

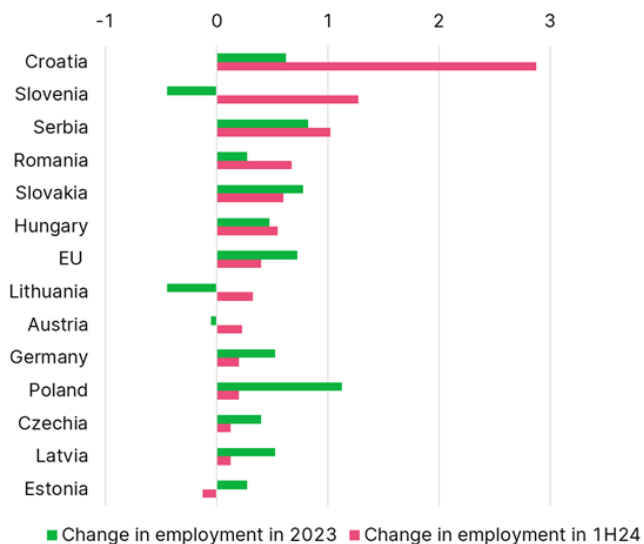
CEE MACRO AND FI DAILY

# Employment keeps growing in the region

## On the Radar

- The FOMC meeting is scheduled for today and interest rate cut is broadly expected.
- In Croatia, final inflation number was confirmed at 1.8% y/y in August.
- There are no release scheduled for today in the CEE.

### Employment change in 1H24, percentage point

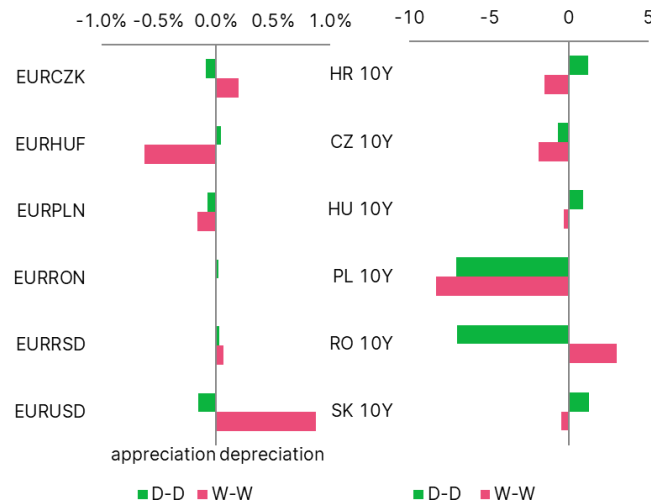


Source: Erste Group Research

### Economic developments

In the second quarter of 2024, the employment rate for people aged 20-64 in the EU was at 75.8%, showing a 0.2 percentage point increase compared to the first quarter of 2024. At the same time, labor market slack decreased marginally to 11.0% in the second quarter of 2024 compared to the first quarter. The job vacancy rate also declined to 2.4% in the second quarter of 2024 and remained lower than the peak of 3.1% in 2Q22. We also analyzed the broader employment changes in the first half of the year. Employment in the EU increased by 0.4 percentage point, with all CEE countries experiencing growth, particularly Croatia with an increase of almost 3 percentage points. In 1H24, employment changes were mildest in Poland (0.2 percentage point) and Czechia (0.1 percentage point), but Czechia rebounded strongly in 2Q24 by 1 percentage point compared to 1Q24 when it saw a drop in employment. Employment growth in 1H24 was more substantial in most of the countries than it was in 2023, with the exception of Poland and Czechia, where employment grew by a higher margin in 2023.

## Market performance



Source: Erste Group Research

## Market developments

In the markets, all eyes were on the FOMC meeting with a rate cut almost certain, most likely by 25bp. The inflation data confirm the overall slowdown in price momentum. The pressure on the FOMC to act comes less from the inflation data and much more from the labor market, as July's data showed a clear downturn, which did not continue in August, but there was no countermovement either. On local news, Slovakia had an eventful day as the ruling coalition removed the opposition leader from the post of deputy speaker of parliament, breaking a longstanding tradition where opposition parties have one deputy speaker. Furthermore, the Slovak government proposed a budget package worth EUR 2.7 billion, including the introduction of higher taxes (value-added tax rate will increase to 23% from 20%, and a transaction tax will be introduced) to reduce the general government deficit to 4.7% of GDP in 2025. Fitch Ratings warned Romania to take rapid measures to limit the surge in their budget deficit, which has become the largest in the European Union, in order to avoid losing its investment-grade score.

### Analyst:

Katarzyna Rzentarzewska  
+43 5 0100 17356  
katarzyna.rzentarzewska@erstegroup.com

### Analyst:

Juraj Kotian  
+43 (0)5 0100 17357  
juraj.kotian@erstegroup.com

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	
18. Sep			No releases scheduled					
19. Sep		RS	Current Account Balance (monthly)	Jul			-392.40	
	09:00	SK	Unemployment Rate	Aug			5.06%	
	10:00	PL	Industrial Production (y/y)	Aug	0.55%		4.90%	
	10:00	PL	PPI (y/y)	Aug	-4.25%		-4.80%	
	10:00	PL	Wages (y/y)	Aug	10.82%		10.60%	
	10:30	SK	Current Account Balance (monthly)	Jul			63.50	
	11:00	HR	Unemployment Rate	Aug		4.80%	4.80%	
	11:00	HR	Wages (y/y)	Jul			11.70%	

	Last	Change (%)			Last	Change (bps)			Last	Change (bps)	
		d/d	w/w			d-d	w-w			d-d	w-w
EUR/CZK	25.08	-0.1	0.2	CZK	4.31	-1	-2	CZ 10Y	3.68	-1	-2
EUR/HUF	394.24	0.0	-0.6	HUF	6.46	-1	-3	HU 10Y	6.03	1	0
EUR/PLN	4.27	-0.1	-0.2	PLN	5.87	2	1	PL 10Y	5.20	-7	-8
EUR/RON	4.97	0.0	0.0	RON	5.55	0	0	RO 10Y	6.77	-7	3
EUR/RSD	116.96	0.0	0.1	RSD	4.96	-1	-19	HR 10Y	3.21	1	-2
EUR/USD	1.11	-0.2	0.9	EUR	3.48	-1	2	SK 10Y	3.19	1	0

## Group Research

<b>Head of Group Research</b> Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902	<b>GM Retail Products &amp; Business Development</b> Head: Martin Langer	+43 (0)50100 11313
<b>CEE Macro/Fixed Income Research</b> Head: Juraj Kotian (Macro/FI) Katarzyna Rzentarzewska (Fixed income) Jakub Cery (Fixed income)	+43 (0)5 0100 17357 +43 (0)5 0100 17356 +43 (0)5 0100 17384	<b>Corporate Treasury Product Distribution AT</b> Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
<b>Croatia/Serbia</b> Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419	<b>Group Securities Markets</b> Head: Thomas Einramhof	+43 (0)50100 84432
<b>Czech Republic</b> David Navratil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172	<b>Institutional Distribution Core</b> Head: Jürgen Niemeier	+49 (0)30 8105800 5503
<b>Hungary</b> Orsolya Nyeste János Nagy	+361 268 4428 +361 272 5115	<b>Institutional Distribution DACH+</b> Head: Marc Frieberthäuser Bernad Bolthof Andreas Goll Mathias Gindele Ulrich Inhofner Sven Kienzle Rene Klagen Christopher Lampe-Traupe Danijel Popovic Michael Schmotz Christoph Ungerböck Klaus Vosseler	+49 (0)711 810400 5540 +49 (0)30 8105800 5525 +49 (0)711 810400 5561 +49 (0)711 810400 5562 +43 (0)5 0100 85544 +49 (0)711 810400 5541 +49 (0)30 8105800 5521 +49 (0)30 8105800 5523 +49 1704144713 +43 (0)5 0100 85542 +43 (0)5 0100 85558 +49 (0)711 810400 5560
<b>Romania</b> Ciprian Dascalu (Head) Eugen Sinca Dorina Ilasco Vlad Nicolae Ionita	+40 3735 10108 +40 3735 10435 +40 3735 10436 +40 7867 15618	<b>Slovakia</b> Šarlota Šipulová Monika Směliková	+421 2 4862 5619 +421 2 4862 5629
<b>Slovakia</b> Maria Valachyova (Head) Matej Hornak Marian Kocis	+421 2 4862 4185 +421 902 213 591 +421 904 677 274	<b>Institutional Distribution CEE &amp; Insti AM CZ</b> Head: Antun Burić Jaromir Malak	+385 (0)7237 2439 +43 (0)5 0100 84254
<b>Major Markets &amp; Credit Research</b> Head: Rainer Singer Ralf Burchert, CEFA®, CESA® (Sub-Sovereigns & Agencies) Hans Engel (Global Equities) Maurice Jiszda, CEFA®, CFDS® (USA, CHF) Peter Kaufmann, CFA® (Corporate Bonds) Heiko Langer (Financials & Covered Bonds) Stephan Lingnau (Global Equities) Maximilian Mösti (Credit Analyst Austria) Carmen Riefler-Kowarsch (Financials & Covered Bonds) Bernadett Povaszal-Römhild, CEFA®, CESA® (Corporate Bonds) Elena Statelov, CIAA® (Corporate Bonds) Gerald Waiek, CFA® (Eurozone)	+43 (0)5 0100 17331 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 19630 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 17211 +43 (0)5 0100 19632 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16300	<b>Czech Republic</b> Head: Ondrej Čech Milan Bartoš Jan Porvich Pavel Zdichynec	+420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566 +420 2 2499 5590
<b>CEE Equity Research</b> Head: Henning EBkuchen, CESA® Daniel Lion, CIAA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIAA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA	+43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913	<b>Institutional Asset Management Czech Republic</b> Head: Petr Holeček Petra Maděrová Martin Peřina David Petráček Blanka Weinerová Petř Valenta <b>Croatia</b> Head: Antun Burić Zvonimir Tukač Ana Tunjić Natalija Zujic <b>Hungary</b> Head: Peter Csizmadia Gábor Bálint Balázs Papay Gergő Szabo <b>Romania</b> Head: Cristian Vasile Pascu	+420 956 765 453 +420 956 765 178 +420 956 765 106 +420 956 765 809 +420 956 765 317 +420 956 765 140 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 2225 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8205 +36 1 237 8213 +36 1 237 8209 +40 373 511 695
<b>Croatia/Serbia</b> Mladen Dodig (Head) Boris Pevalek, CFA® Marko Plastic Matej Pretkovic Bruno Barbic Davor Spoljar, CFA® Magdalena Basic	+381 11 22 09178 +385 99 237 2201 +385 99 237 5191 +385 99 237 7519 +385 99 237 1041 +385 72 37 2825 +385 99 237 1407	<b>Group Institutional Equity Sales</b> Head: Michal Řízek Werner Fürst Viktoria Kubalcova Thomas Schneidhofer Oliver Schuster <b>Czech Republic</b> Head: Michal Řízek Jiří Fereš Martin Havian Pavel Krabička <b>Poland</b> Head: Jacek Jakub Langer Tomasz Galanciak Wojciech Wysocki Przemysław Nowosad Maciej Senderek <b>Croatia</b> Matija Tkalicanac <b>Hungary</b> Nandori Levente Krisztian Kandik Balasz Zankay <b>Romania</b> Valerian Ionescu	+420 224 995 537 +43 (0)50100 83121 +43 (0)5 0100 83124 +43 (0)5 0100 83120 +43 (0)5 0100 83119 +420 224 995 537 +420 224 995 554 +420 224 995 551 +420 224 995 411 +48 22 257 5711 +48 22 257 5715 +48 22 257 5714 +48 22 257 5712 +48 22 257 5713 +385 72 37 21 14 + 36 1 23 55 141 + 36 1 23 55 162 + 36 1 23 55 156 +40 3735 16541
<b>Czech Republic</b> Petr Bartek (Head, Utilities) Jan Bystřický	+420 956 765 227 +420 956 765 218	<b>Group Fixed Income Securities Markets</b> Head: Goran Hobljaj	+43 (0)50100 84403
<b>Hungary</b> József Miró (Head) András Nagy Tamás Pletser, CFA® (Oil & Gas)	+361 235 5131 +361 235 5132 +361 235 5135	<b>Fixed Income Flow Sales</b> Head: Gorjan Hobljaj Margit Hrasček Christian Kienesberger Ciprian Mitu Bernad Thaler Zsuzsanna Toth <b>Poland</b> Pawel Kielek Michal Jarmakowicz	+43 (0)5 0100 84403 +43 (0)5 0100 84117 +43 (0)5 0100 84323 +43 (0)5 0100 85612 +43 (0)5 0100 84119 +36 1 237 8209 +48 22 538 6223 +43 50100 85611
<b>Poland</b> Cezary Bernatek (Head) Piotr Bogusz Łukasz Jańczak Krzysztof Kawa, CIAA® Jakub Szkopek	+48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753	<b>Fixed Income Flow Trading</b> Head: Gorjan Hobljaj	+43 (0)5 0100 84403
<b>Romania</b> Caius Rapanu	+40 3735 10441	<b>Group Fixed Income Securities Trading</b> Head: Goran Hobljaj	+43 (0)50100 84403
<b>Group Markets</b>		<b>Group Equity Trading &amp; Structuring</b> Head: Ronald Nemeč	+43 (0)50100 83011
<b>Head of Group Markets</b> Oswald Huber	+43 (0)5 0100 84901	<b>Business Support</b> Bettina Mahoric	+43 (0)50100 86441
<b>Group Markets Retail and Agency Business</b> Head: Christian Reiss	+43 (0)5 0100 84012		
<b>Markets Retail Sales AT</b> Head: Markus Kaller	+43 (0)5 0100 84239		
<b>Group Markets Execution</b> Head: Kurt Gerhold	+43 (0)5 0100 84232		
<b>Retail &amp; Sparkassen Sales</b> Head: Uwe Kolar	+43 (0)5 0100 83214		
<b>Markets Retail Sales CZ</b> Head: Roman Choc	+420 956 765 374		
<b>Markets Retail Sales HUN</b> Head: Peter Kishazi	+36 1 23 55 853		

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### Published by:

**Erste Group Bank AG**  
**Group Research**  
**1100 Vienna, Austria, Am Belvedere 1**  
**Head Office: Wien**  
**Commercial Register No: FN 33209m**  
**Commercial Court of Vienna**

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