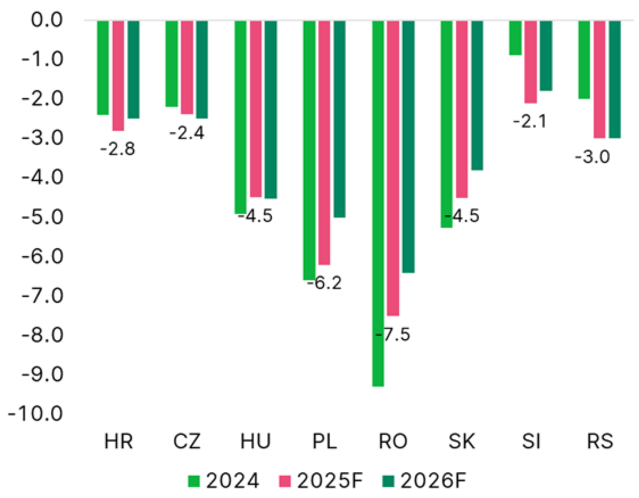
CEE MACRO AND FI DAILY

Consolidation in Romania looks strong enough to avoid a downgrade

On the Radar

- Romania's central bank left the key policy rate unchanged at 6.50%.
- Inflation rate in Hungary increased to 4.6% y/y in June (4.4% in May).
- The share of unemployed (15-65) in Czechia remained flat at 4.2%.
- Today at 9 AM CET Slovakia will release trade balance in May, while Croatia as 11 AM CET trade balance in April.
- Hungarian central bank will publish the monetary policy meeting minutes.

General government balance, % of GDP

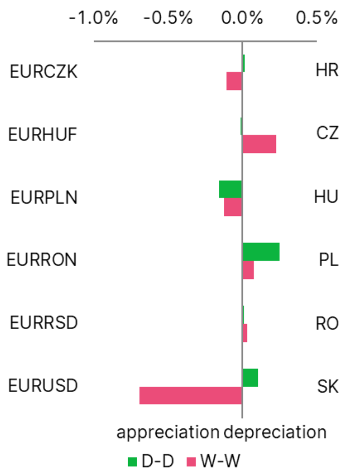


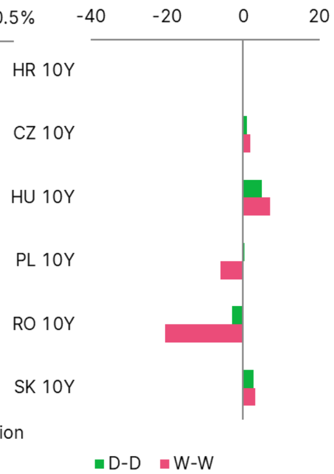
Source: Erste Group Research

Economic developments

In the latest CEE Bond Report [More positive news on ratings] we present regular update on public finance stance and 2025 financing needs in the region. Apart from that, a lot attention goes to Romania, where fiscal consolidation package was recently approved by the Romanian government. In our view it looks strong enough to avoid a loss of investment grade this fall. Most of the consolidation efforts this year come from increasing the VAT rate and optimizing/postponing investments. The estimated impact of Romania's fiscal package is 1.2pp of GDP in 2025 and 2.2pp in 2026. Fiscal consolidation path in Romania will also determine the interest outlook. We recently revised our forecast and expect no interest rate cuts this year. It is also likely that Romania will tap international bond market over the next couple of weeks.

Market performance





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Market developments

Romania's central bank kept the key rate unchanged at 6.50% at the July's meeting. We see key rate unchanged until February 2026 meeting (due to inflation profile impacted by the fiscal measures) and a total of 150bp of rate cuts next year. EURRON moved up toward 5.07 alongside other CEE currencies that have weakened against the euro since the beginning of the week. In Hungary inflation development at this point supports stability of rates scenario. The bond market showed mix performance this week with 10Y yields marginally higher in Poland and Czechia.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
09. Jul	**09:00**	**SK**	Trade Balance	May		260.00	-0.30
10. Jul	**08:00**	**RO**	Trade Balance	May			-3141.00
	08:00	**RO**	GDP (q/q)	1Q F		0.00%	
	08:00	**RO**	GDP (y/y)	1Q F		0.30%	0.26%
	09:00	**SK**	Industrial Production (y/y)	May		1.00%	-1.20%
	10:30	**SI**	Industrial Production (y/y)	May		0.00%	-4.70%
	11:00	**HR**	PPI (y/y)	Jun			1.20%
	12:00	**RS**	Central Bank Rate	Jul 25		5.50%	5.75%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.62	0.0	-0.1
EUR/HUF	399.78	0.0	0.2
EUR/PLN	4.24	-0.2	-0.1
EUR/RON	5.07	0.2	0.1
EUR/RSD	117.07	0.0	0.0
EUR/USD	1.17	0.1	-0.7

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.50	1	0
HUF	6.50	0	0
PLN	5.05	-2	-18
RON	6.84	-4	-25
RSD	4.68	0	0
EUR	1.95	0	-1

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.24	1	2
HU 10Y	7.03	5	7
PL 10Y	5.31	0	-6
RO 10Y	7.21	-3	-21
HR 10Y	3.10	0	0
SK 10Y	3.41	3	3

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