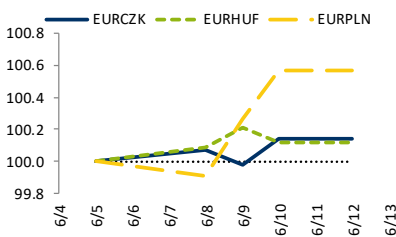




**Central Europe**  
Friday

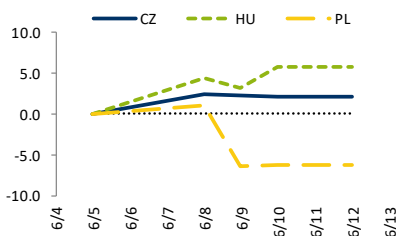
**Friday, 12 June 2020**

**Forex markets (index)**



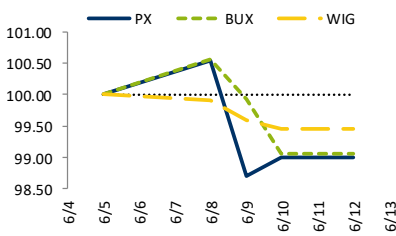
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.60	26.60	0.00
EURHUF	343.9	343.9	0.00
EURPLN	4.459	4.459	0.00

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.902	0.902	0.0
HUGB 10Y	2.29	2.29	0.0
PLGB 10Y	1.40	1.40	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	948.0	948.0	0.00
BUX	37630	37630	0.00
WIG	51212	51212	0.00

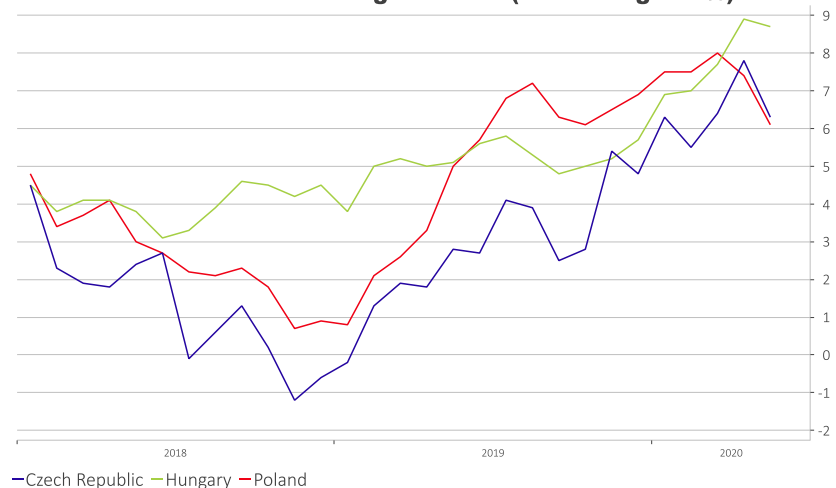
**Regional insights**

**Regional food inflation has probably peaked**

Central European countries have already released their inflation figures for May, which showed that inflation pressures have been easing. When we skip an unexpected increase of tobacco prices in the Czech Republic, the regional headline inflation really fell across the board last month despite a significant depreciation of all CE currencies. This confirms our view that a negative demand shock will outweigh the supply one, while exchange volatility will not be reflected in upcoming inflation figures. In this respect, monetary policies of regional central banks have been relaxed in a correct way, while we do not exclude that more easing will come – especially in Hungary. In our view, the NBH could lower its official rates in the second half of the year, so it will partly erase market-triggered hikes in the midst of the biggest sell-off of the forint.

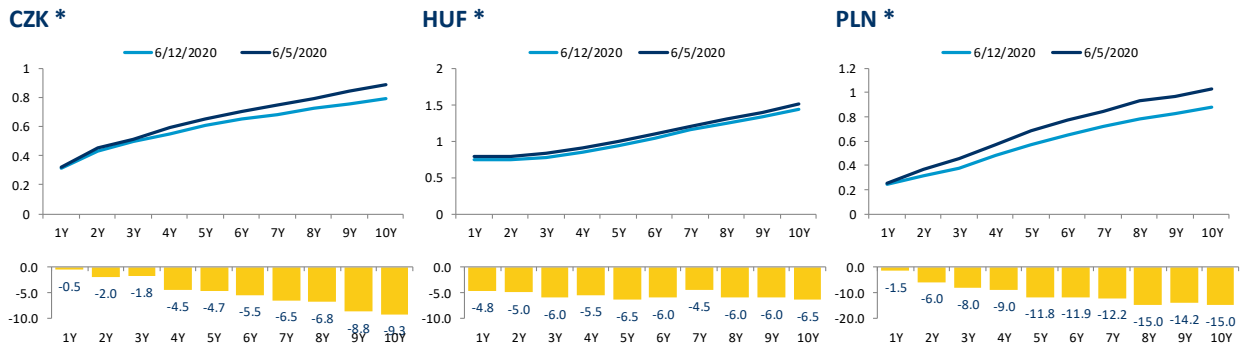
Concerning the future inflation development in Central Europe, the key will be also food behaviour, which has been a strong pro-inflationary factor in recent years. Recall that there have been several positive factors, which supported food price inflation in the past and these might start to fade away now. One was clearly a strong regional wage growth, which will be definitely more muted. Secondly, there has been strong food price pressures coming from a regional price-setter Germany. This trend will probably change in the second half of the year, especially if we take into account a planned VAT rate cut in Germany in the scale of three percentage points. Last but not least, the whole CE region had been experiencing a severe drought up to April. This has also changed since May (there were even floods in the Czech Republic), which can imply a better-than-expected crop and that is why lower prices of some food items.

**Food & Non-Alcoholic Beverages Prices (YoY change in %)**



—Czech Republic —Hungary —Poland

## 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

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