

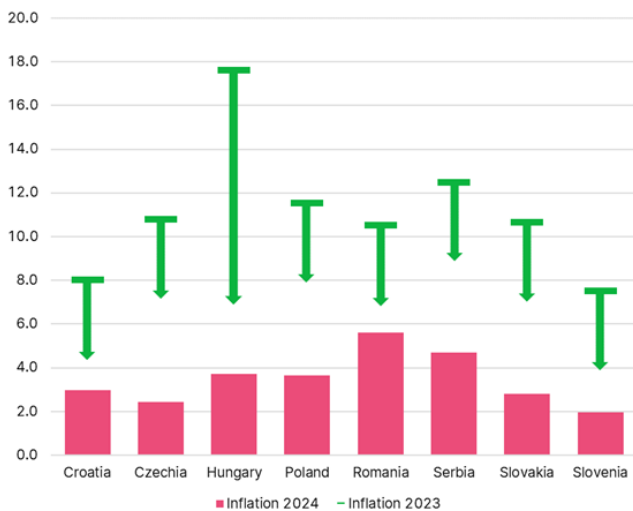
CEE MACRO AND FI DAILY

# Moderation of inflation in 2024

## On the Radar

- Industrial output in Romania declined by -1.3% y/y in November.
- Inflation rate in Slovakia for December was published at 2.9% y/y.
- Poland will release final inflation rate for December at 10 AM CET
- Romania's central bank holds rate setting meeting. We expect no change.

### Average inflation, percent

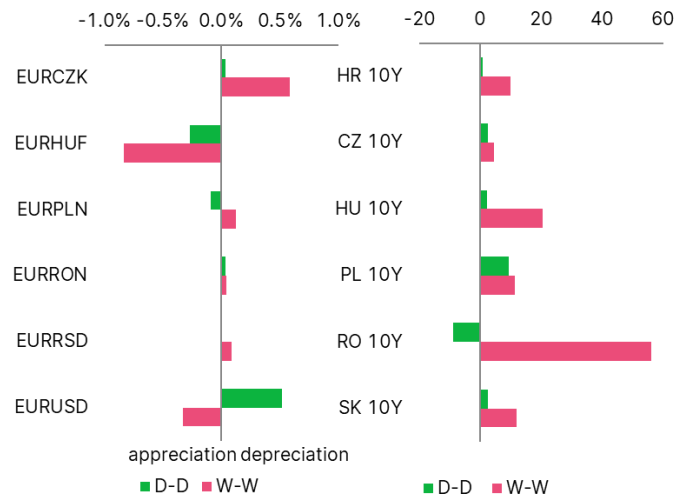


Source: Erste Group Research

### Economic developments

Today's release of inflation rate in Slovakia for December completes the data for the whole region for 2024. The average inflation went visibly down compared to 2023, with the most significant decrease observed in Hungary, from 17.6% to 3.7% in 2024, which is already within the central bank's tolerance band around the 3% inflation target. In Czechia, we have seen similar development, with the average inflation at 2.5%, only slightly above the central bank's 2% inflation target. In Croatia and Slovenia, which are under the jurisdiction of the ECB, the average inflation was at 3% and 2%, respectively. In Poland, inflation in 2024 ended up at 3.7%, only marginally above the upper bound of the central bank's tolerance band around the inflation target. Poland was also the only country in CEE that did not deliver any monetary easing last year, as opposed to other CEE countries. Finally, Romania had the highest inflation rate at 5.6% last year. The increase in the budget deficit by almost 2 percentage points between 2023 and 2024 delivered quite a substantial fiscal impulse. Especially, the government pursued an agenda of raising public sector incomes in a heavy election year. Public sector wages increased by nearly 20%, while public pensions were hiked at almost double that pace, being one of the reasons behind demand-side inflationary pressures.

## Market performance



Source: Erste Group Research

## Market developments

Today, the Romanian central bank is holding a rate-setting meeting, and we do not expect any change in policy rate. Fiscal uncertainties are likely to dominate the debate within the Board meeting and should keep the central bank decision in data-dependent mode. The timing of the next rate cut remains a function of a coherent and credible multiannual fiscal consolidation program and its structure. On the FX market, we have seen some divergence lately, as the Czech koruna weakened against the euro, while the Hungarian forint and Polish zloty have strengthened. The long-term yields have been slightly higher this week. Hungarian Economy Minister Nagy pledged to sustain budget discipline. It also warned that in case of massive redemptions of retail bonds after the record interest payments (due in February and linked to inflation that was at 17.6% in 2024), Hungary may not buy them back. In Slovakia, the risks of snap elections have increased lately as the coalition is unable to enforce laws in parliament.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
15. Jan		RO	Central Bank Rate	Jan 25		6.50%	6.50%
	08:00	RO	Industrial Production (y/y)	Nov		-0.40%	-0.90%
	09:00	SK	CPI (y/y)	Dec		2.70%	3.20%
	09:00	SK	CPI (m/m)	Dec		-0.60%	0.20%
	10:00	PL	CPI (y/y)	Dec F			4.80%
	10:00	PL	CPI (m/m)	Dec F			0.20%
16. Jan		PL	Central Bank Rate	Jan 25	5.75%	5.75%	5.75%
		RS	Current Account Balance (monthly)	Nov			-459.90
	08:00	RO	Wages (y/y)	Nov			12.28%
	11:00	HR	CPI (y/y)	Dec F			3.40%
	11:00	HR	CPI (m/m)	Dec F			0.10%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.24	0.0	0.6
EUR/HUF	411.76	-0.3	-0.8
EUR/PLN	4.26	-0.1	0.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.01	0.0	0.1
EUR/USD	1.03	0.5	-0.3

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.89	-1	-3
HUF	6.50	0	0
PLN	5.84	1	0
RON	5.92	1	0
RSD	4.70	0	0
EUR	2.76	-2	-2

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.18	3	4
HU 10Y	6.97	2	20
PL 10Y	6.07	9	11
RO 10Y	7.85	-9	56
HR 10Y	3.11	1	10
SK 10Y	3.44	3	12

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