

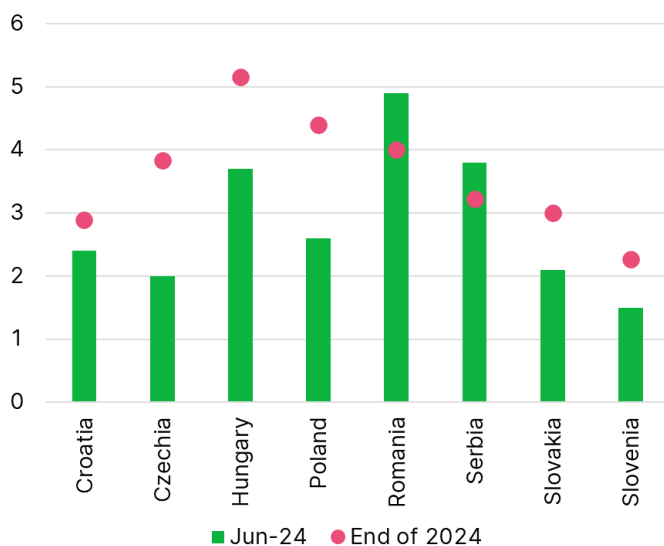
CEE MACRO AND FI DAILY

Inflation lower than expected in CEE

On the Radar

- In Poland flash estimate of inflation in June was confirmed at 2.6% y/y.
- Today, final inflation headline for June is due in Croatia (11 AM CET).
- In Poland, core inflation will be published at 2 PM CET.
- Otherwise, there are no other releases scheduled.

Inflation in CEE, % y/y

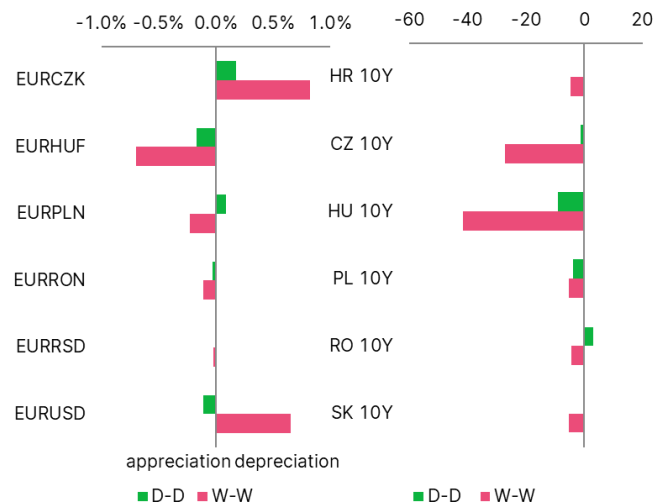


Source: Erste Group Research

Economic developments

The most recent inflation developments in the region can be summarized as follows: inflation not only continued to decline in June but also eased more than expected in several countries. In Croatia, the inflation rate went down to 2.4% y/y, according to flash estimates. In Czechia, the inflation rate dropped significantly in June to 2% y/y, which was notably unexpected as market forecasts had anticipated an annual inflation rate of 2.5-2.6%. The primary factor behind this unforeseen dip in inflation is attributed to food prices. Hungary was another country where the inflation rate in June was lower than expected, arriving at 3.7% y/y. In Serbia, the surprise for June's inflation was also significant as the headline inflation landed at 3.8% compared to market expectations of 4.2% y/y. In Poland, the inflation rate remained stable at 2.6% y/y, while in Romania it declined to 4.9%, in line with expectations. Finally, the inflation rate in Slovakia returned to a three-year low, reaching 2.1% year-on-year in June. Although we expect the inflation rate to increase in Czechia, Hungary, or Poland in the coming months as favorable base effects fade out, the inflation may ultimately be lower than initially expected, making central banks more comfortable with ongoing monetary easing.

Market performance



Source: Erste Group Research

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Market developments

In Hungary, the central bank's Deputy Governor Virag signaled the possibility of a rate cut at July's meeting following the recent inflation developments. Overall, three more rate cuts are expected this year in Hungary. As for the FX market, the EURCZK has been above 25, the EURHUF holds at 392, while the EURPLN is around 4.25. The long end of the curve continues to move down this week. In other news, in Poland, the budget deficit reached 38% of the annual plan of PLN 184 billion, with the Ministry of Finance highlighting the accelerating revenues from VAT. In Romania, more 2029 Bonds were sold than planned.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
16. Jul	11:00	HR	CPI (y/y)	Jun F		2.4%	2.4%
	11:00	HR	CPI (m/m)	Jun F			
17. Jul	09:00	CZ	PPI (y/y)	Jun		1.4%	0.01

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.36	0.2	0.8
EUR/HUF	390.93	-0.2	-0.7
EUR/PLN	4.25	0.1	-0.2
EUR/RON	4.97	0.0	-0.1
EUR/RSD	116.90	0.0	0.0
EUR/USD	1.09	-0.1	0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.61	0	-6
HUF	6.84	0	-3
PLN	5.86	0	1
RON	5.81	0	0
RSD	5.26	-6	-19
EUR	3.66	0	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.82	-1	-27
HU 10Y	6.41	-9	-42
PL 10Y	5.63	-4	-5
RO 10Y	6.74	3	-4
HR 10Y	3.28	0	-5
SK 10Y	3.44	0	-5

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