

CEE MARKET INSIGHTS

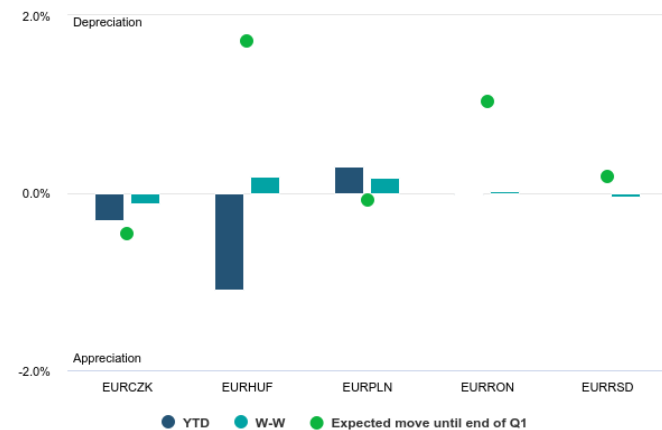
Full picture of 2023 inflation development in CEE

This week in CEE

At the beginning of the week, we will see the final December inflation numbers for Croatia, Poland and Slovakia. According to the flash estimates, headline inflation continued to fall at the end of 2023. These releases will complete the inflation development for last year. Apart from that, December's producer prices will be published in Czechia, Poland and Slovenia. In Serbia and Slovakia, November's current account balance will be released, while in Croatia, labor market data is due next week.

Monday	Tuesday	Wednesday	Thursday	Friday
SK PL: Inflation	HR: Inflation	CZ: Producer prices	SK RS: Current Account	PL SI: Producer prices HR: Unemployment, Wages
SK: 2027, 2032, 2036, 2051 Bonds RO: 2026, 2031 Bonds	HU: Bills	CZ: Bills	RS: Bonds RO: Bills	

FX market

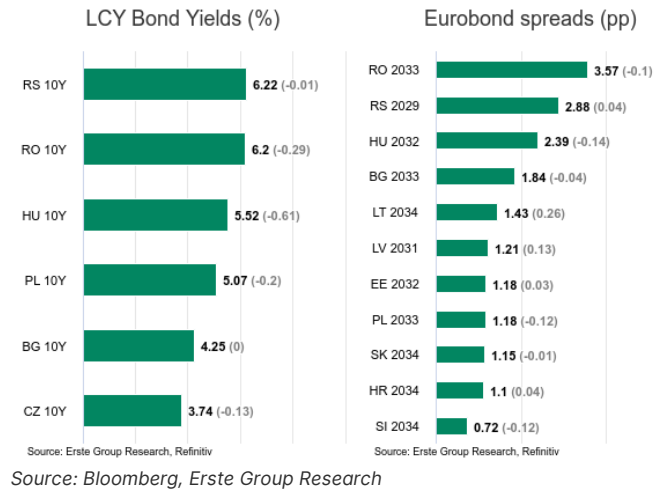


Source: Bloomberg, Erste Group Research

FX market developments

CEE currencies lost their strength from the beginning of the week and weakened against the euro in the last two days of the previous week. All three central banks that held rate-setting meetings kept the policy rate unchanged. In Poland, Governor Glapinski sounded quite hawkish at the press conference, saying that an interest rate hike could not be ruled out if inflation surges. MPC member Wnorowski said, however, that he does not see a need to return to monetary tightening at the moment. The Serbian central bank should wait until March before it starts to cut interest rates, while we stick to our call for Romania to only begin monetary easing in May. The Governor ruled out discussing rate cuts until inflation declines significantly and it becomes clear that the disinflation process is irreversible to avoid policy inconsistency. As there are no major releases scheduled in the region, the upcoming week should be dominated by global developments.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research

Bond market developments

Last week, 10Y LCY yields drifted down again, on downward surprises in CEE inflation readings. The most pronounced decline (-60bp w/w) took place in 10Y HGBs, as the market starts to price more aggressive monetary easing for the coming quarters - FRAs 6x9 have declined about 70bp since the beginning of year and stand at 5.5%, while the key rate is at 10.75%. This week, Vienna is hosting the CEE Euromoney conference, at which analysts and institutional investors should get more hints on the future direction of monetary and debt issuance from CEE country representatives (central banks and debt agencies). The interest will certainly focus on foreign issuance, given that 1Q is usually the busiest period when it comes to foreign issuance. Indeed, Hungary, Poland and Slovenia have already issued on foreign markets a combined volume of nearly EUR 8bn in the first weeks of January, while Romania may tap foreign markets in the coming weeks. Although there is a large redemption denominated in USD in 1H24, Romania may go ahead with the issuance of green bonds, which are typically denominated in EUR. We would expect a size of around EUR 2.5-3bn, given that Romania is likely to tap the Eurobond market three times this year.

In case you missed

CEE: [Growth of house prices slows down in CEE](#)

Czechia: [Anti-inflationary pressures intensified.](#)

Czechia: [Industrial production affected by weak demand](#)

Hungary: [Disappointing industrial performance in November](#)

Hungary: [Faster than expected disinflation at the year-end](#) as December's inflation landed at 5.5% y/y

Hungary: [Volume of retail sales dropped by 5.4% y/y in November](#)

Poland: [The NBP keeps steady in January](#)

Romania: December's inflation at 6.61% y/y. [We revise down year-end inflation forecast to 4.8% from 5.3%](#)

Romania: [Manufacturing to recover gradually in 2024](#)

Romania: [Stronger household consumption expected in 2024](#)

Romania: [NBR signals downward CPI outlook revision](#)

Serbia: [No surprises from the NBS at the start of the year](#)

Slovakia: [In November, retail sales achieved the third best result of 2023](#)

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
15. Jan	9:00	SK	CPI (y/y)	Dec		5.90%	6.20%	Disinflation to continue.
	9:00	SK	CPI (m/m)	Dec		-0.10%	0.20%	Inflation was driven down by energy prices, food, and goods; upside pressure from services.
	10:00	PL	CPI (y/y)	Dec F			6.10%	
	10:00	PL	CPI (m/m)	Dec F			0.10%	
16. Jan	11:00	HR	CPI (y/y)	Dec		4.50%	4.70%	We expect first estimate to be confirmed
	11:00	HR	CPI (m/m)	Dec			-0.10%	
17. Jan	9:00	CZ	PPI (y/y)	Dec	1.56%	1.70%	0.80%	The y/y figure affected by the base effect. In the m/m terms, the price level slightly decreased, mainly due to lower oil prices and subdued demand.
18. Jan		RS	Current Account Balance (monthly)	Nov			-236.10	
	10:30	SK	Current Account Balance (monthly)	Nov			159.60	
19. Jan		SK	Unemployment Rate	Dec		5.10%	5.02%	No major changes in the unemployment rate are expected.
	10:00	PL	PPI (y/y)	Dec	-5.60%		-4.70%	
	10:30	SI	PPI (y/y)	Dec			0.30%	
	11:00	HR	Unemployment Rate	Dec		6.50%	6.40%	We see mild increase on a monthly level
	11:00	HR	Wages (y/y)	Nov			10.40%	

Source: Erste Group Research

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Note: Past performance is not necessarily indicative of future results

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Forecasts

LCY Government bond yields					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
Czechia 10Y	3.74	3.83	3.70	3.59	3.43
Hungary 10Y	5.52	6.25	6.34	6.23	6.14
Poland 10Y	5.07	5.10	5.00	4.90	4.80
Romania10Y	6.20	6.80	6.70	6.60	6.50
Serbia 10Y	6.22	6.00	5.90	5.80	5.70

Spreads vs. German Bunds (bps)					
Croatia 10Y	110.00	120.00	120.00	120.00	120.00
Slovakia 10Y	115.00	125.00	130.00	130.00	130.00
Slovenia 10Y	72.00	90.00	90.00	90.00	90.00
DE10Y yields	2.15	2.20	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
Czechia	6.62	6.05	5.30	4.56	4.06
Hungary	9.78	8.60	7.38	6.95	6.70
Poland	5.86	5.65	5.50	5.40	5.20
Romania	6.18	6.22	5.97	5.47	4.97
Serbia	5.71	5.34	4.96	4.74	4.52
Eurozone	3.93	4.02	3.79	3.40	2.92

FX					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
EURCZK	24.59	24.48	24.35	24.25	24.20
EURHUF	378.51	385.00	385.00	385.00	385.00
EURPLN	4.35	4.35	4.30	4.30	4.35
EURRON	4.97	5.02	5.05	5.07	5.10
EURRSD	117.08	117.30	117.30	117.20	117.30
EURUSD	1.09	1.12	1.14	1.14	1.12

Key Interest Rate					
	Friday's close	2024Q1	2024Q2	2024Q3	2024Q4
Czechia	6.75	6.00	5.25	4.50	4.00
Hungary	10.75	8.75	7.50	6.75	6.50
Poland	5.75	5.75	5.75	5.75	5.50
Romania	7.00	7.00	6.75	6.25	5.75
Serbia	6.50	6.00	5.50	5.25	5.00
Eurozone	4.50	4.50	4.25	4.00	3.50

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.4	2.5	2.6
Czechia	2.4	-0.4	1.7	3.3
Hungary	4.6	-0.6	3.2	3.4
Poland	4.9	0.4	2.7	3.2
Romania	4.1	2.1	3.3	4.8
Serbia	2.5	2.4	3.3	3.5
Slovakia	1.8	1.1	2.0	2.7
Slovenia	2.5	1.3	2.2	2.5
CEE8 avg	4.0	0.7	2.7	3.4

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.5	2.7
Czechia	15.1	10.7	2.7	1.8
Hungary	14.5	17.6	4.7	3.8
Poland	14.3	11.6	5.3	3.7
Romania	13.7	10.4	5.8	3.8
Serbia	11.9	12.5	4.8	3.2
Slovakia	12.8	10.7	4.0	3.0
Slovenia	8.8	7.6	3.7	2.5
CEE8 avg	13.8	11.6	4.7	3.3

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	6.0	5.7
Czechia	2.2	2.7	3.4	3.9
Hungary	3.6	3.8	3.5	3.4
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.5	5.7	5.6
Serbia	9.4	9.5	9.0	8.6
Slovakia	6.1	6.0	6.0	5.7
Slovenia	4.0	3.7	3.6	3.5
CEE8 avg	4.8	4.9	4.9	4.9

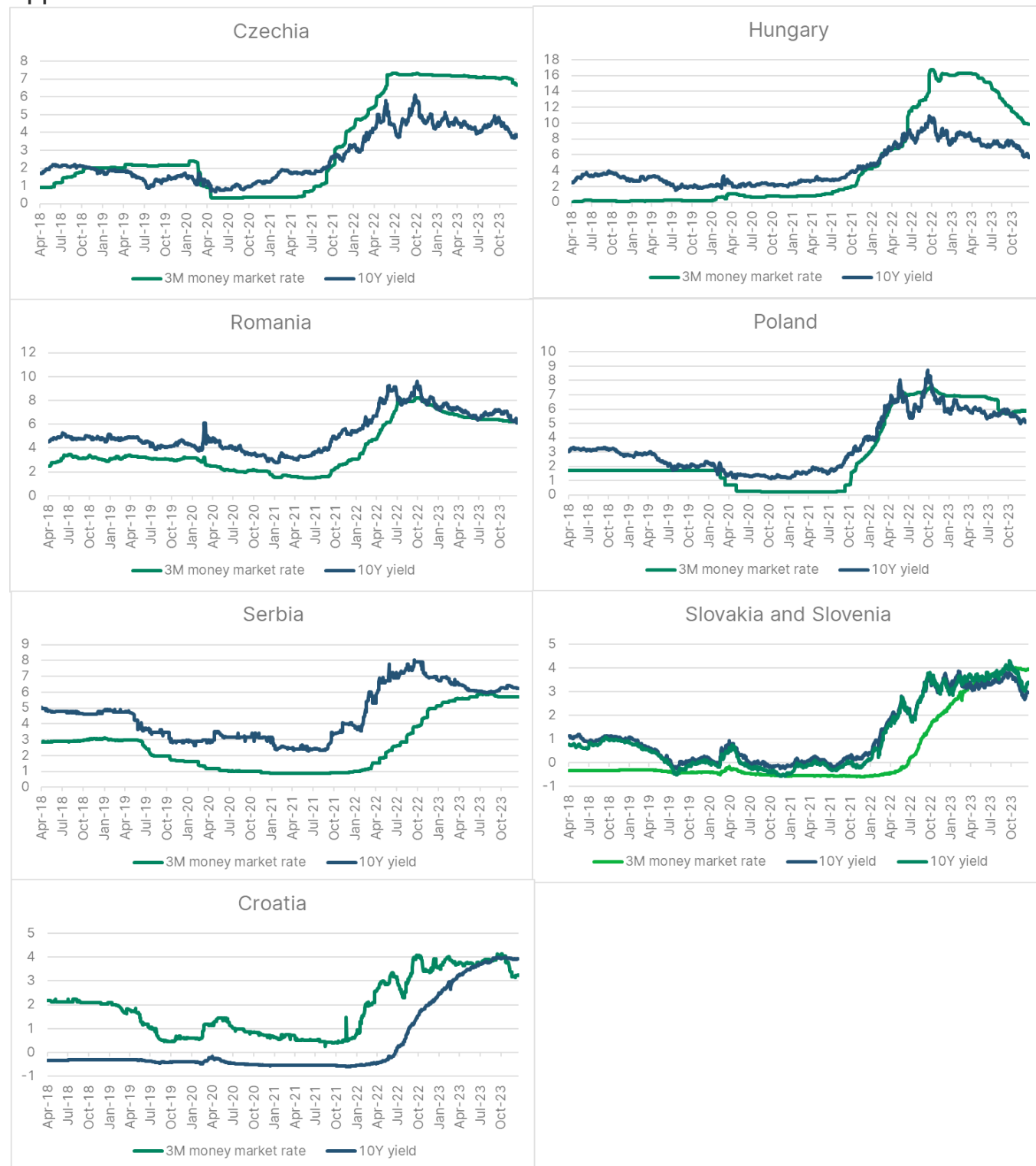
Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	61.4	59.7	58.1
Czechia	44.2	45.3	46.1	46.1
Hungary	73.3	72.7	71.5	70.6
Poland	49.1	50.0	53.0	55.0
Romania	47.3	48.4	49.7	49.5
Serbia	55.1	51.7	51.4	51.0
Slovakia	57.8	58.4	59.6	60.4
Slovenia	72.3	70.0	69.9	69.3
CEE8 avg	52.8	53.0	54.4	55.1

C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.0	0.4	0.8
Czechia	-5.6	0.8	1.0	0.5
Hungary	-8.2	0.2	1.0	1.7
Poland	-3.3	0.8	0.0	-1.0
Romania	-9.1	-6.3	-5.9	-6.1
Serbia	-6.8	-2.1	-2.5	-2.8
Slovakia	-6.0	0.0	-2.0	-3.0
Slovenia	-1.0	3.9	2.3	2.0
CEE8 avg	-5.4	-0.5	-0.8	-1.4

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.5	-2.0	-1.5
Czechia	-3.6	-4.0	-2.8	-2.4
Hungary	-6.2	-5.9	-4.4	-3.5
Poland	-3.4	-5.4	-5.5	-4.0
Romania	-6.2	-5.9	-5.4	-4.0
Serbia	-3.1	-2.8	-2.5	-2.3
Slovakia	-2.0	-6.2	-5.5	
Slovenia	-3.0	-4.0	-3.5	-2.5
CEE8 avg	-3.9	-5.0	-4.7	-3.5

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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