

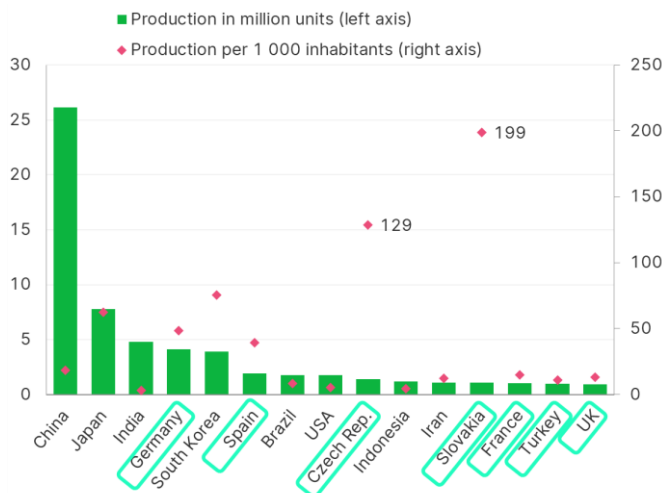
CEE MACRO AND FI DAILY

# Three challenges for automotive sector coming from China

## On the Radar

- Inflation in Croatia was published yesterday at 2.8% y/y (0.4% m/m).
- Today, the Hungarian National Bank holds its rate setting meeting.
- There are no other releases today.

## Car production by country, 2023

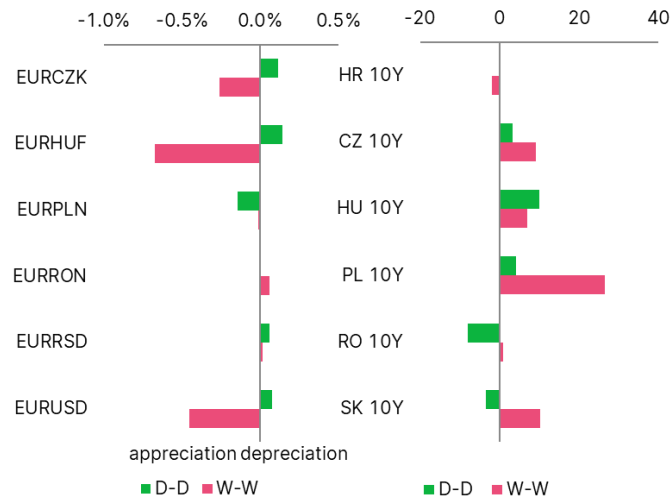


Source: Erste Group Research

## Economic developments

It is well-known that Europe is gradually losing its dominance in car manufacturing. In our latest special report, "[Prospects for the Automotive Industry in the EU and CEE](#)", we go deeper into the underlying reasons and the challenges arising from this trend. As of 2023, seven of the world's fifteen largest car manufacturing countries were still European. Additionally, Slovakia and Czechia hold the top two positions globally in terms of cars produced per capita. However, China has rapidly expanded its production capacities, increasing the number of cars produced by 68% since 2012. In the report, we identify three primary challenges that China presents to European car manufacturers. Firstly, European brands must enhance their competitiveness in the Chinese market, as they have been significantly losing market share in recent years. Secondly, China leads the EV market, necessitating substantial efforts for Europe to catch up. Lastly, China is significantly boosting its export capacity, with 16% of its cars being exported, making it already one of the largest global exporters. There are several ways how Europe can face these issues, some of which are also discussed in the Special report.

## Market performance



Source: Erste Group Research

**Analyst:**

Jakub Cery  
+43 (0)5 0100 17338  
jakub.cery@erstegroup.com

**Analyst:**

Juraj Kotian  
+43 (0)5 0100 17357  
juraj.kotian@erstegroup.com

## Market developments

On Monday, Mihály Varga has spoken as the nominee for the next governor of the central bank. He introduced his future colleagues: State Secretary of the Ministry of Finance, Benő Péter Banai, CEO of the Hungarian Development Bank (MFB) Levente Sipos-Tompa and Head of the Government Debt Management Agency (ÁKK) Zoltán Kurali. We see these nominations positively, as all three nominees are experienced professionals. On the market, yields in Hungary, Poland and Czechia went slightly up on Monday, while in Romania they decreased. The FX market was relatively calm yesterday, without major movements.

## Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
17. Dec	14:00	HU	Central Bank Rate	Dez 24			6.50%
18. Dec		RS	Current Account Balance (monthly)	Oct			-925.10

### FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.01	0.1	-0.3
EUR/HUF	408.88	0.1	-0.7
EUR/PLN	4.25	-0.1	0.0
EUR/RON	4.97	0.0	0.1
EUR/RSD	116.81	0.1	0.0
EUR/USD	1.05	0.1	-0.5

### 3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	3.91	0	1
HUF	6.50	0	0
PLN	5.86	1	-1
RON	5.91	0	0
RSD	4.70	0	0
EUR	2.86	2	0

### 10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.08	3	9
HU 10Y	6.33	10	7
PL 10Y	5.83	4	26
RO 10Y	6.96	-8	1
HR 10Y	2.95	0	-2
SK 10Y	3.09	-3	10

## Group Research

Head of Group Research Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902	GM Retail Products & Business Development Head: Martin Langer	+43 (0)50100 11313
CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI) Katarzyna Rzentarzewska (Fixed income) Jakub Cery (Fixed income)	+43 (0)5 0100 17357 +43 (0)5 0100 17356 +43 (0)5 0100 17384	Corporate Treasury Product Distribution AT Head: Martina Kranz-Carvell	+43 (0)5 0100 84147
Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419	Group Securities Markets Head: Thomas Einramhof	+43 (0)50100 84432
Czech Republic David Navratil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172	Institutional Distribution Core Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Hungary Orsolya Nyeste János Nagy	+361 268 4428 +361 272 5115	Institutional Distribution DACH+ Head: Marc Friebertshäuser Bernd Bollhof Andreas Goll Mathias Gindele Ulrich Inhofner Sven Kienzle Rene Klases Christopher Lampe-Traupe Danijel Popovic Michael Schmotz Christoph Ungerböck Klaus Vosseler Slovakia Šarlota Šipulová Monika Smělíková	+49 (0)711 810400 5540 +49 (0)30 8105800 5525 +49 (0)711 810400 5561 +49 (0)711 810400 5562 +43 (0)5 0100 85544 +49 (0)711 810400 5541 +49 (0)30 8105800 5521 +49 (0)30 8105800 5523 +49 1704144713 +43 (0)5 0100 85542 +43 (0)5 0100 85558 +49 (0)711 810400 5560
Romania Ciprian Dascalu (Head) Eugen Sinca Vlad Nicolae Ionita	+40 3735 10108 +40 3735 10435 +40 7867 15618	Institutional Distribution CEE & Insti AM CZ Head: Antun Buric Jaromir Malak	+421 2 4862 4185 +421 902 213 591 +421 904 677 274  +385 (0)7237 2439 +43 (0)5 0100 84254
Major Markets & Credit Research Head: Gudrun Egger, CEFA® Ralf Burchert, CEFA®, CESGA® (Sub-Sovereigns & Agencies) Hans Engel (Global Equities) Peter Kaufmann, CFA® (Corporate Bonds) Heiko Langer (Financials & Covered Bonds) Stephan Lingnau (Global Equities) Maximilian Möstl (Credit Analyst Austria) Carmen Riefler-Kowarsch (Financials & Covered Bonds) Rainer Singer (Euro, US) Bernadett Povazsai-Römhild, CEFA®, CESGA® (Corporate Bonds) Elena Statelov, CIAA® (Corporate Bonds) Gerald Walek, CFA® (Euro, CHF)	+43 (0)5 0100 11909 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 17211 +43 (0)5 0100 19632 +43 (0)5 0100 17331 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16360	Czech Republic Head: Ondrej Čech Milan Bartoš Jan Porvich Pavel Zlíchynec	+420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566 +420 2 2499 5590
CEE Equity Research Head: Henning Eßkuchen Daniel Lion, CIAA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIAA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA	+43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913	Institutional Asset Management Czech Republic Head: Petr Holeček Petra Maděrová Martin Peřina David Petráček Blanka Weinerová Petr Valenta Croatia Head: Antun Buric Zvonimir Tukač Ana Tunjic Natalija Zujic Hungary Head: Peter Csizmadia Balazs Papay Gábor Bálint Gergő Szabo Romania Head: Octavian Florin Munteanu	+420 956 765 453 +420 956 765 178 +420 956 765 106 +420 956 765 809 +420 956 765 317 +420 956 765 140  +385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 2225 +385 (0)7237 1638  +36 1 237 8211 +36 1 237 8213 +36 1 237 8205 +36 1 237 8209  +40 746128914
Croatia/Serbia Mladen Dodig (Head) Boris Pevalek, CFA® Marko Plastic Bruno Barbic, CFA® Davor Spoljar, CFA® Magdalena Basic	+381 11 22 09178 +385 99 237 2201 +385 99 237 5191 +385 99 237 1041 +385 72 37 2825 +385 99 237 1407	Group Institutional Equity Sales Head: Michal Řízek Werner Fürst Viktorija Kubalцова Thomas Schneidhofer Oliver Schuster Czech Republic Head: Michal Řízek Jifi Fereš Martin Havlan Pavel Krabička Poland Head: Jacek Jakub Langer Tomasz Galanciak Wojciech Wysocki Przemyslaw Nowosad Maciej Senderek Croatia Matija Tkalicanac Hungary Nandori Levente Krisztian Kandik Balasz Zankay Romania Valerian Ionescu	+420 224 995 537 +43 (0)50100 83121 +43 (0)5 0100 83124 +43 (0)5 0100 83120 +43 (0)5 0100 83119  +420 224 995 537 +420 224 995 554 +420 224 995 551 +420 224 995 411  +48 22 257 5711 +48 22 257 5715 +48 22 257 5714 +48 22 257 5712 +48 22 257 5713  +385 72 37 21 14  +36 1 23 55 141 +36 1 23 55 162 +36 1 23 55 156  +40 3735 16541
Czech Republic Petr Bartek (Head, Utilities) Jan Bystřický	+420 956 765 227 +420 956 765 218	Group Fixed Income Securities Markets Head: Goran Hobljaj	+43 (0)50100 84403
Hungary József Miró (Head) András Nagy Tamás Pletser, CFA® (Oil & Gas)	+361 235 5131 +361 235 5132 +361 235 5135	Fixed Income Flow Sales Head: Gorjan Hobljaj Margit Hraschek Christian Kiensberger Ciprian Mitu Bernad Thaler Zsuzsanna Toth Poland Pawel Kielek Michal Jamakowicz	+43 (0)5 0100 84403 +43 (0)5 0100 84117 +43 (0)5 0100 84323 +43 (0)5 0100 85612 +43 (0)5 0100 84119 +36 1 237 8209  +48 22 538 6223 +43 50100 85611
Poland Cezary Bernatek (Head) Piotr Bogusz Łukasz Jańczak Krzysztof Kawa, CIAA® Jakub Szkopek	+48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753	Fixed Income Flow Trading Head: Gorjan Hobljaj	+43 (0)5 0100 84403
Romania Caius Rapanu	+40 3735 10441	Group Fixed Income Securities Trading Head: Goran Hobljaj	+43 (0)50100 84403
Group Markets Head of Group Markets Oswald Huber	+43 (0)5 0100 84901	Group Equity Trading & Structuring Head: Ronald Nemec	+43 (0)50100 83011
Group Markets Retail and Agency Business Head: Christian Reiss	+43 (0)5 0100 84012	Business Support Bettina Mahoric	+43 (0)50100 86441
Markets Retail Sales AT Head: Markus Kaller	+43 (0)5 0100 84239		
Group Markets Execution Head: Kurt Gerhold	+43 (0)5 0100 84232		
Retail & Sparkassen Sales Head: Uwe Kolar	+43 (0)5 0100 83214		
Markets Retail Sales CZ Head: Roman Choc	+420 956 765 374		
Markets Retail Sales HUN Head: Peter Kishazi	+36 1 23 55 853		

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**Group Research**  
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**Commercial Court of Vienna**

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