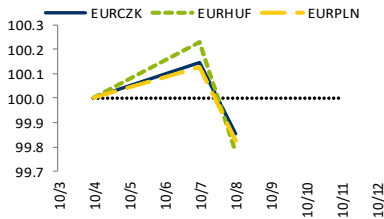


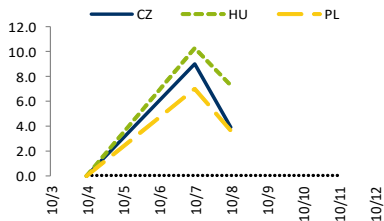
Wednesday, 09 October 2024

Forex markets (index)



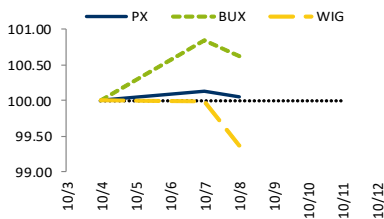
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.30	25.38	-0.29
EURHUF	400.5	402.3	-0.45
EURPLN	4.311	4.324	-0.30

Gov. bonds 10 Y (bps change)



Bond	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.941	3.992	-5.1
HUGB 10Y	6.48	6.51	-0.5
PLGB 10Y	5.43	5.47	-0.6

Equity indices (index)



Index	LAST	PREVIOUS	CHANGE (%)
PX	1592.5	1593.8	-0.08
BUX	73867	74032	-0.22
WIG	81499	81996	-0.61

Our regional insights:

Solid retail sales point to stronger Czech growth

Like the Czech industrial production data released on Monday, retail sales surprised to the upside in August, rising 5.3% y/y, with July revised upwards. The incoming figures thus point to an acceleration in GDP growth in the third quarter, although the flood-hit September adds a new element of uncertainty to the estimates this time around.

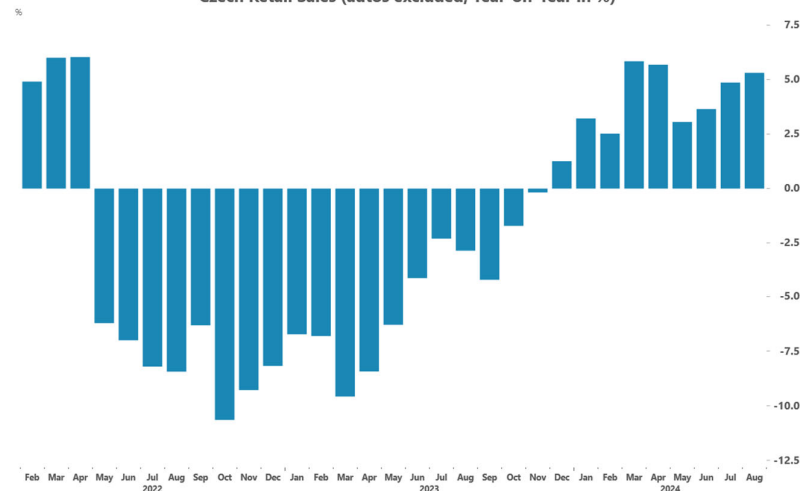
Looking at the details, retail sales grew in all key segments and fell only in stores selling cultural, sport and recreational goods by 0.6%. On the positive side, retail sales are no longer dragged down by food sales. Meanwhile, sales in non-specialised stores with a predominance of non-food goods increased by 16.8% and sales to online stores rose by 16.1%.

All in all, the retail sales figures point to an acceleration in the spending of Czech households. This is positive news after a slightly weaker second quarter. **Moreover, it confirms our bets on a continued recovery of the Czech economy, which may even be slightly faster in Q3 than our current estimate (+0.4% QoQ). Still, the CNB's summer staff forecast was relatively optimistic in terms of growth and its assumption (+0.8% QoQ) is likely to be hard to beat.**

All this is happening against the backdrop of a gradually cooling labour market. According to recently published data, the unemployment rate grew slightly from 3.8% to 3.9% in September. The main reason for this is the arrival of fresh graduates on the labour office's register. This phenomenon has been relatively strong this year, even with the weaker economic performance, with around 3000 fresh graduates entering the labour market, roughly two-thirds of the total number of newly unemployed.

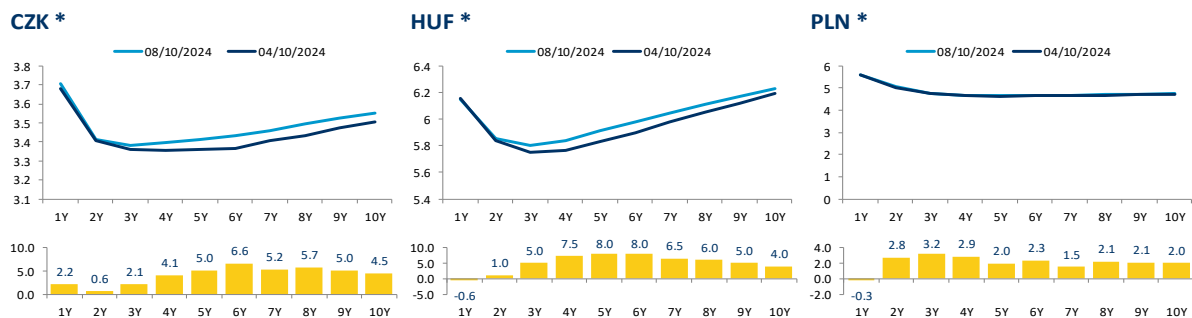
Thus, it appears that tensions in the domestic labour market continue to ease. Hence, we expect the unemployment rate to rise further towards the end of this year and to exceed 4%.

Czech Retail Sales (autos excluded, Year-on-Year in %)



Source: K&H Economics based on CSO

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	10/09	12:00	CZ bond auction 2017-2027, 0.25%	CZK B						4		
CZ	10/09	12:00	CZ bond auction 2022-2035, 3.50%	CZK B						3		
HU	10/09	14:00	Minutes of the monetary policy meeting	NBH								
HU	10/10	8:30	CPI	%					0	3.1	0	3.4
CZ	10/10	9:00	CPI	%			-0.6	2.3	-0.6	2.4	0.3	2.2
CZ	10/14	10:00	Current account	CZK B							-13.7	
PL	10/14	14:00	Current account	EUR M							-1462	
PL	10/14	14:00	Trade balance	EUR M							-1450	
PL	10/15	10:00	CPI	%							0.1	4.9

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