



Central European Daily

Wednesday, 19 October 2016

Headlines

Currencies		% chng
EUR/CZK	27.00	-0.1
EUR/HUF	306.6	0.0
EUR/PLN	4.31	-0.2
EUR/USD	1.10	-0.2
EUR/CHF	1.09	-0.1

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	-0.04	-0.13	-0.15	-0.21
EUR/PLN		0.28	-0.04	-0.10
EUR/HUF			-0.13	0.02
EUR/USD				0.47

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.28	0
HUF	0.71	-1
PLN	1.73	-3
EUR	-0.31	-1

GB	%	bps chng
Czech Rep. 10Y	0.39	-1
Hungary 10Y	3.05	1
Poland 10Y	3.02	-5
Slovakia 10Y	0.49	-2

CDS 5Y	%	bps chng
Czech Rep.	41	0
Hungary	122	0
Poland	76	0
Slovakia	42	0

Source: Reuters

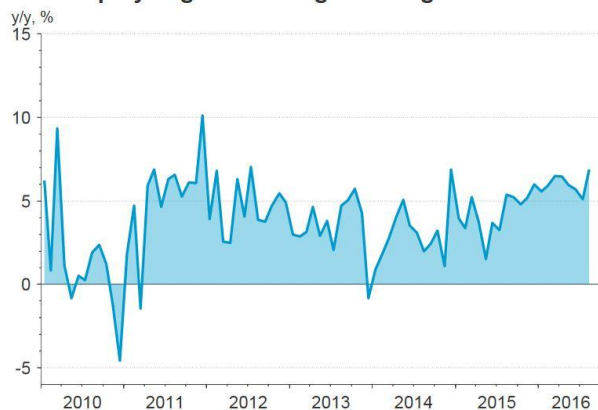
Wage growth accelerates in Hungary

Hungarian gross wages increased by 6.9% Y/Y in August, while net wages were up by 8.5% Y/Y thanks to the personal income tax change at the beginning of the year. The wage dynamic was higher in the public sector, thanks to partly the extra salary given for the armed forces and for people working in the social field. The net real wages were up by 8.6% Y/Y, thanks to that the inflation was only -0.1% Y/Y in August. Also good news that the number of employees (among companies employing at least 5 employees) went up by 2.2% Y/Y and this increase came from the private sector. So we see a stable and relatively fast rise of wage mass. Looking ahead the pressure on the salaries may remain as there are some sectors (construction, engineers etc.) where the number of unfilled workplaces are increasing and the Hungarian wages are still below (in EUR term) its regional competitors.

The current fast increase of wages suggests that the domestic consumption may increase by around 5% in 2016 and so it might be the main and biggest contributor to this year's GDP growth. Additionally the domestic pressure on inflation is also increasing, so now only the imported inflation keeps Hungarian consumer price index at low level. But we expect that inflation may accelerate to around 2% already at the end of the year.

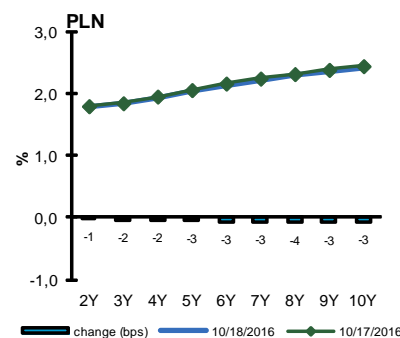
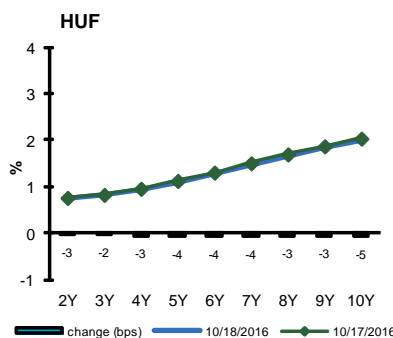
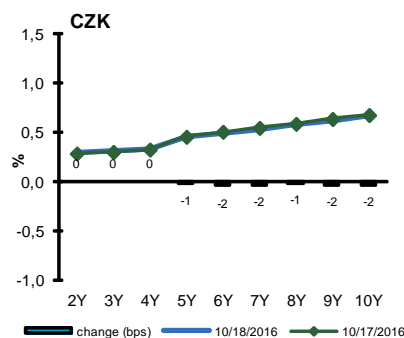
Despite of the jump of wage dynamic the NBH may maintain the stance of its communication, which means that inflation target may be met only at the middle of 2018, so no rate hike is expected in the next 18 months. Moreover, NBH provided extra liquidity (around HUF200bn) for the market yesterday via 1-month swap at 0% interest rate. So it continues the easing of its monetary policy. Just a reminder that roughly HUF500bn HUF will be forced out from the NBH till the end of the year thanks to the introduction of maximum cap on the 3-month deposit. So NBH is hardly working on the stop of HUF appreciation and on to force down the Bubor interest rate levels.

HU: Employee gross average earnings



Zdroj: Thomson Reuters Datastream / Fathom Consulting

Interest-rate Swap Curves



Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Wages	%, ytd. 08/01/2016					6.9	5.3		5.1
CZ	12:00	CZ bond auction 2016-19, 0.00%	CZK B 10/01/2016								
CZ	12:00	CZ bond auction 2015-2023, 0.45%	CZK B 10/2016								
CZ	12:00	CZ bond auction 2015-30, 0.95%	CZK B 10/01/2016								
PL	14:00	Industrial output	% 09/01/2016					10.9	3.5	3.3	7.5
PL	14:00	PPI	% 09/01/2016					0.2	0.2	-0.3	-0.1
PL	14:00	Retail sales	% 09/01/2016					-0.3	5.9	0.8	5.6

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