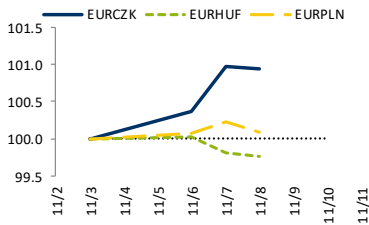


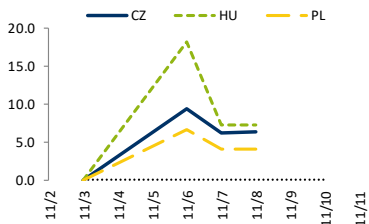
Wednesday, 08 November 2023

Forex markets (index)



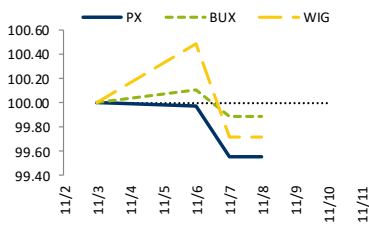
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.62	24.63	-0.04
EURHUF	378.2	378.4	-0.05
EURPLN	4.456	4.462	-0.13

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.484	4.482	0.2
HUGB 10Y	7.15	7.15	0.0
PLGB 10Y	5.49	5.49	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1375.7	1375.7	0.00
BUX	57272	57272	0.00
WIG	72267	72267	0.00

Our regional insights:

The NBP might bring another cut, but it is not certain

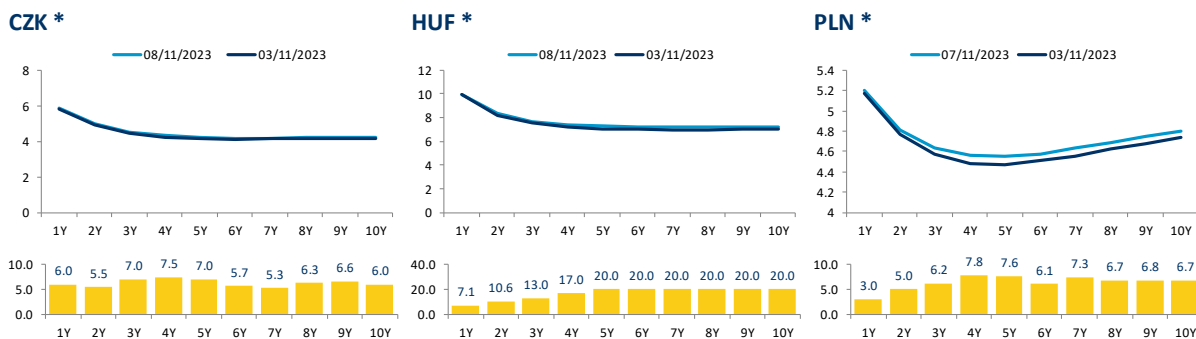
The National Bank of Poland will conclude its two-day meeting today, which is likely to bring another 25bps cut in official interest rates. The Monetary Policy Committee will have a new forecast on the table which is likely to bring a downward revision to the inflation outlook that should support the case for further monetary easing. However, it is worth noting the NBP meets for the first time since the parliamentary elections, which will lead to a change of government that will be from the other part of the political spectrum than the current majority of Polish central bankers, led by NBP President Glapinski. For this reason, it is not certain that the NBP will cut interest rates today. It is quite that Glapinski and other dovish central bankers will reverse course after the election towards a tighter policy that will much more emphasize the NBP's aim to bring inflation back towards the inflation target and to anchor inflation expectations. This is also why not only today's rate decision but also the press conference of NBP President Glapinski's scheduled for Thursday afternoon will be important both for the zloty and Polish government bonds.

Weak Czech retail sales imply weaker GDP outlook

Czech retail sales fell by a surprising 0.4% in September and, after revisions to previous figures, by 4% in real terms year-on-year. In our view, weak retail sales (together with other factors) point to the risk of a weaker recovery in Czech household consumption in the coming quarters. In September, retail sales declined in almost all surveyed outlets, with the exception of electronics and clothing stores. Sales results for selected services (such as culture and recreation) will complete the picture in the coming days. However, it is already clear that the Czech consumer is "getting back into good shape" more slowly than we had expected. Moreover, despite the overall improvement, consumer sentiment continues to point to a weak willingness of households to consider "major purchases" in the coming months. The positive momentum in consumption in the coming months is therefore likely to be limited to basic goods and services, where households are seeing falling prices. A typical example is food, where prices have been falling in recent months, and even aggregate data on customer card transactions suggest that consumers tend to leave the same amount of money in food stores regardless of price movements - so a fall in prices can naturally lead to some increase in real spending. In other categories, however, households are likely to remain more cautious, at least over the coming months. Especially if the ongoing industrial downturn leads to a slight increase in the unemployment rate.

What does this mean for our estimates? First, **the GDP outcome for 2023Q3 could still be revised slightly downwards**. Second, as concerns our outlook, we still expect growth to be more around zero in 2023Q4 (+0.1% q/q), mainly due to the negative performance of industry. Subsequently, however, we have to revise down our estimates for a recovery in consumption in 2024Q1. **The rationale is a slower recovery in real personal spending, so we expect the Czech economy to grow by only 0.8% q/q (instead of 1.1% q/q). As a result, we need to cut our GDP growth estimate for 2024 from 2.1% to 1.8%.**

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
HU	11/08	8:30	Retail sales	%	09/01/2023			-7.3		-7.1		-7.1
HU	11/08	8:30	Trade balance	EUR M	09/2023 *P			1263.0				665
CZ	11/08	9:00	Unemployment rate 15-64	%	10/01/2023			3.5		3.6		3.6
CZ	11/08	12:00	CZ bond auction 2022-2026, 6.00%	CZK B	11/01/2023					4		
CZ	11/08	12:00	CZ Bond auction 2023-2032, 4.50%	CZK B	11/01/2023					3		
HU	11/08	14:00	NBH minutes	NBH	10/01/2023							
PL	11/08	16:00	NBP meeting	NBP	11/01/2023	5.50				5.50		5.75

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