

CEE MARKET INSIGHTS

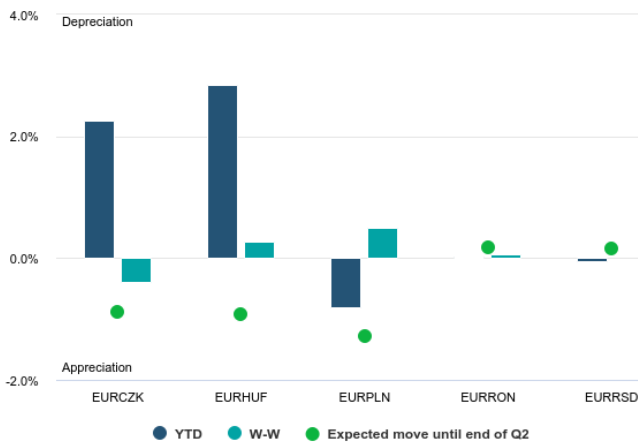
Hungarian central bank to cut rates further

This week in CEE

The upcoming week in the CEE region will see several economic releases. On Monday, Poland will report its industrial production and PPI for March, with expectations of contraction by -1.4% and -9.5% y/y, respectively. On the same day, wages in Poland will also be released, with expected 12% annual growth. The following day, Polish retail sales for March will be unveiled and could rise as much as 7.20% y/y. Hungary's Central Bank Rate decision will be announced on Tuesday, with a forecasted rate of 7.75%, amidst continued high inflation of market services and the forint's vulnerability. Poland's unemployment rate for March is expected on Wednesday, and on Thursday Serbia will release its February wage growth data. The week will conclude with Hungary's March unemployment rate, which is expected to ease to 4.60% from 4.70%. Slovakia's PPI for March is forecasted to show a reduced y/y drop of -13%. Lastly, Slovenia's retail sales for March are expected to show a downturn, moderating to -1% from -5.60% y/y, indicating a potential easing in the retail slump.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Industry, PPI, Wages	HU: Central Bank	PL: Unemployment	RS: Wages	HU: Unemployment
	PL: Retail sales			SI: Retail sales
				SK: PPI
RO: 2027 Bonds	PL: Bonds	CZ: Bonds	CZ: Bills	
	HU: Bills		RO: 2026 2033 Bonds	

FX market



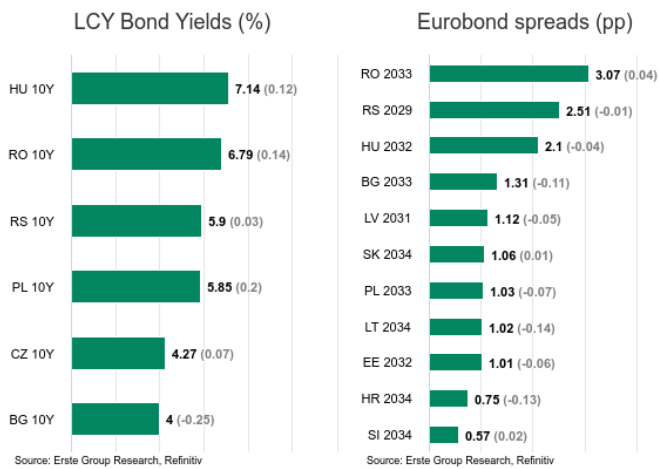
Source: Bloomberg, Erste Group Research

FX market developments

The Hungarian central bank is expected to continue with monetary easing and a few scenarios are in play. Our baseline is a 50bp cut in line with Deputy Governor Virag's implication of a slower pace of rate cuts. However, a higher rate cut at the upcoming meeting cannot be ruled out, assuming that the central bank would take a break and wait for major central bank decisions before moving further. The development of the Hungarian forint and its weakening against the euro over the last week also favors a more cautious step. The Polish zloty has depreciated against the euro as well, while the Czech koruna holds stronger. In Czechia, central banker Prochazka was quite explicit about the pace of monetary easing that the central bank should maintain the current pace of a 50bp cut at the upcoming meeting (scheduled for May 2) and beyond. Polish MPC member Whorowski commented that the latest government plan to keep a lid on energy prices increases the probability of monetary easing this year, as it should keep inflation intact. As for other news regarding Poland, the European

Commission disbursed to Poland the first payment of EUR 6.3bn (net of pre-financing), with EUR 3.6bn in loans and EUR 2.7bn in grants under the Recovery and Resilience Facility (RRF). Poland plans to submit two other motions by September and receive the payments by the end of the year, which could be worth as much as EUR 10bn. Poland's recovery and resilience plan will be financed by a total of EUR 59.8bn in grants and loans.

LCY yields, Eurobond spreads



Source: Bloomberg, Erste Group Research
Sold CHF

In case you missed

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Bond market developments

LCY yields have increased throughout the week, mimicking development on the core markets. While the ECB is getting ready to begin with monetary policy in June, the signals coming from the US and the Fed suggest that interest rate cuts may come later than initially expected due to less favorable inflation development in the US. On the local bond market, Romania successfully placed local currency government papers, as demand was solid. Slovakia sold a total of CHF 625mn in 4Y and 10Y bonds priced at MS+45 and MS+70, respectively. As of mid-April, Slovakia had completed roughly 70% of this year's borrowing needs, according to our estimate. This week, Czechia, Poland and Romania have auctions scheduled.

Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
22. Apr	10:00	PL	Industrial Production (y/y)	Mar	-1.40%		3.30%	
	10:00	PL	PPI (y/y)	Mar	-9.52%		-10.10%	
	10:00	PL	Wages (y/y)	Mar	12.25%		12.90%	
23. Apr	10:00	PL	Retail Sales (y/y)	Mar	7.20%		6.70%	
	14:00	HU	Central Bank Rate	Apr-24	7.72%	7.75%	8.25%	Still high inflation of market services and vulnerability of the forint justify a moderation in the pace of rate cuts.
24. Apr	10:00	PL	Unemployment Rate	Mar	5.29%		5.40%	
25. Apr	12:00	RS	Wages (y/y)	Feb			8.90%	
26. Apr		HU	Unemployment Rate	Mar		4.60%	0.05	Tightness of the labor market eased recently, due to weak economic outlook.
	9:00	SK	PPI (y/y)	Mar		-13.00%	-0.16	A slowdown in y/y drop is forecasted.
	10:30	SI	Retail Sales (y/y)	Mar		-1.00%	-5.60%	Downturn expected to moderate in March

Source: Erste Group Research

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Note: Past performance is not necessarily indicative of future results

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Forecasts

LCY Government bond yields					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia 10Y	4.27	3.85	3.67	3.50	3.36
Hungary 10Y	7.14	6.34	6.23	6.14	6.05
Poland 10Y	5.85	5.20	5.10	4.80	4.70
Romania 10Y	6.79	6.70	6.60	6.50	5.90
Serbia 10Y	5.90	5.90	5.70	5.60	5.50

Spreads vs. German Bunds (bps)					
Croatia 10Y	75.00	100.00	100.00	100.00	100.00
Slovakia 10Y	106.00	130.00	130.00	130.00	130.00
Slovenia 10Y	57.00	80.00	80.00	80.00	80.00
DE10Y yields	2.50	2.30	2.30	2.30	2.30

3M Money Market Rate					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.53	4.94	4.44	3.95	3.85
Hungary	7.68	6.60	6.50	6.40	6.35
Poland	5.86	5.65	5.50	5.30	5.15
Romania	6.05	5.97	5.47	4.97	5.42
Serbia	5.69	5.65	5.00	4.56	4.15
Eurozone	3.89	3.79	3.40	2.92	2.45

Real GDP growth (%)				
	2022	2023e	2024f	2025f
Croatia	6.3	2.8	3.1	2.6
Czechia	2.4	-0.2	1.2	3.2
Hungary	4.6	-0.9	2.0	3.4
Poland	4.9	0.2	2.8	3.5
Romania	4.1	2.1	2.6	3.9
Serbia	2.5	2.5	3.3	3.5
Slovakia	1.9	1.6	2.0	2.7
Slovenia	2.5	1.6	2.3	2.5
CEE8 avg	4.0	0.7	2.4	3.4

Public debt (% of GDP)				
	2022	2023e	2024f	2025f
Croatia	68.2	63.5	61.5	59.9
Czechia	44.2	44.0	45.0	45.5
Hungary	74.1	73.5	73.2	72.2
Poland	49.1	49.6	53.0	55.0
Romania	47.5	48.9	49.6	49.6
Serbia	55.2	52.5	51.1	50.9
Slovakia	57.7	58.0	60.0	61.3
Slovenia	72.3	69.2	68.4	67.3
CEE8 avg	52.9	52.9	54.4	55.2

FX					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
EURCZK	25.22	25.00	24.80	24.65	24.50
EURHUF	393.62	390.00	390.00	390.00	390.00
EURPLN	4.31	4.25	4.25	4.20	4.25
EURRON	4.97	4.98	5.02	5.05	5.07
EURRSD	117.01	117.20	117.20	117.30	117.30
EURUSD	1.07	1.08	1.10	1.12	1.12

Key Interest Rate (deposit facility in Eurozone)					
	Friday's close	2024Q2	2024Q3	2024Q4	2025Q1
Czechia	5.75	5.00	4.50	4.00	3.75
Hungary	8.25	6.75	6.50	6.50	6.25
Poland	5.75	5.75	5.75	5.50	5.00
Romania	7.00	6.75	6.25	5.75	5.50
Serbia	6.50	6.50	5.75	5.25	4.75
Eurozone	4.50	3.75	3.50	3.00	2.50

Average inflation (%)				
	2022	2023e	2024f	2025f
Croatia	10.8	8.1	3.1	2.7
Czechia	15.1	10.7	2.4	2.2
Hungary	14.5	17.6	4.7	4.0
Poland	14.3	11.6	4.5	4.0
Romania	13.7	10.5	5.9	3.7
Serbia	11.9	12.5	4.3	2.9
Slovakia	12.8	10.5	3.0	3.0
Slovenia	8.8	7.4	2.7	2.5
CEE8 avg	13.8	11.6	4.2	3.5

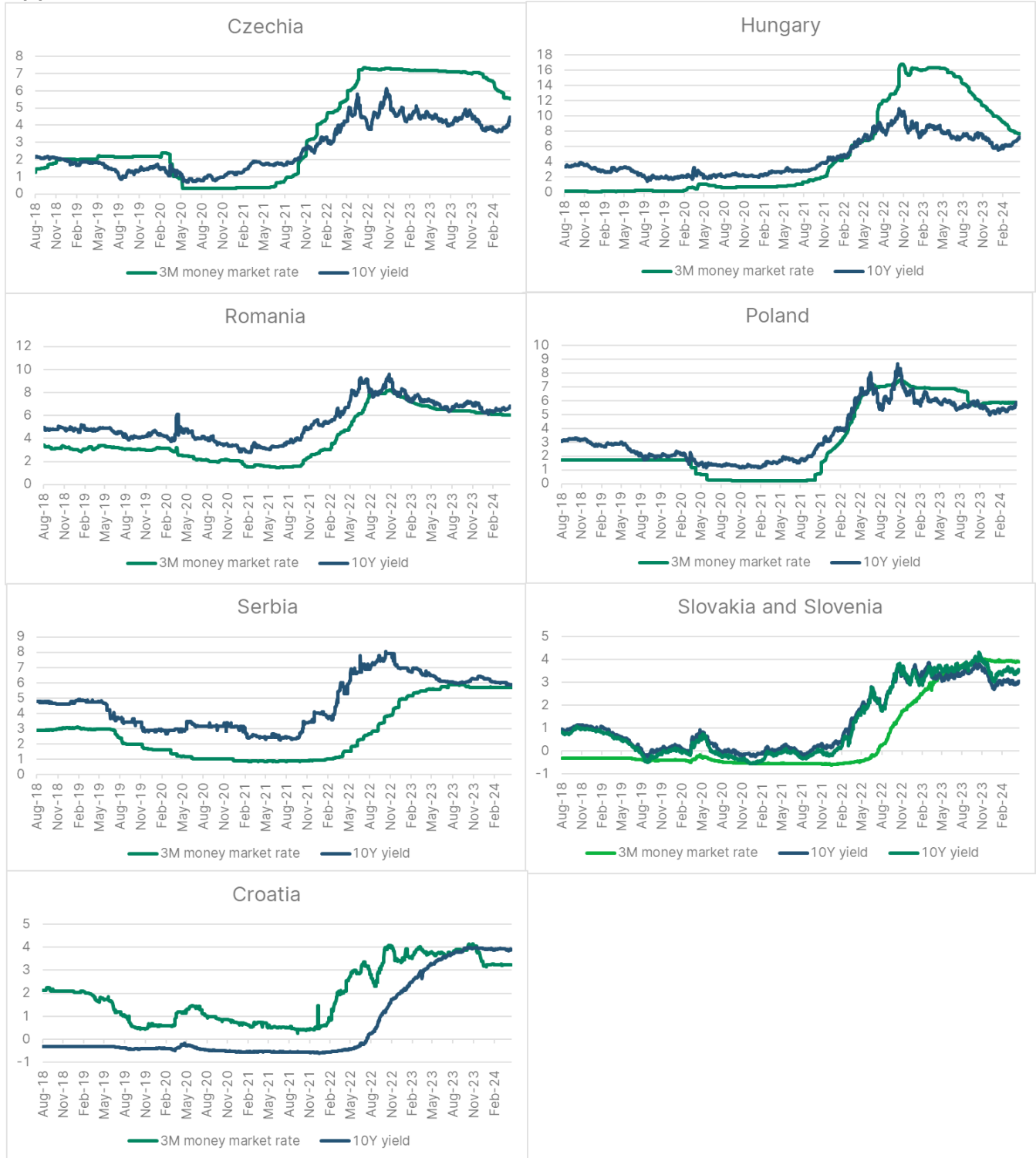
C/A (%GDP)				
	2022	2023e	2024f	2025f
Croatia	-2.8	1.1	0.6	0.1
Czechia	-6.1	1.2	0.5	0.9
Hungary	-8.3	0.2	0.4	0.7
Poland	-3.3	1.6	0.0	-1.0
Romania	-9.2	-7.0	-6.9	-6.8
Serbia	-6.9	-2.6	-3.9	-4.8
Slovakia	-7.4	-1.0	-1.2	-0.4
Slovenia	-1.0	4.4	2.9	2.6
CEE8 avg	-5.6	-0.3	-1.2	-1.5

Unemployment (%)				
	2022	2023e	2024f	2025f
Croatia	7.0	6.3	6.0	5.7
Czechia	2.2	2.6	3.3	3.9
Hungary	3.6	4.1	4.5	3.9
Poland	5.1	5.2	5.0	5.0
Romania	5.6	5.6	5.6	5.6
Serbia	9.4	9.5	8.8	8.6
Slovakia	6.1	5.8	5.7	5.7
Slovenia	4.0	3.8	3.7	3.6
CEE8 avg	4.8	4.9	5.0	5.0

Budget Balance (%GDP)				
	2022	2023e	2024f	2025f
Croatia	0.1	-0.5	-1.7	-1.5
Czechia	-3.2	-3.3	-2.8	-2.4
Hungary	-6.2	-6.7	-5.2	-4.2
Poland	-3.4	-5.1	-5.5	-4.0
Romania	-6.2	-6.7	-6.2	-5.0
Serbia	-3.1	-2.2	-2.5	-2.3
Slovakia	-2.0	-6.2	-6.0	-5.0
Slovenia	-3.0	-2.5	-3.0	-2.5
CEE8 avg	-3.9	-4.9	-4.9	-3.8

Source: Bloomberg, Erste Group Research

Appendix



Source: Bloomberg, Erste Group Research

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