

ZEW, the Centre for European Economic Research, Mannheim, and Erste Group Bank AG, Vienna, carry out a monthly survey for Central and Eastern Europe, Austria, as well as the Eurozone asking financial market experts for their assessments and expectations with regard to economic and financial market data. The results of the present survey conducted between August 1 and August 18, 2008, are published in the September 2008 issue of the "Financial Market Report CEE". In this month's survey 71 financial market experts participated.

Economic expectations for Central and Eastern Europe stabilise

The economic expectations for the CEE region improve slightly by 0.1 points in August to currently minus 31.3 points. The sentiment indicator for Austria even gains 6.2 points and stands now at minus 28.6 points. For the CEE region as a whole as well as for Austria nearly 48.0 percent of the respondents

anticipate an unchanged business cycle within the next six months. The financial experts look favourably upon the current economic situation in Central and Eastern Europe. For the CEE countries the analysts forecast a lower inflation risk and upward trend of the stock markets within the next six months.

Economic outlook for CEE countries, Austria and the Eurozone

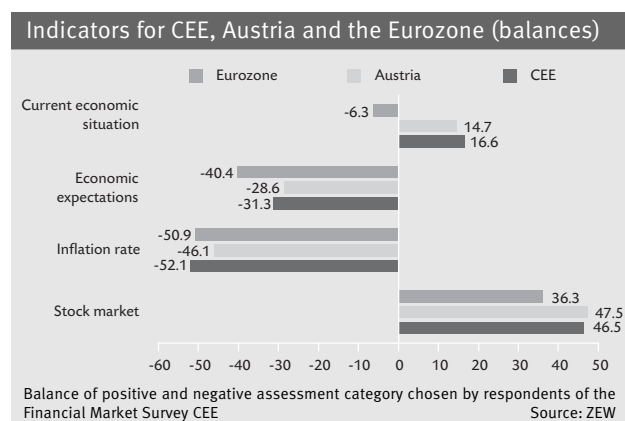
The CEE sentiment indicator that shows the balance of positive and negative assessments of the economic outlook in the next six months stabilises in August. By contrast, the majority of the financial market experts (48.9 percent) predict an economic downturn in the Eurozone. Despite an increase by 10.6 points in August, the respective balance is still clearly negative (minus 40.4 points), indicating worse economic forecasts for the Eurozone than for all analysed CEE countries.

The balance for the current situation in the CEE region drops slightly by 2.4 points to 16.6 points. Thereby, 70.8 percent of the respondents consider the economic conditions to be "normal". With 80.5 percent (plus 12.3 percentage points compared to the previous month) the dominance of the analysts making this neutral assessment is even more distinct in Austria. The balance of the positive and negative valuations for

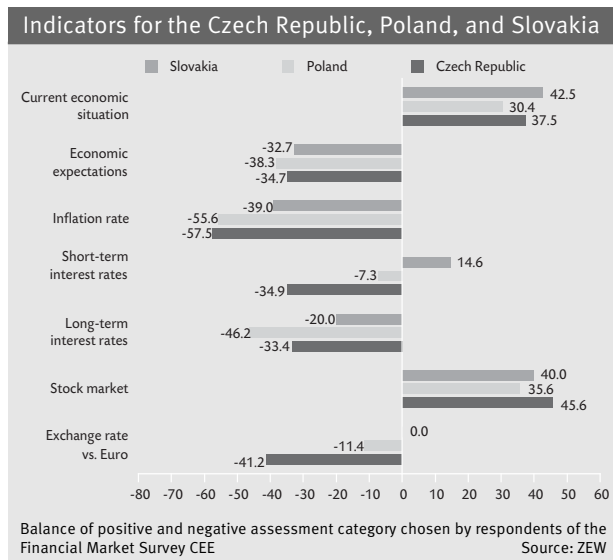
Austria decreases marginally by 3.5 to 14.7 points. With regard to the Eurozone, the neutral answers clearly prevail as well. However, the negative assessments slightly outweigh the positive valuations and the respective balance stands at minus 6.3 points (minus 2.5 points compared to the previous month).

The experts' forecasts for the short-term interest rate in the Eurozone within the next six months have dropped markedly in August, now standing at minus 31.3 points (minus 36.9 points compared to last month's survey). These results can be traced back to the fact that a clearly larger share of the participants expects the European Central Bank (ECB) to cut the key interest rate (37.5 percent) than to increase it (6.2 percent). Most probably, the falling oil price is responsible for the experts' changing view. Accordingly, the respondents are much more optimistic with regard to the predicted inflation rate. A clear majority of the financial analysts, namely 67.3 percent (plus 37.1 percentage points), predict a declining inflation rate in the Eurozone within the next six months. Only 16.4 percent (minus 30.8 percentage points) expect the inflation rate to rise.

Besides the inflation forecasts, the experts' assessments on the development of the stock markets within the next six months have changed most significantly. All balances for the analysed CEE stock market indices soar by double-digits. The balance for the CEE stock index (NTX) gains 22.1 points reaching 46.5 points and the balance for the Austrian stock index (ATX) rises by 22.6 points to 47.5 points. The balance for the Euro Stoxx 50, however, increases only marginally by 5.6 points up to 36.3 points.



Czech Republic, Poland and Slovakia: lower inflation risks expected



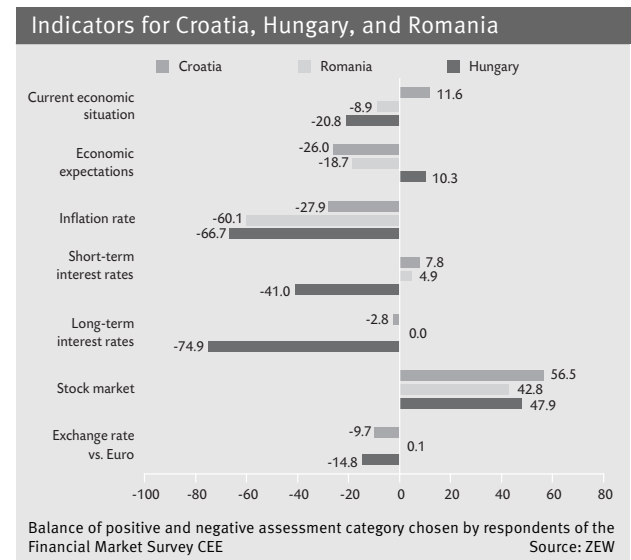
The assessment of the current economic situation in the Czech Republic, Poland and Slovakia remains positive. The balance for Slovakia achieves the highest value again (42.5 points). More than 60 percent of the participants evaluate the current situation in the Czech Republic and Poland as “normal” and almost no analyst considers the current situation to be “bad”. Although the sentiment indicator for the CEE region as a whole stabilises in August, the expectations for the single countries worsen slightly. The indicator for the Czech Republic drops by 2.6 points to minus 34.7 points. The economic expectations for Poland and Slovakia decline more strongly by 10.3 points and 7.2 points to minus 38.3 points and minus 32.7 points respectively.

The experts’ predictions for the inflation rates in the three countries are clearly tending towards a decline. This correction is mainly due to the strong currencies which reduce import costs and the declining oil price. Accordingly, the corresponding balances for the three countries fell largely by 43.5 points to minus 57.5 points in the Czech Republic, by 59.6 points to minus 55.6 points in Poland and by 49.3 points to minus 39.0 points in Slovakia. The Czech National Bank (CNB) emphasised in its latest “Inflation Report” the anti-inflationary impact of the Czech Koruna and forecasts its peak in the second half of the year 2008. Furthermore the domestic inflationary pressure is expected to subside in the Czech Republic due to a slower growth of the real gross domestic product (GDP) and the nominal wages. 44.2 percent of the survey participants expect decreasing short-term interest rates in the Czech Republic: The balance drops by 55.7 points to minus 34.9 points.

A strongly growing proportion of the financial experts believe that the Polish Zloty and the Czech Koruna will depreciate in the coming months against the Euro.

The balances for the stock markets in the selected countries jump up in August once more. Approximately 60 percent of the respondents now count on rising share prices in the next six months.

Hungary: good economic prospects; Croatia: potential for the stock market



Hungary is characterised by the best business prospects among the analysed CEE countries. Having reached 0.0 points in July, the indicator gains 10.3 points this month achieving the sole positive value. Due to a sharp decline by 17.1 to minus 26.0 points, Croatia loses its good position of last month to Romania. In spite of losing 4.0 points to minus 18.7 points, the Romanian indicator performs second best after Hungary in comparison with the other CEE countries. The balances for the current economic situation in Hungary and Romania recover in August by 9.9 points and 1.6 points respectively but still stay negative at minus 20.8 points and minus 8.9 points. The balance for Croatia drops slightly to 11.6 points.

A sharply rising share of financial experts anticipates falling inflation rates for the three countries. The corresponding balances decline significantly by 49.0 points in Hungary, 55.8 points in Romania and 27.8 points in Croatia, now standing at -66.7 points, -60.1 and -27.9 respectively. For the first two states, more than 75.0 percent of the analysts predict decreasing inflation rates. The majority of the financial market experts share the view that the National Bank of Hungary has abandoned its restrictive monetary policy and anticipate a cut of the key interest rate. With regard to the Hungarian currency, depreciation is predicted, too. The respective balance loses 26.8 points to currently minus 14.8 points.

In spite of a double-digit drop, the balances for the short-term interest rates in Romania and Croatia stay positive, reaching 4.9 (minus 33.8 points) and 7.8 points (minus 17.1 points) respectively. This indicates that a majority of the respondents still forecast further interest hikes for the two countries.

With regard to the development of the stock markets in the selected countries, the analysts are highly optimistic in August, which becomes apparent at the clear jump of all three balances. Still, the financial analysts link the highest potential to the Croatian stock index CROBEX, as the corresponding indicator augments by 12.1 to 56.5 points.

Special Question: Renewable energy in the CEE countries

In times of record oil prices and growing concerns about climate change and the future scarcity of energy resources, the importance of “green electricity” is higher than ever before. Therefore, politicians more and more foster the use of renewable energy by means of incentives and binding directives in order to guarantee a lasting and sustainable power supply. In January 2008 the European Commission presented a proposal for a directive of the European Parliament, which aims to establish an overall binding target of a 20 percent share of renewable energy sources in energy consumption and a 10 percent binding minimum target for biofuels in transport to be achieved in the EU by 2020, as well as binding national targets for each Member State.

The construction and installation of renewable energy technologies are still comparatively expensive and require specific skills and competencies. In the CEE countries there are significant resources available. The availability of these resources varies country by country. In this context, we asked the analysts whether the CEE countries have the same chances to meet the EU targets as the states in the Eurozone have. A slight majority of 43.4 percent of the financial experts believe that the perspectives in the CEE region are worse, whereas 39.6 percent of the respondents consider the chances to reach the respective goals to be equal in both regions. It is striking, however, that 17.0 percent of the analysts observe better preconditions in the CEE region for achieving the environmental targets. Possibly, they notice a high future potential for the area

due to specific geological features favouring the use of specific forms of renewable energy, e.g. wind or water power.

Moreover, we were interested in the experts’ view on the development of the energy prices in the CEE region resulting from the EU directive. According to a majority of 58.7 percent of the survey participants, the binding environmental targets will influence the prices on the CEE energy markets, but also relatively large share of respondents (41.3 percent) do not anticipate any adjustments at all. When being asked to specify the direction of the price changes, an overwhelming majority of the first group (nearly 92.6 percent) expects rising energy prices as a result of an increased share of “green electricity”.

In order to achieve the environmental EU goals, many different forms of renewable energy can be used. Taking into consideration that three energy sources were the main contributors to renewable electricity generation in the region in the past, hydro, biomass and wind, we asked the financial analysts which type of “green electricity” offers the highest potential in the future. The experts’ assessments allow a clear ranking of the various technologies with regard to their respective perspectives in Central and Eastern Europe. Clear majorities of 28.3 percent and 23.9 percent link the highest future potential to wind and hydroelectric power, respectively. These results were to be expected as both forms of renewable energy are relatively cheap and benefit largely from the geographical characteristics in the CEE area. Especially Croatia and Slovakia provide perfect preconditions for the implementation of hydroelectric energy, whereas the climate and terrain in Poland and Romania are advantageous for the production of wind power. Nonetheless, many financial experts (15.2 percent) spot a bright future for biomass and geothermal energy in the CEE region, as well. Most probably, they think of the hot springs in Hungary or the possibilities for the production of biomass energy in Poland, which are only used partly so far. According to the analysts, the future perspectives of the remaining technologies are significantly lower: 8.7 percent of the experts voted for biogas energy, followed by the highly expensive solar power (6.5 percent) and wave (2.2 percent). None of the respondents see future prospects for the landfill gas energy in the CEE region.

Figure A: How do you assess the chances of the CEE countries to achieve the respective targets compared to the perspectives in the Eurozone?

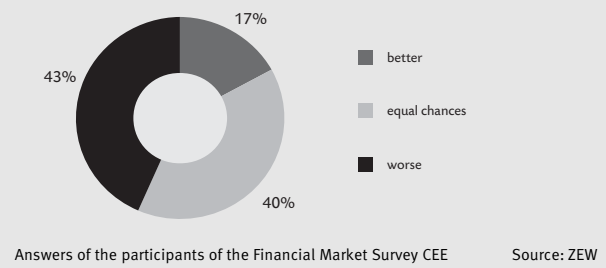


Figure B: Do you think that the increased share of “green electricity” will have an impact on the energy prices in the CEE region?

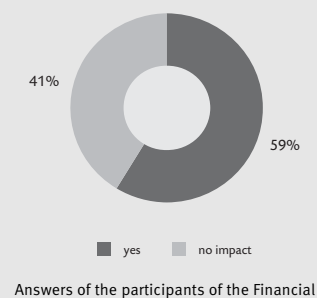


Figure C: If yes, the energy price will ...

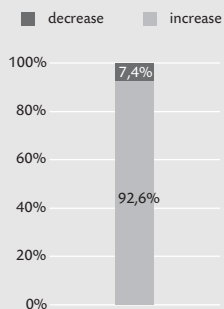
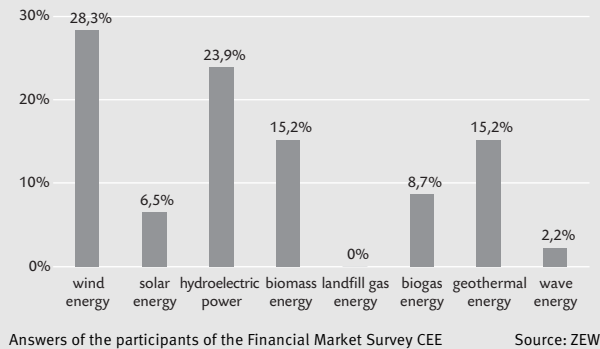


Figure D: Which form of “green energy” has in your opinion the highest potential in the CEE region in the long-run?



ZEW-Financial Market Survey: August 2008

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	17.1	(-7.9)	80.5	(+12.3)	2.4	(-4.4)	14.7	(-3.5)								
Croatia	18.6	(-2.3)	74.4	(+/-0.0)	7.0	(+2.3)	11.6	(-4.6)								
Czech Republic	37.5	(-6.8)	62.5	(+10.6)	0.0	(-3.8)	37.5	(-3.0)								
Hungary	4.2	(+0.3)	70.8	(+9.3)	25.0	(-9.6)	-20.8	(+9.9)								
Poland	32.6	(-12.3)	65.2	(+18.3)	2.2	(-6.0)	30.4	(-6.3)								
Romania	20.0	(+3.4)	51.1	(-5.2)	28.9	(+1.8)	-8.9	(+1.6)								
Slovakia	46.8	(-4.2)	48.9	(+7.7)	4.3	(-3.5)	42.5	(-0.7)								
CEE	22.9	(-3.6)	70.8	(+4.8)	6.3	(-1.2)	16.6	(-2.4)								
Eurozone	12.8	(+1.5)	68.1	(-5.5)	19.1	(+4.0)	-6.3	(-2.5)								
Economic expectations	improve		no change		worsen		balance									
Austria	11.9	(+3.2)	47.6	(-0.2)	40.5	(-3.0)	-28.6	(+6.2)								
Croatia	13.1	(-9.1)	47.8	(+1.1)	39.1	(+8.0)	-26.0	(-17.1)								
Czech Republic	10.2	(+0.8)	44.9	(-4.2)	44.9	(+3.4)	-34.7	(-2.6)								
Hungary	32.7	(+4.4)	44.9	(+1.5)	22.4	(-5.9)	10.3	(+10.3)								
Poland	8.5	(+2.5)	44.7	(-15.3)	46.8	(+12.8)	-38.3	(-10.3)								
Romania	16.7	(+0.1)	47.9	(-4.2)	35.4	(+4.1)	-18.7	(-4.0)								
Slovakia	4.3	(-5.5)	58.7	(+3.8)	37.0	(+1.7)	-32.7	(-7.2)								
CEE	10.4	(+0.6)	47.9	(-1.1)	41.7	(+0.5)	-31.3	(+0.1)								
Eurozone	8.5	(-0.9)	42.6	(+12.4)	48.9	(-11.5)	-40.4	(+10.6)								
Inflation rate	increase		no change		decrease		balance									
Austria	15.4	(-21.5)	23.1	(-11.7)	61.5	(+33.2)	-46.1	(-54.7)								
Croatia	18.6	(-22.8)	34.9	(+17.8)	46.5	(+5.0)	-27.9	(-27.8)								
Czech Republic	8.5	(-21.5)	25.5	(-0.5)	66.0	(+22.0)	-57.5	(-43.5)								
Hungary	10.4	(-22.9)	12.5	(-3.2)	77.1	(+26.1)	-66.7	(-49.0)								
Poland	13.3	(-22.7)	17.8	(-14.2)	68.9	(+36.9)	-55.6	(-59.6)								
Romania	15.5	(-21.5)	8.9	(-12.8)	75.6	(+34.3)	-60.1	(-55.8)								
Slovakia	15.3	(-21.5)	30.4	(-6.3)	54.3	(+27.8)	-39.0	(-49.3)								
CEE	12.5	(-28.3)	22.9	(-5.7)	64.6	(+34.0)	-52.1	(-62.3)								
Eurozone	16.4	(-30.8)	16.3	(-6.3)	67.3	(+37.1)	-50.9	(-67.9)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	21.0	(-9.5)	34.4	(-6.2)	65.8	(+1.9)	62.5	(+15.6)	13.2	(+7.6)	3.1	(-9.4)	7.8	(-17.1)	31.3	(+3.2)
Czech Republic	9.3	(-28.2)	27.8	(-0.8)	46.5	(+0.7)	36.1	(-2.0)	44.2	(+27.5)	36.1	(+2.8)	-34.9	(-55.7)	-8.3	(-3.6)
Hungary	11.3	(-19.3)	10.5	(-18.4)	36.4	(+5.8)	23.7	(-9.6)	52.3	(+13.5)	65.8	(+28.0)	-41.0	(-32.8)	-55.3	(-46.4)
Poland	17.1	(-32.9)	30.5	(-24.5)	58.5	(+23.7)	52.8	(+17.8)	24.4	(+9.2)	16.7	(+6.7)	-7.3	(-42.1)	13.8	(-31.2)
Romania	29.3	(-25.3)	28.6	(-22.6)	46.3	(+16.8)	40.0	(+13.2)	24.4	(+8.5)	31.4	(+9.4)	4.9	(-33.8)	-2.8	(-32.0)
Slovakia	31.7	(+5.5)	10.8	(-7.6)	51.2	(-13.1)	62.2	(+4.3)	17.1	(+7.6)	27.0	(+3.3)	14.6	(-2.1)	-16.2	(-10.9)
Eurozone	6.2	(-21.6)			56.3	(+6.3)			37.5	(+15.3)			-31.3	(-36.9)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	22.2	(-10.2)	24.1	(-7.2)	52.8	(+8.7)	62.1	(+9.0)	25.0	(+1.5)	13.8	(-1.8)	-2.8	(-11.7)	10.3	(-5.4)
Czech Republic	19.0	(-3.2)	5.9	(-8.0)	28.6	(-13.6)	50.0	(-3.5)	52.4	(+16.8)	44.1	(+11.5)	-33.4	(-20.0)	-38.2	(-19.5)
Hungary	4.6	(-18.1)	5.2	(-13.4)	15.9	(-9.1)	23.7	(-1.9)	79.5	(+27.2)	71.1	(+15.3)	-74.9	(-45.3)	-65.9	(-28.7)
Poland	12.8	(-5.8)	15.1	(-2.0)	28.2	(-9.0)	39.4	(-6.9)	59.0	(+14.8)	45.5	(+8.9)	-46.2	(-20.6)	-30.4	(-10.9)
Slovakia	10.0	(-11.4)	8.5	(-9.4)	60.0	(+10.0)	62.9	(+11.6)	30.0	(+1.4)	28.6	(-2.2)	-20.0	(-12.8)	-20.1	(-7.2)
Germany	13.3	(-15.3)			37.8	(-9.1)			48.9	(+24.4)			-35.6	(-39.7)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	55.4	(+2.3)			25.5	(+1.0)			19.1	(-3.3)			36.3	(+5.6)		
ATX (Austria)	65.0	(+12.8)			17.5	(-3.0)			17.5	(-9.8)			47.5	(+22.6)		
NTX (CEE)	65.1	(+11.8)			16.3	(-1.5)			18.6	(-10.3)			46.5	(+22.1)		
CROBEX (Croatia)	65.2	(+3.0)			26.1	(+6.1)			8.7	(-9.1)			56.5	(+12.1)		
PX 50 (Czech Rep.)	63.0	(+9.6)			19.6	(-2.6)			17.4	(-7.0)			45.6	(+16.6)		
BUX (Hungary)	62.5	(+15.7)			22.9	(-2.6)			14.6	(-13.1)			47.9	(+28.8)		
WIG (Poland)	60.0	(+7.9)			15.6	(-4.0)			24.4	(-3.9)			35.6	(+11.8)		
BET (Romania)	59.5	(+5.0)			23.8	(+3.3)			16.7	(-8.3)			42.8	(+13.3)		
SAX (Slovakia)	57.5	(+7.5)			25.0	(-5.0)			17.5	(-2.5)			40.0	(+10.0)		
SBI 20 (Slovenia)	60.6	(+3.1)			28.9	(+3.9)			10.5	(-7.0)			50.1	(+10.1)		
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	17.1	(-10.4)			56.1	(+6.1)			26.8	(+4.3)			-9.7	(-14.7)		
Koruna (Czech Rep.)	13.1	(-16.9)			32.6	(-5.4)			54.3	(+22.3)			-41.2	(-39.2)		
Forint (Hungary)	19.2	(-14.8)			46.8	(+2.8)			34.0	(+12.0)			-14.8	(-26.8)		
Zloty (Poland)	22.7	(-14.3)			43.2	(+1.9)			34.1	(+12.4)			-11.4	(-26.7)		
Lei (Romania)	29.6	(-20.4)			40.9	(+11.4)			29.5	(+9.0)			0.1	(-29.4)		
US-Dollar	62.4	(-1.1)			18.8	(-8.1)			18.8	(+9.2)			43.6	(-10.3)		

Note: 71 Financial experts participated in the August survey which was conducted during the period 08/01/08-08/18/08. Analysts were asked about their expectations for the next 6 months. Numbers displayed are percentages (month-over-month percentage point changes compared to the survey in July in parentheses). Balances refer to the differences between positive and negative assessments.