

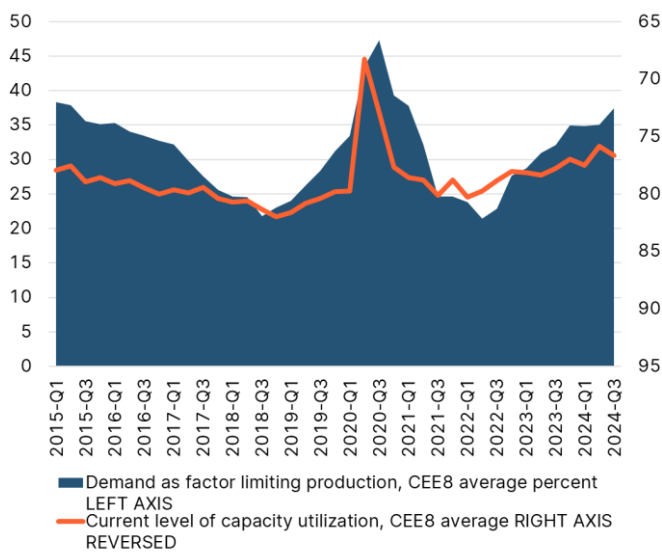
CEE MACRO AND FI DAILY

Weak demand limits production in CEE

On the Radar

- Fitch upgraded Croatia rating to A- with stable outlook.
- Moody's has announced on Friday that Poland's credit rating will remain at its current level.
- Unemployment rate in Slovakia dropped to 5.0% in August.
- In Slovenia, producer prices declined by -1.0% y/y in August, while real wage grew 5.8% y/y in July.
- In Hungary, average wage increased by 13.9% y/y, while real wages grew by 9.4%.
- Today at 10 AM CET Poland will publish retail sales growth in August.

Demand as a factor limiting production and capacity utilization, ESI survey percent

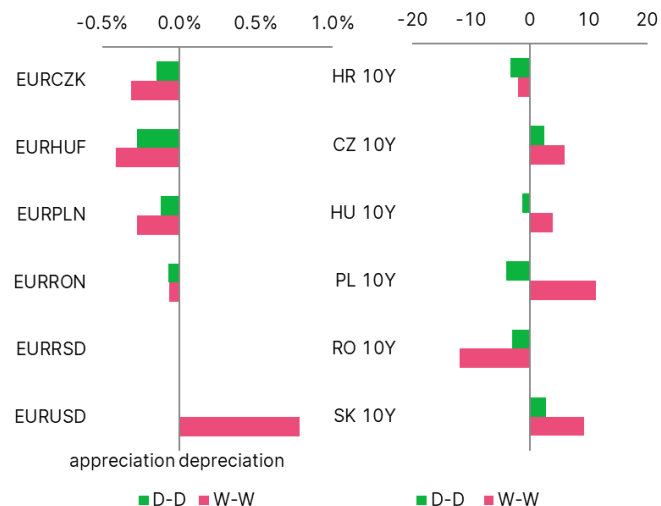


Economic developments

In numerous CEE countries, increasing number of firms see demand as a factor limiting production. Although private consumption recovered to a great extent, it seems that demand is not as strong as could have been expected given the wage increases. The situation is more worrying on production side as percent of companies in CEE that see demand as limiting factor is the highest since the pandemic. Namely, in Czechia, in Poland and in Slovakia the percent is the highest since mid-2020. Further, in Hungary, the percent seeing the demand as limiting factor (53.8) was not that high even during the pandemic. Such development comes in contrast with shortage of material and equipment that was a major issue during pandemic. Further, such development goes hand in hand with declining level of capacity utilization that (apart from pandemic year 2020) is the lowest in last decade. It has been gradually declining since the beginning of 2022.

Source: Erste Group Research

Market performance



Source: Erste Group Research

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Market developments

Fitch upgraded Croatia's outlook to A- with stable outlook. Fitch underlined income convergence, strong growth outlook as well as significant debt reduction as Croatia's strengths. Continuation of economic convergence and further improvement of the governance indicators could warrant and upgrade in the future. Moody's will round up this year's rating calendar in Croatia. We expect positive rating action from Moody's and narrowing the gap vs. S&P and Fitch to one notch. This week, there are two central bank meetings this week. In Hungary, the central bank took a pause in August, but after the ECB and the FOMC meetings, we expect another 25bp rate reduction to 6.5%. In Czechia, we also expect monetary easing to continue. The Czech President Pavel announced that he will name Jakub Seidler to replace Tomas Holub at the central bank's board. Over last week, CEE currencies have strengthened against the euro, while the long-term yields moved up in most of the CEE countries with Romania being the most notable exception.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
23. Sep	08:30	HU	Wages (y/y)	Jul	13.30%		13.3%
	10:00	PL	Retail Sales (y/y)	Aug	4.2%		5.0%
24. Sep	10:00	PL	Unemployment Rate	Aug	5.00%		5.0%
	14:00	HU	Central Bank Rate	Sep 24	6.50%	6.50%	6.8%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.03	-0.1	-0.3
EUR/HUF	392.75	-0.3	-0.4
EUR/PLN	4.27	-0.1	-0.3
EUR/RON	4.97	-0.1	-0.1
EUR/RSD	116.94	0.0	0.0
EUR/USD	1.12	0.0	0.8

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.29	-1	-3
HUF	6.44	-1	-4
PLN	5.85	0	0
RON	5.55	0	0
RSD	4.94	1	-3
EUR	3.44	-2	-4

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.75	2	6
HU 10Y	6.08	-1	4
PL 10Y	5.27	-4	11
RO 10Y	6.67	-3	-12
HR 10Y	3.18	-3	-2
SK 10Y	3.29	3	9

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