International Research

Economic and Banking Monitor

October 2022

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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Viewpoint

The recently released high-frequency macroeconomic indicators – referring to the summer months – were on the whole mildly favourable. Looking ahead, however, **downside risks for growth and upside risks for inflation prevail.**

While waiting for the release of GDP statistics for the third quarter of the year, overall economic growth in the first half of this year was higher than expected thanks to progress on the supply and demand side. The Central and South Eastern Europe (CEE and SEE) economy is currently well above pre-Covid levels and we expect expansion to continue in 2023 (mainly in the second half of the year) but **very short-term recession risks are rising** in line with the decline in sentiment indices.

In relation to the quarter ended last September, high-frequency indicators are consistent with a continuation of the expansion phase at a more moderate pace in the CEE and SEE areas, while a negative outlook is confirmed in Eastern Europe (EE) where a deep recession is underway both in Ukraine - due to the direct effects of the conflict - and in Russia, as a result of sanctions adopted by several countries. A marked economic weakening is also affecting Moldova, whose GDP contracted in Q2 2022.

Looking forward, the key point to focus on is the progressive deterioration of the scenario. **The energy price shock of the past months has not yet worn off and is expected to further affect the economy in the coming quarters** in terms of lower GDP growth and persistent pressure on consumer prices.

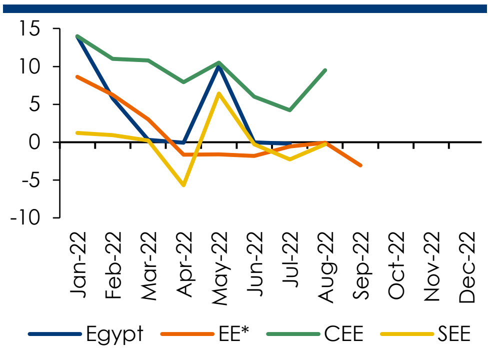
Eastern Europe as a whole (EE, CEE and SEE) could also be affected by the worsening international scenario. In Asia there is evidence of a slowdown, in the US there was a contraction of GDP in the first two quarters of the year and the yield curve continues to be inverted. Worrying factors also come from the Eurozone, where an economic slowdown is underway and persistent price pressures and second-round-effect risks are pushing the ECB to raise policy rates to higher levels than the market estimated a few months ago.

Looking ahead, there are many critical factors with clear downside risks for GDP growth and upside risks for inflation. These risks are in many ways interconnected. Geopolitical tensions are rising both between Russia and Western countries and in Asia, with significant impacts in terms of sanctions, international trade and **supply chains that could be shortened.**

As a result, we may have to coexist in the future with a structurally higher level of inflation and interest rates than observed in the recent years.

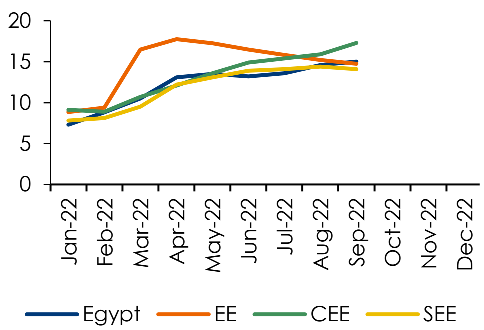
Finally, on the monetary policy side, Central banks in the CEE region are approaching the end of their restrictive cycle and in 2023 some institutions will start to cut policy rates due to the projected easing of inflationary pressures (after the predictable peak in the final months of this year or early 2023) and the economic slowdown. In SEE countries, where rate hikes started later, they are expected to continue.

Industrial production (% yoy)



Note: * Russia and Moldova (Ukraine's data are available until January 2022). Source: Intesa Sanpaolo elaboration on Refinitiv data

Inflation (% yoy)



Source: Intesa Sanpaolo elaboration on Refinitiv data

ALBANIA
INTESA SANPAOLO BANK
Albania

ROMANIA
INTESA SANPAOLO BANK
Romania

SLOVAKIA AND CZECH REPUBLIC
VÚB BANKA

BOSNIA AND HERZEGOVINA
INTESA SANPAOLO BANKA
Bosna i Hercegovina

RUSSIAN FEDERATION
BANCA INTESA

SLOVENIA
INTESA SANPAOLO BANK

CROATIA
PRIVREDNA BANKA ZAGREB

SERBIA
BANCA INTESA
Beograd

HUNGARY
CIB BANK

EGYPT
ALEXBANK | بنك الإسكندرية

UKRAINE
ПРАВЕКС БАНК

MOLDOVA
EXIMBANK

This note has been coordinated by Gianluca Salsecci. The names of the authors are reported in the single sections.

The note considers the countries with Intesa Sanpaolo subsidiaries: Slovakia, Slovenia, Hungary and Czech Republic among the CEE countries; Albania, Bosnia, Croatia, Serbia and Romania among SEE countries; Russia, Moldova and Ukraine among CIS countries; Egypt among MENA countries. It also includes Poland among the CEE countries, where ISP is present with a branch.

The Economic and Banking Monitor is released on a quarterly basis in January-February, April-May, July-August and October-November.

Cross Country Analysis

CEE Area

Antonio Pesce

In many cases, the most recent high-frequency indicators signal a still fragile and uncertain economic landscape, due to the significant negative spill-overs from the war in Ukraine, diplomatic tensions, and geopolitical fragmentation. The ongoing easing of supply bottlenecks is expected to progress further in the coming months, but risks remain skewed to the downside, in part still due to the pandemic and owing to the Russia-Ukraine conflict.

In September, the **Economic Sentiment Indicator** (ESI) in the CEE region decreased to 89.2 (weighted average) from 90.2 in August and reached the minimum for the year so far, ranging from 86.9 in Slovenia and 94.2 in Hungry. All the subcomponents of the indicator deteriorated, but in particular consumer sentiment, which has been affected by declines in disposable income and the higher cost of financing.

In July and August, the **industrial production** trend remained positive (about 7.0%, on average) but slightly below Q2 (+8.1%) and well below Q1 (+12.0%) in the CEE area. It ranged from -4.25% in Slovakia to +9.0% in Poland (where given the preliminary estimate available for this country, industrial production growth also remained strong in September, at +9.8%) and 9.20% in Hungary.

In August, the nominal **exports** trend remained robust and further accelerated, to +28.6% (from +19.0% in July), mostly as a result of price increases. In the same month, the nominal **retail sales** dynamics also remained robust (+12.2% yoy), increasing further from the +10.0% yoy of July.

The price dynamics of several commodities, in particular food and oil and gas, are still impacting **Inflation** rates. In September, the consumer price dynamic in the region accelerated further, to +17.3% (regional w.a., from +15.9% in August), reaching a new record high. Prices also accelerated for goods with lower volatility and **core inflation** rose again in September, reaching +13.1% (from 12.3% in August). In the same month, the **wage** dynamic (12.9+% w.a. in July) continued to rise, sustained in several cases by fiscal measures adopted to support households' disposable incomes.

To respond to the inflationary pressures, central banks in Hungary, Czech Republic and Poland increased **policy rates** to record highs for the last decade. The **Hungarian central bank** raised the policy rate to 13% in September and declared an end to the tightening cycle. However, in an emergency meeting on 14 October, the NBH hiked its overnight collateralised lending rate by 950bps, to 25%, while keeping the benchmark base rate unchanged at 13%. The NBH also created a new one-day deposit facility with an interest rate of 18%, effectively replacing the base rate. The decision was made to counteract inflation and support the forint, as the local currency depreciated 25% in the last twelve months, reaching a record-low in October (433 per EUR). Monetary rate (16.7%) jumped as well. The **Czech National Bank** held its two-week repo rate steady at 7% at its September meeting (for the second time since the start of its tightening path in June 2021). The **National Bank of Poland** held its benchmark reference rate at 6.75% in October and marked the first pause after the tightening cycle that began in October 2021.

In financial markets, **long-term yields** rose sharply in the CEE region, in parallel with short-term interest rates, with a widening of the spread with respect to 10Y Bund yields. The strong inflation, international geopolitical tensions related to the conflict in Ukraine, and concerns about the economic implications on the region weakened **CEE currencies**. The ongoing weakening of the economic cycle has been mirrored by further increases in **CDS spreads**, which in Hungary and Poland reached 246.2 (from 194 in July) and 142.4 (from 116.9 in July), respectively.

Davidia Zucchelli

With regard to **banking aggregates**, **in the CEE area**, both lending and deposits continue to accelerate in August in nominal terms, showing positive changes mom (with the only exception of Slovakia) but were poor in real terms. **Lending** rose by 8.3% yoy in August (from +7.7% yoy in July) and deposits by 6.7% yoy (from +5.8% yoy the previous month), but -7% and -9% in real terms mainly due to a weak performance from Poland. Corporate loans, mainly short term, were much more dynamic (+16.9% yoy in August in the area, strengthening in all countries ex Slovakia) than household loans (+3.9% yoy, on average; very modest in Poland at +0.2%). Hungary and Slovenia were the best performers (+14.5% and +12.5% for total loans, respectively). All of the countries reported lower NPL ratios, with the lowest ratio being in Slovenia (1.1%). Nevertheless, if interest rates move too high too fast and the economy slows significant, NPLs are expected to soar, as highlighted recently by the EBA because of rising Stage 2 ratios. Variable rate loans will be at particular risk (Poland almost exclusively provided variable interest rates). Several indicators point to possible overheating in housing markets, and housing has become less affordable over recent years. Housing prices increased by over 20% in Czech Republic and Hungary (1Q21 to 1Q22). However, strengthening revenues and comfortable loan-loss reserves are expected to protect banks' earnings. The dynamic regarding **deposits** continued to be strong, at +6.7% yoy in the area. Hungary (+18.8%) fared well on a yoy basis, but there were positive mom changes in all of the countries. Corporate deposits accelerated much more than household deposits (particularly in Hungary, at +25.5%). Data still report robust **liquidity ratios**. The loan/deposit ratio stood at over 100% only in Slovakia.

In September, **Hungary** applied a new moratorium which included the agricultural sector, but this version saw lower participation than the previous ones, as highlighted by the central bank. Rising interest rates could also be a source of concern for variable rate mortgages, which are estimated by the central bank to rise significantly in 2023. In **Slovenia,** loans gradually strengthened (+12.5% yoy in August) for both the household (+8.4% yoy) but especially the corporate (+17.6%) sectors. The risk inherent in the real estate market remains elevated, according to the central bank, as a result of the continuing surge in residential real estate prices and rising housing lending. The further increase in fixed-rate long-term housing loans is additionally increasing banks' interest sensitivity. Deposits remained vigorous (+5.7% yoy in August from +5.3% yoy in July), increasing by 7.9% in the corporates while these were up 5.4% in the household sector. **Slovakia** also recorded a still-strong performance in lending (+11.2% yoy) and in deposits (+6.5%). In **Poland,** loans increased by 5.8% yoy, mainly in the corporate sector (+18.8%, the highest yoy increase since May 2009), while in the household sector, loans slowed (+0.2%). New measures (a new moratorium and the replacement of the benchmark rate on mortgages) intended to help the retail sector, which is facing increasing costs due to high inflation, could lower profitability. **Czech Republic** is proposing a new windfall tax on the banking sector, but according to analysts, the government will be able to collect much less than it has forecast under the current parameters of the planned levy.

SEE Area

Antonio Pesce

Q2 GDP data have now been released for Albania (2.2%) and Bosnia and Herzegovina (5.9%). For Albania, it was the softest pace of expansion since the country returned to growth in the last quarter of 2020. In Bosnia and H., the GDP trend was slightly higher than in Q1 (5.8%).

The industrial production trend was still negative in August in the SEE region (-0.3%), though it was better than in July (-2.3%), because of the -1.0% recorded in Romania, while the trend remained positive in Croatia, Bosnia H. and Serbia (+0.7%, +1.6% and +0.3%, respectively). In the same month, the trends for **retail sales** (3.9%) and **exports** (25.8% in July) continued to be positive and strong, ranging from +4.6% in Serbia to +11.6% in Bosnia and H. for retail sales, and +20% in Serbia and +43% in Serbia for exports. Moving to forward-looking indicators, in September, the **Economic Sentiment Indicator** (ESI) increased slightly in Romania, to 102.2 (from 100.9), while it decreased in Croatia (101.5 from 108.6).

The **inflation** rate has been pushed up by the increasing pressures related to rising energy prices. The consumer price trend reached +14.1% in September (on a regional w.a. basis), ranging from +8.1% in Albania to +15.9% in Romania, a new record high for this country and well above the CB's target (2.5% +/-1.0%). In Serbia, the inflation rate also remained well above the CB's target (3.0%+/-1.5%), hitting +14.0% in September. In October, because of inflationary pressures, the central banks of Albania, Romania and Serbia further increased their **policy rates,** by 50bps, to 2.25%, by 75bps, to 6.25%, and by 50bps, to 4.0%, respectively. At the same time, **long-term yields** in Romania rose to 9.0% (a 0.8pp increase with respect to three months ago). In Croatia, an upward change in long-term yields occurred as well (to 4.2%, +1.1pp with respect to three months ago) due to the upward inflation profile. In the **FX** markets, local currencies have remained roughly stable in recent months, thanks to central banks' interventions in Croatia and Serbia. Meanwhile, significant increases in **CDS spreads** have occurred in Romania (to 355.4 from 292.5 in July) and Serbia (350 from 330.8), while they decreased in Croatia (108.9 from 122.7), though remaining high.

Davidia Zucchelli

On the **banking side**, loans and deposits showed still-strong dynamics in August in nominal terms. In real terms, the performances were poor, particularly in Bosnia. Lending growth rates (+13.2% yoy, on average) remained vigorous in Romania (+15.1%), which was the best performer, Albania (12.6%) and Serbia (+11.5%). Loans to households showed a slight deceleration from July (+6.8% yoy from 7.8%). No bubbles in the real estate market have been highlighted. Housing prices increased by around 13% in Croatia and 6.5% in Romania from 1Q21 to 1Q22, according to EBA data, but variable-rate loans will be particularly at risk (Romania almost exclusively provides variable interest rates). Nevertheless, NPL coverage ratios for mortgage loans were over 50% in both Croatia and Romania. The **lending dynamics** to corporates in the SEE area were strong (20.6% yoy), but mainly short term in nature and for debt restructuring. NPL ratios were low (ranging from 2.9% in Romania to 5.2% in Albania and Bosnia). **Deposit growth** continued to be strong in the area in August (+8.4% yoy), in particular in Croatia (+13.7%) but decelerating, as was also the case in Serbia (to +6.9% yoy). Corporate deposits accelerated much more than household deposits (particularly in Croatia, +21.7% yoy vs 10.5%). Data still report **robust liquidity ratios** as in the CEE area. The loan/deposit ratios showed a slight decrease, remaining under 100% in all countries.

Serbia and Romania, still supported by relatively stronger economic activity, played leading roles in lending growth. In **Romania,** loan growth continued to be strong, especially in the corporate sector (+24.6% yoy vs +6.9% in households, where consumer loans remained at very low levels). The deposit performance was also positive in the two sectors in August (+15% and +4.4% yoy, respectively), supported by interest rates, which jumped to 6.3% (from 5.5% in July). In **Serbia,** outstanding banking loans were on a sustained upward trend (+11.5% yoy in August), particularly to corporates, to +14% yoy, and by +8.7% yoy to households. Corporate deposits continued to rise strongly (+9.4% yoy vs +5.3% for households) on a stable path. In **Albania,** total loans increased by 12.6% yoy (+12% yoy in July), most notably for corporates (+16.1% yoy). Loans to households were also up (+6.2%, which accounted for 35% of total loans). Deposits continued to be much more dynamic for corporates (+13% vs +5.9% in households), leading to a total deposit rise of 7.3%.

In **Croatia,** loans grew by 9.7% yoy in August, mainly to corporates (+16.9% yoy), particularly short-term loans, but also to households (5.3% yoy), mainly housing loans with fixed interest rates. Deposits rose by 13.8% (+21.7% in corporates vs +10.5% in households). In **Bosnia,** loan growth increased in August (by +5% yoy, but -12% in real terms) both to households (+5.4%) and corporates (+4.6%). Deposits increased by only 1.1% yoy (-13% in real terms), decelerating rapidly from +7.1% yoy in February, with the decline among households (where deposits fell further by 2.3% yoy because of worries about the war) and an increase of 7.9% yoy in the corporate sector, with still low though slightly rising interest rates.

EE and MENA Areas

Francesca Pascali

EE countries are still affected by risks due to the conflict between Russia and Ukraine. They are negatively impacted by the geopolitical scenario, with rising commodity prices. In September, the **industrial production** trend in **Russia** (-3.1%) was down with respect to the previous months (August, -0.1%; July -0.5%, June, -1.8%; May, -1.7%) while it declined in **Moldova** (-14.4% in July from -6.6% in June). It was already weak before the outbreak of Russia's conflict in **Ukraine** (+2.9% in January). **Retail sales** decreased in Russia in August by 8.8% (-8.8% in July) in nominal terms, with an inflation rate of 13.7% (September). With regard to forward-looking indicators, in Russia, the **PMI** rose to 52.0 in September (five months over 50), moving above the August level of 51.7. On the **inflation** side, in Russia, consumer prices increased to13.7% in September, still well above the CB's inflation target (4.0%). In Ukraine, it also accelerated to +24.6% (from +23.8% of August), well above the CB's target (5.0%+/-1.0%). In the same month in Moldova, the inflation rate accelerated to +34.0% (from +34.3% in August).

In September, the Russian CB lowered the **policy rate** by a further 50bps (to 7.5%), the fifth cut this year, after a rise to 20% on 28 February. Due to rising inflation, in August, Moldova's CB instead increased the rate by 3pp, to 21.5%. In Ukraine, in June the CB lifted the policy rate to 25%, and it is expected to remain at this level until mid-2024. Despite the tensions regarding the war, in the FX market, the Russian ruble returned to its 1Q18 value vs the USD.

In a rising inflation scenario, the Russia-Ukraine war is expected to have repercussions on the economy of **Egypt**, and the impact is due to result in food shortages and soaring commodity prices. Looking at the economic data, in July, industrial production decreased by 0.2% yoy (from -0.03% the previous month) and in the same month exports rose by 2.2% (from -3.3% in the previous month). In September 2022, the PMI index remained stable at 47.6 (below the 50 threshold). In September, inflation rose to +15.0% (from +14.6% in August), still remaining above the upper level of the CB's interval target (7.0% +/-2.0%). After the depreciation of March 2021 (more than 16%), the EGP continues its depreciation against the USD. After a hike of 100bps in March, to 10.25%, in May, Egypt's CB further increased the policy rate by 200bps, to 12.25%.

Davidia Zucchelli

Banking aggregates also remained strong in nominal terms in the **EE area,** according to the latest available data (July or August). According to new data series, in **Russia,** loans increased by 7% yoy in July (but -8% in real terms), particularly in the household sector, thanks to the subsidised mortgage lending programme (+9.1% vs +6% in corporates). Deposits rose by 9.4% (especially corporate deposits, which were up by 14.9% yoy), and the loan/deposit ratio decreased to 114.4%. Both lending and deposits decelerated significantly in August in **Moldova,** mainly as a consequence of the war. The performance of loans (+14.6% yoy from +16.4% yoy in July) continued to be driven by households, with the sector up by 16.5% yoy, while loans to corporates, which accounted for almost 70% of the total portfolio, grew by 13.4% yoy. The NPL ratio was stable in August (at 6.6%). Deposits grew by 3% yoy in August, especially from corporates (+12.5% yoy), while in the household sector, deposits continued to fall (-2.5% yoy), as was the case in the previous months.

Despite the war, in **Ukraine,** loans increased by 5.4% yoy as of August (+8.9% yoy in July), +5.9% yoy in the corporate sector, though household loans also rose by 4%. The NPL ratio deteriorated further (to 30.8% from 30% in July). Total deposits rose by 18.3% yoy, showing there is still trust in the banking system. Official foreign exchange rates have been kept fixed since the war began. Therefore, the FX effect on banking aggregates cannot be estimated. Withdrawals from deposits denominated in foreign currency have been very tightly restricted.

In **Egypt,** loans grew by 25.6% yoy in the private sector in July and were strong for both corporates (+25.9%) and households (+25%) – and in positive territory in real terms as well. The NPL ratio remained very low (3.2% as of June). Banks are able to rely on ample customer deposits, which had increased by 24.6% yoy as of July (20.7% in households and 46.2% in corporates which cover 17% of total deposits to the private sector). Higher rates (9.1% as of August on household deposits) are expected to weigh on banks' profitability.

Country-Specific Analysis

Czech Republic

Zdenko Štefanides

Real Economy

Easing of supply chain problems allowed for a strong rebound in export-oriented Czech manufacturing in the latest activity readings. On a seasonally adjusted basis, factory output rose by 0.9% over the month in August, more than offsetting the 0.3% decline in the previous month. Compared to the previous year, output grew 7.2% in working-day adjusted terms, the best reading since June 2021. Clearly, though, this improvement in activity was most likely only temporary. Sentiment surveys show further weakening ahead. Confidence decreased in businesses and among households. Consumer confidence, in fact, plunged to a record low in September, reflecting intensifying household concerns regarding the general economic situation and their own financial situation. Indeed, the incipient recession has now started to affect the labour market. The unemployment rate increased in September for the third month in row. At 3.5%, though, the Czech jobless rate is still very low in the EU context.

Financial Markets

The Czech National Bank (CNB) has kept interest rates steady since June and looks likely to continue to do so at the upcoming policy meeting on 3 November. The majority (five of seven) CNB Board members appear to feel that official rates in Czech Republic have already reached their peak. The remaining two members continue to call for higher rates. At the last meeting, on 29 September, they voted for a 75bps rate hike, while at the previous, August, meeting, they called for a 100bps rise. Inflation has increased since then, to 18% from 17.2% in August. Still, compared to CNB expectations, the increase, driven by energy costs, was expected and actually less steep than forecast (20.4%), which may soothe some of the hawks' concerns. The Czech koruna meanwhile has been holding relatively steady, at around 24.5 vs the euro, while the market interest rates increased, alongside global developments. 10Y yields had risen to 6.3% by 21 October from 4.8% a month ago.

Banking Sector

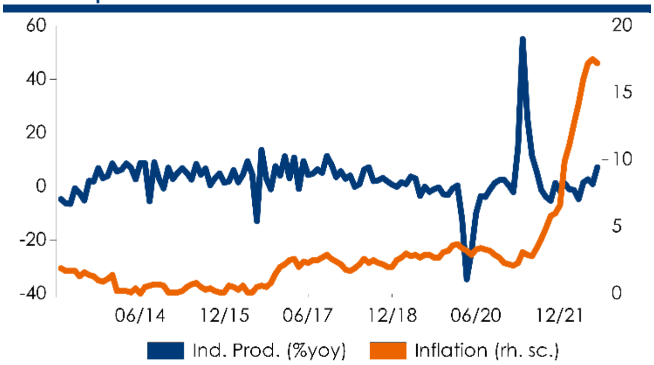
The Quarterly Bank Credit Conditions survey released in October showed further tightening of lending conditions, especially regarding loans for consumption. Banks also perceived a decrease in demand for loans due to the high level of domestic interest rates. In the corporate sector, the decline in demand for investment loans looked especially steep while demand for loans for operations and inventory continued to grow. Household demand for housing loans continued to decline across the board. On the deposit front, growth in volume is led by the corporate sector. Household deposit volumes slowed to a little over 2% yoy growth from close to 6% at the start of the year as people, confronted with steadily rising inflation, gradually deplete their pandemic savings.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial production, wda yoy	7.2 (Aug)	-0.2	-0.4
Export of goods, nominal yoy	29.6 (Aug)	12.1	8.5
CB refi rate	7 (19th Oct)	7.0	4.5
ESI (index)	88.3 (Sep)	94.2	90.9
Retail Sales yoy	29.6 (Aug)	12.1	8.5
Inflation rate, average yoy	18 (Sep)	15.8	11.2
Loans (priv. sector, yoy, eop)	8.9 (Aug)	8.1	9.3
Deposits (priv. sector, yoy, eop)	4 (Aug)	3.8	4.9
Lending interest rate (corp., eop)	8.2 (Aug)	7.9	6.2
Deposit interest rate (hh, eop)	6 (Aug)	5.3	3.5

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Mariann Trippon

H1 average GDP growth was 7.2%, but this momentum is not sustainable for the rest of the year. High frequency indicators have already signalled the anticipated loss of momentum. Retail sales are hardly growing as consumer are becoming more cautious. The manufacturing PMI fell below the 50-point threshold in September, suggesting that the deteriorating demand environment and intense cost pressures will eventually force firms to cut back production in an increasing number of sub-sectors. On the other hand, however, the labour market remains tight: the unemployment rate is hovering around pre-COVID lows and nominal wage growth was 17.6% in the first seven months of the year. Annual inflation accelerated to 20.1% in September while core inflation jumped to 20.7%. Both the overall price index and the detailed breakdown confirm that price pressures in the economy remain very intense. The slowdown in demand may have an obvious disinflationary effect in the medium term, but on the short run we continue to expect inflation to creep higher and peak above 21% in December. Inflation is not likely to return to single-digit levels until 4Q23.

Financial Markets

The central bank raised the policy rate to 13% in September and declared an end to the tightening cycle. However, the bank was forced to take aggressive action to protect the forint exchange rate in mid-October. To deal with the surge in the risk premium, the NBH raised short rates substantially. The bank drastically widened the interest rate corridor (the lower end of the corridor remained at 12.5% while the upper end jumped to 25%) and introduced an O/N deposit facility at 18% – which implies an effective 500bps rate hike. According to the Bank, these new instruments are considered temporary and will only be available for as long as justified, i.e. until the "financial market situation returns to normal". The huge rate increase triggered a rapid wave of short position closing on the FX market, so the EUR/HUF dropped from above 433 to around 410. MM rates jumped alongside with the rate hike. The Bubor curve moved above 16%. Bond yields also increased and the spread vs Bunds widened above 800bps.

Banking Sector

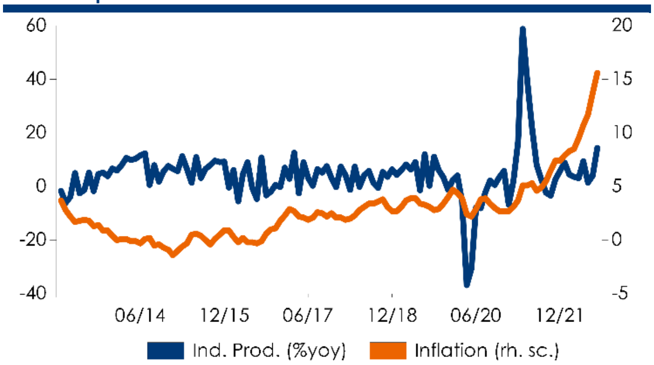
Bank deposit growth slowed during the first eight months of 2022, reaching only around 5%. No significant growth is expected for the remainder of the year, due to the end of moratoria, as household and corporate customers are starting to pay back their loans. Lower GDP growth and high inflation as well point to decelerating savings growth. Customer deposits are expected to rise by 3-5% in 2022, with the pace falling to 1-2% in 2023. In the lending market, the strong first half-year could keep the growth rate for 2022 close to 10%, thanks to the government supported Széchenyi programme and a strong housing market. However, with slower economic growth, the increase in loan volume will drop below 2% in 2023.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	14.4 (Aug)	4.7	5.7
Nom. Exports yoy	37 (Aug)	8.0	9.1
ESI (index)	94.2 (Sep)	100.3	103.1
Retail Sales yoy	3.3 (Aug)	10.6	10.2
Inflation Rate yoy	20.1 (Sep)	10.6	8.2
CB Reference Rate	13 (19th Oct)	7.8	4.4
Loans (priv. sector, yoy, eop)	14.5 (Aug)	13.4	9.8
Deposits (priv. sector, yoy, eop)	18.8 (Aug)	16.8	14.3
Lending interest rate (corp., eop)	9.3 (Aug)	7.1	6.1
Deposit interest rate (hh, eop)	8.3 (Aug)	4.7	3.4

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Zdenko Štefanides

Real Economy

Economic activity in Poland is moderating, but, given the malaise elsewhere in Europe, it still remains surprisingly resilient. Industrial production, in particular, continued to grow at a double-digit pace through September, helped by the export-oriented manufacturing sectors. Easing of supply chains problems allowed for a strong rebound in automotive manufacturing output (46% yoy), but supported other sectors as well, such as machinery, electrical equipment and capital goods manufacturing, which grew at close to or exceeding 20% yoy. Construction output has been less buoyant recently and stagnated in real terms in September, as housing construction, the key segment of construction, slowed its yoy growth to less than 9% from nearly 26% in August. Still, thanks to the boom in 1H22, the number of housing units under construction remains near record levels.

Alongside still-resilient activity, the labour market remains tight. Employment in September increased by 2.3% over a year ago, similar to August (2.4%), as demand for labour remains strong and supply increased by an estimated 400 thousand Ukrainians who fled their home country after Russia's invasion and found jobs in Poland. Wages in the corporate sector increased by 14.5% in September, up from 12.7% in August.

Financial Markets

The National Bank of Poland (NBP) left interest rates unchanged at its policy meeting on 5 October, thus interrupting a steady tightening cycle that started a year ago. The NBP explained the pause in hiking based on the expected economic slowdown, which will contribute to curbing demand and support a decline in inflation towards the NBP's inflation target. Inflation has in fact increased further, to 17.2% in September, and has yet to peak around 20% in early 2023. Yet, given the newly announced caps on electricity prices by the Polish government, headline inflation may indeed fall next year faster than previously expected. Markets-wise, the zloty has been broadly stable recently at around 4.8 vs the euro. Yields, however, have risen steeply, approaching 9% on the 10Y maturity, nearly 3pp higher than a month ago.

Banking Sector

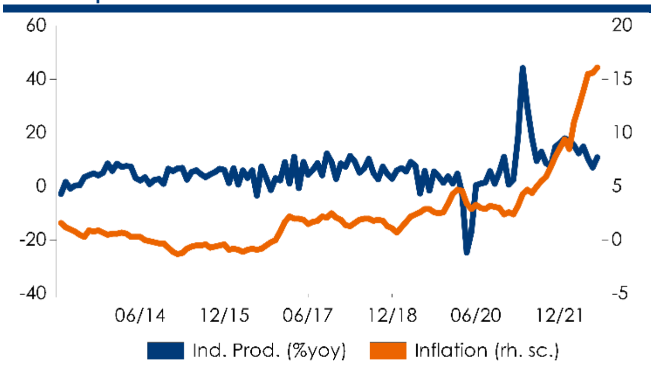
Rising interest rates and other headwinds have negatively affected the housing market. Rising construction costs and the expectations of a decline in real estate prices have led to stagnation in the volume of loans for houses. Growth of loans to households actually turned negative in August for the first time ever. Overall loan volume growth thus now resides solely with lending to corporates, which accelerated to 19%, the highest level in more than a decade. Deposit growth, contrary to loans, has been helped by the increase in interest rates. A shift from current to term deposits supported a near doubling of the volumes of the latter vs a year ago.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	10.9 (Aug)	12.6	16.9
Nom. Exports yoy	24.5 (Aug)	23.1	21.0
ESI (index)	88.2 (Sep)	95.6	98.0
Retail Sales yoy	4.8 (May)	n.a.	n.a.
Inflation Rate yoy	17.2 (Sep)	13.9	9.6
CB Reference Rate	6.8 (19th Oct)	6.0	3.5
Loans (priv. sector, yoy, eop)	5.8 (Aug)	5.7	5.4
Deposits (priv. sector, yoy, eop)	4.6 (Aug)	3.6	3.4
Lending interest rate (corp., eop)	8.5 (Aug)	8.3	5.7
Deposit interest rate (hh, eop)	5.4 (Aug)	4.6	1.9

Source: Narodowy Bank Polski , Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

Slovakia's economy is slowing amid the war in neighbouring Ukraine and the resulting energy crisis caused by Russia's low exports of natural gas to Europe. High energy prices have already pushed many local companies out of business, if only temporarily. Industrial production thus continues to show negative yoy growth, which amounted to -2% in August. In addition, domestic demand is already being negatively affected by high inflation: real retail sales fell 0.3% yoy in September. This is still a relatively good result considering that average real wages have fallen by about 5%.

The labour market is feeling some pressure as well, as the seasonally adjusted registered unemployment rate stopped narrowing in August and September. Wages in selected industries continued to grow by 7-8% yoy and the government is still pushing the average higher with its wage hikes planned from this past July until September of next year.

The local inflation rate rose in September, to 14.2%, despite the waning base effect of abolishing free lunches at schools in 2021. This, however, is still not the maximum, as the regulated energy prices of gas, electricity and heat are to be increased in January, when the annual inflation rate may reach from above 17% (our estimate) to as much as 22% (central bank's forecast).

Financial Markets

Continuing high inflation in the Euro Area (9.9% in September) has led the European Central Bank to hike its key rates rather fast. After the September hike of 75bps, October could also bring another equivalent increase. By next year, the refi rate could reach above 3.5%, the market expects. These expectations, together with the minority government proposing a public finance deficit of 6.4% for 2023, pushed local 10Y bond yields up to 3.8% (the highest level since 2012), with the spread against German Bunds widening further, to 140bps. This creates further pressure for increasing commercial interest rates in the country as well.

Banking Sector

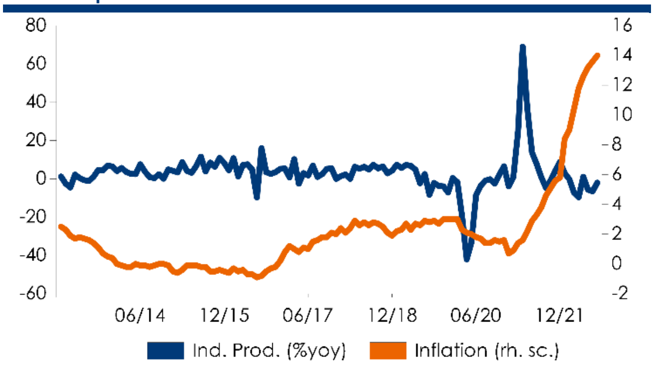
The rapid rise in interest rates is already having an impact on the prevailing mortgage loans in Slovakia. July and August figures showed a marked decline in new as well as refinancing mortgage loan volumes, after people tried to get better deals still in spring. At the same time, the relatively lower pace of deposits growth is creating a natural brake for further fast credit expansion. This is because of the loan/deposit ratio is the highest in the region and reached 110% in July. The profitability of the banking sector remains close to that of the Euro Area median. However, it could theoretically be hit in the future by a special bank levy to help decrease the large public finance deficit.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production, wda yoy	-2 (Aug)	-4.7	-1.5
Nom. Exports, yoy	30.3 (Aug)	17.9	12.3
ESI (index)	89.7 (Sep)	99.5	95.7
Retail sales, yoy	-0.3 (Aug)	6.3	16.0
Inflation rate, yoy	14.2 (Sep)	12.5	9.3
ECB refi rate	1.3 (19th Oct)	0.0	0.0
Loans (priv.sector,yoy,eop)	11.2 (Aug)	11.9	9.0
Deposits (priv.sector,yoy,eop)	6.5 (Aug)	4.9	2.7
Lending interest rate (corp., eop)	2.5 (Aug)	2.0	1.8
Deposit interest rate (hh, eop)	0 (Aug)	0.0	0.0

Source: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ivana Jović

A relatively stable economic performance was observed in August, according to the available data. Namely, industrial production strengthened by 1.2% mom (4.8% yoy), driven by a strong mom increase in capital goods production (+8.9% mom) and somewhat less pronounced growth in consumer goods (+1.8% mom) as production of consumer durables declined by 4.4% while nondurables increased by 3.2% mom. Overall, over the first eight months of this year, industrial production posted annual growth of 3.9% yoy, with manufacturing the driving force (+6.2%), although energy-intensive sub-sectors as well as the car industry registered annual declines. Simultaneously, foreign trade data continued to register strong nominal growth as goods exports and imports surged by 51.9% and 44.3% yoy, respectively. Domestic demand also continued to be strong as real retail trade in August increased by 31.7% yoy, although this was mainly driven by a surge in the retail trade of automotive fuel (+93.2% yoy). Excluding this, growth was more moderate (2.6%). It is expected that economic activity will moderate over the final months of 2022, reflecting a noticeable slowdown in major trading partners as well as continuously deteriorating consumer confidence. The last reading, for September, was lower than that recorded in lockdown-marked April 2020.

HICP inflation in September slowed to 10.6% (from 11.5% yoy in August), as inflation declined by 0.3% mom, driven by a decrease in energy prices reflecting the government's measures of reducing taxes and regulating the prices of certain energy sources.

Financial Markets

Ana Lokin

In September, the average 10Y government bond spread vs Bunds was flattish mom at 110bps (yield: +80bps mom, to 3.0%). By 20 October, it was averaging a bit higher, at 120bps, with the yield up to 3.4%.

Banking Sector

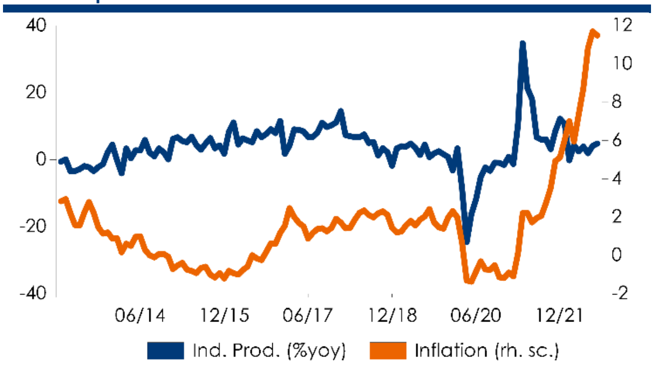
The upbeat trend for private sector lending carried on in August, at 12.5% yoy, mostly due to increased working capital financing needs of companies in the retail and energy sectors. Corporate loans thus posted 17.6% yoy growth, with short-term loans expanding by a whopping 52.8% yoy, medium-term by 30.0% yoy, and long-term by 8.3% yoy. Household loan growth sped up a bit, to 8.4% yoy, while housing loans flat-lined at 11.9% yoy. The fall in consumer loan eased to -1.2% yoy. Statistics of MFI interest rates reveal that lending rates on newly placed household loans rose in August, with rates on both consumer and housing loans up by 30bps mom. Deposit growth increased amid seasonal effects and rising lending, reaching 5.7% yoy in August. Overnight deposit growth rose to 9.7% yoy, but the contraction in deposits with agreed maturities widened, to -16.6% yoy. Corporate deposits gained pace, coming in at 6.6% yoy. Household deposits continued to rise steadily, by 5.4% yoy.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production, wda yoy	4.8 (Aug)	2.8	5.0
Nom. Exports yoy	51.9 (Aug)	43.8	20.3
ESI (index)	89.7 (Sep)	96.3	98.9
Consumer Confidence Indic.	-39.3 (Sep)	-31.0	-26.7
Inflation Rate yoy	10.6 (Sep)	9.0	6.3
ECB refi rate	1.3 (19th Oct)	0.0	0.0
Loans (priv.sector,yoy,eop)	12.5 (Aug)	10.0	7.2
Deposits (priv.sector,yoy,eop)	5.7 (Aug)	5.1	4.0
Lending interest rate (corp., eop)	1.8 (Aug)	1.7	1.7
Deposit interest rate (hh, eop)	0.0 (Aug)	0.0	0.0

Source: Statistical Office of the Republic of Slovenia, National Bank of Slovenia

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Kledi Gjordeni

Real Economy

Despite a significantly slower pace, growth of the Albanian economy continued in the second quarter of this year. GDP growth in 2Q22 reached 2.2% vs 6.5% a quarter earlier. The continued increase in import prices, as well as the spread of the high prices in economic sectors within the country, is expected to affect consumption, trade and investments in the country and increase the downside risks for the economy. CPI in September reached 8.1%, mainly due to food and energy prices. At the same time, the expansion of employment and wages led to an increase in domestic inflationary pressures. In 2Q22, the unemployment rate decreased by 2pp vs the previous quarter, to 11.1% from 11.3%. The high prices have already eroded exports and public sector spending. Household consumption, at 8.95%, is still keeping stable growth rates. government expenditures decreased by 8.5% in 2Q22. Exports increased by 16.33% yoy in September, lower than the 50.77% seen in the previous month.

Financial Markets

The quadrupling of the key interest rate this year by the Central Bank, from 0.5% to 2.25%, is undoubtedly being transmitted to market yields. However, interest rates continue to be accommodative, meaning room for further CB tightening of monetary policy, which largely depends on the uncertainty over economic growth due to the war escalation between Russia and Ukraine and the disruption of supply chains. According to the CB, the upward trend in inflation is expected to continue over the next two quarters but to decrease thereafter, returning to target in 1H24. In the foreign exchange market, the lek continued to appreciate against the euro, by 3.74% yoy, reflecting demand and supply in the market.

Banking Sector

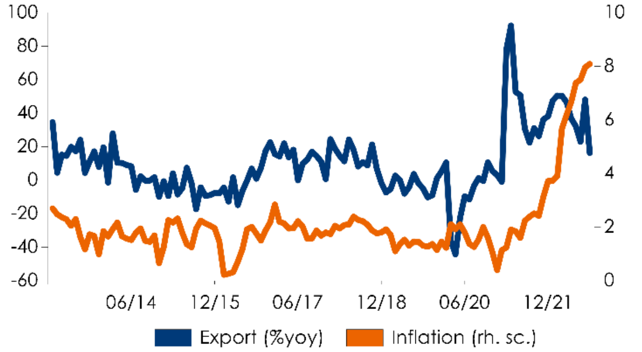
The banking sector is in good shape and liquid. Banks continue to increase their loan portfolios. YoY total loans in the private sector expanded by 12.63% in September. Loans to households increased 6.23% and for corporates by 16.12%. The new loans portfolio was over 43.50%-plus. Deposits from the private sector were also higher yoy. In September, total deposits rose by 7.35%. Household deposits increased by 5.91% and for corporates by 12.97%. The new deposits portfolio recorded 18.19% growth. The NPL rate was 5.2%, the same as in August 2022.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	16.3 (Sep)	38.5	49.5
Unemployment rate	n.a.	11.1	11.3
Inflation rate, average yoy	8.1 (Sep)	6.8	4.4
CB Reference Rate	2.3 (31th Oct)	1.0	1.0
Loans (private sector, yoy, eop)	12.6 (Aug)	12.5	12.2
Deposits (private sector, yoy, eop)	7.3 (Aug)	7.9	9.2
Lending interest rate (pr.sect., eop)	6.3 (Aug)	5.6	4.9
Deposit interest rate (pr.sect , eop)	1.4 (Aug)	0.9	0.5

Source: National Statistical Institute, Bank of Albania

Exports and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

Following (upwardly revised) 1Q +5.8% yoy, GDP growth strengthened in Q2, to +5.9% yoy. The main growth drivers were private consumption (+3.4% yoy) and gross capital formation (+23.8% yoy) while government consumption basically stagnated (+0.3% yoy). Although exports recorded strong +22.4% yoy growth, imports of goods and services increased by 23.4%. Thus, the contribution of net exports to headline growth was negative. As construction works data indicate a less supportive performance over Q2, we assume that strong growth in gross capital formation is attributable to stock building while private consumption was supported by a stable labour market and remittances inflows. Data available for Q3 indicate that a solid economic performance continued over the summer months, although with some mixed signals coming from industrial production. Thus, we expect to see a more tangible slowdown in the economy take place in the final quarter of the year, as Q3 was most likely supported by a recovery in tourism, remittances inflows, and higher government spending prior to the general elections held on 2 October.

It is important to highlight that an important milestone was achieved in October, as according to Commissioner Várhelyi's statement, the European Commission recommended the granting of candidate status to BH for EU membership. The European Council will probably make a final decision in December.

Banking Sector

Ana Lokin

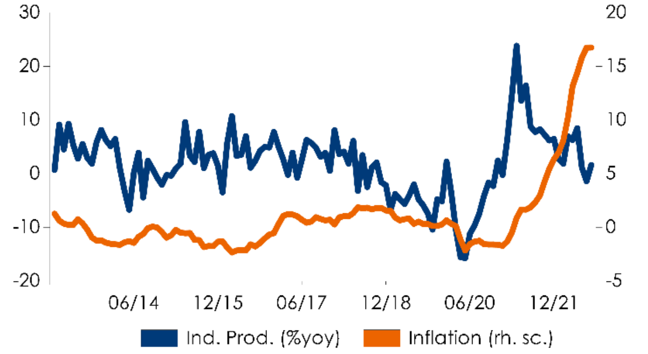
August saw loans to the private sector edging down to 5.0% yoy as both corporate and households slowed somewhat. Loans to non-financial corporations rose by 4.6% yoy, with the strongest driver being, as in other countries, new lending related to rising energy and other costs, but also refinancing. The YTD rise in both loans to private and public enterprises amounted to 3.9%. Household loans advanced by 5.4% yoy, with consumer loans continuing to stagnate, at 4.2% yoy, while housing loans continued to lose momentum, expanding by 9.9% yoy. In September, entities supervision agencies adopted the Decision on temporary measures to mitigate the risk of interest rate increase, impacting reserve calculations and interest rates on outstanding loans with variable rates (regarding clients facing defaults in case of interest rate increases of 200bps and over vs end-2Q22, refinancing may be offered). The rise in deposits continued to be weak, at 1.1% yoy in August, with corporates decelerating (7.9% yoy) and households remaining in negative territory (at -2.3% yoy). On a monthly basis, however, household deposits continued to pick up, rising for the third month in a row (June +0.7% mom, July +0.8% mom, August +0.9% mom) owing to a recovery in short-term liquid funds. Time deposits, on the other hand, after the sharp drop in March, maintained the negative trend in the following months. On an annual basis, the rise in retail transaction accounts accelerated to 9.0% in August while the drop in demand deposits softened to -2.0%. The decline in time deposits widened, to -13.2%.

Latest macroeconomic indicators

	Last value	2Q22	1Q22
Industrial production, wda yoy	1.6 (Aug)	2.1	2.6
Export of goods, nominal yoy	23.9 (Aug)	39.9	39.9
Retail trade, real, wda yoy	10.9 (Aug)	14.4	18.3
Inflation rate, average yoy	16.7 (Aug)	14.5	8.4
Loans (private sector, yoy, eop)	5 (Aug)	4.8	4.3
Deposits (private sector, yoy, eop)	1.1 (Aug)	0.9	2.6

Source: Central Bank of Bosnia and Herzegovina, Agency for statistics of Bosnia and Herzegovina

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivana Jović

With high frequency data for August, signs of economic slowdown started to be more visible. Namely, industrial production recorded a mom decline (-0.8%) for a second month in a row (July: -1.2%), meaning the annual growth rate fell to only 0.6%. The most worrying signals are definitely the strong annual contractions in production of intermediate goods (-10.1%) and consumer durables (-3.8%), as well basically stagnating production of consumer non-durables (+0.8%). while positive support for headline growth came from capital goods (+16.2%) and energy production (+9.9%), which together accounted for roughly a third of total industrial production. In addition to the decline in industrial production, private consumption – ie, retail trade volume – declined by -0.2% yoy in August (-1.0% mom) for the first time in the last 18 months, reflecting falling real incomes. As inflationary pressures strengthened again in September (+1.5% mom, +12.8% yoy), with the strongest annual rise in food inflation (+19.1%), we can hardly expect major positive surprises from September retail data. Thus, with diminishing effects from the tourist season, the last months of the year will likely more strongly reflect an unfavourable foreign environment, especially negative spillovers from slowdowns in major trading partners – ie, expected recession in Germany and Italy, the impacts of which will continue into 2023, which accompanied the slowdown in domestic demand, as indicated by low level of consumer confidence – which will put significant downside pressure on expected GDP growth next year.

Financial Markets

Ana Lokin

FX rates were stable in September and October, oscillating close to the conversion rate. In September, 10Y government kuna bond spreads on benchmarks stagnated mom at 150bps, on average, while the average yield surged 70bps amid Bund growth, to 3.3%. By 20 October, the average spread had widened to 190bps and the yield had risen to 4.1%.

Banking Sector

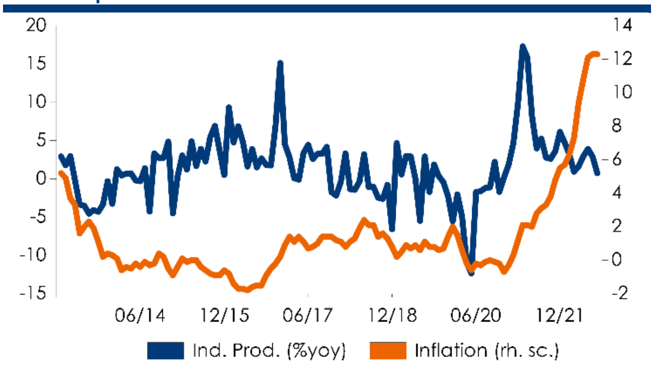
Loans continued to accelerate (9.7% yoy in August) owing to a strengthening of corporate demand, related to rising energy and raw material costs, and healthy household loan growth. Corporate loans rose by 16.9% yoy, with the steepest growth of 19.9% yoy observed for working capital loans along with 17.9% yoy higher investment loans. Based on company size, growth was broad-based. The strongest levels were seen at large corporations (24.6% yoy), thanks to energy sector companies. Household loans rose 5.3% yoy, with sound housing loans (9.5% yoy) and steady cash loans (3.0% yoy). Deposits ticked up to 13.8% yoy in August: corporates moderated to 21.7% yoy while households sped up to 10.5% yoy. FX savings continued to rise strongly as a result of tourist season revenues, increases in corporate financing, and EA entry nearing (corporate 47.3% yoy, households 9.9% yoy in August).

Latest economic indicators

	Last value	2Q22	1Q22
Industrial production, wda yoy	0.7 (Aug)	-0.2	1.9
Export of goods, nominal yoy	42.6 (Jul)	30.5	30.3
Retail trade, real, wda yoy	-0.2 (Aug)	4.6	2.1
ESI (index)	101.5 (Sep)	108.6	108.9
Inflation rate, average yoy	12.8 (Sep)	10.8	6.4
Loans (priv. sector, yoy, eop)	9.7 (Aug)	8.0	4.7
Deposits (priv. sector, yoy, eop)	13.8 (Aug)	12.7	10.2
Lending interest rate (pr.sect., eop)	2.9 (Aug)	2.1	2.5
Deposit interest rate (pr.sect , eop)	0.1 (Aug)	0.1	0.1

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

In second quarter of 2022, GDP growth was at 5.3% yoy, slightly higher than expectations. In comparison with our previous forecast for EOY 2022 (at 2.6%), the latest forecast is higher, at around 4.7% EOY 2022.

CPI at the end of September was 15.88% yoy, above NBR projection. According to the NBR's latest projection, the inflation evolution will decelerate till EOY 2022 to around 13.9%, but with much uncertainty related to the war situation, energy market prices, and food and commodities market prices. The inflation level has been significantly improved by government subsidies for energy prices for people and companies. The NBR will publish the latest Inflation Report for this year in November.

The Budget Deficit at the end of August 2022 was 2.4% of GDP, with Budget execution apparently better than in the previous year. This was apparently because the grant for energy prices for the last five to six months had not yet been paid in its entirely to energy companies. The current account deficit is still growing: August showed a 16.96 billion EUR deficit vs 16.92 billion EUR for all of 2021. The increase in this deficit, together with concerns about the budget deficit, are key issues to be followed over the next months.

Retail sales (+20.2% yoy August 2022) and constructions (+15.7% yoy August 2022) are still growing, even if constructions have been very volatile this year, but industrial production is slowing (-1.0% yoy August 2022), raising some concerns about the further evolution of the economy.

Financial Markets

The NBR again increased all monetary policy rates (Deposit, Lombard and Reference Rate) by 75bps at the October meeting, due to the higher inflation as follow: Deposit Facility Rate, 5.25%; Reference Rate, 6.25%; and Credit Facility Rate, 7.25%. There are expectations for further increases at the last annual monetary policy meeting in November. The EUR/RON rate became more volatile (range of 4.82-4.95 connected with the EUR/USD rate evolution), showing the NBR usage of "all instruments" in the fight with inflation. The NBR continues to provide liquidity to the Banking System. The Lombard Facility improved liquidity in the market by around 7 billion RON daily basis in August. Romania EUR 5 years CDS reached 335bps, its highest level since 2012.

Banking Sector

Marius Pacurari

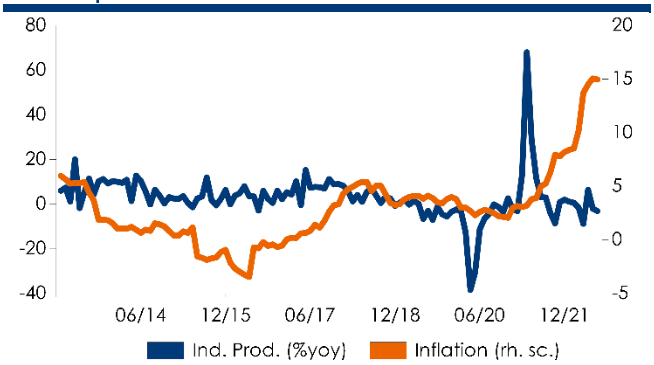
August figures show consistent growth of Loans (15.1% yoy) and a deceleration in Deposits growth (10.16% yoy). The largest growth in deposits was still seen in the final months of 2021. Regarding the first eight months of 2022, the evolution of deposits was almost flat. Interest rates grew at 6.88% and 9.18% averages for RON-denominated deposits and credits and increased at a 3.01% average for EUR-denominated credits and at 0.26% for EUR-denominated deposits.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	-1.0 (Aug)	-1.5	0.0
Nom. Exports yoy	24.1 (Jul)	27.0	23.7
ESI (index)	102.2 (Sep)	100.9	103.9
Retail Sales yoy	3.7 (Aug)	5.0	5.4
Inflation Rate yoy	15.9 (Sep)	14.4	9.0
CB Reference Rate	6.3 (19th Oct)	3.8	2.5
Loans (priv. sector, yoy, eop)	15.1 (Aug)	16.7	15.0
Deposits (priv. sector, yoy, eop)	8.4 (Aug)	9.8	10.6
Lending interest rate (pr.sect., eop)	9.6 (Aug)	7.8	6.0
Deposit interest rate (pr.sect., eop)	6.3 (Aug)	4.4	2.1

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Marija Savic

Real Economy

Economic activity grew by an average of 4.1% in 1H22 and is expected to remain positive but grow more slowly in the second half of the year. A deteriorated outlook for Serbia's main trade partner, the EU, will have negative impacts on external demand. An unfavourable situation in domestic electricity production, negatively impacted by the energy crisis, will put additional downward pressure on economic growth, coupled with a below-average agricultural season and modest results for industrial production.

Inflation continued to rise, reaching 14% yoy in September, the highest level in the last eleven years. Growth in food and energy prices is still accounting for 70% of headline CPI. Core inflation reached 8.6% yoy, strongly influenced by persistent cost-push pressures and elevated imported inflation. The National Bank believes that inflation has reached its peak and should steadily decline in the upcoming months. It is expected to remain on a downward path throughout 2023, returning to the target tolerance band in the first half of 2024.

Financial Markets

The NBS continued with monetary tightening, increasing the key policy rate by 50bps in October, to 4%. The aim of hiking was to contain the inflationary effect of demand-side factors and the second-round effects of rising food and energy prices on other prices through inflation expectations. Since the beginning of the year, the key policy rate has been increased seven months in a row by 300bps cumulatively. The tightening of monetary conditions put upward pressure on interest rates in money markets, with the 6m-Belibor rate at 3.9% and the 3m-Belibor rate at 3.8%. Taking into consideration still-high inflation and an expected continuation of ECB hiking, it is very likely that the NBS will continue to gradually tighten its policy.

The Dinar remained stable against the euro, gaining 0.2% nominally since the beginning of the year. Since May, the central bank has been a net buyer, at a cumulative EUR 1.9Bn. The high inflow of foreign currency is likely to relate to an increase in remittances and inflows from tourism. Overall, the NBS has sold a net EUR 425mn since the start of 2022 in order to maintain relative stability for the dinar exchange rate against the euro.

Banking Sector

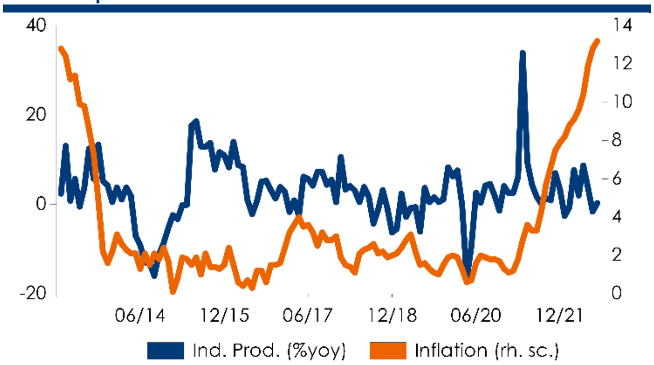
Interest rates on dinar deposits and loans rose in line with monetary conditions tightening. Interest rates on household dinar savings increased from 1.4% in April 2022 (when the policy rate hike cycle began) to 3.1% at end-August 2022 while interest rates on cash retail loans reached double-digits for the first time in three years. Corporate passive interest rates exceeded active rates, as some large banks aggressively bid for dinar liquidity. The share of non-performing in total loans remains low, amounting to 3.19% in August.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	0.3 (Aug)	4.8	1.5
Nom. Exports yoy	23.4 (Aug)	32.4	28.7
Retail Sales yoy	4.6 (Aug)	5.6	10.2
Inflation Rate yoy	14 (Sep)	10.6	8.7
CB Reference Rate, eop	4 (19th Oct)	2.5	1.0
Loans (priv.sector,yoy,eop)	11.5 (Aug)	12.8	12.4
Deposits (priv.sector,yoy,eop)	6.9 (Aug)	6.0	7.9
Lending interest rate (pr.sect., eop)	4.6 (Aug)	4.0	3.6
Deposit interest rate (pr.sect , eop)	3.1 (Aug)	3.0	1.7

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Olga Litvin

Real Economy

The 1.1% yoy growth of Moldova's economy in 1Q22 was followed by a 0.9% yoy contraction in 2Q22. The GDP evolution in 2Q22 was due to net investments, inventories and household consumption which made -3.2pps, -1.4pps and -0.4pps contributions, respectively. These were slightly counteracted by the 3.4pps positive net exports impact as a consequence of the increase in the volume of exports of goods and services (+53.9%), correlated with a more modest increase in the volume of imports (+20.0%).

As of July 2022, industrial production decreased by 14.4% yoy due to negative growth in production volumes of extractive industries (-6.2%), manufacturing industries (-15.5%) and the energy sector (-2.4%), generating decreases in total industrial production of 0.2%, 14.1% and 0.1%, respectively.

The annual inflation rate as of September 2022 stood at 33.97%, driven by rises in prices for food products (+37.1%), non-food goods (+22.4%) and services' tariffs (+47.3%). Thus, inflationary pressures continue to dominate, despite the 0.32pp reduction in the level of the annual rate compared to the August level.

Financial Markets

The National Bank of Moldova continues to enforce restrictive monetary policy measures. The base rate applied to the main short-term monetary policy operations reached 21.5% annually as of August. The 91-, 182- and 364-day Treasury bill yields increased by 3.9pp, 3.7pp and 2.5pp, respectively, as of September compared with the end of 2Q22 levels, in line with the inflation trajectory and expectations.

Banking Sector

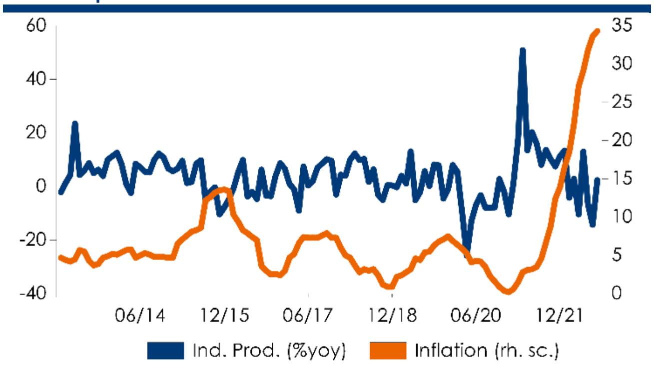
Starting with 3Q22, the stock of loans in the private sector has seen a deceleration in its yoy growth, expanding by 14.6% (vs +22% in May), driven by somewhat equal positive evolutions in household (+16.5%) and corporate (+13.4%) loans. Deposits' growth, after a sharp deceleration recorded in 2Q22, continued to be stable in 3Q22, with the stock of deposits increasing by 3.0% yoy in August. Corporate deposits expanded by 12.5% while the stock of household deposits saw a 2.5% yoy contraction. The NPL ratio has been basically stable so far in 2022, with slight fluctuations but maintaining a monthly average level of 6.7% yoy.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	2.4 (Aug)	-1.3	4.0
Nom. Exports yoy	39.4 (Aug)	90.5	55.8
PMI Manufacturing	39.4 (Aug)	90.5	55.8
Retail Sales	-4.5 (Aug)	-1.2	4.7
Inflation Rate yoy	34 (Sep)	29.3	19.1
CB Reference Rate	21.5 (30th Sep)	18.5	12.5
Loans (Priv. Sector, yoy, eop)	14.6 (Aug)	20.6	24.5
Deposits (Priv. Sector, yoy, eop)	3 (Aug)	3.4	6.1
Lending interest rate (corp., eop)	12 (Aug)	10.6	9.3
Deposit interest rate (hh, eop)	8.7 (Aug)	6.2	4.0

Source: National Bureau of Statistics of the Republic of Moldova, National Bank of Moldova

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Francesca Pascali

Following the invasion of Ukraine, economic policy was aimed at offsetting the impact of Western sanctions. The external environment for the Russian economy remains challenging, invariably putting significant pressure on economic activity. Inflation expectations for households and price expectations for businesses remain elevated. As for the real economy, Russia's GDP decreased by 4.0% in the second quarter of 2022 with respect to a year earlier, down from a 3.5% annual growth rate in the previous quarter. The first quarter of 2022 is expected to have been the last to see modest growth in the economy due to the above-mentioned Western sanctions. Russia's central bank has said that it expects gross domestic product to shrink by -4.0% to -6.0% in 2022. The central bank said that the external environment for the Russian economy remains challenging and significantly constrains economic activity. Both demand and supply factors are having a negative impact on economic activity.

Financial Markets

After the hike to 20% on 28 February, the CBR lowered the policy rate by 300bps in April, to 17%, by a further 300bps, to 14.0%, on 4 May, by 300bps, to 11%, on 27 May, by 150bps, to 9.5%, on 14 June, by 150bps, to 8.0% and, finally, by 50bps, to 7.5%, on 16 September. The external environment for the Russian economy remains difficult and significantly restricts economic activity. At the same time, the dynamics of the ruble exchange rate will remain crucial, influencing the path of and regarding expectations related to inflation. Russia's inflation rate is in fact continuing to decrease and reached 13.7% in September. The decline in headline inflation, largely due to continued adjustments of prices for goods and services, was supported by the dynamics of the ruble exchange rate and generally subdued consumer demand. An additional disinflationary factor was the expansion of supply in a number of goods markets as external and domestic export restrictions remained in place.

Banking Sector

Davidia Zucchelli

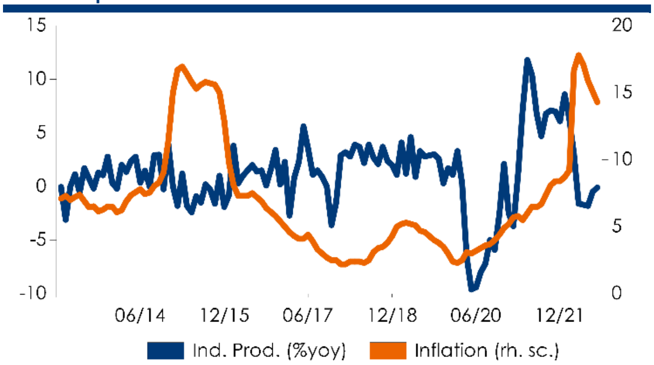
In the banking sector, data included in the Monthly Bulletin of the CBR have been revised. Loans increased by 7% yoy in July (but -8% in real terms), particularly in the household sector, thanks to the subsidised mortgage lending programme (+9.1% vs +6% for corporates). Deposits rose by 9.4% (especially corporate deposits, which were up by 14.9% yoy). The loan/deposit ratio remained well over 100% (114.4%). As of September, the volume of cash in circulation for the second time in the history of calculations exceeded RUB 15 trillion, according to CBR data. Against the background of the introduction of partial mobilisation, the indicator increased by RUB 930 billion compared to the previous month and reached RUB 15.1 trillion. Earlier, the record amount of cash in circulation was highlighted in February after the start of the war in Ukraine (RUB 15.8 trillion). The demand for cash money jumped in the face of increased economic uncertainty.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	-3.1 (Sep)	-1.7	6.0
Nom. Exports yoy	72.1 (Jan)	n.a.	72.1
Retail Sales yoy	-8.8 (Aug)	-9.8	3.9
PMI Manufacturing	52 (Sep)	50.9	44.1
Inflation Rate yoy	13.7 (Sep)	16.9	11.5
CB Reference Rate	7.5 (30th Sep)	9.5	20.0
Loans (priv.sector, yoy, eop)	7.0 (Jul)	n.a.	18.2
Deposits (priv.sector,yoy,eop)	9.4 (Jul)	n.a.	10.7
Lending interest rate (corp., eop)	10.6 (Jul)	11.4	18.7
Deposit interest rate (hh, eop)	6.1 (Jul)	6.9	18.7

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Artem Krasovskyi

Real Economy

War continues to weigh on Ukraine's economy. However, activity recovered modestly in 3Q22, thanks to de-occupation of some Ukrainian territories, business adaptation to new conditions, and the resumption of seaborne grain exports. Based on 1Q-3Q22 results, the Ministry of Economy tentatively estimates a GDP contraction of 30%. In yearly terms, in September, GDP is seen to have declined by 35% yoy, up from -37.2% yoy in 2Q22. The "grain corridor" – the unblocking of Ukraine's seaports – specifically contributed to GDP and export prints over August-September. Ukrainian exports in monetary terms hit a record value since the beginning of the war. The transportation dynamics improved by both sea and railways – the amount of cargo transported by State Railways in September was +8.4% to August and +41% to March 2022 respectively. Inflation rose to 24.6% yoy in September from 23.8% in August while core inflation topped 20% yoy, up from 19.1% a month earlier. However, according to the NBU, inflation remains controlled and slightly below expectations, even though it has tended to accelerate further in October. Meanwhile, October has seen a dent in the positive momentum marked in September and brought new fears of destabilisation, as Russia has intensified shelling of Ukrainian energy infrastructure. Therefore, the NBU has only marginally improved its 2022 forecasts for GDP (from a decline of 33-35% to 31-32%) and CPI (from 31-32% to 30%).

Financial Markets

The NBU left the key rate at 25% for the fourth consecutive time at the MP meeting in October. The new NBU governor, who stepped in to the position in early October, has committed to tight monetary policy like his predecessor and confirmed that the key rate is expected to remain at the current level (ie, not lower) till mid-2024. The UAH remains in a fixed peg regime against the USD, and even having eased somewhat, thanks to the recent exports revival, FX reserves remain under pressure. The central bank sold USD 2.7Bn to support the market in September. The FinMin seems to have finally started moving towards market expectations and increased the yields for several tenors at the last primary auction in mid-October, where the best offer reached 18.5% for 1.5-year bonds. This helped to improve results at the auction, although overall the government is likely to continue to mainly rely on monetary borrowings: the NBU's military bonds portfolio exceeded UAH 300Bn, with monthly increments of some UAH 30Bn.

Banking Sector

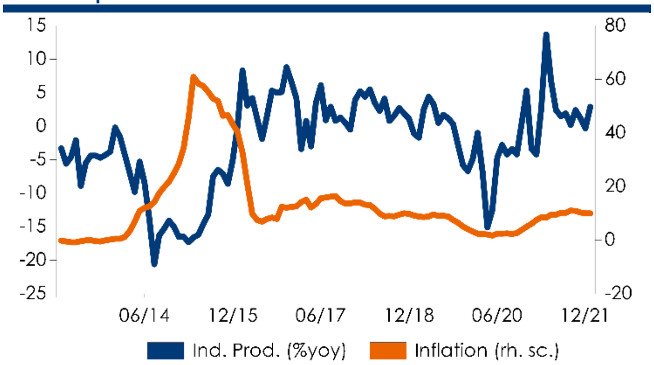
The banking sector remains stable and liquid, although lending to the economy is dormant. State banks with the support of state lending programmes continue to be the main drivers of loan portfolio growth. The profits of banks over January-August 2022 amounted to UAH 8.4Bn. The amount of provisions continues to grow, reaching UAH 89Bn in the past eight months, including UAH 84Bn during the March-August 2022 period.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production yoy	2.9 (Jan)	n.a.	2.9
Nom. Exports yoy	-30.7 (Aug)	-19.0	30.4
PMI Manufacturing	-30.7 (Aug)	-19.0	30.4
Retail Sales	14.4 (Jan)	n.a.	14.4
Inflation Rate yoy	24.6 (Sep)	18.6	11.5
CB Reference Rate	25 (30th Sep)	25.0	10.0
Loans (Priv. Sector, yoy, eop)	5.4 (Aug)	5.6	9.8
Deposits (Priv. Sector, yoy, eop)	18.3 (Aug)	11.3	10.5
Lending interest rate (corp., eop)	20.3 (Aug)	18.8	13.2
Deposit interest rate (hh, eop)	9.2 (Aug)	7.4	7.5

Source: State Statistics Service of Ukraine, National Bank of Ukraine

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Samer Halim

Real Economy

Egypt's Purchasing Managers' Index (PMI) for the non-oil private sector economy recorded 47.6 in September, unchanged from the level seen in August, but still below the 50 neutral value. This is mainly due to pressures from rising inflation rates, the Central Bank of Egypt's (CBE) decision to selectively prioritise imports, and weak demand at the end of 3Q22. Despite this, firms maintained optimistic views towards output growth in the year ahead and continued hiring activity. On a related note, the International Monetary Fund (IMF) revised its projections for Egypt's real GDP growth in FY 2022 to 6.6%, up from the 5.9% it had expected in July, but lowered it for FY 2023, to 4.4%, down from 4.8%. At the sectoral level, GDP grew 3.3% yoy in 2Q22, led by Communications (+16.8%), the Suez Canal (+9%) and Manufacturing (+5.8%). In September 2022, annual headline urban inflation increased to a record 15% from 14.6% in August 2022. Core inflation, which excludes the most volatile items, climbed as well due to a weakening currency, higher international prices, and supply shortages in certain commodities.

Financial Markets

In September, the CBE kept overnight deposit and lending rates unchanged at 11.25% and 12.25%, respectively and also decided to increase the Required Reserve Ratio (RRR) to 18% from 14% for less than 3-years deposits. Then, it announced exceptionally on October 27 raising corridor rates by 200 bps and state-owned banks offered a 3-years CD at 17.25%. These decisions accompanied the adoption of flexible exchange rate regime and exceeding EGP 22.7 per USD. The EGP gradually depreciated against the USD in the past months, reaching almost 19.7 as of October 26. Also, the International Monetary Fund (IMF) and Egypt have reached a USD 3Bn billion funding deal that will run over 46 months, the IMF's representative in Egypt, Ivana Holler said. It's important to note that the country's external debt declined to USD 155.7Bn in June 2022 against USD 157.8Bn and net international reserves almost stabilised in September, at USD 33.2Bn.

Banking Sector

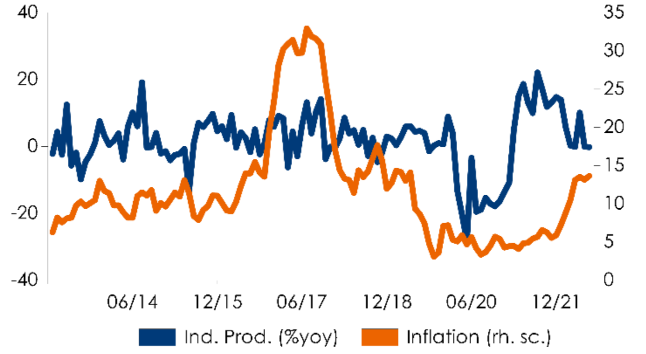
Private loans and deposits continued their strong performances, growing by 25.6% and 24.6% yoy, respectively, in July. The banking sector is witnessing two main trends: (1) more focus on long-term saving channels, particularly raising interest on 3-Years CDs after raising the RRR and (2) managing foreign funds through increasing interest on foreign-currency deposits in addition to lowering card limits for international purchases and cash withdrawals.

Latest Economic Indicators

	Last value	2Q22	1Q22
Industrial Production, wda yoy	-0.2 (Jul)	3.3	6.7
Nom. Exports yoy	2.2 (Jul)	23.1	39.9
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	47.6 (Sep)	45.2	46.5
Inflation rate yoy	15 (Sep)	13.3	8.9
CB Reference Rate	11.3 (19th Oct)	11.3	9.3
Loans (priv. sector, yoy, eop)	25.6 (Jul)	24.5	24.5
Deposits (priv. sector, yoy, eop)	24.6 (Jul)	24.0	23.2
Lending interest rate (corp., eop)	10.5 (Aug)	10.5	9.7
Deposit interest rate (hh, eop)	9.1 (Aug)	8.6	7.4

Source: Ministry of Industry & Foreign Trade, Central Bank of Egypt

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

Country Data: Economy, Markets and Banks - the economic cycle

The Economy

		GDP chg yoy			Ind.prod[1]. chg.yoy			Export nom. chg yoy			Retail sales chg yoy			Inflation chg yoy			Unemployment rate			Wages chg yoy			Economic Survey[2]		
		2Q22	1Q22	2021	Last	mth	2Q22	Last	mth	2Q22	Last	mth	2Q22	Last	mth	2Q22	Last	mth	2Q22	Last	mth	2Q22	Last	mth	2Q22
CEE	Czechia	3.6	4.9	3.4	7.2	Aug	-0.2	29.6	Aug	12.1	-7.6	Aug	-2.5	18.0	Sep	15.8	3.4	Aug	3.2	8.8	Aug	8.2	88.3	Sep	94.2
	Hungary	n.a.	8.2	7.1	14.4	Aug	4.7	37.0	Aug	8.0	3.3	Aug	10.6	20.1	Sep	10.6	3.6	Aug	3.5	15.3	Jul	15.2	94.2	Sep	100.3
	Poland	4.7	9.2	6.0	10.9	Aug	12.6	24.5	Aug	23.1	21.5	Aug	25.6	17.2	Sep	13.9	4.8	Aug	5.1	12.7	Aug	13.5	88.2	Sep	95.6
	Slovakia	1.8	3.1	3.0	-2.0	Aug	-4.7	30.3	Aug	17.9	-0.3	Aug	6.3	14.2	Sep	12.5	6.1	Aug	6.4	7.7	Aug	7.4	89.7	Sep	99.5
	Slovenia	8.2	9.6	8.2	4.8	Aug	2.8	51.9	Aug	43.8	32.4	Aug	26.1	10.6	Sep	9.0	5.6	Jul	5.7	4.3	Jul	2.3	89.7	Sep	96.3
SEE	Albania	2.2	6.0	n.a.	n.a.	n.a.	n.a.	16.3	Sep	38.5	n.a.	n.a.	n.a.	8.1	Sep	6.8	n.a.	n.a.	11.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	5.9	5.8	7.6	1.6	Aug	4.4	23.9	Aug	39.9	11.6	Aug	14.6	16.7	Aug	14.5	30.2	Jul	30.1	13.7	Aug	11.9	n.a.	n.a.	n.a.
	Croatia	7.7	7.0	10.2	0.7	Aug	2.2	42.6	Jul	30.5	0.4	Aug	5.2	12.8	Sep	10.8	6.1	Sep	6.5	7.9	Aug	7.4	101.5	Sep	108.6
	Romania	5.3	6.5	5.9	-1.0	Aug	-1.5	24.1	Jul	27.0	3.7	Aug	5.0	15.9	Sep	14.4	2.6	Jul	2.6	12.1	Jul	12.1	102.2	Sep	100.9
	Serbia	3.9	4.3	7.5	0.3	Aug	4.8	23.4	Aug	32.4	4.6	Aug	5.6	14.0	Sep	10.6	n.a.	n.a.	n.a.	13.0	Jul	13.6	n.a.	n.a.	n.a.
EE & MENA	Moldova	-0.9	1.1	13.9	-14.4	Jul	-1.3	39.4	Aug	90.5	-6.3	Jul	-1.2	34.0	Sep	29.3	n.a.	n.a.	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	-4.0	3.5	4.7	-3.1	Sep	-1.7	72.1	Jan	n.a.	-8.8	Aug	-9.8	13.7	Sep	16.9	3.9	Jul	3.9	12.7	Jul	11.5	52.0	Sep	50.0
	Ukraine	-37.2	-15.1	2.9	2.9	Jan	n.a.	-30.7	Aug	-19.0	14.4	Jan	n.a.	24.6	Sep	18.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	3.2	5.4	7.2	-0.2	Jul	3.3	2.2	Jul	23.1	n.a.	n.a.	n.a.	15.0	Sep	13.3	n.a.	n.a.	7.2	n.a.	n.a.	n.a.	47.6	Sep	45.2
	m.i. E. A.	4.0	5.0	5.3	2.5	Aug	0.4	24.0	Aug	20.4				9.9	Sep	8.0									

Note: [1]Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; [2]PMI manufacturing for Russia and Egypt, ESI for remaining countries. Source: Refinitiv

Markets and Ratings

		S/T rates		L/T rates[1]		Foreign exchanges[2]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[3]			CA bal. (mln €)[4]		Rating
		25/10	3M*	25/10	3M*	25/10	3M*	1Y*	3M*	1Y*	25/10	25/7	2Q22	1Q22	2021	2Q22	1Q22	Moody's
CEE	Czechia	7.3	0.6	6.0	1.6	24.51	-0.35	-4.74	-6.0	-13.0	45.3	40.6	n.a.	n.a.	n.a.	-3,498	-547.1	Aa3
	Hungary	16.8	5.2	10.7	1.6	412.69	4.12	13.23	-2.7	-26.0	242.0	188.0	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	11.3	3.0	8.1	2.2	4.78	1.29	3.88	-11.2	-35.4	145.1	124.2	n.a.	n.a.	n.a.	n.a.	-8,883.0	A2
	Slovakia	1.6	1.3	3.6	1.6	n.a.	n.a.	n.a.	-9.6	-14.2	51.2	47.1	n.a.	n.a.	n.a.	-3,801	-2,277.1	A2
	Slovenia	1.6	1.3	3.6	1.4	n.a.	n.a.	n.a.	-11.1	-15.4	56.3	54.2	54	87	932	-45	-148.4	A3
SEE	Albania	2.4	n.a.	n.a.	n.a.	117.66	0.93	-3.56	n.a.	n.a.	n.a.	n.a.	n.a.	-89	n.a.	n.a.	-233.0	B1
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-30	-201	1,268	-323	-190.2	B3
	Croatia	0.4	0.0	4.1	1.0	7.53	0.22	0.29	-2.5	-6.5	118.4	116.7	1,174	-952	6,079	-1,003	-2,781.6	Baa2
	Romania	8.1	0.7	9.3	0.7	4.90	-0.61	-0.89	-11.2	-15.1	363.2	281.8	n.a.	93	n.a.	-12,298	-4,676.0	Baa3
	Serbia	4.0	1.3	n.a.	n.a.	117.28	-0.09	-0.25	0.7	0.7	344.8	316.2	-1,677	-2,158	2,963	-1,318	-1,357.8	Ba2
EE & MENA	Moldova	21.5	0.2	n.a.	n.a.	19.38	0.54	10.93	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-12	58.0	B3
	Russia	8.3	-3.3	9.8	0.8	62.00	6.10	-12.52	-6.0	-43.0	n.a.	6,900.0	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	n.a.	n.a.	n.a.	n.a.	36.93	0.88	39.87	-28.6	-69.4	14,247.7	14,247.7	-5,629	-4,325	1,820	959	2,411.0	Caa3
	Egypt	n.a.	n.a.	n.a.	n.a.	19.70	4.15	25.27	17.5	-11.1	1,203.4	1,355.5	-3,706	-3,853	872	-2,958	-5,791.7	B2
	m.i.A.E.	*1.6*	*1.3*	*2.2*	*1.2*	*1.0*	*-2.5*	*-14.2*	*-3.1*	*-7.6*	*15.75*	*9.71*						

Source: Refinitiv; [1]For Ukraine, the long-term rate refers to a government issue in dollars; [2]The (-) sign indicates appreciation; [3]USD for Russia, Egypt, Ukraine, Romania; [4]USD for Russia, Egypt, Ukraine. (*) % change.

Banking aggregates and interest rates (private sector)

		Loans chg yoy %			NPL/Loans %			Foreign Liab. chg yoy %			Deposits chg yoy %			Loans rate1-NewB* %				DepositsRate1-NewB* %				Loans/Dep %		
		Last	mth	2021	Last	mth	2021	Last	mth	2021	Last	mth	2021	Last	mth	2021	S[4]	Last	mth	2021	S[4]	Last	mth	2021
CEE	Czechia	8.9	Aug	8.4	2.0	Aug	2.4	0.8	Aug	-11.3	4.0	Aug	7.0	8.2	Aug	4.5	C	6.0	Aug	2.3	H	72.3	Aug	70.7
	Hungary	14.5	Aug	12.7	2.4	Jun	2.2	35.3	Aug	6.7	18.8	Aug	17.6	9.3	Aug	4.5	C	8.3	Aug	1.5	H	74.2	Aug	71.9
	Poland	5.8	Aug	4.6	4.3	Mar**	4.4	-7.7	May	n.a.	4.6	Aug	7.7	8.5	Aug	3.8	C	5.4	Aug	1.3	H	82.7	Aug	80.1
	Slovakia	11.2	Aug	7.3	2.1	Aug	2.3	21.4	Aug	19.6	6.5	Aug	4.5	2.5	Aug	1.6	C[2]	0.0	Aug	0.0	H[2]	109.0	Aug	103.7
	Slovenia	12.5	Aug	5.2	1.1	Jul	1.2	9.5	Aug	-7.8	5.7	Aug	8.2	1.8	Aug	1.9	C[2]	0.0	Aug	0.1	H[2]	66.8	Aug	63.1
SEE	Albania	12.6	Aug	9.6	5.2	Aug	5.7	15.2	Aug	34.0	7.3	Aug	9.2	5.0	Aug	5.3	PS	1.4	Aug	0.4	PS	55.2	Aug	53.7
	Bosnia H.	5.0	Aug	3.7	5.2	Jun	5.8	-4.7	Aug	-16.3	1.1	Aug	10.0	2.9	Jul	3.1	C	0.3	Jul	0.1	H	93.4	Aug	89.5
	Croatia	9.7	Aug	2.3	3.8	Jun	4.3	9.5	Aug	-3.5	13.8	Aug	11.7	5.2	Aug	4.0	PS	0.1	Aug	0.1	PS	64.7	Aug	66.2
	Romania	15.1	Aug	14.3	2.9	Jul	3.4	25.3	Aug	9.8	8.4	Aug	13.6	9.2	Aug	5.3	PS	6.9	Aug	1.9	PS	73.9	Aug	68.1
	Serbia	11.5	Aug	10.2	3.2	Aug	3.5	24.9	Aug	9.9	6.9	Aug	13.3	8.5	Aug	5.5	PS	5.3	Aug	1.8	PS	95.8	Aug	90.1
EE & MENA	Moldova	14.6	Aug	23.5	6.8	Aug	6.1	54.7	Aug	19.7	3.0	Aug	13.1	11.2	Aug	8.5	C	8.3	Aug	3.2	H	68.4	Aug	62.6
	Russia*	7.0	Jul	18.8	n.a.	Jul	n.a.	13.3	Dec	13.3	9.4	Jul	12.7	10.6	Jul	9.0	C	6.1	Jul	5.1	H	114.4	Jul	119.3
	Ukraine	5.4	Aug	9.6	30.8	Aug	30.0	-9.0	Aug	-5.8	18.3	Aug	12.3	20.3	Aug	14.3	PS	8.1	Aug	5.0	PS	68.2	Aug	72.2
	Egypt	25.6	Jul	18.3	3.2	Jun	3.5	64.3	Aug	32.4	24.6	Jul	18.7	10.5	Aug	9.5	C	9.1	Aug	7.5	H	38.9	Jul	35.3
	m.i. E. A.	5.62	Aug	3.3	1.8	Jun	2.0	11.1	Aug	7.0	4.7	Aug	4.7	1.6	Aug	1.1	C	0.4	Aug	0.2	H	75.2	Aug	74.6

Note: [1]monthly average; [2]lending rate on current account overdraft; on deposits up to 1 year.[4]Sector C=Corporates, H=Household, PS=Private Sector.* new series. **EBA. Source: Central Banks, IMF, Moody's

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