

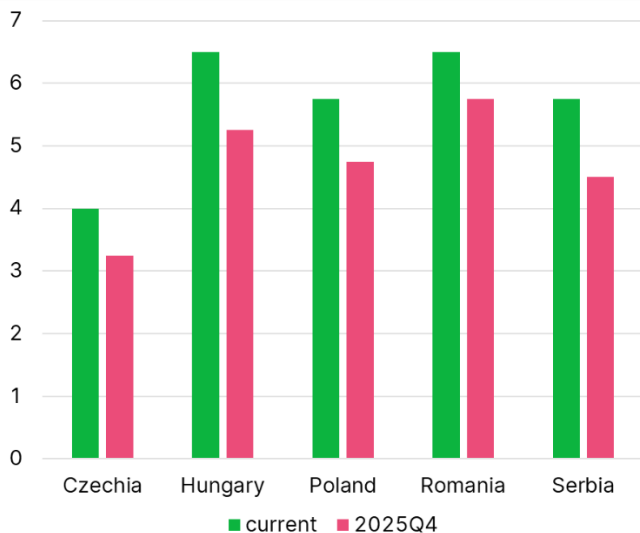
CEE MACRO AND FI DAILY

# Central banks in CEE done with easing for this year, but likely to continue in 2025

## On the Radar

- While Czechia's central bank cut the policy rate by 25 basis points to 4.0%, Serbian central bank kept policy rate unchanged at 5.75%.
- On Thursday, the FOMC, the interest-rate-setting committee of the US Federal Reserve, lowered the key interest rates by 25 basis points.
- Producer prices in Serbia grew by 0.4% y/y in October.
- Industrial output in Slovakia rose by 2.5% y/y in September.
- The unemployment rate in Czechia arrived at 3.8%.
- Today, Romanian central bank will hold a rate setting decision. We expect no change.

## Interest rate forecast in CEE, percent

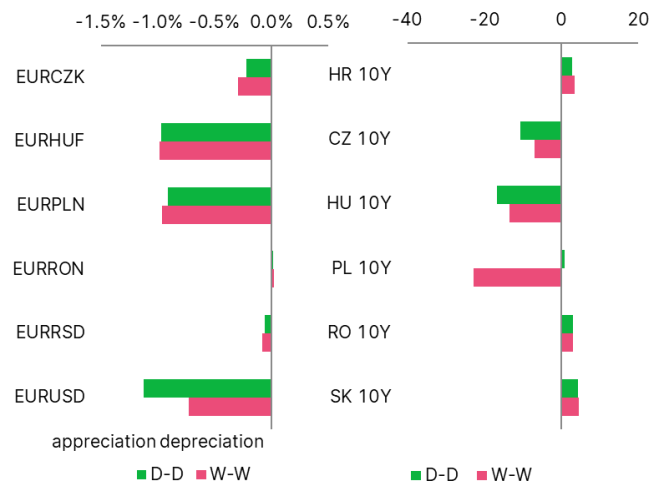


Source: Erste Group Research

## Economic developments

Central banks in the region are mostly done with interest rate cuts this year. Today, Romania is holding a rate-setting meeting, but we do not expect the central bank to cut the policy rate. On Thursday, Czechia lowered the key interest rate by 25 basis points to 4.0%, and in our baseline scenario, we expect no change in the policy rate this year. That goes against the new CNB forecast that shifted toward a much faster rate reduction and anticipates a rate cut at the December meeting, reaching the 3% equilibrium rate level by the second quarter of next year. However, the Czech central bankers underlined the cautiousness, and inflation is expected to increase in the last quarter of 2024. Serbia and Poland left the key interest rate unchanged at this week's meeting, which was broadly expected in Poland, but in Serbia, it came as a surprise. Therefore, we will be revising our interest rate forecast for 2025 from the currently expected 100 basis points to a slower pace. Finally, the Hungarian central bank has space for another 25 basis points this year (weak growth, low inflation), but the situation may get complicated if the Hungarian forint remains that weak. All in all, we expect the central banks to continue monetary easing in 2025. Our forecasts will be prone to revisions once the dust settles after the US election outcome, and more information is provided about the extent of protectionism implemented and its timing. In general, such policies have a negative impact on growth.

## Market performance



Source: Erste Group Research

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## Market developments

Apart from the series of central banks' meetings in the region, the FOMC, the interest-rate-setting committee of the US Federal Reserve, lowered the key interest rates by 25 basis points. The press release highlighted the good economic performance and increased, yet low, unemployment rate. The committee noted that while inflation is approaching the 2% target, it is still somewhat too high. The CEE currencies have strengthened after the US decision. EURCZK moved down to 25.25, EURHUF returned to 404, while EURPLN is at 4.31. All in all, the Hungarian forint and the Polish zloty strengthened around 1% against the euro since the beginning of the week. The long-term yields moved down across the region.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
08. Nov		RO	Central Bank Rate	Nov 24		6.50%	6.50%
	09:00	SK	Industrial Production (y/y)	Sep		2.50%	0.01
	09:00	SK	Trade Balance	Sep		170.00	140.90
	11:00	HR	PPI (y/y)	Oct			-4.70%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.22	-0.2	-0.3
EUR/HUF	404.24	-1.0	-1.0
EUR/PLN	4.31	-0.9	-1.0
EUR/RON	4.97	0.0	0.0
EUR/RSD	116.86	-0.1	-0.1
EUR/USD	1.08	-1.1	-0.7

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.02	-2	-3
HUF	6.54	3	7
PLN	5.84	2	-1
RON	5.55	0	0
RSD	4.79	-1	-1
EUR	3.03	-2	-3

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.99	-11	-7
HU 10Y	6.69	-17	-14
PL 10Y	5.63	1	-23
RO 10Y	6.94	3	3
HR 10Y	3.24	3	3
SK 10Y	3.33	4	5

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