

# CIB WEEKLY REPORT



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## What to watch next week

### Local market movers

No major data releases are scheduled for next week, but CSO is going to publish detailed February IP statistics. The release is likely to confirm, that the vehicle manufacturing industry was weighed down by global supply chain problems, but other subsectors could offset this negative impact.

### External developments

The most recent German ZEW index and euro zone IP and retail sales statistics will be released next week alongside with final March inflation figures. The ZEW index may have moved further up in April, but overall the releases are not likely to change the macro outlook of the euro zone. The US diary will be packed with high frequency indicators. The industrial and housing sector may show some rebound after the relative weakness in early 2021, retail sales are expected to jump thanks to the new wave of stimulus, and inflation is also expected to move up.

## Summary of recent macro and market developments

**The Industrial output rebounded, but retail sales remained subdued. CPI crept higher**

Flash February IP data came out at better than expected; for the first time, output surpassed pre-COVID levels. Production grew 4.8% m-o-m (wda) and was up 3.9% y-o-y (wda). Unadjusted y-o-y growth was lower, 1.9%.

Detailed figures are not available yet, but CSO said that output decreased quite significantly in the vehicle manufacturing subsector, but higher production in the electronical/optical/computer segment could offset this negative impact. The weak performance of the car sector is related to the global chip shortage and is not a surprise. These supply chain tensions are expected to ease in the upcoming period, the global demand picture remains supportive, therefore we expect healthy IP growth this year.

The trade balance registered yet another big surplus in February (EUR 856 mln). Exports grew by 0.8% y-o-y in EUR terms and imports were up by 3.9%. (Exports and imports were down 2.2% and 3.5% y-o-y in the January-February period, respectively.) Imports growth is likely to accelerate in 2021 in tandem with the revival of domestic demand, but the surplus is not likely to deteriorate significantly.

February retail sales figures confirmed that the third COVID wave, the restrictions measures, the higher unemployment rate and lower income growth weigh on consumption. Retail sales were down 1.2% on the month and were 5.9% below last year's level. (the big y-o-y drop is the result of the high base, panic purchases ahead of the first wave of restrictions measures pushed sales up last February).

Food and non-food sales dropped 3.5% and 3.3%, respectively but gasoline sales posted double-digit fall.

Retail sales are likely to remain depressed in March, a gradual revival may start from April, but a strong recovery

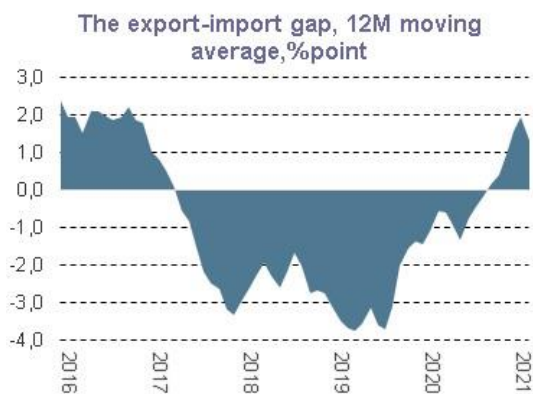
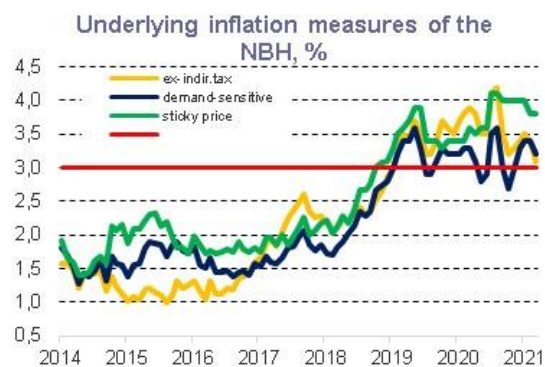
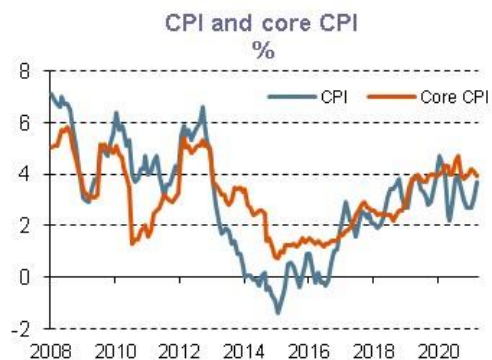
of consumption is not expected before the re-opening of the economy, but even then, pent-up demand is likely to target services much more than goods.

CPI increased further in March, in line with the expectations. Consumer prices were up 0.7% m-o-m and 3.7% y-o-y.

*The monthly breakdown brought no surprised either. Tobacco and gasoline prices posted monthly growth rates well above the average due to the excise duty hike and higher world oil prices. Clothing prices rose due to seasonal factors, but the slowdown in food price growth continued in March, and services price growth also weakened.*

On the other hand, core inflation eased last month. CSO's core CPI went down to 3.9%, but the NBH's closely watched tax-adjusted core CPI and demand sensitive CPI retreated, too.

Inflation will further accelerate in the upcoming period and will likely peak close to 5% in April-May. A slow, gradual retreat is expected later, but the inflation outlook remains characterized with a high degree of uncertainties, the reopening of the economy will certainly be inflationary. Therefore, it was not a surprise that the statement released after the March MC meeting pointed out that "potential second-round effects following the restart of the economy pose the greatest risk in terms of the outlook for inflation". Our baseline scenario pencils in 3.8% average CPI for 2021.



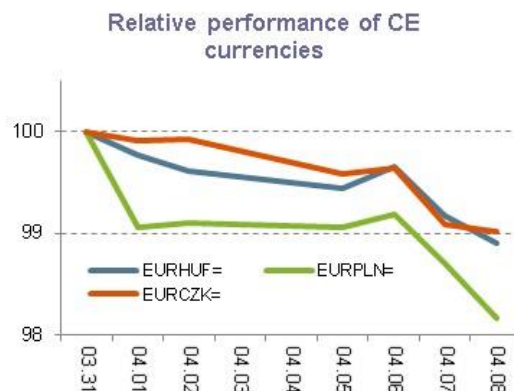
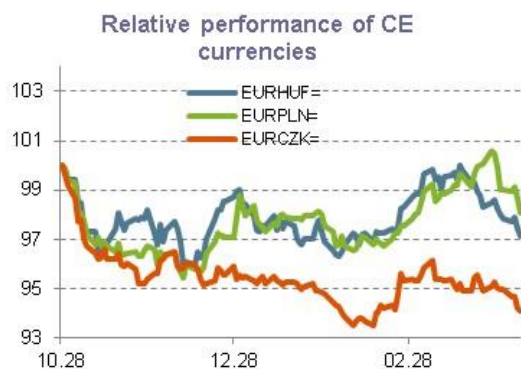


### EUR/HUF below 360

The appreciation trend of the forint continued during the last couple of days, EUR/HUF broke below the 360 threshold on Wednesday and at the time of closing our research report, the pair fluctuates around 358. This meant a 1.0% strengthening on a weekly basis, while a 2.8% gain from the trough of 18-19 March. Domestic exchange rate factors did not materially change, the appreciation of the forint since late March has been accompanied by strengthening global risk appetite and depreciation of the US dollar. Consistent with this, HUF moved in tandem with the Czech koruna and performed slightly weaker than the Polish zloty in this week. However, we do not expect any meaningful HUF recovery on the short run, EUR/HUF may trade in the 355-365 range in the upcoming period.







CE3 GOVERNMENT BOND YIELDS							
	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
<b>SPOT (bid)</b>							
1Y	0,76	141	0,11	75	-0,01	64	-0,65
3Y	1,48	223	0,34	109	1,04	179	-0,75
5Y	1,96	263	0,85	151	1,44	210	-0,67
10Y	2,82	316	1,56	190	1,90	224	-0,34
<b>60-DAY AVG</b>							
1Y	0,61	125	0,10	74	-0,03	61	-0,63
3Y	1,35	208	0,28	102	0,80	153	-0,74
5Y	1,73	240	0,69	135	1,16	182	-0,66
10Y	2,58	297	1,24	163	1,60	199	-0,39

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 16

### MONDAY 04/12/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Retail sales, y/y	February	-6,4%	-5,6%	
EZ	11:00	Retail sales, m/m	February	-5,9%	1,3%	

### TUESDAY 04/13/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	11:00	ZEW index	April	76,6	79,1	
US	14:30	CPI, y/y	March	1,7%	2,5%	
US	14:30	CPI, m/m	March	0,4%	0,5%	

### AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,62%		

### WEDNESDAY 04/14/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	IP, prelim., y/y	February	0,1%	0,6%	
EZ	11:00	IP, prelim., m/m	February	0,8%	0,3%	

### AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 15 bln	0,72%		

### THURSDAY 04/15/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	Initial jobless claims, thousands	weekly	744		
US	14:30	Retail sales, m/m	March	-3,0%	5,2%	
US	15:15	IP, final, m/m	March	-2,2%	3,0%	
US	15:15	Capacity utilization	March	73,8%	75,8%	

### AUCTIONS

HU	11:30	5Y T-bond	HUF 30 bln	1,86%		
HU	11:30	10Y T-bond	HUF 20 bln	2,73%		
HU	11:30	20Y T-bond	HUF 10 bln	3,17%		

### FRIDAY 04/16/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Trade balance, final, EUR m	February	24,2		
US	14:30	Building permits, mln unit	March	1720	1745	
US	14:30	Housing starts, mln unit	March	1421	1615	



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MONDAY 04/05/2021						
Country	Time	Data	Period	Previous	Forecast	Result
US	16:00	Industrial orders, m/m	February	2,6%	-0,5%	-0,8%
US	16:00	Durable goods orders, m/m	February	-1,1%	-1,1%	-1,2%
TUESDAY 04/06/2021						
Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	Unemployment rate	February	8,1%	8,1%	8,3%
AUKCIÓK		#N/A	#N/A			
		Amount	Previous	Forecast	Result	
HU	11:30	3M T-bill	HUF 15 bln	0,61%		0,62%
WEDNESDAY 04/07/2021						
Country	Time	Data	Period	Previous	Forecast	Result
		No major data release	#N/A			
THURSDAY 04/08/2021						
Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	IP, prelim., y/y	February	-2,8%	0,3%	3,9%
HU	9:00	IP, prelim., m/m	February	0,2%		4,8%
HU	9:00	Trade balance, prelim., EUR m	February	855	1091	856
EZ	11:00	PPI, y/y	February	0,0%	1,3%	1,5%
EZ	11:00	PPI, m/m	February	1,4%	0,6%	0,5%
US	14:30	Initial jobless claims, thousands	weekly	719		744
AUCTIONS						
HU	11:30	5Y T-bond	HUF 30 bln	1,80%		1,86%
HU	11:30	10Y T-bond	HUF 30 bln	2,61%		2,73%
HU	11:30	15Y T-bond	HUF 15 bln	3,42%		3,17%
FRIDAY 04/09/2021						
Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	IP, prelim., y/y	February	-3,9%	-2,5%	-6,4%
DE	8:00	IP, prelim., m/m	February	-2,5%	1,5%	-1,6%
DE	8:00	Trade balance, prelim., EUR m	February	13,8	20,1	18,1
HU	9:00	Retail sales, y/y	February	-1,8%	-2,4%	-5,9%
HU	9:00	CPI, y/y	March	3,1%	3,7%	3,7%
HU	9:00	CPI, m/m	March	0,7%	0,8%	0,7%
HU	11:00	Budget balance, HUF bln	March	-539,7		-1144,1
US	14:30	PPI, y/y	March	2,8%	3,8%	

## Contacts

Resarch	Sales – Securities	Sales FX
<ul style="list-style-type: none"> <li>• <b>Mariann Trippon</b> Head of Research 423-2420</li> <li>• <b>András Bukovszki</b> Junior analyst</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Balázs Borók</b> Head of Securities Sales 489-8365</li> <li>• <b>Balázs Pápay</b> Equity sales 489-8366</li> <li>• <b>Balázs Tóth</b> Equity sales 489-8345</li> <li>• <b>Sándor Fenyvesi</b> FI sales 489-8352</li> <li>• <b>Zoltán Verzár</b> FI sales 489-835</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mária Juhász</b> Head of Treasury sales 489-8313</li> <li>• <b>Marianna Nagy</b> FX sales 489-8303</li> <li>• <b>Péter Kelemen</b> FX sales 489-8304</li> <li>• <b>Gábor Horváth</b> FX sales 489-8327</li> </ul>

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