

CEE MACRO AND FI DAILY

# Public debt projection by the EC

## On the Radar

- Unemployment rate in Poland dropped to 5.4% in February.
- Real wage growth in Serbia accelerated to 8.9% y/y in January.
- Today, Hungarian central bank holds a rate setting meeting and we expect 75 basis points cut in our baseline scenario.

## EC baseline projections of public debt, percent of GDP

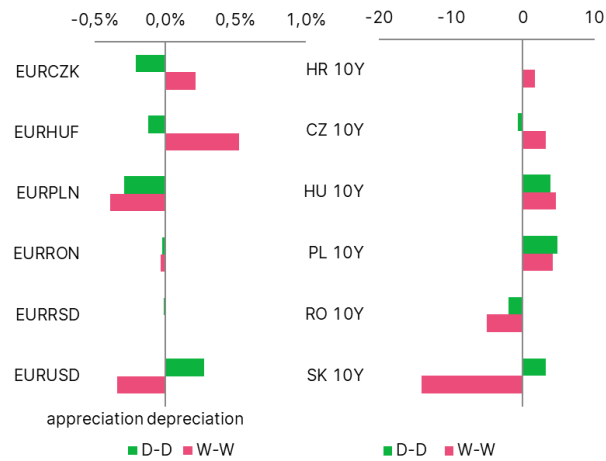


Source: Erste Group Research

## Economic developments

Last week, the EC published a new edition of its Debt Sustainability Monitor, which provides an in-depth view of the public deficit and debt trajectories of member states under various scenarios and time-spans. It evaluates short-term, medium-term, and long-term fiscal sustainability risks using different metrics. Today, we will focus on the 10-year public debt projection, which is at the core of the assessment of mid-term fiscal sustainability risks. According to the EC's baseline projection (no-policy change scenario after 2025), the public debt level in CEE is expected to remain relatively stable or change marginally, with the exception of Poland, Romania, and Slovakia. Besides increasing aging-related costs, the substantial increase in the public debt ratio of the latter two countries is fueled by a very bad initial fiscal position. The primary structural balance in Slovakia and Romania is assumed to be at -5.1% and -3.0% of GDP, respectively (EC projection for 2024-2034 average structural primary balance). Romania and Slovakia thus have the loosest fiscal conditions among all EU member countries. In the EC's overall medium-term risk classification, Romania and Slovakia were ranked in the high-risk category, while Croatia and Hungary were moved from the high-risk category to the medium-risk category.

## Market performance



Source: Erste Group Research

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## Market developments

Today, the Hungarian central bank is holding a rate-setting meeting, and we expect a 75 basis points rate cut. We believe that the central bank will hold off on making a bigger cut due to the relatively high EURHUF, which was at 396 on Tuesday morning. The EURHUF rate has slightly decreased from the beginning of the week along with the EURCZK and EURPLN rates. Additionally, a law amending the central bank's functioning is likely to be submitted in autumn only, potentially impacting the country's currency. In Poland, on the other hand, the government is likely to move forward with a motion to probe Governor Glapinski for alleged wrongdoing. Regarding monetary policy, the Polish MPC member Tyrowicz has said that inflation may fall below the central bank's target of 2.5% in March. Meanwhile, long-term yields are continuing to move north.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
26. Mar	14:00	HU	Central Bank Rate	Mär.24	8,25%	8,25%	9,00%
		HU	Unemployment Rate	Feb		4,30%	4,60%
	08:30	HU	Current Account Balance (quarterly)	4Q		-0,72	410,30
27. Mar			No releases scheduled				
28. Mar	09:00	CZ	GDP (q/q)	4Q F		0,20%	0,20%
	09:00	CZ	GDP (y/y)	4Q F	-0,20%	-0,20%	0,00
	09:00	SK	PPI (y/y)	Feb		-5,00%	-3,30%
	10:30	SI	Retail Sales (y/y)	Feb		1,00%	-2,10%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25,26	-0,2	0,2
EUR/HUF	396,65	-0,1	0,5
EUR/PLN	4,30	-0,3	-0,4
EUR/RON	4,97	0,0	0,0
EUR/RSD	117,06	0,0	0,0
EUR/USD	1,08	0,3	-0,3

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5,59	0	-29
HUF	7,98	-2	-7
PLN	5,86	0	1
RON	6,06	-1	-2
RSD	5,70	1	1
EUR	3,89	-2	-4

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3,86	-1	3
HU 10Y	6,61	4	5
PL 10Y	5,59	5	4
RO 10Y	6,55	-2	-5
HR 10Y	3,25	0	2
SK 10Y	3,46	3	-14

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