

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 October 30, 2012 and November 12, 2012, are published in the November 2012 issue of the "Financial Market Report CEE." 77 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 in the Previous Month Partly Revised

Economic expectations for Central and Eastern Europe including Turkey (CEE region) on a six-month time horizon have decreased in November. The respective indicator has dropped by 8.9 points to minus 3.4 points. The evaluation of the current economic situation in the CEE region has slightly decreased by 3.4 points to a level of minus 3.3 points. Economic expectations for the Eurozone within the next six months have improved significantly. The respective indicator has increased by 10.6 points

to a level of 12.9 points. The assessment of the current business cycle in the Eurozone has remained almost unchanged hovering at a level of minus 60.9 points after an increase by 1.9 points. The indicator reflecting the economic expectations for Austria within the next six months has increased by 10.5 points but remains in the negative territory at 7.4 points. The evaluation of the current economic situation in Austria has slightly worsened by 1.5 points to a level of minus 11.1 points.

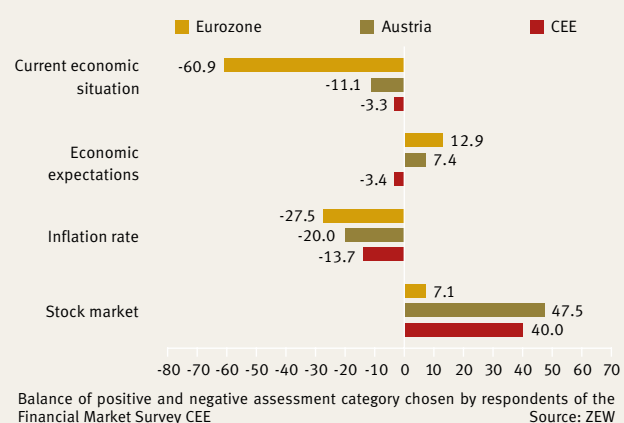
Economic Outlook for the CEE Region, Austria and the Eurozone

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, decreased by 8.9 points to a level of minus 3.4 points in November. The indicator now displays a value of minus 3.4 points. The decrease constitutes a partial correction of last month's major optimism: in October the Economic Sentiment Indicator rose by 20.1 points. Economic expectations for the Eurozone continue to improve in November.

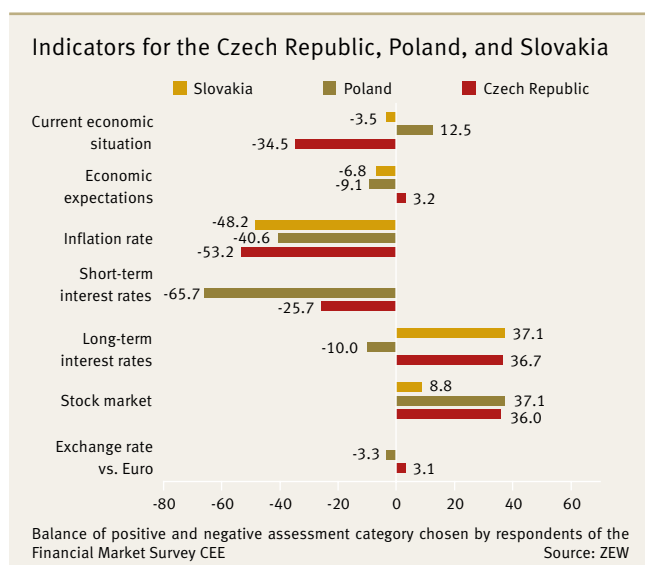
The respective indicator has risen by 10.6 points to a level of 12.9 points. A similar increase is observed in the respective indicator for Austria. In November the indicator has increased by 10.5 points to a level of 7.4 points. The assessment of the current economic situation for the CEE region has remained almost unchanged in November. The respective indicator has declined slightly by 3.4 points to a level of minus 3.3 points. Experts' assessment of the current economic situation in the Eurozone has remained rather unchanged in November. After an increase by 1.9 points the respective indicator hovers at a level of minus 60.9 points. The respective indicator for Austria has remained almost unchanged at a level of minus 11.1 points after a decrease by 1.5 points in November. Inflation concerns have remained almost unchanged for the CEE region this month. The respective indicator currently displays a value of minus 13.7 points. Stock market expectations display a large bullish revision of experts' sentiments on the Aus-

trian stock market index ATX and the CEE stock market index NTX. The respective indicators have increased by 31.5 points (Austria) and 15.0 points (CEE) and have thereby reached high values of 47.5 points (Austria) and 40.0 points (CEE). For both indices more than half of the participants agree on the bullish expectations. In contrast, large disagreement is displayed by the stock market sentiments for the Eurozone stock market index EUROSTOXX 50. The indicator currently hovers at a somehow positive value of 7.1 points after a slight decrease by 2.1 points.

Indicators for CEE, Austria and the Eurozone (balances)



Czech Republic, Poland, and Slovakia: Inflation Concerns Relaxed



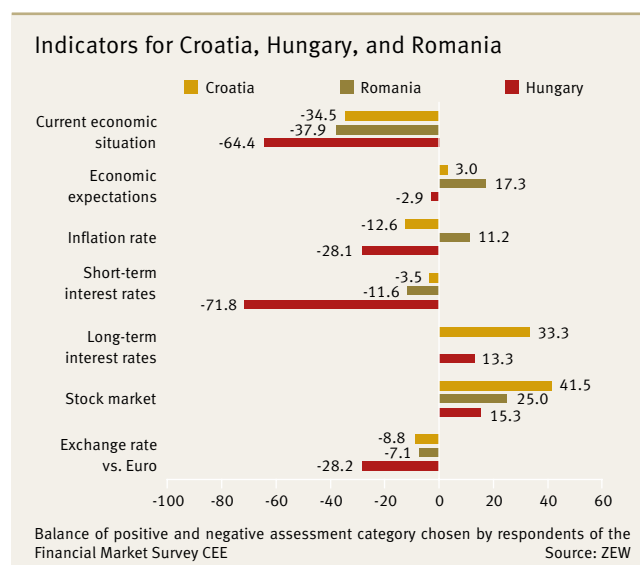
Economic expectations for all three countries – the Czech Republic, Poland and Slovakia, have decreased in this month's survey. The respective indicators have decreased by 10.6 point (Czech Republic), 9.1 points (Poland) and 4.1 points (Slovakia) to rather balanced levels of 3.2 points (Czech Republic), minus 9.1 points (Poland) and 6.8 points (Slovakia). For all three countries the majority of respondents indicate that they rather expect a stabilization of the economic development in the next six months. This is the opinion of 65.6 per cent (Czech Republic), 54.5 per cent (Poland) and 58.6 per cent (Slovakia) of the survey participants.

Experts' assessment on the current business cycle has remained almost unchanged for the Czech Republic and Slovakia. The respective indicators have changed by 3.2 points (Czech Republic) and minus 0.5 points (Slovakia). Whereas the assessment of the current situation in Slovakia is rather balanced at a level of minus 3.5 points, experts' assessment is significantly negative regarding the current situation in the Czech Republic, currently at a level of minus 34.5 points. In contrast, experts' assessment of the current business cycle in Poland is rather positive at a level of 12.5 points in spite of the decrease by 8.1 points in November.

Inflation concerns have been relaxed this month in all three countries – the Czech Republic, Poland and Slovakia. The respective indicators have decreased by 12.0 points (Czech Republic), 11.2 points (Poland) and 30.1 points (Slovakia). The indicators currently display the by far lowest levels among all surveyed economies – minus 53.2 points (Czech Republic), minus 40.6 points (Poland) and minus 48.2 points (Slovakia).

Experts' stock market sentiments reveal a slight bullish revision for the Czech stock market index PX 50 and a slight bearish revision for the Slovakian stock market index SAX. Expectations for the Polish stock market index WIG have remained stable in November. In contrast, experts have revised their expectations on the Polish Zloty towards a depreciation of the currency. The respective indicator has decreased by 32.4 points this month and currently displays a level of minus 3.3 points.

Croatia, Hungary and Romania: Revision of Foreign Exchange Forecasts



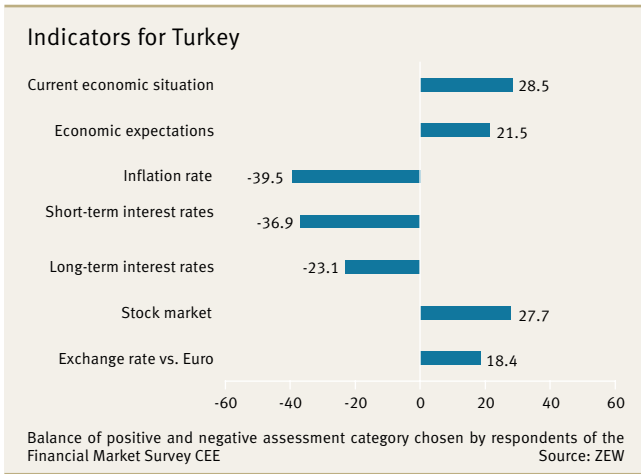
Economic sentiments have worsened significantly for Croatia and Hungary. The respective indicators have decreased by 19.8 points and 14.1 points respectively. The indicators thereby reach rather balanced levels of 3.0 points (Croatia) and minus 2.9 points (Hungary). In contrast, the respective sentiment indicator for Romania has improved this month by 8.2 points to a level of 17.3 points. Experts' assessment of the current economic situation has improved for all three countries – Croatia, Hungary and Romania. The respective indicators for Hungary and Romania have thereby slightly increased by 5.9 points (Hungary) and 4.6 points (Romania). The indicator for Croatia displays a double-digit increase by 15.4 points. The Hungarian indicator displays with minus 64.4 points the lowest level among all surveyed economies.

Inflation concerns in Croatia, Hungary and Romania have been relaxed in November. The respective indicators have decreased by 12.7 points (Croatia), 19.9 points (Hungary) and 8.1 points (Romania). The indicator reflecting the Hungarian short-term interest rates relative to the Eurozone rates has dropped by 19.9 points. The indicator thereby reaches the lowest level among all surveyed economies of 70.0 points.

Stock markets expectation sentiments have improved significantly for the Croatian CROBEX in November. The respective indicator has increased by 26.3 points to a level of 41.5 points. In contrast, the indicator of stock market sentiments for the Romanian BET has decreased significantly by 16.7 points to a level of 25.0 points.

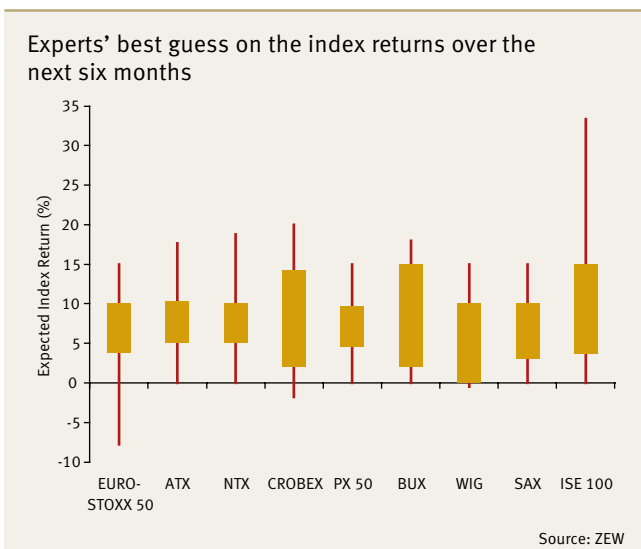
Stock market sentiments for the Hungarian BUX have remained roughly unchanged at a level of 15.3 points after a marginal increase by 0.4 points in November. Major revision of exchange rate expectations has been displayed by the responses for the Croatian Kuna and the Romania Lei. The respective indicator for the Croatian Kuna has thereby been revised towards an expected appreciation of the currency and displays an increase by 12.3 points this month. In contrast, there is a revision toward depreciation of the Romania Lei as indicated by a decrease of the respective indicator by 17.5 points.

Turkey: Economic Outlook and Current Situation Improved

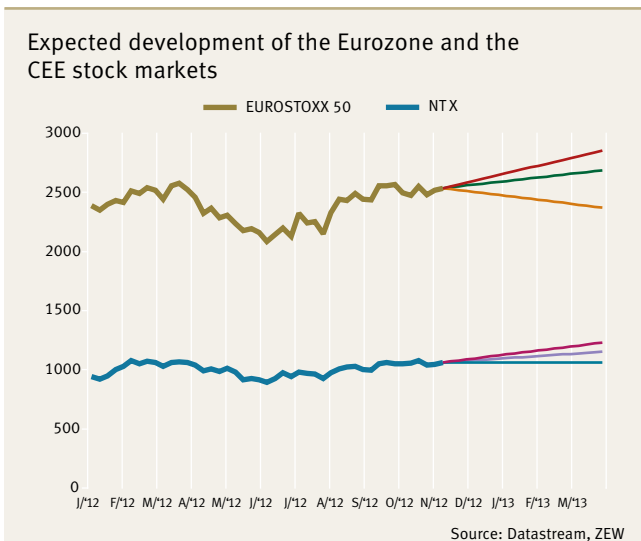


Economic sentiments for Turkey have improved in November. The respective indicator has increased by 11.2 points and has thereby reached a level of 21.5 points. Experts' assessment on the current economic situation has also improved significantly by 14.0 points this month. The indicator currently ranks at the highest level among all surveyed economies of 28.5 points. A major revision is further displayed by experts' inflation rate expectations. The respective indicator has decreased by 22.4 points to a level of minus 39.5 points this month. Experts further expect that the interest rate differential between the short-term interest rates in Turkey and the short-term rates in the Eurozone will diminish within the next six months. Stock market expectations on the Turkish ISE-100 have been displayed a bullish revision in November. The respective indicator has increased by 11.1 points to a level of 27.7 points in the current survey.

Special Question: Stock Market Expectations



In this month's special question experts were asked to provide their mid-term estimate on the return of stock market indices in the countries of the CEE region. In the last half year a bullish trend prevails on most CEE stock markets included in the survey except the Slovakian and the Croatian stock markets. The recent bullish trend has led to increases of index returns as large as 12 per cent for the Turkish ISE-100. As has been shown in the results of the current survey, all survey participants are optimistic about the development of the CEE stock market index NTX in the next six months. A majority of 75 per cent of the participants also expect the Eurozone stock market index EUROSTOXX 50 to yield more than 3.8 per cent in the next half year. Experts' responses thus indicate a continuation of the mid-term bullish trend. Against this background the current special question aims to provide a quantification of the strength of the expected trend continuation.



On average experts expect the Hungarian BUX and the Turkish ISE-100 to yield the highest returns among all indices considered in the survey. The average estimate for the BUX lies at 10.2 per cent and for the ISE-100 at 10.1 per cent. Large disagreement is displayed in experts' expectations on the Turkish ISE-100. While all survey participants expect a non-negative return of the stock market index in the mid-term, expectations range from the random-walk expectation of 0 per cent to a highly optimistic forecast of 33.3 per cent. Half of the participants expect the return to lie between 3.7 per cent and 15.0 per cent. The stock market index for the CEE region (NTX) is also expected to yield a return of 9.5 per cent, followed by the Austrian ATX and the Croatian CROBEX, which are on average expected to yield 8.9 per cent (ATX) and 8.8 per cent (CROBEX) in the next six months. The highest agreement among experts' sentiments is thereby observed for the NTX. Half of the responses range between 5.0 per cent and 10.0 per cent. The lowest returns are expected for the Eurozone EUROSTOXX 50 and the Polish WIG. The respective indices are on average expected to yield 6.4 per cent (EUROSTOXX 50) and 6.6 per cent (WIG). The Czech PX 50 and the Slovakian SAX are both expected to yield on average 7.7 per cent in the next six months.

Zwetelina Iliewa, Astrid Kiekert

ZEW / Erste Group Bank - Financial Market Survey CEE: November 2012																
Current economic situation	good		acceptable (normal)		bad		balance									
Austria	7.4	(+ 0.9)	74.1	(- 3.3)	18.5	(+ 2.4)	-11.1	(- 1.5)								
Croatia	9.3	(+ 6.3)	46.9	(+ 2.8)	43.8	(- 9.1)	-34.5	(- 15.4)								
Czech Republic	9.3	(+ 1.1)	46.9	(+ 1.0)	43.8	(- 2.1)	-34.5	(+ 3.2)								
Hungary	3.3	(+ 0.6)	29.0	(+ 4.7)	67.7	(- 5.3)	-64.4	(+ 5.9)								
Poland	25.0	(- 1.5)	62.5	(- 5.1)	12.5	(+ 6.6)	12.5	(- 8.1)								
Romania	6.9	(+ 3.9)	48.3	(- 3.2)	44.8	(- 0.7)	-37.9	(+ 4.6)								
Slovakia	17.2	(+ 8.1)	62.1	(- 16.7)	20.7	(+ 8.6)	-3.5	(- 0.5)								
Turkey	30.9	(+ 10.1)	66.7	(- 6.2)	2.4	(- 3.9)	28.5	(- 14.0)								
CEE (incl. Turkey)	10.0	(+ 1.6)	76.7	(- 6.6)	13.3	(+ 5.0)	-3.3	(- 3.4)								
Eurozone	2.5	(+ 0.2)	34.1	(+ 1.5)	63.4	(- 1.7)	-60.9	(+ 1.9)								
Economic expectations	improve		no change		worsen		balance									
Austria	22.2	(+ 0.3)	63.0	(+ 9.9)	14.8	(- 10.2)	7.4	(+ 10.5)								
Croatia	12.1	(- 19.3)	78.8	(+ 18.8)	9.1	(+ 0.5)	3.0	(- 19.8)								
Czech Republic	18.8	(- 11.7)	65.6	(+ 12.8)	15.6	(- 1.1)	3.2	(- 10.6)								
Hungary	21.3	(- 12.1)	54.5	(+ 10.1)	24.2	(+ 2.0)	-2.9	(- 14.1)								
Poland	18.2	(- 1.8)	54.5	(- 5.5)	27.3	(+ 7.3)	-9.1	(- 9.1)								
Romania	34.5	(+ 7.2)	48.3	(- 6.2)	17.2	(- 1.0)	17.3	(+ 8.2)								
Slovakia	17.3	(+ 0.6)	58.6	(- 5.3)	24.1	(+ 4.7)	-6.8	(- 4.1)								
Turkey	31.0	(+ 4.0)	59.5	(+ 3.2)	9.5	(- 7.2)	21.5	(+ 11.2)								
CEE (incl. Turkey)	13.3	(- 8.9)	70.0	(+ 8.9)	16.7	(± 0.0)	-3.4	(- 8.9)								
Eurozone	25.7	(- 1.6)	61.5	(+ 13.8)	12.8	(- 12.2)	12.9	(+ 10.6)								
Inflation rate	increase		no change		decrease		balance									
Austria	20.0	(± 0.0)	40.0	(- 23.3)	40.0	(+ 23.3)	-20.0	(- 23.3)								
Croatia	18.7	(- 12.8)	50.0	(+ 12.9)	31.3	(- 0.1)	-12.6	(- 12.7)								
Czech Republic	6.2	(- 8.5)	34.4	(+ 5.0)	59.4	(+ 3.5)	-53.2	(- 12.0)								
Hungary	25.0	(- 11.2)	21.9	(+ 2.5)	53.1	(+ 8.7)	-28.1	(- 19.9)								
Poland	12.5	(- 2.2)	34.4	(- 6.8)	53.1	(+ 9.0)	-40.6	(- 11.2)								
Romania	40.8	(- 1.1)	29.6	(- 5.9)	29.6	(+ 7.0)	11.2	(- 8.1)								
Slovakia	10.4	(- 4.8)	31.0	(- 20.5)	58.6	(+ 25.3)	-48.2	(- 30.1)								
Turkey	15.8	(- 11.8)	28.9	(+ 1.2)	55.3	(+ 10.6)	-39.5	(- 22.4)								
CEE (incl. Turkey)	24.2	(+ 3.7)	37.9	(- 9.2)	37.9	(+ 5.5)	-13.7	(- 1.8)								
Eurozone	17.5	(± 0.0)	37.5	(- 17.5)	45.0	(+ 17.5)	-27.5	(- 17.5)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	17.9	(- 0.3)	21.7	(- 5.9)	60.7	(+ 3.1)	52.2	(+ 3.9)	21.4	(- 2.8)	26.1	(+ 2.0)	-3.5	(± 2.5)	-4.4	(- 7.9)
Czech Republic	3.3	(+ 3.3)	7.4	(- 2.9)	67.7	(+ 1.0)	55.6	(+ 7.3)	29.0	(- 4.3)	37.0	(- 4.4)	-25.7	(+ 7.6)	-29.6	(+ 1.5)
Hungary	6.3	(- 5.1)	10.0	(- 8.7)	15.6	(- 4.4)	10.0	(- 2.5)	78.1	(+ 9.5)	80.0	(+ 11.2)	-71.8	(- 14.6)	-70.0	(- 19.9)
Poland	6.2	(+ 6.2)	6.7	(+ 3.3)	21.9	(- 15.6)	20.0	(- 13.3)	71.9	(+ 9.4)	73.3	(+ 10.0)	-65.7	(- 3.2)	-66.6	(- 6.7)
Romania	19.2	(+ 2.5)	31.8	(+ 5.9)	50.0	(- 3.3)	31.8	(- 20.1)	30.8	(+ 0.8)	36.4	(+ 14.2)	-11.6	(+ 1.7)	-4.6	(- 8.3)
Turkey	10.5	(- 3.8)	14.7	(- 4.3)	42.1	(- 5.5)	35.3	(- 7.9)	47.4	(+ 9.3)	50.0	(+ 12.2)	-36.9	(- 13.1)	-35.3	(- 16.5)
Eurozone	2.9	(+ 0.3)			91.2	(+ 9.6)			5.9	(- 9.9)			-3.0	(+ 10.2)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	50.0	(- 1.5)	36.0	(- 2.7)	33.3	(+ 3.0)	32.0	(- 13.2)	16.7	(- 1.5)	32.0	(+ 15.9)	33.3	(± 0.0)	4.0	(- 18.6)
Czech Republic	46.7	(- 1.6)	26.9	(+ 1.9)	43.3	(- 1.9)	46.2	(- 10.9)	10.0	(+ 3.5)	26.9	(+ 9.0)	36.7	(- 5.1)	0.0	(- 7.1)
Hungary	43.3	(+ 3.9)	29.6	(- 2.6)	26.7	(+ 2.5)	18.5	(- 4.1)	30.0	(- 6.4)	51.9	(+ 6.7)	13.3	(+ 10.3)	-22.3	(- 9.3)
Poland	30.0	(+ 1.0)	7.4	(- 3.3)	30.0	(- 18.4)	29.6	(- 24.0)	40.0	(+ 17.4)	63.0	(+ 27.3)	-10.0	(- 16.4)	-55.6	(- 30.6)
Slovakia	44.5	(- 0.3)	12.5	(- 13.4)	48.1	(+ 6.7)	62.5	(+ 6.9)	7.4	(- 6.4)	25.0	(+ 6.5)	37.1	(+ 6.1)	-12.5	(- 19.9)
Turkey	20.5	(+ 3.0)	15.2	(+ 3.5)	35.9	(- 16.8)	33.3	(- 22.6)	43.6	(+ 13.6)	51.5	(+ 19.1)	-23.1	(- 10.6)	-36.3	(- 15.6)
Germany	37.9	(+ 2.5)			55.2	(- 2.9)			6.9	(+ 0.4)			31.0	(+ 2.1)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX50	35.7	(- 6.8)	35.7	(+ 11.5)	28.6	(- 4.7)	7.1	(- 2.1)								
ATX (Austria)	52.3	(+ 8.3)	42.9	(+ 14.9)	4.8	(- 23.2)	47.5	(+ 31.5)								
NTX (CEE)	52.0	(+ 2.0)	36.0	(+ 11.0)	12.0	(- 13.0)	40.0	(+ 15.0)								
CROBEX (Croatia)	44.9	(+ 8.5)	51.7	(+ 9.3)	3.4	(- 17.8)	41.5	(+ 26.3)								
PX50 (Czech Rep.)	44.0	(- 6.0)	48.0	(+ 19.4)	8.0	(- 13.4)	36.0	(+ 7.4)								
BUX (Hungary)	38.4	(- 6.1)	38.5	(+ 12.6)	23.1	(- 6.5)	15.3	(+ 0.4)								
WIG (Poland)	51.9	(± 0.0)	33.3	(± 0.0)	14.8	(± 0.0)	37.1	(± 0.0)								
BET (Romania)	40.0	(- 14.2)	45.0	(+ 11.7)	15.0	(+ 2.5)	25.0	(- 16.7)								
SAX (Slovakia)	21.8	(- 10.2)	65.2	(+ 17.2)	13.0	(- 7.0)	8.8	(- 3.2)								
ISE-100 (Turkey)	44.4	(- 0.8)	38.9	(+ 12.7)	16.7	(- 11.9)	27.7	(+ 11.1)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	14.7	(+ 2.5)	61.8	(+ 7.3)	23.5	(- 9.8)	-8.8	(+ 12.3)								
Koruna (Czech Rep.)	25.0	(- 3.5)	53.1	(+ 10.2)	21.9	(- 6.7)	3.1	(+ 3.2)								
Forint (Hungary)	18.7	(+ 0.5)	34.4	(+ 1.1)	46.9	(- 1.6)	-28.2	(+ 2.1)								
Zloty (Poland)	32.2	(- 13.0)	32.3	(- 6.4)	35.5	(+ 19.4)	-3.3	(- 32.4)								
Lei (Romania)	25.0	(- 9.5)	42.9	(+ 1.5)	32.1	(+ 8.0)	-7.1	(- 17.5)								
Lira (Turkey)	42.1	(+ 9.6)	34.2	(- 10.0)	23.7	(+ 0.4)	18.4	(+ 9.2)								
US-Dollar	37.9	(- 14.6)	37.8	(+ 5.3)	24.3	(+ 9.3)	13.6	(- 23.9)								

Note: 77 Financial market experts, 20 from which from Turkey, participated in the November survey which was conducted during the period of 10/29-11/13/2012. 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 October 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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