

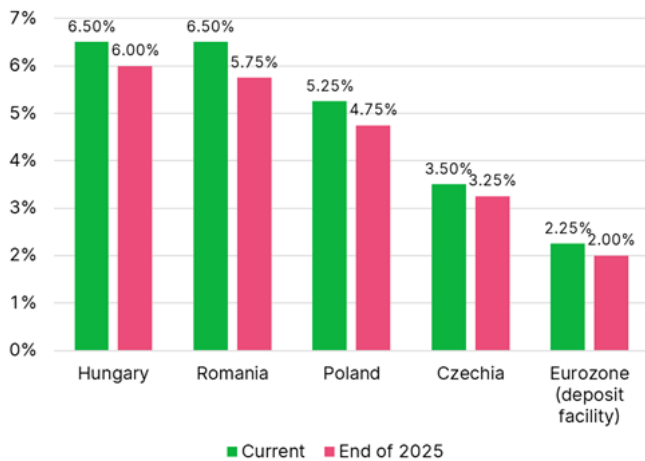
CEE MACRO AND FI DAILY

Czech and Polish central banks cut target rate

On the Radar

- The CNB lowered the target rate by 25bps and NBP by 50bps yesterday.
- Retail sales in Romania were published at 3.4% y/y in March.
- Industrial production in March decreased by 5.4% y/y (calendar adjusted) in Hungary.

Central bank target rates

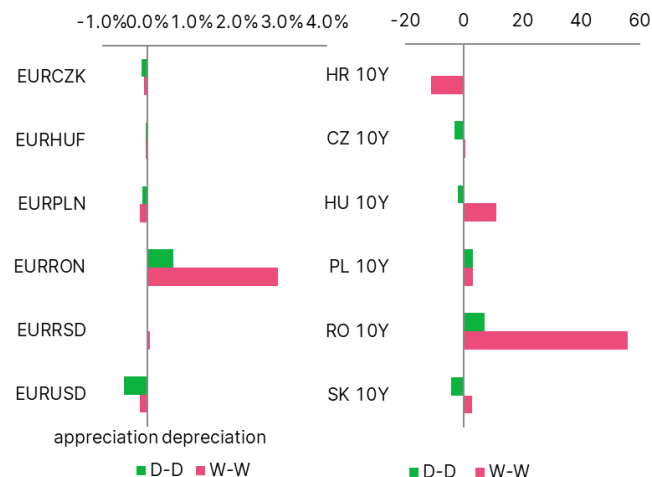


Source: Erste Group Research

Economic developments

Yesterday, two central banks in the region announced reductions in their key interest rates. The Czech National Bank lowered its interest rates by 25 basis points, from 3.75% to 3.25%, with a voting outcome of 6:1, as one board member voted for maintaining the current rate. The expectations for a rate cut in May were divided, but the April inflation figure, which significantly undershot expectations at 1.8%, likely influenced the decision. Looking ahead, we anticipate the next CNB rate cut in November, with a final reduction projected for May 2026, bringing the key rate down to 3%. Similarly, the Polish central bank reduced its target rate by 50 basis points, from 5.75% to 5.25%. This move was widely anticipated by the market, although the future actions of the Monetary Policy Council remain a topic of discussion. The press release accompanying the decision was concise, citing primary reasons such as lower-than-expected inflation, decreasing wage growth pressures, and a sluggish economy. In our baseline, we will see additional 50-75bps worth of cuts until the end of the year.

Market performance



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Market developments

The Polish zloty and Czech koruna slightly appreciated against the euro yesterday, despite rate cuts by central banks in both countries. The press conference of the NBP's governor will be crucial for future guidance on the zloty's interest rates. Yesterday's decision by the U.S. FOMC to keep rates unchanged aligned with our expectations. Fed Chairman Powell emphasized during the press conference that the Fed is waiting for more clarity before making further decisions. The EURRON moved above 5.10 and approached 5.125 yesterday. The 10-year yields on ROMGBs jumped to 8% (a 60bp increase week-on-week), and money market rates also rose as central bank interventions in the FX market reduced excess RON liquidity.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
08. May	08:00	RO	Retail Sales (y/y)	Mar		2.40%	3.30%
	08:30	HU	Industrial Production (y/y)	Mar		-4.80%	-8.00%
09. May	08:30	HU	CPI (y/y)	Apr		3.60%	4.70%
	08:30	HU	CPI (m/m)	Apr		-0.30%	
	09:00	SK	Industrial Production (y/y)	Mar		1.00%	-1.50%
	09:00	SK	Trade Balance	Mar		-200.00	-41.90
	10:30	SI	Industrial Production (y/y)	Mar		1.00%	-2.40%
	11:00	HR	PPI (y/y)	Apr			
	12:00	RS	Central Bank Rate	Mai 25			5.75%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.89	-0.1	-0.1
EUR/HUF	403.92	0.0	0.0
EUR/PLN	4.27	-0.1	-0.2
EUR/RON	5.12	0.6	2.9
EUR/RSD	117.10	0.0	0.1
EUR/USD	1.13	-0.5	-0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.63	-1	-1
HUF	6.50	0	0
PLN	5.35	-1	-5
RON	6.47	39	57
RSD	4.68	1	0
EUR	2.15	1	-1

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.03	-3	0
HU 10Y	6.88	-2	11
PL 10Y	5.22	3	3
RO 10Y	8.01	7	56
HR 10Y	3.02	0	-11
SK 10Y	3.39	-4	3

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