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Quarterly Note

Intesa Sanpaolo
International Research Network

The business cycle is weakening in the CEE/SEE areas, following the deterioration of global trade conditions. It is recovering modestly in Russia and accelerating in Egypt. Central banks overall continue on an easing path.

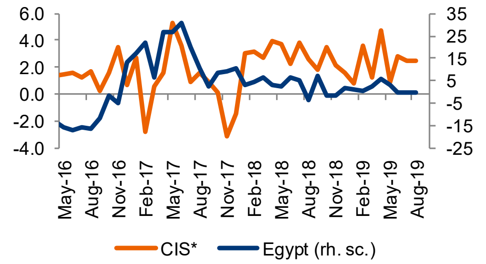
The latest high frequency indicators confirm a weakening of economic activity in August in the CEE and SEE areas, particularly the latter. Industrial production contracted by 2.6% y/y in the region (1.6% in CEE countries and 5.2% in SEE countries), while nominal exports decelerated to 0.5% y/y on average (from 4.0% y/y in July). The slowdown follows the severe deterioration in global (in particular the Euro area's) economic conditions. World industrial production grew by 0.8% y/y in July, below the 2Q (1.0% y/y) and 1Q (1.5% y/y) figures. Amid the trade tensions, world trade contracted in July by 0.9% after the negative trend of June (-1.8%). In the EA, industrial production shrank even further in August (-2.8% after -2.1% in July). A softening of the cycle in the CEE/SEE regions is still signalled in the coming months by the ESI's most recent releases. In September, inflation softened, on average, to 2.2% in CEE countries and 2.5% in SEE countries. These dynamics were mostly driven by the recent retracement of energy prices. Inflation ranged from 1.1% in Croatia to 3.5% in Romania, within the ranges set by the CBs.

In their most recent meetings, the boards of the central banks in the CEE/SEE areas maintained their dovish tone due to the weaker inflationary pressures and economic cycle and thanks to the extended accommodative stance announced by the ECB. In this context, the central banks of the Czech Republic and Romania, which had already begun a tightening cycle, have paused, while the Polish Central Bank and Hungary's MNB are no longer expected to move rapidly towards the normalisation of rates. In Serbia, after the rate cut that occurred in September, the CB held steady in October, but is expected to make a cut again shortly. Overall, long-term yields have decreased dramatically in the last three months following the fall in German Bund yields and thanks to a parallel compression of sovereign spreads; in Croatia the fall was also supported by the prospect of its future entry into the ERM II.

Outside the CEE/SEE area, in Russia growth increased in Q3 by 1.9% y/y in Q3 from 0.9% y/y in Q2, taking growth for the first nine months of the year to a modest 1.1%. Headline inflation slowed in parallel, in September reaching the 4% target set by the CB, paving the way for a higher than expected cut of the policy rate by 50bps at its meeting in October. Falling inflation has also supported a 100bps cut by the CBU. Inflationary pressures, though temporary, may lead instead Moldova's CB to hike in the near term. In Egypt, benign inflation numbers – in September inflation eased to 4.8% - are supporting the CBE in continuing with its easing cycle.

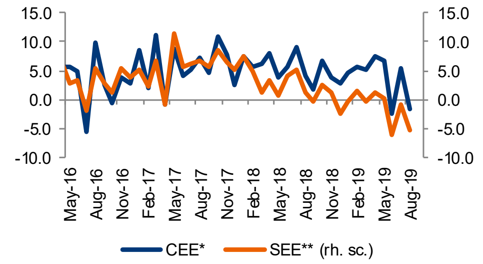
Banking aggregates accelerated slightly in many CEE/SEE countries in August. The growth rate was quite strong overall, mostly driven by the household sector. In Hungary, household loans grew above 10%. Growth of corporate loans surged by 11.6% in Serbia and 5.3% in Albania; slightly strengthened in Slovenia but remained weak in Croatia (-2.8% y/y), which is still facing clean-up operations. Despite competition from other savings products, deposits remained dynamic overall, particularly in Poland (+11.2%) and Serbia (12%), thanks to strong labour market conditions. Household loan growth was also strong in the CIS countries, in particular in Moldova (with an outstanding 41.2% y/y) and Russia (21.9% y/y), though slowed in Ukraine (to 5% y/y in August from 11% y/y in July). Despite the economic recovery, corporate loans fell sharply in Ukraine (by 9.8% y/y), as these were strongly affected by poor asset quality (NPL ratio of more than 50%). In Egypt, both bank lending (+13.7% y/y) and deposits (+12.5%) showed a strong pace as of June in nominal terms. Banking interest rates and spreads narrowed overall.

Industrial production % y/y – CIS – Egypt



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

Industrial production % y/y – CEE – SEE



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

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

The note considers the countries with Intesa Sanpaolo Subsidiaries and in particular: Slovakia, Slovenia and Hungary among CEE Countries, Albania, Bosnia, Croatia, Serbia and Romania among SEE Countries, Russia, Moldova and Ukraine among CSI Countries and Egypt among MENA Countries. It also includes Poland among CEE countries, where ISP is present with a branch.

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

The figures in this document have been updated to October 25, 2019.

Cross Country Analysis

CEE Area

Antonio Pesce

The global economy slowed further in July. World real industrial production growth was 0.8% y/y, below the 2Q average (1.0%), and much lower than the 1Q average (1.5%), according to the Netherlands' Bureau for Economic Policy Analysis (CPB). Amid the current global trade tensions, real world trade contracted further in July (-0.9% y/y) after the negative trend of June (-1.8% y/y), according to the CPB World Trade Volume Indicator. In the Euro area, the latest economic indicators also signal a declining phase in the cycle as industrial production contracted further in August (-2.8% y/y after -2.1% y/y in July) and the ESI fell in September (by 1.4 points to 101.7).

In this unfavourable international economic context, high frequency indicators have also started to mark a weakening of economic activity in the CEE area. The shortfall in international trade seems to have negatively impacted the regional trend in August, when nominal exports severely decelerated to 0.3% y/y (on weighted average), well below the 2Q average growth rate (1.4%). In the same month, after a rebound in July (5.3% y/y on weighted average), the industrial production trend turned negative (-1.6% y/y). In August retail sales decelerated in real terms to 3.6% y/y (on weighted average) from 5.6% y/y in July and 5.7% y/y in 2Q. The trend remained relatively strong, however, as favourable labour market conditions continued to support household expenditure thanks to the growth in nominal wages (above 2.0% on weighted average) and also low unemployment (around 4.5%).

In this general context, some peculiarities nevertheless emerge among CEE countries. The industrial production contraction was widespread, but Hungary and Slovenia, although on a decelerating path, still remained in positive territory in August (0.3% and 0.8%, respectively). In the same month the export dynamic in the two countries was also positive (2.6% y/y and 4.9% y/y, respectively). In September the ESI decreased in all CEE countries but remained substantially unchanged in Hungary.

CEE inflation decreased to 2.2% in September (weighted average) from 2.9% in August and was also lower than 3Q. The dynamic was mostly affected by energy prices, which have decreased in the last few months after the recovery observed in the first part of the year (with the peak reached at the end of April, when the Brent price exceeded USD 70 p/b). At the regional level, the inflation rate ranged from 1.7% in Slovenia to 2.9% in the Czech Republic and Slovakia. Overall, inflation rates remained within the ranges set by the CBs, even if in certain cases in their upper part due to domestic demand and wage pressures.

Monetary policy rates have been kept unchanged in CEE countries to help retain accommodative conditions. The central banks that had already started the normalisation of interest rates, such as the Czech Republic's central bank, have now paused, while the Polish CB and Hungary's MNB are no longer expected to move rapidly towards the normalisation of rates. In this context, short-term interest rates have remained roughly unchanged during the past three months. However, long-term yields decreased sharply following the fall in Bund yields, accompanied by the reduction in spreads with respect to this benchmark. In the FX markets, over the past three months local currencies have depreciated only slightly, except for the Hungarian forint, which depreciated by 1.3%.

Davidia Zucchelli

In the CEE region, bank lending accelerated slightly in August on average, to 7.2% y/y from 7.0% y/y in July, but there were different drivers at the country level. In the Czech Republic, lending growth (5.4% y/y) slightly strengthened among both households (6.5%) and corporates (3.9% y/y) with respect to the trend shown in July (6.7% y/y and 3.5% y/y, respectively). Deposits were also dynamic (+6.9% y/y in August), with the growth rate at 7.2% y/y (as in July) among households and at 6.0% y/y (from 4.9% y/y) among corporates. The LTD ratio remained at a comfortable level (76%). Banking aggregates are enjoying a strong growth phase in

Hungary. Loans surged in August by 12% y/y, driven by both corporates (13.1% y/y) and households (10.6% y/y). Central authorities have adopted some measures to push up household lending (as was the case for the Family Protection Action Plan) but, at the same time, to also contain risks (such as the debt cap rule on the payment-to-income ratio differentiated by the interest rate fixation period). Deposits increased by 6.7% y/y, mainly supported by households (7.8% y/y), thanks to further improving labour market conditions, while corporate deposits stabilised at a 5.6% y/y growth rate. Lending slightly accelerated in Poland, increasing by 6.9% y/y in August from 6.6% y/y in July, both in the corporate (5.2% y/y) and the household (7.8% y/y) sectors. On 3 October 2019, the European Court of Justice provided a borrower-friendly judgment that may expose lenders to heightened litigation costs for foreign currency loans. The still strong labour market conditions supported an increase in deposits (11.2% y/y in August), particularly among households (12.5% y/y vs. 7.2% y/y among corporates).

In Slovenia, the recovery of banking aggregates strengthened further, with total loans increasing by 4.4% y/y in August from 3.6% y/y in July (and by 2.4% y/y from 0.8% y/y the previous month among corporates, due to a few large exposures). Total deposits confirmed a stable increase (6.9% y/y in August), in the case of both households (7.9%) and corporates (4.3%). Lending slightly decelerated in Slovakia, both among households (to 8.6% y/y from 8.9% y/y, due to measures adopted by the central bank to cool mortgages) and corporates, which grew by 3% y/y (from 3.8% y/y in July) despite decreasing interest rates. In contrast, deposits from the private sector accelerated from 3.9% y/y to 4.6% y/y, with corporates rising to +0.3% y/y in August from -0.7% y/y in July, and households remaining above +7%.

SEE Area

Antonio Pesce

The latest high frequency indicators signalled a cyclical softening, on average, of economic activity in the SEE region. Regional industrial production contracted further in August (to -5.2% y/y from -1.0% y/y the previous month), well below the 2Q trend (-1.6%). As with the CEE region, the unfavourable international economic context has been negatively impacting the SEE's nominal export trend. In August, export growth slowed heavily to 1.0% from 5.4% the previous month (3.9% in 2Q), while in the same month retail sales growth softened only to 5.7% y/y from 7.6% y/y in July. Household spending appears to be benefiting from the still strong nominal wage dynamics (at double digits in July, 12% y/y on weighted average).

Within the region, in August the industrial production trend remained negative in all countries except Serbia, though its performance was also weak (0.5% y/y). In Albania, the export dynamic remained negative in August (-1.6% y/y) although was better than in 2Q (-4.3%), while in the same month in Romania and Serbia the export trend remained positive. Survey data highlight a slightly different picture among some SEE countries in September, as the ESI decreased in Croatia but remained substantially unchanged in Romania.

Regarding inflation, in September this further decreased on average in the region, to 2.5% from 2.8% in August, and remained below 2Q (excluding Bosnia, for which September data are not yet available), ranging from 0.8% in Croatia to 3.5% in Romania. In their most recent meetings, the boards of the central banks in the region maintained a dovish tone in their monetary stance, due to weak inflationary pressures and the softening economic cycle. In Romania the CB, which had started a tightening cycle in January 2018, has now paused. In Serbia, the CB decided to cut the policy rate again, by 25bps, to 2.5% in September. It held steady in October but is expected to cut the rate further in the coming months. Long-term yields fell over the last three months in Romania and Croatia (to 4.2% and 0.5%, respectively), supported by expectations of lower inflation, and, in Croatia, also by the prospect of its future entry into the ERM II. In the FX markets, local currencies were stable in the region. Only the Albanian currency showed a slight depreciation (1.4% over the last three months).

Davidia Zucchelli

Among SEE countries, lending strengthened slightly, from 7.2% y/y in July to 7.3% y/y in August, as a result of a widespread increase (with the exception of Bosnia). In more detail, in

Albania, total loans to the private sector increased by 4.3% y/y (from 3.9% y/y in July), driven by lending to corporates, which accelerated further (5.3% y/y as of August), while decelerating slightly among households (+2.3% y/y). NPLs (still well over 10% as of August) continue to weigh on loan performance. Deposits improved, to +2.9% y/y from +2.4% y/y in July. Household deposits, which account for more than 80% of total deposits, increased by 1.9% y/y, thanks to deposits denominated in foreign currencies (+3.4% y/y), while deposits in local currency increased only by 0.3% y/y. Adjusted for the depreciation of the exchange rate that has occurred in the last few months (to 128 vs. the Euro as of August), these increases have been a bit lower (0.8% y/y total deposits and 1.3% y/y deposits in foreign currency).

In Bosnia, loans increased in August by 5.8% y/y (a bit lower than in July at 6% y/y), with the corporate sector slowing (4.1% y/y from 4.3% y/y in July), and the household sector maintaining the same increase as in the last few months (7.5% y/y). Deposits accelerated (to +8.3% y/y) mainly due to corporates (rising from 5.3% y/y to 6.7% y/y) turning around the declining trend that has been taking place since September 2018. In Croatia, loan growth consolidated (+2.6% y/y as of August) but only thanks to households (+6.3%), while corporate loans again showed a decrease (2.8% y/y), partly due to ongoing restructurings, with NPLs still high (9.2%). Nevertheless, new business flows in the corporate sector strengthened (+41% y/y) even though they covered just one-third of total flows (HRC 4.4bn vs. 12.5bn in households). The future entry into the SSM is considered to be positive for Croatian banks due to the further strengthening of banking supervision. Euroisation is still high (53% of loans and 57% of deposits are in foreign currencies, mainly the euro). The lending rate to corporates jumped to 3.0% in August (from 2% in July) and to 5.9% in the private sector (5.46% in July).

In Romania, the growth in lending performance was still above 7.4% in August, both in the household sector, at 7.3% y/y, and in the corporate sector (at 7.6% y/y vs. 7.3% y/y in July). Loans denominated in foreign currency further declined among households (-8.6% y/y). NPLs remained modest, slightly declining to 4.6% of total loans as of August. Deposits performed well (+9.3% y/y, supported by households at +11%, benefiting from a strong labour market). Loans also performed well in Serbia (+10.1% y/y in August) thanks to an acceleration in corporates (+11.6% y/y) while remaining strong but decelerating among households (+8.4% y/y vs. 9% y/y the previous month). Loans in foreign currency increased further, by 8.5% y/y, particularly among corporates (11% y/y) but also among households (3.4% y/y), highlighting that euroisation remains strong. Household deposits were dynamic (+10.9% y/y) but corporate deposits accelerated further (to +14% y/y from 13.5% y/y in July). While in the other SEE countries interest rates increased, in Serbia they slightly decreased in August (7.88% from 8.37%), in line with the cut adopted by the CB.

CIS and MENA Areas

Giancarlo Frigoli

In Russia, both headline and core inflation slowed in September to the 4% CBR target. Inflation is likely to continue easing in the coming months and is expected to fall sharply in early 2020 as the effects of the hike in the VAT rate this January fall out of the annual price comparison. Accordingly, the central bank's easing cycle clearly has further to run. At its end October's meeting, the CBR cut its main policy rate by larger than expected 50 bps to 6.50% and it took a dovish tone suggesting new rate cuts in the future. Preliminary data released by the Ministry of Economic Development showed that Russia's real GDP growth accelerated to 1.9% y/y in Q3 from 0.9% y/y in Q2, bringing the pace of growth for the first nine months of the year to 1.1%. The recovery seen in the summer reflected a stronger contribution to growth by agriculture (+4.4% y/y vs. +1.2% y/y in Q2), manufacturing (+2.9% y/y in Q3 vs. +2.4% y/y in Q2) and utilities (+2.5% y/y in Q3 vs. +1.8% y/y in Q2) activities, while retail sales (+0.9% y/y in Q3 vs. +1.6% y/y in Q2) slowed and construction growth remained modest (+0.4% y/y in Q3 vs. +0.1% y/y in Q2). In Ukraine, headline and core inflation continued a downward trend in September, falling to 7.5% and 6.5%, respectively, and coming closer to the 6.3% target set by the central bank for the end of 2019. On the back of better than expected inflation print in September, on 24th of October the NBU cut the key rate by 100 bps to 15.5%. Data releases point to weaker GDP growth in Q3 compared with the strong 4.6% y/y increase reported in Q2, following the drop in industrial activities (0.8%), which was only partially offset by the jump in agricultural output (7.4%). Rating agencies upgraded Ukraine's sovereign rating in September, with Fitch lifting its rating to B from B-. In Moldova inflation sped up to 6.3% y/y in September, from 5.5% in August. The main inflation driver was food prices. The CBM might hike rates when it meets on 30 October. In the second quarter of 2019 the gross domestic product in real terms increased by 5.8% y/y, accelerating from 4.4% y/y in the first quarter. In the first half of 2019, real GDP increased by 5.2% compared with the first half of 2018. Construction and sales activities were the mainstays of growth in the first part of this year.

In Egypt, at the end of September, the central bank cut its key interest rates for the second time in a row on the back of inflation falling further and global monetary easing. The overnight deposit and lending rates were cut by 100bps to 13.25% and 14.25%, respectively. Headline annual inflation eased to a multi-year low of 4.8% in September from 7.5% in August, placing it well below the bottom end of the central bank's target range of 9±3% for end-2020. The core rate fell to 2.6% in September, from 4.9% in August. The slump in inflation seen in September was partially due to the revision of the base period and of the weights of the index. Benign inflation numbers pave the way for the central bank to continue with its easing cycle. The next meeting is scheduled for 14 November. In FY2019, which ended in June, the oil trade balance recorded a surplus for the first time since FY2013, registering USD 8.1m (compared with a deficit of USD 3.7bn), as a result of the leap in exports of gas and oil products. These numbers have offered support to the pound, with the EGP/USD appreciating to 16.2 in October, from 17.9 early this year.

Davidia Zucchelli

In the CIS area, in Russia, the dynamic of loans to households remained strong (+21.9% y/y in July) despite the central bank measures adopted in the last few months to limit household lending growth and indebtedness. Loans to corporates decelerated to +6.8% y/y in July (from 7% y/y in June). Deposits also rose significantly (11.4% y/y in July), particularly among corporates (17.1% y/y) but also among households (7.3% y/y), despite the decline in the interest rate. Notwithstanding the strong economic performance, in Ukraine the fall in loans intensified in August to -6.8% y/y from -2.8% y/y in July, particularly among corporates (-9.8% y/y) due to clean-up operations. NPLs (still more than 50%) will continue to weigh on lending. The effect of the appreciation of the exchange rate on loans was modest in August but was higher on deposits. In fact, total deposit growth remained dynamic (6.2% y/y vs. 7% y/y in July), but the result is even stronger (8.7% y/y) when taking into consideration the accounting effect of the exchange rate appreciation. Deposits denominated in foreign currency nominally decreased, by 3.3%, in August but increased by 2.7% adjusted for the FX appreciation. The LTD ratio improved to 113% (from 121% last December). In Moldova, the strong performance of loans (+16.3% y/y) was driven by households (+41.2% y/y) while loans to corporates increased more modestly by 7.2% y/y. Corporate loans accounted for almost 70% of the total portfolio. NPLs are very slowly improving (10.8% of total loans). Deposit growth slowed to 7.7% y/y, particularly among corporates (2.5% y/y) but accelerated among households (10.6% y/y). The LTD ratio remained one of the lowest among countries with ISP subsidiaries (60% as of August). Interest rates slightly decreased in line with expectations, but only in lending.

In Egypt, in July loans grew by 13.7% y/y in the private sector (higher than the annual inflation rate in the same month). The performance remained stronger among households (25.8% y/y in August) than among corporates (9% y/y). Deposits grew by 12.5% y/y, both from corporates (4.8% y/y, accelerating from 3.3% y/y the previous month) and households (14.3% y/y). The LTD ratio remained very low (34.3%).

Country-Specific Analysis

Czech Republic

Real Economy

Zdenko Štefanides

The Czech economy is continuing to do well overall, posting real GDP growth of 2.8% yoy in the second quarter, much as it did in the previous quarter and in 2018. The momentum, however, will be challenged by the growing weakness in the manufacturing sector of the German industry. Indeed, the latest figures from Czech industry show contractions in both current industrial output (-1.2% yoy) and orders (-0.9% yoy in August). Domestic demand currently remains well supported by a strong labour market which featurs an EU-low unemployment rate of 2%.

Inflation-wise, the latest data saw a moderation in the headline yoy rate to 2.7% in September from 2.9% in August as prices fell by 0.6% over the month, the biggest mom drop in more than a decade. The decline was, however, led by a price drop for package holidays, probably exacerbated by the collapse of a leading global travel group, rather than being related to a genuine easing of core inflation pressure. The CNB's measure of core inflation is hovering around 2.8% yoy.

Financial Markets

The Czech National Bank (CNB) left policy rates unchanged at its September meeting and will most likely hold them steady for the foreseeable future. While inflation remains above the target of 2%, the externally driven downside risks to growth and inflation counter any remaining incentives for CNB hawks to push Czech rates even higher. Meanwhile, the slope of the yield curve has become even more negative as long yields have fallen further. In addition to the global developments pushing yields lower, the latest decline in Czech borrowing costs was affirmed by the upgrade of the credit rating on Czech Republic by Moody's to Aa3 on 4 October. This was the first upgrade in nearly two decades and driven in particular by the sovereign's solid and improving fiscal position. The Czech koruna continues to hover in a tight range of 25.5-26.0 vs the euro, however, similar to its performance in the past year and a half.

Banking Sector

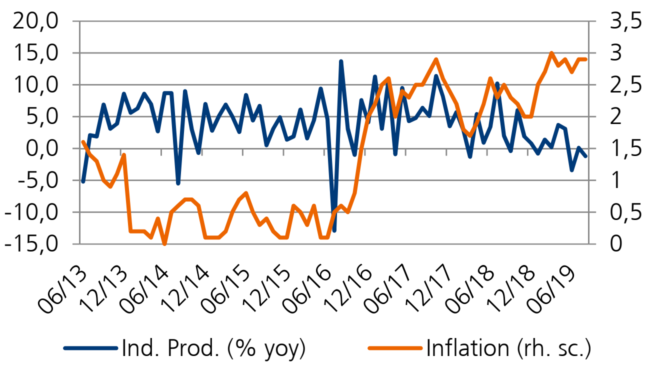
Loan growth has moderated somewhat in recent months, particularly as a result of tightening lending conditions in the housing loan market, according to the CNB's lending survey. Still, demand for loans remains reasonably strong, concurrent with the resilience of domestic demand. Deposit growth meanwhile remains solid and ensures a comfortable liquidity position for the Czech market, with a loan/deposit ratio of around 76%.

Latest economic indicators

	Last value	2Q 19	1Q 19
Industrial production, wda yoy	-1.2 (Aug)	1.1	0.3
Export of goods, nominal yoy	-0.1 (Aug)	5.1	5.3
CB refi rate	2.0 (22th Oct)	2.0	1.8
ESI (index)	103.9 (Sep)	103.5	107.2
Retail Sales yoy	-0.1 (Aug)	5.1	5.3
Inflation rate, average yoy	2.9 (Aug)	2.8	2.7
Loans (priv. sector, yoy, eop)	5.4 (Aug)	5.4	6.8
Deposits (priv. sector, yoy, eop)	6.9 (Aug)	6.5	6.5
Lending interest rate (corp., eop)	2.9 (Aug)	3.2	3.3
Deposit interest rate (hh, eop)	1.6 (Aug)	1.5	1.5

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Sandor Jobbagy

In Hungary, the economic performance in general has remained robust, despite the downturn and concerns regarding manufacturing industry performance in the Eurozone. The manufacturing sector has started to show signs of deceleration, but this year's outlook has not yet deteriorated significantly. Forward-looking indicators were stable at the end of the summer and in September, though overall they reflected a weaker economic outlook compared to 1QQ2. This has been in tandem with the deterioration of global growth expectations. Industrial production and exports were also mixed in the latest period, with a slowdown clearly apparent in August. Higher-than-usual swings in manufacturing output and exports continued, though with exports being supported by sales of inventories. Our projections for a deceleration later this year and especially in 2020 seem to be confirmed, as major drivers of growth (including investments fueled by EU funds and strong real wage growth) are set to make lower contributions to GDP growth in the quarters/years ahead. Headline inflation figures came close to the 3% NBH target, but core inflation measures were higher, reflecting domestic demand pressures. Our CPI forecasts of 3.2-3.4% averages for 2019-20 also remain valid.

Financial Markets

The 3M policy rate of the Hungarian central bank (NBH) has been left unchanged at 0.90% so far in 2019 (as was the case in 2018), matching expectations. In view of the moderate domestic inflation outlook and given the dovish shift in ECB policy (and also Fed policy), the NBH has ample room to maintain current lax monetary conditions in 2019 and in 2020. The central bank announced that its monetary approach is data-driven. Longer yields showed a strong downward correction recently as a result of a similar drop in German yields. The EUR/HUF exchange rate shifted over the 320-326 range and to above 330 in August and remained at 330-335 in September. FX was driven by loose domestic monetary policy and strong concerns about global growth and other global risk factors.

Banking Sector

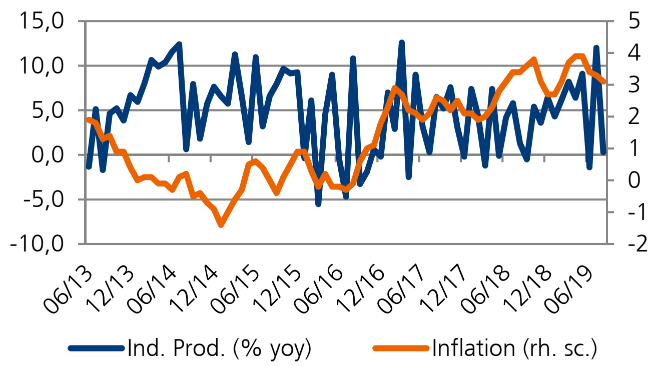
Hungary's banking sector and lending dynamics in particular continued to be supported by strong GDP growth and strengthening of domestic consumer confidence and consumption. This was reflected in ongoing strong growth rates for household lending (nearly 11% yoy growth to August) as well as corporate credit stock growth (more than 13% y/y growth to August). This boom may produce annual figures which beat current expectations. Housing loans have also been supported by state subsidies. Some loan segments (including mortgage and personal loans) are showing especially dynamic pick-ups. Asset quality continues to improve, with NPLs at close to 4%, the lowest rate of the past 10 years. Lending risks appear to be mitigated by administrative limits on households' risk taking, including a cap on monthly repayments as a percentage of disposable income.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production yoy	0.3 (Aug)	4.7	6.2
Nom. Exports yoy	2.6 (Aug)	0.4	5.9
ESI (index)	107.2 (Sep)	111.2	117.3
Retail Sales yoy	5.3 (Aug)	5.3	6.2
Inflation Rate yoy	2.8 (Sep)	3.7	3.2
CB Reference Rate	2.4 (21th Oct)	0.9	0.9
Loans (priv. sector, yoy, eop)	12.0 (Aug)	11.5	11.5
Deposits (priv. sector, yoy, eop)	6.7 (Aug)	5.5	10.1
Lending interest rate (corp., eop)	2.6 (Aug)	2.5	2.4
Deposit interest rate (hh, eop)	0.2 (Aug)	0.2	0.2

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

Sandor Jobbagy

Poland's forward-looking sentiment indicators have remained essentially flat since mid-summer to the end of September. Industrial and export performances in Poland weakened in August, but the overall potential for stable economic growth rates has not faded significantly. Economic growth showed a gradual modest slowdown this year, but still remained well above 4%. So far, growth has continued to be supported by relatively strong private consumption amid the revival of industrial performance. Judicial reforms and conflicts with the EU and the latest election results have so far not had an adverse impact on overall GDP growth and the outlook. Fiscal policy remained in check, as shown by the annual deficit. Inflation has risen somewhat in the past few months, though the headline figure did not rise further in September (2.6%) after hitting 2.9% in July and August. Core inflation, however, did rise further, to 2.4% in September, the highest rate of the last seven years.

Financial Markets

The main policy rate of the NBP has been kept unchanged (at 1.50%) so far in 2019, the same rate as in the whole of last year. While some of last year's monetary decisions and central bank comments as well as market expectations had suggested an increasing probability of a tightening cycle starting soon, such a move is now very unlikely. Both the low domestic inflation environment and the latest dovish shift in ECB policy expectations support our forecast for essentially steady short-term rates for not only 2019, but also 2020-21. The central bank had been concerned about food price growth and accelerating wage growth, but these risk factors are unlikely to exert strong upward pressure on CPI through the year ahead. The zloty has become more volatile and experienced rapid depreciation in August and September mainly due to external factors. The EUR/PLN exchange rate fluctuated in a range of 4.30-4.40.

Banking Sector

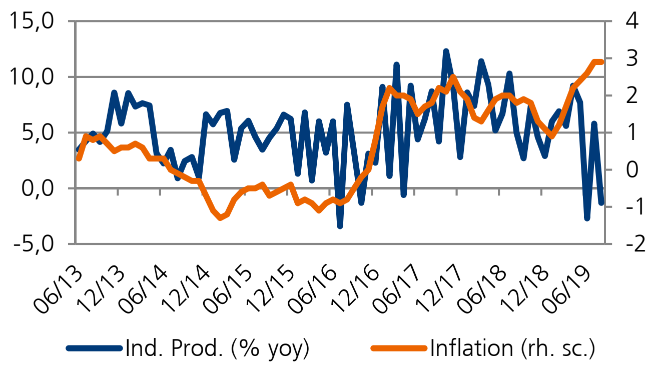
Lending activity has continued to be supported by solid economic growth. The Polish banking sector's forecast of lending growth of close to 6% in 2019 following a multi-year record rate last year has continued to be supported by the latest data, including household consumption. In Poland, about 450,000 households still have loans in CHF or that are indexed to the CHF, with a total outstanding amount of about EUR 23bn. Efforts to push banks towards voluntary conversion to PLN have not worked, with several thousand lawsuits initiated alleging unfair loan practices. One of these lawsuits eventually came before the European Court of Justice and was decided on 3 October. The ruling held that if Polish courts determine the mortgage contracts contain unfair terms, EU law would not block the annulment of such loan agreements. The decision was seen as a partial victory for mortgage holders, with adverse effects resulting on Polish banks, but the application of the decision remains up to Polish courts which must now dive into the details of thousands of individual cases.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production yoy	-1.3 (Aug)	4.7	6.2
Nom. Exports yoy	-8.3 (Jun)	0.3	6.6
ESI (index)	102.1 (Sep)	103.0	104.8
Retail Sales yoy	4.8 (May)		
Inflation Rate yoy	2.6 (Sep)	2.4	1.3
CB Reference Rate	1.5 (21th Oct)	1.5	1.5
Loans (priv. sector, yoy, eop)	6.9 (Aug)	6.0	7.8
Deposits (priv. sector, yoy, eop)	11.2 (Aug)	10.9	10.9
Lending interest rate (corp., eop)	3.7 (Aug)	3.4	3.7
Deposit interest rate (hh, eop)	1.5 (Aug)	1.6	1.6

Source: Narodowy Bank Polski , Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

The Slovak economy has slowed markedly since 2Q19 amid weak external demand for the production of this small and highly open economy. Annual GDP growth declined from 3.7% in 1Q to 2.0% in 2Q mainly due to negative net exports and a decrease in fixed investment. Given global trade uncertainty and economic near-stagnation in Germany, Slovakia's major trading partner, could persist in the coming quarters, we expect GDP to grow below potential in 2019 -2020.

The slowdown is visible particularly in the monthly data for industrial production and exports, but also regarding construction. In August, industrial production decreased by as much as 8.1% and exports by 2.8% yoy. In addition, private consumption and retail sales continue to underperform despite strong wage growth, due to rise in the savings rate of households.

The local labour market remains rather tight, with the unemployment rate having stabilised around historical lows of 5-6% and wages growing considerably faster than labour productivity (+9.7% in 2Q19, partly thanks to one-off effects). Job vacancies and employment in industry, however, have already posted yoy declines. The consumer inflation increased recently to as high as 3.0% on the back of swiftly rising prices for groceries and education, as well as for regulated utilities.

Financial Markets

Spreads on 10Y Slovak government bonds vis-à-vis German Bunds decreased with the significant downward shift in yields in the summer to about 40 bps. Together with falling bank lending rates (several banks have cut their mortgage rates further recently), this cuts into the net interest income of the local financial sector. The spreads could increase slightly once Slovakia holds parliamentary elections next year and the general flight of investors to the safety of fixed income is slowly abating.

Banking Sector

Slovak banking sector activity is slowing amid a decelerating economy and increasing macroprudential regulation. Tighter conditions for new loans from the central bank (maximum DTI and LTV ratios) particularly affect consumer loans and new mortgages.

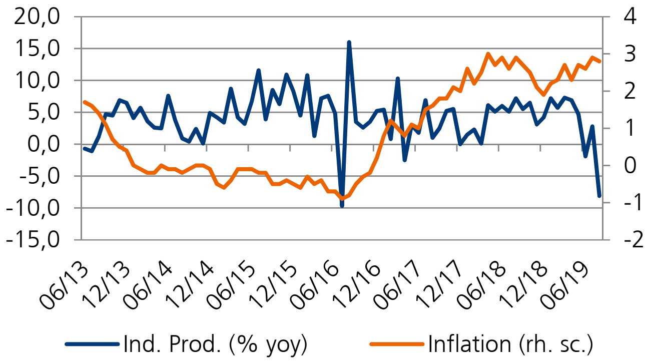
Growth of deposits is supported by rising household incomes and higher savings rates, but it does not fully compensate for a rise in lending. Banks thus get additional funding increasingly via issuance of covered bonds. Profits in the financial sector will be further squeezed by an expected extention of the special bank levy beyond 2020.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production, wda yoy	-8.1 (Aug)	3.2	6.7
Nom. Exports, yoy	-2.8 (Aug)	-0.5	9.2
ESI (index)	97.9 (Sep)	94.9	98.5
Retail sales, yoy	-2.9 (Aug)	-0.4	0.9
Inflation rate, yoy	2.9 (Sep)	2.5	2.4
ECB refi rate	0.0 (22th Oct)	0.0	0.0
Loans (priv.sector,yoy,eop)	6.3 (Aug)	7.3	8.5
Deposits (priv.sector,yoy,eop)	4.6 (Aug)	5.8	5.1
Lending interest rate (corp., eop)	1.9 (Aug)	2.0	2.0
Deposit interest rate (hh, eop)	0.1 (Aug)	0.1	0.1

Source: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovak

Slovenia

Real Economy

Ivan Odrčić

Industrial production in August rose by 0.8% yoy (+4.8% in July), solely supported by rising (1.6%) manufacturing activity. In the January-August 2019 period, a modest increase in foreign demand resulted in total industrial production growth of 3.4% yoy, ie, much slower than in the same period of 2018 (+7.2%). Real retail trade in August advanced by 5.3% yoy, ie, slower vs July (+6.4%), while in the first eight months of 2019, it advanced by 7.5% yoy amid healthy employment (+2.8%) and wage (+3.6%, net nominal) level growth. Foreign trade data for July show goods exports increasing by 11.8% yoy and imports by 17.6% yoy, both related to strong trade activity for chemicals and chemical-related products, while August data showed significantly lower export/import growth rates (relatively similar at +4.9% and +4.3% yoy, respectively). The September HICP inflation rate amounted to 1.7% o/y (2.0% in 3Q), ie, the same as in the January-September 2019 period, mostly due to higher prices in the categories of housing, water, electricity, gas & other fuels, and restaurants & hotels.

Financial Markets

Ana Lokin

The 10Y government bond yield climbed back in September, rising by an average 10 bps mom to 0.0% as spreads with the Bund increased by 10 bps, to 60 bps. At the end of the month, the yield stood at 0.0% (+20 bps mom) and the spread at 60 bps (+10 bps mom). In October, the yield has been hovering around 0.0%, with the spread retreating below 50 bps.

Banking Sector

Loan growth rose to 4.3% yoy in August, owing to a stronger increase in corporate loans (2.4% yoy), which are now in positive territory for the third consecutive month. Data on volumes of newly placed loans reveal that the main driver of the rise in corporate loans in this period has been loans granted to big companies (loans of over EUR 1M). Household loans in August grew by 6.1% yoy, as consumer loans ticked up by11.2% yoy, while housing loan growth came in at 5.0%, down a touch from the previous month. Deposits maintained an upbeat trend, rising by 6.9% yoy in August, the fastest rate in the past 12 months, as household deposits are continuing to increase (7.9% yoy), supported by favourable labour market developments, whereas corporate deposits strengthened by 4.3% yoy.

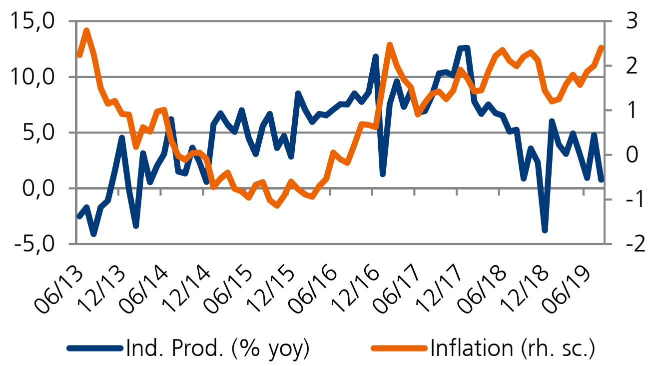
In October, the BSI announced plans to change several recommendations for household lending into binding instruments starting from November: 1) the DSTI ratio for new household loans shall not exceed 50% for monthly income less than twice the gross minimum wage (currently EUR 887), ie, 67% for part of monthly income exceeding the threshold; and 2) the maturity of new consumer loans shall not exceed seven years. The loan/value ratio cap of 80% for new housing loans remains in the form of a recommendation. Certain deviations from the requirements are permitted in order to allow flexibility, but they may comprise a maximum of 10% of the volume of new household loans for cap on DSTI, and no more than 15% of the value of new consumer loans for the limit on maturity.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production, wda yoy	0.8 (Aug)	3.0	4.3
Nom. Exports yoy	4.9 (Aug)	9.1	9.5
ESI (index)	105.6 (Sep)	104.8	108.0
Consumer Confidence Indic.	-10.1 (Sep)	-8.5	-7.4
Inflation Rate yoy	1.7 (Sep)	1.7	1.3
ECB refi rate	0.0 (21th Oct)	0.0	0.0
Loans (priv.sector,yoy,eop)	4.4 (Aug)	3.9	3.5
Deposits (priv.sector,yoy,eop)	6.9 (Aug)	6.2	6.4
Lending interest rate (corp., eop)	2.1 (Aug)	2.2	2.2
Deposit interest rate (hh, eop)	0.2 (Aug)	0.2	0.2

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

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Kledi Gjordeni

Real Economy

According to INSTAT data, GDP grew by 2.3% in 2Q19, down from 3.3% at the end of 2018. The growth slowdown in 1H19 mainly reflects the reduction of electrical energy production and the decline in investment flows into some large strategic projects in the energy sector due to their finalisation phases. The widening of the current account deficit resulted in the negative external sector contribution. The industrial and construction sectors recorded deteriorating performances. Growth in economic activity reflected the expansion of consumption by 2.98% in 2Q19 while investment and the balance of external trade levels had negative effects. In September 2019, the export of goods decreased by 5.3 % yoy and imports increased by 2.3%. This month so far, the trade deficit is ALL 27bn, pointing to an increase of 10.0 % compared with September 2018.

Inflation in September rose by 1.3%. The fluctuations of inflation in recent months has reflected the volatility in food prices. Inflation performance has reflected the build-up of domestic inflationary pressures while imported inflation has been falling. In the labour market, the unemployment rate fell to 11.5% (which is the lowest rate since the end of 2015) and average wages increased 4.5%. The preliminary available data for the third quarter suggest a similar performance to that in the previous quarter.

Financial Markets

Monetary policy, despite the key interest rate remaining unchanged throughout the period, has continued to be stimulative. Financial markets continue to be characterised by low interest rates, good liquidity, increasingly stable exchange rates, and an upward lending trend. The inflation rate mainly reflected the effects of exchange rate appreciation, despite the upward pressure from positive developments in economic activity and in the labour market. Thus, in September 2019, annual inflation dropped to a 1.3% rate. Although the downside risks have increased, CB expectations remain positive for inflation to converge to target by the end of 2021.

Banking Sector

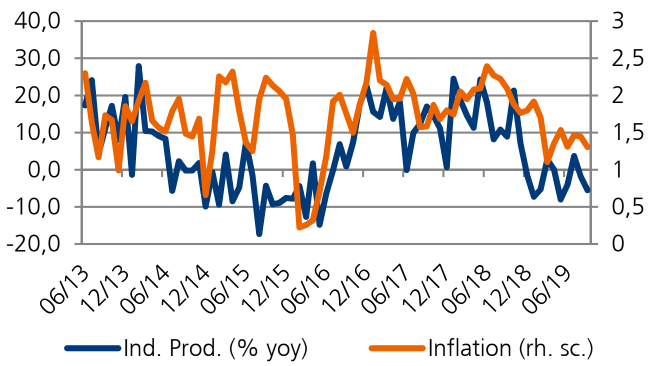
Credit growth started to show an acceleration of credit to enterprises and households and the expansion of credit in LEK and foreign currency. The positive lending trend benefited from increases in both credit demand and credit supply. The improved supply shows the falling risk of lending in Albania with NPLs/Loans now at 11% from 12.9% year ago, and the positive effect of banking sector restructuring through the entry of new players into the market. In August 2019, total loans grew at 4.32%. In contrast to previous periods, the expansion of credit is due to the increase in corporate loans, of 5.35% yoy while households' loans grew by 2.30%. In the Deposit side, in August, total deposit grew by 2.90%. The main contribution to the growth, was given by the business sector whose loans grew at 7.71%, while the households' loans grew at 1.94%.

Latest economic indicators

	Last value	2Q 19	1Q 19
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-1.6 (Aug)	-4.3	-3.2
Unemployment rate	n.a.	11.5	12.1
Inflation rate, average yoy	1.3 (Sep)	1.4	1.6
CB Reference Rate	1.0 (21th Oct)	1.0	1.0
Loans (private sector, yoy, eop)	4.3 (Aug)	3.5	-1.0
Deposits (private sector, yoy, eop)	2.9 (Aug)	1.9	1.9
Lending interest rate (pr.sect., eop)	6.5 (Aug)	6.1	6.7
Deposit interest rate (pr.sect , eop)	0.4 (Aug)	0.8	0.6

Source: National Statistical Institute, Bank of Albania

Industrial production and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jovic

Following the publication of revised GDP growth rates for 2017 (from 3.4% to 3.0%) and 2018 (from 3.0% to 3.6% yoy), the quarterly report showed a 1Q19 upward GDP revision from 2.3% to 2.8% yoy and, in line with expectations, a slowdown in 2Q growth to 2.6% yoy. While private consumption and investments rose to 3.2% and 9.6% yoy, respectively, a solid exports performance (5.7% yoy) was overridden by a 8.4% yoy surge in imports, thus shaving 2.4 pps from headline growth.

High frequency data available for 3Q continue to be a mixed bag, as industrial production continues to weaken (-4.7% in July and -5.9% yoy in August) dragged down by deteriorating exports performances (-6.6% and respectively -11.6% yoy in the same months). At the same time, real retail trade advanced by 5.4% and 3.5% yoy, supported by solid employment (3.0% yoy in 1H) and wage growth (5.0% yoy). Given these performances, we see the growth slowdown continuing in the second half of the year, as foreseen in the September outlook, confirming our FY19 2.6% growth call.

On the political front, there has not been any progress a year after the general elections. A government has not yet been formed in BiH (Cabinet BiH and Federation BiH) and the BiH Parliament is not holding sessions. The political deadlock limits progress on reforms and blocks IFIs financing for important infrastructure projects that would support the country's stable, albeit low, growth.

Banking Sector

Ana Lokin

Private sector loans continue to hold up well, with firm household lending but a deceleration in corporate loans. In August, loans grew by 5.8% yoy, as corporate loans eased for the third month in a row, coming in at 4.1% yoy, while household loans rose by 7.5% yoy. Consumer loans are gradually losing momentum, rising by 6.9% yoy, whereas housing loans grew in August at the fastest rate in nearly four years (11.1% yoy). The revival of the latter was most certainly reinforced by the decline of interest rates for housing loans, which have been cut by 80-90 bps since the credit standards on consumer loans were tightened in late 2017.

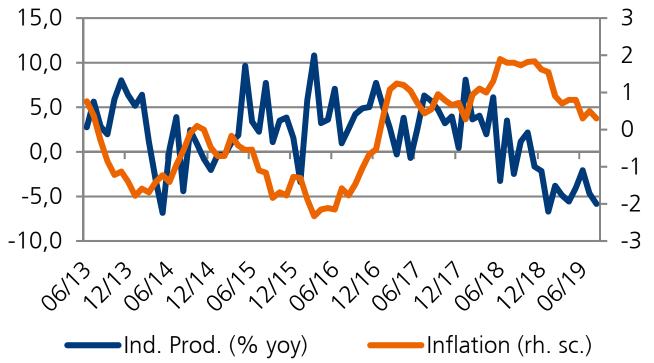
Growth of private sector deposits strengthened to 8.3% yoy in August, with corporate deposits accelerating to 6.7% yoy and household deposits flattish at 9.0% yoy. The breakdown of household deposits by maturity reveals a weaker rise in funds in transaction accounts (17.4% yoy) which was offset by a sharper increase in demand deposits and time deposits (9.0% yoy, and 4.0% yoy)

Latest macroeconomic indicators

%	Last value	2Q 19	1Q 19
Industrial production, wda yoy	-5.8 (Aug)	-3.9	-5.1
Export of goods, nominal yoy	-11.6 (Aug)	0.4	-0.6
Retail trade, real, wda yoy	3.5 (Aug)	3.4	8.1
Inflation rate, average yoy	0.3 (Aug)	0.6	1.0
Loans (private sector, yoy, eop)	5.8 (Aug)	6.0	5.3
Deposits (private sector, yoy, eop)	8.3 (Aug)	7.2	8.0

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

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivan Odrčić

August data show that industrial production turned negative (-1.7% yoy), after expanding by 3.0% in the previous month, as manufacturing activity fell by 2.7%. At the same time, real retail trade's annual increase slowed to +1.2%, given poor non-food (except fuels) sales. Goods exports in July advanced by a relatively strong +24.1% yoy (imports: +6.2%), as the overall growth rate was highly influenced by a steep increase in exports in the manufacture of other transport equipment, ie, ships. Preliminary August data, meanwhile, point to exports and imports declining on a yoy basis (-13.7% and -6.2%, respectively).

The annual inflation rate in September stayed at the same level as in August (0.8%) while in 3Q, it amounted to 0.9%, ie, down slightly from 0.7% in 2Q, mostly due to falling prices in the category of Transport (due to lower crude oil prices).

Financial Markets

Ana Lokin

The money market remained lethargic in September, with excess liquidity rising to HRK 32bn, which resulted in interest rates staying at low levels: the average 3M Zibor remained unchanged mom at 0.5%. Appreciation pressures abated in September along with declining seasonal FX inflows. Thus, the average FX rate rose by a mild 0.2% mom, to 7.40 kuna per euro. The 10Y kuna government bond yield has been declining since the June Fitch rating upgrade. Thus, in September, the average yield narrowed by a sharp 30 bps mom, to 0.6%, mostly due to a 40 bps mom drop in the spread vs the Bund, to 120 bps.

In October, the kuna continued to weaken slightly and reached 7.44 amid somewhat stronger corporate demand. The 3M Zibor continues creep down and slipped to close to 0.4%, whereas the 10Y kuna government bond yield approached 0.5%, with the spread down to 90 bps.

Banking Sector

Loans ticked up in August, coming in at 2.6% yoy as the corporate loans decline eased at -2.8% yoy. Household have so far shrugged off the tightening in credit standards and continued to fare well, rising by 6.3% yoy. Transaction data show a tad weaker increase in household placements of 7.0% yoy in August, with steady housing and softer cash loans, while placements to non-financial corporations edged up on a monthly basis, with a lower annual decline to -1.9% yoy.

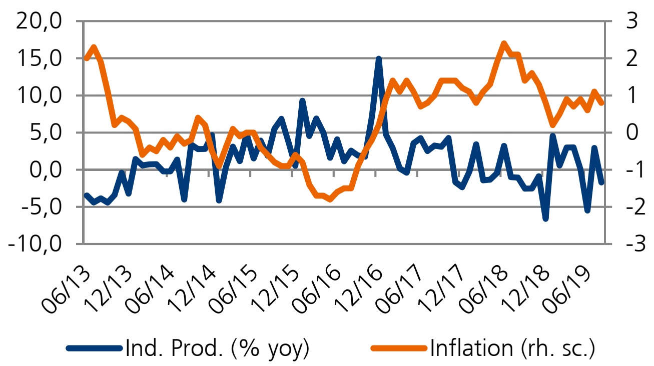
Private sector financing conditions continue to improve in 2019, with banks reducing interest rates on average by 20-60 bps vs 2018 averages, with the strongest reduction seen on kuna corporate loans. Average rates on housing loans and corporate kuna loans are now around 3%; on consumer loans, around 7% for kuna and 5% for indexed loans; and on indexed corporate kuna loans, this has dipped to shy of 3%. Deposits edged down to 4.8% yoy in August owing to a lower increase in household deposits of 3.7% yoy, ie, FX adjusted 4.0% yoy and a slower pace of the rise in corporate deposits (7.9% yoy).

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial production, wda yoy	-1.7 (Aug)	-0.9	2.7
Export of goods, nominal yoy	24.1 (Jul)	2.4	9.6
Retail trade, real, wda yoy	1.2 (Aug)	2.9	6.1
ESI (index)	114.7 (Sep)	112.2	115.4
Inflation rate, average yoy	0.8 (Sep)	0.7	0.5
Loans (priv. sector, yoy, eop)	2.6 (Aug)	2.6	3.5
Deposits (priv. sector, yoy, eop)	4.8 (Aug)	4.8	5.1
Lending interest rate (pr.sect., eop)	3.0 (Aug)	3.1	3.2
Deposit interest rate (pr.sect , eop)	0.3 (Aug)	0.4	0.4

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

The opposition non-confidence vote passed in the Parliament and the President asked Ludovic Orban, President of the Liberal Party, to present a new government. The confidence vote on the new Government by the Parliament will take place on the 28th October.

The GDP growth rate for 2Q19 was confirmed at +4.4% yoy, slowing down in comparison with the previous quarter. The expectation for GDP is that growth will slow this year and in the next years from around 4% in 2019. The CPI for September of 3.50% shows a slowdown, with the rate reentering the NBR's projection interval (4.20% at EOY 2019), and at the upper limit of the target interval (3.50%). It will be important to see if the CORE 2 adjusted component follows the same trend.

Industrial production fell for the third month in a row, in strong correlation with the evolution of the German economy since Germany is the main trade partner for Romania. Retail sales are still showing strong growth mainly driven by populist measures taken in the last years by the government, ie, the increase of wages for public sector employees. Critical issues continued to be the budget and current account deficits (and the trade balance deficit). The budget deficit in August reached almost RON 22bn, the highest level since the 2008-2011 crisis. The current account deficit is also growing fast, reaching EUR 6.035bn in July, with a significant chance of closing the year at more than EUR 12bn.

Financial Markets

After a slight depreciation to 4.76, the volatility of the EUR/RON has remained low, mainly due to the strong presence of the NBR in market, but also due to low trading volumes. Liquidity has returned to the money market. The NBR held "depo" auctions with RON 5.7 bn of volume on 21st October. The overnight rates are now at the 1.7% level, due to the end of the technical period for minimum reserves requirements. The bond markets saw slight depreciation in curves in September, due to political factors, but in the last weeks has seen relative stability. The NBR has kept the reference rate at 2.5% and the technical interval in the range 1.5%/3.5%. Given the easing trend in global markets, we consider the NBR's decision to keep rates unchanged as pointing in a tightening direction. This year, the NBR will hold only one more Monetary Policy Meeting and the expectation is for rates and other measures to remain unchanged.

Banking Sector

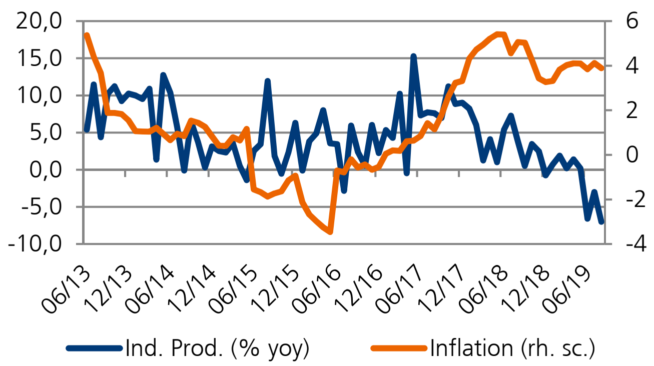
The banking sector continues to show slight but robust growth. Customer deposits continue to grow, with an 11% rise yoy seen for households (8.79% in RON and 14.4% in foreign currencies), and for corporates, a 6.3% yoy increase (6.3% in RON and 6.5% in foreign currencies). Customer credits grew on both segments as well. Household credits grew by 7.31% yoy, due to the RON component (+11.4%); the foreign currency component decreased (-8.59%). On the corporates side, we saw 7.61% growth, with 4.87% in RON and 11.7% in foreign currencies. The figures also include the exchange rate effect for foreign currency credits.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production yoy	-7.0 (Aug)	-1.7	0.9
Nom. Exports yoy	1.7 (Aug)	4.3	3.3
ESI (index)	102.6 (Sep)	102.5	102.3
Retail Sales yoy	6.7 (Aug)	5.3	8.3
Inflation Rate yoy	3.5 (Sep)	4.0	3.7
CB Reference Rate	2.5 (21th Oct)	2.5	2.5
Loans (priv. sector, yoy, eop)	7.4 (Aug)	6.7	7.7
Deposits (priv. sector, yoy, eop)	9.3 (Aug)	7.8	9.4
Lending interest rate (pr.sect., eop)	5.6 (Aug)	6.1	6.3
Deposit interest rate (pr.sect , eop)	1.9 (Aug)	1.7	1.6

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Tijana Matijasevic

After expanding by 3.7% yoy in July, industrial production eased to 0.5% yoy growth in August, reflecting a weak performance by the manufacturing sector which recorded a decline of 1.8% yoy, while the energy and mining sectors increased by 4.5% and 17.5%, respectively. Average industry growth figures in the period of January-August 2019 remained negative, at around -1% yoy.

On the other side, retail trade continued its strong performance in August (up 8.3% yoy) on account of a higher number of people in employment, strong growth in net wages, and cash loans expansion. Likewise, in the first half of 2019, economic activity continued to be led by the further recovery of consumption, supported by a more expansionary fiscal stance.

Inflation slowed yoy from 1.3% in August to 1.1% in September, remaining below the inflation target (3.0% ± 1.5 pps) for the second month in a row. Lower prices for fruit and vegetables, in addition to reduced fuel prices dragged the headline figure down, while core inflation remained relatively stable, at 1.3% in September. Inflation should pick up slightly yoy by the end of 2019 but remain low and relatively stable in the medium term. On our current estimates, it should average around 2% this and next year.

Financial Markets

In October, the National Bank of Serbia decided to keep the key policy rate unchanged at 2.5% for the third consecutive month. The on-hold decision was justified by the past monetary policy easing and outlook for inflation, and other macroeconomic indicators in the country and the international environment.

At the same time, the central bank continued with its heavy interventions in the FX market in order to curb RSD appreciation, buying EUR 400mn during September alone. In the January-September 2019 period, the dinar appreciated against the euro by 0.6% and depreciated against the USD by 3.7% while the NBS intervened on the FX market by net-purchasing c.EUR 2.1bn. If pronounced dinar appreciation pressures were to persist, we might see further monetary easing by the NBS in the coming months.

Banking Sector

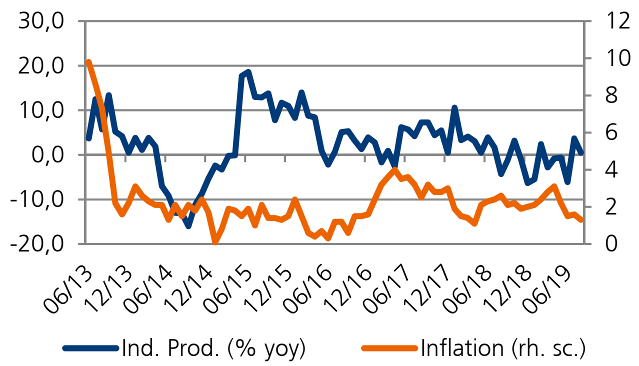
Strong bank lending continues in Serbia (10.1% yoy in August), led by both corporate and households lending, which rose by 11.6% and 8.4% yoy, respectively. A positive trend is expected to continue, supported by solid economic growth, improved conditions in the labour market, past monetary policy easing by the NBS, and lower interest rates in the Euro Area as well as strong bank competition. Moreover, a steady rise in private sector deposits continued (+12% yoy in August) in spite of lower interest rates.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production yoy	0.5 (Aug)	-2.5	-2.0
Nom. Exports yoy	4.1 (Aug)	6.4	6.6
Retail Sales yoy	8.3 (Aug)	7.6	9.6
Inflation Rate yoy	1.1 (Sep)	2.3	2.4
CB Reference Rate, eop	2.5(21th Oct)	3.0	3.0
Loans (priv.sector,yoy,eop)	10.1 (Aug)	8.9	9.6
Deposits (priv.sector,yoy,eop)	12.0 (Aug)	10.4	14.6
Lending interest rate (pr.sect., eop)	5.1 (Aug)	5.1	5.2
Deposit interest rate (pr.sect , eop)	2.8 (Aug)	3.0	2.9

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

Olga Pisla

In September 2019, the annual inflation rate maintained its upward movement, increasing 0.8 pps from its August level and reaching 6.3%. The main driver was the rise in tariffs for services (+1.4 pps), followed by 0.96 pps and 0.3 pps rises in average prices for food and non-food products, respectively. As of July, industrial production increased 5.9% yoy, driven by the positive evolution of the manufacturing industry (+6.6%) and the production of electricity, gas, steam, hot water and air conditioning supply (+4.0%), which balanced out the negative impact from the extractive industry (-9.7%). Moreover, the industrial sector growth was also supported by the growth in the construction sector and the increase in domestic demand for domestic industrial products. The retail sales of goods and services recorded positive dynamics (+10.1% in July 2019 vs July 2018), with the main factor being the improvement in the financial situation of the population due to an increase of the available income.

Financial Markets

Yields increased for all security maturities in September 2019, with the yield dynamics being driven by inflation expectations. Short-term TB yields rose, on average, by 0.1 pps, while longer-maturity yields increased by 0.3 pps, 0.2 pps and 0.1 pps for bonds with two-, three- and five-year maturities, respectively. Due to the expected inflationary pressures, the National Bank of Moldova (NBM) decided to maintain the base rate at 7.5%.

Banking Sector

As of August 2019, the total volume of loans continued to increase despite the restrictive monetary policy pursued by the NBM. The total balance of loans amounts to EUR 1.99bn, up 16.3% over the same period last year. This positive evolution is related to the growing demand for loans from individuals (up +41.2% yoy in August 2019), with the household segment continuing to expand in two main components: consumer loans and real estate loans. On the other hand, the economic agents have become more cautious, with corporate loans increasing by 7.2% yoy in August 2019 (down from 7.9% in July 2019 and 9.3% in June 2019) as a result of weaker investment appetite and tightening credit conditions.

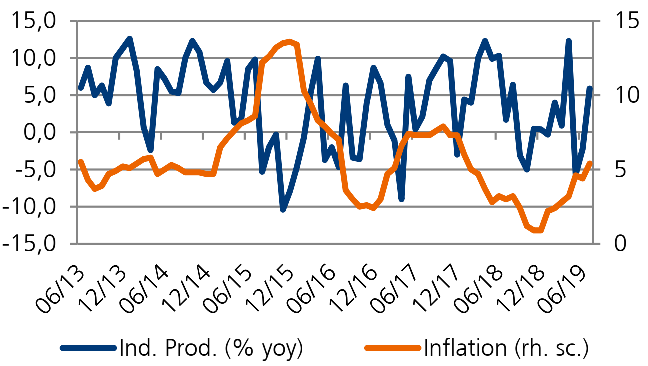
The balance of total deposits to the private sector as of August 2019 increased by 6.5% yoy, reaching a volume of EUR 3.35bn. Similar to loans, the driver was the household sector, where volume increased by 10.6% compared to the 2.5% rise registered by corporate deposits. It is worth noting the significant increase in sight deposits in local currency (by 14.6%), which argues that the population's preference is to access their savings without restrictions, despite the lower interest rates compared to term deposits. The NPL ratio of 10.8% in August was down 1.36 pps compared to the beginning of the year, thus indicating a continuous improvement in the quality of assets in the banking system.

Latest economic indicators

	Last value	2Q 19	1Q 19
Industrial Production yoy	5.9 (Jul)	1.5	1.5
Nom. Exports yoy	-5.8 (Aug)	-1.0	8.2
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	10.1 (Jul)	17.6	16.6
Inflation Rate yoy	6.3 (Sep)	4.1	2.5
CB Reference Rate	7.5 (30th Sep)	7.0	6.5
Loans (Priv. Sector, yoy, eop)	16.3 (Aug)	17.0	12.7
Deposits (Priv. Sector, yoy, eop)	7.7 (Aug)	7.8	3.0
Lending interest rate (corp., eop)	8.9 (Aug)	8.6	9.1
Deposit interest rate (hh, eop)	4.5 (Aug)	4.5	4.4

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

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Irina Lekareva

According to the Ministry of Economic Development of Russia, GDP growth in 3Q19 accelerated to 1.9% yoy (vs 0.9% yoy in 2Q19 and 0.5% yoy in 1Q19, respectively). The largest contribution was made by industrial production (+3.1% yoy in September, after 2.9% yoy in August), supported mainly by the mining, manufacturing and agriculture industries. Retail sales growth slowed in August to 0.8% yoy, after 1.1% yoy in July, amid worsening dynamics in both the food and non-food segments. The sharp GDP growth acceleration was due to one-time factors, with a significant increase in inventories against the weak domestic demand. Given an expected further cooling in consumer demand, the GDP growth rate in 4Q19 may slow to 1.4% yoy.

In September, inflation fell to the CBR target level of 4%. The disinflationary trend should continue in the coming quarters against a slowdown in consumer lending, with weak dynamics in mortgage and corporate loans. By the end of the year, the CBR expects inflation to be at the level of 3.7%-3.2%..

Financial Markets

On 25th of October, the Bank of Russia decided to reduce the key rate for the fourth time in a row this year from 7% to 6.50%. Reflecting the favourable inflation trend, the easing cycle might end next year at a lower level than it was previously expected.

In September, the RUB managed to improve its position against key foreign currencies after the sharp losses in August, which had been driven by the announcement of new sanctions against Russia and trade war uncertainty. The average USD/RUB exchange rate in September was 64.99(vs. 65.53 in August), while the EUR/RUB exchange rate was 71.62(vs.72.89 in August). Moreover, the RUB dynamics in recent months stabily demonstrate the decreasing dependence on oil prices. I

Banking Sector

The deposit portfolio of the Russian banking sector in July grew to 11.4% yoy compared with 9.7% yoy in June. In July, the growth of household deposits remained at the level seen in June (+7.3% yoy) while the volume of corporate deposits increased from 13% in June to 17% in July. It is expected that the situation is unlikely to change in the coming months, and the dynamics of both segments should remain stable.

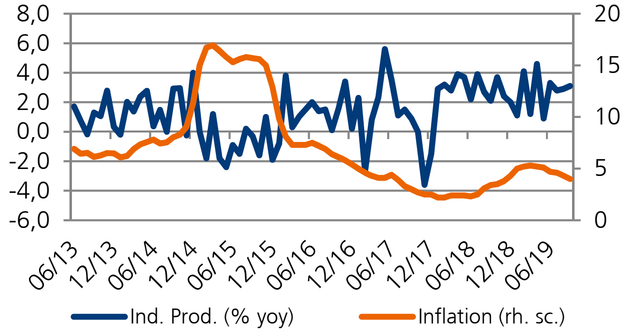
In July, the loan portfolio in all segments showed a slowdown for the third month in a row (+11% yoy, after +11.3% yoy in June and +11.9% yoy in May). Corporate lending growth slowed to 6.8% yoy (vs 7.2% yoy in June) while household loan growth decreased to 21.8% yoy (from 22.8% yoy in June). Household lending is expected to decelerate further with the introduction of additional measures by the central bank to limit risks in the segment.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production yoy	3.1 (Sep)	2.9	2.1
Nom. Exports yoy	-9.7 (Aug)	-8.0	-0.8
Retail Sales yoy	0.8 (Aug)	1.3	1.7
PMI Manufacturing	46.3 (Sep)	48.6	52.8
Inflation Rate yoy	4.0 (Sep)	5.0	5.2
CB Reference Rate	6.5(25thOct)	7.5	7.8
Loans (priv.sector, yoy, eop)	11.0 (Jul)	11.3	13.4
Deposits (priv.sector,yoy,eop)	11.4 (Jul)	9.7	12.2
Lending interest rate (corp., eop)	8.8 (Jul)	9.1	9.3
Deposit interest rate (hh, eop)	5.3 (Jul)	5.7	6.0

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Artem Krasovskyi

Fitch upgraded Ukraine's sovereign rating from B- to B, noting significant improvements in macroeconomic conditions, and responsible fiscal and budgetary policies. The dynamics of industrial production remain weak, with growth having declined to 1.7% yoy in August after declining by 0.2% and 2.3% in July and June, respectively due to moderate investment activity impacted by it being a double election year and weakening competitiveness on the back of local currency appreciation. Retail sales increased by 6.7% yoy in August, bringing robust support for GDP growth in 2H19.

In September, inflation slowed to 7.5% yoy, decelerating sharply from 8.8% in August, with core inflation down from 7.2% yoy in August to 6.5% in September. The slowdown was driven by moderate food and fuel prices, mostly resulting from continued appreciation of the UAH. Wage dynamics have slowed but remain high: for the eight months of 2019 to end-August, nominal wages grew by 19.4% and real wages by 9.5%. Ukraine continues to discuss the three-year EFF programme with IMF.

Financial Markets

In September, international reserves decreased by USD 0.6bn (2.6%), to USD 21.4bn, due to peak government debt payments in September which totaled nearly USD 2bn. The government and the NBU were, however, able to partially offset this via ample placement of local government bonds and thanks to a favourable foreign exchange market.

The local currency depreciated to 25 USD/UAH from the peak of 24 USD/UAH seen earlier in September, negatively affected by weaker demand from non-residents for government bonds, but still rather confident thanks to robust FX supply from the agricultural exporters. Growth of foreign exposure to local government debt has slowed down, resulting both from fragile investors' sentiment toward emerging markets and persistent attempts of Ministry of Finance to reduce borrowing costs by pushing the primary auction cut-off rates down and capping bonds offered amount. On the monetary policy front, in October the key rate was cut by the NBU by 100 bps to 15.5%, on the back of better than expected inflation print in September.

Banking Sector

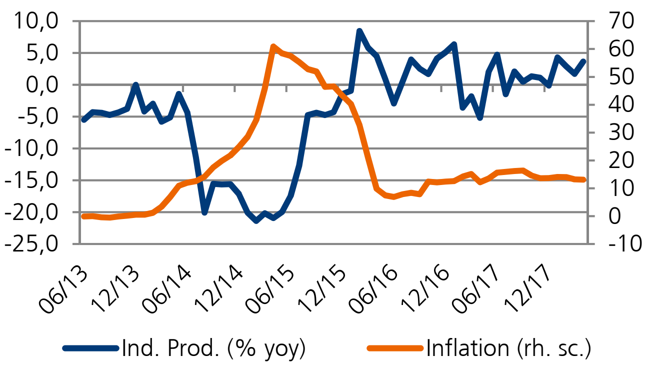
Banks continued to see an increase in private sector deposits in August (+0.5% mom and +6.2% yoy), mostly driven by deposits in local currency and overall representing the highest level in post-crisis deposits recovery for Ukraine. Total loans to the private sector fell by 6.8% yoy in August, primarily dragged down by weaker lending activity to legal entities (-0.3% mom and -9.8% yoy), while loans to households in contrast appeared to outperform (+1.9% mom and +5.2% yoy).

Latest economic indicators

	Last value	2Q 19	1Q 19
Industrial Production yoy	-1.6 (Aug)	1.7	-0.6
Nom. Exports yoy	6.9 (Aug)	6.1	8.1
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	7.9 (Aug)	11.2	8.1
Inflation Rate yoy	7.5 (Sep)	9.1	8.9
CB Reference Rate	15.5 (24th Oct)	17.5	18.0
Loans (Priv. Sector, yoy, eop)	-6.8 (Aug)	0.4	3.0
Deposits (Priv. Sector, yoy, eop)	6.2 (Aug)	9.3	10.0
Lending interest rate (pr.sect., eop)	18.0 (Aug)	18.2	17.9
Deposit interest rate (pr.sect , eop)	15.4 (Aug)	15.2	14.3

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Samer Halim

The IMF released its fifth review for the Egyptian economy, allowing authorities to draw about USD 2bn (last tranche of the IMF's loan to Egypt). It praised the strong macroeconomic performance in 2018/19, supported by continued sound policy implementation. However, it warned that the high level of public debt and large external gross financing needs leave Egypt vulnerable to a shift in global financial conditions. Egypt slightly lowered domestic fuel prices by an average of 3% as it begins linking energy prices to international markets as part of an IMF-backed pricing mechanism. Externally, the current account recorded a deficit of USD 8.2bn in 2018/19 (compared to USD 6bn in the previous year). Despite the improvement in the oil trade balance (which recorded a surplus for the first time since 2012/13) and the hike in tourism revenues (highest in almost a decade), the non-oil trade balance deficit widened by 13.4%, offsetting the improvement in the oil and gas trade balance. Also, a slight decline in remittances contributed to an increase in the current account deficit.

Financial Markets

Annual headline inflation declined to 4.8% in September 2019 from 7.5% in August 2019, the lowest rate since December 2012, supported by favourable base effects. The monthly core inflation rate was negative 2.3%, leading an annual rate of positive 2.6%, the lowest since April 2006. Regarding monetary policy, the CBE cut overnight deposit and lending rates by 100 bps, to 13.25% and 14.25%, respectively, in September, supported by low inflation rates and dovish environments regionally and globally. Expected low CPI in October might motivate the CBE to further lower core interest rates by 50-100 bps at its meeting in November. The EGP has appreciated by more than 9% vs the USD since the beginning of 2019, in part reflecting increased portfolio inflows through the interbank market due to the cancellation of the repatriation mechanism in late 2018.

Banking Sector

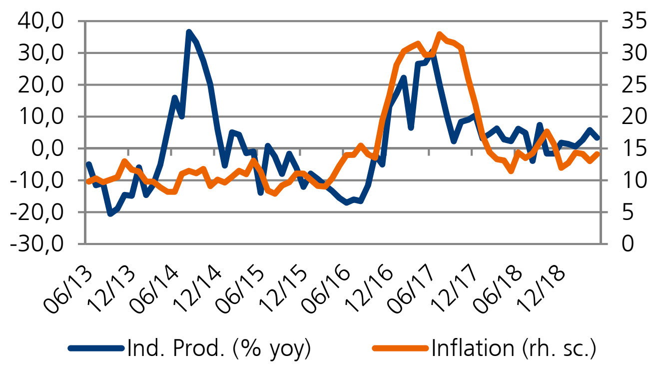
Private loans increased 13.7% yoy in July 2019. Despite the strong annual growth of LC loans (+25%), FC loans have continued on a downward trend (-16.9%), which can be partially explained by the appreciation of the EGP. Retail loans still enjoy solid growth rates (+25.8% yoy in July 2019), well above the average growth rate since the beginning of the year; growth in corporate loans remains relatively weak (+9% yoy in July 2019). Private deposits continued their steady growth at 12.5% in July 2019. Egypt's cabinet approved the final draft of the new Banking Law before referral to Parliament. It imposes new capital requirements on commercial banks, ie, with a rise to EGP 5bn vs the current EGP 500m.

Latest economic indicators

%	Last value	2Q 19	1Q 19
Industrial Production, wda yoy	3.4 (May)	4.6	1.6
Nom. Exports yoy	14.0 (Apr)	14.0	6.7
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	49.4 (Aug)	49.2	49.9
Inflation rate yoy	4.8 (Sep)	12.2	13.7
CB Reference Rate	13.3 (21th Oct)	15.8	15.8
Loans (priv. sector, yoy, eop)	13.7 (Jul)	13.0	16.3
Deposits (priv. sector, yoy, eop)	12.5 (Jul)	12.4	12.1
Lending interest rate (corp., eop)	16.3 (Aug)	16.4	17.1
Deposit interest rate (hh, eop)	11.1 (Aug)	11.3	12.0

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

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

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

The Economy

	GDP chg yoy			Ind. Prod[1]. chg.yoy			Export nom. chg			Inflation chg yoy				Retail sales chg yoy			Economic Survey[2]		
	2019	1Q19	2018	Last	mth	2019	Last	mth	2019	Last	mth	2019	2018	Last	mth	2019	Last	mth	2019
CEE																			
Czech	2.8	2.7	3.0	-1.2	Aug	1.1	-0.1	Aug	5.1	2.9	Aug	2.8	2.1	3.7	Aug	4.8	103.9	Sep	107.2
Hungary	4.9	5.3	4.9	0.3	Aug	4.7	2.6	Aug	0.4	2.8	Sep	3.7	2.8	5.3	Aug	5.3	107.2	Sep	117.3
Poland	4.4	4.7	5.1	-1.3	Aug	4.7	-8.3	Jun	0.3	2.6	Sep	2.4	1.7	4.4	Aug	7.1	102.1	Sep	104.8
Slovakia	2.0	3.7	4.1	-8.1	Aug	3.2	-2.8	Aug	-0.5	2.9	Sep	2.5	2.5	-2.9	Aug	-0.4	97.9	Sep	98.5
Slovenia	2.5	3.3	4.1	0.8	Aug	3.0	4.9	Aug	9.1	1.7	Sep	1.7	1.9	4.2	Aug	7.0	105.6	Sep	108.0
SEE																			
Albania	2.3	2.4	4.1	n.a.	n.a.	n.a.	-1.6	Aug	-4.3	1.3	Sep	1.4	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	2.6	2.8	3.6	-5.8	Aug	-3.9	-11.6	Aug	0.4	0.3	Aug	0.6	1.4	3.6	Aug	3.7	n.a.	n.a.	n.a.
Croatia	2.4	3.9	2.6	-1.7	Aug	-0.9	24.1	Jul	2.4	0.8	Sep	0.7	1.5	1.1	Aug	3.7	114.7	Sep	115.4
Romania	4.7	5.0	4.1	-7.0	Aug	-1.7	1.7	Aug	4.3	3.5	Sep	4.0	4.6	6.7	Aug	5.3	102.6	Sep	102.3
Serbia	2.9	2.7	4.4	0.5	Aug	-2.5	4.1	Aug	6.4	1.1	Sep	2.3	2.0	8.3	Aug	7.6	n.a.	n.a.	n.a.
CIS MENA																			
Moldova	5.8	4.4	4.0	0.5	Aug	1.5	-5.8	Aug	-1.0	6.3	Sep	4.1	3.1	11.1	Aug	17.6	n.a.	n.a.	n.a.
Russia	0.9	0.5	2.3	3.1	Sep	2.9	-9.7	Aug	-8.0	4.0	Sep	5.0	2.9	0.8	Aug	1.3	46.3	Sep	52.8
Ukraine	4.6	2.5	3.3	-1.6	Aug	1.7	6.9	Aug	6.1	7.5	Sep	9.1	11.0	9.9	Sep	11.2	n.a.	n.a.	n.a.
Egypt	5.7	5.6	5.4	3.4	May	4.6	14.0	Apr	14.0	4.8	Sep	12.2	14.4	n.a.	n.a.	n.a.	49.4	Aug	49.9
m.i. E.A.	*1.1*	*1.2*	*1.9*	*-2.8*	*Aug*	*-1.3*	*-2.2*	*Aug*	*2.5*	*0.8*	*Sep*	*1.4*	*1.8*						

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

Markets and Ratings

	S/T rates[1]		L/T rates[2]		Foreign exchanges[3]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[4]			CA bal. (mln €)[5]		Rating
	25/10	chg	25/10	chg	25/10	3M*	1Y*	3M*	1Y*	25/10	25/07	2019	1Q19	2018	2019	1Q19	Mood
CEE						Vs Euro											
Czech	2.1	0.0	1.4	0.0	25.58	0.07	-1.05	-1.2	0.9	39.6	38.1	n.a.	n.a.	n.a.	1304	1740	Aa3
Hungary	0.2	-0.1	2.0	-0.4	329.1	1.19	1.62	1.9	15.1	73.8	74.3	n.a.	75	4035	n.a.	329	Baa3
Poland	1.9	0.2	2.0	-0.1	4.28	0.58	-0.84	-4.8	3.7	20.5	20.5	n.a.	n.a.	n.a.	n.a.	1832	A2
Slovakia	-0.4	0.0	0.0	0.0	Euro	Euro	Euro	1.6	2.9	41.3	40.2	n.s.	n.s.	n.s.	-874	-210	A2
Slovenia	-0.4	0.0	0.1	0.0	Euro	Euro	Euro	-0.3	7.5	74.1	71.7	n.s.	n.s.	n.s.	663	650	Baa1
SEE																	
Albania	1.5	0.0	n.a.	n.a.	123.33	1.32	-1.02	n.a.	n.a.	n.a.	n.a.	-44	-71	n.a.	-274	-244	B1
Bosnia	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	281	-77	545	-239	-258	B3
Croatia	0.4	-0.1	0.5	-0.6	7.44	0.76	0.12	4.9	12.5	87.7	82.4	1559	883	1732	-512	-2105	Ba2
Romania	2.9	-0.1	4.3	0.0	4.76	0.68	1.93	7.9	13.9	81.9	80.6	n.a.	-829	1619	n.a.	-1212	Baa3
Serbia	2.5	-0.3	n.a.	n.a.	117.57	-0.12	-0.81	-1.3	-7.0	98.0	104.9	706	-1454	1822	-745	-892	Ba3
CIS						Vs USD											
Moldova	7.5	0.5	6.2	0.0	17.51	-0.55	2.21	n.a.	n.a.	n.a.	n.a.	98	-181	192	10	13	B3
Russia	7.0	-0.7	6.5	-0.8	63.86	1.18	-2.7	7.4	23.6	70.5	94.0	19965	15920	35753	10552	33692	Baa3
Ukraine	17.9	-0.9	16.3	-1.4	25.08	-1.43	-11.33	-13.4	-18.8	493.6	490.2	-77	-210	4232	-514	-153	Caa1
Egypt	15.9	-2.0	14.2	-1.5	16.14	-2.67	-9.93	8.7	17.9	324.0	308.0	240	1561	5531	-587	-3754	B2
m.i.A.E	*-0.4*	*0.0*	*-0.4*	*0.0*	*1.1*	*-0.6*	*-2.5*	*2.3*	*12.6*	*5.7*	*5.7*						

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

Banking aggregates and interest rates (private sector)

	Loans Chg yoy %			NPL/Loans %			Foreign Liab. Chg yoy %			Deposits Chg yoy %			Loans rate[1]-NewB*. %				DepositsRate[1]- %				Loans/Dep %		
	Last	Mth	2018	Last	mth	2018	Last	mth	2018	Last	Mth	2018	Last	mth	2018	S[4]	Last	mth	2018	S[4]	Last	mth	2018
CEE																							
Czech Rep.	5.4	Aug	6.8	2.7	Aug	3.3	-2.7	Aug	10.2	6.9	Aug	6.9	2.94	Aug	3.31	C	1.57	Aug	1.35	H	76.0	Aug	75.7
Hungary	12.0	Aug	10.6	4.3	Mar	4.5	1.9	Aug	1.5	6.7	Aug	14.1	2.62	Aug	2.3	C	0.2	Aug	0.18	H	82.9	Aug	77.7
Poland	6.9	Aug	7.9	4.0	Mar	3.9	-7.7	May	-2.9	11.2	Aug	9.4	3.7	Aug	3.48	C	1.52	Aug	1.62	H	97.3	Aug	97.0
Slovakia	6.3	Aug	9.1	3.0	Aug	3.3	-7.6	Aug	-0.1	4.6	Aug	7.3	1.85	Aug	2.01	C[2]	0.06	Aug	0.07	H[2]	103.5	Aug	101.4
Slovenia	4.4	Aug	2.6	2.9	Aug	4.0	3.5	Aug	-16.5	6.9	Aug	6.7	2.1	Aug	2.22	C[2]	0.16	Aug	0.17	H[2]	75.3	Aug	75.3
SEE																							
Albania	4.3	Aug	-3.8	11.0	Aug	11.1	-9.0	Aug	-4.4	2.9	Aug	-0.9	7.69	Aug	8.16	PS	0.44	Aug	0.62	PS	54.1	Aug	52.8
Bosnia H.	5.8	Aug	5.5	8.0	Jun	8.8	4.7	Aug	17.4	8.3	Aug	8.5	2.99	Aug	3.1	C	0.33	Aug	0.34	H	104.4	Aug	105.4
Croatia	2.6	Aug	2.3	9.2	Jun	9.8	7.5	Aug	6.7	4.8	Aug	5.0	5.92	Aug	6.17	PS	0.26	Aug	0.45	PS	75.4	Aug	76.6
Romania	7.4	Aug	7.9	4.6	Aug	5.0	-7.4	Aug	-8.4	9.3	Aug	9.2	7.01	Aug	6.97	PS	2.12	Aug	1.96	PS	79.0	Aug	78.4
Serbia	10.1	Aug	9.9	5.0	Jul	5.7	8.2	Aug	24.0	12.0	Aug	14.9	7.88	Aug	7.74	PS	2.25	Aug	2.78	PS	99.2	Aug	96.9
CIS MENA																							
Moldova	16.3	Aug	5.9	10.8	Aug	12.5	0.7	Jul	-16.7	7.7	Aug	6.0	8.8	Aug	8.64	C	4.29	Aug	4.25	H	59.6	Aug	55.9
Russia	11.0	Jul	15.0	10.2	Jul	10.1	-15.2	Jul	-0.4	11.4	Jul	14.2	8.79	Jul	9.2	C	5.33	Jul	5.62	H	106.3	Jul	105.6
Ukraine	-6.8	Aug	6.3	49.3	Aug	52.9	-24.3	Aug	-7.5	6.2	Aug	7.9	21.0	Aug	21.75	PS	13.3	Aug	14.16	PS	112.9	Aug	121.2
Egypt	13.7	Jul	15.3	4.1	Mar	3.9	-12.5	Jul	10.7	12.5	Jul	13.8	16.3	Aug	17.8	C	11.1	Aug	12.2	H	34.3	Jul	34.3
m.i. E.A.	*3.0*	*Jul*	*2.0*	*n.a.*	*n.a.*	*n.a.*	*4.9*	*Jul*	*7.9*	*4.6*	*Jul*	*3.6*	*1.1*	*Aug*	*1.3*	*C*	*0.3*	*Aug*	*0.3*	*H*	*80.1*	*Jul*	*80.6*

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

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