

## CEE Market Insights

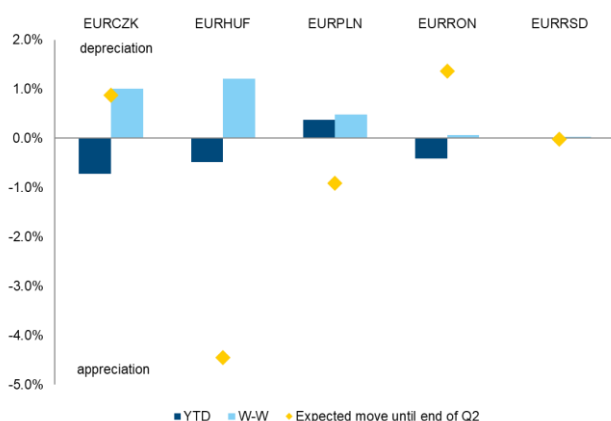
A pause in data flow

### This week in CEE

This week, the region will take a pause in terms of data flow. More relevant economic releases are only scheduled in Poland, which will publish industrial output and retail sales growth for February. These releases will allow for a pretty accurate estimate of how the economy has been doing in the first quarter of 2023. In particular, retail sales will be watched as, in real terms, they declined in January 2023, suggesting the underlying weakness of private consumption. We will also see labor market data, with February's unemployment rate releases scheduled in Croatia, Hungary, Poland and Slovakia. Wage growth will be published in Croatia, Poland and Serbia. Finally, in Serbia, the current account balance for January will be released.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Industry, PPI, Wages	PL: Retail	RS: Current Account	PL: Unemployment	HU: Unemployment
	SI: PPI			RS: Wages
	HR: Unemployment, Wages			
SK: 2025 2027 2032 2035 Bonds	HU: Bills	CZ: Bonds	RS: Bonds	
RO: 2024 2030 Bonds			RO: 2025 Bonds	

### FX market



Source: Bloomberg, Erste Group Research

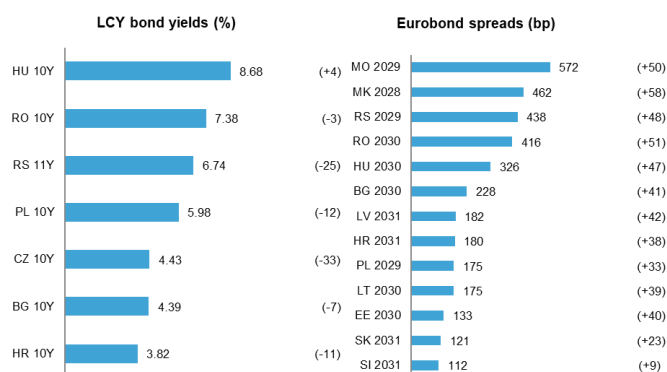
### FX market developments

It was quite a volatile week for the markets in the aftermath of the failure of US bank SVB and Credit Suisse's search for liquidity at the end of the previous week. The ECB's raising of interest rates by 50 basis points on Thursday was another key event last week. The ECB lowered the inflation forecast for 2023 and 2024 (especially the latter). Yet, even then, inflation is considered to be 'too high for too long', which is a clear indication of further rate hikes. Local currencies have weakened against the euro, with the Hungarian forint clearly underperforming its peers and the EURHUF touching 400 last Thursday. Depreciation of the Czech koruna and Polish zloty was less pronounced over the last week. As for the Czech koruna, the recent development matches our expectations for a weakening of the Czech currency. In Czechia, it will be interesting to watch the growth dynamics of wages. If they prove

stronger than expected and enter double-digit dynamics, it may affect the monetary policy decisions.

## LCY yields, Eurobond spreads

## Bond market developments



Source: Bloomberg, Erste Group Research

Turmoil on global markets, triggered by panic around poor governance, risk management and the supervision of a few banks, led to risk-off mode, which contributed to a decline of government bond yields in all CEE countries except for Hungary. The most spectacular decline could be seen in the CZGB yield curve, where the short end collapsed almost 40bp w/w. On the other hand, Hungarian bond yields, especially at the short end, continued to inch up. The Hungarian debt agency conducted an auction of 3M, 6M and 12M T-bills last week and in each of them the average yield increased (10-30bp) compared to the previous auction. Only the reopening of a 10Y green bond led to a lower yield compared to previous auctions. Today, the Slovak debt agency will offer the reopening of four different bonds with maturity ranging within 2-12Y, targeting to borrow EUR 400-500mn, which would bring the YTD issuance to 56% of the full-year plan. Romania will reopen ROMGBs 2024, 2025, 2030. Czechia and Serbia will issue T-bonds as well. Hungary will offer T-bills on top of regular bond auctions.

## In case you missed

CEE Outlook: [Sluggish growth and dynamic disinflation.](#)

PL: [Inflation in Poland peaking.](#)

RO: [Manufacturing helped by easing supply chains bottlenecks](#)

RO: [Inflation surprises to upside](#)

RS: [Inflation climbs above 16%](#)

SK: [Core inflation still elevated](#)

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
20. Mar	10:00	PL	Industrial Production (y/y)	Feb	2.70%		2.6%	
	10:00	PL	PPI (y/y)	Feb	17.67%		0.21	
	10:00	PL	Wages (y/y)	Feb	11.9%		13.5%	
21. Mar	10:00	PL	Retail Sales (y/y)	Feb	15.35%		15.1%	
	10:30	SI	PPI (y/y)	Feb			0.18	
	11:00	HR	Unemployment Rate	Feb			7.20%	
	11:00	HR	Wages (y/y)	Jan			-3.4%	
22. Mar		RS	Current Account Balance (monthly)	Jan			-47400.0%	
23. Mar	10:00	PL	Unemployment Rate	Feb	5.5%		5.5%	
24. Mar		HU	Unemployment Rate	Feb			4.0%	
	12:00	RS	Wages (y/y)	Jan			-2.0%	

Source: Erste Group Research

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

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## Forecasts

### Government bond yields

	current	2023Q2	2023Q3	2023Q4	2024Q1
<b>Croatia 10Y</b>	3.9	3.8	3.6	3.5	3.4
spread (bps)	180	114	111	117	114
<b>Czechia 10Y</b>	4.4	4.5	4.3	4.0	3.6
spread (bps)	233	181	184	166	137
<b>Hungary 10Y</b>	8.7	8.0	7.6	7.1	6.7
spread (bps)	658	535	510	478	449
<b>Poland 10Y</b>	6.0	6.0	6.1	6.0	5.9
spread (bps)	387	334	361	367	364
<b>Romania10Y</b>	7.4	8.0	7.8	7.5	7.5
spread (bps)	528	534	531	517	519
<b>Slovakia 10Y</b>	3.4	3.7	3.8	4.0	
spread (bps)	128	104	131	167	
<b>Slovenia 10Y</b>	3.24	3.60	3.40	3.40	3.40
spread (bps)	114	94	91	107	114
<b>Serbia 5Y</b>	5.6	6.1	6.0	5.9	5.7
spread (bps)	349	344	351	357	344
<b>DE10Y*</b>	2.10	2.66	2.49	2.33	2.26

\* Spreads based on Bloomberg consensus forecast

### 3M Money Market Rate

	current	2023Q2	2023Q3	2023Q4	2024Q1
<b>Czechia</b>	7.19	7.18	6.84	6.05	5.31
<b>Hungary</b>	16.31	13.20	11.70	10.20	8.70
<b>Poland</b>	6.90	6.90	6.70	6.50	6.30
<b>Romania</b>	6.87	7.25	7.35	7.00	7.00
<b>Serbia</b>	5.45	5.80	5.80	5.80	5.59
<b>Eurozone</b>	2.75	3.45	3.47	3.50	3.44

### Real GDP growth (%)

	2021	2022e	2023f	2024f
<b>Croatia</b>	13.1	6.3	1.0	2.1
<b>Czechia</b>	3.5	2.4	0.2	3.2
<b>Hungary</b>	7.1	4.6	1.0	4.2
<b>Poland</b>	6.8	4.9	0.3	2.4
<b>Romania</b>	5.8	4.8	2.1	4.2
<b>Serbia</b>	7.5	2.3	1.6	3.8
<b>Slovakia</b>	3.0	1.7	1.5	2.5
<b>Slovenia</b>	8.2	5.4	1.3	2.5
<b>CEE8 avg</b>	6.2	4.2	0.8	3.1

### Public debt (% of GDP)

	2021	2022e	2023f	2024f
<b>Croatia</b>	78.4	69.5	66.8	66.0
<b>Czechia</b>	42.0	44.6	43.9	45.0
<b>Hungary</b>	76.8	72.9	69.8	67.9
<b>Poland</b>	53.8	49.6	49.0	49.5
<b>Romania</b>	48.6	47.2	46.8	45.9
<b>Serbia</b>	56.5	55.1	54.0	53.2
<b>Slovakia</b>	62.2	60.5	59.7	57.9
<b>Slovenia</b>	74.5	70.8	71.3	70.6
<b>CEE8 avg</b>	55.8	53.3	52.2	52.1

### FX

	current	2023Q2	2023Q3	2023Q4	2024Q1
<b>EURCZK</b>	23.99	24.20	24.10	23.90	23.88
<b>EURHUF</b>	398.06	380.00	390.00	390.00	385.00
<b>EURPLN</b>	4.71	4.66	4.65	4.65	4.63
<b>EURRON</b>	4.92	4.99	5.02	5.05	5.08
<b>EURRSD</b>	117.33	117.30	117.30	117.40	117.40
<b>EURUSD</b>	1.07	1.08	1.10	1.12	1.15

### Key Interest Rate

	current	2023Q2	2023Q3	2023Q4	2024Q1
<b>Czechia</b>	7.00	7.00	6.75	6.00	5.25
<b>Hungary</b>	13.00	13.00	11.50	10.00	8.50
<b>Poland</b>	6.75	6.75	6.75	6.75	6.50
<b>Romania</b>	7.00	7.00	7.00	7.00	7.00
<b>Serbia</b>	5.75	6.00	6.00	6.00	5.75
<b>Eurozone</b>	3.50	4.00	4.00	4.00	

### Average inflation (%)

	2021	2022e	2023f	2024f
<b>Croatia</b>	2.6	10.8	7.4	2.6
<b>Czechia</b>	3.8	15.1	10.4	2.4
<b>Hungary</b>	5.1	14.5	18.6	5.3
<b>Poland</b>	5.1	14.3	12.3	6.0
<b>Romania</b>	5.1	13.7	10.7	6.2
<b>Serbia</b>	4.0	11.9	11.8	4.1
<b>Slovakia</b>	3.2	12.8	12.0	7.0
<b>Slovenia</b>	1.9	8.8	6.3	3.2
<b>CEE8 avg</b>	4.5	13.8	11.9	5.1

### C/A (%GDP)

	2021	2022e	2023f	2024f
<b>Croatia</b>	1.8	-2.4	-1.9	-2.5
<b>Czechia</b>	-0.8	-5.6	-0.5	1.0
<b>Hungary</b>	-4.2	-7.8	-4.9	-3.8
<b>Poland</b>	-1.4	-3.3	-2.5	-1.5
<b>Romania</b>	-7.2	-9.3	-7.9	-7.5
<b>Serbia</b>	-4.2	-6.9	-5.8	-4.5
<b>Slovakia</b>	-1.9	-6.8	-5.1	-3.9
<b>Slovenia</b>	3.8	-0.8	0.1	1.0
<b>CEE8 avg</b>	-2.4	-5.4	-3.5	-2.6

### Unemployment (%)

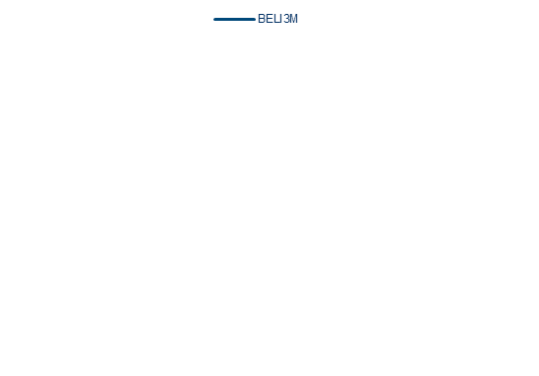
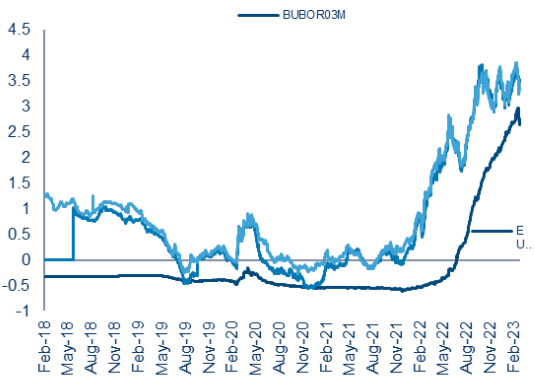
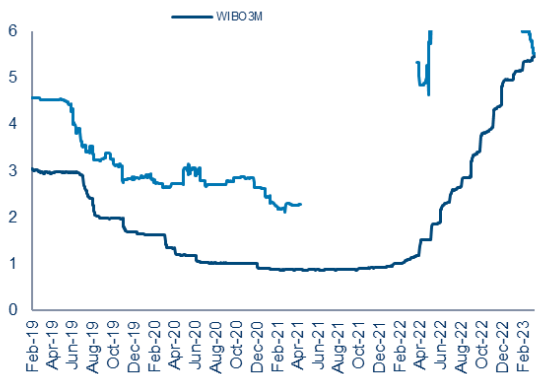
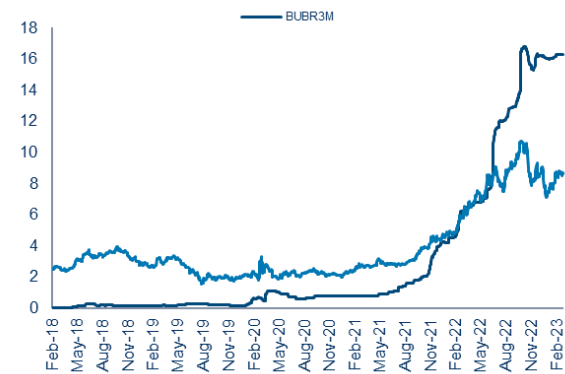
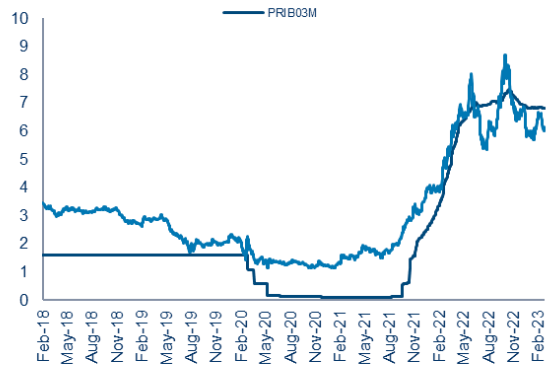
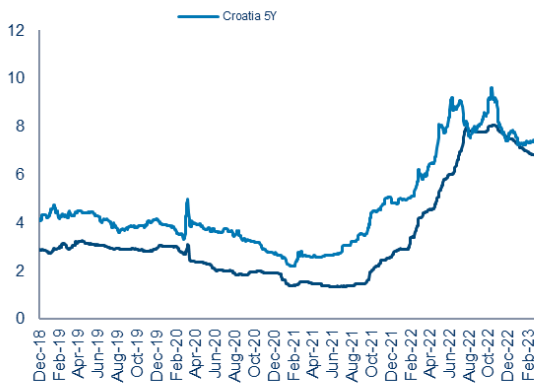
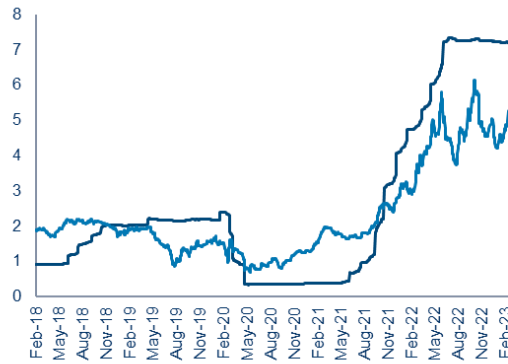
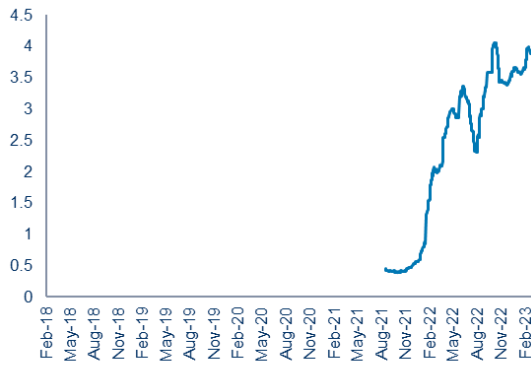
	2021	2022e	2023f	2024f
<b>Croatia</b>	7.6	6.8	6.8	6.4
<b>Czechia</b>	2.9	2.4	2.9	3.0
<b>Hungary</b>	4.1	3.6	3.8	3.4
<b>Poland</b>	5.9	5.1	5.2	5.0
<b>Romania</b>	5.6	5.6	5.8	5.7
<b>Serbia</b>	11.0	9.4	9.2	8.8
<b>Slovakia</b>	6.8	6.1	6.3	6.3
<b>Slovenia</b>	4.8	4.2	4.0	3.9
<b>CEE8 avg</b>	5.4	4.8	5.0	4.9

### Budget Balance (%GDP)

	2021	2022e	2023f	2024f
<b>Croatia</b>	-2.6	-1.8	-2.5	-2.2
<b>Czechia</b>	-5.1	-3.5	-3.8	-2.8
<b>Hungary</b>	-6.8	-6.1	-4.2	-3.4
<b>Poland</b>	-1.8	-3.1	-4.5	-3.5
<b>Romania</b>	-7.1	-6.1	-4.7	-3.2
<b>Serbia</b>	-4.1	-3.1	-3.2	-2.5
<b>Slovakia</b>	-6.1	-4.0	-5.5	-4.0
<b>Slovenia</b>	-5.2	-3.8	-5.1	-2.9
<b>CEE8 avg</b>	-4.3	-4.0	-4.4	-3.3

Source: Bloomberg, Erste Group Research

## Appendix



Source: Bloomberg, Erste Group Research

**Erste Group Research**  
**CEE Market Insights**  
**20 March 2023**

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