International Research

Economic and Banking Monitor

November 2023

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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Viewpoint

The Middle East geopolitical crisis has raised the level of short-term uncertainty by increasing downside risks to economic growth and upside risks to inflation. While awaiting developments, we confirm the outlook for a GDP recovery at a moderate pace in 2024 and declines in inflation and policy rates.

- **Economic Growth**
  The Central and Eastern Europe (CEE) region has experienced economic headwinds, with a notable GDP contraction. While industrial production saw a downward trend, certain countries, like Slovakia, demonstrated resilience. Conversely, the Southeast Europe (SEE) region showcased a more robust economic performance, driven by countries like Albania and Serbia, despite ongoing industrial challenges. In Eastern Europe and MENA, contrasting trends emerged. Russia displayed industrial strength, while Ukraine's industrial sector showed signs of recovery. Moldova and Egypt, however, faced economic hurdles, highlighting the different growth dynamics across these regions.

- **Inflation**
  Inflationary pressures persisted in the CEE area, though showing signs of easing. Hungary grappled with significant inflationary challenges, while other countries exhibited more moderate levels. The SEE region observed a gradual cooling of inflation rates, with Albania maintaining lower levels compared to its neighbours. The EE region offered a mixed picture. Russia witnessed a rising inflation trend, while Moldova and Ukraine saw some relief. Finally, Egypt, struggled with exceptionally high inflation.

- **Monetary Policies**
  Monetary policy stances varied across regions. In the CEE area, Hungary and Poland started monetary easing cycles, while Czech Republic maintained a steady approach. In the SEE region, countries like Albania, Romania, and Serbia held rates steady, signalling a focus on stability. The EE region saw divergent monetary strategies. Russia was more aggressive, significantly raising rates, whereas Moldova and Ukraine opted for rate reductions to bolster economic recovery amid challenging conditions. These policy decisions reflect the complex and differing economic realities faced by each region.

- **Banking aggregates**
  - **Loans**: Across the CEE, SEE and EE areas, loan trends are diverging. CEE is experiencing a general slowdown, with Poland and Hungary facing negative trends. SEE is seeing a gradual slowdown, with significant declines in Serbia, but mixed patterns elsewhere. EE presents a contrasting picture: Russia with strong growth, Moldova moderate, and Ukraine facing negative trends. Egypt stands out with vigorous growth for both the household and corporate sectors.
  - **Deposits**: Deposit trends are more uniform across regions. The CEE area continues to see growth despite economic challenges, with a notable increase in Poland. In the SEE area, there are strong increases overall, especially in Albania, but mixed trends in Serbia. The EE area shows substantial growth in Russia and Moldova, while Ukraine demonstrates a weaker performance. In Egypt, deposits have grown substantially, influenced by the depreciation of the Egyptian pound.
  - **Non-Performing Loans**: NPL ratios vary across regions. The CEE area generally shows lower ratios, with Slovenia recording the lowest level. The SEE area is experiencing slight decreases overall, with a notable improvement in Croatia. The EE area presents diverse scenarios: a decrease in Moldova, but a significant increase in Ukraine. In Egypt, the NPL ratio remains very low, with only a slight increase noted.

Contents

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

Estimates for GDP have confirmed expectations of a very weak economic performance in the CEE area in 2Q23. GDP contracted by 0.6% yoy on a weighted average basis vs -0.3% in 1Q23, with country data ranging from -2.4% for Hungary to +1.5% for Slovakia. On a seasonally adjusted quarterly basis, the GDP dynamic moved into negative territory (-0.7%) from +0.7% in the previous quarter.

In many cases, the most recent high-frequency economic indicators, mainly using August and September data, pointed to a still-feeble economic dynamic, even if on a gradual recovery path. In September, the **Economic Sentiment Indicator** (ESI; in weighted average data) for the CEE region decreased slightly, to 93.4 from 94.4, but remained above the 91.7 recorded in July 2023 (and above the average for Q3), with figures ranging from 86.6 in Czech Republic to 95.5 in Poland. On average, among the subcomponents of the indicator, consumer sentiment seemed particularly weak, as it has been affected by declines in disposable incomes and the higher cost of financing.

In August, the **industrial production** trend remained negative (-2.3% vs -2.6% in July) on a weighted average basis in the area. In the CEE region, it ranged from -12.3% in Slovenia, due to lower production in all three sectors – electricity, gas, steam & air conditioning supply (-24.5% vs -34.3% in July), manufacturing (-12.1% vs -6.1%), and mining & quarrying (-4.7% vs 0.1%) – to -1.5% in Poland, amid weak performances in several sub-activities, especially manufacturing (-3.7% vs -2% in July).

In August, the **real retail sales** dynamics improved further (to -2.0% yoy from -4.6%). Household demand was still very weak in all the countries in the CEE region, but particularly in Slovenia and Czech Republic (-21.3% and -2.8%, respectively).

Albeit with differences by country, **inflationary pressures** are cooling in the CEE area. However, the trend in consumer prices is still very high, with upside risks, as the Russia-Ukraine war and the war in the Middle East are fuelling tensions internationally, and the nominal wage dynamic (above 10% in February on a w.a. basis) is quite strong. Aggregating the data (w.a.), in September, due to weakening energy prices – and in some cases, to the strength of national currencies – inflation fell further (8.5%). Additionally, prices in the less volatile components of the consumer basket decelerated in September as core inflation fell to about 7.5% (from 10.3% in August), ranging from 7.2% in Slovenia to 13.1% in Hungary.

At their most recent meetings, the central banks of Hungary and Poland reduced their **policy rates** to 5.75% and 12.25%, respectively, while the Czech National Bank held its two-week repo rate steady for a 10th consecutive meeting at 7% in September. In financial markets, **long-term yields** rose in all CEE countries with respect to three months ago (+30bps on a w.a. basis in the CEE), with a widening of the spread with respect to 10Y Bund yields. Due to geopolitical tensions relating to the conflicts in Ukraine and the Middle East, and concerns about the economic implications, particularly in those countries more exposed to energy imports, national currencies have appreciated slightly with respect to the last three months in the CEE region.

Davidia Zucchelli

With regard to **banking aggregates, in the CEE area,** they decelerated in many countries in August, and fell in Poland by 4.9%, because of still-weak economic conditions, as well as high inflation and tightening credit conditions. Loans moved into negative territory (-1.1% yoy) in **CEE countries** (from a rise of 0.3% in July).

In Hungary, in particular, loans decelerated significantly (by more than 3pp, from 6.9% yoy to 3.4%). Thus, in real terms, growth rates remained in negative territory (-11.5% yoy in the area), particularly in Poland (-15% yoy) and Hungary (-13% yoy). The deterioration occurred in all countries in both the **household sector** (from -0.6% yoy in July to -0.5% yoy in August) and especially the **corporate sector,** which showed declines in Poland (-6% yoy) and Slovenia (-1.6% yoy). It is worth highlighting that corporate loans fell into negative territory (-2.1% yoy in the area) after a gradual deceleration started in September 2022 (when they increased by +21% yoy). Household loans were negatively affected by inflation and weak salaries, mainly in Poland (-4.3% yoy), where they were also impacted by the open legal cases regarding foreign currency mortgages. All countries reported lower **NPL ratios**, despite deteriorating expectations, with the lowest still being recorded by Slovenia (1%). Despite the weak economic context, precautionary saving continued to support **deposit growth** in CEE (from +7.7% in July to +7.0% yoy in August), particularly in Poland (+11.4% yoy in August from +12.3%, in July) and Czech Republic (+6.4%). Therefore, the shift of savers from low-yielding overnight bank deposits to higher-yielding but less liquid time deposits, money market funds and bonds, which is clear in eurozone countries, is still modest in CEE countries. The effect of inflation had been relevant regarding deposits as well (the average in the area was -3.5% yoy in real terms). The deposit performance has been boosting banks' **liquidity positions**. **Loan/deposit ratios** remained well under 100% in all countries, with the exception of Slovakia, where it was 110% as of August, highlighting some funding tensions.

In Hungary, loan growth decelerated significantly in August, growing by 3.4% yoy (from 6.9% in July) as the result of a deceleration in both the household (2.6% from 4.3% yoy in July) and the corporate (4.1% from 9% yoy in the previous month) sectors. In contrast, **deposits fell** significantly in August (-7.4% yoy from -6.1% in the previous month) because of the decline in the household sector (-12.7% yoy vs -2.8% in the corporate sector) due to recession and falling real wages. In **Poland**, loans to the private sector further widened the decline (-4.9% yoy in August from -3.8% yoy in July), negatively affected by household loans (-4.3% yoy) and particularly by corporate loans (-6.1% yoy in August after -1.6% yoy in July). The NPL ratio was the highest in the area (4.4% as of September, stable in comparison to December, according to EBA elaborations). In **Slovenia,** loans decelerated (by 1% yoy from 2.4% yoy in July) in the household segment (+3.4% yoy in August), while for corporates, they declined by 1.6%. At the same time, deposits improved slightly (+6.2% yoy, up from +6.6% yoy in July), by 5.3% yoy in the household sector and 7.7% yoy in the corporate sector. But, new government bond issues aimed at retail investors could cause an outflow of deposits in the last past of this year. **Czech Republic** recorded moderate performances in August in both lending (+3.9% yoy, but -4.6% in real terms) and deposits (+6.4% yoy and -2% in real terms, based on +5.6% in the corporate, strongly decelerating, and +6.8% in the household segments). **In Slovakia,** loans grew by 4.7% yoy, more homogeneously in the corporate (3.5% yoy) and household (5.4%) sectors, supported by decreasing interest rates. But, there are some funding tensions, as highlighted by the **loan/deposit ratio** (110%). Foreign liabilities accelerated strongly in 2023, most recently by 70% yoy in August, jumping from EUR 3.8Bn in December to EUR 5.7Bn in August. But the change is very modest compared to deposits (8%).

SEE Area

Antonio Pesce

In the SEE region, in 2Q23, GDP accelerated to 2.5% yoy from 1.3% in the previous quarter. Among the SEE countries, GDP growth has ranged from 1.7% in Serbia to 3.3% in Albania. The economy grew 1.5% qoq in the second quarter (on a seasonally adjusted basis), recovering from a-0.5% contraction in the previous period.

The last releases of high frequency indicators signal a strengthening of the economic cycle in the SEE region in the third quarter of this year. The **ESI** (as a weighted average) declined to 84.2 in September but remained above the Q2 average. **Industrial production**, still on a negative trend, improved somewhat in August (-3.3% yoy from -4.5%, on average, in Q2) thanks to + 4.6% yoy in Serbia despite the contraction (-5.8%) in Romania and Croatia (-1.0%). In the same month, the trends for **retail sales** (4.1%) continued to be positive, ranging from 0.6% in Romania to 3.5% in Croatia, while export dynamics were in negative territory (-7.4%) due to the strong contraction observed in Albania (-23.2% yoy) and Romania (-7.1% yoy).

After the peak reached in December 2022 (15.3%), the w.a. **inflation rate** fell due to the easing of pressures relating to both energy prices and production costs. The consumer price trend reached 8.3% in September (on a regional w.a. basis), ranging from 4.0% in Albania to 11.6% in Serbia. In their last meetings, the **central banks** of Albania, Romania and Serbia kept their policy rates at 3.0%, 7.0% and 6.5%, respectively. At the same time, **long-term yields** in Romania increased to 7.2% (40bps higher than three months ago). In Croatia, long-term yields increased as well (to 4.1%, +10bps with respect to three months ago). In the **FX** markets, local currencies remained stable in recent months, and **CDS spreads** declined slightly in Romania (to153.5 from 137.5), Serbia (to 223.2 from 229.3) and Croatia (to 83.5 from 90.2).

Davidia Zucchelli

On the **banking side, total loans to the private sector confirmed their gradual slowdown,** which began in June 2022. Total loans increased by 4.5% yoy in August, as in July, from 5.2% yoy in June in the area. In Serbia, loan growth moved into negative territory (-0.38% yoy), while in Romania, it decelerated slightly, from 5% to 4.9% yoy. In the other countries, loans accelerated, particularly in Albania (from -0.4% to 1.5% yoy in August). **In real terms**, loans showed negative yoy changes in all countries (-4.4% yoy), but particularly in Serbia (-12% yoy). Loans to **corporates** (which increased by 7% yoy in August from +7.5% yoy in July) continued to be more dynamic than loans to **households** (which accelerated from 1.8% in July to 2.1% yoy in August). A very slight decrease in **NPLs** occurred in Croatia (from 3.2% in July 2023 to 2.99% as at August). **Deposits from the private sector** continued to report strong increases (accelerating from 8.7% yoy in July to 9% yoy as at August), mainly in Albania (to 1.5% yoy) but decelerating in Serbia (from 12.1% to 10.2% in August), also thanks to the gradual increase of deposit interest rates and despite growing competition from alternative short-term investments, mainly government bonds (in Croatia). The **liquidity position** was still strong in August. The loan/deposit ratio remained well under 100%, especially in Albania (55.2%).

Loans confirmed a nominal growth rate of 5.3% yoy in Bosnia. However, the best performer was still Croatia (8.4% yoy). In **Romania,** loan growth continued to be vigorous (+4.9% yoy), especially in the corporate sector (+9.7% yoy vs +0.2% for households). Household deposits increased slightly, from 10.6% yoy in July to 12% in August, despite the gradual decrease of the deposit interest rate (from 7.1% in December 2022 to 6.3% in August).

In **Serbia,** lending grew by 2.0% yoy in August to households and decreased by 2.4% yoy to corporates. Corporate deposits also rose strongly (+16.4% yoy vs +6% for households). Banking aggregates were modest in **Albania**. Loans accelerated in the household (+9% yoy, from +7.6% yoy in July) but decreased in the corporate (-6% from -4.4% in July) segments. Deposits continued to be dynamic in the corporate sector (+16.5%) and very weak (-2.6%) in the household sector, leading to a total deposit boost of 1.5%.

Banking aggregates also performed well in **Croatia**, where loans grew by 8.3% yoy in August (from 8% yoy in July), mainly to corporates (+10.2% yoy, from +10.4% in July). Deposits rose by 6.6%, with a higher rate seen for corporates (+5.3%, accounting for about 30% of total deposits, vs +7.1% for households, which had been attracted by new government bond issues). In **Bosnia,** loans grew by 5.3% yoy in August (vs +5% yoy the previous month), with roughly the same pace seen for households (+6.3%) as corporates (+4.2%). Deposits rose by 9.9% yoy in both the corporate (+10.9% yoy) and the household (9.3% yoy) sectors.

EE and MENA Areas

Francesca Pascali

EE countries continued to face the consequences of the conflicts between Ukraine and Russia and in the Middle East. All the countries remain under pressure because of the effects of political tensions in a context of growing inflation for Russia and Egypt. In September, **industrial production** in **Russia** (+5.6%) had improved compared with August (+5.4%) and in **Ukraine** (+51.1% in March vs -28.0% in February) while it decreased in **Moldova** (-10.5% in June vs -7.4% in May). **Exports** in June declined in Russia (-53.6% from -43.0% in May). Moldova's exports declined also, to -24.0% (from -19.1%), and in Ukraine, these fell to -14.6% (from -16.1%). **Retail sales,** after 12 months of decreases, were positive from April in Russia (+12.2% in September from +11.0%). In March 2023, they increased by 35.4% yoy in Ukraine (from -25.2%). Regarding forward-looking indicators, in September, the **PMI** grew (54.5) vs the August level (52.7) and remained over 50 in Russia. On the **inflation** side, in September in Russia, consumer prices increased further (+6.0% from +5.2% in August), which is above the CB's inflation target (4.0%). In Moldova, the inflation rate decreased (to 8.6%, from 9.7% in August). It fell again in Ukraine (to 7.1% from 8.6%), coming in not far off the target (5.0%+/-1.0%). After maintaining the **policy rate** unchanged for 1H23 al 7.5%, Russia's CB started to raise the rate, to 8.5% in July, to 12% in August, to 13% in September, and to 15% in October, due to inflationary pressures that have increased significantly, to a level above expectations. In Moldova, the central bank lowered the policy rate from the level in January (20.0%) five times, to the actual 4.75%. Ukraine's CB began to lower the policy rate from 25% (in January) to 22% in July, 20% in September, and to 16% in October. In the FX market, the Russian ruble has depreciated against the USD by 35.7% in the year to date. High inflation continues to impact **Egypt**. Looking at economic data, in July 2023, industrial production increased by +0.3% yoy (from -13.3% in June) and exports decreased in July, by -10.7% from -27.6% in June. In September, the PMI index decreased compared with August (48.7 from 49.2); it was still below the 50 threshold level. In September, inflation increased to 38.0% (from 37.4% in August). It remains 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

The performance of banking aggregates was mixed in July in the **EE area** in nominal terms, dynamic in Russia, moderate in Moldova, and still negative in Ukraine, despite the challenging operating environment. Loan growth remained strong in **Russia** (+25% yoy in July in nominal terms), particularly for corporates though decelerating (28.4% yoy vs +18.25% 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 further deposit acceleration was seen in July (+25.6% yoy in nominal terms, improving from 24.8% yoy in the previous month), both to households (+18% yoy) and corporates (+34% yoy).

In **Moldova,** loans decelerated to +3% yoy in August (+4.6% yoy to corporates, which accounted for 75% of total loans to the private sector, vs 0.5% yoy to households, improving from negative changes in the previous months). The NPL ratio decreased in August to 6.7%. As of August, deposit growth rose by 19% yoy (corporates up by 15.7% yoy, households by 21.3% yoy), decelerating from July (+22.4%). Banking aggregates in **Ukraine** remained particularly weak. Loans decreased by 10.4% yoy (after -11.6% yoy in July), especially to corporates (-11.4% yoy), while household loans decreased as well (by 7.2% from -10.6% in July). NPLs rose over 39% as of August. Total deposits decelerated to +29.6% yoy in August from +30.6% yoy in July), particularly among households (+18% yoy vs 51.5% yoy for corporates). In 2022, remittances decreased in Ukraine by 5.4% (from USD 18Bn to USD 17Bn). Foreign liabilities also continued to decrease (-22% yoy as of August).

In **Egypt,** banking aggregates (latest data for loans to corporates only through April) remained vigorous, with loans increasing by 24.8% yoy as of April and deposits by 23.6% yoy as of August in nominal terms. Loans increased by 21.9% yoy as of August in the household segment and by 27.4% yoy (April) in corporate sector. The NPL ratio remained very low (at 3.5% as of March, up slightly from 3.4% as of December). Banks are still able to rely on ample low-cost customer deposits, which had increased strongly, by 23.6% yoy, as of August, partly impacted by the depreciation of the Egyptian pound (without the currency depreciation, the deposits increase was 9.9% yoy). Deposits increased by 17.2% for households and 52.8% for corporates in nominal terms, but contracted by 20% and rose by 15.4%, respectively, in real terms.

Country-Specific Analysis

Czech Republic

Zdenko Štefanides

Real Economy

The Czech economy has continued to underperform due both to malaise in country's key export markets, notably Germany, and still feeble domestic consumption, weighed on by past losses of the real purchasing power of households and their high propensity to save. Imports dropped in August by 12.2% vs a year ago, nearly twice as much as exports. Also down vs a year ago in August was output in construction and industry, when adjusted for working days. On a positive note, though, the yoy contraction in domestic demand appears to have stopped, consolidating at around -3% in retail trade and -5% in services. This should provide a base for an anticipated recovery, as wage growth is now finally overtaking inflation. Regarding the latter, in September, consumer prices fell 0.7% mom, which brought the yoy inflation rate from 8.5% in August to 6.9%.

Financial Markets

The Czech National Bank (CNB) held rates steady. At the policy meeting on 27 September, the CNB Board kept rates steady by a unanimous vote, as it did in August. This decision contradicted the CNB economists' forecast from August, which saw rates starting to decline in Q3. Nonetheless, at the press conference, Governor Ales Michl mentioned that the strategy for cutting rates was ready. Even though cutting rates was not discussed at that meeting, it was at the meeting on 2 November, when two Board members voted for a 25bps rate cut. Five other members nonetheless held their previous view of rates remaining on hold.

The decision to hold off on a rate cut could have been motivated, at least partially, by the performance of the koruna, which has been weaker than anticipated by the CNB. Its value against the euro has slipped to 24.7, the weakest level since summer a year ago. The koruna depreciation in part related to the decision by the CNB in August to end the intervention regime announced in May 2022. Yields meanwhile have recently increased, along with global trends.

Banking Sector

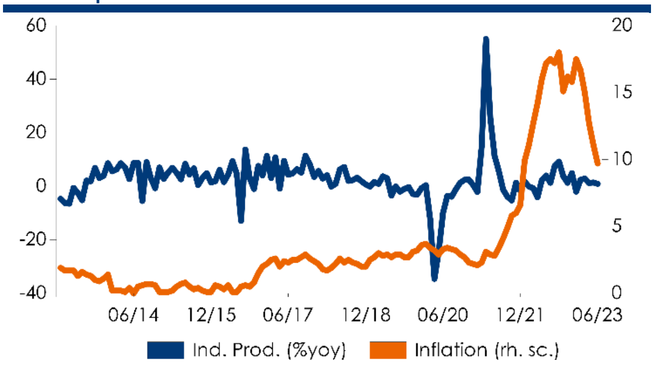
High interest rates continue to weigh on loan growth. There are nonetheless signs that the mortgage market, which has been suffering for nearly two years, may have seen its bottom. While YTD, production remained the lowest in a decade, in August, production of new mortgage loans – ie, excluding refinancing – rose over the month, in both numbers and volume. And the upward trend was confirmed in September. Apparently, relaxation of some of the CNB's macroprudential limits as well as some decrease in mortgage rates in anticipation of CNB rate cuts helped the market to start recovering.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production, wda yoy	0.9 (Jun)	1.2	1.1
Export of Goods, nominal yoy	-7 (Aug)	-0.2	10.3
CB refi rate	7 (11th Oct)	7.0	7.0
ESI (index)	86.6 (Sep)	82.1	93.3
Retail Sales yoy	-7 (Aug)	-0.2	10.3
Inflation rate, average yoy	6.9 (Sep)	11.2	16.4
Loans (priv. sector, yoy, eop)	3.9 (Aug)	5.4	3.3
Deposits (priv. sector, yoy, eop)	6.4 (Aug)	8.0	6.4
Lending interest rate (corp., eop)	8.5 (Aug)	8.7	8.9
Deposit interest rate (hh, eop)	6 (Aug)	6.1	6.0

Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Mariann Trippon

The recently released economic indicators point to weak economic activity and the continuation of the disinflation process. The industrial sector has been negatively affected by weak demand. However, the latest data suggest that the sector may have contributed positively to Q3 GDP growth. We still must wait for a recovery in consumption: retail sales fell mom in both July and August despite stable labor market conditions and high nominal wage growth. Nonetheless, the economy may have reached a cyclical low in Q2; real GDP growth could return to positive territory in Q3. The disinflation process gained momentum and became more broad-based in September; headline yoy CPI fell to 12.2% and core inflation also decelerated markedly. Inflation is expected to decelerate further over the rest of the year; yoy CPI could finish 2023 at ~7-8%. The rapid and robust improvement in the country's external balances continued. The trade balance is now firmly in the black, and after the above 7% (GDP-proportionate) C/A deficit seen last year, the current account may even finish the year with a small surplus. The government revised up the 2023 budget deficit target from 3.9% to 5.2% but reaching the new goal could still be challenging.

Financial Markets

The central bank continued its cautious easing cycle and had cut the effective rate from 18% to 13% by September. Hence, the gap between the O/N and the policy rate was closed. The MC carried out a 75bps rate cut in September. Monetary easing will continue to be gradual, cautious, and data-dependent in the coming period. The focus will remain on inflation and market stability. The NBH aims to keep real rates in positive territory. The volatility of the FX rate increased moderately amid the less supportive external environment. But the EUR/HUF rate remains well below the previous highs. Long yields moved up in tandem with rising core yields, but spreads over Bunds remained relatively stable.

Banking Sector

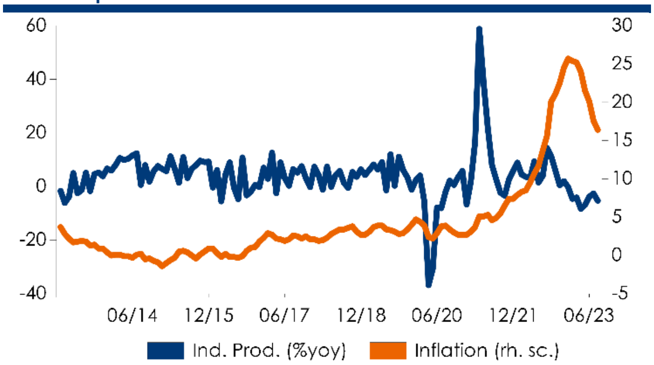
Bank deposits started to pick up in recent months, but the YTD growth rate over the first eight months was still negative, at -4.8%. The erosion of household savings continued, although at a slower pace, while corporate deposits showed some growth in July and August. The YTD performance is -1.3%. A further decline is expected for the remainder of the year, especially regarding households, due to the worsening economic climate, rising inflation, and a continuing shift into government bonds and investment funds. On the lending side, volumes are stagnating. The YTD change was +0,8%. In the corporate lending market, demand for government supported loans only partially offset the negative impact of high market interest rates and the collapse of private investments. Household lending demand also weakened, due to the decline in housing market transactions and high interest rates.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	-5.3 (Aug)	-6.3	-3.0
Nom. Exports yoy	1.5 (Aug)	4.3	8.1
ESI (index)	93.6 (Sep)	91.8	97.6
Retail Sales yoy	7 (Aug)	-11.4	-8.9
Inflation Rate yoy	12.2 (Sep)	21.9	25.4
CB Reference Rate	12.3 (25th Oct)	13.0	13.0
Loans (priv. sector, yoy, eop)	3.4 (Aug)	7.0	11.5
Deposits (priv. sector, yoy, eop)	-7.4 (Aug)	-5.6	0.5
Lending interest rate (corp., eop)	11.8 (Aug)	12.2	12.8
Deposit interest rate (hh, eop)	11.4 (Aug)	12.5	13.3

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Real Economy

Zdenko Štefanides

Parliamentary elections held on 15 October were key not only for Poland's political but also its economic outlook. The elections resulted in a majority for a pro-EU democratic opposition bloc of three parties, led by former PM and president of the European Council Donald Tusk. This election outcome has significantly shifted sentiment towards a restoration of "rule of law", violation of which under the outgoing conservative government deprived Poland of significant EU funding, especially from the Resolution and Recovery Fund. Should these funds become available soon, they would provide an additional boost to what already seems an incipient recovery in the Polish economy. Indeed, the latest activity data show that the manufacturing sector may be bottoming. Over a year ago, industrial output was still down. Adjusted for the seasonal effects, however, total production increased in September for the second consecutive month. Construction data also showed an improvement. In September, construction output rose by 11.5% yoy, following an increase of 3.5% in the previous month. All major segments, including civil infrastructure and building construction, contributed positively to the pickup in growth. And, finally, recovery has also been observed in retail sales, up in September for the fourth consecutive month in seasonally adjusted terms. Overall, partial activity data suggest that Poland's GDP will have likely returned to growth in Q3, after contracting in Q2.

Financial Markets

Part of the recent pickup in economic activity, besides fiscal transfers to households ahead of the elections, likely related to an easing of monetary conditions by the National Bank of Poland (NBP). Indeed, after the surprising rate cut by a hefty 75bps on 6 September, the NBP cut rates by a further 25bps on 4 October. The key rate was thus down from the peak of 6.75% at 5.75%. At the same time, inflation slowed from 10.1% in August to 8.2% by September, the lowest reading since November 2021. Wage growth meanwhile remained strong, at 10.3% yoy in the private sector, allowing households to start recovering some of their lost real purchasing power.

The surprising 6 September rate cut by the NBP resulted in a decline in the value of the Polish zloty. Those losses were, however, offset by the positive outcome of the elections. As of 25 October, the zloty traded at 4.48 to the euro, basically the same level as at the beginning of September. The election outcome also supported Polish bonds, which maintained their value in October even when the bond market took hit, as was the case elsewhere in the region and in Europe more broadly.

Banking Sector

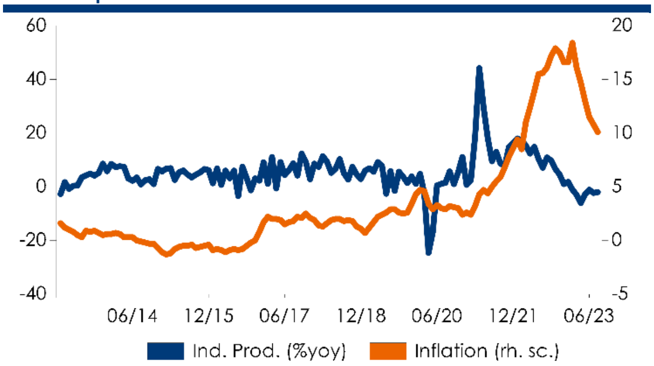
Recovery has recently been seen in the real economy and this has affected the banking market as well. Loan volume, while still down vs a year ago, saw an increase in September vs the previous month in both the household and corporate segments. Deposits meanwhile continued to grow at a decent pace.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	-2 (Aug)	-3.3	-0.7
Nom. Exports yoy	-10.3 (Jul)	-0.4	14.9
ESI (index)	95.5 (Sep)	93.4	90.5
Retail Sales yoy	4.8 (May)	n.a.	n.a.
Inflation Rate yoy	8.2 (Sep)	13.1	17.0
CB Reference Rate	5.8 (11th Oct)	6.8	6.8
Loans (priv. sector, yoy, eop)	-4.9 (Aug)	-3.1	-1.3
Deposits (priv. sector, yoy, eop)	11.4 (Aug)	11.8	10.3
Lending interest rate (corp., eop)	8.6 (Aug)	8.9	8.8
Deposit interest rate (hh, eop)	5.8 (Aug)	5.8	5.9

Source: Narodowy Bank Polski, Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Michal Lehuta

Real Economy

Available monthly indicators suggest an improvement in the quarterly GDP outcome for 3Q23. However, the flash estimate will only be published in mid-November. Adjusted for seasonal effects, local industrial production grew by 4.3% yoy in August, compensating for holiday-affected July's weak result and benefiting from eased supply chain problems, eg, in the automotive sector. Construction production also increased (4.0% yoy in August), owing to stronger drawing of EU funds, though not as fast as predicted. In addition, the annual growth of imports is still much lower than for exports, which means another voluminous surplus in net exports in 3Q23. The economic sentiment index also improved in the three months from July to September.

Retail sales continued to recover from their inflation-shock low registered in April, mainly thanks to the beneficial effects of decelerating consumer inflation (down to 8.2% in September) on local real wages, but still posted a negative yoy dynamic of -2.1% in August. The labour market showed signs of cooling, as the employment rate registered in selected private sectors continued to decrease slightly. However, the registered unemployment rate did not increase much, thanks to a decline in the working age population.

Financial Markets

The ECB reasonably finished its hiking cycle in September and kept rates stable in October. Together with expectations of stability in the coming months, this means that the money market rate stabilised, even though longer-term capital became even more expensive over the last few weeks. 10Y bond yields thus climbed to new highs at around 4.2%. The new government in Slovakia will probably consolidate the high public finance deficit by only 0.5% of GDP per year, which will keep the risk profile of the country high. So far, the spread against 10Y German Bunds stayed close to 120bps.

Banking Sector

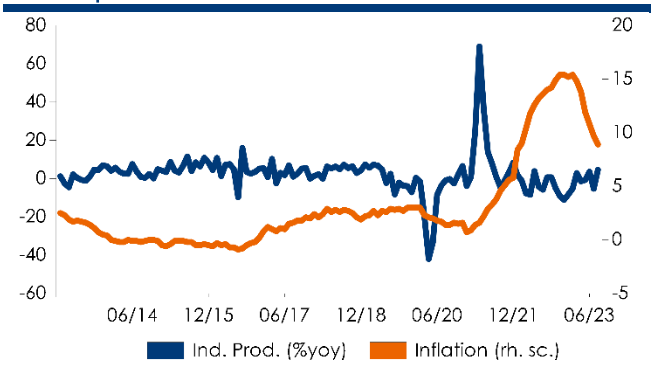
Volumes of both household and corporate loans continued to slow in yoy terms amid higher interest rates during the summer. Deposits are decelerating too, with any growth the result of a positive contribution from the corporate sector. Mortgage interest rates are still increasing due to the rise in bond yields, including banks' covered bonds. The profitability of the sector is rising fast this year, mainly due to the slower growth in overall average deposit rates. But compared to other EU countries, local ROE is still well below the average. It is likely that the new government will soon impose a large permanent special bank tax, which may amount to an additional 20-35% burden on net profitability.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production, wda yoy	4.6 (Aug)	0.5	-3.6
Nom. Exports, yoy	2.2 (Aug)	6.7	12.4
ESI (index)	91.9 (Sep)	90.0	90.4
Retail sales, yoy	-2.1 (Aug)	-7.9	-2.8
Inflation rate, yoy	8.2 (Sep)	12.2	15.1
ECB refi rate	4.5 (11th Oct)	4.0	3.5
Loans (priv.sector,yoy,eop)	4.7 (Aug)	5.8	8.6
Deposits (priv.sector,yoy,eop)	3.6 (Aug)	5.2	8.1
Lending interest rate (corp., eop)	6.2 (Aug)	5.7	4.3
Deposit interest rate (hh, eop)	5.8 (Aug)	5.8	5.9

Source: Statistical Office of Slovak, National Bank of Slovak

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

Revised Q1 and Q2 GDP growth data revealed disappointingly lower qoq growth rates of 0.2% and 1.1% s.a. (previously 0.7%, ie, 1.4% qoq). Q3 saw continued feeble performances for industry, goods' exports and personal consumption. The industrial production decline deepened (July -7.0% yoy, August - 12.3% yoy) due to the weakness of manufacturing (-6.1% yoy and -12.1% yoy, respectively). Following a stagnant Q2, exports in July-August saw a steep annual fall of 8.9%. Retail trade turnover in July dropped on a monthly basis and it stagnated in August, thus widening the yoy drops to -16.2% and -21.5%. On the upside, investments remained robust, judging from construction activity data; overall works grew over 18% yoy, on average, in July-August, while issued building permits rose as well, both in terms of number and floor area vs the Q2 averages. The labour market remains sound, with the number of unemployed persons hitting a new low in September. Inflationary pressures declined, despite the headline rate increasing to 7.1% yoy in September, mostly due to the expiry of government measures regulating electricity prices (lower green energy contribution). On an annual basis, food price growth eased to 9.6%, restaurant & hotel prices to 8.2%, and utilities fastened to 12.7%, while transport prices deteriorated (-0.2%). The electricity price cap for households was extended into 2024 (on 90% of consumption) and the gas price cap extended until end-April 2024.

Financial Markets

The 10Y government bond spread vs Bunds was 90bps in October, on average, the same level as in the previous month, whereas the average yield rose by around 20bps, to 3.8%. In September, Slovenia issued its first inflation-linked bond for EUR 110M, bearing a real coupon of 0.825% and maturing in 2024.

Banking Sector

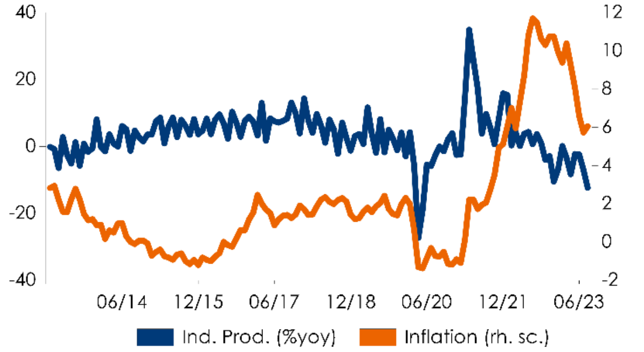
Higher financing costs and sluggish economic activity strongly dented lending. Loans in September slowed to a crawl (0.8% yoy) amid a contraction in corporate loans (-2.0% yoy) paired with weaker household loans (3.2% yoy). Consumer loans gained pace, supported by the relaxation of macroprudential measures regulating consumer lending since July, ending September up by 7.9% yoy. Housing loans also decelerated, to 1.0% yoy, continuing to stagnate compared to end-2022. September saw deposits soften to 5.7% yoy (corporate: 7.8% yoy; households: 4.9% yoy), whereby overnight deposits eased to 1.7% yoy, while deposits with agreed maturities rose markedly, by 27.1% yoy, as interest rates on savings deposits are rising. Average interest rates on newly agreed time deposits grew by 40bps in July-August vs the Q2 average on corporate time deposits and 30bps on household time deposits (to 2.5% and 1.5%, respectively.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production, wda yoy	-12.3 (Aug)	-4.3	-3.3
Nom. Exports yoy	-11.4 (Aug)	-0.4	27.5
ESI (index)	93.2 (Sep)	92.5	95.2
Consumer Confidence Indic.	-32.6 (Sep)	-32.0	-34.4
Inflation Rate yoy	7.1 (Sep)	8.0	9.9
ECB refi rate	4.5 (11th Oct)	4.0	3.5
Loans (priv.sector,yoy,eop)	1 (Aug)	3.9	5.5
Deposits (priv.sector,yoy,eop)	6.2 (Aug)	6.7	7.5
Lending interest rate (corp., eop)	5.1 (Aug)	4.6	3.8
Deposit interest rate (hh, eop)	1.1 (Aug)	0.7	0.6

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

Despite the high inflation shock that led to a slowdown in the country's economic activity, Albania managed to show higher positive growth in the second quarter of 2023 compared to the same period a year ago and also compared to the first quarter of this year. In 2Q23, GDP growth increased by 3.23%, while inflation was declining. The main positive contributors to growth came from the construction sector and real estate activity. On a quarterly basis, household consumption grew by 4.03%, while exports of goods and services declined by 1.48%. The exports of goods continue to decrease, while those of services increase. In the second quarter of 2023, exports of services increased by 9.08%. while those of goods decreased by 26.77%.

In September, inflation reached 4.1%, mainly reflecting the decline in imported prices, as well as the appreciation of local currency against Eur, and stabilisation of wages and costs of production in the country. Still, in September, the exports of goods saw negative growth at 12.81% and imports contracted by 16.62%. The rest of 2023 could see GDP growth continue on a positive trajectory, accompanied by an improvement in domestic inflationary pressures.

Financial Markets

The fast cycle of tight monetary policy applied by the CB, going from 1% to 3% has been transmitted in the securities market and financing costs. However, the gradual normalisation of the monetary policy rate at 3% is expected to support an interest rates decline. Regarding the foreign exchange market, the upward trend of the LEK seems a bit more restrained recently, but again remains subject to a high risk of volatility. In September 2023, the LEK/EUR rate appreciated by 8.67% yoy, continuing to negatively affect the situation for goods exports and the trade balance of the country. On the other hand, the same appreciation of the LEK has helped not only to moderate the inflation rate, but also to curb the more aggressive tightening cycle of monetary policy, thus supporting the continuation of lending activity in the economy.

Banking Sector

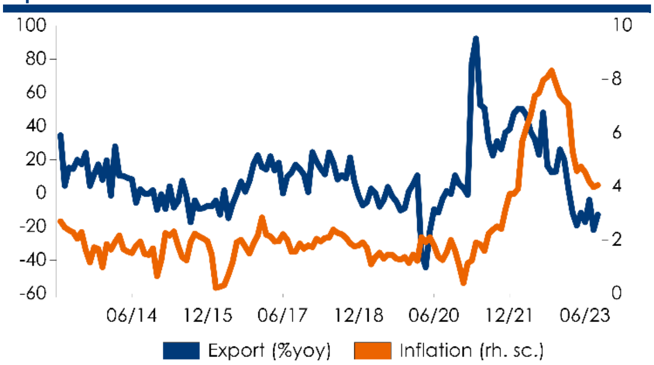
In spite of tight monetary policy, banks continue to finance the private sector. In August 2023, total private loans were positive by 1.51% yoy. The main borrowers were households, with an 8.99% rise, while corporations saw negative growth, at -2.64%. Total deposits grew by 1.52% yoy. Household saving contracted by 2.57%, but corporate savings expanded by 16.53%, yoy. The NPL rate in August was 5.3%.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production, wda yoy	n.a.	n.a.	n.a.
Export of Goods, nominal yoy	-12.8 (Sep)	-16.1	3.8
Unemployment Rate	n.a.	10.7	10.9
Inflation Rate, average yoy	4.1 (Sep)	4.6	6.5
CB Reference Rate	3 (31th Oct)	3.0	3.0
Loans (private sector, yoy, eop)	1.5 (Aug)	1.3	3.6
Deposits (private sector, yoy, eop)	1.5 (Aug)	0.0	3.2
Lending interest rate (pr.sect., eop)	5.8 (Aug)	6.0	6.1
Deposit interest rate (pr.sect , eop)	1.9 (Aug)	1.8	1.9

Source: National Statistical Institute, Bank of Albania

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

As discussed in our September Economic and Banking Outlook, the Q2 GDP release confirmed a continued slowdown in economic growth to 1.2% yoy from (upwardly) revised 1.7% growth registered in 1Q23. Although Q2 saw a recovery in household consumption (+1.7% yoy) and supportive investments growth (+6.7% yoy), net foreign demand (due to a deep 9.1% yoy decline in exports) contributed negatively to headline growth. Available Q3 high frequency data indicate a slight rebound in industrial production (+0.7% compared to the previous quarter), with a stagnant annual growth rate following four consecutive negative quarters. At the same time, exports in Q3 continued their negative trend, declining by 10.5% yoy, while imports declined by 4.4% yoy. Thus, both registered similar declines as seen in the previous quarter. Domestic demand remained strong, as July-August retail trade volumes increased on both monthly and annual bases (+17.3% yoy), supported by strong growth in average wages, which in August rose by 11.8% in nominal and 6.8% yoy in real terms, as well as steady remittances inflow. Overall, subdued foreign demand will remain a key drag on activity, reflecting unfavourable economic trends in major trading partners.

The annual inflation rate eased to 4.1% in September, with YTD inflation averaging 7.6%. Average net wage growth continued to be strong in August: in nominal terms, the increase was 11.8% and in real terms it was 6.8% yoy.

Banking Sector

Ana Lokin

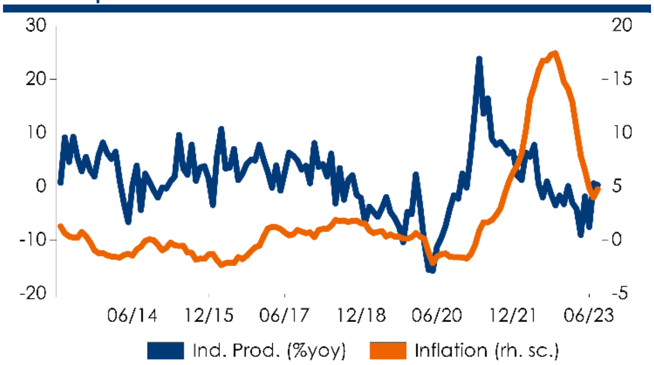
Loans strengthened somewhat, expanding 5.3% yoy in August, so far shrugging off the rise in interest rates. Average interest rates on newly granted other household (mostly consumer) loans in local currency in July-August were up by 20bps vs the Q2 average (at 6.7%), while the average interest rate on new housing indexed loans grew 40bps during the observed period (to 4.3%). At the same time, the average interest rate on newly placed corporate loans in local currency rose 10-90bps, ranging from 3.8% to 4.5%. Thus, corporate loans in August ticked up to 4.2% yoy, while household loans gained pace, growing 6.3% yoy, supported by a stronger increase in consumer lending. Deposit growth slowed to 9.9% yoy in August as corporate deposits moderated to up 10.9%, while household deposits edged down to growth of 9.3% yoy. Household time deposits witnessed an increase on a monthly level for the third month in a row, with EUR deposits over 2Y recording 30bps higher average interest rates in July-August vs the Q2 average (2.0%).

Latest economic indicators

	Last value	2Q23	1Q23
Industrial production, wda yoy	0.3 (Aug)	-1.7	1.2
Export of goods, nominal yoy	-13.7 (Aug)	-10.7	2.5
Retail trade, real, wda yoy	17.3 (Jul)	13.1	11.3
Inflation rate, average yoy	4.7 (Aug)	6.4	12.4
Loans (private sector, yoy, eop)	5.3 (Aug)	5.0	5.0
Deposits (private sector, yoy, eop)	9.9 (Aug)	10.5	9.2

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

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivana Jović

Partially available high frequency data for Q3 point to a continued slowdown in economic growth. Industrial production recorded a noticeable monthly decline in both July (-3%) and August (-2.2% m/m), thus resulting in 1.6% lower activity compared to Q2. Looking at the main industrial groups, the key drag came related to a decline in production of capital and non-durable consumer goods as well as energy. On the demand side, Q3 was a main part of the tourist season, which ended with 4.5% yoy more tourist arrivals but 0.3% fewer overnight stays, as foreign tourists, which account for 89% of the total, dropped by 0.7% yoy, with an especially sluggish August performance (-2.4% yoy). A normalisation in tourism was also reflected in a relatively subdued retail trade performance, which, following a 0.3% mom increase in July, basically stagnated in August (-0.1% mom), leaving the July-August average barely above the Q2 outturn. And while easing foreign demand has shaped goods' exports (-14.2% yoy in July-August), imports, driven down by a drop in commodities prices, fell even more (-17.8% yoy). July-August construction data point to improved dynamics fully driven by building construction, as civil engineering underperformed. Meanwhile, the statistics bureau published revised annual GDP data for 2021 (from 13.1% to 13.8%) and 2022 (from 6.2% to 6.3%), with a significant downside revision to the 1Q23 outturn, from 2.8% to 1.6%, indicating a 0.3pp downward revision in our FY23 call coming solely from revised data, without including sluggish Q3 trends. Thus, we cut our FY23 call towards 2%.

After an energy-induced upside blip in August (7.8% vs 7.3% in July), in September, consumer prices resumed their disinflationary trend, with the headline rate easing to 6.7% and the core rate to 5.9%, while the EU's comparable HICP eased to 7.4%.

Financial Markets

Ana Lokin

The 10Y government bond spread on the benchmark amounted to 130bps, on average, in October, up 10bps mom. The yield rose 20bps, to 4.1%, on average. Following S&P's September outlook upgrade, in early October, Fitch upgraded its outlook to Positive from Stable, leaving the country rating at BBB+.

Banking Sector

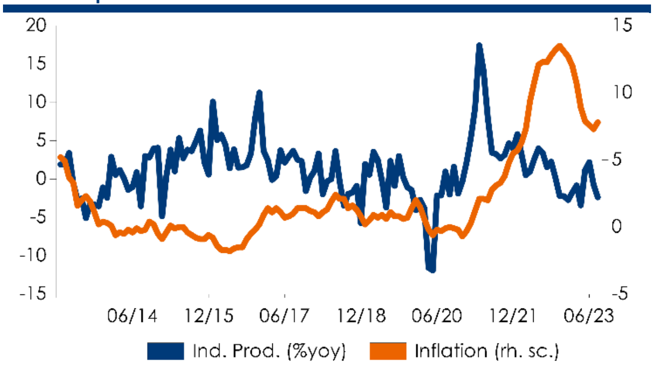
Loan growth was a healthy 8.4% yoy in August amid strengthened retail lending, despite higher lending interest rates. The average interest rate on pure new household loans in August was up by 20-30bps mom. At the same time, the average interest rate on pure new corporate loans (weighted 3M moving average) rose 10bps mom on loans to SMEs and 30bps on loans to large corporates. Deposits were solid at 6.6% yoy growth in August, with the average interest rate on pure new time deposits up 40bps mom for households and 20bps mom for corporates. Following long-term downward trends, household time deposits in August saw two consecutive monthly increases.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial production, wda yoy	-2.4 (Aug)	0.9	0.9
Export of goods, nominal yoy	-14.7 (Jul)	-6.5	14.5
Retail trade, real, wda yoy	3 (Aug)	3.1	0.1
ESI (index)	102.5 (Aug)	105.1	106.9
Inflation rate, average yoy	7.8 (Aug)	8.1	11.8
Loans (priv. sector, yoy, eop)	8.4 (Aug)	8.8	9.3
Deposits (priv. sector, yoy, eop)	6.6 (Aug)	7.6	10.4
Lending interest rate (pr.sect., eop)	5 (Aug)	4.7	4.2
Deposit interest rate (pr.sect , eop)	2.8 (Aug)	2.3	1.8

Source: Croatian National Bank, Croatia Bureau of Statistics

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Antonio Pesce

Romanian GDP growth was revised down slightly, to 1.0% yoy, in the second quarter of 2023, slowing from 2.4% expansion in the previous three-month period. This was the ninth quarter of growth, although at the softest pace in the sequence, as both household consumption (4% vs 6.4% in Q1) and fixed investment (9.6% vs 10.4%) increased at a slower pace. Additionally, net trade contributed positively, as exports slowed (0.5% vs 1.7%) and imports declined (-1.2% vs 0.2%). Also, government spending (11.7% vs 6.4%) continued to expand. On a seasonally adjusted quarterly basis, the economy grew 1.7% in the second quarter of 2023, recovering from a downwardly revised 1.0% fall in the previous period. The annual inflation rate eased for the seventh consecutive month, to 9.2% in September 2023, marking the lowest reading since February 2022 amid the deceleration in the growth rate of food prices and the further drop in energy price dynamics.

Industrial production in Romania fell 5.8% yoy in August 2023, following a downwardly revised 5.2% drop in the previous month. It was the 10th month of contraction, as output decreased further for electricity, gas, steam & air-conditioning (-8.8% vs -12.0% in July), and manufacturing (-5.9% vs -5.2%). Meanwhile, production from mining & quarrying continued to grow (6.9% vs 4.1%). On a monthly basis, industrial output shrank 0.4%, reversing an upwardly revised 0.7% gain in July. Retail sales rose 0.6% yoy in August, easing from an upwardly revised 1.4% increase in the previous month. The economic sentiment indicator (ESI) was 100.2% in September, slightly below the August value (101.1), but well above the low reached in May of this year (99.8%).

Financial Markets

The National Bank of Romania maintained its policy rate at 7.0% for the sixth consecutive meeting in October 2023 as inflation has been on declining path since February. The rates for deposit and credit facilities also stayed the same, at 6.0% and 8.0%, respectively. In the last three months, long-term yields increased by 40bps (to 7.2%), with a widening of spreads with respect to the benchmark. In the same period, the exchange rate remained stable.

Banking Sector

Davidia Zucchelli

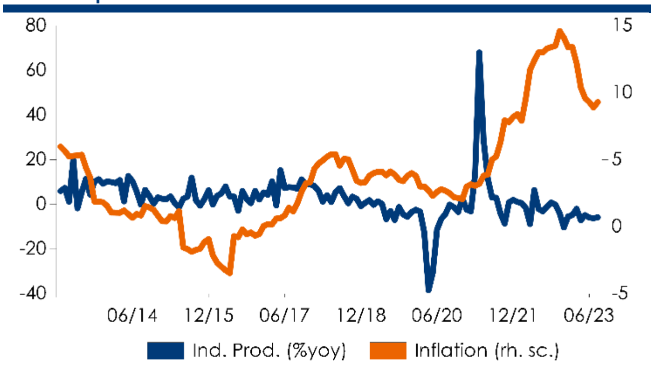
In Romania, loan growth continued to increase (+4.9% yoy as of August), especially in the corporate sector but decelerating (+9.7% yoy vs +0.2% for households). According to the last Bank Lending survey (published in August), banks anticipated a slight increase in credit demand from the real estate sector in 3Q23. Furthermore, banks pointed towards an increase in credit demand from non-financial corporations in 2Q23 (which instead decelerated), while households witnessed mixed developments, with demand for consumer loans rising and for loans for house and land purchase declining. Household deposits increased slightly, from 10.6% yoy in July to 12% in August, despite the gradual decrease in the deposit interest rate (from 7.1% in December 2022 to 6.3% in August).

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	-5.8 (Aug)	-5.9	-4.1
Nom. Exports yoy	-7.1 (Aug)	3.8	8.1
ESI (index)	101.1 (Aug)	101.3	102.0
Retail Sales yoy	0.6 (Aug)	0.4	5.3
Inflation Rate yoy	9.2 (Sep)	9.8	13.0
CB Reference Rate	7 (11th Oct)	7.0	7.0
Loans (priv. sector, yoy, eop)	4.9 (Aug)	5.8	9.3
Deposits (priv. sector, yoy, eop)	9.7 (Aug)	9.6	9.9
Lending interest rate (pr.sect., eop)	9.1 (Aug)	9.4	10.1
Deposit interest rate (pr.sect , eop)	5.9 (Aug)	6.0	6.2

Source: National Bank of Romania, National Institute of Statistics

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Sanja Djokic

Real Economy

Economic activity grew by an average of 1.3% yoy in 1H23, while high frequency data suggest that economic growth dynamics accelerated further in 3Q23. Industrial production recovered, gaining 5.8% yoy in August, which was the best reading since May 2022, with all sectors contributing to the increase in industrial activity. Manufacturing improved, as factory output rose 2.4% yoy in August, its quickest pace since June 2022. Construction also looks to be recovering, impacted by the numerous state infrastructure projects. The NBS expects GDP to accelerate to around 3% yoy in 2H23, driven by growth of service sectors, agriculture and construction, and to a smaller extent by industry as well, which we consider feasible at this time. We expect real GDP to grow by 1.9% in 2023, before moving higher in 2024, to around 3%.

Inflation continued to slow, to 10.2% yoy in September, while core inflation moderated further, to 8.2% yoy. This is the sixth month in which inflation has been on a downward path. Food continued to lead price increases. The downward trend in headline inflation is expected to continue, with a drop to a single-digit level by the end of this year. Such inflation movements will be supported by the softening of the global cost-push pressures and high base in energy and food prices, as well as by the effects of monetary tightening, while return within the NBS target band is expected in 2Q24. We see average CPI at 12.9% in 2023 and 5.1% in 2024.

Financial Markets

As expected, in October, the NBS kept the key policy rate unchanged at 6.5%. This is the third 'quiet' month, following a cycle of monetary tightening that saw 550bps of rate increases in total. The decision related to an easing of global inflationary pressures, as well as the downward path of domestic inflation. The NBS also considered the fact that monetary conditions were tightened in the previous period through the policy rate and by increasing the reserve requirement ratio. The full effects of these measures have yet to play out. Taking into consideration the currently projected inflation path, the NBS is expected to deliver a first cut in 2Q24 and we see the key policy rate at 5.0% at end-2024.In September, the dinar remained unchanged against the EUR. In order to maintain the relative stability of the dinar in conditions of pronounced appreciation pressures, net, the NBS bought EUR 3,385M in the first nine months of 2023. Gross FX reserves reached EUR 24.2Bn at end-September, the highest level of FX reserves on record.

Banking Sector

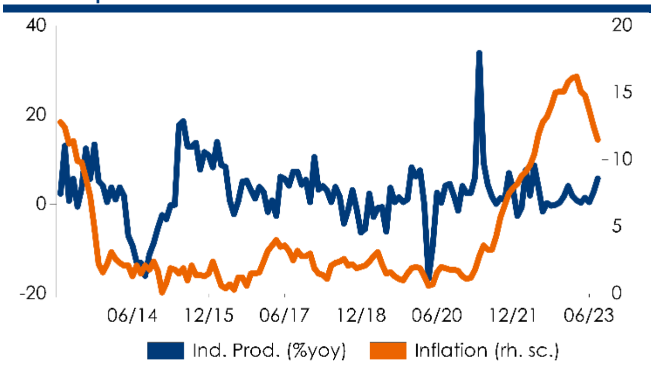
The slowdown in credit growth continued, as outstanding volumes declined 0.4% yoy in August, while new lending to the private sector fell by 6% yoy in January-August period vs the same period last year, indicating that transmission mechanisms through the interest rate channel are functioning. Recently, the NBS temporarily capped the variable interest rates on housing loans for the next 15 months, from October annuity until end-2024. For housing loans approved concluding with July 2022, the nominal interest rate will not exceed 4.08%. Deposit dynamics are more favourable, as August saw growth of 10.2% yoy in total private sector deposits. This was stronger in the corporate segment (+16.4% yoy).

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	5.8 (Aug)	0.8	2.3
Nom. Exports yoy	-1.6 (Aug)	3.3	16.1
Retail Sales yoy	-1.5 (Aug)	-6.1	-3.7
Inflation Rate yoy	10.2 (Sep)	14.5	16.0
CB Reference Rate, eop	6.5 (11th Oct)	6.3	5.8
Loans (priv.sector,yoy,eop)	-0.4 (Aug)	0.3	2.7
Deposits (priv.sector,yoy,eop)	10.2 (Aug)	11.9	12.2
Lending interest rate (pr.sect., eop)	11.4 (Aug)	11.0	11.2
Deposit interest rate (pr.sect , eop)	5.6 (Aug)	5.8	5.9

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office

Moldova

Natalia Mihalas

Real Economy

In 1H23, Moldova's GDP contracted by 2.3%, primarily due to a 4.7% dip in private consumption caused by high prices and reduced purchasing power. Restocking had a positive impact, while investments decreased by 0.8pp, potentially due to a less lenient monetary approach and increased risks. Net exports contributed positively by 2.3pp, aligning with lower domestic demand that resulted in lower imports. The energy and trade sectors were major growth inhibitors, accounting in total for a 2.5pp reduction. Manufacturing sapped 1.3pp, countered by a 0.5pp contribution from IT and communications. Agriculture faced challenges due to last year's drought and input costs, resulting in a 0.1pp reduction. The annual inflation rate in Moldova slowed further, to 8.63%, in September 2023, marking the lowest level in two years, from 9.69% in the previous month. However, the rate remained above the central bank's mid-point target of 5.0%. On a monthly basis, consumer prices rose by 0.46% in September, after decreasing by 0.08% in August. As of August 2023, industrial production in Moldova decreased 0.1% yoy, easing from a 4% fall in the previous month. This marked the 12th consecutive month of contraction but the softest drop in the sequence, as production declined less for manufacturing (-1.8% vs -7% in July) and mining & quarrying (-10.1% vs -11.5%). On a monthly basis, industrial activity jumped 4.3%, rebounding from a 0.7% decrease in July. Considering the January-August period, industrial output shrank 6.3% compared to the same period in the previous year.

Financial Markets

Since inflation started to fall in 2023, the NBM has decided to loosen monetary policy in order to stimulate economic growth and further investment. As a result of the monetary policy relaxation, the base rate reached 6% at the end of 3Q23, substantially below the record 21% in October 2022. The 91-, 182-, and 364-days Treasury bill yields decreased by 14.52pp, 12.67pp and 11.93pp, respectively, as of October compared to end-2022 levels, in line with the inflation trajectory and expectations. On 27 September 2023, for the first time, the Ministry of Finance placed 10-year bonds in the Moldovan market.

Banking Sector

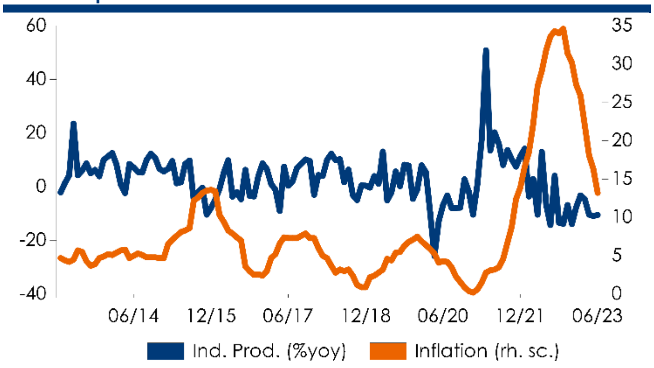
As of September 2023, loan portfolio growth was spread across all segments, with a particularly strong contribution from corporate loans (4.0%) and households loans (2.6%). On the other hand, deposit growth accelerated due to higher interest rates than in the third quarter of 2022 with the stock increasing by 20.4% yoy due to the 20.8% and 20.2% yoy increases in corporate and household deposit volume, respectively. The degree of coverage of loans by deposits is 170%, indicating that there are sufficient resources to increase lending. The NPL ratio has been rather stable during in 2023, with slight fluctuations but maintaining a monthly average level of 6.85%.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	-10.5 (Jun)	-10.6	-5.1
Nom. Exports yoy	-24 (Jun)	-21.0	1.1
PMI Manufacturing	-24 (Jun)	-21.0	1.1
Retail Sales	-5.6 (Dec)	n.a.	n.a.
Inflation Rate yoy	10.8 (Jul)	15.9	25.1
CB Reference Rate	6 (30th Sep)	6.0	14.0
Loans (Priv. Sector, yoy, eop)	3 (Aug)	3.0	5.3
Deposits (Priv. Sector, yoy, eop)	19.1 (Aug)	24.2	19.3
Lending interest rate (corp., eop)	10.1 (Aug)	10.8	14.5
Deposit interest rate (hh, eop)	9.5 (Aug)	11.7	12.8

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 (CBR), inflationary pressure in the Russian economy remains high. Significant inflationary risks have materialised: ie, domestic demand growth exceeding the output expansion capacity and the depreciation of the ruble in the summer months. Inflationary risks remain significant over the medium-term horizon. The economy has completed the recovery phase. This means that its further growth will slow due to supply-side constraints: firstly, the labour market, which is becoming more rigid. Unemployment has fallen to a new all-time low; and at the same time, the low geographical and inter-sectoral mobility of the labour force is a further structural constraint.

Financial Markets

As expected, on 27 October 2023, the CBR decided to raise the key rate by 200bps, to 15.0%. The persistence of high expectations and this further increase represent significant risks. Foreign trade expansion and financial restrictions may further weaken demand for Russian exports, contributing to inflation through exchange rate movements. In addition, the increasing complexity of supply and payment chains due to external restrictions could push up import prices. Important short-term inflationary effects could also result from the deterioration of future global economic growth. Disinflation risks mainly relate to a more rapid slowdown in domestic demand than projected in the CBR's scenario. In addition, price growth for key Russian exports or an increase in their physical volumes could lead to a strengthening of the ruble.

Banking Sector

Davidia Zucchelli

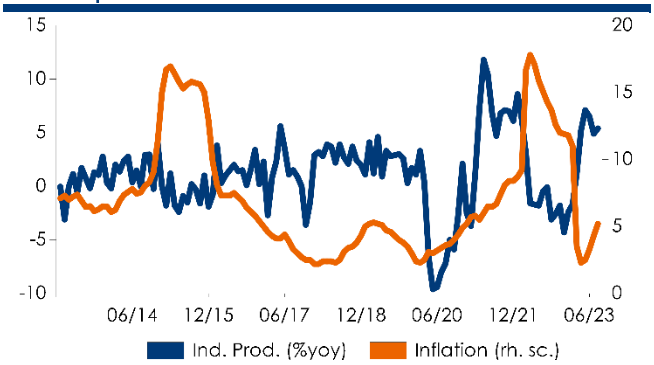
Loan growth remained strong (+25% yoy in July in nominal terms), particularly for **corporates** even though decelerating (28.4% yoy vs +18.25% yoy for households). According to the CBR, businesses are increasing funding by raising loans from banks and issuing bonds, which partly offsets the reduction in external debt. However, a credit crunch seems to have been generally avoided. In 2022, the adverse impact of sanctions on industries required banks to restructure a significant amount of loans (the NPL ratio was 6.1% in December). **Households** are still being supported by the subsidised mortgage lending programme, though loans to this group have slowed from 25% in 2021. The CBR introduced macroprudential limits (MPLs) from 1 January 2023, because banks significantly loosened their lending standards: the share of loans with debt service/income ratios (DSTI) of 80% or more reached a record high of 36%. The introduction of MPLs has resulted in banks tightening their lending standards and thus the structure of consumer lending has improved. A further **deposit acceleration** was seen in July (+25.6% yoy in nominal terms, improving from 24.8% yoy the previous month), both to households (+18% yoy) and corporates (+34% yoy). The widening of the **spread** (well over 4pp in 2022 and 2023) has been supporting the net interest margin.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	5.6 (Sep)	6.3	-1.0
Nom. Exports yoy	72.1 (Jan)	n.a.	n.a.
Retail Sales yoy	11 (Aug)	8.9	-6.5
PMI Manufacturing	54.5 (Sep)	52.6	53.2
Inflation Rate yoy	6 (Sep)	2.7	8.8
CB Reference Rate	13 (30th Sep)	7.5	7.5
Loans (priv.sector, yoy, eop)	25 (Jul)	26.0	11.2
Deposits (priv.sector,yoy,eop)	25.6 (Jul)	24.8	9.8
Lending interest rate (corp., eop)	9.7 (Jul)	9.5	9.6
Deposit interest rate (hh, eop)	5.7 (Jul)	5.4	5.7

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Artem Krasovskyi

Real Economy

Ukraine's economy keeps surprising to the upside on the back of the ability of business to adapt to a war environment and strong support from the state and international partners. In September 2023, GDP grew by 9.1% vs September 2022 and +5.3% over the January-September 2023 (flash estimate of MinEconomy). The production sector, which suffered significant damage and destruction during the war, is gradually recovering. For the third time in 2023, the NBU revised its GDP growth forecast upward: from 2.9% to 4.9% in 2023 and from 3.5% to 3.6% in 2024. Still, in terms of 2021, Ukraine's economy in 2Q23 constituted to only 75% of the pre-war volume, and further economic recovery is unlikely to be as fast. As the war becomes longer-lasting, the pace of recovery will depend even more on security risks and external financing remains the key prerequisite for state budget sustainability. The slowdown in inflation persistently exceeds expectations, paving the way for further easing of NBU monetary policy. The CPI fell sharply in September, to 7.1% yoy from 8.6% in August (+0.5% in monthly terms). The faster slowdown was caused primarily by a greater supply of food products due to limited export opportunities. The NBU has improved its inflation forecast for 2023 from 10.6% to 5.8%, but at the same time lowered 2024 expectations from 8.5% to 9.8%.

Financial Markets

Following the easing inflationary pressures, the NBU radically cut the policy rate, by 400bps, to 16% at the MP meeting in October, although it left all the other interest rates unchanged (overnight deposit facility at 16%, 3M deposit facility at 20%, refinancing operations at 22%), thus in fact making the key rate cut illustrative, with neutral effect on monetary policy transmission. The NBU assumes another 100bps cut by year-end and likely no notable changes throughout 2024. Since early October, the NBU has changed the fixed exchange rate regime to so-called managed flexibility. However, the USD/UAH is still pivoting around 36,60, which was the official rate during the fixed peg regime. The NBU remains the main FX supplier to the market. Coupled with uncertainty about further inflows of Western funding and export constraints, this has led to a deterioration of the NBU's FX reserves, which have been decreasing in recent two months: to USD 39.7Bn in October from the peak of USD 41.7Bn in August 2023.

Banking Sector

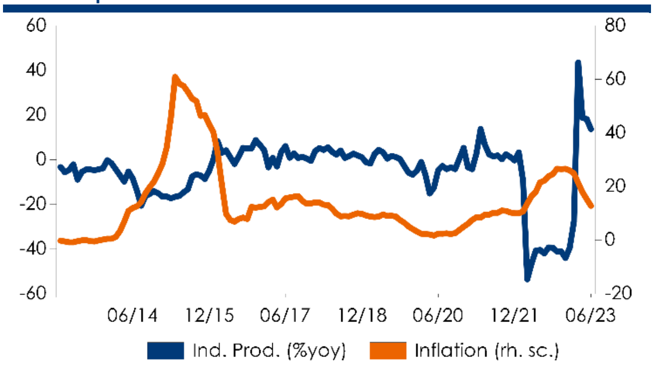
The results of the NBU's survey of Ukrainian banks in 3Q23 confirmed the further recovery of lending, despite the negative impact of the war. Business and household appetite for loans is increasing. The demand for mortgages grew for the fourth quarter in a row. For the first time since the war began, banks did not tighten credit standards for corporations but have been easing them for households for the third quarter in a row.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production yoy	51.1 (Mar)	n.a.	-5.5
Nom. Exports yoy	-14.6 (Jun)	-17.0	-39.5
PMI Manufacturing	-14.6 (Jun)	-17.0	-39.5
Retail Sales	35.4 (Mar)	n.a.	-5.6
Inflation Rate yoy	7.1 (Sep)	15.3	24.1
CB Reference Rate	16 (30th Oct)	25.0	25.0
Loans (Priv. Sector, yoy, eop)	-10.4 (Aug)	-8.5	-7.2
Deposits (Priv. Sector, yoy, eop)	29.6 (Aug)	36.5	34.0
Lending interest rate (pr. sect., eop)	22.3 (Aug)	22.6	22.9
Deposit interest rate (pr. sect., eop)	13.3 (Aug)	14.0	13.2

Source: 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) for the non-oil sector declined in September to a four-month record low of 48.7. This can be explained based on higher input costs and less availability of raw materials amid a foreign currency crunch the country has been experiencing for months. Also, Egypt's Ministry of Planning announced that growth for FY 2022/23 reached 3.8% yoy.

Annual headline urban inflation increased to an all-time high of 38% in September 2023, up from 37.4% one month earlier. This continues to be driven by food items' inflation, which surged by 73.6% yoy, and fluctuations in the exchange rate in the parallel market. These developments have pushed the government to exempt several food items from customs for six months. Positively, annual core inflation, which excludes volatile items, has slowed for the third consecutive month to 39.7%

Financial Markets

In September 2023, the Central Bank of Egypt (CBE) kept overnight deposit and lending rates unchanged at 19.25% and 20.25%, respectively. The CBE has raised key interest rates by 1,100bps since 2022 to anchor inflation expectations; however, these hikes have not been sufficient to shift real interest into positive territory. As a result, the MMR has climbed 750bps YTD. Egypt's currency crisis is deepened by geopolitical tensions, which have affected tourism revenues, and Israeli gas exports to Egypt. Consequently, there is a gap between the official and parallel markets. Moody's has downgraded Egypt's credit rating by a notch to 'Caa1' from 'B3', citing the country's worsening debt affordability, with record inflation and a chronic foreign currency shortage. The rating agency expects asset sale proceeds at the central bank to help restore the economy's foreign currency liquidity buffer, placing Egypt's outlook at 'stable'. S&P Global Ratings and Fitch agencies have also downgraded Egypt's long-term sovereign credit rating to 'B-' from 'B', with a stable outlook. Egypt's government is trying to mitigate the impacts of the crisis through: (1) Issuing Panda bonds at CN¥3.5Bn, or USD 500M, with a 3.5% yield over three years and 5-Year Yen-denominated Samurai bonds with a value of JP¥75 billion (about USD 500M); (2) raising Suez Canal transit fees by 5-15% starting from mid-January 2024; and (3) suspending hard currency cash withdrawals and purchases using debit cards and putting more controls on the international use of credit cards.

Banking Sector

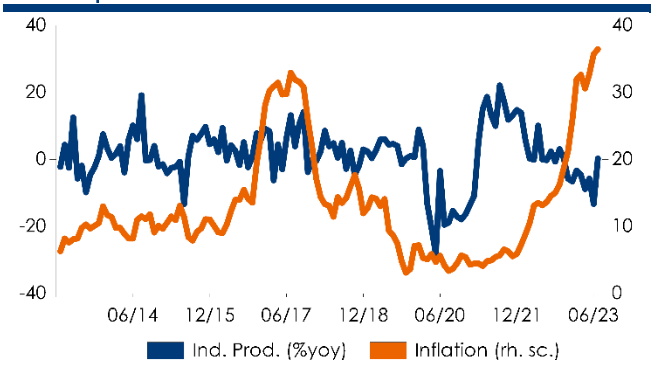
Private loans have been growing steadily, despite the rise in interest rates, due to soaring inflation and the revaluation of foreign currency portfolios. On the other hand, remarkable growth in private deposits was mainly attributed in the FC revaluation as well in addition to the fact that importers are required to deposit the EGP equivalent of future imports in their bank for months and the bank would then provide the needed foreign currency and transfer it to the exporter.

Latest economic indicators

	Last value	2Q23	1Q23
Industrial Production, wda yoy	0.3 (Jul)	-9.3	-4.8
Nom. Exports yoy	-10.9 (Jul)	-31.1	-21.3
Retail Sales yoy	n.a.	n.a.	n.a.
PMI	48.7 (Sep)	49.1	46.7
Inflation rate yoy	38 (Sep)	33.0	30.1
CB Reference Rate	19.3 (11th Oct)	18.3	16.3
Loans (priv. sector, yoy, eop)	24.8 (Apr)	n.a.	26.7
Deposits (priv. sector, yoy, eop)	23.6 (Aug)	23.2	26.9
Lending interest rate (corp., eop)	18.7 (Aug)	18.1	15.9
Deposit interest rate (hh, eop)	13.4 (Aug)	12.2	11.0

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

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

Country Data: Economy, Markets and Banks - the economic cycle

The Economy

		GDP chg yoy			Ind.prod[1]. chg.yoy			Export nom. chg yoy			Retail sales chg yoy			Inflation chg yoy			Unemployment rate			Wages chg yoy			Economic Survey[2]		
		3Q23	2Q23	2022	Last	mth	3Q23	Last	mth	3Q23	Last	mth	3Q23	Last	mth	3Q23	Last	mth	3Q23	Last	mth	3Q23	Last	mth	3Q23
CEE	Czechia	n.a.	-1.1	2.5	-1.7	Aug	-3,2	-7.0	Aug	-5.3	-2.8	Aug	-2.6	6.9	Sep	8.1	3.6	Sep	3.6	9.0	Aug	9.3	86.6	Sep	86.6
	Hungary	n.a.	-2.4	4.6	-5.3	Aug	-4.0	1.5	Aug	2.4	7.0	Aug	7.4	12.2	Sep	15.4	4.0	Aug	4.0	15.2	Jul	15.2	93.6	Sep	93.6
	Poland	n.a.	-1.4	4.9	-2.1	Sep	-2.2	-10.3	Jul	-10.3	-2.7	Aug	-3.4	8.2	Sep	9.7	5.0	Aug	5.0	11.9	Aug	11.2	95.5	Sep	95.5
	Slovakia	n.a.	1.5	1.7	4.6	Aug	-0.4	2.2	Aug	3.4	-2.1	Aug	-3.3	8.2	Sep	8.9	5.2	Aug	5.2	10.7	Aug	10.8	91.9	Sep	91.9
	Slovenia	n.a.	1.4	2.5	-12.3	Aug	-9.7	-11.4	Aug	-9.0	-21.3	Aug	-18.9	7.1	Sep	6.3	4.8	Jul	4.8	9.5	Jul	9.5	93.2	Sep	93.2
SEE	Albania	n.a.	3.2	4.8	n.a.	n.a.	n.a.	-12.8	Sep	-13.4	n.a.	n.a.	n.a.	4.1	Sep	4.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	n.a.	1.2	3.8	-0.7	Sep	n.a.	-13.7	Aug	n.a.	17.7	Jul	17.7	4.1	Sep	n.a.	29.2	Jul	29.2	11.8	Aug	11.6	n.a.	n.a.	n.a.
	Croatia	n.a.	2.7	6.2	1.6	Sep	n.a.	-14.7	Jul	n.a.	3.5	Aug	2.9	6.7	Sep	7.3	6.0	Aug	5.9	13.4	Jul	13.4	105	Sep	104.3
	Romania	n.a.	1.0	n.a.	-5.8	Aug	-6.0	-7.1	Aug	-5.1	0.6	Aug	0.6	9.2	Sep	9.1	5.4	Aug	5.5	15.2	Aug	15.0	101.2	Sep	100,5
	Serbia	n.a.	1.7	2.5	3,0	Sep	4.3	-1.6	Aug	-0.5	-1.5	Aug	-2.4	10.2	Sep	11.4	n.a.	n.a.	n.a.	14.6	Jul	14.6	n.a.	n.a.	n.a.
EE & MENA	Moldova	-2.2	-2.4	-5.9	-10.5	Jun	-10.6	-24.0	Jun	-21.0	-5.6	Dec	n.a.	8.6	Sep	15.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	4.9	-1.8	-2.1	5.6	Sep	6.3	72.1	Jan	n.a.	12.2	Sep	8.9	6.0	Sep	2.7	3.0	Sep	3.2	15.9	Jun	15.5	54.5	Sep	52.6
	Ukraine	19.5	-10.5	-29.1	51.1	Mar	n.a.	-14.6	Jun	-17.0	35.4	Mar	n.a.	7.1	Sep	15.3	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	0.3	Jul	-9.3	-10.9	Jul	-31.1	n.a.	n.a.	n.a.	38.0	Sep	33.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.7	Sep	49.1
	m.i. E. A.	0.1	0.6	3.4	-5.0	Aug	-3.6	-3.9	Aug	-3.4				2.9	Oct	5.0									

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
		31/10	3M*	31/10	3M*	31/10	3M*	1Y*	3M*	1Y*	31/10	31/7	3Q23	2Q23	2022	3Q23	2Q23	Moody's
CEE	Czechia	7.1	-0.1	4.7	0.6	24.58	2.96	0.40	0.4	15.4	28.9	29.9	n.a.	n.a.	n.a.	n.a.	n.a.	Aa3
	Hungary	11.4	-2.9	7.6	0.4	382.48	-0.73	-7.17	5.0	36.5	142.0	143.8	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	6.9	-0.4	5.7	0.2	4.45	0.77	-5.55	-0.9	41.9	67.8	63.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Slovakia	4.0	0.3	4.1	0.3	n.a.	n.a.	n.a.	0.9	-3.5	29.8	34.3	n.a.	n.a.	n.a.	n.a.	-447.0	A2
	Slovenia	4.0	0.3	3.7	0.3	n.a.	n.a.	n.a.	-7.3	14.3	36.2	38.1	n.a.	-7	134	n.a.	1,146.1	A3
SEE	Albania	2.9	n.a.	n.a.	n.a.	105.44	2.61	-10.78	n.a.	n.a.	n.a.	n.a.	n.a.	543	n.a.	n.a.	-195.0	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.	n.a.	57	-144	n.a.	-299.3	n.a.
	Croatia	0.4	0.0	4.0	0.3	7.53	0.00	0.06	-1.8	22.6	83.4	85.3	n.a.	-238	2,855	n.a.	-542.1	Baa2
	Romania	6.2	-0.1	7.1	0.5	4.97	0.63	1.05	7.5	31.6	153.8	148.7	n.a.	-25	n.a.	n.a.	-9,826.0	Baa3
	Serbia	6.5	0.0	n.a.	n.a.	117.18	0.00	-0.11	0.2	10.3	223.8	223.7	n.a.	1,204	2,961	n.a.	-411.0	Ba2
EE & MENA	Moldova	4.75	-4.7	7.1	0.0	18.12	2.56	-6.05	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	B3
	Russia	15.3	83.7	13.0	-2.6	93.60	2.02	50.85	4.1	47.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	12.8	0.0	18.5	-1.5	36.30	-1.71	-1.71	0.0	-2.3	14,247.7	14,247.7	n.a.	7,429	-4,129	n.a.	514.0	Ca
	Egypt	25.2	1.9	11.3	0.0	30.93	0.00	28.05	28.2	98.3	1,689.9	1,319.9	142	381	-6,932	n.a.	557.0	Caa1
	m.i.A.E.	4.0	0.3	2.8	0.3	1.1	-4.1	6.9	-6.7	7.7	10.62	6.25						

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	3.9	Aug	4.5	1.8	Aug	2.0	11.4	Aug	18.1	6.4	Aug	4.2	8.5	Aug	9.0	C	6.0	Aug	6.0	H	70.6	Aug	71.0
	Hungary	3.4	Aug	11.6	2.2	Jun	2.3	17.7	Aug	56.4	-7.4	Aug	2.5	11.8	Aug	11.5	C	11.4	Aug	12.3	H	82.9	Aug	78.3
	Poland	-4.9	Aug	0.2	4.0	Mar	n.a.	-7.7	May	n.a.	11.4	Aug	5.6	8.6	Aug	8.7	C	5.8	Aug	6.5	H	70.5	Aug	76.0
	Slovakia	4.7	Aug	10.4	2.0	Aug	1.9	70.3	Aug	33.0	3.6	Aug	5.9	6.2	Aug	3.8	C[2]	0.0	Dec	0.0	H[2]	110.3	Aug	108.3
	Slovenia	1.0	Aug	9.8	1.0	Jul	1.1	41.8	Aug	33.7	6.2	Aug	7.8	5.1	Aug	3.0	C[2]	1.1	Aug	0.2	H[2]	63.5	Aug	64.3
SEE	Albania	1.5	Aug	6.9	5.3	Aug	5.0	-18.2	Aug	-10.8	1.5	Aug	4.8	5.8	Aug	6.5	PS	1.9	Aug	2.5	PS	55.2	Aug	54.8
	Bosnia H.	5.3	Aug	5.3	4.1	Jun	4.5	-18.0	Aug	-7.0	9.9	Aug	3.2	3.9	Aug	4.0	C	0.7	Aug	0.5	H	89.4	Aug	91.3
	Croatia	8.4	Aug	11.2	3.0	Jun	3.0	5.7	Aug	27.7	6.6	Aug	15.0	5.0	Aug	3.6	PS	2.8	Aug	0.7	PS	65.6	Aug	63.8
	Romania	4.9	Aug	11.2	2.7	Aug	2.7	20.9	Aug	35.8	9.7	Aug	6.7	9.1	Aug	9.7	PS	5.9	Aug	6.7	PS	70.7	Aug	71.0
	Serbia	-0.4	Aug	6.4	3.2	Aug	3.0	-4.4	Aug	14.1	10.2	Aug	6.9	11.4	Aug	9.3	PS	5.6	Aug	6.2	PS	86.7	Aug	89.7
EE & MENA	Moldova	3.0	Aug	9.3	6.7	Aug	6.4	0.7	Jul	n.a.	19.1	Aug	5.4	10.4	Aug	12.9	C	8.9	Aug	11.4	H	59.1	Aug	64.9
	Russia	25.0	Jul	11.8	6.1	Dec	6.1	13.3	Dec	n.a.	25.6	Jul	11.0	9.7	Jul	8.9	C	5.7	Jul	5.4	H	122.9	Jul	120.3
	Ukraine	-10.4	Aug	-4.4	38.5	Sep	36.7	-21.9	Aug	-21.6	29.6	Aug	25.1	22.3	Aug	22.0	PS	13.3	Aug	10.7	PS	47.2	Aug	55.2
	Egypt	24.8	Apr	28.4	3.5	Mar	3.4	73.2	Aug	83.1	23.6	Aug	27.4	18.7	Aug	13.3	C	13.4	Aug	9.8	H	35.7	Apr	35.6
	m.i. E. A.	0.48	Aug	4.0	n.a.	n.a.	n.a.	1.1	Aug	9.0	-0.3	Aug	3.3	5.0	Sep	3.4	C	3.1	Sep	1.4	H	75.6	Aug	75.1

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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