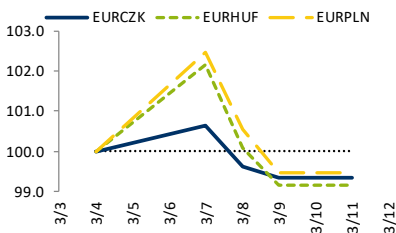




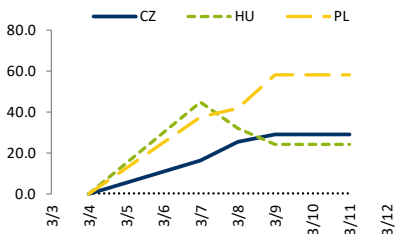
Friday, 11 March 2022

Forex markets (index)



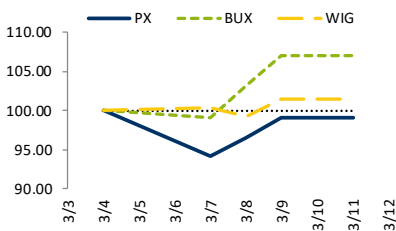
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.43	25.43	0.00
EURHUF	382.7	382.7	0.00
EURPLN	4.839	4.839	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.389	3.389	0.0
HUGB 10Y	5.74	5.74	0.0
PLGB 10Y	4.92	4.92	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1294.9	1294.9	0.00
BUX	43073	43073	0.00
WIG	59218	59218	0.00

Regional insights

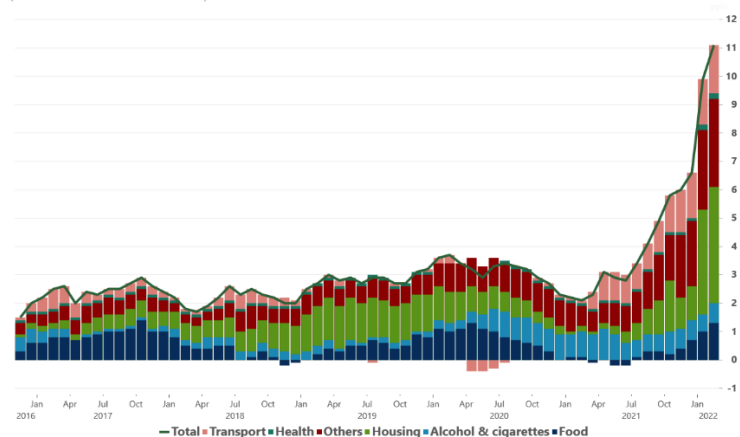
Czech double-digit inflation points to another CNB hike

The annual inflation rate in the Czech Republic broke into double digits for the first time since June 1998. While consumer prices had risen by 9.9% in January, annual inflation had already accelerated to 11.1% in February, beating market expectations by almost one percentage point (again).

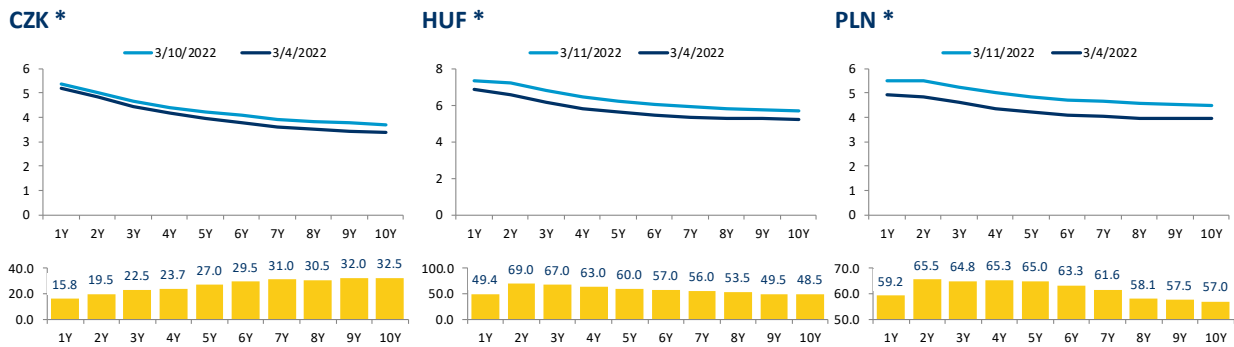
Extremely strong price pressures are evident across the consumer basket. Housing costs continue to account for the largest part (more than one third) of the y/y increase in inflation. In addition to rapidly rising electricity, heat or gas prices, the cost of owning a home (imputed rent) is also rising sharply. Transport, due to more expensive fuel and rising food prices, is also an important contributor to inflation. A further acceleration of inflation is to be expected in the coming months, reflecting the ongoing war conflict in Ukraine. The latter has not yet been able to squeeze into the February figures and represents another significant pro-inflationary factor for the Czech economy, which will act mainly through higher commodity prices in the likes of oil, natural gas and food. Annual inflation could therefore exceed 12% as early as March and, at current energy and fuel prices, could climb to above 14% in the short term during the spring. The key in the final analysis will be how long energy futures (gas and electricity) remain high and how much companies will have to increase their prices to end customers. In any case, risks are skewed towards higher inflation and a longer lasting inflation shock.

Compared to the Czech National Bank's staff forecast, the February inflation was 1.3 percentage points higher, which we see as an argument in favour of another rate hike. However, Governor Rusnok recently indicated that any further possible tightening would only be cosmetic, which corresponds to our baseline scenario of a 25bps rate hike by the end of March.

CZ: Inflation by detail decomposition (contributions of CPI items to headline inflation)



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	03/11	9:00	Industrial output	%	01/01/2022			3.7		4.6		0.4
CZ	03/11	9:00	Construction output	%	01/01/2022			6.4				8.1
HU	03/11	9:00	Trade balance	EUR M	01/2022 *P			-196				-378
CZ	03/14	9:00	Retail sales ex autos	%	01/01/2022							3.3
CZ	03/15	9:00	PPI	%	02/01/2022							6.9 19.4
PL	03/15	10:00	CPI	%	02/01/2022							1.9 9.2
CZ	03/16	10:00	Current account	CZK B	01/01/2022							-18.31
PL	03/16	14:00	Current account	EUR M	01/01/2022							-3957
PL	03/16	14:00	Trade balance	%	01/01/2022							-2535
PL	03/16	14:00	Core CPI	%	02/01/2022				0.6	6.3		
HU	03/17	9:30	One week deposit rate	%	03/01/2022							5.9
PL	03/18	10:00	Wages	%	02/01/2022							-8.7 9.5
PL	03/18	10:00	Industrial output	%	02/01/2022							-3.0 19.2
PL	03/18	10:00	PPI	%	02/01/2022							1.3 14.8

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