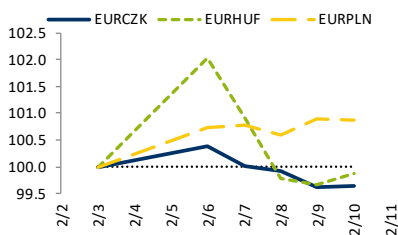




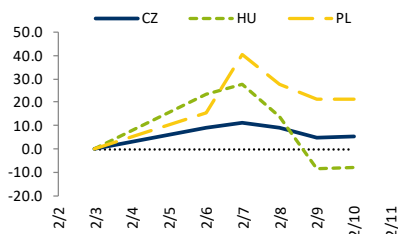
Friday, 10 February 2023

Forex markets (index)



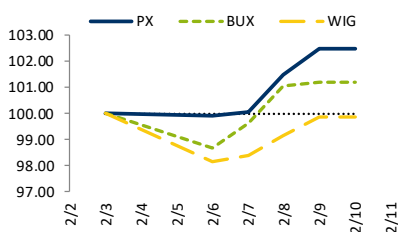
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.69	23.69	0.02
EURHUF	387.2	386.4	0.21
EURPLN	4.754	4.755	-0.03

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.408	4.404	0.4
HUGB 10Y	7.66	7.65	0.1
PLGB 10Y	5.92	5.92	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1388.8	1388.8	0.00
BUX	45936	45936	0.00
WIG	61394	61394	0.00

Regional insights

Hungarian inflation surprise came from market services

Consumer prices jumped from 24.5% YoY in December to 25.7% YoY in January well above the market expectation of around 25% YoY. Core inflation accelerated from 24.8% YoY to 25.4% YoY respectively.

By far the biggest surprise came from the market services. The prices in this group increased by 2.2% MoM, which is the highest monthly rise since January 2012 and clearly suggests that inflation pressure remained elevated at the beginning of the year. It will be important to see how robust the price increase remains in February but based on an expected above 15% YoY wage growth, market services price increase remain elevated.

In case of the tradeable goods products the monthly price increase was roughly the same as a year ago despite of the weakening domestic demand and appreciating forint. Although food inflation is extremely high, the monthly rise of prices was slightly below compared to last year's level, which may suggest that we may have seen the peak.

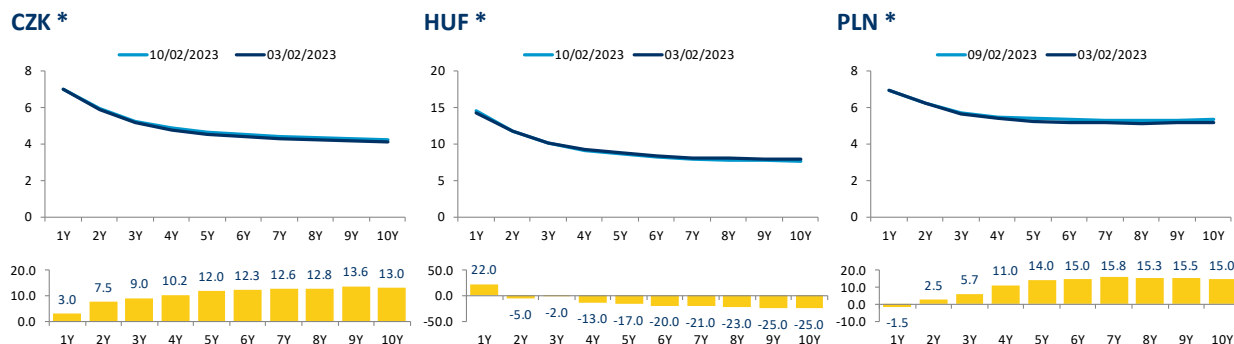
Just like in December, gas and electricity prices have moderated thanks to the warm weather and the lower consumption of the households. The abolishment of the fuel price cap in December had still 0.6%pt upward effect on inflation in January. Based on the recent developments in oil markets, we expect that fuel prices moderate in February, which pulls back inflation, but on the other hand the chilly weather may push up gas price for households. These two opposite moves may neutralize each other.

Despite the higher-than-expected January CPI figure, we maintain our view that we have seen the peak of headline inflation and the February figure might be slightly below mainly thanks to base effects. The dynamic of the disinflation process highly depends on the government decision about the cap of some specified food products, which are effective till end-April. If the government abolishes these price caps it could add roughly 1%pt to the headline inflation.

We expect that consumer price index may moderate below 20% YoY level during the summer and below 10% YoY at the end of the year and so the average inflation could be around 18% YoY depending partly on the decision of the government about the price caps.

The January inflation figure confirms our view that there is no room for NBH to start the monetary easing on its February meeting and so the hawkish stance may remain with us. In case February CPI figure moderates and EUR/HUF remains mainly below 390 in the following weeks, NBH may cut the overnight deposit tender rate level from 18% to 17% at its March meeting. Even if they start the easing cycle, it might remain very cautious till the summer, highly depending on the development of the inflation, the external environment (energy prices, leading central banks' decision, risk premium) and the exchange rate. We maintain our view that the gap between the base rate (13%) and the overnight deposit rate (18%) may be closed during the summer.

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
HU	02/10	8:30	CPI		% 01/01/2023			2.3	25.7	1.9	25.2	1.9	24.5
CZ	02/10	9:00	CPI		% 01/01/2023	17.7		6.0	17.5	5.8	17.1	0.0	15.8
CZ	02/13	10:00	Current account		CZK B 12/01/2022							-39.3	
PL	02/13	14:00	Current account		EUR M 12/01/2022							-422	
PL	02/13	14:00	Trade balance		EUR M 12/01/2022							-1496	
HU	02/14	9:00	GDP		% 4Q/2022 *P							-0.4	4.0
PL	02/15	10:00	CPI		% 01/01/2023							0.1	16.6
PL	02/17	10:00	GDP		% 4Q/2022 *P							1.0	3.6

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