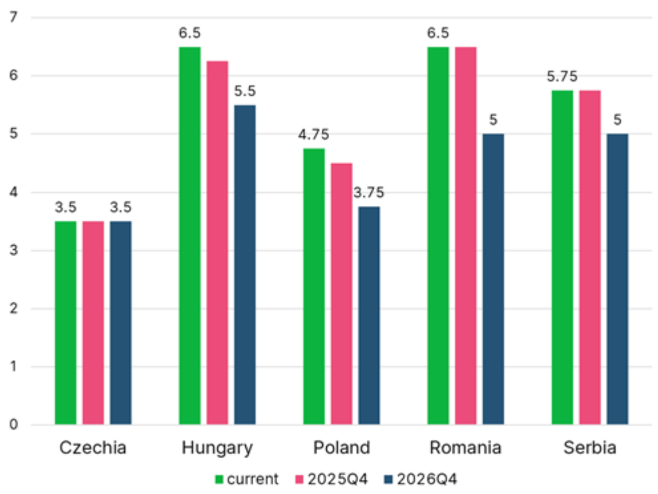
CEE MACRO AND FI DAILY

Rate cuts this year still expected in Hungary and Poland

On the Radar

- Poland's central bank lowered key interest rate to 4.75% on Wednesday.
- Real wage growth accelerated to 5.3% y/y in Czechia in 2Q25.
- Industrial output declined in Croatia by -0.9% y/y.
- Today, retail sales growth will be released in Romania (8 AM CET), Hungary (8.30 AM CET) and Slovakia (9 AM CET).

Interest rate forecast, percent

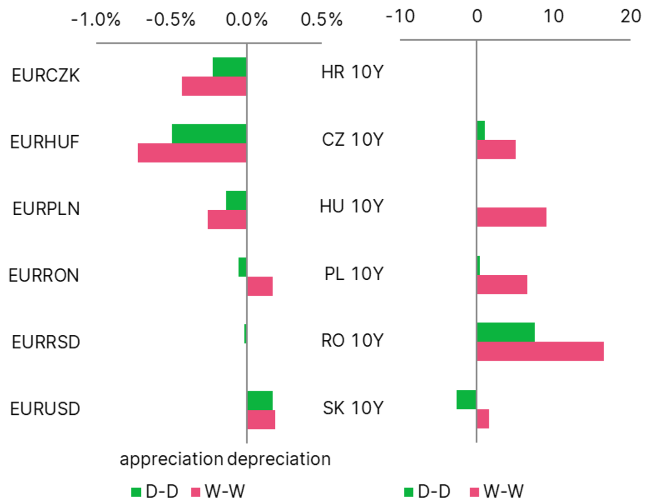


Source: Erste Group Research

Economic developments

Today we summarize the monetary policy outlook for the region for 2025 and for the next year. On Wednesday, Poland's central bank lowered key interest rate to 4.75% as was broadly expected. Inflation has eased more than expected in August (2.8% y/y) and nominal wage growth shows signs of slowing down. So far Poland's central bank lowered key interest rate by 100 basis points this year. We still see one more adjustment this year in Poland and in Hungary. In Hungary, it is conditional on inflation development, FX market stability as well as other central banks' decisions. Next year, monetary easing is expected in all CEE countries but Czechia, where 3.5% seems to be the terminal rate. Decline of inflation supports lower interest rate environment. In Hungary interest rate should fall toward 5.5%. In Poland, we see terminal key policy rate at 3.75% (adjustment up from 3.5% previously expected). In Romania, monetary easing should begin once there is more clarity about inflation development and see key interest rate at 5% at the end of 2026 - the same as in Serbia.

Market performance



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Market developments

CEE currencies strengthened against the euro on Wednesday in response to the weak US jobs data and ahead of the Fed's meeting in September. EURCZK is at 24.43, EURPLN moved toward 4.25 and EURHUF is as low as 393 marking roughly 0.8% appreciation since the beginning of the week. The bond market has shown mixed performance this week. Poland's President Karol Nawrocki met with President Trump and as the outcome of the visit, President Nawrocki received a commitment that the US will not pull troops from Poland and could even increase their presence. It was the first foreign visit of President Nawrocki.

Upcoming releases in CEE

FX Market

	Last	Change (%) d/d	Change (%) w/w
EUR/CZK	24.40	-0.2	-0.4
EUR/HUF	393.20	-0.5	-0.7
EUR/PLN	4.25	-0.1	-0.3
EUR/RON	5.07	-0.1	0.2
EUR/RSD	117.00	0.0	0.0
EUR/USD	1.17	0.2	0.2

3M Market

	Last	Change (bps) d-d	Change (bps) w-w
CZK	3.49	-1	-1
HUF	6.50	0	0
PLN	4.81	-1	-3
RON	6.55	-1	-5
RSD	4.68	0	0
EUR	2.08	0	4

10Y Yields

	Last	Change (bps) d-d	Change (bps) w-w
CZ 10Y	4.33	1	5
HU 10Y	7.16	0	9
PL 10Y	5.41	0	7
RO 10Y	7.51	8	17
HR 10Y	3.09	0	0
SK 10Y	3.55	-3	2

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