

CEE MARKET INSIGHTS

Dynamic start of the year: inflation, retail and industry data and central bank meeting in Serbia

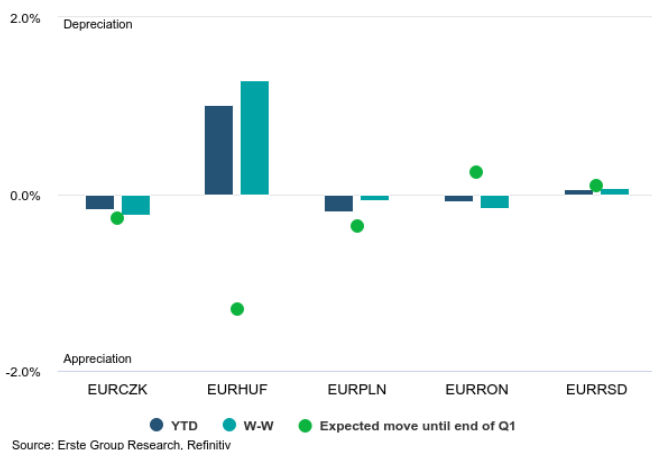
This week in CEE

We wish our readers a prosperous year!

The beginning of the week is filled with data releases across the region. Let's begin with flash estimates of December's inflation. In Poland, the inflation rate at the end of the year was lower than expected. On Tuesday, Croatia will release its December inflation figure. Several CEE countries (Czechia, Hungary, Slovakia and Romania) have retail sales and industrial output growth for November scheduled. In Slovakia, trade data will also be released, and we expect to see a negative trade balance for the first time in quite a long time. Finally, in Serbia, the central bank will hold a rate setting meeting and we expect the central bank to remain on hold. As for other news, Croatia will hold a second round of presidential elections on January 12. Incumbent President Milanovic narrowly missed victory in the first round. Romania announced the first steps of fiscal consolidation with measures coming into force as of January 1. Czechia will begin publishing flash inflation estimates as of February (shortly ahead of the central bank meeting). We marginally adjusted our 2025 growth forecast for Czechia to 2.2% (down from 2.3%).

Monday	Tuesday	Wednesday	Thursday	Friday
	HU: Producer Prices	RO: Unemployment	RO: Producer prices	RS: Central Bank
	CZ: Trade		HU CZ SK: Industry	RO: Retail, Trade, GDP
	HR: Flash Inflation		HU SK: Retail	SI: Industry
			SK: Trade	
	SI HU: T-Bills		RO: 2026 2029 Bonds	
			PL: Bonds	

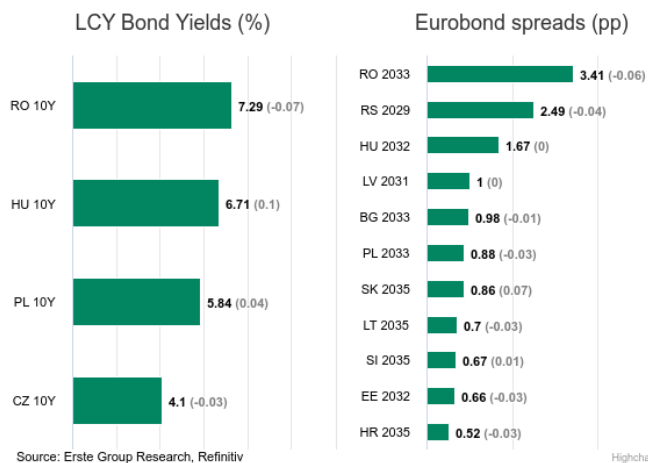
FX market



FX market developments

During the holiday period, the FX market was relatively stable. At the beginning of 2025, however, volatility increased. In Hungary, we have seen weakening of the forint, as the EURHUF moved more visibly up to 415. We associate the changes on the FX market with global factors mostly, alongside strengthening of the US dollar. The Polish zloty and Czech koruna were not affected as much. In fact, the Czech koruna slightly strengthened against the euro, while the Polish zloty weakened only marginally compared to the Hungarian forint, which lost more than one percent against the euro at the end of the last week. This week, the central bank in Serbia is to hold a rate setting meeting; we expect no change in the key policy rate, which is at 5.75% at present. The Serbian central bank is likely to condition its moves on the ECB and Fed monetary policy directions.

LCY yields, Eurobonds spreads



Bond market developments

The bond market has been quite stable over the last week. The most important news came from Romania, which announced the first steps of its fiscal consolidation. The measures undertaken took effect as of January 1, 2025. Local media reported that the budget deficit will likely reach 8.4% of GDP in 2024 (Eurostat methodology), according to preliminary data, above the target of 7.9% agreed with the European Commission. In other words, a larger adjustment will be needed to reach a deficit of 7.0% of GDP in 2025. It remains to be seen whether the announced measures will be sufficient to reduce the budget gap by 1.5% of GDP in the course of the year or if additional fiscal measures will need to be implemented. In Hungary, the budget deficit in the three quarters of the year reached 3.5% of GDP.

In case you missed

CEE: [Key events to watch in 2025](#)

Croatia: Incumbent President Milanovic wins the first round of presidential election and faces runoff on January 12

Czechia: [CNB in line with expectations Future decisions data-driven](#)

Poland: [A slight downside surprise in December](#)

Romania: [Manufacturing hit by political turmoil](#)

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
07. Jan	8:30	HU	PPI (y/y)	Nov		2.60%	
	9:00	CZ	Trade Balance	Nov	19.30	16.30	The balance of foreign trade is still positively influenced mainly by the production of automobiles. Developments in a number of other sectors are lower, buffeted by weak demand from Germany.
	11:00	HR	CPI (y/y)	Dec P	2.80%	2.80%	We expect flash estimate to be confirmed
	11:00	HR	CPI (m/m)	Dec P		0.00	
08. Jan	8:00	RO	Unemployment Rate	Nov		5.40%	
09. Jan	8:00	RO	PPI (y/y)	Nov		-3.27%	
	8:30	HU	Industrial Production (y/y)	Nov	-1.30%	-3.10%	Base effect from the previous year supports further improvement of the yearly rate. On monthly level, performance might have slightly declined, given weak state of export markets.
	8:30	HU	Retail Sales (y/y)	Nov	4.10%	3.60%	Subdued recovery probably continued supported by the Black-Friday effect.
	9:00	CZ	Industrial Production (y/y)	Nov	-0.40%	-2.10%	Industrial production remains volatile and weak due to subdued developments in Germany.
	9:00	SK	Industrial Production (y/y)	Nov	2.30%	1.90%	Industry is expected to increase production both on yearly and monthly basis.
	9:00	SK	Retail Sales (y/y)	Nov	2.00%	0.05	The official sales registration system indicates a slight year-on-year increase in real terms.
	9:00	SK	Trade Balance	Nov	-120.00	391.70	Stagnation of the export activity combined with slightly rising imports could bring a negative trade surplus.
10. Jan	8:00	RO	Retail Sales (y/y)	Nov	9.40%	10.60%	Strong retail sales growth likely continued in November helped by the increase in real wages and consumer lending.
	8:00	RO	Trade Balance	Nov		-3724.60	
	8:00	RO	GDP (q/q)	3Q F	0.00%	-0.08%	There is a possibility for a slight upward revision based on high frequency data.
	8:00	RO	GDP (y/y)	3Q F	1.10%	1.05%	Consumption is expected to remain the main driver. Investments should continue to be growth supportive. The negative effect coming from net exports expected to diminish. Agriculture should have a negative contribution due to unfavorable weather conditions.
	10:30	SI	Industrial Production (y/y)	Nov	3.00%	3.50%	Industrial production expected to maintain positive footprint
	12:00	RS	Central Bank Rate	Jan-25	5.75%	5.75%	We expect the NBS to remain on hold at the start of the year until we get more clarity from the ECB and Fed

Source: Erste Group Research

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields					
	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia 10Y	4.10	3.81	3.69	3.59	3.52
Hungary 10Y	6.71	6.36	6.25	6.18	6.11
Poland 10Y	5.84	5.50	5.20	5.00	4.90
Romania10Y	7.29	7.10	6.78	6.65	6.56
Serbia 10Y	5.83	4.80	4.70	4.50	4.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	52.00	85.00	80.00	80.00	80.00
Slovakia 10Y	86.00	110.00	110.00	110.00	110.00
Slovenia 10Y	67.00	75.00	75.00	75.00	75.00
DE10Y yields	2.43	2.10	2.00	2.00	2.00

3M Money Market Rate					
	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia	3.92	3.99	3.75	3.50	3.31
Hungary	6.50	6.50	6.35	6.10	5.85
Poland	5.84	5.80	5.60	5.40	5.20
Romania	5.92	5.70	5.70	5.50	5.05
Serbia	4.70	4.45	4.38	4.17	3.96
Eurozone	2.73	2.46	2.22	1.98	1.99

Real GDP growth (%)				
	2022	2023	2024f	2025f
Croatia	7.3	3.3	3.5	2.9
Czechia	2.9	0.0	0.9	2.2
Hungary	4.3	-0.9	0.5	2.0
Poland	5.3	0.1	2.8	3.3
Romania	4.0	2.4	0.8	2.8
Serbia	2.6	3.8	4.0	4.5
Slovakia	0.4	1.4	2.0	2.0
Slovenia	2.7	2.1	1.4	2.2
CEE8 avg	4.1	0.8	1.9	2.8

Public debt (% of GDP)				
	2022	2023	2024f	2025f
Croatia	68.5	61.8	58.2	57.5
Czechia	42.5	42.4	43.5	44.4
Hungary	74.1	73.5	73.4	73.3
Poland	48.8	49.7	54.0	58.0
Romania	47.5	48.8	52.4	54.2
Serbia	52.5	48.1	47.6	47.1
Slovakia	57.7	56.1	58.3	58.9
Slovenia	72.5	68.3	67.3	65.8
CEE8 avg	52.3	52.2	54.6	56.6

FX					
	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
EURCZK	25.12	25.05	24.90	24.83	24.75
EURHUF	415.42	410.00	410.00	413.00	415.00
EURPLN	4.27	4.25	4.30	4.30	4.30
EURRON	4.97	4.98	5.03	5.05	5.08
EURRSD	116.89	117.00	116.90	116.80	117.00
EURUSD	1.03	1.03	1.05	1.05	1.07

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2025Q1	2025Q2	2025Q3	2025Q4
Czechia	4.00	4.00	3.75	3.50	3.25
Hungary	6.50	6.50	6.25	6.00	5.75
Poland	5.75	5.75	5.50	5.25	5.00
Romania	6.50	6.50	6.50	6.25	5.75
Serbia	5.75	5.50	5.25	5.00	4.75
Eurozone	3.00	2.50	2.25	2.00	2.00

Average inflation (%)				
	2022	2023	2024f	2025f
Croatia	10.8	8.1	2.9	2.7
Czechia	15.1	10.7	2.5	2.5
Hungary	14.5	17.6	3.7	4.1
Poland	14.4	11.4	3.7	4.1
Romania	13.7	10.5	5.6	4.4
Serbia	11.9	12.5	4.7	3.7
Slovakia	12.8	10.5	2.8	4.6
Slovenia	8.8	7.4	2.0	2.7
CEE8 avg	13.9	11.5	3.7	3.8

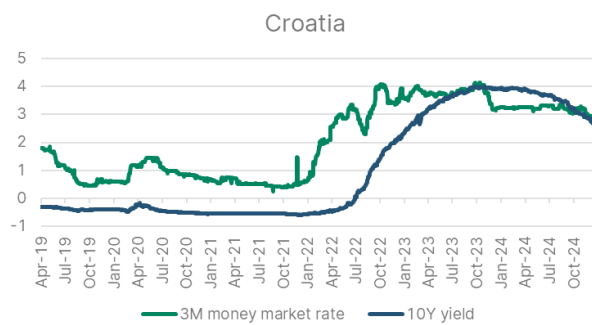
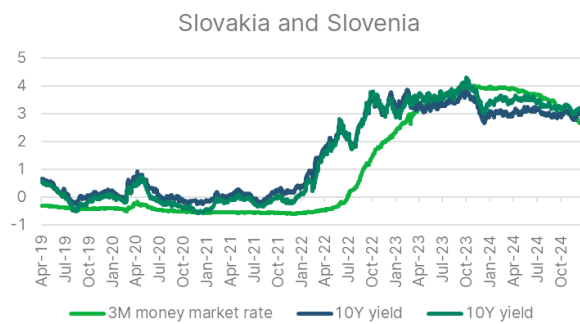
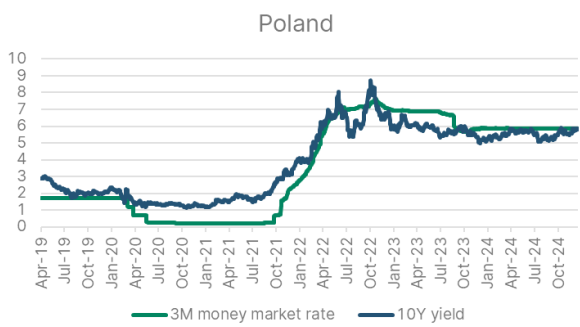
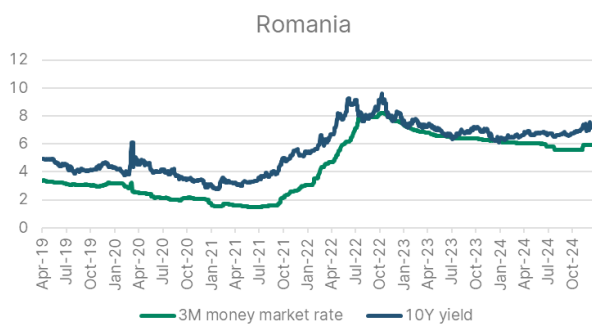
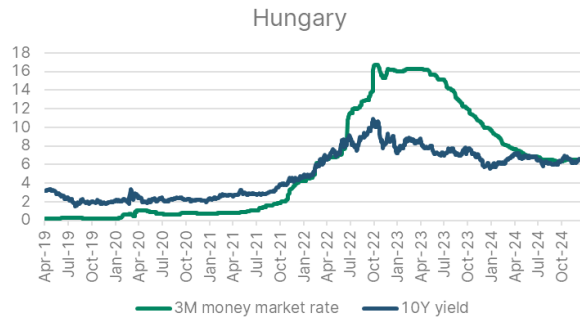
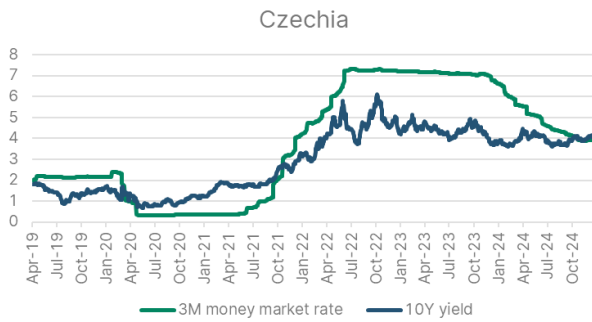
C/A (%GDP)				
	2022	2023	2024f	2025f
Croatia	-3.5	0.4	-0.2	-0.8
Czechia	-4.7	0.3	1.3	0.9
Hungary	-8.5	0.7	2.3	1.8
Poland	-2.2	1.8	-0.3	-1.0
Romania	-9.5	-6.6	-8.1	-7.8
Serbia	-6.6	-2.4	-5.5	-5.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.1	4.5	3.4	3.0
CEE8 avg	-5.0	-0.3	-1.2	-1.6

Unemployment (%)				
	2022	2023	2024f	2025f
Croatia	7.0	6.1	5.2	4.8
Czechia	2.2	2.6	2.7	3.2
Hungary	3.6	4.1	4.5	4.3
Poland	5.2	5.1	5.1	5.0
Romania	5.6	5.6	5.3	5.3
Serbia	9.4	9.5	8.5	8.1
Slovakia	6.1	5.8	5.5	5.5
Slovenia	4.0	3.7	3.7	3.6
CEE8 avg	4.9	4.9	4.8	4.8

Budget Balance (%GDP)				
	2022	2023	2024f	2025f
Croatia	0.1	-0.9	-2.2	-2.5
Czechia	-3.1	-3.8	-2.9	-2.4
Hungary	-6.2	-6.7	-4.7	-4.4
Poland	-3.4	-5.1	-5.9	-5.8
Romania	-6.3	-6.6	-7.9	-7.0
Serbia	-3.0	-2.1	-2.7	-3.0
Slovakia	-1.7	-5.2	-6.0	-4.5
Slovenia	-3.0	-2.5	-2.7	-2.4
CEE8 avg	-3.8	-4.9	-5.3	-4.9

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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