Erste Group Research
CEE Insights | Fixed Income | Central and Eastern Europe
6 February 2017

CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week…

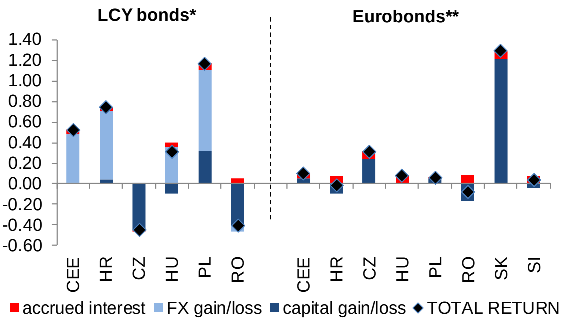
Monday	Tuesday	Wednesday	Thursday	Friday
CZ: Industry, Retail Sales **SI**: Inflation	**RO**: No rate change **CZ**: Trade Balance **HU**: Industry	**PL**: No rate change **HR, SK**: Trade Balance	**RO, HU, SI**: Trade Balance **RO**: Wages	**SK, SI, RO**: Industry **CZ**: Inflation

Click for: this week's detailed releases/events, market forecasts, macro forecasts

The week ahead of us will continue with many data releases and central bank meetings. As for the latter, we will have meetings in Romania and Poland. Neither of the central banks are expected to change the policy rate, so they could remain 1.75% in Romania and 1.5% in Poland. In Romania, minimum reserve requirements could also stay unchanged. As for macro releases, mostly industrial production and foreign trade will be in focus, while inflation releases will only come from the Czech Republic and Slovenia. Most inflation releases will come after this week in other CEE countries. As for the manufacturing sector, increasing PMIs (released last week) create a case for optimism, but the data for December (due this week) could be more mixed across CEE countries. Czech inflation (due on Friday) could be around 1.9%, supporting an exit from the current FX commitment regime in 2Q17.

In case you missed it last week…

- EURRON stabilized on Thursday and Friday after sell-off on Wednesday; the government decided to withdraw an emergency decree on Sunday that triggered street protests
- We raised GDP forecast for Romania to 4.3% from 3.2% for 2017, but deficit could well exceed Maastricht threshold
- Poland positively surprised with 2.8% GDP growth last year
- General government deficit of Serbia landed at 1.4% of GDP for 2016, outstripping all expectations
- PMI indices for Hungary, Poland and Czech Republic all increased in January, as German sentiment improved
- S&P confirmed Slovak rating at A+ with stable outlook
- For other events last week, please check respective countries: HR, CZ, HU, PL, RO, TR, SI, SK, SR



On Radar

We expect one rating upgrade, several improvements of rating outlooks and one downgrade in CEE this year as a baseline. A rating update is our baseline in Slovenia, where Moody's is holding the rating at Baa3 (below the comparable rating of the other two agencies), while Fitch might change its rating outlook on Slovenia from stable to positive. Moody's will do its assessment of Croatia in 1Q17; we expect a change of the rating outlook from negative to neutral. In the second half of year, after Croatia exits from the EDP procedure, the rating agencies can move the outlook to 'positive', though we would not rule out an upgrade of one notch. Fitch might change the rating outlook of Serbia to positive from stable in June, thus aligning with the other agencies, while rating upgrades could come only by the year-end (after the elections). In May 2016, Moody's decided to change the rating outlook on Poland to negative, but the current rating of Moody's is two notches above S&P's and one notch above Fitch's, making the downgrade somewhat more likely (the next rating decision is due in May). We do not expect any negative rating action for Romania unless we see evidence that fiscal loosening is translating into a much wider current account deficit. (For further details, see the next page.)

Rating upgrade of Slovenia and several positive changes in rating outlook for Croatia and Serbia are expected, while Poland faces material risk of rating downgrade (by Moody's)

This year should bring positive rating actions for southeastern Europe, negative action for Poland

'Is there any chance for rating change this year?'

Croatia: Following S&P's revised outlook at the very end of last year, Croatia also started 2017 on a good note, with Fitch upgrading its outlook to 'stable', while keeping the rating unchanged at 'BB' (fully in line with S&P's call). Moody's should be next in line with its assessment during 1Q17; we see room for an upgrade on the outlook side as well, given that Moody's currently has it at 'negative'. Looking ahead, the healthier fundamental picture favors a more optimistic view regarding the rating agencies' stance, with stronger growth momentum, an improving fiscal position and restored stability laying solid ground for a continuation of the positive rating news flow throughout this year, while the expected EDP suspension would also come as a tailwind. In our baseline scenario, we expect to see at least the outlook further improving to 'positive', while we would not rule out an upgrade by a notch by some of the rating agencies.

Czech Republic: We see the rating outlook as stable in the mid term. The development of the Czech economy is favorable, with an extremely low unemployment rate (3.6% according to ILO methodology and slightly above 5% according to Ministry of Labor methodology), while fiscal surprises tend to be on the positive side and the economic outlook is positive. Public opinion is not putting any significant pressure on the government, which will probably smoothly continue with its current policy after the autumn parliamentary elections, with no unexpected swings.

Hungary: All three major credit rating agencies raised Hungary back to investment grade with a stable outlook last year, thanks to the stable budget and decreasing gross public debt to GDP ratio. In addition, the agencies underlined that the 2-4% annual GDP growth rates since 2013 also strengthened the case for an upgrade. However, the agencies deem the Hungarian potential GDP growth rate weak compared to its peers in the CEE region. Therefore, unless the government carries out measures to improve competitiveness to raise potential GDP growth, it is very unlikely to see further upgrades. We do not expect either an upgrade or an outlook improvement this year, as no such measures are in the pipeline and the fiscal loosening this year is also an argument against such a move.

Poland: This year, we see a rating and/or outlook adjustment by Moody's as a likely scenario. In May 2016, Moody's decided to change the outlook to negative, following the S&P decision to downgrade Poland. Since then, some changes, such as the lack of a forced FX loan re-denomination, were seen as credit-positive by Moody's, while other reforms, such as the cut in the retirement age, were said to be credit-negative. Public finances, however, have not deteriorated more visibly and the budget deficit remains below the fiscal limit of 3% of GDP. However, the current rating of Moody's is two notches above that of S&P and one notch above that of Fitch, making the downgrade somewhat more likely than bringing the outlook back to stable (the next rating decision is due in May).

Romania: Romania is currently rated at investment grade with a stable outlook by the major rating agencies. We see the current ratings as properly balanced at present and our baseline scenario is that there will be no change in 2017. Romania's rating is supported by its robust economic growth, low public debt, manageable external indebtedness, low inflation environment and stable banking sector. On the other hand, risks related to a recent widening of the budget and current account deficits are on the rise, led by fast expansion of wages and consumption. If such risks were to materialize in a more dramatic fashion than seen in the recent years, rating agencies are likely to react. However, this would be a discussion for 2018 and beyond, especially as the rating agencies tend to react with a lag to worsening fundamentals.

Serbia: The better than expected economic performance in 2016 (consensus forecasts at YE15 stood at 1.5% y/y, flash estimate for FY16 at 2.7% y/y) and significant improvement in the fiscal position (with the general government deficit landing at 1.4% of GDP vs. the 4% of GDP initially planned and 2.1% of GDP IMF target after the sixth revision in December) suggest that we should see some positive tones from the rating agencies. Primarily, we expect that Fitch could raise its outlook from stable to positive already in the first assessment in June, aligning with the other agencies. As for the hikes in ratings, we expect the agencies to take a cautious stance and monitor the performance of the Serbian government till the end of the year, as they will await the election results (potential snap elections as well), while some structural reforms are still lagging behind. If the government shows progress on the reform agenda and the political situation does not bring any uncertainties, we could see a potential one-notch upgrade in rating from Moody's or S&P in November/December 2017.

Slovakia: Slovakia has an investment grade rating with a stable outlook by all major rating agencies (S&P: A+, Moody's: A2, Fitch: A+). We do not expect any rating change this year. Public finances are in check and sovereign debt is expected to fall over the next few years, aided by good economic growth and the still accommodative monetary policy of the ECB. The banking sector is stable and Slovakia remains an attractive destination for FDI. However, in the most recent view on the Slovak economy, S&P noted some obstacles to a possible further rating upgrade. These relate to structural issues such as regional disparities, an aging population and high long-term unemployment.

Slovenia: The solid and stable economic performance and expected gradual acceleration of the growth figure (mainly due to a new EU investment cycle), positive fiscal developments (deficit moving to around 2% of GDP) and successful stabilization of the banking sector make Slovenia a solid candidate for the 'awards' from the rating agencies. In addition, Slovenia's minister of finance was pronounced a sovereign risk manager of the year by Risk.net, as its treasury improved the public debt outlook notably by swapping USD-denominated debt to cheaper and longer EUR debt, thus reducing interest expenses by around EUR 70mn. All that said, we could see a positive move from Moody's, which holds Slovenia at Baa3 (below the comparable rating of the other two agencies), and Fitch aligning with other agencies by increasing the outlook from stable to positive.

Looking ahead

Date	Time	Ctry	Release	Period	Erste	Survey	Prior	Pre Comment
6-Feb	9:00	**CZ**	**Industrial Production (y**	Dec	***5.74%***	*6.4%*	7.9%	*Solid domestic demand and recovery in some EMU countries are behind high industrial production*
	9:00	**CZ**	**Retail Sales (y/y)**	Dec	***6.19%***	*6.4%*	8.6%	*Labor market strengthening and positive sentiment of households support volume of retail sales*
	10:30	**SI**	**CPI (y/y)**	Jan		*1.4%*	0.5%	*January inflation is expected to have further accelerated vs. YE16 on annual level*
7-Feb		**CZ**	**Trade Balance**	Dec		*0.8*	37.5	*Data affected by significant seasonal affect; domestic and foreign demand are still solid*
		RO	**Target Rate**	Feb	***1.75%***	*1.75%*	1.75%	*Unchanged key rate and MRR for RON and FX due to fiscal risks and limited increase in inflation rate in 2017*
	9:00	**HU**	**Industrial Production (y**	Dec		*0.4%*	0.6%	*We are unlikely to see strong performance in December, as risks are tilted to downside*
	12:00	**RS**	**PPI (y/y)**	Jan			2.3%	
8-Feb		**PL**	**Target Rate**	Feb	***1.5%***	*1.5%*	1.5%	*Economic outlook has not changed to raise expectations for policy rate change*
	9:00	**SK**	**Trade Balance**	Dec			286.7	
	11:00	**HR**	**Trade Balance**	Nov		*-3670*	-3703.9	*Trade balance keeping favorable trends*
9-Feb	8:00	**RO**	**Trade Balance**	Dec		*-1200*	-865.5	*High imports of consumer goods around Christmas holidays*
	8:00	**RO**	**Wages (y/y)**	Dec		*13.2%*	13.24%	*Substantial wage hikes in public sector ahead of elections and increased competition for skilled employees in some parts of private labor market*
	9:00	**HU**	**Trade Balance**	Dec P		*605*	878	*External trade surplus should remain massive, details will be important*
	10:30	**SI**	**Trade Balance**	Dec		*-110*	-0.02	*Stronger import growth rate vs. export increase generating pressures on trade balance*
10-Feb		**SK**	**Industrial Production (y**	Dec			2.8%	
	8:00	**RO**	**Industrial Production (y**	Dec		*2.3%*	1.5%	*Minor recovery of industrial production in recent months*
	9:00	**CZ**	**CPI (y/y)**	Jan	***2.0%***	*1.9%*	2.0%	*Inflation is driven by prices of energy, food, solid domestic demand and higher wage costs of firms*
	10:30	**SI**	**Industrial Production (y**	Dec		*6.5%*	7.4%	*Robust increase on industrial production side seen continuing in December*

Sources: Bloomberg, Reuters

Major markets

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- The FOMC provided little direction about the next rate increase last week. As we know from the December meeting, the median estimate of committee members points to three hikes of 0.25% each this year. If the Fed had been convinced that March was a good time for the next interest rate hike according to the current data basis, they would have tightened the wording in its introductory statement. Apparently, the Fed sees no cause for hastiness, however.
- Non-farm payrolls accelerated to 227,000 (after slow growth of 157,000 in December) in the US, but employment for November was revised down from +204,000 to +164,000. So, employment gains in November and December together were revised down by 39,000 all told. The unemployment rate stayed almost stable at 4.8% (December: 4.7%). Therefore, we cannot assess a further tightening of the US labor market in January.

Croatia

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- Short-term data for December outperformed all expectations. On the industrial production side, we saw a robust increase of 14.9% y/y WDA, which wrapped up a much stronger 4Q16 footprint vs. 3Q16 (8% y/y and 2% y/y, respectively). Retail trade also aligned with the favorable trend, with consumption growth accelerating to 5.8% y/y and putting the average 4Q16 figure at 4.6% y/y (i.e. at the same level as in 3Q). The favorable December data fits well with our expectation of another strong GDP performance in the last quarter of 2016.
- Last week Croatia placed HRK 8.5bn worth of LCY bonds on the local market split between the 5Y and 11Y tenor (HRK 3.0bn and HRK 5.5bn, respectively), attracting robust demand (books speculated at above HRK 20bn) and allowing, in our view, attractive pricing at 2.29% and 3.09% for the 5Y and 11Y maturities. The MoF hence met approx. 60% of its FY17 local bond issuance target and moved the focus to the Eurobond market, as we see likely issuance by the end of 1Q, most likely on the long end of the EUR curve at EUR 1.0-1.5bn. On the local side, we see demand supported by improving fiscal and GDP metrics and anticipated positive news flow as far as rating agencies and the EDP are concerned later in 2017. As for spreads, we see room for additional narrowing and see Croatia as likely to outperform regional peers.
- At last week's T-bill auction, the MoF placed a total of HRK 800mn in 12M papers, with issuance exceeding both the planned target and maturity volume. Investor demand stayed solid, while the rate further declined to 0.59% for 12M (vs. 0.60% in the previous auction of the same maturity). The exchange rate continued to post gains throughout the week, moving further below the 7.45 mark. We see such a strong footprint partially attributed to the upcoming local bond issuance, while appreciation pressures also continue to stem from improving fundamentals.

Czech Republic

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- The seasonally-adjusted unemployment rate (ages 15-64) arrived at 3.6% in December, indicating that the labor market improved further at the end of 2016.
- The manufacturing PMI arrived at 55.7 in January, from the 53.8 reached in December. There was an acceleration in output, new orders, employment and stocks of purchases.
- The central government budget surplus arrived at CZK 9.1bn in January. In January 2016, the surplus reached CZK 46bn. The main difference was caused by the high inflow of EU funds in the first half of 2016, which were associated with massive public investments in 2015.
- The Czech National Bank left its rates on hold (2W repo rate at 0.05%) and confirmed its FX commitment; we think April is the most likely timing of the exit from the FX cap regime.

Hungary

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- The unemployment rate dropped to 4.4%, while the activity rate was 61.5% at the end of last year. On average, the unemployment rate was 5.1% in 2016, which means a 1.7%point y/y decrease. The number of participants employed by the state in December was 217.7 thousand, slightly below the whole-year average.
- The annual retail sales growth rate decelerated to 3.2% y/y WDA, while the unadjusted figure dropped to 2.6% in December (from 4.5% in November). The deceleration may primarily stem from the sharp drop in the growth rate of the non-food component. Overall, retail sales volume grew by 4.5% in 2016.

Poland

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- FY16 GDP arrived at 2.8%, above market expectations of 2.7%. Private consumption was the driver of the growth (up 3.6% in 2016), while weak investment activity was the main reason behind the slowdown (investment dropped 5.5% last year). We expect the economy to accelerate to 3.0% this year. In 1H17, positive effects of fiscal loosening should further support private consumption, while in 2H17, a recovery of investment is expected.
- In Poland, the Ministry of Finance sold in total PLN 5bn and another PLN 964mn at the top-up auction. Demand was very strong, amounting to PLN 12.5bn and PLN 2.53bn, respectively. Poland has almost 40% of this year's borrowing needs financed with this move.
- After the Fed meeting, the long end of the curve went down, as the 10Y yield dropped to 3.8% and the zloty strengthened toward 4.30 vs. the EUR. We put our EURPLN forecast under review, due to the downside risks to our EURPLN call of 4.40 at the end of the first quarter.

Romania

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- Retail sales lost further speed in December (-0.1% m/m and +8.4% y/y in s.a. terms), as sales of food products were weaker after the positive effect of the cut in VAT (to 9% in June 2015) vanished. The structure of retail sales growth has changed in recent months from food products towards non-food items. We see household consumption as a key element for this year's economic growth of 4.3%. A weak point is that the trade deficit is on the rise, due to the limited capacity of local production to meet the needs of consumers and companies.
- The Romanian leu weakened to 4.55 and 10Y bond yields rose almost 20bp last Wednesday, due to political events. Thousands of people rallied in the streets after the government issued an emergency ordinance and changed legal provisions for some offences, including some cases of abuse of power. The Social Democrat government said that this decision was necessary in order to align the legislation with previous decisions of the Constitutional Court. Beginning with Thursday, Romanian assets recovered part of the lost ground and on Friday morning the EURRON was trading at 4.515, close to the levels seen before the onset of the above-mentioned events.

Serbia

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- Last week was full of macro releases. Short-term indicators (as expected) showed a robust performance in December, with industrial production expanding by 3.9% y/y and retail sales by 6.8% y/y, while the trade balance deficit shrank by an additional 1.3% y/y (the FY deficit shrank by 9% y/y, now somewhat below 11% of GDP). Such developments were supportive for the GDP performance in the last quarter, which posted 2.5% y/y (EBC call: 2.4% y/y), thus wrapping up the full year at 2.7%, fully in line with our expectations. While waiting for the detailed release (February 28), short-term indicators suggest that the 4Q16 GDP figure was supported by both domestic demand and the net export side.
- The FY16 general government deficit landed at 1.4% of GDP, outperforming our expectation (1.7% of GDP) and the IMF-agreed target (2.1% of GDP). The better than expected performance is a result of the stronger economic performance, fight against the gray economy and tax evasion, high one-off non-tax revenues and somewhat lower spending than initially planned.
- On the bond market, we saw no major developments, as benchmark yields stayed relatively flat on the weekly basis, with the benchmark RSD 2022 yield still moving around 5.60%.
- The FX market showed a continuation of the depreciation pressures, with the EUR/RSD moving slightly above the 124 mark. The NBS intervened with EUR 45mn on the sell side to tame excessive volatility. As depreciation pressures have been present since the end of 2016, Governor Tabakovic reacted with the statement that such movements of the dinar are not unexpected and are mainly driven by seasonal factors, and partially by FED moves, which narrowed the interest rate differential.

Slovakia

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- Standard & Poor's rating agency confirmed Slovakia's sovereign rating at A+ with a stable outlook at the end of January. The agency expects Slovak economic growth at around 3% in the next few years and anticipates a gradual decrease of public debt. However, structural issues such as regional disparities, an aging population and high long-term unemployment remain obstacles to a further rating upgrade.
- Economic sentiment improved by 1.3 points to 105.2 in January, on the back of better industrial (+4.3 points) and service sector sentiment. The 3-month moving average stands at 103.4, suggesting a good start for economic growth in 2017.
- According to the latest data released by the National Bank of Slovakia, the average real estate price increased by 5.8% y/y in 4Q16. Real estate price growth accelerated throughout last year, averaging 4.2%. The average price for 2016 therefore stood at EUR 1279/m2. Real estate prices in Slovakia started an upward trend in 2015 (+0.9%), before shifting up a gear in 2016. Nevertheless, real estate prices are still quite far off from their pre-crisis level of EUR 1511/m2 on average.
- Retail sales growth reached 4.3% y/y in December (0.7% m/m), meeting our expectations. The average for 2016 stands at 2.2%. The last two months of 2016 finally showed a more pronounced catch-up of retail trade growth with the good underlying labor market fundamentals. We expect the favorable development to continue this year.

Slovenia

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- With no macro releases in the week behind us, we turn to the much more eventful calendar this week. The first in line is the January CPI figure, where we see inflation maintaining positive movements, in light of the low base effects, less benign cost side developments and stronger demand side pressures. In addition, next week will also offer December industrial production and trade balance releases; we see the figures following a steady growth footprint and wrapping up solid 4Q16 performances, thus further adding to the favorable GDP outlook.
- We saw no major moves on the bond side, as yields maintained a steady footprint on the weekly basis, while the EUR 2026 stayed broadly flat few a notches above the 1% mark.

Capital market forecasts

Government bond yields

	current	2017Q1	2017Q2	2017Q3	2017Q4
Croatia 10Y	2.91	3.00	2.90	2.80	2.80
spread (bps)	247	259	246	229	214
Czech Rep. 10Y	0.42	0.44	0.37	0.43	0.51
spread (bps)	-2	3	-7	-8	-15
Hungary 10Y	3.47	3.21	3.08	3.05	3.05
spread (bps)	304	280	264	254	239
Poland 10Y	3.80	3.40	3.55	3.45	3.60
spread (bps)	336	299	311	294	294
Romania10Y	3.67	4.00	4.25	4.35	4.50
spread (bps)	324	359	381	384	384
Slovakia 10Y	1.06	1.10	1.20	1.25	1.30
spread (bps)	63	69	76	74	64
Slovenia 10Y	1.49	1.10	1.10	1.20	1.30
spread (bps)	105	69	66	69	64
Serbia 7Y	5.63	5.50	5.50	5.60	6.00
DE10Y (BBG)*	***0.44***	***0.41***	***0.44***	***0.51***	***0.66***

3M Money Market Rate

	current	2017Q1	2017Q2	2017Q3	2017Q4
Croatia	0.64	0.45	0.45	0.45	0.45
3M forwards		-	-	-	-
Czech Republic	0.28	0.28	0.27	0.27	0.26
3M forwards		0.27	0.24	0.24	0.26
Hungary	0.25	0.05	0.05	0.05	0.05
3M forwards		0.34	0.47	0.58	0.66
Poland	1.73	1.70	1.73	1.73	1.75
3M forwards		1.79	1.83	1.90	2.00
Romania	0.83	0.90	1.30	1.50	1.90
3M forwards		1.11	1.11	1.32	2.05
Serbia	3.46	3.50	3.50	3.50	3.50
3M forwards		-	-	-	-
Eurozone	-0.33	-0.25	-0.25	-0.25	-0.25

FX

	current	2017Q1	2017Q2	2017Q3	2017Q4
EURHRK	7.43	7.55	7.50	7.50	7.60
forwards		7.44	7.45	7.47	7.49
EURCZK	27.02	27.01	26.50	26.47	26.36
forwards		26.99	26.88	26.81	26.72
EURHUF	309.5	315.0	315.0	315.0	315.0
forwards		309.8	310.3	311.0	311.7
EURPLN	4.30	4.40	4.38	4.37	4.33
forwards		4.31	4.33	4.36	4.38
EURRON	4.52	4.53	4.57	4.60	4.62
forwards		4.52	4.54	4.55	4.57
EURRSD	124.0	123.5	123.5	124.0	124.0
forwards		-	-	-	-
EURUSD	1.07	1.06	1.08	1.10	1.12

Key Interest Rate

	current	2017Q1	2017Q2	2017Q3	2017Q4
Croatia	0.50	0.30	0.30	0.30	0.30
Czech Republic	0.05	0.05	0.05	0.05	0.05
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.50
Romania	1.75	1.75	1.75	1.75	1.75
Serbia	4.00	4.00	4.00	4.00	4.00
Eurozone	0.00	0.00	0.00	0.00	0.00

Macro forecasts

Real GDP growth (%)	2015	2016f	2017f	2018f
Croatia	1.6	2.7	2.9	2.7
Czech Republic	4.6	2.4	2.7	3.2
Hungary	3.1	2.1	3.4	2.8
Poland	3.6	2.5	3.0	3.4
Romania	3.8	4.5	4.3	2.8
Serbia	0.8	2.7	3.0	3.3
Slovakia	3.8	3.3	3.1	3.7
Slovenia	2.3	2.6	2.6	2.7
CEE8 average	**3.5**	**2.8**	**3.2**	**3.2**

Average inflation (%)	2015	2016f	2017f	2018f
Croatia	-0.5	-1.1	1.5	1.9
Czech Republic	0.3	0.7	2.2	1.9
Hungary	-0.1	0.4	2.3	3.0
Poland	-0.9	-0.6	1.3	1.4
Romania	-0.6	-1.5	1.4	2.7
Serbia	1.7	1.1	2.4	3.1
Slovakia	-0.3	-0.6	0.7	2.0
Slovenia	-0.5	0.0	1.5	1.9
CEE8 average	**-0.4**	**-0.4**	**1.6**	**2.0**

Unemployment (%)	2015	2016f	2017f	2018f
Croatia	16.3	13.7	12.1	11.2
Czech Republic	5.1	4.1	4.0	4.0
Hungary	6.8	5.1	4.3	4.1
Poland	10.6	9.0	8.7	8.5
Romania	6.8	6.0	5.9	5.8
Serbia	17.7	16.0	15.6	15.2
Slovakia	11.5	9.8	9.2	8.3
Slovenia	9.0	8.0	7.5	6.9
CEE8 average	**9.3**	**7.8**	**7.4**	**7.1**

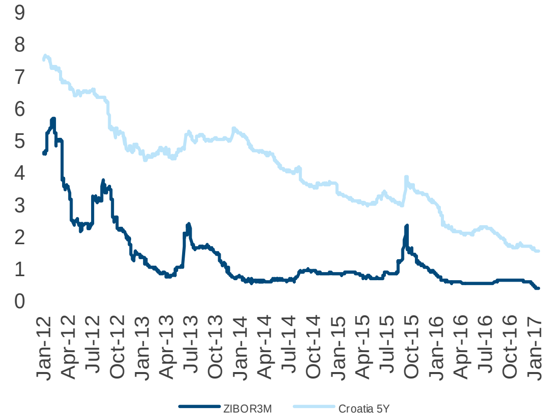
Public debt (% of GDP)	2015	2016f	2017f	2018f
Croatia	86.7	84.9	83.2	80.8
Czech Republic	40.3	37.2	35.7	35.9
Hungary	74.7	74.3	74.0	72.5
Poland	51.5	51.9	52.4	52.1
Romania	37.9	37.1	39.2	40.8
Serbia	74.7	73.8	73.0	72.6
Slovakia	52.7	52.6	52.7	51.8
Slovenia	83.4	80.0	79.1	77.5
CEE8 average	**53.7**	**52.8**	**52.8**	**52.5**

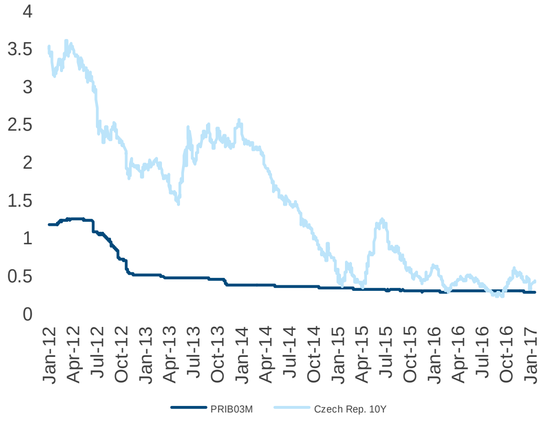
C/A (%GDP)	2015	2016f	2017f	2018f
Croatia	5.1	2.8	2.3	1.5
Czech Republic	0.9	2.1	1.3	1.4
Hungary	3.4	5.0	4.6	4.5
Poland	-0.2	-0.3	-0.6	-0.9
Romania	-1.2	-2.6	-3.3	-3.8
Serbia	-4.8	-4.2	-4.6	-4.8
Slovakia	-1.3	0.6	1.2	2.3
Slovenia	5.2	6.8	6.3	5.7
CEE8 average	**0.4**	**0.6**	**0.2**	**0.0**

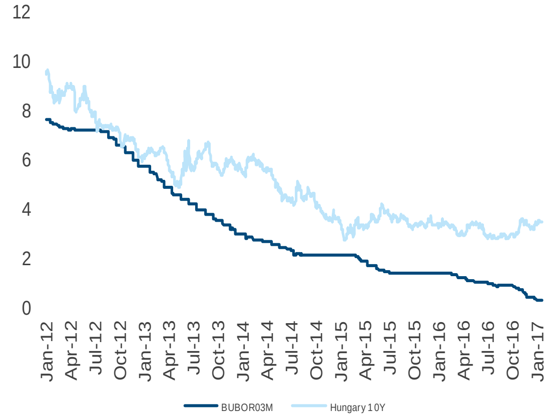
Budget Balance (%GDP	2015	2016f	2017f	2018f
Croatia	-3.2	-1.6	-2.0	-1.6
Czech Republic	-0.4	0.5	-0.6	-0.6
Hungary	-2.0	-2.2	-2.7	-2.5
Poland	-2.5	-2.5	-3.0	-2.9
Romania	-0.8	-2.8	-3.5	-3.6
Serbia	-3.8	-2.1	-1.9	-1.7
Slovakia	-2.7	-2.2	-1.5	-1.2
Slovenia	-2.9	-2.5	-2.0	-1.7
CEE8 average	**-2.0**	**-2.0**	**-2.4**	**-2.3**

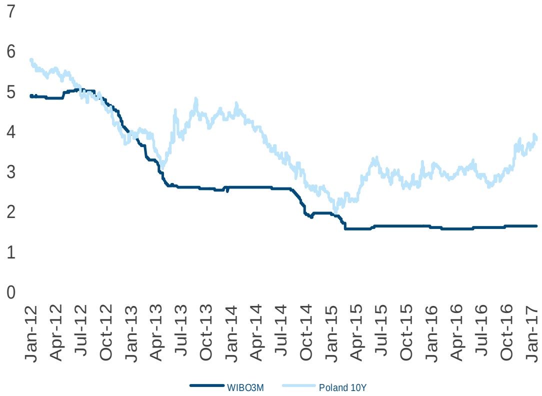
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

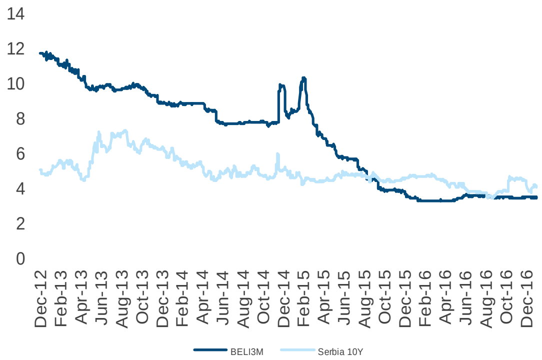
Appendix

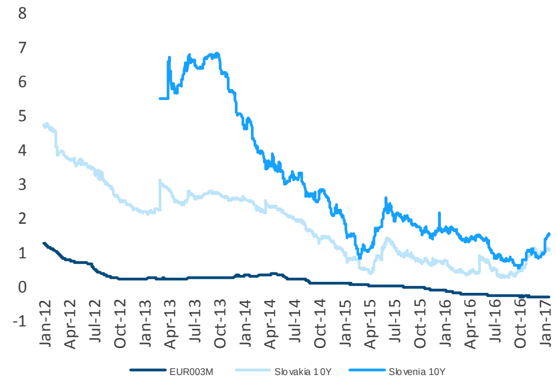












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