

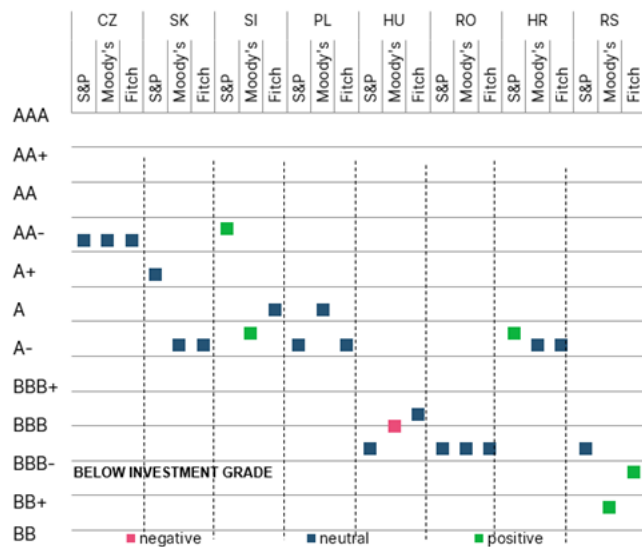
CEE MACRO AND FI DAILY

Moody's downgrades Slovakia

On the Radar

- Industrial producer prices went up by 0.4% m/m and by 1.7% y/y in Czechia for November.
- Today at 11, Croatia will publish their inflation figures for November.
- Tomorrow, the Hungarian Central Bank has a rate setting meeting.

Sovereign ratings in CEE

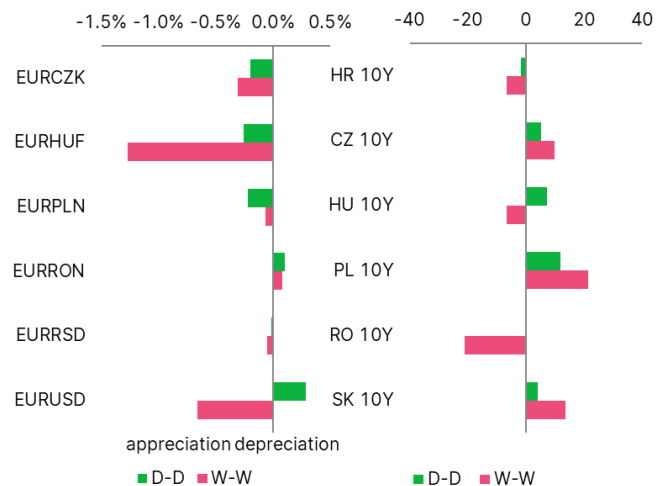


Source: Erste Group Research

Economic developments

On Friday, rating agency Moody's downgraded Slovak domestic and foreign-currency long-term issuer and senior unsecured ratings to A3 from A2, revising the outlook to stable from negative. The downgrade reflects Slovakia's broad institutional challenges amid political tensions. According to Moody's, reforms in the judiciary and media will weaken institutional checks and balances, while increased political fragmentation complicates policymaking. On the fiscal front, despite the government's commitment to reduce the deficit in line with EU rules, Moody's expects Slovakia's debt burden to rise above that of similarly rated peers in the coming years. The Slovak government aims to reduce the headline deficit to 2.9% of GDP by 2027 under the European Commission's excessive deficit procedure. However, Moody's projects a higher deficit of 3.5% of GDP in 2027 due to implementation uncertainties, particularly regarding the financial transactions tax. Rising debt levels reflect budget rigidity and challenges in executing consolidation measures. Meanwhile, the other two major agencies, S&P and Fitch, have affirmed their ratings in recent weeks. Moody's rating aligns with Fitch's, while S&P's rating is two notches higher. All three agencies maintain a stable outlook.

Market performance



Source: Erste Group Research

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Market developments

CEE currencies surged on Friday, benefiting from a weakening dollar ahead of this week's FED decision on rates. Although the EURHUF moved below 410, the Hungarian forint remains weak, which is the key reason for the central bank to keep rates on hold at tomorrow's meeting. EURCZK dived below the 25 threshold on Friday, given that rate stability is the most likely scenario for this week's MPC decision. Last week, 10Y bond yields increased quite visibly in Poland (+20bp w/w) while spreads on Slovak vs. Croatia's 10Y yields widened 20bp w/w.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
16. Dec	09:00	CZ	PPI (y/y)	Nov		1.40%	0.80%
	11:00	HR	CPI (y/y)	Nov F		2.80%	2.80%
	11:00	HR	CPI (m/m)	Nov F			0.40%
17. Dec	14:00	HU	Central Bank Rate	Dez 24			6.50%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.98	-0.2	-0.3
EUR/HUF	408.29	-0.3	-1.3
EUR/PLN	4.26	-0.2	-0.1
EUR/RON	4.97	0.1	0.1
EUR/RSD	116.74	0.0	-0.1
EUR/USD	1.05	0.3	-0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.91	0	1
HUF	6.50	0	0
PLN	5.86	1	-1
RON	5.91	0	-1
RSD	4.70	0	0
EUR	2.84	-4	-2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.05	5	10
HU 10Y	6.23	7	-7
PL 10Y	5.79	12	21
RO 10Y	7.04	0	-21
HR 10Y	2.95	-2	-6
SK 10Y	3.13	4	13

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