

CEE MARKET INSIGHTS

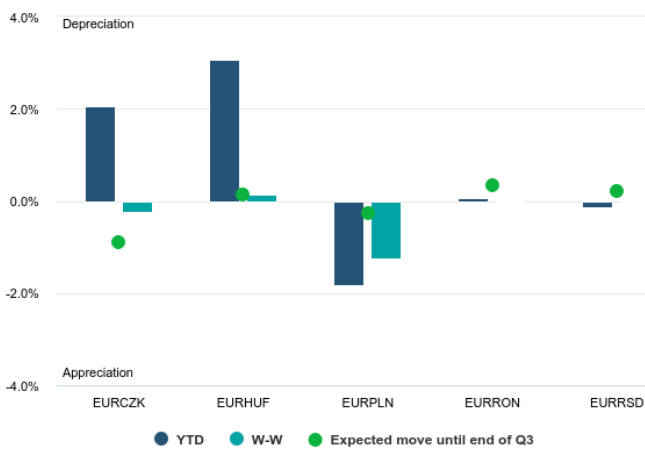
Poland's monthly data as tipping point for upward growth revisions

This week in CEE

This week will be relatively light in terms of economic data releases. Labor market data will be published for several CEE countries, with Poland the first to release retail sales and industrial output figures for July. Growth acceleration is widely expected for both indicators. Combined with the surprisingly strong preliminary GDP growth reported for 2Q24 last week, these numbers could provide the final reassurance needed for upward revisions of Poland's 2024 GDP growth.

Monday	Tuesday	Wednesday	Thursday	Friday
SK: Unemployment	SK: Current account	PL: Industry	PL: Retail	HU: Unemployment
		PL HR: Wages		
		PL SI: PPI		
		HR: Unemployment		
RO: 2031 Bonds	HU PL: Bonds			
	RO HU: Bills			

FX performance

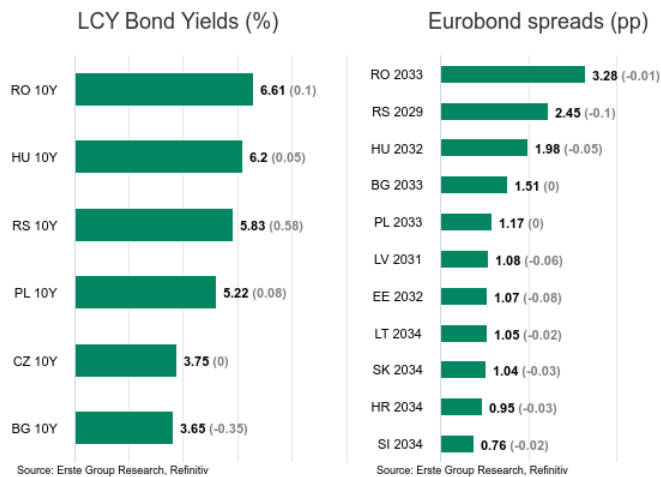


Source: Bloomberg, Erste Group Research

FX market developments

While 2Q GDP flash estimates for several CEE countries generally disappointed, Poland's strong GDP reading was an outlier and a positive surprise. This, along with elevated inflation, provides another reason for Poland's MPC not to rush into monetary easing. This has given a tailwind to the Polish zloty, which strengthened against the euro and outperformed regional peers last week. The forint remains in range-trading mode, influenced by international market sentiment. The first two days of this week (Monday and Tuesday) are public holidays in Hungary. After this break, markets will focus on the upcoming rate-setting meeting on August 27, at which a pause in monetary easing is the most likely scenario, according to our view.

Bond yields and spreads



Source: Bloomberg, Erste Group Research

Bond market developments

Hungary's 10-year government bonds started last week on a weaker note but at the end of the week 10-year yields edged down across all CEE markets except Romania. Romania faced weak demand in its recent 9-year ROMGB auction, with a bid-cover ratio of only 1.07. High year-to-date deficit numbers and the fragility of the coalition government ahead of approaching elections are concerns. The Ministry of Finance hinted that it might tap international bonds twice instead of once for the remainder of this year. This week, Romania is scheduled to reopen ROMGB 2031 and sell T-bills. Hungary will reopen HGBs 2027, 2029 and 2035, and offer 4-month T-bills. Poland will offer various bonds.

In case you missed

CEE: [Special Report - Social Development Goals in the region](#)

CEE: [2Q24 GDP growth surprised mostly to the downside](#)

CZ: [CZ: Increase in food and recreation prices](#)

CZ: [Fitch affirmed Czechia's rating at AA- with stable outlook.](#)

PL: [Poland grew faster than was expected in 2Q24](#)

RO: [Transitory inflation uptick driven by supply-side factors](#)

RO: [Bumpy recovery for industry](#)

RO: [Romanian economy barely expanded by 0.1% q/q in 2Q24](#)

SK: [Domestic demand fueling growth again](#)

SK: [Services are the driver of inflation](#)

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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.	Comment
19. Aug		SK	Unemployment Rate	Jul	5.0%	5.0%	
20. Aug	10:30	SK	Current Account Balance (monthly)	Jun		-161.50	
21. Aug	10:00	PL	Industrial Production (y/y)	Jul		0.3%	
	10:00	PL	PPI (y/y)	Jul		-6.1%	
	10:00	PL	Wages (y/y)	Jul		11.0%	
	10:30	SI	PPI (y/y)	Jul		-2.1%	
	11:00	HR	Unemployment Rate	Jul	4.9%	4.7%	UR likely remained below 5% reflecting tight labor market
	11:00	HR	Wages (y/y)	Jun		13.6%	
22. Aug	10:00	PL	Retail Sales (y/y)	Jul		4.7%	
23. Aug		HU	Unemployment Rate	Jul	4.2%	4.3%	Unemployment rate probably stagnated at 4.2% in July.

Source: Erste Group Research

Forecasts

LCY Government bond yields					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia 10Y	3.75	4.00	3.89	3.74	3.59
Hungary 10Y	6.20	6.34	6.29	5.98	5.89
Poland 10Y	5.22	5.60	5.30	5.00	4.80
Romania10Y	6.61	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)					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Croatia 10Y	95.00	100.00	100.00	100.00	95.00
Slovakia 10Y	104.00	125.00	120.00	120.00	120.00
Slovenia 10Y	76.00	80.00	80.00	80.00	80.00
DE10Y yields	2.24	2.40	2.50	2.60	2.60

3M Money Market Rate					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.40	4.32	4.08	4.02	3.77
Hungary	6.54	6.45	6.25	6.10	5.85
Poland	5.86	5.85	5.85	5.80	5.60
Romania	5.58	5.72	5.32	5.62	5.37
Serbia	5.16	4.98	4.54	4.13	3.70
Eurozone	3.56	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	73.2	72.1
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	25.18	24.95	24.65	24.52	24.44
EURHUF	394.48	395.00	395.00	395.00	396.00
EURPLN	4.26	4.25	4.25	4.30	4.30
EURRON	4.97	4.99	5.00	5.02	5.05
EURRSD	116.91	117.15	117.20	117.20	117.10
EURUSD	1.10	1.11	1.13	1.14	1.14

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q3	2024Q4	2025Q1	2025Q2
Czechia	4.50	4.25	4.00	4.00	3.75
Hungary	6.75	6.50	6.25	6.00	5.75
Poland	5.75	5.75	5.75	5.75	5.50
Romania	6.50	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	3.9	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	3.6	3.7

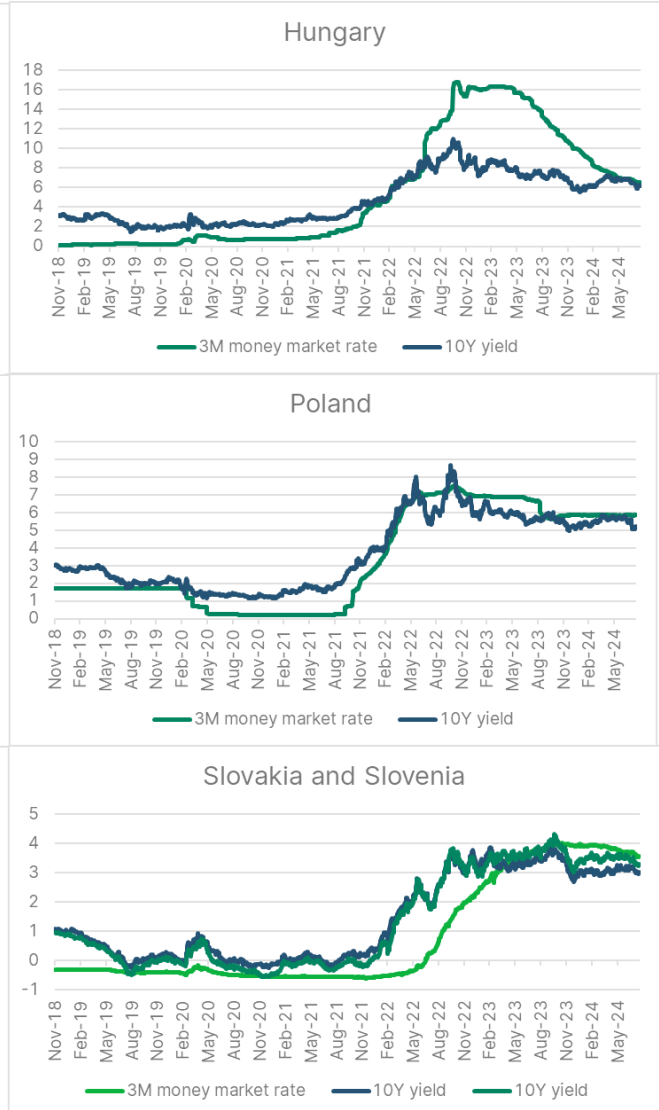
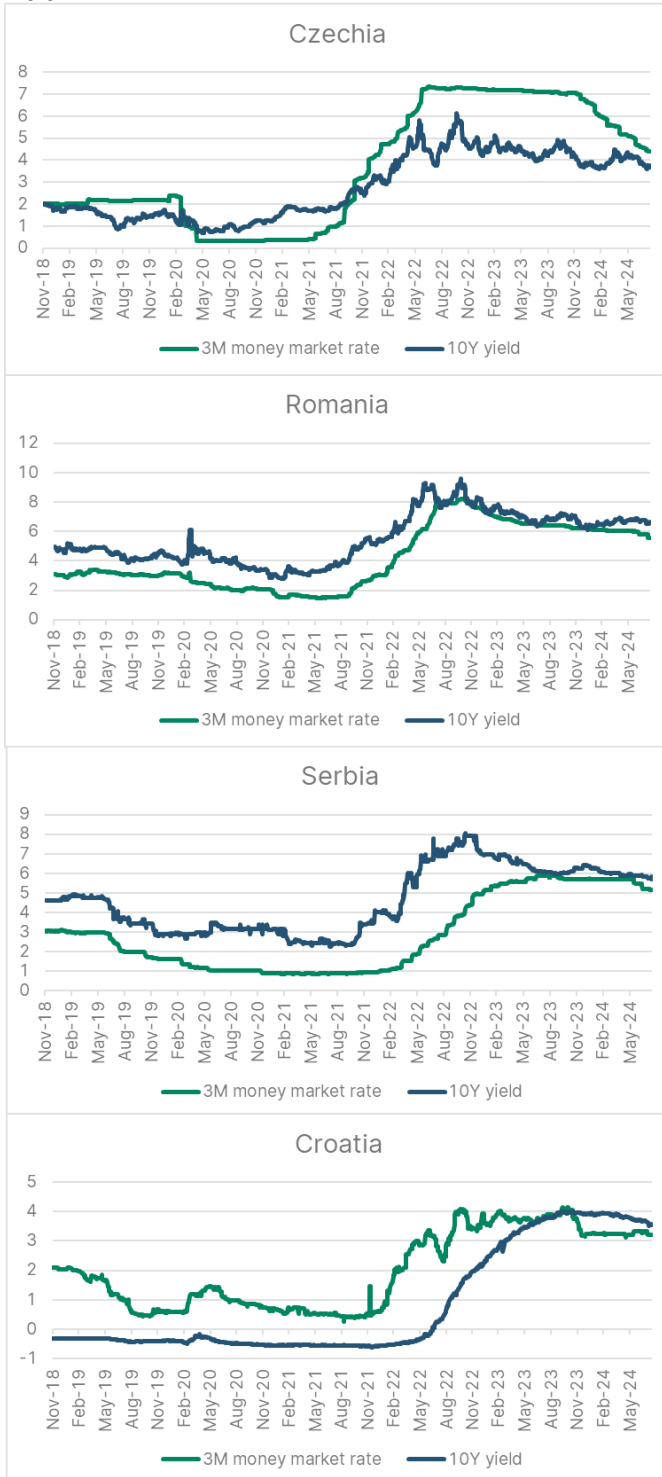
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.5	0.0
Czechia	-5.9	1.2	0.5	0.8
Hungary	-8.4	0.2	2.2	2.2
Poland	-2.4	1.6	0.2	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.7
Slovakia	-7.3	-1.6	-0.6	-0.2
Slovenia	-1.0	4.5	3.2	2.8
CEE8 avg	-5.2	-0.3	-0.9	-1.3

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	4.4	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	-4.7	-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: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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