

KOMERČNÍ BANKA a.s. – INTRODUCTION

- **Leading and systemic bank in the Czech Republic, serving 1.6M individual customers and a trusted, long-standing partner for corporates and institutional clients.**
- **Part of the Societe Generale group, one of Europe's foremost financial institutions with a legacy spanning over 150 years, serving to 25 million clients through its workforce of 117,000 across 66 nations.**
- **A specialized business division focused on serving multinational clients, equipped to assist with financing, cash management, trade finance, currency hedging, advisory services, as well as leasing and factoring.**

Your contacts:



Petr Pechač
Director Team FI&MNCs
Global Banking

Email: petr_pechac@kb.cz



Yunsang Jee
Relationship Manager Team FI & MNCs
Global Banking

Email: yunsang_je@kb.cz

JCCICZ



OCTOBER 13, 2023

CZECH MACROECONOMIC OUTLOOK

ENERGY PRICES: FROM VILLAIN TO HERO

Jan Vejmělek

Chief Economist

Economic & Strategy Research

Tel: +420 222 008 568

jan_vejmelek@kb.cz

@JanVejmelek



SOCIETE
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NO RATE CUTS THIS YEAR BUT MORE IN 2024



Source: iStock

1



GLOBAL ECONOMY

Heavy cloud, no rain

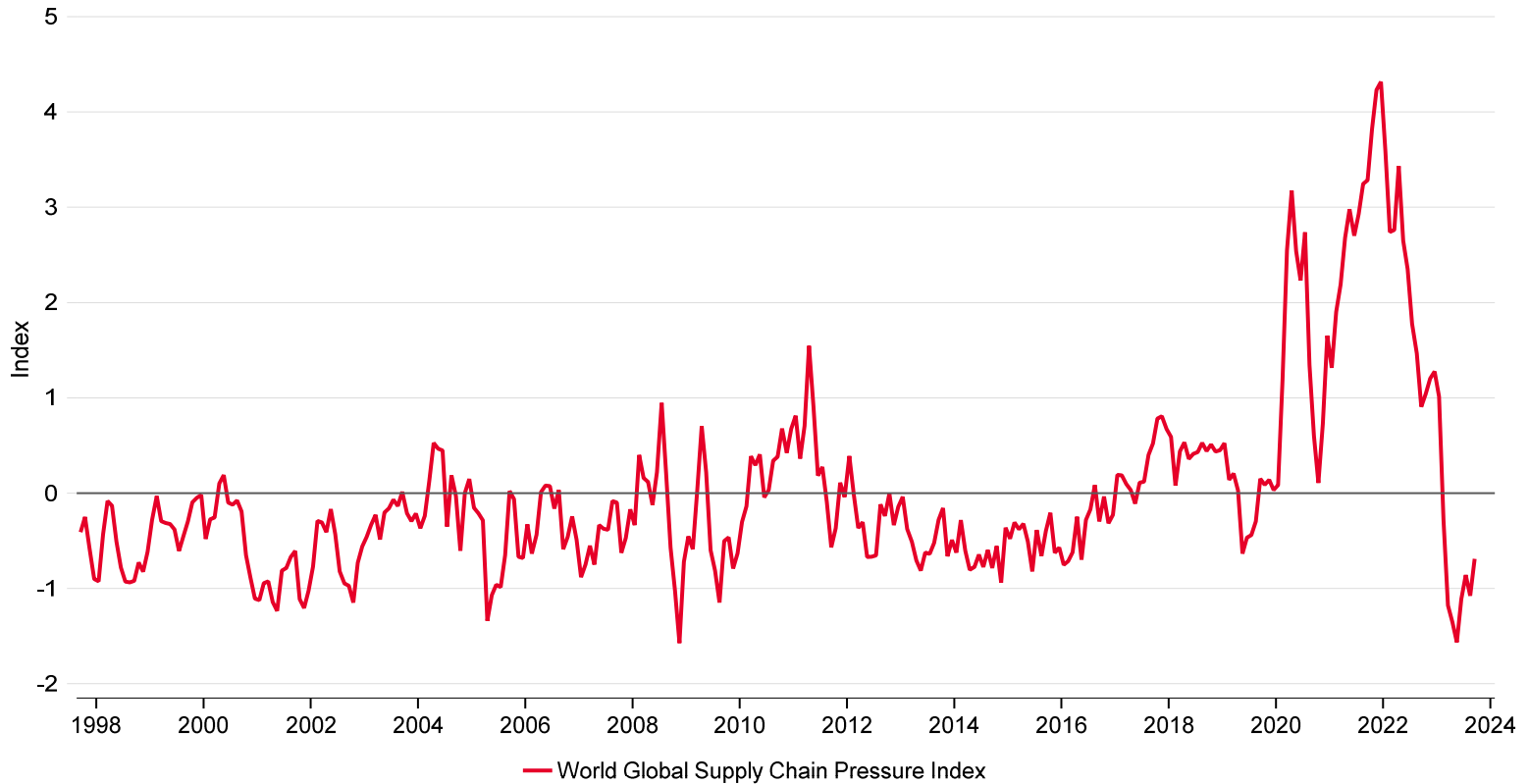
HEAVY CLOUD, NO RAIN



Source: iStock

PANDEMIC CLOSURES AND THE WAR IN UKRAINE HAVE CRIPPLED SUPPLY CHAINS

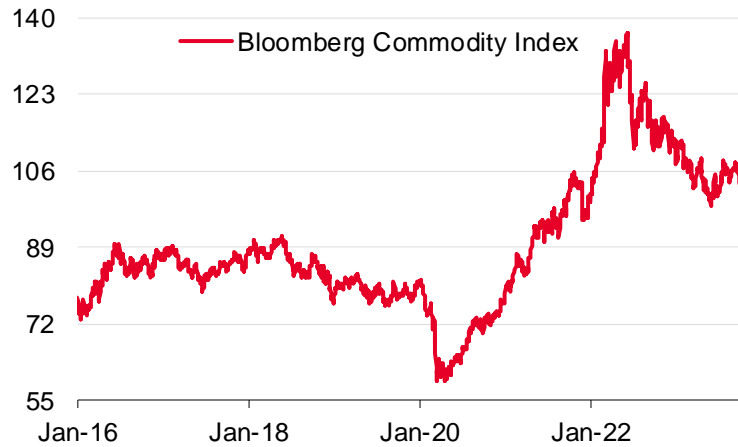
Global supply chain disruptions are a thing of the past



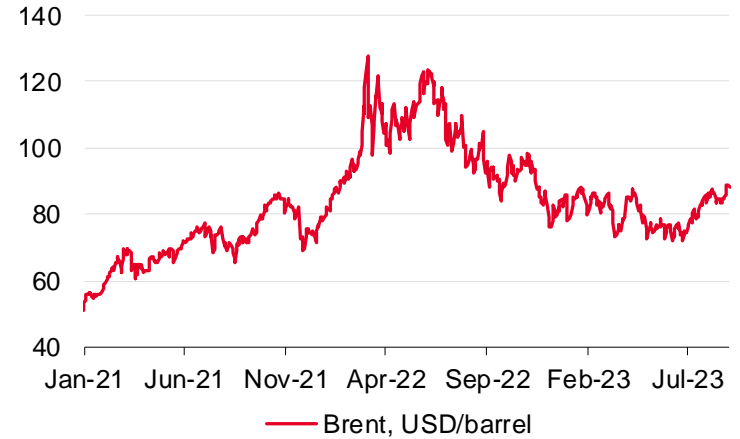
Source: Macrobond, Economic and Strategy Research, Komerční banka

THE BIGGEST ENERGY PRICE SHOCK IS OVER

Commodity index



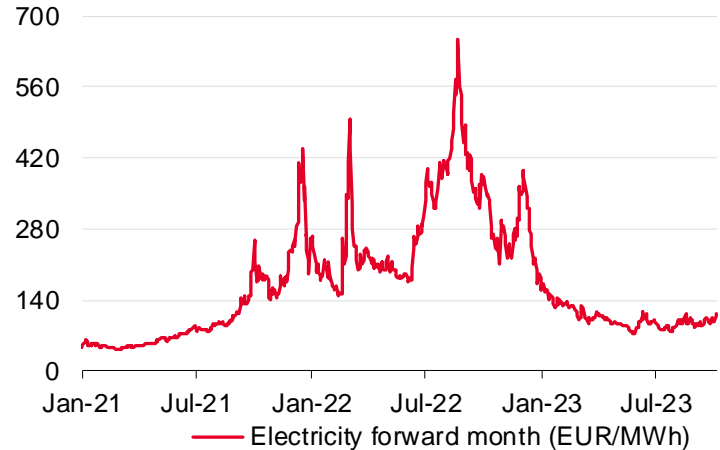
Oil



Gas



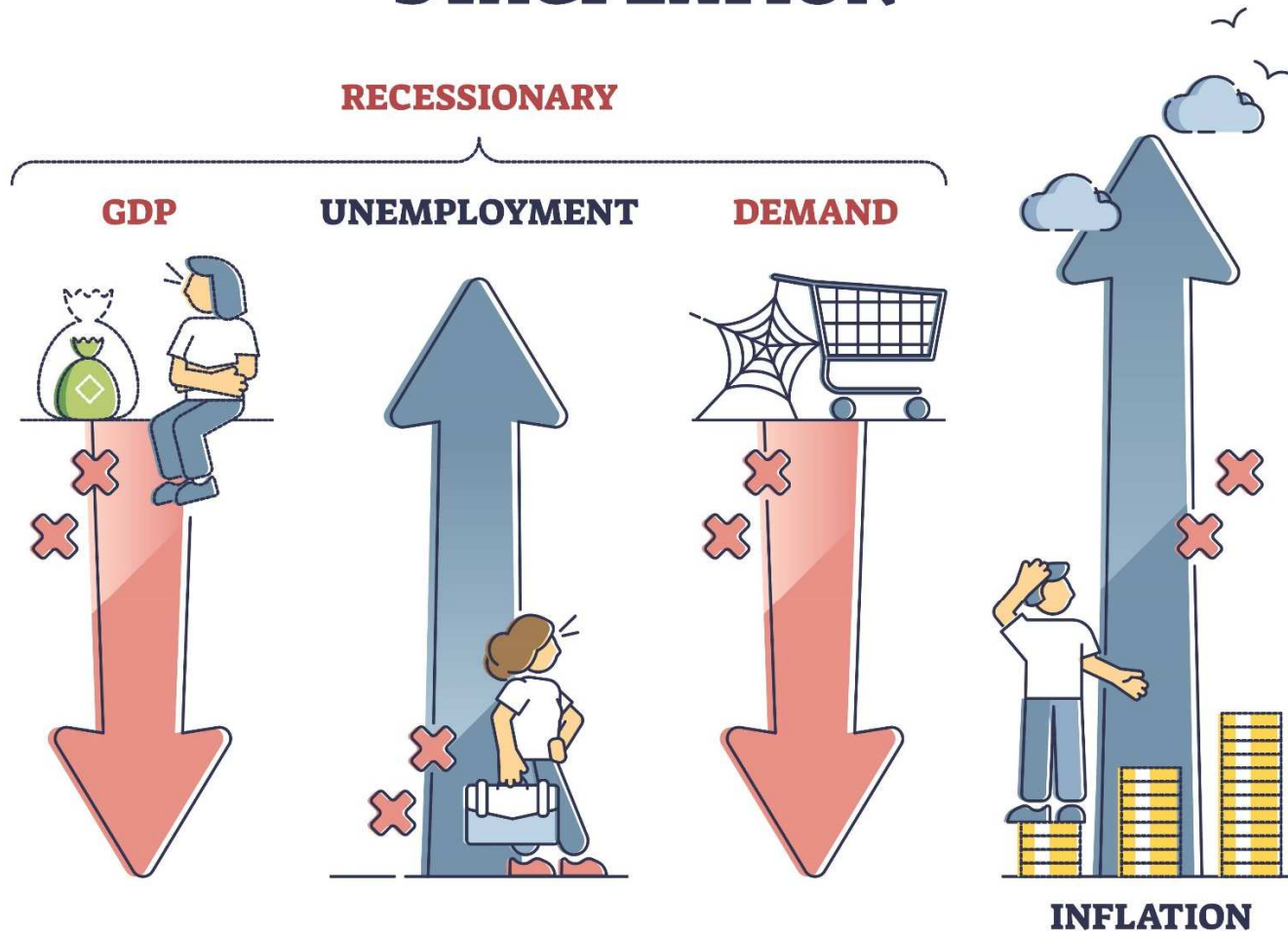
Electricity



Source: Economic and Strategy research, Komerční banka, Bloomberg

THE COMBINATION OF CRIPPLED SUPPLY CHAINS AND EXPENSIVE ENERGY HAS CREATED A STAGFLATION SYNDROME.

STAGFLATION



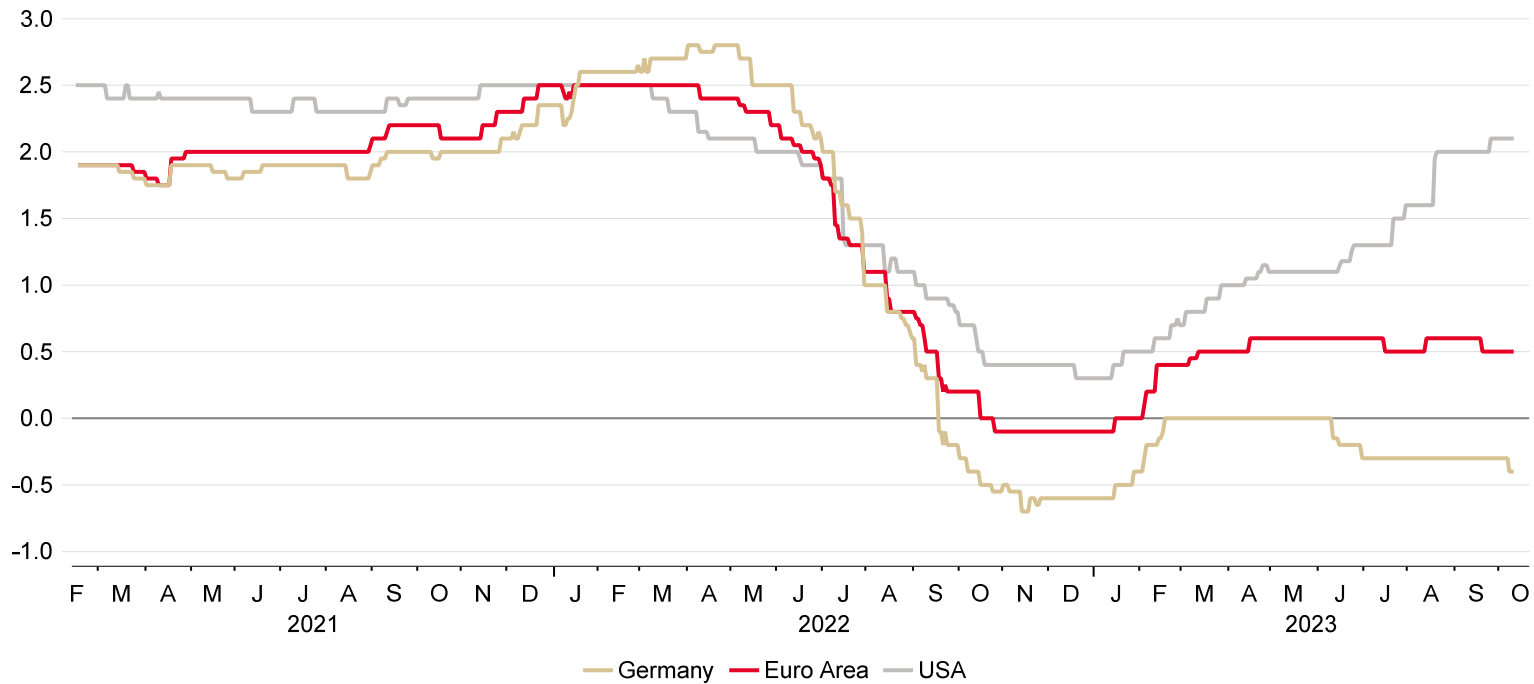
Source: shutterstock.com

GROWTH EXPECTATIONS FOR THIS YEAR VARY ACROSS THE MAIN COUNTRIES

While the US economy is far from recession, Germany is in one.

GDP Growth Outlook for 2023

Source: Bloomberg Consensus



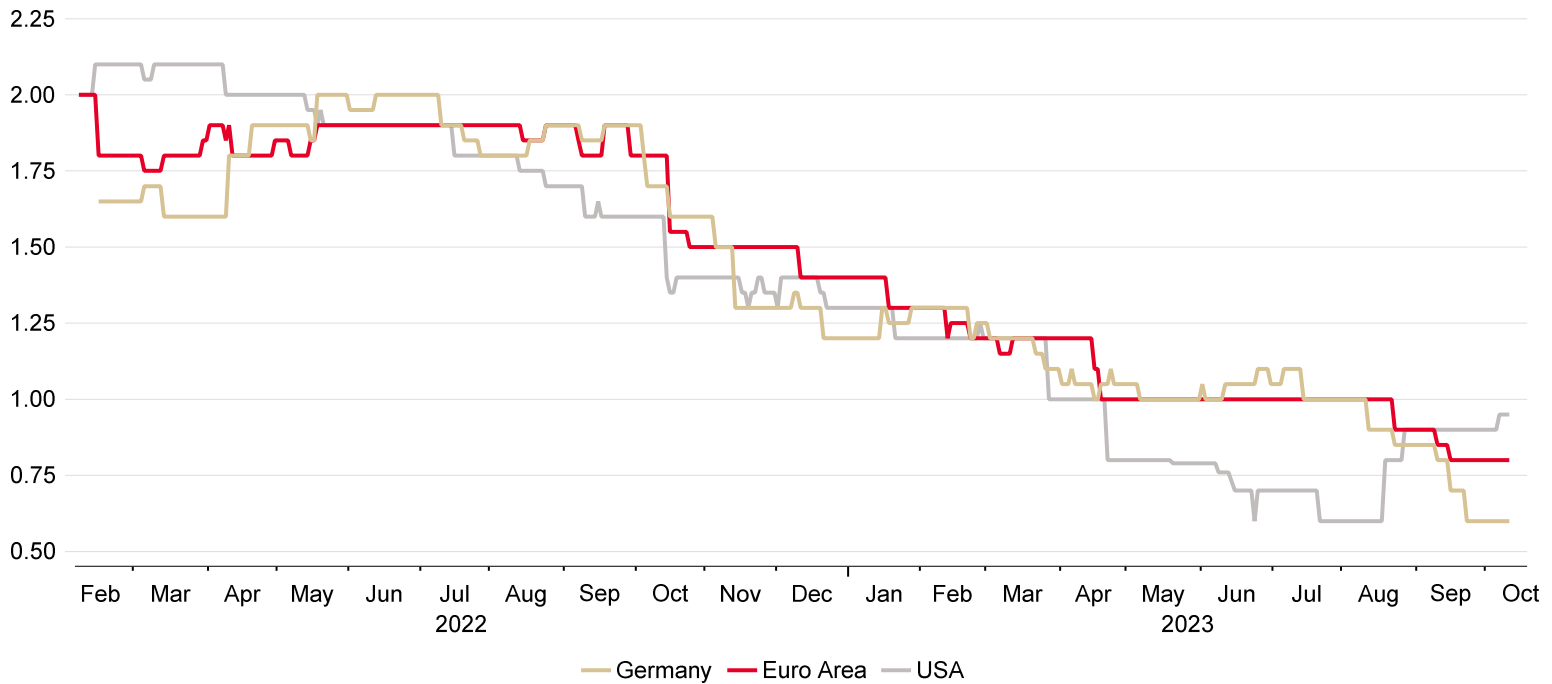
Source: Bloomberg, Economic and Strategy Research, Komerční banka

EXPECTED GROWTH FOR 2024 GRADUALLY DECLINES

A recession is not yet expected for any major economy

GDP Growth Outlook for 2024

Source: Bloomberg Consensus



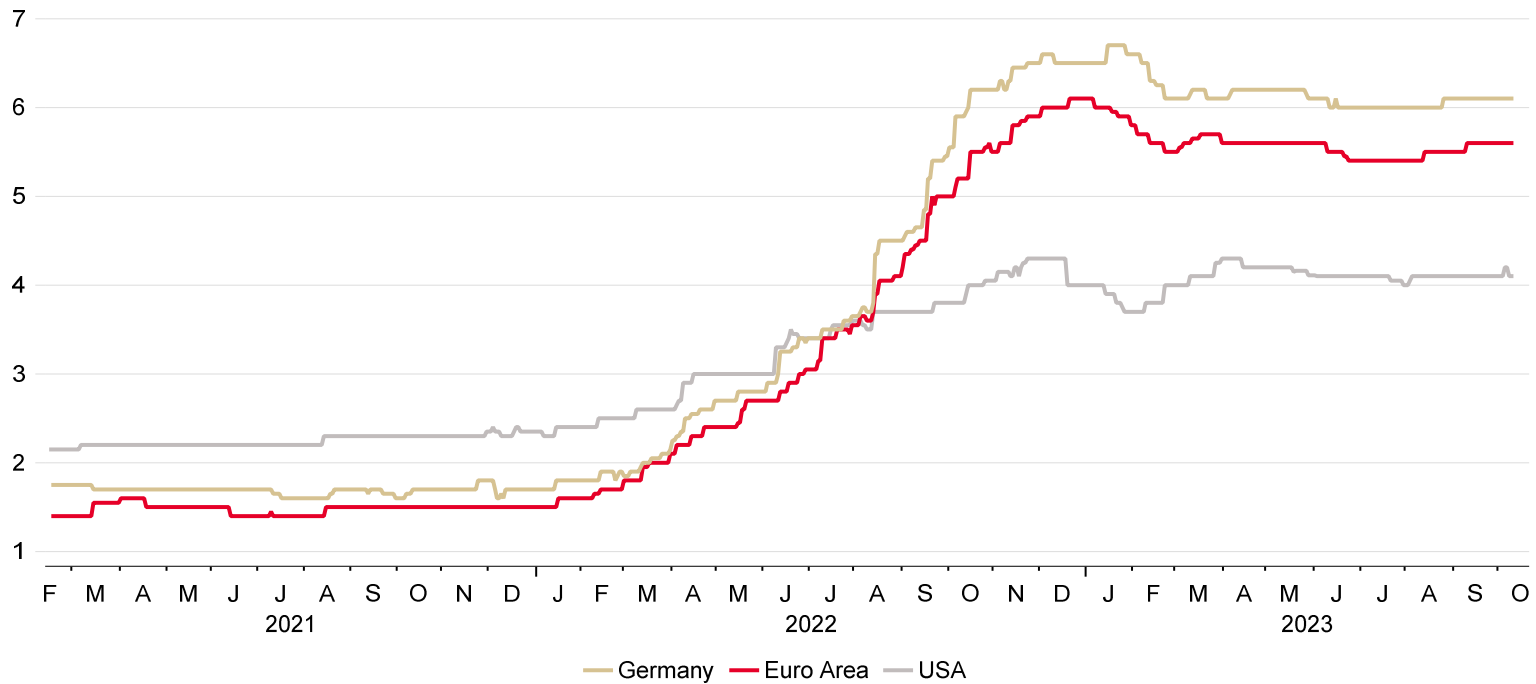
Source: Bloomberg, Economic and Strategy Research, Komerční banka

INFLATION EXPECTATIONS FOR THIS YEAR ARE NO LONGER RISING

US to grow faster this year with much lower inflation

Inflation Outlook for 2023

Source: Bloomberg Consensus



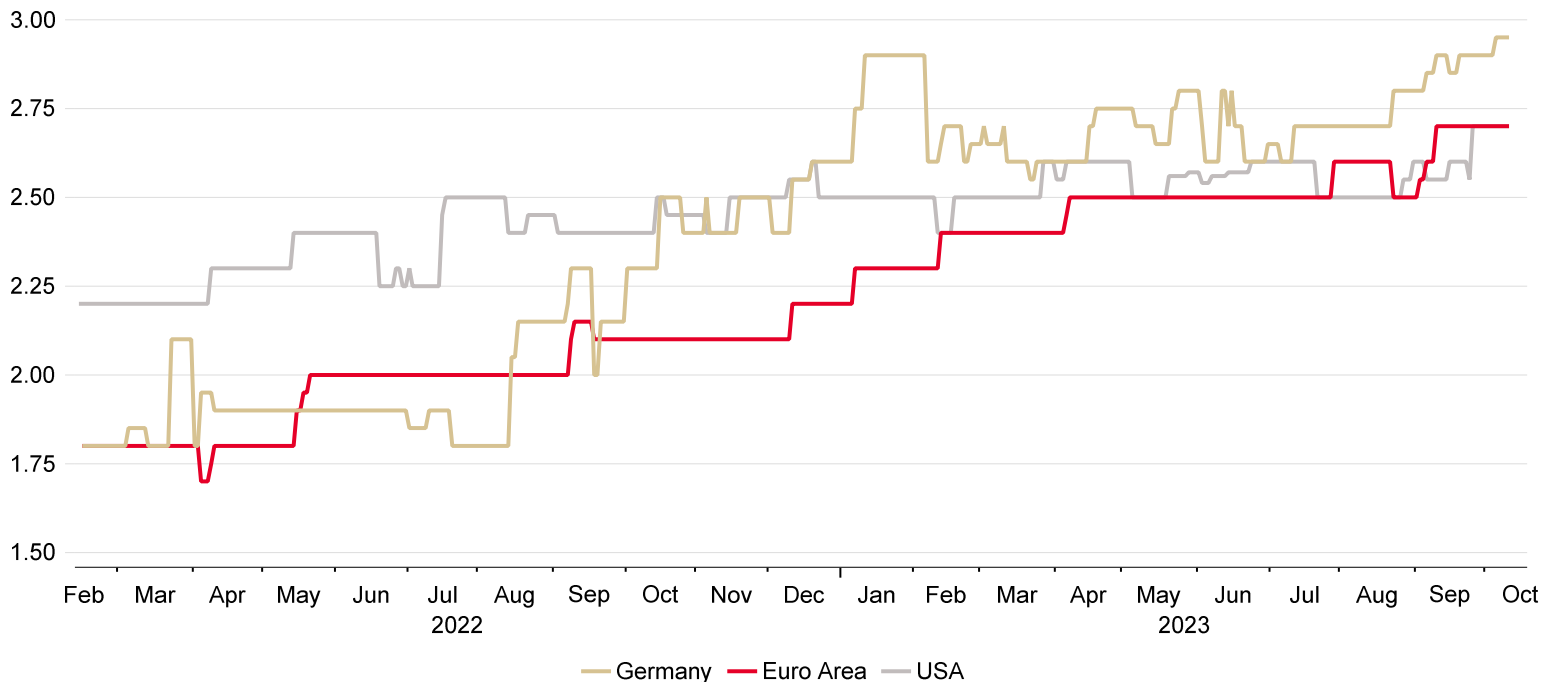
Source: Bloomberg, Economic and Strategy Research, Komerční banka

RISING INFLATION EXPECTATIONS FOR NEXT YEAR

Inflation still expected to be close to, but above, inflation targets

Inflation Outlook for 2024

Source: Bloomberg Consensus



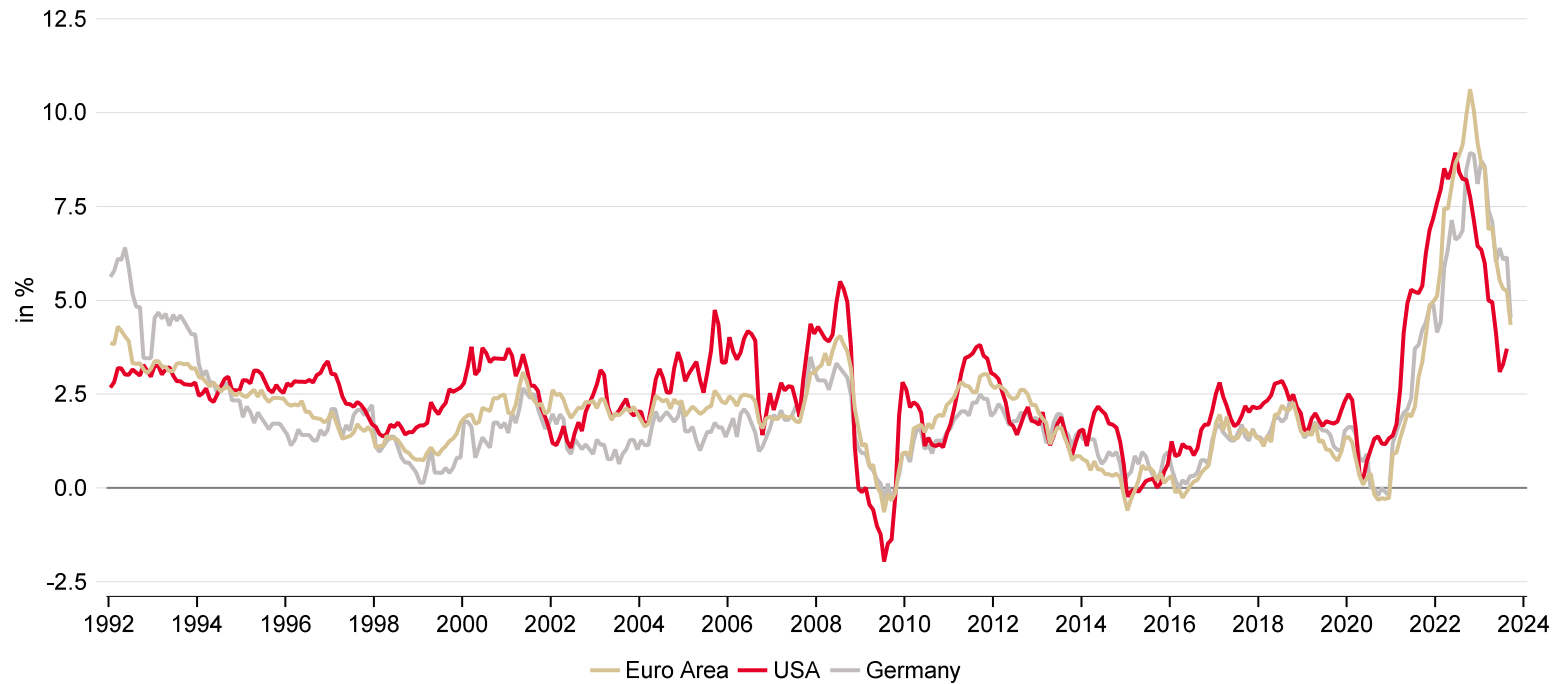
Source: Bloomberg, Economic and Strategy Research, Komerční banka

GLOBAL CONSUMER INFLATION HIT 40-YEAR HIGHS LAST YEAR

The peak of global inflation seems to be over

Global inflation trends

year-on-year change

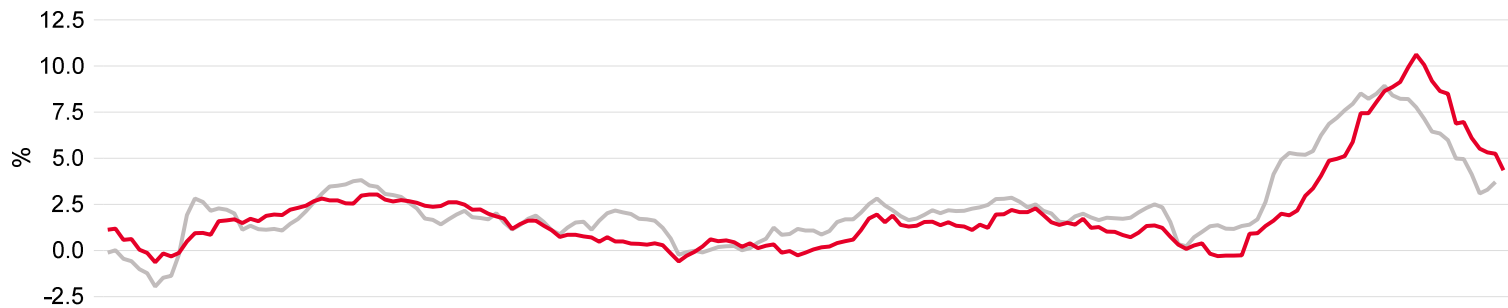


Source: Macrobond, Economic and Strategy Research, Komerční banka

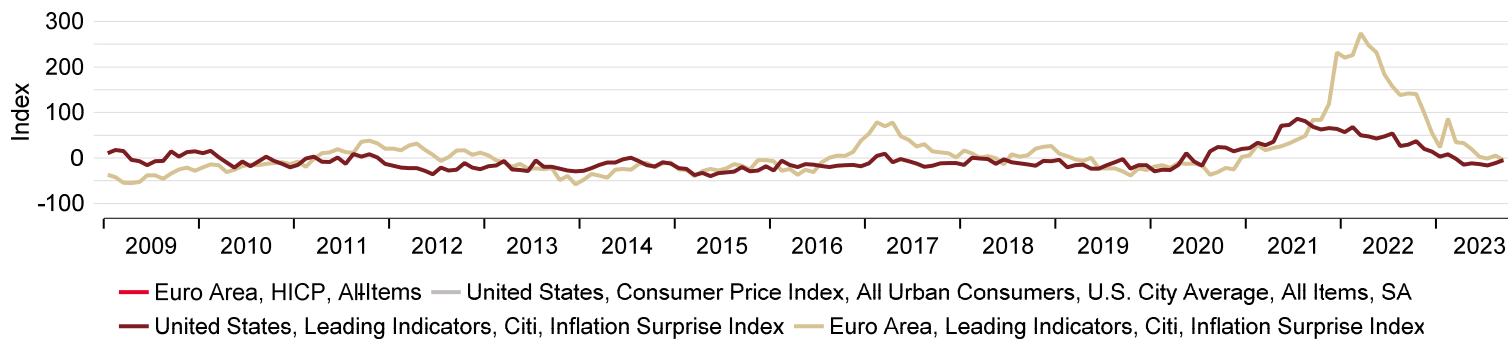
INFLATION WAS SURPRISING, ESPECIALLY IN THE EURO AREA

The level of inflation is no longer a surprise

US and euro area consumer price index

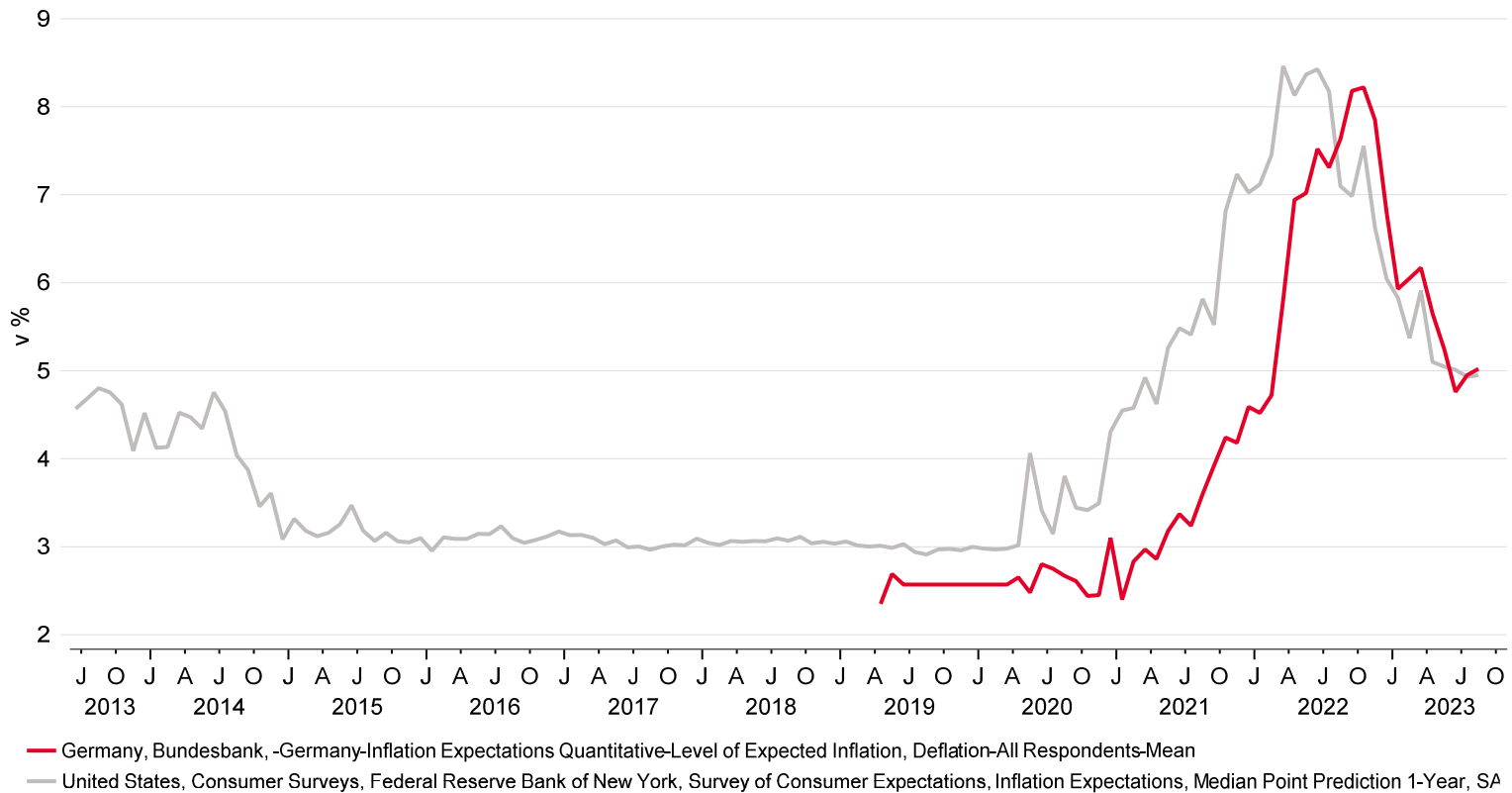


City inflation surprise index



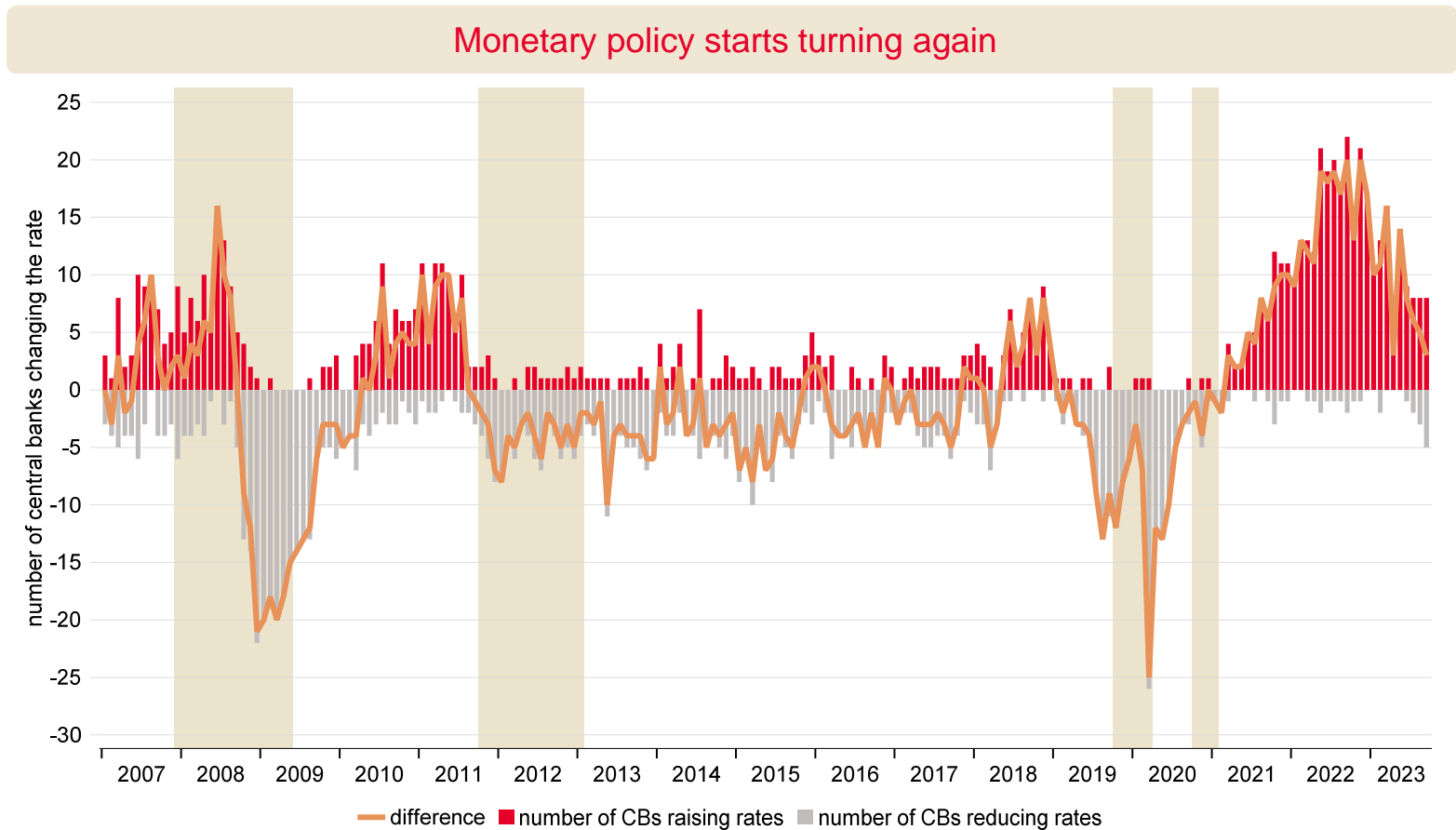
INFLATION EXPECTATIONS HAVE RISEN DRAMATICALLY

Central banks responded to the dramatic rise in inflation expectations.



Source: Macrobond, Economic and Strategy Research, Komerční banka

CENTRAL BANKS TIGHTENED MONETARY CONDITIONS ACROSS COUNTRIES

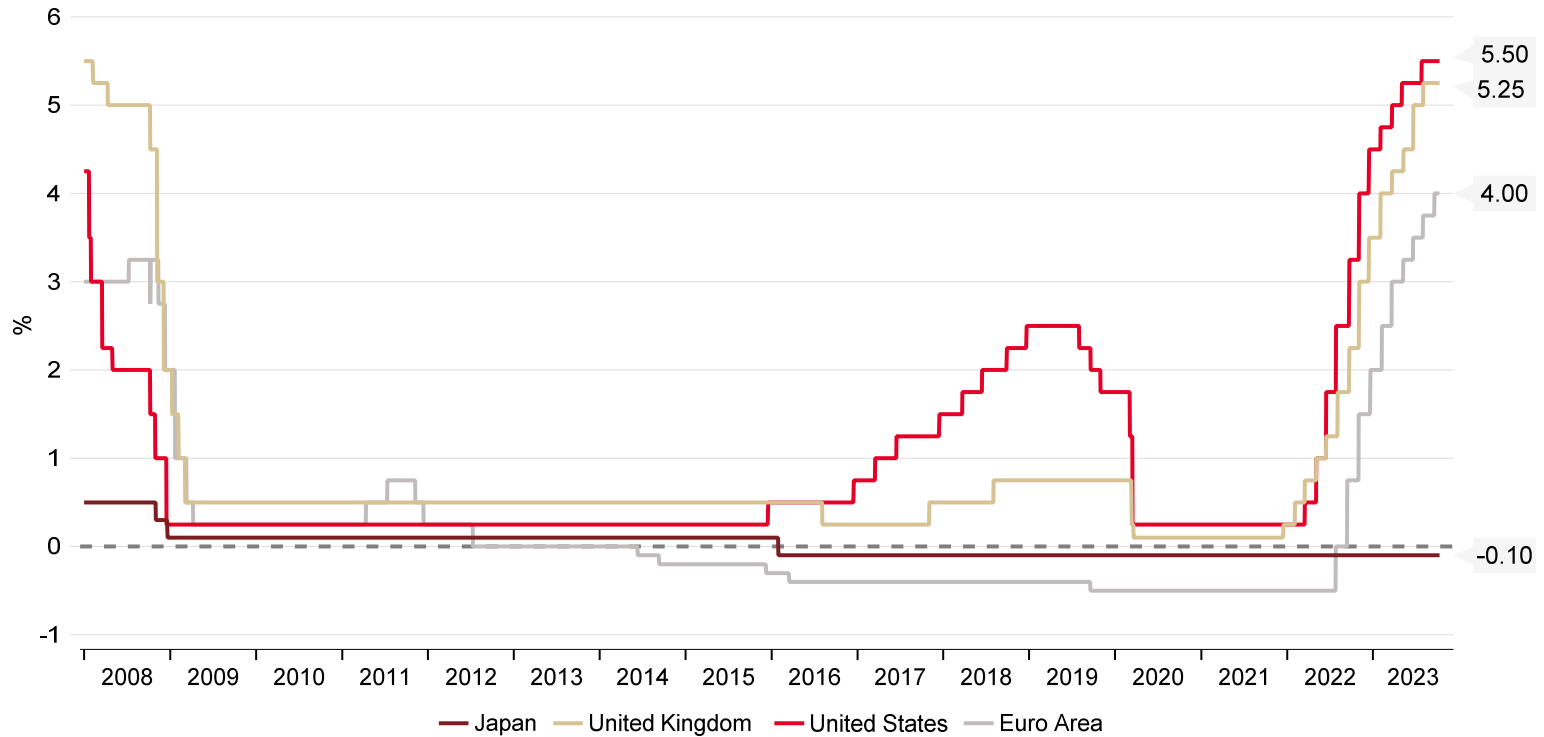


Source: Macrobond, Economic and Strategy Research, Komerční banka
Note: The recessionary periods in the US and the euro area are highlighted

END OF THE CHEAP MONEY ERA

Major central banks have abandoned ultra-loose policies

Key monetary policy rates



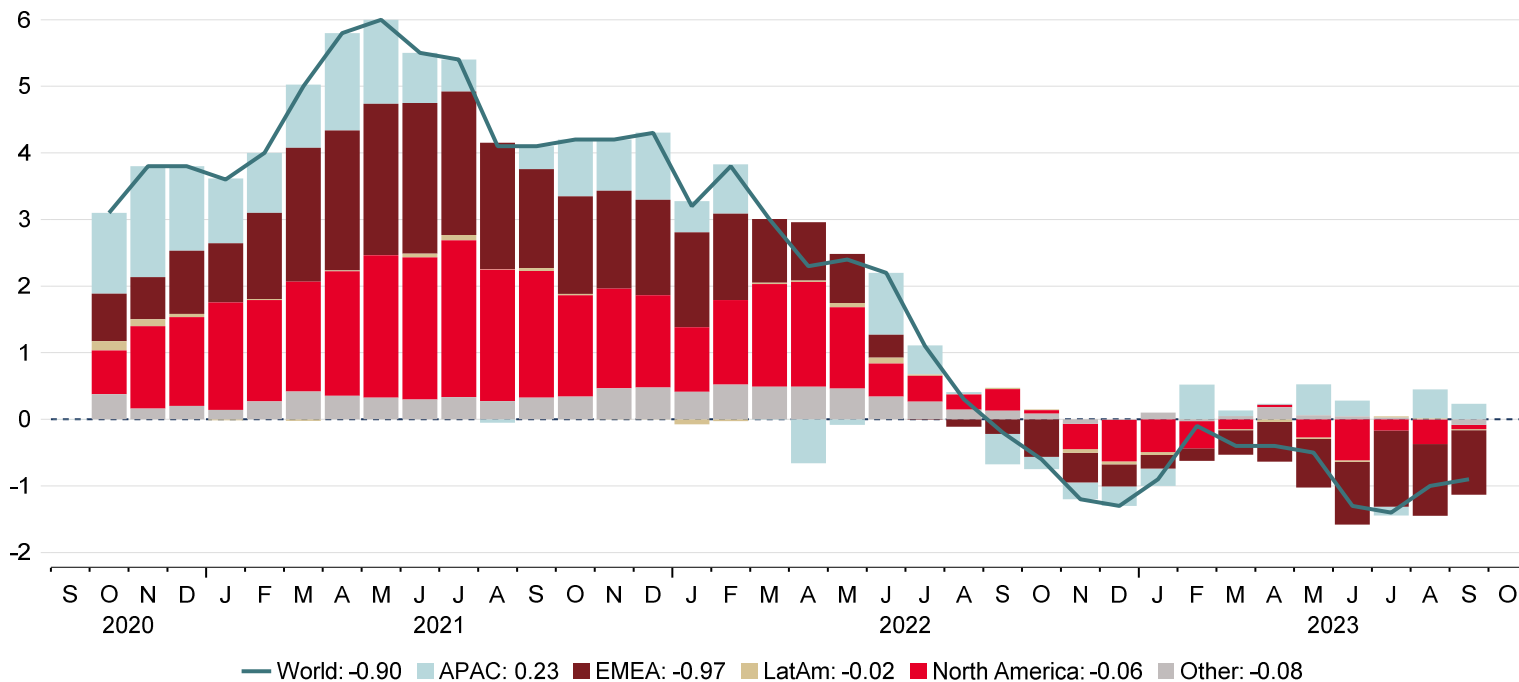
Source: Macrobond, Economic and Strategy Research, Komerční banka

COMBINATION OF EXPENSIVE ENERGY AND HIGH FINANCING COSTS HITS INDUSTRY

The situation is particularly severe in Europe

Global manufacturing PMI contributions

PMI re-centered around 0 as neutral; Contributions weighted by manufacturing value added (USD)



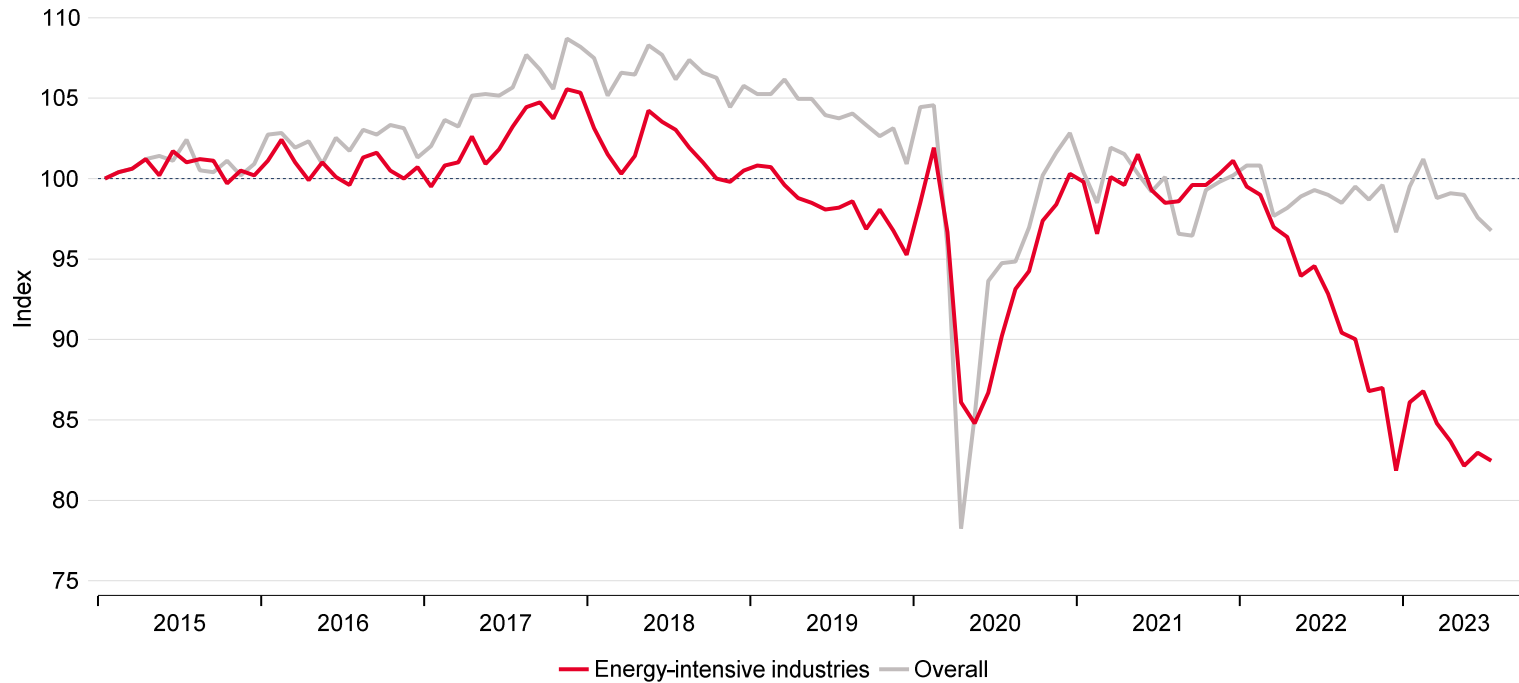
Source: Macrobond, Economic and Strategy Research, Komerční banka

GERMAN INDUSTRY PARTICULARLY IN TROUBLE

German industrialists hit by high energy prices

Higher energy costs strike a blow to German industry

Industrial production, rebased Jan. 2015=100



Source: Macrobond, Economic and Strategy Research, Komerční banka

PUBLISHED DATA FROM THE EURO AREA HAVE GENERALLY BEEN DISAPPOINTING THIS YEAR

US economic indicators, on the other hand, have been pleasantly surprising this year

Economic Surprise Index

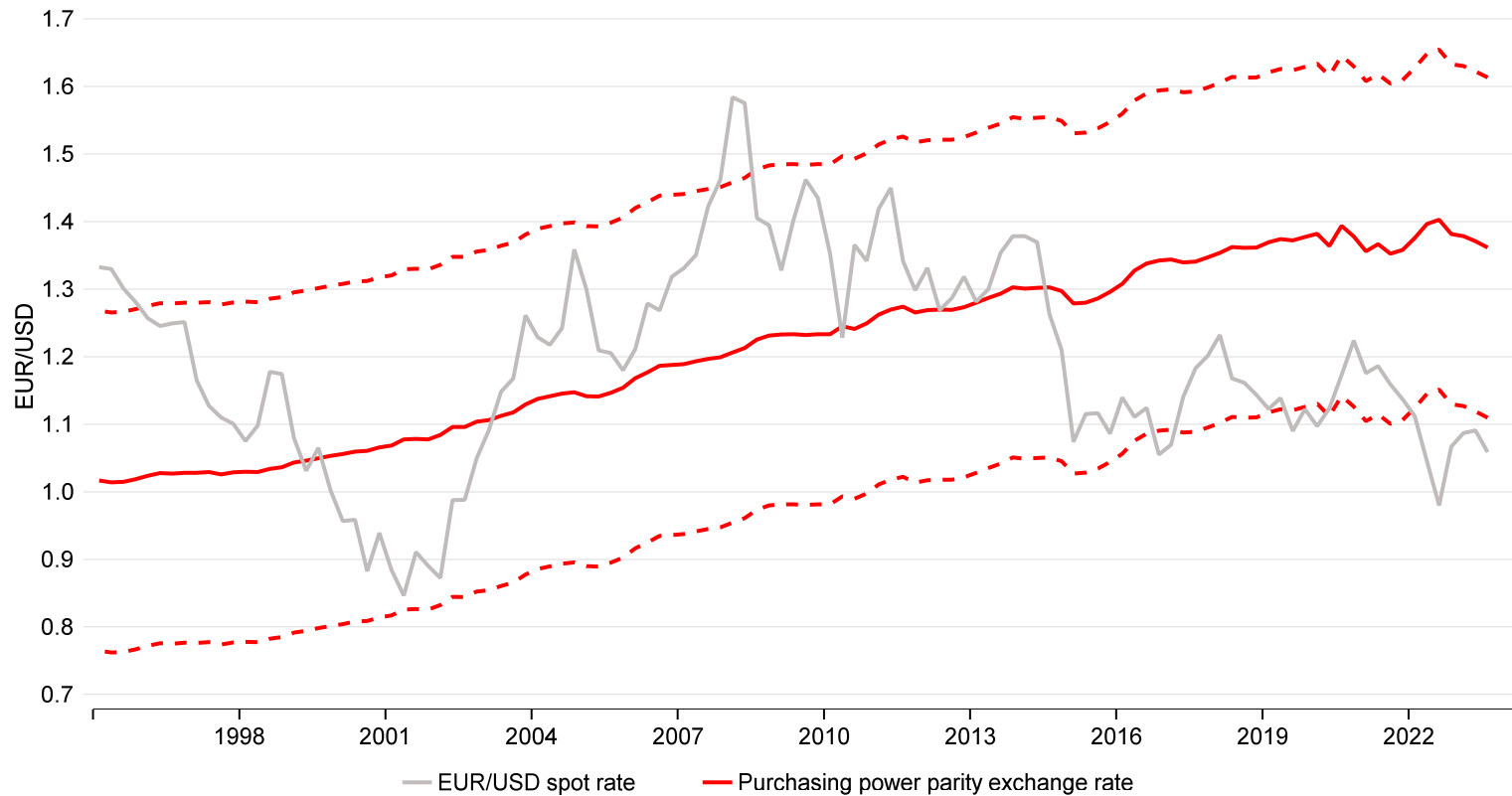
Leading Indicators, Citi, Economic Surprise Index



Source: Macrobond, Economic and Strategy Research, Komerční banka

THE EURO IS STRONGLY UNDERVALUED AGAINST THE DOLLAR, ACCORDING TO PPP

According to purchasing power parity, the exchange rate should be more than 1.30 USD/EUR



Source: Macrobond, Economic and Strategy Research, Komerční banka

DOLLAR REMAINS RELATIVELY STRONG

Weaker European economic performance relative to the US is preventing the euro from appreciating more strongly

EUR/USD

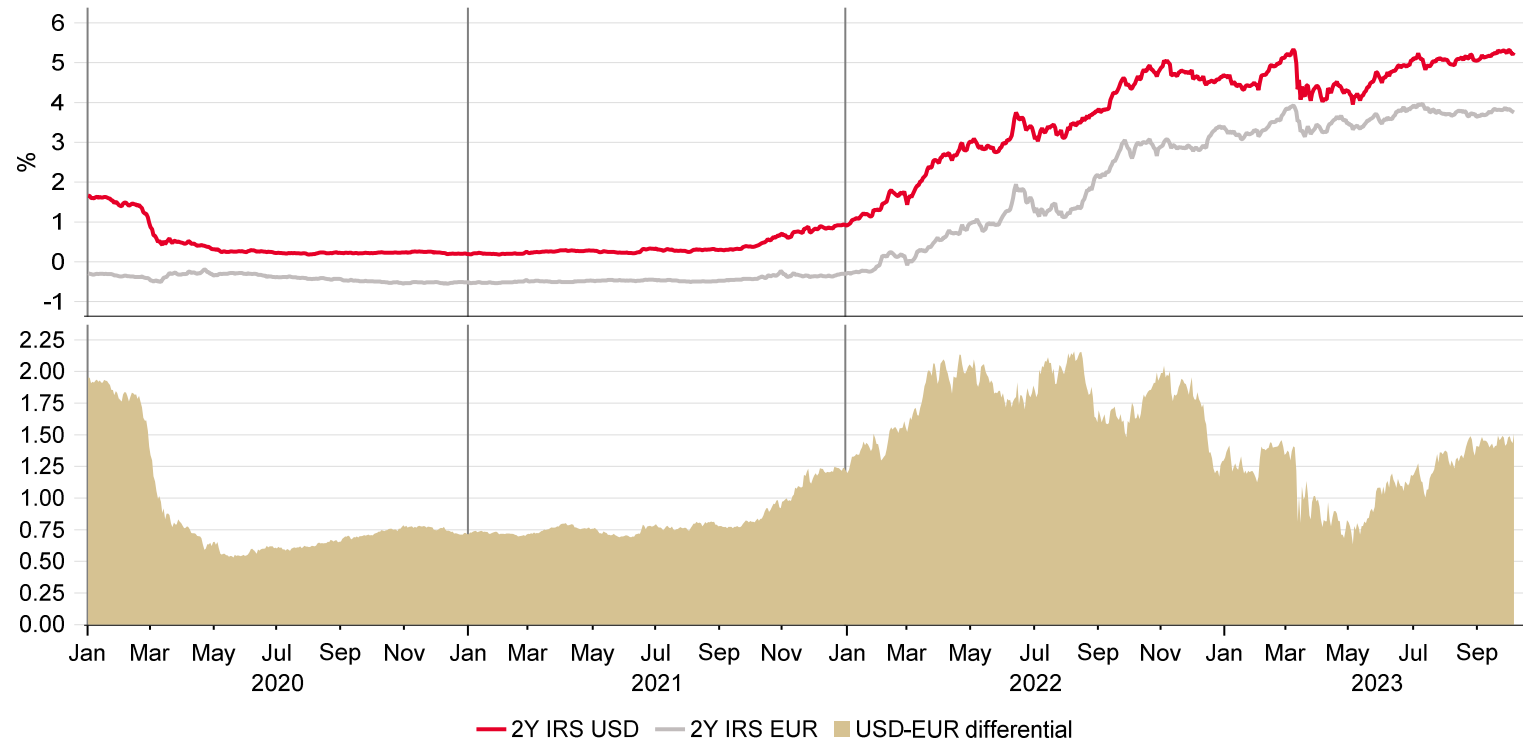


Source: Macrobond, Economic and Strategy Research, Komerční banka

INTEREST RATE DIFFERENTIAL ALSO PLAYS AN IMPORTANT ROLE

Interest rate differential back in the dollar's favor

USD-EUR interest rate differential

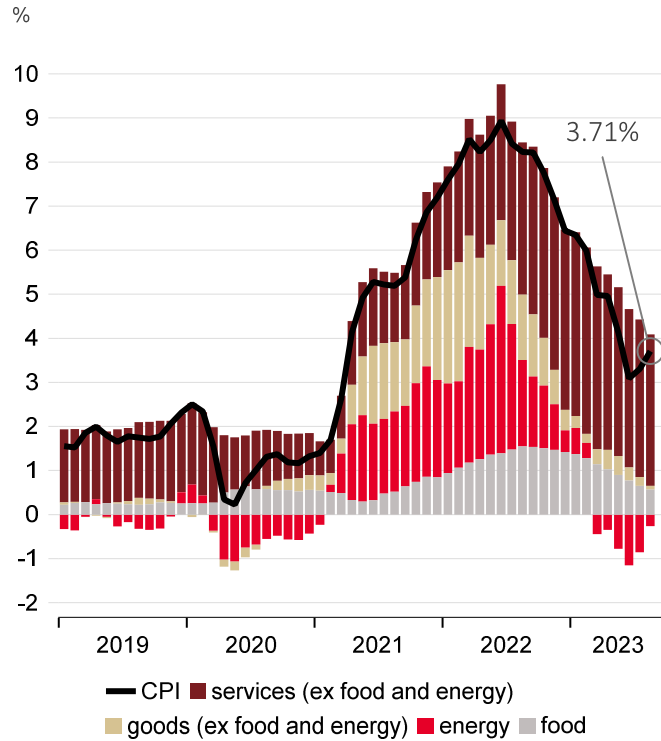


Source: Macrobond, Economic and Strategy Research, Komerční banka

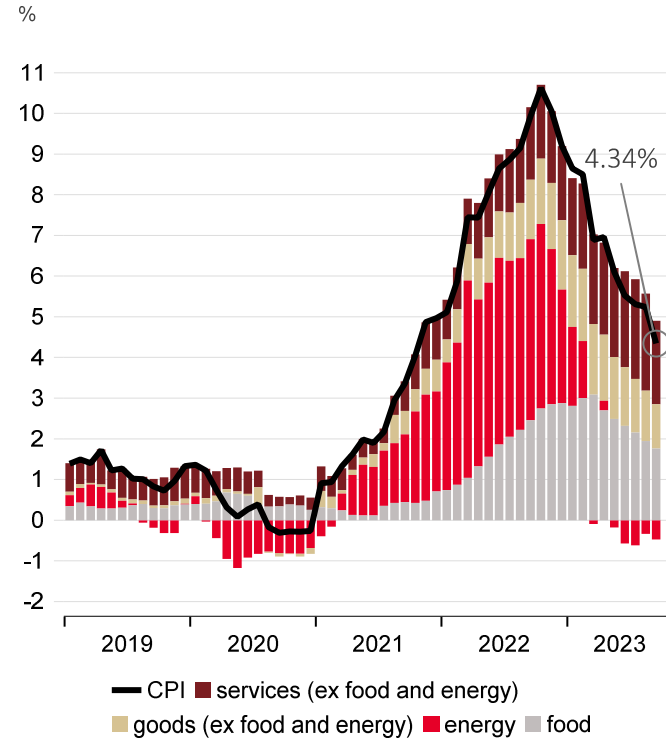
US INFLATION FALLING FASTER

European inflation will take longer to tame

Structure of US inflation



Structure of euro area inflation



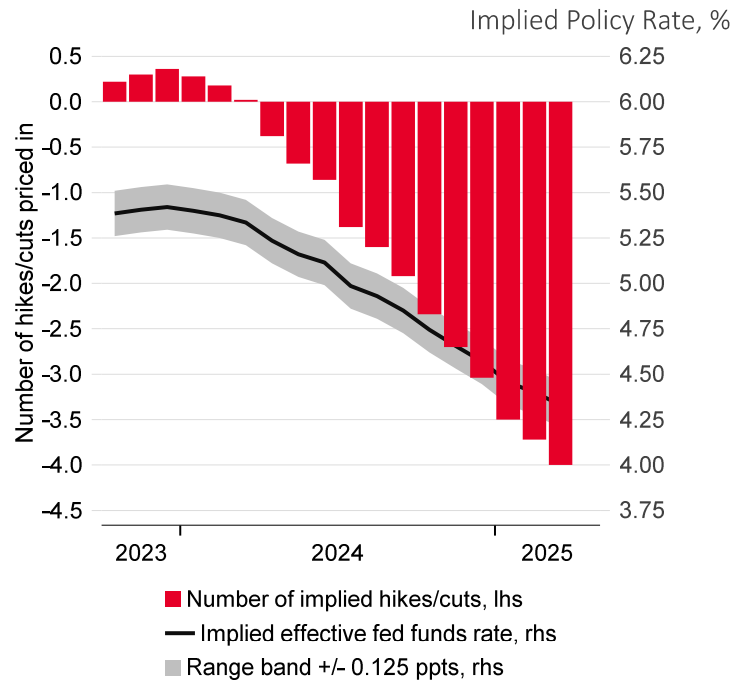
Source: Macrobond, Economic and Strategy Research, Komerční banka

DOLLAR RATES TO FALL NEXT YEAR

Eurozone rates unlikely to fall until 2025

Implied number of hikes/cuts from the US Fed

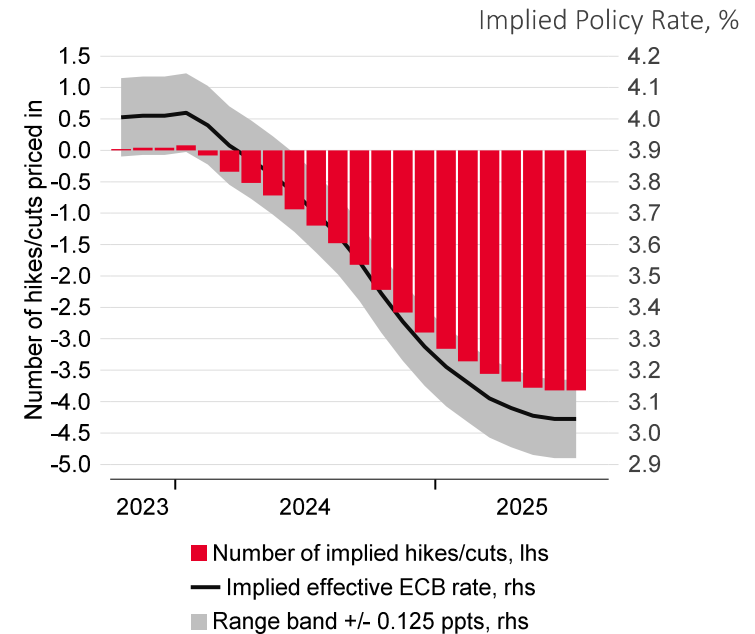
Assuming uniform 0.25 ppt hikes/cuts



Implied number of hikes/cuts from the ECB

Assuming uniform 0.25 ppt hikes/cuts

Based on €STR futures and the spread between ECB Deposit Facility Rate and €STR of 0.1



Source: Macrobond, Economic and Strategy Research, Komerční banka

SOCIÉTÉ GÉNÉRALE FORECAST OF KEY CENTRAL BANK RATES

	Sep 11	Dec 2023	Mar 2024	Jun 2024	Sep 2024	2022	2023	2024	2025	2026	2027
North America											
US	5.38	5.38	5.38	4.88	4.38	2.02	5.10	4.75	3.08	2.88	2.88
Europe											
Euro area (DRF)	3.75	4.00	4.00	4.00	4.00	0.23	3.40	4.00	3.46	2.46	2.00
UK	5.25	5.50	5.50	5.00	4.50	1.67	4.90	4.88	3.00	2.50	2.50
Switzerland	1.75	2.00	2.00	2.00	2.00	-0.34	1.67	2.00	1.77	1.75	1.75
Asia											
China	1.80	1.60	1.40	1.20	1.00	2.07	1.86	1.20	1.00	1.00	1.00
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	4.10	4.10	4.10	4.10	3.60	1.35	3.89	3.85	2.73	2.60	2.60
South Korea	3.50	3.50	3.50	3.25	3.00	2.00	3.48	3.19	2.52	2.50	2.50
Taiwan	1.88	1.88	1.88	1.75	1.63	1.51	1.86	1.72	1.50	1.75	1.88
India	6.50	6.50	6.50	6.25	6.00	5.08	6.48	6.23	5.56	5.02	5.00
Indonesia	5.75	5.75	5.50	5.50	5.25	3.98	5.71	5.38	4.79	4.33	4.02
Latin America											
Brazil	13.25	11.75	10.75	9.75	9.25	12.75	13.17	9.88	8.13	8.00	8.00
Mexico	11.25	11.25	10.75	10.25	9.25	8.08	11.19	9.88	7.31	6.25	6.00
Chile	10.25	8.00	7.00	6.25	5.75	8.90	10.27	6.29	4.75	4.50	4.83
Colombia	13.25	12.75	11.25	9.75	8.50	7.25	13.00	9.69	6.42	5.27	5.25
Eastern Europe											
Czech Republic	7.00	7.00	6.50	5.50	4.50	6.10	7.00	5.38	3.46	3.00	3.00

Source: SG Cross Asset Research/Economics

SOCIÉTÉ GÉNÉRALE FORECAST OF 10-YEAR GOVERNMENT BOND YIELDS

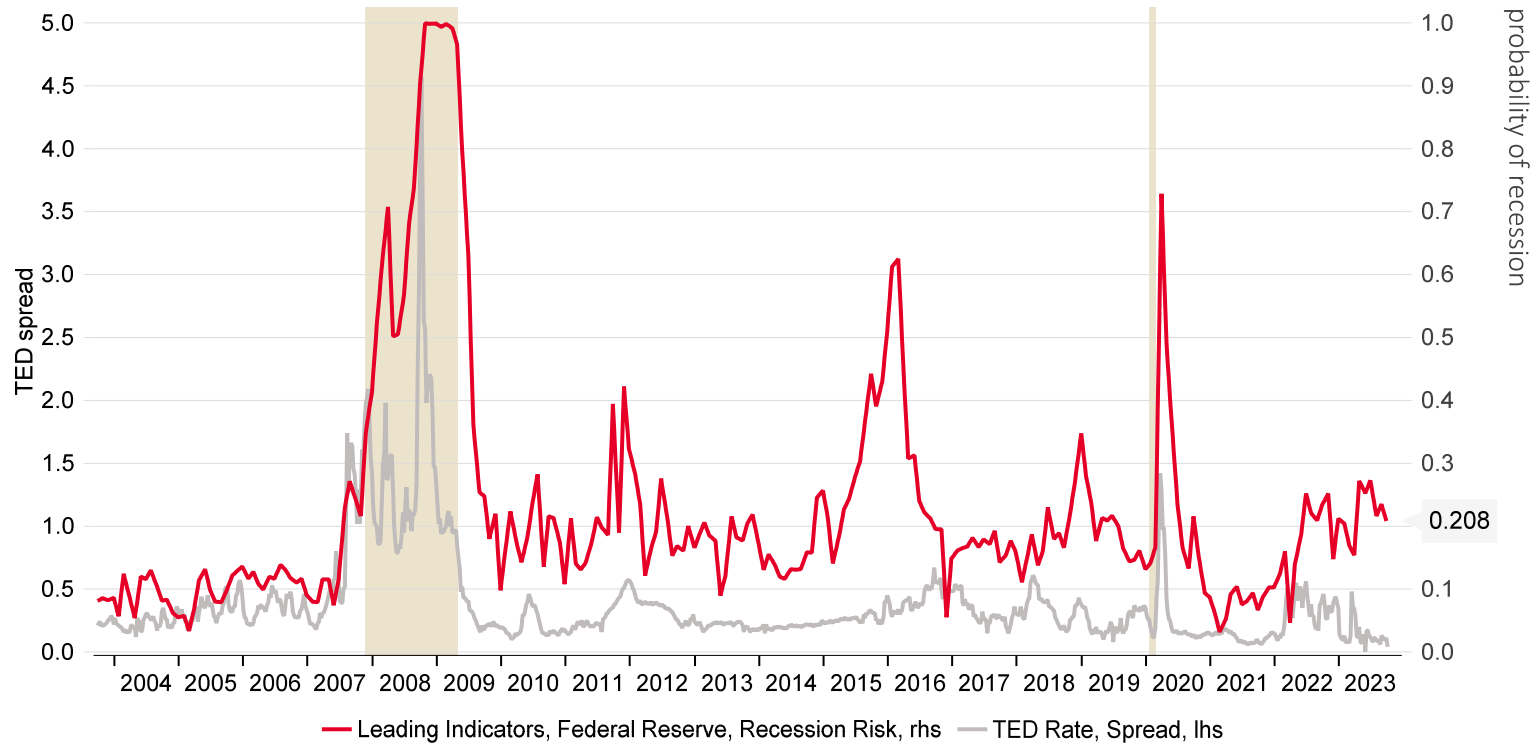
	Sep 11	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Neutral rate	2022	2023	2024	2025	2026	2027
North America												
US	4.26	3.75	3.50	3.25	3.75	3.25	2.92	3.85	3.52	3.27	3.25	3.25
Europe												
Euro area (Bund)	2.57	2.40	2.30	2.20	2.10	2.50	1.42	2.41	2.23	2.50	2.72	2.81
UK	4.43	4.10	3.60	3.40	3.20	3.75	2.68	4.10	3.41	3.30	3.53	3.55
Asia												
China	2.59	2.45	2.35	2.40	2.60	4.00	2.79	2.71	2.48	2.47	2.27	2.07
Japan	0.65	0.65	0.55	0.50	0.65	2.25	0.25	0.49	0.59	0.91	1.10	1.10
Australia	4.13	4.00	3.80	3.60	3.40	3.50	3.04	3.80	3.57	3.02	3.00	3.00
South Korea	3.86	3.70	3.60	3.50	3.40	3.00	3.22	3.61	3.47	3.02	3.00	3.00
Taiwan	1.16	1.20	1.25	1.20	1.15	2.80	1.14	1.15	1.17	1.04	1.34	1.50
India	7.20	7.00	6.90	6.80	6.70	7.00	7.20	7.18	6.80	6.63	6.81	6.98
Indonesia	6.38	6.30	6.30	6.25	6.20	7.40	7.09	6.57	6.25	6.28	6.48	6.68
Latin America												
Brazil	11.34	10.75	10.25	9.75	9.25	9.75	11.55	11.58	9.73	8.99	8.95	8.98
Mexico	9.10	8.75	8.25	7.75	7.25	7.50	8.44	9.08	7.72	6.89	6.86	7.17
Chile	5.63	5.00	4.75	4.50	4.25	4.80	6.21	5.52	4.50	4.24	4.38	4.85
Colombia	10.70	10.00	9.50	9.25	9.00	7.80	10.00	11.39	9.21	7.79	7.02	6.99
Eastern Europe												
Czech Republic	4.34	4.20	3.95	3.85	3.70	3.80	4.45	4.35	3.80	3.80	3.90	3.85

Source: SG Cross Asset Research/Economics

RECESSION IN THE US? A REGULAR ONE IN MID-2024

Rising inflation and interest rates increased the likelihood of a recession in the US. Not enough

Financial conditions and the likelihood of a recession in the US



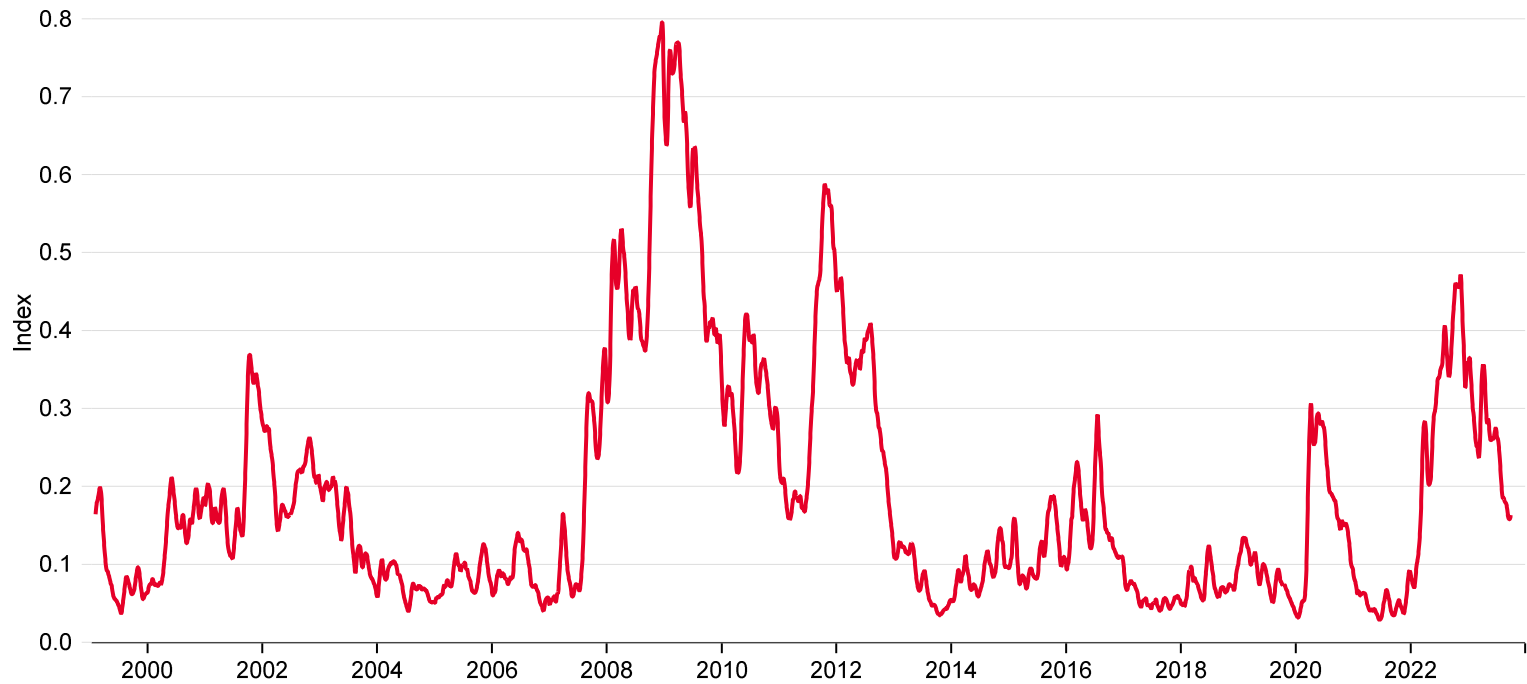
Source: Macrobond, Economic and Strategy Research, Komerční banka
Note: The recessionary periods in the USA are highlighted

RAISING EURO RATES IS NOT PAINLESS

Markets are nervous about the current financial constellation in the euro area

ECB indicator of financial market stress in the euro area

monthly moving average



Source: Macrobond, Economic and Strategy Research, Komerční banka

CHANCES OF BETTER EUROPEAN DATA AT THE END OF THE YEAR

Seasonality argues for better European data in coming months

Euro Area: Seasonality in economic surprise

Source: Citi



Source: Macrobond, Economic and Strategy Research, Komerční banka

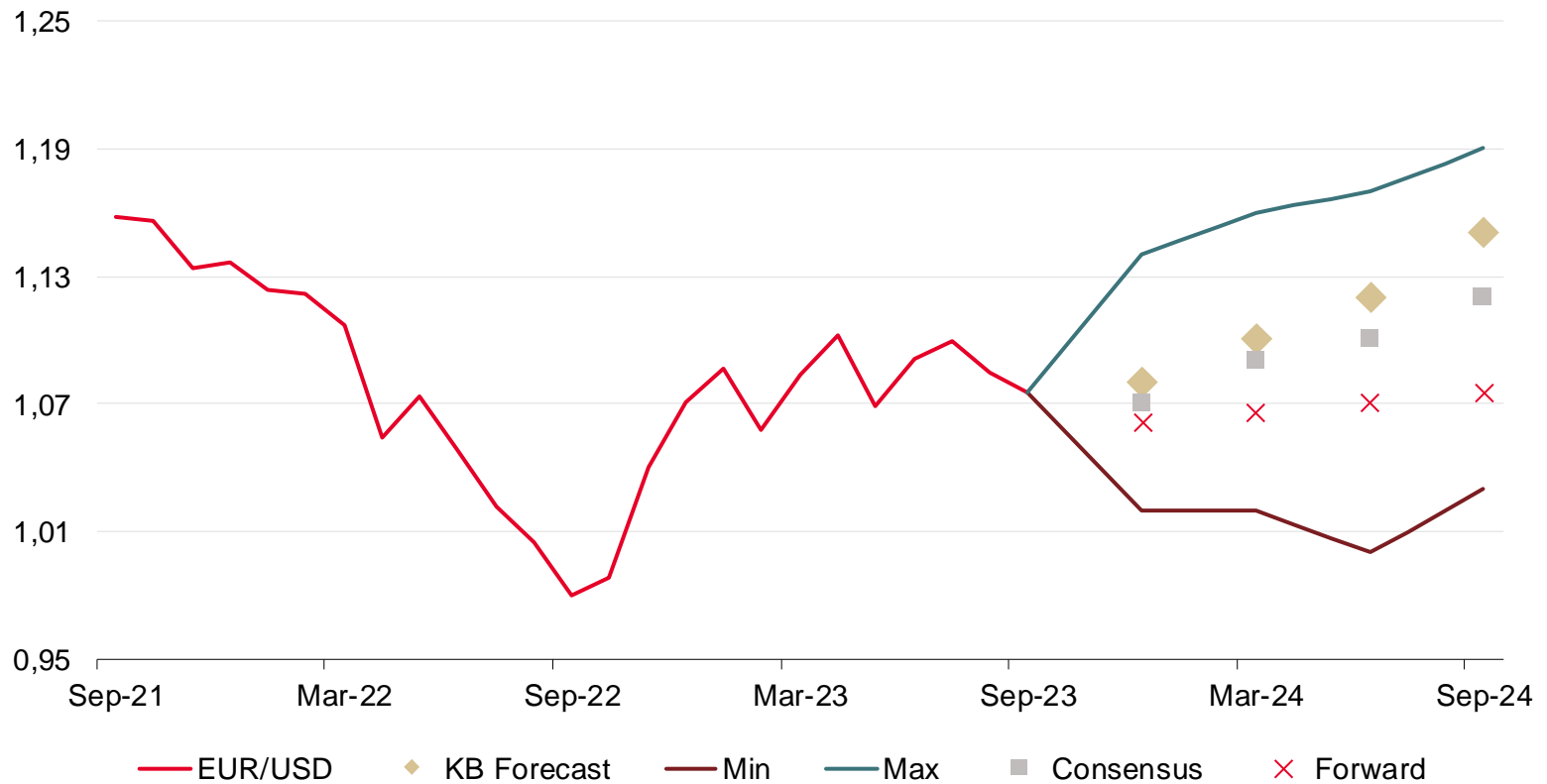
SOCIÉTÉ GÉNÉRALE GLOBAL GROWTH AND INFLATION FORECAST

	Real GDP							Potential growth	CPI						
	2021	2022f	2023f	2024f	2025f	2026f	2027f	per annum	2021	2022	2023f	2024f	2025f	2026f	2027f
World (Mkt FX weights)	6.1	3.1	2.7	2.1	3.1	2.9	2.6		3.9	8.1	5.3	3.4	2.9	2.8	2.7
World (PPP weights)	6.3	3.4	3.0	2.7	3.4	3.3	3.0		5.1	9.3	6.6	4.3	3.6	3.5	3.4
Developed countries (PPP)	5.5	2.7	1.6	1.0	2.3	2.1	1.7		3.1	7.4	4.7	2.6	2.1	2.1	1.9
Emerging countries (PPP)	6.9	3.9	4.0	3.9	4.1	4.1	3.9		6.5	10.7	8.0	5.4	4.6	4.5	4.4
North America															
US	5.9	2.1	2.3	0.7	3.4	3.0	2.9	2.0	4.7	8.0	4.1	2.5	2.2	2.2	2.2
Europe															
Euro area	5.4	3.4	0.8	0.9	1.3	1.5	1.5	1.3	2.6	8.4	5.5	3.0	2.3	2.1	1.9
Germany (nsa)	3.2	1.8	-0.4	0.5	1.2	1.5	1.4	1.2	-	-	-	-	-	-	-
Germany	3.1	1.9	-0.1	0.6	1.3	1.3	1.3		3.2	8.6	6.1	3.2	2.5	2.3	2.0
France	6.4	2.5	0.9	0.6	1.1	1.4	1.2	1.2	1.9	8.7	6.1	2.8	2.0	1.9	1.8
Italy	7.0	3.8	1.0	0.5	1.0	1.1	0.8	0.7	1.9	8.7	6.1	2.8	2.0	1.9	1.8
Spain	5.5	5.5	2.3	1.2	1.6	1.8	1.9	1.1	3.0	8.3	3.5	3.5	2.1	1.8	1.8
Slovakia	4.9	1.7	1.3	2.0	2.5	2.6	2.6	2.5	2.8	12.1	11.2	5.1	2.6	2.0	1.9
UK	7.6	4.1	0.4	0.7	1.2	1.6	1.7	1.5	2.6	9.1	7.6	3.9	2.1	2.0	2.0
Switzerland	4.2	2.1	0.8	1.0	1.7	1.8	1.7	1.9	0.6	2.8	2.3	1.8	1.8	1.7	1.6
Asia															
China	8.4	3.0	4.8	3.8	4.2	4.0	3.5	4.0	0.9	2.0	0.5	1.2	1.0	1.2	1.3
Japan	2.3	1.0	1.9	0.6	1.3	1.0	1.0	1.0	-0.2	2.5	3.2	2.1	1.6	1.6	1.6
Australia	5.2	3.7	1.5	1.3	2.2	2.5	2.5	2.5	2.9	6.6	5.5	3.4	2.9	2.5	2.5
South Korea	4.3	2.6	1.1	2.0	2.7	2.2	1.9	2.0	2.5	5.1	3.6	2.5	2.3	2.3	2.3
Taiwan	6.5	2.4	1.0	2.7	3.0	3.2	3.1	2.0	2.0	2.9	2.1	1.7	1.9	2.1	2.0
India	9.0	6.7	6.2	5.9	6.6	6.0	6.8	6.2	5.1	6.7	5.6	5.1	4.5	4.5	4.1
Indonesia	3.7	5.3	4.9	5.0	5.2	5.1	5.4	5.1	1.6	4.2	3.7	3.1	3.0	2.9	3.0
Latin America															
Brazil	5.3	3.0	2.6	1.4	2.0	2.2	2.3	1.7	8.3	9.3	4.7	3.9	3.8	3.6	3.5
Mexico	4.9	3.0	3.2	1.4	2.1	2.5	2.7	2.0	5.7	7.9	5.6	4.2	3.8	3.5	3.5
Chile	11.7	2.4	-0.3	1.9	2.5	2.6	2.6	2.5	4.5	11.6	7.5	3.6	4.4	4.0	3.7
Colombia	11.0	7.3	2.0	2.0	2.4	2.7	2.8	2.7	3.5	10.2	11.6	5.9	4.3	3.5	3.3
Eastern Europe															
Czech Republic	3.5	2.4	0.1	1.8	2.1	2.4	2.3	2.5	3.8	15.1	11.0	1.3	2.2	1.9	2.2

Source: SG Cross Asset Research/Economics

THE OVERVALUATION OF THE DOLLAR IS SIGNIFICANT

We favour the euro over the annual horizon



Source: Economic and Strategy Research, Komerční banka, Bloomberg (as of 10 October 2023)

SOCIÉTÉ GÉNÉRALE FORECAST OF KEY CURRENCY PAIRS

	Sep 11	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Neutral rate	2022	2023	2024	2025	2026	2027
North America												
EURUSD	1.07	1.08	1.10	1.12	1.15	1.35	1.06	1.09	1.13	1.20	1.24	1.26
Europe												
EURGBP	0.86	0.85	0.87	0.89	0.91	0.85	0.86	0.86	0.89	0.92	0.93	0.94
GBPUSD	1.25	1.27	1.26	1.26	1.26	1.60	1.23	1.26	1.27	1.31	1.34	1.34
EURCHF	0.96	0.94	0.97	0.98	0.96	1.25	1.01	0.99	1.00	1.03	1.05	1.07
Asia												
USDCNY	7.36	7.60	7.60	7.50	7.40	6.50	6.67	7.15	7.46	7.02	7.00	7.00
USDJPY	147.7	142.00	137.0	133.0	130.0	115.0	132.0	140.7	133.5	123.3	120.0	120.0
AUDUSD	0.64	0.62	0.65	0.68	0.71	0.78	0.70	0.66	0.68	0.78	0.80	0.80
USDKRW	1333	1300.00	1270.00	1250.00	1230.00	1100	1276	1304	1246	1146	1100	1100
USDTWD	32.10	32.00	32.20	32.00	31.80	29.00	29.95	31.26	31.83	29.75	29.50	29.50
USDINR	82.95	82.5	83.0	83.5	83.5	71.00	78.21	82.27	83.38	84.42	85.42	86.42
USDIDR	15325	15250	15300	15350	15400	14000	14543	15204	15358	15625	15877	16183
Latin America												
USDBRL	4.99	4.70	4.80	4.88	4.90	4.90	5.24	5.05	4.86	4.94	4.90	4.94
USDMXN	17.56	16.80	17.10	17.20	17.30	21.50	20.25	18.23	17.21	17.77	17.90	18.05
USDCLP	896.1	820.0	828.0	837.0	859.0	785.0	871.2	852.7	843.2	872.7	888.0	866.0
USDCOP	4015.0	4080.0	4180.0	4272.0	4370.0	3700.0	4090.5	4425.7	4277.5	4439.6	4529.1	4620.4
Eastern Europe												
EURCZK	24.45	24.35	24.45	24.50	24.55	23.50	24.60	23.95	24.50	24.30	23.85	23.60

Source: SG Cross Asset Research/Economics

2



CZECH ECONOMIC OUTLOOK

Energy prices: From villain to hero

ENERGY PRICES: FROM VILLAIN TO HERO

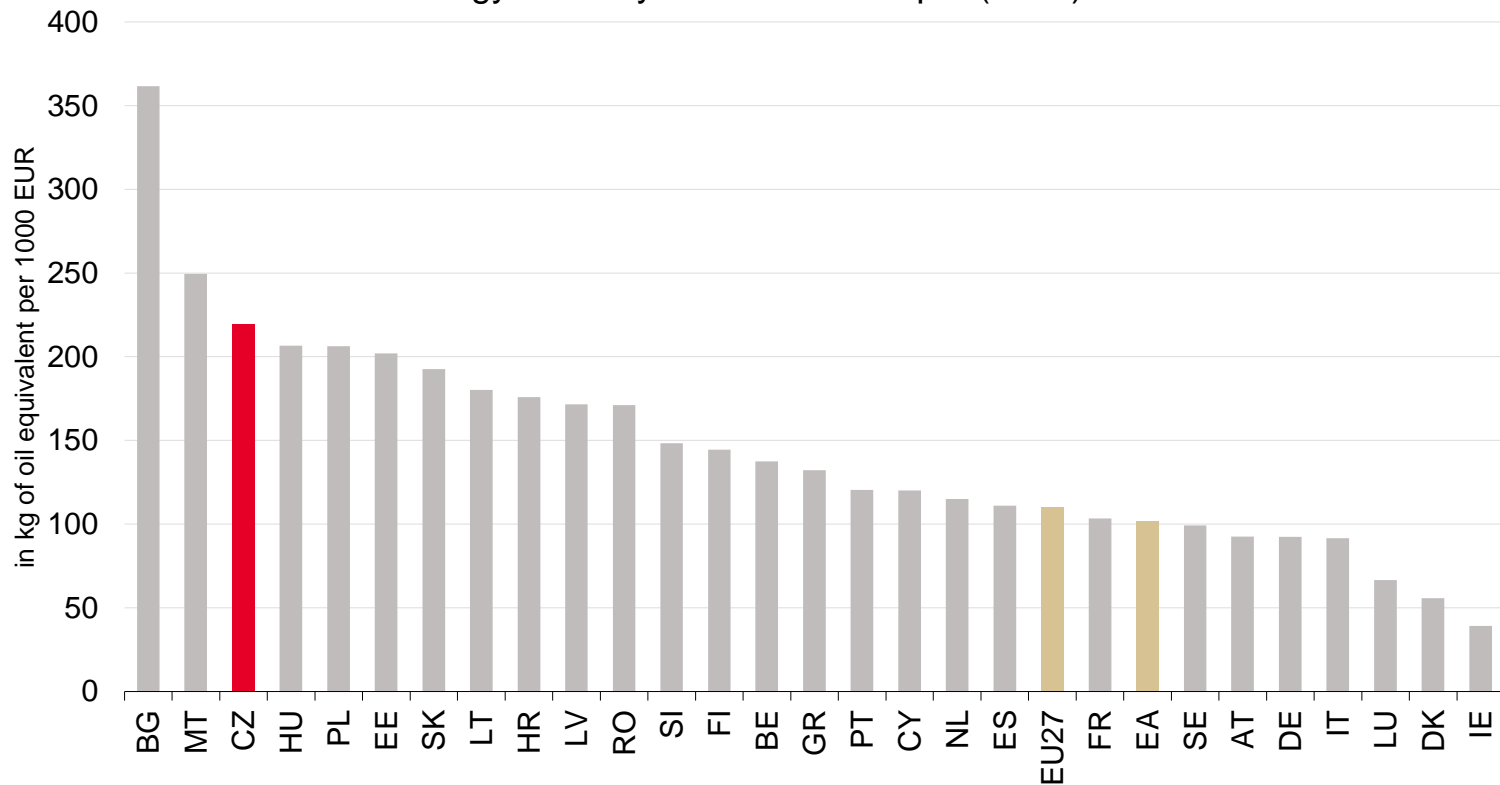


Source: iStock

THE PRICE AND AVAILABILITY OF ENERGY IS CRUCIAL FOR THE CZECH REPUBLIC

Energy intensity of domestic production is one of the highest in Europe

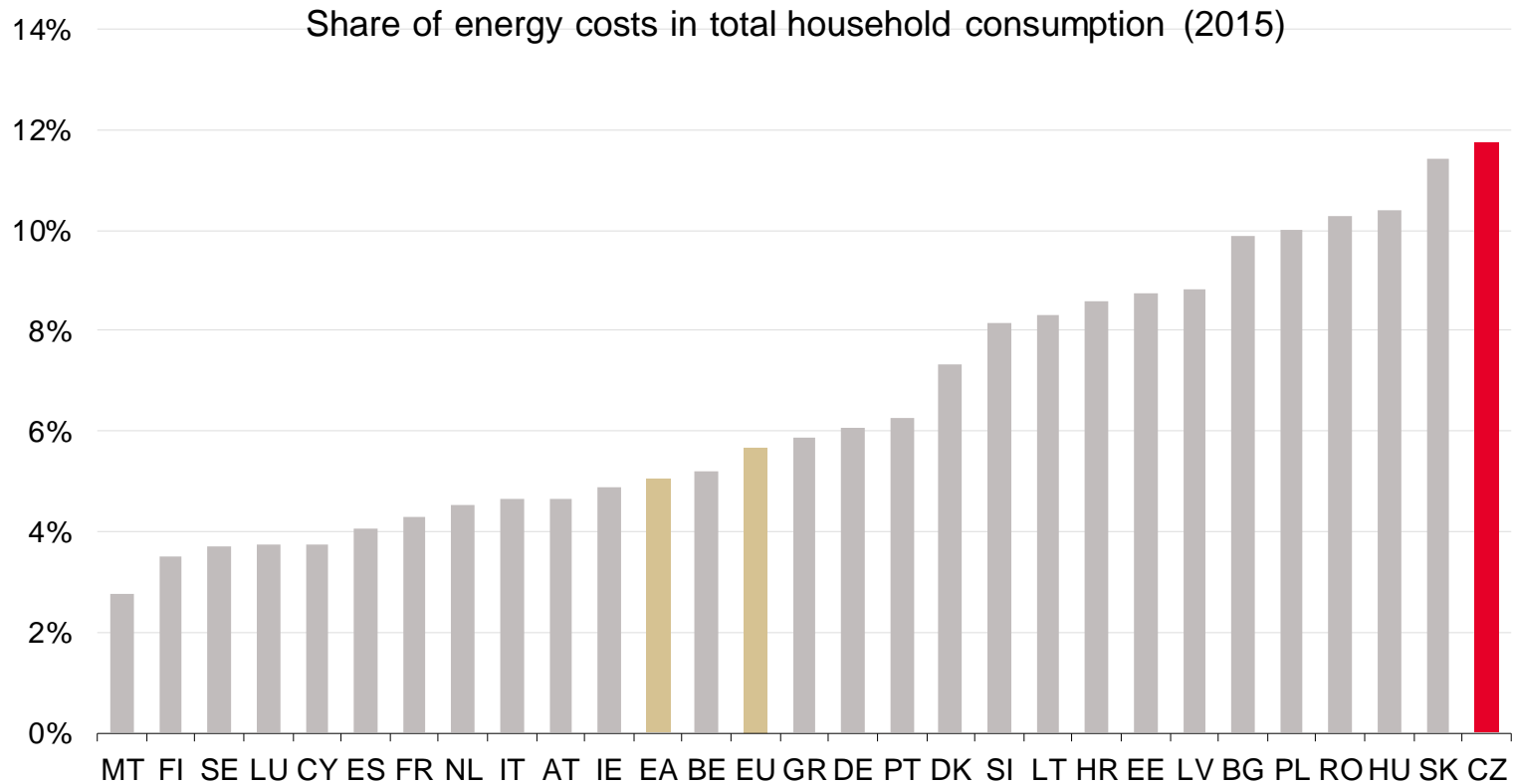
Energy intensity of real GDP output (2020)



Source: Eurostat, Economic and Strategic Research, Komerční banka

THE PRICE AND AVAILABILITY OF ENERGY IS CRUCIAL FOR THE CZECH REPUBLIC

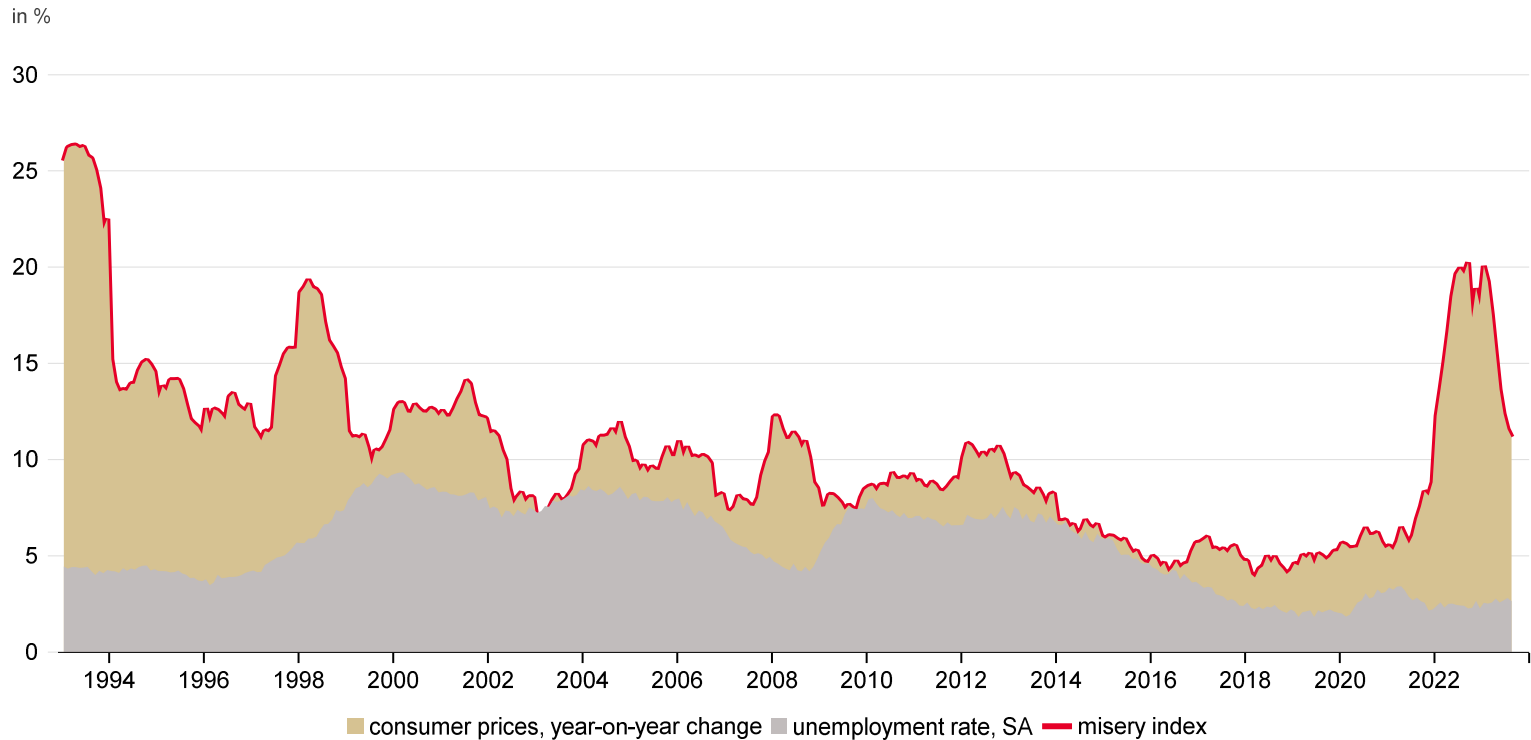
The share of domestic household spending on energy is actually the highest in the EU



TYPICAL STAGFLATION CRUSHES CONSUMERS FROM BOTH SIDES

This time it's different, the job market is tight

The increase in the misery index is mainly due to inflation



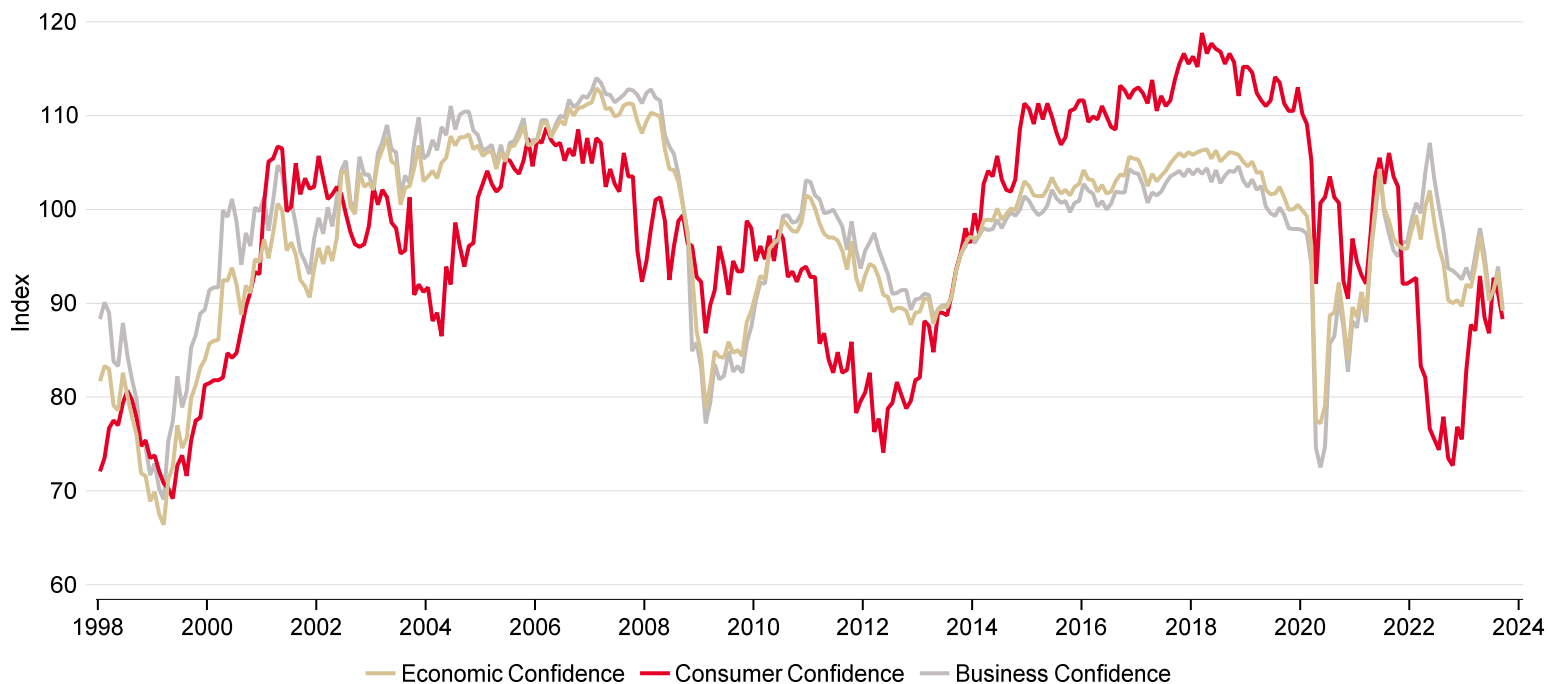
Source: Macrobond, Economic and Strategy Research, Komerční banka

SO FAR, INFLATION IS PARTICULARLY CRUSHING FOR HOUSEHOLDS

Household sentiment has improved significantly since the beginning of the year

Confidence indicators in the Czech economy

Index, seasonally adjusted

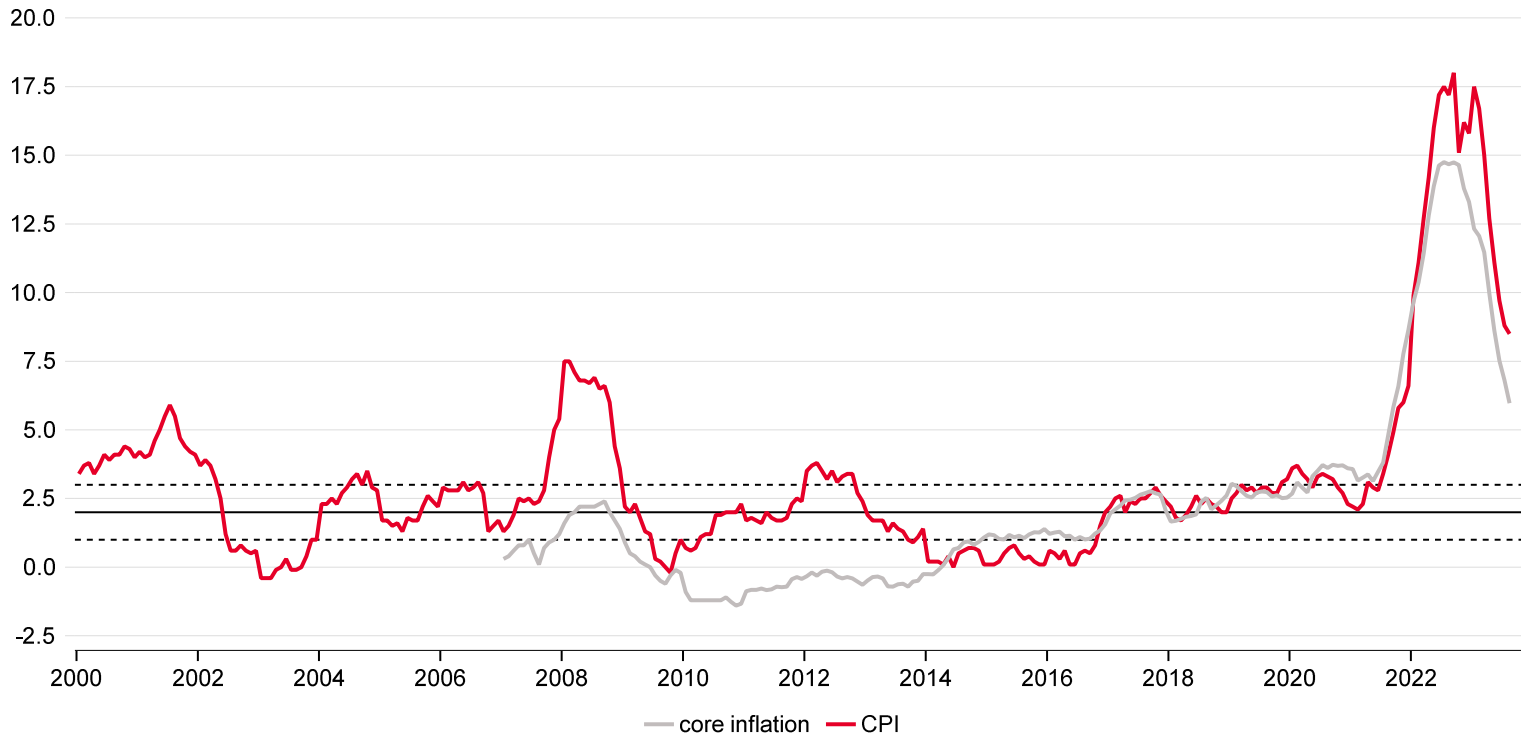


Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

DOMESTIC INFLATION BROKE RECORDS LAST YEAR

Not only the consumer price index but also core inflation was rising rapidly

Czech Republic: consumer price index (y/y, in %)

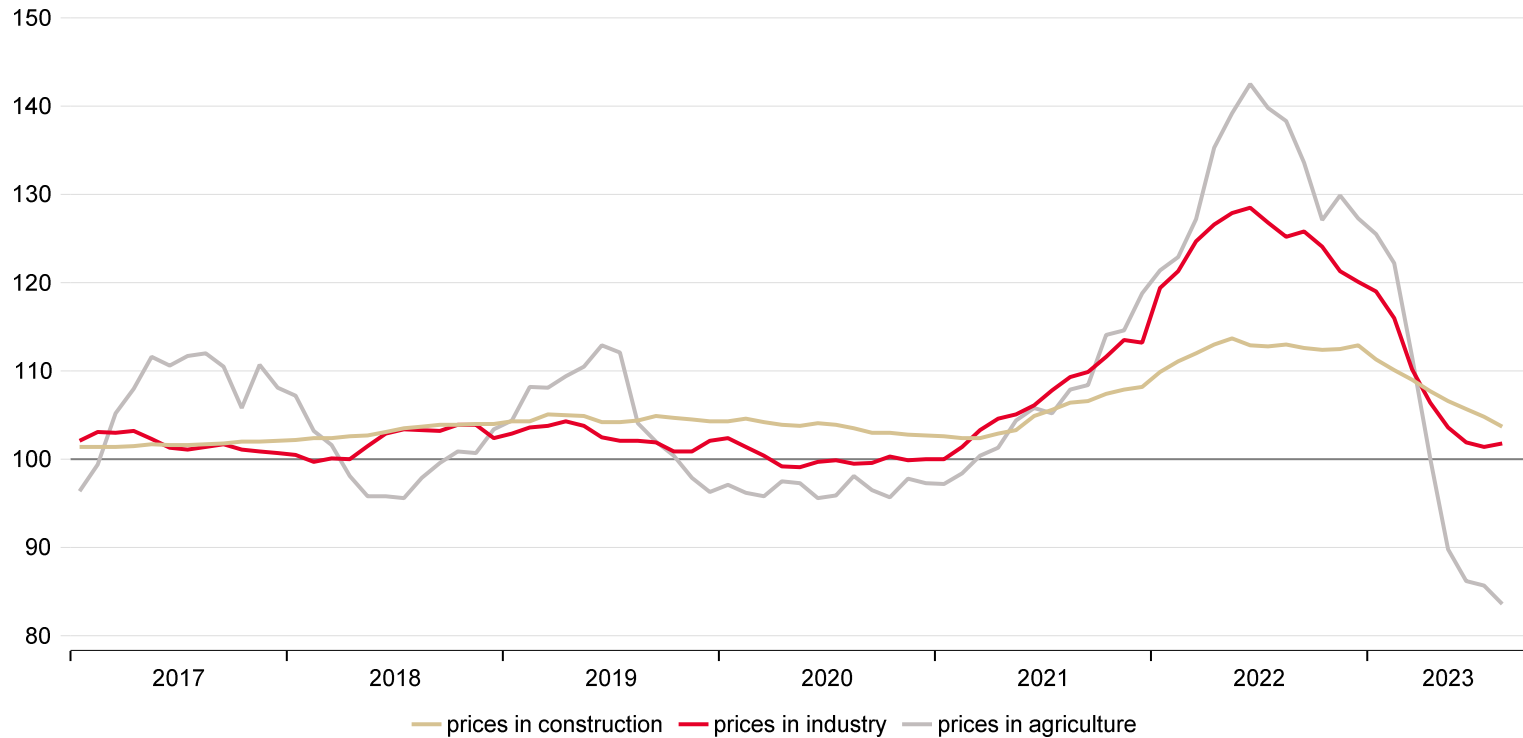


Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

THERE IS A STRONG DISINFLATIONARY TREND IN INPUT PRICES

Agricultural producer prices are already falling sharply

index, same period of the previous year = 100

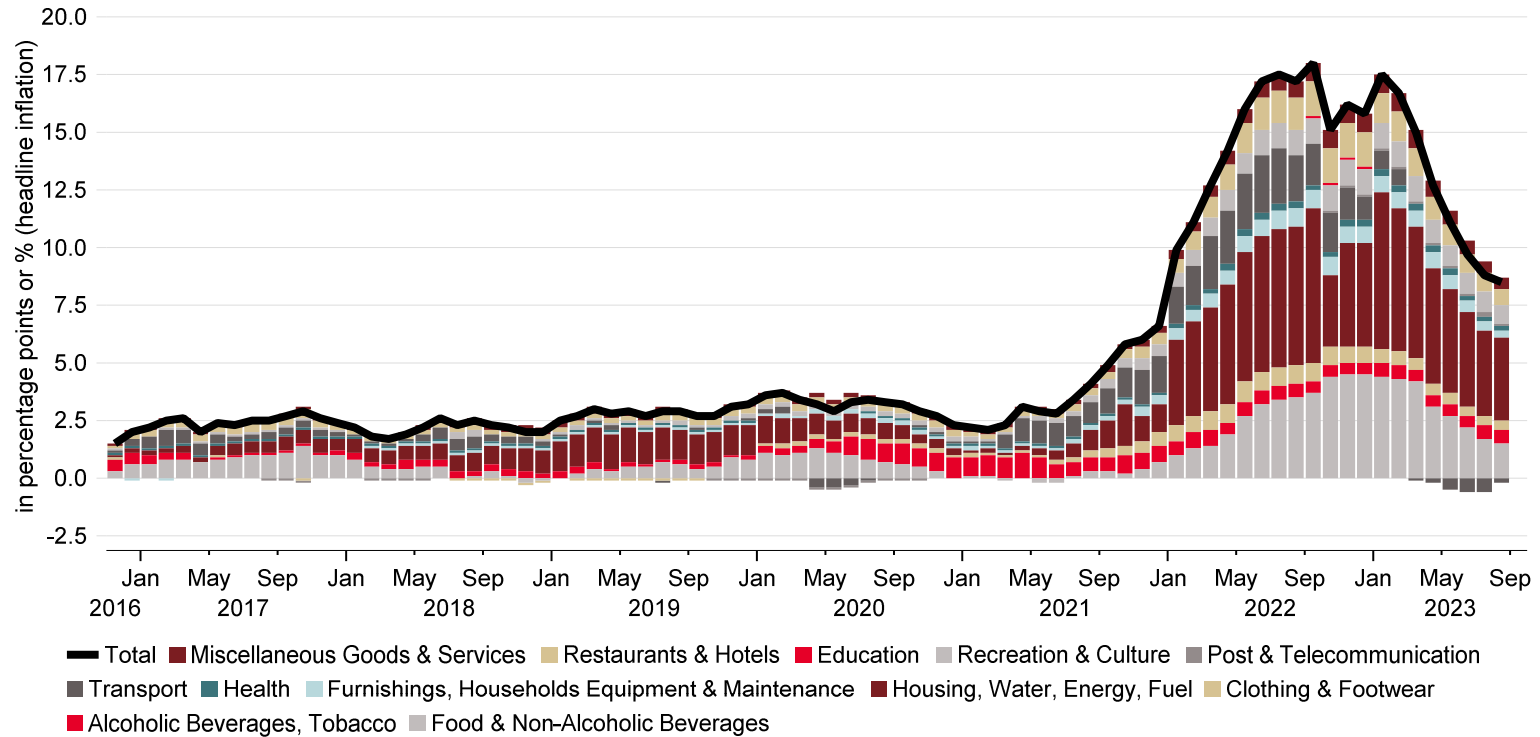


Source: Macrobond, Economic and Strategy Research, Komerční banka

CONSUMER PRICE GROWTH IS BROAD-BASED

Housing-related items are a significant driver of inflation

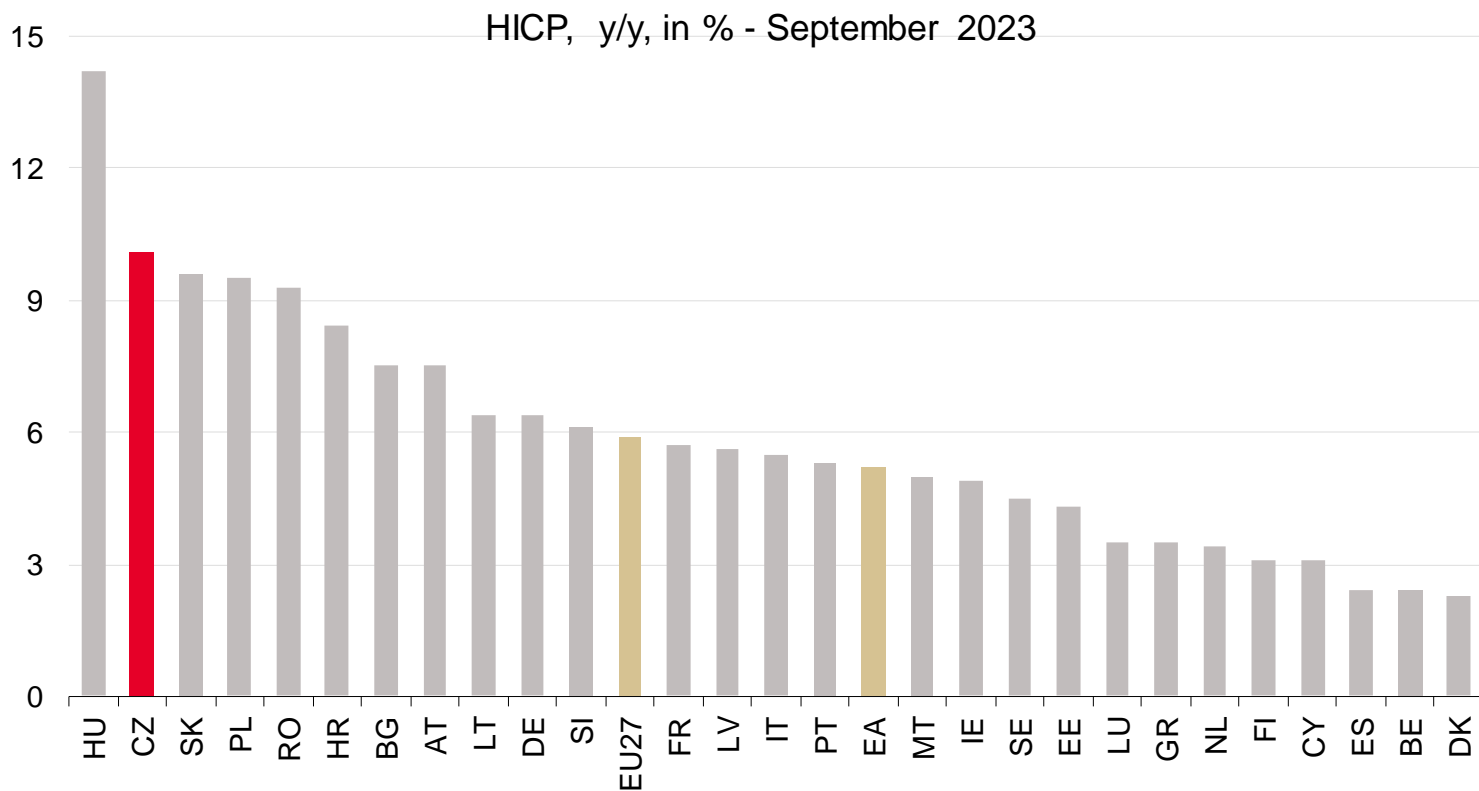
Contributions to year-on-year consumer price inflation



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

DOMESTIC INFLATION AMONG THE HIGHEST IN EUROPE

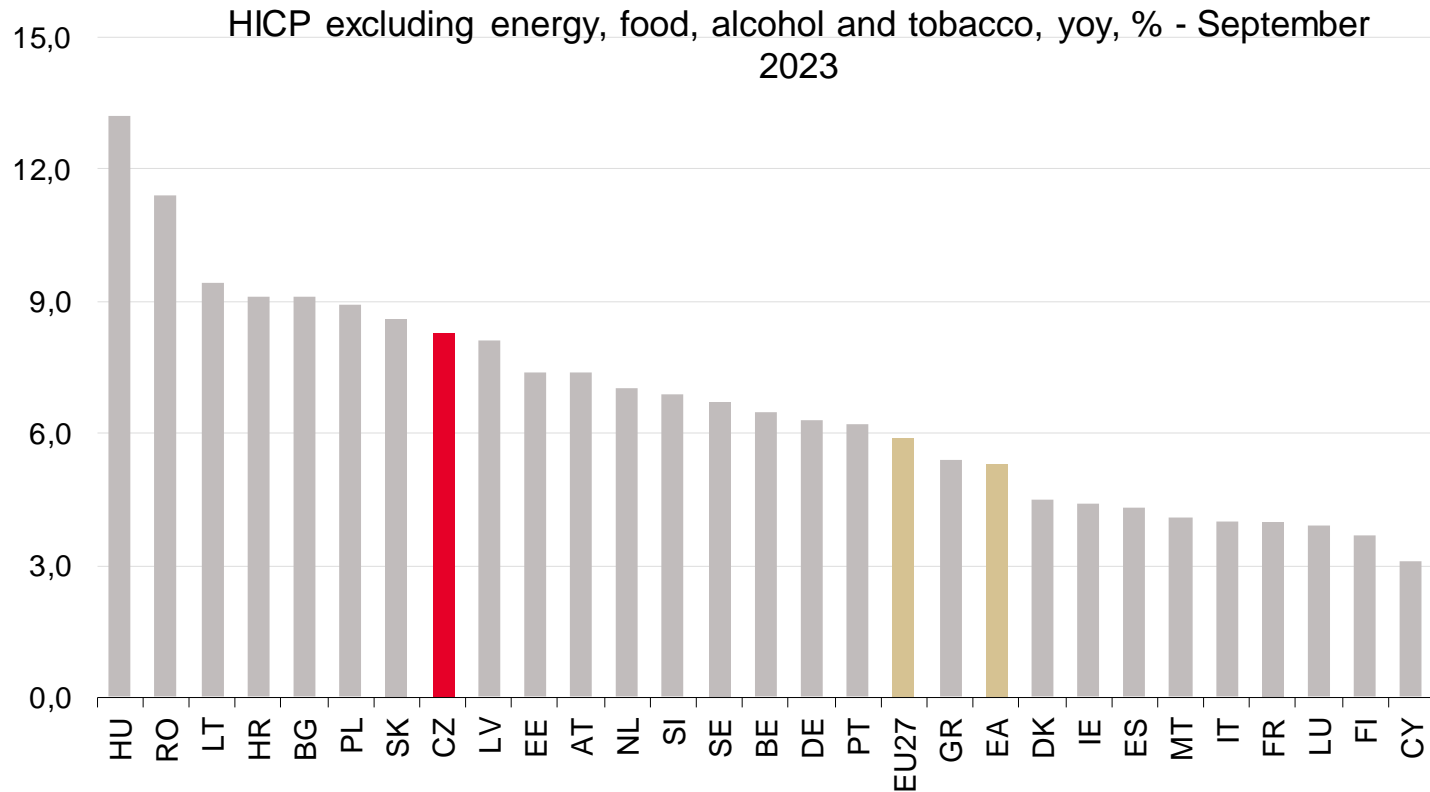
Czech Republic has above-average inflation among EU countries



Source: CZSO, Eurostat, Macrobond, Economic and Strategy Research, Komerční banka

WE ALSO HAVE HIGH CORE INFLATION

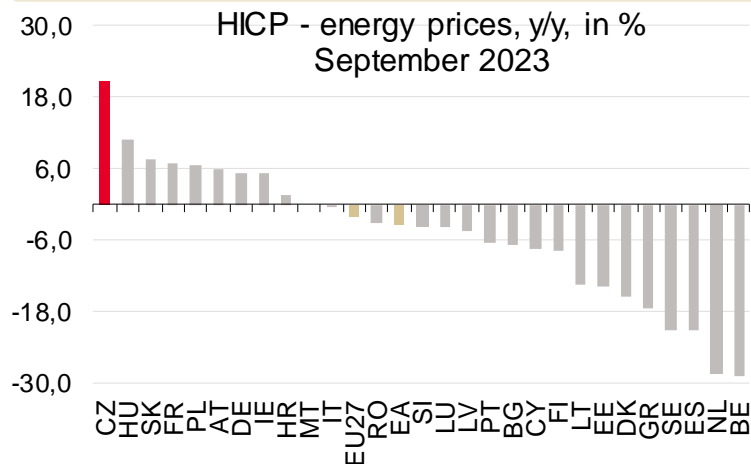
Core inflation confirms the role of demand pressures in inflation



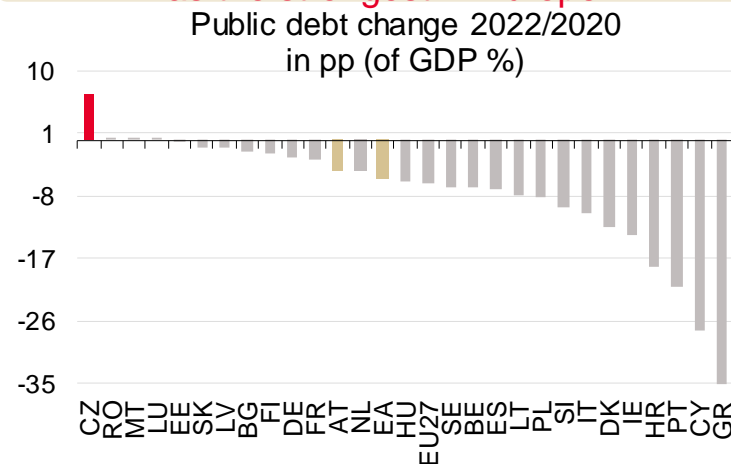
Source: CZSO, Eurostat, Macrobond, Economic and Strategy Research, Komerční banka

WHY DO WE HAVE SUCH HIGH INFLATION?

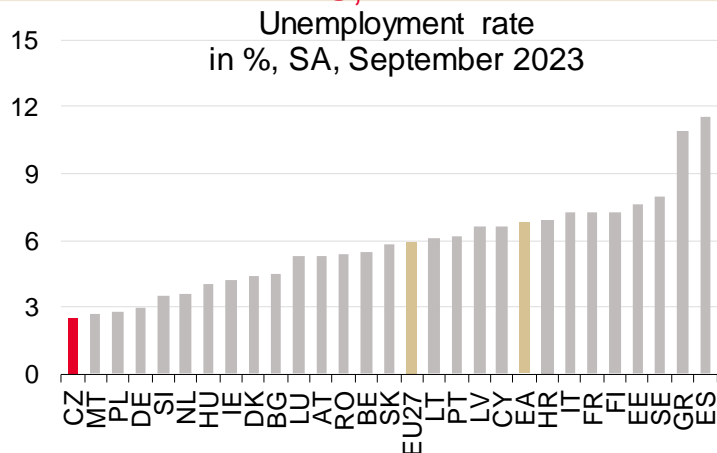
Energy prices are one of the reasons



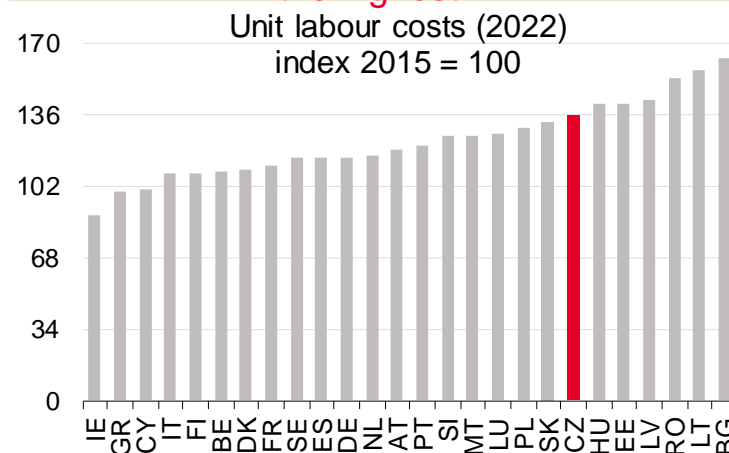
2021 fiscal stimulus in the Czech Republic was the strongest in Europe



We have the lowest unemployment in the EU, ...



... on the contrary, wage growth was one of the highest.



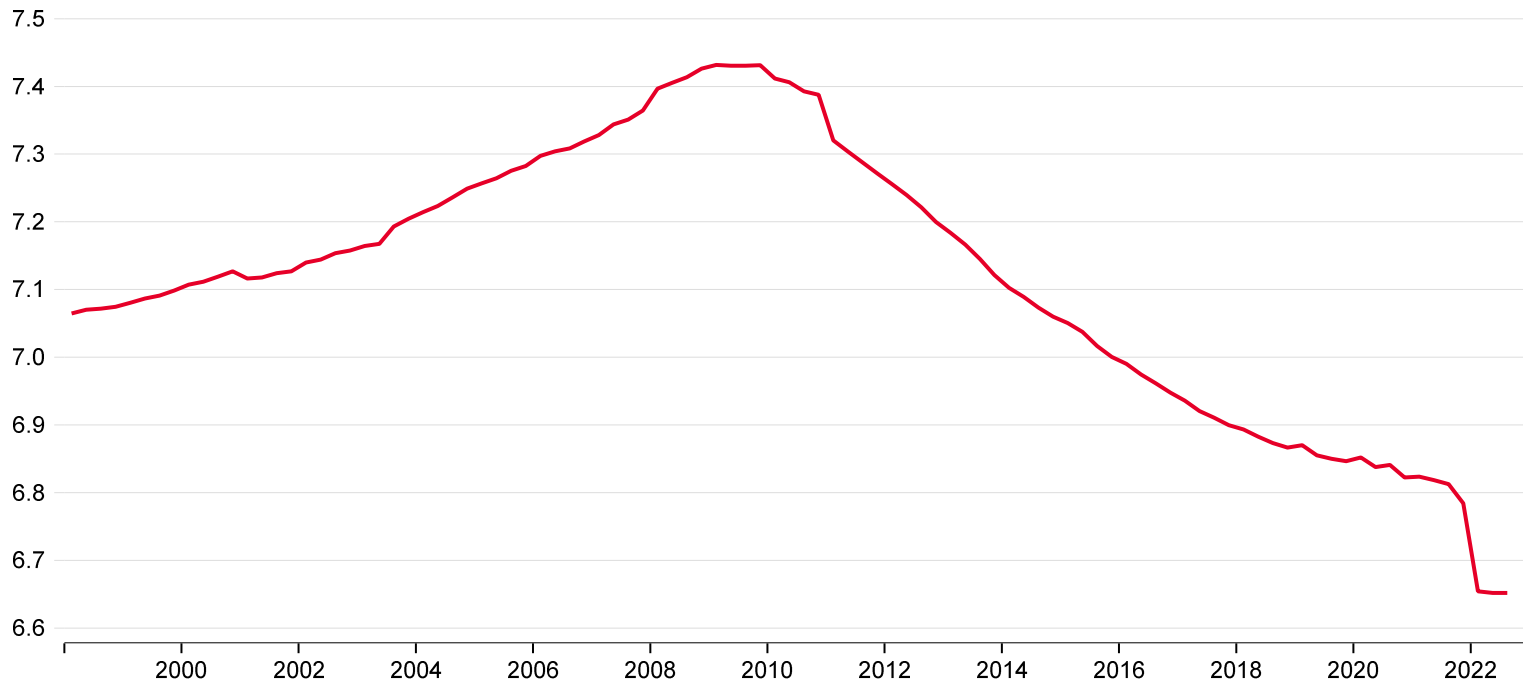
Source: CZSO, Eurostat, Macrobond, Economic and Strategy Research, Komerční banka

THE WORKFORCE IS NOT THERE AND WILL NOT BE

Demographic trends in the form of an ageing population are unquestionable

Total population aged 15-64

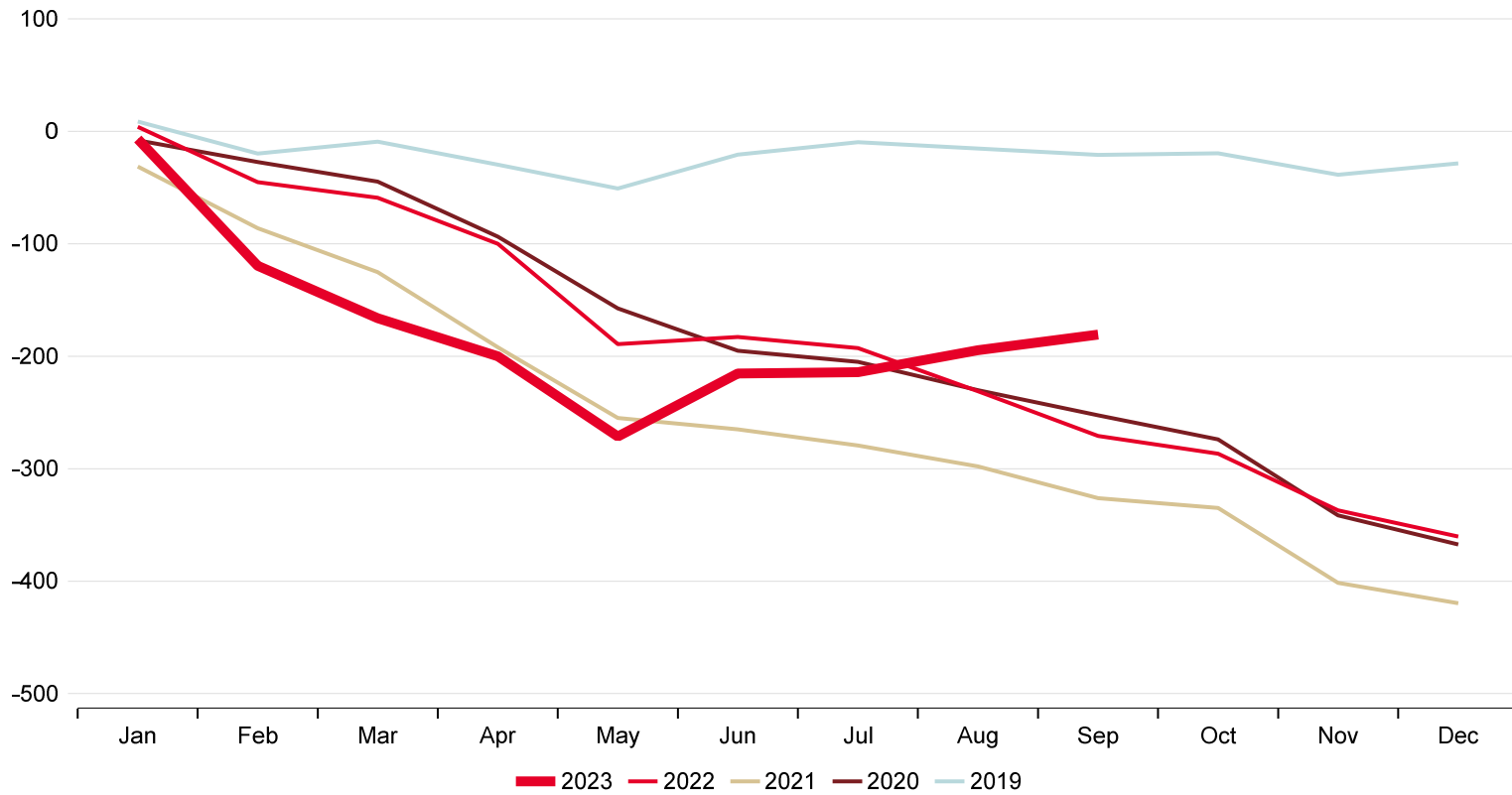
number of persons in millions



Source: Macrobond, Economic and Strategy Research, Komerční banka

DEEP DEFICITS THE NEW NORMAL?

Development of the state budget (CZK billion)



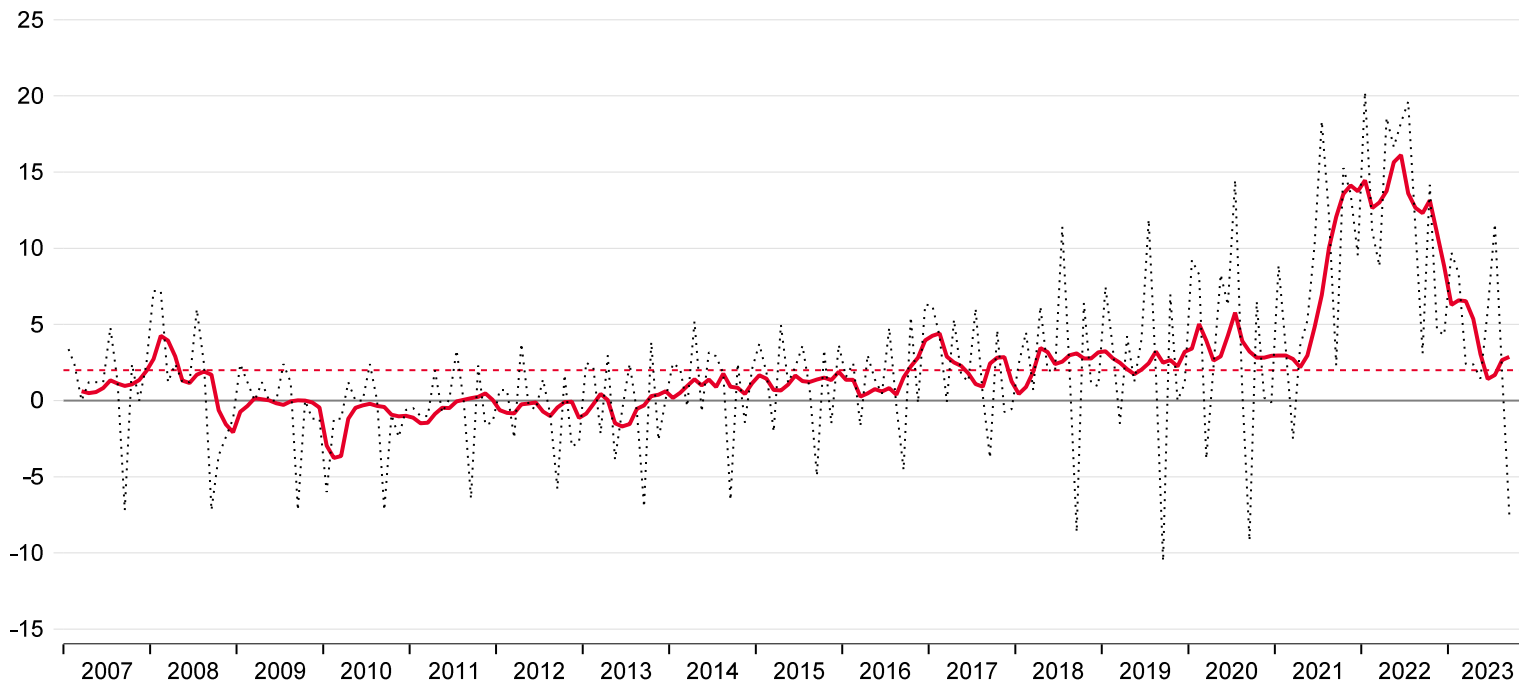
Source: Ministry of Finance, Macrobond, Economic and Strategy Research, Komerční banka

CURRENT CORE INFLATION DYNAMICS LOOK PROMISING

The worst price pressures are behind us, core inflation at the target

Dynamics of core inflation

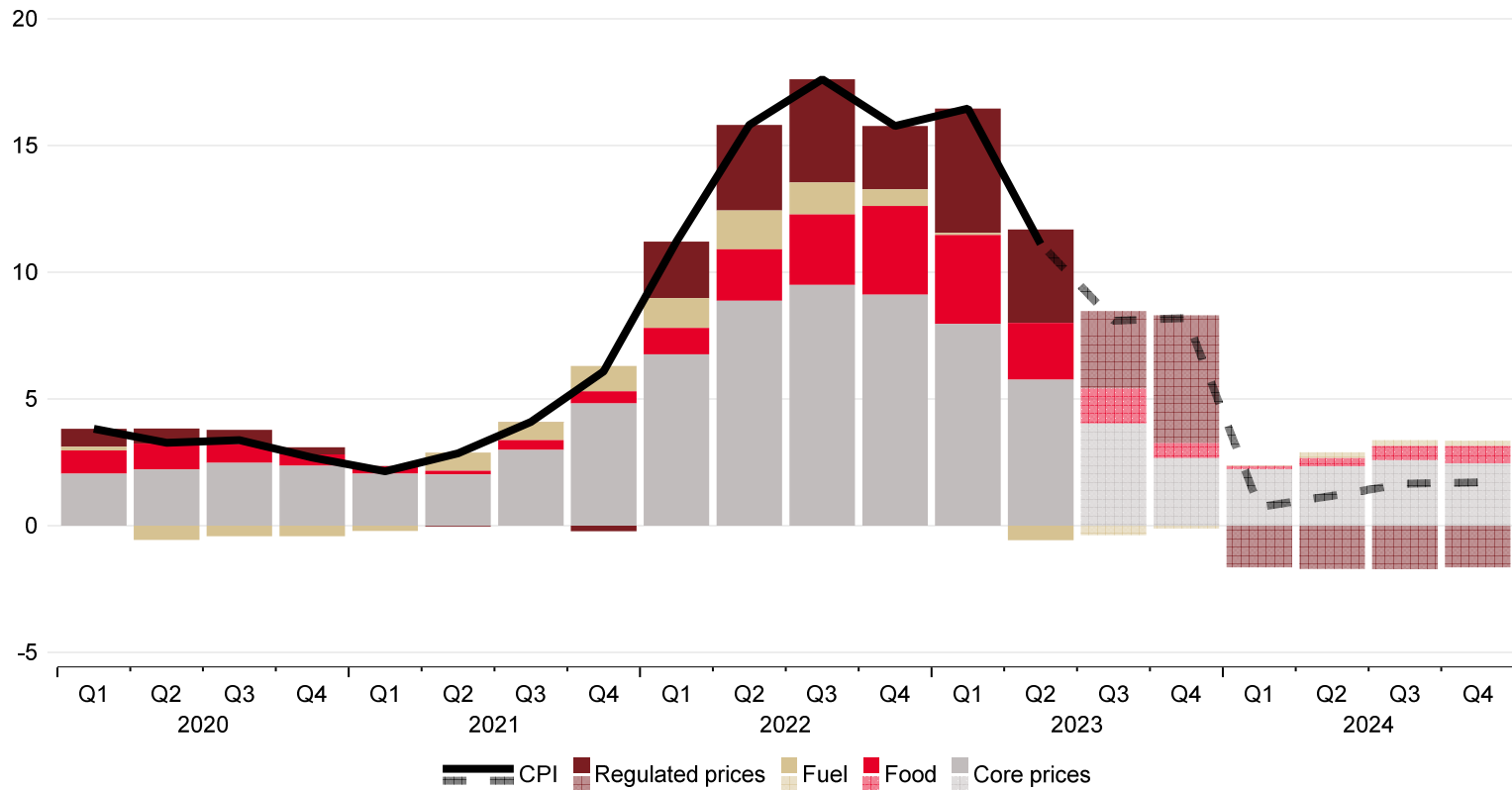
Month-on-month annualized change, seasonally adjusted (Census X-13), three-month moving average



Zdroj: ČNB, Macrobond, Ekonomický a strategický výzkum, Komerční banka

2024: BACK IN THE TOLERANCE BAND

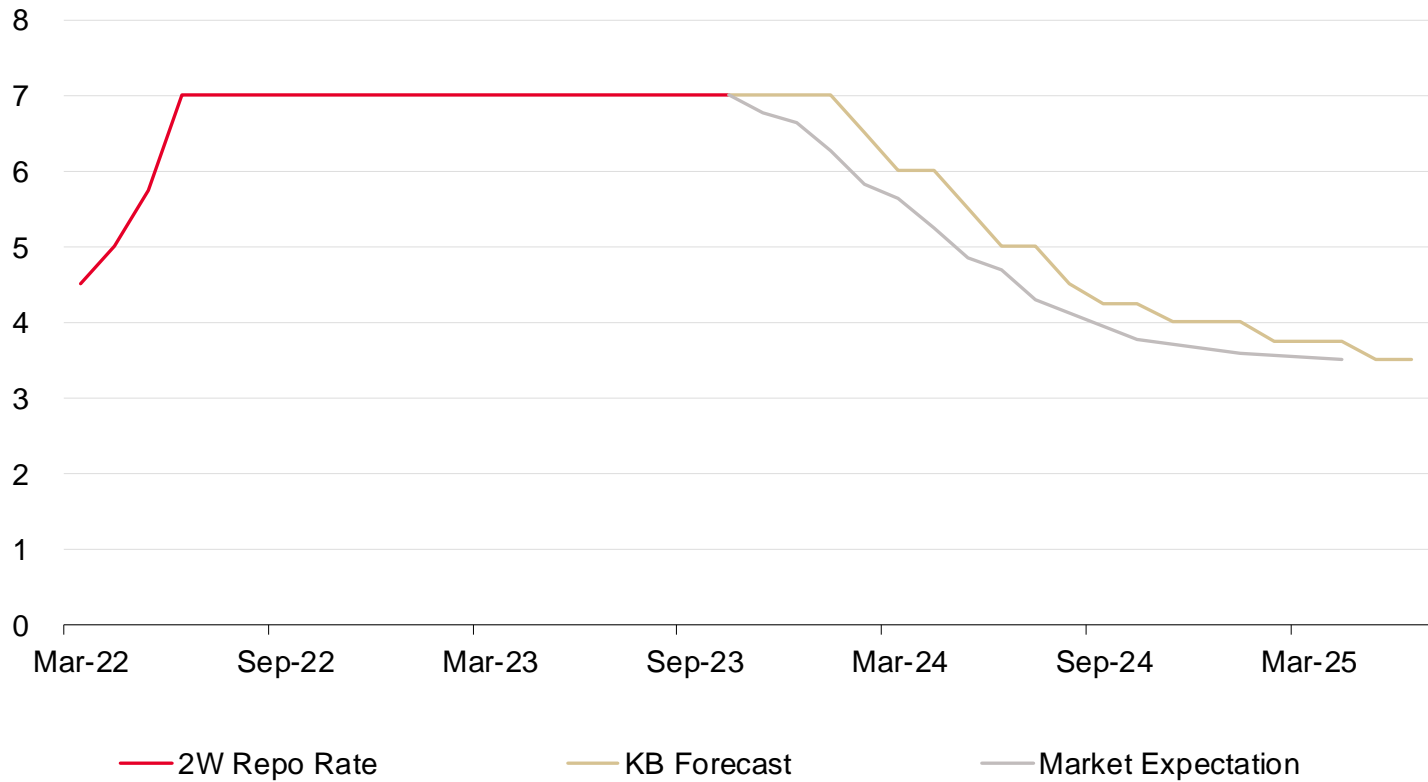
We will be on target in the first months of 2024, but because of regulated prices.



Source: CZSO, Economic and Strategy Research, Komerční banka

THE MONETARY POLICY DILEMMA: WHEN DOWN?

Later rather than sooner



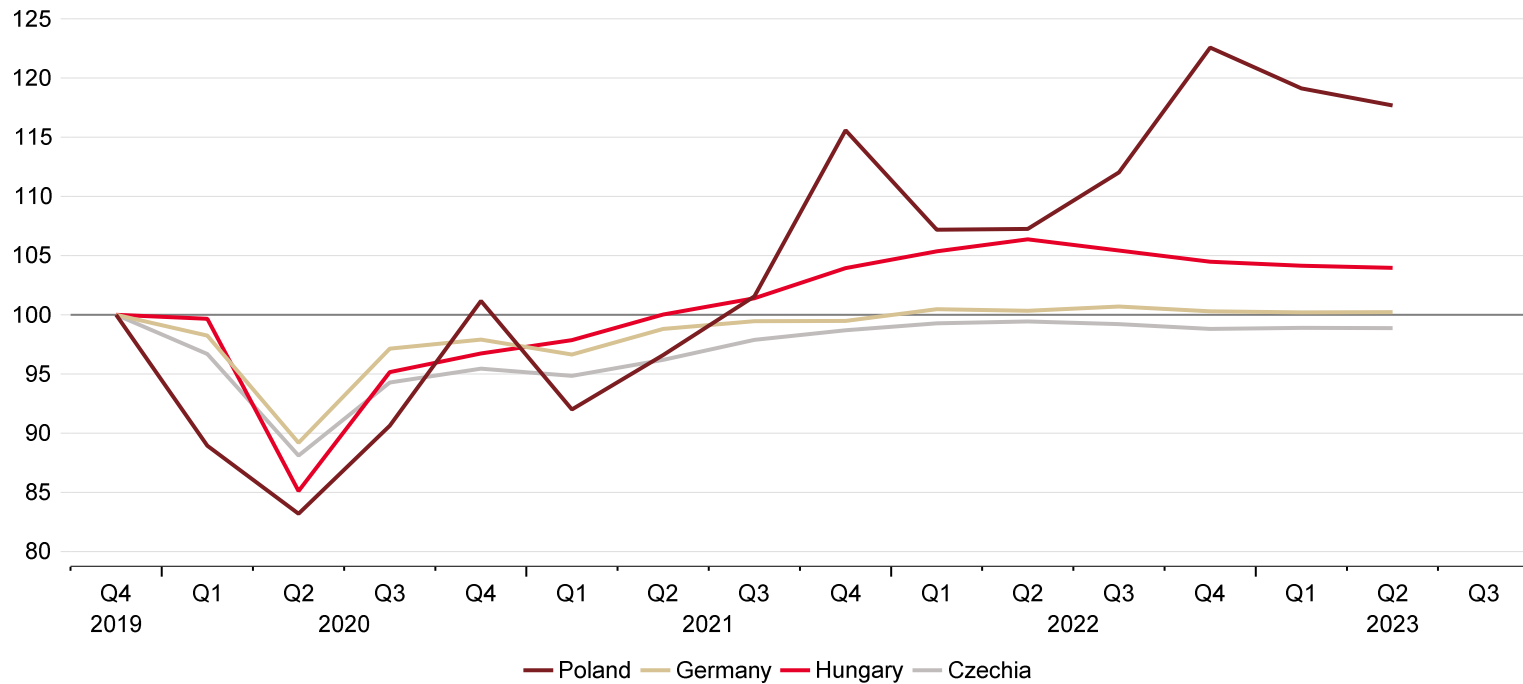
Source: Bloomberg, Macrobond, Economic and Strategy Research, Komerční banka, as of 10.10.2023

INDUSTRIAL COUNTRIES LIKE THE CZECH REPUBLIC ARE LAGGING BEHIND

Domestic economy still below pre-pandemic levels

Gross domestic product

constant prices, Q4 19 = 100

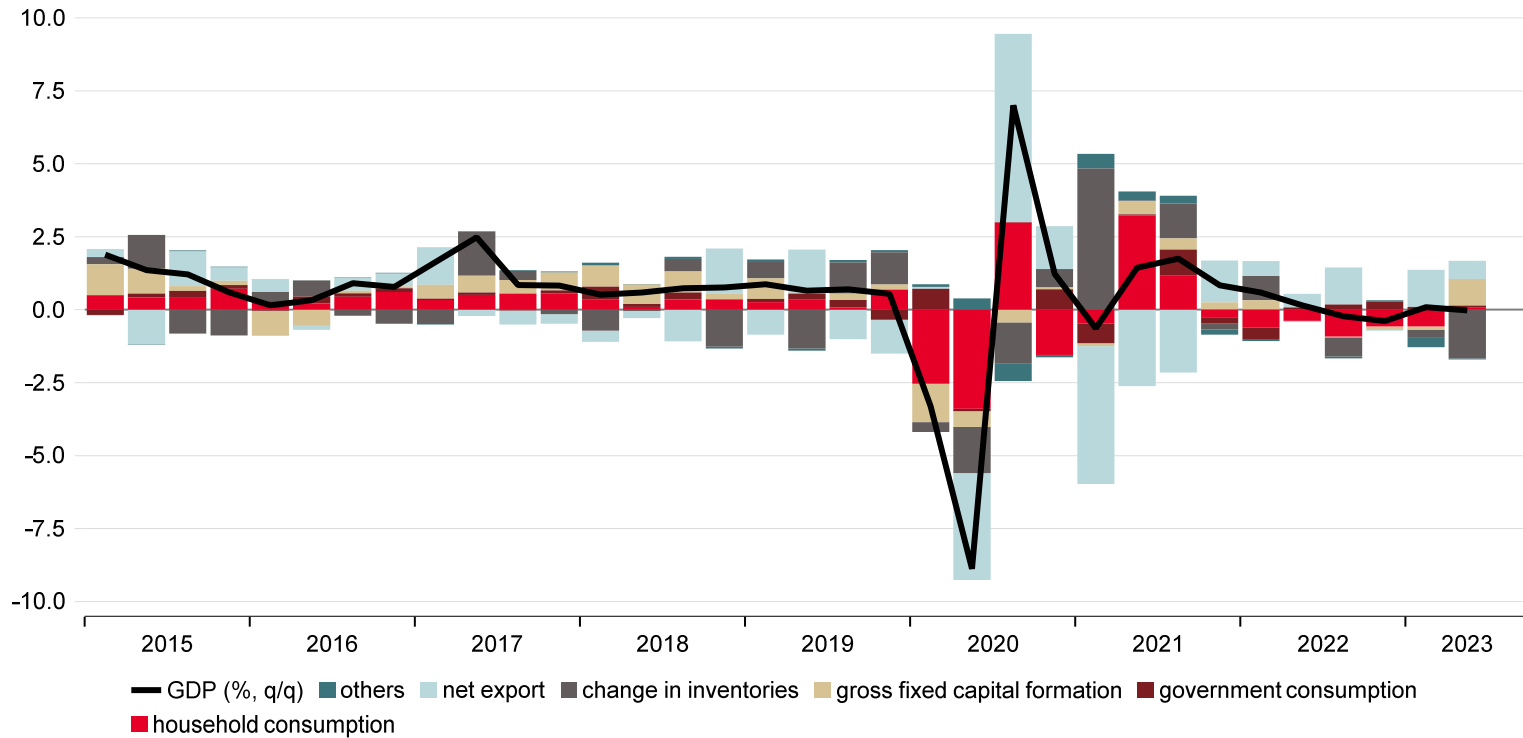


Source: Macrobond, Economic and Strategy Research, Komerční banka

DOMESTIC ECONOMY STAGNANT SO FAR THIS YEAR

The Czech economy went through a shallow recession in H2 22

Czech GDP and contributions to dynamics (% , pb, q/q, swda)

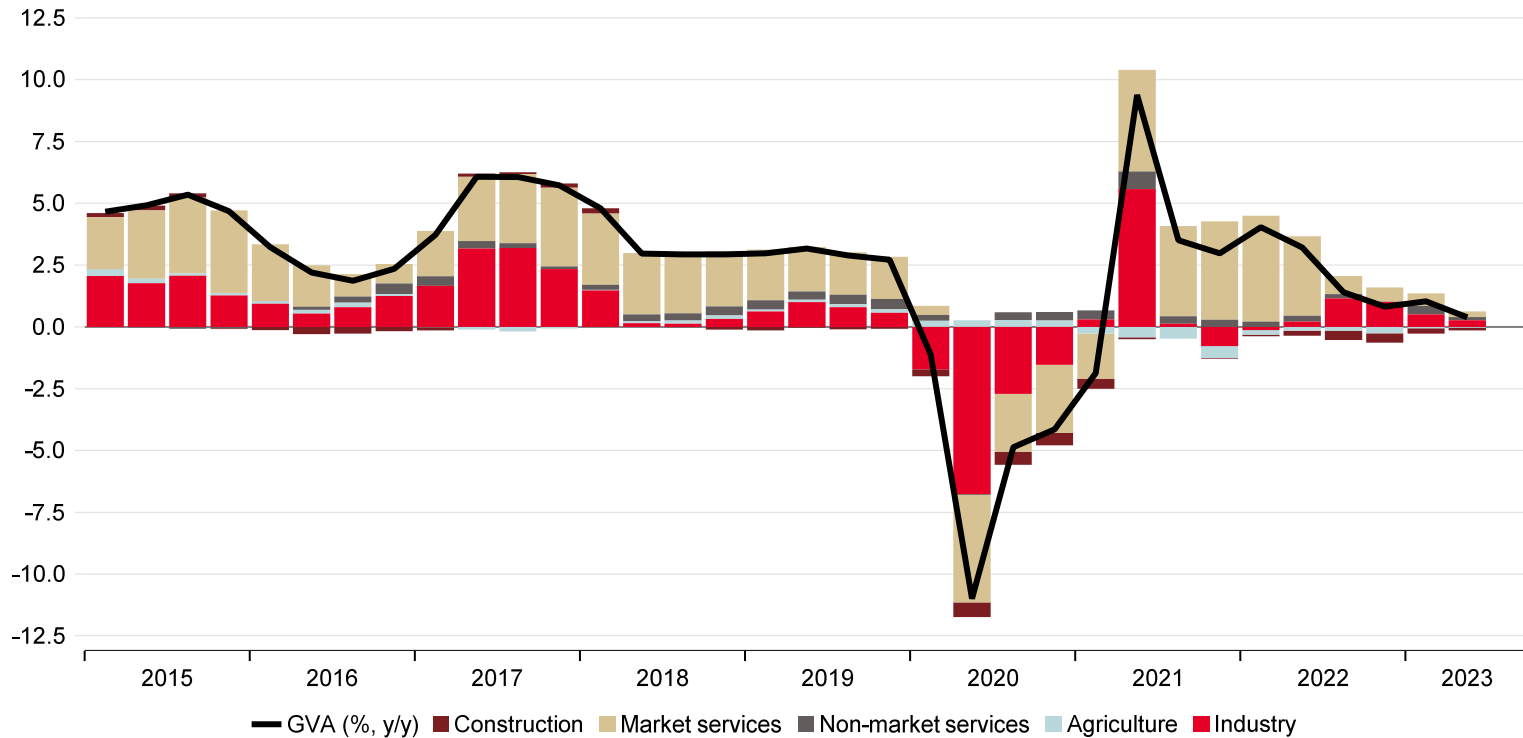


Source: CZSO, Economic and Strategy Research, Komerční banka

THE RECEDING PROBLEMS IN THE SUPPLY CHAIN HAVE HELPED THE AUTOMOTIVE INDUSTRY IN PARTICULAR

Structure of annual gross value added dynamics

GVA in the Czech Republic and contributions to dynamics (% , pb, y/y, swda)

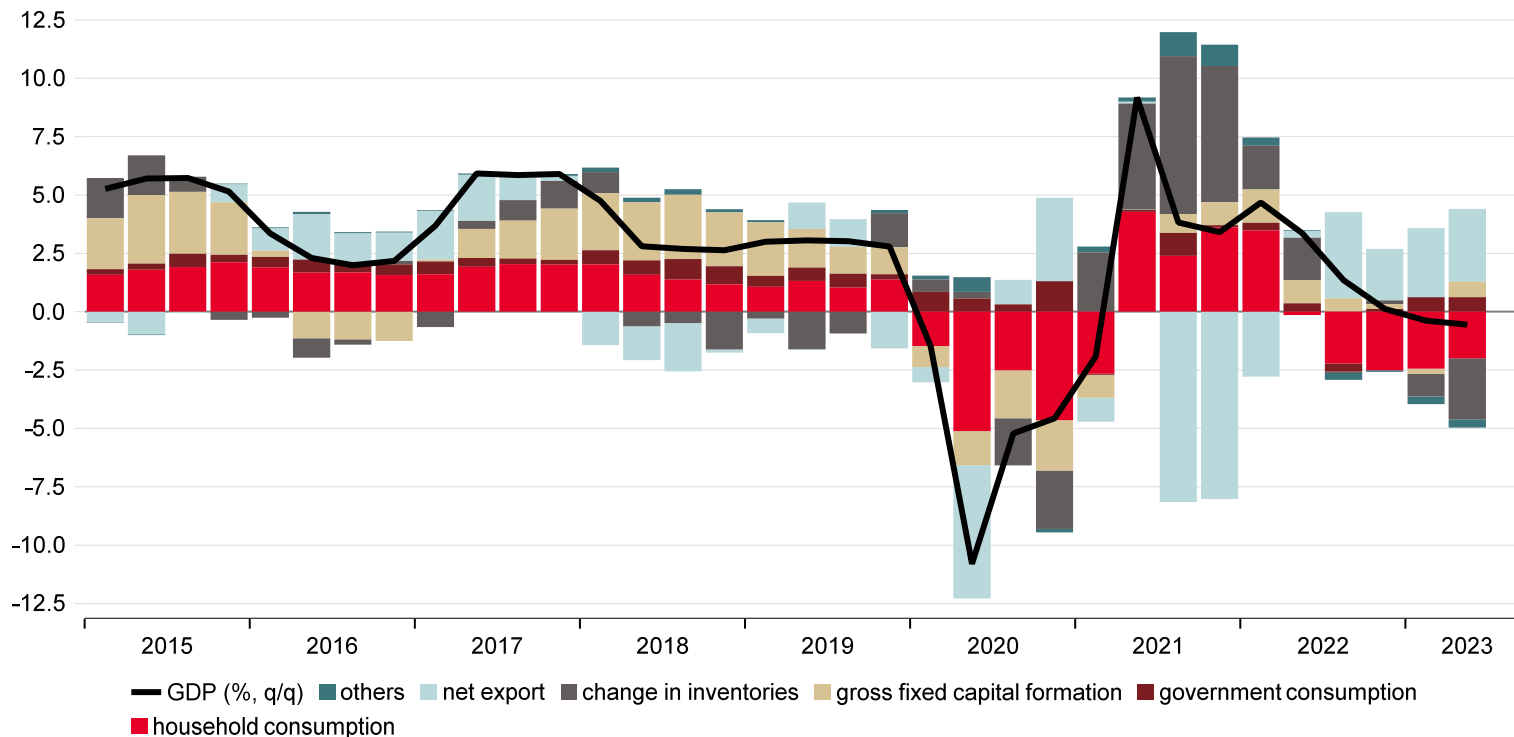


Source: CZSO, Economic and Strategy Research, Komerční banka

THE EXPORT-ORIENTED CZECH ECONOMY SUFFERED FROM THE INABILITY TO EXPORT LAST YEAR

Structure of annual gross domestic product dynamics

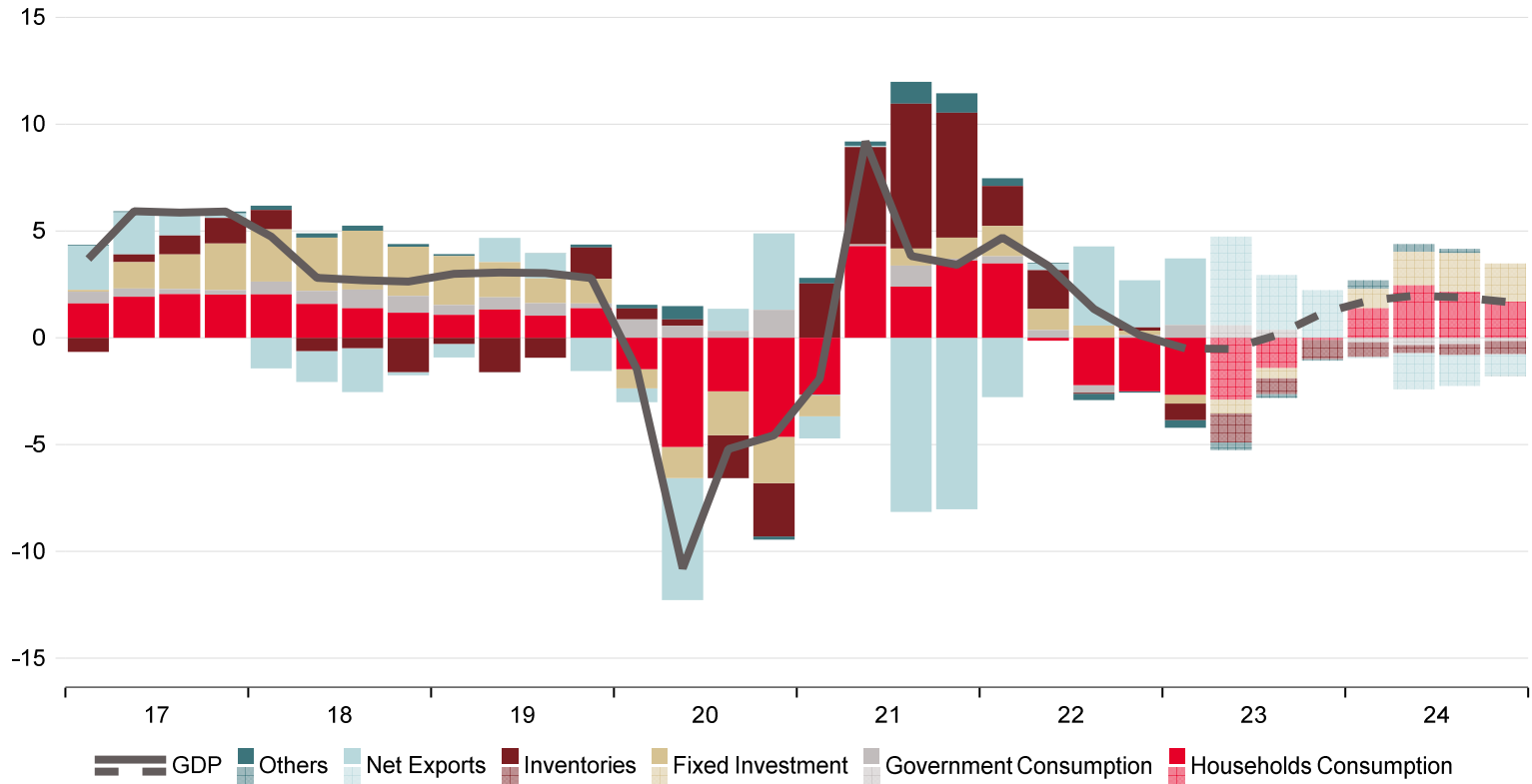
Czech GDP and contributions to dynamics (% , pb, y/y, swda)



Source: CZSO, Economic and Strategy Research, Komerční banka

RECOVERY WILL BE VERY SLOW

Back to pre-pandemic levels only in 2024

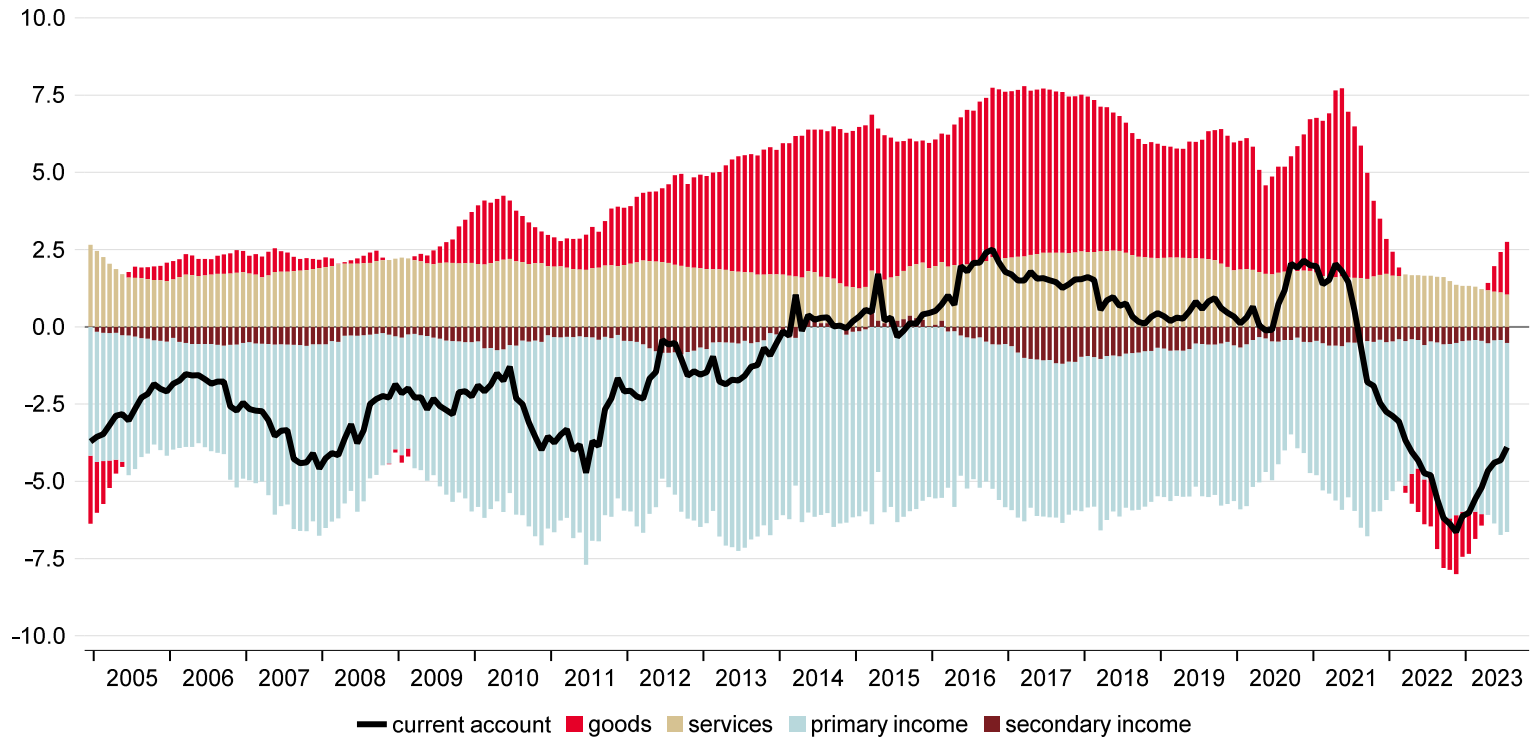


Source: CZSO, Economic and Strategy Research, Komerční banka

THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS IS IN DEFICIT

The significant deterioration in the current account was mainly due to international trade in goods

Czech Republic: current account balance of payments (12m cumulated, % of GDP)



Source: CNB, Macrobond, Economic and Strategy Research, Komerční banka

THE KORUNA DEVELOPMENT IS A RESULT OF THE CNB'S POLICY

EURCZK lowest in 14 years in May, CZK weakened by more than 5 % since then

EURCZK



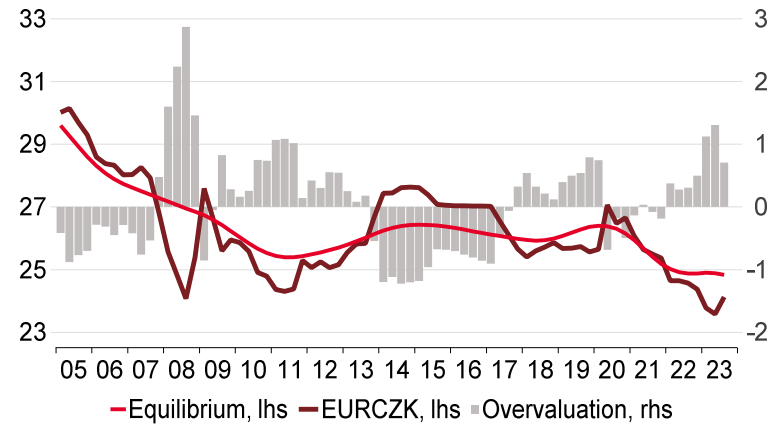
Source: Economic and Strategy Research, Komerční banka, Bloomberg

CZECH FX MARKET

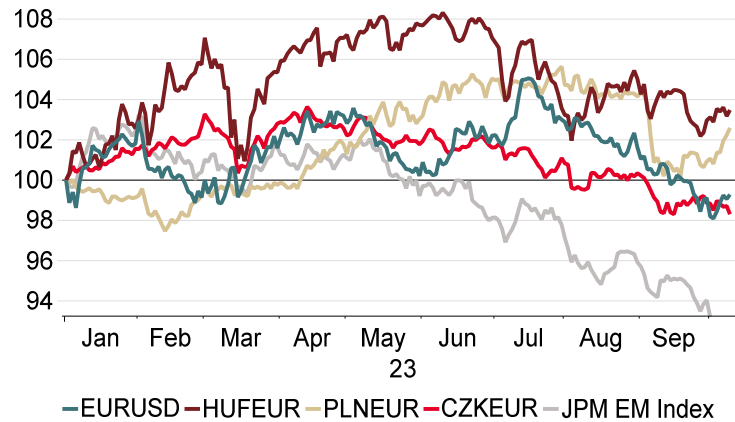
EURCZK and interest rate differential



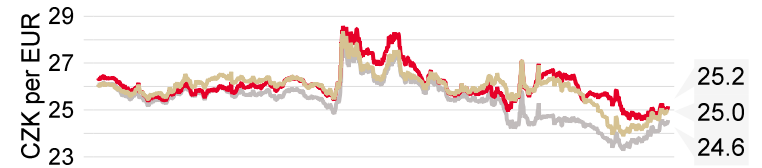
Equilibrium EURCZK



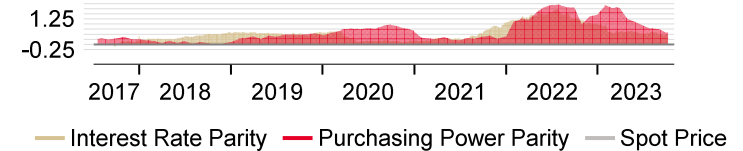
Performance of CE currencies (1.1.2022 = 100)



Theoretical EURCZK rates



Spreads between theoretical FX rate vs Spot rate

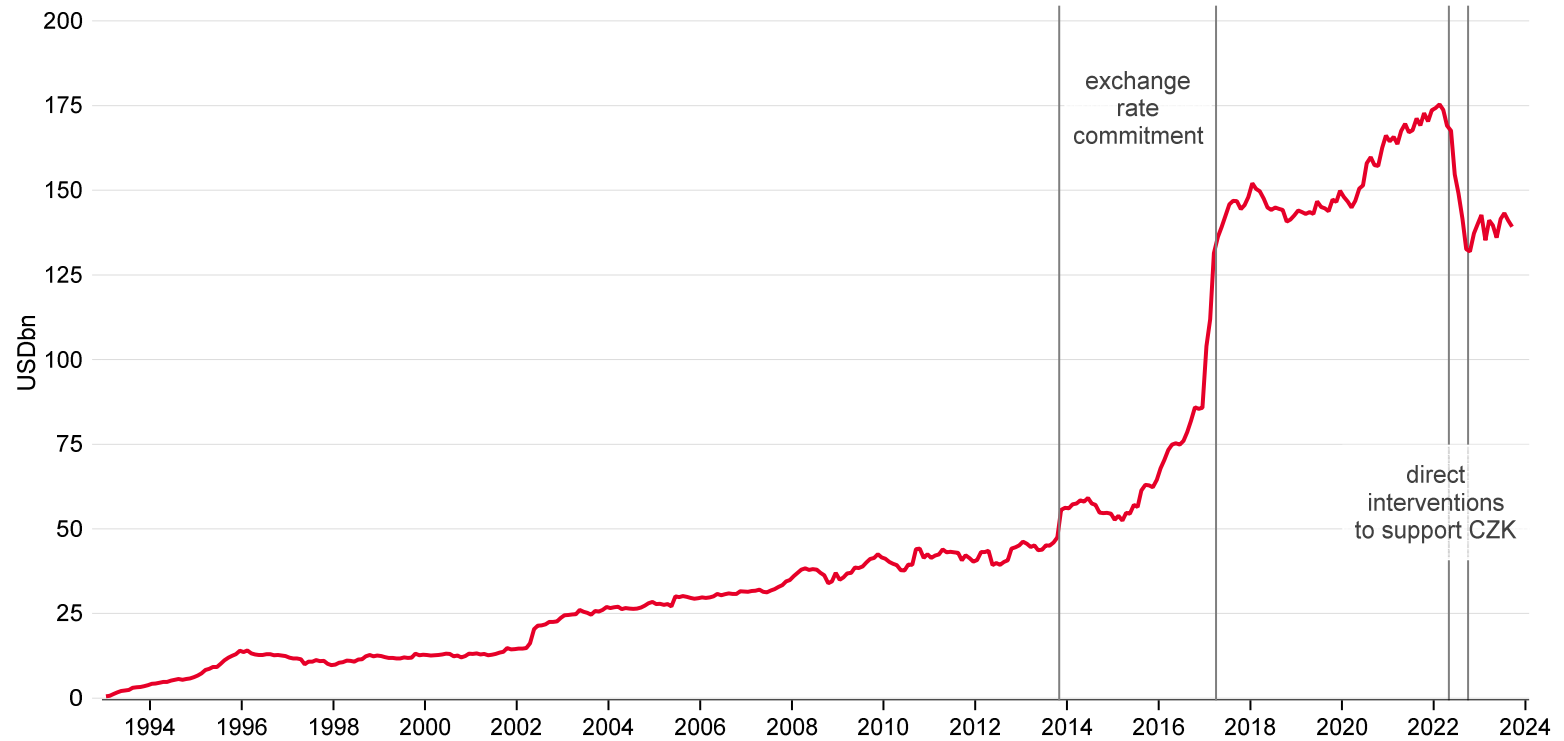


Source: Economic and Strategy Research, Komerční banka, Bloomberg

THE CNB INTERVENED FROM MAY TO OCTOBER 2022

The CNB's reserves are sufficient, but not infinite

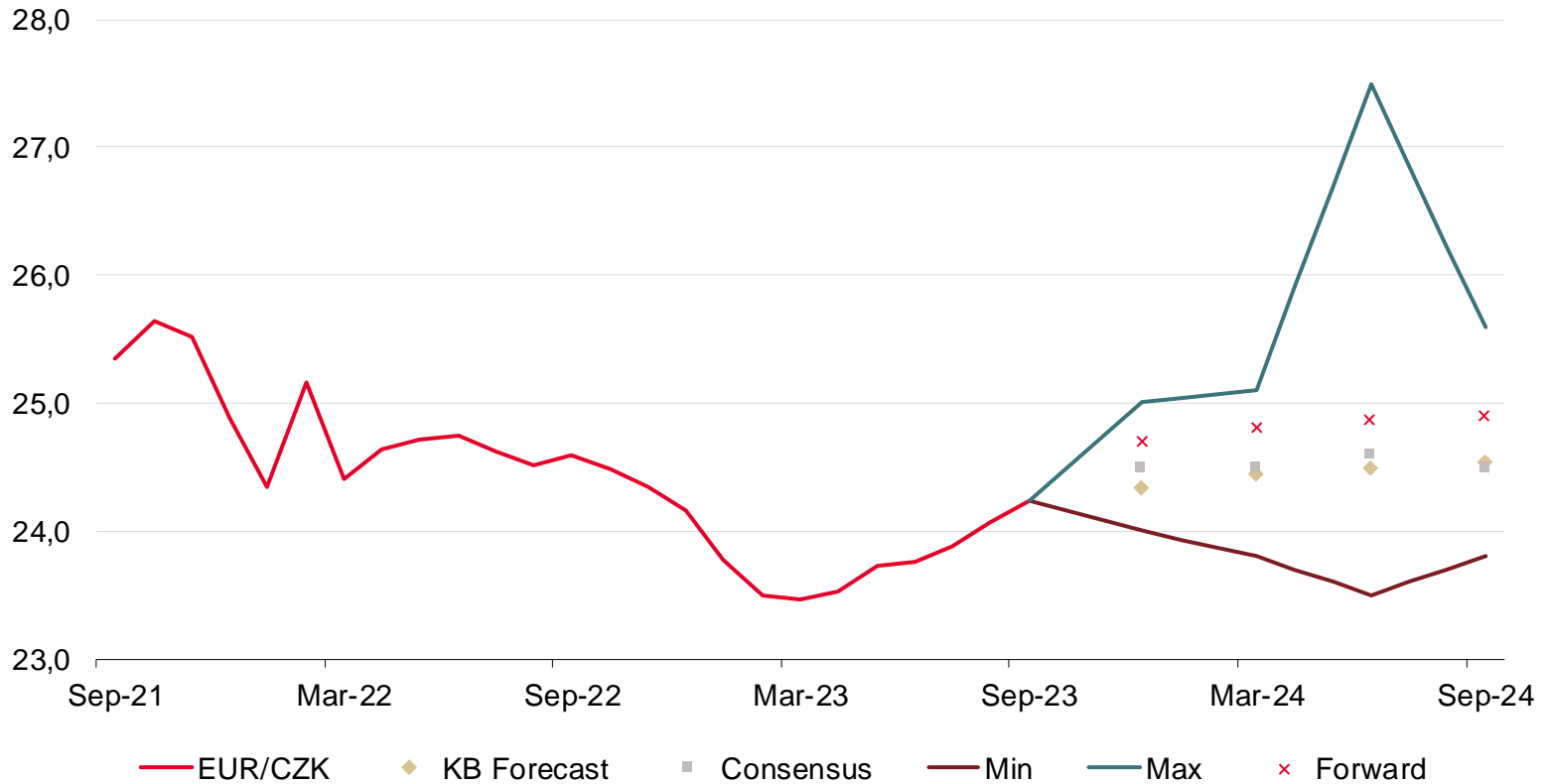
CNB reserve assets



Source: CNB, Macrobond, Economic and Strategy Research, Komerční banka

ROOM FOR FURTHER STRENGTHENING OF THE KORUNA IS LIMITED

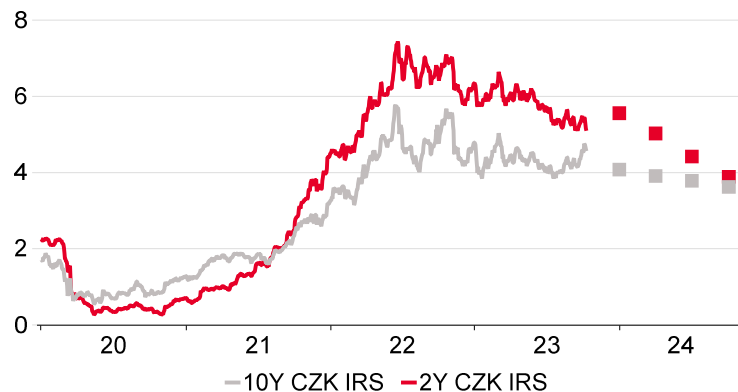
In our view, the risk is skewed towards a weaker koruna



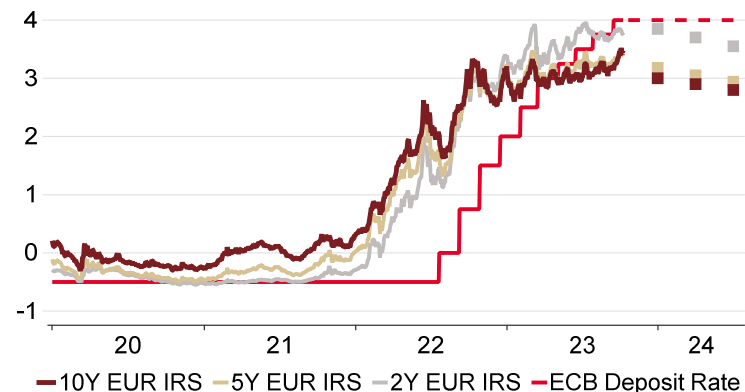
Source: Economic and Strategy Research, Komerční banka, Bloomberg, Macrobond, as of 10 October 2023

MARTKET INTEREST RATES & CZGB

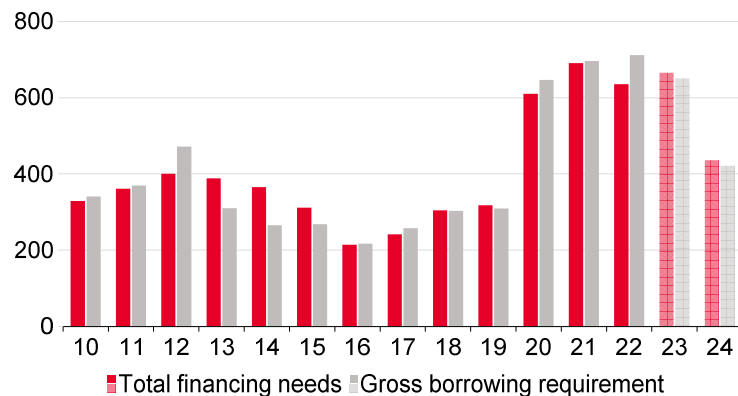
IRS (%)



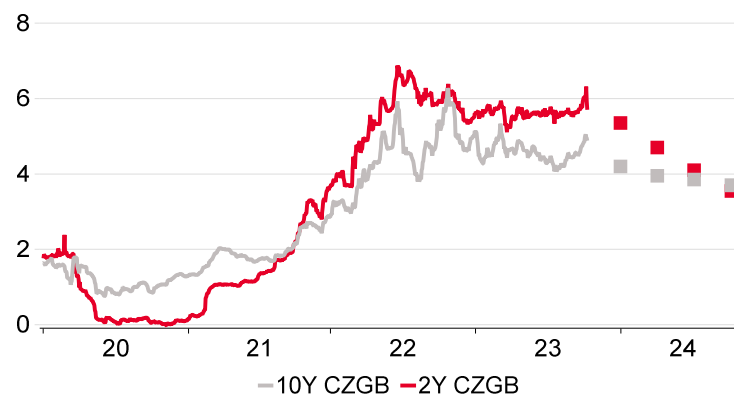
EUR rates (%)



Financing needs (CZKbn)



CZGB yields (%)



Source: Economic and Strategy Research, Komerční banka, Bloomberg, Société Générale

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#2 INTEREST RATE FORECASTER - CZECH REPUBLIC



#2 BEST OVERALL FORECASTER - CZECH REPUBLIC



#2 EXCHANGE RATE FORECASTER - CZECH REPUBLIC



#2 FISCAL BALANCE FORECASTER - SLOVAKIA

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#1 POLICY RATE FORECASTER - CZECH REPUBLIC



#2 INFLATION FORECASTER - CZECH REPUBLIC



#3 BEST INFLATION FORECASTER - SLOVAKIA



#1 GDP FORECASTER - CZECH REPUBLIC



#2 BEST OVERALL FORECASTER - SLOVAKIA



#3 BEST OVERALL FORECASTER - CZECH REPUBLIC

**Consensus Economics
Forecast Accuracy
Award Winner**

2014 Slovakia

**Consensus Economics
Forecast Accuracy
Award Winner**

2013 Czech Republic

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- #3** Sebastien Lemaire (Index)
- #4** Jitesh Kumar (Derivatives)
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- #6** Arthur Van Slooten (Multi Asset)
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- #7** Laure Genet (Index)

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- #2** Marie Line Fort (SMC Europe)
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