

CEE Biweekly

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Please note: The forecasts are shown against a grey background in the tables

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KEY ECONOMIC NEWS

Bulgaria – In May industrial output dropped marginally due to the weaker manufacturing activity in the metal sector, while retail sales lost some momentum. Credit growth picked up fuelling anticipation that the BNB may tighten its monetary policy stance. The current account gap deteriorated to 9.0% of projected GDP, from 7.0% in 2006, while June CPI bounced back to 5.6% yoy, in line with our forecast for an upward shift in price pressure in H2 2007.

Czech Republic – June CPI came in at 0.3% mom and 2.5% yoy, matching both our and the market's expectations. The pick-up from May's 2.4% yoy fit well into the picture of a gradual acceleration in price growth, suggesting that booming consumer demand and a depreciation of the koruna in the past months have started impacting on prices. The outcome was also consistent with broad expectations that the Central Bank will raise interest rates by 25bps at the end of this month. Beyond this widely expected hike, we still expect one additional quarter p.p. tightening by the year-end.

Croatia – CPI inflation in June fell by 0.4% in monthly terms, mainly due to a seasonal fall in food prices, pushing annual inflation down to 1.9%. GDP growth in Q1 was strong, up 7%, and driven by strong domestic demand, but this was accompanied by a further widening of the CA deficit. The expected slowdown in growth in H2 could also be influenced by the CNB's limit on lending growth to 3% for the remainder of the year. The recently adopted revision of the state budget envisions a reduction of the deficit to 2.6%, from 2.8% of GDP, based on higher revenues. However, the new Law on Compensation of post-1998 Pensioners and changes in the pension insurance system adopted by the parliament represent a risk to long-term fiscal stability, given that they progressively increase pension spending whilst reducing the disincentive for early retirement at a time when the participation rate in the labour market remains below 50% and the population is ageing.

Estonia – Inflation accelerated further to 5.8% yoy in June, with administered prices increasing 4.1% yoy and non-administered prices 6.4%. Costs of housing, health services and the prices of food grew fastest. There are still no clear signs of the economy cooling down. The decline in the growth rate of industrial production to 6.2% in May yoy from 10.5% in April is due to a statistical base effect. Standard & Poor's also seems to be concerned about the overheating and changed the outlook on Estonia's sovereign rating from stable to negative, while confirming the A rating (long-term FX).

Hungary – Inflation in June came to 8.6% yoy, i.e. 0.1 pp over market expectations. Month-on-month prices were up by 0.4%. The CPI was boosted by steeply rising prices of seasonal foodstuffs, fuels, services, especially catering and accommodation services. The higher than expected index disappoints market analysts as many believed inflation would remain flat from May onward. But a more disturbing sign is that yoy core inflation picked up to 5.9% from the May figure of 5.7%. Despite worse than expected inflation figures, monetary council members see room for further interest rate cuts from the current 7.75% level.

Latvia – Latvian's CPI accelerated in June to 8.8% yoy from 8.2% registered in May on the back of larger than expected increase in food prices. Among the main contributors, also tobacco prices had some effects, although the recent hike in excise taxes will continue to have an impact also in the following months. Despite some first signs of the new measures introduced by the Government starting to have an effect, the recent inflationary trend support our upward revision of year end CPI forecast to 6.5% from 6.0%. The appearance of first signs of stabilization in certain branches of the economy following Government's measures to combat inflation and some slow-down in the pace of lending growth observed in the recent months has been on back of the recent central bank's decision to leave the main intervention rate unchanged at 6.0%. High consumption spree backed by cheap credit continue to drive further widening of the trade deficit, which in May went up by 49% yoy to reach EUR 1.9bn.

Lithuania – CPI inflation stood at 4.8% yoy for the third month in a row. It increased by 0.2% on a monthly basis. Inflation still remains the main obstacle for the Lithuanian economy in its attempt to move closer to the euro area. On the external side, the CA deficit for January – May 2007 increased by 64% in comparison with the same period last year, driven by the increased trade deficit (+48%). Imports are growing fast and exports are slowing. On the fiscal side, preliminary data of the Finance Ministry shows Lithuania's budget revenues reached EUR 2.15 bn in the first five months of this year, accounting for 38.9% of the full-year revenue target.

Poland – The Polish PM Kaczynski unexpectedly sacked deputy Prime Minister Lepper from the coalition. The political turbulence is nearly over, but the situation is still uncertain. The problems will return as a key issue after Parliament comes back from its summer break. Wage growth at 9.3% yoy was higher than expected. CA data also surprised upward, with a deficit of EUR 1.2 bn due to lower transfers from the EU. However, the CA breakdown showed strong growth in domestic demand. Exports increased by 11.4% yoy, while imports went up by 14.3% yoy (both in euro terms). Recent macroeconomic data is mixed for the MPC.

We believe that given the wage growth, the probability of a July hike has slightly increased. However, we stick to our forecast that the MPC will maintain a “wait and see” attitude with the next rate increase to be delivered later this year.

Romania – The trade deficit widened by 64% (FOB/CIF) yoy in the first five months of the year to reach EUR 7.6 bn, and is the main driver of the fast growing current account deficit (which expanded by 104% yoy in the given period). The strong appreciation trend of the RON since the beginning of the year accentuated the gap between imports (29% yoy Jan-May cum.) and exports (13% yoy Jan-May cum.). May’s industrial production jumped back to 6.8% yoy (adj. for working days) after the slower growth registered in April (1.4 % yoy). CPI inflation in June remained low following previous months with a 3.8% annual growth rate. Price decreases were registered in service prices such as telephones and air transportation thanks to the sharp appreciation of the local currency by about 4% in the last month.

Russia – CPI rose by 1.0% in June and 5.7% in the first half of the year, and was up 8.5% versus June 2006, said the central bank chairman last Wednesday. Russia’s foreign trade surplus rose to USD 12.7 bn in May from USD 11.2 bn in April. Gazprom chose Total as its development partner for the giant Shtockman gas field. Under the deal, Total will receive a 25 percent stake in the company that will build and own pipes, rigs and other infrastructure for the first phase of development of the Shtockman field. The French energy group could spend around USD 4-5 bn in the next 5 years. On the political side, Russia suspended its participation in a key pact limiting conventional forces in Europe under a decree signed by President Vladimir Putin.

Serbia – GDP growth came in at an impressive 8.7% yoy in Q1 2007, much higher than the 5.0% seen in the final quarter of 2006. Exceptionally strong growth of 16.2% has been recorded in construction as a result of favourable weather conditions (mild winter) and the services sector segments of wholesale and retail trade (+24.1%), transport, storage and communication (19.4%) and financial intermediation (18.7%). Below average growth, however, occurred in the agricultural (+0.7%) and industrial sectors (+5.4%). We expect the economy to expand briskly in the following quarters as well, although economic growth is expected to slow given a more moderate development of the construction industry (petering out of the one-off effects of the mild winter) and thus investment activity. All in all, economic growth is expected to reach a real 6.5% in 2007 as a whole.

Slovakia – Consumer prices grew by 0.3% mom in June, with yearly growth accelerating to 2.5%. As the main driver was clearly funds of repairs of real estate owners (imputed rents, which are not included in the harmonised index), harmonised inflation remained stable at 1.5% yoy (0.1% mom). Slovakia should be able to fulfil the Maastricht inflation criterion as early as August. Foreign trade was slightly worse than expected reaching a deficit of SKK 3.5 bn in May, but this is still a significant yoy improvement. Industrial production surprisingly accelerated in May, while construction production significantly slowed (probably as a consequence of missing capacities).

Slovenia – In June inflation picked up 0.4% mom and thus accelerated significantly to 3.6% yoy, as compared to the 2.9% yoy seen in May. The highest price increases were observed in the sub-categories of food (+6.9% yoy), alcohol and tobacco (+6.0% yoy), furnishing and household equipment (+5.7% yoy) as well as restaurants and hotels (+6.4% yoy). Against the background of rising inflationary pressures consumer price inflation averaged 2.7% in the first half of 2007, which is, nevertheless, just slightly above the 2.5% recorded in the corresponding period of the previous year despite the euro introduction in January. Given higher energy and food prices, inflationary pressures are also expected to remain pronounced in H2, so that we raise our annual average inflation forecast to 3.2% for 2007.

Turkey – In the run up to the elections on 22 July, the Turkish financial markets have been sparkling, mainly thanks to the strong demand from foreign investors. The stock exchange hit historical highs last week, with interest rates falling below 18% and the YTL rising to its highest level against the USD since March 2006. The polls indicate a single-party AKP government and this apparently helps the sentiment in the markets. In the meantime the Central Bank, as expected, kept rates on hold at 17.5% in its July meeting. On the economic data front, the current account balance improved, and in Jan-May 2007 amounted to USD 15.8 bn, representing a 5.3% contraction when compared to the same period of last year, thanks to the decline of 5.8% in the trade deficit and an increase of 12.3% in tourism revenues.

Ukraine – Sharp food price increases (with the exception of meat) accelerated inflation to 2.2% mom and 13.0% yoy, way above the central bank’s target of 7.5% yoy for December 2007. Some deceleration is expected for the rest of the year, but it is highly unlikely now that the target can be reached. Fiscal loosening in the run-up to the parliamentary elections will combine with the consequences of a drought, which affected 60% of the crop area, to keep inflation high. If the next release of consumer price data confirms strong price pressures, we will push up our current forecasts of 9.4% yoy for December and 10.0% yoy for 2007 as whole. Nevertheless, interest hikes do not seem to be in the pipeline as officials of both the government and the central bank have expressed the view that inflation will remain under control.

BULGARIA AND ROMANIA

European Commission report on Bulgaria and Romania: progress in fighting corruption and organised crime remains insufficient

Although full members of the EU, Romania and Bulgaria are still being monitored. On 27 June the EU Commission released the first post-accession Monitoring Report. It will be updated on a six-monthly basis to ensure that the necessary measures are taken properly. Safeguard measures can be taken for up to three years after accession in the case of serious shortcomings. The report specifies some accompanying measures in the areas of food safety and agricultural funds too.

Despite the acknowledgment of some progress in key areas identified as problematic in December last year, including aviation safety, food safety and enhancing the capacity of the administration in allocating EU funds, the report stressed that there are still significant deficiencies in the fight against corruption in both countries. In the case of Romania, the EU considers the results of the DNA (National Anti-corruption Directorate) to be ineffective as regards its preventive function. Most of the high-level corruption cases are currently suspended. In addition, the removal and re-nomination of several officials at the Ministry of Justice and DNA are definitely considered to be damaging the reform process. On the other hand, progress was achieved in establishing the necessary conditions so that courts at the same level of jurisdiction have consistent jurisprudence between each other as well

as with that of High Court of Cassation and Justice. A staffing model for the justice system is also being implemented. The New Civil Procedure Code is expected to be finalised in December 2007 and is planned to be adopted in 2008, while work on the New Criminal Procedure Code started in January 2007. The EU considers that a strict separation of executive, legislative and judicial power must be respected to ensure further success.

Progress in fighting corruption and particularly high-level corruption was described as insufficient in Bulgaria too. There are very few cases of convicting sentences for corruption and embezzlement where highly positioned members of the public administration and politicians are implicated. Indictments based on similar allegations are, likewise, very isolated. Proactive investigations of inexplicable wealth are far from being common practice. Most importantly, the perpetrators of more than 150 contract killings, carried out in the last decade, remain unpunished, further strengthening the perception that the legal prosecution of organised crime is still insufficient. Significant progress is still needed in the area of judicial reform too. Some formal steps have recently been undertaken, with Bulgaria introducing a random allocation of cases to respective judges in all courts in the country. Also on the positive side, constitution amendments removing the ambiguity on the independence of the judiciary from the executive branch of power was passed by the parliament in April. The process of

introducing competitive examinations in recruiting magistrates to the new Administrative Court was completed, while the parliament reported good progress in preparing new civil procedure and penal procedure codes, which should ensure more transparent and efficient judiciary processes.

The first report after accession also contains some chapters on agriculture, animal health and food safety. In the future, these subjects will be not covered in the reports, although measures can be taken on the individual basis of each area in accordance with the rules governing these sectors. In the case of serious shortcomings, the safeguard mechanism stipulates that IACS (Integrated Administration and Control System) related expenditures could provisionally be reduced by 25%. The report acknowledges some progress in the area of food safety in both countries, while concerns still remain in the case of Romania in relation to the land parcel identification system, IT system and data managing, with a final decision on whether to apply safeguard measures expected by the end of July. Romanian efforts in the area of animal health will instead be evaluated in September.

Overall, Romania and Bulgaria are challenged to do more and are expected to make further progress in implementing newly adopted laws and the reshaped judicial and administrative system. Although safeguard measures were not proposed in this report, there are couple of chapters referring to possible intervention in the near future.

POLAND

A crack in the government alliance

During the typical summer calm, attention has shifted strongly to the political scene due to a bribery scandal. The Polish PM Jaroslaw Kaczynski unexpectedly dismissed his deputy PM and Farm Minister Andrzej Lepper (leader of Self-Defence, a junior coalition partner), who is under suspicion of corruption. At the beginning this sparked a wave of speculation regarding the collapse of the governing coalition. Lepper initially vowed upon his dismissal that the coalition was finished, but later he changed his mind. The other junior

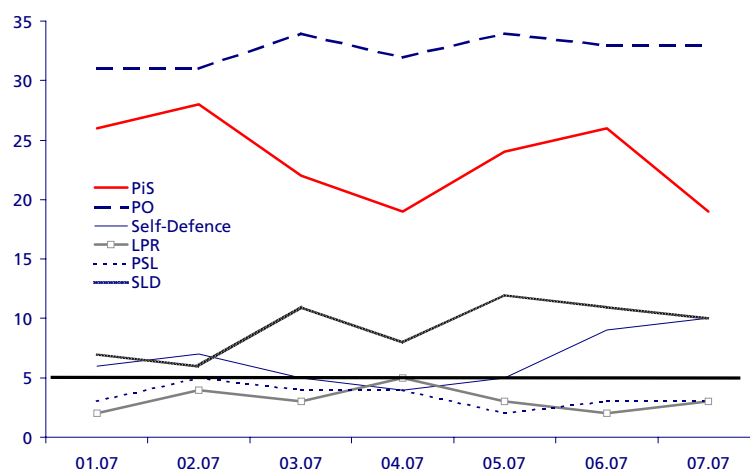
coalition partner, the ultra-catholic League of Polish Families (LPR) wanted to stay in the government, even if it is a minority one. After Lepper's decision to remain in the governing coalition as well, both parties decided to create a new party: the League and Self-Defence (LiS) to strengthen their position in the government. The new party LiS is supposed to preserve the populist program, mainly involving higher social spending, like wage increases for the healthcare sector, and opposing deeper European integration.

The political nervousness is mostly over; however the situation still looks far from resolved. In our opinion it could develop in several different directions, i.e. earlier elections later this year, a minority government or even a new coalition. The recess of Parliament is going to last until late August, which gives politicians plenty of time to decide on what to do next. According to the Speaker of the Parliament, a vote on a no-confidence motion will take place in September.

We believe that the corruption scandal indeed poses some risk of a coalition break-up.

However, neither the PiS nor the LiS want a snap election. Both the LPR and Self-Defence have popularity readings of below or close to the 5% threshold. It is worth noticing that PM Kaczynski ruled out the possibility of heading up a minority cabinet, saying “If we fail to muster a majority, we will have early elections. Maybe in the autumn”. In our opinion, earlier elections per se will not exert a significant impact on the economy and financial market, especially if the ruling coalition is not recognised as a reform-friendly government. On the other hand, we believe that for the markets and for fiscal policy perspectives a different eventual outcome of an earlier election (i.e. a government formed by the opposition party, the Civic Platform – PO, who is leading the polls) might be welcome.

Popularity of parties (% of votes)



Source: Reuters, Bank Pekao SA

SERBIA

Standard&Poor's moves from positive outlook to stable on longterm Serbian sovereign debt (BB-)

On July 10 the ratings agency Standard and Poor's reaffirmed Serbia's long-term sovereign debt credit rating at BB- (peers include Armenia, Turkey and Ukraine) but moved from a positive outlook to stable. This brings S&P fully in line with Fitch, the only other major rating agency following Serbia. Any hope that Serbia may get a rating upgrade this year looks now to be gone, despite counter-arguments by the likes of National Bank of Serbia governor Jelasic that the country deserves an upgrade.

When on 28 February 2006 S&P moved from a stable to positive outlook it was somewhat of a surprise. At the time, there was uncertainty over the Montenegrin independence referendum and co-operation with The Hague Tribunal was deteriorating (indeed talks with the EU were postponed for over a year from May 2006) and the Kosovo question was looming large.

Today Montenegro is independent (rated BB+ by S&P), the Kosovo question is currently on the backburner, Serbia has a new constitution

and since mid-May a new government which shows all the signs of being resistant to the test of time. Its stance that Kosovo is an inalienable part of Serbia has been unwavering so that the scheduled parliamentary debate on 24 July on the latest joint US/EU draft resolution on Kosovo, which Prime Minister Kostunica has already rejected, may only be interesting for the tone and rhetoric rather than the substance of the message.

For all of the relative improvements in the sphere of Serbian politics in recent months, it is the economic imbalances which were the focus of S&P's decision to revert to a stable outlook for Serbia. The key concern for all, though it has been present since the turn of the year, has been fiscal policy. Some observers, in the end to no avail, had hoped the new government would amend an overly expansionary 2007. In the end spending has been raised by 27% y-o-y and public sector salaries are set to be increased on average by 22% for 2007. S&P expects a central government deficit of 1.2% of GDP (excluding revenues from a mobile licence which amount to 1.1% of GDP) following a balanced budget in 2006.

Our own forecasts see the current account deficit widening to over 14% of GDP this year. At the same time, the delays in privatisation caused by the political uncertainty of H1 2007 suggest FDI inflows will be lower this year. We also note that credit growth to households remains robust at over 45% y-o-y in May.

The bottom line is that Serbia's external imbalances are rising as a result of the strong impetus brought about by a looser fiscal policy stance. Currently, with tax revenues strong on the back of robust economic growth (8.7% y-o-y in Q1 2007) there are no imminent issues. Yet with the political environment always capable of throwing the Kosovo or Hague Tribunal co-operation issue into politicians' laps, it may well prove difficult for the government to reverse the spending increase decisions of the 2007 budget should economic growth slow at some point during the current mandate and the budget deficit widen. At that point the current positive trends in the government debt ratio could change. Thus, taking the rising economic imbalances into account S&P's decision to move to stable from positive is not really a surprise.

TWO-WEEK MARKET MOVERS AND RISK FACTORS

Date	Event / Release	Reference date	Source	Notes
Bulgaria				
July 24, 07	Gross External Debt	May 2007	CB	-
July 30, 07	PPI	June 2007	SO	-
Czech R.				
Jul 19, 07	Retail sales	May 2007	SO	We expect retail sales to increase by 7% y/y.
Estonia				
July 26, 07	Foreign trade	May 2007	SO	-
July 31, 07	Industrial output	June 2007	SO	-
July 31, 07	Retail sales	June 2007	SO	-
Hungary				
July 24, 07	Retail sales	May 2007	SO	We see retail sales dropping by 0.1% yoy.
July 27, 07	Unemployment	April-June 2007	SO	The unemployment rate is expected to rise by 0.1 ppt to 7.4% as a result of layoffs in the public sector.
Aug 7, 07	Industrial output	June 2007	SO	Given robust export growth we anticipate a rebound to 8% yoy.
Latvia				
July 30, 07	Domestic Trade	June 2007	SO	-
Aug 06, 07	Industrial output	June 2007	SO	-
Lithuania				
July 20, 07	GDP	Q2	SO	In Q1 GDP grew by 8.3% yoy
Poland				
July 19, 07	PPI	June 2007	SO	2.2% yoy in May
July 19, 07	Industrial production	June 2007	SO	Slowdown of industrial output growth due to base effect
July 24, 07	Retail sales	June 2007	SO	We expect strong growth of retail sales due to new car sales
Romania				
July 31, 07	Inflation Report	May 2007	CB	CB revised inflation forecast in May downward from 4.6% to 3.7%. The yerly target: 4% +/-1pps
Slovakia				
July 27, 07	PPI	June 2007	SO	we expect producer prices to be stable (in yearly comparison) in June
July 31, 07	CA	May 2007	CB	we expect worsening of CA in May-June driven by outflow of dividends
Slovenia				
July 25, 07	Wages	May 2007	SO	Real net wages are expected to grow at a robust rate of around 5% as a result of the tax reform enacted at the beginning of 2007.
July 31, 07	Consumer prices	July 2007	SO	After the strong pick-up in June consumer price inflation is expected to accelerate further on higher energy and food prices.
Croatia				
July 20, 07	Industrial production	June 2007	SO	Continuation of strong growth expected with possible slowdown in H2 due to monetary tightening
July 31, 07	Foreign trade	June 2007	SO	Dynamic growth to continue with further widening of trade deficit
Turkey				
July 22, 07	Parliamentary Elections			The ruling AKP is expected to maintain the lead with a clear majority
Russia				
July 19-20, 07	Retail Sales	June 2007	SO	14.0%
July 19-20, 07	Unemployment Rate	June 2007	SO	6.8%
July 27-21, 07	M2	June 2007	CB	-

Source: Statistical Office (SO), Central Bank (CB), Ministry of Finance (MoF), Labour Office (LO)

INTEREST AND EXCHANGE RATES

Upcoming meetings*		Policy interest rate, eop (% p.a.)**				Fx rate, n.c. per euro, eop				
Next move	Date	current	Sep 07	Dec 07	Mar 08	current	Sep 07	Dec 07	Mar 08	
Bulgaria	Currency board regime	-	-	-	-	1.96	1.96	1.96	1.96	
Czech R.	+25bps	Jul 26, 07	2.75	3.00	3.25	3.50	28.3	28.5	28.4	28.2
Estonia	Currency board	-	-	-	-	-	15.65	15.65	15.65	15.65
Hungary	-25 bp	July 23, 2007	7.75	7.25	6.50	6.25	245.4	252.0	253.0	251.0
Latvia	+50bps	Sep. 13, 07	6.00	6.50	6.50	6.50	0.70	0.70	0.70	0.70
Lithuania	Currency board	-	-	-	-	-	3.45	3.45	3.45	3.45
Poland	on hold	Jul 24-25, 07	4.50	4.50	4.75	4.75	3.75	3.85	3.90	3.90
Romania	-25 bps	July 31, 2007	7.00	6.75	6.75	6.75	3.13	3.30	3.32	3.33
Slovakia	on hold	July 31, 07	4.25	4.25	4.25	4.25	33.1	33.4	33.0	32.7
Slovenia	+25 bp	Sep. 06, 07	4.00	4.25	4.50	4.50	EUR	EUR	EUR	EUR
Croatia	-	-	5.57	5.00	4.60	4.20	7.29	7.30	7.30	7.30
Turkey	On hold	Aug. 14, 07	17.50	17.50	17.00	16.00	1.75	1.80	1.85	1.87
Bosnia-H.	Currency Board	-	-	-	-	-	1.96	1.96	1.96	1.96
Russia***	-	-	10.00	10.00	10.00	9.50	25.5	25.9	25.8	25.6
Serbia	On hold	July 27, 07	9.50	9.50	9.00	8.75	80.4	81.0	80.5	80.0
Ukraine***	-	-	9.00	9.00	9.00	9.00	5.05	5.05	5.05	5.05

* of the decision making board or council

** Policy interest rates: Czech Rep. - 2-week repo rate, Hungary - 2-week deposit rate, Latvia - Refinancing rate, Poland - 7 day open market operation, Romania - 1M commercial bank deposits, Slovakia - 2-week repo rate, Slovenia - ECB main refinancing operation, Croatia - 1W ZIBOR, Macedonia - Central bank bills auction, Turkey - ON borrowing rate, Albania - Repo rate, Russia - CBR refinancing rate, Serbia - 2W Repo, Ukraine - Overnight central bank credits

*** exchange rate to the USD

Source: Central banks, UniCredit Group New Europe Research Network

RATINGS

	Moody's		S & P's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Bulgaria	Baa3	positive	BBB+	stable	BBB	stable
Czech R.	A1	positive	A-	positive	A	stable
Estonia	A1	positive	A	negative	A	stable
Hungary	A2	stable	BBB+	stable	BBB+	negative
Latvia	A2	positive	BBB+	negative	A-	negative
Lithuania	A2	stable	A	negative	A	stable
Poland	A2	stable	A-	stable	A-	stable
Romania	Baa3	stable	BBB-	stable	BBB	stable
Slovakia	A1	stable	A	stable	A	stable
Slovenia	Aa2	positive	AA	stable	AA	stable
Croatia	Baa3	stable	BBB	stable	BBB-	stable
Turkey	Ba3	stable	BB-	stable	BB-	stable
Bosnia-H.	B2	stable	-	-	-	-
Russia	Baa2	Stable	BBB+	Stable	BBB+	Stable
Serbia	-	-	BB-	stable	BB-	stable
Ukraine	B1	positive	BB-	negative	BB-	positive

Source: Rating agencies, UniCredit Group New Europe Research Network

MONTHLY INDICATORS

	Exports, euro (yoy)			Imports, euro (yoy)			Industrial production, (yoy)			Retail sales, real (yoy)			Consumer prices, (yoy)		
	Mar	Apr	May	Mar	Apr	May	Mar	Apr	May	Mar	Apr	May	Apr	May	Jun
Bulgaria	9.6	3.1	11.6	16.4	13.3	17.3	9.0	11.7	6.9	13.4	7.4	6.7	4.2	4.3	5.6
Czech R.	17.0	21.9	12.9	15.6	18.9	10.5	11.0	14.0	7.5	10.5	8.1	-	2.5	2.4	2.5
Estonia	-2.2	5.9	-	5.4	8.1	-	5.4	10.5	6.2	23.6	16.8	16.6	5.5	5.7	5.8
Hungary	12.4	18.0	12.0	7.0	16.4	10.6	4.3	10.6	3.2	-0.5	-2.5	-	8.8	8.5	8.6
Latvia	24.7	21.3	27.1	35.1	32.1	37.2	-0.1	-0.9	-	27.0	24.0	24.4	8.9	8.2	8.8
Lithuania	4.2	7.9	2.9	-0.9	25.1	12.9	-4.8	3.7	0.0	16.0	12.1	15.9	4.8	4.8	4.8
Poland	14.6	16.5	11.4	21.2	24.9	14.3	11.3	12.6	8.1	17.7	13.6	13.4	2.3	2.3	2.6
Romania	17.1	16.5	5.0	27.7	29.5	22.0	9.2	1.4	6.8	16.2	13.1	12.1	3.8	3.8	3.8
Slovakia	31.3	38.6	29.1	28.7	26.8	23.7	12.6	14.8	17.4	6.0	6.2	9.7	2.7	2.3	2.5
Slovenia	19.7	17.3	-	15.2	28.4	-	9.3	13.2	3.0	8.7	2.3	0.6	2.6	2.9	3.6
EU-10	15.6	18.1	-	18.5	23.1	-	9.1	10.7	-	12.9	9.6	-	3.8	3.7	3.9
Croatia	-6.4	24.3	8.1	6.8	16.4	15.1	9.0	9.4	7.7	8.2	7.1	6.2	2.3	2.2	1.9
Turkey	9.4	15.7	21.9	1.7	0.3	9.0	3.2	2.0	5.2	-	-	-	10.7	9.2	8.6
Bosnia-H.	19.7	13.9	10.4	31.0	23.1	13.8	13.7	3.5	7.6	23.9	17.1	12.1	1.7	1.5	0.5
Russia	-0.4	4.5	5.6	24.4	31.8	28.9	7.9	4.6	6.7	13.8	13.7	14.6	7.6	7.8	8.5
Serbia	27.2	35.6	-	28.1	29.4	-	2.5	6.5	4.3	29.5	27.7	24.0	3.4	3.1	3.5
Ukraine	19.2	24.9	-	16.1	33.2	-	10.7	12.3	9.9	24.5	27.7	-	10.5	10.6	13.0

Source: National statistical offices, UniCredit Group New Europe Research Network

QUARTERLY GDP

constant prices, % yoy	2005	2006	2007	2005				2006				2007			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bulgaria	6.2	6.1	6.2	6.6	7.3	5.4	6.0	5.5	6.4	6.7	5.7	6.2	6.1	6.1	6.3
Czech R.	6.5	6.4	5.6	5.9	6.6	6.4	7.0	6.6	6.5	6.3	6.1	6.1	5.8	5.3	5.1
Estonia	10.5	11.4	9.4	8.3	10.1	11.9	11.3	11.7	11.7	11.3	10.9	9.8	9.6	9.3	9.3
Hungary	4.2	3.9	3.0	3.1	4.6	4.3	4.8	4.9	3.8	3.8	3.2	2.7	2.9	3.0	3.2
Latvia	10.6	11.9	9.4	7.7	11.5	11.6	11.4	13.1	11.1	11.9	11.7	11.2	9.8	8.5	8.1
Lithuania	7.6	7.5	7.7	4.6	8.3	8.3	8.7	8.5	8.4	6.4	6.9	8.3	7.2	7.3	7.9
Poland	3.6	6.1	6.6	2.4	3.2	4.3	4.4	5.5	6.0	6.3	6.6	7.4	6.1	5.2	5.0
Romania	4.1	7.7	6.0	6.0	4.7	2.6	4.3	6.9	7.8	8.3	7.7	6.0	6.1	5.9	5.8
Slovakia	6.0	8.3	9.0	4.9	5.4	6.3	7.5	6.7	6.7	9.8	9.6	9.0	10.1	8.0	8.9
Slovenia	4.0	5.2	5.7	3.0	5.4	3.8	3.9	5.0	4.7	5.6	5.5	7.2	5.7	5.2	5.0
EU-10	4.8	6.5	6.2	4.1	4.9	5.0	5.5	6.2	6.3	6.7	6.6	6.6	6.1	5.5	5.5
Croatia	4.3	4.8	4.7	1.8	5.1	5.2	4.8	6.0	3.6	4.7	4.8	7.0	5.0	3.9	4.0
Turkey	7.4	6.1	5.0	6.6	5.5	7.7	9.5	6.7	8.3	4.8	5.2	6.8	3.0	5.1	5.6
Bosnia-H.	5.5	6.2	6.7	-	-	-	-	-	-	-	-	-	-	-	-
Russia	6.4	6.7	7.2	5.0	5.6	6.5	8.0	5.0	7.0	6.8	7.8	7.9	7.1	6.7	6.9
Serbia	6.2	5.7	6.5	4.6	7.8	7.4	5.0	7.0	5.9	5.3	5.0	8.7	6.3	5.8	5.5
Ukraine	2.7	7.1	6.5	5.0	3.5	1.5	1.9	4.1	6.8	6.9	9.5	8.0	6.0	6.0	6.4

Source: National statistical offices, UniCredit Group New Europe Research Network

MAIN INDICATORS

	GDP, real (yoy)				Unemployment, (% of labor force)				Budget balance (in % of GDP)				Current account (in % of GDP)			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Bulgaria	6.2	6.1	6.2	6.2	10.7	9.1	7.7	7.1	2.3	3.6	3.0	1.7	-12.0	-15.8	-17.6	-14.0
Czech R.	6.5	6.4	5.6	4.8	8.9	8.1	6.7	6.2	-3.5	-2.9	-4.0	-3.5	-1.6	-3.1	-3.3	-3.5
Estonia	10.5	11.4	9.4	8.7	7.9	5.9	5.0	4.5	1.6	3.8	1.5	1.0	-10.5	-14.8	-17.5	-17.0
Hungary	4.2	3.9	3.0	3.4	7.2	7.5	7.6	7.3	-7.8	-9.2	-6.4	-4.2	-6.9	-5.8	-4.8	-4.3
Latvia	10.6	11.9	9.4	8.0	8.9	6.9	6.5	6.2	-0.2	0.4	0.1	0.2	-12.6	-21.1	-22.4	-19.6
Lithuania	7.6	7.5	7.7	6.4	8.3	5.6	5.5	5.3	-0.5	-0.3	-0.3	-0.5	-7.2	-10.8	-10.2	-8.9
Poland	3.6	6.1	6.6	5.2	17.6	14.9	12.6	11.6	-2.5	-1.7	-3.0	-2.8	-1.7	-2.3	-2.7	-3.5
Romania	4.1	7.7	6.0	5.5	5.8	5.4	5.3	5.2	-0.8	-1.7	-2.3	-2.4	-8.7	-10.3	-11.5	-11.2
Slovakia	6.0	8.3	9.0	7.1	11.6	10.4	8.3	7.8	-2.8	-3.4	-2.9	-2.3	-8.6	-8.3	-3.9	-2.6
Slovenia	4.0	5.2	5.7	5.0	6.5	6.0	5.5	5.3	-1.5	-1.4	-1.6	-1.8	-2.0	-2.5	-2.6	-2.4
EU-10	4.8	6.5	6.2	5.3	11.7	10.2	8.8	8.2	-2.8	-2.5	-3.0	-2.6	-4.6	-5.7	-5.8	-5.8
Croatia	4.3	4.8	4.7	4.3	12.7	11.2	10.2	9.4	-4.1	-3.0	-2.5	-2.5	-6.3	-7.6	-7.9	-7.7
Turkey	7.4	6.1	5.0	6.4	10.3	9.7	9.3	9.0	-1.4	-0.7	-2.5	-2.0	-6.3	-7.9	-6.3	-6.7
Bosnia-H.	5.5	6.2	6.7	6.5	44.1	44.5	44.0	43.0	2.6	3.1	1.6	1.0	-21.3	-11.4	-16.6	-17.4
Russia	6.4	6.7	7.2	6.6	7.7	6.7	6.3	5.8	7.5	7.1	4.0	2.2	11.0	9.6	6.4	4.3
Serbia	6.2	5.7	6.5	6.2	20.8	20.9	21.2	20.7	1.9	1.5	-0.5	-0.7	-8.5	-11.6	-14.2	-13.2
Ukraine	2.7	7.1	6.5	5.6	7.2	6.8	6.5	6.2	-2.0	-0.7	-4.0	-5.0	3.1	-1.5	-3.5	-5.5

Source: National statistical offices and central banks, UniCredit Group New Europe Research Network

	CPI, average (yoy)				CPI, December (yoy)				Policy interest rate, eop (% p.a.)				Foreign exchange rate, n.c. per euro, eop			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Bulgaria	5.0	7.3	5.1	4.5	6.5	6.5	5.0	4.2	-	-	-	-	1.96	1.96	1.96	1.96
Czech R.	1.9	2.5	2.7	3.1	2.2	1.7	3.4	3.0	2.00	2.50	3.25	3.75	29.0	27.5	28.4	27.7
Estonia	4.1	4.4	5.3	6.0	3.6	5.1	5.2	6.8	-	-	-	-	15.65	15.65	15.65	15.65
Hungary	3.6	3.9	7.5	3.9	3.3	6.5	5.9	3.7	6.00	8.00	6.50	5.50	253	252	253	255
Latvia	6.7	6.5	7.9	5.5	7.0	6.8	6.5	5.0	4.00	5.00	6.50	6.00	0.70	0.70	0.70	0.70
Lithuania	2.7	3.8	4.6	4.2	3.0	4.5	4.7	3.7	-	-	-	-	3.45	3.45	3.45	3.45
Poland	2.1	1.0	2.6	3.1	0.7	1.4	3.9	2.4	4.50	4.00	4.75	4.50	3.86	3.83	3.90	3.90
Romania	9.0	6.6	4.3	4.4	8.6	4.9	4.2	4.2	7.50	8.75	6.75	6.50	3.68	3.38	3.32	3.34
Slovakia	2.7	4.5	2.5	2.3	3.7	4.2	2.3	2.5	3.00	4.75	4.25	4.25	37.85	34.6	33.0	32.5
Slovenia	2.5	2.5	3.2	2.7	2.3	2.8	3.4	2.4	3.75	3.75	4.50	4.25	239.6	239.6	EUR	EUR
EU-10	3.4	3.1	3.8	3.5	3.0	3.2	4.1	3.2	-	-	-	-	-	-	-	-
Croatia	3.3	3.2	2.7	2.9	3.6	2.0	3.5	2.7	4.38	3.84	4.60	4.70	7.38	7.35	7.30	7.25
Turkey	8.2	9.6	8.7	6.2	7.7	9.7	7.2	5.3	13.50	17.50	17.00	14.00	1.60	1.86	1.85	1.89
Bosnia-H.	3.8	7.4	1.9	3.9	4.3	6.0	3.8	2.1	-	-	-	-	1.96	1.96	1.96	1.96
Russia *	12.7	9.7	8.4	7.4	10.9	9.0	7.8	6.9	12.00	11.00	10.00	9.00	28.8	26.3	25.8	25.0
Serbia	16.2	11.7	5.1	6.2	17.1	6.0	6.7	5.5	19.80	14.00	9.00	8.00	85.5	79.0	81.0	79.5
Ukraine *	13.5	9.1	10.0	9.5	10.3	11.6	9.4	7.7	9.50	9.50	9.00	9.00	5.05	5.05	5.05	5.05

* exchange rate to the USD

Source: National statistical offices and central banks, UniCredit Group New Europe Research Network

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