

CEE MARKET INSIGHTS

Mixed data on retail sales and industrial output

This week in CEE

This week will see a mixture of data releases and central bank announcements. On Monday, only Hungarian trade balance figures are to be published. Czech industrial production on Tuesday is forecasted at modest y/y growth of 0.1%. On the same day, Romania's unemployment rate and PPI figures will be shown, while Hungarian retail sales are expected to reflect a weak base effect and low consumer confidence. Slovak retail sales on are expected to return to positive figures y/y, supported by real wage growth and lower inflation. Romania's retail sales on Wednesday are also projected to grow monthly, although the annual figure may decelerate due to base effects. Hungarian industrial production on Wednesday shows no significant improvement, reflecting ongoing sectoral challenges. On Thursday, the Polish central bank is expected to hold rates steady, and Croatia's and Serbia's PPI figures will be published. On Friday, Slovak industrial production is expected to grow monthly but may decline y/y, and Hungarian CPI figures are expected to stagnate before potentially increasing in May. Slovenia's industrial production is expected to continue its recovery in March, and Serbia's central bank rate is anticipated to remain unchanged, awaiting moves from the ECB.

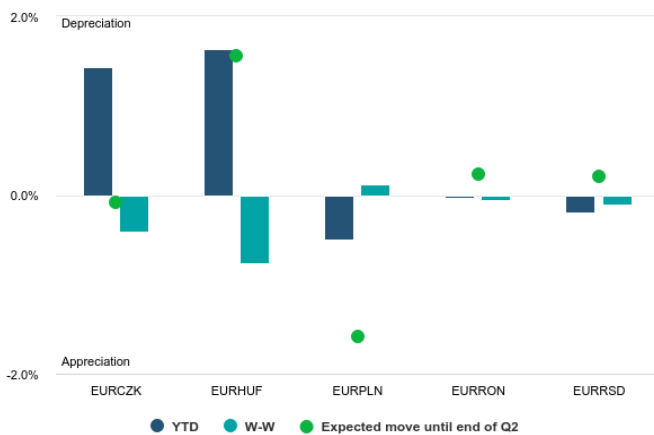
Monday	Tuesday	Wednesday	Thursday	Friday
HU: Trade	HU SK: Retail	HU: Industry	PL: Central bank	SK,SI: Industry
	CZ: Trade, Industry	RO: Retail	HR, RS: PPI	HU: Inflation
	RO: Unemployment, PPI		SK: Trade	RS: Central bank
				RO: Trade

HU SI: Bills

RO: 2026 2033 Bonds

RO: 2028 2031 Bonds

FX market

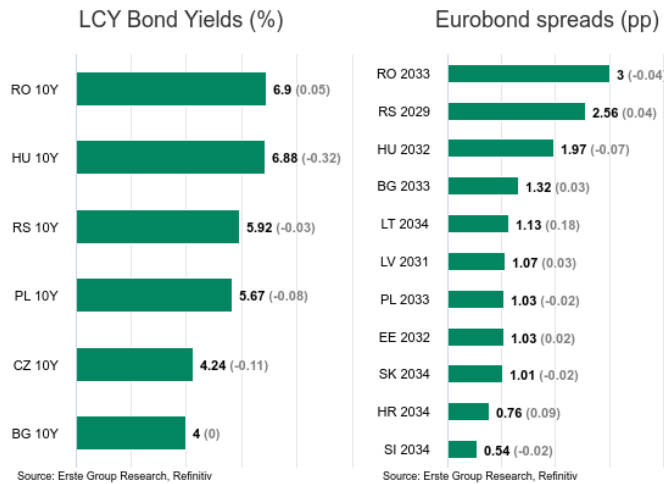


Source: Bloomberg, Erste Group Research

FX market developments

Stronger economic readings and a more cautious stance of central banks towards the future pace of rate cuts had a positive impact on CEE currencies. The EURHUF dived below 390 and the EURCZK returned to 25. The Czech koruna has been supported by the new CNB forecasts, which now expect rates not to be cut so aggressively as was assumed in the previous forecast. We keep our baseline year-end forecast of the policy rate at 4%, which is actually very close to the current CNB's projection. This week's central bank meetings in Poland and Serbia should not bring any change in rates as both central banks remain in wait-and-see mode.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research

Bond market developments

CEE government bonds rallied last week in reaction to the FED's announcement that QT will be done at a slower pace and the subsequent decline of yields on US Treasuries. The long end of the HGBs yield curve witnessed the largest move (-30bp w/w), followed by CZECHGBs (about -10-20bp). The ROMGBs curve remained unaffected due to closed markets (orthodox Easter holiday). This week, Romania will reopen ROMGBs 2026, 2028, 2031 and 2033 while Slovenia and Hungary will offer T-bills.

In case you missed

- [CZ: Czech economy is recovering](#)
- [CZ: CNB may ease the pace of rate cuts](#)
- [HU: Economy revived in the first quarter](#)
- [HR: Inflation down to 3.7% y/y in April](#)
- [PL: Inflation in Poland bounces up](#)
- [RO: Business sentiment up in April 2024](#)
- [RO: BCR Romania Manufacturing PMI up in April](#)
- [RS: 1Q24 GDP beats expectations](#)

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Note: Past performance is not necessarily indicative of future results

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
06. May	8:30	HU	Trade Balance	Mar P			1691.00	
07. May		CZ	Industrial Production (y/y)	Mar		0.10%	0.70%	The year-on-year development of industrial production will remain volatile this year. In the second half of the year, the impact of improved foreign demand should also add to the recovery in consumption.
		CZ	Trade Balance	Mar		1470.00%	16.30	The trade balance was affected by a positive seasonal effect. Without it, the surplus would have been lower.
	8:00	RO	Unemployment Rate	Mar			5.60%	
	8:00	RO	PPI (y/y)	Mar			-6.30%	
	8:30	HU	Retail Sales (y/y)	Mar		0.50%	1.10%	Unsupportive base effect from last year and only slowly improving consumer confidence imply a subdued yearly growth figure.
08. May	9:00	SK	Retail Sales (y/y)	Mar		3.00%	5.30%	Households are in a more favorable situation (growth in real wages, lower inflation), so both retail sales and total household consumption return to positive figures year-on-year
	8:00	RO	Retail Sales (y/y)	Mar		5.20%	7.10%	Strong real wage growth and rising consumer confidence should result in a positive monthly growth rate, but the annual figure expected to decelerate mainly due to the base effect.
	8:30	HU	Industrial Production (y/y)	Mar		0.20%	1.40%	No sign of any relevant improvement in the sector.
09. May		PL	Central Bank Rate	May 9	5.75%	5.75%	5.75%	
	9:00	SK	Trade Balance	Mar		90000.00%	649.40	Foreign trade will affect the automotive industry and the drop in prices of imported energy commodities.
	11:00	HR	PPI (y/y)	Apr			-1.90%	
10. May	12:00	RS	PPI (y/y)	Apr			0.70%	
		SK	Industrial Production (y/y)	Mar		-1.50%	-0.80%	On a monthly basis, a growth of the IP is expected, however, compared to the previous year, a decline could be seen.
	8:00	RO	Trade Balance	Mar			-2174.00	
	8:30	HU	CPI (y/y)	Apr		3.60%	3.60%	Headline rate probably stagnated before it starts to again increase in May on the back of fading base effect.
	8:30	HU	CPI (m/m)	Apr		0.70%	0.8%	The m/m increase was mainly driven by fuel prices.
	10:30	SI	Industrial Production (y/y)	Mar		2.50%	2.80%	Recovery on the industrial production side seen extending also in March
12:00	RS	Central Bank Rate	May 9		6.50%	6.5%	We expect the NBS to remain on hold and wait for the ECB to move first	

Source: Erste Group Research

Forecasts

LCY Government bond yields					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia 10Y	4.24	3.85	3.67	3.50	3.36
Hungary 10Y	6.88	6.52	6.40	6.36	6.05
Poland 10Y	5.67	5.70	5.50	5.20	4.90
Romania10Y	6.90	6.70	6.60	6.50	5.90
Serbia 10Y	5.92	6.00	5.80	5.60	5.50

Spreads vs. German Bunds (bps)					
Croatia 10Y	76.00	100.00	100.00	100.00	100.00
Slovakia 10Y	101.00	130.00	130.00	130.00	130.00
Slovenia 10Y	54.00	80.00	80.00	80.00	80.00
DE10Y yields	2.49	2.30	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.19	4.94	4.44	3.95	3.85
Hungary	7.47	6.90	6.65	6.50	6.35
Poland	5.86	5.80	5.60	5.40	5.20
Romania	6.05	5.97	5.47	4.97	5.42
Serbia	5.69	5.65	5.00	4.56	4.15
Eurozone	3.83	3.79	3.40	2.92	2.45

FX					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
EURCZK	25.02	25.00	24.85	24.75	24.62
EURHUF	388.94	395.00	390.00	390.00	390.00
EURPLN	4.32	4.25	4.25	4.20	4.25
EURRON	4.97	4.98	5.02	5.05	5.07
EURRSD	116.85	117.10	117.15	117.20	117.30
EURUSD	1.08	1.08	1.10	1.12	1.12

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.25	5.00	4.50	4.00	3.75
Hungary	7.75	7.00	6.75	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	3.75	3.50	3.00	2.50

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	3.1	3.1	2.6
Czechia	2.4	-0.2	1.3	3.1
Hungary	4.6	-0.9	2.0	3.4
Poland	5.6	0.2	2.8	3.5
Romania	4.1	2.1	2.6	3.9
Serbia	2.5	2.5	3.8	4.0
Slovakia	1.9	1.6	2.0	2.7
Slovenia	2.5	1.6	2.3	2.5
CEE8 avg	4.3	0.7	2.5	3.4

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.1	2.7
Czechia	15.1	10.7	2.4	2.5
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	4.2	2.8
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

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	4.1	4.5	3.9
Poland	5.1	5.2	5.1	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	5.0	5.0

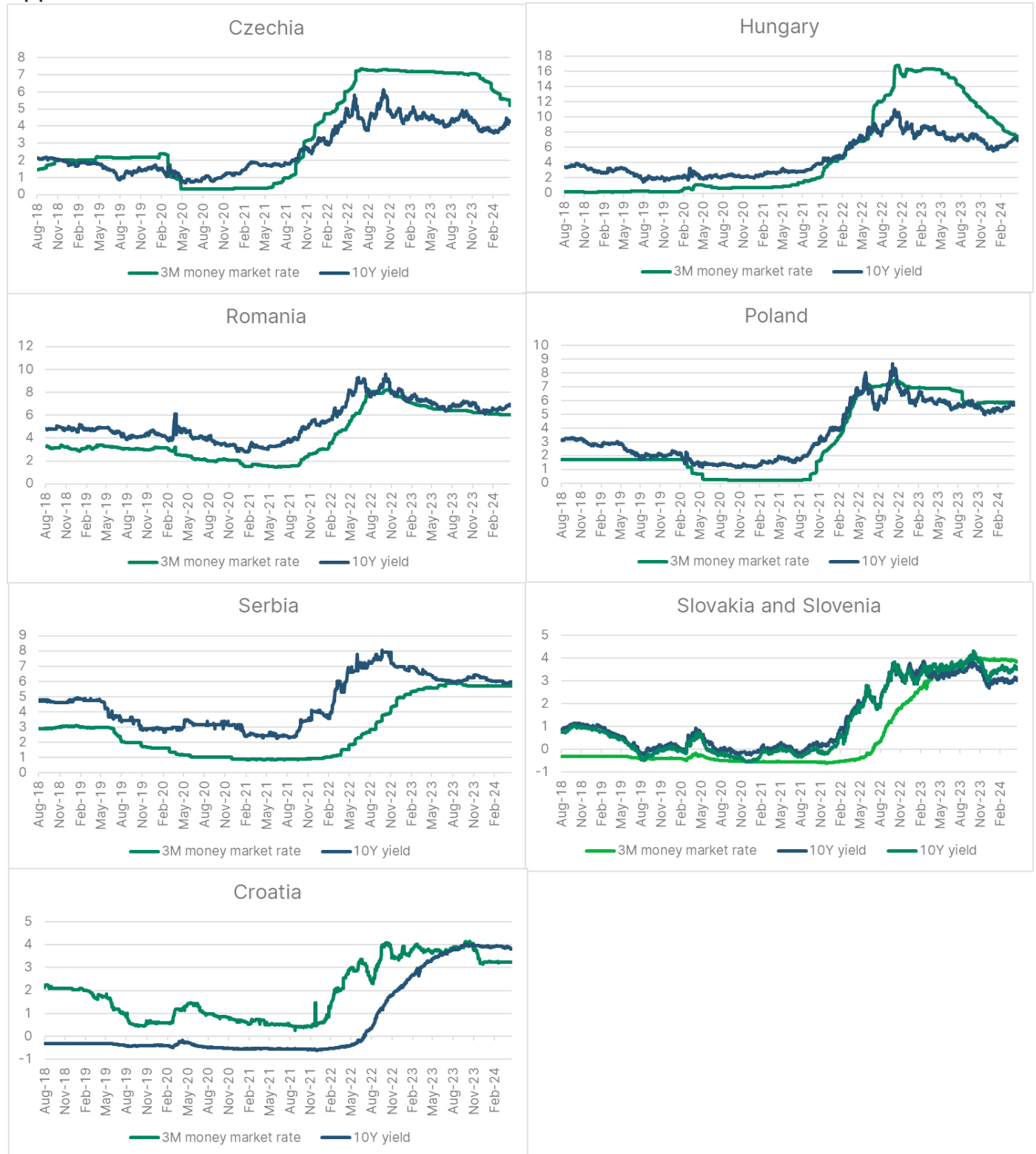
Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	67.8	63.0	61.0	59.4
Czechia	44.2	44.0	45.0	45.5
Hungary	74.1	73.5	73.2	72.2
Poland	49.2	49.6	53.0	55.0
Romania	47.5	48.8	49.6	49.6
Serbia	55.2	52.5	50.9	50.4
Slovakia	57.7	56.0	58.2	59.6
Slovenia	72.3	69.2	68.4	67.3
CEE8 avg	52.9	52.7	54.3	55.1

C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.6	0.1
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.3	0.2	0.4	0.7
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	-1.2	-0.4
Slovenia	-1.0	4.4	2.9	2.6
CEE8 avg	-5.6	-0.3	-1.2	-1.5

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.7	-1.7	-1.5
Czechia	-3.2	-3.7	-2.8	-2.4
Hungary	-6.2	-6.7	-5.2	-4.2
Poland	-3.4	-5.1	-5.5	-4.0
Romania	-6.3	-6.6	-6.2	-5.0
Serbia	-3.1	-2.2	-2.5	-2.3
Slovakia	-1.7	-4.9	-6.0	-5.0
Slovenia	-3.0	-2.5	-3.0	-2.5
CEE8 avg	-3.9	-4.9	-4.9	-3.8

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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