

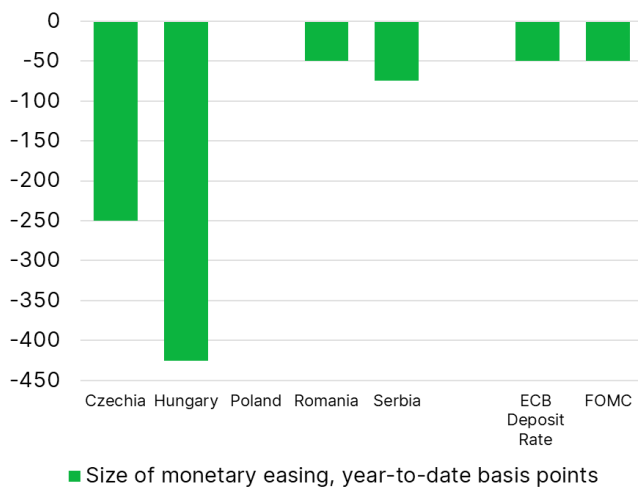
CEE MACRO AND FI DAILY

Ongoing monetary easing in CEE

On the Radar

- Czech central bank lower key policy rate to 4.25% on Wednesday
- Producer prices in Slovakia dropped by 8.4% y/y in August.

Size of monetary easing, year-to-date basis points

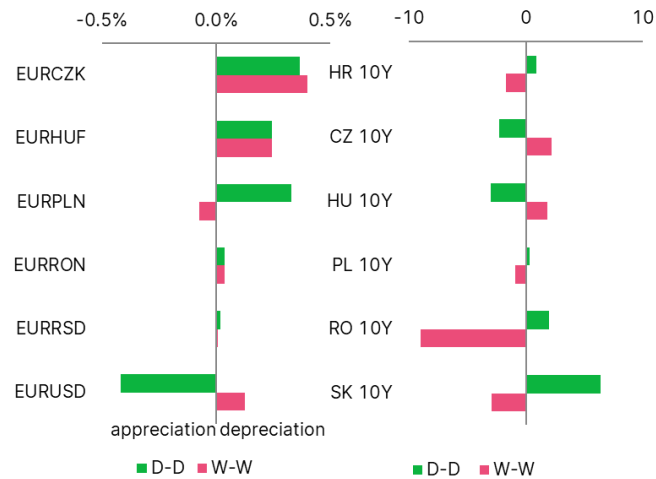


Source: Erste Group Research

Economic developments

Monetary easing is underway in all CEE countries but Poland. Since the beginning of the year, the Czech central bank has lowered the key policy rate by 250 basis points, including yesterday's move. Hungary implemented cuts worth 425 basis points as the key interest rate decreased from 10.75% at the beginning of 2024 to 6.5% at the last meeting on Tuesday. Latecomers to monetary easing such as Romania and Serbia also lowered the key policy rates by 50 and 75 basis points, respectively, which is similar to major central banks such as the ECB and FOMC. Only Poland has kept the key policy rate unchanged this year, and we expect March 2025 to be the earliest date when the interest rates in Poland could change. In other countries, we still see room for monetary easing this year and throughout 2025. Inflation is expected to fall moderately further next year, while weakening growth prospects will diminish inflationary pressure, making central banks more comfortable with further steps.

Market performance



Source: Erste Group Research

Market developments

There are two main highlights from Wednesday's decision by the Czech central bank. First, the vote was 6-1, with one board member advocating for a 50 basis point rate cut due to a lower perceived risk from inflation. However, the majority of the board preferred to exercise caution, maintain a tight monetary policy, and carefully consider further rate cuts. Second, the board made no commitments for the next meeting. The future path of interest rates will depend on risk assessments, new data, and the monetary policies of major central banks, among other factors. We observe an increasing probability of a potential rate cut in December, driven by weak macroeconomic conditions in Germany and declining fuel prices. In Poland, the MPC member Iwona Duda confirmed our expectations for monetary easing talks to begin in March 2025 at the earliest. Today, the Hungarian central bank will present the new inflation and growth forecast. Nothing has changed on the FX market, with the Czech koruna and the Hungarian forint remaining weaker against the euro this week. The long end of the curve has shifted down slightly across the region.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
26. Sep	09:00	SK	PPI (y/y)	Aug		-7.5%	-9.1%
27. Sep	08:30	HU	Unemployment Rate	Aug		4.2%	4.3%
	10:30	SI	Retail Sales (y/y)	Aug			6.1%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.14	0.4	0.4
EUR/HUF	395.01	0.2	0.2
EUR/PLN	4.27	0.3	-0.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.96	0.0	0.0
EUR/USD	1.11	-0.4	0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.27	-1	-4
HUF	6.35	-6	-11
PLN	5.85	0	0
RON	5.55	0	0
RSD	4.94	0	-1
EUR	3.35	-5	-11

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.72	-2	2
HU 10Y	6.07	-3	2
PL 10Y	5.30	0	-1
RO 10Y	6.68	2	-9
HR 10Y	3.19	1	-2
SK 10Y	3.26	6	-3

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