

The cycle is weakening in CEE/SEE due to the deterioration of industrial and trade activity at the global level but remains relatively robust in a few cases. CBs are set to be easy overall, with rate cuts expected in CIS and EG.

The latest releases of high frequency data and surveys confirm a weakening of the business cycle in 4Q19 in the CEE/SEE area, following a deterioration in global (and Euro area) economic conditions. In November industrial production contracted by 0.9% yoy as a result of a strong fall in SEE (-4.0%) and feeble (and still decelerating) growth in the CEE (+0.5%) area. In the same month, the trend of nominal exports was negative (-0.6%) by regional average. The business cycle remains nevertheless quite resilient in a few countries, notably in Hungary, where GDP continued to grow at 5% yoy ca. in the first three quarters of 2019. The ESIs signal expectations of a further softening of the cycle, with slight improvements only in Romania and Croatia.

In December inflation rose to 3.4% in CEE and 3.0% in SEE, also driven by the less volatile components, as core inflation increased as well. Inflation remained within (though in most cases in the upper part of) the tolerance bands of the CBs, with the exceptions of the Czech Republic and Romania, where consumer prices (+3.2% and +4%, respectively) increased beyond this, and Slovakia (+3%), where the dynamic is diverging from the Euro area as a whole (1.3%).

Despite the rise in inflation, in their last meetings the CBs in the CEE/SEE area maintained their accommodative monetary stance due to expectations of future inflationary easing on the back of a weakening economic cycle and following the dovish tone of the ECB. The Czech Republic and Romania, which had already begun a tightening cycle, have paused, and the CBs of Poland and Hungary are no longer expected to move towards normalisation of rates in the near term. In Serbia, after cutting the policy rate to 2.25% in November, the CB is likely to cut this further if inflation remains firmly below the target. Overall, in the last three months, long-term yields have followed the slight increase in German Bund yields, with spreads staying largely unchanged.

Outside the CEE/SEE region, in the CIS area, benign inflation support expectations of new rate cuts, albeit slight cuts in Russia and Moldova, where the CBs have almost ended their easing cycles, but substantial cuts in Ukraine. Recent real activity numbers indicate a slowdown in GDP growth in 4Q19 in the CIS overall, but only in comparison with quite strong previous outcomes. In Egypt, GDP growth recorded a preliminary estimate of 5.6% in Q319, following the 5.6% of FY 2018/19 (the highest rate since 2007/08). Inflation accelerated in December but remained at the lower end of the target, supporting expectations of further rate cuts by the CBE.

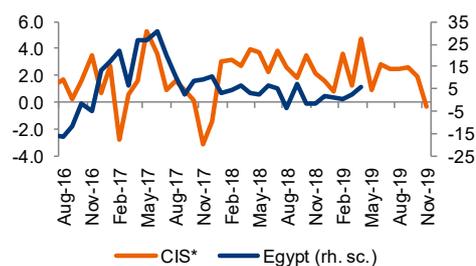
Banking aggregates remained dynamic in many CEE/SEE countries in November. The household sector led the growth overall, but the corporate sector surprised positively in several cases (especially in Hungary at +13.7% yoy, Bosnia at +5.5% yoy and Slovenia at +3% yoy). The growth in corporate loans remained weak generally, but improved in Croatia (-1.7% yoy), which is still facing clean-up operations. Despite competition from other savings products, deposits grew strongly overall, particularly in Poland, Romania and Serbia (by more than 10% yoy), supported by strong labour market conditions. Household loan growth was also strong in the CIS countries, in particular in Moldova (with an outstanding 40.2% yoy in December) and Russia (19.7% yoy in October), but slowed in Ukraine (to 4.4% yoy in November). Despite the economic recovery, corporate loans fell sharply in Ukraine (by 13.7% yoy) as these were negatively affected by poor asset quality (NPL ratio of about 50%, even if mostly covered). In Egypt, both bank lending (14.3% yoy) and deposits (13.4% yoy) showed a strong pace in October. Banking interest rates and spreads narrowed overall.

January 2020

Quarterly Note

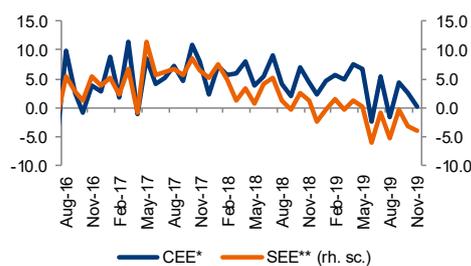
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Industrial production % yoy – CIS – Egypt



Sources: National statistics offices; * weighted average on Russia and Ukraine data

Industrial production % yoy – CEE – SEE



Sources: National statistics offices; * weighted average on Czech Rep., Poland, Hungary, Slovakia and Slovenia data; ** weighted average on Bosnia, Croatia, Romania and Serbia data

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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. It also includes Poland among CEE countries, where ISP is present with a branch.

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 January 20th, 2020.

Cross Country Analysis

CEE Area

The latest data on the global economy showed a further weakening in activity in October. **World industrial production** contracted by 0.5% yoy, the first negative trend since October 2009, according to the Netherlands' Bureau for Economic Policy Analysis (CPB). **World trade** also contracted further in October (by 2.1% yoy in real terms) for the fifth month in a row, according to the CPB World Trade Volume Indicator. In the **Euro area**, the latest indicators also signal a feeble phase of the economic cycle as industrial production contracted further in November (-1.5% yoy after -2.6% yoy in October). Some positive signals came from the mom change in industrial production, which rose by 0.2%, and from the slight improvement of the Economic Sentiment Indicator (ESI), which increased to 101.5 from 101.2 the previous month. It is nevertheless still premature to say whether these actually represent a turning point in the current phase of the EA business cycle.

Antonio Pesce

In this unfavourable international economic context, surveys and most recently released high frequency data indicate a deceleration of economic activity in the **CEE area** in 4Q. In November industrial production decelerated further to +0.3% yoy (weighted regional average) from +2.5% the previous month, remaining well below the 3Q dynamic (+2.7%). In the same month, the export trend fell by 1.2% on average (it was -0.2% in October). Although below the 3Q average (+4.5% yoy), retail sales growth was, however, still strong in November (+3.9% yoy) and even higher than in October (+3.6%), as labour market conditions continued to support household expenditure thanks to the growth in nominal wages (above 6.0% yoy on weighted average) and the low unemployment rate (about 4.4% in October).

Some differences emerge, however, among the countries. In November industrial production contracted severely in the **Czech Republic** and **Slovakia** (-3.2% and -4.4%, respectively), while in the other countries, although on a decelerating path, the industrial production trend remained in positive territory, particularly in **Hungary** where it recorded +3.6%. In the same month, exports fell widely in the region, ranging from a fall of 0.1% in Hungary to a fall of 5.3% in the Czech Republic, however, in **Slovenia** exports remained positive. In December the ESI decreased in all CEE countries except Slovenia, where it remained substantially unchanged.

On the inflation side, consumer prices in the CEE area increased by 3.4% on average in December (from 2.8% the previous month), a record high for the year. The dynamic was driven by the less volatile components, and core inflation also accelerated (to 3.0% from 2.7%). The inflation rate ranged from 2.0% in Slovenia to 4.0% in Hungary. Overall, due to (domestic) demand and cost (wage) pressures, inflation rates remained in the upper part of the ranges set by the national CBs, except in the Czech Republic, where the rate went beyond this.

Monetary policy rates have remained highly accommodative in the CEE region overall to counteract the weakening of the economic cycle. The Czech Republic's CB, which had already started to normalise interest rates, has now paused, while the Polish CB and Hungary's MNB are no longer expected to move towards the normalisation of rates in the near term. In this context, **short-term interest rates** have remained roughly unchanged in the past three months. **Long-term yields**, however, have increased slightly, with a partial rebound of both the downward shift and the flattening recorded by the yield curve in the second half of 2019. Local long-term yields largely followed the movement of the Bund benchmark, while maintaining basically unchanged spreads with it. In the **FX markets**, over the past three months local currencies slightly appreciated, except in the case of the Hungarian forint, which depreciated by 0.8%.

Bank lending accelerated slightly on average in the **CEE region** in November, to +6.6% yoy from +6.3% yoy in October, while showing signs of a slowdown with respect to the 8% increase recorded in 2018 due to a deceleration of the household sector and weak increases among corporates. In the **Czech Republic**, lending growth (5% yoy) remained robust among households

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(6%) and even accelerated among corporates (3.4% yoy). Deposits were also dynamic (+6% yoy in November). The LTD ratio remained at a comfortable level (76%), while the NPL ratio was very low (2.6%). Banking aggregates are still enjoying a strong phase in **Hungary**, where loans in November increased by 13.9% yoy, driven by both corporates (13.7% yoy) and households (14.3% yoy). Central authorities have adopted measures on one hand to push up household lending (as was the case for the Family Protection Action Plan) but on the other hand also to contain risks (such as the debt cap rule on the payment-to-income ratio). Nevertheless, the strong increase in house prices is a source of concern, as highlighted by the CB. Deposits increased by 6.9% yoy, mainly supported by households (8.2% yoy), thanks to strong labour market conditions, while corporate deposit growth remained at about 5.7% yoy. Lending slightly accelerated in **Poland**, increasing by 5.5% yoy in November from 5.2% yoy in October, both in the corporate (3.7% yoy) and the household (6.3% yoy) sectors. On October 3, 2019, the European Court of Justice provided a borrower-friendly judgment that may expose lenders to heightened litigation costs for foreign currency loans. Banks are expected to book significant provisions related to legal risks from their exposures to foreign currency mortgages, which will negatively affect their 2019 results. Deposits increased by 10% yoy in November, particularly among households (10.3% yoy vs. 9.1% yoy among corporates).

Lending growth rate remained high in **Slovakia** (5.7% yoy in November), albeit it was stronger among households (+8.4% yoy, despite restrictive measures adopted by the central bank) and weaker in corporates (+2% yoy). Lending could be further constrained by the planned higher bank levy. Deposits from the private sector accelerated from +5.4% yoy to +5.8% yoy between October and November, with corporates rising to +3.8% yoy in November from +2.8% yoy in October, and households remaining above +7%. In **Slovenia**, banking aggregates strengthened further, with total loans increasing by 4.7% yoy in November from 4.4% yoy in October (and by 3% yoy from 2.3% yoy the previous month among corporates). Total deposits confirmed a stable increase (6.3% yoy in November), especially in households (7.6%), with corporates rising by a lower 2.3% yoy.

SEE Area

In parallel with the CEE area, the most recent high frequency data signal a weakening of the cyclical phase in the **SEE region**. Industrial production contracted further in November (-4.0% yoy) for the sixth consecutive month and was well below the 3Q trend (-2.2%). The SEE's nominal export trend remained positive (+1.1%) thanks to the positive dynamics recorded in Romania and Serbia but was negative in other countries and well below 3Q overall (+2.9%). From the internal side, household spending appears to be benefiting from the still-strong nominal wage dynamics at double digits (about 10% yoy on average in October). Retail sales growth remained strong in October (6.3% yoy) and November (6.2% yoy).

The industrial production trend remained negative in all of the countries except **Serbia**, where it was positive, albeit still weak (+1.1% yoy). The worst contraction occurred in **Romania** (-5.6%), which was partially affected by unfavourable working days (-4.8% by applying the working days adjusted). In **Albania** and **Bosnia**, 3Q GDP data showed the former surprising on the positive side with GDP growth of 3.8%, while in the latter GDP was the same as in 2Q (2.6%). However, Albania's export dynamic remained negative in November (-8.9% yoy), falling even lower than in 3Q (-1.0%). Survey data highlighted some positive signals for Romania and **Croatia** as the ESI increased in both countries in December.

In December, **inflation** increased on average in the region (excluding Bosnia, for which December data are not yet available) to 3.0%, above the 3Q figure (2.7%), ranging from 1.1% in Albania to 4.0% in Romania. Despite inflationary pressures in some countries, the boards of all of the **central banks** in the region maintained a dovish tone in their monetary stance at the last meetings, due to both the weakness of the current economic cycle and the accommodative stance of the ECB. In Serbia, after loosening monetary conditions with a policy rate cut of 25bps to 2.25% in

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November, the CB held steady in the following months, but an additional rate cut of 25bps is likely if the inflation rate remains firmly below the target. **Long-term yields** followed the (already mentioned) movements of the Bund benchmark, with spreads remaining largely unchanged in the region. In the **FX markets**, local currencies were quite stable overall, except for the Albanian lek, which appreciated slightly (1.4% over the last three months), supported by positive recordings of the balance of payments.

The **lending growth** rate in the SEE region remained at 7.2% yoy in November (7.3% yoy in the previous month), as a result of a widespread increase (with the exception of Croatia). Deposits remained dynamic (around +10% yoy). In more detail, in **Albania**, total loans to the private sector increased by 5.6% yoy (from 6.1% yoy in October), still driven by lending to corporates, which accelerated further (7.8% yoy as of November). Lending to households decelerated slightly (+1.5% yoy from +2.7% yoy). NPLs decreased to less than 10% in November. Deposits improved, to +3.7% yoy from +3.4% yoy in October. Household deposits, which account for more than 80% of total deposits, increased by 3.4% yoy. Foreign liabilities decreased further (-0.8% yoy).

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In **Bosnia**, loans increased in November by 6.7% yoy (vs. 5.6% yoy in October), with the corporate sector surprisingly accelerating (+5.5% yoy from +3.4% yoy in October), and the household sector remaining vigorous (+7.9% yoy from 7.7%). Deposits accelerated (to +8.4% yoy, mainly among corporates, which rose from 5% yoy to 7% yoy). In **Croatia**, loan growth consolidated (+3.2% yoy in November) thanks to households (+6.5%), while corporate loans again showed a decrease (of 1.7% yoy, improving from -3.5% yoy in October), partly due to ongoing restructurings. The NPL ratio decreased to 6%. The lending rate to corporates increased to 3.0% in November but remained flat among household deposits (at 0.3%), leading to a slight widening of the spread.

In **Romania**, the growth in lending performance remained strong at 6.9% in November, both in the household sector, at 7.5% yoy, and in the corporate sector (at 6.1% yoy). Banks' exposure to domestic households continued to grow, driven by the very low debt levels of Romanian households. Household debt to GDP was a low 16% as of December 2018, while total loans to the private sector accounted for c.30% of GDP. Loans denominated in foreign currency further declined among households (-8.6% yoy). NPLs remained modest, slightly declining to 4.3% of total loans as of November. Deposits performed well (+10.6% yoy), supported by household deposits growth (of 11%, benefiting from a strong labour market). Loans also performed well in **Serbia** (+9.6% yoy in November, in line with the previous months) both among corporates (+10.6% yoy) and households (+8.5% yoy). Loans in foreign currency increased further, by 8.9% yoy, particularly among corporates (+11.2% yoy) but also among households (+4.2% yoy), highlighting that euroisation remains strong. Both household (+11.6% yoy) and corporate (13.9% yoy) deposits were dynamic. In line with the cut adopted by the CB, interest rates slightly decreased in November (7.4% on lending and 2% on deposits from the private sector).

CIS and MENA Areas

In **Russia**, annual inflation eased to 3% in December from 3.5% in November, well below the CBR's 4% target. Benign inflation numbers support expectations of a rate cut at the forthcoming CBR policy meeting on February 7 or later. Industrial production slowed in November (+0.3% yoy vs. +2.6 in October), as manufacturing activity almost came to a standstill (+0.1% yoy). Real GDP growth eased to 1.6% yoy in November from +2.3% yoy in October, notwithstanding stronger retail sales growth (+2.3% yoy in November from +1.3% yoy in October) on the back of easing inflation. Real GDP growth was 1.7% yoy in Q319, accelerating from 0.9% in Q219. The manufacturing PMI index rose to 47.5 in December, from 45.6 in November, but remained under the 50 threshold. The services PMI at 53.1 continued to signal expansion.

Giancarlo Frigoli

In **Ukraine**, consumer price growth had slowed to 4.1% at the end of 2019, below the NBU's 6.3% target. Average annual inflation in 2019 fell to 7.9%, from 10.9% a year earlier. Underlying inflation in December was 3.9%. The NBU is expected to decide on a new large cut of its reference

rate at its forthcoming policy meetings. In November industrial activity fell by 7.4% yoy, following the slide of utility (-12%), mining (-7.9%) and manufacturing (-6.4%) output. Retail sales continued to offer strong support to GDP. Sales rose by 14% yoy in November, from +12.2% yoy in October. In **Moldova** Inflation sped up to 7.5% yoy in December, from 7.1% in November. The main inflation driver was food prices, which rose 12.5% year-on-year. According to the central bank, annual inflation has now peaked and the bank has maintained its 2020 average inflation projection of 5.9%. Real GDP growth was 4.3% yoy in Q319, slowing from 5.8% yoy in Q2. In the three quarters, real GDP grew by 4.8%.

Egypt's headline inflation accelerated to 7.1% yoy in December, from 3.6% yoy in November, as favourable base-year effects related to the prices of fresh vegetables wore off. Inflation remained within the central bank's target range of 9% (+/-3pp). Core inflation, which strips out volatile goods such as food, accelerated to 2.4% yoy in December, from 2.1% in November. The central bank cut interest rates by a total of 450bps in 2019, but it abstained from an additional cut in January 2020 and it is expected to resume the easing cycle as early as its next meeting on February 20. Real GDP growth stabilised, recording a preliminary estimate of 5.6% in Q319, after recording 5.6% in fiscal year 2018/19, the highest growth since fiscal year 2007/08.

In the **CIS area**, in **Russia**, the dynamic of loans to the private sector remained stable (+8.5% yoy in October). Among households, the measures adopted by the central bank in the last few months to limit household lending growth and indebtedness began to affect the growth rate (+19.7% yoy from 20.7% the previous month). In contrast, loans to corporates accelerated to +4.2% yoy (from 3.9% yoy in September). The strong increase in corporate bonds in 2019 (RUB 2.7 trillion, +67% yoy, on the domestic debt market, according to Refinitiv) is expected to curb banks' corporate lending growth. Deposits decelerated (to +8.7% yoy in October), both among corporates (+8.9% yoy) and households (8.5% yoy), with declining interest rates. Notwithstanding the strong economic performance, in **Ukraine** the fall in loans intensified in November to -10% yoy from -8.2% yoy in October, particularly among corporates (-13.7% yoy) due to clean-up operations. NPLs (still high at 48.7%) will continue to weigh on lending. Total deposit growth accelerated (8.9% yoy vs. 4.8% yoy in September). The LTD ratio continued to improve to 108.6% (from 121% in December 2018). The National Bank of Ukraine recently introduced a five-year strategy for financial sector development that focuses on stimulating inclusive economic growth and creating a better operating environment for banks. It is expected to have positive effects on financial stability.

In **Moldova**, the strong performance of loans (+13.9% yoy in December 2019) was driven by households (+40.2% yoy), while loans to corporates increased more modestly by 3.6% yoy. Corporate loans accounted for almost 70% of the total portfolio. NPLs are gradually improving (to 8.5% from 12.5% of total loans in 2018). Deposit growth accelerated to 7.7% yoy in December 2019 (corporates +4.5% yoy and households +9.4% yoy). The LTD ratio remained one of the lowest among countries with ISP subsidiaries (59% as of December). In **Egypt**, in October loans grew by 14.3% yoy in the private sector (higher than the annual inflation rate), in line with the robust economic growth. The performance remained stronger among households (almost +30% yoy in October) than among corporates (+8.1% yoy). Deposits grew by 13.4% yoy, especially from households (16.2% yoy), while corporate deposits increased slightly, by 1%. Liquidity remains high, with the LTD ratio very low (34.4%).

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Country-Specific Analysis

Czech Republic

Real Economy

The Czech economy is continuing to do reasonably well, although it cannot entirely defy the slowdown taking place elsewhere in Europe. Real GDP grew by 2.5% yoy in 3Q19, which was one-fifth less than the previous quarter. Full-year growth for 2019 ended at 2.6%, less than the 3.0% posted in 2018 and also below the potential growth of the Czech economy (3%). The GDP composition confirmed that growth is being supported mainly by private consumption, which contributed 1pp and government spending, which contributed 0.7pp.

The data released confirmed that growth momentum remains challenged by the growing weakness in the manufacturing sector, which began in German industry. Industrial output, adjusted for working days, fell in October and November by 1.8% yoy, double the rate of the contraction in 3Q19. Domestic demand, by contrast, was reasonably solid. Construction output, adjusted for working days, rose in October and November, by 2.1% yoy on average, an improvement from the stagnation of 3Q19. Retail sales also rose, by 2.6% yoy on average, half the level of the extraordinarily strong 3Q19, but in line with 1H19 growth.

The solid momentum in domestic demand, meanwhile, was also evident in inflation. Headline inflation rose to 3.2% yoy in December, the highest level since 2012. The increase was driven primarily by food prices, yet core inflation also showed an uptrend.

Financial Markets

The Czech National Bank (CNB) left policy rates unchanged again at its December meeting. While admitting that inflation is above its forecast and also above its 1pp tolerance band, around the 2% target, the CNB believes the spike is temporary and foresees inflation will return to the target at the turn of the years 2020/21. Helping to steady hands at the CNB board, meanwhile, is the koruna, which has strengthened significantly in recent months. Besides currency appreciation, monetary conditions have also tightened due to yields, which have increased alongside global developments. The 10-year yield has climbed from a low of sub-1% in August to above 1.7% currently. The spread versus the Bund rose to a decade high of 2pp.

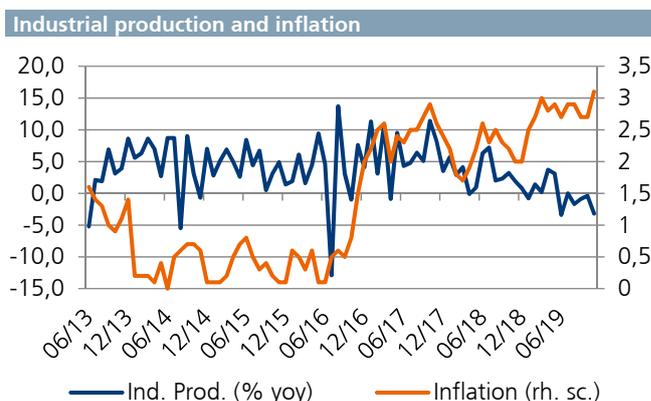
Banking Sector

The growth in loans has continued to moderate as interest rates have continued to climb. Mortgages, meanwhile, have been impacted by tightening macroprudential regulation alongside deteriorating housing market affordability, as well as the lack of adequate housing supply. The latest credit survey by CNB revealed that banks have tightened their retail lending conditions, particularly for consumer loans, due to the moderating economy. In the non-financial sector loans market, banks do not currently expect significant changes, either in lending standards or demand.

Latest economic indicators	Last value	3Q 19	2Q 19
Industrial production, wda yoy	-3.2 (Nov)	-0.9	1.1
Export of goods, nominal yoy	-5.3 (Nov)	7.3	5.1
CB refi rate	2.0 (23th Jan)	2.0	2.0
ESI (index)	102.1 (Dec)	103.9	103.5
Retail sales yoy	-5.3 (Nov)	7.3	5.1
Inflation rate, average yoy	3.2 (Dec)	2.8	2.8
Loans (priv. sector, yoy, eop)	5.0 (Nov)	5.2	5.4
Deposits (priv. sector, yoy, eop)	6.0 (Nov)	6.9	6.5
Lending interest rate (corp., eop)	3.3 (Nov)	3.1	3.2
Deposit interest rate (hh, eop)	1.6 (Nov)	1.6	1.5

Source: Czech National Bank, Czech Statistical Office

Zdenko Štefanides



Source: Czech Statistical Office

Hungary

Real Economy

Hungary's economy has remained robust despite concerns about global growth and EZ industrial growth. The manufacturing sector has started to show signs of deceleration, however, with industrial production down by 3.6%, but remaining broad-based and therefore able to counterbalance the negative impact from the German auto sector. Market-based services remained the main driver of growth. Moreover, manufacturing PMI have shown a positive correction since September, rising to nearly 54 by December. On the demand side, export growth dropped into negative territory in EUR terms in November. Hungary's GDP growth has remained supported by consumption and actually surprised on the upside in 3Q19, with a 5.0% yoy rise. Our latest projection of a deceleration in 2020 is, however, confirmed, as the major drivers of growth (including investments, fuelled by EU funds, and consumption, by strong real wage growth), are set to make a lower contribution to growth. The headline inflation figure reached 4% in December (i.e., the upper edge of the NBH's target range), but mainly due to the base effect of fuel prices. CPI landed at 3.4% (yoy avg.) and may arrive at similar levels in 2020.

Sandor Jobbagy

Financial Markets

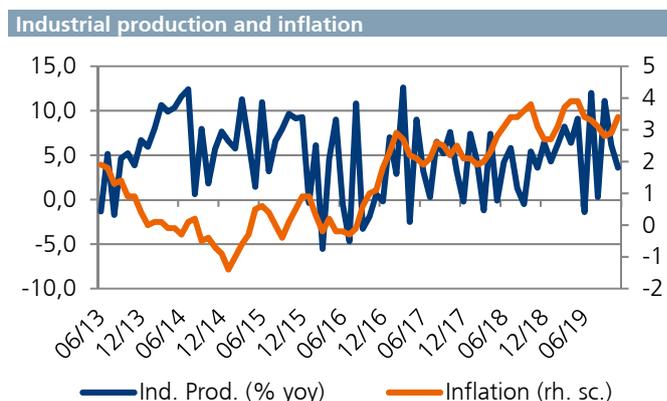
The 3M policy rate of the NBH was left unchanged at 0.90% throughout 2019, matching expectations. The more functional O/N depo rate was not raised further in Q2-Q4 following the 10bps hike (to -0.05%) as the central bank dropped its normalisation of monetary policy. In view of the dovish shift in ECB policy (and also Fed policy) and the NBH's expectation of a revival of the domestic inflation downtrend towards the 3% target, we expect ongoing loose monetary conditions in 2020. The NBH has said that its monetary approach is data-driven, and that no forward guidance is warranted given the high global uncertainty. BUBOR rates have recently been driven more by liquidity shifts than policy expectations and the downward correction in longer yields has come to a halt. The EUR/HUF exchange rate revisited historical peaks in January 2020 amid the ongoing low interest rate environment. The NBH's decision to cancel an FX swap auction in January delivered only temporary relief to the forint. We expect the EUR/HUF cross-rate to stay above the 330 level for an extended period. We also maintain our forecast for BUBOR rates to remain essentially flat in 2020.

Banking Sector

Hungary's banking sector, and lending dynamics in particular, remain supported by strong GDP growth and the strengthening of domestic consumer confidence and consumption. This was reflected by the continuing strong growth rate of household lending (more than 14% yoy growth to November), as well as corporate credit stock growth (more than 13% yoy growth to November). This boom is likely to produce annual figures that beat earlier expectations. Housing loans are also being supported by state subsidies. Asset quality continues to improve, even with NPLs already below 4%, the lowest level of the past 10 years. Lending risks appear to be being mitigated by the administrative limits of households' risk-taking, including the cap on monthly repayments as a percentage of disposable income.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production yoy	3.6 (Nov)	7.8	4.7
Nom. exports yoy	-0.1 (Nov)	7.4	0.4
ESI (index)	108.1 (Dec)	107.2	111.2
Retail sales yoy	6.8 (Nov)	6.2	5.3
Inflation rate yoy	4.0 (Dec)	3.1	3.7
CB reference rate	0.9 (22th Jan)	0.9	0.9
Loans (priv. sector, yoy, eop)	13.9 (Nov)	13.3	11.5
Deposits (priv. sector, yoy, eop)	6.9 (Nov)	7.3	5.5
Lending interest rate (corp., eop)	2.4 (Nov)	2.6	2.5
Deposit interest rate (hh, eop)	0.3 (Nov)	0.2	0.2

Source: Central Bank of Hungary, Hungarian Central Statistical Office



Source: Hungarian Central Statistical Office

Poland

Real Economy

Poland's forward-looking sentiment indicators remained essentially flat between mid-summer and the end of September last year. Industrial and export performance in Poland showed mixed movements in November and December 2019, with the manufacturing PMI climbing back close to its summertime levels. The economic growth rate slowed for the fourth consecutive quarter in 3Q19, falling to 3.9% yoy, from 5.1% in the same quarter of 2018. The slowdown is set to continue in 2020 and the next few years. So far growth has remained supported by relatively strong private consumption amid the revival in industrial performance, however, industrial performance in Poland has weakened gradually from September to November. The outlook for a further slowdown in the next few years has not changed based on the latest business cycle data. Fiscal policy has remained in check, as shown by the annual deficit. Inflation has shown a further rise in the past few months, breaking the 3% threshold in December, both in terms of the headline and core inflation figures.

Sandor Jobbagy

Financial Markets

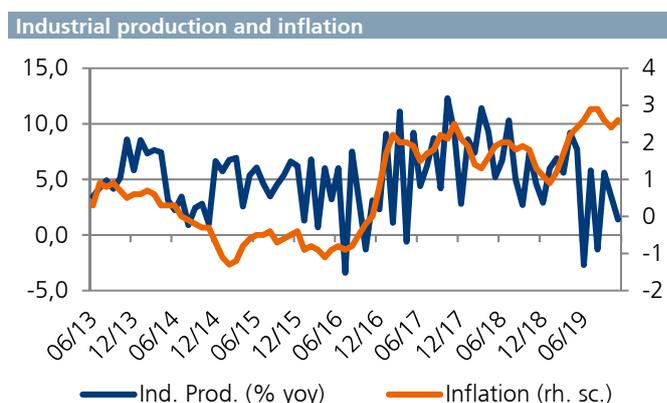
The Polish central bank's main policy rate was kept unchanged (at 1.50%) in 2019. Market expectations of a potential tightening move have been reignited by recent comments from some members of the NBP's Monetary Council, but the outcome of the December rate-setting meeting partly cooled these expectations. The MC remains divided, with arguments of a rising domestic inflation environment versus the diminishing growth rate and from the external side the ongoing dovish ECB policy. Some central bank policymakers are concerned about domestic price risks and about a potential real estate bubble. The zloty showed lower volatility and a significant positive correction in December and the beginning of January. The EUR/PLN exchange rate dived below the 4.25 level for the first time since July 2019.

Banking Sector

Despite Poland's falling economic growth rate, the banking sector's lending activity remained supported by household consumption in 2019. Following the multi-year record rate last year, overall loan stocks rose by 5% yoy in November amid prudent conditions. In Poland, in contrast to Hungary, about 450,000 households still have loans in CHF or indexed to CHF, with a total outstanding amount of about EUR 23bn. Efforts to encourage banks towards voluntary conversion to PLN have not worked, while several thousand lawsuits have been initiated, alleging unfair loan practices. One of these lawsuits eventually came before the European Court of Justice and was decided on October 3 last year. The ruling held that if Polish courts determine the mortgage contracts contain unfair terms, EU law would not block the annulment of such loan agreements. The decision was seen as a partial victory for mortgage holders, delivering adverse effects to Polish banks, but the application of the decision remains up to Polish courts, which must now dive into the details of thousands of individual cases.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production yoy	1.4 (Nov)	3.4	4.7
Nom. exports yoy	-2.1 (Oct)	0.4	1.1
ESI (index)	99.7 (Dec)	102.1	103.0
Retail sales yoy	4.8 (May)		
Inflation rate yoy	3.4 (Dec)	2.8	2.4
CB reference rate	1.5 (22th Jan)	1.5	1.5
Loans (priv. sector, yoy, eop)	5.5 (Nov)	6.7	6.0
Deposits (priv. sector, yoy, eop)	10.0 (Nov)	11.2	10.9
Lending interest rate (corp., eop)	3.6 (Nov)	3.6	3.4
Deposit interest rate (hh, eop)	1.5 (Nov)	1.5	1.6

Source: Narodowy Bank Polski, Statistics Poland



Source: Statistics Poland

Slovakia

Real Economy

The Slovak economy is still being affected by the slowdown in the Eurozone, especially in Germany, the country's largest export partner. Local annual GDP growth fell to 2.2% and 1.3% in the second and third quarters, respectively, of 2019. Weak external demand resulting in negative net exports was mostly to blame. This translates into smaller volumes of industrial production, particularly in the automotive, metallurgy and rubber and plastics subsectors. However, construction and retail sales also posted negative yoy dynamics for most of 2019, the latter despite still-strong wage growth.

Despite the deceleration, the local labour market remains rather tight, with the unemployment rate stabilised around historical lows of 5-6% and wages growing considerably faster than labour productivity (+7.7% in 3Q19, with a slowdown in 4Q19 monthly indicators). Job vacancies, employment in industry, construction and trade and short-term employment abroad all posted yoy declines. Consumer inflation reached a seven-year high of 3.2% in November, using EU-harmonised methodology, on the back of swiftly rising prices of food and housing. With the deterioration of the business cycle and a fading basis effect from 2019, the local inflation rate could ease towards the area of slightly above 2% and stay above the Euro area average.

Financial Markets

The spread between 10Y Slovak government bonds and (negative) German Bunds narrowed recently to below 40bps. With the economic weakness in Europe and the restarting of asset purchases by the ECB, basic long-term interest rates are expected to hover slightly above zero for the rest of 2020. The spread could theoretically increase slightly in the coming months as Slovakia holds parliamentary elections at the end of February and the new governing coalition might be hard to form and/or unstable.

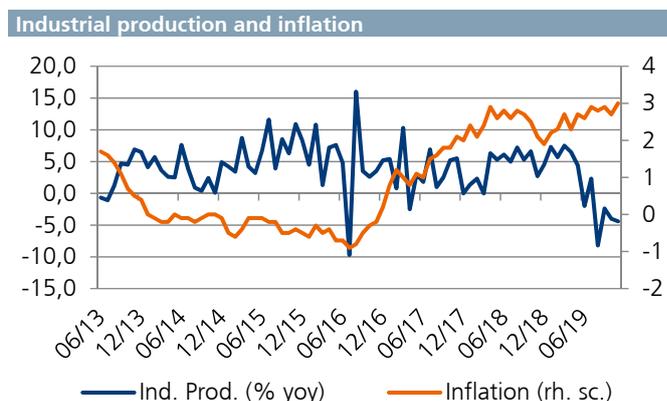
Banking Sector

Together with even lower bank lending rates, the minimal interest environment is weighing heavily on the net income of the local financial sector. In addition, lending is slowing due to the decelerating economy and the increase in macroprudential regulation. Even tighter conditions for new loans set by the central bank (as well as DTI and LTV, a new DSTI requirement was added in January) limit the provision of new consumer loans and mortgages. The growth in bank deposits, on the other hand, remains solid, supported by rising household income and higher savings rates. On top of that, a doubled bank levy (at 0.4% of liabilities adjusted for equity) became effective from 2020 onwards. This will eat up perhaps as much as two-fifths of local profits.

Michal Lehuta

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production, wda yoy	-4.4 (Nov)	-2.8	3.0
Nom. exports, yoy	-4.3 (Nov)	-1.3	-0.6
ESI (index)	97.9 (Dec)	97.9	94.9
Retail sales, yoy	-4.0 (Nov)	-2.2	-0.4
Inflation rate, yoy	3.0 (Dec)	2.9	2.5
ECB refi rate	0.0 (23th Jan)	0.0	0.0
Loans (priv.sector, yoy, eop)	5.7 (Nov)	7.1	7.3
Deposits (priv.sector, yoy, eop)	5.8 (Nov)	5.6	5.8
Lending interest rate (corp., eop)	2.0 (Nov)	1.9	2.0
Deposit interest rate (hh, eop)	0.1 (Nov)	0.1	0.1

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



Source: Statistical Office of the Slovak Republic

Slovenia

Real Economy

Industrial production in November advanced by 1.2% yoy, significantly slower vs. October (+2.6%; Jan-Nov 2019: +3.0%), as manufacturing output decelerated to +1.9% yoy from +3.6%. The export of goods rose by 4.0% yoy, solely due to a 28.7% increase in exports to non-EU countries (notably Switzerland and mostly pharmaceuticals, reflecting the opening of a big pharmaceutical logistics centre near Ljubljana). In the same month, imports advanced by a mere 0.4% yoy (Jan-Nov 2019 exports: +8.8%, imports: +10.6%). Real retail trade posted a 2.0% yoy decline (-5.2% in October), amid the strong decline in fuel sales (-13.3%), while overall 2019 growth amounted to +4.5% yoy (supported by labour markets, with employment rising by 2.5% and real net wages by 2.1% yoy). The HICP inflation rate in December amounted to 2.0% yoy, backed by the rising prices of food and non-alcoholic beverages (+3.2%, most notably meat at +2.3%) and restaurants and hotels (+3.7%). The 2019 average inflation rate amounted to 1.7% (from 1.9% in 2018), with the strongest contribution coming from the housing, water, electricity, gas and other fuels (+4.3%, o/w water supply and miscellaneous services relating to dwellings rose by 6.0% and electricity, gas and other fuels by 3.8%).

Ivan Odrčić

Financial Markets

Money market rates stood still in December in the aftermath of the ECB's quiet meeting, where the CB left rates and forward guidance unchanged. The 10Y bond spread on the Bund also remained steady amounting to 50bps on average, whereas the yield increased by an average of 10bps mom to 0.2% due to benchmark growth. The average yield in 2019 amounted to 0.4% (-70bps yoy), while the average spread was stagnant yoy at 60bps. In January, the yield has been stable, oscillating between 0.2% and 0.3%, with the spread ranging from 40bps to 50bps.

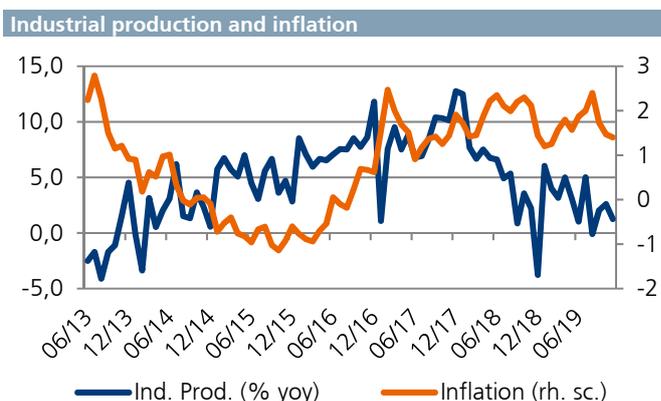
Ana Lokin

Banking Sector

Corporate loans continued to gather pace, coming in at +3.0% yoy in November, slightly overshooting our expectations and pushing the overall loan increase to 4.7% yoy. The rise in household loans continued to hover at around 6% yoy (October: 6.2% yoy), with consumer loans decelerating to +10.3% yoy, while housing loans remained firm (+5.6% yoy). Data on new loans revealed that, as expected, newly granted consumer loans in November halved compared with previous months as a result of the implementation of the BSI's tightened measures on consumer lending. Deposits eased to +6.3% yoy in November, owing to the lower increase in overnight deposits, with household deposits increasing by a healthy 7.7% yoy and corporate deposits slowing to +2.5% yoy. The latest NPL data for November revealed that banks saw a marked improvement in asset quality in 2019 owing to the repayment of claims, which was aided by healthy economic growth, collateral liquidation, the sale of placements and also the sustained rise in lending. Banks thus managed to lower the overall ratio by 1.0pp compared with the end of 2018, to 1.3%, with corporates down by 1.8pp to 1.6% (predominantly as a result of a steep decline in construction, alongside milder improvements in trade, accommodation and food service and manufacturing) and households by 0.2pp to 1.9%.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production, wda yoy	1.3 (Nov)	2.3	3.0
Nom. exports yoy	4.0 (Nov)	10.5	9.0
ESI (index)	101.2 (Dec)	105.6	104.8
Consumer confidence indic.	-15.2 (Dec)	-8.8	-8.5
Inflation rate yoy	2.0 (Dec)	2.0	1.7
ECB refi rate	0.0 (22th Jan)	0.0	0.0
Loans (priv.sector, yoy, eop)	4.7 (Nov)	4.2	3.9
Deposits (priv.sector, yoy, eop)	6.3 (Nov)	7.3	6.2
Lending interest rate (corp., eop)	2.1 (Nov)	2.1	2.2
Deposit interest rate (hh, eop)	0.2 (Nov)	0.2	0.2

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



Source: Statistical Office of the Republic of Slovenia

Albania

Real Economy

In the third quarter of 2019, the Albanian economy grew by 3.8%, higher than the 2.4% and 2.3% of the first and second quarters, respectively. The expansion was driven largely by consumption, private investment and tourist revenues. Household consumption expenditure grew by 3.9%, more than the 3% of the previous quarter and the 3.5% of the same period the previous year. Albania's direct foreign investments flows in the third quarter were EUR 272m, compared with EUR 269m in the same period the previous year. The performance of the economy was reflected in the labour market data for the third quarter, which showed that employment increased by 3.3% yoy, unemployment fell, to 11.4% from 12.2% the previous year, and average wages increased by 3.5%.

Kledi Gjordeni

Albanian CPI in 2019 averaged 1.41%. The curbed inflation was driven largely by fluctuations in food prices and low inflation pressure from abroad. Yet the increase in aggregate demand, employment and wages, and the stabilisation of the exchange rate has not been fully transmitted into the inflation figures yet. CB projections suggest that inflation will be on an upward trajectory in the medium-term horizon, to converge with the target in the second half of 2021.

Financial Markets

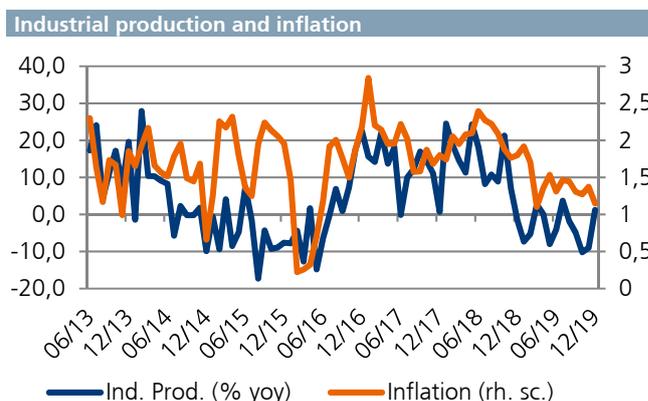
Monetary policy is expected to remain accommodative in the medium term. However, the effect of the last earthquake on November 26 may delay the economy from returning to equilibrium and the inflation target. The consequences of the earthquake are expected to be mixed. On one hand, negative effects may come from the possible contraction of consumption, production and private investment, especially in tourism, but on the other hand, the reconstruction and compensation programme should give a positive boost to some sectors of economy. The effect of the earthquake on the economy will depend on the form and intensity of the response.

Banking Sector

Even in the banking sector and its commercial activity, the impact of the earthquake has yet to be assessed. However, the consolidation of the economy and revitalisation of the credit sector are evidenced by the fall in NPLs in November 2019, to 9.53% from 12.70% the previous year, and by the growth in loans to individuals of 1.46% and to businesses of 7.77%. Total loans in November 2019 rose by 5.63% yoy. According to CB comments, credit to the private sector recorded an annual growth rate of 8% in October (adjusted for exchange rate effects and NPL write-offs). Total deposits in November 2019 increased by 3.83%.

Latest economic indicators			
	Last value	3Q 19	2Q 19
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-8.9 (Nov)	-1.0	-4.3
Unemployment rate	n.a.	11.4	11.5
Inflation rate, average yoy	1.1 (Dec)	1.4	1.4
CB Reference Rate	1.0 (31th Dec)	1.0	1.0
Loans (private sector, yoy, eop)	5.6 (Nov)	4.9	3.5
Deposits (private sector, yoy, eop)	3.7 (Nov)	2.6	1.9
Lending interest rate (pr.sect., eop)	6.2 (Nov)	5.9	6.1
Deposit interest rate (pr.sect, eop)	0.7 (Nov)	0.8	0.8

Source: National Statistical Institute, Bank of Albania



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

After 2.7% yoy growth in 1H19, GDP in 3Q19 expanded by a slightly lower 2.6% yoy (+0.5% qoq). Personal consumption rose by 0.9% yoy, i.e., the slowest rate of the last eight quarters, while government expenditure and investment increased by 2.0% and 2.8% yoy, respectively. Net exports gave a positive contribution of 1pp to headline growth, as the stronger decline in imports (3.2%) outpaced the 2.2% decline in exports. 4Q19 high frequency data showed that industrial output continued to decline in both Oct (-10.4% yoy) and Nov (-4.9%), amid heavy declines in the manufacture of coke and refined petroleum products (amid the reconstruction in one oil refinery) and in the manufacture of basic metals (impacted by the closure of one aluminium production plant), which translated into a further decline of goods exports in Dec (-10.1%, the strongest yoy fall since May 2014, while imports rose by 1.8% yoy). Thus, between January and November 2019, industrial production fell by 5.5% yoy (4.6% in manufacturing), while the first release for merchandise trade in FY2019 shows exports plummeted by 3.4% yoy (mostly those to the EU, specifically the country's largest trading partners, such as Croatia, Italy, Germany and Slovenia). Of these, the most significant decline was posted in the manufacturing industry (3.4%), or more precisely in exports of basic metals (-18.6%), coke and refined petroleum products (-41.2%) and furniture (-11.2%). Imports, on the other hand, advanced by 1.2% yoy in 2019, thanks to recovering domestic demand, with the import-by-export coverage ratio lowering to 58.9% (from 61.7% in 2018). Real retail trade, meanwhile, posted healthy annual growth rates (+4.2% in October and +4.1% in November), amid growing employment and wage levels. The annual inflation rate in Nov remained at the same level as in Oct (0.1%), leaving the cumulative average annual inflation rate unchanged at 0.6% (1.4% in Jan-Nov 2018), mostly supported by rising food prices (+1.3%).

Ivan Odrčić

Banking Sector

The rise in banking sector aggregates continued to waver, following pronounced fluctuations in the corporate sector. Loans surged by 6.7% yoy in November on account of a sharper increase in corporate loans (5.5% yoy vs. 3.4% yoy in October). Loans to households carried on at a strong pace of 7.9% yoy. Consumer loans edged down to +7.5% yoy, while housing loans soared by 14.0% yoy, the highest rate since data became available. Although the recovery in housing lending initially began because consumer loan credit standards tightened, it certainly has scope to run further, considering its modest share in the overall household portfolio and also the relatively positive economic and labour market trends. Deposits bounced back to +8.4% yoy in November as corporate deposits grew by 7.0% yoy, up from 5.0% yoy the month before, and household deposits maintained their stable pace at +9.1% yoy. The breakdown of household deposits by maturity brought no surprises, with the fastest growth in transaction accounts and demand deposits (17.9% yoy and 9.3% yoy, respectively) and moderate growth in time deposits (3.6% yoy).

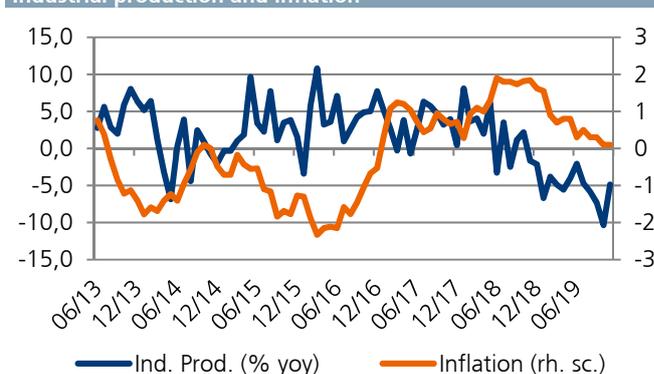
Ana Lokin

Latest macroeconomic indicators

%	Last value	3Q 19	2Q 19
Industrial production, wda yoy	-4.9 (Nov)	-6.0	-3.9
Export of goods, nominal yoy	-10.2 (Nov)	-5.8	0.4
Retail trade, real, wda yoy	4.1 (Nov)	3.9	3.4
Inflation rate, average yoy	0.1 (Nov)	0.4	0.6
Loans (private sector, yoy, eop)	6.7 (Nov)	6.0	6.0
Deposits (private sector, yoy, eop)	8.4 (Nov)	7.8	7.2

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

The November high frequency data shows industrial output turned negative (-0.4% yoy), mostly due to faltering manufacturing activity (-3.1%, o/w the most significant decline was in fabricated metal products, except machinery and equipment, at -16.8%), while real retail trade expanded by 2.5% yoy, largely reflecting rising employment (2.3%) and wage (net real: +3.6%) levels, in addition to tourist arrivals, which were 5% higher. Both goods exports and imports declined in Oct (by 1.9% and 2.4% yoy, respectively), while in the January to October 2019 period, exports rose by 6.4% yoy, faster than the same period of 2018 (+4.6%). Preliminary November data show that the decline of both exports and imports deepened, to 2.5% and 4.1% yoy, respectively. In December consumer prices rose by 1.4% yoy, rising twice as fast as November, as a result of a rise in the prices of food and crude oil. In FY2019, the inflation rate amounted to 0.8% yoy, the lowest level since 2016 (-1.1%), with prices rising most significantly in energy and tobacco. On the other hand, prices of food (the highest share in the CPI basket) shaved 1pp off headline inflation, amid lower VAT rates on some items.

Ivan Odrčić

Financial Markets

The liquidity surplus edged down in December and money market rates remained steady amid thin demand. The avg. 3M Zibor rate was unchanged mom at 0.4%, amounting to 0.35% at year-end (2019 avg.: 0.5%, unchanged yoy). Kuna was stable in December, hence the avg. rate stagnated mom at 7.44 kuna per EUR (2019 avg.: 7.41, unchanged yoy). The avg. 10Y kuna bond yield inched up in December to 0.7%, while the spread on the Bund stagnated at 90bps (2019 average yield: 1.3%, -90bps yoy, average spread: 150bps, -20bps yoy). Since the start of 2020, Zibor will no longer be calculated nor used as a reference rate due to non-compliance with the EU Benchmarks Regulation and a new money market rate will be published.

Ana Lokin

Banking Sector

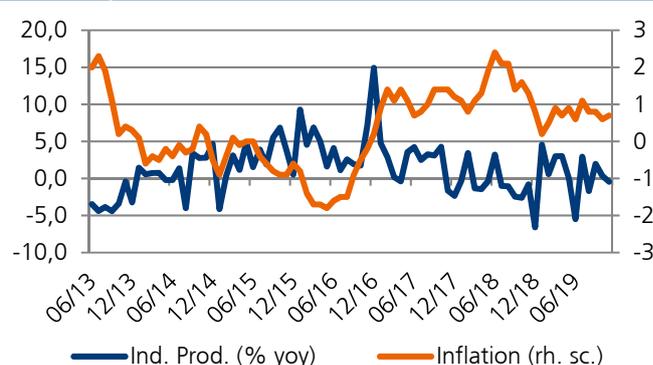
Loans continued rising at a modest pace (3.2% yoy in November), reflecting negative corporate portfolio developments (-1.7% yoy) and a steady household loan increase (6.5% yoy). The breakdown of the household portfolio reveals housing loans accelerating, backed by state subsidies, and cash loans gradually going off the boil. With regard to corporate loans, December figures should bring some relief as the base effect vanishes (transfer of part of the corporate portfolio to central government due to activation of shipyard guarantees). CB data reveal that the negative trend is the result of a drop in loans granted to large corporates (the aforementioned guarantees, the Agrokor Group settlement, sale of NPLs), while placements to SMEs are on an upward path. November saw somewhat stronger deposit growth of 5.5% yoy with respect to October, on account of a sharper increase in household deposits (4.6% yoy), followed by a tad slower rise in corporate deposits (8.1% yoy). According to the revised data on credit quality (EBA methodology), the share of NPLs amounted to 6.0% at 3Q19, down by 1.5pp vs. 4Q18, which is mostly a result of the significant improvement in the corporate portfolio (-4.9pp to 15.5%), caused by the high volume of sold placements.

Latest economic indicators

%	Last value	3Q 19	2Q 19
Industrial production, wda yoy	-0.4 (Nov)	1.2	-0.9
Export of goods, nominal yoy	-1.9 (Oct)	9.0	4.1
Retail trade, real, wda yoy	2.5 (Nov)	2.8	2.9
ESI (index)	114.4 (Dec)	114.7	112.2
Inflation rate, average yoy	1.4 (Dec)	0.9	0.7
Loans (priv. sector, yoy, eop)	3.2 (Nov)	1.8	2.6
Deposits (priv. sector, yoy, eop)	5.5 (Nov)	4.3	4.8
Lending interest rate (pr.sect., eop)	3.0 (Nov)	3.1	3.1
Deposit interest rate (pr.sect., eop)	0.3 (Nov)	0.3	0.4

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

The expectations for GDP growth in 4Q19 are for it to stay in line with the 3% of 3Q19, and to be about 4% for the whole year. The NBR presented its projection for 2020, with CPI at about 3%, with 2.8% at year-end. The budget deficit remained one of the hot topics in 2019 and is likely to remain so also in 2020, with the 3.56% at the end of November confirming the pessimistic expectations of most economists. The Ministry of Finance announced a possible deficit for 2019 of up to 4.6% of GDP, while the 2020 budget was based on a 3.6% deficit but with an optimistic economic growth rate of above 4%. Industrial production slowed for the sixth month in a row due to the impact of the European slowdown, especially in the automotive industry. Despite this decrease, the trade balance is still showing positive figures, – +1.7% for exports, +4.1% for imports – with the trade balance deficit widening to EUR 15.5bn, 16% higher than same period of the previous year. The main counterparty remains the EU-28, at 77% of exports and 75% of imports. In recent years, China has entered into its top five countries for imports. Despite the more optimistic projection for inflation announced by the NBR in November, the December figure showed a 4.0% yoy CPI rate, with a 3.8% yearly average. The CPI rise was fueled by food prices, despite the fall in some energy and transportation prices. The PPI fell below CPI in November, to 3.4%, for the first time since 2017.

Marius Pacurari

Financial Markets

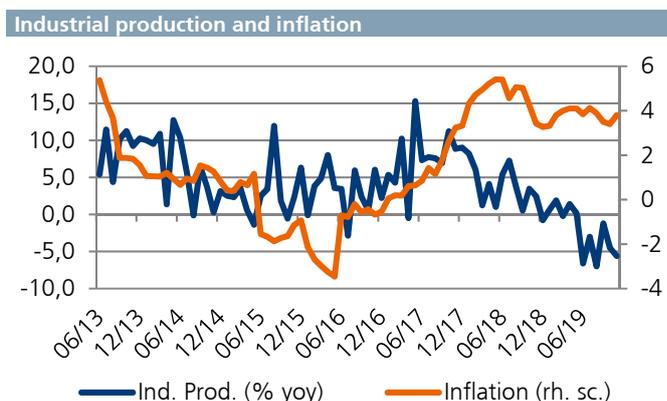
After a short period of volatility, in the last month of last year and in the first part of January, the FX market was stable, with the EUR/RON rate staying around 4.78. The money market also remained calm due to the presence of liquidity in the market and the low level of transactions. NBR kept monetary conditions unchanged at the last meeting at the beginning of January, without anticipating further movements. The domestic bond market showed a slight recovery after the deterioration of November, with volatility in this market also low.

Banking Sector

Customer deposits continued to grow, by 11% yoy in households (9% in RON and 14% in FX), and by 10% yoy in corporates (10% in RON and 9% in FX). Customer credits also grew in both segments. Household credits grew by 7.5% yoy due to the RON component (+14%) as the foreign currency component decreased (-8%). On the corporate side, we saw 6% growth, with 4% in RON and 8% in foreign currencies. For 2020, our forecast is for 4.7% growth in credits and 6.5% growth in deposits. The lending interest rate was 6.96% in November. We saw a slight increase in the corporate segment in recent months (from 5.58% in August to 5.90% in November), while in households the decrease was from 8.09% to 7.68% over the same period. In EUR the evolution of interest rates was not very volatile. The new Government has issued a law to cancel the Greed Tax Ordination 114 issued by the previous Government last year to increase the budget revenues. The effects of the law, which introduces a levy on bank assets, remains in force for the year 2019, pending however against it a decision by the Constitutional Court applied for by the previous opposition.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production yoy	-5.6 (Nov)	-3.7	-1.7
Nom. exports yoy	1.0 (Nov)	1.9	3.6
ESI (index)	104.3 (Dec)	102.6	102.5
Retail sales yoy	6.5 (Nov)	7.6	5.3
Inflation rate yoy	4.0 (Dec)	3.8	4.0
CB reference rate	2.5 (22th Jan)	2.5	2.5
Loans (priv. sector, yoy, eop)	6.9 (Nov)	7.2	6.7
Deposits (priv. sector, yoy, eop)	10.6 (Nov)	10.5	7.8
Lending interest rate (pr.sect., eop)	5.9 (Nov)	5.8	6.1
Deposit interest rate (pr.sect, eop)	2.1 (Nov)	1.9	1.7

Source: National Bank of Romania, National Institute of Statistics



Source: National Institute of Statistics

Serbia

Real Economy

Although the official GDP data for 4Q19 have not yet been published, the Statistical Office put forth an estimate of annual economic performance, quoting a real growth rate of 4.0%. The growth profile was in line with our expectations. Observing supply-side indicators, industrial production expanded by 0.3%, following a recovery in 2H19, while the agricultural sector stagnated, owing to the high base effect. Construction activity recorded a rise of 28.5%, largely as a consequence of the construction of the Serbian leg of the TurkStream gas pipeline.

Miloš Drezga

Considering demand-side indicators, it is evident that private consumption and investment acted as the key drivers of growth in 2019. Labour market improvements and low borrowing costs allowed for retail trade growth of 9.2%, while the significant public sector infrastructure investment allowed for an expansion of gross fixed capital formation of 14.2%.

December's annual inflation overshoot our expectations, landing at 1.9%. Inflation rose on account of the announced electricity price hike, as well as an unusual rise in unprocessed food prices, which rose 7.6% mom. Nonetheless, core inflation stood at 1.1% in December 2019, indicating subdued inflationary pressure, which we anticipate will prevail in the coming months.

Financial Markets

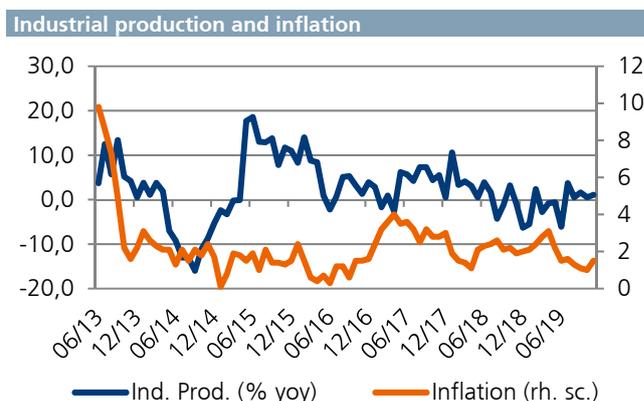
The National Bank of Serbia kept the key policy rate unchanged at 2.25%. The decision to keep the rate on hold was justified by the past monetary policy easing, the inflation data and the macroeconomic outlook, both domestically and internationally. The central bank was proactive in ensuring dinar stability by net purchasing a total of EUR 2.7bn in 2019. As a result, the dinar marginally appreciated against the EUR – by 0.5% over the course of 2019. While we believe there is room for another 25bps cut in the coming months, this will largely depend on the effects of past monetary easing and the future decisions of the leading central banks.

Banking Sector

Strong bank lending continues in Serbia (9.6% yoy in November), led by both corporate and household lending, which rose by 10.6% and 8.5% yoy, respectively. The positive trend is expected to continue, supported by solid economic growth, improved conditions in the labour market, past monetary policy easing by the NBS, lower interest rates in the Eurozone and strong bank competition. Moreover, the steady rise in private sector deposits continued (13.9% yoy in November), in spite of lowered interest rates.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production yoy	1.1 (Nov)	1.9	-2.5
Nom. exports yoy	7.4 (Nov)	7.1	6.4
Retail sales yoy	11.2 (Nov)	8.8	7.6
Inflation rate yoy	1.9 (Dec)	1.3	2.3
CB reference rate, eop	2.3 (22 th Jan)	2.5	3.0
Loans (priv.sector, yoy, eop)	9.6 (Nov)	9.7	8.9
Deposits (priv.sector, yoy, eop)	12.4 (Nov)	13.2	10.4
Lending interest rate (pr.sect., eop)	4.3 (Nov)	4.4	5.1
Deposit interest rate (pr.sect, eop)	3.1 (Nov)	2.8	3.0

Source: Statistical Office, National Bank of Serbia



Source: Statistical Office

Moldova

Real Economy

In 3Q19 Moldova's GDP grew by 4.3% yoy, 1.5pp lower than 2Q19. The main GDP driver was household consumption, where the 5.6% volume increase translated into a 4.3% positive contribution to GDP growth. Net investments' contribution to total output decelerated (+3% in 3Q19 vs. +6.9% in 2Q19), but together with consumption counteracted the negative impact of net exports (-2.1%).

The upward evolution of CPI in 4Q19 was expected, with the December annual inflation figure being 7.5%, 0.4pp higher than the previous month and 0.5pp lower than forecasted. This supports expectations of an easing in inflationary pressures in 2020. The main driver of December CPI was the rise in average prices for food products (12.4%), namely fruits, vegetables and grains, as a result of the unfavourable climate conditions of last summer. Non-food product inflation was 5.6%, a consequence of the higher prices of tobacco products. Due to higher energy tariffs, the services CPI in December was 3.5%. Industrial production recorded a fall of 3.7% in November, driven by the negative evolution of the energy sector (-17.3%) and the manufacturing industry (-1.3%), though this was slightly offset by the positive contribution of the extractive industry (+10.6%).

Financial Markets

In December 2019, securities yields decreased for all maturities, with the yield dynamics being driven by the 2pp downward revision of the base rate by the National Bank. Short-term Treasury Bill yields fell, by 0.1pp, 0.2pp and 0.4pp for 91-, 182- and 364-day maturities, respectively, while longer maturity yields decreased by 0.1pp.

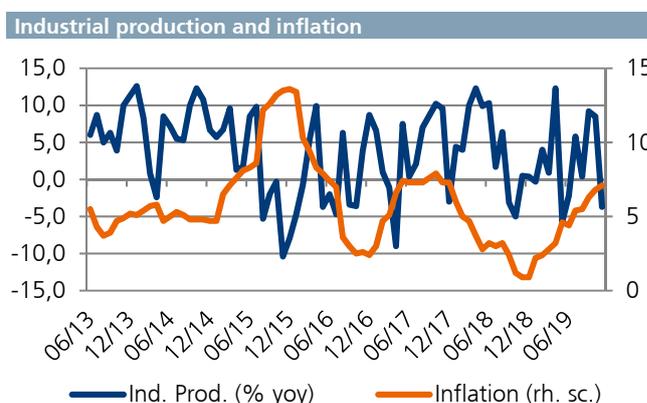
Banking Sector

The banking sector was relatively stable during 4Q19. Deposits maintained a growth rate of about 8% yoy, driven by household deposits in local currency. Despite the lower interest rates, sight deposits continued to increase at a higher pace than term deposits (+11% vs. +4.6%), indicating the predisposition of the population not to engage in long-term investments but rather have easy access to their resources. Due to the rather low interest rates, credit activity is flourishing and the total balance of loans amounted to EUR 4.7bn in December, an expansion of 14% compared with the same month the previous year. This positive movement was led largely by the growing demand for loans from individuals (up 40.2% yoy in December). The main segments were commercial loans, followed by consumption loans and mortgages. Corporate loans continued to grow modestly in December and were up about 3.6% yoy. The NPL ratio maintained its downward movement, falling to 8.9% in December 2019, showing the constant improvement in the quality of banking portfolio.

Latest economic indicators			
	Last value	3Q 19	2Q 19
Industrial production yoy	-3.7 (Nov)	5.1	1.5
Nom. exports yoy	-0.9 (Nov)	3.4	-1.1
PMI manufacturing	n.a.	n.a.	n.a.
Retail sales	10.5 (Nov)	9.4	17.6
Inflation rate yoy	7.5 (Dec)	5.7	4.1
CB reference rate	5.5 (31th Dec)	7.5	7.0
Loans (priv. sector, yoy, eop)	13.9 (Dec)	14.5	17.0
Deposits (priv. sector, yoy, eop)	7.7 (Dec)	6.6	7.8
Lending interest rate (corp., eop)	9.1 (Dec)	9.0	8.6
Deposit interest rate (hh, eop)	4.6 (Oct)	4.5	4.5

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

Olga Pisla



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

In November 2019, Russia's economic growth slowed after two months of acceleration (+1.6% yoy, after +2.3% yoy in October and +1.9% yoy in September). Thus, the increased budget spending did not accelerate economic growth as had been expected. The main negative contribution to the slowdown was made by industrial production: the annual growth rate in November slowed to +0.3% yoy (vs. +2.6% yoy in October) and fell to the lowest level of the last two years as a sharp decline was recorded in manufacturing, metallurgy and construction. Meanwhile, the growth in agricultural output significantly supported economic growth (+5.8% yoy in November and +5.2 % yoy in October) due to the high level of harvest. In November, the retail market showed the highest turnover growth rate since the beginning of the year (+2.3% yoy), leading to hopes of a further improvement in consumer demand in the coming months.

In December, inflation slowed to 3.0% yoy after 3.5% yoy a month earlier. The PMI manufacturing index for the last three months remained at the lowest level since 2009. Such dynamics indicate the weakness of domestic demand and the restrained economic activity in general.

Financial Markets

In December, the CBR decided to cut its key rate by 25bps to 6.25%. At the moment, the key rate is situated within the CBR's neutral range of 6-7%. Given the current dynamics of inflation, the key rate of 6% is likely to be achieved in 1H20. In December and so far in January, we have observed some favourable trends in the Russian financial market: oil prices have kept rising; the Stock Exchange Index climbed to record levels; and the RUB strengthened against foreign currencies. In December, the RUB traded at 62.94 against the USD and at 69.60 against the EUR. During 2019, the RUB appreciated, on average, by 6% against the USD and by 9% against the EUR. In total, the dynamics of the RUB in 2019 demonstrated its increased strength amid internal and external volatilities.

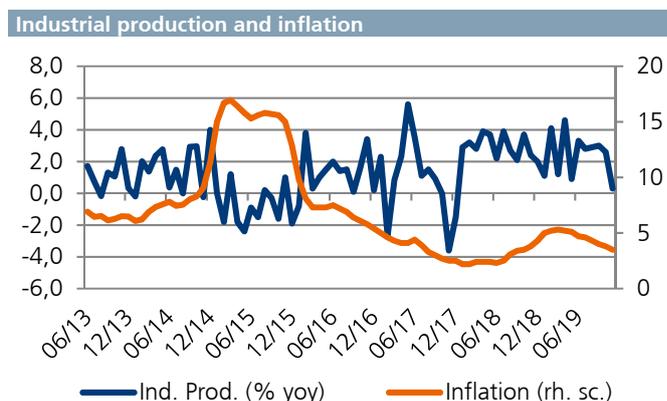
Banking Sector

In October, the Russian banking sector was characterised by the lower growth rate of the deposit portfolio – +8.7% yoy vs. +9.8% yoy in September – due to the decrease in corporate deposits (+8.9% yoy after +11% yoy a month earlier), as the growth rate of household deposits remained stable. In terms of lending, the relatively weak dynamics in October were due to a slowdown in the household segment: +19.7% yoy after +20.7% yoy in September. Meanwhile, the corporate portfolio accelerated, with its growth rate increasing to 4.2% yoy in October from 3.9% yoy in September. This dynamic is in line with expectations as since October last year some restrictions have been imposed on lending to individuals with a high debt load.

Irina Lekareva

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production yoy	0.3 (Nov)	2.9	2.9
Nom. exports yoy	-12.0 (Nov)	-6.7	-6.7
Retail sales yoy	2.3 (Nov)	0.9	1.3
PMI manufacturing	47.5 (Dec)	46.3	48.6
Inflation rate yoy	3.0 (Dec)	4.3	5.0
CB reference rate	6.3 (31th Dec)	7.0	7.5
Loans (priv. sector, yoy, eop)	8.5 (Oct)	8.6	11.3
Deposits (priv. sector, yoy, eop)	8.7 (Oct)	9.8	9.7
Lending interest rate (corp., eop)	8.1 (Oct)	8.3	9.1
Deposit interest rate (hh, eop)	4.9 (Oct)	5.0	5.7

Source: State Statistics Federal Service, Central Bank of Russia



Source: State Statistics Federal Service

Ukraine

Real Economy

Consumer price growth in Ukraine slowed to 4.1% yoy in December 2019, compared with 9.8% at the end of 2018 and 13.7% at the end of 2017. The year-end figure was well below market expectations and the NBU's 6.3% target for 2019. In December 2019, compared with the previous month, consumer prices fell by 0.2% due to the continued strengthening of the local currency and favourable price dynamics in the global energy markets. In the same month core inflation landed at -0.3% on a mom basis and 3.9% on a yoy basis. In November, industrial production continued its downturn, decreasing by 4.6% yoy after a 5% yoy decline in October, thus representing the sixth consecutive month of decline in a row. The heaviest annual fall was seen in the energy sector (-9.3% yoy). In late December, Ukraine reached an agreement on natural gas transit fees with Russia, with a significant positive impact for the Ukrainian trade balance and for the smooth supply of natural gas. The new IMF financing programme, agreed at the staff level, is likely to be delayed as some roadmap commitments from the Ukrainian side are still pending.

Artem Krasovskiy

Financial Markets

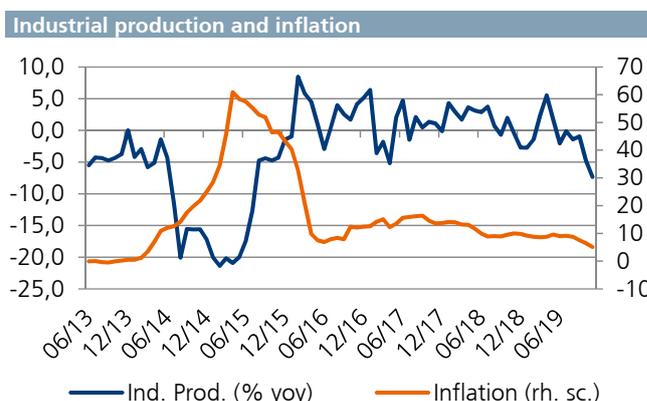
On the back of the favourable inflation print, which was well below market expectations and the central bank's targets, the NBU may undertake another substantial key rate cut (150-300bps), at its forthcoming monetary policy meetings. UAH remained strong in the second part of January, trading at 24.20/40 against the USD, even though it has lost some momentum after hitting records in late 2019 at 23.20-23.70. Thanks to strong demand for government bonds and record-breaking grain crops, 2019 was fruitful for FX reserves accumulation. The NBU bought around USD 8bn, which helped to bring the stock of FX reserves above USD 25bn in late 2019, compared with USD 20bn the year before. The Finance Minister's primary debt auctions are still attracting an excess in demand, persistently bringing market yields down and hitting new lows each week: the cut-off rates during the most recent auction ranged between 10-10.20%, compared with 19.50% a year earlier. The five-year CDS showed an improvement in sentiment towards Ukraine (current value 327), having declined by 50% during the previous six months and by 30% during the previous month.

Banking Sector

Between January and November 2019 the Ukrainian banking system made a record profit of UAH 59bn, compared with UAH 19.9bn in the same period of the previous year. Banks' revenues grew by 23% to UAH 222.1bn, while expenses grew by 2% to UAH 163.1bn. Retail consumer lending in local currency remained the main assets driver (+1.7% mom and +25% yoy in Nov), while corporate lending showed a weak performance (-1.4% mom and -13.7% yoy). Private sector deposits in local currency showed positive dynamics (+0.9% mom and +18% yoy), while FX deposits decreased (-3.89% mom and -3.35% yoy), due to the improving market expectations toward UAH. Local currency lending rates in the corporate segment are decreasing (-6.56% mom and -20.57% yoy) following the dramatic easing of monetary policy during 2019.

Latest Economic Indicators			
	Last value	3Q 19	2Q 19
Industrial Production yoy	-4.6 (Nov)	-0.8	1.7
Nom. Exports yoy	6.3 (Nov)	7.1	6.1
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	13.6 (Dec)	9.3	11.2
Inflation Rate yoy	4.1 (Dec)	8.5	9.1
CB Reference Rate	13.5 (31th Dec)	16.5	17.5
Loans (Priv. Sector, yoy, eop)	-10.0 (Nov)	-9.7	0.4
Deposits (Priv. Sector, yoy, eop)	8.9 (Nov)	4.8	9.3
Lending interest rate (pr.sect., eop)	19.1 (Nov)	20.6	19.7
Deposit interest rate (pr.sect., eop)	11.8 (Nov)	13.2	13.3

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



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Egypt's real GDP growth has stabilised, recording a preliminary estimate of 5.6% in 3Q19, after 5.6% in FY2018/19, the highest growth rate since FY2007/08. The latest available data, for 2Q19, showed that private domestic demand had outpaced net exports as the main driver of economic activity since the beginning of 2019, driven by the acceleration in private investment growth, as well as the gradual recovery in private consumption. Most sources of foreign currency improved; the current account deficit narrowed 31.3% yoy in 1Q2019/20, mainly due to the decline in the non-oil trade deficit and the increase in remittances received from Egyptians working abroad. Tourism revenues also stabilised, with further room for growth in the future, especially after the inauguration of the Grand Egyptian Museum this year and due to the expectation of a return of Russian tourism. Net inflows of FDI in Egypt increased by 66.2% yoy, largely driven by the increase in net inflows for greenfield investments and oil sector investments.

Samer Halim

Financial Markets

Annual headline urban inflation reached 7.1% in December 2019, from 3.6% in November 19, as monthly inflation recorded -0.2% in December, compared with -3.4% in the same month the previous year. This reflected the strong unfavourable base effect stemming from the reversal of the transitory shock to the prices of fresh vegetables in the previous year. However, inflation rates are still likely to be within the central bank's target of 9% (+/-3%) by the end of 2020.

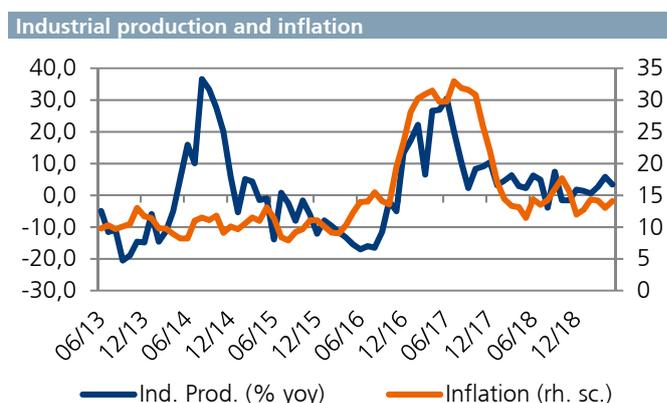
Despite the market's expectations of lower rates, the Monetary Policy Committee decided to keep the overnight deposit and lending rates unchanged at 12.25% and 13.25%, respectively, at its meeting in January. The decision was based on the need to assess the impact of 2019 cuts, the stabilisation of real GDP growth and the acceleration of inflation. Yields on 91-day T-Bills moved had down to 14% on January 21, compared with 14.5% one week earlier. The EGP was one of the world's best performing currencies of 2019 and it has extended its robust performance in early 2020, breaking the EGP16/USD level for the first time since February 2017. Its value gained up to 25 piasters against the USD in 2020, driven by USD 1.7bn in FX inflows in one week.

Banking Sector

Rating agency Moody's stated that the outlook for Egypt's banking system is stable over the next 12-18 months as its banks maintain high liquidity amid an expanding economy. Total private loans rose by 14.3% yoy in October 2019, with retail and corporate loans contributing to this growth by 8.5% and 5.8%, respectively. On the other hand, private deposits moved up 13.4% yoy, mainly driven by the rise in retail deposits, of almost 16%. Net foreign assets in banks reached USD 5.1bn in November, compared with -USD 6.4bn in December 2018.

Latest economic indicators			
%	Last value	3Q 19	2Q 19
Industrial production, wda yoy	3.4 (May)	n.a.	4.6
Nom. exports yoy	-5.5 (Jul)	-5.5	10.5
Retail sales yoy	n.a.	n.a.	n.a.
PMI	48.2 (Dec)	49.5	49.2
Inflation rate yoy	7.1 (Dec)	7.0	12.2
CB reference rate	12.3 (22th Jan)	14.3	15.8
Loans (priv. sector, yoy, eop)	14.3 (Oct)	14.9	13.0
Deposits (priv. sector, yoy, eop)	13.4 (Oct)	13.6	12.4
Lending interest rate (corp., eop)	14.4 (Nov)	15.1	16.4
Deposit interest rate (hh, eop)	9.2 (Nov)	10.3	11.3

Source: Ministry of Trade and Industry, Central Bank of Egypt



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 yoy			Inflation chg yoy				Retail sales chg yoy			Economic Survey ²		
	3Q19	2Q19	2018	Last	mth	3Q19	Last	mth	3Q19	Last	mth	3Q19	2018	Last	mth	3Q19	Last	mth	3Q19
CEE																			
Czech Rep.	2.5	2.7	3.0	-3.2	Nov	-0.9	-5.3	Nov	7.3	3.2	Dec	2.8	2.1	2.9	Nov	5.8	102.1	Dec	103.5
Hungary	5.0	4.9	5.1	3.6	Nov	7.8	-0.1	Nov	7.4	4.0	Dec	3.1	2.8	6.8	Nov	6.2	108.1	Dec	111.2
Poland	3.9	4.4	5.1	1.4	Nov	3.4	-2.1	Ott	0.4	3.4	Dec	2.8	1.7	5.2	Nov	4.8	99.7	Dec	103.0
Slovakia	1.3	2.2	4.0	-4.4	Nov	-2.8	-4.3	Nov	-1.3	3.0	Dec	2.9	2.5	-4.0	Nov	-2.2	97.9	Dec	94.9
Slovenia	2.3	2.5	4.1	1.3	Nov	2.3	4.0	Nov	10.5	2.0	Dec	2.0	1.9	-2.5	Nov	4.1	102.0	Dec	104.8
SEE																			
Albania	3.8	2.3	4.1	n.a.	n.a.	n.a.	-8.9	Nov	-1.0	1.1	Dec	1.4	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	2.6	2.6	3.4	-4.9	Nov	-6.0	-10.2	Nov	-5.8	0.1	Nov	0.4	1.4	4.1	Nov	4.1	n.a.	n.a.	n.a.
Croatia	2.9	2.4	2.6	-0.4	Nov	1.2	-1.9	Ott	9.0	1.4	Dec	0.9	1.5	2.5	Nov	3.0	114.4	Dec	112.2
Romania	3.0	4.4	4.1	-5.6	Nov	-3.7	1.0	Nov	1.9	4.0	Dec	3.8	4.6	6.5	Nov	7.6	104.3	Dec	102.5
Serbia	4.8	2.9	4.4	1.1	Nov	1.9	7.4	Nov	7.1	1.9	Dec	1.3	2.0	11.2	Nov	8.8	n.a.	n.a.	n.a.
CIS MENA																			
Moldova	4.3	5.8	4.0	-3.7	Nov	5.1	-0.9	Nov	3.4	7.5	Dec	5.7	3.1	13.5	Oct	9.4	n.a.	n.a.	n.a.
Russia	1.7	0.9	2.3	0.3	Nov	2.9	-12.0	Nov	-6.7	3.0	Dec	4.3	2.9	2.3	Nov	0.9	47.5	Dec	48.6
Ukraine	4.1	4.6	3.3	-4.6	Nov	-0.8	6.3	Nov	7.1	4.1	Dec	8.5	11.0	14.0	Nov	9.3	n.a.	n.a.	n.a.
Egypt	5.6	5.7	5.4	3.4	May		-5.5	Jul	-5.5	7.1	Dec	7.0	14.4	n.a.	n.a.	n.a.	48.2	Dec	49.2
<i>m.i. E. A.</i>	<i>1.1</i>	<i>1.1</i>	<i>1.9</i>	<i>-1.5</i>	<i>Nov</i>	<i>-2.2</i>	<i>-2.9</i>	<i>Nov</i>	<i>3.1</i>	<i>1.3</i>	<i>Dec</i>	<i>1.0</i>	<i>1.8</i>						

Source: Datastream, Reuters; ¹Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; ²PMI 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
	20/01	chg	20/01	chg	20/01	3M*	1Y*	3M*	1Y*	20/01	17/10	3Q19	2Q19	2018	3Q19	2Q19	
CEE																	
					Vs Euro												
Czech	2.2	0.0	1.7	0.3	25.1	-2.29	-2.23	9.4	12.3	32.0	39.6	n.a.	n.a.	n.a.	-1160	1304	Aa3
Hungary	0.2	0.0	2.1	0.1	336.91	1.26	5.46	9.2	8.9	56.4	73.9	n.a.	-455	4035	n.a.	-122	Baa3
Poland	1.7	-0.1	2.3	0.3	4.24	-0.94	-1.12	3.2	-3.6	22.5	22.1	n.a.	n.a.	n.a.	-200	967	A2
Slovakia	-0.4	0.0	0.1	0.2	Euro	Euro	Euro	1.1	6.3	34.3	43.4	n.s.	n.s.	n.s.	-2030	-874	A2
Slovenia	-0.4	0.0	0.3	0.2	Euro	Euro	Euro	9.8	15.8	53.2	74.2	n.s.	n.s.	n.s.	740	860	Baa1
SEE																	
Albania	1.0	0.0	n.a.	n.a.	122.26	-1.37	-2.07	n.a.	n.a.	n.a.	n.a.	110	-44	372	-161	-274	B1
Bosnia	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.		281	545		-239	B3
Croatia	0.4	-0.1	0.6	0.1	7.44	0.17	0.11	2.1	16.4	48.6	87.8	545	1559	1732	4568	-351	Ba2
Romania	3.0	0.1	4.3	0.2	4.78	0.5	0.17	5.6	43.1	61.9	82.1	3591	951	1619	-8103	-4602	Baa3
Serbia	2.3	-0.3	n.a.	n.a.	117.57	0.01	-0.78	7.3	18.5	98.0	98.0	1149	706	1822	-655	-745	Ba3
CIS																	
					Vs USD												
Moldova	5.5	-2.0	6.6	0.4	17.62	1.4	3.96	n.a.	n.a.	n.a.	n.a.	21	98	192	11	13	B3
Russia	6.4	-0.7	6.2	-0.5	61.53	-4.37	-6.6	14.9	24.4	56.6	72.1	4889	19965	35753	12900	10552	Baa3
Ukraine	16.5	-1.6	10.5	-5.7	24.29	-2.48	-12.41	9.8	-9.1	327.9	493.6	720	-77	4232	-2213	-474	Caa1
Egypt	15.1	-0.6	13.5	-0.9	15.77	-2.89	-11.85	5.4	16.8	291.5	327.8	766	240	5531	-1382	-587	B2
<i>m.i. E. A.</i>	<i>-0.4</i>	<i>0.0</i>	<i>-0.3</i>	<i>0.1</i>	<i>1.1</i>	<i>-0.4</i>	<i>-2.8</i>	<i>7.4</i>	<i>19.2</i>	<i>5.1</i>	<i>5.7</i>						

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

Banking aggregates and interest rates (private sector)																							
	Loans			NPL/Loans			Foreign Liab.			Deposits			Loans rate ¹ -NewB*			DepositsRate ¹ -NewB*			Loans/Dep				
	Last	Mth	2018	Last	mth	2018	Last	mth	2018	Last	Mth	2018	Last	mth	2018	Last	mth	2018	Last	mth	2018		
CEE																							
Czech Rep.	5.0	Nov	6.8	2.6	Nov	3.3	0.9	Nov	10.2	6.0	Nov	6.9	3.33	Nov	3.31	C	1.55	Nov	1.35	H	76.1	Nov	75.7
Hungary	13.9	Nov	10.6	3.8	Jun	4.5	5.3	Nov	1.5	6.9	Nov	14.1	2.39	Nov	2.3	C	0.27	Nov	0.18	H	83.6	Nov	77.7
Poland	5.5	Nov	7.9	4.0	Mar	3.9	-7.8	Nov	-2.9	10.0	Nov	9.4	3.6	Nov	3.48	C	1.48	Nov	1.62	H	95.1	Nov	97.0
Slovakia	5.7	Nov	9.1	3.1	Nov	3.3	-12.9	Nov	-0.1	5.8	Nov	7.3	1.95	Nov	2.01	C ²	0.05	Nov	0.07	H ²	103.3	Nov	101.4
Slovenia	4.7	Nov	2.6	2.5	Nov	4.0	7.3	Nov	-16.5	6.3	Nov	6.7	2.1	Nov	2.22	C ²	0.17	Nov	0.17	H ²	75.8	Nov	75.3
SEE																							
Albania	5.6	Nov	-3.8	9.5	Nov	11.1	-0.8	Nov	-4.4	3.7	Nov	-0.9	7.02	Nov	8.16	PS	0.65	Nov	0.62	PS	54.5	Nov	52.8
Bosnia H.	6.7	Nov	5.5	7.7	Sep	8.8	1.6	Nov	17.4	8.4	Nov	8.5	2.93	Nov	3.1	C	0.53	Nov	0.34	H	104.9	Nov	105.4
Croatia	3.2	Nov	2.3	6.0	Sep	7.6	9.7	Nov	6.7	5.5	Nov	5.0	5.72	Nov	6.17	PS	0.21	Nov	0.45	PS	75.8	Nov	76.6
Romania	6.9	Nov	7.9	4.3	Nov	5.0	-12.3	Nov	-8.4	10.6	Nov	9.2	6.96	Nov	6.97	PS	2.22	Nov	1.96	PS	76.9	Nov	78.4
Serbia	9.6	Nov	9.9	4.7	Sep	5.7	10.0	Nov	24.0	12.4	Nov	14.9	7.4	Nov	7.74	PS	1.99	Nov	2.78	PS	99.6	Nov	96.9
CIS MENA																							
Moldova	13.9	Dec	5.9	8.5	Dec	12.5	-10.4	Nov	-16.7	7.7	Dec	6.0	8.93	Dec	8.64	C	4.5	Oct	4.25	H	59.1	Dec	55.9
Russia	8.5	Oct	15.0	9.9	Oct	10.1	-18.0	Oct	-0.4	8.7	Oct	14.2	8.14	Oct	9.2	C	4.9	Oct	5.62	H	107.4	Oct	105.6
Ukraine	-10.0	Nov	6.3	48.7	Nov	52.9	-27.5	Nov	-7.5	8.9	Nov	7.9	19.09	Nov	21.75	PS	11.77	Nov	14.16	PS	108.7	Nov	121.2
Egypt	14.3	Oct	15.3	4.1	Mar	3.9	-26.2	Oct	10.7	13.4	Oct	13.8	14.4	Nov	17.8	C	9.2	Nov	12.2	H	34.4	Oct	34.3
<i>m.i. E. A.</i>	<i>12.4</i>	<i>Nov</i>	<i>2.0</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>4.2</i>	<i>Nov</i>	<i>7.9</i>	<i>5.6</i>	<i>Nov</i>	<i>3.6</i>	<i>1.2</i>	<i>Nov</i>	<i>1.3</i>	<i>C</i>	<i>0.2</i>	<i>Nov</i>	<i>0.3</i>	<i>H</i>	<i>86.5</i>	<i>Nov</i>	<i>80.6</i>

Source: Central Banks, IMF, Moody's; ¹monthly average; ²lending rate on current account overdraft; on deposits up to 1 year

³Sector C=Corporates, H=Household, PS=Private Sector.

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