

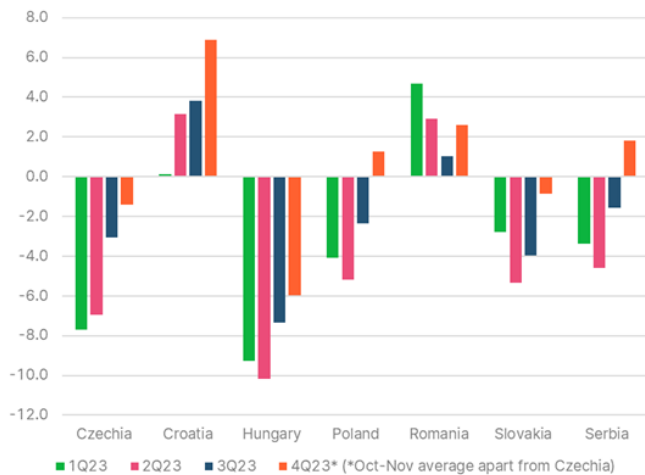
CEE MACRO AND FI DAILY

Retail sales recovery to persist in 2024

On the Radar

- Polish central bank kept the policy rate unchanged at 5.75%
- In Czechia, unemployment rate increased to 3.7% in December.
- In Slovakia, trade surplus narrowed to EUR 288.2 million while in Croatia trade deficit reached EUR 1349.
- Today in the morning industrial output growth will be released in Slovakia and Slovenia.

Real retail sales, quarter average, percent



Source: Erste Group Research

Economic developments

Retail sales have been recovering across the region. Initially, in Croatia and Romania, retail sales growth dynamics never turned negative in 2023. In 4Q23, the sector also expanded in Poland and Serbia after three quarters of contraction. Although retail sales growth remained negative in other CEE countries, the improvement is notable as inflation eases, and monetary conditions are not as tight as before. We believe the positive trend will continue in 2024 as real wage growth is expected to become positive in the entire region, supporting private consumption. Tight labor market conditions also support consumer confidence. Additionally, the expected decline in inflation and interest rate cuts should help economic activity recover.

Market performance



Source: Erste Group Research

Market developments

On Tuesday, the Polish central bank kept the policy rate unchanged at 5.75%. Multiple declarations from the Council members suggest that a rate reduction is not expected anytime soon. From the press release, it seems clear that the NBP is content with the current path of inflation. However, the medium-term outlook is still uncertain due to factors such as fiscal and regulatory policies, and the pace of economic recovery. Today, Governor Glapinski will hold the press conference. Meanwhile, in Czechia, board member Prochazka said the central bank will remain cautious with monetary easing, as the bank board expects inflation to be higher compared to the central bank's forecasts. In Hungary, the budget gap was HUF 4.59 trillion (5.9% of GDP), which was twice as high as initially planned in 2023. This year, the budget deficit target is set for 2.9% of GDP, but Economy Minister Nagy has already questioned it. Our forecast suggests much milder consolidation this year, as we see the government budget balance at -4.4% of GDP.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
10. Jan	09:00	SK	Industrial Production (y/y)	Nov		2.50%	4.90%
	10:30	SI	Industrial Production (y/y)	Nov		1.00%	0.40%
11. Jan	09:00	CZ	CPI (y/y)	Dec	7.13%	7.30%	7.30%
	09:00	CZ	CPI (m/m)	Dec	-0.03%	0.00%	0.00
	11:00	HR	PPI (y/y)	Dec			-0.01
	12:00	RS	Central Bank Rate	Jan 24			6.5%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.54	0.2	-0.5
EUR/HUF	378.76	0.4	-0.7
EUR/PLN	4.34	0.2	-0.5
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.06	0.0	0.0
EUR/USD	1.09	-0.2	-0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	6.70	-1	-6
HUF	9.86	-3	-10
PLN	5.87	0	-1
RON	6.20	-1	-2
RSD	5.71	-1	1
EUR	3.93	0	2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.88	3	9
HU 10Y	5.94	-20	4
PL 10Y	5.13	-6	-15
RO 10Y	6.30	-12	8
HR 10Y	3.24	0	0
SK 10Y	3.38	8	15

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