

CEE MARKET INSIGHTS

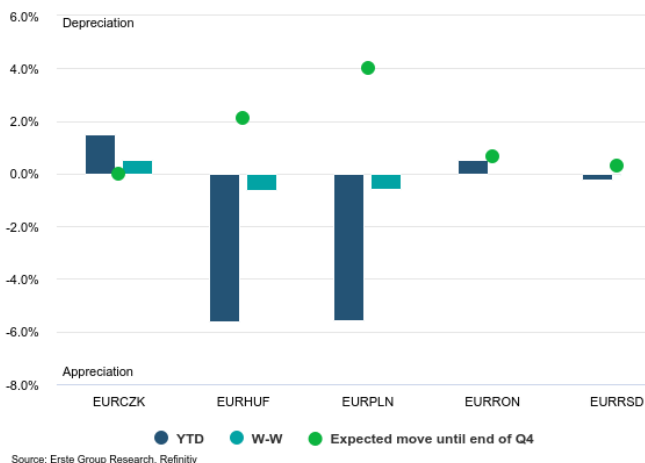
Flash 3Q23 GDP growth in focus

This week in CEE

This week, flash estimates of 3Q23 GDP growth will be the main event, as several countries will publish data on Tuesday. Looking at the Economic Sentiment Indicator (ESI), which has been moving sideways over the last couple of months, suggests a lack of any stronger growth momentum. Apart from GDP data, October inflation will be published across the region, and we expect a further decline of headline figures. Trade and current account data will be released in Poland, Slovakia and Serbia. Last, but not least, Romania will publish industrial output growth in September as well as wage growth.

Monday	Tuesday	Wednesday	Thursday	Friday
RO RS: Inflation	RO HU SK PL SI: flash 3Q23 GDP	SK PL: Inflation	HR: Inflation	SK: Current Account
RO: Wages	RO: Industry	RS: Current Account	CZ: PPI	
CZ PL: Current Account				
RO: 2026 Bonds	HU: Bills	PL: Bonds	RO: 2038 Bonds	

FX market



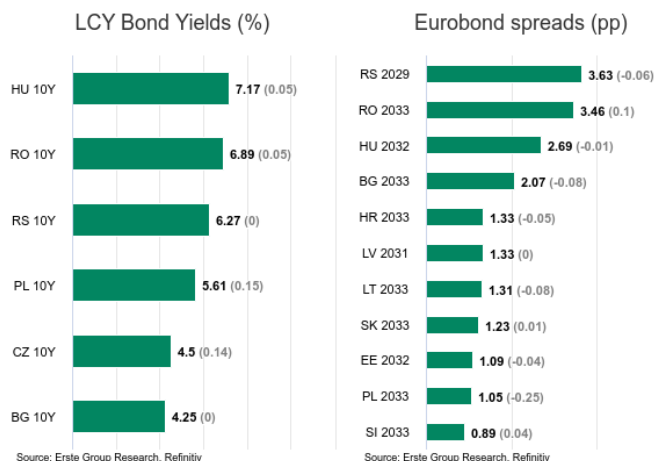
Source: Bloomberg, Erste Group Research

FX market developments

Over the week, the Czech koruna depreciated against the euro, as opposed to the Hungarian forint and the Polish zloty, which strengthened against the common currency. In the case of the Polish zloty, the central bank's decision to keep the policy rate unchanged at 5.75% may have supported the EURPLN moving toward 4.42 at the end of the week, as the market consensus had pointed to a 25 basis point cut. The expected pause in monetary easing is a factor supporting a slightly stronger zloty. The decisions to keep the policy rates unchanged in Romania and Serbia did not have any major impact on the FX markets in these two countries.

This week, GDP data may be important for the monetary policy outlook, as the weaker than expected performance of the economy could be seen as an argument supporting monetary easing.

LCY yields, Eurobonds



Source: Bloomberg, Erste Group Research

Bond market developments

CEE government bond yields stagnated last week, and even the NBP's decision to keep rates unchanged had a very limited impact on POLGBs. Going forward, Hungarian bonds should continue to be supported by favorable inflation figures, which have dropped to single-digit territory one month earlier than initially expected. This may provide more confidence to the central bank in its current easing pace; we expect rates to be cut in 75bp steps on a monthly basis at least until February. This week, Croatia will offer retail investors one-year T-bills, which should be tax-exempt, targeting to raise EUR 440mn. Romania will reopen ROMGBs 2026 and 2038, Poland will sell a variety of T-bonds, and Hungary will offer T-bills on top of regular T-bond auctions.

In case you missed

Montenegro Outlook: [Consumption driven recovery](#)

Romania Special: [Inflation forecast update](#)

Croatia: Moody's affirmed Croatia's Baa2 ratings but changed the outlook to positive from stable.

Czechia: [Inflationary pressures are easing](#)

Hungary: [Here comes the single-digit inflation at last](#)

Hungary: [Recovery of sales not arrived yet](#)

Hungary: [All-time runner-up balance in September](#)

Hungary: [Industry dropped by 5.8% y/y in September](#)

Poland: [NBP keeps the rates on hold](#)

Romania: [NBR rate unchanged, in line with expectations](#)

Romania: [Strong real wage growth should prop-up consumption in 2024](#)

Serbia: [Here comes the single-digit inflation at last](#)

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
13. Nov		RO	Current Account Balance (monthly)	Sep			-13759.00	
	8:00	RO	CPI (y/y)	Oct		8.10%	8.83%	Annual inflation is expected to decline further to an estimated 8.1% y/y in October from 8.8% y/y in September. Our year-end forecast is 7.5% y/y.
	8:00	RO	CPI (m/m)	Oct		0.60%	0.79%	We see food and services as key inflationary factors in October.
	8:00	RO	Wages (y/y)	Sep		15.70%	15.20%	Strong nominal wage growth as public sector wages gained speed in recent months, on top of robust growth rate for wages in the private segment of the economy. Real wage growth is positive since March.
	9:00	CZ	Current Account Balance (monthly)	Sep		-15.25	-26.31	
	12:00	RS	CPI (y/y)	Oct		9.40%	10.20%	
	14:00	PL	Trade Balance	Sep		510.00	491.00	
14. Nov	8:00	RO	Industrial Production (y/y)	Sep		-3.60%	-5.60%	Local confidence indicators improved recently, suggesting some recovery in manufacturing. Medium-term outlook is still clouded by weak Eurozone growth.
	8:00	RO	GDP (q/q)	3Q A		0.20%	1.68%	Economic growth likely helped by gross fixed capital formation on the back of government investments in infrastructure and shrinking trade deficit.
	8:00	RO	GDP (y/y)	3Q A		1.10%	1.02%	Our FY economic growth forecast is +2.1% in 2023 and +3.3% in 2024.
	8:30	HU	GDP (q/q)	3Q P		1.10%	-0.20%	The four consecutive quarter long recession has ended in Hungary in Q3. The really volatile q/q dynamics could significantly return into the positive territory on back of branches such as industry and construction and several kinds of services.
	8:30	HU	GDP (y/y)	3Q P		-0.10%	-2.40%	On yearly level the main contributors to economic activity could be agriculture and health care services.
	9:00	SK	GDP (y/y)	3Q P		1.20%	1.50%	Economic growth is anticipated to be triggered by outstanding performance of foreign trade and investment activity due to EU funds inflow; other components could be lower on a yearly basis.
	10:00	PL	GDP (y/y)	3Q P		0.31%	-0.60%	
	10:30	SI	GDP (y/y)	3Q			1.40%	
15. Nov		RS	Current Account Balance (monthly)	Sep			-100.70	
	9:00	SK	CPI (y/y)	Oct		7.10%	8.20%	Share of the food items, traditionally high, has been decreasing significantly to 2pp. Contribution of energy prices is expected to fall below 1pp, however, price increases in services are getting more important.
	9:00	SK	CPI (m/m)	Oct		0.20%	0.30%	Positive contributions coming from services and food; downside pressure from energy prices.
	10:00	PL	CPI (y/y)	Oct F			6.50%	
16. Nov	9:00	CZ	PPI (y/y)	Oct		0.58%	0.80%	Inflationary pressures associated with producer prices are low, as subdued domestic demand and weakening foreign demand spill over into their development.
	11:00	HR	CPI (y/y)	Oct			6.70%	
17. Nov	10:30	SK	Current Account Balance (monthly)	Sep			-14.10	

Source: Erste Group Research

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Note: Past performance is not necessarily indicative of future results

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Forecasts

LCY Government bond yields					
	Friday's close	2023Q4	2024Q1	2024Q2	2024Q3
Czechia 10Y	4.50	4.39	4.19	3.89	3.65
Hungary 10Y	7.17	7.38	6.95	6.54	6.21
Poland 10Y	5.61	5.70	5.60	5.30	5.10
Romania 10Y	6.89	7.30	7.10	7.00	6.80
Serbia 10Y	6.27	6.10	6.00	5.80	5.60

Spreads vs. German Bunds (bps)					
Croatia 10Y	133.00	130.00	130.00	120.00	120.00
Slovakia 10Y	123.00	125.00	120.00	120.00	120.00
Slovenia 10Y	89.00	90.00	90.00	90.00	90.00
DE10Y yields	2.71	2.60	2.40	2.40	2.40

3M Money Market Rate					
	Friday's close	2023Q4	2024Q1	2024Q2	2024Q3
Czechia	7.08	6.81	5.90	5.05	4.39
Hungary	11.24	10.38	8.70	7.48	6.95
Poland	5.76	5.60	5.60	5.50	5.30
Romania	6.30	6.50	6.25	6.00	5.50
Serbia	5.71	5.75	5.42	5.04	4.82
Eurozone	3.99	3.99	4.02	3.79	3.57

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.2	2.4	2.6
Czechia	2.4	-0.1	2.6	3.1
Hungary	4.6	-0.6	3.2	3.4
Poland	4.9	0.2	2.3	3.4
Romania	4.6	2.1	3.3	4.8
Serbia	2.3	1.6	3.5	3.8
Slovakia	1.7	1.5	2.5	2.7
Slovenia	2.5	1.5	2.2	2.3
CEE8 avg	4.1	0.6	2.7	3.5

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	62.1	60.2	58.6
Czechia	44.2	45.3	45.8	45.9
Hungary	73.3	71.6	69.9	68.7
Poland	49.1	50.0	53.0	54.0
Romania	47.3	47.8	47.7	46.4
Serbia	55.1	53.7	51.6	50.6
Slovakia	57.8	57.7	57.3	56.8
Slovenia	72.3	70.6	70.1	69.7
CEE8 avg	52.8	52.8	53.8	53.7

Source: Bloomberg, Erste Group Research

FX					
	Friday's close	2023Q4	2024Q1	2024Q2	2024Q3
EURCZK	24.50	24.50	24.38	24.31	24.25
EURHUF	376.95	385.00	385.00	385.00	385.00
EURPLN	4.42	4.60	4.50	4.50	4.50
EURRON	4.97	5.00	5.02	5.05	5.07
EURUSD	116.96	117.30	117.40	117.40	117.40
EURUSD	1.07	1.08	1.12	1.15	1.16

Key Interest Rate					
	Friday's close	2023Q4	2024Q1	2024Q2	2024Q3
Czechia	7.00	6.75	5.75	5.00	4.25
Hungary	12.25	10.75	8.75	7.50	6.75
Poland	5.75	5.50	5.50	5.50	5.00
Romania	7.00	7.00	7.00	6.75	6.25
Serbia	6.50	6.50	6.00	5.50	5.25
Eurozone	4.50	4.50	4.50	4.25	4.00

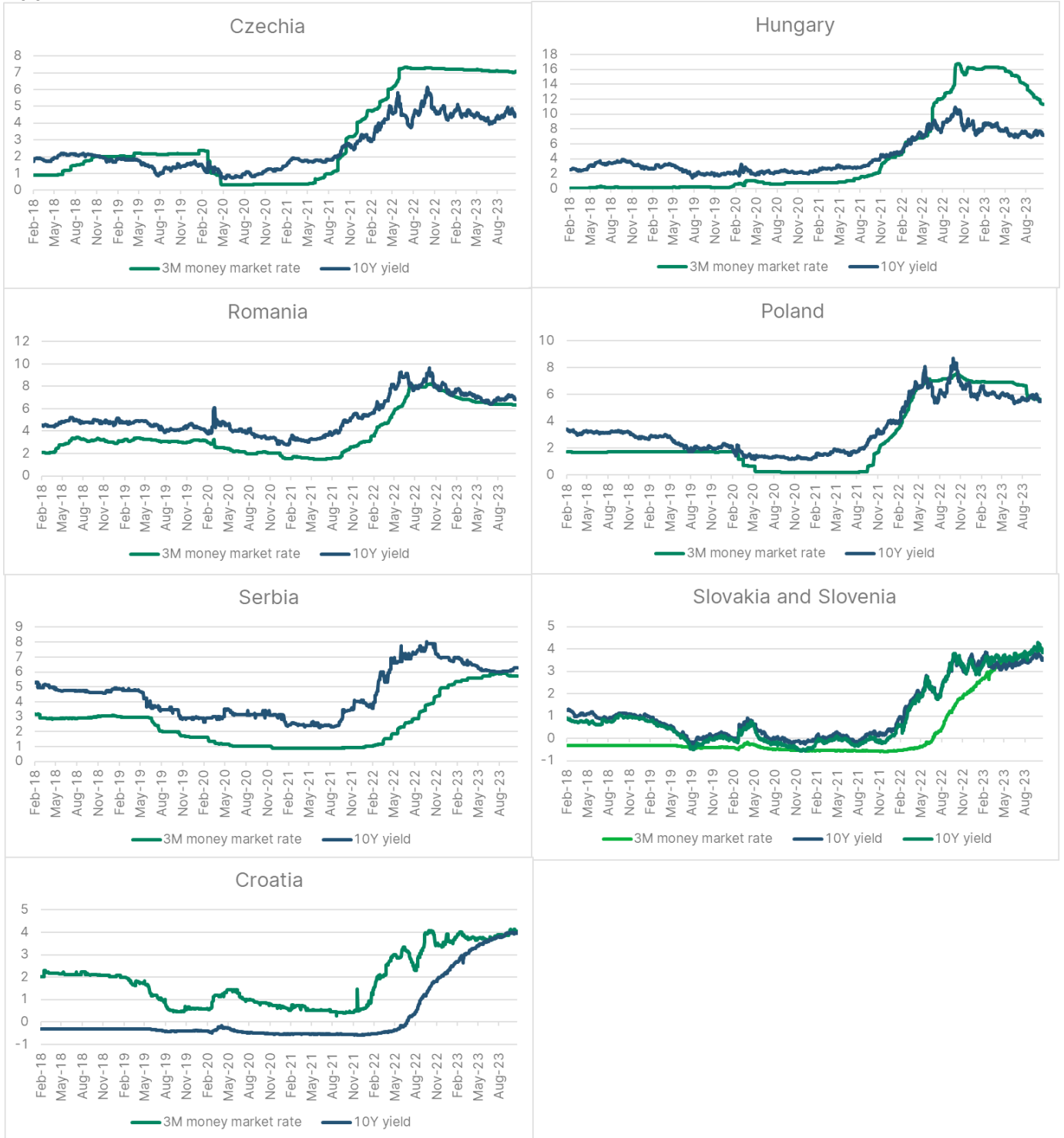
Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	4.2	2.7
Czechia	15.1	10.9	2.2	2.0
Hungary	14.5	17.8	5.5	3.8
Poland	14.3	12.1	6.0	4.0
Romania	13.7	10.6	6.6	4.3
Serbia	11.9	12.7	5.1	4.3
Slovakia	12.8	10.7	5.5	4.0
Slovenia	8.8	7.8	4.1	2.5
CEE8 avg	13.8	11.9	5.3	3.6

C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	-0.2	-0.7	-0.3
Czechia	-5.6	0.8	1.0	0.5
Hungary	-8.1	-0.5	0.3	1.4
Poland	-3.3	2.5	1.0	-0.5
Romania	-9.3	-6.9	-6.5	-6.6
Serbia	-6.9	-2.1	-2.4	-3.0
Slovakia	-6.0	0.0	-2.0	-3.0
Slovenia	-1.0	3.0	2.8	2.4
CEE8 avg	-5.4	-0.1	-0.7	-1.3

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	5.9	5.6
Czechia	2.2	2.7	3.3	3.7
Hungary	3.6	3.8	3.5	3.4
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.6	5.7	5.6
Serbia	9.4	9.5	9.0	8.6
Slovakia	6.1	6.0	6.0	5.7
Slovenia	4.0	3.7	3.6	3.5
CEE8 avg	4.8	4.9	4.9	4.9

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.4	-0.5	-2.0	-1.5
Czechia	-3.6	-4.0	-2.8	-2.4
Hungary	-6.2	-5.2	-3.8	-3.0
Poland	-3.4	-5.4	-4.5	-3.0
Romania	-6.2	-6.0	-4.8	-3.5
Serbia	-3.1	-2.8	-2.5	-2.3
Slovakia	-2.0	-5.5	-4.3	
Slovenia	-3.0	-4.5	-3.5	-2.5
CEE8 avg	-3.9	-5.0	-4.0	-2.7

Appendix



Source: Bloomberg, Erste Group Research

Group Research

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Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

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