

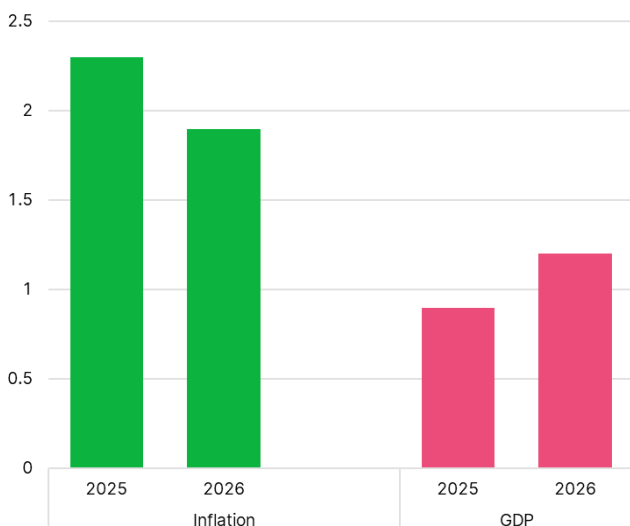
CEE MACRO AND FI DAILY

The ECB cuts rates, lowers GDP forecasts

On the Radar

- The ECB decided yesterday to cut the deposit rate (and the other two key interest rates) by a further 25 basis points to 2.5%.
- 4Q24 GDP in Romania was confirmed at 0.7% y/y. The growth was driven by private consumption.
- 4Q24 GDP in Slovakia was confirmed at 1.8%. In 2024 Slovakia expanded 2% driven by households' and public sector consumption.
- At 10.30 AM CET Slovenia will release trade balance in January.
- At 11 AM CET Croatia will publish industrial output growth in January.

ECB forecasts for Eurozone, percent

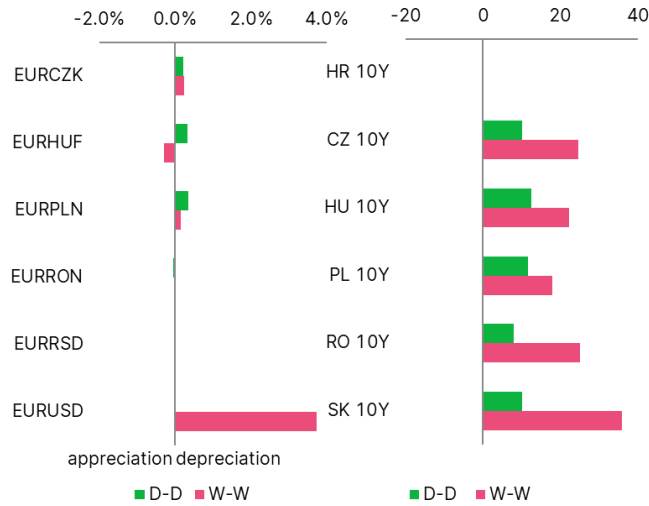


Source: Erste Group Research

Economic developments

As had been widely expected, the ECB Governing Council decided yesterday to cut the deposit rate (and the other two key interest rates) by a further 25 basis points to 2.5%. The restrictive effect of monetary policy on the economy has eased significantly. We see these statements as an indication that interest rates may not be lowered further for the time being at the upcoming meeting in April. We expect the next ECB rate cut in June. Today, we look at the new ECB forecasts for Eurozone. The inflation forecast for 2025 has been raised slightly to 2.3% (previously 2.1%), due to stronger expected momentum in energy prices. The inflation forecast for 2026 remained unchanged at 1.9% and was lowered slightly to 2.0% for 2027. High uncertainty regarding global trade is weighing on exports and the propensity to invest and thus ultimately on growth. ECB economists have therefore lowered their GDP forecasts for 2025 to 0.9% and for 2026 to 1.2%. On the other hand, a possible substantial fiscal stimulus through spending in the areas of defense and infrastructure in the Eurozone would strengthen future growth in the Eurozone. As far as the implications for the region are concerned, slight downward revision is obviously negative news regarding the CEE prospects. We already flagged in the Growth Navigator Report that similar revision (higher inflation, lower growth) is taking place in the region as well. At this point the risks, that is tariffs vs. expected fiscal stimulus, seem to balance out.

Market performance



Source: Erste Group Research

Market developments

The CEE currencies remain stronger. The long end of the curve has moved more visibly up this week. In all countries the 10Y yields are roughly 20 basis points higher compared to the beginning of the week. In Slovakia the 10Y yields went even 35 basis points up. We assume that the upward move in yields reflects the upcoming pause in the ECB cutting cycle as well as expectations for higher inflation and possibility for the more dynamic growth if fiscal stimulus is passed. Polish President Duda urged NATO to increase the defense spending, while in Romania proceeding against far-right candidate sped up as prosecutors detained six people suspected of plotting to overthrow the government. Croatia issued EUR 3bn yesterday (split in 2Y and 5Y tenors). The 2Y bond has been sized at EUR 1.75bn, while 5Y amounted to EUR 1.25bn. The former has been priced at 2.65%, while the latter at 3.05%.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
07. Mar	08:00	RO	GDP (q/q)	4Q P		0.8%	0.8%
	08:00	RO	GDP (y/y)	4Q P		0.7%	0.7%
	09:00	SK	GDP (y/y)	4Q F		1.8%	1.8%
	10:30	SI	Trade Balance	Jan			-0.88
	11:00	HR	Industrial Production (y/y)	Jan		1.0%	5.3%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.03	0.2	0.2
EUR/HUF	399.31	0.3	-0.3
EUR/PLN	4.17	0.4	0.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.96	0.0	0.0
EUR/USD	1.08	0.0	3.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.72	0	-1
HUF	6.50	0	0
PLN	5.86	0	-1
RON	5.93	0	0
RSD	4.70	0	0
EUR	2.51	1	3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.26	10	25
HU 10Y	6.77	13	22
PL 10Y	5.92	12	18
RO 10Y	7.52	8	25
HR 10Y	3.09	0	0
SK 10Y	3.66	10	36

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