

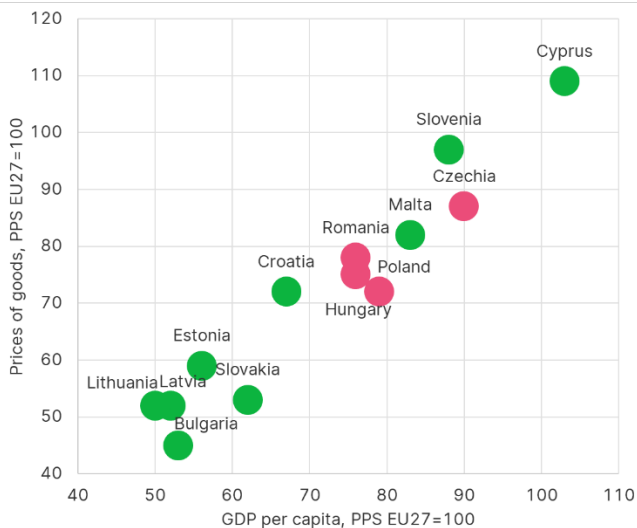
CEE MACRO AND FI DAILY

Eurozone still the biggest unreached integration milestone

On the Radar

- Average gross wage increased by 14.1% y/y in March.
- Unemployment rate in March in Poland was at 5.3%.
- Today Serbia will publish real gross wage at noon CET.

Income and price level convergence at time of entering ERM-II

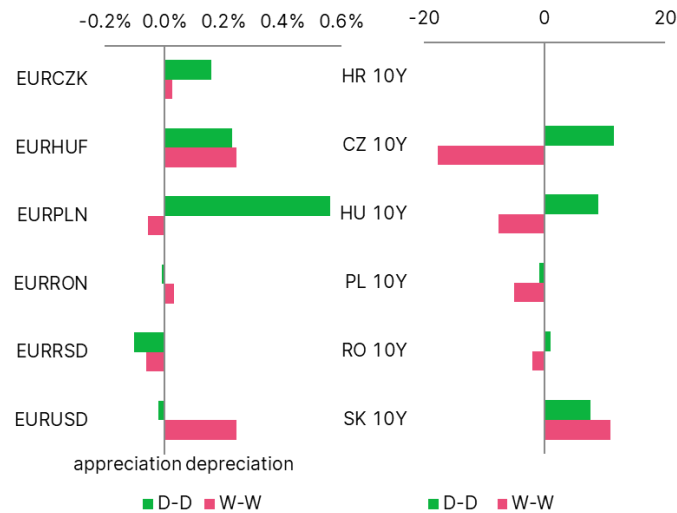


Source: Erste Group Research

Economic developments

Entering the Eurozone remains an open issue for several CEE countries, namely Czechia, Hungary, Poland and Romania. While fulfilling the Maastricht criteria may prove to be challenging shortly after the series of shocks (pandemic and the war in Ukraine), a glance at the stage of development and level of income and price convergence looks encouraging especially for Czechia. Compared to the current state of Czechia's development, only Slovenia and Cyprus had higher levels of convergence at the time they joined the Exchange Rate Mechanism (ERM II). Hungary, Poland and Romania are also more developed than most ERM II countries were at the point of their entry into the mechanism. While we can consider Czechia the "most prepared" in terms of development, a high share of the public in Czechia believes euro adoption would have negative consequences. On the other hand, the Hungarian people are the most positive as far as the consequences of euro adoption are concerned: 63% support it. The Hungarian forint has been the most volatile currency within the region over recent years, however.

Market performance



Source: Erste Group Research

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Market developments

Since the beginning of the week, the Hungarian forint and the Czech koruna strengthened against the euro. The Polish zloty on the other hand has been weakening. On the bond market, some favorable trends that had been seen until Wednesday are fading off and the yields are moving up again. As for other market related news, the Czech central banker Zamrazilova said she would consider either 25 or 50 basis points cut at the upcoming meeting (due May 2). She keeps seeing inflationary risks. Further, the Polish MPC member Kotecki sees stability of rates as most likely scenario in 2024. In March, economic data were weaker than expected, in particular contraction of the industry was sizeable. Lower economic growth supports weakening demand pressure. Finance Minister Domanski reacted, however, that investment spending should drive the economic acceleration this and next year.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
25. Apr	12:00	RS	Wages (y/y)	Feb			8.90%
26. Apr		HU	Unemployment Rate	Mar		4.60%	0.05
	09:00	SK	PPI (y/y)	Mar		-13.00%	-0.16
	10:30	SI	Retail Sales (y/y)	Mar		-1.00%	-5.60%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.23	0.2	0.0
EUR/HUF	393.70	0.2	0.2
EUR/PLN	4.33	0.6	-0.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.95	-0.1	-0.1
EUR/USD	1.07	0.0	0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.52	0	-3
HUF	7.53	-12	-16
PLN	5.87	1	0
RON	6.05	0	0
RSD	5.69	-1	0
EUR	3.88	0	-2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.29	11	-18
HU 10Y	7.13	9	-8
PL 10Y	5.74	-1	-5
RO 10Y	6.81	1	-2
HR 10Y	3.25	0	0
SK 10Y	3.63	8	11

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