

CIB WEEKLY REPORT



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What to watch next week

Local market movers

CSO is set to release flash Q4 GDP figures next week. High frequency indicators for Q4 suggest that the impact of the second wave might have been milder than previously expected. According to our calculations Q4 GDP growth may be -5.7% (or even a few %points better) which implies that FY GDP growth may come out a little better than our current -5.9% projection. The uncertainties surrounding these projections are higher than usual, though. The MinFin, the NBH and the European Commission also raised their respective GDP forecasts for FY 2020. (MinFin: minus 5-6%, NBH minus 5-5.5%, Commission minus 5.3%)

External developments

The second estimate of EZ GDP will also confirm, that the impact of the second COVID wave was less severe. December IP statistics are likely to point to weaker industrial activity, and the manufacturing PMI is also expected to retreat slightly. However, the market expects some pick-up in service sector activity in February, but the services PMI will still remain below the 50-point threshold.

Housing, IP and retail sales releases are on the agenda in the US. The boom of the residential real estate market may have calmed down at the beginning of 2021, industrial activity could have weakened, too. Retail sales statistics, however, could show a rebound after the weak December data.

Summary of recent macro and market developments

The trade surplus jumped in 2020, CPI remained below 3% in January

The trade balance registered yet another monthly surplus in December (EUR 310 mln), though below November's level. Exports grew by 12% y-o-y, surpassing the 9.2% growth rate of exports.

The FY surplus came out at EUR 5.7 bln, EUR 1.4 bln higher than in 2019. Exports and imports decreased by 4.6% and 5.7% respectively in 2020.

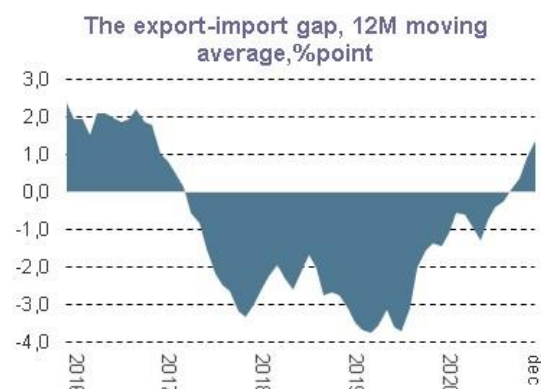
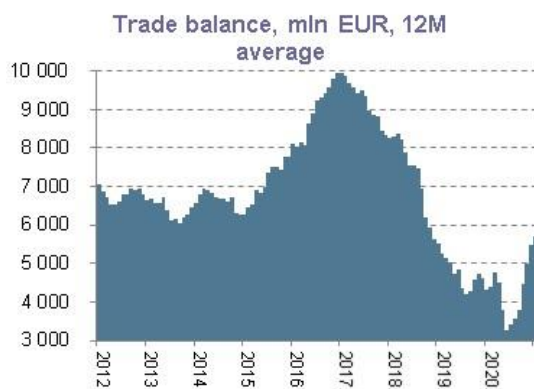
Exports were hit badly during the first wave of COVID, but recovered nicely in the summer months and proved to be very resilient to the second wave. Exports were supported by the stronger than expected pick up of global demand. Meanwhile, the level of imports remained depressed reflecting subdued domestic demand (both consumption and investments).

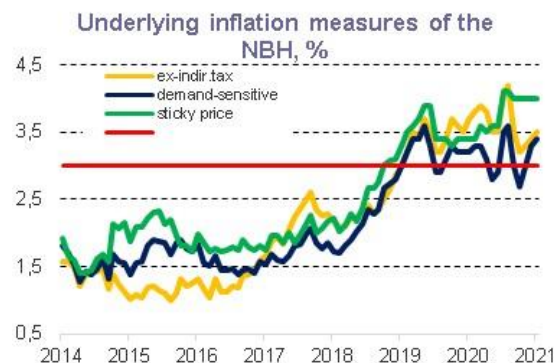
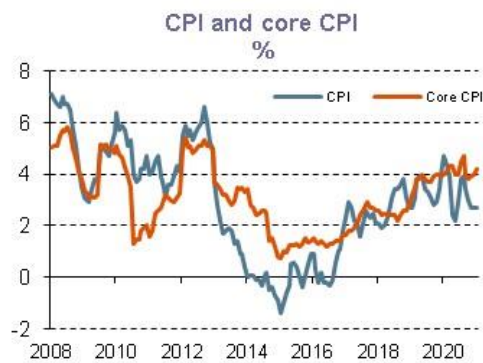
Export dynamics is expected to remain healthy in 2021, but imports are likely to lag behind. The revival of imports can only be expected when the economic recovery gains steam (only after the lifting of the restrictions measures in H2). Hence, the trade surplus is not likely to decrease substantially in 2021.

January CPI came out in line with the expectations, the headline index remained flat at 2.7%. Inflationary pressures, however, remain which was clearly reflected in the pick up of core measures. CSO's core CPI inched up from 4% to 4.2%, the NBH's tax- adjusted core CPI rose from 3.4% to 3.5% and demand sensitive inflation also increased slightly to 3.4%.

Consumer prices rose 0.9% m-o-m. Clothing prices fell in line with the seasonal pattern, food inflation decelerated further, services posted below average price increase. On the other hand, however, the excise duty hike on tobacco products and higher gasoline prices pushed the monthly reading up.

The higher than usual volatility of inflation is expected to persist in 2021 partly as a result of the base effect and partly stemming from the demand and supply side impacts of the pandemic. Headline CPI is expected to rise above 4% in the spring (due to the low base) but may gradually inch down later, average 2021 CPI may be around 3.5%. However, the restart of the economy in H2 can have unexpected impacts on both the supply and demand side of inflation, so from a monetary policy point of view, cautiousness remains warranted.





Source:CSO,NBH

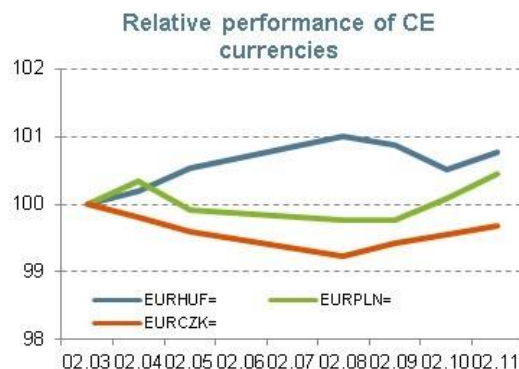
EUR/HUF moved away from the 355 threshold

The EUR/HUF exchange rate traded below 355 in early last week, but that level proved to be short-lived and in this week the forint showed a slightly weakening trend versus the euro, again. However, the pace of depreciation and the volatility were also subdued, and the exchange rate has typically fluctuated in the 357-359 range. The Hungarian unit moved above 359 against the euro by the time of closing our report. This confirms our view, that the space for further appreciation is limited, we expect EUR/HUF to trade in the 355-365 range in the upcoming period. HUF showed weakening in the first half of the week against the CZK and PLN, but on a weekly basis, this represented a minimal depreciation in regional comparison.



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CE3 GOVERNMENT BOND YIELDS							
	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
SPOT (bid)							
1Y	0,55	119	0,10	74	-0,22	42	-0,64
3Y	1,15	191	0,20	96	0,66	142	-0,76
5Y	1,48	219	0,45	116	1,09	179	-0,71
10Y	2,43	289	1,27	173	1,44	189	-0,46
60-DAY AVG							
1Y	0,53	119	0,08	75	-0,14	53	-0,67
3Y	1,04	181	0,14	91	0,45	122	-0,77
5Y	1,53	227	0,47	121	0,81	155	-0,74
10Y	2,28	282	1,29	183	1,28	183	-0,54

Source: Reuters

Macroeconomic and market forecasts

EXCHANGE RATES, QUARTERLY AVERAGE				
	2019 Q4	2020 Q2	2020 Q4	2021 Q4
EUR/HUF	332	352	360	356
CHF/HUF	303	331	335	317
USD/HUF	300	320	305	307
EUR/CHF	1,10	1,06	1,07	1,12
EUR/USD	1,11	1,10	1,18	1,16
GBP/USD	1,29	1,24	1,30	1,35
GBP/HUF	386	397	397	414

INTEREST RATE FORECASTS				
(eop)	2019.12	2020.06	2020.12	2021.12
NHB base rate	0,90%	0,75%	0,60%	0,60%
HU 3M BUBOR	0,16%	0,74%	0,75%	0,65%
Fed Funds rate	1,75%	0,25%	0,25%	0,25%
ECB refi rate	0,00%	0,00%	0,00%	0,00%
SNB 3M Libor target	-0,75%	-0,75%	-0,75%	-0,75%

GDP growth, y/y	- CIB forecast (*)	%	4,3	5,1	4,9	-5,9	3,9
GDP growth, y/y	- Market consensus	%	-	-	-	-6,0	4,7
Industrial production, y/y		%	4,6	3,5	5,6	-6,1	6,5
Trade balance		EUR mln	8078	5520	4334	5700	5900
CPI, y/y, average	- CIB forecast	%	2,4	2,8	3,4	3,3	3,5
CPI, y/y, average	- Market consensus	%	-	-	-	3,4	3,1
CPI, y/y, end of period	- CIB forecast	%	2,1	2,7	4,0	2,7	3,3
CPI, y/y, end of period	- Market consensus	%	-	-	-	-	-
Budget balance / GDP (ESA, including one-off revenues)		%	-2,2	-2,2	-1,6	-8,9	-6,5
Unemployment rate (eop)		%	3,8	3,6	3,5	4,4	4,6

Macro diary

MONDAY 02/15/2021						
Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Trade balance, final, EUR m	December	25,1		
TUESDAY 02/16/2021						
Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	GDP growth, flash, y/y	Q4	-4,6%		
HU	9:00	GDP growth, flash, q/q	Q4	11,4%		
DE	11:00	ZEW index	February	61,8	62,3	
EZ	11:00	GDP growth rate, q/q, 2nd estimate	Q4	12,5%	-0,7%	
EZ	11:00	GDP growth rate, y/y, 2nd estimate	Q4	-4,4%	-5,1%	
AUKCIÓK						
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,43%		
WEDNESDAY 02/17/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	January	0,8%	0,9%	
US	14:30	PPI, m/m	January	0,3%	0,5%	
US	14:30	Retail sales, m/m	January	-0,7%	0,8%	
US	15:15	Capacity utilization	January	74,5%	74,9%	
AUKCIÓK						
			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 15 bln	0,48%		
THURSDAY 02/18/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Building permits, mln unit	January	1,709	1,668	
US	14:30	Housing starts, mln unit	January	1,669	1,650	
US	14:30	Initial jobless claims, thousands	weekly	793	760	
AUCTIONS						
HU	11:30	5Y T-bond	HUF 30 bln	1,36%		
HU	11:30	10Y T-bond	HUF 25 bln	2,26%		
HU	11:30	20Y T-bond	HUF 10 bln	2,98%		
FRIDAY 02/19/2021						
Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	PPI, y/y	January	0,2%		
DE	8:00	PPI, m/m	January	0,8%		
EZ	10:00	Manufacturing PMI, flash	February	54,8	54,6	
EZ	10:00	Services PMI, flash	February	45,4	46	
EZ	10:00	Composite PMI, flash	February	47,8		
US	15:45	Manufacturing PMI, flash	February	59,2	59	
US	15:45	Services PMI, flash	February	58,3	58	
US	15:45	Composite PMI, flash	February	58,7		
US	16:00	Existing home sales, mln unit	January	6,76	6,56	



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Week 7

MONDAY 02/08/2021						
Country	Time	Data	Period	Previous	Forecast	Result
HU	11:00	Budget balance, HUF bln	January	-5548,6		198,8
TUESDAY 02/09/2021						
Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Trade balance, final, EUR m	December	16,7	19,2	14,8
AUKCIÓK						
			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,42%		0,43%
WEDNESDAY 02/10/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	CPI, y/y	January	1,4%	1,5%	1,4%
US	14:30	CPI, m/m	January	0,4%	0,4%	0,3%
THURSDAY 02/11/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Initial jobless claims, thousands	weekly	779	830	793
AUCTIONS						
HU	11:30	5Y T-bond	HUF 30 bln	1,46%		1,36%
HU	11:30	10Y T-bond	HUF 30 bln	2,44%		2,26%
HU	11:30	15Y T-bond	HUF 15 bln	2,50%		2,75%
FRIDAY 02/12/2021						
Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	January	2,7%	2,8%	2,7%
HU	9:00	CPI, m/m	January	0,3%	0,9%	0,9%



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