CEE MARKET INSIGHTS

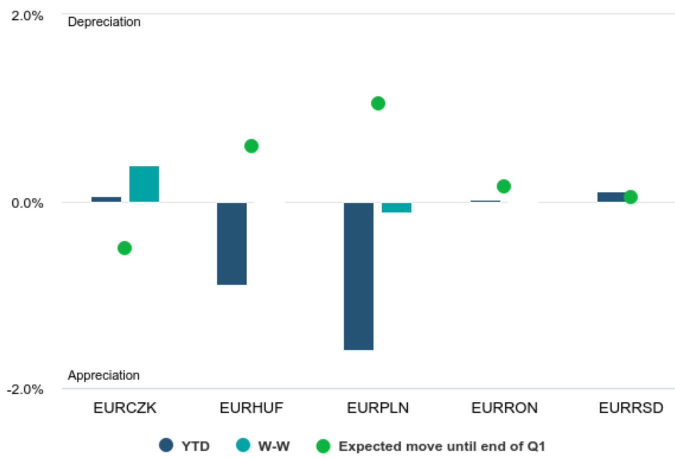
Two central banks meetings

This week in CEE

There are two central bank meetings scheduled this week. In Poland, we expect stability of rates, while in Czechia, an interest rate cut is quite likely. Other than that, we get to see inflation in Czechia, Croatia and Slovenia. Czechia will release a flash inflation estimate for the first time, shortly ahead of the central bank decision. Inflation in January should remain close to the target. Data on the retail sector performance in December will be published in Hungary, Romania and Slovakia. In Hungary, we have already seen the flash estimate for 4Q24, but in Romania and Slovakia, retail sales growth will complete the data for the last quarter of 2024. In Czechia, Hungary and Slovakia, industrial output growth will also be published. Finally, trade data is due in Hungary, Slovenia and Slovakia.

Monday	Tuesday	Wednesday	Thursday	Friday
HU: Trade	**RO: Producer prices**	**PL: Central bank**	**CZ: Central bank**	**SK: Industry, Trade**
HR: Inflation	**SI: Trade**		**CZ SI: Inflation**	
			RO HU SK: Retail	
			HU CZ: Industry	
	HU: Bills			

FX market



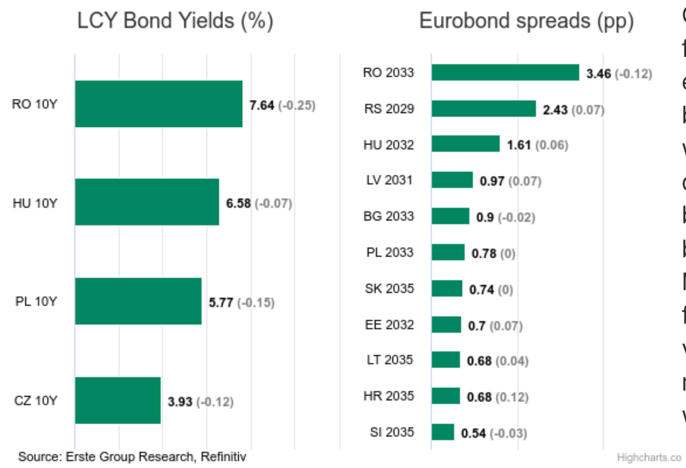
Source: Erste Group Research, Refinitiv

FX market developments

The FX market has been quite stable over the last week. The CEE currencies have held strong against the euro. The EURHUF went down to 408 and the EURPLN was shortly at 4.20. The EURCZK, on the other hand, went in the opposite direction and moved up to 25.13. Improvement of global risk assessment is supporting local currencies, especially the Hungarian forint and Polish zloty.

This week, the central bank meeting in Czechia may provide some impulse for the Czech koruna. While monetary easing is not set in stone, recent comments from the central bankers, including Governor Michl, suggest we should see the key interest rate going down to 3.75%. In Poland, the interest rate cuts have been postponed until July 2025, at least.

LCY yields, Eurobonds



Bond market developments

CEE government bonds rallied last week, supported by falling bond yields on major markets. ROMGBs performed exceptionally well, with 10-year yields dropping nearly 50 basis points w/w from their previously elevated levels. It was also a successful week for Romania in terms of domestic issuance. The MinFin saw strong demand, with bid-cover ratios well above 2 in auctions of 6Y, 8Y and 10Y bonds, compared to similar auctions in previous weeks. The MinFin borrowed RON 2.8bn, with RON 1.57bn coming from 2Y bonds, marking the fourth-largest borrowed volume in the last 12 months. This week, in addition to regular bond auctions in Poland and Hungary, only T-bills will be offered in Hungary.

In case you missed

CEE: Trade developments in the region
CEE: Pot of RRF money for CEE is still high

Czechia: GDP growth could accelerate this year
Croatia: Retail trade grew 6.5% y/y in December
Croatia: December industrial production rebounded at 5.3% y/y
Hungary: GDP grew by 0.4% y/y in 4Q24
Hungary: Hawkish change in MNB's forward guidance
Poland: Last year's economic growth positively surprises, implying strong fourth quarter
Serbia: Real GDP rose 3.8% y/y in 2024
Serbia: Fitch affirmed Serbia's rating at BB+ with positive outlook.
Romania: Economic confidence dropped below long-term average

Analyst:
Juraj Kotian
+43 (0)5 0100 17357
juraj.kotian@erstegroup.com

Katarzyna Rzentarzewska
+43 5 0100 17356
katarzyna.rzentarzewska@erstegroup.com

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
03. Feb	**8:30**	**HU**	Trade Balance	Dec P		819.00	
	11:00	**HR**	CPI (y/y)	Jan P		3.40%	
	11:00	**HR**	CPI (m/m)	Jan P		0.10%	
04. Feb	**8:00**	**RO**	PPI (y/y)	Dec		-0.37%	
	10:30	**SI**	Trade Balance	Dec		-0.29	
05. Feb		**PL**	Central Bank Rate	Feb-25		5.75%	
06. Feb	**8:00**	**RO**	Retail Sales (y/y)	Dec	9.10%	9.20%	We expect retail sales to post a monthly contraction in Dec-24 as it is being suggested by declining confidence indicators.
	8:30	**HU**	Industrial Production (y/y)	Dec		-2.90%	
	8:30	**HU**	Retail Sales (y/y)	Dec		4.10%	
	9:00	**CZ**	CPI (y/y)	Jan P	2.50%	3.00%	Inflation should remain close to the target, with uncertainty remaining elevated especially for food and energy prices.
	9:00	**CZ**	CPI (m/m)	Jan P	1.00%	-0.30%	We are expecting an increase in food prices, services, including a seasonal increase in holiday prices.
	9:00	**CZ**	Industrial Production (y/y)	Dec	-3.90%	-2.70%	Industrial production remains weak, with subdued demand from Germany weighing on it.
	9:00	**CZ**	Trade Balance	Dec	6.40	16.30	The balance of foreign trade is still positively influenced mainly by the production of automobiles. Weak demand from Germany and the seasonal factor are working in the opposite direction.
	9:00	**SK**	Retail Sales (y/y)	Dec	4.00%	5.00%	The official tax registration system indicates an increase of 4% compared to the previous year.
	10:30	**SI**	CPI (y/y)	Jan		1.90%	
	10:30	**SI**	CPI (m/m)	Jan		-0.30%	
	14:30	**CZ**	Central Bank Rate	Feb-25	3.75%	4.00%	We expect a slight reduction in rates. The preliminary estimate of January inflation, which will be released shortly before the meeting, will be important.
07. Feb	**9:00**	**SK**	Industrial Production (y/y)	Dec	0.00%	0.30%	On a yearly basis, stagnation is expected. Compared to November, a slight increase of 0.5% could be recorded.
	9:00	**SK**	Trade Balance	Dec	98.00	327.90	Based on the expected m/m rise of imports and slower growth of exports, foreign trade balance should narrow.

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia 10Y	3.93	3.94	3.79	3.67	3.59
Hungary 10Y	6.58	6.36	6.25	6.18	6.11
Poland 10Y	5.77	5.50	5.20	5.00	4.90
Romania10Y	7.64	7.70	7.00	7.10	7.20
Serbia 10Y	5.83	4.80	4.70	4.50	4.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	68.00	75.00	75.00	80.00	80.00
Slovakia 10Y	74.00	110.00	110.00	110.00	110.00
Slovenia 10Y	54.00	70.00	70.00	70.00	70.00
DE10Y yields	2.44	2.40	2.30	2.30	2.20

FX	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
EURCZK	25.18	25.05	24.90	24.83	24.75
EURHUF	407.61	410.00	410.00	413.00	415.00
EURPLN	4.21	4.25	4.30	4.30	4.30
EURRON	4.97	4.98	5.00	5.05	5.08
EURRSD	116.95	117.00	116.90	116.80	117.00
EURUSD	1.04	1.03	1.03	1.05	1.06

3M Money Market Rate	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia	3.83	3.81	3.68	3.44	3.27
Hungary	6.50	6.50	6.35	6.10	5.85
Poland	5.86	5.80	5.60	5.40	5.20
Romania	5.94	5.70	5.70	5.50	5.05
Serbia	4.70	4.45	4.38	4.17	3.96
Eurozone	2.59	2.46	2.22	1.98	1.99

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia	4.00	3.75	3.75	3.50	3.25
Hungary	6.50	6.50	6.25	6.00	5.75
Poland	5.75	5.75	5.50	5.25	5.00
Romania	6.50	6.50	6.50	6.25	5.75
Serbia	5.75	5.50	5.25	5.00	4.75
Eurozone	2.75	2.50	2.25	2.00	2.00

Real GDP growth (%)	2023	2024f	2025f	2026f
Croatia	3.3	3.5	2.9	2.8
Czechia	0.0	0.9	2.2	2.9
Hungary	-0.9	0.5	2.0	3.6
Poland	0.1	2.9	3.3	3.2
Romania	2.4	0.8	2.8	3.4
Serbia	3.8	4.0	4.5	4.3
Slovakia	1.4	2.0	2.0	1.9
Slovenia	2.1	1.4	2.2	2.4
CEE8 avg	0.8	1.9	2.8	3.2

Average inflation (%)	2023	2024f	2025f	2026f
Croatia	8.1	2.9	2.7	2.5
Czechia	10.7	2.5	2.5	2.3
Hungary	17.6	3.7	4.5	3.2
Poland	11.4	3.7	4.1	2.8
Romania	10.5	5.6	4.4	3.2
Serbia	12.5	4.7	3.7	3.2
Slovakia	10.5	2.8	4.6	3.3
Slovenia	7.4	2.0	2.7	2.2
CEE8 avg	11.5	3.7	3.9	2.9

Unemployment (%)	2023	2024f	2025f	2026f
Croatia	6.1	5.2	4.8	4.6
Czechia	2.6	2.7	3.2	3.5
Hungary	4.1	4.5	4.3	3.9
Poland	5.1	5.1	5.0	5.1
Romania	5.6	5.3	5.3	5.2
Serbia	9.5	8.5	8.1	7.9
Slovakia	5.8	5.5	5.5	5.3
Slovenia	3.7	3.7	3.6	3.5
CEE8 avg	4.9	4.8	4.8	4.8

Public debt (% of GDP)	2023	2024f	2025f	2026f
Croatia	61.8	58.2	57.5	56.8
Czechia	42.4	43.5	44.4	44.6
Hungary	73.5	73.4	73.3	72.2
Poland	49.7	54.0	58.0	60.0
Romania	48.8	52.4	54.2	54.3
Serbia	48.1	47.6	47.1	47.0
Slovakia	56.1	58.3	58.9	59.6
Slovenia	68.3	67.3	65.8	64.8
CEE8 avg	52.2	54.6	56.6	57.3

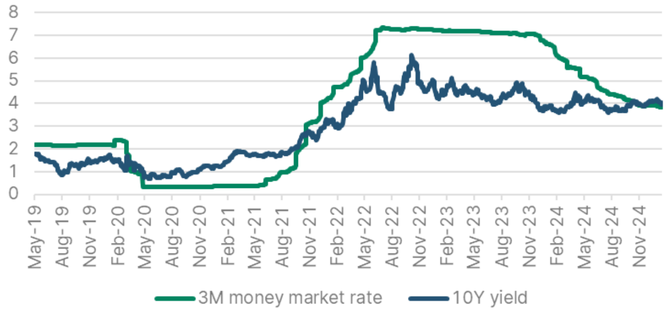
C/A (%GDP)	2023	2024f	2025f	2026f
Croatia	0.4	-0.2	-0.8	-1.0
Czechia	0.3	1.3	0.9	1.0
Hungary	0.7	2.3	1.8	2.0
Poland	1.8	-0.3	-1.0	-1.0
Romania	-6.6	-8.1	-7.8	-6.8
Serbia	-2.4	-5.5	-5.7	-5.9
Slovakia	-1.6	-0.6	-0.2	0.3
Slovenia	4.5	3.4	3.0	2.7
CEE8 avg	-0.3	-1.2	-1.6	-1.4

Budget Balance (%GDP)	2023	2024f	2025f	2026f
Croatia	-0.9	-2.2	-2.5	-2.2
Czechia	-3.8	-2.9	-2.4	-2.1
Hungary	-6.7	-4.8	-4.4	-3.9
Poland	-5.1	-5.9	-5.8	-4.5
Romania	-6.6	-8.3	-7.0	-6.4
Serbia	-2.1	-2.7	-3.0	-3.0
Slovakia	-5.2	-6.0	-4.5	-3.8
Slovenia	-2.5	-2.7	-2.4	-1.5
CEE8 avg	-4.9	-5.3	-4.9	-4.1

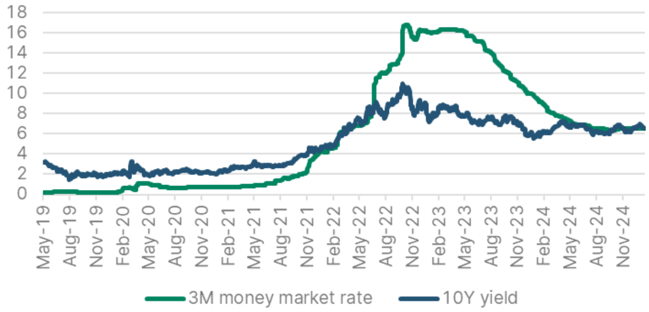
Source: Bloomberg, Erste Group Research

Appendix

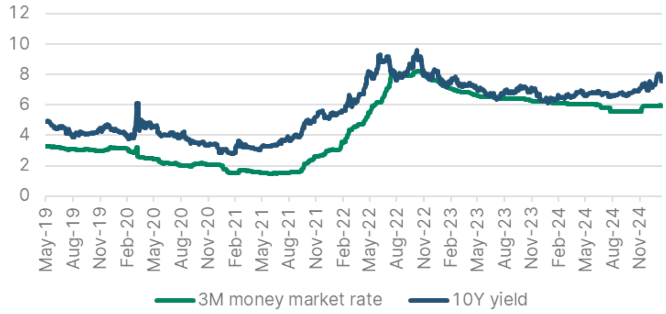
Czechia



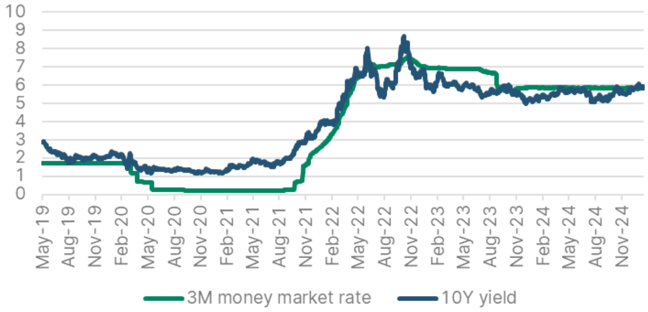
Hungary



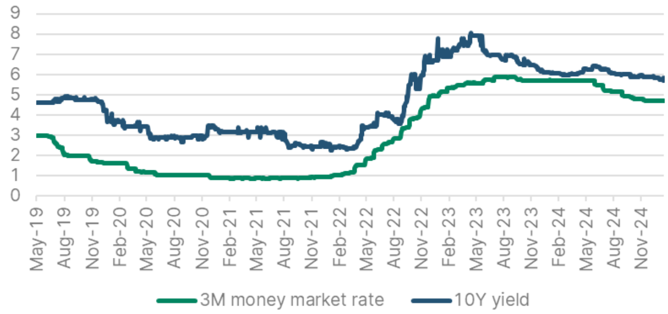
Romania



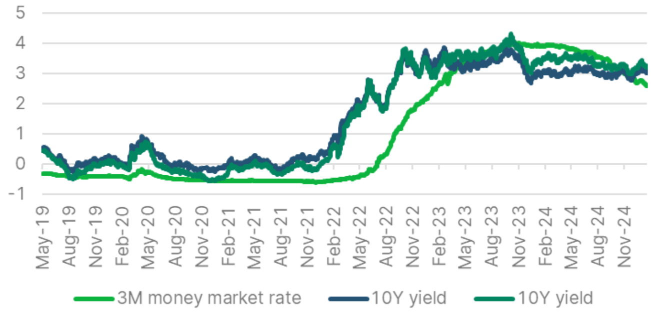
Poland



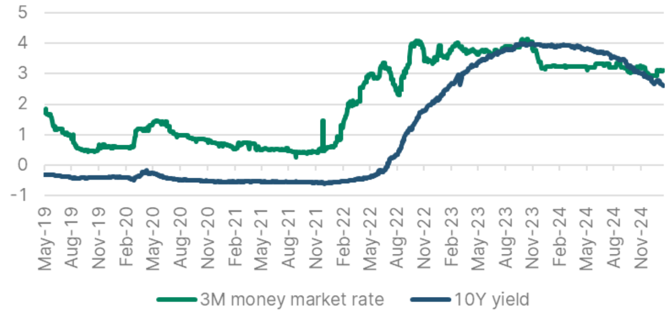
Serbia



Slovakia and Slovenia



Croatia



Source: Bloomberg, Erste Group Research

Group Research

Head of Group Research
Friedrich Mostböck, CEFA®, CESGA® +43 (0)5 0100 11902

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356
Jakub Cery (Fixed income) +43 (0)5 0100 17384

Croatia/Serbia
Alen Kovac (Head) +385 72 37 1383
Mate Jelić +385 72 37 1443
Ivana Rogic +385 72 37 2419

Czech Republic
David Navratil (Head) +420 956 765 439
Jiri Polansky +420 956 765 192
Michal Skorepa +420 956 765 172

Hungary
Orsolya Nyeste +361 268 4428
János Nagy +361 272 5115

Romania
Ciprian Dascalu (Head) +40 3735 10108
Eugen Sinca +40 3735 10435
Vlad Nicolae Ionita +40 7867 15618

Slovakia
Maria Valachyova (Head) +421 2 4862 4185
Matej Hornak +421 902 213 591
Marian Kocis +421 904 677 274

Major Markets & Credit Research
Head: Rainer Singer +43 (0)5 0100 17331
Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies) +43 (0)5 0100 16314
Hans Engel (Global Equities) +43 (0)5 0100 19835
Maurice Jiszda, CEFA®, CFDS® (USA, CHF) +43 (0)5 0100 19630
Peter Kaufmann, CFA® (Corporate Bonds) +43 (0)5 0100 11183
Heiko Langer (Financials & Covered Bonds) +43 (0)5 0100 85509
Stephan Lingnau (Global Equities) +43 (0)5 0100 16574
Maximilian Möstl (Credit Analyst Austria) +43 (0)5 0100 17211
Carmen Riefler-Kowarsch (Financials & Covered Bonds) +43 (0)5 0100 19632
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds) +43 (0)5 0100 17203
Elena Statelov, CIIA® (Corporate Bonds) +43 (0)5 0100 19641
Gerald Walek, CFA® (Eurozone) +43 (0)5 0100 16360

CEE Equity Research
Head: Henning Eßkuchen, CESGA® +43 (0)5 0100 19634
Daniel Lion, CIIA® (Technology, Ind. Goods&Services) +43 (0)5 0100 17420
Michael Marschallinger, CFA® +43 (0)5 0100 17906
Nora Nagy (Telecom) +43 (0)5 0100 17416
Christoph Schultes, MBA, CIIA® (Real Estate) +43 (0)5 0100 11523
Thomas Unger, CFA® (Banks, Insurance) +43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343
Martina Valenta, MBA +43 (0)5 0100 11913

Croatia/Serbia
Mladen Dodig (Head) +381 11 22 09178
Boris Pevalek, CFA® +385 99 237 2201
Marko Plastic +385 99 237 5191
Bruno Barbic, CFA® +385 99 237 1041
Davor Spoljar, CFA® +385 72 37 2825
Magdalena Basic +385 99 237 1407

Czech Republic
Petr Bartek (Head, Utilities) +420 956 765 227
Jan Bystřický +420 956 765 218

Hungary
József Miró (Head) +361 235 5131
András Nagy +361 235 5132
Tamás Pletser, CFA® (Oil & Gas) +361 235 5135

Poland
Cezary Bernatek (Head) +48 22 257 5751
Piotr Bogusz +48 22 257 5755
Łukasz Jańczak +48 22 257 5754
Krzysztof Kawa, CIIA® +48 22 257 5752
Jakub Szkopek +48 22 257 5753

Romania
Caius Rapanu +40 3735 10441

Group Markets

Head of Group Markets
Oswald Huber +43 (0)5 0100 84901

Group Markets Retail and Agency Business
Head: Christian Reiss +43 (0)5 0100 84012

Markets Retail Sales AT
Head: Markus Kaller +43 (0)5 0100 84239

Group Markets Execution
Head: Kurt Gerhold +43 (0)5 0100 84232

Retail & Sparkassen Sales
Head: Uwe Kolar +43 (0)5 0100 83214

Markets Retail Sales CZ
Head: Roman Choc +420 956 765 374

Markets Retail Sales HUN
Head: Peter Kishazi +36 1 23 55 853

GM Retail Products &Business Development
Head: Martin Langer +43 (0)50100 11313

Corporate Treasury Product Distribution AT
Head: Martina Kranzl-Carvell +43 (0)5 0100 84147

Group Securities Markets
Head: Thomas Einramhof +43 (0)50100 84432

Institutional Distribution Core
Head: Jürgen Niemeier +49 (0)30 8105800 5503

Institutional Distribution DACH+
Head: Marc Friebertshäuser +49 (0)711 810400 5540
Bernd Bollhof +49 (0)30 8105800 5525
Andreas Goll +49 (0)711 810400 5561
Mathias Gindele +49 (0)711 810400 5562
Ulrich Inhofner +43 (0)5 0100 85544
Sven Kienzle +49 (0)711 810400 5541
Rene Klasen +49 (0)30 8105800 5521
Christopher Lampe-Traupe +49 (0)30 8105800 5523
Danijel Popovic +49 1704144713
Michael Schmotz +43 (0)5 0100 85542
Christoph Ungerböck +43 (0)5 0100 85558
Klaus Vosseler +49 (0)711 810400 5560
Slovakia
Šarlota Šipulová +421 2 4862 5619
Monika Směliková +421 2 4862 5629

Institutional Distribution CEE & Insti AM CZ
Head: Antun Burić +385 (0)7237 2439
Jaromir Malak +43 (0)5 0100 84254

Czech Republic
Head: Ondrej Čech +420 2 2499 5577
Milan Bartoš +420 2 2499 5562
Jan Porvich +420 2 2499 5566
Pavel Zdichynec +420 2 2499 5590

Institutional Asset Management Czech Republic
Head: Petr Holeček +420 956 765 453
Petra Maděrová +420 956 765 178
Martin Peřina +420 956 765 106
David Petráček +420 956 765 809
Blanka Weinerová +420 956 765 317
Petr Valenta +420 956 765 140
Croatia
Head: Antun Burić +385 (0)7237 2439
Zvonimir Tukač +385 (0)7237 1787
Ana Tunjić +385 (0)7237 2225
Natalija Zujic +385 (0)7237 1638
Hungary
Head: Peter Csizmadia +36 1 237 8211
Gábor Bálint +36 1 237 8205
Balazs Papay +36 1 237 8213
Gergő Szabo +36 1 237 8209
Romania
Head: Cristian Vasile Pascu +40 373 511 695

Group Institutional Equity Sales
Head: Michal Řízek +420 224 995 537
Werner Fürst +43 (0)50100 83121
Viktoria Kubalcova +43 (0)5 0100 83124
Thomas Schneidhofer +43 (0)5 0100 83120
Oliver Schuster +43 (0)5 0100 83119
Czech Republic
Head: Michal Řízek +420 224 995 537
Jiří Fereš +420 224 995 554
Martin Havlan +420 224 995 551
Pavel Krabička +420 224 995 411
Poland
Head: Jacek Jakub Langer +48 22 257 5711
Tomasz Galanciak +48 22 257 5715
Wojciech Wysocki +48 22 257 5714
Przemyslaw Nowosad +48 22 257 5712
Maciej Senderek +48 22 257 5713
Croatia
Matija Tkalicanac +385 72 37 21 14
Hungary
Nandori Levente + 36 1 23 55 141
Krisztian Kandik + 36 1 23 55 162
Balasz Zankay + 36 1 23 55 156
Romania
Valerian Ionescu +40 3735 16541

Group Fixed Income Securities Markets
Head: Goran Hoblaj +43 (0)50100 84403

Fixed Income Flow Sales
Head: Gorjan Hoblaj +43 (0)5 0100 84403
Margit Hraschek +43 (0)5 0100 84117
Christian Kienesberger +43 (0)5 0100 84323
Ciprian Mitu +43 (0)5 0100 85612
Bernd Thaler +43 (0)5 0100 84119
Zsuzsanna Toth +36 1 237 8209
Poland
Pawel Kielek +48 22 538 6223
Michal Jarmakowicz +43 50100 85611

Fixed Income Flow Trading
Head: Gorjan Hoblaj +43 (0)5 0100 84403

Group Fixed Income Securities Trading
Head: Goran Hoblaj +43 (0)50100 84403

Group Equity Trading & Structuring
Head: Ronald Nemec +43 (0)50100 83011

Business Support
Bettina Mahoric +43 (0)50100 86441

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