

Complete set of 4Q19 data

Performance of economy for whole last quarter to be revealed this week. First comes data on labor market (employment and wage growth), then industry and retail sales should post solid growth. Bond and FX markets to remain under global influence (PMI, ECB meeting).

Analyst(s):

Malgorzata Krzywicka

malgorzata.krzywicka@erstegroup.com

Katarzyna Rzentarzewska

katarzyna.rzentarzewska@erstegroup.com

Watch this week

January 20 | Solid wage growth

Labor market conditions have been tight for a while already. We expect to see some acceleration of wage growth in December to 6.1% y/y (consensus at 6.2% y/y) after somewhat disappointing wage growth the previous month. Employment is expected to sustain 2.6% y/y growth. The underlying trends suggest, however, slowing growth dynamics of private consumption.

January 21 | Industry to accelerate

Industrial output growth is set to accelerate towards 6% y/y in December from meager 1.4% growth the previous month (calendar effects as well as improving PMI). Such development would put the average growth of industry in the last quarter marginally above average growth in the third quarter.

January 21 | Retail sales to go up

Nominal retail sales are expected to rebound to 7.8% y/y (vs. consensus at 7.6% y/y) in December, which would mean stabilization of quarterly growth slightly above 6% dynamics.

All in all, if there are no major surprises and both industry and retail sales growth arrives in line with expectations, we see 4Q19 growth at 3.8% y/y and FY19 at 4.2% (due next week). In 2020, we see the economy slowing toward 3.4%.

CEE Macro & FI Research
Juraj Kotian (Head)

Zoltan Aroksallasi, CFA
(CEE FX and FI Strategist)
Katarzyna Rzentarzewska
(Chief CEE Macro Analyst)
Malgorzata Krzywicka
(Analyst PL)

Note: Past performance is not necessarily indicative of future results.

Last week's highlights

- Final CPI confirmed at 3.4% y/y in December.
- Core inflation arrived at 3.1% - highest rate since 2011.
- Trade surplus reached EUR 829mn in November alongside current account surplus of EUR 1457mn.

Market developments

Bond market drivers | Long end remains under pressure

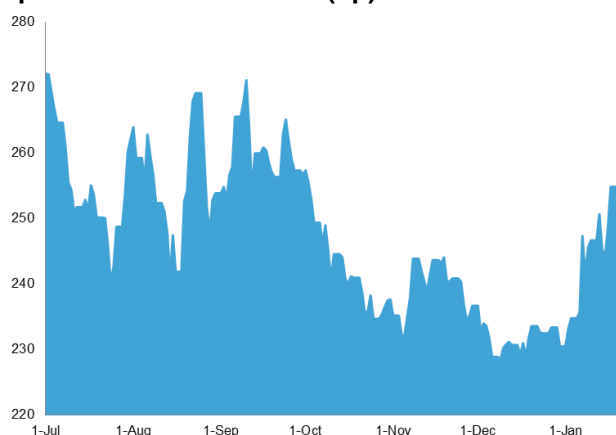
The long end of the Polish yield curve is more or less exactly where it was one week ago, at 2.33%. Throughout the week, 10Y yields dropped by 10bp, but rebounded on Friday. After visible widening at the beginning of the year, the spread vs. Bunds was holding around 250 throughout the week, reflecting local inflationary pressure and rising market expectations for some monetary tightening this year.

This week, there are important data releases on both local and global markets. Locally, we get to see the performance of the economy in the last quarter, one week ahead of the annual GDP publication. The global mood is likely to be shaped by PMI releases in the Eurozone and the ECB meeting (due Thursday).

FX market drivers | EURPLN goes higher

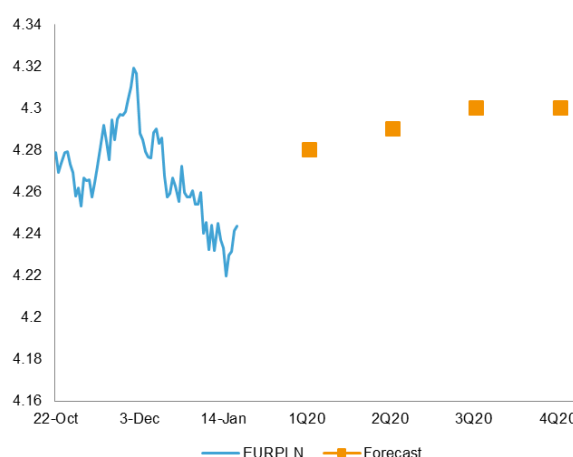
The EURPLN touched 4.21 last week, but went only higher since then. At the beginning of this week, the EURPLN sits at 4.24, reflecting EURUSD development. This week, industrial output and retail sales are due and we will see some impact of local data only in the event of a major surprise. The release of PMIs in the Eurozone as well as the ECB meeting should be of the main interest for the markets, however. We see the EURPLN going further up.

Spread vs. German Bund (bp)



Source: Bloomberg, Erste Group Research

EURPLN



Source: Bloomberg, Erste Group Research

Upcoming in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Comment
21. Jan	10:00	PL	Wages (y/y)	Dec	6.2%	6.1%	5.3%	Wage growth to maintain solid dynamics.
	10:00	PL	Employment (y/y)	Dec	2.6%		2.6%	
	10:30	SI	PPI (y/y)	Dec			0.5%	
22. Jan	10:00	PL	Industrial Production (y/y)	Dec	6.4%	6.1%	1.4%	Positive calendar effect (+1WD), base effect and improvement in PMI supported industrial performance.
	10:00	PL	PPI (y/y)	Dec	0.0%	0.6%	-0.1%	
23. Jan	10:00	PL	Retail Sales (y/y)	Dec	7.6%	7.8%	5.9%	Retail sales to benefit from solid wage growth and still strong consumer sentiment.
	14:00	PL	MPC minutes					
24. Jan	9:00	CZ	Consumer and Business confidence	Jan			8.5	
	12:00	RS	Wages (y/y)	Dec			5.8%	

Source: Bloomberg, Erste Group Research

Market forecasts

Government bond yields

	current	2020Q1	2020Q2	2020Q3	2020Q4
Croatia 10Y	0.6	0.4	0.4	0.4	0.4
spread (bps)	80	60	60	50	50
Czechia 10Y	1.7	1.7	1.7	1.8	1.9
spread (bps)	187	186	191	187	197
Hungary 10Y	2.2	2.1	2.2	2.2	2.3
spread (bps)	239	229	235	230	235
Poland 10Y	2.3	2.2	2.2	2.3	2.3
spread (bps)	253	235	240	235	240
Romania 10Y	4.3	4.5	4.5	4.6	4.6
spread (bps)	449	470	470	470	470
Slovakia 10Y	0.2	0.2	0.2	0.3	0.4
spread (bps)	38	37	42	42	52
Slovenia 10Y	0.28	0.20	0.30	0.30	0.30
spread (bps)	49	40	50	40	40
Serbia 5Y	2.5	2.5	2.3	2.2	2.1
spread (bps)	271	270	250	230	220
DE10Y	-0.2	-0.2	-0.2	-0.1	-0.1

3M Money Market Rate

	current	2020Q1	2020Q2	2020Q3	2020Q4
Czechia	2.17	2.16	2.14	2.13	2.12
Hungary	0.16	0.19	0.20	0.22	0.22
Poland	1.71	1.71	1.71	1.71	1.71
Romania	3.16	2.90	2.90	3.20	3.40
Serbia	1.63	1.55	1.45	1.45	1.20
Eurozone	-0.39	-0.40	-0.40	-0.40	-0.40

FX

	current	2020Q1	2020Q2	2020Q3	2020Q4
EURHRK	7.44	7.42	7.38	7.40	7.42
forwards		7.44	7.44	7.44	7.44
EURCZK	25.15	25.26	25.04	24.86	24.65
forwards		25.27	25.41	25.56	25.69
EURHUF	336.01	335.00	335.00	335.00	335.00
forwards		336.42	336.91	337.55	338.15
EURPLN	4.24	4.28	4.29	4.30	4.30
forwards		4.26	4.28	4.31	4.33
EURRON	4.78	4.80	4.82	4.85	4.87
forwards		4.81	4.86	4.90	4.95
EURRSD	117.63	117.60	117.40	117.20	117.30
forwards		-	-	-	-
EURUSD	1.11	1.15	1.15	1.15	1.15

Key Interest Rate

	current	2020Q1	2020Q2	2020Q3	2020Q4
Croatia	0.30	0.30	0.30	0.30	0.30
Czechia	2.00	2.00	2.00	2.00	2.00
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.50
Romania	2.50	2.50	2.50	2.50	2.50
Serbia	2.25	2.25	2.00	2.00	1.75
Eurozone	0.00	0.00	0.00	0.00	0.00

Source: Bloomberg, Erste Group Research

Contacts

Group Research

Head of Group Research
Friedrich Mostböck, CEFA +43 (0)5 0100 11902

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357
Zoltan Arokszállasi, CFA (Fixed income) +43 (0)5 0100 18781
Katarzyna Rzentarzewska (Fixed income, Poland) +43 (0)5 0100 17356
Malgorzata Krzywicka (Fixed income) +43 (0)5 0100 17338

Croatia/Serbia
Alen Kovac (Head) +385 72 37 1383
Mate Jelić +385 72 37 1443
Ivana Rogic +385 72 37 2419

Czech Republic
David Navrátil (Head) +420 956 765 439
Jiri Polansky +420 956 765 192
Michal Skorepa +420 956 765 172

Hungary
Orsolya Nyeste +361 268 4428

Romania
Horia Braun-Erdei (Head) +40 3735 10424
Eugen Sinca +40 3735 10435
Dorina Ilasco +40 3735 10436

Slovakia
Maria Valachyova (Head) +421 2 4862 4185
Katarina Muchova +421 2 4862 4762

Major Markets & Credit Research
Head: Gudrun Egger, CEFA +43 (0)5 0100 11909
Ralf Burchert, CEFA (Sub-Sovereigns & Agencies) +43 (0)5 0100 16314
Hans Engel (Global Equities) +43 (0)5 0100 19835
Margarita Grushanina (Austria, Quant Analyst) +43 (0)5 0100 11957
Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds) +43 (0)5 0100 85509
Stephan Lingnau (Global Equities) +43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Financials & Covered Bonds) +43 (0)5 0100 19632
Rainer Singer (Euro, US) +43 (0)5 0100 17331
Bernadett Povazsai-Römhild, CEFA (Corporate Bonds) +43 (0)5 0100 17203
Elena Statelov, CIIA (Corporate Bonds) +43 (0)5 0100 19641
Gerald Walek, CFA (Euro, CHF) +43 (0)5 0100 16360

CEE Equity Research
Head: Henning Eßkuchen +43 (0)5 0100 19634
Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420
Michael Marschallinger, CFA +43 (0)5 0100 17906
Christoph Schultes, MBA, CIIA (Real Estate) +43 (0)5 0100 11523
Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343
Martina Valenta, MBA +43 (0)5 0100 11913

Croatia/Serbia
Mladen Dodig (Head) +381 11 22 09178
Anto Augustinovic +385 72 37 2833
Magdalena Dolenc +385 72 37 1407
Davor Spoljar, CFA +385 72 37 2825

Czech Republic
Petr Bartek (Head) +420 956 765 227
Marek Dongres +420 956 765 218
Jan Safranek +420 956 765 218

Hungary
József Miró (Head) +361 235 5131
András Nagy +361 235 5132
Tamás Pleiser, CFA +361 235 5135

Poland
Tomasz Duda (Head) +48 22 330 6253
Cezary Bernatek +48 22 538 6256
Konrad Grygo +48 22 330 6254
Michal Pilch +48 22 330 6255
Emil Poplawski +48 22 330 6252

Romania
Caius Rapanu +40 3735 10441

Turkey
Gizem Akkan +90 2129120445
Berke Gümüs +90 2129120445

Treasury – Erste Bank Vienna

Corporate Treasury Product Distribution AT
Head: Christian Reiss +43 (0)5 0100 84012

Markets Retail Sales AT
Head: Markus Kaller +43 (0)5 0100 84239

Group Markets Execution
Head: Kurt Gerhold +43 (0)5 0100 84232

Retail & Sparkassen Sales
Head: Uwe Kolar +43 (0)5 0100 83214

Corporate Treasury Product Distribution AT
Head: Christian Skopek +43 (0)5 0100 84146

Fixed Income Institutional Sales

Institutional Distribution non CEE
Head: Jaromir Malak +43 (0)5 0100 84254
Karin Rattay +43 (0)5 0100 84118
Christian Kienesberger +43 (0)5 0100 84323
Bernd Bollhof +49 (0)30 8105800 5525
Rene Klasen +49 (0)30 8105800 5521
Christopher Lampe-Traupe +49 (0)30 8105800-5507
Charles-Henry La Coste de Fontenilles +43 (0)5 0100 84115
Bernd Thaler +43 (0)5 0100 84119

Bank Distribution
Head: Marc Friebertshäuser +49 (0)711 810400 5540
Sven Kienzle +49 (0)711 810400 5541
Michael Schmotz +43 (0)5 0100 85542
Ulrich Inhofner +43 (0)5 0100 85544
Klaus Vosseler +49 (0)711 810400 5560
Andreas Goll +49 (0)711 810400 5561
Mathias Gindele +49 (0)711 810400 5562

Institutional Distribution CEE
Head: Jaromir Malak +43 (0)5 0100 84254

Institutional Distribution PL and CIS
Pawel Kielek +48 22 538 6223
Michal Jarmakowicz +43 50100 85611

Institutional Distribution Slovakia
Head: Sarlota Sipulova +421 2 4862 5619
Monika Smelikova +421 2 4862 5629

Institutional Distribution Czech Republic
Head: Ondrej Cech +420 2 2499 5577
Milan Bartos +420 2 2499 5562
Barbara Suvadova +420 2 2499 5590

Institutional Asset Management Czech Republic
Head: Petr Holecek +420 956 765 453
Martin Perina +420 956 765 106
Petr Valenta +420 956 765 140
David Petracek +420 956 765 809
Blanca Weinerova +420 956 765 317

Institutional Distribution Croatia
Head: Antun Buric +385 (0)7237 2439
Zvonimir Tukač +385 (0)7237 1787
Natalija Zujic +385 (0)7237 1638

Institutional Distribution Hungary
Head: Peter Csizmadia +36 1 237 8211
Attila Hollo +36 1 237 8209
Gabor Balint +36 1 237 8205

Institutional Distribution Romania and Bulgaria
Head: Ciprian Mitu +43 (0)50100 85612
Cristian Adascalita +40 373 516 531

Group Institutional Equity Sales
Head: Brigitte Zeitlberger-Schmid +43 (0)50100 83123
Werner Fürst +43 (0)50100 83121
Josef Kerekes +43 (0)50100 83125
Cormac Lyden +43 (0)50100 83120

Business Support
Bettina Mahoric +43 (0)50100 86441

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as other information pursuant to the Circular of the Austrian Financial Market Authority regarding information including marketing communication pursuant to the Austrian Securities Supervision Act. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute marketing communication pursuant to Art. 36 (2) Austrian Securities Supervision Act as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to § 36 (1) Austrian Securities Supervision Act. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations.

© Erste Group Bank AG 2020. All rights reserved.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com