

CEE MARKET INSIGHTS

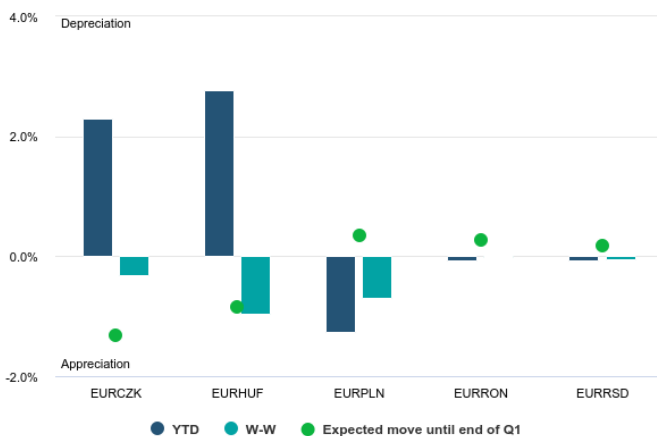
Central banks, rating reviews and elections over upcoming weekend

This week in CEE

The week kicks off with the release of PMI data for March across the region. Additionally, we will be privy to the flash inflation data for Croatia and other Eurozone countries (April's flash HICP releases). On Thursday, the Polish and Romanian central banks are scheduled to hold their rate setting meetings, and we do not expect any changes in policy rates. Moving on to Friday, Hungary, Slovakia, and Romania will publish their respective retail sales growth for February, with Hungary also releasing their industrial output growth data on top of that. Lastly, on Friday after market close, Fitch is scheduled to review Croatia's rating and outlook, and S&P is set to release their rating and outlook review for Serbia. We believe that in Serbia, there are favorable chances for a positive outlook change. This upcoming weekend, Slovakia will hold its presidential election, where citizens will decide between Pellegrini (ruling coalition) and Korcok (associated with opposition parties). Lastly, Poland will hold its local elections.

Monday	Tuesday	Wednesday	Thursday	Friday
RO: PMI Index	CZ HU PL: PMI Index	RO: Unemployment	PL RO: Central bank	RO HU SK: Retail
		HR: Inflation	SI: Trade	HU: Industry
	HU: Bills	CZ: 2034 Bonds	HU: 2026 2029 2035 Bonds	

FX market

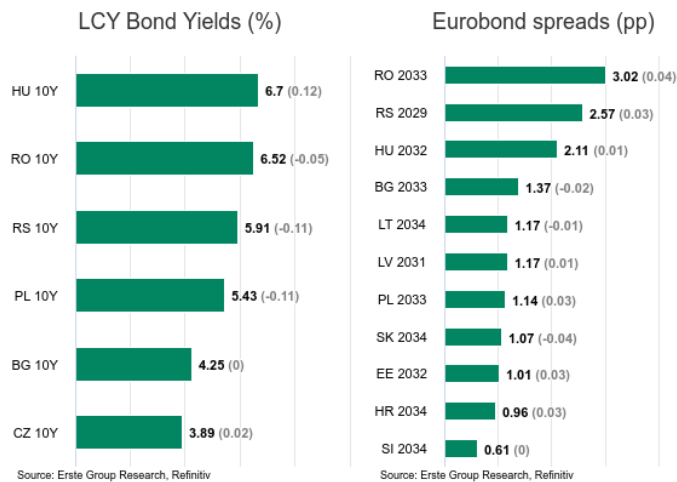


Source: Bloomberg, Erste Group Research

FX market developments

The CEE currencies have remained relatively strong against the euro throughout last week, with EURHUF dropping to 393 and EURPLN going down to 4.30. This week, both Polish and Romanian central banks are holding rate setting meetings, though no changes in the key policy rates are expected in either country. In Poland, voices supporting rate stability throughout 2024 have been heard, with MPC member Duda recently stating that there is no room for an interest rate cut this year, a view shared by Maslowska. She further added that the possibility of discussing rate cuts would only arise in the second half of 2025 or early 2026. In contrast, Romania is preparing to begin monetary easing in the coming months. Additionally, Croatia and Serbia are set to be scrutinized by Fitch and S&P, respectively. In the case of Serbia, we see solid chances for a positive outlook change, particularly given recent comments from the central bank governor, Tabakovic, who stressed that a rating upgrade is a priority for policymakers.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research

Bond market developments

Hungarian government bond yields moved up in the aftermath of the central bank meeting at which the central bank slowed down the pace of monetary easing. At the same time it indicated that rates could land between 6.5-7% by June, implying further slowdown of the pace of monetary easing to about 50bp cut per meeting. Poland's 10Y rallied on weekly basis and outperformed regional peers. This week, the Czechia will reopen CZECHGBs 2033, 2034, Hungary will sell HGBs 2026, 2029, 2035 and both will offer T-bills on top of that.

In case you missed

CEE: [Nominal labor costs in CEE are half the EU average](#)

CEE: [Sentiment at highest levels since the war outbreak](#)

HU: [Monetary policy enters a new phase](#) after central bank cut the key policy rate to 8.25%

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
02. Apr	8:00	RO	PPI (y/y)	Feb			-5.95%	
	8:30	HU	PPI (y/y)	Feb			-6.82%	
	8:30	HU	Trade Balance	Jan F			497.00	
	9:00	HU PL	PMI Index	Apr				
	9:30	CZ	PMI Index	Apr				
03. Apr	8:00	RO	Unemployment Rate	Feb			0.06	
	11:00	HR	CPI (y/y)	Mar P		4.00%	4.10%	We expect inflation to continue inching down
	11:00	HR	CPI (m/m)	Mar P			0.20%	
04. Apr		PL	Central Bank Rate	Apr-24			5.75%	
		RO	Central Bank Rate	Apr-24		7.00%	7.00%	We continue to believe that it is still too early for a rate cut and our baseline is for the first cut in May highly dependent on inflation evolution.
	10:30	SI	Trade Balance	Feb			-25.00%	
05. Apr	8:00	RO	Retail Sales (y/y)	Feb		5.70%	0.05	Retail sales expected to be rather flat in monthly terms based on confidence data, while statistical base effect will push the annual growth higher. Risk to our call come from the possible downward revision for the Jan-24 figure which came in surprisingly high.
	8:30	HU	Industrial Production (y/y)	Feb		-3.40%	-4.10%	The performance might have remained subdued in the sector, primarily due to poor exports prospects.
	8:30	HU	Retail Sales (y/y)	Feb		2.20%	0.60%	Consumption should be on a slow recovery path, based on continued wage increases, lower inflation and improving consumer confidence.
	9:00	SK	Retail Sales (y/y)	Feb		3.00%	1.90%	The official sales registration system indicates an increase of 3% compared to the previous year.

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	2024Q2	2024Q3	2024Q4	2025Q1
Czechia 10Y	3.89	3.85	3.67	3.50	3.36
Hungary 10Y	6.70	6.34	6.23	6.14	6.05
Poland 10Y	5.43	5.00	4.90	4.80	4.70
Romania10Y	6.52	6.70	6.60	6.50	5.90
Serbia 10Y	5.91	5.90	5.70	5.60	5.50

Spreads vs. German Bunds (bps)					
Croatia 10Y	96.00	100.00	100.00	100.00	100.00
Slovakia 10Y	107.00	130.00	130.00	130.00	130.00
Slovenia 10Y	61.00	80.00	80.00	80.00	80.00
DE10Y yields	2.29	2.30	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.61	4.94	4.44	3.95	3.85
Hungary	7.83	6.60	6.60	6.60	6.35
Poland	5.88	5.65	5.50	5.30	5.15
Romania	6.06	5.97	5.47	4.97	5.42
Serbia	5.69	5.65	5.00	4.56	4.15
Eurozone	3.89	3.79	3.40	2.92	2.45

FX					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
EURCZK	25.23	24.90	24.75	24.60	24.47
EURHUF	393.32	390.00	390.00	390.00	390.00
EURPLN	4.29	4.30	4.30	4.30	4.30
EURRON	4.97	4.98	5.02	5.05	5.07
EURRSD	117.00	117.20	117.20	117.30	117.30
EURUSD	1.08	1.12	1.14	1.14	1.12

Key Interest Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.75	5.00	4.50	4.00	3.75
Hungary	8.25	6.50	6.50	6.50	6.25
Poland	5.75	5.75	5.75	5.50	5.00
Romania	7.00	6.75	6.25	5.75	5.50
Serbia	6.50	6.50	5.75	5.25	4.75
Eurozone	4.50	4.25	3.65	3.15	2.65

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.8	3.1	2.6
Czechia	2.4	-0.4	1.0	3.2
Hungary	4.6	-0.9	2.0	3.4
Poland	4.9	0.2	2.8	3.5
Romania	4.1	2.1	2.6	3.9
Serbia	2.5	2.5	3.3	3.5
Slovakia	1.8	1.1	2.0	2.7
Slovenia	2.5	1.6	2.3	2.5
CEE8 avg	4.0	0.6	2.4	3.4

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.1	2.6
Czechia	15.1	10.7	2.4	2.2
Hungary	14.5	17.6	4.7	4.0
Poland	14.3	11.6	4.5	4.0
Romania	13.7	10.5	5.9	3.7
Serbia	11.9	12.5	4.3	2.9
Slovakia	12.8	10.5	3.0	3.0
Slovenia	8.8	7.4	2.7	2.5
CEE8 avg	13.8	11.6	4.2	3.5

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	6.0	5.7
Czechia	2.2	2.6	3.4	3.9
Hungary	3.6	4.1	3.9	3.6
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.6	5.6	5.6
Serbia	9.4	9.5	8.8	8.6
Slovakia	6.1	5.8	5.7	5.7
Slovenia	4.0	3.8	3.7	3.6
CEE8 avg	4.8	4.9	4.9	5.0

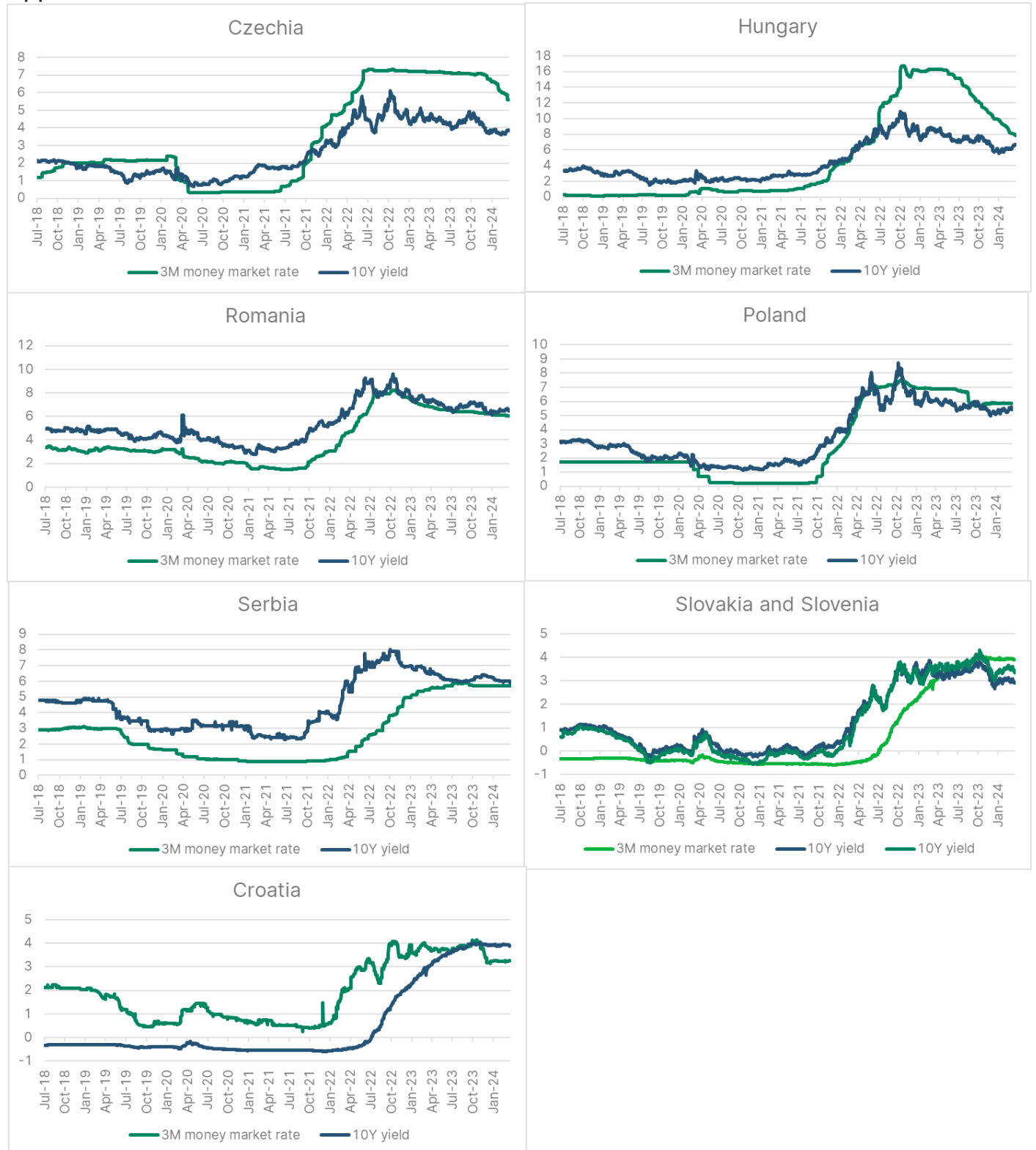
Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	61.3	59.5	58.0
Czechia	44.2	44.8	45.4	45.7
Hungary	73.9	73.5	72.6	71.4
Poland	49.1	50.0	53.0	55.0
Romania	47.5	48.9	49.6	49.6
Serbia	55.2	52.5	51.1	50.9
Slovakia	57.8	58.0	60.1	61.4
Slovenia	72.3	69.1	68.6	67.4
CEE8 avg	52.9	53.1	54.4	55.1

C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.3	0.8	0.3
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.3	0.2	0.4	0.7
Poland	-3.3	1.6	0.0	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.8
Slovakia	-7.4	-1.0	-1.3	-0.4
Slovenia	-1.0	4.4	2.9	2.6
CEE8 avg	-5.6	-0.3	-1.2	-1.5

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.5	-2.0	-1.5
Czechia	-3.2	-3.6	-2.8	-2.2
Hungary	-6.2	-6.5	-5.0	-4.1
Poland	-3.4	-5.4	-5.5	-4.0
Romania	-6.2	-6.0	-5.7	-4.5
Serbia	-3.1	-2.2	-2.5	-2.3
Slovakia	-2.0	-6.0	-6.0	-5.0
Slovenia	-3.0	-3.7	-3.3	-2.5
CEE8 avg	-3.9	-5.0	-4.8	-3.7

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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