

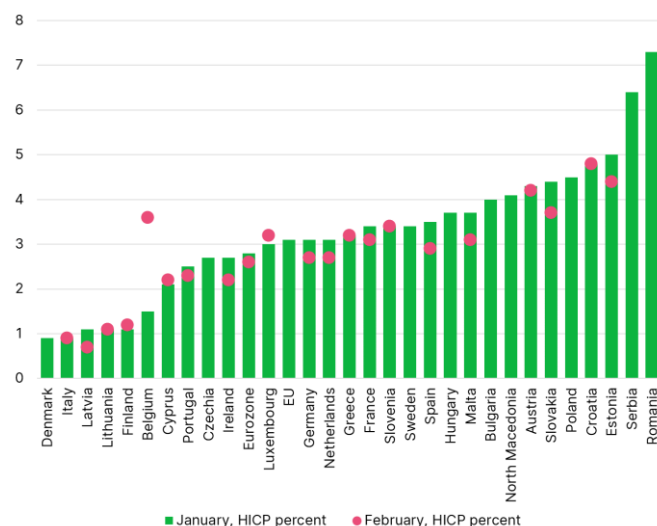
CEE MACRO AND FI DAILY

Inflation in Eurozone further moderates

On the Radar

- Fitch affirmed Romania's rating at BBB- and kept the outlook stable.
- In Romania unemployment rate arrived at 5.7% in January, while PPI Index landed at -6.0% y/y.
- Today there are no other releases scheduled.
- Tomorrow in the morning, Hungary releases 4Q23 GDP structure, while Czechia wage growth in the fourth quarter 2023.

HICP inflation, percent

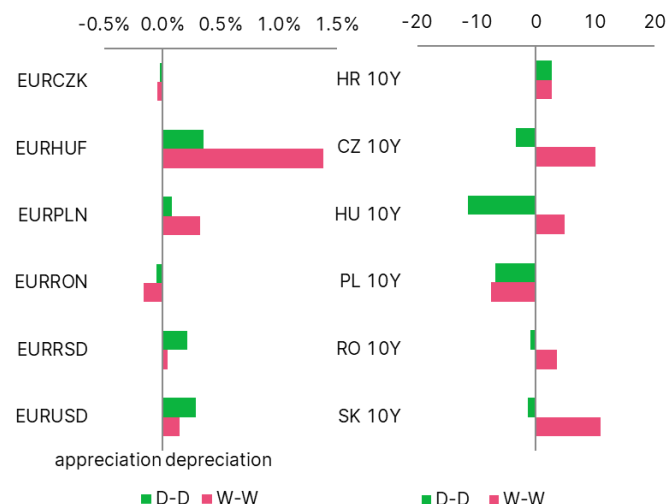


Economic developments

On Friday, the flash estimate of the Euro area annual inflation arrived at 2.6% in February 2024, down from 2.8% in January. According to the statement, prices of food, alcohol, and tobacco are expected to have the highest annual rate in February (4.0%, compared with 5.6% in January), followed by services (3.9%, compared with 4.0% in January). In most of the Euro area countries, February's inflation dropped. As for the countries from the region that belong to the Eurozone, in Croatia and Slovakia, the HICP inflation went down in February, while in Slovenia it remained flat. Despite the downward trend, CEE countries have the highest inflation rates in the EU, with Romania and Serbia taking the first two places. On the other hand, Czechia has one of the lowest inflation rates (below the Euro area and EU average).

Source: Erste Group Research

Market performance



Source: Erste Group Research

Market developments

Fitch affirmed Romania's rating at BBB- (the lowest investment-grade score) and kept the outlook stable. Despite the recent deterioration of the fiscal figures, Fitch expects consolidation in the medium term. Furthermore, the expected increase in public debt-to-GDP ratio by Fitch will not put Romania above the current "BBB" median of 57.5%, justifying the current assessment. The fiscal development remains a key factor for future rating assessments, however. Government bond yields edged up slightly last week in CEE, with the Czech and Hungarian 10Y increasing the most. Given the recent depreciation of both the CZK and HUF, the markets are keeping a close eye on the comments of central bankers to see whether weaker currencies could not be mentioned as a hurdle for the continuation of monetary easing at the current pace. Most recently, Governor Michl said that the central bank will keep reducing the interest rates but in a cautious way to ensure long-term price stability. On Monday EURCZK is at 25.35 while EURHUF at 393. The Polish zloty holds at 4.31 against the euro.

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Upcoming releases in CEE

| Date | Time | Country | Indicator | Period | Survey | Erste Est. | Prev. |
|---------|-------|---------|-------------------|--------|--------|------------|--------|
| 04. Mar | 08:00 | RO | Unemployment Rate | Jan | | | 5.40% |
| | 08:00 | RO | PPI (y/y) | Jan | | | -3.39% |
| 05. Mar | 08:30 | HU | GDP (q/q) | 4Q F | | | |
| | 08:30 | HU | GDP (y/y) | 4Q F | | 0.00% | |
| | 09:00 | CZ | Wages (y/y) | 4Q | | -0.80% | -0.80% |

FX Market

| | Last | Change (%) | |
|---------|--------|------------|------|
| | | d/d | w/w |
| EUR/CZK | 25.31 | 0.0 | 0.0 |
| EUR/HUF | 393.82 | 0.4 | 1.4 |
| EUR/PLN | 4.31 | 0.1 | 0.3 |
| EUR/RON | 4.96 | -0.1 | -0.2 |
| EUR/RSD | 117.08 | 0.2 | 0.0 |
| EUR/USD | 1.08 | 0.3 | 0.1 |

3M Market

| | Last | Change (bps) | |
|-----|------|--------------|-----|
| | | d-d | w-w |
| CZK | 5.98 | 0 | -5 |
| HUF | 8.24 | -3 | -49 |
| PLN | 5.85 | -1 | 0 |
| RON | 6.08 | 0 | 0 |
| RSD | 5.71 | 2 | 1 |
| EUR | 3.94 | 0 | 1 |

10Y Yields

| | Last | Change (bps) | |
|--------|------|--------------|-----|
| | | d-d | w-w |
| CZ 10Y | 3.73 | -3 | 10 |
| HU 10Y | 6.10 | -11 | 5 |
| PL 10Y | 5.24 | -7 | -8 |
| RO 10Y | 6.50 | -1 | 4 |
| HR 10Y | 3.27 | 3 | 3 |
| SK 10Y | 3.61 | -1 | 11 |

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Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

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