

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

All eyes will be of the November CPI release next week. Inflation moved up further from 6.5% in November despite the cap on fuel prices. The positive impact of lower gasoline prices, however, was more than offset by broad-based price pressures in almost all other goods and services categories. Hence, y-o-y CPI may well reach 7%. The bigger than usual uncertainties are reflected in the wide range of available forecasts (7%-7.6%).

Flash October trade figures will be released, too. The deterioration of the trade balance is unlikely to stop: exports may remain subdued due to persistent supply side problems, while strong domestic demand will keep imports high.

External developments

German IP and orders figures are likely to confirm that the revival of the industrial sector is still some time away. The ZEW index is expected to drop significantly on the back of rising COVID concerns, new restriction measures and their impact on sentiment. US CPI figures are also due out next week, inflation is expected to remain high in the US confirming that inflation pressures have become more persistent.

Summary of recent macro and market developments

Tight labor market, strong wage outflows, deteriorating external balances

Positive labor market trends continued in October. The unemployment rate stood at 3.9%, the 3M average fell to 3.9%. The number of unemployed people is conveniently below 200K, the employment rate hit a new high at 63.8%. The activity rate has been in the 63.3-63.5% range since June, well above the pre-COVID level. Basically all labor market indicators point to a tight labor market and limited reserves at a time when demand for labor remains strong.

The shortage of skilled labor alongside with government measures keep wage growth well supported, net wage growth is likely to accelerate even further next year thanks to the minimum wage rise and acute supply side problems.

Net wages grew by 9.1% in September, the engine of growth is the public sector (+9.4%), but private sector wage growth remained robust, too (+8%). Net wages were up by 8.5% in Q1-Q3, but real wage growth decelerated to 3.9% on the back of rising inflation. Nationwide net wages are likely to post double-digit growth rate in 2022.

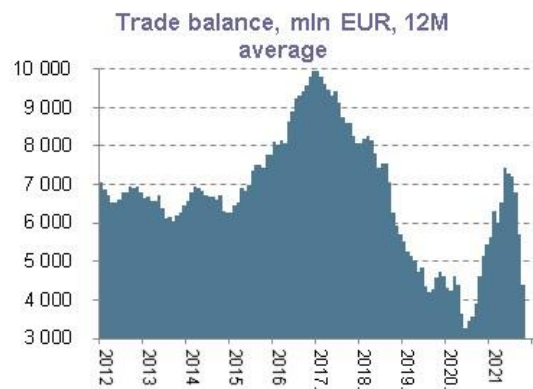
Mounting supply side problems and weaker external demand have a negative impact on the industrial and export sectors. The November manufacturing PMI retreated to 52.2 points pointing to slower growth in the sector. The fall of the PMI is in line with the most recent IP releases, and confirms that the struggles of the industrial and export sectors are likely to continue in the upcoming

period.

The same story develops if we look at trade balance developments. Subdued exports alongside with robust import growth (reflecting the higher energy bill and robust domestic demand) result in the rapid deterioration of the trade balance. The balance registered EUR 128 mln deficit in September (according to final CSO data). Exports were down 0.6% y-o-y in EUR terms, but imports posted yet another double-digit rate of growth (+12.2%). The surplus of the Q1-Q3 period was below EUR 2.6 bln (EUR 1.2 bln below the surplus of the same period of 2020).

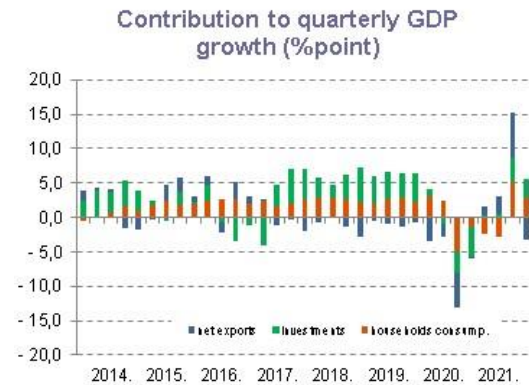
Exports are expected to remain depressed during the next couple of months, the sector is likely to remain weighed down by global supply side tensions (mainly affecting the vehicle manufacturing sector), that are unlikely to ease significantly until H2 2022. Meanwhile imports may remain robust reflecting strong domestic demand (further boosted by pre-election fiscal measures). Hence, the deterioration of Hungary's external balances could continue.

Detailed Q3 GDP figures brought no real surprises. CSO confirmed that GDP grew by 0.7% q-o-q and 6.1% y-o-y in the July-September period. At the production side, the services sector remained the engine of growth, while at the absorption side consumption and investments contributed the most to overall growth. Not surprisingly, net exports made a negative contribution. Downside risks to the growth outlook have strengthened recently, but FY 2021 GDP growth could still be around 6.5-6.8%.



CIB BANK

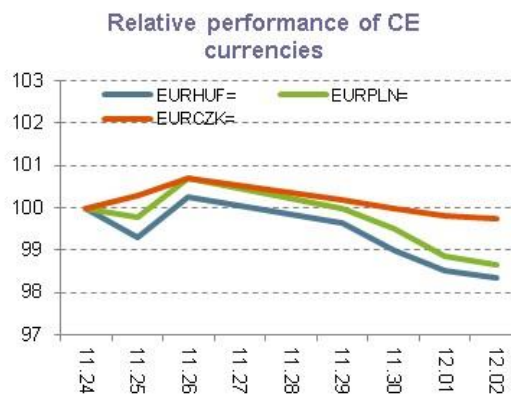
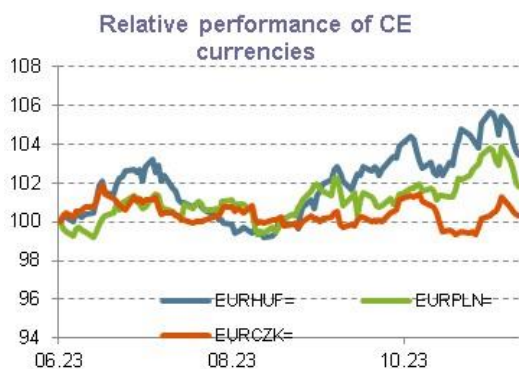
December 3, 2021 | www.ebroker.hu



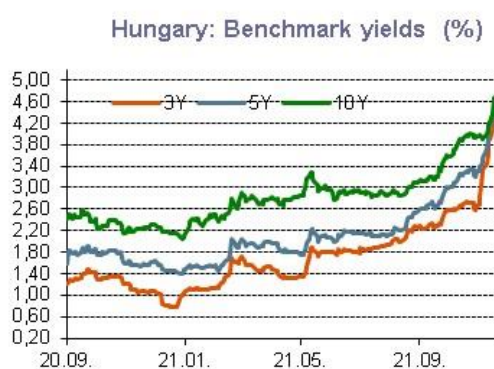
A more stable FX rate

The weakening of the forint after the NBH interest rate decision at the middle of November no longer continued in the first week of December: the EUR/HUF cross-rate showed consolidation and largely fluctuated in the range of 362-367. At the time of closing our research report, we could see a HUF around 2.0% stronger than the 372 November 22 peak, just below the 364 EUR/HUF level. Despite the fact that the extraordinarily hectic international market environment continues to shape the foreign exchange market, (fears about the omicron variant, the accelerated taper in US) this time the domestic factors may have played a bigger role in FX rate shifts. The direction of the exchange rate was determined by two different domestic effects this week. The concerns about the potential EU funding cuts poses a threat, while the further tightening steps from the central bank may have helped the forint. The 1W deposit rate was raised (by 20 bps) again and the NBH also decided to widen the interest rate corridor.

The inverted yield curve (seen last week) proved to be short-lived and the slope of the yield curve started to rise, with a steady short-end unchanged. The 10-year benchmark yield went up by almost 30 bps (to 4,55), while the increase at the medium segment was smaller. The significant jump in longer maturities was driven by the NBH's QE announcement (The central bank will stop its program of government-bond purchases soon).



CE3 GOVERNMENT BOND YIELDS							
SPOT (bid)	HU		PL		CZ		EU
	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	3,07	384	3,03	380	2,86	363	-0,77
3Y	4,26	503	3,15	392	2,89	366	-0,77
5Y	4,35	497	3,38	400	2,70	332	-0,62
10Y	4,65	501	3,33	370	2,58	295	-0,36
60-DAY AVG	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)	spread (bp)	yield (%)
1Y	1,97	266	1,78	248	2,23	292	-0,70
3Y	2,89	362	1,95	267	2,45	317	-0,73
5Y	3,28	383	2,30	285	2,46	301	-0,55
10Y	3,76	399	2,24	246	2,39	262	-0,23





Macroeconomic and market forecasts

Under revision

Week 49

MONDAY 11/29/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Unemployment rate	October	4,0%		3,9%
DE	14:00	CPI, y/y	November	4,5%	5,4%	5,2%
DE	14:00	CPI, m/m	November	0,5%		-0,2%

TUESDAY 11/30/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Gross wages, y/y	September	8,9%		9,1%
DE	9:55	Unemployment rate	November	5,4%	5,3%	5,3%
EZ	11:00	CPI, y/y	November	4,1%	4,3%	4,9%
EZ	11:00	CPI, m/m	November	0,8%		0,5%
US	15:00	Case-Shiller house price index, y/y	September	19,84%		19,51

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	2,52%		2,81%

WEDNESDAY 12/01/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Manufacturing PMI, flash	November	53,1		52,2
HU	9:00	GDP growth rate, final y/y	Q3	6,1%	6,1%	6,1%
HU	9:00	GDP growth rate, final q/q	Q3	0,7%	0,7%	0,7%
HU	9:00	PPI, y/y	October	14,0%		18,5%
HU	9:00	PPI, m/m	October	2,4%		4,5%
US	14:15			571		534

THURSDAY 12/02/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Trade balance, final, EUR m	September	1	1	-128
EZ	11:00	PPI, y/y	October	16,0%		21,9%
EZ	11:00	PPI, m/m	October	2,7%		5,4%
EZ	11:00	Unemployment rate	October	7,4%	7,3%	7,3%
US	14:30	Initial jobless claims, thousands	weekly	194	240	222

AUCTIONS

			Amount	Previous	Forecast	Result
HU	11:30	5Y T-bond	HUF 20 bln	3,86%		4,28%
HU	11:30	10Y T-bond	HUF 20 bln	4,02%		4,60%
HU	11:30	20Y T-bond	HUF 15 bln	4,28%		4,62%

FRIDAY 12/03/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Retail sales, y/y	October	5,8%		5,70%
EZ	11:00	Retail sales, y/y	October	2,5%		
EZ	11:00	Retail sales, m/m	October	-0,3%		
US	14:30	Unemployment rate	November	4,6%	4,5%	
US	16:00	Industrial orders, m/m	October	0,2%	0,5%	



CIB BANK

December 3, 2021 | www.ebroker.hu

Week 50

MONDAY 12/06/2021

Country	Time	Data	Period	Previous	Forecast	Result
DE	8:00	Industrial orders, m/m	October	1,3%	-0,5%	

TUESDAY 12/07/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	IP, prelim., y/y	October	-1,7%	-0,5%	
HU	9:00	IP, prelim., m/m	October	-0,3%		
DE	11:00	#N/A	December	31,7	26,1	
EZ	11:00	GDP growth rate, final y/y	Q3	3,7%	3,7%	
EZ	11:00	GDP growth rate, final q/q	Q3	2,2%	2,2%	
US	14:30	Trade balance, USD bn	October	-80,9	-66,7	

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	3M T-bill	HUF 15 bln	2,81%		

WEDNESDAY 12/08/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	CPI, y/y	November	6,5%	7,3%	
HU	9:00	CPI, m/m	November	1,1%	0,5%	
HU	11:00	Budget balance, HUF bln	November	-2922		

AUKCIÓK

			Amount	Previous	Forecast	Result
HU	11:30	12M T-bill	HUF 10 bln	3,01%		

THURSDAY 12/09/2021

Country	Time	Data	Period	Previous	Forecast	Result
HU	9:00	Trade balance, prelim., EUR m	October	-128		
US	14:30	Initial jobless claims, thousands	weekly	222		

FRIDAY 12/10/2021

Country	Time	Data	Period	Previous	Forecast	Result
US	14:30	CPI, y/y	November	6,2%		
US	14:30	CPI, m/m	November	0,9%	0,7%	



CIB BANK

December 3, 2021 | www.ebroker.hu

Contacts

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

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.