



Central European Economic Outlook

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- **Czech Republic** 2

According to the first estimate the Czech economy grew by 2.1% in the second quarter. The industry as well as exports recorded strong growth, while domestic demand remained subdued. Inflation is closer to the target of the CNB but the central bank may not rush to raise its rates.

- **Hungary** 3

Macro data in August confirmed the consensus view about a gradual recovery amid improving external balance and low inflation. The next key event could be the 2011 budget proposal due early October, which may show the new directions of fiscal policy.

- **Poland** 4

Polish consumption and domestic investments surprised on the upside in the second quarter. It is pretty comfortable to see that domestic demand continues to play a powerful role in current growth. On the other hand it only magnifies the risks associated with public finances.

- **Slovakia** 4

The Slovak economy grew by 4.7% in H1 2010. The foreign demand is the main engine of growth. The government prepares the austerity package for 2011 in the amount of roughly 2.5% of GDP.

- **Central European economies in Pictures** 5

Czech Republic

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	6.8	6.1	2.5	-4.1	1.7 ↑	1.8 ↓
Private consumption (real)	y/y, %	5.0	4.8	3.6	-0.3	-0.5	0.5 ↓
Investment (gross fixed capital formation, real)	y/y, %	6.0	10.8	-1.5	-9.2	-3.0 ↓	0.8 ↓
GDP (nominal)	CZK bn	3,222.4	3,535.5	3,689.0	3,628.1	3,715.6	3,846.8
GDP (nominal)	EUR bn	113.7	127.3	147.9	137.2	146.3	157.7
Industrial production	y/y, %	8.3	10.6	-1.8	-13.6	6.5	4.5
Construction output	y/y, %	6.0	7.1	0.0	-0.9	-4.0	0.5
Retail sales	y/y, %	10.8	10.0	2.7	-4.7	-1.0	2.0
CPI	y/y, %	1.7	5.4	3.6	1.0	2.0	2.3
Inflation	average, y/y, %	2.5	2.8	6.3	1.0	1.5	2.3
Net (core) inflation	y/y, %	1.2	3.8	-1.0	0.0	1.4	1.3
PPI	y/y, %	2.6	5.3	-0.2	-0.8	2.1	2.1
Trade balance	CZK bn	39.8	87.9	67.2	149.6	154.8	170.3
Current Account (annual basis)	% of GDP	-2.4	-3.2	-0.6	-1.0	-1.3	-1.7
Current Account	EUR bn	-2.7	-4.1	-1.0	-1.5	-1.9	-2.7
FDI net	% of GDP	2.2	5.8	10.4	8.7	0.0	0.0
Foreign exchange reserves	EUR bn	23.9	23.7	26.6	28.9	31.8	34.9
Unemployment rate	e-o-p, %	7.7	6.0	6.0	9.2	9.2	9.0
Real wages	y/y, %	4.0	4.3	1.9	3.0	0.2	-0.3
Central government budget (GFS)	CZK bn	-97.3	-66.4	-19.4	-192.4	-170.0	-130.0
Central government debt (GFS)	CZK bn	802.5	892.3	999.5	1178.2	1,348.2	1,478.2
Money supply (M2)	y/y, %	9.9	13.2	6.6	4.3	4.5	6.0
CZK/EUR	average	28.34	27.76	24.94	26.45	25.40	24.40
CZK/EUR	e-o-p	27.50	26.62	26.93	26.47	24.00	23.80
2w CNB repo rate	e-o-p, %	2.50	3.50	2.25	1.00	0.75	1.25
3m PRIBOR	average, %	2.30	3.09	4.04	2.19	1.30	1.45
3m PRIBOR	e-o-p, %	2.55	4.11	3.63	1.54	1.15	1.80
10y IRS	average, %	3.79	4.23	4.23	3.69	3.10	3.60

Convergence

		2006	2007	2008	2009	2010f	2010f
GDP per capita	euroarea=100	71	73	74	74	75 ↓	77 ↑
Price level	euroarea=100	60	61	70	66	70	75
HICP	average, %	2.1	3.0	6.3	6.3	1.3	2.1
Public budgets (ESA-95)	% of GDP	-2.6	-0.7	-2.7	-5.9	-5.5	-4.3
Public debt (ESA-95)	% of GDP	29.4	29.0	30.0	35.4	40.0	42.9
Long term interest rate	spread in bps	2	6	65	162	126	111
Currency in ERM-II		no	no	no	no	no	no

Hungary

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	3.9	1.5	2.0	-6.3	0.8	2.7
Private consumption (real)	y/y, %	3.2	-2.0	0.5	-7.0	-1.0	0.5
Government consumption (real)	y/y, %	-2.8	-5.0	-2.0	-1.0	-0.5	-0.5
Investment (gross fixed capital formation, real)	y/y, %	-2.1	0.0	3.0	-5.7	3.0	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	101.9
Industrial production	y/y, %	10.1	8.1	6.0	-18.7	7.0	8.0
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	-3.0	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	4.5 ↑	3.5
Net (core) inflation	y/y, %	5	5.3	5.3	4.7	3.2 ↓	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	5000 ↑	4000 ↑
Exports (EUR basis)	y/y, %	16.8	17.1	10.0	-17.0	10.0 ↑	6.0
Imports (EUR basis)	y/y, %	14.2	14.0	9.0	-28.0	8.0 ↑	7.0
Current Account (annual basis)	% of GDP	-5.8	-5.4	-6.0	1.6	2.0 ↑	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	0.0 ↑
Foreign exchange reserves	EUR bn	16.4	16.5	16.5	30.0	35.0 ↑	35.0 ↑
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	284.0 ↑	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	5.25 ↑	5.75 ↑
3m BUBOR	average	6.99	7.75	10.00	8.75	5.75	5.75 ↑
3m BUBOR	e-o-p	8.05	7.50	11.50	6.25	5.25 ↑	5.75 ↑
10y IRS	average	7.05	6.73	9.00	7.50	7.25	6.75

Convergence

		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	58	58	59	58	59	60 ↑
Price level	euroarea=100	59	66	65	62	62 ↓	64 ↓
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	5	400	350
Currency in ERM-II		no	no	no	no	no	no

Poland

Macroeconomic development

		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	6.1	6.4	5.0	1.7	3.2 ↑	3.1 ↓
Inflation	average, y/y, %	1.0	2.5	4.2	3.6	2.6 ↓	2.7 ↑
Unemployment rate	e-o-p, %	14.9	11.3	9.5	11.9	12.3	12.0
PL/NEUR	average	3.90	3.78	3.48	4.10	3.95 ↑	3.60
PL/NEUR	e-o-p	3.83	3.60	3.90	4.30	3.90 ↑	3.60 ↑
NBP intervention rate	e-o-p, %	4.00	5.00	5.25	3.50	3.75 ↓	4.25 ↓
3m WIBOR	average, %	4.21	4.73	6.17	4.20	4.00	4.30
10y IRS	average, %	5.12	5.47	5.75	6.10	5.80	6.00 ↓

Convergence

		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	48	50	52	55	57	58
Price level	euroarea=100	61	61	66	55	61 ↓	68
Public budgets (ESA-95)	% of GDP	-3.8	-2.0	-2.7	-5.0	-7.0	-6.5
Public debt (ESA-95)	% of GDP	47.8	49.0	46.0	50.0	55.4 ↓	60.3 ↑
Long term interest rate	spread in bps	144	116	270	262.00	290	290 ↓
Currency in ERM-II		no	no	no	no	no	no

Slovakia

Macroeconomic development

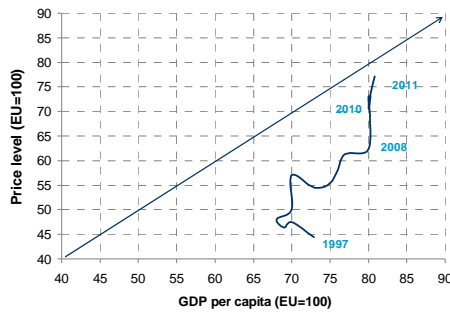
		2006	2007	2008	2009	2010f	2011f
GDP (real)	y/y, %	8.5	10.4	6.4	-4.7	3.6 ↑	3.0 ↓
Private household consumption (real)	y/y, %	5.9	7.1	6.1	-0.5	1.0	1.5 ↓
Investment (gross fixed capital formation, real)	y/y, %	9.3	8.7	6.8	-8.0	1.0 ↓	4.0
GDP (nominal)	SKK bn	1,659.4	1,852.8	2,028.4	1,950.0	1,988.3 ↓	2,054.6 ↓
GDP (nominal)	EUR bn	44.5	54.8	64.8	64.7	66.0 ↓	68.2 ↓
Industrial production	y/y, %	15.1	16.9	2.5	-14.6	15.0 ↑	5.0
Construction output	y/y, %	16	5.4	11.2	-11.1	-8.0 ↓	6.0
Retail sales	y/y, %	8.8	5.5	9.1	-10.3	-2.0 ↓	4.5 ↓
CPI	y/y, %	4.2	3.4	4.4	0.5	2.0 ↓	3.0
Inflation	average, y/y, %	4.5	2.8	4.6	1.6	1.6 ↓	3.1 ↓
Core inflation	y/y, %	2.7	4.2	3.3	-0.2	1.5	2.2 ↓
PPI	y/y, %	5.4	2.8	6.6	-4.9	1.0 ↓	2.6
Trade balance	EUR bn	-2.6	-0.7	-0.8	1.3	1.6 ↑	0.7 ↑
Current Account (annual basis)	% of GDP	-7.0	-5.3	-4.6	-0.8	-2.5	-3.0 ↑
Current Account	USD bn	-3.9	-4.0	-5.3	-0.7	-2.6 ↑	-2.8 ↑
FDI net	USD bn	2.1	1.1	1.3	0.2	0.7 ↓	1.5 ↑
FDI net	% of GDP	4.7	2.0	2.0	0.3	1.1 ↓	2.2 ↑
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	0.2 ↓	1.0 ↓
Central government budget	EUR bn	-1.1	-0.8	-0.7	-2.8	-4.6 ↓	-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

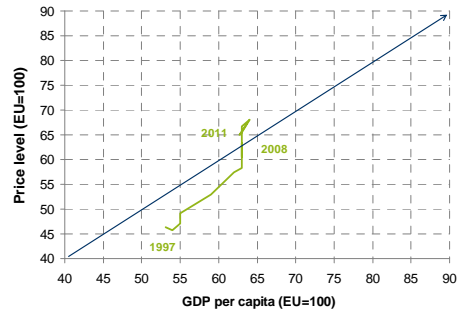
		2006	2007	2008	2009	2010f	2011f
GDP per capita	euroarea=100	58	62	67	67	69	70
Price level	euroarea=100	57	62	68	69	70	71
HICP	average, %	4.3	1.9	4.0	0.9	2.0	2.0
Public budgets (ESA-95)	% of GDP	-3.5	-1.9	-2.2	-6.8	-7.0	-6.0
Public debt (ESA-95)	% of GDP	30.4	29.4	27.6	30.7	40.0	40.0
Long term interest 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

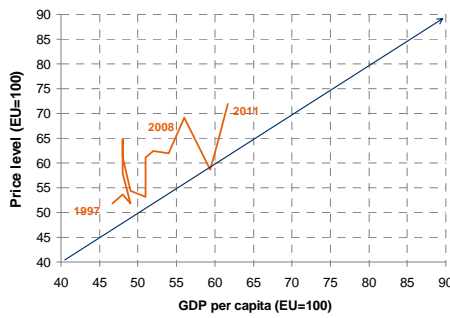
CZ: Convergence



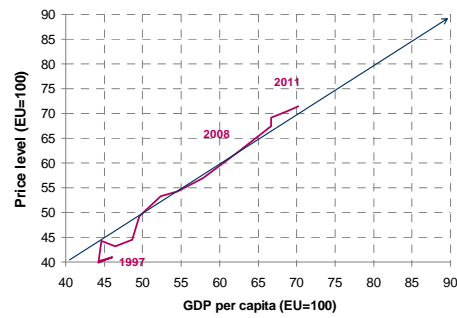
HU: Convergence



PL: Convergence



SK: Convergence



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