

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 March 5, 2013 and March 18, 2013, are published in the April 2013 issue of the "Financial Market Report CEE." 73 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.

Positive Economic Sentiments for the CEE Region Strengthen

The economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon have risen in March for the fourth time in a row. The respective indicator has increased by 13.6 points to a level of 49.9 points. The evaluation of the current economic situation in the CEE region has also increased by 17.4 points to a level of 17.3 points. The economic expectations for the Eurozone within the next six months have slightly deteriorated. The respective indicator has

decreased by 4.9 points to a level of 30.0 points. The assessment of the current business cycle in the Eurozone has also improved by 13.8 points to a level of minus 38.4 points. The indicator reflecting the economic expectations for Austria within the next six months has increased by 15.1 points and has reached a level of 39.2 points. The evaluation of the current economic situation in Austria has increased by 21.1 points to a level of 17.5 points.

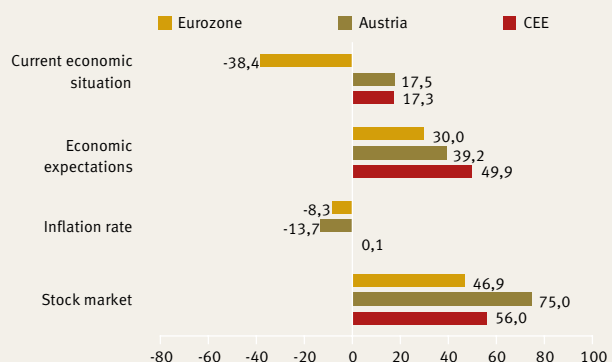
Economic Outlook for the CEE Region, Austria and the Eurozone

Economic expectations for Central and Eastern Europe including Turkey (CEE) have increased for the fourth time in a row in March. The ZEW-Erste Group Bank Economic Sentiment Indicator for the CEE region has improved by 13.6 points. It now stands at 49.9 points. This is the highest level of the indicator since October 2010. The debt crisis in the Eurozone, especially in Cyprus, as well as the difficulties in the government formation in Italy apparently seem to have no major impact on the economic expectations for the CEE region up to now. The optimistic assessment of the economic situation of the CEE region is also reflected by the positive sentiment regarding the macroeconomic development of important CEE countries. Economic expectations increase by 33.8 points for the Czech Republic and by 22.3 points for Poland. Similarly, the economic sentiment indicator for Austria has displayed an increase by 15.1 points this month. The indicator currently stands at a level of 39.2 points. In contrast, the economic sentiment indicator for the Eurozone has decreased slightly by 4.9 points to a level of 30.0 points.

The current survey is not only displaying an increase in expectations; the experts' assessment of the current economic situation for the CEE region has also significantly improved in March 2013. The respective indicator has increased by 17.4 points to a level of 17.3 points. This is the most significant increase of the indicator since April 2011. The increase is due to an improvement of the current situation in almost all CEE countries except Croatia and Hungary. The respective indicators for

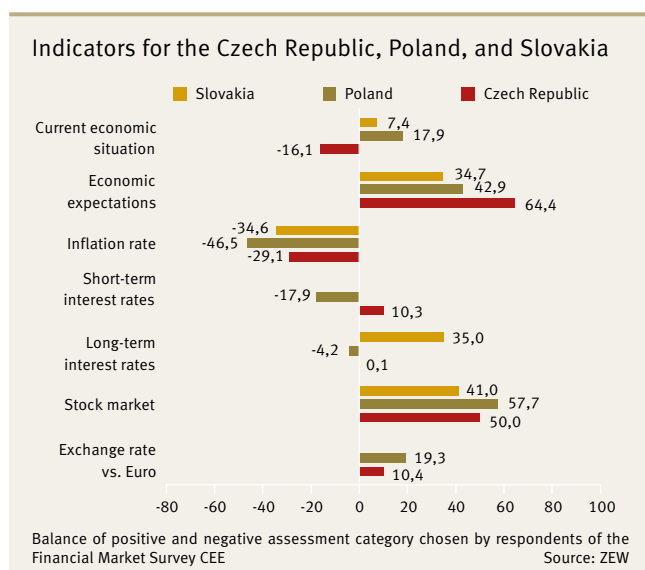
Austria and the Eurozone have also improved in March – by 21.1 points (Austria) and 13.8 points (Eurozone). A major bullish revision is displayed by the stock market sentiments indicator for the Austrian stock market index ATX. The respective indicator has increased by 28.9 points a level of 75.0 points – by far the most positive stock market sentiments among all surveyed economies. The respective sentiment indicators for the EUROSTOXX 50 and the NTX display only moderate increase by 1.5 points and 7.8 points respectively.

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: Economic Sentiments Improved



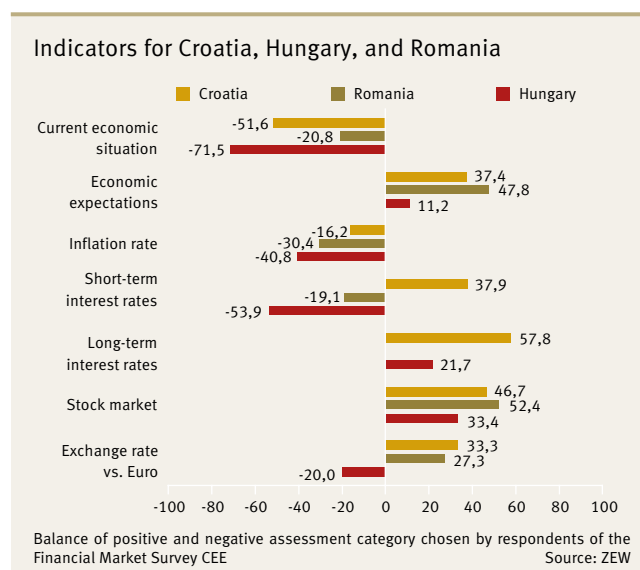
Economic expectations for all three countries – the Czech Republic, Poland and Slovakia, have increased in double digits in this month's survey. The respective indicators have risen by 33.8 points (Czech Republic), 22.3 points (Poland) and 19.5 points (Slovakia) to levels of 64.4 points (Czech Republic), 42.9 points (Poland) and 34.7 points (Slovakia). Thus, the indicator for the Czech Republic ranks at the highest level compared to all considered countries in the survey. For all three countries the majority of respondents indicate that they rather expect a stabilization of the economic development within the next six months. This is the opinion of 70.9 per cent (Czech Republic), 50.0 per cent (Poland) and 46.2 per cent (Slovakia) of the survey participants. Experts' assessment on the current business cycle has also improved for all three countries. The respective indicators have increased by 8.9 points (Czech Republic), 17.9 points (Poland) and 13.4 points (Slovakia) and now rank at levels of minus 16.1 points, 17.9 points and 7.4 points respectively.

This month inflation concerns have been relaxed in all three countries – the Czech Republic, Poland and Slovakia. The respective indicators have decreased by 9.2 points (Czech Republic), 17.0 points (Poland) and 8.8 points (Slovakia). The indicators currently display low levels – minus 29.1 points (Czech Republic), minus 46.5 points (Poland) and minus 34.6 points (Slovakia). The level indicating expert's inflation concerns for Poland this month is the lowest among all considered economies.

Participants' stock market sentiments are optimistic for all considered countries. Thus, also the indicators for the Czech PX 50, the Polish WIG and the Slovakian SAX have risen by 7.2 points, 23.1 points and 13.0 points respectively.

In contrast, experts have revised their expectations on the Czech Koruna and the Polish Zloty towards depreciation of the currency. The respective indicators have decreased by 8.4 points and 9.6 points respectively and currently display levels of 10.4 points and 19.3 points. The majority of 55.2 per cent and 42.3 per cent of the survey participants expect both the Czech Koruna and the Polish Zloty to remain rather stable within the next six months.

Croatia, Hungary and Romania: Bullish Stock Market Sentiments



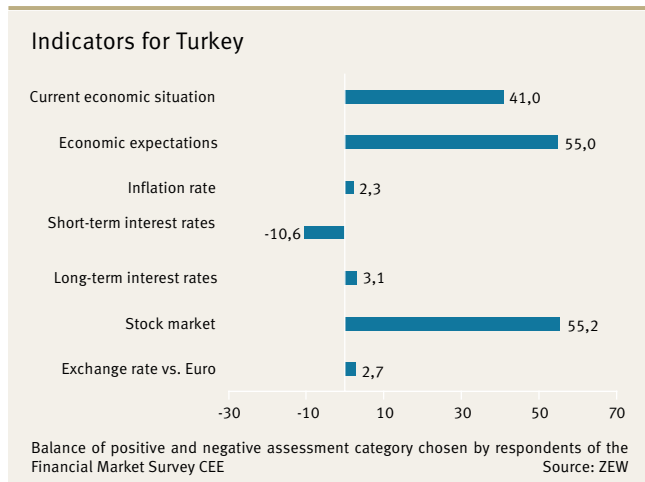
Economic sentiments in March have improved for Croatia and Romania. The respective indicators have increased by 6.8 points and 18.8 points respectively. The indicators thereby reach levels of 37.4 points (Croatia) and 47.8 points (Romania). In contrast, the respective sentiment indicator for Hungary has fallen this month by 14.5 points to a level of 11.2 points. Stock market experts' assessment of the current economic situation has slightly worsened for Croatia and Hungary this month. The respective indicators have thereby fallen by 1.5 points (Croatia) and 3.9 points (Hungary) to levels of minus 51.6 points and minus 71.5 points respectively. The indicator for Romania displays a double-digit increase by 13.7 points and now ranks at a level of minus 20.8 points. The Hungarian indicator still displays with minus 71.5 points the lowest level among all surveyed economies.

Inflation concerns in Croatia, Hungary and Romania have been relaxed in March. The respective indicators have decreased by 10.3 points (Croatia), 11.4 points (Hungary) and 27.0 points (Romania) and now rank at levels of minus 16.2 points, minus 40.8 points and minus 30.4 points respectively.

Stock markets expectation sentiments in March have improved for all three stock market indices – the Croatian CROBEX, the Hungarian BUX and the Romanian BUX. The respective indicators have increased by 16.6 points to a level of 46.7 points for the Croatian CROBEX and 6.6 points for the Romanian BET that now displays a level of 52.4 points. The Hungarian BUX has remained almost unchanged after a slight increase by 1.3 points. A revision of exchange rate expectations has been displayed by the responses for the Hungarian Forint and the Romanian Lei this month.

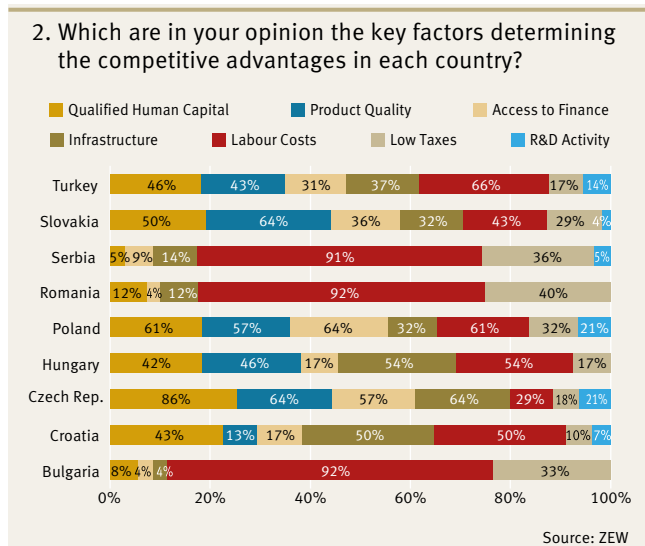
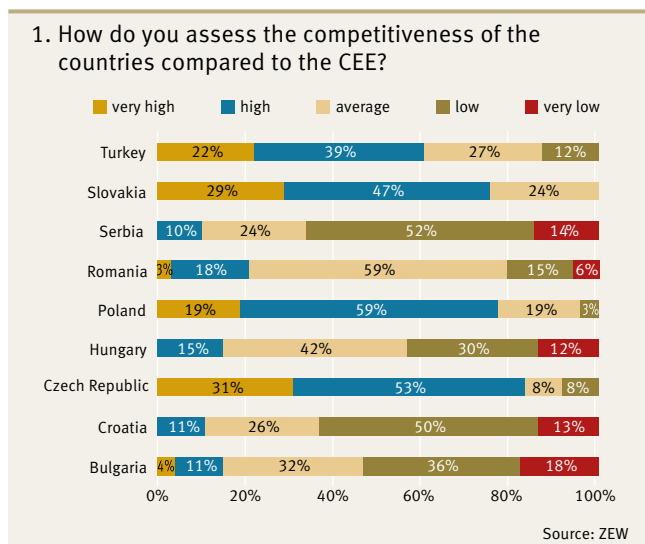
The respective indicator for the Romanian Lei has thereby been revised towards an expected appreciation of the currency and displays an increase by 8.8 points in March. In contrast, there is a revision towards depreciation of the Hungarian Forint as indicated by a decrease of the respective indicator by 10.3 points. The majority of 53.3 per cent and 54.5 per cent of the survey participants expect the Croatian Kuna and the Romanian Lei to remain rather stable within the next six months.

Turkey: Economic Sentiments Strengthen



Economic sentiments for Turkey have improved in March. The respective indicator has increased by 18.5 points and has thereby reached a level of 55.0 points. Experts' assessment on the current economic situation in the country has also improved by 9.2 points. The indicator currently ranks at the highest level among all surveyed economies of 41.0 points. The indicator of experts' inflation expectations has again fallen by 14.3 points to a rather balanced level of 2.3 points in March. The respective indicator of experts' expectations on the short-term interest rates has decreased by 15.6 points to a level of minus 10.6 points. Long-term interest rate expectations have increased significantly by 24.0 points and currently rank at a level of 31.5 points. Stock market expectations have remained almost unchanged in March at a level of 55.2 points. Expectations for the Turkish Lira have been revised towards depreciation. The respective indicator has decreased by 19.8 points to a level of 2.7 points.

Special Question: Competitive Advantages of the CEE Region



In this month's special question financial market experts were asked to compare the individual CEE countries according to their competitive advantages. Experts were further asked to assess which factors contribute most to the competitiveness of the individual countries in the CEE region. According to the participant's opinion the Czech Republic has the highest competitive advantage. According to the majority of 84 per cent of the survey respondents the competitive advantages of the Czech Republic rank above the CEE average. In comparison to last year's survey the optimistic assessment of competitiveness increased (in April 2012: a majority of 73 per cent of the experts have evaluated the competitiveness of the Czech Republic as high or even very high). A highly positive assessment is also observed for the competitiveness of Poland and Slovakia. The majority of experts consider Poland (78 per cent) and Slovakia (76 per cent) to be highly competitive. A majority of the survey participants (63 per cent) assesses the competitiveness of Croatia to be below average compared to the other countries of the CEE region. Experts' assessment has deteriorated as compared to the survey responses in April 2012 (in April 2012: 42 per cent assessed the competitiveness of Croatia as below average). Concerning the key factors which drive the competitiveness of the CEE countries the responses reflect a large heterogeneity among the countries which was also partly observed in the survey in April 2012. For the Czech Republic, Poland and Slovakia qualified human capital and product quality are assessed as key factors. For Bulgaria, Romania and Serbia the majority of experts consider the rather low labour costs as the key competitive advantage of the economies. The infrastructure has become more important compared to the survey in April 2012 for Croatia (50 per cent of the experts), the Czech Republic (64 per cent of the experts) and for Hungary (54 per cent of the experts). Access to finance is still thought to be an important driver of Poland's competitiveness (64 per cent of the experts). The importance of R&D Activities has increased significantly for the Czech Republic and for Poland whereas for the other countries the factor remains rather secondary. Low taxes are assessed to be a relevant advantage for Poland, Bulgaria and Serbia by more than one fifth of the experts.

Astrid Kiekert, Zwetelina Iliewa

ZEW / Erste Group Bank - Financial Market Survey CEE: March 2013								
Current economic situation	good		acceptable (normal)		bad	balance		
Austria	21.8	(+11.1)	73.9	(-1.1)	4.3	(-10.0)	17.5 (+21.1)	
Croatia	12.9	(+7.4)	22.6	(-16.3)	64.5	(+8.9)	-51.6 (-1.5)	
Czech Republic	12.9	(+1.8)	58.1	(+5.3)	29.0	(-7.1)	-16.1 (+8.9)	
Hungary	7.1	(+1.2)	14.3	(-6.3)	78.6	(+5.1)	-71.5 (-3.9)	
Poland	25.0	(+5.0)	67.9	(+7.9)	7.1	(-12.9)	17.9 (+17.9)	
Romania	12.5	(+3.2)	54.2	(+7.3)	33.3	(-10.5)	-20.8 (+13.7)	
Slovakia	22.2	(+4.0)	63.0	(+5.4)	14.8	(-9.4)	7.4 (+13.4)	
Turkey	43.6	(+9.5)	53.8	(-9.8)	2.6	(+0.3)	41.0 (+9.2)	
CEE (incl. Turkey)	20.7	(+9.0)	75.9	(-0.6)	3.4	(-8.4)	17.3 (+17.4)	
Eurozone	10.3	(+5.7)	41.0	(+2.4)	48.7	(-8.1)	-38.4 (+13.8)	
Economic expectations	improve		no change		worsen	balance		
Austria	43.5	(+5.6)	52.2	(+3.9)	4.3	(-9.5)	39.2 (+15.1)	
Croatia	43.7	(+2.0)	50.0	(+2.8)	6.3	(-4.8)	37.4 (+6.8)	
Czech Republic	70.9	(+32.0)	22.6	(-30.2)	6.5	(-1.8)	64.4 (+33.8)	
Hungary	37.1	(-2.9)	37.0	(-8.7)	25.9	(+11.6)	11.2 (-14.5)	
Poland	50.0	(+20.6)	42.9	(-18.9)	7.1	(-1.7)	42.9 (+22.3)	
Romania	56.5	(+17.8)	34.8	(-16.8)	8.7	(-1.0)	47.8 (+18.8)	
Slovakia	46.2	(+18.9)	42.3	(-18.3)	11.5	(-0.6)	34.7 (+19.5)	
Turkey	57.5	(+16.5)	40.0	(-14.5)	2.5	(-2.0)	55.0 (+18.5)	
CEE (incl. Turkey)	53.5	(+11.1)	42.9	(-8.6)	3.6	(-2.5)	49.9 (+13.6)	
Eurozone	40.0	(-6.5)	50.0	(+8.1)	10.0	(-1.6)	30.0 (-4.9)	
Inflation rate	increase		no change		decrease		balance	
Austria	13.6	(-5.6)	59.1	(+1.4)	27.3	(+4.2)	-13.7 (-9.8)	
Croatia	19.3	(+4.6)	45.2	(-19.5)	35.5	(+14.9)	-16.2 (-10.3)	
Czech Republic	6.4	(-5.1)	58.1	(+1.0)	35.5	(+4.1)	-29.1 (-9.2)	
Hungary	11.1	(-15.4)	37.0	(+19.4)	51.9	(-4.0)	-40.8 (-11.4)	
Poland	7.1	(-10.5)	39.3	(+4.0)	53.6	(+6.5)	-46.5 (-17.0)	
Romania	8.7	(-14.6)	52.2	(+2.2)	39.1	(+12.4)	-30.4 (-27.0)	
Slovakia	7.7	(-5.2)	50.0	(+1.6)	42.3	(+3.6)	-34.6 (-8.8)	
Turkey	24.3	(-9.0)	53.7	(+3.7)	22.0	(+5.3)	2.3 (-14.3)	
CEE (incl. Turkey)	21.5	(-9.8)	57.1	(+16.5)	21.4	(-6.7)	0.1 (-3.1)	
Eurozone	16.7	(-1.3)	58.3	(+4.5)	25.0	(-3.2)	-8.3 (+1.9)	
Short-term interest rates	increase		no change		decrease		balance	
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]
Croatia	37.9 (+6.8)	44.0 (+16.0)	62.1 (+3.5)	56.0 (-4.0)	0.0 (-10.3)	0.0 (-12.0)	37.9 (+17.1)	44.0 (+28.0)
Czech Republic	10.3 (+0.9)	8.0 (+0.6)	89.7 (+2.2)	80.0 (+2.2)	0.0 (-3.1)	12.0 (-2.8)	10.3 (+4.0)	-4.0 (+3.4)
Hungary	11.5 (+2.2)	8.7 (-5.1)	23.1 (-8.2)	17.4 (-3.3)	65.4 (+6.0)	73.9 (+8.4)	-53.9 (-3.8)	-65.2 (-13.5)
Poland	7.1 (-2.2)	8.7 (+1.0)	67.9 (+21.0)	56.5 (+18.0)	25.0 (-18.8)	34.8 (-19.0)	-17.9 (+16.6)	-26.1 (+20.0)
Romania	9.5 (-2.1)	5.9 (-7.7)	61.9 (+0.4)	58.8 (+8.8)	28.6 (+1.7)	35.3 (-1.1)	-19.1 (-3.8)	-29.4 (-6.6)
Turkey	10.5 (-9.5)	12.9 (-2.2)	68.4 (+3.4)	64.5 (-5.2)	21.1 (+6.1)	22.6 (+7.4)	-10.6 (-15.6)	-9.7 (-9.6)
Eurozone	14.3 (+1.8)		74.3 (-5.7)		11.4 (+3.9)		2.9 (-2.1)	
Long-term interest rates	increase		no change		decrease		balance	
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]
Croatia	74.1 (+9.6)	61.6 (+24.6)	25.9 (-9.6)	34.6 (-21.0)	0.0 (±0.0)	3.8 (-3.6)	74.1 (+9.6)	57.8 (+28.2)
Czech Republic	55.6 (+10.1)	19.3 (+2.1)	44.4 (-7.1)	61.5 (-0.6)	0.0 (-3.0)	19.2 (-1.5)	55.6 (+13.1)	0.1 (+3.6)
Hungary	58.3 (+9.8)	47.8 (+16.7)	29.2 (-10.2)	26.1 (-18.7)	12.5 (+0.4)	26.1 (+2.0)	45.8 (+9.4)	21.7 (+14.7)
Poland	42.3 (+12.0)	20.8 (+13.9)	42.3 (-15.3)	54.2 (+2.5)	15.4 (+3.3)	25.0 (-16.4)	26.9 (+8.7)	-4.2 (+30.3)
Slovakia	59.1 (+10.8)	40.0 (+20.0)	40.9 (-0.5)	55.0 (-5.0)	0.0 (-10.3)	5.0 (-15.0)	59.1 (+21.1)	35.0 (+35.0)
Turkey	44.7 (+17.2)	27.3 (+12.2)	42.1 (-10.4)	48.5 (-9.1)	13.2 (-6.8)	24.2 (-3.1)	31.5 (+24.0)	3.1 (+15.3)
Germany	50.0 (+6.2)		41.7 (-11.4)		8.3 (+5.2)		41.7 (+1.0)	
Stock market indices	increase		no change		decrease		balance	
EURO STOXX 50	62.5	(+1.9)	21.9	(-2.3)	15.6	(+0.4)	46.9 (+1.5)	
ATX (Austria)	80.0	(+18.5)	15.0	(-8.1)	5.0	(-10.4)	75.0 (+28.9)	
NTX (CEE)	64.0	(-2.7)	28.0	(+13.2)	8.0	(-10.5)	56.0 (+7.8)	
CROBEX (Croatia)	56.7	(+13.3)	33.3	(-10.0)	10.0	(-3.3)	46.7 (+16.6)	
PX 50 (Czech Rep.)	57.7	(+0.6)	34.6	(+6.0)	7.7	(-6.6)	50.0 (+7.2)	
BUX (Hungary)	54.2	(-2.9)	25.0	(+7.1)	20.8	(-4.2)	33.4 (+1.3)	
WIG (Poland)	65.4	(+6.7)	26.9	(+9.7)	7.7	(-16.4)	57.7 (+23.1)	
BET (Romania)	66.7	(+4.2)	19.0	(-1.8)	14.3	(-2.4)	52.4 (+6.6)	
SAX (Slovakia)	45.5	(+1.5)	50.0	(+10.0)	4.5	(-11.5)	41.0 (+13.0)	
ISE-100 (Turkey)	68.4	(+5.0)	18.4	(-8.4)	13.2	(+3.4)	55.2 (+1.6)	
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance	
Kuna (Croatia)	40.0	(-0.6)	53.3	(+6.4)	6.7	(-5.8)	33.3 (+5.2)	
Koruna (Czech Rep.)	27.6	(-6.8)	55.2	(+5.2)	17.2	(+1.6)	10.4 (-8.4)	
Forint (Hungary)	20.0	(-9.0)	40.0	(+7.7)	40.0	(+1.3)	-20.0 (-10.3)	
Zloty (Poland)	38.5	(-9.8)	42.3	(+10.0)	19.2	(-0.2)	19.3 (-9.6)	
Lei (Romania)	36.4	(+3.1)	54.5	(+2.6)	9.1	(-5.7)	27.3 (+8.8)	
Lira (Turkey)	29.0	(-13.5)	44.7	(+7.2)	26.3	(+6.3)	2.7 (-19.8)	
US-Dollar	51.4	(+6.7)	29.7	(-1.9)	18.9	(-4.8)	32.5 (+11.5)	

Note: 73 Financial market experts, 20 from which from Turkey, participated in the March survey which was conducted during the period of 3/5-3/18/2013. 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 February 2013 in parentheses). Balances refer to the differences between positive and negative assessments.

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