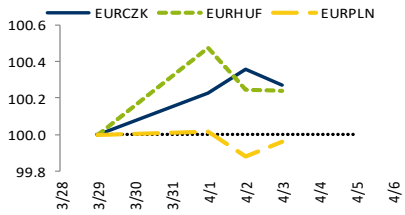


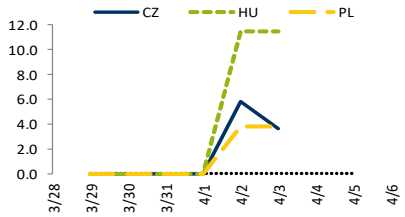
Wednesday, 03 April 2024

**Forex markets (index)**



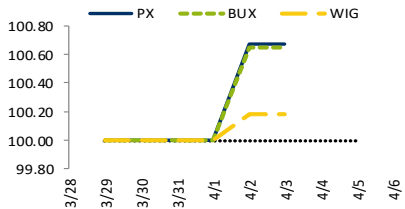
	LAST	PREVIOUS	CHANGE (%)
EURCZK	25.30	25.32	-0.08
EURHUF	394.7	394.7	-0.01
EURPLN	4.294	4.291	0.08

**Gov. bonds 10 Y (bps change)**



	LAST	PREVIOUS	CHANGE (bps)
CZGB 10Y	4.009	4.031	-2.2
HUGB 10Y	6.81	6.81	0.0
PLGB 10Y	5.47	5.47	0.0

**Equity indices (index)**



	LAST	PREVIOUS	CHANGE (%)
PX	1525.4	1525.4	0.00
BUX	65811	65811	0.00
WIG	82896	82896	0.00

**Our regional insights:**

**Czech manufacturing sentiment improves**

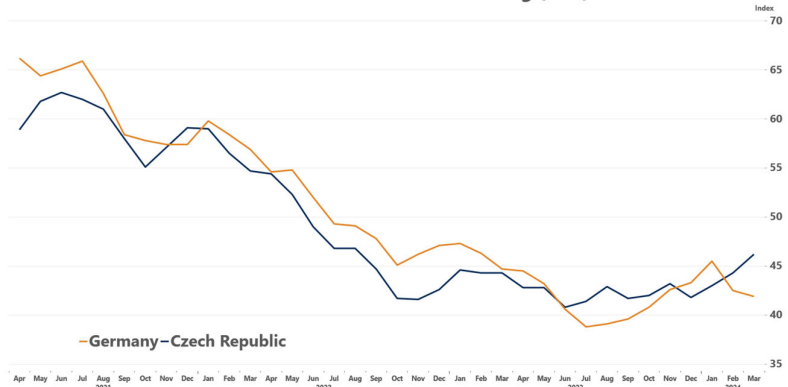
Conditions in the Czech manufacturing remained difficult at the end of the first quarter, but there might be **some green shoots**. The Purchasing Managers' Index (PMI) was still below the critical 50-point threshold in March, signalling a continued downturn. Encouragingly, however, **the pace of activity decline has been slowing since the start of the year**, with the overall PMI rising from 41.8 in December to 46.8 points, the **highest level since August 2022**.

The Czech industry continues to struggle due to **weak foreign demand** in particular. This is confirmed by **a further decline in new orders as well as production**, although in both cases the pace has slowed slightly. Industrialists point to weak interest, especially from key export markets led by **Germany**. Given the state of the German economy, or rather the industrial sector, where the PMI index continues to fall (41.6 points), this is not a major surprise. The good news, on the other hand, is that **the pace of lay-offs slowed in March**, resulting in the smallest drop in employment in eighteen months.

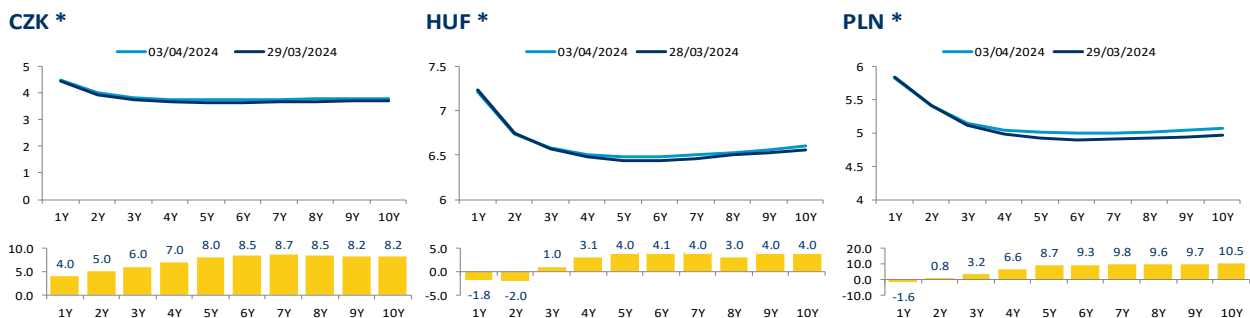
In addition to weak foreign demand, **tensions in supply chains** are also coming back into play. Some companies had to divert shipping inputs from Asia due to the unrest in the Red Sea. The situation is not yet as serious as in the years of the strict lockdowns 2021-2022, when the cost of shipping to Europe increased up to eightfold. Since the end of last year, transport has tripled in price, leading to a second consecutive month of **higher input prices** in the Czech industry. On the other hand, **selling prices fell** again in March as manufacturing companies struggled to remain competitive amid weak demand for their own products.

The improved sentiment in the Czech manufacturing is encouraging for the coming months, especially thanks to hopes for a rebound in new orders. However, we remain cautious. We do not expect the problems in the German industry to subside quickly, as is the case with geopolitical risks. It will therefore **be a success for Czech industrial output to end up with a "black zero" in terms of growth this year**.

**Business Sentiment in Manufacturing (PMI)**



## Interest-rate Swap Curves



\* upper plot in each panel shows interest swap curve (%), lower plot shows change in interest rates in basis points (against previous Friday). Source for all market data: Bloomberg

## Calendar

Country	Date	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
					m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
CZ	04/03	12:00	CZ bond auction 2024-2033, 3.00%	CZK B 04/2024					5			
CZ	04/03	12:00	CZ bond auction 2023-2034, 4.90%	CZK B 04/2024					3			
HU	04/04	8:30	Trade balance	EUR M 02/2024 *P							583	
PL	04/04	15:00	Policy rate	NBP 04/2024	5.75				5.75		5.75	
HU	04/05	8:30	Industrial output	% 02/2024					-3.4	-1.1	-4.1	
HU	04/05	8:30	Retail sales	% 02/2024					2.4		0.6	
CZ	04/05	9:00	Retail sales ex autos	% 02/2024		2.0			2.4		2.4	
PL	04/05	15:00	NBP President Press Conference	NBP 04/2024								

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