International Research

Economic and Banking Monitor

January 2023

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

Giovanni Barone
Head of International Research Network

International Research Team

Viewpoint

The high-frequency macroeconomic statistics released in the last month confirmed – in a context of high uncertainty – the scenario of a slowdown in GDP growth and a gradual reduction in inflationary pressures. In this context, the evolution of banking aggregates also showed signs of moderation for both loans and deposits.

- The new year opened with **some positive news about the international macroeconomic situation**. Specifically: **(i) China** appears to have abandoned its most restrictive lockdown measures to contain the pandemic; **(ii) natural gas** prices have fallen significantly; and **(iii) inflation** is showing signs of falling from the peaks seen in the final months of 2022.
- Despite the recent favourable developments, the economic outlook continues to be burdened by a **high level of uncertainty** due to the following: the **war in Ukraine** and the risks of conflict escalation; **geopolitical tensions** in several sensitive areas of the world; and the effects of the **energy shock**.
- Overall, **the currently available statistics paint a picture of moderating inflationary pressures and slowing GDP growth for the Central Eastern Europe (CEE) and South Eastern Europe (SEE) regions.** In this regard, the second half of 2022 saw a **gradual deterioration in the very-short-term growth outlook**, confirmed by both actual data and the development of the Economic Sentiment Indicator. Conversely, extending the time horizon of the forecast, it is reasonable to expect a **new phase of recovery, especially from the second half of this year** and in 2024.
- On the contrary, **deep recession is characterising Eastern Europe (EE),** with reference to Moldova and, above all, Ukraine and Russia. However, the expansionary monetary policy measures adopted by the Central Bank of the Russian Federation and the fact that countries have not adopted sanctions against the Kremlin have reduced short-term negative economic impacts of sanctions. Yet, **high-frequency macroeconomic indicators confirm a recession for the region in both 2022 and 2023.**
- On the inflation side, monthly consumer price statistics in several countries point to a decline in the headline index while the core rate rose slightly. Against this background, **monetary policy continues to be focused on containing inflationary pressures and – mainly in the SEE countries – further tightening is expected to be decided on in the coming months.**
- In general, compared to the past decade, we reiterate that **the coming years should be characterised by structurally higher levels of inflation and interest rates** due to: **(i)** the process of shortening global value chains; **(ii)** the effects of the energy shock that have not yet fully impacted the economy; **(iii)** the risks of second-round effects on wages; and **(iv)** the willingness of central banks to reduce inflation expectations in the medium term.
- In light of the macroeconomic scenario outlined above, **banking aggregates show signs of slowdown for CEE and SEE countries.** Expansion rates for **loans** to households and, primarily, to corporates have decreased. There was also a slowdown in the dynamics of bank **deposits** despite the support provided by households' precautionary savings due to the climate of uncertainty.

  Similarly, loans and deposits are weak in **Eastern Europe** – particularly deposits and to a lesser extent loans – despite the monetary stimuli implemented by the Russian central bank.

Based on information available to 25 January 2023
See the final page for important information

ALBANIA
INTESA SANPAOLO BANK Albania

ROMANIA
INTESA SANPAOLO BANK Romania

SLOVAKIA AND CZECH REPUBLIC
VÚB BANKA

BOSNIA AND HERZEGOVINA
INTESA SANPAOLO BANKA Bosna i Hercegovina

RUSSIAN FEDERATION
BANCA INTESA

SLOVENIA
INTESA SANPAOLO BANK

CROATIA
PRIVREDNA BANKA ZAGREB

SERBIA
BANCA INTESA Beograd

HUNGARY
CIB BANK

EGYPT
ALEXBANK | بنك الإسكندرية

UKRAINE
ПРАВЕКС БАНК

MOLDOVA
EXIMBANK

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

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

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

Cross Country Analysis

CEE Area

Antonio Pesce

In the latest data release in Q3, the CEE area recorded the weakest GDP trend since Q2 2021, with GDP slowing to 3.1%. Although with some divergences, and within a rather wide range, all the countries in the area recorded a significant slowdown, with growth ranging from 1.4% in Slovakia to 4.0% in Hungary. Foreign demand mainly made a net positive contribution, as did fixed investments. In quarterly terms, Q3 saw a slightly positive change in GDP (0.4% qoq), after a contraction of 0.2% qoq in Q2, mainly thanks to the very positive data from Poland. The country rebounded from the previous quarter, and Slovakia also performed well. However, high frequency indicators signalled that the slowdown in GDP also continued in 4Q 2022 and, looking ahead to the short term, the economic cycle is expected to remain fragile in the coming quarters.

In 4Q the **Economic Sentiment Indicator** (ESI) for the CEE region decreased from 90.6 in 3Q to 87.6 (weighted average), the lowest level for the year, with figures ranging from 84.3 in Slovakia to 89.5 in Poland. All the subcomponents of the indicator deteriorated, particularly consumer sentiment, which has been affected by declines in disposable income and the higher cost of financing.

In November the **industrial production** trend remained positive (about 1.7%, on average) but lower than the previous month (4.9%) and well below 3Q (+7,4%) in the CEE area. It ranged from -10.8% in Slovakia to +4.5% in Poland (and given the preliminary estimate available for this country, industrial production growth also remained positive in December, at +1.0%).

In December the nominal **exports** trend remained robust, even if in deceleration (down to about 14%, from 20% in November), mostly because of the high price path. In the same month, **real retail sales** dynamics remained negative (-1.4% yoy, from -1.9% in November).

Despite the slowdown in energy prices in recent months, **inflation** in the CEE area remained very high in December (17.3% on a weighted average basis, from 17.6% in November), ranging from 10.8% in Slovenia to 24.5% in Hungary. Energy pressures passing through the production chain to consumer prices and bottlenecks in the supply chain have kept **core inflation** high. In December, the latter rose to 13.9% from 13.7%.

The acceleration in prices has led central banks to reverse their accommodative **monetary policies,** with significant increases in reference rates taking place as early as 2021. The central banks that were the first to initiate monetary tightening – i.e., in the Czech Republic, Poland and Hungary – now appear to have paused raising policy rates (leaving them at 7.0%, 6.75% and 13%, respectively), although their stances remain “data” driven and therefore, as inflationary pressures remain high, further rate hikes cannot be excluded. Among these countries, Hungary seems to be the one with the largest margins for some further monetary tightening since inflation is still very high and the exchange rate (currently at 396 against the euro) particularly weak compared to last year (about an 11% depreciation).

In financial markets, **long-term yields** decreased slightly in the CEE region compared with three months ago, as expectations on economic growth worsened. However, the spread on 10T Bund yields widened. Strong inflation, international geopolitical tensions related to the conflict in Ukraine and concerns about the economic prospects for the region weakened **CEE currencies**. The uncertainty about the economic cycle has been mirrored in high levels in **CDS spreads**, which in Hungary and Poland reached 183.2 bp and 107.9 bp, respectively.

Davidia Zucchelli

As far as **banking aggregates** were concerned**, in the CEE area** banking aggregates decelerated in many countries in November because of deteriorating economic conditions, as well as rising inflation and interest rates. Loans increased by 5% yoy in **CEE countries** (from 6.1% in October). In Hungary loans kept up their fast pace, growing by 13.6% yoy in November (from 14.7% in October) and the country continued to be the best performer in the region. Corporate loans showed much stronger performances than household loans in CEE (12.1% yoy vs. 1.2% yoy in November, with particularly strong growth in Poland, Hungary and Slovenia). Household loans suffered from inflation and weaker salaries, as well as tensions in the property market due to rising house prices, as highlighted by central banks (especially in Hungary, the Czech Republic and Slovakia). All countries reported lower NPL ratios, and the lowest was in Slovenia (1.2%). Nevertheless, if interest rates rise too high and too fast, and recession spreads, NPLs could soar. Precautionary saving continued to support **deposit growth** in CEE (though slowing further from +6.8% in October to +5.5% yoy in November), particularly in Hungary (+7.6%) and Slovenia (+7.5%), and therefore boosting banks' liquidity positions.

In **Slovenia** loans maintained a vigorous dynamic (up by 11.2% yoy, from 10.7% yoy in October) in the household sector (+7.9% yoy in November), but were especially strong in the corporate sector (+15.1%). At the same time, businesses increased their liquidity in bank accounts, as highlighted by accelerating deposits, which rose 12.5% yoy, up from +6.5% yoy in the first six months of 2022, while deposits grew by 6.1% yoy in the household sector (from +5.6% in October). **Slovakia** and, to a lesser extent, the **Czech Republic**, recorded strong performances in November, both in lending (+10.8% and +5.7% yoy, respectively) and deposits (+7% and +4.9% yoy), though with a decelerating pace of growth. In **Poland**, where loans to the private sector increased by only 1.3%, the legal risk of FX housing loans remains the main risk to financial stability, as highlighted by the central bank. Foreign currency mortgages were partly the cause of the collapse of Getin Noble Bank in the second half of 2022. **Hungary** continued to show the best performances, both in corporate (+20.2% yoy) and household lending (+6.4% yoy). Central authorities imposed a windfall tax on profits, as was also the case in Croatia.

SEE Area

Antonio Pesce

In 3Q **GDP** in the SEE area recorded the weakest trend since 2Q 2021, slowing down to 3.5%. Among the countries in the area, Serbia's economy grew the least, with GDP growth at 1.0% yoy, while Croatia recorded the best performance (+5.2% yoy). Domestic demand generally represented the main driver for the GDP trend and offset the negative net contribution of foreign demand. In cyclical terms, 3Q 2022 saw a positive change in GDP (+0.8% qoq), thanks to the still-relatively strong growth in Romania, Albania and Bosnia and Herzegovina. On the other hand, the quarterly economic dynamic in the remaining countries in the area was negative. High frequency indicators signal that the slowdown in GDP also continued in 4Q 2022 and, looking ahead to the short term, the economic cycle is expected to further ease in the coming quarters.

The industrial production trend remained negative in November in the SEE region (-2.6% yoy, from -0.3%), ranging from +0.4% yoy in Serbia to -3.5% in Romania. In the same month, the trends for **retail sales** (+4.1%, from +4.3%) and **exports** (+21.7%, from +34.6% in October) continued to be positive and quite strong, even if softening. This ranged from +1.0% in Croatia to +14.7% in Bosnia and Herzegovina for retail sales, and from +12.5% in Bosnia and Herzegovina to +25% in Croatia for exports. Moving to forward-looking indicators, in December the **Economic Sentiment Indicator** (ESI) remained almost unchanged in Romania at 102.7 (from 102.1), while it decreased in Croatia (to 102.1, from 108.3).

The **inflation** rate has been pushed up by pressures related to rising energy prices. The consumer price trend reached +15.3% in December (on a regional w.a. basis), ranging from +7.4% in Albania to +16.4% in Romania, a new record high for this country and well above the CB's target (2.5% +/-1.0%). The National Bank of Romania raised its key monetary **policy rate** to 7.0% at its January 2023 meeting. In Serbia the inflation rate also remained well above the CB's target (3.0%+/-1.5%), hitting +15.1% in December, therefore the National Bank of Serbia increased its main interest rate by a further 25bps (to 5.25%) in January 2023. The benchmark interest rate in Albania was 2.75% as at the last bank meeting. As in the CEE area, **long-term yields** decreased slightly, in Romania falling to 7.6% (1.9pp below three months ago) and in Croatia falling to 3.6% (0.5pp below three months ago). In the **FX** markets, local currencies have remained roughly stable in recent months, thanks to central banks' interventions in Croatia and Serbia. Meanwhile, the levels of **CDS spreads** remained very high in the SEE region, especially in Romania (256.9bps) and Serbia (339.9bps).

Davidia Zucchelli

On the **banking side**, loans and deposits showed a strong dynamic in the **SEE area**. Lending growth rates (+11.1% in November, on average, from +12.3% yoy in October) remained high in Romania (+12.2%), Albania (+9.3%) and Serbia (+8.7%). Loans to households slowed further in all countries (to +5.6% yoy, from +6% in October), with Croatia the only exception (from +4.9% yoy in October to +5.2% yoy in November). The gap between CEE and SEE area lending dynamics to corporates shrunk in 2022 (+12.7% in the former vs. +17.6% in the latter in November). NPL ratios remained low (ranging from 2.9% in October in Romania to 5.1% in November in Albania).–**Deposit growth** continued to be strong in the area in November (+7.5% yoy from +8% in October), especially in Croatia (+11.8%), which is also supported by its forthcoming passage to the euro. Romania (+7.4%) and Albania (+6.7%) also saw strong deposit growth due to the still-high uncertainty and the deferral of consumption and investment. These performances resulted in a further slight increase of loan-to-deposit ratios in almost all countries (but not in Romania or Serbia).

Romania and Croatia, still supported by relatively stronger economic activity, played leading roles in the area in terms of lending growth in November, especially to corporates. In **Romania** loan growth continued to be vigorous (+12.2% yoy), especially in the corporate sector (+20.3% yoy vs. +4.9% in households). The deposit performance was also strong in these two sectors in November (+11.6% and +4.9% yoy, respectively), while interest rates accelerated on a strongly increasing path. In **Serbia** lending grew by 8.7% yoy in November, particularly to corporates (+10.4% yoy), but also to households (+6.8% yoy). Corporate deposits also rose strongly (+11.4% yoy vs. +2.9% for households). Banking aggregates were strong in **Albania** as well. Total loans increased by 9.3% yoy in November (+10.9% yoy in October), decelerating both in households (+13.1% yoy, from +13.4% yoy in October) and corporates (+7.3% from +9.6%). Deposits continued to be much more dynamic in the corporate sector (+16% vs. +4.4% in the household sector), leading to a total deposit boost of 6.7%.

Banking aggregates showed a strong performance in **Croatia** as well, where loans grew by 11.4% yoy in November (the same level as in October), mainly to corporates (+21.9% yoy, from +22.1% in October), though these are decelerating due to the deleveraging of the central government. Total loans to large enterprises achieved a yoy jump of 40.0% in November. Deposits rose by 11.8%, with a higher rate seen for corporates (+14.6%, accounting for about 30% of total deposits, vs. +10.7% for households). In **Bosnia** loan growth increased by 4.9% yoy in November (vs. +5% yoy the previous month), with roughly the same pace in households (+4.9%) as in corporates (+4.8%). Deposits rose by 2.3% yoy, but while among corporates they were dynamic (+10.6% yoy), in the household sector deposits decreased by 1.8% yoy, largely because of low interest rates.

EE and MENA Areas

Francesca Pascali

EE countries experienced a significant new structural transformation, especially in the Russian economy due to the consequences of the conflict with Ukraine. All the countries are now under pressure because of political tensions and the economic fallout of the policies taken to face high commodity prices and a possible new wave of Covid-19 from China. Related to economic data, rising inflation is still a problem for the whole area and many of the region's central banks continued to increase their policy rates, though some have reached their maximum value and begun to lower them. In November the **industrial production** trend in **Russia** (-1.8%) had improved a bit compared with October (-2.6%), though the trend was unchanged in **Ukraine** (-40.8% in June vs. -40.9% in May) and **Moldova** (-6.5% in November). The **export** trend in September was particularly poor in Russia (-1.71% from 11.7% in August). In November Moldova's exports fell to -2.2% (from -0.1%) and in Ukraine these fell to -32.3% (from -31.7%). **Retail sales** have seen negative growth for eight months in Russia (November -7.9%, from -9.7%). In October in Moldova they decreased by -3.3% yoy. Regarding forward-looking indicators, due to the observed resurgence in Covid-19 infections, in December the **PMI** went down (53.0) from the November level (53.2) but remained over the 50 level in Russia. On the **inflation** side, in December in Russia consumer prices decreased further (+11.9% from +12.0% in November), but were still well above the inflation target of the CB (4.0%). In Moldova the inflation rate decreased (30.2%, from 31.4% in November). It grew again in Ukraine (26.6% from 26.5%), where it remained much higher than the target (5.0%+/-1.0%). After raising the policy rate to 20% on 28 February 2022, the CB of Russia started to lower the rate, first by 300bps (to 17%) in April and then by a further 600bps (to 11%) in two steps in May. At the beginning of June, the CBR again lowered the policy rate, to 9.5%, then to 8.0% at the beginning of July, and then to 7.5% at the beginning of September. In Moldova the central bank increased the policy rate six times in 2022, by a total of 1,500bps to 21.5%, before lowering it to 20.0% in December. In the FX market, in January the Russian ruble depreciated against the USD, as was also the case the previous month. High inflation and fears of a new Covid-19 wave also impacted **Egypt**. Looking at economic data, in August industrial production grew by 2.4% yoy (from -0.2% in July), while exports decreased by 7.6%, from 2.2% in July. In December the PMI index increased compared with November (47.2 from 45.4), but was still below the 50 threshold. In December inflation increased to 21.3% (from 18.7% in November) and remained far above the targets of 7.0% ± 2pp, on average, by Q4 2024 and 5% ± 2pp, on average, by Q4 2026. The local currency depreciated against the USD.

Davidia Zucchelli

Banking aggregates were very weak in October in the **EE area** in real terms because of the economic crisis and high inflation. Loan growth remained strong in **Russia** (+10.2% yoy in October in nominal terms), both to households (+9.5% yoy) and corporates, where lending decelerated to +10.5%, from +16% in October. Households are still being sustained by the subsidised mortgage lending programme, though loans to this group have slowed from 25% in 2021. Deposits were very weak in October (+0.7% yoy in nominal terms, but improving from -1.1% yoy the previous month), both to households (+1.3% yoy) and corporates (+0.1% yoy).

In **Moldova** loans decelerated to +9.3% yoy in December (especially to households, which were +1.8% yoy vs. +14.5% yoy to the corporate sector, which accounted for 75% of total loans to the private sector). The NPL ratio decreased in December to 6.4%. As of December, deposit growth rose by 5.4% yoy-(corporates up by 5.2% yoy, households by 5.5% yoy), a lower rate in comparison to November (+6.5%). Banking aggregates in **Ukraine** were particularly weak. Loans decreased by 0.7% yoy (after -1.1% yoy in October), especially to households (-5.4% yoy), though corporate loans remained in positive territory (+1% from +2.1% in October). NPLs rose to 35.5% as of October. Total deposits rose significantly (+23.4% yoy in November vs. +22.5% yoy in October), particularly among households (+30.4% yoy, stable in real terms, vs. +12.7% for corporates).

In **Egypt** banking aggregates (latest data only to September) remained vigorous, with loans increasing by 25.4% and deposits by 25.5%. Loans increased at similar growth rates to households (+24.5% yoy) and to corporates (+25.8% yoy). The NPL ratio remained very low (3.2% as of September). Banks are still able to rely on ample low-cost customer deposits, which had increased strongly, by 25.5% yoy, as of September (+19.6% for households and +59% for corporates, which are only partly impacted by the depreciation of the Egyptian pound).

Country-Specific Analysis

Czech Republic

Real Economy

Zdenko Štefanides

The Czech economy was slowing as 2022 drew to a close, but at a slower pace than expected. Indeed, thanks to warmer weather, the improved energy situation and hopeful expectations regarding the outlook in European markets, Germany in particular, the expected malaise in the Czech industry did not materialise. The automotive sector did especially well, as the problems in supply chains that had been affecting this sector eased in November, allowing overall industrial output to grow by 3.1% mom. However, on a year-on-year basis, the industry was up a mere 0.5%, while retail sales and construction output continued to decline, by 8.7% yoy in real terms and 0.8%, respectively. If comparable trends persist in December, overall GDP in 4Q will probably be down on the previous year.

Inflation, meanwhile, dipped to 15.8% in December, from 16.2% in November. Relative to the Czech National Bank's (CNB) Autumn forecast, inflation ended 2022 3ppt lower, mainly thanks to lower regulated energy prices. Core inflation remains high, but relative to the CNB's forecast, it was also lower, at 13.3% vs. the 13.7% forecast.

Financial Markets

The CNB kept rates flat at the December meeting. The key two-week repo rate thus remained at 7.0%, where it was set back in June 2022. Two members of the seven-member CNB board nonetheless continued to advocate the need for rates to be increased by a further 50bps as inflation remains stubbornly above the 2% target. The Czech koruna has, meanwhile, appreciated to its strongest level in 14 years. Versus the euro, the koruna was just below 24, which was a level that the CNB expected to see the koruna appreciate to only in the year 2025. The driving factor for the latest koruna appreciation has been a general "risk on" mood following the disinflation in major global economies. In the first three weeks of January 10-year yields dropped by 70bps and the spreads of Czech vs. German bonds narrowed by half a percentage point.

Banking Sector

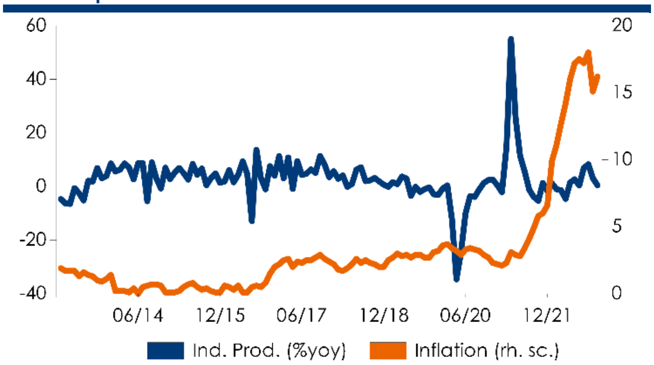
In the banking sector, high interest rates, tighter macroprudential measures and the deteriorating financial situation of ordinary households have poured cold water on the Czech mortgage market. In 2022 new mortgage volumes dropped by nearly two-thirds compared with the previous year. Volumes were also significantly (40%) lower than in 2020. In fact, in 2022 volumes returned to 2014 levels, while the number of new mortgage contracts was at the same level as 20 years ago. The housing market was subsequently affected, with sales of new flats in Prague halving compared with 2021 and prices of residential property starting to fall across the whole country.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial production, wda yoy	0.5 (Nov)	5.2	30.7
Export of goods, nominal yoy	14 (Nov)	24.0	38.5
CB refi rate	7 (24th Jan)	7.0	7.0
ESI (index)	81.9 (Dec)	88.4	104.7
Retail Sales yoy	14 (Nov)	24.0	38.5
Inflation rate, average yoy	15.8 (Dec)	17.6	2.9
Loans (priv. sector, yoy, eop)	5.7 (Nov)	7.0	4.2
Deposits (priv. sector, yoy, eop)	4.9 (Nov)	5.1	11.1
Lending interest rate (corp., eop)	8.3 (Nov)	8.4	1.3
Deposit interest rate (hh, eop)	6.1 (Nov)	6.1	0.6

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Mariann Trippon

Real Economy

After contracting by 0.4% qoq in Q3, the economy lost further momentum in Q4, and may now be in a technical recession. Activity is likely to remain subdued in Q1 and Q2 2023, followed by a gradual recovery from mid-2023. Industrial output fell in October and November as weaker demand and intense cost pressures forced companies to cut production. Retail sales excluding gasoline were also down as consumers scaled back their purchases amid sky-high inflation. The labour market, however, remains relatively tight. The unemployment rate continued to creep higher and reached 3.8% in November, but the weakening has been moderate so far, and labour shortages prevail. Employers handed out intra-year pay increases to compensate for the decline in purchasing power, thus wage outflows accelerated in the autumn months; nominal wages were up 16.7% in November. Inflationary pressures remain strong, and yoy CPI hit 24.5% in December. Inflation is expected to peak in early 2023 but may remain elevated throughout H1.

Financial Markets

The central bank kept monetary conditions unchanged in December and January. The monetary policy stance remains hawkish as inflation risks are still skewed to the upside amid mounting vulnerabilities. The policy rate (13%) will not be cut until the inflation outlook improves materially, while emergency measures will remain active as long as the central bank does not see a sustained positive trend reversal in risk perceptions. A lowering of the 18% O/N depo rate may start later in Q1, but the gap between policy and O/N rates will remain throughout H1 2023. FRAs are pricing in aggressive rate cuts during the next nine months. The high interest rate differential and tentative signs of improvement in Hungary's risk perception supported the HUF. The EUR/HUF slowly but steadily drifted downwards in January and tested the 390 threshold. Bond yields also headed south, and spreads over Bunds narrowed at the beginning of the year on the back of falling core yields and portfolio inflows into the market.

Banking Sector

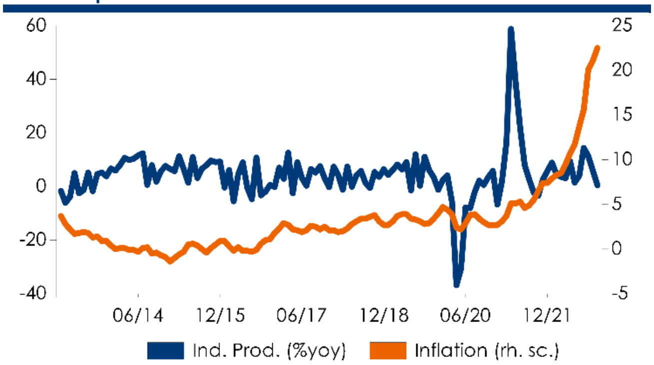
Bank deposit growth has slowed in recent months and no significant growth is expected for the remaining part of the year due to the end of moratoria and rising inflation. The growth rate of private sector deposits was 2.8% in November 2022, driven by corporates (+5.0%), while household deposits stagnated (+0.2%). Lower GDP growth and high inflation point to decelerating savings growth in the future. In the lending market, the strong first half of the year could keep the growth rate for 2022 at more than 10%, thanks to the government-supported Széchenyi programme and the strong housing market. The rate of growth over the first 11 months was 12.2%, but while corporate lending grew by 18.0%, household lending grew by only 5.8%. With slower economic growth, loan volume growth is likely to drop to 1-2% in 2023.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	0.5 (Nov)	9.9	40.0
Nom. Exports yoy	18 (Nov)	15.0	41.3
ESI (index)	89.8 (Dec)	94.2	105.2
Retail Sales yoy	0.6 (Nov)	3.4	7.3
Inflation Rate yoy	24.5 (Dec)	16.5	5.2
CB Reference Rate	13 (24th Jan)	13.0	7.8
Loans (priv. sector, yoy, eop)	13.6 (Nov)	14.9	10.2
Deposits (priv. sector, yoy, eop)	7.6 (Nov)	18.2	17.4
Lending interest rate (corp., eop)	11.4 (Nov)	10.0	2.9
Deposit interest rate (hh, eop)	11.7 (Nov)	8.9	0.3

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

Zdenko Štefanides

Poland's economy was slowing as 2022 drew to a close. Industrial output growth slowed to a mere 1% yoy in December, from 4.6% in November, meaning 4Q's growth was approximately half that of 3Q. Retail sales also slowed, albeit in nominal terms they remained still in high double digits as inflation picked up. In real terms, nonetheless, the slowdown was evident, with just 0.2% yoy growth in December in price-adjusted retail sales, compared to 1.6% in November. In 4Q, on average, retail sales were still up, but at 0.8% the growth was just one-third of that in the previous quarter.

Inflation, for its part, has probably peaked, as it edged down in December to 16.6% yoy, from 17.5% in November. However, disinflation will probably not be rapid as core inflation pressures remain high, buoyed in particular by the still-tight labour market and hefty wage increases, which will be further boosted by a 16% hike in the minimum wage in January 2023.

Financial Markets

The National Bank of Poland (NBP) kept rates steady at its meeting on January 3-4, 2023, with the reference rate at 6.75%, which is deemed adequate in the current environment by the NBP's Monetary Policy Council. NBP governor Adam Glapinski nonetheless hinted that interest rates could be lowered later this year, which is in line with our forecast.

Markets, meanwhile, have pushed bond yields down by about 90bps since their peak at the end of December. The strong start to the year for Polish bonds matched the gains elsewhere in the region's bonds and indeed in the broader category of risky assets, which are being buoyed by the view that inflation is slowing and recessions in the key global economies may be mild or even non-existent. The Zloty has been broadly stable versus the euro in recent weeks.

Banking Sector

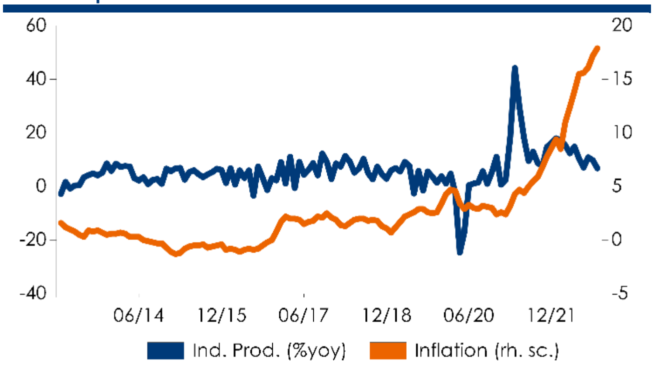
In the banking market, the deceleration continued, both in loan and deposit volumes. Household deposits have been sliding since the very start of 2022 and continued declining until its end. By November, household deposits were down nearly 13% on the previous year. Besides an understandable lack of saving on the part of households, who preferred to spend rather than save as inflation accelerated, there was also a regulatory reason for the decline in Poland's bank deposits. This was the issuance of new retail sovereign bonds with interest at the level of the central bank reference rate, which compete directly with banks for depositor funds. This and other measures that the Polish government has implemented over the past months, including a blanket moratorium on local currency mortgages, caused most Polish banks to report losses in the third quarter of 2022. On December 20 Moody's rating agency also lowered its macro profile for Poland by one notch, to Moderate+ from Strong-.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	6.8 (Oct)	9.3	30.7
Nom. Exports yoy	14.3 (Nov)	26.2	45.6
ESI (index)	90.2 (Dec)	88.4	104.7
Retail Sales yoy	4.8 (May)	n.a.	n.a.
Inflation Rate yoy	16.6 (Dec)	16.3	4.5
CB Reference Rate	6.8 (24th Jan)	6.8	6.0
Loans (priv. sector, yoy, eop)	1.3 (Nov)	4.8	0.5
Deposits (priv. sector, yoy, eop)	4.8 (Nov)	6.0	5.7
Lending interest rate (corp., eop)	8.9 (Nov)	8.9	2.3
Deposit interest rate (hh, eop)	6.7 (Nov)	6.3	0.1

Source: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

The monthly activity indicators in Slovakia available for November suggest a mild recession in 4Q of last year, with industrial production, retail sales and construction production probably all registering a qoq decline in 4Q. In addition, the uncertainty about energy price subsidies for the corporate sector remained until January, when the Cabinet came in late with a rescue plan for the high pre-payment orders of energy suppliers.

However, this recession may not be too deep as the economy of Germany, Slovakia's major trading partner, probably only stagnated in the months October to December. Improved January euro area PMIs also support this notion. Even though the labour market tends to react with a time lag, even in December registered unemployment continued to slightly narrow (to 6.0% s.a.), with plenty of vacancies still open to job applicants. Wages in selected private sectors grew at what would usually be considered a fast pace (8.7% yoy).

The inflation rate slowed considerably in the month of December on a mom basis, mainly thanks to falling fuel prices. January may bring some acceleration again, depending on the statistical approach to recording the new regulated prices. Despite this, if it has not already occurred in November or December, when CPI reached 15.4%, then January should prove the peak of consumer price growth, and this should then start to slow down in yoy comparison terms during the rest of the year.

Financial Markets

Eurozone inflation finally turned a corner and decreased in both November and December (to 9.2%), which gives hope for a peak in interest rates in the coming quarters as well. Increasing euro money market rates suggest a peak in the ECB refinancing rate at almost 4%. More optimism on the markets helped to narrow the very high Slovak government bond yield spread against Germany to below 100bps in January. However, the early elections planned for September create an upward risk for spreads in case a populist and/or anti-Western coalition takes power.

Banking Sector

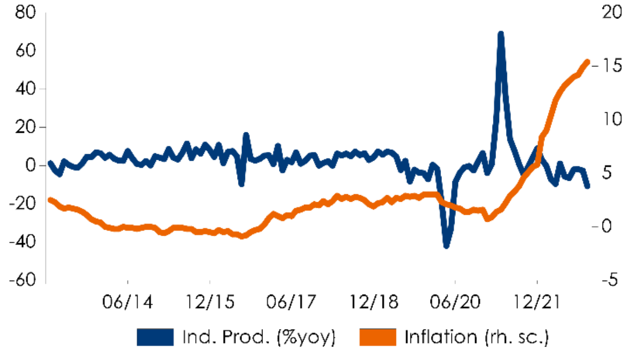
The local banking sector is facing several challenges at the same time. The plunging savings rate of the population brought household bank deposits down slightly in 2022, which creates obstacles to new lending when considering the local >100% LTD ratio. In addition, higher mortgage interest rates (3.2% in November) brought down demand for new housing credit, as well as the real estate market as a whole. Bank profitability remained average last year, when it grew roughly in line with nominal GDP growth (9.5% by November).

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production, wda yoy	-10.8 (Nov)	-3.5	39.8
Nom. Exports, yoy	27.4 (Nov)	23.9	57.3
ESI (index)	88.8 (Dec)	89.7	107.0
Retail sales, yoy	-1.4 (Nov)	-1.3	9.9
Inflation rate, yoy	15.4 (Dec)	13.9	2.2
ECB refi rate	2.5 (24th Jan)	1.3	0.0
Loans (priv.sector,yoy,eop)	10.8 (Nov)	11.8	4.6
Deposits (priv.sector,yoy,eop)	7 (Nov)	7.1	5.5
Lending interest rate (corp., eop)	3.6 (Nov)	2.2	1.9
Deposit interest rate (hh, eop)	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

Ana Lokin

The high frequency data available for 4Q 2022 indicate a further deceleration in economic activity, supporting our FY 2022 GDP growth call of about 5% yoy. Industrial production fell by 3.9% yoy in October and by 3.6% yoy in November, adversely impacted by the more than 40% yoy fall in electricity and gas supplies (due to the nuclear power plant's regular overhaul until mid-Nov, along with part of one thermal power plant). Manufacturing slowed markedly, with a 0.7% yoy increase in October and 0.3% yoy in November, whereby only the production of consumer goods was in positive territory. Exports deteriorated amid softer foreign demand, slowing sharply (to +22.1% and +29.7% yoy in October and November, respectively), which, along with lower domestic demand, reduced the import growth rate to 22.5%, i.e., +21.1% yoy. Personal consumption held up well compared to other indicators, thanks to the healthy labour market (employment at an all-time high in November), but was still at a noticeably softer pace than in the previous months (retail trade in October +8.5% yoy, November +7.5% yoy), against the backdrop of real-term wage drops (about -1.5% yoy in October and November) and subdued consumer sentiment (in Q4 this picked up qoq but remained weaker yoy).

The inflation rate in December amounted to 10.8% yoy, unchanged compared to the month before, driven by 18.8% and 16.4% higher food and housing prices, along with the 9.2% rise in transport prices. FY 2022 average inflation stood at 9.3% yoy. Despite the still-strong yoy inflation rate, the mom rate cooling to 0.1% in December bodes well for 2023.

Financial Markets

In December the average 10Y government bond spread on the Bund narrowed by a mild 10bps mom to 120bps (yield unchanged mom at 3.3%). By 24 January the average spread was stagnant at 120bps, while the average yield rose to 3.4%.

Banking Sector

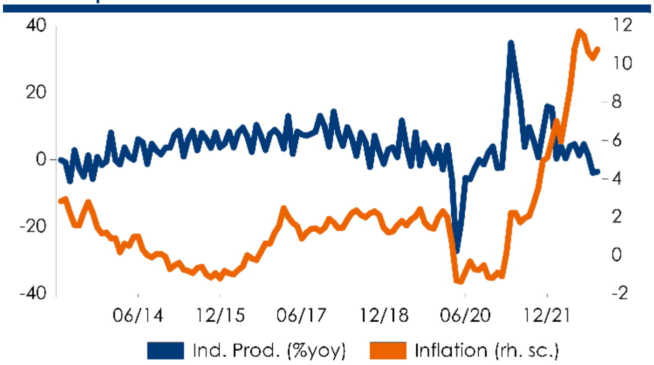
Loan growth remained strong, though seems to have gone off the boil. November saw loans expanding by 11.2% yoy, with corporate loans moderating to +15.1% yoy and household loans slowing a bit to +7.9% yoy. Housing loans decelerated, coming in at +10.4% yoy, while consumer lending continued to gradually pick up (+0.7% yoy). Deposits strengthened, ending November up by 7.5% yoy, with corporate deposits robust at +11.5% yoy, while household deposits increased slightly to +6.1% yoy. Lending rates on newly placed household loans in November maintained an upward trend and were 10bps higher mom to consumers and 30bps higher mom for housing loans. The interest rate on newly agreed household time deposits stagnated mom, posting a 10bps mom increase on long-term maturities. Interest rates on new corporate loans and deposits fluctuated during the second half of the year, but, on average, were higher in July-November than in 1H 2022.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production, wda yoy	-3.6 (Nov)	2.4	26.1
Nom. Exports yoy	29.7 (Nov)	46.6	37.0
ESI (index)	97.2 (Dec)	89.9	106.9
Consumer Confidence Indic.	-32.2 (Dec)	-37.9	-21.1
Inflation Rate yoy	10.8 (Dec)	11.3	2.1
ECB refi rate	2.5 (24th Jan)	1.3	0.0
Loans (priv.sector,yoy,eop)	11.2 (Nov)	12.3	0.7
Deposits (priv.sector,yoy,eop)	7.5 (Nov)	6.2	10.2
Lending interest rate (corp., eop)	2.5 (Nov)	2.0	2.2
Deposit interest rate (hh, eop)	0.2 (Nov)	0.1	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

Kledi Gjordeni

The latest data for Albanian GDP growth in the third quarter of 2022 showed an increase of 4.02%. The biggest positive contributions were made by trade, transport, accommodation, food service and construction. Even though economic activity continues to be weakened by high CPI and the increased uncertainty, inflation appeared to have taken a downward turn in the last two months of 2022. After the record high CPI of 8.3% in October, in December the inflation rate dropped to 7.4%, mainly as a result of a reduction in imported inflation, in particular lower oil and food prices. The unemployment rate dropped to a new historical low of 10.6%, while the average salary in the private sector recorded an annual increase of 12.4%. Household consumption saw positive growth of 8.09% in 3Q 2022. In December 2022 exports of goods increased by 26.1% yoy, but decreased by 4.5% compared to November 2022. Imports of goods reached +7.7% yoy and +22.3% mom. The month's trade deficit decreased by 2.9% yoy.

Financial Markets

The monetary policy, with the main reference rate at 2.75%, has helped mitigate the lower inflationary pressures and maintain the positive growth in the economy. The increased interest rates in the financial market remain accommodative to positive growth, which means a further normalisation in the monetary policy stance may be ahead. In December 2022 the Euro to Lek exchange rate depreciated by more than 4.8% yoy. According to the CB's forecast, inflationary pressures were projected to see a turning point during Q4 2022, and will gradually decrease during 2023, returning to the target (3%) in Q2 2024.

Banking Sector

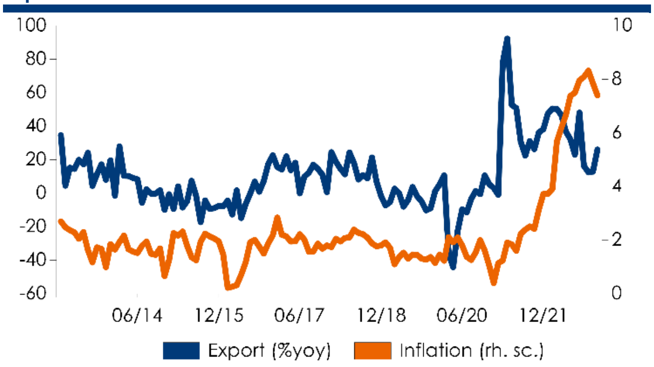
Although the pace of growth is slowing, in November 2022 annual total loans continued to show positive monthly flows of 9.3%. Loans to businesses increased by 7.28%, while loans to households grew by 13.09%. However, on a yoy basis new loan volumes in November were negative at -0.09% yoy. On the deposit side, total deposits expanded by 6.68% yoy. Business deposits increased by 16% and household deposits by 4.36% yoy. The new deposit volume increased by 12.4%. The NPL rate in November 2022 was 5.05%.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	26.1 (Dec)	30.0	64.3
Unemployment rate	n.a.	10.6	11.1
Inflation rate, average yoy	7.4 (Dec)	7.9	1.8
CB Reference Rate	2.8 (31th Dec)	1.8	1.0
Loans (private sector, yoy, eop)	9.3 (Nov)	12.7	6.0
Deposits (private sector, yoy, eop)	6.7 (Nov)	6.6	9.0
Lending interest rate (pr.sect., eop)	7.3 (Nov)	6.4	5.4
Deposit interest rate (pr.Sect , eop)	2.3 (Nov)	1.6	0.4

Source: National Statistical Institute, Bank of Albania

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

As foreseen, 3Q's GDP confirmed a broad-based slowdown, with growth amounting to 2.6% yoy, following (the downward revised) 4.7% and 5.5% yoy growth in 1Q and 2Q, respectively. Private consumption growth slowed to 2.9% yoy (vs. 4.1% in 1H 2022), growth in gross capital formation halved (to 12.5% vs. 24% in 1H 2022), and the growth in exports fell to 19.8% in 3Q. The available high frequency data for the closing quarter is more mixed as on the one hand, industrial production in October and November slipped into the red (-3.0% and -1.2%, respectively), thanks to stagnating manufacturing, while on the other hand, private consumption regained momentum as retail trade volumes increased by 10% in October, followed by 15.2% yoy growth in November. The manufacturing doldrums reflected the strong slowdown in export growth – following the average 34% yoy growth registered over the first nine months, nominal growth in 4Q slowed to 6.3% yoy.

Monthly inflation in December declined by 0.6%, the first fall since mid-2021, bringing annual inflation down to 14.8% from the 16.3% registered in November, following the 17.4% peak registered in October. Thus, average annual inflation in 2022 amounted to 14%, with the highest levels of 25.4% and 21.5% in transportation and food, followed by 14% in housing/utilities. Looking forward, we see inflation calming down, although electricity prices in the domestic market may have a significant impact on inflation in the coming year. So far RS has introduced "block pricing" depending on consumption, while no official requests for price corrections have been submitted to FBH (we note that the FBH Government has limited price hikes for business entities to 20%).

Banking Sector

Ana Lokin

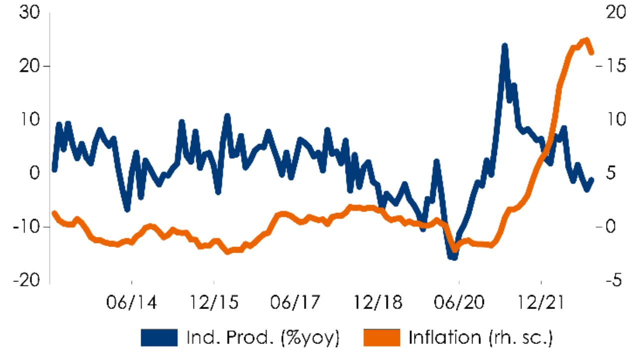
4Q 2022 brought steady loan growth of 5.0% yoy in October and 4.9% yoy in November. Corporate loans in both months rose 4.8% yoy, while household loans continued to gradually decelerate, coming in at 5.1%, i.e., 4.9% yoy. Both consumer and housing loans lost pace (4.1% and 8.3% yoy, respectively, in November), as the prolonged period of high inflation and elevated uncertainty weighed on disposable incomes and consumer sentiment. Lending rates have been on the rise in the past months; the interest rate on newly granted loans to mid-size companies was 60bps higher in November compared with July in both indexed and local currency loans. At the same time, the interest rate on other new (mostly consumer) loans to households was up by 70bps on an indexed basis, i.e., by 20bps on loans in local currency. Deposit rises remained modest, reaching 2.7% yoy in October and 2.3% yoy in November. Corporate deposits seesawed yoy due to the base effect (October +12.4% yoy, November +10.6% yoy), but on a monthly level they recorded mild increases. Household deposits continued to recover on a monthly basis, which softened the annual rate of decline to -2.0% in October and further to -1.8% in November. As in previous months, the positive trend was due to short-term liquidity rises, while term deposits continued to shrink.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial production, wda yoy	-1.2 (Nov)	-5.2	1.5
Export of goods, nominal yoy	2.1 (Dec)	23.5	39.9
Retail trade, real, wda yoy	15.2 (Nov)	10.1	14.4
Inflation rate, average yoy	16.3 (Nov)	16.9	14.5
Loans (private sector, yoy, eop)	4.9 (Nov)	4.7	2.1
Deposits (private sector, yoy, eop)	2.3 (Nov)	2.4	12.5

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

Industrial production and inflation



Source: Agency for Statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivana Jović

As expected, high frequency data for 4Q 2022 indicated a visible slowdown in economic activity. Industrial production slipped into the red by 0.3% and 2.0% yoy, in October and November, respectively. Following 2.0% yoy growth in October, manufacturing also turned negative, falling by 1.1% yoy in November. At the same time, domestic demand stumbled and although recovering some strength in November (+1% yoy, following -0.4% yoy in October), became less supportive to growth compared with previous quarters. Thus, we see GDP growth slowing further from the 5.2% registered in the third quarter, though we still expect full year growth in the overperforming 6% yoy area. Looking forward, industrial production will face headwinds from the slower economic activity of major trading partners and the double-digit exports growth will abate. Elevated inflation will continue to bite into real incomes and domestic demand will be less supportive. On the bright side, just in time to mark its 10th EU accession anniversary, Croatia accomplished another two important integrational goals at the start of 2023: the introduction of the common currency as the 20th eurozone member and, equally important, its entry into the border-free Schengen Area as its 27th state.

Data for December finally showed the first signs of an easing of inflationary pressures as monthly inflation declined for the first time in two years, by 0.3%, bringing annual inflation down to 13.1% from the November peak of 13.5%. However, core inflation remained stubbornly high, reaching 15%, although with some more moderation on a monthly basis (+0.5% mom, the lowest monthly rise of the last 12 months). We see inflation staying in the double-digit area for the next couple of months (January will reflect the euro conversion rounding off), but future trends will largely depend on how the government manages electricity/natural gas prices.

Financial Markets

Ana Lokin

The 10Y government bond spread on the benchmark is rising by 24 January the yield had fallen 20bps vs. the end of 2022 to 3.7%. As the Bund dropped by 40bps, the spread widened by 20bps to 160bps.

Banking Sector

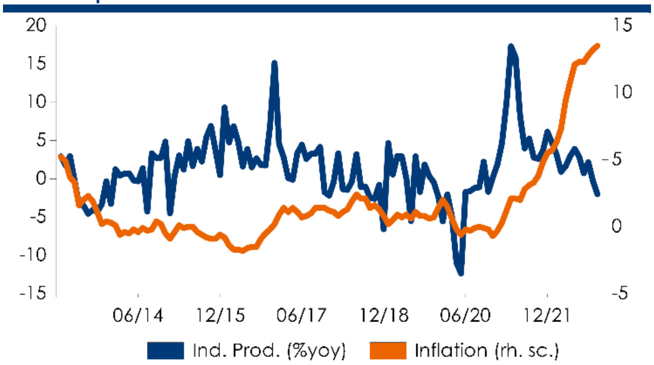
Loans continued at a robust pace, coming in at 11.4% yoy in November amid persistent strong demand from companies. Corporate loans expanded by 21.9% yoy, with investment loans reaching an all-time high of 18.7% yoy. The breakdown by company size revealed loans to large corporations surged by 40.0% yoy, thanks to high demand from the energy sector. Household loans were steady, rising 5.2% yoy owing to healthy housing loans, paired with modest cash loan increases, but partially limited by weakened consumer sentiment and a drop in wages in real terms. Deposits advanced by 11.8% yoy in November, with corporates continuing to lose pace (+14.6% yoy), while households retained a solid rhythm at +10.7% yoy. Household deposits jumped by 3.6% mom as citizens deposited cash in bank accounts awaiting conversion.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial production, wda yoy	-2 (Nov)	-1.0	-0.2
Export of goods, nominal yoy	25 (Oct)	46.6	29.5
Retail trade, real, wda yoy	1 (Nov)	1.2	4.6
ESI (index)	108.3 (Dec)	102.1	106.7
Inflation rate, average yoy	13.1 (Dec)	12.5	10.8
Loans (priv. sector, yoy, eop)	11.4 (Nov)	11.1	1.6
Deposits (priv. sector, yoy, eop)	11.8 (Nov)	13.9	7.4
Lending interest rate (pr.sect., eop)	2.9 (Nov)	2.4	2.6
Deposit interest rate (pr.sect , eop)	0.1 (Nov)	0.1	0.1

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

In the Third Quarter of 2022 GDP growth (second update) was confirmed at 3.8% yoy. In comparison with our previous forecast for FY 2022 (at 4.7%), our latest forecast is slightly higher at about 4.9%.

At the end of December yoy CPI was 16.4%, in line with the NBR's November projection (16.3%). Harmonised yoy CPI was 14.1%. According to NBR projections, inflation should decelerate until the end of 2023 to about 10.0%, but there are still high levels of uncertainty related to the evolution of the war, the energy market and food and commodities prices. The inflation level remained significantly mitigated by the government's subsidies for energy prices.

The budget deficit at the end of November 2022 was 4.20% of GDP, with the budget execution better than in the previous year, and with enough space to stay within the deficit target of 5.73% by the end of the year.

The current account deficit is still growing, and November 2022 showed a EUR 25.34bn deficit versus EUR 16.92bn for full year 2021.

Financial Markets

The NBR again increased all reference interest rates (Deposit, Lombard, and Reference Rate) by 25bps at the monetary policy meeting in January. The current levels of monetary policy rates are as follows: Deposit Facility Rate 6.00%, Reference Rate 7.00%, and Credit Facility Rate 8.00%. In the last two months of 2022 the liquidity in the monetary market improved significantly. In November 2022 the "short" position of the banking system versus the NBR changed into a "long" position, confirming the high level of liquidity in the market.

The EUR/RON rate is in a range of 4.90 to 4.95, demonstrating the NBR's use of "all instruments" in the fight against inflation.

Banking Sector

Marius Pacurari

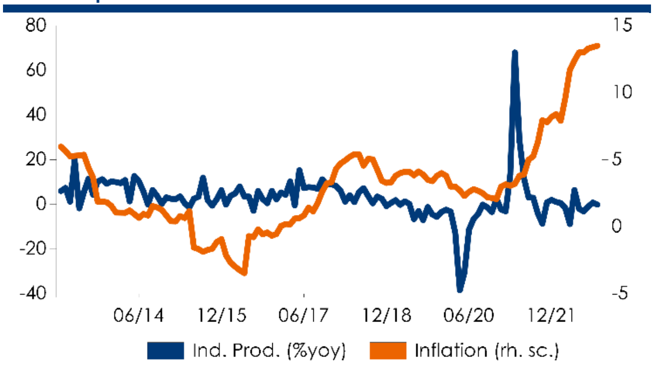
November figures showed consistent growth in credits (+12.2% yoy) and a deceleration in deposit growth (+7.37% yoy). The interest rates on RON-denominated deposits and credits grew by 6.91% and 9.98%, respectively, on average, while in EUR-denominated deposits and credits interest rates increased by 0.99% and 4.25%, respectively, on average. It is important to note that the overall spread between loans and deposits has decreased from more than 4pp one year ago to about 1.5pp now on new production.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	-0.1 (Oct)	-1.1	36.2
Nom. Exports yoy	18.8 (Nov)	30.8	66.9
ESI (index)	102.1 (Dec)	102.7	102.6
Retail Sales yoy	4.4 (Nov)	4.5	24.4
Inflation Rate yoy	14.6 (Nov)	13.2	3.6
CB Reference Rate	7 (24th Jan)	5.5	3.8
Loans (priv. sector, yoy, eop)	12.2 (Nov)	15.1	10.9
Deposits (priv. sector, yoy, eop)	7.4 (Nov)	8.7	14.9
Lending interest rate (pr.sect., eop)	10.3 (Nov)	9.8	4.2
Deposit interest rate (pr.sect , eop)	7.1 (Nov)	6.5	1.1

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Real Economy

Marija Savic

Economic activity achieved average growth of about 3% yoy in the first three quarters of 2022, with a pronounced slowdown in the second half of the year. After posting relatively high growth of around 4.1% yoy in the first half of the year, real GDP recorded modest growth of only 1.0% in 3Q. A further slowdown is expected in 4Q due to accelerated inflation, the slowdown of Serbia's main trade partners and the poor agricultural season. Based on the Statistical Office's first estimate, GDP grew by 2.3% yoy in 2022. The Central bank projects economic growth will range between 2% and 3% in 2023, while the IMF sees real GDP at 2.25%.

Inflation reached 15.1% yoy at the end of 2022, while average inflation amounted to 11.9% for the year. Two months at a stable level suggest CPI is around its peak, although prices will remain skewed to the upside given the hikes in gas and electricity prices (by +8% and +11%, respectively) in January 2023. About 70% of headline inflation is determined by food and energy prices. The National Bank of Serbia (NBS) projects inflation will peak in the coming months and strike a downward path thereafter. It should decline more sharply in H2 2023 and retreat to within the target band (3%±1.5pp) in H2 2024.

Financial Markets

The NBS continued to tighten monetary conditions by increasing the key policy rate by 25bps to 5.25% in January 2023. This is the highest level for the past seven years. The reference rate has been hiked by 425bps since the beginning of the increasing cycle in April 2022. At least one more hike is expected in 1Q 2023, before the CB adopts a "wait and see" stance, with inflation being fuelled by persisting price pressures and the expected further ECB tightening.

The Dinar remained stable in 2022, appreciating by 0.2% against the euro. The Central Bank intervened in the FX market by net buying EUR 1bn, which helped to maintain the relative stability of the EUR/RSD exchange rate. The NBS has ample foreign exchange reserves at its disposal to preserve the EUR/RSD rate at about the current level (gross NBS FX reserves reached a record-high level of EUR 19.4bn at the end of 2022).

Banking Sector

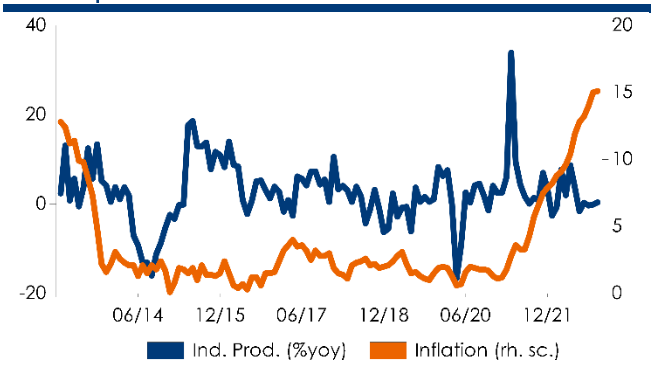
The growth in lending activity slowed in the last quarter of 2022, reflecting the high base from the previous year, the maturing of guarantee scheme loans and the tightening of monetary policy by the NBS and the ECB. Total loans to the private sector grew at a single-digit rate of 8.7% yoy in November. Total loans to households slowed to 6.8% yoy, while total loans to corporates remained in double-digit territory, recording 10.5% yoy growth. Interest rates on loans rose in line with monetary tightening. Lending rates in euros almost doubled in 2022, reaching 5% in November, while dinar lending rates are approaching double-digit levels (9.6% in November).

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	0.4 (Nov)	-0.5	15.9
Nom. Exports yoy	20 (Nov)	22.7	47.6
Retail Sales yoy	1.3 (Nov)	4.6	19.9
Inflation Rate yoy	15.1 (Dec)	13.3	3.2
CB Reference Rate, eop	5.3 (24th Jan)	3.5	2.5
Loans (priv.sector,yoy,eop)	8.7 (Nov)	11.2	7.3
Deposits (priv.sector,yoy,eop)	6.2 (Nov)	7.1	11.6
Lending interest rate (pr.sect., eop)	6 (Nov)	4.8	3.2
Deposit interest rate (pr.sect , eop)	4.6 (Nov)	3.5	2.0

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

Olga Litvin

Moldova's GDP recorded a 10.3% yoy contraction in 3Q and a 4.1% yoy reduction in the first nine months of 2022. The severe drought, inflationary pressures in the context of the constant increases in energy prices and the complicated situation in the region are the main factors that have significantly influenced economic activity. In 3Q 2022 net exports made a negative (7.5pp) contribution to GDP growth, a consequence of the less accentuated increase in the volume of exports of goods and services (+10.7%), compared to that of imports (+20.8%). Final consumption contributed -4.5pps to GDP dynamics, which is largely explained by the reduction in private consumption (-5.7%). Investment activity decreased, but at a slower rate (-4.4%) compared with the previous quarter (-11.3%) and had a negative 1.0pp impact on GDP.

In 4Q 2022 the annual inflation rate began to decrease, with the December level of 30.24% 3.7pp lower than September. This was driven by a deceleration in the rises of prices of food products (+31.8% vs. +37.1%), non-food goods (+19.9% vs. +22.4%) and services' tariffs (+44.0% vs. +47.3%).

In November 2022 industrial production decreased by 6.5% yoy due to negative growth in the production volumes of the extractive industry (-29.8%), the manufacturing industry (-3.3%) and the energy sector (-18.5%), which led to total industrial production in these areas falling by 0.8%, 2.7% and 3%, respectively.

Financial Markets

In the context of a forecast reversal of the annual inflation trajectory and pronounced disinflationary pressures from a decrease in aggregate demand, the National Bank of Moldova continues to enforce more relaxed monetary policy measures, diminishing the required reserves ratio and maintaining the policy rate at 20%. The 91-, 182- and 364-day Treasury bill yields decreased by 0.7pp, 3.1pp and 3.7pp, respectively, in January compared with the end of 2022 levels. For longer maturity government bonds (two and three years), yields also saw a downward movement (-2pp, -1pp) compared to their December levels, in line with the inflation trajectory and expectations.

Banking Sector

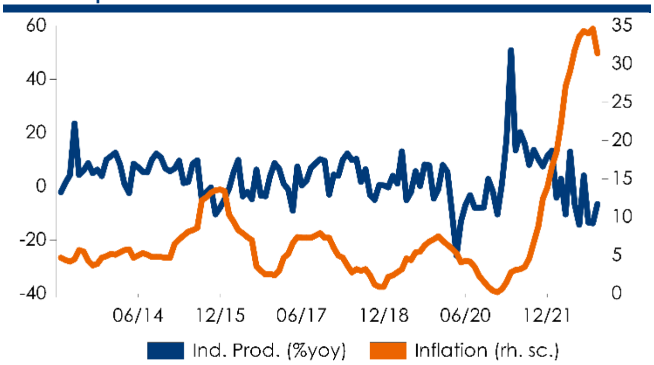
At the end of 2022, the growth in the volume of private loans in the economy decelerated, expanding by 9.3% yoy (vs. +12.9% in November), with the double-digit growth rate for corporate loans (14.5%) offset by the stock of individual loans expanding only modestly, by 1.8%. On the other hand, deposits saw a slight acceleration in the growth rate compared to previous quarters, increasing by 5.4% yoy due to equally positive evolutions in household (+5.5%) and corporate (+5.2%) deposit volumes. The NPL ratio was rather stable during 2022, with slight fluctuations, but a monthly average level of 6.6% yoy.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	-6.5 (Nov)	-7.9	28.2
Nom. Exports yoy	-2.2 (Nov)	29.3	31.6
PMI Manufacturing	-2.2 (Nov)	29.3	31.6
Retail Sales	-2 (Nov)	-4.9	32.6
Inflation Rate yoy	30.2 (Dec)	34.0	3.0
CB Reference Rate	20 (31th Dec)	21.5	18.5
Loans (Priv. Sector, yoy, eop)	9.3 (Dec)	12.9	20.3
Deposits (Priv. Sector, yoy, eop)	5.4 (Dec)	1.7	15.6
Lending interest rate (corp., eop)	14 (Dec)	12.5	8.8
Deposit interest rate (hh, eop)	12 (Dec)	9.8	3.4

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

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Francesca Pascali

According to the Bank of Russia (CB), the external environment for the Russian economy remains challenging and significantly constrains economic activity. This relates to the logistics problems that still exist in many industries. However, high frequency indicators suggest some growth in business activity in the fourth quarter. In relation to the transformation of the economy, a change in the structure of aggregate demand is taking place. Consumer demand remains subdued and investment demand in the private sector is slowing amid the growing government investment.

Financial Markets

Regarding inflation risks, the CB said that the medium-term balance of risks remains tilted towards pro-inflation risks. Short-term pro-inflation risks have increased and also prevail over disinflationary risks. As for domestic conditions, pro-inflation effects may be pronounced for the reduction in the labour force and a change in the employment structure. Furthermore, high and unanchored inflation expectations, which are particularly sensitive to exchange rate fluctuations, are also a source of risk. Moving forward, in its key rate decision-making, the CB will take into account actual and expected inflation dynamics relative to the target and economic transformation processes, as well as the risks posed by domestic and external conditions and the reaction of financial markets. According to the CB's forecast and given its monetary policy stance, annual inflation should decline to 5.0–7.0% in 2023 and return to 4% in 2024. Despite deteriorating external conditions – in particular following Western financial sanctions – and after plummeting to an all-time low, the ruble has rebounded rapidly to a rate above pre-war levels (currently 69.7 vs. the USD).

Banking Sector

Davidia Zucchelli

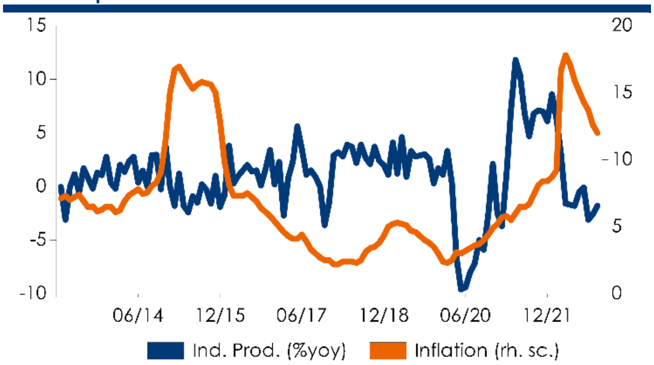
The September outflow of deposits (-1% yoy) reversed in October (+0.7% yoy), mainly in long-term ruble deposits and current accounts. The reduction in the share of households' foreign currency deposits continued at a slower pace (-6.0% vs. -10.4% a month earlier). Individuals are still spending some of their savings on purchasing real estate. As highlighted by the CB, ruble deposit rates continued to grow in the long-term segment, on the back of strong competition among banks for borrowers because of uncertainty over the long-term horizon. Due to the decline in demand for residential real estate and higher risk aversion among banks, the volume of new mortgage loans decreased, but remained close to the elevated levels of 2020–2021. Housing mortgages increased by 16.5% yoy. The slowdown in the growth of unsecured consumer loans continued. Ruble credit rates increased despite falling rates in the financial markets. The reaction of banks in October could be explained by a lag in the monetary transmission mechanism (the increase in credit rates occurred in the middle of October, when OFZ yields and the cost of bank funding had not yet decreased). The increase in credit rates could reflect banks' elevated assessments of credit risk.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial production yoy	-1.8 (Nov)	-1.2	9.8
Nom. exports yoy	72.1 (Jan)	n.a.	63.3
Retail sales yoy	-7.9 (Nov)	-9.1	24.3
PMI manufacturing	53 (Dec)	52.0	49.2
Inflation rate yoy	11.9 (Dec)	14.4	6.0
CB reference rate	7.5 (31th Dec)	7.5	9.5
Loans (priv. sector, yoy, eop)	10.2 (Oct)	8.6	18.0
Deposits (priv. sector, yoy, eop)	0.7 (Oct)	-1.1	10.5
Lending interest rate (corp., eop)	9.2 (Oct)	9.5	6.7
Deposit interest rate (hh, eop)	5.1 (Oct)	5.5	3.4

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Artem Krasovskyi

As the war in Ukraine is unlikely to end soon - the fighting is about to intensify and a peace deal seems to be off the agenda between Ukraine and Russia - the economy outlook is gloomy. Rocket shelling on infrastructure and prolonged power outages continued to weigh on economic activity in December 2022 and are likely to remain one of the main problems for businesses in 2023. The vast majority of enterprises have reduced production, although many have managed to somewhat adjust thanks to power generators, which the country has been stocking up on in a huge scale. Ukrainian officials tentatively estimate the 2022 full year GDP decline at 30.4%, better than was anticipated by many given the intensified infrastructure attacks in Q4. But the previously expected GDP growth of 4-5% in 2023 (the NBU's forecast) now seems an unachievable prospect, as the war is likely to last at least until mid-2023. The full year 2022 inflation reading surprised to the upside, slowing to 26.6% yoy in December, lower than the official forecast of 30%. However, the missile attacks and power outages, which weighed on consumption and helped inflation to moderate in late 2022, will lead to a rise in production costs going forward and inflation is likely to continue to hover above 20% throughout 2023.

Financial Markets

At the upcoming MP meeting in January, the key rate is likely to remain unchanged at 25%. However, more mandatory reserves ratio hikes may follow, as the NBU has been struggling to cope with the excessive liquidity in the banking sector and may therefore amplify the monetary transmission mechanism. The USD/UAH remains in a fixed peg regime at 36.6, strongly supported by the NBU. The demand for foreign currency increased in December due to significant rises in energy and power equipment imports. The NBU sold some USD 3.2bn to support the UAH, but the negative impact on reserves was offset by solid financing of USD 4.5bn received from international partners. Therefore, FX reserves continued to grow in December – to USD 28.5bn, +1.9% mom – but remained lower than the USD 30.9bn seen at the beginning of 2022 (down by 7.9% over 2022).

Banking Sector

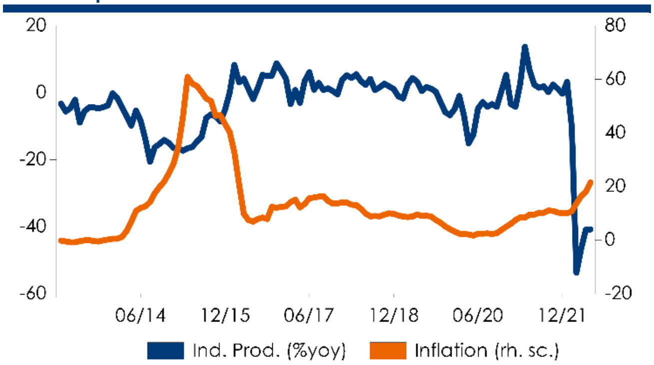
As expected, lending activity in Ukraine continued to stagnate in November (-0.70% yoy, -0.45% mom), but deposits grew (+23.4% yoy, +2.34% mom) on the back of the war environment (during the war, 100% of the deposit amount is guaranteed by the state). Despite the banking sector remaining over-liquid and operationally profitable, non-performing loans continue to grow and these had reached some 37% by December 2022 (compared with 26.5% before the war). According to the NBU, NPLs could reach 60% by the end of the war.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production yoy	-40.8 (Jun)	n.a.	7.6
Nom. Exports yoy	-33.6 (Nov)	-30.1	25.1
PMI Manufacturing	-33.6 (Nov)	-30.1	25.1
Retail Sales	-31.2 (Jun)	n.a.	21.8
Inflation Rate yoy	26.6 (Dec)	23.5	9.1
CB Reference Rate	25 (31th Dec)	25.0	25.0
Loans (Priv. Sector, yoy, eop)	-0.7 (Nov)	3.9	-1.8
Deposits (Priv. Sector, yoy, eop)	23.4 (Nov)	17.9	19.7
Lending interest rate (corp., eop)	21.1 (Nov)	20.2	8.5
Deposit interest rate (hh, eop)	11.2 (Nov)	10.3	7.2

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Real Economy

Samer Halim

Egypt's economy grew by 4.4% yoy during 3Q 22, supported by the 26.3%, 16.4% and 14.3% growth in tourism, communications and the Suez Canal, respectively. However, non-oil manufacturing grew by only 0.7%, against 3.3% a quarter earlier, due to shortages in imported raw materials. On a more positive note, most of the imports stuck in Egypt's ports were cleared during December 2022 and January 2023. The Egyptian government recently issued the "State Ownership Policy Document", which charts a roadmap for expanding the private sector's role in a number of economic activities, and pledged to sell shares in state assets to attract USD 40bn in investment over four years. Annual urban headline CPI continued to rise, hitting a five-year high in December of 21.3% (core CPI climbed to 24.4% as well), mainly due to the weakening local currency.

Financial Markets

The CBE hiked overnight deposit and lending rates by 300bps in December 2022, bringing the total hikes to 800bps in 2022, to anchor inflation expectations and absorb the escalating inflationary pressures. In addition, state-owned banks issued a new 1Y CD at 25% (pay-out at maturity). In a related development, the CBE called off its previous initiatives to offer subsidised loans to different sectors to improve the effectiveness of monetary policy. The MMR increased accordingly to 20.6%. The CBE announced it was adopting a free-float exchange rate regime in October 2022, and the EGP had depreciated against the USD to 29.9 by 25 January, versus 19.71 in October 2022 and 15.71 in January 2022. The IMF announced that the country's remaining financing gap for 2022/23 is USD 5.04bn, after accounting for the USD 0.7bn from the IMF, and the gap will be closed by funds from regional and international organisations and USD 2bn in committed purchases of public sector assets. GCC partners also ensured that the USD 28bn in official deposits from GCC members at the CBE (at end-September 2022) do not mature until after the completion of the four-year Extended Fund Facility in September 2026. In mid-January, the CBE announced that Net International Reserves had increased by USD 860 million during the last four months, reaching USD 34bn (covering 5.4 months of imports), and that foreign investors had injected USD 925 million into the Egyptian market.

Banking Sector

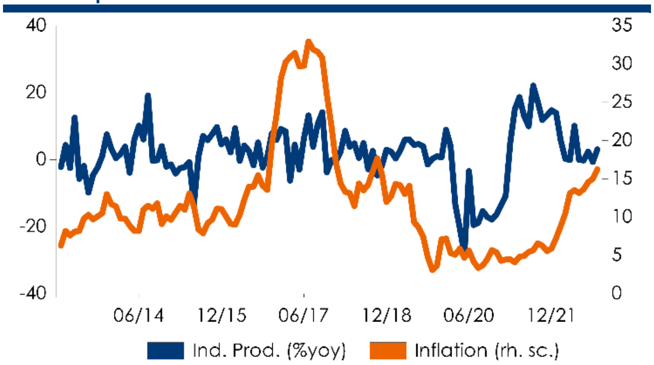
Private loans and deposits continued to grow strongly in September 2022, recording 25.4% and 25.5% yoy, respectively. Fitch Ratings recently stated that: (1) Egyptian banks' regulatory capital ratios could withstand further EGP depreciation, supported by healthy internal capital generation: (2) Egyptian banks maintained healthy profitability due to higher interest rates and foreign currency (FC) revaluation gains; and (3) banks' asset quality risks are increasing as business activity slows due to macroeconomic pressures, but their strong provisioning buffers of large holdings of sovereign securities should mitigate the impact.

Latest economic indicators

	Last value	3Q22	2Q22
Industrial Production, wda yoy	3.1 (Oct)	0.5	15.6
Nom. Exports yoy	11.6 (Sep)	2.1	59.0
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	47.2 (Dec)	47.6	49.9
Inflation rate yoy	21.3 (Dec)	14.4	4.6
CB Reference Rate	16.3 (24th Jan)	11.3	11.3
Loans (priv. sector, yoy, eop)	25.4 (Sep)	25.4	20.5
Deposits (priv. sector, yoy, eop)	25.5 (Sep)	25.5	19.6
Lending interest rate (corp., eop)	11.5 (Nov)	10.5	9.4
Deposit interest rate (hh, eop)	9.3 (Nov)	9.0	7.4

Source: Ministry of Industry and 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]		
		3Q22	2Q22	2021	Last	mth	3Q22	Last	mth	3Q22	Last	mth	3Q22	Last	mth	3Q22	Last	mth	3Q22	Last	mth	3Q22	Last	mth	3Q22
CEE	Czechia	1.7	3.6	3.4	0.5	Nov	5.2	14.0	Nov	24.0	-8.7	Nov	-7.1	15.8	Dec	17.6	3.7	Dec	3.4	13.0	Nov	8.0	81.9	Dec	88.4
	Hungary	4.0	6.5	7.1	0.5	Nov	9.9	18.0	Nov	15.0	0.6	Nov	3.4	24.5	Dec	16.5	3.8	Nov	3.6	18.4	Oct	16.6	89.8	Dec	94.2
	Poland	3.6	5.8	6.9	6.8	Oct	9.3	14.3	Nov	26.2	1.6	Nov	3.4	16.6	Dec	16.3	5.1	Nov	5.2	10.3	Dec	14.3	90.2	Dec	88.4
	Slovakia	1.4	1.3	3.0	-10.8	Nov	-3.5	27.4	Sep	23.9	-1.4	Nov	-1.3	15.4	Dec	13.9	5.9	Dec	6.1	8.7	Nov	8.0	88.8	Dec	89.7
	Slovenia	3.4	8.3	8.2	-3.6	Nov	2.4	29.7	Nov	46.6	7.1	Nov	26.2	10.8	Dec	11.3	5.4	Oct	5.5	8.1	Oct	6.1	97.2	Dec	89.9
SEE	Albania	4.0	2.2	n.a.	n.a.	n.a.	n.a.	26.1	Dec	30.0	n.a.	n.a.	n.a.	7.4	Dec	7.9	n.a.	n.a.	10.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	2.6	5.5	7.1	-1.2	Nov	-0.7	2.1	Dec	23.5	14.7	Nov	10.1	16.3	Nov	16.9	29.7	Oct	30.0	14.9	Nov	13.8	n.a.	n.a.	n.a.
	Croatia	5.2	8.7	13.1	-2.0	Nov	1.7	25.0	Oct	46.6	1.0	Nov	1.1	13.1	Dec	12.5	6.8	Dec	6.2	7.9	Nov	7.5	108.3	Dec	102.1
	Romania	3.8	5.1	n.a.	-0.1	Oct	-1.1	18.8	Nov	30.8	4.4	Nov	4.5	14.6	Nov	13.2	5.4	Nov	5.4	13.1	Oct	12.9	102.1	Dec	102.7
	Serbia	1.0	3.9	7.5	0.4	Nov	-0.5	20.0	Nov	22.7	1.3	Nov	4.6	15.1	Dec	13.3	n.a.	n.a.	n.a.	14.1	Oct	14.8	n.a.	n.a.	n.a.
EE & MENA	Moldova	-10.3	-0.9	13.9	-6.5	Nov	-7.9	-2.2	Nov	29.3	-2.0	Nov	-4.9	30.2	Dec	34.0	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	-3.7	-4.1	4.7	-1.8	Nov	-1.2	-1.7	Sep	n.a.	-7.9	Nov	-9.1	11.9	Dec	14.4	3.7	Nov	3.9	14.3	Oct	13.4	53.0	Dec	52.0
	Ukraine	-30.8	-37.2	3.4	-40.8	Jun	n.a.	-33.6	Nov	-30.1	-31.2	Jun	n.a.	26.6	Dec	23.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	4.4	3.3	7.2	3.1	Oct	0.5	11.6	Sep	2.1	n.a.	n.a.	n.a.	21.3	Dec	14.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47.2	Dec	47.6
	m.i. E. A.	*2.1*	*4.0*	*5.3*	*2.0*	*Nov*	*1.8*	*17.2*	*Nov*	*20.2*				*9.2*	*Dec*	*9.3*									

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

Markets and Ratings

		S/T rates		L/T rates[1]		Foreign exchanges[2]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[3]			CA bal. (mln €)[4]		Rating
		20/1	3M*	20/1	3M*	20/1	3M*	1Y*	3M*	1Y*	20/1	20/10	3Q22	2Q22	2021	3Q22	2Q22	Moody's
CEE	Czechia	7.3	0.0	4.3	-1.8	23.90	-2.55	-1.33	10.0	-10.2	41.3	45.2	n.a.	n.a.	n.a.	-10,021	-3,408.5	Aa3
	Hungary	16.0	-0.7	7.3	-3.3	395.88	-4.02	10.88	14.8	-11.3	183.2	246.8	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	7.7	-3.7	6.0	-2.6	4.71	-1.71	4.28	28.6	-13.7	107.9	145.4	n.a.	n.a.	n.a.	-18,834	-12,054.0	A2
	Slovakia	2.4	0.9	3.1	-0.7	n.a.	n.a.	n.a.	-1.1	-16.3	43.5	51.1	n.a.	n.a.	n.a.	-5,893	-3,739.1	A2
	Slovenia	2.4	0.9	3.2	-0.5	n.a.	n.a.	n.a.	12.5	-16.7	49.1	56.5	66	54	932	146	-170.5	A3
SEE	Albania	2.6	n.a.	n.a.	n.a.	116.57	-0.64	-4.15	n.a.	n.a.	n.a.	n.a.	n.a.	-63	n.a.	n.a.	-208.0	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.	318	-30	1,268	-249	-372.7	B3
	Croatia	0.4	0.0	3.6	-0.5	7.53	0.10	0.20	7.4	-6.2	97.4	110.5	1,017	1,174	6,079	4,128	-1,127.5	Baa2
	Romania	7.1	-0.9	7.6	-1.9	4.93	0.11	-0.39	11.3	-8.1	256.9	361.3	n.a.	n.a.	n.a.	n.a.	-12,298.0	Baa3
	Serbia	5.3	1.3	n.a.	n.a.	117.36	0.04	-0.19	12.8	9.7	339.9	350.7	1,726	-1,677	2,963	-220	-1,268.1	Ba2
EE & MENA	Moldova	20.0	-1.5	16.7	-4.6	18.93	-2.42	5.17	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	40	-9.7	B3
	Russia	24.7	0.0	10.5	0.7	104.07	0.00	35.39	0.0	-100.0	12,940.3	12,940.3	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	12.8	0.0	29.0	3.0	36.92	-0.04	30.35	6.9	-60.6	14,247.7	14,247.7	1,831	-5,629	1,820	5,570	835.0	Caa3
	Egypt	18.1	2.2	11.3	0.0	29.84	51.51	89.58	64.1	31.5	737.8	1,297.1	-178	-3,706	872	n.a.	-2,957.8	B2
	m.i.A.E.	*2.4*	*0.9*	*2.1*	*-0.3*	*1.1*	*10.0*	*-4.6*	*13.3*	*-1.9*	*9.25*	*17.12*						

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

Banking aggregates and interest rates (private sector)

		Loans chg yoy %			NPL/Loans %			Foreign Liab. chg yoy %			Deposits chg yoy %			Loans rate1-NewB*. %				DepositsRate1-NewB*. %				Loans/Dep %		
		Last	Mth	2021	Last	mth	2021	Last	mth	2021	Last	Mth	2021	Last	mth	2021	S[4]	Last	mth	2021	S[4]	Last	mth	2021
CEE	Czechia	5.7	Nov	8.4	2.0	Nov	2.4	6.5	Nov	-11.3	4.9	Nov	7.0	8.3	Nov	4.5	C	6.1	Nov	2.3	H	71.1	Nov	70.7
	Hungary	13.6	Nov	12.7	2.5	Sep	2.2	40.9	Nov	6.7	7.6	Nov	17.6	11.4	Nov	4.5	C	11.7	Nov	1.5	H	78.5	Nov	71.9
	Poland	1.3	Nov	4.6	4.3	Jun	4.5	12.6	May	-1.2	4.8	Nov	7.7	8.9	Nov	3.8	C	6.7	Nov	1.3	H	78.2	Nov	80.1
	Slovakia	10.8	Nov	7.3	2.0	Nov	2.3	2.3	Nov	19.6	7.0	Nov	4.5	3.6	Nov	1.6	C[2]	0.0	Nov	0.0	H[2]	108.9	Nov	103.7
	Slovenia	11.2	Nov	5.2	1.2	Oct	1.2	26.2	Nov	-7.8	7.5	Nov	8.2	2.5	Nov	1.9	C[2]	0.2	Nov	0.1	H[2]	66.8	Nov	63.1
SEE	Albania	9.3	Nov	9.6	5.1	Nov	5.7	9.3	Nov	34.0	6.7	Nov	9.2	5.7	Nov	5.3	PS	2.3	Nov	0.4	PS	55.7	Nov	53.7
	Bosnia H.	4.9	Nov	3.7	4.9	Sep	5.8	0.0	Nov	-16.3	2.3	Nov	10.0	3.5	Nov	3.1	C	0.5	Nov	0.1	H	92.9	Nov	89.5
	Croatia	11.4	Nov	2.3	3.3	Sep	4.3	20.6	Nov	-3.5	11.8	Nov	11.7	4.3	Nov	4.0	PS	0.1	Nov	0.1	PS	66.2	Nov	66.2
	Romania	12.2	Nov	14.3	2.9	Oct	3.4	35.9	Nov	9.8	7.4	Nov	13.6	10.0	Nov	5.3	PS	6.9	Nov	1.9	PS	73.5	Nov	68.1
	Serbia	8.7	Nov	10.2	3.0	Nov	3.5	23.8	Nov	9.9	6.2	Nov	13.3	9.6	Nov	5.5	PS	5.6	Nov	1.8	PS	93.2	Nov	90.1
EE & MENA	Moldova	9.3	Dec	23.5	6.4	Dec	6.1	0.7	Jul	n.a.	5.4	Dec	13.1	12.9	Dec	8.5	C	11.4	Dec	3.2	H	64.9	Dec	62.6
	Russia	10.2	Oct	18.8	7.0	Sep	n.a.	13.3	Dec	13.3	0.7	Oct	12.7	9.2	Oct	9.0	C	5.1	Oct	5.1	H	130.8	Oct	119.3
	Ukraine	-0.7	Nov	9.6	36.7	Nov	30.0	-13.7	Nov	-5.8	23.4	Nov	12.3	22.7	Nov	14.3	PS	9.8	Nov	5.0	PS	61.5	Nov	72.2
	Egypt	25.4	Sep	18.3	3.2	Sep	3.5	98.3	Nov	32.4	25.5	Sep	18.7	11.5	Nov	9.5	C	9.3	Nov	7.5	H	35.6	Sep	35.3
	m.i. E. A.	*5.47*	*Oct*	*3.3*	*n.a.*	*n.a.*	*n.a.*	*12.0*	*Oct*	*6.9*	*4.0*	*Oct*	*4.7*	*2.9*	*Nov*	*1.1*	*C*	*1.1*	*Nov*	*0.2*	*H*	*75.5*	*Oct*	*74.6*

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

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Intesa Sanpaolo Research Department – Head of Department Gregorio De Felice

Coordination International Research Network	e-mail address
Giovanni Barone (Head)	giovanni.barone1@intesasanpaolo.com
ISP Research Department (Headquarter Team)	
Macroeconomic Research	
Silvia Guizzo (Asia ex-Japan)	silvia.guizzo@intesasanpaolo.com
Debora Palmieri (Latin America and Sub-Saharan Africa)	debora.palmieri@intesasanapolo.com
Francesca Pascali (MENA and EE)	francesca.pascali@intesasanpaolo.com
Antonio Pesce (CEE and SEE Countries and Quantitative Analysis)	antonio.pesce@intesasanpaolo.com
Francesco Martinelli (Data Base and Quantitative Analysis)	francesco.martinelli4@intesasanpaolo.com
Trade & Industry, Banking and Market Research	
Wilma Vergi (Trade and Industry)	wilma.vergi@intesasanpaolo.com
Vincenzo Petrignano (Financial Markets)	vincenzo.petrignano@intesasanapolo.com
Davidia Zucchelli (Banking)	davidia.zucchelli@intesasanpaolo.com
ISP International Subsidiaries Research Departments:	
VUB (Slovakia, Czech Republic and Poland)	
Zdenko Štefanides (Head)	zstefanides@vub.sk
Michal Lehuta	mlehuta1@vub.sk
Jacob Obst	jobst@vub.sk
CIB (Hungary)	
Mariann Trippon (Head)	trippon.mariann@cib.hu
Andras Bukovszki	bukovszki.andras@cib.hu
PBZ (Croatia, Bosnia I Hercegovina and Slovenia)	
Ivana Jovic (Head)	ivana.jovic@pbz.hr
Ana Lokin	ana.lokin@pbz.hr
Ivan Odrčić	ivan.odrcic@pbz.hr
Banca Intesa (Serbia)	
Marija Savic (Head)	marija.v.savic@bancaintesa.rs
Tijana Matijasevic	tijana.matijasevic@bancaintesa.rs
Milos Drezga	milos.drezga@bancaintesa.rs
Jelena Draskovic	jelena.draskovic@bancaintesa.rs
Sanja Djokic	sanja.djokic@bancaintesa.rs
Katarina Bubonja	katarina.bubonja@bancaintesa.rs
Alexbank (Egypt)	
Samer Halim (Head)	samer.halim@alexbank.com
Mariam Massoud	mariam.massoud@alexbank.com
Aly Fayad	aly.fayad@alexbank.com
Mayada Hassan	mayada.hassan@alexbank.com
ISP International Subsidiaries Research Contacts:	
Intesa Sanpaolo Bank (Albania)	
Kledi Gjordeni	kledi.gjordeni@intesasanpaolobank.al
Intesa Sanpaolo Bank (Romania)	
Marius Pacurari (Head)	marius.pacurari@intesasanpaolo.ro
Pravex Bank (Ukraine)	
Artem Krasovskyi	artem.krasovskyi@pravex.ua
Eduard Nazarenko	eduard.nazarenko@pravex.ua
Eximbank (Moldova)	
Natalia Mihalas	natalia.mihalas@eximbank.com
Olga Pisla	olga.pisla@eximbank.com