CEE MARKET INSIGHTS

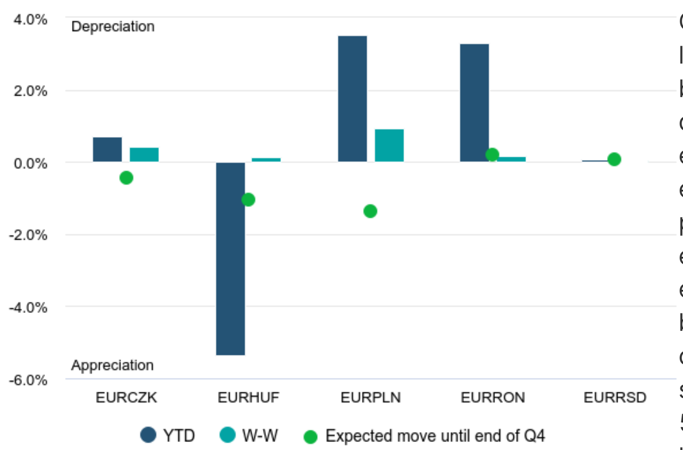
Hungary to pause the easing cycle

This week in CEE

This week, there is another central bank meeting in the region. Hungary will decide on its key policy rate on Tuesday, and we expect a pause in the easing cycle. Other than that, Poland will continue to show the performance of its economy in August. After slightly weaker industrial production growth, we expect retail sales to remain solid. The unemployment rate will be published in Croatia, Poland and Hungary and wage growth is due in Croatia, Poland and Serbia. Apart from labor market data in these listed countries, producer prices will be released in Slovenia and the current account balance in Hungary. On Friday, after the market closes, S&P will publish its review of Czechia and Slovenia's ratings and outlooks.

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Wages, Employment	HU: Central bank	PL: Arbeitslosenquote rate		HU: Unemployemnt rate, Current account (quarterly)
SI: Producer prices	PL: Retail sales			RS: Wages
	HR: Arbeitslosenquote, Wages			
SK: 2028 2029 2033 2043 Bonds	HU: T-Bills	CZ: 2035 2043 Bonds	RO: 2035 Bonds	
RO: 2029 Bonds		PL: Bonds		

FX market



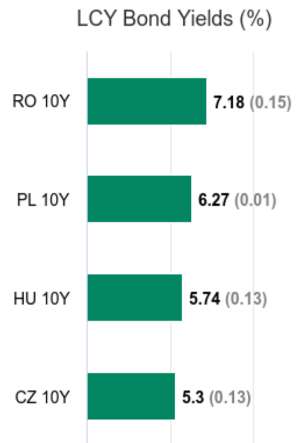
Source: Erste Group Research, Refinitiv

FX market developments

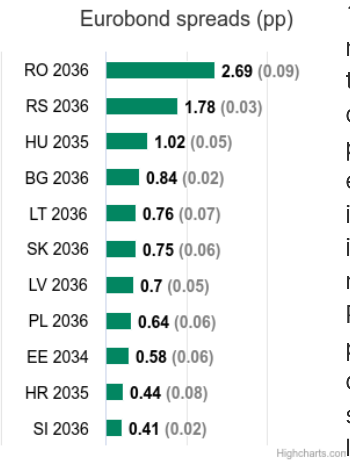
CEE currencies have been under a global influence over the last week. The Fed decided to increase interest rates by 25 basis points and, in response, the EURUSD moved visibly down toward 1.14, affecting local FX markets to a great extent. The EURPLN touched 4.36, but went lower at the end of the week. In Czechia, the central bank kept the policy rate unchanged, but another hike should be expected by the end of the year. Geopolitical tensions and elevated commodity prices (Brent above USD 100 per barrel) are among the reasons. Meanwhile, the Hungarian central bank will pause at the upcoming meeting after a short easing cycle that brought the interest rate down to 5.50% in Hungary. In Poland, the risks for interest rate hikes keep rising as long as commodity prices remain high. Polish central banker Dabrowski stated in an interview that interest rate stabilization until the end of 1Q27 remains the most likely scenario. In the central bank's view, there are currently no grounds for pre-emptive monetary tightening. Another central banker, Kotecki, conditions monetary tightening on inflation moving beyond 4%.

LCY yields, Eurobond spreads

Bond market developments



Source: Erste Group Research, Refinitiv



10Y government bond yields edged lower across global markets following last week's Fed decision to fight inflation through higher interest rates while signaling the possibility of an additional rate hike. A correction in oil prices also provided some support to fixed income markets toward the end of the week, although current oil price levels remain inflationary and continue to pose upside risks to the inflation outlook. The CEE bond market performance was mixed. The most interesting development occurred in Poland, where 10Y government bonds rallied strongly, pushing yields around 30bp lower w/w. This may have been driven by the very steep yield curve, with the 10Y-2Y spread having risen above 160bp last week, the highest level in five years. Such valuations may finally have become sufficiently attractive for local investors to increase duration exposure. On the primary market, Slovakia will reopen four government bonds this week, including a 16Y benchmark. The Slovak Debt Agency has already completed around 70% of its planned gross issuance for the year. Czechia will also offer longer-dated paper through a 17Y floating-rate bond alongside a 9Y fixed-coupon bond. In Romania, the MinFin will reopen the 2029 and 2035 ROMGBs. It will be interesting to see how investors assess the likelihood of the current political deadlock being resolved through the nomination of Muresan as PM, or whether the president will need to pursue an alternative solution.

In case you missed

Austria Outlook | Austria's economy is growing – but momentum remains subdued
Croatia Outlook | Inflation uncertainties and moderating growth
Czechia Outlook | Inflation risks are intensifying
Hungary Outlook | Despite global headwinds, cautious optimism remained warranted
Poland Outlook | Regaining speed in turbulent times
Romania Outlook | Running out of patience
Slovenia Outlook | GDP shifted two gears higher
Slovakia Outlook | The Slovak economy remains resilient, but growth and fiscal challenges persist
CZ: Hold or hike ahead
CZ: CNB keeps interest rates unchanged
PL: Inflation rise to 3.4% confirmed
PL: Moody's downgraded Poland to A3 and changed the outlook to stable
SK: Inflation eased further in August
RO: Disappointing industrial output in July

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Erste Est.	Prev.	Comment
21. Sep	**9:30**	**PL**	PPI (y/y)	Aug	3.80%	2.80%	Elevated commodity prices and disruptions in global trade related to geopolitical tensions pushing higher production costs.
	9:30	**PL**	Wages (y/y)	Aug	6.20%	6.80%	Expected a normalisation of wage growth after a one-off jump in July caused by large bonus payments. Real wages still well above inflation.
	10:30	**SI**	PPI (y/y)	Aug		3.40%	
22. Sep	**9:30**	**PL**	Retail Sales (y/y)	Aug	4.90%	5.30%	Consumer spending remains resilient amid positive real wage growth, healthy labour market, accelerating cosnumer lending.
	11:00	**HR**	Unemployment Rate	Aug	3.50%	3.40%	UR likely remained near all time low during the main tourism season
	11:00	**HR**	Wages (y/y)	Jul		4.10%	
	14:00	**HU**	Central Bank Rate	22-Sep	5.50%	5.50%	Mainly as a result of elevated geopolitical risks, the MNB is likely to temporarily pause its monetary easing cycle.
23. Sep	**9:30**	**PL**	Unemployment Rate	Aug	5.90%	5.80%	
24. Sep			*No releases scheduled*				
25. Sep	**8:30**	**HU**	Unemployment Rate	Aug	4.40%	4.60%	Unempoyment rate might have slightly improved due to summer seasonality.
	8:30	**HU**	Current Account Balance (quarterly)	2Q	-10.00	251.10	Based on the preliminary monthly data, the current account was broadly balanced in 2Q26.
	12:00	**RS**	Wages (y/y)	Jul		9.30%	

Source: Erste Group Resarch

Note: Past performance is not necessarily indicative of future results

Forecasts

LCY Government bond yields	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia 10Y	5.30	4.72	4.60	4.48	4.38
Hungary 10Y	5.74	5.46	5.39	5.39	5.37
Poland 10Y	6.27	5.59	5.44	5.33	5.27
Romania10Y	7.18	6.90	6.85	6.72	6.52
Serbia 10Y	5.46	5.50	5.50	5.45	5.35

FX	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
EURCZK	24.31	24.20	24.16	24.10	24.06
EURHUF	363.80	360.00	360.00	355.00	355.00
EURPLN	4.36	4.30	4.30	4.30	4.30
EURRON	5.26	5.27	5.27	5.30	5.32
EURRSD	117.25	117.35	117.40	117.20	117.15
EURUSD	1.15	1.12	1.12	1.12	1.12

Spreads vs. German Bunds (bps)					
Croatia 10Y	40.00	40.00	40.00	40.00	40.00
Slovakia 10Y	75.00	70.00	70.00	70.00	70.00
Slovenia 10Y	41.00	40.00	40.00	40.00	40.00
DE10Y yields	3.52	3.30	3.20	3.20	3.10

3M Money Market Rate	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.85	4.05	4.05	3.97	3.81
Hungary	5.47	4.95	4.95	4.95	4.70
Poland	3.85	3.85	3.85	3.85	3.85
Romania	5.84	5.90	5.90	5.81	5.43
Serbia	4.70	4.70	4.70	4.70	4.70
Eurozone	2.62	2.53	2.53	2.54	2.54

Key Interest Rate (deposit facility in Eurozone)	Friday's close	2026Q4	2027Q1	2027Q2	2027Q3
Czechia	3.75	4.00	4.00	4.00	3.75
Hungary	5.50	5.00	5.00	5.00	4.75
Poland	3.75	3.75	3.75	3.75	3.75
Romania	6.50	6.50	6.50	6.25	5.75
Serbia	5.75	5.75	5.75	5.75	5.75
Eurozone	2.50	2.50	2.50	2.50	2.50

Real GDP growth (%)	2024	2025	2026f	2027f
Croatia	3.8	3.4	2.1	2.2
Czechia	1.1	2.7	2.2	2.7
Hungary	0.7	0.5	1.7	2.2
Poland	3.2	3.6	3.6	3.0
Romania	0.9	0.7	-0.7	2.2
Serbia	3.9	2.0	3.4	4.0
Slovakia	1.9	0.8	0.9	1.7
Slovenia	1.7	1.1	3.2	2.5
CEE8 avg	2.1	2.3	2.2	2.6

Average inflation (%)	2024	2025	2026f	2027f
Croatia	3.0	3.7	4.4	3.1
Czechia	2.4	2.5	2.2	2.6
Hungary	3.7	4.4	1.8	2.8
Poland	3.6	3.6	3.2	3.1
Romania	5.6	7.3	8.4	4.9
Serbia	4.6	3.8	3.1	4.2
Slovakia	2.7	4.0	3.7	3.0
Slovenia	2.0	2.4	3.3	2.5
CEE8 avg	3.6	4.1	3.9	3.3

Unemployment (%)	2024	2025	2026f	2027f
Croatia	5.0	4.9	4.8	4.7
Czechia	2.7	2.9	3.2	3.4
Hungary	4.4	4.4	4.5	4.3
Poland	5.1	5.7	6.1	6.2
Romania	5.5	6.1	6.4	5.8
Serbia	8.6	8.7	7.8	7.5
Slovakia	5.3	5.4	6.0	6.0
Slovenia	3.7	3.9	3.9	3.8
CEE8 avg	4.8	5.2	5.5	5.4

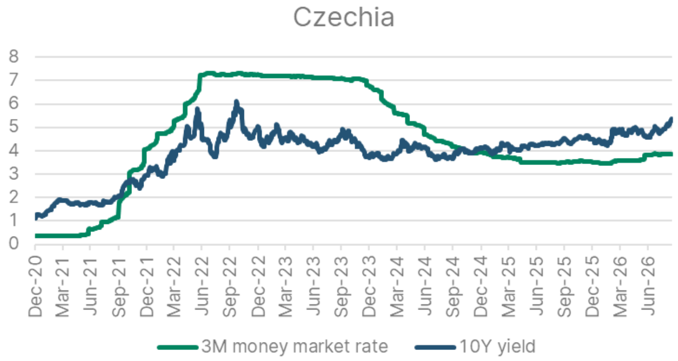
Public debt (% of GDP)	2024	2025	2026f	2027f
Croatia	57.4	56.3	55.5	55.7
Czechia	43.2	44.1	45.0	46.7
Hungary	73.5	74.6	77.0	76.9
Poland	54.8	59.7	67.8	70.5
Romania	54.8	59.3	61.1	63.0
Serbia	46.7	44.5	44.1	43.7
Slovakia	59.7	61.2	62.5	64.3
Slovenia	66.4	65.7	64.9	65.4
CEE8 avg	55.2	58.1	62.2	64.0

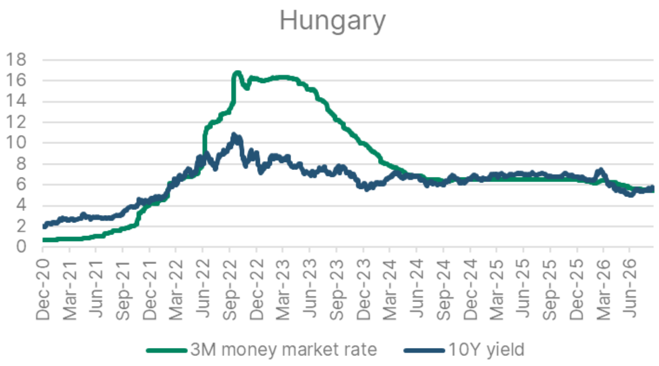
C/A (%GDP)	2024	2025	2026f	2027f
Croatia	-2.2	-3.5	-3.5	-3.9
Czechia	1.7	0.7	0.4	0.8
Hungary	1.7	1.7	-0.1	0.2
Poland	0.3	-0.9	-1.8	-2.4
Romania	-8.2	-7.9	-6.8	-6.2
Serbia	-4.5	-4.9	-4.5	-3.0
Slovakia	-4.6	-3.6	-2.7	-2.5
Slovenia	5.2	4.1	3.5	3.2
CEE8 avg	-1.2	-1.8	-2.2	-2.2

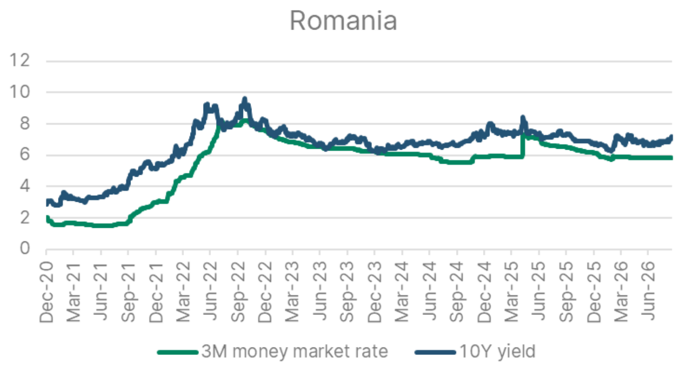
Budget Balance (%GDP)	2024	2025	2026f	2027f
Croatia	-2.3	-3.0	-3.0	-3.0
Czechia	-2.0	-2.1	-2.4	-3.2
Hungary	-5.1	-4.7	-7.3	-5.3
Poland	-6.4	-7.3	-7.1	-7.1
Romania	-9.3	-7.9	-6.2	-5.7
Serbia	-2.0	-2.4	-3.0	-3.0
Slovakia	-5.4	-4.5	-4.5	-5.0
Slovenia	-0.9	-2.5	-3.2	-3.2
CEE8 avg	-5.4	-5.6	-5.6	-5.5

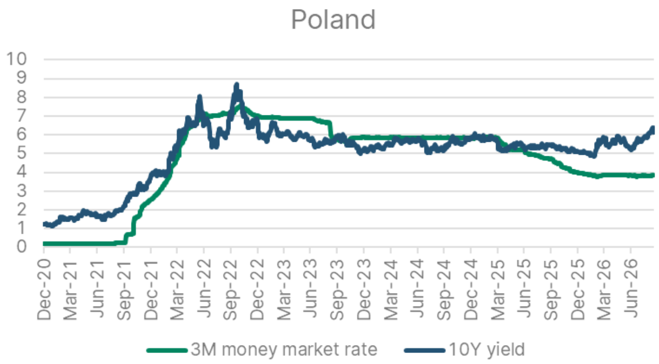
Source: Bloomberg, Erste Group Research

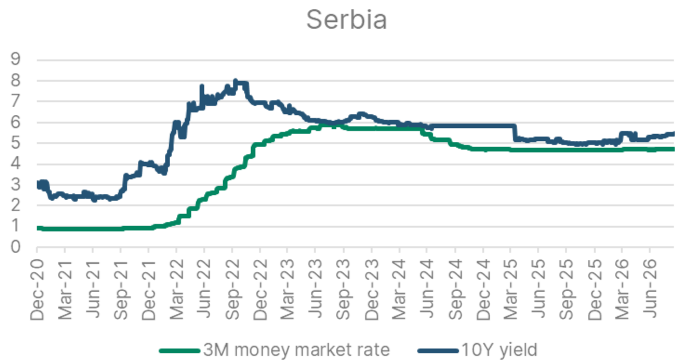
Appendix

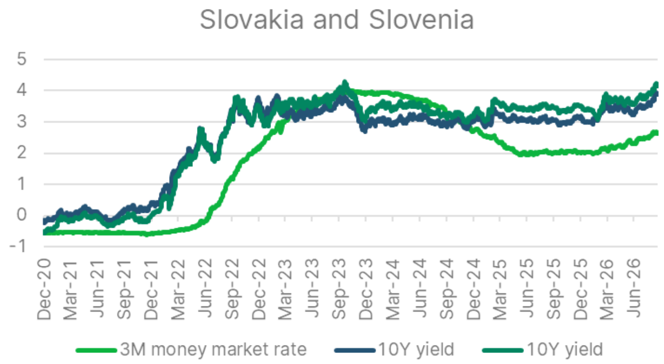


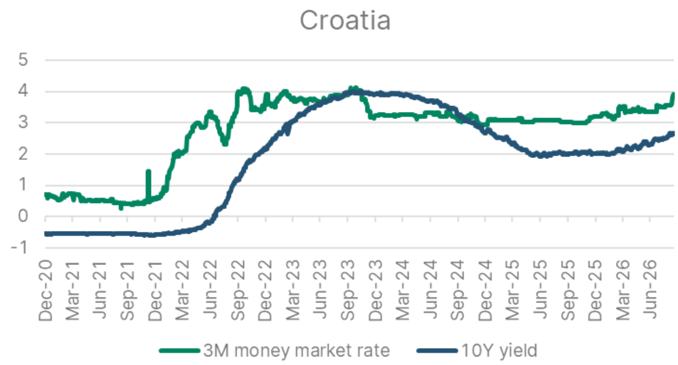












Source: Bloomberg, Erste Group Research

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