

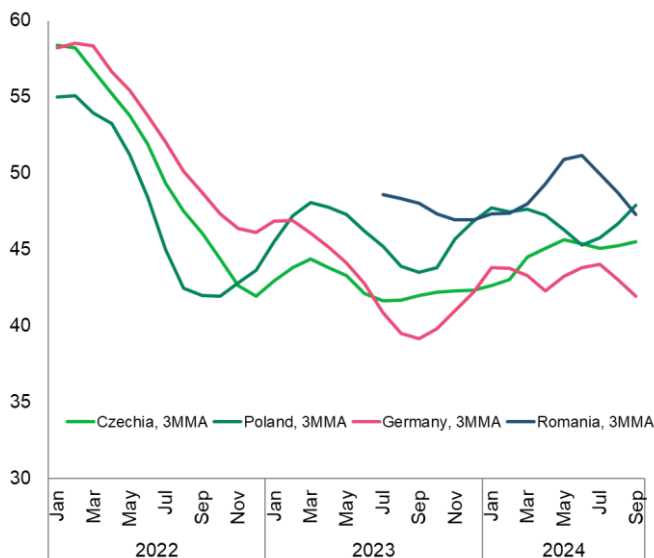
CEE MACRO AND FI DAILY

# PMI figures show diverging developments

## On the Radar

- Inflation rate in Poland increased to 4.9% y/y in September.
- In Slovenia, inflation eased to 0.6% y/y in September.
- Manufacturing PMI indices in September landed at 46 in Czechia, 49.7 in Hungary, 48.6 in Poland and 47.3 in Romania.
- Today at 11 AM CET Croatia will publish flash estimate of inflation for September.

## Manufacturing PMI in CEE

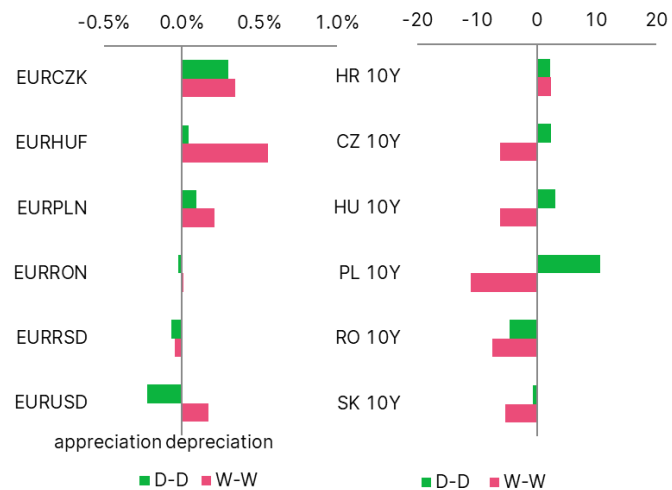


Source: Erste Group Research

## Economic developments

Today, we dive more into the development of market sentiment as September's PMI indices were released. The manufacturing sector remains in the contraction zone as manufacturing PMI indices continue to move below the threshold of 50. In Romania (September PMI Index at 47.3) demand continues to be soft as shown by the evolution of the new orders component, which is also affecting the output and employment. External demand continues to be weak and more importantly the German economy does not show any signs of recovery. In Poland and Hungary, PMI indices delivered a positive surprise as they were higher than market expected. In Poland, the footprint was the second highest in over two years amid slower falls in output and new orders. In Czechia, however, the PMI Index dropped to 46 in September weak external conditions remain a major constraint on domestic factory performance. Nevertheless, the three-month moving average trend looks quite promising in Czechia and Poland as it has been moving up lately, as opposed to Germany, where manufacturing PMI peaked in the second quarter and has been falling since then. In Romania, on the other hand, the three-month moving average development mirrors the German one.

## Market performance



Source: Erste Group Research

## Market developments

Today, Polish MPC begins its two-day rate setting meeting with interest rate decision due Wednesday. On Monday, September's flash inflation estimate shows headline number surging to 4.9% y/y due to unfavorable base effects. Although the surge was relatively significant, it was anticipated and should have little impact on the central bank's decision. If anything, it supports the stability of rates scenario and this is what we expect in Poland at the upcoming meeting. Romania successfully placed 2038 government papers on the market selling RON 500 million amid very strong demand as bid-to-cover ratio was above 4. At the same time, Samurai bonds are being offered by Romania in maturities ranging from 3 to 20 years. In Hungary, Prime Minister Orban proclaimed Hungary would like to see higher growth and lower interest rates but there is respect for central bank's independence. The long-term yields have declined marginally at the beginning of the week while the CEE currencies have been marginally weaker against the euro.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
01. Oct	08:30	HU	Trade Balance	Jul F			203.00
	09:00	CZ	GDP (y/y)	2Q F		0.40%	0.60%
	11:00	HR	CPI (y/y)	Sep P		0.00%	1.80%
02. Oct		PL	Central Bank Rate	Okt 24			5.75%
	08:00	RO	Unemployment Rate	Aug			5.40%
	08:00	RO	PPI (y/y)	Aug			2.62%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.19	0.3	0.3
EUR/HUF	396.71	0.0	0.6
EUR/PLN	4.28	0.1	0.2
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.89	-0.1	0.0
EUR/USD	1.11	-0.2	0.2

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.20	1	-8
HUF	6.32	-1	-11
PLN	5.85	0	0
RON	5.55	0	0
RSD	4.94	0	0
EUR	3.28	-5	-15

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.69	2	-6
HU 10Y	6.03	3	-6
PL 10Y	5.26	11	-11
RO 10Y	6.58	-4	-8
HR 10Y	3.21	2	2
SK 10Y	3.17	-1	-5

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