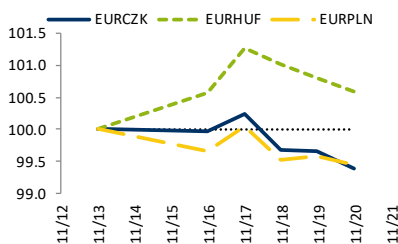




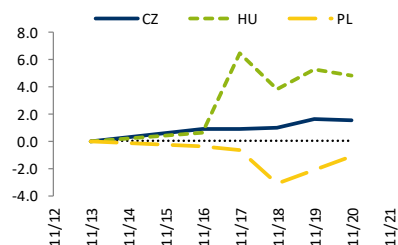
Friday, 20 November 2020

Forex markets (index)



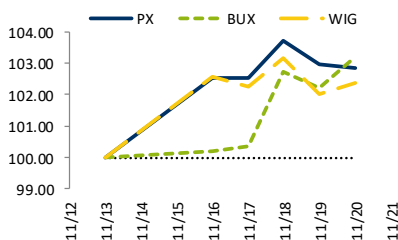
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.28	26.35	-0.27
EURHUF	359.0	359.7	-0.20
EURPLN	4.464	4.470	-0.14

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.162	1.163	-0.1
HUGB 10Y	2.15	2.15	-0.2
PLGB 10Y	1.19	1.18	0.8

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	937.7	938.5	-0.09
BUX	38537	38164	0.98
WIG	51839	51651	0.36

Regional insights

Huge tax cuts might inflate the Czech budget deficit

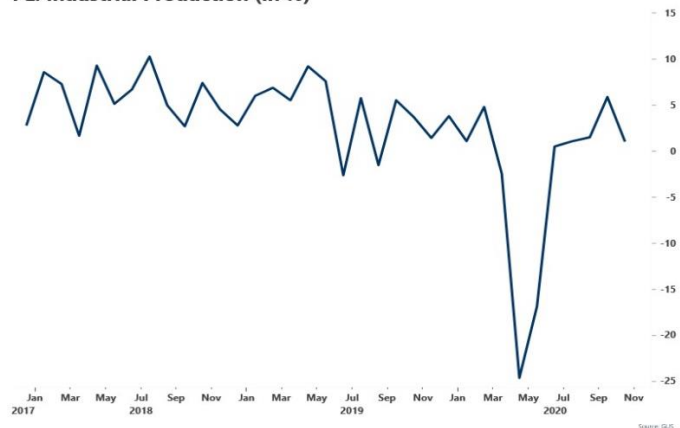
Important news came from the Czech Parliament as it approved significant cuts of personal taxes yesterday. Recall that The Lower Chamber of the Czech Parliament voted for a tax package proposal to abolish the (so-called) super-gross wage and introduce 15 and 23 percent individual income tax rates as of next year. As a result, **the Czech budget deficit might be inflated up CZK 450bn or 8% of GDP next year. In such a fiscal scenario, the government debt would be hiked from 30% of GDP in 2019 to 45% of GDP in 2021!**

These fiscal estimates are worrisome as they might question overall sustainability of the Czech fiscal position. On the other hand, we still think that either the Senat or President Zeman might try to block the implementation of such a fiscal gap (as both institutions will assess the tax package by the end of the year). Hence, **the final outcome of the 2021 budget draft might not be so expensive. Still, the Czech bond market should be vigilant.**

The Polish industry: so far so good, but it will change

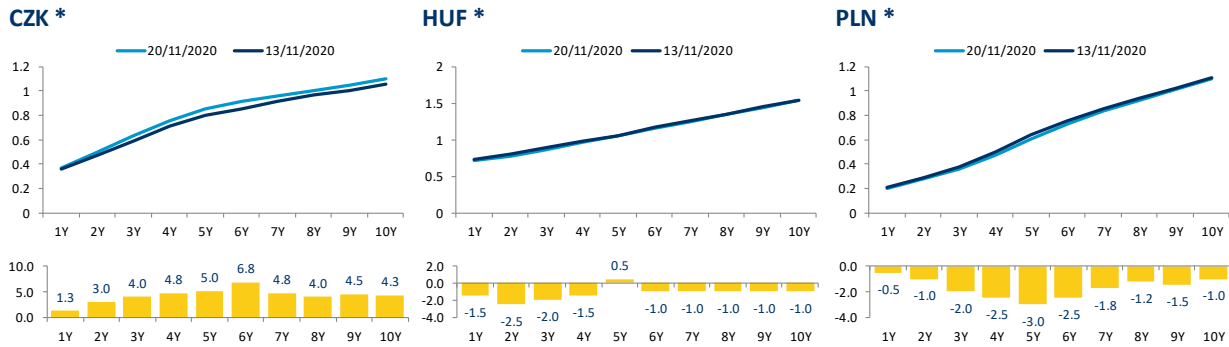
The Polish statistical office has released the October industrial output data, which showed that the economy was still doing quite well last month. The industrial output was higher 1.6% month-on-month and 3.8% year-on-year (in seasonally adjusted terms). We do not think that the industry will be able repeat these positive figures in November and December as the Polish government was forced to apply a fresh semi-lockdown. It should last – at least – until November 29th, but we think that it will be in a softer version extended till the end of the year. Hence, taking into account similar pandemic news coming from Western Europe, we are afraid that the performance of the Polish economy will be poor again and we may expect negative readings coming from the industry in November and December.

PL: Industrial Production (in %)



Source: GLS

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	11/20	10:00	Industrial output	%				3.2	1.0	2.5	0.6	15.5	5.9
PL	11/20	10:00	PPI	%				0.4	-0.4	0.2	-0.9	0.10	-1.6
PL	11/23	10:00	Retail sales	%								-1.8	2.7
PL	11/24	14:00	Money supply M3	%								1.0	17.0
PL	11/25	10:00	Unemployment rate	%								6.1	
CZ	11/25	12:00	CZ bond auction 2014-2027, floating rate	CZK B	11/01/2020					2			
CZ	11/25	12:00	CZ bond auction 2020-2029, 0.05%	CZK B	11/01/2020					5			
CZ	11/25	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	11/01/2020					2			
HU	11/26	11:50	One week deposit rate	%	11/01/2020							0.8	
HU	11/27	9:00	Unemployment rate	%	10/01/2020							4.4	

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