

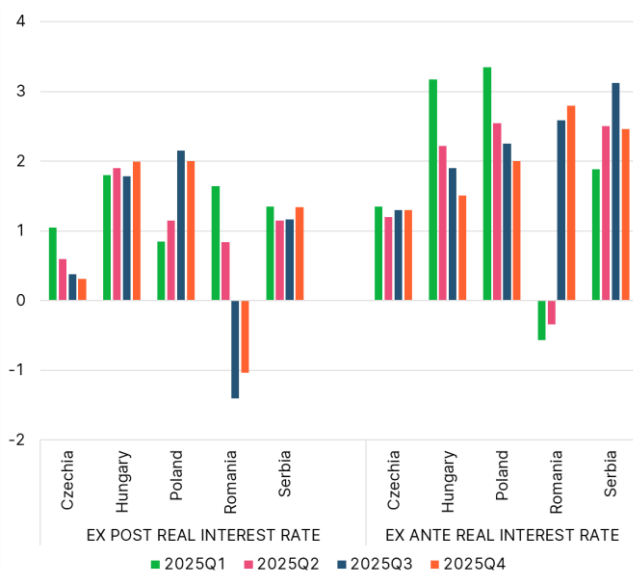
CEE MACRO AND FI DAILY

Real interest rates to remain positive

On the Radar

- In Poland, industrial output growth disappointed in June as industry contracted by -0.1% y/y. Producer prices declined by -1.8% y/y.
- Growth of wages in Poland remained strong at 9.0% y/y in June. Employment contracted by -0.8% y/y.
- In Slovenia, producer prices grew by 1.3% y/y in June.
- Unemployment in Croatia declined toward 3.8% in June while real wage growth arrived at 6.5% y/y in May.
- Today, at 10 AM CET, Poland releases retail sales growth in June. At 10.30 AM CET, Slovenia publishes real wage growth in May.
- At 2 PM CET Hungary announces interest rate decision.

Ex-post and ex-ante real interest rate, percent

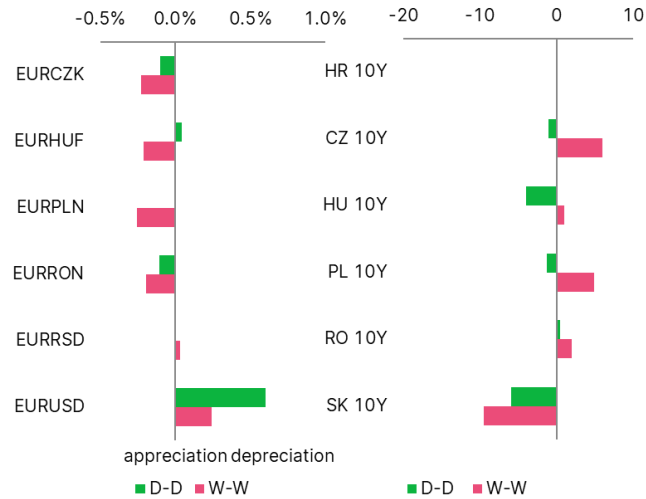


Source: Erste Group Research

Economic developments

Ahead of the Hungarian central bank decision on interest rate (we expect no change of key policy rate currently at 6.50%), we look at the real interest rate development across the region. In general, both ex-post real interest rate (central bank rate and inflation rate at the same period) and ex-ante real interest rate (central bank rate and expected inflation rate in one-year) are positive in most of the CEE countries. In Czechia, ex-post real interest rate remains positive but is expected to decline while the ex-ante should remain around 1% throughout the rest of the year. Hungary, Poland and Serbia have positive ex-post and ex-ante real interest rate. In Poland, ex-post real interest rate is expected to increase, however (inflation falling faster than key policy rate). In Romania situation is the most interesting as ex-post real interest rate is expected to turn negative in the second half of the year, while ex-ante real interest rate will become positive given inflation and interest rate outlook (no cut until the end of the year).

Market performance



Source: Erste Group Research

Market developments

Apart from Hungarian central bank meeting (interest rate at 6.50%), there are other news. Czech central bank made its first investment in the crypto sector by buying 51 000 stocks of the American Coinbase operator of the crypto bourse Coinbase Global. In Poland, government reshuffle is planned for Wednesday and Thursday. According to the news releases two large ministries will be created. One will be responsible for economic affairs and the other for energy. Romania sold RON 800 million of bonds maturing in 2032. Bonds were priced to yields 7.31% and the bid-to-cover ratio was at 1.49. Romania considers returning to the international bond market later this year to refinance part of foreign currency bonds maturing in 2026 (worth EUR 4.25 billion in total). Czechia announced an issuance plan for August (CZK 20 billion in Bonds and CZK 10 billion in T-Bills). Both FX and bond markets were stable at the beginning of the week in the region.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
22. Jul	10:00	PL	Retail Sales (y/y)	Jun			4.30%
	14:00	HU	Central Bank Rate	Jul 25		6.50%	6.50%
23. Jul	10:00	PL	Unemployment Rate	Jun			5.00%
24. Jul			No releases scheduled				

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.60	-0.1	-0.2
EUR/HUF	398.77	0.0	-0.2
EUR/PLN	4.24	0.0	-0.3
EUR/RON	5.06	-0.1	-0.2
EUR/RSD	117.05	0.0	0.0
EUR/USD	1.17	0.6	0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.49	0	0
HUF	6.50	0	0
PLN	4.99	-1	-4
RON	6.70	0	-5
RSD	4.68	0	0
EUR	1.97	-2	-7

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.31	-1	6
HU 10Y	6.99	-4	1
PL 10Y	5.37	-1	5
RO 10Y	7.13	0	2
HR 10Y	3.10	0	0
SK 10Y	3.38	-6	-10

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