

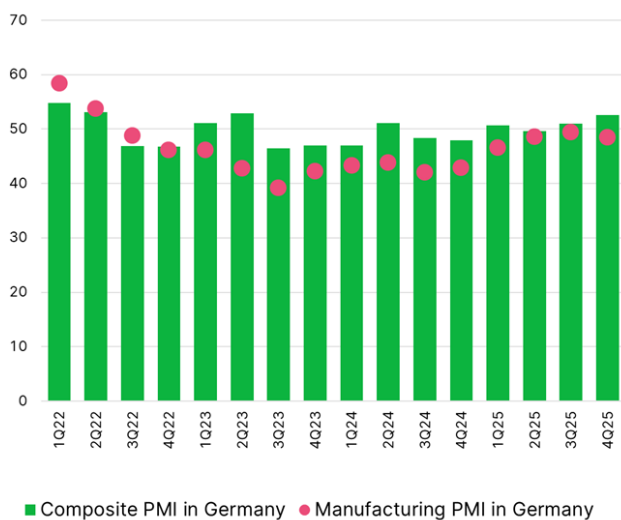
CEE MACRO AND FI DAILY

Flash PMI in Eurozone and Germany

On the Radar

- Hungarian central bank kept the policy rate unchanged at 6.5%
- Producer prices in Czechia declined by -1.3% y/y in November
- Core inflation in Poland eased to 2.7% y/y in November
- There are no other key releases scheduled for today in the region

Average quarterly PMI in Germany

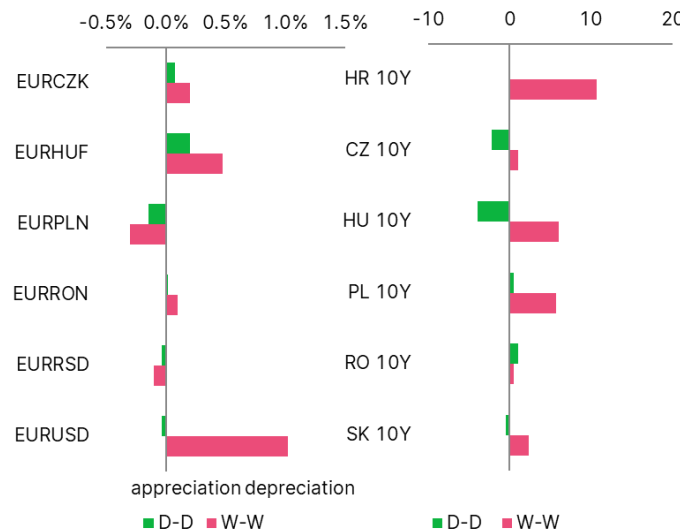


Source: Erste Group Research

Economic developments

The flash Eurozone PMI for December points to a moderation in economic growth as the composite index declined to 51.9. However, it remained in expansionary territory for the twelfth consecutive month—a milestone not seen since the pandemic. What is somewhat worrying from the perspective of the region's economic performance is that Industrial activity continued to contract. The flash Manufacturing PMI fell to 49.2, deepening the distance from the 50-point threshold that separates expansion from contraction. Hopes for stabilization near this level were not realized. Germany was the main drag, with the Manufacturing PMI dropping to 47.7, reflecting weak order inflows and renewed cost pressures driven by elevated prices for key inputs, particularly metals. Looking at the quarterly averages in Germany the fourth quarter seems to be weaker again compared to the previous one as far as manufacturing sector is concerned. The sideways trend continues with no significant impulse for recovery in sight, although the Composite PMI ends the year at slightly stronger note.

Market performance



Source: Erste Group Research

Market developments

In Hungary, in parallel with central bank's decision to leave the key policy rate unchanged at 6.5%, the Governor Varga, as usual, detailed the background to the decision. The central bank updated its forecasts: consumer prices are expected to increase by 4.4 percent on average this year, 3.2 percent in 2026, and 3.3 percent in 2027. The 3 percent inflation target can be sustainably achieved in the second half of 2027. Furthermore, the Hungarian economy is expected to expand by 0.5 percent in 2025, 2.4 percent in 2026, and 3.1 percent in 2027. Such change in communication, after more than a year of holding it, prepares for a possible interest rate cut in the foreseeable future, which is a significant shift compared to previous months. The vulnerability of the forint experienced in recent weeks nevertheless continues to require a cautious approach. The Hungarian forint weakened against the euro on Tuesday as EURHUF moved up to 385. The Polish zloty strengthened on the other hand with EURPLN falling to 4.21. The long-term yields remain lower this week. The Czech government approves a plan to lower electricity bills for companies and households by cutting the regulated part of power prices from January. Lastly news on Serbia, President Vucic said he expects "important and good news" in the coming days on US sanctions against Serbian oil company NIS. Serbia also signed EUR 220 million pre-accession financing from EU.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
17. Dec			No releases scheduled				
18. Dec		RS	Current Account Balance (monthly)	Oct			-343.70
	10:00	PL	Industrial Production (y/y)	Nov	0.03		3.2%
	10:00	PL	PPI (y/y)	Nov	-0.02		-2.2%
	10:00	PL	Wages (y/y)	Nov	0.06		6.6%
	14:30	CZ	Central Bank Rate	Dec-25	0.04	3.5%	3.5%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.30	0.1	0.2
EUR/HUF	385.16	0.2	0.5
EUR/PLN	4.21	-0.1	-0.3
EUR/RON	5.09	0.0	0.1
EUR/RSD	117.22	0.0	-0.1
EUR/USD	1.17	0.0	1.0

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.54	0	0
HUF	6.50	0	0
PLN	4.04	-2	-3
RON	6.19	0	-1
RSD	4.68	0	-1
EUR	2.06	-2	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.62	-2	1
HU 10Y	6.96	-4	6
PL 10Y	5.24	1	6
RO 10Y	6.90	1	1
HR 10Y	3.18	0	11
SK 10Y	3.52	0	2

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