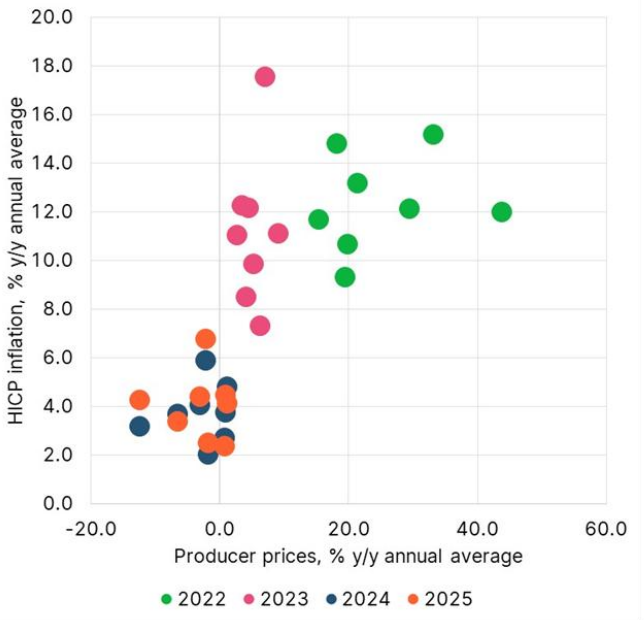
CEE MACRO AND FI DAILY

# Inflation drivers switch from supply to demand pressure

## On the Radar

- Industrial output in Slovakia contracted substantially by -8.5% y/y in December. In Slovenia, industrial output declined by -4.1% y/y in December.
- Today, Hungarian central bank will publish minutes from the meeting.

## Producer and HICP inflation

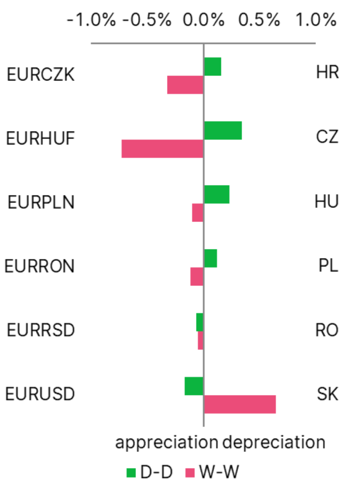


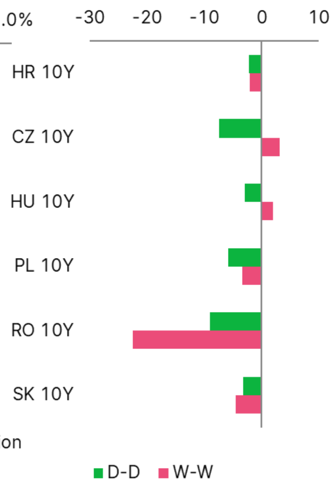

*Source: Erste Group Research*

## Economic developments

Today, we look at the relationship between producer prices and headline HICP inflation across the region and across four consecutive years (2022–2025). The pattern suggests a clear temporal shift in the inflationary transmission mechanism, with producer price inflation exerting a markedly stronger influence on consumer prices in 2022–2023, followed by a visible decoupling in 2024–2025. In 2022, the strong positive correlation between producer prices and HICP inflation is evident, with both measures elevated and tightly clustered at high levels, following the energy shock and surging commodity prices in that period. The pass through of intermediate input costs to final consumer prices tends to be rapid and sizable and persisting into 2023. 2024 and 2025 reveal a more distinct decoupling: both years show relatively low headline inflation outcomes despite modestly negative or near zero producer price changes. Such a transition may imply a shift from supply shock driven inflation (high energy prices) toward a more demand anchored environment.

## Market performance




*Source: Erste Group Research*

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## Market developments

CEE currencies reverted the strengthening trend on Tuesday, while long-term yields remain lower across the region. Poland's central banker Litwiniuk outlined two short-term scenarios for interest rates: either two 25 basis point cuts starting in March, or a single 50 basis point cut, possibly in April. He sees the target rate at 3.5% but does not exclude the possibility of lower rates if the economic outlook for Poland deteriorates. Hungary will publish the minutes from the central bank meeting. There is no other news on the local markets.

# Upcoming releases in CEE

| Date | Time | Country | Indicator | Period | Survey | Erste Est. | Prev. |
|---|---|---|---|---|---|---|---|
| **11. Feb** | | | No releases scheduled | | | | |
| **12. Feb** | **08:00** | **RO** | Wages (y/y) | Dec | | | 4.21% |
| | **08:30** | **HU** | CPI (y/y) | Jan | 2.20% | | 3.30% |
| | **08:30** | **HU** | CPI (m/m) | Jan | 0.40% | | 0.10% |
| | **09:00** | **SK** | Wages (y/y) | Dec | | | 0.70% |
| | **10:00** | **PL** | GDP (y/y) | 4Q P | 4.00% | 4.00% | 3.80% |
| | **12:00** | **RS** | Central Bank Rate | Feb 26 | | 5.75% | 5.75% |

## FX Market

| | Last | Change (%) | |
|---|---|---|---|
| | | d/d | w/w |
| **EUR/CZK** | 24.22 | 0.2 | -0.3 |
| **EUR/HUF** | 377.67 | 0.3 | -0.7 |
| **EUR/PLN** | 4.21 | 0.2 | -0.1 |
| **EUR/RON** | 5.09 | 0.1 | -0.1 |
| **EUR/RSD** | 117.21 | -0.1 | -0.1 |
| **EUR/USD** | 1.19 | -0.2 | 0.6 |

## 3M Market

| | Last | Change (bps) | |
|---|---|---|---|
| | | d-d | w-w |
| **CZK** | 3.48 | 0 | 2 |
| **HUF** | 6.34 | -1 | -3 |
| **PLN** | 3.88 | 0 | -2 |
| **RON** | 5.84 | -1 | -3 |
| **RSD** | 4.68 | 0 | 0 |
| **EUR** | 1.98 | 0 | -5 |

## 10Y Yields

| | Last | Change (bps) | |
|---|---|---|---|
| | | d-d | w-w |
| **CZ 10Y** | 4.33 | -7 | 3 |
| **HU 10Y** | 6.50 | -3 | 2 |
| **PL 10Y** | 4.98 | -6 | -3 |
| **RO 10Y** | 6.39 | -9 | -23 |
| **HR 10Y** | 3.26 | -2 | -2 |
| **SK 10Y** | 3.35 | -3 | -5 |

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