

Economic and Banking Monitor

Viewpoint

GDP growth continued to accelerate in 1Q22 in the CEE/SEE region, but from March, industrial production started to signal a slowdown. Inflation is increasing sharply, prompting a bold reaction from most CBs. LT yields and risk premia have also risen in bond markets

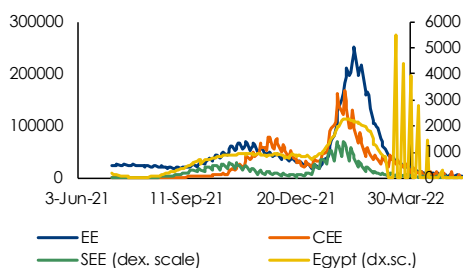
The latest releases of high frequency indicators referring to 1Q22 only partially reflect the impact of the conflict between Russia and Ukraine which started on 24 February. GDP growth continued to accelerate in the CEE region on a trend basis (to 7.4% vs 6.4% recorded in 4Q21), benefitting particularly from the gradual easing of Covid-19-related restrictions in the service sector on the supply side and from recovery in pent-up domestic demand during pandemic waves in 2020-2021. It was, however, negatively affected by the dramatic increase in commodity prices and shortages of some intermediate goods due to global supply chain disruptions, with both phenomena exacerbated by the conflict in Europe.

Monthly data however started to show signs of deceleration in March, even if not evenly distributed among countries. The trend of industrial production slowed in Czech Republic, Hungary and Slovenia (however still ranging between 2.8% and 5.5%), saw negative figures in Slovakia (-7.3%), Croatia (-1.9%) and Romania (-3.9%), but remained dynamic in Poland (+13%) and Bosnia and Serbia (both above 7%). The IP growth rate halved in March in Russia, to 3%. No recent IP data are available for Ukraine, where hostilities are reported to have involved, in March, April and May, areas accounting for on average more than 20% of the country's GDP.

In parallel with global developments, CPI data in all the regions with ISP subsidiaries saw sharp increases, mainly due to supply side factors (commodity price increases, shortages of intermediate inputs, tight labour markets) but also related to effects of a post-Covid recovery in domestic demand. In April, inflation rose to new record highs in the CEE/SEE area (to 12.0% on average from 10.4% in March) and especially in the EE region (16.4% in Ukraine, 17.8% in Russia, 27.1% in Moldova). It touched 13.1% in Egypt. The CPI acceleration prompted reactions from central banks, which have rapidly increased policy rates well above 5% in CZ, PL and HU and also started raising them in countries with so-far-more-dovish monetary stances, such as in Albania and Serbia. A rise in policy rates is now also foreseen to be anticipated by the ECB for the Euro Area. Further increases in policy rates are now expected in all the countries of ISP regions with the exception of Russia, where the CB, given a softening in domestic financial tensions, re-appreciation of the exchange rate and expected easing of inflationary pressures, has rapidly cut the key rate bringing it to 11% on 26 May from the 20% set at the outbreak of the conflict with Ukraine. Long-term yields also rose in all the countries, reflecting expectations for increases in domestic MM rates and risk premia on international financial markets.

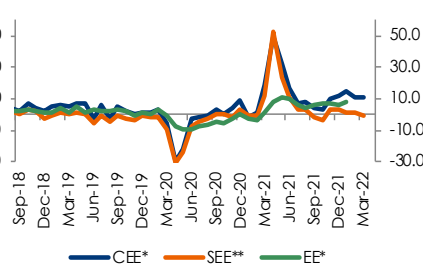
On the banking side, deposits slowed in both CEE and SEE countries (to 5.2% yoy and 9.6% from 6.9% and 11.8%, respectively), and both in the corporate and the household sectors, which may have used some of the excess deposits accumulated during the pandemic to actually finance consumption (in this way also sustaining demand). In contrast, lending, which decelerated in the CEE area (to 7.1%yoy from 7.6%), where monetary policy reversed first and sharply, still accelerated in the SEE area (to 12.5% yoy from 12%), particularly supported by corporates. In the EE area, banking aggregates decelerated significantly.

Covid-19 daily new cases



Source: Refinitiv

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

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Countries with ISP subsidiaries

Quarterly Note

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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-February, April-May, July-August and October-November.

Cross Country Analysis

CEE Area

Preliminary estimates showed that in 1Q22 GDP exceeded expectations in the **CEE** area. GDP grew by 7.4% yoy on a weighted average (w.a.) basis, up from 6.4% in 4Q 2021, with country data ranging from 4.6% in the Czech Republic to 9.8% in Slovenia. The quarterly growth in GDP was 1.8%, on average, up from 1.6% in Q4 2021.

Antonio Pesce

In many cases the most recent high-frequency indicators, mainly using March and April data, pointed to an economic trend that was still robust, mostly thanks to the easing of supply bottlenecks (although these have not yet been completely overcome) related to the Covid-19 restrictions. The data have not yet registered the worsening of external economic conditions due to the Russia-Ukraine war, unlike financial market indicators, which have highlighted the ongoing weakening of the economic cycle. The easing of supply bottlenecks is expected to progress further in the coming months, but risks remain skewed to the downside, in part still due to the pandemic. The war is also weighing on these risks.

In March the **industrial production** trend remained positive (+10.8%) and only slightly below 1Q (+11.9%) on a weighted average basis in the area. In the CEE region it ranged from +2.8% in Slovenia to +17.3% in Poland (where given the preliminary estimate available for this country, industrial production growth also remained strong in April at +13%), but in Slovakia industrial production contracted in March (-7.3%) because of the strong decline in both manufacturing (-3.4%) and mining and quarrying (-23.3%).

In March the nominal **exports** trend remained robust, albeit decelerating to +10.5% (from +13.7% in February). In the same month, nominal **retail sales** dynamics also remained robust (+17.7% yoy), increasing further from the +13.4% yoy of February. Moving to forward-looking indicators, April's surveys still signalled a stable economic environment overall. In fact, the Economic Sentiment Indicator (**ESI**) in the area improved slightly in April to 98.3 (on a GDP w.a. basis) from 97.8 in 1Q.

Inflation is still being impacted by upward pressures due to supply-side constraints and increases in the prices of several commodities, in particular food and oil and gas. In April the consumer price dynamic in the region accelerated further to +12.1% (regional w.a., from +10.7% in March), reaching a new record high. Inflationary pressures also impacted consumer goods with lower volatility, and **core inflation** rose again in April to reach +9.5%. In March the **wages** dynamic (+14.9% w.a.) continued to rise, sustained in several cases by fiscal measures adopted during the pandemic to support households' disposable income.

To counteract the inflationary pressures, central banks in Hungary, the Czech Republic and Poland further increased in May **policy rates**, to 5.9% (from 5.4%), to 5.75% (from 5.0%) and to 5.25% (from 4.5%), respectively. In financial markets, **long-term yields** rose sharply in the CEE region, in parallel with short-term interest rates, with a widening of the spread with respect to 10-year Bund yields. International geopolitical tensions related to the conflict in Ukraine and concerns about the economic implications on the region have weakened **CEE currencies**, particularly those of those countries more exposed to energy imports from Russia. In Hungary (at the time of writing the forint is at 384.6 against the Euro, representing a depreciation of about 8.0% compared with three months ago) the currency also suffered from the significant widening of the current account deficit. The ongoing weakening of the economic cycle has been mirrored by increases in **CSD spreads**, which in Hungary and Poland reached 118.4 (from 53 in February) and 103.4 (from 40.4 in February), respectively.

As far as **banking aggregates** are concerned, **in the CEE area** both lending and deposits slowed in March, shortly after the outbreak of the war, but still showed positive changes mom. Lending rose by 7.1% yoy in March (from +7.6% yoy in February) and deposits by 5.2% yoy (from +6.9% yoy

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the previous month). Hungary and the Czech Republic were the best performers (+9.8% and +9.3%, respectively), especially in the household sector (+11.1% yoy in Hungary and +10.3% in the Czech Republic). Their performances were supported by policy measures, despite tensions in the property markets due to rising housing prices, as highlighted by their central banks. However, increasing inflationary expectations and the extra savings accumulated during the pandemic may well encourage further investment in property. Corporate loans also continued to be strong (+8.2% yoy in March in the area but decreasing mom in the Czech Republic and Hungary). All of the countries reported lower NPL ratios, the lowest ratio being in Slovenia (1.2%). Nevertheless, if interest rates go too high too fast and the economy slows severely, NPLs are expected to soar. The dynamic regarding **deposits** continued to be strong at +5.2% yoy in the area, though this represented a deceleration from +6.9% yoy in February. Hungary (+14.3%) and the Czech Republic (+4.9% yoy) fared well on a yoy basis, but there were negative mom changes in all of the countries.

In **Slovenia** loans gradually strengthened (+7.2% yoy in March), both in the household sector (+6.8% yoy) and the corporate sector (+7.7%), which had been less dynamic (with negative performances until August). Businesses utilised liquidity by decelerating deposits (+4.3% yoy in March, from +12% yoy in December 2021), while these were up 4.1% in the household sector. **Slovakia** recorded a still-strong performance in lending (+9.0% yoy) and a lower increase in deposits (+2.7%), with a decelerating pace of growth. In **Poland** loans increased by 5.4% yoy, especially in the corporate sector (where the annual lending growth rate was negative for the first nine months of 2021), showing positive yoy changes again of +8.7% in March, while in the household sector loans slowed (+3.9%). In Poland new measures (such as a new moratorium and the replacement of the benchmark rate on mortgages) are likely to be adopted to help the retail sector, which is facing increasing costs due to high inflation, which could lower profitability. **Hungary** continued to show the best performances in the area, both in corporate (+8.6% yoy) and household lending (+11.1% yoy), as well as in deposits (+14.3% yoy), albeit all of these had decreased on a monthly basis in comparison to February.

SEE Area

For the countries for which preliminary information is available, in the SEE area the trend in **GDP** was also quite strong in 1Q. In particular, GDP was 7.0% yoy (from 9.7%), 6.5% (from 5.6%) and 4.4% (from 7.0%) in Croatia, Romania and Serbia, respectively. In March economic indicators remained on a positive trend overall (and in some cases were still accelerating), but the contraction of industrial production signalled some ongoing worsening of the economic cycle.

Industrial production decreased by 1.2% yoy (w.a.) in March because of the -3.9% recorded in Romania and the -1.9% in Croatia, while the trend remained positive in Bosnia and Serbia (+7.1% and +7.7%, respectively). In the same month, the trends for **retail sales** and **exports** continued to be positive and strong, with +5.5% in Romania and +19.4% in Bosnia for retail sales, and +50.4% in Albania and +29% in Serbia for exports (March export data are not yet available for the remaining countries). Moving to forward-looking indicators, in April the **ESI** increased slightly in Croatia and Romania to 110.3 and 104.3, respectively.

The **inflation** rate has been pushed up by the upward pressures coming from rising energy prices and the supply constraints that have increased production costs and delivery times. The consumer price trend reached +11.6% in April (on a regional w.a. basis), ranging from +6.2% in Albania to +13.8% in Romania, a new record high for this country and well above the CB's target (2.5% +/-1.0%). In Serbia the inflation rate also rose above the CB's target (3.0% +/-1.5%), hitting +9.6% in April. In May, because of inflationary pressures, the central banks of Romania and Serbia further increased their **policy rates**, by 75bps to 3.75% and by 50bps to 2.0%, respectively. At the same time, **long-term yields** in Romania rose to 8.2% (a 2.5pp increase with respect to three months ago). In Croatia an upward change in long-term yields occurred as well (to 3.1%, +1.5pp with respect to three months ago) due to the upward inflation profile. In the **FX** markets, local

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currencies have remained stable in recent months thanks to central banks' interventions in Croatia and Serbia. Meanwhile, significant increases in **CDS spreads** have occurred as these have moved to 110.7 (from 75.3), 223.1 (from 81.9) and 277 (from 102.9) in Croatia, Romania and Serbia, respectively.

On the **banking side**, loans and deposits showed a strong dynamic in the **SEE area** in March, but while loans accelerated deposits decelerated (both yoy and mom). Lending growth rates (+12.5% yoy, on average) remained vigorous in Romania (+15%), Albania (12.2%) and Serbia (+12.4%). Loans to households in the area showed the same growth rate as in February (+9% yoy). No bubbles in the real estate market have been highlighted in any SEE countries. The difference between the **lending dynamics** to corporates in the CEE and SEE areas remained wide (+8.2% yoy in the former vs. +16.7% yoy in the latter in March). NPL ratios were low (ranging from 3.4% in Romania to 5.4% in Albania, as of February). **Deposit growth** continued to be strong in the area in March (+9.6% yoy), in particular, in Romania (+10.6%) and Croatia (+10.2%), but it decelerated in Bosnia (to +2.6% yoy in March). The outbreak of the war had some impact on withdrawals, especially in Bosnia, where deposits from households fell by 2.3%, and in Croatia, where Sberbank's presence caused fears about banking instability. The loan-to-deposit ratios showed a further slight increase, with these approaching 100% in Serbia and in Bosnia.

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Serbia and Romania, still supported by relatively stronger economic activity, played leading roles in lending growth. In **Romania** loan growth continued to be vigorous (+15% yoy), especially in the corporate sector (+21.2% yoy vs. +9.6% in households). The deposit performance was also strong in the two sectors in March (+17.7% and +6.5% yoy, respectively), while interest rates turned towards an increasing path. In **Serbia** lending grew by 12.4% yoy in March, particularly to corporates (to +14% yoy), but also to households (+9.6% yoy). Corporate deposits were still rising strongly (+9.6% yoy vs. +6.8% for households), but on a decelerating path. Banking aggregates were strong in **Albania** as well. Total loans increased by 12.2% yoy (+11.1% yoy in February), most notably in households (+13.9% yoy, which accounted for 35% of total loans) in both consumer and mortgage loans. Loans to corporates were also up (+11.3%). Deposits continued to be much more dynamic for corporates (+22.5% vs. +6.2% in households), leading to a total deposit boost of 9.2%.

Banking aggregates showed a modest performance in Croatia and Bosnia. In **Croatia** loans grew by 4.7% yoy in March, not only to households (+4.1% yoy), but also to corporates, where they accelerated by 5.7% yoy, thanks largely to recovering investments. Deposits rose by 10.2% (+14.1% in corporates vs. +8.8% in households). In **Bosnia** loan growth increased in March (by 4.3% yoy vs. +3.8% yoy the previous month), particularly to households (+5.6%) but also, to a lesser extent, to corporates (+2.8%). Deposits increased by 2.6% yoy, decelerating rapidly from +10% yoy in December, with the decline among households (where deposits fell by 2.7% yoy because of worries about the war), and the increase by +13.4% yoy in the corporate sector, with still low and decreasing interest rates.

EE and MENA Areas

EE countries were negatively impacted by the new geopolitical scenario, with growing commodity prices and rising monetary policy rates. Risks have also grown in the region due to the conflict between Russia and Ukraine. In March the **industrial production** trend in **Russia** (+3.0%) was lower with respect to February (+6.3%) and it rose in **Moldova** (+2.5% in March from -4.2% in February). It was already weak before the outbreak of the conflict with Russia in **Ukraine** (+2.9% in January). **Retail sales** increased in Russia in March by only 2.2% (from +5.9% in February) in nominal terms, with an inflation rate of 16.7%. In regard to forward-looking indicators, in Russia the **PMI** rose to 48.1 in April, moving above the March level of 44.1. On the **inflation** side, in Russia consumer prices increased further to +17.8% in April, well above the CB's inflation target (4.0%). In the same month in Moldova, the inflation rate accelerated sharply to +27.1% (from +22.2% in

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March). In Ukraine it also accelerated to +16.4% (from +13.7%), well above the CB's target (5.0%+/-1.0%).

In May the CB in Russia lowered the **policy rate** by a further 300bps (to 14.0%) and at the end of the same month lowered it by a further 300bps to 11.0%. Due to rising inflation, in the same month Moldova's CB instead increased the rate by 3pps to 15.5%. In Ukraine the CB has left the policy rate unchanged since February at 10% and it is expected to remain at this level until economic conditions show signs of improvement. Despite the tensions concerning the war, in the FX market the Russian rouble returned to its Q12000 value against the USD.

In a rising inflation scenario, the Russia-Ukraine war is expected to also have repercussions on the economy of **Egypt**, and the impact is expected to result in food shortages and soaring commodity prices. Looking at economic data, in December industrial production grew by 14.8% yoy (from +13.2% the previous month) and in the same month exports showed an increase of 45.3% (from +80.6% in the previous month). In April 2022 the PMI index increased slightly (to 46.9 from 46.5 in March), but remained below the 50 threshold. In the same month, inflation rose to +13.1% (from +10.5% in March), still remaining above the upper level of the CB's interval target (7.0% +/-2.0%). After the depreciation of March 21 (more than 16%), the EGP has remained stable against the USD. After a hike of 100bps in March to 10.25%, in May Egypt's CB further increased the policy rate by 200bps to 12.25%.

Banking aggregates also remained strong in nominal terms in the **EE area**, according to the latest available data. In **Russia** loans increased by 16.2% yoy in January, particularly in the household sector, thanks to the subsidised mortgage lending programme (+23.3% vs. +13.2% in corporates). Deposits rose by 13.2% (especially corporate deposits, which were up by 22.4% yoy), but the loan-to-deposit ratio worsened further from 118% in September to 122.6% in January. Both lending and deposits decelerated significantly in April in **Moldova**, mainly as a consequence of the war. The performance of loans (+20.6% yoy in April, from +24.6% yoy in February) continued to be driven by households, which were up by 33.8% yoy, while loans to corporates, which accounted for almost 70% of the total portfolio, grew by 12.8% yoy. The NPL ratio worsened in April (to 6.6% from 6.1% in December). In April deposits grew by 2.2% yoy, especially from corporates (+15.6% yoy), while in the household sector deposits fell by 4.7% yoy. Despite the war, in **Ukraine** loans increased by 9.8% yoy as of March (+10.8% yoy in February), and were strongest in the household sector (+23% yoy), though corporate loans also rose by 5.4%. The NPL ratio worsened again (to 27.1% from 26.6% in February). Total deposits rose by 10.5% yoy, showing there is still trust in the banking system. Official foreign exchange rates have been kept fixed since the war began. Therefore, the FX effect on banking aggregates cannot be estimated. Using the estimated informal exchange rate, which is estimated to have depreciated by about 30%, net of the exchange rate depreciation loan growth would have been +2.1% yoy as of March (vs. +9.8% yoy nominal), while deposits would have increased by 0.5% yoy (vs. +10.4% yoy nominal). Withdrawals from deposits denominated in foreign currency have been very tightly restricted.

In **Egypt** loans grew by 19.2% yoy in the private sector in January and were strong in both corporates (+19.1%) and households (+19.6%). The NPL ratio remained very low (3.5% as of December). Banks are able to rely on ample customer deposits, which had increased by 18.6% yoy as of January (18.2% in households and 21.2% in corporates). Egyptian banks' foreign liabilities increased by 49% yoy in March. Public sector banks are supposed to use funds to buy foreign-currency securities issued by the sovereign to finance its current account deficit and upcoming maturities. Higher rates are expected to weigh on banks' profitability following the issuance of 18% certificates of deposit by public sector banks, which will lead to higher sector funding costs as other banks compete for deposit funding.

Davidia Zucchelli

Country-Specific Analysis

Czech Republic

Real Economy

The Czech economy is one of a handful in Europe that has not yet recovered to pre-pandemic real GDP levels. In 1Q22, nonetheless, the economy grew quite nicely, at 0.7% over the quarter in seasonally adjusted terms and 4.6% over a year ago, respectively. Growth was driven mainly by domestic demand, private consumption and investments, while external demand continued to contribute negatively to real GDP yoy growth. Sector-wise, key growth contributors were construction, trade, transport and accommodation as well as most services sectors, key beneficiaries of post-Covid economic reopening. Industry, in contrast, continued to see persistent problems in global supply chains, made worse by Russia's war in Ukraine. Stagnation in the key car industry continued and even turned into outright contraction, as in addition to chips, the local manufacturers needed to halt production due to lack of imported cables and harnesses or even USB ports. To illustrate the scale of the problem, Skoda, a member of the VW group, for example, stated on 24 May that this year it will not produce one-third of the intended volume of cars.

Zdenko Štefanides

Financial Markets

In response to rising inflation, now exceeding 14%, the Czech National Bank (CNB) has continued to increase rates, hiking the key two-week repo rate by 75bps on 5 May, to 5.75%. Shortly after this, on 12 May, however, the CNB was forced to convene an extraordinary policy meeting and intervene in the FX markets in reaction to a sharp, 2%, depreciation of the koruna brought about by the nomination of the new CNB governor, Ales Michl. Mr Michl, the current CNB board member who will replace the outgoing governor, Jiri Rusnok, has been systematically opposing rate hikes and is thus seen to bring a dovish change to the hitherto hawkish policy of the CNB, represented by the outgoing governor. Markets are expecting the CNB meeting on 22 June, the last chaired by Mr Rusnok, to see a further rate hike. With the change at the CNB helm from 1 July, however, it could be the last hike in the current tightening cycle, especially as inflation in the latest CNB forecast is expected to peak soon and return to the 2% target in the policy-relevant horizon of 2H23. With the prospective shift in the policy stance and inflation trends, the Czech yield curve is inverted, the three-month interbank rate is topping 6%, while 10-year bond yields are below 5%.

Banking Sector

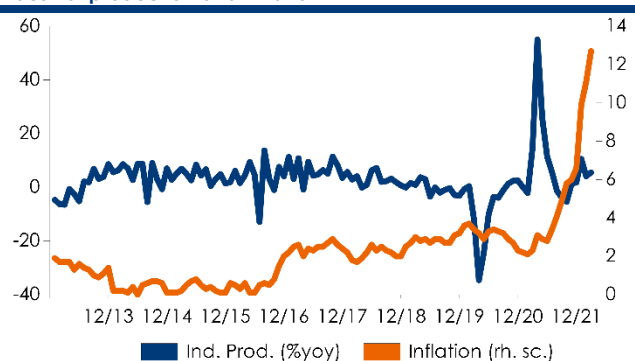
Rising interest rates are affecting new demand for loans. New production of mortgages, down 20% yoy in Q1, is now down to half the volumes of a year ago, also due to tighter regulatory lending conditions, in place since April. The stock of loans nonetheless continues to grow at a decent pace, thanks to both the household and corporate sectors. Deposits, meanwhile, have decelerated as households appear to have used their forced pandemic savings.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial production, wda yoy	5.5 (Mar)	6.7	-0.8
Export of goods, nominal yoy	4.8 (Mar)	8.3	0.7
CB refi rate	5.8 (23th May)	4.5	3.8
ESI (index)	92.7 (Apr)	91.2	92.8
Retail Sales yoy	4.8 (Mar)	8.3	0.7
Inflation rate, average yoy	14.2 (Apr)	11.2	6.1
Loans (priv. sector, yoy, eop)	9.3 (Mar)	9.3	8.4
Deposits (priv. sector, yoy, eop)	4.9 (Mar)	4.9	7.0
Lending interest rate (corp., eop)	6.2 (Mar)	6.2	4.4
Deposit interest rate (hh, eop)	3.5 (Mar)	3.5	2.3

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Q1 GDP growth exceeded expectations, growing by 2.1% qoq and 8.2% yoy unadjusted. Growth was broad-based. The key drivers were services and (on the absorption side) consumption. Consumption continues to be well supported by the tight labour market, strong wage outflows, and the high savings of the household sector. The unemployment rate fell to 3.6% in March and averaged 3.7% in the first quarter. Gross wage growth remains in double-digit territory even adjusted for the one-off pre-election bonuses to certain public sector workers. The industrial sector proved fairly resilient in March; industrial output rose by 5.5% in Q1. The solid industrial performance was reflected in export data, but not sufficiently to offset the negative impact on the trade balance of imports, which expanded much more dynamically due to global market developments and strong domestic demand. Hence, the rapid deterioration of the trade balance continues. The combination of the direct and indirect effects of the war and strong domestic demand has been reflected in a sharp rise in consumer prices, even if the (extended) price freeze on staple food and fuel is partly limiting price increases. Yoy, CPI rose from 8.5% to 9.5% in April, and core CPI rose to 9.3%.

Mariann Trippon

Financial Markets

The central bank raised the base rate by a cumulative 150 bps to 5.9% in April-May. The one-week depo rate was raised by 30bps, to 6.45% in April and is expected to move up again in June. High and still rising inflation, worsening inflation expectations, a weak FX rate, and changes in the external environment are paving the way for the MNB. The tightening cycle will continue. An important objective for the central bank is to gradually increase the forward-looking real interest rate. The rate hikes managed to stabilise the HUF below the all-time highs reached at the onset of the Ukraine crisis. However, the HUF continues to be weighed on by the volatile external risk sentiment and uncertainties surrounding the composition of the expected fiscal adjustment. The latter is also reflected in the relative underperformance of the forint compared to regional peers' currencies.

Banking Sector

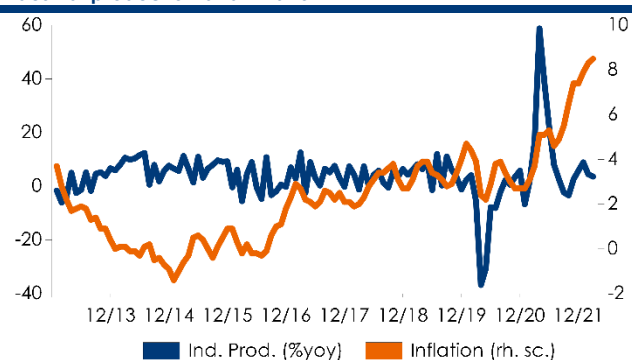
Bank deposits grew by 14.3% yoy in 1Q22, mostly driven by household deposits, fuelled by the refund to all Hungarian tax payer of 2021's Personal Income Tax in February. Bank loans stopped growing in Q1: both household and corporate loans showed slight decreases compared to end-2021, but the yoy growth rate remained close to 10%. The run-off of FGS and rising interest rates had negative impacts on lending. Also, most customers are now paying down debts and only a small fraction continues to be under moratorium. Repricing stop on floating rate mortgages is in effect till June, providing temporary shelter to customers against the increase of reference rates.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	3.6 (Mar)	5.7	1.7
Nom. Exports yoy	8.7 (Mar)	9.1	5.9
ESI (index)	102.7 (Apr)	103.1	107.2
Retail Sales yoy	16.2 (Mar)	10.2	5.4
Inflation Rate yoy	9.5 (Apr)	8.2	7.1
CB Reference Rate	5.4 (23th May)	4.4	2.4
Loans (priv. sector, yoy, eop)	9.8 (Mar)	9.8	12.7
Deposits (priv. sector, yoy, eop)	14.3 (Mar)	14.3	17.6
Lending interest rate (corp., eop)	6.1 (Mar)	6.1	4.5
Deposit interest rate (hh, eop)	3.4 (Mar)	3.4	1.5

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

The latest data release confirmed that the Polish economy is growing, with rising economic activity, a tight labour market, and continuing price pressures. Real GDP growth rose to 8.5% yoy in Q1, and the few data available so far point to growth continuing at a decent pace at the opening of Q2, especially on the domestic demand side. Indeed, retail sales growth jumped to over 20% yoy in April, owing partly to base effects and past pent-up demand, but also to new consumption needs linked to purchases by and for Ukrainians fleeing the war. Poland has already reached the pre-pandemic employment level, with job numbers rising by 2.8% over a year ago in April. In practice, there is no unemployment and wages rose 14.1% yoy.

On the production side, nonetheless, data do point to growth decelerating as Q2 opened. Industrial production in April advanced by just 0.4% over the month in seasonally adjusted terms, which led to yoy growth of 13% vs the Q1 average of 17.5%. And construction output actually contracted vs March, by 5%, bringing yoy growth to around 9%, one-third the pace seen in March. As such, these data, alongside the reported decline in new orders, may indicate the first signs of a real hit from the war in Ukraine.

Financial Markets

The National Bank of Poland (NBP) has continued to hike rates, adding 75bps in May and preparing the markets for another similar-sized hike in June. Inflation, the key driver of NBP's tightening, increased to 14.2% in April and likely has yet to peak. Speaking after the May policy meeting, NBP Governor Głapiński stated that inflation is expected to peak in June/July or maybe even later. In addition to external sources of inflation, there are also domestic inflation drivers, stemming from strong GDP growth and tight labour markets. In the expectation of further rate hikes, markets have pushed the yield curve to invert its slope, with short rates at 6.8%, exceeding the level of 10-year yields, now at 6.5%. The zloty exchange rate has been rather volatile since Russia's invasion of Ukraine, but it has recently stabilised at around 4.60 vs the euro.

Banking Sector

Rising interest rates make the situations of borrowers in zloty difficult. The outstanding stock of loans to households declined in March and April in absolute terms, causing the yoy dynamics to decelerate to 3.5% from 5% in February. To alleviate the pressure on borrowers, in late April, the government proposed four months of mortgage 'payment holidays' as well as subsidies for instalment payments. This aid nonetheless appears to be selective, aimed at about two million families rather than relating to the general indebted public. Hence, it should not completely undermine the scale of monetary tightening now under way. On the corporate side, loans accelerated further, to 8.7% yoy in March and to 12.2% yoy in April (the highest growth rate in a decade).

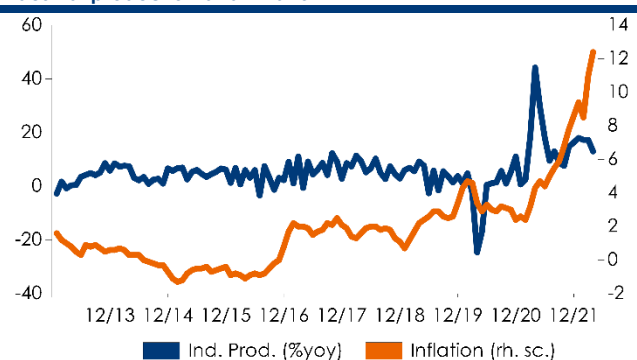
Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	13 (Apr)	17.5	12.9
Nom. Exports yoy	13.3 (Mar)	18.4	17.3
ESI (index)	98.6 (Apr)	98.3	106.0
Retail Sales yoy	4.8 (May)	n.a.	n.a.
Inflation Rate yoy	12.4 (Apr)	9.6	7.7
CB Reference Rate	5.3 (23th May)	3.5	1.8
Loans (priv. sector, yoy, eop)	5.4 (Mar)	5.4	4.6
Deposits (priv. sector, yoy, eop)	3.4 (Mar)	3.4	7.7
Lending interest rate (corp., eop)	5.7 (Mar)	5.7	3.8
Deposit interest rate (hh, eop)	1.9 (Mar)	1.9	1.3

Source: Narodowy Bank Polski, Statistics Poland

Zdenko Štefanides

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Slovakia's economy grew in 1Q22, expanding by 0.4% qoq. The annual dynamic, however, was only 3.1%, one of the lowest values in the EU, reflecting a slow post-pandemic recovery due to reliance on industrial production and exports hit by ongoing supply chain constraints. This negative trend should also be apparent in the coming months due to the ongoing war in Ukraine and sanctions against Russia. March industrial production, orders and exports figures all declined yoy and in real terms (-7.3%, -9.5 and -16.7%, respectively).

On the other hand, sectors tied to domestic demand performed comparatively better, as households continued to spend in the post-pandemic spring months, despite high inflation. Retail sales were up by 14.5% yoy in March; restaurants and accommodation registered even higher growth rates, thanks to the base effects of a weak 1Q21. This also helped to keep total employment growing (+0.4% qoq in the first quarter).

The consumer inflation rate reached a 22-year high in April of 11.8%, driven by rises in energy and foodstuff prices after massive increases in prices on world commodity markets. In the coming months, the record inflation rate could flatten, due to base effects of the summer months in 2021, when inflation was quite strong.

Financial Markets

The European Central Bank is moving close to ending its quantitative easing purchases and has is likely to start hiking key interest rates, possibly in July. However, this expectation has seen short-term interest rates only move up slightly. Much more pronounced effects can be seen in long-term rates – eg, in government bond yields as well as spreads. Slovakia's 10-year yield has increased to 1.8% in May and its spread against German Bunds has widened to 85bps, probably mainly due to the end of asset purchases by the ECB. This has also increased costs of financing for local banks and other companies.

Banking Sector

Slovakia's banks continued to register solid growth in loans provision at the beginning of 2022 at around 9% yoy, still mainly thanks to new (and the refinancing of) mortgages. However, with the start of rises in interest rates, this trend should change: at first, new loans could even accelerate as clients try to make use of the still lower rates, but later, a marked deceleration in credit provision could take place. Deposits grew only slowly as households spent to cover consumption, causing a further deterioration in local loan/deposit ratio. The cabinet is also considering the imposition of new taxes on regulated companies to finance the rise in public expenditures.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production, wda yoy	-7.3 (Mar)	-1.5	4.2
Nom. Exports, yoy	1.5 (Mar)	9.7	9.4
ESI (index)	103.1 (Apr)	95.7	94.8
Retail sales, yoy	14.5 (Mar)	16.0	2.4
Inflation rate, yoy	11.8 (Apr)	9.3	5.5
ECB refi rate	0 (23th May)	0.0	0.0
Loans (priv.sector,yoy,eop)	9 (Mar)	9.0	7.3
Deposits (priv.sector,yoy,eop)	2.7 (Mar)	2.7	4.5
Lending interest rate (corp., eop)	1.8 (Mar)	1.8	1.6
Deposit interest rate (hh, eop)	0 (Mar)	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

Reflecting last year's low base, 1Q22 GDP increased by 9.8% yoy (+0.8 qoq) as household consumption increased by 20.0%, followed by a 12.7% increase in investments. Exports of goods and services increased by 7.7% while imports increased by 15.7% yoy, leading to a 5.6pp negative contribution by net exports to headline growth.

March high frequency data, meanwhile, show industrial production rebounding by 2.8% yoy, amid 5.3% higher manufacturing and 27.8% higher mining and quarrying output. Retail trade turnover, at the same time, accelerated to 25.6% yoy, overwhelmingly helped by strong (+95.5%) fuel sales (a strong rise occurred in other non-food sales as well, excluding fuel, helped by the lifting of Covid-19 related restrictions. Goods exports in March advanced by 23.7% yoy and imports by 45.5% yoy, while in 1Q22, exports rose by 21.6% and imports by 49.1% yoy.

HICP inflation rose to 7.4% yoy in April (from +6.0% yoy in March), influenced by strong rises in housing (+6.4% vs +1.1% in March) and food and non-alcoholic beverages (+9.2% vs +6.9% in March) prices. The January-April average annual HICP rate thus amounted to 6.6%.

Financial Markets

Average 10-year government bond spread on the benchmark continued to rise in April, reaching 100bps (+10bps mom), with the yield increasing by 0.5pp mom, to 1.8% (eop 110bps, 2.0%). By 24 May, the average was a bit higher, at 110bps, with the yield rising to 2.1%.

Banking Sector

Loan growth gained momentum, accelerating to 7.0% yoy in February and 7.2% yoy in March due to solid household and strong corporate lending. Household loan growth during the same period amounted to 6.4% and 6.8% yoy, respectively, with housing loans accelerating mildly (10.9% yoy in March) while consumer loan growth remained negative (-3.1% yoy in March). Corporate loans recorded a 7.8% yoy increase in February and rose by 7.7% yoy in March.

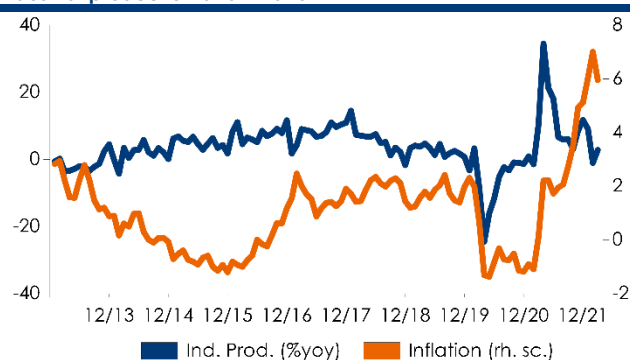
Deposit growth continued to ease, reaching 6.2% yoy and 4.0% yoy in February and March, with overnight deposits ending the quarter up by 9.0% yoy and deposits with an agreed maturity down by 19.8% yoy. Corporate deposits slowed, shifting from 9.0% yoy growth in February to 3.6% yoy in March, while household deposits softened from 5.3% yoy to 4.1% yoy.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production, wda yoy	2.8 (Mar)	3.6	7.8
Nom. Exports yoy	23.7 (Mar)	21.5	22.6
ESI (index)	102.5 (Apr)	99.5	103.4
Consumer Confidence Indic.	-26.3 (Apr)	-25.9	-24.3
Inflation Rate yoy	7.4 (Apr)	6.3	4.5
ECB refi rate	0 (23th May)	0.0	0.0
Loans (priv.sector,yoy,eop)	7.2 (Mar)	7.2	5.2
Deposits (priv.sector,yoy,eop)	4 (Mar)	4.0	8.2
Lending interest rate (corp., eop)	1.7 (Mar)	1.7	1.9
Deposit interest rate (hh, eop)	0 (Mar)	0.0	0.1

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

Albanian economic growth was already expected to be lower in 2022 than a year earlier (when it reached 8.5%), but the Russia-Ukraine war has caused a further lowering of expectations regarding GDP. Supply shocks for the raw materials, oil and foods are spreading across all sectors, causing declines in forecasts for growth and leading to rises in consumer prices for 2022-2023.

The CPI reached 6.2% in April, mainly due to rising oil and food prices in international markets. The Consumer Confidence Indicator (CCI) declined by 6.7pps in March, reaching the second-lowest historical level after the minimum recorded at the beginning of the pandemic. Nevertheless, the Albanian economy is projected to grow positively in 2022, also thanks to the positive inertia with which the Albanian economy entered in 2022. Exports of goods in March saw an increase of over 50%. The unemployment rate has now dropped to pre-pandemic levels, at 11.4%.

Financial Markets

The increase in the key interest rate at the end of March from 0.5% to 1% did not lead to a significant increase in interest rates applied in the interbank market. This is because there is no liquidity pressure in the financial market. The CPI and its upside risk in the short and medium term is closely monitored by the CB, which predicts that it will accelerate in the 2022 and slowly decline during 2023 (assuming the war does not last), returning to the final target in the beginning of 2024. The local currency has appreciated slightly against the euro, within the limits of its seasonal behaviour at this time of year. The EUR/LEK rate is now around 120.5.

Banking Sector

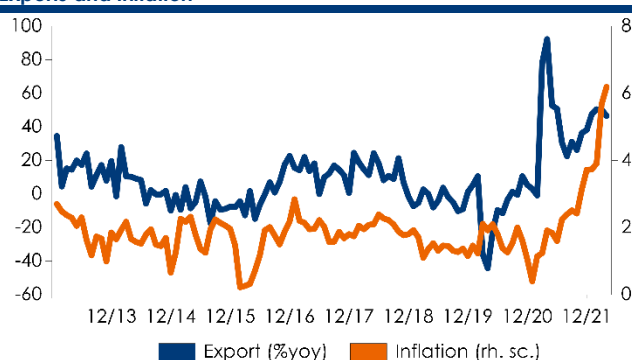
Despite the uncertainties, banks have continued to finance the private sector. In March, annual credit growth was 12.18% yoy. The increase is evident in both loans to individuals (13.94%) and to businesses (11.26%) yoy. The higher increase in foreign currency loans than in LEK reflects the rise in demand from businesses for working capital as well as the increase in demand from households for mortgages. In March, total deposits in the private sector drew by 9.19% yoy. Household deposits increased by 6.2% and corporate deposits by 22.5% yoy.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	50.4 (Mar)	49.5	36.4
Unemployment rate	n.a.	n.a.	11.4
Inflation rate, average yoy	6.2 (Apr)	4.4	3.1
CB Reference Rate	1 (31th May)	1.0	0.5
Loans (private sector, yoy, eop)	12.2 (Mar)	12.2	9.6
Deposits (private sector, yoy, eop)	9.2 (Mar)	9.2	9.2
Lending interest rate (pr.sect., eop)	4.9 (Mar)	4.9	5.6
Deposit interest rate (pr.sect., eop)	0.5 (Mar)	0.5	0.4

Source: National Statistical Institute, Bank of Albania

Exports and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

High frequency data for March show both industrial output and retail trade turnover accelerating (to +7.1% and +20.1% yoy, respectively), with the former due to lower declines in electricity, gas, steam and air conditioning supply and stronger manufacturing output, with the latter due to higher growth of both food and non-food (excluding fuel) sales. Growth in goods exports in April, meanwhile, outpaced that for imports (+44.5% vs +39.6% yoy), thus resulting in a 30.2% yoy higher foreign trade deficit. As regards politics, it was decided (by the Central Electoral Commission on 4 May) that general elections will be held in Bosnia and Herzegovina on 2 October 2022, which will decide the makeup of Bosnia and Herzegovina's presidency as well as national and cantonal governments. However, due to unresolved decisions on funding, it is not entirely certain that the elections will actually be held.

Ivan Odrčić

April data show inflationary pressures strengthening to 13.2% yoy (from 10.2% yoy in March), driven largely by 20.6% yoy higher food and non-alcoholic beverage prices. In the first four months of 2022, an average annual inflation rate of 9.6% was reported.

Banking Sector

Loan growth continued to accelerate during February and March, by 3.8% yoy and 4.3% yoy, respectively. Corporate loans gained pace, rising 1.9% yoy in February and 2.8% yoy in March, while loans to households also expanded, by 5.5% yoy and 5.6% yoy. Both consumer and housing lending remained healthy, ending the quarter up by 4.5% yoy and 10.0% yoy, respectively. After five consecutive quarters of decline, in 4Q21, the overall NPL ratio posted a 0.3pps qoq increase amid a 0.6pps qoq rise in the share in loans to legal entities (to 5.8%), whereas the share in loans to households fell by 0.2pps qoq, to 5.3%.

Ana Lokin

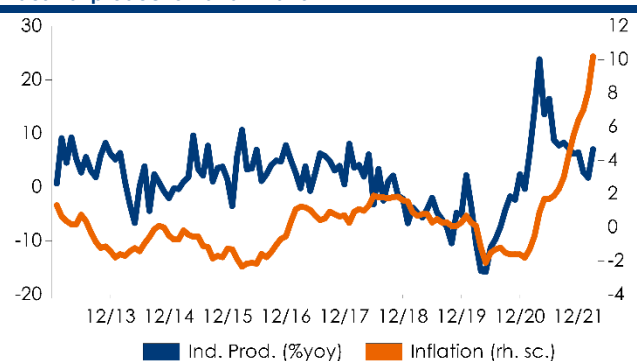
The deposits rise slowed in February (to 7.1% yoy) and contracted further in March (to 2.6% yoy), due to a fall in retail deposits. After the EU imposed sanctions on Russia, two BH Sberbanks faced liquidity problems as citizens started to withdraw funds which triggered a general rise in uncertainty, since trust in such institutions in the country is fragile. Household deposits thus fell in March by 2.3% yoy and by 5.0% mom, whereby all three term categories saw decreases on a monthly basis (transaction accounts, -4.8% mom; demand deposits, -5.6% mom; time deposits, -4.7% mom). Corporate deposits growth decelerated to 14.5% yoy in February and to 13.4% yoy in March.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial production, wda yoy	7.1 (Mar)	2.5	2.1
Export of goods, nominal yoy	44.5 (Apr)	39.9	42.2
Retail trade, real, wda yoy	20.1 (Mar)	18.3	17.2
Inflation rate, average yoy	10.2 (Mar)	8.4	5.4
Loans (private sector, yoy, eop)	4.3 (Mar)	4.3	3.7
Deposits (private sector, yoy, eop)	2.6 (Mar)	2.6	10.0

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

The GDP data for 1Q22 show an annual increase of 7.0% and a quarter-on-quarter growth of 2.7% (seasonally-adj. data). In the same quarter households' consumption grew by 6.3% yoy, investments by 7.9%, and government's consumption by 5.9%.

Ivan Odrčić

March high frequency data show industrial production declining (-1.9% yoy) for the first time since November 2020, partly due to the high base in last year's March. At the same time, retail trade turnover rose 3.7% yoy, helped by rebounding food sales and to +5.2% yoy in April on the back of stronger non-food, exc. fuel, sales (food sales returned to negative territory). Double-digit increases in both goods exports (+30.3%) and imports (+45.7%) continued in March (preliminary data) as well, which resulted in a record-high foreign trade deficit (HRK 11.4bn).

The inflation rate in April jumped to 9.4% yoy (from 7.3% in March), supported largely by soaring energy and food and non-alcoholic beverage prices (food prices in the global markets have been rising for some time and upward pressures are expected to continue). Energy prices have been quite volatile (at very high levels) since the beginning of Russia's invasion of Ukraine, and with the recent plan by the EU to gradually reduce oil imports from the Russian Federation, they are expected to continue to rise.

Financial Markets

The FX rate was stable in April, with an average decline of 0.2% mom, to HRK 7.55/EUR 1. In May, a rise in FX inflows supported appreciation of the kuna. The average 10-year government kuna bond spread vs the Bund was flattish mom, at 170bps in April, with the average yield rising by 40bps, to 2.4%. By 24 May, spread had risen to 200bps, with a yield of 3.0%. In April, Croatia issued HRK 1.25Bn in 10-year bonds at a 2.975% yield on international markets.

Ana Lokin

Banking Sector

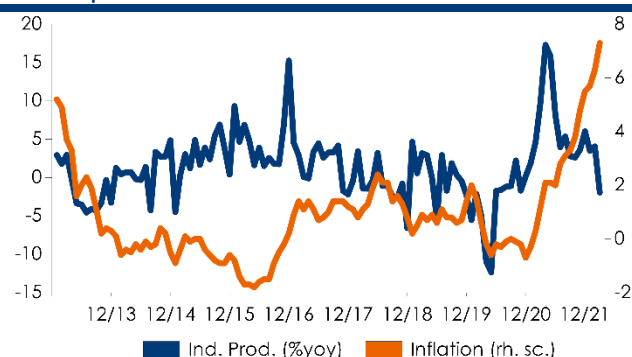
Loans gained pace to 4.7% yoy in March due to steep growth in corporate loans (5.7% yoy), whereby loans to large enterprises rose by 20.0% yoy. Household loans continued to grow at a stable pace of 4.1% yoy, with robust housing (8.1% yoy) and solid cash (2.5% yoy) loan growth seen. Deposits saw a somewhat slower increase of 10.2% yoy in March, whereby corporate loan growth eased to 14.1% yoy and household growth to 8.8% yoy. Household deposits shrank by 0.5% mom (HRK 1.1Bn) in March, with savings deposits down by 1.1% mom (HRK 1.9Bn) as the war in Ukraine and particularly sanctions imposed on Russia negatively affected Sberbank Croatia with 2% share in retail deposits failing (resolution carried out by sale) and uncertainty rising.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial production, wda yoy	-1.9 (Mar)	1.5	1.2
Export of goods, nominal yoy	36.9 (Feb)	n.a.	34.7
Retail trade, real, wda yoy	1.8 (Mar)	2.1	7.7
ESI (index)	110.3 (Apr)	109.5	110.2
Inflation rate, average yoy	9.4 (Apr)	6.4	4.7
Loans (priv. sector, yoy, eop)	4.7 (Mar)	4.7	2.3
Deposits (priv. sector, yoy, eop)	10.2 (Mar)	10.2	11.7
Lending interest rate (pr.sect., eop)	2.5 (Mar)	2.5	1.7
Deposit interest rate (pr.sect., eop)	0.1 (Mar)	0.1	0.1

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

In 1Q22, GDP growth was 6.5%. Given the military conflict at the eastern border, and with energy, food and commodities prices rising globally, growth for 2022 is expected to decelerate (to c.2.5% in our March forecasts).

The CPI yoy rose to 13.8% at the end of April, above the NBR's May projection. According to the NBR, inflation will continue to rise, but the path is highly uncertain due to the war in Ukraine and energy, food and commodity market prices at a global level. The upper limit of the NBR's forecast is 14.2% for the end of the second quarter, but this level could well be exceeded.

The budget deficit at the end of March 2022 was 1.19% of GDP. Due to the new challenges, it will be very difficult for the government to follow the fiscal consolidation plan.

The current account deficit is still growing: March showed a EUR 4.7Bn deficit vs EUR 2.7Bn in the same period of 2021.

Financial Markets

The NBR increased all monetary policy rates (Deposit, Lombard, Reference Rate) by 75bp at the May meeting. The levels of monetary policy rates are now as follows: Deposit Facility Rate, 2.75%; Reference Rate, 3.75%; and Credit Facility Rate, 4.75%. Despite these increases, there still is a significant gap between the ROBOR and the implied yield in the FX SWAP market, showing very tight liquidity management by the NBR. Minimum reserve requirements remained unchanged. However, further tightening measures are expected. In the past weeks, the NBR has intervened in the market to keep the EUR/RON rate stable at around 4.95 and to buy State Bonds to improve liquidity in the market.

In the last two months, the NBR injected liquidity into the money market through bilateral repo transactions and the Lombard facility by around RON 16Bn in March and around RON 13Bn in April.

Banking Sector

March figures show an acceleration in loan growth (14.96% yoy) and a deceleration in deposit growth (10.56% yoy). Interest rates rose to 3.32% and 6.27% on RON-denominated deposits and credits and decreased to 2.47% on EUR-denominated credits. For EUR-denominated deposits, the rate remained at 0.06%.

Latest economic indicators

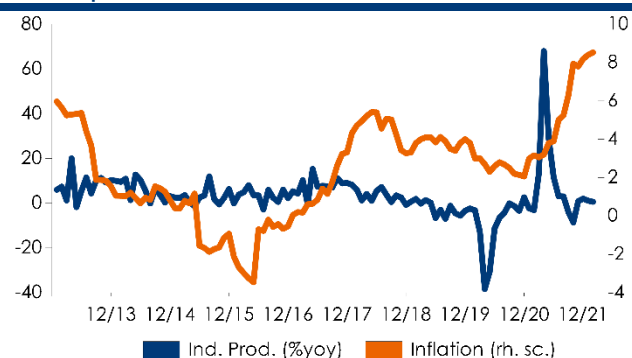
	Last value	1Q22	4Q21
Industrial Production yoy	-3.9 (Mar)	0.9	-1.9
Nom. Exports yoy	21.9 (Feb)	23.4	16.9
ESI (index)	104.3 (Apr)	n.a.	102.5
Retail Sales yoy	5.5 (Mar)	5.4	5.4
Inflation Rate yoy	13.8 (Apr)	9.0	8.0
CB Reference Rate	3.8 (23th May)	2.5	1.8
Loans (priv. sector, yoy, eop)	15 (Mar)	15.0	14.3
Deposits (priv. sector, yoy, eop)	10.6 (Mar)	10.6	13.6
Lending interest rate (pr.sect., eop)	6 (Mar)	6.0	4.6
Deposit interest rate (pr.sect, eop)	2.1 (Mar)	2.1	1.4

Source: National Bank of Romania, National Institute of Statistics

Marius Pacurari

Marius Pacurari

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Based on the Statistical Office's flash estimate, real GDP grew by 4.4% yoy in 1Q22. The largest contribution most likely came from services, as confirmed by real retail trade turnover, which increased by 10.6% yoy. Turnover in tourism, measured by the number of overnight stays, rose by 40.6% yoy. Despite lower external demand, industrial production continued to grow in 1Q22, increasing by 1.9% yoy. It was driven by manufacturing and mining while activity fell in the electricity sector, due to problems in the power system. The NBS has revised Serbia's GDP projection for this year to a range of 3.5–4.5%, down by 0.5pps from the previous forecast.

Inflation rose to 9.6% in April, remaining above the upper bound of the target tolerance band for the eighth month in a row. Elevated global prices for energy, primary agricultural commodities, and industrial raw materials have affected the growth of prices for imported products in Serbia and increased cost pressures on domestic producers. Inflation is expected to reach a peak mid-year and start to gradually decline in 2H22, supported by the onset of the new agricultural season, and consequently lower costs for food production, as well as by government measures to temporarily cap prices of basic foodstuffs and fuel.

Financial Markets

For the first time in nine years, the key policy rate was increased cumulatively by 1pp in April and May, to 2%. By hiking for two consecutive months, the NBS continued its monetary policy tightening, which began last October, by gradually increasing the weighted average rate in the auctions of repo sale of securities, by a total of 137bps to date, to 1.48%. The central bank opted for raise rates as inflationary pressures in global and domestic markets continued to increase and be more persistent than anticipated.

Record demand for foreign currency prompted the central bank to aggressively defend dinar stability, with net selling of EUR 2.3Bn in the first four months of 2022. Amid weaker FX flows (trade, foreign direct investments) and lower appetite for dinar bonds, sizeable FX interventions are expected to continue. As the NBS will continue to safeguard dinar stability, no significant change in the nominal EUR/SRD rate is expected.

Banking Sector

Total loans to the private sector rose by 12.4% yoy in March, with both household and corporate loans increasing by double-digits. Such a relatively high rise in corporate loans is atypical for the start of the year and it mostly referred to liquidity and working capital loans, the share of which in total corporate loans is almost 50%. The bulk of the increase in household loans referred to housing and cash loans. Interest rates on dinar and euro-indexed loans are moving close to the 2021 average and are expected to rise in the coming months due to NBS and expected ECB hiking of reference rates.

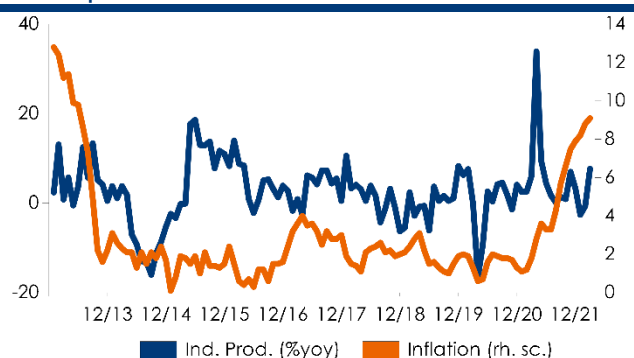
Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	7.7 (Mar)	1.5	3.7
Nom. Exports yoy	29 (Mar)	28.7	23.4
Retail Sales yoy	18.7 (Mar)	10.2	8.4
Inflation Rate yoy	9.6 (Apr)	8.7	7.3
CB Reference Rate, eop	2 (23th May)	1.0	1.0
Loans (priv.sector,yoy,eop)	12.4 (Mar)	12.4	10.2
Deposits (priv.sector,yoy,eop)	7.9 (Mar)	7.9	13.3
Lending interest rate (pr.sect., eop)	3.6 (Mar)	3.6	3.0
Deposit interest rate (pr.sect., eop)	1.7 (Mar)	1.7	2.0

Source: Statistical Office, National Bank of Serbia

Marija Savic

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

In 4Q21 the economy expanded by 18.9% yoy, leading to a 13.9% yoy positive GDP evolution in 2021. The growth in 2021 was due to household consumption, net investments and inventories, which made 12.6pps, 0.4pps and 5.33pps, respectively, positive contributions. These counteracted the 5pps negative net exports impact, which was driven by a larger increase in the volume of imports of goods and services (+19.2%), than that of exports (+17.5%). In March 2022 industrial production expanded by 2.5% yoy. This increase was caused by positive dynamics in the volumes of the energy and manufacturing industries (+2.7% and +2.9%, respectively) despite the 13.6% yoy contraction in extractive industry production.

Inflationary pressures continue to dominate in 2022, with the annual inflation rate reaching +27.1% in April, 13.2pps higher than the Dec 2021 level. The acceleration was caused by the increase in prices in the international and regional markets for food and energy resources, and by the adjustment of tariffs for gas and thermal energy. At the same time, the adjustment of tariffs, the increase in fuel prices, and also the upward dynamics of wages, which was gradually reflected in prices. The impact of the above factors was significantly amplified in late February and March by the escalating situation in Ukraine, which put additional pressure on food and fuel prices, as well as on core inflation subcomponents.

Financial Markets

In May 2022 the National Bank increased the base rate (to 15.5%, from 12.5% in March) and the required reserves ratio in a bid to alleviate the persistent inflationary pressures, anchor inflation expectations, stimulate savings over consumption and reduce the pressure on the depreciation of the national currency that is occurring due to the widening current account deficit and capital backflow. At the same time, the increase in the reserve requirements aims to increase interest rates on deposits and decrease the volume of new loans granted, thus reducing the pressure on aggregate demand. The 91-, 182- and 364-day Treasury bill yields increased by 3.1pps, 3.4pps and 3.5pps, respectively, in May compared with end of 1Q22 levels, in line with the increase in the inflation trajectory and expectations.

Banking Sector

In April 2022 the stock of loans in the private sector expanded by 20.6% yoy, mainly driven by a positive trend in households (+33.8%), but also by corporate loans (+12.8%). Within the loan portfolio, the highest contribution came from mortgages (+20.9%), followed by commercial loans (+20.3%) and consumption loans (+18.5%). So far 2022 has seen a deceleration in the yoy growth of deposits, with the stock of deposits increasing by 2.2% in April, down from +6.1% in March and +13.1% in December 2021. Corporate deposits expanded by 15.6% in April 2022, while the stock of household deposits saw a 4.7% yoy contraction. The NPL ratio stood at 6.6% in April 2022, down 0.5pps from March but up 0.5pps from the December 2021 level.

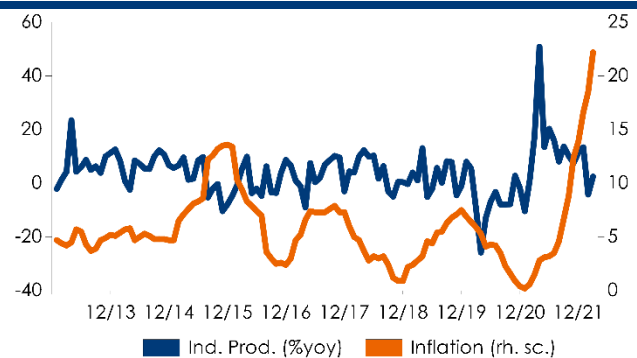
Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	2.5 (Mar)	4.5	9.7
Nom. Exports yoy	52.6 (Mar)	55.8	43.0
PMI Manufacturing	52.6 (Mar)	55.8	43.0
Retail Sales	2.3 (Mar)	4.7	1.4
Inflation Rate yoy	27.1 (Apr)	19.1	11.7
CB Reference Rate	15.5 (31th May)	12.5	6.5
Loans (Priv. Sector, yoy, eop)	20.6 (Apr)	24.5	23.5
Deposits (Priv. Sector, yoy, eop)	2.2 (Apr)	6.1	13.1
Lending interest rate (corp., eop)	9.9 (Apr)	9.3	9.0
Deposit interest rate (hh, eop)	4.7 (Apr)	4.0	3.4

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

Natalia Mihalas

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Following the invasion of Ukraine, economic policy was aimed at offsetting the impact of Western sanctions. The severe sanctions aimed at freezing the reserves of the Central Bank of Russia (CBR) are, however, limiting the room for manoeuvre of the authorities. The imposition of capital controls has been designed in this context to prevent the outflow of currency and protect banks from bank runs and serious risks of defaults. As for the real economy, according to preliminary estimates, Russia's GDP expanded by 3.5% in the first quarter of 2022 with respect to a year earlier, down from a 5% annual growth rate in the previous quarter. The first quarter of 2022 is expected to be the last to see modest growth in the economy due to the above-mentioned Western sanctions. Russia's economy ministry has said this week that it expects gross domestic product to shrink by 7.8% in 2022.

Financial Markets

After the hike to 20% on 28 February, the CBR lowered the policy rate by 300bps on April, to 17%, and by a further 300bps, to 14.0%, and then by a further 300bps, to 11.0%, on 26th of May. The external environment for the Russian economy remains difficult and significantly restricts economic activity. At the same time, the dynamics of the rouble exchange rate will remain a crucial factor influencing the path of and regarding expectations related to inflation. Russia's inflation rate is in fact continuing to rise and reached 17.8% in April. If the situation develops in line with the baseline forecast of the CBR, the Monetary Authority does see potential for a further reduction in the policy rate in 2022. The CBR has said that pro-inflation risks are still considerable and are mainly associated with further tightening of external trade and financial restrictions. The sanctions-driven decline in the potential of the Russian economy could turn out to be more pronounced than predicted by the CBR's baseline scenario. On a short-term horizon, the effect of pro-inflationary factors could in turn be accentuated by unanchored inflation expectations remaining elevated. The risks to the economy also relate to possible further tightening of financial conditions in the markets due to the risk premium remaining high in credit interest rates and the high requirements of banks on borrowers in an environment of high uncertainty. The rouble, which weakened at the beginning of the war, has returned to the pre-war levels since the end of March.

Banking Sector

In the banking sector, the trend of higher lending rates (from 9% in December to 9.8% in January) was confirmed by the latest (still pre-conflict) available data referring to January. Deposit rates remained stable (at 5.1%). Household loans continued to rise strongly as of January, sustained by the subsidised mortgage lending programme (23.3% vs 13.2% for corporates) and deposits by 6.3% (vs 22.4% for corporates). The loan/deposit ratio rose from 118% in September to 122.6% in January. According to Refinitiv reporting on central bank statements, to face the economic and financial challenges related to the conflict in Ukraine, M&A operations in the banking sector may have to be pursued and some banks may need to be recapitalised.

Francesca Pascali

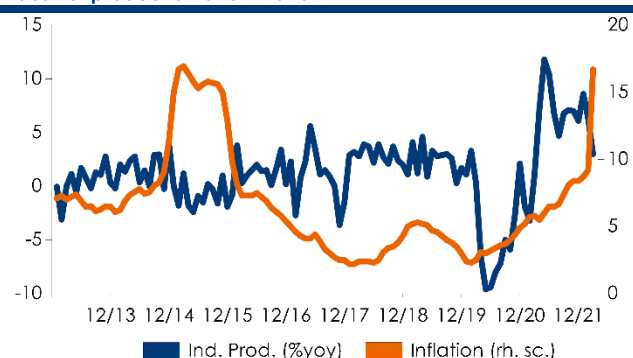
Davidia Zucchelli

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	3 (Mar)	6.0	6.7
Nom. Exports yoy	72.1 (Jan)	n.a.	62.6
Retail Sales yoy	2.2 (Mar)	3.9	4.3
PMI Manufacturing	48.6 (Feb)	n.a.	51.6
Inflation Rate yoy	17.8 (Apr)	11.5	8.3
CB Reference Rate	14 (31th May)	20.0	8.5
Loans (priv.sector, yoy, eop)	16.2 (Jan)	n.a.	18.8
Deposits (priv.sector,yoy,eop)	13.2 (Jan)	n.a.	12.7
Lending interest rate (corp., eop)	9.8 (Jan)	n.a.	9.0
Deposit interest rate (hh, eop)	5.1 (Jan)	n.a.	5.1

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

After three months of Russia's military invasion, Ukraine's economy is tentatively expected to contract by as much as about 30%, but it is still demonstrating good resilience. In March, the hostilities engulfed 10 regions, normally accounting for more than 50% of GDP. In April-May, this number decreased to six regions, accounting for about 20% of GDP. More than eight million Ukrainians have moved within the country, and more than six million have left. According to the NBU, the number of enterprises that completely ceased operations has almost halved compared to the beginning of hostilities (from 32% to 17%). However, 60% of enterprises operate below the pre-war levels (by almost 23% - more than twice). Seaport infrastructure is basically paralysed and work is under way to try to redirect exports through rail and road routes. The downturn in economic activity and the introduction of a number of tax relief measures led to a notable reduction in tax revenues and the budget deficit has reached some USD 5Bn on a monthly basis, financed thanks to international and monetary borrowings. In March-April, the amount of financing Ukraine received from international partners reached USD 5Bn, including USD 1.4Bn in emergency support from the IMF through the Rapid Financing Instrument. Estimates regarding full-year 2022 GDP vary around a decline of 30-45%, but with extreme uncertainty prevailing, it is still not clear how long the fighting will last. Inflation in April 2022 accelerated to 16.4% yoy from 13.7% in March, but it is likely to rise in the coming months, driven by increases in fuel prices and negative USD/UAH exchange rate expectations.

Artem Krasovskiy

Financial Markets

Since the invasion, the NBU has put on hold any policy interest rate revisions due to the limited efficiency of the monetary transmission mechanism given the current war circumstances. Other promptly undertaken emergency actions – providing liquidity to banks, introducing capital and foreign exchange controls – have helped to maintain financial stability and kept the banking system functioning. The exchange rate being fixed at UAH 29.25/USD 1 facilitates critical imports, although the parallel market rate is hovering some 30% higher (UAH 38/USD 1), having weakened from UAH 32/USD 1 in recent weeks and likely to weaken further on the back of deteriorating payment balances. In April, the NBU sold USD 2.2Bn from monetary reserves, which was partially offset by USD 1.9Bn of inflows from internal and external financial assistance. However, monetary reserves decreased by 4%, to USD 26.9Bn, compared to USD 28.1Bn in March and USD 30.9Bn in late December 2021.

Banking Sector

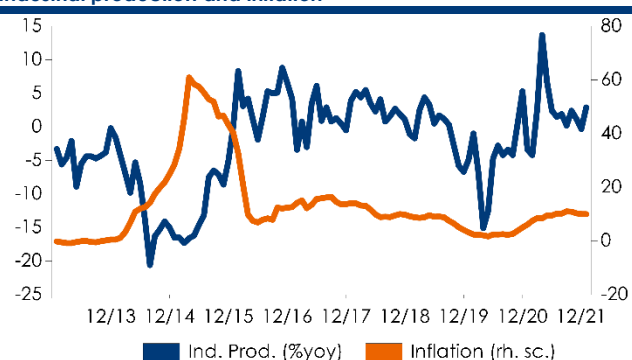
The banking sector weathered the first months of the invasion with moderate losses and remains stable due to the timely actions of the NBU. The level of liquidity is consistently high and the sector has remained operationally profitable despite hostilities. However, due to the tangible amount of provisions (UAH 21.6Bn), largely resulted during the first month of the invasion, the overall financial result amounted to -UAH 0.16Bn, the first negative result since 2017.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production yoy	2.9 (Jan)	n.a.	1.1
Nom. Exports yoy	53.3 (Jan)	n.a.	38.0
PMI Manufacturing	53.3 (Jan)	n.a.	38.0
Retail Sales	14.4 (Jan)	n.a.	6.2
Inflation Rate yoy	16.4 (Apr)	11.5	10.4
CB Reference Rate	10 (30th Apr)	10.0	9.0
Loans (Priv. Sector, yoy, eop)	9.8 (Mar)	9.8	9.6
Deposits (Priv. Sector, yoy, eop)	10.5 (Mar)	10.5	12.3
Lending interest rate (pr.sect., eop)	15.3 (Mar)	15.3	9.5
Deposit interest rate (pr.sect., eop)	6.2 (Mar)	6.2	7.4

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

The Egyptian government has announced the figure for real growth for 3Q 2021/22 to be 5.4% and has slightly revised expectations for the whole year (FY 2021/22) to 6.2% vs a previous estimate of 6.4% on the back of the Ukraine crisis. The Government plans to raise the relative share of private vs. public sector investments to 65% from current 30% over the coming three years. The plan includes the following. (1) State assets will be offered to private investors, seeking to attract USD 40Bn in investment over four years. "Egypt's seven biggest ports will be put under the umbrella of one company and a number of its most prominent hotels merged into another, with shares in both to be sold", Reuters reported. Also, there might be a partial sale or private management contracts implemented for prominent transport projects like the monorail system, the high-speed and electric trains. (2) The government is finalising a new document, set to be issued by the end of May, outlining the sectors from which the state plans to exit and those which it will maintain its presence. Egypt's annual urban headline CPI accelerated to 13.1% in April, up from 10.5% in March, and exceeding the CBE's target of 5-9%, due to a sharp rise in food prices in light of the devaluation of the EGP and the crisis in Ukraine.

Samer Halim

Financial Markets

The CBE raised key interest rates by 200bps in May (after a 100bps hike in March) to contain inflationary pressures. Total hot money outflows have amounted to USD 20Bn since the crisis started and the cost of importing wheat rose almost 60%. On the other hand, the government secured foreign funds to mitigate these consequences, including Saudi Deposit in the CBE (USD 5Bn); one-year USD TBs (USD 3Bn); funding from the International Islamic Trade Finance Corp to help cover wheat and oil imports (USD 6Bn); Samurai Bonds (USD 0.5Bn); and UAE FDIs (USD 2Bn). Also, the authorities are seeking more funds from different sources, such as the IMF, World Bank (negotiating over a USD 2.5Bn deal), and issuance of Sukuk (estimated at USD 2Bn) and Yuan-dominated bonds. In addition to these funds, the stability of regular sources of foreign currency should support Egypt's external needs. Suez Canal revenues are expected to reach USD 7Bn in FY 2021/22, up from USD 5.5Bn last year. The World Bank expects remittances to grow at a faster pace in 2022, at 8% yoy. Hence, foreign reserves were almost stable in April, reaching USD 37.12Bn compared to USD 37.08Bn in the previous month, and the EGP's exchange rate was fluctuated slightly, +/-3% against the USD.

Banking Sector

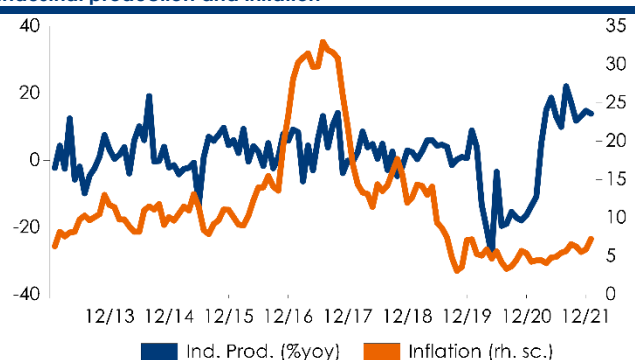
Private loans grew by 19.2% yoy in January, supported by strong growth in both corporates (19.1%) and households (19.6%). The NPL ratio remained very low (3.5% as of December). Also, private deposits increased by 18.6%. State-owned banks managed to collect over EGP 700Bn in deposits through the recently offered one-year 18% CD and private banks are reacting by offering three-year CDs at interest rates of 13-13.5%, which will lead to a higher cost of funding across the banking sector which mainly relies on customer deposits for funding.

Latest economic indicators

	Last value	1Q22	4Q21
Industrial Production, wda yoy	13.9 (Jan)	13.9	13.3
Nom. Exports yoy	41 (Feb)	37.8	58.0
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	46.9 (Apr)	46.5	49.0
Inflation rate yoy	13.1 (Apr)	8.9	5.9
CB Reference Rate	11.3 (19th May)	9.3	8.3
Loans (priv. sector, yoy, eop)	19.2 (Jan)	n.a.	18.3
Deposits (priv. sector, yoy, eop)	18.6 (Jan)	n.a.	18.7
Lending interest rate (corp., eop)	9.7 (Mar)	9.7	9.5
Deposit interest rate (hh, eop)	7.4 (Mar)	7.4	7.5

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			
	1Q22	4Q21	2021	Last	mth	1Q22	Last	mth	1Q22	Last	mth	1Q22	Last	mth	1Q22	Last	mth	1Q22	Last	mth	1Q22	Last	mth	1Q22	
CEE																									
Czechia	4.6	3.6	3.3	5.5	Mar	6.7	4.8	Mar	8.3	5.5	Mar	6.7	14.2	Apr	11.2	3.3	Apr	3.5	10.3	Mar	7.0	92.7	Apr	91.2	
Hungary	8.2	7.1	7.1	3.6	Mar	5.7	8.7	Mar	9.1	16.2	Mar	10.2	9.5	Apr	8.2	3.6	Mar	3.9	31.7	Feb	22.7	102.7	Apr	103.1	
Poland	8.5	7.6	6.0	13.0	Apr	17.5	13.3	Mar	18.4	22.0	Mar	19.5	12.4	Apr	9.6	5.4	Mar	5.5	14.1	Mar	12.0	98.6	Apr	98.3	
Slovakia	3.1	1.4	3.0	-7.3	Mar	-1.5	1.5	Mar	9.7	14.5	Mar	16.0	11.8	Apr	9.3	6.5	Apr	6.8	9.5	Mar	8.9	103.1	Apr	95.7	
Slovenia	9.8	10.4	8.1	2.8	Mar	3.6	23.7	Mar	21.5	26.6	Mar	26.9	7.4	Apr	6.3	6.6	Feb	6.8	-1.1	Feb	-1.8	102.5	Apr	99.5	
SEE																									
Albania	n.a.	5.5	n.a.	n.a.	n.a.	n.a.	50.4	Mar	49.5	n.a.	n.a.	n.a.	6.2	Apr	4.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	n.a.	7.6	7.1	7.1	Mar	3.5	44.5	Apr	39.9	19.4	Mar	18.4	10.2	Mar	8.4	30.7	Mar	30.9	10.4	Mar	9.4	n.a.	n.a.	n.a.	
Croatia	7.0	9.7	10.4	-1.9	Mar	2.2	36.9	Feb	n.a.	1.8	Mar	1.4	9.4	Apr	6.4	7.0	Apr	7.7	66.6	Mar	6.4	110.3	Apr	109.5	
Romania	6.5	5.6	n.a.	-3.9	Mar	0.9	21.9	Feb	23.4	5.5	Mar	5.4	13.8	Apr	9.0	2.7	Feb	2.7	10.6	Feb	9.8	104.3	Apr	103	
Serbia	4.4	7.0	7.5	7.7	Mar	1.5	29.0	Mar	28.7	18.7	Mar	10.2	9.6	Apr	8.7	n.a.	n.a.	n.a.	13.4	Feb	12.9	n.a.	n.a.	n.a.	
EE & MENA																									
Moldova	n.a.	18.9	13.9	2.5	Mar	4.5	52.6	Mar	55.8	2.3	Mar	4.7	27.1	Apr	19.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Russia	3.5	5.0	4.7	3.0	Mar	6.0	72.1	Jan	n.a.	2.2	Mar	3.9	17.8	Apr	11.5	4.1	Mar	4.2	11.9	Feb	n.a.	48.2	Apr	48.1	
Ukraine	n.a.	5.9	3.4	2.9	Jan	n.a.	53.3	Jan	n.a.	14.4	Jan	n.a.	16.4	Apr	11.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Egypt	5.4	8.3	6.2	13.9	Jan	n.a.	41.0	Feb	n.a.	n.a.	n.a.	n.a.	13.1	Apr	8.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46.9	Apr	46.5	
m.i. E. A.	5.0	4.6	5.4	-0.8	Mar	-0.2	14.0	Mar	16.9				7.4	Apr	6.1										

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		L/T rates ¹		Foreign exchanges ²			Stock markets		CDS spread (bp)		FX res. chg (mln €) ³			CA bal. (mln €) ⁴		Rating	
	27/5	chg	27/5	chg	27/5	3M*	1Y*	3M*	1Y*	27/5	25/2	1Q22	4Q21	2021	1Q22	4Q21		Moody's
CEE																		
Czechia	5.4	1.2	4.7	1.6	24.70	0.10	-2.86	-5.2	12.5	36.3	33.0	n.a.	n.a.	n.a.	n.a.	-2,074.4	Aa3	
Hungary	6.9	2.0	7.3	2.3	392.82	6.70	12.50	-15.6	-15.6	119.5	64.0	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2	
Poland	6.9	3.3	6.7	2.7	4.61	-1.09	2.49	-6.3	-13.4	101.6	46.9	n.a.	n.a.	n.a.	n.a.	-4,730.0	A2	
Slovakia	-0.4	0.2	1.9	1.3	n.a.	n.a.	n.a.	-9.5	-1.8	38.5	33.7	n.a.	n.a.	n.a.	n.a.	-1,980.1	A2	
Slovenia	-0.4	0.2	2.0	1.0	n.a.	n.a.	n.a.	-2.6	-0.7	52.4	41.1	87	147	932	-189	144.0	A3	
SEE																		
Albania	0.7	n.a.	n.a.	n.a.	120.97	-0.26	-1.72	n.a.	n.a.	n.a.	n.a.	n.a.	727	n.a.	n.a.	-546.0	B1	
Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-201	477	1,268	n.a.	-123.8	B3	
Croatia	0.4	0.0	3.0	1.3	7.53	-0.04	0.31	2.2	8.3	107.9	92.5	-952	670	6,079	n.a.	-451.4	Ba1	
Romania	5.8	2.2	7.9	1.9	4.94	-0.11	0.54	-3.9	9.6	217.4	82.4	n.a.	n.a.	n.a.	n.a.	n.a.	Baa3	
Serbia	2.0	1.0	n.a.	n.a.	117.50	-0.11	-0.08	-7.4	-8.6	287.1	103.0	-2,158	-348	2,963	-1,334	-1,004.8	Ba2	
EE & MENA																		
Moldova	15.6	6.7	16.2	8.2	19.05	5.90	8.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.3	B3	
Russia	24.7	n.a.	10.3	5.1	64.00	-36.7	-12.7	n.a.	n.a.	12,920.2	405.4	n.a.	16,505	n.a.	n.a.	n.a.	WR	
Ukraine	12.8	0.0	61.5	32.5	29.54	-1.19	7.33	-6.8	-42.0	5,191.2	1,309.1	-4,325	3,466	1,820	2,508	-1,172.0	Caa3	
Egypt	13.0	1.7	11.3	0.0	18.61	18.58	18.58	-10.1	-6.8	740.5	523.2	-3,853	110	872	n.a.	-3,801.1	B2	
m.i.A.E.	-0.4	0.2	1.0	0.8	1.1	-4.8	-12.2	-1.1	4.6	7.36	5.10							

Source: Refinitiv; ¹For Ukraine, the long-term rate refers to a government issue in dollars; ²The (-) sign indicates appreciation; ³USD for Russia, Egypt, Ukraine, Romania; ⁴USD 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	2021	Last	mth	2021	Last	mth	2021	Last	Mth	2021	Last	mth	2021	Last	mth	2021	Last	mth	2021		
CEE																							
Czechia	9.3	Mar	8.4	2.0	Mar	2.4	11.8	Mar	-11.3	4.9	Mar	7.0	6.2	Mar	4.4 C	3.5	Mar	2.3 H	71.7	Mar	70.7		
Hungary	9.8	Mar	12.7	2.2	Dec	2.2	27.4	Mar	6.7	14.3	Mar	17.6	6.1	Mar	4.5 C	3.4	Mar	1.5 H	72.7	Mar	71.9		
Poland	5.4	Mar	4.6	4.0	Mar	n.a.	12.6	Mar	-1.2	3.4	Mar	7.7	5.7	Mar	3.8 C	1.9	Mar	1.3 H	82.6	Mar	80.1		
Slovakia	9.0	Mar	7.3	2.2	Mar	2.3	2.2	Mar	19.6	3.9	Mar	4.5	1.8	Mar	1.6C ²	0.0	Mar	0.0H ²	108.2	Mar	103.7		
Slovenia	7.2	Mar	5.2	1.2	Feb	1.2	-1.0	Mar	-7.8	4.0	Mar	8.2	1.7	Mar	1.9C ²	0.0	Mar	0.1H ²	65.5	Mar	63.1		
SEE																							
Albania	12.2	Mar	9.6	5.2	Mar	5.7	29.5	Mar	34.0	2.7	Mar	9.2	6.6	Mar	5.3PS	0.5	Mar	0.4PS	54.7	Mar	53.7		
Bosnia H.	4.3	Mar	3.7	5.8	Dec	5.8	-12.2	Mar	-16.3	2.6	Mar	10.0	2.9	Mar	3.1 C	0.2	Mar	0.1 H	94.6	Mar	89.5		
Croatia	4.7	Mar	2.3	4.3	Dec	4.3	1.6	Mar	-3.5	10.2	Mar	11.7	4.7	Mar	4.0PS	0.1	Mar	0.1PS	68.6	Mar	66.2		
Romania	15.0	Mar	14.3	3.4	Feb	3.4	13.3	Mar	9.8	10.6	Mar	13.6	6.3	Mar	5.3PS	3.3	Mar	1.9PS	70.9	Mar	68.1		
Serbia	12.4	Mar	10.2	3.5	Feb	3.5	12.3	Mar	9.9	7.9	Mar	13.3	6.4	Mar	5.5PS	1.9	Mar	1.8PS	95.7	Mar	90.1		
EE & MENA																							
Moldova	20.6	Apr	23.5	6.6	Apr	6.1	22.0	Mar	19.7	2.2	Apr	13.1	9.4	Apr	8.5 C	4.5	Apr	3.2 H	70.0	Apr	62.6		
Russia	16.2	Jan	18.8	7.0	Sep	n.a.	13.3	Dec	13.3	13.2	Jan	12.7	9.8	Jan	9.0 C	5.1	Jan	5.1 H	122.6	Jan	119.3		
Ukraine	9.8	Mar	9.6	27.1	Mar	30.0	-15.3	Mar	-5.8	10.5	Mar	12.3	15.3	Mar	14.3PS	6.2	Mar	5.0PS	74.2	Mar	72.2		
Egypt	19.2	Jan	18.3	3.5	Dec	3.5	49.2	Mar	32.4	18.6	Jan	18.7	9.7	Mar	9.5 C	7.4	Mar	7.5 H	35.7	Jan	35.3		
m.i. E. A.	3.55	Dec	3.6	n.a.	n.a.	n.a.	6.7	Dec	6.7	4.7	Dec	4.7	1.2	Mar	1.1 C	0.2	Mar	0.2 H	74.6	Dec	74.6		

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

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