

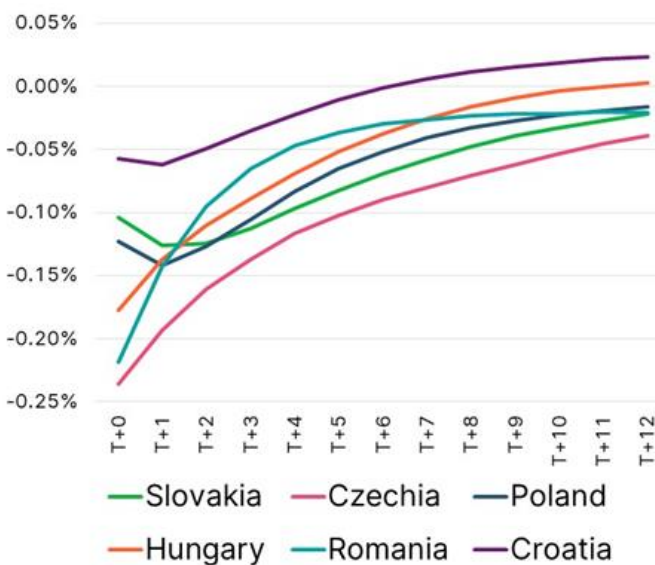
CEE MACRO AND FI DAILY

Germany sees slowdown in 2023, impacting the CEE

On the Radar

- Final inflation reading in December was confirmed at 4.5% y/y in Croatia.
- Core inflation in Poland eased to 6.9% y/y in December.
- In Czechia, producer prices landed at 1.4% y/y December up from 0.8% y/y in November.

Impacts on GDP growth from 0.5% q/q contraction in Germany

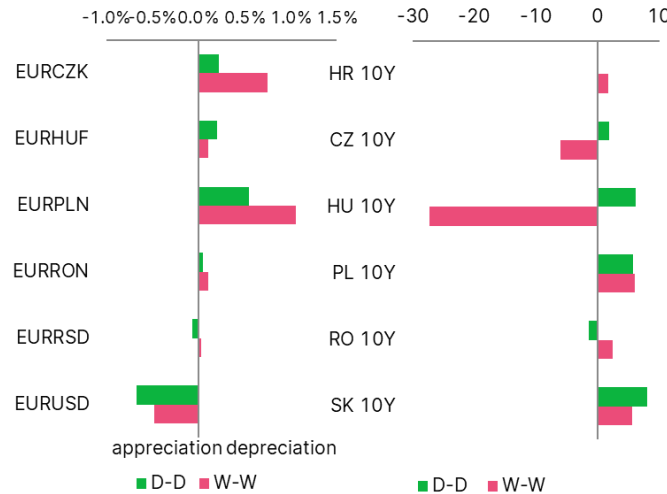


Source: Erste Group Research

Economic developments

On Monday, a preliminary estimate showed that German GDP experienced a decline of 0.3% in 2023. In quarterly terms, Germany witnessed a contraction of 0.3% in Q4. However, the growth in Q3 was revised upwards to 0% from an initial -0.1%, thereby avoiding a technical recession. This development poses a concern for countries in the CEE region, given their close economic ties with Europe's largest economy. A few months ago, we published a report titled "[To what extent is CEE resilient to German slowdown?](#)", which delves into this specific issue. As part of a technical exercise, we developed an econometric model using historical data to estimate the impacts of economic changes among countries, with a particular focus on Germany's influence on the CEE. As shown in the chart, one of the model's outcomes was an estimation of how a 0.5% slump in the German economy (on q/q basis) impacts the CEE. Over a span of 12 quarters, the most significant impact is observed in Czechia and Slovakia. However, except for Czechia, Romania and Hungary experience the most severe impact in the same period as the shock occurs, although the effect dissipates rapidly in the case of Romania.

Market performance



Source: Erste Group Research

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Market developments

CEE currencies have remained weaker against the euro this week, while long-term yields moved up since the beginning of the week. In Poland, a member of the central bank's board, Sobon, voiced his opinion that speculations on the sale of government bonds bought by the central bank during the pandemic are irresponsible. In Hungary, the Economic Minister Nagy commented that the pace of fiscal tightening in 2024 should be cautious to avoid dampening the fragile economic recovery. Romania is preparing to sell its first green and Samurai bonds. Treasury Chief Nanu also hinted that euro and dollar-denominated bond issuances are in the pipeline. As for monetary policy, Romanian central bank Board Member Popa said that two or three months are needed to evaluate inflation development before discussing rate cuts.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
17. Jan	09:00	CZ	PPI (y/y)	Dec	1.56%	1.70%	0.80%
18. Jan		RS	Current Account Balance (monthly)	Nov			-236.10
	10:30	SK	Current Account Balance (monthly)	Nov			159.60

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.72	0.2	0.7
EUR/HUF	379.16	0.2	0.1
EUR/PLN	4.39	0.5	1.1
EUR/RON	4.97	0.1	0.1
EUR/RSD	117.09	-0.1	0.0
EUR/USD	1.09	-0.7	-0.5

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	6.61	0	-9
HUF	9.70	-4	-16
PLN	5.86	0	-1
RON	6.15	-1	-5
RSD	5.72	-1	1
EUR	3.89	-3	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.82	2	-6
HU 10Y	5.66	6	-27
PL 10Y	5.19	6	6
RO 10Y	6.33	-1	3
HR 10Y	3.25	0	2
SK 10Y	3.44	8	6

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Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

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