Contents

What to watch next week

Local market movers

No major data releases are scheduled for next week, but CSO is set to publish detailed and final July IP statistics.

External developments

The euro zone diary is rather empty, too. A bunch of August high frequency indicators (retail, IP, CPI) alongside with a few regional manufacturing indices will be published in the US.

Summary of recent macro and market developments

CPI surprised at the upside, disappointing trade and IP figures

Consumer prices rose by more than expected in August, the m-o-m CPI came out at 0.2% and the y-o-y index went up from 4.6% to 4.9% (consensus: 4.7%).

Core CPI picked up from 3.5% to 3.6% and the central bank's underlying inflation measures also moved higher - confirming that underlying inflationary pressures remain strong in the economy.

Clothing prices declined m-o-m due to seasonal factors, and gasoline price increases also moderated. Services prices seems to have normalized after the reopening boom, but the 0.4% m-o-m index is still relatively high. The stronger FX rate has failed to show up in consumer durable prices yet, the 0.5% m-o-m increase reflects persistent supply chain tensions. The massive increase in agricultural producer prices (as shown in the PPI, too) has been filtering through into food prices.

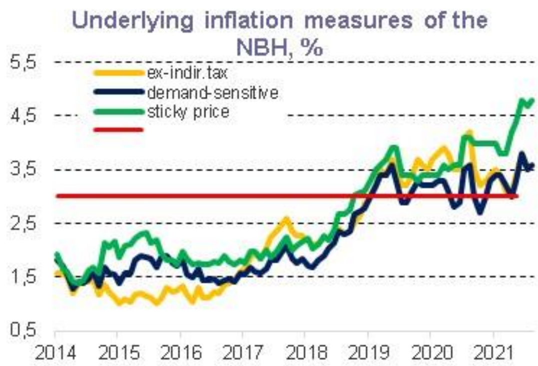
The expected CPI trajectory for the remaining part of the year has shifted further up. Inflation is likely to jump well above 5% already in September and may near 6% in November. Q4 average inflation will be above 5.5% and FY 2021 CPI may come out at 4.7%.

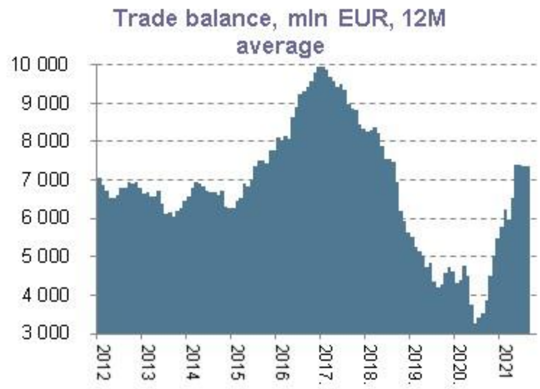
The strong support from the high base will likely push CPI back to the 2-4% tolerance band in 2022. However, risks to the outlook are still skewed to the upside, and the central bank will have no other option than to proceed with tightening. Vice governor Virág Barnabás kept the hawkish tone in its post-CPI interview. He said that the publication of the September Inflation Report and the MC meeting will be decisive, adding that it would be a huge mistake to underestimate the risk of inflation remaining high for longer.

The Monetary Council already raised the policy rate by a total of 90 bps to 1.5% and the tightening cycle will continue this month. The policy rate will finish the year at or slightly above 2%, but we still think that the rate hike cycle will not continue in 2022.

CSO published flash July IP and trade statistics, too. Both releases reflected global supply side tensions and shortages. Industrial output was 0.5% lower compared to June (swda), but still posted a double-digit, 10.2% increase compared to July 2020. Detailed data will only be published next week, but news about partial/total factory shutdowns suggests that the vehicle manufacturing and supposedly the electrical/optical segments are to blame for the weaker performance. Industrial output rose 17.1% in the January-July period. EZ PMIs, German orders and IP data alongside with tentative signs of easing supply side tensions suggest that the industrial sector’s resilience is likely to persist, growth will continue, albeit at a more moderate rate.

Weaker IP dynamics was also reflected in the most recent trade balance statistics. The slowdown of exports alongside with accelerating imports pushed the trade balance into the red for the first time since April 2020 (EUR -198 mln). Export value rose by 10% y-o-y in EUR terms, but the dynamics of imports was higher, again (+15%). The latter being the reflection of booming domestic demand (consumption, investments). The export-import gap was in negative territory for the 3rd month in a row. The deterioration of the trade balance has clearly started, but the surplus is still high: the cumulative surplus of the first 7 months of the year was EUR 3.5 bln and the 12M rolling average still stood at ~ 7 bln euros.

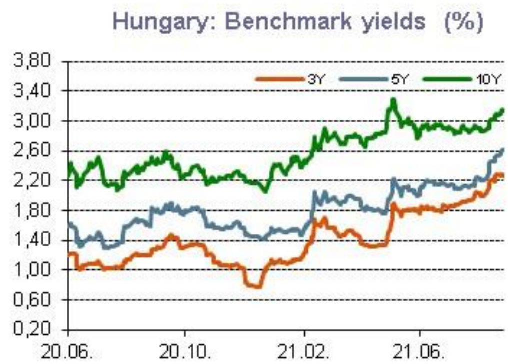


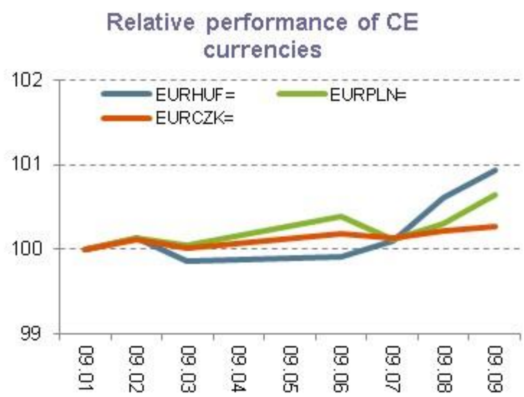


EUR/HUF moves higher

After a few unsuccessful attempts to break below the 347 threshold, the EUR/HUF exchange rate headed north from the middle of the week left behind us. The fast weakening of the forint pushed the pair close to 352 on late Thursday. The deprecation clearly reflected market uncertainty, both that of the domestic and the external economic environment. Moreover, technical factors also contributed to the weaker performance of the Hungarian unit. Although the higher than expected CPI reading could have lent some support to the Hungarian unit but investors are worried about the pace of rate hikes before the September central bank meeting. Meanwhile ECB set a moderately lower pace of bond buying program on Thursday and that decision, interpreted by the market as a slight tightening, contributed to the further depreciation of the CEE currencies. The performance of our currency has also deteriorated compared to the regional peers which confirmed that the country-specific factors are playing a bigger role in the recent weakening. Overall, after the massive appreciation in August the correction of the forint is not surprising, the NBH's further steps will be crucial in the upcoming period.

In the government securities market, a slight steepening of the yield curve was observed, with a stable short side. The 10-year benchmark yield was at a four-month peak (3.08%), while the 5-year yield was also at an almost three-year high level. Due to the further increase in the domestic yields, the spread over Bunds in the 10 years segment reached 340 bps.





CE3 GOVERNMENT BOND YIELDS							
	HU		PL		CZ		EU
SPOT (bid)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	**1,57**	224	**0,49**	116	**1,24**	191	**-0,67**
3Y	**2,26**	300	**0,85**	159	**1,65**	239	**-0,74**
5Y	**2,61**	326	**1,28**	193	**1,80**	245	**-0,65**
10Y	**3,14**	348	**1,99**	233	**1,89**	223	**-0,34**
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	**1,01**	166	**0,44**	109	**1,15**	180	**-0,65**
3Y	**1,96**	271	**0,66**	142	**1,40**	215	**-0,76**
5Y	**2,22**	289	**1,21**	187	**1,70**	236	**-0,67**
10Y	**2,93**	329	**1,67**	203	**1,79**	216	**-0,36**

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	**6,8**	**5,0**
GDP growth, y/y - *Market consensus*	%	-	-	-	-6,0	6,4	5,0
Industrial production, y/y	%	4,6	3,5	5,6	-6,1	**13,1**	**7,5**
CPI, y/y, average - CIB forecast	%	2,4	2,8	3,4	3,3	**4,6**	**3,3**
CPI, y/y, average - *Market consensus*	%	-	-	-	3,4	4,4	3,5
CPI, y/y, end of period - CIB forecast	%	2,1	2,7	4,0	2,7	**4,9**	**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	%	3,8	3,6	3,5	4,4	**4,2**	**3,9**

EXCHANGE RATES, QUARTERLY AVERAGE

	2020 Q2	2020 Q4	2021Q2	2021 Q4	2022Q2	2022Q4
EUR/HUF	352	361	355	351	352	350
CHF/HUF	331	335	323	315	309	321
USD/HUF	320	303	294	301	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	416	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%	2,00%	2,00%	2,00%
HU 3M BUBOR	0,74%	0,75%	0,96%	2,05%	2,05%	2,05%
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%

Week 38

Country	Time	Data	Period	Previous	Forecast	Result
MONDAY 09/13/2021						
		No major data release	#N/A			
TUESDAY 09/14/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
US	14:30	CPI, y/y	August	5,4%	5,3%	
US	14:30	CPI, m/m	August	0,5%	0,4%	
AUKCIÓK						
			Amount	**Previous**	**Forecast**	**Result**
HU	11:30	3M T-bill	HUF 15 bln	1,09%		
WEDNESDAY 09/15/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
EZ	11:00	IP, prelim., y/y	July	9,7%	5,7%	
EZ	11:00	IP, prelim., m/m	July	-0,3%	0,5%	
US	14:30	IP, prelim., m/m	August	0,9%	0,3%	
US	14:30	Capacity utilization	August	76,1%	76,3%	
AUKCIÓK						
			Amount	**Previous**	**Forecast**	**Result**
HU	11:30	12M T-bill	HUF 10 bln	1,57%		
THURSDAY 09/16/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
EZ	11:00	Trade balance, prelim., EUR m	July	18,1		
US	14:30	Retail sales, m/m	August	-1,1%	-0,8%	
US	14:30	Initial jobless claims, thousands	weekly	310		
FRIDAY 09/17/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	
EZ	11:00	HICP, y/y, final	August	2,2%	3,0%	
EZ	11:00	HICP, m/m, final	August	0,4%	0,4%	

Week 37

Country	Time	Data	Period	Previous	Forecast	Result
MONDAY 09/06/2021						
DE	8:00	Industrial orders, m/m	July	4,1%		3,4%
TUESDAY 09/07/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
DE	8:00	IP, prelim., y/y	July	5,1%		5,7%
DE	8:00	IP, prelim., m/m	July	-1,3%		1,0%
HU	9:00	IP, prelim., y/y	July	18,6%		10,2%
HU	9:00	IP, prelim., m/m	July	-0,3%		-0,5%
DE	11:00	ZEW index	September	40,4		26,5
EZ	11:00	GDP growth rate, final y/y	Q2	13,6%	13,6%	14,3%
EZ	11:00	GDP growth rate, final q/q	Q2	2,0%	2,0%	2,2%
AUKCIÓK						
			Amount	**Previous**	**Forecast**	**Result**
HU	11:30	3M T-bill	HUF 15 bln	0,82%		1,09%
WEDNESDAY 09/08/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
HU	9:00	Trade balance, prelim., EUR m	July	629		-193
HU	9:00	CPI, y/y	August	4,6%		4,9%
HU	9:00	CPI, m/m	August	0,5%		0,2%
HU	11:00	Budget balance, HUF bln	August	-1803,7		-1900,7
THURSDAY 09/09/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	**Result**
EZ	13:45	ECB rate decision, policy rate	September	0,00%	0,00%	0,00%
US	14:30	Initial jobless claims, thousands	weekly	340		310
AUCTIONS						
			Amount	**Previous**	**Forecast**	**Result**
HU	11:30	5Y T-bond	HUF 20 bln	2,31%		2,53%
HU	11:30	10Y T-bond	HUF 20 bln	2,88%		3,07%
HU	11:30	20Y T-bond	HUF 12 bln	3,30%		3,56%
FRIDAY 09/10/2021						
Country	**Time**	**Data**	**Period**	**Previous**	**Forecast**	
US	14:30	PPI, y/y	August	7,8%	8,1%	
US	14:30	PPI, m/m	August	1,0%	0,5%	

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