CEE MARKET INSIGHTS

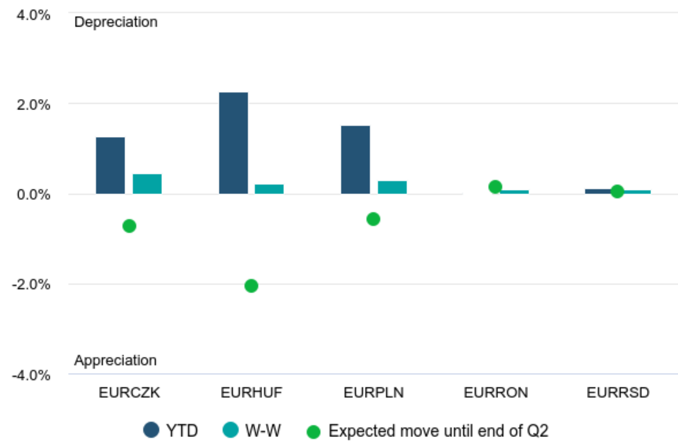
Czechia's central bank on hold

This week in CEE

Global developments remain in focus and the situation has been volatile. Locally, the Czech central bank will hold a key event this week. We do not expect any change in the key policy rate. As far as data releases are concerned, Poland will publish industrial output growth in February, producer prices as well as wage growth and employment. Other than that, trade data and the current account balance will be released in Poland. Current account data is also scheduled for release in Romania, Serbia and Slovakia. The unemployment rate is due in Slovakia and Croatia. Croatia will release wage growth as well. Finally, on Friday after the market closes, Moody's is scheduled to review Poland's rating and outlook.

Monday	Tuesday	Wednesday	Thursday	Friday
CZ: Producer prices	**RO RS: Current account**		**CZ: Central bank**	**SK: Current account, unemployment**
PL: Trade	**HR: Inflation**		**PL: Industry, producer prices, employment, wage**	**SI: Producer prices**
				HR: Unemployment, wage
RO: 2028 2031 Bonds	**HR HU: T-Bills**	**PL CZ: Bonds**	**RO: 2035 Bonds**	
SK: Bonds				

FX market



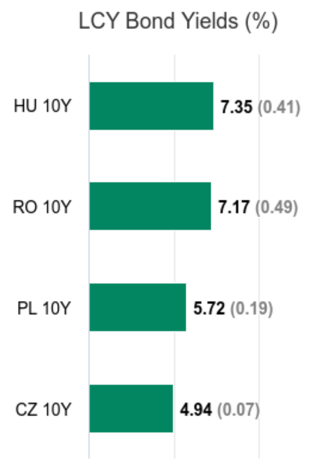
Source: Erste Group Research, Refinitiv

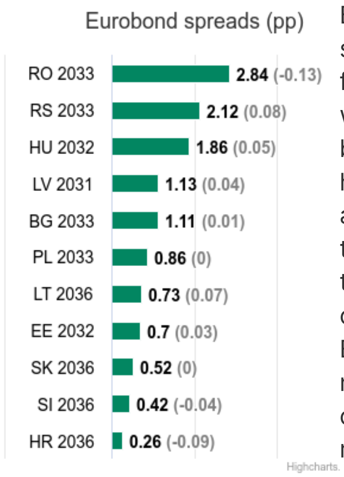
FX market developments

CEE currencies have been weak against the euro and the situation has not changed. Although further depreciation did not take place throughout last week, the EURCZK is close to 24.5, with the EURPLN moving toward 4.30 and the EURHUF above 390. Global developments and the situation regarding the conflict in the Middle East will determine the FX market in the region. Local factors are of less importance, although pricing out the previously expected monetary easing may additionally affect CEE currencies.

This week, Czechia's central bank will hold a rate setting meeting. We expect the policy rate to remain flat at 3.5%. While we have heard some voices regarding monetary easing if core inflation declines, the current inflationary risk will probably weigh on the rhetoric of the Czech central bank as well. So far, we have heard Poland's central bankers mentioning limited space for monetary easing and their taking a "wait-and-see" approach (Kotecki, Janczyk). The Hungarian central bank also expressed cautiousness and a data-driven approach. In Romania, the statement that elevated oil prices will affect the inflation trajectory was a direct one.

Bond market





Source: Erste Group Research, Refinitiv

Bond market developments

Bond markets were on a roller-coaster last week. Yields surged sharply on Monday, only to correct just as quickly following Trump's verbal intervention suggesting that the war would end soon. Since then, 10Y yields in CEE have been rising steadily, in some cases returning to Monday's highs (Hungary at 7.3%) or even surpassing them (Romania at 7.3% vs. 7% previously). Markets appear to have shifted their focus not only to inflation, but also to fiscal costs and the degree of fiscal headroom countries can deploy to cushion the economic impact of high energy prices. Eurobond spreads widened slightly, with the most noticeable move in Romania. Romania's Ministry of Finance cancelled two government securities auctions last week in response to the rise in yields, while Czechia reduced the amount offered in T-bond auctions, opting instead to issue more T-bills. Slovakia's Debt Agency faced weaker demand (EUR 385mn) for its retail bond issuance compared to both last year and its intended target (EUR 400–500mn), partly because the coupon had been set before the turmoil in bond markets began.

In case you missed

CEE Outlook | Will anything that can go wrong, go wrong?
Hungary Outlook | Emerging geopolitical issues pose risks to a fragile recovery
Serbia Outlook | Stabilization without meaningful acceleration
Slovakia Outlook | Geopolitics and consolidation shape growth
Romania Outlook | Turning Corners on a Roundabout — Is This Time Really Different?

HR: S&P delivered a positive surprise and raised Croatia's credit rating by one notch to 'A', with the outlook reverted to stable
HU: Inflation well below the target range in February
SK: Middle East tensions could push inflation higher
RO: Industrial output plunges in January
RO: February CPI matched consensus expectations
RO: Weak consumption in the first month of the year
RS: NBS holds as inflation risks mount

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
16. Mar	**9:00**	**CZ**	PPI (y/y)	Feb	-2.70%	-3.00%	PPI inflation affected by low energy prices.
	14:00	**PL**	Trade Balance	Jan		-2298.00	
17. Mar		**RO**	Current Account Balance (monthly)	Jan		-30127.00	
		RS	Current Account Balance (monthly)	Jan		-901.50	
	11:00	**HR**	CPI (y/y)	Feb F		3.80%	
	11:00	**HR**	CPI (m/m)	Feb F		0.30%	
18. Mar			No releases scheduled				
19. Mar	**10:00**	**PL**	Industrial Production (y/y)	Feb		-1.50%	
	10:00	**PL**	PPI (y/y)	Feb		-2.60%	
	10:00	**PL**	Wages (y/y)	Feb		6.10%	
	14:30	**CZ**	Central Bank Rate	Mar-26	3.50%	3.50%	CNB to likely keep rates stable.
20. Mar		**SK**	Unemployment Rate	Feb	5.80%	5.74%	A slight increase in number of unemployed is forecasted
	10:30	**SK**	Current Account Balance (monthly)	Jan		-777.30	
	10:30	**SI**	PPI (y/y)	Feb		1.90%	
	11:00	**HR**	Unemployment Rate	Feb	4.70%	4.90%	Unemployment rate seen edging down on monthly level
	11:00	**HR**	Wages (y/y)	Jan		7.60%	

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields	Friday's close	2026Q2	2026Q3	2026Q4	2027Q1
Czechia 10Y	4.94	4.50	4.36	4.24	4.15
Hungary 10Y	7.35	6.53	6.50	6.58	6.56
Poland 10Y	5.72	5.10	5.00	4.90	4.80
Romania10Y	7.17	6.30	6.25	6.20	6.00
Serbia 10Y	5.18	5.10	5.05	5.00	5.00

Spreads vs. German Bunds (bps)					
Croatia 10Y	26.00	45.00	40.00	40.00	40.00
Slovakia 10Y	52.00	55.00	55.00	55.00	55.00
Slovenia 10Y	42.00	45.00	45.00	45.00	45.00
DE10Y yields	2.99	2.90	2.90	3.00	FALSE

FX	Friday's close	2026Q2	2026Q3	2026Q4	2027Q1
EURCZK	24.44	24.26	24.19	24.10	24.04
EURHUF	393.06	385.00	385.00	385.00	385.00
EURPLN	4.27	4.25	4.25	4.25	4.25
EURRON	5.09	5.10	5.15	5.15	5.17
EURRSD	117.32	117.35	117.30	117.35	117.20
EURUSD	1.14	1.20	1.22	1.22	1.22

3M Money Market Rate	Friday's close	2026Q2	2026Q3	2026Q4	2027Q1
Czechia	3.56	3.54	3.55	3.55	3.56
Hungary	6.29	5.90	5.80	5.80	5.70
Poland	3.83	3.65	3.65	3.65	3.65
Romania	5.87	5.70	5.50	5.00	4.50
Serbia	4.68	4.68	4.47	4.47	4.47
Eurozone	2.16	2.02	2.02	2.03	FALSE

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2026Q2	2026Q3	2026Q4	2027Q1
Czechia	3.50	3.50	3.50	3.50	3.50
Hungary	6.25	6.00	6.00	6.00	5.75
Poland	3.75	3.50	3.50	3.50	3.50
Romania	6.50	6.50	6.25	5.75	5.25
Serbia	5.75	5.75	5.50	5.50	5.50
Eurozone	2.00	2.00	2.00	2.00	FALSE

Real GDP growth (%)	2024	2025	2026f	2027f
Croatia	3.8	3.2	2.7	2.6
Czechia	1.1	2.6	2.7	2.8
Hungary	0.6	0.4	2.0	2.3
Poland	3.0	3.6	3.9	3.1
Romania	0.9	0.7	1.0	3.0
Serbia	3.9	2.0	2.7	4.5
Slovakia	1.9	0.8	1.3	1.8
Slovenia	1.7	1.1	2.0	2.1
CEE8 avg	2.1	2.3	2.7	2.9

Average inflation (%)	2024	2025	2026f	2027f
Croatia	3.0	3.7	3.5	2.7
Czechia	2.4	2.5	2.0	2.4
Hungary	3.7	4.4	3.3	3.8
Poland	3.6	3.6	2.5	2.3
Romania	5.6	7.3	7.4	3.7
Serbia	4.6	3.8	3.4	4.0
Slovakia	2.8	4.0	4.1	2.7
Slovenia	2.0	2.4	2.4	2.2
CEE8 avg	3.6	4.1	3.5	2.8

Unemployment (%)	2024	2025	2026f	2027f
Croatia	5.0	4.9	4.8	4.7
Czechia	2.7	2.9	3.4	3.4
Hungary	4.4	4.4	4.5	4.3
Poland	5.1	5.7	5.2	5.2
Romania	5.5	6.1	5.7	5.5
Serbia	8.6	8.7	8.6	8.5
Slovakia	5.3	5.4	5.9	5.9
Slovenia	3.7	3.6	3.6	3.5
CEE8 avg	4.8	5.2	5.0	5.0

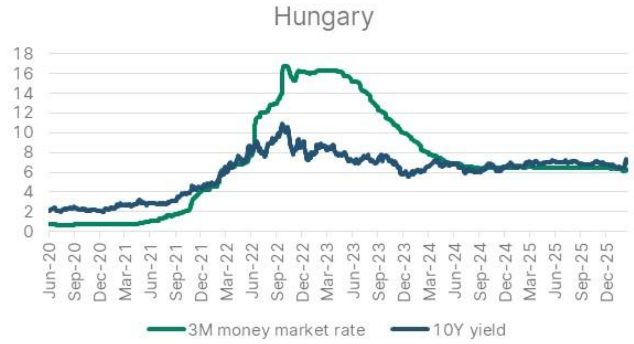
Public debt (% of GDP)	2024	2025	2026f	2027f
Croatia	57.4	56.3	56.0	56.1
Czechia	43.3	43.5	44.2	45.2
Hungary	73.5	74.9	75.2	74.5
Poland	55.1	61.0	65.0	67.0
Romania	54.8	59.2	61.1	63.0
Serbia	46.7	44.5	44.6	44.1
Slovakia	59.7	61.6	62.8	65.3
Slovenia	66.6	66.1	66.5	66.9
CEE8 avg	55.3	58.6	60.9	62.2

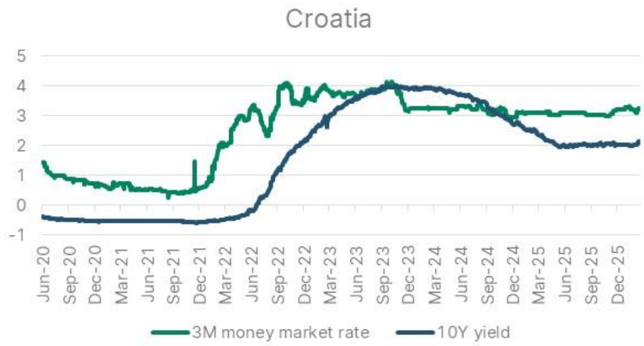
C/A (%GDP)	2024	2025	2026f	2027f
Croatia	-2.2	-4.1	-4.9	-5.3
Czechia	1.7	0.7	1.1	0.8
Hungary	1.5	1.3	0.5	0.8
Poland	0.3	-1.0	-1.5	-1.0
Romania	-8.2	-8.0	-6.8	-6.2
Serbia	-4.5	-4.9	-5.6	-4.0
Slovakia	-4.6	-4.1	-4.0	
Slovenia	4.5	3.4	2.7	2.2
CEE8 avg	-1.2	-2.0	-2.1	-1.7

Budget Balance (%GDP)	2024	2025	2026f	2027f
Croatia	-1.9	-2.6	-3.0	-3.0
Czechia	-2.0	-2.1	-2.4	-2.7
Hungary	-5.0	-4.7	-5.3	-4.6
Poland	-6.5	-6.6	-6.3	-6.0
Romania	-9.3	-8.0	-6.4	-5.7
Serbia	-2.0	-2.4	-3.0	-3.0
Slovakia	-5.5	-4.8	-4.5	-4.5
Slovenia	-0.9	-2.4	-2.9	-2.9
CEE8 avg	-5.4	-5.3	-5.1	-4.9

Source: Bloomberg, Erste Group Research

Appendix





Source: Bloomberg, Erste Group Research

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