

Economic and Banking Monitor

Viewpoint

The high-frequency indicators signal a weakening of the economic cycle in 4Q20 and still in 1Q21, after the rebound in 3Q20. Prolonged expansionary policies and the prospect of a vaccine rollout are holding up financial markets.

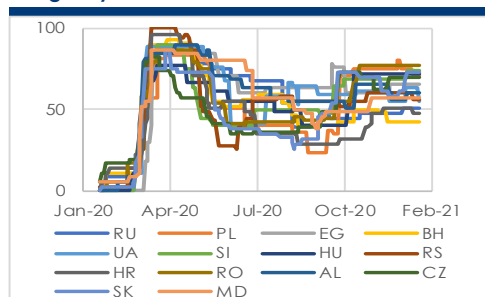
The most recent high-frequency economic indicators signal a weakening of the economic landscape in 4Q20, though apparently less pronounced overall than previously expected, after the rebound recorded in 3Q20. In the CEE/SEE region industrial production rose by 2.1% yoy in November, an improvement from -0.4% in 3Q20, but retail sales retreated to -3.1% yoy from 3.5% yoy. In December the Economic Sentiment Indicator, hit by the resurgence of the pandemic and new containment measures, reversed the uptrend of the previous months but increased again overall in January. A similar pattern occurred in Russia, where in November the downtrend in industrial production softened to -2.6% yoy from -6.3% in 3Q, supported also by the partial recovery of the energy sector, while retail sales slid to -3.1% yoy from -2.5%. In December the PMI slightly improved to 49.7 but remained below the 50-threshold.

Although the number of daily cases is currently abating, and the Stringency Index is overall softening again, the efforts adopted to contain the spread of the virus is nevertheless going to impact the strength of the recovery in 4Q20 and further in 1Q21, with social distancing-sensitive sectors expected to be hit hardest. From 2Q21 the vaccine rollout plan is expected to allow for a gradual removal of social distancing restrictions thereby sustaining a rebound in economic activity. However, uncertainties about the timing of their distribution and the possible outbreak of new contagion waves in the meantime mean risks remain tilted downwards.

In December inflation decelerated further in the CEE/SEE region to 2.2% on average from 2.6% in November. With the exception of CZ, where it is just slightly above target, inflation rates are below the targets set by central banks (and still negative in SL, HR and BH), supporting overall expectations of a prolonged highly accommodative stance in monetary policy. Outside this region, inflation slightly increased, both in Egypt - where it remained below the new official target range of 7%±2% - and in Russia, where it was above the 4% target. In Ukraine inflationary pressures are supporting rumours of an anticipated reversal of monetary rates. Long-term yields fell further where inflation rates decelerated and CDS spreads narrowed overall, in most cases signalling a stable low-risk assessment by financial markets, somewhat supported by CBs monetary stance.

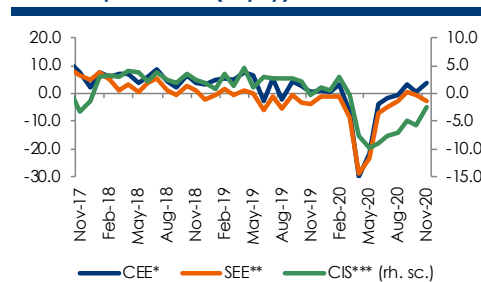
On the banking side, lending continued to benefit from the wide range of measures adopted to provide liquidity to markets, ensure credit flows to the economy and support household and enterprise balance sheets. In November, despite the recession, loans still increased by 3.0% and more than 5% yoy, on average, in the CEE (more than 12% in HU and RS) and SEE areas, respectively, and (except in UA where a plan for NPL write-offs is at work) by more than 10% in CIS and 20% (August release) in Egypt. Deposits were even more buoyant, with more than double-digit growth rates in most cases, due to the combination of repressed consumption and precautionary savings. Both lending and deposit growth rates are widely expected to soften during the year with the gradual removal of stimuli as the pandemic shock recedes.

Stringency Index



Source: Oxford University, Datastream Refinitiv
Note: the Index varies between 0 (no lockdown) and 100 (full lockdown)

Industrial production (% yoy)



* weighted avg on SK, SI, HU, CZ, PL data; **weighted avg on BA, HR, RO, RS data; *** weighted avg on RU, UA data; Source: Intesa Sanpaolo elaboration on Refinitiv data

January 2021

Countries with ISP subsidiaries

Quarterly Note

Research Department

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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, April, July and October.

Cross Country Analysis

CEE Area

In the **CEE area**, the recent high-frequency economic indicators signal a likely (temporary) weakening of the economic path in Q4. Based on a short softening of social distancing measures, as assessed by the Stringency Index, November economic data recorded a better performance than in Q3. However, in December, the resurgence of the pandemic led authorities to (temporarily) again strengthen containment measures, with a likely negative impact on the recovery path of economies in 4Q20 and further in 1Q21. Sectors such as services, including accommodation, restaurants and the retail segment, were most affected by the measures to fight infection rates. In the region, new positive cases in one month increased from about 80k in September to over 500k in December. However, since the start of the vaccination campaign, over 290k people have received the jab. The effectiveness of this campaign will be relevant to the progression of the economic recovery this year.

Antonio Pesce

In November, **industrial production** increased by 3.8% yoy on a weighted average in the area, above the October result (0.6%) and significantly better than the outcome recorded in Q3 (0.3%). Only for Czech Republic were results below 1.0%. In the remaining countries of the region, it ranged from 2.1% in Slovenia to 5.4% in Poland. The dynamic of **exports** (11.0% yoy on a weighted average) was also better in November than in Q3 (3.4% yoy), but with some heterogeneity among countries, ranging from 0.9% in Slovenia to 14.4% in Poland. **Retail sales** signalled yet more weakness regarding the economic situation. In November, they dropped by 4.8% yoy (weighted average) from a positive Q3 result (1.3% yoy). Declines were observed in all CEE countries, with values ranging from -3.0% (Hungary) to -14.1% (Slovenia). Moving to forward-looking business indicators, December's surveys again reflected a deterioration in the economic environment overall, which was negatively affected by the renewed imposition of social distancing measures due to the second wave of COVID-19 infections. In all CEE countries, Economic Sentiment Indicators (**ESI**) in December were lower than in Q3.

In December, the **inflation** rate in the region decelerated further, to 2.2% (on a weighted average) from 2.6% in November and 2.9% in Q3, despite the soft recovery in energy prices (the Brent price returned to \$50/bbl in late December from \$36 in October). Inflation rates were within the intervals set by the local central banks overall, and in the most cases, they were well below the central targets, moving in a range between -1.2% in Slovenia, the country that had also recorded the greatest contraction in retail sales in December, and 2.7% in Hungary.

Authorities maintained strong **expansionary monetary and fiscal policies** to limit the negative economic impact of the COVID infection spread. National authorities provided markets with liquidity by keeping policy rates at historical lows and in most cases imposing quantitative easing operations, softened reserve regulatory requirements, moratoriums on bank loan payments, and incentives and state-guarantees on lending to SMEs. The IMF estimated that among the CEE countries, the additional government spending or foregone fiscal revenues were 5.1% of GDP on average in 2020.

Regarding financial markets, the expansionary monetary policy supported low **monetary interest rates** as well as low **long-term yields** in the whole region. Spreads with benchmark yields (10Y Bund) have remained roughly unchanged in the last few weeks. In the **FX markets**, local currencies – in particular, the CZK and the HUF – have re-appreciated slightly recently with respect to the EUR, partially recovering the depreciation that occurred in previous months.

On the **banking side, in the CEE area**, lending trends continued to be supported by a range of measures adopted by national authorities, as already mentioned (see above). Nevertheless, lending decelerated slightly in November on average, to 3.0% yoy (from 4% yoy in October),

Davidia Zucchelli

while being more dynamic in the household sector (especially in Czech Republic and Slovakia). NPL ratios remained subdued, thanks to the flexibility allowed by regulators and the parallel strong lending performances. Deposits continued to be strong, above our expectations in many countries (eg, in Hungary, Poland and Slovenia). This performance is nevertheless expected to be temporary, as it is likely related to the extraordinary expansion of liquidity in the system and the spikes in savings ratios. Profitability, measured by ROA, as of September partly recovered in many countries, but was still affected by high provisions and low interest rates, partly benefiting from strong asset growth. **Total assets** increased more than loans (by around 10% in the area). This may indicate that banks increased liquid and lower-earning assets on the balance sheet, following cautious lending policies. In particular, reserves at central banks rose in all countries owing to strong growth in deposits.

In more detail, November data still showed a strong performance for banking aggregates in **Hungary**. Loans rose by 12.4% yoy, driven by both corporates (10.8% yoy) and households (14% yoy), significantly supported by subsidised lending schemes. The ROA ratio was 1% as of September, among the highest in the EA (the weighted average was 0.16%). The ROA was very high in **Slovenia** as well (around 1.9%), despite the weak performance of lending (-1.4% yoy as of November), which was still influenced by deleveraging in the corporate sector (-3.3%). Total deposits recorded a sizable increase (11.8% yoy), particularly among corporates (14.2% yoy vs 11% yoy in the household sector).

In **Poland**, total loans remained roughly stable (0.2%), due to a decrease in corporates (-4.5%) and a parallel increase in households (+2.6%), which have continued on the same path since July. Recently, Polish regulators extended dividend restrictions until June 2021, supporting capital levels, even though the Tier 1 ratio was 17.5% vs 16.7% in the EU as of September. In both **Slovakia** and **Czech Republic** in November, lending (4.2% and 4.9% yoy, respectively) and deposits (4.7% and 11.8% yoy) growth continued to be robust.

SEE Area

As with the CEE area, the **SEE region** experienced a strengthening of containment measures in December to combat the worsening of the COVID-related infection spread. The Stringency Index increased to 59.1 on average in December (49.3 in the previous two months). In December, the number of new positive COVID cases totalled more than 341k (vs 46k in September).

Unlike the CEE region, in SEE in November, **industrial production** continued to experience a negative dynamic (-2.7% yoy on a weighted average) and deteriorated with respect to the trends of both the previous month (-0.6%) and Q3 (-2.3%). **Export** trends turned slightly positive in November (0.2% on a weighted average computed by excluding Croatia, for which data are not available yet), when it improved in all of the region's countries. Further, in December, it had continued to improve in Albania and Bosnia Herzegovina. Unlike in the CEE area, the average dynamic of **retail sales** was still positive in November (1.5% yoy), thanks to Romania and Serbia, even though it softened vs October (2.7%). Moving to forward-looking indicators, in December, the **ESI** dropped in Croatia and Romania (the only countries in the region recording this indicator), to 86.6 and 83.1, respectively.

In December, the **inflation** rate decreased slightly, to 1.4% (on a regional weighted average) from 1.5% in November, ranging from -0.7% in Croatia to 2.1% in Romania. The dynamic of consumer prices remained inside the interval (in the lower range) of CB targets in Romania and below the target corridor in Albania and Serbia. As in the CEE region, monetary policy in the SEE area also continued to be highly expansionary. In January, the National Bank of Romania again cut the policy rate by 25bps, to 1.25%. **Short-term interest rates** remained at historical lows. At the same time, **long-term yields** (recorded for Croatia and Romania) and their spreads against the Bund narrowed. In the **FX** markets, local currencies remained broadly stable. On IMF estimates, the

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additional government spending or foregone fiscal revenues amounted to 3.9% of GDP in 2020 (on a regional average).

Regarding banking activity, lending growth rates **among SEE countries** remained over 5% yoy in November, but the performance was very mixed among countries (from -1.8% yoy in Bosnia to +12.7% in Serbia). In contrast to CEE countries, loans to corporates showed a more vigorous dynamic than loans to households (with Bosnia the only exception). Deposit growth continued to be strong in the area (over +14% yoy) – in particular, in Serbia (17.5%) and in Romania (15.8%) – due to deferrals of consumption and investment.

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In **Serbia**, loan growth continued to be vigorous (+12.7% yoy, for both corporates and households as of November). The deceleration of loans denominated in foreign currency continued (+6.3%, after increasing by double-digit figures in the previous months), due to the dinarisation strategy. Corporate deposits showed a further buoyant increase (+28% yoy vs +11.7% for households). The ROA remained high in 3Q20, at 1.4%, the same level as recorded in 2Q20. Profitability was robust in **Romania** as well (ROA was 1.2% in 3Q20), where lending grew by 4.8% yoy in November, at the same rate for household (4.8% yoy) and corporates (slightly accelerating to 4.9% yoy). The deposit performance was also similar in the two sectors in November (over 15% yoy), despite declining interest rates.

In **Croatia**, loan growth decelerated (+2.6% yoy as of November), with similar performances for households (+2.7%, supported by high per-capita income, although consumer loans were weak, decreasing by 0.4% yoy) and corporates (2.5% yoy). Deposits rose by 8.1%, with a higher rate seen for corporates (16%, accounting for around 30% of total deposits) vs 5.4% for households. In **Albania**, total loans increased by 5.0% yoy in November (from 4.3% yoy in October), driven by corporates (to 6.0% yoy, which accounted for 70% of total loans). Among households (3% yoy), the growth related to both consumer and mortgage loans. Corporates were more dynamic regarding deposits as well (+11.3% vs 5.4% in the household sector), leading to a total deposit boost of 6.3%. In **Bosnia**, loans recorded a deeper decrease in November (-1.8% yoy vs -1.1% yoy in the previous month) as a result of a downtrend for corporates (-3.6% yoy) vs households (-0.1% yoy). Deposits increased by 6.1% yoy, mainly among corporates, jumping by 12.4% yoy in November.

CIS and MENA Areas

As in the CEE and SEE areas, CIS countries also experienced a significant worsening of the COVID-19 pandemic from the end of November. New positive COVID cases rose from about 200k in September to over 900k in December. Restrictive measures were strengthened from December, with the Stringency Index increasing to 54.7 from 51.1 in the previous two months, with a likely significant impact on the economic performance.

Antonio Pesce

In November, the trends in **industrial production** remained negative in **Russia** (-2.6%) and **Ukraine** (-0.4%) while it turned positive in **Moldova** (2.7%). However, all the countries recorded better performances than in Q3. **Export** trends in November (October for Russia), although still negative and ranging from -8.5% (Russia) to -1.7% (Moldova), improved with respect to Q3. **Retail sales** deteriorated with respect to Q3 in Russia (-3.1% yoy in November from -2.5% yoy) but strengthened in Moldova (at 13.8% yoy) and Ukraine (at 12.3% yoy in December). Moving to forward-looking indicators, in December, the **PMI** remained below the 50 level (at 49.7) in Russia. In December, in Russia and Ukraine, **inflation** rates jumped to 4.9% and 5.0%, respectively (due to food prices), well above the inflation target of the National Bank of Russia while remaining in the interval target for Ukraine. The opposite trajectory was recorded by consumer prices in Moldova, where inflation decreased to historical lows (0.4% in December). Local authorities maintained **expansionary policies** to limit the negative economic impacts of the pandemic by cutting interest rates and providing fiscal support to households and corporates. The IMF estimates that

additional government spending or foregone fiscal revenues amount to 2.5%, 3.4% and 2.2% of GDP in Russia, Ukraine and Moldova, respectively. In the FX market in January, the Moldovan LEU depreciated slightly against the USD while Ukrainian hryvna remained roughly stable and the Russian ruble appreciated, thanks to recovering energy prices.

The progression of infections in **Egypt** deteriorated towards the end of the last year, though it remained relatively low in an international comparison. The number of new positive cases increased from about 3k in September to 16k in December. In parallel, the Stringency Index strengthened in December, to 62.1 from 60.2 in the previous month. Looking at economic data, in November, industrial production continued to follow a negative trend (-17.9% yoy from -17.1% in October). Exports contracted by 13% yoy in October, well above the Q3 trend (-6.9%). The PMI index (for the non-oil private sector) fell below the 50 threshold level in December (to 48.2 from 50.9 in November). In the same month, inflation decreased to 5.4% from 5.7% in November, and remained at the bottom section of the interval target (7.0% +/- 2.0%). Fiscal policy remains expansionary. The additional government spending or foregone fiscal revenues to support the economy accounted for around 1.6% of GDP in 2020 (IMF estimate). The local currency showed stability against the USD. In January, the IMF completed its first review of Egypt's economic reform programme, which allowed authorities to draw down USD 1.67bn.

With reference to **banking activity, in the CIS area**, the dynamic of loans to the private sector was still strong. In **Russia** in October (15.1% yoy), for both corporates (+15.3%) and households (14.7%). The government increased the programme's aggregate limit to RUB 1.85tn (USD 24bn) from RUB 900bn, which equals 11% of the banking sector's mortgage portfolio as of 1 September 2020. NPLs remained under 10%. Deposits increased by 11.4% yoy in October, despite declining interest rates. In **Ukraine**, loans continued to decrease in November, by 2.8% yoy (after -4.6% yoy in October), particularly among households (-3.5% yoy vs -2.6% yoy for corporates). This performance was mainly connected to portfolio restructuring at state-owned banks (the plan of recovery approved by the government requires a reduction of NPLs already covered by provisions by over UAH 300bn in three years). The NPL ratio declined to 42% as of November. Total deposits showed a significant rise (32% yoy in November vs 30% yoy in October), particularly in foreign currency, for both corporates (+66% yoy) and households (+24.5% yoy), but data were partly inflated by exchange rate depreciation (20% yoy as of November). In **Moldova**, the performance of loans (11.7% yoy in November) continued to be driven by households (up 17% yoy) while loans to corporates, which accounted for almost 70% of the total portfolio, grew by 9% yoy. Despite the economic crisis, the NPL ratio decreased in November (to 7.9%). As of December, deposit growth accelerated to 16.5% yoy (corporates up 26.9% yoy, households rose 11.3% yoy), especially those denominated in foreign currency (18.9% yoy). The LTD ratio remained among the lowest in all CEE/SEE/CIS countries (58% as of November, followed only by Albania at 54%).

For **Egypt**, the latest data on banking aggregates still refer to August. On the lending side, loans grew by over 20% yoy in the private sector (well above the nominal GDP growth rate), with the performance continuing to be much stronger among households (30% yoy) vs corporates (18% yoy). NPL ratios are expected to rise from an average of 3.9% as the economic slowdown will negatively affect borrowers' repayment capabilities, with SMEs and the tourism sector the most vulnerable. The central bank's decision to defer loan repayment instalments for six months supported companies and helped curb the increase in NPLs. Banks can rely on ample low-cost customer deposits, which increased by 19% yoy as of August (deposits accounted for a high 60% of total assets as of August).

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Country-Specific Analysis

Czech Republic

Real Economy

Amid lockdown, which disproportionately affects the service sector vs industry, the Czech economy is exhibiting two features. Industry is powering ahead, with output and exports up over a year ago in November, but retail trade and construction remain in recession. Overall, the balance of risks for Q4 real GDP nonetheless appears tilted to the upside as containment measures appear to have been less harmful than initially expected.

Activity at the start of 2021, in contrast, should probably show a slower recovery than seemed likely a few months ago, due to the prolonging of the state of emergency and other containment measures until mid-February, given the still-raging coronavirus pandemic. Confidence surveys deteriorated in January, particularly among consumers, who fear the rise in unemployment, but also among entrepreneurs in services, trade and construction. Confidence in industry, while slipping moderately as well, nonetheless remained higher in January than a year ago. Capacity utilisation in industry increased over the previous quarter, to 86%, reflecting the continuing dichotomy of economic activity in Czech Republic.

Financial Markets

The Czech central bank (CNB) has turned relatively hawkish in recent weeks. First, CNB Governor Rusnok and then Deputy Governor Mora stated that the next move in rates will likely be up, not down. While a rate hike may still be a distant prospect, underpinned by the unanimous vote for stable rates at the past two policy meetings, the change in rhetoric is consistent with the last CNB quarterly macro forecast which pencilled in three rate hikes that would raise the refi rate from the current 0.25% to 1.0% by end-2021 to rein in persistent wage pressures and above-target inflation (2.3% in December). We previously assumed no rate hike at all in 2021. And, indeed, given the downside risks to the economy due to the second Covid wave, we continue to expect rates to remain steady this year. The next policy meeting on 4 February will, however, be crucial with regard to seeing if the CNB Board continues to hold stable on a unanimous basis or starts to split.

Banking Sector

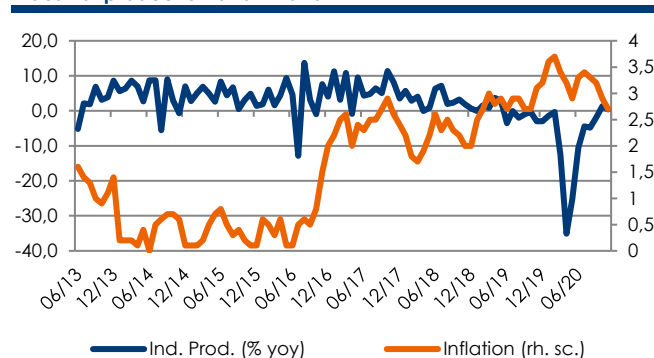
In the banking sector, volume growth continued to diverge, with yoy loan growth decelerating but deposit growth actually accelerating. On the latter issue, one of the reasons driving deposit growth appears to be the increase in the saving rate, due to impacts of the pandemic on household behaviour. This phenomenon should, however, start to subside now, as documented in the gross saving rate of households. Seasonally-adjusted, the saving rate in Czech Republic has slipped from a crisis-high of 19.5% in Q2 to 17.0% in Q3, and probably declined further in Q4 towards a pre-crisis level of 12-13%.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial production, wda yoy	0.4 (Nov)	-3.7	-23.7
Export of goods, nominal yoy	10.1 (Nov)	-2.2	-19.4
CB refi rate	0.3 (25 th Jan)	0.3	0.3
ESI (index)	81.6 (Dec)	86.2	65.1
Retail Sales yoy	10.1 (Nov)	-2.2	-19.4
Inflation rate, average yoy	2.3 (Dec)	3.3	3.1
Loans (priv. sector, yoy, eop)	4.2 (Nov)	4.8	5.6
Deposits (priv. sector, yoy, eop)	11.8 (Nov)	11.7	9.7
Lending interest rate (corp., eop)	2.0 (Nov)	1.4	2.3
Deposit interest rate (hh, eop)	0.7 (Nov)	0.5	0.6

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Despite the fact that the number of Covid-19 cases is much higher in the second wave, the containment measures have been milder compared to Q2. Nonetheless, the recovery lost momentum in Q4, especially in the service sector. Industry continues to be resilient. Although industrial output – after rising steadily for more than half a year – dropped by 1.2% mom in November, unadjusted output was 3.5% higher yoy and new manufacturing orders are already up more than 10% from a year earlier. The surplus in the balance of external trade in goods also proved resilient and the value of exports increased by 6.9% yoy in November while the rise in imports softened to 1.9%. The unemployment rate decreased from 4.3% in October to 4.1% in November and wage growth remained close to double-digit territory. However, developments in the labour market continue to be affected by statistical distorting effects (inactive category, part-time workers). Headline CPI was flat at 2.7% in December. This outcome implied an annual average CPI of 3.3% for 2020, down from 3.4% in 2019. During the year, inflation fluctuated in a relatively wide range of 2.2-4.7% due to the pandemic and related containment measures. Looking ahead, the pace of recovery in the Hungarian economy is still uncertain. It strongly depends on the wide availability and application of the vaccine.

Andras Bukovszki

Financial Markets

Policy and the O/N depo rates (0.90% and -0.05%) were left on hold in both in December and to date in January, and the 1W depo rate was also left unchanged as the relative stability of the HUF created some breathing space for the central bank. Due to the uncertainties surrounding the inflation outlook and possible changes in global risk sentiment, caution continues to be justified, in our view. The policy rate may remain unchanged through the year, but if both inflation and FX developments remain supportive, BUBOR rates may fall slightly in H2. On the other hand, the economy still needs additional monetary support. The NBH is providing it via non-conventional monetary policy tools (QE programme and lending facilities), based on which it can effectively influence the long end of the curve.

Banking Sector

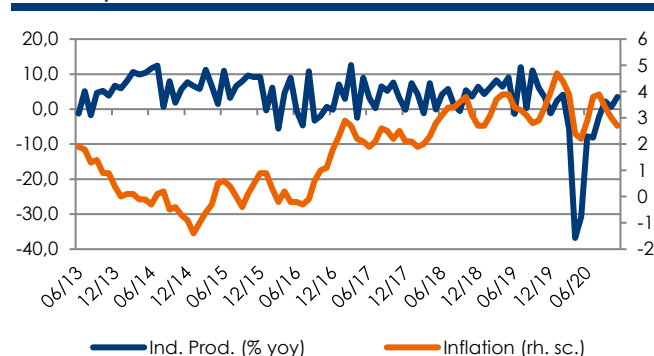
Although the banking sector has been negatively affected by the economic crisis, capital, liquidity and funding positions continue to be strong, thanks to the NBH's targeted and effective measures. The payment moratoriums and the expansion in public and central bank credit programmes significantly supported growth in the stock of loans, which was 12.4% higher than a year earlier in November. The dynamic in household loans was particularly strong (14.5% yoy in November,) but following the lifting of moratoriums, lending to households should start to normalise.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	3.5 (Nov)	-2.7	-25.1
Nom. Exports yoy	6.9 (Nov)	1.9	-23.0
ESI (index)	84.8 (Dec)	86.7	82.4
Retail Sales yoy	-0.3 (Nov)	-0.8	-4.1
Inflation Rate yoy	2.7 (Dec)	3.7	2.5
CB Reference Rate	0.6 (25 th Jan)	0.6	0.8
Loans (priv. sector, yoy, eop)	12.4 (Nov)	12.5	13.7
Deposits (priv. sector, yoy, eop)	18.7 (Nov)	19.3	16.3
Lending interest rate (corp., eop)	2.8 (Nov)	2.8	2.9
Deposit interest rate (hh, eop)	0.3 (Nov)	0.3	0.5

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

The Polish economy continues to surprise regarding its resilience. Industry in particular has been steaming ahead, posting 11.2% yoy growth in December. Construction returned to a positive yoy growth rate in December while retail sales recorded an only modest contraction, of 0.8% yoy, as restrictions were lifted and shops reopened in late November ahead of the Christmas period. We note that calendar effects, with one more working day, may have boosted headline December figures, but other data confirm resilient economic activity during Q4 and will probably be reflected in full-year 2020 GDP as well, which is likely to show a smaller recession than forecast only a few weeks ago.

Looking ahead, uncertainty related to the pandemic is urging caution, as has been the case elsewhere in Europe. Yet, the surprising resilience of the Polish economy – the domestic side in particular – provides hopes for a significant recovery once restrictions are lifted.

Financial Markets

The Polish central bank (NBP) left rates at 0.1% at the December policy meeting. The NBP reiterated concerns about the strong currency and did not rule out market interventions in the future. In fact, in a press conference held in mid-January, NBP Governor Glapinski conceded that the central bank intervened in December on the FX market at an unprecedented level to avert the appreciation on the zloty. While the NBP does not target a particular level for the exchange rate, Mr Glapinski stated that the bank was prepared to make further interventions of similar magnitude to those in December if necessary to avert unwanted appreciation that could negatively affect exports and economic recovery. On rates, though, the central bank appears happy with stability for the foreseeable future, stating that monetary easing would only be considered in case of a radical decline in the economic situation due to the pandemic. The bond market meanwhile has gained from the risk-on mood globally and experienced declines in yields and narrowing of spreads in the 10Y maturity to 170bps from about 200bps in mid-December.

Banking Sector

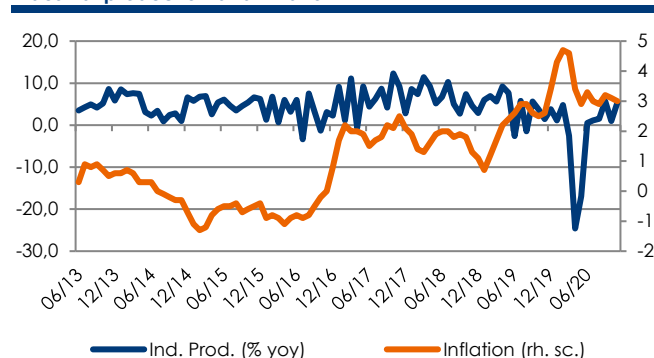
In the banking sector, loan volume growth continued to grind lower towards no growth at all while deposit growth yoy remained in double digits through November. Much as elsewhere in Europe, the key reason for the increase in deposits has been the sharp rise in the saving rate caused by the change of household behaviour towards precautionary savings. This phenomenon is apparently subsiding quickly now in Poland, judging by the correction in the gross saving rate of households. Seasonally-adjusted, the rate fell from the crisis-high of 18.2% in Q2 to a pre-crisis level of near 6% in Q3.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	5.4 (Nov)	2.8	-13.7
Nom. Exports yoy	14.4 (Nov)	5.8	-10.9
ESI (index)	76.6 (Dec)	77.9	57.6
Retail Sales yoy	4.8 (May)		
Inflation Rate yoy	2.4 (Dec)	3.0	3.2
CB Reference Rate	0.1 (25 th Jan)	0.1	0.1
Loans (priv. sector, yoy, eop)	0.2 (Nov)	0.6	2.9
Deposits (priv. sector, yoy, eop)	13.2 (Nov)	15.1	16.5
Lending interest rate (corp., eop)	2.1 (Nov)	2.4	2.4
Deposit interest rate (hh, eop)	0.2 (Nov)	0.2	0.3

Source: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

The second wave of coronavirus seems to have had a smaller impact on the Slovak economy than the first one in the spring – despite much higher infection and death rates. The 4Q20 GDP estimate was not available at time of writing. However, high frequency indicators point to robust industrial production and exports, but at the same time, hardly hit service sectors such as accommodation, restaurants and non-basic retail segment.

From 1 January, the country entered a stricter lockdown, with a curfew imposed and with indoor visits officially restricted. This seems to have helped to flatten the rising curve of new infections and thus some easing of measures (with a rather small economic impact) could be expected in February. The vaccination process is slow as the country has received only limited amounts, according to the distribution plan of the EU, due to production shortfalls.

The labour market began to be affected by the second wave of recession in the last months of 2020, when the registered unemployment rate - adjusted for seasonal effects - moved above the previous high recorded in July. It reached 7.7% in December, 2.7pps above the level at the end of 2019. Average wage growth in selected industries continued at a steady pace of around 4-5% yoy in October and November. The inflation rate has been rather stable, at 1.5-1.6%, but with a significant downward movement expected in January, as some regulated energy prices were cut.

Financial Markets

The money market in the euro area has been stable, with near record-low negative interest rates expected for a prolonged period. Long-term interest rates are low as well, partly thanks to the extended asset purchase programmes and already-high share of government bonds in the ECB's portfolio (around 40%). The spread between 10Y Slovak government bond yields and German Bunds has remained near historical lows of around 10bps. Furthermore S&P raised the sovereign rating outlook from Negative to Stable in January.

Banking Sector

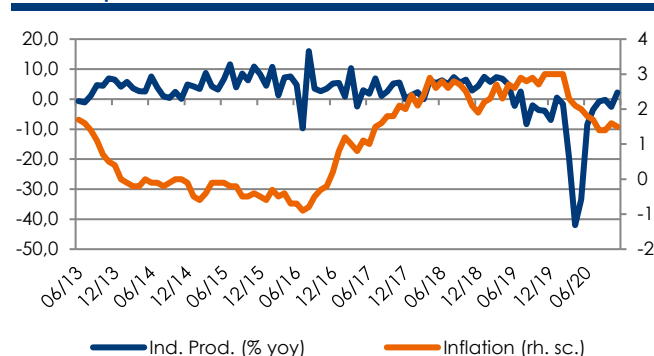
Despite the difficult circumstances, local banking business continued to grow albeit at a slower pace. Higher liquidity demand from companies compensated for lower credit needs for new investment in corporate lending. Many loan moratoriums expire in January and February and will finally reveal the real level of the so-far apparently non-existent growth of NPLs. The central bank's household survey is optimistic, suggesting that not many families should have problems paying back loans. Growth in household bank deposits surpassed the increase in household debt for the first time since 2009.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production, wda yoy	2.2 (Nov)	-1.5	-27.9
Nom. Exports, yoy	2.5 (Nov)	4.6	-26.5
ESI (index)	85.9 (Dec)	87.7	64.8
Retail sales, yoy	-0.4 (Nov)	3.8	-8.3
Inflation rate, yoy	1.6 (Dec)	1.5	2.0
ECB refi rate	0.0 (25 th Jan)	0.0	0.0
Loans (priv.sector,yoy,eop)	4.9 (Nov)	4.6	5.3
Deposits (priv.sector,yoy,eop)	4.7 (Nov)	5.9	4.0
Lending interest rate (corp., eop)	1.7 (Nov)	2.0	2.1
Deposit interest rate (hh, eop)	0.0 (Nov)	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

November high frequency data showed that industrial production declined by 0.8% yoy (-6.7% in January-November 2020), ie, the lowest result since pre-pandemic for February 2020, amid gradually recovering foreign demand (goods exports in November rose by 0.9% yoy, posting a positive growth rate for the second consecutive month). Meanwhile, retail trade turnover, affected by strict lockdown measures, plummeted by 14.2% yoy (-9.3% in January-November 2020), with a pronounced decline seen in non-food items, as fuel (-15.2%) and fuel sales (-27.2%), as consumers focused spending on essential goods like food (+0.6%). Construction works in the same month rose steeply (+18.4% yoy), supported by rising activity regarding infrastructure, as civil engineering works increased by 26.4%, unlike modest growth in buildings (+2.5%, solely supported by higher activity in residential building).

The annual HICP inflation rate in December was -1.2% yoy while FY20 inflation amounted to -0.3% yoy (+1.7% in 2019), mostly influenced by lower yoy prices for energy products, such as automotive fuel and electricity, gas and other fuel.

Financial Markets

The yield on 10Y government bonds and the spread vs the Bund stagnated mom in December at -0.2% and 40bps, respectively. In January, the yield was unchanged while the spread fell slightly below the 40bps mark. In late January, the yield stood at -0.1%, up 20bps vs end-December, and the spread was 40bps, unchanged vs end-December.

Banking Sector

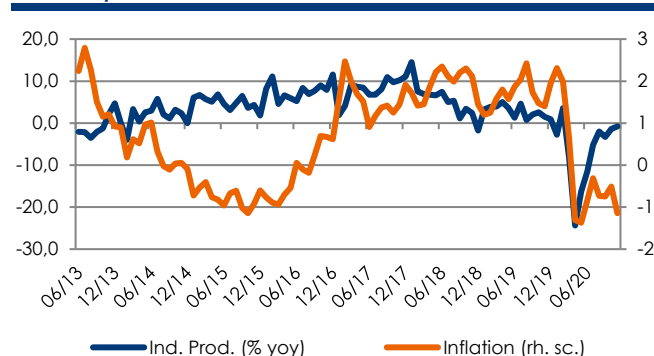
The negative trend of private sector loans deepened in November, with the total figure down by 1.4% yoy. Deleveraging of non-financial corporations strengthened, with loans contracting by 3.3% yoy amid postponed investments and corporates turning to own or alternative funds. Loans to households continued to lose momentum, coming in at just 0.3% yoy growth, as the decline in consumer loans deteriorated to -7.2% yoy, though housing loans grew by a healthy 4.1% yoy. Statistics for new loans show that the 12-month average volume of newly placed loans rose with regard to housing loans and loans granted to SMEs, but declined steeply regarding consumer loans and loans to big corporations. Private sector deposits rose significantly as the country entered a partial lockdown in October, which was then tightened in November. Deposits in November advanced by 11.8% yoy as a result of 17.3% yoy higher overnight deposits paired with 6.7% yoy lower deposits with specific maturities. Corporate deposits accelerated significantly, to 14.2% yoy, while household deposits rose by a more moderate 11.0% yoy.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production, wda yoy	-0.8 (Nov)	-3.5	-17.4
Nom. Exports yoy	0.9 (Nov)	-2.4	-15.4
ESI (index)	86.4 (Dec)	94.5	79.6
Consumer Confidence Indic.	-31.8 (Dec)	-25.5	-32.9
Inflation Rate yoy	-1.2 (Dec)	-0.6	-1.2
ECB refi rate	0.0 (25 th Jan)	0.0	0.0
Loans (priv.sector,yoy,eop)	-1.4 (Nov)	-0.7	0.7
Deposits (priv.sector,yoy,eop)	11.8 (Nov)	10.1	11.0
Lending interest rate (corp., eop)	2.2 (Nov)	2.2	2.2
Deposit interest rate (hh, eop)	0.2 (Nov)	0.1	0.2

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

Real Economy

Due to the relaxing of social distancing measures, and the positive effect of easing monetary, fiscal and financial measures in 3Q20, the contraction of the Albanian economy was less marked than in the previous quarter. In 3Q20, GDP growth dropped 3.47% vs a decline of 10.2% for the preceding quarter. Household consumption recovered from -7.57% in Q2 to -3.65% in Q3, and exports and services rose from a decline of almost 50% to being off 30% qoq. In Q2 vs Q3, the unemployment rate saw a slight recovery, from 11.9% to 11.6%. Even though the recent news on vaccine progress offered hope for ending the pandemic and returning to a gradual economic recovery in the medium term, economic activity in Albania remains below its potential levels. Public debt stood at 79.72% of GDP in Q3, with further deterioration in Q4 likely. Inflationary pressures, arising from both aggregate demand and the external environment, remain low. In December 2020, CPI was 1.1%, the same level as recorded in the December a year ago. The main contributors to the low inflation data were food and non-alcoholic beverages and transport. Available data for Q4 with the resurgence of the pandemic and the low ESI (81.1 in 4Q20 well below the 100 historical average) reflect serious challenges and higher downsides risks for a recovery of the economy in the short term.

Kledi Gjordeni

Financial Markets

The easing of monetary policy and the increase in liquidity injections from the CB, together with the good liquidity position of the banking system, mitigate the monetary and financial shock in the market. At the same time, the gradual reduction of fiscal stimulus is expected in 2021, which poses many challenges for the fragile economic situation. The Ministry of Finance and Economy approved the request of the Albanian Association of Banks (AAB) for an extension in the period of the State guarantee scheme initiated] on 13/05/20) from end-December 2020 to 30 June 2021. Under this scheme, the state guarantee covers 60% of the value of a loan with the aim of restoring commercial activity at a company affected by Covid-19. Applications, which continue to increase, are still being evaluated by banks. In the money markets, we noticed a slight rise in yields. In January 2021, the one Year T-bill denominated in LEK stood at 1.99%. The foreign exchange market is almost stable, with the EUR/LEK rate at 123.55.

Banking Sector

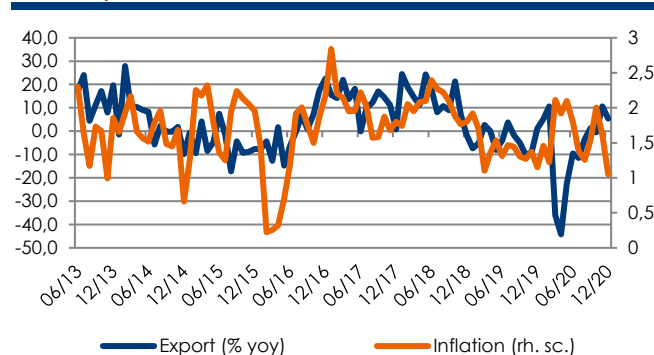
The banking sector continued to lend to businesses and households, avoiding massive bankruptcies and curbing rising unemployment. In November 2020, the credit to the private sector grew by 5.03%, mainly supported by the expansion of credit to enterprises and the increase of credit offered in LEK. Credit to corporates rose by 6.02% and to households 2.99%. New loans expanded by more than 10%. NPL in November 2020 decreased by 8.2%, down from 9.53% yoy. Total deposits in November showed growth of 6.30%, with the same structure of growth contribution as the credit activity. +11.25% corporate sector and +5.28% households sector. New deposits fell by 1.13% yoy.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	5.4 (Dec)	-12.2	-24.5
Unemployment rate	n.a.	11.6	11.9
Inflation rate, average yoy	1.1 (Dec)	1.4	1.9
CB Reference Rate	0.5 (31 st Dec)	0.5	0.5
Loans (private sector, yoy, eop)	5.0 (Nov)	5.3	6.6
Deposits (private sector, yoy, eop)	6.3 (Nov)	6.3	5.8
Lending interest rate (pr.sect., eop)	5.3 (Nov)	5.5	5.2
Deposit interest rate (pr.sect., eop)	0.4 (Nov)	0.4	0.4

Source: National Statistical Institute, Bank of Albania

Industrial production and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

After declining by 9.3% yoy in 2Q20, GDP saw a slight softening in its decline in Q3, to -6.3% yoy (+3.9% qoq), as personal consumption fell by 3.1% yoy (-8.6% in Q2), investments by 13.0% (-25.2% in Q2), and exports and imports to -22.0% and -14.3% yoy, respectively (-32.8% and -28.9% in Q2), resulting in a net export contribution of -1.4pps to the headline GDP rate. Government expenditure, on the other hand, rose by 0.3% yoy, which was slower than in Q2 (+0.4%).

Industrial production in November contracted by 1.9% yoy (-7.0% in January-November 2020), extending its yoy negative trend for the 10th consecutive month. The pace of decline for real retail trade rose slightly in November, to -7.3% yoy (January-November -8.5% yoy), owing to a much sharper drop in food sales (-5.9%). Goods exports in November fell by 1.8% yoy but in December rebounded strongly (+14.8% yoy), thus ending 2020 with an average drop of 8.8% yoy (imports: -13.4%), mostly due to lower exports to the largest trading partner, the EU27 (-8.3%). The coverage ratio, however, amounted to 62.3% (+3.3pps yoy) and the foreign trade deficit fell by 20.4% yoy.

Consumer prices in November decreased by 1.6% yoy, given 10.8% lower transport prices, while the January-November 2020 CPI level was at -1.0% yoy.

Banking Sector

November saw a deeper contraction in private sector loans, at -1.8% yoy, resulting from a 3.6% yoy drop in loans to non-financial corporations and a slight decline in household loans. Corporate loans thus continued to shrink yoy for the eighth month in a row, partly due to methodological changes introduced since the start of 2020, but mostly owing to the Covid crisis. At end-November, corporate loans were lower by BAM 171m, or off 1.8% compared to March 2020. Statistics on new loans show decelerations for both SMEs and large companies. Household loans, suppressed by the deterioration in labour market conditions, moved into negative territory from November, declining by 0.1% yoy. This was mostly the result of weakness in consumer lending (-2.0% yoy), though housing loan growth contributed, coming in at 7.9% yoy. Data on newly granted loans reveal a sharp deceleration in consumer loans since April, along with a more moderate slowdown in housing loan approvals.

The build-up in corporate liquidity along with steady growth in household deposits (at a markedly lower pace than in 2019 due to lower remittances) generated a somewhat stronger deposit increase of 6.1% yoy in November. Corporate deposits surged by 12.4% yoy while household deposits rose by a sound 3.5% yoy, with funds in transaction accounts growing by a robust 13.9% yoy and demand deposits by 2.6% yoy, but time deposits decreasing by 3.2% yoy.

Latest economic indicators

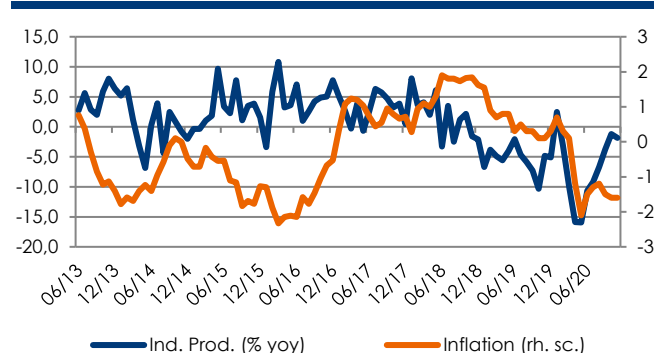
	Last value	3Q 20	2Q 20
Industrial production, wda yoy	-1.9 (Nov)	-6.6	-14.2
Export of goods, nominal yoy	14.8 (Dec)	-7.3	-24.1
Retail trade, real, wda yoy	-7.3 (Nov)	-11.1	-16.9
Inflation rate, average yoy	-1.6 (Nov)	-1.3	-1.6
Loans (private sector, yoy, eop)	-1.8 (Nov)	-0.5	0.4
Deposits (private sector, yoy, eop)	6.1 (Nov)	5.0	5.4

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

Ivan Odrčić

Ana Lokin

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

November data show that industrial activity declined by 1.7% yoy (-3.8% in January-November 2020), largely influenced by a similar decrease in manufacturing, while goods exports posted a third consecutive month of encouraging signs of (stronger) recovery, given the (preliminary) 6.6% yoy increase. Retail trade turnover also offered positive signals, falling just 0.7% yoy (-6.0% in January-November 2020), or the lowest level since March 2020 and largely due to plummeting fuel sales, while food and non-food (except fuel) sales rose by 1.5% and 1.9% yoy, respectively. Due to the absence of tourism activity in the last month of 2020 (namely Advent festivities in the capital) as well as due to restrictions and lockdowns, we expect December data to show that real retail trade declined more significantly.

Ivan Odrčić

The average annual inflation rate in December amounted to -0.7%, affected by lower (-9.1%) automotive fuel prices, while FY20 inflation amounted to +0.1% yoy, as the strongest contributor to overall mild inflation last year was rising food prices (+1.8%, related to the fading effects of lower VAT rates on some foodstuffs introduced in 2019).

Financial Markets

Appreciation pressures strengthened in December, prompting the CNB to purchase EUR 130m from banks, which calmed the market. Average forex rates in December edged down by 0.3% mom, to HRK 7.53/EUR 1. In January, the rate rose slightly, to HRK 7.56, amid somewhat higher trading volumes. The average 10Y government kuna bond yield and the spread vs the Bund decreased in December by 10bps mom, to 0.7% and 130bps, respectively. In January, the spread narrowed slightly – in late January, it was 110bps, with the yield below 0.7%.

Ana Lokin

Banking Sector

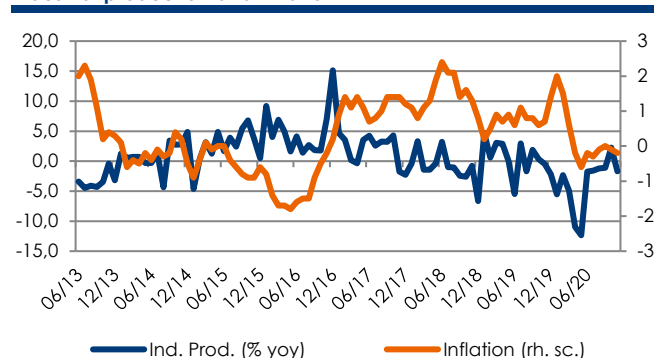
Loans lost pace, expanding by 2.6% yoy in November. Corporate loans slowed markedly, to 2.5% yoy, amid base effects (steep rise in loans in November 2019). Household loan growth declined to 2.7% yoy as the growth rate for cash loans turned negative (to -0.4% yoy) while housing loans eased to 7.9% yoy (base effect related to different timing of subsidies in 2020 vs 2019). CNB data on newly granted loans show that this rise is gradually decelerating: growth to large corporates in January-October amounted to 4.9% yoy (transaction-based) and to micro and SMEs to around 3% yoy. Deposits rose by 8.1% yoy in November, the same pace as in the previous month, with households steady at 5.4% yoy and corporate accelerating to 16.0% yoy. The breakdown of corporate deposits by activity shows that in January-October, the sharpest rise in deposits yoy of over 20% (transaction-based) was seen by construction and trade whereas accommodation & food service activities saw a mild decrease yoy.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial production, wda yoy	-1.7 (Nov)	-1.3	-8.5
Export of goods, nominal yoy	5.4 (Oct)	-2.5	-12.4
Retail trade, real, wda yoy	-0.7 (Nov)	-7.5	-12.9
ESI (index)	86.6 (Dec)	88.6	84.8
Inflation rate, average yoy	-0.7 (Dec)	-0.1	-0.3
Loans (priv. sector, yoy, eop)	2.6 (Nov)	4.5	4.1
Deposits (priv. sector, yoy, eop)	8.1 (Nov)	7.8	10.2
Lending interest rate (pr.sect., eop)	2.8 (Nov)	2.9	3.0
Deposit interest rate (pr.sect., eop)	0.1 (Nov)	0.1	0.2

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

The second wave of the pandemic is now on a downtrend. Average daily infections decreased from 35% to around 10% of total tests. Overall, we saw 712,561 infected people, with 654,875 recoveries and 17,841 deaths.

Q3 GDP evolution (+5.8% qoq and -5.7% yoy after the second correction) was consistent. Expectations for 4Q are being impacted by the second wave evolution, but are still optimistic. Year-on-year GDP growth for 2020 is expected to be -5.4%; the 2021 forecast remains at c.3.5%; and the 2022 estimate is 3.9%, taking into consideration the impact financial support packages from EU.

December CPI decreased to 2.06% yoy, slightly below NBR expectations. The budget deficit for November was 8.00% of GDP. Government expectations for the 2020 budget deficit were increased from 8.5% to 9.2%.

November saw positive yoy figures for exports (+0.60%) for the first time since March 2020. Also, imports recorded a positive evolution in November (+1.5% yoy). The trade balance deficit was at EUR 16.4bn in November, EUR 0.9bn higher than a year ago.

Financial Markets

After three rate cuts and two reductions in reserve requirements in hard currency in 2020, on 15 January, the NBR again cut monetary policy rates by 25bps, as follows: 0.75% Deposit Facility Rate, 1.25% Reference Rate, and 1.75% Credit Facility Rate. Minimum reserve requirements remained at 5% for foreign currency liabilities and 8% for local currency liabilities. Further easing measures are expected.

This year started with high levels of liquidity in the market. As a consequence, even before the NBR rate cut, interest rate levels in money markets decreased significantly (by almost 20bps for the ROBOR 3M). The NBR is no longer a liquidity provider to the banking system, but is a liquidity taker through deposit facilities.

Banking Sector

At the end of November, growth in total assets in the Romanian banking system was 14.28% yoy. Credit volumes increased overall, by 4.84% yoy, with different paces for local vs foreign currencies. For the local currency, growth was 8.17%, while for foreign currency (mainly EUR), there was a decrease of 2.15%. Customer deposit volumes continued to grow (+15.78% yoy), with a stronger performance recorded by foreign currency-denominated deposits (19.25% yoy)

Marius Pacurari

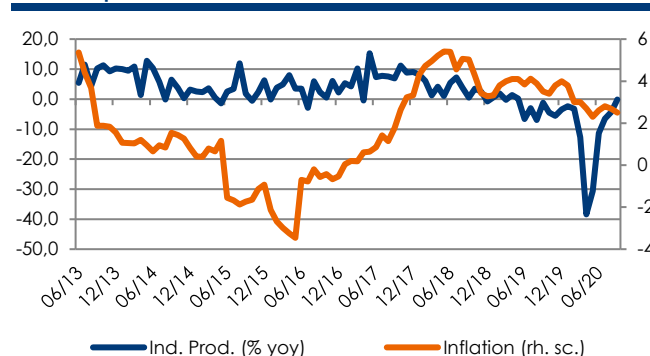
Marius Pacurari

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	-3.4 (Nov)	-3.6	-26.8
Nom. Exports yoy	0.6 (Nov)	-4.5	-22.1
ESI (index)	83.1 (Nov)	88.8	77.2
Retail Sales yoy	3.1 (Nov)	3.6	-7.3
Inflation Rate yoy	2.1 (Dec)	2.7	2.5
CB Reference Rate	1.3 (25 th Jan)	1.5	1.8
Loans (priv. sector, yoy, eop)	4.8 (Nov)	4.2	4.1
Deposits (priv. sector, yoy, eop)	15.8 (Nov)	15.8	14.8
Lending interest rate (pr.sect., eop)	4.7 (Nov)	4.4	4.9
Deposit interest rate (pr.sect., eop)	1.5 (Nov)	1.6	1.8

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Based on Statistical Office preliminary data, real GDP decreased by 1.1% yoy in 2020. The figure suggests that the last quarter of the year witnessed a yoy contraction of around 2.0%, mainly driven by a third wave of Covid infections and a strong base vs the previous year due to the construction of the Turkstream pipeline. The Covid-19 crisis is estimated to have had a less severe impact on the Serbian economy than on other countries in the region in 2020 for several reasons: large and timely monetary and fiscal packages; the structure of industry focused on the production of basic goods with lower value added, for which demand did not decrease during pandemic; and modest reliance of the economy on high contact-intensive sectors, including tourism, and an above-average agricultural season. The National Bank of Serbia expects GDP growth to reach 6.0% yoy in 2021 and the IMF estimates a rise of 5% yoy, but the World Bank is more prudent, projecting that the Serbian economy recovers at much slower pace of 3.1% yoy. However, the outlook remains highly uncertain, reflecting the unpredictable course of the pandemic.

Annual inflation reached 1.3% in December 2020, leading to full-year average growth of 1.6% yoy in 2020. CPI is projected to remain low and stable, hovering around the lower part of the target tolerance band (3.0% \pm 1.5 pp) in 2021.

Financial Markets

The central bank kept key the policy rate unchanged at 1% in January 2021, following 125bps of cuts in 2020. The interest rate corridor narrowed from ± 1.25 pps to ± 0.9 pps in 2020, supporting monetary policy efficiency through the interest rate channel. As inflation and exchange rates remain stable and the economy gradually recovers, the key policy rate is likely to remain flat in the following months.

The dinar has been among the most stable currencies during the crisis and the EUR/RSD rate remained broadly unchanged in 2020. In order to secure the stability of the domestic currency and provide additional liquidity to the banking sector, the NBS sold a net EUR 1,450m. Given the comfortable level of NBS forex reserves, the NBS has sufficient buffers to sustain its stable dinar policy.

Banking Sector

Supported by NBS monetary policy easing, moratorium effects, and the approval of loans from the Guarantee Scheme, lending remained on a stable upward path, reaching double-digit yoy growth in 2020. Around 75% of a planned EUR 2bn in Guarantee Scheme loans was disbursed in 2020 and government announced this could be expanded by additional EUR 1bn as part of a new economic aid package that will be presented in mid-February 2021. NPLs declined further, to their lowest level, amounting to 3.5% at end-November 2020. Two-digit growth was also recorded in dinar savings rates, which reached the highest levels on record. Dinar savings remained more attractive than forex savings owing to higher interest rates and more favourable tax treatment.

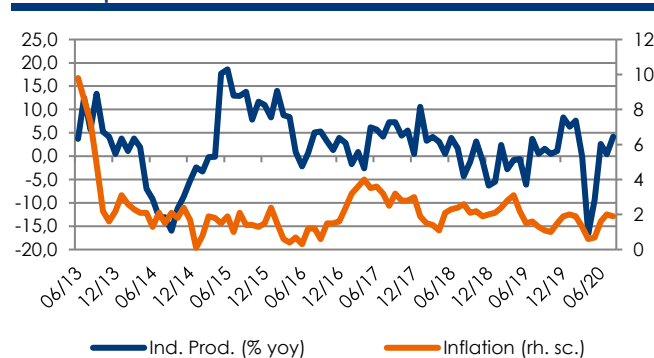
Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	-1.4 (Nov)	3.1	-7.8
Nom. Exports yoy	-4.4 (Nov)	-7.3	-7.8
Retail Sales yoy	1.1 (Nov)	5.6	-0.8
Inflation Rate yoy	1.3 (Dec)	1.9	1.0
CB Reference Rate, eop	1.0 (10 th Dec)	1.25	1.47
Loans (priv.sector,yoy,eop)	12.7 (Nov)	14.4	13.9
Deposits (priv.sector,yoy,eop)	17.5 (Nov)	18.9	19.2
Lending interest rate (pr.sect., eop)	3.3 (Nov)	3.3	3.4
Deposit interest rate (pr.sect., eop)	2.4 (Nov)	2.3	2.5

Source: Statistical Office, National Bank of Serbia

Marija Savić

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

In 3Q20, GDP recorded a negative dynamic (-9.7% yoy), but improved from the -14% registered in Q2 as a result of an easing of restrictions imposed to contain the Covid-19 pandemic. The sectors that most affected GDP growth were agriculture, with a -4.8pps impact, followed by trade (-2.8pps) and manufacturing and extractive industries (-0.7pps). On the demand side, GDP was affected by the 8% decrease in household consumption, which led to a -6pps contribution to GDP. Net exports contributed -1.2pps to the decline in GDP as a consequence of the 8.5% reduction in the volume of imports correlated with a sharper decrease in the volume of exports (-20.6%). Overall, due to the pandemic and unfavourable weather conditions (drought) in the first nine months of 2020, GDP fell by 8.2%, the main impacts coming from trade (-2.4pps), agriculture (-2.1pps), and manufacturing and extractive industries (-0.9pps).

After showing a negative yoy monthly evolution since March, in November, industrial production expanded by 2.7% yoy. This was due to an increase in the production volume of the extractive industry (+31.5%) and energy (+28.7%) sectors which contributed +0.6pps and +4.1pps, respectively, to total output, thus counteracting the 2.4% contraction in manufacturing industry output that took 2pps from total output. In 4Q20, due to a deceleration in the annual inflation for food products (+1.7%) and a fall in the level of services' tariffs (-0.3%) and prices of non-food products (-0.5%), the annual inflation level stood at 0.4%, a 7.1pps drop vs the beginning of the year and below the lower limit of its accepted interval.

Financial Markets

In January 2021, yields on securities remained unchanged compared to December 2020 levels, for all maturities. In the context of the Covid-19 crisis, the National Bank's goal is to ensure stable liquidity levels in the banking sector and to encourage demand in the market. Nonetheless, no further cuts of the base rate occurred in January 2021. The level of the rate applied to the main short-term monetary policy operations as of December 2020 stands at 2.65% annually.

Banking Sector

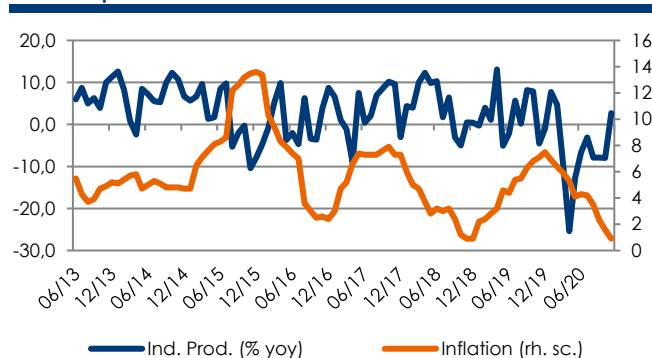
As of December 2020, the stock of loans in the private sector amounted to EUR 2.16bn, expanding by 13.1% yoy due to a positive evolution in both household (+16.1%) and corporate loans (+11.5%). Within the loan portfolio, the highest contribution was provided by commercial loans (23.6%), followed by mortgages (17.3%) and consumption loans (16.4%). The same positive evolution was recorded for the stock of deposits, which grew by 16.5% yoy, with the main driver being corporate deposits (+26.9%), especially those in foreign currency (+40.1%). The Covid-19 crisis saw a rise in the risk of non-payment of credit obligations, resulting in an increase in the NPL ratio. Nonetheless, as of September 2020, the NPL started on a downward trajectory, in November standing at 7.9% and in December at 7.38%, below pre-pandemic levels.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	2.7 (Nov)	-6.3	-14.9
Nom. Exports yoy	-1.7 (Nov)	-12.2	-20.9
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	13.8 (Nov)	6.8	-10.9
Inflation Rate yoy	0.4 (Dec)	3.3	4.6
CB Reference Rate	2.7 (31th Dec)	2.8	3.3
Loans (Priv. Sector, yoy, eop)	13.1 (Dec)	9.8	7.1
Deposits (Priv. Sector, yoy, eop)	16.5 (Dec)	12.6	9.2
Lending interest rate (corp., eop)	8.5 (Dec)	8.5	8.7
Deposit interest rate (hh, eop)	3.7 (Dec)	4.0	4.2

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

Concerning the Covid-19 situation in Russia, the rate of infections rose again on 24 December 2020 (reaching almost 30k cases per day). However, the numbers registered a gradual decline in January 2021, with them now at approximately 21k cases per day. The vaccination process is in full swing. From 18 January 2021, the government started a mass vaccination programme. The number vaccinated (using Sputnik 5) is about 1.5m in Russia. From 1 January 2021, people received an electronic vaccination certificate. Certain quarantine restrictions were cancelled in Moscow and in some other regions.

With regard to the real economy, GDP growth averaged about -3.3% in 4Q20. Industrial production rose, reaching -2.6% growth in November (compared to -5.5% in October). Retail sales, however, registered a lower result vs the previous one (-3.1% in November vs -2.5% in October). As for business activity, the CBR extended support measures till 1 April 2021.

Financial Markets

The inflation rate rose significantly, reaching 4.9% in December (well above the CBR's 4% target), and further acceleration is likely over the next few months. The continuing rise in inflation is largely due to the influence of one-off factors in individual markets and the transfer of the earlier weakening of the ruble to prices (rise in food prices). However, the growth of consumer prices is expected to slow. According to the CBR's forecast, based on the conditions of the monetary policy being pursued, annual inflation will still be 3.5-4.0% in 2021 and will remain close to 4% in the future. As for the exchange rate, over 2020, the RUB depreciated by approximately 20% and 30% against the USD and the EUR, respectively. The exchange rate is now expected to appreciate (due to the renewed economic activity, increased energy prices and demand driven by global recovery), but geo-political and sanctions risks may still put pressure on the currency, causing it to temporarily weaken (at least in 1Q21).

Banking Sector

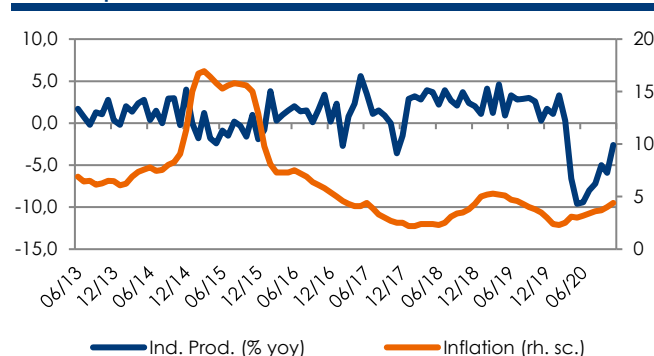
Deposit interest rates continued to decline gradually (reaching 3.23% in October) and are expected to reach 3.0% by the end of 2020 (averaging 3.7% over FY20). A slight further decrease to about 2.9% is foreseen in 2021. The volume of deposits grew by 11.4% in October in acceleration with respect to 10.2% recorded in September, despite lowering deposit rates which decreased in October to 3.5% from 4.5% in September. In the same month lending rates slid only to 6% from 6.2% in September 2020. As for volumes, the overall loan percentage change in October was 15.1%. A rise in demand will likely continue to support lending (especially mortgages) but the pace of increase is expected to soften – in parallel with the speed of deposits – by the gradual removal of credit support measures expected during the year 2021.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	-2.6 (Nov)	-6.7	-8.5
Nom. Exports yoy	-8.5 (Oct)	-25.2	-31.8
Retail Sales yoy	-3.1 (Nov)	-2.5	-16.7
PMI Manufacturing	49.7 (Dec)	48.0	49.4
Inflation Rate yoy	4.9 (Dec)	3.6	3.1
CB Reference Rate	4.3 (31 st Dec)	4.3	4.5
Loans (priv.sector, yoy, eop)	15.1 (Oct)	15.2	10.8
Deposits (priv.sector,yoy,eop)	11.4 (Oct)	10.2	7.9
Lending interest rate (corp., eop)	6.0 (Oct)	6.2	6.9
Deposit interest rate (hh, eop)	3.2 (Oct)	3.3	3.9

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Near-term Covid risks are tilted to the downside as numbers of new infections have been declining from the daily peaks of 15-16k seen in late autumn to a current 2-3k per day. The authorities imposed a second nationwide lockdown for two weeks in mid-January, which is now over, but some less stringent social distancing measures are still in place. According to officials, by the end of January, Ukraine expects first supply vaccines to begin immediate first-line jobs. According to the central bank's tentative estimates, the Ukrainian economy seems to be performing well above expectations for 2020, with full-year GDP growth of -4.4% yoy (our most recent forecast was -5.2%). Recently reported business cycle indicators showed an uptick in December: industrial production +2.8% mom (+4.8% yoy, but -5.2% for FY20) and retail sales +20.0% mom (+13.4% yoy). Based on rising prices for steel and iron ore, exports accelerated to 18.5% yoy in December.

Economic activity is likely to be sustained in 2021 and the Ukrainian government is expecting GDP to grow by 4.2-4.6%. Strong domestic demand, driven by real income growth, will remain the main driver. CPI notably accelerated in December, to +5% yoy (+0.9% mom) from +3.6% in November (+1.3% mom). The central bank expects inflation to stay on an uptrend in the coming months and eventually reach 7% by year-end 2021, driven by robust consumer demand and higher energy prices.

Financial Markets

As we had expected, the NBU left the key policy rate at 6% in January, unchanged since mid-summer 2020. However, monetary policy is now likely to start tightening later in 1H21 on the back of deteriorating inflation figures. Monetary reserves increased by 15% (+USD 3.8bn) in 2020, reaching USD 29bn, the highest value recorded since 2012. The USD/UAH rate has found an equilibrium level, recently trading in a narrowed zone of 28.10-28.30. Still-subdued local demand for the USD in early 2021 has been counterbalanced by ample forex supply coming from non-residents, which demonstrates a return in appetite for local public debt.

The FinMin continues to benefit from broader demand at primary government bond auctions and has increased its borrowings. Interest rates at the shorter end of the curve have started to fall, as the ministry is pushing investors into the longer end of the curve, setting a cap on three- and six-months bonds.

Banking Sector

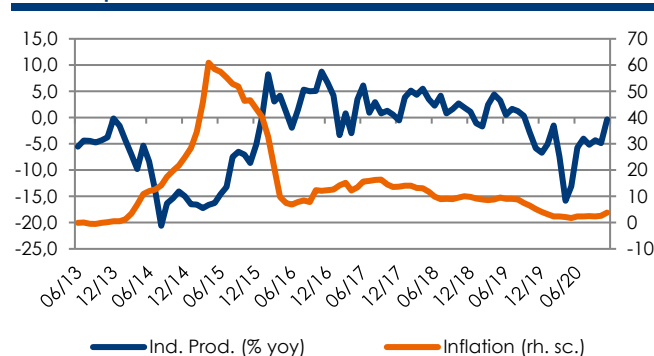
For the 11 months of 2020, the profit of the banking sector amounted to UAH 43.34bn, of which around UAH 16bn was earned in the first quarter. Total loans to the private sector decreased by 0.5% while total deposits grew by 26.4% – in particular, deposits from corporates by 34.7% and from household by 22.1%. Share of NPLs decreased to 42%. Local currency lending rates decreased to 8.1% while deposit rates fell to 8.5%.

Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production yoy	-0.4 (Nov)	-4.5	-11.6
Nom. Exports yoy	-3.5 (Nov)	-6.5	-4.9
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	12.3 (Dec)	8.6	-4.2
Inflation Rate yoy	5.0 (Dec)	2.4	2.1
CB Reference Rate	6.0 (25 th Jan)	6.0	6.0
Loans (Priv. Sector, yoy, eop)	-2.8 (Nov)	-0.3	-2.5
Deposits (Priv. Sector, yoy, eop)	31.9 (Nov)	31.9	23.1
Lending interest rate (pr.sect., eop)	12.7 (Nov)	12.7	14.1
Deposit interest rate (pr.sect., eop)	4.4 (Nov)	4.6	6.1

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

The number of daily Covid-19 cases has dropped by almost 50% vs the beginning of the month. No lockdown measures were implemented except the temporary shutting down schools and universities, with precautionary measures kept in public places. The vaccination campaign started on 25 January, with priority given to medical personnel, the elderly and patients with chronic diseases. The preliminary estimate for real growth in 3Q20 was released at 0.7% vs -1.7% in the previous quarter. Egypt's PMI fell to 48.2 in December, signalling a moderate deterioration in the health of the non-oil sector, after posting 50.9 in November, on the back of significant declines in both output and new orders as rising coronavirus cases caused a reduction in client demand. Employment cuts meanwhile accelerated to the fastest rate seen in four months. Many state-supported projects are in the pipeline, especially the installation of Egypt's first-ever high-speed rail transportation system in co-operation with Siemens (value of investments in the first stage estimated at USD 3bn) and developing 4,500 villages over three years. The annual headline inflation rate was 5.4% in December 2020 vs 5.7% in November 2020, as annual food inflation declined to 2.8% vs 3.6%, mainly due to a lower annual contribution from fresh vegetables.

Financial Markets

The Central Bank of Egypt (CBE) kept key interest rates unchanged in December at 8.25% and 9.25% for the overnight deposit and lending rates, respectively, keeping real interest rates (Mid Corridor Minus Annual CPI) high at 3.35%. It also lowered the inflation target to 7% ($\pm 2\%$) on average by 4Q22, down from 9% ($\pm 3\%$) on average during 4Q20. Yields on different tenors of T-Bills fell based on stable demand, especially given that foreign investment in Egypt's debt instruments reached USD 26bn vs USD 23bn last November. The EGP is showing stability against the USD in light of foreign funds Egypt secured (in January 2021, the Executive Board of the IMF completed the first review of Egypt's economic reform programme supported by a 12-month Stand-By Arrangement [SBA]), allowing the authorities to draw about USD 1.67bn, and foreign reserves rose by almost USD 0.9bn in December mom, to USD 40.1bn.

Banking Sector

Private loans rose 21.5% yoy in August 2020, supported by declining interest rates, initiatives to offer loans at subsidised rates, and the loan repayment moratorium (which wasn't extended beyond September 2020). On the other hand, total private deposits increased 19.4% yoy on the back of the high-interest-rate deposit scheme offered by state-owned banks at 15% (which was suspended as of September) and the ability to attract more people to the banking sector, noting that the unbanked population still represents almost 67% of total adults. The CBE banned banks from distributing profits to shareholders to protect capital amid the Covid-19 crisis. The Moody's rating agency expected a stable 2021 outlook for Egypt's banking system, balancing profitability and loan book pressures against sound liquidity and a stable government credit profile.

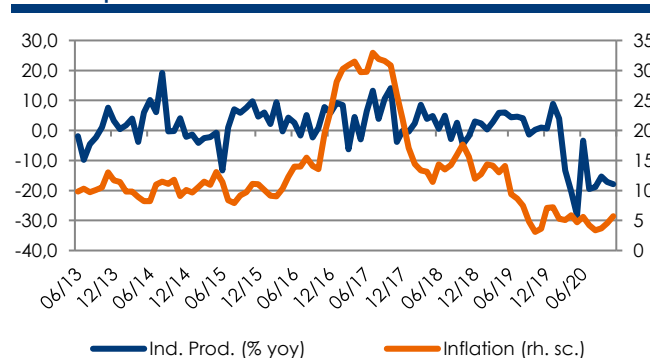
Latest economic indicators

	Last value	3Q 20	2Q 20
Industrial Production, wda yoy	-17.9 (Nov)	-17.9	-17.4
Nom. Exports yoy	-13.1 (Oct)	-6.9	-27.5
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	48.2 (Dec)	50.4	44.6
Inflation rate yoy	5.4 (Dec)	3.8	5.4
CB Reference Rate	8.3 (25th Jan)	9.3	9.3
Loans (priv. sector, yoy, eop)	21.5 (Aug)	n.a.	20.7
Deposits (priv. sector, yoy, eop)	19.4 (Aug)	n.a.	17.0
Lending interest rate (corp., eop)	9.8 (Nov)	10.1	11.3
Deposit interest rate (hh, eop)	7.4 (Nov)	7.4	6.9

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

Samer Halim

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		
		3Q20	2Q20	2019	Last	mth	3Q20	Last	mth	3Q20	Last	mth	3Q20	Last	mth	3Q20	Last	mth	3Q20	Last	mth	3Q20	Last	mth	3Q20
CEE	Czechia	-5.2	-10.6	2.6	0.4	Nov	-3.7	10.1	Nov	-2.2	-7.0	Nov	1.0	2.3	Dec	3.3	4.0	Dec	3.8	3.4	Nov	2.8	81.6	Dec	86.2
	Hungary	-4.6	-13.6	4.6	3.5	Nov	-2.7	6.9	Nov	1.9	-0.3	Nov	-0.8	2.7	Dec	3.7	4.1	Nov	4.6	8.8	Oct	9.6	84.8	Dec	86.7
	Poland	-1.8	-8.0	4.1	5.4	Nov	2.8	14.4	Nov	5.8	-0.8	Dec	1.9	2.4	Dec	3.0	6.1	Nov	6.1	6.6	Dec	4.5	76.6	Dec	77.9
	Slovakia	-2.4	-12.1	2.4	2.2	Nov	-1.5	2.5	Nov	4.6	-0.4	Nov	3.8	1.6	Dec	1.5	7.6	Dec	7.6	5.8	Nov	2.9	85.9	Dec	87.7
	Slovenia	-2.6	-13.0	3.2	-0.8	Nov	-3.5	0.9	Nov	-2.4	-14.1	Nov	-6.3	-1.2	Dec	-0.6	8.6	Nov	9.0	7.6	Nov	5.5	86.4	Dec	94.5
SEE	Albania	-3.5	-10.2	2.1	n.a.	n.a.	n.a.	5.4	Dec	-12.2	n.a.	n.a.	n.a.	1.1	Dec	1.4	n.a.	n.a.	11.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	-6.3	-9.3	2.9	-1.9	Nov	-6.6	14.8	Dec	-7.3	-7.7	Nov	-10.9	-1.6	Nov	-1.3	33.7	Nov	34.6	4.1	Nov	3.9	n.a.	n.a.	n.a.
	Croatia	-10.0	-15.4	2.9	-1.7	Nov	-1.3	5.4	Oct	-2.5	-1.4	Nov	-7.5	-0.7	Dec	-0.1	9.5	Dec	8.9	3.2	Nov	3.1	86.6	Dec	88.6
	Romania	-6.0	-10.3	4.1	-3.4	Nov	-3.6	0.6	Nov	-4.5	3.1	Nov	3.6	2.1	Dec	2.7	3.3	Nov	3.3	7.3	Nov	7.8	83.1	Nov	88.8
	Serbia	-1.4	-6.3	4.2	-1.4	Nov	3.1	-4.4	Nov	-7.3	1.1	Nov	5.6	1.3	Dec	1.9	n.a.	n.a.	n.a.	8.2	Nov	9.5	n.a.	n.a.	n.a.
CIS & MENA	Moldova	n.a.	n.a.	3.6	2.7	Nov	-6.3	-1.7	Nov	-12.2	13.8	Nov	6.8	0.4	Dec	3.3	n.a.	n.a.	3.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MENA	Russia	n.a.	-8.0	1.3	-2.6	Nov	-6.7	-8.5	Oct	-25.2	-3.1	Nov	-2.5	4.9	Dec	3.6	6.1	Nov	6.3	4.5	Nov	4.4	49.7	Dec	48.0
	Ukraine	n.a.	-11.4	3.2	4.8	Dec	-4.5	-3.5	Nov	-6.5	12.3	Dec	8.6	5.0	Dec	2.4	n.a.	n.a.	9.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	0.7	-1.7	5.5	-17.9	Nov	-17.9	-13.1	Oct	-6.9	n.a.	n.a.	n.a.	5.4	Dec	3.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.2	Dec	50.4
	m.i. E. A.	-4.3	-15.0	1.3	-0.6	Nov	-6.6	-0.9	Nov	-8.8	13.8	Nov	6.8	-0.3	Dec	0.0									

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

Markets and Ratings

		S/T rates ¹		L/T rates ²		Foreign exchanges ³			Stock markets		CDS spread (bp)		FX res. chg (mln €) ⁴			CA bal. (mln €) ⁵		Rating
		27/01	chg	27/01	chg	27/01	3M*	1Y*	3M*	1Y*	27/01	27/10	3Q20	2Q20	2019	3Q20	2Q20	
CEE	Czechia	0.4	0.0	1.3	0.3	26.06	-4.51	3.22	19.7	-8.5	33.4	35.8	n.a.	n.a.	n.a.	5970	3360	Aa3
	Hungary	0.8	0.0	2.3	0.0	359.78	-1.45	6.71	30.6	-1.9	56.9	57.7	n.a.	n.a.	n.a.	n.a.	n.a.	Baa3
	Poland	0.3	-0.1	1.2	0.0	4.55	-0.92	6.53	19.6	-1.1	22.4	29.5	n.a.	n.a.	n.a.	14631	11272	A2
	Slovakia	-0.5	0.0	-0.4	-0.1	Euro	Euro	Euro	1.5	0.4	42.7	48.7	n.s.	n.s.	n.s.	-476	-1204	A2
	Slovenia	-0.5	0.0	-0.1	0.0	Euro	Euro	Euro	16.5	-2.6	58.8	60.2	n.s.	n.s.	n.s.	923	656	A3
SEE	Albania	0.9	0.1	n.a.	n.a.	123.62	-0.3	1.12	n.a.	n.a.	n.a.	n.a.	0	848		-193	-378	B1
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	164	287	498	-197	-151	B3
	Croatia	0.4	0.0	0.6	-0.2	7.56	-0.12	1.64	13.0	-11.4	76.9	76.8	1002	798	1122	1927	-564	Ba1
	Romania	1.4	-0.6	2.9	-0.6	4.88	-0.04	1.97	17.5	2.1	73.8	96.3	-2729	1422	-2793	-7737	-3497	Baa3
	Serbia	1.0	-0.3	n.a.	n.a.	117.6	0.0	0.09	10.2	-14.8	114.8	104.8	-926	842	2117	-454	-287	Ba3
CIS & MENA	Moldova	2.7	-0.1	5.5	-0.2	17.3	1.47	-1.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-7	-93	B3
MENA	Russia	4.9	0.2	6.3	0.3	75.64	-1.06	22.38	22.1	-2.0	91.2	92.1	n.a.	-6459	85864	n.a.	n.a.	Baa3
	Ukraine	9.8	-0.4	12.6	0.6	28.15	-0.79	14.51	28.5	-2.6	362.0	561.8	-2114	3481	4259	716	2154	B3
	Egypt	12.7	-0.4	14.5	-0.2	15.73	0.0	-0.38	8.2	-21.6	356.3	414.5	223	-1906	2869	n.a.	-3828	B2
	m.i.A.E.	-0.5	0.0	-0.6	0.0	1.2	2.2	9.8	14.9	-6.7	6.0	5.6						

Source: Refinitiv; ²For Ukraine, the long-term rate refers to a government issue in dollars; ³The (-) sign indicates appreciation; ⁴USD for Russia, Egypt, Ukraine; ⁵USD for Russia, Egypt, Ukraine. (*) % change.

Banking aggregates and interest rates (private sector)

		Loans			NPL/Loans			Foreign Liab.			Deposits			Loans rate 1-NewB*			DepositsRate 1-NewB*			Loans/Dep				
		chg yoy %			%			chg yoy %			chg yoy %			%			%			%				
		Last	Mth	2019	Last	mth	2019	Last	mth	2019	Last	Mth	2019	Last	mth	2019	S ⁴	Last	mth	2019	S ⁴	Last	mth	2019
CEE	Czechia	4.2	Nov	5.2	2.5	Nov	2.5	-8.8	Nov	-0.2	11.8	Nov	6.1	1.95	Nov	3.62	C	0.66	Nov	1.52	H	70.9	Nov	75.1
	Hungary	12.4	Nov	13.2	1.2	Sep	1.5	1.0	Nov	10.4	18.7	Nov	8.0	2.85	Nov	2.34	C	0.32	Nov	0.24	H	79.2	Nov	81.5
	Poland	0.2	Nov	4.7	4.0	Jun	3.8	1.8	Oct	-7.2	13.2	Nov	9.7	2.1	Nov	3.64	C	0.17	Nov	1.49	H	84.1	Nov	92.6
	Slovakia	4.9	Nov	6.2	2.8	Nov	3.1	-0.3	Nov	7.9	4.7	Nov	4.8	1.66	Nov	2.06	C2	0.03	Nov	0.05	H2	103.4	Nov	102.7
	Slovenia	-1.4	Nov	3.7	1.8	Sep	2.2	10.2	Nov	9.7	11.8	Nov	6.3	2.17	Nov	2.23	C2	0.15	Nov	0.18	H2	66.9	Nov	73.5
SEE	Albania	5.0	Nov	6.5	8.2	Nov	8.4	-11.3	Nov	-6.7	6.3	Nov	3.8	5.99	Nov	6.34	PS	0.43	Nov	0.72	PS	53.8	Nov	54.2
	Bosnia H.	-1.8	Nov	6.7	6.6	Sep	7.4	-21.5	Nov	2.6	6.1	Nov	8.4	2.69	Nov	2.88	C	0.23	Nov	0.3	H	97.1	Nov	103.7
	Croatia	2.6	Nov	3.9	5.5	Sep	5.5	-4.4	Nov	-5.9	8.1	Nov	4.8	5.12	Nov	5.56	PS	0.09	Nov	0.22	PS	72.0	Nov	75.9
	Romania	4.8	Nov	7.0	3.9	Nov	4.1	-10.1	Nov	4.7	15.8	Nov	12.6	5.95	Nov	6.71	PS	1.55	Nov	2.25	PS	69.6	Nov	74.5
	Serbia	12.7	Nov	8.9	3.5	Nov	4.1	12.7	Nov	9.1	17.5	Nov	7.8	6.34	Nov	7.06	PS	1.49	Nov	2.0	PS	95.5	Nov	97.9
CIS & MENA	Moldova	11.7	Nov	13.9	7.9	Nov	8.5	14.2	Nov	-8.0	16.5	Dec	7.7	8.2	Dec	8.93	C	3.49	Dec	4.5	H	58.7	Nov	59.1
MENA	Russia	15.1	Oct	7.1	9.5	Sep	9.3	11.4	Nov	-19.3	11.4	Oct	4.2	6.02	Oct	7.83	C	3.23	Oct	4.66	H	111.0	Oct	108.5
	Ukraine	-2.8	Nov	-8.0	42.0	Nov	48.4	-7.9	Nov	-28.1	31.9	Nov	9.6	12.66	Nov	18.58	PS	4.42	Nov	10.81	PS	80.0	Nov	101.7
	Egypt	21.5	Aug	13.4	3.9	Jun	4.2	14.7	Aug	-23.4	19.4	Aug	13.6	9.8	Nov	13.8	C	7.4	Nov	9.2	H	35.4	Aug	34.3
	m.i. E. A.	-2.0	Oct	8.4	n.a.	n.a.	n.a.	-0.5	Oct	2.5	8.3	Oct	4.7	1.2	Nov	1.3	C	0.2	Nov	0.2	H	75.7	Oct	83.4

Source: Central Banks, IMF, Moody's; ¹monthly average; ²lending rate on current account overdraft; on deposits up to 1 year; ³Sector C=Corporates, H=Household, PS=Private Sector.

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