Erste Group Research
CEE Insights | Fixed Income | Central and Eastern Europe
29 May 2017

CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week…

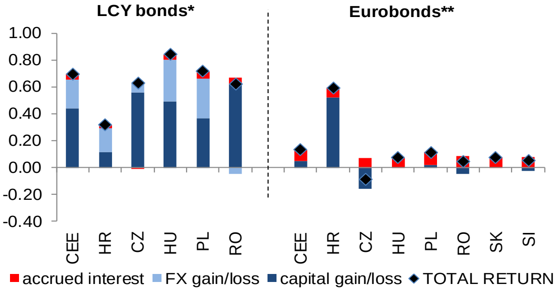
Monday	Tuesday	Wednesday	Thursday	Friday
	HR: Industry, Retail Sales **SK**: Current Account	**SI, HR**: Flash 1Q17 GDP **PL, RS**: 1Q17 GDP details **SI, PL**: Flash inflation	**CZ, HU, PL**: Manufacturing PMIs	**RO**: Retail Sales **CZ**: 1Q17 GDP details

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

After the relatively calm beginning for this week, Wednesday will be especially crowded with data releases, with both Slovenia and Croatia coming out with 1Q17 GDP figures. We expect the growth to have been driven by private consumption in these two countries. Poland will release detailed GDP figures as well on Wednesday (investment dynamics should be watched closely), while detailed first quarter GDP numbers will be disclosed in the Czech Republic on Friday. Thursday will see fresh manufacturing PMIs from the Czech Republic, Hungary and Poland, which likely have remained strong, although some moderation cannot be ruled out from the near-record levels, especially in the Czech case.

In case you missed it last week…

- EC recommended Croatia exit EDP, but advised Romania to come up with fiscal consolidation
- Romania boasted budget surplus in April (YTD)
- MNB left base rate unchanged in Hungary at 0.9% and kept dovish tone, as expected; 12M FX swaps deployed to add liquidity
- CNB Governor Rusnok indicated no need to hike prematurely, despite koruna gaining less than expected in Czech Republic
- We see downside risks to our Serbian GDP call of 3% for FY17, but could revise our currency forecast towards stronger dinar
- For other events last week, please check respective countries: HR, CZ, HU, PL, RO, TR, SI, SK, SR



On Radar

Household savings have been growing in CEE, despite the very low interest environment. The main reason behind that is further improvement on labor markets - falling unemployment rates and a revival of nominal wage growth. The latter was obviously the main contributor to the 12% y/y growth of savings in Romania (as of March 2017), the highest in the region. While low interest rates have not resulted in an overall lower amount of deposits (except for Croatia), they have affected the structure of deposits in a big way. With diminishing term premiums, term deposits have been losing their attractiveness and thus more money has been parked in sight deposits. Alternative investments, especially mutual funds, have enjoyed strong inflows, with Croatia and the Czech Republic exhibiting double-digit growth. In Hungary, the most dynamic segment of savings has been retail bonds, which have been competing with mutual funds and term deposits. Size-wise, the amount of savings in retail bonds exceeded the amount of savings in mutual funds, standing at 58% of retail deposits as of March 2017. In any case, this is the most expensive method of borrowing for governments, which is why retail bond issuance is relatively scarce in CEE. (For further details, see the next page.)

Households have been putting more savings into sight deposits at the expense of term deposits

Savings on the rise in CEE, despite low interest rate environment

'How has saving behavior changed in CEE in an environment of low interest rates?'

Croatia: In the current environment of falling interest rates on both LCY and FX deposits, the saving profile of Croatian households has changed notably in the last couple of years. The most recent data shows that the fall in savings deposits continued in 2017; in 1Q17, FX and LCY savings deposits were around 10% lower y/y. On the other hand, demand deposits increased by approx. 20% y/y. As for the alternative savings channels, we could see an increase of investments in UCITS funds, where retail clients increased their positions by around 30% y/y at the end of 2016 (last available data). We expect similar developments to continue throughout 2017, although the Agrokor case could lead to a partial slowdown of flows to UCITS.

Czech Republic: The favorable development of the Czech economy, together with the low interest rate environment, has affected both the structure of deposits and the volume of loans. There was a clear shift from term deposits to sight deposits, due to the low interest rates. The ratio of all household deposits to nominal household consumption rose 14pp between 2010 and 2016. The ratio of mutual fund holdings to nominal household consumption rose 6pp. On the other hand, reserves in life insurance grew only very slowly. The ratio of outstanding mortgages to nominal household consumption grew 11pp. No such rise has been observed for consumer loans.

Hungary: Savings in financial instruments as a proportion of GDP has been increasing and reached 127% by 2016. The structure of the savings changed visibly, due to the fast-paced erosion of interest rates on deposits and the sustained decline of HGB yields. After years of booming, the stock of mutual funds stagnated in 2015 and 2016, while the stock of term deposits has been plummeting for years, by 13.5% on average. In contrast with them, the stock of retail short-dated retail bonds has continued to grow, by 49.2% y/y and 37.8% y/y in 2015 and 2016, respectively, as the debt management agency (AKK) is very aggressive with pricing to attract households' attention, so that they purchase bonds directly.

Poland: The saving rate stayed stable around 3% throughout 2016. Despite interest rates being at an historically low level, the lion's share of savings is placed in current and savings accounts (term deposits). Over the last year, the total amount of HH deposits increased 7.6%, with a disproportionally bigger increase in current accounts (15.4% y/y) and a decrease in savings accounts (2.3% y/y). Investment funds' net asset value has grown by 3.9% y/y. Since the pension reform in 2013, the number of accounts managed by Open Pension Funds has been decreasing (down by 0.7% y/y), diminishing the amount of private pension savings in that form. On the other hand, there was a strong 21.3% y/y increase in the number of Individual Pension Accounts (15.2% y/y increase in value). Moreover, the Ministry of Finance has been offering retail bonds with attractive interest rates for beneficiaries of the social 500+ program that for some could become a new, attractive way of saving.

Romania: A low interest rate environment has prompted people to keep more money in sight deposits at the expense of term deposits; the share of savings in sight deposits grew by 6.3pp between April 2016 and April 2017, reaching 35.8% of total retail bank deposits. Overall, the preference for bank deposits was little affected by falling interest rates and retail deposits gained speed to 12.2% y/y in March 2017, from 6.4 % y/y in March 2016. Substantial wage and pension hikes were a key factor behind this increase in retail bank deposits. Government bonds offered occasionally to retail clients enjoyed strong interest, with one of the reasons being the attractive fiscal regime, namely the exemption from paying income tax on capital gains, but the market remains very small. Net inflows in mutual funds were positive during the last 12 months, but their monthly evolution was erratic, with subscriptions in bond funds being affected by episodes of rising yields. Gross written premiums in life insurance grew by 5.9% in full-year 2016, but the industry is still far from reaching its potential, even in the context of a rapid increase in households' disposable income.

Serbia: Compared to other CESEE countries, Serbian banks still offer relatively attractive interest rates on deposits, especially in local currency (2.67% up to one year, 3.59% for one to two years and 3.80% above two years). Thus, the household LCY deposit base in Serbia is still on the rise, with an average 3.8% y/y growth in 1Q17, mostly supported by strong growth in longer-term deposits (above 2Y). On the other hand, FX deposits (mostly EUR) decreased by approx. 30% y/y in the same period, reflecting the less attractive interest rate offers.

Slovakia: The savings rate in Slovakia increased after the crisis from 3% of disposable income in 2008 to 9% in 2016. Rising income and the declining unemployment rate led to an acceleration of retail deposits in 2015, when deposits increased 8% p.a.; the same rate of growth was also sustained in 2016 (o/w sight deposits saw sharp growth). Asset management saw strong almost 20% p.a. increases in 2013 and 2014, but growth decelerated later to 11% in 2015 and 5% in 2016. As of March 2017, retail deposits continued to grow by 8% y/y (o/w sight deposits by 17%), while mutual funds accelerated at the beginning of the year to 12% y/y.

Slovenia: As a Eurozone member, Slovenia experienced relatively strong compression of deposit interest rates in the banking system. Such a development played a dissuasive role for household savings in banks, so we saw a continuous fall of term deposits in that market segment. Looking at most available data for 1Q17, short-term deposits with agreed maturity fell 15% y/y and long-term deposits fell approx. 15% y/y. On the other hand, overnight deposits increased by 21% y/y, indicating that households do not see opportunity costs of holding cash. We do not expect that such a savings pattern will change notably in the coming period.

Looking ahead

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
29. May			**No releases scheduled**					
30. May	11:00	**HR**	**Industrial Production (y/y)**	Apr		***2.5%***	0.0%	*Industrial production seen maintaining steady footprint in April*
	11:00	**HR**	**Retail Sales (y/y)**	Apr P		***2.0%***	7.7%	*Consumption growth expected to somewhat decelerate on annual level vs. robust March increase*
	14:30	**SK**	**Current Account Balance (monthly)**	Mar			56.00	
31. May		**RO**	**Unemployment Rate**	Apr		***5.4%***	5.3%	*Unemployment rate at historically low levels*
	9:00	**HU**	**PPI (y/y)**	Apr			4.2%	
	10:00	**PL**	**GDP (y/y)**	1Q F		***4.0%***	4.0%	*We expect private consumption to drive growth and investment to rebound in first quarter*
	10:30	**SI**	**CPI (y/y)**	May		***1.3%***	1.8%	*May inflation expected to land at slightly lower level compared to April release*
	10:30	**SI**	**CPI (m/m)**	May			0.3%	
	10:30	**SI**	**GDP (y/y)**	1Q		***3.3%***	2.6%	*1Q17 GDP release expected to accelerate above 3% mark, driven by strong private consumption profile*
	10:30	**SI**	**Retail Sales (y/y)**	Apr			10.4%	
	10:30	**SI**	**Unemployment Rate**	1Q			8.1%	
	11:00	**HR**	**Wages (y/y)**	Mar			1.1%	
	11:00	**HR**	**GDP (y/y)**	1Q P		***3.6%***	3.4%	*Strong consumption profile and robust exports support figure*
	12:00	**RS**	**Industrial Production (y/y)**	Apr		***0.9%***	0.9%	*Seasonal factors and fading base effect shaping the figure*
	12:00	**RS**	**Retail Sales (y/y)**	Apr		***5.0%***	5.7%	*Continuation of robust nominal figure, while real figure will be somewhat weaker due to higher inflation in April (4% y/y)*
	12:00	**RS**	**Trade Balance**	Apr			-440.50	
	12:00	**RS**	**GDP (y/y)**	1Q F		***1.0%***	1.0%	*We expect that SORS will confirm the flash estimate*
	14:00	**PL**	**CPI (y/y)**	May P	*2.1%*	***1.9%***	2.0%	*We expect slight decrease in annual figure, with figures below 2% in coming months*
	14:00	**PL**	**CPI (m/m)**	May P		***0.0%***	0.3%	
01. Jun.	9:00	**HU**	**Trade Balance**	Mar F			956.00	
	9:00	**HU**	**PMI**	May			55.90	
	9:00	**PL**	**PMI**	May			54.10	
	9:00	**CZ**	**PMI**	May	*58.00*		57.50	
02. Jun.	8:00	**RO**	**Retail Sales (y/y)**	Apr		***7.9%***	7.7%	*Retail trade driven by sale of non-food items in recent months*
	9:00	**CZ**	**GDP (q/q)**	1Q P	*1.3%*	***1.3%***	1.3%	*Solid domestic and improving foreign demand positively affected GDP growth in 1Q17*
	9:00	**CZ**	**GDP (y/y)**	1Q P	*2.9%*	***2.9%***	2.9%	*GDP growth in y/y terms will be slightly below 3% this year, due to both domestic and foreign demand development; also, only slight appreciation of koruna will contribute positively to GDP growth*

Sources: Bloomberg, Reuters

Major markets

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- This week (May 31), a first flash estimate for the inflation rate of the Eurozone for May will be published. In light of the waning base effects from energy prices, we expect a substantial drop in headline inflation in May to approx. +1.4 to 1.5% y/y. Core inflation is expected to decline to around 1.0% y/y in May, following the positive amplitude due to seasonal factors in April (+1.2%). In total, we expect headline inflation in the coming months to settle down at around 1.5% y/y.
- The minutes of the last FOMC meeting released last week contained concrete indications for the intended reduction of the Fed's portfolio. Already at the FOMC's March meeting, markets were informed that the FOMC was preparing to alter its policy concerning full reinvestments of principal payments, likely to start at the end of this year. The plan discussed at the last FOMC meeting foresees a cap, which will limit the amount of monthly payments that will not be reinvested. Payments in excess of the limit will be reinvested. This would result in a reduction of the securities held by the Fed by the amount of the limit set. In addition, markets will be given guidance on the pace at which the limit will rise. It was suggested to increase the pace every three months in a predictable manner until the fully phased-in level of the limit is attained.
- Due to the size of the Fed's portfolio, the unwinding is set to take many years. If the Fed should shrink its security holdings to pre-Lehman levels, it would have to reduce its holdings by EUR 3.8trn. The coming reduction of reinvestments means a withdrawal of the liquidity generated previously. What will the impact be for capital markets? We expect it to be minor, especially as the pace of the whole process is likely to be slow.

Croatia

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- Last week started off with positive news flow, as the European Commission published its recommendation to the Council to end the Excessive Deficit Procedure for Croatia, which started in January 2014. The decision was based on the better than expected fiscal performance in 2016, with a reduction of the budget deficit to 0.8% and public debt to 84.2% of GDP. We see the news as a tailwind for the upcoming credit rating assessments.
- The April unemployment rate landed at 13.2%, which represents a robust decline of 1.2pp on the monthly level. With tourism season approaching, we see the favorable seasonal pattern further feeding into the unemployment rate numbers and pushing down the headline figure.
- We saw no major moves on the market, as the exchange rate remained in the middle of the 7.40-7.45 range, while yields on the bond market also stayed practically flat, with the 2026 LCY curve still quoting below the 3% mark.

Czech Republic

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- Consumer and business confidence remained roughly stable in May, and thus high in absolute terms. The figure reflects the favorable development of the Czech economy, which should continue in the coming quarters.

- I. Pilny (from the ANO movement) was appointed as the new Czech finance minister, replacing ANO party leader A. Babis in this position. This change can be considered the end of the recent government crisis in the Czech Republic. In the coming months, the parties will focus more intensively on the political campaign before the parliamentary elections to be held in October..

Hungary

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- On Tuesday, the MNB left the policy rate untouched at 0.9% and the O/N depo rate at -0.05%, as expected. The MPC reiterated in the statement that there is a need for the maintenance of the depressed rate and yield environment, and in addition to that, the Council stands ready to ease financial conditions, should the CPI outlook warrant it. We continue to foresee the policy rate flat at the end of 2018 and interbank rates at current or slightly lower levels for a prolonged period. At the next meeting, the MPC will decide on the 3M depo cap, which might be slashed from the HUF 500bn expected for end-June to HUF 250bn at end-3Q17, in our view.
- The unemployment rate increased to 4.6% in February-April, from the 4.5% published for January-March. The increase in the monthly comparison was mostly due to the rise in the activity rate, from 61.1% to 61.4%. We continue to expect tight labor market conditions this year. The unemployment rate should again fall in the coming months, as seasonal work opportunities will be available, and the public work programs may absorb additional people as well.

Poland

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- The unemployment rate dropped to 7.7% in April and is at an historically low level.
- The Ministry of Finance sold PLN 4.3bn at Thursday's auction and has more than 60% of this year's borrowing needs financed.
- The zloty continued to strengthen, as the EURPLN went to 4.17 on Friday. NBP Governor Glapinski sees the zloty level as competitive and expects it to remain resilient to monetary tightening in the US and ECB tapering.

Romania

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- Budget execution ended with a surplus for the first four months (0.17% of GDP), as revenues outpaced expenditures. April alone registered a tiny budget deficit of 0.02% of GDP. On a positive note, monthly VAT revenues increased by 17.9% y/y in April alone, in spite of the cut in the VAT rate to 19% in early-2017 (-1pp). Despite being influenced by seasonal factors, the budget figures have been above expectations so far in 2017, partly reflecting the better than expected economic growth, which translates into a substantial advance of revenues. This obviously increases the chances for the government to reach its fiscal targets, but only if it manages to control spending and further improves the absorption of EU funds in order to compensate for slower capital spending from its own resources. That said, we are only revising our budget deficit forecast by a minor 0.1% of GDP to 3.4%, as we remain somewhat skeptical regarding the extent of further potential savings on goods & services and investment expenditures, while at the same time more pressure is still to pile on personnel expenses and social assistance outlays with the measures set to come into force on July 1.

- The EC recommended that Romania take appropriate measures in 2017 with a view to correcting the significant deviation of the structural budget deficit from the medium-term budgetary objective. Romania's structural budget deficit deteriorated to 2.6% of GDP in 2016, from 0.6% of GDP in 2015, and the EC foresees an additional worsening of the structural deficit towards 3.9% of GDP in 2017 under the baseline scenario. As a result, the EC recommends that Romania implement structural fiscal consolidation measures worth at least 0.5% of GDP in 2017. Rising external pressure from the EC, along with risks of a negative reaction of investors due to the deteriorating public finances in Romania, should further constrain fiscal easing measures in 2018, pointing to a neutral budgetary stance next year.

Serbia

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- With no major macro releases last week, the focus is on final GDP numbers for 1Q17, which will be published on Wednesday. We expect that SORS will confirm the relatively weak 1Q17 growth estimate of 1% y/y and we expect the data to reveal that the biggest drag on the figure came from the investment and import side from the expenditure point of view, and from the fall in the energy and agricultural sectors from the production point of view. If the statistical office confirms the figure, we will slightly adjust our current 3% y/y forecast downward.
- On the bond market, we saw the benchmark RSD 2023 bond yield steadily moving around 5.7%, unchanged from the week before.
- On the FX market, dinar gains continued, with the EUR/RSD moving below the 123 mark, which prompted the NBS to intervene on the buy side with EUR 60mn last week. Appreciation pressures are mostly related to strong LCY lending activity in the retail sector and relatively solid external trade developments

Slovakia

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- The latest European Commission recommendations were published last week. The EC acknowledged some progress that was made in various areas, but there remains room for more improvement. Slovakia should continue to reduce its fiscal deficit, improve the situation for long-term unemployed and women in the labor market, improve education and healthcare efficiency (utilizing Value for Money recommendations), aim for higher transparency in public procurement, as well as step up its fight against corruption. The EC would also recommend greater focus on the efficiency and independence of the judiciary.
- Producer prices rose 2.4% y/y in April, somewhat slower than expected (3-3.2% y/y). Compared to the previous month, producer prices dropped 0.6% m/m.

Slovenia

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- With an empty data calendar behind us, all attention switches to this week's 1Q17 GDP release, where short-term indicators suggest that we should continue to see the most pronounced support coming from the private consumption side. On the other hand, net exports, despite the vivid export performance, should paint a marginally negative picture, amid rising pressures on the import side, driven by the strengthening domestic demand. Thus, we see the growth figure landing a few notches above the 3% mark in 1Q17, i.e. accelerating compared to the 2016 footprint.
- After a few weeks of mild upward movements, yields on the bond market showed slight compression throughout the week, with the EUR 2027 declining below the 1.30% mark.

Capital market forecasts

Government bond yields	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia 10Y	2.96	3.00	3.00	3.10	3.10
spread (bps)	264	251	239	237	226
Czech Rep. 10Y	0.85	0.80	0.84	0.83	0.88
spread (bps)	52	31	23	10	4
Hungary 10Y	2.99	3.60	3.67	3.67	3.67
spread (bps)	267	311	306	294	283
Poland 10Y	3.26	3.45	3.62	3.98	4.11
spread (bps)	294	296	301	325	327
Romania10Y	3.64	4.25	4.35	4.50	4.75
spread (bps)	332	376	374	377	391
Slovakia 10Y	0.96	1.20	1.23	1.25	1.35
spread (bps)	63	71	62	52	51
Slovenia 10Y	1.29	1.40	1.50	1.60	1.70
spread (bps)	97	91	89	87	86
Serbia 7Y	5.49	5.80	6.00	6.00	6.25
spread (bps)	517	531	539	527	541
DE10Y (BBG)*	***0.32***	***0.49***	***0.61***	***0.73***	***0.84***

3M Money Market Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia	0.61	0.40	0.40	0.45	0.45
3M forwards		-	-	-	-
Czech Republic	0.30	0.27	0.27	0.26	0.26
3M forwards		0.36	0.42	0.47	0.54
Hungary	0.15	0.05	0.05	0.05	0.05
3M forwards		0.18	0.21	0.25	0.32
Poland	1.73	1.75	1.74	1.75	1.79
3M forwards		1.79	1.79	1.81	1.87
Romania	0.87	1.30	1.50	1.90	2.10
3M forwards		0.73	0.94	1.04	1.44
Serbia	3.54	3.60	3.80	4.00	4.00
3M forwards		-	-	-	-
Eurozone	-0.33	-0.30	-0.30	-0.30	-0.30

FX	current	2017Q2	2017Q3	2017Q4	2018Q1
EURHRK	7.42	7.42	7.50	7.55	7.55
forwards		7.43	7.44	7.45	7.47
EURCZK	26.45	26.50	26.40	26.30	26.20
forwards		26.44	26.42	26.38	26.34
EURHUF	307.0	315.0	315.0	315.0	315.0
forwards		307.2	307.6	308.0	308.4
EURPLN	4.18	4.25	4.27	4.21	4.23
forwards		4.19	4.21	4.23	4.26
EURRON	4.56	4.57	4.60	4.62	4.65
forwards		4.56	4.57	4.59	4.61
EURRSD	122.7	124.0	124.5	124.5	124.5
forwards		-	-	-	-
EURUSD	1.12	1.08	1.10	1.12	1.12

Key Interest Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
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	2.9	3.0	2.6
Czech Republic	4.6	2.3	2.8	2.9
Hungary	3.1	2.0	3.4	2.8
Poland	3.6	2.8	3.8	3.4
Romania	3.9	4.8	4.3	2.8
Serbia	0.8	2.8	3.0	3.4
Slovakia	3.8	3.3	3.1	3.7
Slovenia	2.3	2.5	3.1	3.0
CEE8 average	**3.5**	**3.0**	**3.5**	**3.1**

Average inflation (%)	2015	2016f	2017f	2018f
Croatia	-0.5	-1.1	1.4	1.3
Czech Republic	0.3	0.7	2.7	1.9
Hungary	-0.1	0.4	2.5	3.4
Poland	-0.9	-0.6	1.8	1.9
Romania	-0.6	-1.5	1.4	2.7
Serbia	1.4	1.1	2.4	3.1
Slovakia	-0.3	-0.5	1.0	2.0
Slovenia	-0.5	-0.1	1.6	2.0
CEE8 average	**-0.4**	**-0.4**	**1.9**	**2.2**

Unemployment (%)	2015	2016f	2017f	2018f
Croatia	16.3	13.1	10.9	9.7
Czech Republic	5.1	4.1	3.6	3.6
Hungary	6.8	5.1	4.3	4.1
Poland	10.6	8.9	7.9	7.7
Romania	6.8	6.0	5.9	5.8
Serbia	17.7	16.0	14.1	12.8
Slovakia	11.5	9.7	8.7	7.8
Slovenia	9.0	7.9	7.4	6.9
CEE8 average	**9.3**	**7.7**	**6.9**	**6.6**

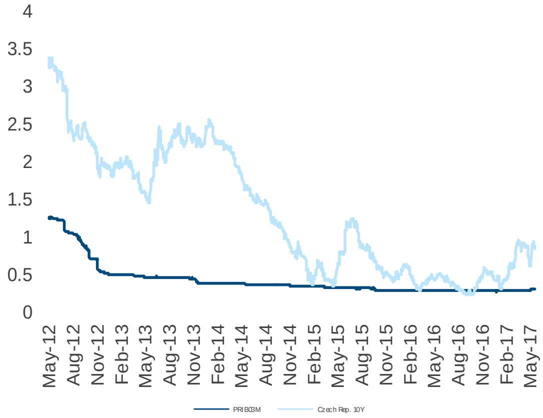
Public debt (% of GDP)	2015	2016f	2017f	2018f
Croatia	86.7	84.2	81.4	79.5
Czech Republic	40.3	37.2	35.7	35.9
Hungary	74.7	74.3	74.0	72.5
Poland	51.5	54.3	54.9	54.1
Romania	37.9	37.1	39.2	40.8
Serbia	74.7	72.9	69.4	68.9
Slovakia	52.5	51.9	51.7	50.5
Slovenia	83.4	79.2	77.9	75.9
CEE8 average	**53.7**	**53.6**	**53.5**	**53.0**

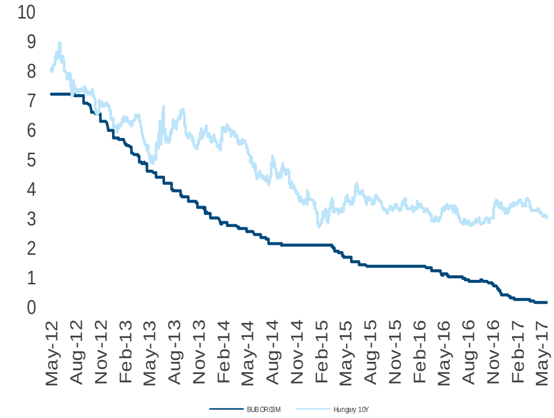
C/A (%GDP)	2015	2016f	2017f	2018f
Croatia	4.8	2.6	4.2	2.9
Czech Republic	0.9	2.1	1.2	1.4
Hungary	3.4	4.9	4.1	3.8
Poland	-0.2	-0.3	-0.6	-0.9
Romania	-1.2	-2.4	-3.3	-3.8
Serbia	-4.8	-4.2	-4.6	-4.8
Slovakia	0.2	-0.7	0.8	1.6
Slovenia	5.2	6.8	6.4	5.8
CEE8 average	**0.5**	**0.5**	**0.2**	**0.0**

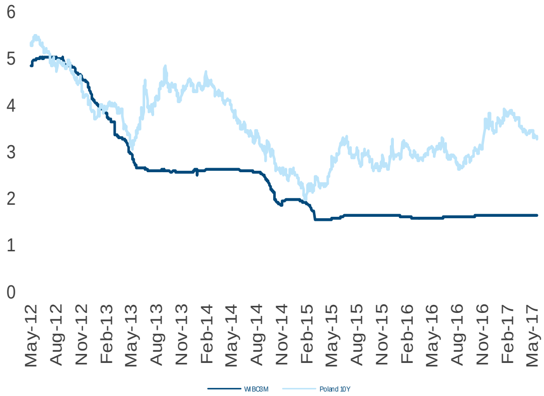
Budget Balance (%GDP	2015	2016f	2017f	2018f
Croatia	-3.4	-0.8	-1.5	-1.5
Czech Republic	-0.4	0.5	-0.6	-0.6
Hungary	-2.0	-2.2	-2.7	-2.5
Poland	-2.5	-2.4	-3.0	-2.9
Romania	-0.8	-2.8	-3.4	-3.6
Serbia	-3.8	-1.4	-1.2	-1.0
Slovakia	-2.7	-1.7	-1.5	-0.8
Slovenia	-2.9	-2.0	-1.7	-1.5
CEE8 average	**-2.0**	**-1.8**	**-2.4**	**-2.3**

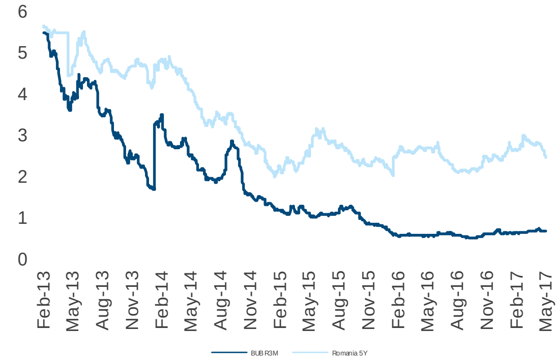
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

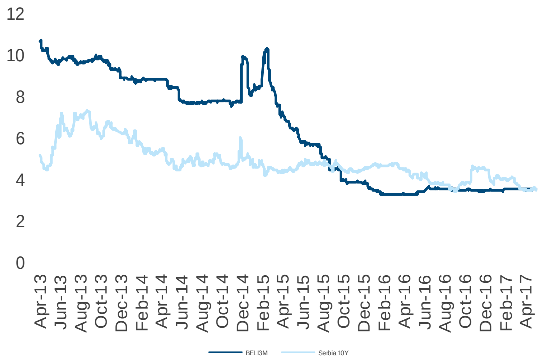
Appendix

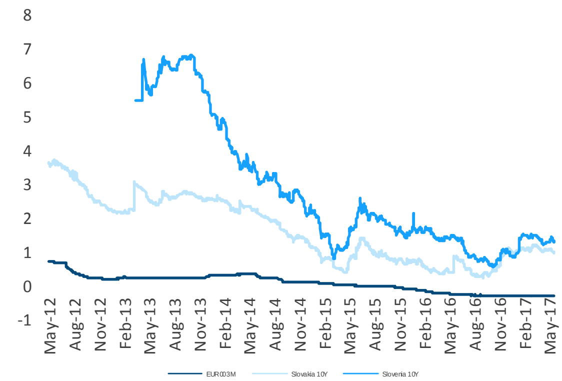












Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

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