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Quarterly Note

Intesa Sanpaolo
 International Research
 Network

High frequency data show an overall deep and fast deterioration of the business cycle. The monetary and fiscal responses to the crisis have helped to cool down financial market tensions, but credit spreads remain high.

The most recent releases of hard economic data reveal the dramatic impact of the coronavirus on pandemic-hit economies. GDP growth in 1Q20 was still +0.6% yoy in the CEE and 1.3% in the CIS region (for the SEE area, GDP growth is, to date, only available for Romania, which showed a buoyant, 2.4% rise), only partially reflecting, however, the significant reversal of the business cycle which took place in March.

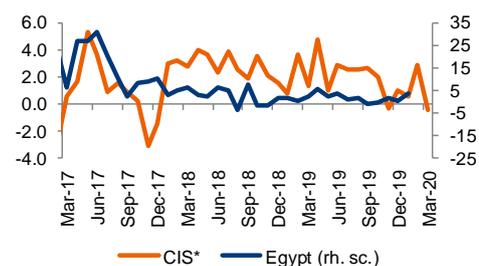
Moving to high frequency data and looking in detail at March figures, the deteriorating scenario related to the pandemic becomes apparent. Industrial production fell by a 6% average yoy in CEE countries and by c.10% in the SEE region (with respect to +2% and -0.6% in Jan.-Feb., on avg.), in parallel with significant drops for both retail sales and exports. In the CIS area, the fall was milder (-0.4% yoy), but as result of a 0.3% growth recorded by Russia, where lockdown measures were only introduced at the end of month. Overall, industrial production, exports and GDP are now expected to have declined dramatically in April, the month during which lockdown measures were the most severe and instituted on a global basis, as the sharp drop in new orders (with the car sector particularly hard hit) and the latest releases of high frequency survey signal.

In order to contain the negative impact of the lockdown measures (see table on page 21) put in place to curb the spread of the pandemic and pave the way in coming months for a sustained recovery, the monetary and fiscal authorities of the countries with ISP subsidiaries (as was the case elsewhere) implemented bold policies aimed at providing the necessary liquidity and credit support to corporate sectors (especially SMEs) and relief to households expected to be heavily hit by rising unemployment and falling disposable incomes. Overall, reference rates have been cut significantly (and further cuts are on the cards), bank reserve requirements reduced, moratoriums on bank loans enacted and QE operations instituted. Direct and indirect fiscal measures amount, in several cases, to more than 10% (and above) of GDP pushing up (when also considering the expected drop of nominal GDP) public debt/GDP ratios in 2020-2021.

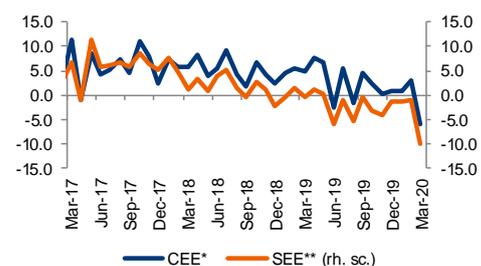
As reported in our 27th March *Economic and Banking Outlook*, the immediate reaction of financial markets to the pandemic outbreak was dramatic. In all areas in March, stock markets plummeted (by over 30% in several cases), credit spreads (and long-term yields) rose, and exchange rates faced alarming pressure (as in several CEE/SEE countries) or depreciated sharply (as in Russia and Ukraine). In Egypt, the EGP showed resilience, but at the expense of USD 8bn of official reserves (1/5 of the total). The responses of international and local authorities calmed the markets which enabled financial assets to partially recover previous losses, but credit spreads have remained high, signalling persistent uncertainties on the timing and speed of recovery.

As in the case of hard economic data, March data on banking aggregates only provided partial evidence regarding the possible impact of the incoming deteriorating scenario. Credits to and deposits from the private sector increased in March by an estimated 7.4% and respectively 10.9% in CEE/SEE and more than 7% in both cases in the CIS area. Looking ahead their growth profile is expected to deteriorate but the relative magnitude remains highly uncertain. Several forces (with opposite effects) are at work: the negative impact of a deep recession vs supportive credit policy measures still being adopted in case of corporate loans and the likely extensive fall of disposable income vs increase of (precautionary) savings ratios in case of household deposits.

Industrial production % yoy – CIS – Egypt



Industrial production % yoy – CEE – SEE



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

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

See the final page for important information.

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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 May 25, 2020.

Cross Country Analysis

CEE Area

In the **CEE area**, the sharp contraction of **industrial production** in March (-6.0% yoy, regional average) negatively affected **GDP** in the first quarter, the trend of which, according to the flash estimate, was 0.6% yoy (regional average, but Slovenia is not included as its Q1 GDP number has not yet been released). The GDP dynamic fell significantly from the 2.9% yoy recorded in 4Q19, below our previous expectations, with the spread of COVID-19 and the measures adopted in March to contain it, had a stronger-than-expected economic impact. In **Czech Republic** and **Slovakia**, where industrial production contracted by double-digits rates in March (-10.8% yoy and -19.6% yoy, respectively), the GDP dynamics were -2.2% yoy and -3.9% yoy, respectively. In **Hungary** and **Poland**, industrial production contracted in March, though at lower rates (-5.6% yoy and -2.3% yoy respectively). Thus, in Q1, GDP still showed positive growth (2.2% yoy and 1.9% yoy, respectively).

Antonio Pesce

In March, the **export** trend (in parallel with industrial production) fell significantly in Czech Republic and Slovakia (-10.4% and -19.2%, respectively, in nominal term). It remained positive, even if rather feeble, in Hungary and Slovenia. At the same time, the lockdowns imposed to counteract the pandemic spread had a deep impact on domestic demand, as shown by the **retail sales indicator**, whose dynamic path was overall negative (-5.9% yoy on average, in real terms), ranging from -14.7% in Slovenia to 3.5% in Hungary.

Industrial production is now forecast to have slumped further in April, judging by the sharp drop in **new orders** and in the latest releases of **high frequency survey data**. In Czech Republic in March, new orders totalled 15.7% less than in the same month last year. The largest contraction was experienced by the automotive sector (-28.3%). In the same country, the manufacturing PMI in April (35.1) set a record low, as did the ESI (64.5). In Hungary, after the historical low reached in March (28.5), the PMI increased slightly in April (33.6) while in the same month, the ESI declined further (75.4). In Poland as well the ESI plummeted, to 47.2 in April from 95.3 in March, reaching an all-time low. The similar figures can be observed for Slovakia and Slovenia, where the ESI dropped to 83.8 and 66.2, respectively, in April.

On the **inflation** side, consumer prices in the CEE area decreased by 2.9%, on average, in March (from 4.1% the first quarter), a record low for the last five months. The dynamic was mainly driven by a broadly anti-inflationary impact of the coronavirus crisis and by plummeting fuel prices as a result of the weakness in world oil prices. The inflation rate ranged from -1.3% in Slovenia to 3.4% in Poland. Overall, inflation rates moved closer to the central values of the inflation target corridors set by national CBs, with the exception of Slovenia, where at -1.3%, it moved further away from the euro area target of 'close to but below 2.0%'.

In order to limit the negative economic impacts of the measures put in place to contain the spread of the coronavirus and support a future recovery, authorities implemented strongly expansionary **monetary policies** through a package of measures (such as policy rate cuts, reductions of reserve requirements, quantitative easing operations, moratoriums on bank loan payments) aimed at providing the economic system with the necessary liquidity. These measures led to a decline of interest rates in the **money markets** of CEE countries, except for in Hungary, where to offset depreciating pressures on the exchange rate, the O/N repo rate has been augmented to enlarge and make symmetric the interest rate corridor around the base rate, and the money market rate has been increased slightly. Thanks to the prompt reactions of CBs, **long-term yields** as well as spreads with the benchmark (10Y Bund), after increasing in March, driven by market tensions due to uncertainties induced by the pandemic, partially retreated. In Slovakia and Slovenia, long-term yields, which were close to zero three months ago, are now moving around 0.7%. In the **FX markets**, local currencies which in parallel had depreciated also partially recovered.

In the **CEE region**, bank lending accelerated slightly in March, on average, to 7.8% yoy (from 6.5% yoy in February), supported in particular by the corporate sector while household lending decelerated. In the same month, deposits increased strongly, supported by cautious behaviour and expenditure deferrals. The payment moratoriums launched in March in all countries began to support loan dynamics. The effects of measures announced by central authorities (such as state credit guarantees, lending schemes and lower capital requirements) but not yet fully implemented are also expected to become effective in upcoming months. In **Czech Republic** in March, lending growth (6.4% yoy) was still robust, for both households (6.4%) and corporates (6.4% yoy), thanks to relaxed limits imposed on household loans in the past (higher LTV, higher DSTI). Deposits were also dynamic (+8.8% yoy in the private sector, 11.7% for corporates and 7.7% for households). March data still show a very strong performance for banking aggregates in **Hungary**. Loans rose in March by 18.4% yoy, driven by both corporates (18.5% yoy) and households (18.2% yoy). The MNB launched the Funding for Growth Scheme (FGS) in 2019 in order to increase the share of predictable, fixed rate loan products within the financing of investments. Until 30 April 2020, credit institutions were reported to have settled loan or leasing contracts with 16,149 enterprises in the amount of HUF 495bn (5.5% of total loans to corporates). At the same time, deposits increased by 13.7% yoy, mainly supported by corporates (18.4% yoy vs 9.4% for households). Lending accelerated slightly in **Poland** as well, increasing by 6% yoy in March from 5.1% yoy in February, in both the corporate (4.1% yoy) and the household (6.9% yoy) sectors, supported by the revision of the mandatory reserve, which is expected to free up PLZ 40bn for lending. Deposits increased by 11.5% yoy in March, particularly among corporates (18.1% yoy vs 9.4% yoy for households).

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In **Slovakia**, lending still grew at a 6% yoy pace in March, at a stronger rate for households (8.5% yoy) but at a weaker pace for corporates (2.5% yoy). Deposits from the private sector slowed to 3.5% yoy, with corporates showing a weaker performance (-1.1% yoy), but households remaining more dynamic, at +6.5%. The special tax on banks calculated on a bank's liabilities to 0.4% has been confirmed. In **Slovenia**, total loans increased by 4.4% yoy in March (accelerating among corporates, to 4.5%, but decelerating in the household sector, to 4.3%). Total deposits recorded a sizable increase (7.9% yoy), accelerating among both corporates (+7.6% yoy) and households (+8% yoy). In both countries, capital buffers have been loosened.

SEE Area

In parallel with the CEE area, the most recent high frequency data signal a strong economic impact of containment measures in the **SEE region** in March. **Industrial production** contracted by 10.1% yoy in the region (weighted average, excluding Albania, for which data are not available), ranging from -12.7% in Romania to -0.1% in Serbia. **Exports** fell in March in Romania (-11.0% yoy), Croatia (-10.2% yoy) and Bosnia (14.2% yoy) and in April in Albania (-44.2% yoy). Only in Serbia did they continue to show a positive trend (3.1%), but well below the rate recorded in Q1 (9.0%).

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Among SEE countries, **Romania** is the only one for which Q1 **GDP** data have been released at this time. According to the flash estimate, its trend was only partially affected by the pandemic (containment measures were put in place late in March) and remained positive, at 2.4% yoy (+0.3% qoq based on seasonally adjusted data); nevertheless, the economic dynamic contracted significantly from the 4.3% yoy recorded in 4Q19. In April, the Romanian **ESI** declined to an historical low (65.3). The same type of performance was seen in Croatia, where the ESI marked an historical record low in April (72.3).

In April, **inflation** decreased, on average, in the region (excluding Bosnia, for which April data were not yet available) to 1.8%, well below the Q1 figure (2.5%), ranging from -0.2% in Croatia to 2.7% in Romania. As in the CEE region, in the SEE area, CBs have also loosened monetary policies to support liquidity conditions in economic systems and counteract the impacts of the economic shock related to the pandemic, and short-term interest rates decreased

overall. As in CEE countries, after increasing in March, **long-term yields** and spreads vs the Bund benchmark partially retreated in both Croatia and Romania. In parallel, in the **FX markets**, after depreciating in March, local currencies (even if more slightly with respect to CEE currencies) partially recovered in May, thanks to interventions by central banks in FX markets and diminishing pressures on international financial markets.

Among SEE countries, lending growth rates remained around +7% yoy in March as a result of a widespread increase in the take-up of loans. NPLs are still a source of concern in this crisis period, despite flexibility allowed in applying international accounting standards. Deposits accelerated in the area (by around +12% yoy, driven by Romania), due to the deferral of consumption and investment, but are expected to suffer in the coming months from a fall in remittances. In detail, in **Albania**, total loans to the private sector increased by 8.8% yoy in March (from 6.3% yoy in February), partly due to the depreciation of the exchange rate (+4% yoy), among both corporates (to +9% yoy) and especially among households (+8.5% yoy from +2.2% yoy in February). Deposits strengthened, to +6.5% yoy from +3.5% yoy in February. Corporate deposits increased by 10.4% while household deposits, which account for more than 80% of total deposits, increased by 5.8% yoy, despite lower interest rates.

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In **Bosnia**, loans decelerated in March to +3.5% yoy (vs 4.2% yoy in February) in both the corporate sector (1.6% yoy) and in the household sector (+5.3% yoy from 6.2%). Deposits increased by 6.8% yoy, mainly among corporates, rising to 12.3% yoy from 6.9% yoy in December. In **Croatia**, loan growth accelerated (+6% yoy as of March), thanks to households (+6.7%), but also to corporates (4.9% yoy, clearly an improvement from 0.4% yoy in February). Euroisation was reinforced, especially in deposits (52% of loans and 57% of deposits are in foreign currencies, mainly the euro). Deposits denominated in foreign currency increased by 6.6%, especially among corporates (+24%) vs 3.9% in the households, due to precautionary motives) and to new liquidity, thanks to the mandatory reserve revision (for around HRK 10.4bn, or 3.7% of total deposits).

In **Romania**, the growth in lending decelerated slightly, but remained robust (6.2% in March) in both the household sector, at 7.6% yoy (but only in local currency, while loans denominated in foreign currency decreased by 9.1% yoy) and in the corporate sector (at 4.5% yoy). Deposits performed very well in March (+14.6% yoy), thanks to corporates (+17.4%), but also supported by households (+13.1%, benefitting from a still-strong labour market, but also due to precautionary motives. Loans also accelerated in **Serbia** (+11.5% yoy in March), especially among corporates (+13.6% yoy), but among households as well (+9% yoy). Loans in foreign currency increased further, by 11.6% yoy, particularly among corporates (14.5% yoy,) but also among households (5.7% yoy). Both household (+9.8% yoy) and corporate (9.4% yoy) deposits showed dynamic growth. In line with the cut adopted by the CB, interest rates decreased slightly in March (6.4% on lending and 1.7% on deposits from the private sector).

CIS and MENA Areas

In the **CIS area**, in **Russia**, the economy grew by 1.6% in 1Q20 (but slowed from +2.1% yoy in 4Q19), sustained by retail sales (+4.3%), manufacturing (+3.8%) and agricultural (+3%) output and not yet affected by lockdown measures related to the COVID-19 pandemic. Russia imposed lockdowns in late March, shutting many businesses across the country. In April, the PMI indices tumbled to 12.2 and 31.3, respectively, for the services and the manufacturing gauges, while car sales plummeted by 72.4%. Inflation rose significantly, to 3.1% in April from 2.5% in March, partly affected by the currency depreciation. The central bank, which cut its main policy rate by 50bps, to 5.5%, at the end of April, has highlighted a rapid weakening of inflationary pressures linked to the fall in consumer demand. In **Ukraine**, real GDP dropped by 1.5% yoy in 1Q20, dragged lower by falling manufacturing, mining, utility and agriculture output. The Ukrainian economy is expected to experience the biggest shock in 2Q20, with the NBU predicting a fall of 11.3% in the quarter. The introduction of internal quarantine restrictions will have large effects on the services sector, retail trade, and transport. Export-oriented industries,

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such as metallurgy, will also suffer, while high demand for agricultural products is expected to continue. Inflation slowed to 2.1% yoy in April from 2.3% yoy in March, but the NBU expects it to accelerate in the coming months, to reach 6% at the end of 2020 (still within the 5%+/-1% target range). In **Moldova**, industrial production, after a strong start of the year (+6.2% yoy in January-February), tumbled in March (-10.5% yoy), reflecting the restrictions introduced by the government starting from the second half of March. Moldova's inflation rose to 5.3% yoy in April vs 5.9% in March, mainly driver by food prices, which added 9.96% yoy.

In **Egypt**, real GDP, after growing by 5% in Q3 (January-March) of FY 2020, is expected to register a large drop in Q4 (April-June). The measures taken in the country and worldwide to contain the spread of the virus are expected to hit the service sector the most, in particular those businesses more dependent on tourism (hotels, restaurants, transport) and foreign trade (Suez Canal), in addition to remittances from Egyptian working abroad. Remittances are equal to about 10% of household consumption. The PMI for the non-oil private sector tumbled to an all-time low of 29.7% in April, dragged lower by orders and production. In April, annual inflation was 5.9%, under the lower end of the year-end 9%+/-3% target range set by the CBE.

In the **CIS area**, measures adopted to support money and credit to the economy are expected to be effective in the months to come, but some effects were already evident in March. A particular source of concern are NPLs, still high in the area. In **Russia**, the dynamic of loans to the private sector remained stable (+8.3% yoy as of February), very strong among households (+17.8% yoy vs +4.4% yoy to corporates). The CB released additional measures to support individual and corporate borrowers in sectors most hit by the coronavirus. But, this could mask a deterioration in banks' solvency metrics. Deposit increases remained stable (6.8% yoy in February), among both corporates (3.4% yoy) and households (9.4% yoy), despite declining interest rates. The CB recommended that all banks postpone or reduce planned dividend payments. In **Ukraine**, loans fell in March by -0.9% yoy (after -5.9% yoy in February), particularly among corporates (-3.5% y/y) due to clean-up operations. NPLs (still high at 48.7%) continue to weigh on lending. Total deposit growth accelerated (19.9% yoy vs 14.2% yoy in February), particularly in foreign currency for both corporates (+40% yoy) and households (+18.5% yoy). The LTD ratio went back over 100%, but liquidity has been supported by central bank measures (such as the lower reserve requirements for FX deposits and reduced LCRs).

In **Moldova**, the strong performance of loans (+15.3% yoy in March) continued to be driven by households (+34.8% yoy) while loans to corporates, which accounted for almost 70% of the total portfolio, increased more modestly, by 7.1% yoy. NPLs increased again in March (to 8.5% from 8.1% of total loans in February). Deposit growth accelerated to 12.3% yoy (corporates +11.4% yoy and households +12.8% yoy), especially denominated in foreign currency (+19.8% yoy). The LTD ratio remained one of the lowest in the region (60% as of March). In order to increase liquidity, the central bank revised the mandatory reserve (for MDL 3bn, or 4.4% of total deposits).

In **Egypt** in February, loans grew by 13.2% yoy in the private sector (above the annual inflation rate), with the performance still much stronger among households (almost 30% yoy) vs corporates (6.4% yoy). Deposits grew by 14% yoy, especially from households (16.5% yoy vs 2.3% from corporates). Liquidity remained high, with the LTD ratio very low (34.4%). In line with monetary rates, the interest rate on lending decreased to 12.7% from 13.8% in January, but the deposit rate remained flat, at 8.8%, leading to a tighter spread.

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Country-Specific Analysis

Czech Republic

Real Economy

Czech real GDP growth was reported to be down 3.6% qoq in seasonally adjusted terms and off 2.2% yoy in headline, unadjusted terms. This was the first GDP estimate with no structure released. The Statistics Office nonetheless hinted that the decline in value added was driven mainly by manufacturing, trade, transport, accommodation and restaurants—that is, sectors hit directly by closures following the enactment of the state of emergency on 12 March or hit indirectly by suspended supplies and demand from abroad (car makers).

Clearly, though, the GDP hit in Q1 was still relatively mild, as only the first two weeks of the lockdown were included, as it started in mid-March. A more severe impact will be observed in Q2, with April taking the brunt of the lockdown. For example, industrial production in March plunged 8.7% mom in seasonally adjusted terms. This decline, the worst on record, was driven by car manufacturing, the key segment of Czech industry, which plunged 20%. We note that in March, the automotive sector was shut for only 10 days while in April it was closed down for 24 days. Hence, April will probably have posted an even steeper decline. The same situation applies for retail sales, which plunged in March by 8.9% yoy and will only start to see the bottom in the next reading, as the lockdown was only being gradually unwound in May.

Financial Markets

Amid a faltering economy, the Czech National Bank (CNB) continued to deliver more monetary stimulus. Its most recent rate action on 7 May was ‘an above-expectations’ 75bps move, which cut the key two-week repo rate to just 0.25% and the cumulative rate decrease since mid-March to 200bps. The CNB also has been successful in bringing down the long end of the yield curve by agreeing with the Ministry of Finance to purchase bonds in the secondary market. Although this newly agreed QE framework has not been activated yet, just the implications of it happening, together with stabilisation of global risk appetite, helped to compress the spread of Czech yields to German bunds in 10-year maturity to below 130bps from above 200bps in March. Meanwhile, the koruna, after weakening considerable at the onset of the coronavirus crisis, has stabilised in a range of 27.0-27.5 vs the euro.

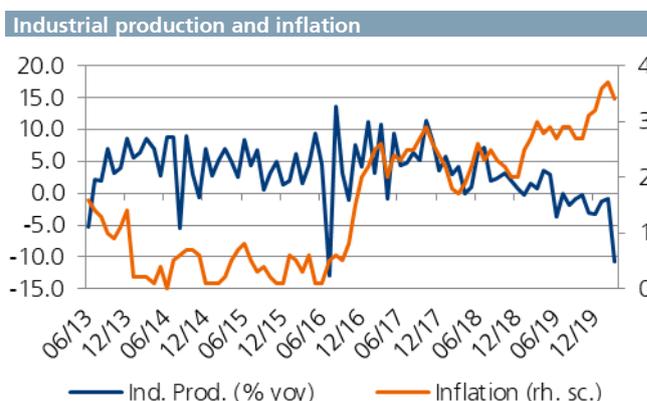
Banking Sector

The CNB has continued to support the banking sector via capital measures, on 1 April, cutting the countercyclical capital buffer to 1% and using supportive macroprudential measures as well (LTV, DSTI, DTI limits) in mortgage lending so as to allow banks a freer hand in supplying new credit to retail customers. The effects of these measures on loan volumes will only be seen later this year. Data through March had reflected continued healthy growth of housing loans, at 7.1% yoy. Regarding deposits, volume growth picked up in March, probably the result of “forced” savings, as lockdown meant households could not spend their income the way they previously did.

Latest economic indicators			
	Last value	1Q 20	4Q 19
Industrial production, wda yoy	-10.8 (Mar)	-4.3	-2.2
Export of goods, nominal yoy	-10.4 (Mar)	-4.1	-2.1
CB refi rate	0.3 (20th May)	1.0	2.0
ESI (index)	64.5 (Apr)	94.9	99.8
Retail Sales yoy	-10.4 (Mar)	-4.1	-2.1
Inflation rate, average yoy	3.2 (Apr)	3.6	3.0
Loans (priv. sector, yoy, eop)	6.4 (Mar)	6.4	5.2
Deposits (priv. sector, yoy, eop)	8.8 (Mar)	8.8	6.1
Lending interest rate (corp., eop)	3.2 (Mar)	3.2	3.6
Deposit interest rate (hh, eop)	1.4 (Mar)	1.4	1.5

Source: Czech National Bank, Czech Statistical Office

Zdenko Štefanides



Source: Czech Statistical Office

Hungary

Real Economy

Given the threat of faster spreading of the COVID-19 pandemic, a state of emergency was announced for the whole of Hungary. The easing of lockdown measures started at the beginning of May, with restrictions on the opening hours of shops ceasing. Following the initial shock in March, some forward-looking indicators (eg, manufacturing PMI) have now started to improve, but they still reflect expectations of a severe recession in 2020. The major car manufacturers have launched a cautious and partial relaunch of production. GDP had seen a significant hit in Q1, down 0.4% qoq, but it was still up 2.2% in yoy terms. Monthly hard data showed drops in industrial production (-5.6% yoy in March) and domestic demand, with rises in unemployment. Core CPI remained stable. The government announced some tax and social benefit remedies, but the fiscal package mostly includes reallocation of funds and less fresh money being pumped into the system, with the deficit planned at 3.8% of GDP. As result, we project a severe decline in GDP, especially in 2Q20, with further negative impacts in Q3, amid a strong rise in unemployment. Our baseline scenario suggests a full-year recession for 2020 to a range of -3.5% to -4.1%), which may be more severe in the event of a resurgence of infections.

Financial Markets

The MNB left the three-month policy rate (0.90%) and the more functional O/N depo rate (-0.05%) unchanged in March. Since then, it decided to support interbank liquidity through regular swap facilities (one, three, six and 12 months) and the extension of eligible collaterals (effective from 23 March) with loans to large corporates (c.HUF 3,600bn, or EUR 10bn, in total in the banking sector). The MNB also announced one-week FX swap tenders providing forint liquidity on a daily basis from 17 March (to smooth liquidity fluctuations). The MNB is also providing liquidity at 3Y and 5Y maturities at fixed rates, with an unlimited quantity available for any purpose. Furthermore, the MNB relieved domestic counterparty credit institutions of their reserve requirements until further notice. The MNB's Financial Stability Council reduced banks' administrative burdens and is ensuring flexible adjustment to prudential requirements. The EUR/HUF and the money market have stabilised in May. MNB continues with its QE programme (started in May, with weekly government bond buying not pre-committed, but now around HUF 50bn). The MNB's latest stress test sees no need for capital raising measures.

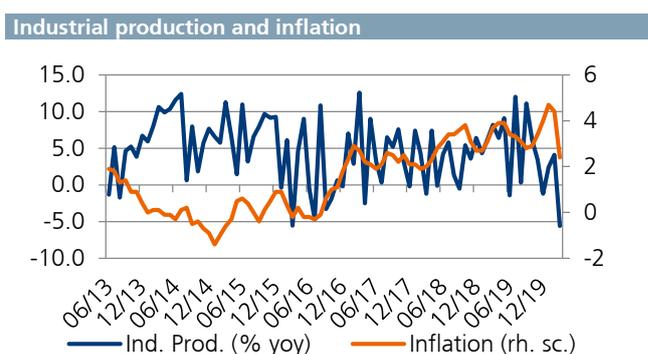
Banking Sector

From 19 March to year-end, a suspension of repayments has been offered by the government regarding all household and corporate loans taken out before 19 March, affecting both interest and capital payments. These payments will be due at a later date, but the monthly repayment burden will not be raised after the suspension period. According to the latest estimates, the ratio of debtors accepting the offer may be lower than expected, at around 60% or even less. The banking sector is being supported by monetary policy measures on the credit and the capital sides too. However, no unexpected liquidity or capital risks have emerged at this point.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production yoy	-5.6 (Mar)	3.3	2.8
Nom. Exports yoy	0.6 (Mar)	3.4	1.8
ESI (index)	75.4 (Apr)	102.8	108.1
Retail Sales yoy	3.5 (Mar)	9.3	6.6
Inflation Rate yoy	2.4 (Apr)	4.3	3.4
CB Reference Rate	0.9 (20th May)	0.9	0.9
Loans (priv. sector, yoy, eop)	18.4 (Mar)	18.4	13.2
Deposits (priv. sector, yoy, eop)	13.7 (Mar)	13.7	8.0
Lending interest rate (corp., eop)	2.5 (Mar)	2.5	2.3
Deposit interest rate (hh, eop)	0.2 (Mar)	0.2	0.2

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Sandor Jobbagy



Source: Hungarian Central Statistical Office

Poland

Real Economy

In Poland, lockdown recommendations and measures had been initiated in the middle of March. Several easing measures are being taken in the second half of May. Borders have not been reopened yet, and several branches of the economy, including tourism and domestic transport, have not really been affected. Poland's Q1 GDP and the latest forward-looking indicators were less severely affected compared to most other CEE and EU economies, but recession is still being projected for 2020. Industrial production has fallen by more than 10%; however, domestic demand appears to have been more solid. On 18 March, a fiscal stimulus package of PLN 212bn (more than 9% of GDP) was announced by the Polish government. Polish public debt is relatively low in terms of GDP (less than 50%), ie, there is sufficient fiscal room, especially as only 3% of GDP in this package is direct cash outflow (the rest includes guarantees and other indirect fiscal actions). We still expect to see a severe drop in GDP, especially in 2Q20, with further negative impacts in Q3. Our baseline scenario suggests a full-year recession for 2020 (with the drop in GDP revised up to -4.0%), which could be more severe in the event of a second wave of infections later this summer or later in the year.

Financial Markets

The NBP lowered its main policy rate to 0.50% in two steps (-50bps each) in March and April, and again to 0.1% (-40 bps) in May. Other recent monetary actions included additional liquidity supply to the banking sector through repo operations, large-scale QE (ie, purchase of Treasury bonds on the secondary market, the introduction of discount credit for banks which – like the ECB's TLTRO programme) will enable the refinancing of loans granted by banks to non-financial corporations. The NBP also cut the required reserve rate and raised the interest rate on the reserve from 0.5% to the level of the reference rate. Further monetary actions may be in the pipeline, but no further rate cuts look to be imminent. The zloty weakened (EUR/PLN above 4.50) in tandem with the central bank's latest rate cuts and QE measures.

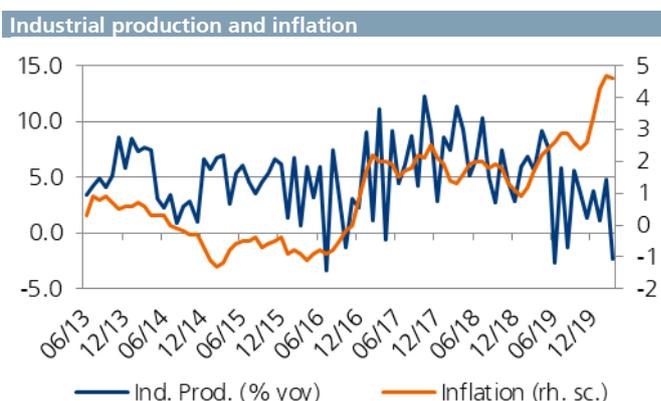
Banking Sector

Lending activity continued to surge up to March (latest data available). The banking sector appears to be solid, though the expected consolidation process may be accelerated by the COVID-19 crisis. Possible new actions and suggestions by the central bank that would affect the banking sector include the implementation of a grace period for the repayment of loans. The Polish Banking Association announced that about 200,000 retail customers and about 10,500 enterprises applied for a pause in repayments at Polish commercial banks to the end of March. Banks could be supported by reducing or suspending the banking tax. The NBP Management Board has also supported a reduction in the systemic risk buffer to maintain the supply of credit by banks. A reduction in the rate from 3% to 0% would free up approximately an estimated PLN 30bn of capital.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production yoy	2.4 (Mar)	2.8	2.9
Nom. Exports yoy	1.1 (Feb)	n.a.	3.3
ESI (index)	47.2 (Apr)	95.3	99.3
Retail Sales yoy	-7.1 (Mar)	1.2	5.2
Inflation Rate yoy	3.4 (Apr)	4.5	2.8
CB Reference Rate	0.5 (20th May)	1.0	1.5
Loans (priv. sector, yoy, eop)	6.0 (Mar)	6.0	4.7
Deposits (priv. sector, yoy, eop)	11.5 (Mar)	11.5	9.7
Lending interest rate (corp., eop)	3.5 (Mar)	3.5	3.6
Deposit interest rate (hh, eop)	1.2 (Mar)	1.2	1.5

Source: Narodowy Bank Polski, Statistics Poland

Sandor Jobbagy



Source: Statistics Poland

Slovakia

Real Economy

The Slovak economy has been hit hard by the COVID-19 pandemic. The lack of exports seem to be having more of a negative effect than quarantine measures. GDP fell by as much as 3.9% yoy in Q1 with respect to the 2% yoy increase in 4Q19. Specifics are yet not available; however, the monthly data suggest that declines in industrial production and exports are mainly to blame. Both fell by 19-20% yoy in March and the net export of goods might have contributed as much as -4 percentage points to the annual GDP dynamic in Q1.

This was driven by a cut in important automotive production and orders from abroad, with the fall in sales related to the global pandemic. In addition, the hospitality and tourism sectors also shrank considerably in March (sales fell by more than 50% yoy in accomodation).

April will likely be worse. The deep recession likely to be seen in 2020 will inevitably increase the local unemployment rate. A first sign of this was the rise in the share of registered jobless from 5.2% to 6.6% in April. With a many employees having a right to a two-month notice period, the rise will likely continue in the coming months. A general decline in aggregate demand together with lower commodity prices is causing the local inflation rate to fall. National CPI growth had slowed to 2.1% by April (with an annual drop in prices of transport) and could fall further during the year.

Financial Markets

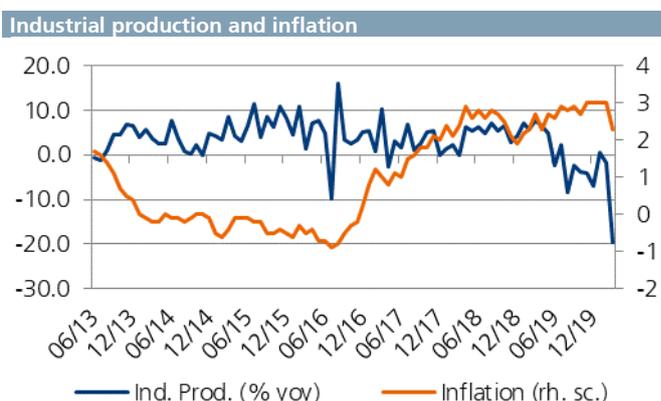
The three-month euribor rate increased in April, but remains safely in negative territory under the accomodative ECB policy. The spread between 10Y Slovak government bond yields and negative German Bund yields rose markedly recently (to as much as 125bps) amid the general increase in uncertainty. Given the help from the rise in asset purchases by the central bank, the spread may already have reached its high and will ease in the future. In May, Fitch downgraded the country's credit rating from A+ to A with a stable outlook.

Banking Sector

Banking business has remained largely unaffected by the economic problems seen during 1Q. At the end of April, the central bank decided not to increase the anti-cyclical buffer to free up more capital for lending. Loan moratoriums and government credit guarantees should help to keep total lending volumes stable, potentially even over the rest of this year. Still, the recession is expected to negatively affect the clients' risk profiles and NPLs considerably. Similarly, higher savings rates may keep bank deposits volume increasing, but downward pressure may emerge if the unemployment rate increases more significantly and/or higher unemployment levels continue for a long period.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production, wda yoy	-19.6 (Mar)	-6.9	-4.9
Nom. Exports, yoy	-19.2 (Mar)	-7.3	0.2
ESI (index)	83.8 (Apr)	97.9	97.9
Retail sales, yoy	-3.6 (Mar)	-0.2	-3.3
Inflation rate, yoy	2.1 (Apr)	2.8	2.9
ECB refi rate	0.0 (20th May)	0.0	0.0
Loans (priv.sector,yoy,eop)	6.0 (Mar)	6.0	6.2
Deposits (priv.sector,yoy,eop)	3.5 (Mar)	3.5	4.8
Lending interest rate (corp., eop)	1.93 (Mar)	1.93	2.06
Deposit interest rate (hh, eop)	0.03 (Mar)	0.03	0.05

Source: Statistical Office of Slovak, National Bank of Slovak



Source: Statistical Office of Slovak

Michal Lehuta

Slovenia

Real Economy

High frequency data for March shows industrial output contracted by 7.6% yoy (1Q: -2.0% yoy), amid 7.5% lower activity in Manufacturing, due to suppressed foreign demand and production ceasing for some companies. Retail trade turnover, meanwhile, declined by 15.1% yoy (1Q: -7.0% yoy), where the largest factor was 22.5% lower non-food sales. March exports still rose by 1.1% yoy (1Q: +6.5%), a much softer figure vs previous months, while imports declined (-3.3%) for the first time since July 2016 (1Q20: +2.7%). Unemployment started to rise notably at the end of March, with only some moderation in the increase in late April and the beginning of May. On 14 May, the government proclaimed an end to the pandemic in the country, becoming the first European country to do so. April HICP inflation rate turned negative (-1.3% yoy vs +0.7% in March), influenced by declining crude oil prices as well as lower electricity prices, with the latter affected by lower prices of electricity for households, implemented by one of the country's largest supplier. The Jan.-Apr. HICP rate was +0.9% yoy.

Ivan Odrčić

Financial Markets

The 10Y government bond spread vs the Bund suddenly expanded in March amid the COVID-19 outbreak, triggering the yield growth. Gradual increases in spreads and yields continued in April, as uncertainties and stress on the financial markets built up and government debt started to crawl upwards. In April, government bonds worth EUR 2Bn were issued, when the 10Y bond was at a 0.9% yield (in January, the same maturity was issued below 0.3% yield). At end-April, the yield stood at 0.8% and the spread at 130bps, up by 50bps (80bps compared to end-2019). Since mid-May, the spread started subsiding as the country pronounced the end of pandemic. The yield was 0.6% on 20 May, with the spread at 100bps (both -20bps vs end-April).

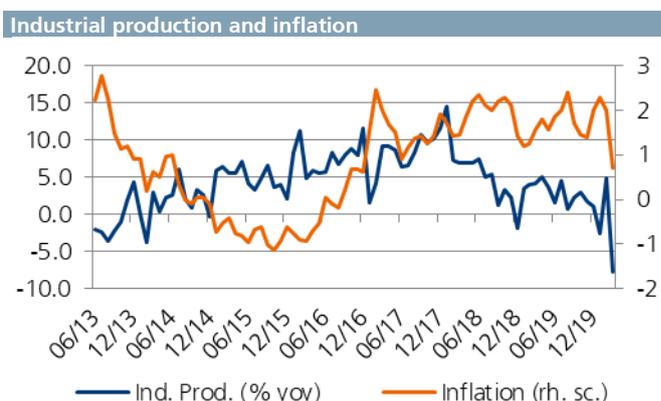
Ana Lokin

Banking Sector

March data on loan and deposit developments still showed no signs of major distress. Private sector loans actually accelerated in Q1, from 3.7% yoy in December 2019 to 4.4% at the end of the month, thanks to stronger corporate lending (1.2% yoy at end-2019, 4.5% yoy at end-1Q9). Household loans, on the other hand, lost steam (slowing from 5.9% yoy in December to 4.3% yoy in March), restrained by tighter regulations. Data on new placements showed a lower volume of new household loans in March, accompanied by a rise in the amount of newly placed corporate loans, possibly related to liquidity loans banks are granting to companies affected by the economic downturn. In the coming months, the stock of loans will also be impacted by the moratorium which came into force as of the end of March. CB statistics reveal that during the first months during which the new law was in force, banks received 22,000 applications from borrowers, equivalent to 3.3% of total loans (2.9% of total household loans, 5.1% of total corporate loans). Private sector deposits rose at a stable pace in January-February (6.2%, ie, 6.3% yoy), accelerating to 7.9% yoy in March, owing to higher growth of corporate deposits (7.6% yoy) and steady household deposits (8.0% yoy).

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production, wda yoy	-7.7 (Mar)	-1.8	1.9
Nom. Exports yoy	1.1 (Mar)	6.6	5.1
ESI (index)	66.2 (Apr)	94.0	100.1
Consumer Confidence Indic.	-35.6 (Apr)	-13.9	-13.8
Inflation Rate yoy	-1.3 (Apr)	1.7	1.6
ECB refi rate	0.0 (20th May)	0.0	0.0
Loans (priv.sector,yoy,eop)	4.4 (Mar)	4.4	3.7
Deposits (priv.sector,yoy,eop)	7.9 (Mar)	7.9	6.3
Lending interest rate (corp., eop)	1.9 (Mar)	1.9	2.2
Deposit interest rate (hh, eop)	0.2 (Mar)	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

Due to the dramatic shock caused by last November's earthquake, the Albanian economy's growth in 4Q19 shrank significant, to -0.15% from 4.2% in Q3. GDP growth in 2019 is estimated to be around 2.2% from 4.1% in 2018. In April 2020, Albanian exports contracted substantially, by 44.20% yoy, and imports fell by 36.35%, signalling a strong drop both in external and domestic demand. The IMF in April forecast a deeper fall (-5%) of GDP in 2020, with a strong rebound, however, at 7-8%, in 2021. Tourism and fashion will be hit most, as well as FDIs and remittances.

The government announced financial packages to provide medical care and financial support for households and businesses, estimated to be on the order of c.3% of GDP. The government's fiscal deficit is expected to surge to about 5% and the current account deficit to about 11% of GDP. The IMF has approved a EUR 174m emergency loan to Albania to meet immediate balance-of-payments needs. Two consecutive shocks to the Albanian economy (the November earthquake and the current pandemic) will further negatively affect public debt, which the CB expects to reach up to 75.6% of GDP in 2020, up from the current 66.7% in 1Q20. Given the COVID-19 pandemic, the EU has offered to support the Western Balkans to the amount of EUR 3.3bn. The recent welcome decision by the EU to open membership talks with Albania may be a catalyst for improvements in the Albanian economy. Albania's April CPI was 1.9% vs 1.4% a year earlier, mainly influenced by food and non-alcoholic beverages.

Financial Markets

The decline in exports, tourism and remittances will put pressure in the local currency exchange rate and on the country's international reserves. The central bank is fully committed to providing support for the financial sector's liquidity needs, making interventions in the foreign exchange market and adjusting interest rates. In March, the CB lowered its key interest rate by 50bps, to a new record low of 0.5%. Mainly due to the CB intervention in the FX market to halt the depreciation of the LEK, which slid by 5% yoy in March, the LEK found support and has now stabilised around the same levels seen in the previous year, at c.123 vs the euro.

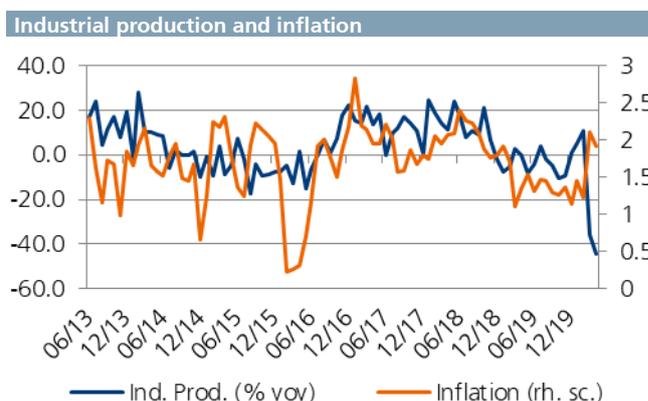
Banking Sector

Banks remains liquid in both domestic and foreign currency, with a decrease of NPLs (8.21% in March). Through tax and legal facilities, the authorities have recently encouraged a voluntary self-declaration of the disclosed assets from households and businesses. Total loans to the private sector in March 2020 expanded by 8.83% yoy. Households loan contributed a rise of 8.5% and corporate loan 9.0%. In the meantime, the total deposits were up by 6.6%, with households by 5.8% and business by 10.4% yoy.

Latest economic indicators			
	Last value	1Q 20	4Q 19
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-44.2 (Apr)	-6.8	-6.0
Unemployment rate	n.a.	n.a.	11.2
Inflation rate, average yoy	1.9 (Apr)	1.6	1.3
CB Reference Rate	0.5 (20th May)	0.5	1.0
Loans (private sector, yoy, eop)	8.8 (Mar)	8.8	6.5
Deposits (private sector, yoy, eop)	6.5 (Mar)	6.5	3.8
Lending interest rate (pr.sect., eop)	6.4 (Mar)	6.4	6.3
Deposit interest rate (pr.sect., eop)	0.7 (Mar)	0.7	0.7

Source: National Statistical Institute, Bank of Albania

Kledi Gjordeni



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

March data show industrial production posting a strong decline of 9.9% yoy, solely driven by one of the largest drops (-16.1%) in manufacturing activity in more than a decade, where only three activities (out of 23) posted increases in production. At the same time, real retail trade fell by 7.7% yoy on the back of declining non-food sales (-11.5%), although Q1 ended on a positive note (+3.7%), owing to a strong performance in January-February. After a 5.2% yoy contraction in Q1, goods exports in April posted a significant decline of 32.7% yoy (imports: -35.2%), as virus containment measures increased domestically and abroad and foreign demand fell (January-April 2020 goods exports slid 12.7%, imports were off 14.8% yoy). In March, the labour market (April data not available at the time of writing), contrary to surrounding countries, didn't fully signal the impact of the COVID-19 pandemic, with the number of unemployed dropping by 1.1% mom. The average net wage in March rose by 4.8% yoy in nominal terms (+4.6% in real terms), continuing the positive trend of relatively strong wage increases that started in 2018.

Ivan Odrčić

The average annual inflation rate in March amounted to +0.1%, with the soft increase supported by 1.0% higher food prices. Overall, in 2020, consumer prices on average increased by 0.4% yoy, also driven by higher (1.2%) food prices, while a further increase in the headline rate was curbed by 9.5% lower prices for clothing and footwear.

Banking Sector

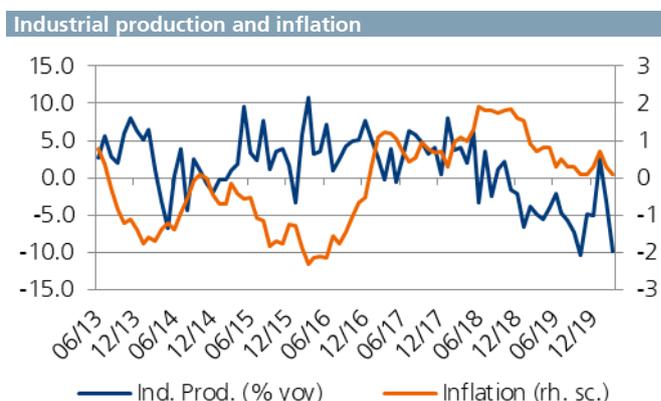
Private sector loans slowed gradually in Q1 (6.7% yoy in December; 3.5% yoy in March) as both corporate and household lending lost steam. Corporate loans in March witnessed a modest rise of 1.6% yoy and household loans of 5.3% yoy. The breakdown of household loans by type shows a strong deceleration of consumer loans. Authorities' decisions on relaxed prudential treatment of special measures (six-month moratorium, grace period, restructuring of liabilities, liquidity loans) to clients affected by the COVID-19 pandemic were implemented in late March, and we expect to start seeing their impacts in the data for Q2 developments.

Ana Lokin

Private sectors deposits saw a steady rise in the first two months of the year (respectively 8.6% and 9.1% yoy), but decelerated sharply in March, to 6.8% yoy, as a result of notably lower growth of household deposits (8.6% and 7.9% yoy in January-February, respectively, 4.7% yoy in March) which recorded a steep 2.3% mom drop in March, marking the first monthly decline after two and a half years and the strongest one since 2008. The fall in deposits in March might possibly be the first visible fallout of a looming economic downturn in a country in which citizens' deposits are highly dependent on remittances. In spite of the robust corporate deposit rise (8.6% yoy in January, 12.0% and 12.3% yoy February-March), Q1 ended with private sector deposits down by 1.0% qoq.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial production, wda yoy	-9.9 (Mar)	-3.8	-6.9
Export of goods, nominal yoy	-14.2 (Mar)	-5.2	-7.5
Retail trade, real, wda yoy	-7.7 (Mar)	3.7	5.3
Inflation rate, average yoy	0.1 (Mar)	0.4	0.2
Loans (private sector, yoy, eop)	3.5 (Mar)	3.5	6.7
Deposits (private sector, yoy, eop)	6.8 (Mar)	6.8	8.4

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



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Two weeks of lockdown in March weighed heavily on retail trade, which plummeted by 7.0% yoy as food hoarding (+8.5% yoy) was overridden by the dive in non-food retail (-17.3% yoy). At the same time, industrial production continued its sixth month in a row of negative performance (-4.9% yoy, manufacturing -6.2% yoy) with almost all categories except energy slipping into negative territory, reflecting crashes in both domestic and foreign demand, as noted in March data, ie, 10.1% and 12.2% yoy declines in exports and imports, respectively. In total, Q1 data are only a small glimpse of how negative the approaching full-month data for April will look. A three-phase lockdown exit strategy commenced on 27 April, with retail (except shopping malls) reopening, followed by the opening of services and HORECA in May. Borders have slowly started to open to foreigners, with all eyes directed towards the tourist season and ways to save at least a fraction of the EUR 10.5bn (20% of GDP) income. Focus is also on the government's wage subsidy measure which expires in June, allowing for EUR 530 in wage compensation for c. 580 th. employees in affected sectors (unemployment is up by 40,000 yoy).

Ivana Jovic

Financial Markets

Liquidity and FX rates stabilised in April and May, after seesawing in March, thanks to the CNB's decisive actions, as well as agreement with the ECB in April on a swap line worth EUR 2Bn that will remain in place at least through year-end. Volumes placed by the CNB at banks via short-term liquidity auctions have gradually declined while pressure on the kuna has subsided as financial institutions have balanced their positions. The average FX rate in April rose by 0.6% mom, to 7.60, and had remained close to that level at 20 May. Yields and spreads vs the Bund continued to creep up in April-May, although CNB purchases limited the extent of the increases. The CNB held one bond purchase auction in late April, buying HRK 9.5Bn in nominal value from financial institutions, thus releasing liquidity on the eve of government bond issue (7Y kuna indexed bond in nominal amount of EUR 1.4Bn). Average 10Y kuna bond yields rose to 1.45% in May (and spreads vs Bund rose to 190bps, +40bps on March levels).

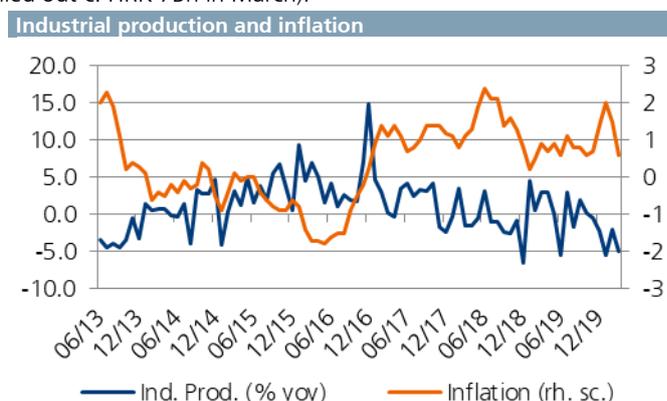
Ana Lokin

Banking Sector

Loans recorded stable growth rates of around 4% yoy in Jan.-Feb., but rose markedly in March (6.0% yoy), influenced by a resurgence in corporate loans and the kuna weakening (with the latter having around a +1.5pp effect). Corporate loans rose by 4.9% yoy in March (from 0.4% yoy the month before), partly due to base effects, whereas household loans slowed from 7.0% yoy in Jan.-Feb., to 6.7% yoy (ie, 5.5% FX-adjusted). March was the first month in which banks started to apply repayment moratoriums; according to the latest data, banks approved the deferral of payments to over 23,000 clients. Deposit growth sped up from 5.5% yoy in January to 7.1% yoy in February and approximately 7.0% yoy FX-adjusted in March (nominal rise reached 8.7% yoy). March saw a rebound in household deposits and an acceleration of corporate FX time & savings deposits (HRK 7.4Bn mom increase), partly related to outflows from investment funds (concerned about a market crash, investors pulled out c. HRK 7Bn in March).

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial production, wda yoy	-4.9 (Mar)	-4.2	-0.8
Export of goods, nominal yoy	7.7 (Feb)		1.1
Retail trade, real, wda yoy	-7.0 (Mar)	0.9	3.4
ESI (index)	72.3 (Apr)	103.3	113.3
Inflation rate, average yoy	-0.2 (Apr)	1.4	0.9
Loans (priv. sector, yoy, eop)	6.0 (Mar)	6.0	3.9
Deposits (priv. sector, yoy, eop)	8.7 (Mar)	8.7	4.8
Lending interest rate (pr.sect., eop)	2.7 (Mar)	2.7	2.9
Deposit interest rate (pr.sect., eop)	0.2 (Mar)	0.2	0.3

Source: Croatian National Bank, Croatia Bureau of Statistics



Source: Croatia Bureau of Statistics

Romania

Real Economy

GDP growth in 1Q20 was higher than expected, at +0.3% vs the previous quarter and 2.4% vs 1Q19. CPI is following the NBR projection, at the end of April, reaching 2.7% yoy, with a strong contribution from food and with an almost zero contribution from non-food. PPI decelerated sharply vs March at only +0.7%. Retail sales remained in positive territory vs March at around 3.9% growth. Industrial production continued its downtrend, with a higher decrease vs March of around -12.7%. This evolution goes in parallel with that for exports, which contracted 11.7% in March, while imports decreased only 1.8%. According to BIM, the unemployment rate increased from 3.9% to 4.6% in March. The budget deficit for March was at 1.67% of GDP; government expectations for 2020 are around 6.7% of GDP. The expectations for the following period will be strongly influenced by the still-uncertain evolution of the COVID-19 pandemic.

Marius Pacurari

Financial Markets

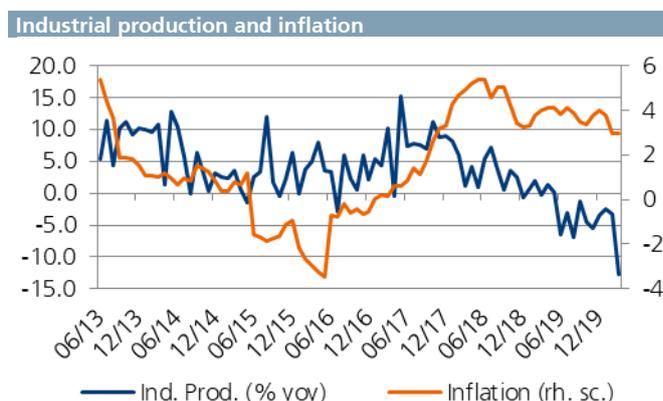
After the NBR cut the Reference rate from 2.5% to 2.0% and the Lombard rate from 3.5% to 2.5% in March, financial markets stabilised. In the FX market, previous depreciation of the currency was followed by re-appreciation, with the EUR/RON rate recently remaining stable at the 4.82-4.84 level. Interest rates in the money market were 'capped' at 2.5% related to the monetary policy corridor (between 1.5% and 2.5%), but in the swap market, there was significant volatility of yields. From being a net borrower the NBR became a net lender to the banking system: with RON 3Bn of liquidity placed by the NBR in February, the market drew RON 16Bn in liquidity from the NBR via different channels (bilateral REPO, Lombard, bond purchases). The NBR anticipated that further measures will be implemented in the future. Romania's 5Y CDS experienced significant depreciation, moving from around 60bps in mid-February to around 150bps at the beginning of May.

Banking Sector

Total assets grew by 3.4% mom in March at the Banking System level. In the same month, customer deposits continued to grow, with households showing a 1.81% rise mom (-0.15% RON and 4.62% foreign currency) and with companies showing 4.5% mom growth (-3.9% RON, but 37.6% foreign currency). Customer credits also grew in both segments. Household credits grew 0.57% mom, due to the RON component (0.9%), while the foreign currency component decreased (-0.1%). On the company side, credit contracted slightly, -0.14% in RON, but grew slightly, by 0.27%, in foreign currencies. Due to the rate cut, the lending interest rate for the RON decreased in March by 0.48% while deposit interest rates decreased only by 0.04%, negatively affecting banks' profitability. On the EUR side, interest rates have been stable on credits and deposits.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production yoy	-12.7 (Mar)	-6.1	-4.5
Nom. Exports yoy	-11.3 (Mar)	-2.0	1.9
ESI (index)	57.9 (Mar)	57.9	104.3
Retail Sales yoy	3.9 (Mar)	9.6	7.6
Inflation Rate yoy	2.7 (Apr)	3.3	3.7
CB Reference Rate	2.0 (20th May)	2.0	2.5
Loans (priv. sector, yoy, eop)	6.2 (Mar)	6.2	7.0
Deposits (priv. sector, yoy, eop)	14.6 (Mar)	14.6	12.6
Lending interest rate (pr.sect., eop)	5.5 (Mar)	5.5	5.8
Deposit interest rate (pr.sect., eop)	1.8 (Mar)	1.8	2.0

Source: National Bank of Romania, National Institute of Statistics



Source: National Institute of Statistics

Serbia

Real Economy

The state of emergency ended on 6 May, when it was recommended that all economic entities start to work at full capacity. According to central bank estimates, real GDP growth remained high in 1Q20 at around 5% yoy, driven by a strong rise in industrial production, a continuation of investment projects, and stable services growth through mid-March. A substantial drop in economic output is expected in 2Q20, however, as the coronavirus outbreak and containment measures caused disruptions in supply chains and a collapse in demand. The service sector was hit particularly hard—notably, tourism, catering, trade and transport—while construction—the main driver of GDP in 2019—was less affected, as construction works on infrastructure projects continued on even after the state of emergency was declared, just at a slower pace. Looking forward, Serbia is expected to slide into recession this year, after five years of continuous growth. On the fiscal side, the government adopted a revised 2020 budget in order to include the fiscal stimulus package. The fiscal deficit is expected to reach 6.9% of GDP, around 18x higher than the amount set by the 2020 Budget Law.

CPI rose by 0.6% yoy in April, which is the lowest level in the last three and a half years. A fall in inflation reflected the drop in fuel prices and weak aggregate demand due to the lockdown. CPI is expected to remain below the lower bound of the target tolerance band over the remainder of the year.

Financial Markets

The key policy rate has been cut twice since the beginning of the year, by a cumulative 75bps. The NBS kept the key policy rate unchanged in May at 1.5% in order to assess the effects of previous easing measures. Looking ahead, with low inflation and stable FX rates, further lowering of the key policy rate is quite likely. In May 2020, the National Bank of Serbia has expanded the list of securities that can be used in the central bank's monetary operations by including securities issued by companies with certain creditworthiness, with the aim to offer support to the development of the corporate bonds market. Corporate bonds will be available for purchase by the NBS on the secondary market from commercial banks in the country.

Banking Sector

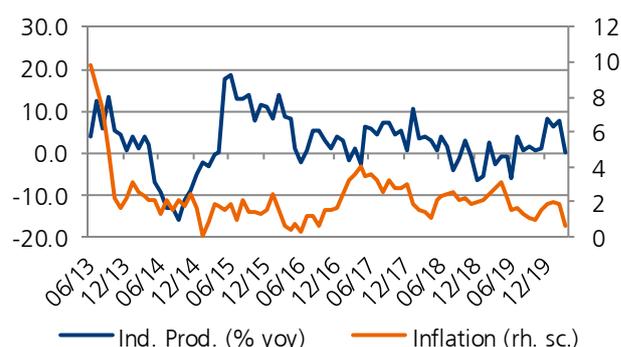
The government-approved a Guarantee scheme for loans provided through commercial banks as part of its Liquidity Support package to the private sector. Through mid-May, around EUR 1bn of credit requests for loans by small, medium and large companies (half of the total planned EUR 2bn) had been received via commercial banks. Regarding a 90-day moratorium on loan/leasing repayment, introduced in March, 94% of retail clients and 93% of corporate clients opted for to participate. Deposits have remained relatively stable since the start of pandemic. FX retail deposits returned to pre-pandemic levels after a temporary one-off decline; the level of corporate deposits has not changed significantly.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production yoy	-0.1 (Mar)	4.6	3.3
Nom. Exports yoy	3.1 (Mar)	9.0	8.1
Retail Sales yoy	4.4 (Mar)	9.5	11.2
Inflation Rate yoy	0.6 (Mar)	1.5	1.5
CB Reference Rate, eop	1.5(20thMar)	1.8	2.3
Loans (priv.sector,yoy,eop)	11.5 (Mar)	11.5	8.9
Deposits (priv.sector,yoy,eop)	7.5 (Mar)	7.5	7.8
Lending interest rate (pr.sect., eop)	3.6 (Mar)	3.6	4.0
Deposit interest rate (pr.sect., eop)	2.6 (Mar)	2.6	3.0

Source: Statistical Office, National Bank of Serbia

Marija Savić

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

In 2019, GDP growth decelerated, to 3.6%, 0.4pp below the 2018 level, due to the decline in agricultural production, offset by double-digit growth in the construction sector as well as positive growth in the retail and communication sectors. On the demand side, the GDP evolution was driven by the positive impact from net investments (+3.1pp) and household consumption (+2.5pp) which counteracted the negative net export (-1.5pp) and inventory (-0.6pp) contributions. The scenario has changed dramatically since the COVID-19 outbreak. In March, industrial production contracted by 10.5% yoy, due to the decrease in the production volume in all main industries (extractive, -20.9%; manufacturing, -8.7%; and the energy sector, -16.0%). In the first months of 2020, inflation continued on its downward trajectory, reaching 5.25% in April. This level is slightly above the 5% target, but below the upper bound of the inflation level (6.5%) set by the central bank.

Olga Pisla

Financial Markets

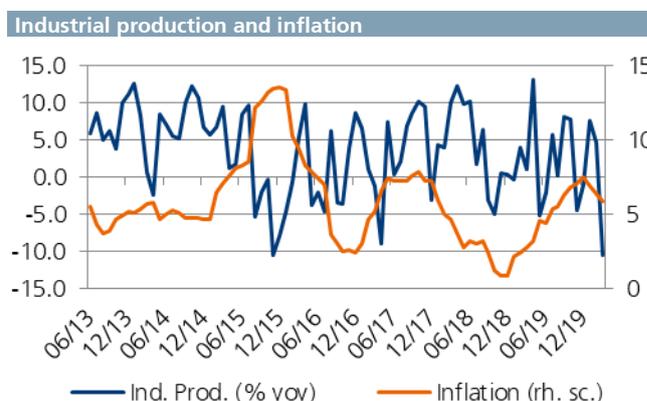
In March 2020, domestic government debt amounted to 11.3% of GDP, 3% above the level registered in January 2020. This increase was determined by the 8.3% greater volume of government securities issued in the primary market. In 1Q20, securities' yields continued their decreasing trend that started last quarter for all maturities, with yield dynamics being driven by deflationary expectations and the cut in the base rate. Longer maturity bond yields decreased by 0.75pp while shorter maturity yields fell by 0.6pp, 0.8 pp and 1.3 pp for TBs with 91-, 182- and 364-days maturities, respectively. In the context of the COVID-19 crisis, at the end of March, the National Bank cut the base rate to 3.25% and the required reserves ratio in local currency to 34% to ensure a stable liquidity level within the banking sector and to encourage demand.

Banking Sector

In 1Q20, the stock of deposits in the private sector grew by 12.6% yoy. Despite lower interest rates, sight deposits increased at a higher pace than term deposits (+8.7% vs +5.5%), with same dynamic being observed for deposits in foreign currency vs local currency (20.7% vs 7% yoy). The stock of loans also increased in 1Q20, by 12.9%, with main segments being commercial loans, followed by consumer loans and mortgages. Nonetheless, credit activity in 1Q20 slowed vs the same period last year, with the volume of new loans granted contracting by 8.2% yoy, driven by a 27.2% decrease in the household sector. In light of the COVID-19 outbreak, the amount of loans in the private sector fell by 1.5% mom in April 2020, mainly due to corporate loans (-2.1% vs -0.5% for households). The volume of new loans granted in April was 11.2% below the March level; the amount of deposits fell by 26.9%. In March 2020, the LTD ratio stood at 59%, indicating that resources are available to intensify lending and commercial banks have the necessary liquidity to finance the economy.

Latest economic indicators			
	Last value	1Q 20	4Q 19
Industrial Production yoy	-10.5 (March)	0.6	0.8
Nom. Exports yoy	1.7 (Feb)	-2.4	0.8
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	16.6 (Feb)	17.9	10.9
Inflation Rate yoy	5.3 (Apr)	6.4	7.1
CB Reference Rate	3.3 (20th May)	3.3	5.5
Loans (Priv. Sector, yoy, eop)	15.3 (Mar)	15.3	13.9
Deposits (Priv. Sector, yoy, eop)	12.3 (Mar)	12.3	7.7
Lending interest rate (corp., eop)	8.8 (Mar)	8.8	9.1
Deposit interest rate (hh, eop)	4.6 (Mar)	4.6	4.7

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



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

According to the 1st estimate of the Statistical Office, the economy grew by 1.6% yoy in 1Q20 (after +1.3% yoy in 2019). The main drivers were trade and manufacturing (+1.0pp and +0.4pp, respectively). In March, industrial production increased by 0.3% yoy (after +3.3% yoy in February and +1.1% in January) while retail sales accelerated to 5.6% from 4.6% in February and 2.6% in January. After a rise in economic activity in January and February, economic development, however, started to decelerate, due to a deterioration in the international economic environment related to the COVID-19 outbreak and falling commodity prices. The transport sector made a significant negative contribution (-0.3pp) in March, due to a decrease in external demand for Russian commodities. Annual inflation accelerated to 3.1% in April, mainly due to the weakening of the currency and increased demand in certain consumption segments. Social distancing and lockdown measures were introduced at the end of March. So, most of the economic losses due to pandemic will be observed after that month. Given these conditions, GDP is expected to decline by 8% in 2Q20, with partial recovery seen in the following quarters.

Irina Lekareva

Financial Markets

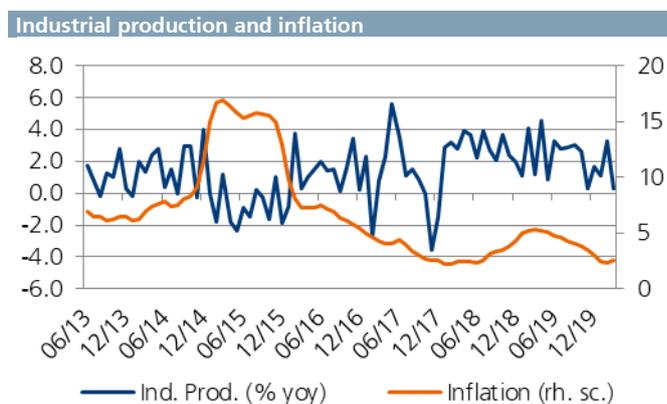
In March, the CBR started repo auctions valued at RUB 500bn to ensure sufficient liquidity in the banking sector. The CBR also engaged in FX selling in the domestic market and cancelled the scheduled FX purchases to support the currency. These measures, in line with the fiscal rules, significantly contained RUB volatility in March and April. At the end of April, the CBR cut the key rate by 50bps, to 5.50%, and noted an additional 100bps reduction of the key rate was possible at its next meetings. The new OPEC+ agreement to reduce oil production in May-June and thereafter did not fully meet market expectations, as it did not support the oil price. Based on a gradual recovery in oil demand in the future, a moderate increase in the Brent price in 3Q20 is nevertheless expected with further RUB strengthening.

Banking Sector

The volume of lending increased by 8.3% yoy in February against 7.2% yoy in January. Growth in household lending was +17.8% yoy and corporate lending showed an increase to +4.4% yoy, after +2.9% yoy recorded in January. Regarding the dynamics of deposits, in February, there was a slight increase of +6.8% yoy, after +6.5% yoy in January. Deposit growth was supported mainly by the household sector (+9.4% yoy) while corporate deposit growth was stable at +3.4% yoy. Due to the spread of the coronavirus, a number of measures were taken to support borrowers who are experiencing difficulties and to ensure the availability of financial services. The CBR encouraged banks to restructure current loans and introduced temporary regulatory easing. With new lending opportunities becoming available (special loans to 'systemically important' companies, 0% interest on loans for SMEs to pay salaries, a preferential mortgage programme, a SMEs lending programme), it is expected that the dynamics of lending will be well supported in the coming months.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production yoy	0.3 (Mar)	1.6	1.5
Nom. Exports yoy	-20.0 (Mar)	-13.9	-9.1
Retail Sales yoy	5.6 (Mar)	4.3	2.0
PMI Manufacturing	31.3 (Apr)	47.5	47.5
Inflation Rate yoy	3.1 (Apr)	2.4	3.4
CB Reference Rate	5.5 (30th Apr)	6.0	6.3
Loans (priv.sector, yoy, eop)	8.3 (Feb)	n.a.	7.1
Deposits (priv.sector,yoy,eop)	6.8 (Feb)	n.a.	4.2
Lending interest rate (corp., eop)	7.5 (Feb)	n.a.	7.8
Deposit interest rate (hh, eop)	4.2 (Feb)	n.a.	4.7

Source: State Statistics Federal Service, Central Bank of Russia



Source: State Statistics Federal Service

Ukraine

Real Economy

Ukraine so far appears to have generally contained the COVID-19 outbreak, with 20,000 confirmed cases at the end of May. Quarantine restrictions, first introduced in mid-March, are being gradually lifted starting 11 May. As expected, lockdown shifted the economy into recession in 1Q20. GDP contracted by 1.5% yoy and an even more severe decline is now expected for Q2. Industrial production decreased by 5.1% in Q1 while retail sales slowed to 7.6% yoy in March from 15.7% in February. Inflation remains subdued, with the April print down to 2.1% yoy from 2.3% in March, aided by favourable energy prices and contained consumer demand. According to Ukrainian authorities' estimates, the economy will tumble by 4.8-5% yoy overall in 2020, but with a robust rebound expected, to 2.4-4%, next year, thanks to supportive fiscal and monetary policies. The Parliament adopted the so-called "banking law", which seemed to be the last obstacle to unlocking further support from the IMF, which is now likely to enable as much as USD 5bn of financing from an 18-month Stand-by-Arrangement.

Artem Krasovsky

Financial Markets

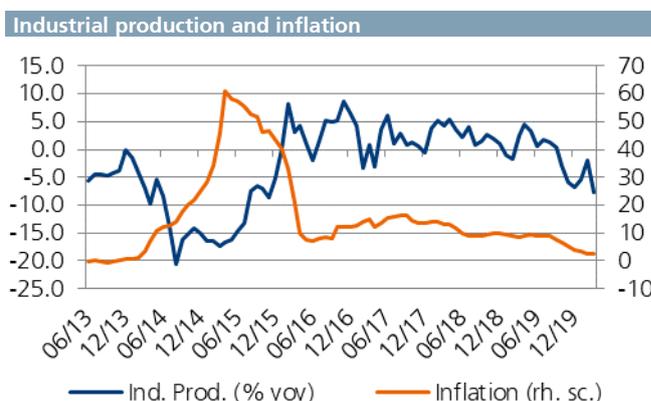
The NBU has persistently been continuing the easing of monetary policy, with additional 200bps cut in the key rate, to the current 8%, undertaken in late April, following moderate inflationary pressure and acting as a monetary response to the impact of the pandemic. The USD/UAH rate has rebounded by nearly 7% from the peak falls in March-April. The pair now trade at 26.50-26.70. Meanwhile, quarantine restrictions and a contraction in imports have helped the NBU to entirely restore Ukraine's monetary reserves, after the drop by USD 2.2bn. As the financial markets settle down, demand for local T-Bills in primary Fin. Min. auctions has returned, following the slowed down run-off of foreign investors and secondary market yields adjusted to 10-11%. The resumption of cooperation with the IMF is also supporting the situation.

Banking Sector

Q1 profits for the banking sector grew by nearly 24% yoy, amounting to UAH 16bn, although in March, the profit only constituted UAH 97mn, due to a strong increase in provisions. In Q1, UAH loans to corporates grew by 3.6% while retail UAH loans grew by 3.2%. FX loans decreased by almost 7% in the quarter, mainly due to conversion into UAH on the back of devaluation expectations. The share of NPL increased by 0.6pp, to 48.9%. Despite the outflow in late March, retail UAH deposits grew by 4.4% in Q1, or by 18.5% yoy, while FX retail deposits grew by 14.5% yoy. UAH corporate deposits decreased by 6.4% in Q1 and FX deposits by 2.4%, due to the slowdown in economic activity in March and the conversion of UAH deposits into foreign currency. To mitigate the impact of the pandemic and address possible shortages of liquidity, the NBU eased some regulatory requirements and introduced new liquidity supporting tools for banks, such as the increase in duration of refinancing loans to up to five years from 30 days previously and expanded the collaterals list to include state-guaranteed corporate bonds and municipal bonds.

Latest economic indicators			
	Last value	1Q 20	4Q 19
Industrial Production yoy	-7.7 (Mar)	-5.0	-5.1
Nom. Exports yoy	-0.2 (Mar)	1.3	6.5
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	7.6 (Mar)	11.0	13.3
Inflation Rate yoy	2.1 (Apr)	2.6	5.2
CB Reference Rate	8.0 (30th Apr)	10.0	13.5
Loans (Priv. Sector, yoy, eop)	-0.9 (Mar)	-0.9	-8.0
Deposits (Priv. Sector, yoy, eop)	19.9 (Mar)	19.9	9.6
Lending interest rate (pr.sect., eop)	12.9 (Mar)	12.9	14.8
Deposit interest rate (pr.sect., eop)	12.4 (Mar)	12.4	14.6

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



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Despite the notable increase in the number of coronavirus cases during May (total number is 14,229 as of 20 May), the daily rise is still not exponential. However, Egypt will impose stricter measures during the week of the Eid El-Fitr religious holiday (24 May – 29 May), and will then mitigate them for two weeks, marking the gradual reopening of the country. Hotels will re-open for local tourists at a 25% capacity cap until the end of May. In addition, as of mid-June, the state will announce a gradual resumption of several activities while following precautionary measures. Annual real GDP growth was 5% in 1Q20 compared to the targeted 5.9%, due to the first impacts of the pandemic on tourism, trade and industrial sectors. Egypt's PMI for non-oil sectors fell in April to 29.7 from 44.2 in March. The government imposed a financial development fee on some items, including fuel, athlete contracts, licensing of sporting services and pet food, with the aim of collecting EGP 15bn, and will deduct 1% from the salaries of public and private sector employees and 0.5% from pensions for 12 months beginning on 1 July. The finance minister expects the budget deficit to reach 7.8-7.9% of GDP in FY 2019/20 instead of the previously targeted 7.2%. Annual headline CPI was 5.9% in April 2020 compared to 5.1% in March 2020, mainly due to the rise in food prices in line with seasonality related to the holy month of Ramadan.

Samer Halim

Financial Markets

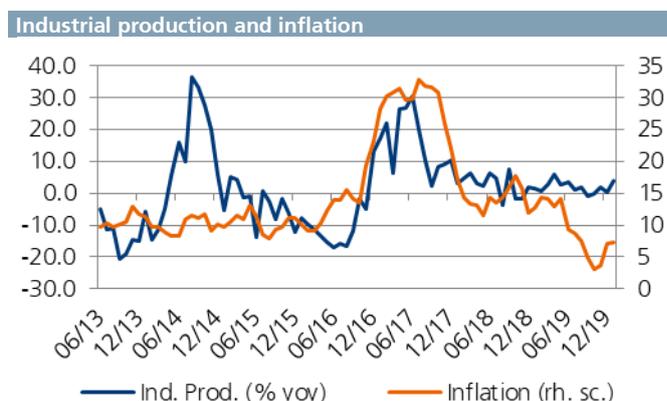
On 14 May, the CBE kept policy rates unchanged at 9.25% and 10.25%. The EGP has been steady since April against the USD; however, it lost 11 piasters in value during the third week of May. Foreign reserves including gold declined to USD 37bn in April (covers seven months of imports) compared to USD45.5bn two months earlier and net foreign assets in banks fell to -USD 3.5bn in March vs USD 7.9bn in February. These funds were used to cover portfolio outflows, the importation of strategic commodities, and the payment of external debt service. Moody's affirmed the long-term foreign and local currency issuer ratings of the country at B2, with a stable outlook. Egypt is in talks to obtain a USD 5bn stand-by arrangement from the IMF, after receiving a USD 2.77bn in rapid finance. It has also raised USD 5bn in international bonds against demand amounted to USD 21Bn from investors.

Banking Sector

Private loans and deposits rose 13.2% and 14% yoy, respectively, in February 2020, with the impact of COVID-19 not yet being seen. The construction sector was recently added to the CBE's initiative of offering loans to the industrial and agricultural sectors at a subsidized rate of 8%. Parliament approved the new Banking Law which stipulates raising banks' capital requirements, introducing new regulations for e-payments and fintech businesses, and allowing the central bank to provide short-term bailout funding to struggling banks.

Latest economic indicators			
%	Last value	1Q 20	4Q 19
Industrial Production, wda yoy	3.9 (Jan)	3.9	0.6
Nom. Exports yoy	-1.7 (Jan)	-1.7	-0.3
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	29.7 (Apr)	44.2	48.2
Inflation rate yoy	5.9 (Apr)	5.9	4.6
CB Reference Rate	9.3 (20th May)	9.3	12.3
Loans (priv. sector, yoy, eop)	13.2 (Feb)	n.a.	13.4
Deposits (priv. sector, yoy, eop)	14.0 (Feb)	n.a.	13.6
Lending interest rate (corp., eop)	12.7 (Mar)	12.7	13.8
Deposit interest rate (hh, eop)	8.8 (Mar)	8.8	9.2

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



Source: Ministry of Planning, CAPMAS

Lockdown dates and main fiscal and monetary responses – Cross Country table					<i>continued on next page</i>	
Lockdown dates and measures		Fiscal Policy		Monetary Policy/Credit/Regulatory changes		
Country	Start/ Final date	Measures concerning economic activities	Main measures taken	% GDP of measures +exp. deficit/GDP 2020	Main measures taken	% over GDP
CZ	12 Mar/ 19Apr	No special rules for manufacturing and construction; intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden	Income compensation for employees and self-employed (80% of wage), corporate tax and social contributions deferral, credit guarantees for businesses	4.7% GDP + 16,5% of GDP guarantees	Policy Rate cuts 200 bps Capital req. (75bps cut in CCyB), 6-month moratorium on bank loans, relaxed measures for new mortgages (higher LTV/DSTI, DTI limit scrapped); gov. bond purchases (legislation amended to allow QE)	
HU	11-28 March / 4-11 May	Public transport operating, (masks obligatory), hotels, restaurants, cafés closed, mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed, business tax deferral, extra tax for banks and large retail chains, credit guarantees for businesses, benefits for affected industries, infrastructure investments, preferential loans to banks (bonds).	15.0	Policy Rate hike (corridor widening). Required Reserve suspended, 12- month moratorium on bank loans, lending facilities for SMEs, discount credit to banks, government bond purchases, new bank levies	6.0
PL	13-16 Mar 4May	Restrictions to manufacturing, construction, transports; hotels, restaurants, cafés closed; mass entertainment activities forbidden foreign and domestic tourism not allowed	Income compensation for employees and self-employed, business tax deferral, credit guarantees for businesses, benefits for affected industries, infrastructure investments	9.0	Policy Rate cuts (2x50bps). Required Reserve Ratio cut+ int. rate on reserves raised, moratorium on bank loans (specific decision depends on banks), discount credit to banks, gov. bond purchases	NA
SK	10- 16Mar 22Apr	No special rules for manufacturing and construction; intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden	Income compensation for employees (60% of wage+20% by employer) business tax deferral, credit guarantees for businesses (€500 mil/month), benefits for affected industries, infrastructure investments, health expenditures.	around 3% of GDP, total deficit in 2020 7-8% of GDP	TLTRO III minimum rate cut to -1.0%, Softening Capital Requirements, 9- month moratorium on bank loans, bond purchases of more than €1 trillion in the whole euro area, non- increase of anticyclical buffer (1.5% instead of 2% from August)	around 10% of euro area GDP
SI	12Mar 29Apr	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden	Income compensation for employees and self-employed, social security contributions, pension insurance contributions, solidarity allowance, business and income tax deferral, credit guarantees for businesses, liquidity loans for businesses, support for agriculture	≈ 9.2% of 2019 GDP General Government Deficit -8.1% of GDP (2020 Stability Programme)	TLTRO III minimum rate cut to -1.0%, Softening Capital requirements, 12- month moratorium on bank loans (6 on leasing), Bond purchases of more than €1 trillion in the whole euro area, non-increase of anticyclical buffer (1.5% instead of 2% from August)	total ≈4.5% of 2019 GDP (government bond purchase ≈2%, moratorium ≈2.5%)
AL	12Mar 21Apr	No special rules for manufacturing and construction; intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees (1monthly payroll), business tax deferral (30/09 generally- 31/12 for tourism, and small business), credit guarantees for businesses (LEK 11 Bn or 0.6% of GDP), benefits for affected industries, infrastructure invest.	Total fiscal stimulus 2.8-3% of GDP. Cash 0.86 %. Sovereign guarantee 1.5%. Dept expected to 75.6% / 2020	Policy Rate cuts- 0.50% Required Reserve Ratio, softening Cap. requirements, X-month moratorium on bank loans (3months, with another possible 3 months), lending Facilities for SMEs and HH, discount credit to banks, Govt. Bond purchases, new bank levy	
BH	18Mar 1May	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	New Stability Fund, Income compensation for employees and self-employed (to sectors shut down or with 20% drop in revenue), business and income tax deferral, credit guarantees for businesses, price controls	≈ 7.3% of 2019 GDP	Softening of supervisory requirement, 6-month moratorium on bank loans	total ≈1% of 2019 GDP (moratorium)
HR	16Mar 4May	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed, business tax and social security contributions deferral, credit guarantees for businesses, liquidity loans for businesses, support for agriculture and tourism	≈ 11.5% of 2019 GDP Gen. Government Deficit -6.8% of GDP (2020 Convergence Programme)	Liquidity operations (short and long- term), Required Reserve Ratio cut by 3pp to 9%, currency control, softening of Supervisory, Capital and Liquidity requirements 3 to 12-month moratorium on bank loans, kuna and index Gov Bond purchases	total ≈11% of 2019 GDP (liquidity ≈4%, Government bond purchase ≈6%, moratorium. ≈1%)

Source: ISP International Research Network

Lockdown dates and main fiscal and monetary responses – Cross Country table						<i>continued from previous page</i>
Country	Lockdown dates and measures		Fiscal Policy	% GDP of	Monetary Policy/Credit/Regulatory changes	% over
	Start/ Final date	Measures concerning economic activities	Main measures taken	measures +exp. deficit/GDP 2020	Main measures taken	GDP
RO	15Mar 15May	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed, business and property tax deferral or reduction, credit guarantees for businesses (15.5 billion RON), subsidized interest for loans, benefits for affected industries, infrastructure Investments	1.5% / -6.7% of GDP	Policy Rate cuts (Ref. rate from 2.5% to 2%, Lombard from 3.5% to 2.5% 3 to 9-month moratorium on bank loans for individuals and companies, easing of accounting treatments for credits under moratorium, government bond purchases (only if is needed), new bank levies	NA
RS	15Mar 06May	Partial suspension for manufacturing and construction; retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed (payment of min wage for SME for 3months, 50% of net min wage in large private sector, 10% wage hike in public health sector, one-off payment to pensioners), corp. tax and social contributions deferral (3-month), credit guarantees for businesses, state guarantee scheme for SMEs, loans through the Dev. Fund, cash transfer (EUR 100/adult), support to farmers (direct transfers and subsidized int. on bank loans)	around 11% of GDP	Policy Rate cuts (by total of 0.75pp - from 2.25% to 1.5%) Interest rate corridor narrowed from ±1.25pp to ±1pp relative to the key rate; 3-month moratorium on bank loans and leasing, additional liquidity provided on the market through FX swaps and Repo auctions, interventions in the foreign exchange market to smooth excessive EURRSD short-term volatility	NA
MD	17Mar 15May	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed, corporate tax deferral, credit guarantees for businesses, subsidised loans and loan guarantees, VAT deferral	16 bn MDL budget deficit or 7.5% of GDP	Policy rate cuts (base rate to 3.25%) Required reserve ratio decrease, moratorium on bank's loans to individuals (to corporate on case by case basis), banks suggested to refrain from distributing dividends and other forms of capital distribution	NA
RU	30Mar 11May	Partial suspension for manufacturing and construction; retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed, tax deferral for SMEs, bonus payments to doctors and families, subsidies loans to SME, credit deferral, exemption from tax and insurance payments in 2Q20 for companies, credit guarantees for businesses, benefits for affected industries, new taxes	measures of Government: 2.8% of GDP as of May 6, expected deficit in 2020: 5-6% of GDP	Policy rate cut by 50bp to 5.5% (possible further 100bp cut) Stimulation program for refinancing of loans, special loans program for SMEs and 'systemically important' companies, 0% loans program for salary payments, regulatory easing for banks, reduction in loan risk coefficients, Repo auctions, selling foreign currency, cancellation of domestic fx purchases	CBR measures: 1,2% of GDP as of April 14
UA	25 Mar	Retail shops closed (ex-essential); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed; food exports will be limited; companies recommended remoted work mode.	Income compensation for employees and medical staff, tax deferral for SMEs and farmers exempted from social security tax (for two months), lifted some restrictions on the wholesale trade in the food market, corporate tax deferrals, no fines for late payments on consumer loans.	Expected budget deficit 7.5% of GDP	Policy rate cut by 200bp Loan moratorium (retail); long term 5Y refinancing facility); Capital and Liquidity requirements for banks' deferral; reduce reservation req. for FX deposits; Liq. Cov. Ratio reduced; easing credit risk requirements; NBU now allowed to buy T. Bills (but officially refused).	NA
EG	25Mar 23Apr	Manufacturing and construction (encouraged to continue operations); intra country personal transport reduced and external abolished; hotels, restaurants, cafés closed; mass entertainment activities forbidden, foreign and domestic tourism not allowed	Income compensation for employees and self-employed (EGP500 for 3 months, public sector wages by +7% to +12%, + 14% for pensioners), utility payment deferral (for 6 months in tourism and aviation) tax deferral (agriculture, 2 years), stimulus package (EGP100 bn), reducing utility prices to the industries, tax payment deferrals (tourism 3-months), capital gains tax deferral, subsidised loans (EGP3 bn to tourism, int. rates 5%), new fin. fee (to collect EGP15 bn), deducting 1% of salaries and 0.5% of pensions for 1 year to fund stimulus.	Value of stimulus package (2% of GDP). Finance Minister expects Budget Deficit to reach 7.8-7.9% of GDP in 2019/20 Instead of targeted 7.2%.	Policy rates cut by 300 bps. Moratorium credit for 6 months. Financing for the import of key commodities, subsidized loans (interest rate by 2%), removing the maximum annual sales limit, Suspension black lists for 8,000 enterprises and negative lists for 100,000 individual, supporting Electronic Payments, CBE to inject EGP20 billion in the stock exchange, exempting banks from applying the credit concentration limits (largest 50 customers for a year)	NA

Source: ISP International Research Network.

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		
	1020	4019	2019	Last	mt	1020	Last	mt	1020	Last	mt	1020	2019	Last	mt	1020	Last	mt	1020
CEE																			
Czech Rep.	-2.2	1.5	2.4	-10.8	Mar	-4.3	-10.4	Mar	-4.1	3.2	Apr	3.6	2.8	-8.9	Mar	1.0	64.5	Apr	99.8
Hungary	2.2	4.5	4.9	-5.6	Mar	2.8	0.6	Mar	3.4	2.4	Apr	4.3	3.4	3.5	Mar	9.3	75.4	Apr	108.1
Poland	1.9	3.2	4.1	-2.3	Mar	2.8	1.1	Feb	n.a.	3.4	Apr	4.5	3.4	-7.1	Mar	1.2	47.2	Apr	99.3
Slovakia	-3.9	2.0	2.3	-19.6	Mar	-6.9	-19.2	Mar	-7.3	2.1	Apr	2.8	2.7	-3.6	Mar	-0.2	83.8	Apr	97.9
Slovenia	n.a.	1.7	2.4	-7.7	Mar	-1.8	1.1	Mar	6.6	-1.3	Apr	1.7	1.7	-14.7	Mar	-5.1	66.2	Apr	100.1
SEE																			
Albania	n.a.	-0.2	2.3	n.a.	n.a.	n.a.	-44.2	Apr	-6.8	1.9	Apr	1.6	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	n.a.	1.6	2.6	-9.9	Mar	-3.8	-14.2	Mar	-5.2	0.1	Mar	0.4	0.6	-7.8	Mar	4.4	n.a.	n.a.	n.a.
Croatia	n.a.	2.5	2.9	-4.9	Mar	-4.2	-10.2	Mar	0.0	-0.2	Apr	1.4	0.8	-6.7	Mar	3.0	72.3	Apr	113.3
Romania	2.4	4.3	4.2	-12.7	Mar	-6.1	-11.3	Mar	-2.0	2.7	Apr	3.3	3.8	3.9	Mar	9.6	57.9	Mar	104.3
Serbia	n.a.	6.2	4.2	-0.1	Mar	4.6	3.1	Mar	9.0	0.6	Mar	1.5	1.9	4.4	Mar	9.5	n.a.	n.a.	n.a.
CIS MENA																			
Moldova	n.a.	0.2	3.6	4.7	Feb	n.a.	1.7	Feb	-2.4	5.3	Apr	6.4	4.9	16.6	Feb	17.9	n.a.	n.a.	n.a.
Russia	1.6	2.1	1.3	0.3	Mar	1.6	-20.0	Mar	-13.9	3.1	Apr	2.4	4.5	5.6	Mar	4.3	31.3	Apr	47.5
Ukraine	-1.5	1.5	3.2	-7.7	Mar	-5.0	-0.2	Mar	1.3	2.1	Apr	2.6	7.9	7.6	Mar	11.0	n.a.	n.a.	n.a.
Egypt	5.0	5.6	5.5	3.9	Jan	n.a.	-1.7	Jan	-1.7	5.9	Apr	5.9	9.4	n.a.	n.a.	n.a.	29.7	Apr	48.2
m.i.E.A.	-2.7	1.0	1.2	-12.9	Mar	-5.7	-6.2	Mar	-1.6	0.4	Apr	1.1	1.2						

Source: Refinitiv Datastream; 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	
	25/05	chq	25/05	chq	25/05	3M*	1Y*	3M*	1Y*	25/05	25/02	1020	4019	2019	1020	4019	Moody's	
CEE																		
					Vs Euro													
Czech	1.0	-1.2	0.8	-0.6	27.24	7.82	5.39	-15.3	-15.0	35.8	29.3	224537	-18982	188192	47890	-909		Aa3
Hungary	1.0	0.4	1.9	-0.2	350.53	3.95	7.27	-18.3	-12.0	71.3	40.9	-2613	18	983	n.a.	-775		Baa3
Poland	0.7	-1.0	1.4	-0.5	4.51	4.92	4.65	-13.7	-17.6	54.3	18.5	-4391	3964	12243	5664	2220		A2
Slovakia	-0.3	0.1	0.5	0.5	Euro	Euro	Euro	1.1	3.7	47.8	33.9	n.s.	n.s.	n.s.	n.a.	-2774		A2
Slovenia	-0.3	0.1	0.6	0.6	Euro	Euro	Euro	-11.8	-6.8	66.7	52.1	n.s.	n.s.	n.s.	914	848		Baa1
SEE																		
Albania	1.1	0.0	n.a.	n.a.	123.81	1.27	1.32	n.a.	n.a.	n.a.	n.a.	-35	-73	-39	n.a.	-346		B1
Bosnia H.	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	-70	74	498	n.a.	-161		B3
Croatia	0.4	0.0	1.4	0.8	7.57	1.79	2.05	-16.9	-15.4	73.1	49.1	-2048	-1864	1122	n.a.	-592		Ba2
Romania	2.3	-0.5	4.7	0.7	4.84	0.67	1.7	-11.2	7.1	148.1	69.9	1196	-2793	-138	8816	-2775		Baa3
Serbia	1.5	-0.8	n.a.	n.a.	117.59	0.04	-0.32	-23.7	-5.9	101.6	98.0	n.a.	83	1994	n.a.	-1046		Ba3
CIS																		
					Vs USD													
Moldova	3.3	-2.3	NA		17.76	-0.37	-1.17	n.a.	n.a.	n.a.	n.a.	-120	126	63	n.a.	-40		B3
Russia	5.7	-0.5	5.5	-0.6	71.88	11.79	11.59	-10.1	-0.3	120.2	62.6	-198	20790	85864	n.a.	16300		Baa3
Ukraine	13.7	-0.7	13.0	2.3	26.9	9.58	1.91	-15.8	-26.0	637.6	322.9	-471	3827	4259	244	1715		Caa1
Egypt	12.4	-1.5	14.0	0.4	15.86	1.77	-5.99	-24.6	-15.4	560.3	292.7	-5312	302	2869	n.a.	-3192		B2
m.i.E.A.	-0.3	0.1	-0.5	0.0	1.1	0.3	-2.3	-14.4	-9.6	12.3	5.1							

Source: Refinitiv Datastream; ¹The data for Egypt refers to april, for Czech Republic refers to april, 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, loc. cur. for CZ; 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 -			Loans/Dep					
	Last	Mth	2019	Last	mt	2019	Last	mt	2019	Last	Mth	2019	Last	mt	2019	S ⁴	Last	mt	2019	S ⁴	Last	mt	2019	
CEE																								
Czech Rep.	6.4	Mar	5.2	2.4	Mar	2.5	8.3	Mar	-0.2	8.8	Mar	6.1	3.24	Mar	3.62	C	1.43	Mar	1.52	H	74.5	Mar	75.1	
Hungary	18.4	Mar	13.2	1.6	Dec	1.6	16.4	Mar	10.7	13.7	Mar	8.0	2.53	Mar	2.34	C	0.24	Mar	0.24	H	83.6	Mar	81.4	
Poland	6.0	Mar	4.7	4.0	Dec	4.0	0.1	Mar	-7.2	11.5	Mar	9.7	3.54	Mar	3.64	C	1.24	Mar	1.49	H	92.9	Mar	92.6	
Slovakia	6.0	Mar	6.2	3.1	Feb	3.1	11.0	Mar	0.4	3.5	Mar	4.8	1.93	Mar	2.06	C ²	0.03	Mar	0.05	H ²	105.7	Mar	102.7	
Slovenia	4.4	Mar	3.7	2.1	Mar	2.2	16.3	Mar	12.2	7.9	Mar	6.3	1.9	Mar	2.23	C ²	0.15	Mar	0.18	H ²	73.6	Mar	73.5	
SEE																								
Albania	8.8	Mar	6.5	8.2	Mar	8.4	1.1	Mar	-6.7	6.5	Mar	3.8	6.75	Mar	6.34	PS	0.7	Mar	0.72	PS	54.5	Mar	54.2	
Bosnia H.	3.5	Mar	6.7	7.4	Dec	7.4	2.7	Mar	2.6	6.8	Mar	8.4	2.97	Mar	2.88	C	0.38	Mar	0.3	H	103.2	Mar	103.7	
Croatia	6.0	Mar	3.9	5.5	Dec	5.5	-6.6	Mar	-5.9	8.7	Mar	4.8	5.47	Mar	5.56	PS	0.12	Mar	0.22	PS	76.8	Mar	75.9	
Romania	6.2	Mar	7.0	4.0	Feb	4.1	14.6	Mar	4.7	14.6	Mar	12.6	6.78	Mar	6.71	PS	2.08	Mar	2.25	PS	73.5	Mar	74.5	
Serbia	11.5	Mar	8.9	4.0	Mar	4.1	18.2	Mar	9.1	7.5	Mar	7.8	6.44	Mar	7.06	PS	1.7	Mar	2.0	PS	101.8	Mar	97.9	
CIS MENA																								
Moldova	15.3	Mar	13.9	8.5	Mar	8.5	-4.7	Apr	-8.8	12.3	Mar	7.7	8.67	Mar	8.93	C	4.45	Mar	4.5	H	60.0	Mar	59.1	
Russia	8.3	Feb	7.1	9.4	Feb	9.3	-8.6	Feb	-19.3	6.8	Feb	4.2	7.47	Feb	7.83	C	4.23	Feb	4.66	H	108.7	Feb	108.5	
Ukraine	-0.9	Mar	-8.0	48.8	Feb	48.4	-14.0	Mar	-28.1	19.9	Mar	9.6	16.86	Mar	18.58	PS	7.68	Mar	10.81	PS	100.4	Mar	101.7	
Egypt	13.2	Feb	13.4	4.2	Dec	4.2	-31.3	Feb	-23.4	14.0	Feb	13.6	12.7	Mar	13.8	C	8.8	Mar	9.2	H	34.4	Feb	34.3	
m.i.E.A.	3.0	Mar	3.0	n.a.	n.a.	n.a.	5.5	Mar	2.5	6.0	Mar	4.7	1.1	Mar	1.3	C	0.3	Mar	0.2	H	77.9	Mar	79.3	

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

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