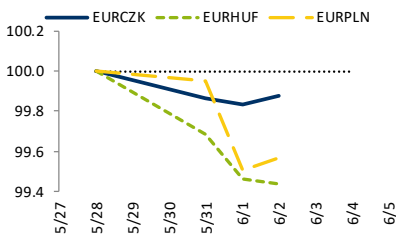




**Central
Europe**
Wednesday

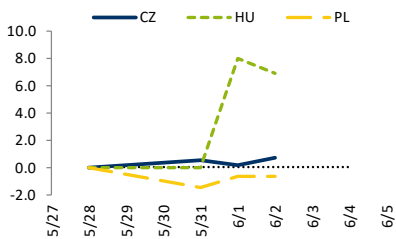
Wednesday, 02 June 2021

Forex markets (index)



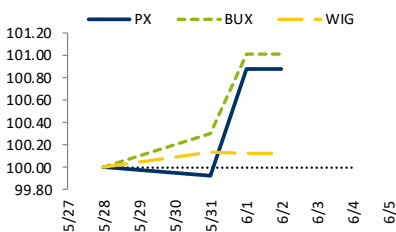
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.43	25.42	0.04
EURHUF	346.2	346.3	-0.02
EURPLN	4,464	4,461	0.06

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.682	1.677	0.5
HUGB 10Y	2.98	2.99	-0.4
PLGB 10Y	1.87	1.87	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1173.7	1173.7	0.00
BUX	46700	46700	0.00
WIG	66279	66279	0.00

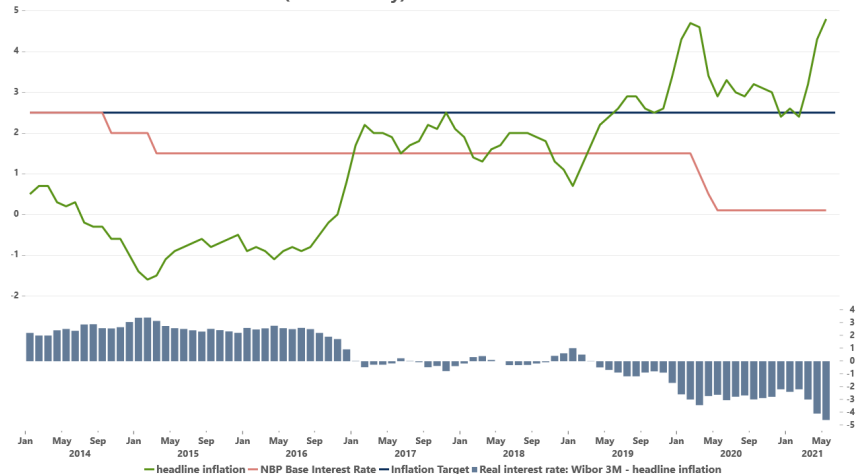
Our regional insights:

Polish inflation surges to 4.8% in May

Polish inflation surged to 4.8% YoY, reaching ten-year highs in May. While petrol and energy prices together as a positive base effect contributed strongly to the headline figure, the core inflation still hovers at elevated levels too. According to our estimates core inflation was at around 3.6% YoY, which means that it was still above the upper limit of the NBP targeted band (1.5-3.5% YoY). The Polish inflation has probably peaked this year, but it will remain significantly above the NBP target in the second half of the year.

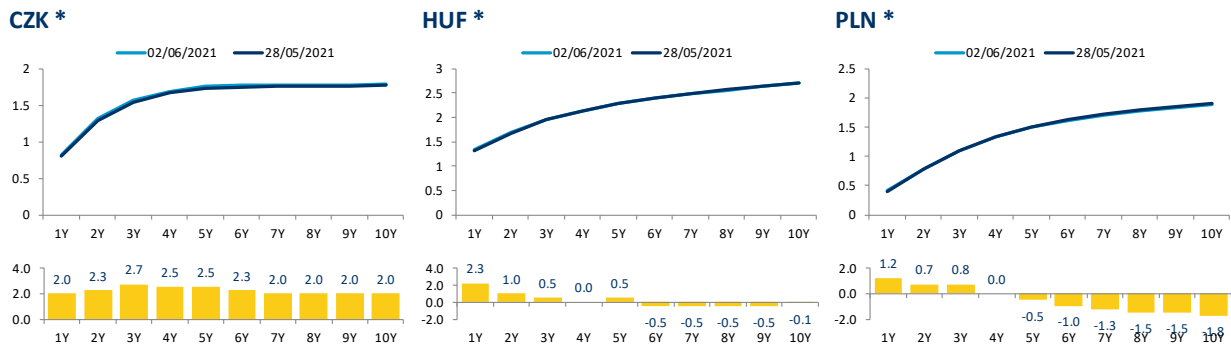
The very high May inflation figure has already prompted a reaction from the hawkish wing inside the NBP. MPC's member Lukasz Hardt said that the NBP should consider a 15 bps rate hike already in June. We do not think that such a policy action will happen so soon, even though both hard April's data or the May PMI's signal extremely strong GDP growth in the second quarter. We can imagine that the NBP will scrap its 'weak zloty policy' (take it out from the NBP statement) and will prepare the market for the end of the Polish variant of QE.

Poland: inflation & interest rates (in % annually)



Source: KBC Economics based on NBP GLI, CPI Benchmark

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	Unit	Period	Forecast		Actual		Consensus		Previous		
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y	
HU	06/03	11:50	One week deposit rate	%	06/01/2021								0.75	
CZ	06/04	9:00	Real wages	%	1Q/2021		0.8						3.8	
HU	06/04	9:00	Retail sales	%	04/01/2021								-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

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