INTESA SANPAOLO

International Research

Economic and Banking Monitor

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Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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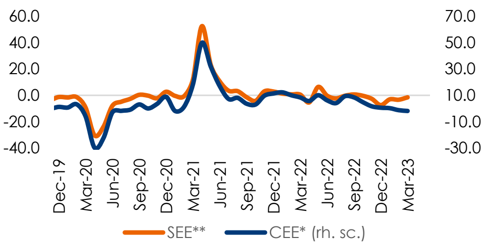
Viewpoint

The short-term macroeconomic outlook continues to be characterised by a high level of uncertainty due to the effects of the war in Ukraine and international geopolitical tensions. Widening the time horizon, in the second half of this year and in 2024, the global effects of China's reopening and the trend in energy commodity prices are consistent with an improvement in GDP growth and a decline in inflation.

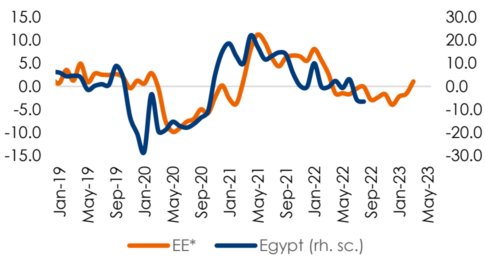
- In the first part of 2023, the global economy has improved slightly, but in the short term, GDP growth is expected to remain subdued and consumer prices are likely to fall.
- Underlying inflation remains high. Accordingly, on the monetary policy side, interest rates have been tightening quickly and we now look to be close to the peak in several countries.
- Looking ahead, a mixed picture is emerging with regard to the Eastern European countries (EE, CEE and SEE). Indeed, economic developments are consistent with some central banks lowering interest rates in 2023 – with particular reference to those in Central and Eastern Europe, which had already raised rates since 2021– while other monetary authorities will have to tighten further in order to ensure price stability. The latter – mainly South Eastern Europe countries – need to maintain restrictive policies until there are clear signs that inflationary pressures have receded durably.
- Regarding banking aggregates, lending in CEE countries slowed, due to still-weak economic conditions, high inflation, and tightening credit conditions. Conversely, with regard to SEE countries, the trend in bank lending appears stronger than in Central and Eastern Europe, due to higher economic growth. Overall, in both CEE and SEE countries, the trend in deposits continues to be supported by precautionary savings on the part of households relating to the uncertain international scenario.
- A heterogeneous and extremely fragile scenario continues to characterise Eastern Europe, due to the effects of the war in Ukraine. However, compared to the deep recession in 2022, there looks to be some small progress in Russia resulting from the statistical base effect and the significant structural change in the economy due to sanctions.
- Outside CEE, SEE and EE countries, very high inflation continues to impact Egypt. In April, CPI growth rate has been falling in respect to March although it remains very strong and far above the central bank's targets. The local currency depreciated against the US dollar and is expected to weaken further shortly.

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

Industrial production (% yoy)



Source: Intesa Sanpaolo elaboration on Refinitiv data

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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

Preliminary estimates of GDP have confirmed expectations of a very weak economic performance in the CEE area in 1Q23. GDP contracted by 0.2% yoy on a weighted average basis vs growth of 1.5% in 4Q22, with country data ranging from -0.9% in Hungary to +0.9% in Slovakia. However, on a seasonally adjusted quarterly basis, GDP recovered vs the previous quarter (+2.2% qoq from -1.4% in 4Q22).

In many cases, the most recent high-frequency economic indicators, mainly using March and April data, pointed to a still-feeble economic dynamic, even if on a path showing a gradual recovery. In April the **Economic Sentiment Indicator** (ESI, in weighted average data) for the CEE region decreased to 91.6 from 92.4 but remained above the 87.4 seen in November 2022 (the lowest level for the year), with figures ranging from 88.8 in Czech Republic to 94.9 in Hungary. On average, 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 March, the **industrial production** trend remained negative for the second consecutive month (-1.8%, and -1.2% in February) on a weighted average basis in the area. In the CEE region, it ranged from -5.5% in Slovenia, where output declined in all three sectors – ie, electricity, gas, steam & air conditioning supply (-38.6%), mining & quarrying (-37.1%) and manufacturing (-1.8%) – to +2.2% in Czech Republic, where the result was attributed to the rising production in the manufacturing sector (5.2%), particularly motor vehicles, trailers & semi-trailers (41.6%).

In March, nominal **exports** growth remained robust, albeit decelerating, at +9.6% yoy (from +12.0% in February), while in the same month, **real retail sales** dynamics further contracted (to -8.2% yoy from -5.8%). Household demand was still very weak in all the countries within the CEE region, but particularly in Slovenia and Hungary (-13.1% and -12.6%, respectively).

Albeit with differences by country, **inflationary pressures** showed the first signs of cooling in the CEE area. However, the trend in consumer prices is still very high, with upside risks, as supply bottlenecks have not yet been completely overcome, the Russia-Ukraine war is fuelling tensions internationally, and the nominal wages dynamic (+13.3% in January on a w.a. basis) is quite strong, sustained in several cases by fiscal measures adopted during the pandemic to support households' disposable incomes. Aggregating the data (w.a.), in April, thanks to weakening energy prices, and in some cases to the strength of national currencies, inflation fell from a peak of 18.5% in February to 16.9% in March and 15.4% in April. Additionally, prices in the less volatile components of the consumer basket decelerated in April as core inflation fell to 13.9% from 14.4%, although it remained very close to an all-time high.

In their most recent meetings, the central banks of Czech Republic, Hungary and Poland maintained their policy rates at 7.0%, 13.0% and 6.75%, respectively. The tightening of **monetary policy**, which began in June 2021 (with Hungary making the first move), now appears to be on pause even if central bank actions continue to be data-driven. In financial markets, **long-term yields** rose in Hungary and Slovakia with respect to three months ago, but on a w.a. basis in the CEE region, a slight reduction occurred (-30bps, to 5.7%), thanks to the decrease of the long-term yields in Poland (-50bps, to 6.0%), with a narrowing of the spread with respect to 10-year Bund yields. Despite the international geopolitical tensions related to the conflict in Ukraine and concerns about the economic implications, particularly in those countries more exposed to energy imports from Russia, the national currencies have slightly appreciated with respect to last year in the CEE region, an effect of the monetary policy.

Davidia Zucchelli

As far as **banking aggregates** were concerned**, in the CEE area,** banking aggregates decelerated in many countries in March because of still-weak economic conditions, as well as high inflation and tightening credit conditions. Loans increased by 1.9% yoy in **CEE countries** (from 2.1% in February, without considering Slovakia because data were not available). In Hungary, loans continued to rise, growing by 11.5% yoy in March (but decelerating from 11.7% in February) and the country continued to be the best performer in the region. Corporate loans continued to show much stronger performances than household loans in CEE (7.4% yoy vs -1.1% yoy in March, with particularly strong growth in Poland and Hungary). Household loans suffered from inflation and weaker salaries, mainly in Poland (-5.1% yoy). Central banks highlighted tensions in the property market due to rising house prices (especially in Hungary, Czech Republic and Slovakia). In Hungary, the interest cap on mortgages is expected to remain in place until at least the end of the year. All countries reported lower NPL ratios, with the lowest being in Slovenia (1.07% in February). Nevertheless, NPLs are expected to soar because of economic weakness, as is the case in Western European countries. Despite the weak economic context, precautionary saving continued to support **deposit growth** in CEE (from +7.2% in February to +7.9% yoy in March, not including Slovakia), particularly in Poland (+10.3%) and Slovenia (+7.5%), and therefore boosting banks' liquidity positions. Banking interest rates continued to rise in Q1 in all countries (with the exception of Poland, which maintained a stable policy rate). Many central banks assess credit risk and risk inherent in the real estate market as elevated. Nevertheless, the resilience of banking systems to any realisation of risks is considered robust.

Hungary continued to show the best performances, both in corporate (+15.7% yoy) and household lending (+6.8% yoy). In contrast, deposits decelerated strongly in March (0.5% yoy) because of the fall in the household sector (-6.7% yoy vs +7.5% in the corporate sector) due to recession and falling real wages. In **Poland**, where loans to the private sector decreased by 1.3%, weakened by household loans (-5.1% yoy), uncertainty supported deposits, which jumped by 10.3% yoy, both in the household (9.5% yoy) and the corporate (12.4%) segments. Open legal cases in FC-mortgages may weigh on profitability. In **Slovenia,** loans decelerated (by 5.5% yoy from 7.1% yoy in February) in the household sector (+6.1% yoy in March), and the corporate sector (+4.9%). At the same time, deposits strengthened (+7.5% yoy, up from +6.9% yoy in February) by 7.7% yoy in the household sector and 6.5% yoy in the corporate sector. **Czech Republic** recorded modest performances in March in both lending (+3.2% yoy) and deposits (+6.4% yoy, based on +9.9% in the corporate and +5% in the household segments).

SEE Area

Antonio Pesce

In the SEE region, preliminary information for 1Q23 GDP is only available for Romania and Serbia. **Romanian GDP advanced 2.3% yoy in 1Q23**, easing from 4.5% growth in the previous quarter. This represented the eighth consecutive quarter of expansion in GDP, although the weakest growth in the sequence. The economy grew 0.1% qoq in the first quarter (on a seasonally adjusted basis), slowing from a 1.0% rise in the previous period. Serbia's GDP rose by 0.7% yoy in 1Q23 (vs a 0.4% rise in the previous three-month period).

The last releases of high frequency indicators signal widespread weakness in the economic cycle in the SEE region in the first part of this year. The **ESI** (as a weighted average) declined to 85.1 in April from 85.7 in March, and was slightly below Q1, at 85.3. **Industrial production** decreased by 1.5% yoy (w.a.) in March because of the -2.0% yoy recorded in Romania, the -4.3% yoy in Bosnia H, and -0.7% yoy in Croatia; the trend remained positive only in Serbia (+0.9% yoy). In the same month, the trends for **retail sales** (4.1%) and **exports** (5.2%) continued to be positive, at +7.3% in Romania and +10.2% in Bosnia H for retail sales, and at +12.4% in Serbia and +6.5% in Romania for exports.

After the peak reached in December 2022 (15.3%), the w.a. **inflation rate** fell due to the easing of pressures coming from both energy prices and production costs. The consumer price trend reached 10.1% in April (on a regional w.a. basis), ranging from 4.6% in Albania to 15.1% in Serbia, where the inflation rate was very high but lower than the peak of 12.2% in March. In their last meetings, the **central banks** of Albania, Romania and Serbia kept their policy rates at 3.0%, 7.0% and 6.0%, respectively. At the same time, **long-term yields** in Romania fell to 7.1% (a 70bps decrease with respect to three months ago). In Croatia, long-term yields declined as well (to 3.9%, -10bps with respect to three months ago). In the **FX** markets, local currencies have remained stable in recent months and the **CDS spread** declined slightly in Romania (to187 from 225.8) and Serbia (to 221.5 from 232.8), while a modest increase occurred in Croatia (to 91.9 from 87.5).

Davidia Zucchelli

On the **banking side**, loans and deposits showed a strong dynamic in the **SEE area** mainly in the corporate sector. Lending growth rates (+7.9% in March, on average, from +8.8% yoy in February) remained high in Romania and Croatia (+9.3%). Loans to households slowed further in all countries (to +3.5% yoy from +4% in February), with Croatia the only exception (from +5.3% yoy in February to +5.5% yoy in March). The gap between CEE and SEE area lending dynamics to corporates shrunk in March (+6.7% in the former vs +13% in the latter). NPL ratios remained low (ranging from 2.7% in February in Romania to 5.2% in March in Albania). **Deposit growth** continued to be strong in the area in March (+10% yoy from +8.4% in February), especially in Croatia (+10.4%), Serbia (+12.2%) and Romania (+9.9%), which 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/deposit ratios in almost all countries (not in Serbia, however). Interest rates declined gradually in Bosnia and Romania in Q1.

Romania and Croatia, still supported by relatively stronger economic activity, played leading roles in the area in terms of lending growth in March, especially to corporates. In **Romania,** loan growth continued to be vigorous (+9.3% yoy), especially in the corporate sector (+16.9% yoy vs +2.1% for households). The deposit performance was also strong in these two sectors in March (+11.0% and +9.2% yoy, respectively), while interest rates decelerated. In **Serbia,** lending grew by 2.7% yoy in March, particularly to households (+4.3% yoy), but also to corporates (+1.4% yoy). Corporate deposits also rose strongly (+19.7% yoy vs +7.3% for households). Banking aggregates were modest in **Albania**. Total loans increased by 3.6% yoy in March (+4.9% yoy in February), decelerating in both the household (+11% yoy, from +12% yoy in February) and corporate (-0.4% from 1.1%) segments. Deposits continued to be much more dynamic in the corporate sector (+11.7% vs +1% in the household sector), leading to a total deposit boost of 3.2%.

Banking aggregates also performed well in **Croatia**, where loans grew by 9.3% yoy in March (from 10.9% yoy in February), mainly to corporates (+15.2% yoy, from +20% in February). Deposits rose by 10.4%, with a higher rate seen for corporates (+15.3%, accounting for about 30% of total deposits, vs +8.6% for households, which had been attracted by new government bond issues). In **Bosnia,** loans grew by 5% yoy in March (vs +5.1% yoy the previous month), with roughly the same pace seen for households (+5.6%) as corporates (+4.5%). Deposits rose by 9.2% yoy in both the corporate (+9.9% yoy) and the household (8.8% yoy) sectors.

EE and MENA Areas

Francesca Pascali

EE countries continued to face significant new structural transformation issues due to the consequences of the conflict between Ukraine and Russia. All the countries continue to be under pressure because of political tensions in a contest of high level of inflation and a new economic recovery from China. In March, the **industrial production** trend in **Russia** (+1.2%) had improved compared with February (-1.7%), though the trends were unchanged in **Ukraine** (-44.2% in December 2022 vs -42.3% in November) and **Moldova** (-4.9% in February 2023). The **export** trend in January was particularly poor in Russia (-40.1% from -34.1% in December). In March 2023, Moldova's exports declined to -2.0% (from +5.8%) and in Ukraine these fell to -26.9% (from -43.6%). **Retail sales** have seen negative growth for 12 months in Russia (-5.1% in March from -7.8%). In December 2022 in Moldova, they decreased by 5.6% yoy and in Ukraine by 28.0% (from -25.4%). Regarding forward-looking indicators, in April, the **PMI** fell (52.6) vs the March level (53.2) but remained over 50 in Russia. On the **inflation** side, in April in Russia, consumer prices decreased further (+2.3% from +3.5% in March), due to a base effect, a bit lower the inflation target of the CB (4.0%). In Moldova, the inflation rate decreased (to 18.1%, from 22.0% in March). It fell again in Ukraine (17.9% from 21.3%), where it remained much higher than the target (5.0%+/-1.0%). After raising the policy rate to 20% on 28 February 2022, the Russian CB started to lower the rate, by 12.5pp, and kept it unchanged vs September 2022, at 7.5%. In Moldova the central bank lowered the policy rate from the highest level of November (21.5%) four times, to 10.0%. In the FX market, the Russian ruble depreciated against the USD, by 12.9% year to date. High inflation continues to impact **Egypt**. Looking at economic data, in November 2022, industrial production grew by 0.4% yoy (from +3.1% in October), while exports decreased in December by 2.7% from -17.8% in

November. In April, the PMI index increased compared with March (47.3 from 46.7), but it was still below the 50 threshold level. In April, inflation increased to 30.6% (from 32.7% in March) and remained far above the targets of 7.0% ± 2pp, on average, by 4Q24 and 5% ± 2pp, on average, by 4Q26. The local currency depreciated against the USD.

Davidia Zucchelli

Banking aggregates were dynamic in March in the **EE area** in nominal terms, but still negative in Ukraine, despite the challenging operating environment. Loan growth remained strong in **Russia** (+9.1% yoy in February in nominal terms), particularly for corporates (9.6% yoy vs +8.1% yoy for households). Households are still being supported by the subsidised mortgage lending programme, though loans to this group have slowed from 25% in 2021. A deposits rebound was seen in March (+11.5% yoy in nominal terms, improving from 5.8% yoy the previous month), both to households (+9.4% yoy) and corporates (+14.1% yoy).

In **Moldova,** loans decelerated to +5.3% yoy in March (+11% yoy to corporates, which accounted for 75% of total loans to the private sector, vs -3.2% yoy to households). The NPL ratio decreased in March to 6.5%. As of March, deposit growth rose by 19.4% yoy (corporates up by 20.8% yoy, households by 18.4% yoy), a much higher rate in comparison to February (+11.5%). Banking aggregates in **Ukraine** were particularly weak. Loans decreased by 7.2% yoy (after -6.8% yoy in February), especially to households (-17.4% yoy), while corporate loans decreased by 3.4% from -2.1% in February). NPLs rose to 37.9% as of March. Total deposits rose significantly (+34% yoy in March vs +36% yoy in February), particularly among corporates (+44.7% yoy vs 28.1% yoy for households).

In **Egypt,** banking aggregates (latest data only through January) remained vigorous, with loans increasing by 32.4% and deposits by 32.6% in nominal terms. Loans increased at similar growth rates for households (+25.8% yoy) and corporates (+35.9% yoy). The NPL ratio remained very low (3.4% as of December). Banks are still able to rely on ample low-cost customer deposits, which had increased strongly, by 32.6% yoy as of January, partly impacted by the depreciation of the Egyptian pound (without the currency depreciation, the deposits increase was 12% yoy). Deposits increased by +25.9% for households and +70% for corporates in nominal terms.

Country-Specific Analysis

Czech Republic

Zdenko Štefanides

Real Economy

The Czech economy managed to emerge from its technical recession in the first quarter of this year, posting a real gain in GDP after two consecutive quarterly declines in 2H22. Nevertheless, the economy remains feeble and the real GDP gain in 1Q was a mere 0.1% qoq. Industry, in particular, remains in the doldrums. Growth in output is being driven mainly by one sector, automotive, and new orders have been declining mom for six months in row now. The weakness is emanating primarily from domestic demand. Retail sales have been declining for eleven months now in yoy terms, and the latest figure, for March, showed a decline of a whopping 8.1% yoy. Weak domestic demand has now started to impact inflation. In April the consumer price index fell by 0.2% over the month, leading to headline inflation slowing to 12.7% yoy, down from 15% in March and a peak of 18% in September 2022. April's inflation was lower than foreseen by the market and also 0.5ppt lower than projected by the Czech National Bank (CN), giving weight to the projection that inflation will fall to single digits in 2H22 and be close to the 2% target in 2Q24.

Financial Markets

The CNB has been holding rates steady since June 2022, keeping its refi rate at 7% since then. At May's policy meeting, the CNB Board nonetheless still discussed a further rate hike and the decision to keep rates stable was made by the smallest possible margin within the seven-member board: four voted to keep it stable; while three advocated a 25bps hike. The CNB concurrently presented an updated quarterly forecast, which predicted inflation would return to the CNB goal within the policy-relevant horizon of 12-18 months. It also presented a new forecast for rates, with it no longer projecting any rate hikes. Instead, the CNB forecast assumes that rates in the Czech Republic will go down from 3Q23.

As for the koruna, it has been appreciating recently to levels that are deemed stronger than are justified by the fundamentals. Hence, market observers and also the CNB in its new forecast assume some reversion of this trend, foreseeing the koruna will gradually weaken to about CZK 24 to the euro in 3Q and beyond, vs. the current level of 23.40.

Banking Sector

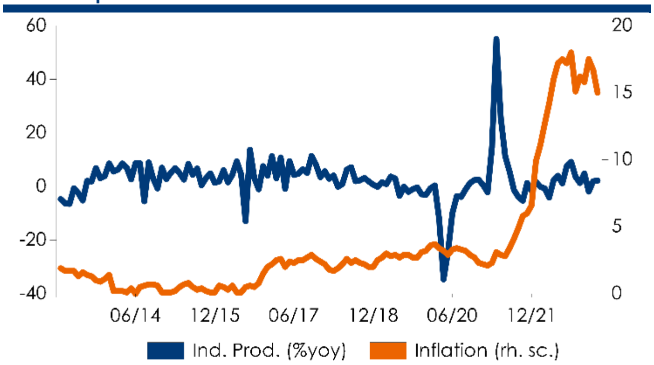
High interest rates, tight macroprudential measures and a decline in the real purchasing power of households continues to weigh on lending activity. However, rates on new mortgages have started to decline since the beginning of this year and property prices have also fallen markedly, in some places by up to 20%, which is encouraging buyers to return to the market. Thus, the volume of new mortgages in March rose by a whopping 60% on the previous month. However, the current volume of new mortgages is only about a half the level of 2020.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	2.2 (Mar)	0.8	3.3
Export of goods, nominal yoy	5.2 (Mar)	10.0	14.7
CB refi rate	7 (22th May)	7.0	7.0
ESI (index)	88.8 (Apr)	93.5	83.4
Retail sales yoy	5.2 (Mar)	10.0	14.7
Inflation rate, average yoy	12.7 (Apr)	16.4	15.7
Loans (priv. sector, yoy, eop)	3.2 (Mar)	3.2	4.5
Deposits (priv. sector, yoy, eop)	6.4 (Mar)	6.4	4.2
Lending interest rate (corp., eop)	8.9 (Mar)	8.9	9.0
Deposit interest rate (hh., eop)	6 (Mar)	6.0	6.0

Sources: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Mariann Trippon

Real Economy

The Hungarian economy remained in recession in 1Q. Flash estimates showed that the economy contracted by 0.2% qoq (swda). Official figures are not yet available, but monthly activity indicators point to a sharp correction in consumption and investments. The economy may remain in recession in 1H, but a gradual recovery is expected afterwards. The industrial weakness continued in March and retail sales posted double-digit declines as households cut back on consumption amid falling real wages. The labour market remains tight and nominal wage growth is still robust, but elevated inflation is destroying consumers' purchasing power. The fall in energy commodity prices and weaker domestic demand led to a marked improvement in the external trade balance. The trade balance posted a surplus of just over EUR 1Bn in 1Q. The deceleration of inflation continued in April, and CPI fell from 25.2% to 24% yoy. Core inflation also ticked down, but the structure of disinflation is far from optimal. In the coming months, the decline in headline CPI is likely to continue, and by the end of the year CPI could be in the single-digit range.

Financial Markets

The central bank started normalising monetary conditions in May, in line with the improving risk assessment of the country. As a first step, the O/N depo rate was cut by 100bps to 17%. The more stable external environment, the stronger risk appetite towards emerging markets, falling energy prices, the turnaround in Hungary's external balances and financial market stability created room for the cut. The central bank may continue cutting the O/N depo rate, but the process will be cautious and gradual. The O/N and policy rate will not merge until the autumn. Despite some short-term volatility, the huge carry provides meaningful support to the HUF, and the Hungarian currency has appreciated by more than 6% versus the EUR since the beginning of the year. The bond market remained stable in April and May, with yields at the medium and long-end segments of the curve coming down by 80-90bps and spreads over Bunds also narrowing.

Banking Sector

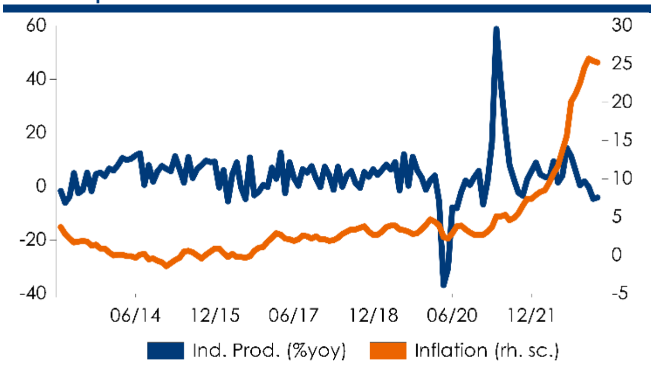
Bank deposits decreased in the first quarter of 2023 by 3.5%, impacted by both the erosion of household savings and the fall in corporate deposits. No growth is expected for the remaining part of the year due to the worsening economic climate and rising inflation, along with the continuing shift into government bonds and investment funds. On the lending side, there was a small decrease of 0.6% in Q1. In the corporate lending market there is still demand for government-supported Széchenyi and Baross Gábor loans, so the decline of 0.72% can be attributed to the strengthening of the HUF. Household lending demand decreased as well (-0.43% vs. Dec 2022) due to the decline in housing market transactions and high interest rates. With the slowing down of economic growth, loan volumes will stagnate in 2023.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	-4.1 (Mar)	-3.0	2.8
Nom. exports yoy	16 (Mar)	10.1	8.0
ESI (index)	94.9 (Apr)	97.6	89.8
Retail sales yoy	-12.6 (Mar)	-8.9	-1.2
Inflation rate yoy	24 (Apr)	25.4	22.7
CB reference rate	13 (22th May)	13.0	13.0
Loans (priv. sector, yoy, eop)	11.5 (Mar)	11.5	11.6
Deposits (priv. sector, yoy, eop)	0.5 (Mar)	0.5	2.5
Lending interest rate (corp., eop)	12.8 (Mar)	12.8	11.5
Deposit interest rate (hh., eop)	13.3 (Mar)	13.3	12.3

Sources: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

Zdenko Štefanides

Real GDP growth in Poland surprised on the positive side in 1Q. Compared with a year ago, real GDP was down by 0.2%. However, this was about half a percentage point better than expected by consensus and implies significant growth over the quarter, about 3.9% in seasonally adjusted terms. This increase in qoq terms comes after a decline of 2.3% in the previous quarter, which means that the Polish economy avoided a technical recession. The breakdown of the GDP structure is not yet known, but given the malaise in reported monthly activity and retail sales indicators, the positive surprise was probably due to a bounce in net exports. The partial activity data available for 2Q shows the quarter began on a soft note, suggesting that the 1Q bounce was probably due to temporary factors. Industry continued to contract in April compared with a year ago, as did retail sales (-7.5%). However, construction output posted a 1.2% increase over a year ago, following a decline in March. The improvement was primarily due to the finishing of investment projects financed by the previous 2014-20 EU budget programme, which is expiring in 2023. Residential construction remains weak, contracting by 6.4% compared with a year ago, as developers are finishing ongoing projects but refraining from starting new ones.

Financial Markets

The National Bank of Poland (NBP) kept interest rates unchanged in May, with the key rate remaining at 6.75%. Inflation slowed to 14.7% in April, from 16.1% in March, and is on track to continue declining toward single digits before the year end. The disinflation is primarily due to energy and food prices receding from their peaks, rather than core inflation coming down. The latter is indeed proving sticky and precludes an early reversal of monetary policy tightening. Another factor keeping the NBP in hawkish mode is fiscal policy, which is becoming quite expansionary ahead of the parliamentary elections due in late October or early November this year. Promises already announced under the election programme, such as an increase in child benefits and free medication for the young and elderly, are threatening to increase the fiscal deficit by about 1% of GDP next year and more spending looks likely. The Polish zloty, meanwhile, appreciated to below 4.50 vs. the euro in mid-May, marking the strongest level this year, while bonds traded rangebound, yielding about 5.70-6.10% on the 10-year maturity since March.

Banking Sector

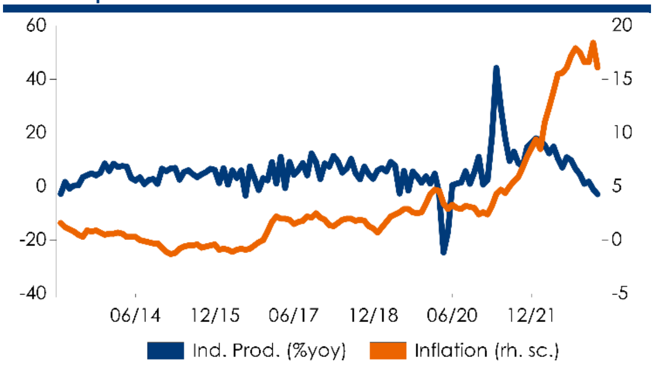
In the banking market, loans continued to contract compared with a year ago, especially in the retail sector, which saw its loans volume shrink by 5% in March. This represented the steepest yoy decline in memorable history, and the volume of loans for house purchases has shrunk for six months in a row now. Loans to non-financials continued to grow, rising by 7% yoy in March, albeit this was a slower rate than in previous months. On the household deposit front, volumes stabilised and even managed to increase in the latter part of 1Q, which was a welcome change after the decline that began in early 2022.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	-2.9 (Mar)	-0.7	4.0
Nom. exports yoy	8.3 (Mar)	12.8	17.6
ESI (index)	91.5 (Apr)	90.4	90.2
Retail sales yoy	4.8 (May)	n.a.	n.a.
Inflation rate yoy	14.7 (Apr)	17.0	17.3
CB reference rate	6.8 (22th May)	6.8	6.8
Loans (priv. sector, yoy, eop)	-1.3 (Mar)	-1.3	0.2
Deposits (priv. sector, yoy, eop)	10.3 (Mar)	10.3	5.6
Lending interest rate (corp., eop)	8.7 (Mar)	8.7	8.7
Deposit interest rate (hh., eop)	5.9 (Mar)	5.9	6.5

Sources: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

Slovakia managed to avoid recession in 1Q23, with its GDP expanding by 0.2% qoq, driven by net exports and investments. On an annual basis, however, growth was a meagre 0.9%. Industrial production and retail sales both continued to narrow during the first three months of this year. This means that household consumption, a driver of growth in 2022 but having most likely hit the wall with the record-low saving rate of 2.5% in 4Q22, may become the major economic headwind this year. The drawing of EU funds remained slow by April, but should accelerate during the rest of the year as the December deadline for the 2014-20 programming period is approaching.

The local labour market remains very tight and the registered unemployment rate continued to decrease in April, falling to 5.3%. However, employment growth stagnated during 1Q23 (-0.1% qoq, according to domestic figures). Wages continued to grow fast, with the pace surpassing 10% in selected private industries during the first quarter. Labour offices, however, reported somewhat fewer vacancies compared to the post-pandemic recovery period.

The inflation rate clearly peaked in February at 15.4%, with it narrowing in both March and April to 13.8%, thanks to cheaper energy commodities and the beginning of disinflation in foodstuff prices. The base effect of strong growth last year should mean inflation narrows to about 6% by December, but it should stay higher than the euro area average for longer due to the lagged increases of regulated energy prices.

Financial Markets

The ECB is continuing to hike its key interest rates by 25bps per meeting, while the banking crisis in the United States has not spread into the European monetary union. In addition, it is speeding up its quantitative tightening by not reinvesting any maturing paper it holds. This has not really increased the spread on Slovakia's 10Y bonds against Germany's, which fluctuate between 120-125bps. This means that benchmark long-term interest rates have not moved much since last winter. The caretaker government is expected to prepare austerity measures for the new cabinet, to be adopted in the 2024 budget.

Banking Sector

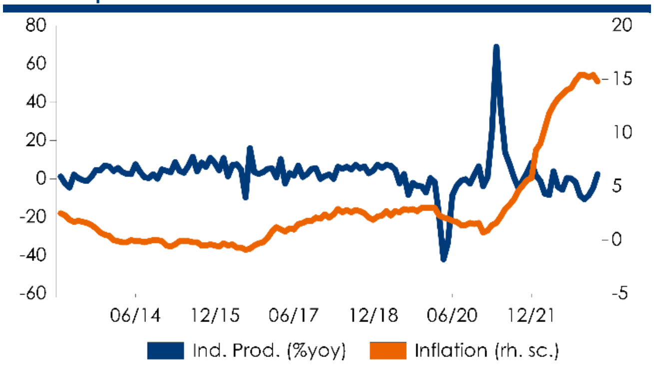
Slovakia's banking statistics are registering a partial outage at the National Bank of Slovakia since January. According to the aggregate figures, however, yoy loans growth decelerated to 8.5% in March, which is helping to decrease the debt-to-GDP ratio. Deposits as a whole continued to grow by about 5-6% yoy, thanks to corporate liquidity posting a 16.6% increase yoy. Household deposits saw a small yoy decline due to the record-low saving rate and low deposit interest rates. Banks' incomes are profiting from the widening of interest rate margins, but this development may be hit by a new bank levy that looks set to be approved by parliament in June.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	2.5 (Mar)	-3.6	-7.0
Nom. exports, yoy	12.6 (Mar)	11.3	10.6
ESI (index)	98.4 (Apr)	90.4	88.8
Retail sales, yoy	-6 (Mar)	-2.8	-1.0
Inflation rate, yoy	13.8 (Apr)	15.1	15.2
ECB refi rate	3.8 (22th May)	3.5	2.5
Loans (priv. sector, yoy, eop)	10.8 (Dec)	n.a.	10.8
Deposits (priv. sector, yoy, eop)	6 (Dec)	n.a.	6.0
Lending interest rate (corp., eop)	3.8 (Dec)	n.a.	3.8
Deposit interest rate (hh., eop)	0 (Dec)	n.a.	0.0

Sources: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

GDP growth in the first quarter of the year was flattish on a quarterly basis at 0.6% qoq, while picking up slightly on annual basis to 0.7% (seasonally adjusted 0.7% yoy as well). The breakdown by expenditure reveals that net exports dragged overall growth upwards, thanks to the trade balance for goods being positive for the first time in two years (BOP current account registered an EUR 0.8Bn surplus). Private consumption fared well, slowing a bit to 2.1% yoy, backed by net wages rising by 1.4% yoy in real terms in 1Q. Public consumption shrank by 1.9% yoy, while investments bounced back and expanded by 6.5% yoy, mostly due to strong construction activity. Though we are waiting on more 2Q data, at the beginning of this quarter we saw a healthy labour market, with unemployment at an all-time low, along with a pick-up in consumer sentiment.

Inflation surprised on the upside in April, accelerating mom by 1.0%, the highest monthly rate in five months. On an annual level, the base effect and fuel prices going down reduced the growth to 9.2% yoy, the lowest rate since May last year, with the rise in food and housing prices markedly moderated. On the downside, core inflation sped up for the second month in a row to a new high of 7.6% yoy, amid the constant pressure of higher services prices. In April the government extended by four months (i.e., until the end of this year) the limits on electricity and gas prices for households.

Financial Markets

The 10Y government bond spread on the Bund is steadily declining, with the average in April down by almost 20bps mom to 100bps (yield -20bps mom to 3.3%). As at May 24, the average spread had narrowed to 90bps, while the average yield had dipped to 3.2%.

Banking Sector

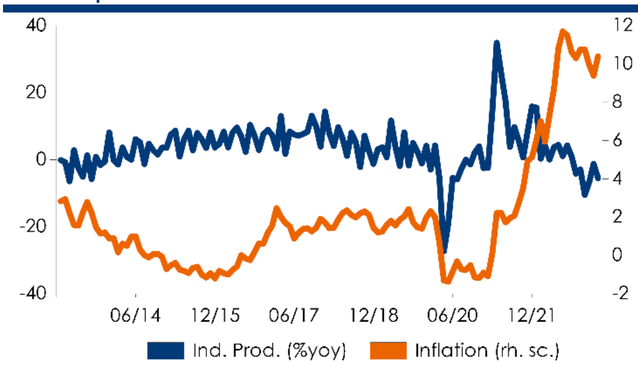
Loans slowed markedly to 5.5% yoy in March due to the notable deceleration of corporate lending. This came against the backdrop of weaker economic activity, along with a sharp rise in lending rates. Corporate loans ended the quarter up by 4.9% yoy, whereas household loan growth remained solid at 6.1% yoy. Average lending rates on newly placed loans maintained an upward trend and in 1Q were 10bps higher qoq on consumer, 60bps qoq on housing loans and 80-110bps on corporate loans. Deposit growth was sound at 7.5% yoy in March (corporates 7.0% yoy, households 7.7% yoy), buttressed by higher deposit rates. The latter provided a fillip to the rebound in deposits with an agreed maturity, which have been in the black since the start of the year (March +9.1% yoy). Average interest rates on newly agreed time deposits grew by 30bps qoq in households and by 40bps qoq in corporates in 1Q.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	-5.5 (Mar)	-4.5	-5.8
Nom. exports yoy	21.7 (Mar)	27.4	25.3
ESI (index)	94.5 (Apr)	95.4	97.5
Consumer confidence indic.	-31.4 (Apr)	-34.4	-35.2
Inflation rate yoy	9.2 (Apr)	9.9	10.6
ECB refi rate	3.8 (22th May)	3.5	2.5
Loans (priv. sector, yoy, eop)	5.5 (Mar)	5.5	9.8
Deposits (priv. sector, yoy, eop)	7.5 (Mar)	7.5	7.8
Lending interest rate (corp., eop)	3.8 (Mar)	3.8	3.0
Deposit interest rate (hh., eop)	0.6 (Mar)	0.6	0.2

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

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Kledi Gjordeni

Real Economy

Although the war in Ukraine and the inflationary shocks continue to pose a significant threat to the economy and its trading partners, the Albanian economy continued its positive growth trajectory. In the fourth quarter of 2022 GDP growth reached 4.73%. The main contributor to the growth expansion was the construction sector. Private consumption was 4.49% and the unemployment rate was 10.8%. Total investments increased by 9.8% in the fourth quarter of 2022, confirming the upward turn of the third quarter. Exports contracted by 0.59% and imports by 3.15%. Exports and imports exhibited a negative trend, reflecting the changes in the prices of goods and services. The inflation rate in April 2023 reached 4.6%, continuing its declining trend for the sixth consecutive month, as well as marking the lowest level since February 2022. Albeit a slowdown in the country's economic development is expected in the following quarters, predictions for the Albanian economy remain in positive economic growth territory. Consumption and investments will continue to be the main drivers of economic growth. Tourism will also be a strong positive influencer throughout 2023.

Financial Markets

In March 2023 the CB decided to increase the policy rate again, to 3.00% from 2.75%. Interest rates have increased in all financial products, while government bond yields have decreased and now better reflect the downtrend in the inflation rate. The appropriate monetary policy reaction has not drastically affected the positive trend in economic growth. Inflation is expected to gradually decline in the next quarter and return to the target in the middle of 2024. Meanwhile, the long-running upward trend of LEK appreciation against the FCY has acted as a restraint on high prices. By April 2023 the local currency had appreciated by 7.2% yoy against the EUR. The devaluation of the euro is a reflection of the increase in the supply of the currency in the domestic financial market, which is dictated by the improvement in the balance of payments and the relative attractiveness of financial instruments in LEK.

Banking Sector

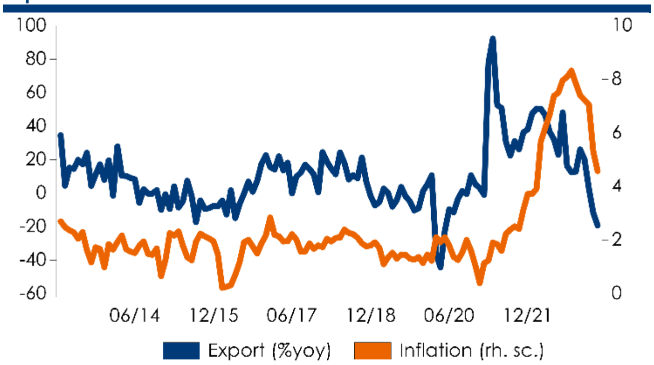
Lending activity has started to show a slight downward trend so far in 2023. The high interest rates for lending by banks, the better liquidity situation of companies, the stabilisation of prices in the economy and the reduction in uncertainty are some of the factors the central bank considers are affecting the contraction in the loans portfolio. In March 2023 the total loans portfolio grew by 3.59% yoy. The growth was mainly due to mortgage loans, instead the business loans signed a slight negative growth -0.41% yoy. Total deposits grew by 3.21%. Household deposits were up by 1.02% and corporate deposits by 11.67%. The NPL ratio in March was 5.15 %.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-11.7 (Mar)	3.8	17.2
Unemployment rate	n.a.	n.a.	10.8
Inflation rate, average yoy	4.6 (Apr)	6.5	7.9
CB reference rate	3 (31th May)	3.0	2.8
Loans (private sector, yoy, eop)	3.6 (Mar)	3.6	6.9
Deposits (private sector, yoy, eop)	3.2 (Mar)	3.2	4.8
Lending interest rate (priv. sect., eop)	7 (Mar)	7.0	6.8
Deposit interest rate (priv. sect., eop)	1.9 (Mar)	1.9	2.5

Sources: National Statistical Institute, Bank of Albania

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

As expected, the 4Q22 GDP outturn confirmed a broad-based slowdown as growth eased to 1.7% yoy, thus wrapping up FY22's growth at 4.0%. By expenditure, 4Q22 growth was heavily supported by the gross capital formation surge (+13% yoy) and still solid, although easing, private consumption (+3.2% yoy). Net exports contributed negatively as import growth (+20.6% yoy) outpaced exports (+16.8% yoy). Overall, bearing in mind the persistent double-digit inflation, which last year averaged about 14% and ate into consumers' disposable income, as well as the lack of government anti-inflation measures, by the end of the year the annual level of private consumption had held up surprisingly well (+4.9% yoy). This was mainly thanks to remittances (+18% yoy) and cash loans, and thus led to it contributing positively, alongside investments (+12.7%), to overall annual GDP growth. Available data signals a continued deceleration in economic activity as industrial production declined by -4.2% over the I-IV, with the manufacturing decline accelerating from -3.2% in February via -6.6% in March (1Q -2.9% yoy) to -9.3% yoy in April. At the same time, nominal export growth stumbled as following the positive growth registered over the first two months, both March and April ended with negative performances, pushing the cumulative I-IV exports decline to -1.8% yoy. On the other hand, following a seasonally strong January, demand eased slightly in February (-1.3% mom) only to rebound in March (+1.1% mom), leading to an overall 11.3% yoy growth in 1Q's retail trade volume, supported by both a rebound in positive real growth in average net wages and the recovering tourism industry (overnights +16.4% yoy). Simultaneously, the annual inflation rate eased to 7.9% in April dropping to single digit territory for the first time in last thirteen months, as monthly inflation slowed to 0.1%. On the political front, the High Rep. Schmidt unblocked the government formation in Federation of the BH entity and the government was formed without the consent of the Bosniak vice-president of FB&H.

Banking Sector

Ana Lokin

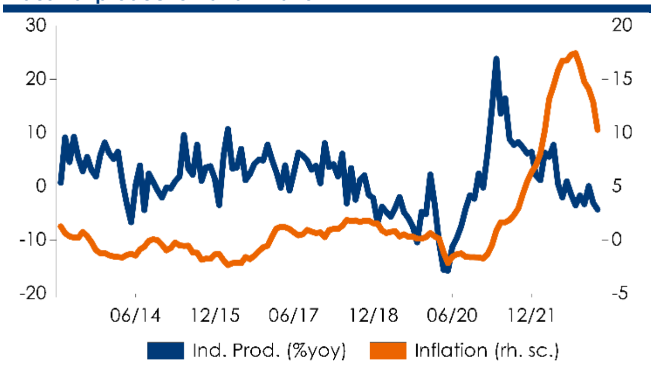
Loan growth was steady at 5.0% yoy in March, with corporate lending losing momentum (4.5% yoy), while household loans accelerated slightly (5.6% yoy). The breakdown by purpose showed consumer loans were the main driver of growth, up by 5.4% yoy in March, while housing loans continued to move into a lower gear (7.5% yoy). Household lending rates increased in 1Q, with the average rate on newly granted other (mostly consumer) loans in local currency up by 40bps qoq (to 6.2%), while the average rate on new housing indexed loans rose by 30bps qoq (to 4.5%). At the same time, the average interest rate on newly placed loans to mid-size companies in local currency flatlined at 3.7%. Deposits markedly increased in March to 9.2% yoy due to the base effect, with household deposits picking up to 8.8% yoy (-2.3% yoy in March last year). Corporate deposits continued to fluctuate, with a 9.9% yoy increase. Average interest rates on time deposits stagnated qoq on shorter maturities and increased by up to 50bps qoq on longer maturities in 1Q.

Latest macroeconomic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	-4.3 (Mar)	1.3	-0.2
Export of goods, nominal yoy	-4.8 (Mar)	2.5	6.3
Retail trade, real, wda yoy	9.8 (Mar)	11.3	12.5
Inflation rate, average yoy	10.3 (Mar)	12.4	16.1
Loans (private sector, yoy, eop)	5 (Mar)	5.0	5.3
Deposits (private sector, yoy, eop)	9.2 (Mar)	9.2	3.2

Sources: 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

Following the downward revision of 4Q22 GDP growth, to 0.6% qoq (from 0.9%) and 3.5% yoy (from 4.0%), high frequency data for the opening quarter of 2023 suggest further positive but evidently easing growth. In particular, output data indicates industrial production's monthly growth accelerated in March (to 1.2% mom, backed by a recovery in intermediate and consumer non-durables), thus returning to quarterly growth (+1.4% qoq) after the declines registered over the previous three quarters. At the same time, following the 2.1% monthly decline in January, construction activity started to pick up (+0.6%) in February, leading to a stagnant quarterly outturn. Retail trade continued to be in the doldrums and following the stagnant January and February, retail volumes declined by 0.9% mom in March, with 1Q down overall by 0.4% qoq, marking the third consecutive quarterly decline. On the other hand, foreign demand outperformed and according to preliminary data, nominal exports surged by 20.9% in March, thus lifting 1Q growth to 13.7% yoy, accompanied by a 6.1% growth in imports. Tourism also started the year on strong footing as according to e-Visitor data, total overnights over the first four months increased by 17% yoy (+4.3% vs. same period in 2019), with foreign overnights up by 18% yoy, or 1.2% vs. the same months of 2019. This showed the first tangible positive results of the Schengen area entry, which made Croatia a more accessible destination for shorter weekend travel outside of the summer months. The labour market remained supportive as administrative unemployment declined to historical lows (end May unemployment below 100ths), with employment growth averaging 2.4% yoy over the first four months of the year. However, the tight labour market led to double-digit growth in nominal wages (+11.8% yoy), which also regained real growth as annual inflation eased to 8.9% in April. Overall, pending the 1Q GDP outturn (due on May 29), we are considering an upward revision of our current 1% FY23 growth call, mainly to reflect the improved tourism outlook.

Financial Markets

Ana Lokin

The 10Y government bond spread on the benchmark stood at 150bps in April, where it remained in May (as at May 24). The yield was flattish as well, at 3.8%, on average.

Banking Sector

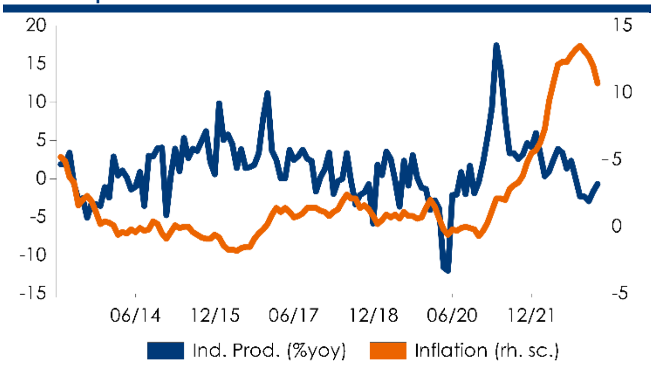
Loan growth lost momentum as corporate lending went off the boil due to the base effect, weaker price pressures enticing demand and rising lending rates. Loans ended March up by 9.3% yoy (corporates 15.2% yoy, households 5.5% yoy). Annual deposit growth moderated owing to the usual corporate deposit decline of the beginning of the year, combined with the EUR 1.2Bn household outflow in February-March due to the issue of a government 2Y bond aimed at retail investors. Deposits thus rose by 10.4% yoy in March (corporates 15.3% yoy, households 8.6% yoy). The average interest rate on new loans in 1Q rose by 0.7ppt qoq to 4.1%. Deposit rates followed suit, with the average interest rate on new time deposits in 1Q rising by 0.9ppt qoq to 1.4%.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	-0.7 (Mar)	1.4	-1.6
Export of goods, nominal yoy	6.2 (Feb)	n.a.	20.3
Retail trade, real, wda yoy	-1.3 (Mar)	0.0	0.3
ESI (index)	108.9 (Apr)	107.3	108.0
Inflation rate, average yoy	8.9 (Apr)	11.8	13.3
Loans (priv. sector, yoy, eop)	9.3 (Mar)	9.3	11.2
Deposits (priv. sector, yoy, eop)	10.4 (Mar)	10.4	15.0
Lending interest rate (priv. sect., eop)	4.2 (Mar)	4.2	3.6
Deposit interest rate (priv. sect., eop)	1.8 (Mar)	1.8	0.7

Sources: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

For the first quarter of 2023, GDP growth was announced at 2.3% yoy, lower than expectations of 3.4%. Our forecast for 2023 GDP growth is 2.3%.

Yoy CPI was 11.2% at the end of April, significantly lower than in March and below the NBR's projection. Harmonised yoy CPI was 10.4% at the end of April. According to the NBR's latest projection, inflation growth should decelerate till EOY 2023 to about 7.15%. Our forecast for 2023 EOY inflation is 7.8%.

The budget deficit at the end of March 2023 was 1.42% of GDP, significantly higher than last year and above the level of the fiscal consolidation plan, which projects a deficit at EOY 2023 of below 4.4% of GDP.

The current account deficit in 1Q23 was EUR 5.004Bn, versus EUR 5.429Bn EUR in 2022.

Financial Markets

On May 10, the NBR kept unchanged its monetary policy rates (deposit, Lombard, and reference rates) as follows: deposit facility rate 6.00%, reference rate 7.00% and credit facility rate 8.00%. The signals sent by the central bank governor were that this could be the latest hike.

If inflation decelerates at the projected level, and the tightening cycles of the ECB and the Fed end in the second part of the year, we could expect the NBR to enter into an easing cycle in the fourth quarter of 2023. The adverse evolution of exogeneous factors and a budget deficit could postpone or cancel this action.

The EURRON rate showed a depreciation from 4.92 to 4.97 (about 1%) after the 1Q GDP data announcement and due to the slight increase in uncertainty regarding the budget execution and the scheduled government switch between PNL and PSD.

Banking Sector

In 1Q23, the growth in loans and deposits remained consistent, with a slight deceleration in household loans due to high interest rates.

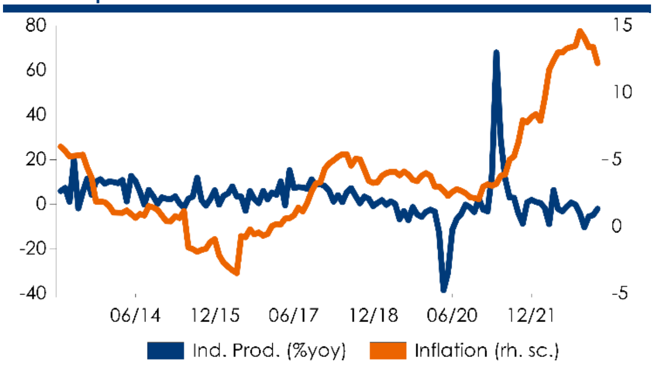
In March 2023 yoy figures showed a slight deceleration in credits at 9.25%, while deposits continued to accelerate, with growth of 9.92%. The interest rates on RON-denominated deposits and credits were 6.18% and 10.06%, on average, while on EUR-denominated deposits and credits interest rates increased to 1.56% and 6.14%, on average.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	-2 (Mar)	-4.1	-4.8
Nom. exports yoy	6.5 (Mar)	8.1	21.2
ESI (index)	101.3 (Apr)	102.0	102.1
Retail sales yoy	7.3 (Mar)	5.3	4.2
Inflation rate yoy	10.4 (Apr)	13.0	14.1
CB reference rate	7 (22nd May)	7.0	6.8
Loans (priv. sector, yoy, eop)	9.3 (Mar)	9.3	11.2
Deposits (priv. sector, yoy, eop)	9.9 (Mar)	9.9	6.7
Lending interest rate (corp., eop)	9.3 (Mar)	9.3	10.0
Deposit interest rate (hh., eop)	6.8 (Mar)	6.8	7.1

Sources: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Marija Savić

Real Economy

After slowing to 0.4% yoy in 4Q22, real GDP recovered slightly, increasing by 0.7% yoy in 1Q23. On the production side, the modest economic growth was led by the industry sector, primarily the rebound in electric energy system production and services. On the expenditure side, the main generator of growth was net exports, followed by personal consumption and fixed investments. The central bank projects economic growth will range between 2-3% in 2023, while the IMF sees real GDP at 2%, led by domestic demand, with private consumption providing the highest contribution owing to higher wages and pensions.

After reaching its peak of 16.1% yoy in March, headline inflation slowed to 15.1% yoy in April after 20 months of continuous growth. Core inflation also slowed to 11.1%. Food and energy prices still contributed almost two-thirds to inflation as the indirect effects of lifted production costs and elevated energy prices from the recent past persisted. Inflation is expected to fall more sharply in the second half of the year, ending the year twice as low as in 1Q23, and to return within the bounds of the target band (3%±1.5%) in mid-2024.

Financial Markets

The NBS decided to pause its monetary tightening, leaving the key policy rate unchanged at 6% in May. The central bank began its tightening of monetary conditions by raising the weighted average rate in reverse repo auctions as of October 2021, and then by continuously hiking the reference rate from April 2022. Since then, the key policy rate has been increased 13 times, by a total of 500bps. The NBS retains the option to increase the rate further, and also signalled there was room for a further increase in the weighted average repo rate to the level of the key policy rate, owing to the flexible monetary policy framework

The dinar has remained broadly unchanged against the euro since the beginning of the year. The appreciation pressure that has persisted since mid-2022 – albeit it was briefly interrupted in January 2023 – has continued this year, supported by favourable foreign trade movements and high FDI inflows prompting the central bank to intervene on the FX market by net buying EUR 1.06Bn in the first four months of the year. The NBS has ample foreign exchange reserves at its disposal to preserve dinar stability (gross NBS FX reserves reached the highest level on record of EUR 21.6Bn at the end of April 2023).

Banking Sector

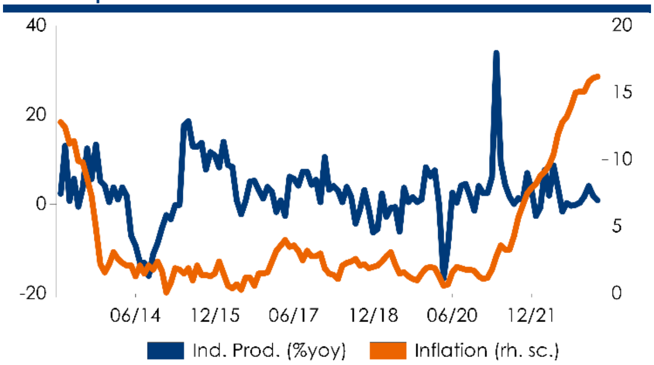
Total loans to the private sector recorded a modest yoy growth rate of 2.7% in March 2023, reflecting the high base from the previous year, as well as the NBS and ECB tightening. Monetary tightening by the NBS continued to spill over to higher interest rates on dinar loans to corporates and households, which reached 6.5% and 13.5%, respectively in March. Lending rates in euros have more than doubled since the start of the ECB's rate hiking, amounting to 7.1% for households and 6.1% for corporates.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	0.9 (Mar)	2.3	0.7
Nom. exports yoy	12.4 (Mar)	16.1	18.7
Retail sales yoy	-9 (Mar)	-3.7	2.0
Inflation rate yoy	15.1 (Apr)	16.0	15.1
CB reference rate, eop	6 (22th May)	5.8	5.0
Loans (priv. sector, yoy, eop)	2.7 (Mar)	2.7	6.4
Deposits (priv. sector, yoy, eop)	12.2 (Mar)	12.2	6.9
Lending interest rate (corp. sect., eop)	6.5 (Mar)	6.5	5.9
Deposit interest rate (hh. sect, eop)	4.8 (Mar)	4.8	4.7

Sources: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Doina Caraman

Real Economy

The Moldovan economy faced numerous challenges in 2022, including the repercussions of the war in Ukraine, along with rising gas and energy prices, severe drought and inflationary pressures. All of these factors led to a double-digit yoy contraction in GDP in 4Q22 (-10.6%), with negative overall growth in 2022 (-5.9%). The economic sectors most affected were agriculture, construction and real estate transactions and industry. In 2022 net exports made a negative 1.5ppt contribution to GDP growth. Final household consumption contributed -3.3ppt to GDP dynamics, the volume of which decreased by 4.0%, followed by gross fixed capital formation (-1.7ppt), the volume of which decreased by 6.8%. The final consumption of general government made a positive (+0.7%) contribution to GDP growth, with its volume increasing by 4.1%.

Annual consumer prices in April 2023 increased by 18.1% yoy, with food products up by 16.4%, non-food goods up by 10.6% and services tariffs by 33.2%. Despite the decreasing trend that started in 4Q22, the inflation rate remained above the upper limit of the variation range, reflecting the impact of the military conflict in Ukraine and the drought of last summer, as well as previous international price increases for food products and energy resources.

As of March 2023, industrial production decreased by 4.7% yoy due to negative growth in the production volumes of the manufacturing industry (-1.1%) and the energy sector (-15.5%), which generated decreases in industrial production of 0.8% and 4%, respectively. There was an increase in the extractive industry (+6%), which attenuated the decrease in total industry output by 0.1%.

Financial Markets

The National Bank continues the easing of monetary policy measures aiming to stimulate aggregate demand by encouraging consumption, balancing the national economy and anchoring inflationary expectations. Thus, during 2023, the policy rate has decreased significantly, from 22% at the beginning of the year to 10% in May. The 91-, 182-, and 364-day Treasury bill yields had decreased by 7.57ppt, 9.37ppt and 9.93ppt, respectively, as of May compared to end of 2022 levels, in line with the inflation trajectory and expectations.

Banking Sector

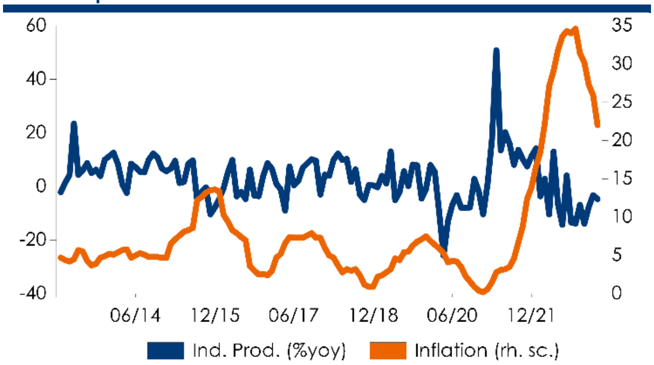
As of April 2023, the volume of private loans in the economy expanded by 6.1% yoy, driven by the double-digit growth rate of corporate loans (13.0%), which offset the 3.8% contraction in the stock of individual loans. On the other hand, deposit growth accelerated amid the higher interest rates compared with the first quarter of 2022, with the stock increasing by 23.0% yoy due to the 25.5% and 21.4% yoy increases in corporate and household deposit volumes. The degree of coverage of loans by deposits was 166%, indicating that there are enough resources to increase lending. The NPL ratio was rather stable during the first four months of 2023, with slight fluctuations but maintaining a monthly average level of 6.7%.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	-4.7 (Mar)	-5.2	-11.5
Nom. exports yoy	-2 (Mar)	1.3	1.8
PMI manufacturing	-2 (Mar)	1.3	1.8
Retail sales	-5.6 (Dec)	n.a.	-3.4
Inflation rate yoy	18.1 (Apr)	25.1	32.1
CB reference rate	10 (31th May)	14.0	20.0
Loans (priv. sector, yoy, eop)	5.3 (Mar)	5.3	9.3
Deposits (priv. sector, yoy, eop)	23 (Apr)	19.3	5.4
Lending interest rate (corp., eop)	13.8 (Apr)	14.5	14.0
Deposit interest rate (hh., eop)	12.7 (Apr)	12.8	12.0

Sources: 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 (CBR), inflationary risks from the labour market are persisting. Significant labour shortages in some industries could lead to labour productivity growth below that of real wages. High inflation expectations, which are particularly sensitive to exchange rate fluctuations, are also a source of risk. Under these conditions, the increase of more liquid assets in the household savings structure could stimulate higher consumer demand in the future. Changes in the structure of aggregate demand continue within the framework of the structural transformation of the economy. Consumer demand continues to recover, but is still moderate. At the same time, the overall contribution of fiscal policy to the expansion of aggregate demand continues to increase, partly due to increasing public investment.

Financial Markets

As expected, on April 28 the CBR decided to keep the key rate at 7.50%. Given the gradual increase in inflationary pressures, the CBR will assess the need to raise the key rate at its next meetings to stabilise inflation close to 4% in 2024 and beyond. According to the CB's forecast and given its monetary policy stance, annual inflation should decline to 4.5-6.5% in 2023 and return to 4% in 2024 and 2025. Because of the deteriorating external conditions – in particular, following Western financial sanctions – the ruble depreciated by 12.9% in the first five months of 2023.

Banking Sector

Davidia Zucchelli

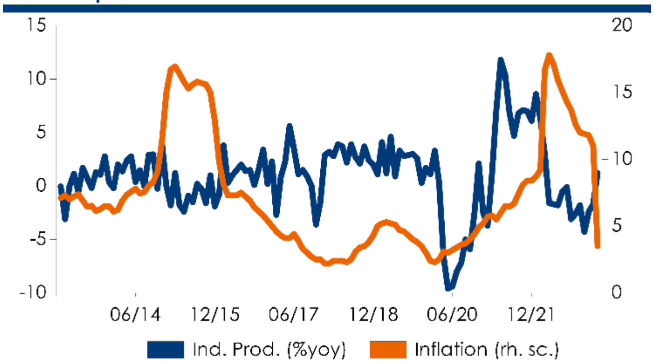
Loan growth remained strong in Russia (+9.1% yoy in February in nominal terms), particularly in corporates (+9.6% yoy vs. +8.1% yoy in households). Households are still being sustained by the subsidised mortgage lending programme, though loans to this group have slowed from 25% in 2021. Deposits rebounded in March (+11.5% yoy in nominal terms, improving from 5.8% yoy the previous month), both to households (+9.4% yoy) and corporates (+14.1% yoy).

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	1.2 (Mar)	-1.0	-2.9
Nom. exports yoy	72.1 (Jan)	n.a.	n.a.
Retail sales yoy	-5.1 (Mar)	-6.5	-9.4
PMI manufacturing	52.6 (Apr)	53.2	53.0
Inflation rate yoy	2.3 (Apr)	8.8	12.2
CB reference rate	7.5 (30th Apr)	7.5	7.5
Loans (priv. sector, yoy, eop)	9.1 (Feb)	n.a.	11.8
Deposits (priv. sector, yoy, eop)	11.5 (Feb)	n.a.	11.0
Lending interest rate (corp., eop)	9.5 (Feb)	n.a.	8.9
Deposit interest rate (hh., eop)	5.4 (Feb)	n.a.	5.4

Sources: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Artem Krasovskyi

Real Economy

Even though there is no end in sight, the warfare in Ukraine seems to be becoming more localised, with battlefields concentrated at the eastern and southern regions of the country. Coupled with the faster energy system restoration and an increase in expected financial support from international partners, the prospects for economic recovery are improving. The NBU has revised its GDP forecast from 0.3% to 2% in 2023. International financial aid will remain the main source of budget deficit financing this year. In 2024 and 2025, economic growth is expected to accelerate to 4.3% and 6.4%, respectively, assuming a decrease in security risks starting from 2024. Inflation has been slowing in 2023 ahead of NBU's expectations and reached 17.9% yoy in April, compared to 21.3% in March and 24.9% in February. In monthly terms, in April prices increased by 0.2%. According to the NBU's updated forecast, by year-end 2023 the CPI is set to land at 14.8% yoy (down from the 18.7% expected earlier) and will slow to 9.6% next year and to 6% in 2025, on the back of the further gradual restoration of logistics and production facilities.

Financial Markets

As we approach the anniversary of the policy rate having remained unchanged at 25%, the NBU has, however, heralded the forthcoming easing of monetary policy in 4Q23 (as opposed to the previously declared 1Q24). The potential for a policy rate decrease is limited though, and overall monetary conditions will remain fairly tight for a long period (the policy rate is seen at 18-21% by the end of 2023 and at 16-18% by the end of 2024). This will allow the NBU to simultaneously start a careful easing of FX capital flow restrictions without jeopardising macro-financial stability.

Banking Sector

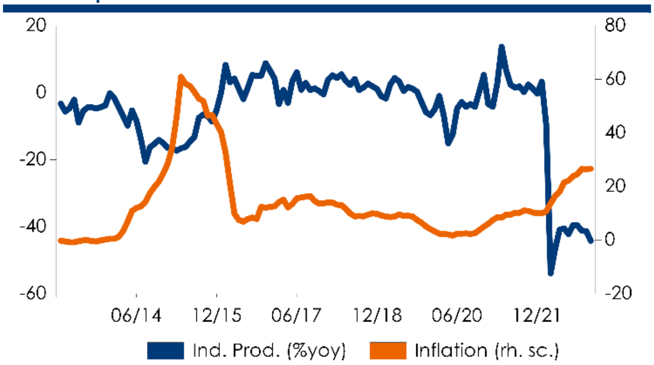
The Ukrainian banking sector remains stable and over-liquid. In 1Q23, the banks earned UAH 34Bn in profit, as opposed to the UAH 150M of losses in 1Q22. Operating income increased by 48% yoy. The volumes of banking operations have been recovering on the back of the gradual recovery of economic activity and the relatively insignificant amount of new provisions. The ROE as of April 2023 was 58%, compared to -0.25% a year earlier. Income tax for the quarter exceeded the corresponding annual indicator of the historically most profitable year of 2021. The pace of provisions forming slowed by 82% compared with 1Q22. In general, since the beginning of the war, banks have formed provisions amounting to UAH 108Bn. The share of non-performing loans decreased to 37.92% in March, compared to the 38.1% seen at year-end 2022 and the 38.4% in February 2023.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production yoy	-44.2 (Dec)	n.a.	-42.2
Nom. exports yoy	-26.9 (Mar)	-39.5	-33.7
PMI manufacturing	-26.9 (Mar)	-39.5	-33.7
Retail sales	-28 (Dec)	n.a.	-26.5
Inflation rate yoy	17.9 (Apr)	24.1	26.6
CB reference rate	25 (30th Apr)	25.0	25.0
Loans (priv. sector, yoy, eop)	-7.2 (Mar)	-7.2	-4.4
Deposits (priv. sector, yoy, eop)	34 (Mar)	34.0	25.1
Lending interest rate (corp., eop)	20.5 (Mar)	20.5	20.4
Deposit interest rate (hh., eop)	12.8 (Mar)	12.8	11.8

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

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Samer Halim

Real Economy

Egypt's Purchasing Managers' Index (PMI) rose to 47.3 in April 2023, its highest level since October 2022 and up from 46.7 last March. April's reading indicated that the pace of decline in business conditions had softened. Annual urban headline CPI went down in April, recording 30.6% against its peak one month earlier. Core inflation, which excludes volatile items, is declining as well after reaching a record high in February 2023 (40.3%). This improvement can be explained by the favourable base year effect, the stability of global prices of food and energy, the slowdown of growth in domestic liquidity and the easing of major inflationary shocks such as the repercussions of exchange rate developments.

Financial Markets

The CBE kept the overnight deposit and lending rates unchanged at 18.25% and 19.25%, respectively, in May (total hikes have amounted to 1,000bps since 2022). The decision balanced the slowdown in GDP real growth to 3.9% in 4Q22, against 4.4% in the previous quarter, against the high inflation rate, which is still far from the CBE target of 7% (± 2%), on average, by 4Q24. The EGP exchange rate has been stable in banks since the first week of March (EGP 30.9 per USD). However, the parallel market is still active and is negatively affecting the inflows of remittances, the country's second top source of foreign currency, with these having plunged by 23% yoy in 2H22 (the USD is traded at EGP 37-40 in the parallel market). On the positive front, Egypt's current account balance recorded a surplus of USD 1.8Bn during 4Q22, supported by an improvement in the trade deficit. Suez Canal revenues are also heading to an all-time high as the Ukrainian crisis has led to an increase in oil tankers transiting the canal. Tourism is picking up as well, and tourist arrivals surged by 35% yoy during the first two months of 2023. On the other hand, portfolio investment outflows amounted to USD 27.6Bn during 4Q21-4Q22, reflecting the pressures Egypt's external position was exposed to. In terms of investments, Egypt's government sold 10% of its stake in Telecom Egypt for USD 128M last week, a few days after the UAE's National Paints acquired 81% of state-owned Paint and Chemicals Industries (PACHIN). Furthermore, Egypt's PM announced that there are acquisition offers for military-owned companies Safy and Wataneya, in addition to major wind farms Jabal Al Zeit and Zaafrana. Net international reserves inched up by USD 104M to USD 34.55Bn in April vs. March.

Banking Sector

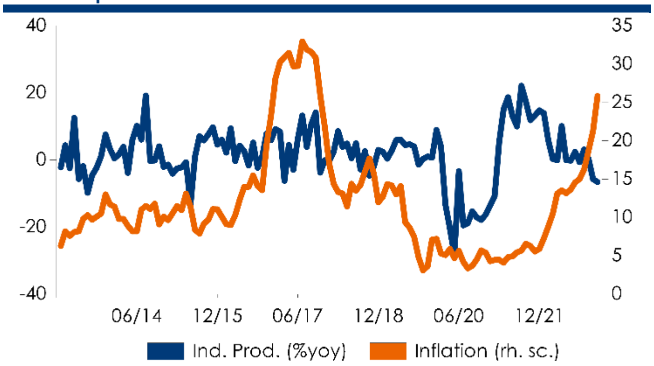
Total private deposits climbed by 32.6% yoy in January 2023, partially due to the re-evaluation of foreign currency deposits. Private loans also temporarily rose in the same month. However, this trend is likely to slow down in the coming months on the back of rising interest rates, lower real GDP growth and weaker demand. Banks' net foreign assets for non-residents recorded negative USD 15.5Bn in March.

Latest economic indicators

	Last value	1Q23	4Q22
Industrial production, wda yoy	-6.6 (Jan)	-6.6	-0.8
Nom. exports yoy	-7.1 (Jan)	-7.1	-10.0
Retail sales yoy	n.a.	n.a.	n.a.
PMI	47.3 (Apr)	46.7	47.2
Inflation rate yoy	30.6 (Apr)	30.1	18.7
CB reference rate	18.3 (22th May)	16.3	16.3
Loans (priv. sector, yoy, eop)	32.4 (Jan)	n.a.	28.4
Deposits (priv. sector, yoy, eop)	32.6 (Jan)	n.a.	27.4
Lending interest rate (corp., eop)	15.9 (Mar)	15.9	13.3
Deposit interest rate (hh., eop)	11 (Mar)	11.0	9.8

Sources: 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]		
		1Q23	4Q22	2022	Last	mth	1Q23	Last	mth	1Q23	Last	mth	1Q23	Last	mth	1Q23	Last	mth	1Q23	Last	mth	1Q23	Last	mth	1Q23
CEE	Czechia	-0.2	0.3	2.6	2.2	Mar	0.8	5.2	Mar	10.0	-7.8	Mar	-6.7	12.7	Apr	16.4	3.6	Apr	3.8	9.3	Mar	10.7	88.8	Apr	93.5
	Hungary	n.a.	0.4	4.6	-4.1	Mar	-3.0	16.0	Mar	10.1	-12.6	Mar	-8.9	24.0	Apr	25.4	4.0	Mar	4.0	0.8	Feb	8.5	94.9	Apr	97.6
	Poland	-0.2	2.3	4.9	-2.9	Mar	-0.7	8.3	Mar	12.8	-7.3	Mar	-4.1	14.7	Apr	17.0	5.4	Mar	5.5	13.5	Jan	13.5	91.5	Apr	90.4
	Slovakia	0.9	0.9	1.7	2.5	Mar	-3.6	12.6	Mar	11.3	-6.0	Mar	-2.8	13.8	Apr	15.1	5.3	Apr	5.7	9.8	Mar	10.2	98.4	Apr	90.4
	Slovenia	0.7	0.2	5.4	-5.5	Mar	-4.5	21.7	Mar	27.4	-13.1	Mar	0.9	9.2	Apr	9.9	5.4	Feb	5.5	12.2	Feb	12.7	94.5	Apr	95.4
SEE	Albania	n.a.	4.7	4.8	n.a.	n.a.	n.a.	-11.7	Mar	3.8	n.a.	n.a.	n.a.	4.6	Apr	6.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	n.a.	1.7	4.0	-4.3	Mar	-2.5	-4.8	Mar	2.5	10.1	Mar	11.2	10.3	Mar	12.4	29.4	Feb	29.5	15.4	Mar	15.2	n.a.	n.a.	n.a.
	Croatia	n.a.	4.0	6.3	-0.7	Mar	-0.9	6.2	Feb	n.a.	0.3	Mar	0.5	8.9	Apr	11.8	6.5	Mar	6.9	11.8	Feb	11.8	108.9	Apr	107.3
	Romania	2.3	4.7	n.a.	-2.0	Mar	-4.1	6.5	Mar	8.1	7.3	Mar	5.3	10.4	Apr	13.0	5.4	Mar	5.5	15.7	Mar	15.2	101.3	Apr	102.0
	Serbia	0.7	0.4	2.3	0.9	Mar	2.3	12.4	Mar	16.1	-9.0	Mar	-3.7	15.1	Apr	16.0	n.a.	n.a.	n.a.	15.2	Feb	16.0	n.a.	n.a.	n.a.
EE & MENA	Moldova	n.a.	-10.6	-5.9	-4.9	Feb	-6.3	-2.0	Mar	1.3	-5.6	Dec	n.a.	18.1	Apr	25.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	-1.9	-2.7	-2.1	1.2	Mar	-1.0	-40.9	Jan	n.a.	-5.1	Mar	-6.5	2.3	Apr	8.8	3.5	Mar	n.a.	13.5	Feb	n.a.	52.6	Apr	53.2
	Ukraine	n.a.	-31.4	-28.4	-44.2	Dec	n.a.	-26.9	Mar	-39.5	-28.0	Dec	n.a.	17.9	Apr	24.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	n.a.	3.9	4.3	-6.6	Jan	-6.6	-7.1	Jan	-7.1	n.a.	n.a.	n.a.	30.6	Apr	30.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47.3	Apr	46.7
	m.i. E. A.	*1.3*	*1.9*	*3.5*	*-1.5*	*Mar*	*0.4*	*9.1*	*Dec*	*n.a.*				*7.0*	*Apr*	*8.0*									

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

Markets and Ratings

		S/T rates		L/T rates[1]		Foreign exchanges[2]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[3]			CA bal. (mln €)[4]		Rating
		19/5	3M*	19/5	3M*	19/5	3M*	1Y*	3M*	1Y*	19/5	17/2	1Q23	4Q22	2022	1Q23	4Q22	Moody's
CEE	Czechia	7.2	0.0	4.5	-0.3	23.78	0.28	-3.77	-5.9	-2.0	32.8	35.0	n.a.	n.a.	n.a.	n.a.	-16,913.7	Aa3
	Hungary	16.1	-0.1	7.8	0.1	377.33	-2.15	-2.25	2.1	12.3	159.4	154.0	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	7.3	-0.4	6.0	-0.5	4.54	-4.98	-2.29	7.4	16.9	81.3	91.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Slovakia	3.4	0.7	3.8	0.4	n.a.	n.a.	n.a.	-8.3	-19.4	34.9	38.3	n.a.	n.a.	n.a.	n.a.	-8,718.5	A2
	Slovenia	3.4	0.7	3.4	-0.3	n.a.	n.a.	n.a.	2.5	7.6	37.7	45.6	41	-72	134	778	-78.9	A3
SEE	Albania	2.7	n.a.	n.a.	n.a.	111.43	-3.75	-7.25	n.a.	n.a.	n.a.	n.a.	n.a.	-12	n.a.	n.a.	-477.0	n.a.
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-439	-232	-144	n.a.	-354.8	n.a.
	Croatia	0.4	0.0	3.9	-0.1	7.53	0.00	0.22	4.9	8.8	91.9	87.5	-24,749	1,616	2,855	n.a.	-1,439.6	Baa2
	Romania	6.4	-0.4	7.1	-0.7	4.98	1.26	0.62	-0.2	2.6	187.0	225.8	n.a.	n.a.	n.a.	n.a.	-26,571.0	Baa3
	Serbia	6.0	0.5	n.a.	n.a.	117.26	-0.05	-0.17	5.1	12.5	221.5	232.8	1,965	2,914	2,961	-112	-836.8	Ba2
EE & MENA	Moldova	10.0	-6.1	7.1	-9.6	17.69	-5.40	-6.96	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	54.0	B3
	Russia	8.33	0.0	10.7	-5.4	80.10	8.61	28.93	20.3	7.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	12.8	0.0	23.7	-6.3	36.93	0.51	25.01	0.0	-2.3	14,247.7	14,247.7	3,171	3,994	-4,129	-798	112.0	Ca
	Egypt	21.9	1.2	11.3	0.0	30.90	1.13	69.08	-2.7	59.8	1,679.0	924.8	444	805	n.a.	n.a.	1,410.1	B3
	m.i.A.E.	*3.4*	*0.7*	*2.4*	*0.0*	*1.1*	*1.2*	*1.9*	2.3	*13.7*	6.88	6.69						

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

Banking aggregates and interest rates (private sector)

		Loans chg yoy %			NPL/Loans %			Foreign Liab. chg yoy %			Deposits chg yoy %			Loans rate1-NewB*. %				DepositsRate1-NewB*. %				Loans/Dep %		
		Last	Mth	2022	Last	mth	2022	Last	mth	2022	Last	Mth	2022	Last	mth	2022	S[4]	Last	mth	2022	S[4]	Last	mth	2022
CEE	Czechia	3.2	Mar	4.5	1.9	Mar	2.0	-2.3	Mar	18.1	6.4	Mar	4.2	8.9	Mar	9.0	C	6.0	Mar	6.0	H	69.5	Mar	71.0
	Hungary	11.5	Mar	11.6	2.3	Dec	2.3	43.8	Mar	56.4	0.5	Mar	2.5	12.8	Mar	11.5	C	13.3	Mar	12.3	H	80.7	Mar	78.3
	Poland	-1.3	Mar	0.2	4.0	Mar	n.a.	n.a.	Mar	n.a.	10.3	Mar	5.6	8.7	Mar	8.7	C	5.9	Mar	6.5	H	73.9	Mar	76.0
	Slovakia	10.8	Dec	10.8	1.9	Dec	1.9	23.8	Oct	n.a.	6.0	Dec	6.0	3.8	Dec	3.8	C[2]	0.0	Dec	0.0	H[2]	108.3	Dec	108.3
	Slovenia	5.5	Mar	9.8	1.1	Feb	1.1	26.1	Mar	33.7	7.5	Mar	7.8	3.8	Mar	3.0	C[2]	0.6	Mar	0.2	H[2]	64.3	Mar	64.3
SEE	Albania	3.6	Mar	6.9	5.2	Feb	5.0	-10.0	Mar	-10.8	3.2	Mar	4.8	6.1	Mar	6.5	PS	1.9	Mar	2.5	PS	55.0	Mar	54.8
	Bosnia H.	5.0	Mar	5.3	4.9	Sep	n.a.	-17.6	Mar	-7.0	9.2	Mar	3.2	3.6	Mar	4.0	C	0.2	Mar	0.5	H	91.0	Mar	91.3
	Croatia	9.3	Mar	11.2	3.0	Dec	3.0	-11.3	Mar	27.7	10.4	Mar	15.0	4.2	Mar	3.6	PS	1.8	Mar	0.7	PS	67.7	Mar	63.8
	Romania	9.3	Mar	11.2	2.7	Feb	2.7	32.3	Mar	35.8	9.9	Mar	6.7	10.1	Mar	9.7	PS	6.2	Mar	6.7	PS	70.5	Mar	71.0
	Serbia	2.7	Mar	6.4	3.0	Mar	3.0	10.3	Mar	14.1	12.2	Mar	6.9	11.2	Mar	9.3	PS	5.9	Mar	6.2	PS	87.6	Mar	89.7
EE & MENA	Moldova	5.3	Mar	9.3	6.5	Mar	6.4	46.4	Mar	70.5	23.0	Apr	5.4	12.9	Apr	12.9	C	12.2	Apr	11.4	H	61.0	Mar	64.9
	Russia	9.1	Feb	11.8	6.1	Dec	6.1	n.a.	Mar	n.a.	11.5	Feb	11.0	9.5	Feb	8.9	C	5.4	Feb	5.4	H	128.3	Feb	120.3
	Ukraine	-7.2	Mar	-4.4	37.9	Mar	38.1	-6.1	Mar	-21.6	34.0	Mar	25.1	22.9	Mar	22.0	PS	13.2	Mar	10.7	PS	51.4	Mar	55.2
	Egypt	32.4	Jan	28.4	3.4	Dec	3.4	125.3	Jan	83.1	32.6	Jan	27.4	15.9	Mar	13.3	C	11.0	Mar	9.8	H	35.6	Jan	35.6
	m.i. E. A.	*3.22*	*Mar*	*4.2*	*n.a.*	*n.a.*	*n.a.*	*4.1*	*Mar*	*9.0*	*2.0*	*Mar*	*3.3*	*4.1*	*Mar*	*3.4*	*C*	*2.1*	*Mar*	*1.4*	*H*	*75.7*	*Mar*	*75.3*

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

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