

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 July 24 and August 17, 2009, are published in the September 2009 issue of the "Financial Market Report CEE." 69 financial market experts participated in this month's survey.

Economic expectations for the CEE region improve considerably

The ZEW-Erste Group Bank economic sentiment indicator for Central and Eastern Europe is characterised by a strong increase in August. The balance reflecting the financial experts' economic expectations for the CEE region on a six months horizon gains 32.0 points in value, reaching 36.0 points. According to the respondents, the business prospects for all analysed countries improve, as well. After an adjustment of most of the

indicators in July, the perceived optimism of the past half year seems to grow further. In spite of recovering slightly in August, the indicators reflecting the experts' view on the current economic situation remain clearly negative. The corresponding balance for the CEE region closes at minus 65.4 points. In August, the respondents predominantly look favourably upon the development of the share indices for the CEE region.

Economic Outlook for CEE Countries, Austria and the Eurozone

The CEE economic sentiment indicator, which is calculated monthly as the balance of positive and negative assessments of the economic development on a six months horizon, improves considerably by 32.0 points in August, now standing at 36.0 points. 56.0 percent of all questioned analysts anticipate a rebound of the economy, compared to only 20.0 percent forecasting a further slowdown. According to the respondents, the business prospects for Austria improve, as well. The balances for Austria ascend significantly by 35.5 to 50.0 points respectively.

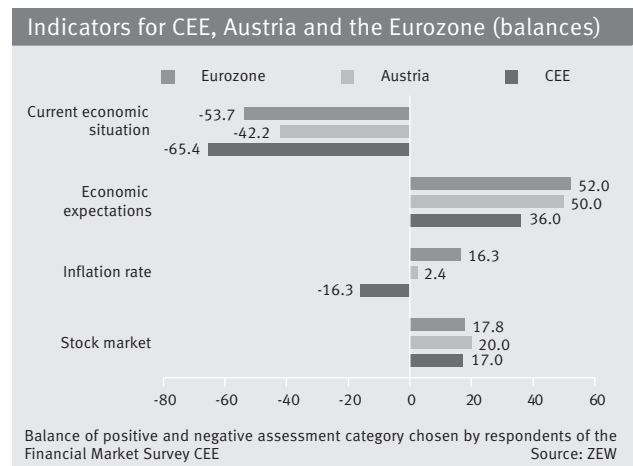
This is in line with the expectations for the entire Eurozone. The corresponding balance rises by 36.2 points and now stands at the 52.0 level. As to Austria and the Eurozone, more than 64 percent of all survey participants now predict a cyclical upturn for the coming six months.

Despite the clearly improved economic expectations the assessment of the current situation remains weak: although recovering slightly in August, the indicators reflecting the experts' view on the current economic situation remain clearly negative. The corresponding balance for the CEE region closes at minus 65.4 points. The valuations for Austria and the Eurozone achieve minus 42.2 and minus 53.7 points.

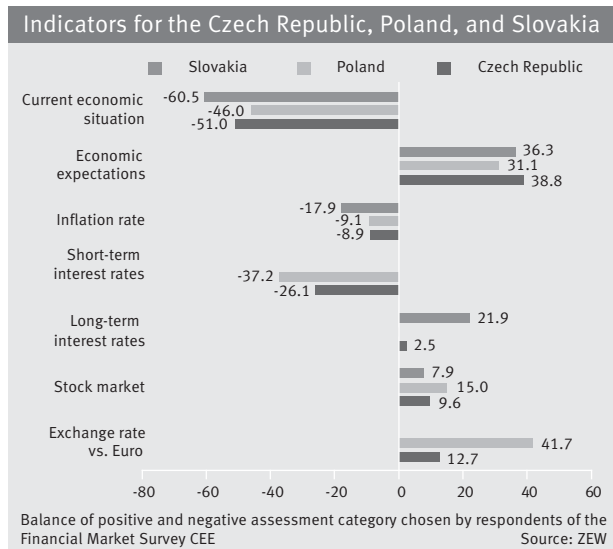
A majority of the analysts participating in our survey expect unchanged inflation rates in the CEE area, Austria and the Eurozone for the next half year. Concerning the CEE region, 41.9 percent of the respondents predict that the inflation risk will neither rise nor fall. For Austria these are 48.8

percent and for the Eurozone 42.9 percent. In line with this view an increasing majority of now 77.6 percent of the financial experts expect constant short-term interest rates in the Eurozone.

In August, the respondents predominantly look favourably upon the development of the share indices for the CEE region (NTX) and Austria (ATX) as well as on the performance potential of the Eurostoxx 50 over the coming six months. The corresponding indicator for the NTX reaches 17.0 points; the balances for the ATX and the Eurostoxx 50 now stand at 20.0 and 17.8 points respectively.



Czech Republic, Poland and Slovakia: Optimism about business prospects



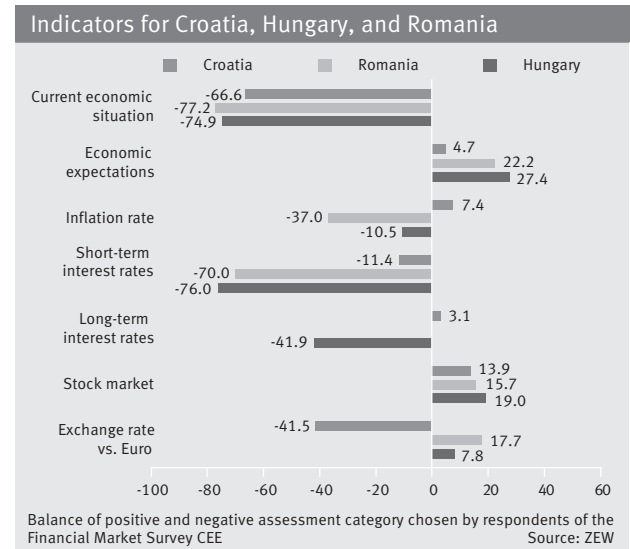
The balances capturing the financial experts' economic outlook for the Czech Republic, Poland and Slovakia indicate a growing optimism with respect to the future cyclical development in the three countries: jumping 40.7 points the sentiment indicator for Slovakia reaches 36.3 points at present. That is the highest ascent in August in comparison with all other analysed economies. The business forecast for Poland ameliorates considerably, as well, the respective valuation rising by 19.8 to 31.1 points. The balance for the Czech Republic increases by 30.3 to 38.8 points, taking the lead again among the surveyed CEE countries.

The financial experts' view of the current economic situation in the three countries remains sceptical. As to the Czech Republic and Poland, the corresponding indicators change only marginally this month, closing at minus 51.0 and minus 46.0 points respectively. The balance reflecting the present business situation in Slovakia gains 11.2 points in value, staying clearly negative at minus 60.5 points, though.

The indicators reflecting the experts' stock market expectations for the Czech Republic and Poland decline this month, due to an increased share of respondents expecting falling share prices in both countries over the next half year. However, both indicators remain positive, closing at 9.6 points (minus 15.3 points) and 15.0 points (minus 14.5 points). As to the anticipated development of the Slovak SAX, the view of the analysts has not changed much in August. The corresponding balance rises slightly by 2.6 to 7.9 points, still bringing up the rear within the CEE country comparison.

The optimism with regard to the Polish currency still holds on in the current survey, 66.7 percent of all financial experts anticipating an upward revaluation of the Zloty. Concerning the Czech Koruna, most respondents expect an appreciation versus the Euro, too. However, the respective indicator decreases by 14.9 to 12.7 points in the current survey, as the share of analysts predicting depreciation has grown at the expense of the neutral assessments.

Hungary, Romania and Croatia: Clearly improved economic outlook



The financial experts' business expectations for Hungary, Romania and Croatia have significantly brightened up in August. After its strong decline in the previous survey, the sentiment indicator for Croatia ascends by 21.8 to 4.7 points this month, turning positive again. Nonetheless, it still features the lowest value among all analysed countries. Nearly half of the survey participants now anticipate an economic rebound for Hungary and Romania on a six month horizon. As a consequence, the balances reflecting the analysts' business forecast for both countries rise by 29.5 and 29.0 points to 27.4 and 22.2 points respectively.

The respondents remain sceptical about the current business conditions. The associated indicator for Romania is characterised by the lowest value in the CEE country comparison, standing at minus 77.2 points. The balance capturing the experts' assessment of the current economic situation in Hungary amounts 10.5 points to minus 74.9 points at present. The corresponding indicator recovers slightly compared to last month, gaining 3.2 points. It remains deeply in the red, though, closing at minus 66.6 points. The financial experts spot the lowest inflation risks in Romania. The corresponding indicator reaches minus 37.0 points in the current survey.

On July 28, the Hungarian National Bank cut its base rate markedly by 100 bps to 8.50 percent, responding to an improved market sentiment, and announced the possibility of further adjustments. Accordingly, 80.4 percent anticipate another prime rate cut during the next six months. The corresponding indicator recedes by 12.3 to minus 76.0 points at present. The same holds for Romania. 72.5 percent of the analysts expect further interest rate cuts from the domestic central bank, which reduced its key policy rate to 8.50 percent on August 5.

The experts' appraisal for the Hungarian stock index BUX worsens by 15.1 points, but stays positive, nonetheless, reaching 19.0 points. The prospects for the Romanian BET and the Croatian CROBEX remain predominantly optimistic, as well.

Special question: Price expectations for commodity markets

Within the context of this month's special question, we asked the financial experts about their short- and long-term expectations concerning the further price development of selected commodities, namely oil, gold and agricultural products.

Moreover, we compared the answers to the outcomes of last year's June and July surveys, which dealt with the analysts' estimations for the commodity markets amidst their boom phase.

In the first part of this month's special question the financial experts were asked to estimate the medium-term trend of the oil price (spot price North Sea Brent). They were asked if the recent upward hike will continue during the next six months?

The majority of the analysts, namely 47 percent, expect the oil price to rise further over the coming half year. 26 percent of the experts anticipate a constant price level, whereas an equal proportion of the survey participants predict a decrease. On average, the questioned financial analysts reckon with an oil price of 70.05 USD/Barrel in the medium term.

Overall, the financial experts' valuations are distinctly more cautious than in mid-2008. Only 5 percent of all respondents believe that the oil price will mount above 90 USD/Barrel within the next half year. By contrast, the analysts forecasted an oil price of 113 USD/Barrel on average in last year's June survey under the impact of the boom in commodities. An overwhelming majority of 95 percent estimated a price beyond 90 USD/Barrel at that time.

The financial experts' assessments concerning the medium-term development of the gold price are rather heterogeneous. Approximately every third survey participant holds the view that the upward tendency since late 2008 will continue over the coming months. The majority of the analysts participating in our survey (42 percent), however, predicts a constant gold price. 23 percent even regard a fall in price to be most probable.

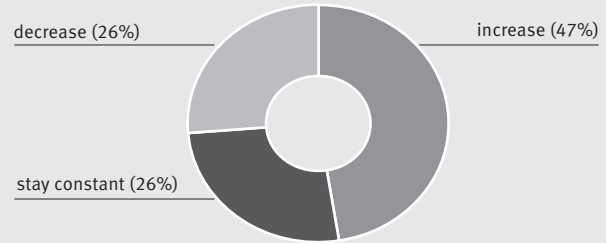
Moreover, we asked the respondents to quantify their appraisal, which led to an average estimation of 946.97 USD/t oz. – Nine out of ten experts anticipate a gold price of 900 USD/t oz. or above. By way of comparison, the results in last year's June survey were clearly more restrained, an absolute majority of the financial experts (63 percent) having expected the medium-term gold price to be lower than 900 USD/t oz.

Finally, we were interested in the analysts' view on the long-term (5 years) price development potential of selected commodities, namely oil, gold and agricultural products.

As to gold and agricultural products, most of the experts share the same opinion: Clear majorities of 84 and 89 percent expect increasing prices in the long-run. With respect to the future development of the gold price, however, the assessments differ. In spite of most respondents forecasting a rise in price on a five year horizon, equal shares of 22 percent of all survey participants anticipate a constant or even lower long-term gold price.

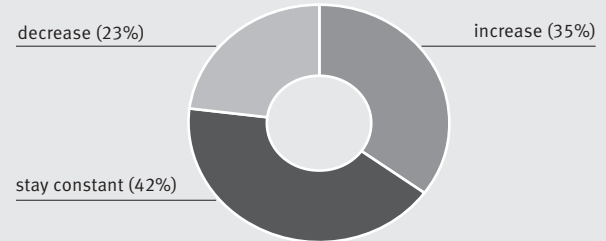
Additionally, we asked the experts to specify the predicted price increase using the following scale: increase by 0-20

Figure A: In the medium-term (6 months) the oil price (spot price North Sea Brent) will...



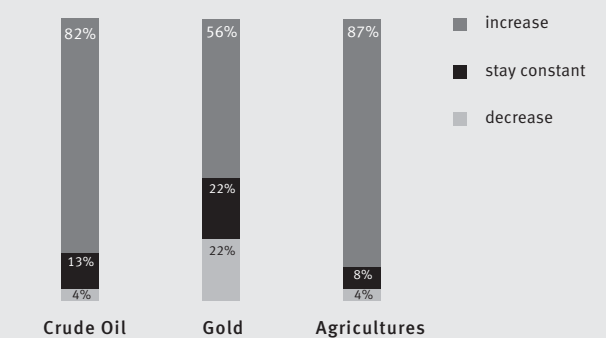
Source: ZEW

Figure B: In the medium-term (6 months) the gold price will...



Source: ZEW

Figure C: In the long-term (5 years) the prices of the following commodities will...



Source: ZEW

percent, increase by 20-40 percent, increase by 40-60 percent, and increase by more than 60 percent.

According to most analysts, agricultural products bear a positive but rather moderate performance potential, 64 percent assuming price increases of 40 percent at most. The same holds for the respondents' assessment of the long-term gold price, although the results are less distinct there. With regard to the future oil price, however, the valuations vary substantially: Most survey participants forecast an ascend by 20 to 40 percent, but, remarkably, roughly every fifth expert even considers a significant oil price increase by more than 60 percent to be most probable.

Mariela Borell, Oliver Herrmann

ZEW-Financial Market Survey: August 2009

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	8,9	(+4,4)	40,0	(-5,5)	51,1	(+1,1)	-42,2	(+3,3)								
Croatia	4,8	(+2,5)	23,8	(-1,8)	71,4	(-0,7)	-66,6	(+3,2)								
Czech Republic	4,1	(-0,1)	40,8	(+3,3)	55,1	(-3,2)	-51,0	(+3,1)								
Hungary	3,9	(+1,8)	17,3	(+6,9)	78,8	(-8,7)	-74,9	(+10,5)								
Poland	8,0	(+5,8)	38,0	(-12,0)	54,0	(+6,2)	-46,0	(-0,4)								
Romania	4,1	(-2,3)	14,6	(+4,0)	81,3	(-1,7)	-77,2	(-0,6)								
Slovakia	4,1	(+1,9)	31,3	(+7,4)	64,6	(-9,3)	-60,5	(+11,2)								
CEE	1,9	(-0,2)	30,8	(+10,0)	67,3	(-9,8)	-65,4	(+9,6)								
Eurozone	3,7	(+1,7)	38,9	(+12,9)	57,4	(-14,6)	-53,7	(+16,3)								
Economic expectations	improve		no change		worsen		balance									
Austria	64,3	(+27,8)	21,4	(-20,1)	14,3	(-7,7)	50,0	(+35,5)								
Croatia	35,7	(+16,2)	33,3	(-10,6)	31,0	(-5,6)	4,7	(+21,8)								
Czech Republic	55,1	(+25,3)	28,6	(-20,3)	16,3	(-5,0)	38,8	(+30,3)								
Hungary	49,0	(+26,6)	29,4	(-23,7)	21,6	(-2,9)	27,4	(+29,5)								
Poland	49,9	(+18,1)	31,3	(-16,4)	18,8	(-1,7)	31,1	(+19,8)								
Romania	48,9	(+20,1)	24,4	(-11,2)	26,7	(-8,9)	22,2	(+29,0)								
Slovakia	55,4	(+33,7)	25,5	(-26,7)	19,1	(-7,0)	36,3	(+40,7)								
CEE	56,0	(+23,4)	24,0	(-14,8)	20,0	(-8,6)	36,0	(+32,0)								
Eurozone	64,0	(+30,6)	24,0	(-25,0)	12,0	(-5,6)	52,0	(+36,2)								
Inflation rate	increase		no change		decrease		balance									
Austria	26,8	(+6,8)	48,8	(+1,3)	24,4	(-8,1)	2,4	(+14,9)								
Croatia	34,2	(+11,7)	39,0	(-3,5)	26,8	(-8,2)	7,4	(+19,9)								
Czech Republic	22,2	(+2,2)	46,7	(+4,5)	31,1	(-6,7)	-8,9	(+8,9)								
Hungary	29,1	(-2,1)	31,3	(+/-0,0)	39,6	(+2,1)	-10,5	(-4,2)								
Poland	18,2	(-0,4)	54,5	(+10,3)	27,3	(-9,9)	-9,1	(+9,5)								
Romania	13,0	(-0,3)	37,0	(-0,8)	50,0	(+1,1)	-37,0	(-1,4)								
Slovakia	17,7	(+1,8)	46,7	(+3,5)	35,6	(-5,3)	-17,9	(+7,1)								
CEE	20,9	(+3,5)	41,9	(-1,6)	37,2	(-1,9)	-16,3	(+5,4)								
Eurozone	36,7	(+8,2)	42,9	(+/-0,0)	20,4	(-8,2)	16,3	(+16,4)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	14,3	(-13,8)	15,6	(-7,8)	60,0	(+6,9)	46,9	(+3,6)	25,7	(+6,9)	37,5	(+4,2)	-11,4	(-20,7)	-21,9	(-12,0)
Czech Republic	7,2	(-2,6)	2,5	(-8,0)	59,5	(+1,0)	52,5	(-2,8)	33,3	(+1,6)	45,0	(+10,8)	-26,1	(-4,2)	-42,5	(-18,8)
Hungary	4,4	(-0,1)	2,4	(-2,5)	15,2	(-12,1)	11,6	(-12,8)	80,4	(+12,2)	86,0	(+15,3)	-76,0	(-12,3)	-83,6	(-17,8)
Poland	7,0	(-0,5)	2,4	(-2,9)	48,8	(+11,3)	45,2	(+11,0)	44,2	(-10,8)	52,4	(-8,1)	-37,2	(+10,3)	-50,0	(+5,2)
Romania	2,5	(-2,9)	0,0	(-2,8)	25,0	(-7,4)	23,7	(-4,9)	72,5	(+10,3)	76,3	(+7,7)	-70,0	(-13,2)	-76,3	(-10,5)
Eurozone	18,3	(-5,6)			77,6	(+8,0)			4,1	(-2,4)			14,2	(-3,2)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	40,6	(+16,5)	24,1	(-13,0)	21,9	(-26,4)	27,6	(+1,7)	37,5	(+9,9)	48,3	(+11,3)	3,1	(+6,6)	-24,2	(-24,3)
Czech Republic	36,6	(+12,9)	10,8	(-8,7)	29,3	(-18,1)	29,7	(-14,7)	34,1	(+5,2)	59,5	(+23,4)	2,5	(+7,7)	-48,7	(-32,1)
Hungary	20,9	(+4,3)	10,0	(-10,5)	16,3	(-12,3)	12,5	(-10,6)	62,8	(+8,0)	77,5	(+21,1)	-41,9	(-3,7)	-67,5	(-31,6)
Poland	27,5	(+6,4)	13,5	(-5,9)	45,0	(+2,9)	18,9	(-11,7)	27,5	(-9,3)	67,6	(+17,6)	0,0	(+15,7)	-54,1	(-23,5)
Slovakia	43,9	(+21,7)	13,2	(-1,5)	34,1	(-18,7)	34,2	(-9,9)	22,0	(-3,0)	52,6	(+11,4)	21,9	(+24,7)	-39,4	(-12,9)
Germany	55,1	(+8,6)			32,7	(+2,5)			12,2	(-11,1)			42,9	(+19,7)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	51,1	(+4,2)	15,6	(-18,4)	33,3	(+14,2)	17,8	(-10,0)								
ATX (Austria)	50,0	(-2,2)	20,0	(-7,3)	30,0	(+9,5)	20,0	(-11,7)								
NTX (CEE)	46,3	(-3,7)	24,4	(-1,8)	29,3	(+5,5)	17,0	(-9,2)								
CROBEX (Croatia)	50,0	(+8,5)	13,9	(-17,8)	36,1	(+9,3)	13,9	(-0,8)								
PX 50 (Czech Rep.)	42,9	(-2,5)	23,8	(-10,3)	33,3	(+12,8)	9,6	(-15,3)								
BUX (Hungary)	47,6	(-3,5)	23,8	(-8,1)	28,6	(+11,6)	19,0	(-15,1)								
WIG (Poland)	45,0	(-2,7)	25,0	(-9,1)	30,0	(+11,8)	15,0	(-14,5)								
BET (Romania)	47,3	(+3,4)	21,1	(-3,3)	31,6	(-0,1)	15,7	(+3,5)								
SAX (Slovakia)	39,5	(+7,9)	28,9	(-13,2)	31,6	(+5,3)	7,9	(+2,6)								
SBI 20 (Slovenia)	39,4	(+4,2)	18,2	(-25,0)	42,4	(+20,8)	-3,0	(-16,6)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	12,2	(-0,9)	34,1	(-5,4)	53,7	(+6,3)	-41,5	(-7,2)								
Koruna (Czech Rep.)	42,5	(+/-0,0)	27,7	(-14,9)	29,8	(+14,9)	12,7	(-14,9)								
Forint (Hungary)	39,2	(-0,4)	29,4	(-8,1)	31,4	(+8,5)	7,8	(-8,9)								
Zloty (Poland)	66,7	(+10,2)	8,3	(-15,6)	25,0	(+5,4)	41,7	(+4,8)								
Lei (Romania)	44,4	(+17,2)	28,9	(-7,5)	26,7	(-9,7)	17,7	(+26,9)								
US-Dollar	28,5	(-8,5)	18,4	(+3,2)	53,1	(+5,3)	-24,6	(-13,8)								

Note: 69 Financial experts participated in the August survey which was conducted during the period 07/24/09-08/17/09. 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 July 2009 in parentheses). Balances refer to the differences between positive and negative assessments.

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