

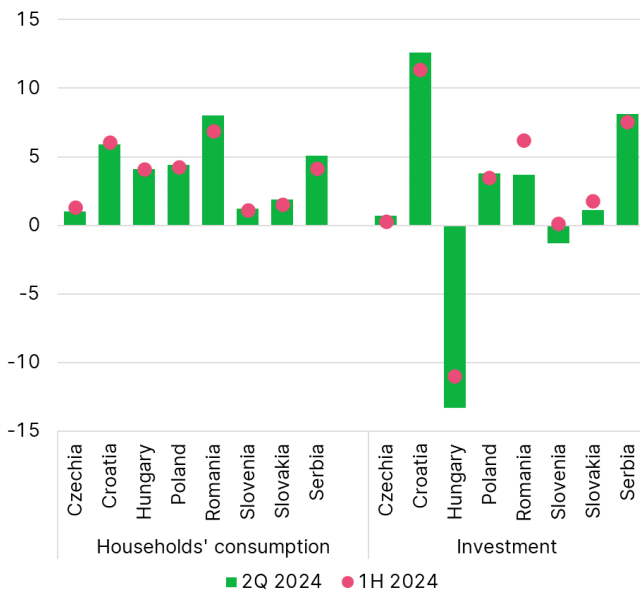
CEE MACRO AND FI DAILY

Private consumption carries growth, but investments dropped in Hungary

On the Radar

- In Croatia, producer prices declined by -4.0% y/y in August.
- In Hungary, inflation rate in August landed at 3.4% y/y, slightly lower than expected.
- In Czechia, August's headline inflation was at 2.2% y/y.
- Later today, Slovenia will release industrial output growth in July (1.30 AM CET), while Croatia tourism arrivals for July.

Private consumption and investment growth, percent y/y

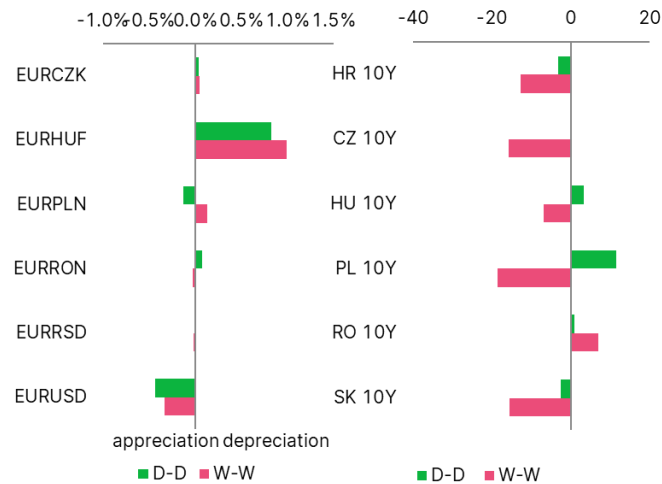


Economic developments

Today, we are looking at the GDP structure in the second quarter and more broadly in the first half of the year. Undeniably, the consumption of households is the key driver of growth, as it has increased in all CEE countries due to solid real wage growth. Romania and Croatia saw private consumption growing at the fastest pace, not only in the second quarter of 2024 but also throughout the first half of the year. On the other hand, growth of final expenditure of households remained rather meager in Czechia, Slovakia, and Slovenia. Investment activity showed a more mixed picture. In the second quarter of 2024, investment grew everywhere except in Hungary and Slovenia. While in Slovenia, the drop in investment activity was rather peripheral (allowing marginally positive growth dynamics in 1H2024), in Hungary, the decline was quite substantial, reaching -13.3% y/y (2015 chained linked volumes). Such development only deepens the downward trend in investment growth in Hungary, making it a clear outlier. Hungary is the only country where investment is lower compared to the pre-pandemic level.

Source: Erste Group Research

Market performance



Source: Erste Group Research

Market developments

In Hungary, Prime Minister Viktor Orbán outlined an economic action plan that includes, among other things, raising wages, increasing family allowances, and support for SMEs (a new Szechenyi Plan). The Economy Minister Nagy specified that the minimum wage should rise by about 11% to 12%. As for support for SMEs, favorable financing conditions or investment subsidies should be offered. Minister Nagy added that Hungary should not tweak the VAT or income tax, though. Furthermore, changes in the government will be pursued. A new top ministry will be created by combining the economy and finance. In that case, Varga or Nagy will be the new central bank governor, while the other one should become the top minister for the economy. Since the beginning of the week, the EURPLN moved slightly down, while the Czech koruna and the Hungarian forint moved together and weakened against the euro. The Hungarian forint, to a greater extent, as the announced economic plans and changes in the government may raise some concerns about the fiscal condition of Hungary in the years to come. The long-term yields declined marginally over Monday. Finally, in Slovakia, Prime Minister Fico announced the new tax that would be imposed on all corporate banking transactions in an effort to consolidate public finance.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
10. Sep	08:30	HU	CPI (y/y)	Aug	3.60%	3.70%	4.10%
	08:30	HU	CPI (m/m)	Aug	0.14%	0.20%	0.70%
	09:00	SK	Industrial Production (y/y)	Jul		5.00%	-3.40%
	09:00	CZ	CPI (y/y)	Aug	1.95%	1.90%	2.20%
	09:00	CZ	CPI (m/m)	Aug		0.00%	0.70%
	10:30	SI	Industrial Production (y/y)	Jul		0.50%	-0.60%

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.02	0.0	0.0
EUR/HUF	396.43	0.8	1.0
EUR/PLN	4.27	-0.1	0.1
EUR/RON	4.97	0.1	0.0
EUR/RSD	116.89	0.0	0.0
EUR/USD	1.10	-0.4	-0.3

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.32	-1	-4
HUF	6.49	-1	-2
PLN	5.86	1	1
RON	5.55	0	-1
RSD	5.15	0	0
EUR	3.46	-1	-1

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	3.69	0	-16
HU 10Y	6.08	3	-7
PL 10Y	5.28	12	-19
RO 10Y	6.74	1	7
HR 10Y	3.25	-3	-13
SK 10Y	3.23	-3	-16

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