ERSTE Group

What's up in CEE?

- Inflation to peak in 1Q17 and moderate afterwards
- Strong current account positions limit concerns about overheating
- Hardly any rate hikes in CEE this year; stricter macro-prudential policies may delay need for rate hikes, as they tighten credit conditions

Juraj Kotian
Head of CEE Macro/FI Research
juraj.kotian@erstegroup.com

Zoltan Arokszallasi
Chief Analyst, CEE Macro/FI Research
zoltan.arokszallasi@erstegroup.com

After a very steep increase in the inflation rate in recent months, one may ask whether this is a sign of economic overheating. Labor markets have been tightening – unemployment rates have declined to all-time lows and real wages have been surging. Also, according to the latest PMI readings, growth in CEE manufacturing production is gaining further momentum. Should we start getting worried about economic overheating?

For 2017, we expect the CEE region to accelerate its growth to 3.3%, from 3% in 2016. The inflation rate is to increase by more than 2pp on average in 2017 compared to 2016, with the peak expected in March (due to the base effect). Afterwards, inflation should moderate or even retreat in CEE countries, excepting Romania, where inflation has been kept artificially low, thanks to a cut of indirect taxes. As this effect will fade out, the inflation rate is going to end up much higher in Romania by year-end compared to where it stands now.

In open economies, the current account development should flag any imbalances emerging in the economy. Unless we see material deterioration of current account balances, we are not too overly concerned about overheating. For 2017, we expect current account balances in CEE to deteriorate only slightly (0.4% of GDP on average), and the region should remain in a minor surplus (0.2% of GDP). Within CEE, Romania should experience the strongest widening of the current account deficit (by about 1pp to 3.3% of GDP), but the deterioration should be contained, as some tightening should come from the fiscal side, given that Romania might be put under the Excessive Deficit Procedure by the EC in 2018, due to its overshooting a 3% deficit.

Before central banks in CEE decide to lift interest rates, some credit tightening to be conducted via stricter macro-prudential policies. We could see some initiatives already taking place in Czech Republic, Slovakia and Poland, where higher down payments for mortgages, lower loan-to-value and debt-service-to-income ratios have been requested by the regulator.

Serbia is the only CEE country where we expect the key rate to be hiked this year (also in reaction to FED hikes due to the significant role of the investor base in the USD). In Romania, we expect only the O/N deposit rate to be lifted in order to bring money market rates closer to the key rate. The strongest monetary policy action in reaction to higher inflation should be seen in the Czech Republic. We expect the CNB to abandon its FX cap policy in April and avoid further speculative hot money inflow into CZK. A stronger Czech koruna in the medium term should tighten monetary conditions in this export-orientated economy and help to tame inflation.

Table of contents

Are CEE economies getting overheated? 2
Real Economy 5
Inflation 5
External balance 5
Currencies 5
Monetary assessment 6
Bonds 6
Macro and market forecasts 7

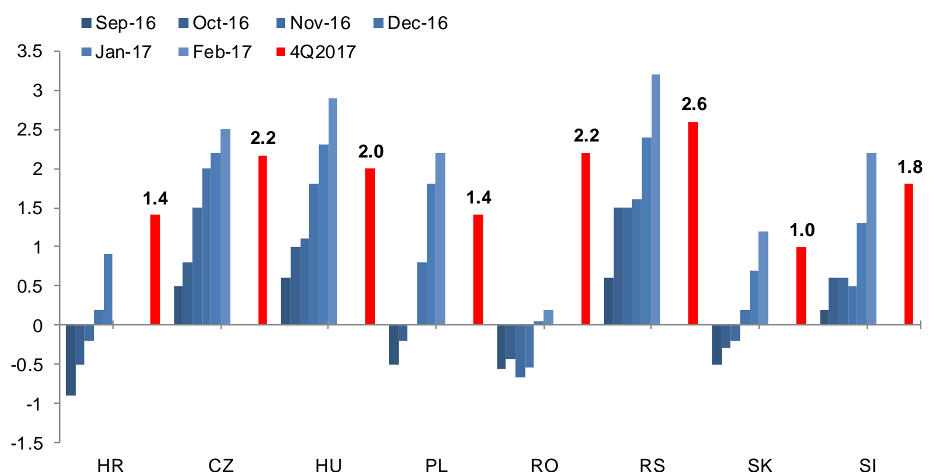
Country macro outlooks

Czech Republic
Croatia
Hungary
Poland
Romania
Serbia
Slovakia
Slovenia

Are CEE economies overheating?

Indeed, the inflation rate has increased substantially – by about 2pp on average in CEE since September 2016 – but a large part of the increase had been anticipated and had nothing to do with demand pressure; the strong reverse in oil and energy y/y price development was caused by the abnormally low base in 1Q16 rather than the steep increases in recent months. Inflation rates have either reached or came close to the target in the Czech Republic, Hungary, Poland, Slovenia and may climb further in March, but afterwards we should see some correction as the base effect resulting from low oil prices in 1Q16 will start to diminish. That is why we do not expect central banks to act prematurely and rush to hike interest rates anytime soon. We expect that central banks will rather remain in wait-and-see mode and not act until they see core inflation being settled above the target for a longer time or with a safe margin.

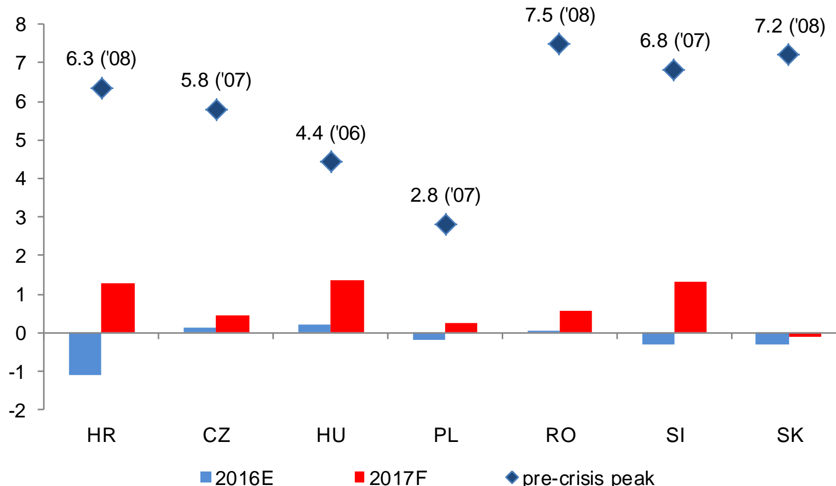
Inflation to peak in 1Q17 and moderate afterwards



Source: Erste Group Research, Bloomberg

The most obvious reason why central bankers are not yet concerned about overheating is the still very low level of output gaps. Many CEE economies only recently closed their output (i.e. their economies are running at potential and do not cause any excessive inflationary pressure as a side effect) or are expected to do so this year (Croatia, Poland, Slovenia and Slovakia). For comparison, it used to be very common for CEE countries to run an output gap of 6-7pp at the peak of the economic cycle just before 2008. At current levels of GDP growth, it would take more than a decade for CEE economies to build up such output gaps if we assume no change in potential growth. For Croatia, Hungary and Slovenia it would take fewer years, but this is also caused by higher actual growth and the relatively conservative estimates of their potential growth.

Output gaps remain low and do not cause any excessive inflationary pressure

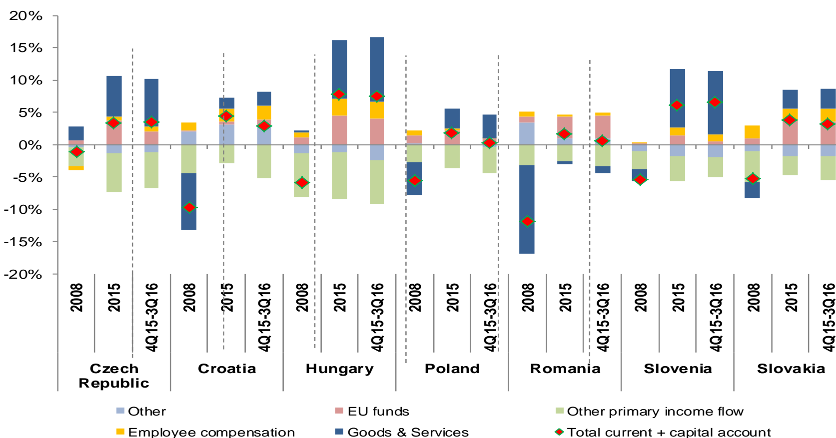


Source: AMECO, Erste Group Research

Nevertheless, the output gap is a very tricky concept as it is in itself unobservable – so it can only be estimated and is the subject of frequent (and large) revisions. We thus prefer to look at current account deficits in order to detect any early signs of overheating. Unless we see material deterioration of current account balances, we are not too overly concerned about overheating. From the historical and fundamental perspective, current account balances in CEE look very good. Prior to the crisis, all CEE countries ran huge current account deficits, some even double-digit relative to GDP. For converging economies, attracting foreign capital is fundamentally justified to run current account deficits, and this is not seen as dangerous unless they are excessive and debt-financed, which can increase the vulnerability of the economy during the downturn, like we saw during the financial crisis in 2008-09.

Since then, CEE economies have rebalanced and made tremendous improvements of their current account balances, even turning into surpluses in Croatia, the Czech Republic, Hungary, Slovenia and Slovakia. The largest part of the adjustments has been driven by the positive development of the trade balance. Dropping commodity prices and the stronger inflow of EU funds have also contributed to improved current account positions.

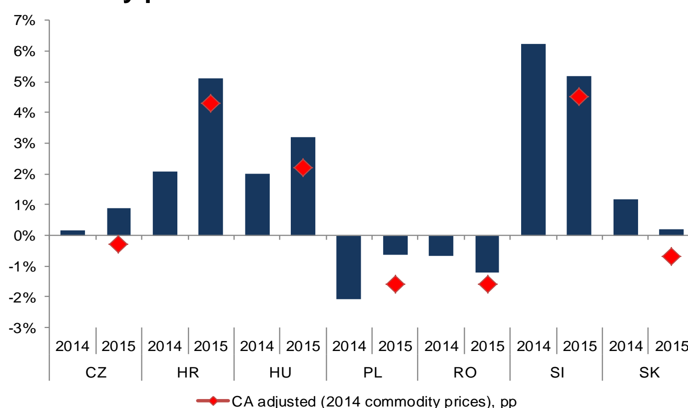
Selected items of Balance of Payments (% of GDP, rolling 4Q averages)



Source: Eurostat, Erste Group Research

In order to detect any marked deterioration of current accounts, we have to adjust the current account for the positive impact of oil prices (all CEE countries are net energy importers). Using energy prices from 2014, current account balances to GDP would be wider by about 1pp in 2015 and 2016 in CEE.

Current account position would be less favorable, had there been no drop of commodity prices

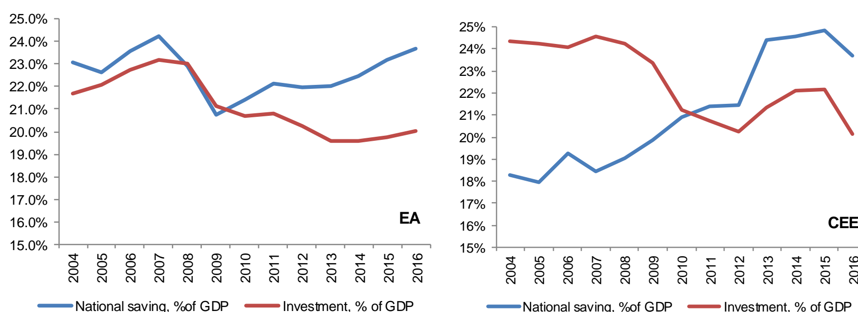


Source: Eurostat, Erste Group Research

The inflow of EU funds also contributed to the strong current account and capital account positions, but here we do not expect any significant change until 2020 (plus an additional two years for consuming the money left from the programming period 2014-20).

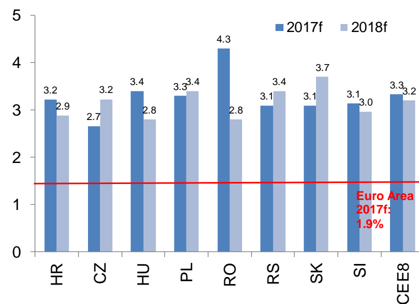
The aging population will serve as a natural stabilizing factor for current account balances in the coming decades. With an aging society, the propensity to save is likely to increase further. CEE countries should implement reforms that would more efficiently match the savings in the economy with different capital returns as a reward for risk taken.

Continuous increase in saving rate since crisis is not only western phenomena



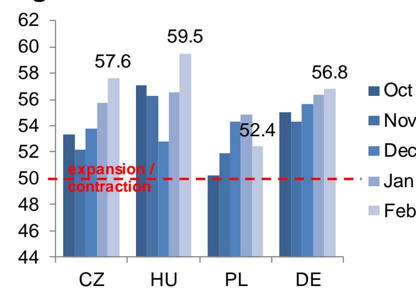
Source: Eurostat, ECB, Erste Group Research

Real GDP growth



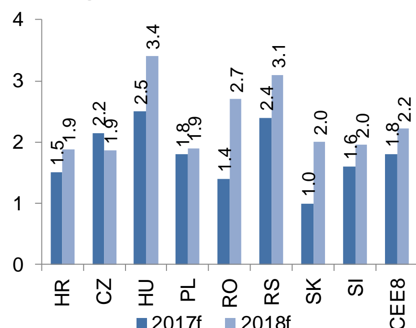
Source: Erste Group Research

PMIs in manufacturing at rather high levels



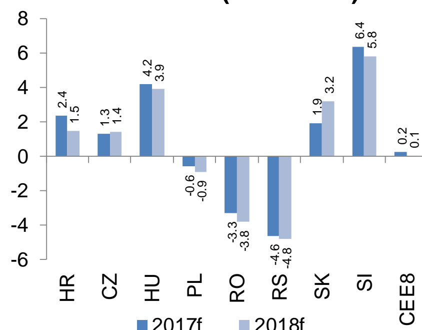
Source: Bloomberg

Average inflation (percent)



Source: Erste Group Research

Current account (% of GDP)



Source: Eurostat, Erste Group Research

Real economy

Economic growth is expected to mildly accelerate overall in the CEE region this year. Growth will be fuelled by domestic demand; household consumption is expected to remain the backbone of this growth, while investments could recover after the poor performance in 2016, due mainly to EU funds. The first quarter is showing mixed signals so far in 1Q17. Manufacturing PMIs have been at or near record highs, but industrial output has so far lagged behind this improvement somewhat. Retail sales, however, are showing better signs. The developments of these short-term indicators underpin our forecast for the driving forces behind this year's growth.

Inflation

While we saw a strong increase in the headline in food and energy prices in the last few months, core inflation did not move too much. Weighing with the size of economies, CEE core inflation (HICP ex-food & energy) increased only from 0.4% y/y in September 2016 to 0.7% by January, while headline inflation (HICP) increased from 0% to 1.4% in the same time period, on average. The strongest increase in core inflation came in the Czech Republic. Therefore, it is no wonder that inflows intensified in January to the Czech market and the CNB'S balance sheet ballooned. We expect the CNB to abandon the EURCZK floor in April this year. Inflation will likely bring some additional (fuel and food related) increase in March in some CEE countries, but not much of an increase in the headline is expected for the full year. Romania in particular could experience a further increase later this year, but average inflation should still stay around central bank averages this year.

External balance

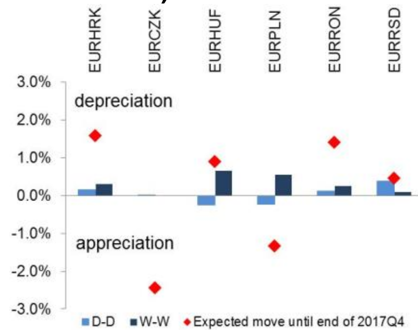
The increase of domestic demand will very likely impact the foreign trade balance, as imports should get a boost. There are factors that could at least partly counterbalance this development, however. Investments will be mainly boosted by EU fund inflows, which (mostly though inflows on the capital account) help to contain the extra external financing need. In addition, recent upticks in German sentiment could also help exports, although industry seems to be reacting to these positive sentiment numbers less strongly than thought. The deterioration of current accounts should remain contained, as we see the overall (weighted average) surplus declining from 0.7% of GDP to 0.3% in 2017. Therefore, CEE currencies should also not be influenced too much by this development.

Currency outlook

Divergence in the development of CEE currencies will continue in the coming quarters. By year-end, we should see two currencies become stronger vs. the euro, with three weaker compared to now. The Czech koruna fundamentally has the largest potential to gain after the abandonment of the FX cap, but the excessively high stock of long positions in CZK looking to be closed may limit the gains or even cause some strong corrections.

We additionally see some room for appreciation of the Polish zloty vs. the euro by year-end, as Poland offers an interesting carry relative to fundamentals, while the Polish market may start to price in the first rate hike in 1H18 too. In Romania and Hungary, where both central banks have some dovish bias, we should see some mild depreciation of their currencies, which is not going to cause worries to central banks, and which is currently seen as a desirable outcome. The Serbian dinar should weaken a little bit, as two rate hikes will not be enough to preserve the attractive carry after the FED delivers three hikes.

Expected changes in exchange rates (relative to close on December 9)



Source: Bloomberg, Erste Group Research

Monetary assessment

The acceleration of inflation at the beginning of the year and the tightening of the labor market have opened the question of when central banks in CEE will start monetary tightening. In general, we do not think that they will rush to increase rates this year. According to our baseline forecast, the only central bank to hike interest rates in the region this year is the National Bank of Serbia. We expect two 25bp hikes to be delivered in 2H17, mainly as a reaction to FED hikes. Hungarian FRAs have started to price in higher interest rates in a year's time, but we see this as very unlikely, given the current setup of the MPC, which seems to be more dovish. The key rate should remain unchanged in Romania this year, but an increase in the deposit rate cannot be completely ruled out. We see a higher probability of rate hikes in 2018, but stronger fiscal consolidation could put a rate hike off the table. In the Czech Republic, monetary tightening should come via currency appreciation after the CNB abandons the FX cap in April. Then, the CNB will wait until the cusp of 2018-19 and carry out the first hike at that time. In Poland, we expect monetary tightening to begin in 1H18.

Bond market outlook

Fiscal balances have been developing much better in 2016 than we had anticipated a year earlier. However, this mostly does not mean fiscal austerity measures; in fact, fiscal easing is one of the main topics in several countries. In Romania, easy fiscal policies are in the forefront also this year. Without additional consolidation, the deficit could be well above the 3% of GDP Maastricht threshold. Poland also could see a higher deficit in 2017, at around the Maastricht level, while Hungary also continues to implement fiscal easing in 2017 (although we are confident that Hungary will stay below the 3% nominal threshold). The Czech Republic, where parliamentary elections will take place in the autumn, could also evidence some fiscal deterioration, but this is far from being a danger, as the country boasted an (unexpected) budgetary surplus in 2016. CEE could see a deterioration in the budget shortfall from 1.9% of GDP in 2016 to 2.4% this year. These developments are unlikely to influence spreads over major market yields, however. The only exception where we could see an increase in spreads is Romania, due to fiscal reasons. As for most CEE countries, we see a moderate, 10-40bp increase in nominal (10Y) yields by this year-end, while we expect a stronger increase of yields in Romania than this threshold.

Capital market forecasts

Government bond yields	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia 10Y	2.69	2.70	2.80	2.80	2.90
spread (bps)	221	228	227	213	209
Czech Rep. 10Y	0.75	0.75	0.84	0.83	0.83
spread (bps)	27	33	31	16	2
Hungary 10Y	3.62	3.60	3.67	3.67	3.67
spread (bps)	314	318	314	300	286
Poland 10Y	3.73	3.65	3.82	3.98	4.11
spread (bps)	325	323	329	331	330
Romania10Y	3.82	4.25	4.35	4.50	4.75
spread (bps)	334	383	382	383	394
Slovakia 10Y	1.20	1.20	1.23	1.25	1.40
spread (bps)	72	78	70	58	59
Slovenia 10Y	1.48	1.10	1.20	1.30	1.30
spread (bps)	100	68	67	63	49
Serbia 7Y	5.56	5.80	6.00	6.25	6.25
DE10Y (BBG)*	***0.48***	***0.42***	***0.53***	***0.67***	***0.81***

3M Money Market Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia	0.61	0.45	0.45	0.45	0.50
3M forwards		-	-	-	-
Czech Republic	0.28	0.27	0.27	0.26	0.26
3M forwards		0.34	0.41	0.49	0.63
Hungary	0.23	0.05	0.05	0.05	0.05
3M forwards		0.38	0.51	0.67	0.80
Poland	1.73	1.75	1.79	1.83	1.99
3M forwards		1.79	1.81	1.89	1.98
Romania	0.84	1.30	1.50	1.90	2.10
3M forwards		1.05	1.46	2.11	2.38
Serbia	3.53	3.60	3.80	4.00	4.00
3M forwards		-	-	-	-
Eurozone	-0.33	-0.25	-0.25	-0.25	-0.25

FX	current	2017Q2	2017Q3	2017Q4	2018Q1
EURHRK	7.44	7.42	7.50	7.55	7.55
forwards		7.44	7.46	7.47	7.49
EURCZK	27.02	26.50	26.47	26.36	26.20
forwards		26.94	26.91	26.89	26.81
EURHUF	312.3	315.0	315.0	315.0	315.0
forwards		312.9	313.5	314.2	314.8
EURPLN	4.33	4.34	4.29	4.27	4.28
forwards		4.36	4.38	4.41	4.43
EURRON	4.55	4.57	4.60	4.62	4.65
forwards		4.57	4.58	4.61	4.63
EURRSD	124.0	124.0	124.5	124.5	124.5
forwards		-	-	-	-
EURUSD	1.06	1.08	1.10	1.12	1.12

Key Interest Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia	0.50	0.30	0.30	0.30	0.30
Czech Republic	0.05	0.05	0.05	0.05	0.05
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.75
Romania	1.75	1.75	1.75	1.75	1.75
Serbia	4.00	4.00	4.25	4.50	4.50
Eurozone	0.00	0.00	0.00	0.00	0.00

Real GDP growth (%)	2014	2015	2016f	2017f
Croatia	-0.4	1.6	2.2	2.0
Czech Republic	2.0	4.6	2.6	3.1
Hungary	3.7	2.9	2.1	2.8
Poland	3.3	3.6	3.1	3.3
Romania	3.0	3.8	4.5	3.4
Serbia	-1.8	0.7	2.6	2.9
Slovakia	2.5	3.6	3.1	3.1
Slovenia	3.0	2.9	1.8	2.1
CEE8 average	**2.7**	**3.5**	**3.0**	**3.1**

Average inflation (%)	2014	2015	2016f	2017f
Croatia	-0.2	-0.5	-0.9	1.0
Czech Republic	0.4	0.3	0.6	2.1
Hungary	-0.2	-0.1	0.4	1.8
Poland	0.0	-0.9	-0.6	0.9
Romania	1.1	-0.6	-1.4	1.4
Serbia	2.1	1.7	1.3	2.4
Slovakia	-0.1	-0.3	-0.6	0.7
Slovenia	0.2	-0.5	-0.1	1.5
CEE8 average	**0.3**	**-0.4**	**-0.4**	**1.3**

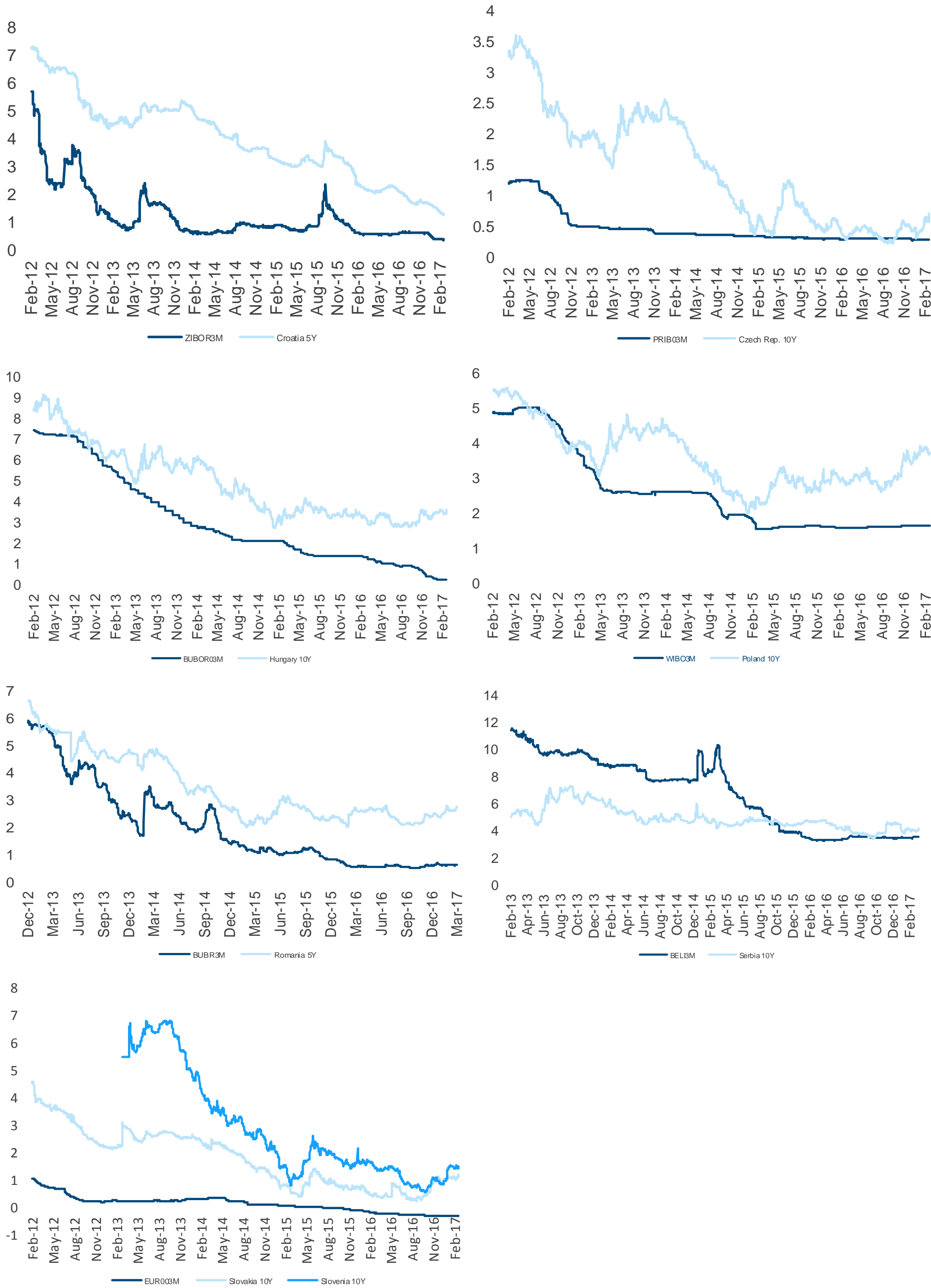
Unemployment (%)	2014	2015	2016f	2017f
Croatia	17.3	16.3	15.2	14.6
Czech Republic	5.9	5.1	4.1	4.0
Hungary	7.7	6.8	5.5	5.2
Poland	12.4	10.6	9.3	8.7
Romania	6.8	6.8	6.7	6.8
Serbia	19.2	17.7	16.6	16.0
Slovakia	13.2	11.5	10.0	9.3
Slovenia	9.7	9.0	8.5	8.1
CEE8 average	**10.5**	**9.3**	**8.2**	**7.8**

Public debt (% of GDP)	2014	2015	2016f	2017f
Croatia	86.5	86.7	86.6	85.7
Czech Republic	42.7	41.1	40.0	39.1
Hungary	76.2	75.3	75.1	74.3
Poland	50.2	51.5	51.9	52.4
Romania	39.8	38.4	40.4	42.2
Serbia	70.4	75.9	74.5	73.8
Slovakia	53.9	52.9	53.1	53.5
Slovenia	80.8	83.4	81.2	79.8
CEE8 average	**53.8**	**54.0**	**54.0**	**54.1**

C/A (%GDP)	2014	2015	2016f	2017f
Croatia	2.1	5.1	2.6	1.4
Czech Republic	0.2	0.9	0.9	0.9
Hungary	2.3	4.4	5.2	4.5
Poland	-1.3	-0.2	-0.7	-0.9
Romania	-0.5	-1.1	-2.2	-2.5
Serbia	-6.0	-4.8	-4.6	-4.8
Slovakia	0.1	-1.3	0.6	1.2
Slovenia	7.0	7.3	7.9	7.7
CEE8 average	**-0.2**	**0.6**	**0.4**	**0.1**

Budget Balance (%GDP	2014	2015	2016f	2017f
Croatia	-5.5	-3.2	-2.2	-2.4
Czech Republic	-1.9	-0.4	-0.4	-0.3
Hungary	-2.3	-2.0	-2.2	-2.7
Poland	-3.2	-2.5	-2.9	-3.1
Romania	-0.9	-0.7	-2.9	-3.5
Serbia	-6.6	-3.8	-2.3	-2.1
Slovakia	-2.7	-3.0	-2.5	-2.0
Slovenia	-5.5	-2.9	-2.6	-2.2
CEE8 average	**-2.8**	**-2.0**	**-2.3**	**-2.5**

Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.



Note:*Information on past performance is not a reliable indicator for future performance.
Forecasts are not a reliable indicator for future performance.

Contacts

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA	+43 (0)5 0100 11902
Major Markets & Credit Research	
Head: Gudrun Egger, CEFA	+43 (0)5 0100 11909
Ralf Burchert, CEFA (Agency Analyst)	+43 (0)5 0100 16314
Hans Engel (Senior Analyst Global Equities)	+43 (0)5 0100 19835
Christian Enger, CFA (Covered Bonds)	+43 (0)5 0100 84052
Margarita Grushanina (Economist AT, Quant Analyst)	+43 (0)5 0100 11957
Peter Kaufmann, CFA (Corporate Bonds)	+43 (0)5 0100 11183
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Covered Bonds)	+43 (0)5 0100 19632
Rainer Singer (Senior Economist Euro, US)	+43 (0)5 0100 17331
Bernadett Povazsai-Römhild (Corporate Bonds)	+43 (0)5 0100 17203
Elena Statelov, CIIA (Corporate Bonds)	+43 (0)5 0100 19641
Gerald Walek, CFA (Economist Euro, CHF)	+43 (0)5 0100 16360
Macro/Fixed Income Research CEE	
Head CEE: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357
Zoltan Arokszallasi, CFA (Fixed income)	+43 (0)5 0100 18781
Katarzyna Rzentarzewska (Fixed income)	+43 (0)5 0100 17356
CEE Equity Research	
Head: Henning Eßkuchen	+43 (0)5 0100 19634
Daniel Lion, CIIA (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420
Christoph Schultes, MBA, CIIA (Real Estate)	+43 (0)5 0100 11523
Vera Sutedja, CFA, MBA (Telecom)	+43 (0)5 0100 11905
Thomas Unger, CFA (Banks, Insurance)	+43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343
Martina Valenta, MBA (Real Estate)	+43 (0)5 0100 11913
Editor Research CEE	
Brett Aarons	+420 956 711 014
Research Croatia/Serbia	
Head: Mladen Dodig (Equity)	+381 11 22 09178
Head: Alen Kovac (Fixed income)	+385 72 37 1383
Anto Augustinovic (Equity)	+385 72 37 2833
Milan Deskar-Skrbic (Fixed income)	+385 72 37 1349
Magdalena Dolenec (Equity)	+385 72 37 1407
Ivana Rogic (Fixed income)	+385 72 37 2419
Davor Spoljar, CFA (Equity)	+385 72 37 2825
Research Czech Republic	
Head: David Navratil (Fixed income)	+420 956 765 439
Head: Petr Bartek (Equity)	+420 956 765 227
Vit Machacek (Fixed income)	+420 956 765 456
Jiri Polansky (Fixed income)	+420 956 765 192
Roman Sedmera (Fixed income)	+420 956 765 391
Michal Skorepa (Fixed income)	+420 956 765 172
Pavel Smolik (Equity)	+420 956 765 434
Jan Sumbera (Equity)	+420 956 765 218
Research Hungary	
Head: József Miró (Equity)	+361 235 5131
Gergely Ürmössy (Fixed income)	+361 373 2830
András Nagy (Equity)	+361 235 5132
Orsolya Nyeste (Fixed income)	+361 268 4428
Tamás Pletser, CFA (Oil&Gas)	+361 235 5135
Research Poland	
Head: Magdalena Komaracka, CFA (Equity)	+48 22 330 6256
Marek Czachor (Equity)	+48 22 330 6254
Tomasz Duda (Equity)	+48 22 330 6253
Mateusz Krupa (Equity)	+48 22 330 6251
Karol Brodziński (Equity)	+48 22 330 6252
Research Romania	
Head: Mihai Caruntu (Equity)	+40 3735 10427
Head: Dumitru Dulgheru (Fixed income)	+40 3735 10433
Chief Analyst: Eugen Sinca (Fixed income)	+40 3735 10435
Dorina Ilasco (Fixed Income)	+40 3735 10436
Research Slovakia	
Head: Maria Valachyova, (Fixed income)	+421 2 4862 4185
Katarina Muchova (Fixed income)	+421 2 4862 4762

Treasury - Erste Bank Vienna

Group Markets Retail Sales	
Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail a. Sparkassen Sales AT	
Head: Markus Kaller	+43 (0)5 0100 84239
Equity a. Fund Retail Sales	
Head: Kurt Gerhold	+43 (0)5 0100 84232
Fixed Income a. Certificate Sales	
Head: Uwe Kolar	+43 (0)5 0100 83214
Markets Corporate Sales AT	
Head: Christian Skopek	+43 (0)5 0100 84146

Fixed Income Institutional Sales

Group Markets Financial Institutions	
Head: Manfred Neuwirth	+43 (0)5 0100 84250
Bank and Institutional Sales	
Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Sales Western Europe AT, GER, FRA, BENELUX	
Head: Thomas Almen	+43 (0)5 0100 84323 Cha
Henry de Fontenilles	+43 (0)5 0100 84115
Marc Pichler	+43 (0)5 0100 84118
Rene Klasen	+49 (0)30 8105800 5521
Dirk Seefeld	+49 (0)30 8105800 5523
Bernd Bollhof	+49 (0)30 8105800 5525
Bank and Savingsbanks Sales	
Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Sven Kienzle	+49 (0)711 810400 5541
Michael Schmotz	+43 (0)5 0100 85542
Ulrich Inhofner	+43 (0)5 0100 85544
Martina Fux	+43 (0)5 0100 84113
Michael Konczer	+43 (0)5 0100 84121
Klaus Vosseler	+49 (0)711 810400 5560
Andreas Goll	+49 (0)711 810400 5561
Mathias Gindele	+49 (0)711 810400 5562
Institutional Sales CEE and International	
Head: Jaromir Malak	+43 (0)5 0100 84254
Central Bank and International Sales	
Head: Margit Hraschek	+43 (0)5 0100 84117
Christian Kössler	+43 (0)5 0100 84116
Bernd Thaler	+43 (0)5 0100 84119
Institutional Sales PL and CIS	
Pawel Kielek	+48 22 538 6223
Michal Jarmakowicz (Fixed Income)	+43 50100 85611
Institutional Sales Slovakia	
Head: Peter Kniz	+421 2 4862 5624
Monika Smelikova	+421 2 4862 5629
Institutional Sales Czech Republic	
Head: Ondrej Cech	+420 2 2499 5577
Milan Bartos	+420 2 2499 5562
Barbara Suvadova	+420 2 2499 5590
Institutional Asset Management Sales Czech Republic	
Head: Petr Holecek	+420 956 765 453
Martin Perina	+420 956 765 106
Petr Valenta	+420 956 765 140
David Petracek	+420 956 765 809
Institutional Sales Croatia	
Head: Antun Buric	+385 (0)7237 2439
Željko Pavičić	+385 (0)7237 1494
Ivan Jelavic	+385 (0)7237 1638
Institutional Sales Hungary	
Attila Hollo	+36 1 237 8209
Borbala Csizmadia	+36 1 237 8205
Institutional Sales Romania	
Head: Ciprian Mitu	+43 (0)50100 85612
Stefan Racovita	+40 373 516 531
Business Support	
Tamara Fodera	+43 (0)50100 12614
Bettina Mahoric	+43 (0)50100 86441

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as other information pursuant to the Circular of the Austrian Financial Market Authority regarding information including marketing communication pursuant to the Austrian Securities Supervision Act. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute marketing communication pursuant to Art. 36 (2) Austrian Securities Supervision Act as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to § 36 (1) Austrian Securities Supervision Act. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers of other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations.

© Erste Group Bank AG 2017. All rights reserved.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com