CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week

Monday	Tuesday	Wednesday	Thursday	Friday
RS: PPI, Wages	**HU:** Target Rate, Unemployment **HR:** PPI **SK:** Current Account	**HU, SK, CZ:** PPI **PL:** GDP **SI:** GDP, CPI, Retail **HR:** GDP, Wages **RS:** GDP, Industry, Retail	**RO:** Unemployment	**RO:** PPI **CZ:** GDP **HU:** Trade balance

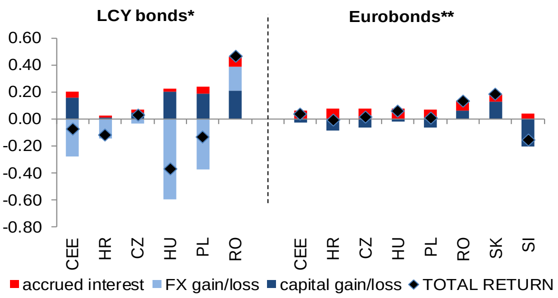
Click for: this week's detailed releases/events, market forecasts, macro forecasts

We will see the details of the recently released GDP numbers for 4Q17 this week in a few countries; Croatia and Slovenia will now release their numbers first. We expect that household consumption was generally the most important driver of the growth, while in Poland, investments (construction) likely have increased substantially as well. In addition, Hungary will see an MPC meeting on Tuesday. After the MNB recently trimmed its new policy instrument (monetary IRS) to dampen the overheated expectations, we do not anticipate rate changes or the announcement of new measures. The MPC could communicate the need for an ongoing loose monetary policy.

In case you missed it last week…

- Fitch affirmed both the rating and the outlook (A- stable) for Slovenia
- IMF praised Serbia after end of 3Y program, cooperation to continue under 'policy coordination instrument'
- Construction growth at 34.7% is near all-time high in Poland, similar to early 2007
- Hungarian stats office to publish public debt also including Exim Bank, increasing debt stock by 0.6-1.9pp of GDP

For other events last week, please check respective countries: HR, CZ, HU, PL, RO, TR, SI, SK, SR



On Radar

The cyclical economic upswing pushed government revenues up strongly in the CEE region, which was enhanced by an improvement in collection efficiency. The improvement in fiscal figures was most pronounced in Serbia and Croatia, where the governments reached a surplus last year and the government debt as a percentage of GDP also declined very substantially (in Croatia, the ratio declined by more than 7pp in two years, in Serbia almost by 10 percentage points in a single year). The need for such declines is underpinned by a relatively high debt stock (above 70% of GDP still in 2016 for these two countries). But while revenues improved everywhere in CEE, fiscal figures did not improve in many countries. The structural deficits in Romania and Hungary are the highest in the EU, according to Commission statistics, and Poland is also among the countries with a relatively high shortfall. In Romania, fiscal easing translated into stellar economic growth last year, but there could be a considerable slowdown this year, indicating sustainability problems. A positive factor for Romania is the relatively low share of public debt to GDP; this cannot be said for Hungary, which is still abandoning some parts of the social contributions in 2017-18 in order to help companies cope with a dramatic increase in minimum wages. As for the spending structure, recently only Slovenia can be named as a country in which the increase of spending is focused on 'productive areas'. Compared to the EU average, CEE countries spend on health and social protection less as a percentage of GDP, while in other areas, they are on par with the average. While lower spending could perhaps be supported by difficulties in revenue collection (think informal economy), structural reforms are not really happening anywhere; however, this could result in better efficiency in spending. (For further details, see the next page.)

Besides impressive fiscal deficit reductions in a number of countries, some of them see their structural deficits deteriorating and very few of them spend funds effectively and in 'productive areas'

Fiscal revenue bonanza will not last forever

'Are CEE governments responsibly spending the increased revenues that stem from the cyclical economic upswing?'

Croatia: Once again, the budgetary performance exceeds expectations, given the announcement by the FinMin that Croatia would be running a modest budget surplus in 2017 (ESA2010), allowing public debt to approach 78% of GDP (down more than 7pp of GDP in the last two years). Consolidation has been driven by improving economic conditions and the related revenue boost (VAT, CIT, social security contributions). On the expenditure side, the government has remained fairly prudent and allowed for still modest wage and pension hikes (done in phases in 2017, i.e. the FY effect is expected in 2018), while debt servicing costs remained on a downward trajectory. Looking into 2018, the budget deficit target is set at 0.5% of GDP, while, given the better execution in 2017, we are expecting to see a balanced budget performance in 2018, alongside the closing of the output gap structural deficit below the MTO target (1.75% of GDP). The economic outlook remains supportive of the budget revenue performance, while hopefully the expenditure side will cope with the increasing appetite (wages and pensions) and the interest rate environment continues to favor declining pressures where debt servicing is concerned. Bottom line, we expect to see the fiscal position as comfortable in 2018, but see 2019 as a good test for the long-term commitment, with the announced VAT rate cut (presumably 1pp).

Czech Republic: The favorable development of the economy has been generating high revenues for the government to increase its spending. A significant 10-15% increase in wages of state employees from the end of last year is the most important example, but the government has been continuously raising financing in other areas as well (research, healthcare, etc.). However, the share of debt to GDP has been declining, as higher spending is covered by the cyclical development. In the coming years, we expect the government to focus more on government investment in infrastructure, which represents a slight risk in the direction of higher financing needs.

Hungary: Thanks to the cyclical economic upswing, major revenue items such as VAT and PIT increased significantly last year, by 7.1% y/y and 11.8% y/y, respectively, and this phenomenon continued in January. In spite of the increase in revenues, the government blew a huge hole in last year's budget from the cash flow point of view, due to the forced pre-financing of EU funds. As a consequence, there was a huge gap between the ESA (approx. 2.0-2.2% of GDP) and cash flow approaches (approx. 5.2% of GDP). We do not see any improvement in the efficiency of expenditure utilization, partly because of the lack of proper transparency. We continue to expect the ESA deficit to remain below the 3% of GDP threshold, while the gross public debt ratio may continue to slowly decrease.

Poland: In recent years, the total general government expenditure level was slightly above 40% of GDP. The biggest share (17% of GDP) is spent on social protection, but the level of social spending is 3pp lower compared to the EU15. General public services and the health sector are also underfinanced compared to the EU15, with expenditure at 4.7% and 4.6% of GDP, respectively (for the EU15 it is 6.6% and 7.2% of GDP). On the other hand, Poland performs better in terms of defense spending (1.6% of GDP) and education (5.0% of GDP). The recent dynamic increase in tax revenues (VAT revenues went up 20.3% y/y last year) is mostly used for financing the 500+ program and lower retirement age and helps to keep the fiscal balance well below the limit of 3% of GDP. In structural terms, however, the deficit has not improved visibly (it remains above 2% of GDP), making the fiscal position vulnerable in the case of an economic downturn.

Romania: In Romania, the effects of the cyclical economic upswing were counterbalanced by cuts in taxation in 2017 (VAT, excise taxes, special construction tax) and cash budget revenues remained virtually unchanged compared with the previous year at 29.4% of GDP (estimated nominal GDP for 2017). A look at the expenditure side of the state budget shows a higher share of personnel expenditure in GDP in 2017 (+0.6pp compared with 2016) and social assistance (+0.1pp), coupled with a decline in the relative importance of goods and services (-0.6pp) and locally-financed CAPEX (-0.2pp). Romania managed to comply with the 3% budget deficit target under local standards, but the structural deficit widened further and it is officially estimated by the government to begin to adjust only from 2019. Current trends for personnel and social expenditures will continue in 2018, according to official budgetary projections, so a key element in maintaining the budget deficit under control is improved tax collection.

Serbia: Budget execution in 2017 outstripped all expectations, as the general government recorded a surplus of 1.2% of (estimated) GDP. Such a notable improvement in the fiscal position was a result of stronger than expected revenue inflows, despite the disappointing growth figures. According to the budget plan and announcements from the government, the increased fiscal space will be used for a more expansionary fiscal policy stance in 2018. The government has already increased public wages (5-10%) and pensions (5%), while for the rest of the year we could see additional adjustment of pensions, while we also expect stronger public investment activity. In addition, we should see the introduction of various tax related subsidies for companies, especially SMEs. In our view, these measures will not impose a huge risk for mid-term public finance sustainability. However, we still do not see major steps on the structural reform agenda (pension and healthcare system), which represent key challenges for the mid-term and long-term sustainability of Serbia’s fiscal system.

Slovakia: Fiscal revenues have been increasing steadily in recent few years, driven predominantly by the reinvigorated labor market and resulting higher tax and levy intakes. The effectiveness of VAT collection has also improved, adding to the total revenue stream. Even though fiscal deficits compared to GDP have decreased, consolidation was mainly achieved via the better revenue side. Public spending has increased, but few structural investments, which could be used for longer-term sustainable growth, are accounted for in this year’s budget. According to the new forecast from the Ministry of Finance, this year could bring in EUR 150mn (0.2% of GDP) more in taxes and payroll levies than expected in the approved 2018 budget (mainly due to the stronger than expected labor market). PM Fico announced that he would like to distribute the proceeds in another social package, with details to be revealed later (holiday vouchers and lower VAT on baby food and diapers were mentioned).

Slovenia: The fiscal framework in Slovenia is determined by the Fiscal Compact implemented through the Constitution and the Fiscal Rule Act, so budgets for 2018 and 2019 are aimed at a gradual balancing of revenues and expenditure, with forecasted surpluses in both years vs. the milder deficit (estimated at -0.5% of GDP) in 2017. According to the MoF, the largest increases in expenditure are planned in the following areas: transport and transport infrastructure, science and the information society, healthcare, entrepreneurship and competitiveness, as well as EU fund related expenditures, which in our view can be labeled 'productive expenditures'. The strong fiscal performance recently has been supported by solid economic activity, which is to a large extent expected to remain supportive in the coming period as well, while the approaching elections, tight labor market conditions and low pressure from the market may imply some pressure on the expenditure side of the equation in the coming period.

Looking ahead

	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
26. Feb.	12:00	**RS**	**PPI (y/y)**	Jan			1.0%	
	12:00	**RS**	**Wages (y/y)**	Jan			-1.3%	
27. Feb.	9:00	**HU**	**Unemployment Rate**	Jan	*3.9%*	***3.8%***	3.8%	*Strong economic momentum should keep labor market tight*
	11:00	**HR**	**PPI (y/y)**	Jan			1.7%	
	14:00	**HU**	**Target Rate**	Feb	*0.9%*	***0.9%***	0.9%	*Neither rate changes nor announcement of any new unconventional measure are expected; communication pointing to continuation of loose monetary policy should remain*
	14:30	**SK**	**Current Account Balance (monthly)**	Dec			122	
28. Feb.	9:00	**CZ**	**PPI (y/y)**	Jan	*0.4%*	***0.6%***	0.7%	*We expect PPI inflation to have reached its bottom in y/y terms in January, mainly because of base effect; higher oil prices and increasing labor costs will support PPI inflation in coming months, implying its gradual rise*
	9:00	**HU**	**PPI (y/y)**	Jan			3.9%	
	9:00	**SK**	**PPI (y/y)**	Jan		***2.1%***	2%	*Inflationary pressures are also gradually building up in production*
	10:00	**PL**	**GDP (y/y)**	4Q F		***5.1%***	5.1%	*GDP breakdown should confirm strong private consumption and rebound in investment*
	10:30	**SI**	**CPI (y/y)**	Feb		***0.9%***	1.5%	*Inflation is expected to slightly decelerate in February, amid base effect*
	10:30	**SI**	**CPI (m/m)**	Feb			-0.8%	
	10:30	**SI**	**Retail Sales (y/y)**	Jan			1.7%	
	10:30	**SI**	**GDP (y/y)**	4Q		***4.0%***	4.5%	*GDP growth expected to remain strong in 4Q17*
	11:00	**HR**	**Wages (y/y)**	Dec			1.6%	
	11:00	**HR**	**GDP (y/y)**	4Q P	*2.8%*	***3.2%***	3.34%	*Solid domestic demand footprint and positive net export developments*
	12:00	**RS**	**Industrial Production (y/y)**	Jan		***3.5%***	0.5%	*Figure mostly shaped by seasonal factors*
	12:00	**RS**	**Retail Sales (y/y)**	Jan		***4.7%***	1.5%	*Stable performance mostly supported by lower inflation and rising wages*
	12:00	**RS**	**GDP (y/y)**	4Q F		***2.5%***	2.5%	*We expect that SORS will confirm flash estimate*
01. Mar		**RO**	**Unemployment Rate**	Jan			4.6%	
02. Mar	8:00	**RO**	**PPI (y/y)**	Jan			3.7%	
	9:00	**CZ**	**GDP (q/q)**	4Q P		***0.5%***	0.5%	*We expect refined figure to confirm flash estimate; economic story of solid domestic and foreign demand has not changed, in our view*
	9:00	**CZ**	**GDP (y/y)**	4Q P		***5.1%***	5.1%	*Among GDP components, we expect household consumption and investment expenditures to remain most important, with former driven by strong labor market, latter by high foreign demand and lack of available employees*
	9:00	**HU**	**Trade Balance**	Dec F			502m	

Sources: Bloomberg, Reuters

Major markets

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- Italy will vote for new parliament on March 4 (both House of Representatives and Senate). According to recent surveys, the Five Star Movement (27%) holds the lead ahead of social democrats (22%). Even though the right-wing camp is fragmented, it could still gain roughly 38% of votes, provided that all parties unite behind Forza Italia (16%) and Lega (14.5%). However, even this share could be insufficient to form a government, as the threshold is around 40%.
- It looks like that the precondition to form a government will be political compromise – either between an established political camp and the five Star Movement, or between the 'old' left and the 'old' right. Due to this, lengthy negotiations could come after the election. We also think that the new government will not pursue a determined reform path due to potential disagreements between future coalition partners, despite the urgent need for such a path. From the point of view of financial markets, a government headed by the current PM Gentiloni would probably the most favored outcome.
- A flash estimate of February inflation in the Eurozone will be published this week (February 28). We expect a stable development of headline and core inflation numbers. Later on, we expect a steady increase of core inflation. For the full-year 2018, we continue to predict an average rate of inflation of 1.6% for the Euro Area.

Croatia

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- The inflation release fully matched our expectations and landed at 1.1% y/y in January, while declining on the monthly level by 0.2%, largely reflecting ongoing seasonal sales in the clothing and footwear category. We see the inflation trajectory following a similar footprint and gradually accelerating towards the 1.5% mark during 2018, amid less supportive cost-side developments.
- The focus this week should be on the first estimate for 4Q17 GDP, which we expect to land a few notched above 3%, wrapping up the FY17 figure also very close to 3%. The monthly data points to a supportive domestic demand footprint (though likely somewhat more moderate compared to 3Q17) and favorable net export developments as well.
- The markets brought no major changes throughout the week, as the exchange rate stayed below the 7.45 mark, while the HRK 2028 bond yield remained unchanged around the 2.3% level.

Czech Republic

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- The ANO movement has been negotiating with other political parties and movements about the new government. At this point, the government coalition of ANO and the Social Democrats with the support of the Communists seems to be the most likely outcome. Most importantly, these parties are against the possibility of holding a British-style referendum on Czexit, which lowers the chance that this negative event could happen.

Hungary

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- Gross wages in the economy rose by 13.5% y/y last December. In FY17, the annual increase in both gross and net wages was 12.9%, while real wages grew by an impressive 10.3% y/y last year. Taking the tight labor market conditions and continuation of administratively driven minimal wage increases into consideration, strong wage outflow in the economy should persist this year, as well, strongly supporting domestic consumption. We expect the economy to grow by 3.5% y/y in 2018, with risks pointing to the upside.

Poland

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- Industrial production increased by 8.6% y/y, whereas retail sales grew by 8.2% y/y in January, showing a sound beginning of the year. Such a strong performance of industry and retail, supported by 35% y/y growth of construction output, increases the upside risks to our FY18 GDP growth forecast.
- The unemployment rate increased in January to 6.9% y/y, compared to the 6.6% y/y observed in December. The increase of the unemployment rate is mainly due to seasonal effects.
- The Ministry of Finance sold PLN 4bn in a range of different Treasury papers, with strong demand that amounted to PLN 13bn. Poland already has 46% of this year's borrowing financed.
- Several points were voiced by MPC members. MPC member Gatnar is of the opinion that it is too early to rule out a rate hike this year. If inflation tops the target, a preventive step might be taken in the second half of the year. On the other hand, MPC member Hardt (who is considered hawkish) sees the probability of a rate hike this year as rather low. We currently see the first hike in 1Q19.

Romania

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- The reaction of short-term RON bonds to the surprise delivered by the January inflation data (actual data: 4.32% y/y, Reuters poll: 4.1% y/y) and the NBR rate hike proved persistent. During the past week, short-term yields remained above the levels seen two weeks ago by around 20bp, while medium- and long-term yields were little-changed. Short-dated bond yields currently seem to price in one more rate hike by the NBR in the coming months and anything on top of this from the NBR will add more pressure on yields.
- The finance minister said that he would discuss future actions for monetary and fiscal policies with the governor of the NBR after the significant increase in inflation in January. Talks could focus on future trends of administered prices in the absence of a clear calendar and the impact of a tighter monetary policy on economic growth.

Serbia

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- The January inflation figure landed at 1.9% y/y, down from 3% y/y in December 2017, thus moving towards the lower bound of the 3%+/-1.5pp target band. As we expected, CPI movements started to reflect last year's base effect related to unfavorable weather conditions. The stronger dinar is also playing an important role. Although we expect that inflation will continue to move in the lower part of the target interval in 1H18, we do not see a need for additional monetary easing, as other factors (increased lending activity, falling bank interest rates, falling yields, FED hikes, expected ECB tapering, etc.) suggest that the NBS should stand on hold.
- Appreciation pressures on the dinar continued last week, with the EUR/RSD slipping below the118 mark for the first time since 2014. The NBS intervened on the market with EUR 60mn on the buy side to tame the pressure. The RSD 2023 benchmark continued to move around the 4.4% mark.

Slovakia

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- Labor market improvement continues, as unemployment measured by the labor bureaus fell by 0.06pp to 5.88% in January. The total unemployment rate (not just disposable) stands at 7.1%. The number of job vacancies remains high, suggesting that we may expect the favorable development of the falling unemployment rate to continue. The lack of qualified labor force in some sectors is alleviated by an increase in the employment of foreign workers.
- Harmonized inflation confirmed the faster increase of consumer prices at the beginning of this year, as it accelerated to 2.6% y/y in January and exceeded the rise of the CPI index (2.4% y/y). On a monthly basis, harmonized consumer prices increased by 0.9%, mostly on the back of food, transport and service prices. Higher energy prices also contributed markedly, as regulated prices were higher. January poses a slight positive risk to our full-year forecast of 2% on average, even though inflationary dynamics should calm down somewhat later in the year.
- The Slovak debt management agency conducted two competitive auctions of government bonds on February 19 (with non-competitive rounds comprising small amounts later on). Slovakia sold EUR 81.7mn worth of government bonds due in October 2047 at an average yield of 1.965%. Another auction saw EUR 85mn of bonds maturing in January 2031 being sold at an average yield of 1.396%. The bid-cover ratios were high, reaching 3 and 4.3, respectively. Yields on Slovak government bonds could increase somewhat, reflecting the gradual return of inflation and the reduction of QE since January. However, increases will still be dampened by the longer duration of asset purchases and Slovakia's good fiscal stance. We expect the 10-year government bond yield to be around 1.05% in 1Q18.

Slovenia

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- Data-wise, all eyes this week will be on the 4Q GDP release. We see the growth remaining in the 4% lane in the last quarter, though showing some deceleration vs. the 3Q17 performance, as monthly-frequency data points to private consumption playing a more moderate role, while the resilient export performance should continue to put the external demand contribution in positive territory. The 4Q release should also wrap up the average FY17 growth figure around the 4.6% mark.
- Following new bond issuance early in January, last week the MoF announced that it would conduct its first USD bond buyback of 2018 bonds, tendering once again USD 2022, USD 2023 and USD 2024 notes. We still do not have any details regarding the upcoming placement, but given the previous buyback, we expect the MoF to focus on longer EUR maturities, in line with their strategy of prolonging the average debt duration.
- Fitch affirmed both the rating and the outlook (A- stable) for Slovenia. Strong GDP momentum and better than expected fiscal performance were rating positives while no progress in NLB privatization process and structural reforms complacency ahead of the parliamentary elections were highlighted as negatives.
- Yields on the bond market maintained a steady w/w performance, with the EUR 2027 curve remaining around the 1.2% mark.

Capital market forecasts

Government bond yields	current	2018Q1	2018Q2	2018Q3	2018Q4
Croatia 10Y	2.25	2.20	2.20	2.30	2.40
spread (bps)	157	157	147	148	146
Czech Rep. 10Y	1.87	1.93	1.96	2.00	2.05
spread (bps)	119	130	123	118	111
Hungary 10Y	2.53	2.00	2.00	2.00	2.00
spread (bps)	184	137	127	118	106
Poland 10Y	3.42	3.40	3.45	3.71	3.91
spread (bps)	274	277	272	289	297
Romania10Y	4.67	4.60	4.70	4.80	5.10
spread (bps)	398	397	397	398	416
Slovakia 10Y	0.89	1.05	1.10	1.15	1.25
spread (bps)	21	42	37	33	31
Slovenia 10Y	1.26	0.90	1.10	1.20	1.30
spread (bps)	58	27	37	38	36
Serbia 7Y	4.15	4.30	4.30	4.40	4.50
DE10Y (BBG)*	***0.68***	***0.63***	***0.73***	***0.82***	***0.94***

FX	current	2018Q1	2018Q2	2018Q3	2018Q4
EURHRK	7.44	7.45	7.35	7.45	7.50
forwards		7.44	7.44	7.44	7.44
EURCZK	25.34	25.34	25.23	25.02	24.90
forwards		25.36	25.36	25.36	25.36
EURHUF	313.0	315.0	315.0	315.0	315.0
forwards		316.1	316.1	316.1	316.1
EURPLN	4.18	4.13	4.14	4.18	4.15
forwards		4.18	4.18	4.18	4.18
EURRON	4.66	4.65	4.65	4.70	4.73
forwards		4.66	4.66	4.66	4.66
EURRSD	117.9	118.0	118.3	118.3	118.5
forwards		-	-	-	-
EURUSD	1.23	1.18	1.15	1.14	1.13

3M Money Market Rate	current	2018Q1	2018Q2	2018Q3	2018Q4
Croatia	0.50	0.50	0.50	0.50	0.50
Czech Republic	0.91	0.89	0.96	1.11	1.19
Hungary	0.02	0.02	0.02	0.02	0.02
Poland	1.72	1.73	1.75	1.75	1.79
Romania	2.09	2.15	2.45	2.70	2.75
Serbia	3.17	3.20	3.20	3.40	3.40
Eurozone	-0.33	-0.30	-0.30	-0.30	-0.30

Key Interest Rate	current	2018Q1	2018Q2	2018Q3	2018Q4
Croatia	0.50	0.30	0.30	0.30	0.30
Czech Republic	0.75	0.75	0.75	1.00	1.00
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.50
Romania	2.25	2.25	2.50	2.75	2.75
Serbia	3.50	3.50	3.50	3.50	3.50
Eurozone	0.00	0.00	0.00	0.00	0.00

Macro forecasts

Real GDP growth (%)	2016	2017f	2018f	2019f
Croatia	3.2	3.0	2.8	2.8
Czech Republic	2.5	4.5	3.4	2.9
Hungary	2.2	3.9	3.5	3.3
Poland	2.9	4.6	3.9	3.0
Romania	4.8	7.0	4.7	3.0
Serbia	2.8	1.8	2.9	3.0
Slovakia	3.3	3.3	3.9	4.2
Slovenia	3.1	4.6	4.0	3.5
CEE8 average	**3.1**	**4.6**	**3.8**	**3.1**

Average inflation (%)	2016	2017f	2018f	2019f
Croatia	-1.1	1.1	1.5	1.9
Czech Republic	0.7	2.5	2.3	1.9
Hungary	0.4	2.3	3.0	3.5
Poland	-0.6	2.0	2.2	2.3
Romania	-1.5	1.3	4.5	2.8
Serbia	1.6	3.0	2.9	3.6
Slovakia	-0.5	1.3	2.0	2.3
Slovenia	-0.1	1.4	1.6	1.8
CEE8 average	**-0.4**	**1.9**	**2.6**	**2.4**

Unemployment (%)	2016	2017f	2018f	2019f
Croatia	13.1	11.3	10.1	9.2
Czech Republic	4.0	2.9	2.5	2.9
Hungary	5.1	4.2	4.0	3.9
Poland	8.9	7.2	6.8	7.0
Romania	6.0	5.0	4.9	5.0
Serbia	15.3	13.2	11.6	11.1
Slovakia	9.7	8.2	7.5	6.8
Slovenia	8.0	6.7	5.8	5.1
CEE8 average	**7.7**	**6.3**	**5.8**	**5.8**

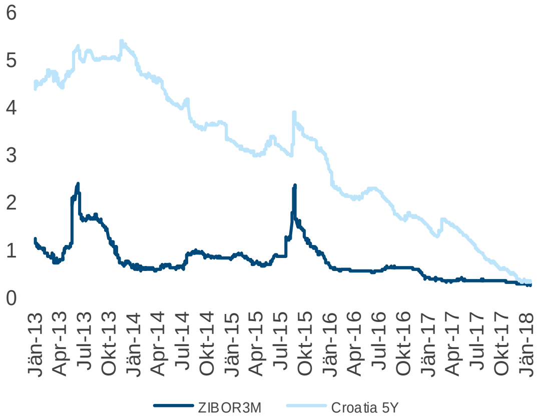
Public debt (% of GDP)	2016	2017f	2018f	2019f
Croatia	82.7	78.6	75.1	71.9
Czech Republic	36.8	33.9	31.9	30.4
Hungary	73.9	72.0	70.7	69.7
Poland	52.1	52.4	53.2	52.9
Romania	37.5	36.3	35.8	35.4
Serbia	71.9	61.3	58.4	55.2
Slovakia	51.8	51.2	50.1	47.6
Slovenia	78.3	74.2	72.5	69.0
CEE8 average	**52.6**	**51.1**	**50.3**	**49.1**

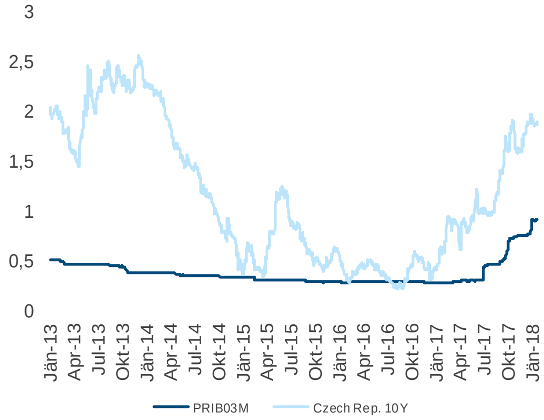
C/A (%GDP)	2016	2017f	2018f	2019f
Croatia	2.5	4.2	2.5	1.4
Czech Republic	1.1	1.2	0.9	0.7
Hungary	6.1	3.5	3.0	2.4
Poland	-0.3	0.2	-0.3	-0.9
Romania	-2.1	-3.4	-4.1	-4.5
Serbia	-4.2	-4.7	-5.3	-6.6
Slovakia	-1.5	-0.9	-0.2	0.3
Slovenia	5.2	6.4	6.1	5.4
CEE8 average	**0.4**	**0.3**	**-0.2**	**-0.6**

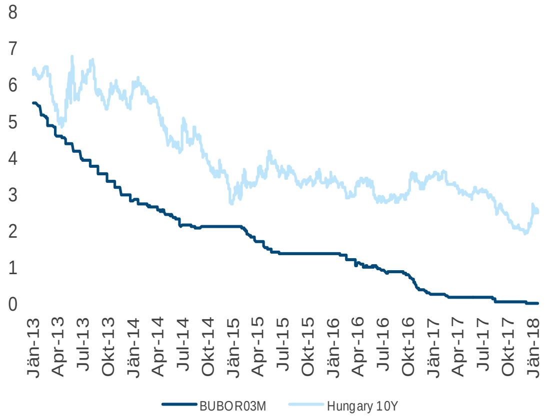
Budget Balance (%GDP)	2016	2017f	2018f	2019f
Croatia	-0.9	0.3	0.0	-0.5
Czech Republic	0.5	0.6	0.3	0.3
Hungary	-1.8	-2.0	-2.5	-2.5
Poland	-2.4	-2.1	-2.5	-2.3
Romania	-3.0	-3.0	-3.4	-2.9
Serbia	-1.3	1.2	-0.5	-0.5
Slovakia	-2.2	-1.5	-1.0	-0.6
Slovenia	-1.8	-0.8	-0.3	0.0
CEE8 average	**-1.8**	**-1.5**	**-1.8**	**-1.6**

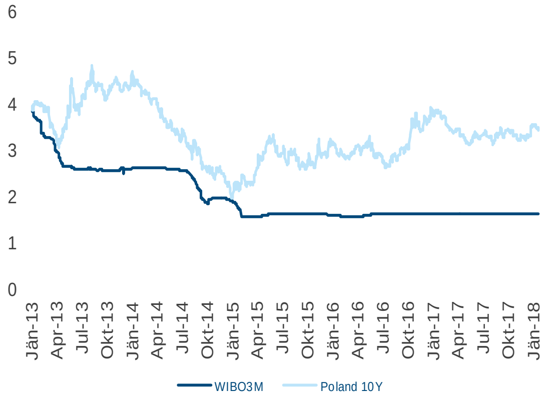
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

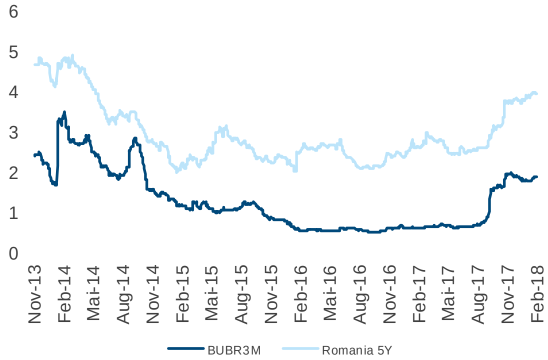
Appendix

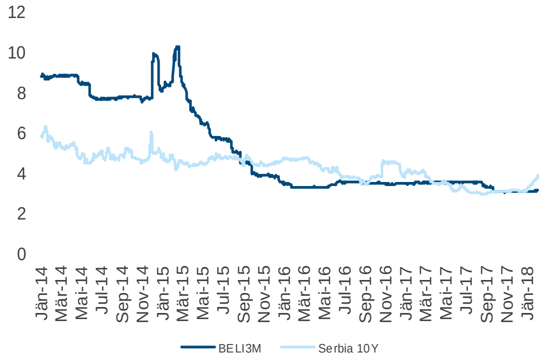


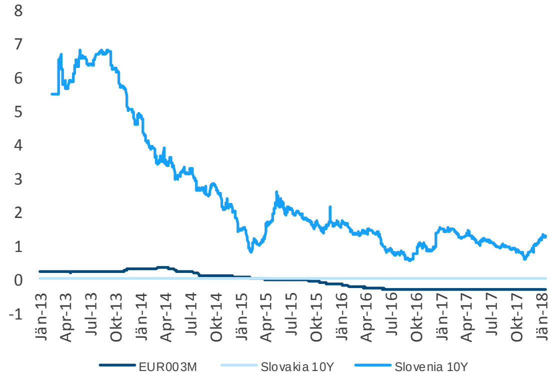












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