

CEE MARKET INSIGHTS

Flash 2Q24 GDP estimate and July's inflation

This week in CEE

This week is going to be quite eventful in the region. First, the flash estimate of GDP growth in the second quarter will be published in Czechia, Hungary and Serbia as well as in the Eurozone. We expect the countries in the region to maintain solid q/q expansion. Second, flash inflation estimates will be released in Croatia, Poland and Slovenia as well as in Slovakia within the HICP flash estimate for the Eurozone. Further, throughout the week, June's retail sales and/or industrial output growth will be published in several countries (Slovenia, Croatia, Hungary, Serbia). Finally, the Czech central bank holds a rate setting meeting and further monetary easing should be expected. The only open question is the size of monetary easing and whether the Czech central bank will slow the pace from a 50-basis point cut to a 25-basis point cut. At this point, we see a 25-basis point cut to 4.50% as the more likely scenario, due to the persistent cautiousness of the majority of the Board.

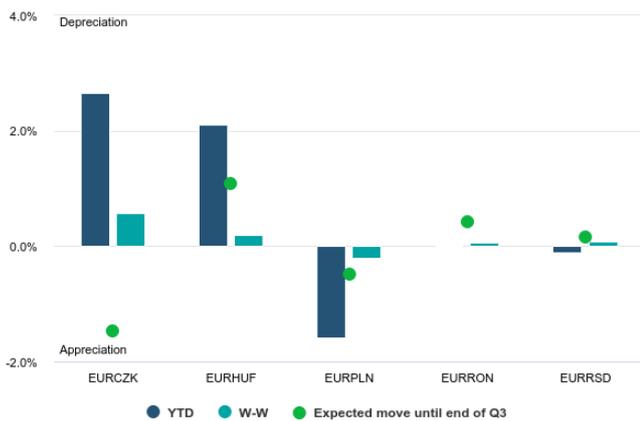
Monday	Tuesday	Wednesday	Thursday	Friday
SI: Retail	HU CZ: 2Q24 GDP	PL SI HR: Inflation	CZ: Central Bank	RO: PPI
HR: Industry	HU: Retail	RS: 2Q24 GDP	RO: Unemployment	SI: Trade
		RS: Industry Retail Trade	HU: Trade	

PL: 2026 2029 2030 2034
2036 2037 Bonds

HU: Bills

RO: Bills

FX market



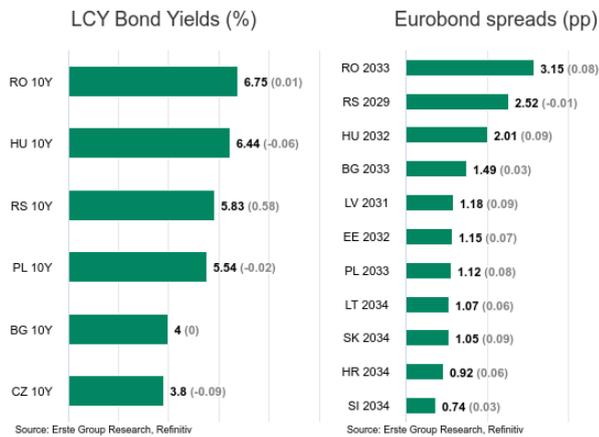
Source: Erste Group Research, Refinitiv

Source: Bloomberg, Erste Group Research

FX market developments

Throughout the week, the Czech koruna and Hungarian forint weakened against the euro, while the Polish zloty was relatively stable, with the EURPLN close to 4.28. This week, the Czech central bank holds a rate setting meeting, and we expect a debate between a 50-basis point cut and slowing the pace of monetary easing to a 25-basis point cut. Vice Governor Frait said that the central bank arrived at the point at which fine-tuning of monetary policy begins. He will be deciding between a 25- and 50-basis point cut at the upcoming meeting, due to the surprisingly low inflation in June. Inflation falling more than expected prompted the Hungarian central bank to continue with monetary easing in July, delivering another 25-basis point cut, as a result of which we marginally lowered our year-end forecast of the key interest rate to 6.25% (from 6.50%). As for other central banker comments, in Czechia, Holub would support switching the pace to 25-basis point cuts so that the key interest rate would be expected at slightly below 4% at the end of the year. In Poland, Monetary Policy Council member Duda said that the central bank may start discussion about monetary easing only in the second half of 2025.

LCY yields, Eurobonds



Source: Bloomberg, Erste Group Research

Bond market developments

The long end of the curve moved lower across the region throughout last week. The flash PMI indices for Germany and the Eurozone were quite disappointing. Further expectations for monetary easing in the US beginning in September have recently been rising more visibly. Romania saw solid demand for local currency bonds last week and sold more than targeted. This week, only Poland will hold bond auctions on Monday; otherwise, the auction calendar is quite empty.

In case you missed

- CEE Special Report: [Can we work more for longer?](#)
- Baltics Outlook: [Economic performance further diverges](#)
- Hungary: [Improved risk assessment enabled a rate cut in July](#)

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Note: Past performance is not necessarily indicative of future results

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Pre Comment
29. Jul	10:30	SI	Retail Sales (y/y)	Jun	0.0%	-1.0%	Retail trade downturn expected to moderate
	11:00	HR	Industrial Production (y/y)	Jun	-1.5%	-3.3%	Industrial production footprint expected to remain volatile
30. Jul	8:30	HU	GDP (q/q)	2Q P	0.6%	0.8%	
	8:30	HU	GDP (y/y)	2Q P	2.5%	1.1%	
	9:00	CZ	GDP (q/q)	2Q A	0.4%	0.20%	Growth was driven mainly by household consumption, with foreign trade acting in the opposite direction. Its development should improve only in the second half of the year.
	9:00	CZ	GDP (y/y)	2Q A	0.5%	0.3%	The data suggest that the Czech economy is undergoing a recovery that should strengthen in the coming quarters.
	11:00	HR	Retail Sales (y/y)	Jun	4.0%	8.4%	Retail trade seen maintaining favorable trend
31. Jul	8:30	HU	PPI (y/y)	Jun		0.00	
	10:00	PL	CPI (y/y)	Jul P	4.0%	0.03	
	10:30	SI	CPI (y/y)	Jul	1.3%	1.5%	Headline figure additionally easing
	11:00	HR	CPI (y/y)	Jul P	2.1%	2.4%	Inflation seen further decelerating
	12:00	RS	Industrial Production (y/y)	Jun	2.0%	-1.10%	Another positive contribution is likely in June
	12:00	RS	Retail Sales (y/y)	Jun	4.0%	6.6%	Recovery of real disposable income supports retail activity
	12:00	RS	Trade Balance	Jun		-859.00	
	12:00	RS	GDP (y/y)	2Q P	4.1%	4.7%	We expect the economy maintained strong growth pace underpinned by domestic demand
01. Aug	8:00	RO	Unemployment Rate	Jun		5.4%	
	8:30	HU	Trade Balance	May F		1146.00	
	14:30	CZ	Central Bank Rate	Aug-24	4.50%	4.75%	The CNB is likely to cut rates again. We expect a 25-point decline, but a 50 bps cannot be ruled out, given the recent unexpected low inflation figure.
02. Aug	8:00	RO	PPI (y/y)	Jun		-1.03%	
	10:30	SI	Trade Balance	Jun		-0.54	

Forecasts

LCY Government bond yields					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	3.80	4.00	3.89	3.74	3.59
Hungary 10Y	6.44	6.42	6.37	6.05	5.95
Poland 10Y	5.54	5.60	5.30	5.00	4.80
Romania 10Y	6.75	6.90	6.80	6.70	6.50
Serbia 10Y	5.83	5.80	5.60	5.50	5.30

Spreads vs. German Bunds (bps)					
Croatia 10Y	92.00	100.00	100.00	100.00	95.00
Slovakia 10Y	105.00	125.00	120.00	120.00	120.00
Slovenia 10Y	74.00	80.00	80.00	80.00	80.00
DE10Y yields	2.41	2.40	2.50	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.56	4.32	4.08	4.02	3.77
Hungary	6.61	6.75	6.55	6.35	6.10
Poland	5.86	5.85	5.85	5.75	5.60
Romania	5.80	5.72	5.32	5.62	5.37
Serbia	5.18	4.98	4.54	4.13	3.70
Eurozone	3.66	3.40	3.09	2.86	2.64

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	3.1	3.4	2.8
Czechia	2.9	0.0	1.0	3.0
Hungary	4.6	-0.9	2.0	3.5
Poland	5.6	0.2	2.8	3.7
Romania	4.1	2.1	2.6	3.4
Serbia	2.5	2.5	3.8	4.0
Slovakia	1.9	1.6	2.2	2.5
Slovenia	2.5	1.6	2.3	2.4
CEE8 avg	4.4	0.7	2.4	3.4

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	67.8	63.0	61.4	59.7
Czechia	42.5	44.0	44.9	45.1
Hungary	74.1	73.5	73.6	72.5
Poland	49.2	49.6	53.0	55.0
Romania	47.5	48.8	49.6	49.6
Serbia	55.2	52.0	51.8	51.3
Slovakia	57.7	56.0	58.2	59.7
Slovenia	72.3	69.2	68.1	67.0
CEE8 avg	52.6	52.7	54.3	55.0

FX					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
EURCZK	25.32	24.95	24.65	24.52	24.44
EURHUF	390.73	395.00	390.00	390.00	390.00
EURPLN	4.27	4.25	4.25	4.30	4.30
EURRON	4.97	4.99	5.00	5.02	5.05
EURRSD	116.96	117.15	117.20	117.20	117.10
EURUSD	1.09	1.11	1.13	1.14	1.14

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.75	4.25	4.00	4.00	3.75
Hungary	6.75	6.75	6.50	6.25	6.00
Poland	5.75	5.75	5.75	5.75	5.50
Romania	6.75	6.50	6.00	6.00	5.75
Serbia	6.00	5.75	5.25	4.75	4.25
Eurozone	3.75	3.50	3.00	2.75	2.50

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.0	2.5
Czechia	15.1	10.7	2.7	2.6
Hungary	14.5	17.6	4.0	4.0
Poland	14.4	11.4	3.5	4.3
Romania	13.7	10.5	5.2	3.7
Serbia	11.9	12.1	4.4	3.1
Slovakia	12.8	10.5	2.8	3.3
Slovenia	8.8	7.4	2.6	2.4
CEE8 avg	13.9	11.5	3.7	3.7

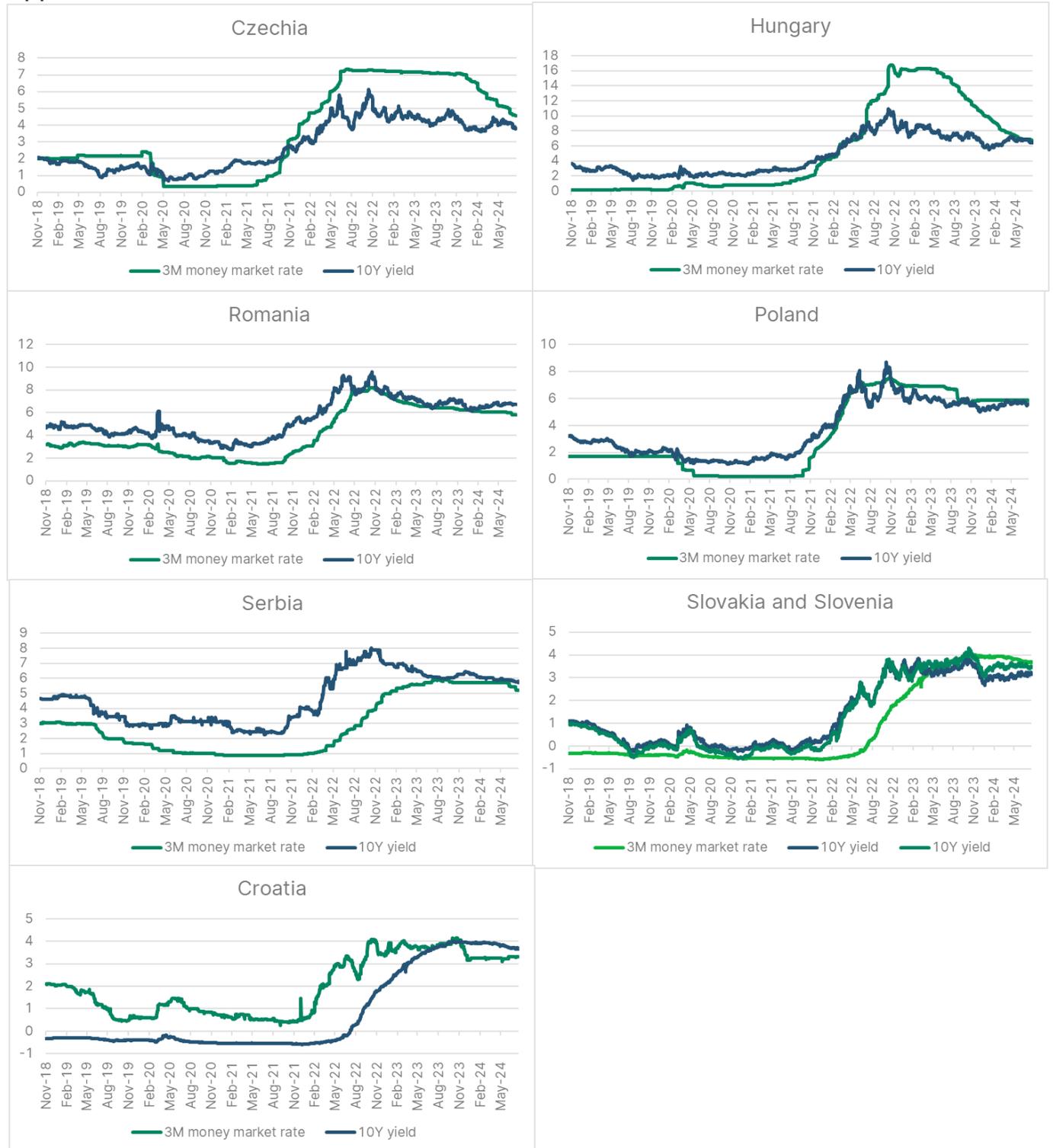
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	1.9	1.8
Poland	-2.4	1.6	0.2	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.9	-1.4

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.1	5.6	5.5
Czechia	2.2	2.6	2.9	3.5
Hungary	3.6	4.1	4.5	3.9
Poland	5.2	5.1	5.1	5.0
Romania	5.6	5.6	5.3	5.2
Serbia	9.4	9.5	8.9	8.6
Slovakia	6.1	5.8	5.7	5.6
Slovenia	4.0	3.7	3.7	3.6
CEE8 avg	4.8	4.9	4.9	4.8

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.7	-2.4	-1.5
Czechia	-3.1	-3.7	-2.7	-2.3
Hungary	-6.2	-6.7	-5.2	-4.1
Poland	-3.7	-5.6	-5.5	-4.0
Romania	-6.3	-6.6	-6.5	-5.0
Serbia	-3.1	-2.2	-2.2	-1.5
Slovakia	-1.7	-4.9	-6.0	-5.0
Slovenia	-3.0	-2.5	-3.0	-2.5
CEE8 avg	-3.9	-5.1	-4.9	-3.8

Source: Market data provider, Erste Group Research

Appendix



Source: Market data provider, Erste Group Research

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