

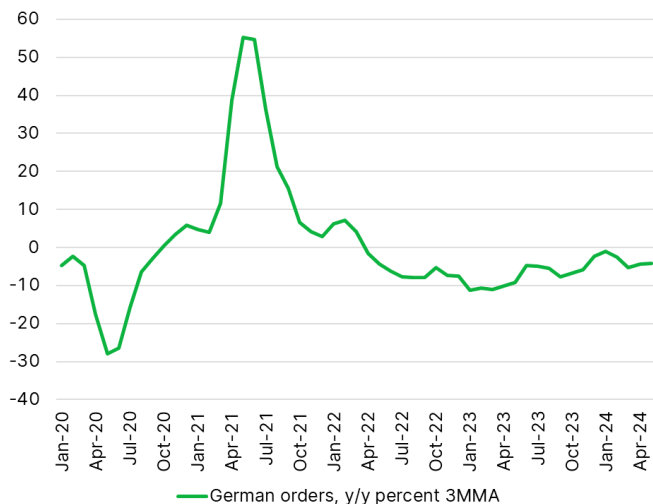
CEE MACRO AND FI DAILY

Automotive sector in Germany struggles

On the Radar

- Final 1Q24 GDP growth was revised up to 0.5% y/y (from 0.1% y/y) in Romania.
- Industrial output (NSA) contracted by -3.2% y/y in May in Czechia, while the trade surplus reached CZK13.6 billion.
- Today, at noon CET, Serbia will release June's inflation, while tomorrow in the morning (8.30 AM CET) Hungary will publish headline inflation.

New orders in Germany

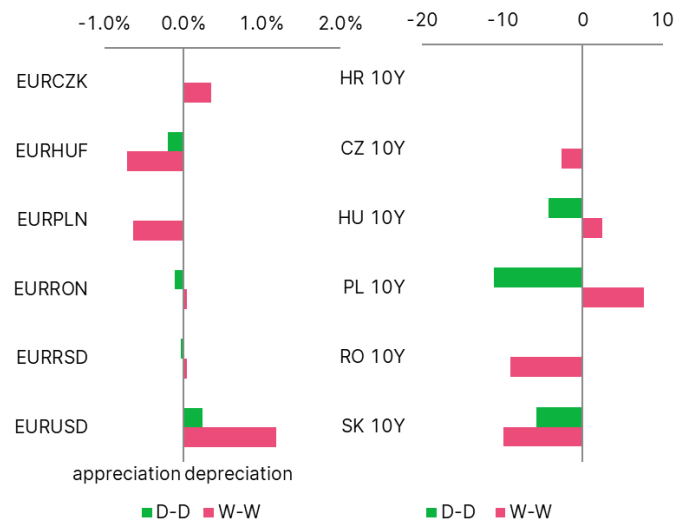


Source: Erste Group Research

Economic developments

Last week, Germany published the growth of new orders and the number for May was well below market expectations at -1.6% m/m and -8.6% y/y. New manufacturing orders in year-on-year terms have been continuously declining for more than two years already (last positive growth dynamics was recorded in February 2022). Furthermore, according to the S&P Global assessment of sectors across Europe suggest weak demand conditions in manufacturing. In particular, Automobiles & Auto Parts was the worst performer, with the pace of output decline quickening to the fastest in four months. At the top of that, the new orders index in that sector was the lowest across all sectors as well. With the CEE being seen as an automotive hub, development in Germany should be considered as worrying for the industry prospects.

Market performance



Source: Erste Group Research

Market developments

The French leftist alliance won the snap election in France. President Emmanuel Macron's came second, while Marine Le Pen National Rally was third at the end. Romanian central bank decided to cut the three interest rates by 25bp. Thus, the monetary policy rate went down to 6.75% from 7.00% and we maintain our view that the key interest rate will reach 6.00% by year-end with 25bp cuts at each meeting left for this year, but we see some material risk for one less cut vs our baseline in case inflation evolution requires a more prudent approach provided NBR remains data dependent. The latest NBR assessment shows the annual inflation rate declining further in the following months, on a significantly lower path than that shown in the May 2024 medium-term forecast. The Hungarian forint and the Polish zloty strengthened against the euro last week. The Czech koruna on the contrary remained weaker vs. the euro with the EURCZK above 25. As for the bond market, it was only in Hungary and Poland that long-term interest rates ended up higher last week compared to the previous one. This week, Czechia, Poland and Romania plan bond auctions, while Slovenia and Czechia are set to issue T-Bills.

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Upcoming releases in CEE

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.
08. Jul	08:00	RO	GDP (q/q)	1Q F		0.4%	0.4%
	08:00	RO	GDP (y/y)	1Q F		0.1%	0.1%
	09:00	CZ	Industrial Production (y/y)	May		-0.9%	-0.4%
	09:00	CZ	Trade Balance	May		21.80	16.30
	12:00	RS	PPI (y/y)	Jun			0.4%
09. Jul	08:30	HU	CPI (y/y)	Jun			4.0%
	08:30	HU	CPI (m/m)	Jun			-0.1%
	09:00	SK	Trade Balance	May		580.00	465.80

FX Market

	Last	Change (%)	
		d/d	w/w
EUR/CZK	25.10	0.0	0.4
EUR/HUF	392.02	-0.2	-0.7
EUR/PLN	4.28	0.0	-0.6
EUR/RON	4.97	-0.1	0.1
EUR/RSD	116.90	0.0	0.0
EUR/USD	1.08	0.2	1.2

3M Market

	Last	Change (bps)	
		d-d	w-w
CZK	4.68	-1	-28
HUF	6.88	0	-1
PLN	5.85	-1	0
RON	6.00	0	-1
RSD	5.45	0	0
EUR	3.71	0	0

10Y Yields

	Last	Change (bps)	
		d-d	w-w
CZ 10Y	4.10	0	-3
HU 10Y	6.82	-4	3
PL 10Y	5.73	-11	8
RO 10Y	6.77	0	-9
HR 10Y	3.33	0	0
SK 10Y	3.49	-6	-10

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