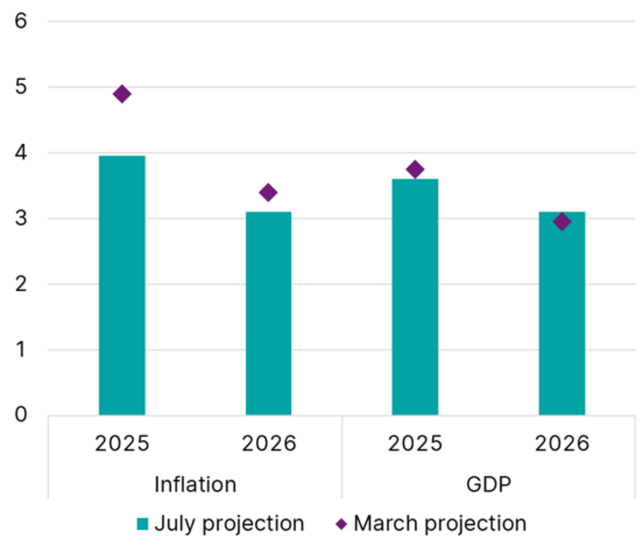
CEE MACRO AND FI DAILY

National Bank of Poland delivers 25bp cut

On the Radar

- Poland's central bank lowered key interest rate by 25 basis point to 5.0%.
- Today, Governor Glapinski holds a press conference at 3 PM CET.
- Today there are no other data releases scheduled.

Growth and inflation projections in Poland, NBP %

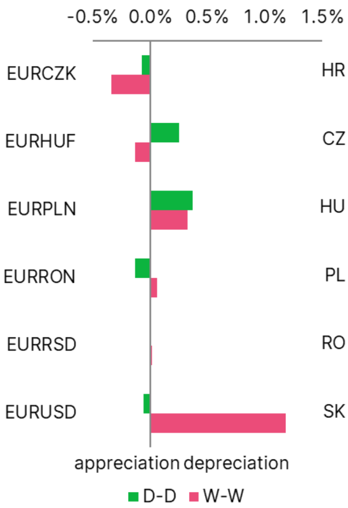


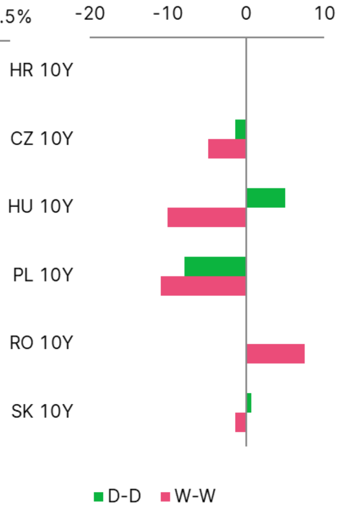
Source: Erste Group Research

Economic developments

The National Bank in Poland surprised with 25 basis points interest rate cut on Wednesday. Most recent comments, including those central bankers who are considered dovish, suggested stability of rates in July. Geopolitical tensions that led to an increase in price of oil were most cited as a reason against interest rate cut in July. It seems, however, that despite these short-term risks, inflation in Poland is expected to ease. Quite visible downward revision of inflation in 2025 (by roughly 1 percentage point compared to the March projection) and less extensive revision in 2026 yet still to the downside were most likely behind such unexpected decision. Further, according to the central bank's statement, CPI inflation in the coming months should all below the upper bound for deviations of the NBP inflation target supporting justification of monetary easing already in July. As for GDP growth, the revision to the downside was rather marginal but closer toward our expectations for economic growth in 2025 (3.2%). Slightly weaker growth dynamics adds to the view of easing inflationary pressures as well. All in all, we expect monetary easing to continue in autumn.

Market performance





Source: Erste Group Research

Market developments

The Polish zloty has weakened against the euro with EURPLN moving toward 4.26 on Wednesday in response to the central bank’s decision. EURHUF is at 399, EURCZK at 24.65 while EURRON moved toward 5.06. Romania speeds up with fiscal consolidation as it plans tax increases (VAT to 21%), wage and pension freezes and investment spending cuts in order to bring the budget deficit below 6% of GDP next year (in 2025 it is expected above 7% of GDP). Credible fiscal consolidation plan remains a prerequisite for rating agencies to sustain current rating (lowest investment grade). The government will seek fast-track approval in parliament for the fiscal measures next week, according to Prime Minister Bolojan. Ministry of Finance in Croatia placed 10Y tenor sized at EUR 1bn on the local market. Bid-to-cover ratio was reported at 2.4 indicating solid demand. The government papers were priced to yields 3.16%. This issuance meets EUR 800mn maturing in the coming days and an additional EUR 200mn in the auction virtually meets the net financing needs for 2025.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
03. Jul			No releases scheduled				
04. Jul	**08:30**	**HU**	Industrial Production (y/y)	May		-1.70%	-2.30%
	09:00	**CZ**	CPI (y/y)	Jun P	0.03	2.40%	2.40%
	09:00	**CZ**	CPI (m/m)	Jun P		0.50%	0.50%
	10:30	**SI**	Trade Balance	May			-0.45

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.63	-0.1	-0.3
EUR/HUF	399.89	0.3	-0.1
EUR/PLN	4.26	0.4	0.3
EUR/RON	5.06	-0.1	0.1
EUR/RSD	117.04	0.0	0.0
EUR/USD	1.18	-0.1	1.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.50	0	0
HUF	6.50	0	0
PLN	5.24	1	2
RON	7.09	0	-1
RSD	4.68	0	0
EUR	1.96	0	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.21	-1	-5
HU 10Y	7.01	5	-10
PL 10Y	5.29	-8	-11
RO 10Y	7.41	0	8
HR 10Y	3.10	0	0
SK 10Y	3.39	1	-1

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