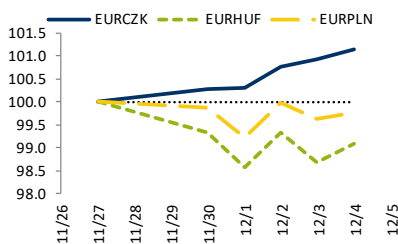




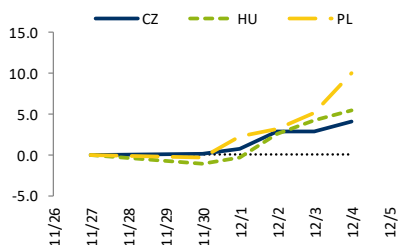
Friday, 04 December 2020

Forex markets (index)



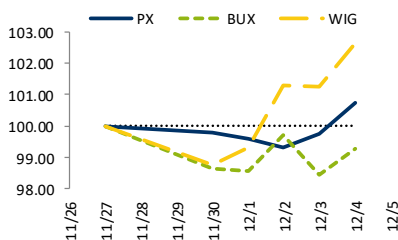
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.49	26.43	0.23
EURHUF	358.3	356.8	0.43
EURPLN	4.473	4.466	0.15

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.282	1.269	1.3
HUGB 10Y	2.24	2.22	0.5
PLGB 10Y	1.33	1.28	3.7

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	975.4	966.0	0.97
BUX	39032	38705	0.84
WIG	54708	53968	1.37

Regional insights

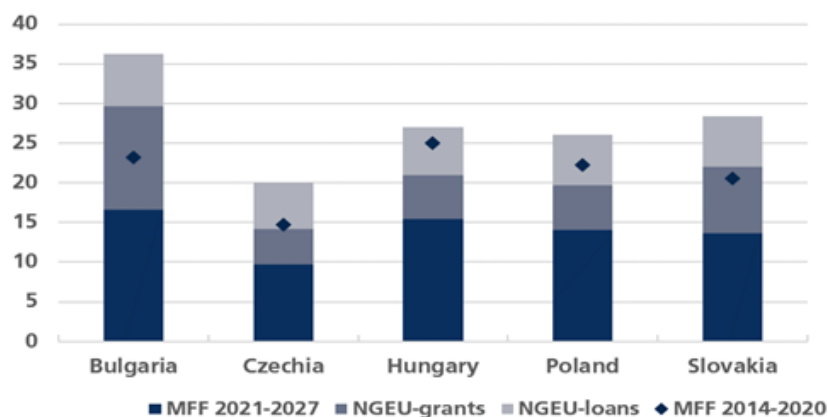
CE currencies nervously eye EU budget talks

Irrespective of the continuing gains of risky assets, the Central European currencies are nervously anticipating the EU summit that will take place at the end of the upcoming week and will deal with the seven-year budget. Poland and Hungary however threaten to veto the draft budget jointly. The reason for the governments in Warsaw and Budapest to reject the proposed budget is the effort of the big West European EU countries to get the payment of contributions from the Structural Funds tied up with respect for the rule of law. This condition is not to the liking of Hungary and Poland for various reasons and they therefore threaten the rest of the Union with vetoing the proposed budget.

However, in the case of the Polish and Hungarian economies, the amounts that flow from the Structural Funds to both economies every year are massive (see the chart below and our Economic Opinion: <https://bit.ly/3mIvDNH>). Thanks to them, the real convergence of the two countries within the EU is proceeding very fast, while the steady inflow of billions of euros undoubtedly supports the stability of the zloty and the forint.

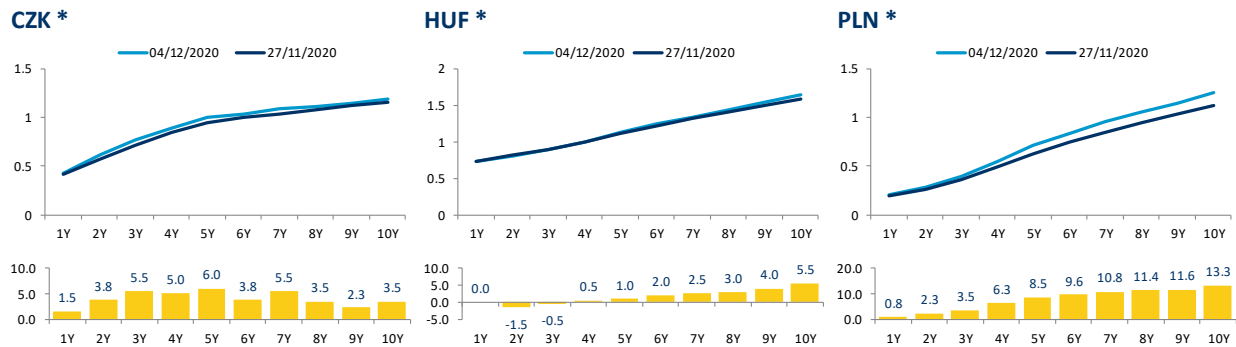
In view of the experience with the development of the negotiations on previous budgets of the EU or the concluding of complicated multilateral agreements during the eurozone debt crisis, we do not expect a consensual agreement to be reached before the beginning of the summit, which is planned for Friday 11 December. Our baseline scenario assumes that the Polish and Hungarian governments will reach an agreement with the rest of the EU and so there will be no need to enter 2021 with a provisional budget, but before that happens, the zloty and forint will remain under pressure.

EU Funds Disbursements in CEE
MFF 2014-2020 as % of GDP (2012); MFF 2021-2027 & NGEU as % of GDP (2019)



Source: KBC Economics calculations based on European Commission

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	12/04	9:00	Real wages	% 3Q/2020		-0.8		1.7		0.2		-2.5
HU	12/04	9:00	Industrial output	% 10/01/2020						0.5	2.3	-1.0
CZ	12/04	9:00	Unemployment rate 15-64	% 11/01/2020	3.7		3.8				3.7	
CZ	12/07	9:00	Retail sales ex autos	% 10/01/2020		-2.5				-3.3		0.4
CZ	12/08	9:00	Construction output	% 10/01/2020								-8.2
CZ	12/08	9:00	Trade balance (national)	CZK B 10/01/2020	17.0				21.0		34.4	
CZ	12/08	9:00	Industrial output	% 10/01/2020		-3.0				-2.9		-1.5
HU	12/08	9:00	CPI	% 11/01/2020						3.1	0.2	3.0
HU	12/09	9:00	Trade balance	EUR M 10/2020 *P								1140
CZ	12/09	10:00	FX reserves of the CNB	EUR B 11/01/2020								135.0
HU	12/09	11:00	Budget balance	HUF B 11/01/2020								-2604
CZ	12/10	9:00	CPI	% 11/01/2020	0.1	2.9			0.2	2.8	0.2	2.9
HU	12/10	11:50	One week deposit rate	% 12/01/2020								0.8
CZ	12/14	10:00	Current account	CZK B 10/01/2020								32.8
PL	12/15	10:00	CPI	% 11/2020 *F								

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