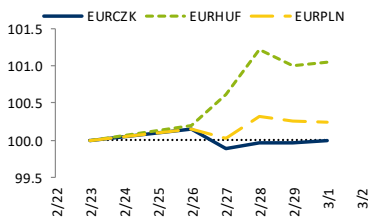


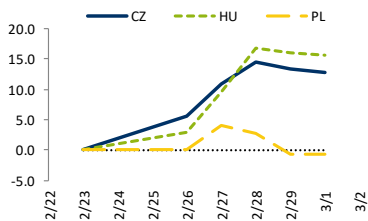
Friday, 01 March 2024

Forex markets (index)



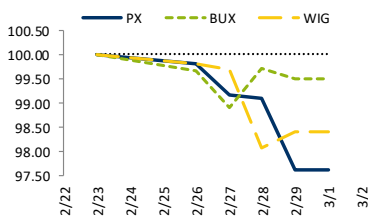
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.35	25.34	0.02
EURHUF	392.9	392.7	0.05
EURPLN	4.317	4.318	-0.01

Gov. bonds 10 Y (bps change)



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	3.836	3.842	-0.6
HUGB 10Y	6.36	6.36	0.0
PLGB 10Y	5.31	5.31	0.0

Equity indices (index)



	LAST	PREVIOUS	CHANGE (%)
PX	1457.2	1457.2	0.00
BUX	65939	65939	0.00
WIG	81945	81945	0.00

Regional insights

Czech PMIs continue to recover

Business confidence in Czech industry has visibly improved since the beginning of the year. The PMI index rose further from 43 to 44.3 in February, the best result since March 2023. However, anything below 50 still indicates a slowdown in industrial activity, which is mainly influenced by weak demand.

Encouragingly, both production and new orders continue to decline but at a slower pace. The decline in new orders was the weakest in three months in February, with the slowdown in demand occurring in both domestic and foreign export markets due to persistent economic uncertainty. For this reason too, industrial enterprises are further reducing employment as well as production work in progress.

For the first time in twelve months, input prices in domestic production rose - albeit slightly. According to companies, this is a reaction to higher operating costs associated with higher energy prices, transport and wage costs. However, in an effort to remain competitive, manufacturers have reduced their selling prices for the tenth month in a row, an important impetus for the ongoing disinflation in the Czech economy.

Looking ahead to the coming months, the improving prospects for domestic industrialists are important. However, they will continue to face weak foreign demand, which we expect to recover in the second half of this year at the earliest.

The continuing downturn in German industry, where deep pessimism prevails, is particularly unpleasant for Czech manufacturers. In the coming months, therefore, we expect the domestic industry to remain at best on the sidelines.

In addition to the PMI, detailed Czech GDP results for Q4 2023 were released this morning. The statistics show that household consumption was one of the main drivers at the end of 2023, growing by 0.5% quarter-on-quarter for the first time in a while. This is largely due to a halt in the fall in real wages - although these continued to fall year-on-year, they are likely to have started to rise cautiously quarter-on-quarter.

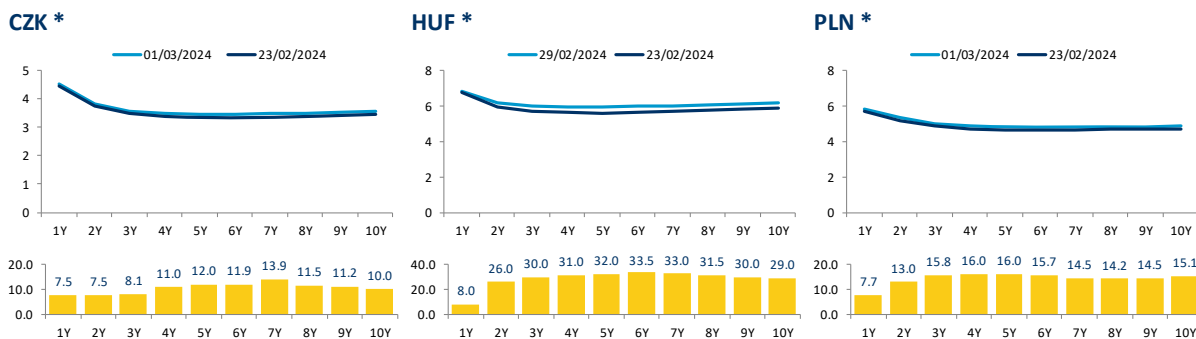
On the other hand, the economy was hampered by unpredictable inventories, which fell significantly. However, this is not bad news at all in the end. That's because other key components of GDP were doing well - both investment and exports were rising. And conversely, the reduction in inventories has translated into a weaker need to import. So it seems that part of the export-oriented industry is reducing excess inventories through exports - a legacy of the COVID 19 pandemic.

From the CNB's perspective, today's GDP results confirm the positive surprise - GDP is higher than last staff forecast, thanks to a slightly better performance of household consumption, investment and exports.

All in all, we leave our 2024 growth outlook unchanged at 1.4%, while the market consensus is cosmetically higher and the CNB expects 0.6%.

Jan Bureš (ČSOB)

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	03/01	8:30	Trade balance	EUR M 12/2023 *F								-188
CZ	03/01	9:00	GDP	% 4Q/2023 *P	0.3	-0.1	0.2	-0.2	0.2	-0.2	0.2	-0.2
HU	03/01	9:00	PMI manufacturing	02/2024			52.2		49		49.9	
PL	03/01	9:00	PMI manufacturing	02/2024			47.9		47		47.1	
CZ	03/01	9:30	PMI manufacturing	02/2024	43.0		44.3		42.5		43.0	
CZ	03/01	14:00	Budget balance	CZK B 02/2024								-26.0
HU	03/05	8:30	GDP	% 4Q/2023 *F							0	0
CZ	03/05	9:00	Real wages	% 4Q/2023								-0.8
HU	03/06	8:30	Industrial output	% 01/2024							-0.3	-8.7
HU	03/06	8:30	Retail sales	% 01/2024								-0.2
HU	03/06	8:30	Trade balance	EUR M 01/2024 *P								

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