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Viewpoint

The global economic scenario is characterised by moderating inflation, while growth remains subdued amid waning external demand and persistent geopolitical uncertainties. Central Eastern Europe (CEE) is showing resilience underpinned by robust domestic demand, South-Eastern Europe (SEE) is seeking equilibrium between growth and inflationary pressures, and Eastern Europe (EE) is facing amplified risks stemming from regional tensions. Across these areas, the deployment of adaptive monetary policy frameworks is essential to safeguard economic stability and anchor inflation expectations.

- **Macroeconomic scenario**
  - **Economic growth** – Growth trajectories across regions reveal distinct patterns shaped by internal and external factors. In Central Eastern Europe (CEE), moderate expansion persists, largely bolstered by resilient domestic demand. However, a slowdown in industrial output underscores vulnerabilities to waning external demand from core European trading partners. South-Eastern Europe (SEE) exhibits a modest deceleration, where private consumption remains a vital growth engine, although inflationary pressures and restrained investment dampen momentum. Eastern Europe (EE), confronted with geopolitical tensions, faces rising constraints that heavily impact trade dynamics and recovery potential. Egypt, meanwhile, grapples with entrenched inflationary pressures, which continue to complicate efforts to establish a more sustainable macroeconomic foundation.
  - **Inflation** – In CEE, inflationary pressures show signs of moderation, facilitated by more stable energy prices. However, CPI levels remain elevated relative to central bank targets, curbing the potential for significant monetary easing. SEE economies are experiencing variable inflation rates, influenced by fluctuating energy and production costs, which necessitate a cautious approach to inflation control. In EE, inflation remains persistently high, driven by ongoing supply chain constraints and energy market disruptions amid regional uncertainties. Egypt is seeing acute inflationary challenges that demand assertive policy responses to mitigate economic instability.
  - **Monetary policies** – Central banks in CEE are adopting a measured stance, with some economies implementing modest rate reductions while others maintain stability to manage inflation risks. In SEE, monetary policies remain balanced, aiming to support growth while curbing inflationary pressures. EE operates within a narrow policy margin, with inflation and geopolitical considerations limiting monetary flexibility. Finally, Egypt's central bank has pursued an aggressive policy path, hiking rates in an effort to contain inflation, though this is also straining its broader financial stability.
- **Banking aggregates**
  - **Loans** – In CEE, loan growth has shown a mild acceleration – with Poland and Hungary observing modest gains – underpinned by stable macroeconomic conditions in several markets. In SEE, credit demand is uneven; while economic recovery encourages some increase, inflation and elevated lending rates temper overall growth. In EE, lending exhibits more volatility, with corporate lending contracting in areas impacted by conflict, reflecting elevated risk aversion. Egypt's loan market continues to expand, largely underpinned by government support, although inflation dampens real growth in the sector.
  - **Deposits** – CEE regions exhibit strong deposit growth, with Poland and Slovakia showing an increase in household savings amid economic uncertainties. SEE countries are reporting robust household deposit growth, supported by rising wages, although corporate deposits reveal a more conservative investment approach. In EE, deposit

patterns remain volatile, particularly in regions under geopolitical strain, as savers pivot towards safer assets. In Egypt, while nominal deposit volumes increase, high inflation erodes their real value, challenging the banking sector's ability to maintain financial stability.

- **Interest rates on loans and deposits** – Interest rate dynamics vary significantly across regions, closely aligning with local economic conditions. In CEE and SEE, moderate adjustments are calibrated to foster economic recovery while controlling inflation expectations. In EE, rates remain high, reflecting both inflationary pressures and the prevailing economic instability. Egypt has sharply raised rates, aiming to balance inflation management with the need to support borrowing and savings incentives, yet the high rates place a considerable burden on the economy.
- **Non-performing loans (NPLs)** – In CEE, NPL ratios remain stable, reflecting solid asset quality even amid economic fluctuations. SEE countries demonstrate improved NPL metrics, as strengthened credit oversight supports asset stability. In EE, elevated NPL ratios in specific regions signal heightened credit risk due to geopolitical factors. Egypt, benefiting from strong banking oversight, maintains relatively low NPL levels, though ongoing economic volatility presents a potential challenge to future asset quality.

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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 Giovanni Barone. The names of the individual authors are listed in each section.

The note considers the countries where Intesa Sanpaolo has 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 has 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

Strengthening of the cyclical phase in CEE countries in the second quarter of 2024, following the economic weakness recorded at the end of last year, but a soft lending is expected by the end of this year. In Q2 2024, GDP data (3.0% year-on-year from 1.5%, as a weighted average in the region, on seasonally-adjusted data) confirmed the signals, expressed by high-frequency economic indicators, of the economic cycle strengthening in CEE region owing to the good performance in Poland. On the demand side, domestic consumption and government expenditure drove the recovery, while on the supply side, the services sector, especially real estate, and ICT, made the greatest contribution to the creation of added value. In the second part of this year, high-frequency economic indicators suggest a moderate weakening of the economic dynamic. In several countries, such as Poland for example, the temporary pause in monetary easing, together with inflation that has temporarily stabilized at levels still above the central banks' targets are taking away the impetus from demand for consumption and investment; the Czech Republic is another example of this. The **economic climate clock** shows signs of slowing growth, with special reference to the industrial sector. GDP growth is expected to decelerate to around 2.3% in the last quarter of this year, bringing the full-year dynamic to 2.2% (as in our September scenario), with country-specific economic growth ranging from 1.0% in the Czech Republic to 2.7% in Poland.

In 3Q, the **Economic Sentiment Indicator** (ESI; in weighted average data) for the CEE region decreased slightly, to 99.2 from 100, with figures ranging from 93.6 in the Czech Republic to 100 in Slovakia. On average, among the subcomponents of the indicator, consumer sentiment continued to improve thanks to favourable conditions in the labour market and the expected recovery of disposable income due to the expected declining trend in inflation. Meanwhile, the business component declined due to the weakness of external demand, in particular from Germany, one of the most important trading partners of the CEE region.

Albeit with variations by country, i**nflationary pressures** are cooling in the CEE area. However, the trend in consumer prices is still above the central targets of national banks, with upside risks, as the Russia-Ukraine war, conflict in the Middle East and geopolitical fragmentation may fuel tensions internationally. Aggregating the data (w.a.), in September, annual inflation in the CEE area rose for the third consecutive month to 3.6% (regional weighted average of harmonised data) from 3.5% in August and from a low of 2.8% in March. However, prices in the less volatile components (overall index excluding energy, food beverage and tobacco) of the consumer basket decelerated in September to 1.6% (from 1.7% in August).

At their most recent meetings, the central bank of the Czech Republic reduced its **policy rate** by 25 bps to 4.25%, while the Hungarian and Polish national banks held their rates steady at 6.5% and 5.75%, respectively. In the financial markets, **long-term yields** decreased in all CEE countries vs. three months ago in line with the 10Y Bund yields, and so spreads remained unchanged. Due to geopolitical tensions relating to the conflicts in Ukraine and the Middle East, and concerns about the economic implications, particularly for those countries more exposed to energy imports, the national currency weakened with respect to the previous three months in Hungary, while the Czech corona and the zloty remained substantially unchanged.

Davidia Zucchelli

With regard to **banking aggregates, in the CEE area loans to the private sector accelerated slightly in August**, increasing by 3.1% yoy in the region versus 2.6% yoy in July, still benefiting from the macroeconomic strengthening in Q2 2024 (GDP jumped to +3% yoy from 1.5% yoy in Q1, as a weighted average in the region), mainly in Poland (3.2% yoy in the Q2, accelerating from 2.0%) but also Hungary (GDP +1.5% yoy in Q2). The loan performance reflected a **significant recovery in Poland** (2.1% yoy, and 2.9% ytd, improving from -2.5% yoy in December), which is in line with our forecasts (4.5% in 2024). Lending in the Czech Republic and Hungary loans remained robust (over 5% yoy), from 6.6% yoy and 3.3% in December, respectively. Slovakia continued to show a deceleration (from 3.4% to 1.8% yoy in the same period). In Slovenia, the performance remained the weakest in the area although improving (from -0.5% to 1.4% yoy in August). In real terms, yoy changes were still negative, particularly in Poland (-2% yoy vs. -0.5% in the region) despite slowing inflation during 2024. **NPL ratios were stable**. The highest ratio was in Poland (2.26% as of March according to IMF data). The ratio was also low in Hungary (at 2% in June) and in Slovakia (in August). Asset quality was therefore good, but it is expected to worsen slightly in line with the economic deceleration.

After having improved in December (+0.6% yoy in the area), **corporate loans** accelerated gradually to positive territory (2.8% yoy in August), mainly because of a recovery in Poland (from -3% yoy in December to 2.2% yoy). In Hungary, the pace of corporate lending growth was maintained (from 4% yoy to 4.4% yoy), also thanks to decreasing interest rates. In contrast, corporate lending decelerated further in the Czech Republic (from 9.7% yoy to 5.8%). **Household loans** increased (from 0.5% to 3.4% yoy in August in the area and in all countries), in line with macroeconomic improvements and increasing wage data, especially in Poland (from -2.2% yoy in December, due to the legal dispute regarding mortgages denominated in foreign currencies, to 2% yoy).

After the jump seen in December (+7.8% yoy), **deposits from the private sector remained strong during the year** (+7.3% yoy in August) in the area. Deposit growth accelerated in Hungary (from 0.3% in December to 8.5%), still dynamic in the corporate sector (+7.3% from +5.3% yoy), and mainly in the household sector (10% yoy from -5.5% yoy). In real terms, deposits increased by 5% in August in Hungary, due to modest inflation (3.4%). Data are expected to improve further in the following months, due to declining inflation. **Household deposits expanded 8.9%** yoy from 7.2% in December, as corporate deposits decelerated from 8% yoy to 3.8% yoy in the same period, mainly in Poland (from 8.8% to 1.4%) and in the Czech Republic (from 7.5% to 5.3% yoy), while they accelerated in Slovakia (from 6.3% to 8% yoy in August). The high granularity of deposits and large portfolios of liquid securities somewhat mitigated liquidity risks. The **loan/deposit ratio** was below 100% in all countries, with the exception of Slovakia, where it remained at 104.9%, but improving. This highlighted ongoing liquidity tensions in the system, accompanied by weak foreign liabilities (-8.4% yoy from +26% yoy in December, even though foreign liabilities accounted for only 6% of total deposits). Furthermore, corporate deposits, which are more volatile than household deposits, account for 41% of total deposits.

Corporate interest rates eased slightly in all countries in August (particularly in the Czech Republic -0.27pp in August). Household deposit interest rates declined as well but surprisingly they increased in Slovenia (+0.07pp). Nevertheless, declining inflation in all countries led to a clear increase in real interest rates (absolute values). Real rates entered positive territory in all countries with the exception of Poland where inflation is higher (-0.12% yoy in deposits in real terms).

SEE Area

Antonio Pesce

Economic growth in the South-Eastern Europe region was stable in the second quarter of 2024 and is expected to strengthen in the remainder of this year. In the SEE region, **GDP increased by 2.0% yoy in 4Q23** (from 2.3% in the previous quarter). In Q2 2024, GDP dynamic has been stable (1.9% year-on-year, as weighted average in the region, on seasonally adjusted data) confirming the good performance in Serbia and Croatia. On the demand side, domestic consumption drove the recovery while the net contribution of external demand was still negative. In the second part of this year, high frequency economic indicators suggest a moderate acceleration of the economic dynamic. The real wage growth, together with the increase of employment, are supporting internal demand. The economic climate sentiment shows signs of robust growth, with special reference to the services sector. GDP growth is expected to accelerate to around 2.8% in the last quarter of this year, bringing the full-year dynamic to 2.2% (as per our September scenario), with country-specific economic growth ranging from 1.5% in Romania to 3.9% in Serbia.

After the peak reached in December 2022 (above 15.0% in the harmonised data), the w.a. **inflation rate** fell due to the easing of pressures relating to both energy prices and production costs. The consumer price trend reached 4.7% in September (from 5.1% in July, on a regional w.a.

basis, on harmonized data), ranging from 1.9% in Albania to 4.8% in Romania. In their last meetings, the pause in the monetary policies continued, with the **central banks** of Albania, Romania and Serbia keeping their policy rates at 3.0%, 6.5% and 5.75%, respectively. At the same time, **long-term yields** in Croatia decreased to 2.9% (20 bps lower than three months ago), while they remained stable in Romania. In the **FX** markets, local currencies remained stable in recent months, and **CDS spreads** increased slightly in Serbia (to 179.7 from 167.0 in July), whereas they remained unchanged in Croatia and Romania.

Davidia Zucchelli

On the **banking side, loan growth to the private sector accelerated** from 5.5% yoy in December to 7.1% yoy in August, thanks to some improvements in macroeconomic data as of Q2 with expected delayed effects on lending, especially Serbia (5.8% from 1% yoy in December) and despite a weak economic context in Romania (6.8% from 5.9% yoy in December). **Deposits from the private sector decelerated slightly** from 10.8% to 9.9% in the same period, mainly in Romania, from 12.9% yoy in December to 10.8%.

Loans to the private sector accelerated further in August in Albania and Bosnia, increasing by 11.7% yoy and 9.2% yoy respectively. Owing to gradually improving inflation, **real year-on-year changes in loans** are rising, especially in Bosnia (+7.8% yoy in real terms) and Croatia (also in positive territory, +4.7% yoy in real terms). We expect further improvements in results in real terms in the coming quarter, reflecting decelerating inflation.

Asset quality remained good, as shown by NPL ratios, which were stable in Albania (at 4.6%) and in Romania (2.6% in August). **As in the CEE countries, household loans - especially consumer loans - accelerated** to 8% yoy in August (from 3.1% yoy in December) showing an acceleration in Romania (from 1.4% to 7.8% yoy), Croatia (to 10.6% from 9.4% yoy), Bosnia (to 9% yoy) and Serbia (6.5% yoy). In contrast, **corporate lending decelerated** from 7.8% yoy in December to 6.2% yoy in August but improving versus the previous month, mainly in Romania (from 10.3% in December to 6.2% yoy), Croatia (from 6.1% a 3.5%), mainly as a reflection of slowing working capital growth, while investment loans remained dynamic in Serbia as well (from 0.9% to 5.2% yoy).

Deposit growth continued to decelerate in the corporate sector (from 13.4% yoy in December to 8.3%) but improved in the household sector (from 9.4% yoy to 10.9% yoy in the same period) in the region. Deposits decelerated mainly in Romania (from 12.9% yoy in December to 10.8% yoy in August), mainly in the corporate sector (from 14.9% to 8.2% yoy in August), while in the household sector deposits accelerated from 11.6% to 12.3% yoy, supported by strong profit and wage growth. Banks in the area can count on an ample and stable funding base, but **there is increasing competition from new T-bills,** particularly in Croatia. Thus, thanks also to a low and stable **loan/deposits ratio,** well under 100%, there are no signs of liquidity tensions.

Deposit interest rates decreased slightly in Croatia (from 2.2% in December to 1.78% in August), and in Serbia (from 5.25% to 4.29% in the same period). **Corporate lending interest rates decreased slightly** in Romania as of August (to 7.84%), as in the other countries. In Bosnia alone, lending rates increased from 3.9% in December to 4.8% in August. Consequently, the spread widened in almost all countries (with Albania and Croatia the only exceptions, where it shrank by 32bp and 15bp respectively in August vs. December).

EE and MENA Areas

Francesca Pascali

Uncertainties about the resolution of conflicts in Ukraine and the Middle East continue to affect Eastern European economies. In September, **industrial production** in **Russia** (+3.2%) improved compared to August (+2.7%), and in March it also improved in **Ukraine** (5.1% vs. 12.1% in February), while it decreased in **Moldova** (-3.6% in August vs. +13.8% in July). **Exports** in June decreased in Russia (-5.4% from -0.9% in May). Moldova's exports also declined in August to -15.2% (from -1.2%), and in Ukraine they rose in June to +1.0% (from +2.3%). In August **retail sales** were positive in Russia (+5.1% from +6.1%). In terms of forward-looking indicators, in September **PMI** decreased to 49.5 vs. the August level (52.1) and for the first time since April 2022 it fell below 50 in Russia. On the **inflation** side, in September consumer prices decreased in Russia (at +8.6%), which is somewhat above the CB's inflation target (4.0%). In Moldova, the inflation rate increased (to 5.2%, from 5.1% in August). Inflation also increased in Ukraine (8.6% in September from 7.5% in August) within the CB's target range (5.0%+/-1.0%). After maintaining its **policy rate** unchanged from December 2023 al 16.0%, in Russia the CB started to raise rates, first to 18% in July, in September to 19% and then again in October to the current 21.0%. This reflected inflationary pressures that have increased significantly, to a level above expectations. The press release pointed out that 'additional fiscal spending and the associated expansion of the federal budget deficit in 2024 have inflationary effects'. The CBR also reiterated that it was 'keeping open the prospect of a key rate hike at its next meeting', suggesting that risks remain tilted towards further tightening. The CBR's new forecast implies the possibility of another hike at its next meeting in December. At its meeting on 19 September the Central Bank of Moldova unanimously decided to leave the policy rate unchanged (to the actual 3.6%). This decision was taken in the context of a further pass-through of the effects of past monetary policy provisions, given the delay in their transmission. The current assessment of actual monetary conditions in the deposit, credit and foreign exchange markets indicates a favourable environment for ensuring that inflation remains within the range of ±1.5 percentage points from the medium-term target of 5.0%. In September the Central Bank of Ukraine decided to keep the reference rate at 13% per annum. This decision should help gradually bring inflation back to the 5% target over the next few years and support the sustainability of the foreign exchange market. Pricing pressure is expected to persist for the foreseeable future but should ease next year. High inflation continues to impact **Egypt**. In July 2024, **industrial production** rose 9.2% yoy (from +7.7% in June) and exports also rose in July, by 10.6% from 7.6% in June. In September, the **PMI** index fell below 50 (to 48.8) versus August (50.4). In September, **inflation** increased to 26.4% (from 26.2% in August). It remains far above the CB's target ranges of 7.0% ± 2pp, on average, by 4Q24 and 5% ± 2pp, on average, by 4Q26.At its meeting on 5 September, the Central Bank of Egypt decided to keep the policy rate unchanged. The decision reflects recent developments and the global and domestic outlook since the previous MPC meeting. Risks to the disinflation path are tilted upwards due to tightening global oil supplies, escalating regional geopolitical tensions, uncertainty over the adoption of protectionist trade policies and a higher-than-expected pass-through of fiscal measures.

Davidia Zucchelli

The performance of banking aggregates was very dynamic in August in the **EE area** in nominal terms, especially in Russia but decelerating, and accelerating in both Moldova, and Ukraine, despite a challenging environment. Loan growth remained strong in **Russia** (+20.9% yoy in July in nominal terms), particularly for households, where it accelerated slightly (+22.2% yoy vs. +20.3% in the corporates). Households are still being supported by the subsidised mortgage lending programme. A further deceleration in deposit growth was seen in August (+22% yoy in nominal terms, from 24% yoy in the previous month), mainly to corporates (+18% yoy vs. +26.3% yoy to households). In **Moldova**, loans increased by +19.1% yoy in September (+14.4% yoy to corporates, which accounted for 75% of total loans to the private sector, vs. 26.4% yoy to households, a gradual improvement versus the previous months). The NPL ratio fell to 4.7% in September. As of September, deposit growth rose by 17.3% yoy (corporates jumped by 26.6% yoy, households by 11.3% yoy). Loans to the private sector in **Ukraine** accelerated in June (10% yoy and 5.2% in real terms), thanks to a further improvement in households (21.4% yoy). Corporate loans accelerated as well by 6.1% yoy. The NPL ratio was 34.6% as of June. Total deposits decelerated to +19.7% yoy in June (from +20.8% yoy in May), in both households (+17.8% yoy) and corporates (22.6% yoy). Foreign liabilities continued to increase (7.1% yoy as of June).

In **Egypt,** banking aggregates (the latest data for loans to corporates is only through March) remained vigorous, with loans increasing by 26.9% yoy as of March (-6.4% in real terms) and deposits by 29.4% yoy as of June in nominal terms (1.9% in real terms). Loans increased by 23.5% yoy as of June in the household segment and by 28.8% yoy (March) in the corporate sector. NPL ratio data stopped in December (at 3.0%) and only a small increase is expected in the current year. Banks are still able to rely on ample low-cost customer deposits, which had increased strongly, by 27.6% for households and 36% for corporates in nominal terms.

Country-Specific Analysis

Czech Republic

Zdenko Štefanides

Real Economy

With households benefiting from solid nominal and real wage increases (in 2Q, 6.5% and 3.9% yoy, resp) amid a tight labour market (unemployment rate at 3.9% in August), the Czech recovery continues to be driven by consumer demand. In July and August, retail sales increased by 5.5% over a year ago in real terms, adding onto the already solid 4.7% average year-on-year growth in 1H24. Recovery in consumer spending appears ongoing also in more recent months, as consumer confidence rose in October for the second consecutive month and now slightly exceeds its long-term average.

Entrepreneurs' confidence in the economy, in contrast, decreased in October. Czech entrepreneurs are still significantly limited by insufficient demand, highlighting the challenges linked to struggling German manufacturers, their key trading partners. Industrial production in August, was nevertheless up by 1.5% yoy, owing mainly to production of motor vehicles. Yet, this increase seems to be due solely to the timing of summer vacations in major automotive plants. Cumulatively for July and August, industrial production only stagnated over a year ago.

Financial Markets

The Czech National Bank (CNB) has continued to ease policy rates by another 25bps on September 26, bringing the two-week repo rate to 4.25%. All seven Board members voted for a cut. One of them, however, preferred even a steeper, 50bps decrease of rates, arguing that the economy operates below its potential while the monetary policy-relevant inflation has eased below the CNB target. Since then, however, headline CPI inflation has increased, from 2.2% in August to 2.6% in September and stands 0.3ppt above the CNB's summer forecast. This fact may persuade a majority of the CNB Board to pause in the cutting cycle in one of two remaining policy meetings this year.

On the financial markets, since early September, the koruna has weakened alongside other regional currencies due to geopolitical risks to above 25.2 per euro. Yields, also driven by global developments, have increased to above 4% in 10-year maturity in late October, from 3.7% lows in September.

Banking Sector

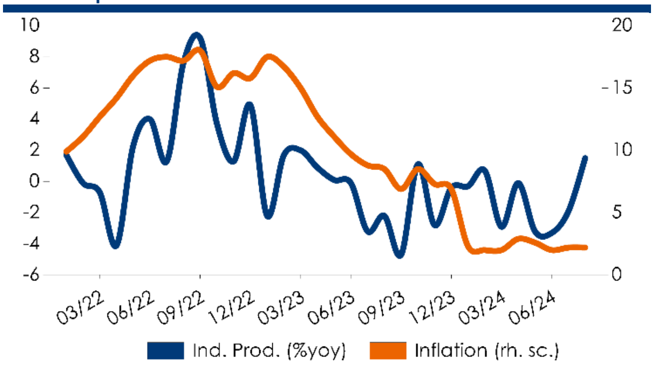
In August, banks provided mortgages worth 33% more than a month ago, and 130% more than a year ago, respectively. Part of this latest increase was temporary, as people hurried up their mortgage contracts to avoid new rules for early repayment effective from September. Payback in new production is thus likely. Still, with mortgage rates dropping below 5% for the first time in over two years and gradually improving households' purchasing power thanks to recovering real wages, demand for housing and mortgages will continue to genuinely revive.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	1.5 (Aug)	-2.2	-0.8
Export of goods, nominal yoy	7.4 (Aug)	7.7	3.1
CB refi rate	4.5 (3th Sep)	4.8	5.8
ESI (index)	97.6 (Sep)	96.5	93.6
Retail sales yoy	7.4 (Aug)	7.7	3.1
Inflation rate, average yoy	2.6 (Sep)	2.5	2.1
Loans (priv. sector, yoy, eop)	5.2 (Aug)	5.4	7.1
Deposits (priv. sector, yoy, eop)	7.1 (Aug)	6.2	7.4
Lending interest rate (corp., eop)	6.2 (Aug)	6.6	7.1
Deposit interest rate (hh, eop)	3.7 (Aug)	4.3	5.2

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Mariann Trippon

Incoming new indicators point to still-subdued economic activity; Q3 GDP growth is looking highly likely to be weaker than previously expected. Although retail sales continued to recover, the industry and the construction sectors are still weighed down by the lack of demand. Industrial output was down 9.5% yoy in September, and production of transport equipment and battery output fell by 12.4% and 24% yoy, respectively. Investments are also struggling. Corporates are reluctant to launch new projects amid the uncertain economic outlook and lack of EU funds, while in the public sector, fiscal consolidation resulted in the suspension/cancellation of projects. The labour market is stable: the unemployment rate stood at 4.2%, nominal wages rose at double-digit rates, and real wages increased by more than 9% in August. Inflation decelerated further in September; headline CPI reached 3%. Core inflation, however, increased to 4.8% and services inflation is still sticky. Year-on-year CPI will edge higher in Q4 due to the low base; core CPI may hover around 5%. The external position of the country remains strong, the C/A accumulated a surplus of almost EUR 4.4Bn in the January-August period.

Financial Markets

The central bank left the policy rate unchanged in October pointing to the uncertain global environment, rising geopolitical tensions, the shift in Fed rate expectations and strengthening upside risks to the domestic inflation outlook. The negative external factors have weighed on domestic financial markets, and the depreciation of the FX rate alongside rising spreads on the FI market warrant caution, according to the NBH. The central bank will pursue a prudent, data-driven policy in the remaining part of the year and is ready to prolong the pause in the normalization cycle if market conditions fail to improve. Until the end of the year, one more small rate cut might be in the cards, assuming that the FX rate stabilises. Monetary normalisation is expected to continue in 2025. HUF remains sensitive to shifts in global sentiment: EUR/HUF broke above the 400 level in early October. Long yields rose in tandem with core market developments, the 10Y HGB yield hit 6.8%, and the spread versus Bunds widened.

Banking Sector

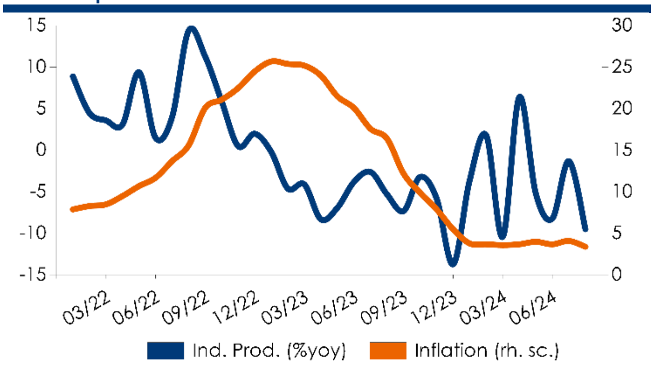
Loans in the banking sector grew by 3.1% over the first eight months of 2024, driven by the weakening of HUF in the case of corporate loans and the pick-up of the housing loan market for Households. Customer deposits increased by 2.9%, mostly driven by the Households sector (+6.2%), where the rising net wages and large government bond interest payments boosted the deposit volume. On the corporate deposit market, the growth rate was just 0.4% in the same period. With subdued economic growth and still relatively high interest rates, loan volume may grow by around 6.0% in 2024, and we expect 5.0% of growth on the deposit market as the increase on the Households sector is expected to slow.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	-9.5 (Aug)	-2.3	-4.1
Nom. exports yoy	-4.1 (Aug)	-0.3	-3.3
ESI (index)	98.7 (Sep)	101.7	98.6
Retail sales yoy	3.2 (Aug)	3.0	2.9
Inflation rate yoy	3 (Sep)	3.8	3.7
CB reference rate	6.5 (23th Oct)	7.0	8.3
Loans (priv. sector, yoy, eop)	5.6 (Aug)	6.1	4.1
Deposits (priv. sector, yoy, eop)	8.5 (Aug)	10.2	4.6
Lending interest rate (corp., eop)	10.7 (Aug)	11.4	12.0
Deposit interest rate (hh, eop)	4.9 (Aug)	5.0	6.3

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Zdenko Štefanides

Real Economy

September economic activity data have generally been a disappointment. To be sure, there are special factors that suppressed economic activity in that month, including severe floods in Southwest Poland. Yet, the overall weakness extends to most of the third quarter and hints at moderation of recovery relative to the first half of the year. In particular, industrial production in September declined by 0.3% yoy, marking a second consecutive month of contracting output. Construction output plunged 9% yoy, leaving 3Q down 6.6% yoy, little changed from -7.0% in 1H, resp. And retail sales, after growing by a solid 4.7% in real terms in 1H, plunged by 3% yoy in September, leaving the average yoy growth in the third quarter at a mere 1.3%.

While the downturn in industry and construction is mostly of external origin, weak foreign demand and slow absorption of EU funds, respectively, the weakness in consumption is due to domestic causes such as slowdown in wage growth rate and the rebound in inflation. The latter in particular hit the purchasing power significantly. Since the withdrawal of the energy shield in July, prices of housing, water, electricity, gas and other fuels jumped by 8%, pushing inflation from 2.6%yoy in June to 4.9% by September. Higher costs of energy leave households with less money for expenditures on other goods and services and sap their general confidence and spending.

Financial Markets

The National Bank of Poland (NBP) predictably continued to keep rates on hold at 5.75% through the October 3 meeting, arguing that inflation risks persist. Core inflation especially is seen elevated with little indication of a downward trend. At the press conference, NBP governor Glapinski nonetheless indicated that 2Q25 is the most likely period to resume the easing cycle, a less hawkish stance than his previous indication that rates could remain unchanged until 2026.

On the markets, meanwhile, global geopolitical risks have pulled value of polish bonds and currency lower. Zloty has depreciated to 4.35 vs the euro on October 24 compared to 4.25 a month ago. Yields over the same time increased from 5.3% to over 5.8% in 10-year maturity, resp.

Banking Sector

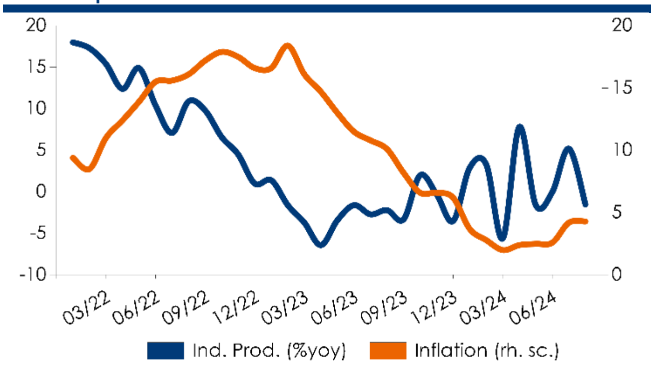
Recovering economy and slowly declining interest have started to revive lending activity. Mortgages, in particular, have been growing recently again. The stock of zloty-denominated mortgages provided to households were up 5%yoy in August, the fastest such pace of advance in over two years. Deposit creation, meanwhile, continues almost unabated. Especially vibrant remains growth of household deposits, up 10.2% yoy in August, only a little less dynamic than 10.7% growth in 1H, resp. Corporate deposits, to be sure, moderated more significantly yet still retained positive yoy growth, at 2.0% in August, compared to 3.4% average in 1H, resp.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	-1.5 (Aug)	2.1	0.2
Nom. exports yoy	-8.2 (Aug)	-7.3	-11.3
ESI (index)	102.1 (Sep)	101.6	101.7
Retail sales yoy	4.8 (May)	n.a.	n.a.
Inflation rate yoy	4.9 (Sep)	2.5	2.8
CB reference rate	5.8 (3th Sep)	5.8	5.8
Loans (priv. sector, yoy, eop)	2.1 (Aug)	0.8	-1.0
Deposits (priv. sector, yoy, eop)	7.4 (Aug)	8.2	7.7
Lending interest rate (corp., eop)	7.6 (Aug)	7.7	7.7
Deposit interest rate (hh, eop)	4.2 (Aug)	4.1	4.3

Source: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

New monthly indicators for the Slovak economy do not suggest any change in the major trends: they showed a near stagnation in industrial production (+0.9% yoy in August), continuing recession in construction (-11.5% yoy) and a growth in retail sales (albeit slower in August: only 0.7% yoy) during the summer. The major news came from the government's large fiscal consolidation package for 2025. Measures amounting to 2% of GDP have been passed, mainly on the revenues side, including the increase in base VAT rate from 20 to 23%, introduction of a financial transactions tax for the corporate sector at 0.4% and an increase in corporate income tax for larger companies from 21 to 24%. On the expenditure side, so-called parental pensions have been slashed, accompanied by lower tax credits for families with children. This should mean lower growth of disposable income of local households than expected previously, further hampered by even higher inflation, which will most probably lead us to revise the September forecast in the next round of projections in December.

Financial Markets

The ECB continued to cut rates also in October, which was earlier than we projected before, with the deposit rate now at 3.25%. Together with one more cut projected in December and two more during the first half of next year, this may bring the short-term rates in the euro area to the estimated neutral level. Still, the markets are estimating it at an even lower level (even below 2%) than we are (2.5%). This may keep the long-term interest rate benchmarks lower for some time, before the effect of quantitative tightening by the central bank takes hold. Slovakia's fiscal consolidation package seemed to have lowered the Slovak government's risk premia a little bit, at 10Y maturity from around 115 to 105 points, which may ease some additional pressure from higher interest rates.

Banking Sector

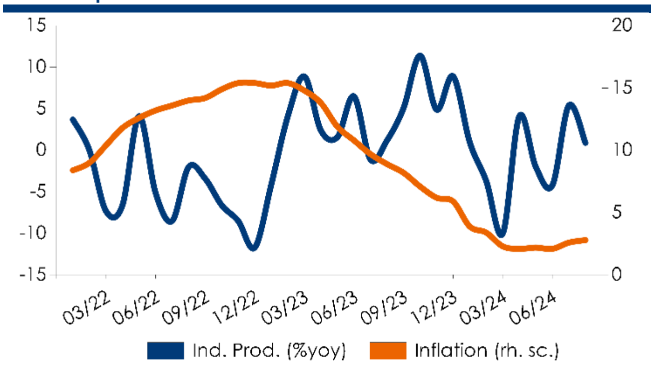
Some recovery in mortgage demand continued in summer together with interest rate cuts by local banks. In addition, the slump in corporate loans seemed to have narrowed during the summer (yoy decline of 1.2% in August), especially in smaller companies. Household deposits continued to increase, even though they may have reached their high in yoy growth in July at 7%. This may be further challenged next year by the lower disposable income growth as well as by the government's plan to issue retail bonds in the amount of EUR 300-400M in Spring. With the austerity package for 2025, banks will become the intermediaries of the new financial transactions tax (0.4%) paid by the corporate sector and face higher corporate income tax of 24%.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	0.9 (Aug)	-0.7	-4.2
Nom. exports, yoy	-3.8 (Aug)	-1.7	-6.0
ESI (index)	99.4 (Sep)	103.7	100.1
Retail sales, yoy	0.7 (Aug)	5.3	2.6
Inflation rate, yoy	2.6 (Sep)	2.1	3.2
ECB refi rate	4.3 (3th Sep)	4.3	4.5
Loans (priv.sector,yoy,eop)	1.8 (Aug)	2.2	2.6
Deposits (priv.sector,yoy,eop)	7 (Aug)	8.0	5.4
Lending interest rate (corp., eop)	5.8 (Jun)	5.8	6.4
Deposit interest rate (hh, eop)	n.a.	n.a.	n.a.

Source: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

Third quarter, judging by the high frequency data for July and August, witnessed mostly favourable developments of economic activity. Retail trade turnover picked up finally and saw 2.4% yoy growth amid 1.2% higher food and 3.3% higher non-food except fuel sales. Rise in goods' exports sped to 22.9% yoy, predominantly due to increased exports to Switzerland (pharmaceuticals). Imports at the same time slowed to 16.3% yoy, thus reducing trade deficit. Data on tourism are strong as well, with 9.0% yoy more foreign arrivals and 8.3% yoy more foreign overnight stays. Industrial production recorded 2.4% yoy increase, with Manufacturing rising by 4% yoy. Construction activity bucked the trend with sharp 15.1% yoy decline (c.f. Q2 -10.9%) as the result of an equally steep fall (-21%) in activity on buildings and civil engineering works and a bit slower 15% drop of activities on specialised construction owing to completion of several larger infrastructural projects and the most urgent flood renovation works. Employment growth stayed solid at 1.1% yoy, whereas incomes rose as real-term net wage growth fastened from modest 1% yoy in 2Q to 3% yoy in Jul-Aug.

Strong disinflation trend carried on in September, with mild monthly rise of prices (+0.2%) and a sharp deceleration on annual basis (to 0.7%). On an annual level, the strongest contribution to slowdown of price growth came from lower prices of Utilities and Transport (-7.3%, i.e., -2.5%), whereas Food prices grew by a mild 0.9%. Overall, goods' prices registered a decline of 1.5%, whereas rise in prices of services stayed stubbornly high at 4.6%. In the first nine months, the average inflation stood at 2.3% yoy, and we see it declining a bit towards year-end.

Financial Markets

Fitch and Moody's affirmed Slovenia's credit rating in October at A- and A3. While Fitch confirmed outlook as stable, Moody's raised it to positive. In October, by the 23rd, 10Y government bond spread on Bund declined to 70bps, from 80bps a month earlier.

Banking Sector

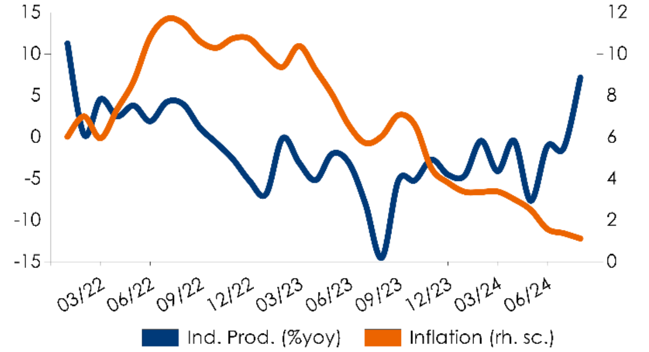
Lending kept on recovering with loans up by 1.4% yoy in August as decline of corporate loans softened (-4.0%), while household loans continued to accelerate (5.9%), supported with sharp consumer lending paired with strengthened housing loans. Deposits decelerated to 3.8% yoy in August, whereby corporate deposits moderated, while household deposits flat-lined (at 8.5%, i.e., 2.2%). Lending rates in Jul-Aug mostly declined compared to 2Q or stagnated at least. Interest rates on term deposits at the same time stood still on average.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	7.2 (Aug)	-3.0	-3.0
Nom. exports yoy	19.1 (Aug)	15.8	1.9
ESI (index)	96.9 (Sep)	98.3	95.8
Consumer confidence indic.	-27.3 (Sep)	-25.5	-28.4
Inflation rate yoy	0.7 (Sep)	2.4	3.4
ECB refi rate	4.3 (3th Sep)	4.3	4.5
Loans (priv.sector,yoy,eop)	1.4 (Aug)	1.0	0.7
Deposits (priv.sector,yoy,eop)	3.8 (Aug)	3.9	4.8
Lending interest rate (corp., eop)	5.4 (Aug)	5.5	5.6
Deposit interest rate (hh, eop)	1.6 (Aug)	1.5	1.4

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

In the second quarter of the year, the Albanian economy grew by 4.06%. The main sectors of the Albanian economy that contributed to growth were construction and trade. In macro terms, the above-expected growth was supported by the expansion of consumption, investment and exports of goods and services. In Q2 2024, household consumption increased by 6.01%, while exports of goods and services increased by 4.89% yoy. In September, the inflation rate was 1.9%. In sectoral terms, the decrease in inflation is due to the lower prices for food and energy. The decreased CPI level, imported from trade partners, has had a significant impact on reducing the inflation rate above expectations. The increase in consumption has also led to a decrease in the unemployment rate and an increase in the level of wages. According to CB, the average salary level in the private sector during Q2 increased by 6.9%.

The positive developments in the economy in the first half of the year are expected to continue in the medium term.

Financial Markets

In July, the CB officials trimmed the benchmark rate by 25 bps. The rate now stands at 3.00%. This reduction has influenced the decrease of interest rates for deposits, loans and securities. In the foreign exchange market, the exchange rate has continued the appreciation of the local currency against the euro. In September, Lek/Eur appreciated by 7.56% yoy. This is also a result of the greater inflow of FCY during the tourist season. The devaluation of the euro in the local market has been an additional factor in reducing the country's goods exports and of the inflation rate. The inflation rate, even though it has fallen below the target of the Central Bank, is expected to stabilize at 3% during the first half of next year.

Banking Sector

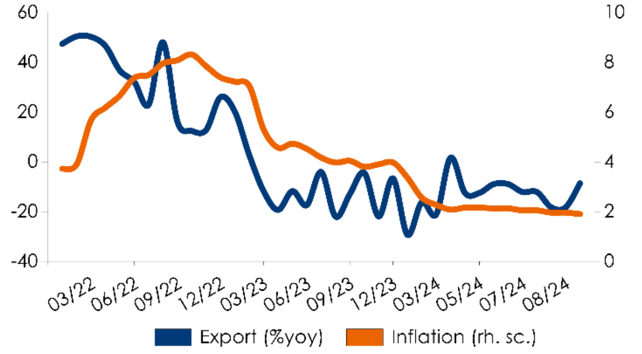
Credit in the private sector has continued its impressive growth. The growth of consumption and investments has been the catalyst. In August, the total loan portfolio increased by 11.69% yoy. The main contribution to the growth of the loan portfolio continues to be the loan in local currency. In August, the household loan showed an increase of 11.59% yoy, while that of the business was 11.76% YoY. In August, the total deposits had an increase of 3.05% yoy. Of these, the growth of household deposits was 3.64%, while that of business was 1.23%. Npl rate in August was 4.61%.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-18.2 (Aug)	-6.5	-24.8
Unemployment rate	n.a.	n.a.	n.a.
Inflation rate, average yoy	1.9 (Sep)	2.1	2.8
CB reference rate	3 (31th Oct)	3.3	3.3
Loans (private sector, yoy, eop)	11.7 (Aug)	10.9	6.8
Deposits (private sector, yoy, eop)	3 (Aug)	4.0	2.6
Lending interest rate (pr.sect., eop)	5.5 (Aug)	5.5	5.5
Deposit interest rate (pr.sect , eop)	2.8 (Aug)	2.7	2.4

Source: National Statistical Institute, Bank of Albania

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

Following 2.5% yoy growth registered in 1Q24 (revised down from 2.7%), GDP strengthened by 2.2% yoy in 2Q24. Data indicates continued, although slower, growth in private consumption (+1.8% yoy vs 2.5% in 1Q) as well as in government consumption (+1.9%) accompanied by continued surge in gross capital formation (+9.6% yoy). At the same time, following four consecutive quarters in red, exports of goods and services finally increased (+1.8% yoy) but were accompanied by an even stronger increase in imports (+5.2% yoy).

Available high frequency data indicates industrial production's doldrums continued in Q3 (July -2.8% and August -7.1% yoy), while domestic demand remained supportive although yoy growth rates in July and August slowed down compared to previous months (to 4.2% and 2.2% yoy from +11% in Q2). Foreign demand still weighs on overall performance as following brief positive growth in July and August merchandise exports declined again in September, wrapping up 3Q's decline at -1.4% yoy. Meanwhile, in early October the country was hit by severe floods and landslides with a death toll of 27 persons and huge damage and destruction in the area of Jablanica, Konjic, Fojnica and Kreševo. The Railways of the Federation of BH suffered the biggest losses due to the interruption and destruction of the Sarajevo-Ploče railway, which represents a strategic traffic corridor for the supply of raw materials (coal, coke, sugar, concrete rings, oil, raw aluminium and other goods in container traffic) for the majority of larger companies from metallurgy, construction and other branches.

Overall, our current FY24 +2.7% GDP call is now under revision due to several factors: (1) FY23 growth outturn was revised upward to 1.9% from 1.6% due to the benchmark revision reshaping also quarterly dynamics, (2) as already mentioned, 1Q24 outturn was revised downwards to 2.5% from 2.7%, and (3) 2Q was slightly less growth supportive than expected, while destruction of Sarajevo-Ploče railway curtails supply chains, limiting economic activity until full reconstruction, which will take at least several more months.

Banking Sector

Ana Lokin

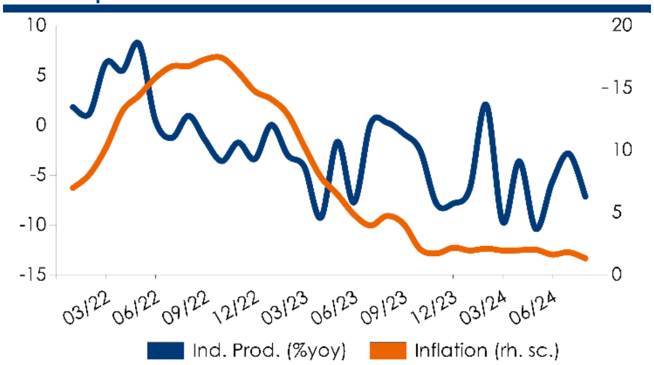
Loans expanded by 9.2% yoy in August, i.e., at the same pace as the month before, with almost equally strong growth by corporates and households, supported with healthy economic rise. Deposit rise passed its peak and amounted to 9.8% yoy in August. On October 9, the supervisory agency of FBiH adopted a 'Decision on special measures applied by the bank in extraordinary circumstances-flood in October 2024', allowing banks to approve special measures (moratoria, grace period for the repayment of the principal, adjusting modalities of repayment, etc.) to the clients affected by the floods.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	-7.1 (Aug)	-2.2	0.3
Export of goods, nominal yoy	0.4 (Aug)	-4.0	-12.4
Retail trade, real, wda yoy	2.2 (Aug)	11.1	12.6
Inflation rate, average yoy	1.3 (Aug)	1.9	2.0
Loans (private sector, yoy, eop)	9.2 (Aug)	9.0	8.2
Deposits (private sector, yoy, eop)	9.8 (Aug)	10.4	11.2

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

The Croatian Bureau of Statistics published revised national account data, according to which real growth rates changed in the range from -0.4 to +0.4 pp in the 1995-2023 period. Hence, for example, the 2021 growth rate was reduced from +13.0% to +12.6%, while the 2022 growth rate was increased from the previously published 7.0% to 7.3%, and the 2023 growth rate was revised from 3.1% to 3.3%. Looking at components, real growth rate of personal consumption was corrected to the greatest extent in 2021 and 2022, namely by 0.2 pp (from 10.5% to 10.7% and from 6.7% to 6.9%, respectively), growth rate of government spending in the period 2020-22 was corrected downwards in the range from -0.1 to -0.5 pp, while the growth rate in 2023 was raised from 6.6% to 7.1%. The most extensive data revision is noticeable in investments, where the real growth rate in 2022 was lifted by as much as 10.3 pp (from 0.1% to 10.4%), while the 2023 growth rate was increased by 6 pp (from 4.2% to 10.1%). Following described, current year quarterly dynamics were also revised upwards and compared to the previously released 3.9% and 3.3% yoy growth, first and second quarter GDP growth is now 4.0% and 3.5%, putting our FY24 estimate under revision. Available high frequency data for 3Q indicates supportive domestic demand (retail trade up by 7.8% & 5.7% yoy in July and August) while at the same time, industrial production remained flattish as July at 1.6% yoy gain and was overridden by a -2.1% drop in August, while seasonally important tourism looks less supportive as both foreign arrivals and overnights dropped year-on-year. The inflation gap versus EA widened as local inflation measured by HICP inched up from 3% in August to 3.1% in September with strengthening yoy registered in all categories except Energy (-6.8% from -3.6% in Aug). Food inflation strengthened to 3.9% (from 2.9% in Aug), Non-energy industrial goods to 0.7% (from 0.4%) and Services to 8.2% (from 7.6%). Core HICP rose to 4.8% from 4.4% in Aug.

Financial Markets

Ana Lokin

S&P and Fitch raised Croatia's rating in September to A- with positive, i.e., stable outlook. The rating upgrade was already priced in, hence average 10Y government bond spread on Bund in September stagnated mom at 90bps. In October, the spread ranged from 70-80bps.

Banking Sector

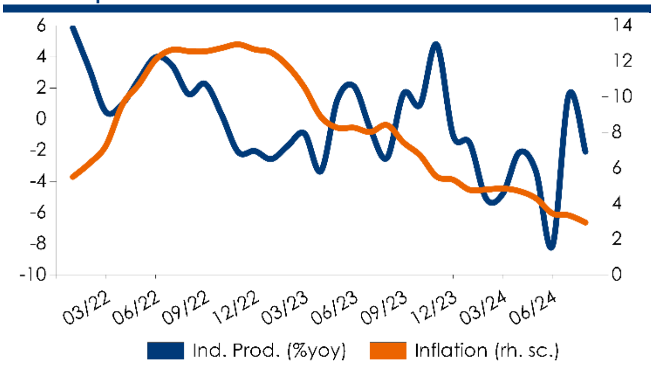
Loans slowed to 7.7% yoy in August with sluggish corporate and moderating household loans. Cash loans are recording punchy growth rates, bolstered by sharp wage rise, while housing loans moved into a lower gear as subsidies scheme was discontinued this year. Deposit growth stayed feeble at 3.3% yoy in August. Corporate deposit rise remained healthy, while household deposits grew mildly as households' bank accounts saw outflows in Jun-Jul related to the issue of government securities (citizens bought altogether net EUR 0.7Bn). Citizens now hold EUR 3.9Bn worth government securities, i.e., 11.5% of the total outstanding government debt securities.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	-2.1 (Aug)	-0.1	-3.8
Export of goods, nominal yoy	28.8 (Jul)	4.7	-4.4
Retail trade, real, wda yoy	5.7 (Aug)	7.5	8.6
ESI (index)	107.2 (Sep)	105.2	112.4
Inflation rate, average yoy	3.1 (Sep)	4.2	4.8
Loans (priv. sector, yoy, eop)	7.7 (Aug)	8.3	7.8
Deposits (priv. sector, yoy, eop)	3.3 (Aug)	3.5	4.4
Lending interest rate (pr.sect., eop)	4.9 (Aug)	5.2	5.1
Deposit interest rate (pr.sect , eop)	3.1 (Aug)	3.1	3.2

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

National Statistical Institute revised GDP growth for the second quarter 2024 at 0.3% qoq and 0.9% yoy. The main positive contributions came from agriculture (+16.1% yoy) and other cultural and recreational activities (+6.3%), while the rest of the activities had negative contributions. In our opinion, 2024 GDP growth will be around +1.7% yoy.

Year-on-year CPI at the end of September was 4.6%, lower than previous months. Harmonised year-on-year CPI at the end of September decreased also at 4.8%. According to NBR latest projection (August), at the end on 2024 the yoy inflation should decrease around 4.0% while re-entrance on target interval should occur in the 3rd or 4th quarter of 2025.

The unemployment rate increased in August to 5.5%. The Wages growth is still high with 13.8% yoy at the end of August, putting pressure on the Labour market since productivity and inflation are at lower levels.

The Budget Deficit at the end of August was 4.57% of GDP, the highest level in the last four years. Taking into consideration the peculiarities of this year, and the already implemented increase of pensions and salaries, it is hard to believe that this year's deficit should stay around 7.0%, as it was proposed by Government to EC. Further fiscal measures are needed. Economists expect possible increases on VAT, property taxes and introduction of gradual taxation on salaries.

The Current Account Deficit at the end of August 2024 was EUR 17.9Bn, 29.7% higher than previous year in August.

Financial Markets

In the October 2024 Monetary Policy Meeting, the Romanian Central Bank kept unchanged The Monetary Policy Rates at: Deposit Facility Rate 5.50%, Reference Rate 6.50%, and Credit Facility Rate 7.50%. Next monetary policy meeting is on the 4th of November. Since the reasons presented in the press release are still actual, we should expect a similar decision in November.

EUR/RON exchange rate was stable around 4.97 - 4.98. The exchange rate is used as a Monetary Policy Instrument.

Banking Sector

Marius Pacurari

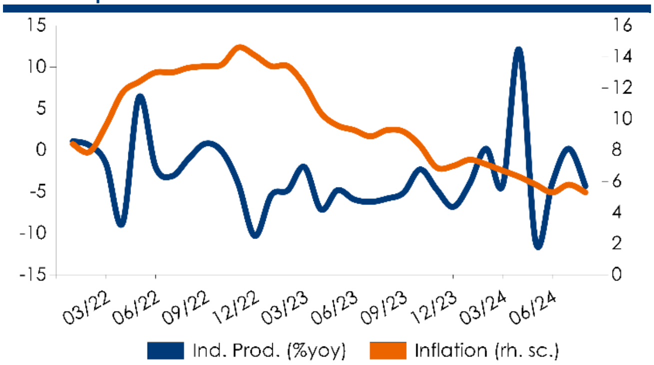
At the end of August 2024, YOY growth on loans was 6.78%, with a strong component on RON (10.28%), while EUR loans decreased 1.30%. On the deposits side, the overall growth year-on-year was 10.78%, with component of RON at +15.95%, while Foreign Currencies loans remained flat. The main growth on deposits is coming from last four months in 2023, while 2024 evolution was only +2.48%.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	-4.3 (Aug)	-1.0	-2.7
Nom. exports yoy	-1.6 (Aug)	-0.4	-3.4
ESI (index)	103.4 (Sep)	104.2	103.6
Retail sales yoy	8.1 (Aug)	9.9	7.0
Inflation rate yoy	4.6 (Sep)	5.8	7.1
CB reference rate	6.5 (Oct)	7.0	7.0
Loans (priv. sector, yoy, eop)	6.8 (Aug)	5.9	4.2
Deposits (priv. sector, yoy, eop)	10.8 (Aug)	10.7	12.1
Lending interest rate (pr.sect., eop)	8 (Aug)	8.0	8.5
Deposit interest rate (pr.sect , eop)	5 (Aug)	5.3	5.4

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Katarina Bubonja

The Statistical Office conducted a regular five-year major revision of GDP data. Annual GDP growth rates have been revised for the period 1995-2022 and at the same time, the preliminary results of the annual GDP calculations for Y2023 have been published. Annual 2023 GDP indicates that the real growth rate reached 3.8% yoy, significantly better compared to the previous estimate of 2.5%. Looking at 2024, Serbia achieved average 4.3% yoy growth in 1H24, led by private consumption and investments, while net exports acted in the opposite direction, as imports grew faster than exports. According to the available indicators so far, it is estimated that GDP increased by c. 4.0% yoy in the first eight months of the year. We expect GDP growth pace to slow in the second half of the year, mainly due to a high basis, but personal consumption will remain the primary drive, in our viewr. September's inflation fell slightly to 4.2% yoy from 4.3% yoy in August, while a core inflation rate rose moderately to 5.3% yoy. On a monthly level, prices rose by 0.1%. Currently, headline inflation is driven by services price growth (7% in September), showing that price pressure is still present and quite strong, coming also from the increasing domestic consumption.

At the beginning of October, the S&P agency upgraded its credit rating for Serbia from BB+ to BBB- (with stable outlook), marking Serbia's first ever investment grade. This decision came as a result of strong growth and FDI prospects, moderate public debt levels, and credible macroeconomic policy framework. Moody's and Fitch are also expected to follow with an upgrade in the coming period, as both agencies have improved Serbia's outlook from stable to positive recently.

Financial Markets

NBS decided to keep the key interest rate unchanged in October, at the level of 5.75%. Consequently, deposit and lending facility rates were also left unchanged, at 4.5% and 7.0%, respectively. While Central bank remains cautious amid increased geopolitical risks and their impact on global energy prices, as well as weak agricultural season at home, one more 25 bps cut is expected by the end of this year. Dinar weakened against the euro 0.1% nominally in September, while strengthening to the same degree at the level of the year. As depreciation pressures occurred, NBS net sold EUR 100M in September, while net buying a total of EUR 1,735M since the start of the year. FX reserves reached a new record of EUR 28.3Bn gross in September, covering 7.3 months' worth of the country's goods and services imports.

Banking Sector

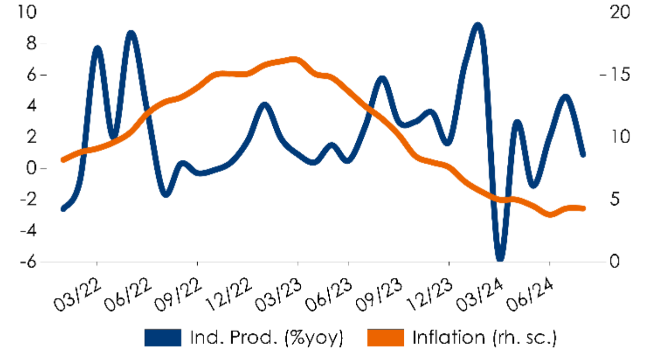
Further recovery of credit activity is noticeable, as in August total bank loans accelerated to 5.8%, due to eased credit conditions. Loans to households accelerated to 6.5% yoy, while lending to corporates grew by 5.2%. Deposits grew by a significant 14.4%, with both Household and Corporate having a solid increase of 15.1% and 13.4%, respectively. In August, share of NPLs in total loans stood at 2.7%.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	0.9 (Aug)	1.3	3.2
Nom. exports yoy	0.4 (Aug)	1.1	-1.9
Retail sales yoy	5.3 (Aug)	8.3	6.5
Inflation rate yoy	4.2 (Sep)	4.4	5.7
CB reference rate, eop	5.75 (Sep)	6.3	6.5
Loans (priv.sector,yoy,eop)	5.8 (Aug)	4.7	1.3
Deposits (priv.sector,yoy,eop)	14.4 (Aug)	14.3	10.5
Lending interest rate (pr.sect., eop)	10.2 (Aug)	10.1	11.1
Deposit interest rate (pr.sect , eop)	4.7 (Aug)	5.1	5.1

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Doina Caraman

Real Economy

In 2Q 2024, GDP grew by 2.4% year-on-year, driven by household consumption (+3.7%) and gross fixed capital formation (+6.9%). However, this was partly offset by declines in exports (-3.4%), public administration consumption (-0.9%), and rising imports (+7.8%). On the supply side, trade expanded by 7.2%, information and communications by 5.8%, construction by 5.6%, agricultural production by 3.0%, and net taxes by 3.0%. However, GDP growth was hindered by a 5.8% decline in real estate transactions, a 2.9% drop in energy production and supply, and a 1.0% decrease in transport and storage services.

In September, annual inflation in Moldova rose to 5.2%, the highest since November 2023, driven by increased food inflation (7.1%) while price growth for non-food items and services slowed. Industrial production fell by 3.5% year-on-year in the first eight months of 2024.

Financial Markets

Since May, the National Bank of Moldova has kept interest rates unchanged: the base rate at 3.60%, overnight deposits at 1.60%, and overnight loans at 5.60%, citing the delayed effects of previous policy measures. Monetary policy incentive measures led to a consistent decline in interest rates for new MDL loans, with the average rate dropping to 8.41% annually by September 2024. The successive rate cuts spurred an increase in the volume of new MDL loans. Meanwhile, deposit interest rates fluctuated monthly but held steady at 3.18%.

During 3Q 2024, local currency depreciated against EUR by 1.36% and appreciated against USD by 2.81% on a QoQ basis. In 2024, yields on government securities have been consistently declining, with a slight uptick observed in September 2024. Specifically, the yields on 91-day, 182-day, and 364-day Treasury bills rose by 0.11pps, 0.29pps, and 0.26pps, respectively, compared to the end of August. This increase aligns with the prevailing inflation trends and expectations.

Banking Sector

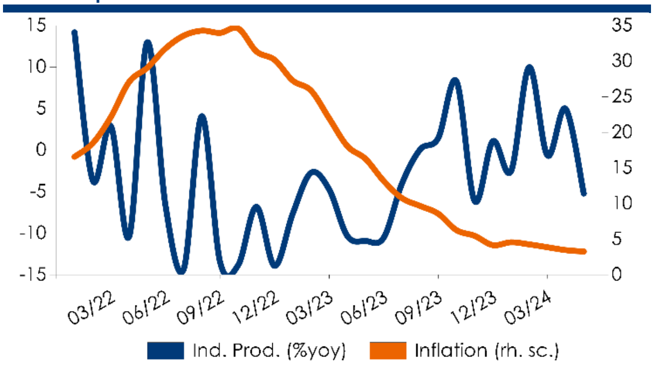
As of September 2024, the growth of the loan portfolio reached 19.1%, with all segments contributing, particularly household loans, which grew by 26.4%, compared to corporate loans at 14.4%. In contrast, deposit growth slowed, increasing by 17.3% yoy, driven by a 26.6% rise in corporate deposits and an 11.3% rise in household deposits. The loan-to-deposit coverage ratio stands at 167.6%, indicating ample resources for further lending. The NPL ratio has remained relatively stable in the third quarter of 2024, showing slight fluctuations but averaging 4.6% monthly.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	-5.2 (May)	-0.1	2.3
Nom. exports yoy	-17.4 (May)	-12.6	-14.0
PMI manufacturing	-17.4 (May)	-12.6	-14.0
Retail sales	-5.6 (Dec)	n.a.	n.a.
Inflation rate yoy	3.8 (Jun)	3.5	4.3
CB reference rate	3.6 (30th Sep)	3.6	3.8
Loans (Priv. Sector, yoy, eop)	19.1 (Sep)	12.3	6.7
Deposits (Priv. Sector, yoy, eop)	17.3 (Sep)	13.0	17.3
Lending interest rate (corp., eop)	7.5 (Sep)	7.7	8.1
Deposit interest rate (hh, eop)	3.3 (Sep)	3.7	4.1

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

The Russian economy continues to grow, but at a slower pace than in the first half of 2024. This deceleration is mainly caused by increasing supply-side constraints. Domestic demand is supported by rising loans and incomes of households and businesses, as well as by increased tax expenditure. The upward deviation of the Russian economy from a balanced growth path is still significant. This is also evidenced by the current high inflationary pressures. The labour market remains tight. Unemployment is still at an all-time low. Labour shortages are increasing in many sectors. Wage growth continues to outpace labour productivity growth.

Financial Markets

At its meeting on 25 October, the Bank of Russia (CBR) decided to raise its key interest rate by 200 basis points to 21.0% per annum. A further tightening of monetary policy is necessary to ensure the return of inflation to target and reduce expectations. The Bank of Russia opened the prospect of raising the key rate at its next meeting. Over the medium-term horizon, the balance of inflation risks is still significantly tilted upwards. The main risks are associated with persistently high expectations and the upward deviation of the Russian economy from a balanced growth path, as well as deteriorating foreign trade conditions. The Bank of Russia takes into account the announced fiscal policy parameters. A change in these parameters may require an adjustment in the monetary policy pursued. The policy rate has been increased by 1,350 bp since the middle of last year and is now higher than the level at which it was raised at the start of the war in Ukraine in February 2022. The CBR became even more concerned about the inflationary consequences of war-related supply constraints on the economy and loose fiscal policy.

Banking Sector

Davidia Zucchelli

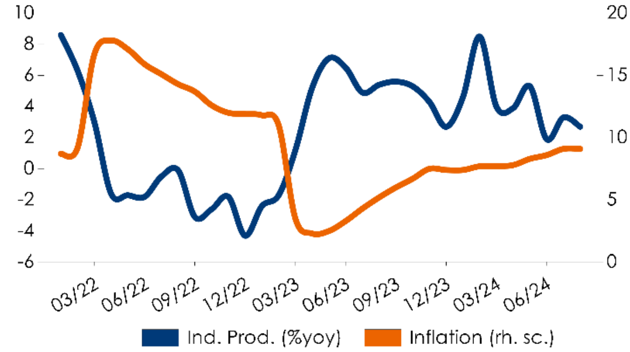
According to preliminary data, the growth rate of corporate lending remained high in September (+2.0% vs +1.9% in August). Companies from a wide range of sectors were raising both working capital loans and loans to fund investment projects. Mortgages edged up by 0.9%, similarly to August. Subsidised and market-based mortgage lending remained at the August level with loans under the Family Mortgage programme accounting for over half of total loans. The growth rate of consumer lending declined by almost 50% to 0.7% as compared with 1.3% in August. The inflow of households' and legal entities' funds into banks was growing (by 1.3% and 1.8%, respectively) amid a continuous increase in interest rates.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	3.2 (Sep)	3.7	5.7
Nom. exports yoy	72.1 (Jan)	n.a.	n.a.
Retail sales yoy	5.1 (Aug)	7.4	10.8
PMI manufacturing	49.5 (Sep)	54.9	55.7
Inflation rate yoy	8.6 (Sep)	8.2	7.6
CB reference rate	21 (25th Oct)	16.0	16.0
Loans (priv.sector, yoy, eop)	20.9 (Jul)	21.7	23.2
Deposits (priv.sector,yoy,eop)	22.2 (Jul)	24.1	27.2
Lending interest rate (corp., eop)	17.8 (Jul)	17.0	17.2
Deposit interest rate (hh, eop)	16.1 (Jul)	16.3	14.5

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Artem Krasovskyi

According to Ministry of Economy's estimate, the Ukrainian GDP grew by 4.5% yoy for the first nine months of 2024 and by 3.8% yoy in September. The positive trend in industrial production was caused by some normalisation in the energy sector, the revival of domestic demand and the stable operation of the sea corridor. Agriculture showed the largest increase in September thanks to the early harvest of late crops. Growth was also observed in transport and construction. However, 4Q24 will likely be a drag for the full-year GDP print, as security risks grow and the mobilisation of troops intensifies on the back of a deteriorating situation at the frontline. Inflation kept gathering pace in September, soaring to 8,6% yoy from 7.5% in August and 5.4% in July, which appeared to exceed the NBU's forecast. The core inflation also accelerated above the expectations, to 7.3% yoy from 6.5% in August and 5.7% in July. Inflationary pressure is likely to persist in the coming months due to an increase in budget spendings, further tightening in labour supply and looming increase in electricity shortages during the heating season.

As the situation at the frontline worsens, Ukraine faces mounting challenges and struggles to tackle wavering Western support. According to authorities, the country is expecting USD 16.5Bn in external financing until the end of 2024; however, for 2025, less than half of USD 38Bn estimated financing needs has been committed to cover by international partners so far.

Financial Markets

Following the second round of keeping the key rate flat at 13% on MP meeting in September, we expect the NBU to stay on hold again at the next MP meeting on Oct 31. However, amid inflation heading to the double-digit zone, the potential return to monetary tightening cannot be ruled out during the subsequent meetings in late 2024/early 2025. The USDUAH trades still at 41.20-41.30 in September-October, backed by the persistent sales from the NBU side. Coupled with the dried-up external funding in September, it pushed the NBU FX reserves down again to USD 38.9Bn in September from USD 42.3Bn in August.

Banking Sector

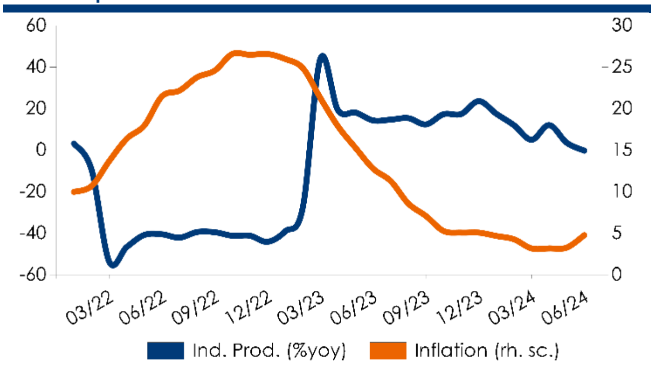
The Ukrainian banking sector remained stable in 3Q24. For the first eight months of 2024, banks generated as much as UAH 106Bn in profit, which is 11.6% higher than during the same period last year. In August, total loans to private sector grew by 1.4% mom (+9.4% year-to-date). Deposits to households grew by 0.87% mom (+8.6% year-to-date), while corporate deposits declined by -1.24% mom (+8.3% year-to-date). The lending rates kept decreasing (-1.67% mom and -6.9% year-to-date), while deposit rates stood still (+0.09% mom and -13.8% year-to-date).

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production yoy	5.1 (Mar)	n.a.	11.6
Nom. exports yoy	1 (Jun)	1.4	3.9
PMI manufacturing	1 (Jun)	1.4	3.9
Retail sales	19.9 (Dec)	n.a.	n.a.
Inflation rate yoy	5.4 (Jul)	3.8	4.1
CB reference rate	13 (30th Sep)	13.0	14.5
Loans (Priv. Sector, yoy, eop)	12.1 (Aug)	10.0	3.9
Deposits (Priv. Sector, yoy, eop)	18.3 (Aug)	19.7	21.7
Lending interest rate (pr.sect., eop)	19.3 (Aug)	19.1	20.2
Deposit interest rate (pr.sect , eop)	8.7 (Aug)	8.8	9.7

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Samer Halim

Egypt's real growth recorded 2.4% in FY 2023/24 against 3.8% a year earlier, mainly due to weaker performance of the Suez Canal, gas extractions and industrial activities. However, those adverse conditions were partially offset by the rise in tourism and telecom sectors in addition to maintaining a stable growth in construction. Inflation edged up for the second consecutive month in September, rising to 26.4%. Electricity, gas, and other fuel prices accelerated in the past few months as part of the government's plan to gradually phase out subsidies.

Financial Markets

Rising concerns over inflation expectations urged the CBE to keep key interest rates unchanged in October (27.25% and 28.25% for Overnight Deposit and Lending Rates). MMR climbed to 29.9% (up by almost 30 bps against last month) in light of persistent geopolitical tensions and increasing inflation. It's worth mentioning that total overall budget deficit declined to reach -1.54% of GDP during the period July-August FY 2024/25, compared to -2.74% during the same period of last year. This improvement can be attributed to increasing tax revenues (mainly Tax on T-bills and bonds' payable interest, VAT on Imported Goods, Customs and Suez Canal Profits) and decline in government investments to align with the government decision to "enact identified ceiling on public investments worth EGP 1Trn for the FY 2024/25."

The US Dollar recorded EGP 48.73, where it has been hovering between EGP49.5 and EGP46.5 since floating the local currency in March. Head of the Saudi-Egyptian Business Council stated that "Egypt inked deals with Saudi Arabia to inject USD 15Bn across various sectors, including renewable energy, industry, real estate development, tourism, and technology." S&P Global Ratings affirmed its 'B-/B' long- and short-term foreign and local currency sovereign credit ratings of Egypt, with a positive outlook. According to the Agency, the positive outlook reflects reforms implemented by Egyptian authorities since March, while it highlighted that regional risks are still considerable.

Banking Sector

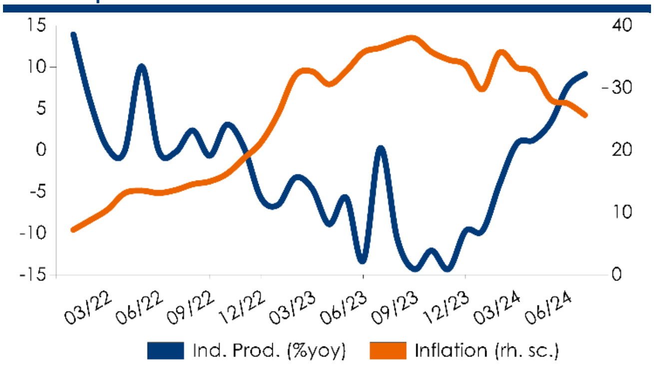
Private loans annual growth decelerated to 27% in May 2024, against 27.6% one month earlier after raising key interest rates by 600 bps in March. For private deposits, annual growth kept increasing since April, reaching 29.9% in August, affected by increasing interest and revaluation of foreign currency portfolio. The banking sector's Net Foreign Assets (CBE + Commercial Banks) significantly improved to a surplus of USD 14.3Bn in May 2024 against a deficit of USD 29Bn in January, before slightly decreasing again in July and August to USD 13.4Bn and USD 9.7Bn, respectively, on the back of geopolitical developments and turbulences witnessed in international markets in August, negatively affecting carry trade.

Latest economic indicators

	Last value	2Q24	1Q24
Industrial production, wda yoy	9.2 (Jul)	4.1	-4.3
Nom. exports yoy	10.6 (Jul)	5.3	-10.4
Retail sales yoy	n.a.	n.a.	n.a.
PMI	48.8 (Sep)	49.9	47.6
Inflation rate yoy	26.4 (Sep)	29.4	32.9
CB reference rate	27.3 (3th Sep)	27.3	27.3
Loans (priv. sector, yoy, eop)	27 (May)	n.a.	26.9
Deposits (priv. sector, yoy, eop)	29.9 (Aug)	29.4	24.0
Lending interest rate (corp., eop)	26 (Aug)	24.9	23.3
Deposit interest rate (hh, eop)	20.6 (Aug)	20.0	17.4

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]		
		2Q24	1Q24	2023	Last	mth	2Q24	Last	mth	2Q24	Last	mth	2Q24	Last	mth	2Q24	Last	mth	2Q24	Last	mth	2Q24	Last	mth	2Q24
CEE	Czechia	0.9	-0.1	-0.1	1.5	Aug	-2.2	7.4	Aug	7.7	4.5	Aug	4.1	2.6	Sep	2.5	3.9	Sep	3.6	4.4	Aug	7.0	97.6	Sep	96.5
	Hungary	1.3	1.7	-0.9	-9.5	Aug	-2.3	-4.1	Aug	-0.3	3.2	Aug	3.0	3.0	Sep	3.8	4.2	Aug	4.3	13.9	Jul	13.9	98.7	Sep	101.7
	Poland	4.4	1.4	0.1	-1.5	Aug	2.1	-8.2	Aug	-7.3	2.6	Aug	4.5	4.9	Sep	2.5	5.0	Aug	5.0	10.6	Jul	11.2	102.1	Sep	101.6
	Slovakia	2.0	3.3	1.6	0.9	Aug	-0.7	-3.8	Aug	-1.7	0.7	Aug	5.3	2.6	Sep	2.1	5.0	Aug	5.0	5.9	Aug	6.9	99.4	Sep	103.7
	Slovenia	0.7	2.1	2.1	7.2	Aug	-3.0	19.1	Aug	15.8	0.6	Aug	-0.7	0.7	Sep	2.4	4.5	Jul	4.5	4.7	Jul	3.4	96.9	Sep	98.3
SEE	Albania	4.1	3.6	n.a.	n.a.	n.a.	n.a.	-18.2	Aug	-6.5	n.a.	n.a.	n.a.	1.9	Sep	2.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	2.2	2.5	1.9	-7.1	Aug	-6.5	0.4	Aug	-4.0	2.9	Aug	10.8	1.3	Aug	1.9	27.8	Jul	27.6	8.8	Aug	9.4	n.a.	n.a.	n.a.
	Croatia	3.5	4.0	3.3	-2.1	Aug	-3.6	28.8	Jul	4.7	6.6	Aug	6.7	3.1	Sep	4.2	4.8	Aug	5.1	15.2	Jul	16.4	107.2	Sep	105.2
	Romania	0.9	0.5	n.a.	-4.3	Aug	-1.0	-1.6	Aug	-0.4	8.1	Aug	9.9	4.8	Sep	5.8	5.5	Aug	5.2	13.8	Aug	13.2	103.4	Sep	104.2
	Serbia	4.0	4.6	3.8	0.9	Aug	1.3	0.4	Aug	1.1	5.3	Aug	8.3	4.2	Sep	4.4	n.a.	n.a.	n.a.	16.8	Jul	14.5	n.a.	n.a.	n.a.
EE & MENA	Moldova	2.1	1.4	0.7	-5.2	May	-0.8	-17.4	May	-11.4	-5.6	Dec	n.a.	5.2	Sep	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	4.1	5.4	3.6	3.2	Sep	3.7	72.1	Jan	n.a.	5.1	Aug	7.4	8.6	Sep	8.2	2.4	Aug	2.5	8.5	May	8.5	49.5	Sep	54.9
	Ukraine	-3.7	6.5	5.3	5.1	Mar	n.a.	1.0	Jun	1.4	19.9	Dec	n.a.	8.6	Sep	3.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	2.4	2.2	2.9	9.2	Jul	4.1	10.6	Jul	5.3	n.a.	n.a.	n.a.	26.4	Sep	29.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.8	Sep	49.9
	m.i. E. A.	*0.6*	*0.4*	*0.4*	*0.1*	*Aug*	*-3.7*	*-2.4*	*Aug*	*2.0*				*1.7*	*Sep*	*2.5*									

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

Markets and Ratings

		S/T rates		L/T rates1		Foreign exchanges2			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*	18/10	18/7	2Q24	1Q24	2023	2Q24	1Q24	Moody's
CEE	Czechia	4.3	-0.7	4.2	0.2	25.27	-0.42	2.33	3.0	20.4	30.1	28.0	n.a.	n.a.	n.a.	n.a.	4,177.5	Aa3
	Hungary	6.4	-0.2	6.5	0.0	404.20	2.69	5.00	2.1	30.1	117.8	110.2	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	6.1	0.1	5.8	0.2	4.35	1.31	-2.74	-3.8	17.3	69.5	66.3	n.a.	n.a.	n.a.	5,676	4,960.0	n.a.
	Slovakia	3.1	-0.6	3.2	-0.3	n.a.	n.a.	n.a.	-0.4	-6.4	27.1	27.1	n.a.	n.a.	n.a.	-582	-162.0	A2
	Slovenia	3.1	-0.6	3.0	-0.2	n.a.	n.a.	n.a.	1.7	39.3	34.4	34.4	111	278	18	739	681.7	A3
SEE	Albania	2.7	n.a.	n.a.	n.a.	98.55	-1.75	-6.89	n.a.	n.a.	n.a.	n.a.	-117	-280	n.a.	-216	-371.0	n.a.
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	268	-132	115	-252	-472.6	n.a.
	Croatia	0.4	0.0	3.0	-0.2	7.53	0.00	0.00	4.2	29.0	75.6	75.6	208	-164	-24,997	-1,197	-3,068.3	Baa2
	Romania	5.4	-0.3	6.9	0.0	4.97	0.07	0.22	-5.3	22.7	134.1	134.1	n.a.	5,645	n.a.	n.a.	-3,945.0	Baa3
	Serbia	n.a.	n.a.	n.a.	n.a.	117.06	0.01	-0.12	12.0	30.8	179.7	167.0	2,565	33	5,493	-798	-366.5	Ba2
EE & MENA	Moldova	3.6	0.1	4.9	n.a.	17.89	0.97	-1.35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-17.6	B3
	Russia	24.7	0.0	15.1	0.0	104.07	0.00	0.00	0.0	-1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	12.8	0.0	24.1	-7.0	41.25	0.00	12.70	-2.3	-2.6	n.a.	n.a.	-3,640	1,705	12,546	-5,396	-3,234.0	Ca
	Egypt	29.6	3.8	11.3	0.0	48.78	0.91	57.86	5.0	36.3	584.0	577.5	6,023	5,141	1,217	-3,711	-7,463.1	Caa1
	m.i.A.E.	*3.1*	*-0.6*	*2.3*	*-0.1*	*1.1*	*-0.2*	*2.3*	*1.5*	*15.8*	*4.06*	*4.06*						

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	2023	Last	mth	2023	Last	mth	2023	Last	Mth	2023	Last	mth	2023	S[4]	Last	mth	2023	S[4]	Last	mth	2023
CEE	Czechia	5.2	Aug	6.6	1.7	Aug	1.7	15.3	Aug	15.8	7.1	Aug	7.5	6.2	Aug	8.2	C	3.7	Aug	5.7	H	69.5	Aug	70.4
	Hungary	5.6	Aug	3.3	2.0	Jun	2.0	2.3	Aug	16.8	8.5	Aug	0.3	10.7	Aug	12.4	C	4.9	Aug	7.7	H	80.7	Aug	80.6
	Poland	2.1	Aug	-2.5	n.a.	Jul	n.a.	8.2	Jul	5.5	7.4	Aug	10.5	7.6	Aug	7.8	C	4.2	Aug	4.6	H	67.0	Aug	67.1
	Slovakia	1.8	Aug	3.4	2.0	Aug	2.0	-8.4	Aug	25.9	7.0	Aug	4.6	5.8	June	5.8	C[2]	n.a.	Aug	n.a.	H[2]	104.9	Aug	107.0
	Slovenia	1.4	Aug	-0.5	1.0	Jul	1.0	5.8	Aug	21.9	3.8	Aug	5.5	5.4	Aug	5.6	C[2]	1.6	Aug	1.3	H[2]	62.0	Aug	60.6
SEE	Albania	11.7	Aug	3.7	4.6	Aug	4.7	28.7	Aug	5.3	3.0	Aug	1.6	5.5	Aug	5.6	PS	2.8	Aug	2.3	PS	59.8	Aug	56.0
	Bosnia H.	9.2	Aug	6.8	3.5	Jun	3.8	25.0	Aug	-15.6	9.8	Aug	10.2	4.8	Aug	3.9	C	0.8	Aug	0.6	H	89.0	Aug	88.5
	Croatia	7.7	Aug	8.0	2.6	Jun	2.6	18.7	Aug	-13.6	3.3	Aug	3.5	4.9	Aug	5.2	PS	3.1	Aug	3.1	PS	68.4	Aug	66.6
	Romania	6.8	Aug	5.9	2.6	Aug	2.3	8.0	Aug	19.0	10.8	Aug	12.9	8.0	Aug	8.6	PS	5.0	Aug	5.6	PS	68.1	Aug	66.6
	Serbia	5.8	Aug	1.0	2.7	Aug	3.2	-4.3	Aug	-5.8	14.4	Aug	11.7	10.2	Aug	10.5	PS	4.7	Aug	5.7	PS	80.2	Aug	81.1
EE & MENA	Moldova	19.1	Sep	3.7	4.7	Sep	5.6	0.7	Jul	n.a.	17.3	Sep	19.9	7.7	Sep	9.3	C	3.2	Sep	5.4	H	59.7	Sep	56.1
	Russia	20.9	Jul	24.2	6.1	Dec	n.a.	n.a.	Jul	n.a.	22.2	Jul	23.4	17.8	Jul	16.1	C	16.1	Jul	12.8	H	121.6	Jul	121.0
	Ukraine	10.0	Jun	-0.3	34.6	Jun	37.4	7.1	Jun	-2.6	19.7	Jun	26.7	19.1	Jun	20.7	PS	8.8	Jun	10.4	PS	43.6	Jun	43.4
	Egypt	27.0	May	22.1	2.6	Mar	3.0	49.2	Aug	33.9	29.9	Aug	18.5	26.0	Aug	19.5	C	20.6	Aug	14.2	H	36.1	May	36.7
	m.i. E. A.	*0.45*	*Jul*	*0.6*	*n.a.*	*n.a.*	*n.a.*	*-2.3*	*Jul*	*1.2*	*3.3*	*Jul*	*1.5*	*5.0*	*Aug*	*5.2*	*C*	*3.0*	*Aug*	*3.3*	*H*	*73.7*	*Jul*	*74.5*

Source: Central Banks, IMF, Moody's ;[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.

Appendix

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