

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

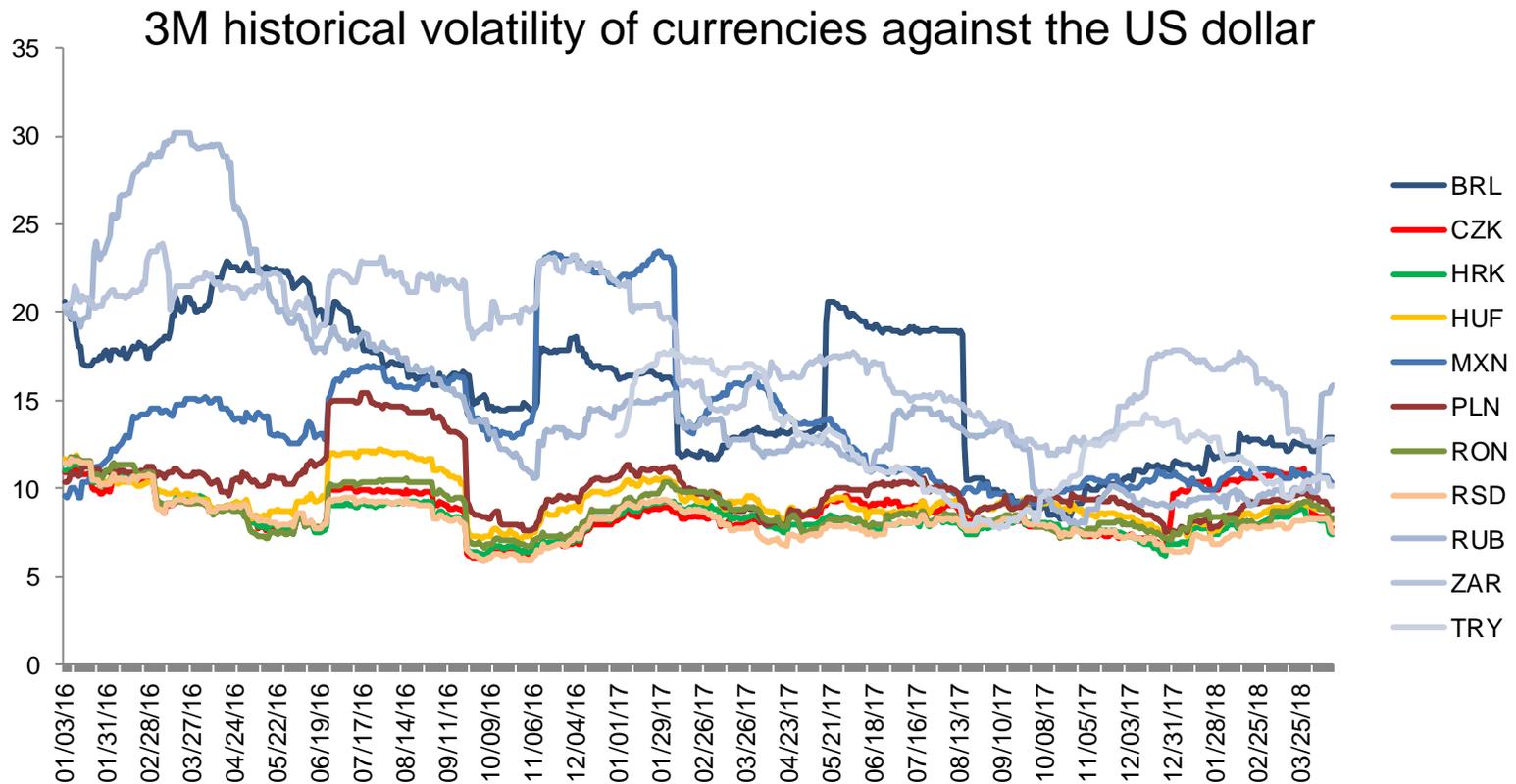
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VII Cbonds Emerging Markets Bond Conference, London, 19 April 2018

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

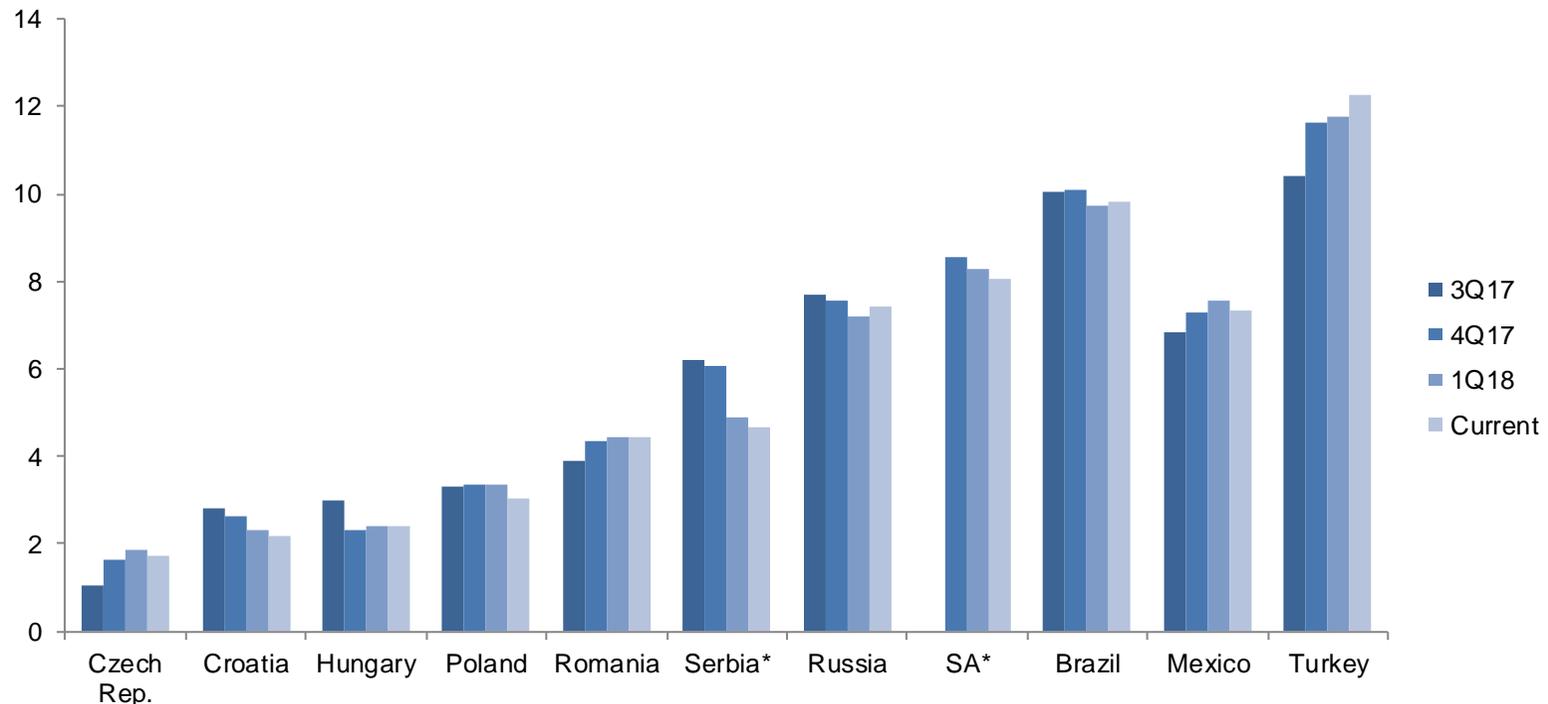
EM investor universe – who is being perceived risky?



Source: Bloomberg, as of 17 April

Yield universe EMs

10Y nominal yields, quarterly average and actual, percent

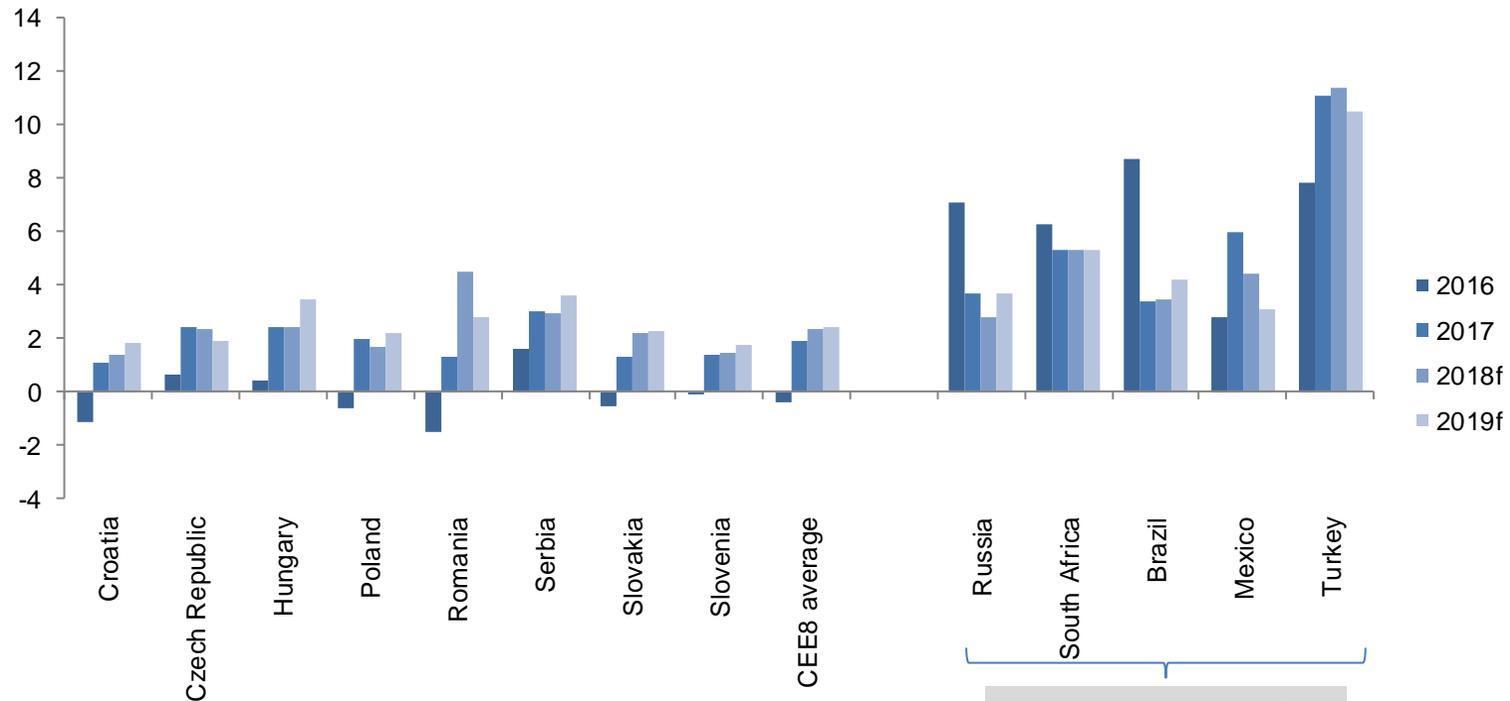


Source: Bloomberg, as of 17 April

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

Inflation – global factor got very relevant in most places

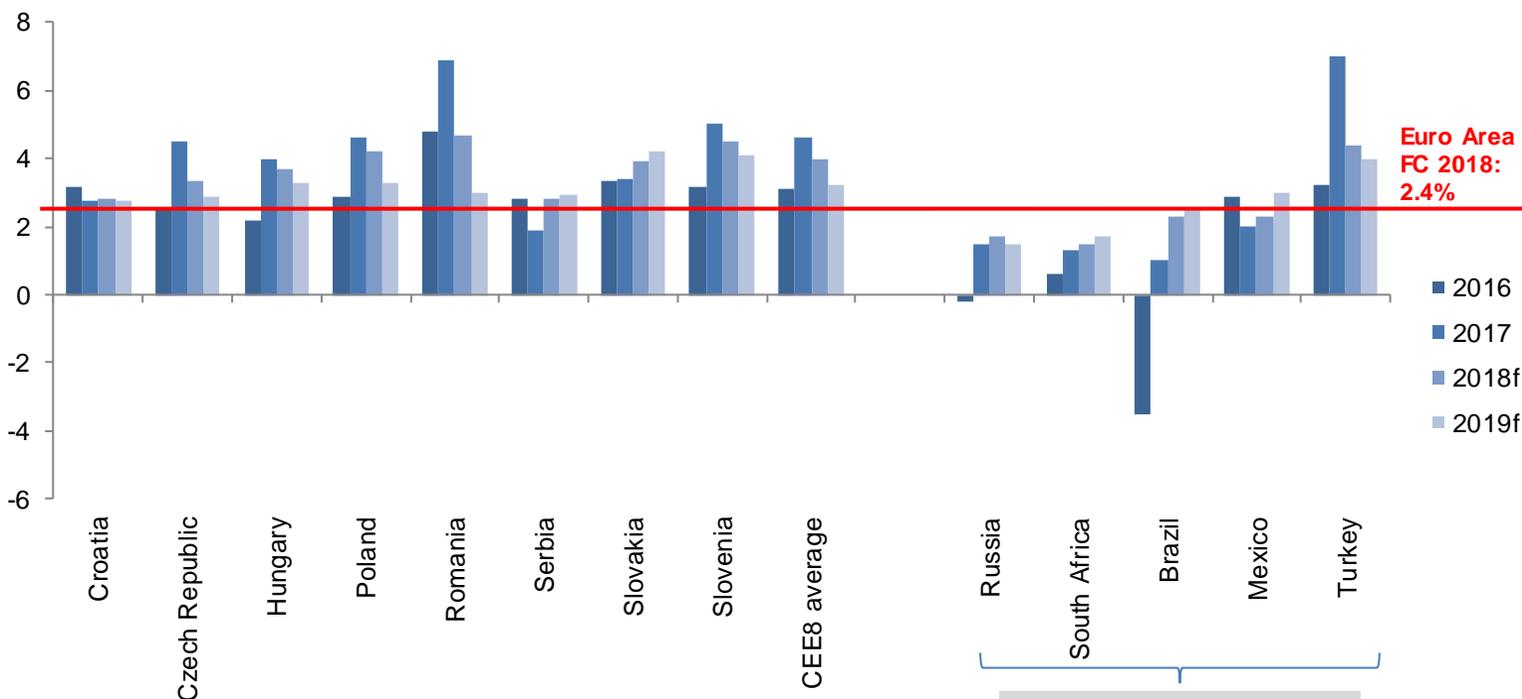
Consumer price inflation, annual, percent



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

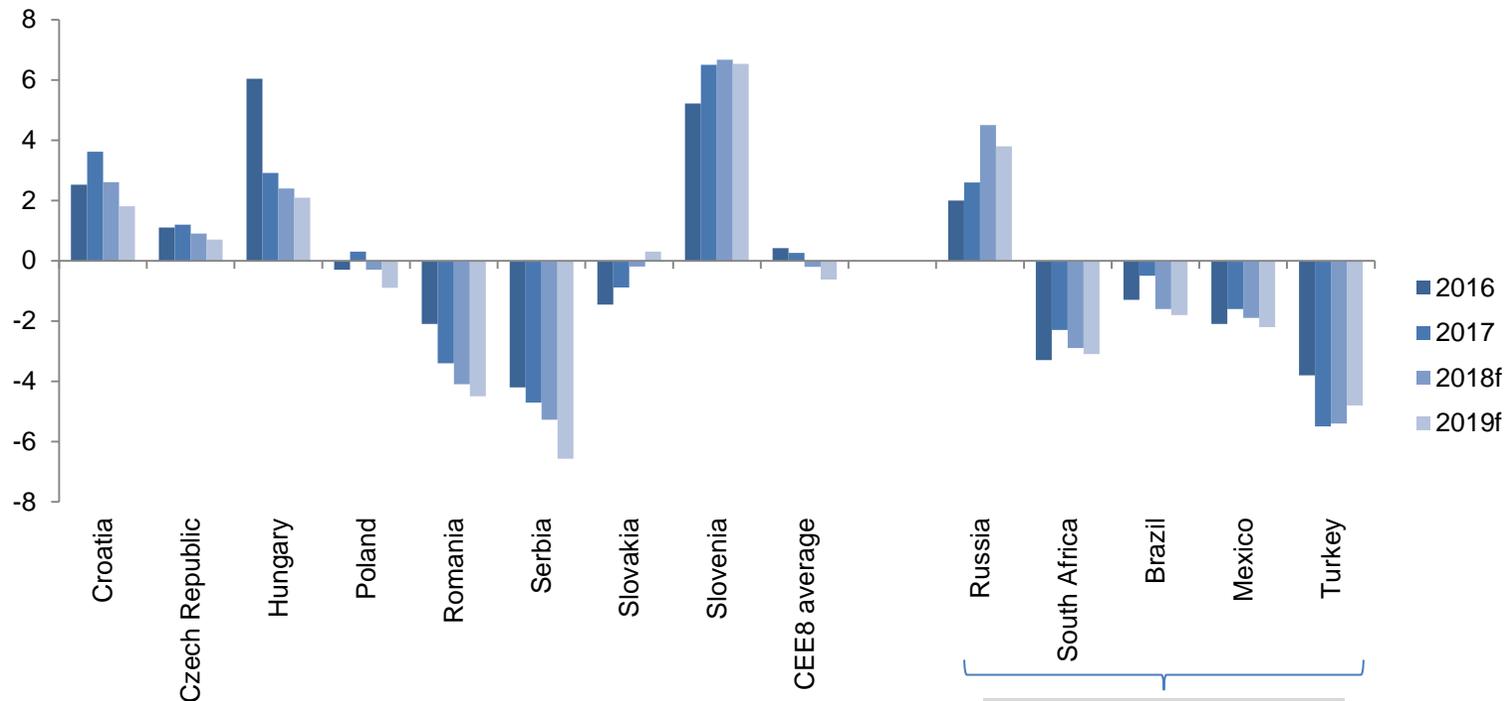


Source: IMF World Economic Outlook (April, 2018), Erste Group Research

IMF's April 2018 WEO

Current account balances are much more diverse

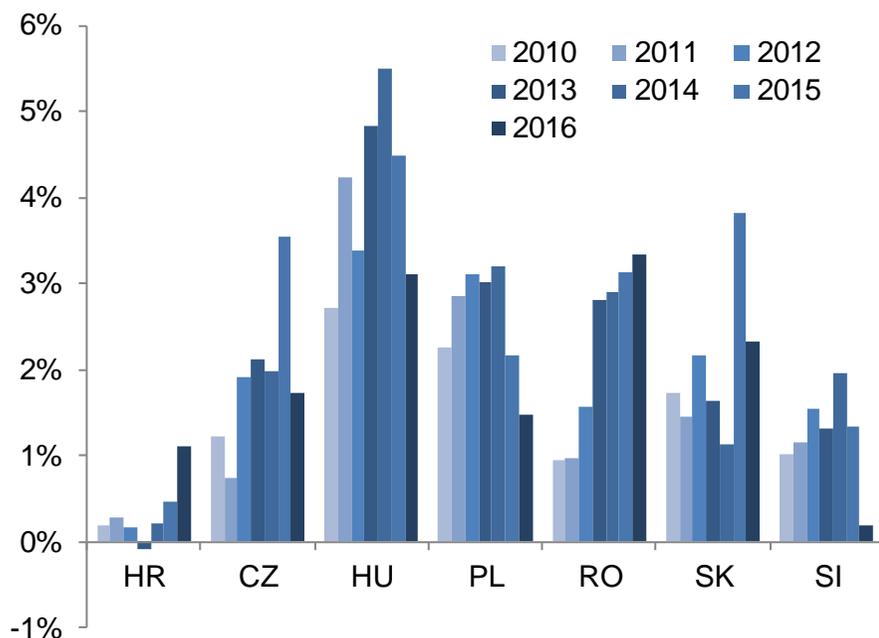
Current account balances (% of GDP)



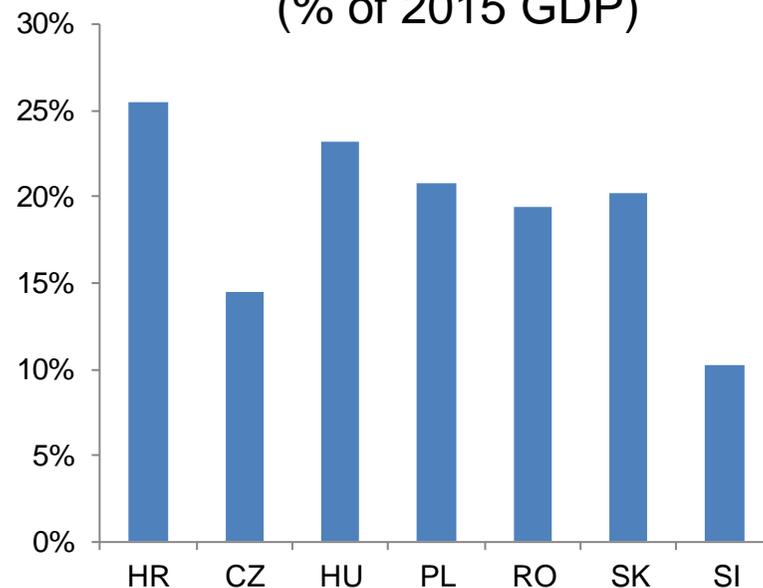
Source: IMF World Economic Outlook (April, 2018), Erste Group Research

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

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

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

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