

CIB WEEKLY REPORT



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What to watch next week

Local market movers

CSO is going to release the most recent trade, IP, retail sales and inflation statistics. The trade and IP figures are likely to show weaker momentum, the industry has been weighed down by global supply chain disruption, shortages and weaker external demand. Headline CPI is widely expected to rise above 5%, again in September and accelerate further in the autumn month nearing 6% in November). After the disappointing 15 bps interest rate hike of the central bank, the market will closely watch the release. A negative CPI surprise could put further pressure on the FX rate, while a lower than expected reading could lend some support to the HUF. At the time of closing our report, no new market consensus was available, we expect the y-o-y CPI to increase from 4.9% to 5.4-5.6%.

External developments

Final September PMIs and German industrial statistics are on the agenda in the euro zone. The PMIs will point to slower, but stable growth, German IP and orders data may reflect persistent supply side tensions.

The September employment report will take center stage on the other side of the Atlantic. Basically, the Fed announced the start of tapering in November, according to Powell, all they need is a „reasonably good” employment report to start monetary policy normalization. According to the market consensus, the unemployment rate dipped from 5.2% to 5.1% in September, and non-farm payrolls rose by 500K.

Summary of recent macro and market developments

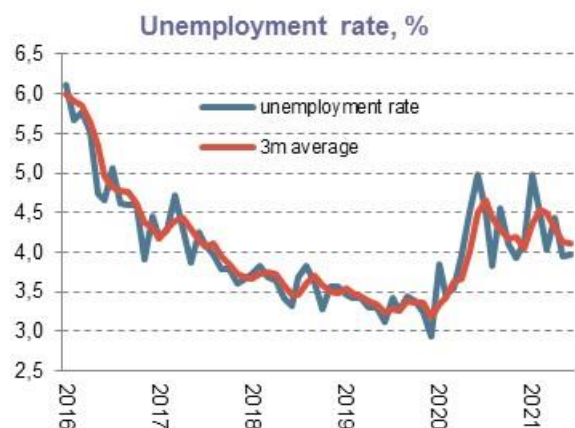
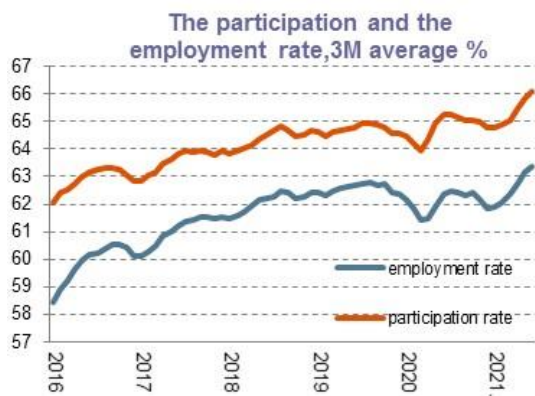
Tight labor market, weaker PMI

The labor market remained strong in August. In tandem with the reopening of the economy, the unemployment rate fell from 5% peak in January to around 4% relatively fast. It fluctuated between 3.9%-4% during the last four months. The number of employed has increased by almost 150K since January, the bulk of the improvement came from the primary labor market. The number of public workers remained more or less stable and the number of people working abroad is still below pre-COVID highs.

Although the unemployment rate remains above pre-COVID lows (below 3.5%), the labor market is extremely tight: demand for skilled labor remains strong at a time when reserves are very much depleted. Hence, wage dynamics remain strong, too. After falling to 3.5% in June (due to the high base resulting from the one-off payouts to healthcare workers last year), nationwide gross wage growth accelerated again in July and reached 7.9% y-o-y. The engine of growth was the public sector with a 11.8% increase, but private sector wage growth surpassed 6%, too. Private and public sector wages grew by 7.8% and 9.4%, respectively in the January-July period.

The announced minimum wage hike (effective from January 2022) and persistently tight labor market conditions will keep wage growth elevated next year, nationwide wage growth may reach double-digit levels, again. Strong wage outflows and pre-election fiscal measures will give a further boost to consumption, but at the same time will strengthen upside inflation risks.

Finally, the September manufacturing PMI was released this week, too. The PMI fell from 55.6 to 52.1 -a level not seen since April. The fall confirms that the Hungarian manufacturing sector is also negatively affected by weaker global growth and persistent supply side tensions. However, the 52.1 point level is still above the 50-point threshold that divides growth from contraction, and is consistent with weaker but stable expansion in the sector.

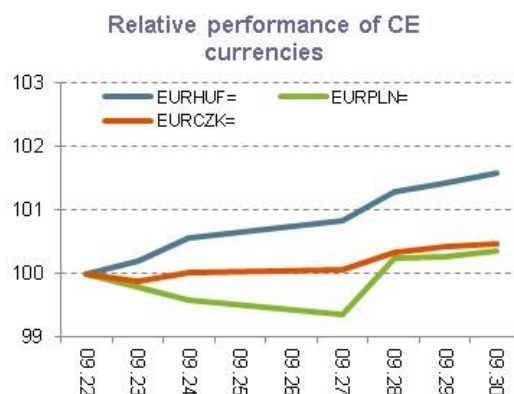
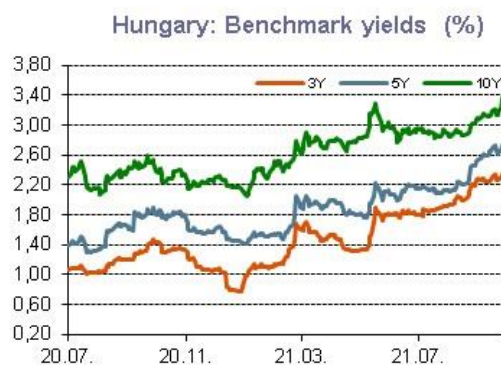


Source:CSO, Reuters

HUF continued weakening

The steady depreciation trend of the Hungarian currency continued, the EUR/HUF exchange rate temporarily rose above 361, reaching more than two-month highs in the middle of the week left behind us. From above that levels, EUR/HUF retreated to below 360, and at the time of closing our reports, the pair fluctuated around 359. Moreover, owing to the strengthening trend of the dollar, the weakening of the forint against the US currency was more significant (almost 2.5% on a weekly basis). The pair constantly went up this week, moved close to a 6-month peak, breaking the USD/HUF level of 310. The main factors behind the massive depreciation were the rise in US yields and the firming of the USD (due to the FED's announcement about the tapering), but during the last couple of days, the result of the German election and the European gas-price crisis put the HUF under more pressure. However, the forint proved to be a laggard in the region, which confirms that the global reasons are not the only aspect behind the losses of the Hungarian unit. The accelerating inflation path and the smaller than expected rate hikes triggered a negative market impact.

The government bond market is also dominated by the tighter FED expectations. In the government securities market saw an increase in yields, with the largest shifts in the case of 5-10-year maturities, resulting in a rise of the slope of the yield curve. The 10-year benchmark yield reached 3.27%, its highest level since March 2020.



CE3 GOVERNMENT BOND YIELDS

	HU		PL		CZ		EU
SPOT (bid)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	1,59	226	0,64	131	1,53	220	-0,67
3Y	2,31	303	1,01	173	1,84	256	-0,72
5Y	2,72	328	1,54	210	2,01	257	-0,56
10Y	3,30	352	2,17	239	2,06	228	-0,22
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	1,16	182	0,50	116	1,21	187	-0,66
3Y	2,07	283	0,72	149	1,53	230	-0,77
5Y	2,34	301	1,23	191	1,77	244	-0,67
10Y	2,99	337	1,69	207	1,85	223	-0,38

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%



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MONDAY 10/04/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	16:00	Industrial orders, m/m	August	0,4%	1,0%	

TUESDAY 10/05/2021

Country	Time	Data	Period	Previous	Forecast	Result
EZ	11:00	PPI, y/y	August	12,1%		
EZ	11:00	PPI, m/m	August	2,3%		

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	1,16%		

WEDNESDAY 10/06/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Industrial orders, m/m	August	3,4%	-1,3%	
HU	9:00	Retail sales, y/y	August	3,0%		
HU	9:00	IP, prelim., y/y	August	10,2%		
HU	9:00	IP, prelim., m/m	August	-0,5%		
EZ	11:00	Retail sales, y/y	August	3,1%		
EZ	11:00	Retail sales, m/m	August	-2,3%	0,5%	
US	14:30	ADP, change in private sector employment, thousands	September	374	475	

THURSDAY 10/07/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	IP, prelim., y/y	August	5,7%		
DE	8:00	IP, prelim., m/m	August	1,0%	-0,1%	
US	14:30	Initial jobless claims, thousands	weekly	362		

AUCTIONS

			Amount	Previous	Forecast	Result
HU	11:30	5Y T-bond	HUF 20 bln	2,53%		
HU	11:30	10Y T-bond	HUF 20 bln	3,05%		
HU	11:30	20Y T-bond	HUF 15 bln	3,56%		

FRIDAY 10/08/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Trade balance, prelim., EUR m	August	18,1		
HU	9:00	Trade balance, prelim., EUR m	August	-193		
HU	9:00	CPI, y/y	September	4,9%		
HU	9:00	CPI, m/m	September	0,2%		
HU	11:00	Budget balance, HUF bln	September	-1900,7		
US	14:30	Unemployment rate	September	5,2%	5,0%	



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MONDAY 09/27/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	8:00	Consumer confidence index	September	-19,7		-20,3
US	14:30	Durable goods orders, m/m	August	-0,1%	0,6%	1,8%

TUESDAY 09/28/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Unemployment rate	August	3,9%	3,5%	4,0%
US	14:30	Trade balance, USD bn	August	-86,4	-87,0	-87,6
US	15:00	Case-Shiller house price index, y/y	July	18,61%		19,70%

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	1,11%		1,16%

WEDNESDAY 09/29/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Gross wages, y/y	July	3,5%	8,0%	7,9%

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	1,53%		

THURSDAY 09/30/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	PPI, y/y	August	14,8		14,4%
EZ	11:00	Unemployment rate	August	7,6%	7,5%	7,55
DE	14:00	CPI, y/y	September	3,9%	4,0%	4,1%
DE	14:00	CPI, m/m	September	0,0%		0,3%
US	14:30	Initial jobless claims, thousands	weekly	351	335	362

FRIDAY 10/01/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Manufacturing PMI, flash	August	55,9		52,1
HU	9:00	Trade balance, final, EUR m	July	-193	-193	-210
EZ	11:00	CPI, y/y	September	3,0%	3,3%	
0	14:30	Personal income, m/m	August	1,1%	0,2%	



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