

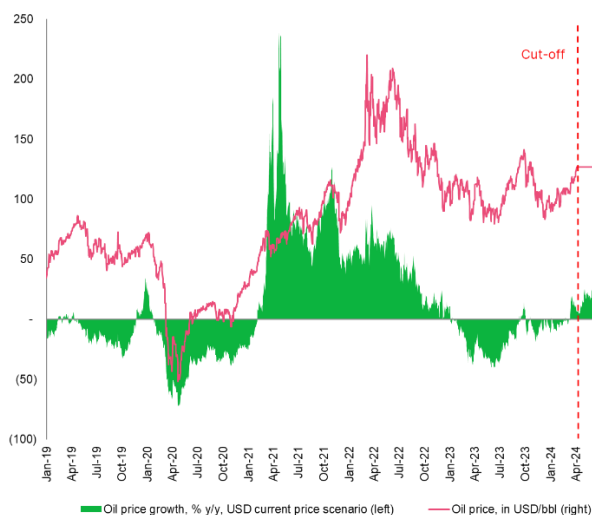
## CEE MACRO AND FI DAILY

# Oil price increase puts upward pressure on inflation

## On the Radar

- Key interest rate remained unchanged in Poland (5.75%) and in Romania (7.00%).
- Retail sales in February accelerated to 7.1% y/y in Romania.
- In Hungary, retail sales grew by 1.4% y/y in February. On the other hand, industry expanded 1.4% y/y surprising market to the upside.
- In Czechia and Slovakia retail sales landed at 1.6% y/y and 5.3% y/y, respectively.
- In the afternoon Governor Glapinski from Polish central bank holds a press conference.

## Oil price development, Brent USD

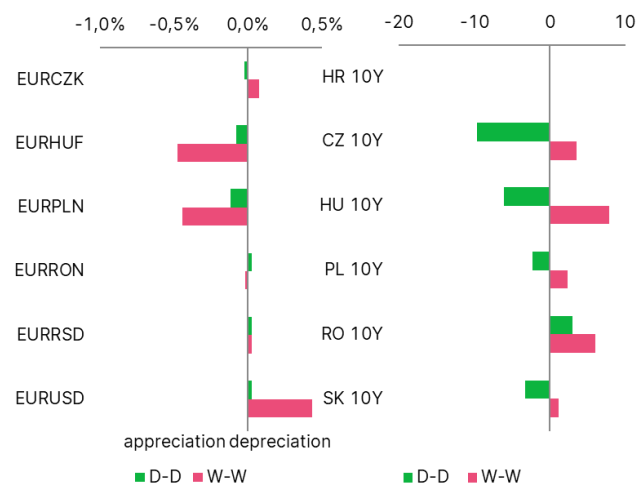


## Economic developments

Global benchmark Brent rose to above USD 91 per barrel on Thursday marking roughly 18% increase this year. Oil price development is the outcome of escalating tensions in the Middle East. Israel has increased preparations for potential retaliation by Tehran after Monday's strike on an Iranian diplomatic compound in Syria. The other factor supporting oil price increases is oil supply cuts for the first half of the year by OPEC+ as announced recently. Increasing price of oil is obviously a pro-inflationary factor. Oil price close to USD 90 per barrel translates into positive contribution to headline inflation until September. On the other hand, recent development of food prices should counteract the effect of increasing oil prices.

Source: Erste Group Research

## Market performance



Source: Erste Group Research

## Market developments

In Poland, even though inflation dropped to 1.9% y/y in March, the members of the Monetary Policy Council are not convinced that the situation is under control. The key interest rate thus remained unchanged at 5.75%. Much higher inflation figures are expected in the second half of the year. Furthermore, core inflation remains high at around 4.5%, which worries the Monetary Policy Council. In Romania, the central bank also kept the monetary policy rate unchanged at 7.00%. We sustain our call for the first 25bp rate cut in May, though risks for a later interest rate cut increased due to recent negative inflation surprises and prospective upward revision of inflation outlook by the central bank. The short-term inflationary risks stemming from fiscal measures, income policy stance and recent development of crude oil prices. The press release also highlighted that 'wage dynamics in the economy are a source of concern'. We expect the key rate to reach 5.75% by year-end vs 7.00% currently. The long-term yields are slightly higher at the end of the week, while on the FX market, the EURHUF moved more visibly dropping to 391.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
05. Apr	08:00	RO	Retail Sales (y/y)	Feb		5,70%	5,10%
	08:30	HU	Industrial Production (y/y)	Feb		-3,40%	-4,10%
	08:30	HU	Retail Sales (y/y)	Feb		2,20%	0,60%
	09:00	SK	Retail Sales (y/y)	Feb		3,00%	1,90%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25,28	0,0	0,1
EUR/HUF	391,89	-0,1	-0,5
EUR/PLN	4,28	-0,1	-0,4
EUR/RON	4,97	0,0	0,0
EUR/RSD	117,03	0,0	0,0
EUR/USD	1,08	0,0	0,4

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5,57	-3	-4
HUF	7,80	-1	-3
PLN	5,88	2	3
RON	6,05	0	0
RSD	5,69	0	0
EUR	3,89	3	0

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3,92	-10	4
HU 10Y	6,78	-6	8
PL 10Y	5,46	-2	2
RO 10Y	6,58	3	6
HR 10Y	3,25	0	0
SK 10Y	3,41	-3	1

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