

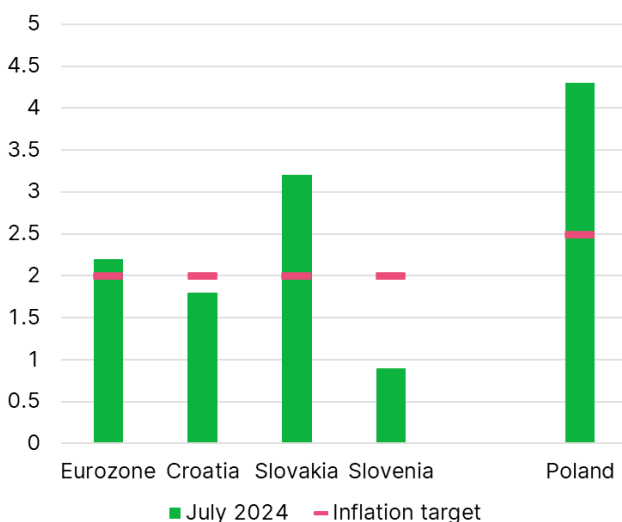
CEE MACRO AND FI DAILY

Eurozone inflation in August decelerates, mostly due to base effect

On the Radar

- Manufacturing PMI Indices are due Monday morning in Czechia, Hungary, Poland and Romania (at 48.4 in August, released at 8 AM CET).
- At 11.00 AM CET July's industrial output growth will be released in Croatia
- At noon CET, Serbia will present the 2Q24 GDP structure.

August's flash inflation

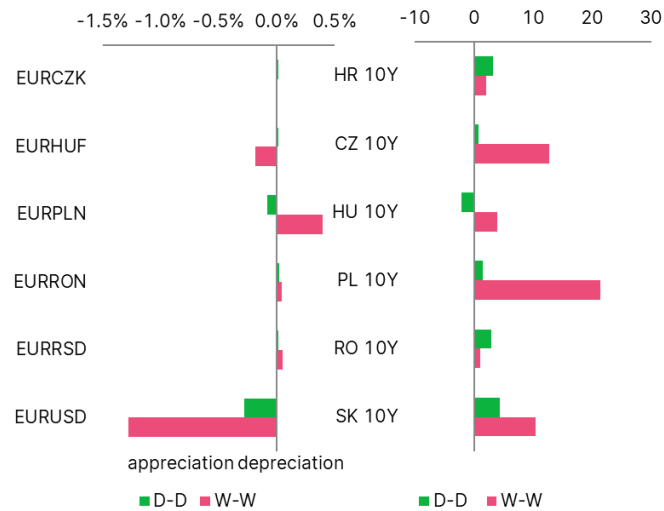


Source: Erste Group Research

Economic developments

Euro area annual inflation is expected to be 2.2% in August 2024, down from 2.6% in July. Looking at the main components of euro area inflation, services is expected to have the highest annual rate in August (4.2%, compared with 4.0% in July), followed by food, alcohol & tobacco (2.4%, compared with 2.3% in July), while energy, on the contrary, should have negative contribution to headline figure (decline by -3.0% y/y, compared with 1.2% y/y growth in July). However, this is due to a temporary base effect and, most likely, dampening effect of energy prices on inflation should be over by the end of the year. As far as the region is concerned, flash estimates of August inflation were published in Croatia, Poland, Slovenia and Slovakia (HICP footprint). In Croatia and Slovenia we have seen further easing of inflation toward 1.8% y/y and 0.9% y/y, respectively. In Poland and Slovakia, on the other hand, inflation rate increased marginally in August. In Poland, the elevated annual figure is attributed to the de-regulation of energy prices in July.

Market performance



Source: Erste Group Research

Market developments

Fitch affirmed Romania's BBB- with stable outlook rating. Some of Romania's strengths highlighted by Fitch are: EU membership and related capital inflows that support income convergence, external finances, and macro stability. At the same time, large and persistent twin budget and current account deficits (CAD) relative to peers, high budget rigidities, and a fairly high net external debtor position are some of the most important shortcomings. Should there be no meaningful fiscal consolidation plans in sight after a new government is formed later this year we do not exclude a negative outlook change at the start of next year but that is not our baseline scenario. We expect Moody's and S&P to also decide to affirm Romania's ratings later this year. The FX market was quite stable throughout the week and the week-to-week changes were rather marginal. CEE bond markets exhibited mixed trends last week. The ROMGB yield curve slightly edged down, while CZGB and POLGB yield curves moved up. In Czechia, Ministry of Finance plans for fiscal consolidation in 2025 that is election year. A reduction of deficit to CZK 230 billion is considered, down from the 2024 target set at CZK 252 billion.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
02. Sep	08:00	RO	PMI Index	Aug			
	08:30	HU	Trade Balance	Jun F			1095.00
	09:00	CZ PL	PMI Index	Aug			
	11:00	HR	Industrial Production (y/y)	Jul		-4.0%	-8.3%
	12:00	RS	GDP (y/y)	2Q F		4.2%	4.2%
03. Sep	08:00	RO	PPI (y/y)	Jul			1.1%
	08:30	HU	GDP (q/q)	2Q F			-0.2%
	08:30	HU	GDP (y/y)	2Q F		0.0%	1.5%
	09:00	CZ	Wages (y/y)	2Q	4.23%	4.2%	4.8%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.02	0.0	0.0
EUR/HUF	392.53	0.0	-0.2
EUR/PLN	4.28	-0.1	0.4
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.91	0.0	0.1
EUR/USD	1.10	-0.3	-1.3

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.36	-1	-4
HUF	6.51	-1	-3
PLN	5.85	0	0
RON	5.57	0	-1
RSD	5.15	-1	-1
EUR	3.49	-1	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.87	1	13
HU 10Y	6.16	-2	4
PL 10Y	5.44	2	21
RO 10Y	6.66	3	1
HR 10Y	3.38	3	2
SK 10Y	3.36	4	10

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