

CEE MARKET INSIGHTS

Glance at GDP structure and August's inflation

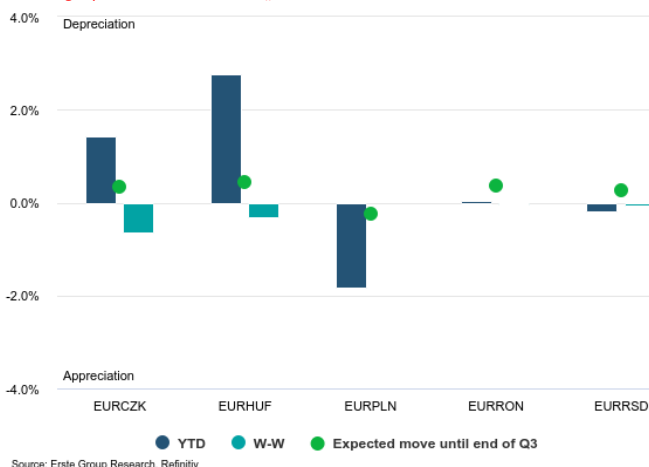
This week in CEE

It will be quite a busy week in the region, as numerous important releases are scheduled. Let's begin with the 2Q24 GDP structure of Croatia, Czechia, and Poland. While the flash estimate of growth was released in mid-August for Czechia and Poland, Croatia's 2Q24 growth dynamics will be seen for the first time. We believe that private consumption remains the key driver of growth. Additionally, flash estimates of August's inflation will be published in Croatia, Poland, Slovenia, and Slovakia (as part of the HICP flash estimates for the Eurozone). We expect to see similar inflation footprints as in July's numbers. In Hungary, the central bank meeting is the key event of the week, and this time we expect no change in policy rates due to inflation development in July. Finally, Serbia will release the performance of the industry and retail sectors in July, as well as trade data for June. We see Serbia remaining on track for solid economic development in 2024. July's retail sales growth will also be due in Croatia and Slovenia this week. Last but not least, on Friday, after market close, Fitch will publish the rating and outlook revision of Romania. We do not expect any changes.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Unemployment	HR: 2Q24 GDP		PL: 2Q24 GDP structure	CZ: 2Q24 GDP structure
RS: Wages	HU: Central bank		SI: Retail sales	PL SI HR: Inflation
	SK: PPI			HR: Retail
				RS: Retail, Industry, Trade
	HU: Bills	PL: Bonds	RO: 2026 Bonds	

FX market

[Put the graph here \(bookmark „ToBeSaved901\)](#)



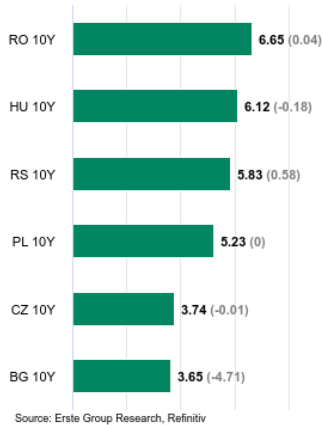
FX market developments

Throughout last week, the EURCZK and EUHUF moved downwards more visibly, whereas the EURPLN moved in the opposite direction but came back to 4.26. One reason for such development in the Polish zloty may be a change in Governor Glapinski's stance regarding the beginning of monetary easing. He suggested last week that there may be space to discuss rate cuts prior to 2026. This week, the Hungarian central bank is holding a rate-setting meeting. This time, we do not expect any changes to the key policy rate as inflation in July surprised to the upside. However, for the remainder of the year, we still see some space for the key policy rate to decrease.

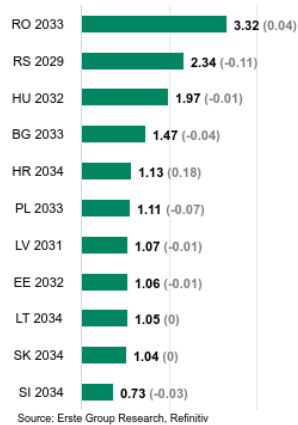
LCY yields, Eurobond spreads

Bond market developments

LCY Bond Yields (%)



Eurobond spreads (pp)



Bond yields declined in both CEE and major markets last week, driven by expectations that the Jackson Hole symposium will provide more clarity on the extent of the Federal Reserve's monetary easing, anticipated to begin in September. Hungarian government bonds benefited from lower Treasury yields, particularly at the short end of the curve. Although we expect Hungary's central bank to pause its monetary easing at Tuesday's meeting, we believe that the monetary easing by major central banks this autumn will pave the way for further rate cuts in Hungary. Yields on Romania's government bonds edged up last week, as the Ministry of Finance placed a lower volume of T-bills than initially planned, due to low demand. This week, the auction calendar includes Hungary's T-bills, ROMGB 2026, and various bonds offered by Poland.

In case you missed

CEE: [Employment keeps growing, but at a slower pace](#)

Poland: [Weak start of retail and industry to Q3 in Poland](#)

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
26. Aug	10:00	PL	Unemployment Rate	Jul		0.05	
	12:00	RS	Wages (y/y)	Jun		11.3%	
27. Aug	9:00	SK	PPI (y/y)	Jul	-7.4%	-9.6%	PPI will continue to decline year-on-year, although the pace will slow down slightly. Energy prices are falling by almost a quarter year-on-year. On the other hand, prices in textile production and in the production of petroleum products are rising.
	11:00	HR	GDP (y/y)	2Q	3.6%	3.9%	Economic growth expected to remain solid
	14:00	HU	Central Bank Rate	Aug-24		6.8%	
28. Aug			No releases scheduled				
29. Aug	10:00	PL	GDP (y/y)	2Q F		3.2%	
	10:30	SI	Retail Sales (y/y)	Jul		5.2%	
30. Aug	8:00	RO	Unemployment Rate	Jul		5.5%	
	8:30	HU	PPI (y/y)	Jul		2.7%	
	9:00	CZ	GDP (q/q)	2Q P	0.30%	0.3%	Growth was driven mainly by household consumption, with foreign trade acting in the opposite direction.
	9:00	CZ	GDP (y/y)	2Q P	0.4%	0.4%	GDP growth remains low, with weak external demand and rising imports for household consumption still holding it back.
	10:00	PL	CPI (y/y)	Aug P	4.3%	4.2%	
	10:00	PL	CPI (m/m)	Aug P	0.2%	1.4%	
	10:30	SI	CPI (y/y)	Aug	1.2%	1.3%	Inflation figure keeping steady m/m footprint
	10:30	SI	CPI (m/m)	Aug		-0.1%	
	11:00	HR	Retail Sales (y/y)	Jul	7.0%	5.5%	Tax authorities data point to some acceleration in July
	11:00	HR	CPI (y/y)	Aug P	2.3%	2.2%	We expect confirmation of the flash estimate
	11:00	HR	CPI (m/m)	Aug P			
	12:00	RS	Industrial Production (y/y)	Jul	4.5%	2.0%	We expect continuation of stable industry output
	12:00	RS	Retail Sales (y/y)	Jul	6.5%	7.2%	Retail activity continues to be supported by rising real disposable income
	12:00	RS	Trade Balance	Jul		-758.40	

Source: Erste Group Research

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	3.74	3.85	3.70	3.63	3.54
Hungary 10Y	6.12	6.34	6.29	5.98	5.89
Poland 10Y	5.23	5.60	5.30	5.00	4.80
Romania10Y	6.65	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	113.00	100.00	100.00	100.00	95.00
Slovakia 10Y	104.00	125.00	120.00	120.00	120.00
Slovenia 10Y	73.00	80.00	80.00	80.00	80.00
DE10Y yields	2.22	2.40	2.50	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.40	4.33	4.07	4.00	3.76
Hungary	6.54	6.45	6.25	6.10	5.85
Poland	5.85	5.85	5.85	5.80	5.60
Romania	5.58	5.72	5.32	5.62	5.37
Serbia	5.16	4.98	4.54	4.13	3.70
Eurozone	3.53	3.40	3.09	2.86	2.64

Real GDP growth (%)				
	2022	2023	2024f	2025f
Croatia	7.0	3.1	3.4	2.8
Czechia	2.9	0.0	0.9	2.7
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	3.3

Public debt (% of GDP)				
	2022	2023	2024f	2025f
Croatia	67.8	63.0	61.4	59.7
Czechia	42.5	42.3	44.9	45.1
Hungary	74.1	73.5	73.2	72.1
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	52.4	54.3	55.0

FX					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
EURCZK	25.02	25.10	24.80	24.52	24.44
EURHUF	393.26	395.00	395.00	395.00	396.00
EURPLN	4.26	4.25	4.25	4.30	4.30
EURRON	4.97	4.99	5.00	5.02	5.05
EURRSD	116.85	117.15	117.20	117.20	117.10
EURUSD	1.12	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	6.50	6.25	6.00	5.75
Poland	5.75	5.75	5.75	5.75	5.50
Romania	6.50	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	2023	2024f	2025f
Croatia	10.8	8.1	3.0	2.5
Czechia	15.1	10.7	3.4	2.7
Hungary	14.5	17.6	3.9	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	3.8	3.7

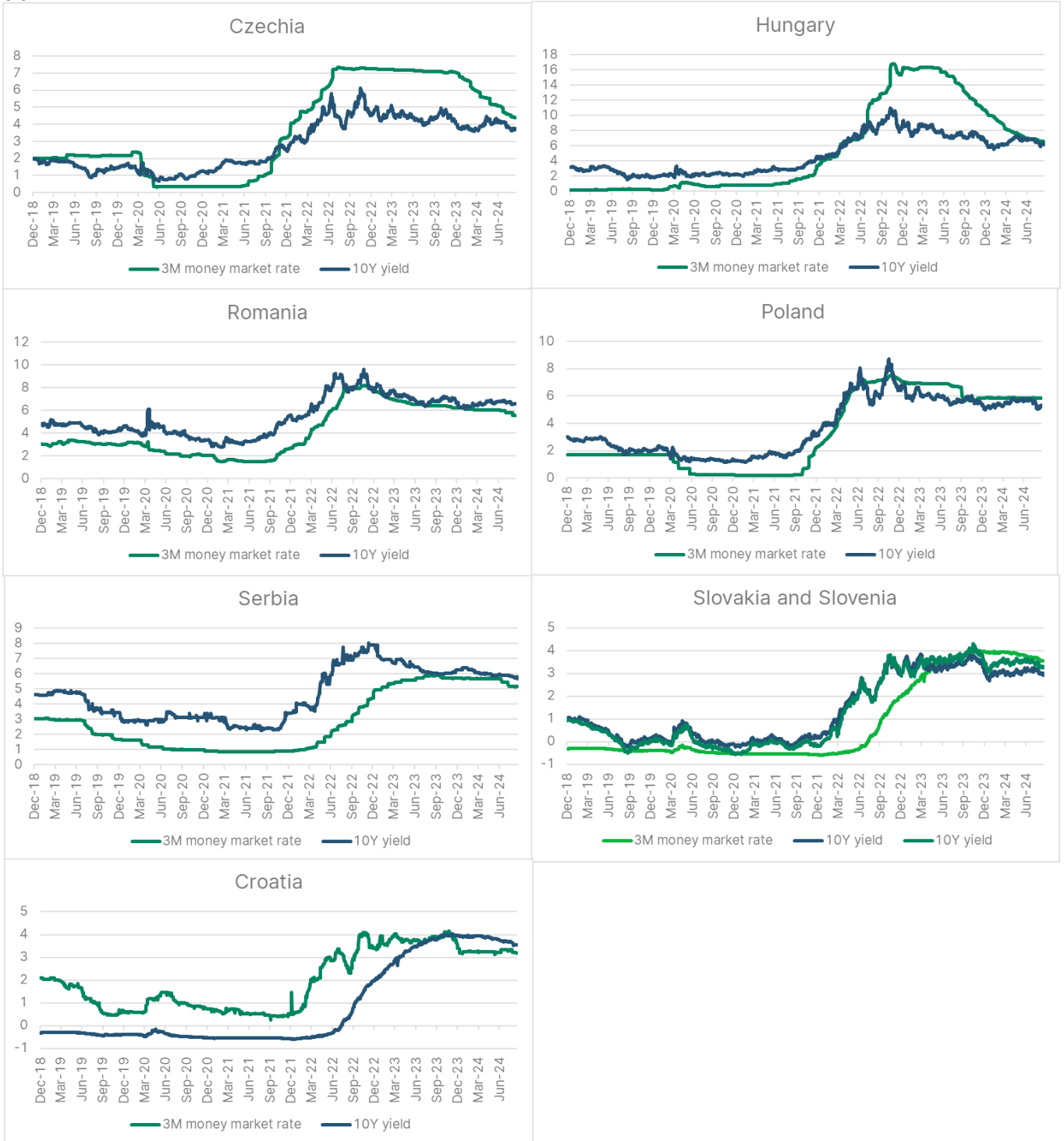
C/A (%GDP)				
	2022	2023	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	2.2	2.2
Poland	-2.4	1.6	0.2	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.9	-1.3

Unemployment (%)				
	2022	2023	2024f	2025f
Croatia	7.0	6.1	5.6	5.5
Czechia	2.2	2.6	2.8	3.4
Hungary	3.6	4.1	4.4	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	2023	2024f	2025f
Croatia	0.1	-0.7	-2.4	-1.5
Czechia	-3.1	-3.5	-2.7	-2.3
Hungary	-6.2	-6.7	-4.7	-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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