

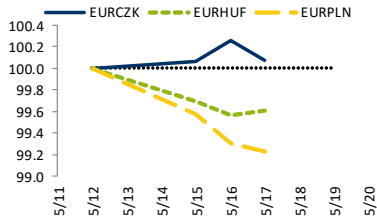
Central Europe Wednesday



Moving forward
together.

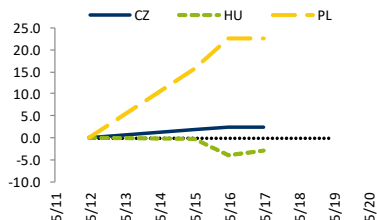
Wednesday, 17 May 2023

Forex markets (index)



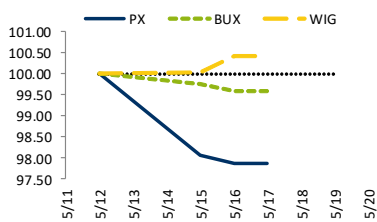
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.63	23.67	-0.19
EURHUF	368.8	368.7	0.04
EURPLN	4.488	4.491	-0.08

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.402	4.402	0.0
HUGB 10Y	7.69	7.68	0.1
PLGB 10Y	5.95	5.95	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1342.5	1342.5	0.00
BUX	45848	45848	0.00
WIG	63941	63941	0.00

Our regional insights:

The Polish success story continues even in 2023

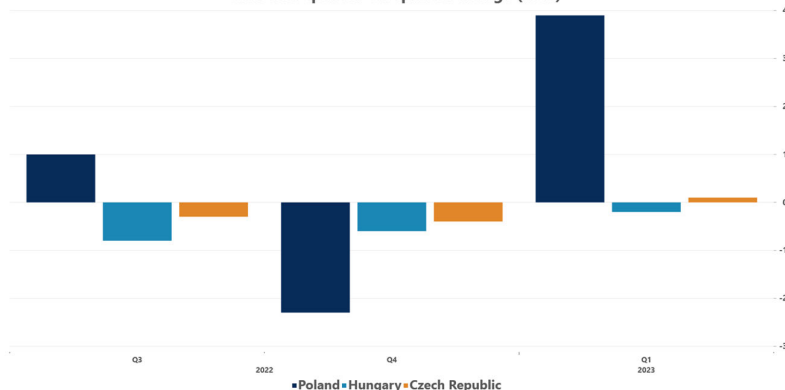
The Polish economy proves that it can still surprise in a very positive way in 2023. The GDP growth flash estimate for the first quarter of this year, released yesterday, significantly exceeded even the most optimistic market estimates. Hence, it has completely rejected the notion that the Polish economy would face a dramatic slowdown or even a technical recession. Recall that quarter-on-quarter GDP growth in Q1 was a staggering 3.9%. Although this figure represents a slight decline in year-on-year terms, it implies that Poland is likely to show solid growth this year as well.

However, Poland's extremely strong economic growth in the previous quarter is suspicious for two reasons. First, the robust growth does not quite fit into the regional context, with neighbouring economies either stagnating (Germany) or declining (the Czech Republic or Hungary) in the first quarter of this year. Secondly, very strong GDP growth is not compatible with Polish hard monthly data such as industrial production or retail sales. The monthly indicators mentioned above looked clearly weaker and certainly did not suggest that such robust growth could occur.

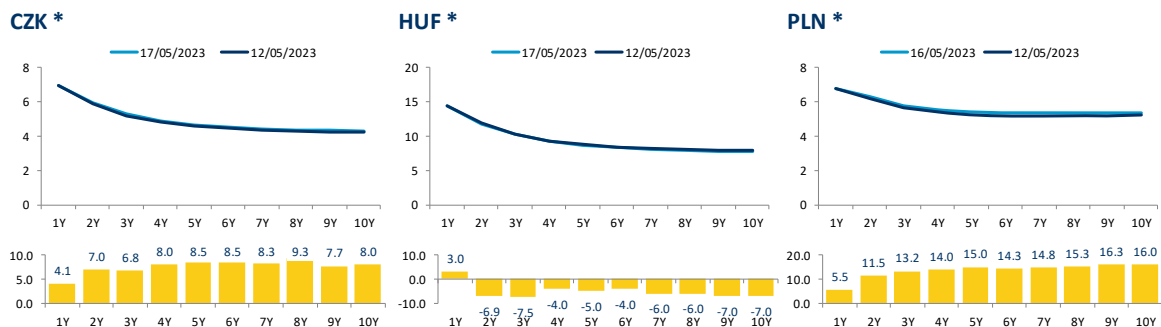
The flash estimate of GDP does not contain details which will eventually help us discover what might have been behind the surprisingly strong growth. One supporting factor could undoubtedly be foreign trade, which has performed amazingly in 2023 and now fully recovered from the shock of the Russian invasion of Ukraine. The quarterly current account balance even reached the highest surplus since the beginning of the pandemic. However, these surpluses, unlike during the COVID, have a different quality, as they are not achieved by a fall in imports but by a recovery in exports. In this context, it is worth mentioning especially the long-term increase in exports of services from Poland. It is worth noting that the surplus of the services balance (of the current account) surpassed the magic figure of EUR 10 bn in the first quarter of this year.

Hence, Poland's growth success story is therefore continuing despite the war in Ukraine and tightening monetary policies across Europe. Unsurprisingly, this story is being rewarded by the zloty, which is strengthening not only against the euro but also against other regional currencies. Moreover, the Warsaw bourse, whose performance this year has been among the best in Europe, is similarly buoyed.

Real GDP quarter-on-quarter change (in %)



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). Source for all market data: Bloomberg

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	05/18	9:00	PPI	%	04/01/2023					-0.2	7.5	-1.0	10.2
PL	05/22	10:00	PPI	%	04/01/2023							-0.8	10.1
PL	05/22	10:00	Industrial output	%	04/01/2023							14.1	-2.9
PL	05/22	10:00	Wages	%	04/01/2023							6.3	12.6
PL	05/23	10:00	Retail sales	%	04/01/2023							14.0	-7.3
HU	05/23	14:00	NBH meeting	%	05/01/2023							13.0	
HU	05/24	8:30	Wages	% ytd.	03/01/2023								0.2
CZ	05/24	12:00	CZ bond auction 2022-2028, 5.50%	CZK B	05/01/2023					6			
CZ	05/24	12:00	CZ bond auction 2022-2030, 5.00%	CZK B	05/01/2023					5			

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		+420 2 6135 3535	
Jan Čermák	+420 2 6135 3578			Prague (Equities)		+420 2 2142 4216	
Jan Bureš	+420 2 6135 3574						
Bratislava Research (CSOB)				Bratislava		+421 2 5966 8820	
Marek Gabris	+421 2 5966 8809						
Budapest Research				Budapest		+36 1 328 99 85	
David Nemeth	+36 1 328 9989						

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