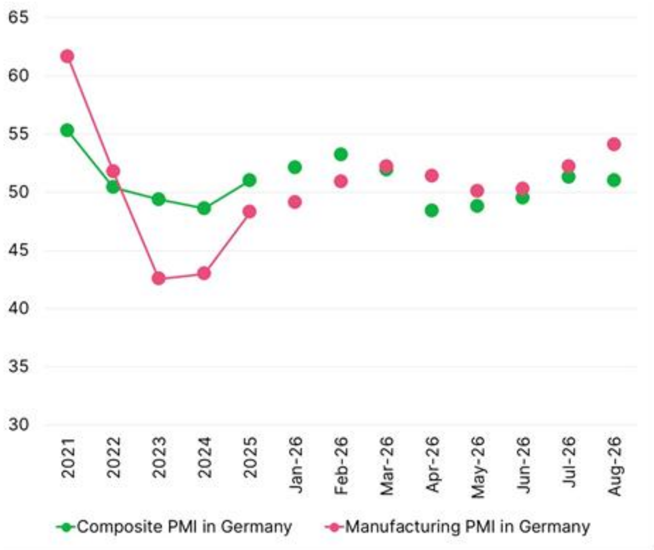
CEE MACRO AND FI DAILY

German industry supports CEE

On the Radar

- Fitch ratings affirmed Poland's rating and kept the outlook negative.
- Today, retail sales growth will be released in Poland at 9.30 AM CET and money supply growth in the afternoon.
- In Slovenia, unemployment rate for 2Q26 will be published.

PMI in Germany, points

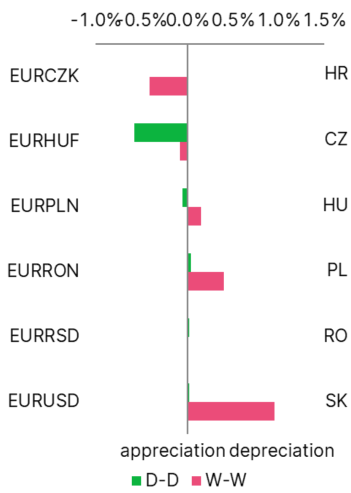


Source: Erste Group Research

Economic developments

The Flash Composite PMI index for Eurozone in August edged up to 52.1, suggesting that the eurozone economy continues to maintain solid momentum in the third quarter. So far, economic activity appears to have remained relatively resilient despite the ongoing conflict in the Middle East and the associated uncertainty. The improvement was driven primarily by the manufacturing sector as manufacturing PMI increased by 0.9 points to 52.8. Further, Germany was the main contributor, with its manufacturing PMI index rising by as much as 1.9 points to 54.1. The recovery was accompanied by the biggest increase in output and export orders since mid-2022, pointing to a broader improvement in external demand. The services sector also remained in expansion, although the pace of growth was broadly unchanged from the previous month. The improvement in eurozone manufacturing is particularly encouraging for the CEE region, given its strong integration into European and German industrial supply chains. All in all, the latest PMI readings therefore point to a more supportive external environment for CEE industry in the second half of the year, although the sustainability of the recovery will depend on whether the rebound in new orders continues and whether geopolitical tensions remain contained.

Market performance



Source: Erste Group Research

Market developments

Fitch Ratings affirmed Poland's long-term rating at "A-" with a negative outlook, citing the absence of a credible fiscal consolidation plan amid high deficits and rapid debt growth. Fitch expects the general government deficit will remain elevated at 6.9 percent of GDP in 2026, more than double the current peer median of 3 percent. Further, Fitch expects the fiscal deficit to narrow marginally to 6.7 percent of GDP in 2027. In Romania, the parliament reconvenes in extraordinary session this week to pass outstanding reforms needed to unlock the remaining EU funds. Hungary is powering up the nuclear power plant and plans to have it running at full capacity by middle of the week as the level of water in Danube River has been rising. On the core markets, rising energy prices, higher inflation risks, and a surprisingly robust economy are increasing the pressure on the ECB to act. We expect another interest rate hike of 25 basis points to 2.5% in September.

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

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

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
24. Aug	**9:30**	**PL**	Retail Sales (y/y)	Jul		3.90%	6.80%
25. Aug	**9:30**	**PL**	Unemployment Rate	Jul	5.87%	5.90%	5.80%
	12:00	**RS**	Wages (y/y)	Jun			6.10%
	14:00	**HU**	Central Bank Rate	25-Aug	5.50%	5.50%	5.75%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.10	0.0	-0.4
EUR/HUF	362.43	-0.6	-0.1
EUR/PLN	4.31	-0.1	0.2
EUR/RON	5.25	0.0	0.4
EUR/RSD	117.20	0.0	0.0
EUR/USD	1.17	0.0	1.0

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.85	0	1
HUF	5.54	0	-1
PLN	3.83	0	0
RON	5.84	0	0
RSD	4.70	0	0
EUR	2.52	2	2

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.94	-1	10
HU 10Y	5.48	0	10
PL 10Y	5.91	-1	9
RO 10Y	6.89	6	7
HR 10Y	3.56	0	4
SK 10Y	3.94	0	6

Group Research

Head of Group Research
Friedrich Mostböck, CEFA®, CESGA® — friedrich.mostboeck@erstegroup.com

CEE Macro/Fixed Income Research
Head: Juraj Kotian (Macro/FI) — juraj.kotian@erstegroup.com
Katarzyna Rzentarzewska (Fixed income) — katarzyna.rzentarzewska@erstegroup.com
Jakub Cery (Fixed income) — jaku.cery@erstegroup.com

Croatia/Serbia
Alen Kovac (Head) — akovac2@hr.erstebank.com
Mate Jelić — mjelic1@erstebank.hr
Ivana Rogic — irogic@erstebank.com

Czech Republic
David Navratil (Head) — dnavratil@csas.cz
Jiri Polansky — jpolansky@csas.cz
Michal Skorepa — mskorepa@csas.cz

Hungary
Orsolya Nyeste — orsolya.nyeste@erstebank.hu
János Nagy — janos.nagy@erstebank.hu

Poland
Piotr Bielski (Head) — piotr.bielski@erste.pl
Bartosz Białas — bartosz.bialas@erste.pl
Adrian Domitrz — adrian.domitrz@erste.pl
Marcin Luziński — marcin.luzinski@erste.pl
Grzegorz Ogonek — grzegorz.ogonek@erste.pl

Romania
Ciprian Dascalu (Head) — ciprian.dascalu@bcr.ro
Vlad Nicolae Ionita — vlad.ionita@bcr.ro
Rares-Teodor Racovita — raresteodor.racovita@bcr.ro

Slovakia
Maria Valachyova (Head) — valachyova.maria@slsp.sk
Marian Kocis — kocis.marian@slsp.sk
Maximilian Weber — weber.maximilian@slsp.sk

Major Markets & Credit Research
Head: Rainer Singer — rainer.singer@erstegroup.com
Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies) — ralf.burchert@erstegroup.com
Hans Engel (Global Equities) — hans.engel@erstegroup.com
Maurice Jiszda, CEFA®, CFDS® (USA, CHF) — maurice.jiszda@erstegroup.com
Peter Kaufmann, CFA® (Corporate Bonds) — peter.kaufmann@erstegroup.com
Heiko Langer (Financials & Covered Bonds) — heiko.langer@erstegroup.com
Stephan Lingnau (Global Equities) — stephan.lingnau@erstegroup.com
Maximilian Möstl (Credit Analyst Austria) — maximilian.moestl@erstegroup.com
Carmen Riefler-Kowarsch (Financials & Covered Bonds) — carmen.riefler-kowarsch@erstegroup.com
Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corp. Bonds) — bernadett.povazsai-roemhild@erstegroup.com
Elena Statelov, CIIA® (Corporate Bonds) — elena.statelov@erstegroup.com
Gerald Walek, CFA® (Eurozone) — gerald.walek@erstegroup.com

CEE Equity Research
Head: Henning Eßkuchen, CESGA® — henning.esskuchen@erstegroup.com
Daniel Lion, CIIA® (Technology, Ind. Goods&Services) — daniel.lion@erstegroup.com
Michael Marschallinger, CFA® — michael.marschallinger@erstegroup.com
Nora Varga-Nagy, CFA® (Telecom) — nora.varga-nagy@erstegroup.com
Christoph Schultes, MBA, CIIA® (Real Estate) — christoph.schultes@erstegroup.com
Thomas Unger, CFA® (Banks, Insurance) — thomas.unger@erstegroup.com
Vladimira Urbankova, MBA (Pharma) — vladimira.urbankova@erstegroup.com
Martina Valenta, MBA — martina.valenta@erstegroup.com

Croatia/Serbia
Mladen Dodig (Head) — mladen.dodig@erstebank.rs
Magdalena Basic — mbasic@erstebank.hr
Ivan Lisec — ilisec@erstebank.hr
Boris Pevalek, CFA® — bpevalek@erstebank.hr
Marko Plastic — mplastic@erstebank.hr
Davor Spoljar, CFA® — dspoljar@hr.erstebank.com

Czech Republic
Petr Bartek (Head, Utilities) — pbartek@csas.cz
Jan Bystřický — jbystricky@csas.cz

Hungary
József Miró (Head) — jozsef.miro@ersteinvestment.hu
András Nagy — andras.nagy@ersteinvestment.hu

Poland
Cezary Bernatek (Head) — cezary.bernatek@erstegroup.com
Piotr Bogusz — piotr.bogusz@erstegroup.com
Łukasz Jańczak — lukasz.janczak@erstegroup.com
Jakub Szkopek — jakub.szkopek@erstegroup.com
Krzysztof Tkocz — krzysztof.tkocz@erstegroup.com

Romania
Caius Rapanu — caiusroa.rapanu@bcr.ro
Liviu-Mihai Bogdan — liviumihai.bogdan@bcr.ro

Group Markets

Head of Group Markets
Oswald Huber — oswald.huber@erstegroup.com

Group Markets Retail and Agency Business
Head: Martin Langer — martin.langer@erstegroup.com

Markets Retail Sales AT
Head: Markus Kaller — markus.kaller@erstegroup.com
Group Markets Execution
Head: Kurt Gerhold — kurt.gerhold@erstegroup.com
Retail & Sparkassen Sales
Head: Uwe Kolar — uwe.kolar@erstegroup.com
Markets Retail Sales & PM SK
Monika Pálová — palova.monika@slsp.sk

Markets Retail Sales HUN
Head: Peter Kishazi — peter.kishazi@erstegroup.com
Markets Retail Sales CZ
Head: Martin Vlcek — mavlcek@csas.cz
Markets Retail Sales & PM CRO
Head: Neven Radaković — neven.radakovic@erstegroup.com
Head: Tamas Nagy — tnagy1@erstebank.hr
Markets Retail Sales & PM RO
Head: Laura Hexan — laura.hexan@bcr.ro

GM Retail Products &Business Development
Head: Michael Tröthann — michael.troethann@erstegroup.com

Group Treasury Markets
Head: Valentin Popovici — valentin.popovici@erstegroup.com

MM Trading
Head: Arsen Milasinovic — arsen.milasinovic@erstegroup.com

Collateral Trading, Management and Optimization
Head: Danijela Lukic — danijela.lukic@erstegroup.com

Interest Rates and FX Options Trading
Head: Martin Sramko — martin.sramko@erstegroup.com

FX Trading & Corporate Treasury Sales
Head: Valentin Popovici — valentin.popovici@erstegroup.com

E-FX Trading
Head: Helmut Kroboth — helmut.kroboth@erstegroup.com

CEE FX Trading
Head: Juraj Zabadal — juraj.zabadal@erstegroup.com

Markets Corporate Sales AT
Head: Martina Kranzl-Carvell — martina.kranzl-carvell@erstegroup.com

Markets Corporate Sales HUN
Head: Adam Farago — adam.farago@erstegroup.com

Markets Corporate Sales CRO
Head: Neven Radaković — neven.radakovic@erstegroup.com

Markets Corporate Sales CZ
Head: Tomas Picek — tpicek@csas.cz

Markets Corporate Sales RO
Head: Bogdan Ionut Cozma — ionut.cozma@bcr.ro

Markets Corporate Sales SK
Head: Lubomir Hladik — lubomir.hladik@erstegroup.com

Group Securities Markets
Head: Thomas Einramhof — thomas.einramhof@erstegroup.com

Institutional Distribution Core
Head: Jürgen Niemeier — juergen.niemeier@erstegroup.com

Institutional Distribution CEE & Insti AM CZ
Head: Antun Burić — antun.buric@erstegroup.com

Institutional Distribution DACH+
Head: Marc Friebertshäuser — marc.friebertshaeuser@erstegroup.com

Institutional Asset Management CZ
Head: Petr Holeček — pholecek@csas.cz

Group Institutional Equity Sales
Head: Michal Řízek — mrizek@csas.cz
Czech Republic
Head: Michal Řízek — mrizek@csas.cz
Poland
Head: Jacek Jakub Langer — jacek.langer@erstegroup.com
Croatia
Matija Tkaličanac — mtkalicanac@erstebank.com
Hungary
Peter Csizmadia — peter.csizmadia@erstegroup.com
Romania
Adrian Barbu — adriannicola.barbu@bcr.rom

Group Fixed Income Securities Markets
Head: Goran Hoblaj — goran.hoblaj@erstegroup.com

Fixed Income Flow Sales
Head: Goran Hoblaj — goran.hoblaj@erstegroup.com
Bernd Thaler — bernd.thaler@erstegroup.com

Group Fixed Income Securities Trading
Head: Goran Hoblaj — goran.hoblaj@erstegroup.com
Credit Trading
Head: Christoph Fischer-Antze — christoph.fischer-antze@erstegroup.com
CEE Rates Trading
Head: Peter Provotiak — peter.provotiak@erstegroup.com
Euro Government Bonds Trading
Head: Gottfried Ziniel — gottfried.ziniel@erstegroup.com

Group Equity Trading & Structuring
Head: Ronald Nemec — ronald.nemec@erstegroup.com

Group Markets Financial Institutions
Manfred Neuwirth — manfred.neuwirth@erstegroup.com

Group Financial Institutions
Head: Christina Linzer — christina.linzer@erstegroup.com

Group Non-Bank Financial Institutions
Head: Michael Aschauer — michael.aschauer@erstegroup.com

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Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com