

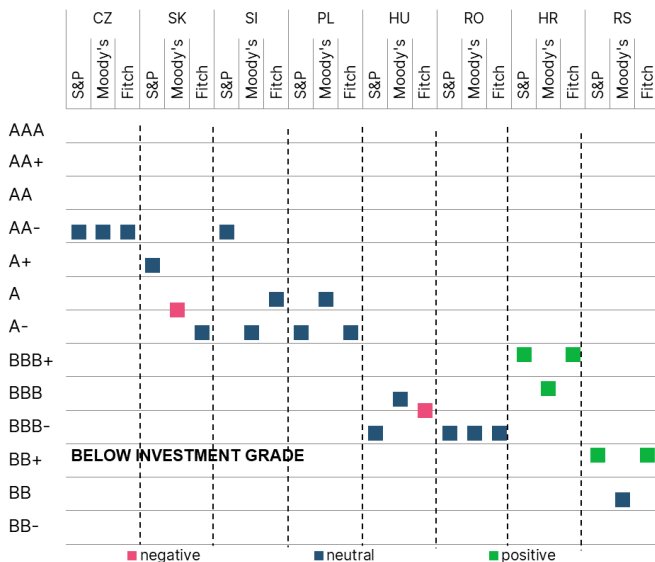
CEE MACRO AND FI DAILY

# Fitch changes Serbia's outlook

## On the Radar

- Fitch has kept Serbia's credit rating unchanged but upgraded the outlook to positive.
- Inflation rate in Romania inched to 5.42% y/y in July.
- Inflation rate in Czechia increased more than expected to 2.2% y/y in July.
- Nominal wage growth in Romania arrived at 12.5% y/y.
- Today, at noon CET, Serbia will release inflation rate.

## Ratings' overview in CEE

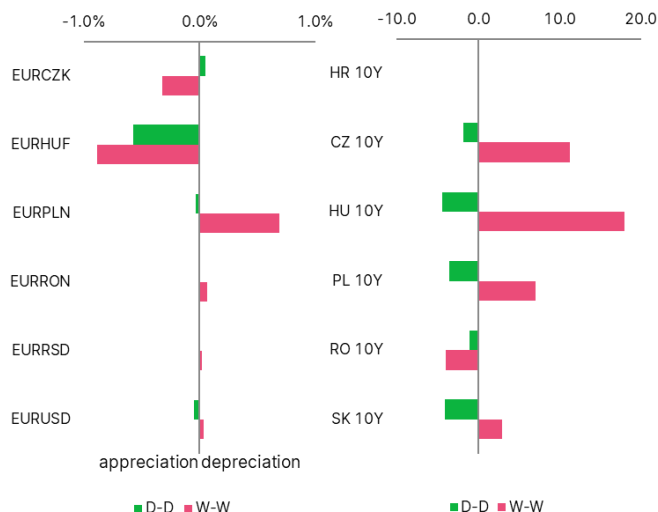


Source: Erste Group Research

## Economic developments

Fitch has decided to keep Serbia's credit rating unchanged but has upgraded the outlook to positive. The upgrade is due to the strengthening of credit fundamentals, such as improving fiscal and growth prospects. Moving forward, growth prospects are robust and will be driven by a large pipeline of both public and private investments. An example of such investment is the "Leap into the Future - Serbia Expo 2027" plan, which contains EUR17.8 billion (23.4% of projected 2024 GDP) of spending centered on the 2027 Belgrade Expo. Overall, the upgraded outlook brings Serbia one step closer to the much-desired investment grade rating. However, the missing piece of the puzzle to obtain it is of a structural nature - governance indicators, as well as steps that would facilitate the EU accession prospects. The Fitch's decision follows the change of the outlook by S&P earlier this year. On Friday, after market closes, Fitch will publish rating decision for Czechia. We do not expect any change.

## Market performance



Source: Erste Group Research

## Market developments

We perceive the Romanian central bank governor as cautiously dovish at the quarterly press conference held last Friday on the occasion of Inflation Report release. The governor signaled further rate cuts if the inflation performs in line with the central bank forecast (4% at the end of the year that is in line with our forecast) and in the absence of any event which might trigger capital outflows. He reiterated that the exchange rate remains a policy anchor. We continue to expect 25bp rate cut at each of the remaining meetings for the current year, scheduled in October and November. As for the FX market developments, throughout last week, the Czech koruna and the Hungarian forint strengthened against the euro while the Polish zloty depreciated. The Czech central bankers were worried about the weakness of the koruna according to the minutes from the last central bank meeting as it depreciated since the beginning of the year by more than 2%. On the bond market, we have seen a moderate correction of government bond yields last week, after the sudden compression of yields caused by the sell-off on global equity markets.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
12. Aug	8:00	RO	CPI (y/y)	Jul	5.2%	5.2%	4.9%
	8:00	RO	CPI (m/m)	Jul	0.5%	0.4%	0.2%
	8:00	RO	Wages (y/y)	Jun			12.7%
	9:00	CZ	CPI (y/y)	Jul	2.0%	2.0%	2.0%
	9:00	CZ	CPI (m/m)	Jul	0.5%	0.5%	-0.3%
	9:00	SK	Wages (y/y)	Jun			6.8%
	12:00	RS	CPI (y/y)	Jul	3.8%	4.0%	3.8%
	12:00	RS	CPI (m/m)	Jul			0.1%
13. Aug		RO	Current Account Balance (monthly)	Jun			-9175.00
	14:00	PL	Trade Balance	Jun	-122.11		-613.00

### FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.24	0.0	-0.3
EUR/HUF	393.90	-0.6	-0.9
EUR/PLN	4.32	0.0	0.7
EUR/RON	4.97	0.0	0.1
EUR/RSD	116.90	0.0	0.0
EUR/USD	1.09	0.0	0.0

### 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.42	-1	-3
HUF	6.55	1	1
PLN	5.86	1	1
RON	5.59	0	-21
RSD	5.17	0	-1
EUR	3.56	-2	-7

### 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.74	-2	11
HU 10Y	6.15	-4	18
PL 10Y	5.15	-4	7
RO 10Y	6.51	-1	-4
HR 10Y	3.21	0	0
SK 10Y	3.29	-4	3

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