

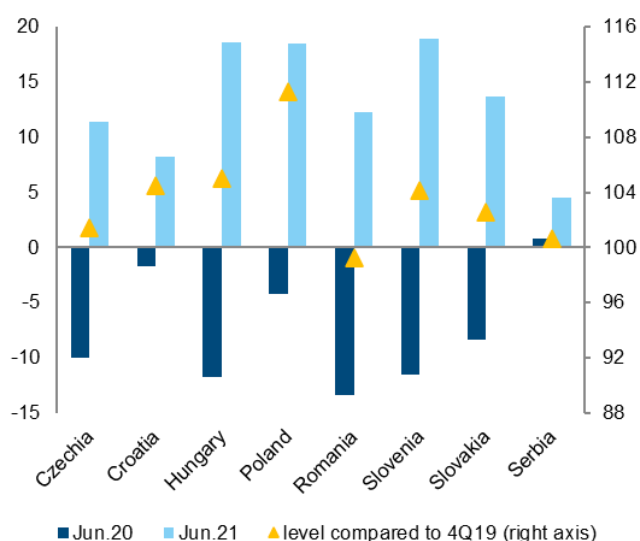
CEE Macro and FI Daily

Robust position of manufacturing confirmed in June

On the Radar

- Serbian inflation surprised to the upside, as it reached 3.3% y/y in July. Given slight, but constant overshooting of inflation compared to our expectations in the last few months, we have [raised our CPI forecast](#). We now see average CPI at 3% in 2021-22, up from 2.5% and 2.7% previously, respectively.
- The Serbian central bank confirmed its policy stance and kept the key rate at 1% on Thursday. With core inflation still relatively low and stable at around 2%, we [do not see any changes to the key rate for now](#).
- Croatia's tourism arrivals rose 71.8% y/y in June; but remained below the 2019 level.
- Slovak inflation rose to 3.3% y/y in July, slightly above our expectations.
- At 10am, July Polish inflation print will be published, likely confirming the flash figure of 5% y/y.
- At 10am, flash 2Q21 GDP figures for Poland will be out. Brisk growth of 10.7% y/y (2.3% q/q) is expected.
- In the afternoon, the Polish statistical office will publish the country's trade balance for June.
- On Monday at 9am, Czech producer price index will be out for July, likely showing acceleration of producer price growth to 6.8% y/y.

Industrial production growth (%, y/y and compared to 4Q19=100)



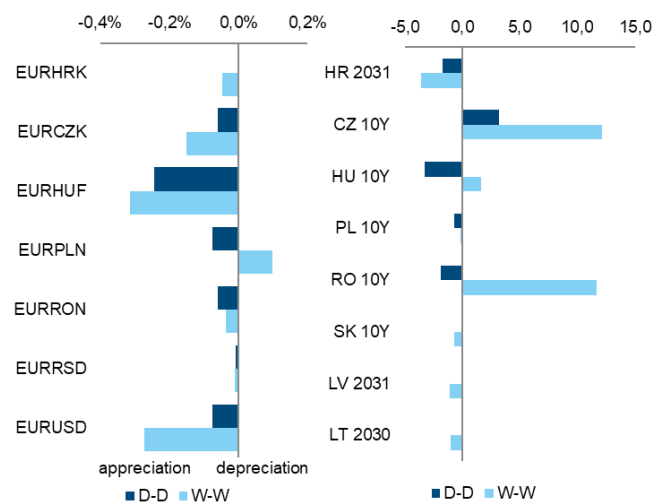
Source: Eurostat, Erste Group Research

Note: Level comparison to 4Q19 based on seasonally- and calendar-adjusted data.

Economic developments

Industrial production confirmed its robust position in June, growing briskly across the region. The year-over-year prints were milder than the staggering ones seen for April/May, as base effect waned and played a milder role. Serbia, which already recorded positive year-on-year development last year, marked the mildest increase of just 4.5% y/y in June 2021, followed by single-digit 8.2% y/y growth in Croatia which also experienced only a mild base effect from last year. Elsewhere in CEE, industry grew at a double-digit pace, with Hungary, Poland and Slovenia all recording above 18% y/y increases. Compared to the last pre-pandemic quarter, industry returned to the same level or exceeded it everywhere apart from Romania, which inched below the 4Q19 level in May and did not manage to get back up to it June. We expect industrial production to remain robust also in the upcoming months, with still brisk annual growth dynamics, although less so than before. Semiconductor shortages and higher factory gate costs are likely to persist for a while and weigh on the production to some extent.

Market performance



Source: Bloomberg, Erste Group Research

Market developments

The Serbian central bank confirmed its policy stance and kept the key rate at 1% on Thursday. With core inflation still relatively low and stable at around 2%, we [do not see any changes to the key rate for now](#). Polish central bank policy maker Kropiwnicki appeared to further highlight November as the likely timing for a tightening move, as he told the Biznes24 broadcaster he would support a 15bp rate hike if warranted by the new projections then. Hungarian central bank, in its financial market regulator position, extended dividend payment restrictions until the end of 2021. It will allow only limited dividend payments under strict conditions and noted potential for further extension. Due to local debt sales lagging behind targets, Romania could return to foreign markets for the third time this year. Even though it has already raised EUR 7bn via two Eurobond sales, it has recently rejected all bids at several domestic auctions and has covered less than 60% of its gross funding needs thus far. PM Citu stated he does not see this as a problem, citing the country's buffer and work being done on a longer-term funding plan. Yet, he also added he cannot "rule out another debt sale on international markets if conditions are favourable".

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Upcoming releases in CEE

| Date | Time | Country | Indicator | Period | Survey | Erste Est. | Prev. |
|--------|-------|---------|---------------|--------|--------|--------------|-------|
| 13.Aug | 10:00 | PL | CPI (y/y) | Jul F | | | 5% |
| | 10:00 | PL | CPI (m/m) | Jul F | | | 0,40% |
| | 10:00 | PL | GDP (y/y) | 2Q P | 10,4% | 10,7% | -0,9% |
| | 14:00 | PL | Trade Balance | Jun | 848 | | 185 |
| 16.Aug | 9:00 | CZ | PPI (y/y) | Jul | | 6,8% | 6,1% |

CDS Spread

| | Last | Change (bps) | |
|----------|------|--------------|-----|
| | | d-d | w-w |
| Czechia | 30 | 0 | 0 |
| Hungary | 162 | 0 | 0 |
| Poland | 76 | 0 | 0 |
| Romania | 133 | 0 | 0 |
| Croatia | 295 | 0 | 0 |
| Slovakia | 50 | 0 | 0 |
| Slovenia | 345 | 0 | 0 |

FX Market

| | Last | Change (%) | |
|---------|--------|------------|------|
| | | d-d | w-w |
| EUR/CZK | 25,38 | -0,1 | -0,1 |
| EUR/HUF | 352,89 | -0,2 | -0,4 |
| EUR/PLN | 4,58 | -0,1 | 0,0 |
| EUR/RON | 4,91 | -0,1 | -0,1 |
| EUR/HRK | 7,50 | 0,0 | 0,0 |
| EUR/RSD | 117,57 | 0,0 | 0,0 |
| EUR/USD | 1,17 | -0,1 | -0,2 |

3M Market

| | Last | Change (bps) | |
|-----|-------|--------------|-----|
| | | d-d | w-w |
| CZK | 0,97 | 0 | 15 |
| HUF | 1,36 | 1 | 2 |
| PLN | 0,11 | 0 | 0 |
| RON | 1,38 | 0 | 1 |
| RSD | 0,88 | 0 | 0 |
| EUR | -0,55 | 0 | -1 |

Selected government bonds

| Benchmark bonds | Rating | Years to maturity | Domestic | | | | Eurobond | | | | | | |
|-----------------|--------|-------------------|-----------------------|---------------|--------------|-----|----------|-------------------|-----------------------|---------------|--------------|----|----|
| | | | Description | Current (mid) | Change (bps) | | Rating | Years to maturity | Description | Current (mid) | Change (bps) | | |
| Czechia | AA- | 2 | CZGB 0.45 10/25/23 | 1,60 | 0 | 25 | AA- | 1 | CZECH 3 7/8 05/24/22 | EUR | -0,61 | -1 | -1 |
| | AA- | 5 | CZGB 1 06/26/26 | 1,81 | 14 | 24 | | | | | | | |
| | AA- | 10 | CZGB 1.2 03/13/31 | 1,76 | 3 | 10 | | | | | | | |
| Slovakia | A+ | 2 | SLOVGB 3 02/28/23 | -0,97 | 0 | 0 | | | | | | | |
| | A+ | 5 | SLOVGB 0 5/8 05/22/26 | -0,65 | 1 | 1 | | | | | | | |
| | A+ | 9 | SLOVGB 1 5/8 01/21/31 | -0,35 | 0 | 1 | | | | | | | |
| Hungary | BBB | 3 | HGB 2 1/2 10/24/24 | 1,95 | 4 | 11 | BBB | 4 | REPHUN 1 1/4 10/22/25 | EUR | -0,12 | 0 | 0 |
| | BBB | 5 | HGB 1 1/2 04/22/26 | 1,96 | 0 | 0 | BBB | 6 | REPHUN 1 3/4 10/10/27 | EUR | 0,04 | -1 | -1 |
| | BBB | 12 | HGB 2 1/4 04/20/33 | 2,85 | -1 | 9 | BBB | 9 | REPHUN 0 1/2 11/18/30 | EUR | 0,60 | 0 | -1 |
| Poland | A- | 2 | POLGB 0 04/25/23 | 0,36 | 0 | 1 | A- | 1 | POLAND 3 3/4 01/19/23 | EUR | -0,42 | -1 | 0 |
| | A- | 5 | POLGB 2 1/2 07/25/26 | 1,15 | -1 | 6 | A- | 4 | POLAND 1 1/2 09/09/25 | EUR | -0,35 | 0 | -1 |
| | A- | 9 | POLGB 1 1/4 10/25/30 | 1,64 | -1 | 4 | A- | 7 | POLAND 1 10/25/28 | EUR | -0,13 | 5 | 4 |
| Romania | BBB- | 1 | ROMGB 4 08/08/22 | 2,37 | 0 | 14 | BBB- | 3 | ROMANI 2 7/8 10/28/24 | EUR | 0,06 | -1 | -1 |
| | BBB- | 4 | ROMGB 3.65 07/28/25 | 3,00 | 0 | 14 | BBB- | 7 | ROMANI 2 7/8 05/26/28 | EUR | 0,96 | -1 | -1 |
| | BBB- | 9 | ROMGB 4.15 10/24/30 | 3,71 | 0 | 16 | BBB- | 14 | ROMANI 3 7/8 10/29/35 | EUR | 2,37 | -1 | 0 |
| Croatia | BBB- | 2 | CROATE 1 3/4 11/27/23 | 0,04 | -1 | -1 | BBB- | 4 | CROATI 3 03/11/25 | EUR | -0,08 | -1 | 2 |
| | BBB- | 5 | CROATE 4 1/4 12/14/26 | 0,13 | -1 | 0 | BBB- | 6 | CROATI 3 03/20/27 | EUR | 0,18 | -1 | -3 |
| | BBB- | 8 | CROATE 2 3/8 07/09/29 | 0,53 | -2 | -2 | BBB- | 10 | CROATI 1 1/2 06/17/31 | EUR | 0,72 | -3 | -5 |
| Slovenia | AA- | 1 | SLOREP 2 1/4 03/25/22 | -0,85 | -4 | -12 | | | | | | | |
| | AA- | 5 | SLOREP 5 1/8 03/30/26 | -0,58 | 1 | 3 | | | | | | | |
| | AA- | 10 | SLOREP 0 02/12/31 | -0,13 | 0 | 3 | | | | | | | |
| Serbia | BB+ | 4 | SERBGB 4 1/2 01/11/26 | 2,22 | 0 | -1 | BB+ | 6 | SERBIA 3 1/8 05/15/27 | EUR | 1,01 | 0 | 1 |
| | BB+ | 6 | SERBGB 5 7/8 02/08/28 | 2,33 | 0 | -6 | BB+ | 8 | SERBIA 1 1/2 06/26/29 | EUR | 1,25 | 0 | 2 |
| | BB+ | 11 | SERBGB 4 1/2 08/20/32 | 3,35 | 0 | -4 | | | | | | | |

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