

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 December 23, 2011 and January 16, 2012, are published in the February 2012 issue of the "Financial Market Report CEE". 86 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 Expectations Brighten Up for All Countries in Central and Eastern Europe

The economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon have brightened up in January. The respective indicator has improved by 14.8 points to minus 26.6 points. The improvement of the economic expectations for the CEE region is consistent with the overall sentiment for the Eurozone's economic prospects. The respective indicator of economic expectations for the Eurozone has risen by 30.9 points to a level of minus 32.7 points. The assess-

ment of the current situation in the CEE region has remained almost unchanged at minus 15.2 points in the current survey. The respective indicator of the current business cycle in the Eurozone has also remained roughly unchanged at minus 58.0 points. The indicator reflecting the economic expectations for Austria within the next six months has made a major improvement by 35.0 points in January. The evaluation of the current situation in Austria has remained at minus 3.1 points almost unchanged.

Economic Outlook for the CEE Region, Austria and the Eurozone

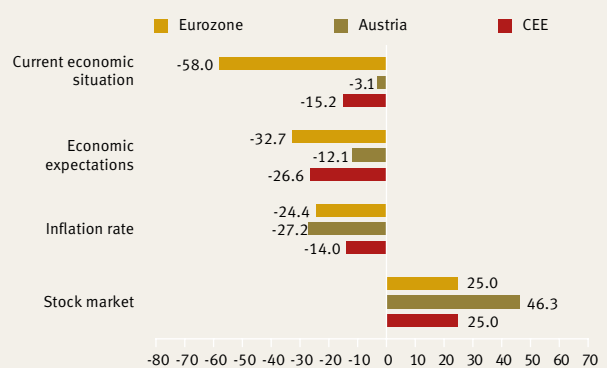
The ZEW-Erste Group Bank Economic Sentiment Indicator for Central and Eastern Europe including Turkey (CEE), which is calculated as the balance of positive and negative assessments of the economic development on a six-month time horizon, has improved by 14.8 points to a level of minus 26.6 points in January. The returning optimism for the economic prospects of the CEE region is consistent with experts' expectations for the Eurozone. The indicator of economic sentiment for the Eurozone has increased by 30.9 points to a level of minus 32.7 points – the highest value of the indicator since July 2011. The positive development could be carefully interpreted as a signal of experts' optimism for an upcoming upswing in economic prospects of both regions – the CEE and the Eurozone. The respective indicator for Austria has also displayed a major improvement by 35.0 points to its highest value until July 2011 – minus 12.1 points.

Experts' assessment on the current economic situation has remained almost unchanged in January. For the CEE region the current level of the respective indicator lies at minus 15.2 points after a slight decline by 1.0 point. The respective indicator for the Eurozone is settled at minus 58.0 points and thereby the second lowest value among all surveyed economies. The indicator for Austria, in contrast, has settled at minus 3.1 points.

Inflation concerns have been relaxed for the CEE region, the Eurozone and Austria. The respective indicators have dropped by 16.6 points, 8.7 points and 21.1 points respectively. The indicator for the CEE region thereby reaches its lowest value since August

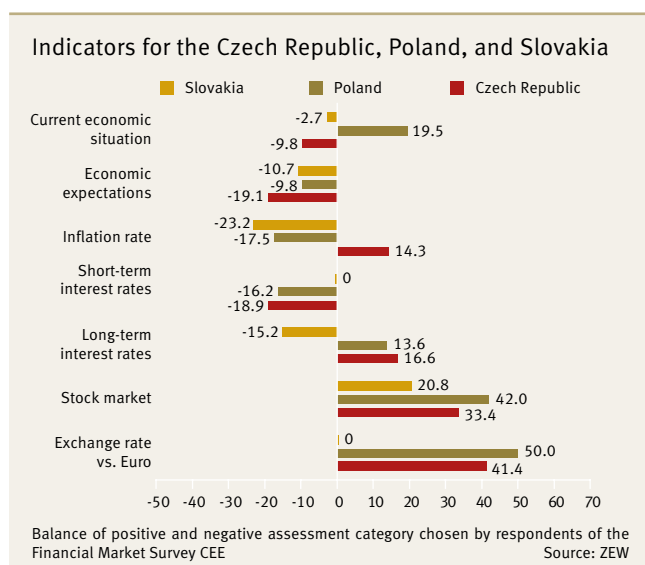
2009 – minus 14.0 points. For the Eurozone more than half of the experts assert that the inflation rate is likely to decrease in the next six months. The respective indicator slowly reverses to its downward trend and reaches a level of minus 24.4 points in this month's survey. A revision towards bullish expectations is observed in the results of the current survey for the three stock market indices – NTX (CEE), Euro Stoxx 50 (Eurozone) and ATX (Austria). The majority of respondents (52.8 per cent, 64.2 per cent and 52.5 per cent respectively) expect the indices to increase in the first half of 2012.

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 Markets



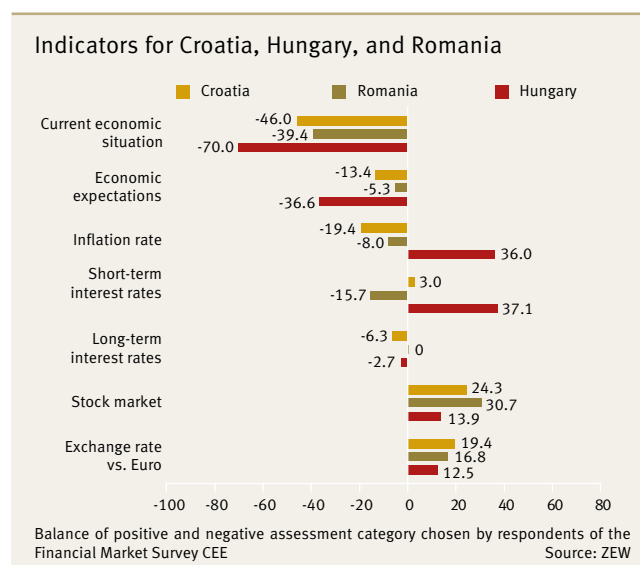
Economic sentiments have significantly improved for the Czech Republic, Poland and Slovakia. The respective indicators have increased by 35.7 points, 30.7 points and 43.2 points respectively. Experts' assessment of the current economic situation in the Czech Republic and Slovakia remains slightly negative at minus 9.8 points and minus 2.7 points respectively after a decrease by 5.0 points and respectively an increase of 5.2 points. In contrast, the indicator for Poland reflects a significant improvement in the perceived business situation. The respective indicator has increased by 17.0 points in January and has thereby reached a level of 19.5 points – the highest among all surveyed economies.

Experts' Inflation rate expectations for Poland and Slovakia have displayed a further decrease in this month's survey. The majority of survey participants (46.2 per cent and 42.5 per cent respectively) count with decreasing inflation within the first half of 2012. In contrast, the respective indicator for the Czech Republic displays a positive value of 14.3 points which signals prevailing expectations of an increase of the inflation rate on a six-month basis.

A recent increase of the stock market index in Poland (WIG) is likely to have induced an increase in bullish expectations among experts. The respective indicator of stock market sentiments has increased significantly by 20.8 points in January. The indicator has reached a level of 42.0 points – the second highest among all surveyed economies. Stock market sentiments for the Czech PX 50 and the Slovakian SAX, in contrast, have increased only moderately – by 4.1 points and 6.1 points respectively. Whereas for the Czech stock market a majority of 46.7 per cent of the experts hold bullish opinion, the prevailing opinion for the Slovakian stock market is rather neutral - a majority of 44.8 per cent of the participants do not expect any significant changes in the SAX.

According to a majority of 65 per cent of the survey participants, the Polish Zloty is expected to appreciate in the next six months. Similarly, more than half of the experts (51.2 per cent) expect an appreciation of the Czech Koruna against the Euro.

Croatia, Hungary and Romania: Improved Economic Sentiments

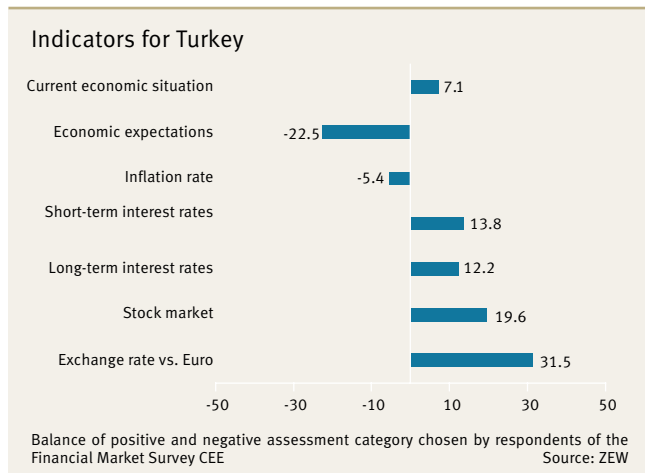


A major improvement is indicated by this month's economic sentiments for Croatia, Hungary and Romania. The respective indicators have increased by 39.2 points, 20.6 points and 47.4 points respectively. The indicator for Romania thereby displays the largest improvement among all economies included in the survey. The indicator climbs up to a level of minus 5.3 points and thereby approaches its historical average of 0.0 points. Experts' assessment of the current economic situation in the three countries – Croatia, Hungary and Romania, has changed only slightly in January. The respective indicators settled at minus 46.0 points, minus 70.0 points and minus 39.4 points respectively, currently by far the lowest levels among the countries of the CEE region. Whereas for Croatia and Hungary the majority of experts (54.1 per cent and 75.0 per cent respectively) assess the current situation as rather bad, for Romania half of the experts describe the economic situation as rather normal.

Inflation rate expectations for Croatia and Romania have decreased significantly in the current survey. The respective indicators have dropped by 27.6 points and 18.5 points respectively. In contrast, inflation concerns for Hungary have increased by 9.1 points. Already more than half of the experts (53.9 per cent) expect the inflation rate to increase in six-months-time. Thereby the indicator is settled at the highest level among all surveyed economies. In response to the highly perceived inflationary pressure the Hungarian Central Bank is expected to increase interest rates within the next six months. This is indicated by 51.4 per cent of the experts.

Stock market expectations for the region have remained rather unchanged in January. For the development of the stock market indices of Croatia (CROBEX), Hungary (BUX) and Romania (BET) experts still hold bullish expectations. This is indicated by respectively 48.5 per cent, 44.9 per cent and 53.8 per cent of the survey participants. The Hungarian forint is expected to appreciate within the next six months as indicated by 45 per cent of the survey participants. For the Croatian Kuna and the Romanian Lei, in contrast, there is still a slight majority asserting that no changes are to be expected.

Turkey: Appreciation of the Turkish Lira in Sight



Experts' economic expectations for Turkey have improved in January. The indicator of economic sentiments has increased by 23.8 points to minus 22.5 points. Experts' assessment of the current situation has also slightly improved by 3.4 points to a level of 7.1 points – the second highest level among all surveyed economies. The indicator of inflation concerns displays a similarly major decrease as last month. After a drop by 23.9 points the indicator has settled at minus 5.4 points. In January experts continue to revise downwards their expectations on the short-term interest rates. The respective indicator has dropped by 26.2 points in absolute terms and by 19.1 points in relative terms. A bearish revision is displayed by the sentiment indicator for the stock market index ISE-100. The indicator has dropped by 11.0 points but still the majority of the experts retain bullish expectations. An appreciation is expected for the Lira by roughly half of the experts.

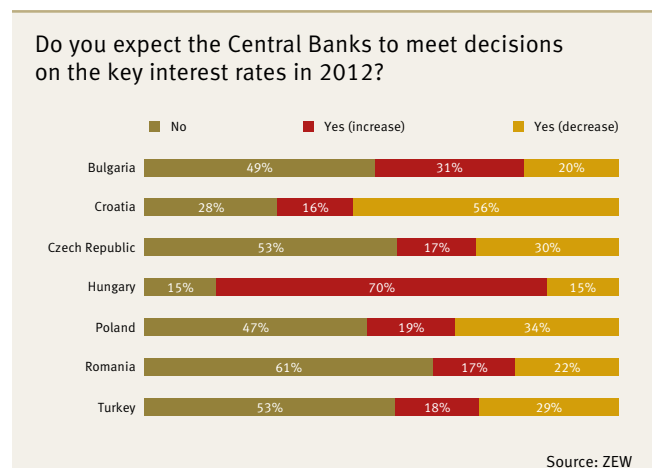
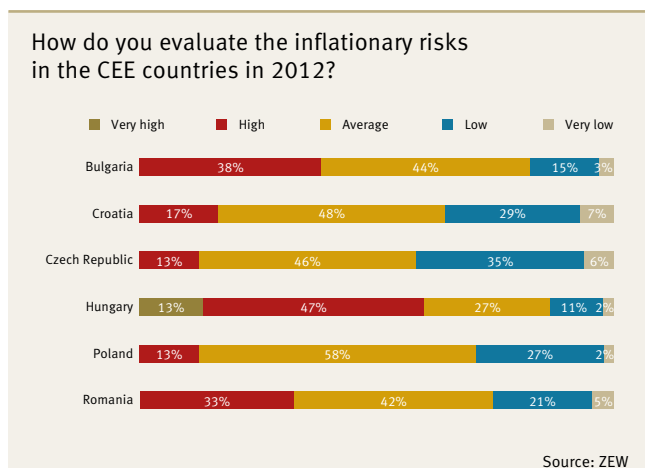
Special Question: Inflation and Interest Rate Expectations for 2012

Within this month's special question financial market experts were asked to evaluate the inflationary risk in the CEE countries in 2012 and reveal their expectations on the monetary policy response of the National Central Banks in the CEE region.

Following the opinion of the survey participants among all surveyed economies inflation concerns are most severe for Hungary. Almost two thirds of the polled experts assess the inflation risk in Hungary as very high or high. Given the strong depreciation trend of the Hungarian Forint since July 2011, the expected pressure on the inflation rate is consistent with the purchasing power parity. In contrast, inflation rate expectations are moderate for the other CEE countries included in the survey. For Bulgaria and Romania roughly one third of the experts assess the inflationary risk as high. The majority of 44 per cent and 42 per cent respectively assert that the inflation in these countries can be expected to develop on an average pace. Average inflation rate in 2012 is expected for Poland by the majority of 58 per cent of the experts. For the Czech Republic and Croatia inflation is even expected to decrease by 42 per cent and 36 per cent of the survey participants respectively.

Almost 70 per cent of the financial market experts expect the Hungarian Central Bank to raise key interest rates in 2012. The majority even expect the policy measure to be conducted rather soon - within the first quarter of the year. In contrast, the Croatian National Bank is expected to decrease the key interest rates as indicated by 56 per cent of the survey participants. No further changes are to be expected for the key interest rate in Romania as the National Bank of Romania lowered the base interest rate by 25 basis points at the beginning of the year. This is the opinion of 60 per cent of the surveyed experts. For the Czech Republic, Poland and Bulgaria the majority would further expect the key interest rates to remain unchanged throughout 2012. Another third claims that the key interest rates in Poland and the Czech Republic will be decreased. Following the opinion of the financial market experts Turkey is not expected to increase its key interest rate in 2012, despite the high consumer price inflation of 10.4 per cent (year-over-year) in December. More than half of the survey participants foresee the base interest rate to remain unchanged within the next year.

Zwetelina Iliewa, Jan Fritz



ZEW / Erste Group Bank - Financial Market Survey CEE: January 2012

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	15,1	(+6,0)	66,7	(-12,1)	18,2	(+6,1)	-3,1	(-0,1)								
Croatia	8,1	(+5,4)	37,8	(-19,0)	54,1	(+13,6)	-46,0	(-8,2)								
Czech Republic	14,6	(+5,1)	61,0	(-15,2)	24,4	(+10,1)	-9,8	(-5,0)								
Hungary	5,0	(+0,2)	20,0	(-2,0)	75,0	(+1,8)	-70,0	(-1,6)								
Poland	36,6	(+19,5)	46,3	(-22,0)	17,1	(+2,5)	19,5	(+17,0)								
Romania	5,3	(-0,2)	50,0	(+4,1)	44,7	(-3,9)	-39,4	(+3,7)								
Slovakia	18,4	(+7,9)	60,5	(-10,6)	21,1	(+2,7)	-2,7	(+5,2)								
Turkey	24,6	(+8,2)	57,9	(-13,0)	17,5	(+4,8)	7,1	(+3,4)								
CEE (incl. Turkey)	10,9	(+3,7)	63,0	(-8,4)	26,1	(+4,7)	-15,2	(-1,0)								
Eurozone	5,2	(+3,4)	31,6	(-7,0)	63,2	(+3,6)	-58,0	(-0,2)								
Economic expectations	improve		no change		worsen		balance									
Austria	18,2	(+3,5)	51,5	(+28,0)	30,3	(-31,5)	-12,1	(+35,0)								
Croatia	21,7	(+13,8)	43,2	(+11,6)	35,1	(-25,4)	-13,4	(+39,2)								
Czech Republic	21,4	(+11,9)	38,1	(+11,9)	40,5	(-23,8)	-19,1	(+35,7)								
Hungary	19,5	(+10,0)	24,4	(+0,6)	56,1	(-10,6)	-36,6	(+20,6)								
Poland	19,5	(+7,6)	51,2	(+15,5)	29,3	(-23,1)	-9,8	(+30,7)								
Romania	27,1	(+14,0)	40,5	(+19,4)	32,4	(-33,4)	-5,3	(+47,4)								
Slovakia	21,7	(+8,9)	45,9	(+25,4)	32,4	(-34,3)	-10,7	(+43,2)								
Turkey	17,2	(+9,8)	43,1	(+4,2)	39,7	(-14,0)	-22,5	(+23,8)								
CEE (incl. Turkey)	15,6	(+5,8)	42,2	(+3,2)	42,2	(-9,0)	-26,6	(+14,8)								
Eurozone	18,2	(+9,1)	30,9	(+12,7)	50,9	(-21,8)	-32,7	(+30,9)								
Inflation rate	increase		no change		decrease		balance									
Austria	27,3	(-3,0)	18,2	(-15,1)	54,5	(+18,1)	-27,2	(-21,1)								
Croatia	25,0	(-4,8)	30,6	(-18,0)	44,4	(+22,8)	-19,4	(-27,6)								
Czech Republic	38,1	(-1,0)	38,1	(+4,0)	23,8	(-3,0)	14,3	(+2,0)								
Hungary	53,9	(+7,5)	28,2	(-5,9)	17,9	(-1,6)	36,0	(+9,1)								
Poland	25,0	(+1,2)	32,5	(-10,4)	42,5	(+9,2)	-17,5	(-8,0)								
Romania	27,1	(-17,6)	37,8	(+16,7)	35,1	(+0,9)	-8,0	(-18,5)								
Slovakia	23,0	(-4,1)	30,8	(-4,3)	46,2	(+8,4)	-23,2	(-12,5)								
Turkey	33,9	(-12,4)	26,8	(+0,9)	39,3	(+11,5)	-5,4	(-23,9)								
CEE (incl. Turkey)	27,9	(-2,9)	30,2	(-10,8)	41,9	(+13,7)	-14,0	(-16,6)								
Eurozone	26,5	(+3,0)	22,6	(-14,7)	50,9	(+11,7)	-24,4	(-8,7)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	21,8	(-9,3)	52,0	(+12,0)	59,4	(+7,7)	48,0	(+/-0,0)	18,8	(+1,6)	0,0	(-12,0)	3,0	(-10,9)	52,0	(+24,0)
Czech Republic	8,1	(-9,0)	26,7	(-13,9)	64,9	(+2,0)	53,3	(+28,3)	27,0	(+7,0)	20,0	(-14,4)	-18,9	(-16,0)	6,7	(+0,5)
Hungary	51,4	(+/-0,0)	63,3	(-17,3)	34,3	(-8,6)	16,7	(+7,0)	14,3	(+8,6)	20,0	(+10,3)	37,1	(-8,6)	43,3	(-27,6)
Poland	16,2	(+2,3)	41,9	(-0,5)	51,4	(-1,4)	32,3	(+2,0)	32,4	(-0,9)	25,8	(-1,5)	-16,2	(+3,2)	16,1	(+1,0)
Romania	18,7	(+2,0)	48,0	(+3,5)	46,9	(-3,1)	32,0	(+6,1)	34,4	(+1,1)	20,0	(-9,6)	-15,7	(+0,9)	28,0	(+13,1)
Turkey	31,4	(-19,7)	42,5	(-13,6)	51,0	(+13,2)	32,5	(+8,1)	17,6	(+6,5)	25,0	(+5,5)	13,8	(-26,2)	17,5	(-19,1)
Eurozone	8,4	(-6,1)			45,8	(+14,5)			45,8	(-8,4)			-37,4	(+2,3)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	31,2	(-1,0)	28,6	(-0,5)	31,3	(-15,1)	39,3	(-2,4)	37,5	(+16,1)	32,1	(+2,9)	-6,3	(-17,1)	-3,5	(-3,4)
Czech Republic	33,3	(+2,8)	26,5	(+0,7)	50,0	(+11,1)	38,2	(+5,9)	16,7	(-13,9)	35,3	(-6,6)	16,6	(+16,7)	-8,8	(+7,3)
Hungary	44,5	(-4,0)	40,6	(-14,2)	8,3	(-20,3)	6,3	(-13,1)	47,2	(+24,3)	53,1	(+27,3)	-2,7	(-28,3)	-12,5	(-41,5)
Poland	32,5	(-0,8)	29,4	(-6,1)	48,6	(+6,9)	32,4	(-3,1)	18,9	(-6,1)	38,2	(+9,2)	13,6	(+5,3)	-8,8	(-15,3)
Slovakia	21,2	(-17,5)	21,8	(-11,6)	42,4	(+16,6)	31,3	(+1,7)	36,4	(+0,9)	46,9	(+9,9)	-15,2	(-18,4)	-25,1	(-21,5)
Turkey	40,8	(-14,7)	46,5	(-0,9)	30,6	(+1,7)	25,6	(-0,7)	28,6	(+13,0)	27,9	(+1,6)	12,2	(-27,7)	18,6	(-2,5)
Germany	41,0	(-1,1)			43,6	(+1,5)			15,4	(-0,4)			25,6	(-0,7)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	52,5	(+13,5)	20,0	(-9,3)	27,5	(-4,2)	25,0	(+17,7)								
ATX (Austria)	64,2	(+10,7)	17,9	(-10,7)	17,9	(+/-0,0)	46,3	(+10,7)								
NTX (CEE)	52,8	(+11,6)	19,4	(-15,9)	27,8	(+4,3)	25,0	(+7,3)								
CROBEX (Croatia)	48,5	(+7,3)	27,3	(-10,9)	24,2	(+3,6)	24,3	(+3,7)								
PX 50 (Czech Rep.)	46,7	(-1,8)	40,0	(+9,7)	13,3	(-7,9)	33,4	(+6,1)								
BUX (Hungary)	44,9	(+2,5)	24,1	(-6,2)	31,0	(+3,7)	13,9	(-1,2)								
WIG (Poland)	58,1	(+9,6)	25,8	(+1,6)	16,1	(-11,2)	42,0	(+20,8)								
BET (Romania)	53,8	(+5,5)	23,1	(-11,4)	23,1	(+5,9)	30,7	(-0,4)								
SAX (Slovakia)	38,0	(-2,0)	44,8	(+8,1)	17,2	(-6,1)	20,8	(+4,1)								
ISE-100 (Turkey)	45,1	(-5,9)	29,4	(+0,8)	25,5	(+5,1)	19,6	(-11,0)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	36,1	(+10,4)	47,2	(-12,8)	16,7	(+2,4)	19,4	(+8,0)								
Koruna (Czech Rep.)	51,2	(+1,2)	39,0	(-1,0)	9,8	(-0,2)	41,4	(+1,4)								
Forint (Hungary)	45,0	(-2,5)	22,5	(+7,5)	32,5	(-5,0)	12,5	(+2,5)								
Zloty (Poland)	65,0	(+9,7)	20,0	(-8,9)	15,0	(-0,8)	50,0	(+10,5)								
Lei (Romania)	36,2	(+7,6)	44,4	(-12,7)	19,4	(+5,1)	16,8	(+2,5)								
Lira (Turkey)	49,1	(+12,1)	33,3	(-8,0)	17,6	(-4,1)	31,5	(+16,2)								
US-Dollar	61,1	(+2,3)	22,2	(+2,6)	16,7	(-4,9)	44,4	(+7,2)								

Note: 86 Financial market experts, 25 from which from Turkey, participated in the January survey which was conducted during the period 12/23/11-01/16/12. 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 December 2011 in parentheses). Balances refer to the differences between positive and negative assessments.

Financial Market Report CEE – published monthly

Author and Editor Centre for European Economic Research (ZEW) Mannheim

L 7, 1 · 68161 Mannheim · P.O. Box 10 34 43 · 68034 Mannheim · Germany · www.zew.de, www.zew.eu

Zwetelina Iliewa · Dept. International Finance and Financial Management · Phone +49 (0)621 1235-346 · E-mail: iliewa@zew.de

Erste Group Bank AG

Friedrich Mostboeck · Head of Group Research · A-1010 Vienna · Neutorgasse 17 · Dachgeschoss 1

Phone +43 (0)5 0100-11902 · Fax +43 (0)5 0100-13016 · E-mail: friedrich.mostboeck@erstegroup.com · www.erstegroup.com

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