

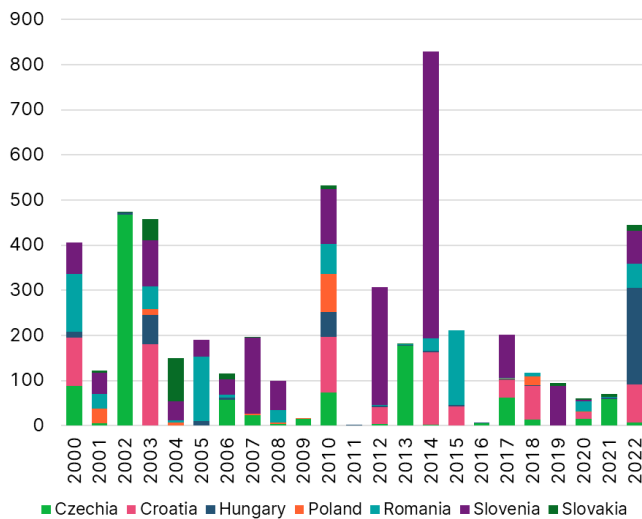
CEE MACRO AND FI DAILY

CEE faces economic damages from floods

On the Radar

- Producer prices grew 1.1% y/y in August in Czechia easing from 1.7% y/y in the previous month.
- Core inflation in Poland eased marginally to 3.7% y/y in August.
- Today, at 11 AM CET, Croatia will release final inflation footprint for August.

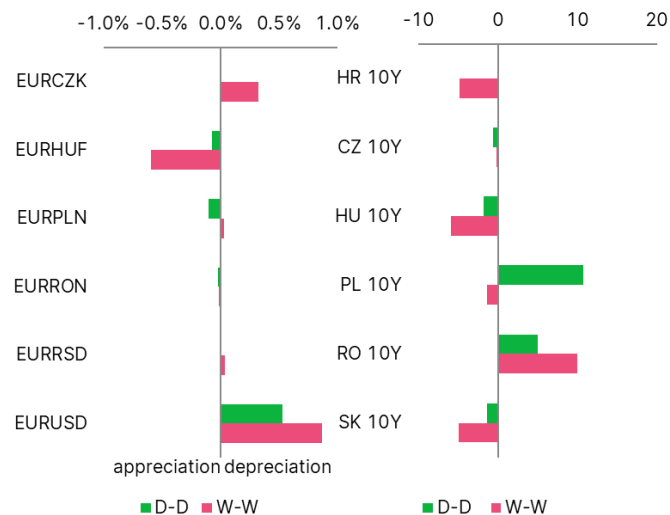
Climate related loses EUR per habitant Economic developments



Source: Erste Group Research

Today, we will examine economic losses related to hydrological events (floods and mass movements) as well as meteorological events (storms) in the CEE region, which is currently battling floods after heavy rainfalls last week. Countries affected in our region include Austria, Czechia, Poland, Romania, and Slovakia. Comparisons are being made to the floods from 1997, which raises relevant questions about the economic losses these countries are going to suffer. Despite the floods being as heavy as in 1997 in many places, the affected countries seem to be better prepared. Not only are the forecasts more accurate, allowing the affected areas not to be taken by surprise, but the countries have also invested in flood control measures as well as retention reservoirs (Czechia and Poland). Therefore, we anticipate that the economic impact will remain limited. However, the budget deficits may require some adjustments (Czechia has already announced such a possibility). This comes despite the help from the EU and the possibility of applying for funds from the European Union Solidarity Fund later to cover the costs of renovations. In general, however, climate-related events have been becoming more severe lately, and economic losses related to climate are on the rise in the EU.

Market performance



Source: Erste Group Research

Market developments

In Czechia, the central banker Holub, whose time at the central bank is coming to an end, called for more rate cuts. He specifically said that the Czech National Bank has the space to reduce the policy rate to 4.0% in the next two meetings as the economy's rebound is quite hesitant. In his view, ending the monetary easing cycle would be premature. In Poland, the MPC member Litwiniuk said that the central bank may deliver an interest rate cut as early as March 2025, which would mean a significant shift compared to what could have been understood from Governor Glapinski. With falling inflation, Poland will need to discuss monetary easing next year, and March is the first possible timing we could see that happening. CEE currencies have been moving sideways at the beginning of the week, while long-term yields have continued moving north ahead of the FOMC meeting scheduled on Wednesday. Romania was active on the bond market on Monday and successfully placed RON 500 million, meeting the planned amount. The 2029 government papers were priced to yield 6.48%. Slovakia also placed on the market a range of bonds maturing between 2026 and 2035, and the demand was strong.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	
17. Sep	11:00	HR	CPI (y/y)	Aug F		1.80%	1.80%	
	11:00	HR	CPI (m/m)	Aug F			0.10%	
18. Sep			No releases scheduled					

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.10	0.0	0.3
EUR/HUF	394.07	-0.1	-0.6
EUR/PLN	4.27	-0.1	0.0
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.93	0.0	0.0
EUR/USD	1.11	0.5	0.9

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.32	0	0
HUF	6.47	-1	-2
PLN	5.85	0	-1
RON	5.55	0	0
RSD	4.97	0	-18
EUR	3.49	2	3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.69	-1	0
HU 10Y	6.02	-2	-6
PL 10Y	5.27	11	-1
RO 10Y	6.84	5	10
HR 10Y	3.20	0	-5
SK 10Y	3.18	-1	-5

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