April 2019

Quarterly Note

Intesa Sanpaolo
International Research Network

High frequency indicators signal a likely softening of the expected slowdown in 2019 in CEE/SEE. Inflation data feed expectations of tightening in CZ, ROM and HU and rate cuts in RU And UA. Banking aggregates strengthen further.

The most recent high frequency indicators for CEE/SEE countries signal that in February economic activity grew faster than in 4Q18 (when overall it touched the lowest dynamic for the past year), but nevertheless remained below the trend of the year 2018. Industrial production grew overall at 4.4% yoy vs 3.4% in January and 3.3% in 4Q18 (but 4.6% in full-year 2018). Industrial activity accelerated to 5.6% from 4.7% in January in the CEE area and to 1.4% from -0.3% in the SEE region, driven by a good dynamic of domestic demand as shown by retail sales data. Furthermore, in March, forward-looking indicators – such as PMIs and ESIs – stayed overall above or, in a few cases such as CZ and SK, only slightly below the correspondent values recorded at 2018 year-end.

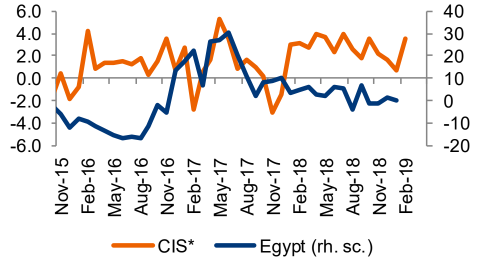
Due to the rise of oil prices, which since the start of 2019 have been recovering most of the losses incurred in 4Q18, and, in several cases, to the strong favourable labour market dynamics, inflation in CEE/SEE countries increased in March to 2.5% from the 2.1% average in February, ranging from 1.6% in Slovenia to 3.7% in Hungary for CEE, and from 0.9% in Croatia to 4.0% in Romania for SEE countries. With the exception of Romania, inflation is still within the ranges set by CBs.

Central banks in the CEE/SEE countries have maintained easy stances overall, but market expectations are mounting for possible tightening ahead vs previously anticipated expectations in some cases, as in Czech Republic and Romania, where the normalisation of interest rates had already started and CBs have simply paused for the moment, and in Hungary, where unconventional measures are now being removed and the O/N rate was increased in March. In those countries, long-term interest rates and the spreads with respect to the Bund have increased slightly. In contrast, they fell in Slovakia and Slovenia, following the dovish tone of the ECB. In the FX markets, local currencies remained roughly stable or appreciated slightly except for the CZ koruna and the Romanian leu, which depreciated somewhat (0.3% and 1.7%, respectively).

In the CIS area, both in Russia, after a booming 4Q18, and Ukraine, the pace of economic growth slowed in the first months of this year, as largely expected. In both countries, benign inflation numbers support the expectation of cuts in policy rates this year. In UA, the CB already cut its main policy rate by 50 bps to 17.5% at its end April's policy meeting. In Egypt, after February's rate cut, the CBE is unlikely to make further changes shortly, as inflation is showing resilience.

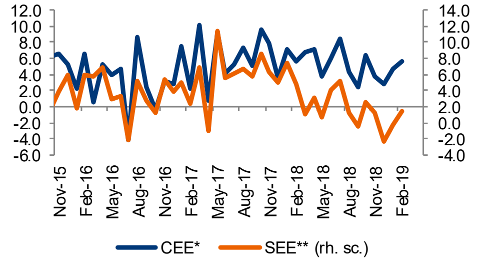
In February, banking aggregates confirmed very positive trends in most CEE/SEE countries. The loan increase was especially high in Hungary (11.3% yoy), in particular in the corporate sector (14.9% yoy) among CEE countries, and in Serbia (9.8% yoy) and Romania (7.9% yoy), in SEE countries. Changes were still negative in Albania (-2.2% yoy) in nominal terms, however, partly due to the accounting effects on the value of the stock of the exchange rate appreciation. Deposits accelerated overall, particularly in Hungary (10.7%) and Romania (8.7%). Corporate deposits were especially strong in Serbia (24% yoy, due to extraordinary funds from abroad to public companies), and household deposits in Hungary, Poland, Serbia and Romania (over +10% yoy). Household loans were strong in the CIS countries as well, in Russia (+23% yoy) in Moldova (34.2% yoy and, to a lesser extent, in Ukraine (+14.2%). In Egypt, bank lending (14.9% yoy as of January) was finally a bit over the inflation rate while deposits decelerated to +12.3% from +13.8% in 2018.

Industrial production % yoy – CIS – Egypt



Sources: National Statistics Offices; note * weighted average on Russia and Ukraine data

Industrial production % yoy – CEE – SEE



Sources: National Statistics Offices; note * weighted average on Slovakia, Slovenia and Hungary data; ** weighted average on Bosnia, Croatia, Romania and Serbia data

See the final page for important information.

Contents

ALBANIA
INTESA SANPAOLO BANK
Albania

ROMANIA
INTESA SANPAOLO BANK
Romania

SLOVAKIA AND CZECH REPUBLIC
VÚB BANKA

BOSNIA AND HERZEGOVINA
INTESA SANPAOLO BANKA
Bosna i Hercegovina

RUSSIAN FEDERATION
BANCA INTESA

SLOVENIA
INTESA SANPAOLO BANK

CROATIA
PRIVREDNA BANKA ZAGREB

SERBIA
BANCA INTESA
Beograd

HUNGARY
CIB BANK

EGYPT
ALEXBANK | بنك الإسكندرية

UKRAINE
ПРАВЕКС БАНК

MOLDOVA
EXIMBANK

This note has been coordinated by Gianluca Salsecci. The names of the authors are reported in the single sections.

The note considers the countries with Intesa Sanpaolo Subsidiaries and in particular: Slovakia, Slovenia and Hungary among CEE Countries, Albania, Bosnia, Croatia, Serbia and Romania among SEE Countries, Russia, Moldova and Ukraine among CSI Countries and Egypt among MENA Countries.

The Economic and Banking Monitor is released on a quarterly basis in January, April, July and October.

The figures in this document have been updated to 26th April 2019.

Cross Country Analysis

CEE Area

Antonio Pesce

In the CEE region, the most recent high frequency economic indicators signal a rebound in economic activity in February based on a stronger trend than in 4Q18 (the minimum of the past year), but nevertheless below the growth seen in full-year 2018. In February, on a weighted average (with GDP at PPP weights), industrial production accelerated to 5.6% yoy, bringing the two-month average dynamic (5.1%) to above that seen in 4Q18 (4.3%), but 30bps below the 2018 full-year average. On the demand side, the domestic component still represents the most important item, as suggested by the retail sales trend still being high in February (5.7% in real terms), following the strong growth in January (5.8%). Export growth returned to positive territory in February, after two consecutive months of contraction, but growth was still feeble (0.5%).

Within this regional picture, some differences arise among countries. In Czech Republic, industrial production in February returned to a positive number (1.5%) but remained below the 4Q18 result (2.2%), while exports continued to grow well (5.1%), as did retail sales (5.2% yoy in real terms). In Hungary, industrial production and exports both accelerated to 5.9% yoy and 6.9% yoy from, respectively, 4.4% yoy and 6.5% yoy in January, and were still well above the 4Q18 performance. In February, retail sales accelerated to 8.4% yoy, and in March, the PMI manufacturing index decreased to 52.4, but it remained above the threshold value of 50, still signalling expected economic expansion ahead.

In Poland in February, the industrial production dynamic remained strong (6.9% yoy) and higher with respect to the 6.1% registered in January. In Slovakia, industrial production decelerated in February (5.6% yoy from 7.3% in January), but still remained solid, as did exports (7.9%). In Slovenia, after the rebound in January (5.8% yoy), industrial production decelerated to 4.3% yoy, while exports and retail sales accelerated (12.2% and 11.7%, respectively). In March, the Economic Sentiment Indicator moved upwards in Slovenia and was only slightly below the value recorded at end of last year in Czech Republic, Hungary, Poland and Slovakia.

Regarding inflation, mainly due to the rise of oil prices since the start of this year, after the fall in 4Q last year, in March, inflation increased to 2.3% from 1.8% on a regional average, ranging from the 1.6% observed in Slovenia to 3.7% registered in Hungary, where pressures are also rising on the demand side and core inflation increased to 3.8% (from 3.5% in February). Inflation is still overall within the ranges set by CBs, with the exceptions of Poland and Slovenia, where it is below the targets.

The CBs of the CEE countries have maintained easy stances overall, but some pressures are mounting for tightening in some cases, as in Hungary, where unconventional measures are being removed and the O/N rate has recently been increased, and in Czech Republic, where the normalisation of interest rates has already started, and the CB has recently paused. Due to the release of higher inflation data and related market expectations of possible future tightening of monetary rates ahead of previous expectations, the long-term interest rates and spreads with respect to the Bund increased slightly in the last three months in Czech Republic and Hungary. They fell slightly, in contrast, in Slovakia and Slovenia, following the dovish tone of the ECB. In the FX markets, local currencies remained roughly stable, with the CZ koruna depreciating somewhat (0.3%), given the outflow of capital, as explained by the central bank.

Davidia Zucchelli

In the CEE region, the dynamics of banking aggregates continued on the trends seen in the previous month. Household loans were the main driver, particularly in Slovakia, while corporates remained more dynamic in Hungary. The increase in deposits was over 10% both in Hungary and Poland. FX-denominated loans continued to decline among households in almost all CEE countries.

In more detail, in Czech Republic, lending growth performed well (6.7% yoy), particularly among households (+7.3%), while loans decelerated to +5.7% yoy among corporates. Despite the strong increase of FX-denominated loans among households (+13.4% as of February from 39% yoy as of January), the share of this type of loans remained paltry in this sector (0.2%). Deposit growth was also dynamic (+6.3% in February from +6.5% yoy in January), decelerating among corporates (to 2.5% yoy from 2.8% yoy) and households (to 7.9% from 8%).

The good economic performance supported banking aggregates in Hungary, where loans accelerated further as of February (+11.3% yoy from +10.4% yoy in January), particularly to corporates (14.9% yoy), while loans to households increased at a slower pace (7.2% yoy). The dynamic of deposits remained strong (+10.7% yoy), especially for households (+12.4% vs 9% for corporates), supported by solid labour market.

Banking aggregates' yoy changes continue to be in line with those seen in the previous months in Poland (where loans increased by 7.4% yoy in February from 7.6% yoy in January) both in the corporate (+6.8% yoy) and the household (+7.6% yoy) sectors. The strong labour market supported an increase in deposits as well (+10.4% yoy in February from 9.4% yoy in January), particularly among households (accelerated to +12.4% yoy vs 4.9% yoy in the corporates).

Loans decelerated slightly in Slovakia, both towards households (10% yoy in February) and corporates (5% yoy). Annual changes in loans to households remained well over 6% in Slovenia (6.6% yoy), as has been the case in the last few months, but corporate loans narrowed again (-0.7%), due to deleveraging and write-offs. NPLs declined to under 4% of total loans. Deposits from the private sector (+6.2% yoy in February) decelerated in the corporate sector (to 3.7% yoy) and remained over +7% among households.

SEE Area

Antonio Pesce

High frequency indicators signal that in SEE countries, economic activity in the first months of this year was overall higher than in 4Q18, but below the 2018 full-year trend. In February, industrial production growth had returned to positive values (1.4% weighted average), well above the performance in 4Q18 (0.5%), but lower than full-year growth in 2018 (2.4%). In the same month, the exports grew by 6.6% yoy, a strong acceleration from the 1.7% yoy recorded in January. Retail sales continue to grow well (9.0% in February from 6.0% in the previous month).

Within the SEE region, in February, the best performance of industrial production was registered in Serbia, where it rebounded to 2.4% yoy from -5.5% in January and -1.4% in 4Q18. In the same month, industrial production remained on positive trends in Romania and Croatia (1.9% and 0.6%, respectively), while it contracted in Bosnia (-3.8%). In Albania, export dynamics were still negative in February (-5.3% yoy), albeit to a lesser extent than in January (-7.1%). In March, both in Croatia and Romania), the ESI remained above the 2018 year-end value.

Regarding inflation, in March, it remained at 2.9% (weighted average, excluding Bosnia, for which March data is yet not available), as was the case in February, above the 2.5% December result, ranging from 0.9% in Croatia to 4.0% in Romania. The rise in inflation was driven by both energy prices and less volatile components. In the same countries, in March, core inflation increased to 2.6% from 1.9% in the previous month.

The boards of the central banks in their most recent meetings left monetary rates unchanged. Inflation rates are inside the interval targets in most countries, supporting easy monetary stances, with one major exception. In Romania inflation is above the upper end of the corridor and the CB, which had already started a tightening cycle in January 2018 and recently paused, may intervene again ahead of previous expectations. In the latter country short-term interest rates have already increased by 50bps recently and long-term rates by 10bps. The currencies of the regional countries remained almost unchanged or showed small levels of appreciation in the last quarter, with the only exception being the Romanian leu, which depreciated by 1.7% in the period.

Davidia Zucchelli

Banking aggregates in general (with few exceptions) followed the positive trend highlighted as of January, but some differences emerge among countries.

In contrast to the average trend seen in the region, in Albania, loans (in nominal values) continued to decline even if at a lower rate than in the past (-2.2% yoy as of February vs -3.8% in 2018). Lending shrank, particularly to corporates (-5.1%), but accelerated slightly to households (+4% yoy). The negative loan dynamic was partly due to the impact on the value of the stock of the FX appreciation. Deposit growth improved further, to 0.8% yoy from 0.2% as of January, and after many months of negative changes, both among households (+0.1% yoy in February) and corporates (+4.9% in the same month). Surprisingly, the NPL ratio increased again in January, to 11.3%.

In a context of a widespread slight deceleration in banking assets and liabilities, in Bosnia, deposits from corporates decelerated to +5.3% yoy as of February from 10.4% in 2018. At the same time, deposits from households strengthened, to +8.9% yoy growth (from 8.6% as of January). As in the other countries, loans to households accelerated to 7.4% yoy growth while loans to corporates decelerated, to 3.3% yoy, leading to a deceleration in the private sector overall (+5.3% yoy).

In Croatia, loans strengthened further, to 3.7% growth yoy as of February, both for households (+5.7% yoy) and corporates (+0.8%, confirming the positive change as of January). Finally, NPLs fell below 10%. Deposits continued to grow (5%), both from corporates (at 4.6%) and households (5.1% yoy). In Romania, the revision of the bank tax (passed on 29 March 2019) significantly reduced pressure on the profitability outlook for banks compared to the initial verson of the law published in December 2018. As of February, lending performance remained close to 8%, but were stronger in the household sector, at 9.2% yoy, while loans to corporates slowed, to 6.6% yoy growth (vs 7.2% yoy in January). NPLs continued to decrease (to 4.9% of total loans as of December). Deposits performed well (8.7% yoy, supported by households benefitting from a stronger labour market). Thanks to higher volumes and rising interest rates, profitability improved further in 2018 (ROA was 1.59% from 1.3% in 2017).

Loans performance (9.8% yoy as of February) continued to be supported by households (12.2% yoy) in Serbia, but loans to corporates maintained a quick pace, to 7.8% yoy growth, as well. Loans in foreign currency increased further, by 9.1% yoy, not only among corporates (9.6%), but also among households (8%), highlighting that euroization remained very strong. The strong increase in deposits was due to corporates (+24%, thanks to funds from abroad to public companies expected to remain in banks on a temporary basis). Household deposits increased as well (+7% yoy as of February leading the share on total deposits to over 82%), and in foreign currency as well.

CIS and MENA Areas

Giancarlo Frigoli

In Russia, the contained rise in inflation in March to 5.3% yoy suggests that January's VAT hike hasn't translated into a marked strengthening of price pressures and it provides the central bank with an additional argument to move back on the hawkish rhetoric it used when hiking interest rates in late 2018. In its end April's meeting the Monetary Authority admitted the possibility of turning to cutting the key rate in Q2-Q3 2019. The slowdown in GDP growth in the first two months of 2019 (to 1.1% from 2.7% in 4Q18) was mainly due to weaker construction, agricultural and mining activities, only partially offset by an acceleration in manufacturing output. However, the annual pace of growth of manufacturing activity slowed significantly in March (to 0.3% from 4.6% in February), leading to weaker growth in industrial production (+1.2% in March from 4.1% in February). The IMF, in the April's edition of its WEO, left its forecast for Russia's GDP growth this year unchanged at 1.6%. The PMI indices were well above the 50-threshold in March, at 52.8% (vs 50.9%) for manufacturing and 54.8% (vs 55.2%) for the corresponding index for services.

In Ukraine, inflation in March slowed to 8.6% yoy from 8.8% in February and 9.2% in January. Underlying inflation also slowed in the same month, to 7.6% from 7.8% in February and 8.3% in January. Following these favourable inflation numbers, the CB cut its main policy rate by 50 bps to 17.5% at its end April's policy meeting. In the first two months of this year, manufacturing activity continued its slide (-4% yoy), but construction (+11.5% yoy) and retail sales (+7.5% yoy) were strong. Real GDP growth is forecast to slow to 2.7% this year from 3.3% in 2019 by the IMF and the World Bank, respectively.

Moldova's inflation sped up to 2.8% yoy in March from 2.4% in the previous month. The main driver were food prices, which rose 3.8% yoy. Moldova's central bank (BNM) targets inflation of 5.0% plus or minus 1.5pp. On 14 March, the BNM chose to maintain its key rate at 6.5%. The CB last revised its key monetary policy rate in December 2017, lowering it by 0.5%, to 6.5%. The IMF lowered its projection of real GDP growth this year to 3.5% from 3.8% expected in October.

In Egypt, at its end-March meeting, the CBE, after a surprise cut in February, chose to keep the overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 15.75%, 16.75%, and 16.25%, respectively. The discount rate was also kept unchanged, at 16.25%. The MPC decided that keeping key policy rates unchanged is consistent with achieving the inflation target of 9% (±3%) in 4Q20 and price stability over the medium term. Egypt's annual inflation eased to 14.2% in March from 14.4% in February. Core inflation, which strips out volatile items, such as food, fell to 8.9% in March from 9.2% in February. Inflation is expected to accelerate in the coming months, mainly reflecting higher fuel prices and new subsidy cuts. The April WEO confirmed the IMF's previous forecasts of GDP growth for Egypt of 5.5% in fiscal 2019 and 5.9% in fiscal 2020. Egypt's non-oil private sector activity contracted for the seventh consecutive month in March, though it showed its highest reading since last August, with the PMI index rising to 49.9 in March from 48.2 in February.

Davidia Zucchelli

Despite some differences among countries, in the CIS area, household loans showed a stronger performance than corporate loans. In Russia, the increase of loans to households (+23% yoy as of January and 22.7% in 2018) induced the CBR to evaluate new measures to limit household lending growth and indebtedness. At the same time, the CBR recently published for consultation a report on the systemic risks linked with the high debt burden of large companies and the tools available to limit the risks. In parallel with the gradual reduction in three Russian corporates' foreign debt, there has been an increase in their liabilities to Russian banks. Moreover, there has been a significant rise in the concentration risk of bank loan portfolios on large corporate borrowers (the ratio of total large credit risks/own funds was 205% as at end-2018 from 202.4% as of September). Loans to corporates increased by over 11% yoy in the last five months. Deposits also rose significantly (+13.6% yoy in January), particularly among corporates (20.3%), though less among households (8.9%). ROA was 1.5% (from 1% in 2017).

High NPLs (still over 50%) continued to weigh on corporate lending in Ukraine, which declined by 1.5% yoy as of February while household lending increased by 14.2% yoy. Deposit growth remained dynamic (9.7% vs 8.9% yoy in January) from both corporates (11.6% from 10.8% yoy in January) and households (8.7% from 7.9%). The LTD ratio improved significantly, to 119% from 132% as of November. As in other CIS countries, in Moldova, loans (+11.3% yoy as of February) were boosted by the household sector (34.2% yoy) while loans to corporates increased by 4.1% yoy (from -0.8% yoy in January). Deposits increased by 2.4% yoy, pushed up by the households (5.3%); in the corporate sector, they decreased by 2.3% yoy. The LTD ratio remained one of the lowest among countries with ISP subsidiaries (56.5% as of February). In Egypt as well, household loans performance has been stronger (+19.7% as of January) than in the corporate sector (13%), and therefore was close to 15% in the private sector as a whole (only a bit higher than the inflation rate). Deposits grew by 12.3%, from both corporates (8.1%) and households (13.2%). The LTD ratio remained very low (34%). Lending interest rates on new business increased to 18.1% in January (but declined to 17.4% in February) while deposit interest rates remained at 12.2%.

Country-Specific Analysis

Czech Republic

Real Economy

Zdenko Štefanides

Revised GDP data show growth was a tenth of a point slower in 2018 than previously reported: that is, 2.9% rather than 3%. The slowdown from 4.4% growth in 2017 was due primarily to slowing exports and, somewhat surprisingly, household consumption. Public consumption and investment, on the contrary, saw accelerated yoy growth dynamics. Activity data at the start of 2019 point to the continuation of headwinds for industry and exports, which both saw slower yoy growth dynamics in the first two months of the year. Household spending, on the contrary, appears to have been reinvigorated compared to the end of last year, at least judging from retail sales, which advanced 2.6% yoy on average in January and February, half a percentage point faster than in 4Q18. The renewed strength of household spending has been reflected in more intense price pressures. CPI inflation rose from 2.0% yoy in December to 3.0% by March. Inflation has thus reached the upper limit of the Czech National Bank's tolerance range around its 2% target. Core inflation even reached 3.1%.

Financial Markets

In addition to hitting the upper limit of the tolerance range, inflation also is three-tenths above the trajectory projected by the CNB in its last forecast. The koruna, meanwhile, has not appreciated as much as projected by the CNB, hovering around 25.7 against the euro, whereas the CNB expected it to average 25.6 in 1Q and 25.2 in 2Q, respectively. These two facts – inflation breaching the forecast and currency being weaker than forecast – were a foucs in a recent speech by CNB board member Tomas Holub, who stated that this may create room for another rate hike. Given that Mr Holub was one of five board members who voted to keep rates steady at the past three meetings (the other two board members voted in favour of raising rates), his change in viewpoint is significant. Indeed, we believe the CNB will deliver a rate hike at the upcoming meeting on 2 May.

Banking Sector

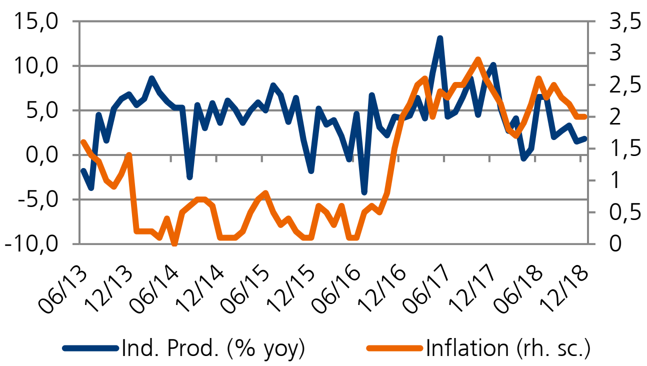
Growth of loans has continued to moderate. Both household and corporate lending contributed to the slowdown in overall loans to the private sector to 6.7% yoy as of February 2019 from 7.5% in 4Q18. Higher lending rates and tighter access to loans following the introduction of debt/income limits in October 2018 have visibly slowed the mortgage market. Responding to this slowdown, and in particular to the worsening of housing affordability for younger people with smaller accumulated savings, the Ministry of Finance recently proposed an amendment to the CNB rule that would allow people under the age of 36 years to have access to 100% LTV financing (rather than the 90% maximum effective now). If approved, this amendment could help reinvigorate the mortgage market.

Latest economic indicators

	Last value	4Q18	3Q18
Industrial production, wda yoy	1.5 (FEb)	2.2	3.7
Export of goods, nominal yoy	-4.7 (Feb)	8.2	5.0
CB refi rate	1.8 (16th Apr)	1.8	1.5
ESI (index)	107.2 (Mar)	108.8	108.9
Retail Sales yoy	5.1 (Feb)	8.2	5.0
Inflation rate, average yoy	3.0 (Mar)	2.1	2.4
Loans (priv. sector, yoy, eop)	6.8 (Dec)	6.8	6.7
Deposits (priv. sector, yoy, eop)	6.9 (Dec)	6.9	5.3
Lending interest rate (corp., eop)	3.3 (Dec)	3.3	3.0
Deposit interest rate (hh, eop)	1.4 (Dec)	1.4	1.1

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Sandor Jobbagy

Hungary's industrial production and export performance recorded an upward correction in February, following a brief period of weaker performance. The figures were better than expected, similar to the case for forward-looking indicators, including PMI. The corrections imply a slower-than-expected shift to the downward phase of the business cycle. Although manufacturing PMI dropped below 53, the overall picture still is not particularly negative, especially given the fact that economic segments outside of manufacturing are continuing to show positive performances. Economic growth has continued to be boosted by market-based services. Furthermore, EU funds have remained a strong driver of growth amid accommodative fiscal and monetary policies. Wage growth has remained in double-digit territory, according to the latest available data for January. Headline inflation as well as core indicators moved closer to 4% (3.7% and 3.8%, respectively), with the central bank's most closely watched measure (tax-adjusted core inflation) also moving up, to 3.5% in March. These data are still within the NBH's 3% +/-1pp target range, but are showing clear signs of demand and cost pressures.

Financial Markets

The NBH has left its 3M policy rate on hold at 0.90% so far in 2019 (at the level seen in 2018). The more functional O/N depo rate, however, was raised by 10bps, to -0.05%. Liquidity normalisation was set at HUF 100Bn. The central bank has been preparing for normalisation, but verbally tried to cool any expectations of rise of interest rates and highlighted that the O/N depo hike should not be viewed as the kick-off of a hiking cycle. The central bank is closely watching tax-adjusted core inflation (3.5% in March, up from 2.9% in December). In September, the NBH announced the reshuffling of some tools: the MIRS and the mortgage purchase programme ran out at the end of 2018, but a new lending programme started in January 2019 (NHP Fix). In March, the NBH announced a corporate bond buying programme. BUBOR rates have been stable recently while longer yields have shown some upward movement. The forint partially corrected, with a shift to 320-325 and to below 320 in 1Q19. The EUR/HUF exchange rate continues not to imply any particular performance trend, staying mostly close to the 320 level.

Banking Sector

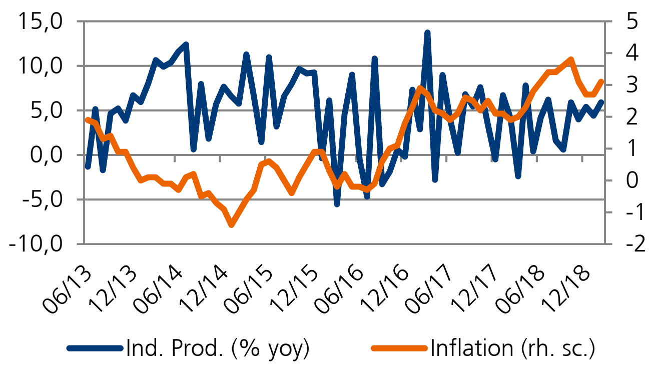
Hungary's bank lending dynamics accelerated in the first two months of 2019 amid the ongoing rise of GDP growth and strengthening of domestic demand and consumer confidence. Growth is set to continue through this year and may even beat current expectations, potentially exceeding 2017's jump as the initial phase of the recovery. Housing loans were also supported by state subsidies. Some loan segments (including mortgages and personal loans) are also showing strong pick-ups. Asset quality continues to improve, with NPLs now at new record lows since the previous financial crisis, at below 4%.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production yoy	5.9 (Feb)	5.1	2.8
Nom. Exports yoy	6.9 (Feb)	4.6	3.1
ESI (index)	117.3 (Mar)	118.7	114.1
Retail Sales yoy	8.4 (Feb)	5.1	5.4
Inflation Rate yoy	3.7 (Mar)	3.2	3.5
CB Reference Rate	0.9 (16th Apr)	0.9	0.9
Loans (priv. sector, yoy, eop)	11.3 (Feb)	10.6	9.6
Deposits (priv. sector, yoy, eop)	10.7 (Feb)	14.1	13.8
Lending interest rate (corp., eop)	2.3 (Feb)	2.3	2.3
Deposit interest rate (hh, eop)	0.2 (Feb)	0.2	0.2

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

Sandor Jobbagy

Forward-looking sentiment indicators in Poland improved somewhat in February and March, though they haven't yet returned to end-2018 levels, still reflecting a moderate slowdown in terms of market players' expectations. The dynamics of industrial production also picked up January and February, though these failed to return to double-digit territory. External balances also showed some improvement, but export performance remained somewhat lackluster. Economic growth has continued to be supported by relatively strong private consumption amid the revival of industrial performance. Investments improved somewhat, however, from a low base. Judicial reforms and conflicts with the EU have so far not had an adverse impact on overall GDP growth and the outlook. Fiscal policy remained in check, as shown by the annual deficit.

Regarding inflation, domestic demand and rising wages have had a limited impact so far. While CPI rose again in February and March, inflation remained in check, at below 2%. We expect to see only moderate further increases through this year, with both the annual average and the year-end figures at only slightly above (or at) 2%.

Financial Markets

The NBP's main policy rate has been left unchanged (1.50%) so far in 2019, similar to the whole of last year. The central bank is not under pressure regarding imposing stricter policy, given not only the recent loosening tone from the ECB, but also due to domestic inflationary shifts, with CPI moving higher in February and March, but remaining below 2%.

In the money markets, the zloty has been more volatile, but it has still mostly remained in the range seen in 4Q18, ie, at 4.25-4.35 vs the euro. We expect similar levels close to EUR/PLN 4.30 to prevail in 2019. Market interest rates and yields were also stable in 1Q this year, in tandem with the stable monetary policy expectations.

Banking Sector

Lending dynamics of the Polish banking sector remained strong and fairly stable, at between 7% and 8%, at the beginning of this year. The same dynamic, or slightly lower, is likely to be maintained for the whole of 2019, despite the lack of potential for stronger GDP growth, generally fuelled by consumption.

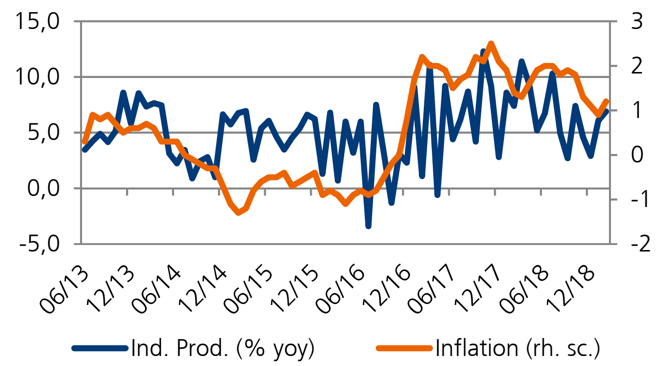
Loan stocks to the private sector have been showing a persistent upward trend without the quality of the banking sector's entire loan portfolio being compromised. The banking sector is likely to experience further consolidation, as its concentration is still viewed to be still inadequate.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production yoy	6.9 (Feb)	5.0	6.0
Nom. Exports yoy	5.9 (Jul)		5.9
ESI (index)	104.8 (Mar)	106.6	106.1
Retail Sales yoy	4.8 (May)		
Inflation Rate yoy	1.7 (Mar)	1.4	1.9
CB Reference Rate	1.5 (16th Apr)	1.5	1.5
Loans (priv. sector, yoy, eop)	7.4 (Feb)	7.9	5.9
Deposits (priv. sector, yoy, eop)	10.4 (Feb)	9.4	7.5
Lending interest rate (corp., eop)	3.6 (Feb)	3.5	3.5
Deposit interest rate (hh, eop)	1.7 (Feb)	1.6	1.7

Source: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Zdenko Stefanides

Activity data had been moving sideways at the start of the year, with industry negatively affected by external factors while nonmanufacturing sectors, including construction, recording better performances. We note that industry did rise in the first two months of the year, by 1.4% over 4Q18, but this was solely related to the car industry, which is now rolling out cars from the recently completed Jaguar Land Rover factory in Nitra. Manufacturing outside automotive looks to be more subdued, as is the case in Europe; confidence in industry is now at its lowest level in over five years. Economic sentiment overall was up a bit in the first quarter vs the previous quarter, but with most of the improvement delivered in the early months of the year. In March, the Sentiment index declined. The Slovak central bank recently revised its forecast of GDP growth in 2019 from over 4% to 3.5%, thus matching our own forecast.

Regarding inflation, price growth accelerated to 2.7% yoy from 1.9% in December, due particularly to food prices. In response, the government receded from the recently enacted tax on big food retail chains, which boosted prices and resulted in complaints of unfair tax practices to the EU Commission.

Financial Markets

The Slovak bond market generally follows developments in the core Eurozone countries. With Bund yieldsfalling below zero, Slovak yields declined from close to 1.0% at the turn of the year to below 0.60% recently. Investors do not appear to be fazed by significant fiscal moves ahead of parliamentary elections due by March 2020. In addition to promises of significant tax cuts and more social spending, we would note in particular that parliament recently enacted a constitutional ceiling on the statutory pension age of 64 years (down from the previously expected 67). These moves reverse the fiscal reform enacted in 2012 and should have a dramatic negative effect on medium- to long-term fiscal stability. While a concern for the next generation, this act, however, leaves short–term fiscal targets unaffected and, hence, markets remain complacent.

Banking Sector

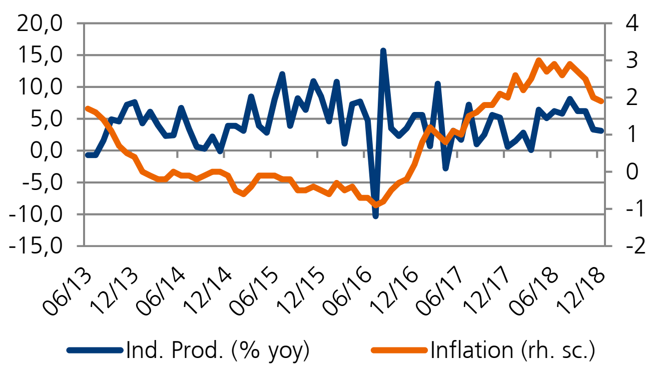
In the banking sector, loan volume growth has moderated, but somewhat mildly so far. Unlike the Czech case, introduction of debt/income ceilings in the Slovak market have hitherto had rather small impacts on the growth of new mortgages. However, volumes were still up 13% yoy in the first two months of 2019. Tightening of credit conditions appear to have hit consumer lending instead. The volume of new consumer loans is now actually lower than a year ago, by some 12%.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production, wda yoy	5.6 (Feb)	4.2	6.7
Nom. Exports, yoy	-0.8 (Feb)	5.9	8.4
ESI (index)	97.7 (Mar)	97.6	98.5
Retail sales, yoy	0.0 (FEb)	4.0	3.6
Inflation rate, yoy	2.7 (Mar)	2.1	2.7
ECB refi rate	0.0 (16th Apr)	0.0	0.0
Loans (priv.sector,yoy,eop)	8.5 (Feb)	9.4	9.4
Deposits (priv.sector,yoy,eop)	6.4 (Feb)	7.2	6.2
Lending interest rate (corp., eop)	1.7 (Feb)	2.0	2.3
Deposit interest rate (hh, eop)	0.1 (Feb)	0.1	0.1

Source: Statistical Office of Slovakia, National Bank of Slovakia

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ivan Odrčić

After expanding by 6.2% yoy in January, industrial output slowed to +4.3% yoy in February on the back of a deceleration in manufacturing activity (+5.2% vs +6.3% in January) and a 6.8% fall in electricity, gas, steam and air conditioning production. Real retail trade in February increased strongly (+11.8% yoy), reflecting positive developments in the labour market and rising wages (real net wage growth of 2.7% yoy in February, in addition to being supported by labour shortages, was also affected by a rise in the minimum wage as well as wage hikes in the public sector). Goods exports increased by 12.2% yoy in February, reflecting still-favourable foreign demand, while overall growth in the January-February period amounted to 12.5% yoy, largely influenced by 28.2% yoy higher exports to non-EU member states. The HICP inflation rate in 1Q19 amounted to 1.3% yoy (+1.2% in January, +1.3% in February, +1.6% in March), mostly due to higher prices for electricity, gas and other fuels (+5.4%) and for restaurants and hotels (+3.0%).

Financial Markets

Ana Lokin

Money markets were lethargic in March and to mid-April (3M Euribor unchanged at -0.31%), in line with the dovish news from the most recent ECB meeting. The 10Y government bond yield remained on a downtrend, falling to 0.8% on average in March and 0.6% at the end of April owing to a decline in Bund yields and spread narrowing (to 80bps in March and to 70bps in April).

Banking Sector

The rise in private sector loans yoy in February was flattish compared to a month earlier, at 3.0% yoy. As previously was the case, deleveraging of corporates continued (-0.7% yoy), whereas the dynamics of household loan growth remained almost unchanged, at 6.6% yoy. The strongest contribution to growth came from consumer loans (12.2% yoy, ie, EUR 296M), followed by a healthy rise in housing loans (4.7% yoy, EUR 280M). Data on newly granted loans in the past 12 months show steady growth of housing loans, rises in consumer and loans to SMEs, and a recovery in lending to big companies, with the volume of housing loans revolving around EUR 90M, consumer loans at around EUR 130M, corporate segment SMEs at around EUR 100M, and big enterprises at around EUR 330M (12-month moving averages).

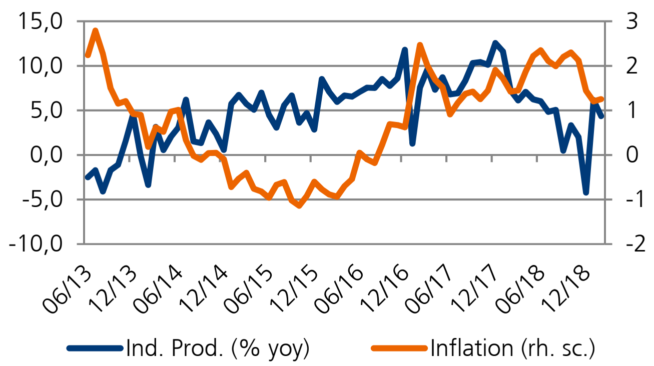
Deposits continued to show sound rises in February, supported by a buoyant economy, a vibrant labour market, and savings-prone households. The pace of growth remained unchanged, at 6.2% yoy in February, as corporate loans growth was 3.7% yoy (overnight +9.5%, agreed maturity -10.2%), while households eased to 7.1% yoy (overnight +12.4%, agreed maturity -6.7%).

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production, wda yoy	4.3 (Feb)	0.4	3.5
Nom. Exports yoy	12.2 (Feb)	7.7	7.7
ESI (index)	108.0 (Mar)	108.3	106.6
Consumer Confidence Indic.	-7.4 (Mar)	-9.6	-8.3
Inflation Rate yoy	1.6 (Mar)	2.0	2.1
ECB refi rate	0.0 (16th Apr)	0.0	0.0
Loans (priv.sector,yoy,eop)	3.0 (Feb)	2.6	2.8
Deposits (priv.sector,yoy,eop)	6.2 (Feb)	6.7	6.4
Lending interest rate (corp., eop)	2.2 (Feb)	2.2	2.1
Deposit interest rate (hh, eop)	0.2 (Feb)	0.2	0.2

Source: Statistical Office of the Republic of Slovenia, National Bank of Slovenia

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Real Economy

Kledi Gjordeni

Albania's GDP slowed to 3.10% in 4Q18 from the previous quarter, at 4.48%, and vs the same period last year, at 3.36%. The biggest drivers of GDP growth in 4Q18 were industry, electricity and water, trade and transport.

Economic growth seems to have slowed over the last two quarters. To a large extent, this slowdown reflects lower electricity production, and, as such, is not expected to affect medium-term growth. Albanian goods exports increased in 4Q18 to 1.09%, but the rates slowed in the first two months of 2019. In February 2019, exports fell by 5.31%. This slowdown mainly reflected the effect of declining exports of electricity during this period.

Financial Markets

Domestic inflation declined during 1Q19. The annual rate change of the consumer price index in March 2019 was 1.1% – a year ago, the rate was 2.0%. The average inflation rate in 1Q19 was equal to 1.56%, mostly reflecting the effect of exchange rate appreciation. According to CB estimates, this effect will peak during 1H19, dissipating in the 2H. The tense domestic political situation, the slowdown in foreign economic growth rates, and a reduction in the current expected level of inflation have increased downside risks in the domestic environment.

The CB estimates that the rise in risk factors may require the postponement of monetary policy normalisation. The exchange rate appears to be relatively stable, at around LEK 125/EUR 1, showing better balance of demand and supply for the local currency.

Banking Sector

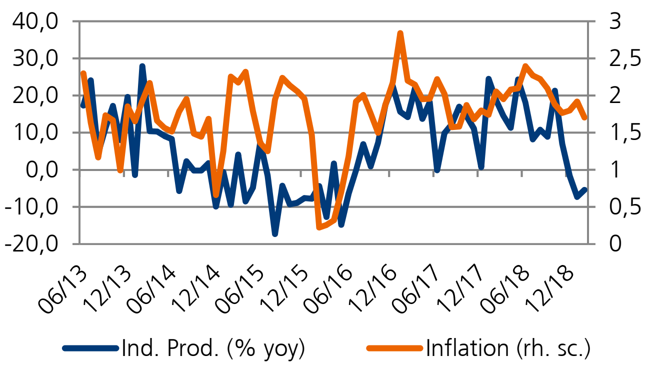
In February 2019, total loans contracted by 2.23% yoy, while loans to households increased by 3.99%. However, loans to corporates fell by 5.15%. New volume of loans to the private sector contracted by 2.81%. Nevertheless, according to some CB estimates, when considering the accounting effect of the exchange rate appreciation as well as of off-balance sheet items, private sector loans showed annual growth of about 6% during the first two months of 2019. In the same period, total deposits increased by 0.85% – household deposits by 0.08% and corporate deposits by 4.89%. New deposit volumes from the private sector contracted by 0.79%.

Latest economic indicators

	Last value	4Q 18	3Q 18
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-5.3 (Feb)	8.9	9.2
Unemployment rate	n.a.	12.3	12.2
Inflation rate, average yoy	1.1 (Mar)	1.8	2.2
CB Reference Rate	1.0 (29th Mar)	1.0	1.0
Loans (private sector, yoy, eop)	-2.2 (Feb)	-3.8	-3.7
Deposits (private sector, yoy, eop)	0.8 (Feb)	-0.9	-0.9
Lending interest rate (corp., eop)	6.7 (Feb)	6.8	6.1
Deposit interest rate (hh, eop)	0.7 (Feb)	0.6	0.6

Source: National Statistical Institute, Bank of Albania

Industrial production and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivan Odrčić

GDP grew by 3.0% in 4Q18, in line with our expectations. However, as 1Q-3Q GDP growth was revised from 3.5% to 3.1% yoy, growth for FY18 was 3.1%, or 0.2pp lower than our previous 3.3% estimate. Regarding 4Q GDP growth, the main contribution came from private consumption (+2.2% yoy), while public consumption and investments grew by 0.9% and 0.7% yoy, respectively. Exports of gas increased by 2.0%, while imports declined by 0.5% yoy. Overall, 2018 GDP data show that both domestic and net foreign demand made positive contributions to headline growth. Private consumption increased by 1.4%, investments by 6.4%, exports by 5.9%, and imports by 3.2% yoy.

High frequency data for February show that industrial production continued its negative run (for a fourth consecutive month), declining by 3.8% yoy, this time mostly on the back of a 17.7% fall in energy production. Real retail trade, meanwhile, after a poor showing in January, rebounded strongly (+12.6% yoy) amid healthy labour market conditions as well as rising wages (real net wages rose by 4.5% yoy in February). Exports grew by 2.2% yoy in February, but in the first two months fell on average by 1.8% yoy, largely due to a 2.5% decline of exports to CEFTA member states.

Inflationary pressures eased to +0.9% yoy in February (from +1.5% in January), largely as growth in the prices of fuel slowed to +3.2%, while the average inflation rate over the first two months amounted to +1.2%.

Banking Sector

Ana Lokin

Growth of loans to the private sector continued to be strong, amounting to 5.3% yoy in February. Corporate loan growth softened, to 3.3% yoy, whereas loans to households saw a slightly higher rate, of 7.4% yoy. The breakdown of household loans shows a 7.6% yoy increase in consumer loans and a robust 8.9% yoy rise in housing loans.

A steady rise in private sector deposits continued in February, with an annual increase of 7.8%, as the pace of growth in both household and corporate deposits strengthened somewhat, to 8.9% and 5.3% yoy, respectively. The breakdown of household deposits by maturity shows funds on transaction accounts rising by 19.1% yoy, demand deposits by 10.7% yoy, and time deposits by 2.2% yoy.

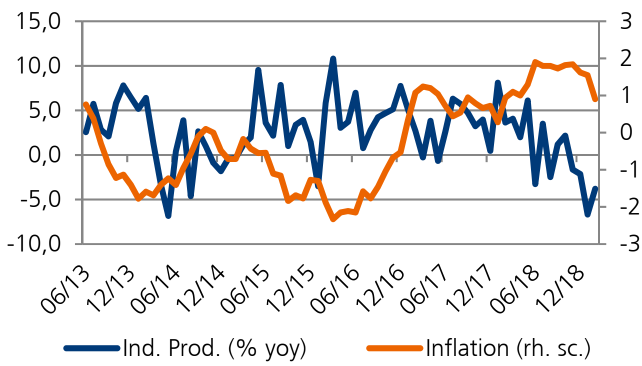
Bosnia's central bank decreased the remuneration rates it charges on banks' excess reserves from -0.2% to -0.4%. The decision comes into force on 1 May.

Latest macroeconomic indicators

%	Last value	4Q 18	3Q 18
Industrial production, wda yoy	-3.8 (Feb)	-0.4	0.8
Export of goods, nominal yoy	2.2 (Feb)	3.3	4.3
Retail trade, real, wda yoy	12.6 (Feb)	9.2	9.2
Inflation rate, average yoy	0.9 (Feb)	1.8	1.8
Loans (private sector, yoy, eop)	5.3 (Feb)	5.5	6.3
Deposits (private sector, yoy, eop)	7.8 (Feb)	8.5	9.9

Source: Central Bank of Bosnia and Herzegovina, Agency for statistics of Bosnia and Herzegovina

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivan Odrčić

High frequency data for February show that industrial production output eased to +0.6% yoy (from +4.6% in January), given the slower activity in manufacturing (+2.6% vs +3.8% in January) and a relatively strong decline (-5.7%) in production of electricity, gas, steam and air conditioning supply. Real retail trade, meanwhile, posted its strongest annual increase (+8.7%) since August 2007, supported by a higher number of people in employment, plummeting unemployment levels, and an increase in tourist arrivals/overnight stays and cash loans. Preliminary February data show the growth rate for exports accelerating to 12.1% yoy (+4.5% in January), while in the January-February period, the growth rate was 8.3% yoy (o/w +6.9% to the EU and +11.5% to non-EU member states). Inflationary pressures intensified in March, to a four-month high of +0.9%, primarily due to higher prices for transport fuels and lubricants for personal transport equipment (+4.9%) and tobacco (+6.0%, higher excise taxes). In 1Q19, the average annual inflation rate thus amounted to +0.5%.

Financial Markets

Ana Lokin

The EUR/HRK remained stable in March, at an average at 7.42. The money market remained calm, with excess liquidity around HRK 33Bn, which kept money market rates stable. Average 3M Zibor thus stayed at 0.5%. In April, markets have remained stable. Following the S&P rating upgrade in March of the sovereign, with a return to investment grade, the average 10Y kuna government bond yield slid to 1.9%, -15bps mom, and the spread vs the Bund declined by 10bps mom, to 185bps. In April, yields have so far exhibited somewhat more pronounced volatility, ranging from 1.7% to 1.8%, as the spread has seesawed between 170-180bps.

Banking Sector

Private sector loans continued on their rising trend, showing 3.7% yoy growth in February (kuna 8.4% yoy, FX 0.2% yoy), supported by economic growth, relaxed credit standards, and falling interest rates. Transaction data on placements support the picture of buoyant demand, showing that the cumulative growth rose to 5.0% yoy, o/w households to 6.6% yoy and non-financial corporations to 2.8% yoy. Household loans rose at almost the same pace as the previous month, by 5.7% yoy, when cash loans accelerated to 12.1% yoy and housing loans eased to 3.3% yoy. Corporate loans strengthened from a meagre 0.2% yoy in January to 0.8% yoy in February, as a rise in investment loans picked up to 4.4% yoy but working capital loans fell by 5.1% yoy.

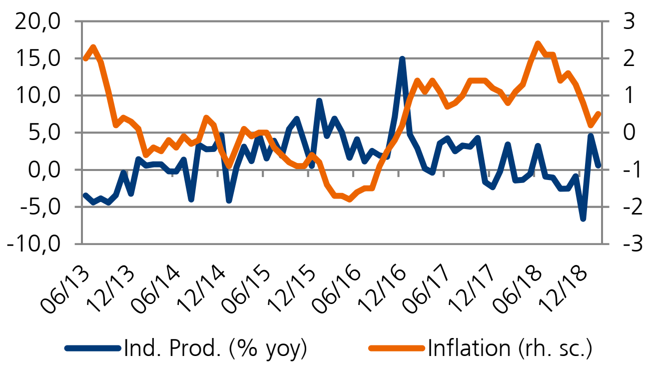
Deposits slowed from 5.9% yoy in January to 5.0% yoy in February. The rise in household deposits moderated to 5.1% yoy (transaction accounts 26.0%, kuna savings -1.6%, FX savings 0.8%) while corporate deposits decelerated markedly, to 4.6% yoy (transaction accounts 16.7%, kuna savings -6.4%, FX savings -7.7%).

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial production, wda yoy	0.6 (Feb)	-3.3	-1.5
Export of goods, nominal yoy	4.5 (Jan)	-0.2	6.6
Retail trade, real, wda yoy	8.7 (Feb)	4.7	3.0
ESI (index)	115.4 (Mar)	114.3	113.1
Inflation rate, average yoy	0.9 (Mar)	1.2	1.9
Loans (priv. sector, yoy, eop)	3.7 (Feb)	2.3	1.7
Deposits (priv. sector, yoy, eop)	5.0 (Feb)	5.0	4.4
Lending interest rate (corp., eop)	3.2 (Feb)	3.4	3.6
Deposit interest rate (hh, eop)	0.5 (Feb)	0.6	0.7

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Antonio Pesce

The latest developments show a recovery in industrial production growth to 1.9% yoy in February from 0.7% for the previous month (and -0.8% in December 2018), due to a rise in manufacturing (3.1%), while the energy sector decreased by 3.1% and mining and quarrying dropped by 1.5%. In the same month, exports rebounded to 8.0% yoy from 1.6%. At the same time, activity in retail trade further accelerated in March (to 9.1% from 7.4%), thanks to the favourable conditions in the labour market, ie, a drop in the unemployment rate (to 4.1%), which was close to its historical low, and positive trends for wages (above 10% increase in nominal terms). The inflation rate rose from 3.7% in February to 4.0% in March, higher than expected and above the upper bound of the corridor target of the National Bank. All major components of the consumer price index registered increases during the last couple of months, but the inflation rate was mostly influenced by the pick-up in prices for energy and fresh food.

Financial Markets

At its last meeting, the board of the NB chose to keep the policy rate unchanged at 2.5% and so confirmed a pause in the monetary tightening started in January 2018. However, due to the unexpected high inflation outcome in March, there are expectations of a possible earlier action than the previously anticipated further move just in 2020. Actually, on the market, the short-term interest rate has already increased by 50 bp recently while the long-term yield has raised by 10 bp. The Leu, however, depreciated with respect to Euro by 1.7% in the last 3 months.

Banking Sector

Davidia Zucchelli

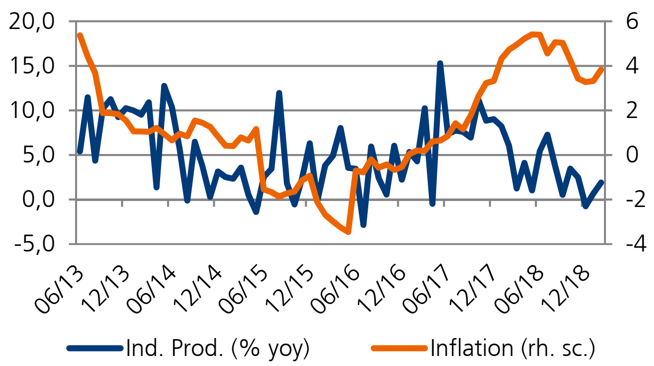
Banking aggregates have showed a slight deceleration as of February, although they remain strong. Loans to the private sector increased by 7.9% yoy, with intensity in both the corporate (+6.6% yoy) and the household (9.2% yoy) sectors, in line with the good economic performance in Romania. Deposits from the private sector increased by 8.7% yoy, particularly from households (+11% yoy), thanks to a strong labour market. Deposits from corporates decelerated from +7.5% yoy as of January to 5.3% yoy as of February. In line with the money market, the interest rate on loans jumped to 6.18% as of February from 5.8% in the previous month. In contrast, the interest rate on deposits from households adjusted to 1.63% (from 1.66% in January), leading to a wider interest rate spread. The latest ordinance modifying the bank tax (passed on 29 March 2019) significantly reduces pressure on the profitability outlook for banks compared to the initial December 2018 version. The tax rate was lowered to 0.4% pa for larger banks and to 0.2% for banks with less than a 1% market share. The taxable base has also been reduced and, at present, essentially encompasses performing loans that are not guaranteed by the state. Therefore, as highlighted by rating agencies, the risk to banks' solvency has declined significantly in comparison with previous years.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production yoy	1.9 (Feb)	1.7	3.9
Nom. Exports yoy	8.0 (Feb)	5.0	7.4
ESI (index)	102.3 (Mar)	101.3	101.9
Retail Sales yoy	9.1 (Mar)	5.9	3.2
Inflation Rate yoy	4.0 (Mar)	3.7	4.9
CB Reference Rate	2.5 (16th Apr)	2.5	2.5
Loans (priv. sector, yoy, eop)	7.9 (Feb)	7.8	7.7
Deposits (priv. sector, yoy, eop)	8.7 (Feb)	8.9	15.1
Lending interest rate (corp., eop)	6.2 (Feb)	5.8	5.9
Deposit interest rate (hh, eop)	1.6 (Feb)	1.8	1.6

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Tijana Matijasevic

Industrial production in Serbia grew by 2.4% yoy in February 2019, recovering after several months of decline. By segment, only manufacturing output increased (+3.8% yoy), while energy and mining continued to negatively affect growth. Retail trade recorded a strong performance in February, increasing by 10.8% yoy, fuelled by positive developments in the labour market and dynamic household credit growth. This is the highest figure in almost three years, implying that personal consumption is going to have a strong role in 1Q19 GDP growth.

As expected, yoy inflation picked up in early 2019, due to a low base in the previous year. It amounted to 2.8% in March 2019, sustained by the rise in prices for vegetables, tobacco products and fuel for personal transport. Core inflation remained subdued, at 1.3%, indicating still-low inflationary pressures.

Financial Markets

The National Bank of Serbia has kept the key policy rate at 3.0% in April 2019, unchanged over the last 13 months. The NBS' on-hold decision was primarily influenced by current inflation dynamics and expectations that this will continue to oscillate within the policy-specified target bands in the next two years. Moreover, the economic outlook for Serbia remains good, despite a moderating GDP growth forecast.

During the first three months of 2019, the dinar appreciated marginally against the euro (by 0.2%) and depreciated against the US dollar (by 1.6%), while the central bank intervened on the interbank market by purchasing EUR 160M and selling EUR 130M in order to ease pressure on the local currency.

Banking Sector

Bank lending growth continued to be strong in Serbia (9.8% yoy in February), led by both corporate and household lending, which rose by 7.2% and 12.2% yoy, respectively. A positive trend is expected to continue as a result of relaxed monetary policy, the continuation of the solid economic performance accompanied by gradual improvements in the labor market, reduced NPLs (NPL share currently at 5.6%), very low interest rates on euro loans, and strong interbank competition.

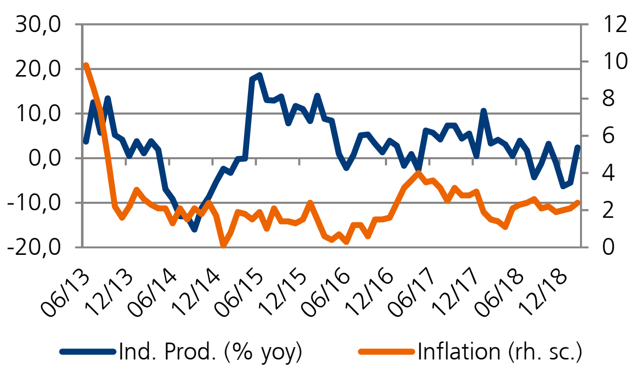
Moreover, deposit base growth remains robust (+15.2% yoy in February), despite low interest rates, supported by exceptional flow of funds from abroad to domestic public companies.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production yoy	2.4 (Feb)	-1.4	-1.3
Nom. Exports yoy	10.6 (Feb)	8.5	7.7
Retail Sales yoy	10.8 (Feb)	4.8	4.9
Inflation Rate yoy	2.8 (Mar)	2.0	2.4
CB Reference Rate, eop	3.0 (16th Apr)	3.0	3.0
Loans (priv.sector,yoy,eop)	9.8 (Feb)	9.9	6.4
Deposits (priv.sector,yoy,eop)	15.2 (Feb)	14.9	7.6
Lending interest rate (corp., eop)	4.3 (Feb)	5.6	5.1
Deposit interest rate (hh, eop)	2.9 (Feb)	3.1	2.6

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

Natalia Mihalas

Moldova's real GDP growth accelerated to 3.9% in 4Q18 from 3.4% in 3Q18. This was driven by a positive contribution from household consumption (+4.7pp) and net investment (3.6pp) which counteracted the 5.7pp negative impact on GDP growth from net exports. Overall, GDP grew by 4% in 2018, the same rate as in 2017, due to the positive contributions from almost all branches of the economy, with specifically positive contributions from trade, wholesale and retail (+1.2%), construction (+1.1%) and extractive industries (+0.7%).

The yoy change of industrial production in January 2019 was +0.4%, the same rate as recorded in December 2018. This was driven by the 9.5% yoy increase in the production of electricity, gas, steam, hot water and air conditioning supply that counteracted the decrease in extractive (-17.7%) and manufacturing industries (-2.7%) compared to the same month last year.

Inflation rose significantly in 1Q19, to 2.8% in March vs 0.9% in December 2018, the increase in consumer prices being registered in all major groups. In March 2019 vs February 2019, average consumer prices increased by 0.5%, driven by a positive impact from food (0.8%) and non-food items (0.5%), and with a slight impact from tariffs for the provision of services (0.2%).

Financial Markets

Although in the first month of 2019, interest rates on state securities for all maturities continued on the upward trend started in 2018, by the end of 1Q19, rates dipped for short- and long-term maturities while still increasing for medium-term securities (0.1-0.2pp). Government bonds with two-, three- and five-year maturities returned to their December 2018 levels, falling by 0.1-0.2pp in March 2019 compared to February 2019.

Banking Sector

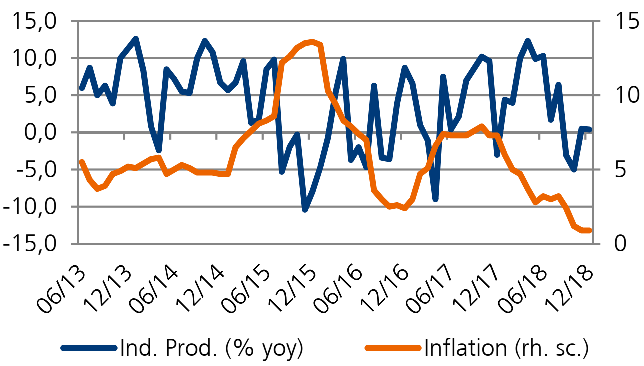
Total private sector deposits as of February grew, but at a slower rate compared to the last quarter of 2018 (2.4% yoy in February 2019 vs 6.0% yoy in December 2018). That was due to a yoy 2.3% decrease in deposits from corporates (both in local [-0.8%] and foreign [-4.6%] currency), with the rate of increase of household deposits remaining stable at approximately 5% yoy. On the other hand, the yoy increase in the volume of loans granted to the private sector doubled in February 2019 compared to December 2018 (11.3% from 5.9%), driven by a 34.2% positive change in loans to households as well as a 4.1% rise in the volume of corporate loans. As of February 2019, the Moldovan banking sector recorded a ratio of NPLs/total loans of 11.9% and maintained a stable LTD ratio at just above 50% (56.5% as of February 2019).

Latest economic indicators

	Last value	4Q 18	3Q 18
Industrial Production yoy	0.4 (Jan)	-1.4	1.7
Nom. Exports yoy	11.9 (Feb)	-3.6	4.0
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	7.5 (Dec)	7.7	9.3
Inflation Rate yoy	2.8 (Mar)	1.0	2.9
CB Reference Rate	6.5 (29th Mar)	6.5	6.5
Loans (Priv. Sector, yoy, eop)	11.3 (Feb)	5.9	2.2
Deposits (Priv. Sector, yoy, eop)	2.4 (Feb)	6.0	6.5
Lending interest rate (corp., eop)	9.2 (Feb)	8.8	9.0
Deposit interest rate (hh, eop)	4.4 (Feb)	4.4	4.4

Source: National Bureau of Statistics of the Republic of Moldova, National Bank of Moldova

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Irina Lekareva

In March, industrial production in Russia increased by 1.2% yoy against 4.1% yoy in February. The main factor in the decline was a slowing in growth of manufacturing industries to 0.3% yoy in March from 4.6% yoy in February as well as for the mining industry (4.3% yoy in March vs. 5.1% yoy in February), due to the reduction in oil production in accordance with Russia's commitments under the OPEC+ agreement.

In March, annual inflation accelerated to 5.3% (vs 5.2% in February). According to the CBR, the negative effects of the VAT increase have mostly materialised, although some delayed effects may still occur in the coming months. The head of the CBR said that "in March, annual inflation reached a peak level, after that it will begin to decline and will fall to 4.3% by the end of the year if the RUB exchange rate is stable".

Financial Markets

The CBR kept the key rate unchanged at 7.75% at the most recent meeting on 26 April and it indicated possible changes in monetary policy towards easing. First of all, the CBR lowered the inflation forecast for 2019 from 5-5.5% to 4.7-5.2%. Secondly, the CBR admitted that if the situation develops in line with the baseline forecast, a key rate cut is possible in Q2-Q3 2019.

In March, the RUB appreciated as the Brent oil price reached its highest level in 2019. The Brent oil price has risen by 25% since the beginning of the year, and in the medium term, this should stimulate further RUB appreciation. As a result, the average exchange rate in 2019 is expected to be RUB 65/USD 1.

Banking Sector

In January, the volume of deposits slowed for both households (to 8.92% yoy) and corporates (to 20.27% yoy), due to a negative impact from seasonal factors. These decreases were observed after record increases in December (+9.52% yoy for households, +20.96% yoy for corporate deposits). Overall, the decline in January actually balanced out the increase in December.

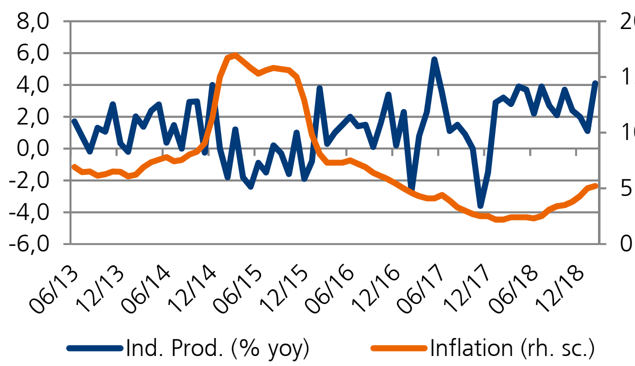
Lending growth slowed to 14.6% yoy in January from 15% yoy in December. The main source of growth remains household lending (+23% yoy vs 22.4% yoy in December). However, we expect the slowdown in lending growth, due to the introduction of regulatory changes by the CBR, to prevent overheating. Corporate lending continued to recover (+11.6 yoy), and its growth rate in 2019 is likely to continue to rise. Overall, lending to the private sector should continue to grow in 2019, but not at a high pace.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production yoy	1.2 (Mar)	2.7	2.9
Nom. Exports yoy	8.6 (Feb)	20.7	31.3
Retail Sales yoy	2.0 (Feb)	2.4	2.6
PMI Manufacturing	52.8 (Mar)	51.7	50.0
Inflation Rate yoy	5.3 (Mar)	3.9	3.0
CB Reference Rate	7.8 (29th Mar)	7.8	7.5
Loans (priv.sector, yoy, eop)	14.6 (Jan)	15.0	13.9
Deposits (priv.sector,yoy,eop)	13.6 (Jan)	14.2	10.4
Lending interest rate (corp., eop)	9.3 (Jan)	9.2	9.0
Deposit interest rate (hh, eop)	6.0 (Jan)	5.6	5.1

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Artem Krakovskyi

Industrial production decreased by 2.5% yoy in February 2019, undermined by weaker demand from external markets and higher local energy prices. On the contrary, retail turnover in January-February increased by 7.4% yoy on the back of solid consumer demand and rising nominal wages. The IMF recently confirmed its GDP growth forecast for 2019 at 2.7% yoy, with the potential for acceleration to 3% in 2020.

Inflation slowed to 8.6% yoy in March 2019 from 8.8% in February and 9.8% in December 2018, contained by tight monetary and fiscal policies, favourable energy prices and a stronger UAH.

Standard & Poor’s has kept Ukraine's sovereign credit rating at B-, with a stable outlook. The ongoing double political elections cycle remains the main uncertainty factor.

Financial Markets

In 2019 through mid-April, investments from international accounts into local currency government bonds increased fourfold with respect to the beginning of the year, to UAH 25.6Bn from UAH 6.3Bn, providing FX supply and thus supporting the UAH vs the USD (UAH up to 26.70 from 27.70 at year-end 2018) and helping Ukraine’s FX reserves to grow (+2.1% mom, to USD 20.6Bn in March). Further cooperation with the IMF remains crucial on the back of big repayments of external government debt due in 2019, with the peaks falling in May (USD 1.6Bn) and September (USD 1.9Bn). Following the favourable release of inflation data of February and March, at its end April’s policy meeting the CB cut its main policy rate by 50 bps to 17.5%.

Banking Sector

On the basis of tight monetary policy, high government bond yields, and political uncertainty, lending showed moderate gains, of +1.5% yoy in February 2019, down from +1.8% in January. The significant reduction in FX loans to the private sector (- 2.8% yoy in February) was the main contributor to the weaker performance by lending while, in contrast, loans in local currency to households underpinned total annual growth, with an impressive +28.6% yoy rise in February. However, growth had decelerated from 31.7% at YE18. The NPL remains unchanged, at around 53%.

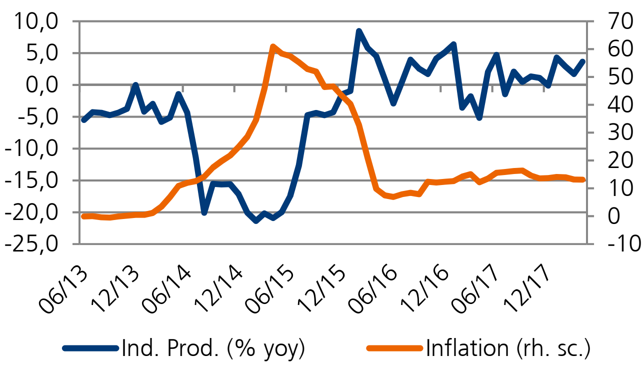
Unlike lending, deposits dynamics were stronger in yoy terms, at +9.7% in February; however, this marked a slight decline from the YE18 peak (-0.7% in February 2019 vs December 2018). Lending and deposit rates in local currency showed monthly decreases in February (-1.26pp mom and -0.5pp mom, to 18.1% and 14.4%, respectively).

Latest economic indicators

	Last value	4Q 18	3Q 18
Industrial Production yoy	-1.8 (Feb)	-0.4	1.2
Nom. Exports yoy	7.8 (Feb)	9.7	11.8
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	7.9 (Feb)	4.8	6.7
Inflation Rate yoy	8.6 (Mar)	9.8	8.9
CB Reference Rate	17.5 (27th Apr)	18.0	18.0
Loans (Priv. Sector, yoy, eop)	1.5 (Feb)	6.3	14.4
Deposits (Priv. Sector, yoy, eop)	9.7 (Feb)	7.9	14.8
Lending interest rate (corp., eop)	18.1 (Feb)	21.4	19.8
Deposit interest rate (hh, eop)	14.4 (Feb)	14.7	13.7

Source: State Statistics Service of Ukraine, National Bank of Ukraine

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Samer Halim

According to the April WEO released by the IMF, the macroeconomic outlook remains positive for Egypt, supported by strong policy implementation. Robust growth and a narrowing of the current account deficit reflect a rebound in tourism and strong remittances, while unemployment has declined to its lowest level since 2011. Major sources of foreign currency revenues improved in 2H18 as tourism revenues rose by 26.7% yoy, Suez Canal revenues rose 5.8%, and the oil trade balance ran a surplus – for the first time in more than four years. On the other hand, the non-petroleum trade deficit rose by 17.1% yoy. Moody's upgraded its long-term foreign and local currency issuer ratings for Egypt to B2 from B3.

Financial Markets

The annual headline inflation rate slowed to 14.2% in March 2019 compared to 14.4% in the previous month, due to the decline in fruit and vegetable inflation rates. Authorities are committed to reaching full cost recovery for all fuel products in June 2019, which is expected to add more inflationary pressures.

In March 2019, the CBE kept the overnight deposit and lending rates at 15.75% and 16.75%, respectively. Yields on 91-day T-Bills have been declining since the beginning of 2019, to 17.5% compared to 19.7% at the beginning of January, on the back of a declining budget deficit and issuance of international bonds to diversify foreign currency sources. In April, Egypt has issued EUR 2Bn in euro-denominated bonds in international markets (with the participation of the Bank of Alexandria in managing the issuance).

The Egyptian pound appreciated by almost 3.5% in March compared to January 2019. But, we still expect some slight depreciation or stability of the currency in the short term.

Banking Sector

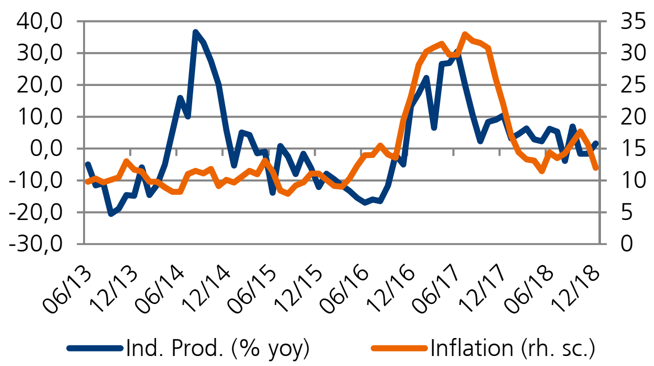
Total loans to the private sector increased by 14.9% yoy, to EGP 1.07Tn in January 2019, in nominal terms, with particular growth in the household sector (+19.7% vs +13% in the corporate sector) while deposits rose by 12.3% yoy, to EGP 3.09Tn (+13.2% for households, +8.1% for corporates). According to the IMF, Egypt's banking system remains liquid, profitable and well capitalised. In December 2018, the average capital adequacy ratio stood at 16.2%, return on equity was a healthy 21.5%, and the share of non-performing loans in total loans declined to 3.9%.

Latest economic indicators

%	Last value	4Q 18	3Q 18
Industrial Production, wda yoy	1.6 (Dec)	-0.5	2.8
Nom. Exports yoy	8.5 (Jan)	5.1	6.1
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	49.9 (Mar)	49.6	48.7
Inflation rate yoy	14.2 (Mar)	15.1	14.6
CB Reference Rate	15.8 (16th Apr)	16.8	16.8
Loans (priv. sector, yoy, eop)	14.9 (Jan)	15.3	13.0
Deposits (priv. sector, yoy, eop)	12.3 (Jan)	13.8	17.7
Lending interest rate (corp., eop)	17.4 (Feb)	17.8	17.3
Deposit interest rate (hh, eop)	12.2 (Feb)	12.2	11.9

Source: Ministry of Industry & Foreign Trade, Central Bank of Egypt

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

Country Data: Economy, Markets and Banks - the economic cycle

The Economy

	GDP chg yoy			Ind. Prod[1]. chg.yoy			Export nom. chg			Inflation chg yoy				Retail sales chg yoy			Economic Survey[2]		
	4Q18	3Q18	2017	Last	mth	4Q18	Last	mth	4Q18	Last	mth	4Q18	2017	Last	mth	4Q18	Last	mth	4Q18
CEE																			
Czech Rep.	2.9	2.6	4.4	1.5	Feb	2.2	-4.7	Feb	8.2	3.0	Mar	2.1	2.5	5.1	Feb	3.8	107.2	Mar	108.9
Hungary	5.1	5.1	4.1	5.9	Feb	5.1	6.9	Feb	4.6	3.7	Mar	3.2	2.4	8.4	Feb	5.4	117.3	Mar	114.1
Poland	4.9	5.1	4.8	6.9	Feb	5.0	-4.9	Jan	2.1	1.7	Mar	1.4	2.0	5.6	Feb	5.8	104.8	Mar	106.1
Slovakia	3.6	4.6	3.4	5.6	Feb	4.2	-0.8	Feb	5.9	2.7	Mar	2.1	1.4	0.0	Feb	3.6	97.7	Mar	98.5
Slovenia	4.1	5.0	4.9	4.3	Feb	0.4	12.2	Feb	7.7	1.6	Mar	2.0	1.6	n.a.	n.a.	n.a.	108.0	Mar	106.6
SEE																			
Albania	3.1	4.5	3.7	n.a.	n.a.	n.a.	-5.3	Feb	8.9	1.1	Mar	1.8	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	3.0	2.7	3.2	-3.8	Feb	-0.4	2.2	Feb	3.3	0.9	Feb	1.8	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Croatia	2.3	2.8	2.9	0.6	Feb	-3.3	4.5	Jan	-0.2	0.9	Mar	1.2	1.1	n.a.	n.a.	n.a.	115.4	Mar	113.1
Romania	4.1	4.2	7.0	1.9	Feb	1.7	8.0	Feb	5.0	4.0	Mar	3.7	1.3	9.1	Mar	3.2	102.3	Mar	101.9
Serbia	3.4	4.1	2.0	2.4	Feb	-1.4	10.6	Feb	8.5	2.8	Mar	2.0	3.2	10.8	Feb	4.9	n.a.	n.a.	n.a.
CIS MENA																			
Moldova	3.9	3.4	4.5	0.4	Dec	-1.4	11.9	Feb	-3.6	2.8	Mar	1.0	6.6	7.5	Dec	9.3	n.a.	n.a.	n.a.
Russia	2.7	2.2	1.5	1.2	Mar	2.7	8.6	Feb	20.7	5.3	Mar	3.9	3.7	2.0	Feb	2.6	52.8	Mar	50.0
Ukraine	3.5	2.8	2.5	-1.8	Feb	-0.4	7.8	Feb	9.7	8.6	Mar	9.8	14.5	7.9	Feb	6.7	n.a.	n.a.	n.a.
Egypt	5.5	5.3	5.0	1.6	Dec	-0.5	8.5	Jan	5.1	14.2	Mar	15.1	29.6	n.a.	n.a.	n.a.	49.9	Mar	48.7
m.i. E. A.	*1.2*	*1.7*	*2.4*	*-0.3*	*Feb*	*-2.0*	*2.4*	*Jan*	*3.8*	*1.4*	*Mar*	*1.9*	*1.5*						

Source: Datastream, Reuters; [1]Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; [2]PMI manufacturing for Russia and Egypt, ESI for remaining countries.

Markets and Ratings

	S/T rates[1]		L/T rates[2]		Foreign exchanges[3]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[4]			CA bal. (mln		Rating
	26/04	chg bp	26/04	chg bp	26/04	3M%	1Y%	3M%	1Y%	26/04	15/01	4Q18	3Q18	2017	4Q18	3Q18	Moody's
CEE					Vs Euro												
Czech	2.0	0.0	1.8	0.0	25.7	-0.12	0.89	7.2	-2.9	39.5	36.6	n.a.	n.a.	n.a.	n.a.	n.a.	A1
Hungary	0.2	0.0	3.2	0.4	322.18	1.07	2.82	5.3	12.5	80.6	79.7	n.a.	n.a.	-3858	-349	-243	Baa3
Poland	1.7	-0.1	2.9	0.1	4.29	-0.08	1.21	0.3	2.3	38.1	52.0	n.a.	n.a.	n.a	-1753	-2631	A2
Slovakia	-0.3	0.0	0.6	-0.3	Euro	Euro	Euro	8.7	9.3	41.3	43.8	n.s.	n.s.	n.s.	n.a.	n.a.	A2
Slovenia	-0.3	0.0	0.6	-0.3	Euro	Euro	Euro	5.6	5.1	72.9	71.4	n.s.	n.s.	n.s.	596	982	Baa1
SEE																	
Albania	1.4	-0.1	n.a.	n.a.	123.31	-1.02	-4.52	n.a.	n.a.	n.a.	n.a.	274	155	n.a.	-364	-146	B1
Bosnia	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	31	236	524	-208	-147	B3
Croatia	0.5	0.0	1.8	-0.3	7.42	-0.07	0.12	3.6	1.5	96.2	95.2	802	-57	2192	-873	4019	Ba2
Romania	3.2	0.4	5.0	0.0	4.76	-0.25	2.28	17.8	-5.5	90.0	93.7	2255	-611	-108	-2505	-3204	Baa3
Serbia	3.0	0.0	n.a.	n.a.	117.89	-0.46	-0.19	-3.4	-19.9	120.6	115.6	592	138	-689	-589	-556	Ba3
CIS					Vs USD												
Moldova	6.5	0.0	6.2	0.0	17.81	4.39	7.64	n.a.	n.a.	n.a.	n.a.	37	143	597	272	64	B3
Russia	8.3	-0.3	8.3	0.0	64.68	-2.49	4.75	3.7	12.5	117.9	122.5	-126	3191	38476	38800	27664	Baa3
Ukraine	19.6	-0.4	18.3	-0.2	26.4	-5.41	0.78	6.8	-0.2	650.8	646.6	4412	-683	3688	-1023	-2883	Caa1
Egypt	17.2	-0.9	16.2	-1.7	17.17	-4.02	-3.05	10.5	-10.7	320.6	381.5	-1908	201	12755	-2283	-1751	B3
m.i.A.E	*-0.3*	*0.0*	*0.0*	*-0.1*	*1.1*	*-1.7*	*-7.8*	*10.7*	*2.3*	*6.1*	*6.9*						

Source: Datastream, Reuters;[1] The data for Egypt refers to march, for Czech Republic refers to march, for Moldova refers to december; [2]For Ukraine, the long-term rate refers to a government issue in dollars; [3] The (-) sign indicates appreciation; [4]USD for Russia, Egypt, Ukraine, Romania; [5]USD for Russia, Egypt, Ukraine

Banking aggregates and interest rates (private sector)

	Loans Chg yoy %			NPL/Loans %			Foreign Liab. Chg yoy %			Deposits Chg yoy %			Loans rate[1]-NewB*. %				DepositsRate[1]- %				Loans/Dep %		
	Last	Mth	2017	Last	mth	2017	Last	mth	2017	Last	Mth	2017	Last	mth	2017	S[4]	Last	mth	2017	S[4]	Last	mth	2017
CEE																							
Czech Rep.	6.6	Feb	6.5	3.2	Dec	4.0	2.2	Nov	70.2	6.3	Feb	7.6	2.99	Feb	2.33	C	1.46	Feb	0.66	H	75.7	Feb	75.8
Hungary	11.3	Feb	6.0	3.3	Dec	5.3	3.0	Feb	12.2	10.7	Feb	10.8	2.34	Feb	2.5	C	0.2	Feb	0.24	H	79.4	Feb	80.1
Poland	7.4	Feb	3.2	4.0	Sept	3.9	3.4	Aug	-13.0	10.4	Feb	3.7	3.6	Feb	3.66	C	1.69	Feb	1.65	H	97.6	Feb	98.3
Slovakia	8.5	Feb	9.6	3.3	Feb	4.0	-5.6	Feb	-6.0	6.4	Feb	5.2	1.66	Feb	1.97	C[2]	0.07	Feb	0.07	H[2]	102.2	Feb	98.8
Slovenia	3.0	Feb	3.2	3.7	Feb	6.0	-12.5	Feb	-13.4	6.2	Feb	7.0	2.18	Feb	2.41	C[2]	0.18	Feb	0.14	H[2]	76.1	Feb	78.3
SEE																							
Albania	-2.2	Feb	0.5	11.3	Jan	13.2	-7.6	Feb	0.0	0.8	Feb	-1.6	7.5	Feb	8.12	PS	0.71	Feb	0.8	PS	52.8	Feb	53.3
Bosnia H.	5.3	Feb	7.3	8.8	Dec	10.0	27.0	Feb	4.6	7.8	Feb	9.0	2.91	Feb	3.51	C	0.32	Feb	0.23	H	105.8	Feb	108.4
Croatia	3.7	Feb	-0.1	9.8	Dec	11.4	12.3	Feb	-17.8	5.0	Feb	2.4	5.96	Feb	6.41	PS	0.36	Feb	0.68	PS	78.4	Feb	78.6
Romania	7.9	Feb	6.9	5.0	Dec	6.4	-14.8	Feb	-9.1	8.7	Feb	15.6	7.66	Feb	5.88	PS	2.25	Feb	1.08	PS	72.9	Feb	76.7
Serbia	9.8	Feb	2.1	5.7	Dec	9.8	17.8	Feb	14.4	15.2	Feb	3.1	8.23	Feb	8.2	PS	2.72	Feb	2.85	PS	97.9	Feb	101.3
CIS MENA																							
Moldova	11.3	Feb	-3.7	11.9	Feb	13.4	-17.4	Oct	-13.5	2.4	Feb	9.2	9.0	Feb	9.86	C	4.21	Feb	5.29	H	56.5	Feb	55.9
Russia	14.6	Jan	5.2	10.2	Jan	10.0	-8.0	Jan	-17.5	13.6	Jan	8.1	9.25	Jan	9.43	C	6.02	Jan	5.27	H	107.9	Jan	104.8
Ukraine	1.5	Feb	0.9	53.2	Jan	54.5	-8.8	Feb	-23.5	9.7	Feb	12.1	19.23	Feb	17.51	PS	13.4	Feb	9.56	PS	119.2	Feb	123.0
Egypt	14.9	Jan	7.1	3.9	Dec	4.9	13.7	Jan	1.1	12.3	Jan	23.8	17.4	Feb	19.8	C	12.2	Feb	13.6	H	34.5	Jan	33.9
m.i. E. A.	*2.1*	*Feb*	*2.2*	*n.a.*	*n.a.*	*n.a.*	*3.0*	*Feb*	*-2.9*	*4.1*	*Feb*	*1.9*	*1.2*	*Feb*	*1.3*	*C*	*0.3*	*Feb*	*0.4*	*H*	*80.6*	*Feb*	*81.8*

Source: Central Banks, IMF, Moody's ;[1]monthly average; [2]lending rate on current account overdraft; on deposits up to 1 year
[4]Sector C=Corporates, H=Household, PS=Private Sector.

Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice	
International Research Network Coordination	e-mail address
Gianluca Salsecci (Head)	gianluca.salsecci@intesasanpaolo.com
ISP - Research Department (Milan)	
Giancarlo Frigoli (CIS, MENA and Lat. Am. Countries)	giancarlo.frigoli@intesasanpaolo.com
Silvia Guizzo (Emerging Asia)	silvia.guizzo@intesasanpaolo.com
Antonio Pesce (CEE and SEE Countries)	antonio.pesce@intesasanpaolo.com
Wilma Vergi (Trade and Industry)	wilma.vergi@intesasanpaolo.com
Davidia Zucchelli (Banks and Financial Markets)	davidia.zucchelli@intesasanpaolo.com
International Subsidiaries' Research Departments:	
VUB (Slovakia and Czech Republic)	
Zdenko Štefanides (Head)	zstefanides@vub.sk
Andrej Arady	aarady@vub.sk
PBZ (Croatia, Bosnia I Hercegovina and Slovenia)	
Ivana Jovič (Head)	ivana.jovic@pbz.hr
Ana Lokin	Ana.lokin@pbz.hr
Ivan Odrčić	ivan.odrcic@pbz.hr
CIB (Hungary and Poland)	
Mariann Trippon (Head)	trippon.mariann@cib.hu
Sandor Jobbagy	jobbagy.sandor@cib.hu
Banca Intesa (Serbia)	
Marija Savic (Head)	marija.v.savic@bancaintesa.rs
Tijana Matijasevic	tijana.matijasevic@bancaintesa.rs
Milos Drezga	milos.drezga@bancaintesa.rs
Intesa Sanpaolo Bank (Romania)	
Marius Pacurari (Head)	marius.pacurari@intesasanpaolo.ro
Alexbank (Egypt)	
Samer Halim (Head)	samer.halim@alexbank.com
Sahar EzzElarab	sahar.ezzelarab@alexbank.com
Mirna Mhosen	mirna.mohsen@alexbank.com
Mariam Massoud	mariam.massoud@alexbank.com
Nahla Abdel Azim	nahla.azim@alexbank.com
International Subsidiaries' Research Contacts:	
Banca Intesa (Russia)	
Irina Lekareva	Irina.lekareva@bancaintesa.ru
Intesa Sanpaolo Bank (Albania)	
Kledi Gjordeni	kledi.gjordeni@intesasanpaolobank.al
Pravex Bank (Ukraine)	
Artem Krasovskyi	artem.krasovskyi@pravex.ua
Eximbank (Moldova)	
Natalia Mihalas	natalia.mihalas@eximbank.com

Analyst Certification and Other Important Information

The financial analysts drafting this report state that the opinions, forecasts, and estimates contained herein are the result of independent and subjective evaluation of the data and information obtained and no part of their compensation has been, is, or will be directly or indirectly linked to the investment strategy recommended or proposed in this report.

This report has been produced by Intesa Sanpaolo S.p.A. The information contained herein has been obtained from sources that Intesa Sanpaolo S.p.A. believes to be reliable, but it is not necessarily complete and its accuracy can in no way be guaranteed. This report has been prepared solely for information and illustrative purposes and is not intended in any way as an offer to enter into a contract or solicit the purchase or sale of any financial product. This report may only be reproduced in whole or in part citing the name Intesa Sanpaolo S.p.A.

This report is not meant as a substitute for the personal judgment of the parties to whom it is addressed. Intesa Sanpaolo S.p.A., its subsidiaries, and/or any other party affiliated with it may act upon or make use of any of the foregoing material and/or any of