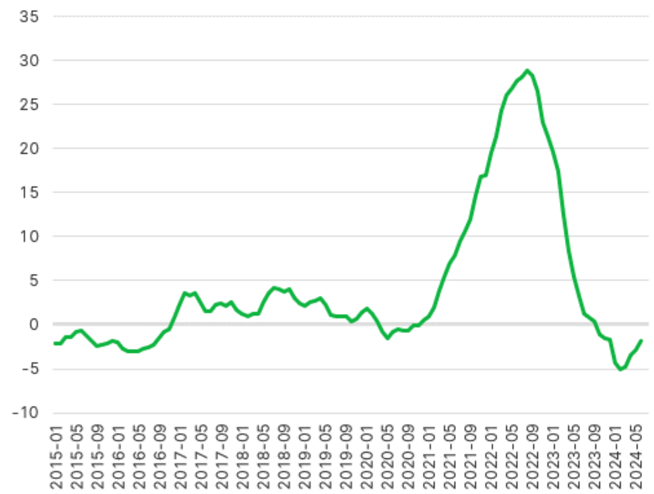
CEE MACRO AND FI DAILY

Producer prices gradually increase in CEE

On the Radar

- Nominal wage in Hungary in June grew by 13.3% y/y in nominal terms and by 9.3% in real terms.
- Today unemployment rate will be published in Poland (10 AM CET) and Slovenia (10.30 AM CET).
- Real wage growth in June is due in Serbia as well.

Producer prices in CEE8, average % y/y

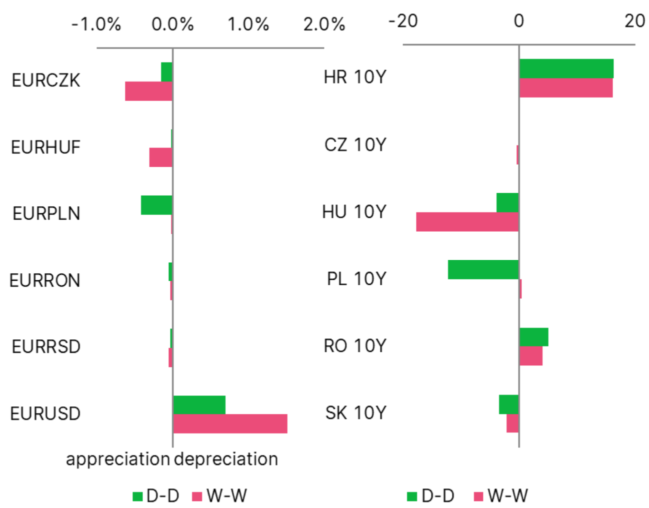


Source: Erste Group Research

Economic developments

This week, we will see flash estimates of August's inflation in several CEE countries. Namely, Croatia, Poland, Slovenia and Slovakia (within HICP flash estimate) have such releases scheduled at the end of the week. In all of these countries we would expect similar headline inflation figures in August to those seen in July. Today, however, we look at the producer prices' development in CEE. Producer prices bottomed out at the beginning of the year and since February they have been gradually increasing. Rise of production costs suggest an upward pressure on the headline inflation in the coming months. After the period of extraordinarily high inflation, however, there may be limited space of further transmission of higher costs on consumers. If the increase in costs is minor it may be largely absorbed by producers as well.

Market performance



Source: Erste Group Research

Market developments

The Federal Reserve Chair Jerome Powell made it clear in Jackson Hole that interest-rate cuts are coming in September. Locally, this week, Hungarian central bank is expected to keep the key policy rate unchanged after July's inflation surprised to the upside. Yet we keep seeing some space for more rate cuts by the end of 2024. Over the last week, the Czech koruna and the Hungarian forint strengthened against the euro, while long-term yields moved mostly down across the region with exception of Romania. Romania announced that it plans to reduce the budget deficit to 3% of GDP within seven years, the proposal presented to the European Commission as well. Romania needs time for deficit reduction as investments from Recovery and Resilience Plan, in particular those financed from RRF loans, will inflate the deficit.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
26. Aug	**10:00**	**PL**	Unemployment Rate	Jul	4.94%		4.9%
	12:00	**RS**	Wages (y/y)	Jun			11.3%
27. Aug	**09:00**	**SK**	PPI (y/y)	Jul		-7.4%	-9.6%
	11:00	**HR**	GDP (y/y)	2Q		3.6%	3.9%
	14:00	**HU**	Central Bank Rate	Aug 24	6.63%		6.8%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.02	-0.1	-0.6
EUR/HUF	393.26	0.0	-0.3
EUR/PLN	4.26	-0.4	0.0
EUR/RON	4.97	-0.1	0.0
EUR/RSD	116.85	0.0	-0.1
EUR/USD	1.12	0.7	1.5

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.40	0	0
HUF	6.54	0	0
PLN	5.85	0	-1
RON	5.58	0	0
RSD	5.16	0	0
EUR	3.53	-2	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.74	0	0
HU 10Y	6.12	-4	-18
PL 10Y	5.23	-12	0
RO 10Y	6.65	5	4
HR 10Y	3.36	16	16
SK 10Y	3.26	-3	-2

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