

CIB WEEKLY REPORT



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What to watch next week

Local market movers

The key event of the forthcoming week is going to be the publication of the latest inflation figures. CSO will also release the most recent trade, IP and retail sales statistics.

Exports and IP figures are likely to confirm that -despite supply side tensions-, the industrial sector continued expanding at a healthy rate. Retail sales may have also rebounded in May in line with the reopening.

The outlook for inflation remains characterized with higher than usual uncertainties, but headline CPI may have moved down marginally from the April-May peak of 5.1% in June (4.9-5.0%)

External developments

Following the dip of April, German IP and industrial orders are likely to show positive m-o-m growth rates, again. The final EZ services and composite PMIs will confirm that the recovery gained further momentum in June. The US diary is rather empty next week, initial jobless claims data and the services ISM index are on the agenda.

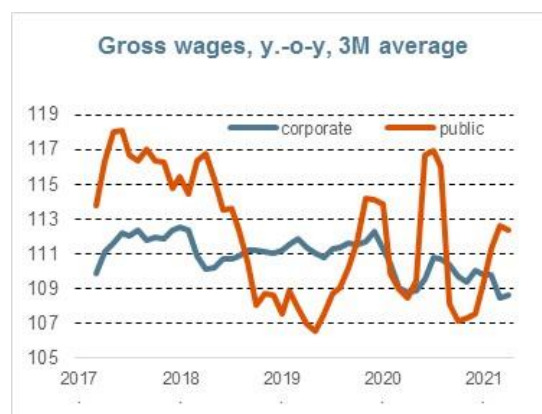
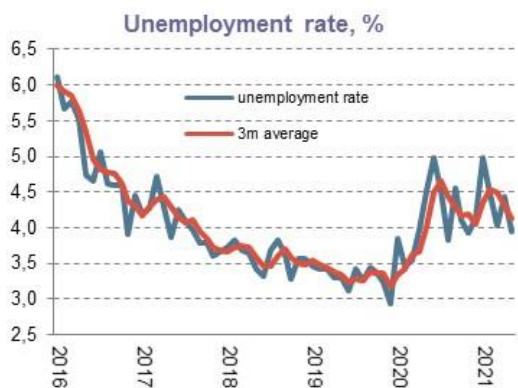
Summary of recent macro and market developments

The labor market recovery gains steam, wage outflows remain strong

The unemployment rate fell from 4.4% to 3.9% in May, the lowest reading since November 2020. The 3M moving average (March-May) also inched down to 4.1%. The number of unemployed decreased by 22K m-o-m (to 189K), and the number of employed exceeded the 4.6 mln threshold, yet again. The release confirmed that the April weakening was a temporary phenomenon (reflecting the lagged impact of the restriction measures) and a strong recovery is underway on the labor market. Although the unemployment rate is still 0.6%points above the 2019 average, the labor market is getting tighter and the lack of skilled labor is becoming a major problem in many industries.

The tight labor market supports wage outflows. Whole economy gross wages grew by 10.1% y-o-y in April. The double-digit growth was driven by the public sector (+12.7% y-o-y), but private sector wages are also 8% higher compared to April, 2020. The robust economic recovery, tightening labor market conditions and the lack of skilled workers will put an upward pressure on wages in the upcoming period, too.

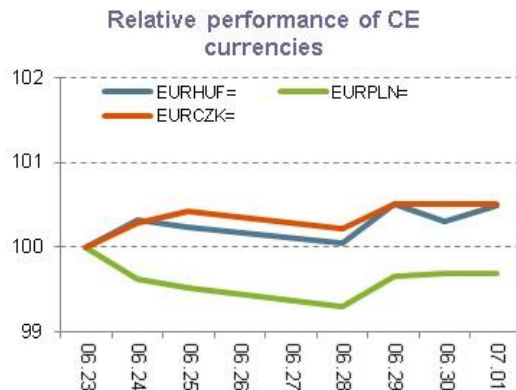
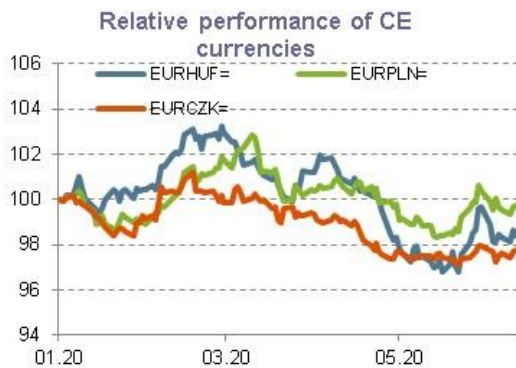
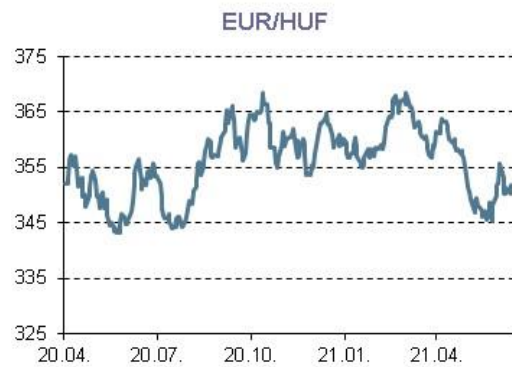
The June manufacturing PMI was released this week, too. The index jumped from 53.1 to 54.7 points. The increase fits into the wider European trend and confirms that despite supply side bottlenecks and rising input costs, the manufacturing sector is able to keep its healthy momentum.



EUR/HUF stable above 350

Following the Hungarian interest rate hike on June 22 (30bps) the forint showed a more stable picture against the main currencies. The EUR/HUF exchange rate fluctuated significantly more moderately compared to a week ago, typically moving in a very narrow range between 350-352, while USD/HUF remained practically unchanged close to 296 level. In addition to the MNB's decision in the preceding week, the further improvement in the international market sentiment may also have contributed to the stabilization of the forint. The latter was confirmed by the intense correlation between the regional currencies. Both CZK/HUF and PLN/HUF hardly changed compared to a week ago. The further monetary tightening would support the Hungarian currency but we still believe that the NBH is not comfortable with a relatively strong exchange rate but we also do not project significant and sustained depreciation, so we expect EUR/HUF to trade in

the 345-355 range in the upcoming period. After the big jump last week, the BUBOR curve hardly moved during the last couple of days, but in the government securities market yields decreased slightly starting from Tuesday on the short end (3-12 months), while yields at longer maturities remained stable.



CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,89	152	0,36	99	1,18	180	-0,63
3Y	1,80	249	0,62	131	1,29	198	-0,69
5Y	2,17	275	1,27	185	1,67	225	-0,58
10Y	2,97	316	1,64	183	1,84	203	-0,19
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,80	144	0,23	87	0,37	101	-0,64
3Y	1,61	230	0,51	121	1,11	180	-0,69
5Y	1,99	257	1,14	172	1,49	207	-0,58
10Y	2,91	311	1,65	185	1,79	199	-0,21



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Macroeconomic and market forecasts

	Unit	2017	2018	2019	2020	2021*	2022*
GDP growth, y/y - CIB forecast (*)	%	4,3	5,1	4,9	-5,1	5,9	5,0
GDP growth, y/y - Market consensus	%	-	-	-	-6,0	4,7	5,1
Industrial production, y/y	%	4,6	3,5	5,6	-6,1	9,8	6,5
Trade balance	EUR mln	8078	5520	4334	5700	7200	6800
CPI, y/y, average - CIB forecast	%	2,4	2,8	3,4	3,3	4,2	3,3
CPI, y/y, average - Market consensus	%	-	-	-	3,4	4,0	3,3
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	2,7	4,2	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	-7,5	-6,5
Unemployment rate (eop)	%	3,8	3,6	3,5	4,4	4,3	3,9

EXCHANGE RATES, QUARTERLY AVERAGE						
	2020 Q2	2020 Q4	2021Q2	2021 Q4	2022Q2	2022Q4
EUR/HUF	352	361	355	352	352	350
CHF/HUF	331	335	323	316	309	321
USD/HUF	320	303	294	303	294	289
EUR/CHF	1,06	1,08	1,10	1,11	1,14	1,14
EUR/USD	1,10	1,19	1,21	1,16	1,20	1,21
GBP/USD	1,24	1,32	1,40	1,38	1,43	1,45
GBP/HUF	397	399	412	418	418	418

INTEREST RATE FORECASTS						
(eop)	2020.06	2020.12	2021.06	2021.12	2022.06	2022.12
NHB base rate	0,75%	0,60%	0,90%	1,35%	1,35%	1,35%
HU 3M BUBOR	0,74%	0,75%	0,95%	1,40%	1,40%	1,40%
Fed Funds rate	0,25%	0,25%	0,25%	0,25%	0,25%	0,25%
ECB refi rate	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
SNB 3M Libor target	-0,75%	-0,75%	-0,75%	-0,75%	-0,75%	-0,75%



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Week 28

MONDAY 07/05/2021

Country	Time	Data	Period	Previous	Forecast	Result
		No major data release	#N/A			

TUESDAY 07/06/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Industrial orders, m/m	May	-0,2%	1,4%	
HU	9:00	Retail sales, y/y	May	10,6%		
DE	11:00	ZEW index	July	79,8	75,4%	
EZ	11:00	Retail sales, y/y	May	23,9%		
EZ	11:00	Retail sales, m/m	May	-3,1%	4,4%	
US	16:00	Services ISM index	June	64,0	64,0	

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,57%		

WEDNESDAY 07/07/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	IP, prelim., y/y	May	26,4%		
DE	8:00	IP, prelim., m/m	May	-1,0%	0,5%	
HU	9:00	IP, prelim., y/y	May	59,2%		
HU	9:00	IP, prelim., m/m	May	-3,2%		
US	20:00	Fed FOMC minutes	June			

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	0,92%		

THURSDAY 07/08/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Trade balance, prelim., EUR m	May	15,2		
DE	8:00	C/A balance, EUR m	May	21,3		
HU	9:00	CPI, y/y	June	5,1%	4,8%	
HU	9:00	CPI, m/m	June	0,5%		
US	14:30	Initial jobless claims, thousands	weekly	364		

FRIDAY 07/09/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Trade balance, prelim., EUR m	May	321		
HU	11:00	Budget balance, HUF bln	June	-1313		

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