

CEE MARKET INSIGHTS

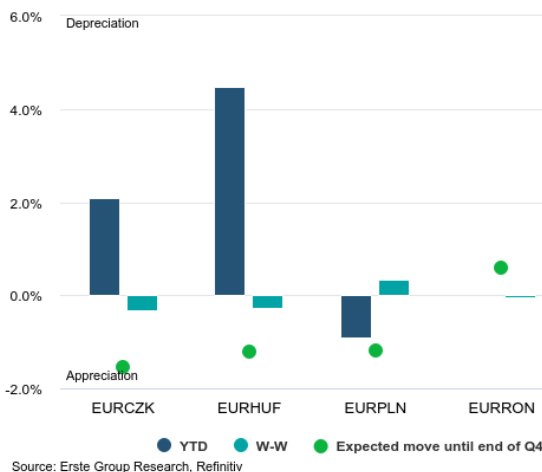
# Hungarian central bank to pause monetary easing

## This week in CEE

This week, the Hungarian central bank is the key event in the region. Although Hungary's inflation rate eased further in September, the Hungarian forint has weakened against the euro lately, supporting no change in the key policy rate scenario. Apart from Hungary, Poland will release important data. September's industrial output and retail sales growth will be published. Thus, Poland will have a complete set of monthly data for the third quarter. Finally, labor market data, such as the unemployment rate, will be released in Croatia, Poland, and Hungary. Wage growth will be released in Croatia and Serbia. On Friday S&P will decide on rating and outlook in Hungary and Slovakia. No change is expected.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Industry, Wages, Producer prices	HU: Central bank	PL: Unemployment		HU: Unemployment
SI: Producer prices	PL: Retail			RS: Wages
HR: Unemployment, Wages				
SK: 2028 2029 2034 2035 2036 Bonds		CZ PL: Bonds	RO: Bills	

## FX market

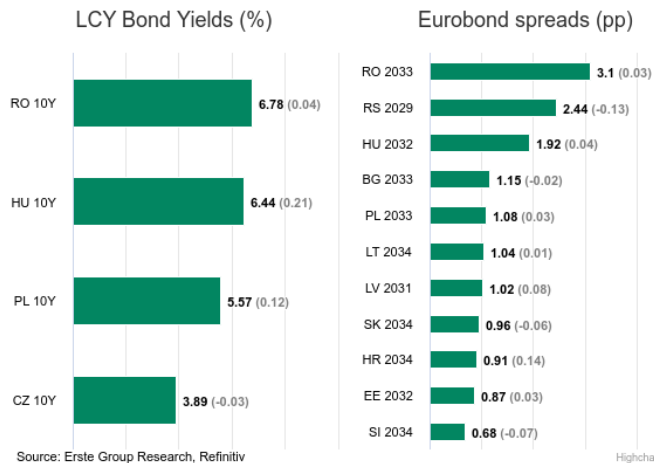


## FX market developments

Throughout last week, the EURPLN and EURHUF levels remained elevated. EURHUF was at or above 400 while EURPLN moved above 4.30 toward the end of the week. At the end, the week-to-week change was rather marginal. The Czech currency held slightly stronger against the euro throughout the whole week. In Czechia, central banker Holub called for more aggressive monetary easing due to anti-inflationary risks in the economy. On the other hand, Governor Michl reiterated his pledge to move cautiously.

This week, the Hungarian central bank holds a rate-setting meeting, and we expect no change in the key policy rate due to the weakness of the Hungarian forint. Such a scenario was suggested by Deputy Governor Virag, who indicated a break in monetary easing. Further, it seems that the break may last for a "sustained period" if the external environment and inflation outlook justify a cautious approach. The end of the monetary easing cycle at this point is likely to support the Hungarian forint, which appreciated against the euro in response to such news.

## LCY yields, Eurobond spreads



## Bond market developments

The CEE bond market showed mixed performance over the last week. The long-term yields in the Eurozone countries inched down as the ECB decided to lower interest rates by 25 basis points. In other countries, particularly in Hungary, the long end of the curve shifted up in response to Deputy Governor Virag's comments that the pause in monetary easing is not likely to be temporary only. Poland tapped the international bond market, selling EUR 3 billion of 7Y and 15Y government papers. According to the Ministry of Finance, there are no plans for issuance on the euro or dollar markets this year. The financing of 2024 borrowing needs is almost completed, and Poland will begin pre-financing of 2025 borrowing needs in the remainder of the year. Finally, the 2024 budget revision is likely due to recent floods. Romania held a successful bond auction of 2035 government papers as demand was strong, with a bid-to-cover ratio at 1.65. This week, Slovakia, Czechia, and Poland have bond auctions scheduled.

## In case you missed

CEE: [Medium-term fiscal plans announced, consolidation to begin next year](#)

Slovakia: [Fuel prices fell significantly](#)

Romania: [Rebound in manufacturing unlikely to be sustained](#)

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
21. Oct	10:00	PL	Industrial Production (y/y)	Sep		-1.50%	
	10:00	PL	PPI (y/y)	Sep		-5.10%	
	10:00	PL	Wages (y/y)	Sep		11.10%	
	10:30	SI	PPI (y/y)	Sep		-1.00%	
	11:00	HR	Unemployment Rate	Sep	4.60%	4.80%	Unemployment rate seen declining on monthly level
	11:00	HR	Wages (y/y)	Aug		12.80%	
22. Oct	10:00	PL	Retail Sales (y/y)	Sep		3.20%	
	14:00	HU	Central Bank Rate	Oct-24	6.50%	6.50%	Recent increase in risk aversion and weakness of the forint imply another pause in the easing cycle.
23. Oct	10:00	PL	Unemployment Rate	Sep		5.00%	
24. Oct			No releases shcheduled				
25. Oct	8:30	HU	Unemployment Rate	Sep	4.20%	4.30%	Labor market probably remained stable despite the weakness of the economy.
	12:00	RS	Wages (y/y)	Aug		12.10%	

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	3.89	3.70	3.63	3.54	3.46
Hungary 10Y	6.44	6.29	5.98	5.89	5.76
Poland 10Y	5.57	5.10	4.90	4.80	4.60
Romania 10Y	6.78	6.80	6.70	6.50	6.40
Serbia 10Y	5.83	5.10	4.90	4.70	4.50

Spreads vs. German Bunds (bps)					
Croatia 10Y	91.00	95.00	90.00	90.00	90.00
Slovakia 10Y	96.00	115.00	110.00	110.00	110.00
Slovenia 10Y	68.00	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	4.12	4.07	4.00	3.76	3.50
Hungary	6.37	6.25	6.10	5.85	5.60
Poland	5.85	5.85	5.80	5.60	5.30
Romania	5.55	5.65	5.95	5.70	5.30
Serbia	4.85	4.60	4.14	3.93	3.72
Eurozone	3.20	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	1.0	2.7
Hungary	4.3	-0.9	1.4	3.2
Poland	5.6	0.2	3.2	3.7
Romania	4.0	2.4	1.9	2.8
Serbia	2.6	3.8	4.0	4.5
Slovakia	1.9	1.6	2.2	2.0
Slovenia	2.5	1.6	1.5	2.0
CEE8 avg	4.3	0.8	2.4	3.2

Public debt (% of GDP)				
	2022	2023	2024f	2025f
Croatia	67.8	63.0	60.4	59.5
Czechia	42.5	42.4	43.5	44.2
Hungary	74.1	73.5	73.1	72.5
Poland	49.2	49.6	54.0	58.0
Romania	47.5	48.8	52.4	54.2
Serbia	52.4	48.0	47.3	47.0
Slovakia	57.7	56.0	58.3	59.4
Slovenia	72.3	69.2	68.5	67.5
CEE8 avg	52.5	52.2	54.7	56.7

FX					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
EURCZK	25.19	24.80	24.52	24.44	24.40
EURHUF	399.87	395.00	398.00	400.00	400.00
EURPLN	4.30	4.25	4.30	4.30	4.20
EURRON	4.97	5.00	5.02	5.05	5.07
EURRSD	116.92	117.10	117.10	117.00	117.00
EURUSD	1.09	1.13	1.14	1.14	1.15

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q4	2025Q1	2025Q2	2025Q3
Czechia	4.25	4.00	4.00	3.75	3.50
Hungary	6.50	6.25	6.00	5.75	5.50
Poland	5.75	5.75	5.75	5.50	5.00
Romania	6.50	6.50	6.50	6.25	6.00
Serbia	5.75	5.50	5.25	5.00	4.75
Eurozone	3.25	3.00	2.75	2.50	2.25

Average inflation (%)				
	2022	2023	2024f	2025f
Croatia	10.8	8.1	2.9	2.5
Czechia	15.1	10.7	2.5	2.5
Hungary	14.5	17.6	3.7	4.1
Poland	14.4	11.4	3.8	3.9
Romania	13.7	10.5	5.5	3.7
Serbia	11.9	12.5	4.6	3.6
Slovakia	12.8	10.5	2.8	4.6
Slovenia	8.8	7.4	2.1	2.3
CEE8 avg	13.9	11.5	3.8	3.6

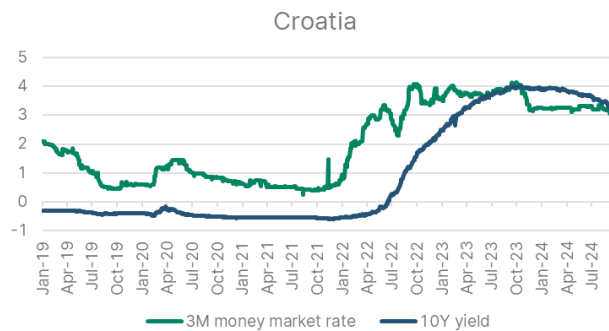
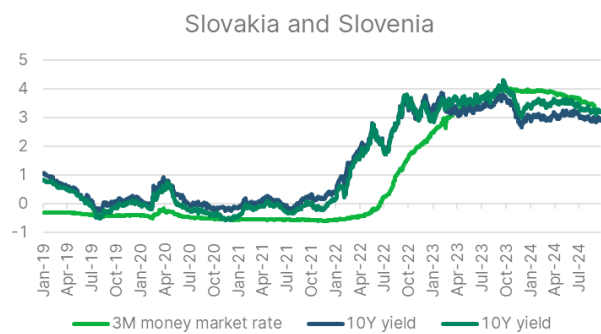
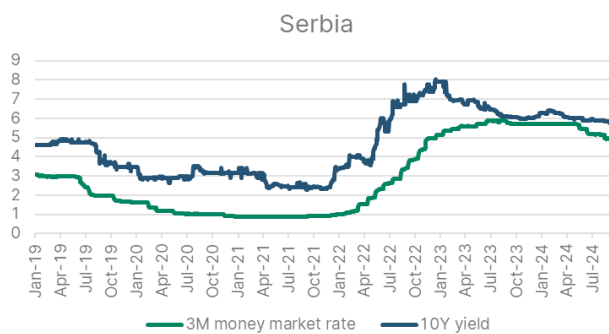
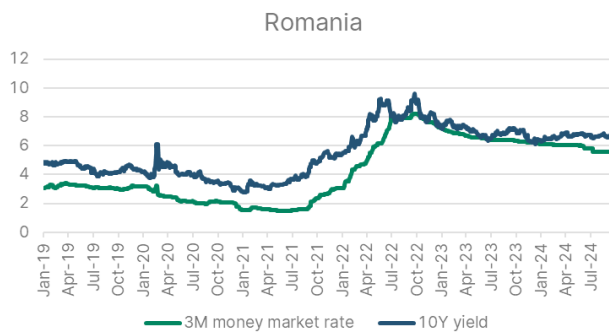
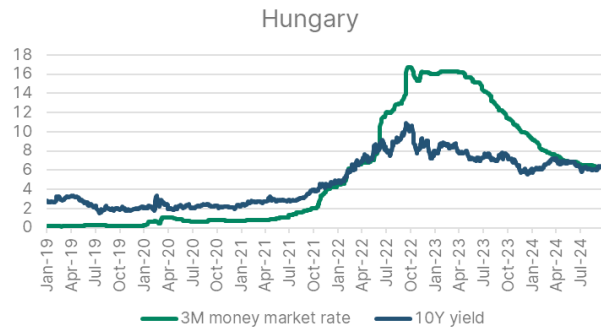
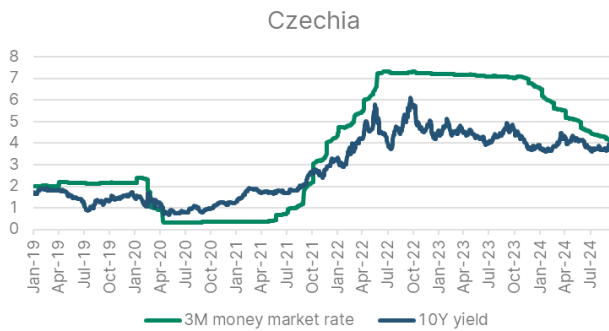
C/A (%GDP)				
	2022	2023	2024f	2025f
Croatia	-3.4	0.4	0.1	-0.3
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.5	0.7	2.2	2.0
Poland	-2.2	1.8	0.0	-1.0
Romania	-9.2	-7.0	-8.1	-7.8
Serbia	-5.6	-2.1	-3.4	-4.0
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.1	4.5	3.2	2.8
CEE8 avg	-5.1	-0.2	-1.1	-1.5

Unemployment (%)				
	2022	2023	2024f	2025f
Croatia	7.0	6.1	5.2	5.1
Czechia	2.2	2.6	2.7	3.2
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	5.3
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	4.9	4.9	4.8	4.8

Budget Balance (%GDP)				
	2022	2023	2024f	2025f
Croatia	0.1	-0.7	-2.6	-2.2
Czechia	-3.1	-3.8	-3.1	-2.4
Hungary	-6.2	-6.7	-4.7	-4.4
Poland	-3.7	-5.6	-5.7	-5.8
Romania	-6.3	-6.6	-7.9	-6.0
Serbia	-3.0	-2.1	-2.5	-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	-5.3	-4.8

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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