

CEE MARKET INSIGHTS

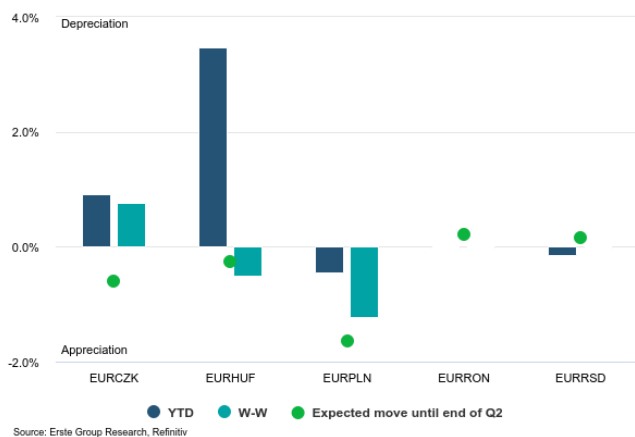
CNB set to cut rates this week, but by how much?

This week in CEE

This week's economic releases start with Poland's retail sales for May, which are expected to show an increase to about 5.8%. On Tuesday, the unemployment rate in Poland is anticipated to slightly decrease to 5%, while Serbia will report its wage growth for April. On Thursday, Slovenia expects a modest recovery in May's retail sales, predicted at 1%, improving from a -0.30% decline. One of the biggest events this week is the CNB rate decision scheduled for Thursday, from which we expect a 25 basis point cut to 5%, reflecting moderate inflation risks for the latter half of the year. Friday will be the most release-heavy day of the week. Croatia will publish its CA balance for 1Q, industrial production and retail sales, which should maintain a robust growth footprint. Similarly to Croatia, Serbia is to release industrial production and retail sales figures for May; we expect a continuation of the steady industry performance and double-digit retail growth. Slovenia and Poland will show flash estimates of June inflation, with a deceleration expected in Slovenia and acceleration of inflation in Poland. Furthermore, Hungary is to publish unemployment and PPI figures, Slovakia PPI.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Retail	PL: Unemployment	HU: Current account	CZ: Key rate	PL SI: Inflation
	RS: Wages		SI: Retail	HR RS: Industry, Retail
				HU SK: PPI
				HU: Unemployment
	HU: Bills	CZ PL: Bonds	RO: 2026,2029 Bonds	
			CZ: Bills	

FX Market

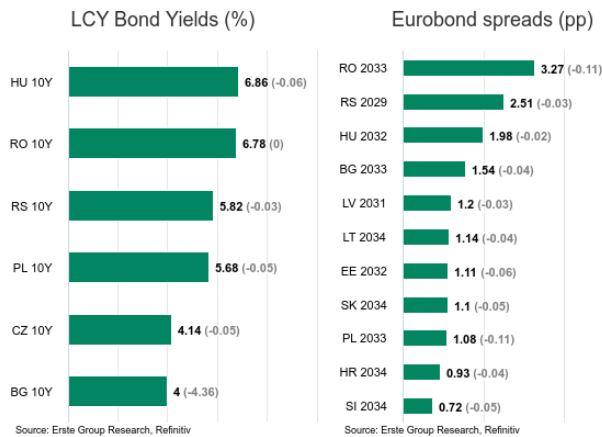


Source: Bloomberg, Erste Group Research

FX market developments

The Czech koruna underperformed its regional peers ahead of this week's central bank meeting, at which another interest rate cut is broadly expected. While markets started to discount their earlier bets on a reduction of the key rate to or below 4% by the year-end, last week's comments from the governor and vice-governor clearly indicated that both options - a 25bp rate cut and a 50bp rate cut - will be on the table. We see a 25bp cut as more likely and stick to our forecast that the central bank will continue with gradual cuts and bring the key rate to 4% by December, in line with the view of Vice-Governor Frait. The Polish zloty appreciated vs. the euro last week, benefiting from hawkish comments by MPC members. The Hungarian forint was on a rollercoaster last week, losing about 1% vs. the euro in the second half of the week and swiftly erasing its gains from the first half of the week. With the EURHUF approaching 398, the forint is getting closer to the upper bound of the central bank's tolerance band.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research

Bond market developments

The recommendation of the EU Commission to initiate the Excessive Deficit Procedure (EDP) against seven EU members, including Hungary, Poland and Slovakia, due to their high fiscal deficits, had been expected and thus had a limited impact on yields and spreads. The final decision should be made by the Council, and afterwards, countries should follow either a 4-year or 7-year fiscal adjustment path in order to bring their deficits safely below 3% of GDP in a way that would prevent the debt ratio from increasing shortly afterwards. Last week, Romania saw relatively weak demand in the auction of its longest tenor (ROMGB 2038) and rejected all bids, which topped the planned volume only by a slim margin. The MinFin, however, borrowed RON 518mn and RON 500mn via reopening ROMGB 2027 and 2028, respectively. This week, Romania will be reopening ROMGBs 2026 and 2029, and Czechia reopens CZGBs 2033, 2035 and 2040. Hungary and Czechia will also offer T-bills.

In case you missed

CEE: [Time to spend or to save? Households' situation after inflation shock](#)

HU: [Smaller room for further easing in 2H 2024](#)

BiH: [Bosnia and Herzegovina Outlook | Growth to remain subdued in 2024](#)

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Note: Past performance is not necessarily indicative of future results

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Pre Comment
24-Jun	10:00	PL	Retail Sales (y/y)	May		4.3%	
25-Jun	10:00	PL	Unemployment Rate	May		5.1%	
	12:00	RS	Wages (y/y)	Apr		7.9%	
26-Jun	8:30	HU	Current Account Balance (quarterly)	1Q		-561.00	
27-Jun	10:30	SI	Retail Sales (y/y)	May	1.0%	-0.3%	May retail trade expected to show modest recovery
	14:30	CZ	Central Bank Rate	Jun-27	5.0%	5.3%	The CNB could slow the pace of rate cuts and deliver only a standard 25 bps decline. This is due to the moderate inflation risk for the second half of this year and next year.
28-Jun		HR	Current Account Balance (quarterly)	1Q		-1063.65	
		HU	Unemployment Rate	May		4.5%	
	8:30	HU	PPI (y/y)	May		-2.0%	
	9:00	SK	PPI (y/y)	May	-9.0%	-13.4%	
	10:00	PL	CPI (y/y)	Jun P		2.50%	
	10:30	SI	CPI (y/y)	Jun	2.00%	2.50%	Inflation seen further decelerating
	11:00	HR	Industrial Production (y/y)	May	0.00%	-2.00%	Volatile industrial production pattern to continue also in May
	11:00	HR	Retail Sales (y/y)	May	8.00%	8.63%	Retail trade seen maintaining robust growth footprint
	12:00	RS	Industrial Production (y/y)	May	2.50%	2.90%	We expect continuation of steady industry performance
	12:00	RS	Retail Sales (y/y)	May	12.50%	11.10%	May likely brought another double-digit retail expansion
	12:00	RS	Trade Balance	May		-747.70	

Source: Erste Group Research

Forecasts

LCY Government bond yields	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	4.14	4.02	3.87	3.70	3.56
Hungary 10Y	6.86	6.42	6.37	6.05	5.95
Poland 10Y	5.68	5.50	5.40	5.20	4.75
Romania 10Y	6.78	6.90	6.80	6.70	6.50
Serbia 10Y	5.82	5.80	5.60	5.50	5.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	93.00	100.00	100.00	100.00	95.00
Slovakia 10Y	110.00	125.00	120.00	120.00	FALSE
Slovenia 10Y	72.00	80.00	80.00	80.00	80.00
DE10Y yields	2.40	2.40	2.50	2.60	2.60

3M Money Market Rate	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	5.00	4.52	4.02	3.91	3.83
Hungary	6.88	6.75	6.55	6.35	6.10
Poland	5.85	5.60	5.40	5.20	4.65
Romania	6.02	5.72	5.32	5.62	5.37
Serbia	5.45	4.98	4.54	4.13	3.70
Eurozone	3.69	3.40	3.09	2.86	2.64

Real GDP growth (%)	2022	2023e	2024f	2025f
Croatia	7.0	3.1	3.4	2.8
Czechia	2.4	-0.2	1.3	3.1
Hungary	4.6	-0.9	2.0	3.5
Poland	5.6	0.2	2.8	3.5
Romania	4.1	2.1	2.6	3.4
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	2.4
CEE8 avg	4.3	0.7	2.5	3.3

Public debt (% of GDP)	2022	2023e	2024f	2025f
Croatia	67.8	63.0	61.4	59.7
Czechia	44.2	44.0	44.9	45.1
Hungary	74.1	73.5	73.6	72.5
Poland	49.2	49.6	53.0	55.0
Romania	47.5	48.8	49.6	49.6
Serbia	55.2	52.0	51.8	51.3
Slovakia	57.7	56.0	58.2	59.6
Slovenia	72.3	69.2	68.1	67.0
CEE8 avg	52.9	52.7	54.4	55.1

Source: Bloomberg, Erste Group Research

FX	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
EURCZK	24.89	24.73	24.60	24.50	24.39
EURHUF	396.01	390.00	390.00	390.00	390.00
EURPLN	4.32	4.25	4.20	4.25	4.30
EURRON	4.97	4.99	5.00	5.07	5.10
EURRSD	116.91	117.15	117.20	117.20	117.10
EURUSD	1.07	1.11	1.13	1.14	1.14

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	5.25	4.50	4.00	3.75	3.75
Hungary	7.00	6.75	6.50	6.25	6.00
Poland	5.75	5.75	5.75	5.50	5.25
Romania	7.00	6.50	6.00	6.00	5.75
Serbia	6.25	5.75	5.25	4.75	4.25
Eurozone	3.75	3.50	3.00	2.75	2.50

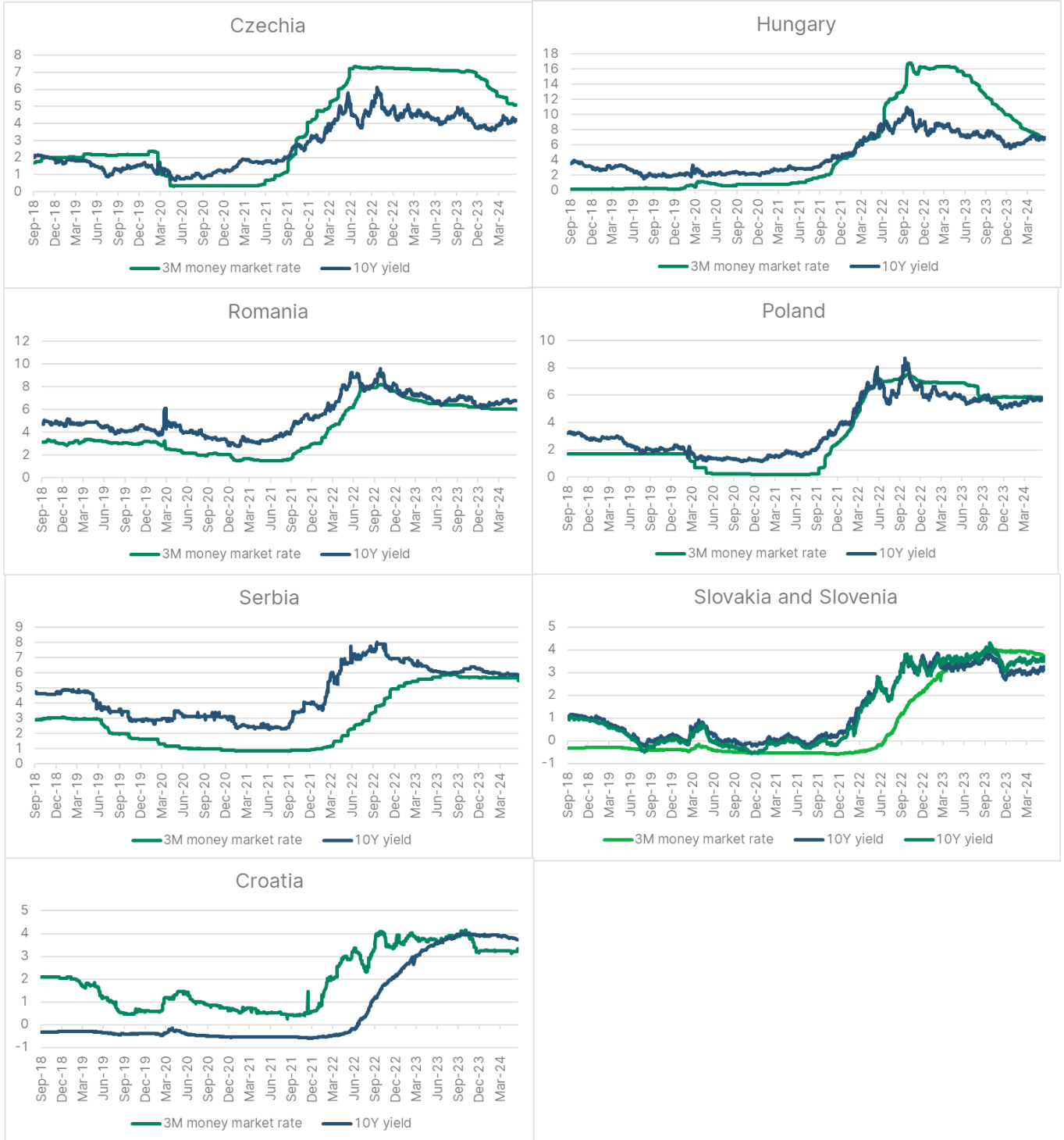
Average inflation (%)	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.0	2.5
Czechia	15.1	10.7	2.8	2.6
Hungary	14.5	17.6	4.2	4.0
Poland	14.3	11.6	4.5	4.0
Romania	13.7	10.5	5.2	3.7
Serbia	11.9	12.1	4.4	3.1
Slovakia	12.8	10.5	3.0	3.0
Slovenia	8.8	7.4	2.6	2.4
CEE8 avg	13.8	11.6	4.1	3.5

C/A (%GDP)	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.4	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	-4.7
Slovakia	-7.4	-1.0	-1.2	-0.4
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.6	-0.3	-1.2	-1.5

Unemployment (%)	2022	2023e	2024f	2025f
Croatia	7.0	6.1	5.6	5.5
Czechia	2.2	2.6	3.1	3.6
Hungary	3.6	4.1	4.5	3.9
Poland	5.1	5.2	5.1	5.0
Romania	5.6	5.6	5.3	5.2
Serbia	9.4	9.5	8.9	8.6
Slovakia	6.1	5.8	5.7	5.7
Slovenia	4.0	3.7	3.7	3.6
CEE8 avg	4.8	4.9	4.9	4.9

Budget Balance (%GDP)	2022	2023e	2024f	2025f
Croatia	0.1	-0.7	-2.4	-1.5
Czechia	-3.2	-3.7	-2.7	-2.3
Hungary	-6.2	-6.7	-5.2	-4.1
Poland	-3.4	-5.1	-5.5	-4.0
Romania	-6.3	-6.6	-6.2	-5.0
Serbia	-3.1	-2.2	-2.2	-1.5
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

Appendix



Source: Bloomberg, Erste Group Research

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