

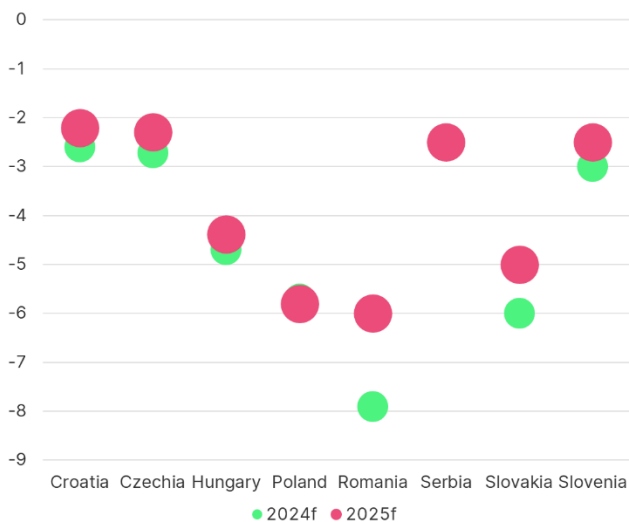
CEE MACRO AND FI DAILY

# Consolidation expected next year in almost all of CEE

## On the Radar

- Serbian central bank kept the policy rate unchanged at 5.75% on Thursday.
- Inflation rate in Romania eased to 4.62% y/y in September.
- Romanian net wage growth landed at 13.8% y/y in August.
- Serbia will publish September's inflation rate at noon CET.

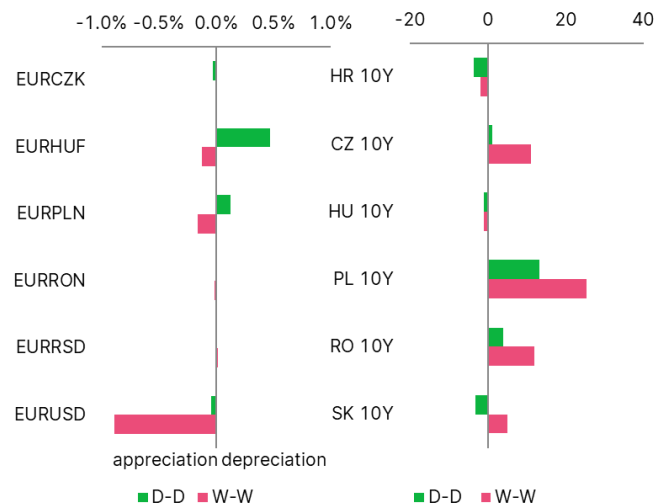
## General government balance, percent of Economic developments GDP



Source: Erste Group Research

In the latest CEE Bond Report: [CEE is not finished with monetary easing, rates will fall further](#) we discuss fiscal plans and present forecasts for the bond market. In 2025, most of the CEE countries are expected to enter a consolidation path. Slovakia has already announced a large consolidation package with measures primarily focused on the revenue side. Romania will need to considerably curb its fiscal deficit, which is expected to be close to 8% of GDP in 2024, by tackling pre-election spending, inefficiencies in tax collection, and growing public debt. Both countries are under the Excessive Deficit Procedure (EDP). Hungary and Poland, also under the EDP, will need to consolidate as well. However, in Hungary, the 2026 election may delay fiscal tightening, and Poland appears to not be bound by new fiscal criteria or is betting on the carve-out of high military spending and investments financed by Recovery and Resilience Facility loans, which may inflate the deficit in contrast to grants. Finally, Croatia, Czechia, Serbia, and Slovenia will focus on keeping their deficits below 3% of GDP. Regarding bond market development, we expect the 10-year local currency government bond yields to decline by about 30-80 basis points (bp) in 2025, supported by further monetary easing. All CEE central banks should continue to reduce their still-high interest rates towards their neutral levels.

## Market performance



Source: Erste Group Research

## Market developments

In the markets, the National Bank of Serbia decided to remain on hold in October, leaving the key rate at 5.75%. The central bank outlined several factors behind the decision such as effects from previous cuts, still unfolding geopolitical conflicts and tensions that could affect inflation going forward, and the expectation that obtaining the Investment Grade rating should lower the country's risk premium and allow for more favorable financing conditions. Going forward, we expect one more 25bp cut by year-end, likely next month in November, which would set the key rate to 5.50%. In 2025, we expect the central bank to deliver another 100bp in cuts. In Poland, the central bank should begin with monetary easing as well, and the policymaker Maslowska said she would see April 2025 as a possible timing for the rate cut if inflation forecasts confirm a decline in price pressure. In Czechia, on the other hand, September's inflation surprised to the upside, which may make the Czech central bank more cautious about monetary easing until the year-end. The CEE currencies are back in the depreciation trend against the euro, while the bond market showed mixed development. The Slovak debt agency announced its plan to launch retail bonds in spring 2025.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
11. Oct	08:00	RO	CPI (y/y)	Sep	4.66%	4.55%	5.10%
	08:00	RO	CPI (m/m)	Sep	0.26%	0.28%	0.23%
	08:00	RO	Wages (y/y)	Aug			14.83%
	12:00	RS	CPI (y/y)	Sep		4.20%	4.30%
	12:00	RS	CPI (m/m)	Sep			0.40%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.30	0.0	0.0
EUR/HUF	400.66	0.5	-0.1
EUR/PLN	4.30	0.1	-0.2
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.94	0.0	0.0
EUR/USD	1.09	0.0	-0.9

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.15	-2	-3
HUF	6.31	-1	1
PLN	5.86	1	0
RON	5.55	0	0
RSD	4.88	0	-5
EUR	3.18	-4	-5

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.90	1	11
HU 10Y	6.25	-1	-1
PL 10Y	5.49	13	25
RO 10Y	6.75	4	12
HR 10Y	3.05	-4	-2
SK 10Y	3.25	-3	5

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