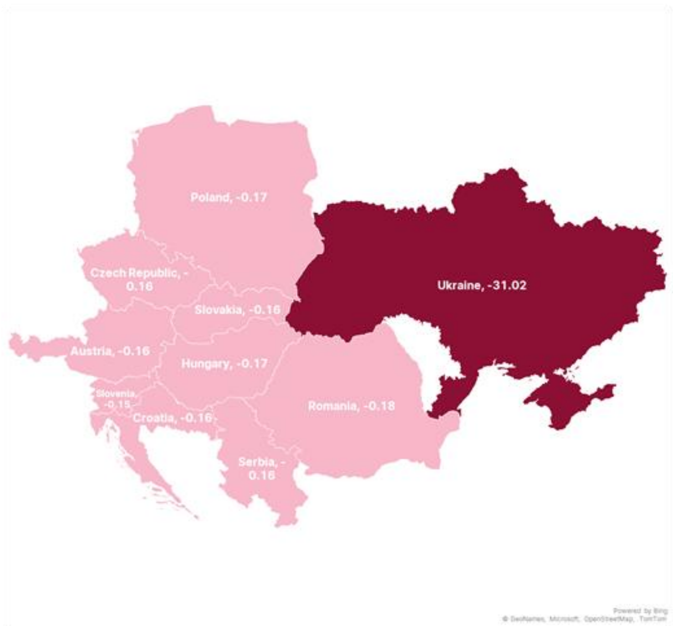
CEE MACRO AND FI DAILY

Cost of war reflects also in CEE

On the Radar

- Hungarian central bank cut the key policy rate to 6.25%.
- Unemployment rate in Poland increased to 6.0%.
- January's inflation was confirmed at 3.4% in Croatia.
- Today, Czechia releases producer prices in January (9 AM CET) while Serbia real gross wage for December (noon CET).

Deviation of GDP from trend five years following the war onset, in percent

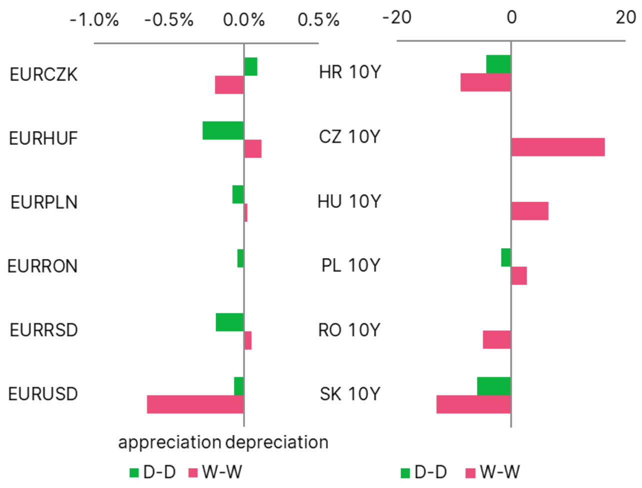


Source: Erste Group Research

Economic developments

Today, we remind the estimations of Kiel Institute regarding GDP loss from the war (Price of War). In their Kiel Policy Brief, the authors examine the costs of more than 150 wars since 1870. In the immediate theaters of war alone, real GDP falls while inflation rises. In absolute terms, Ukrainian GDP loss, over five years after the onset of the war, that is from 2022 until 2026, is estimated at USD 120.2bn (expressed in 2023 constant USD). In other words, Ukraine's GDP would be USD 120.2bn higher by 2026 in a no war scenario. In the CEE8, the absolute GDP loss is estimated to be USD 7.9bn. Poland bears the biggest absolute loss (USD 3.3bn) followed by Czechia and Romania (USD 1.1 and 1.3 bn, respectively). As the size of the economy matters, Ukraine's GDP is anticipated to be 31% lower than it would have been without the war's impact. In the region, it is up to 0.2%. When we look at the economic development of the region since the outbreak of the war (1Q22), we see that most of the CEE economies sustained rather solid growth over last years. Increasing defense expenditure, diversification of gas imports or change in the mix of net electricity production as well as flow of Ukrainian refugees are among other consequences of the war in Ukraine.

Market performance



Source: Erste Group Research

Market developments

Hungarian central bank decided to cut key policy rate to 6.25%. Central bank's Governor Varga emphasized that this is not the beginning of a cutting cycle. Further decisions will be made carefully, data-driven based on meeting-to-meeting evaluation. He highlighted that the last two inflation figures were overall in line with December's expectations. Further development could be even more favorable in terms of the inflation forecast for this year, which will be presented in the March Inflation Report. February's inflation (to be published in two weeks) is expected to fall below 2 percent, we can see another 25 basis points cut at the March meeting. National Bank of Poland Governor Glapinski stated that the upcoming March projection should show inflation will be close to the NBP's target by the end of 2026 and into 2027, emphasizing the need for a continued prudent monetary policy. Further, according to Poland's Ministry of Finance estimates, the state budget deficit in 2025 amounted to PLN 275.6 billion, which was below the planned PLN 288.8 billion.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
25. Feb	**09:00**	**CZ**	PPI (y/y)	Jan			-2.1%
	12:00	**RS**	Wages (y/y)	Dec			8.4%
26. Feb	**09:00**	**SK**	PPI (y/y)	Jan			-0.3%
	10:30	**SI**	Retail Sales (y/y)	Jan		2.0%	2.4%
	11:00	**HR**	PPI (y/y)	Jan			0.1%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.20	0.1	-0.2
EUR/HUF	377.99	-0.3	0.1
EUR/PLN	4.21	-0.1	0.0
EUR/RON	5.09	0.0	0.0
EUR/RSD	117.16	-0.2	0.1
EUR/USD	1.18	-0.1	-0.6

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.48	0	0
HUF	6.25	-1	-4
PLN	3.81	-1	-5
RON	5.77	0	-4
RSD	4.68	0	0
EUR	2.04	1	3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.38	0	16
HU 10Y	6.49	0	6
PL 10Y	4.91	-2	3
RO 10Y	6.30	0	-5
HR 10Y	3.14	-4	-9
SK 10Y	3.13	-6	-13

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