

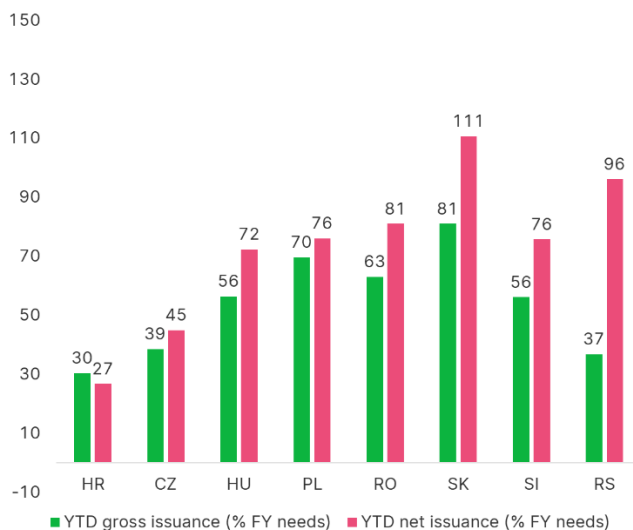
CEE MACRO AND FI DAILY

Financing needs on track in CEE

On the Radar

- Flash estimate of June's inflation in Croatia arrived at 2.4% y/y, down from 3.3% y/y in May.
- Eurozone inflation is expected at 2.5% y/y in June according to the HICP flash estimate.
- Today, Polish central bank holds a rate setting meeting and we expect no change in key policy rate.
- Otherwise, there are no releases scheduled in CEE.

YTD issuance as % of gross financing needs in 2024

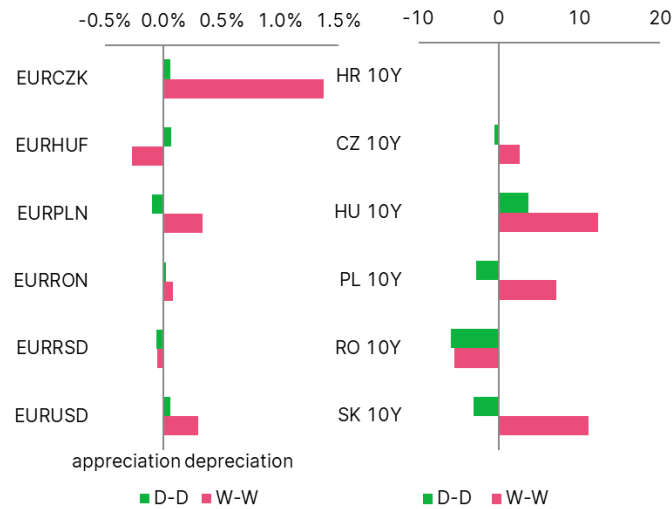


Source: Erste Group Research

Economic developments

In the latest Bond Report [Tail-wind for bonds from lower interest rate environment and multi-year consolidation plans](#) we discuss, among all, the financing needs of the CEE countries. Six of them have already completed over 70% of their 2024 net issuance by the end of June. Croatia and Czechia, two countries with the lowest deficits among CEE countries, have been less in a hurry to borrow. Croatia is preparing to place 3-year and 10-year bonds in July, aiming to raise EUR 2bn. The first issuance will primarily target retail investors (approx. EUR 750mn), while the 10-year paper (about EUR 1.25bn) will be offered to institutional investors. The Czech Ministry of Finance was reluctant to borrow excessively, waiting for more rate cuts to be delivered by the CNB. As for the bond market outlook, we believe that the lower interest rate environment together with fiscal consolidation prescribed by the renewed EU fiscal framework should be supportive of CEE bonds.

Market performance



Source: Erste Group Research

Market developments

Today, Polish central bank decides on the key interest rate, and we expect stability of rate not only on this meeting but by the end of the year. The most interesting aspect of July's meeting is the new inflation and growth projection. There has been a lot of speculation about how much the energy prices will add to inflation once the price regulation comes to an end. Romania postponed a vote on extending the term of central bank Governor Mugur Isarescu until September. A new central bank board should be approved at the next parliamentary session (after summertime) before the mandate of the nine current members expires in October. Since the beginning of the week, the Hungarian forint and the Polish zloty strengthened marginally against the euro reversing the trend from Monday. The Czech koruna remains weaker, however. Long-term yields have been edging higher this week.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
03. Jul		PL	Central Bank Rate	Jul 03	5.75%	5.75%	5.75%
04. Jul	09:00	SK	Retail Sales (y/y)	May		6.5%	9.6%
05. Jul		RO	Central Bank Rate	Jul 05		6.8%	7.0%
	08:00	RO	Retail Sales (y/y)	May		6.6%	9.5%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.14	0.1	1.4
EUR/HUF	394.54	0.1	-0.3
EUR/PLN	4.31	-0.1	0.3
EUR/RON	4.97	0.0	0.1
EUR/RSD	116.92	-0.1	-0.1
EUR/USD	1.07	0.1	0.3

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.70	0	-28
HUF	6.87	-1	-2
PLN	5.85	0	0
RON	6.01	0	0
RSD	5.45	0	0
EUR	3.71	0	2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.15	-1	3
HU 10Y	6.90	4	12
PL 10Y	5.70	-3	7
RO 10Y	6.82	-6	-5
HR 10Y	3.33	0	0
SK 10Y	3.59	-3	11

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