

CEE MACRO AND FI DAILY

Market suggests lower rates in Poland compared to Czechia

On the Radar

- June's inflation in Hungary landed at 1.7% y/y and in Czechia it eased to 1.5% y/y
- Retail sales in Romania declined by -4.7% y/y, while in Hungary the growth was solid at 4.8% y/y and in Slovakia retail sector expanded by 0.9% y/y. In Czechia retail sales (excluding auto) landed at 4.7% y/y
- Serbia will release producer prices at noon CET.

FRA 9x12, %

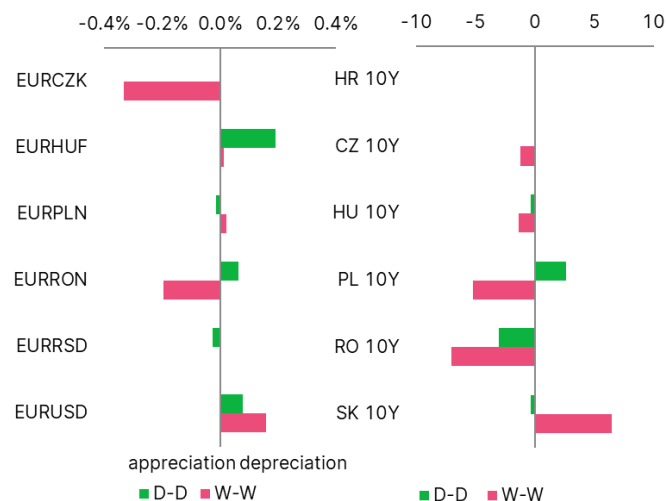


Source: Erste Group Research

Economic developments

Today, we look at market expectations regarding interest rates in Hungary, Czechia, and Poland. Hungary cut its key policy rate at the last meeting, and further rate cuts should be expected. The FRA 9x12 has been declining, reflecting expectations of additional monetary easing. The current policy rate stands at 6%, while the FRA 9x12 is as low as 4.77%. Czechia increased its key policy rate in June, and rate stability should be expected from now on. Interestingly, however, the market has begun to price in a lower policy rate in Poland than in Czechia. The Polish FRA 9x12 has most recently fallen toward 3.7%, while in Czechia it has remained anchored around 4%. Poland's central bank begins its two-day rate-setting meeting today. While rate stability is broadly expected, the central bank has started to send dovish signals as inflation has declined and economic activity has lost some momentum, reflected in weaker GDP growth in Q1 2026 and falling PMIs. This contrasts with the Czech central bank's communication, which continues to emphasize the need to act against domestic inflationary pressures.

Market performance



Source: Erste Group Research

Market developments

The Polish and Romanian central banks will announce their interest rate decisions on Wednesday. We expect rates to remain unchanged in both countries. The press conference of the Governor of the National Bank of Poland is scheduled for Thursday at 3:00 PM. Alongside the interest rate decision, policymakers will review updated inflation and growth projections. It will be interesting to see whether the dovish sentiment begins to prevail among central bankers, potentially altering the interest rate outlook. In Romania, we expect the key policy rate to remain at 6.50% until May 2027. Rate hikes appear unlikely in a weak economy operating with a negative output gap, despite an expected sharp decline in inflation to 5.9% by year-end from 10.9% year-on-year in May. Domestic political instability adds another layer of uncertainty. Sound budget execution over the first five months of the year, realistic assumptions underpinning the 2026 state budget, and higher revenues generated by inflation-driven nominal GDP growth provide some room to meet this year's fiscal deficit target of 6.2% of GDP. Sovereign credit ratings are therefore likely to remain unchanged in 2026. Hungary returned to the international bond market with a €3 billion bond issuance, marking the first major transaction under the new government. The state debt manager, ÁKK, sold €1.5 billion of five-year bonds and €1.5 billion of ten-year bonds. Final spreads were set at 80 basis points over mid-swaps for the five-year notes and 125 basis points for the ten-year bonds. Romania also placed 2029 and 2035 government bonds on Monday.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
07. Jul		CZ	Trade Balance	May		-12.10	16.30
	8:30	HU	CPI (y/y)	Jun	1.80%	1.90%	1.80%
	8:30	HU	CPI (m/m)	Jun		0.20%	
	9:00	CZ	CPI (y/y)	Jun P	1.80%	1.80%	2.10%
	9:00	CZ	CPI (m/m)	Jun P		0.00%	0.10%
	12:00	RS	PPI (y/y)	Jun			7.70%
08. Jul		PL	Central Bank Rate	8-Jul	3.75%	3.75%	3.75%
		RO	Central Bank Rate	8-Jul	6.50%	6.50%	6.50%
	9:00	SK	Trade Balance	May		370.00	76.05

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.15	0.0	-0.3
EUR/HUF	353.61	0.2	0.0
EUR/PLN	4.29	0.0	0.0
EUR/RON	5.23	0.1	-0.2
EUR/RSD	117.21	0.0	0.0
EUR/USD	1.14	0.1	0.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.81	0	-1
HUF	5.66	-1	-4
PLN	3.83	-1	-3
RON	5.84	0	0
RSD	4.69	-1	-1
EUR	2.32	0	0

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.58	0	-1
HU 10Y	5.03	0	-1
PL 10Y	5.24	3	-5
RO 10Y	6.65	-3	-7
HR 10Y	3.36	0	0
SK 10Y	3.61	0	6

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