

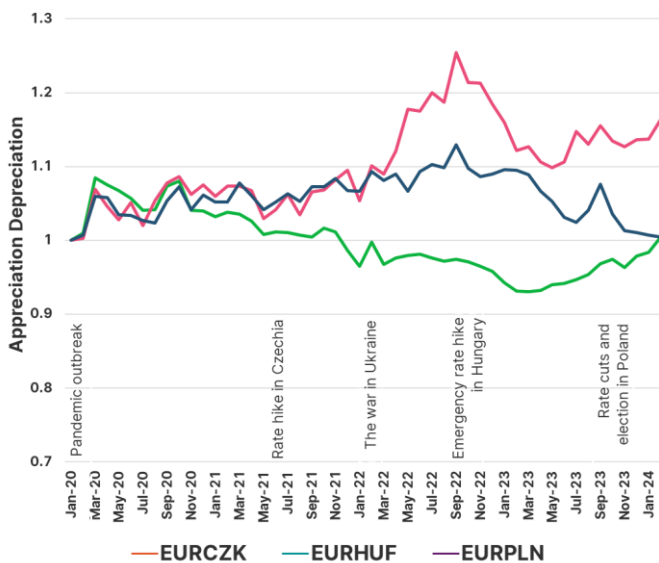
CEE MACRO AND FI DAILY

How did CEE currencies develop since the pandemic?

On the Radar

- Poland kept policy rate unchanged at 5.75%.
- In Slovakia, 4Q23 GDP was revised marginally up to 1.3% y/y. In 2023 economy expanded by 1.1%. The growth of the economy in the last quarter and in total for the entire year 2023 was helped by investments and by a positive balance in foreign trade.
- Today, the ECB holds a rate setting meeting. In the region, Serbia's central bank will announce rate decision as well.
- Today, Croatia will release industrial output growth in January, while Serbia will publish producer prices.
- In the afternoon hours, Governor Glapinski holds a press conference.

FX market in the region



Source: Erste Group Research

Economic developments

In the latest Special Report [Exchange rate development in the region](#) we look at the FX market development in the region since the pandemic outbreak. The Hungarian forint and Polish zloty were weakening against the euro until September 2022, when the EURHUF and EURPLN reached their peaks. The Czech koruna, on the other hand, was appreciating until April 2023 and it only weakened in the course of 2023. The Czech koruna and Polish zloty are as strong against the euro as they were at the beginning of 2020, i.e. they closed the gap. The Hungarian forint remains weaker, however. The increase in interest rate differential between Czechia and the Eurozone supports the strength of the Czech koruna. On the other hand, the economic development has been rather weak, as the real GDP in Czechia has not returned to the pre-pandemic level. Further, the Czech central bank launched in May 2022 the FX intervention and ended actual interventions in October 2022 and verbal interventions in August 2023. In Hungary and Poland, the geopolitical situation and local political factors have supported a weaker currency since February 2022 and the outbreak of the war in Ukraine.

Market performance



Source: Erste Group Research

Market developments

Today, all eyes will be at the ECB meeting. Although a change in key interest rates can be virtually ruled out, the course could be set verbally in the direction of a first interest rate cut. The ECB economists' new forecasts will be published. In the region, Serbia's central bank holds a rate setting meeting and we expect no change in key policy rate as well. On Wednesday, the National Bank of Poland decided to keep the key rate unchanged at 5.75%. The more important part of Wednesday's statement is the inflation and growth forecast. These predictions were adjusted to the positive side (i.e. lower inflation and higher growth). The risks remain significant, however, as revision of inflation forecast in 2024 is under the assumption of unchanged food and energy price shielding measures until the end of forecasting horizon. On the FX market, the EURPLN inched down to 4.30 while EURHUF is back at 394 and EURCZK holds at 25.37. The bond market has been quite stable this week. Today, Romania is scheduled to sell T-bills and 2029 bonds.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
07. Mar	09:00	SK	GDP (y/y)	4Q F		1.20%	1.20%
	11:00	HR	Industrial Production (y/y)	Jan		0.00%	-0.90%
	12:00	RS	PPI (y/y)	Feb			-0.40%
	12:00	RS	Central Bank Rate	Mrz 24		6.50%	6.50%
08. Mar	08:00	RO	GDP (q/q)	4Q P		0.30%	-0.40%
	08:00	RO	GDP (y/y)	4Q P		3.50%	2.90%
	08:30	HU	CPI (y/y)	Feb		4.00%	3.80%
	08:30	HU	CPI (m/m)	Feb		1.10%	0.70%
	09:00	CZ	Trade Balance	Jan		2.00	16.30
	09:00	SK	Industrial Production (y/y)	Jan			-0.8%
	09:00	SK	Trade Balance	Jan		350.00	-258.00
	11:00	HR	Retail Sales (y/y)	Jan		9.0%	9.1%

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