

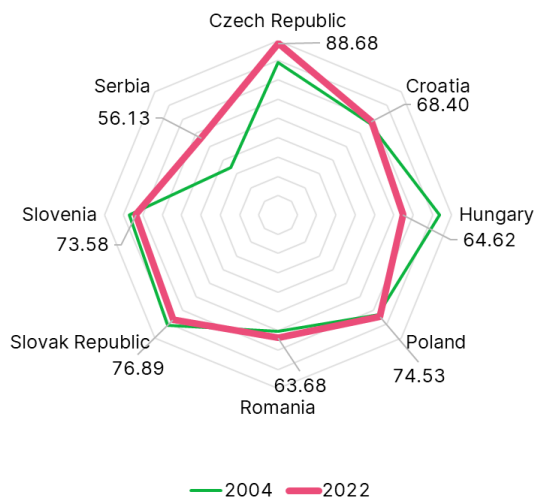
CEE MACRO AND FI DAILY

High quality public institutions generate prosperity

On the Radar

- Czechia's posted a surplus on the current account of CZK 18.5 billion in August. Poland on the other hand had current account deficit of PLN -2827 million in August. In Romania, year-to-date current account position is at RON -17858 million.
- Inflation rate in Slovakia landed at 2.6% in August according to local methodology.
- Final inflation number will be released at 10 AM CET in Poland.

Rule of Law, Worldwide Governance Indicators

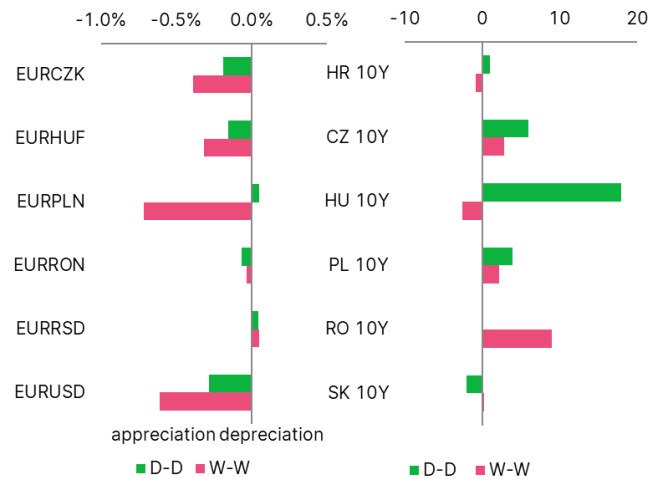


Source: Erste Group Research

Economic developments

The Nobel prize laureates in the economic sciences are Daron Acemoglu, Simon Johnson and James Robinson. They have demonstrated the importance of societal institutions for a country's prosperity. Societies with a poor rule of law and institutions that exploit the population do not generate growth or change for the better, reads the official statement of The Royal Swedish Academy of Sciences. In particular, they argue that inclusive governments (that extend political liberties and property rights as broadly as possible) experience the greatest growth in the long run. By contrast, countries with extractive governments (where power is wielded by a small elite) either fail to generate broad-based growth or see their growth wither away after short bursts of economic expansion. Today we look at the Worldwide Governance Indicators (WGI) that are designed to help assess broad patterns in perceptions of governance across countries and over time. The Rule of Law indicator shows a visible improvement in Serbia and Czechia over last two decades. Despite the improvement, Serbia remains the lowest rated country within the region. Other CEE countries have sustained their positions with Hungary being the stark exception, where rule of law assessment deteriorated quite visibly to 63 and pairs with Romania. Western economies such as Netherlands, Finland or Switzerland, that may serve as a reference point, have their scores between 90 and 100.

Market performance



Source: Erste Group Research

Analyst:

Katarzyna Rzentarzewska
+43 5 0100 17356
katarzyna.rzentarzewska@erstegroup.com

Analyst:

Juraj Kotian
+43 (0)5 0100 17357
juraj.kotian@erstegroup.com

Market developments

The Czech koruna and the Hungarian forint strengthened slightly against the euro on Monday. EURPLN holds at 4.29. The long term yields showed mixed performance. In Romania, Treasury Chief Nanu said that Romania will have high borrowing needs in 2025 as it struggles with very high budget deficit despite plans for fiscal consolidation as of next year. Romania remain open for foreign issuance including Samurai bonds.

Upcoming releases in CEE

| Date | Time | Country | Indicator | Period | Survey | Erste Est. | Prev. |
|---------|-------|---------|-----------|--------|--------|------------|-------|
| 15. Oct | 09:00 | SK | CPI (y/y) | Sep | | 2.60% | 2.80% |
| | 09:00 | SK | CPI (m/m) | Sep | | 0.00% | 0.20% |
| | 10:00 | PL | CPI (y/y) | Sep F | | | 4.90% |
| | 10:00 | PL | CPI (m/m) | Sep F | | | 0.10% |
| 16. Oct | 09:00 | CZ | PPI (y/y) | Sep | 0.74% | 0.50% | 1.10% |
| | 11:00 | HR | CPI (y/y) | Sep F | | 1.60% | 1.60% |
| | 11:00 | HR | CPI (m/m) | Sep F | | | 0.30% |

FX Market

| | Last | Change (%) | |
|---------|--------|------------|------|
| | | d/d | w/w |
| EUR/CZK | 25.22 | -0.2 | -0.4 |
| EUR/HUF | 400.37 | -0.2 | -0.3 |
| EUR/PLN | 4.29 | 0.0 | -0.7 |
| EUR/RON | 4.97 | -0.1 | 0.0 |
| EUR/RSD | 116.91 | 0.0 | 0.1 |
| EUR/USD | 1.09 | -0.3 | -0.6 |

3M Market

| | Last | Change (bps) | |
|-----|------|--------------|-----|
| | | d-d | w-w |
| CZK | 4.15 | 0 | -3 |
| HUF | 6.34 | 2 | 3 |
| PLN | 5.87 | 2 | 2 |
| RON | 5.55 | 0 | 0 |
| RSD | 4.89 | 1 | -4 |
| EUR | 3.21 | 3 | -6 |

10Y Yields

| | Last | Change (bps) | |
|--------|------|--------------|-----|
| | | d-d | w-w |
| CZ 10Y | 3.98 | 6 | 3 |
| HU 10Y | 6.41 | 18 | -3 |
| PL 10Y | 5.49 | 4 | 2 |
| RO 10Y | 6.74 | 0 | 9 |
| HR 10Y | 3.05 | 1 | -1 |
| SK 10Y | 3.26 | -2 | 0 |

Group Research

| | | | |
|--|--|--|--|
| Head of Group Research Friedrich Mostböck, CEFA®, CESGA® | +43 (0)5 0100 11902 | GM Retail Products & Business Development Head: Martin Langer | +43 (0)50100 11313 |
| CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI) Katarzyna Rzentarzewska (Fixed income) Jakub Cery (Fixed income) | +43 (0)5 0100 17357 +43 (0)5 0100 17356 +43 (0)5 0100 17384 | Corporate Treasury Product Distribution AT Head: Martina Kranzl-Carvell | +43 (0)5 0100 84147 |
| Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic | +385 72 37 1383 +385 72 37 1443 +385 72 37 2419 | Group Securities Markets Head: Thomas Einramhof | +43 (0)50100 84432 |
| Czech Republic David Navratil (Head) Jiri Polansky Michal Skorepa | +420 956 765 439 +420 956 765 192 +420 956 765 172 | Institutional Distribution Core Head: Jürgen Niemeier | +49 (0)30 8105800 5503 |
| Hungary Orsolya Nyeste János Nagy | +361 268 4428 +361 272 5115 | Institutional Distribution DACH+ Head: Marc Frieberthäuser Bernd Bollhof Andreas Goll Mathias Gindele Ulrich Inhofner Sven Kienzle Rene Klasen Christopher Lampe-Traupe Danijel Popovic Michael Schmotz Christoph Ungerböck Klaus Vosseler | +49 (0)711 810400 5540 +49 (0)30 8105800 5525 +49 (0)711 810400 5561 +49 (0)711 810400 5562 +43 (0)5 0100 85544 +49 (0)711 810400 5541 +49 (0)30 8105800 5521 +49 (0)30 8105800 5523 +49 1704144713 +43 (0)5 0100 85542 +43 (0)5 0100 85558 +49 (0)711 810400 5560 |
| Romania Ciprian Dascalu (Head) Eugen Sinca Dorina Ilasco Vlad Nicolae Ionita | +40 3735 10108 +40 3735 10435 +40 3735 10436 +40 7867 15618 | Slovakia Šarlota Šipulová Monika Směliková | +421 2 4862 5619 +421 2 4862 5629 |
| Slovakia Maria Valachyova (Head) Matej Hornak Marian Kocis | +421 2 4862 4185 +421 902 213 591 +421 904 677 274 | Institutional Distribution CEE & Insti AM CZ Head: Antun Burić Jaromir Malak | +385 (0)7237 2439 +43 (0)5 0100 84254 |
| Major Markets & Credit Research Head: Rainer Singer Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies) Hans Engel (Global Equities) Maurice Jiszda, CEFA®, CFDS® (USA, CHF) Peter Kaufmann, CFA® (Corporate Bonds) Heiko Langer (Financials & Covered Bonds) Stephan Lingnau (Global Equities) Maximilian Mösti (Credit Analyst Austria) Carmen Riefler-Kowarsch (Financials & Covered Bonds) Bernadett Povaszal-Römhild, CEFA®, CESGA® (Corporate Bonds) Elena Statelov, CIAA® (Corporate Bonds) Gerald Waiek, CFA® (Eurozone) | +43 (0)5 0100 17331 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 19630 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 17211 +43 (0)5 0100 19632 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16300 | Czech Republic Head: Ondrej Čech Milan Bartoš Jan Porvich Pavel Zdichynec | +420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566 +420 2 2499 5590 |
| CEE Equity Research Head: Henning EBkuchen, CESGA® Daniel Lion, CIAA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIAA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA | +43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913 | Institutional Asset Management Czech Republic Head: Petr Holeček Petra Maděrová Martin Peřina David Petráček Blanka Weinerová Petř Valenta Croatia Head: Antun Burić Zvonimir Tukač Ana Tunjić Natalija Zujic Hungary Head: Peter Csizmadia Gábor Bálint Balázs Papay Gergő Szabo Romania Head: Cristian Vasile Pascu | +420 956 765 453 +420 956 765 178 +420 956 765 106 +420 956 765 809 +420 956 765 317 +420 956 765 140 +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 2225 +385 (0)7237 1638 +36 1 237 8211 +36 1 237 8205 +36 1 237 8213 +36 1 237 8209 +40 373 511 695 |
| Croatia/Serbia Mladen Dodig (Head) Boris Pevalek, CFA® Marko Plastic Matej Pretkovic Bruno Barbic Davor Spoljar, CFA® Magdalena Basic | +381 11 22 09178 +385 99 237 2201 +385 99 237 5191 +385 99 237 7519 +385 99 237 1041 +385 72 37 2825 +385 99 237 1407 | Group Institutional Equity Sales Head: Michal Řízek Werner Fürst Viktoria Kubalcova Thomas Schneidhofer Oliver Schuster Czech Republic Head: Michal Řízek Jiří Fereš Martin Havian Pavel Krabička Poland Head: Jacek Jakub Langer Tomasz Galanciak Wojciech Wysocki Przemysław Nowosad Maciej Senderek Croatia Matija Tkalicanac Hungary Nandori Levente Krisztian Kandik Balasz Zankay Romania Valerian Ionescu | +420 224 995 537 +43 (0)50100 83121 +43 (0)5 0100 83124 +43 (0)5 0100 83120 +43 (0)5 0100 83119 +420 224 995 537 +420 224 995 554 +420 224 995 551 +420 224 995 411 +48 22 257 5711 +48 22 257 5715 +48 22 257 5714 +48 22 257 5712 +48 22 257 5713 +385 72 37 21 14 + 36 1 23 55 141 + 36 1 23 55 162 + 36 1 23 55 156 +40 3735 16541 |
| Czech Republic Petr Bartek (Head, Utilities) Jan Bystřický | +420 956 765 227 +420 956 765 218 | Group Fixed Income Securities Markets Head: Goran Hobljaj | +43 (0)50100 84403 |
| Hungary József Miró (Head) András Nagy Tamás Pletser, CFA® (Oil & Gas) | +361 235 5131 +361 235 5132 +361 235 5135 | Fixed Income Flow Sales Head: Gorjan Hobljaj Margit Hrasček Christian Kienesberger Ciprian Mitu Bernd Thaler Zsuzsanna Toth Poland Pawel Kielek Michal Jarmakowicz | +43 (0)5 0100 84403 +43 (0)5 0100 84117 +43 (0)5 0100 84323 +43 (0)5 0100 85612 +43 (0)5 0100 84119 +36 1 237 8209 +48 22 538 6223 +43 50100 85611 |
| Poland Cezary Bernatek (Head) Piotr Bogusz Łukasz Jańczak Krzysztof Kawa, CIAA® Jakub Szkopek | +48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753 | Fixed Income Flow Trading Head: Gorjan Hobljaj | +43 (0)5 0100 84403 |
| Romania Caius Rapanu | +40 3735 10441 | Group Fixed Income Securities Trading Head: Goran Hobljaj | +43 (0)50100 84403 |
| Group Markets | | Group Equity Trading & Structuring Head: Ronald Nemeč | +43 (0)50100 83011 |
| Head of Group Markets Oswald Huber | +43 (0)5 0100 84901 | Business Support Bettina Mahoric | +43 (0)50100 86441 |
| Group Markets Retail and Agency Business Head: Christian Reiss | +43 (0)5 0100 84012 | | |
| Markets Retail Sales AT Head: Markus Kaller | +43 (0)5 0100 84239 | | |
| Group Markets Execution Head: Kurt Gerhold | +43 (0)5 0100 84232 | | |
| Retail & Sparkassen Sales Head: Uwe Kolar | +43 (0)5 0100 83214 | | |
| Markets Retail Sales CZ Head: Roman Choc | +420 956 765 374 | | |
| Markets Retail Sales HUN Head: Peter Kishazi | +36 1 23 55 853 | | |

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