger than the market expectations. Details haven't been published, but one of the biggest drop was registered in vehicle production and only drugs production showed an increase in April. The factories started to accelerate their activity in May, so we might see the weakest figure now, but **it looks like that the industrial sector may face with around 15-20% in 2Q of 2020, which on its own may pull back the economy by around 4-5%pt in second quarter.**

Tourism also had a terrible month in April: guest nights collapsed by 97% YoY (foreign ones by 99% YoY, while domestic ones by 95% YoY). It suggests that some of the services (hospitality or restaurants) might have a horrible month as well.

These figures confirm our view that **Hungary may have a double digit contraction in 2Q of 2020 despite of the quite fast reopen of the economy from middle of May. It is still a big question how fast the domestic consumption can return, especially in the service sector**, but at least confidence indicators reflect that the sentiment is improving and we see life returning on the streets as well. Hungary is facing multiple risks. It is not enough to control the pandemic locally so the domestic demand could return, but also important how our trading partners behave and how strong the economic rebound can be in those countries. We are quite optimistic regarding the domestic developments, which were the main drivers of economic growth in the last years. Although the number of employed people is decreasing, the government tries to save as many workplaces as possible so we expect that the unemployment rate may increase much less than what we have seen in 2008 and 2009. Additionally the households' indebtedness is also lower, so we expect faster rebound in the domestic demand.

David Németh, K&amp;H

## 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	06/05	9:00	Retail sales	04/01/2020		-24.0	-21.2	-29.9				-15.5
HU	06/05	9:00	Industrial output	04/01/2020			-30.5	-36.6	-14	-25.0	-10.4	-10
CZ	06/05	10:30	Unemployment 15-65	05/01/2020	3.6		3.6		3.6			3.4

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