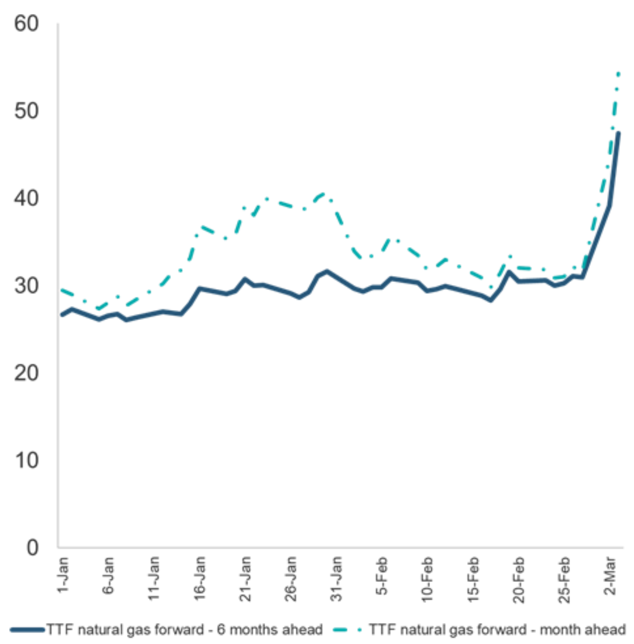
CEE MACRO AND FI DAILY

CEE economies feel more heat from the Middle East

On the Radar

- Today, Poland's central bank will announce interest rate decision.
- In Czechia, February's inflation will be released at 8 AM CET.
- Prior to Czechia, Romania publishes unemployment rate at 8 AM CET.
- 4Q25 GDP in Hungary was revised marginally up to 0.8% y/y while in Czechia to 2.6% y/y.
- February's inflation in Croatia went up to 3.8% y/y.

TTF natural gas forward, EUR

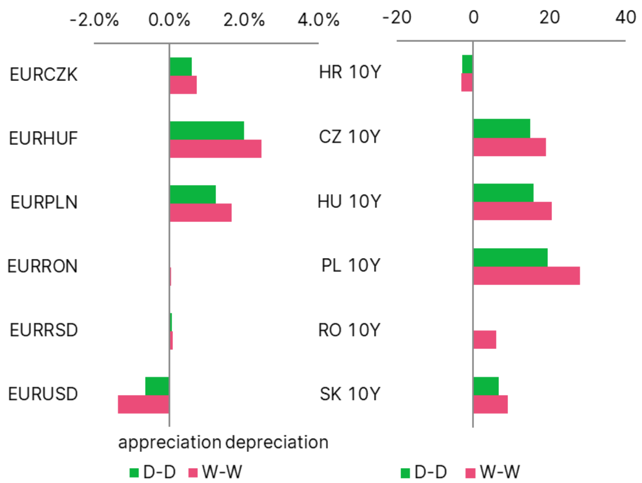


Source: Erste Group Research

Economic developments

We summarized initial market reactions to the conflict in Iran, our expectations of inflation development and implication for interest rate outlook in CEE Special Report | Conflict in Iran – risk of higher inflation and less monetary easing. Since publication, CEE currencies have weakened further, and long-term yields have increased even more. In general, higher inflation and less monetary easing are being priced in. A more pronounced effect on the bond market should be expected in non-Eurozone countries as opposed to the peers under the jurisdiction of the ECB. Surge in prices of oil and natural gas leave us alerted that if the oil price is holding close to USD 80 per barrel (Brent) for longer, it could add from 0.2 percentage points to as much as 0.5 percentage points (depending on the country) to the year-end inflation estimate. The impact of fuel price increases on inflation is likely to become apparent fairly quickly. An increase in gas prices poses additional upward risks, though the pass-through to inflation depends greatly on the regulatory environment and may differ substantially from country to country. Consequently, we see risks for our current interest rate outlook. An extended period with elevated oil and gas prices would reduce the space to ease monetary conditions across the region.

Market performance



Source: Erste Group Research

Market developments

Poland's central bank will announce interest rate decision. Prior to conflict in Iran, the broad consensus was that central bank will deliver interest rate cut. Surge of prices of oil and natural gas, however, bring some uncertainty how the Poland's central bank will decide today. New inflation and growth projections will be released alongside with interest rate decision. The CEE currencies keep weakening against euro. The Czech koruna depreciated only 0.5% from the beginning of the week, the Polish zloty is weaker around 1.5% while the Hungarian forint depreciated by more than 3%. Long-term yields have increased visibly by as much as 30 basis points in Poland and Romania, roughly 25 basis points in Hungary and Czechia and almost 20 basis points in Slovakia.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
04. Mar		**PL**	Central Bank Rate	Mrz 26		3.8%	4.0%
	08:00	**RO**	Unemployment Rate	Jan			6.0%
	09:00	**CZ**	CPI (y/y)	Feb P		1.7%	1.6%
	09:00	**CZ**	CPI (m/m)	Feb P		0.9%	0.9%
05. Mar	**08:30**	**HU**	Retail Sales (y/y)	Jan		1.5%	3.5%
	09:00	**SK**	Retail Sales (y/y)	Jan			-5.0%
	11:00	**HR**	Retail Sales (y/y)	Jan		3.0%	4.8%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.38	0.6	0.7
EUR/HUF	387.31	2.0	2.5
EUR/PLN	4.28	1.2	1.7
EUR/RON	5.09	0.0	0.0
EUR/RSD	117.28	0.1	0.1
EUR/USD	1.16	-0.6	-1.4

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.50	2	2
HUF	6.16	1	-9
PLN	3.81	1	0
RON	5.76	1	-1
RSD	4.68	0	0
EUR	2.04	1	-1

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.57	15	19
HU 10Y	6.69	16	21
PL 10Y	5.19	20	28
RO 10Y	6.36	0	6
HR 10Y	3.11	-3	-3
SK 10Y	3.22	7	9

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