

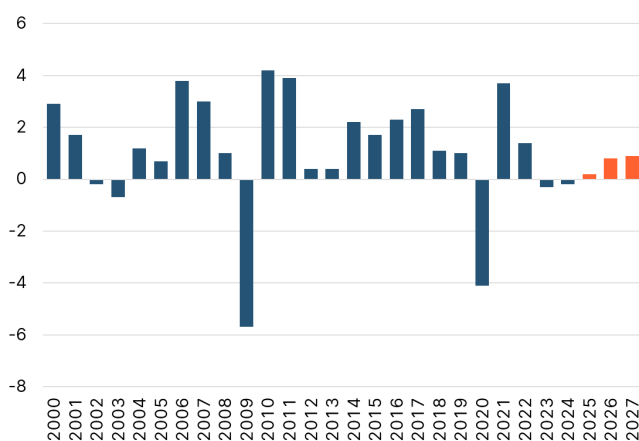
CEE MACRO AND FI DAILY

German fiscal expansion will boost not only local growth

On the Radar

- German lawmakers passed a spending package for defense and infrastructure.
- There are no economic releases scheduled in the region for today.

GDP growth in Germany and current Bundesbank forecast, percent

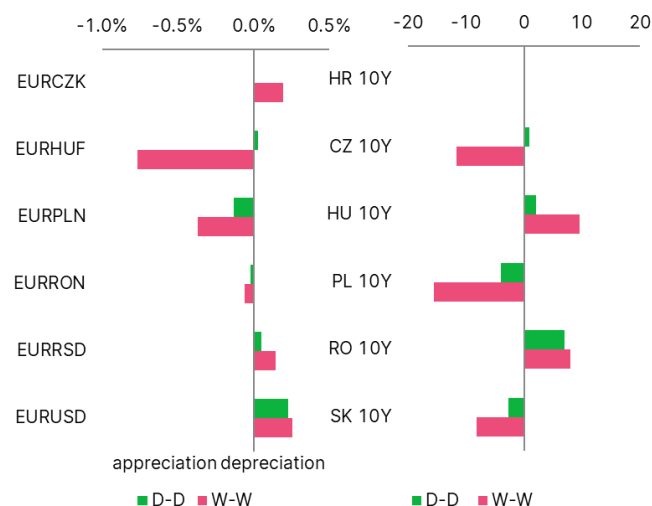


Source: Erste Group Research

Economic developments

Germany's parliament passed a historic bill unlocking a record level of state borrowing for defense and infrastructure through amending the country's constitutionally enshrined fiscal rules. The bill would largely release defense spending from the so-called debt brake and set up a fund worth EUR 500 billion (roughly 11% of German GDP) that would be spent on investment in infrastructure. Although it will be spread over several years, the planned measures are a game changer and will give a sizeable push to German growth in the coming years. In our view, the proposed package would lift the path of German GDP upwards (in 2026 by 1% and 2027 by another 0.5% to 1.0%). Such a revision of expectations regarding economic development in Germany would be overall positive for the region as CEE is well integrated in the supply chains. Higher growth is potentially inflationary in nature (especially if combined with potential fiscal impulse within CEE due to activating escape clause) and potentially may limit the space for monetary easing.

Market performance



Source: Erste Group Research

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Market developments

Apart from the news from Germany regarding passing the fiscal package, Putin refused to give Donald Trump the 30-day ceasefire in Ukraine. However, he agreed to limit attacks on Ukraine's energy infrastructure conditional on stopping the flow of weapons and intelligence to Ukraine by the US and allies. The long-term yields have been declining this week, while currencies remain strong. As for other news, the Czech central banker Seidler expressed his support for stability of rates at the upcoming meeting (due next week).

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
19. Mar			No releases today				
20. Mar		RS	Current Account Balance (monthly)	Jan			-933.20
		SK	Unemployment Rate	Feb		5.1%	5.1%
	10:00	PL	Industrial Production (y/y)	Feb	-1.6%		-1.0%
	10:00	PL	PPI (y/y)	Feb	-1.3%		-0.9%
	10:00	PL	Wages (y/y)	Feb	8.7%		9.2%
	11:00	HR	Unemployment Rate	Feb		5.4%	5.4%
	11:00	HR	Wages (y/y)	Jan			12.1%
21. Mar	10:30	SK	Current Account Balance (monthly)	Jan			-1245.10
	10:30	SI	PPI (y/y)	Feb			-0.8%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.02	0.0	0.2
EUR/HUF	397.49	0.0	-0.8
EUR/PLN	4.18	-0.1	-0.4
EUR/RON	4.97	0.0	-0.1
EUR/RSD	117.11	0.1	0.1
EUR/USD	1.09	0.2	0.3

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.71	0	0
HUF	6.51	0	0
PLN	5.85	-1	0
RON	5.92	0	0
RSD	4.70	0	0
EUR	2.43	-3	-13

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.21	1	-12
HU 10Y	6.97	2	10
PL 10Y	5.77	-4	-16
RO 10Y	7.47	7	8
HR 10Y	3.10	0	0
SK 10Y	3.65	-3	-8

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