CEE MARKET INSIGHTS

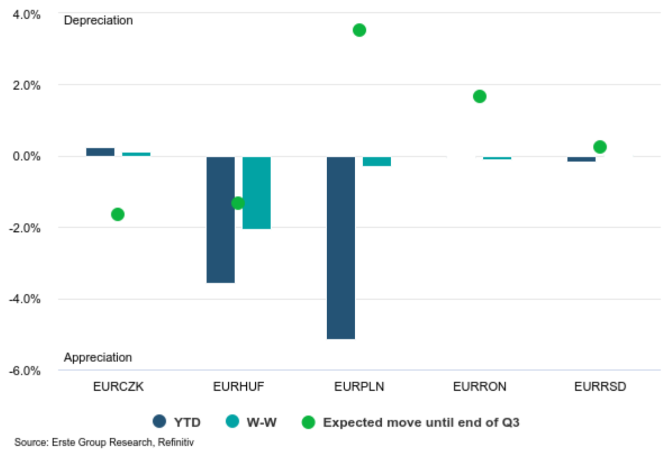
GDP data to draw all attention

This week in CEE

After getting a taste of 2Q GDP figures in the previous weeks, including the Czech flash estimate and EU/Eurozone numbers, it is time to shift our focus to the CEE region. The first 2Q23 GDP release, expected to report around 1.5% y/y growth, will come from Slovakia on Tuesday. Although household consumption is facing some challenges, Slovakia's strong foreign trade is expected to have driven the country's economic performance in 2Q23. On Wednesday, Romania, Hungary and Poland will report their figures. For Romania, we foresee 0.3% q/q growth, mainly supported by services for businesses, which would translate to 2.5% y/y. For Hungary and Poland, the q/q estimates are at 0% and -1.7%, respectively (that is -1.4% y/y and 0.7% y/y). Domestic demand has declined in both countries, but positive net exports are expected to partly offset the falling internal demand. Alongside GDP data, inflation figures are expected to be published in Slovakia (forecasted at 9.6% y/y) and Croatia, industrial production in Romania, and PPI in the Czech Republic.

Monday	Tuesday	Wednesday	Thursday	Friday
SK PL: CPI	**SK: 2Q23 GDP**	**RO HU PL SI: 2Q23 GDP**	**HR: CPI**	**SK: Unemployment**
RO: Current account		**RO: Industry**		
PL: Trade		**CZ: PPI**		
		RS: Current Account		
	HU: Bills	**HR: Bills**	**RO: Bills, 2033 Bonds**	
		CZ: Bonds		

FX market

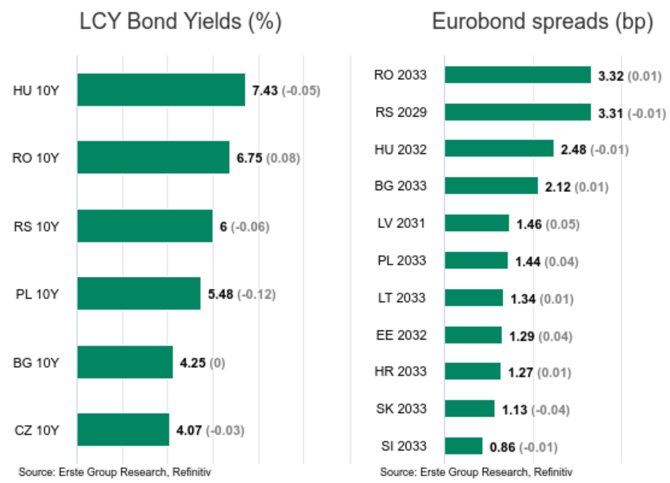


Source: Bloomberg, Erste Group Research

FX market developments

Throughout the last week, the FX market showed a mixed performance. The Czech koruna weakened marginally against the euro, while the Hungarian forint and Polish zloty strengthened against the euro. While, in the case of the Polish zloty, the move was rather marginal, the EURHUF moved down more visibly. The main reason for the weakening of the Czech koruna is the aftermath of the central bank meeting, at which the CNB formally ended the intervention regime announced in May 2022 and resumed the program of sales of part of the income on international reserves. This week, the 2Q23 GDP data will be in focus in most of the CEE countries, but we do not expect it to have a major impact on the FX market performance.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research

Bond market developments

The bond market showed a mixed performance over the last week. Hungarian, Polish and Slovak long-term yields moved down, while those of Romania increased. The week-to-week changes were rather small, however. In Poland, the downward move was the biggest among the peers, as expectations that monetary easing is to begin in autumn have been gradually increasing. The weak performance of the economy in the second quarter may strengthen the dovish wing in the central bank. Czech government, amid falling inflation and market's bets for interest rate cuts, sold CZK 8 billion worth bonds and CZK 8.58 billion worth bills and the demand was solid. This week, the governments will not be too active on the bond market, with Hungary and Croatia scheduled to sell bills, while Czechia and Romania will sell bonds.

In case you missed

CEE Special Report: CEE keeps progressing in Social Development Goals
RO Special Report: Labour market should prevent Romanian central bank pivot
CZ: Food prices decreased in July
CZ: Industrial activity could worsen in the coming months
HU: Hungarian CPI stood at 17.6% y/y in July
RO: Inflation crossed into single-digit territory in July
RO: NBR kept key rate flat at 7.00%
SK: Industry returned to positive territory
SK: The trade surplus exceeded expectations in June

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
14.Aug		**RO**	Current Account Balance (monthly)	Jun			-8276.00	
	09:00	**SK**	CPI (y/y)	Jul		9.60%	10.80%	Food is, as usual, the most significant driver of annual inflation, but the pace of its growth is more moderate. We expect CPI to fall below 10% in July (9.6% y/y).
	09:00	**SK**	CPI (m/m)	Jul		-0.3%	0.2%	M-o-M inflation is negative due to food prices. The flash estimate shows a drop from the previous month for the first time since March 2021.
	10:00	**PL**	CPI (y/y)	Jul F	10.9%		10.8%	
	10:00	**PL**	CPI (m/m)	Jul F			-0.2%	
	14:00	**PL**	Trade Balance	Jun			1111.00	
15.Aug	**09:00**	**SK**	GDP (y/y)	2Q P		1.5%	1.0%	Household consumption is under pressure pulled the economy down, but it seems the strong foreign trade will drive the Slovak economy\'s performance in 2Q 2023. Alone in June, trade balance reached a high surplus of EUR 817m.
16.Aug		**RS**	Current Account Balance (monthly)	Jun			-151.30	
	08:00	**RO**	Industrial Production (y/y)	Jun		-2.0%	-5%	Industrial production is expected to increase in monthly terms (0.9% m/m), supported by higher past production. In annual terms, industrial production will continue to hover in negative territory in June (-2% y/y, up from -5.2% y/y in May)
	08:00	**RO**	GDP (q/q)	2Q A		0.3%	0.2%	Local economy is projected to expand by 0.3% in 2Q23, mainly backed by services supplied to businesses.
	08:00	**RO**	GDP (y/y)	2Q A		2.5%	2.4%	Higher-frequency indicator suggest that the economy continues to grow at moderate pace in 2Q23 (2.5% y/y vs 2.4% y/y in 1Q23).
	08:30	**HU**	GDP (q/q)	2Q P		0.0%	-0.3%	
	08:30	**HU**	GDP (y/y)	2Q P		-1.4%	-0.9%	The contribution of domestic demand might have slipped into the negative territory, while the positive net exports probably partly offset the falling internal demand.
	09:00	**CZ**	PPI (y/y)	Jul		1.7%	1.9%	The base effect together with lower input prices remain the key factors affecting producer prices development.
	10:00	**PL**	GDP (y/y)	2Q P			-0.30%	
	10:30	**SI**	GDP (y/y)	2Q			0.70%	
17.Aug	**11:00**	**HR**	CPI (y/y)	Jul			7.60%	
	11:00	**HR**	CPI (m/m)	Jul			0.9%	
18.Aug		**SK**	Unemployment Rate	Jul		6.0%	5.1%	The labor market remained strong.

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

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Forecasts

LCY Government bond yields	current	2023Q3	2023Q4	2024Q1	2024Q2
Czechia 10Y	4.16	4.2	4.0	3.7	3.5
Hungary 10Y	7.38	7.2	7.2	6.7	6.3
Poland 10Y	5.48	5.5	5.2	5.2	5.1
Romania10Y	6.74	6.9	7.3	7.2	7.1
Serbia 5Y	5.06	5.4	5.3	5.2	5.0

Spreads vs. German Bunds (bps)					
Croatia 10Y	108	130	130	130	120
Slovakia 10Y	121	110	100	100	100
Slovenia 10Y	86	90	90	90	90
DE10Y* yields	2.6	2.5	2.3	2.2	2.2

* Bloomberg consensus forecast

FX	current	2023Q3	2023Q4	2024Q1	2024Q2
EURCZK	24.15	24.30	24.50	24.38	24.31
EURHUF	384.22	380.00	385.00	385.00	385.00
EURPLN	4.45	4.60	4.60	4.55	4.52
EURRON	4.94	5.02	5.05	5.08	5.11
EURRSD	117.18	117.30	117.40	117.40	117.40
EURUSD	1.10	1.11	1.14	1.16	1.19

3M Money Market Rate	current	2023Q3	2023Q4	2024Q1	2024Q2
Czechia	7.10	7.10	6.57	5.66	4.81
Hungary	14.13	13.10	10.70	9.20	7.70
Poland	6.69	6.90	6.30	6.30	6.30
Romania	6.41	6.50	6.50	6.50	6.50
Serbia	5.89	5.82	5.60	5.17	4.72
Eurozone	3.78	3.72	3.74	3.77	3.54

Key Interest Rate	current	2023Q3	2023Q4	2024Q1	2024Q2
Czechia	7.00	7.00	6.50	5.50	4.75
Hungary	13.00	13.00	10.50	9.00	7.50
Poland	6.75	6.75	6.50	6.25	6.00
Romania	7.00	7.00	7.00	7.00	7.00
Serbia	6.50	6.50	6.25	5.75	5.25
Eurozone	4.25	4.25	4.25	4.25	4.00

3M Money Market Rate	current	2023Q2	2023Q3	2023Q4	2024Q1
Czechia	7.10	7.10	6.57	5.66	4.81
Hungary	14.13	13.10	10.70	9.20	7.70
Poland	6.69	6.90	6.30	6.30	6.30
Romania	6.41	6.50	6.50	6.50	6.50
Serbia	5.89	5.82	5.60	5.17	4.72
Eurozone	3.78	3.72	3.74	3.77	3.54

Real GDP growth (%)	2021	2022e	2023f	2024f
Croatia	13.1	6.2	2.6	2.6
Czechia	3.5	2.4	0.0	2.5
Hungary	7.2	4.6	0.5	4.1
Poland	6.8	4.9	1.4	2.1
Romania	5.8	4.7	2.1	4.2
Serbia	7.5	2.3	1.6	3.8
Slovakia	4.9	1.7	1.5	2.5
Slovenia	8.2	5.4	1.4	2.5
CEE8 avg	6.3	4.2	1.3	2.8

Average inflation (%)	2021	2022	2023f	2024f
Croatia	2.6	10.8	6.8	3.5
Czechia	3.8	15.1	11.0	2.1
Hungary	5.1	14.5	18.1	5.5
Poland	5.1	14.3	12.7	7.1
Romania	5.1	13.7	10.7	6.2
Serbia	4.0	11.9	12.6	4.8
Slovakia	3.2	12.8	11.2	6.0
Slovenia	1.9	8.8	7.2	3.8
CEE8 avg	4.5	13.8	12.1	5.6

Unemployment (%)	2021	2022e	2023f	2024f
Croatia	7.6	7.0	6.9	6.6
Czechia	2.9	2.4	2.9	3.4
Hungary	4.1	3.6	3.9	3.5
Poland	5.9	5.1	5.2	5.0
Romania	5.6	5.6	5.8	5.7
Serbia	11.0	9.4	9.3	9.0
Slovakia	6.8	6.1	6.1	6.3
Slovenia	4.8	4.0	3.9	3.8
CEE8 avg	5.4	4.8	5.0	5.0

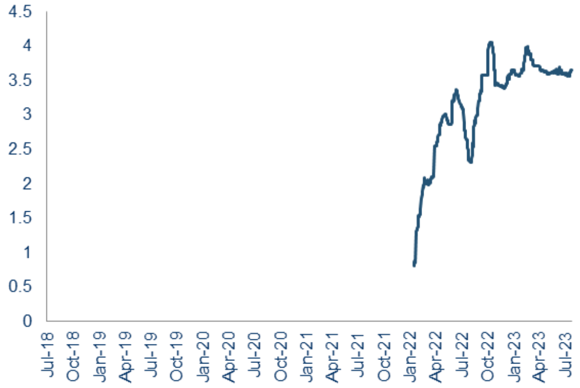
Public debt (% of GDP)	2021	2022e	2023f	2024f
Croatia	78.3	68.8	63.6	62.1
Czechia	42.0	44.2	45.3	45.8
Hungary	76.6	73.3	69.9	67.7
Poland	53.8	49.1	50.0	49.5
Romania	48.6	47.3	47.0	46.4
Serbia	56.5	55.1	53.8	54.7
Slovakia	61.0	57.8	57.4	56.4
Slovenia	74.5	69.9	68.2	67.3
CEE8 avg	55.7	52.9	52.5	52.0

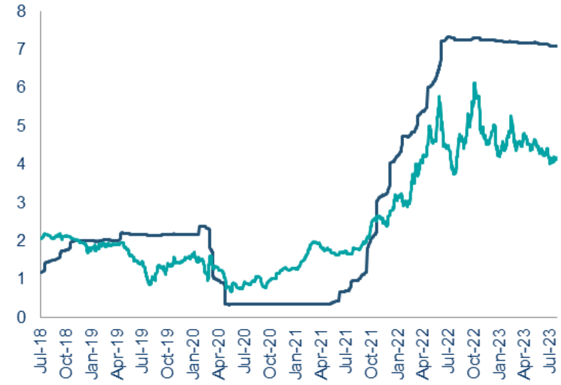
C/A (%GDP)	2021	2022e	2023f	2024f
Croatia	1.8	-1.6	0.0	-0.3
Czechia	-0.8	-5.6	0.8	1.0
Hungary	-4.1	-8.1	-2.6	-1.3
Poland	-1.4	-3.3	1.0	-0.5
Romania	-7.2	-9.3	-7.9	-7.5
Serbia	-4.2	-6.9	-2.3	-2.6
Slovakia	-2.5	-8.2	-5.6	-5.0
Slovenia	3.8	-0.4	1.2	1.7
CEE8 avg	-2.4	-5.4	-1.5	-1.8

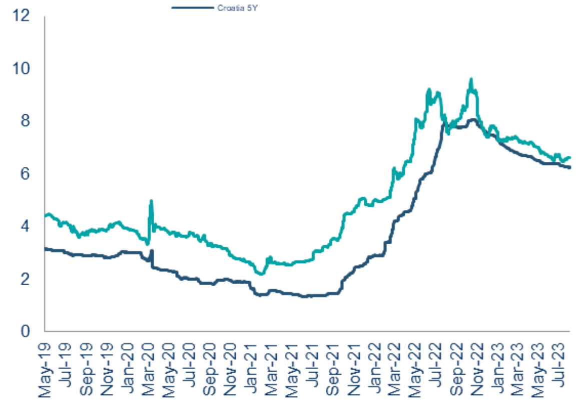
Budget Balance (%GDP)	2021	2022e	2023f	2024f
Croatia	-2.6	0.4	-0.8	-2.2
Czechia	-5.1	-3.6	-4.0	-2.8
Hungary	-7.1	-6.2	-4.2	-3.4
Poland	-1.8	-3.4	-5.0	-3.5
Romania	-7.1	-6.2	-5.0	-3.5
Serbia	-4.1	-3.1	-3.2	-2.8
Slovakia	-5.4	-2.0	-5.5	-4.0
Slovenia	-4.6	-3.0	-3.9	-2.9
CEE8 avg	-4.2	-3.9	-4.5	-3.3

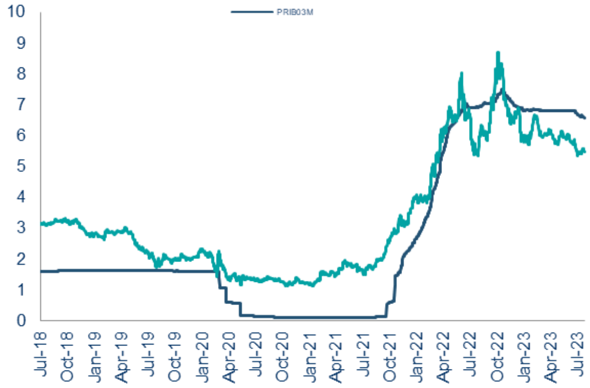
Source: Bloomberg, Erste Group Research

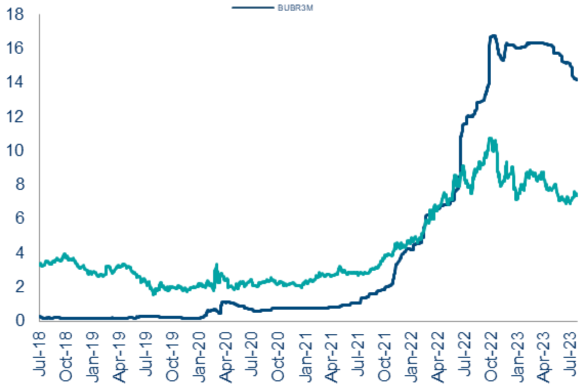
Appendix

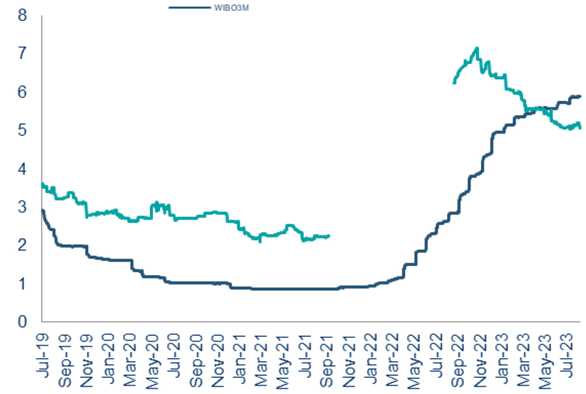












Source: Bloomberg, Erste Group Research

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