CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week…

Monday	Tuesday	Wednesday	Thursday	Friday
PL: Inflation, Current Account, Trade Bal.	**RO, CZ, HU, SK, PL**: 4Q16 GDP **RS**: No rate change **HU**: Inflation	**RO, SK**: Inflation	**SI**: Unemployment **PL**: Wages	**PL**: Industry, Retail Sales, Industrial Producer Prices

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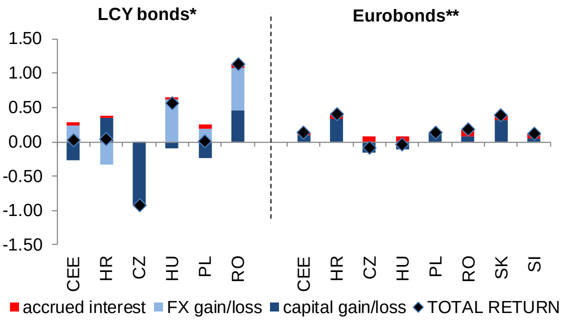
Undoubtedly, this week's most important releases will be preliminary GDP figures on Tuesday. We think that domestic demand was the backbone of growth everywhere in CEE in the fourth quarter, although the industrial sector could have been more of a mixed bag. We see annual real GDP growth likely in the range of between 2.3% (for Hungary, where construction and industry were likely drags) and 4% (for Romania, where household consumption is leveraged by loose fiscal and wage policies by the government) in the fourth quarter of 2016. Inflation will also be released for Poland, Slovakia, Romania and Hungary, all worth watching. Still on Tuesday, the National Bank of Serbia is expected to keep the base rate unchanged at 4%. We see the current rate level balancing between support for inflation and keeping the interest rate differential attractive in Serbia.

In case you missed it last week…

- Czech inflation surprised to upside at 2.2% y/y in January, risk of capital inflows to intensify
- We expect political situation to settle in Romania after emergency decree was dropped by government
- NBR kept base rate at 1.75% in Romania, as expected; we see comments pointing to hike only in 2018
- Romania's Constitutional Court ruled CHF loan conversion law illegal
- Poland's Kaczynski urged CHF mortgage debtors to file individual lawsuits and not wait for relief regulation
- NBP unsurprisingly kept base rate at 1.5% in Poland
- Hungarian EconMin voiced commitment to issue Eurobonds this year after multi-year break
- For other events last week, please check respective countries: HR, CZ, HU, PL, RO, TR, SI, SK, SR



On Radar

Credit growth in the CEE region, although mixed, is still somewhat slow. A rather interesting characteristic is that growth of retail loans outpaces that of corporate loans nearly everywhere. One end of the spectrum is Slovakia, where retail loan growth has been in double digits for years, which prompted the regulator to impose limits (LTV, debt-to-income) on lending; corporate loan growth is, on the other hand, around 4-5% there. Elsewhere, loan growth has not been too strong - especially in Hungary, where (despite loan transactions finally making it into positive territory) loan stocks fell mildly. Overall, credit growth is not excessive anywhere in CEE, and on average could be somewhat stronger than in 2016, although, admittedly, the picture in terms of dynamics could remain rather mixed this year as well (both in terms of retail loans vs. corporate loans and across the countries in the region). (For further details, see the next page.)

Mixed picture in credit dynamics across region, retail loan growth above corporate loan growth in many cases

Credit growth still not very strong, but could improve in some CEE countries

'How much can credit growth help the economy this year?'

Croatia: Credit growth in 2016 showed some signs of recovery, but overall remained in low gear and volumes remained affected by the banking sector NPL sales actions. In 2017, we anticipate modest acceleration of credit activity, though dynamics are envisaged to remain moderate (below the nominal GDP growth rate), driven to some extent more by the corporate side. Hence, the credit channel is seen being a bit more supportive of GDP formation than that seen in 2017, albeit remaining in a healthy zone.

Czech Republic: The Czech economy's development is favorable and its forecast indicates another improvement, which means low credit risk and NPLs. We expect high demand for corporate loans, which will also be supported by better economic conditions in the Eurozone. In our view, the growth rate of corporate loans will arrive at 6%, which will support fixed investment. With respect to households, we expect a slowdown in loans (around 7% y/y in this year), due to tightened regulation in the mortgage segment and the overall market saturation. However, the growth rate will remain relatively high.

Hungary: Lending activity will be worth watching this year. Even though new lending volumes to households have been gradually strengthening since 2015, the stock of household loans has substantially decreased, to 16.2% of GDP by end-2016. Since net real wage growth is very likely to continue to soar in 2017 and consumer confidence has been steadily improving, the new lending volumes should continue to firm, the decrease of the household loan stock should finally stop, and increase once again in 2017. Corporate (especially SME) lending has been aided by the central bank's Funding for Growth Scheme since 2013. The program will be terminated at end-1Q17, and its place will be taken over by the Market-Based Lending Scheme. The total corporate loan stock was 16.8% of GDP at end-2016. It remains to be seen how effective the new program will be in spurring corporate lending.

Poland: Over last year, credit growth has slowed compared to 2015. While the economic situation of households has improved, driven not only by the increase in social benefits (500+ program), but also due to improving labor market conditions, weak investment activity has strongly limited the demand for loans among firms. On the supply side, a new levy, legislative risks (FX conversion proposals) as well as uncertainty about economic development could raise the costs of credit and limit the bank's lending activity. This year, further tightening of the labor market should be positive for household demand for loans. A more restrictive policy considering mortgages, however, is likely to constrain the amount of lending. The improving economic outlook, in particular the expected increase in investment activity, should support the growth of corporate loans.

Romania: New loans are currently concentrated in the LCY component and particularly in the retail market. Labor market improvements and the decrease in interest rates to record lows boosted both consumer and mortgage lending. Mortgage loans were affected for several months by new legislation which strengthened debtors' rights, but recently they have started to grow again. New corporate loans in RON gained some speed beginning with the summer of 2016, but their progress is still hampered by the limited increase in public investments and alternative financing resources available for large companies like those in energy. As a result, lending activity could make a smaller contribution to this year's economic growth compared to the loose fiscal and wage policies followed by the government.

Serbia: Loan developments in 2016 show that lending activity in the retail sector accelerated to 10% y/y, from 5% y/y in 2015, while growth of loans to the corporate sector remained relatively flat, around 2% y/y. Looking into 2017, we expect additional gradual acceleration of lending activity, supported by the expected strengthening of domestic demand in both segments, private consumption and investments. In addition, the NPL resolution strategy implemented by banks, the central bank and MoF is having some effect, with the NPL ratio falling from 21.5% at year-end 2015, to 19.6% in 3Q16, thus making additional room for new loans. That said, we expect that loans to the household sector will stay in a double-digit region, moving towards 12% y/y, while lending to the corporate sector could pick-up towards 4-5% y/y this year.

Slovakia: Slovak retail loans grew by as much as 14% in 2016, following the double-digit growth rate of the previous two years. The central bank sees the growth dynamics as too excessive and imposes limits on lending (High-LTV, debt-to-income limits), which is the reason why we expect the loan growth dynamics to slow down to around 10% in 2017. Corporate loans finally recovered in the past year or two, growing by 5% in 2016. We expect the more moderate rate of corporate loans to continue, with the growth at around 4% in 2017. Total loan growth is expected at 7.5% y/y, an increase of 2.6 percentage points of GDP.

Slovenia: As far as the credit channel is concerned, the corporate sector is still showing signs of deleveraging, and while the trend could moderate throughout 2017, we do not see corporate credit playing a supportive role in GDP formation in this year. Household credit, on the other hand, remains in the phase of modest expansion, supported by improving labor market conditions, sentiment and banks' risk appetite. We see a similar pattern evolving in 2017, supporting the GDP growth trajectory.

Looking ahead

Date	Time	Ctry	Release	Period	Survey	Erste	Prior	Pre Comment
13. Feb.	14:00	**PL**	**CPI (y/y)**	Jan	1.64%	***1.8%***	0.8%	*Strong increase in inflation driven by base effects, due to increasing commodity and food prices*
	14:00	**PL**	**CPI (m/m)**	Jan	*0.31%*	***0.4%***	0.7%	
	14:00	**PL**	**Current Account**	Dec	*-726*	***-726***	-427	
	14:00	**PL**	**Trade Balance**	Dec	*-187.6*	***-285***	102	*Trade deficit driven by expected strong import growth*
14. Feb.	08:00	**RO**	**GDP (q/q)**	4Q A		***0.4%***	0.6%	
	08:00	**RO**	**GDP (y/y)**	4Q A		***4%***	4.3%	*Economic growth driven by household consumption in context of loose fiscal and wage policies followed by government, rising wages in some segments of private labor market*
	09:00	**CZ**	**GDP (q/q)**	4Q A	*0.6%*	***0.7%***	0.2%	*GDP growth accelerated at end of 2016, due to improved foreign demand and higher investment*
	09:00	**CZ**	**GDP (y/y)**	4Q A	*2.17%*	***2.3%***	1.9%	*Domestic as well as foreign demand positively affect economic activity in Czech economy*
	09:00	**HU**	**CPI (y/y)**	Jan		***2.4%***	1.8%	*CPI inflation should continue to accelerate in January; food and services inflation may be important drivers*
	09:00	**HU**	**CPI (m/m)**	Jan		***0.5%***	0.4%	
	09:00	**HU**	**GDP (q/q)**	4Q P			0.3%	
	09:00	**HU**	**GDP (y/y)**	4Q P		***2.3%***	2.2%	*Agriculture and services may have been strong, while industry and construction were likely drags*
	09:00	**SK**	**GDP (y/y)**	4Q P		***2.9%***	3%	*GDP growth could average just below 3% in 4Q16, due to continued anticipated correction in investments; both domestic and foreign demand should be driving growth*
	10:00	**PL**	**GDP (y/y)**	4Q P	*2.33%*	***2.5%***	2.5%	*FY16 growth at 2.8% suggests that economic growth dynamics in 4Q16 were similar to previous quarter*
	12:00	**RS**	**Target Rate**	Feb		***4%***	4%	*NBS keeps key rate unchanged, as we see current level balancing between support for inflation and keeping interest rate differential attractive*
15. Feb.	08:00	**RO**	**CPI (y/y)**	Jan		***-0.1%***	-0.54%	*January could be last month with negative inflation rate in y/y terms; however, inflationary pressures are likely to remain weak in 2017*
	08:00	**RO**	**CPI (m/m)**	Jan		***-0.3%***	0.24%	*January inflation influenced by elimination of excise of 7 eurocents per liter on car fuels and cut in VAT rate (-1pp to 19%)*
	09:00	**SK**	**CPI (y/y)**	Jan		***0.3%***	0.2%	*Given lack of clarity on new regulated energy prices, January inflation may differ more from projections; we expect small improvement to 0.3% y/y*
	09:00	**SK**	**CPI (m/m)**	Jan		***-0.2%***	0.1%	*Due to unclear status of regulated prices, monthly changes are difficult to predict; our forecast stands at -0.2% m/m*
16. Feb.	10:30	**SI**	**Unemployment Rate**	Dec		***10.8%***	10.4%	*Stable developments on labor market seen continuing in December*
	14:00	**PL**	**Wages (y/y)**	Jan	*4.29%*	***3.8%***	2.7%	*Nominal wage should continue to grow moderately*
17. Feb.	14:00	**PL**	**Industrial Production**	Jan	*8.18%*	***7.8%***	2.3%	*Strong PMI index suggests improving market sentiment, which is also positive sign for pace of expansion of manufacturing sector*
	14:00	**PL**	**Retail Sales (y/y)**	Jan	*7.92%*	***7.5%***	6.4%	*Nominal retail sales are expected to grow further, as fiscal loosenign effects are positive for houshold income*
	14:00	**PL**	**PPI (y/y)**	Jan	*3.68%*	***3.5%***	3%	*Further increase of producers prices suggests strong inflation momentum*

Sources: Bloomberg, Reuters

Major markets

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- In the course of last week, current developments in the French election campaign unsettled the markets. On the one hand, Fillon, the conservative party's top candidate, has come increasingly under pressure due to the scandal concerning his wife's bogus job. On the other hand, Front National prime candidate Marine Le Pen outlined details of her plans for presidency. Therein Le Pen once more underpinned her well-known positions. Basically, markets are concerned about her intention to sharply restrict the European Union's essential pillars (free movement of people, goods and capital) by means of negotiations. Moreover, Le Pen wants to regain monetary sovereignty, meaning a de facto exit from the Eurozone. According to current surveys, Le Pen is expected to make it into the run-off election, but would then clearly lose against the most promising opponent for now – Emanuel Macron – in a head-to-head duel. However, Brexit and Trump have shown that poll data should be taken with a grain of salt in the current uncertain environment.
- Interestingly, economic and political developments are proceeding in contrary fashion at the moment. The Eurozone is experiencing a broad-based cyclical upswing. Even in France and Italy, leading indicators have improved markedly. Thus, from a fundamental point of view, discussions on debt sustainability or a Eurozone exit of individual member states should rather take a backseat during the coming quarters, provided that no burdening political decisions come up (e.g. the election of Le Pen).

Croatia

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- Preliminary results for the December trade balance showed a stellar performance on the export side, with the figure increasing 22.5% y/y. Imports showed a milder - but nevertheless still robust - footprint with a 13% increase y/y. Stronger export output vs. imports resulted in a modest deficit reduction on the annual level, while the export-import cover ratio picked up to 68.1%, i.e. 520bp higher vs. December 2015.
- The exchange rate, after being under stronger appreciation pressures, gradually reverted throughout the week to the middle part of the 7.45-7.50 band, where we continue to see the local currency finding support from improved fundamentals. Yields on the bond side recorded downward movements, with the HRK 2026 declining slightly below the 2.80% mark (-10bp w/w), while the newly issued 11Y tenor is currently quoting at that same level, i.e. a few notches higher.

Czech Republic

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- The volume of retail sales came in at 3.0% y/y and -1.4% m/m in December. The figure was affected by m/m volatility, in our view, as the cyclical position of the Czech economy improved at the turn of 2016/17.

- Industrial production arrived at 2.7% y/y and -2.2% m/m in December. As with the retail sales figure, we see the relatively low growth rate as being mainly affected by m/m volatility.
- The trade balance deficit arrived at CZK 5.0bn in December. The figure was significantly affected by seasonal factors associated with the end of the year.
- The CNB purchased EUR 3.26bn in January via FX market interventions. A significant inflow of foreign capital is associated with expectations for the exit from the FX commitment in 2Q.
- The share of unemployed (Ministry of Labor methodology) arrived at 5.3% in January, from 5.2% reached in December. The figure is a positive surprise, as the usual seasonal effect for January is 0.2pp.
- CPI inflation arrived at 0.8% m/m and 2.2% y/y in January, from 2.0% y/y reached in December. The figure is a positive surprise.

Hungary

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- The external trade surplus amounted to EUR 556mn in December. The growth rate of export in euro terms was 7.7% y/y, while imports in euro terms rose by 9.9% y/y in December. Throughout 2016, the trade balance reached EUR 10bn.
- The volume of industrial production increased by 1.9% y/y in working day-adjusted terms in December. However, the unadjusted industrial production figure reflected a 0.5% y/y contraction. Overall, industrial output expanded by 0.9% in 2016 compared to 2015.
- In the statement of the January rate setting meeting minutes, the members reiterated the need for loose monetary conditions and underlined the need for deploying unconventional tools, should the CPI outlook warrant it. A new element appeared in the statement, as one of the MPC members pointed out the need for closer scrutiny of Eurozone CPI dynamics. We deem this sentence as a need for a cautious monetary policy, rather than any signs of hawkishness.

Poland

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- The MPC left the policy rate flat at 1.5%, as was broadly expected. Moreover, we expect interest rates to remain stable throughout the year. Although inflation has been rising sharply and economic growth is expected to recover, the MPC is not going to rush with a rate hike. It is ready to tolerate a period of time with a negative real interest rate, as it sees the increase of headline CPI as a temporary phenomenon. On top of that, it is driven by external factors, as core inflation has been low.

Romania

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- Industrial production gained speed to 3.9% y/y in December (s.a. data), the strongest annual growth rate in more than two years. Energy and mining showed tentative signs of recovery after a prolonged weakness. The data is positive for keeping the trade deficit under control in the context of a rapid increase in household consumption.
- At the presentation of the new Inflation Report, the NBR governor said that he sees changes in the key rate by the end of 2018. The new forecast of the NBR is consistent with lower inflation this year (1.7% y/y in December 2017, -0.4pp compared to the previous Inflation Report) and higher inflation next year (3.4% y/y in December 2018, +0.2pp). Inflation could thus reach the upper limit of the NBR's target in 2018. We foresee the key rate unchanged at 1.75% in 2017. If inflationary pressures accumulate and other central banks in the CEE region start hiking rates in 2018, the NBR could also contemplate hiking the key rate next year.

Serbia

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- With no major macro news last week, the focus is on the NBS rate setting meeting this Tuesday. We see the NBS keeping the key rate unchanged at 4%, as we see this level currently as still supportive for the inflation rate, while still keeping the interest rate differential at an acceptable level. Looking to the rest of the year, we could see the NBS gradually increasing the key rate towards 4.5%, after the inflation figure additionally picks up and after the next FED upward move (expected in June).
- On the bond market, we saw no major developments, as benchmark yields stayed relatively flat on a weekly basis, with the benchmark RSD 2022 yield still moving around 5.60%.
- After weeks of depreciation pressures, last week, we saw some stabilization on the FX market, with the EUR/RSD moving below the 124 mark, with no NBS interventions. Such developments mostly indicate an easing of seasonal pressures on the dinar.

Slovakia

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- Industrial production rose by 3% y/y in December, close to our forecast of 2.8% y/y. Growth was driven mainly by electricity, gas and steam supply (+11.4% y/y), as well as car manufacturing (+4.4% y/y) and metal manufacturing (8.5% y/y). The average growth in 2016 stood at 3.3%, below the more dynamic 2015 growth rate, but close to expectations.
- December data for foreign trade showed that exports grew by 6.2% y/y, as imports increased by 6.8% y/y. The foreign trade balance thus stood at EUR -119.8mn, further in negative territory than anticipated, as import growth overshot expectations (even taking into account the pre-Christmas import boost). Overall, 2016 foreign trade dynamics averaged 3.6% for exports and 3.1% for imports. We expect that net exports aided the growth in 4Q16 and this should also be the case for the coming quarters in 2017.

- The Ministry of Finance released its new macroeconomic projections, anticipating economic growth at 3.3% and 4% in 2017 and 2018, respectively. Our economic growth forecasts are slightly more conservative, at 3.1% this year and 3.7% in 2018. The MinFin sees inflation rising to 1.1% this year and 1.7% in 2018, whereas our projections stand at 0.7% and 2% for the two years, respectively. However, the unemployment rate forecasts are much more similar: 8.4% for 2017 (vs. our projection of 8.7%) and 7.6% next year (our forecast: 7.8%).

Slovenia

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- The latest inflation release closely matched our expectations, with the headline figure accelerating from 0.5% y/y at YE16 to 1.3% y/y in January (EBCe: 1.4% y/y). On the monthly level, CPI decreased by 0.6%, which was mainly due to seasonal movements, i.e. lower clothing and footwear prices, amid winter sales season. Looking ahead, we continue to see inflation keeping a positive footprint, with low base effects, less benign cost side developments and stronger demand side pressures pushing the headline figure towards higher territory.
- December monthly-frequency data painted a favorable picture, with the trade balance showing stronger export growth vs. the import increase (6.6% y/y and 1.1%, respectively), which resulted in a positive trade balance and an export-import cover ratio of 101%. On the industrial production side, we saw a continuation of robust growth rates, as the figure increased by 10.2% y/y, with growth mostly due to the manufacturing sector. The December data rounded out the supportive 4Q16 performance, which we see fitting well with the expectations of a further solid GDP output for 4Q16.
- At the first T-bill auction of the year, the MoF placed a total of EUR 111mn in 3M, 6M and 12M tenors, while rates stood at -0.25% for all maturities. On the bond side, we saw no major changes throughout the week, as yields maintained a steady footprint, with the EUR 2026 remaining around 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**

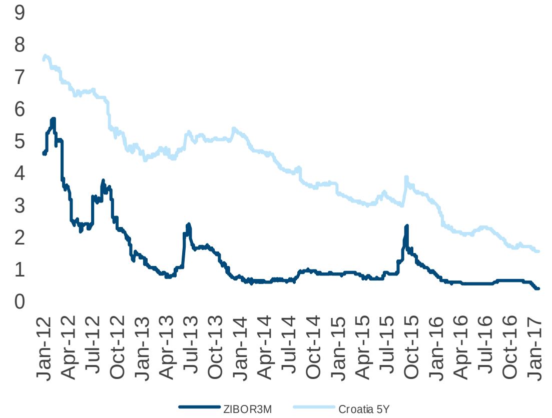
Public debt (% of GDP)	2015	2016f	2017f	2018f
Croatia	86.7	84.9	83.2	80.8
Czech Republic	40.3	37.2	35.7	35.9
Hungary	74.7	74.3	74.0	72.5
Poland	51.5	51.9	52.4	52.1
Romania	37.9	37.1	39.2	40.8
Serbia	74.7	73.8	73.0	72.6
Slovakia	52.7	52.6	52.7	51.8
Slovenia	83.4	80.0	79.1	77.5
CEE8 average	**53.7**	**52.8**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

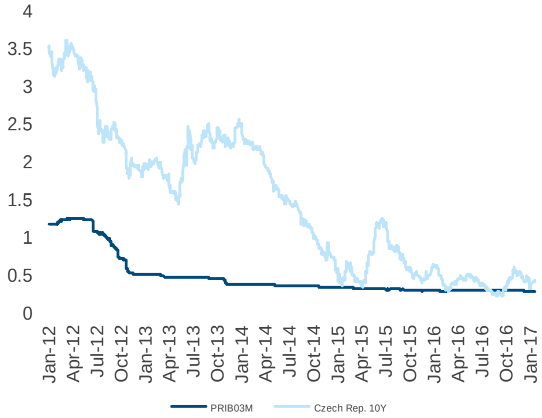
C/A (%GDP)	2015	2016f	2017f	2018f
Croatia	5.1	2.8	2.3	1.5
Czech Republic	0.9	2.1	1.3	1.4
Hungary	3.4	5.0	4.6	4.5
Poland	-0.2	-0.3	-0.6	-0.9
Romania	-1.2	-2.6	-3.3	-3.8
Serbia	-4.8	-4.2	-4.6	-4.8
Slovakia	-1.3	0.6	1.2	2.3
Slovenia	5.2	6.8	6.3	5.7
CEE8 average	**0.4**	**0.6**	**0.2**	**0.0**

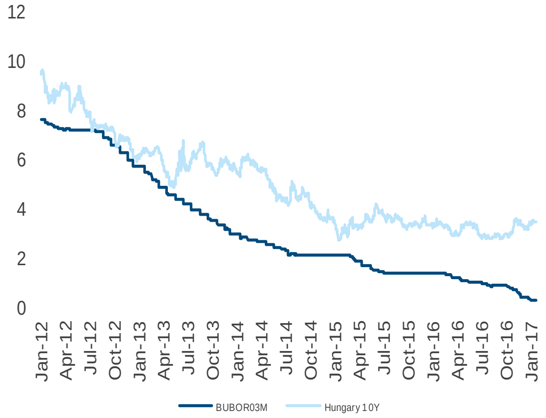
Budget Balance (%GDP	2015	2016f	2017f	2018f
Croatia	-3.2	-1.6	-2.0	-1.6
Czech Republic	-0.4	0.5	-0.6	-0.6
Hungary	-2.0	-2.2	-2.7	-2.5
Poland	-2.5	-2.5	-3.0	-2.9
Romania	-0.8	-2.8	-3.5	-3.6
Serbia	-3.8	-2.1	-1.9	-1.7
Slovakia	-2.7	-2.2	-1.5	-1.2
Slovenia	-2.9	-2.5	-2.0	-1.7
CEE8 average	**-2.0**	**-2.0**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

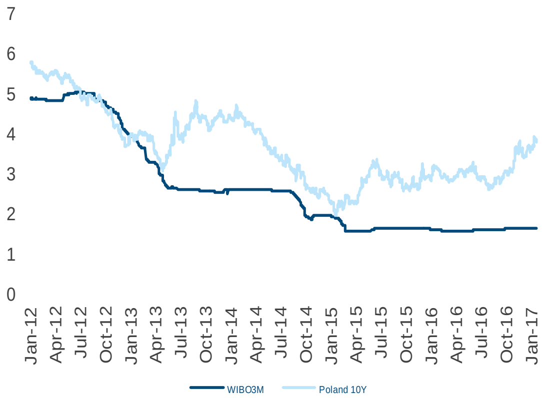
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

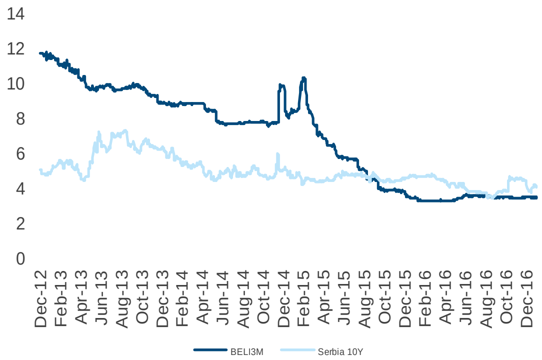
Appendix

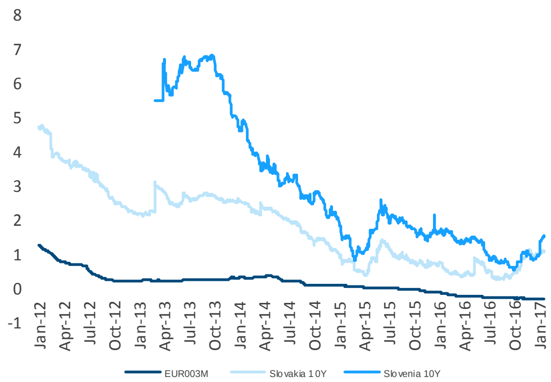












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