

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 29 and April 19, 2010, are published in the May 2010 issue of the "Financial Market Report CEE." 74 financial market experts participated in this month's survey.

Economic Expectations for CEE Remain Positive despite Decreasing Indicator

The ZEW-First Group Bank Sentiment Indicator CEE decreases by 9.3 points to 28.0 points in April. Thus, the overall economic expectations for CEE on a six month time horizon remain clearly positive despite the current decline. The majority of financial market experts (48.0 percent) predict an unchanged development of the business cycle on a six month time horizon. The economic expectations for Austria and the Eurozone improve slightly by 0.3 points to 27.6 points and by 3.0 points

to 29.6 points, respectively. The evaluation of the current economic situation in the CEE region decreases slightly by 1.5 points to minus 24.5 points in April.

The polled experts predict higher inflation risks in the Eurozone than in CEE for the next six months. The respective indicator for the Eurozone shows a value of 41.4 points. The CEE indicator amounts to 14.2 points. Nearly 70 percent of the analysts predict no change in the inflation rate for CEE.

Economic Outlook for the CEE Region, Austria and the Eurozone

The Economic Sentiment Indicator CEE which is conducted monthly by the Centre for European Economic Research (ZEW), Mannheim, with the support from the Erste Group Bank, Vienna, decreases by 9.3 points to 28.0 points in April. The decline of the indicator in the current survey is significantly lower than its strong increase in the previous month. The majority of financial market experts (48.0 percent) foresee an unchanged development of the business cycle on a six month time horizon. 40 percent expect the CEE economy to improve and 12.0 percent the CEE economy to worsen. In this month's survey, the economic expectations for Austria and the Eurozone improve slightly. The sentiment indicator for Austria improves by 0.3 points to the 27.6 mark. The respective indicator for the Eurozone increases by 3.0 points to 29.6 points.

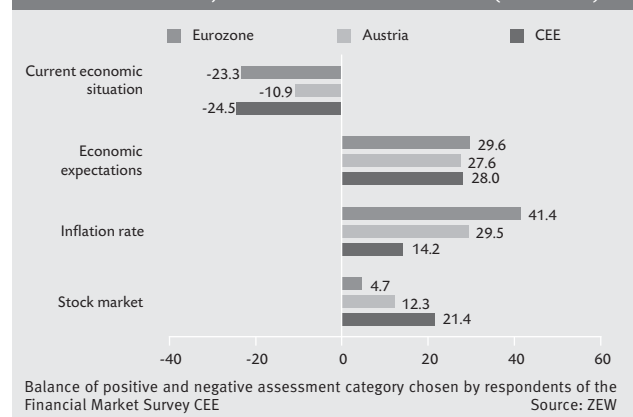
After the significant improvement in the evaluation of the current economic situation in CEE in March, the respective indicator decreases slightly by 1.5 points to minus 24.5 points in April. While the assessment of the current economic situation in Austria decreases as well, reaching minus 10.9 points, the experts evaluate an improvement in the current conditions in the Eurozone compared to the previous month. The respective indicator rises by 5.2 points to minus 23.3 points.

Nearly 70 percent of the financial market experts predict no change in the inflation rate for the CEE-region within the next six months. The respective indicator decreases by 4.5 points to 14.2 points. The polled experts predict higher infla-

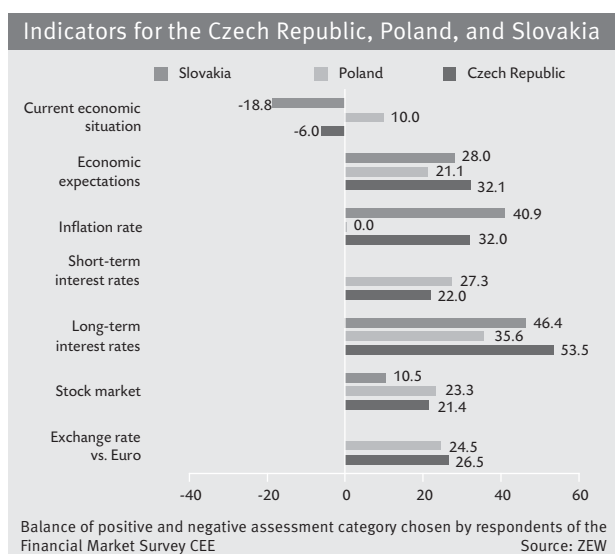
tion risks in the Eurozone than in the CEE region for the next six months. The indicator regarding the expectations of the experts for the monetary policy of the ECB declines by 7.0 points to 42.9 points. 53.1 percent of the survey participants predict unchanged short-term interest rates in the Eurozone.

According to the majority of financial market experts, the stock market indices for the CEE region (NTX), Austria (ATX) and the Eurostoxx 50 will rise within the next six months. The respective indicators remain positive even though the balances decline. The discrepancy between the Eurostoxx and the NTX is becoming more significant.

Indicators for CEE, Austria and the Eurozone (balances)



Czech Republic, Poland and Slovakia: Economic expectations remain positive



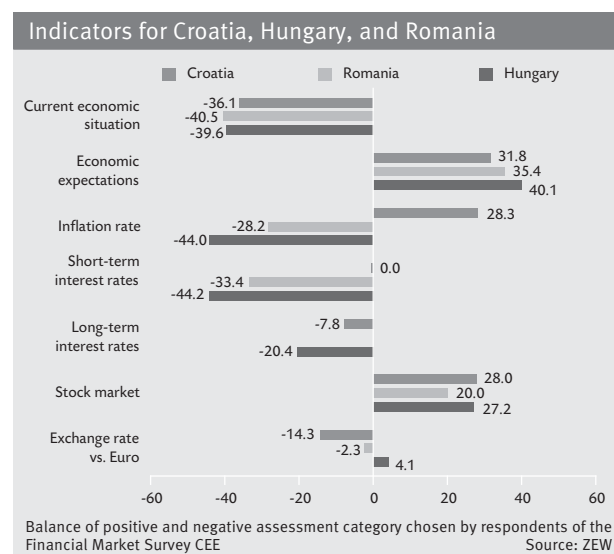
The indicators reflecting the economic expectations of the financial market experts on a six months time horizon remain positive for the Czech Republic, Poland and Slovakia in April. The outlook for the Czech Republic improves by 0.8 points reaching 32.1 points. The economic expectations for Slovakia remain nearly unchanged at 28.0 points. The sentiment indicator for Poland exhibits the strongest decline among all CEE countries by 15.0 points to 21.1 points.

The assessment of the current economic situation in Poland decreases by 7.1 points to 10.0 points. However, the Polish indicator still remains the only one with a positive value in this category. The respective indicator for Slovakia improves marginally by 0.7 points reaching minus 18.8 points. The balance reflecting the current economic situation for the Czech Republic declines by 1.8 points reaching the minus 6.0 threshold. The Czech Republic exhibits the second best balance among all the analysed CEE countries.

The expectations for the development of the inflation rate in the current survey present a strong disparity between the Czech Republic, Slovakia and Poland. While the balances reflecting the development of the inflation rate remain fairly high despite the current decreases for the Czech Republic and Slovakia, namely at 32.0 points and at 40.9 points, the relevant indicator for Poland drops to 0.0 points. This implies a higher expected inflation risk for the Czech Republic and Croatia than for Poland. The majority of experts, namely 52.0 percent, do not foresee an increasing inflation rate for Poland.

According to the financial market experts, the Polish Zloty and the Czech Koruna will appreciate against the Euro within the next six months. Even though the respective indicator for the Czech Republic declines by 3.4 points it still exhibits the highest value compared to all the other analysed CEE countries, namely 26.5 points. 49.0 percent of the polled experts predict an appreciation of the Polish Zloty against the Euro within the next six months.

Hungary and Romania: Further Cut of the Interest Rates expected



The economic sentiment indicator for Hungary defends its leading position among the analysed CEE countries in April despite the decrease by 3.0 points to 40.1 points. The economic outlook for Romania wins the second best position. After a decline by 3.8 points the respective indicator reaches 35.4 points. The highest increase regarding the economic expectations within the next six months can be observed for Croatia in the current survey. The respective indicator grows by 3.5 points and reaches the 31.8 points mark.

The appraisal of the current economic situation in Hungary, Romania and Croatia remains cautious as all the relevant indicators remain negative. The balance reflecting the assessment of the current business conditions in Hungary improves by 1.5 points to minus 39.6 points. Even after an increase by 10.6 points the respective indicator for Romania exhibits the lowest value in country comparison, namely minus 40.5 points. The evaluation of the current economic situation in Croatia shows nearly no change at a value of minus 36.1 points.

The predictions of decreasing inflation rates in Hungary and Romania prevail over the predictions of increasing inflation rates. Consequently, the respective balances for the two countries are the only negative values in this category, namely minus 44.0 points and minus 28.2 points. These results are in line with the forecasts of the two National Banks, which do not see increasing inflation risks in the next months. Therefore, the central banks of Hungary and Romania lowered the key interest rates at the end of March in both countries.

As a result of the monetary policy of the central banks the percentage of experts who predict a decreasing short-term interest rate within the next six months declines by 14.0 percentage points for Hungary and by 15.3 percentage points for Romania. In spite of the fact, that in the current survey fewer analysts expect that the central banks will lower the interest rates again, the share of participants who predict decreasing short-term interest rates still dominates.

Special Question: Exports and Imports in CEE in 2010

The importance of exports is increasing in the CEE region as the domestic demand (especially household demand) remains at a relatively low level. Considering the increasing significance of trade in the CEE region we asked the financial market experts to evaluate the development of exports and imports in the CEE region for 2010.

The forecasts for the trade in the CEE region show an overall growth compared to 2009. A very high percentage of analysts, namely 77 percent, predict an increase in exports to Western Europe for 2010. This could reflect an expected recovery of the CEE economies combined with an expected weak domestic demand. About the half of our surveyed participants foresee an increase of imports from Western Europe. More than one-third of the financial market experts believe that the imports from Western Europe will remain at the level of 2009. The majority of 54 percent of the polled analysts expect also an increase in trade between the CEE countries.

In addition, we requested a cross country comparison of all the CEE countries with regard to the highest export rate (as percentage of GDP) and the lowest export rate in 2010. 36 percent of the polled experts predict that the Czech Republic will have the highest export rate in 2010. Slovakia takes up the second place since 30 percent of the financial market experts believe that Slovakia will have the highest export rate. Following the statistics of the International Monetary Fund the two countries achieved the highest export rates already in 2009. Focusing on the countries with the lowest expected export rate, most of the survey participants believe Bulgaria or Croatia to have the lowest export rates in 2010. Bulgaria demonstrates the highest percentage, namely 32 percent, of the financial market experts who foresee the lowest export rate to be in this country. For Croatia the respective share amounts 25 percent of the analysts.

There are various factors such as the exchange rate, interest rate, quality, innovation, production cost and transportation cost which determine how well a country exports into foreign countries. In general, the majority of participants evaluate all factors to be significant for the trade activity except for the interest rates. Following the survey participants, the production costs and the exchange rates are clearly the most important factors affecting the export activity of the CEE countries. More than 90 percent of the analysts consider both factors as significant or even as very significant. The latter opinion is shared by 41 percent of the experts for the production costs and by 36 percent for the exchange rates. The quality of the products and the relatively low transportation costs compared to imports from Asia are the next two important factors with 69 percent and 65 percent of the experts, respectively, evaluating them as important. Furthermore, 58 percent of the analysts consider innovation as significant. In contrast, only 32 percent of the polled analysts believe that the interest rates are significant for the export activity. 17 percent of the participants even regard the interest rates to be not significant.

Melissa Li
Mariela Borell

Figure A: Expectations regarding the development of CEE exports and imports in 2010 compared to 2009

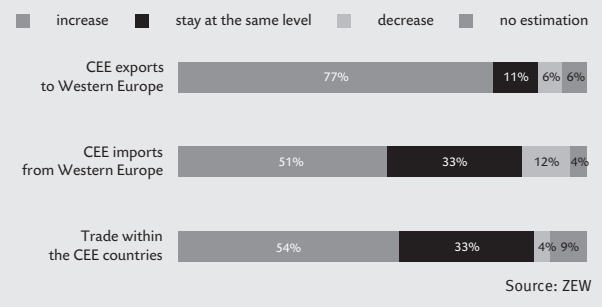


Figure B: CEE countries with the highest/lowest expected export rate (as % of GDP) in 2010

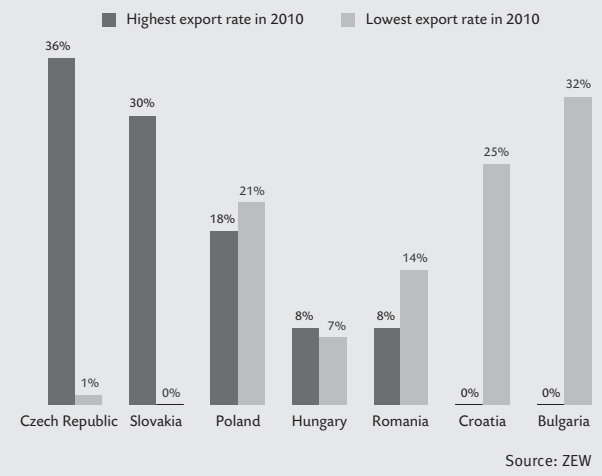
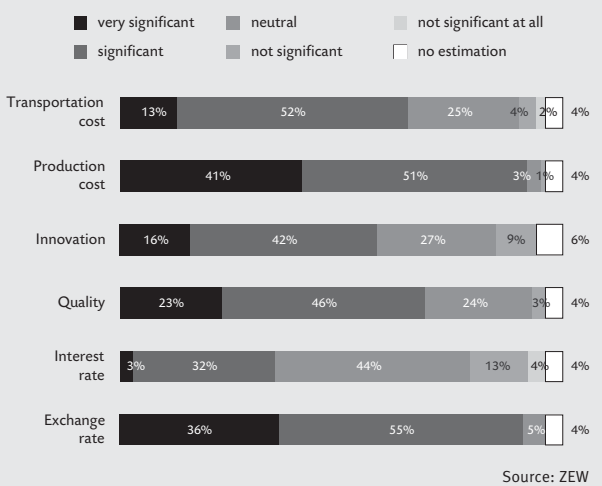


Figure C: Assessment of the significance of the factors with regard to the export activity in CEE



ZEW-Financial Market Survey: April 2010

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	8.7	(-5.2)	71.7	(+8.9)	19.6	(-3.7)	-10.9	(-1.5)								
Croatia	4.3	(-4.6)	55.3	(+8.6)	40.4	(-4.0)	-36.1	(-0.6)								
Czech Republic	12.0	(-8.8)	70.0	(+15.8)	18.0	(-7.0)	-6.0	(-1.8)								
Hungary	3.8	(-4.1)	52.8	(+9.7)	43.4	(-5.6)	-39.6	(+1.5)								
Poland	24.0	(-10.1)	62.0	(+13.1)	14.0	(-3.0)	10.0	(-7.1)								
Romania	10.6	(+1.7)	38.3	(+7.2)	51.1	(-8.9)	-40.5	(+10.6)								
Slovakia	8.3	(-4.8)	64.6	(+10.3)	27.1	(-5.5)	-18.8	(+0.7)								
CEE	3.8	(-9.7)	67.9	(+17.9)	28.3	(-8.2)	-24.5	(-1.5)								
Eurozone	5.3	(-2.9)	66.1	(+11.0)	28.6	(-8.1)	-23.3	(+5.2)								
Economic expectations	improve		no change		worsen		balance									
Austria	42.5	(+1.6)	42.6	(-2.9)	14.9	(+1.3)	27.6	(+0.3)								
Croatia	44.6	(+3.3)	42.6	(-3.1)	12.8	(-0.2)	31.8	(+3.5)								
Czech Republic	45.3	(+3.6)	41.5	(-6.4)	13.2	(+2.8)	32.1	(+0.8)								
Hungary	54.6	(+1.7)	30.9	(-6.4)	14.5	(+4.7)	40.1	(-3.0)								
Poland	34.6	(-14.3)	51.9	(+13.6)	13.5	(+0.7)	21.1	(-15.0)								
Romania	50.0	(-2.2)	35.4	(+0.6)	14.6	(+1.6)	35.4	(-3.8)								
Slovakia	42.0	(+1.6)	44.0	(-2.8)	14.0	(+1.2)	28.0	(+0.4)								
CEE	40.0	(-7.1)	48.0	(+4.9)	12.0	(+2.2)	28.0	(-9.3)								
Eurozone	42.6	(-0.3)	44.4	(+3.6)	13.0	(-3.3)	29.6	(+3.0)								
Inflation rate	increase		no change		decrease		balance									
Austria	38.6	(-17.5)	52.3	(+15.7)	9.1	(+1.8)	29.5	(-19.3)								
Croatia	37.0	(-2.5)	54.3	(+0.8)	8.7	(+1.7)	28.3	(-4.2)								
Czech Republic	40.0	(-19.6)	52.0	(+18.0)	8.0	(+1.6)	32.0	(-21.2)								
Hungary	10.0	(-12.4)	36.0	(+7.4)	54.0	(+5.0)	-44.0	(-17.4)								
Poland	24.0	(-10.8)	52.0	(+2.0)	24.0	(+8.8)	0.0	(-19.6)								
Romania	10.9	(-21.0)	50.0	(+20.5)	39.1	(+0.5)	-28.2	(-21.5)								
Slovakia	47.0	(-6.3)	46.9	(+9.1)	6.1	(-2.8)	40.9	(-3.5)								
CEE	22.4	(-8.8)	69.4	(+13.1)	8.2	(-4.3)	14.2	(-4.5)								
Eurozone	47.1	(-4.0)	47.2	(+8.9)	5.7	(-4.9)	41.4	(+0.9)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	18.9	(-6.7)	11.4	(-0.7)	62.2	(+3.2)	54.3	(-12.4)	18.9	(+3.5)	34.3	(+13.1)	0.0	(-10.2)	-22.9	(-13.8)
Czech Republic	29.3	(-19.5)	13.1	(-3.1)	63.4	(+14.6)	55.3	(-12.3)	7.3	(+4.9)	31.6	(+15.4)	22.0	(-24.4)	-18.5	(-18.5)
Hungary	11.6	(+2.3)	7.5	(+4.9)	32.6	(+11.7)	25.0	(+9.2)	55.8	(-14.0)	67.5	(-14.1)	-44.2	(+16.3)	-60.0	(+19.0)
Poland	36.4	(-6.5)	17.5	(-4.1)	54.5	(+4.5)	52.5	(+1.1)	9.1	(+2.0)	30.0	(+3.0)	27.3	(-8.5)	-12.5	(-7.1)
Romania	12.8	(-0.1)	8.8	(-0.1)	41.0	(+15.4)	20.6	(+3.0)	46.2	(-15.3)	70.6	(-2.9)	-33.4	(+15.2)	-61.8	(+2.8)
Eurozone	44.9	(-7.3)			53.1	(+7.6)			2.0	(-0.3)			42.9	(-7.0)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	23.0	(-9.5)	11.4	(-8.6)	46.2	(+5.7)	40.0	(+3.3)	30.8	(+3.8)	48.6	(+5.3)	-7.8	(-13.3)	-37.2	(-13.9)
Czech Republic	55.8	(-6.1)	36.8	(+11.8)	41.9	(+13.3)	55.3	(+5.3)	2.3	(-7.2)	7.9	(-17.1)	53.5	(+1.1)	28.9	(+28.9)
Hungary	27.3	(+2.3)	17.9	(+2.5)	25.0	(+0.0)	15.4	(+2.6)	47.7	(-2.3)	66.7	(-5.1)	-20.4	(+4.6)	-48.8	(+7.6)
Poland	40.4	(+2.9)	20.5	(-3.9)	54.8	(+12.3)	48.7	(+21.7)	4.8	(-15.2)	30.8	(-17.8)	35.6	(+18.1)	-10.3	(+13.9)
Slovakia	48.8	(-8.7)	13.6	(-6.4)	48.8	(+11.3)	48.6	(-2.8)	2.4	(-2.6)	37.8	(+9.2)	46.4	(-6.1)	-24.2	(-15.6)
Germany	62.4	(-7.4)			31.3	(+3.4)			6.3	(+4.0)			56.1	(-11.4)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	41.9	(-4.8)	20.9	(-12.4)	37.2	(+17.2)	4.7	(-22.0)								
ATX (Austria)	46.4	(-8.6)	19.5	(-0.5)	34.1	(+9.1)	12.3	(-17.7)								
NTX (CEE)	50.0	(-8.5)	21.4	(+1.9)	28.6	(+6.6)	21.4	(-15.1)								
CROBEX (Croatia)	48.9	(+0.1)	30.2	(-2.4)	20.9	(+2.3)	28.0	(-2.2)								
PX 50 (Czech Rep.)	47.6	(-6.0)	26.2	(+1.8)	26.2	(+4.2)	21.4	(-10.2)								
BUX (Hungary)	54.5	(-1.1)	18.2	(-4.0)	27.3	(+5.1)	27.2	(-6.2)								
WIG (Poland)	51.2	(-3.6)	20.9	(+1.9)	27.9	(+1.7)	23.3	(-5.3)								
BET (Romania)	50.0	(-10.0)	20.0	(+5.0)	30.0	(+5.0)	20.0	(-15.0)								
SAX (Slovakia)	42.1	(+1.5)	26.3	(-8.8)	31.6	(+7.3)	10.5	(-5.8)								
SBI 20 (Slovenia)	47.3	(+2.9)	21.1	(-6.7)	31.6	(+3.8)	15.7	(-0.9)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	14.3	(-2.4)	57.1	(+7.1)	28.6	(-4.7)	-14.3	(+2.3)								
Koruna (Czech Rep.)	44.9	(-4.1)	36.7	(+4.8)	18.4	(-0.7)	26.5	(-3.4)								
Forint (Hungary)	31.2	(-3.5)	41.7	(+0.9)	27.1	(+2.6)	4.1	(-6.1)								
Zloty (Poland)	49.0	(-16.2)	26.5	(+9.1)	24.5	(+7.1)	24.5	(-23.3)								
Lei (Romania)	25.6	(-14.4)	46.5	(+2.1)	27.9	(+12.3)	-2.3	(-26.7)								
US-Dollar	56.2	(+4.1)	18.8	(-2.0)	25.0	(-2.1)	31.2	(+6.2)								

Note: 74 Financial experts participated in the April survey which was conducted during the period 03/29/10-04/19/10. 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 March in parentheses). Balances refer to the differences between positive and negative assessments.