



Central European Economic Outlook

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- Czech Republic 2

The economy is slowly returning to growth while inflation remains subdued. The central bank will keep a wait-and-see attitude until at least the end of the year.

- Hungary 3

The Central bank released the new Inflation Report and adjusted its forecasts from November. On inflation, they raised the 2010 inflation forecast to 4.4% from 3.9% previously, so something really changed their mind since November. Higher taxes, energy price and the January figure could be the reasons for the change of mind, so the usual stuff in this country: the government simply cheats the central bank on inflation. Luckily, the base rate is not set with respect to the inflation outlook, but based on the market's appetite for HUF risk, so higher inflation outlook does not have any significant effect on the yield curve or the interest rate outlook.

- Poland 4

Polish labour market is in slightly better shape than we expected. Despite a harsh winter and higher share of people being employed in construction, there was only a moderate decrease in employment at the beginning of the year. Nevertheless even the moderate deterioration on the labour market starts to weigh on the domestic consumption. As we expected the dynamics of retail sales fell pretty sharply in January and the growth should more rely on exports and investments in the first half of the year.

- Slovakia 4

The economy slowed down its decline to -2.7% Y/Y in the final quarter 2009 according to flash estimate. The whole year drop should be around -4.7% Y/Y. The outlook for 2010 is more favourable with estimates in the range of 2.0% - 3.0%.

- Central European economies in Pictures 5

Czech Republic

Macroeconomic development

		2006	2007	2008	2009f	2010f	2011f
GDP (real)	y/y, %	6.8	6.1	2.5	-4.0	1.5	2.5
Private consumption (real)	y/y, %	5.0	4.8	3.6	1.4	-0.5	1.0
Investment (gross fixed capital formation, real)	y/y, %	6.0	10.8	-1.5	-7.5	-1.0	2.0
GDP (nominal)	CZK bn	3,222.4	3,535.5	3,689.0	3,640.6	3,732.2	3,921.1
GDP (nominal)	EUR bn	113.7	127.3	147.9	137.7	146.9	158.7
Industrial production	y/y, %	8.3	10.6	-1.8	-13.4 ↓	3.0	6.0
Construction output	y/y, %	6.0	7.1	0.0	-1.0	0.0	3.0
Retail sales	y/y, %	10.9	10.0	2.8	-4.3 ↑	-0.5	3.0
CPI	y/y, %	1.7	5.4	3.6	1.0	2.2	2.0
Inflation	average, y/y, %	2.5	2.8	6.3	1.0	1.7	2.0
Net (core) inflation	y/y, %	1.2	3.8	-1.0	0.0	1.0	1.5
PPI	y/y, %	2.6	5.3	-0.2	-0.8	2.0	2.0
Trade balance	CZK bn	39.8	87.9	67.2	153.2 ↑	137.5 ↑	151.3 ↑
Current Account (annual basis)	% of GDP	-2.4	-3.2	-3.1	-0.8	-1.0	-1.0
Current Account	EUR bn	-3.8	-4.1	-4.6	-1.1	-1.5	-1.6
FDI net	% of GDP	11.0	2.1	3.6	1.0 ↑	1.4 ↓	1.3 ↓
Foreign exchange reserves	EUR bn	23.9	23.7	26.6	28.9 ↑	29.8	31.8
Unemployment rate	e-o-p, %	7.7	6.0	6.0	9.2	9.8	9.6
Real wages	y/y, %	4.0	4.3	1.9	2.3	-0.2	1.0 ↓
Central government budget (GFS)	CZK bn	-97.3	-66.4	-19.4	-192.4	-165.0	-130.0
Central government debt (GFS)	CZK bn	802.5	892.3	999.5	1,191.9	1,356.9	1,486.9
Money supply (M2)	y/y, %	9.9	13.2	6.6	4.3	4.8 ↓	6.5
CZK/EUR	average	28.34	27.76	24.94	26.45	25.40	24.70
CZK/EUR	e-o-p	27.50	26.62	26.93	26.47	23.80	24.00
2w CNB repo rate	e-o-p, %	2.50	3.50	2.25	1.00	1.25	2.25
3m PRIBOR	average, %	2.30	3.09	4.04	2.19	1.65	2.20
3m PRIBOR	e-o-p, %	2.55	4.11	3.63	1.54	1.82	2.55
10y IRS	average, %	3.79	4.23	4.23	3.69	3.85	4.30

Convergence

		2006	2007	2008	2009f	2010f	2010f
GDP per capita	euroarea=100	70	73	73	74	75	76
Price level	euroarea=100	60	61	70	69 ↑	71 ↑	78 ↑
HICP	average, %	2.1	3.0	6.3	0.6	1.5	1.8
Public budgets (ESA-95)	% of GDP	-2.6	-0.7	-2.1	-6.5	-5.5	-5.0
Public debt (ESA-95)	% of GDP	29.4	29.0	30.0	36.8	41.4	44.4
Long term interest rate	spread in bps	2	6	65	162 ↓	90	75
Currency in ERM-II		no	no	no	no	no	no

Hungary

Macroeconomic development

		2006	2007	2008	2009f	2010f	2011f
GDP (real)	y/y, %	3.9	1.5	2.0	-6.3 ↑	-0.5 ↑	1.5
Private consumption (real)	y/y, %	3.2	-2.0	0.5	-7.0	-1.5	0.5
Government consumption (real)	y/y, %	-2.8	-5.0	-2.0	-1.0	-1.5	-1.0
Investment (gross fixed capital formation, real)	y/y, %	-2.1	0.0	3.0	-5.7	2.4	5.0
GDP (nominal)	HUF bn	23,562	25,585	27,270	25,500 ↓	26,200 ↓	27,500
GDP (nominal)	EUR bn	89.2	102.8	107.2	91.0 ↓	93.6 ↓	100.0
Industrial production	y/y, %	10.1	8.1	6.0	-18.7	3.5	7.0
Construction output	y/y, %	-0.5	-14.1	-5.0	-4.0 ↓	-2.0 ↓	3.0
Retail sales	y/y, %	4.4	-3.0	-1.5	-7.5 ↓	-4.0 ↓	1.0
CPI	e-o-p, y/y, %	6.5	7.4	5.5	5.7 ↓	3.5	3.5
Inflation	average, y/y, %	3.9	8.0	6.5	4.2 ↑	4.4 ↑	3.5
Net (core) inflation	y/y, %	5	5.3	5.3	4.7 ↑	4.2 ↑	3.5
PPI	y/y, %	5.0	5.3	6.0	1.8	3.5 ↑	4.2
Trade balance	HUF bn	-522.4	-145	-150	4421 ↑	3000	2000
Exports (EUR basis)	y/y, %	16.8	17.1	10.0	-17.0	3.0	6.0
Imports (EUR basis)	y/y, %	14.2	14.0	9.0	-28.0	4.0	7.0
Current Account (annual basis)	% of GDP	-5.8	-5.4	-6.0	1.6 ↓	0.5 ↓	-1.0
FDI net	% of GDP	2.0	1.0	2.4	1.1 ↓	1.1 ↓	1.0
Basic balance (C/A + net FDI)	% of GDP	-3.9	-2.4	-1.3	2.5 ↓	1.5 ↓	
Foreign exchange reserves	EUR bn	16.4	16.5	16.5	30.0	30.0	30.0
Unemployment rate	e-o-p, %	7.5	8.1	8.0	10.5	11.5	11.0
Real wages	y/y, %	3.6	-5.2	1.0	-3.5	-1.0	1.0
General gvt budget (GFS)	HUF bn	-2,034	-1480	-1111	-981 ↑	-1965 ↓	-1238
General gvt budget (GFS)	% of GDP	-8.7	-5.8	-3.4	-3.9	-7.5 ↓	-4.5
Central gvt gross debt	HUF bn	14,706	15,576	16,800	17,781 ↓	19,746 ↑	20,984
Money supply (M3)	y/y, %	16	9.0	9.0	4.0 ↑	3.5	4.5
HUF/EUR	average	264.1	251.3	250.0	280.2 ↑	280.0 ↑	275.0
HUF/EUR	e-o-p	251.5	253.0	255.0	270.0	280.0 ↑	270.0
2w NBH depo rate	e-o-p	8.00	7.50	11.50	6.25	6.50 ↑	6.00
3m BUBOR	average	6.99	7.75	10.00	8.75	6.25 ↓	6.25
3m BUBOR	e-o-p	8.05	7.50	11.50	6.25	6.50 ↑	6.00
10y IRS	average	7.05	6.73	9.00	7.50 ↓	7.50 ↑	7.00

Convergence

		2006	2007	2008	2009f	2010f	2011f
GDP per capita	euroarea=100	58	57	56	56	56	55
Price level	euroarea=100	59	65	67	63	65	66
HICP	average, %	3.9	8.0	6.5	4.2	3.8	3.5
Public budgets	% of GDP	-9.8	-6.0	-2.9	-3.9	-7.5 ↓	-4.5
Public debt	% of GDP	67.5	66.0	65.0	80.0	82.0	80.0
Long term interest rate	spread in bps	276	270	500	500	400	400
Currency in ERM-II		no	no	no	no	no	no

Poland

Macroeconomic development

		2006	2007	2008	2009f	2010f	2011f
GDP (real)	y/y, %	6.1	6.4	5.0	1.7	3.6	3.7 ↑
Inflation	average, y/y, %	1.0	2.5	4.2	3.6	2.6	2.8
Unemployment rate	e-o-p, %	14.9	11.3	9.5	11.9	12.5	12.0
PL/EUR	average	3.90	3.78	3.48	4.10	3.70	3.60
PL/EUR	e-o-p	3.83	3.60	3.90	4.30	3.30	3.50 ↓
NBP intervention rate	e-o-p, %	4.00	5.00	5.25	3.50	3.75 ↓	4.50
3m WIBOR	average, %	4.21	4.73	6.17	4.20	4.30 ↓	4.80
10y IRS	average, %	5.12	5.47	5.75	6.10	5.50	5.50 ↑

Convergence

		2006	2007	2008	2009f	2010f	2011f
GDP per capita	euroarea=100	47	49	50	54	56 ↑	57 ↑
Price level	euroarea=100	61	62	66	60 ↓	66 ↓	69 ↑
Public budgets (ESA-95)	% of GDP	-3.8	-2.0	-2.7	-5.0	-6.8 ↑	-5.0
Public debt (ESA-95)	% of GDP	47.8	49.0	46.0	50.0	53.0	55.0
Long term interest rate	spread in bps	144	116	270	262.00	160	100
Currency in ERM-II		no	no	no	no	no	yes

Slovakia

Macroeconomic development

		2006	2007	2008	2009f	2010f	2011f
GDP (real)	y/y, %	8.5	10.4	6.4	-4.7 ↑	2.2	3.5
Private household consumption (real)	y/y, %	5.9	7.1	6.1	-0.5	1.0	1.9
Investment (gross fixed capital formation, real)	y/y, %	9.3	8.7	6.8	-8.0	2.5	3.0
GDP (nominal)	SKK bn	1,659.4	1,852.8	2,028.4	1,950.0 ↑	2,027.5	2,154.0
GDP (nominal)	EUR bn	44.5	54.8	64.8	64.7	67.3	71.5
Industrial production	y/y, %	15.1	16.9	2.5	-14.6 ↑	3.0	5.0
Construction output	y/y, %	16	5.4	11.2	-11.1 ↓	6.0	6.0
Retail sales	y/y, %	8.8	5.5	9.1	-10.3 ↑	3.5	5.0
CPI	y/y, %	4.2	3.4	4.4	0.5	2.4	3.0
Inflation	average, y/y, %	4.5	2.8	4.6	1.6	2.4	3.5
Core inflation	y/y, %	2.7	4.2	3.3	-0.2	1.5	2.5
PPI	y/y, %	5.4	2.8	6.6	-4.9 ↓	2.0	2.6
Trade balance	EUR bn	-2.6	-0.7	-0.8	1.3 ↑	-1.2	-1.0
Current Account (annual basis)	% of GDP	-7.0	-5.3	-4.6	-0.8 ↑	-6.0	-5.8
Current Account	USD bn	-3.9	-4.0	-5.3	-0.7 ↑	-3.5	-3.0
FDI net	USD bn	2.1	1.1	1.3	0.2 ↓	1.1	0.8
FDI net	% of GDP	4.7	2.0	2.0	0.3 ↓	1.6	1.1
Unemployment rate	e-o-p, %	9.4	8.0	8.4	12.7 ↓	13.5	13.5
Real wages	y/y, %	3.3	4.3	3.3	1.1 ↑	0.5	1.3
Central government budget	EUR bn	-1.1	-0.8	-0.7	-2.8 ↓	-3.7	-3.1
Central government debt	EUR bn	16.8	18.1	19.7	24.3	27.7	31.4
Money supply (M3)	y/y, %	15.3	13.0	5.0	-2.8 ↓	3.0 ↓	7.0
10y IRS	average, %	4.44	4.51	4.52	n/a	n/a	n/a

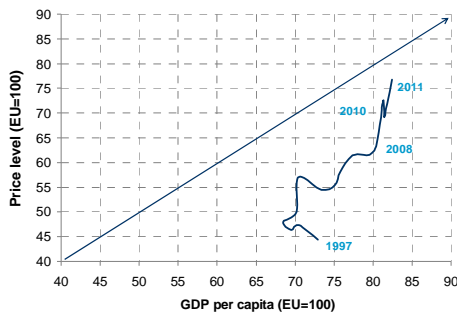
Convergence

		2006	2007	2008	2009f	2010f	2011f
GDP per capita	euroarea=100	58	61	63	64	65	66
Price level	euroarea=100	56	62	67	74	75	76
HICP	average, %	4.3	1.9	4.0	0.9 ↓	2.0	2.0
Public budgets (ESA-95)	% of GDP	-3.5	-1.9	-2.2	-6.3	-6.0	-6.0
Public debt (ESA-95)	% of GDP	30.4	29.4	27.6	30.7	40.0	40.0
Long term interest rate	spread in bps	57	17	120	120	100	100
Currency in ERM-II		yes	yes	yes	EUR	EUR	EUR

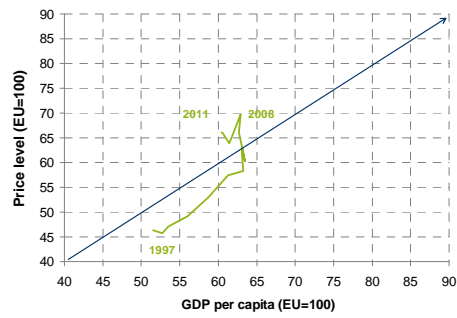


Central European Economies in Pictures

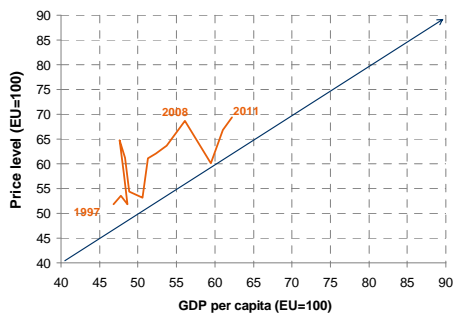
CZ: Convergence



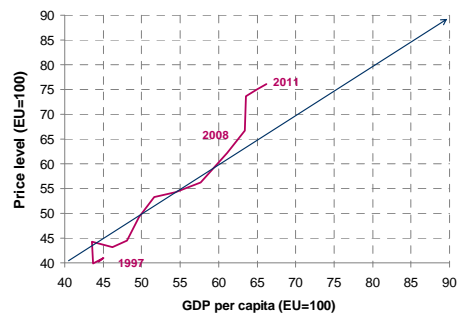
HU: Convergence



PL: Convergence



SK: Convergence



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