



Central European Daily

Wednesday, 03 February 2016

Headlines

Currencies		% chng
EUR/CZK	27.02	0.0
EUR/HUF	311.8	0.5
EUR/PLN	4.40	0.2
EUR/USD	1.09	0.3
EUR/CHF	1.11	0.2

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.08	0.03	0.14	-0.02
EUR/PLN		0.42	0.34	0.18
EUR/HUF			0.34	0.22
EUR/USD				0.44

correlations of 30 min changes
over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.26	0
HUF	1.29	2
PLN	1.54	-1
EUR	-0.26	1

GB	%	bps chng
Czech Rep. 10Y	0.61	-5
Hungary 10Y	3.45	4
Poland 10Y	3.19	-1
Slovakia 10Y	0.65	-3

CDS 5Y	%	bps chng
Czech Rep.	46	0
Hungary	160	1
Poland	90	0
Slovakia	46	0

Source: Reuters

Hungarian retails sales continue to grow strongly supported by booming real wages

The working day adjusted **retail sales in Hungary increased by 4.5% Y/Y in December and so it was up by 5.6% Y/Y in 2015**. Looking on the dynamic it looks like that it was slowing slightly during the year and the last quarter increase was only 4.5% Y/Y, but the base was rising in 4Q14, so the retail sales was stabilizing around 5% Y/Y growth in 2H15. The main driver of the growth was the non-food retail sales (up by 7.6% Y/Y), but fuel sales rose by 7.1% Y/Y as well, although the latter was slowing substantially in the 4Q15. The food sales grew by 3.4% Y/Y in 2015. The retail sales figure suggests that the households consumption contribution to the GDP growth might decrease slightly from 1.5%pt, but the net export and government consumption might increase substantially so we still expect a relatively strong 4Q15 GDP figure around 3% Y/Y (on Feb 12th).

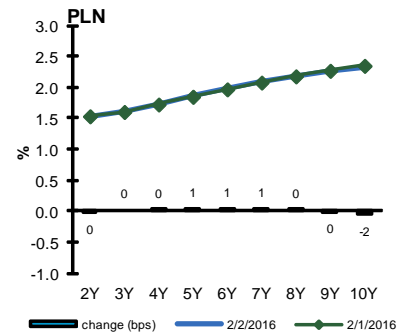
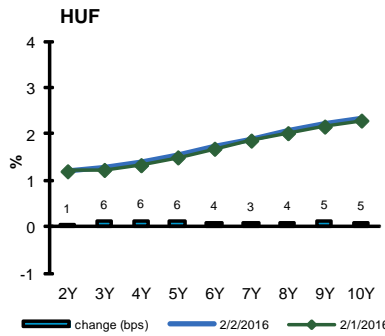
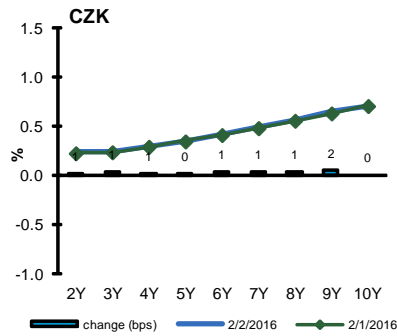
The main source of the increase of retail sales was the net real wages growth of around 4.3% Y/Y in 2015, which was a combination of 4.2% Y/Y gross and net wage growth and the -0.1% Y/Y average inflation. We expect that the situation might be quite the same in 2016, namely net real wage growth might boost domestic consumption. As the labour market is substantially tighter than a year ago, the **gross wages may increase rather by around 6-7% Y/Y in 2016**. Adding to it the 1%pt personal income tax moderation from January the net wages may increase by 7-8% Y/Y, but the inflation may accelerate also slightly to around 1.2% Y/Y, so the net real wages may grow by around 7% Y/Y in 2016. So we expect that the households' consumption contribution to GDP growth may increase in 2016, and we see economic growth at around 2.3% Y/Y in this year.

EUR/HUF



The EURHUF strengthened in the last days and it moved back into the range of 309 and 315, which was the trading range during the autumn last year. There are strong resistance levels at 307 and 305 as well and we don't expect EURHUF moving below these levels in coming weeks.

Interest-rate Swap Curves



Calendar

Country	Time	Indicator		Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
HU	9:00	Retail sales	%	12/01/2015						4.8		4.4
PL	14:00	NBP meeting	%	02/01/2016	1.5				1.5			1.5

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