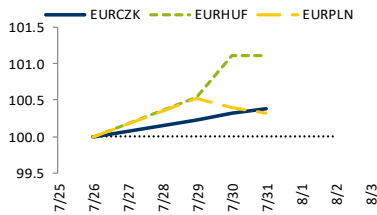


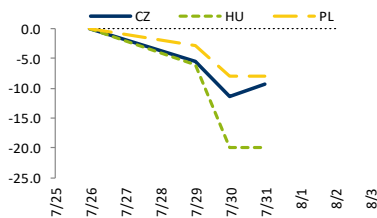
Wednesday, 31 July 2024

**Forex markets (index)**



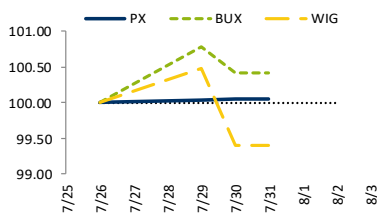
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.44	25.43	0.06
EURHUF	395.2	395.2	-0.01
EURPLN	4.287	4.290	-0.07

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



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.771	3.751	2.0
HUGB 10Y	6.33	6.33	0.0
PLGB 10Y	5.54	5.54	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1598.7	1598.7	0.00
BUX	73476	73476	0.00
WIG	83212	83212	0.00

**Our regional insights:**

**GDP is growing only slowly, held back by industry**

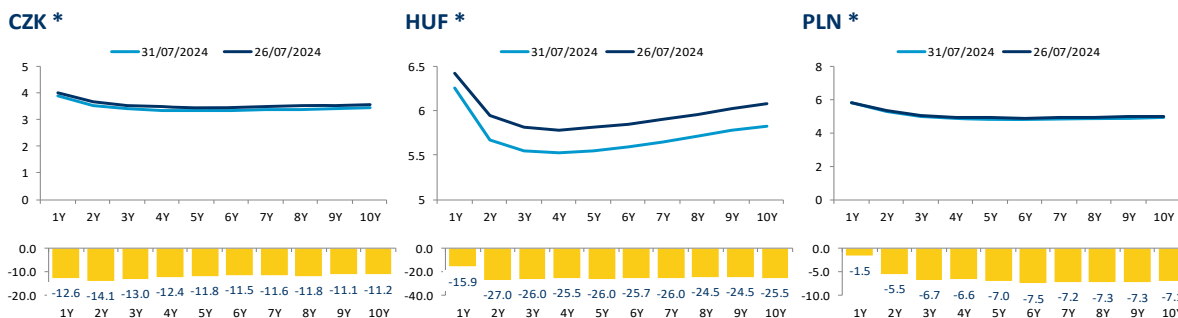
Czech GDP in Q2 2024 grew as expected by 0.3% q-o-q and 0.4% y-o-y, slightly behind market expectations (0.5% q-o-q) and the central bank's May forecast.

The structure of GDP is not yet available, but according to a comment from the CZSO, the economy has been pulled further by household consumption, while it has been hampered by the continued drawdown of inventories and probably also by relatively weak investment activity, manifested among other things by the weak performance of industry and construction. Investment-oriented industry is waiting in vain for a recovery across Europe. Over time, this should be helped by lower inventories, lower interest rates and a gradual take-off in household consumption, which will be reflected first in the production of consumer goods (electronics, PCs) and then in investment-oriented industries (engineering, building materials). Looking at business sentiment, however, it seems that this may take a little longer than we thought.

We expect a slight acceleration of the recovery in the next quarters, driven by slightly better industrial performance. However, given the persistent weakness in recent business sentiment across Europe, the risks to our growth estimate for this year (1.3%) are skewed to the downside. A later industrial recovery may lead us to revise GDP slightly downwards for 2024 and slightly upwards for 2025.

From the CNB's perspective, while today's numbers are visibly behind the May forecast, the recovery is accelerating relative to Q1... which may be psychologically important to many board members. Moreover, the new forecast may be counteracted by a weaker koruna (anti-inflationary risk) or slightly higher EURIBOR rates (pro-inflationary risk). We therefore continue to believe that central bankers will lean more towards a more conservative 25bps rate cut on Thursday (however, the decision will not be unanimous and there will be votes for 50bps).

## 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	07/31	8:30	PPI	%	06/2024		1.5	2.7			0.2	-0.2
PL	07/31	10:00	CPI	%	07/2024 *P				1.6	4.4	0.1	2.6
CZ	07/31	11:00	Money supply M2	%	06/2024							6.7
HU	08/01	8:30	Trade balance	EUR M	05/2024 *F							1146
HU	08/01	9:00	PMI manufacturing		07/2024				49.0			49.4
PL	08/01	9:00	PMI manufacturing		07/2024				44.8			45.0
CZ	08/01	9:30	PMI manufacturing		07/2024	44.5			45.0			45.3
CZ	08/01	14:00	Budget balance	CZK B	07/2024							-178.6
CZ	08/01	14:30	Repo rate	CNB	08/2024	4.50			4.50			4.75

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