

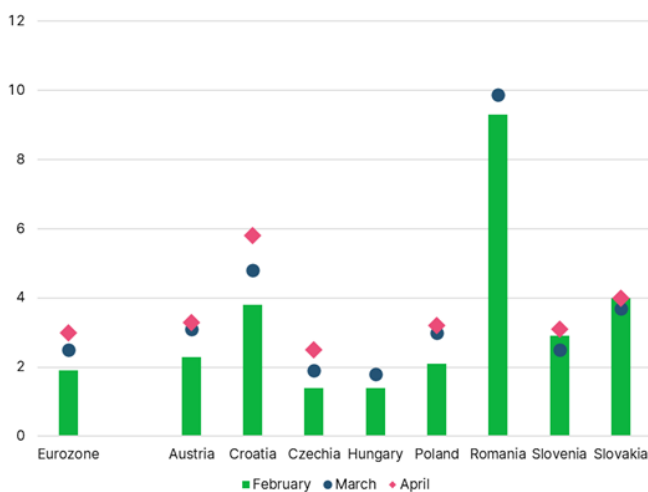
CEE MACRO AND FI DAILY

Increases in inflation across the CEE in April

On the Radar

- Czechia's central bank left key policy rate unchanged at 3.5%. Serbia's central bank did not change interest rates as well (5.75%).
- Retail sales in Romania declined by -3.2% y/y in March. In Hungary, on the other hand, retail was strong (8.2% y/y).
- In Slovakia retail sales grew by 6.2% y/y.
- Producer prices in Serbia increased by 6.4% y/y.
- Today, Hungary's inflation will be released at 8.30 AM CET.
- Slovakia will publish industrial output growth in March at 9 AM CET.
- Croatia will release producer prices and trade data.

Inflation in CEE, % y/y

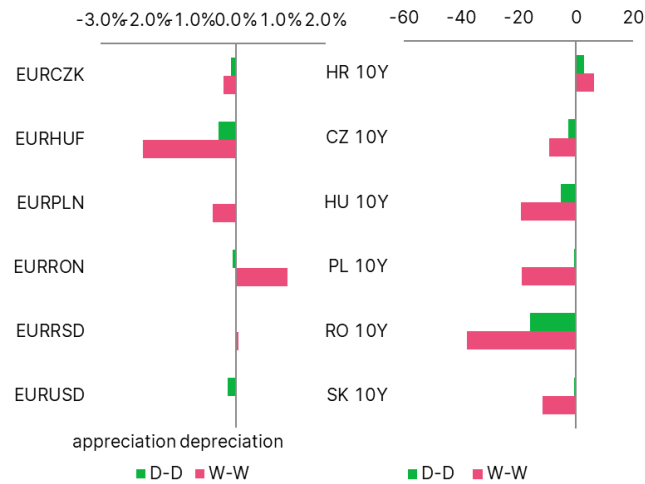


Source: Erste Group Research

Economic developments

Ahead of inflation release in Hungary, we look at inflation in other CEE countries and see clear rising trend. Despite government interventions in several countries in the region, headline inflation in April increased further as price of oil remains elevated (Brent above USD 100 per barrel for most of April). For example, the price level in the Czech economy rose by 0.5% month on month in April. As a result, year-on-year inflation jumped by six tenths of a percentage point to 2.5%. Preliminary data suggest that energy prices recorded a strong increase similar to March, driven mainly by fuel prices. In Poland, inflation climbed to 3.2% y/y in April as energy prices increased by 0.5% m/m, among all. These price trends in the region reflect global developments as looking at the main components of euro area inflation (that increased to 3% y/y in April), energy is expected to have the highest annual rate in April (10.9%, compared with 5.1% in March).

Market performance



Source: Erste Group Research

Market developments

Central banks in Czechia and Serbia left the key policy rate unchanged. The vote in Czechia was unanimous, with all seven members of the Bank Board supporting rate stability. In its new forecast, the CNB projection expects one to two rate hikes over the remainder of this year, followed by rate cuts in the first half of next year. In this regard, it remains an open question whether the Bank Board would ultimately be willing to raise rates for such a relatively short period. Further, Governor Michl noted that in the current situation there is no need to rush into a potential rate hike. In Poland, central bank's Governor Glapiński confirmed during press conference that the rate hike probability is now higher than a month ago. Asked about a current rate cut probability, Glapiński said it is now extremely low. Another hawkish hint was that consideration of rate hikes may arise once NBP projections show that inflation would stay outside the tolerance band, i.e. above 3.5% y/y. In our view, July projection update might meet the condition if Brent oil price holds above USD 100 for the rest of the year. CEE currencies have been strengthening against the euro this week (with exception of Romanian leu) and long-term yields have declined.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
08. May		SK	Industrial Production (y/y)	Mar		-1.70%	-3.00%
	08:30	HU	CPI (y/y)	Apr			1.80%
	08:30	HU	CPI (m/m)	Apr			0.40%
	11:00	HR	PPI (y/y)	Apr			3.17%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.28	-0.1	-0.3
EUR/HUF	356.72	-0.4	-2.1
EUR/PLN	4.23	0.0	-0.5
EUR/RON	5.26	-0.1	1.1
EUR/RSD	117.29	0.0	0.1
EUR/USD	1.17	-0.2	0.0

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.56	0	-1
HUF	6.25	0	0
PLN	3.84	-1	-1
RON	5.86	0	0
RSD	4.70	0	0
EUR	2.25	1	5

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.77	-3	-9
HU 10Y	5.82	-5	-19
PL 10Y	5.54	-1	-19
RO 10Y	6.90	-16	-38
HR 10Y	3.43	3	6
SK 10Y	3.62	-1	-12

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Commercial Court of Vienna
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