

CEE MACRO AND FI DAILY

# Labor market keeps tight in the region

## On the Radar

- Serbian central bank kept the policy rate unchanged at 6.5%
- Inflation rate in December landed at 6.61% in Romania and at 5.5% in Hungary.
- In Romania, wages grew 15.1% y/y in November, while industrial output growth declined by 4.4% y/y.
- Czechia's retail sales grew 0.9% y/y and 1% m/m in November.
- At noon CET, Serbia will release December's inflation number.
- In Romania, central bank holds a rate setting meeting and we expect no change in policy rate.

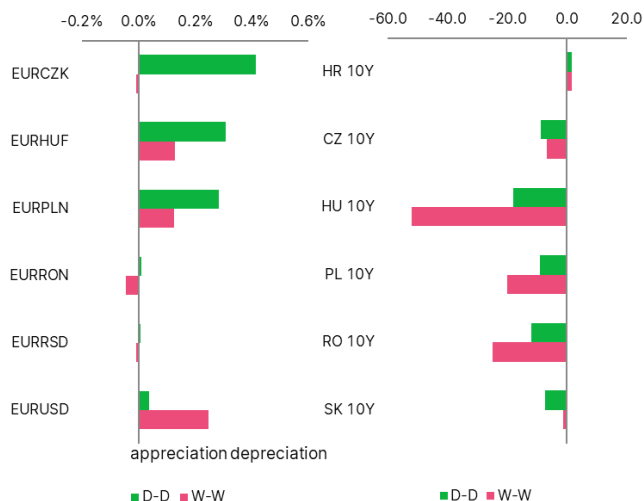
## Unemployment rate, seasonally adjusted Economic developments percent



Source: Erste Group Research

In November 2023, the euro area seasonally adjusted unemployment rate was 6.4%, down from 6.5% in October. The EU unemployment rate was 5.9% in November 2023, also down from 6.0% in October 2023. Despite the fact that Eurozone has been mostly stagnating over last couple of quarters, the labor market conditions remain tight. As far as CEE region in concerned, unemployment rate has been increasing slightly in Hungary and Slovenia in recent months. In Czechia, November's unemployment fell to 2.4% after roughly a one-year period of gradual increases. In general, unemployment rate remains relatively low given the economic downturn. While in the whole EU unemployment rate is already below the pre-pandemic levels, in the region, the CEE7 average remains still slightly higher.

## Market performance



Source: Erste Group Research

## Market developments

The Serbian central bank decided to keep the key rate unchanged at 6.5% at the start of 2024. The statement outlined further easing of global inflation pressures and stated that domestic inflation will return inside targeted level by mid-year. In our view, the NBS will keep the key rate unchanged on the next meeting as well but could start easing already in March if described trends gain further traction in the upcoming period. Today, Romanian central bank will decide on key policy rate and we expect stability of rates as well. The press release is likely to highlight the recent positive inflation surprise and to suggest an upcoming downward revision (due February) for the medium-term outlook, despite the short-term inflationary risks stemming from fiscal measures and external backdrop. In Romania, we stick to our call for the first rate cut in May and expect the key rate to reach 5.75% by year-end vs 7.00% currently. Meanwhile the CEE currencies lost the strength from the beginning of the week and have weakened against the euro. Hungarian, Polish and Romanian bond markets keep seeing the long-term yields decline.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
12. Jan		RO	Central Bank Rate	Jan 24	7.00%	7.00%	7.00%
		RO	Current Account Balance (monthly)	Nov			-18340.00
	08:00	RO	Industrial Production (y/y)	Nov		-3.10%	-4.90%
	08:00	RO	CPI (y/y)	Dec	6.5%	6.7%	6.7%
	08:00	RO	Wages (y/y)	Nov			17.1%
	08:30	HU	CPI (y/y)	Dec	6.2%	5.9%	7.9%
	09:00	SK	Wages (y/y)	Nov			0.04
	09:00	CZ	CPI (y/y)	Dec	7.21%		7.3%
	11:00	HR	PPI (y/y)	Dec			-1.3%
	12:00	RS	CPI (y/y)	Dec			8.0%
	12:00	RS	Central Bank Rate	Jan 24			0.07
	14:00	PL	Trade Balance	Nov	1004.11		1324.00

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.65	0.4	0.0
EUR/HUF	378.95	0.3	0.1
EUR/PLN	4.35	0.3	0.1
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.08	0.0	0.0
EUR/USD	1.10	0.0	0.2

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	6.64	-5	-8
HUF	9.84	-1	-10
PLN	5.88	2	-1
RON	6.18	-1	-3
RSD	5.71	1	1
EUR	3.94	1	2

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.77	-9	-7
HU 10Y	5.61	-18	-52
PL 10Y	5.08	-9	-20
RO 10Y	6.13	-12	-25
HR 10Y	3.25	2	2
SK 10Y	3.33	-7	-1

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