

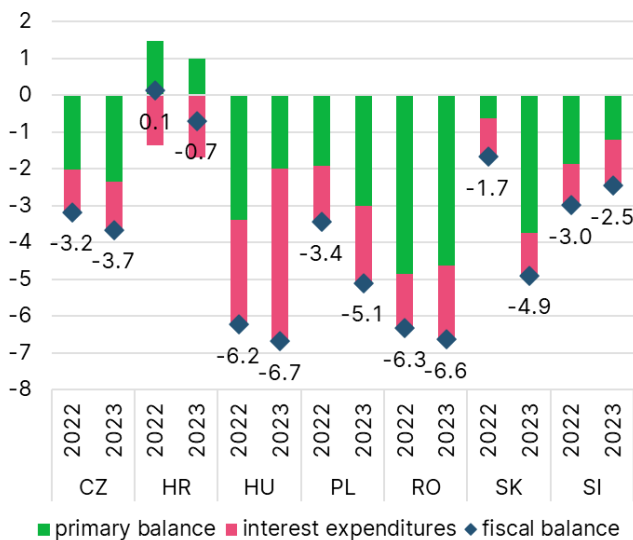
CEE MACRO AND FI DAILY

Weak fiscal discipline in CEE

On the Radar

- The Hungarian central bank cut the policy rate by 50 basis points so that key interest rate is at 7.75%.
- In Poland, real retail sales grew 6.1% y/y in March slightly weaker than was expected.
- Today, unemployment rate in Poland is scheduled for publishing at 10 AM CET.

Fiscal deficit (% of GDP)

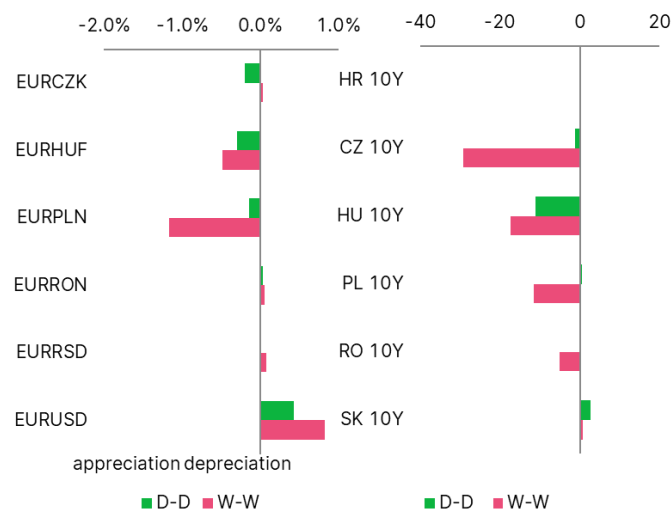


Source: Erste Group Research

Economic developments

On Monday, the European Commission released last year's fiscal data for its member countries, showing relatively poor fiscal discipline of CEE. Croatia stands out as the most prudent country in the region, confirmed by last year's outlook upgrades from Moody's and S&P. Slovenia is the only CEE nation that managed to reduce its deficit compared to 2022, while Czechia's balance is only marginally worse than the EU average of -3.5%. Poland's deficit aligned with expectations, but Slovakia pleasantly surprised with a lower-than-anticipated shortfall. This was primarily due to the reimbursement of energy assistance through EU funds, which was fully accounted for in 2023. However, both Poland and Slovakia are projected to face wider deficits this year. The weakest performers were Romania and Hungary. Romania reported budget balance of -6.6% and is currently under the excessive deficit procedure (EDP). Hungary is an interesting case: despite largely reduced primary balance, its deficit widened. The massive increase in interest payments, from 2.8% to 4.7% of GDP, can be attributed to the region's high-interest rate environment and short debt maturities.

Market performance



Source: Erste Group Research

Market developments

The Hungarian central bank reduced the policy rate by 50 basis points to 7.75%. The central bank slowed the pace of rate cuts in April, as was suggested last month. Further, the statement of the Monetary Council did not contain much news. The forward guidance practically remained unchanged, as well, emphasizing continued cautiousness. As for the rate outlook, the policy rate could be reduced to 6.75% by end-June in two 50 basis points steps. However, upside risks to this forecast have increased recently, mainly due to more volatile market environment and further delay of the first rate cut from the US Fed. Next week, the Czech central bank meeting is scheduled and we have seen numerous comments recently. Governor Michl referred to future by saying that any further monetary easing (beyond May) will be very cautious to prevent a resurgence of inflation. EURHUF moved toward 393, while the Polish zloty and the Czech koruna are marginally stronger against the euro this week. Long term yields changed the trend and we have seen some stabilization or even marginal move downward since the beginning of the week in several CEE countries.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
24. Apr	10:00	PL	Unemployment Rate	Mar		5.29%	5.40%
25. Apr	12:00	RS	Wages (y/y)	Feb			8.90%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.19	-0.2	0.0
EUR/HUF	392.80	-0.3	-0.5
EUR/PLN	4.31	-0.1	-1.2
EUR/RON	4.97	0.0	0.1
EUR/RSD	117.07	0.0	0.1
EUR/USD	1.07	0.4	0.8

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.52	0	-4
HUF	7.65	-1	-4
PLN	5.86	0	0
RON	6.05	0	0
RSD	5.70	-1	0
EUR	3.88	-1	-2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.18	-1	-29
HU 10Y	7.05	-11	-17
PL 10Y	5.75	1	-12
RO 10Y	6.80	0	-5
HR 10Y	3.25	0	0
SK 10Y	3.55	3	1

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