

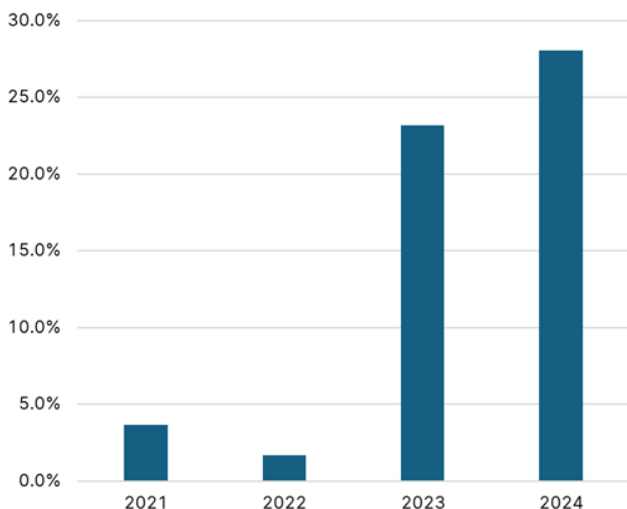
CEE MACRO AND FI DAILY

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

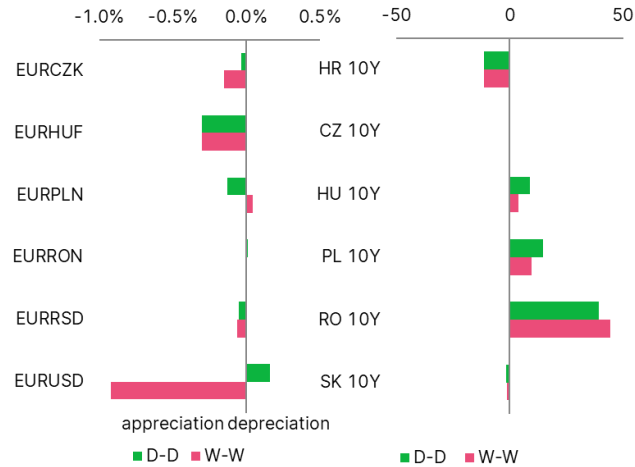


Source: Erste Group Research

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.

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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

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