Tuesday, April 05, 2011

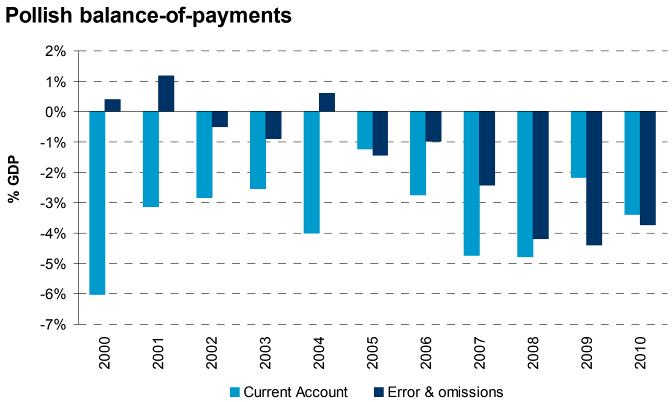
Central European Weekly

Written by CSOB Prague and K&H Budapest

Weekly Highlights:

- Polish errors & omissions in balance-of-payments grab markets' attention
- MNB unveils New Report on Inflation, which suggests flat rates for some time
- Past behaviour of regional central banks implies that only NBP follows the ECB…
- …so its rate-setting meeting should bring the second hike

Chart of the Week: Polish Balance-of-Payments



With errors and omissions the Polish C/A deficit might almost double.

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Market's Editorial

Errors and omissions that affect the zloty

The Polish economy, which boasts clearly the best growth parameters in the region, again came under investors' scrutiny – surprisingly in a negative sense. This time, it was not because of inflation, which exceeds the upper threshold of the target band of the National Bank of Poland (3.5%); the reason was the balance of payments, i.e., the items that analysts completely ignore – errors and omissions.

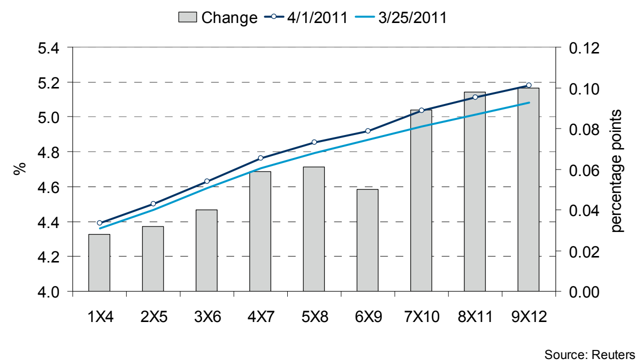
Everything began with a simple remark of Miroslaw Gronicki, a former Minister of Finance and current advisor of the NBP Governor, Marek Belka. He said that Poland had shown an export surplus of EUR 2.1bn against Germany in their 2010 statistics, while Germany says the opposite – that the surplus is on its side to the tune of a huge EUR 9.6bn. Where is the error? The doubts drew attention to deeper inconsistencies in Poland's balance of payments, because the negative effect of errors and omissions has jumped to a whopping 4% of GDP over the last two years. Poland's statisticians and the central bank cannot currently figure out where the 4% of GDP gone missing from the Polish economy.

We also tried to look into the mystery of Poland's balance of payments (see the next page) and believe that the undervaluation of Poland's imports is the most likely scenario. Nevertheless, whatever the reason for the uncovered discrepancy, its consequences may be fairly serious. Everything may lead to a quite strong increase in the current account deficits and a reduction in the nominal GDP for the last 4-5 years, and this would also worsen all ratio indicators in respect to GDP, i.e., not only the current account deficit but also foreign and public debts. The latter indicator might consequently hit 55% of GDP, a level that is carefully scrutinised.

Weaker currency supports a rate-hike scenario

That said, there is no wonder that the Polish zloty is not performing well, despite a fairly great appetite for risk. The depreciation of the zloty, driven by purely domestic factors, may be an additional argument for the NBP to raise official rates again as early as this Wednesday.

PL FRA



FX correlation matrix in Central Europe:

	EUR/PLN	EUR/HUF	EUR/USD
EUR/CZK	0.28	0.15	-0.07
EUR/PLN		0.11	-0.29
EUR/HUF			-0.20

(30 min changes during the previous trading week)

	Last	Change 1W	Outlook 1W ahead	Outlook 1M ahead
EUR/CZK	24.45	-0.27%	↘	→
EUR/PLN	4.034	0.85%	↘	→
EUR/HUF	265.8	-0.21%	→	↘

	Last	Change 1W	Outlook 1W ahead	Outlook 1M ahead
10Y CZK	4.03	0.11	↗	↗
10Y PLN	6.25	0.00	↗	↗
10Y HUF	7.04	0.03	→	→

Review of Economic Figures

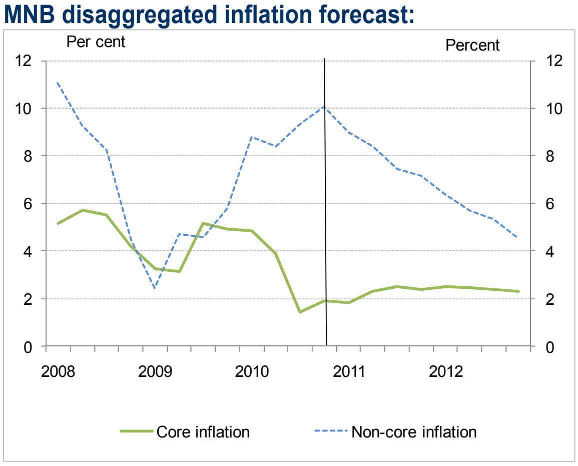
MNB believes that there will be no second-round effects

The MNB has updated its inflation projections and the new Report on Inflation contains interest rate assumptions derived from market prices.
Before, the interest rate forecast assumed an unchanged base rate and exchange rate for the forecasting period, fixed at the latest level at the time of the creation of the report.
The 2011 March report contains an interest rate forecast that is based on forward rates or the central bank's own assumption about the required interest rate path that is needed to reach the 3% inflation goal at the end of the forecasting horizon.
The interest rate assumption is however not be published only some verbal references are made in the text. This type of inflation forecasting will bring monetary policy in Hungary more aligned to standards in developed markets and to some other central banks in the region.
Based on current market prices and central bank's generally neutral rhetoric on rates, we believe that the current assumption could contain unchanged 6% base rate for some months and a slightly higher base rate over a 6-9 month horizon, like 6.25%.
The resulting inflation forecast shows that the central bank assumes that core inflation will remain close to 2% in 2011-2013 and that the current elevated level of non-core inflation elements will gradually disappear from the index. This implies that current price shocks in the energy and food sectors will not have second-round effects on the economy. Markets should closely follow these developments and react accordingly. Given Hungary's weak track record about inflation – the 3% inflation target was met only for a brief period in 2006 – even the current depressed domestic demand may not guarantee that the target will be achieved.

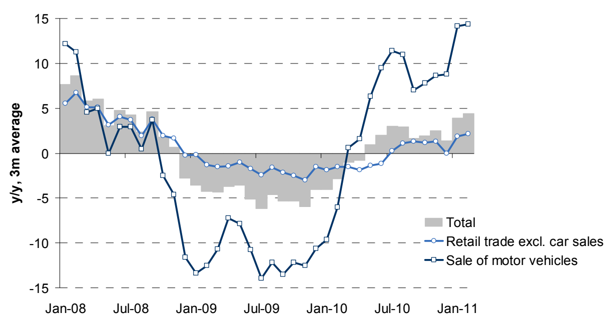
Car sales increased retail sales in the CR

Czech retail revenues in February rose by more than 6.5% y/y, as was the case in January. And again it were strong sales of passenger cars and the motoring segment, which grew by 16%, that were mainly to thank for the rise in revenues. This figure, however, includes car sales to businesses, meaning that it doesn't tell us too much about consumers' hunger to spend. Without car sales, retail only rose by less than three percent. Of course it is still the case that the current results draw on a weak comparative base. We still cannot talk too much of the sharply rising household consumption you might associate with a figure of over six percent. Internet stores, whose revenues have risen by more than one-fifth, have been the main beneficiaries of greater interest in buying. Not for long, of course. It is our view that the coming months will return weaker retail results given that for now we cannot see any rise in real wages or any clear improvement on the Czech labour market. Therefore we are taking the current six-plus percent as a temporary result that will not last for any length of time.

MNB disaggregated inflation forecast:



CZ: Retail sales



In Focus I.: How Central Europe will (not) follow ECB

ECB monetary tightening had only an impact on Polish NBP decisions in the past…

Nevertheless the past experience may not be a good guidance for the future, especially in the case of Hungary

With the surprisingly quick start of the monetary tightening in the euro area, we decided to review our Central European outlooks. Therefore we have decided to test the sensitivity of Central European central banks to the ECB policy since 1999 (see the box) . We came to the conclusion that, over this relatively short history (two incomplete economic cycles), the National Bank of Poland showed the greatest tendency to follow the ECB policy, while the monetary policy of the Czech National Bank, just like that of the National Bank of Hungary, was more independent. Our revised outlooks for Central European monetary policy are consistent with those conclusions. As far as the Czech Republic is concerned, we still anticipate a later launch of its monetary tightening – not until August 2011 – and slower paced rate hikes – just two 25 bps rate hikes by the end of the year, as opposed to three 25 bps rate hikes by the ECB. Regarding Hungary, we still expect stable rates until the end of the year. In Poland, by contrast, the increased aggressiveness of the ECB policy has made us bet on more rapid rate hikes – we anticipate an end-of-year rate of 4.50%, as opposed to our original forecast of 4.25%. The NBP should also join ECB with the interest rate hike this week.

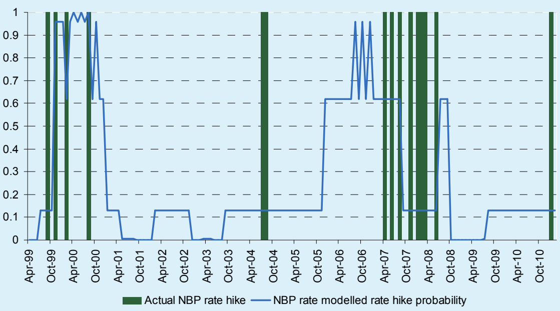
Nevertheless, the question is whether the past developments may currently serve as a good guide for the future. Hence we need to analyse the historical contexts of the outcomes. In the past, the Czech National Bank, owing to its decent credibility, fairly conservative fiscal policy, and low external imbalances, could often afford a more eased policy than the ECB. This also applies today. Both external and internal balances are very good, the koruna is strong, and, owing to fiscal restriction, the CNB can afford a longer period of super-eased monetary conditions. Hungary's position is different. Although the ECB also had a relatively small effect on the decisions by the NBH, the reason was exactly the opposite. In the last ten years, Hungary was a country with persistently high government deficits, accompanied by a problematic increase in foreign debt. Therefore Hungary's policy often had to be much tighter and go completely against the policy of the ECB. Nevertheless, over the last two years, Hungary's situation has changed quite dramatically. Current account deficits have turned into decent surpluses, the government deficit is one of the lowest in Europe, and thus the country may afford more relaxed monetary conditions for longer time.

BOX: Probit model central bank in CE

We tested the sensitivity of central banks by the probit model. We modelled the rate hike likelihood depending on an ECB rate change over the previous three months. For sake of simplicity, the model included no other explanatory variables, apart from ECB rates and a constant, so that we could easily distinguish the influence of the ECB policy on decisions by the individual central banks in the region. The outcomes (see the table below for the summary) indicate that the ECB policy only had a significant impact on the decision-making of the National Bank of Poland.

	Coefficient	z-statistics	Probability of null	McFadden R-squared
Poland	**5.73**	**5.91**	**0%**	**0.43**
Hungary	**0.968**	**1.64**	**10%**	**0.04**
Czech	**0.41**	**1.01**	**31%**	**0.01**

Polish rate hikes as explained by ECB policy



In Focus II.: Polish Errors & Omissions Grab Attention

Errors & omissions in Poland's balance-of-payments stand at 4 % of GDP

Revisions might lead to deterioration of deficits' and debt-to-GDP ratios

Everything began with a simple remark of Miroslaw Gronicki, a former Minister of Finance and current advisor of the NBP Governor, Marek Belka. He said that Poland had shown an export surplus of EUR 2.1bn against Germany in their 2010 statistics, while Germany says the opposite – that the surplus is on its side to the tune of a huge EUR 9.6bn. Where is the error? The doubts drew attention to deeper inconsistencies in Poland's balance of payments, because the negative effect of errors and omissions has jumped to a whopping 4% of GDP over the last two years. Poland's statisticians and the central bank cannot currently figure out where the 4% of GDP gone missing from the Polish economy.

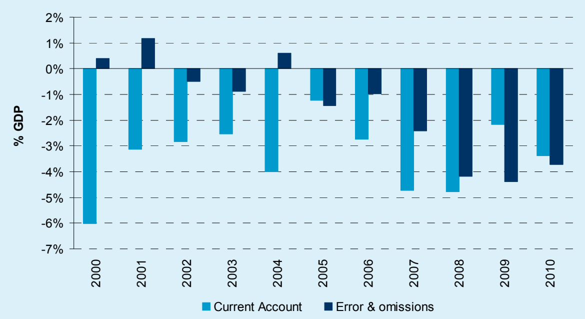
Differences in foreign trade reporting between Germany and Poland may be part of explanation of the apparent inconsistencies. Poland, in monitoring imports from Germany, only includes goods really originated in Germany, while Germany includes everything into its exports to Poland, i.e., also re-exports of goods from other parts of the world. While this may explain some of the discrepancies between the German and Polish approaches, it says nothing about the 4% of GDP that Polish statisticians cannot find. Another problem may be the mere transit of goods through Poland by tax non-residents. This also overvalued the exports of goods and undervalued imports in the Czech Republic. Nonetheless, even these two reasons do not suffice and cannot explain the rapid increase in errors and omissions in the balance of payments, notably if compared to the other Central European neighbours. There is every indication that something more, which was of importance, has disappeared from Polish statistics over the lastfew years.

The reason may be either the overvaluation of investment inflow in the financial account (likely through banks' foreign exchange swaps), although, given the fairly reliable reporting of those transactions, this is not very likely, or another mistake may be based on undervalued imports. This is where Poles may have much greater reporting problems. The NBP itself has admitted that many of motor-vehicle imports may not have been included in official statistics. The doubts are also fuelled by the low numbers of official vehicle registrations in Poland. Poles, whose population is four times larger than that of the Czech Republic, officially registered only twice the number of motor vehicles in 2010 that Czechs did.

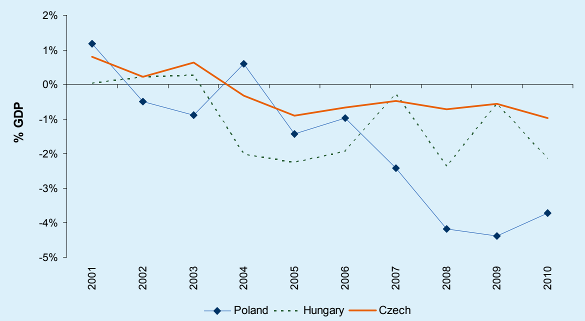
What does it all mean for Poland? If the mostly undervalued imports really prove to be responsible for the increase in the errors and omissions, this may lead to a fairly significant increase in the current account deficits and a reduction of the nominal GDP for the last 4-5 years. However, this would also worsen all ratio indicators in respect to GDP. That said, the amount of Poland's public debt is another associated problem, as it might exceed the lawful limit of 55% of GDP as early as the end of 2010, if it were to be revised significantly. This would automatically trigger tough austerity measures in the 2012 budget. Nevertheless, if this were to be true, the question is how much the Polish statisticians will be willing to unveil the truth, particularly now that a general election is scheduled for the autumn.

Concluding, the Polish statistics show some inconsistencies that are not well understood. Still more important, they may eventually paint a different picture of the Polish economy in recent years. Higher current account deficits, lower growth and higher deficit/Debt-to-GDP figures are a possibility, but no certitude. The outcome may transcend the mere statistical level and impact policy and on financial markets. Let's hope the mystery is solved soon.

Pollish balance-of-payments



Error & omissions in balance of payements



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CE Weekly Preview

PL: NBP should hike for the second time this year

TUE 14:00 — NBP rate (in %)

	This	Last change
rate level	**4.00**	1/2011
change in bps	**25**	25

Despite the fact that Polish inflation for January was significantly (-0.2 percentage point y/y) revised to the downside, the rate of inflation still remained well above the inflation target of 2.5% y/y at 3.6% y/y in both January and February 2011. Moreover, we estimate that the CPI inflation could reach 4% y/y in April.

The latest comments unveiled that the majority of Polish central bankers is probably uncomfortable with such developments. On the other hand, the latest Inflation report showed that the key median voter is central bank's president Marek Belka, who made few rather dovish comments last week. He said that secondary effects (i.e. wage pressures) have not appeared yet. All in all, such comments pose certain risks to our base scenario, which bets on a rate hike as early as this Tuesday.

CZ: Industry primarily driven by carmakers

WED 9:00 — CZ Industry (y/y change in %)

	Feb-11	Jan-11	Feb-10
Monhtly	**10.5**	16.9	6.0
cummulative (YTD)	**13.7**	16.9	5.3

The latest figure from industry will most likely easily exceed a 10% increase again. Just like in recent months, the automotive industry has been the main contributor to the industrial upswing. We also anticipate very promising figures in metal production, engineering, chemicals, and paper production. The electrical industry and the energy sector, by contrast, are likely to grow at a slightly slower rate this time. On the other hand, the rate of new contracts might again spring a pleasant surprise. New figures from industry will confirm the continuing recovery of that sector, which is even recruiting new staff, thus helping to ease the excessive pressure on the labour market. Nevertheless, foreign demand is continuing to be the crucial factor in respect of future developments.

CZ: The export boom continues

WED 9:00 — CZ Foreign trade (CZK bn)

	Feb-11	Jan-11	Feb-10
Balance	**13.5**	15.7	14.7
cummulative (YTD)	**29.2**	15.7	30.0
Exports (y/y in %)	**27.0**	28.4	9.9
Imports (y/y in %)	**30.0**	30.9	7.3

We expect that the foreign trade surplus fell slightly on an year-on-year basis, mainly because of the high prices of imported oil and natural gas. The rate of exports was most likely close to 30% in that month again, due primarily to successful exports by domestic carmakers. For the sake of completeness, we should add that the figures are based on the original foreign trade reporting methodology, not the new national concept of statistics.

CZ: Unemployment will fall seasonally

FRI 9:00 — CZ Unemployment Rate (in %)

	Mar-11	Feb-11	Mar-10
Rate	**9.4**	9.6	9.7

The advent of spring should also involve an improvement on the domestic market situation, hand in hand with the increasing supply of seasonal jobs. The unemployment rate may consequently fall to less than 9% quite soon. Combined with the recruitment of new staff by certain industrial firms, the labour market situation may also improve as a whole. Hence the end-of-year unemployment might be just closely above 9%, a year-on-year improvement by 0.5%.

Weekly Calendar

	Date	Time	Indicator	Period	Forecast		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y
CZ	4.4.2011	09:00	Retail sales (%)	02/2011		4.0				6.8
PL	**5.4.2011**	**14:00**	**NBP meeting (%)**	**04/2011**	**4.00**		**4.00**		**3.75**	
CZ	6.4.2011	09:00	Industrial output (%)	02/2011		10.5				16.9
CZ	6.4.2011	09:00	Construction output (%)	02/2011						8.3
CZ	**6.4.2011**	**09:00**	**Trade balance (CZK B)**	**02/2011**	**13.5**				**15.7**	
CZ	**6.4.2011**	**12:00**	**GB bond auction 4.00%, 10Y (CZK B)**	**04/2011**			**7**			
HU	7.4.2011	09:00	Industrial output (%)	02/2011 *P					15.3	10.7
HU	7.4.2011	12:00	GB bond auction/fixed rate (HUF B)	04/2011						
HU	7.4.2011	17:00	Budget balance (HUF B)	03/2011					-559.7	
HU	8.4.2011	09:00	Trade balance (EUR M)	02/2011 *P					400.8	
CZ	8.4.2011	09:00	Unemployment rate (%)	03/2011	9.4				9.6	

m/m - monthly change; y/y - yearly change; s.a. - seasonally adjusted; n.s.a. - non-seasonally adjusted; P - preliminary; F - final
EMU, USA, UK, JPY - figures seasonally adjusted, if not stated otherwise; Central Europe - figures seasonally non-adjusted, if not stated otherwise
Government Bond Auction: period = auction settlement date; m/m = total bids; y/y = supply

CE Forex Technicals

EUR/CZK Daily Chart:

Below long term Triangle bottom (see graph).
Support at 24.3700 (March 24 low), with next level at 24.3160 (March 18 low): sustained trade below needed to indicate return of better tone for CZK.
If unable to hold, next levels at 24.2050/ .1800 (monthly modified Alpha Beta trend bottom/ March 07 low), ahead of 24.1400 (break-up hourly) and 24.1160 (monthly envelope bottom), where pause favored.
23.9200 = current reaction low off 25.3800 and 29.6900: tough on 1st attempts.
Resistance at 24.5650/ .5900 (neckline short term Double Bottom: see graph/ current recovery high off 23.9200), where pause favored.
In unable to cap, next levels at 24.6000 (weekly Long Term Moving Average↓), ahead of 24.6500/ .6650 (50% 25.3800 to 23.9200/ 4th wave off 25.3800 on hourly charts): tough on 1st attempts.

EUR/HUF Daily Chart:

Failure to recapture the broken Uptrendline off 2010 low (see graph) sent the pair to a new year low on move below 269.60 (neckline Double Top: see graph).
Support at 265.57/ .51 (50 Month Moving Average↑/ current new year low?), where pause favored.
If unable to hold, next levels at 264.40/ .00 (potential off 269.60), ahead of 262.42 (monthly modified Alpha Beta trend bottom): tough on 1st attempts.

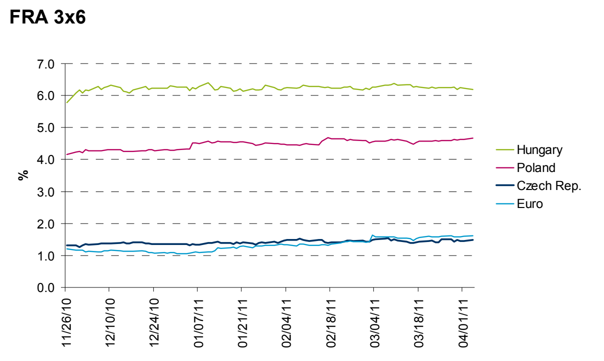
Resistance at 268.09/ 268.40 (monthly modified Alpha Beta trend top/ March 29 high), ahead of 269.00 (breakdown daily) and 269.60 (see graph + monthly envelope top), where pause favored.
If unable to cap, next level at 270.79 (monthly Short Term Moving Average↓): sustained trade above would indicate end of current love affair with HUF.

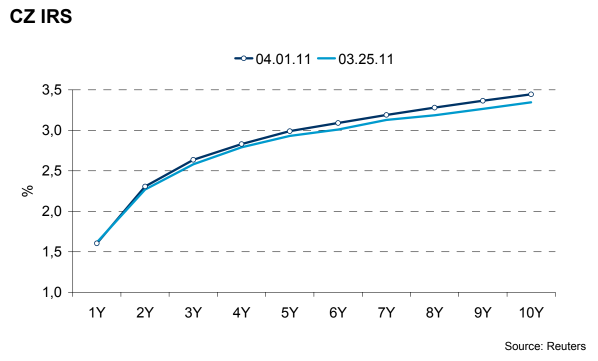
EUR/PLN Daily Chart:

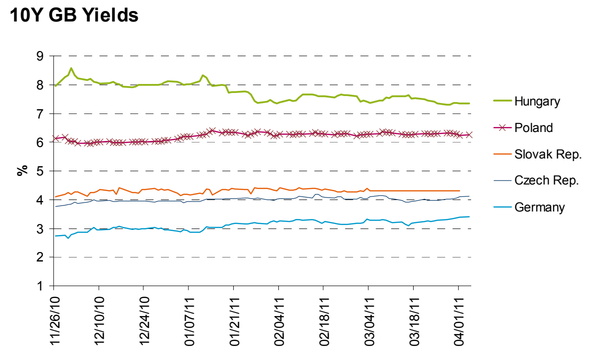
Above Downtrendline off 4.2400 (see graph) and has met targets off 3.9610 (neckline Double Bottom).
Support at 3.9925 (break-up hourly), with next levels at 3.9820/ .9757 (current reaction low off 4.1225/ 50% 3.8290 to 4.1225): needs to settle back below to indicate return of better fortune for Zloty.
If unable to hold, next levels at 3.9654./ .9616 (monthly modified Alpha Beta trend bottom/ March 08 low), ahead of 3.9583 (weekly Long Term Moving Average→ and weekly Medium Term Moving Average↑), where pause favored.

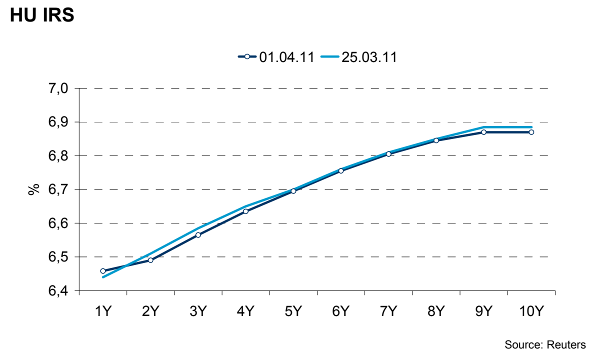
Resistance at 4.0408/ .0510 (broken monthly Long Term Moving Average↑/ reaction high hourly), with next levels at 4.0558 (monthly modified Alpha Beta trend top) and 4.0750 (reaction high hourly), where pause favored.
If unable to cap, next levels at 4.0961/ .1005 (monthly envelope top/ reaction high hourly): tough on 1st attempts.

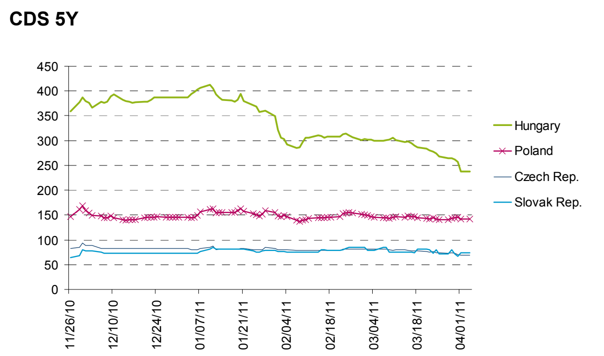
CE Fixed-income in Charts

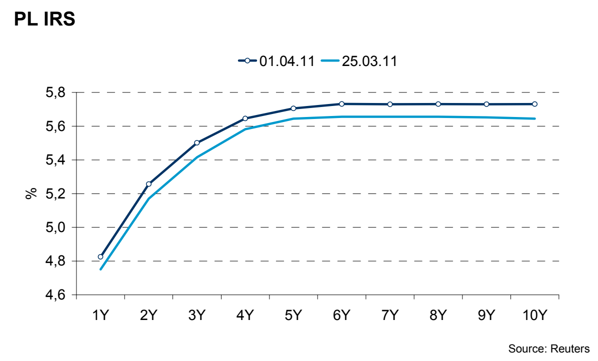










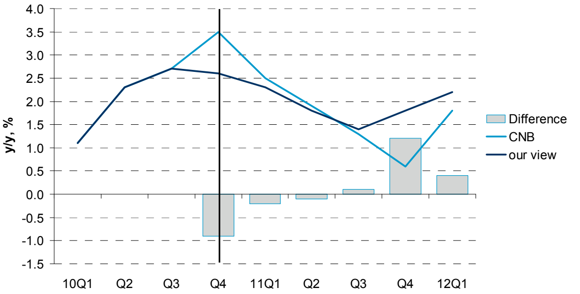


Medium-term Views & Issues

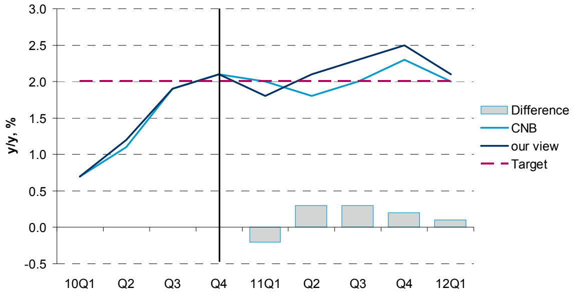
	The Czech Republic	Hungary	Poland
Growth & key issues	The June general election resulted in the victory of the centre-right parties, whose policies are austerity-minded. The new Cabinet has set a realistic target of cutting the deficit to less than 3% by 2013. The reduction by less than a percentage point per year is reasonable and doesn't pose a huge risk to the ongoing economic recovery. Already last year's budget ended with a lower than planned deficit. The general government deficit even felt below 5% of GDP in 2010. The fundamental precondition for hitting the budget targets is the launch of reforms, notably of the social security and pension system.	Hungary's government decided to carry out a large-scale fiscal overhaul program over 3-years (2011-2013) in order to boost growth. The impact on the economy will come from higher activity of the working age population and shrinking size of government spending. Lower spending helps to cut the deficit amid tax reductions and the program overall cuts the deficit by 2% of GDP in 2012 and further 1% of GDP in 2013. The long-term outlook mainly depends on the execution. We recommend waiting until the 2010 ESA budget deficit number is released in March before deciding on investments.	The Polish economy slightly slowed down in the fourth quarter judging from a flash estimate of whole year GDP growth. For 2011 we expect growth should be nearly the same as in 2010 (3.7% y/y). Mainly domestic consumption and investment should drive the growth with government and external sector having more or less neutral impact. Despite the fact that demand pulled inflation remains muted, CPI should further rise in January. According to our estimates, the infl. might even breach 1 p.p. point tolerance band, mainly due to one-off adjustments of VAT and commodities prices.
Outlook for official & market rates	Inflation climbed above the central bank's target due to higher fuel and foodstuffs' prices and to administrative measures. Fuel prices continue to pose a risk to inflation. On the other hand, weak demand and the strong koruna should counteract the rise in inflation. We still think that the CNB will hike its rates sooner than its new prognosis announced (2011 Q4). We believe that rates may be raised as early as in the third quarter of this year. The CNB's repo rate should reach 1.25% by the end of 2011.	Since the November meeting – the central bank increased the base rate by 75bps, so it stands at 6.0 %. Economists together with us expect an unchanged rate without any hesitation. So a move would be very surprising for markets. The consensus also expects the base rate to stay here for a considerable period as inflation is expected to return to 3% only in 2012, while second round effects of the recent energy and food price increase look to be moderated. Domestic inflation and rate hike stories look to have ended now.	The Polish central bank started a hiking cycle at the beginning of the year as we expected. On the other hand, we are no fan of aggressive monetary tightening for now .One must take into account that inflation, although it accelerates above the target, is now purely cost/supply driven and the NBP cannot do much about it. On the other hand more aggressive ECB stance should lead the NBP to at least three more hikes during this year (April, Q3, Q4) to 4.50% by December 2011.
Forex Outlook	Although fundamentals behind the Czech currency continue to be strong (the Czech economy should outperform euro-zone and the external balance should remain at reasonable levels), our long term model suggests that recent gains were too aggressive. Nevertheless the Czech koruna may continue to profit from approaching start of interest rate hiking cycle in short term (3-6 month). It may move into the defensive at the end of 2011. The profit taking could be triggered by the Polish elections and the related weakening of the Polish zloty.	Optimism before the government's spending reform package also boosted appetite for Hungarian assets. In this situation, it will be difficult to meet expectations and markets may thus correct in the coming weeks. Relatively mild positioning of foreign investors together with the forint's neutral performance visá- vis its peers make a sharp correction unlikely for now, except if global outlook changes significantly by for example an oil-price triggered slowdown In the longer term positive impact could depend on the productivity boost.	Since calls for the stronger zloty had fallen on deaf ears, the Polish central bankers' rhetoric moved to a more hawkish mode. Tighter monetary conditions should further support the Polish currency. We bet on strong gains especially after the euro crisis is more clearly resolved – 6 month target at 3.55 EUR/PLN. Nevertheless the parliamentary elections in autumn 2011 and the risk o breaching the second prudential level for government debt (55% GDP) may bring temporary volatility of the PLN by the end of the 2011.

Central Bank's Projections versus Our Macro Forecasts

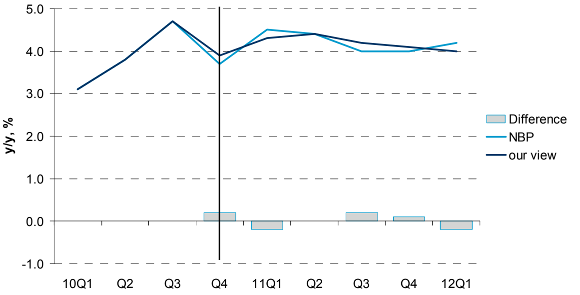
CZ: GDP Outlook



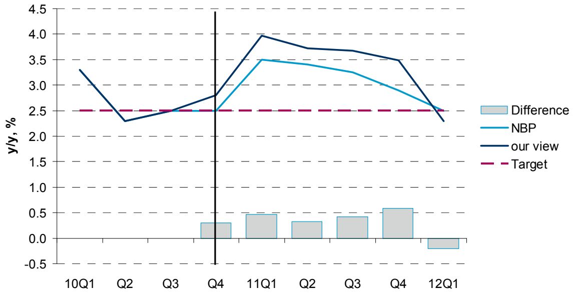
CZ: Inflation outlook



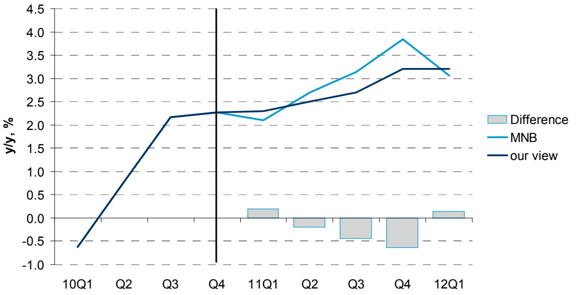
PL: GDP Outlook



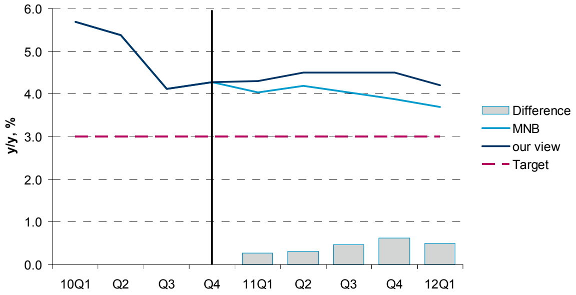
PL: Inflation outlook



HU: GDP Outlook



HU: Inflation outlook



Summary of Our Forecast

Official interest rates (end of the period)

		Current	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Last change	
Czech Rep.	2W repo rate	*0.75*	0.75	0.75	1.00	1.25	1.25	-25 bps	5/6/2010
Hungary	2W deposite r.	*6.00*	6.00	6.00	6.00	6.25	6.25	25 bps	1/24/2011
Poland	2W inter. rate	*3.75*	3.75	4.00	4.25	4.50	4.75	25 bps	1/19/2011

*Short-term interest rates 3M *IBOR (end of the period)*

		Current	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Czech Rep.	PRIBOR	*1.23*	1.22	1.35	1.45	1.60	1.72
Hungary	BUBOR	*6.10*	6.10	6.00	6.00	6.25	6.25
Poland	WIBOR	*4.2*	4.15	4.35	4.50	4.55	4.55

Long-term interest rates 10Y IRS (end of the period)

		Current	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Czech Rep.		*3.47*	3.30	3.40	3.50	3.60	3.70
Hungary		*6.88*	7.50	7.50	7.25	7.00	7.00
Poland		*5.7355*	5.80	5.95	6.00	6.00	6.00

Exchange rates (end of the period)

		Current	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
Czech Rep.	EUR/CZK	*24.5*	24.7	23.7	24.0	24.6	25.5
Hungary	EUR/HUF	*266*	280	280	275	270	270
Poland	EUR/PLN	*4.03*	4.00	3.90	3.60	3.70	3.60

GDP (y/y)

		Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Czech Rep.		2.6	2.2	1.9	1.3	1.7	2.5
Hungary		2.0	2.3	2.5	2.7	3.2	3.2
Poland		*3.9*	4.3	4.4	4.6	4.2	4.0

Inflation (CPI y/y, end of the period)

		Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12
Czech Rep.		2.0	2.4	2.5	2.4	3.5	3.5
Hungary		4.3	4.5	4.5	4.5	4.2	4.0
Poland		3.8	3.5	3.5	3.3	2.5	2.6

Current Account as % of GDP

	2010	2011
Czech Rep.	-3.8	-3.6
Hungary	0.5	1.0

Public finance balance as % of GDP (in ESA95 standards)

	2010	2011
Czech Rep.	-5.9	-5.0
Hungary	-3.8	-2.9

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