

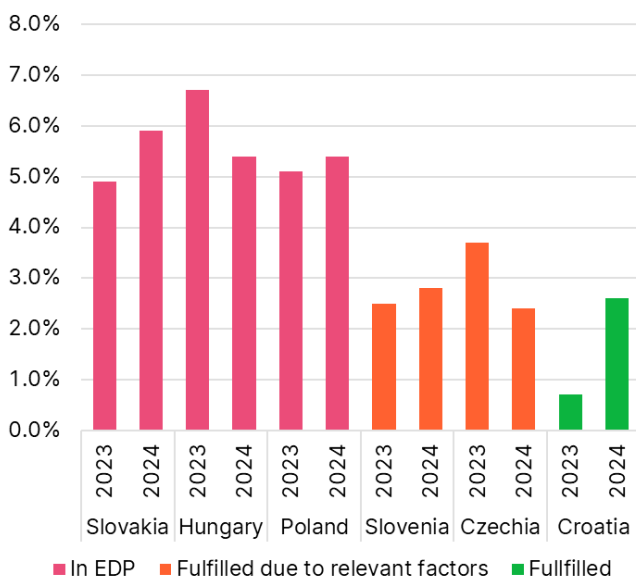
CEE MACRO AND FI DAILY

Three more countries from CEE under EDP

On the Radar

- Today, Poland will publish retail sale growth for May.
- Tomorrow, unemployment rate in Poland and wage growth in Serbia will be released.

Budget balance (AMECO, % of GDP)

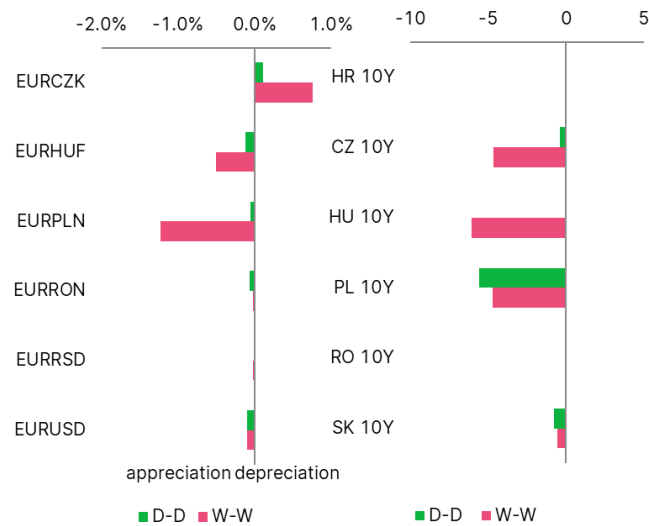


Source: Erste Group Research

Economic developments

Last week, the European Commission released its assessment of compliance with the deficit criterion for twelve Member States, including five from CEE. The review was initiated due to their fiscal balances exceeding 3% of GDP in 2023 or 2024. Poland, Hungary, and Slovakia are projected to breach the rule in both years. In contrast, Czechia is expected to lower its deficit to 2.4% of GDP by 2024, and Slovenia is set to exceed the threshold only this year. When assessing a country, several "relevant factors" are considered, which may help avoid the excessive deficit procedure (EDP). Czechia escaped the EDP due to its debt being under 60%, a promising fiscal outlook for the current year, and consolidation measures amounting to 1.5% of GDP. Slovenia also evaded the EDP, with its deficit forecasted to drop below 3% in 2025 and further to 1.9% of GDP by 2027. However, Poland, Slovakia, and Hungary have been proposed to enter the procedure. Debt sustainability analysis in these countries indicates significant medium-term risks. Defense spending, a "relevant factor," did not aid Poland, and the consolidation efforts in these nations were deemed insufficient by the European Commission. Romania is already under the EDP since 2020.

Market performance



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Market developments

CEE currencies opened on the weaker side this morning, with EURCZK approaching 25 and EURHUF trading around 397. One factor contributing to the weaker koruna is this week's Czech MPC meeting, as CNB's top officials are expected to lower interest rates and have not ruled out a 50bp rate cut. Another factor weighing on CEE currencies is the aftermath of the EU parliamentary elections, particularly the first round of the French parliamentary elections taking place this weekend and the reshuffles among political groups, which increase uncertainty about the future EU leadership.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
24. Jun	10:00	PL	Retail Sales (y/y)	May	5.8%		4.3%
25. Jun	10:00	PL	Unemployment Rate	May	5.0%		5.1%
	12:00	RS	Wages (y/y)	Apr			7.9%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.89	0.1	0.8
EUR/HUF	396.01	-0.1	-0.5
EUR/PLN	4.32	-0.1	-1.2
EUR/RON	4.97	-0.1	0.0
EUR/RSD	116.91	0.0	0.0
EUR/USD	1.07	-0.1	-0.1

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.00	-2	-6
HUF	6.88	1	1
PLN	5.85	0	0
RON	6.02	0	0
RSD	5.45	0	-5
EUR	3.69	-1	-3

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.14	0	-5
HU 10Y	6.86	0	-6
PL 10Y	5.68	-6	-5
RO 10Y	6.78	0	0
HR 10Y	3.33	0	0
SK 10Y	3.49	-1	-1

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