

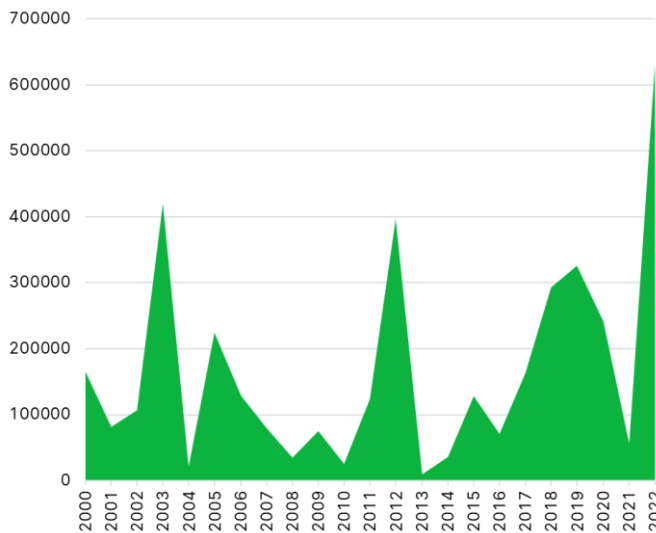
CEE MACRO AND FI DAILY

Area of drought impact rising in the EU

On the Radar

- National Bank of Serbia decided to push the break, leaving the key rate unchanged at 6% on Thursday.
- Trade deficit in Romania reached EUR 2.78 billion in June
- In Slovakia, trade surplus was at EUR 647.4 million and industrial production declined by -2.4% y/y in July.
- Today, at 10.30 AM CET industrial output will be released in Slovenia.

Annual area of drought impact, square kilometre

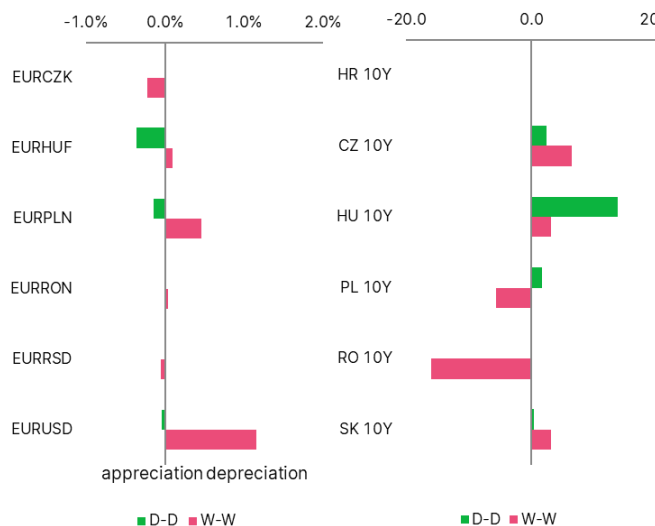


Source: Erste Group Research

Economic developments

According to the European Environment Agency Europe experienced one of the hottest summer in 2022 with 631,000 square kilometers under drought impact (status as of October 2023). The agency calculated that this is an almost five-fold increase compared to the annual impact during 2000-2022, when around 167,000 square kilometers (4.2%) of EU land was affected every year by droughts due to low precipitation, high evaporation and heatwaves fueled by climate change. Although data for 2023 regarding drought impact are not available, last year the June-July-August (JJA) season for 2023 was the warmest on record globally by a large margin. Further, the European-average temperature for summer was 19.63°C, which at 0.83°C above average, was the fifth warmest for the summer season. However, the June-July-August season saw above-average precipitation over most of western Europe, with local rainfall records broken leading to flooding in some cases (Slovenia for example) resulting to other monetary losses from weather-related disasters.

Market performance



Source: Erste Group Research

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Market developments

Central bank in Serbia decided to push the break, leaving the key rate unchanged at 6% on Thursday. The central bank outlined several factors behind the decision – primarily the need to assess the effects of previous cuts but also stressing caution is highly warranted due to elevated geopolitical risks and possible subsequent spillovers to inflation. At this point, we expect to see additional 50-75bps cuts by the end of the year. In Poland, the MPC member Dabrowski said he did not share the concerns of Governor Glapinski (monetary easing in 2026 only) and would see the rate cuts as likely in the first half of 2025. As for the FX market, EURCZK and EURHUF moved slightly lower since the beginning of the week, while EURPLN on the contrary. The bond market shows mixed performance this week.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
09. Aug	8:00	RO	Trade Balance	Jun			-2971.80
	9:00	SK	Trade Balance	Jun			367.00
	9:00	SK	Industrial Production (y/y)	Jun			0.10%
	10:30	SI	Industrial Production (y/y)	Jun			-5.00%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.22	0.0	-0.2
EUR/HUF	396.17	-0.4	0.1
EUR/PLN	4.32	-0.1	0.5
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.91	0.0	-0.1
EUR/USD	1.09	0.0	1.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.43	0	-9
HUF	6.54	1	-1
PLN	5.85	0	-1
RON	5.59	-21	-21
RSD	5.17	-1	-1
EUR	3.58	1	-6

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.76	2	6
HU 10Y	6.19	14	3
PL 10Y	5.18	2	-6
RO 10Y	6.52	0	-16
HR 10Y	3.21	0	0
SK 10Y	3.33	0	3

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