

CEE MARKET INSIGHTS

Central bank's meetings in Czechia and Hungary

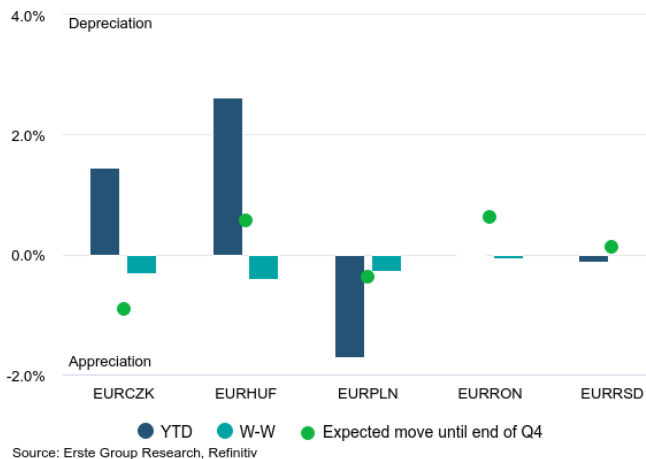
This week in CEE

This time we begin with last week's events, as the CEE region has been battling floods after heavy rainfall. We anticipate that the economic impact on GDP growth will remain limited. Despite the floods being as heavy as in 1997 in many places, the affected countries seem to have been better prepared. Not only were the forecasts more accurate, allowing the affected areas not to be taken by surprise, but the countries have also invested in flood control measures as well as retention basins. In the short term (by the end of this year), the industrial sector should receive a negative impulse in all countries impacted by the flooding. Tourism in the regions may suffer as well. Finally, the damage to crops may have inflationary effects. Once the restoration work begins and the reconstruction of buildings and infrastructure takes place, the construction sector will get a boost, adding to GDP in the medium-term horizon.

This week, the meetings of the central banks in Czechia and Hungary are key events in the region. We believe that both central banks will continue with monetary easing. Apart from that, August's retail sales growth will be published in Poland and Slovenia. Further, labor market data will be released in several CEE countries. In Hungary, August's unemployment rate and July's wage growth will be released. The unemployment rate will also be published in Poland and wage growth will be released in Serbia. Finally, Moody's should evaluate Romania's rating and outlook on Friday after the market closes.

Monday	Tuesday	Wednesday	Thursday	Friday
HU: Wages	HU: Central bank	CZ: Central bank	SK: Producer prices	HU: Unemployment
PL: Retail sales	PL: Unemployment rate	RS: Wages		SI: Retail
RO: 2031 Bonds	HU: Bills	PL: Bonds	RO: 2026 Bonds	

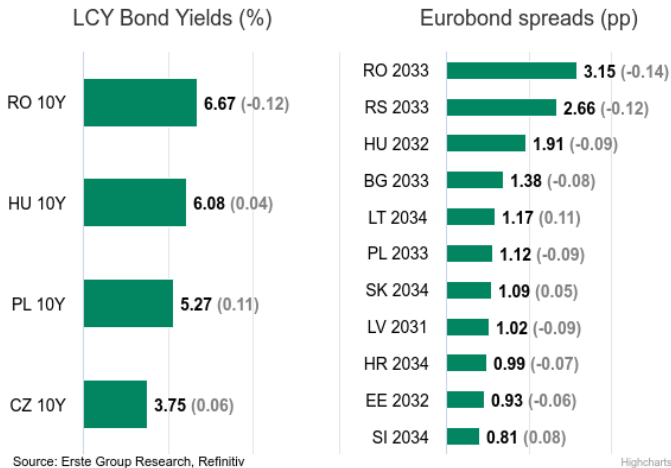
FX market



FX market developments

In the aftermath of the FOMC meeting last Wednesday, at which the interest rates were reduced by 50bp, CEE currencies have strengthened against the euro. There are two central bank meetings this week in the region. In Hungary, the central bank took a pause in August, but after the ECB and the FOMC meetings, we expect another 25bp rate reduction to 6.5% in Hungary. Although August's headline inflation surprised to the downside, the inflation outlook has not really changed. Further, new inflation and growth projections will be published by the Hungarian central bank. In Czechia, we also expect monetary easing to continue. Further, in Czechia, the post of board member will need to be replaced in December. The economist Jakub Seidler (currently chief economist at the Czech Banking Association) will be named by the President Pavel to replace Tomas Holub at the central banker's post.

LCY yields, Eurobond spreads



Bond market developments

Throughout last week, the long end of the curve shifted slightly up in most of the CEE countries. Floods across the region will require some fiscal support in several CEE countries. The Czech Ministry of Finance announced an increase in the budget deficit by CZK 30bn compared to the initial plan of CZK 252bn (roughly 0.4% of 2023 GDP) and by CZK 10bn in 2025 (0.1% of GDP). Poland created an additional reserve of PLN 1bn to combat the effects of flooding. On top of that, the EU pledged to support Poland with EUR 5bn, although that still may not be enough to cover all losses, according to the Minister of Finance. In general, Ursula von der Leyen announced that countries hit by floods would have access to a EUR 10bn fund. The Romanian government presented a budget rectification, with a new deficit target of 6.94% of GDP for 2024, compared to 5.0% expected at the beginning of the year, driven mostly by fiscal easing ahead of elections. In Slovakia, the government proposed a budget package worth EUR 2.7bn, including the introduction of higher taxes (the 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. In Serbia, on the contrary, fiscal expansion is likely to take place as hefty increases in minimum wage and pensions are expected in 2025 (far beyond inflation impact).

In case you missed

Croatia Outlook: [Croatia joining 'A' rating club](#)

Slovakia Outlook: [Solid domestic demand boosting the economy](#)

Slovenia Outlook: [Y24 GDP outlook taking a hit, with growth profile expected to strengthen in 2025-26](#)

Croatia: Fitch upgraded Croatia's rating to A- with stable outlook.

Poland: Moody's has announced on Friday that Poland's credit rating will remain at its current level.

CEE: [CEE faces economic damages from floods](#)

CEE: [Employment keeps growing in the region](#)

Analyst:

Jakub Cery
+43 (0)5 0100 17338
jakub.cery@erstegroup.com

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

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
23. Sep	8:30	HU	Wages (y/y)	Jul		13.3%	
	10:00	PL	Retail Sales (y/y)	Aug		5.0%	
24. Sep	10:00	PL	Unemployment Rate	Aug		5.0%	
	14:00	HU	Central Bank Rate	Sep-24	6.50%	6.8%	The September rate reductions carried out by major central banks coupled with the stable forint created a room for the MNB to continue easing.
25. Sep	8:30	HU	Current Account Balance (quarterly)	2Q	1832.00	1859.80	The sum of preliminary monthly statistics implies that the surplus on the 2Q24 C/A balance remained practically unchanged, compared to 1Q24.
	12:00	RS	Wages (y/y)	Jul		8.0%	
	14:30	CZ	Central Bank Rate	Sep-24	4.25%	4.5%	The CNB could cut rates further if the reason is low inflation and weak economic growth.
26. Sep	9:00	SK	PPI (y/y)	Aug	-7.5%	-9.1%	Since the beginning of the year, the decline in industrial producer prices for the domestic market is continuing due to lower energy prices and drop in prices in manufacture of transport equipment.
27. Sep	8:30	HU	Unemployment Rate	Aug	4.2%	4.3%	Unemployment rate probably stagnated at 4.2% in August.
	10:30	SI	Retail Sales (y/y)	Aug		6.1%	

Source: Erste Group Research

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
Czechia 10Y	3.75	3.70	3.63	3.54	3.46
Hungary 10Y	6.08	6.29	5.98	5.89	5.76
Poland 10Y	5.27	5.30	5.20	5.00	4.90
Romania 10Y	6.67	6.80	6.70	6.50	6.40
Serbia 10Y	5.83	5.30	5.20	5.00	4.80

Spreads vs. German Bunds (bps)					
Croatia 10Y	99.00	95.00	95.00	95.00	90.00
Slovakia 10Y	109.00	115.00	110.00	110.00	110.00
Slovenia 10Y	81.00	80.00	80.00	80.00	80.00
DE10Y yields	2.19	2.50	2.60	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
Czechia	4.29	4.07	4.00	3.76	3.50
Hungary	6.44	6.25	6.10	5.85	5.60
Poland	5.85	5.85	5.80	5.60	5.30
Romania	5.55	5.32	5.62	5.37	4.87
Serbia	4.94	4.69	4.28	3.85	3.84
Eurozone	3.44	3.09	2.86	2.64	2.40

Real GDP growth (%)				
	2022	2023	2024f	2025f
Croatia	7.0	3.1	3.4	2.8
Czechia	2.9	0.0	0.9	2.7
Hungary	4.6	-0.9	1.4	3.2
Poland	5.6	0.2	3.2	3.7
Romania	4.1	2.1	1.9	2.8
Serbia	2.5	2.5	4.0	4.5
Slovakia	1.9	1.6	2.2	2.5
Slovenia	2.5	1.6	1.5	2.0
CEE8 avg	4.4	0.7	2.4	3.2

Public debt (% of GDP)				
	2022	2023	2024f	2025f
Croatia	67.8	63.0	61.0	59.8
Czechia	42.5	42.3	44.9	45.1
Hungary	74.1	73.5	73.1	72.5
Poland	49.2	49.6	54.0	58.0
Romania	47.5	48.8	51.4	52.8
Serbia	55.2	52.0	51.2	50.4
Slovakia	57.7	56.0	58.2	59.7
Slovenia	72.3	69.2	68.5	67.5
CEE8 avg	52.6	52.4	55.0	56.8

FX					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
EURCZK	25.03	24.80	24.52	24.44	24.40
EURHUF	392.75	395.00	398.00	400.00	400.00
EURPLN	4.27	4.25	4.30	4.30	4.20
EURRON	4.97	5.00	5.02	5.05	5.07
EURRSD	116.94	117.10	117.10	117.00	117.00
EURUSD	1.12	1.13	1.14	1.14	1.15

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
Czechia	4.50	4.00	4.00	3.75	3.50
Hungary	6.75	6.25	6.00	5.75	5.50
Poland	5.75	5.75	5.75	5.25	5.00
Romania	6.50	6.00	6.00	5.75	5.50
Serbia	5.75	5.50	5.00	4.50	4.50
Eurozone	3.50	3.00	2.75	2.50	2.25

Average inflation (%)				
	2022	2023	2024f	2025f
Croatia	10.8	8.1	3.1	2.6
Czechia	15.1	10.7	2.4	2.5
Hungary	14.5	17.6	3.8	4.2
Poland	14.4	11.4	3.8	3.7
Romania	13.7	10.5	5.2	3.7
Serbia	11.9	12.1	4.6	3.5
Slovakia	12.8	10.5	2.8	3.3
Slovenia	8.8	7.4	2.1	2.3
CEE8 avg	13.9	11.5	3.7	3.5

C/A (%GDP)				
	2022	2023	2024f	2025f
Croatia	-2.8	1.1	0.4	-0.4
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	2.2	2.2
Poland	-2.4	1.6	1.0	-1.0
Romania	-9.2	-7.0	-8.1	-7.8
Serbia	-6.9	-2.6	-4.2	-5.0
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.1	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.8	-1.5

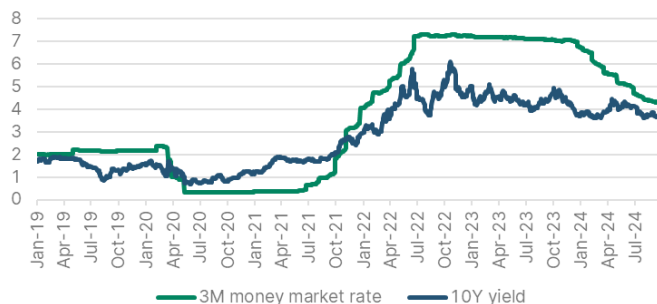
Unemployment (%)				
	2022	2023	2024f	2025f
Croatia	7.0	6.1	5.6	5.5
Czechia	2.2	2.6	2.8	3.4
Hungary	3.6	4.1	4.4	3.9
Poland	5.2	5.1	5.1	5.0
Romania	5.6	5.6	5.3	5.2
Serbia	9.4	9.5	8.5	8.2
Slovakia	6.1	5.8	5.5	5.4
Slovenia	4.0	3.7	3.6	3.6
CEE8 avg	4.8	4.9	4.8	4.8

Budget Balance (%GDP)				
	2022	2023	2024f	2025f
Croatia	0.1	-0.7	-2.4	-2.0
Czechia	-3.1	-3.5	-2.7	-2.3
Hungary	-6.2	-6.7	-4.8	-4.4
Poland	-3.7	-5.6	-5.7	-5.8
Romania	-6.3	-6.6	-7.0	-5.5
Serbia	-3.1	-2.2	-2.2	-2.5
Slovakia	-1.7	-4.9	-6.0	-5.0
Slovenia	-3.0	-2.5	-3.0	-2.5
CEE8 avg	-3.9	-5.1	-5.1	-4.7

Source: Bloomberg, Erste Group Research

Appendix

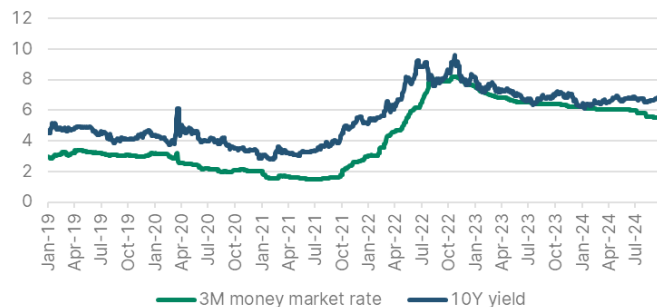
Czechia



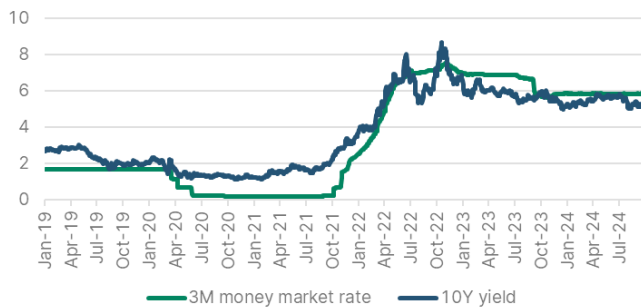
Hungary



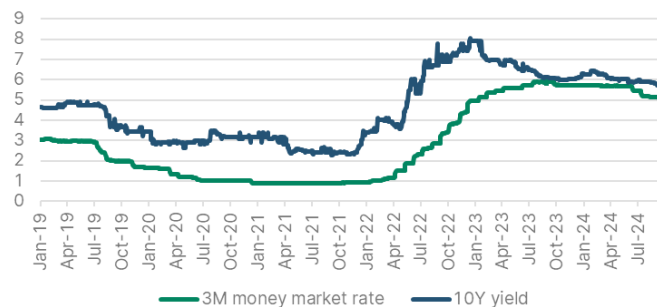
Romania



Poland



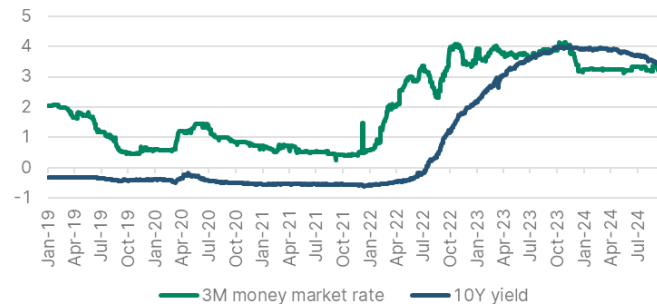
Serbia



Slovakia and Slovenia



Croatia



Source: Bloomberg, Erste Group Research

Group Research

Head of Group Research Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902	GM Retail Products & Business Development Head: Martin Langer	+43 (0)50100 11313
CEE Macro/Fixed Income Research 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	Corporate Treasury Product Distribution AT Head: Martina Kranzl-Carvell	+43 (0)5 0100 84147
Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419	Group Securities Markets Head: Thomas Einramhof	+43 (0)50100 84432
Czech Republic David Navrátil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172	Institutional Distribution Core Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Hungary Orsolya Nyeste János Nagy	+361 268 4428 +361 272 5115	Institutional Distribution DACH+ Head: Marc Frieberthshäuser Bernd Bollhof Andreas Goll Mathias Gindele Ulrich Inhofner Sven Kienzle Rene Klasen Christopher Lampe-Traupe Danijel Popovic Michael Schmotz Christoph Ungerböck Klaus Vosseler Slovakia Šarlota Šipulová Monika Směliková	+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 +421 2 4862 5619 +421 2 4862 5629
Romania Ciprian Dascalu (Head) Eugen Sinca Dorina Ilaşco Vlad Nicolae Ionita	+40 3735 10108 +40 3735 10435 +40 3735 10436 +40 7867 15618	Institutional Distribution CEE & Insti AM CZ Head: Antun Burić Jaromir Malak	+385 (0)7237 2439 +43 (0)5 0100 84254
Slovakia Maria Valachyova (Head) Matej Hornak Marian Kocis	+421 2 4862 4185 +421 902 213 591 +421 904 677 274	Czech Republic Head: Ondřej Čech Milan Bartoš Jan Porvich Pavel Zdíchynec	+420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566 +420 2 2499 5590
Major Markets & Credit Research Head: Rainer Singer Ralf Burchert, CEFA®, CESGA® (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 Möstl (Credit Analyst Austria) Carmen Riefler-Kowarsch (Financials & Covered Bonds) Bernadett Povazsal-Römhild, CEFA®, CESGA® (Corporate Bonds) Elena Statelov, CIIA® (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 16360	Institutional Asset Management Czech Republic Head: Petr Holeček Petra Maďerová Martin Peřina David Petráček Blanka Weinerová Petr Valenta Croatia Head: Antun Burić Zvonimir Tukač Ana Tunjić Natalija Žujic Hungary Head: Peter Csizmadia Gábor Bálint Balázs Papay Gergő Szabo Romania 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
CEE Equity Research Head: Henning EbKuchen, CESGA® Daniel Lion, CIIA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIIA® (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	Group Institutional Equity Sales Head: Michal Řízek Werner Fürst Viktoria Kubalcova Thomas Schneidhofer Oliver Schuster Czech Republic Head: Michal Řízek Jiří Fereš Martin Havian Pavel Krabička Poland Head: Jacek Jakub Langer Tomasz Galanciak Wojciech Wysocki Przemysław Nowosad Maciej Senderek Croatia Matija Tkalicanac Hungary Nandori Levente Krisztian Kandik Balasz Zankay Romania 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
Croatia/Serbia 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	Group Fixed Income Securities Markets Head: Goran Hobljaj	+43 (0)50100 84403
Czech Republic Petr Bartek (Head, Utilities) Jan Bystřický	+420 956 765 227 +420 956 765 218	Fixed Income Flow Sales Head: Gorjan Hobljaj Margit Hraschek Christian Kienesberger Ciprian Mitu Bernd Thaler Zsuzsanna Toth Poland Pawel Kielek Michal Jarmakowicz	+43 (0)5 0100 84403 +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
Hungary József Miró (Head) András Nagy Tamás Pletser, CFA® (Oil & Gas)	+361 235 5131 +361 235 5132 +361 235 5135	Fixed Income Flow Trading Head: Gorjan Hobljaj	+43 (0)5 0100 84403
Poland Cezary Bernatek (Head) Piotr Bogusz Łukasz Jańczak Krzysztof Kawa, CIIA® Jakub Szkopek	+48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753	Group Fixed Income Securities Trading Head: Goran Hobljaj	+43 (0)50100 84403
Romania Caius Rapanu	+40 3735 10441	Group Equity Trading & Structuring Head: Ronald Nemec	+43 (0)50100 83011
Group Markets		Business Support Bettina Mahoric	+43 (0)50100 86441
Head of Group Markets Oswald Huber	+43 (0)5 0100 84901		
Group Markets Retail and Agency Business Head: Christian Reiss	+43 (0)5 0100 84012		
Markets Retail Sales AT Head: Markus Kaller	+43 (0)5 0100 84239		
Group Markets Execution Head: Kurt Gerhold	+43 (0)5 0100 84232		
Retail & Sparkassen Sales Head: Uwe Kolar	+43 (0)5 0100 83214		
Markets Retail Sales CZ Head: Roman Choc	+420 956 765 374		
Markets Retail Sales HUN Head: Peter Kishazi	+36 1 23 55 853		

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as general information. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute a marketing communication pursuant to Art. 36 (2) delegated Regulation (EU) 2017/565 as no direct buying incentives were included in this publication, which is of information character. This publication provides only other information without making any comment, value judgement or suggestion on its relevance to decisions which an investor may make and is therefore also no recommendation. Thus this publication does not constitute investment research pursuant to Art. 36 (1) delegated Regulation (EU) 2017/565. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation for a transaction in any financial instrument or connected financial instruments, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a financial or connected financial instrument in a trading strategy. Information provided in this publication is based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and does not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of a financial or connected financial instrument is not indicative for future results. No assurance can be given that any financial instrument or connected financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of financial instruments incl. connected financial instruments. Erste Group, principals or employees may have a long or short position or may transact in financial instrument(s) incl. connected financial instruments referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in financial instruments, connected financial instruments or companies resp. issuers discussed herein and may also perform or seek to perform investment services for those companies resp. issuers. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing restrictions.

Erste Group is not registered or certified as a credit agency in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation). Any assessment of the issuers creditworthiness does not represent a credit rating pursuant to the Credit Rating Agencies Regulation. Interpretations and analysis of the current or future development of credit ratings are based upon existing credit rating documents only and shall not be considered as a credit rating itself.

© Erste Group Bank AG 2024. All rights reserved.

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

Erste Group Homepage: www.erstegroup.com