

CEE MARKET INSIGHTS

Inflation in Serbia, industry and retail data in Poland

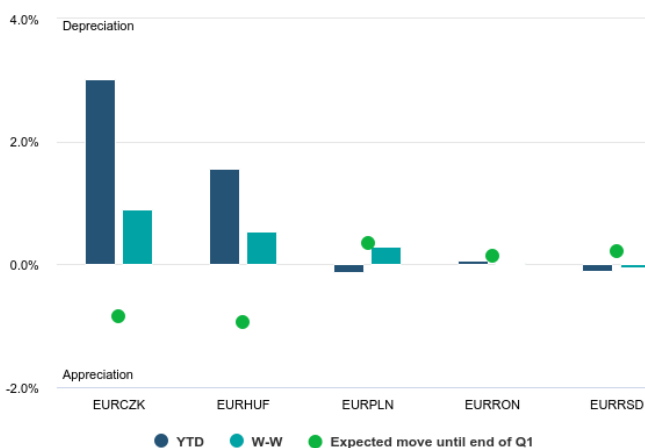
This week in CEE

The most interesting data will be published on Monday in Serbia (January inflation) and on Tuesday and Wednesday in Poland. Poland will report the performance of the industry and retail sectors in January. Apart from that, we will see January unemployment rates in several CEE countries (Slovakia, Croatia, Hungary and Poland) as well as wage growth in Croatia and Poland. Finally, on Friday, after market closes, Fitch is scheduled to evaluate Czechia's rating and outlook.

As for other news, we revised our growth and inflation forecasts across CEE. In particular, we now see the inflation rate in Czechia lower on average this year compared to the previous estimate and the Hungarian economy to develop at a much slower pace in 2024 (2.0% vs. 3.3% previously). A similar revision was done in Romania, where GDP growth dynamics are expected to be lower in 2024 as well as 2025, in contrast to previous estimates.

Monday	Tuesday	Wednesday	Thursday	Friday
RS: Inflation	PL: Industry, Wages, PPI	PL: Retail	HR: Inflation	HU PL: Unemployment
SK: Unemployment	SK: Current account			SI: PPI
	HR: Unemployment, Wages			
SK: 2027 2032 2033 2047 Bonds	HU: Bills	PD: 2026 2029 2033 Bonds	RO: 2038 Bonds	
RO: 2027 Bonds		CZ: Bills		

FX Market

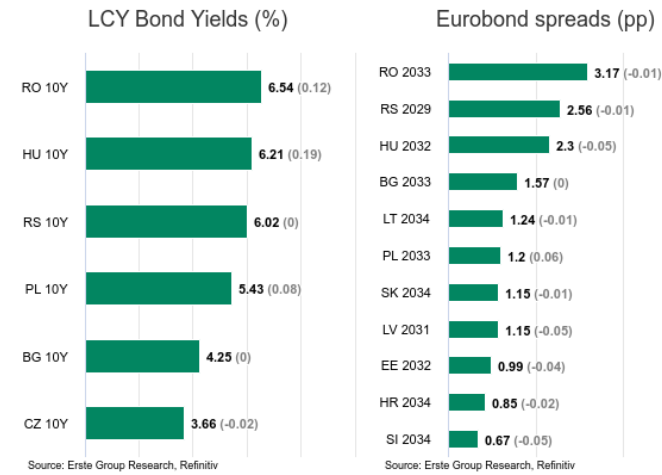


Source: Bloomberg, Erste Group Research

FX market developments

CEE currencies have been weakening against the euro throughout the last week. We see the influence of global factors, as inflation in the US was published. Locally, Czech central bankers delivered some hawkish comments after January's inflation figure surprised to the downside, arriving at 2.3%. Governor Michl underlined the ongoing hawkish stance of the policymakers, while Zamrazilova said that victory in the fight with high inflation cannot be announced yet. We believe, however, that the Czech central bank has the most space to cut interest rates among all central banks in the region. In Poland, on the other hand, MPC member Kotecki commented that the space for rate cuts will be limited this year and will depend heavily on the inflation development.

LCY yields, Eurobonds



Source: Bloomberg, Erste Group Research

Bond market developments

CEE bond markets showed a mixed performance last week. Hungarian 10Y yields edged up slightly (+15bp w/w), while the short end of the CZGB yield curve moved down in reaction to the surprisingly low January inflation reading. Romania sold its first green bonds worth EUR 2bn maturing in 2036 (priced at MS+300) along with another 7Y Eurobond worth EUR 2bn (MS+270). Combined with the dollar-denominated bonds issued in January (USD 4bn), Romania has most of its foreign financing needs completed for this year. Romania has been frontloading issuance on both international and domestic markets to avoid political risk related to the election calendar in the second half of the year. This week, Slovakia will reopen SLOVGBs 2027, 2032, 2033 and 2047, while Poland will offer POLGBs 2026, 2029, 2033 and a 2029 floater. Romania will reopen ROMGBs 2027 and 2038 and Czechia will sell CZGB 2043 along with T-bills. T-bills will also be sold in Hungary.

In case you missed

Czechia: [Inflation is close to the target](#)

Poland: [Sharp drop of inflation in Poland](#)

Romania: [NBR governor Isarescu delivered a dovish pivot](#)

Romania: [NBR keeps rates unchanged, as expected](#)

Romania: [We keep end-2024 CPI forecast at 4.3% y/y](#)

Romania: [4Q23 GDP growth surprised to the downside](#)

Slovakia: Economy expanded 1.1% in 2024 and [Labour market proving its resilience](#)

Slovakia: [Average inflation expected at 3% this year](#)

Slovenia: [GDP increased 1.6% in 2023](#)

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
19. Feb		SK	Unemployment Rate	Jan		5.1%	5.1%	Stagnation of the unemployment is expected.
	12:00	RS	CPI (y/y)	Jan	6.9%	6.4%	7.6%	We see further moderation of inflation
	12:00	RS	CPI (m/m)	Jan			0.1%	
20. Feb	10:00	PL	Industrial Production (y/y)	Jan	2.1%		-3.9%	
	10:00	PL	PPI (y/y)	Jan	-7.9%		-6.4%	
	10:00	PL	Wages (y/y)	Jan	10.6%		9.6%	
	10:30	SK	Current Account Balance (monthly)	Dec			-195.80	
	11:00	HR	Unemployment Rate	Jan		6.8%	6.5%	Unemployment rate seen further increasing on monthly level
	11:00	HR	Wages (y/y)	Dec			12.0%	
21. Feb	10:00	PL	Retail Sales (y/y)	Jan	2.8%		0.5%	
22. Feb	11:00	HR	CPI (y/y)	Jan F		4.1%	4.1%	We expect confirmation of the first estimate
	11:00	HR	CPI (m/m)	Jan F			-0.4%	
23. Feb	8:30	HU	Unemployment Rate	Jan			4.4%	
	10:00	PL	Unemployment Rate	Jan	5.3%		5.1%	
	10:30	SI	PPI (y/y)	Jan				

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	2024Q1	2024Q2	2024Q3	2024Q4
Czechia 10Y	3.66	3.83	3.70	3.59	3.43
Hungary 10Y	6.21	6.25	6.34	6.23	6.14
Poland 10Y	5.43	5.10	5.00	4.90	4.80
Romania10Y	6.54	6.80	6.70	6.60	6.50
Serbia 10Y	6.02	6.00	5.90	5.70	5.60

Spreads vs. German Bunds (bps)					
Croatia 10Y	85.00	120.00	120.00	120.00	120.00
Slovakia 10Y	115.00	125.00	130.00	130.00	130.00
Slovenia 10Y	67.00	90.00	90.00	90.00	90.00
DE10Y yields	2.39	2.20	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
Czechia	6.10	5.54	4.94	4.44	3.95
Hungary	8.93	7.93	6.60	6.60	6.60
Poland	5.88	5.65	5.50	5.40	5.20
Romania	6.09	6.22	5.97	5.47	4.97
Serbia	5.70	5.65	5.65	5.00	4.56
Eurozone	3.93	4.02	3.79	3.40	2.92

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.4	2.5	2.6
Czechia	2.4	-0.4	1.4	3.1
Hungary	4.6	-0.9	2.0	3.4
Poland	4.9	0.4	2.7	3.2
Romania	4.1	2.0	2.6	3.9
Serbia	2.5	2.5	3.3	3.5
Slovakia	1.8	1.1	2.0	2.7
Slovenia	2.5	1.6	2.2	2.5
CEE8 avg	4.0	0.6	2.4	3.3

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	61.4	59.7	58.1
Czechia	44.2	44.8	45.1	45.5
Hungary	73.3	73.0	71.8	70.8
Poland	49.1	50.0	53.0	55.0
Romania	47.3	48.4	49.7	49.5
Serbia	55.2	52.7	51.1	50.8
Slovakia	57.8	58.2	60.0	61.3
Slovenia	72.3	70.0	69.9	69.3
CEE8 avg	52.8	53.0	54.4	55.1

FX					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
EURCZK	25.41	25.20	24.90	24.75	24.60
EURHUF	388.64	385.00	385.00	385.00	385.00
EURPLN	4.34	4.35	4.30	4.30	4.35
EURRON	4.97	4.98	4.98	5.02	5.05
EURRSD	116.96	117.20	117.20	117.20	117.30
EURUSD	1.08	1.12	1.14	1.14	1.12

Key Interest Rate					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
Czechia	6.25	5.75	5.00	4.50	4.00
Hungary	10.00	8.50	6.50	6.50	6.50
Poland	5.75	5.75	5.75	5.75	5.50
Romania	7.00	7.00	6.75	6.25	5.75
Serbia	6.50	6.50	6.50	5.75	5.25
Eurozone	4.50	4.50	4.25	4.00	3.50

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.5	2.7
Czechia	15.1	10.7	2.4	2.2
Hungary	14.5	17.6	4.7	4.0
Poland	14.3	11.6	5.3	3.7
Romania	13.7	10.5	5.5	3.7
Serbia	11.9	12.5	4.3	2.9
Slovakia	12.8	10.5	3.0	3.0
Slovenia	8.8	7.4	2.5	2.0
CEE8 avg	13.8	11.6	4.5	3.3

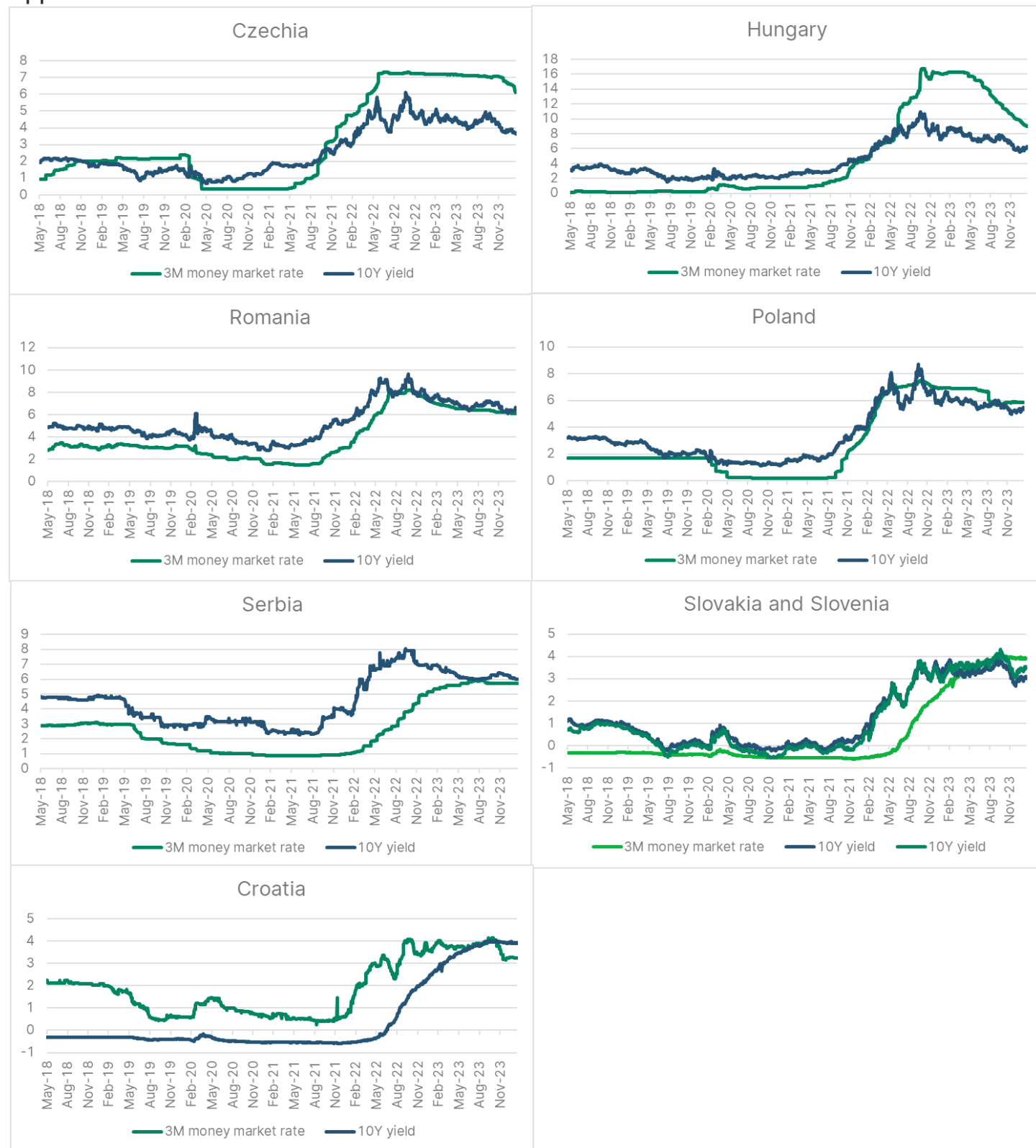
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.0	0.4	0.8
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.2	0.2	0.9	1.2
Poland	-3.3	1.4	0.0	-1.0
Romania	-9.2	-7.2	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.8
Slovakia	-7.4	0.2	-1.7	-3.0
Slovenia	-1.0	3.9	2.3	2.0
CEE8 avg	-5.6	-0.3	-1.1	-1.5

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	6.0	5.7
Czechia	2.2	2.6	3.3	3.9
Hungary	3.6	4.0	3.6	3.5
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.5	5.5	5.5
Serbia	9.4	9.4	8.8	8.6
Slovakia	6.1	6.0	5.9	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	0.1	-0.5	-2.0	-1.5
Czechia	-3.2	-3.6	-2.8	-2.2
Hungary	-6.2	-6.0	-4.6	-3.6
Poland	-3.4	-5.4	-5.5	-4.0
Romania	-6.2	-6.0	-5.7	-4.0
Serbia	-3.1	-2.2	-2.5	-2.3
Slovakia	-2.0	-6.0	-6.0	-5.0
Slovenia	-3.0	-4.0	-3.5	-2.5
CEE8 avg	-3.9	-5.0	-4.8	-3.5

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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