CEE MARKET INSIGHTS

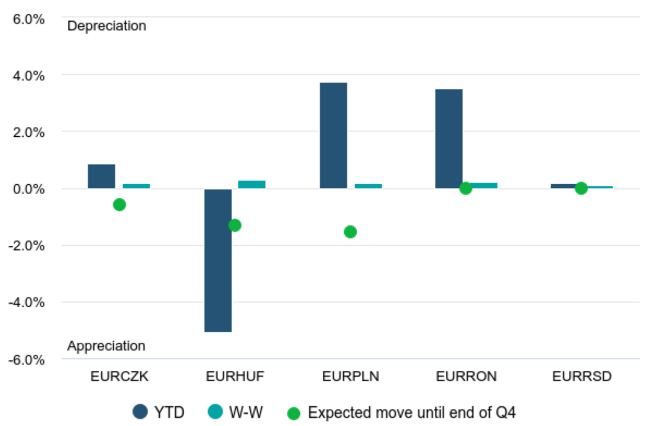
S&P to review Romania's rating

This week in CEE

This week, the focus will be on inflation globally and within the region. September flash inflation will be released in the Eurozone and in the US on Friday. Several CEE countries will also show their inflation development, namely Poland and Slovenia (due Wednesday), alongside Croatia and Slovakia (due Friday). The ongoing conflict in the Middle East, with no resolution in sight, is keeping commodity prices elevated. As a consequence, growing fuel prices are pushing headline inflation up. The most interesting country within the region to watch will be Poland, as the likelihood of CPI hitting 4% in September is high and such an outcome would fuel speculation on monetary tightening there, with the central bank meeting scheduled for the following week. As far as price development is concerned, producer prices are due this week in Slovakia, Hungary and Romania. Other than that, retail sales growth for August will be published in Slovenia, Croatia and Serbia, and we expect growth to moderate slightly. Industry in Croatia and Serbia is expected to post solid growth. Trade data will be published in Serbia and Hungary. Last, but definitely not least, we have the S&P review of Romania's rating and outlook on Friday, after the market closes. Our baseline is no change of the rating, but the downgrade risk is material. We believe that S&P will likely wait and see how the 2027 budget bill looks and how the political situation unfolds before acting. An unscheduled review if things go south is always on the table. Regarding the political situation, a vote for Muresan is scheduled for September 29. The baseline remains that he will not gather enough votes. PSD has been clear in their communication that they do not support this nomination. President Nicusor Dan keeps reiterating that snap elections is a scenario he would rather avoid.

Monday	Tuesday	Wednesday	Thursday	Friday
SK: Producer prices		**PL SI: Inflation**	**RO: Unemployment rate**	**HR: Inflation**
SI: Retail sales		**HR RS: Industry, Retail**		**RO: Producer prices**
		RS HU: Trade		
		HU: Producer prices		
RO: 2040 Bonds	**HU: T-Bills**	**CZ: 2036 Bonds**		

FX Market

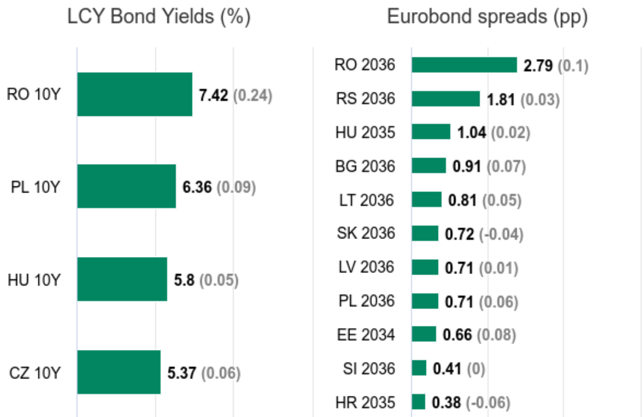


Source: Erste Group Research, Refinitiv

FX market developments

CEE currencies have been weakening against the euro throughout the week, but recovered slightly on Friday. CEE currencies have been facing increasing pressure from rising risk aversion connected to developments in the US-Iran conflict in the Middle East. Constantly changing expectations regarding the monetary policy outlook on major markets also play a role (we now expect a rate hike in December in both the Eurozone and US). In the region, ongoing tensions related to the war in Ukraine add to the pressure, as a Russian military helicopter violated Polish airspace on Wednesday, September 23. As result, Poland's zloty hit its lowest level since the start of 2024 (EURPLN at 4.37) and the Czech crown touched a five-month low (EURCZK at 24.4) in the middle of the week. The EURHUF also moved up toward 365, although the Hungarian forint remains supported by local developments in monetary policy (change of the inflation target and an easing cycle pause). Finally, the Hungarian central bank left the ley policy rate unchanged in September at 5.5%. The central bank also announced that it will lower its inflation target from 3% to 2.5% from January 2028, retaining the 1 percentage point tolerance band around the target. Based on the relatively hawkish messages, the prospects of rate cuts seem off the table for the coming months; we thus adjusted the interest rate outlook accordingly and expect stability of rates until 2Q27.

LCY yields, Eurobond spreads



Source: Erste Group Research, Refinitiv

Bond market developments

The bond market has been strongly influenced by expectations regarding monetary policy as investors price in several rate hikes both in the US and in the Eurozone, reflecting ongoing tensions in the Middle East. The 10Y US Treasuries moved toward 5.1%, while German yields touched 3.6% (a roughly 15-basis point increase throughout the week). Long-term yields in the region also increased in most of the countries, though domestic reasons also had an impact on the long end of the curve. In Hungary, adjustments in the inflation target helped to keep the yield increases contained. In Romania, on the other hand, pressure ahead of the rating review has been rising and the 10Y yield reached this year's high at 7.6%. The upcoming S&P decision will be an important factor shaping further development on the bond market. Regarding bond auctions, Poland successfully placed a series of bonds and Slovakia held the syndication of EUR 2.5bn of 10Y bonds (priced 77 basis points vs. MS). Slovakia has the financing plan fulfilled already. This week, Romania and Hungary have auctions scheduled.

In case you missed

HU: MNB set the inflation target at 2.5%
HU: Policy rate remained at 5.50%
PL: High sales of durables, decent business sentiment
PL: Wages and construction output softer than expected
PL: Moody's downgraded Poland's rating to A3

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
28. Sep	**9:00**	**SK**	PPI (y/y)	Aug		2.70%	
	10:30	**SI**	Retail Sales (y/y)	Aug	3.00%	5.20%	Retail momentum keeping solid pace after strong July print
28. Sep			No releases scheduled				
30. Sep		**HR**	Current Account Balance (quarterly)	2Q		-3411.08	
	8:30	**HU**	PPI (y/y)	Aug		1.01%	
	8:30	**HU**	Trade Balance	Aug		448.90	
	9:00	**CZ**	GDP (q/q)	2Q F	0.40%	0.40%	Household consumption remained the key driver of the economy.
	9:00	**CZ**	GDP (y/y)	2Q F	1.90%	1.90%	The Czech economy remains largely stable, and we expect GDP growth of 2.2% this year.
	9:30	**PL**	CPI (y/y)	Sep P	3.80%	3.40%	Elevated fuel prices and low base effects pushing inflation rate towards 4% y/y
	9:30	**PL**	CPI (m/m)	Sep P	0.40%	0.30%	
	10:30	**SI**	CPI (y/y)	Sep	0.04	0.03	September to bring some acceleration owing to energy print and some base effect.
	10:30	**SI**	CPI (m/m)	Sep		0.10%	
	11:00	**HR**	Industrial Production (y/y)	Aug	3.00%	7.20%	Solid momentum from previous months expected to be prolonged into August
	11:00	**HR**	Retail Sales (y/y)	Aug	2.00%	3.64%	Softer figure compared to July signaled by lower turnover according to Tax authorities data and deflator anticipated to trend higher in August.
	12:00	**RS**	Industrial Production (y/y)	Aug	2.50%	-2.30%	We expect to see some acceleration in August
	12:00	**RS**	Retail Sales (y/y)	Aug	8.50%	8.20%	We expect strong retail activity continued in August
	12:00	**RS**	Trade Balance	Aug		-654.10	
01. Oct	**8:00**	**RO**	Unemployment Rate	Aug		6.40%	
02. Oct	**8:00**	**RO**	PPI (y/y)	Aug		8.75%	
	11:00	**HR**	CPI (y/y)	Sep P	4.60%	4.20%	September to bring seasonal drift on monthly level, with y/y adding couple of notches compared to August.
	11:00	**HR**	CPI (m/m)	Sep P		0.40%	

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia 10Y	5.37	4.72	4.60	4.48	4.38
Hungary 10Y	5.80	5.58	5.48	5.55	5.43
Poland 10Y	6.36	5.59	5.44	5.33	5.27
Romania10Y	7.42	6.90	6.85	6.72	6.52
Serbia 10Y	5.47	5.50	5.50	5.45	5.35

Spreads vs. German Bunds (bps)					
Croatia 10Y	31.00	40.00	40.00	40.00	40.00
Slovakia 10Y	72.00	70.00	70.00	70.00	70.00
Slovenia 10Y	41.00	40.00	40.00	40.00	40.00
DE10Y yields	3.60	3.50	3.40	3.20	3.20

FX	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
EURCZK	24.34	24.20	24.16	24.10	24.06
EURHUF	364.87	360.00	360.00	355.00	355.00
EURPLN	4.37	4.30	4.30	4.30	4.30
EURRON	5.27	5.27	5.27	5.30	5.32
EURRSD	117.36	117.35	117.40	117.20	117.15
EURUSD	1.14	1.12	1.12	1.12	1.12

3M Money Market Rate	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.87	4.05	4.05	3.97	3.81
Hungary	5.50	5.45	5.45	5.20	4.95
Poland	3.86	3.85	3.85	3.85	3.85
Romania	5.97	5.90	5.90	5.81	5.43
Serbia	4.70	4.70	4.70	4.70	4.70
Eurozone	2.61	2.78	2.78	2.79	2.54

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.75	4.00	4.00	4.00	3.75
Hungary	5.50	5.50	5.50	5.25	5.00
Poland	3.75	3.75	3.75	3.75	3.75
Romania	6.50	6.50	6.50	6.25	5.75
Serbia	5.75	5.75	5.75	5.75	5.75
Eurozone	2.50	2.75	2.75	2.75	2.50

Real GDP growth (%)	2024	2025	2026f	2027f
Croatia	3.8	3.4	2.1	2.2
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	3.0
Romania	0.9	0.7	-0.7	2.2
Serbia	3.9	2.0	3.4	4.0
Slovakia	1.9	0.8	0.9	1.7
Slovenia	1.7	1.1	3.2	2.5
CEE8 avg	2.1	2.3	2.2	2.6

Average inflation (%)	2024	2025	2026f	2027f
Croatia	3.0	3.7	4.4	3.1
Czechia	2.4	2.5	2.2	2.6
Hungary	3.7	4.4	1.8	2.8
Poland	3.6	3.6	3.2	3.1
Romania	5.6	7.3	8.4	4.9
Serbia	4.6	3.8	3.1	4.2
Slovakia	2.7	4.0	3.7	3.0
Slovenia	2.0	2.4	3.3	2.5
CEE8 avg	3.6	4.1	3.9	3.3

Unemployment (%)	2024	2025	2026f	2027f
Croatia	5.0	4.9	4.8	4.7
Czechia	2.7	2.9	3.2	3.4
Hungary	4.4	4.4	4.5	4.3
Poland	5.1	5.7	6.1	6.2
Romania	5.5	6.1	6.4	5.8
Serbia	8.6	8.7	7.8	7.5
Slovakia	5.3	5.4	6.0	6.0
Slovenia	3.7	3.9	3.9	3.8
CEE8 avg	4.8	5.2	5.5	5.4

Public debt (% of GDP)	2024	2025	2026f	2027f
Croatia	57.4	56.3	55.5	55.7
Czechia	43.2	44.1	45.0	46.7
Hungary	73.5	74.6	77.0	76.9
Poland	54.8	59.7	67.8	70.5
Romania	54.8	59.3	61.1	63.0
Serbia	46.7	44.5	44.1	43.7
Slovakia	59.7	61.2	62.5	64.3
Slovenia	66.4	65.7	64.9	65.4
CEE8 avg	55.2	58.1	62.2	64.0

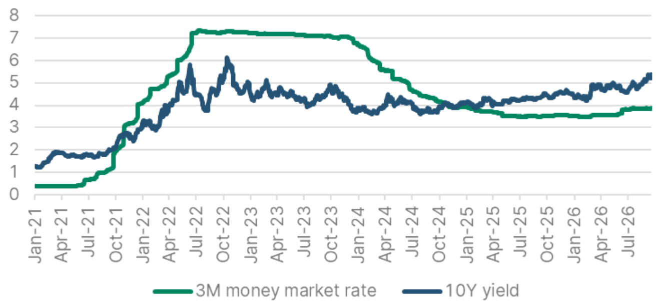
C/A (%GDP)	2024	2025	2026f	2027f
Croatia	-2.2	-3.5	-3.5	-3.9
Czechia	1.7	0.7	0.4	0.8
Hungary	1.7	1.7	-0.1	0.2
Poland	0.3	-0.9	-1.8	-2.4
Romania	-8.2	-7.9	-6.8	-6.2
Serbia	-4.5	-4.9	-4.5	-3.0
Slovakia	-4.6	-3.6	-2.7	-2.5
Slovenia	5.2	4.1	3.5	3.2
CEE8 avg	-1.2	-1.8	-2.2	-2.2

Budget Balance (%GDP)	2024	2025	2026f	2027f
Croatia	-2.3	-3.0	-3.0	-3.0
Czechia	-2.0	-2.1	-2.4	-3.2
Hungary	-5.1	-4.7	-7.3	-5.3
Poland	-6.4	-7.3	-7.1	-7.1
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	-5.6	-5.5

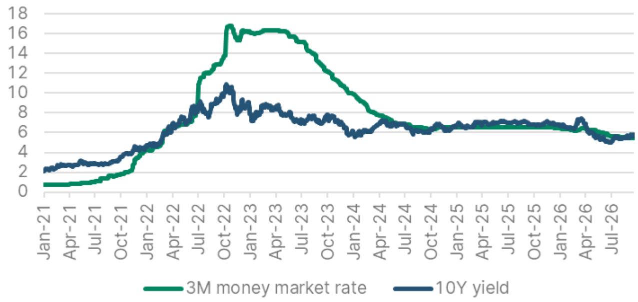
Source: Bloomberg, Erste Group Research

Appendix

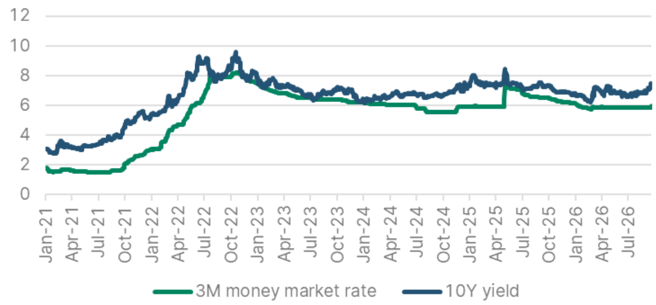
Czechia



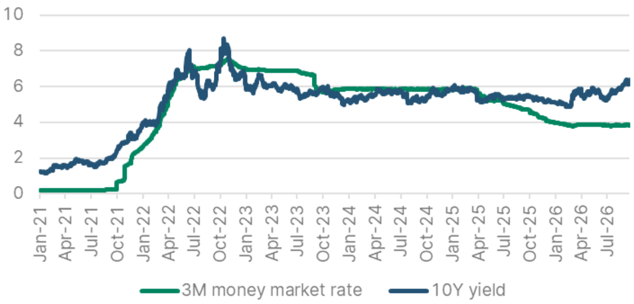
Hungary



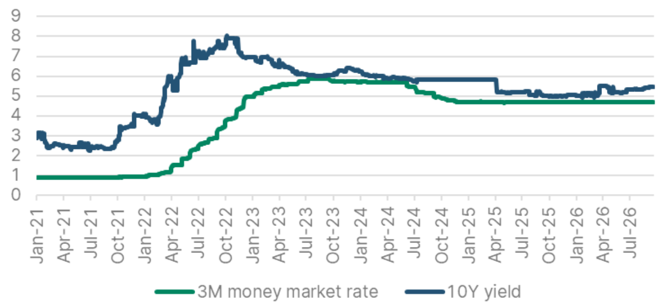
Romania



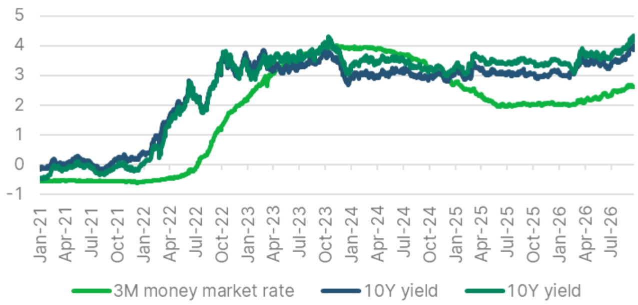
Poland



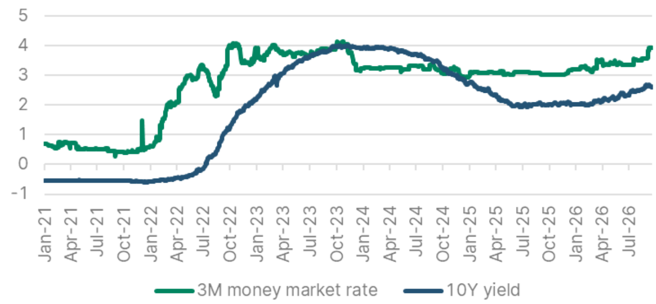
Serbia



Slovakia and Slovenia



Croatia



Source: Bloomberg, Erste Group Research

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Published by:

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Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com