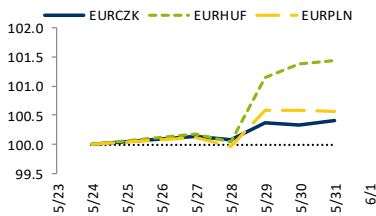


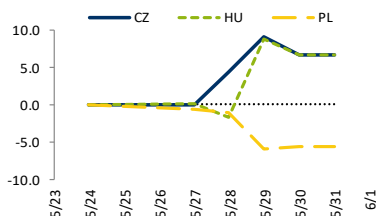
Friday, 31 May 2024

Forex markets (index)



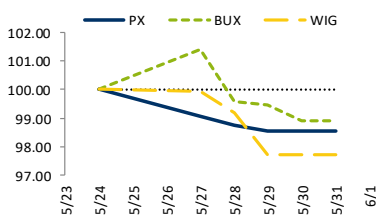
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.75	24.73	0.08
EURHUF	389.4	389.2	0.05
EURPLN	4.278	4.279	-0.01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.338	4.338	0.0
HUGB 10Y	6.92	6.92	0.0
PLGB 10Y	5.75	5.75	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1539.9	1539.9	0.00
BUX	68095	68095	0.00
WIG	85697	85697	0.00

Regional insights

A downward Czech GDP revision brings disappointment

The revision of the Czech GDP for the first quarter brought a surprising disappointment, to which the Czech koruna even reacted negatively. **The original growth estimate (0.5% QoQ) has been revised down to 0.3%, implying annual growth of only 0.2%. This figure is slightly behind the latest CNB staff forecast (0.3% YoY).**

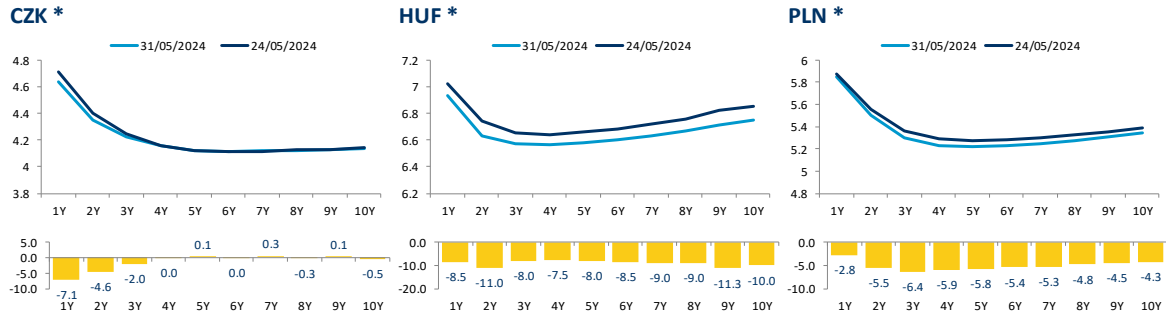
The details of the GDP report confirmed that the Czech economy is mainly driven by household consumption, which surprised with an even faster growth than expected by the central bank (1.1% q-o-q). It is clear that households are very positively affected by the visible decline in inflation and the continued rise in nominal wages. They are also benefiting from the fact that the higher income groups in the Czech Republic have still excessive savings accumulated over the past two years and they are now starting to spend more again as interest rates fall.

On the contrary, the performance of investment was surprisingly worse this time, as it fell significantly quarter-on-quarter. We are still betting on a recovery in investment activity in the coming quarters and believe that part of today's surprise may be of a technical-statistical nature. In particular, lower interest rates, available public financing and the resurgence of the property market should continue to play in favour of investment. On the other hand, we are somewhat concerned about the persistent negative sentiment in a number of industries (especially cyclical sectors such as engineering) as well as the relatively sharp decline in corporate profitability in the last quarter. Declining inflation necessarily comes together with slower nominal GDP growth and, while wage dynamics remain sticky, it means that profit dynamics are deteriorating sharply.

On the other hand, we were slightly positively surprised by the halt in the decline in inventories and the cosmetically better growth in real exports (quarter-on-quarter, however, foreign trade contributes negatively). Hence for the time being, we keep our estimate for the following quarters unchanged and the headline GDP estimate for 2024 goes down cosmetically from 1.6% to 1.4% due to the weaker first quarter.

Overall, the headline GDP numbers may have missed expectations (both ours and the CNB's), but key household consumption remains strong. So, in our view today's release of the GDP figures should not imply a need more aggressive easing. A more crucial number for the central bank may be wage growth figures released next week. Actually, today's GDP downward revision suggest that the actual wage growth could be slightly lower than the number pencilled in the CNB's February staff forecast.

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	Unit	Period	Forecast		Actual		Consensus		Previous	
						m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	05/31	8:30	PPI	%	04/2024			-2.0	-0.9			0.1	-3.0
HU	05/31	8:30	Trade balance	EUR M	03/2024 *F			1570				1510	
CZ	05/31	9:00	GDP	%	1Q/2024 *P			0.3	0.2	0.5	0.4	0.5	0.4
CZ	05/31	10:00	Money supply M2	%	04/2024								6.9
HU	06/03	9:00	PMI manufacturing		05/2024								51.8
PL	06/03	9:00	PMI manufacturing		05/2024								45.9
CZ	06/03	9:30	PMI manufacturing		05/2024								44.7
PL	06/03	10:00	GDP	%	1Q/2024 *F							0.4	1.9
CZ	06/03	14:00	Budget balance	CZK B	05/2024								-153.1

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

DISCOVER MORE ECONOMIC INSIGHTS AT WWW.KBCECONOMICS.COM

This non-exhaustive information is based on short-term forecasts for expected developments on the financial markets. KBC Bank cannot guarantee that these forecasts will materialize and cannot be held liable in any way for direct or consequential loss arising from any use of this document or its content. The document is not intended as personalized investment advice and does not constitute a recommendation to buy, sell or hold investments described herein. Although information has been obtained from and is based upon sources KBC believes to be reliable, KBC does not guarantee the accuracy of this information, which may be incomplete or condensed. All opinions and estimates constitute a KBC judgment as of the date of the report and are subject to change without notice.

