INTESA SANPAOLO

International Research

Economic and Banking Monitor

May 2024

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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Viewpoint

Amid the global uncertainties, resilient growth, diverging inflation and tailored monetary policies are shaping the economic scenario across CEE, SEE, EE and Egypt

Macroeconomic scenario

- **Economic growth** - The CEE region is displaying mixed economic dynamics, with notable disparities in the GDP evolution among the countries, driven by variations in domestic consumption and export demands. Poland and Slovakia exhibited robust expansions, but in contrast, Hungary and the Czech Republic have seen near stagnation. In the SEE region, growth has slightly decelerated, yet positive economic signs were evident in 1Q24, which was bolstered by contributions across the member countries. Meanwhile, the EE region faces ongoing economic instability due to geopolitical tensions, which are affecting crucial economic indicators. Finally, in Egypt, economic activity is being hampered by high inflation, which is suppressing consumer spending and challenging industrial output.
- **Inflation** – CEE is enjoying a cooling of the inflation environment, with a regional decrease in harmonised inflation rates due to lower energy costs and appreciating local currencies, which are helping to mitigate price pressures. Conversely, the SEE region, while down from its peak, is still encountering varied inflation rates across its economies due to fluctuating energy prices and production costs. Egypt is still struggling with persistently high inflation, necessitating aggressive monetary interventions to stabilise its economy. As it is grappling with extreme inflationary pressures, Egypt continues to face economic difficulties that are significantly influencing consumers' purchasing power and overall economic stability.
- **Monetary policies** - Monetary policy adjustments in CEE reflect a responsive stance to macroeconomic conditions, with Hungary and the Czech Republic lowering rates to foster economic progression amid the ongoing uncertainties, while Poland is holding rates steady. SEE countries are maintaining moderate policy rates, balancing growth stimulation against inflation control. In sharp contrast, Egypt's central bank has undertaken significant rate hikes to curb inflationary spirals and support financial market stability, highlighting a proactive but stringent monetary regime.

Banking aggregates

- **Loans** - In the CEE region, loan growth to the private sector showed a modest acceleration early in 2024, propelled by macroeconomic improvements and a GDP recovery in countries such as Poland and Slovakia. Conversely, the SEE region experienced a slight deceleration in loans, despite macroeconomic data improvements, reflecting the varied recovery across the countries. In the EE region, geopolitical tensions are impacting loan performance, with significant disparities across countries such as Russia and Ukraine, the latter showing a marked decrease in corporate loans. Egypt is experiencing vigorous increases in loans in both the corporate and household sectors, driven by substantial government and central bank support, although the real-term benefits are constrained by high inflation.
- **Deposits** – Deposit trends in the CEE region remain strong, underscoring the stable banking conditions and increased saving rate, despite the geopolitical risks and economic concerns tied to energy dependencies. In the SEE region, deposit growth has slightly decelerated, influenced by a softer performance in the corporate sector and ongoing economic adjustments. However, household sector deposits grew, supported by the strong wage evolution and profit margins. In contrast, the EE region is seeing significant fluctuations, with countries such as Russia experiencing marked deposit rises due to heightened economic uncertainty and a shift towards safer assets. Egypt, while nominally growing in deposits, is seeing a contraction in real terms due to persistently high inflation that is affecting the real value of savings.

- **Interest rates on loans and deposits** - Interest rates on loans and deposits vary significantly across the regions, reflecting the different monetary policy stances and inflationary environments. In the CEE and SEE regions, interest rates have been adjusted to stimulate economic growth, while also managing inflation expectations. For example, in the Czech Republic and Hungary, central banks have recently reduced policy rates to support economic activity. In contrast, Egypt's central bank has increased interest rates aggressively to combat high inflation, pushing both loan and deposit rates upwards and affecting borrowing costs and savings incentives. In the EE region, interest rates are being influenced by local economic policies and global market conditions, with Russia increasing its policy rates to manage inflationary pressures effectively.
- **Non-performing loans (NPLs)** - NPL ratios across the regions indicate diverse economic resilience and banking health. In the CEE, NPL ratios are generally low and stable, with Poland having a 2.5% ratio, which is indicative of strong asset quality despite some economic slowdown. The SEE region maintains good asset quality, with stable or improving NPL ratios, reflecting stringent credit controls and recovering conditions. However, the EE region, especially Ukraine, faces high NPL ratios, signifying severe credit risk amid the conflict and economic distress. Egypt's relatively low NPL ratio (3.3%) is benefiting from robust banking practices and central oversight, though ongoing economic volatility poses risks to asset quality.

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This note has been coordinated by Giovanni Barone. The names of the individual authors are listed in each section.

The note considers the countries where Intesa Sanpaolo has subsidiaries: Slovakia, Slovenia, Hungary and Czech Republic among the CEE countries; Albania, Bosnia, Croatia, Serbia and Romania among SEE countries; Russia, Moldova and Ukraine among CIS countries; Egypt among MENA countries. It also includes Poland among the CEE countries, where ISP has a branch.

The Economic and Banking Monitor is released on a quarterly basis in January-February, April-May, July-August and October-November.

Cross-Country Analysis

CEE Area

Antonio Pesce

In Q4 2023, GDP in the CEE region accelerated to 1.1% year-on-year (from 0.4% in previous quarter), bringing full-year growth to about 0.1%. The positive contributions from both net external demand (3.6 pp) and Government expenditure (0.4 pp) were counterbalanced by the negative contributions from both households' expenditure (-0.9 pp) and gross capital formation (-3.1 pp). **On a quarterly basis, GDP increased by about 0.2% (weighted average) in Q4 2023.** At the country level, however, there were country-specific peculiarities which resulted in quite a wide range, with a feeble trend in Q4 in the Czech Republic (0.2%) and Hungary (0.0%), but a stronger trend in Poland (1.4%), Slovakia and Slovenia (2,2% for both countries). The high-frequency indicators point to a slight improvement in the economic trend in the first quarter of 2024.

In March, the **Economic Sentiment Indicator** (ESI; in weighted average data) for the CEE region increased slightly, to 99.5 from 98, and remained above the average for Q4 (98.8), with figures ranging from 93.6 in the Czech Republic to 100 in Slovakia. On average, among the subcomponents of the indicator, consumer sentiment continued to improve thanks to favourable conditions in the labour market and the expected recovery of disposable income due to the expected declining trend in inflation.

In February, the **industrial production** trend accelerated to 2.3% yoy from 1.2% in January on a weighted average basis in the area. Among the CEE countries, it ranged from 0.0% in Slovakia where the index was impacted by manufacturing (-1.6%) and mining & quarrying (-41.3%) to 2.7% in Slovenia and 3.3% in Poland, where however the preliminary data signals a correction at -6.0% in March.

Real retail sales improved in February (5.6% yoy from 2.6% in January). Household demand is still weak, particularly in Slovenia (-0.5% yoy in February), but it is recovering thanks to declining inflation.

Albeit with variations by country, i**nflationary pressures** are cooling in the CEE area. However, the trend in consumer prices is still above the central targets of national banks, with upside risks, as the Russia-Ukraine war, conflict in the Middle East and geopolitical fragmentation may fuel tensions internationally. Aggregating the data (w.a.), in March, due to weakening energy prices, favourable base effects – and in some cases, to the strength of national currencies – harmonised inflation fell further (to 2.8% from 3.4%). Additionally, prices in the less volatile components of the consumer basket decelerated in March as core inflation (overall index excluding energy, food, alcohol and tobacco) fell further to 4.5% (from 5.0% in January), ranging from 4.0% in Slovenia to 6,5% in Hungary.

At their most recent meetings, the central banks of Hungary and Czech Republic reduced their **policy rates** to 7.75% and 5.75%, respectively, while the Polish national bank held its rate steady at 5.75%. In the financial markets, **long-term yields** increased in all CEE countries vs. three months ago and spreads widened vs. 10Y Bund yields. Due to geopolitical tensions relating to the conflicts in Ukraine and the Middle East, and concerns about the economic implications, particularly for those countries more exposed to energy imports, national currencies weakened with respect to the previous three months in the Czech Republic and Hungary, while the zloty recovered from its earlier depreciation.

Davidia Zucchelli

With regard to **banking aggregates, in the CEE area loans to the private sector accelerated slightly in February**, increasing by 0.9% year-on-year in the region versus 0.6% yoy in December, still benefiting from the macroeconomic improvements in Q4 mainly in Poland (GDP jumped to +1.5% yoy from 0.8% yoy in Q3), but also in Slovakia (GDP +2.2% yoy in Q4) and Slovenia (GDP +2.23% yoy in Q4). The loan performance reflected a still **significant decrease in Poland** (-2.0% yoy improving from -2.5% yoy in December), which was lower than our forecasts (0.5%). In the Czech Republic loans also accelerated, from 6.5% yoy in December to 7% yoy in February, and in Hungary slightly from 3.3% yoy to 3.5% yoy in February. Slovakia continued to show a surprising deceleration (from 3.4% to 2.9% yoy). In Slovenia, the performance remained weak (from -0.5% to 0%). In real terms, yoy changes were still negative, particularly in Poland (-4.8% yoy vs. -2% in the region) despite improving inflation data since January. **NPL ratios were stable**. The highest ratio was in Poland (2.5% as of September according to IMF data). The ratio was also above 2% in Hungary (in December) and in Slovakia (in February). Asset quality was therefore good but looks to be more sensitive to economic downturns as highlighted by the EIB (see Central, Eastern and South-Eastern Europe (CESEE), Bank Lending Survey, December 2023).

After having improved in December (+0.6% yoy in the area), **corporate loans** reverted to negative territory (-0.2% yoy in February), mainly because of a further worsening in Poland (from -3% yoy in December to -4.7% yoy). In Hungary, corporate loans decelerated (from 4% yoy to 3.5% yoy), despite decreasing interest rates. Corporate loans improved further in the Czech Republic (from 9.7% yoy to 10.6%). **Household loans** grew (from 0.5% to 1.5% yoy in February in the area and in all countries), in line with macroeconomic improvements and robust wage data, remaining in negative territory only in Poland (from -2.2% yoy in December, due to the legal dispute regarding mortgages denominated in foreign currencies, and improving to -0.6% yoy).

After the jump seen in December (+7.8% yoy), well above our expectation for 2023, **deposits from the private sector remained strong in February** (+6.9% yoy). Deposits accelerated in Hungary (from 0.3% in December to 1.9%), still dynamic in the corporate sector (+4% from +5.3% yoy), while they decreased in the household sector (-0.5% yoy improving from -5.5% yoy). In real terms, deposits fell in Hungary (-1.8% yoy in December), because of still-high inflation despite it improving (3.7%). Data are expected to improve further in the following months, due to declining inflation. **Household deposits grew by 7.7%** yoy from 7.2% in December, as corporate deposits decelerated from 7.9% yoy to 4.2% yoy in the same period, mainly in Poland (from 8.8% to 2.4%) and in the Czech Republic (from 7.5% to 6% yoy), while they accelerated in Slovakia (from 6.3% to 8.6% yoy in February). The high granularity of deposits and large portfolios of liquid securities somewhat mitigated liquidity risks. The **loan/deposit ratio** was below 100% in all countries, with the exception of Slovakia, where it remained at 106%, highlighting ongoing liquidity tensions in the system. Weak deposits in that country led to a strong increase in foreign liabilities (+25% yoy from +26% yoy in December, even though foreign liabilities accounted for only 6% of total deposits). Banks are predominantly funded via customer deposits in the area.

Corporate interest rates rebounded slightly in Slovakia, but eased mainly in the Czech Republic and Hungary (-0.5pp, to 7.7% and 11.9%, respectively). Household deposit interest rates declined, particularly in Hungary (-0.9pp from December to 6.8%). Nevertheless, declining inflation in all countries led to a clear increase in real interest rates (absolute values). They entered positive territory in all countries with the exception of Slovenia (-2% yoy in real terms).

SEE Area

Antonio Pesce

In the SEE region, **GDP increased by 2.0% yoy in 4Q23** (from 2.3% in the previous quarter). Among the SEE countries, GDP growth ranged from 1.1% in Romania to 4.3% in Croatia. The latest releases of high-frequency indicators signal a strengthening of the economic cycle in the SEE region in the first quarter of 2024. The **ESI** (as a weighted average) moved to 87.2 in March (from 85.4 in the previous month), above the Q1 average. **Industrial production** turned positive in February (0.5%) from -2.0% in January thanks to the positive contributions of all the countries in the region except for Croatia (-5.7% yoy in February). In the same month **retail sales** trends remained positive, ranging from 8.8% in Serbia to 18.9% in Bosnia Herzegovina.

After the peak reached in December 2022 (above 15.0% in the harmonised data), the w.a. **inflation rate** fell due to the easing of pressures relating to both energy prices and production costs. The consumer price trend reached 6.0% in March (from 6.4% in February, on a regional w.a. basis), ranging from 2.4% in Albania to 6.7% in Romania. In their last meetings, the **central banks** of Albania, Romania and Serbia kept their policy rates at 3.25%, 7.0% and 6.5%, respectively. At the same time, **long-term yields** in Romania and Croatia increased to 6.9% and 3.4% (40 and 10 bps higher than three months ago, respectively). In the **FX** markets, local currencies remained stable in recent months, and **CDS spreads** declined slightly in Romania (to 135.8 from 139.5), Serbia (to 180.5 from 195.5) and Croatia (to 76.6 from 78.5).

Davidia Zucchelli

On the **banking side, loan growth to the private sector decelerated** from 5.5% year-on-year in December to 4.5% yoy in February, despite some improvements in macroeconomic data as of Q4 with expected delayed effects on lending, especially in Croatia (7.3% from 8% yoy in December) and Romania (4.5% from 5.9% yoy in December). **Deposits from the private sector decelerated slightly** from 10.8% to 10.3% in the same period, mainly in Romania, from 12.9% yoy in December to 12.4%.

Loans to the private sector accelerated further in February in Albania and Bosnia, increasing by 5% yoy and 7.7% yoy respectively. Owing to gradually improving inflation, **real year-on-year changes in loans** are rising, especially in Bosnia (+5.6% yoy in real terms) and Croatia (also in positive territory, +2.5% yoy in real terms). We expect further improvements in results in real terms in the coming quarter, due to decelerating inflation.

Asset quality remained good, as shown by NPL ratios, which were stable in Albania (at 4.7%) and in Romania (2.4% in February), but we expect them to worsen slightly in both the corporate and household sectors. According to EBA, NPL ratios remained higher but improving in Romania (from 2.7% to 2.3%), well above the EU average (1.9% in 2023 from 1.8% in 2022), but in Croatia (1.8% from 2.2% in the previous year) the NPL ratio was lower. Furthermore, **coverage** in both Romania (67.3% in December from 68.2% in 2022) and Croatia (71.4% increasing from 65.8%) **is higher than the EU average** (42.3%, from 43.5% in the same period). **As in the CEE countries, household loans - especially consumer loans - accelerated** to 4.2% yoy in February (from 3.1% yoy in December) showing an acceleration in Romania (from 1.4% to 2.6% yoy), Croatia (to 10.7% from 9.4% yoy), Bosnia (to 8% yoy) and Serbia (2% yoy). In contrast, **corporate lending decelerated** from 7.8% yoy in December to 4.7% yoy in February, mainly in Romania (from 10.3% in December to 6.3% yoy) and Croatia (from 6.1% a 2.6%). In Serbia, corporate lending reverted to negative territory (-1.1% yoy in February), mainly because of weak investments.

Deposit growth continued to decelerate in the corporate sector (from 13.4% yoy in December to 11.4%) but improved in the household sector (from 9.4% yoy to 9.8% yoy in the same period) in the region. The strongest deceleration in growth in deposits from the private sector was in Serbia (from 11.7% yoy in December to 10.1% yoy in February), mainly in the corporate sector (from 14% to 9% yoy in February), while in the household sector deposits accelerated from 10.1% to 10.9% yoy, supported by strong profit and wage growth. Furthermore, foreign currency-denominated corporate deposits increased again in Romania (from 2.9% to 5.1% yoy in February) after registering negative yoy changes for several months. Banks in the area can count on an ample and stable funding base. **Increasing competition comes from new T-bills,** particularly in Croatia, where in February two new T-bills totalling EUR 929.4M were popular with households (the yield was around 3.7% while the deposit interest rate was 2.01%). Thus, thanks also to a low and stable **loan/deposits ratio,** well under 100%, there are no signs of liquidity tensions.

Deposit interest rates decreased slightly in Romania (from 5.9% in December to 5.5% in February), and in Serbia (from 5.3% to 4.9% in the same period). **Corporate lending interest rates increased slightly** in Romania as of February (to 8.9%, +2pp), while in the other countries they remained stable or decreased slightly. Consequently, the spread widened considerably in Romania (+0.5pp in February vs. December).

EE and MENA Areas

Francesca Pascali

The conflicts between Ukraine and Russia and in the Middle East continue to affect EE countries. All countries in the region remain under pressure because of the effects of geopolitical tensions. In March, **industrial production** in **Russia** (+4.0%) grew compared to February (+8.5%), and in December it also grew in **Ukraine** (22.6% vs. 16.6% in November), while it decreased in **Moldova** (-3.0% in January vs. +1.1% in December). **Exports** in January grew in Russia (+8.38% from -29.9% in December). Moldova's exports declined in February to 8.1% (from -17.2%), and in Ukraine they went up to +5.5% (from +8.6%). **Retail sales,** after 11 months of decreases, were positive from April 2023 in Russia (+11.1% in March from +12.3%). In December 2023, they increased by 19.9% yoy in Ukraine (from +23.9%). In terms of forward-looking indicators, in March the **PMI** grew (to 57.7) vs. the February level (54.7) and remained above 50 in Russia. On the **inflation** side, in March consumer prices remained stable in Russia (at +7.7% from +7.7% in February), which is somewhat above the CB's inflation target (4.0%). In Moldova, the inflation rate decreased (to 3.9%, from 4.3% in February). Inflation also decreased in Ukraine (4.0% in March from 4.5% in February) within the CB's target range (5.0%+/-1.0%). After maintaining its **policy rate** unchanged for 1H23 al 7.5%, Russia's CB started to raise the rate, to the current 16.0%, due to inflationary pressures that have increased significantly, to a level above expectations. At its meeting on 21 March, the CB of Moldova decided to decrease its policy rate, by 50 basis points to 3.75%. The NBM decision was taken to continue the easing of monetary policy that began in December 2022. The effects will continue to be transmitted gradually through lower interest rates on the money, deposit and credit markets. Ukraine's CB began to lower its policy rate from 25% (in January) to the actual 13.5%. In the FX markets, the Russian rouble has depreciated against the USD in April by 3.3% from year end. High inflation continues to impact **Egypt**. In January 2024, **industrial production** fell 11.6% yoy (from -9.7% in December) and exports also fell in January, by 15.6% from -23.0% in December. In March, the **PMI** index improved slightly compared with February (to 47.6 from 47.1) but remained below the 50 threshold level. In March, **inflation** increased to 33.3% (from 35.7% in February). It remains far above the CB's target ranges of 7.0% ± 2pp, on average, by 4Q24 and 5% ± 2pp, on average, by 4Q26. After the rise of 200 bp at its meeting on 1 February, the CB at its extraordinary meeting on 6 March, in line with the continuation of the central bank's restrictive stance, decided to raise key interest rates by 600 bp to 28.25%. The CBE emphasises that the anchoring of inflation expectations is crucial and justifies this response to bring the real interest rate into positive territory. Also, the elimination of the parallel foreign exchange market should dampen inflationary expectations, contain underlying inflation and, as a result, overall inflation should follow a path of steady deceleration in the medium term.

Davidia Zucchelli

The performance of banking aggregates was mixed in February in the **EE area** in nominal terms, very dynamic in Russia, moderate in Moldova, and slightly positive in Ukraine, despite the challenging operating environment. Loan growth remained strong in **Russia** (+24.6% yoy in January in nominal terms), particularly for corporates accelerating slightly (25.3% yoy vs +23.3% yoy for households). Households are still being supported by the subsidised mortgage lending programme. A further acceleration in deposit growth was seen in January (+34% yoy in nominal terms, from 23.4% yoy in the previous month), mainly to corporates (+42.8% yoy vs. +26.1% yoy to households). In **Moldova**, loans increased by +5.7% yoy in February (only +1.3% yoy to corporates, which accounted for 75% of total loans to the private sector, vs. 13% yoy to households, gradually improving on the previous months). The NPL ratio fell to 5.5% in February. As of February, deposit growth rose by 19.7% yoy (corporates jumped by 31.8% yoy, households by 12.2% yoy), gradually decelerating from July (+22.4%). Banking aggregates in **Ukraine** remained particularly weak (1.1% yoy), due to a further improvement in households (12.9% yoy from -10.6% in July). Corporate loans decreased by 2.7% yoy (softening the decline from -11.6% yoy in July). The NPL ratio was 36.7% as of February. Total deposits decelerated to +22.4% yoy in February (from +30.6% yoy in July), particularly for households (+14.5% yoy vs. 35.4% yoy for corporates). Foreign liabilities also continued to decrease (-5.1% yoy as of February).

In **Egypt,** banking aggregates (latest data for loans to corporates only through October) remained vigorous, with loans increasing by 21.1% yoy as of October and deposits by 19.5% yoy as of October in nominal terms, decreasing to 14% yoy in February. Loans increased by 23.8% yoy as of February in the household segment and by 20.7% yoy (October) in the corporate sector. The NPL ratio remained very low (at 3.3% as of September, from 3.4% as of December 2022). Banks are still able to rely on ample low-cost customer deposits, which had increased strongly, by 14% yoy, as of February. Deposits increased by 9.9% for households and 30.1% for corporates in nominal terms (decelerating from 14.3% and 35.3% respectively in December), but contracted by 26% and 5.6%, respectively, in real terms.

Country-Specific Analysis

Czech Republic

Real Economy

Zdenko Štefanides

Recent data have supported our view of a gradually unfolding recovery, led by increasing household spending. Indeed, consumer confidence improved in March for the third month in a row, reaching the highest level since October 2021. The improvement in March was broad-based along most monitored indicators yet spurred especially by the growing number of people who expect an improvement in their financial position over the next 12 months. This is understandable given that inflation fell to 2.0% yoy in February and March, allowing real wages to move into decisively positive territory. Alongside improved consumer confidence, we also observed some positive signs in retail sales.

There has also been an improvement in sentiment among entrepreneurs recently, albeit they are less upbeat than consumers. Confidence improved significantly in March compared with the previous month in the industry, retail and services sectors. Only construction saw confidence slip compared with February. The improvement in demand for manufacturing output also manifested in hard data, which monitors output growth, especially in the key auto industry.

Financial Markets

With inflation right on the target of 2.0%, the Czech National Bank (CNB) has continued to lower its policy rates at each of past three policy meetings. The cumulative decline in rates since December has been 125bps and more cuts are expected in the remainder of the year. Along with an expected 50bps rate cut, the upcoming meeting on 2 May will also include the CNB's analysis of where it sees the neutral rate, currently estimated at 3.0%. Even if the new neutral rate is set higher, there is still a lot of space for further rate cuts given the key refi rate is currently 5.75%. The only question remaining is how fast rates will be cut. It seems that the only obstacle to deeper rate cuts is the koruna, which has been weaker than expected by the CNB, implying there are some imported inflation risks. Besides the koruna, bonds have also recently been weaker, with their yields having risen by nearly one percentage point between February and mid-April. Since then, nonetheless, yields have declined a bit.

Banking Sector

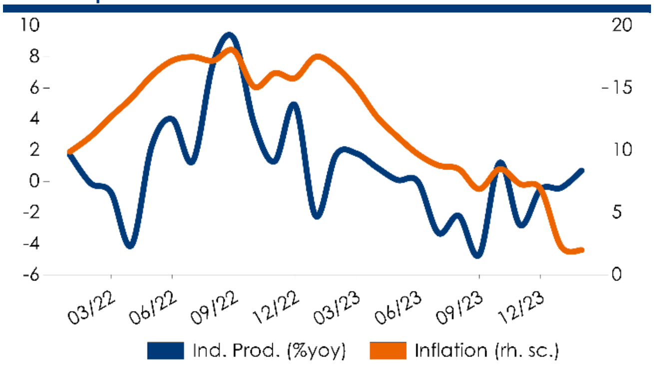
In terms of volume development, there has been some reacceleration recently, in both loans and deposit growth. Mortgages, in particular, have seen a revival. Besides lower interest rates and improved consumer confidence, regulatory stimulus has also been helpful, as from January the CNB scrapped the DTI limit, following the earlier abandonment of the DSTI limit. We note that in April, the CNB also lowered the countercyclical capital buffer, hoping to encourage more lending.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	0.7 (Feb)	-0.7	-3.4
Export of goods, nominal yoy	11.6 (Feb)	-1.8	-6.2
CB refi rate	5.8 (19th Apr)	6.8	7.0
ESI (index)	93.6 (Mar)	91.3	87.1
Retail sales yoy	11.6 (Feb)	-1.8	-6.2
Inflation rate, average yoy	2 (Mar)	7.6	8.1
Loans (priv. sector, yoy, eop)	7 (Feb)	6.5	4.6
Deposits (priv. sector, yoy, eop)	7.7 (Feb)	7.5	5.2
Lending interest rate (corp., eop)	7.7 (Feb)	8.2	8.5
Deposit interest rate (hh, eop)	5.4 (Feb)	5.7	6.0

Sources: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Mariann Trippon

Real Economy

The Hungarian economy failed to gain momentum in the beginning of 2024, with incoming new data pointing to weak consumption. Retail sales fell by 0.6% mom in February, suggesting that households remain cautious despite rising real wages and declining financing costs. Although industrial output jumped in February, the pick-up in activity reflects a rebound from the weak performance of the previous months rather than a meaningful improvement in demand. However, external balances remain strong. Exports fell yoy in February as a result of the sluggish growth of the country's key export markets, but import levels are still depressed due to lower energy bills and weak domestic demand. The evolution of fiscal balances is a cause for concern. The government raised the deficit target to 4.5% and announced the suspension/cancellation of public financed investments. Labour market tightness is gradually easing, and the unemployment rate inched up to 4.7%, a level not seen since the COVID crisis. However, wage outflows are still strong and nominal wages increased by 14.6% yoy in January. Real wages are expected to grow by 7-8% in 2024. The latest inflation prints came out in line with expectations, with headline CPI below 4% in 1Q24. Disinflation remains broad-based in the economy, but services inflation is still above 10%. Inflation will pick up from 2Q24 due to base effects, and end-2024 CPI could be above 5%.

Financial Markets

The central bank continued its cautious easing cycle, with the base rate having been reduced by a cumulative 300bps to 7.75% by April. The NBH will continue to pursue a prudent, cautious and data-driven monetary policy. Based on incoming data and with a particular focus on financial stability, it will decide on the size of interest rate cuts on a meeting-by-meeting basis. The policy rate may reach 6.75-7% by mid-year. The expected interest rate trajectory of the major central banks and the fragility of the FX rate will significantly reduce the room for manoeuvre in 2H24, and the probability of the policy rate finishing the year above 6% is on the rise. Rising core market yields and the generally less supportive global risk sentiment have weighed on the HUF. EUR/HUF has neared the 400 threshold, but failed to break this level. The long-end segment of the curve is still being driven by global developments, with yields moving up and the spreads versus the Bund widening.

Banking Sector

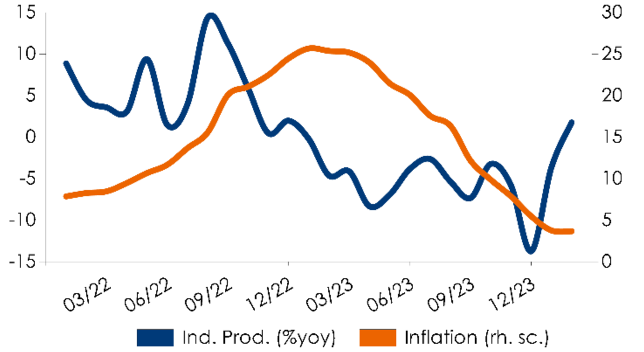
Loans in the banking sector grew by only 0.9% over the first two months of 2024, driven by the weakening of the HUF in corporate loans and the pick-up of the housing loan market with households. Customer deposits increased by 2.7%, mostly driven by the household sector, where the 13th month extra pension and large government bond interest payments boosted deposit volumes. In the corporate deposit market, a small decrease was observed after the peak at year-end 2023. With subdued economic growth and still relatively high interest rates, loan volumes may grow by about 2% in 2024, while we expect stagnation or very slow growth for deposits.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	1.8 (Feb)	-7.6	-5.1
Nom. exports yoy	-2.4 (Feb)	-3.0	0.4
ESI (index)	98.6 (Mar)	97.6	93.6
Retail sales yoy	4.6 (Feb)	-4.3	-7.5
Inflation rate yoy	3.7 (Feb)	7.8	15.4
CB reference rate	8.3 (19th Apr)	10.8	13.0
Loans (priv. sector, yoy, eop)	3.5 (Feb)	3.3	2.3
Deposits (priv. sector, yoy, eop)	1.9 (Feb)	0.3	-7.7
Lending interest rate (corp., eop)	11.9 (Feb)	12.4	12.0
Deposit interest rate (hh, eop)	6.8 (Feb)	7.7	10.8

Sources: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Zdenko Štefanides

Real Economy

The forecast revival of consumer demand now looks to be firmly under way. Households are benefiting from slowing inflation and still hefty increases in wages. In particular, the plunge in inflation to 2.0% yoy in March has clearly made a huge difference to consumer sentiment given it compares to 18.4% inflation in February 2023. Wages, meanwhile, grew by 12% yoy in March in the enterprise sector, only a tad below the previous month's growth. Growth in wages remains high due to both the tight labour market conditions and the steep increase in the minimum wage at the start of the year.

On the production front, the mood is comparatively worse. Industrial production fell in March, reflecting not only the calendar effect but probably also some loss of export dynamics. Construction output plunged by double-digit figures in March. Both the building construction and infrastructure-related construction subsectors posted weak activity. The latter was due to the payback in EU funded projects following the rush to spend the funds from the previous programming period late last year and the slow start to the new programme. Housing construction was weaker due to the delayed effect of past interest rate increases and the plunge in new housing starts. This should improve later this year as more building permits are granted.

Financial Markets

Headline inflation in March fell below the 2.5% target of the National Bank of Poland (NBP). The central bank nonetheless seems unimpressed, arguing that inflation will bounce back again in the coming months as base effects fade out and as core inflation and services prices remain elevated (+4.5% yoy and +6.6% yoy, respectively). The key rate thus remained unaltered at 5.75% and governor Adam Glapinski even stated that rate cuts were not discussed at all at the April meeting. The hawkish stance of the NBP has helped the Polish zloty remain strong even though the global mood has shifted to risk-off mood recently. Bond yields, meanwhile, have followed the global uptrend and increased by half a percentage point since early March.

Banking Sector

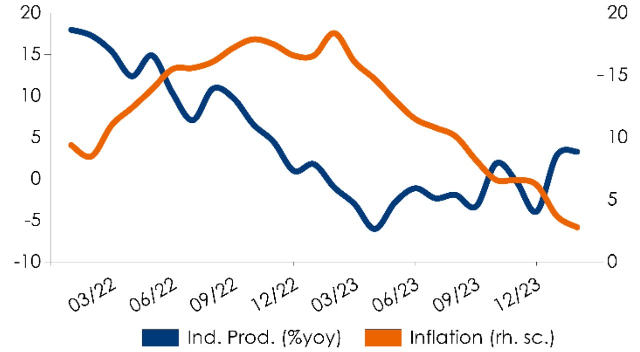
Demand for mortgages recovered significantly in the second half of 2023 due to the government mortgage support scheme. However, given their earlier collapse over a year ago, the growth in the volume of household loans is still in negative territory. Loans to non-financials remain lacklustre as the market waits for the economic recovery to gather steam and prompt new investments. Deposit growth, meanwhile, remains solid, thanks to both the improving financial situation of households and corporates conserving cash before they put it to more constructive use in their businesses.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	3.3 (Feb)	-0.8	-2.5
Nom. exports yoy	-10.1 (Feb)	-9.8	-7.9
ESI (index)	101.8 (Mar)	98.8	95.7
Retail sales yoy	4.8 (May)	n.a.	n.a.
Inflation rate yoy	2 (Mar)	6.5	9.7
CB reference rate	5.8 (19th Apr)	5.8	6.0
Loans (priv. sector, yoy, eop)	-2 (Feb)	-2.5	-4.2
Deposits (priv. sector, yoy, eop)	8.3 (Feb)	10.5	11.8
Lending interest rate (corp., eop)	7.7 (Feb)	7.8	8.1
Deposit interest rate (hh, eop)	4.3 (Feb)	4.6	5.4

Sources: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

Slovakia's February monthly readings did not bring much change to our March economic and banking outlook. Industrial and construction production remained subdued, but retail sales stepped upwards on a seasonally-adjusted basis compared to January. Specifically, the important automotive sector posted negative yoy figures in both January and February in terms of sales, orders, production and exports. This confirms our expectation that this year's GDP growth could be driven mainly by domestic demand, including household consumption. In addition, the revision of national accounts pushed the 2023 GDP dynamic higher, especially for the second and fourth quarters, however as this may be related to the one-off drawing of EU funds, this does not create a major positive risk for growth this year. On the contrary, last year's higher base, together with the risk of missing the RRF political milestones, constitutes a negative risk for this year's public investment.

Surprisingly, inflation narrowed to 2.3% in the national methodology, with foodstuff prices registering a decline of 0.5% mom in March. The labour market remains very tight, with the registered unemployment rate at labour offices stagnating at 5.1% in March, close to the all-time low of 4.9% before the pandemic. Wage growth, however, seems to be decelerating from the double-digit dynamics reported last year.

Financial Markets

The European Central Bank kept interest rates stable in April, pointing to June as the most probable first month for the start of the easing cycle, in line with our expectations. This has kept money market rates rather stable. Benchmark bond yields increased slightly in March and April, together with sovereign spreads, on expectations of slightly less accommodative monetary policy in future than previously thought. The Slovak government continued to issue new debt relatively successfully in the first months of the year, already accumulating more than two-thirds of the liquidity planned for the whole year. The risk of a rating downgrade remains high, however, as Slovakia has one of the highest spreads in the euro area, alongside Italy and Lithuania.

Banking Sector

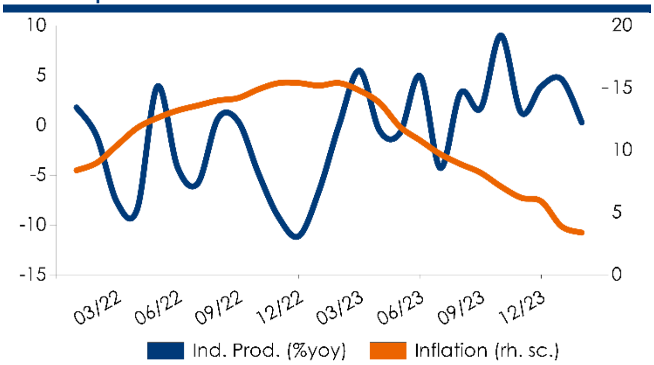
The new credit provisions for the economy remained subdued during the first months of the year due to higher interest rates. In the main mortgage business, therefore, the 2024 figures may even end up below last year's in terms of new loans. A similarly bleak situation remains in the corporate loans segment, including commercial real estate. New consumer loans, on the other hand, continue to grow and even accelerate (8.3% yoy). Bank deposits continued to grow in the household segment thanks to growing real incomes, particularly new term deposits. Together with higher corporate deposits, this helped the total LTD ratio decrease, but it is still high at 108.5%.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	0.3 (Feb)	4.7	0.2
Nom. exports, yoy	-3.4 (Feb)	-0.1	1.8
ESI (index)	96.7 (Jan)	96.3	91.9
Retail sales, yoy	5.3 (Feb)	-2.2	-6.1
Inflation rate, yoy	2.3 (Mar)	6.4	8.9
ECB refi. rate	4.5 (19th Apr)	4.5	4.5
Loans (priv. sector, yoy, eop)	2.9 (Feb)	3.4	4.0
Deposits (priv. sector, yoy, eop)	5.5 (Feb)	4.6	4.4
Lending interest rate (corp., eop)	6.4 (Feb)	5.8	5.8
Deposit interest rate (hh, eop)	0 (Dec)	n.a.	n.a.

Sources: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

In the first two months of the year, the economy continued its rekindling, with several high-frequency data releases showing a sound trend. Exports rose moderately (+4.2% yoy), backed by demand from non-EU markets, while industrial production seemed to turn a corner, rising on a monthly level and in February recording its first annual increase for the past 12 months (+2.7% yoy). Construction activity, on the other hand, lost momentum (-2.4% yoy) due to the decline in activity in residential buildings and civil engineering works (activity in specialised construction marked an increase owing to flood renovation works). Retail trade remained weak, in line with the modest real-term net wage growth, sinking by 3.8% yoy. On a positive note, food sales improved and turnover in accommodation and food services continued rising, which bodes well for household consumption. The labour market saw a solid rise in employment, mostly due to the hiring of foreign workers and partially due to methodological changes. The annual rate of inflation stood still at 3.4% in March for the third month in a row, with core inflation declining to 4.4%. Food price growth eased substantially to 0.6% yoy, however services inflation remained sticky, accelerating to 5.9% yoy (recreation and culture 4.5%, restaurants and hotels 6.4%), reflecting the demand increase caused by the mildly improved consumer sentiment.

According to an EDP report, the general government deficit declined to 2.5% of GDP in 2023, from 3.0% the year before, while gross debt amounted to 69.2% of GDP, down from 72.5% in 2022.

Financial Markets

In March, the average 10Y government bond spread on the Bund flatlined mom at 70bps, while the average yield dipped 10bps mom to 3.0%. As at 19 April, the average spread had narrowed to 60bps, and the average yield was flat. In April, Fitch and Moody's confirmed Slovenia's rating at 'A' and 'A3', respectively, both with a stable outlook.

Banking Sector

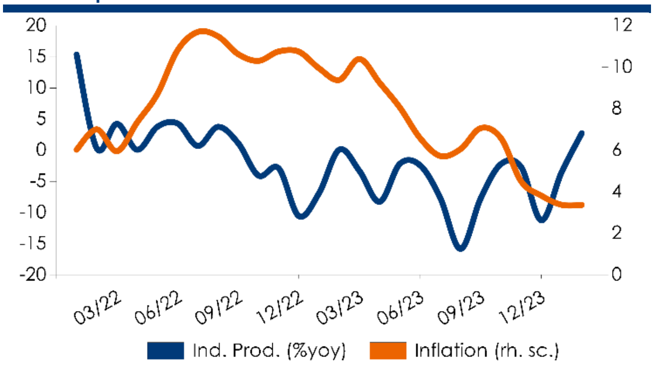
Loans recorded an upturn in February, moving from negative territory to stagnation on an annual basis. The decline in corporate loans softened to -5.0% yoy, with the main contribution to the fall coming from substantially lower short-term and mid-term loans as companies continue to refrain from borrowing until interest rates begin to fall. Household loans gathered pace, coming in at 4.3% yoy due to the 13.8% higher consumer loans, which accelerated thanks to the relaxed regulations since July last year and rising incomes. Deposits continued to ease, increasing by 4.9% yoy in February. Corporate deposits surged by 15.1% yoy, while household deposits slowed to 1.4% yoy owing to outflows related to the issue of a 3Y government retail bond (citizens purchased EUR 0.3Bn, which is equivalent to about 1% of total household deposits).

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	2.8 (Feb)	-5.4	-10.4
Nom. exports yoy	-0.1 (Feb)	6.1	-9.9
ESI (index)	95.6 (Mar)	96.0	93.8
Consumer confidence indic.	-28.9 (Mar)	-32.0	-32.5
Inflation rate yoy	3.4 (Mar)	5.0	6.3
ECB refi. rate	4.5 (19th Apr)	4.5	4.5
Loans (priv. sector, yoy, eop)	0 (Feb)	-0.5	0.8
Deposits (priv. sector, yoy, eop)	4.9 (Feb)	5.1	5.7
Lending interest rate (corp., eop)	5.6 (Feb)	5.6	5.3
Deposit interest rate (hh, eop)	1.4 (Feb)	1.3	1.3

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

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Real Economy

Antonio Pesce

Albania's GDP expanded by 3.8% yoy in the fourth quarter of 2023, following the upwardly revised 3.8% increase in the third quarter. The main contributors to the economic growth were construction activities, real estate, public administration and professional services. Using quarterly seasonally-adjusted data, GDP increased by 0.8% in the fourth quarter of 2023 compared with the previous quarter. Meanwhile, inflation decreased to 2.3% yoy in March 2024, down from 2.6% in February, marking its lowest reading since July 2021. The fall was due to the slower rise in the prices of food and non-alcoholic beverages (+2% vs. +2.7% in the previous month), furniture household and maintenance (+4.2% vs. +4.7%) and alcoholic beverages and tobacco (+3.3% vs. +3.7%). On the other hand, there was a decline in the cost of transport (-0.3%). On a monthly basis, the consumer price index increased by 0.40% in March 2024 compared with the previous month.

Albania's trade deficit grew to ALL 42Bn in March 2024, up from ALL 38Bn in the same month of the previous year, as exports fell faster than imports. Exports plunged to ALL 33Bn, while imports decreased to ALL 75Bn. In January-March 2024, Albania's trade deficit surged to ALL 114Bn, up from ALL 86Bn in the corresponding period of 2023.

Financial Markets

The Bank of Albania held its key policy rate steady at the third meeting of the year at 3.25% in March 2024, as inflationary pressure is cooling and economic activity is expanding at a good pace. In the foreign exchange market, the lek continues to remain strong against the euro and the US dollar. The local currency has appreciated by about 10% against the euro compared to a year ago. While the strengthening of the lek penalises exports, on the other hand it keeps inflation under control.

Banking Sector

Davidia Zucchelli

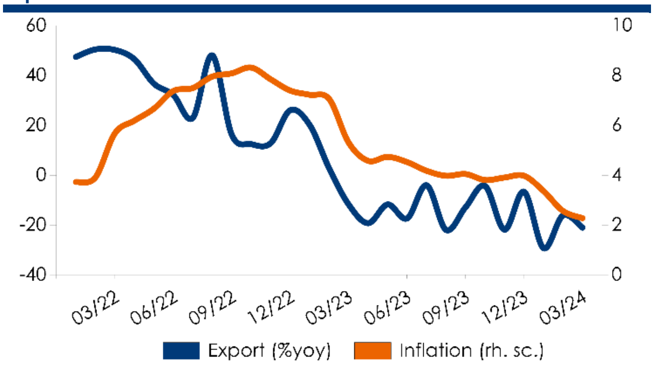
Thanks to the strong GDP performance, loans to the private sector accelerated in February (+5% yoy, from +3.7% yoy in December) in both the corporate (from +0.7% yoy to +2.4% despite stable interest rates) and the household (from +9% yoy to +9.3%) sectors. Total loans denominated in foreign currency – which accounted for more than 40% of total loans – decreased by 8.3% yoy (-7.7% yoy in corporates and -9.9% in households). The NPL ratio remained stable at 4.7% in December. Total deposits increased by 2.6% yoy (in the corporate sector +11.6% yoy; households remained stable at +0.05% yoy, an improvement from -1.4% yoy in January). Interest rates slowed slightly, in line with the policy rate. Taking into consideration the exchange rate appreciation (about 10%) and the high share of both loans and deposits in foreign currency (40% and 56%, respectively), changes without the nominal effect of the appreciation would have been even better (+9.6% instead of +5% for loans and +8.6% instead of +2.6% for deposits).

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-16.1 (Mar)	-10.9	-13.4
Unemployment rate	n.a.	10.7	10.5
Inflation rate, average yoy	2.3 (Mar)	3.9	4.1
CB reference rate	3.3 (31th Mar)	3.3	3.0
Loans (private sector, yoy, eop)	5 (Feb)	3.7	0.5
Deposits (private sector, yoy, eop)	2.6 (Feb)	1.6	2.0
Lending interest rate (pr. sect., eop)	5.5 (Feb)	5.6	5.8
Deposit interest rate (pr. sect , eop)	2.4 (Feb)	2.3	2.0

Sources: National Statistical Institute, Bank of Albania

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

As signalled by high-frequency data, the 4Q23 GDP release confirmed solid economic growth of 1.7% yoy, following the 1.7% and 1.2% growth registered over the first two quarters and the 1.9% registered in the 3Q23. Thus, FY23 GDP growth wrapped up at 1.6%, just an inch below our own 1.7% call. Looking at the expenditure side, although private consumption growth eased from 2.8% yoy in 3Q23 to 2.0% in the last year's final quarter, it confirmed its role as a main growth driver, supported by double-digit nominal wage growth and solid household lending activity. Overall, FY23 private consumption increased by 1.6% yoy. Gross capital formation remained sluggish (4Q23 -4.4% yoy, FY23 +1.2% yoy), most likely driven by destocking as Eurostat data suggest investments were up by 16.1% and 11.7% yoy in 4Q23 and FY23, respectively. And while looking at fourth quarter data the annual decline in the export of goods and services eased to -4.3% yoy, the contraction in imports strengthened to -5.4% and full-year data confirmed a stronger (-3.2%) decline in exports than in imports (-2.4%), leading to a broadly neutral contribution of net foreign demand to GDP growth overall. Entry data for 2024 suggest the positive economic trends are continuing as domestic demand remained strong (Jan-Feb real retail up by 15.7% yoy), while some first positive signs also emerged from industrial production data (+1.7% mom in Jan and +5.9% mom in Feb; thus decreasing the yoy decline to -2.1% over the Jan-Feb months). The performance of exports in the observed period remained in the red (-13.1% yoy), but this was most likely partly a reflection of last year's base effect, and we are expecting more positive data in the coming months. In that respect, we stick to our FY24 +2.2% GDP growth call.

Meanwhile, the annual inflation rate remained broadly stable over January (+2%) and February (+2.1%), although oil prices increased and electricity prices were hiked (+20% yoy for legal entities). The spillover of these two rises is expected to support upward pressure on headline inflation, and we still see FY24 average inflation in the area of +3%.

Banking Sector

Ana Lokin

Solid economic activity and the moderate rise in financing costs supported the buoyant loan trend at the start of this year. Private sector loans thus accelerated to +7.7% yoy in February, with corporate loans at +7.4% yoy and household loans +8.0% yoy. The deposit rise remained robust at 10.1% yoy in February, with corporate deposits softening to +9.8% and household deposits strengthening to +10.2% yoy. Household time deposits continued to grow, expanding by 4.6% yoy.

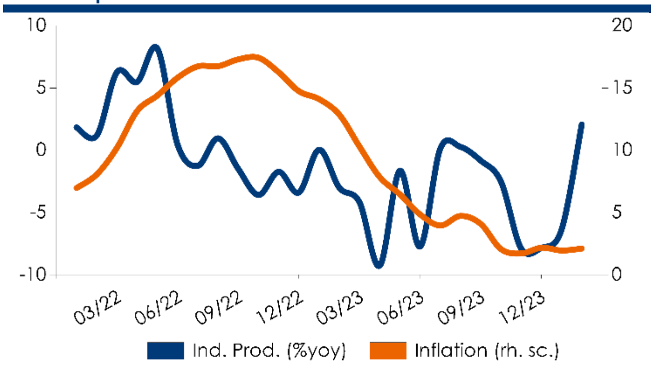
Banks' profitability improved in 2023, mostly thanks to higher NII. Consequently, ROA rose to 2.5% (+1.0pp yoy) and ROE to 15.0% (+3.1pp yoy).

Latest macroeconomic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	2.1 (Feb)	-4.7	-0.1
Export of goods, nominal yoy	-9.8 (Feb)	-9.1	-10.5
Retail trade, real, wda yoy	13.1 (Jan)	14.9	16.5
Inflation rate, average yoy	2.1 (Feb)	2.0	4.3
Loans (private sector, yoy, eop)	7.7 (Feb)	6.8	6.1
Deposits (private sector, yoy, eop)	10.1 (Feb)	10.2	10.0

Sources: 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

Ivana Jović

The available high-frequency data for the first two months indicate a strengthening of domestic demand as retail trade volumes increased by 2.1% vs. 4Q23 and 8.5% yoy, while the Tax Administration's data on fiscalised invoices suggest a favourable March outturn as well. However, industrial production underperformed, declining by 4.6% compared to the previous quarter and by 3.6% yoy, while goods' exports registered a mild +2.4% yoy increase, signalling a possible stronger rebound is down the road, in line with some recently improved EA readings. Construction activity opened the year on a strong footing, registering +14.3% yoy growth in January, followed by 15% in February, driven up by a continuing strong pick-up in activity on buildings (+21%), accompanied by a rebound in civil engineering (+3.8% yoy). At the same time, 1Q24 tourism confirmed its upward trend as both arrivals and overnights increased by 15% yoy. Overall, both hard and soft (survey) data indicate a solid start to the year, supporting our current view that FY24 GDP growth will land in the area of 3%. On that note, the recently published revision upgraded the 2023 GDP outturn from the previously released 2.8% to 3.1% yoy, owing mainly to an upward revision in government consumption (from 2.8% to 6.6% yoy) and subject to alignment with annual fiscal statistics.

Inflation, measured by HICP, fell from 5.8% in 4Q23 to 4.8% in 1Q24, although in March inflation inched higher (4.9%) compared to the 4.8% registered in Jan and Feb. The slight acceleration in headline inflation was due to an increase in the annual rate of service price growth (from 7.8% in Feb to 8.0% in March) and an increase in the growth in energy prices (from 1.1% in Feb to 2.1% in March), which was influenced by the monthly price increase in petroleum products. At the same time, industrial products inflation remained at 2.3%, while the annual rate of food price inflation decreased from 5.5% in February to 5.0% due to a favourable base effect.

Financial Markets

Ana Lokin

The average 10Y government bond spread on the Bund and yields flatlined mom in March at 90bps and 3.3%, respectively. As at 19 April, the average spread and yield stood unchanged versus the previous month.

Banking Sector

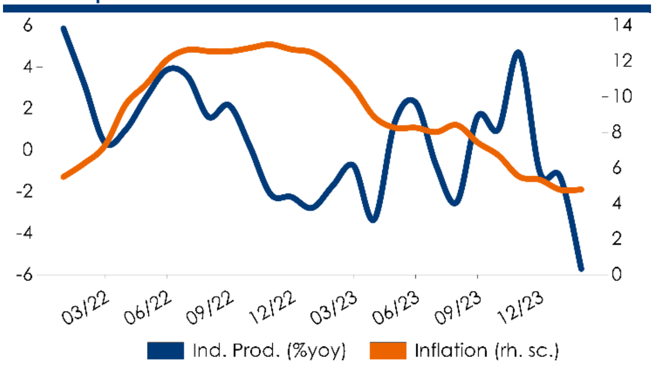
Loan growth stalled at 7.3% yoy in February, with corporates losing steam and rising by just 2.6% yoy amid higher financing costs. Household loans continued to accelerate, coming in at +10.7% yoy, supported by improved consumer sentiment, healthy wage rises and the still-pronounced inflationary pressures. February saw deposits expanding by a somewhat milder 3.0% yoy as corporate deposits continued to shrink on a monthly basis (seasonal effect), while the annual growth in household deposits slowed due to outflows related to the issue of MoF 3M and 1Y T-bills in February (overall, citizens purchased EUR 0.9Bn). Corporate deposits thus decelerated to +6.7% yoy and household deposits to +1.6% yoy.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	-5.7 (Feb)	n.a.	0.7
Export of goods, nominal yoy	1.8 (Jan)	n.a.	-7.5
Retail trade, real, wda yoy	9.2 (Feb)	n.a.	7.1
ESI (index)	112.7 (Mar)	109.2	104.6
Inflation rate, average yoy	4.9 (Mar)	4.8	5.9
Loans (priv. sector, yoy, eop)	7.3 (Feb)	8.0	7.7
Deposits (priv. sector, yoy, eop)	3 (Feb)	3.5	6.3
Lending interest rate (pr. sect., eop)	5.3 (Feb)	5.2	5.0
Deposit interest rate (pr. sect., eop)	3.1 (Feb)	3.1	2.9

Sources: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

Romania's 2023 GDP growth was 2.1% yoy, with a 0.5% qoq decrease in 4Q23. Positive contributions came from all areas, except industry, which made a negative 0.5% contribution. Expectations for 2024 have decreased lately to about +2.8% (IMF), vs. the +3.4% budget base assumption.

At the end of March, yoy CPI was +6.6%, below February's level and in line with the NBR projection. Harmonised yoy CPI at the end of March had also decreased, to +6.7%. According to the NBR's latest projection, at the end of 2024 yoy inflation should decrease to about 4.7%.

Unemployment has been stable this year, standing at 5.6% at the end of February. Wage growth is still high, standing at +14.2% yoy at the end of February, which is putting pressure on the labour market as productivity and inflation are at lower levels.

The budget deficit for 2023 was announced at 5.68% of GDP, but the EU Commission challenged the figure and said that by ESA standards, the budget deficit is significantly higher (6.7%) and above the levels of the fiscal consolidation plan, which projected a deficit at EOY 2023 below 4.4% of GDP. The first two months of 2024 have been even worse, with a deficit at the end of February of about 1.67% of GDP, the highest in the last five years for the same period. The IMF estimates a deficit of about 6% of GDP without further fiscal measures, which are needed in order to reduce the deficit.

The current account deficit at the end of February 2024 was EUR 2.7Bn, higher than the February 2023 deficit (EUR 2.2Bn).

Financial Markets

At April 2024's monetary policy meeting, the NBR kept unchanged the monetary policy rates (deposit, Lombard and reference rate) as follows: deposit facility rate 6.00%; reference rate 7.00%; and credit facility rate 8.00%. Since the NBR governor anticipated that a possible easing cycle should begin only after two consecutive months of inflation deceleration, in May we could expect the first move in this direction (a possible 25bps cut). The EUR/RON exchange rate has been stable. This exchange rate is used as a monetary policy instrument.

Banking Sector

Marius Pacurari

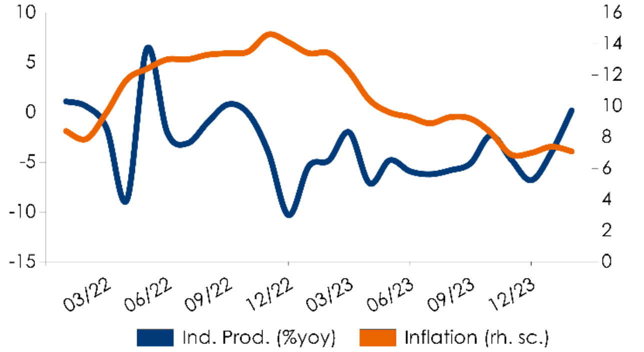
At the end of February 2024, yoy growth in loans was 4.53%, with a strong component in RON (5.56%), while EUR loans increased by 2.16%. On the deposit side, overall growth was 12.38%, with companies up by 12.99% and household loans up by 11.99%.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	0.2 (Feb)	-4.6	-5.7
Nom. exports yoy	1 (Feb)	1.6	-5.1
ESI (index)	102.4 (Dec)	102.4	100.4
Retail sales yoy	12.3 (Feb)	1.9	0.1
Inflation rate yoy	6.7 (Mar)	7.4	9.1
CB reference rate	7 (19th Apr)	7.0	7.0
Loans (priv. sector, yoy, eop)	4.5 (Feb)	5.9	4.0
Deposits (priv. sector, yoy, eop)	12.4 (Feb)	12.9	10.6
Lending interest rate (pr. sect., eop)	9 (Feb)	8.6	9.0
Deposit interest rate (pr. sect., eop)	5.5 (Feb)	5.6	5.8

Sources: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Tijana Matijasevic

Real Economy

The Serbian economy continued its recovery, performing quite well in the first quarter of 2024, as indicated by preliminary government data reporting GDP growth of 4.4%. From a structural perspective, 1Q24 growth was driven by the services sector and industry, with construction also a positive contributor. In January-February 2024, industrial output rose by 7.9% yoy, primarily sustained by the important manufacturing sector (+8.9% yoy), which continues its recovery trend. In February, it increased at the quickest pace for the past 21 months (+10.8% yoy), with growth registered in 19 of 24 manufacturing sectors. In the same period, retail activity expanded by 6.4% yoy, reflecting stronger private consumption on account of easing inflation and continued wage increases. Due to the better-than-anticipated performance in early 2024, the IMF upgraded its projection for Serbia's growth in 2024 to 3.5%. Additionally, in April Standard & Poor's confirmed Serbia's credit rating at BB+ and improved from stable to positive the country's outlook for obtaining a much-desired investment grade rating.

Yoy inflation slowed from 5.6% in February to 5.0% in March, reflecting lower food inflation and a weaker growth of prices within core inflation. The NBS believes that inflation will return to the target corridor (3%±1.5pp) in May, which also matches our projection. For the rest of the year, CPI should continue to gradually move towards the 3% target, with the eop figure currently seen at 3.2%.

Financial Markets

At its April meeting, the National Bank of Serbia decided to keep the key policy rate at 6.5% for the ninth consecutive month. Taking into account the projected domestic inflation path and the expected start of policy easing by the ECB, we see the NBS delivering its first cut in June or July. The dinar remains stable against the euro, supported by the central bank's interventions in the FX market. Amid prevailing appreciation pressures, the NBS has bought EUR 320M net since the beginning of 2024, in order to keep the EUR/RSD stable at about 117.2. Gross FX reserves stood at c. EUR 24.9Bn at the end of March, well above adequate levels.

Banking Sector

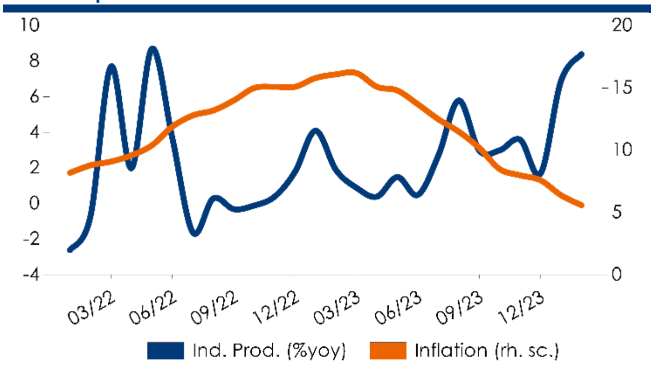
In February 2024, total loans to the private sector inched up by 0.4% yoy. Lending activity remains modest, with new production higher by about 4% yoy in January-February. Despite robust growth in new household lending (+36.7% yoy) during the first two months of 2024, the fall in corporate loans widened to -11.2% yoy, most notably in investment loans (-22% yoy). On the deposit side, total volumes increased by 10.1% yoy in February, supported by both households and the corporate segment. The NPL ratio remained unchanged from end-2023 at 3.2%.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	8.4 (Feb)	2.8	3.8
Nom. exports yoy	6.6 (Feb)	-2.7	-2.2
Retail sales yoy	8.8 (Feb)	2.4	-1.8
Inflation rate yoy	5 (Mar)	8.0	11.4
CB reference rate, eop	6.5 (19th Apr)	6.5	6.5
Loans (priv. sector, yoy, eop)	0.4 (Feb)	1.0	-0.5
Deposits (priv. sector, yoy, eop)	10.1 (Feb)	11.7	11.3
Lending interest rate (pr. sect., eop)	11.5 (Feb)	10.5	11.7
Deposit interest rate (pr. sect., eop)	5.2 (Feb)	5.7	5.8

Sources: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Doina Caraman

Real Economy

Moldova's economy edged up by a modest 0.7% in 2023, reversing only a small part of the 5.9% contraction caused in 2022 by scarce and expensive energy and the war in Ukraine. GDP growth in 2023 was driven by the agriculture, forestry and fishing sector, which added 2.6pp to the overall rise in Moldova's economic output. Health and social insurance contributed 0.7pp, while the information and communication sector contributed 0.5pp. Manufacturing, construction, wholesale and retail trade, along with the transport and storage sectors, were at the opposite end, falling by 1.1pp, 1pp, 0.6pp and 0.4pp, respectively. Net exports saw an annual increase of 5.1% in 2023, contributing 5.8pp to real GDP growth. The final consumption expenditure of government and final household consumption declined by 3.3% and 0.5%, respective, over the year, shaving 0.6pp and 0.4pp from real GDP growth. Gross fixed capital formation fell by 1.3% yoy, leading to a 0.3pp drop in GDP growth The annual inflation rate in Moldova decelerated to 3.9% in March 2024, from 4.3% the previous month, marking its lowest reading since July 2021. Consumer price growth slowed for services (0.9% vs. 3.1%) and food (2.9% vs. 3.5% in February). In contrast, it picked up for non-food products (6.7% vs. 5.6%). Moldova's industrial production increased by 2.1% yoy in the first two months of 2024.

Financial Markets

After a reversal of the growing trend in inflation, the NBM opted for a sharp relaxation of its monetary policy. As a result, the base rate had reached 3.75% by March 2024. Concurrently, the interest rate on overnight loans was also decreased by 0.5pp to 5.75% annually, and on overnight deposits to 1.75% annually. During 1Q24, the local currency (Moldovan leu or MDL) appreciated against the EUR by 1.70% and depreciated against the USD by 1.37% on a qoq basis. Yields on government securities have been steadily decreasing in recent months from their peaks in 2022 – the 91-, 182- and 364-day Treasury bill yields had decreased by 1.00pp, 1.84pp and 1.86pp, respectively, as of April 2024 compared to end-2023 levels, in line with the inflation trajectory and expectations.

Banking Sector

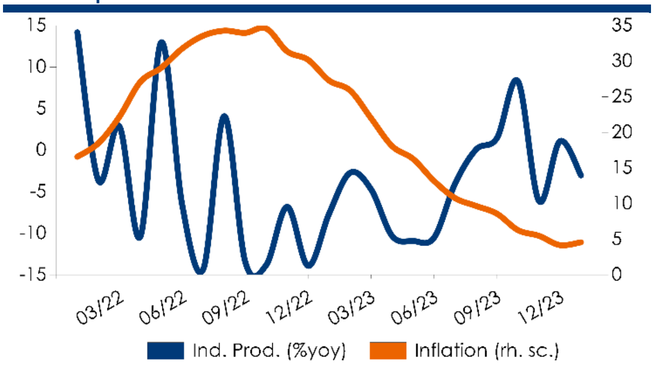
As of March 2024, loan portfolio growth (+6.7%) had spread across all segments, with a particularly strong contribution from households loans (+15.4%) vs. corporate loans (+1.6%). On the other hand, deposit growth accelerated, increasing by 17.3% yoy due to the 25.9% and 11.7% yoy increases in the stock of corporate and household deposits, respectively. The degree of coverage of loans by deposits was 180%, indicating that there are sufficient resources to increase lending. The NPL ratio has been rather stable during the first quarter of 2024 – there have been slight fluctuations but it has maintained a monthly average level of 5.6%.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	-3 (Jan)	1.1	-0.8
Nom. exports yoy	-8.1 (Feb)	-2.2	-1.1
PMI manufacturing	-8.1 (Feb)	-2.2	-1.1
Retail sales	-5.6 (Dec)	n.a.	n.a.
Inflation rate yoy	3.9 (Mar)	5.3	9.7
CB reference rate	3.8 (31th Mar)	4.8	6.0
Loans (priv. sector, yoy, eop)	5.7 (Feb)	3.7	3.4
Deposits (priv. sector, yoy, eop)	17.3 (Mar)	19.9	20.4
Lending interest rate (corp., eop)	8.1 (Mar)	9.2	9.8
Deposit interest rate (hh, eop)	4.1 (Mar)	5.6	8.5

Sources: 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

Francesca Pascali

According to the Bank of Russia (CBR), inflationary pressures are gradually easing, but remain high. Domestic demand continues to outstrip the capacity to expand the production of goods and services. Tensions in the labour market have increased again. For the time being, it is too early to judge the pace of future disinflationary trends. Monetary policy is set to consolidate the ongoing disinflationary processes in the domestic economy. The return of inflation to the target in 2024 and its further stabilisation near 4% presuppose the maintenance of restrictive monetary conditions on the economy for a long period. According to the Bank of Russia, and in view of the monetary policy stance, annual inflation will fall to 4.0-4.5% in 2024 and further stabilise near 4%.

Financial Markets

As expected, on 22 March 2024 the CBR decided to keep the key interest rate unchanged at 16.0%. The central bank confirmed its willingness to pursue a monetary policy designed to consolidate the ongoing disinflation processes in the domestic economy. There were few changes in the language in the press release, with a possible loosening indicated from mid-2024. There was little sign in the press release of a softening of the central bank's hawkish tone, and no suggestion yet that it is seeking to reverse the aggressive monetary tightening implemented last year. However, the CBR clearly hopes that underlying price pressures will continue to ease in the coming months, which, in our view, could open the door to easing.

Banking Sector

Davidia Zucchelli

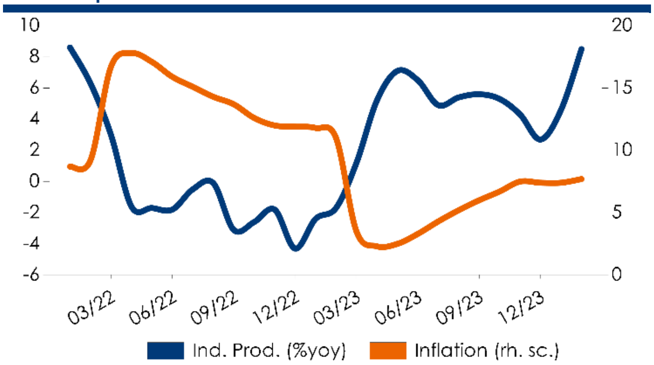
According to preliminary data of the CBR, mortgage growth sped up to +1.2%, vs. +0.8% in February, mainly in government subsidised mortgage loans (family mortgages remained the most popular programme). According to assessments elaborated on by the CBR, consumer lending increased faster, by 2.0% (vs. 0.9% in January-February), amid higher consumer activity and rising expenses. An active inflow of household deposits into banks was observed in February (+1.9% vs. +2.5%) with ruble-denominated time deposits growing the most. Such deposits remain popular owing to high interest rates. The value of corporate deposits contracted by 1.6% after growth in February (+1.0%), driven by large tax payments.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	8.5 (Feb)	4.1	5.3
Nom. exports yoy	72.1 (Jan)	n.a.	n.a.
Retail sales yoy	12.3 (Feb)	11.1	11.2
PMI manufacturing	55.7 (Mar)	54.6	54.5
Inflation rate yoy	7.7 (Mar)	7.2	5.2
CB reference rate	16 (31th Mar)	16.0	13.0
Loans (priv. sector, yoy, eop)	24.6 (Jan)	24.2	27.3
Deposits (priv. sector, yoy, eop)	34 (Jan)	23.4	31.9
Lending interest rate (corp., eop)	16.8 (Jan)	16.1	13.6
Deposit interest rate (hh., eop)	14.3 (Jan)	12.8	9.4

Sources: Federal State Statistics Service, Central Bank of Russia

Industrial production and inflation



Source: Federal State Statistics Service

Ukraine

Real Economy

Artem Krasovskyi

The Ministry of Economy tentatively estimates GDP growth of 3.6% yoy in January-April, which is somewhat lower than expected, primarily due to restrained budget spending on the back of the delay in external financing in January-February. Full-year 2024 expectations on the economy's performance seem to be worsening as well, as the end of the war recedes further and the country's wartime economic prospects remain largely conditioned on tightening Western support. Heavy shelling of Ukraine's energy infrastructure resumed in March-April, leading to likely longer-term damage, alongside imminent power rationing throughout 2024, which will have a negative impact on business activity. Against this backdrop, the NBU has worsened its GDP growth forecast from 3.6% to 3% in 2024 and from 5.8% to 5.3% in 2025. CPI in March dropped down to 3.2% yoy, from 4.3% in February. Despite much better-than-expected dynamics, inflation is still expected to notably accelerate in 2H24 and the NBU has only marginally improved its eop 2024 inflation forecast, from 8.6% to 8.2% yoy.

After a recess in January-February, external financing has finally been revived, with nearly USD 9Bn of allocations received from international partners in March. In addition, a long-delayed USD 61Bn military and financial aid package was finally approved by the US Senate in April. Overall, Ukraine can count on a decent USD 38Bn of external aid to support its state budget this year.

Financial Markets

At the MP meeting in late April, the NBU lowered its key policy rate by 100bps to 13.5%, the second consecutive cut this year. Policymakers see room for a further easing of the interest rate, at least to 13% by year-end as a baseline. Following the ample inflow of foreign aid, monetary reserves soared to nearly USD 44Bn in March. The USD/UAH appeared to regain ground in late April and was trading at 39.50-39.80, backed by the central bank, which remains the main market maker, with some USD 1.5-2.5Bn of monthly sales from reserves. Supported by the high reserves level and moderating FX market pressure, the NBU is now taking steps to ease some of the currency and capital flows restrictions in the coming weeks.

Banking Sector

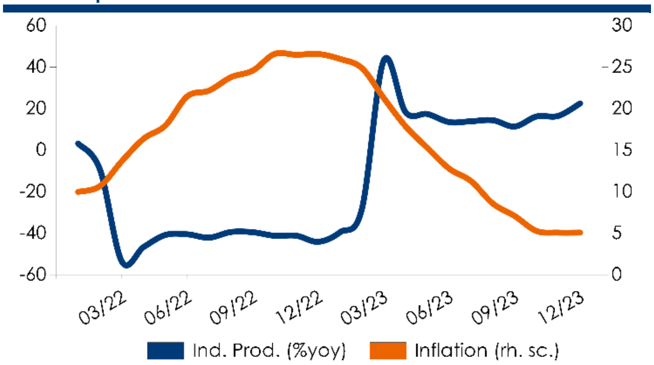
In 1Q24 the Ukrainian banking sector remained stable, and dynamics continued to be determined by previous trends. Deposits from both businesses and households continued to grow, alongside the share of retail term deposits. The volumes of corporate and retail loans continued to increase, as the start of the NBU rate-cutting cycle has contributed to the increase in demand for loans and the decrease in the cost of funding.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production yoy	22.6 (Dec)	18.5	13.3
Nom. exports yoy	5.5 (Feb)	-18.7	-16.1
PMI manufacturing	5.5 (Feb)	-18.7	-16.1
Retail sales	19.9 (Dec)	21.9	15.3
Inflation rate yoy	3.2 (Mar)	5.1	7.1
CB reference rate	14.5 (31th Mar)	15.0	20.0
Loans (priv. sector, yoy, eop)	1.1 (Feb)	-0.3	-8.8
Deposits (priv. sector, yoy, eop)	22.4 (Feb)	26.7	28.2
Lending interest rate (pr. sect., eop)	20.6 (Feb)	20.7	21.7
Deposit interest rate (pr. sect., eop)	9.9 (Feb)	10.4	12.5

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Samer Halim

Real Economy

Preliminary indicators showed that Egypt's real annual growth slowed to 2.3% in 4Q23, against 3.9% during the same quarter last year. This can be attributed to shortages in foreign currency and soaring inflation rates. Egypt's government is targeting 4.2% real growth in FY24/25, and is planning to increase the share of the private sector in total investments to 50%, against 36% and 25.5% in 2023/24 and 2022/23, respectively. Although the fact the geopolitical turmoil in the Red Sea is weighing on Suez Canal revenues (-50%), tourist arrivals were up3-4% yoy during 1Q 2024 Another positive was that the annual urban headline inflation rate fell to 33.3% in March 2024, against 35.7% one month earlier, reflecting the decline in food prices and the stabilisation of the FX market.

Financial Markets

Since floating the EGP, its exchange rate has been hovering between 46.5 and 48.5 per USD. Financial packages from international partners, combined with reforms undertaken by authorities, have helped stabilise foreign currency inflows. Egypt received USD 820M as the second tranche of the IMF loan programme on 20 April and demand for EGP debt instruments spiked to a record high in March, supported by foreign investors' increasing appetite (demand for 12M EGP T-Bills recorded EGP 408Bn on 19 March). The country is also set to receive USD 20Bn from the second tranche of the Ras El Hekma project by the end of April 2024, USD 400M in budget support from the United Kingdom over two years, and EUR 1Bn in short-term financial aid from the EU. These developments have contributed almost USD 5Bn to the increase in net international reserves, taking these to USD 40.4Bn at the end of March 2024. The Central Bank of Egypt decided to cancel the scheduled meeting of the Monetary Policy Committee on 28 March after raising key interest rates by 600bps in the special meeting held on 6 March. Yields on EGP T-Bills temporarily rose after key interest rates were raised in March, but the entry of foreign investors then saw demand push yields lower than January and February levels. However, geopolitical developments might impact that trend.

Banking Sector

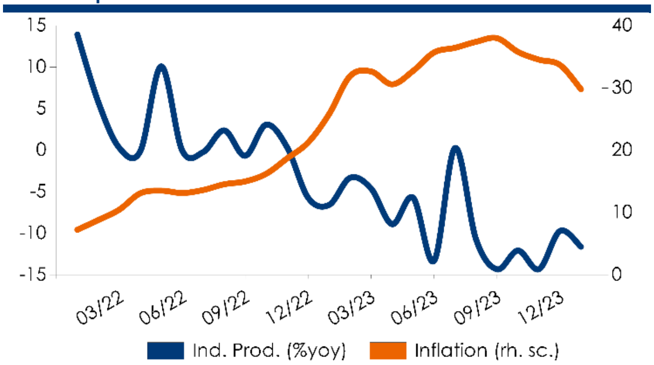
Retail loans grew by 23.8% yoy in February 2024, impacted by rising inflation rates and the base year effect. This was also reflected in the notable growth in local currency demand deposits (retail) of 67.5% yoy, compared to only 7.4% for time and saving deposits. The deficit in commercial banks' net foreign assets improved to USD 13.2Bn in March 2024, against USD 17.6Bn one month earlier. Banks' net profits rose by 116.6% yoy in December 2023, supported by the significant increase in net interest income. However, the return on average assets (ROAA) remained stable at 1.2%.

Latest economic indicators

	Last value	4Q23	3Q23
Industrial production, wda yoy	-11.6 (Jan)	-12.0	-8.2
Nom. exports yoy	-15.6 (Jan)	-7.2	-15.5
Retail sales yoy	n.a.	n.a.	n.a.
PMI	47.6 (Mar)	48.5	48.7
Inflation rate yoy	33.3 (Mar)	34.7	37.3
CB reference rate	27.3 (19th Apr)	19.3	19.3
Loans (priv. sector, yoy, eop)	21.1 (Oct)	n.a.	24.0
Deposits (priv. sector, yoy, eop)	14 (Feb)	18.5	21.9
Lending interest rate (corp., eop)	20 (Feb)	19.5	19.1
Deposit interest rate (hh, eop)	15.5 (Feb)	14.2	13.9

Sources: Ministry of Industry and 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 yoy			Retail sales chg yoy			Inflation chg yoy			Unemployment rate			Wages chg yoy			Economic Survey[2]		
		4Q23	3Q23	2022	Last	mth	4Q23	Last	mth	4Q23	Last	mth	4Q23	Last	mth	4Q23	Last	mth	4Q23	Last	mth	4Q23	Last	mth	4Q23
CEE	Czechia	0.2	-0.9	2.4	0.7	Feb	-0.7	11.6	Feb	-1.8	6.1	Feb	-0.3	2.0	Mar	7.6	3.9	Mar	3.6	7.7	Dec	7.3	93.6	Mar	91.3
	Hungary	0.0	-0.4	4.6	1.8	Feb	-7.6	-2.4	Feb	-3.0	4.6	Feb	-4.3	3.7	Feb	7.8	4.6	Feb	4.2	14.6	Jan	14.8	98.6	Mar	97.6
	Poland	1.5	0.8	4.9	3.3	Feb	-0.8	-10.1	Feb	-9.8	6.1	Feb	0.1	2.0	Mar	6.5	5.4	Feb	5.0	12.9	Feb	11.4	101.8	Mar	98.8
	Slovakia	2.2	2.0	1.9	0.3	Feb	4.7	-3.4	Feb	-0.1	5.3	Feb	-2.2	2.3	Mar	6.4	5.1	Feb	5.1	7.0	Feb	10.3	96.7	Jan	96.3
	Slovenia	2.2	1.3	2.5	2.8	Feb	-5.4	-0.1	Feb	6.1	-0.5	Feb	-4.8	3.4	Mar	5.0	5.2	Jan	4.8	5.6	Jan	8.1	95.6	Mar	96.0
SEE	Albania	3.8	3.5	4.8	n.a.	n.a.	n.a.	-16.1	Mar	-10.9	n.a.	n.a.	n.a.	2.3	Mar	3.9	n.a.	n.a.	10.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	1.7	1.9	3.8	2.1	Feb	-6.0	-9.8	Feb	-9.1	18.9	Feb	14.5	2.1	Feb	2.0	28.6	Jan	28.8	10.5	Feb	10.4	n.a.	n.a.	n.a.
	Croatia	4.3	2.8	6.3	-5.7	Feb	n.a.	1.8	Jan	n.a.	13.6	Feb	6.8	4.9	Mar	4.8	6.7	Feb	6.4	13.3	Jan	14.5	112.7	Mar	109.2
	Romania	2.1	1.9	n.a.	0.2	Feb	-4.6	1.0	Feb	1.6	12.3	Feb	1.9	6.7	Mar	7.4	5.6	Feb	5.6	14.2	Feb	15.9	102.4	Dec	102.4
	Serbia	3.8	3.6	2.5	8.4	Feb	2.8	6.6	Feb	-2.7	8.8	Feb	2.4	5.0	Mar	8.0	n.a.	n.a.	n.a.	15.8	Jan	14.3	n.a.	n.a.	n.a.
EE & MENA	Moldova	0.2	4.2	-4.5	-3.0	Jan	1.1	-8.1	Feb	-2.2	-5.6	Dec	n.a.	3.9	Mar	5.3	n.a.	n.a.	4.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	4.9	5.5	-2.1	4.0	Mar	4.1	72.1	Jan	n.a.	12.3	Feb	11.1	7.7	Mar	7.2	2.8	Feb	3.0	18.6	Jan	17.3	55.7	Mar	54.6
	Ukraine	4.7	9.6	-28.8	22.6	Dec	18.5	5.5	Feb	-18.7	19.9	Dec	21.9	3.2	Mar	5.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	2.3	2.7	4.3	-11.6	Jan	-12.0	-15.6	Jan	-7.2	n.a.	n.a.	n.a.	33.3	Mar	34.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47.6	Mar	48.5
	m.i. E. A.	*0.1*	*0.1*	*3.4*	*-6.4*	*Feb*	*-3.7*	*0.3*	*Feb*	*-4.7*				*2.4*	*Mar*	*2.7*									

Source: Refinitiv; [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		L/T rates1		Foreign exchanges2			Stock markets		CDS spread (bp)		FX res. chg (mln €)3			CA bal. (mln €)4		Rating
		26/4	3M*	26/4	3M*	26/4	3M*	1Y*	3M*	1Y*	19/4	19/1	4Q23	3Q23	2022	4Q23	3Q23	Moody's
CEE	Czechia	6.2	-0.9	4.4	0.5	25.16	1.65	7.07	6.6	9.5	29.4	28.9	n.a.	n.a.	n.a.	1,205	716.6	Aa3
	Hungary	7.5	-1.8	7.1	0.9	392.91	1.76	4.60	4.6	50.3	116.5	121.2	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	6.0	0.2	5.8	0.3	4.32	-1.32	-5.80	11.6	33.3	72.7	64.6	n.a.	n.a.	n.a.	3,741	1,847.0	n.a.
	Slovakia	3.9	0.0	3.6	0.2	n.a.	n.a.	n.a.	2.4	-0.2	27.1	29.7	n.a.	n.a.	n.a.	-1,928	-782.0	A2
	Slovenia	3.9	0.0	3.2	0.1	n.a.	n.a.	n.a.	9.2	13.9	34.5	34.4	-41	24	134	643	550.3	A3
SEE	Albania	2.9	n.a.	n.a.	n.a.	100.81	-2.96	-9.20	n.a.	n.a.	n.a.	n.a.	151	160	n.a.	-232	354.0	n.a.
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	191	306	-144	-183	-106.3	n.a.
	Croatia	0.4	0.0	3.4	0.2	7.53	0.00	0.00	6.9	23.6	76.6	78.5	34	-45	2,855	-1,064	5,237.1	Baa2
	Romania	5.9	-0.1	7.0	0.5	4.98	0.00	0.76	12.3	35.1	135.8	139.5	n.a.	n.a.	n.a.	n.a.	n.a.	Baa3
	Serbia	6.5	0.0	n.a.	n.a.	117.15	-0.04	-0.10	15.0	14.3	180.5	195.5	727	1,598	2,961	-1,037	-207.6	Ba2
EE & MENA	Moldova	2.1	-0.8	5.6	-1.5	17.77	0.40	-1.03	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-15	-5.4	B3
	Russia	24.7	0.0	14.5	2.2	104.07	0.00	0.00	9.1	33.2	12,940.3	12,940.3	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	12.8	0.0	18.3	2.1	39.65	4.92	7.36	0.0	0.0	14,247.7	14,247.7	38.5	37.1	43.7	-3,095	-4,253.0	Ca
	Egypt	25.6	0.0	11.3	0.0	47.90	55.02	54.77	-13.9	63.4	694.1	1,259.4	250	142	-6,932	-6,825	2,807.0	Caa1
	m.i.A.E.	*3.9*	*0.0*	*2.6*	*0.3*	*1.1*	*-1.7*	*-3.3*	*5.6*	*7.7*	*4.06*	*6.87*						

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

Banking aggregates and interest rates (private sector)

		Loans chg yoy %			NPL/Loans %			Foreign Liab. chg yoy %			Deposits chg yoy %			Loans rate1-NewB*. %				DepositsRate1-NewB*. %				Loans/Dep %		
		Last	Mth	2022	Last	mth	2022	Last	mth	2022	Last	Mth	2022	Last	mth	2022	S[4]	Last	mth	2022	S[4]	Last	mth	2022
CEE	Czechia	7.0	Feb	4.5	1.7	Feb	2.0	12.4	Feb	18.1	7.7	Feb	4.2	7.7	Feb	9.0	C	5.4	Feb	6.0	H	69.1	Feb	71.0
	Hungary	3.5	Feb	11.6	2.0	Dec	2.3	11.5	Feb	56.4	1.9	Feb	2.5	11.9	Feb	11.5	C	6.8	Feb	12.3	H	81.0	Feb	78.3
	Poland	-2.0	Feb	0.2	2.5	Sep	2.4	2.3	Jan	7.5	8.3	Feb	5.6	7.7	Feb	8.7	C	4.3	Feb	6.5	H	67.4	Feb	76.0
	Slovakia	2.9	Feb	10.4	2.1	Feb	1.9	24.6	Feb	33.0	5.5	Feb	5.9	6.4	Feb	3.8	C[2]	0.0	Dec	0.0	H[2]	105.9	Feb	108.3
	Slovenia	0.0	Feb	9.8	1.0	Jan	1.1	19.7	Feb	33.7	4.9	Feb	7.8	5.6	Feb	3.0	C[2]	1.4	Feb	0.2	H[2]	61.7	Feb	64.3
SEE	Albania	5.0	Feb	6.9	4.7	Feb	5.0	20.0	Feb	-10.8	2.6	Feb	4.8	5.5	Feb	6.5	PS	2.4	Feb	2.5	PS	55.7	Feb	54.8
	Bosnia H.	7.7	Feb	5.3	3.8	Dec	4.5	-12.5	Feb	-7.0	10.1	Feb	3.2	3.9	Feb	4.0	C	0.7	Feb	0.5	H	87.8	Feb	91.3
	Croatia	7.3	Feb	11.2	2.6	Dec	3.0	11.7	Feb	27.7	3.0	Feb	15.0	5.3	Feb	3.6	PS	3.2	Feb	0.7	PS	69.4	Feb	63.8
	Romania	4.5	Feb	11.2	2.4	Feb	2.7	19.1	Feb	35.8	12.4	Feb	6.7	9.0	Feb	9.7	PS	5.5	Feb	6.7	PS	65.2	Feb	71.0
	Serbia	0.4	Feb	6.5	3.2	Feb	3.0	-6.8	Feb	14.1	10.1	Feb	6.9	11.5	Feb	10.0	PS	5.2	Feb	6.2	PS	80.4	Feb	89.7
EE & MENA	Moldova	5.7	Feb	9.3	5.5	Feb	6.4	-18.2	Feb	70.4	17.3	Mar	5.4	8.2	Mar	12.9	C	4.0	Mar	11.4	H	54.6	Feb	64.9
	Russia	24.6	Jan	11.8	6.1	Dec	6.1	13.3	Dec	n.a.	34.0	Jan	11.0	16.8	Jan	8.9	C	14.3	Jan	5.4	H	119.0	Jan	120.3
	Ukraine	1.1	Feb	-4.4	36.6	Mar	36.7	-5.1	Feb	-21.6	22.4	Feb	25.1	20.6	Feb	22.0	PS	9.9	Feb	10.7	PS	44.0	Feb	55.2
	Egypt	21.1	Oct	28.4	3.3	Sep	3.4	4.0	Feb	83.1	14.0	Feb	27.4	20.0	Feb	13.3	C	15.5	Feb	9.8	H	36.3	Oct	35.6
	m.i. E. A.	*0.04*	*Jan*	*4.0*	*n.a.*	*n.a.*	*n.a.*	*-1.9*	*Jan*	*9.0*	*0.9*	*Jan*	*3.3*	*5.0*	*Feb*	*3.4*	*C*	*3.2*	*Feb*	*1.4*	*H*	*74.6*	*Jan*	*75.1*

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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