

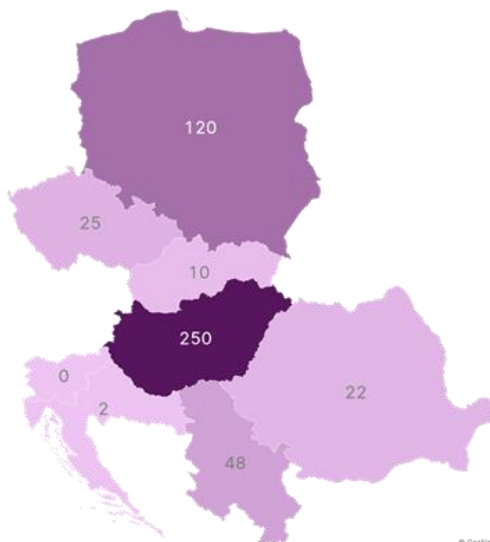
CEE MACRO AND FI DAILY

# CEE attracting EV battery sector

## On the Radar

- PPI in Slovakia arrived at 13.6% y/y in July.
- Today, at 10.30 AM unemployment rate will be published in Slovenia.
- Tomorrow in the morning, 2Q23 GDP breakdown will be released in Czechia, and at 11 AM CET in Croatia.

## Expected annual output of battery factories by 2030 (GWh)



Source: Erste Group Research

## Economic developments

The introduction of (battery) electric vehicles (EVs) and the EU law mandating zero-emission new vehicle sales have brought a significant disruption in the automotive industry, shifting the way cars are produced. The value chain and cost breakdown of EVs are vastly different from those of traditional internal combustion cars, with the battery cell comprising almost 40% of the manufacturing costs on average. Thus, the EV battery sub-industry will play a pivotal role in the ongoing disruption of automotive manufacturing. CEE countries have recognized the importance of this sector and are making efforts to attract battery factories to their respective regions. Hungary is currently the leading country in this regard, with a projected annual battery output of approximately 250GWh by 2030, surpassing the collective output of the other countries in the region. Poland follows in second, not only expanding its presence in the battery manufacturing sector but also attracting new EV factories. On the other hand, Slovakia has yet to exhibit significant activity in attracting battery sub-industries, and the rationale for this decision can only be the subject of speculation. Concern over the impact of large water and land usage, as well as potential contamination from toxic materials used in the manufacturing process, are among the reasons cited by Greenpeace that may be contributing factors influencing this decision.

## Market performance



Source: Erste Group Research

## Market developments

After the Jackson Hole meeting, the interest rate outlook remains uncertain. On the one hand, the need to keep interest rate high to fight inflation was underlined, on the other hand little insights was offered regarding the next major central banks' decisions. This week Hungarian central bank holds rate setting meeting and we expect normalization of rates to continue. As for the market development in the region, last week's weak PMIs in the Eurozone altered the market sentiment, resulting in a marginal weakening of the currencies throughout the week and downward move in the long end of the curve throughout the region. Currently, 10Y yields are lower than last week, except for Poland. Poland presented the draft of the budget for 2024 and the details published on Friday showed substantial increase in net financing needs next year that resulted in increase of long-term yields on that day. As for other news, Fitch confirmed the Czech rating at AA- keeping the outlook negative. This week, on Friday, September 1, after markets close, Moody's is scheduled to revise its Hungarian outlook. In this case we cannot rule out the outlook being changed to negative.

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## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
28. Aug	09:00	SK	PPI (y/y)	Jul		12.00%	14.50%
29. Aug	09:00	CZ	GDP (q/q)	2Q P		0.1%	0.1%
	09:00	CZ	GDP (y/y)	2Q P		-0.6%	-0.6%
	10:30	SI	Retail Sales (y/y)	Jul		0.0%	-15.7%
	11:00	HR	GDP (y/y)	2Q		3.2%	0.03
	14:00	HU	Central Bank Rate	Aug 29		13.0%	13.0%

## FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	24.07	-0.1	0.4
EUR/HUF	381.69	-0.5	0.0
EUR/PLN	4.47	-0.2	0.4
EUR/RON	4.94	0.0	0.0
EUR/RSD	117.15	0.0	0.1
EUR/USD	1.08	-0.1	-0.6

## 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	7.10	0	-1
HUF	13.80	-5	-18
PLN	6.67	-2	-2
RON	6.40	0	0
RSD	5.89	0	0
EUR	3.79	0	-3

## 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.28	1	-4
HU 10Y	7.33	-6	-25
PL 10Y	5.70	9	2
RO 10Y	6.86	-1	-7
HR 10Y	3.90	0	0
SK 10Y	3.59	-7	-18

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