

# How does the CEE\* look in within the EM universe?

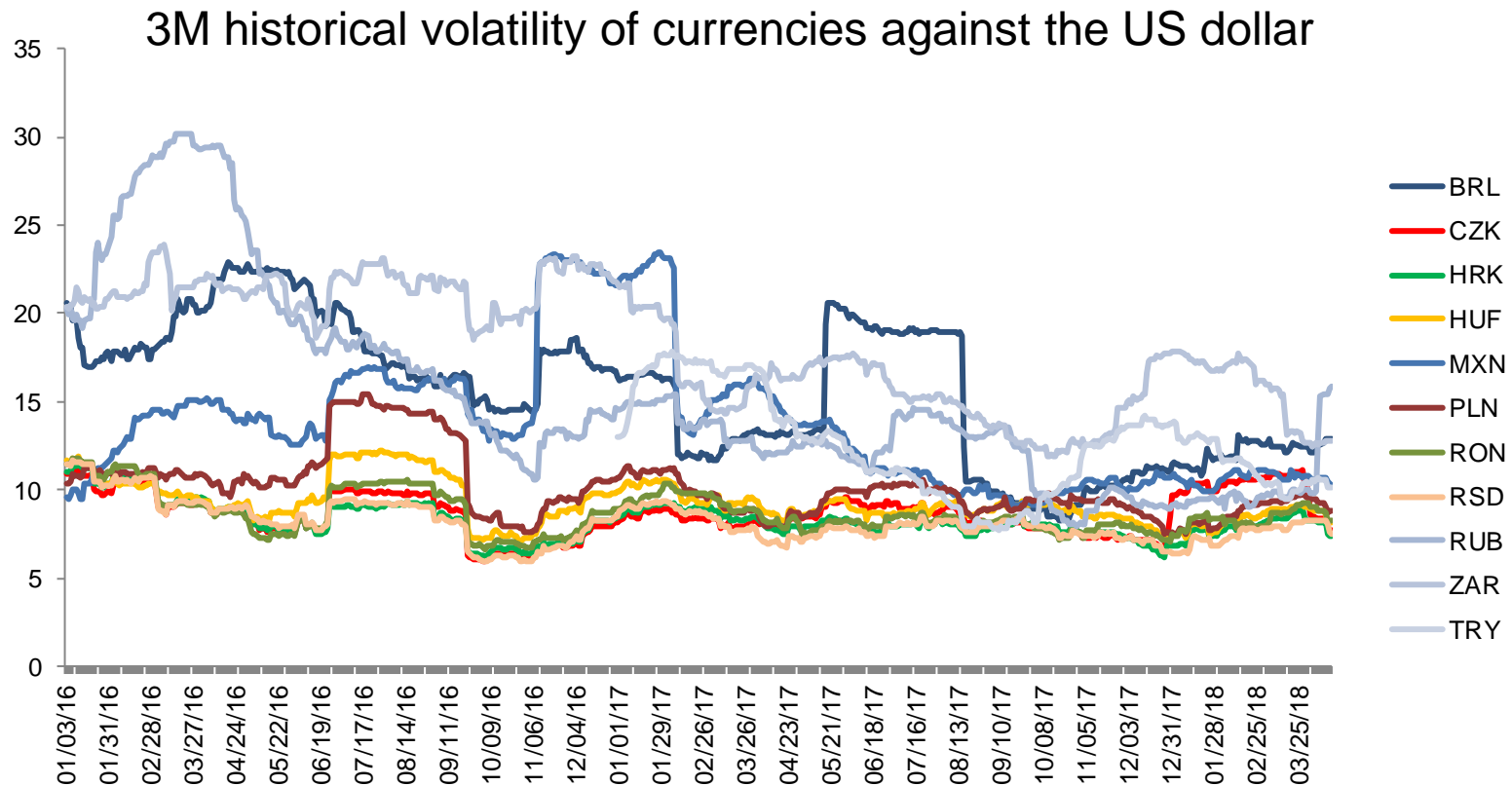
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VII Cbonds Emerging Markets Bond Conference, London, 19 April 2018

\* Erste Group Research considers Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia under the term "CEE"

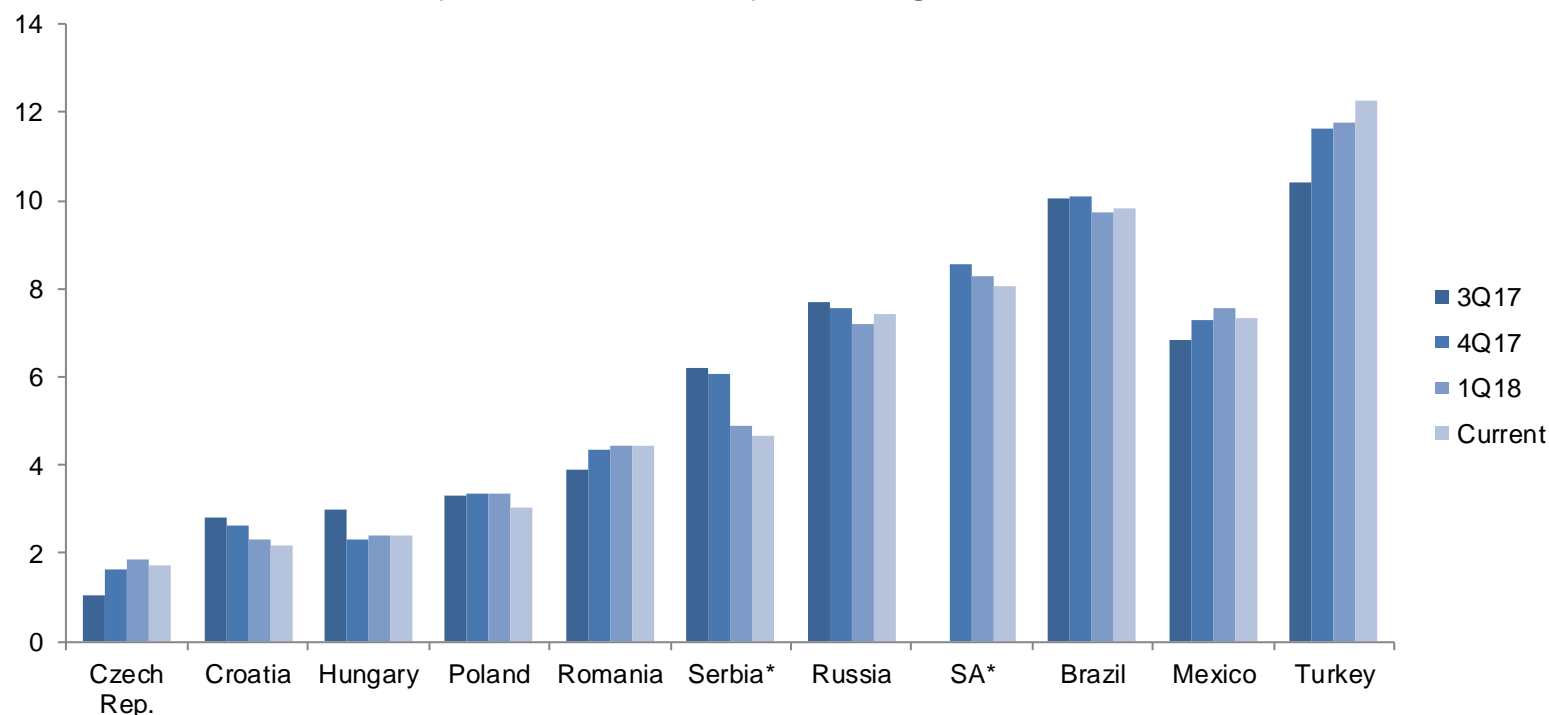
# EM investor universe – who is being perceived risky?



Source: Bloomberg, as of 17 April

# Yield universe EMs

10Y nominal yields, quarterly average and actual, percent

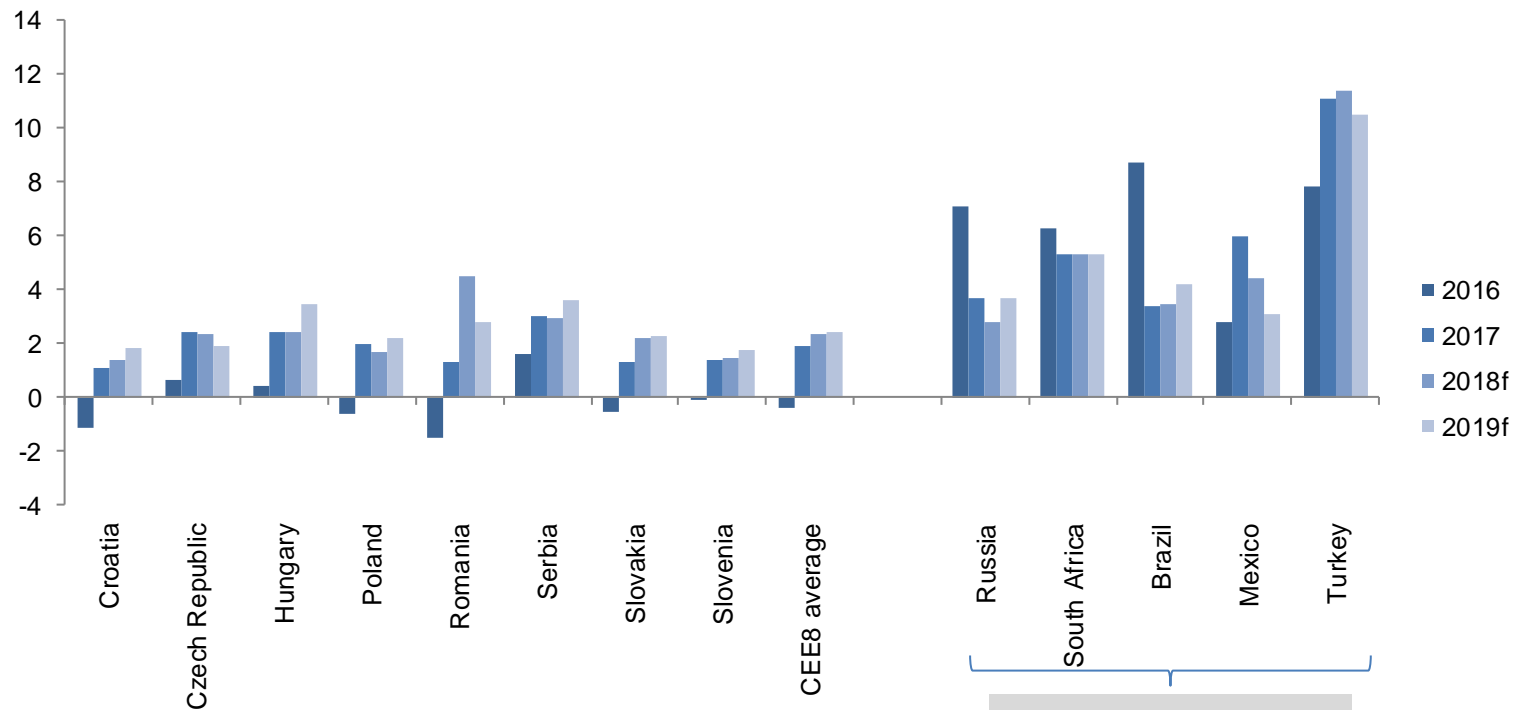


Source: Bloomberg, as of 17 April

\* Serbia: SERBGB 10 10/23/2024; South Africa: 9Y

# Inflation – global factor got very relevant in most places

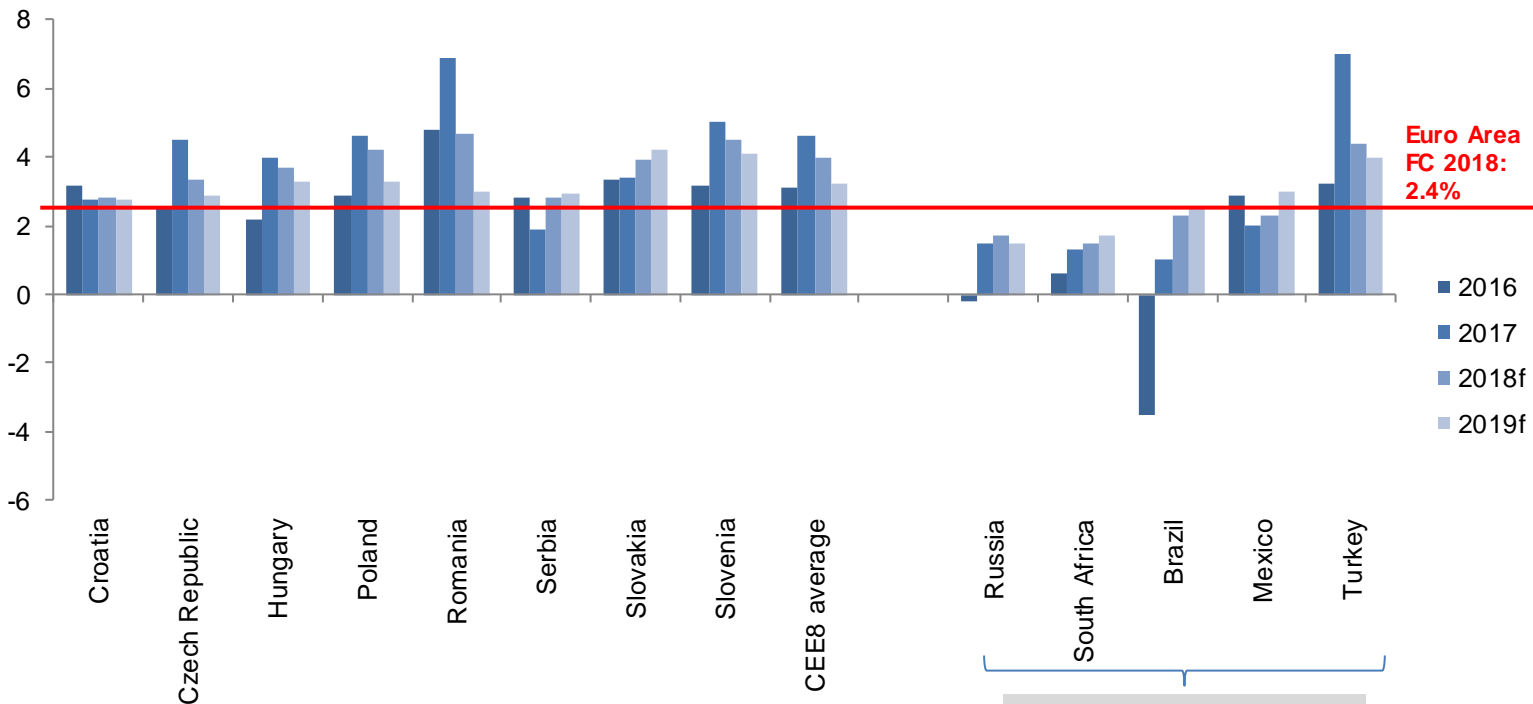
Consumer price inflation, annual, percent



Source: IMF World Economic Outlook (April, 2018), Erste Group Research

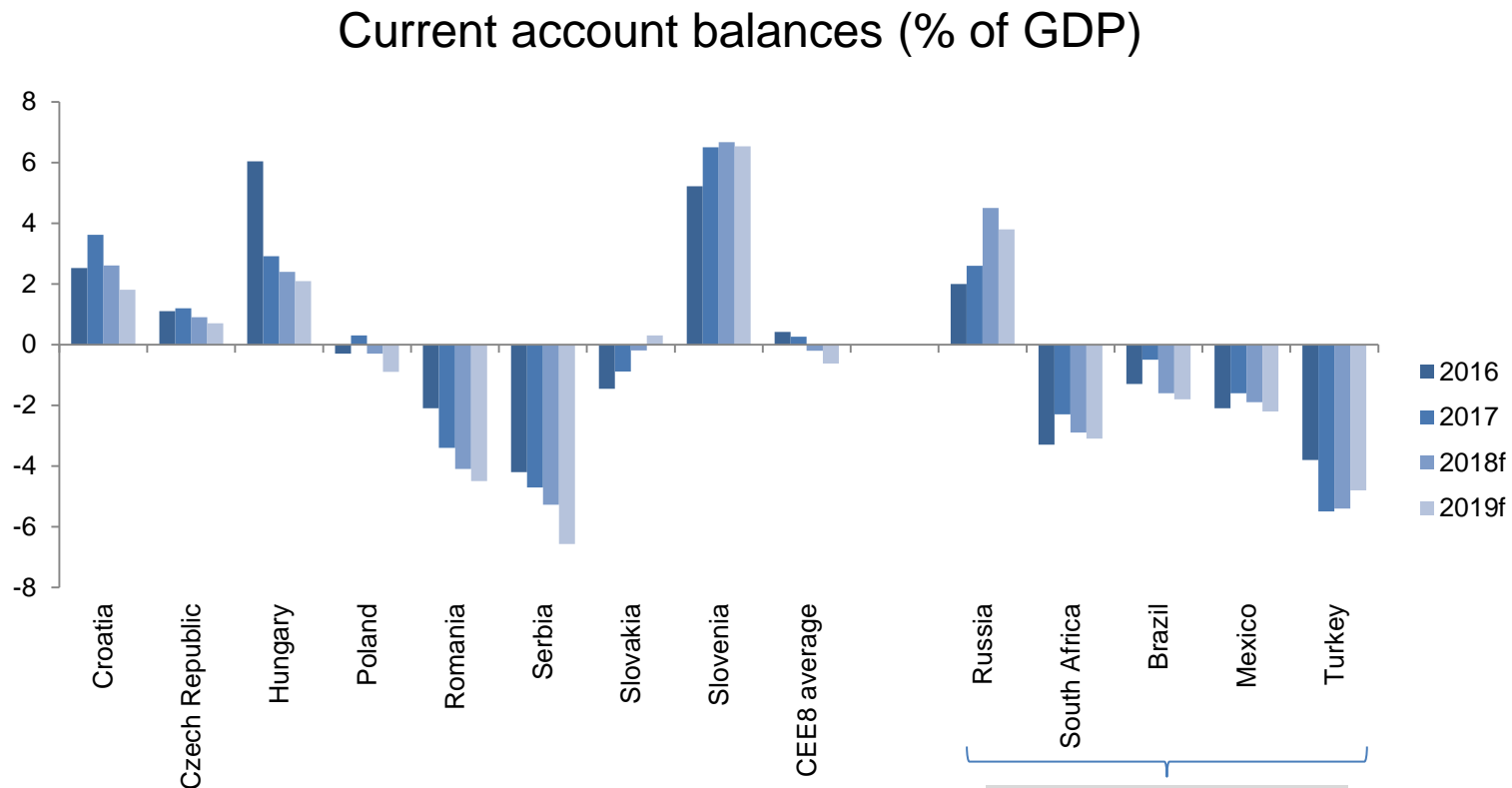
# Growth – varies across regions, variance in CEE relatively low, growth mostly above EZ

GDP growth, annual, percent



Source: IMF World Economic Outlook (April, 2018), Erste Group Research

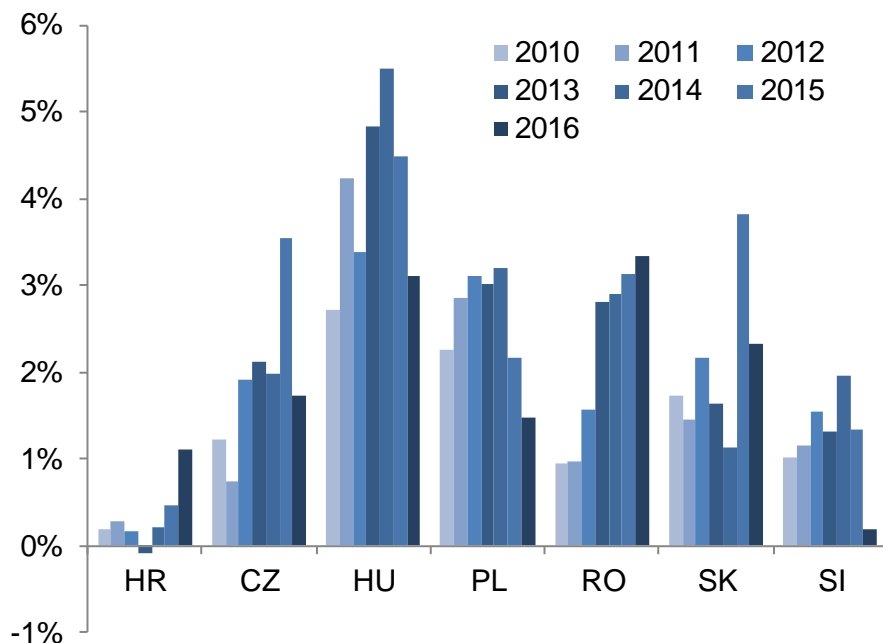
# Current account balances are much more diverse



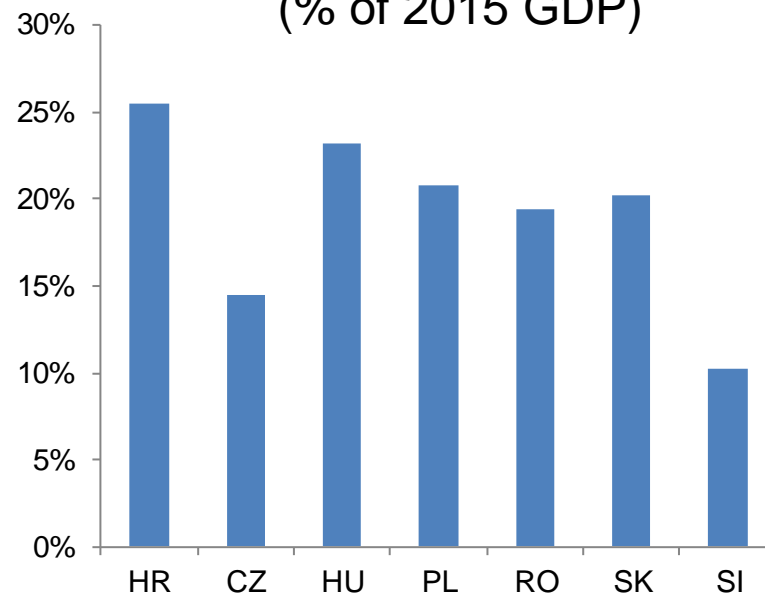
Source: IMF World Economic Outlook (April, 2018), Erste Group Research

# CEE is strongly driven by EU funds – acts as sort of "funding vehicle" vs earlier period of FDIs

EU Fund inflows in the previous years (% of GDP)



Funds allocated for the 2014-2020 EU programming period (% of 2015 GDP)



Source: European Commission, Eurostat

# Overview of forecasts

Government bond yields					
	current	2018Q2	2018Q3	2018Q4	2019Q1
<b>Croatia 10Y</b>	2.16	2.20	2.30	2.40	2.50
spread (bps)	164	148	149	146	143
<b>Czech Rep. 10Y</b>	1.72	1.96	2.00	2.05	2.14
spread (bps)	120	124	119	111	107
<b>Hungary 10Y</b>	2.42	2.30	2.10	2.00	2.05
spread (bps)	190	158	129	106	98
<b>Poland 10Y</b>	3.05	3.10	3.20	3.40	3.50
spread (bps)	254	238	239	246	243
<b>Romania10Y</b>	4.62	4.80	5.10	5.40	5.40
spread (bps)	411	408	429	446	433
<b>Slovakia 10Y</b>	0.72	0.90	1.05	1.25	1.45
spread (bps)	21	18	24	31	38
<b>Slovenia 10Y</b>	1.04	1.20	1.30	1.40	1.40
spread (bps)	53	48	49	46	33
<b>Serbia 5Y</b>	4.05	4.20	4.30	4.40	4.50
<b>DE10Y (BBG)*</b>	<b>0.52</b>	<b>0.72</b>	<b>0.81</b>	<b>0.94</b>	<b>1.07</b>

3M Money Market Rate					
	current	2018Q2	2018Q3	2018Q4	2019Q1
<b>Croatia</b>	0.49	0.50	0.50	0.50	0.60
<b>Czech Republic</b>	0.90	0.96	1.11	1.19	1.34
<b>Hungary</b>	0.03	0.02	0.02	0.02	0.02
<b>Poland</b>	1.70	1.72	1.73	1.73	1.73
<b>Romania</b>	2.13	2.45	2.70	2.75	2.80
<b>Serbia</b>	2.87	2.90	3.00	3.00	3.20
<b>Eurozone</b>	-0.33	-0.30	-0.30	-0.30	-0.30

FX					
	current	2018Q2	2018Q3	2018Q4	2019Q1
<b>EURHRK</b>	7.41	7.35	7.45	7.50	7.45
forw ards		7.42	7.42	7.42	7.42
<b>EURCZK</b>	25.27	25.23	25.02	24.90	24.71
forw ards		25.29	25.29	25.29	25.29
<b>EURHUF</b>	310.7	315.0	315.0	315.0	315.0
forw ards		313.8	313.8	313.8	313.8
<b>EURPLN</b>	4.16	4.15	4.18	4.14	4.12
forw ards		4.16	4.16	4.16	4.16
<b>EURRON</b>	4.65	4.65	4.70	4.73	4.74
forw ards		4.65	4.65	4.65	4.65
<b>EURRSD</b>	118.1	117.5	117.3	118.0	118.5
forw ards		-	-	-	-
<b>EURUSD</b>	1.24	1.15	1.14	1.13	-

Key Interest Rate					
	current	2018Q2	2018Q3	2018Q4	2019Q1
<b>Croatia</b>	0.30	0.30	0.30	0.30	0.30
<b>Czech Republic</b>	0.75	0.75	1.00	1.00	1.25
<b>Hungary</b>	0.90	0.90	0.90	0.90	0.90
<b>Poland</b>	1.50	1.50	1.50	1.50	1.50
<b>Romania</b>	2.25	2.50	2.75	2.75	2.75
<b>Serbia</b>	3.00	3.00	3.00	3.00	3.20
<b>Eurozone</b>	0.00	0.00	0.00	0.00	0.00

Source: Erste Group Research, prices as of 17 April

\* Bloomberg 10Y Bund yield consensus forecast

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Visit page [www.erstegroup.com](http://www.erstegroup.com) or type on Bloomberg [ESTE <GO>](#).

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