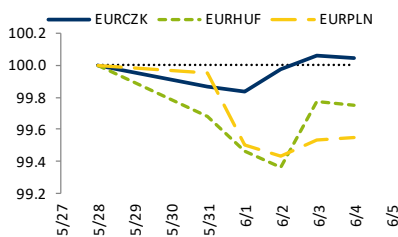




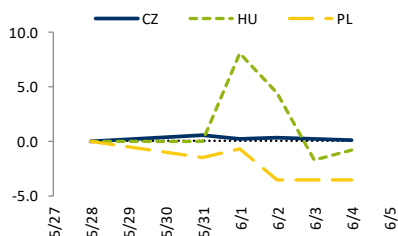
Friday, 04 June 2021

Forex markets (index)



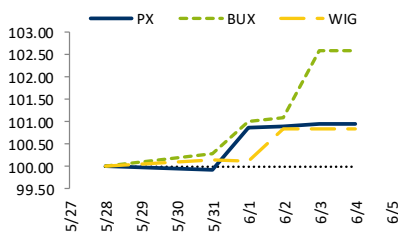
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.48	25.48	-0.02
EURHUF	347.3	347.4	-0.02
EURPLN	4.463	4.462	0.02

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.676	1.677	-0.1
HUGB 10Y	2.90	2.89	0.3
PLGB 10Y	1.84	1.84	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1174.7	1174.7	0.00
BUX	47423	47423	0.00
WIG	66758	66758	0.00

Regional insights

The Hungarian consumer in a recovery mode

The Hungarian retail sales (in WDA terms) increased by 10.6% YoY April, but there are mixed trends behind the extraordinary rise. First of all, the low base (almost 13% YoY drop) was the main reason of the high increase as government strict restrictions were in power in last April, while these measures were gradually abolished in this April. The seasonally and working day adjusted retail sales decreased by 1% compared to the previous month, which resulted that there was still a slowly decreasing trend since November, when the second wave of pandemic arrived to Hungary.

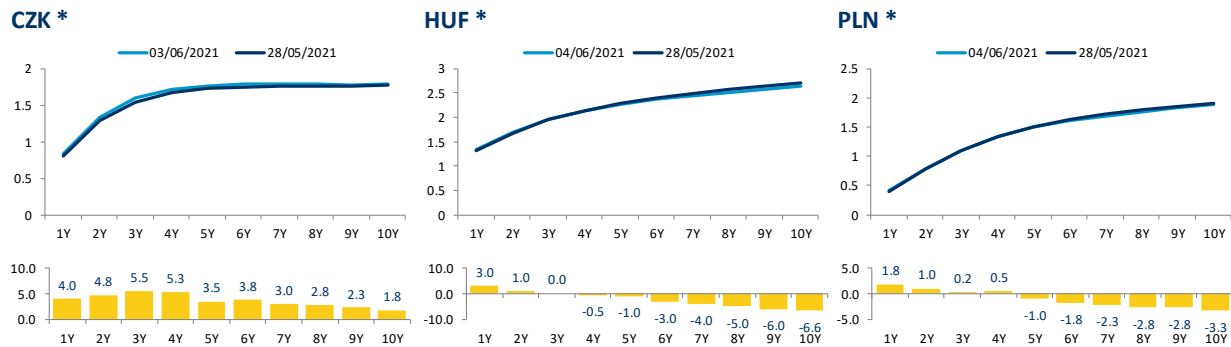
The structural decomposition of the retail sales shows the positive and negative effects of the abolishment of the restrictions. The sales in the stores jumped (for example cloths retail sales up by 220% MoM, books and computers up by 140% MoM), while sales via internet were down by 18% MoM. Food and fuel sales were more or less stagnating in April.

Looking ahead we expect that retail sales may rise further in May – the data available from online cash register turnover from the first three weeks in May confirms that view – which may start to reverse the decreasing trend. It also means that the households' consumption may have a positive contribution to the economic growth in 2Q21, which might be the first time since 1Q20. The main question is that how lasting the increase in consumption will be, as the saving willingness increased during the last year. As we expect that the labor market might recover quite fast and so the employment rate may reach pre-pandemic levels already in 2022, we expect that the propensity to consume may rise gradually supporting the economic growth in the next quarters.

Just like in case of retail sales, the low base of GDP may push the year-over-year growth figure to around 15% in 2Q21, but we expect that economic growth on quarter-on-quarter bases may slow down slightly (to around 1.5%) compared to 1Q21 (2%). In addition to the consumption, investments and net exports can also make a positive contribution to the growth. From the supply side construction might accelerate, just like those services sectors, which were suffering in 1Q21 like hospitality, entertainment or leisure.

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	06/04	9:00	Real wages	% 1Q/2021		0.8		1.0		1.7		3.8
HU	06/04	9:00	Retail sales	% 04/01/2021				10.6		14.3		-2.0
CZ	06/07	9:00	Construction output	% 04/01/2021								-3.1
CZ	06/07	9:00	Trade balance (national)	CZK B 04/01/2021							18.5	
CZ	06/07	9:00	Industrial output	% 04/01/2021								18.2
CZ	06/08	9:00	Retail sales ex autos	% 04/01/2021								6.6
CZ	06/08	9:00	Unemployment rate 15-64	% 05/01/2021								
HU	06/08	9:00	Industrial output	% 04/01/2021							0.4	16.2
CZ	06/08	10:00	FX reserves of the CNB	EUR B 05/01/2021							138.1	
HU	06/08	11:00	Budget balance	HUF B 05/01/2021							-1043.6	
HU	06/09	9:00	Trade balance	EUR M 04/2021 *P							876	
HU	06/09	9:00	CPI	% 05/01/2021							0.8	5.1
CZ	06/09	12:00	CZ bond auction 2021-2031, floating rate	CZK B 06/01/2021						4		
CZ	06/09	12:00	CZ bond auction 2021-2032, 1.75%	CZK B 06/01/2021						6		
CZ	06/09	12:00	CZ bond auction 2020-2040, 1.50%	CZK B 06/01/2021						2		

Contacts

Brussels Research (KBC)			Global Sales Force		
Mathias van der Jeugt	+32 2 417 51 94		Brussels		
Peter Wuyts	+32 2 417 32 35		Corporate Desk		+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95		Institutional Desk		+32 2 417 46 25
			France		+32 2 417 32 65
			London		+44 207 256 4848
			Singapore		+65 533 34 10
Dublin Research			Prague		
Austin Hughes	+353 1 664 6889		Prague (Equities)		+420 2 6135 3535
Shawn Britton	+353 1 664 6892				+420 2 2142 4216
Prague Research (CSOB)			Bratislava		
Jan Čermák	+420 2 6135 3578		Bratislava		+421 2 5966 8820
Petr Dufek	+420 2 6135 3560				
Bratislava Research (CSOB)			Budapest		
Marek Gabris	+421 2 5966 8809		Budapest		+36 1 328 99 85
Budapest Research					
David Nemeth	+36 1 328 9989				

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