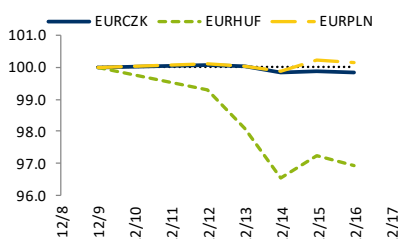




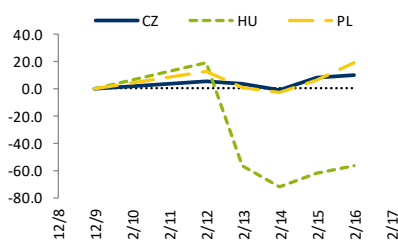
Friday, 16 December 2022

Forex markets (index)



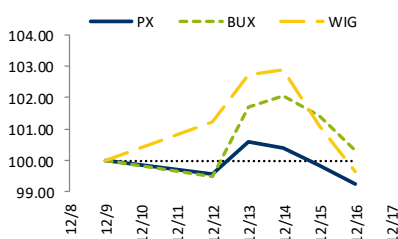
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.26	24.27	-0.02
EURHUF	406.2	407.4	-0.31
EURPLN	4.694	4.698	-0.08

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.652	4.634	1.8
HUGB 10Y	8.56	8.50	0.7
PLGB 10Y	6.64	6.51	2.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1164.2	1171.3	-0.61
BUX	44315	44810	-1.10
WIG	55641	56451	-1.43

Regional insights

NBH's meeting preview (on hold)

We don't expect any rate change from the National Bank of Hungary (NBH) on its last rate setting meeting next Tuesday (20th December), but a new inflationary report and the NBH statement will be interesting.

The Hungarian inflation outlook deteriorated substantially since September. Core inflation accelerated to 24% YoY in November, while headline figure has already reached the upper edge of the NBH's forecasted inflation band for year-end. So it is evidence that central bank has to modify upward its inflation outlook for both 2022 and 2023. We see average inflation at 14.6% YoY in 2022 and around 18-18.5 % YoY for 2023. We think that NBH may give a range of 15-18% YoY for 2023 and probably may keep the forecast of 2.5-4% YoY for 2024, although we see average inflation around 4.5% YoY in 2024.

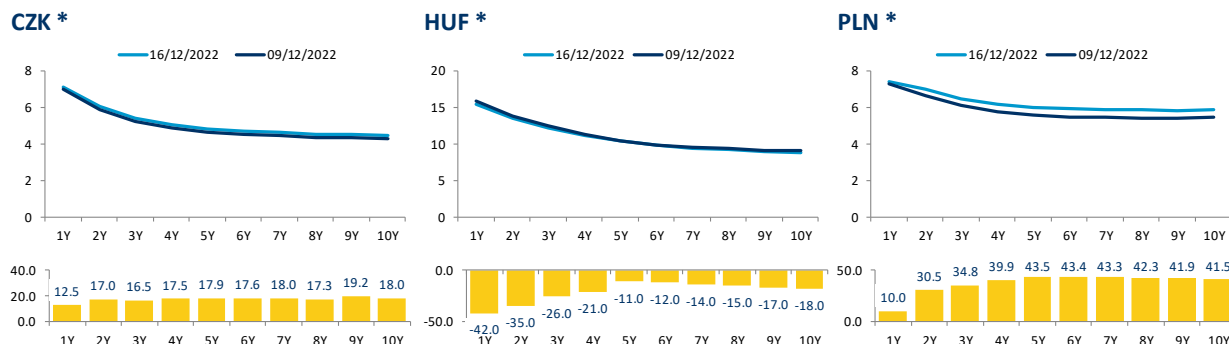
Regarding the economic outlook, the GDP growth may be revised upward for this year from the range of 3-4% YoY to 4-5% YoY and may keep next year's outlook at 0.5-1.5% YoY. Although the government has lots of programs, which are supporting the companies in handling the high energy prices, we expect that domestic demand may shrink in 2023 – net real wage may decrease by around 4%, additionally forint interest rates are extremely high, which pulls back borrowing activity – which may push the Hungarian economy into stagnation. On positive side NBH may highlight that the country's current account balance is over of its worst period, as the energy usage started to drop since September and the import growth of products may also slow down substantially due to the lower households consumption.

We expect that the statement will remain very hawkish, despite of the last days' forint appreciation and the positive development regarding the EU funds money (approval of RRF plan and smaller freeze of Cohesion funds money). The Council may highlight that the exchange rate plays still important role to push back inflation into the tolerance range of 3% +/- 1%pt, so they would like to see a stable currency in the coming months and quarters and if they see that forint deviates compared to other currencies in the region they will act.

The statement may highlight the hawkish stance of ECB as well, and the NBH may emphasize that the current high level of interest rate will remain with us for an extended period and they are targeting a positive real interest rate by the end of next year. So we don't expect any moderation of the overnight deposit tender rate (18%) at least till the end of January. We think that first of all the NBH would like to see that repricing behaviour of the companies at the beginning of the year, and how market sentiment develops from January.

So, all in all we expect a still very hawkish statement from the NBH, probably highlighting that the remaining price caps in case of some food products should be abolished as soon as possible – although the government just made the decision to keep it in power till end-April and no interest rate change for the coming months. NBH may emphasize that they will use all of them tools in order to avoid year-end turbulences including the EUR4bn repo agreement with the ECB – which agreement was extended January 2024 this week – if it is necessary.

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	12/16	9:00	PPI	%	11/01/2022			-1.00	21.3	0.3	23.0	0.6	24.1
PL	12/16	14:00	Core CPI	%	11/01/2022					0.6	11.2	1.0	11.0
PL	12/20	10:00	Wages	%	11/01/2022							0.0	13.0
PL	12/20	10:00	Industrial output	%	11/01/2022							-0.7	6.8
PL	12/20	10:00	PPI	%	11/01/2022							0.7	22.9
HU	12/20	14:00	NBH meeting	%	12/01/2022							13.00	
PL	12/21	10:00	Retail sales	%	11/01/2022							0.3	0.7
CZ	12/21	14:30	CNB meeting	%	12/01/2022							7.00	
HU	12/22	8:30	Current account	HUF B	3Q/2022							-2630	
HU	12/22	9:00	Trade balance	EUR M	10/2022 *F							-1009	
PL	12/22	14:00	Money supply M3	%	11/01/2022							0.4	7.0
PL	12/23	10:00	Unemployment rate	%	11/01/2022							5.1	
CZ	12/30	10:00	Money supply M2	%	11/01/2022								5.9
PL	12/30	15:00	Budget balance	PLN M	11/01/2022							27235	

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