CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week

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

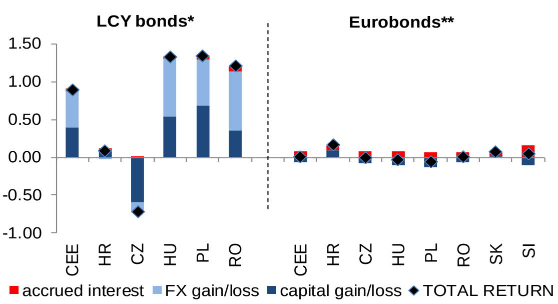
Click for: this week's detailed releases/events, market forecasts, macro forecasts

This week, there will be three MPC meetings in the region – in Romania (today), Poland (on Wednesday) and Serbia (on Thursday). None of them should bring a rate change, but we think that in Romania it will be a close call. The NBR is likely to advocate for postponing the rate hike to the next meeting (in February), when a new inflation forecast for 2018 will be ready. Overall, we expect four 25bp rate hikes in Romania this year. The release calendar is pretty full this week in CEE. The most interesting will be inflation data for December. In the Czech Republic and Hungary, inflation will edge down a little bit, due to a base effect. In Romania, inflation should remain flat, but a substantial increase (above 4%) is expected in 1Q18. In Serbia, inflation should jump to 3.4%, from 2.8%. On Friday, the Romanian statistical office will publish its second review of the GDP breakdown for 1-3Q17. In the Czech Republic, the new government led by Babis might fail to win a confidence vote in the Parliament, but President Zeman has already indicated that Babis would get another nomination to form a government.

In case you missed it last week…

- PMI index went up further in December, suggesting another year ahead featuring robust economic growth in CEE
- Croatia's finance minister hinted that state budget likely ended in surplus in 2017
- Czech central government balance ended in slight deficit (0.1% of GDP) in 2017
- Romania's president signed state budget bill that targets deficit at 2.96% of GDP in 2018
- CNB's minutes imply high probability of rate hike in February

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



On Radar

This year, CEE economies should maintain solid growth dynamics ranging from roughly 3% in Croatia and Serbia to around 4% in Slovakia, Slovenia and Romania. The structure of the growth should look quite homogenous across the region, with domestic demand being the pillar of the growth in every country. In particular, the private consumption outlook remains strong, benefiting from the favorable development on the labor market. Unemployment rates dropped visibly in 2017 and reached all-time lows in almost all CEE countries, while nominal wage growth has accelerated lately, supporting a high level of household spending. Further, the increasing inflow of EU funds should back the investment growth. The stronger than expected recovery of investment in Poland and Romania (where private investment growth has been quite meager so far) opens up space for a positive surprise to our CEE growth forecast at 3.6%. Moreover, in Slovakia, the start of production at the new Jaguar Land Rover car plant should, at the top, translate into a positive contribution of net exports. In other CEE countries, exports should also keep up the solid performance, supported by the ongoing economic recovery in the Eurozone. However, strong domestic demand is likely to weigh on the import side, cooling the positive contribution of net exports.. (For further details, see the next page.)

Tight labor market conditions support solid growth of private consumption, while the increasing inflow of EU funds should back investment growth. The net exports contribution is likely to be negative in most of the countries except for Slovakia, where the start of production at a new car plant is export-positive.

Domestic demand to be pillar of growth this year

"What is going to drive GDP growth in CEE this year?"

Croatia: We see growth remaining in largely the same gear as last year, i.e. we only anticipate a few notches' slowdown vs. the 3.0% expected GDP growth rate for 2017. Looking at the growth drivers, the headline figure should continue to receive strong support from domestic demand, though we expect investments to play a role, as the Agrokor restructuring had a one-off negative effect in 2017, and, along with tourism, EU funds should play a more supportive role. The private consumption outlook remains strong; hence, we anticipate only a modest slowdown vs. 2017, mainly owing to some inflation acceleration and lack of one-offs (tax reform in 2017). The external demand outlook also remains bold, amid the EU growth profile and tourism outlook. Net exports are seen remaining modestly in the red, owing to domestic demand-driven pressures on the import side.

Czech Republic: We expect GDP growth to arrive at 3.4% this year, from the approx. 4.4% reached in 2017. The economic development remains favorable, with support from both domestic and foreign demand. Household consumption, supported by the strong labor market, will be the most significant factor, with a contribution at 1.9pp. The contribution of investment expenditures will come in at 1.3pp, due to the economic recovery in the Eurozone and the current lack of free available employees, which forces firms to invest more in robotization. On the other hand, the contribution of net exports will be slightly negative, due to the solid domestic demand and stronger koruna.

Hungary: In Hungary, tight labor market conditions and sustained soaring net real wages should further support internal consumption. The contribution of household spending could be above 3ppt, providing a decisive role in this year's economic performance. Meanwhile, the investment boom should also persist, mainly thanks to EU funds. On the other hand, the contribution of net exports to GDP growth will likely be negative this year, as improving internal demand raises import bills. All in all, we expect the economy to grow by 3.5% annually in 2018. Possible upside risks stem from higher than expected consumption, while any negative change to global demand for vehicle products or an unexpected slowdown in the German economy could negatively affect the prospects for exports.

Poland: We expect GDP growth to arrive at 3.7% in 2018. More than half of the growth (2.5pp) is likely to be created by private consumption, which will remain the pillar of the growth, as in 2017. Robust growth of private consumption will be supported by labor market tightening, mainly solid wage growth. Moreover, with increasing accumulation of EU funds and improving sentiment, the investment contribution is expected to become a positive contributor to GDP growth (1.3pp) this year. General government consumption should remain relatively stable and is expected to contribute positively to the overall growth rate. On the other hand, net exports will remain mostly neutral for GDP growth this year. However, if the robust development of the external environment translates into strong export growth, as was the case last year, there would be space for a positive surprise vs. our current GDP forecast.

Romania: We foresee a slowdown of Romania's economic growth to 4.1% this year, from 7.1% in 2017, as the generous fiscal stimulus wears off and the contribution of agriculture to real GDP becomes smaller. Trade and services will remain at the forefront of economic growth, making a contribution of 2.5-3pp to real GDP. Export-oriented services like road transportation and IT could perform well in 2018, too, as external demand will remain supportive and structural changes in the Romanian economy will favor these sectors, amidst a transfer of know-how and capital from abroad. Industrial production will lose some speed, but this is related mainly to a base effect, after the very strong growth rates seen in 2017. Public investments are surrounded by risks in 2018, because inflows of EU funds associated with large infrastructure and regional projects are still small. Risks to our economic growth forecast are skewed to the upside and are related mainly to a stronger acceleration of investments than we currently envisage.

Serbia: After a disappointing 2017 (SORS estimate at 1.9% y/y, EBC call at 1.8% y/y), we expect to see a gradual pick-up of economic activity, with the GDP growth rate estimated at 2.9% y/y. The strongest support for the growth figure should come from the domestic demand side, as we expect a stable household consumption pattern, somewhat stronger performance of government consumption (e.g. public wages and pensions) and acceleration of investments, private and public. On the other hand, net exports should have a milder negative contribution, as stronger domestic demand will put upward pressure on the import side, while exports should maintain their solid performance, due to the favorable growth outlook of main trading partners.

Slovakia: We expect GDP growth to speed up to 3.9% this year. Domestic demand should be the key driver, mainly via household consumption (+1.6pp contribution), which is benefitting from the ongoing labor market improvement and good consumer sentiment. Investment should also help the growth, amidst the good economic environment, gradual pick-up in EU funds absorption (from the current programming period 2014-20) and private sector investments. Exports are expected to positively contribute to the growth (net exports' contribution: +1.2pp), as they should benefit from the start of production at the new Jaguar Land Rover car plant in the second half of the year and the bright outlook of our Eurozone partners. The risks are mild and mostly balanced: Brexit negotiations and geopolitical tensions on the one hand; faster investment growth and Eurozone growth on the other.

Slovenia: After strong growth acceleration towards the 4.5% region in 2017, we see only a modest cooling down in 2018 and growth remaining close to 4%, i.e. well above the EU28 average. The growth profile should remain fairly familiar, as domestic demand is set to remain in good shape, with the private consumption outlook backed by the labor market trajectory, disposable income trends and consumer confidence. The investment outlook also remains firm, additionally backed by EU funds gaining traction as we advance in the 2014-20 financial perspective. Similar to other peers, the export outlook also looks stable, chiefly due to the main trading partners' growth outlook. Risks to our current view are balanced.

Looking ahead

Date	Time	Country	Indicator	Period	Survey	Erste Est.	Prev.	Pre Comment
08. Jan		**CZ**	**Trade Balance**	Nov	*5.5*	***8.3***	9.7	*Effects of solid foreign demand partly offset by higher oil prices.*
		RO	**Unemployment Rate**	Nov			4%	
		RO	**Target Rate**	Jan 8	*1.75%*	***1.75%***	1.75%	*NBR could keep key rate unchanged at first MPC meeting from 2018; more hikes in key rate nevertheless possible in following months due to rising inflation rate.*
	8:00	**RO**	**Retail Sales (y/y)**	Nov		***13.1%***	12.9%	*Retail sales probably helped by non-food segment being affected by Black Friday promotions.*
	9:00	**CZ**	**Industrial Production (y/y)**	Nov	*5.7%*	***3.9%***	10.5%	*Industrial production being supported by high domestic as well as foreign demand. However, lack of employees and stronger koruna have been mitigating production.*
	9:00	**HU**	**Industrial Production (y/y)**	Nov	*7.2%*	***7.2%***	7.6%	*Industry could have kept up its momentum, thanks to strong business confidence and ongoing recovery seen in main export markets.*
	9:00	**HU**	**Retail Sales (y/y)**	Nov	*5.5%*	***5.5%***	6.3%	*Surging consumption reflected in sales figures. Black Friday effect may have helped improvement in non-food category.*
	11:00	**HR**	**Trade Balance**	Oct		***-3690***	-5369.7	*Trade balance maintaining favorable developments.*
09. Jan	8:00	**RO**	**Trade Balance**	Nov		***-1***	-1318.4	*Imports of consumer and intermediate goods rising rapidly.*
	9:00	**HU**	**Trade Balance**	Nov P	*688*	***675***	495	*Surplus declined on yearly level, due to higher import bills.*
	9:00	**SK**	**Trade Balance**	Nov		***470***	505	*Pick-up in exports should contribute to good trade balance in November.*
	10:30	**SI**	**Trade Balance**	Nov		***35***	0.16	*November release seen as further confirming strong growth rates on both exports and imports side.*
	11:00	**HR**	**PPI (y/y)**	Dec			3.6%	
10. Jan		**PL**	**Target Rate**	Jan 10	*1.5%*	***1.5%***	1.5%	*Inflation rate eased at turn of year, as expected. Such development supports flat policy rate scenario.*
	9:00	**CZ**	**CPI (y/y)**	Dec	*2.4%*	***2.4%***	2.6%	*Y/y inflation has been slowing down, mainly due to base effect. Strong labor market, higher food and oil prices and solid domestic demand still proinflationary.*
	9:00	**CZ**	**GDP (y/y)**	3Q F	*5.0%*	***5.0%***	5%	*Economic recovery in Eurozone and strong labor market have been supporting solid economic growth. We expect all main GDP components contributed positively in 3Q.*
	10:30	**SI**	**Industrial Production (y/y)**	Nov		***9.0%***	10.8%	*Industrial production expected to maintain vivid growth momentum.*
	11:00	**HR**	**Retail Sales (y/y)**	Nov F			5.7%	
11. Jan		**SK**	**Industrial Production (y/y)**	Nov		***5.4%***	6.4%	*Industrial production growth expected to have remained on brisk path.*
	8:00	**RO**	**Industrial Production (y/y)**	Nov	*9.0%*	***9.0%***	9.6%	*Industrial production probably maintained strong growth rate, helped by both domestic and external demand.*
	9:00	**CZ**	**Retail Sales (y/y)**	Nov	*3.8%*	***6.7%***	7.0%	*Strong labor market and positive sentiment of households stand behind high retail sales growth.*
	12:00	**RS**	**Target Rate**	Jan 11		***3.5%***	3.5%	*NBS seen as remaining on hold in January.*
12. Jan	8:00	**RO**	**CPI (y/y)**	Dec	*3.3%*	***3.3%***	3.23%	*Annual inflation rate rising rapidly at present and will exceed NBR target at beginning of 2018.*
	8:00	**RO**	**Wages (y/y)**	Nov		***14.0%***	13.5%	*Strong wage growth in public sector and also for low-paying jobs due to administrative increases in minimum wage.*
	8:00	**RO**	**GDP (y/y)**	3Q F	*8.8%*	***8.8%***	8.8%	*Trade and services along with agriculture were key contributors to real GDP growth in 3Q17.*
	9:00	**HU**	**CPI (y/y)**	Dec	*2.2%*	***2.3%***	2.5%	*Base effect supports slowdown in 12-month rate.*
	9:00	**SK**	**Wages (y/y)**	Nov			2.5%	
	12:00	**RS**	**CPI (y/y)**	Dec		***3.4%***	2.8%	*We see inflation continuing to move inside NBS target band.*

Sources: Bloomberg, Reuters

Major markets

Rainer Singer
rainer.singer@erstegroup.com

- On December 28, 2017, Italy's president set a course for new elections after signing a decree to dissolve the Parliament. The government set the election date for March 4, 2018. Based on current poll data, the 5-star-movement leads with 27-29%, ahead of the socialists, with around 23-25% support. The two center-right-wing parties Forza-Italia and Lega-Nord taken together have approval rates of around 28-30%. Based on current electoral law, a party or party alliance would need a majority of around 40% to form a new government alone, but this goal is nowhere in sight. Concerning future coalitions, the outlook has changed quite dramatically, as the Five Star Movement has abandoned its self-imposed restriction not to participate in government coalitions. This gives more options for the composition of any future Italian government. However, the head of the Five Star Movement did not believe a coalition with right-wing parties would be possible.
- For the markets, the risks to Italy's membership in the Eurozone will be the crucial topic watched during the coming weeks. We think that the chances of Italy leaving the monetary union are very low, but the upcoming election campaigns could make the markets nervous. The Five Star Movement is no longer insisting on a referendum on EMU membership, seeing this as only a last resort should the EU refuse to implement reforms.
- Non-farm payrolls increased by 148,000 in December, clearly below market expectations of a gain of 190,000. In addition, the numbers for the two previous months were revised downwards by 9,000 in total. The disappointment was augmented, as ADP (a private human resource company) data released yesterday had given cause for optimism. The other relevant numbers of the labor market report matched market estimates. The unemployment rate remained unchanged at 4.1% and average hourly earnings increased by 0.3% compared to the previous month and 2.5% in a yearly comparison.

Croatia

Alen Kovac
akovac2@erstebank.com

Ivana Rogic
irogic@erstebank.com

- The week behind us offered little in terms of macro releases, so the focus switches to the upcoming trade balance release. Following a robust increase of consumption (5.7% y/y) and weaker output on the industrial production side (-1.7% y/y, mainly due to a strong base effect), we expect the remainder of the short-term data for November to maintain the positive trends, pointing to overall solid developments thus far contributing to the 4Q17 performance.
- Minister of Finance Maric said that, according to their current data, Croatia reached the first budget surplus in history in 2017. The favorable fiscal development was the result of higher revenues from a record-breaking tourist season and improved tax collection. Lower debt servicing costs and robust holiday spending clearly also fit well into the picture and allow for stronger than anticipated public debt reduction, which, according to the MoF, could land close to 78% of GDP as of December 2017. Needless to say, the better than anticipated fiscal outcome comes as a tailwind to our baseline scenario that Croatia should receive a rating upgrade in 2018.
- The year started a bit turbulent for the FX market, with the CNB conducting its first FX intervention early in 2018 (following EUR 345.5mn on the buy side in mid-December 2017), as more pronounced

appreciation pressures on the exchange rate caused the national bank to buy an additional EUR 405mn at 7.4535 in order to tame the excess volatility. Market quotes remained in the middle of the 7.40-45 band, clearly indicating shifting seasonal pattern towards the appreciation side (earlier than usual) and suggesting a stronger HRK profile and potentially a more active CNB role to tame excess HRK gains.

Czech Republic

David Navrátil
dnavratil@csas.cz

- The CNB minutes revealed that only Vojtěch Benda and Mojmír Hampl voted in favor of increasing interest rates at the CNB board meeting in December. In our view, the minutes also include confirmation of the intention to increase interest rates at the CNB meeting in February. However, uncertainty has increased since the November meeting, as the current stance of several bank board members is not clear, in our opinion.
- The EUR/CZK witnessed substantial volatility right after Christmas. The CZK exchange rate depreciated to 25.9 on December 27, although it quickly returned to values of around 25.5. This development was affected by obligatory transfers to the Resolution Fund. We expect that the current level near 25.5 contains part of the expected February hike. Thus, if the CNB raises interest rates at the beginning of February, the koruna should strengthen only relatively slightly towards 25.40.
- The Czech state budget balance ended last year in a slight deficit at CZK 6bn (0.1 % GDP). The state budget was in surplus until October, due to high tax income and low investment expenditures; however, it was then negatively affected by pre-election measures from November, most importantly by higher wages for state employees.
- Czech Manufacturing PMI reached 59.8 in December, confirming the positive development of the manufacturing sector.

Hungary

Orsolya Nyeste
orsolya.nyeste@erstebank.hu

Gergely Ürmössy
Gergely.Urmossy@erstebank.hu

- The unemployment rate dropped to 3.8% in September-November, from the 4% published for the previous rolling 3-month period. The actual figure was lower than both the Bloomberg consensus of 4% and our estimate of 3.9%. Both the activity rate and employment rate increased slightly, to 62.2% and 59.8%, respectively. Compared to the same period of the previous year, the number of employed people increased by 36tsd. The average unemployment rate could have been 4.2% in 2017 and may stand at 4% or a bit lower level this year.

Poland

Katarzyna Rzentarzewska
katarzyna.rzentarzewska@erstegroup.com

- The CPI flash estimate arrived at 2.0% y/y (0.2% m/m) in December, below our and market expectations, in line with the expected inflation easing trend at the turn of the year. The drop in the CPI rate was mostly driven by base effects. In the coming months, inflation should remain close to 2.0% and increase only in mid-2018, supporting the dovish stance of the MPC.

- The PMI index increased further to 55 in December, showing overall improvement of the sentiment and ongoing expansion of industry.
- The Ministry of Finance sold PLN 5bn at a regular auction. The 5Y papers were priced to yield 2.56% and 10Y papers to yield 3.35%. So far, 32% of this year's borrowing needs have already been financed and most of the financing should take place in 1H18, keeping the supply at high levels.
- The zloty strengthen during the week to 4.15 EURPLN.

Romania

Eugen Sinca
eugen.sinca @bcr.ro

- We think that Monday’s monetary policy decision will be a close call, with strong arguments in favor of a rate hike quite early in the year. At the margin, we believe that the NBR would vote to keep the key rate unchanged at 1.75% on Monday, but basically pre-announce a rate hike for February, when they will also publish their revised inflation forecast for 2018. We maintain our outlook of four hikes of the key rate throughout 2018, as the inflation rate will exceed the NBR’s target in the first part of this year, driven mainly by a base effect associated with previous cuts in taxation. We also think that the NBR would try to strike a balance between the need to tighten monetary policy and the risk of an unwanted appreciation of the leu, which would add more pressure to the C/A deficit. Thus, we see risks to our scenario of four rate hikes in 2018 as balanced, with the recent sharp increase of inflation and the output gap being counterbalanced by the still favorable global rate environment, especially related to European countries and he Emerging Markets complex.
- The 2018 state budget bill was signed into law by President Iohannis at the beginning of January. This year’s state budget is built on economic growth of 5.5%, an average inflation rate of 3.1%, an average EURRON FX rate of 4.55 and a budget deficit (ESA95) of 2.96% of GDP. We see the level of budget revenues as a key element in reaching 2018 fiscal targets, in the context of a possible slowdown in economic growth, but also tighter regulations regarding the payment of social insurance contributions by companies.

Serbia

Alen Kovac
akovac2@erstebank.com

Milan Deskar-Skrbic
mdskrbic@erstebank.com

- The upcoming rate setting meeting will be the most watched event this week. We see the NBS remaining on hold at 3.5%, i.e. keeping the key rate unchanged in the following months, amid stable inflationary developments and improving economic conditions.
- The beginning of the year brought renewed depreciation pressures on the exchange rate, which prompted the NBS to intervene on the FX market with EUR 60mn on the sell side. The dinar currently settled slightly below the 120 mark, while on the bond market, we did not see any major developments, as benchmark yields stayed relatively flat w/w.

Slovakia

Katarina Muchova
muchova.katarina@slsp.sk

- Economic sentiment fell 0.8 points to 101.3 in December, on the back of lower retail sales, service sector and consumer confidence. Industrial and construction sector confidence, on the other hand, rose by 3.7 and 1.5 points, respectively. The 3-month moving average of the composite sentiment index stands at 103.3, down 2.2 points. We expect the growth in 2017 to have averaged 3.3%.
- The Bratislava plant of VW will pause production for four weeks until January 22. Christmas breaks at PSA and KIA are likely to be much shorter than that. Overall, though, the winter break at the major car plants will impact the industrial production and foreign trade statistics for the respective month accordingly.
- Unemployment, as measured by the labor bureaus, fell by 0.19pp to 5.95% in November, reaching a record low yet again. The number of job vacancies stabilized just below the record high reached last month, suggesting that we may expect the favorable development of a falling unemployment rate to continue in the coming months. However, the issues of tightening on the labor market and lack of a qualified labor force in some sectors continue.
- Producer prices rose by 1.7% y/y in November, slightly below our expectations. Compared to the previous month, producer prices increased by 0.2% m/m. Inflationary pressures in production are gradually re-establishing themselves, albeit not without some volatility

Slovenia

Alen Kovac
akovac2@erstebank.com

Ivana Rogic
irogic@erstebank.com

- Slovenia was the first among CEE countries in 2018 to successfully issue a new bond, placing a total of EUR 1.5bn in long 10Y tenor. Strong interest (book size exceeding EUR 3bn) allowed for more favorable pricing than the initial guidance, with the final price set at MS+13bp (i.e. a 1.036% yield). We see this latest issuance adding to the already comfortable Slovenian financing position in 2018.
- Yields on the bond market showed mild volatility, amid the recent issuance, though they generally kept a steady footprint across the curve, with the EUR 2027 moving around the 0.9% mark.

Capital market forecasts

Government bond yields	current	2018Q1	2018Q2	2018Q3	2018Q4
Croatia 10Y	2.45	2.50	2.60	2.70	2.80
spread (bps)	202	192	191	192	191
Czech Rep. 10Y	1.78	1.86	1.89	1.92	1.93
spread (bps)	134	128	120	114	104
Hungary 10Y	1.89	2.00	2.00	2.00	2.00
spread (bps)	145	142	131	122	111
Poland 10Y	3.23	3.55	3.67	3.91	3.91
spread (bps)	279	297	298	313	302
Romania10Y	4.43	4.60	4.80	5.10	5.20
spread (bps)	400	402	411	432	431
Slovakia 10Y	0.68	0.85	0.90	0.95	1.10
spread (bps)	25	27	21	17	21
Slovenia 10Y	0.83	0.90	1.10	1.20	1.30
spread (bps)	39	32	41	42	41
Serbia 7Y	4.67	4.85	4.85	4.90	4.95
DE10Y (BBG)*	***0.43***	***0.58***	***0.69***	***0.78***	***0.89***

FX	current	2018Q1	2018Q2	2018Q3	2018Q4
EURHRK	7.43	7.55	7.35	7.45	7.55
forwards		7.43	7.43	7.43	7.43
EURCZK	25.55	25.40	25.30	25.10	25.00
forwards		25.57	25.57	25.57	25.57
EURHUF	308.8	315.0	315.0	315.0	315.0
forwards		311.9	311.9	311.9	311.9
EURPLN	4.16	4.25	4.23	4.21	4.20
forwards		4.16	4.16	4.16	4.16
EURRON	4.64	4.65	4.65	4.70	4.73
forwards		4.64	4.64	4.64	4.64
EURRSD	118.7	120.0	120.5	120.0	121.5
forwards		-	-	-	-
EURUSD	1.20	1.13	1.11	1.10	-

3M Money Market Rate	current	2018Q1	2018Q2	2018Q3	2018Q4
Croatia	0.54	0.40	0.40	0.40	0.40
Czech Republic	0.76	0.89	1.11	1.11	1.34
Hungary	0.03	0.00	0.00	0.00	0.00
Poland	1.72	1.73	1.75	1.75	1.99
Romania	2.01	2.15	2.45	2.70	2.70
Serbia	3.09	3.00	3.00	3.00	3.00
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	0.5	0.75	1.00	1.00	1.25
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.75
Romania	1.75	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	2.9
Czech Republic	2.5	4.4	3.4	2.9
Hungary	2.2	3.9	3.5	3.3
Poland	2.8	4.4	3.7	3.0
Romania	4.8	7.1	4.1	2.4
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**	**3.6**	**3.0**

Average inflation (%)	2016	2017f	2018f	2019f
Croatia	-1.1	1.2	1.6	1.8
Czech Republic	0.7	2.5	2.2	2.0
Hungary	0.4	2.3	3.2	3.5
Poland	-0.6	2.0	2.2	2.3
Romania	-1.5	1.3	4.0	3.0
Serbia	1.6	3.3	3.7	4.3
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**	**2.5**

Unemployment (%)	2016	2017f	2018f	2019f
Croatia	13.1	10.9	10.0	9.2
Czech Republic	4.0	3.0	2.8	3.2
Hungary	5.1	4.2	4.0	3.9
Poland	8.9	7.4	7.2	7.3
Romania	6.0	5.4	5.5	5.5
Serbia	15.3	12.8	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**	**6.4**	**6.1**	**6.0**

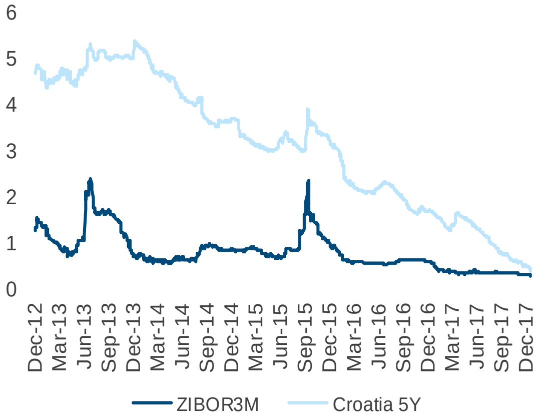
Public debt (% of GDP)	2016	2017f	2018f	2019f
Croatia	82.7	79.3	76.2	73.0
Czech Republic	36.8	34.9	32.8	31.9
Hungary	73.9	72.0	70.7	69.7
Poland	54.4	54.9	54.1	53.2
Romania	37.6	36.9	37.0	37.7
Serbia	72.9	65.0	63.8	62.1
Slovakia	51.8	51.2	50.1	47.6
Slovenia	78.3	74.2	72.5	69.0
CEE8 average	**53.5**	**52.4**	**51.2**	**50.1**

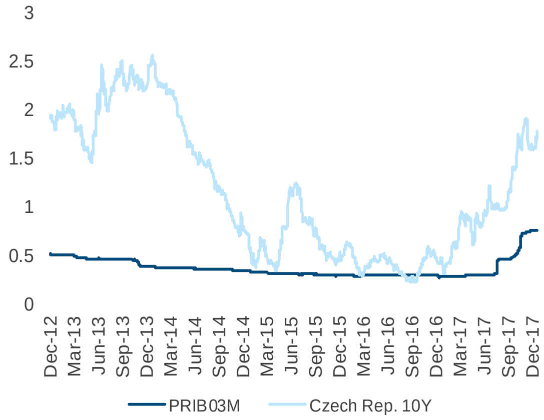
C/A (%GDP)	2016	2017f	2018f	2019f
Croatia	2.5	4.1	2.5	1.5
Czech Republic	1.1	0.9	0.7	0.5
Hungary	6.1	4.1	3.7	3.3
Poland	-0.3	-0.2	-0.5	-1.2
Romania	-2.3	-3.1	-3.7	-3.6
Serbia	-4.2	-4.7	-5.4	-6.7
Slovakia	-0.7	0.0	0.8	1.2
Slovenia	5.2	6.4	6.1	5.4
CEE8 average	**0.5**	**0.3**	**-0.1**	**-0.5**

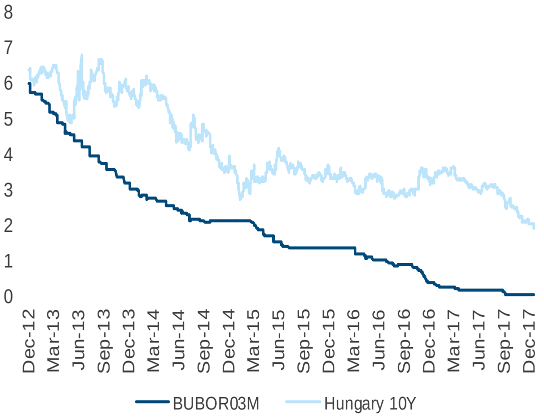
Budget Balance (%GDP)	2016	2017f	2018f	2019f
Croatia	-0.8	-0.5	-0.5	-0.5
Czech Republic	0.5	0.2	0.1	-0.2
Hungary	-1.8	-2.7	-2.5	-2.5
Poland	-2.4	-2.1	-2.5	-2.3
Romania	-3.0	-3.0	-3.4	-2.9
Serbia	-1.3	0.0	-0.8	-0.8
Slovakia	-2.2	-1.5	-1.0	-0.6
Slovenia	-1.8	-0.8	-0.3	0.0
CEE8 average	**-1.8**	**-1.7**	**-1.9**	**-1.7**

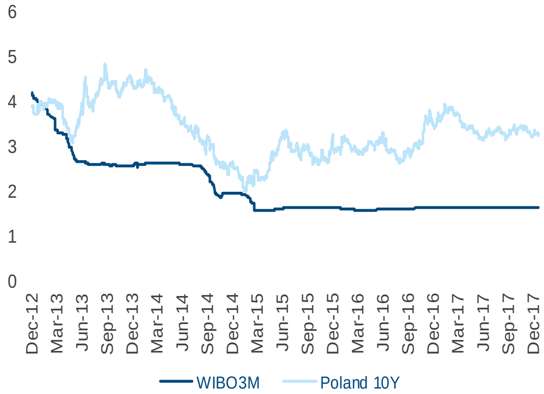
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

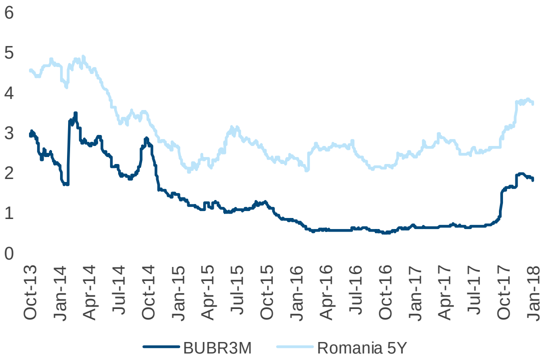
Appendix

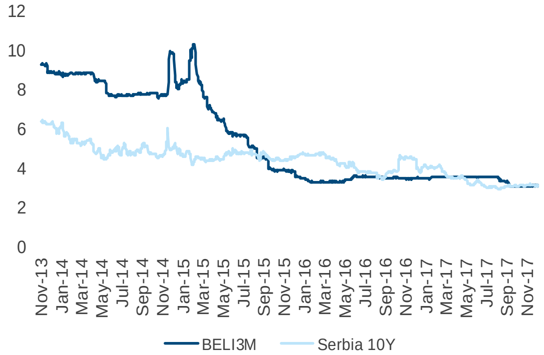


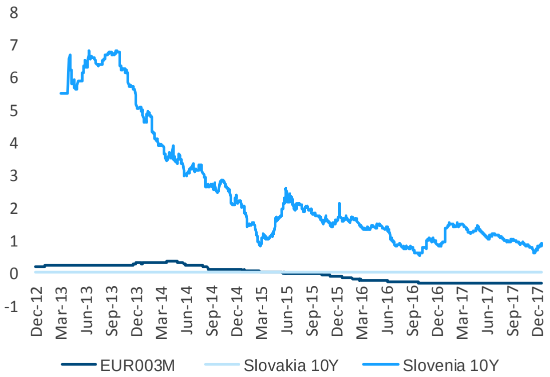












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Contacts

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA	+43 (0)5 0100 11902
Major Markets & Credit Research	
Head: Gudrun Egger, CEFA	+43 (0)5 0100 11909
Ralf Burchert, CEFA (Agency Analyst)	+43 (0)5 0100 16314
Hans Engel (Senior Analyst Global Equities)	+43 (0)5 0100 19835
Christian Enger, CFA (Covered Bonds)	+43 (0)5 0100 84052
Margarita Grushanina (Economist AT, Quant Analyst)	+43 (0)5 0100 11957
Peter Kaufmann, CFA (Corporate Bonds)	+43 (0)5 0100 11183
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Covered Bonds)	+43 (0)5 0100 19632
Rainer Singer (Senior Economist Euro, US)	+43 (0)5 0100 17331
Bernadett Povazsai-Römhild (Corporate Bonds)	+43 (0)5 0100 17203
Elena Statelov, CIIA (Corporate Bonds)	+43 (0)5 0100 19641
Gerald Walek, CFA (Economist Euro, CHF)	+43 (0)5 0100 16360
Macro/Fixed Income Research CEE	
Head CEE: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357
Zoltan Arokszallasi, CFA (Fixed income)	+43 (0)5 0100 18781
Katarzyna Rzentarzewska (Fixed income)	+43 (0)5 0100 17356
CEE Equity Research	
Head: Henning Eßkuchen	+43 (0)5 0100 19634
Daniel Lion, CIIA (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420
Michael Marschallinger	+43 (0)5 0100 17906
Christoph Schultes, MBA, CIIA (Real Estate)	+43 (0)5 0100 11523
Vera Sutedja, CFA, MBA (Telecom, Steel)	+43 (0)5 0100 11905
Thomas Unger, CFA (Banks, Insurance)	+43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343
Martina Valenta, MBA	+43 (0)5 0100 11913
Editor Research CEE	
Brett Aarons	+420 956 711 014
Research Croatia/Serbia	
Head: Mladen Dodig (Equity)	+381 11 22 09178
Head: Alen Kovac (Fixed income)	+385 72 37 1383
Anto Augustinovic (Equity)	+385 72 37 2833
Milan Deskar-Skrbic (Fixed income)	+385 72 37 1349
Magdalena Dolenec (Equity)	+385 72 37 1407
Ivana Rogic (Fixed income)	+385 72 37 2419
Davor Spoljar, CFA (Equity)	+385 72 37 2825
Research Czech Republic	
Head: David Navratil (Fixed income)	+420 956 765 439
Head: Petr Bartek (Equity)	+420 956 765 227
Vit Machacek (Fixed income)	+420 956 765 456
Jiri Polansky (Fixed income)	+420 956 765 192
Michal Skorepa (Fixed income)	+420 956 765 172
Pavel Smolik (Equity)	+420 956 765 434
Jan Sumbera (Equity)	+420 956 765 218
Research Hungary	
Head: József Miró (Equity)	+361 235 5131
Gergely Ürmössy (Fixed income)	+361 373 2830
András Nagy (Equity)	+361 235 5132
Orsolya Nyeste (Fixed income)	+361 268 4428
Tamás Pletser, CFA (Oil&Gas)	+361 235 5135
Research Poland	
Director of Research: Tomasz Duda (Equity)	+48 22 330 6253
Deputy Director: Magdalena Komaracka, CFA (Equity)	+48 22 330 6256
Marek Czachor (Equity)	+48 22 330 6254
Mateusz Krupa (Equity)	+48 22 330 6251
Karol Brodziński (Equity)	+48 22 330 6252
Research Romania	
Head: Horia Braun-Erdei	+40 3735 10424
Mihai Caruntu (Equity)	+40 3735 10427
Dumitru Dulgheru (Fixed income)	+40 3735 10433
Eugen Sinca (Fixed income)	+40 3735 10435
Dorina Ilasco (Fixed Income)	+40 3735 10436
Research Slovakia	
Head: Maria Valachyova, (Fixed income)	+421 2 4862 4185
Katarina Muchova (Fixed income)	+421 2 4862 4762
Research Turkey	
Ender Kaynar (Equity)	+90 212 371 2530
Efe Kalkandelen (Equity)	+90 212 371 2537

Treasury - Erste Bank Vienna

Group Markets Retail Sales	
Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail a. Sparkassen Sales AT	
Head: Markus Kaller	+43 (0)5 0100 84239
Equity a. Fund Retail Sales	
Head: Kurt Gerhold	+43 (0)5 0100 84232
Fixed Income a. Certificate Sales	
Head: Uwe Kolar	+43 (0)5 0100 83214
Markets Corporate Sales AT	
Head: Christian Skopek	+43 (0)5 0100 84146

Fixed Income Institutional Sales

Group Markets Financial Institutions	
Head: Manfred Neuwirth	+43 (0)5 0100 84250
Bank and Institutional Sales	
Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Sales Western Europe AT, GER, FRA, BENELUX	
Head: Thomas Almen	+43 (0)5 0100 84323
Charles-Henry de Fontenilles	+43 (0)5 0100 84115
Karin Rattay	+43 (0)5 0100 84118
Rene Klasen	+49 (0)30 8105800 5521
Bernd Bollhof	+49 (0)30 8105800 5525
Bank and Savingsbanks Sales	
Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Sven Kienzle	+49 (0)711 810400 5541
Michael Schmotz	+43 (0)5 0100 85542
Ulrich Inhofner	+43 (0)5 0100 85544
Klaus Vosseler	+49 (0)711 810400 5560
Andreas Goll	+49 (0)711 810400 5561
Mathias Gindele	+49 (0)711 810400 5562
Institutional Sales CEE and International	
Head: Jaromir Malak	+43 (0)5 0100 84254
Central Bank and International Sales	
Head: Margit Hraschek	+43 (0)5 0100 84117
Christian Kössler	+43 (0)5 0100 84116
Bernd Thaler	+43 (0)5 0100 84119
Institutional Sales PL and CIS	
Pawel Kielek	+48 22 538 6223
Michal Jarmakowicz	+43 50100 85611
Institutional Sales Slovakia	
Head: Sarlota Sipulova	+421 2 4862 5619
Monika Smelikova	+421 2 4862 5629
Institutional Sales Czech Republic	
Head: Ondrej Cech	+420 2 2499 5577
Milan Bartos	+420 2 2499 5562
Barbara Suvadova	+420 2 2499 5590
Institutional Asset Management Sales Czech Republic	
Head: Petr Holecek	+420 956 765 453
Martin Perina	+420 956 765 106
Petr Valenta	+420 956 765 140
David Petracek	+420 956 765 809
Blanca Weinerova	+420 956 765 317
Institutional Sales Croatia	
Head: Antun Buric	+385 (0)7237 2439
Željko Pavičić	+385 (0)7237 1494
Natalija Zujic	+385 (0)7237 1638
Institutional Sales Hungary	
Head: Peter Csizmadia	+36 1 237 8211
Attila Hollo	+36 1 237 8209
Gabor Balint	+36 1 237 8205
Institutional Sales Romania	
Head: Ciprian Mitu	+43 (0)50100 85612
Stefan Mortun Racovita	+40 373 516 531
Business Support	
Bettina Mahoric	+43 (0)50100 86441

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Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
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