

CIB WEEKLY REPORT



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What to watch next week

Local market movers

Markets will be closed on Friday and Monday, trading will resume next Tuesday.

CSO is going to publish the most recent trade, IP, retail sales and CPI statistics.

The trade and IP figures may reflect the short-term problems of industry (also reflected in the PMI data), retail sales may have remained weak in line with the worsening COVID situation and the weaker labor market. Headline inflation is expected to move higher in March.

External developments

German IP and orders data may point to healthy developments in the sector. The final EZ PMI's will confirm the encouraging growth outlook, while the euro zone unemployment rate is expected to remain stable in February, albeit well above pre-crisis lows.

The US diary will be rather light next week, the services PMI is expected to move further up reflecting the gradual re-opening of the economy, while weekly jobless claims are likely to remain relatively high.

Summary of recent macro and market developments

Disappointing PMI, weaker labor market, robust wage growth

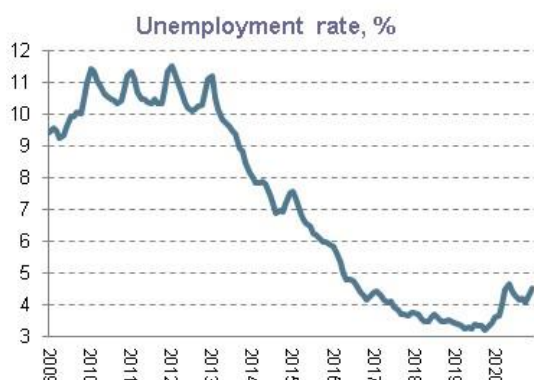
March PMI came out weaker than expected, the index moved further away from the 50-point threshold and fell to a level not seen since last June. The release was disappointing especially taking into account the robust reading of the euro zone PMI. However, taking a closer look at the sub-indices, the picture is less dim: actually, all sub-indices increased except for the delivery time index, suggesting that the weaker reading might be the result of - hopefully temporary - supply chain problems and may also reflect the impact of the global chip shortage. Nonetheless, the industry will not be able to give a significant boost to Q1 growth confirming that not only y-o-y, but also q-o-q GDP growth will come out negative.

The third COVID wave and the new restriction measures have taken its toll on the labor market at the beginning of 2021, but the impact is less severe than last year. Nonetheless, the unemployment rate inched up to 4.5% in February (+1%points y-o-y), and the 3M average picked up, too. The number of employed remains more than 100K below last year's level, the decrease can mainly be attributable to the lower number of workers on the primary labor market and of those working abroad (the number of public workers fell less).

Still, the 4.5% unemployment rate remains below the first wave peak. However, the CSO statistics underestimate the hit to the labor market (due to methodological reasons), the number of registered job-seekers is 302K ('implied' unemployment rate ~6%) compared to the 213K registered as officially unemployed.

The labor market will remain weighed down by the

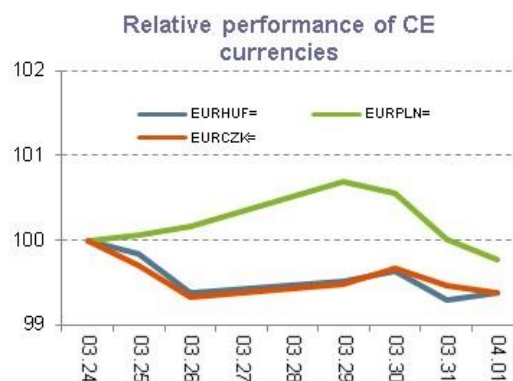
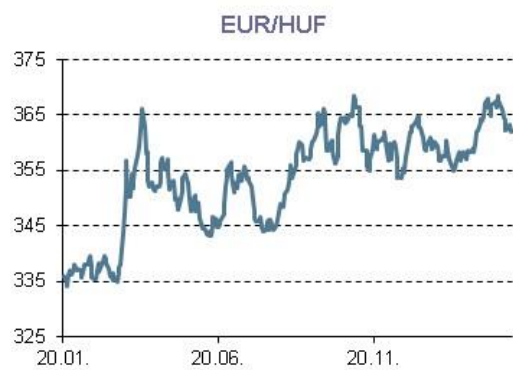
containment measures on the short run, the unemployment rate may peak around 5% in Q2 followed by a recovery once the economy reopens (likely in late spring-early summer).



Source:CSO

EUR/HUF below 362

The Hungarian unit continued its strengthening this week, EUR/HUF moved below the 362 level on Thursday. Other CE currencies also had a positive correction, but the forint managed to surpass its regional peers again. The favorable developments of vaccination and positive growth expectations related to the reopening of the economy supported the forint during the last couple of days. The hawkish central bank comments and closing of short positions also played a role in the appreciation. The recovery of the Hungarian currency created some breathing space of the central bank thus the NBH left rate on 1-week deposits at 0.75%. After the forint showed a strong correction the chance of an uncontrolled and rapid HUF depreciation has been reduced, but a new, significant strengthening trend is also not in the cards on the short run.



| CE3 GOVERNMENT BOND YIELDS | | | | | | | |
|----------------------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| SPOT (bid) | HU | | PL | | CZ | | EU |
| | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) |
| 1Y | 0,76 | 141 | 0,07 | 72 | 0,24 | 89 | -0,65 |
| 3Y | 1,50 | 224 | 0,37 | 111 | 1,05 | 179 | -0,74 |
| 5Y | 1,98 | 262 | 0,84 | 148 | 1,58 | 222 | -0,64 |
| 10Y | 2,78 | 309 | 1,62 | 193 | 1,98 | 229 | -0,31 |
| 60-DAY AVG | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) | spread (bp) | yield (%) |
| 1Y | 0,59 | 123 | 0,10 | 73 | -0,03 | 60 | -0,63 |
| 3Y | 1,32 | 205 | 0,27 | 100 | 0,77 | 150 | -0,74 |
| 5Y | 1,70 | 237 | 0,66 | 133 | 1,13 | 179 | -0,67 |
| 10Y | 2,53 | 293 | 1,22 | 162 | 1,57 | 197 | -0,40 |

Source: Reuters

Macroeconomic and market forecasts

| EXCHANGE RATES, QUARTERLY AVERAGE | | | | | |
|-----------------------------------|---------|---------|---------|--------|---------|
| | 2019 Q4 | 2020 Q2 | 2020 Q4 | 2021Q2 | 2021 Q4 |
| EUR/HUF | 332 | 352 | 361 | 366 | 364 |
| CHF/HUF | 303 | 331 | 335 | 332 | 323 |
| USD/HUF | 300 | 320 | 303 | 313 | 315 |
| EUR/CHF | 1,10 | 1,06 | 1,08 | 1,10 | 1,13 |
| EUR/USD | 1,11 | 1,10 | 1,19 | 1,17 | 1,16 |
| GBP/USD | 1,29 | 1,24 | 1,32 | 1,36 | 1,39 |
| GBP/HUF | 386 | 397 | 399 | 426 | 436 |

| INTEREST RATE FORECASTS | | | | | |
|-------------------------|----------|---------|----------|---------|---------|
| (eop) | 2019. 12 | 2020.06 | 2020. 12 | 2021.06 | 2021.12 |
| NHB base rate | 0,90% | 0,75% | 0,60% | 0,60% | 0,60% |
| HU 3M BUBOR | 0,16% | 0,74% | 0,75% | 0,74% | 0,73% |
| Fed Funds rate | 1,75% | 0,25% | 0,25% | 0,25% | 0,25% |
| ECB refi rate | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| SNB 3M Libor target | -0,75% | -0,75% | -0,75% | -0,75% | -0,75% |

| | Unit | 2017 | 2018 | 2019 | 2020 | 2021* | 2022* |
|--------------------------------------------------------|---------|------|------|------|------|-------|-------|
| GDP growth, y/y - CIB forecast (*) | % | 4,3 | 5,1 | 4,9 | -5,1 | 4,1 | 4,7 |
| GDP growth, y/y - Market consensus | % | - | - | - | -6,0 | 4,7 | 5,1 |
| Industrial production, y/y | % | 4,6 | 3,5 | 5,6 | -6,1 | 6,5 | 7,5 |
| Trade balance | EUR mln | 8078 | 5520 | 4334 | 5700 | 5400 | 5000 |
| CPI, y/y, average - CIB forecast | % | 2,4 | 2,8 | 3,4 | 3,3 | 3,8 | 3,3 |
| CPI, y/y, average - Market consensus | % | - | - | - | 3,4 | 3,6 | 3,2 |
| CPI, y/y, end of period - CIB forecast | % | 2,1 | 2,7 | 4,0 | 2,7 | 3,6 | 3,1 |
| 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 | -4,5 |
| Unemployment rate (eop) | % | 3,8 | 3,6 | 3,5 | 4,4 | 4,6 | 4,1 |

Week 14

MONDAY 03/29/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|------|-----------------------------|---------|----------|----------|--------|
| HU | 9:00 | Trade balance, final, EUR m | January | 830 | | |

TUESDAY 03/30/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-------------------------------------|----------|----------|----------|--------|
| HU | 9:00 | Unemployment rate | February | 4,3% | | |
| EZ | 11:00 | Consumer confidence index | March | -10,8 | | |
| DE | 14:00 | CPI, y/y | March | 1,3% | 1,7% | |
| DE | 14:00 | CPI, m/m | March | 0,7% | 0,5% | |
| US | 15:00 | Case-Shiller house price index, y/y | January | 10,37% | | |

AUKCIÓK

| | | | Amount | Previous | Forecast | Result |
|----|-------|-----------|------------|----------|----------|--------|
| HU | 11:30 | 3M T-bill | HUF 15 bln | 0,60% | | |

WEDNESDAY 03/31/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-------------------|----------|----------|----------|--------|
| HU | 9:00 | Gross wages, y/y | January | 10,6% | | |
| HU | 9:00 | PPI, y/y | February | 6,6% | | |
| HU | 9:00 | PPI, m/m | February | 0,7% | | |
| DE | 9:55 | Unemployment rate | March | 6,0% | 6,0% | |
| EZ | 11:00 | CPI, y/y | March | 0,9% | 1,4% | |
| EZ | 11:00 | CPI, m/m | March | 0,2% | 1,0% | |
| US | | Chicago PMI | March | 59,5 | 60 | |

AUKCIÓK

| | | | Amount | Previous | Forecast | Result |
|----|-------|------------|------------|----------|----------|--------|
| HU | 11:30 | 12M T-bill | HUF 15 bln | 0,61% | | |

THURSDAY 04/01/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-----------------------------------|--------|----------|----------|--------|
| HU | 9:00 | Manufacturing PMI, flash | March | 49,4 | | |
| US | 13:30 | Initial jobless claims, thousands | weekly | 684 | | |

AUCTIONS

| | | | | | | |
|----|-------|------------|------------|-------|--|--|
| HU | 11:30 | 5Y T-bond | HUF 30 bln | 1,80% | | |
| HU | 11:30 | 10Y T-bond | HUF 20 bln | 2,61% | | |
| HU | 11:30 | 20Y T-bond | HUF 10 bln | 3,42% | | |

FRIDAY 04/02/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|---------------------------------------------|--------|----------|----------|--------|
| US | 14:30 | NFP, change in non-farm payrolls, thousands | March | 379 | 613 | |
| US | 14:30 | Unemployment rate | March | 6,2% | 6,0% | |



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Week 13

MONDAY 03/22/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|-------------------------------|----------|----------|----------|--------|
| HU | 8:00 | Economic sentiment index | March | -17,6 | | -16,7 |
| US | 15:00 | Existing home sales, mln unit | February | 6,69 | 6,54 | 6,22 |

TUESDAY 03/23/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|--------------------------|------------|----------|----------|--------|
| HU | 8:30 | C/A balance, EUR m | Q4 | 752 | | 185 |
| US | 15:00 | New home sales, mln unit | February | 0,923 | 0,885 | 0,775 |
| AUKCIÓK | | #N/A | #N/A | | | |
| | | | Amount | Previous | Forecast | Result |
| HU | 11:30 | 3M T-bill | HUF 15 bln | 0,59% | | 0,60% |

WEDNESDAY 03/24/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|----------------------------|----------|----------|----------|--------|
| DE | 9:30 | Manufacturing PMI, flash | March | 60,7 | | 66,6 |
| DE | 9:30 | Services PMI, flash | March | 45,7 | | 50,8 |
| DE | 9:30 | Composite PMI, flash | March | 51,1 | | 56,8 |
| EZ | 10:00 | Manufacturing PMI, flash | March | 57,9 | | 62,4 |
| EZ | 10:00 | Services PMI, flash | March | 45,7 | | 48,8 |
| EZ | 10:00 | Composite PMI, flash | March | 48,8 | | 52,5 |
| HU | 14:00 | MNB interest rate decision | March | 0,6% | 0,6% | 0,6% |
| EZ | 16:00 | Consumer confidence index | March | -14,8 | | -10,8 |
| US | 13:30 | Durable goods orders, m/m | February | 3,4% | 0,9% | -1,1% |
| US | 14:30 | Manufacturing PMI, flash | March | 58,6 | | 59,0 |
| US | 14:30 | Services PMI, flash | March | 59,8 | | 60,0 |
| US | 14:30 | Composite PMI, flash | March | 59,5 | | 59,1 |

THURSDAY 03/25/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|----------|-------|------------------------------------|------------|----------|----------|--------|
| US | 13:30 | Initial jobless claims, thousands | weekly | 770 | | 684 |
| US | 13:30 | GDP growth rate, q/q, 3rd estimate | Q4 | 4,1% | 4,1% | 4,3% |
| AUCTIONS | | | | | | |
| HU | 11:30 | 5Y T-bond | HUF 30 bln | 1,87% | | 1,80% |
| HU | 11:30 | 10Y T-bond | HUF 30 bln | 2,75% | | 2,61% |
| HU | 11:30 | 15Y T-bond | HUF 15 bln | 3,22% | | 3,00% |

FRIDAY 03/26/2021

| Country | Time | Data | Period | Previous | Forecast | Result |
|---------|-------|----------------------|----------|----------|----------|--------|
| DE | 10:00 | Ifo index | March | 94,2 | | 100,4 |
| US | 13:30 | Personal income, m/m | February | 10,0% | -7,2% | |



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