

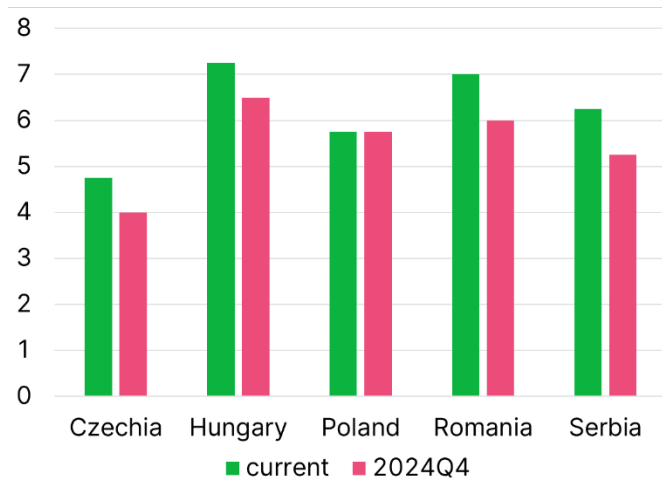
CEE MACRO AND FI DAILY

# Romanian central bank to take rate decision

## On the Radar

- Today, Romanian central bank holds a rate setting meeting and we expect 25 basis points interest rate cut.
- Retail sales in Romania arrived at 6.1% y/y in May.
- In Hungary, industry declined by -4.9% y/y in May while retail sales grew 3.6% y/y.
- Trade balance in Hungary reached EUR 1146 million while in Slovenia it is due 10.AM CET.

## Key interest rates in CEE, percent

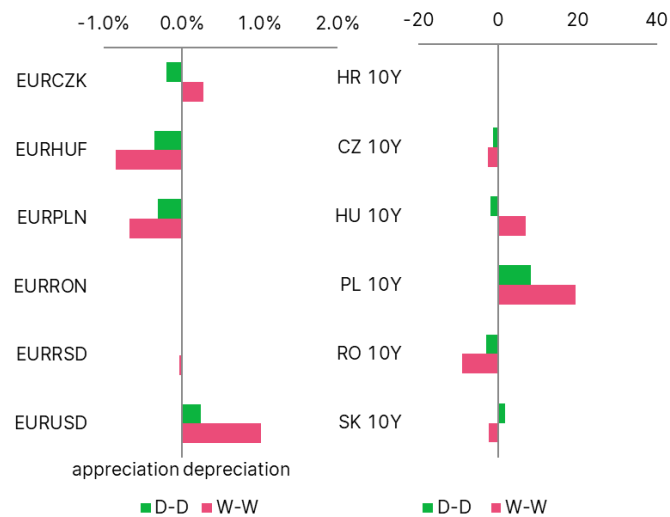


Source: Erste Group Research

## Economic developments

The Romanian central bank is expected to reduce the monetary policy rate by 25 basis points to 6.75% on Friday, July 5. In May, the central bank cited fiscal risks, strong wage increases, and the acceleration in consumer lending as reasons to delay the first rate cut. The decision-making process is data dependent. Although these risks are still present, inflation dropped in May much faster than anticipated, compared to both market expectations and the central bank's forecast. Additionally, the governor stated that if inflation slows further in May, the Board members may become more open to considering rate cuts. The ECB's rate cut in June should also make the central bank more confident about the timing of the easing. However, there is a 30% chance of no change if the central bank chooses to deliver the first rate cut in August, together with the Inflation Report, especially if we take into account the high forecast uncertainties due to energy and fuel prices.

## Market performance



Source: Erste Group Research

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## Market developments

Apart from Romanian central bank that is expected to ease monetary conditions on Friday, Poland will release the details of new inflation and growth projections. Governor Glapinski in the press conference on Thursday clearly declared that the policy rate will remain stable until the end of this year as inflation is expected to go up and ease only after 1Q25. Moreover, the energy prices, fiscal policy as well as wage development are of the concern of Monetary Policy Council. Governor Glapinski added that inflation is expected to return to the central bank's target only in 2026 suggesting that only then it may be time to ease monetary conditions. The EURHUF went down to 393 and EURPLN touched 4.28 on Friday, while EURCZK remains above 25. The bond market showed mixed performance.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
05. Jul		RO	Central Bank Rate	Jul 05		6.75%	7.00%
	08:00	RO	Retail Sales (y/y)	May		6.6%	9.5%
	08:30	HU	Industrial Production (y/y)	May		-2.8%	-2.4%
	08:30	HU	Retail Sales (y/y)	May		3.9%	3.2%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.10	-0.2	0.3
EUR/HUF	392.77	-0.4	-0.8
EUR/PLN	4.28	-0.3	-0.7
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.94	0.0	0.0
EUR/USD	1.08	0.2	1.0

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.68	-1	-28
HUF	6.88	0	-1
PLN	5.85	0	0
RON	6.00	-1	-1
RSD	5.45	0	0
EUR	3.71	0	1

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.10	-1	-3
HU 10Y	6.86	-2	7
PL 10Y	5.84	8	19
RO 10Y	6.77	-3	-9
HR 10Y	3.33	0	0
SK 10Y	3.55	2	-2

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