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ANALYSIS BY THE UNICREDIT GROUP NEW EUROPE RESEARCH NETWORK

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KEY ECONOMIC NEWS

Bulgaria – Bulgarian voters handed victory in the elections to the EU parliament to the new right-wing GERB party, which is the political creation of the incumbent mayor of the country's capital Boiko Borisov. In second place, not far behind, came the BSP, the core player of the ruling coalition, while the junior coalition member MRF – the ethnic Turkish party was third. All three frontrunners gathered between 20% and 22% of the vote and will send five representatives each to the EU's lawmaking body, while the remaining three seats went to ultra left nationalists from the Attack party (2) and to the political creation of the former king Simeon Saxe-Coburg Gotha (1). Turnout was a notch below the 30% threshold, which is pretty much in line with the results observed in other countries from the EU's eastern enlargement.

On the macro side, inflation inched up to 4.2% yoy in April, after slowing down in March to 4.1% yoy - its lowest level in the last twenty months. Industrial output in March grew robustly by 8.7% when compared with the same month a year ago, after revised 8.9% yoy growth in February, while retail sales posted an 11.3% yoy increase in Q1 2007 boosted by double digit increases in clothing and footwear and consumer durables.

Czech Republic – On the back of robust economic data in the past weeks, including much faster-than-expected April inflation, we expect the CNB to raise interest rates as early as 31 May. Although we have so far stuck to our interest-rate scenario for this year and next, we do see a risk of more aggressive tightening. Moreover, the signs of dynamic household spending combined with strong investment activity pose an upside risk to our GDP growth scenario for both Q1 and 2007 as a whole.

Hungary – Hungary´s GDP grew by 2.9% in Q1 2007 yoy, against 4.9% in the same period last year, beating market expectations of some 2.3% GDP growth. Although no details are yet disclosed, the improving foreign trade balance must have been made a significant contribution to this good outcome. The long lasting favourable trend in the external performance was evident in March, when following a 12.3% export growth and a 6.7% increase in imports, the foreign trade balance reached a EUR 16.9 mn surplus. As to domestic developments, inflation largely in line with expectations started to decelerate in April, declining to 8.8% yoy from its 9% peak in March.

Latvia – According to preliminary figures released by the Statistical Office, Latvia's GDP expanded by a real 10.7% yoy in the first quarter of 2007 compared to the 11.7% increase registered in Q4 2006. Inflation reached a new historical high of 8.9% yoy in April on the back of fast increases in food and service prices. Concerns about widening external imbalances and rising risks of a 'hard landing' for the Latvian economy recently prompted S&P to cut the country rating from A- to BBB+. In a move to further support the recent measure endorsed by the government to curb inflation and cool down the economy, the Latvian Central Bank raised its key refinancing rate for the second time this year by half a point to 6 percent at its last Board meeting. Since last July the CB has raised rates by 200 bps.

Lithuania – GDP is accelerating again after the slowdown in the second half of 2006: according to the Statistical Department's flash estimate, GDP grew by 7.1% in the first quarter of 2007. The Lithuanian Finance Ministry increased its 2007 GDP forecast to 7.2% for the whole of 2007 (we maintain our 7.4% forecast). In the meantime, S&P' revised its outlook on the Lithuanian LT rating to negative (from stable), on concern that the buoyant economic growth could increase the risks of hard landing. In the meantime, the National Changeover Plan and the Public Information on the Euro Adoption and Communication Strategy of Lithuania were approved. Lithuania is targeting 2010 as the possible year to join the eurozone. The exact date will be discussed this autumn.

Poland – All macroeconomic indices are at a record high and suggest that economic activity is accelerating strongly. Inflation decreased below the 2.5% yoy target in April and should stay around this level in the coming months. Both the continued strength of domestic demand and the labour market tightening will prompt other rate hikes. We believe there will be two further 25bp hikes in interest rates to bring the policy rate to 4.75% by the end of 2007 (with the first hike to take place in July).

Romania – President Traian Basescu convincingly won the national referendum with 74.3% of voters invalidating the Parliament's impeachment motion. First quarter industrial production registered 7.7% yoy growth after slower dynamics in January. Favoured by the mild winter, construction (adj. according to the number of working days) went up by 30.4% yoy. Headline inflation accelerated slightly to 3.8% in April on the back of adjusted electricity prices and increased food prices. The current account deficit widened by 125% yoy in the first quarter of the year. The fast expanding imports (+30.1% in Q1) were fuelled by the trade liberalisation and the strong appreciation trend of the RON. Exports accelerated modestly to 16% yoy growth in March.

Slovakia – According to the flash estimate by the Statistical Office, GDP grew by 8.9% yoy in Q1. Although below the market expectation of 10.6% yoy, the figure indicated the continuation in strong economic growth. Consumer prices went up by 0.2% mom in April driven mainly by fuel and food prices. Yearly inflation remained stable at 2.7% for the 3rd month in a row. Slovakia is well on the way to meet the Maastricht criterion for inflation, as harmonised inflation dropped to 2.0% yoy in April. Foreign trade showed a higher than expected deficit (SKK 4.6 bn) in March, while unemployment reached a new historical low of 8.5% in April.

Slovenia – The strong economic momentum seen in 2006 is expected to have continued in Q1 2007. Industrial production expanded by a notable 9.3% on average in Q1 on the back of strong export demand. At the same time labour market conditions improved further with the registered unemployment rate falling to an average 8.4% in Q1 after 10.3% in Q1 2006. Real net wages grew by 5.1% in Q1 2007, while labour productivity by some 8%. Despite the euro changeover, as well as increasing energy and food prices, consumer price inflation remained at a moderate 2.4% during January-April 2007.

Croatia – Merchandise exports showed high volatility by falling 7% yoy in March, while imports continued to deliver stable growth of 6.2%. CPI inflation in April increased to 2.3% annually. Monthly growth of 0.7% was mainly driven by strong seasonal increases in clothing and footwear prices (+3.4%) as well as higher food (+1.1%) and fuel prices (+2.0%). According to the Labour Force Survey, the unemployment rate fell in the second half of 2006 to 10.5% (from 12.3% in the same period of 2005) as a result of sustained economic growth.

Turkey – Turkey has entered a politically turbulent period owing to general elections on 22 July and the presidential elections afterwards, which may be held in the autumn months. Meanwhile, the IMF released the USD 1.1 billion credit tranche to Turkey. In the first four months of the year, hefty privatisation revenues from Turk Telekom helped to improve the budget balance. However, the picture seems to have worsened compared to last year's spectacular performance, as the budget deficit during the period under consideration was 21% higher (in real terms) than the amount registered during the same period of last year.

Bosnia – In light of a long-lasting political deadlock and a slowdown in the reform process, including police and constitutional reform, the international community decided to extend the mandate of the Office of the High Representative in Bosnia by one year to end-June 2008. Outgoing HR Schwarz-Schilling is to be succeeded by Slovak diplomat Miroslav Lajcak at the top of the OHR as of July 2007. The lack of reform commitment, mainly regarding police reform, also represents the main obstacle to an acceleration of Bosnia's EU integration process and the signing of a Stabilisation and Association Agreement with the EU.

Russia – Inflation accelerated again to 7.6% in April yoy from 7.3% in March, yet the central bank's target of 7.5-8% in December remains within reach. The foreign trade surplus continues to narrow, in part due to terms of trade losses because of the strong euro. Exports decreased by 1.9% yoy in euro terms in March 2007 (2.8% yoy in Q1 2007) because of slightly lower energy export prices than in the year before and rather slow growth in oil and gas extraction and exports. Imports, by contrast, increased by 25.6% yoy (27.1% yoy in Q1 2007).

Ukraine – The current account deficit widened to USD 1.2 bn in Q1 2007 or 4.6% of GDP from 3.7% of GDP in Q1 2006. Exports increased by 32.3% yoy in USD terms and imports by 32.4%, the trade deficit increased from USD 1.4 bn to USD 1.8 bn. The main drivers of exports were engineering (+54% yoy), metallurgy (+41%) and chemicals (+31%). On the imports side, machinery and equipment, including cars, grew by 40%. Gas imports increased by 45% due to price hikes of 37% and a 6.5% increase in volumes. Imports of oil declined by 14.5% in volume terms. We expect the current account deficit to widen from 1.5% of GDP to 3.5% of GDP in 2007 as a whole. As regards politics, the announcement of the early parliamentary elections date is expected soon.

EUROPE: BEAUTIFUL BUT SHRINKING

Following very moderate growth between 2002 and 2005, employment growth in the EU accelerated through 2006 to reach 1.4% yoy in the fourth quarter, according to the European Commission's latest "Labour Market Review". Among CEE countries, employment growth was particularly strong in Latvia (4.9% yoy) and Estonia (4.7% yoy), but Slovakia too recorded growth of more than 2% yoy. The only country with a somewhat weaker increase was Hungary, in line with GDP figures. Hungarian employment grew only by 0.8% yoy in Q4 2006. Job vacancies also increased in almost all CEE countries, with marginal rate decreases from a year earlier only in Bulgaria and Slovenia.

As employment growth has significantly accelerated, voices not only of demographs but increasingly also business representatives have been warning that the labour force will become scarce in CEE, and that in some areas it already has. We will look therefore in a bit more detail into labour market developments in the future; in the current feature we begin with a general overview of labour resources in Europe (including Turkey, Russia and Ukraine).

Today's labour force distribution

Chart 1 shows the economically active population in 2006, i.e. the population employed, or unemployed but intending to work. The relation of the economically active to the overall population, the so-called participation rate, depends mostly on the age structure of the population, the length of education and retirement and on the participation of women. Turkey, for example has a relatively low participation rate of 52% (the working age population is defined as the 15 to 64 year olds) because the participation of women is only 28%. This compares to an overall 49% and 38% for women in Italy, 57% and 50% respectively in Austria and 58% and 51% in Germany.

The labour force of the EU-27 amounts to 232 million people, which is 7.5% of the world's total labour force. The US labour force is significantly smaller than that of the EU; India's is about double. The 10 EU member countries from the CEE provide a labour force of 47 million. Russia's labour force is roughly the same size as Germany and the UK combined, or that of France, Italy and Spain together. Turkey is about as large as France in terms of its labour force.

Chart 2 gives some indication of the availability of highly educated labour force, even though figures are somewhat biased due to differences between countries as regards definitions and due to poor data quality. However, it is evident that CEE as well as Russia and also Ukraine contribute strongly to the world's highly skilled labour force.

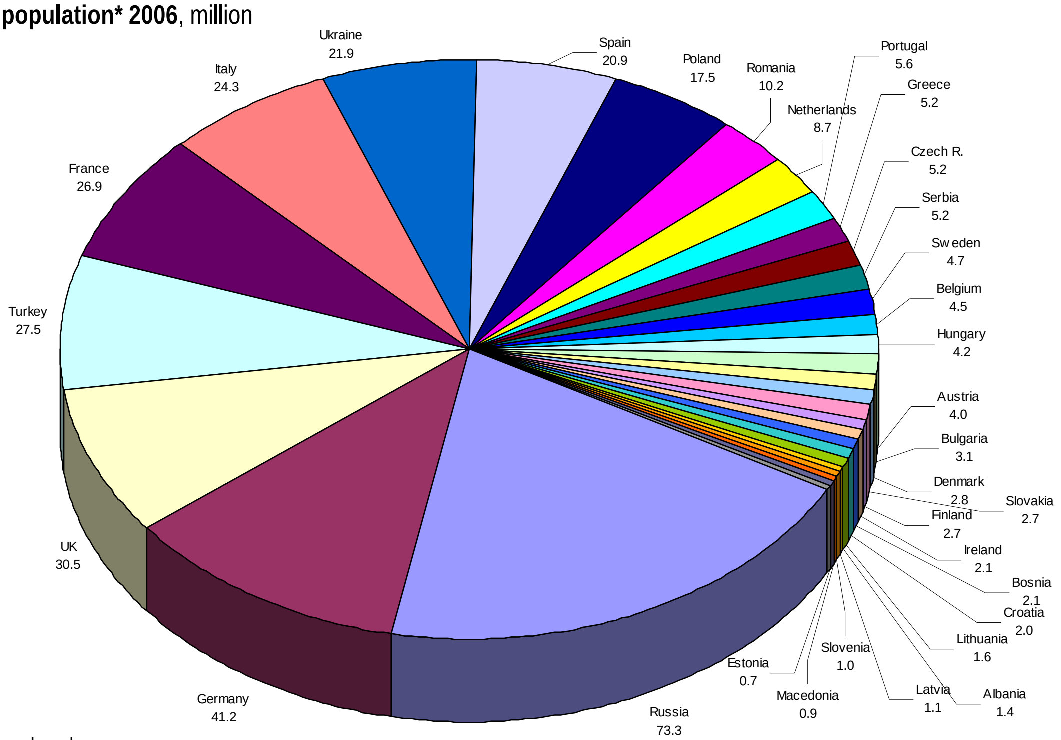
Where will the labour force come from in the future?

With 7.5% of the world's labour force the EU currently produces about one-third of the world's GDP, if calculated at current exchange rates, or about one-fifth adjusting for different price levels (i.e. at purchasing power parity). However, the magnitude of the labour force matters and the EU's labour force will shrink. Chart 3 depicts the changes in the labour force between now and 2020 as projected by the International Labour Organization (ILO). The projections take demographic developments and changes in the participation rates especially among youth, elderly and women into account.

According to the forecast, the EU-27's labour supply will be down by 4.4 million

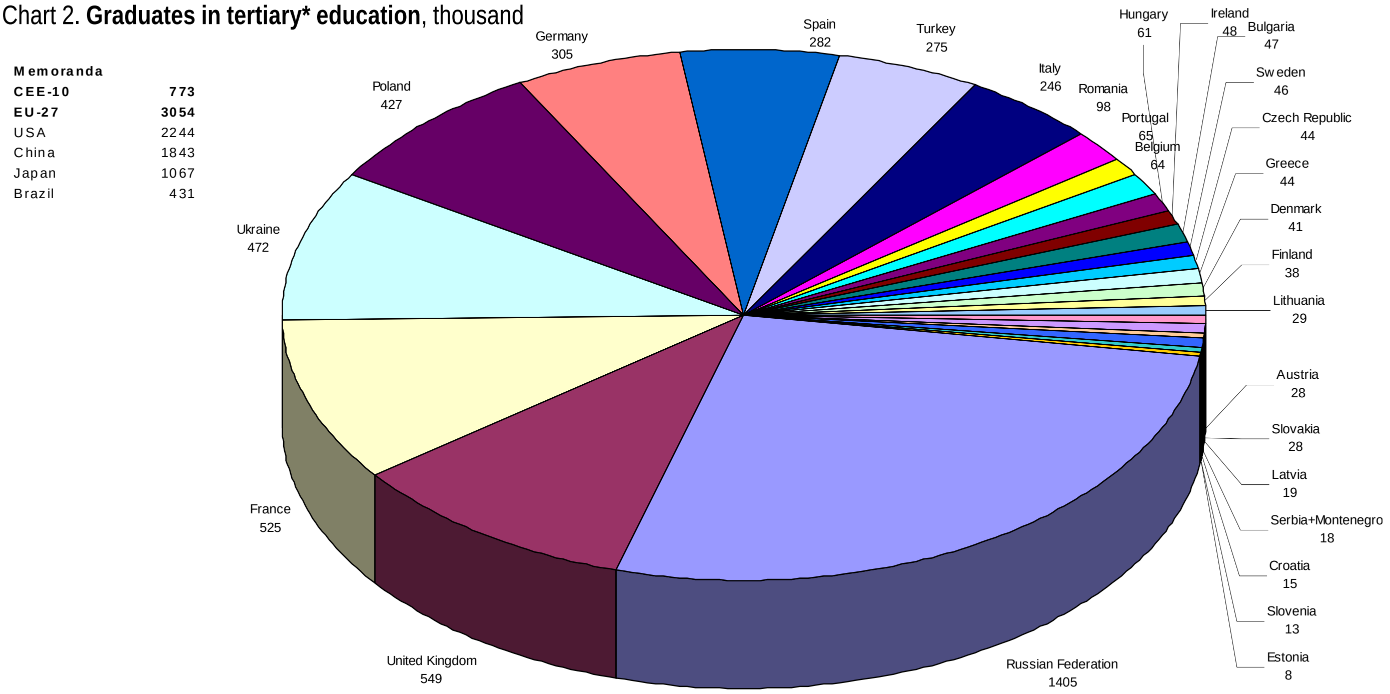
Chart 1. **Economically active population* 2006**, million

Memoranda	
CEE-10	**47.3**
EU-27	**232.0**
China	789.7
India	446.9
USA	157.9
Brazil	92.8
Japan	66.4
World	**3096.9**
EU-27 / World	7.5%
EU-27/ World GDP	31%
EU-27/ World GDP (PPP)	21%



* economically active: employed + unemployed
Source: LABORSTA (ILO), IMF, UniCredit New Europe Research Network

Chart 2. **Graduates in tertiary* education**, thousand



* tertiary = International Standard Classification of Education (ISCED) level 5+6: level 5: first stage of tertiary education (not leading directly to an advanced research qualification), level 6: second stage of tertiary education (leading to an advanced research qualification)
Source: UNESCO Institute for Statistics, UniCredit New Europe Research Network

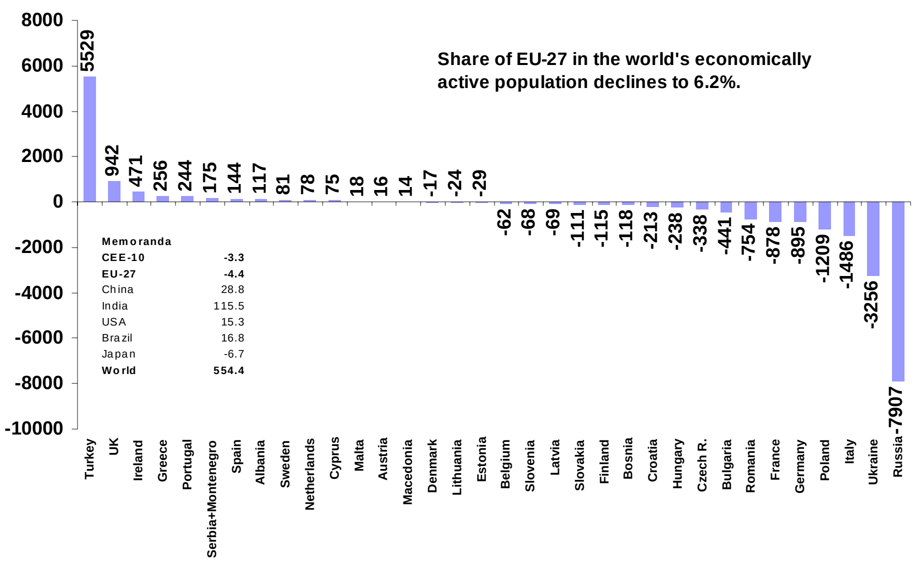
persons in 2020 compared to 2006. CEE accounts for 3.3 million of these. Ukraine will also lose 3.3 million and Russia even 7.9 million. By contrast, India alone will gain 116 million, and the world as a whole 554 million. Among New Europe countries, Turkey is by far the largest winner with 5.5 million people.

The EU's share in the world's labour force will fall to 6.2% by 2020 from the current 7.5%. As regards highly educated and skilled labour, the EU's loss in relative weight will likely be even more pronounced as education in several important emerging markets is catching up. The EU's share in global GDP is set to decline over the next 15 years, not only in low-skill industries but also in medium- and high-tech industries.

CEE needed for increasing productivity

The EU and its companies could slow this process, however, by further investing in their productivity lead and by becoming even more global and promoting immigration (and ensuring conditions under which this is beneficial both for immigrants and the incumbent population). This would be to the EU's own advantage, but also to the advantage of the rest of the world due to spill-over effects from productivity gains. The same applies to Russia. The CEE-10 countries will play a particularly important role over the next 15-20 years: thanks to the adoption of the institutional and economic model of the EU they are now in a position to maximise their advantages from technology, management and capital transfers and thus enhance productivity and competitiveness not only for themselves but also for the EU as a whole.

Chart 3. **Change in the economically active population 2006-2020**, thousand



Source: LABORSTA (ILO), UniCredit New Europe Research Network

CZECH REPUBLIC

Inflation jumps above 2%

Consumer prices rose by a faster-than-expected 0.7% mom in April lifting the yoy rate to 2.5%, the highest level since September 2006, from 1.9% in March. Like the consensus, we expected prices to rise by 0.4% mom and 2.2% yoy.

The monthly CPI growth was attributed primarily to foodstuffs and fuel. The start of the driving season and the oil price jump were reflected in further growth in fuel prices, up 4.3% in April after a 3.3% increase in March. Prices of cigarettes also continued to rise. Adding to more than a 9% increase in the first quarter, cigarette prices grew by another 2.1% in April. Drugs, clothing and footwear, as well as heating, gas and housing rentals were also behind inflation growth last month. By contrast, prices were pulled down by a seasonal decline in package holiday costs.

It seems to us that the inflation structure has started to change. Until recently, prices had been driven mainly by administrative and seasonal factors. This appeared to be the major argument of the CNB board members who voted to leave interest rates unchanged at the monetary policy meeting last month. However, April's figures suggested that the booming household consumption might begin filtering through to inflation. Moreover, the crown no longer serves as an anti-inflation factor as it has already lost 2.5% against the euro since the beginning of this year. The crown is now hovering comfortably on the weaker side of 28.0 to the euro mark, undermined by a sizeable interest rate disadvantage.

Furthermore, the CNB foresees a further quickening of inflation in the coming months. In its quarterly macroeconomic update in April, the bank raised its inflation forecast to 3.2-4.2% yoy for December 2007 and predicted 2.7-4.1% CPI growth at the end of 2008. The CNB also raised its GDP growth forecast to 4.9-6.5% from the previous 4.4-6.2% in 2007, and to 3.8-6.8% from 3.1-6.5% for 2008. More importantly, the prognosis is consistent with a gradual tightening of monetary policy. We have also lifted our inflation forecast for this year, expecting average CPI growth to reach 2.7% (up from 2.3%) and the year-end rate 3.4% (up from 3.0%).

Given the spate of bullish data coming from the Czech economy in the past weeks, we expect the CNB to raise interest rates as early as 31 May. Supporting this view, some CNB board members have signalled that the time is approaching to tighten policy. Beyond the expected 25bp hike in May, we reckon there will be at least one more quarter percentage point increase in H2, which would lift the two-week repo rate to 3% at year-end. So far we have also stuck to our forecast for a cumulative 50bp hike in 2008, but we see a risk of more aggressive tightening given the accumulation of various inflation pressures.

Retail sales break records

March retail sales including the auto segment rocketed by 10.5% yoy on an unadjusted basis, beating even the most optimistic forecasts on the market. We had expected a 5.5% increase. Additionally, February sales growth was revised upwards to 10.1% from the original 9.4%. Although March 2007 had one working day less than March 2006, yoy sales growth remained unaffected this time round. The working-day disadvantage surprisingly failed to hit even the auto segment, with both fuel sales and sales and repairs of car accelerating from February. Non-food sales kept their strong momentum, with households increasingly demanding mainly electronics, textiles, footwear and household appliances.

The steep growth in retail sales results from a fast rise in wages, low inflation and declining unemployment. The low interest rate environment also plays an important role. A hefty 9.4% rise in retail sales in the first three months of the year supports expectations that household consumption remained the main engine of economic growth in Q1. Moreover, signs of robust household spending combined with strong construction and manufacturing activity pose an upside risk to our GDP growth scenario for both Q1 and 2007 as a whole.

Although we expect some deceleration in sales growth in H2 on the back of accelerating inflation, the full-year growth in retail sales will most likely exceed last year's rate of 6.4%.

ESTONIA

Real GDP growth slowed to 9.9% in Q1 2007 from 10.9% yoy in Q4 2006. Our seasonal adjustment also points to a slowdown (1.9% qoq compared with 2.3% qoq in Q4 2006 and 2.7% qoq in Q3 2006). Another indicator, important for assessing the extent of overheating in the economy, also declined: according to the statistical office, the number of notarised real estate purchase-sale contracts (some 13,000) decreased by about one-fifth in Q1 2007 from a year earlier as high prices and fewer potential borrowers have begun to reduce demand. The signs of some cooling are good news for stabilising the Estonian economy.

In politics, tensions have also eased somewhat. Prime Minister Andrus Ansip paid his respects at the statue of the Bronze Soldier in Tallinn on 8 May. Mr Ansip's symbolic act of reconciliation followed the worst rioting since independence over the statue's removal from the city centre to a military cemetery. The crisis has demonstrated that integration between the Estonian and the Russian-speaking minority (29% of a population of 1.35m) has remained a complicated issue and that the issue remains central to bilateral relations with Russia. Russia reportedly cut exports of fuel oil, diesel and gasoline through Estonia by at least 30% in early May but deliveries have since resumed. We believe that serious, lasting trade sanctions are unlikely because the cost/benefit ratio would be too high for Russian business.

POLAND

Favourable budget conditions in April

The budget gap at the end of April reached 6.9% of the whole-year plan against 16.1% of the full-year plan at the end of Q1. The cumulative central budget deficit was PLN 2.06bn in the January – April period (i.e. in April we recorded a budget surplus of PLN 2.78bn). The improvement in the fiscal situation is due to tax revenue growth in nearly all the categories (Corporate Income Tax, Personal Income Tax and VAT). The ministry reported that budget revenue in the January-April period reached PLN 81.17bn (i.e. 35.5% of the plan) and expenditure PLN 83.23bn (i.e. 32.1%). Revenue from indirect taxes reached 35.2% of the annual plan, corporate tax revenue 42.6% and personal income tax revenue 36.8%. Privatisation proceeds after the first four months amounted to PLN 634.0mn (21.1% of the annual plan) assuming gross revenue from this source of PLN 3.0bn net. As emphasised by Deputy Finance Minister Zajdel-Kurowska, the good fiscal situation should enable the ministry to limit the bond supply in the upcoming auctions.

The good budget performance is the result of the booming economy, which means high consumption spending, robust employment rises and accelerating wage growth. We believe that at the end of the year the budget deficit will account for PLN 25bn or 83% of the annual plan.

Economic growth still strong

April's macroeconomic data shows that the Polish economy continues to expand strongly and is improving. The high economic growth is driven by domestic demand, especially by investment and private consumption. Strong domestic demand is likely to keep import growth ahead of exports. According to Central Bank CA data, Polish exports in March (in EUR terms) were up 15.8% yoy (or 14.8% yoy in Q1 2007), while imports increased by 21.7% yoy (or 18.6% yoy in Q1 2007). Therefore we expect the trade deficit to expand further in the coming months, which will cause the CA gap to widen to 2.5% of GDP at the end of this year.

Labour market statistics for the first four months were also strong. Unemployment fell strongly (by 1.2%) and employment increased (by 4.2% compared to 2.7% in January-April of 2006), while wage growth accelerated to 8% in January – April, the highest level for many years. We expect this trend to continue in the coming months. Thus the labour market performance bodes well for consumption, but at the same time poses a threat to the inflation outlook.

The near-term growth prospects look good. After a strong 2006, Poland's Ministry of Finance expects real GDP growth to have accelerated strongly and reached almost 7% yoy in Q1 2007. We take a more prudent view. We believe that the contribution of net exports to GDP growth is still negative, though the economy is still on track to grow strongly this year.

Inflation rate will pick-up strongly in the second half of the year

Solid growth in private consumption (due to rising incomes and robust credit growth) may become more inflationary. Indeed, headline inflation in April decreased to 2.3% yoy after reaching the Central Bank target in March (the first time since May 2005). Inflation was driven upward by food and fuel prices. The highest price growth in April of 4.1% yoy was noted in the section of „food, non-alcoholic beverages and tobacco". Prices of „housing costs and energy sources" rose by 3.5% yoy, while transport prices increased by 1.3% yoy, including fuel for private transport, up by 2.6% yoy. Changes in prices of other consumer goods and services were moderate. Consequently to April's CPI data, the net core inflation decreased to 1.5% yoy (close to the bottom of NBP's target of 1.5-3.5%) from 1.7% yoy in the previous month due to base effect.

As regards mid-term inflation prospects we expect CPI to stay below 2.5% yoy in the coming months, while we forecast a sharper increase in inflation, starting from September. We believe that CPI will be well above the NBP's target at the end of this year. The risk for the mid-term inflation outlook is mainly connected to food prices. According to preliminary estimates, the supply of cereals will be higher compared to the previous year. On the other hand, the supply of fruits will be significantly lower due to spring frosts.

MPC will not hurry with further monetary tightening

Given the economic development and inflationary environment, we think that the MPC will take a break before starting to increase rates again this year. Our expectation is supported by the statement of the MPC's members. Central bank governor Slawomir Skrzypek repeated that the recent increase should not be considered the start of the increase cycle and according to him CPI remains under control. A similar view was presented by M. Pietrewicz, who said that there are no significant reasons for revising the forecast, while Mr. Czekaj suggested that for now there is no need for a further interest rate hike. On the other hand, other MPC members are clearly in favour of further monetary tightening if necessary.

We uphold our view on interest rates for May. We expect the next increase (by 25 bps) to take place in July, while we reckon the MPC will increase the reference rate to 4.75% by year-end.

ROMANIA

President Basescu convincingly wins national referendum but political turmoil far from over

Three quarters (74.3%) of the voters attending the 19 May referendum invalidated the Parliament's impeachment on President Basescu and thus he has returned to office. The turnout was 44% of the electorate according to the latest data available. Nearly 6 million voted for the President's return to office out of some 8 million votes expressed.

Following the failed campaign, the major political parties that opted for the President's ousting face internal tensions. It is unclear how long the weak government coalition will stumble on and the possibility of replacing the Liberal cabinet with some other coalition better reflecting the Parliament's composition has not been ruled out.

Favourable economic performance in Q1 2007

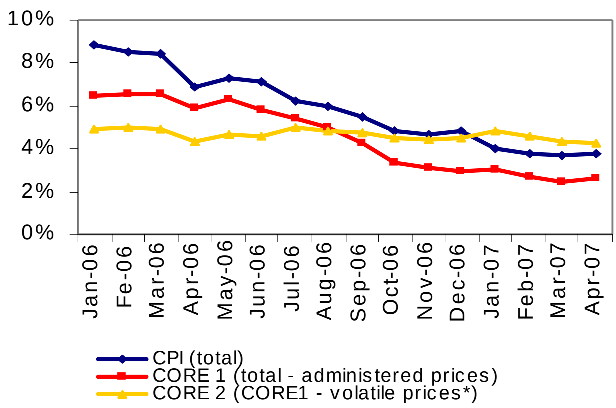
Investment activity is expected to gain further ground sustained by high industrial production (+7.7% yoy, adj. in Q1 2007) as well as large infrastructure projects and FDI inflows. Favoured by the mild winter, construction (adj. according to the number of working days) went up by 30.4% yoy (19% yoy after seasonal adjustments) in the first quarter of 2007 against the same period of 2006. Such figures signal that 2007 may be a record year for the construction sector through the catching up of supply to the high demand of both residential and non-residential buildings. Retail sales recovered after having moved into the red in the first two months, posting 15.5% growth in March.

Headline inflation accelerates slightly to 3.77% in April

The major contribution to the April price increase resulted from an increase in fruit and vegetable prices and fuel prices, and from the upward adjustment of electricity prices by 4% as of 1 April. The central bank in its latest inflation report lowered this year's inflation forecast from 4.6% yoy to 3.7% yoy. Despite the lower than expected inflation figures in the first quarter of the year we still see rising inflationary pressures on the demand-side, as shown by the persistently high CORE2 inflation (excluding administered and volatile food prices). The fast increase in wages (+22.3% yoy in March 2007 on average, nominal terms) and planned fiscal easing may reverse the disinflation trend in the short-to-medium term while an additional upside risk on inflation induced by the volatile food prices is also expected. Overall we maintain our inflation forecast of 4.4% yoy for the end of 2007.

CA deficit widens further in Q1 to EUR 3.1bn

In the first quarter of 2007, Romania's CA deficit widened by 125% yoy to reach EUR 3055 mn on the back of a worsening income balance and rising foreign trade deficit. The fast expanding imports (+30.1% in Q1) were also fuelled by the elimination of customs duties following EU accession and the strong appreciation trend of the RON. Recent figures reveal some slight deceleration in the external balance deterioration, mainly on the back of a slightly improving export performance with a 16% yoy increase in March (+14% increase in Q1). 43% of the CA deficit was covered by inflows of foreign direct investment.



TURKEY

Turkish Politics

Turkish political life is passing through a highly turbulent period. The first round of the presidential election was repeated on 6 May 2007. Based on the new Constitutional Court ruling it is necessary to have at least 367 MPs present in the Parliament before the presidential election starts. The opposition parties did not attend the voting, making it impossible for the Parliament to start the voting process. As a result of this development, Mr. Gül withdrew his candidacy for Presidency. In order to resolve the deadlock, the government decided to have the parliamentary elections on 22 July 2007.

On the other hand, the Parliament approved the constitutional amendments with the support of two parties, the ruling AKP and ANAP. According to these amendments: i) the President will be directly elected by the public in two rounds of elections in which in the second round the two candidates that had the highest backing in the first round will compete; ii) the term of the President will be 5 years with a second term possible; iii) the term of the Parliament will be 4 years instead of the current 5 years; iv) the Parliament will convene with a 1/3 quorum (184 MPs) for all meetings and elections. However, the President's decision regarding constitutional amendments is still unknown: within 15 days of the Parliamentary approval (25 May), the President could either approve the amendments or send them back to Parliament (either all or parts of the package) to be reviewed. In the latter case, if the Parliament approves the constitutional amendments once again without any changes, the President may resort to a referendum if he still does not want to lend his approval. On the other hand, the referendum, if it takes place, could be carried out together with the general elections. However, there is a high probability that the referendum might not be realised simultaneously with the general elections due to the time constraints related to the voting procedures.

There are alternative scenarios for the forthcoming period. The scenarios which are considered to have positive outcomes for the financial markets are the ones assuming that the general elections will result in a single AKP government or a coalition government led by the AKP. However, the future President is also crucial. Here, we assume that the President, either elected by public vote or by the new Parliament, will be a consensus name. On the other hand, the scenarios which are considered to have mildly negative outcomes for the financial markets are the ones assuming that the general elections will result in a coalition government without the AKP. But in this case, there is a good chance that the President elected by the public vote will not be a controversial name. The scenarios with the worst outcomes are the ones where the new government fails to elect a President or either the parliament or public elects a President who is a controversial figure, which will take the country to new elections or into a new chaotic political period, though this outcome is not very probable. Even though the likelihood is low, the worst-case scenarios also entail the risk of warning or intervention from the military.

Another IMF tranche released

The IMF approved the Turkey Letter of Intent concerning the sixth review and released a USD 1.1 billion loan to the country. The IMF stated that it had completed its sixth review under Turkey's three year, USD 10 billion stand-by programme, enabling the country to immediately draw the next tranche of credit. IMF urged that Turkey maintain a tight monetary policy until price pressures were clearly on their way down, whilst pressing ahead with structural reforms.

So far, this year's budget performance is not as strong as last year...

During the first four months of the year tax revenues of the central administration budget declined in real terms (2.9%), whereas both interest and non-interest expenditures increased considerably. Although the hefty privatisation revenues (YTL 5.9 billion) from Turk Telekom received in March helped to improve budget balances, the picture seems to have worsened compared to last year's spectacular performance. In fact, the budget deficit was YTL 5.4 billion during the first four months of this year, which is 21% higher (in real terms) than the amount registered during the same period of last year. Meanwhile, the primary balance registered a surplus of YTL 13.7 billion, which indicates a 9% real increase compared to the same period last year. Note that the primary surplus according to IMF definitions (that excludes privatisation revenues, interest receipts and dividend payments from state banks) should be much lower: in the first quarter of the year, the IMF-defined primary surplus fell short of the amount disclosed by the Ministry of Finance by YTL 6.4 billion.

SERBIA

After three months of a power struggle and just a few days before the constitutional deadline (14 May 2007) for calling new elections, the democratic forces in Serbia, i.e. the Democratic Party (DS) of President Tadic, the Democratic Party of Serbia (DSS) led by Prime Minister Kostunica and G17+ of former finance Minister Mladan Dinkic have reached an agreement on forming a new government, thereby ending the political deadlock that has prevailed since the early elections back in January 2007 and for the time being putting the brakes on a further radicalisation of Serbia. Besides retaining the post of Prime Minister, the DSS got the portfolios for the Interior, Justice, Energy, Trade, Infrastructure, Religion and Kosovo. President Tadic's DS got 13 posts in the new government including EU-Integration, Foreign Affairs, Finance, Justice, Telecom and Labour. Mladan Dinkic's G17+ became responsible for the areas of the Economy, Health, Science and Sport. The price of political agreement is thus a bloated government structure with a total of 25 ministries, 5 more than in the previous government. Despite the formation of the new government the political environment continues to represent a challenge for Serbia given the ideological differences between the ruling parties and the ongoing negotiations on the future political status of Kosovo, both casting doubt on the stability and longevity of the new government. Agreement seems to have been reached regarding the position of the Governor of the National Bank of Serbia too, who according to the new constitution will be appointed by parliament in its first sitting after the formation of the new government. According to local media incumbent Governor Radovan Jelasic will stay in office. The resumption of SAA talks with the EU in the second half of the year now seems more likely, the prerequisite of which, however, is still closer cooperation with the Hague Tribunal.

Despite persistent political noise, early indicators point to a robust domestic economy in Q1 2007. Retail sales grew by a real 32% yoy in the first quarter of the current year, fuelled by massive wage increases, with real net wages growing by 24.3% yoy in Q1, and slowing but still strong retail lending growth (2007 Q1: +51.2%). Industrial output, however, was up by only 4.8% in Q1, driven mainly by strong growth of 8.5% yoy in the manufacturing industry (based primarily on raw material-based sectors, such as mineral products, basic metals and metal products). As a consequence of lagging domestic production, excess demand has to be met from foreign sources, which led to a considerable widening of the foreign trade deficit to EUR -1.4 bn in Q1 2007 from EUR -1.1 bn in the corresponding period of the previous year. Given the above and significantly lower current transfers, the current account deficit widened by 70% to EUR 1.2 bn in Q1. At the same time FDI inflows grew four-fold to EUR 665 mn, covering around half of the current account deficit. Gross foreign debt grew only marginally to EUR 15 bn as of end-March 2007 given the early repayment of public foreign debt earlier on this year to the IMF and the World Bank amounting to EUR 180 mn. Accordingly, foreign exchange reserves fell slightly to EUR 8.8 bn as of end-March 2007.

The NBS's restrictive stance on credit policy, the sustained strength of the dinar (with central bank intervention keeping the exchange rate largely within a strong 79-81 RSD/EUR range since year-end 2006) and low energy prices kept inflationary pressures in check in the first months of 2007 too, as reflected by average inflation of 4.5% during the January-April period. This allowed the NBS to lower the policy rate by a total of 400 basis points to 10% by the end of April. Given a favourable inflationary outlook for the remainder of the year (with core inflation expected to stay around the lower end of the NBS's target of 6% with a +/-2 percentage point variation band) and the still large interest rate differential to the euro area, further rate cuts are to be expected in the coming months. Uncertainties over the future course of fiscal and wage policies represent the greatest upside risk to inflation. Furthermore, adjustments to regulated prices (e.g. electricity, gas) and another rise in oil prices might contribute to higher inflationary pressures in the second half of 2007.

TWO-WEEK MARKET MOVERS AND RISK FACTORS

Date	Event / Release	Reference date	Source	Notes
Bulgaria				
May 28, 07	Analytical Reporting of BNB and other MFI's - Deposits and Loans data (Volumes)	April 2007	CB	New data will signal whether credit growth is in the range of acceptability of regulators
May 31, 07	Consolidated Budget Data	April 2007	MF	Fiscal revenue overperformance is anticipated to reach new record high
May 31, 07	Interest Rates	April 2007	CB	
Czech R.				
Jun 04, 07	Wages	Q1 2007	SO	We expect nominal wage growth to exceed the pace from the previous quarter (6.2% yoy)
Estonia				
May 28, 07	Foreign trade	March 2007	SO	-
May 30, 07	Retail trade	April 2007	SO	-
Hungary				
June 7, 07	Industrial output	April 2007	SO	After a slowdown in March industrial output is to rebound in April to 8.5% yoy.
June 8, 07	Foreing trade	April 2007	SO	Export growth is to reach 15% yoy, as compared to import growth of 12% yoy.
June 12, 07	CPI	May 2007	SO	Consumer price inflation is expected to moderate to 8.1% yoy.
Latvia				
May 30, 07	Retail sales	April 2007	SO	-
June 05, 07	Industrial Output	April 2007	SO	-
June 08, 07	Consumer prices	May 2007	SO	We expect CPI to decelerate to 8.3% yoy from 8.9% in April
Poland				
May 25, 07	Retail sales	April 2007	SO	We expect annual growth closed to 20% yoy
May 25, 07	Unemployment rate	April 2007	SO	The downward trend will continue to 13.7% at the end of April
May 31, 07	GDP	Q1 2007	SO	+6.7% yoy in Q4 2006, investment and consumption support strong economic growth
Romania				
June 1, 07	GDP	Q1 2007	SO	We expect 6.3% yoy GDP growth in the first quarter
June 11, 07	Trade Balance	April 2007	SO	TB deficit (fob/cif) +72% yoy, exports +14.2% yoy, imports +30.1% (3M) in March
June 11, 07	CPI	May2007	SO	3.76% yoy in April
Slovakia				
May 28, 07	PPI	April 2007	SO	Despite oil prices hike we expect slow-down of yearly growth to be at 2.8% in April
June 1, 07	GDP and its structure	Q1 2007	SO	Expected confirmation of GDP growth driven both by external and domestic demand
June 1, 07	Real wages	Q1 2007	SO	Real labor productivity (6.7% yoy) sholud exceed real wage growth (which we expect to be at 5.4% yoy)
Slovenia				
May 30, 07	Retail trade	April 2007	SO	Retail sales are to continue to grow robustly on the back of fiscal stimuli and strong real net wage growth.
May 31, 07	Consumer prices	May 2007	SO	Consumer price inflation is expected to remain at moderate levels despite higher energy and food prices.
Croatia				
May 31, 07	Foreign trade	Apr 2007	SO	Improving exports trend expected
Turkey				
June 4, 07	Inflation	May 2007	SO	CPI inflation (yoy) at 10.72% as of April
Ukraine				
May 25, 07	Wages/ Earnings	April 2007	SO	-

Source: Statistical Office (SO), Central Bank (CB), Ministry of Finance (MoF), Labour Office (LO)

INTEREST AND EXCHANGE RATES

	Upcoming meetings*		Policy interest rate, eop (% p.a.)**				Fx rate, n.c. per euro, eop			
	Next move	Date	current	Jun 07	Sep 07	Dec 07	current	Jun 07	Sep 07	Dec 07
Bulgaria	Currency board regime	-	-	-	-	-	1.96	1.96	1.96	1.96
Czech R.	+25 bps	May 31, 07	2.50	2.75	2.75	3.00	28.2	28.3	28.3	28.0
Estonia	Currency board	-	-	-	-	-	15.65	15.65	15.65	15.65
Hungary	-25 bp	June 25, 07	8.00	7.75	7.25	6.50	249.9	252.0	254.0	253.0
Latvia	on hold	July 12, 07	6.00	6.00	6.00	6.00	0.70	0.70	0.70	0.70
Lithuania	Currency board	-	-	-	-	-	3.45	3.45	3.45	3.45
Poland	on hold	May 29-30, 07	4.25	4.25	4.50	4.75	3.77	3.90	3.85	3.90
Romania	-25 bps	June 25, 2007	7.25	7.00	7.00	7.00	3.27	3.32	3.35	3.37
Slovakia	on hold	May 29, 07	4.25	4.25	4.00	4.00	33.7	33.5	33.4	33.0
Slovenia	+25 bp	June 06, 07	3.75	4.00	4.25	4.50	EUR	EUR	EUR	EUR
Croatia	-	-	4.41	4.20	4.00	4.20	7.3	7.3	7.3	7.3
Turkey	On hold	June 14, 07	17.50	17.50	17.50	16.50	1.77	1.89	1.93	1.97
Bosnia-H.	Currency Board	-	-	-	-	-	1.96	1.96	1.96	1.96
Montenegro	Euro	-	-	-	-	-	EUR	EUR	EUR	EUR
Russia***	-	-	10.50	10.50	10.00	10.00	25.8	26.0	26.0	25.8
Serbia	On hold	May 29, 07	10.00	10.00	9.50	9.00	81.1	80.0	79.0	78.0
Ukraine***	-	-	9.00	9.00	9.00	9.00	5.05	5.05	5.05	5.05

* of the decision making board or council
** Policy interest rates: Czech Rep. - 2-week repo rate, Hungary - 2-week deposit rate, Latvia - Refinancing rate, Poland - 7 day open market operation, Romania - 1M commercial bank deposits, Slovakia - 2-week repo rate, Slovenia - ECB main refinancing operation, Croatia - 1W ZIBOR, Macedonia - Central bank bills auction, Turkey - ON borrowing rate, Albania - Repo rate, Russia - CBR refinancing rate, Serbia - 2W Repo, Ukraine - Overnight central bank credits
*** exchange rate to the USD
Source: Central banks, UniCredit Group New Europe Research Network

RATINGS

	Moody's		S & P's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Bulgaria	Baa3	positive	BBB+	stable	BBB	stable
Czech R.	A1	positive	A-	positive	A	stable
Estonia	A1	positive	A	stable	A	stable
Hungary	A2	stable	BBB+	stable	BBB+	negative
Latvia	A2	positive	BBB+	negative	A-	negative
Lithuania	A2	stable	A	negative	A	stable
Poland	A2	stable	A-	stable	A-	stable
Romania	Baa3	stable	BBB-	stable	BBB	stable
Slovakia	A1	stable	A	stable	A	stable
Slovenia	Aa2	positive	AA	stable	AA	stable
Croatia	Baa3	stable	BBB	stable	BBB-	stable
Turkey	Ba3	stable	BB-	stable	BB-	stable
Bosnia-H.	B2	stable	-	-	-	-
Montenegro	-	-	BB+	stable	-	-
Russia	Baa2	Stable	BBB+	Stable	BBB+	Stable
Serbia	-	-	BB-	positive	BB-	stable
Ukraine	B1	positive	BB-	negative	BB-	positive

Source: Central banks, UniCredit Group New Europe Research Network

MONTHLY INDICATORS

	Exports, euro (yoy)			Imports, euro (yoy)			Industrial production, (yoy)			Retail sales, real (yoy)			Consumer prices, (yoy)		
	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Feb	Mar	Apr
Bulgaria	5.7	2.6	-	14.8	17.0	-	3.2	8.9	8.7	11.6	10.2	13.4	4.5	4.1	4.2
Czech R.	17.4	20.3	15.4	19.2	15.2	14.2	10.8	13.6	12.7	7.5	10.1	10.5	1.5	1.9	2.5
Estonia	14.8	0.3	-	15.8	0.3	-	6.8	10.5	4.9	21.6	22.6	25.1	4.7	5.7	5.5
Hungary	20.4	22.8	12.3	20.6	18.4	6.7	12.1	10.7	4.3	1.2	0.1	-	8.8	9.0	8.8
Latvia	18.1	41.4	24.3	47.7	30.6	34.7	0.6	1.9	-0.1	28.2	28.8	27.0	7.3	8.5	8.9
Lithuania	14.2	1.8	3.4	24.6	23.0	-1.9	0.1	2.6	-4.8	12.3	10.5	16.7	4.3	4.6	4.8
Poland	15.5	13.1	15.8	21.5	12.3	21.7	15.4	13.0	11.3	16.5	17.5	19.2	1.9	2.5	2.3
Romania	15.3	10.2	16.2	35.8	27.5	26.5	4.7	10.0	8.2	-1.4	-3.7	15.5	3.8	3.7	3.8
Slovakia	46.1	37.1	29.7	26.9	25.7	28.6	17.7	15.4	12.5	0.9	4.6	6.0	2.7	2.7	2.7
Slovenia	17.7	16.5	-	22.0	15.2	-	9.5	9.2	9.3	0.2	-0.8	7.6	2.1	2.3	2.6
EU-10	18.0	16.4	-	23.4	17.0	-	11.4	11.6	9.2	9.2	9.6	-	3.4	3.7	3.8
Croatia	-3.0	18.4	-7.0	5.3	11.5	6.2	9.0	5.7	9.0	7.8	7.2	8,2	1.2	1.8	2.3
Turkey	20.7	15.6	9.1	19.3	5.1	0.9	14.9	7.3	2.6	-	-	-	10.2	10.9	10.7
Bosnia-H.	42.2	18.1	19.7	34.6	28.3	31.0	8.3	10.0	13.7	-	-	-	1.5	1.6	1.7
Montenegro	-	-	-	-	-	-	-19.1	2.4	1.6	26.0	26.0	-	2.4	2.4	-
Russia	-4.8	-1.9	-1.9	28.9	27.4	25.6	8.4	8.7	7.9	13.5	13.8	13.4	7.6	7.3	7.6
Serbia	45.3	31.7	27.2	49.8	21.8	27.2	13.4	0.3	2.5	28.6	32.2	35.3	4.4	4.2	3.4
Ukraine	27.3	23.9	18.1	26.6	24.0	15.0	15.8	11.0	10.7	25.5	26.9	24.5	9.5	10.1	10.5

Source: National statistical offices, UniCredit Group New Europe Research Network

QUARTERLY GDP

constant prices, % yoy	2005	2006	2007	2005				2006				2007			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bulgaria	6.2	6.1	6.0	6.6	7.3	5.4	6.0	5.5	6.4	6.7	5.7	5.7	5.8	6.1	6.2
Czech R.	6.1	6.1	4.5	5.4	6.2	6.0	6.7	6.4	6.2	5.9	5.8	5.3	4.5	4.2	4.1
Estonia	10.5	11.4	9.5	8.3	10.1	11.9	11.3	11.7	11.7	11.3	10.9	9.9	9.6	9.3	9.3
Hungary	4.2	3.9	2.9	3.1	4.6	4.3	4.8	4.9	3.8	3.8	3.2	2.9	2.8	3.0	3.2
Latvia	10.6	11.9	9.0	7.7	11.5	11.6	11.4	13.1	11.1	11.9	11.7	10.7	9.3	8.1	8.0
Lithuania	7.6	7.5	7.4	4.6	8.3	8.3	8.7	8.5	8.4	6.4	6.9	7.1	6.5	7.5	8.3
Poland	3.6	6.1	5.5	2.4	3.1	4.3	4.4	5.5	5.9	6.2	6.7	5.9	5.8	5.3	5.0
Romania	4.1	7.7	6.0	6.0	4.7	2.6	4.3	6.9	7.8	8.3	7.7	6.3	6.1	5.9	5.8
Slovakia	6.0	8.3	9.0	4.9	5.4	6.3	7.5	6.7	6.7	9.8	9.6	10.5	10.9	7.6	7.1
Slovenia	4.0	5.2	4.6	3.0	5.4	3.8	3.9	5.0	4.7	5.6	5.5	4.8	5.0	4.3	4.5
EU-10	4.8	6.4	5.5	4.0	4.8	4.9	5.4	6.2	6.3	6.6	6.5	6.0	5.7	5.3	5.2
Croatia	4.3	4.8	4.2	1.8	5.1	5.2	4.8	6.0	3.6	4.7	4.8	4.5	4.3	4.1	4.0
Turkey	7.4	6.1	5.4	6.6	5.5	7.7	9.5	6.7	8.3	4.8	5.2	5.6	4.2	4.9	6.9
Bosnia-H.	5.5	6.2	5.7	-	-	-	-	-	-	-	-	-	-	-	-
Montenegro	4.0	6.5	6.3	-	-	-	-	6.8	6.2	6.0	6.8	6.6	6.1	6.4	6.2
Russia	6.4	6.7	6.6	5.0	5.6	6.5	8.0	5.0	7.0	6.8	7.8	7.1	6.7	6.5	6.2
Serbia	6.2	5.7	5.2	4.6	7.8	7.4	5.0	7.0	5.9	5.3	5.0	4.3	4.9	5.4	5.9
Ukraine	2.7	7.1	5.5	4.9	3.4	1.4	1.7	3.2	7.3	8.0	8.7	8.0	4.7	4.7	5.1

Source: National statistical offices, UniCredit Group New Europe Research Network

MAIN INDICATORS

	GDP, real (yoy)				Unemployment, (% of labor force)				Budget balance (in % of GDP)				Current account (in % of GDP)			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Bulgaria	6.2	6.1	6.0	6.0	10.7	9.1	8.0	7.5	2.3	3.6	2.5	1.7	-12.0	-15.8	-17.6	-14.0
Czech R.	6.1	6.1	4.5	4.2	8.9	8.1	6.9	6.7	-3.5	-2.9	-4.0	-3.5	-2.6	-4.2	-4.5	-4.6
Estonia	10.5	11.4	9.5	8.8	7.9	5.9	5.1	5.1	1.6	3.8	1.5	1.0	-10.5	-14.8	-16.0	-13.5
Hungary	4.2	3.9	2.9	3.4	7.2	7.5	7.6	7.3	-7.8	-9.2	-6.6	-4.2	-6.9	-5.8	-5.1	-4.4
Latvia	10.6	11.9	9.0	8.0	8.9	6.9	6.5	6.2	-0.2	0.4	0.1	0.2	-12.6	-21.1	-22.5	-19.7
Lithuania	7.6	7.5	7.4	6.4	8.3	5.6	5.5	5.3	-0.5	-0.3	-0.3	-0.5	-7.2	-10.8	-9.6	-8.9
Poland	3.6	6.1	5.5	4.7	17.6	14.9	13.3	12.1	-2.5	-1.7	-3.1	-2.8	-1.7	-2.3	-2.5	-2.8
Romania	4.1	7.7	6.0	5.5	5.8	5.4	5.3	5.2	-0.8	-1.7	-2.3	-2.4	-8.7	-10.3	-11.5	-11.2
Slovakia	6.0	8.3	9.0	7.1	11.6	10.4	8.3	7.8	-2.8	-3.4	-2.9	-2.3	-8.6	-8.3	-3.5	-2.3
Slovenia	4.0	5.2	4.6	4.9	6.5	6.0	5.7	5.5	-1.5	-1.4	-1.6	-1.8	-2.0	-2.5	-2.4	-2.5
EU-10	4.8	6.4	5.5	5.0	11.7	10.2	9.1	8.5	-2.8	-2.5	-3.1	-2.6	-4.7	-5.9	-5.9	-5.6
Croatia	4.3	4.8	4.2	4.3	12.7	12.0	11.6	11.2	-4.1	-3.0	-2.8	-2.5	-6.3	-7.6	-7.6	-7.4
Turkey	7.4	6.1	5.4	6.4	10.3	9.9	9.3	9.0	-1.4	-0.7	-2.5	-2.0	-6.3	-7.9	-7.0	-7.7
Bosnia-H.	5.5	6.2	5.7	6.0	44.6	43.0	42.5	41.0	2.6	1.6	1.1	0.4	-21.3	-11.4	-16.8	-17.6
Montenegro	4.0	6.5	6.3	6.0	27.4	22.2	19.7	18.1	2.5	-0.2	0.7	0.8	-8.6	-31.1	-27.7	-25.4
Russia	6.4	6.7	6.6	6.2	7.7	6.9	6.3	5.8	7,7 *	10.8	5.0	3.0	11.0	9.6	7.4	5.4
Serbia	6.2	5.7	5.2	5.4	20.8	20.9	21.2	20.7	1.9	1.5	0.3	0.5	-8.5	-12.0	-12.6	-11.9
Ukraine	2.7	7.1	5.5	5.5	7.2	6.8	6.5	6.2	-2.0	-0.7	-4.0	-5.0	3.1	-1.5	-3.5	-5.5

* Change in methodology.
Source: National statistical offices and central banks, UniCredit Group New Europe Research Network

	CPI, average (yoy)				CPI, December (yoy)				Policy interest rate, eop (% p.a.)				Foreign exchange rate, n.c. per euro, eop			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Bulgaria	5.0	7.3	6.1	4.5	6.5	6.5	5.1	3.7	-	-	-	-	1.96	1.96	1.96	1.96
Czech R.	1.9	2.5	2.7	3.0	2.2	1.7	3.4	2.8	2.00	2.50	3.00	3.50	29.0	27.5	28.0	27.7
Estonia	4.1	4.4	5.2	4.9	3.6	5.1	4.9	4.8	-	-	-	-	15.65	15.65	15.65	15.65
Hungary	3.6	3.9	7.0	3.2	3.3	6.5	4.8	3.5	6.00	8.00	6.50	5.50	253	252	253	255
Latvia	6.7	6.5	7.5	5.5	7.0	6.8	6.0	5.0	4.00	5.00	6.00	6.00	0.70	0.70	0.70	0.70
Lithuania	2.7	3.8	4.4	3.8	3.0	4.5	4.2	3.3	-	-	-	-	3.45	3.45	3.45	3.45
Poland	2.1	1.0	2.6	3.1	0.7	1.4	3.9	2.4	4.50	4.00	4.75	4.50	3.86	3.83	3.90	3.90
Romania	9.0	6.6	4.3	4.4	8.6	4.9	4.4	4.2	7.50	8.75	7.00	6.75	3.68	3.38	3.37	3.39
Slovakia	2.7	4.5	2.7	2.3	3.7	4.2	2.5	2.5	3.00	4.75	4.00	4.00	37.9	34.6	33.0	32.5
Slovenia	2.5	2.5	2.5	2.3	2.3	2.8	2.5	2.2	3.75	3.75	4.00	4.50	239.6	239.6	EUR	EUR
EU-10	3.4	3.1	3.8	3.4	3.0	3.2	4.0	3.0	-	-	-	-	-	-	-	-
Croatia	3.3	3.2	2.5	2.7	3.6	2.0	3.0	2.7	4.38	3.80	4.20	4.30	7.38	7.35	7.30	7.25
Turkey	8.2	9.6	8.1	5.9	7.7	9.7	6.5	5.3	13.50	17.50	16.50	14.00	1.60	1.86	1.97	1.98
Bosnia-H.	3.8	7.4	2.0	3.6	4.3	6.0	3.7	2.1	-	-	-	-	1.96	1.96	1.96	1.96
Montenegro	2.4	3.0	2.3	2.7	2.4	2.8	2.0	2.6	-	-	-	-	EUR	EUR	EUR	EUR
Russia *	12.7	9.7	8.0	7.2	10.9	9.0	7.4	6.7	12.00	11.00	10.00	9.00	28.8	26.3	25.8	25.0
Serbia	16.2	11.7	5.4	6.3	17.1	6.0	7.0	5.5	19.80	14.00	9.00	7.00	85.5	79.0	79.0	76.4
Ukraine *	13.5	9.1	10.0	8.8	10.3	11.6	8.5	7.9	9.50	9.50	9.00	9.50	5.05	5.05	5.05	5.05

* exchange rate to the USD
Source: National statistical offices and central banks, UniCredit Group New Europe Research Network

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