

# CIB WEEKLY REPORT



## Contents

- **What to watch in the week ahead**
- **Summary of recent macro and market events**
- **Forecast tables**
- **Macro diary**

## What to watch next week

### Local market movers

CSO is going to publish August inflation figures next week alongside with flash July IP and trade statistics. Headline CPI dropped from 5.3% to 4.6% in July and it is expected to hover around this level in August (4,6-4,7%). Fuel price developments were supportive this month and clothing prices also got cheaper due to the seasonal factors. Services price inflation might have normalized following the reopening boost, but consumer durable prices could have posted above average m-o-m growth reflecting global supply side disruptions and the impact of the weak FX rate. Headline CPI is likely to remain volatile in the remaining part of the year, a second intra-year peak at or above 5% is expected for October-November, and average 2021 inflation could be around 4.6%

## External developments

German IP and industrial orders figures are due out next week. The ECB meeting is not likely to bring any major surprises. Rate hikes are not on the agenda for the foreseeable future, and the statement is also likely to confirm that the PEPP will run until March 2022.

The US diary lacks any major data releases.

## Summary of recent macro and market developments

### Robust recovery in Q2, the PMI inched up in August, wage growth moderated

CSO published detailed and revised Q2 GDP data this week. According to the second estimate, GDP grew by 2.7% q-o-q (swda) and were up by 17.9% y-o-y (unadjusted data). The working-day adjusted y-o-y growth rate was 17.7%. Real GDP grew by 7.6% in H2. The outstanding y-o-y rate of growth is the result of the extremely low base, but the impressive q-o-q dynamics confirmed the strong recovery potential of the Hungarian economy. Output already reached its pre-crisis level.

At the production side, the value added of industry increased by 36.9% (within the sector manufacturing expanded by almost 40%). Construction output was 19% higher y-o-y, the first positive y-o-y rate since Q1 2020. Value added in the services sector expanded 12.9%, but there were huge divergencies within the different subsectors' performance. The tourism sector, which suffered the biggest hit from COVID, jumped more than 70%.

Regarding the contribution to growth, industry and services added 7.3%points and 7%points, respectively, the contribution of agriculture was neutral, but the construction sector added 0.9%points.

At the absorption side, households' final consumption rose by 9.9% y-o-y, and investment growth also returned to positive territory (+8.3%). Government consumption growth was negative for the first time since Q4 2018, the growth rate of exports surpassed that of imports.

Consumption, net exports and investments contributed to overall growth 6.1%points, 6.5%points and 2.5%points, respectively.

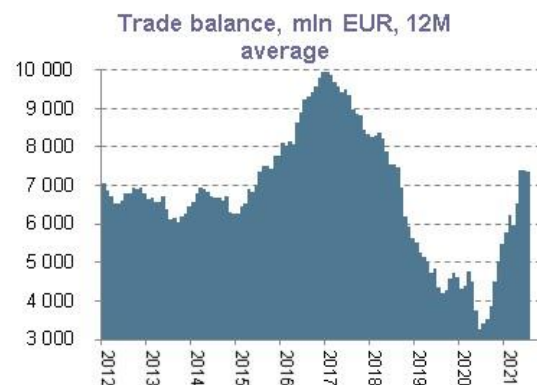
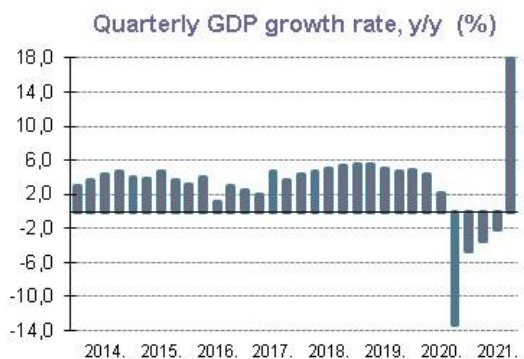
Although peak growth is behind us, the recently released high frequency and leading indicators point to continued solid growth in the economy despite the fact, that downside risks have strengthened somewhat due to the rapid spread of the Delta variant and supply chain tensions. FY 2021 GDP growth could be between 6.8-7.2%, and we project 5% growth for 2022.

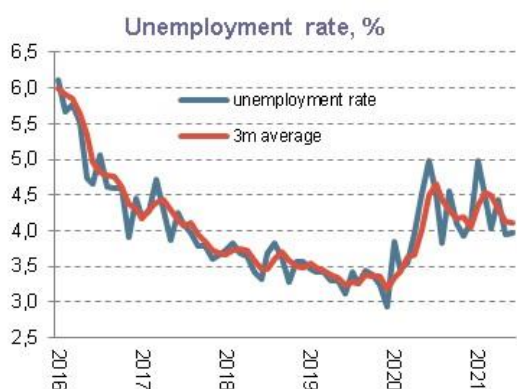
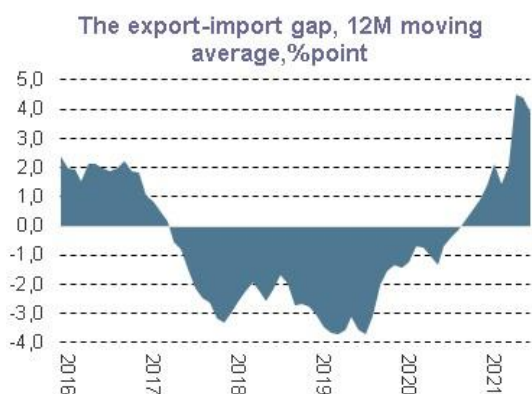
CSO also published wage and trade balance statistics this week and the August PMI was released, too. The PMI rose marginally to 55.9 points in August. The level is consistent with ongoing solid growth in the manufacturing sector despite persistent supply chain disruptions (that forced some vehicle manufacturers to repeatedly shut down production during the summer period). Resolving supply side problems will take longer than previously had been expected (the 4<sup>th</sup> COVID wave further complicates the picture), hence, the industrial sector is highly likely to lose some momentum during the upcoming period.

June trade statistics confirmed that net exports will be one of the key engines of growth this year. The trade balance registered a surplus of EUR 629 mln in June, the cumulative surplus of H1 was EUR 3.6 bln and the 12M rolling average seems to be stabilizing around EUR 7.3 bln. Exports posted a healthy, 22% y-o-y growth rate in EUR terms but recovering domestic demand and the worsening term of trades resulted in an even higher, 25% import growth. Looking ahead, imports growth will remain strong in line with the robust recovery of domestic demand, and although the outlook for exports has been darkened by strengthening COVID uncertainties and supply chain problems, the FY surplus of the trade balance could still be EUR 6.5-7 bln.

Wage dynamics weakened significantly in June; nationwide net wages grew by a mere 3.5% y-o-y. This, however, does not imply a material change in underlying trends, the slowdown was the result of the high base in the public sector (healthcare workers received a one-off payout last June). Therefore, public sector wages declined by 4% in June, but private sector wages still rose by 6.4% y-o-y. Nationwide wages increased by 8.4% in H1 (public sector: +9%, private sector: +8.1%).

The COVID crisis resulted in some slowdown in wage dynamics, but wage outflows remained relatively strong. Looking ahead, tight labor market conditions, the lack of skilled workers alongside with government measures will keep wage growth elevated (but below the double-digit pre-COVID levels). We forecast 8% average yearly nominal wage dynamics for the next two years.





### EUR/HUF below 350

The forint showed a significant strengthening trend against the main currencies in August and the steady appreciation tendency of the Hungarian unit continued during the last couple of days as well. At the time of closing our weekly report, EUR/HUF was hovering close to level 348, but on Thursday there were levels even below 347.50. Compared to the regional peers, the domestic currency appreciated to a slightly greater degree versus EUR (almost 2.0%). Meanwhile the Polish zloty and Czech koruna were moving closely together, strengthening against the euro by less than 1.0% and less than 0.5% in the last month of the summer. Besides the favourable external developments (supportive global risk sentiment was observed and the FED policy remained loose and it caused relative weak USD) this time mainly domestic factors are behind the strengthening wave; most notably, dynamic economic growth, tighter monetary

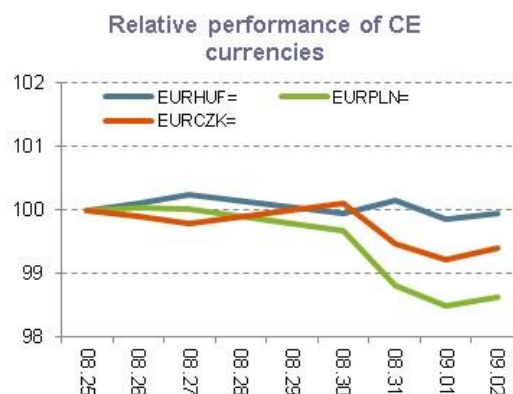
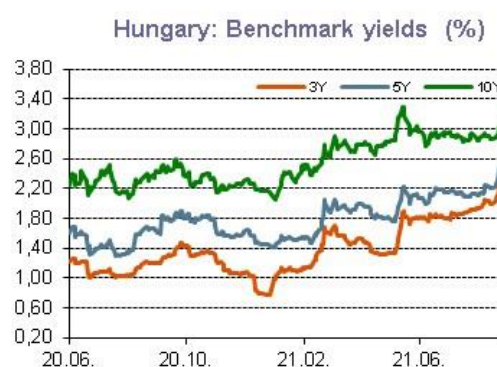


**CIB BANK**



conditions and expectations for more rate hikes.

Core market yields remained practically unchanged but due to the NBH's tightening steps the yields have risen across the whole curve in the domestic government securities market. Although the central bank started to wind down its bond purchasing program last week but the tapering steps seem very cautious therefore the jump in the longer segment of the curve was not higher compared to the yields at the short and medium segment. The 5-year and 10-year yields fluctuate around 2.5% and 3.0%, respectively.



CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	1,22	189	0,47	114	1,20	188	-0,67
3Y	2,27	304	0,77	154	1,60	237	-0,77
5Y	2,52	321	1,26	196	1,76	245	-0,69
10Y	3,08	347	1,90	229	1,83	222	-0,39
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	0,94	159	0,42	107	1,08	173	-0,65
3Y	1,91	266	0,64	139	1,36	211	-0,75
5Y	2,17	283	1,20	186	1,67	234	-0,66
10Y	2,91	326	1,72	207	1,78	214	-0,35

## 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%



CIB BANK

September 3 2021 | [www.ebroker.hu](http://www.ebroker.hu)



## Week 37

### MONDAY 09/06/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Industrial orders, m/m	July	4,1%		

### TUESDAY 09/07/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	IP, prelim., y/y	July	5,1%		
DE	8:00	IP, prelim., m/m	July	-1,3%		
HU	9:00	IP, prelim., y/y	July	18,6		
HU	9:00	IP, prelim., m/m	July	-0,3%		
DE	11:00	ZEW index	September	40,4		
EZ	11:00	GDP growth rate, final y/y	Q2	13,6%	13,6%	
EZ	11:00	GDP growth rate, final q/q	Q2	2,0%	2,0%	

### AUKCIÓK

Country	Time	Data	Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	0,82%		

### WEDNESDAY 09/08/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Trade balance, prelim., EUR m	July	629		
HU	9:00	CPI, y/y	August	4,6%		
HU	9:00	CPI, m/m	August	0,5%		
HU	11:00	Budget balance, HUF bln	August	-1803,7		

### THURSDAY 09/09/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	13:45	ECB rate decision, policy rate	September	0,00%	0,00%	
US	14:30	Initial jobless claims, thousands	weekly			

### FRIDAY 09/10/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	PPI, y/y	August	7,8%	8,1%	
US	14:30	PPI, m/m	August	1,0%	0,5%	



CIB BANK

September 3 2021 | [www.ebroker.hu](http://www.ebroker.hu)

## 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>

THIS DOCUMENT IS NOT A PROSPECTUS, AN OFFER OR AN INVITATION TO BUY OR SELL ANY SECURITIES UNDER HUNGARIAN OR FOREIGN LAW. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON. NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE PUBLISHED IN THE PRESS OR ANY OTHER MEDIA. ANY INVESTMENT DECISION WITH RESPECT TO ANY SECURITIES OF THE RESPECTIVE COMPANY MUST BE MADE ON THE BASIS OF AN OFFERING CIRCULAR OR PROSPECTUS APPROVED BY SUCH COMPANY AND NOT ON THE BASIS OF THIS DOCUMENT. THIS DOCUMENT HAS BEEN PREPARED USING SOURCES BELIEVED TO BE RELIABLE AND ACCURATE. AS THE INFORMATION CONTAINED IN THIS REPORT HAS NOT BEEN INDEPENDENTLY VERIFIED, NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED IS MADE AS TO THE FAIRNESS ACCURACY OR COMPLETENESS OF THE INFORMATION AND OPINIONS CONTAINED IN THIS DOCUMENT. THE INFORMATION AND OPINIONS IN THIS REPORT ARE SUBJECT TO CHANGE WITHOUT NOTICE. ANY OPINIONS AND PROJECTIONS CONTAINED IN THIS DOCUMENT ARE ENTIRELY THOSE OF THE AUTHORS. NEITHER THE RESPECTIVE COMPANY, CIB BANK CLOSELY-HELD CORPORATION, NOR ANY OTHER PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM ANY USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH.