

CEE MARKET INSIGHTS

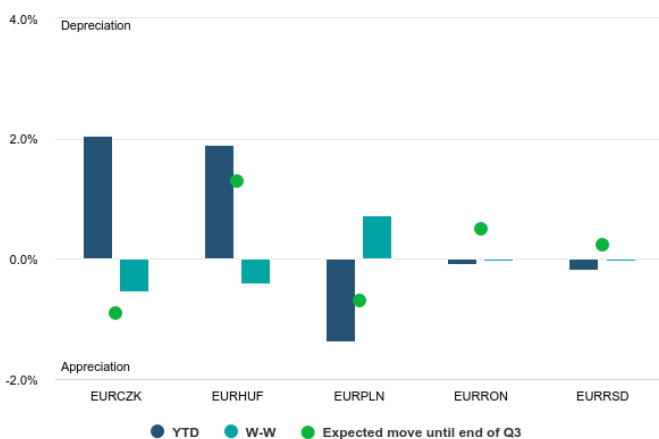
# Will Hungarian central bank pause or continue with monetary easing?

## This week in CEE

This week, the Hungarian central bank meeting is a key event in the region. There is an extreme division of opinions on whether the central bank will cut the key policy rate further or hold it stable after June's inflation eased more than was expected. Our baseline scenario is that the central bank will pause as it communicated a careful and patient approach. We do recognize that recent inflation development as well as the relative stability of the exchange rate favor monetary easing. Otherwise, the calendar is quite empty. Poland will publish retail sales growth in June as well as the unemployment rate. The unemployment rate will also be released in Hungary, while wage growth is due this week in Serbia.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Retail	HU: Central bank PL: Unemployment		RS: Wages	HU: Unemployment
RO: 2038 Bonds	PL: Bonds HU: Bills	CZ: Bonds	RO: 2026 Bonds	CZ: Bills

## FX market



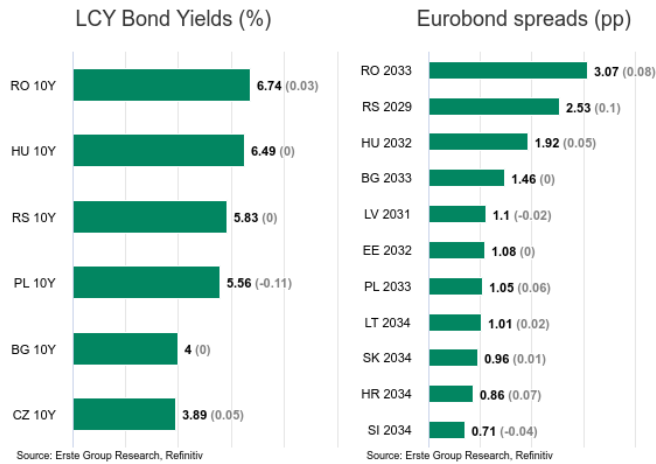
Source: Bloomberg, Erste Group Research

## FX market developments

Over the last week, the Czech koruna and the Hungarian forint strengthened against the euro. The Polish zloty, on the contrary, weakened. The ECB held the interest rate unchanged at the last meeting, but interest rate cuts in autumn should be expected. This week, the Hungarian central bank will hold a rate-setting meeting. We still believe that it will keep the interest rate stable at the upcoming meeting, however, recent inflation data open the door for more monetary easing than was initially expected. The expectations for more monetary easing have been mounting in Czechia as well, as evidenced by declining FRAS.

## LCY yields, Eurobond spreads

Put the graph here (bookmark „ToBeSaved905)



Source: Bloomberg, Erste Group Research

## Bond market developments

Government bond yields edged down a little last week in both major markets and in CEE, with the exception of Czechia. Czech bonds saw a small correction last week, ending the rally that had lasted since the beginning of July. We believe that market expectations on the pacing of further rate cuts went too far (although not as much as in 1Q24), thus the correction in yields seems to be a healthy one. This week, Romania will reopen ROMGBs 2026 and 2038, and Poland, Czechia, and Hungary will offer a variety of bonds, with the latter two also selling T-bills.

## In case you missed

Special Report: [Western Balkan and the EU - who is ready?](#)

CEE: [Inflation lower than expected in CEE](#)

Slovakia: [Price growth remains at a three-year low](#)

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Pre Comment
22. Jul	10:00	PL	Retail Sales (y/y)	Jun		5.4%	
23. Jul	10:00	PL	Unemployment Rate	Jun		5.0%	
	14:00	HU	Central Bank Rate	Jul-24	7.0%	7.0%	The market consensus is extremely divided whether the MNB would cut further or hold the rates in July. We expect the central bank won't change due to the communicated careful / patient approach and the new phase of monetary decision making although some
24. Jul			No releases scheduled				
25. Jul	12:00	RS	Wages (y/y)	May		9.8%	
26. Jul		HU	Unemployment Rate	Jun		4.40%	

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	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	3.89	4.00	3.89	3.74	3.59
Hungary 10Y	6.49	6.42	6.37	6.05	5.95
Poland 10Y	5.56	5.60	5.30	5.00	4.80
Romania10Y	6.74	6.90	6.80	6.70	6.50
Serbia 10Y	5.83	5.80	5.60	5.50	5.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	86.00	100.00	100.00	100.00	95.00
Slovakia 10Y	96.00	125.00	120.00	120.00	120.00
Slovenia 10Y	71.00	80.00	80.00	80.00	80.00
DE10Y yields	2.46	2.40	2.50	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.59	4.32	4.08	4.02	3.77
Hungary	6.80	6.75	6.55	6.35	6.10
Poland	5.86	5.85	5.85	5.75	5.60
Romania	5.81	5.72	5.32	5.62	5.37
Serbia	5.19	4.98	4.54	4.13	3.70
Eurozone	3.70	3.40	3.09	2.86	2.64

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	3.1	3.4	2.8
Czechia	2.9	0.0	1.0	3.0
Hungary	4.6	-0.9	2.0	3.5
Poland	5.6	0.2	2.8	3.7
Romania	4.1	2.1	2.6	3.4
Serbia	2.5	2.5	3.8	4.0
Slovakia	1.9	1.6	2.2	2.5
Slovenia	2.5	1.6	2.3	2.4
CEE8 avg	4.4	0.7	2.4	3.4

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	67.8	63.0	61.4	59.7
Czechia	42.5	44.0	44.9	45.1
Hungary	74.1	73.5	73.6	72.5
Poland	49.2	49.6	53.0	55.0
Romania	47.5	48.8	49.6	49.6
Serbia	55.2	52.0	51.8	51.3
Slovakia	57.7	56.0	58.2	59.7
Slovenia	72.3	69.2	68.1	67.0
CEE8 avg	52.6	52.7	54.3	55.0

FX					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
EURCZK	25.18	24.95	24.65	24.52	24.44
EURHUF	389.96	395.00	390.00	390.00	390.00
EURPLN	4.28	4.25	4.25	4.30	4.30
EURRON	4.97	4.99	5.00	5.02	5.05
EURRSD	116.87	117.15	117.20	117.20	117.10
EURUSD	1.09	1.11	1.13	1.14	1.14

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.75	4.25	4.00	4.00	3.75
Hungary	7.00	6.75	6.50	6.25	6.00
Poland	5.75	5.75	5.75	5.75	5.50
Romania	6.75	6.50	6.00	6.00	5.75
Serbia	6.00	5.75	5.25	4.75	4.25
Eurozone	3.75	3.50	3.00	2.75	2.50

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.0	2.5
Czechia	15.1	10.7	2.7	2.6
Hungary	14.5	17.6	4.0	4.0
Poland	14.4	11.4	3.5	4.3
Romania	13.7	10.5	5.2	3.7
Serbia	11.9	12.1	4.4	3.1
Slovakia	12.8	10.5	2.8	3.3
Slovenia	8.8	7.4	2.6	2.4
CEE8 avg	13.9	11.5	3.7	3.7

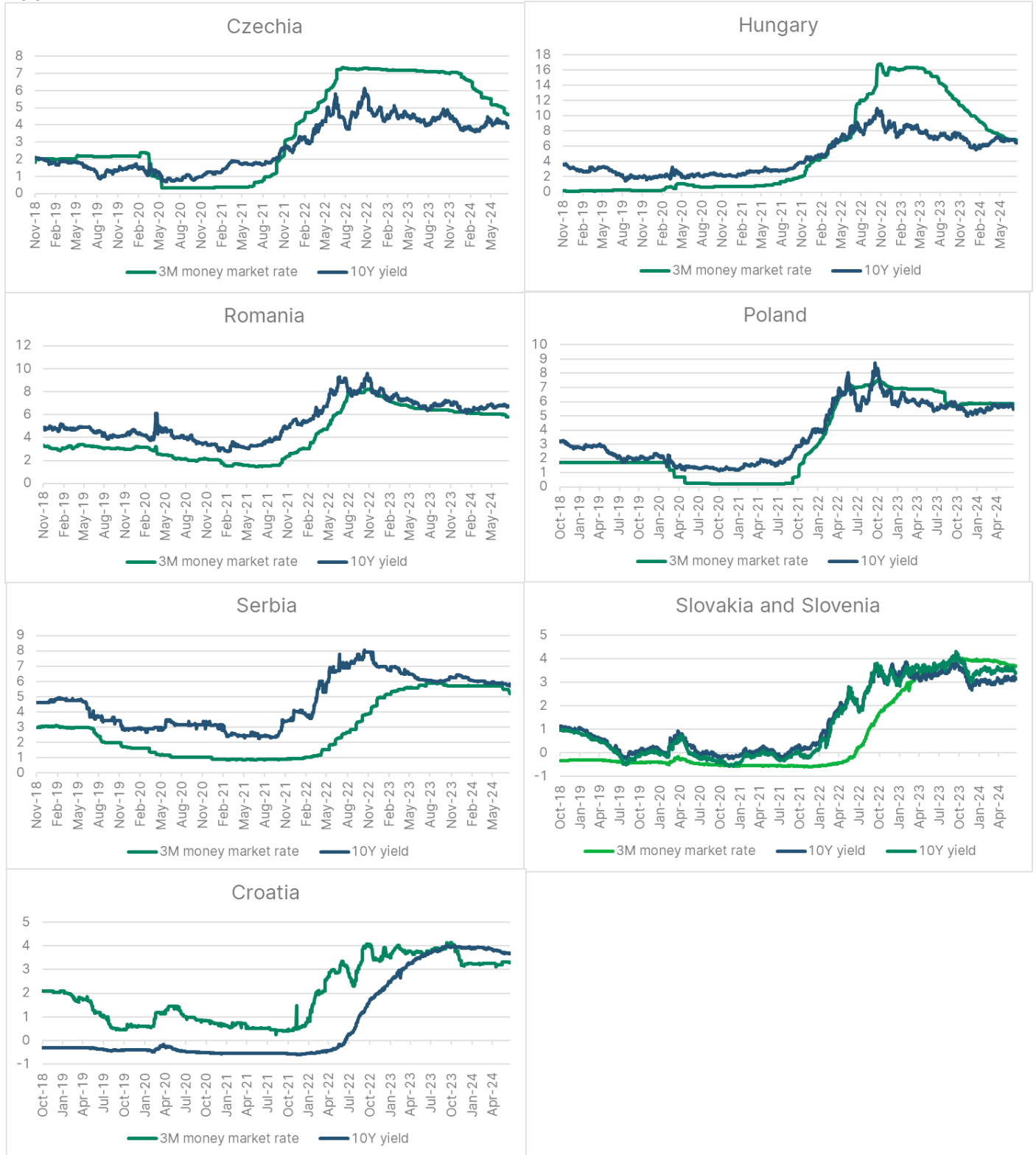
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	1.9	1.8
Poland	-2.4	1.6	0.2	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.9	-1.4

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.1	5.6	5.5
Czechia	2.2	2.6	2.9	3.5
Hungary	3.6	4.1	4.5	3.9
Poland	5.2	5.1	5.1	5.0
Romania	5.6	5.6	5.3	5.2
Serbia	9.4	9.5	8.9	8.6
Slovakia	6.1	5.8	5.7	5.6
Slovenia	4.0	3.7	3.7	3.6
CEE8 avg	4.8	4.9	4.9	4.8

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.7	-2.4	-1.5
Czechia	-3.1	-3.7	-2.7	-2.3
Hungary	-6.2	-6.7	-5.2	-4.1
Poland	-3.7	-5.6	-5.5	-4.0
Romania	-6.3	-6.6	-6.5	-5.0
Serbia	-3.1	-2.2	-2.2	-1.5
Slovakia	-1.7	-4.9	-6.0	-5.0
Slovenia	-3.0	-2.5	-3.0	-2.5
CEE8 avg	-3.9	-5.1	-4.9	-3.8

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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