

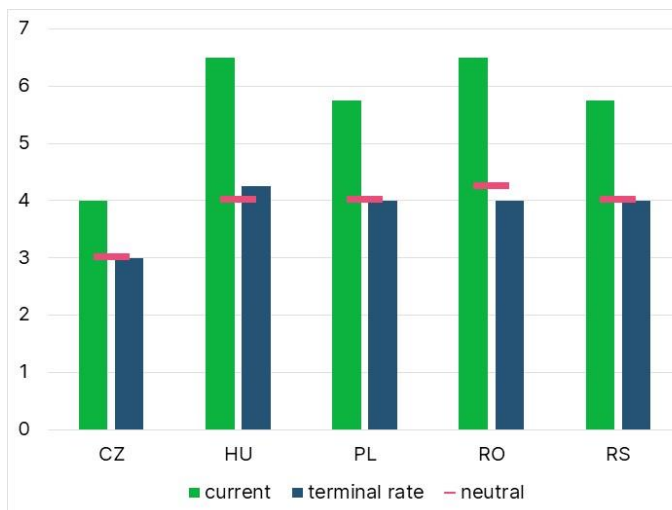
CEE MACRO AND FI DAILY

# CEE central banks to conclude easing after 2025

## On the Radar

- Industrial output growth declined by -0.4% y/y in Slovenia in September
- Inflation rate in Romania increased to 4.67% y/y in October from 4.62% y/y in September.
- Inflation in October in Hungary landed at 3.2% y/y.
- At noon CET, Serbia will release October's headline inflation.

### Neutral and terminal interest rates, percent

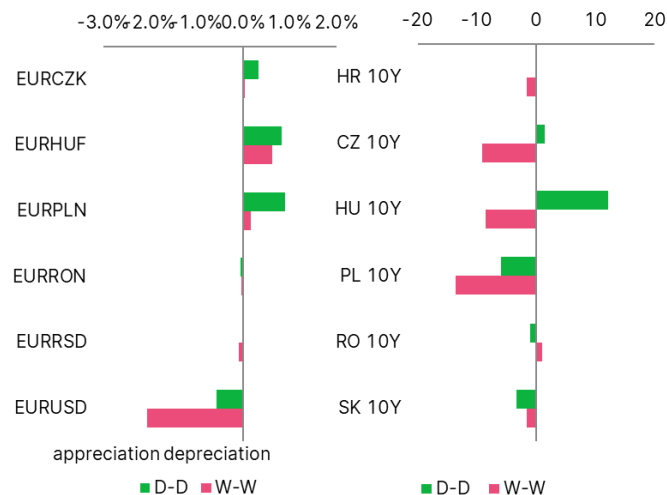


Source: Erste Group Research

### Economic developments

In one of our Daily reports last week, we wrote that monetary easing is expected to end in 2024, resuming later in 2025. Today, we are extending our horizon to include the entirety of the easing cycle. The terminal interest rates—defined as the rates at which the easing cycle ends—are quite uniform among the CEE countries with their own currency. In Czechia, the terminal rate is the lowest at 3%, suggesting an anticipated reduction of 100bp by Q2 2026. Other CEE central banks face a more extended path, while the ECB should be done in Q3 2025 at 2.25%. In Poland, we foresee a decrease of 175 bp from the base rate (5.75%), with the easing cycle expected to conclude in the third quarter of 2026. In Hungary, we anticipate a reduction of 225 bp from the current rate of 6.5% by Q2 2026. The Romanian and Serbian central banks will require additional time before concluding their monetary easing, with predicted terminal rates of 4% expected to be reached only by the second quarter of 2027. In Romania, the terminal rate is projected to be slightly expansionary, whereas in Hungary, it is expected to be more contractionary.

## Market performance



Source: Erste Group Research

## Market developments

Currencies in the CEE region weakened against the euro on Monday, with notable movements in the Hungarian forint and Polish zloty as EURHUF approached 410 and EURPLN reached 4.36. Long-term yields are lower across most countries except Hungary this week. In Czechia, the inflation rate rose to 2.8% y/y in October and this may prompt the central bank to take more cautious steps towards supporting rate stability at December's meeting. In Hungary, the government plans to reduce the budget deficit to 3.7% of GDP by 2025 through fiscal consolidation. However, the assumption of 3.4% GDP growth next year seems optimistic, considering our current forecast is close to 2.0% and is subject to revision following the very weak 3Q24 and the US election outcome. Moreover, EU funds remain frozen. Lastly, the central bank in Romania revised its end-2024 inflation forecast up to 4.9% y/y from 4.0% y/y, and end-2025 is projected at 3.5% y/y compared to the previous forecast of 3.4% y/y. The timing of the next rate cut in Romania will depend on the coherence and credibility of the fiscal consolidation program and its structure.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
12. Nov	9:00	SK	Wages (y/y)	Sep			3.40%
	12:00	RS	CPI (y/y)	Oct		4.10%	4.20%
	12:00	RS	CPI (m/m)	Oct			0.10%
13. Nov		RO	Current Account Balance (monthly)	Sep			-17858.00
		RS	Current Account Balance (monthly)	Sep			-555.50
	8:00	RO	Industrial Production (y/y)	Sep		-4.40%	-2.0%
	14:00	PL	Trade Balance	Sep			-2244.00

### FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.31	0.3	0.0
EUR/HUF	410.24	0.8	0.6
EUR/PLN	4.36	0.9	0.2
EUR/RON	4.97	-0.1	0.0
EUR/RSD	116.84	0.0	-0.1
EUR/USD	1.07	-0.6	-2.1

### 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.94	-1	-11
HUF	6.51	0	1
PLN	5.84	1	-1
RON	5.55	0	0
RSD	4.79	0	-1
EUR	3.04	1	-4

### 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.97	1	-9
HU 10Y	6.73	12	-9
PL 10Y	5.53	-6	-14
RO 10Y	6.90	-1	1
HR 10Y	3.21	0	-2
SK 10Y	3.27	-3	-2

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### Published by:

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

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