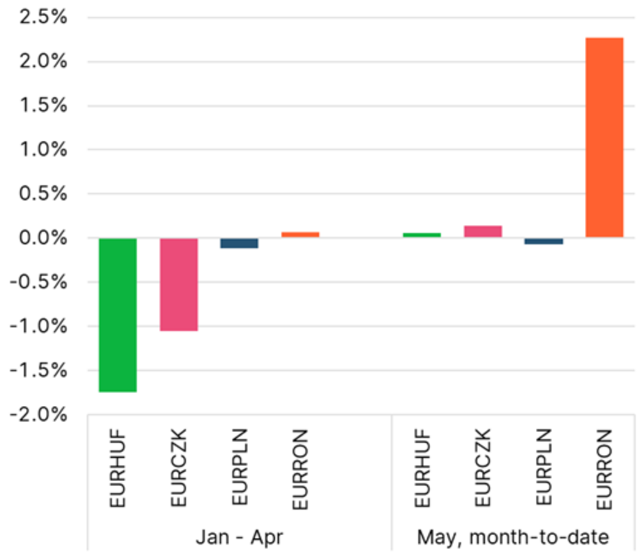
CEE MACRO AND FI DAILY

Romanian leu depreciates amid political instability

On the Radar

- Retail sales in Hungary in March arrived at 0.4% y/y (SCA).
- In Slovakia retail sector contracted by 2.5% y/y in March
- Czechia published industrial output growth at 1.4% y/y and trade balance at CZK +32.5bn in March.
- At noon CET, Serbia publishes producer prices.
- Today, there are interest rate decisions in Czechia and Poland.

CEE currencies change, percent

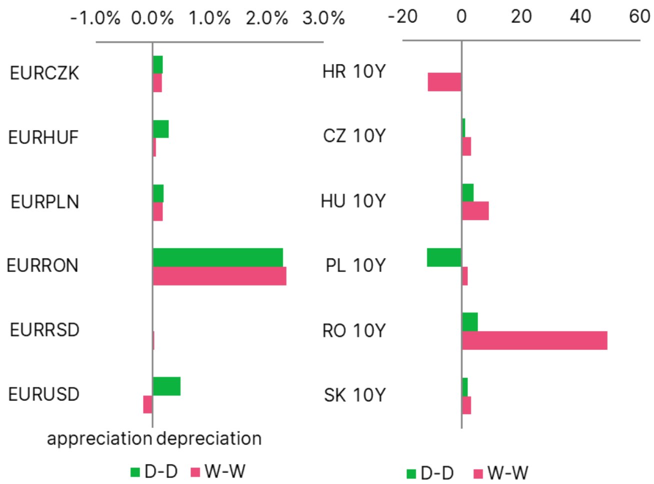


Source: Erste Group Research

Economic developments

Romanian leu as managed float regime has not been broadly commented on day-to-day basis. Romanian currency was unusually stable since 2022, with nominal depreciation below 1.0% per year, on average. On May 6th, however, Romanian leu depreciated to 5.095 against Euro around noon from 4.9750 in the morning on political turmoil after the first round of presidential elections. That marks roughly 2% depreciation within one day. We think that 5.10 is the new line in the sand for the National Bank of Romania. We have also adjusted our EURON forecasts and have the level fixed at 5.10 in 2025 and expect gradual depreciation toward 5.20 next year.

Market performance



Source: Erste Group Research

Market developments

Today, there are two central banks decisions in the afternoon. In Czechia, the vote will be between stability of rates and another 25 basis point cut. April's inflation at 1.8% supports the scenario of ongoing monetary easing. In Czechia, the interest rate is getting close to the terminal rate that we see at 3% in 2026. In Poland, interest rate cut is broadly expected, and the only question is whether central bank will deliver 50 basis points cut as market expects. Key policy rate has been stable since October 2023 in Poland. Most recent change of Governor Glapinski tone resulted in pricing in quite aggressive monetary easing by the end of the year (FRA 6x9 dropped to 4.05 currently from 5 at the beginning of April). As for the bond market, Romanian long-term yields kept increasing on Tuesday and 10Y yield is currently close to 7.95% reflecting the political instability.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
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	24.92	0.2	0.2
EUR/HUF	404.05	0.3	0.1
EUR/PLN	4.27	0.2	0.2
EUR/RON	5.09	2.3	2.3
EUR/RSD	117.06	0.0	0.0
EUR/USD	1.14	0.5	-0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.64	-1	1
HUF	6.50	0	0
PLN	5.36	0	-12
RON	6.08	18	18
RSD	4.67	-1	-1
EUR	2.14	-1	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.06	1	3
HU 10Y	6.90	4	9
PL 10Y	5.19	-12	2
RO 10Y	7.94	6	49
HR 10Y	3.02	0	-11
SK 10Y	3.44	2	3

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