CEE MARKET INSIGHTS

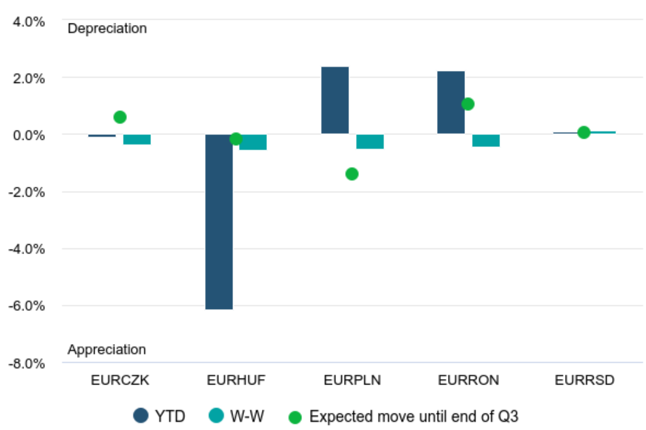
No change expected in Romania’s rating and outlook

This week in CEE

There are several data releases worth watching at the end of this week. On Thursday, flash 2Q26 GDP will be released in Hungary and Czechia, and we expect solid q/q growth. Serbia will follow with its 2Q26 GDP release on Friday, alongside retail sales and industrial output growth in June. On Friday, Poland, Slovenia and Croatia will show July’s flash inflation. Headline inflation may be prone to increases given the rise in commodity prices as the situation in the Middle East has escalated. In Poland, the end of the temporary reduction of tax on fuels may additionally push the headline up. On the other hand, easing food prices should outweigh the negative effect of fuel prices. Finally, on Friday after market close, Fitch will review the rating and outlook in Czechia, Croatia and Romania. While Romania is definitely in the spotlight, we expect no changes in any of the abovementioned countries.

Monday	Tuesday	Wednesday	Thursday	Friday
	SI: Retail	HR: Industry	HU CZ: 2Q26 GDP	PL SI HR: Inflation
	SK: Producer prices		HR: Retail	RS: 2Q26 GDP, Retail, Industry, Trade
			HU: Trade	HU: Producer prices
			RO: Unemployment	
RO: 2031 Bonds	HU: T-Bills	CZ PL: Bonds	RO: 2040 Bonds	

FX market

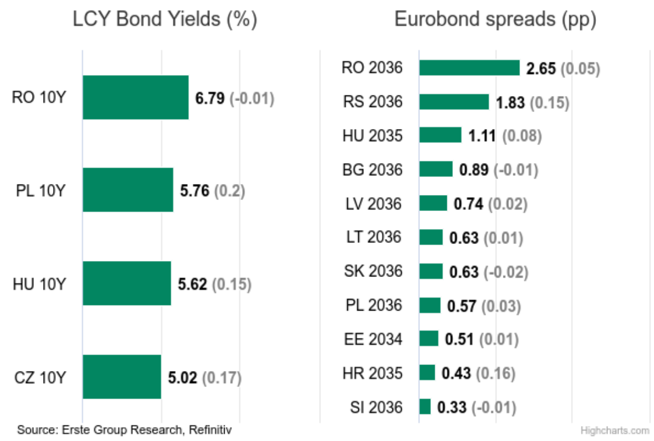


Source: Erste Group Research, Refinitiv

FX market developments

The ECB Governing Council decided to leave key interest rates unchanged. Further, it considers itself adequately positioned to manage the current uncertainties. Energy prices (oil, gas, and electricity) will remain a crucial factor in assessing the ECB’s monetary policy in the short term. Most recently, the Brent price of oil went up toward USD 100 per barrel. Such development will lead to a repricing of inflation expectations and possibly central bank action in the region as well. FRA 9x12 increased in Czechia, Hungary and Poland over the last couple of weeks. CEE currencies showed mixed performance last week, with the Czech koruna and the Polish zloty slightly strengthening against the euro at the end of the week. Finally, the Hungarian central bank delivered a rate cut and the key policy rate is currently at 5.75%. Moreover, the central bank signaled that monetary easing is likely to continue in August despite less favorable global developments. In Czechia, by contrast, we have heard a more hawkish tone, with central banker Kubíček admitting there is a possibility of a further rate hike by year-end. In Poland, MPC member Masłowska said the July central bank projection points to the next rate move being a cut, possibly still in 2026, while central banker Kotecki believes the current level of Poland's interest rate is close to optimal.

LCY yields, Eurobond spreads



Bond market developments

Long-term yields have increased across the region as the market has again begun to consider the possibility of rate hikes given the development of commodity prices in response to the escalation of the Middle East conflict. Czechia's President Pavel vetoed the budget-rules amendment, warning it would ease government debt issuance and weaken parliamentary oversight of public finances. The act is rather symbolic, however. Romania's parliament will be recalled from its summer recess for a session on July 27-31 to debate draft laws that are key milestones in the country's recovery program needed to obtain EU funds. We believe the process should be smooth. Demand for Romanian government paper meets supply and this week Romania is set to sell 2031 and 2040 government paper. Czechia and Poland are also scheduled to place government bonds on the market on Wednesday.

In case you missed

ECB acknowledges increased risks
CEE Auto sector maintains positive momentum

HU: Next month could bring another cut
PL: Improving retail sales and business sentiment
PL: Decent June data in industry and construction
PL: Situation in the labor market remains stable

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
27. Jul			No releases scheduled				
28. Jul	9:00	SK	PPI (y/y)	Jun		2.90%	
	10:30	SI	Retail Sales (y/y)	Jun	2.00%	1.80%	Similar pace as in May anticipated
29. Jul	11:00	HR	Industrial Production (y/y)	Jun	-0.50%	-1.10%	2Q industrial production weakness expected to prolong also into June print
30. Jul	8:00	RO	Unemployment Rate	Jun		6.40%	
	8:30	HU	Trade Balance	Jun		798.60	
	8:30	HU	GDP (q/q)	2Q P	0.60%	0.80%	Vivid consumption is expected to preserve its strong postive contribution and industry could also capitalise on decent European sales. Meanwhile as result of the election outcome a practical government shutdown is going on in Hungary in the last months.
	8:30	HU	GDP (y/y)	2Q P	1.60%	1.70%	Quarterly change indicates y/y figure to be at 1.6%.
	9:00	CZ	GDP (q/q)	2Q A	0.60%	0.20%	After unexpectedly weak growth in Q1, largely reflecting a surge in imports, GDP growth is expected to pick up in the second quarter.
	9:00	CZ	GDP (y/y)	2Q A	2.20%	2.20%	Robust household demand remains the main driver of economic growth, and this pattern is expected to persist over the medium term.
	11:00	HR	Retail Sales (y/y)	Jun	1.00%	0.53%	Inflation still weighing on consumer perfromance
31. Jul	8:30	HU	PPI (y/y)	Jun		-0.70%	
	9:30	PL	CPI (y/y)	Jul P	2.80%	2.50%	
	9:30	PL	CPI (m/m)	Jul P	-0.50%	-0.50%	
	10:30	SI	CPI (y/y)	Jul	3.20%	3.60%	Less aggressive m/m print, should support also some easing on the y/y level
	10:30	SI	CPI (m/m)	Jul		0.80%	
	11:00	HR	CPI (y/y)	Jul P	4.20%	4.50%	Relatively flattish m/m reading expected on more neutral energy prices, y/y figure softening couple of notches
	11:00	HR	CPI (m/m)	Jul P		-0.40%	
	12:00	RS	Industrial Production (y/y)	Jun	0.50%	0.30%	Car production in Stelantis factory is the positive factor this year, but energy production has been underwhelming this year.
	12:00	RS	Retail Sales (y/y)	Jun	7.00%	6.20%	Retail activity is supported through strong real wage growth and high credit demand
	12:00	RS	Trade Balance	Jun		-617.40	
	12:00	RS	GDP (y/y)	2Q P	3.00%	3.20%	We expect consumption will remain the driver of the economy, financed by real wage growth, and, ahead of likely elections, a faster-spending public sector. EXPO pipeline is the main uspide for 2027.

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields	Friday's close	2026Q3	2026Q4	2027Q1	2027Q2
Czechia 10Y	5.02	4.48	4.37	4.30	4.25
Hungary 10Y	5.62	5.30	5.43	5.57	5.56
Poland 10Y	5.76	5.27	5.23	5.17	5.06
Romania10Y	6.79	6.87	6.90	6.86	6.72
Serbia 10Y	5.35	5.45	5.40	5.35	5.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	38.00	45.00	45.00	45.00	45.00
Slovakia 10Y	63.00	70.00	70.00	70.00	70.00
Slovenia 10Y	33.00	40.00	40.00	40.00	40.00
DE10Y yields	3.18	3.00	3.10	3.10	3.10

FX	Friday's close	2026Q3	2026Q4	2027Q1	2027Q2
EURCZK	24.11	24.25	24.20	24.16	24.10
EURHUF	360.64	360.00	360.00	360.00	355.00
EURPLN	4.31	4.25	4.25	4.25	4.25
EURRON	5.21	5.26	5.27	5.27	5.30
EURRSD	117.30	117.35	117.35	117.30	117.10
EURUSD	1.14	1.12	1.10	1.10	1.10

3M Money Market Rate	Friday's close	2026Q3	2026Q4	2027Q1	2027Q2
Czechia	3.88	3.81	3.81	3.81	3.56
Hungary	5.61	5.10	4.95	4.95	4.95
Poland	3.79	3.85	3.85	3.85	3.85
Romania	5.84	5.93	6.16	6.18	5.98
Serbia	4.70	4.70	4.70	4.70	4.70
Eurozone	2.49	2.27	2.28	2.28	2.29

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2026Q3	2026Q4	2027Q1	2027Q2
Czechia	3.75	3.75	3.75	3.75	3.50
Hungary	5.75	5.25	5.00	5.00	5.00
Poland	3.75	3.75	3.75	3.75	3.75
Romania	6.50	6.50	6.50	6.50	6.25
Serbia	5.75	5.75	5.75	5.75	5.75
Eurozone	2.25	2.25	2.25	2.25	2.25

Real GDP growth (%)	2024	2025	2026f	2027f
Croatia	3.8	3.4	2.1	2.3
Czechia	1.1	2.7	2.2	2.7
Hungary	0.7	0.5	1.7	2.2
Poland	3.2	3.6	3.6	2.9
Romania	0.9	0.7	-0.3	2.5
Serbia	3.9	2.0	2.9	4.0
Slovakia	1.9	0.8	1.0	1.7
Slovenia	1.7	1.1	2.0	2.1
CEE8 avg	2.1	2.3	2.3	2.6

Average inflation (%)	2024	2025	2026f	2027f
Croatia	3.0	3.7	5.0	3.3
Czechia	2.4	2.5	2.2	2.5
Hungary	3.7	4.4	2.2	3.4
Poland	3.6	3.6	2.9	2.9
Romania	5.6	7.3	8.3	4.5
Serbia	4.6	3.8	3.7	4.4
Slovakia	2.7	4.0	4.0	3.0
Slovenia	2.0	2.4	3.4	2.7
CEE8 avg	3.6	4.1	3.8	3.2

Unemployment (%)	2024	2025	2026f	2027f
Croatia	5.0	4.9	4.8	4.7
Czechia	2.7	2.9	3.3	3.4
Hungary	4.4	4.4	4.5	4.3
Poland	5.1	5.7	6.2	6.3
Romania	5.5	6.1	6.3	5.8
Serbia	8.6	8.7	8.7	8.6
Slovakia	5.3	5.4	6.0	6.0
Slovenia	3.7	3.9	3.8	3.7
CEE8 avg	4.8	5.2	5.5	5.5

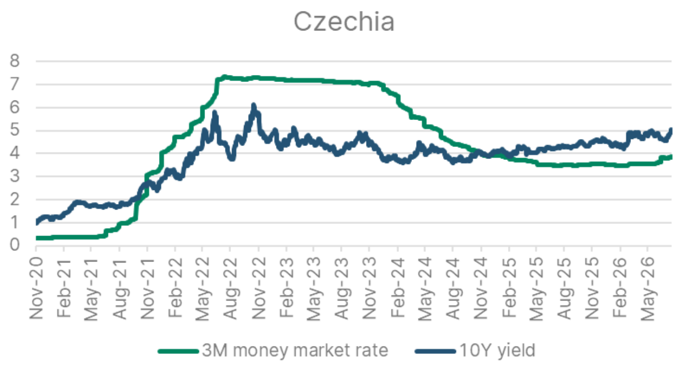
Public debt (% of GDP)	2024	2025	2026f	2027f
Croatia	57.4	56.3	55.3	55.4
Czechia	43.2	44.1	45.0	46.3
Hungary	73.5	74.6	75.8	75.9
Poland	54.8	59.7	65.1	68.8
Romania	54.8	59.3	61.1	63.0
Serbia	46.7	44.5	44.2	43.7
Slovakia	59.7	61.2	62.7	64.5
Slovenia	66.4	65.7	65.7	66.3
CEE8 avg	55.2	58.1	61.0	63.2

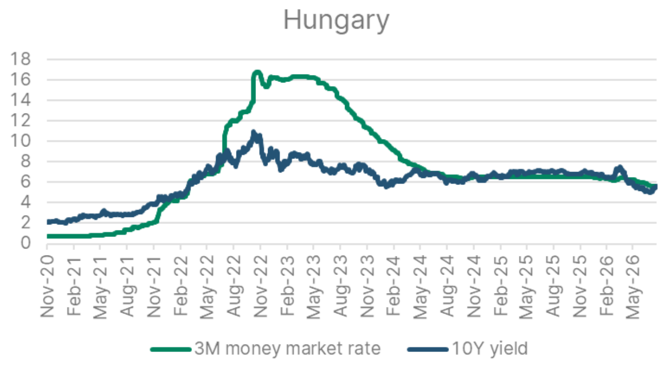
C/A (%GDP)	2024	2025	2026f	2027f
Croatia	-2.2	-3.5	-3.7	-4.1
Czechia	1.7	0.7	0.4	0.8
Hungary	1.7	1.6	-0.3	0.8
Poland	0.3	-0.9	-1.6	-2.3
Romania	-8.2	-7.9	-6.8	-6.2
Serbia	-4.5	-4.9	-4.7	-4.3
Slovakia	-4.6	-3.6	-2.7	-2.5
Slovenia	4.5	3.4	2.4	1.9
CEE8 avg	-1.2	-1.8	-2.2	-2.2

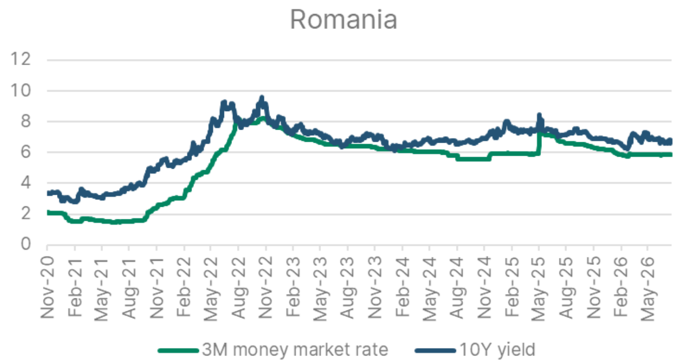
Budget Balance (%GDP)	2024	2025	2026f	2027f
Croatia	-2.3	-3.0	-3.0	-3.0
Czechia	-2.0	-2.1	-2.4	-3.0
Hungary	-5.1	-4.7	-7.0	-5.3
Poland	-6.4	-7.3	-6.9	-6.9
Romania	-9.3	-7.9	-6.2	-5.7
Serbia	-2.0	-2.4	-3.0	-3.0
Slovakia	-5.4	-4.5	-4.5	-5.0
Slovenia	-0.9	-2.5	-3.2	-3.2
CEE8 avg	-5.4	-5.6	-5.5	-5.4

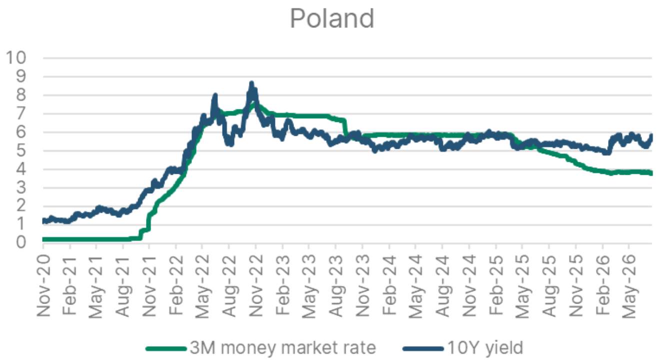
Source: Bloomberg, Erste Group Research

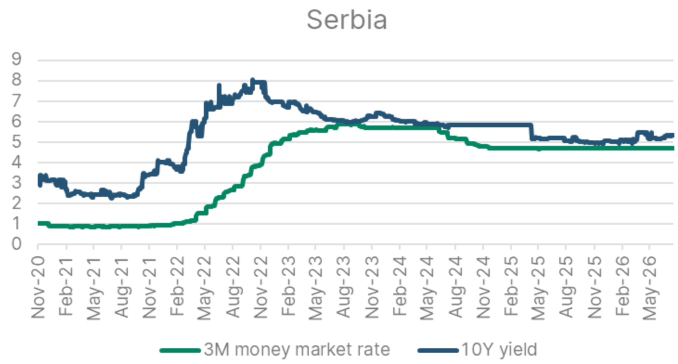
Appendix

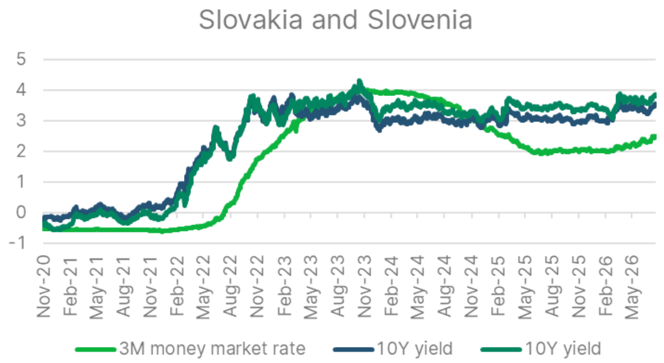


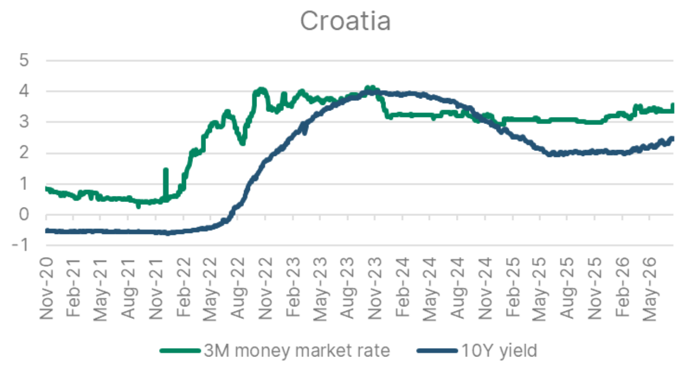












Source: Bloomberg, Erste Group Research

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