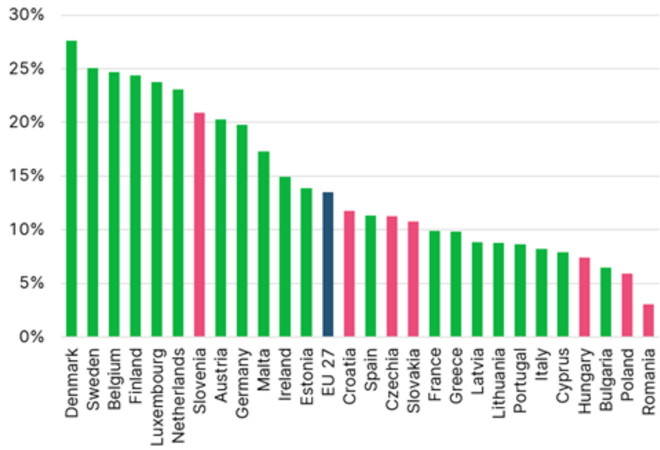
CEE MACRO AND FI DAILY

AI adoption speeds up, CEE lags behind

On the Radar

- Romania's outlook was cut to negative from stable by S&P on ballooning budget deficit
- Today at 10 AM CET, Poland will publish unemployment rate.

Share of firms* using AI

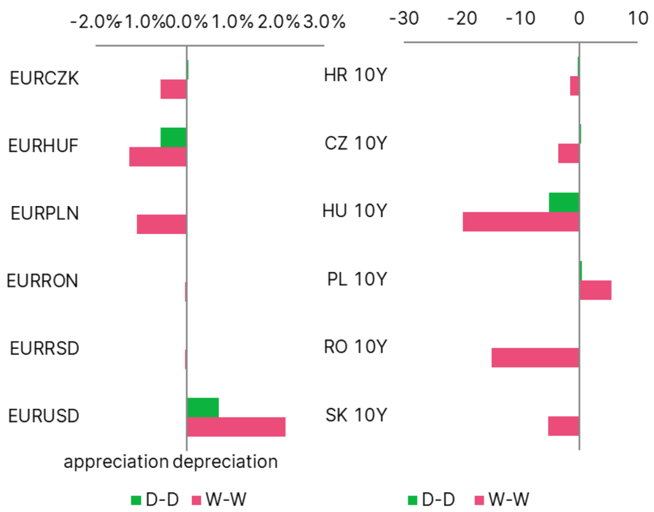


Source: Erste Group Research
**More than 10 employees, without finance, agriculture and mining.*

Economic developments

The continuous advancements in AI models and their increased availability have accelerated their adoption by firms, aiming to improve efficiency and automate routine tasks. The year 2024 has been transformative, with an average increase of 68% in the number of firms in the EU utilizing at least one form of AI. As of last year, 13% of firms in the EU have integrated AI into their processes. Leading this trend are the service-oriented economies of the Nordics and Benelux. Slovenia follows closely, with 21% of companies employing AI, marking an annual increase of 84%. Other CEE countries lag behind the EU average. Approximately 11% of firms in Czechia and Slovakia use AI, with annual increases of 91% and 53%, respectively. At the end of the spectrum are Hungary, Poland, and Romania, where much less than 10% of firms utilize AI. Despite a 100% increase in AI usage in Hungary and Romania, there remains significant potential for further growth in the coming years. It is important to note that the disparity in AI adoption is not solely due to reluctance or inability to embrace new technologies, as industrialized economies may benefit less from AI technologies compared to their service-oriented counterparts.

Market performance



Source: Erste Group Research

Market developments

S&P decided on Friday to change the outlook of the BBB- rating of Romanian to negative from stable. This follows a similar decision made by Fitch in late December of last year. Higher than expected budget deficit and likely delayed fiscal consolidation due to lingering political instability are the main reasons mentioned by S&P for the decision. A rating downgrade is not our baseline scenario currently but if budget deficit continues to overshoot expectations, it cannot be ruled out. In Poland, the central banker Kotecki sees a possibility for rate cut in March 2025 when new inflation and growth projections will be released. The CEE currencies remain relatively strong against euro: EURCZK is at 25.09, EURHUF at 408 and EURPLN at 4.21. Long-term yields have moved down over the last week.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
27. Jan	**10:00**	**PL**	Unemployment Rate	Dec	0.05		5.00%
28. Jan	**09:00**	**SK**	PPI (y/y)	Dec			-8.90%
	10:30	**SI**	Retail Sales (y/y)	Dec		0.50%	4.20%
	14:00	**HU**	Central Bank Rate	Jan 25	0.07	6.50%	6.50%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.08	0.0	-0.6
EUR/HUF	407.59	-0.6	-1.3
EUR/PLN	4.21	0.0	-1.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.95	0.0	0.0
EUR/USD	1.05	0.7	2.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.85	-1	-3
HUF	6.50	0	0
PLN	5.88	2	3
RON	5.96	2	3
RSD	4.70	0	0
EUR	2.64	-3	-6

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.06	0	-4
HU 10Y	6.65	-5	-20
PL 10Y	5.92	0	6
RO 10Y	7.89	0	-15
HR 10Y	3.10	0	-1
SK 10Y	3.27	0	-5

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