

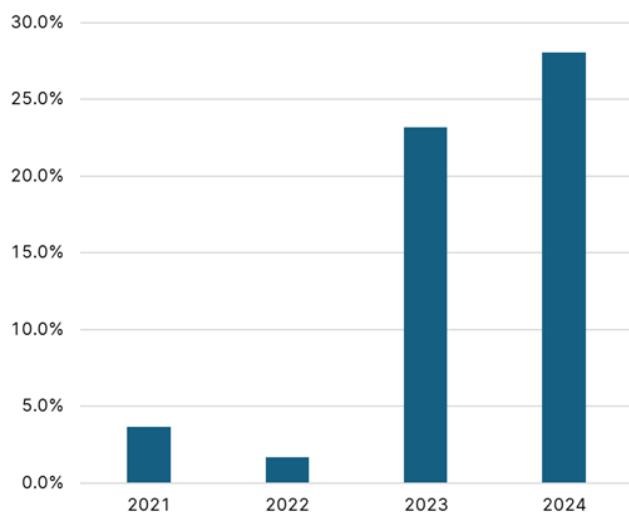
CEE MACRO AND FI DAILY

Military expenditure grows steeply

On the Radar

- Producer prices in Romania went down by 2.4% m/m and up by 3.3% y/y in March.
- April's inflation in Czechia was published at 1.8% y/y and 0.1% m/m.
- Tomorrow in the morning Hungary and Slovakia will publish retail sales while Czechia industrial output growth.

Real growth of military expenditure in CEE8, constant US\$ (2023), percent

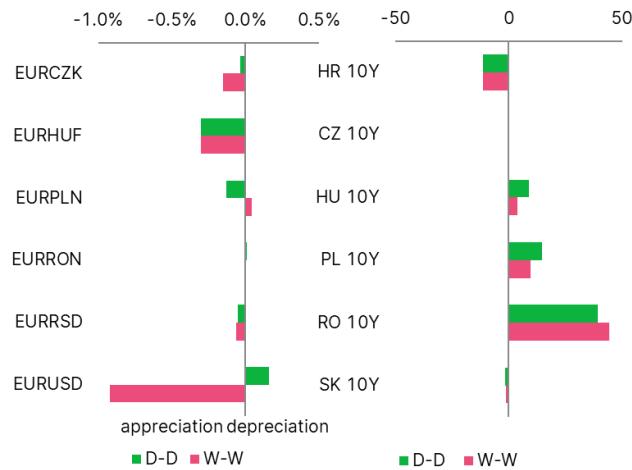


Source: Erste Group Research

Economic developments

According to the latest release of Stockholm International Peace Research Institute (SIPRI) from the end of April 2025, world military expenditure reached \$2718 billion in 2024, an increase of 9.4 per cent in real terms from 2023 and the steepest year-on-year rise since at least the end of the cold war. Military spending increased in all world regions, with particularly rapid growth in both Europe and the Middle East. Military expenditure in real terms from 2023 grew particularly dynamic in the CEE region as well. Over last two years, the average annual growth in CEE8 was above 20%. In nominal terms, the military expenditure doubled since 2022 that is the outbreak of the war in Ukraine. Poland is the front-runner in terms of military spending, but in 2024 growth dynamics was double-digit in Czechia, Romania, Serbia or Slovakia.

Market performance



Source: Erste Group Research

Market developments

Romania's prime minister announced his resignation after the outcome of the first round of presidential election on May 4. There is a split in coalition whom to support in the second round as Social Democrats withheld support from any candidate. The Romanian long-term yields increase visibly on Monday (roughly 30 basis points) reflecting mounting political risks and are close to 7.8% currently. Otherwise, there was little movement on the bond market in other countries. The Hungarian forint and the Polish zloty strengthened against euro at the beginning of the week. Although the Czech koruna weakened marginally the EURCZK remains below 25 level. In Hungary, the budget council warns that government's expectations regarding economic performance of Hungary in 2025 and 2026 are too optimistic. We have already lowered our forecast to 1.7% in 2025 after the tariffs announcement and consider further downward revision after flash 1Q25 GDP data.

Analyst:

Katarzyna Rzentalarzewska
+43 5 0100 17356
katarzyna.rzentalarzewska@erstegroup.com

Analyst:

Juraj Kotian
+43 (0)5 0100 17357
juraj.kotian@erstegroup.com

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
06. May	08:00	RO	PPI (y/y)	Mar		4.03%	
	09:00	CZ	CPI (y/y)		Apr P	2.10%	2.70%
	09:00	CZ	CPI (m/m)		Apr P	0.10%	0.10%
07. May	PL		Central Bank Rate	Mai 25		5.25%	5.75%
	08:30	HU	Retail Sales (y/y)	Mar		1.50%	3.30%
	09:00	CZ	Industrial Production (y/y)	Mar		-0.40%	1.50%
	09:00	CZ	Trade Balance	Mar		27.60	16.30
	09:00	SK	Retail Sales (y/y)	Mar		-3.00%	-2.60%
	12:00	RS	PPI (y/y)	Apr			0.60%
	14:30	CZ	Central Bank Rate	Mai 25		3.75%	3.75%

FX Market

	Last	Change (%)	
	d/d	w/w	
EUR/CZK	24.88	0.0	-0.2
EUR/HUF	402.93	-0.3	-0.3
EUR/PLN	4.26	-0.1	0.0
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.04	-0.1	-0.1
EUR/USD	1.13	0.2	-0.9

3M Market

	Last	Change (bps)	
	d-d	w-w	
CZK	3.65	0	1
HUF	6.50	0	0
PLN	5.36	-5	-6
RON	5.90	0	0
RSD	4.68	0	0
EUR	2.15	1	-4

10Y Yields

	Last	Change (bps)	
	d-d	w-w	
CZ 10Y	4.05	0	0
HU 10Y	6.86	9	4
PL 10Y	5.31	15	10
RO 10Y	7.89	39	44
HR 10Y	3.02	-11	-11
SK 10Y	3.42	-2	-1

Group Research

Head of Group Research		Group Treasury Markets	
Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902	Head: Valentin Popovici	+43 (0)5 0100 85882
CEE Macro/Fixed Income Research		MM Trading	
Head: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357	Head: Philippe Quintans de Soure	+43 (0)5 0100 84424
Katarzyna Rzentalzewska (Fixed Income)	+43 (0)5 0100 17356	Collateral Trading, Management and Optimisation	
Jakub Cery (Fixed Income)	+43 (0)5 0100 17384	Head: Danijela Lukic	+43 (0)5 0100 84983
Croatia/Serbia		Interest Rates and FX Options Trading	
Alen Kovac (Head)	+385 72 37 1383	Head: Martin Sramko	+43 (0)5 0100 84924
Mate Jelic	+385 72 37 1443	FX Trading & Corporate Treasury Sales	
Ivana Rogic	+385 72 37 2419	Head: Valentin Popovici	+43 (0)5 0100 85882
Czech Republic		E-FX Trading	
David Navratil (Head)	+420 956 765 439	Head: Helmut Kroboth	+43 (0)5 0100 84652
Jiri Polansky	+420 956 765 192	CEE FX Trading	
Michal Skorepa	+420 956 765 172	Head: Juraj Zabadal	+420 224 995 553
Hungary		Markets Corporate Sales AT	
Orsolya Nyeste	+361 268 4428	Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
Janos Nagy	+361 272 5115	Markets Corporate Sales HUN	
Romania		Head: Adam Farago	+361 237 8202
Ciprian Dascalu (Head)	+40 3735 10108	Markets Corporate Sales CRO	
Ioana Birlan	+40 730 587 086	Head: Neven Radakovic	+385 (0)72 37 1385
Eugen Sinca	+40 3735 10435	Markets Corporate Sales CZ	
Vlad Nicolae Ionita	+40 7867 15618	Head: Tomas Picek	+420 224 995 511
Slovakia		Markets Corporate Sales RO	
Maria Valachyova (Head)	+421 2 4862 4185	Head: Bogdan Ionut Cozma	+40 731 680 257
Matej Hornak	+421 902 213 591	Markets Corporate Sales SK	
Marian Kocis	+421 904 677 274	Head: Lubomir Hladik	+421 2 4862 5622
Major Markets & Credit Research		Group Securities Markets	
Head: Rainer Singer	+43 (0)5 0100 17331	Head: Thomas Einramhof	+43 (0)50100 84432
Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies)	+43 (0)5 0100 16314	Institutional Distribution Core	
Hans Engel (Global Equities)	+43 (0)5 0100 19835	Head: Jürgen Niemeler	+49 (0)30 8105800 5503
Maurice Jiszda, CEFA®, CFDS® (USA, CHF)	+43 (0)5 0100 19630	Institutional Distribution CEE & Insti AM CZ	
Peter Kauffmann, CFA® (Corporate Bonds)	+43 (0)5 0100 11183	Head: Anton Buric	+385 72 37 2439
Heiko Langer (Financials & Covered Bonds)	+43 (0)5 0100 85509	Institutional Distribution DACH+	
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574	Head: Marc Frieberthäuser	+49 (0)711 810400 5540
Maximilian Möstl (Credit Analyst Austria)	+43 (0)5 0100 17211	Institutional Asset Management CZ	
Carmen Riefler-Kowarsch (Financials & Covered Bonds)	+43 (0)5 0100 19632	Head: Petr Holeček	+420 956 765 453
Bernadett Povazsai-Röhmlid, CEFA®, CESGA® (Corporate Bonds)	+43 (0)5 0100 17203	Group Institutional Equity Sales	
Elena Statilev, CFA® (Corporate Bonds)	+43 (0)5 0100 19641	Head: Michal Rízek	+420 224 995 537
Gerald Walek, CFA® (Eurozone)	+43 (0)5 0100 16360	Warner Fürst	+43 (0)50100 83121
CEE Equity Research		Viktoria Kubalcova	+43 (0)5 0100 83124
Head: Henning Eßkuchen, CESGA®	+43 (0)5 0100 19634	Thomas Schneidhofer	+43 (0)5 0100 83120
Daniel Lion, CFA® (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420	Oliver Schuster	+43 (0)5 0100 83119
Michael Marschallinger, CFA®	+43 (0)5 0100 17906	Czech Republic	
Nora Nagy (Telecom)	+43 (0)5 0100 17416	Head: Michal Rízek	+420 224 995 537
Christoph Schultes, MBA, CFA® (Real Estate)	+43 (0)5 0100 11523	Jakub Brukner	+420 731 423 294
Thomas Unger, CFA® (Banks, Insurance)	+43 (0)5 0100 17344	Martin Havlan	+420 224 995 551
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343	Pavel Krabicka	+420 224 995 411
Martina Valenta, MBA	+43 (0)5 0100 11913	Poland	
Croatia/Serbia		Head: Jacek Jakub Langer	+48 22 257 5711
Mladen Dodig (Head)	+381 11 22 09178	Tomasz Galanciak	+48 22 257 5715
Boris Pevalek, CFA®	+385 99 237 2201	Wojciech Wysocki	+48 22 257 5714
Marko Plastic	+385 99 237 5191	Przemyslaw Nowosad	+48 22 257 5712
Bruno Barbic, CFA®	+385 99 237 1041	Croatia	
Davor Spoljar, CFA®	+385 72 37 2825	Matija Tkaličanac	+385 72 37 21 14
Magdalena Basic	+385 99 237 1407	Hungary	
Czech Republic		Nandor Levente	+36 1 23 55 141
Petr Bartek (Head, Utilities)	+420 956 765 227	Krisztian Kandik	+36 1 23 55 162
Jan Bystřický	+420 956 765 218	Balasz Zankay	+36 1 23 55 156
Hungary		Romania	
József Miró (Head)	+361 235 5131	Adrian Barbu	+40 7305 18635
András Nagy	+361 235 5132	Group Fixed Income Securities Markets	
Tamás Pletser, CFA® (Oil & Gas)	+361 235 5135	Head: Goran Hoblaj	+43 (0)50100 84403
Poland		Fixed Income Flow Sales	
Cezary Bernatek (Head)	+48 22 257 5751	Head: Goran Hoblaj	+43 (0)5 0100 84403
Piotr Bogusz	+48 22 257 5755	Bernd Thaler	+43 (0)5 0100 84119
Łukasz Jańczak	+48 22 257 5754	Group Fixed Income Securities Trading	
Jakub Szkopek	+48 22 257 5753	Head: Goran Hoblaj	+43 (0)50100 84403
Krzysztof Tkocz	+48 22 257 5752	Credit Trading	+43 (0)50100 84332
Romania		Head: Christoph Fischer-Antze	+43 (0)50100 84332
Calin Rapanu	+40 3735 10441	CEE Rates Trading	+420 224 995 512
Ilie Pascaluta	+40 7305 87324	Head: Peter Provoitak	+43 (0)50100 84333
Group Markets		Euro Government Bonds Trading	+43 (0)50100 84333
Head of Group Markets		Head: Gottfried Ziniel	
Oswald Huber	+43 (0)5 0100 84901	Group Equity Trading & Structuring	
Group Markets Retail and Agency Business		Head: Ronald Nemeč	+43 (0)50100 83011
Head: Martin Langer	+43 (0)5 0100 11313	Group Markets Financial Institutions	
Markets Retail Sales AT		Manfred Neuwirth	+43 (0)50100 84250
Head: Markus Kaller	+43 (0)5 0100 84239	Group Financial Institutions	
Group Markets Execution		Head bis 30.4.25: Christian Wolf	+43 (0)50100 12776
Head: Kurt Gerhold	+43 (0)5 0100 84232	Head ab 1.5.25: Christina Linzer	+43 (0)50100 13049
Retail & Sparkassen Sales		Group Non-Bank Financial Institutions	
Head: Uwe Kolar	+43 (0)5 0100 83214	Head: Michael Aschauer	+43 (0)50100 14090
Markets Retail Sales & PM SK			
Monika Pálová	+421 911 891 098		
Markets Retail Sales HUN			
Head: Peter Kishazi	+36 1 23 55 853		
Markets Retail Sales CZ			
Head: Martin Vlcek	+420 956 765 374		
Markets Retail Sales & PM CRO			
Head: Neven Radaković	+385 (0)72 37 1385		
Head: Tamas Nagy	+385 (0)72 37 2461		
Markets Retail Sales & PM RO			
Head: Laura Hexan	+40 7852 47110		
GM Retail Products & Business Development			
Head: Michael Tröthann	+43 (0)50100 11303		

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Head Office: Wien
Commercial Register No: FN 33209m
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Erste Group Homepage: www.erstegroup.com