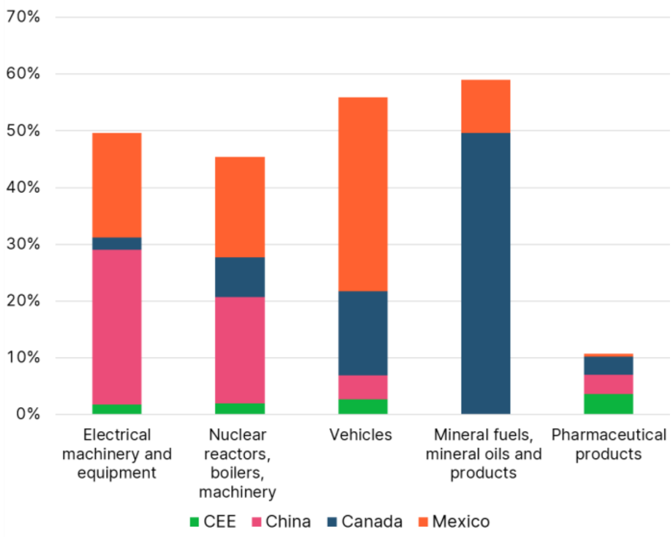
CEE MACRO AND FI DAILY

Trump threatens tariffs on main import partners, Slovakia and Slovenia most vulnerable in CEE

On the Radar

- Polish central bank left the key policy rate unchanged at 5.75%
- Today, Czech central bank will announce interest rate decision at 2.30 PM CET. Cut is quite likely scenario.
- January's flash inflation landed at 2.8% y/y in Czechia
- December's retail sales in Romania grew by 7.8% y/y, in Hungary by 0.1% y/y and in Slovakia the growth accelerated to 10.1% y/y
- December's industrial output growth in Hungary declined by -6.4% y/y and in Czechia by -3.0% y/y
- In Slovenia at 10.30 AM CET January's inflation will be released.

Share in US imports in respective category, percent of total

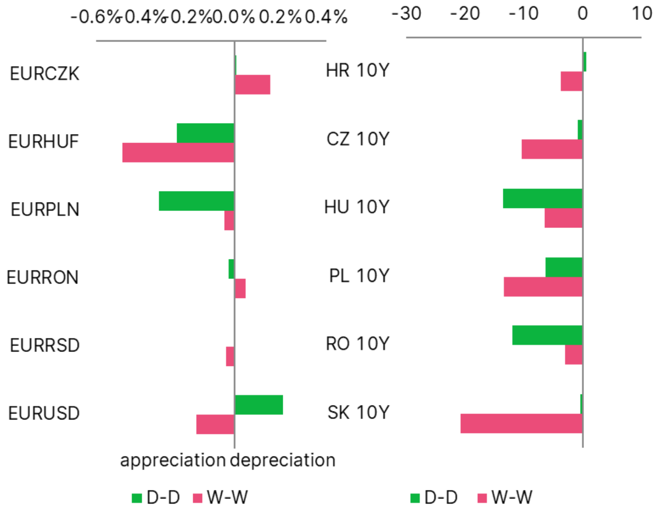


Source: Erste Group Research

Economic developments

Although President Donald Trump announced a pause in tariffs on Mexico and Canada for a month, the proposed tariffs (25% duty on all imports from Mexico, most imports from Canada and a new 10% tariff on Chinese goods) remain threat to global trade. Majority of the US imports in sectors with the biggest share in the total US imports come from these three countries. China dominates in electrical machinery (15% of total US imports) and nuclear reactors, boilers and machinery (14% of total US imports). Canada has the biggest share in mineral fuels, oils and products (8% of total US imports) and non-negligible share in vehicles (12% of total US imports). Mexico stands out in vehicles and electrical machinery. Europe has not been threatened with a concrete increase in tariffs just yet. However, as far as the region is concerned, two sectors, namely vehicles and pharmaceutical products, are most exposed to the negative impact of tariffs. On top of that, it makes Slovakia and Slovenia particularly vulnerable at the country level, as there is little diversification in these two countries' exports to the US.

Market performance



Source: Erste Group Research

Market developments

The central bank in Poland left the key policy rate unchanged at 5.75% and today's press conference of Governor Glapinski should shed more light when monetary easing may possibly begin. The press release after the interest rate decision remained largely unchanged, reiterating the risks of inflation, which we believe are somewhat overestimated. At this point we anticipate continued stability in interest rates until summer, with the first adjustment potentially occurring in July. Today, Czech central bank will announce the interest rate decision in the afternoon hours. Recent comments form the central bankers, including Governor Michl, suggest that interest rate cut is quite likely. Ahead of the meeting, the Czech koruna has weakened against the euro, as opposed to the peers. EURHUF moved toward 406 while EURPLN holds at 4.20. Long term yields have been moving down.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
06. Feb	**08:00**	**RO**	Retail Sales (y/y)	Dec		9.10%	9.20%
	08:30	**HU**	Industrial Production (y/y)	Dec	-4.13%		-2.90%
	08:30	**HU**	Retail Sales (y/y)	Dec	1.57%		4.10%
	09:00	**CZ**	CPI (y/y)	Jan P	2.76%	2.50%	3.00%
	09:00	**CZ**	CPI (m/m)	Jan P	1.27%	1.00%	-0.30%
	09:00	**CZ**	Industrial Production (y/y)	Dec		-3.90%	-2.70%
	09:00	**CZ**	Trade Balance	Dec		6.40	16.30
	09:00	**SK**	Retail Sales (y/y)	Dec		4.00%	5.00%
	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%	3.75%	4.00%
07. Feb	**09:00**	**SK**	Industrial Production (y/y)	Dec		0.00%	0.30%
	09:00	**SK**	Trade Balance	Dec		98.00	327.90

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.14	0.0	0.2
EUR/HUF	405.93	-0.2	-0.5
EUR/PLN	4.20	-0.3	0.0
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.92	0.0	0.0
EUR/USD	1.04	0.2	-0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.83	0	-1
HUF	6.50	0	0
PLN	5.86	1	0
RON	5.94	0	-1
RSD	4.70	0	0
EUR	2.53	-1	-8

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.89	-1	-10
HU 10Y	6.50	-14	-6
PL 10Y	5.76	-6	-13
RO 10Y	7.51	-12	-3
HR 10Y	3.09	1	-4
SK 10Y	3.06	0	-21

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