

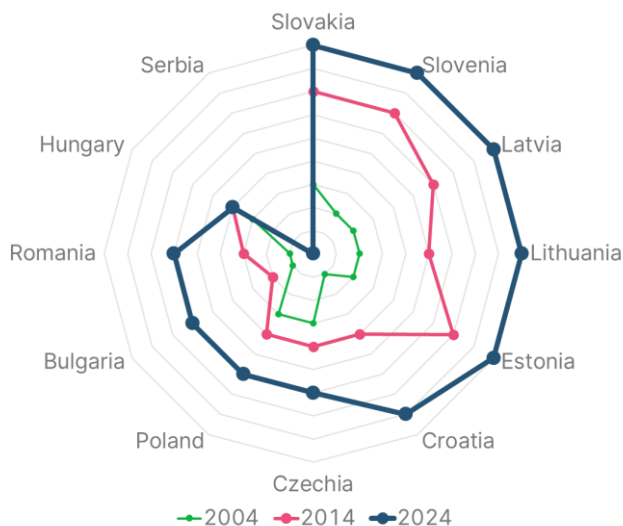
CEE MACRO AND FI DAILY

# European integration varies across CEE

## On the Radar

- Industrial output in Poland contracted more than was expected by -6.0% y/y in March.
- Producer prices' growth remained deeply negative at -9.6% y/y in March in Poland.
- In Poland, employment dropped by -0.2% y/y in March while nominal wage growth was up by 12% y/y.
- Today, Poland will release the retail sales growth in March at 10 AM CET.
- Hungarian central bank holds rate setting meeting and we expect a 50 basis points interest rate cut.

## Level of integration in CEE

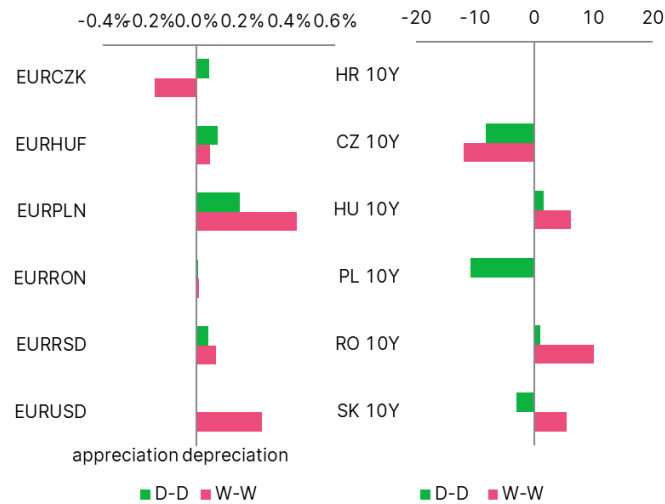


Source: Erste Group Research

## Economic developments

Some of the benefits of the EU enlargement and deepening level of integration can be easily seen and measured by the performance of the real GDP over the last two decades or growth of wages. CEE region being the net recipient of EU funds is another example of added value of being a member of EU that we look at in our recent CEE Special Report: [Strong growth in CEE economies since EU's 2004 enlargement](#). Apart from monetary benefits, the EU offers harmonized regulations and a stable political and economic environment for businesses. Deepening integration assures checks and balances that prevent the region from drifting too far away from Western values and democratic status. Slovakia, Slovenia, as well as the Baltic countries, have become fully integrated: these countries are members of OECD, NATO, EU and EA and the Schengen Area, and also belong to the Fiscal Compact, Banking Union, EPPO and NGEU. Croatia, which joined the EU only in 2013, has already overtaken Czechia and Poland. On the other side of the spectrum is Hungary, that (at the top of OECD, NATO and EU) joined only the Schengen Area in 2007.

## Market performance



Source: Erste Group Research

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## Market developments

Today, Hungarian central bank will decide on key interest rate and we expect it will drop further to 7.75% in line with Deputy Governor Virag announcement that monetary policy in Hungary is entering new phase. Since Monday the Hungarian forint has strengthened vs. euro marginally alongside the Polish zloty. The Czech koruna is slightly weaker against the euro on Tuesday morning. In Czechia, the central banker Holub, who would have supported a 75 basis points cut at the last meeting, said that 50 basis points interest rate cuts are optimal in his view given that new arguments support more cautious approach. The Czech central bank will meet next week. On Monday, Romania sold RON 505.3 million of 2027 bonds amid rising yields across the region recently.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
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%
24. Apr	10:00	PL	Unemployment Rate	Mar	5.29%		5.40%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.24	0.1	-0.2
EUR/HUF	393.98	0.1	0.1
EUR/PLN	4.31	0.2	0.4
EUR/RON	4.97	0.0	0.0
EUR/RSD	117.07	0.1	0.1
EUR/USD	1.07	0.0	0.3

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	5.52	-1	-4
HUF	7.66	-2	-3
PLN	5.86	0	0
RON	6.05	0	0
RSD	5.71	2	0
EUR	3.89	0	0

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.19	-8	-12
HU 10Y	7.16	2	6
PL 10Y	5.74	-11	0
RO 10Y	6.80	1	10
HR 10Y	3.25	0	0
SK 10Y	3.53	-3	5

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