

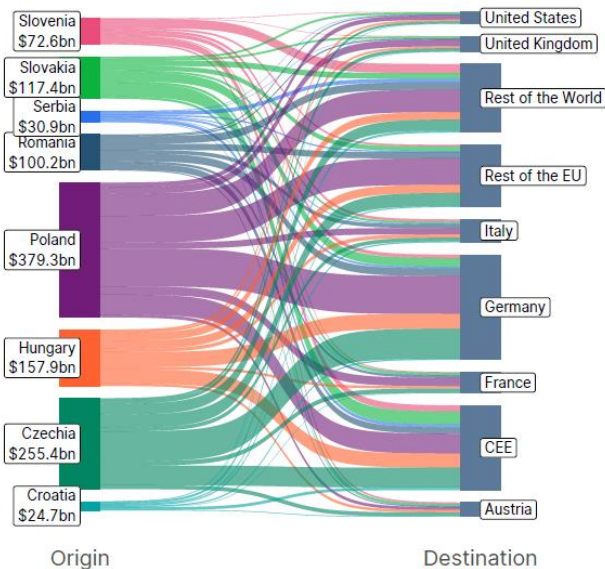
CEE MACRO AND FI DAILY

CEE trade openness grows, exporting mostly within the EU

On the Radar

- The ECB cut the deposit rate by 25 basis points on Thursday to 2.75%
- 2024 GDP in Poland surprised to the upside arriving at 2.9%.
- December's retail trade increased in Croatia by 6.5% y/y while industry grew by 5.3% y/y.
- In Hungary, producer prices increased by 9% y/y in December.
- In Czechia, 4Q24 flash GDP landed at 1.6% y/y and 0.5% q/q. This brings the 2024 annual growth to 1.0%.
- At noon, Serbia will publish 4Q24 GDP data alongside retail sales and industrial output growth.

Export flows from CEE, USD billion

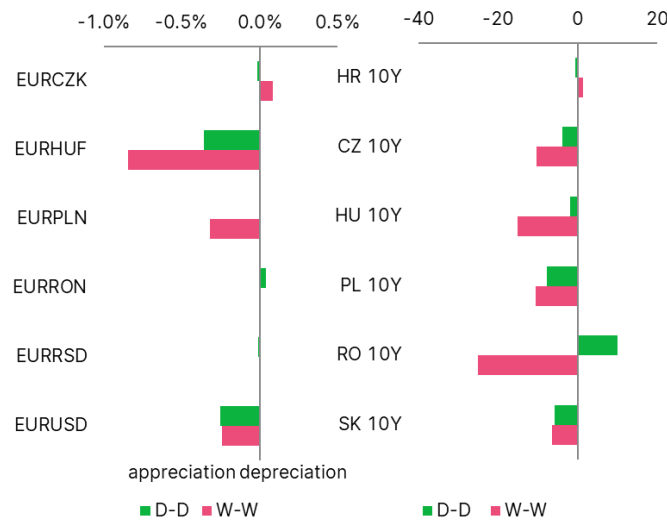


Source: Erste Group Research

Economic developments

Over last two decades, all CEE countries have become more open and increased their trade activity as share of GDP. Most of it happens within Europe. Actually, between 70% and 80% of trade is intra-EU trade. Only Serbia has a lower share, as 57% of its exports and imports is within the EU. Further, most of the CEE countries improved their current account and trade balance position. One of the factors of influence was the development of trade of services as CEE countries experienced an increase in the export of services as a share of GDP. Croatia, Poland and Slovenia most notably. The trade activity supports employment in the region and across the EU. In the region, the extra-EU trade supports between 18% of jobs (Hungary, Romania) to as much as 30% of jobs in Croatia. As far as structure is concerned most of the export-related jobs are in services. More on trade developments in the region can be found in our latest special report: Trade developments in the region.

Market performance



Source: Erste Group Research

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Market developments

As had been widely expected, the ECB Governing Council decided to cut the deposit rate by a further 25 basis points to 2.75%. The decisive factors were the inflation outlook, the dynamics of underlying inflation and the transmission of monetary policy. The decision was unanimous. The CEE currencies have been quite strong and stable this week while the long end of the curve moved down. The market stress seems to have calmed, and such development supports Romanian bond market to greatest extent as 10Y yields dropped toward 7.4% from above 8% at the beginning of January.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
31. Jan	08:30	HU	PPI (y/y)	Dec			7.90%
	09:00	CZ	GDP (q/q)	4Q A	0.47%	0.40%	0.50%
	09:00	CZ	GDP (y/y)	4Q A	1.58%	1.50%	1.40%
	12:00	RS	Industrial Production (y/y)	Dec		2.20%	1.00%
	12:00	RS	Retail Sales (y/y)	Dec		2.00%	1.40%
	12:00	RS	Trade Balance	Dec			-889.50
	12:00	RS	GDP (y/y)	4Q P		3.70%	3.10%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.09	0.0	0.1
EUR/HUF	406.45	-0.4	-0.8
EUR/PLN	4.20	0.0	-0.3
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.95	0.0	0.0
EUR/USD	1.04	-0.2	-0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.83	-1	-3
HUF	6.50	0	0
PLN	5.86	0	0
RON	5.95	0	-1
RSD	4.70	0	0
EUR	2.61	-1	-7

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.95	-4	-10
HU 10Y	6.55	-2	-15
PL 10Y	5.81	-8	-11
RO 10Y	7.64	10	-25
HR 10Y	3.12	-1	1
SK 10Y	3.21	-6	-6

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