

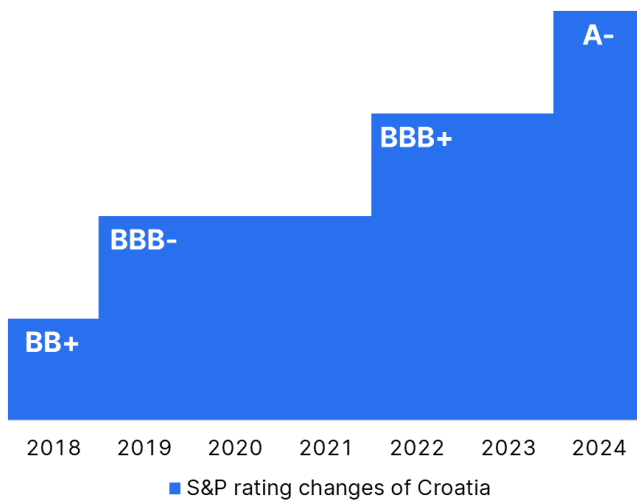
CEE MACRO AND FI DAILY

# S&P upgrades Croatia's rating

On the Radar

- Croatia's rating was upgraded by S&P to A- from BBB+. Outlook remains positive.
- In Czechia industrial producer prices arrived at -1.1% y/y.
- In Poland, core inflation is scheduled to be released at 2 PM CET.

## Croatia's rating by S&P

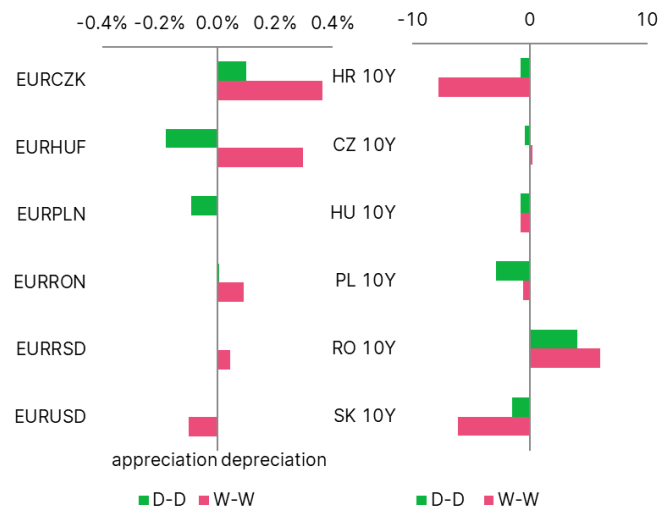


Source: Erste Group Research

## Economic developments

Standard & Poor's upgraded Croatia's rating to 'A-' from 'BBB+' on September 13, which is the highest rating the country has ever received. More importantly, the outlook remains positive, suggesting that Croatia may see further rating advancements within the next two years. The progress is remarkable, with a five notch upgrade in the last seven years. The agency mostly refers to the successful integration of the country as the main reason behind the outlook change. According to the statement, Croatia's reforms are seen as a key driver for enhancing the country's economic growth potential by diversifying the economy and boosting productivity. The economy is expected to grow at an average rate of 3% between 2024 and 2027, keeping the country on a steady convergence path. Fading external risks and fiscal diligence were cited as positive factors. Croatia's ratings could be raised if the country's external position improves significantly and/or reforms that boost economic competitiveness and productivity could lead to a more diversified economy, reducing reliance on tourism. The positive outlook should motivate a diligent policy course, but also provides support to the spread levels in the high-double-digit region going forward (although, immediate market reaction is not expected). The upgrade decision comes shortly before the Fitch ratings assessment due on September 20 after the market closes.

## Market performance



Source: Erste Group Research

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## Market developments

The CEE region is facing floods after experiencing extreme rainfalls across Europe. Over the last week, CEE currencies were marginally weaker against the euro. This week, no major releases are scheduled locally that could potentially move the FX market. However, on the global markets, the FOMC is expected to ease monetary conditions. In the bond market, long-term yields on major markets continued to decline as major central banks proved their dedication to monetary easing. In Poland, tensions between the government and the central bank over the probe of Governor Glapinski continue as the central bank accused the ruling coalition of illegal steps.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
16. Sep	09:00	CZ	PPI (y/y)	Aug	1.52%	1.00%	1.70%
17. Sep	11:00	HR	CPI (y/y)	Aug F		1.80%	1.80%
	11:00	HR	CPI (m/m)	Aug F			0.10%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.11	0.1	0.4
EUR/HUF	394.37	-0.2	0.3
EUR/PLN	4.28	-0.1	0.0
EUR/RON	4.97	0.0	0.1
EUR/RSD	116.94	0.0	0.0
EUR/USD	1.11	0.0	-0.1

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.32	-1	-1
HUF	6.48	-1	-2
PLN	5.85	0	-1
RON	5.55	0	0
RSD	4.97	-18	-18
EUR	3.47	-1	0

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.69	0	0
HU 10Y	6.04	-1	-1
PL 10Y	5.16	-3	-1
RO 10Y	6.79	4	6
HR 10Y	3.20	-1	-8
SK 10Y	3.19	-2	-6

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