



## Central Europe - Wednesday

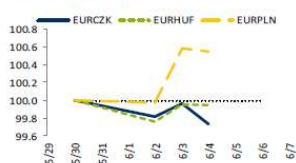
Wednesday, June 4, 2025

Written by CSOB and K&H Hungary



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### Forex markets (index)



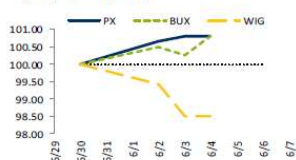
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.85	24.91	-0.23
EURHUF	403.6	403.6	-0.01
EURPLN	4.276	4.278	-0.04

### Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.120	4.113	0.7
HUGB 10Y	7.00	6.97	0.4
PLGB 10Y	5.50	5.50	0.0

### Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	2166.1	2166.1	0.00
BUX	96467	95952	0.54
WIG	99971	99971	0.00

## Our regional insights:

### Czech inflation surprises to the upside in May

Czech consumer prices rose by 0.5% month-on-month in May, pushing up the annual inflation rate to 2.4%. This is more than we (2.1%), the market (2%) and the CNB (2.3%) had expected. All this comes after April, when inflation surprised us, the market and the CNB with a much lower figure (1.8%).

May's (upside) surprise was again largely due to highly volatile food prices, which together with alcohol had risen somewhat more sharply month-on-month (1.3% vs. 0.9%). We do not yet have the detailed structure (this is a preliminary estimate), but it seems that services in aggregate were slightly increasing inflation momentum roughly in line with our expectations, while energy had again become somewhat cheaper.

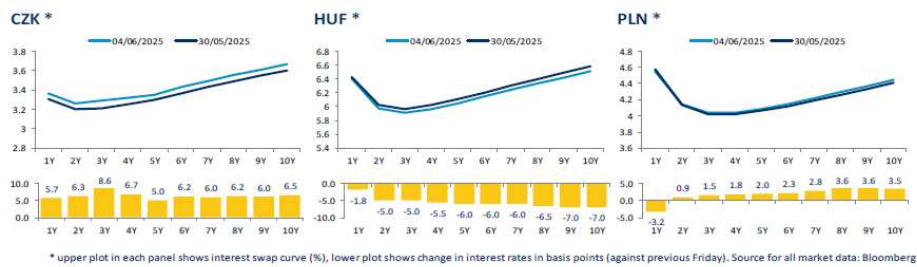
Looking ahead, we continue to expect relatively high volatility this year. In the coming months, food will continue to contribute to year-on-year inflation and services (core inflation) will add in greater intensity. The atypical seasonality of recent years (especially in recreation and culture) may also play a role here - which is why we are likely to reach a short-term inflation peak of close to 2.8% already in June. Subsequently, inflation should start to gradually return to the inflation target over the summer and autumn. We are keeping our estimate for average inflation this year at 2.3% for the time being.

Meanwhile, average wage growth has slowed slightly in 2025, but the rate is still solid. According to today's release, annual average wage growth slowed from 6.9% at the end of 2024 to 6.7% in the first quarter of 2025. We are forecasting a further slight slowdown in wage dynamics later in the year and overall wage growth of close to 6% for the whole of 2025. The 2025Q1 figures thus confirm our view. Although there is a slight cooling of the labour market and a slight rise in unemployment, the labour market is still relatively tight and the increased wage dynamics will only gradually fade away. Hence, wage dynamics will continue to outpace labour productivity dynamics this year. The fact that wages are also being driven mainly by selected market services, where businesses are still able to raise prices faster (inflation momentum is well above 2%), is a concern for the CNB, which will stay cautious.

### The NBP on hold despite lower inflation

The Polish central bank meets this afternoon, and it is expected to keep the policy rate at a relatively high level of 5.25%, despite the fact that inflation fell further in May and is clearly heading towards the target corridor of 1.5-3.5%. This is also why the zloty may be a bit more nervous ahead of the meeting, as we cannot rule out dovish signals sent either today through the MPC statement or during NBP President Glapinski's press conference tomorrow afternoon. Let's add that the zloty may also be slightly irritated by the planned vote of confidence in the Tusk government scheduled for July 11<sup>th</sup>, which follows the victory of the opposition presidential candidate in Sunday's elections.

# Interest rate swap curves



# 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	06/04	9:00	CPI	%	05/2025 *P	0.2	2.1	0.5	2.4	0.2	2.0	-0.1	1.8
CZ	06/04	9:00	Retail sales ex autos	%	04/2025		1.9		5.8		3.4		3.4
CZ	06/04	9:00	Real wages	%	1Q/2025		3.7		3.9		3.7		4.2
CZ	06/04	12:00	CZ Bond auction 2023-2032, 4.50%	CZK B	06/2025					4			
CZ	06/04	12:00	CZ Bond auction 2025-2034, 4.25%	CZK B	06/2025					5			
PL	06/04	15:00	Policy rate	NBP	06/2025	5.25				5.25		5.25	
PL	06/05	15:00	NBP President Press Conference	NBP	06/2025								
HU	06/06	8:30	Industrial output	%	04/2025						-4.6	0.1	-5.4
HU	06/06	8:30	Retail sales	%	04/2025						1.0		0.4

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