

CEE MARKET INSIGHTS

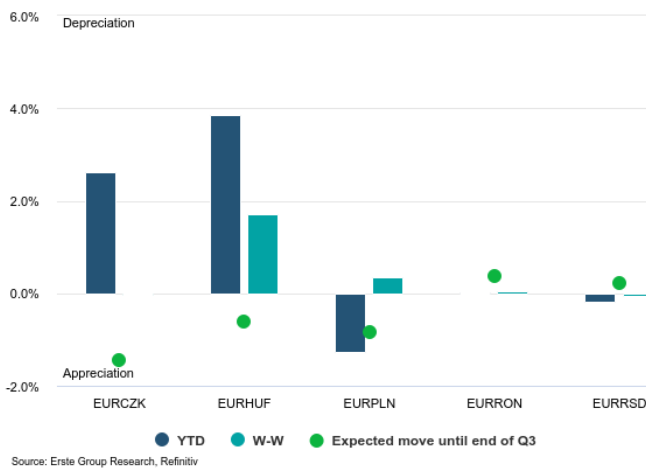
Central banks in Romania and Serbia to cut rates

This week in CEE

This week there are central bank meetings in Romania (Wednesday) and Serbia (Thursday). We expect both central banks to cut key interest rates by 25bp. In Romania, the new inflation projection will also be released after the central bank meeting. As for price developments, July's inflation rate will be published in Hungary and producer prices will be released in Croatia and Serbia. Further, data on the development of retail and industry sectors in June will be released in several CEE countries (Hungary, Slovakia, Romania and Czechia). Finally, trade data for June will be released in Hungary, Czechia, Romania and Slovakia. Finally, on Friday Fitch is scheduled to revise Serbia's rating.

Monday	Tuesday	Wednesday	Thursday	Friday
HU: Trade	RO HU SK: Retail	RO: Central bank	HU: Inflation	RO SK: Trade
	CZ: Industry, Trade	HU: Industry	RS: Central bank	SK SI: Industry
	HR: Producer prices	RS: Producer prices		
RO: 2028 Bonds, Bills	HU: Bills	PL: Bonds	RO: 2034 Bonds	

FX market

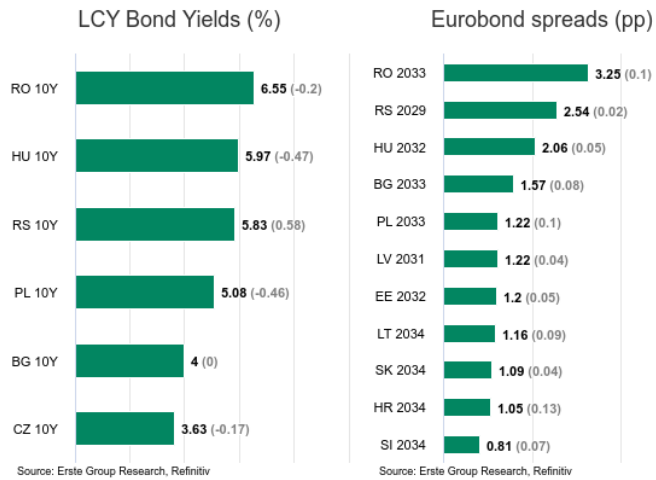


Source: Market data provider, Erste Group Research

FX market developments

The Czech koruna remained stable against the euro over the last week, while the Hungarian forint and the Polish zloty have gone in the other direction. The Hungarian forint's losses were more extensive than the Polish zloty's. The Czech National Bank reduced the key policy rate by 25bp to 4.5% and we see the key interest rate at 4.0% at the end of the year. According to the new central bank's forecast, inflation is projected to hit 2.2% this year, tapering to 2.0% in the following year, while the GDP growth should attain 1.2% in 2024 and accelerate to 2.8% in 2025. This week, we have two central bank meetings scheduled. On Wednesday, the Romanian National Bank is expected to lower the key interest rate, and the following day the Serbian central bank should ease monetary conditions as well. Additionally, in Romania, the short-term inflation forecast should be revised downwards as a new inflation report will be published. As for other news in Serbia, the central bank's governor has been confirmed to hold another mandate.

LCY yields and Eurobond spreads



Source: Market data provider, Erste Group Research

Bond market developments

Long-term interest rates have declined over the last week. The drop was quite substantial and reached as much as 50bp in Poland and Hungary and 20bp in Czechia, Romania and Romania. We link such development to Powell's statement during the press conference, where there were clear indications for a rate cut in September. As for the bond auctions, Romania enjoyed strong demand for government papers, as supply substantially exceeded the plans. This week Romania will place 2028 Bonds on Monday and 2034 Bonds on Thursday. Poland also successfully placed the range of bonds and plans to be active on the bond market this week.

In case you missed

CEE: [Inflation paths diverge in the EU](#)

Czechia: The central bank cut the key policy rate. [Future decisions according to data](#)

Czechia: [GDP still driven by demand of households](#)

Croatia: [July Inflation landed at 2.3% y/y](#)

Hungary: [The economy shrank in the second quarter](#)

Poland: [Energy prices propelled inflation upwards](#)

Romania: [BCR Romania Manufacturing PMI back in contractionary mode](#)

Romania: [Consumer euphoria proved short lived](#)

Serbia: [2Q24 GDP meets expectations](#)

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
05. Aug	8:30	HU	Trade Balance	Jun P		1001.00	
06. Aug	8:00	RO	Retail Sales (y/y)	Jun	9.00%	6.10%	Retail sales are expected to pick up strongly, supported by three-year high consumer confidence and brighter sentiment among retailers in June.
	8:30	HU	Retail Sales (y/y)	Jun	3.00%	3.60%	The figure is to reflect subdued consumption of households
	9:00	SK	Retail Sales (y/y)	Jun	5.50%	5.20%	
	9:00	CZ	Industrial Production (y/y)	Jun	-2.90%	-3.20%	Industrial production is still negatively affected by weak foreign demand, especially from Germany.
	9:00	CZ	Trade Balance	Jun	21.80	16.30	The balance of foreign trade is still positively influenced mainly by the production of automobiles. Developments in a number of other sectors are lower, buffeted by weak external demand.
07. Aug	11:00	HR	PPI (y/y)	Jul		-3.50%	
		RO	Central Bank Rate	Aug-24	6.50%	6.75%	June inflation dropped further by 0.2pp to 4.9% y/y. July inflation due for release on 12 August is likely to inch briefly higher to 5.2% y/y mainly due fuel excise duty hike, though this was included in the NBR forecast assumptions, resuming thereafter the downward trend
	8:30	HU	Industrial Production (y/y)	Jun	-4.30%	-4.90%	Weak external demand and the slowdown of transition process to electric cars burden the sector
	12:00	RS	PPI (y/y)	Jul		0.60%	
08. Aug	8:30	HU	CPI (y/y)	Jul	4.20%	3.70%	Base effect and higher food and fuel prices imply an increase in the 12-month rate.
	8:30	HU	CPI (m/m)	Jul	0.70%		
	12:00	RS	Central Bank Rate	Aug-24	5.75%	6.00%	We expect the NBS will remain steady on its easing course and forecast year-end key rate at 5.25%.
09. Aug	8:00	RO	Trade Balance	Jun		-2971.80	
	9:00	SK	Trade Balance	Jun	340.00	367.00	
	9:00	SK	Industrial Production (y/y)	Jun	0.00%	0.10%	
	10:30	SI	Industrial Production (y/y)	Jun		-5.00%	

Source: Erste Group Research

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Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	3.63	4.00	3.89	3.74	3.59
Hungary 10Y	5.97	6.42	6.37	6.05	5.95
Poland 10Y	5.08	5.60	5.30	5.00	4.80
Romania 10Y	6.55	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	105.00	100.00	100.00	100.00	95.00
Slovakia 10Y	109.00	125.00	120.00	120.00	120.00
Slovenia 10Y	81.00	80.00	80.00	80.00	80.00
DE10Y yields	2.17	2.40	2.50	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.45	4.32	4.08	4.02	3.77
Hungary	6.54	6.75	6.55	6.35	6.10
Poland	5.85	5.85	5.85	5.75	5.60
Romania	5.80	5.72	5.32	5.62	5.37
Serbia	5.18	4.98	4.54	4.13	3.70
Eurozone	3.62	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	25.32	24.95	24.65	24.52	24.44
EURHUF	397.41	395.00	390.00	390.00	390.00
EURPLN	4.29	4.25	4.25	4.30	4.30
EURRON	4.97	4.99	5.00	5.02	5.05
EURRSD	116.88	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	4.50	4.25	4.00	4.00	3.75
Hungary	6.75	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

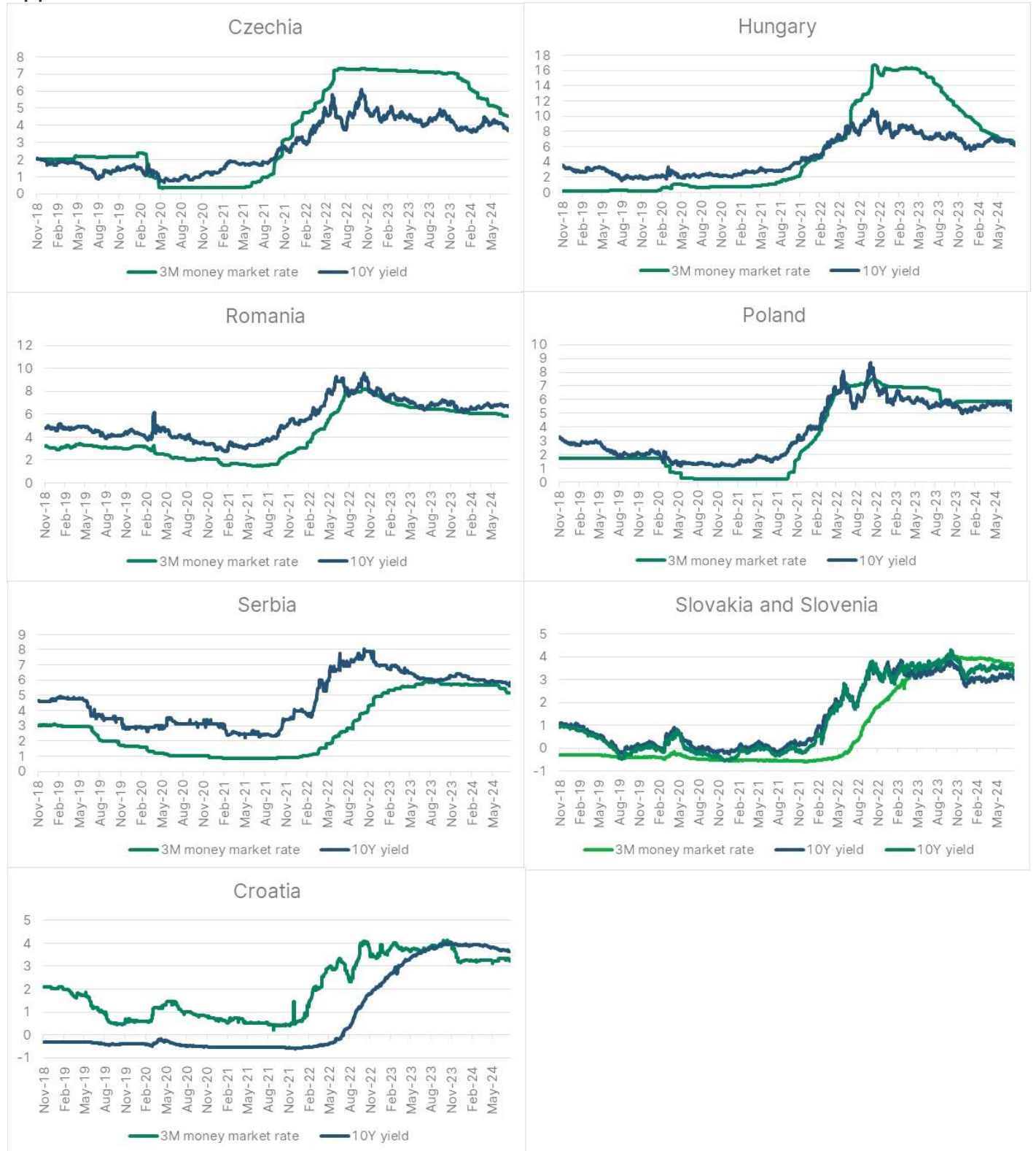
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	1.9	1.8
Poland	-2.4	1.6	0.2	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.9	-1.4

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: Market data provider, Erste Group Research

Appendix



Source: Market data provider, Erste Group Research

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