



Ebury What borders?®

Weekly Report

# CEE Weekly FX Update

---

Written by:

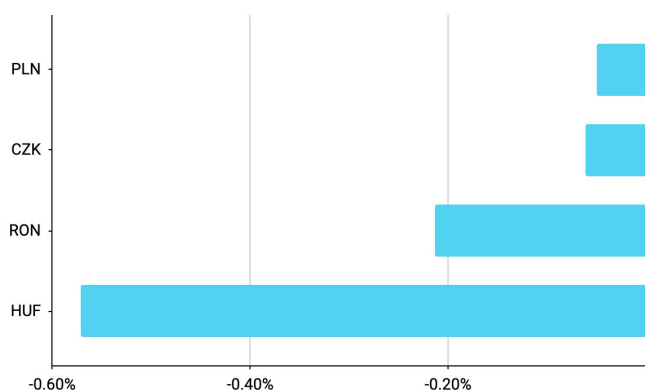
Roman Ziruk

4<sup>th</sup> September 2023

## Range-bound trading continues

Volatility in the CEE region was again very muted last week, in most cases. The sole exception was the Hungarian forint, which experienced a bit more downside pressure. This, at least in part can be attributed to its status as a high-beta currency.

Figure 1: CEE FX Performance Tracker [base: EUR] (25/08 - 01/09)



Source: Bloomberg Date: 04/09/2023

### CZK

Last week was a quiet one for the Czech koruna. The EUR/CZK spent it hovering around the 24.1 mark and ended just below that level, almost unchanged for the week. Macroeconomic data did not rock the boat but was somewhat better than expected. Manufacturing PMI edged up for the second month in a row to 42.9. It still remains far below the level of expansion and points to a weakness in the sector, but an uptick is an encouraging sign.

This morning's data showed a weaker wage growth than expected. In nominal terms, wages increased by 7.7% YoY in the second quarter, which equals a 3.1% contraction if we account for inflation. This should be an important sign for the central bank, soothing some of its concerns over the tightness of the labour market and the potential upside risk to inflation it creates.



Figure 2: Wage growth in the Czech Republic (2008 - 2023)



Source: Bloomberg Date: 04/09/2023

In the coming days, the attention will be on the hard data: industrial production data for July will be out on Wednesday, and retail sales – on Thursday. Aside from that, on Friday, we'll receive unemployment data for August.

## HUF

As is often the case, last week the forint proved to be the most volatile of the region's currencies, ending the week 0.6% lower against the euro. Traders sold-off the forint ahead of the MNB monetary policy decision, but the rate cut itself was broadly expected and did not pressure the currency per se. The one-day deposit rate was cut by 100bp to 14% and the upper limit of the rate corridor was lowered by the same amount to 16.5%. The MNB's rhetoric was actually quite supportive of the forint, with vice-president Virag signalling data dependence in decision-making once the bank has equalised the overnight deposit rate and the base rate (13%), which is expected later this month. In addition to local monetary policy developments, shifts in the EUR/USD proved to be important for the forint, which highlights the fact that the currency is one of the most high-beta currencies worldwide.

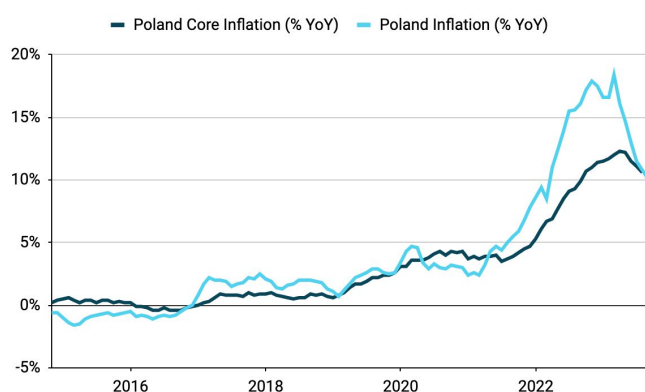
Looking ahead, external news and behaviour of the main pair are likely to continue influencing the forint. Nevertheless, markets will also keep an eye on the economic releases from Hungary. Particularly important will be Friday's inflation reading for August, which is expected to show a further decline in the index. Besides, retail sales and industrial production data will be published on Wednesday and Thursday.

## PLN

The EUR/PLN continued to bounce up and down around the 4.47 level last week, extending its sideways trend. Even the eagerly awaited CPI print was not particularly market-moving. It was also quite in line with expectations – inflation dropped from 10.8% to 10.1%, landing just above the 10.0% consensus. This raised some doubts about the NBP's decision in September, since, as suggested by Governor Glapinski, a drop below 10% could be, alongside the belief of a further decline, a reason to start cutting rates.

Economists are split on whether or not we will see a 25 bps cut this week, with a small majority expecting the adjustment. We're not entirely convinced although believe that the MPC is highly unlikely to wait beyond October with delivering the first cut. Market pricing suggests that investors are readying for a cut. Therefore, the zloty may not see any major pressure if the MPC decides to pull the trigger. Conversely, if rates remain stable, we may see some support for the zloty, but it's unlikely to be strong given that rate cuts are universally expected to be just around the corner. Aside from the decision itself the focus will be on communication, both the statement on Wednesday as well as Governor Glapiński's press conference on Thursday.

Figure 3: CPI Inflation in Poland (2014 - 2023)



Source: Bloomberg Date: 04/09/2023

## RON

EUR/RON ended the week 0.2% higher, returning to 4.95 level seen earlier in the month. Economic news from Romania has been scarce of late. Last week brought a drop in the ILO unemployment rate to 5.5%, but this is nothing to celebrate, as the only reason for the drop is the upward revision of previous months' data to 5.6%. This morning we received fresh PPI data for July, which came in at -0.9%, showing producer price deflation for the first time since 2020. This is another sign that disinflation in Romania is on track. Beyond that, this week we are looking forward to July retail sales data (Wednesday) and a revision of Q2 GDP growth data (Thursday).

[Economic Calendar \(04/09/2023 - 08/09/2023\)](#). Time: CET.

Monday (04/09)		
PPI Inflation in Romania (July)	RON	08:00
Wage Growth in Czechia (Q2)	CZK	09:00
Tuesday (05/09)		
No significant macroeconomic releases.		
Wednesday (06/09)		
Retail Sales in Romania (July)	RON	08:00
Retail Sales in Hungary (July)	HUF	08:30
Construction Output, Industrial Production in Czechia (July)	CZK	09:00
Trade Balance in Czechia (July)	CZK	09:00
Interest Rate Decision in Poland	PLN	Afternoon
Thursday (07/09)		
GDP Growth in Romania (Q2)	RON	08:00
Industrial Production in Hungary (July)	HUF	08:30
Retail Sales in Czechia (July)	CZK	09:00
NBP Governor Glapiński Press Conference	PLN	15:00
Friday (08/09)		
CPI and Core CPI Inflation in Hungary (August)	HUF	08:30
Trade Balance in Hungary (July)	HUF	08:30
Unemployment Rate in Czechia (August)	CZK	09:00
Budget Balance in Hungary (August)	HUF	11:00

Ebury

100 Victoria Street, London SW1E 5JL

+44 (0) 20 3872 6670 | [info@ebury.com](mailto:info@ebury.com) |  
ebury.com

Ebury Partners UK Ltd is authorised and regulated by the Financial Conduct Authority as an Electronic Money Institution. Reference number: 900797. Ebury Partners UK Ltd is registered with the Information Commissioner's Office, with registration number: ZA345828. Ebury Partners Markets Ltd is authorised and regulated by the Financial Conduct Authority as an Investment Firm to provide advice and execute trades in FX Forwards. Reference number: 784063.

©Copyright 2009-2023