

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 current survey, conducted between November 26, 2012 and December 10, 2012, are published in the December 2012 issue of the "Financial Market Report CEE." 76 financial market experts participated in this month's survey. The answers of all survey participants are included in the calculation of the indicators for the CEE region, the Eurozone and Turkey. The answers of the Turkish participants are not considered for the calculation of the indicators for the individual CEE countries and Austria.

Economic Sentiments for the CEE Region Display a Moderate Increase

The economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon have improved in December. The respective indicator has increased by 9.5 points to 6.1 points. The evaluation of the current economic situation in the CEE region has slightly increased by 3.3 points to the 0.0 mark.

The economic expectations for the Eurozone within the next six months have slightly improved. The respective indicator has

increased by 5.3 points to a level of 18.2 points. The assessment of the current business cycle in the Eurozone has slightly improved by 6.3 points to a level of minus 54.6 points. The indicator reflecting the economic expectations for Austria within the next six months has slightly increased by 7.4 points to a level of 14.8 points. The evaluation of the current economic situation in Austria has remained largely unchanged at a level of minus 11.6 points.

Economic Outlook for the CEE Region, Austria and the Eurozone

The ZEW-Erste Group Bank Economic Sentiment Indicator for Central and Eastern Europe including Turkey (CEE), which is calculated as the balance of positive and negative assessments of the economic development on a six-month time horizon, increased by 9.5 points in December. The indicator now displays a value of 6.1 points. The increase in optimism for the region thus brings the indicator back on its recent upwards track. A slight increase in optimism is observed in economic sentiments for the Eurozone and Austria. The respective indicators have risen by 5.3 points (Eurozone) and 7.4 points (Austria) to levels of 18.2 points (Eurozone) and 14.8 points (Austria). For both indicators this is the third increase in a row.

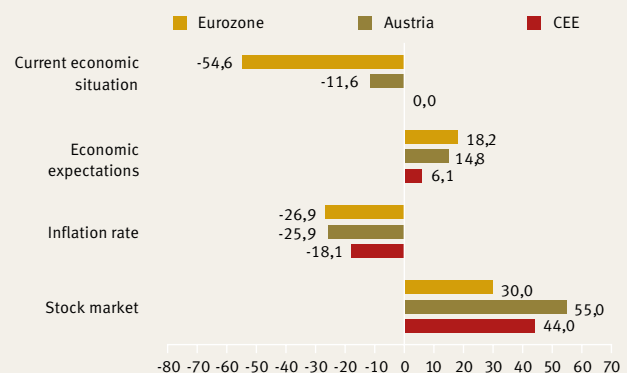
The assessment of the current economic situation for the Eurozone has slightly improved in December. The respective indicator has increased by 6.3 points to a level of minus 54.6 points. Experts' assessment of the current economic situation in the CEE region has slightly improved in December. After an increase by 3.3 points the respective indicator hovers at the 0.0 mark. The respective indicator for Austria has remained almost unchanged at a level of minus 11.6 points.

Inflation concerns have remained almost unchanged for the CEE region and the Eurozone this month. The respective indicators currently display value of minus 18.1 points (CEE) and minus 26.9 (Eurozone). A slight relaxation of concerns is displayed by the respective indicator for Austria, which has decreased by 5.9 point in December. Stock market expectations display a large bullish

revision of experts' sentiments on the European stock market index EUROSTOXX 50. The indicator of experts' expectations has increased by 22.9 points in December.

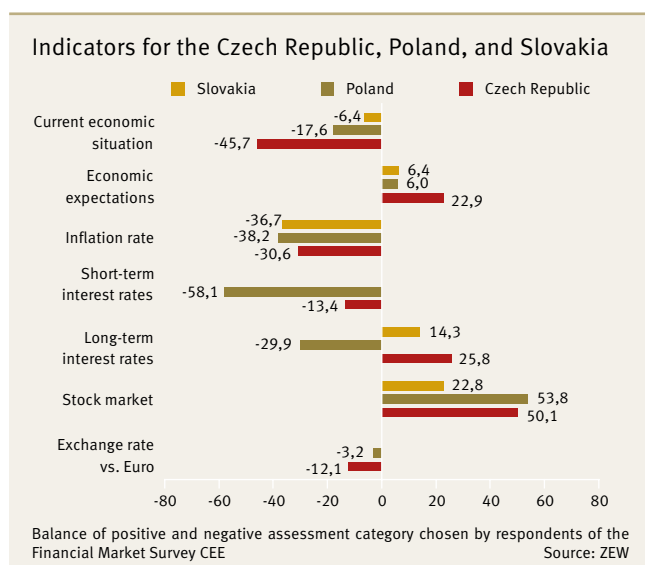
In contrast, expectations on the CEE stock market index (NTX) and the Austrian (ATX) are only moderately revised from last month's levels. The revisions of expectations are bullish in both cases with an increase of the respective sentiments indicator for the NTX by 4.0 points and an increase of the indicator for the ATX by 7.5 points.

Indicators for CEE, Austria and the Eurozone (balances)



Balance of positive and negative assessment category chosen by respondents of the Financial Market Survey CEE
 Source: ZEW

Czech Republic, Poland, and Slovakia: Bullish Stock Market Revision



Economic expectations for all three countries – the Czech Republic, Poland and Slovakia, have improved in this month's survey. The respective indicators have increased by 19.7 point (Czech Republic), 15.1 points (Poland) and 13.2 points (Slovakia) to levels of 22.9 points (Czech Republic), 6.0 points (Poland) and 6.4 points (Slovakia).

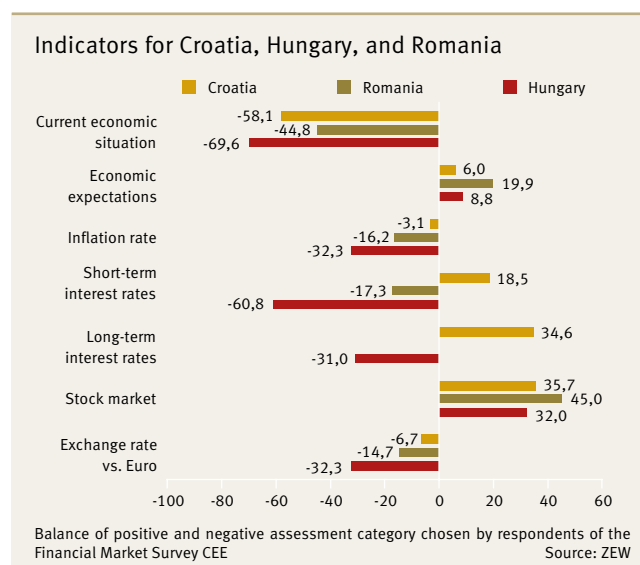
For all three countries the majority of respondents indicate that they rather expect a stabilization of the economic development in the next six months. This is the opinion of 54.3 per cent (Czech Republic), 58.8 per cent (Poland) and 48.4 per cent (Slovakia) of the survey participants.

Experts' assessment on the current business cycle has diminished in this month's survey. The respective indicators have decreased by 11.2 points (Czech Republic) and 30.1 points (Poland) and 2.9 points (Slovakia).

Rising inflation concerns have been obtained this month in all three countries – the Czech Republic, Poland and Slovakia. The respective indicators of experts' inflation expectations on a six-months time horizon have increased by 22.6 points (Czech Republic), 2.4 points (Poland) and 11.5 points (Slovakia). The indicators currently display the lowest levels among all surveyed economies – minus 30.6 points (Czech Republic), minus 38.2 points (Poland) and minus 36.7 points (Slovakia).

Experts' stock market sentiments reveal a major bullish revision for all three stock market indices – the Czech PX50, the Polish WIG and the Slovakian SAX. The respective sentiment indicators have increased by 14.1 points (PX50), 16.7 points (WIG) and 14.0 points (SAX). Whereas for the PX 50 and the WIG the majority of survey participants forecast bullish development, for the Slovakian SAX the opinion of the majority is neutral. Experts have revised their expectations on the Czech Koruna towards a depreciation of the currency. The respective indicator of experts' expectations for the Czech Koruna has decreased by 15.2 points this month and currently displays a level of minus 12.1 points. The majority of survey participants (45.5 per cent) expect the currency to remain rather stable in the next six months.

Croatia, Hungary and Romania: Current Situation Deteriorated



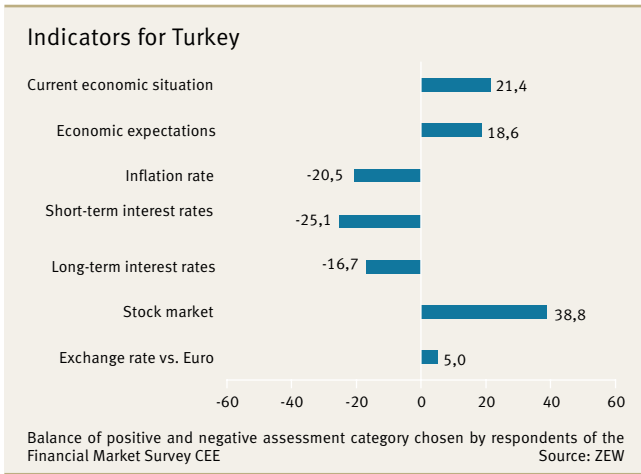
Economic sentiments have improved for all three countries – Croatia, Hungary and Romania. The respective indicators have increased by 3.0 points (Croatia), 11.7 points (Hungary) and 2.6 points (Romania) in December. The indicators for Croatia and Hungary thereby reach rather balanced levels of 6.0 points and 8.8 points respectively.

In contrast, the respective sentiment indicator for Romania has reached a rather optimistic level of 19.9 points. In contrast, experts' assessment of the current economic situation has worsened for all three countries – Croatia, Hungary and Romania. The respective indicators for Croatia thereby displays a major decrease by 23.6 points and drops to the second lowest level of minus 58.1 points among all surveyed economies. The respective indicator for Hungary ranks at the lowest level of minus 69.6 points after a decrease by 5.2 points. The respective indicator for Romania has decreased by 6.9 points to a level of minus 44.8 points.

Inflation concerns in Hungary and Romania have been relaxed in December. The respective indicators have decreased by 4.2 points (Hungary), 27.4 points (Romania). In contrast, the respective indicator for Croatia has increased by 9.5 points to a level of minus 3.1 points.

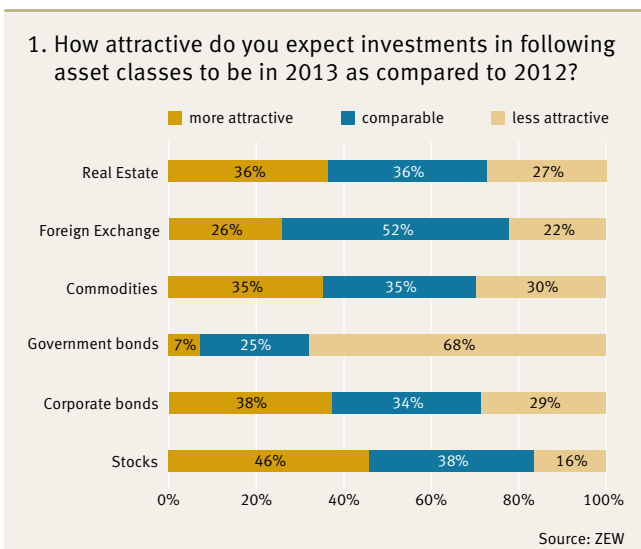
The indicators reflecting the Croatian and Hungarian short-term interest rates relative to the Eurozone rates have increased by 15.5 points and 6.7 points respectively. Surprisingly, foreign exchange expectations on the Croatian Kuna and the Hungarian Forint have not been revised accordingly. The respective indicators have been revised by 2.1 points (Croatian Kuna) and 4.1 points (Hungarian Forint). Expectations for the Romanian Lei have been slightly revised towards depreciation. This is displayed by a decrease of the respective indicator by 7.6 points. Stock markets expectation sentiments have improved significantly for the Hungarian BUX and the Romanian BET in December. The respective indicators have increased by 16.7 points and 20.0 points respectively. In contrast, stock market sentiments for the Croatian CROBEX have slightly diminished by 5.8 points in this month's survey.

Turkey: Stock Market Expectations Improved



Economic sentiments for Turkey have slightly worsened in December. The respective indicator has decreased by 2.9 points and has thereby reached a level of 18.6 points. Experts' assessment on the current economic situation has diminished by 7.1 points this month. The indicator currently ranks at the by far highest level among all surveyed economies of 21.4 points. Rising inflation concerns are obtained in the survey responses this month. The respective indicator has increased significantly by 19.0 points. In spite of the major increase the balance remains negative at a level of minus 20.5 points. The indicator of experts' expectations on the short-term interest rates has also increased by 11.8 points this month. In line with this responses indicate a revision of expectations on the Turkish Lira towards depreciation. Stock market expectations on the Turkish ISE-100 display a bullish revision.

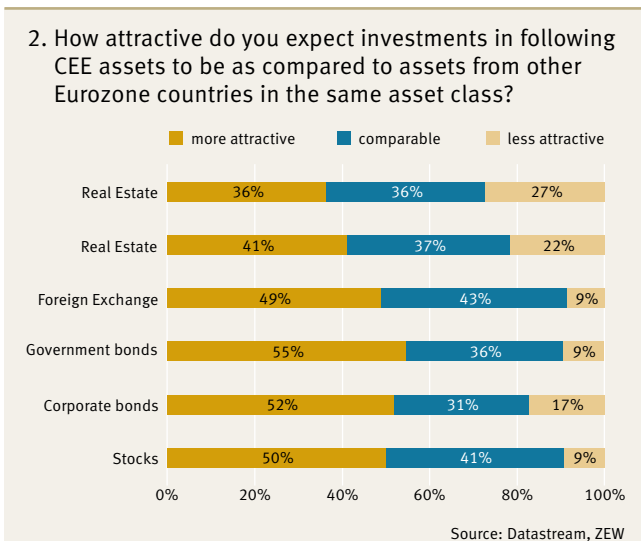
Special Question: Portfolio Allocation for 2013



This month's special question addresses experts' forecasts about the investment portfolio of 2013 and the relative weight of CEE assets in it. Financial market experts were asked to state how the attractiveness of different asset classes will develop in 2013 compared to 2012. Experts were further asked to assess the attractiveness of assets from the CEE region compared to the Eurozone.

In the year 2013 CEE assets will generally gain attractiveness compared to the same asset classes from the Eurozone and investors are thus expected to put more weight on the CEE region in their investment portfolios. This is the opinion of the majority of financial market expert who have participated in the survey in December. Government bonds from the CEE countries are forecasted to become more attractive to investors compared to government bonds to other Eurozone countries by more than half of the survey participants. Only 9 per cent of the participants disagree. A similar picture arises for the case of CEE stocks and CEE foreign exchange. A slightly higher disagreement is obtained for the case of CEE corporate bonds and CEE real estate for which roughly one-fifth of the participants share pessimistic expectations about the relative attractiveness of the CEE assets.

Stocks and corporate bonds are expected to become more attractive next year by a slight majority of 46 per cent and 38 per cent of the experts respectively. Investment in government bonds are clearly seen to become less attractive to investors in 2013. This is the opinion of 68 per cent of the survey respondents. Only 7 per cent of the survey participants would disagree and share optimistic expectations on the investments in government bonds in 2013. High disagreement is obtained in the responses for the asset classes commodities and real estate where the opinion of the survey participants is almost equally split between the three response categories. The majority of experts (52 per cent) do not see a reason to expect that foreign exchange will change its attractiveness as an investment class in 2013. Roughly one-fourth of the experts, in contrast, would rather put higher weight on foreign exchange in their portfolio as compared to 2012.



ZEW / Erste Group Bank - Financial Market Survey CEE: December 2012																
Current economic situation	good		acceptable (normal)		bad		balance									
	Austria	3.8	(-3.6)	80.8	(+6.7)	15.4	(-3.1)	-11.6	(-0.5)							
Croatia	0.0	(-9.3)	41.9	(-5.0)	58.1	(+14.3)	-58.1	(-23.6)								
Czech Republic	5.7	(-3.6)	42.9	(-4.0)	51.4	(+7.6)	-45.7	(-11.2)								
Hungary	3.1	(-0.2)	24.2	(-4.8)	72.7	(+5.0)	-69.6	(-5.2)								
Poland	11.8	(-13.2)	58.8	(-3.7)	29.4	(+16.9)	-17.6	(-30.1)								
Romania	0.0	(-6.9)	55.2	(+6.9)	44.8	(±0.0)	-44.8	(-6.9)								
Slovakia	6.5	(-10.7)	80.6	(+18.5)	12.9	(-7.8)	-6.4	(-2.9)								
Turkey	23.8	(-7.1)	73.8	(+7.1)	2.4	(±0.0)	21.4	(-7.1)								
CEE (incl. Turkey)	10.0	(±0.0)	80.0	(+3.3)	10.0	(-3.3)	0.0	(+3.3)								
Eurozone	4.5	(+2.0)	36.4	(+2.3)	59.1	(-4.3)	-54.6	(+6.3)								
Economic expectations	improve		no change		worsen		balance									
Austria	29.6	(+7.4)	55.6	(-7.4)	14.8	(±0.0)	14.8	(+7.4)								
Croatia	24.2	(+12.1)	57.6	(-21.2)	18.2	(±0.0)	6.0	(+3.0)								
Czech Republic	34.3	(+15.5)	54.3	(-11.3)	11.4	(-4.2)	22.9	(+19.7)								
Hungary	23.5	(+2.2)	61.8	(+7.3)	14.7	(-9.5)	8.8	(+11.7)								
Poland	23.6	(+5.4)	58.8	(+4.3)	17.6	(-9.7)	6.0	(+15.1)								
Romania	36.6	(+2.1)	46.7	(-1.6)	16.7	(-0.5)	19.9	(+2.6)								
Slovakia	29.0	(+11.7)	48.4	(-10.2)	22.6	(-1.5)	6.4	(+13.2)								
Turkey	27.9	(-3.1)	62.8	(+3.3)	9.3	(-0.2)	18.6	(-2.9)								
CEE (incl. Turkey)	18.2	(+4.9)	69.7	(-0.3)	12.1	(-4.6)	6.1	(+9.5)								
Eurozone	34.1	(+8.4)	50.0	(-11.5)	15.9	(+3.1)	18.2	(+5.3)								
Inflation rate	increase		no change		decrease		balance									
Austria	11.1	(-8.9)	51.9	(+11.9)	37.0	(-3.0)	-25.9	(-5.9)								
Croatia	21.9	(+3.2)	53.1	(+3.1)	25.0	(-6.3)	-3.1	(+9.5)								
Czech Republic	22.2	(+16.0)	25.0	(-9.4)	52.8	(-6.6)	-30.6	(+22.6)								
Hungary	11.8	(-13.2)	44.1	(+22.2)	44.1	(-9.0)	-32.3	(-4.2)								
Poland	14.7	(+2.2)	32.4	(-2.0)	52.9	(-2.0)	-38.2	(+2.4)								
Romania	19.3	(-21.5)	45.2	(+15.6)	35.5	(+5.9)	-16.2	(-27.4)								
Slovakia	13.3	(+2.9)	36.7	(+5.7)	50.0	(-8.6)	-36.7	(+11.5)								
Turkey	22.7	(+6.9)	34.1	(+5.2)	43.2	(-12.1)	-20.5	(+19.0)								
CEE (incl. Turkey)	15.2	(-9.0)	51.5	(+13.6)	33.3	(-4.6)	-18.1	(-4.4)								
Eurozone	14.6	(-2.9)	43.9	(+6.4)	41.5	(-3.5)	-26.9	(+0.6)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	25.9	(+8.0)	22.2	(+0.5)	66.7	(+14.5)	7.4	(-14.0)	11.1	(-15.0)	18.5	(+22.0)	11.1	(+15.5)		
Czech Republic	13.3	(+10.0)	10.0	(+2.6)	60.0	(-7.7)	63.3	(+7.7)	26.7	(-2.3)	26.7	(-10.3)	-13.4	(+12.3)	-16.7	(+12.9)
Hungary	7.1	(+0.8)	6.7	(-3.3)	25.0	(+9.4)	23.3	(+13.3)	67.9	(-10.2)	70.0	(-10.0)	-60.8	(+11.0)	-63.3	(+6.7)
Poland	12.9	(+6.7)	10.0	(+3.3)	16.1	(-5.8)	20.0	(±0.0)	71.0	(-0.9)	70.0	(-3.3)	-58.1	(+7.6)	-60.0	(+6.6)
Romania	13.1	(-6.1)	17.4	(-14.4)	56.5	(+6.5)	47.8	(+16.0)	30.4	(-0.4)	34.8	(-1.6)	-17.3	(-5.7)	-17.4	(-12.8)
Turkey	16.6	(+6.1)	22.2	(+7.5)	41.7	(-0.4)	41.7	(+6.4)	41.7	(-5.7)	36.1	(-13.9)	-25.1	(+11.8)	-13.9	(+21.4)
Eurozone	8.3	(+5.4)			77.8	(-13.4)	13.9	(+8.0)					-8.6	(-2.6)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	53.3	(+3.3)	44.9	(+8.9)	40.0	(+6.7)	44.8	(+12.8)	6.7	(-10.0)	10.3	(-21.7)	46.6	(+13.3)	34.6	(+30.6)
Czech Republic	48.3	(+1.6)	35.5	(+8.6)	45.2	(+1.9)	54.8	(+8.6)	6.5	(-3.5)	9.7	(-17.2)	41.8	(+5.1)	25.8	(+25.8)
Hungary	24.1	(-19.2)	20.7	(-8.9)	41.4	(+14.7)	27.6	(+9.1)	34.5	(+4.5)	51.7	(-0.2)	-10.4	(-23.7)	-31.0	(-8.7)
Poland	18.7	(-11.3)	13.4	(+6.0)	46.9	(+16.9)	43.3	(+13.7)	34.4	(-5.6)	43.3	(-19.7)	-15.7	(-5.7)	-29.9	(+25.7)
Slovakia	50.0	(+5.5)	28.6	(+16.1)	42.9	(-5.2)	57.1	(-5.4)	7.1	(-0.3)	14.3	(-10.7)	42.9	(+5.8)	14.3	(+26.8)
Turkey	21.0	(+0.5)	22.2	(+7.0)	47.4	(+11.5)	38.9	(+5.6)	31.6	(-12.0)	38.9	(-12.6)	-10.6	(+12.5)	-16.7	(+19.6)
Germany	45.2	(+7.3)			54.8	(-0.4)			0.0	(-6.9)			45.2	(+14.2)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	50.0	(+14.3)	30.0	(-5.7)	20.0	(-8.6)	30.0	(+22.9)								
ATX (Austria)	60.0	(+7.7)	35.0	(-7.9)	5.0	(+0.2)	55.0	(+7.5)								
NTX (CEE)	60.0	(+8.0)	24.0	(-12.0)	16.0	(+4.0)	44.0	(+4.0)								
CROBEX (Croatia)	46.4	(+1.5)	42.9	(-8.8)	10.7	(+7.3)	35.7	(-5.8)								
PX 50 (Czech Rep.)	58.4	(+14.4)	33.3	(-14.7)	8.3	(+0.3)	50.1	(+14.1)								
BUX (Hungary)	56.0	(+17.6)	20.0	(-18.5)	24.0	(+0.9)	32.0	(+16.7)								
WIG (Poland)	61.5	(+9.6)	30.8	(-2.5)	7.7	(-7.1)	53.8	(+16.7)								
BET (Romania)	55.0	(+15.0)	35.0	(-10.0)	10.0	(-5.0)	45.0	(+20.0)								
SAX (Slovakia)	36.4	(+14.6)	50.0	(-15.2)	13.6	(+0.6)	22.8	(+14.0)								
ISE-100 (Turkey)	55.5	(+11.1)	27.8	(-11.1)	16.7	(±0.0)	38.8	(+11.1)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	13.3	(-1.4)	66.7	(+4.9)	20.0	(-3.5)	-6.7	(+2.1)								
Koruna (Czech Rep.)	21.2	(-3.8)	45.5	(-7.6)	33.3	(+11.4)	-12.1	(-15.2)								
Forint (Hungary)	16.1	(-2.6)	35.5	(+1.1)	48.4	(+1.5)	-32.3	(-4.1)								
Zloty (Poland)	28.1	(-4.1)	40.6	(+8.3)	31.3	(-4.2)	-3.2	(+0.1)								
Lei (Romania)	22.3	(-2.7)	40.7	(-2.2)	37.0	(+4.9)	-14.7	(-7.6)								
Lira (Turkey)	30.0	(-12.1)	45.0	(+10.8)	25.0	(+1.3)	5.0	(-13.4)								
US-Dollar	46.0	(+8.1)	37.8	(±0.0)	16.2	(-8.1)	29.8	(+16.2)								

Note: 76 Financial market experts, 18 from which from Turkey, participated in the December survey which was conducted during the period of 11/25-12/10/2012. 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 November 2012 in parentheses). Balances refer to the differences between positive and negative assessments.

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