

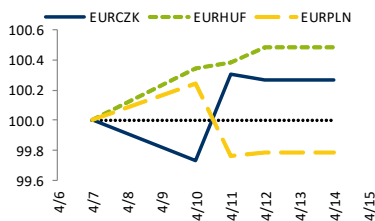
Central Europe Friday



Moving forward
together.

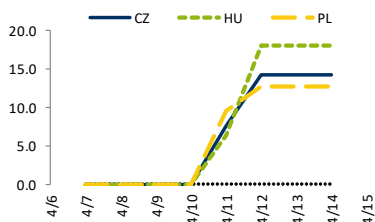
Friday, 14 April 2023

Forex markets (index)



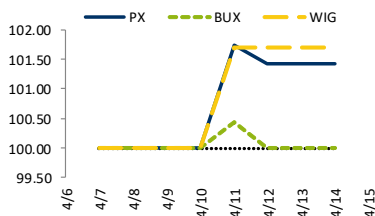
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.47	23.47	0.00
EURHUF	376.0	376.0	0.00
EURPLN	4.669	4.669	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.617	4.617	0.0
HUGB 10Y	8.51	8.51	0.0
PLGB 10Y	6.18	6.18	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1400.9	1400.9	0.00
BUX	44221	44221	0.00
WIG	59531	59531	0.00

Regional insights

Czech inflation slows, but only slowly

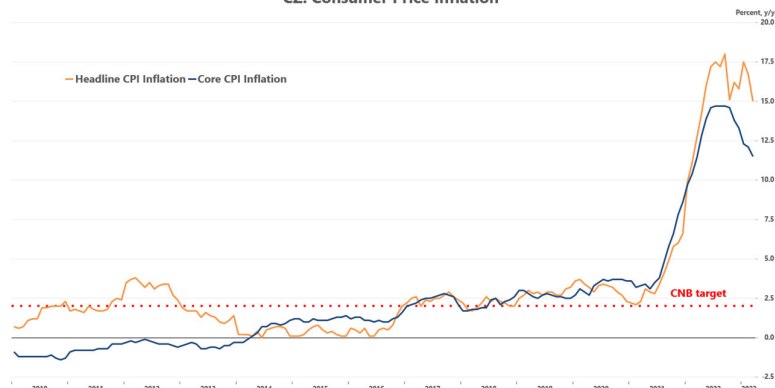
Czech inflation fell in line with expectations in March, from 16.7% to 15% (our estimate of 14.8%). Consumer prices rose only slightly month-on-month, by 0.1%. While the headline figure was close to our estimate, looking at the details we were surprised in a number of areas. This was particularly the case when looking at food, which continued to rise instead of falling as expected. Declines in eggs, butter and cheese were more than offset by more expensive vegetables and, rather surprisingly, meat (something that the monthly surveys among food prices had not pointed to). Thus, food prices rose by 0.4% month-on-month and maintained a high momentum close to 24% year-on-year. Hospitality services, for which food prices are often an important input, also rose faster than expected (+1.1% month-on-month, 21.3% year-on-year).

In contrast, as expected, energy prices, (imputed) rents, fuel and seasonal discounting in recreation and culture pulled inflation down month-on-month.

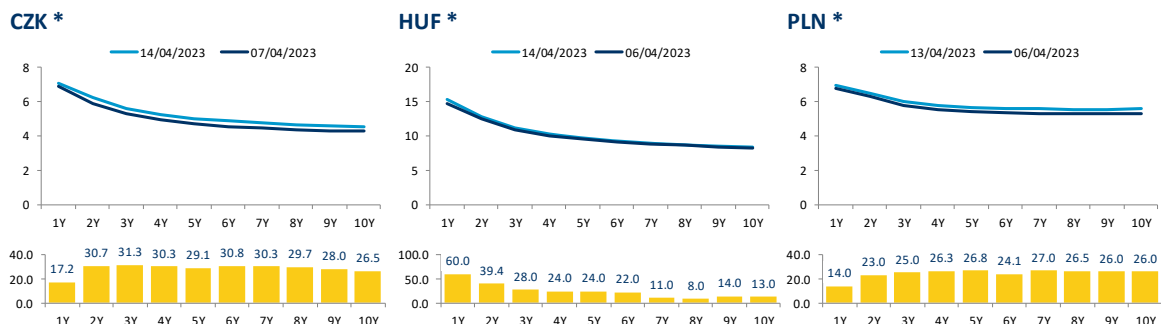
Inflation is expected to slow further in the coming months and reach single-digit levels by mid-year. However, food inflation and core inflation (excluding imputed rents) look set to be relatively sticky. Even after yesterday's numbers, we expect that inflation may average between 10-11% for the full year (our estimate is 10.9%), with a more pronounced decline in annual inflation momentum not occurring until early 2024, when consumers begin to see a more pronounced decline in gas and electricity prices (coming from European commodity markets).

For the CNB, yesterday's inflation release should not come as a big surprise, and this was confirmed by yesterday's commentary of the Centra National Bank to the inflation figures. Inflation is fading, but relatively slowly (the core CPI is still at 11.5% YoY), and therefore any debate about a rate cut is off the table for now. Meanwhile, we continue to expect the central bank to cut interest rates for the first time in Q4 2023 at the earliest.

CZ: Consumer Price 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
PL	04/14	10:00	CPI	%	03/2023 *F			1.1	16.1			1.1	16.2
PL	04/17	14:00	Core CPI	%	03/01/2023					1.2	12.2	1.3	12.0
CZ	04/19	9:00	PPI	%	03/01/2023					-0.4	10.8	-0.3	16.0
PL	04/21	10:00	Wages	%	03/01/2023					6.0	12.3	2.6	13.6

Contacts

Brussels Research (KBC)		Global Sales Force	
Mathias van der Jeugt	+32 2 417 51 94	Brussels	
Peter Wuyts	+32 2 417 32 35	Corporate Desk	+32 2 417 45 82
Mathias Janssens	+32 2 417 51 95	Institutional Desk	+32 2 417 46 25
		France	+32 2 417 32 65
		London	+44 207 256 4848
		Singapore	+65 533 34 10
Prague Research (CSOB)		Prague	
Jan Čermák	+420 2 6135 3578	Prague (Equities)	+420 2 2142 4216
Jan Bureš	+420 2 6135 3574		
Bratislava Research (CSOB)		Bratislava	
Marek Gabris	+421 2 5966 8809		+421 2 5966 8820
Budapest Research		Budapest	
David Nemeth	+36 1 328 9989		+36 1 328 99 85

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