

CTP Capital Markets Day

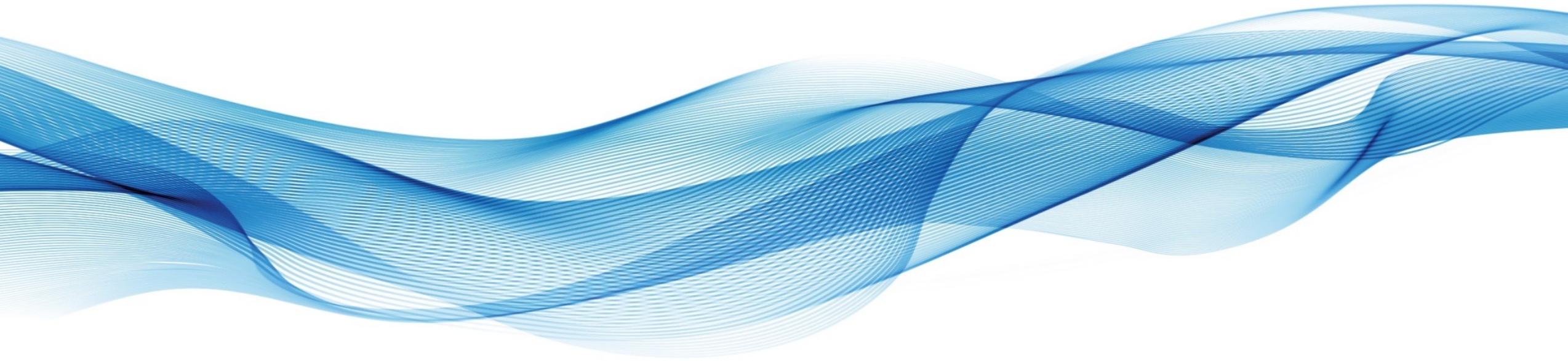
Erste Group Research Outlook CEE Economies

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Prague, September 2022

Overview



Our CEE Competence

Research units in Vienna (headquarters) and seven CEE countries



- Presence in all markets where Erste Group as a bank is present
- Plus Poland: Erste Securities Polska

Our advantage: Deep insights based on local knowledge/ experts

- Eight core markets: A, PL, CZ, SK, HU, HR, RS, RO
- 3,600 PDF reports p.a. (English), 5,000 PDFs (incl. local languages)
- +/-140 covered stocks

The image shows two sample research reports from Erste Group Research:

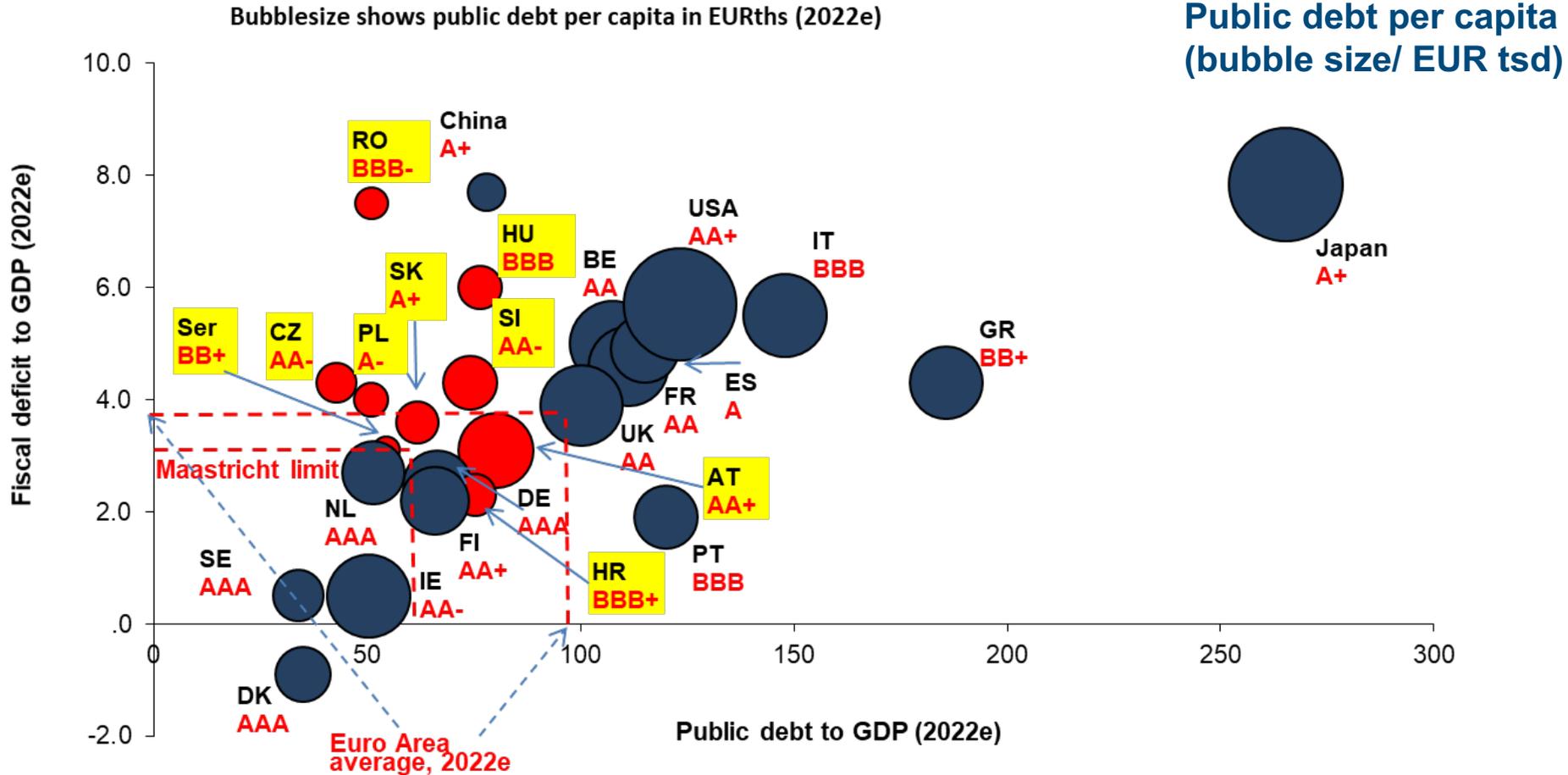
- CEE Equity Strategy**: A report discussing market performance, valuations, and regional growth in 2017. It includes a table of contents and a detailed text analysis.
- CEE Insights**: A report titled 'Looking ahead this week' providing a weekly market overview for Monday through Friday, covering various CEE markets and currencies.

E.g. supranational CEE research reports that summarize/ cover the whole region on a frequent basis.

Source: Erste Group Research

Due to Covid-19 and the war -> debt levels increased further

Public debt and fiscal deficit to GDP (in %)

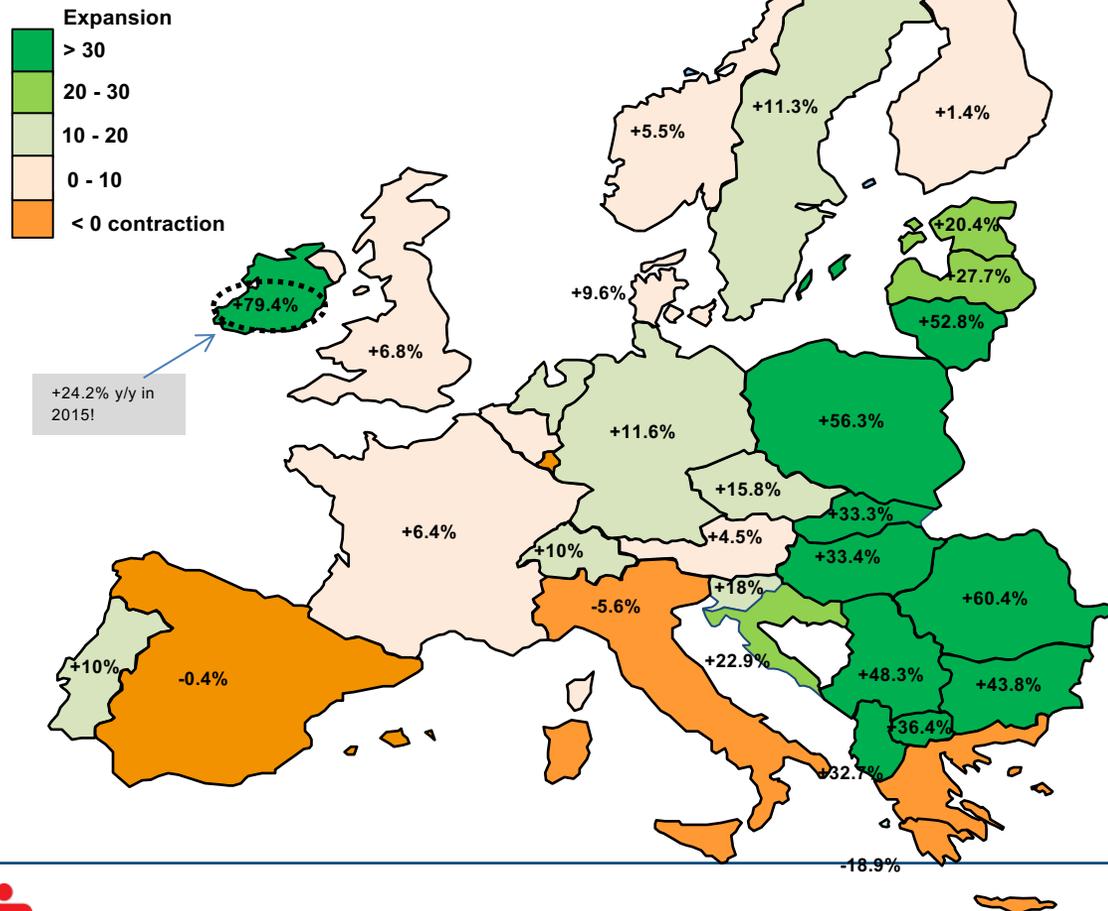


Source: Erste Group Research, European Commission, ratings by S&P

Growth differential **CEE** vs. **Eurozone** despite the pandemic still high - the region benefits from **LT catch-up potential**

Real GDP per capita

Cumulative growth rates **2007-2022**



CEE will continue to improve its competitiveness and attract investments based on:

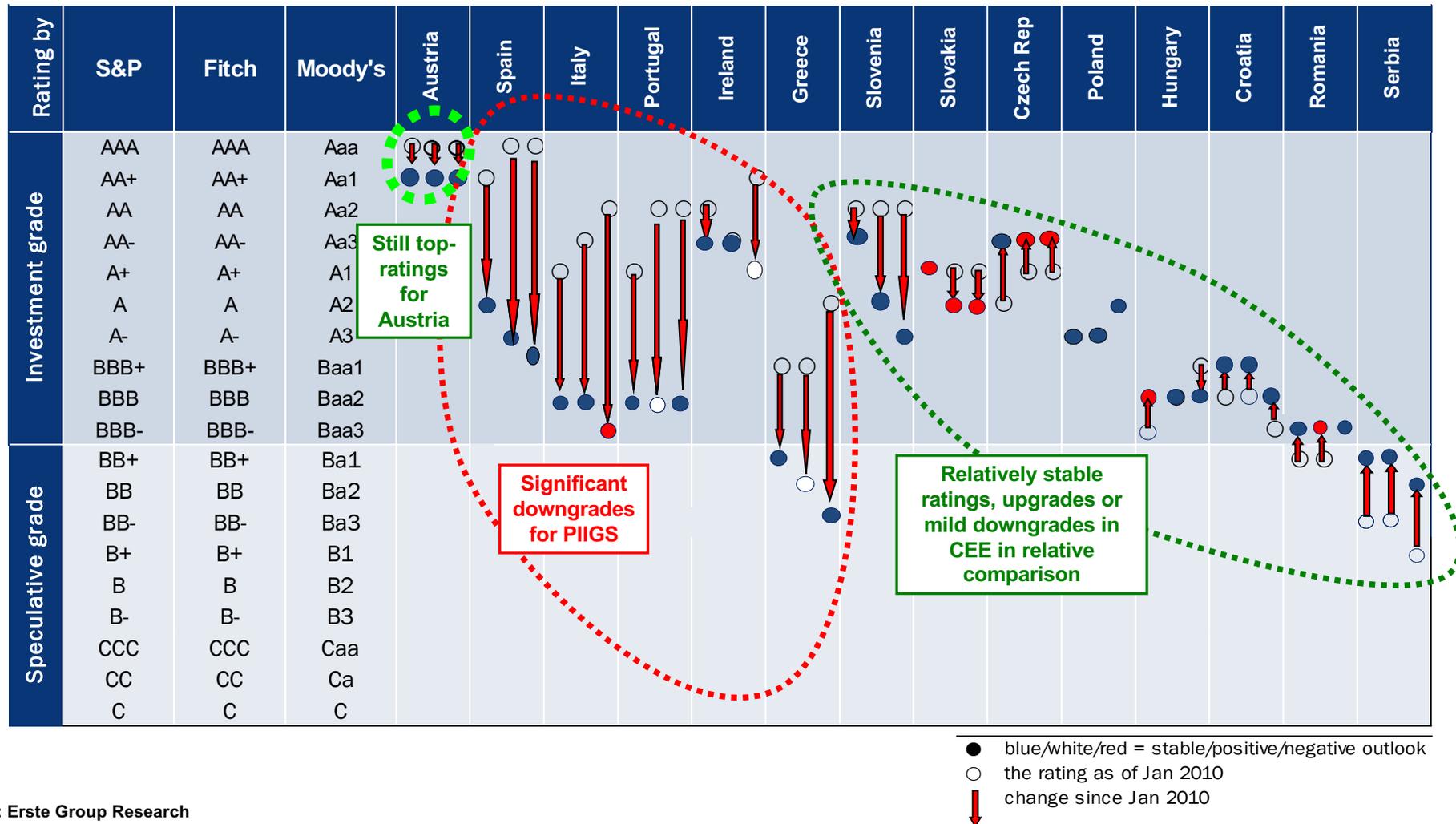
- Viable wage levels
- Increased productivity
- Reasonable tax systems
- Favourable location
- Lower indebtedness
- Inflow EU funds

CEE8: +42.3%
(weighted by size of economies)

CEE8: CZ, HR, HU, PL, RO, RS, SK, SI

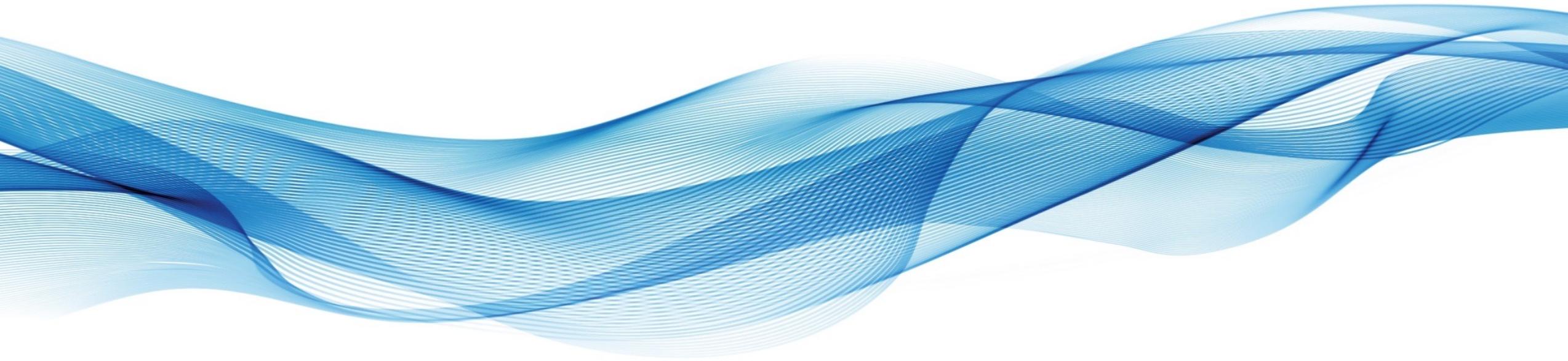
Sources: Erste Group Research, European Commission (AMECO)

Rating development since 2010



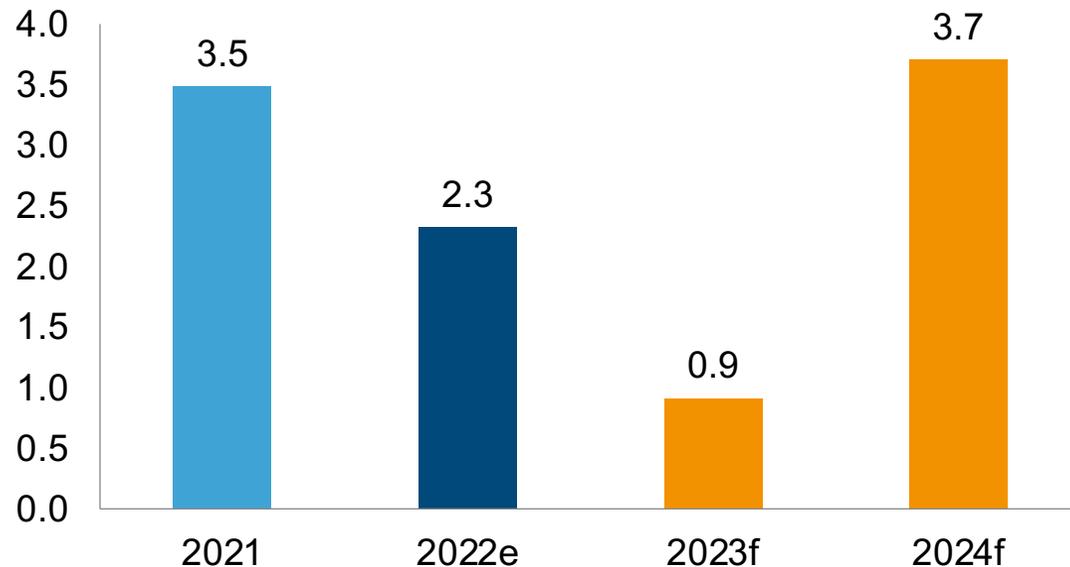
Source: Erste Group Research

CEE countries in detail

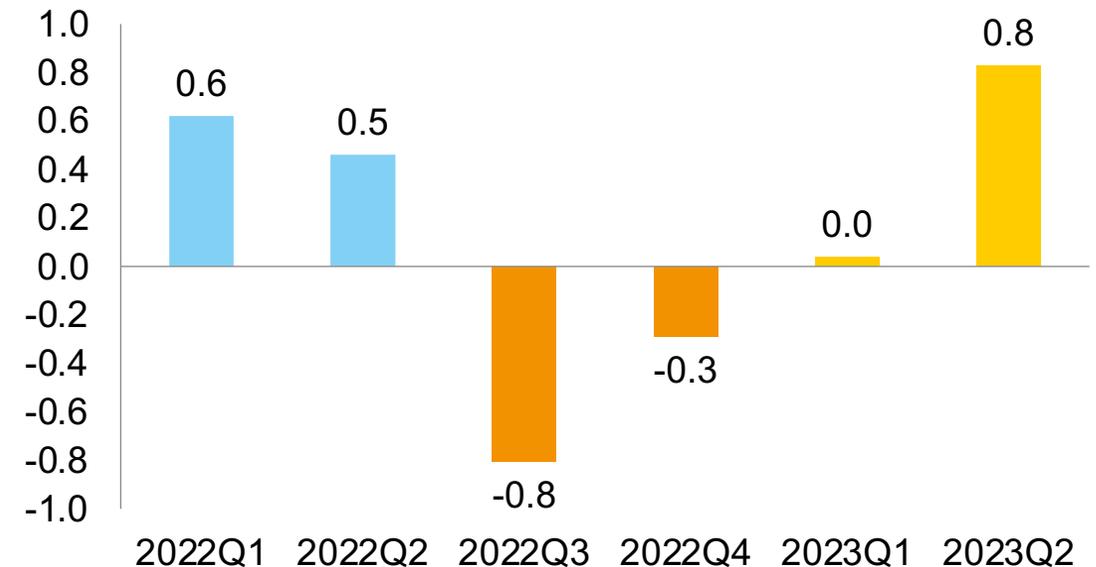


Czechia - the highest inflation in CEE may cause a technical recession in 2H2022

Real GDP growth (%)



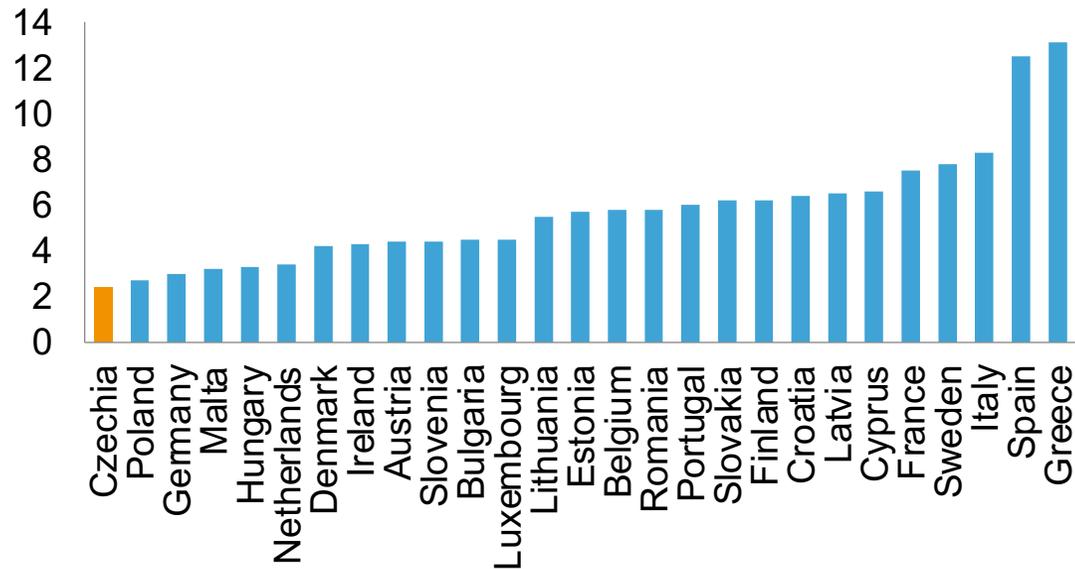
Real GDP growth (%), q/q SA



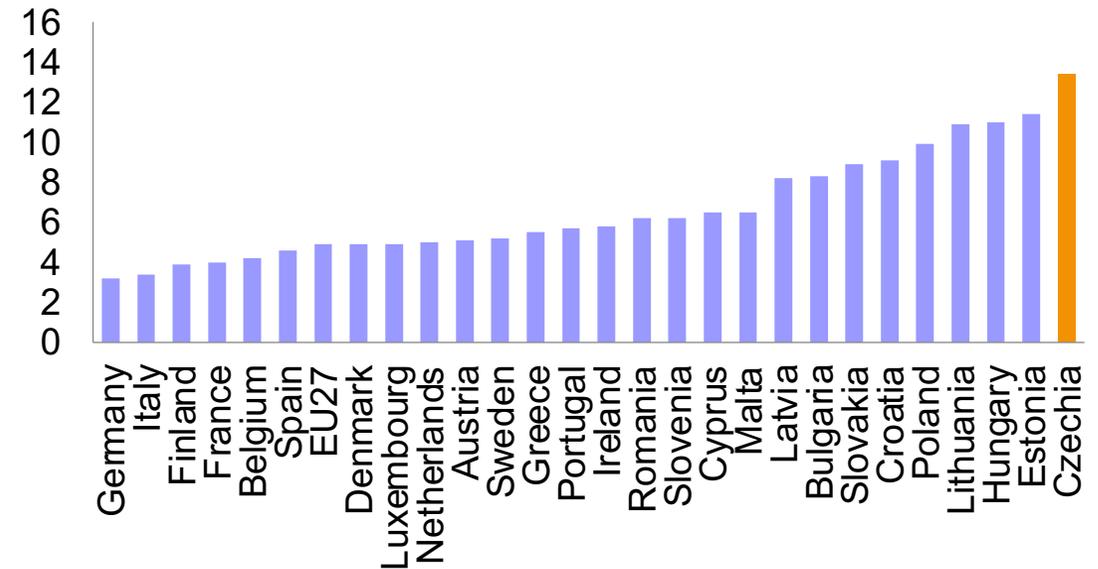
Source: Erste Group Research, Eurostat

Czechia - tight labour market and the highest core inflation in the EU have justified fast monetary tightening

Unemployment rate (% , 2Q22 S.A.)



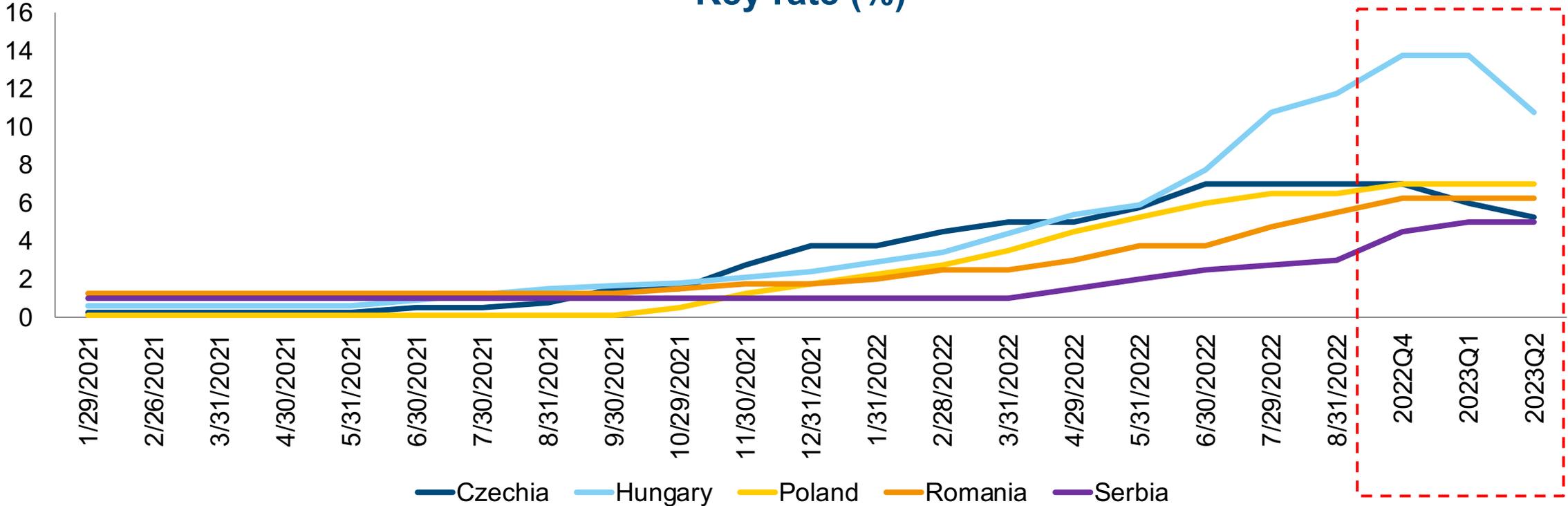
Core inflation (% , July 2022)



Source: Erste Group Research, Eurostat

Czechia's monetary tightening - the first in, the first out

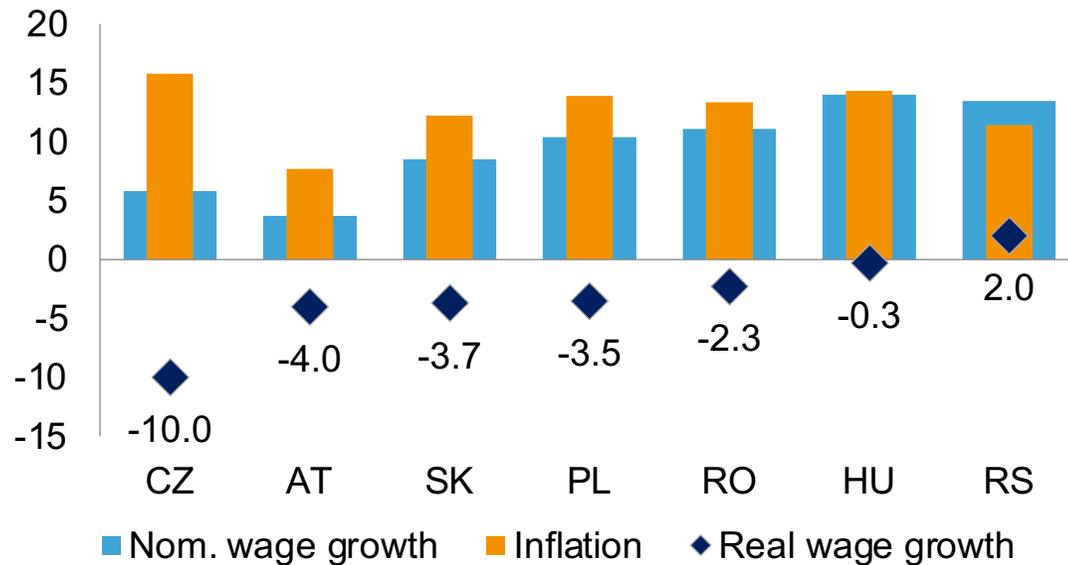
Key rate (%)



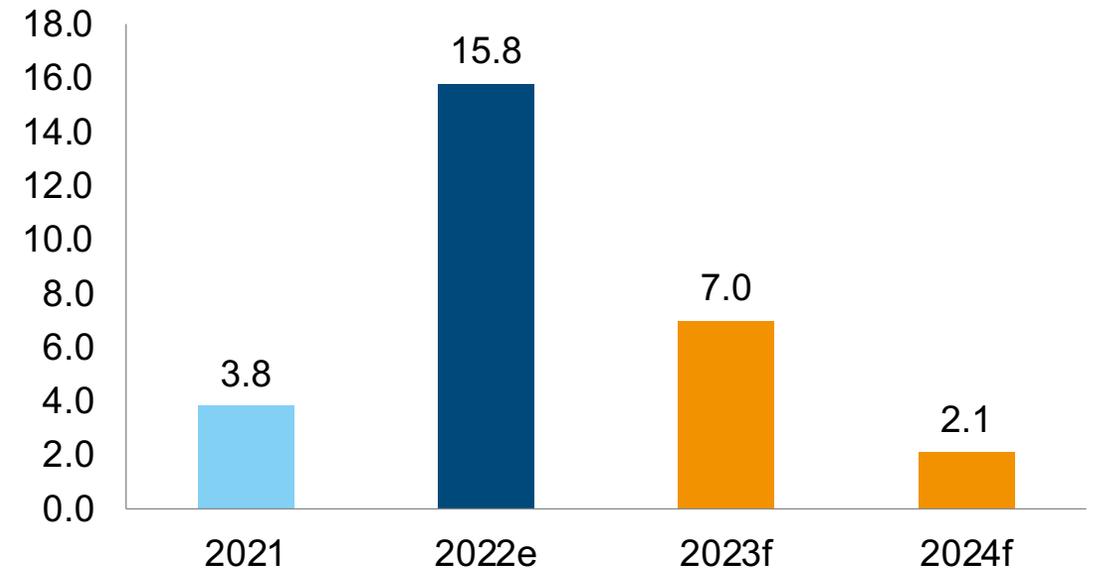
Source: Erste Group Research, Bloomberg

Czechia is facing the deepest decline of real wages in CEE

Nominal wage growth vs. Inflation (%, 2022e)

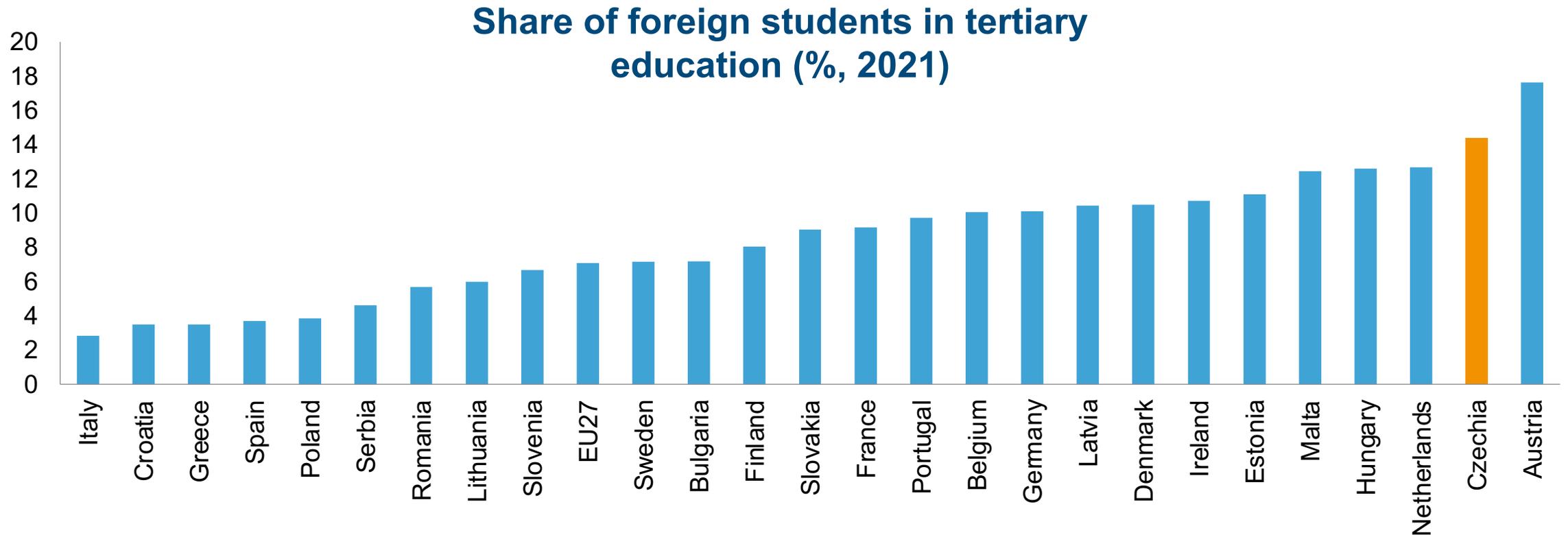


Inflation (%)



Source: Erste Group Research, Eurostat

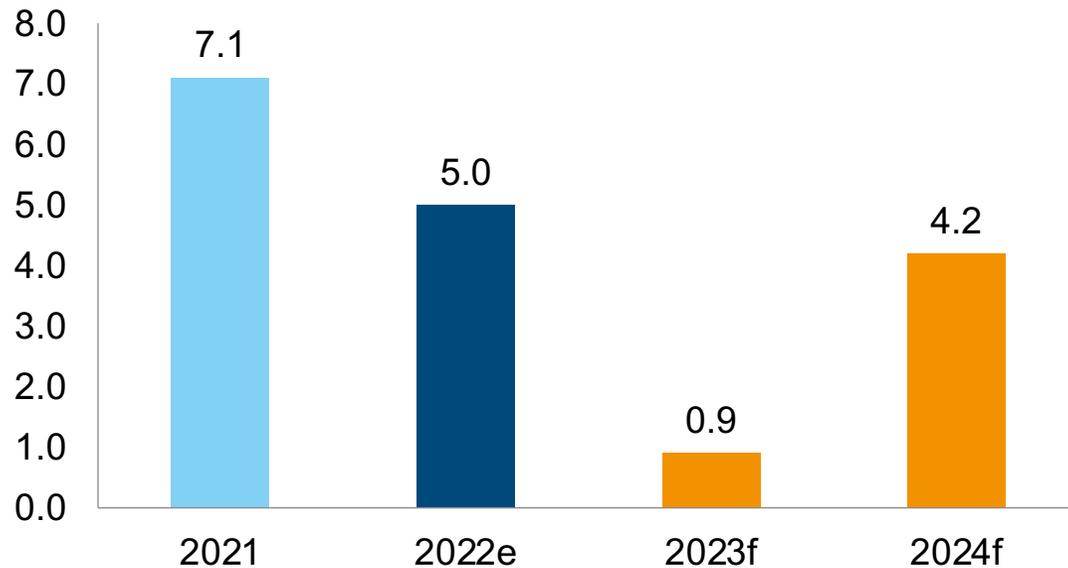
Czechia - a solid quality of labour and positive net migration flows should be supportive of further growth



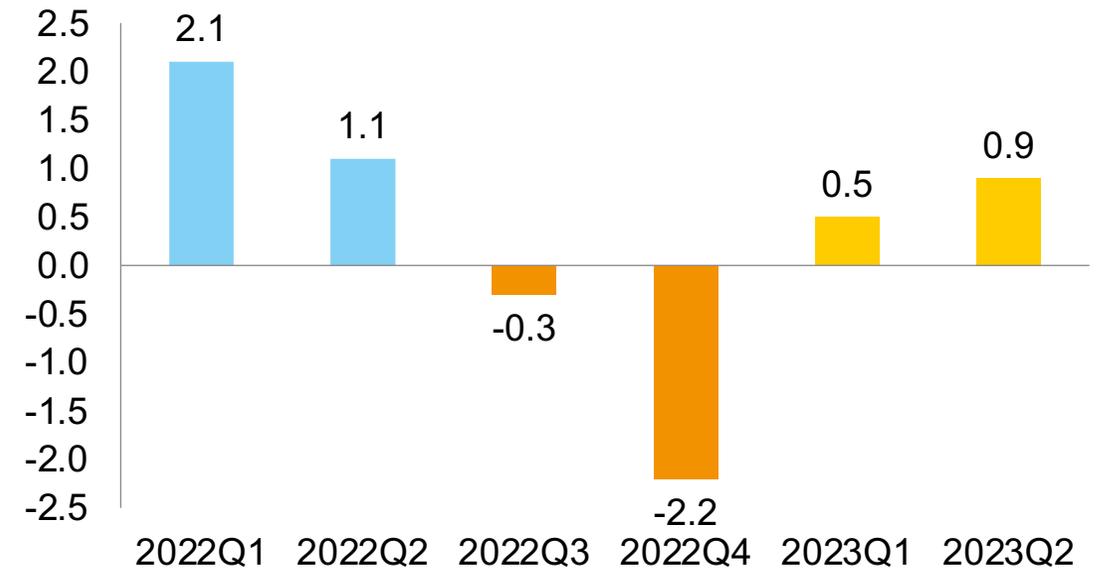
Source: Erste Group Research, Eurostat

Hungary - delayed inflation and deceleration of public investments will take a toll on growth around year-end

Real GDP growth (%)



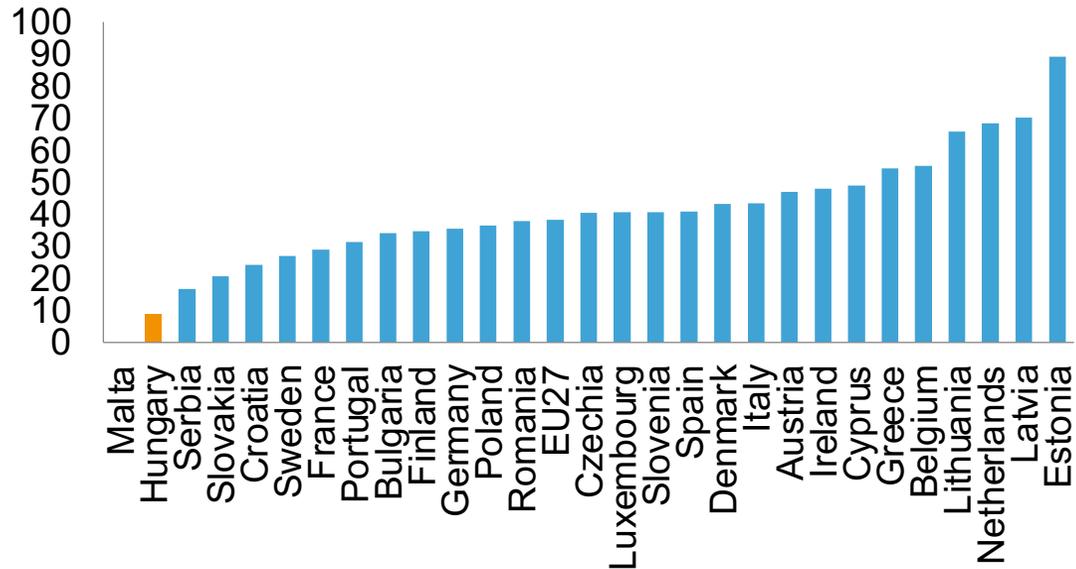
Real GDP growth (% , q/q SA)



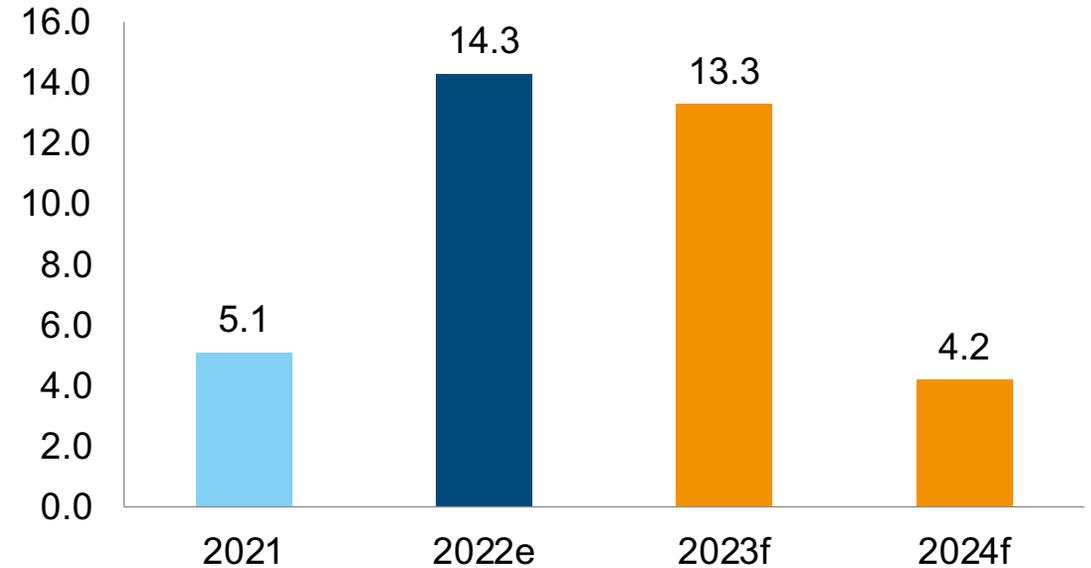
Source: Erste Group Research, Eurostat

Hungary - delayed energy price increases will keep inflation high for longer

HICP - Energy prices
(% y/y, July 2022)



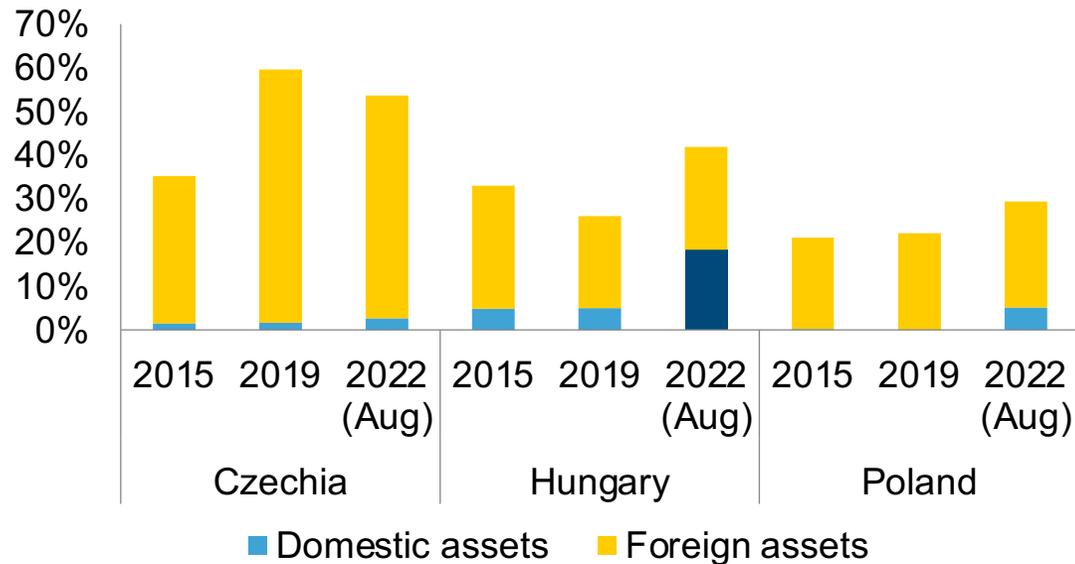
Inflation (%)



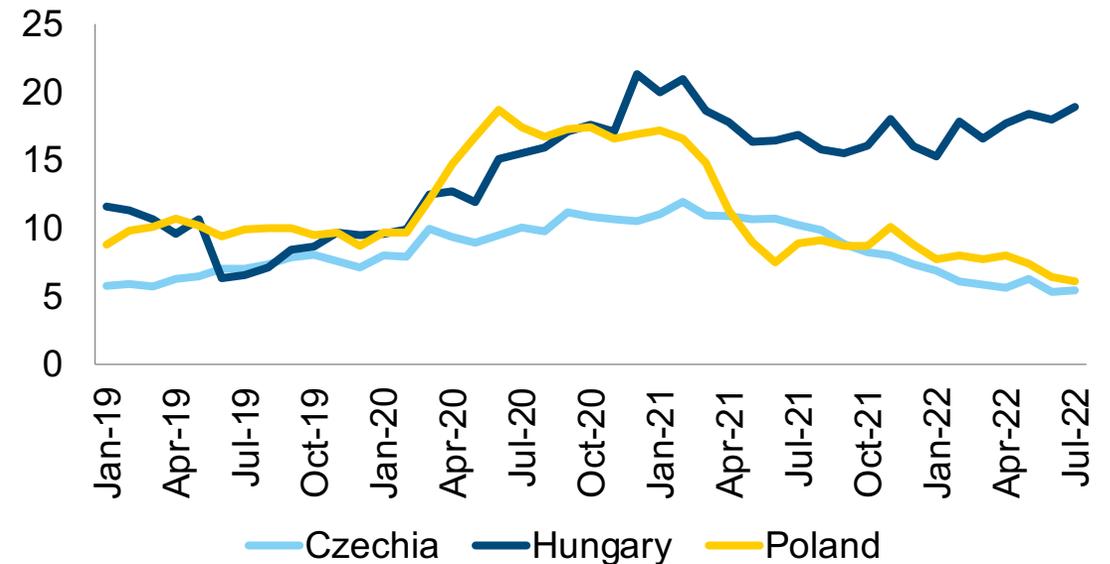
Source: Erste Group Research, Eurostat

Hungary - past monetary expansion could be also blamed for high core inflation

Central bank's balance sheets (% of GDP)

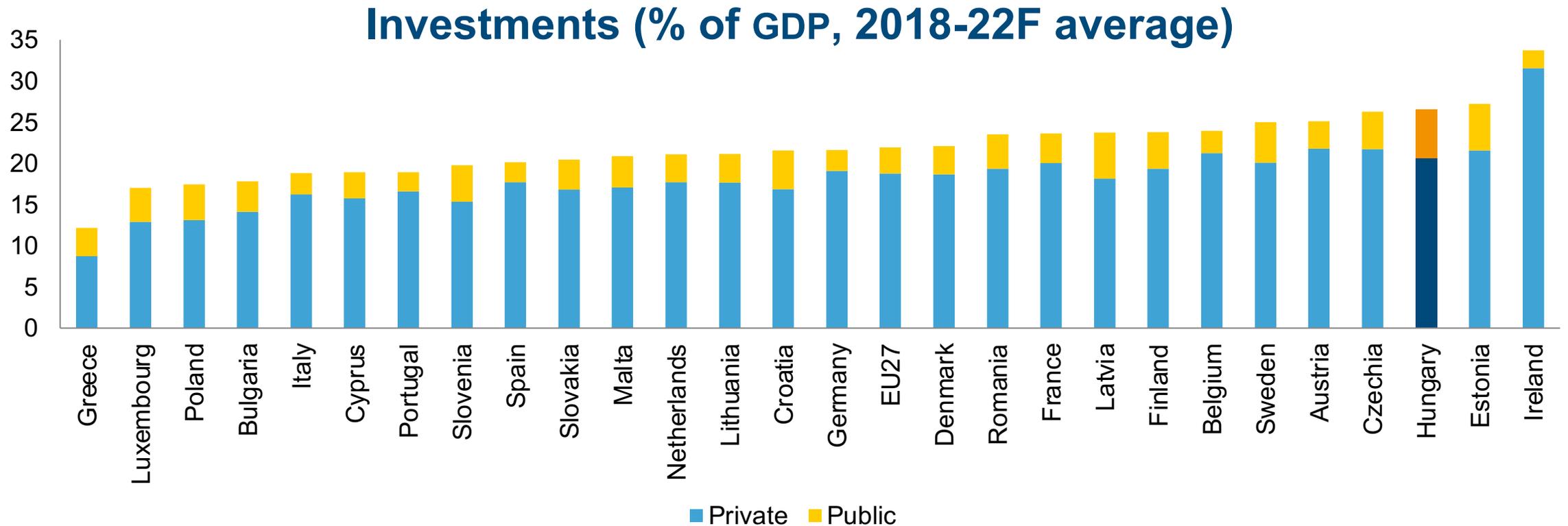


Money supply (% y/y, M2)



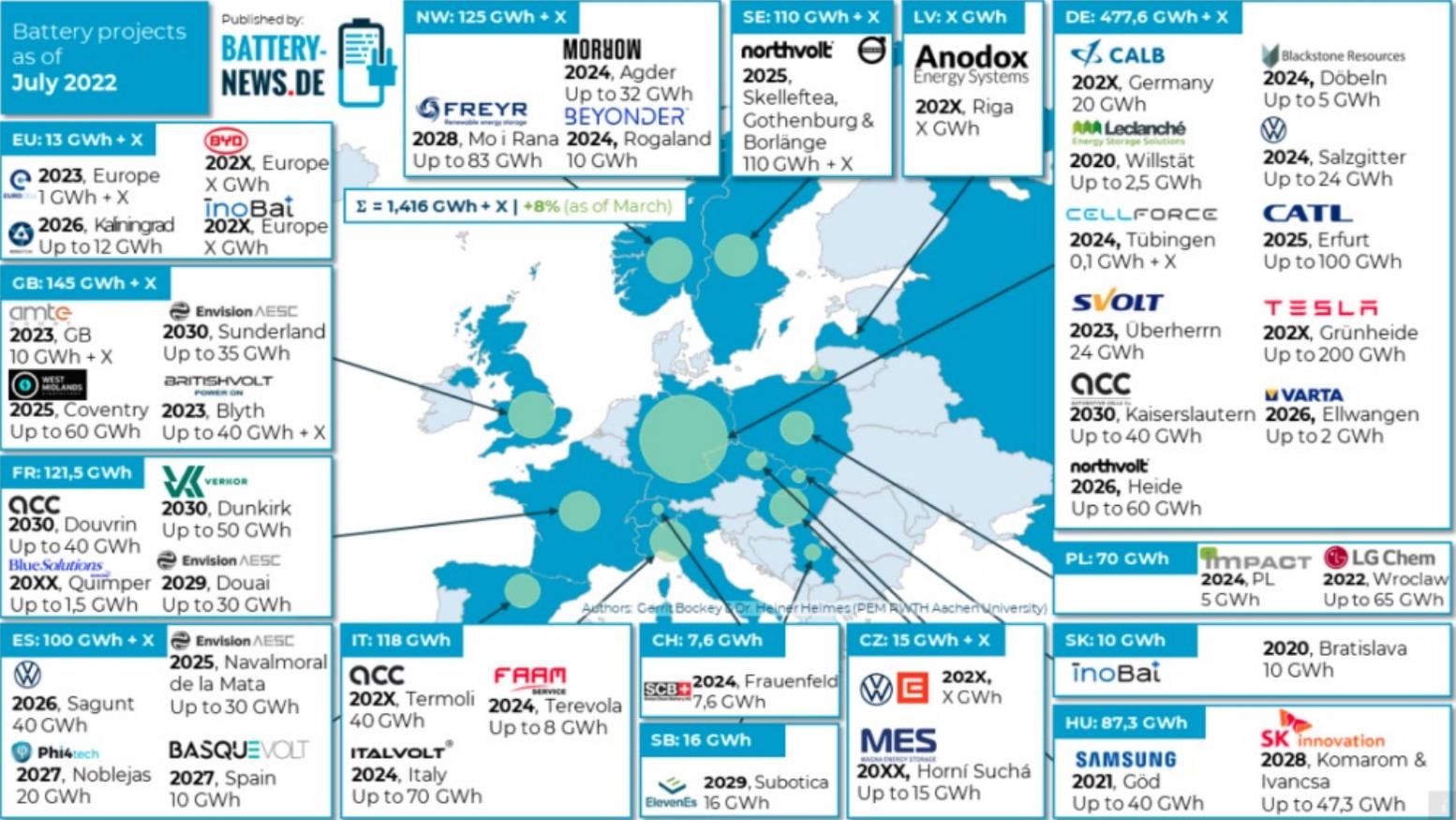
Source: Erste Group Research, Bloomberg, Central banks

Hungary - low labour costs, attractive income tax and fast absorption of EU funds kept investments high



Source: Erste Group Research, AMECO

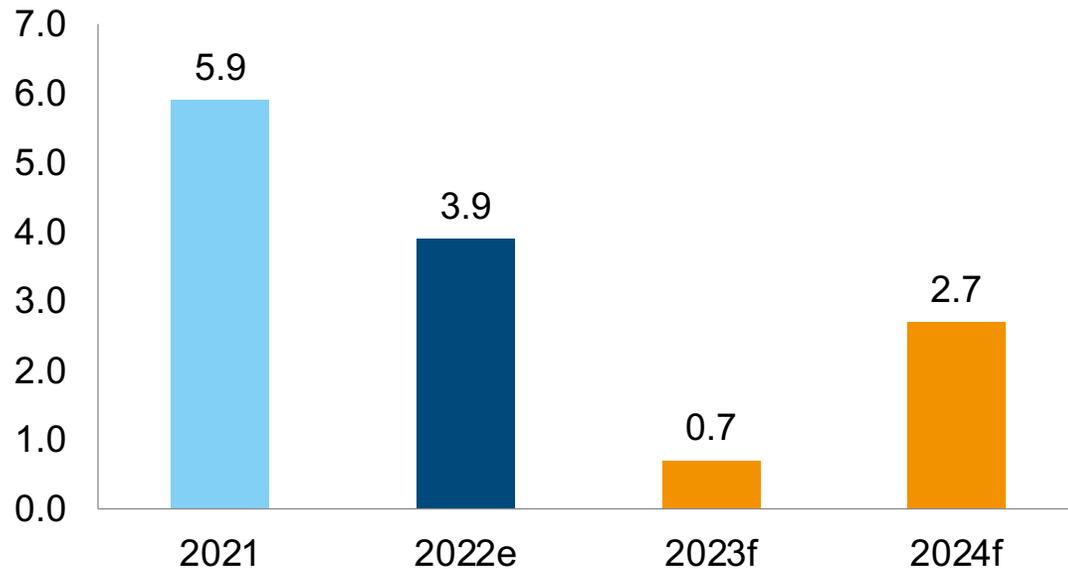
Hungary will be the regional leader in battery production



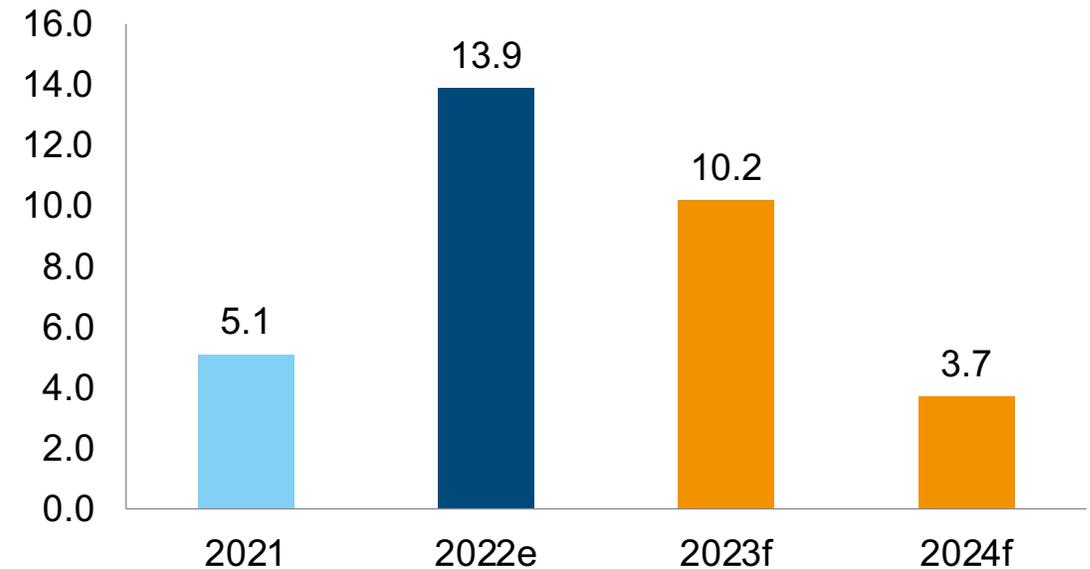
China's CATL announced to invest EUR 7.5bn to build 100GWh battery plant in Hungary

Poland - access to the EU's RRF has not been unlocked yet

Real GDP growth (%)

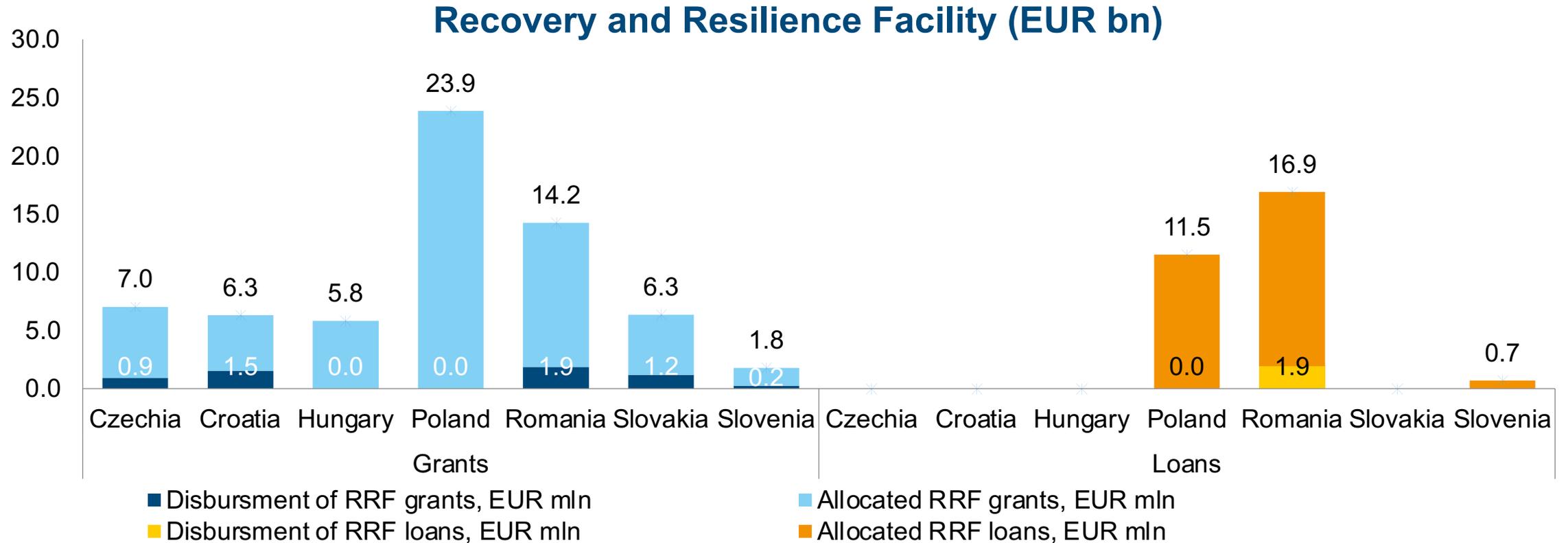


Inflation (%)



Source: Erste Group Research, Eurostat

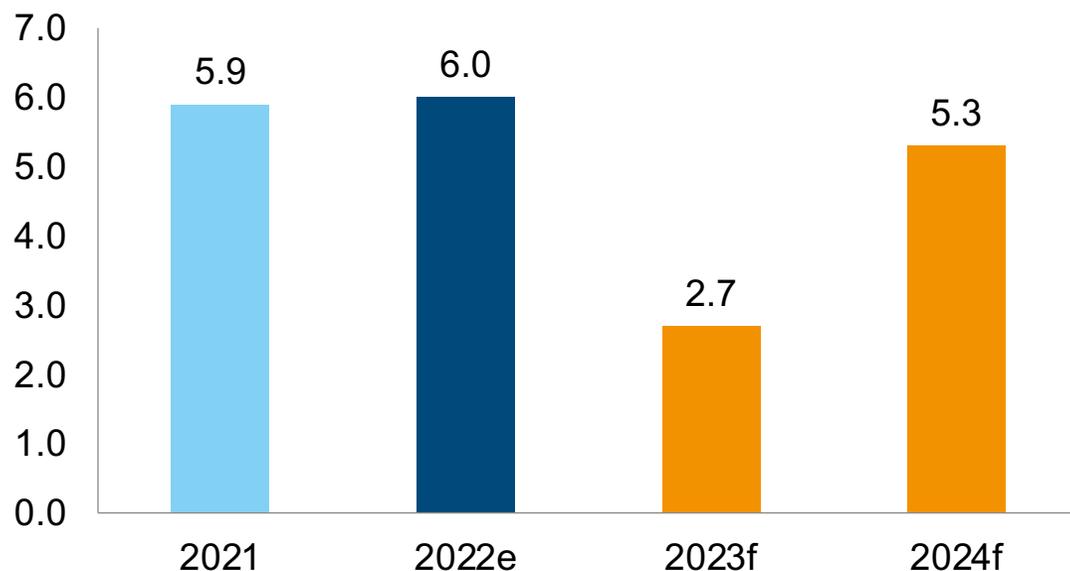
Poland - disputes with the EC on rule of law hinder access to EU grants and cheap loans



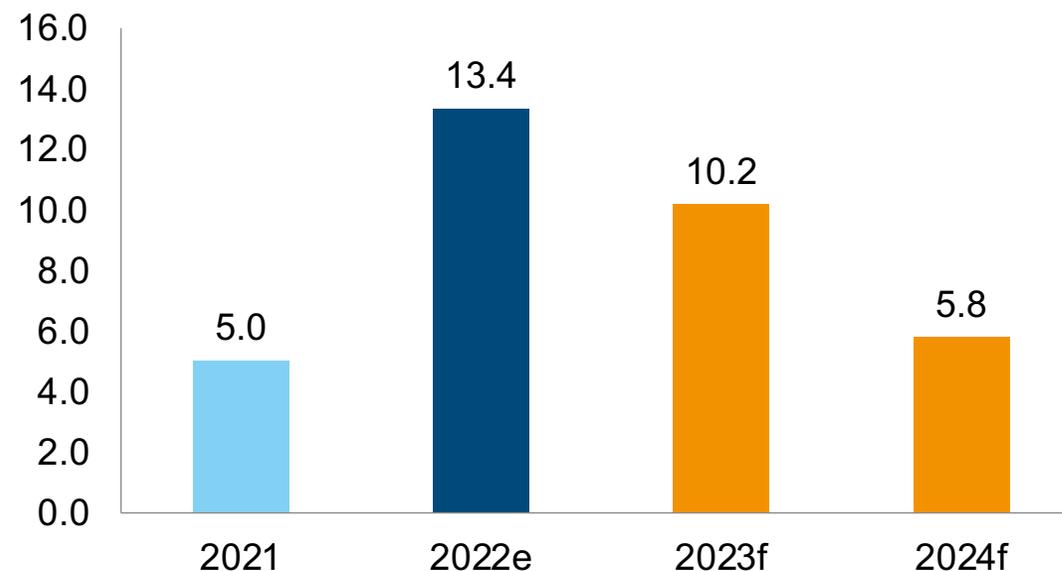
Source: Erste Group Research, EC

Romania - indigenous gas production and access to the large pool of EU funds makes Romania more resilient in the current crisis

Real GDP growth (%)



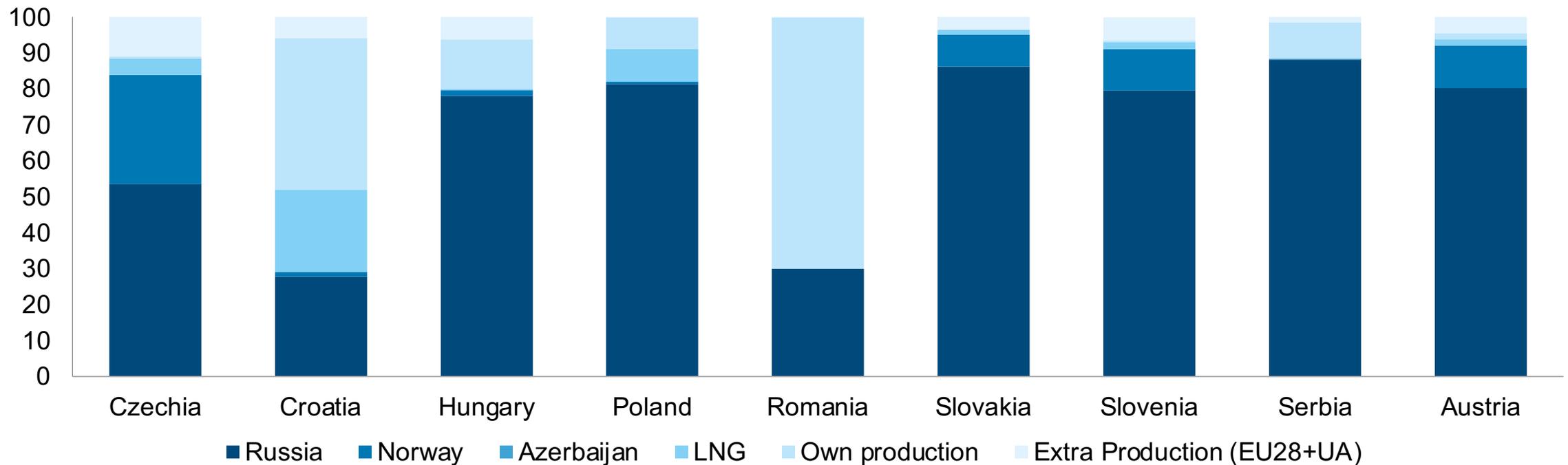
Inflation (%)



Source: Erste Group Research, Eurostat

Romania plans to be the net gas exporter thanks to upcoming Black Sea natural gas production

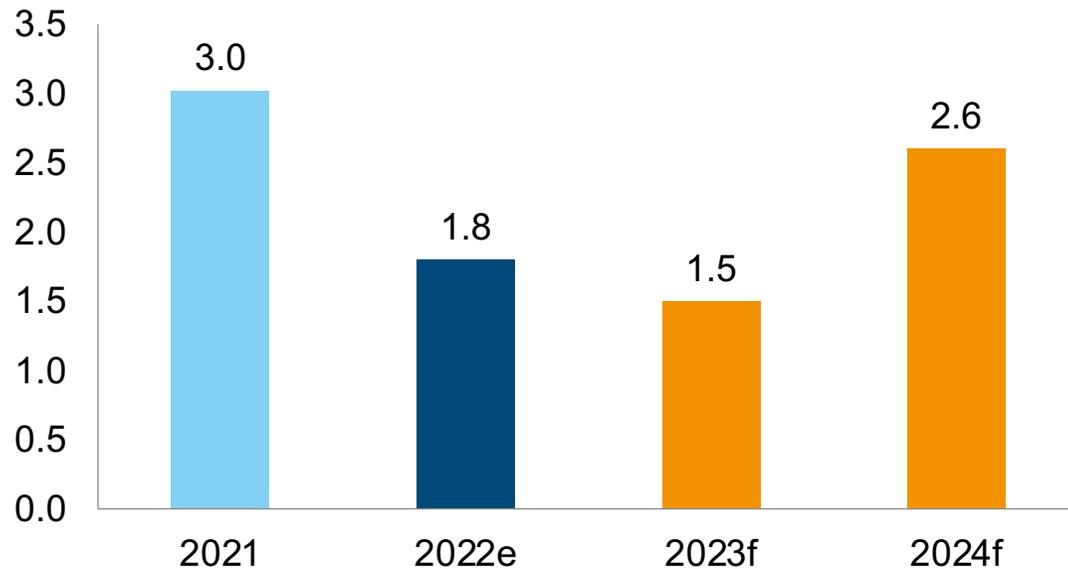
Origin of natural gas (% of total consumption , 2021)



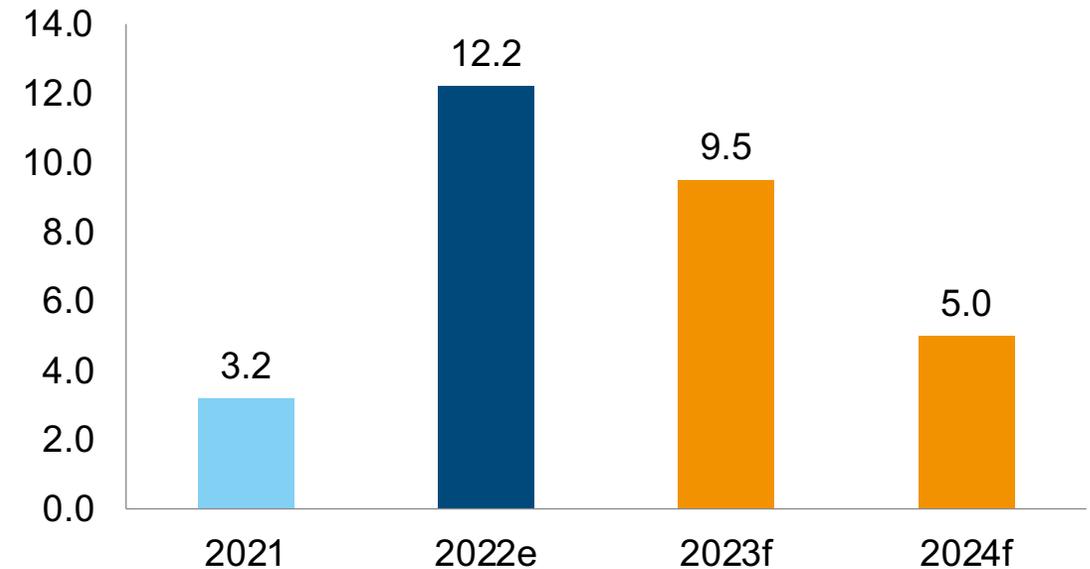
Source: Erste Group Research, Bruegel

Slovakia - delayed increase of energy prices will keep inflation elevated in 2023

Real GDP growth (%)

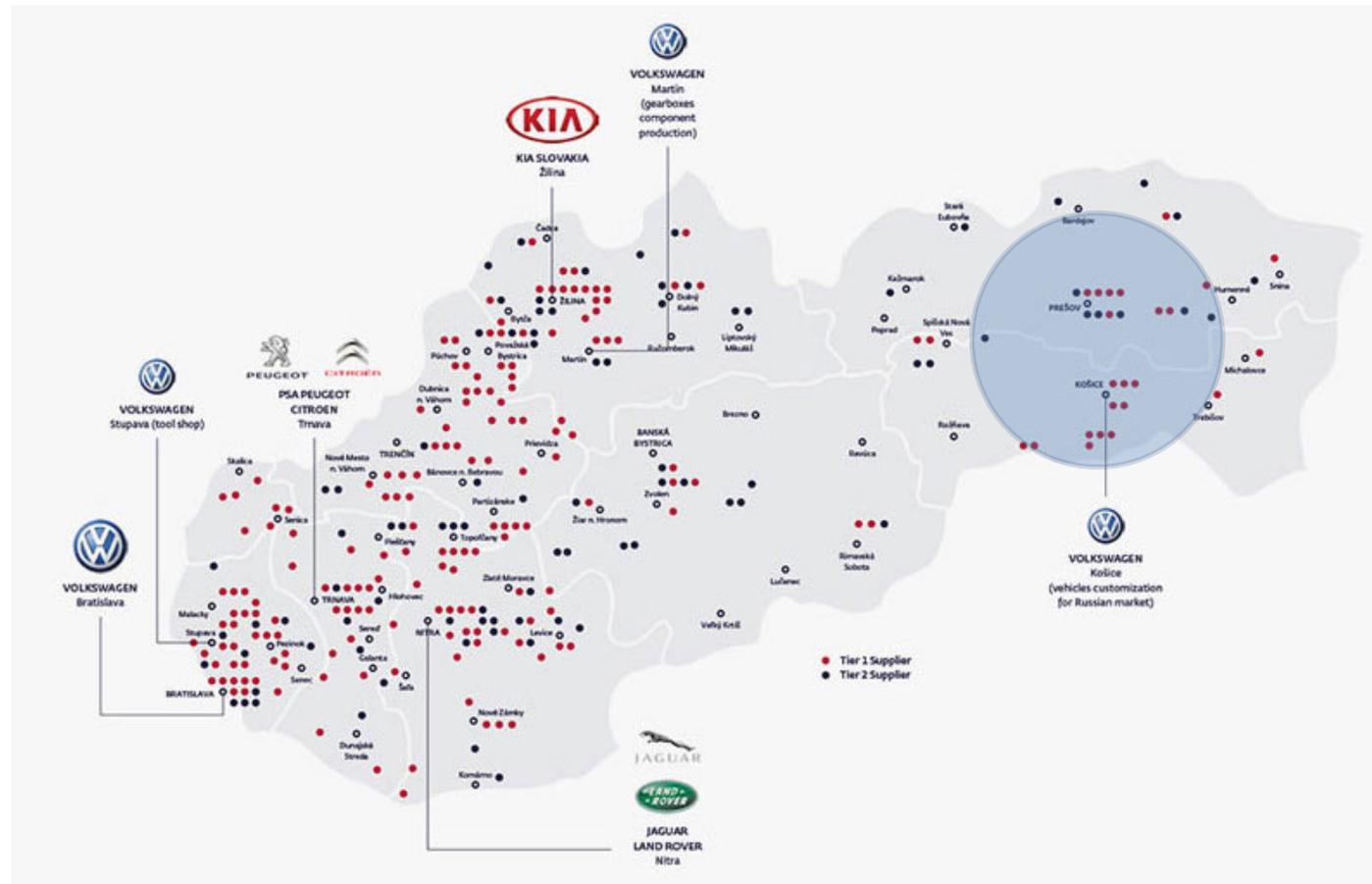


Inflation (%)



Source: Erste Group Research, Eurostat

Slovakia - new investments into e-mobility going to the eastern part



Volvo (Kosice)

- EUR 1.2bn investment
- 250k per year (by 2026)
- EV only

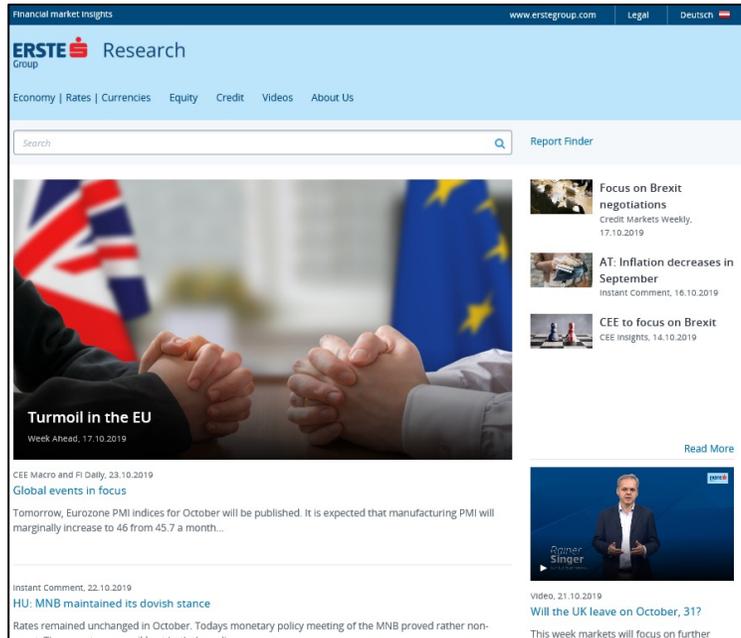
Bosch (Presov)

- EUR 200m investment
- E-bike engines, R&D

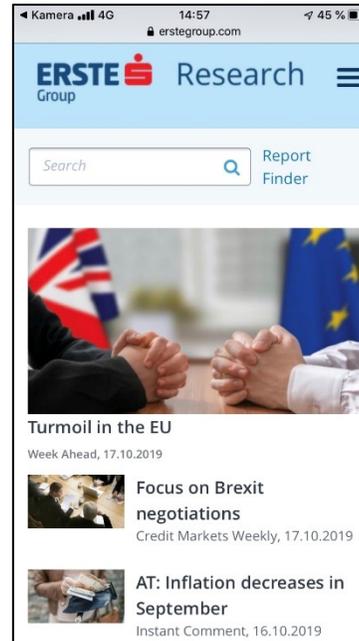
Source: Erste Group Research, SARIO

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Source: Erste Group Research

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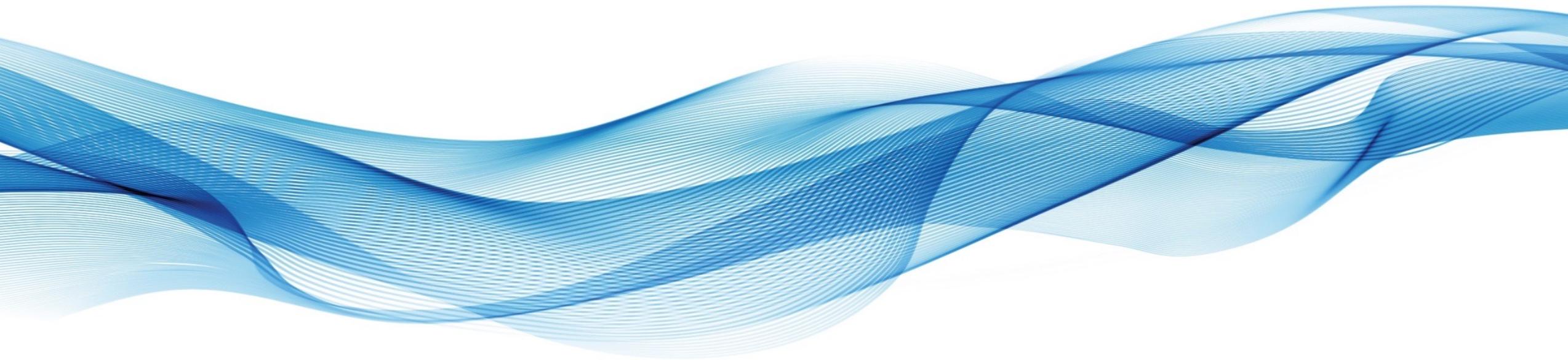
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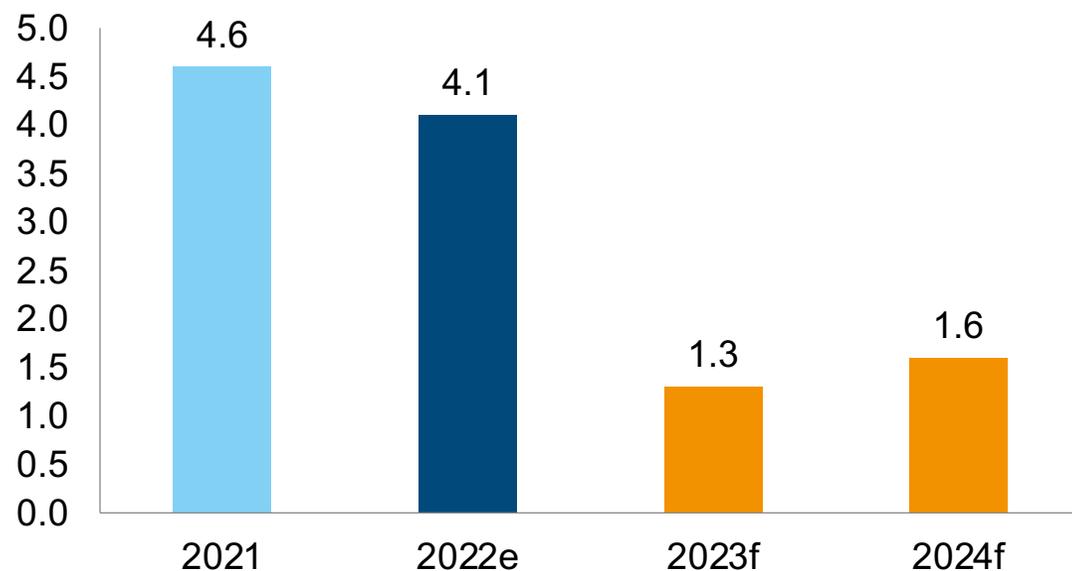
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Appendix

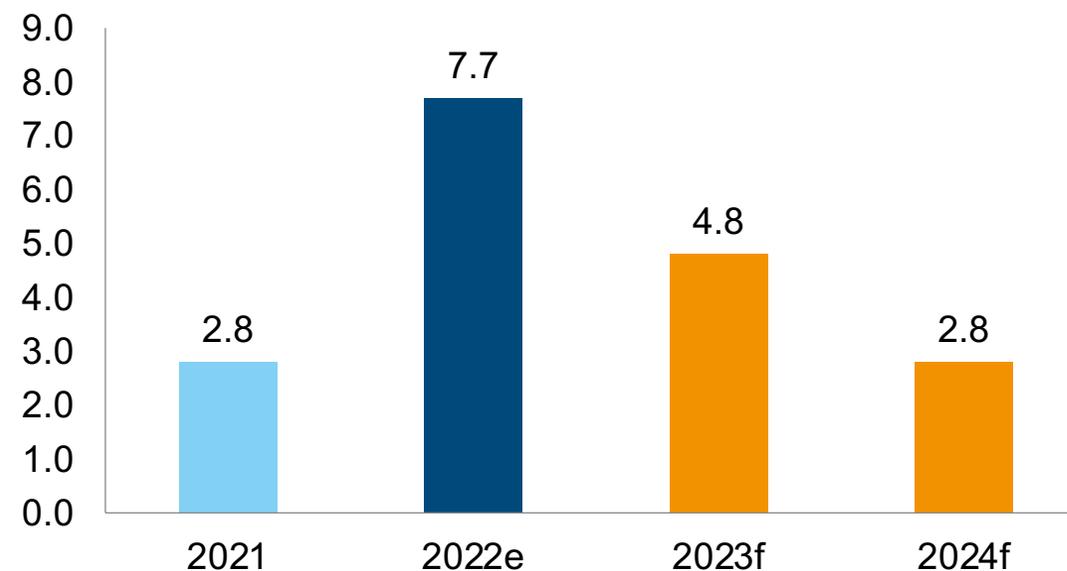


Austria

Real GDP growth (%)



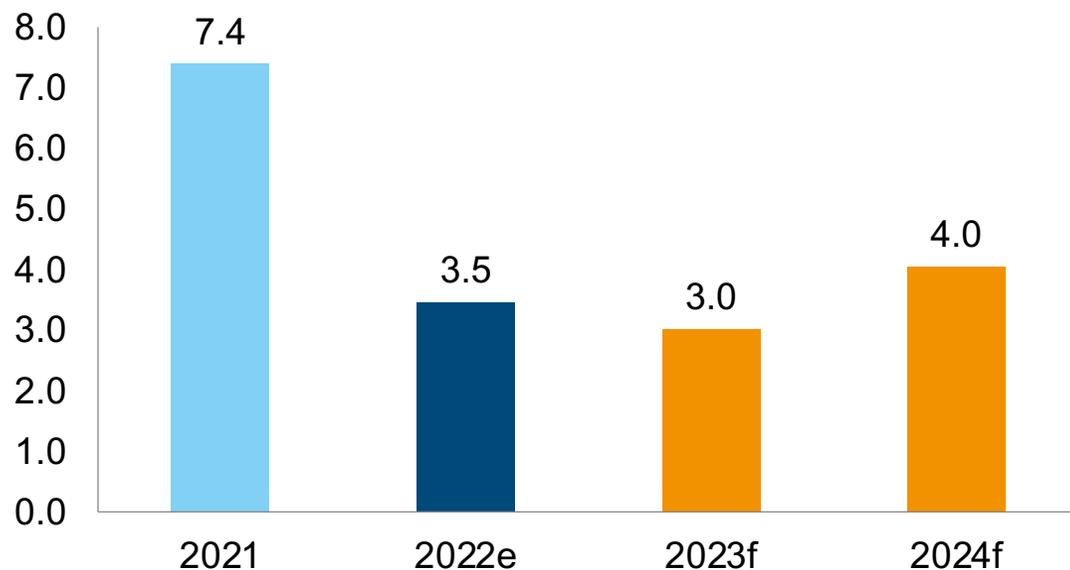
Inflation (%)



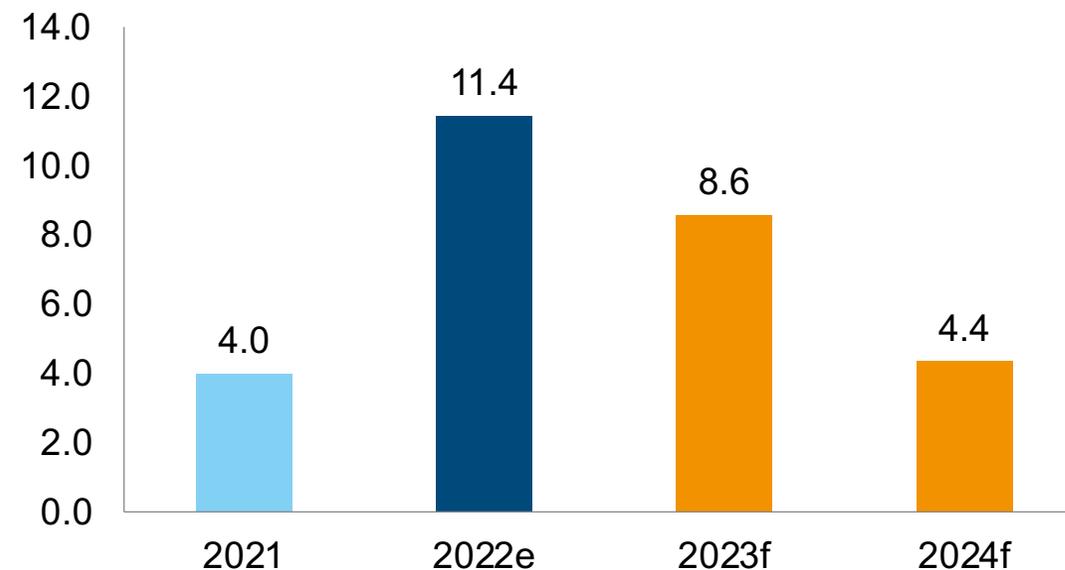
Source: Erste Group Research, Eurostat

Serbia

Real GDP growth (%)



Inflation (%)



Source: Erste Group Research, Eurostat

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