

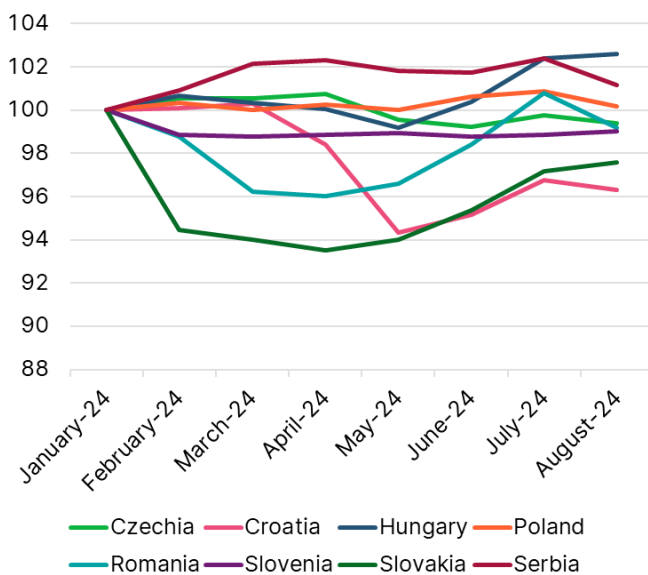
CEE MACRO AND FI DAILY

Producer prices less volatile in 2024

On the Radar

- Today, the Romanian central bank will decide on the key rate.
- Industrial production in Hungary arrived at -4.1% y/y (working day adjusted) in August.
- At 10.30, Slovenia will publish their trade balance for August.

Producer prices in industry, Jan '24 = 100

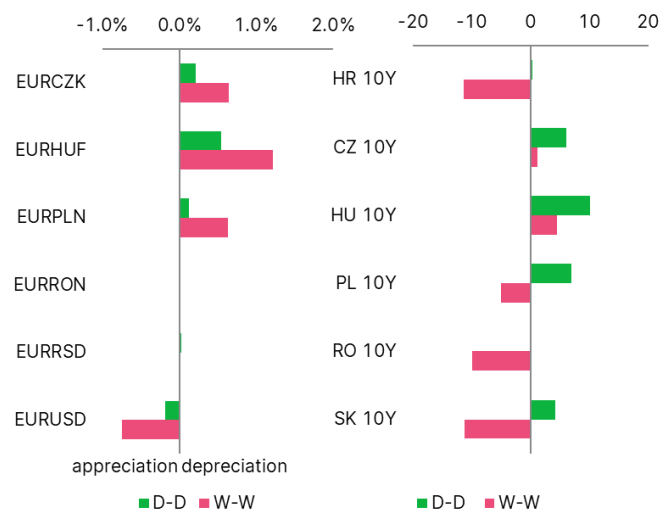


Source: Erste Group Research

Economic developments

Today, we continue the topic of price developments, with a focus on industrial producer prices. Following the turbulent years of 2022 and 2023, 2024 has been significantly calmer regarding the volatility of the Producer Price Index (PPI). Since January, the PPI has remained nearly constant in Czechia, Poland, and Slovenia. Specifically in Poland and Czechia, the index has fluctuated by no more than 1% in absolute terms since the beginning of the year. On the other hand, Romania, Croatia, and Slovakia experienced a decline in PPI at the start of the year, but producer prices have since returned to levels closer to those observed in January. The only two countries in CEE where the PPI has increased since the start of the year are Serbia (+1.1%) and Hungary (+2.6%). The stability in PPI developments suggests a more favorable outlook for consumer inflation, as producer prices are a reliable leading indicator of the CPI. However, current global events, such as tensions in the Middle East, could put upward pressure on the PPI once again.

Market performance



Source: Erste Group Research

Market developments

The Hungarian forint weakened beyond EUR/HUF 401 yesterday. The dollar continued to strengthen due to a risk-off mode triggered by the threat of an Israeli strike on oil fields in Iran. Hungarian fixed income was the most affected, with 10-year yields edging higher by 20 basis points week-on-week also due to the diminishing prospect of further interest rate reduction given the forint's weakness. Furthermore, the European Commission announced yesterday that Hungary will be referred to the European Court of Justice, as it considers Hungary's 'Defense of Sovereignty' law to be in breach of EU law. In a press conference yesterday, NBP Governor Glapinski indicated that the second quarter of 2025 is the most likely period to resume the easing cycle. During his speech, he adopted a slightly more dovish tone compared to September, aligning the monetary policy outlook closer to our forecasts. Today, we expect the National Bank of Romania to cut interest rates by 25 basis points at its MPC meeting.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
04. Oct		RO	Central Bank Rate	Okt 24		6.25%	6.50%
	08:30	HU	Industrial Production (y/y)	Aug		-3.70%	-6.40%
	10:30	SI	Trade Balance	Aug			32.0%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.31	0.2	0.6
EUR/HUF	399.81	0.5	1.2
EUR/PLN	4.29	0.1	0.6
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.95	0.0	0.0
EUR/USD	1.10	-0.2	-0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.18	-2	-9
HUF	6.30	-1	-5
PLN	5.84	-1	-1
RON	5.55	0	0
RSD	4.94	0	0
EUR	3.25	-1	-11

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.74	6	1
HU 10Y	6.12	10	4
PL 10Y	5.25	7	-5
RO 10Y	6.58	0	-10
HR 10Y	3.08	0	-11
SK 10Y	3.14	4	-11

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