

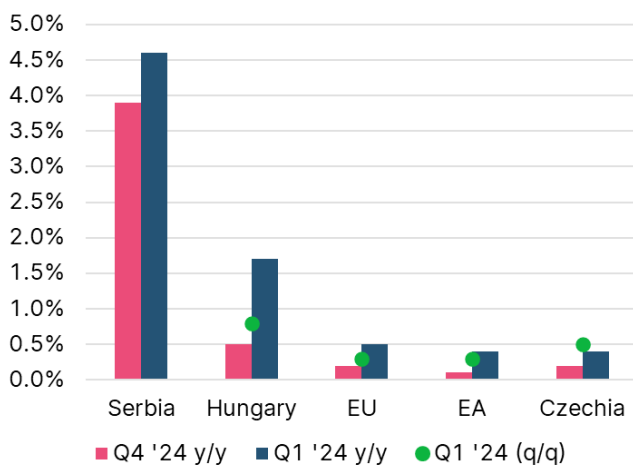
CEE MACRO AND FI DAILY

First GDP figures surprise to the upside

On the Radar

- Today, the Czech National Bank will decide on the key interest rate.
- Hungary will publish trade balance for February.
- There are no other releases scheduled today.

Economic growth in Q1 2024

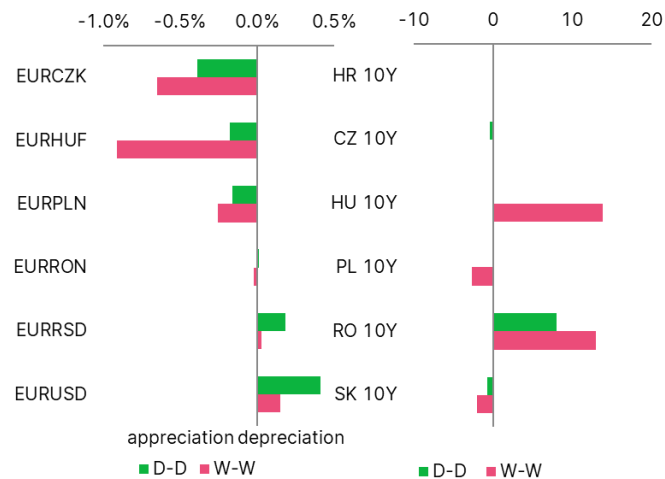


Source: Erste Group Research

Economic developments

The first several releases of GDP growth data for the first quarter of 2024 arrived this week, in particular for the EU, EA and within our region for Czechia, Hungary, and Serbia. The common denominator among most releases was a positive surprise, as the figures surpassed expectations. The EU expanded at a rate of 0.5% y/y and the EA at 0.4% y/y, which equates to q/q growth of 0.3% for both country groups. In the CEE region, the Czech economy grew by 0.5% q/q (0.4% y/y) in the first quarter of this year, exceeding the consensus of 0.3% y/y. Although still modest, the data suggest that the Czech economy is rebounding from stagnation and beginning to grow once more. In Hungary, the economy increased by 0.8% q/q, outperforming our estimate of 0.5%. The annual GDP growth accelerated to 1.1% from the 0% observed in Q4 2023, while the y/y increase was 1.7% after seasonal and calendar adjustment. Finally, the Serbian economy expanded by 4.6% y/y in the first quarter of 2024, surpassing even our relatively optimistic forecast of 4.4% and the consensus estimate of 3.6% by a considerable margin.

Market performance



Source: Erste Group Research

Market developments

As had been expected the US key interest rates were left unchanged by the FOMC. Fed Chairman Powell said that it will take longer to gain greater confidence that inflation is declining towards the target of 2%. However, without giving an indication of how long. In addition, it was decided to slow the pace of QT from currently roughly USD 80bn per month to expected USD 40bn per month starting June. CEE currencies continued in their strengthening, also supported by recent stronger GDP readings. EURHUF dived below 390 and EURCZK approached 25 level yesterday but bounced back to 25.1 today morning. We expect the CNB to cut interest rates by 50bp at today's meeting, but to also signal more cautious steps going forward and a slightly higher neutral interest rate. This could bring our year-end forecast of the key rate up by 25-50bp compared to the current rate of 4%.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
02. May	08:30	HU	Trade Balance	Feb F			1652.00
	14:30	CZ	Central Bank Rate	Mai 24		5.25%	5.75%
03. May	10:30	SI	Trade Balance	Mar			-0.99

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.06	-0.4	-0.7
EUR/HUF	390.11	-0.2	-0.9
EUR/PLN	4.32	-0.2	-0.3
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.98	0.2	0.0
EUR/USD	1.07	0.4	0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.52	-1	0
HUF	7.49	-1	-16
PLN	5.86	-1	-1
RON	6.05	0	0
RSD	5.69	0	-1
EUR	3.83	-1	-6

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.30	0	0
HU 10Y	7.18	0	14
PL 10Y	5.71	0	-3
RO 10Y	6.93	8	13
HR 10Y	3.25	0	0
SK 10Y	3.61	-1	-2

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