

CEE MACRO AND FI DAILY

Eurozone composite PMI drops in May

On the Radar

- Industrial output in Poland grew by 3.1% y/y below market expectations. Wage growth slowed to 5.4% y/y in April, while employment declined by -0.9% y/y. Producer prices grew by 1.9% y/y in April.
- Producer prices in Slovenia increased by 1.4% y/y.
- Today, Slovenia will release wage growth in March (10.30 AM CET), while Croatia will publish wages at 11 AM CET.
- At the top, Croatia will show unemployment rate in April.

Composite PMIs in Eurozone and Germany

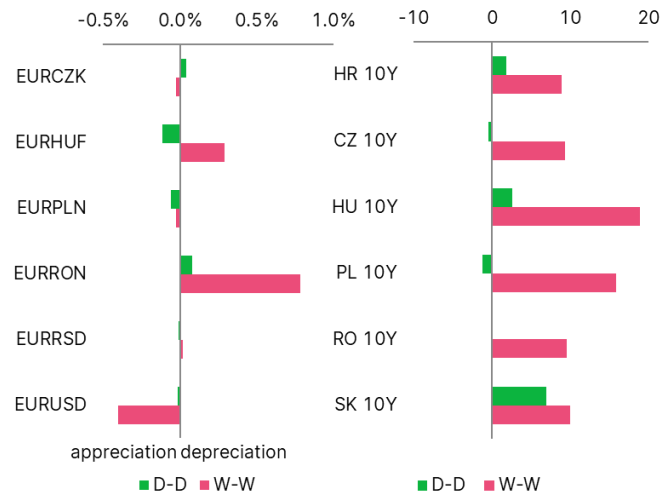


Source: Erste Group Research

Economic developments

Flash PMI indices for the Eurozone were released on Thursday. The preliminary estimates for May point to a deepening downturn in economic activity. The Eurozone flash composite PMI declined to 47.5 in May, marking its lowest level since the end of 2023. This reflects sharper declines in output, new orders, and employment, while business confidence also weakened further. A key factor behind the deterioration in activity was a renewed intensification of cost pressures. Although the manufacturing PMI remained above the 50 threshold in May, it has been weakening over the past three months. The overall contraction in Eurozone output was, however, driven primarily by the services sector, where activity fell at the fastest pace since February 2021. Overall, we concur with the official assessment that the May flash PMI data indicate the Eurozone economy is increasingly feeling the adverse effects of the conflict in the Middle East. Turning to Germany, a key economy in the region, the manufacturing PMI slipped below the 50 threshold, signaling contraction, while the services sector showed resilience and did not deteriorate compared to April. Taken together, the latest PMI readings point to rising downside risks for the CEE region, suggesting that growth momentum heading into mid-2026 remains vulnerable to external shocks.

Market performance



Source: Erste Group Research

Market developments

CEE currencies strengthened against the euro, while long-term yields declined in most of the cee countries over the week. Poland's Ministry of Finance sold PLN 10.0 billion across six bond series that is at the top of the indicated 6–10 billion range, with demand of PLN 13.3 billion, Further, additional PLN 40 million was placed in a top-up auction. Romanian Ministry of Finance raised nearly RON 1.5 billion at government auctions (above prospectus), with yields around 6.38% on 2028 paper and 6.96% on 2035 paper. In Hungary, Prime Minister Magyar warned that budget deficit shortfall will be very high in 2026. Czech central bank Governor Aleš Michl reiterated that the era of low rates is over and the central bank intends to keep rates structurally higher than in the past, leveraging a strong koruna and a restrictive stance to anchor inflation. For Michl key indicator to observe is core inflation. He admitted he was watching also money supply and credit growth.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
22. May	10:30	SI	Wages (y/y)	Mar			4.20%
	11:00	HR	Unemployment Rate	Apr		3.80%	4.30%
	11:00	HR	Wages (y/y)	Mar			4.90%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.27	0.0	0.0
EUR/HUF	358.73	-0.1	0.3
EUR/PLN	4.24	-0.1	0.0
EUR/RON	5.24	0.1	0.8
EUR/RSD	117.33	0.0	0.0
EUR/USD	1.16	0.0	-0.4

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.56	0	0
HUF	6.04	-1	-8
PLN	3.85	0	0
RON	5.84	-1	-2
RSD	4.70	0	0
EUR	2.20	1	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.97	0	9
HU 10Y	5.65	3	19
PL 10Y	5.89	-1	16
RO 10Y	6.97	0	9
HR 10Y	3.50	2	9
SK 10Y	3.73	7	10

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