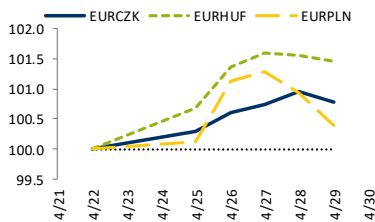




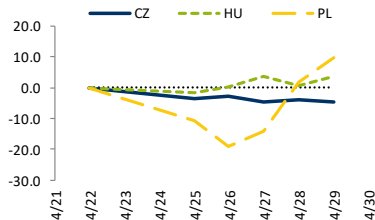
Friday, 29 April 2022

Forex markets (index)



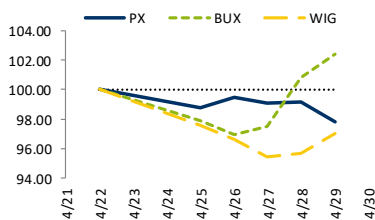
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.54	24.58	-0.18
EURHUF	377.4	377.8	-0.10
EURPLN	4.666	4.691	-0.54

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.201	4.208	-0.7
HUGB 10Y	6.78	6.75	0.4
PLGB 10Y	6.38	6.30	1.3

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1349.2	1367.6	-1.34
BUX	44220	43549	1.54
WIG	59081	58301	1.34

Regional insights

Czech growth surprises on the upside in 2022Q1

How was the Czech economy doing before the Russian invasion started? According to the GDP results for the first quarter, it wasn't that bad. Today's flash estimate of the first quarter GDP results **showed relatively solid quarter-on-quarter growth of 0.7% and an acceleration to 4.6% year-on-year even with the low 2021 base of comparison.**

The economy benefited from the strong performance of industry in January, the better performance of services (especially transport, hospitality) and the strong construction sector - in particular, the state-supported civil engineering sector grew sharply. On the demand side, this was reflected in better investment performance (gross fixed capital formation) and a positive contribution from foreign trade.

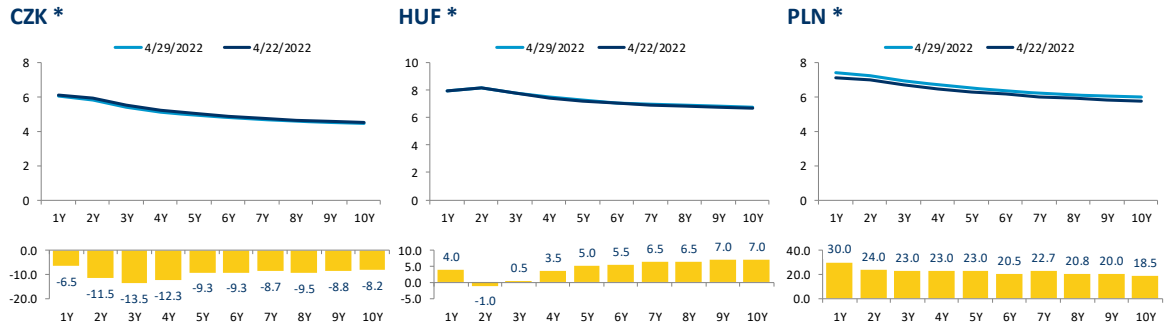
The second quarter is likely to be marked by a slight (quarter-on-quarter) downturn in the economy, which will start to be affected in the first place by high inflation dampening household consumption. At the same time, the conflict in Ukraine and lower availability of inputs will worsen the situation in industry and may be reflected in slower growth in manufacturing output. The availability of some strategic raw materials (gas, iron ore) remains a major unknown for the industry towards the second half of the year. Therefore, companies may also be more cautious in their investments.

For this reason, we expect a shallow technical recession during the second and third quarters. Barring an actual halt in gas supplies from Russia and the need to rationalise consumption, this recession should be temporary and the Czech economy will grow at a rate of just under 2% for the whole of 2022, according to our estimates.

Polish inflation above 12% in April

Polish inflation surprised on the upside again. According to the flash estimate, the headline inflation reached 2% MoM and 12.3% YoY. The most important inflation driver was food prices, which jumped 4.2% MoM. Still, **the April figures imply that the core inflation grew above 8% YoY. This is a clear signal for the NBP that it needs to be more aggressive in its hiking campaign. So, be ready for another bold rate hike next week – probably another +100bps.**

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	04/29	9:00	GDP	% 1Q/2022 *A	0.3	4.2	0.7	4.6	0.4	4.3	0.8	3.6
PL	04/29	10:00	CPI	% 04/2022 *P			2	12.3		11.2	3.3	11.0
CZ	04/29	10:00	Money supply M2	% 03/01/2022								6.1
HU	05/04	9:00	Retail sales	% 03/01/2022								9.8
HU	05/05	9:00	One week deposit rate	% 05/01/2022								6.45
CZ	05/05	14:30	CNB meeting	% 05/01/2022								5.00
PL	05/05	16:00	NBP meeting	% 05/01/2022								4.50
HU	05/06	9:00	Industrial output	% 03/01/2022							1.6	4.5
PL	05/06	14:00	NBP minutes	NBP 05/01/2022								
CZ	05/09	9:00	Trade balance (national)	CZK B 03/01/2022								-4.4
CZ	05/09	9:00	Industrial output	% 03/01/2022								-0.3
CZ	05/09	9:00	Construction output	% 03/01/2022								18.9
CZ	05/09	9:00	Unemployment rate 15-64	% 04/01/2022								3.4
HU	05/09	9:00	Trade balance	EUR M 03/2022 *P								
CZ	05/09	10:00	FX reserves of the CNB	EUR B 04/01/2022								157.6

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