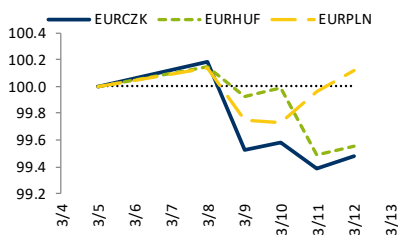




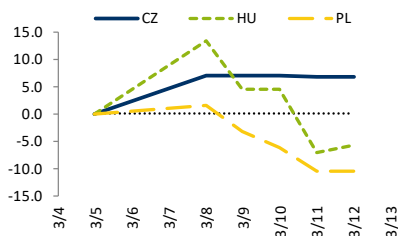
Friday, 12 March 2021

## Forex markets (index)



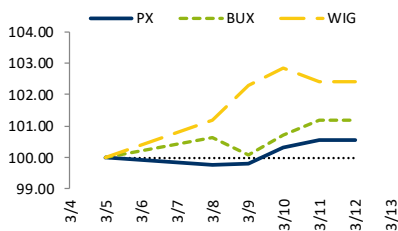
	LAST	PREVIOUS	CHANGE (%)
EURCZK	26.21	26.18	0.10
EURHUF	365.4	365.2	0.06
EURPLN	4.592	4.584	0.17

## Gov. bonds 10 Y (bps change)



Bond	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.832	1.832	0.0
HUGB 10Y	2.64	2.63	0.5
PLGB 10Y	1.49	1.49	0.0

## Equity indices (index)



Index	LAST	PREVIOUS	CHANGE (%)
PX	1073.7	1073.7	0.00
BUX	43785	43785	0.00
WIG	59029	59029	0.00

## Regional insights

## Pandemic may bring GDP dip in Hungary in 2021Q1

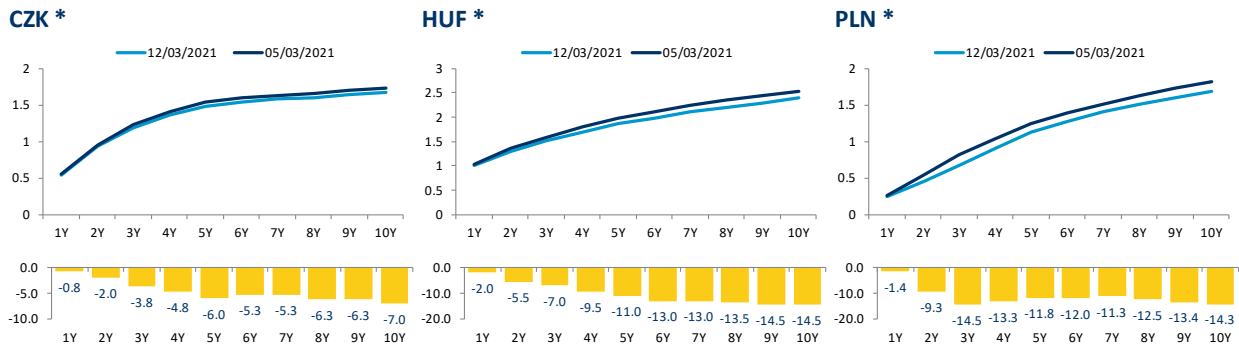
The pandemic situation started to deteriorate in Hungary in the middle of February. The number of new infections (7-day moving average) reached a new peak this week. The reason for the acceleration of the contagion is (like everywhere) the new variants of the virus. In order to stop the recent trend the government has introduced restrictive measures from the beginning of this week. The schools will be closed for one month, the shops and many of the market services for at least two weeks. The government will review this decision next week, but looking on the latest infection figures, we expect that these measures will be maintained for another two week period.

In the meantime, the Hungarian government continues its vaccination campaign. More than 10% of the population has already received the first doses of the vaccine. According to the plans and the already available vaccines, at least 20% of the population may be vaccinated by the first week of April. Hence, the gradual economy opening may be started around the middle of April or in a month's time. Still, the above-mentioned quarantine measures are deteriorating the outlook for the first quarter GDP growth. Although the construction and industrial sectors are not affected by the restrictions, the service sector may have quarter worse than in 4Q20, so we may see a GDP decline in the first three months of the year compared to the previous quarter. We might see a fast rebound in the second quarter thanks to the expected opening of the economy and so we maintain our view that the economy may expand around 4.5% YoY in 2021.

Interestingly, the NBH will publish its new economic outlook in its inflationary report on March 23rd. We expect that the report might remain quite positive despite of the ongoing third wave of the pandemic as it looks like now that many parts of the economy is quite resistant to the lockdowns. Moreover, it is quite likely that the quarantine measures might remain relatively short-lived. Regarding the NBH's new projections we expect that the quite wide range of GDP growth forecast (3.5-6% YoY) might be narrowed to around 4.5-6% for this year mainly thanks to the better economic performance in 4Q20. The question is rather how the inflation outlook will be changed as the high oil price increases the technical assumption and so it put an upward pressure on headline CPI which was forecasted at 3.5-3.6% for 2021. From the monetary point of view it is important to emphasize that the oil price doesn't affect directly the core inflation filtered from indirect tax changes, which is in the main focus of NBH and which is expected to be around 3% in 2021. All in all, we expect that there could be only minor upward revisions of inflation figures, which won't endanger the NBH's target (3% with a 1 ppt band around). It also suggests that the current stance (cautious and wait-and-see approach) of the NBH's policy will be maintained for some time.

**Dávid Németh (K&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	03/12	9:00	Construction output	%	01/01/2021			-5.2				-12.4
CZ	03/12	9:00	Industrial output	%	01/01/2021	-3.0		-4.4		-4.3		5.8
CZ	03/15	9:00	PPI	%	02/01/2021						1.30	0.0
CZ	03/15	9:00	Retail sales ex autos	%	01/01/2021							3.7
PL	03/15	10:00	CPI	%	02/01/2021						1.2	2.7
CZ	03/16	10:00	Current account	CZK B	01/01/2021							-3.9
PL	03/16	14:00	Current account	EUR M	01/01/2021							430.0
PL	03/16	14:00	Trade balance	EUR M	01/01/2021							333.0
PL	03/16	14:00	Core CPI	%	02/01/2021						0.0	3.7
PL	03/17	10:00	Wages	%	02/01/2021						-7	4.8
CZ	03/17	12:00	CZ bond auction 2021-2024, 0.00%	CZK B	03/01/2021					6.0		
CZ	03/17	12:00	CZ bond auction 2015-2030, 0.95%	CZK B	03/01/2021					5.0		
CZ	03/17	12:00	CZ bond auction 2020-2040, 1.50%	CZK B	03/01/2021					2.0		
PL	03/18	10:00	PPI	%	02/01/2021						0.7	0.7
PL	03/18	10:00	Industrial output	%	02/01/2021							-5.1

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