

CEE MARKET INSIGHTS

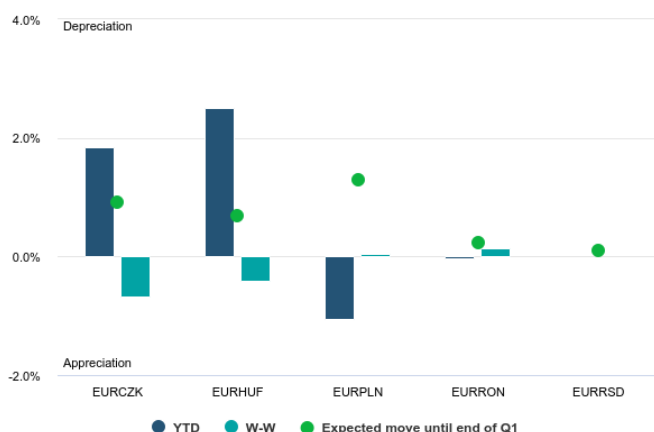
Czechia in the spotlight

This week in CEE

The Czech central bank meeting will be a key event this week. We expect to see another 50bp cut in our baseline scenario. While inflation hit the central bank target in February, the Czech koruna remains relatively weak, holding off a faster pace of monetary easing. Apart from Czechia, Poland will already release industrial output and retail sales growth for February. In addition, producer prices will be published not only in Poland, but also in Czechia and Slovenia. Labor market data, such as unemployment rate and/or wage growth, will be released in Croatia, Poland and Slovakia. Finally, Slovakia will hold the first round of its presidential elections during the weekend (the vote will take place on Saturday, March 23). There are two frontrunners: Pellegrini, supported by the ruling coalition, and Korcok, associated with the opposition parties. On the rating evaluations front: Moody's is scheduled to review Poland's rating and outlook on Friday, after market close. No change is broadly expected.

Monday	Tuesday	Wednesday	Thursday	Friday
CZ: PPI	SK: Unemployment	CZ: Central bank	PL: Retail sales	
		PL: Industry, PPI, Wages	SK: Current Account	
		HR: Unemployment, Wages	SI: PPI	
SK: 2027 2032 2033 2035 Bonds	PL: Bonds	CZ: Bonds	RO: 2030 Bonds	
RO: 2031 Bonds	HU: Bills		CZ: Bills	

FX market



Source: Erste Group Research, Refinitiv

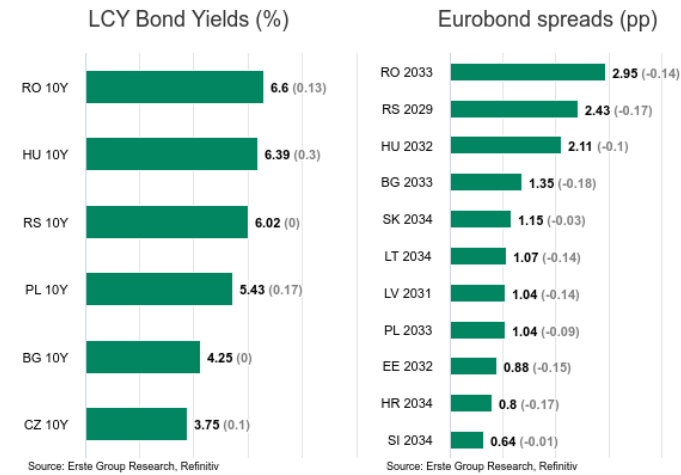
Source: Bloomberg, Erste Group Research

FX market developments

The Hungarian forint was on a roller coaster over the last week. The conflict between the government and the central bank regarding the planned legislation on central bank functioning pushed the EURHUF higher. The decision to postpone and consult over the legal changes, on the other hand, helped the EURHUF to move back down. The public holiday in Hungary on Friday could have also influenced the currency move at the end of the week. The Czech koruna and Polish zloty strengthened against the euro over the last week.

This week, the Czech central bank meeting will be a key event, and further easing of monetary conditions is in the pipeline. Speeding up seems not to be an option, however, as the currency development is considered a pro-inflationary factor and many central bankers spoke with cautiousness about the next steps despite February's inflation hitting the central bank's target.

LCY yields, Eurobonds



Source: Bloomberg, Erste Group Research

Bond market developments

Last week, 10Y CEE government bond yields drifted up about 10-30bp, mirroring the increase of yields on US Treasuries triggered by higher than expected inflation. Two CEE countries tapped international markets with their syndicated bond issues. Poland sold three tranches (5Y, 10Y, 30Y) of USD-denominated Eurobonds worth USD 8bn in total. In early January, Poland sold two EUR-denominated bonds (10Y, 20Y) worth EUR 3.75bn in total. Slovenia borrowed EUR 500mn through a 10Y Eurobond with a yield priced at MS+58bp, far cheaper compared to the Slovak 10Y Eurobond issued at the end of February with pricing at MS+100bp. This week, Slovakia will reopen SLOVGBs 2027, 2032, 2033 and 2035, Czechia will reopen CZECHGBs 2035, Romania will offer ROMGBs 2030, 2031, while Czechia and Hungary are scheduled to sell T-bills.

In case you missed

CEE Outlook: [Slightly weaker growth and lower inflation](#)

CEE: [Retail sector: strong start of the year](#)

Croatia: Parliamentary elections will be held on April 17. President Milanovic declared he would run as a non-partisan PM candidate in front of wide left bloc run by social democrats (SDP), the strongest opposition party.

Czechia: [Weak industrial production data](#)

Czechia: [Prices of services continue to rise](#)

Slovakia: [Core inflation below 4% for the first time since July 2021](#)

Romania: [We revise year-end CPI forecast 0.5pp higher to 4.8% y/y](#)

Romania: [Industrial production down in Jan-24](#)

Macro outlooks:

[Czechia Outlook](#) | Gradual recovery of the economy

[Croatia Outlook](#) | GDP outlook receives upgrade

[Hungary Outlook](#) | Slower rebound in 2024

[Romania Outlook](#) | 2024: Another year of sub-potential economic growth

[Poland Outlook](#) | Baseline remains broadly unchanged

[Serbia Outlook](#) | Growth tailwinds on the horizon

[Slovenia Outlook](#) | Growth momentum picking up in 2024

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
18. Mar	9:00	CZ	PPI (y/y)	Feb	-1.25%	-0.90%	-1.80%	In the month-on-month terms, producer prices increased in February, mainly due to higher oil prices. Their y/y decline became milder.
19. Mar		SK	Unemployment Rate	Feb		5.10%	5.20%	
20. Mar		RS	Current Account Balance (monthly)	Jan			-695.40	
	10:00	PL	Industrial Production (y/y)	Feb	2.38%	0.00%	1.60%	
	10:00	PL	PPI (y/y)	Feb	-8.69%		-9.00%	
	10:00	PL	Wages (y/y)	Feb	11.38%		12.80%	
	11:00	HR	Unemployment Rate	Feb		6.70%	6.80%	Unemployment rate expected to decline on monthly level in February
	11:00	HR	Wages (y/y)	Jan			8.60%	
	14:30	CZ	Central Bank Rate	Mar-24	5.75%	5.75%	6.25%	Although inflation is close to the target, we expect the CNB to deliver only a 50bps cut, mainly due to a weak koruna.
21. Mar	10:00	PL	Retail Sales (y/y)	Feb	6.78%		4.60%	
	10:30	SK	Current Account Balance (monthly)	Jan			-790.50	
	10:30	SI	PPI (y/y)	Feb			-1.00%	
22-Mar			No releases scheduled					

Source: Erste Group Research

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Note: Past performance is not necessarily indicative of future results

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Forecasts

LCY Government bond yields					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia 10Y	3.75	3.85	3.67	3.50	3.36
Hungary 10Y	6.39	6.34	6.23	6.14	6.05
Poland 10Y	5.43	5.00	4.90	4.80	4.70
Romania10Y	6.60	6.70	6.60	6.50	5.90
Serbia 10Y	6.02	5.90	5.70	5.60	5.50

Spreads vs. German Bunds (bps)					
Croatia 10Y	80.00	100.00	100.00	100.00	100.00
Slovakia 10Y	115.00	130.00	130.00	130.00	130.00
Slovenia 10Y	64.00	80.00	80.00	80.00	80.00
DE10Y yields	2.43	2.30	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.89	4.94	4.44	3.95	3.85
Hungary	8.07	6.60	6.60	6.60	6.35
Poland	5.85	5.65	5.50	5.30	5.15
Romania	6.07	5.97	5.47	4.97	5.42
Serbia	5.69	5.65	5.00	4.56	4.15
Eurozone	3.93	3.79	3.40	2.92	2.45

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.8	3.1	2.6
Czechia	2.4	-0.4	1.0	3.2
Hungary	4.6	-0.9	2.0	3.4
Poland	4.9	0.2	2.8	3.5
Romania	4.1	2.1	2.6	3.9
Serbia	2.5	2.5	3.3	3.5
Slovakia	1.8	1.1	2.0	2.7
Slovenia	2.5	1.6	2.3	2.5
CEE8 avg	4.0	0.6	2.4	3.4

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	61.3	59.5	58.0
Czechia	44.2	44.8	45.4	45.7
Hungary	73.9	73.5	73.1	72.1
Poland	49.1	50.0	53.0	55.0
Romania	47.5	48.9	49.6	49.6
Serbia	55.2	52.5	51.1	50.9
Slovakia	57.8	58.0	60.1	61.4
Slovenia	72.3	69.1	68.6	67.4
CEE8 avg	52.9	53.1	54.4	55.1

FX					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
EURCZK	25.12	24.90	24.75	24.60	24.47
EURHUF	392.28	390.00	390.00	390.00	390.00
EURPLN	4.29	4.30	4.30	4.30	4.30
EURRON	4.97	4.98	5.02	5.05	5.07
EURRSD	117.08	117.20	117.20	117.30	117.30
EURUSD	1.09	1.14	1.14	1.12	1.12

Key Interest Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	6.25	5.00	4.50	4.00	3.75
Hungary	9.00	6.50	6.50	6.50	6.25
Poland	5.75	5.75	5.75	5.50	5.00
Romania	7.00	6.75	6.25	5.75	5.50
Serbia	6.50	6.50	5.75	5.25	4.75
Eurozone	4.50	4.25	3.65	3.15	2.65

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.1	2.6
Czechia	15.1	10.7	2.4	2.2
Hungary	14.5	17.6	4.7	4.0
Poland	14.3	11.6	4.5	4.0
Romania	13.7	10.5	5.9	3.7
Serbia	11.9	12.5	4.3	2.9
Slovakia	12.8	10.5	3.0	3.0
Slovenia	8.8	7.4	2.7	2.5
CEE8 avg	13.8	11.6	4.2	3.5

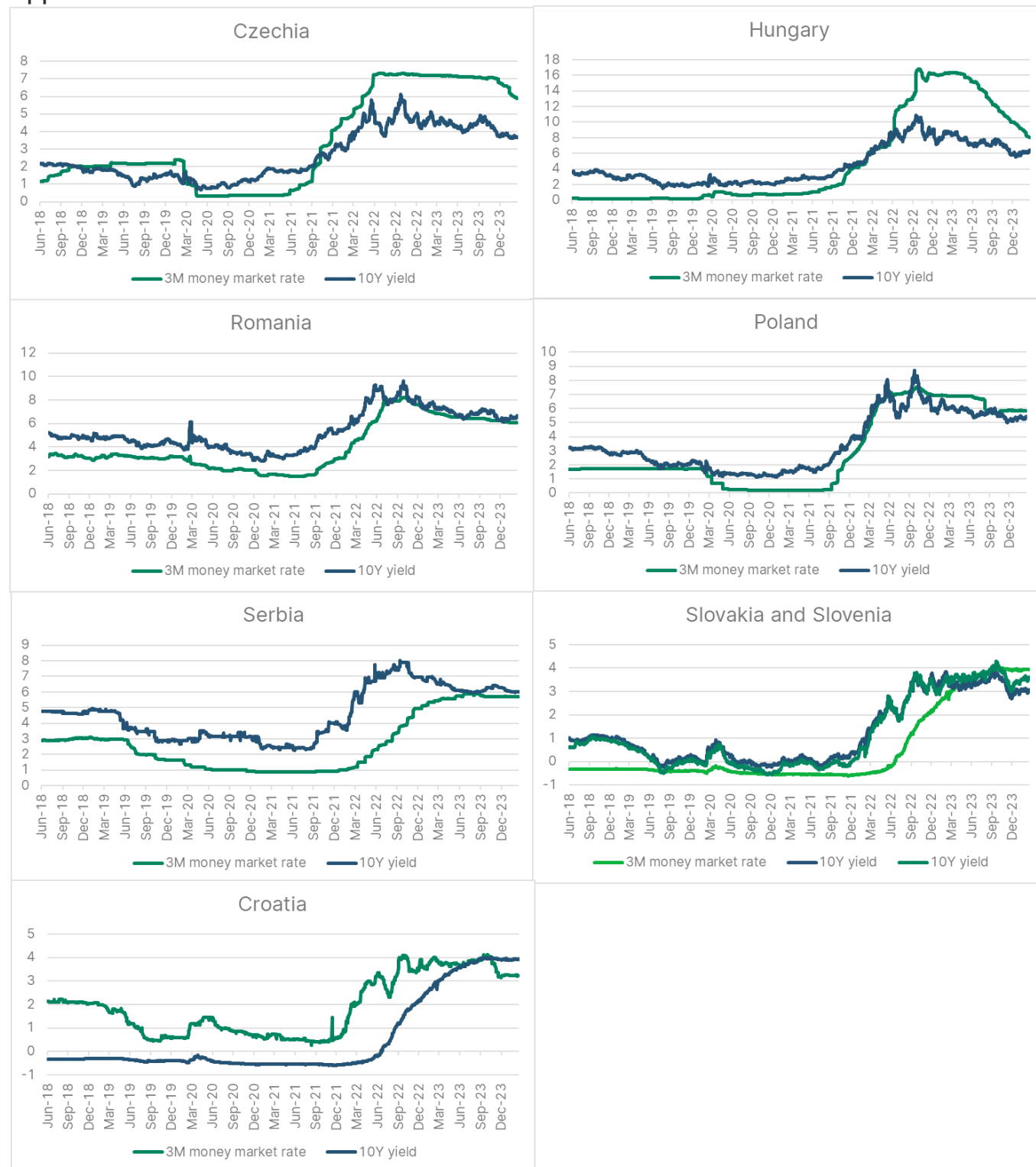
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.3	0.8	0.3
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.2	0.2	0.7	1.1
Poland	-3.3	1.6	0.0	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.8
Slovakia	-7.4	-1.0	-1.3	-0.4
Slovenia	-1.0	4.4	2.9	2.6
CEE8 avg	-5.6	-0.3	-1.1	-1.5

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	6.0	5.7
Czechia	2.2	2.6	3.4	3.9
Hungary	3.6	4.0	3.9	3.6
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.6	5.6	5.6
Serbia	9.4	9.5	8.8	8.6
Slovakia	6.1	5.8	5.7	5.7
Slovenia	4.0	3.8	3.7	3.6
CEE8 avg	4.8	4.9	4.9	5.0

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.5	-2.0	-1.5
Czechia	-3.2	-3.6	-2.8	-2.2
Hungary	-6.2	-6.5	-5.0	-4.1
Poland	-3.4	-5.4	-5.5	-4.0
Romania	-6.2	-6.0	-5.7	-4.5
Serbia	-3.1	-2.2	-2.5	-2.3
Slovakia	-2.0	-6.0	-6.0	-5.0
Slovenia	-3.0	-3.7	-3.3	-2.5
CEE8 avg	-3.9	-5.0	-4.8	-3.7

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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