

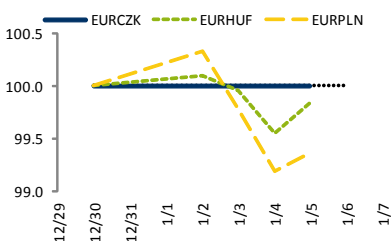


Central European Daily

Thursday, 05 January 2017

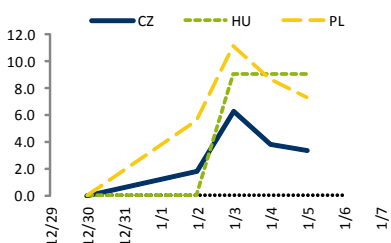
Regional Overview

Forex markets (index)



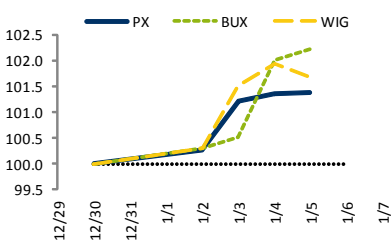
	LAST	PREVIOUS	CHANGE (%)
EURCZK	27.02	27.02	0.00
EURHUF	308.8	307.9	0.30
EURPLN	4.377	4.369	0.18

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	0.447	0.452	-0.5
HUGB 10Y	3.25	3.25	0.0
PLGB 10Y	3.69	3.71	-0.4

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	934.4	934.2	0.02
BUX	32713	32649	0.20
WIG	52620	52754	-0.25

Macro, FX & Rates: Hungary's unemployment at all-time lows

(HU, macro) The Hungarian unemployment rate dropped further in the period of September and November to 4.5%, which means fresh all-time lows. Meanwhile, the number of unemployed people is decreasing since 1Q15. In the meantime the number of employed people is increased and it has a new peak of 4,414 thousands from the 7,502 thousand working age population. The employment rate was 58.8% while it was only around 51% before the crises. It means that the labour market is quite tight in Hungary now. Although there are still around 200 thousand people who want to work but have no job, there are also more than 50 thousand unfilled jobs. It reflects structural problems on labour market mainly in the area of skilled work forces. It also important to mention that there is more than 200 thousand people in the public forced work program and so far during the last 5 years only around 7-8% of these people were able to find a job on the primary labour market.

In this respect it is worth noting that **the Hungarian government increased the normal minimum wage by 15% (to HUF 127,500) and the minimum wage for the skilled people with secondary education by 25% (to HUF 161,000) as of 1st of January.** It tries to ease the stress on the labour market and hopefully it channels also some people from the public forced work program into the private sector as now the wage difference is substantially higher than in previous years. But on the other hand it causes some problems as well as the wage level among the lower salary brackets are slipping together. So there might be a high pressure on the employers to increase to salaries during the year. **We expect around 8% net wage growth in Hungary for 2017, which supports the further increase of domestic consumption. At same time we see higher risk of jumping inflation faster to or even above the inflation target of the NBH in the next 18 months.** It also means that there might be less proof in the hand of the NBH to argue for further easing after March.

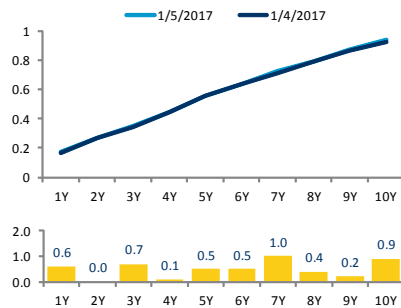
Equities: Refining margins dropped

(CZ, Unipetrol) Company released 38% m/m drop in refining margin to USD 3.0/bbl in December, down from USD 4.9 /bbl reported in November 2016. Hence refining margin for the 4Q16 came at USD 4.0/bbl, still more than double the USD 1.6/bbl reported in 3Q16 and just slightly below USD 4.2/bbl published in 4Q15. For the full year of 2016, refining margin stood at USD 3.1/bbl vs. USD 5.2/bbl reported in 2015 (-40.4% y/y).

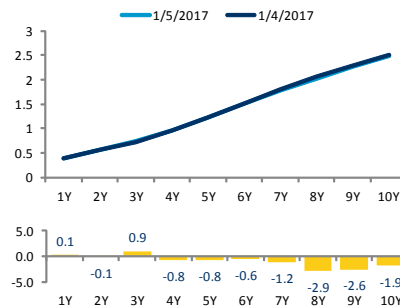
As we pointed out, downstream margin cycle tend to last seven years and we expect the way down already started in 2015. Although weaker CZK may mitigate downward cycle this time, reported margin drop for 4Q16 was stronger than for regional peers, probably due to lower refinery complexity and hence lower flexibility to market condition changes. Nevertheless Unipetrol's story has been little bit different with refining margin being just part of the big picture (corporate governance and expected dividend policy announcement have both at least the same impact as refining margin changes) as Company has been continuously trading at unprecedented low multiples (2017 EV/EVBITDA at 2.2x).

Interest-rate Swap Curves

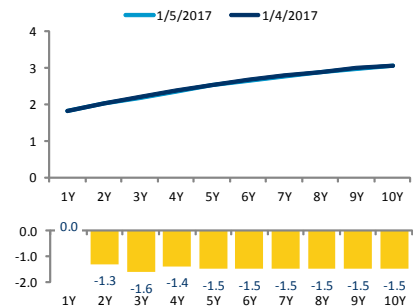
CZK *



HUF *



PLN *



* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points

Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Unemployment rate	%			4.5		4.8		4.7	

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