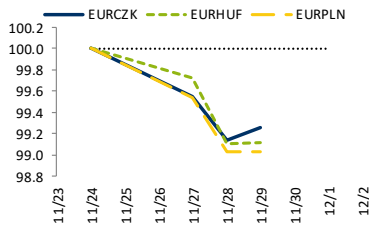


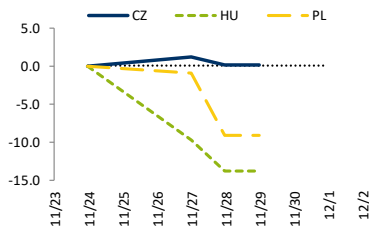
Wednesday, 29 November 2023

Forex markets (index)



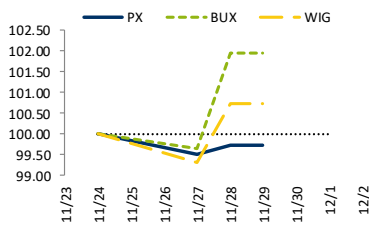
	LAST	PREVIOUS	CHANGE (%)
EURCZK	24.25	24.22	0.12
EURHUF	377.4	377.4	0.02
EURPLN	4.324	4.324	0.00

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.338	4.338	0.0
HUGB 10Y	6.92	6.92	0.0
PLGB 10Y	5.53	5.53	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1384.1	1384.1	0.00
BUX	57176	57176	0.00
WIG	75011	75011	0.00

Our regional insights:

The Czech consumer is still depressed

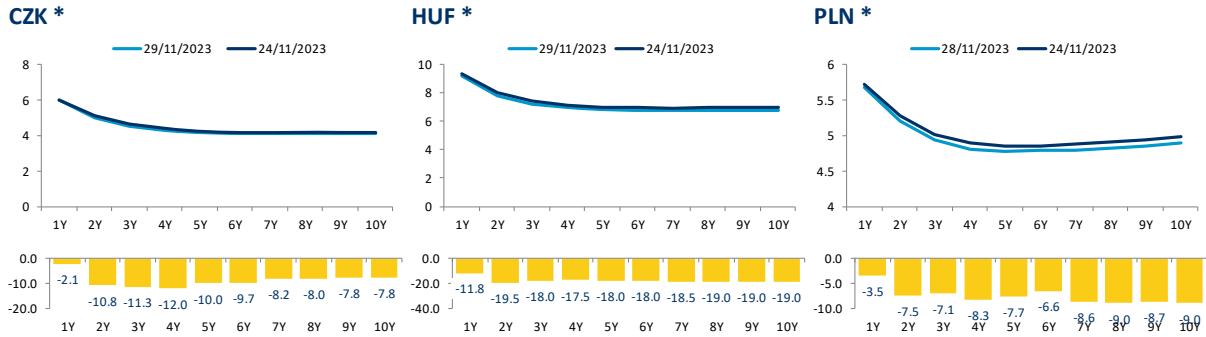
Although the Czech koruna extended its gains recently, the decline in the Czech consumer sentiment in November has only underlined the downside risks to our bets on (just) a slow recovery of the Czech economy next year. In our view, the rebound should be supported by a recovery in real spending by Czech households, responding positively to lower inflation and modest real wage growth. However, as the latest confidence indicators from the Czech Statistical Office show, the consumer sentiment still hovers at its bottom. Recall that the consumer confidence indicator fell by another 2.0 points to 90.7 points in November. Despite some improvement over the past six months, this is still a very low level by historical standards - close to the lows reached at the start of the COVID 19 pandemic in 2020.

Moreover, a key sub-index of consumer sentiment - the propensity to make major purchases (such as more expensive electrical appliances) in the next 12 months - has been extremely low (close to historic lows) in recent months. The paradox is that while households expect inflation to fall and the economy to perform better next year, they do not believe this will have a significant impact on improving their financial situation. As a result, they are also unlikely to increase their spending on big ticket items in the near future, instead expecting to be able to continue saving more!

On the other hand, from the perspective of Czech GDP, it is good news that the faltering German industry showed the first signs of stabilisation in November (according to both the purchasing managers' index and the IFO index). Unfortunately, this has not yet been reflected in a better sentiment result for the Czech industry according to the Czech Statistical Survey.

Looking ahead, an important piece of information - both for the market and the CNB - will be GDP revisions for 2023Q3 (also possibly for Q1 and Q2) plus its detailed structure. It will be crucial for Czech central bankers to see how household consumption and incomes are evolving. After GDP details, there will be one of the last key figures of the year - wage growth readings for 2023Q3 (released on Dec 12th). Our nowcast currently points to a slowdown in momentum to around 6.5-7.0% (YoY). This would be a little less than the central bank's latest staff forecast, hence it can send another dovish signal.

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
CZ	11/29	12:00	CZ bond auction 2023-2043, floating rate	CZK B					2			
HU	11/30	8:30	PPI	%							1.7	-2.5
PL	11/30	10:00	CPI	%					0.5	6.5	0.3	6.6
PL	11/30	10:00	GDP	%							1.4	0.4
CZ	11/30	11:00	Money supply M2	%								8.2
PL	11/30	15:00	Budget balance	PLN M								-34694
HU	12/01	8:30	GDP	%						-0.4	0.9	-0.4
HU	12/01	8:30	Trade balance	EUR M								1263
CZ	12/01	9:00	GDP	%						-0.3	-0.6	-0.3

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