

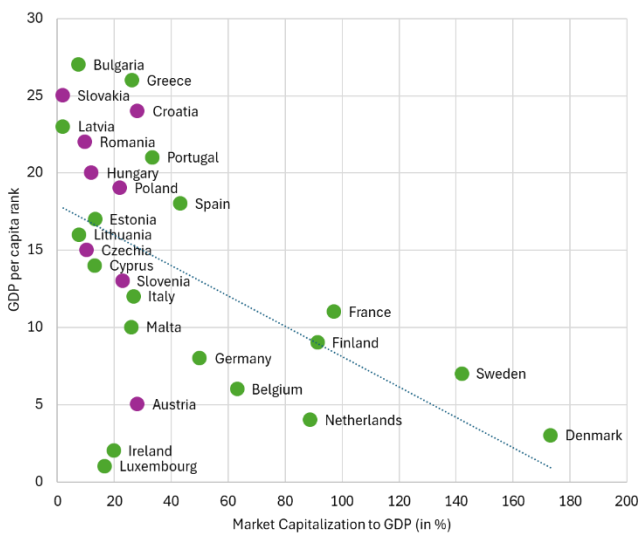
CEE MACRO AND FI DAILY

# CEE capital markets with potential

## On the Radar

- Industrial output growth in Poland accelerated to 7.9% y/y in April.
- Nominal wage growth remained solid at 11.3% while employment declined by -0.4% y/y in April.
- In Hungary, nominal wage growth was at 13.9% y/y in March.
- Producer prices in Poland declined by -8.6% y/y in April.
- Today, retail sales growth in April will be published at 10 AM CET.

## Capital market size vs. GDP per capita rank

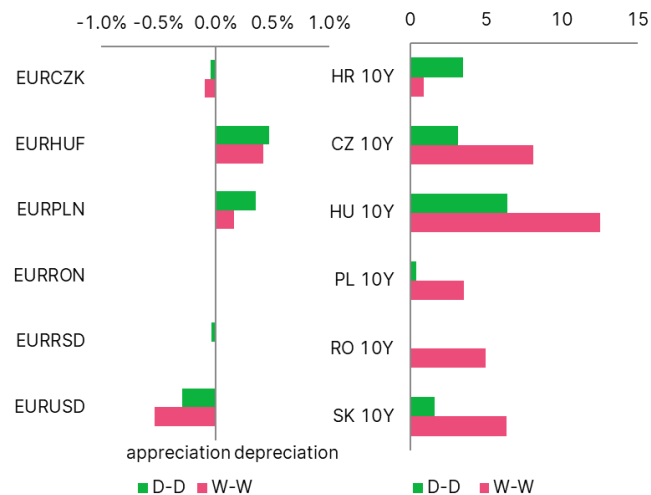


Source: Erste Group Research

## Economic developments

There are many studies linking the size and development of a country's capital market to its economic performance. As we show in today's chart, there appears to be empirical evidence supporting this proposition also in the EU. On the vertical axis, we have ordered countries based on their GDP per capita (PPP) from the best to the worst performing. The Nordic EU countries, as well as France and the Netherlands, carry on the regression line. Zooming in on the CEE region, none of the countries stands out in terms of their market capitalization. The largest equity markets are in Austria and Croatia, both at 28% of GDP, followed by Slovenia and Poland with market caps at 23% and 22%, respectively. By far, the smallest capital market is in Slovakia, with a size of only 2% of GDP. Boosting the capital market could provide necessary funds for the development of various sectors of the economy, especially as many countries in our region need to catch up with the rest of the EU, not only in terms of GDP per capita.

## Market performance



Source: Erste Group Research

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## Market developments

On Tuesday, the MNB Monetary Council cut the policy rate by 50 basis points to 7.25. Neither the press conference of the Deputy Governor Virág nor the statement of the council provided any new information on the monetary policy outlook. The end of the ongoing monetary easing cycle is approaching. In Poland, the MPC member Duda said that if central bank is going to start monetary easing it would be gradual. She sees possibility of rate cuts only in 2025. Since the beginning of the week, the CEE currencies have weakened marginally against the euro while long term yields remain slightly higher.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
23. May	10:00	PL	Retail Sales (y/y)	Apr			6.00%
24. May	08:30	HU	Unemployment Rate	Apr		4.40%	4.60%
	12:00	RS	Wages (y/y)	Mar			9.70%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.70	0.0	-0.1
EUR/HUF	387.05	0.5	0.4
EUR/PLN	4.27	0.4	0.2
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.00	0.0	0.0
EUR/USD	1.08	-0.3	-0.5

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.15	0	-1
HUF	7.06	-10	-27
PLN	5.85	0	-1
RON	6.05	0	0
RSD	5.69	0	0
EUR	3.82	0	0

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.12	3	8
HU 10Y	6.72	6	13
PL 10Y	5.67	0	4
RO 10Y	6.65	0	5
HR 10Y	3.22	3	1
SK 10Y	3.51	2	6

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