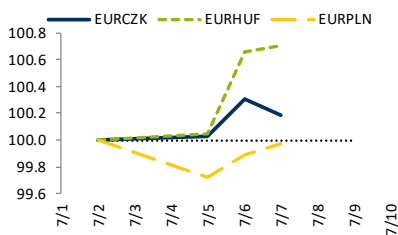




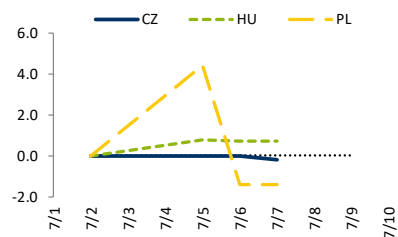
Wednesday, 07 July 2021

## Forex markets (index)



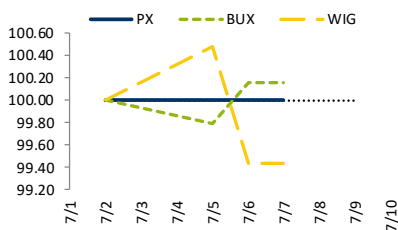
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.62	25.65	-0.12
EURHUF	354.0	353.9	0.05
EURPLN	4,515	4,511	0.08

## Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	1.720	1.722	-0.2
HUGB 10Y	2.86	2.86	0.0
PLGB 10Y	1.68	1.68	0.0

## Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1152.1	1152.1	0.00
BUX	47592	47592	0.00
WIG	66651	66651	0.00

## Our regional insights:

## The Czech industry begins to face its limits

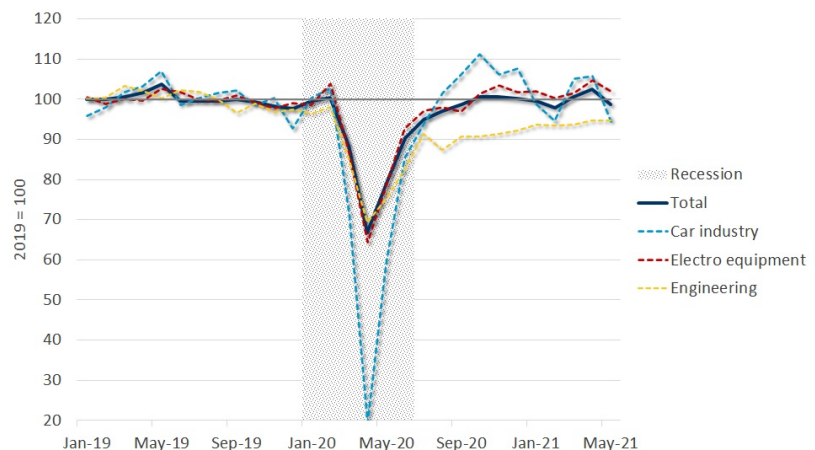
Although at first glance the May figures from the Czech industry look very encouraging, as its production increased by a quarter year-on-year, it is increasingly evident that it has reached the limits of its current capabilities. Moreover, the high year-on-year figures are still influenced by the low comparative base of last year's second quarter, when the first lockdown and voluntary shutdowns kicked in, so it makes more sense to look at the month-on-month figures.

Compared to April, industrial production fell by 3.6%, mainly due to unfavourable developments in the largest sectors. The automotive industry, which certainly could not complain about a lack of orders, had a fall of almost 11%. Component shortages are still to blame, plaguing manufacturers across the continent. And it will get worse for a while, as some manufacturers are already cutting back production rather than continuing to fill warehouses with unfinished products. Meanwhile, weaker numbers are also coming from other sectors, such as the electrical and chemical industries. Moreover, the shortage of components is not the only problem for the domestic industry, but it is also plagued by high input prices and a permanent shortage of workers, which is exacerbated by limited labour migration.

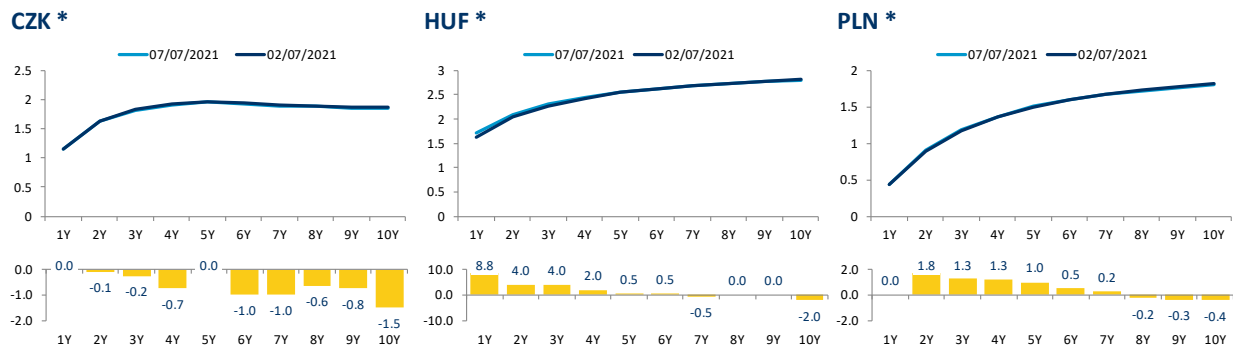
Although new orders promise favourable results for the industry in the coming months, uncertainty about the availability of inputs for production is making the immediate results of the largest domestic sector uncertain. The seven per cent month-on-month increase in automotive orders (even 80% year-on-year) is therefore not yet a guarantee of further output growth. For the sake of completeness, we can perhaps only add that the value of new orders is about 10% higher compared to 2019.

## CZ: Industrial production

(2019=100, SA; Source: CSO)



## 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
CZ	07/07	9:00	Construction output	%	05/01/2021				5.8				-3.9
CZ	07/07	9:00	Trade balance (national)	CZK B	05/01/2021	25.0		6.3		25.3			19.3
CZ	07/07	9:00	Industrial output	%	05/01/2021		36.0		32.3		34.9		55.1
HU	07/07	9:00	Industrial output	%	05/01/2021				3.4	40.2		39.6	-3.2 59.2
CZ	07/08	9:00	Retail sales ex autos	%	05/01/2021		6.5				2.9		7.5
HU	07/08	9:00	CPI	%	06/01/2021					0.1	4.9	0.5	5.1
PL	07/08	14:00	NBP meeting	%	07/01/2021	0.10				0.10			0.10
HU	07/09	9:00	Trade balance	EUR M	05/2021 *P								347
CZ	07/09	9:00	Unemployment rate 15-64	%	06/01/2021	3.8							3.9

## 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
Dublin Research			France		
Austin Hughes	+353 1 664 6889		London		+44 207 256 4848
Shawn Britton	+353 1 664 6892		Singapore		+65 533 34 10
Prague Research (CSOB)			Prague		
Jan Čermák	+420 2 6135 3578		Prague (Equities)		+420 2 2142 4216
Petr Dufek	+420 2 6135 3560		Bratislava Research (CSOB)		
Marek Gabris	+421 2 5966 8809		Bratislava		+421 2 5966 8820
Budapest Research			Budapest		
David Nemeth	+36 1 328 9989				+36 1 328 99 85

ALL OUR REPORTS ARE AVAILABLE VIA OUR KBC RESEARCH APP (iPhone, iPad, Android)

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the data of the report and are subject to change without notice.

