

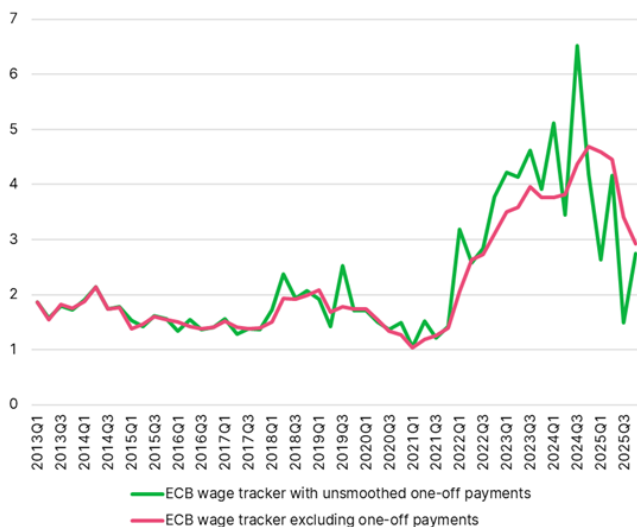
CEE MACRO AND FI DAILY

Wage pressures in Eurozone to ease in 2025

On the Radar

- Unemployment rate in Romania was 5.2% in December.
- 4Q24 GDP growth in Hungary was published at 0.4% y/y (NSA) and 0.5% q/q.
- AT 10 AM CET Poland is scheduled to release the annual 2024 growth.
- AT 11 AM CET Croatia will publish December's retail sales and industrial output growth.
- ECB holds a rate setting decision today.

ECB wage tracker, percent

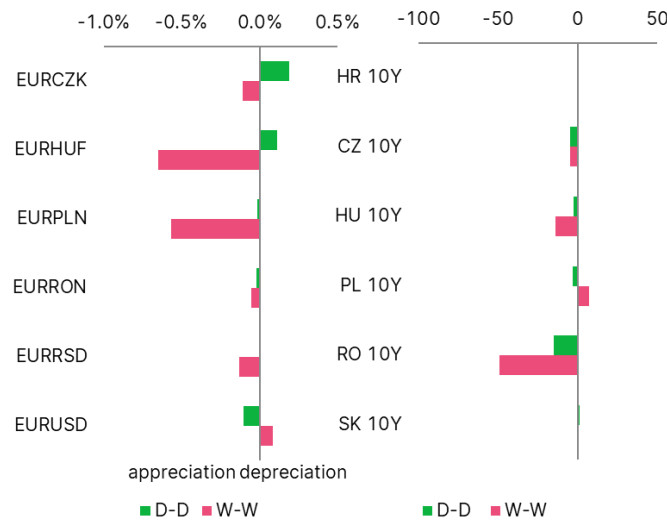


Source: Erste Group Research

Economic developments

Ahead of the ECB meeting, we look at the wage tracker in the Eurozone. Until 2019, all wage tracker indicators suggested mild negotiated wage growth. Further, the pandemic-related economic shutdown and job retention schemes kept negotiated wage pressures weak in 2020 and 2021. The subsequent inflation surge in 2022 gave rise to a gradual increase and a stronger prevalence of one-off payments used to compensate employees for the effects of high inflation. The wage pressure has increased more visibly. It is expected to ease, however. The headline ECB wage tracker is currently anticipated to peak at around 5.4% at the end of 2024 before gradually easing to an average of 3.2% during 2025. The tracker with unsmoothed one-off payments is currently averaging 4.8% in 2024 and implies a decrease to 2.7% in 2025.

Market performance



Source: Erste Group Research

Market developments

The key event of today is the ECB meeting, with a rate cut being expected. Although the ECB acknowledges that wages and prices in some sectors are only adjusting to the previous inflation shock with a significant delay, it still views the disinflationary process as well underway. From a cyclical point of view, the persistent weakness of industry is a factor of increasing concern. In Czechia, the Czech central bank Frait joined the debate about the outcome of next interest rate setting meeting (due February 6). He expects decision between monetary easing and interest rate stability. He believes key interest rate can go to 3.5% in the second half of the year. The long-term yields have been declining across the region, most notably in Romania where yields of 10Y papers declined by roughly 40 basis points since the beginning of the week.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
30. Jan	08:00	RO	Unemployment Rate	Dec			5.30%
	08:30	HU	Trade Balance	Nov F			742.00
	08:30	HU	GDP (q/q)	4Q P	0.01	0.20%	-0.70%
	08:30	HU	GDP (y/y)	4Q P	0.00	-0.10%	-0.80%
	10:00	PL	GDP	2024			0.10%
	11:00	HR	Industrial Production (y/y)	Dec		-2.00%	-6.60%
	11:00	HR	Retail Sales (y/y)	Dec		5.00%	6.68%
31. Jan	08:30	HU	PPI (y/y)	Dec			7.90%
	09:00	CZ	GDP (q/q)	4Q A	0.47%	0.40%	0.50%
	09:00	CZ	GDP (y/y)	4Q A	1.58%	1.50%	1.40%
	12:00	RS	Industrial Production (y/y)	Dec		2.20%	1.00%
	12:00	RS	Retail Sales (y/y)	Dec		2.00%	1.40%
	12:00	RS	Trade Balance	Dec			-889.50
	12:00	RS	GDP (y/y)	4Q P		3.70%	3.10%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.10	0.2	-0.1
EUR/HUF	407.91	0.1	-0.6
EUR/PLN	4.20	0.0	-0.6
EUR/RON	4.97	0.0	-0.1
EUR/RSD	116.96	0.0	-0.1
EUR/USD	1.04	-0.1	0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.84	0	-3
HUF	6.50	0	0
PLN	5.86	0	0
RON	5.95	0	1
RSD	4.70	0	0
EUR	2.61	0	-6

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.99	-5	-5
HU 10Y	6.57	-2	-14
PL 10Y	5.89	-3	7
RO 10Y	7.54	-15	-49
HR 10Y	3.12	0	1
SK 10Y	3.27	2	0

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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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