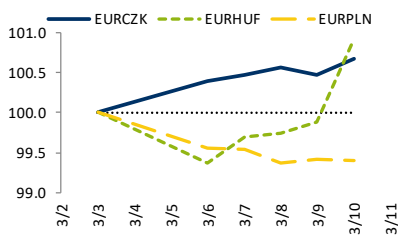


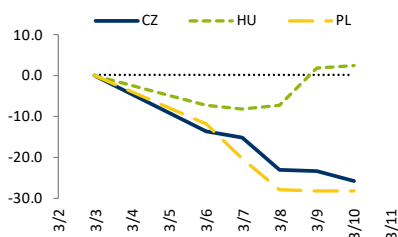
Friday, 10 March 2023

Forex markets (index)



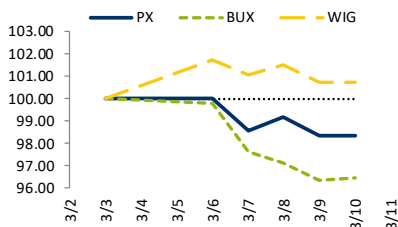
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.63	23.58	0.20
EURHUF	382.9	379.0	1.03
EURPLN	4.682	4.683	-0.02

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.840	4.864	-2.4
HUGB 10Y	8.75	8.74	0.1
PLGB 10Y	6.23	6.24	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1396.6	1396.6	0.00
BUX	42874	42816	0.13
WIG	60643	60643	0.00

Regional insights

Czech inflation eased as expected in February

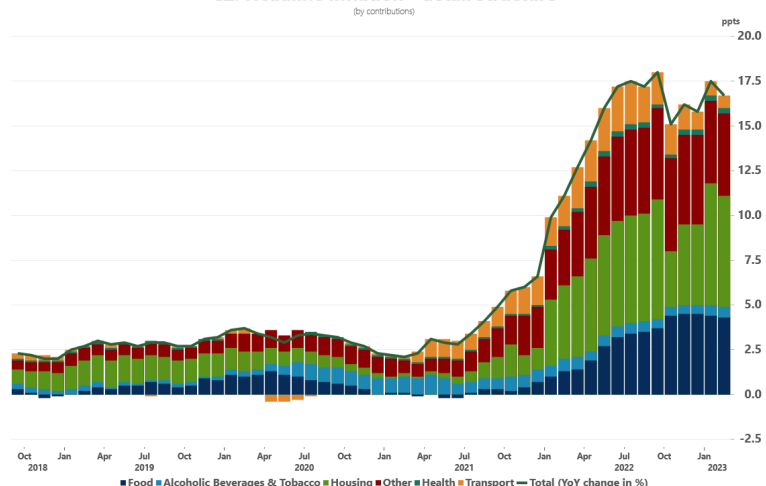
Czech consumer prices rose by 0.6% m-o-m in February, as expected, leading to a fall in annual inflation from 17.5% to 16.7% (the CNB and the market had forecast a slightly stronger decline to 16.5%).

In February, there were some significant price hikes in food led by vegetables (+12.7%) and fruit. Even so, the contribution of food was slightly lower than expected, with some previously fast-priced foods such as butter and pork starting to get cheaper. By contrast, prices of goods in the household goods category - appliances and household equipment (+1.4%) rose more strongly. As expected, fuel prices rose slightly in February, while inflation in the key housing section began to slowly recede - imputed rents continued to fall (-0.7% m-o-m) and gas prices fell slightly (-1.6%).

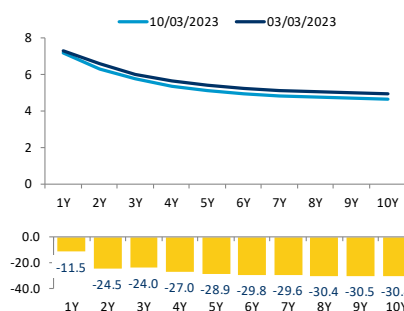
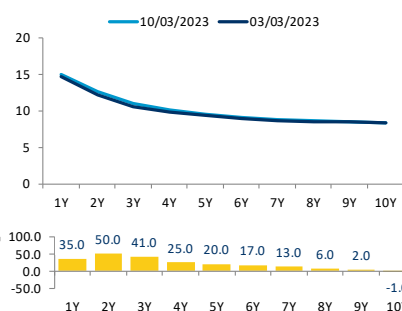
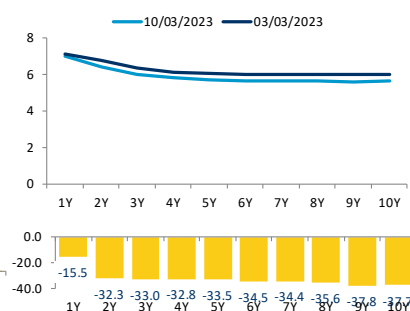
Overall, February's inflation numbers are not a big surprise to us. We continue to expect inflation to subside in the coming months, mainly due to lower energy inflation. Food inflation will subside at a much slower pace and core inflation (excluding imputed rent) will have the highest persistence in our view. Further, inflation should remain in double digits in the first half of the year and may average around 11% for the full year.

Given the high uncertainty surrounding the inflation outlook and the continued rise in rates abroad, we continue to bet that the CNB will cut interest rates for the first time in Q4 2023. For the CNB's future monetary policy stance, it will be important not only how quickly inflation fades this year, but also how inflation outlook for 2024 and 2025 will evolve. We still find the assumption of a rapid return of inflation to 2% target (the CNB's latest forecast) as relatively optimistic.

CZ: Headline inflation - detail structure



Interest-rate Swap Curves

CZK *

HUF *

PLN *


* 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	03/10	8:30	Trade balance		EUR M 01/2023 *P			-165				-168	
CZ	03/10	9:00	Construction output	%	01/01/2023				5.4			-0.2	
CZ	03/10	9:00	Industrial output	%	01/01/2023				1.3		3.2	1.3	
CZ	03/10	9:00	CPI	%	02/01/2023			0.6	16.7	0.5	16.6	6.0	17.5
CZ	03/14	9:00	Retail sales ex autos	%	01/01/2023							-7.3	
HU	03/14	14:00	NBH minutes		02/01/2023								
CZ	03/15	9:00	PPI	%	02/01/2023							5.8	19.0
PL	03/15	10:00	CPI	%	02/01/2023							2.4	17.2
CZ	03/16	10:00	Current account		CZK B 01/01/2023							-7.8	
PL	03/16	14:00	Current account		EUR M 01/01/2023							-2526	
PL	03/16	14:00	Trade balance		EUR M 01/01/2023							-2716	
PL	03/16	14:00	Core CPI	%	02/01/2023								

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