CEE MACRO OUTLOOK

Resilience to global headwinds

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September 11, 2026

Spot Rates as of September 10, 2026
Note: Information on past performance is not a reliable indicator for future performance.
Forecasts are not a reliable indicator for future performance.

Key changes in CEE outlook: growth

The region appears to have weathered the external headwinds relatively well in the first half of the year. Therefore, there is some good news for the region. GDP growth was revised up in Serbia and Slovenia compared to our previous CEE Macro Outlook. Further, Hungary keeps benefiting from a spur of optimism following the parliamentary elections and the change of government. The country seems determined to proceed with reforms and pursue Eurozone membership, which has supported a market rally. In Croatia, Poland and Slovakia, slight downward adjustments were made. Finally, in Romania, the recession will be deeper than initially expected, as we revised our 2026 GDP growth forecast to -0.7%.

A prolonged period of geopolitical tensions and persistently high energy prices continues to pose a risk to economic developments in the region, however. On the other hand, economic activity picked up visibly in the Eurozone in 3Q, improving the region's economic prospects beyond 2026. Global growth is also expected to pick up in 2027, which is positive for the CEE region. At this point, we expect growth to accelerate slightly next year.

Key changes in CEE outlook: structure

The performance of goods exports in 2Q26, one year after global trade was disrupted by the introduction of US tariffs, appears solid. In 2Q26, all CEE countries recorded faster annual growth in exports to the rest of the world compared with 1Q26. However, the rebound in growth rates should be viewed against a weaker underlying trend. The total value of CEE8 exports remains below the trajectory observed before the recent global trade disruptions.

The 2Q26 data suggests that CEE growth remains primarily a domestic story rather than an export-led development. Resilient labor markets and real wage growth are supporting household consumption, which increased in all CEE countries except Romania in the first half of the year. Although growth dynamics mostly slowed in 2Q26, private consumption remains one of the key drivers of growth. Investment is increasingly supporting growth in Poland, Czechia, Slovenia and Serbia, backed by EU funds, infrastructure spending and construction. Moreover, strong investment, particularly supported by EU funds, was the only positive growth driver in Romania. On the other hand, investment declined in Hungary and Slovakia. Domestic demand should remain a key driver of growth in CEE.

Key changes in CEE outlook: inflation

A common feature of inflation developments across the region since the beginning of the year has been an acceleration during the spring, with inflation in most countries reaching a local peak around April or May. Since then, however, inflation has eased in several economies, while in others renewed price pressures pushed August inflation higher (Croatia, Czechia and Poland).

The clearest inflationary impulse currently comes from energy and fuel, reflecting the consequences of the Middle East conflict as well as changes in government support schemes. This is particularly visible in Poland, where fuel prices jumped by 5.2% m/m in August, pushing headline inflation from 3.0% to 3.4%. Another common feature is the decline in food prices in Czechia, Poland, Slovakia and Hungary.

Compared to our previous CEE Macro Outlook, average 2026 inflation was revised down in Czechia, Hungary, Romania, Serbia and Slovakia. In Romania, rapid disinflation is expected over the course of the third quarter of the year. The external environment remains a key risk to the inflation outlook, particularly the Middle East conflict and weather conditions.

Key changes in CEE outlook: key rates

The Czech National Bank continues to sound hawkish, and another rate hike is likely, bringing the key rate to 4% by the end of the year. Although headline inflation is below the central bank's target, policymakers seem to be concerned about wage pressures and core inflation developments. In 2027, we expect the rate hikes to be reversed.

In Hungary, on the other hand, we have seen a short monetary easing cycle, supported by low inflation and the strong Hungarian forint against the euro. We see rates continuing to fall toward 4.5% by the end of 2027. Hungary is taking steps toward Eurozone membership and is expected to lower its inflation target. While this may affect the course of expected monetary easing, in the long term it should help anchor inflation expectations at a lower level. Poland and Serbia are expected to keep rates stable. In Poland, such outlook is conditional on the commodity prices reversing their upward trend soon in line with the forward curve. We see the risk of monetary tightening definitely rising, though. In Serbia, core inflation remains at the upper edge, limiting room for rate cuts.

Finally, Romania should begin discussions on monetary easing once inflation falls below the key policy rate, which is expected around the turn of 2026 and 2027. Interest rate cuts should thus follow over the course of next year.

Key changes in CEE outlook: fiscal

Fiscal plans for 2027 point to a mixed picture across CEE, with only limited progress in reducing budget deficits. Czechia remains among the more fiscally prudent countries, despite a planned increase in the nominal deficit, which should remain close to the Maastricht threshold of 3% of GDP. Hungary is targeting a sizeable improvement in its fiscal balance, while Romania is also expected to continue fiscal consolidation. By contrast, Croatia, Serbia and Slovenia are set to see broadly stable deficits, with relatively contained fiscal imbalances. The main concern remains Poland, as the 2027 budget plans imply virtually no fiscal consolidation, with the deficit staying close to 7% of GDP, despite solid nominal GDP growth and no major new spending initiatives. Slovakia is also expected to record a larger deficit in 2027.

Romania already faces negative outlooks from the major rating agencies, reflecting concerns about persistent fiscal imbalances, political uncertainty and the ability to stabilize public debt. Poland's weaker-than-previously-expected fiscal trajectory could also trigger adverse rating actions, with upcoming reviews by Moody's and S&P putting the focus firmly on the credibility of the government's consolidation plans.

FX and bond market outlook

The Hungarian forint has been the clear outperformer, appreciating by around 5–6% since January. In the last two months, however, it has lost some of the momentum observed in the middle of the year. A strong commitment to Eurozone membership supports lower EURHUF levels in the medium term. By contrast, the Polish zloty has weakened by roughly 2%, with most of the depreciation occurring since June, while the Czech koruna has remained remarkably stable, hovering close to its January level. The Romanian leu, after a sharp adjustment in May, has been moving sideways.

On the bond market, renewed concerns that commodity prices will remain elevated for longer are putting the long end of the curve under pressure again. Local factors are also playing a role in the development of 10Y yields. In Czechia, expected monetary tightening keeps long-term yields as high as the peak reached in March 2026. In Poland and Romania, challenging fiscal situations add to the pressure. In Hungary, on the other hand, yields have been declining. The Hungarian central bank is preparing to lower its inflation target. While reduced prospects for monetary easing would normally be bond-negative, a stronger commitment to bringing inflation down should be positive for bonds in the longer run.

Global trends affecting our forecasts

GROWTH AND INFLATION OUTLOOK

The Eurozone economy remains surprisingly resilient, despite geopolitical uncertainty and the energy shock. The 2026 Eurozone GDP growth forecast was revised up to 1.2% with growth expected to remain around 1.1% in 2027. The US economy remains considerably stronger, supported in particular by high AI-related investment and a still-solid labor market. US GDP growth is expected at 2.1% in 2026 and 2.0% in 2027. Growth remains sufficiently resilient that neither the ECB nor the Fed is currently constrained from tightening further if inflation requires it.

Inflation has re-emerged as the dominant macroeconomic concern, primarily because the energy shock is proving more persistent than initially expected. The concern is not only about the direct impact of higher energy prices, but also the possibility that higher input costs feed through into goods and services prices. Eurozone headline inflation is forecast at 3.0% in 2026 and 2.6% in 2027. US inflation is even more problematic, as the energy shock arrived when underlying inflation was already elevated. Current forecasts put inflation at 3.5% in 2026, falling to 2.5% in 2027.

Global trends affecting our forecasts

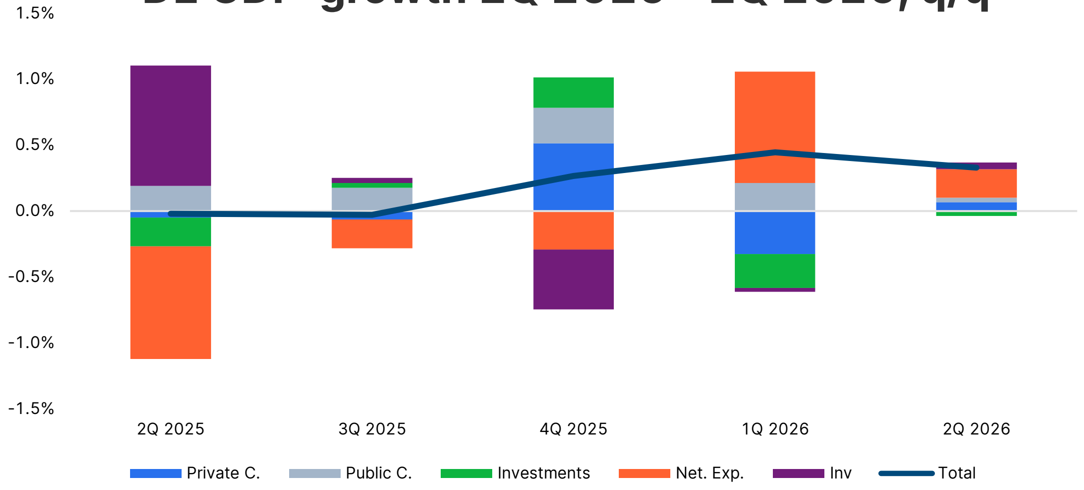
MONETARY POLICY IN CORE MARKETS

The ECB raised the deposit rate by 25bp to 2.50% at its September meeting. Provided energy markets do not deteriorate further, this should be the final hike, although risks remain clearly skewed toward additional tightening. The change in the Fed outlook is similarly hawkish. Chair Kevin Warsh's Jackson Hole comments stressed that the Fed needs convincing evidence that underlying inflation is declining before it can remain on hold. We see a strong case for a September hike, conditional on the upcoming inflation data, followed by another increase by March 2027, taking the midpoint of the target range to around 4.13%.

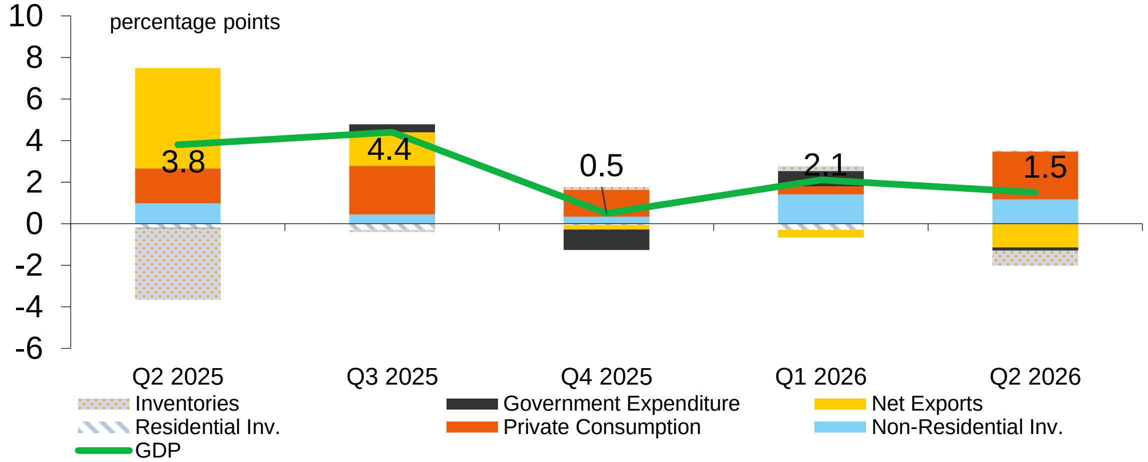
The environment remains challenging for government bonds. Rising energy prices and inflation expectations have pushed yields higher across major markets, while large fiscal deficits and heavy government issuance add structural upward pressure, particularly in the US and increasingly in Germany. All in all, a modest decline in long-term yields is expected only next year, assuming commodity prices decline, but a return to the substantially lower-yield environment looks unlikely.

Global trends in selected graphs

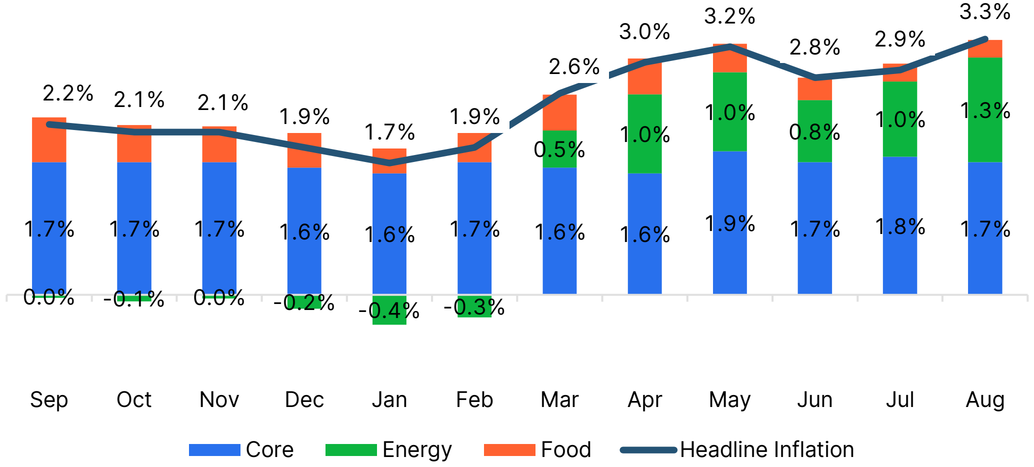
DE GDP-growth 2Q 2025 – 2Q 2026, q/q



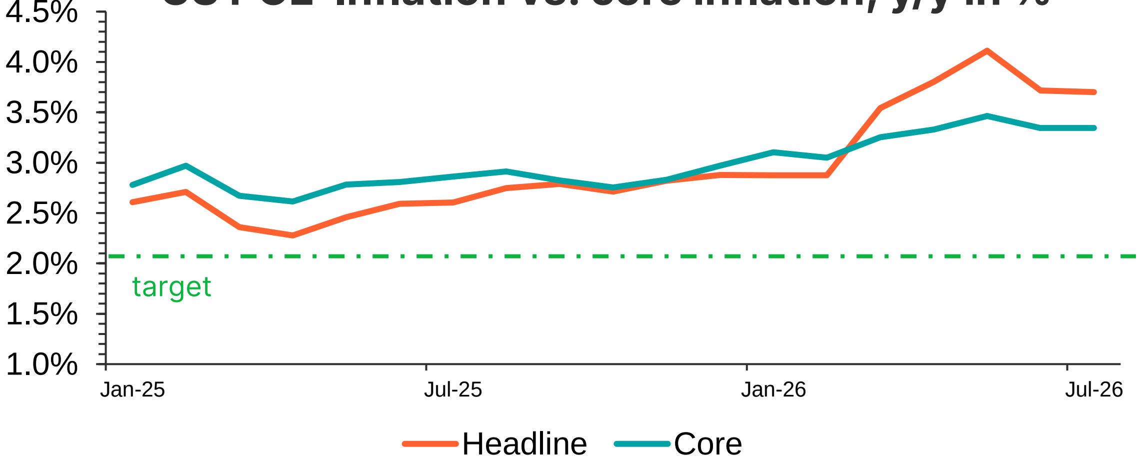
US GDP-growth and contributions, ann. in %



EZ inflation by components (y/y)



US PCE-Inflation vs. core inflation, y/y in %



Source: Erste Group Research
September 11, 2026

Economic growth in CEE

"CEE region has proved quite resilient to global headwinds. Despite uncertainty, global tensions and elevated commodity prices, growth outlook improved in several CEE countries. More importantly, recovery should continue beyond 2026."

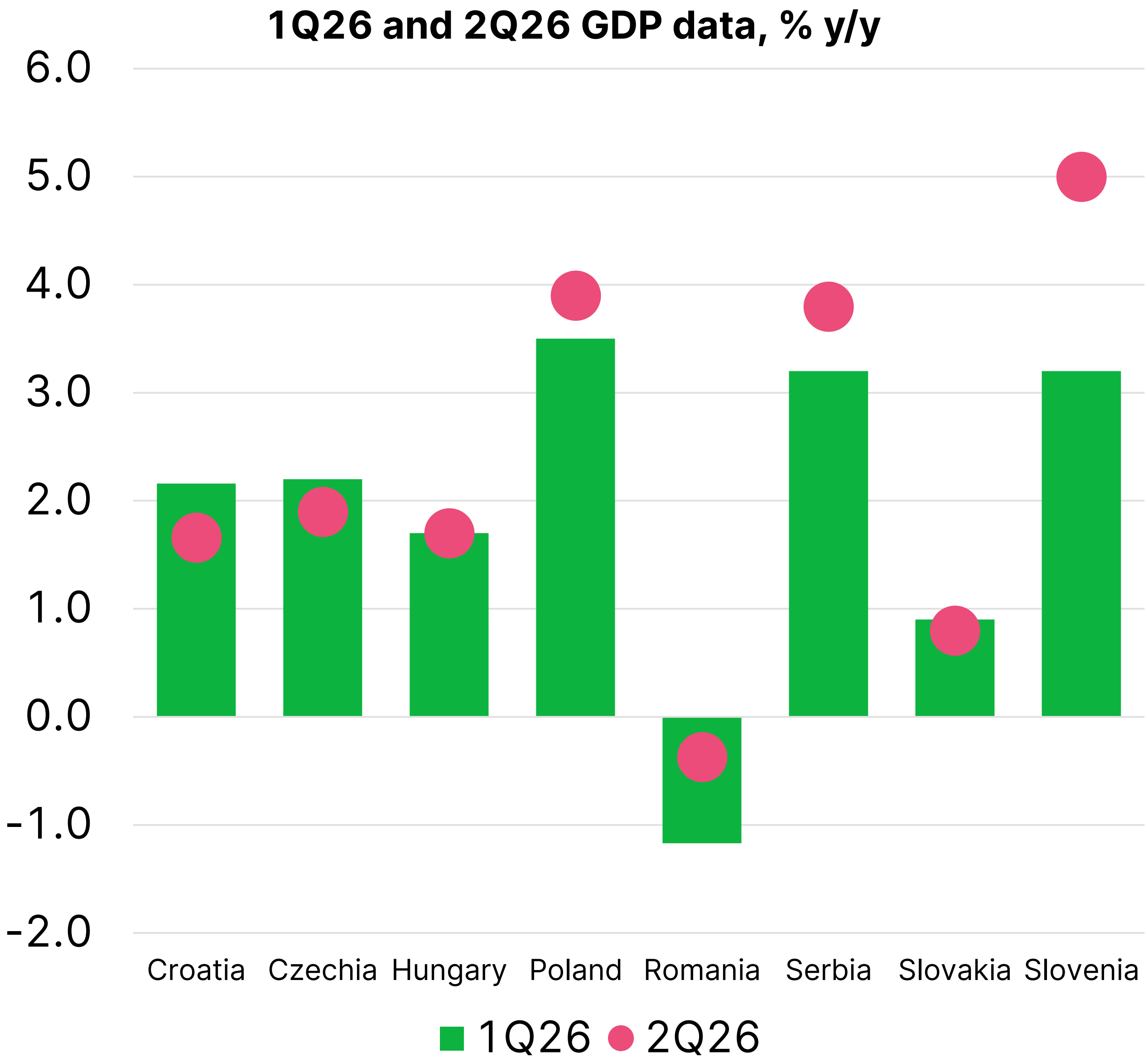
First half-year was solid, despite headwinds

Apart from Romania, which was in recession in the first half of the year due to ongoing fiscal consolidation, other CEE countries posted solid economic growth, despite the challenging external environment.

Average growth in 1H26 was the strongest in Slovenia (4% y/y), followed by Poland and Serbia (3.7% and 3.4%, respectively).

In other countries (Croatia, Czechia and Hungary), economic growth was close to 2%, and in Slovakia slightly below 1%.

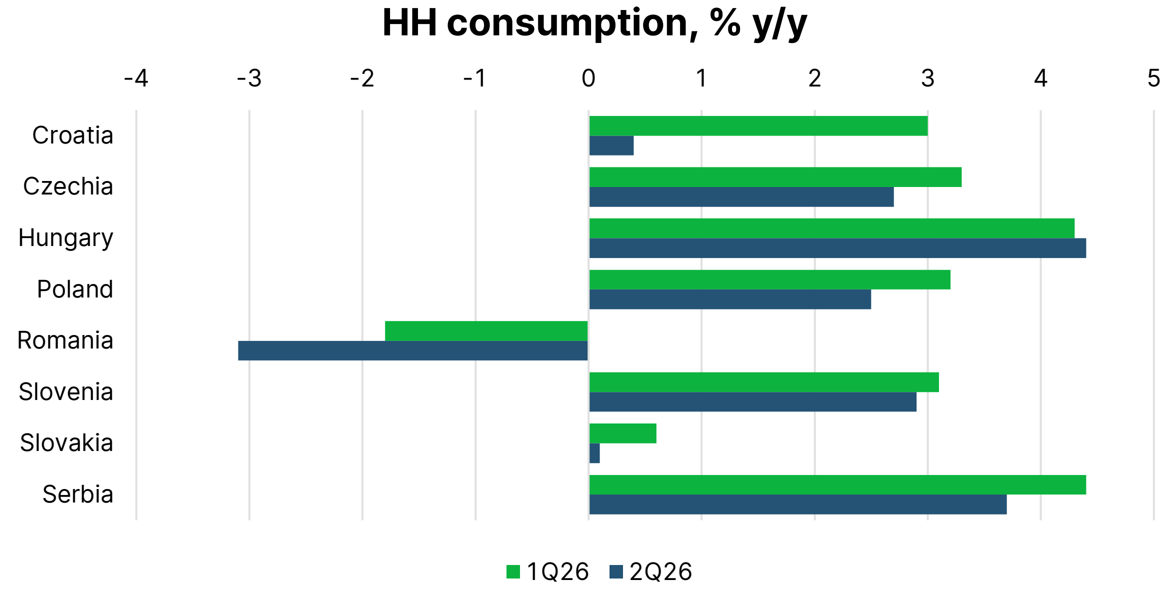
All in all, the region appears to have weathered the external headwinds relatively well in the first half of the year. A prolonged period of geopolitical tensions and persistently high energy prices pose a continuous risk to economic developments in the region, however.

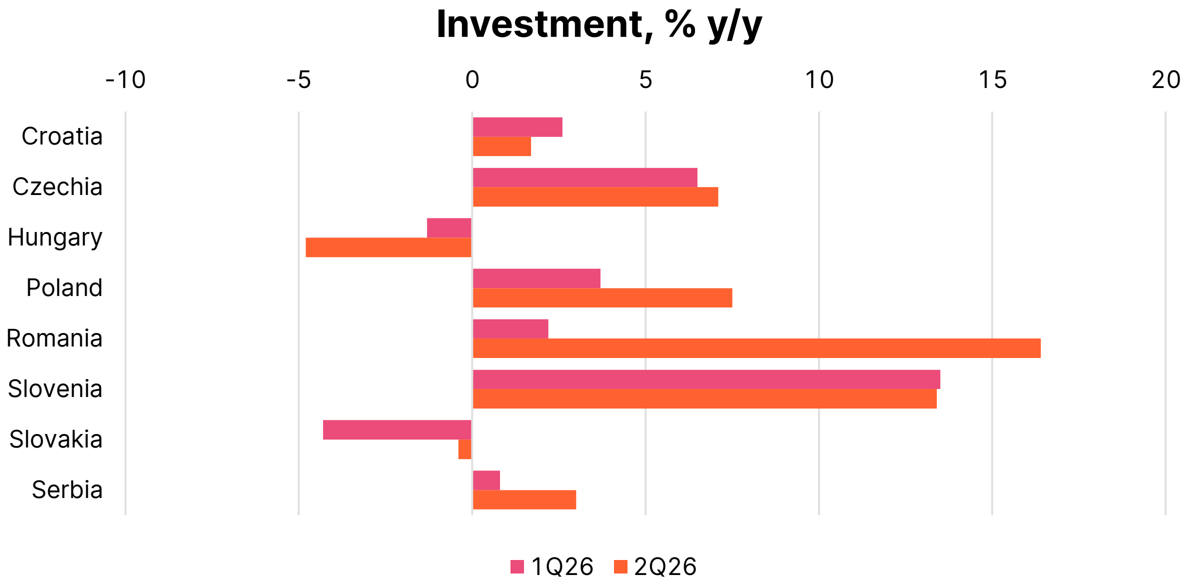


Source: Central Statistical Offices, Erste Group Research
September 11, 2026

GDP growth remains largely driven by domestic demand

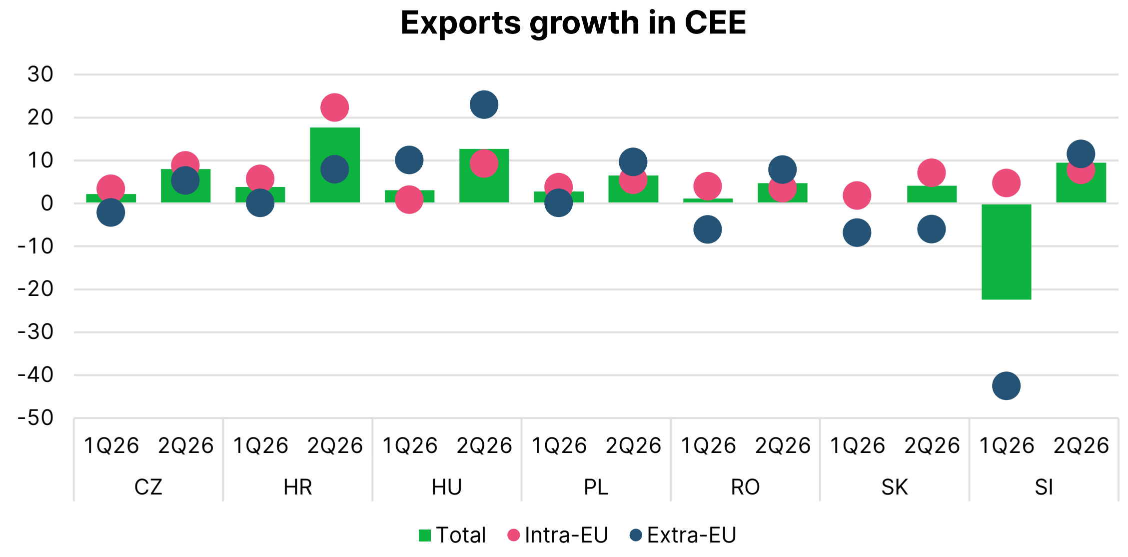
The 2Q26 data (seasonally adjusted, y/y growth for consistency of cross-country comparison) suggests that CEE growth is still primarily a domestic story rather than an export-led development. Resilient labor markets and real wage growth are supporting household consumption, which increased in all CEE countries except for Romania in the first half of the year. Although growth dynamics have mostly slowed in 2Q26, private consumption remains one of the key factors driving the growth. Investment is increasingly strengthening growth in Poland, Czechia, Slovenia and Serbia, supported by EU funds, infrastructure spending and construction. Further, strong investment, particularly from EU funds, was the only positive driver of the growth in Romania, while consumption, services, and industry contributed negatively, due to persistent inflation and weak real wage growth. By contrast, in Hungary and Slovakia, investment activity declined in the first half of the year.

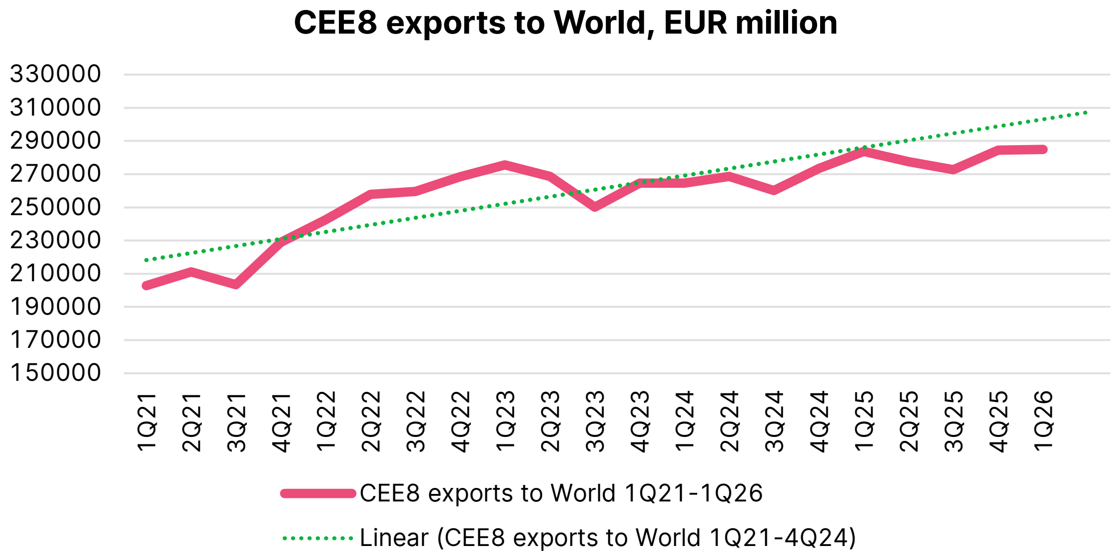




Source: Eurostat, Erste Group Research

Despite stronger export growth across CEE in 2Q26, value of total exports remains below trend





The performance of exports of goods in 2Q26 one year after global trade was disrupted by the introduction of US tariffs seems solid. In 2Q26, all CEE countries accelerated the annual growth of exports to the rest of the world compared with 1Q26. The strongest export growth was recorded in Croatia and Hungary, where exports posted double-digit increases, followed by Slovenia, where export growth dynamics improved considerably. The breakdown also suggests that extra-EU demand played an important role in the recovery. Extra-EU exports grew particularly strongly in Hungary and Slovenia, while intra-EU trade generally showed positive but more moderate dynamics. However, the rebound in growth rates should be viewed against a weaker underlying trend. The total value of CEE8 exports remains below the trajectory seen before the recent global trade disruptions. All in all, 2Q26 data points to improving export momentum, but not yet to a full recovery of the export volumes lost relative to the previous trend.

Deadline for RRF milestones and targets has passed, with payments possible until end of year

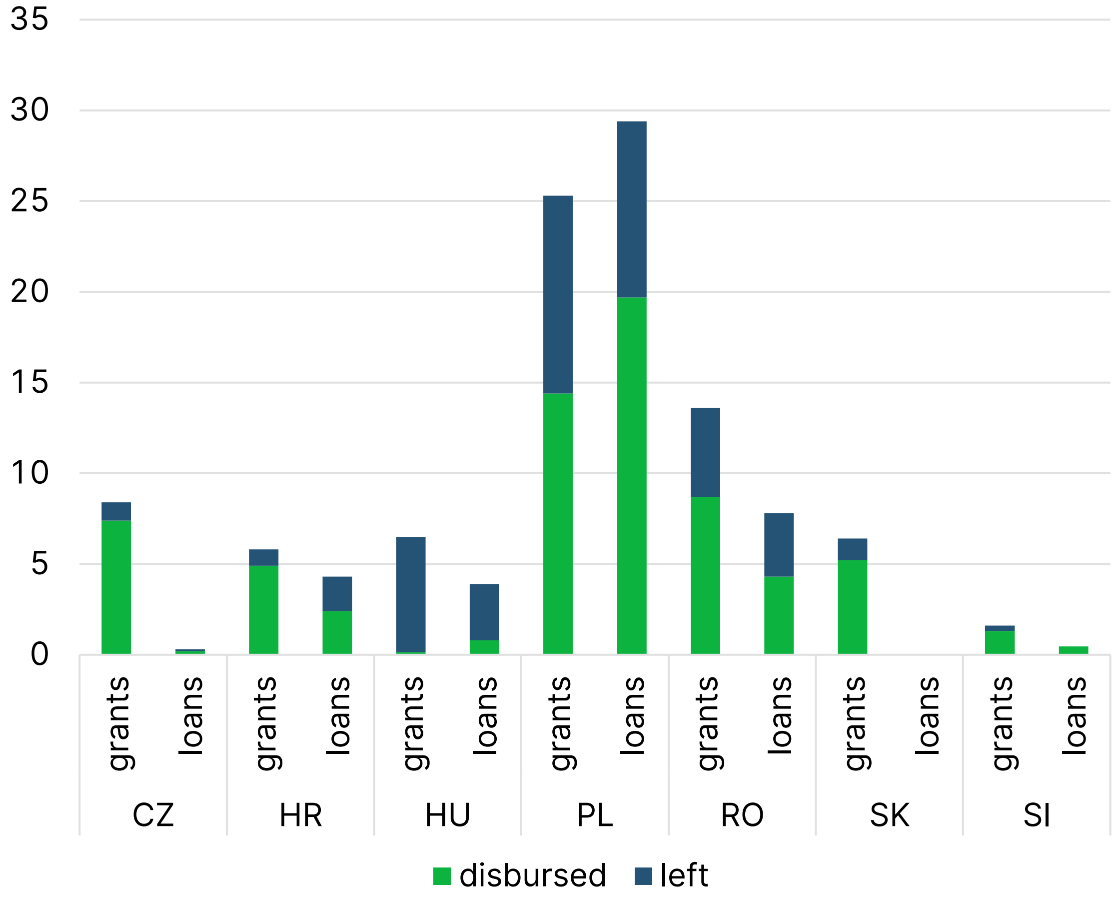
All reforms and investments linked to RRF milestones and targets had to be completed by August 31, 2026. Importantly, this was not the deadline for receiving the funds, as countries have until September 30, 2026, to submit their final payment requests, while the European Commission has until December 31, 2026, to assess the requests and make the final disbursements.

Poland completed all milestones by the August 31 deadline, clearing the way for the final payment request from RRF funds. At the same time, Romania may lose up to EUR 770mn in EU funds in the aftermath of political instability. Interim PM Bolojan said, however, that Romania should see a 90% absorption rate from RRF grants and a 95% absorption rate of loans.

Hungary's government had completed all milestones and "super-milestones" required by the EU by the August 31 deadline to unlock previously frozen EU funds. That should pave the way for Hungary to access around EUR 10bn from the Recovery and Resilience Facility (RRF) and, as a consequence of fulfilling the related conditionality requirements, a further EUR 6bn in cohesion funding, corresponding to roughly HUF 5.5–6.0trn in total.

Overall, around EUR 24bn in grants and EUR 18bn in loans remain available to CEE countries under the RRF.

RRF funds, EUR billion



Source: European Commission, Erste Group Research
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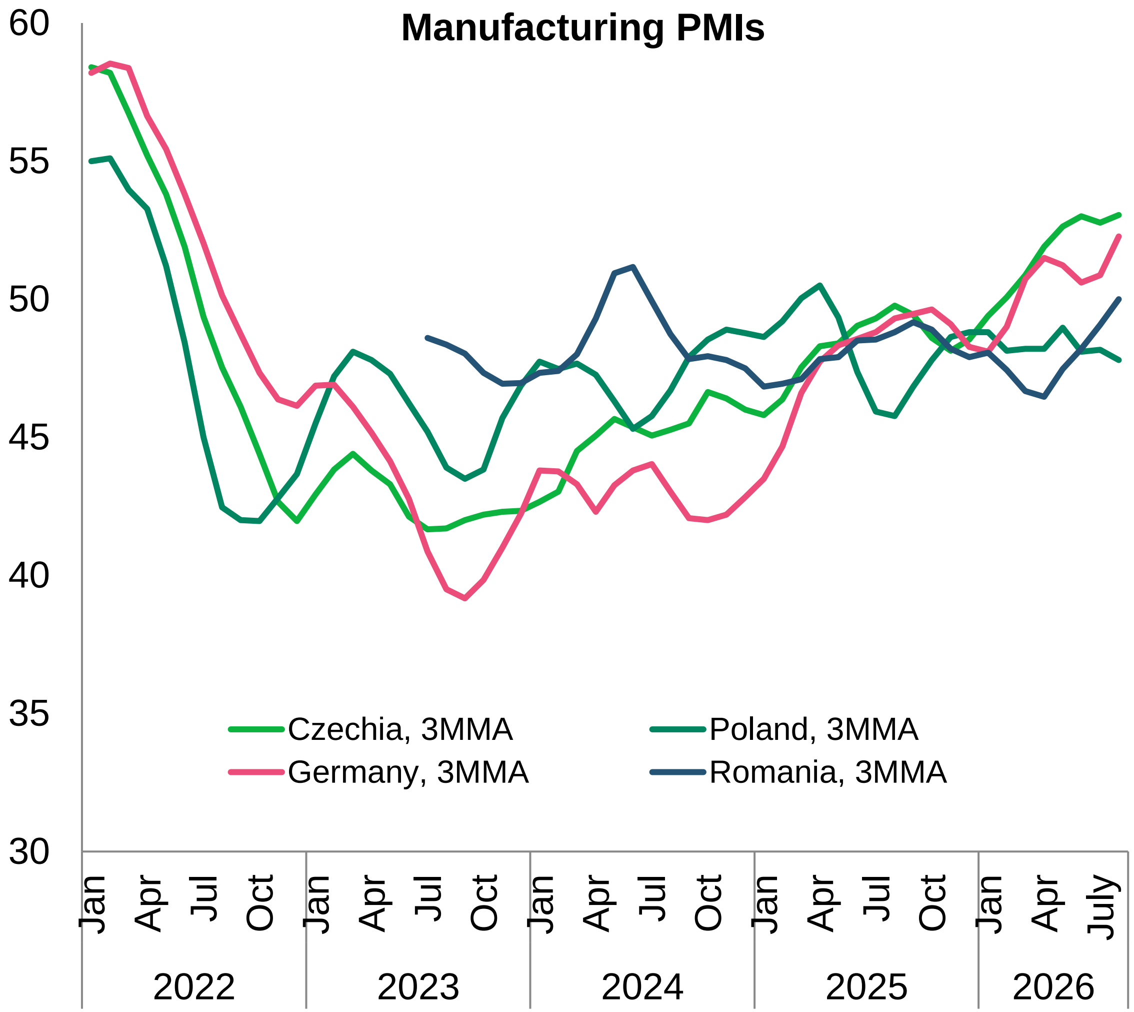
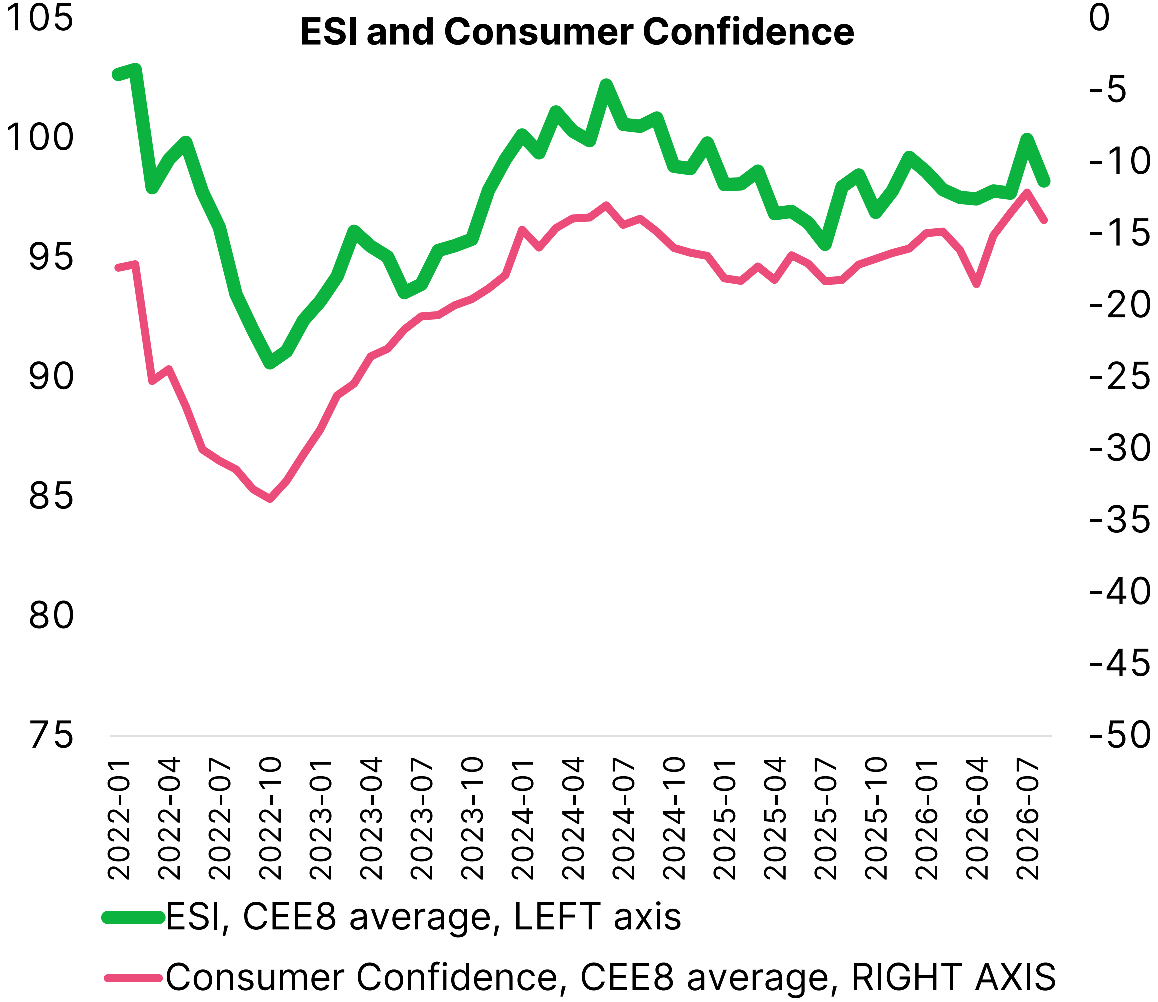
Upward trend in manufacturing PMIs; Economic Sentiment Indicator and Consumer Confidence eased in August in CEE

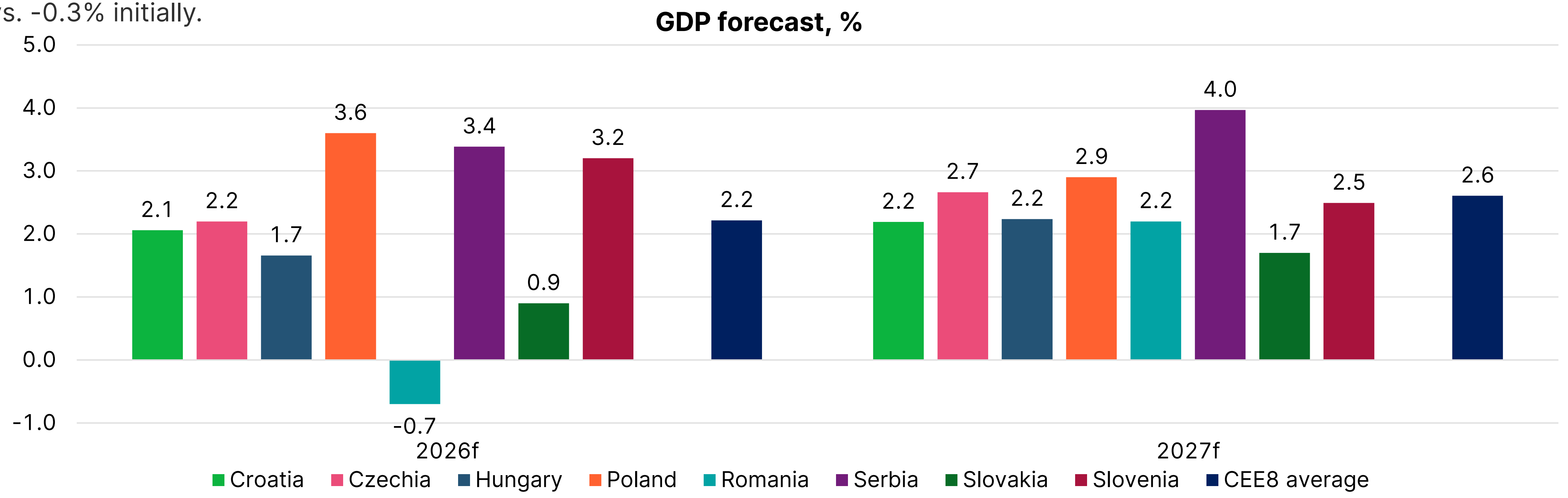




Source: S&P Global, European Commission, Erste Group Research

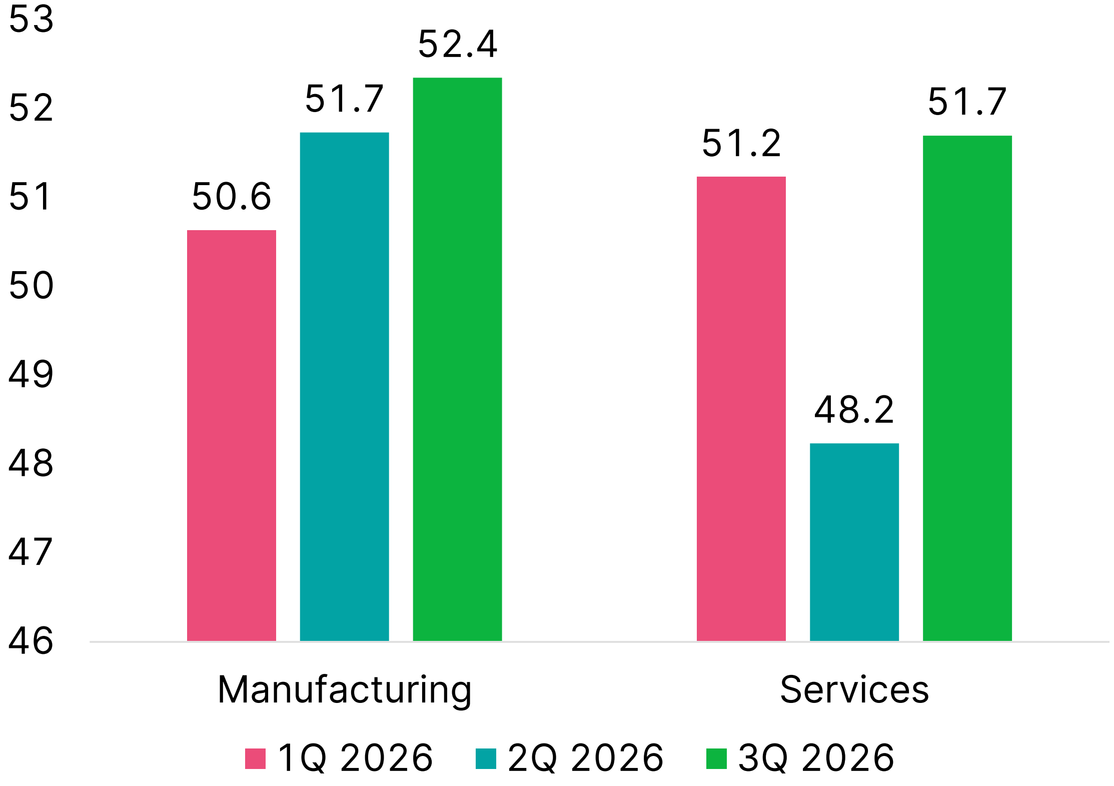
Most CEE countries to grow around 2% this year, with Poland and Serbia outperforming; Romania likely to suffer from recession

There is some good news, as GDP growth was revised up Serbia and Slovenia compared to our previous CEE Macro Outlook. Hungary benefits from a spur of optimism after parliamentary elections and change of the government. Hungary seems to be determined to proceed with reforms and Eurozone membership, which has supported a market rally. In Croatia, Poland and Slovakia, slight downward adjustments were made. In Romania, the recession should be more extensive than initially assumed (-0.7% in 2026 vs. -0.3% initially.

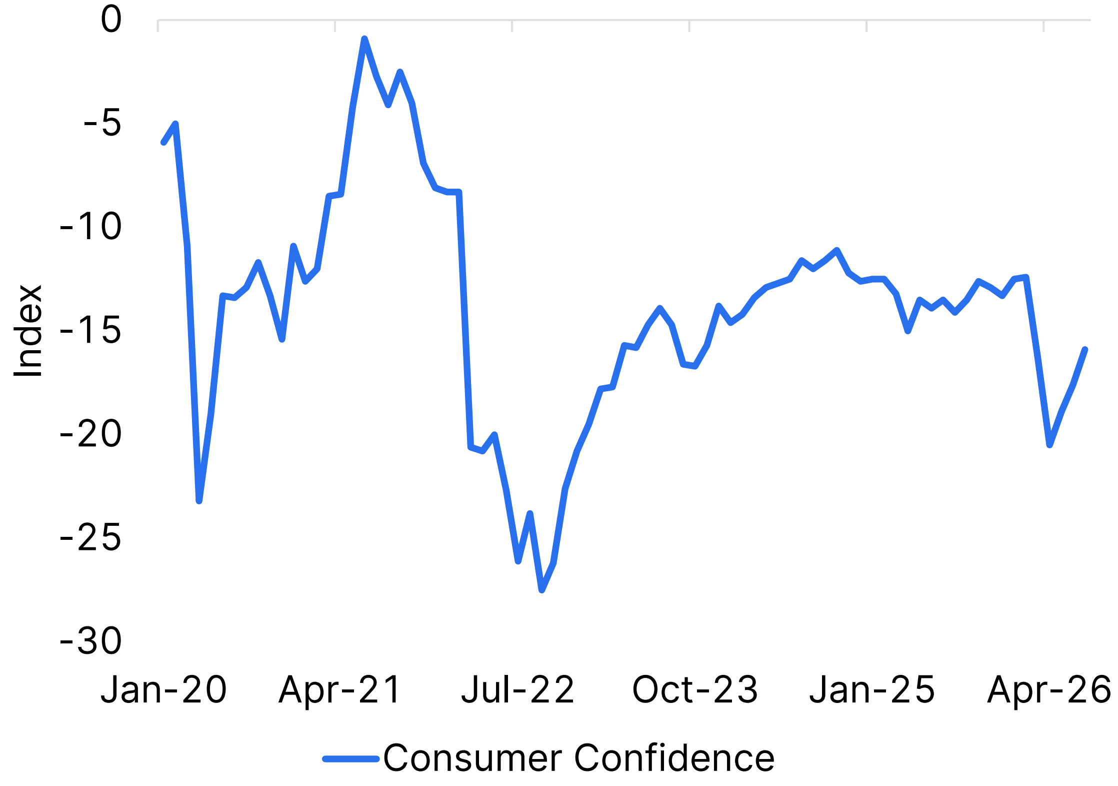


In Eurozone, economic activity picked up visibly in 3Q, improving economic prospects of region beyond 2026

Eurozone PMI Manufacturing vs. Services



Eurozone Consumer Confidence



Source: S&P Global, ifo Institute, Erste Group Research

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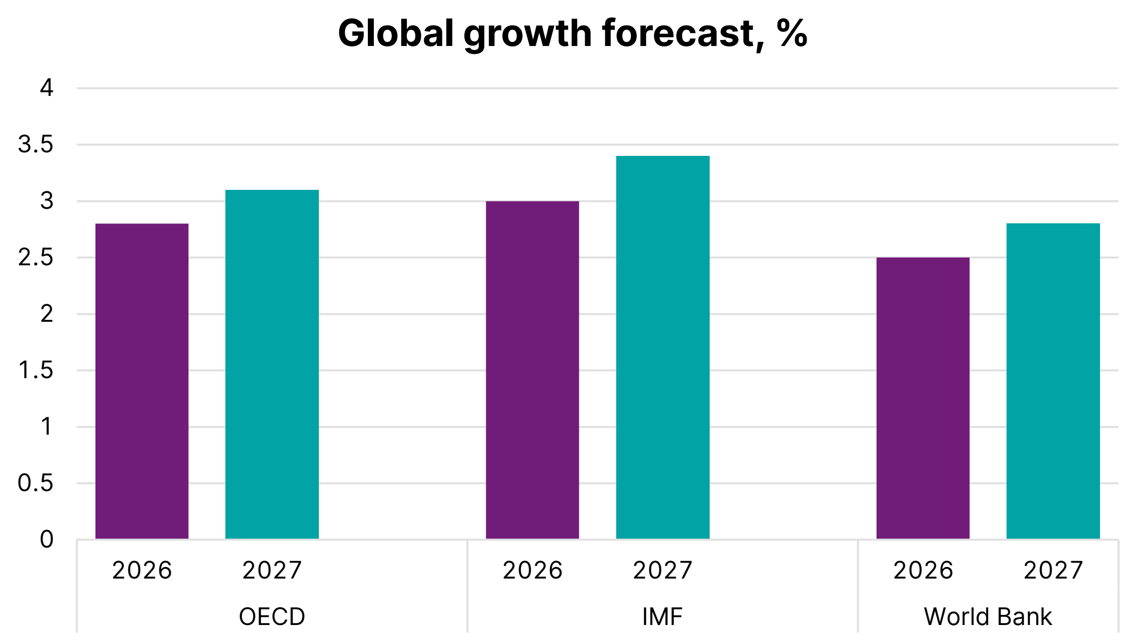
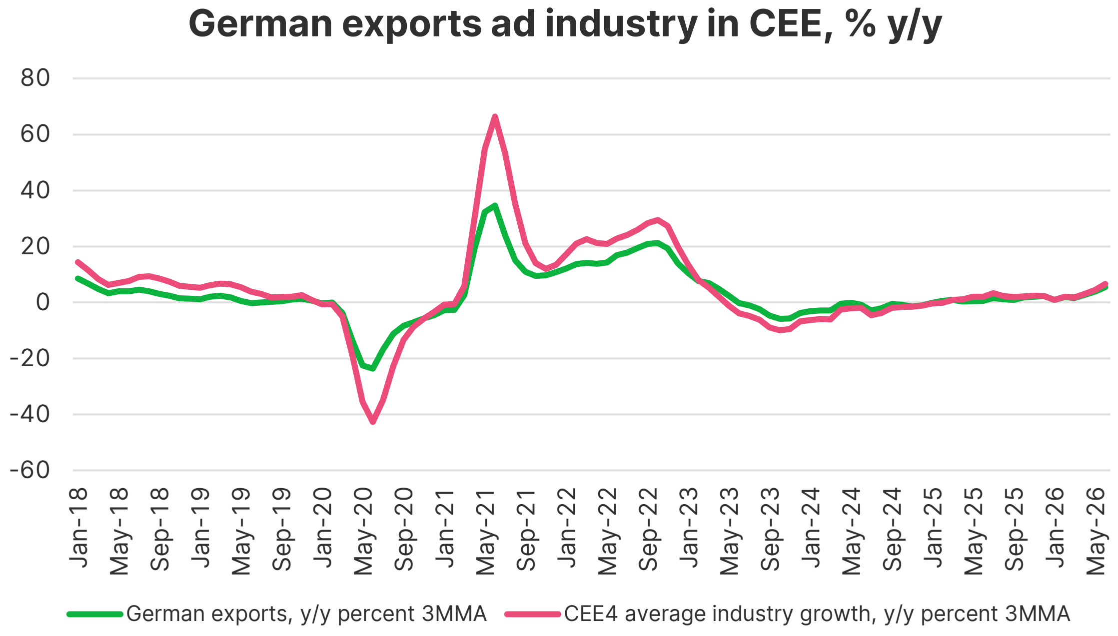
Global growth to go higher in 2027; accelerating growth of exports in Germany supports CEE recovery beyond 2026





The OECD expects global growth to slow from 3.4% in 2025 to 2.8% in 2026, before recovering to 3.1% in 2027 under its baseline scenario. The IMF is somewhat more optimistic, forecasting 3.0% in 2026 and 3.4% in 2027, while the World Bank is more cautious, projecting only 2.5% growth in 2026, the weakest pace since the pandemic, followed by 2.8% in 2027–28. It seems that growth of exports in Germany has been picking up lately, supporting a recovery of industry in the region, as industrial output growth in CEE4 strongly correlates with German exports.

Source: OECD, IMF, World Bank, Statistical Offices, Erste Group Research

Inflation and interest rate outlook in region

"Inflation outlook depends strongly on external factors as commodity prices remain elevated. Czechia is set to tighten monetary conditions, while Hungary has been cutting rates. Hungary focuses on promise of joining Eurozone. Adjustment of inflation target should anchor medium-term inflation expectations."

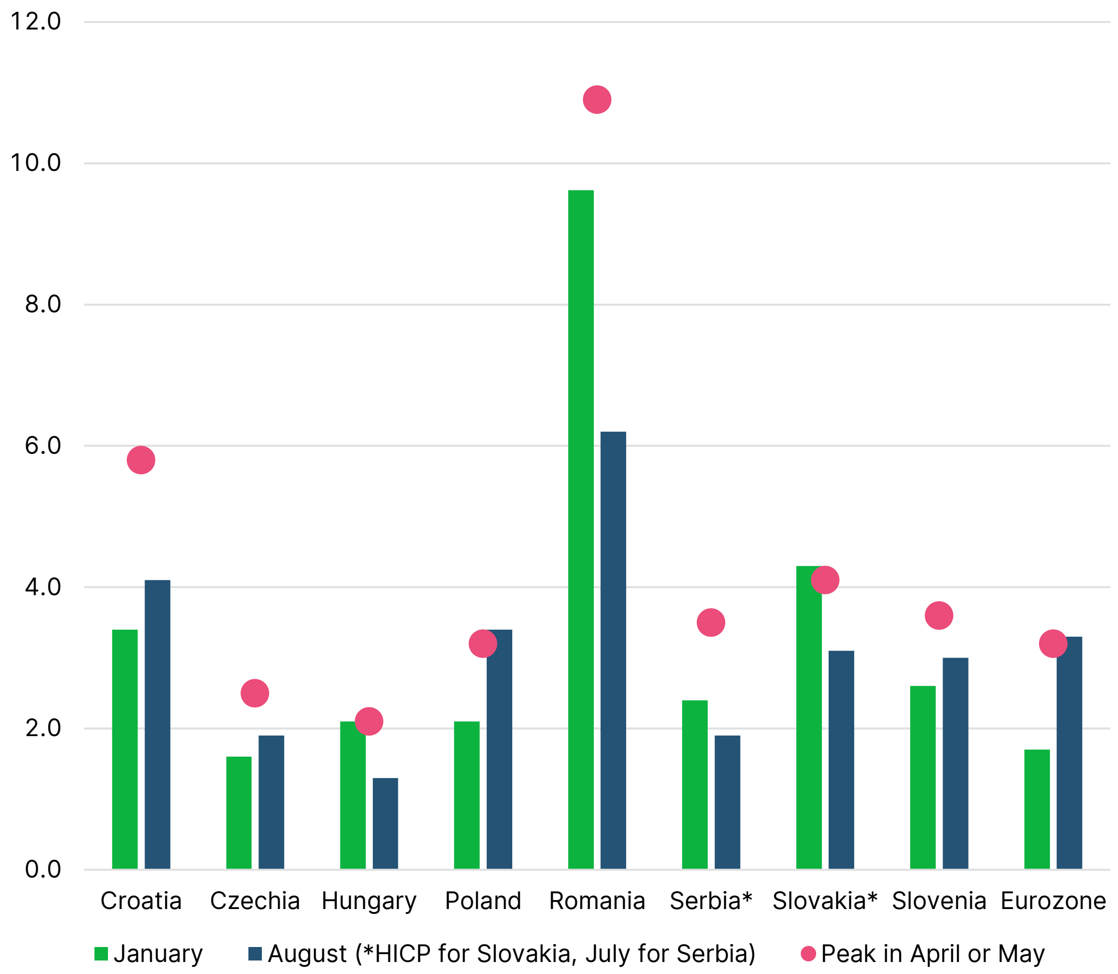
Inflation has eased in most CEE countries since war in Iran

A common feature regarding inflation development across the region since the beginning of the year was an acceleration during the spring, with inflation in most countries reaching a local peak around April or May. Since then, however, inflation has eased in several economies, while in others renewed price pressures have pushed August inflation above its January level.

Hungary, Czechia and Serbia currently show relatively benign inflation dynamics, while Romania is experiencing rapid disinflation from very high levels. By contrast, Croatia, Poland and Slovenia entered the second half of the year with inflation noticeably above January levels. In Poland, inflation in August became as high as at the peak.

In Romania, a clear outlier in the region, headline inflation dropped sharply, from 10.4% to 6.2% in August, driven by favorable base effects. We expect a further decline toward 6.4% by the end of the year.

Inflation development, % y/y



Source: Local Statistical Offices, Erste Group Research

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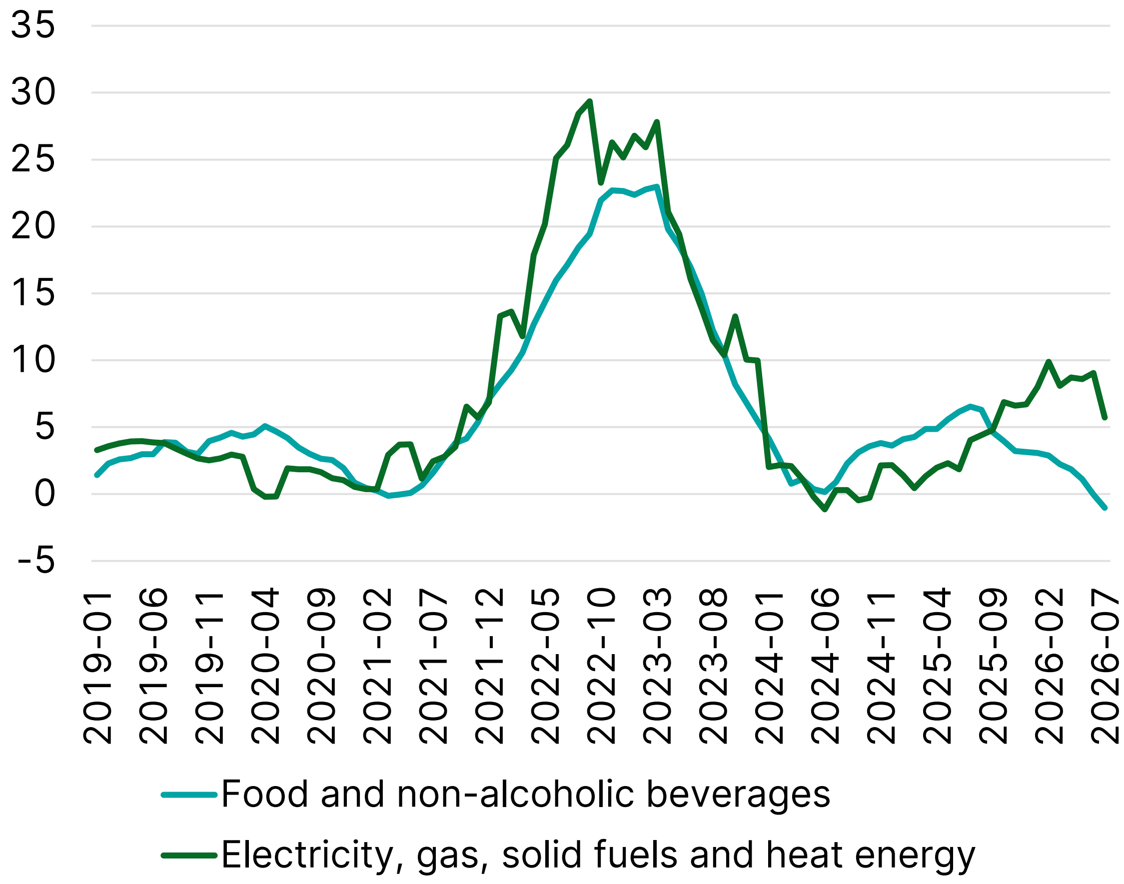
Energy pushes inflation higher, while falling food prices provide relief across CEE

The clearest inflationary impulse currently comes from energy and fuel, reflecting the consequences of the Middle East conflict as well as changes in government support schemes. This is particularly visible in Poland, where fuel prices jumped 5.2% m/m in August, pushing headline inflation from 3.0% to 3.4%. Inflation could exceed 3.5% already in September and approach 4% by year-end. In Slovakia, fuel prices were around 14% higher y/y in July, while housing and energy prices increased 7.4%. In Czechia and Hungary, August's modest acceleration also reflected higher fuel prices, despite favorable food developments.

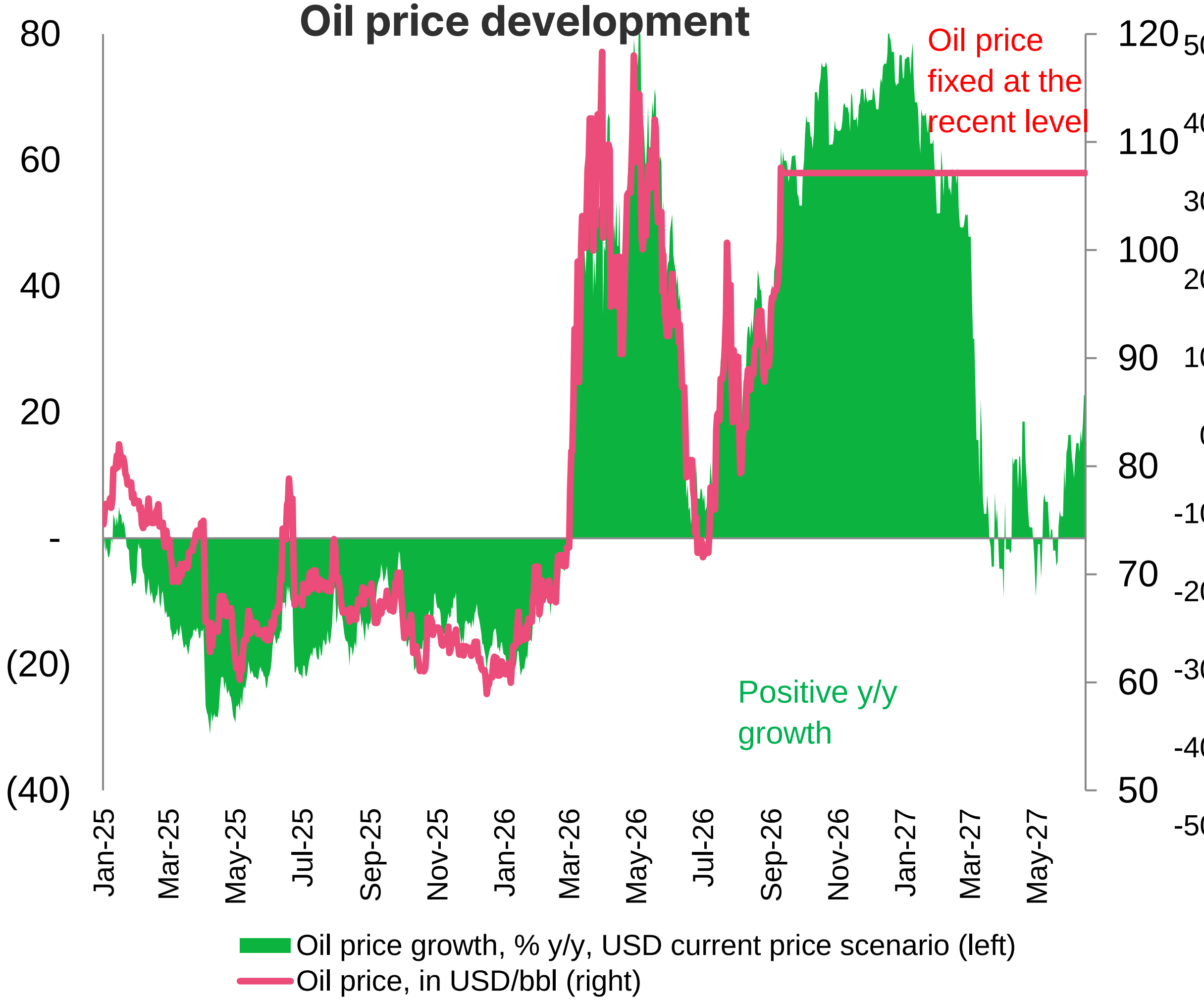
Another common feature is the decline in food prices in Czechia, Poland, Slovakia and Hungary. In Czechia, falling food prices are the main reason headline inflation remained at just 1.9% in August. In Poland, food prices fell 0.7% m/m and were already 0.9% below their year-earlier level. Slovakia recorded an even larger annual decline of 2.6%, shaving roughly 0.5pp from headline inflation. Hungary shows a similar pattern, with food prices falling another 0.2% m/m in August.

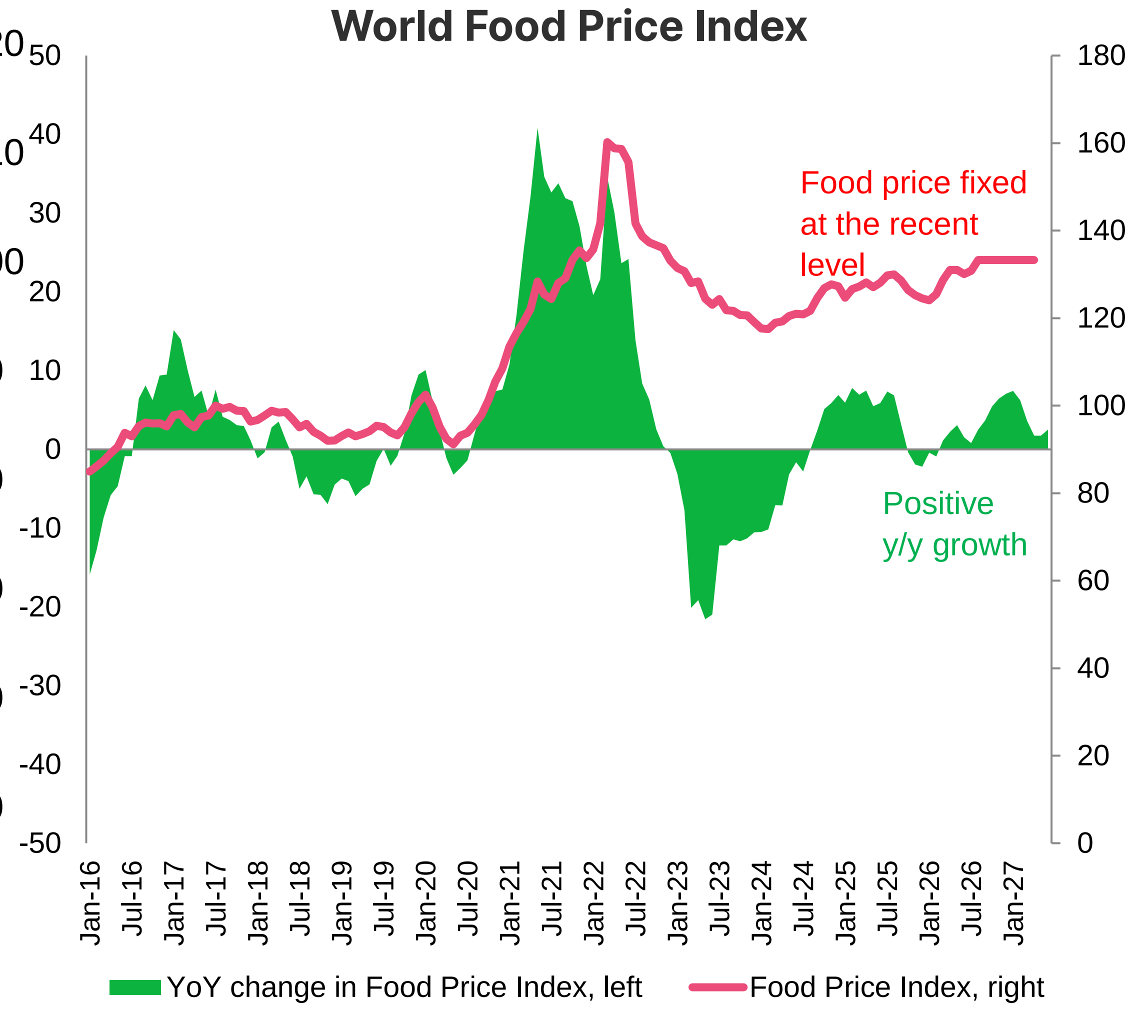
Food and beverages vs. Electricity prices, HICP CEE8 average, % y/y



Source: Eurostat, Erste Group Research

External environment remains key risk for inflation development (Middle East conflict and weather conditions)



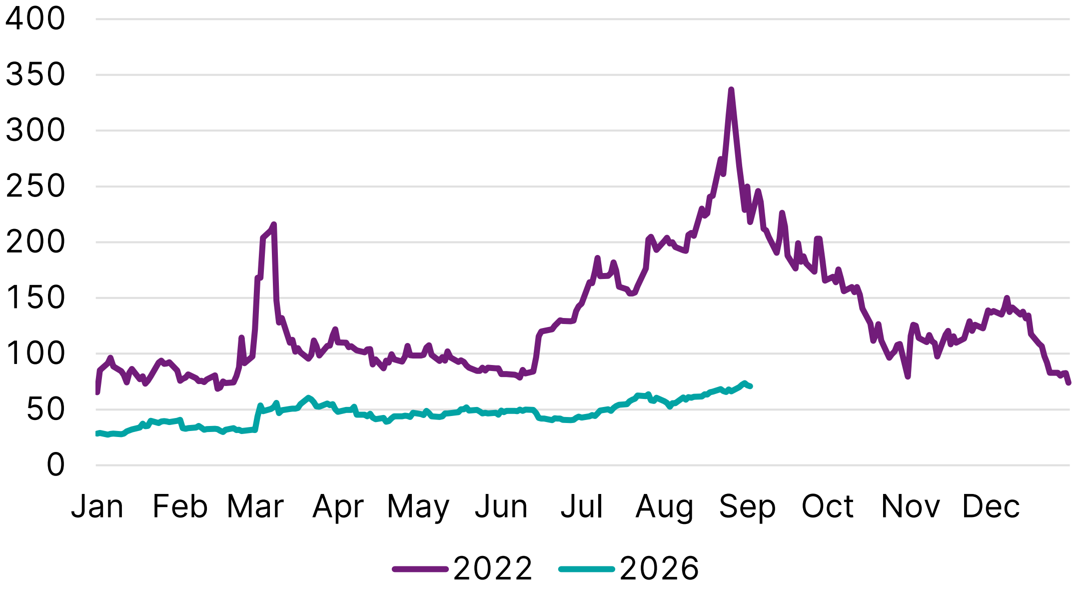


Source: Market data provider, Erste Group Research
September 11, 2026

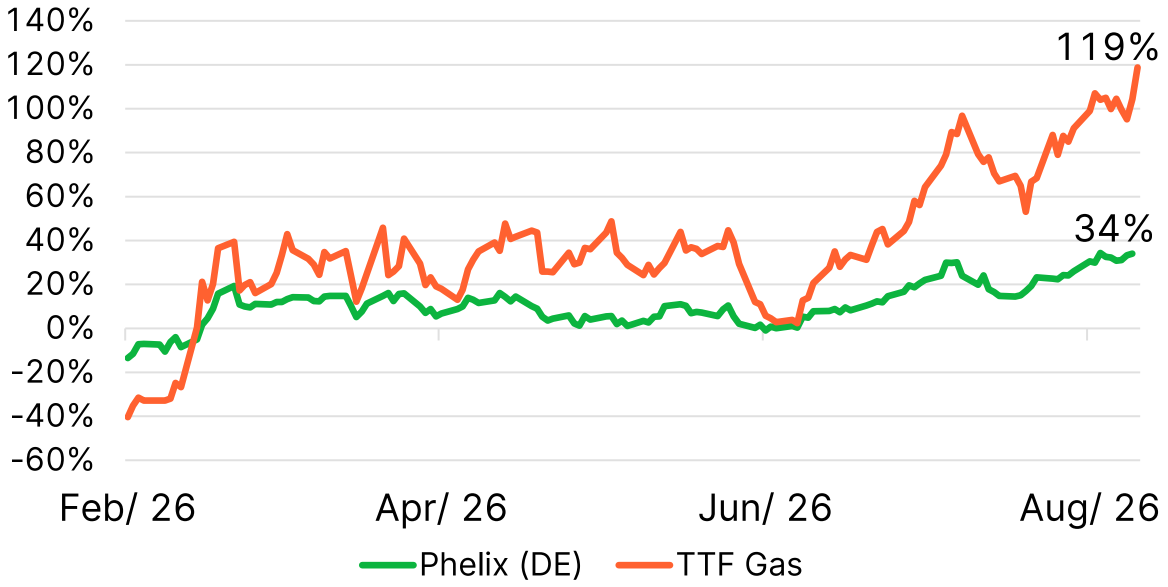
Gas and electricity prices under pressure as well

European natural gas prices have risen over the summer as the TTF month-ahead contract recently reached EUR 69 MWh, the highest level of 2026. The increase marks a significant change from the beginning of the year, when prices hovered around EUR 30/MWh. After moving broadly sideways through the spring, prices began to accelerate in June and climbed further in July and August. Among all, the latest surge reflects a combination of geopolitical and supply concerns, relatively low European gas inventories as well as the impact of weather conditions. Despite the recent increase, the magnitude of the move remains far below the price shock of 2022, when TTF prices briefly exceeded EUR 300/MWh in August. Nevertheless, the recent development in gas prices represents an important upside risk to European energy costs and inflation. The recent rise in electricity prices will create upside pressure as well.

TTF gas prices, one month ahead



Electricity price (Phelix) vs. Gas price (TTF), y/y

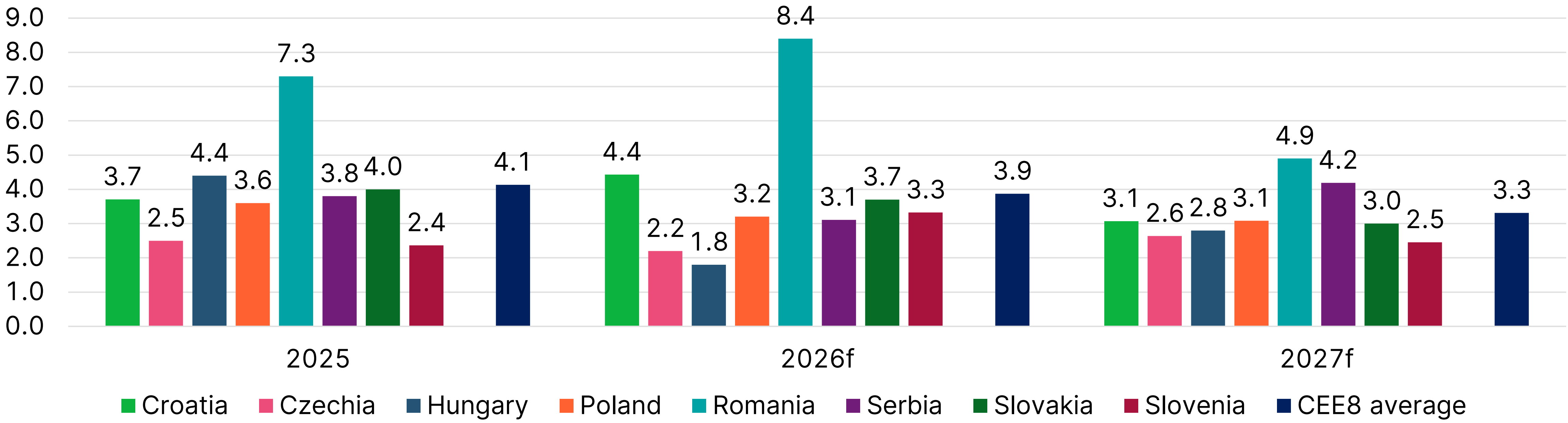


Source: Market data provider, Erste Group Research
September 11, 2026

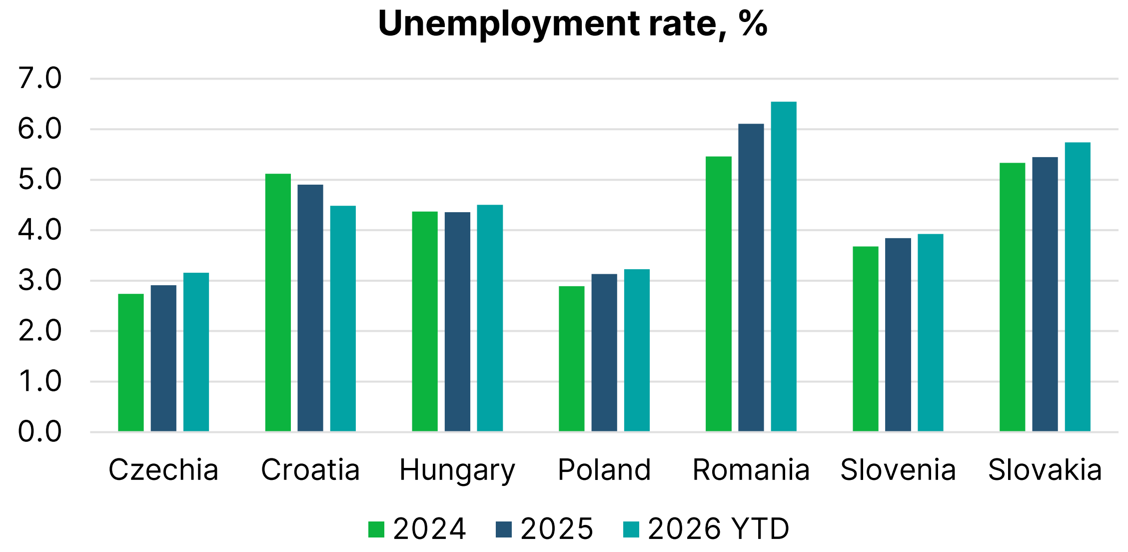
Romania experienced strong disinflation in third quarter of year; price pressures remain contained across region

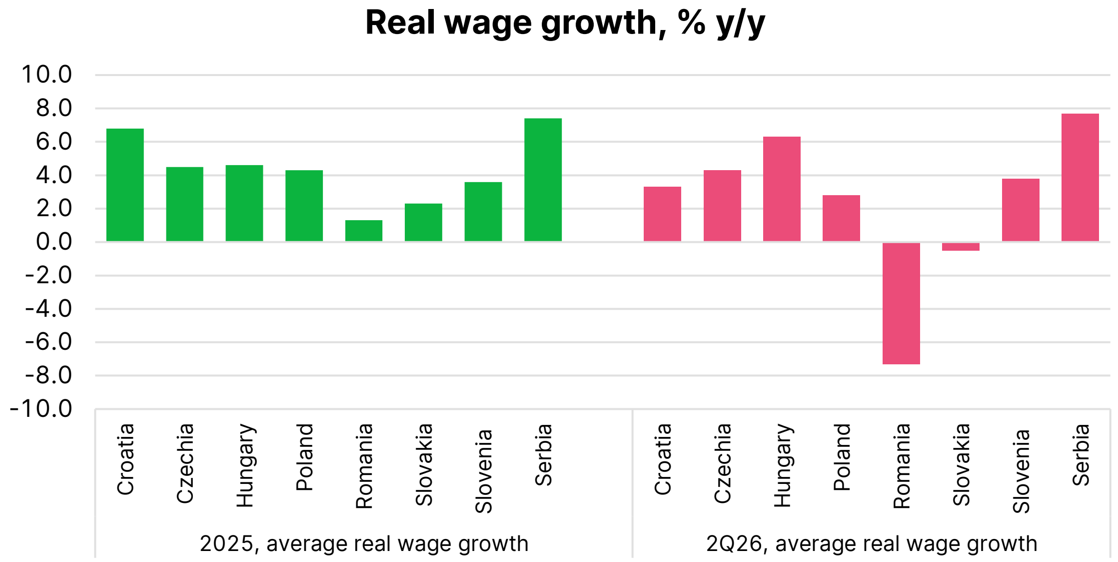
Compared to our previous CEE Outlook, the average 2026 inflation was revised down in Czechia, Hungary, Serbia and Slovakia. In Romania, following the rapid disinflation in July–August, the inflation outlook remains broadly unchanged for the remainder of the year (6.4% y/y at the end of the year expected). The recent development of commodity prices continues to pose an upward risk to inflation forecasts. In 2027, we expect inflation to ease in most of the CEE countries, however. The CEE average inflation should fall from 3.9% this year to 3.3% in 2027.

Inflation forecast, percent



Labor market developments and easing wage pressure



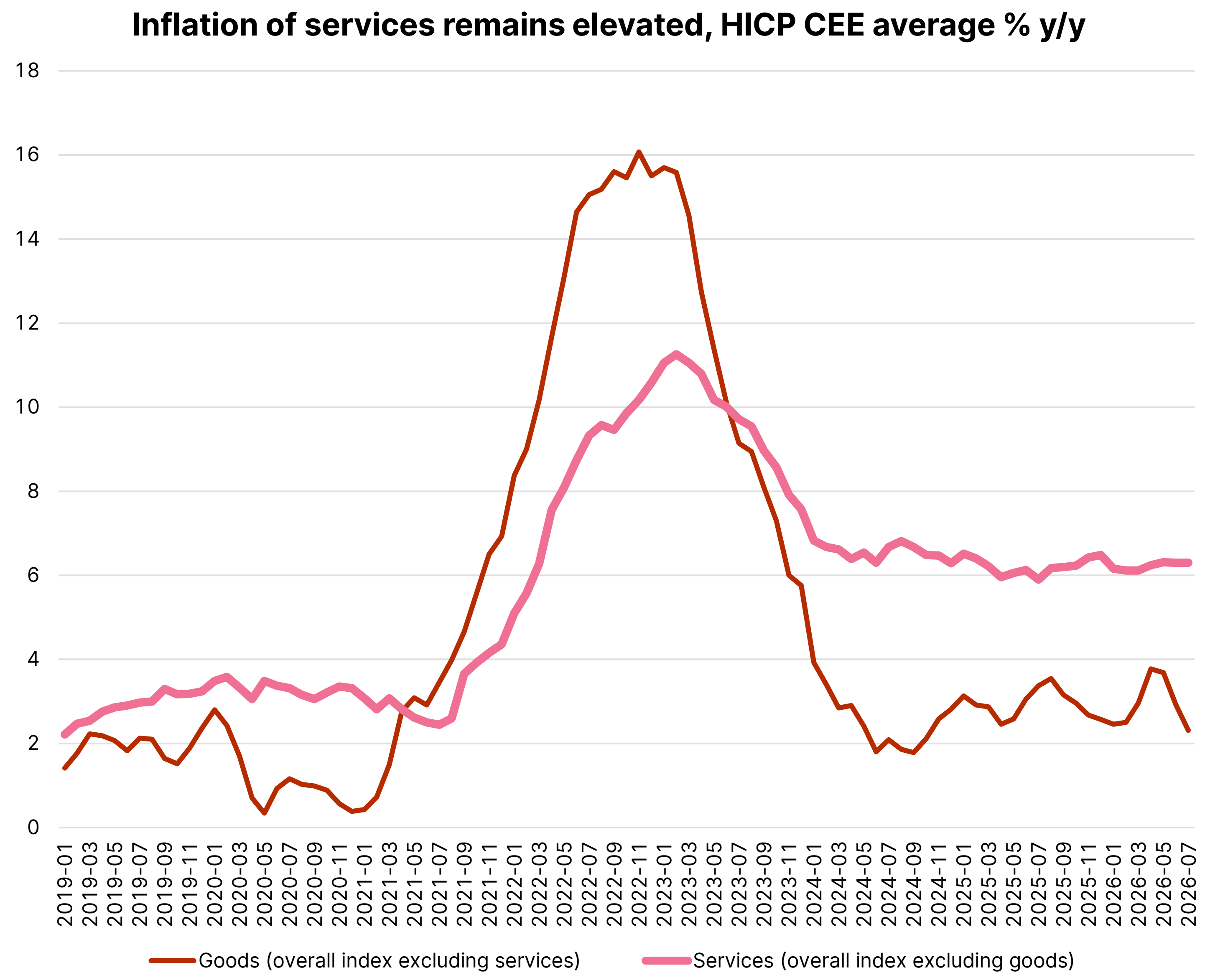


Despite the rather modest economic growth seen across parts of CEE over the past two years, labor markets have remained remarkably resilient. Although unemployment rates have increased in most of the region, they are still low by historical and European standards (EU unemployment close to 6%). The limited response of unemployment to weak growth partly reflects a structurally tight labor supply in CEE. Demographic pressures, ageing populations and shortages of skilled workers make companies more reluctant to reduce employment.

In general, real wage growth remains supportive of household consumption across most of the region. After strong real wage gains across the whole region in 2025, growth remained firmly positive in most countries in 2Q26. Serbia continues to stand out, with real wages rising by more than 7% y/y, followed by Hungary at around 6%. At the same time, the regional divergence has widened considerably. Romania is the clear outlier, with real wages falling by more than 7% y/y in 2Q26. In Slovakia, real wages declined as well (by 0.5% y/y).

Source: Eurostat, Local Statistical Offices, Erste Group Research

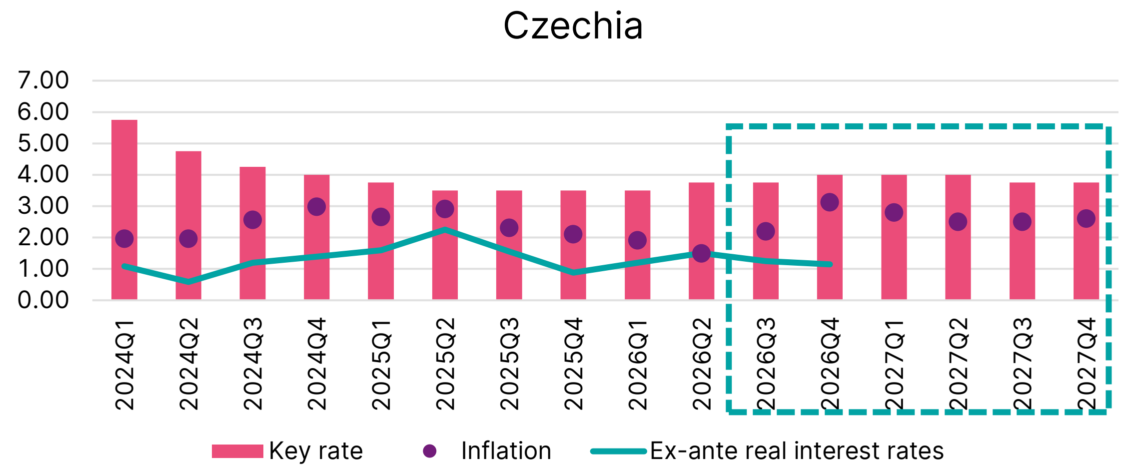
Persistence shift in dynamics of inflation of services

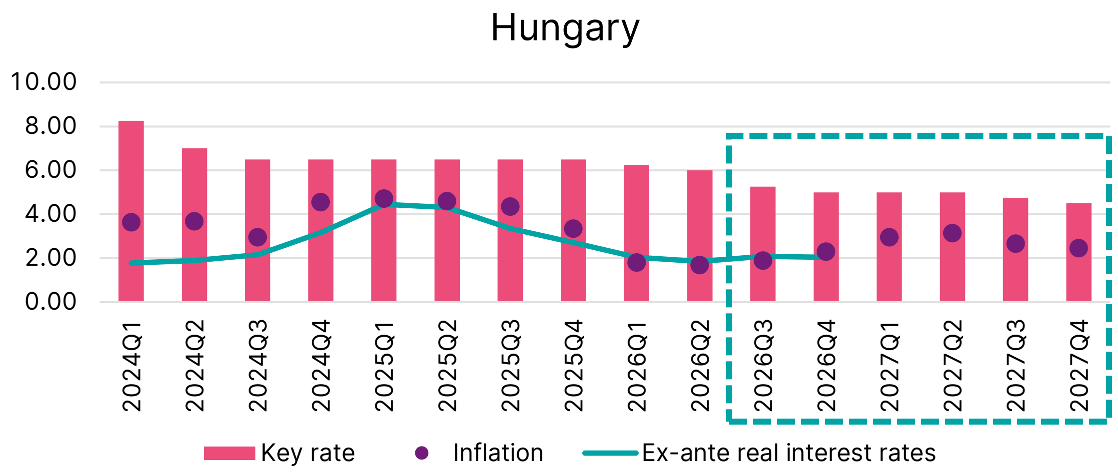


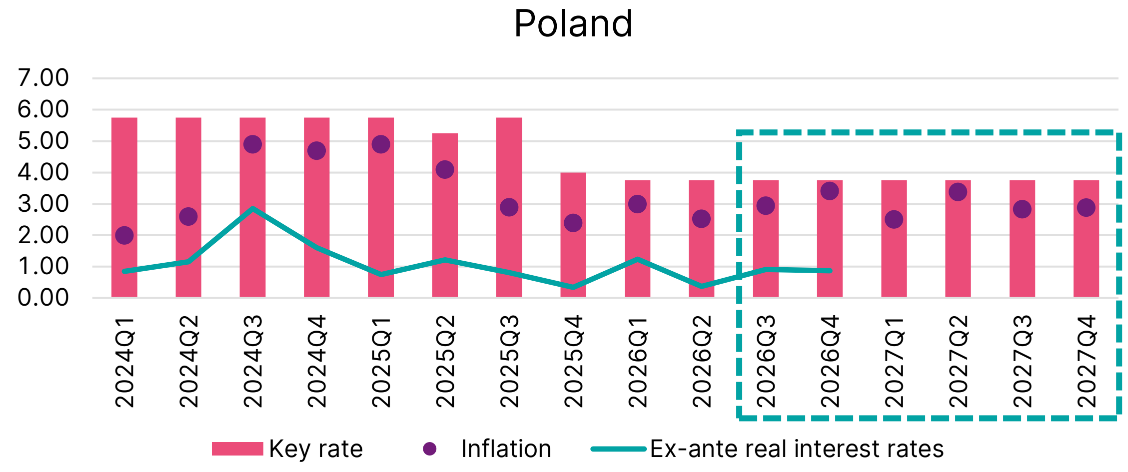
Services inflation appears to have settled at a substantially higher level post inflation shock from 2022 and 2023. Inflation of services peaked later than goods inflation and subsequently declined only to around 6%, remaining close to this level since 2024. This compares with roughly 3% before the inflation shock. The key question is therefore whether the apparent upward shift is permanent, and the evidence so far supports persistence.

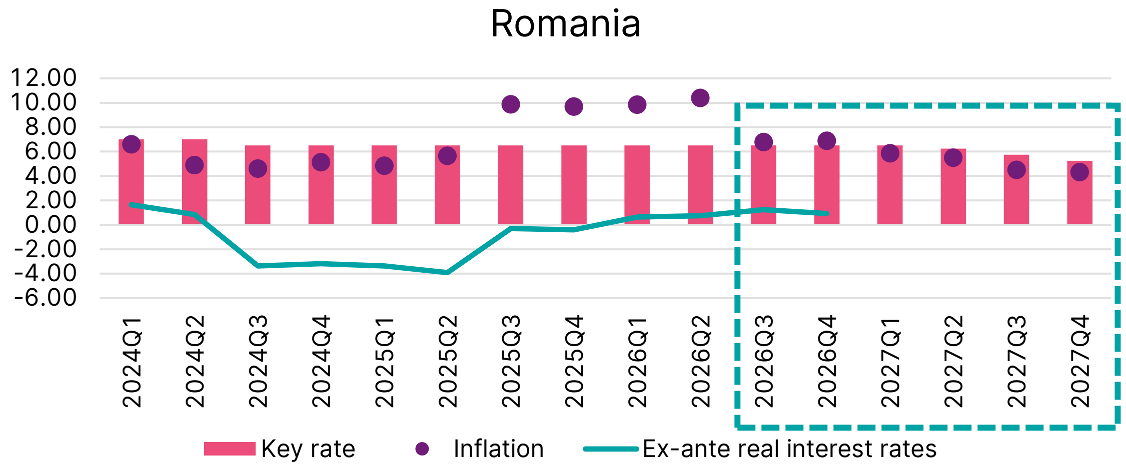
Source: Eurostat, Erste Group Research

Real interest rates to remain positive in all CEE countries, even after anticipating monetary policy actions



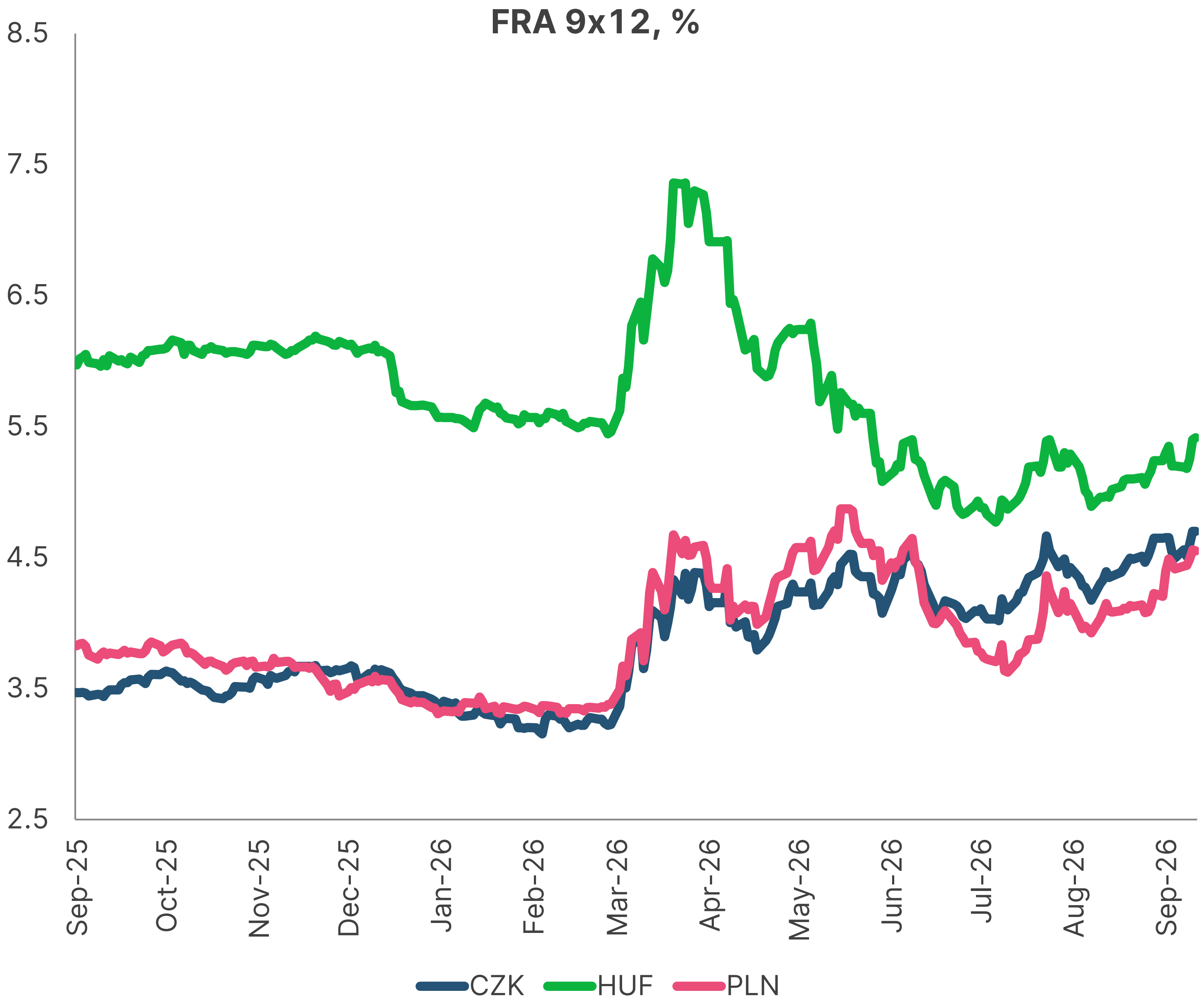






Source: Local central banks, Local Statistical Offices, Erste Group Research
September 11, 2026

Market rates swings as geopolitical situation changes



FRAs 9x12, after a sharper drop at the end of July, returned to the upward trend. Recent rise in price of oil above USD 100 per barrel affects monetary policy outlook shifting central bank's view from relief to increasing risks of tightening.

In Poland, recent inflation developments will hold off the appetite for and discussion on rate cuts. The market thus priced out the possibility of monetary easing that had been suggested by Governor Glapinski in July.

In Czechia, central bankers remain hawkish and markets keep pricing in interest rate hikes.

In Hungary, we expect a continuation of monetary easing until the end of the year and throughout 2027, despite the expected adjustment of the inflation target.

Source: Market data provider, Erste Group Research

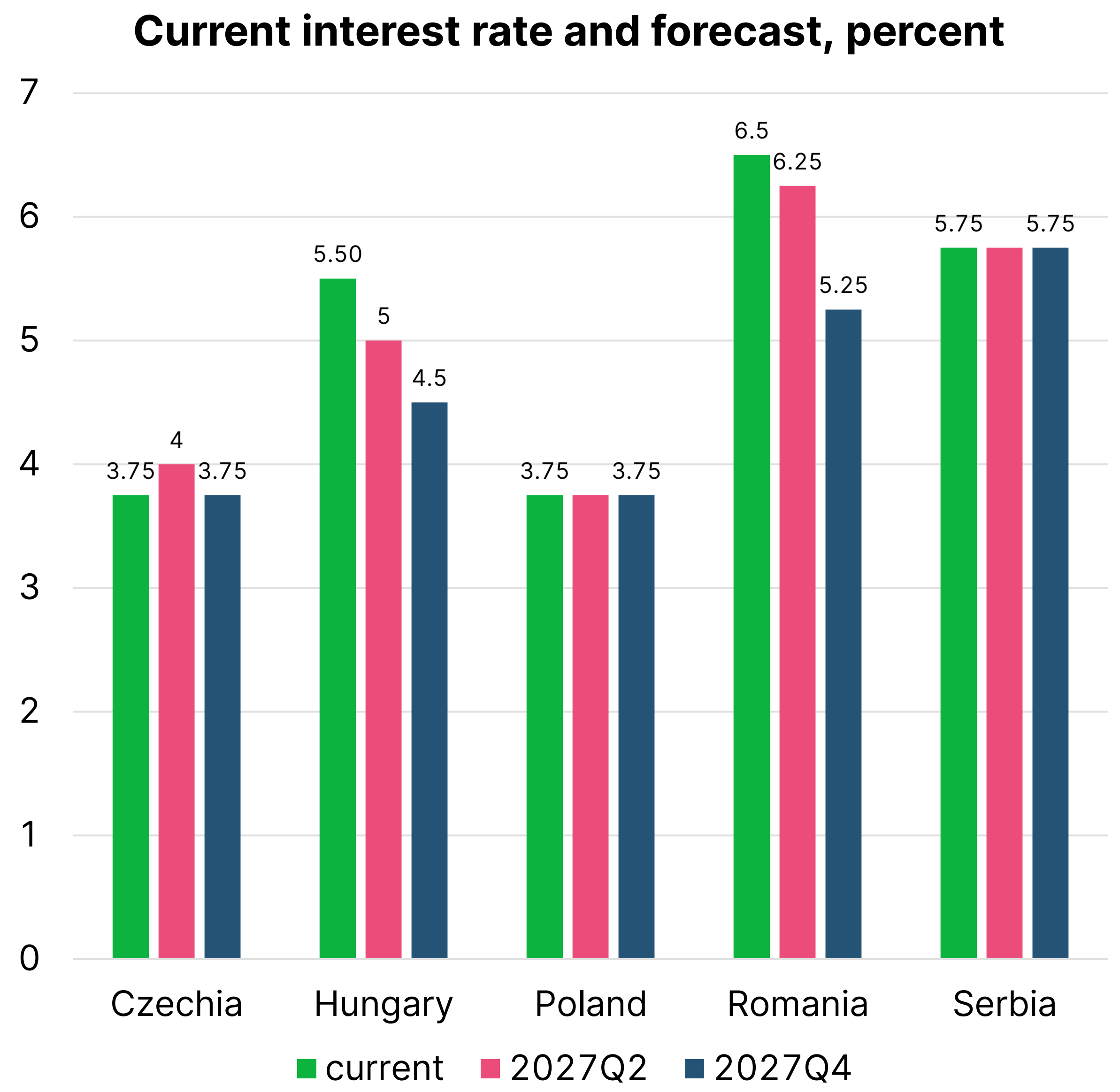
Monetary policy outlook

Hungary began a monetary easing cycle, supported by low inflation and the strong Hungarian forint against the euro. We see rates continuously falling toward 4.5% until the end of 2027.

The Czech National Bank keeps sounding hawkish and another rate hike is likely so that the key rate is at 4% at the end of the year. Although headline inflation is below the central bank’s target, central bankers seem to be worried about wage pressure and core inflation developments.

Poland and Serbia are to keep rates stable. In Poland, such outlook is conditional on the commodity prices reversing their upward trend soon in line with the forward curve. We see the risk of monetary tightening definitely rising, though. In Serbia, core inflation remains at the upper edge, limiting room for rate cuts. Romania should begin discussion on monetary easing when inflation falls below the key policy rate.

In the longer-term horizon, we see a continuation of monetary easing in Hungary, reversal of the rate hike in Czechia and rate cuts in Romania once inflation falls visibly.



Source: Erste Group Research

Fiscal stance and local FX and bond market

ERSTE Group

Fiscal plans for 2027 are being delivered

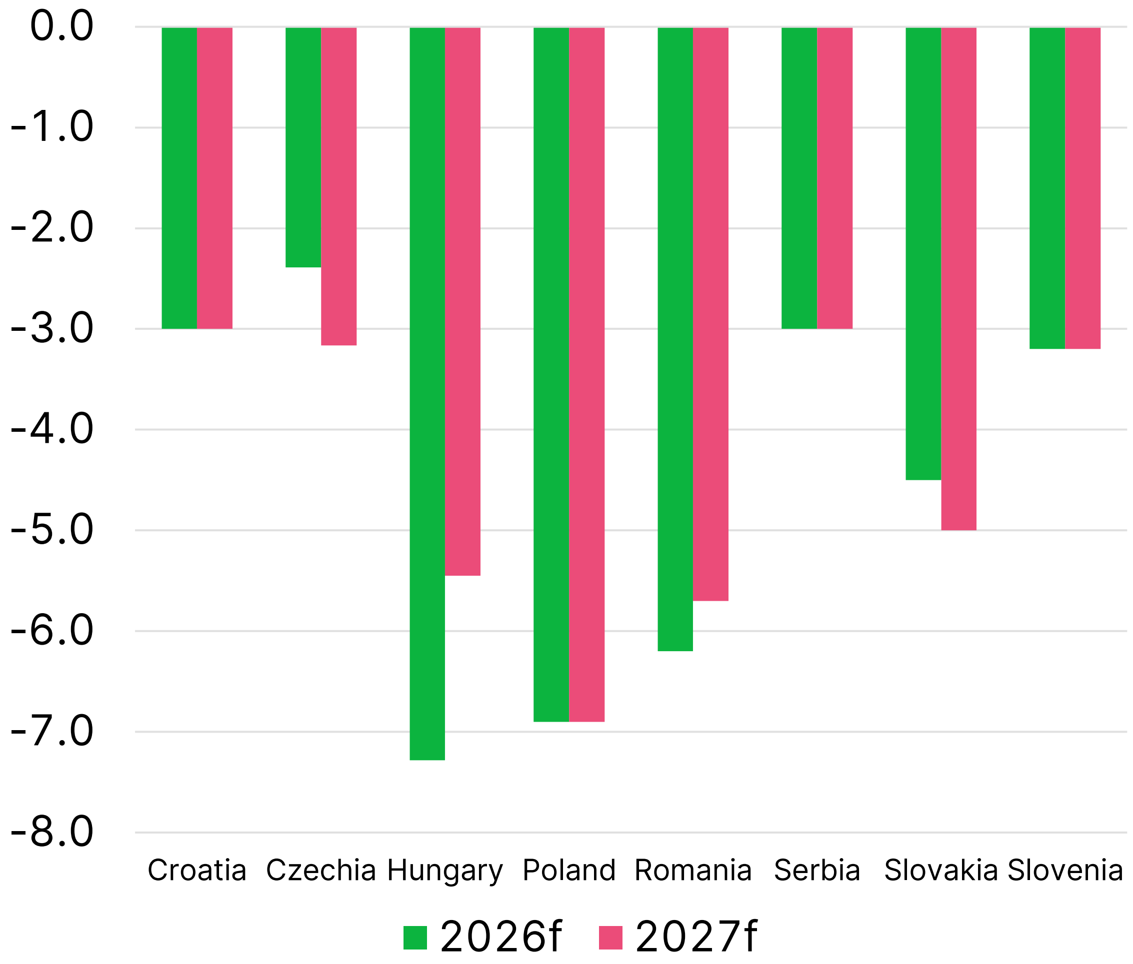
Czechia's Finance Ministry, in its 2027 draft budget, targets a CZK 389bn deficit (vs. CZK 310bn planned for 2026). Although the deficit will increase compared to other CEE countries, it remains contained and close to the 3% of GDP Maastricht criterion.

Romania should continue fiscal consolidation, while Poland should not increase the budget gap, despite parliamentary elections planned for 2027. Both countries have among the highest deficits in the region and the EU.

However, Poland's 2027 budget draft once again reveals a gradual deterioration in the fiscal deficit and public debt trajectory compared with earlier plans and expectations. Despite forecasts of solid GDP growth, approaching 6% annually in nominal terms, and the absence of any new initiatives that would impose additional net costs on public finances, the government now expects a weaker public finance balance in 2026 than previously assumed, as well as a complete lack of fiscal consolidation in 2027.

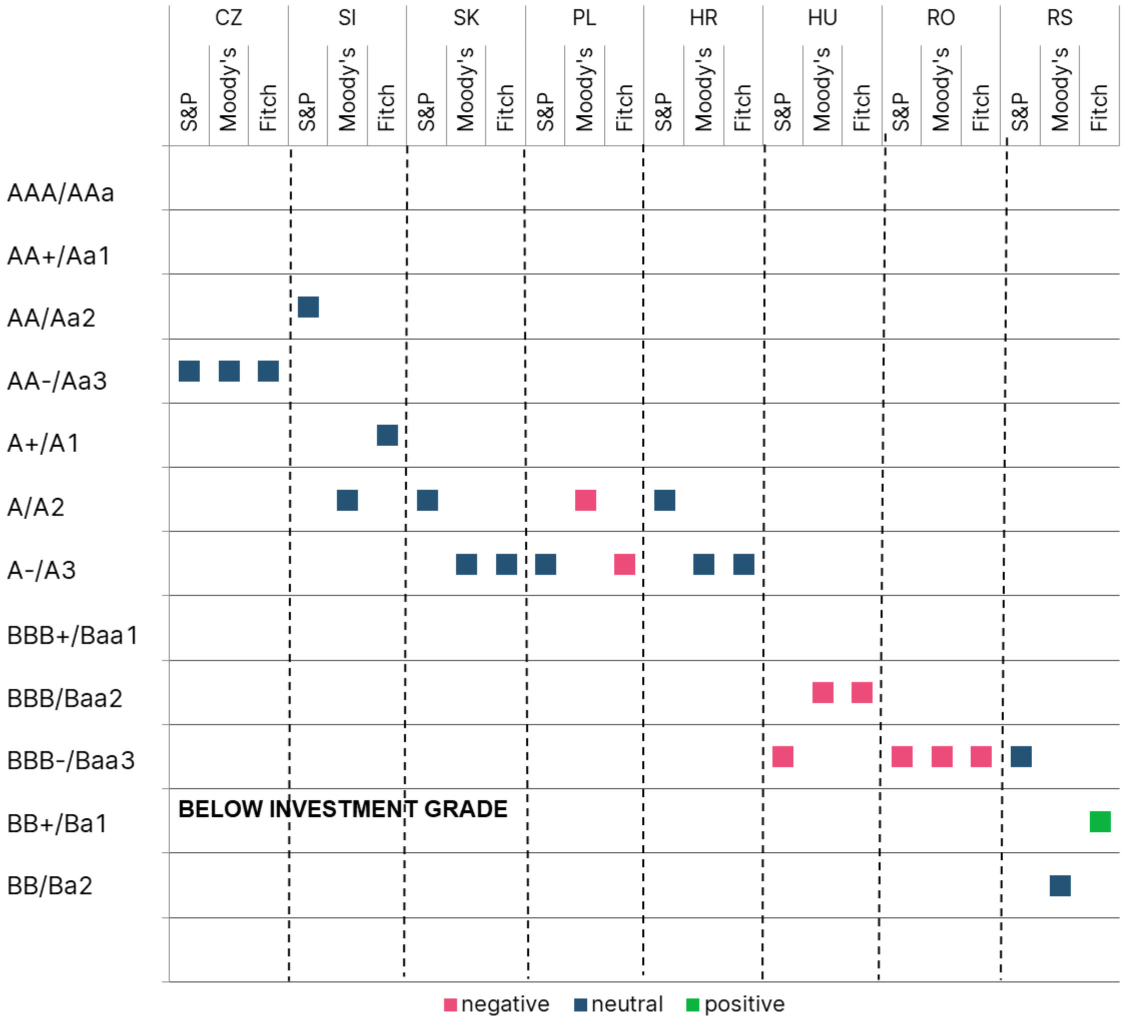
Hungary is to consolidate its fiscal position, as it prepares itself for Eurozone adoption and sets ambitious targets.

Budget deficit in 2026 and 2027, % of GDP



Source: Erste Group Research

Fiscal challenges of particular concern for Poland and Romania

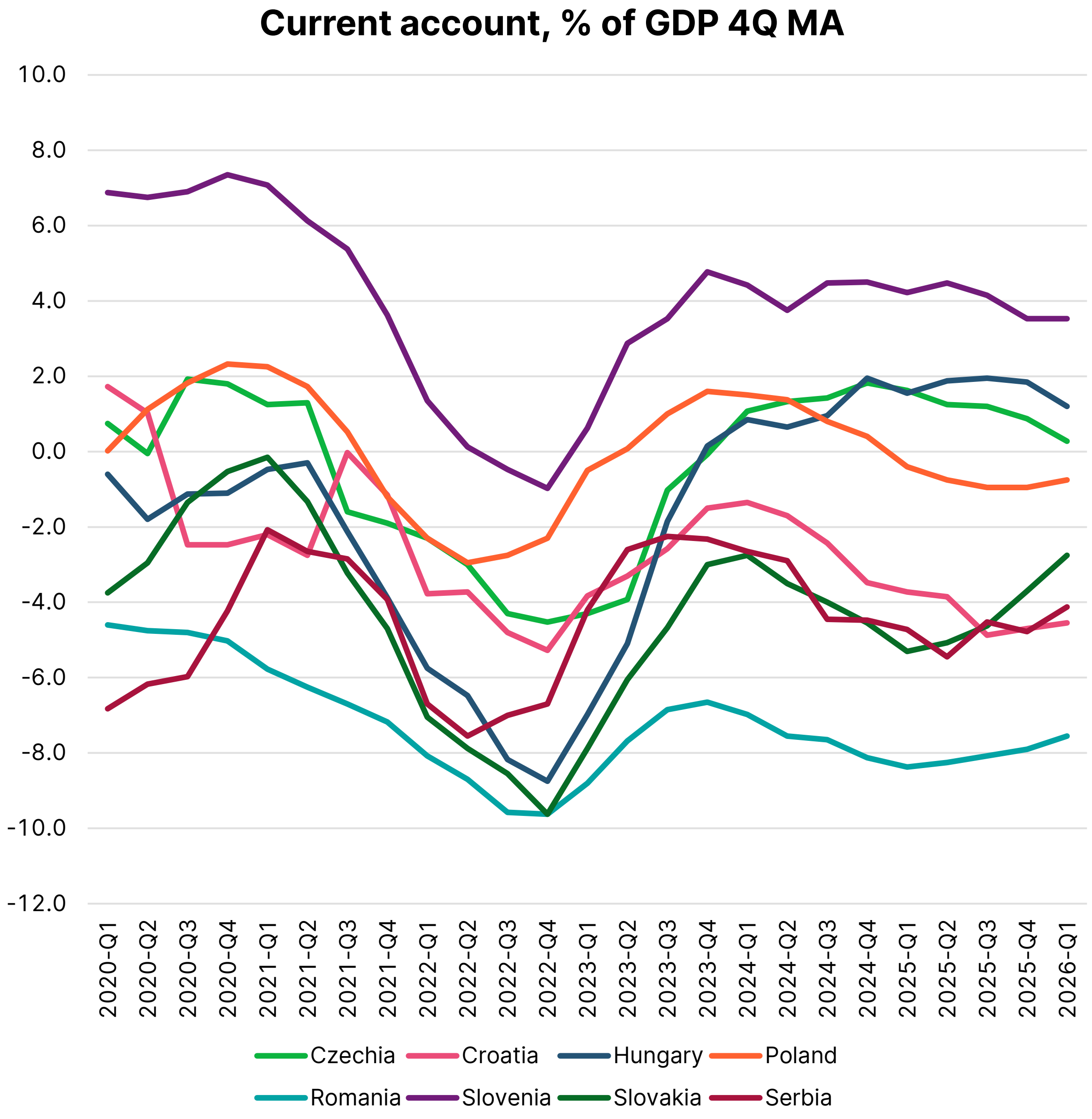


Political instability weighs on Romania's credibility to deliver on fiscal consolidation, stabilizing the debt trajectory and thus its rating. The political crisis has turned into a stalemate. The current account balance remains another major weakness for Romania. Moody's warned in an issuer comment in August that the failure to reach a political agreement on the public wage law 'has negative consequences for Romania's sovereign credit profile' and that the importance of the 2027 budget bill for the credit rating increased. The next rating review is due October 2 from S&P.

Poland's disclosure of a fiscal trajectory that is worse than previously expected creates a risk of adverse decisions by rating agencies. The next reviews of Poland's sovereign credit rating are scheduled for September 18 (Moody's) and November 6 (S&P). S&P is the only rating agency that has maintained a stable outlook so far. Subsequent reviews will take place in spring 2027.

Hungary's fiscal situation has been challenging, but its strong commitment to join the Eurozone should hold off any rating change at this point. After a very high budget deficit in 2026, Hungary is expected to consolidate visibly over the coming years.

Source: Rating agencies, Erste Group Research



External balance remains solid

The Middle East conflict creates renewed downside risks for the external position of CEE countries, primarily through higher oil and gas prices. The European Commission's spring 2026 forecast explicitly expects negative terms-of-trade effects to weaken merchandise trade balances. As the magnitude of the energy shock has so far been smaller, we would expect some deterioration in CEE current accounts rather than a repeat of 2022 adjustments and widening of current account deficits.

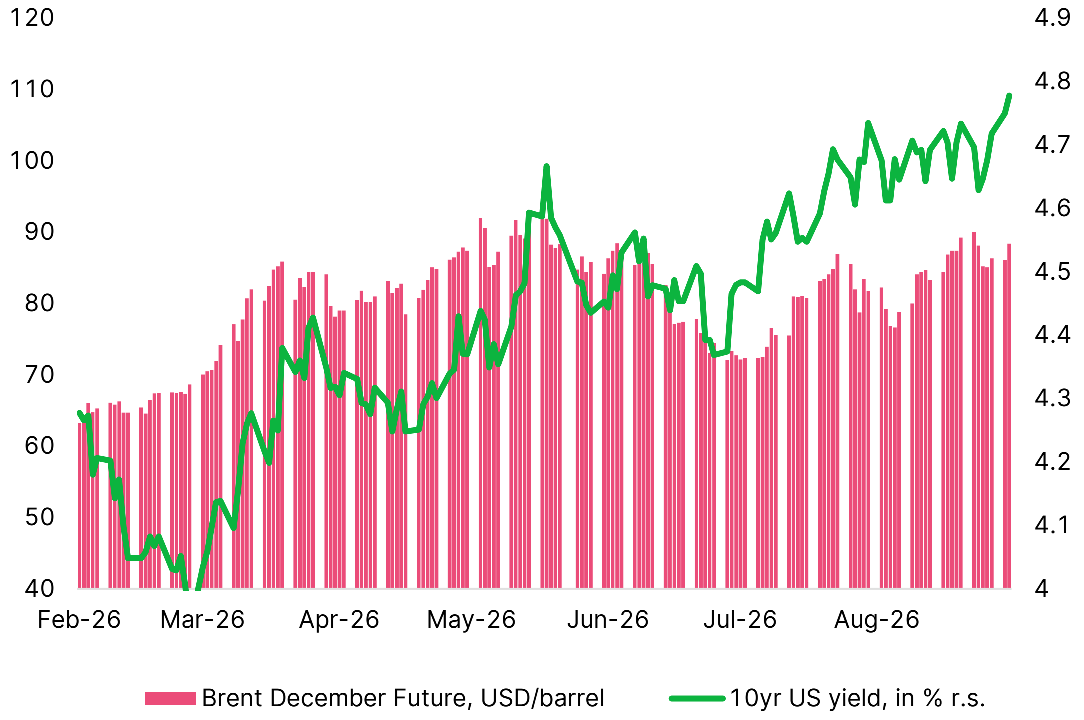
Romania stands apart from the regional pattern, as the imbalance is not primarily the legacy of high energy prices, but is more structural, reflecting strong domestic demand and imports alongside the large fiscal deficit. The combination of a large fiscal and current account deficit (so-called twin deficits) creates greater external financing needs and makes Romania more vulnerable to shifts in investor sentiment.

Source: Eurostat, Erste Group Research
September 11, 2026

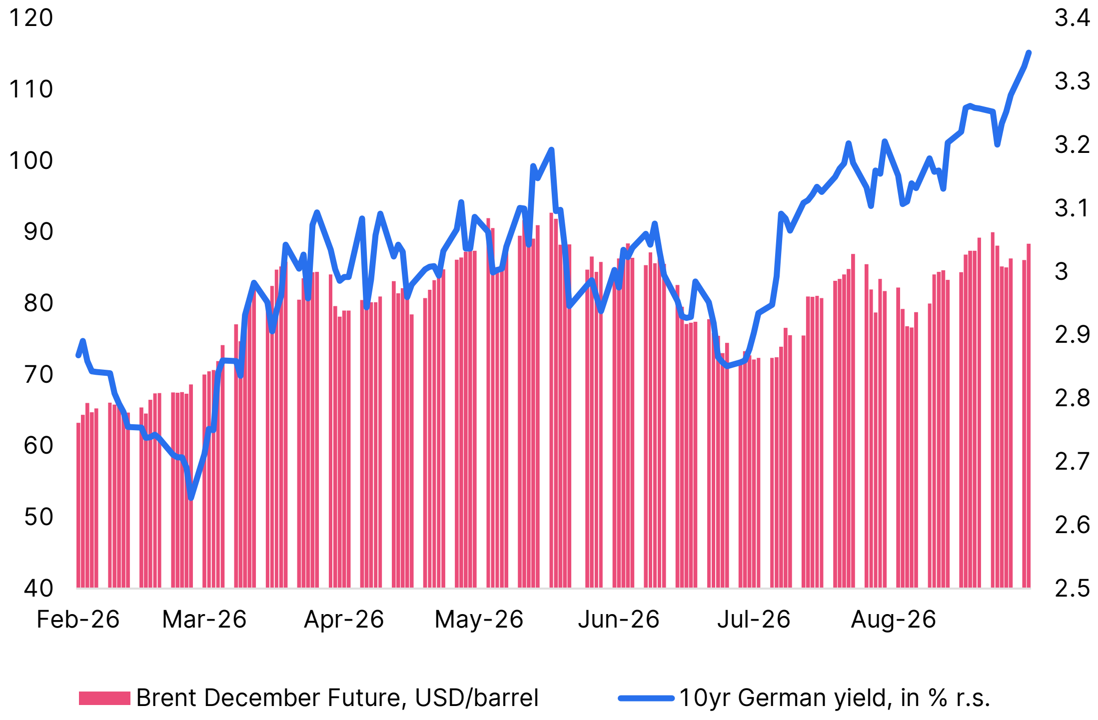
Bond markets determined by energy-related inflation risks

Bond markets have increasingly reflected renewed energy-related inflation risks over the summer. As Brent oil prices moved back toward the upper end of their 2026 range, both US and German 10-year government bond yields rose noticeably, reaching around 4.8% and 3.3%, respectively, by late August. The co-movement suggests that higher energy prices are reinforcing concerns about the persistence of inflation and respective central banks' actions and putting upward pressure on long-term yields on both sides of the Atlantic.

10Y Treasury yield and oil price



10Y German yield and oil price



Source: Market data provider, Erste Group Research

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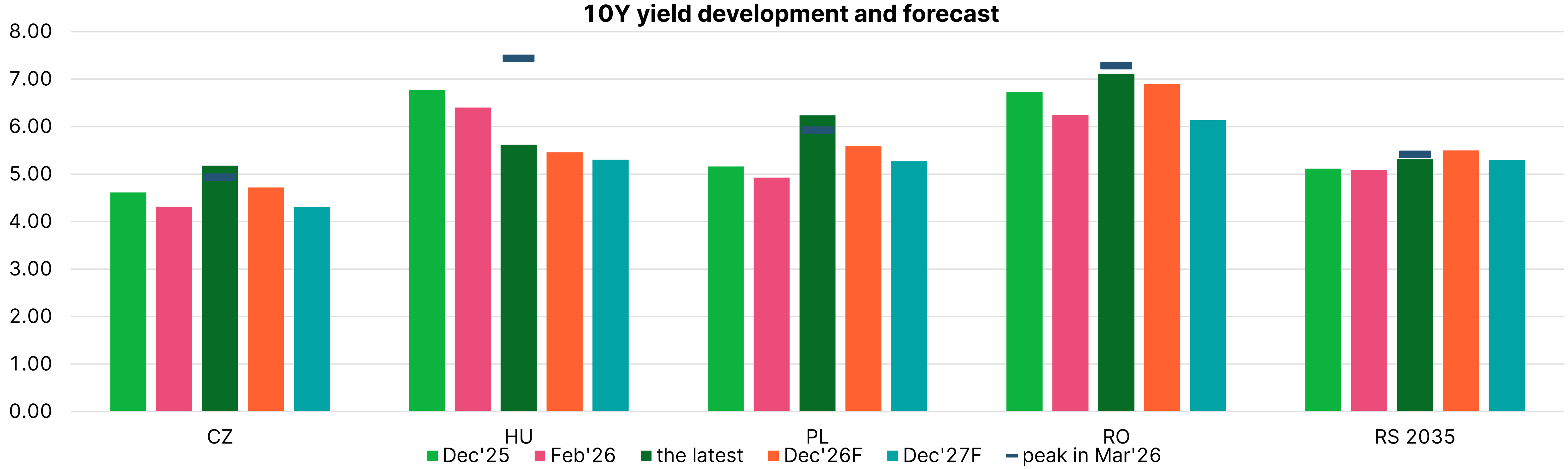
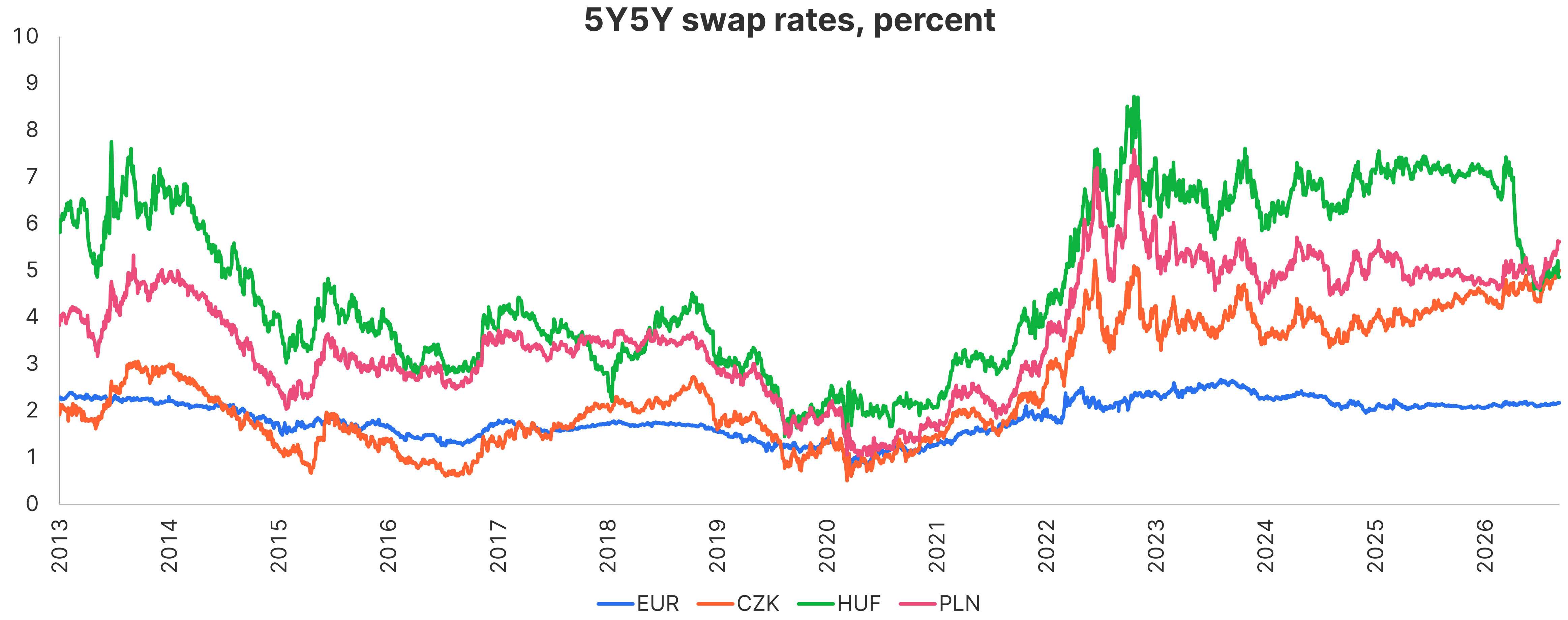
Long-term yield development in region

Long-term yields have been falling throughout summer as risks of monetary tightening have been fading away. With renewed fears that commodity prices will remain elevated for a longer period, the long end of the curve is under pressure again. In Czechia and Poland long-term yields are above the peak from March 2026. There are local factors playing a role in the development of 10Y yields as well. In Czechia, expected monetary tightening keeps the long-term yields as high as at the peak in March 2026. In Poland and Romania, the challenging fiscal situation adds to the pressure. In Hungary, on the other hand, yields have been declining. The Hungarian central bank is preparing to lower its inflation target. While reduced prospects for monetary easing would normally be bond-negative, a stronger commitment to bringing inflation down should be positive for bonds in the longer run, not only in the context of any future euro adoption ambitions, but also by helping to anchor inflation expectations at lower levels.



Source: Market data provider, Erste Group Research

Hungary's 5Y5Y swap rates dropped below Poland's, but Czech's remain unusually elevated



Source: Market data provider, Erste Group Research

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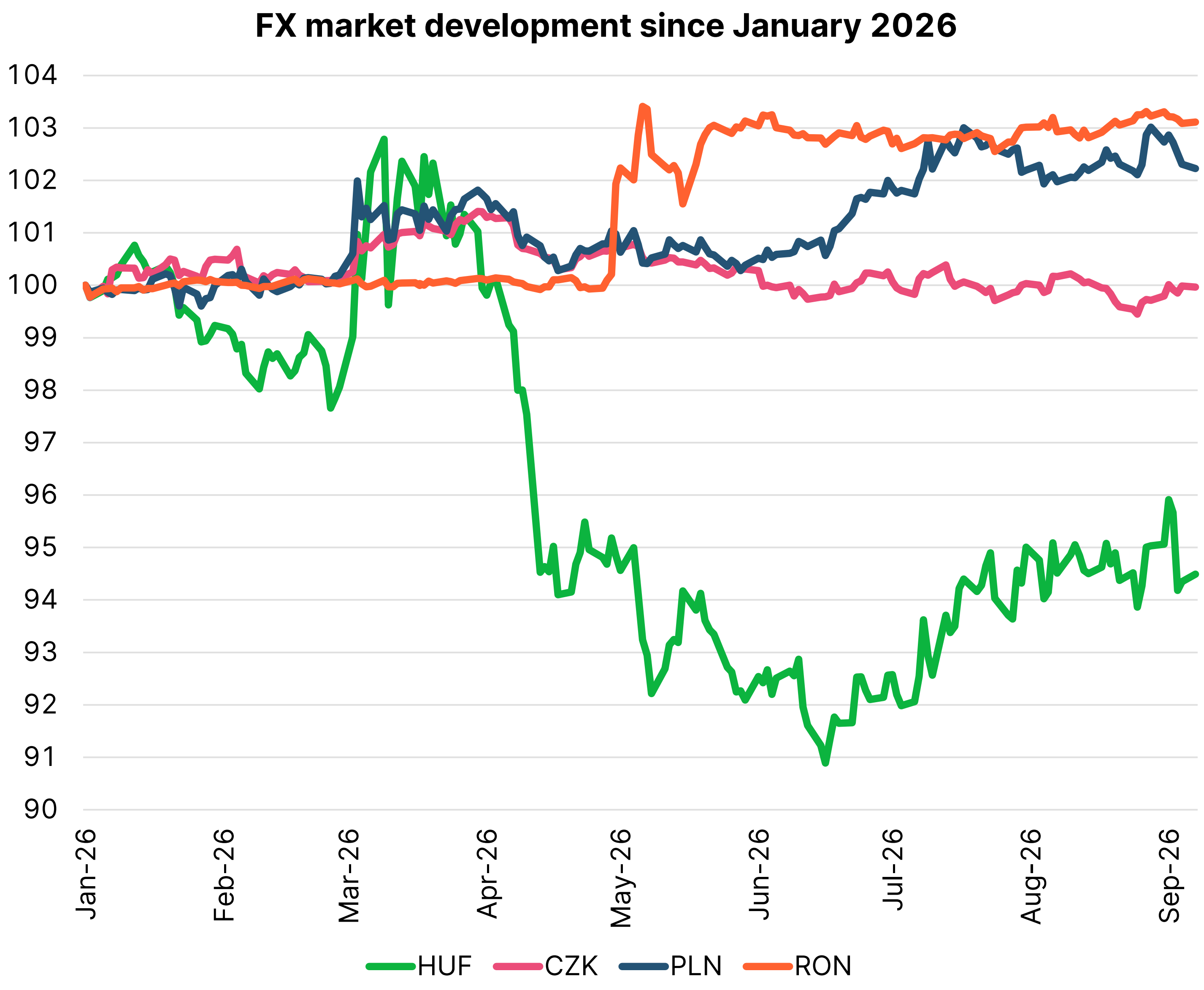
FX market reflects country-specific developments



The Hungarian forint has been the clear outperformer, appreciating by around 5-6% since January. In the last two months, it has lost some of the momentum that could have been observed in the middle of the year. A strong commitment toward the Eurozone supports lower EURHUF levels in the medium term.

By contrast, the Polish zloty has weakened by roughly 2%, with most of the depreciation occurring since June, while the Czech koruna has remained remarkably stable, hovering close to its January level. The Romanian leu, after a sharp adjustment in May, has been moving sideways.

Source: Market data provider, Erste Group Research

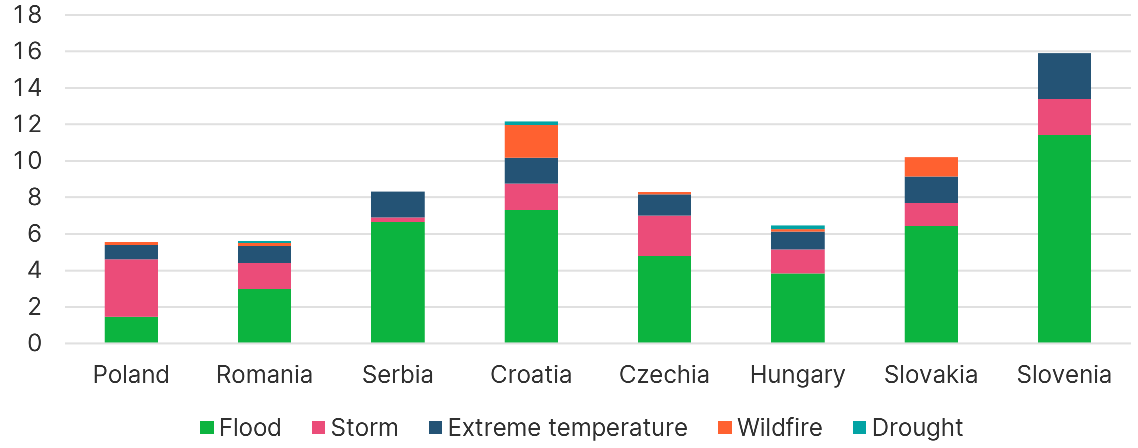
Zooming in on climate and weather-related impact

2026 weather story: extreme heat and drought

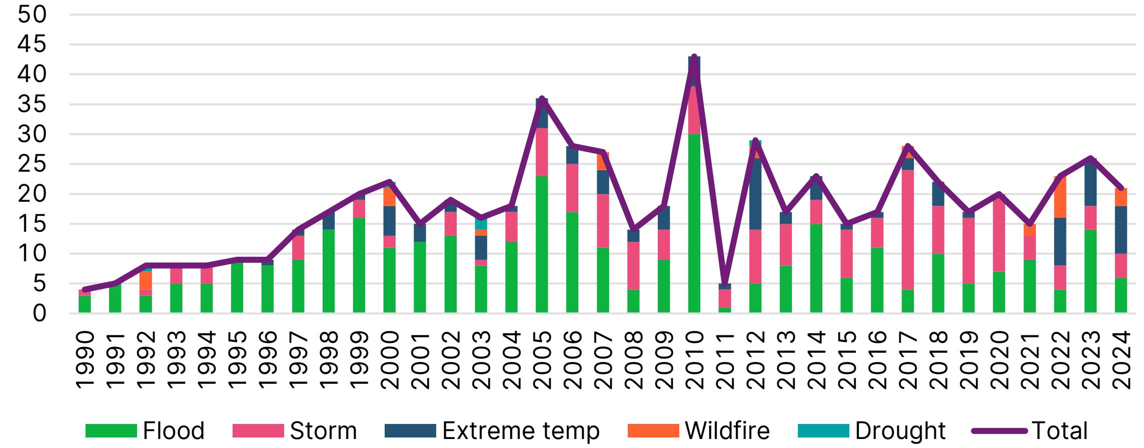
The dominant CEE weather story in 2026 has clearly been the combination of extreme heat and drought. After an unusually cold January, conditions shifted sharply: drought developed during spring and intensified in June, while successive heatwaves in late June, July and early August produced new national temperature records in Czechia, Hungary and Slovakia. The drought became hydrological by mid-summer, pushing the Danube and several national rivers to record or near-record low levels, with consequences for river transport, agriculture, hydropower and even nuclear generation.

The second major feature has been the greater contrast between prolonged dry spells and short, extremely intense rainfall events. Romania, Slovakia, Croatia and Slovenia all experienced damaging thunderstorms, hail or flash floods during summer. This is particularly visible in Romania, where severe drought and historically low river flows coexisted with the Bucharest storm that delivered almost a normal month's rainfall in only ten hours. Serbia stands out additionally because heat and drought translated into a major wildfire episode in August.

Recorded events by country and hazard group (1989-2024, normalized per 10000 km2)



Recorded events by hazard group and year (CEE8 country-event basis)



Extreme weather events during summer 2026

June

June	Slovenia	Severe thunderstorms
June	Croatia	Thunderstorms & hail & flash flooding
June	Czechia	Heatwave (new all-time temperature record in Doksany)
June onward	CEE	Drought
June–July	Slovenia	Heatwave followed by severe storms
June–July	Hungary	Heatwave (second hottest June since 1901)
June–July	Slovakia	Hetawave (record-high overnight min temperature)
June–July	Romania	Heatwave
June–July	Romania	Severe storm & flooding (70 litres/m² in 10 hours)
June–August	Poland	Drought & low rivers (worst drought episodes in years)
June–August	Czechia	Severe drought (extreme drought affects 60% of teritory)
June–August	Slovakia	Hydrological & agricultural drought

July

July	Slovakia	Severe storms & hail & flash floods
July	Slovakia	Flash flooding
July	Slovakia	Thunderstorms & hail & flash flooding
July	Slovenia	Repeated severe thunderstorms
July	Romania	Flash floods & landslides
July–August	CEE	Record-low Danube levels (gauge reading of just 23 cm)
July–August	Slovenia	Severe heatwave
July–August	Romania	Extreme heatwave (temperatures up to 41%)

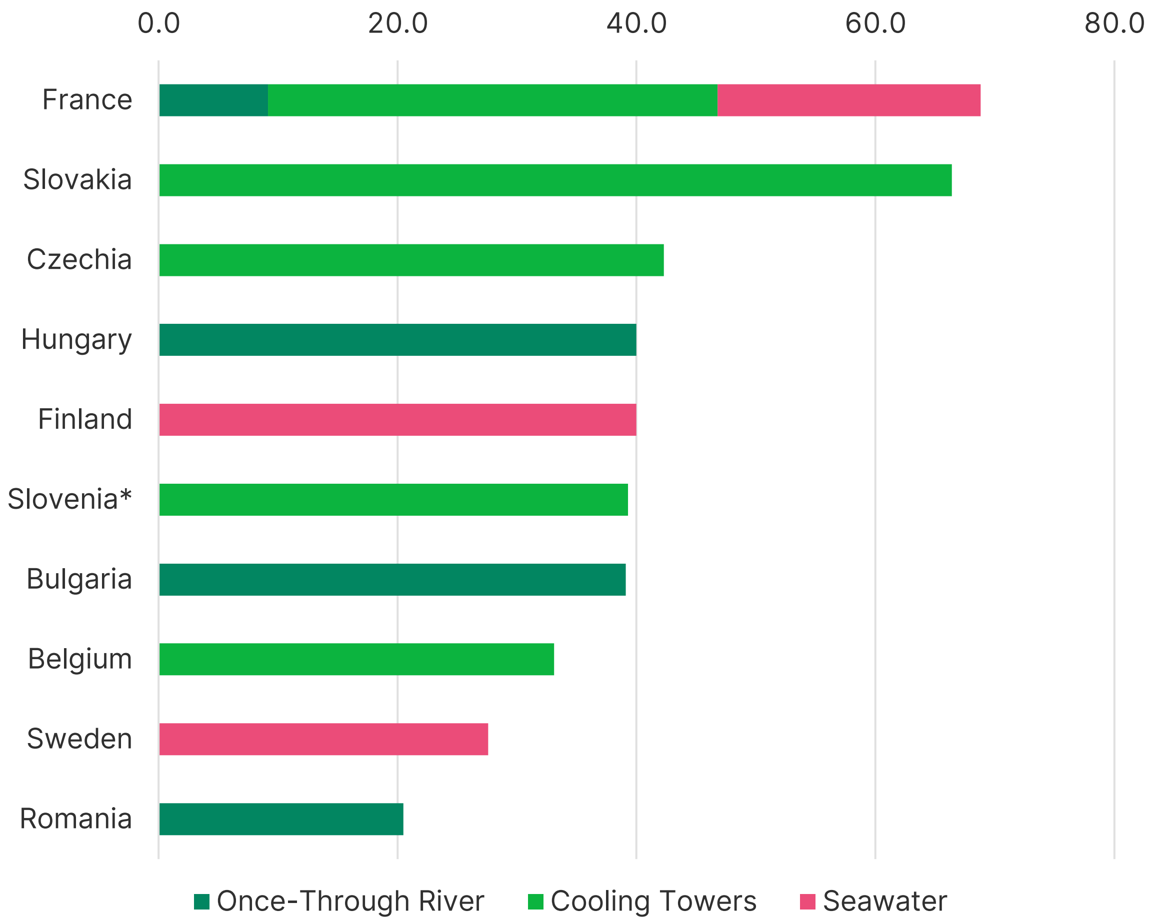
August

August	Slovakia	Heat (new national record of roughly 42°C)
August	Hungary	Record heat & drought
August	Romania	Record-low river flows (zero flow in 12 stations)
August	Serbia	Major wildfire
August	Poland	Severe storms & gales & flooding

Heatwaves, low river flows and nuclear power

Nuclear power plays a central role in the CEE energy mix, leaving the region with one of the largest shares of nuclear electricity production in the world, behind France. Despite intense summer heatwaves and dropping river water levels, CEE countries face vastly different operational risks depending on how their reactors are cooled. Plants relying on direct once-through river cooling, such as Paks in Hungary, Kozloduy in Bulgaria and Cernavodă in Romania, are highly vulnerable to environmental conditions. Because all three draw directly from the Danube River, low flow volumes and elevated water temperatures frequently threaten their operations, requiring temporary power cutbacks or shutdowns to protect equipment and local ecosystems. Conversely, nuclear facilities in Czechia, Slovakia and Slovenia are far better shielded from hydrological drought. Czechia and Slovakia utilize closed-loop cooling towers supplied by local river networks, which consume far less water; Czechia further protects its supply using dedicated reservoir systems as a backup. Slovenia employs a hybrid setup at the Krško plant. Thanks to these distinct cooling strategies, the region as a whole is not at the same widespread operational risk. Both Czechia and Slovakia have been net exporters of electricity, with the latter exporting electricity also directly to Hungary.

Nuclear electricity share by cooling method (2025)

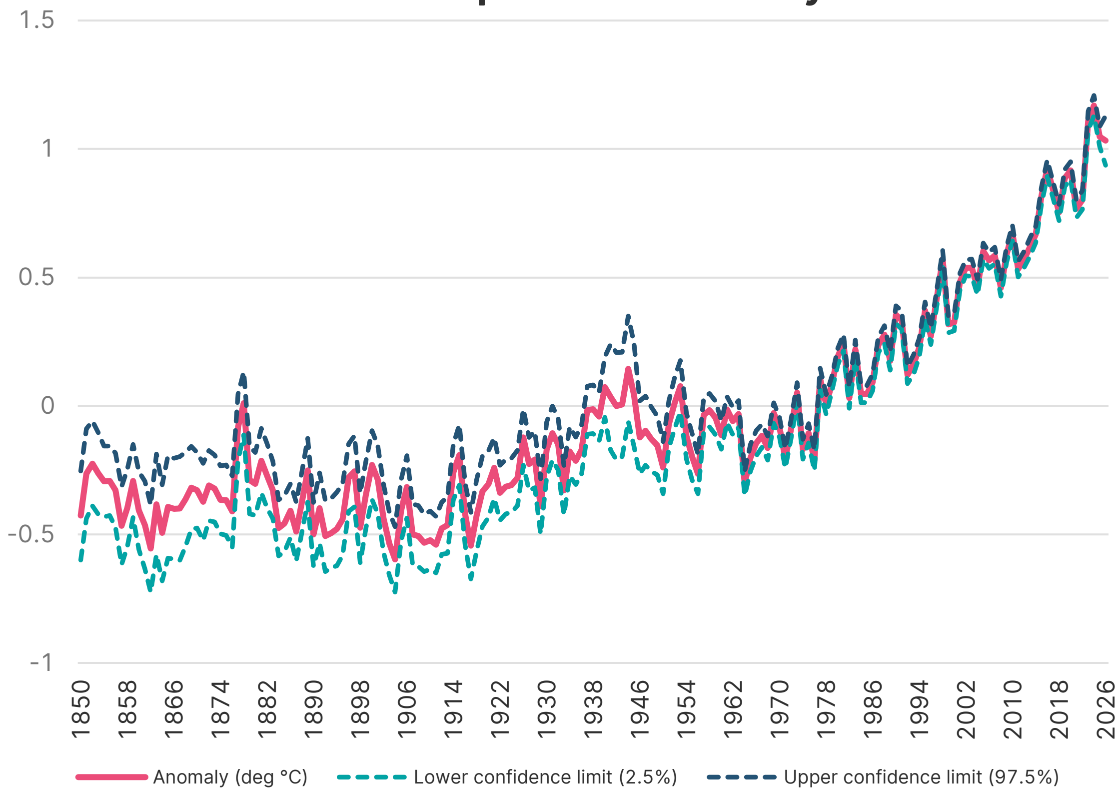


Source: Erste Group Research

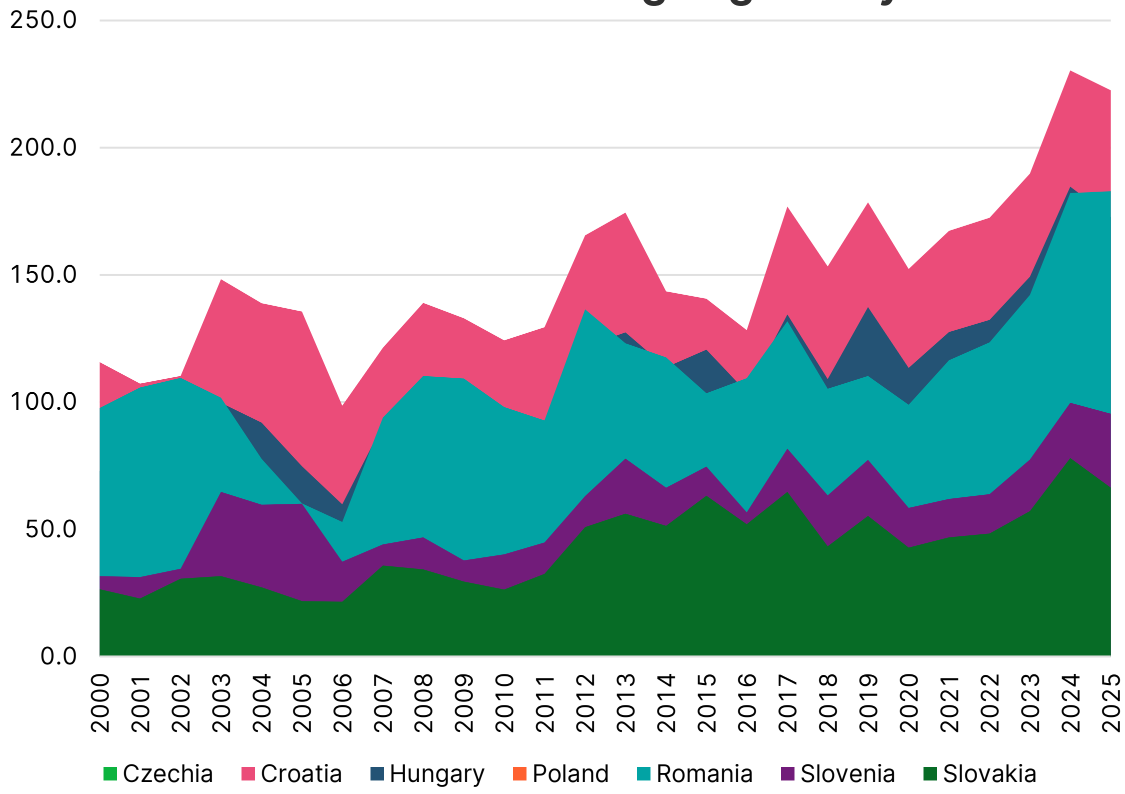
Rising temperatures translating into higher cooling needs

Temperature anomalies have moved decisively higher in recent decades, with the latest readings around 1°C above the long-term historical average. The warming trend is increasingly visible in energy demand, as the number of cooling degree days has risen markedly across CEE. On the other hand, it should be noted, the number of heating days (during winters) have been declining slightly.

Temperature anomaly



Number of cooling degree days



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Source: Eurostat, European Comission, Erste Group Research

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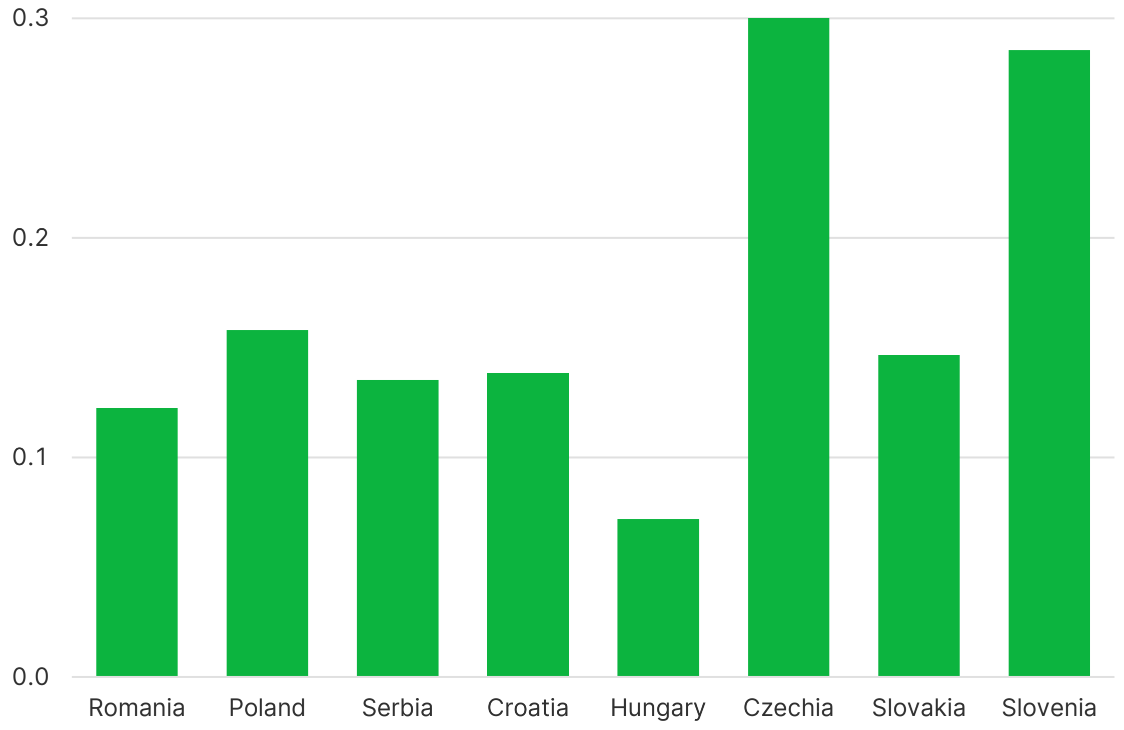
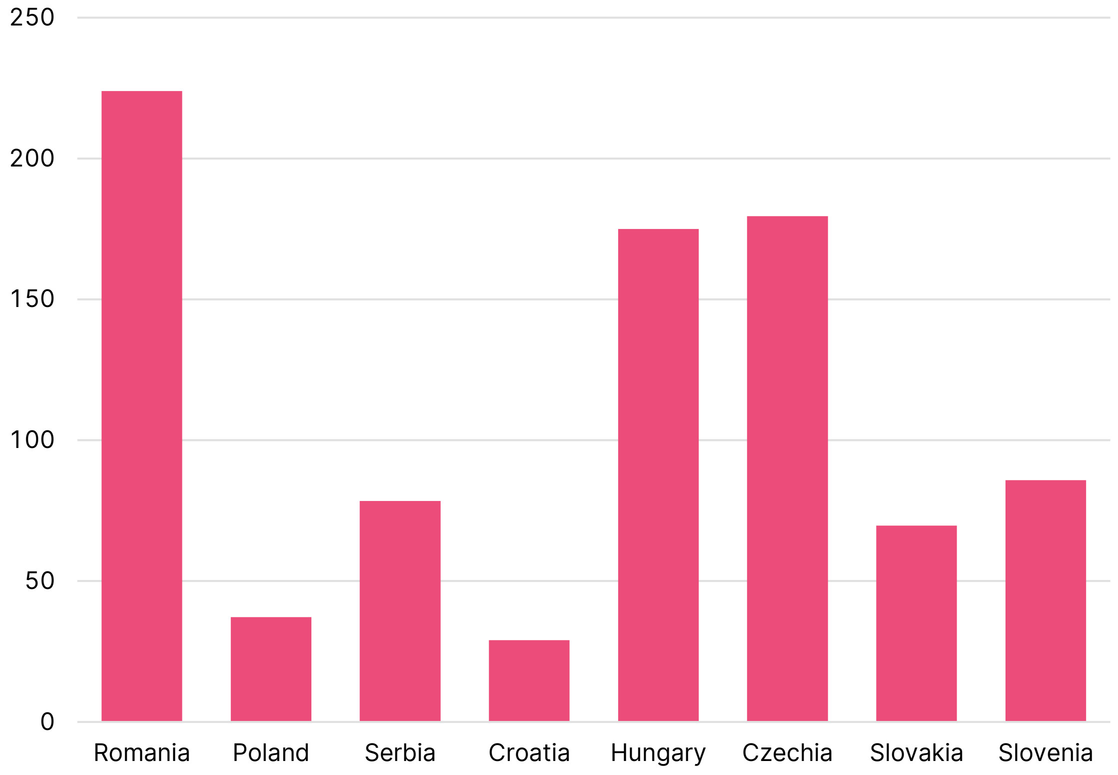
Economic loss and human costs

Over 1995–2024, average annual economic losses were highest in Czechia and Slovenia, at around 0.3% of GDP, while Hungary recorded the lowest relative losses. Economic losses capture damage to physical assets, infrastructure and agriculture, as well as disruption to economic activity caused by extreme weather events.

Average annual economic loss 1995-2024, % of GDP



Average annual deaths per million, 2022 -2024



Source: European Commission (Disaster Risk Management Knowledge Center). Erste Group Research

Economic impact

The impact on growth stems predominantly from negative physical-risk effects. Extreme weather destroys capital, infrastructure and crops, disrupts production and transport, reduces labor productivity during heatwaves and can lower tourism and agricultural output. The ECB notes that repeated climate shocks can also reduce potential output through loss of agricultural land, higher mortality and sickness, migration and lower labor efficiency.

At the same time, adaptation and the green transition support investment. Spending on grids, renewables, energy efficiency, transport and climate-resilient infrastructure can provide a positive investment impulse. The ECB estimates suggest that moving towards carbon-free technologies could require additional investment equivalent to roughly 2.7–3.7% of EU GDP annually until 2030.

As far as inflation is concerned, climate change makes supply shocks more frequent. Heatwaves, droughts and floods can reduce agricultural output and push up food prices, while low water levels can disrupt transport, hydropower generation and electricity production.

Transition policies may temporarily add to inflation. Carbon pricing and higher costs for carbon-intensive production can initially raise energy and consumer prices. In the longer run, greater reliance on domestic renewables reduces exposure to global oil and gas prices and geopolitical energy shocks.

Macro Forecasts

Real GDP growth (%)	2024	2025	2026f	2027f
Croatia	3.8	3.4	2.1	2.2
Czechia	1.1	2.7	2.2	2.7
Hungary	0.7	0.5	1.7	2.2
Poland	3.2	3.6	3.6	3.0
Romania	0.9	0.7	-0.7	2.2
Serbia	3.9	2.0	3.4	4.0
Slovakia	1.9	0.8	0.9	1.7
Slovenia	1.7	1.1	3.2	2.5
CEE8 avg	2.1	2.3	2.2	2.6

Average inflation (%)	2024	2025	2026f	2027f
Croatia	3.0	3.7	4.4	3.1
Czechia	2.4	2.5	2.2	2.6
Hungary	3.7	4.4	1.8	2.8
Poland	3.6	3.6	3.2	3.1
Romania	5.6	7.3	8.4	4.9
Serbia	4.6	3.8	3.1	4.2
Slovakia	2.7	4.0	3.7	3.0
Slovenia	2.0	2.4	3.3	2.5
CEE8 avg	3.6	4.1	3.9	3.3

Unemployment (%)	2024	2025	2026f	2027f
Croatia	5.0	4.9	4.8	4.7
Czechia	2.7	2.9	3.2	3.4
Hungary	4.4	4.4	4.5	4.3
Poland	5.1	5.7	6.1	6.2
Romania	5.5	6.1	6.4	5.8
Serbia	8.6	8.7	7.8	7.5
Slovakia	5.3	5.4	6.0	6.0
Slovenia	3.7	3.9	3.9	3.8
CEE8 avg	4.8	5.2	5.5	5.4

Public debt (% of GDP)	2024	2025	2026f	2027f
Croatia	57.4	56.3	55.5	55.7
Czechia	43.2	44.1	45.0	46.7
Hungary	73.5	74.6	77.0	76.9
Poland	54.8	59.7	67.8	70.5
Romania	54.8	59.3	61.1	63.0
Serbia	46.7	44.5	44.1	43.7
Slovakia	59.7	61.2	62.5	64.3
Slovenia	66.4	65.7	64.9	65.4
CEE8 avg	55.2	58.1	62.2	64.0

C/A (%GDP)	2024	2025	2026f	2027f
Croatia	-2.2	-3.5	-3.5	-3.9
Czechia	1.7	0.7	0.4	0.8
Hungary	1.7	1.7	-0.1	0.2
Poland	0.3	-0.9	-1.8	-2.4
Romania	-8.2	-7.9	-6.8	-6.2
Serbia	-4.5	-4.9	-4.5	-3.0
Slovakia	-4.6	-3.6	-2.7	-2.5
Slovenia	5.2	4.1	3.5	3.2
CEE8 avg	-1.2	-1.8	-2.2	-2.2

Budget Balance (%GDP)	2024	2025	2026f	2027f
Croatia	-2.3	-3.0	-3.0	-3.0
Czechia	-2.0	-2.1	-2.4	-3.2
Hungary	-5.1	-4.7	-7.3	-5.3
Poland	-6.4	-7.3	-7.1	-7.1
Romania	-9.3	-7.9	-6.2	-5.7
Serbia	-2.0	-2.4	-3.0	-3.0
Slovakia	-5.4	-4.5	-4.5	-5.0
Slovenia	-0.9	-2.5	-3.2	-3.2
CEE8 avg	-5.4	-5.6	-5.6	-5.5

Market Forecasts

LCY Government bond yields	Latest	2026Q4	2027Q1	2027Q2	2027Q3
Czechia 10Y	5.08	4.72	4.60	4.48	4.38
Hungary 10Y	5.47	5.46	5.39	5.39	5.37
Poland 10Y	6.13	5.59	5.44	5.33	5.27
Romania10Y	7.03	6.90	6.85	6.72	6.52
Serbia 10Y	5.44	5.50	5.50	5.45	5.35
Spreads vs. German Bunds (bps)					
Croatia 10Y	40.00	40.00	40.00	40.00	40.00
Slovakia 10Y	65.00	70.00	70.00	70.00	70.00
Slovenia 10Y	34.00	40.00	40.00	40.00	40.00
DE10Y yields	3.37	3.30	3.20	3.20	3.10

FX	Latest	2026Q4	2027Q1	2027Q2	2027Q3
EURCZK	24.18	24.20	24.16	24.10	24.06
EURHUF	363.1	360.0	360.0	355.0	355.0
EURPLN	4.31	4.30	4.30	4.30	4.30
EURRON	5.25	5.27	5.27	5.30	5.32
EURRSD	117.2	117.4	117.4	117.2	117.2
EURUSD	1.16	1.12	1.12	1.12	1.12

3M Money Market Rate	Latest	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.87	4.05	4.05	3.97	3.81
Hungary	5.44	4.95	4.95	4.95	4.70
Poland	3.82	3.85	3.85	3.85	3.85
Romania	5.84	5.90	5.90	5.81	5.43
Serbia	4.70	4.70	4.70	4.70	4.70
Eurozone	2.64	2.53	2.53	2.54	2.54

Key Interest Rate (deposit facility in Eurozone)	Latest	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.75	4.00	4.00	4.00	3.75
Hungary	5.50	5.00	5.00	5.00	4.75
Poland	3.75	3.75	3.75	3.75	3.75
Romania	6.50	6.50	6.50	6.25	5.75
Serbia	5.75	5.75	5.75	5.75	5.75
Eurozone	2.25	2.50	2.50	2.50	2.50

Source: Erste Group Research
September 11, 2026

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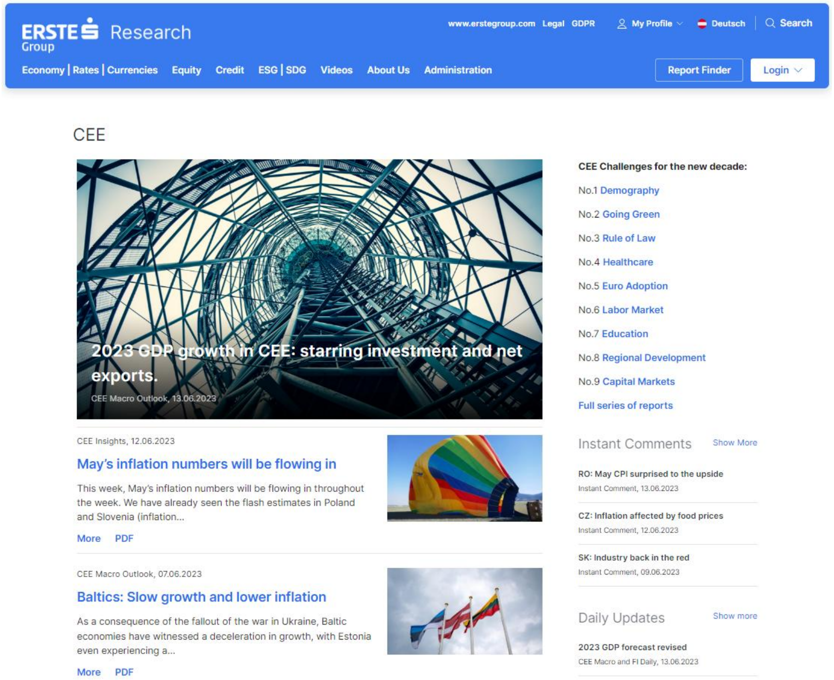

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