

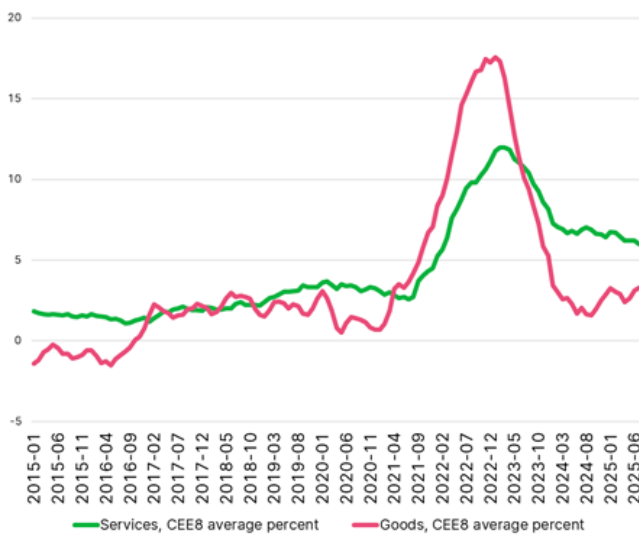
CEE MACRO AND FI DAILY

Services' inflation slowly declines while goods' prices increase

On the Radar

- Retail sales in Romania went up by 4.5% y/y in July. In Hungary it increased by 1.7% y/y while in Slovakia by 0.4% y/y.
- Inflation rate in Czechia eased toward 2.5% y/y in August.
- Romania's GDP for 2Q25 was confirmed at 0.3% y/y.
- At 9.00 AM CET Slovakia will publish 2Q25 GDP breakdown.
- Industrial output growth in Hungary in July arrived at -1% y/y, while at 9 AM CET Czechia will release retail sales growth.

Inflation of goods and services

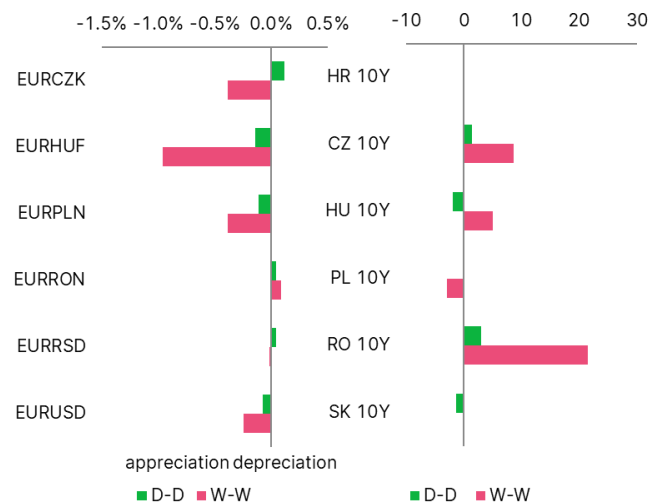


Source: Erste Group Research

Economic developments

On Thursday, Czechia published flash inflation estimate for August and it eased toward 2.5% y/y, in line with expectations. Prior to that we have seen August's inflation easing in Poland to 2.8% in Slovenia, inflation increased toward 3.0% y/y in August while in Croatia it stagnated at 4.1% y/y. In Slovakia the HICP estimate was published by Eurostat and suggests easing inflationary pressure toward 4.4% y/y in August from 4.6% y/y in July. Looking at the breakdown between inflation of services and goods, we see inflation of services declining. Although the pace is rather slow the downward trend is quite apparent. If we look at the CEE8 average, it remains elevated if compared to years prior to inflation shock. Inflation of goods, on the other hand, has picked up over the last couple of months. As opposed to the services inflation, after the surge in 2022 goods' inflation returned to the levels prior to inflation shock. All in all, we expect inflationary pressure to ease driven by further easing of services inflation.

Market performance



Source: Erste Group Research

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Market developments

Hungary, Czechia and Romania were active on the bond market. Hungary sold government papers maturing in 2029, 2031 and 2035 that were priced to yield 6.56%, 6.77% and 7.14% respectively. Romania sold 2034 bonds priced to yield 7.59%. At the top of that Romania and Czechia offered T-Bills. Today, Poland plans to sell the T-Bills. Poland's central bank Governor held press conference on Thursday suggesting there is space for further interest rate cuts this year and considers the interest rate at 4.75% as high. Hungarian central bank Governor Varga underlined the need for stability of exchange rate and focus on inflation.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
05. Sep	08:00	RO	GDP (q/q)	2Q P		1.2%	1.2%
	08:00	RO	GDP (y/y)	2Q P	0.00	0.3%	0.3%
	08:30	HU	Industrial Production (y/y)	Jul			-4.9%
	09:00	SK	GDP (y/y)	2Q F		0.4%	0.4%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.43	0.1	-0.4
EUR/HUF	392.65	-0.1	-1.0
EUR/PLN	4.25	-0.1	-0.4
EUR/RON	5.07	0.0	0.1
EUR/RSD	117.05	0.0	0.0
EUR/USD	1.16	-0.1	-0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.49	0	-1
HUF	6.50	0	0
PLN	4.79	-2	-4
RON	6.54	-1	-6
RSD	4.68	0	0
EUR	2.08	0	3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.34	1	9
HU 10Y	7.14	-2	5
PL 10Y	5.41	0	-3
RO 10Y	7.54	3	22
HR 10Y	3.09	0	0
SK 10Y	3.54	-1	0

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