

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 January 8, 2013 and January 22, 2013, are published in the February 2013 issue of the "Financial Market Report CEE." 79 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.

Strong Increase of Economic Sentiments for Central and Eastern Europe

The economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon have increased in January. The respective indicator has increased by 20.9 points to 27.0 points.

The evaluation of the current economic situation in the CEE region has slightly increased by 5.7 points from the 0.0 mark. The economic expectations for the Eurozone within the next six months have slightly improved. The respective indicator has in-

creased by 4.7 points to a level of 22.9 points. The assessment of the current business cycle in the Eurozone has slightly decreased by 2.8 points to a level of minus 57.4 points. The indicator reflecting the economic expectations for Austria within the next six months has increased by 17.3 points and has reached a level of 32.1 points. The evaluation of the current economic situation in Austria has slightly improved by 4.0 points to a level of minus 7.6 points.

Economic Outlook for the CEE Region, Austria and the Eurozone

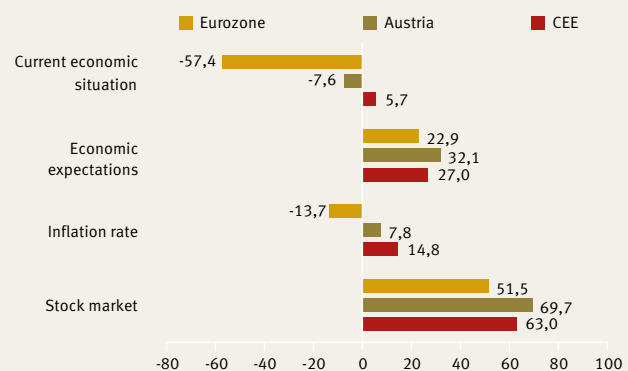
The ZEW-Erste Group Bank Economic Sentiment Indicator for Central and Eastern Europe including Turkey (CEE), which is calculated as the balance of positive and negative assessments of the economic development on a six-month time horizon, increased by 20.9 points to a level of 27.0 points in January. The improvement is mainly due to majorly improved sentiments for Poland and Hungary. The respective country indices have displayed a major increase by 22.0 points and 19.8 points this month. Experts' expectations for Austria and the Eurozone have also improved this month. The respective indicators have increased by 17.3 points (Austria) and 4.7 points (Eurozone). The sentiment indicator for Austria thereby reaches the second-highest level among all surveyed economies (32.1 points). The indicators of the current business cycle in the CEE region and in Austria have slightly improved by 5.7 points (CEE) and 4.0 points (Austria). The respective indicators have thereby reached rather balanced levels of 5.7 points (CEE) and minus 7.6 points (Austria). Experts' assessment of the current economic situation in the Eurozone has remained rather unchanged at a level of minus 57.4 points.

Inflation concerns have sharpened significantly for the CEE region in January. The respective indicator of experts' expectations on the six-month inflation rate in the CEE region has increased by 32.9 points. The increase in inflation concerns is mainly due to a sharp increase of inflation concerns for Romania and Turkey. The respective indicator for Austria has also displayed a major increase by 33.7 points to a rather balanced level of 7.8 points. The indica-

tor of inflation expectations for the Eurozone has also increased by 13.2 points this month.

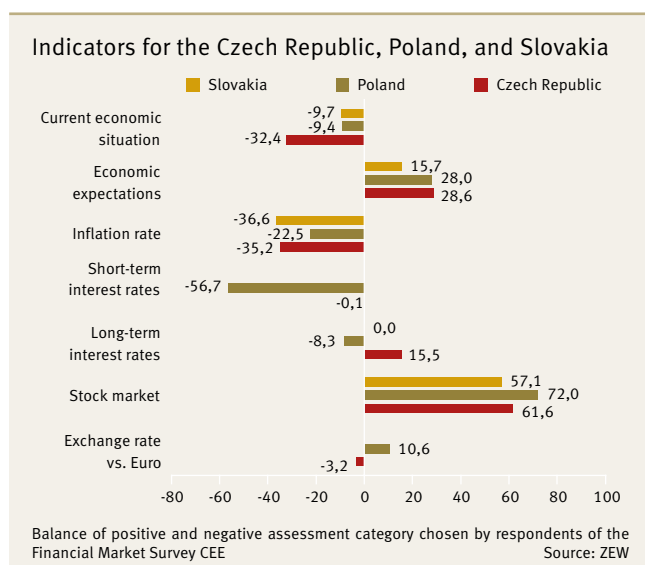
Stock market sentiments have displayed a major bullish revision for all CEE stock markets this month. Experts' expectations on the mid-term outlook of the EUROSTOXX 50 (Eurozone), ATX (Austria) and NTX (CEE) have improved by 21.5 points, 14.7 points and 19.0 points respectively. For all three stock market indices a majority of more than two-thirds of the market experts currently hold bullish expectations.

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 Sentiments



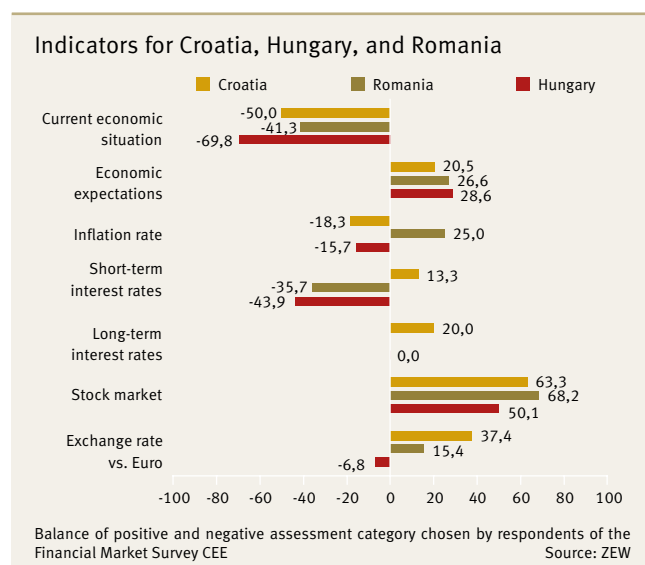
Economic sentiments have improved this month for all three countries - the Czech Republic, Poland and Slovakia. The respective indicator for Poland has increased significantly by 22.0 points to a level of 28.0 points. The respective indicators for the Czech Republic and Slovakia have increased slightly by 5.7 points (Czech Republic) and 9.3 points (Slovakia) respectively. The indicators of the current business cycle in the Czech Republic and Poland have increased by 13.3 points and 8.2 points respectively. In contrast, the respective indicator for Slovakia displays a slight decrease by 3.3 points of experts' assessment on the current economic situation in the country.

The indicators of the current business cycle in the Czech Republic, Poland and Slovakia have thereby reached level of minus 32.4 points, minus 9.4 points and minus 9.7 points.

Inflation concerns have sharpened significantly for Poland. The respective indicator of experts' expectations has increased by 15.7 points to a level of minus 22.5 points in January. Experts' expectations on the short-term interest rates in Poland, however, display only a marginal increase by 1.4 points to a level of minus 56.7 points. The indicator of inflation concerns for the Czech Republic has slightly diminished by 4.6 points to a level of minus 35.2 points. The respective indicator for Slovakia has remained almost unchanged at a level of minus 36.6 points – the lowest level among all surveyed economies.

Stock market sentiments for the Czech PX 50, the Polish WIG and the Slovakian SAX have displayed a bullish revision in January. The respective indicators have increased by 11.5 points (PX 50), 18.2 points (WIG) and 34.3 points (SAX) respectively. A revision of exchange rate expectations towards appreciation has been displayed for the Czech Koruna and the Polish Zloty against the Euro. The respective indicators have thereby increased by 8.9 points (Czech Koruna) and 13.8 points (Polish Zloty) to level of minus 3.2 points (Czech Koruna) and 10.6 points (Polish Zloty). Nevertheless, the majority of 65.6 per cent and 53.6 per cent respectively, expect both currency pairs to remain rather unchanged in the next six months.

Croatia, Hungary and Romania: Revision of Foreign Exchange Forecasts



Economic sentiments have improved significantly for Croatia and Hungary. The respective indicators have increased by 14.5 points and 19.8 points respectively. The indicators thereby reach levels of 20.5 points (Croatia) and 28.6 points (Hungary). The respective sentiment indicator for Romania has slightly improved this month by 6.7 points to a level of 26.6 points.

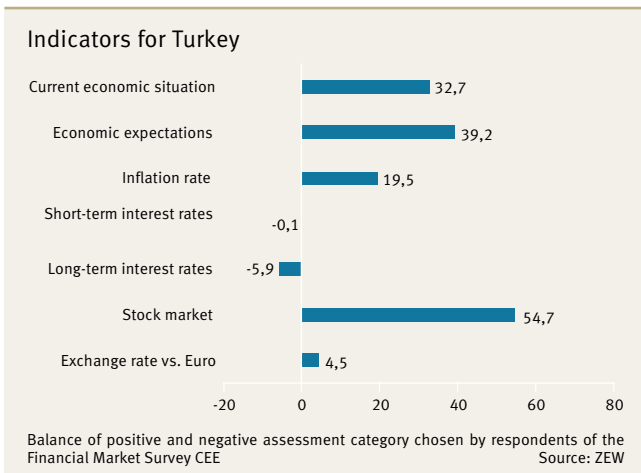
Experts' assessment of the current economic situation has slightly improved for Croatia and Romania. The respective indicators have increased by 8.1 points (Croatia) and 3.5 points (Romania). The indicator for Hungary has remained almost unchanged at a level of minus 69.8 points – the by far lowest level among all surveyed economies.

Inflation concerns in Hungary and Romania have sharpened in January. The respective indicators have increased by 19.8 points (Hungary) and 41.2 points (Romania). The indicator reflecting the inflation concerns for Romania thereby displays the highest increase among all surveyed economies. The indicator reflecting the expectations on the Hungarian short-term interest rates has increased by 16.9 points. The respective indicator for the short-term interest rates in Romania has decreased by 18.4 points.

Stock markets expectation sentiments have improved significantly for the Croatian CROBEX, the Hungarian BUX and the Romanian BET in January. The respective indicators have increased by 27.6 points (CROBEX), 18.1 points (BUX) and 23.2 points (BET). The stock market sentiments indicators have thereby reached levels of 63.3 points (CROBEX), 50.1 points (BUX) and 68.2 points (BET).

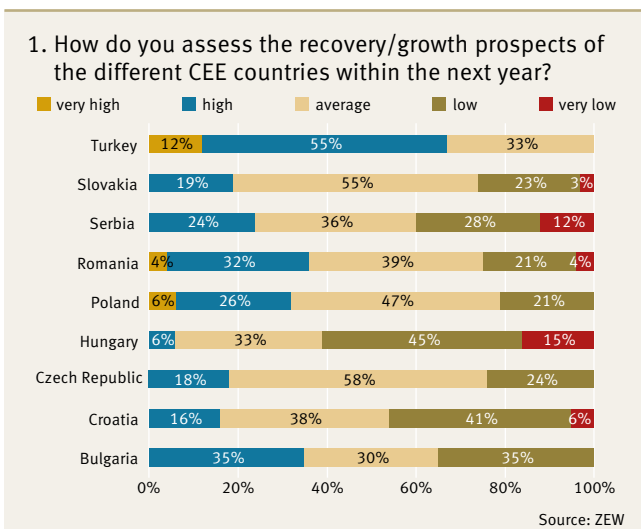
Major revision of exchange rate expectations has been displayed by the responses for the Croatian Kuna, the Hungarian Forint and the Romania Lei. The respective indicator for the Croatian Kuna has thereby been revised towards an expected appreciation of the currency and displays an increase by 44.1 points this month – the by far largest revision among all surveyed currency pairs. The indicators for the Hungarian Forint and the Romanian Lei have also been revised towards appreciation by 25.5 points and 30.1 points respectively.

Turkey: Rising Inflation Concerns

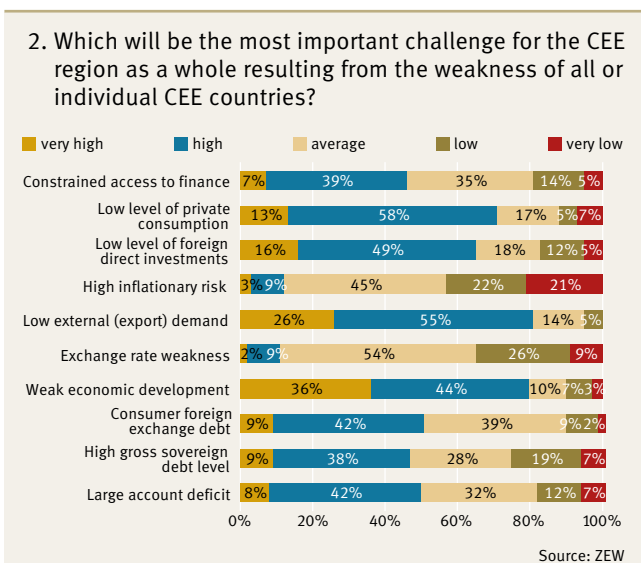


Economic sentiments for Turkey have improved in January. The respective indicator has increased by 20.6 points and has thereby reached a level of 39.2 points. Experts' assessment on the current economic situation has also improved significantly by 11.3 points this month which is the second-highest increase among all surveyed economies. The indicator currently ranks at the by far highest level among all surveyed economies of 32.7 points. Inflation concerns have sharpened in January. The respective indicator of experts' expectations has increased by 40.0 points to a level of 19.5 points this month. This is the second-highest increase of inflation concerns among all surveyed economies. Accordingly, experts have revised their expectations on the short-term and long-term interest rates in Turkey. The respective indicators have increased by 25.0 points and 19.8 points respectively.

Special Question: Growth Prospects of the CEE Economies in 2013



In the first special question for 2013 financial market experts were asked to provide this year's outlook on the growth prospects of the different CEE countries. According to their responses, Turkey exhibits the most optimistic growth prospects. About two thirds of the participants assess the prospects of Turkey as high or even very high. Survey participants are most pessimistic about Hungary, as a majority of 60 per cent considers the growth prospects of the country to be low or very low. Compared to experts' assessment of the growth prospects of the country in May 2012, however, there is a slight improvement of the pessimistic view. In May 2012, 76 per cent of the surveyed participants have assessed the growth prospects of Hungary as below average. For Romania, Poland and Bulgaria about one third of the experts have an optimistic view for the next twelve months as 36 per cent, 32 per cent and 35 per cent respectively see above-average recovery prospects for those countries.



The participants of the survey were also asked to evaluate the most important challenges for the CEE economies in 2013. According to the survey participants the most important challenge for 2013 should be the low external (export) demand and weak economic development. A majority of roughly 80 per cent assess the importance of both challenges as high or even very high. Compared to the survey responses in May 2012, both challenges have even gained importance in the last six months (May 2012: a majority of 72 per cent and 74 per cent have assessed the low external demand and the weak economic development respectively as an important or very important challenge). The low level of private consumption is also considered a relatively important challenge which has also gained importance in the last six months. Currently a majority of 71 per cent of the expert assess the challenge to be of above-average importance whereas this opinion was held by 60 per cent of the survey participants in May 2012. Among the challenges which are currently out of focus are high inflationary risk and weakness of the exchange rates. The majority of 45 per cent and 54 per cent consider these issues of rather average importance for the economic growth prospects of the region.

Astrid Kiekert, Zwetelina Iliewa

ZEW / Erste Group Bank - Financial Market Survey CEE: January 2013																
Current economic situation	good		acceptable (normal)		bad		balance									
	Austria	3.9	(+ 0.1)	84.6	(+ 3.8)	11.5	(- 3.9)	-7.6	(+ 4.0)							
Croatia	3.1	(+ 3.1)	43.8	(+ 1.9)	53.1	(- 5.0)	-50.0	(+ 8.1)								
Czech Republic	8.8	(+ 3.1)	50.0	(+ 7.1)	41.2	(-10.2)	-32.4	(+13.3)								
Hungary	6.0	(+ 2.9)	18.2	(- 6.0)	75.8	(+ 3.1)	-69.8	(- 0.2)								
Poland	15.6	(+ 3.8)	59.4	(+ 0.6)	25.0	(- 4.4)	-9.4	(+ 8.2)								
Romania	3.5	(+ 3.5)	51.7	(- 3.5)	44.8	(± 0.0)	-41.3	(+ 3.5)								
Slovakia	16.1	(+ 9.6)	58.1	(-22.5)	25.8	(+12.9)	-9.7	(- 3.3)								
Turkey	37.0	(+13.2)	58.7	(-15.1)	4.3	(+ 1.9)	32.7	(+11.3)								
CEE (incl. Turkey)	14.3	(+ 4.3)	77.1	(- 2.9)	8.6	(- 1.4)	5.7	(+ 5.7)								
Eurozone	4.3	(- 0.2)	34.0	(- 2.4)	61.7	(+ 2.6)	-57.4	(- 2.8)								
Economic expectations	improve		no change		worsen		balance									
	Austria	32.1	(+ 2.5)	67.9	(+12.3)	0.0	(-14.8)	32.1	(+17.3)							
Croatia	32.3	(+ 8.1)	55.9	(- 1.7)	11.8	(- 6.4)	20.5	(+14.5)								
Czech Republic	34.3	(± 0.0)	60.0	(+ 5.7)	5.7	(- 5.7)	28.6	(+ 5.7)								
Hungary	34.3	(+10.8)	60.0	(- 1.8)	5.7	(- 9.0)	28.6	(+19.8)								
Poland	34.3	(+10.7)	59.4	(+ 0.6)	6.3	(-11.3)	28.0	(+22.0)								
Romania	33.3	(- 3.3)	60.0	(+13.3)	6.7	(-10.0)	26.6	(+ 6.7)								
Slovakia	31.3	(+ 2.3)	53.1	(+ 4.7)	15.6	(- 7.0)	15.7	(+ 9.3)								
Turkey	45.7	(+17.8)	47.8	(-15.0)	6.5	(- 2.8)	39.2	(+20.6)								
CEE (incl. Turkey)	32.4	(+14.2)	62.2	(- 7.5)	5.4	(- 6.7)	27.0	(+20.9)								
Eurozone	37.5	(+ 3.4)	47.9	(- 2.1)	14.6	(- 1.3)	22.9	(+ 4.7)								
Inflation rate	increase		no change		decrease		balance									
	Austria	27.0	(+15.9)	53.8	(+ 1.9)	19.2	(-17.8)	7.8	(+33.7)							
Croatia	18.1	(- 3.8)	45.5	(- 7.6)	36.4	(+11.4)	-18.3	(-15.2)								
Czech Republic	17.7	(- 4.5)	29.4	(+ 4.4)	52.9	(+ 0.1)	-35.2	(- 4.6)								
Hungary	28.1	(+16.3)	28.1	(-16.0)	43.8	(- 0.3)	-15.7	(+16.6)								
Poland	19.4	(+ 4.7)	38.7	(+ 6.3)	41.9	(-11.0)	-22.5	(+15.7)								
Romania	35.7	(+16.4)	53.6	(+ 8.4)	10.7	(-24.8)	25.0	(+41.2)								
Slovakia	16.7	(+ 3.4)	30.0	(- 6.7)	53.3	(+ 3.3)	-36.6	(+ 0.1)								
Turkey	39.1	(+16.4)	41.3	(+ 7.2)	19.6	(-23.6)	19.5	(+40.0)								
CEE (incl. Turkey)	32.4	(+17.2)	50.0	(- 1.5)	17.6	(-15.7)	14.8	(+32.9)								
Eurozone	20.4	(+ 5.8)	45.5	(+ 1.6)	34.1	(- 7.4)	-13.7	(+13.2)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	23.3	(- 2.6)	17.4	(- 4.8)	66.7	(± 0.0)	60.9	(- 5.8)	10.0	(+ 2.6)	21.7	(+10.6)	13.3	(- 5.2)	-4.3	(-15.4)
Czech Republic	9.3	(- 4.0)	3.9	(- 6.1)	81.3	(+21.3)	76.9	(+13.6)	9.4	(-17.3)	19.2	(- 7.5)	-0.1	(+13.3)	-15.3	(+ 1.4)
Hungary	12.4	(+ 5.3)	11.6	(+ 4.9)	31.3	(+ 6.3)	26.9	(+ 3.6)	56.3	(-11.6)	61.5	(- 8.5)	-43.9	(+13.4)	-49.9	(+13.4)
Poland	3.3	(- 9.6)	0.0	(-10.0)	36.7	(+20.6)	34.8	(+14.8)	60.0	(-11.0)	65.2	(- 4.8)	-56.7	(+ 1.4)	-65.2	(- 5.2)
Romania	3.6	(- 9.5)	0.0	(-17.4)	57.1	(+ 0.6)	50.0	(+ 2.2)	39.3	(+ 8.9)	50.0	(+15.2)	-35.7	(-18.4)	-50.0	(-32.6)
Turkey	20.4	(+ 3.8)	18.2	(- 4.0)	59.1	(+17.4)	54.5	(+12.8)	20.5	(-21.2)	27.3	(- 8.8)	-0.1	(+25.0)	-9.1	(+ 4.8)
Eurozone	13.6	(+ 5.3)			75.0	(- 2.8)			11.4	(- 2.5)			2.2	(+ 7.8)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	48.3	(- 5.0)	36.0	(- 8.9)	48.3	(+ 8.3)	48.0	(+ 3.2)	3.4	(- 3.3)	16.0	(+ 5.7)	44.9	(- 1.7)	20.0	(-14.6)
Czech Republic	43.3	(- 5.0)	27.0	(- 8.5)	56.7	(+11.5)	61.5	(+ 6.7)	0.0	(- 6.5)	11.5	(+ 1.8)	43.3	(+ 1.5)	15.5	(-10.3)
Hungary	36.6	(+12.5)	23.1	(+ 2.4)	46.7	(+ 5.3)	53.8	(+26.2)	16.7	(-17.8)	23.1	(-28.6)	19.9	(+30.3)	0.0	(+31.0)
Poland	25.0	(+ 6.3)	16.7	(+ 3.3)	57.1	(+10.2)	58.3	(+15.0)	17.9	(-16.5)	25.0	(-18.3)	7.1	(+22.8)	-8.3	(+21.6)
Slovakia	36.0	(-14.0)	14.3	(-14.3)	60.0	(+17.1)	71.4	(+14.3)	4.0	(- 3.1)	14.3	(± 0.0)	32.0	(-10.9)	0.0	(-14.3)
Turkey	32.5	(+11.5)	23.5	(+ 1.3)	44.2	(- 3.2)	47.1	(+ 8.2)	23.3	(- 8.3)	29.4	(- 9.5)	9.2	(+19.8)	-5.9	(+10.8)
Germany	27.3	(-17.9)			69.7	(+14.9)			3.0	(+ 3.0)			24.3	(-20.9)		
Stock market indices	increase		no change		decrease		balance									
	EURO STOXX 50	68.6	(+18.6)	14.3	(-15.7)	17.1	(- 2.9)	51.5	(+21.5)							
ATX (Austria)	74.0	(+14.0)	21.7	(-13.3)	4.3	(- 0.7)	69.7	(+14.7)								
NTX (CEE)	74.1	(+14.1)	14.8	(- 9.2)	11.1	(- 4.9)	63.0	(+19.0)								
CROBEX (Croatia)	70.0	(+23.6)	23.3	(-19.6)	6.7	(- 4.0)	63.3	(+27.6)								
PX 50 (Czech Rep.)	65.4	(+ 7.0)	30.8	(- 2.5)	3.8	(- 4.5)	61.6	(+11.5)								
BUX (Hungary)	61.6	(+ 5.6)	26.9	(+ 6.9)	11.5	(-12.5)	50.1	(+18.1)								
WIG (Poland)	80.0	(+18.5)	12.0	(-18.8)	8.0	(+ 0.3)	72.0	(+18.2)								
BET (Romania)	77.3	(+22.3)	13.6	(-21.4)	9.1	(- 0.9)	68.2	(+23.2)								
SAX (Slovakia)	61.9	(+25.5)	33.3	(-16.7)	4.8	(- 8.8)	57.1	(+34.3)								
ISE-100 (Turkey)	71.4	(+15.9)	11.9	(-15.9)	16.7	(± 0.0)	54.7	(+15.9)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
	Kuna (Croatia)	46.8	(+33.5)	43.8	(-22.9)	9.4	(-10.6)	37.4	(+44.1)							
Koruna (Czech Rep.)	15.6	(- 5.6)	65.6	(+20.1)	18.8	(-14.5)	-3.2	(+ 8.9)								
Forint (Hungary)	24.2	(+ 8.1)	44.8	(+ 9.3)	31.0	(-17.4)	-6.8	(+25.5)								
Zloty (Poland)	28.5	(+ 0.4)	53.6	(+13.0)	17.9	(-13.4)	10.6	(+13.8)								
Lei (Romania)	30.8	(+ 8.5)	53.8	(+13.1)	15.4	(-21.6)	15.4	(+30.1)								
Lira (Turkey)	31.8	(+ 1.8)	40.9	(- 4.1)	27.3	(+ 2.3)	4.5	(- 0.5)								
US-Dollar	43.2	(- 2.8)	29.5	(- 8.3)	27.3	(+11.1)	15.9	(-13.9)								

Note: 79 Financial market experts, 21 from which from Turkey, participated in the January survey which was conducted during the period of 1/8-1/22/2013. 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 2012 in parentheses). Balances refer to the differences between positive and negative assessments.

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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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