

The Centre for European Economic Research (ZEW) in Mannheim and Erste Group Bank AG in Vienna carry out a monthly survey for Central and Eastern Europe, Austria, as well as the Eurozone. For the survey, financial market experts give their assessments and expectations with regard to economic and financial market data. The results of the current survey which was conducted between July 27 and August 13, 2012, are published in the September 2012 issue of the Financial Market Report CEE. 72 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 individual CEE countries and Austria.

The Economic Expectations for the Central and Eastern European Region Move Sideways

The economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon remained almost unchanged in August. The respective indicator dropped by 1.7 points to a level of minus 9.3 points. The evaluation of the current economic situation in the CEE region has improved in this month's survey. The indicator for the CEE region has increased by 5.7 points to a level of 3.0 points. The economic expectations for the Eurozone within the next six

months have slightly improved by 1.3 points to minus 4.8 points. The assessment of the current business cycle in the Eurozone has also improved by 8.4 points and reached a value of minus 59.6 points. The indicator of economic expectations for Austria fell from a balanced 0.0 mark to minus 6.9 points. The evaluation of the current economic situation in Austria has slightly decreased by 1.2 points. The indicator thereby reaches a value of 9.9 points in August.

Economic Outlook for the CEE Region, Austria and the Eurozone

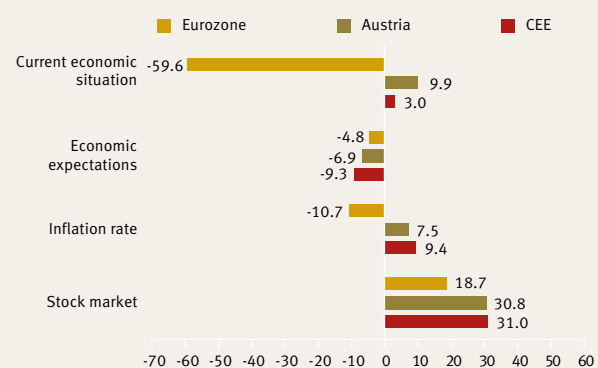
The ZEW-Erste Group Bank Economic Sentiment Indicator for Central and Eastern Europe including Turkey (CEE), which is calculated as the balance of positive and negative assessments of the economic development on a six-month time horizon, has remained almost unchanged at a level of minus 9.3 after a slight decrease by 1.7 points. The largest decrease of economic expectations is observed for the indicator for Romania, likely due to the growing uncertainty resulting from the on-going political crisis in the country. Experts' expectations for the Eurozone have slightly improved this month. The indicator has increased by 1.3 points to a level of minus 4.8 points. The indicator of economic expectations for Austria dropped from the 0.0 mark to a level of minus 6.9 points. The experts' assessment of the current economic situation in the CEE region and in the Eurozone has improved by 5.7 points and 8.4 points. The indicator of the financial market experts' assessment for Austria has decreased slightly by 1.2 points to a level of 9.9 points in this month's survey.

The experts' expectations for the inflation rate in the CEE region on a six-month time horizon show a major increase by 40.9 points to a level of 9.4 points in August. This is the largest increase of the indicator since its establishment in May 2007. Rising inflation concerns for the CEE region are likely to be partly driven by proposed VAT increases for Poland and the Czech Republic. The indicators of inflation expectations for the Eurozone and Austria have increased by 27.7 points and 22.3 points. The indicators have thus reached levels of minus 10.7 points and

7.5 points. The increase is driven by rising inflation concerns for all CEE economies in August.

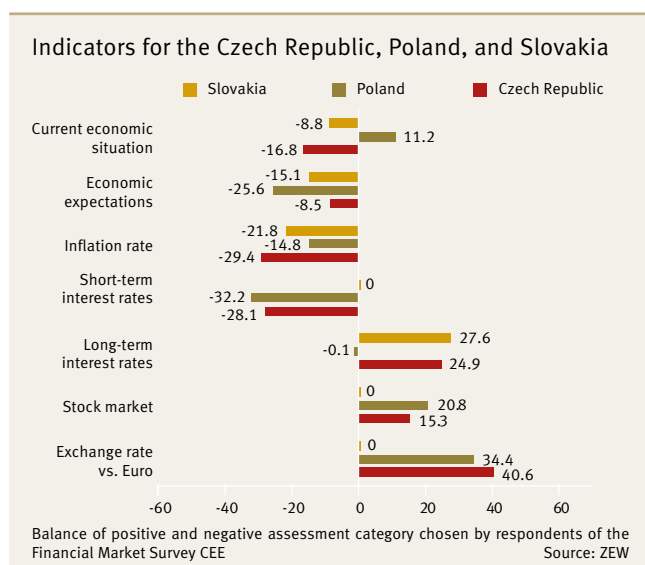
The indicator of experts' expectations for the CEE stock market index NTX shows a double-digit increase by 12.9 points in August. The indicator thus reaches a level of 31.0 points. The indicators of expectations for the stock market indices in the Eurozone (EURO STOXX 50) and Austria (ATX) have also increased by 4.1 points and 5.8 points to levels of 18.7 points (Eurozone) and 30.8 points (Austria).

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: Rising Inflation Concerns

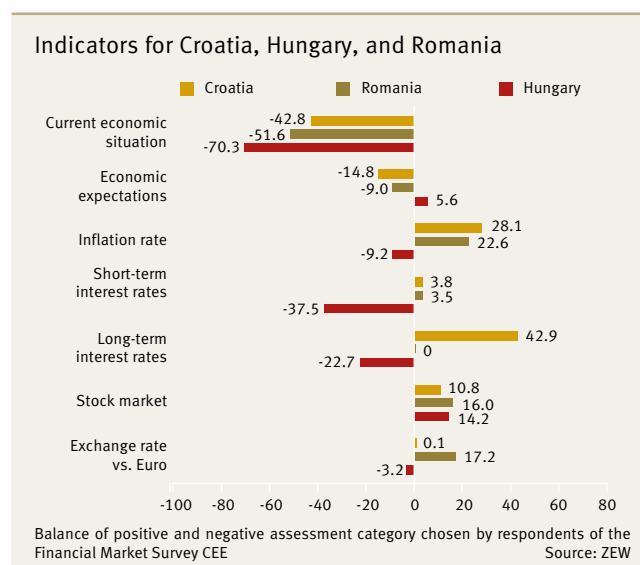


The economic expectations for the Czech Republic and Poland show double-digit decreases this month. The respective indicators fell by 11.0 points and 13.1 points and have thus reached levels of minus 8.5 points (Czech Republic) and minus 25.6 points (Poland). In contrast, economic sentiments for Slovakia have slightly improved in August. The respective indicator has increased by 4.9 points to a level of minus 15.1 points. The assessment of the current economic situation has slightly improved for the Czech Republic. The respective indicator has increased by 2.2 points to a level of minus 16.8 points. The experts' assessments of the current situations in Poland and Slovakia have worsened this month. The indicators have decreased by 11.3 points and 3.8 points to levels of 11.2 points (PL) and minus 8.8 points (SK).

Inflation concerns have sharpened for all CEE countries in this month's survey. The indicators reflecting the expected inflation rate for the Czech Republic, Poland and Slovakia have increased by 13.1 points, 20.2 points and 1.9 points to levels of minus 29.4 points (CZ), minus 14.8 points (PL) and minus 21.8 points (SK). The majority of financial market experts expect short-term interest rates in the Czech Republic (53.1 per cent of the experts) and in Poland (54.8 per cent) to remain unchanged. The respective indicators show an upwards revision by 6.2 points (CZ) and 10.3 points (PL) in August.

Stock market sentiments for the Czech Republic and Slovakia have worsened this month. The indicators of experts' expectations on the stock market indices for the Czech Republic (PX 50) and Slovakia (SAX) were revised downwards by 11.4 points (PX 50) and 7.0 points (SAX). Experts' opinions for the Slovakian SAX are almost perfectly split between bullish, bearish and neutral expectations. The experts' expectations on the Polish WIG, however, have slightly improved by 4.6 points this month. Expectations on the Czech Koruna and the Polish Zloty have improved this month. The respective indicators have increased by 11.4 and 3.6 points respectively. Both currencies are expected to appreciate against the euro by the majority of experts (53.1 per cent and 50.0 per cent).

Croatia, Hungary and Romania: Blurring Economic Sentiments

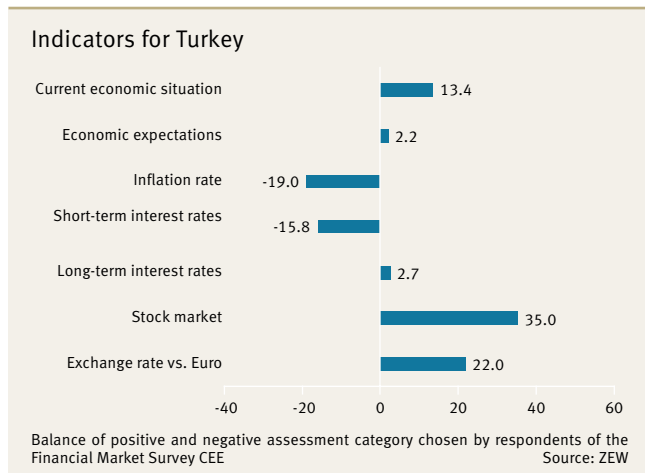


The economic expectations for Romania have worsened significantly in August, with the respective indicator showing the by far largest decrease among all surveyed economies. Experts' expectations are likely influenced by the growing uncertainty due to the on-going political crisis in the country. The economic expectations for Croatia have also worsened by 10.4 points this month. The respective indicator thus reaches a level of minus 14.8 points. The experts' assessment of the current situation in Romania has also worsened in August. The indicator has decreased by 5.8 points to a level of minus 51.6 points, which is the lowest value of the indicator since November 2011. The indicator of the current business cycle in Hungary has also worsened in this month's survey dropping by 7.8 points to a level of minus 70.3, which is the lowest level among all surveyed economies. In contrast, the experts' assessment of the current situation in Croatia has improved, as an increase of the respective indicator by 8.2 points in August indicates.

Inflation concerns have increased for all three CEE countries (Croatia, Hungary and Romania) this month. The respective indicators have increased by 21.2 points (HR), 11.8 points (HU) and 19.7 points (RO). For Hungary, however, the majority of experts (45.5 per cent) still hold the opinion that the inflation rate could decrease in the next six months. The experts largely revised their expectations on the short-term interest rates in Hungary. The respective indicator has increased by 21.8 points to a level of minus 37.5 points.

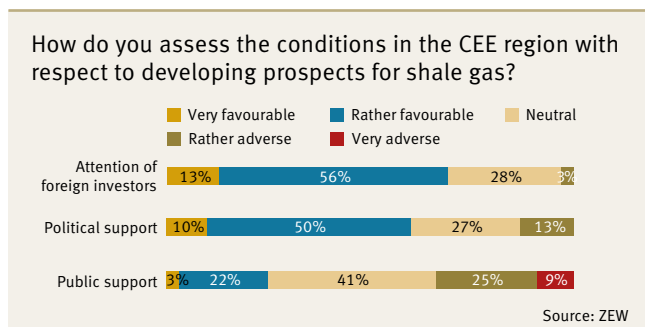
Relative to the short-term rates in the Eurozone, the short-term rates in Hungary are also expected to rise as indicated by an increase of the respective indicator by 18.0 points. This expectation is in line with a revision of the experts' exchange rate expectations concerning the EUR/HUF exchange rate. This month survey participants revised their expectations towards a depreciation of the Hungarian Forint as indicated by a decrease of the respective indicator by 8.2 points. A bearish revision of stock market sentiments is observed for the stock market indices in Croatia (CROBEX) and Romania (BET). Expectations for the Hungarian BUX have remained almost unchanged.

Turkey: Increasing Inflation Expectations

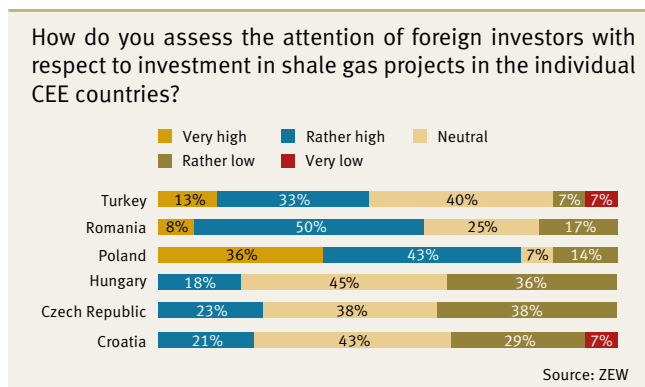


The economic expectations for Turkey have slightly worsened in this month's survey. The respective indicator has decreased by 3.7 points to a level of 2.2 points. The assessment of the current economic situation has also worsened in August. The indicator has decreased by 9.0 points to a level of 13.4 points. Rising inflation concerns for Turkey are indicated by the survey responses in August. The respective indicator has increased by 34.0 points to a level of minus 19.0 points. This is the second largest indicator increase among all surveyed economies. The experts also revised their expectations on the short-term interest rates in Turkey. This indicator has increased by 27.1 points to a level of minus 15.8 points. Relative to the short-term rates in the Eurozone, the short-term rates in Turkey are also expected to increase. This expectation is in line with the revision of expectations for the Turkish Lira. The indicator for the Turkish Lira has decreased by 12.0 points.

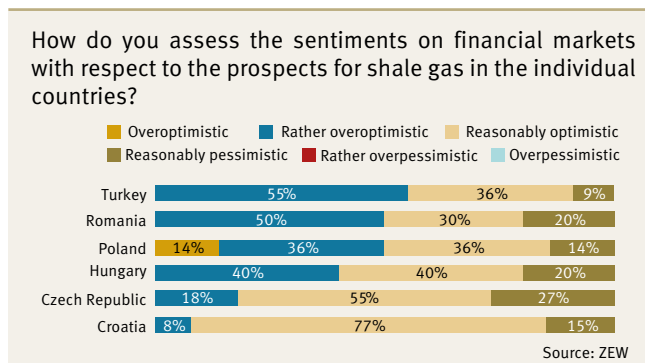
Special Question: Shale Gas Prospects of the CEE Region



Many CEE countries are considered potentially important markets for shale gas production in the future and have attracted the attention of domestic and foreign investors. Whereas political support and financial market sentiments regarding the shale gas prospects of the region are rather positive, the public opinion is divided in the individual CEE countries. Hence, this month's special question asks the financial market experts to provide their assessment on the topic. Moreover, the experts were asked to assess whether financial markets are rather conservative regarding shale gas investments in the individual countries, or whether a potential overpricing of the sector is in sight.



According to the majority of financial market experts (69 per cent), the attention foreign investors pay to the shale gas prospects of the whole CEE region is rather high. Furthermore, the sector enjoys a rather favourable political environment. This is the opinion of the majority of 60 per cent of the survey participants. The public opinion, in contrast, is rather divided, as indicated by the responses of the financial market experts. Whereas one-fourth of the experts consider the public support as very high or rather high, roughly one-third (34 per cent) assess the public opinion on shale gas as unfavourable.



According to the majority of participants, the foreign investors' attention on the shale gas prospects of Romania and Poland is very high or rather high. This is the opinion of 58 per cent (RO) and 79 per cent (PL) of the experts. Similarly, the attention of foreign investors on the shale gas sector in Turkey is also very high or rather high, as indicated by almost half of the participants (46 per cent). This result is not surprising, considering the country's announcement about uncovered shale gas reserves at the beginning of the year. A potential overpricing of the shale gas sector is indicated by survey responses for Turkey, Romania and Poland. The majority of experts (55 per cent, 50 per cent and 50 per cent respectively) consider the optimistic financial market sentiments on the shale gas prospects of the three countries rather exaggerated. However, roughly one-third of the experts assess the optimistic financial market sentiments as reasonable.

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

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	16.6	(-5.6)	76.7	(+10.0)	6.7	(-4.4)	9.9	(-1.2)								
Croatia	8.6	(+2.2)	40.0	(+3.8)	51.4	(-6.0)	-42.8	(+8.2)								
Czech Republic	13.8	(-0.5)	55.6	(+3.2)	30.6	(-2.7)	-16.8	(+2.2)								
Hungary	2.7	(+0.2)	24.3	(-8.2)	73.0	(+8.0)	-70.3	(-7.8)								
Poland	19.5	(-5.5)	72.2	(-0.3)	8.3	(+5.8)	11.2	(-11.3)								
Romania	6.0	(+3.2)	36.4	(-12.2)	57.6	(+9.0)	-51.6	(-5.8)								
Slovakia	11.8	(-0.7)	67.6	(-2.4)	20.6	(+3.1)	-8.8	(-3.8)								
Turkey	17.8	(-8.7)	77.8	(+8.4)	4.4	(+0.3)	13.4	(-9.0)								
CEE (incl. Turkey)	11.8	(+6.4)	79.4	(-7.1)	8.8	(+0.7)	3.0	(+5.7)								
Eurozone	4.7	(+2.7)	31.0	(+3.0)	64.3	(-5.7)	-59.6	(+8.4)								
Economic expectations	improve		no change		worsen		balance									
Austria	20.7	(+6.4)	51.7	(-19.7)	27.6	(+13.3)	-6.9	(-6.9)								
Croatia	17.6	(-4.1)	50.0	(-2.2)	32.4	(+6.3)	-14.8	(-10.4)								
Czech Republic	17.2	(-4.8)	57.1	(-1.4)	25.7	(+6.2)	-8.5	(-11.0)								
Hungary	30.6	(+6.2)	44.4	(-1.9)	25.0	(-4.3)	5.6	(+10.5)								
Poland	11.5	(-1.0)	51.4	(-11.1)	37.1	(+12.1)	-25.6	(-13.1)								
Romania	24.3	(-2.7)	42.4	(-17.1)	33.3	(+19.8)	-9.0	(-22.5)								
Slovakia	18.2	(+10.7)	48.5	(-16.5)	33.3	(+5.8)	-15.1	(+4.9)								
Turkey	22.7	(+1.1)	56.8	(-5.9)	20.5	(+4.8)	2.2	(-3.7)								
CEE (incl. Turkey)	18.8	(+8.5)	53.1	(-18.7)	28.1	(+10.2)	-9.3	(-1.7)								
Eurozone	23.8	(+5.4)	47.6	(-9.5)	28.6	(+4.1)	-4.8	(+1.3)								
Inflation rate	increase		no change		decrease		balance									
Austria	33.4	(+15.8)	40.7	(-9.3)	25.9	(-6.5)	7.5	(+22.3)								
Croatia	50.0	(+17.5)	28.1	(-13.8)	21.9	(-3.7)	28.1	(+21.2)								
Czech Republic	20.6	(+10.6)	29.4	(-8.1)	50.0	(-2.5)	-29.4	(+13.1)								
Hungary	36.3	(+12.6)	18.2	(-13.4)	45.5	(+0.8)	-9.2	(+11.8)								
Poland	26.4	(+12.8)	32.4	(-5.4)	41.2	(-7.4)	-14.8	(+20.2)								
Romania	51.6	(+17.3)	19.4	(-14.9)	29.0	(-2.4)	22.6	(+19.7)								
Slovakia	18.8	(+3.0)	40.6	(-4.1)	40.6	(+1.1)	-21.8	(+1.9)								
Turkey	26.2	(+11.9)	28.6	(+10.2)	45.2	(-22.1)	-19.0	(+34.0)								
CEE (incl. Turkey)	34.4	(+17.3)	40.6	(+6.3)	25.0	(-23.6)	-15.8	(+27.1)								
Eurozone	27.1	(+14.4)	35.1	(-1.1)	37.8	(-13.3)	-10.7	(+27.7)								
Croatia	19.2	(-0.3)	33.4	(+1.1)	65.4	(-4.0)	57.1	(-10.6)	15.4	(+4.3)	9.5	(+9.5)	3.8	(-4.6)	23.9	(-8.4)
Czech Republic	9.4	(+3.1)	10.3	(-3.5)	53.1	(+/-0.0)	69.0	(+6.9)	37.5	(-3.1)	20.7	(-3.4)	-28.1	(+6.2)	-10.4	(-0.1)
Hungary	15.6	(+9.3)	21.5	(+14.4)	31.3	(+3.2)	32.1	(-10.8)	53.1	(-12.5)	46.4	(-3.6)	-37.5	(+21.8)	-24.9	(+18.0)
Poland	6.5	(+0.5)	19.2	(-1.5)	54.8	(+9.3)	50.0	(+8.6)	38.7	(-9.8)	30.8	(-7.1)	-32.2	(+10.3)	-11.6	(+5.6)
Romania	27.6	(+4.3)	40.0	(+5.4)	48.3	(+1.6)	40.0	(-6.2)	24.1	(-5.9)	20.0	(+0.8)	3.5	(+10.2)	20.0	(+4.6)
Turkey	15.8	(+3.9)	24.9	(+14.0)	52.6	(+19.3)	43.8	(-2.1)	31.6	(-23.2)	31.3	(-11.9)	-15.8	(+27.1)	-6.4	(+25.9)
Eurozone	2.8	(-4.3)			69.4	(+2.7)			27.8	(+1.6)			-25.0	(-5.9)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	53.6	(+6.4)	41.6	(-4.1)	35.7	(-6.0)	41.7	(-1.2)	10.7	(-0.4)	16.7	(+5.3)	42.9	(+6.8)	24.9	(-9.4)
Czech Republic	43.7	(+5.0)	28.5	(+11.2)	37.5	(-7.7)	42.9	(-8.8)	18.8	(+2.7)	28.6	(-2.4)	24.9	(+2.3)	-0.1	(+13.6)
Hungary	22.5	(-6.6)	14.8	(-2.5)	32.3	(+16.2)	22.2	(+5.0)	45.2	(-9.6)	63.0	(-2.5)	-22.7	(+3.0)	-48.2	(+/-0.0)
Poland	36.6	(-3.4)	23.1	(-4.5)	26.7	(-23.3)	34.6	(-10.2)	36.7	(+26.7)	42.3	(+14.7)	-0.1	(-30.1)	-19.2	(-19.2)
Slovakia	48.3	(+5.0)	28.0	(-3.0)	31.0	(-5.7)	48.0	(-0.3)	20.7	(+0.7)	24.0	(+3.3)	27.6	(+4.3)	4	(-6.3)
Turkey	31.6	(+13.7)	25.8	(+6.8)	39.5	(+3.6)	35.5	(-2.3)	28.9	(-17.3)	38.7	(-4.5)	2.7	(+31.0)	-12.9	(+11.3)
Germany	38.7	(-15.4)			54.8	(+17.0)			6.5	(-1.6)			32.2	(-13.8)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	43.7	(-3.3)			31.3	(+10.7)			25.0	(-7.4)			18.7	(+4.1)		
ATX (Austria)	50.0	(+/-0.0)			30.8	(+5.8)			19.2	(-5.8)			30.8	(+5.8)		
NTX (CEE)	51.7	(+6.3)			27.6	(+0.3)			20.7	(-6.6)			31.0	(+12.9)		
CROBEX (Croatia)	32.2	(-12.5)			46.4	(+14.8)			21.4	(-2.3)			10.8	(-10.2)		
PX 50 (Czech Rep.)	38.4	(-11.6)			38.5	(+11.8)			23.1	(-0.2)			15.3	(-11.4)		
BUX (Hungary)	42.8	(+0.8)			28.6	(-0.4)			28.6	(-0.4)			14.2	(+1.2)		
WIG (Poland)	44.9	(-0.3)			31.0	(+5.2)			24.1	(-4.9)			20.8	(+4.6)		
BET (Romania)	40.0	(-11.8)			36.0	(+18.8)			24.0	(-7.0)			16.0	(-4.8)		
SAX (Slovakia)	32.0	(+0.9)			36.0	(-8.8)			32.0	(+7.9)			0.0	(-7.0)		
ISE-100 (Turkey)	50.0	(+3.3)			35.0	(+6.1)			15.0	(-9.4)			35.0	(+12.7)		
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	33.4	(+17.8)			33.3	(-6.7)			33.3	(-11.1)			0.1	(+28.9)		
Koruna (Czech Rep.)	53.1	(+6.8)			34.4	(-2.2)			12.5	(-4.6)			40.6	(+11.4)		
Forint (Hungary)	31.2	(-8.8)			34.4	(+9.4)			34.4	(-0.6)			-3.2	(-8.2)		
Zloty (Poland)	50.0	(-1.3)			34.4	(+6.2)			15.6	(-4.9)			34.4	(+3.6)		
Lei (Romania)	44.8	(+16.3)			27.6	(-15.3)			27.6	(-1.0)			17.2	(+17.3)		
Lira (Turkey)	41.5	(-12.5)			39.0	(+13.0)			19.5	(-0.5)			22.0	(-12.0)		
US-Dollar	34.3	(-20.1)			36.8	(+15.1)			28.9	(+5.0)			5.4	(-25.1)		

Note: 72 Financial market experts, 17 from which from Turkey, participated in the August survey which was conducted during the period 07/27/12-08/13/12. 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 July 2012 in parentheses). Balances refer to the differences between positive and negative assessments.

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