

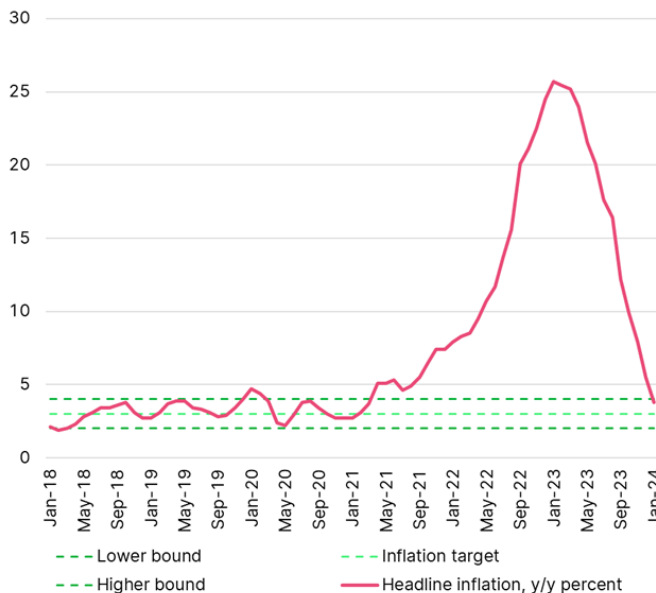
CEE MACRO AND FI DAILY

# Inflation nearing the target, but only temporarily

## On the Radar

- Fitch affirmed Serbia's rating at BB+ and kept the outlook stable.
- In Romania, growth of net wages landed at 15.5% y/y in December.
- In Slovakia, real wage growth was published at 5.9% y/y.

### Inflation developments in Hungary

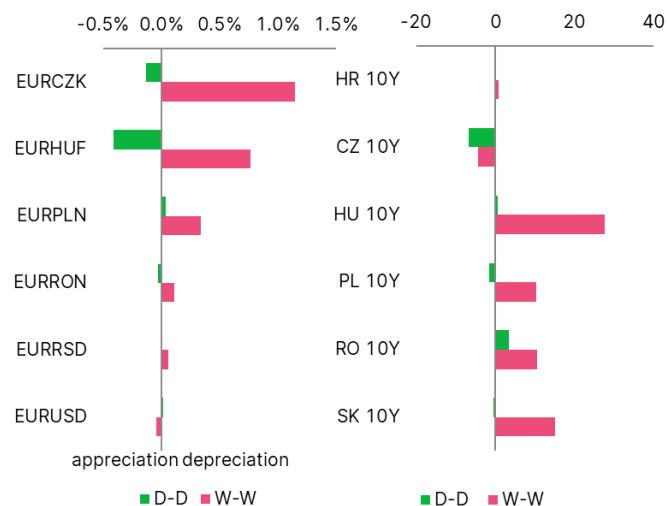


Source: Erste Group Research

### Economic developments

In Hungary, January's inflation landed at 3.8% y/y, as the combination of moderate monthly price dynamics and a supportive base effect resulted in a significant drop in the headline footprint. It returned to the tolerance band for the first time since March 2021. This week, we expect the inflation rate in Czechia to approach the inflation target as well. We see the footprint for January at 2.9% y/y versus the inflation target of 2.0%. In Poland, January's CPI of around 4% y/y would be only marginally above the upper bound of the inflation target (3.5% with the central point at 2.5%). As far as the outlook is concerned, in Hungary, inflation is not likely to stay around the target for too long. From May, the positive base effects will come to an end, and inflation is likely to rise in the second half of the year. In Poland, development is likely to be similar, as we see average inflation at 5.3%. Only in Czechia, should inflation already remain close to the central bank target for most of the year, averaging at 2.7% in 2024.

## Market performance



Source: Erste Group Research

## Market developments

Fitch affirmed Serbia's rating at BB+ and kept the outlook stable. According to the statement, Serbia's greater share of foreign-currency-denominated public debt than peer group medians, as well as a high degree of banking sector euroization, are factors holding back rating and/or outlook improvement. However, the narrowing of the deficit and further decline of public debt, as well as dynamic convergence and improvement of governance, are named as key issues for getting an investment grade. Throughout the week, the Czech koruna and Hungarian Forint have weakened visibly against the euro, while the Polish zloty held up relatively strongly against its peers. In Czechia, the bigger-than-expected interest rate cut (50 basis points against 25-basis point market expectations) was a major factor supporting depreciation at the end of the week. The board expectations for a relatively rapid pace of rate cuts in the coming months also favor higher EURCZK levels. We thus put our Czech koruna forecast under revision as the risks of a weaker currency have increased recently - not only because of central bank decisions, but also the meager economic recovery. Government bond yields drifted up a little bit in major markets and CEE last week, with the exception of Czechia. In Hungary, the first female president Novak resigned after a controversial pardon.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
12. Feb	08:00	RO	Wages (y/y)	Dec			0.15
	09:00	SK	Wages (y/y)	Dec			4.20%
13. Feb		RO	Central Bank Rate	Feb 24	7.00%	0.07	0.07
		RO	Current Account Balance (monthly)	Dec			-20200.00
	14:00	PL	Trade Balance	Dec	4779.40		230.00

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.19	-0.1	1.2
EUR/HUF	386.55	-0.4	0.8
EUR/PLN	4.32	0.0	0.3
EUR/RON	4.97	0.0	0.1
EUR/RSD	117.01	0.0	0.1
EUR/USD	1.08	0.0	0.0

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	6.20	-31	-32
HUF	9.08	-4	-11
PLN	5.86	0	1
RON	6.09	0	-1
RSD	5.70	0	0
EUR	3.89	-1	-1

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.67	-7	-4
HU 10Y	6.02	1	28
PL 10Y	5.35	-2	10
RO 10Y	6.43	4	11
HR 10Y	3.24	0	1
SK 10Y	3.53	-1	15

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