

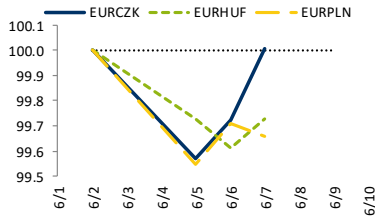
Central Europe Wednesday



Moving forward
together.

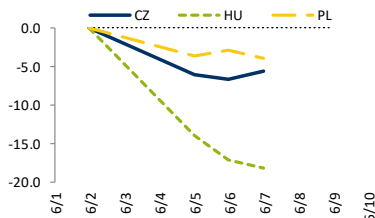
Wednesday, 07 June 2023

Forex markets (index)



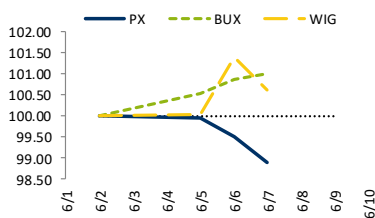
	LAST	PREVIOUS	CHANGE (%)
EURCZK	23.62	23.56	0.28
EURHUF	368.8	368.4	0.12
EURPLN	4.478	4.480	-0.05

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.435	4.425	1.0
HUGB 10Y	7.37	7.38	-0.1
PLGB 10Y	5.93	5.94	-0.2

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1301.2	1309.1	-0.60
BUX	48345	48287	0.12
WIG	66064	66568	-0.76

Our regional insights:

NBP on hold, zloty shrugs off TRY's freefall

As widely expected, the Polish central bank (NBP) left its policy on hold yesterday, while the MPC statement was little changed too. The dovish majority inside the MPC clearly believes that the decline in domestic inflation would continue – it 'will be supported by a weakening of GDP growth, including consumption, amid a significant decrease in credit growth'. This message will be strongly reiterated at an upcoming press conference of by NBP President Glapinski this afternoon.

Meanwhile, the zloty gradually extends its gains despite the sell-off in one of the key emerging markets as the Turkish lira has completely lost ground after the second round of the presidential elections and other CE currencies (the CZK and the HUF) have eased somewhat this morning.

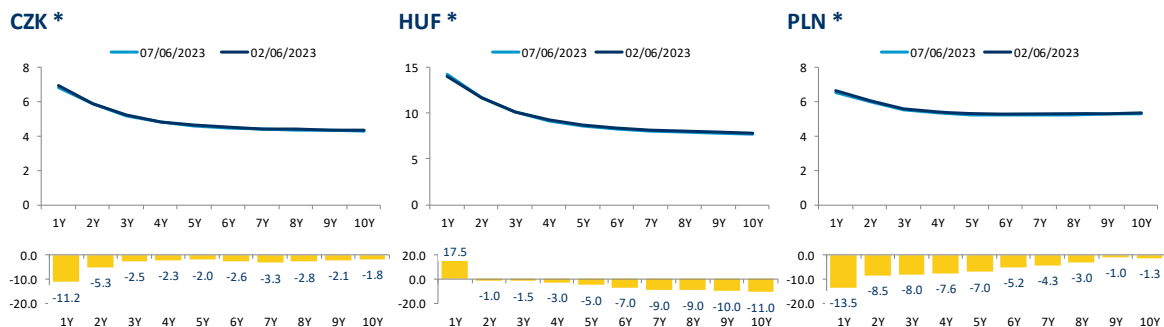
Czech wage growth not so strong, retail stays weak

Growth of Czech (nominal) wages accelerated to 8.6% in Q1 2023 from 6.6% in Q4. Wages were driven up year-on-year mainly by the electricity and gas distribution sector (up 23.1% YoY). Overall, wages in the key sectors of Czech industry - engineering (+9.3%) and automotive (+11.2%) - grew faster too. Although wages in the public (administration) sector grew rapidly year-on-year (+11.2%), other non-private sectors lagged behind, led by education (up only 3.9%) and healthcare (+5.9%). The slower average wage growth was also due to a decline in employment in faster adding sectors (such as industry) and, conversely, to an increase in employment in sectors with lower wage dynamics (such as public administration). We think that it is likely that wage growth will accelerate further during the second quarter, which will be a result of wage hikes in some key companies (such as Škoda Auto). However, it seems likely that the overall (YoY) wage growth will remain in single digits and that relatively significant differences in the pace of wage increases will persist between employers.

Turning to the inflation outlook, although accelerating, we believe that Czech wages should feed into strong service's inflation in the future. Still, the core inflation (excluding imputed rents) will be relatively sticky, and we continue to assume that the CNB will be very cautious with its first rate cut. On the other hand, heading into the June meeting of the CNB, we view the wage figure for 2023Q1 as dovish – recall that the CNB's staff projection assumed 9.1% wage growth and it did not expect a negative revision for Q4 2022. Moreover, today's release of the April retail sales, which were quite weak again (-7.7% YoY), has sent another dovish signal.

Thus, we continue to expect the Czech central bank to hold rates steady at 7.0% in the coming months, while the first cut might occur in Q4 2023.

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
HU	06/07	8:30	Industrial output	%	04/01/2023			-2.5	-5.8	-1.6	-1.1	0.2	-4.0
CZ	06/07	9:00	Retail sales ex autos	%	04/01/2023				-7.7		-6.1		-8.1
CZ	06/07	10:00	FX reserves of the CNB	EUR B	05/01/2023			127.9				126.8	
CZ	06/07	12:00	CZ bond auction 2022-2030, 5.00%	CZK B	06/01/2023					5			
CZ	06/07	12:00	CZ bond auction 2022-2035, 2.50%	CZK B	06/01/2023					2			
HU	06/07	14:00	NBH minutes		06/01/2023								
HU	06/08	8:30	CPI	%	05/01/2023					0.5	22.3	0.7	24.0
HU	06/08	8:30	Trade balance	EUR M	04/2023 *P							886	
CZ	06/08	9:00	Unemployment rate 15-64	%	05/01/2023					3.5		3.6	

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