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NBG - Economic Analysis Division

Director: Paul Mylonas

☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

Head: Michael Loufir

☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

Evlabia Fetsi

☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

Konstantinos Romanos-Louizos

☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

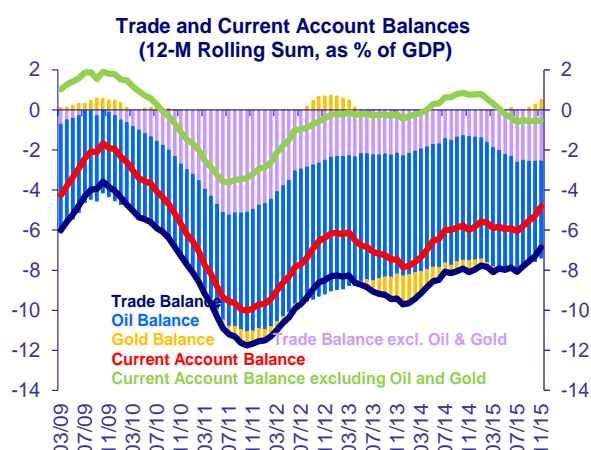
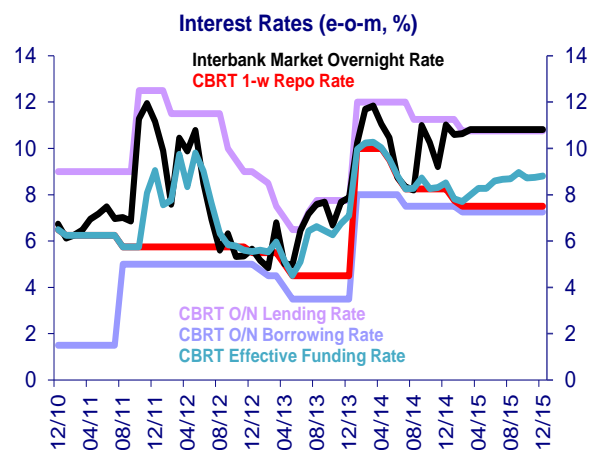
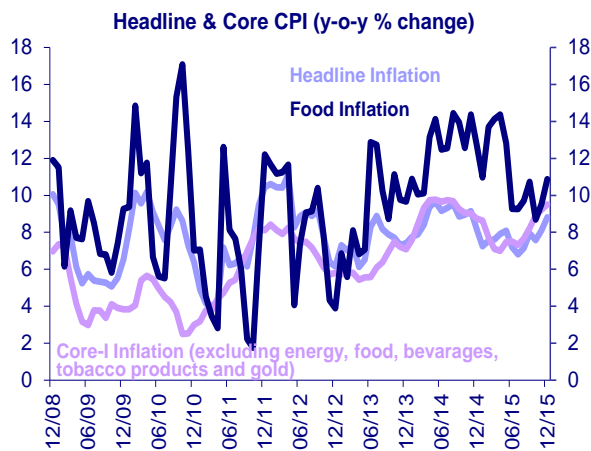
Louiza Troupi

☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr

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Turkey

BB+ / Baa3 / BBB- (S&P/ Moody's / Fitch)



	11 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.4	11.0	10.5	10.5
TRY/EUR	3.30	3.32	3.34	3.40
Sov. Spread (2017, bps)	149	141	135	120

	11 Jan.	1-W %	YTD %	2-Y %
ISE 100	71,049	0.8	-2.9	4.6

	2012	2013	2014	2015F	2016F
Real GDP Growth (%)	2.1	4.2	2.9	3.4	3.2
Inflation (eop, %)	6.2	7.4	8.2	8.8	8.4
Cur. Acct. Bal. (% GDP)	-6.2	-7.9	-5.8	-4.5	-5.0
Fiscal Bal. (% GDP)	-2.1	-1.2	-1.3	-1.0	-1.4

Headline inflation rose to a 13-month high of 8.8% y-o-y in December from 8.1% in November, due to higher food prices and the continued FX pass-through. The rise in food prices (comprising 24.2% of the CPI basket) accelerated to 10.9% y-o-y in December from 9.5% in October. Moreover, core inflation deteriorated further, on the back of the continued pass-through from a weaker TRY. The CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I rose to a 11-month high of 9.3% y-o-y and a 16-month high of 9.5% y-o-y, respectively, in December from 8.9% and 9.2% in November.

For 2016, we expect headline inflation to ease, mainly on the back of: i) a normalization in agricultural production, set to bring down food inflation to its long-term average of 9% from 10.9% in 2015 and 12.7% in 2014; and ii) a lesser depreciation of the TRY. However, the easing will be held back by the hikes of: i) the minimum wage by 30%; ii) taxes on tobacco, alcoholic beverages, and mobile phones (by 10%, 15%, and 30%, respectively); tolls and bridge fares by 10%; and iv) electricity prices by 6.8%, all effective from January 1st. These increases will add 1.1-1.4 pps to headline inflation. Overall, we see headline inflation ending 2016 at 8.4% y-o-y, slightly below the end-2015 outcome of 8.8% but well above the upper bounds of the CBRT's target range of 3.0%-7.0% and forecast range of 5.0%-8.0%.

In view of the negative inflation outlook, additional hikes in the Fed interest rate, and further weakening of the TRY due to heightening geopolitical and security concerns (a terrorist attack killed 11 tourists in Istanbul's old city this week), we expect the CBRT to hike its key rate (1-week repo rate) by 200 bps to 9.5% by year-end. The CBRT should also initiate the long-awaited simplification of its monetary policy framework (i.e. gradually achieving a narrower and symmetric corridor around the 1-week repo rate, with the final aim of having a single interest policy rate). We see the CBRT's interest rate corridor at 8.5%-10.5% at end-2016, compared with 7.25%-10.75% currently.

An across-the-board improvement in the current account for a second consecutive month in November. The monthly current account deficit (CAD) narrowed significantly to USD 2.1bn (0.3% of GDP) in November from USD 5.8bn (0.7% of GDP) in the same month a year ago. Importantly, the improvement was across the board for a second successive month, with the balances of energy, gold, and core goods strengthening by 0.17 pps, 0.23 pps, and 0.04 pps of GDP y-o-y, respectively). As a result, the 12-month rolling CAD retreated to USD 34.7bn (4.8% of GDP) in November from USD 46.5bn in December (5.8% of GDP).

On the financing side, the monthly capital and financial account (CFA) balance posted a surplus of USD 1.7bn or 0.2% of GDP in November, despite large portfolio outflows (USD 1.7bn: USD 1.0bn from the equity market and USD 0.7bn from the domestic public debt market). The CFA was supported by large repatriation of deposits held abroad by domestic banks (USD 2.4bn) and net borrowing from abroad by non-bank corporates (USD 1.3bn). The resulting gap was small (USD 0.4bn or 0.1% of GDP) and was equally covered by positive (net) errors and omissions and a withdrawal from FX reserves. Importantly, despite their decline by USD 7.2bn in 11M:15 (including valuation effects), FX reserves remained at a comfortable USD 99.7bn (5.3 months of imports of GNFS) at end-November.

Going forward, we estimate external rebalancing to have continued in December, despite the Russian sanctions, supported mainly by a favourable energy bill. We estimate the CAD at USD 32.0bn (4.5% of GDP) in FY:15 – well below the FY:14 outcome of USD 46.5bn (5.8% of GDP).

Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2014 Outcome	11M:14	11M:15	2015 Revised Budget	2015 NBG Forecast
Total Revenue	32.1	29.3	30.0	33.4	33.0
Tax Revenue	27.4	25.3	25.7	27.5	27.9
o/w PIT/CIT	5.4	5.0	5.4	5.7	5.8
VAT	7.6	7.1	7.6	7.9	8.0
Excise Duties	3.6	3.3	3.4	3.7	3.7
Soc. Sec. Contr.	8.6	7.8	7.4	8.2	8.2
Non-Tax Revenue	4.7	4.0	4.3	5.9	5.1
o/w EU grants	1.9	1.4	1.7	3.0	2.3
Total Expenditure	34.0	29.3	29.3	35.3	34.2
Current Spending	29.1	25.6	25.5	29.2	28.9
o/w Wages	7.5	6.6	6.7	7.1	7.7
Social Spending	10.7	9.7	9.9	10.8	10.8
Goods & Services	5.9	5.1	4.9	5.8	5.8
Subsidies	0.9	0.8	0.7	0.8	0.8
Interest Paym.	1.5	1.5	1.3	1.5	1.3
Capital Expend.	4.9	3.7	3.8	6.6	5.3
Fiscal Balance	-1.9	0.0	0.8	-1.9	-1.2
Primary Balance	-0.3	1.5	2.1	-0.4	0.1

Consolidated Budget (% of GDP)				
	2015 Revised Budget	2015 NBG Forecast	2016 Budget	2016 NBG Forecast
Total Revenue	33.4	33.0	31.9	31.8
Tax Revenue	27.5	27.9	27.3	27.0
o/w PIT/CIT	5.7	5.8	5.6	5.7
VAT	7.9	8.0	7.2	7.0
Excise Duties	3.7	3.7	3.8	3.8
Soc. Sec. Contr.	8.2	8.2	8.5	8.3
Non-Tax Revenue	5.9	5.1	4.6	4.6
o/w EU grants	3.0	2.3	1.8	1.9
Total Expenditure	35.3	34.2	34.7	34.8
Current Spending	29.2	28.9	29.7	29.7
o/w Wages	7.1	7.7	7.9	8.0
Social Spending	10.8	10.8	10.9	11.0
Goods & Services	5.8	5.8	6.0	6.0
Subsidies	0.8	0.8	0.9	0.9
Interest Paym.	1.5	1.3	1.5	1.3
Capital Expend.	6.6	5.3	5.0	4.9
Fiscal Balance	-1.9	-1.2	-2.8	-3.0
Primary Balance	-0.4	0.1	-1.3	-1.7

	11 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.53	4.52	4.51	4.50
Sov. Spread (2018, bps)	84	88	85	80

	11 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,283	-3.3	-4.4	-0.4

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.6	3.4	2.8	3.6	4.0
Inflation (eop, %)	5.0	1.6	0.8	-0.8	-1.0
Cur. Acct. Bal. (% GDP)	-4.8	-1.1	-0.5	-1.0	-2.1
Fiscal Bal. (% GDP)	-2.5	-2.5	-1.9	-1.2	-3.0

Significant fiscal consolidation in 11M:15, with the 12-month rolling deficit narrowing to 1.0% of GDP in November from 1.9% in December. The consolidated budget recorded a surplus of 0.8% of GDP in 11M:15 against a balanced budget in 11M:14. The main driver was tax revenue (up 0.4 pps of GDP y-o-y in 11M:15). Specifically, despite the VAT cut on food in June (by 15 pps to 9%), VAT revenue surged in 11M:15 (by 0.5 pps of GDP y-o-y), in line with the economic recovery (and possibly supported by lower VAT refunds), as did revenue from PIT/CIT (up 0.4 pps of GDP y-o-y). These factors more than offset the drop in revenue from social security contributions (down 0.4 pps of GDP y-o-y), following the reduction of their rates at end-2014. Non-tax revenue also improved in 11M:15 (up 0.3 pps of GDP y-o-y), due to the better absorption of EU funds. On the other side of the budget, primary current spending remained contained in 11M:15 (up 0.1 pp of GDP y-o-y), as higher social transfers and personnel expenses were broadly offset by lower public consumption and subsidies. At the same time, interest payments declined (by 0.2 pps of GDP y-o-y in 11M:15), due to the sharp decrease in debt yields.

The FY:15 budget deficit is estimated to have overperformed compared with its target of 1.9% of GDP, reaching 1.2%. We estimate current expenditure to have expanded at a fast pace in December, reflecting traditional seasonal patterns and the ongoing loosening in incomes policy. Recall that, before stepping down, the outgoing Government had approved a broad-based 10% hike in public sector wages (effective as of December), with the education and healthcare sectors enjoying even larger salary increases (up 25% as of October and 15% as of December, respectively). Capital spending also likely picked up in December, in line, *inter alia*, with the better absorption of EU funds. All said, the FY:15 budget deficit is estimated to have reached 1.2% of GDP, overperforming compared with its target and the FY:14 outcome (both at 1.9% of GDP).

The budget deficit is set to widen significantly in FY:16, fuelled by aggressive tax cuts and a looser incomes policy. The FY:16 budget envisages a significantly looser fiscal stance, targeting a deficit of 2.8% of GDP. According to budget projections, tax revenue is set to decline significantly (by 0.6 pps of GDP against our FY:15 forecast), due to a series of tax cuts. The latter include: i) the reduction in the standard VAT rate by 4.0 pps to 20% from January 1st; ii) the reduction in the dividend tax rate by 9 pps to 5%; iii) an increase in personal tax deductions; and iv) tax incentives for small businesses to hire employees. Worryingly, however, the authorities appear to have overestimated the size of second-round effects of the tax cuts on consumption (the budget assumes a FY:16 nominal GDP growth of 6.0% compared with our forecast of 4.0%) and employment (the budget foresees a sizeable 3.5% increase in employment in FY:16 compared with our forecast of 2.0%). As a result, we see a slippage of 0.3 pps of GDP with respect to the FY:16 tax revenue budget target.

At the same time, current spending is projected to increase markedly in FY:16 (by 0.8 pps of GDP against our FY:15 forecast). The main factors include: i) the hike in public sector wages in late-2015 and additional targeted increases in wages in the broader public sector in 2016; ii) higher public consumption and subsidies; and iii) a rise in social spending (mainly benefits). Overall, we are comfortable with the FY:16 current spending target, considering that persistently low debt yields could lead to lower-than-budgeted interest expenses. Unless corrective measures are adopted, we see the budget deficit surpassing the critical limit of 3.0% of GDP in FY:16.

Bulgaria

BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2014 Outcome	11M:14	11M:15	2015 Budget	2015 NBG Forecast
Total Revenue	35.2	32.0	33.8	36.8	36.9
Tax Revenue	27.5	25.1	26.2	28.8	28.6
Non-Tax Rev.	4.1	3.8	4.0	4.2	4.3
Grants	3.5	3.0	3.7	3.8	4.0
Total Expenditure	38.8	33.9	34.3	40.2	39.6
Current Spending	33.0	29.2	28.7	32.9	32.6
o/w Wages	5.5	5.0	4.9	5.2	5.4
Goods & Services	5.7	4.7	4.3	5.6	5.3
Subsidies	1.9	1.5	1.5	1.6	1.8
Social Spending	16.4	14.8	14.7	15.7	16.3
Interest Payments	0.7	0.6	0.8	1.0	1.0
Capital Expend.	5.9	4.7	5.6	7.3	7.0
Fiscal Balance	-3.7	-2.1	0.1	-3.3	-2.7

Significant fiscal consolidation in 11M:15, with the 12-month rolling budget deficit moderating to 2.2% of GDP from 3.7% in December 2014. The consolidated budget deficit narrowed to 0.5% of GDP in 11M:15 from 1.9% in 11M:14. Specifically, tax revenue surged in 11M:15 (by 1.1 pp of GDP y-o-y), due, *inter alia*, to strong base effects (recall that structural changes in the tax system in early-2014 had caused delays in tax collection). In this context, revenue from indirect taxes rose sharply in 11M:15 (by 0.5 pps of GDP y-o-y), as did revenue from social security contributions (up 0.4 pps of GDP y-o-y, due also to an increase in employment). Moreover, grants from the EU rose markedly in 11M:15 (by 0.7 pps of GDP y-o-y), on the back of an acceleration in the absorption of EU funds ahead of the closing of the 2007-13 programming period at end-year and base effects from delayed refunds for expenses incurred at end-2014. At the same time, primary current spending was contained in 11M:15 (down 0.6 pps of GDP y-o-y), mainly due to lower public consumption, partly compensating for the rise in public investment (up 1.1 pps of GDP y-o-y).

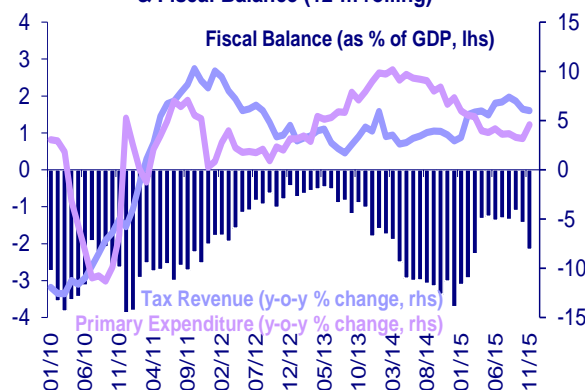
Despite a surge in December, the budget deficit is estimated to have reached 2.7% of GDP in FY:15, overperforming compared with its target of 3.3%. The main pressure on the budget in December was from higher capital spending on projects co-financed with the EU under the 2007-2013 programming period. Note that the Government has also committed to cover the cost of projects whose financing by EU funds was interrupted due to irregularities in their management. At the same time, we estimate current spending to have expanded at a fast pace, reflecting the need to close the financing gap of the pension and health systems, as well as higher social payments and personnel expenses. All said, according to preliminary estimates of the Ministry of Finance, the budget deficit narrowed to 2.7% of GDP in FY:15 from 3.7% in FY:14.

The overperformance of the FY:15 budget target bodes well for the continuation of fiscal consolidation in FY:16. The FY:16 budget assumes a tighter fiscal stance with respect to the FY:15 estimate, targeting a deficit of 2.0% of GDP. Specifically, tax revenue is projected to strengthen significantly in FY:16 (by 0.7 pps of GDP against our FY:15 forecast), mainly due to improved tax compliance. However, in the absence of additional base effects and without new measures (a hike in the excise duty on tobacco is expected to add less than 0.1 pp of GDP to tax revenue), we expect tax collection to underperform the FY:16 budget target (by 0.4 pps of GDP). Note that the budget is set to benefit from the (once-off) proceeds from the concession of the Sofia airport (projected to yield 0.7% of GDP).

At the same time, current spending is projected to be curtailed in FY:16 (by 0.3 pps of GDP against our FY:15 forecast), as a result of the implementation of a series of measures, including tighter means-testing and an increase in the retirement age by 2 months. In our view, however, spending pressures are unlikely to ease in 2016, considering the rising financing needs of the healthcare system and the hike in the minimum wage (by 10.5% to EUR 215 in January) and pensions (by 2.5% in July), keeping FY:16 current spending broadly unchanged compared with our FY:15 forecast.

The envisaged slippage on both sides of the budget could be offset by the under-execution of the public investment programme co-financed with the EU, which has an estimated deficit of c. 1.0% of GDP. In fact, the latter appears optimistic, in view of the much lower absorption of EU funds in FY:16. All said, the authorities should not have too much difficulty in bringing the FY:16 budget into line with its target of 2.0% of GDP.

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m rolling)



Consolidated Budget (% of GDP)				
	2015 Budget	2015 NBG Forecast	2016 Budget	2016 NBG Forecast
Total Revenue	36.8	36.9	37.2	36.8
Tax Revenue	28.8	28.6	29.3	28.9
Non-Tax Rev.	4.2	4.3	5.0	5.0
Grants	3.8	4.0	2.9	2.9
Total Expenditure	40.2	39.6	39.2	38.8
Current Spending	32.9	32.6	32.3	32.6
o/w Wages	5.2	5.4	5.4	5.4
Goods & Services	5.6	5.3	5.4	5.4
Subsidies	1.6	1.8	1.6	1.6
Social Spending	15.7	16.3	15.7	16.2
Interest Payments	1.0	1.0	0.9	0.9
Capital Expend.	7.3	7.0	6.9	6.2
Fiscal Balance	-3.3	-2.7	-2.0	-2.0

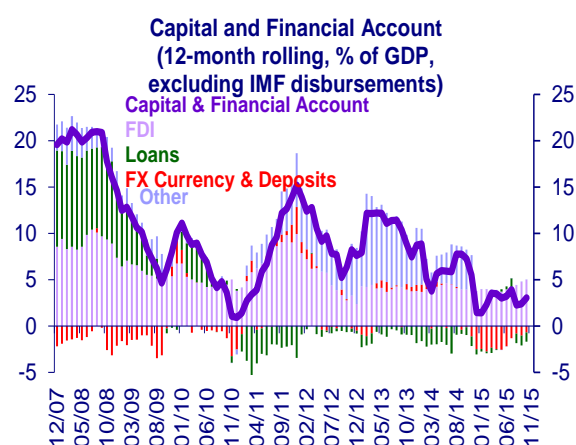
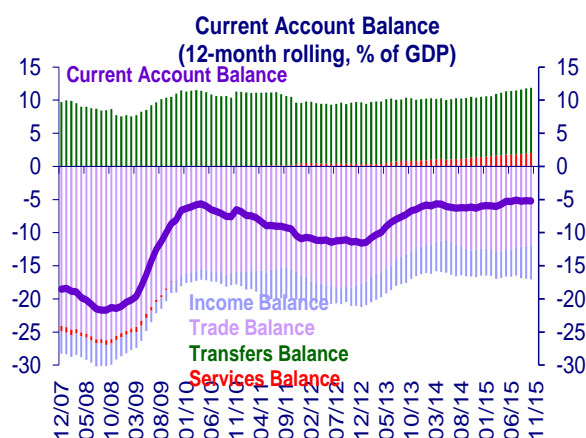
	11 Jan.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.2	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	59	62	61	60

	11 Jan.	1-W %	YTD %	2-Y %
SOFIX	454	-0.6	-1.4	-13.3

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.2	1.3	1.5	2.9	2.6
Inflation (eop, %)	4.2	-1.6	-0.9	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-0.3	1.8	1.2	1.5	1.0
Fiscal Bal. (% GDP)	-0.4	-1.8	-3.7	-2.7	-2.0

Serbia

BB- / B1 / B+ (S&P / Moody's / Fitch)



External Financing (EUR bn)			
	2014	2015E	2016F
Financing Needs	5.6	5.0	4.8
Current Account Deficit	2.0	1.5	1.4
Amortisations + Other	3.6	3.5	3.3
Financing Sources	4.9	5.7	5.5
FDI	1.2	1.6	1.7
Loans & Other	3.6	4.1	3.8
External Financing Balance	-0.7	0.7	0.7
IMF	-0.6	-0.1	0.0*
Change in FX Reserves	-1.3	0.6	0.7

* Assuming no disbursements from the IMF

	11 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.6	4.0
RSD/EUR	122.0	119.8	120.1	120.3
Sov. Spread (2021, bps)	312	270	240	180

	11 Jan.	1-W %	YTD %	2-Y %
BELEX-15	625	-2.3	-0.9	9.4

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-1.0	2.6	-1.8	0.8	2.5
Inflation (eop, %)	12.2	2.2	1.7	1.5	2.4
Cur. Acct. Bal. (% GDP)	-11.6	-6.1	-6.0	-4.5	-4.4
Fiscal Bal. (% GDP)	-6.8	-5.5	-6.7	-4.1	-3.9

The IMF Executive Board completed the 3rd review of the ongoing 3-year EUR 1.2bn precautionary SBA (3.5% of GDP). The Board praised Serbia's positive results under the SBA, approved in February 2015, including the significant fiscal over-performance and the substantial improvement in the macroeconomic outlook. Moreover, continuous progress is being made in the resolution of state-owned enterprises (SOEs) (with insolvency proceedings or public tenders for 320 out of 500 targeted SOEs started by October). Nonetheless, it underlined the need for further fiscal adjustment (of 1.5 pps of GDP in 2016-17), essentially through the acceleration of the ongoing public employment rightsizing, as well as the timely resolution of loss-making SOEs and the implementation of reforms in large public utilities and transport companies. Although the completion of the review enables the disbursement of EUR 87.6mn, bringing total funds available to EUR 627mn (1.8% of GDP) since the approval of the SBA, the Serbian authorities continue to treat the arrangement as precautionary.

Significant external rebalancing in 10M:15. The CAD shrank by 0.8 pps y-o-y to 3.9% of GDP in 10M:15. The improvement was supported by a strong rebound in transfers (up 0.7 pps of GDP), a higher services surplus (up 0.6 pps of GDP), as well as the narrowing trade deficit (by 0.4 pps of GDP; excluding energy, the trade deficit widened by an estimated 0.1 pp of GDP). The CAD improvement would have been larger had repatriation of profits and dividends not increased (up 1.0 pp of GDP). As a result, the 12-month rolling CAD narrowed to a 13-year low of 5.2% of GDP in October, down from 6% at end-2014.

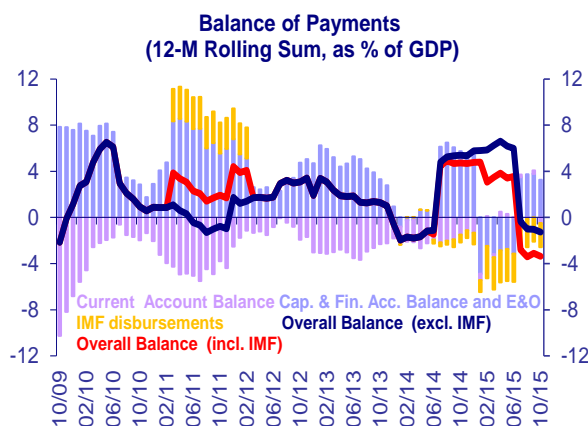
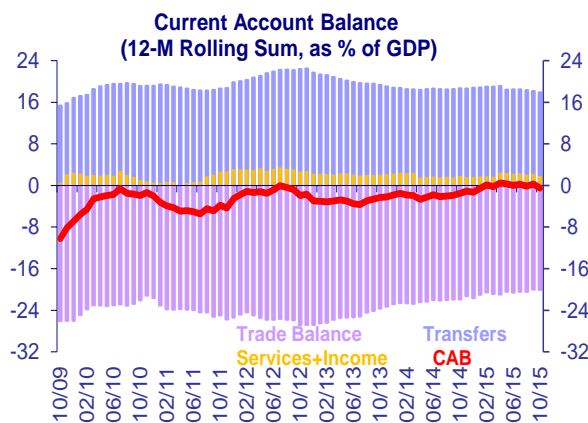
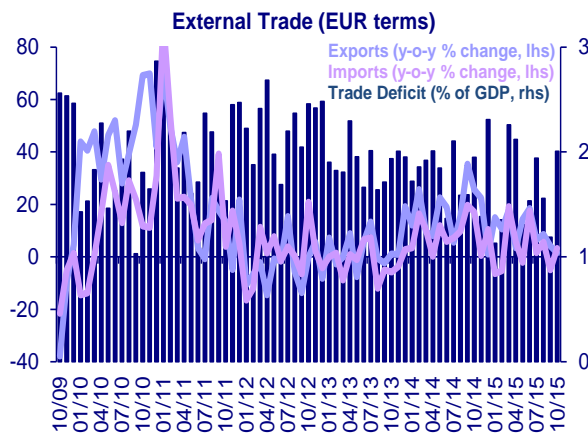
The capital and financial account (CFA) improved in 10M:15, and fully covered the CAD. The CFA surplus widened by 1.6 pps y-o-y to 4.1% of GDP in 10M:15 (by a sizeable 3.9 pps of GDP y-o-y excluding the EUR 750mn loan (or 2.4% of GDP) provided by the UAE in August 2014). The CFA improvement was supported by: i) inflows of currency & deposits (due to repatriation of deposit holdings by domestic banks), amounting to 0.3% of GDP in 10M:15 against outflows of 1.6% of GDP in 10M:14; and ii) strongly rising FDI inflows (up 1.3 pps of GDP y-t-d). As a result, and along with large errors & omissions (amounting to 1.4% of GDP in 10M:15), the overall balance turned positive in 10M:15 (EUR 556mn or 1.7% of GDP), allowing the repayment of EUR 138mn to the IMF, and adding EUR 0.8bn y-t-d to FX reserves (including FX valuation effect). The latter stood at the comfortable level of EUR 10.7bn in October (covering 6.8 months of GNFS imports).

The CAD is estimated to have ended 2015 at a 13-year low of 4.5% of GDP and is set to narrow marginally to 4.4% in 2016. The estimated improvement in November-December (by a further 0.7 pps of GDP y-o-y) should be attributed to the strong export performance, on the back of a large base effect from the mid-May 2014 floods, and the recovery in the EU. This performance is estimated to have helped contain the CAD to 4.5% of GDP in 2015 -- its lowest level since 2002. For 2016, the CAD is set to narrow marginally to 4.4% of GDP, as a higher deficit in the income balance should largely offset lower trade deficit. The latter should result from the continued rebound in exports, while imports should be held back by broadly stable energy imports (global oil prices are set to remain broadly flat).

Regarding financing, the CAD should be almost fully covered by FDI inflows in 11-12M:15, containing the decline in FX reserves to EUR 0.2bn in 11-12M:15 (FX reserves are estimated to have ended 2015 at EUR 10.5bn). For 2016, assuming: i) robust FDI inflows (4.9% of GDP); ii) a blended rollover ratio of maturing external debt of 115% (as in FY:15); and iii) no debt repayments to the IMF (against EUR 0.1bn in FY:15), we see FX reserves strengthening by EUR 0.7bn y-o-y to EUR 11.2bn (covering 7.2 months of GNFS imports).

F.Y.R.O.M.

BB- / NR / BB+ (S&P / Moody's / Fitch)



The CAD narrowed by 0.8 pps y-o-y to 0.2% of GDP in 10M:15, on the back of a better trade performance. Specifically, the trade deficit narrowed in 10M:15 (by 1.7 pps of GDP y-o-y), exclusively due to a surge in merchandise exports (by 1.7 pps of GDP y-o-y). The latter is attributed to: i) the large extension of the country's export base, following the past years' significant FDI, mostly in the technological industrial development zones, in the flourishing sectors of machinery and transport equipment and chemical products (which account for roughly 25% and 22%, respectively, of exports of goods); and ii) stronger demand from Germany -- the country's main trading partner -- absorbing c. 45% of FYROM's exports, and China -- accounting for c. 4% of the country's exports. The narrowing in the trade deficit would have been smaller had the sharp rise in non-energy imports (by 1.8 pps of GDP y-o-y), mainly reflecting the large import content of exports, not been offset by an equivalent decline in imports of energy, on the back of favourable global oil prices (the average price of Brent declined by 35.7% y-o-y, in EUR terms, in 10M:15).

The improvement in the trade deficit in 10M:15 was largely offset, however, by the sharp narrowing in the transfers surplus (by 0.9 pps of GDP y-o-y), mainly on the back of lower private transfers (down 0.6 pps of GDP y-o-y).

FX reserves declined in 10M:15, due to a base effect and the early payment of obligations to the IMF. The CFA balance deteriorated by 7.9 pps y-o-y, to a deficit of 1.7% of GDP in 10M:15, mainly due to a significant decrease in portfolio investment (to -0.3% of GDP from 5.7% of GDP in 10M:14), reflecting strong base effects from the placement of a sovereign Eurobond worth EUR 500mn (5.8% of GDP) in July 2014 (the country's largest ever Eurobond issue). At the same time, other net capital inflows also deteriorated in 10M:15 (by 1.4 pps y-o-y to -3.3% of GDP), on the back of higher deposit outflows from the banking system and lower net lending to the non-financial sector.

All said, the overall balance posted a deficit of EUR 126.1mn (1.4% of GDP) in 10M:15. With the early payment of the country's obligations to the IMF (amounting to EUR 157.6mn or 1.8% of GDP against an initially-planned EUR 115mn for this year or 1.3% of GDP) and including valuation effects, FX reserves declined to EUR 2.2bn in October from EUR 2.4bn at end-2014, covering 4.6 months of imports of GNFS.

The CAD is set to widen to 1.4% of GDP in FY:16 from a projected 0.4% of GDP in FY:15, in line with the recovery in domestic demand. For 2016, despite subdued global oil prices (the energy balance is projected to narrow by an estimated 0.4 pps of GDP y-o-y in 11-12M:15 and remain broadly stable in FY:16), we expect pressures on the trade deficit to increase gradually, reflecting the recovery in domestic demand (we see real GDP picking up to 3.6% in FY:16 from 3.5% in FY:15).

Importantly, with no debt repayments to the IMF (versus 1.8% of GDP in FY:15), filling the external financing gap should be manageable next year. Assuming that: i) net FDI inflows remain broadly unchanged (2.6% of GDP in FY:16 against an estimated 2.7% of GDP in FY:15); ii) net portfolio investment retreats (to c. 0% of GDP in FY:16 from a projected 1.3% of GDP in FY:15 (note that a EUR 270mn Eurobond or 3.1% of GDP was issued in November in view of the repayment of a maturing Eurobond in December, worth EUR 150mn, and the financing of the 2015 and 2016 fiscal deficits); and iii) the external debt rollover rate remains broadly unchanged compared with FY:15 (at 92%), we foresee FX reserves declining moderately, by EUR 40mn to EUR 2.2bn at end-2016 (covering 4.4 months of GNFS imports), following a decline of EUR 175mn in FY:15.

	11 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.4	1.4	1.4
MKD	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	499	460	400	300

	11 Jan.	1-W %	YTD %	2-Y %
MBI 100	1.823	-0.5	-0.6	4.1

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-0.4	2.7	3.5	3.5	3.6
Inflation (eop. %)	4.7	1.4	-0.5	-0.3	0.6
Cur. Acct. Bal. (% GDP)	-3.0	-1.8	-1.3	-0.4	-1.4
Fiscal Bal. (% GDP)	-3.8	-3.8	-4.2	-3.7	-3.5

Albania

B / B1 / NR (S&P / Moody's / Fitch)

Consolidated Fiscal Balance (% of GDP)					
	2014	11M:14	11M:15	2015 Revised Budget	NBG 2015E
Revenue	26.3	23.6	23.6	27.3	26.3
Tax Revenue	24.1	21.6	21.3	24.4	23.6
PIT	2.1	1.8	1.8	2.2	2.1
CIT	1.5	1.4	1.5	1.6	1.7
VAT	8.9	8.2	7.8	9.0	8.5
Excises	2.9	2.7	2.5	3.1	3.0
Customs	0.4	0.4	0.4	0.4	0.4
Other taxes	8.3	7.2	7.4	8.2	8.1
Grants	0.7	0.6	0.6	0.8	0.8
Non-Tax Rev.	1.5	1.4	1.6	2.1	1.8
Expenditure	31.5	26.6	25.2	31.3	29.6
Current Exp.	24.5	21.5	21.1	25.2	24.4
Personnel	5.1	4.6	4.5	5.1	5.0
Operational	2.2	1.9	2.3	2.9	2.6
Subsidies	0.1	0.1	0.1	0.1	0.1
Social Insur.	9.9	8.8	8.6	9.8	9.8
Local Budget	2.4	1.9	1.9	2.8	2.5
Other Exp.	1.8	1.5	1.2	1.7	1.7
Int. Payments	2.9	2.7	2.4	2.8	2.6
Capital Exp.	4.3	3.1	3.0	4.3	3.8
Net Lending / Arrears	2.5	1.9	1.2	1.4	1.4
Contingency reserves	0.0	0.0	0.0	0.3	0.0
Fiscal Bal.	-5.2	-3.0	-1.7	-4.0	-3.4
Primary Bal.	-2.3	-0.3	0.8	-1.2	-0.7
Fiscal Bal. ^a	-2.8	-1.1	-0.5	-2.6	-2.0
Primary Bal. ^a	0.1	1.6	1.9	0.2	0.6

a: excluding the clearance of arrears

Consolidated Fiscal Balance (% of GDP)			
	NBG 2015E	2016 Budget	NBG 2016F
Revenue	26.3	27.6	26.6
Tax Revenue	23.6	24.8	24.1
o/w VAT	8.5	9.2	8.7
Grants	0.8	0.9	0.9
Non-Tax Rev.	1.8	1.9	1.6
Expenditure	29.6	29.9	28.8
Current Exp.	24.4	25.3	25.0
Capital Exp.	3.8	4.0	3.5
Net Lending / Arrears	1.4	0.3	0.3
Contingency reserves	0.0	0.2	0.0
Fiscal Bal.	-3.4	-2.3	-2.3
Primary Bal.	-0.7	0.6	0.6
Fiscal Bal. excl. arrears	-2.0	-2.3	-2.3
Primary Bal. excl. arrears	0.6	0.6	0.6

	11 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.2	2.2	2.2	2.2
ALL/EUR	138.0	139.2	138.2	139.0
Sov. Spread (bps)	539	500	450	400

	11 Jan.	1-W %	YTD %	2-Y %
Stock Market	---	---	---	---

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	1.4	1.1	2.2	2.7	3.2
Inflation (eop, %)	2.4	1.9	0.7	2.0	1.5
Cur. Acct. Bal. (% GDP)	-10.2	-10.9	-12.9	-11.4	-11.0
Fiscal Bal. (% GDP)	-3.4	-5.0	-5.2	-3.4	-2.3

Significant fiscal consolidation in 11M:15, due to expenditure restraint. The cumulative fiscal deficit (excluding the repayment of arrears) narrowed to 0.5% of GDP in 11M:15, half its outcome in 11M:14. This positive performance was due exclusively to lower expenditure (down 0.6 pps of GDP y-o-y). Indeed, social assistance, social insurance as well as interest payments each moderated by 0.2 pps of GDP y-o-y.

On the other hand, revenue decreased slightly, by 0.1 pp of GDP y-o-y in 11M:15, due to: i) the decline in VAT revenue (by 0.4 pps of GDP y-o-y), driven by the drop in final consumption; ii) lower excise taxes (down 0.3 pps of GDP y-o-y); iii) weaker tax collection; and iv) lower royalties from the oil sector (down c. 53% y-o-y in 9M:15 to 0.3% of GDP), due to the decline in oil prices and production. This negative performance was broadly offset by: i) a rise in social insurance contributions (by 0.3 pps of GDP y-o-y), on the back of the hike in the minimum wage, as at January 1st, used to calculate mandatory contributions of self-employed; as well as ii) higher non-tax revenue (up 0.3 pps of GDP y-o-y in 11M:15). The 11M:15 revenue performance would have been worse had revenue-enhancing measures not been adopted from January 1st (set to yield 1.1 pp of GDP this year), mainly consisting of rises in: i) the tax rate on income from bank deposits, dividends and capital gains, and gambling by 5 pps to 15% (0.3 pps of GDP); ii) the fuel tax (0.4 pps of GDP); and iii) excise duty on cigarettes (0.3 pps of GDP).

The fiscal deficit including the repayment of accumulated arrears (unpaid bills to businesses and VAT refunds) of ALL 16.9bn in 11M:15 (1.2% of GDP, and 85% of the amount budgeted for FY:15) narrowed by 1.3 pps y-o-y to 1.7% of GDP in 11M:15. Since March 2014, the Government has repaid a total of ALL 50.7bn out of ALL 71.5bn (or 4.9% of 2015 GDP).

As a result, the 12-month rolling fiscal deficit (excluding the repayment of arrears) narrowed to 2.1% of GDP in November from 2.8% at end-2014. Including the clearance of arrears, the 12-month rolling deficit moderated to 3.8% of GDP in November from 5.2% at end-2014.

The fiscal deficit is estimated to have overperformed its FY:15 target. The fiscal performance (excluding arrears) likely continued to improve in December (an estimated deficit of 1.5% of GDP against 1.7% in December 2014), due to a base effect from an acceleration in capital execution in December 2014. Overall, we see the FY:15 fiscal deficit, excluding the repayment of arrears, at 2.0% of GDP -- below its target of 2.6% of GDP and the FY:14 outcome of 2.8% of GDP. Including the clearance of arrears, the FY:15 deficit is estimated to have reached 3.4% of GDP, below the FY:15 target of 4.0% and the FY:14 outcome of 5.2%.

Expenditure restraint is needed in order to meet the 2016 fiscal deficit target. The 2016 Budget targets a deficit of 2.3% of GDP, 0.3 pps above our FY:15 estimate (excluding arrears).

In the absence of new tax measures, the Budget revenue growth target of 9.1% looks overly optimistic. We expect FY:16 revenue growth at 5.0% y-o-y, broadly in line with our nominal GDP growth of 4.0%, implying a revenue shortfall of 1 pp of GDP. Therefore, meeting the FY:16 fiscal deficit target will once again require a significant under-execution of spending (1.0% growth against the target of 9.7%, excluding arrears). Overall, we expect the FY:16 deficit to be in line with its target of 2.3% of GDP -- up from our FY:15 estimate (excluding arrears) of 2.0% in FY:15.

Should our FY:16 fiscal deficit forecast materialise, the public debt-to-GDP ratio is set to narrow, for the first time in 5 years, to 70.2% from an expected 14-year high of 73.3% in 2015.

Cyprus

BB- / B1 / B+ (S&P / Moody's / Fitch)

	Balance of Payments (% of GDP)				
	FY:14A	9M:14A	9M:15A	FY:15E	FY:16F
Current AccBalance	-4.6	-3.4	-3.9	-5.3	-4.8
Trade Balance	-16.2	-12.1	-14.0	-18.7	-19.0
Exports	16.1	13.0	11.3	13.9	14.0
Imports	32.3	25.1	25.3	32.6	33.0
Services Balance	16.9	12.8	12.7	16.8	17.2
Income Balance	-2.8	-2.3	-0.9	-0.9	-0.3
Transfers Balance	-2.4	-1.7	-1.8	-2.6	-2.7
Capital & Financial Account (excl IMF)	-2.8	-2.0	1.0	-0.5	1.8
FDI	-4.1	-1.0	-0.3	-2.9	0.8
Other	1.3	-1.0	1.3	2.4	1.0
Overall Balance	-7.4	-5.4	-3.0	-5.8	-3.0
Troika disbursements	7.4	5.3	3.0	5.8	3.0
Change in Reserves (+ denotes increase)	0.0	-0.1	0.0	0.0	0.0

External Financing (EUR bn)			
	2014	2015E	2016F
Financing Needs	35.4	30.1	30.6
Current Account Deficit	0.8	0.9	0.8
Amortisations + Other	34.6	29.2	29.7
Financing Sources	34.1	29.0	27.8
FDI	-0.7	0.5	0.7
Loans & Other	34.8	29.5	27.1
External Financing Balance	-1.3	-1.1	-2.8
IMF-EU	1.1	0.6	2.8
Change in FX Reserves	0.2	0.5	0.1

	11 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (mid, %)	-0.22c	-0.22	-0.22	-0.22
EUR/USD	1.09	1.07	1.06	1.06
Sov. Spread (2020, bps)	287	275	240	200

	11 Jan.	1-W %	YTD %	2-Y %
CSE Index	66	-1.5	-2.2	-38.8

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-2.4	-5.9	-2.5	1.5	2.0
Inflation (eop, %)	1.1	-2.3	-1.5	-1.2	-0.2
Cur. Acct. Bal. (% GDP)	-5.6	-4.5	-4.6	-5.3	-4.8
Fiscal Bal. (% GDP)	-4.6	-4.7	-0.2	-0.5	0.0

One necessary prior action remains for the disbursement of the final tranche of the Troika's financial assistance. On January 11th, the cabinet approved plans to legally split the Electricity Authority of Cyprus (EAC) into two entities (one to take over the transmission and distribution networks and the other production and supply), meeting one of the three prior actions required for the disbursement of the ninth and final tranche of the Troika's financial assistance, worth EUR 400mn. The prior action related to the legislation facilitating the sale of loans to third parties was implemented a month earlier.

The remaining prior action is the parliamentary approval of a bill, transforming the telecommunications company, CyTA, from a public entity to a corporation, with the aim of attracting a strategic investor at a later stage. The bill has already been forwarded to parliament, and approval is likely to take place by end-January. Its passage will pave the way for the disbursement of the ninth tranche of financial assistance (bringing total disbursements under the programme to EUR 7.6bn against an initial EUR 10bn) and the country's smooth exit from its 3-year assistance programme at end-March.

The current account deficit (CAD) widened by 0.6 pps y-o-y to 3.9% of GDP in 9M:15. This negative performance resulted mainly from a sharp deterioration in the trade deficit (up 1.9 pps y-o-y to 14.0% of GDP in 9M:15). Indeed, imports of non-energy (excluding triangular trade) increased by c. 2.5 pps of GDP y-o-y in 9M:15, reflecting a strong recovery in domestic demand (up 3.2% y-o-y in 9M:15 following a decline of 1.1% y-o-y in FY:14). The widening in the trade deficit would have been larger had energy imports not declined (by 0.6 pps of GDP y-o-y in 9M:15), on the back of favourable global oil prices, with the average price of Brent decreasing by 36% y-o-y, in EUR terms, in 9M:15.

The sharp deterioration in the trade deficit was tempered, however, by a sharp narrowing in the income deficit (by 1.5 pps to 0.9% of GDP in 9M:15), due to lower repatriation of dividends and profits by foreign companies established in Cyprus. As a result, the 4-quarter rolling CAD widened to 5.1% of GDP in Q3:15 from 4.6% in Q4:14.

Although improving significantly, the capital and financial account (CFA) balance fell short of covering the CAD in 9M:15, and the resulting gap was covered by EU-IMF assistance. The CFA balance, including errors and omissions, improved by 3.0 pps y-o-y to a surplus of 1.0% of GDP in 9M:15, mainly due to a significant increase in other net capital inflows (by 2.3 pps y-o-y to 1.3% of GDP in 9M:15), reflecting a strong base effect from a drawdown of short-term deposits at domestic banks a year earlier. As a result, the overall balance improved (by 2.4 pps y-o-y) to a deficit of 3.0% of GDP in 9M:15. This gap was fully covered by financial assistance from the IMF and the EU (EUR 225mn from the ESM and EUR 278mn from the IMF, a total of EUR 503mn or 3.0% of GDP).

The CAD is set to narrow to 4.8% of GDP in FY:16 from an estimated 5.3% in FY:15. For 2016, assuming broadly flat global oil prices, and thus no help from the energy bill, we see increased pressure on the trade deficit, in view of a further build-up in domestic demand (we see real GDP growth accelerating to 2.0% in 2016 from 1.5% in 2015). However, we expect the increase in the trade deficit to be more than offset by a milder income deficit and higher tourist receipts, reflecting favourable terms of trade and a surge in the number of Russian tourists following Russia's sanctions against Turkey in early December and the terrorist bombing of a Russian plane in the Sinai Peninsula in late October. Overall, we see the CAD narrowing to 4.8% of GDP in FY:16 from our estimated outcome of 5.3% in FY:15 (an implied Q4:15 outcome of 1.4% of GDP)

Egypt

B- / B3 / B (S&P / Moody's / Fitch)

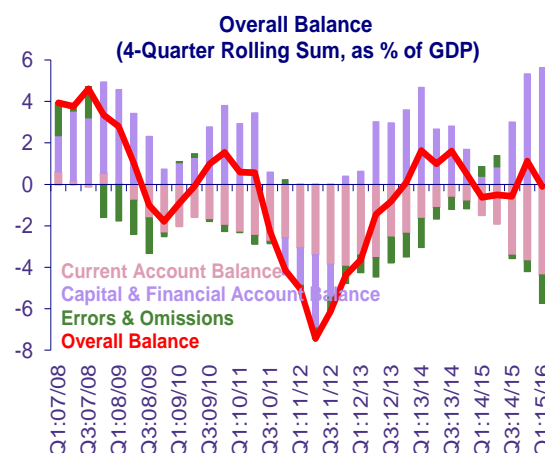
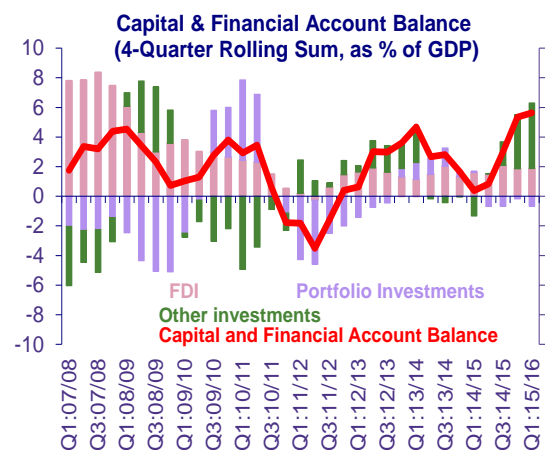
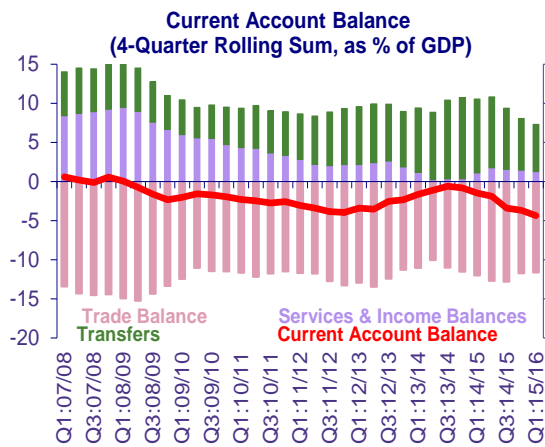
The quarterly current account deficit (CAD) widened sharply in Q1:15/16 (July-September 2011) in the absence of cash and commodity grants from Gulf countries. The quarterly CAD rose significantly by 0.7 pps y-o-y (USD 2.3bn y-o-y) to 1.2% of GDP (USD 4.0bn) in Q1:15/16, mainly due to the decline in cash and commodity grants from Gulf countries (down 0.4 pps of GDP y-o-y or USD 1.5bn y-o-y to USD 0.0bn). The deterioration was also driven by weaker workers' remittances from abroad (down USD 0.4bn y-o-y or 0.2 pps of GDP y-o-y) and lower tourism receipts (down USD 0.4bn y-o-y or 0.2 pps of GDP y-o-y to USD 1.7bn or 0.5% of GDP). The CAD would have been larger in Q1:15/16 had the trade deficit not stabilised. Indeed, a sharp drop in merchandise exports (down USD 1.7bn y-o-y or 26.5% y-o-y), mainly driven by a plunge in oil exports (down 43.0% y-o-y) was offset by an equivalent decline in merchandise imports, reflecting scarce foreign currency and lower oil imports (down 29.8% y-o-y).

With the Q1:15/16 performance, the 4-quarter rolling CAD rose to an all-time high of 4.4% of GDP from 3.7% of GDP in Q4:14/15. Excluding grants from Gulf countries, the 4-quarter rolling CAD widened to 4.7% of GDP in Q1:15/16 from 4.5% of GDP in Q4:14/15.

The quarterly capital and financial account (CFA) balance improved in Q1:15/16, but fell short of covering the CAD. The quarterly CFA balance strengthened by USD 1.1bn y-o-y or 0.3 pps y-o-y to 0.4% of GDP in Q1:15/16, on the back of increased repatriation of deposit holdings abroad by domestic banks, larger short-term deposits at domestic banks by foreign banks, and higher (net) trade credit. The CFA was also supported by resilient net non-debt generating foreign direct investment inflows (up USD 0.1bn y-o-y to USD 1.4bn), with net greenfield investment inflows rising by 48.5% y-o-y to USD 1.1bn. The improvement in the CFA balance in Q1:15/16 would have been larger had net portfolio investment inflows not turned negative (down USD 1.7bn y-o-y or 0.5 pps y-o-y to -0.4% of GDP). The deterioration was mainly driven by the repayment of a matured 10-year USD 1.3bn US-backed bond in September.

With the CFA surplus falling short of covering the CAD and negative net errors & omissions (minus USD 1.2bn or minus 0.3% of GDP), the overall balance turned negative in Q1:15/16 (1.1% of GDP or USD 3.7bn). As a result and accounting for valuation effects, FX reserves retreated by USD 3.8bn q-o-q to USD 16.3bn in Q1:15/16 (or 0.6 months of imports of goods and non-factor services q-o-q to 3.1).

Egypt should turn to the IMF and tap international capital markets to cover the bulk of this year's external financing gap. Looking ahead, we see the country's external financing gap at around USD 7.5bn in 4-12M:15/16 (October 2015-June 2016). Filling this gap could be achieved through the following options: i) a drawdown in FX reserves, which will bring down the import coverage of FX reserves to the unsustainable level of 1.8 months and lead to a disorderly currency devaluation; ii) Gulf countries' assistance, which appears almost impossible in the context of plunging revenue from oil exports; and iii) the return to international capital markets. The latter option appears to be the most plausible; however, it will require Egypt to turn to the IMF. Sealing an IMF deal will hinge on the implementation of a series of recommendations suggested by a Fund delegation in mid-September, including: i) the long-awaited replacement of the current complex sales' taxes by a VAT; ii) additional cuts in energy subsidies; and iii) a gradual move towards a more flexible exchange rate policy. In our view, the new Parliament, dominated by supporters of President el-Sissi, is set to strengthen the Government's hand to reinvigorate the reform process and sign an agreement with the IMF in late-Q3:15/16/early-Q4:15/16 (March/April 2016).



	11 Jan.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	7.83	8.10	8.25	8.50
Sov. Spread (2020. bps)	453	400	300	220

	11 Jan.	1-W %	YTD %	2-Y %
HERMES 100	600	-4.2	-4.8	-14.1

	11/12	12/13	13/14	14/15E	15/16F
Real GDP Growth (%)	2.2	2.1	2.1	4.2	3.8
Inflation (eop. %)	7.3	9.8	8.2	11.4	13.5
Cur. Acct. Bal. (% GDP)	-3.7	-2.2	-0.9	-3.7	-5.0
Fiscal Bal. (% GDP)	-10.8	-13.7	-12.8	-11.5	-12.0

FOREIGN EXCHANGE MARKETS, JANUARY 11TH 2016

Against EUR

Currency		2016										2015	2014
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	138.0	-0.7	-0.1	-0.7	1.4	137.5	138.2	138.6	138.6	138.5	2.0	0.1
Brazil	BRL	4.40	-0.6	-3.3	-2.3	-29.2	4.28	4.43	5.05	5.07	5.08	-25.2	1.0
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.12	-0.6	-0.5	-1.2	2.9	6.99	7.29	7.35	7.35	7.36	6.7	10.8
Egypt	EGP	8.76	0.0	0.0	0.0	-4.1	8.26	8.61	9.59	---	---	-1.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	72.4	-0.5	1.7	-0.9	1.5	71.3	73.1	78.0	---	---	6.6	12.3
Romania	RON	4.53	-0.3	-0.3	-0.2	-1.0	4.51	4.54	4.53	4.54	4.57	-0.8	-0.5
Russia	RUB	82.7	-4.5	-6.8	-4.2	-12.2	78.2	83.8	85.0	87.3	92.0	-15.1	-32.8
Serbia	RSD	122.0	0.2	0.3	-0.4	0.5	121.6	122.4	122.5	123.0	---	-0.1	-5.6
S. Africa	ZAR	18.2	-7.4	-4.3	-7.9	-25.3	16.72	18.48	18.6	19.0	19.8	-16.6	3.0
Turkey	YTL	3.30	-2.6	-0.7	-3.9	-17.6	3.17	3.32	3.39	3.49	3.69	-10.8	4.4
Ukraine	UAH	25.3	2.7	3.1	2.9	-26.9	25.10	26.24	31.5	---	---	-27.5	-40.8
US	USD	1.09	-0.3	1.2	0.0	9.0	1.1	1.1	1.09	1.09	1.10	11.4	13.6
JAPAN	JPY	127.9	1.2	3.9	2.0	9.8	126.8	130.8	127.9	127.9	127.9	11.0	-0.1
UK	GBP	0.75	-1.4	-3.3	-1.3	4.6	0.7	0.8	0.75	0.75	0.75	5.3	7.0

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

MONEY MARKETS, JANUARY 11TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EA	US
O/N	1.9	14.1	0.0	2.0	---	8.9	---	---	0.4	12.0	---	11.3	6.4	19.5	---	0.4
T/N	---	---	---	---	---	---	---	---	0.4	11.0	2.9	---	7.3	---	---	---
SW	2.0	14.2	0.0	2.3	-0.3	9.1	1.2	---	---	11.0	2.9	---	7.1	20.7	-0.3	0.4
1-Month	2.2	14.4	0.2	3.0	-0.2	9.3	1.5	7.2	0.6	12.3	3.3	11.4	7.3	22.8	-0.2	0.4
2-Month	---	14.5	0.2	---	-0.2	---	---	---	---	12.3	3.4	11.4	7.6	---	-0.2	0.5
3-Month	2.5	14.7	0.3	3.1	-0.1	9.3	1.8	7.5	1.0	12.2	3.5	11.6	7.8	24.2	-0.1	0.6
6-Month	2.7	15.1	0.6	3.2	-0.1	---	2.1	---	1.3	12.4	3.8	11.7	8.2	---	-0.1	0.9
1-Year	3.0	15.6	1.2	3.3	0.1	---	2.5	---	1.5	12.8	---	11.7	8.9	---	0.1	1.2

LOCAL DEBT MARKETS, JANUARY 11TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	2.6	---	---	---	---	11.0	---	7.2	---	11.8	2.8	10.0	---	---	-0.6	0.2
6-Month	2.1	---	---	---	---	11.5	2.1	7.2	0.8	11.8	3.6	10.5	---	---	-0.5	0.4
12-Month	2.2	---	0.5	2.4	0.0	11.7	2.5	7.3	1.1	10.7	4.4	10.9	---	7.0	-0.4	0.6
2-Year	4.4	---	---	2.5	---	---	2.0	7.3	1.3	10.9	---	10.9	8.4	---	-0.4	0.9
3-Year	---	---	0.5	2.6	---	---	2.7	7.6	1.5	10.4	---	11.0	8.9	---	-0.3	1.2
5-Year	---	16.3	---	2.7	---	13.4	2.7	7.7	2.4	10.3	6.3	11.1	9.2	---	-0.1	1.6
7-Year	---	---	1.6	---	3.3	14.5	---	7.8	2.8	10.3	---	---	---	---	0.2	1.9
10-Year	---	16.1	2.6	2.9	---	15.5	3.5	7.8	3.7	10.3	---	11.0	9.7	---	0.5	2.2
15-Year	---	---	---	---	---	---	4.0	8.1	---	10.1	---	---	10.1	---	1.0	---
25-Year	---	---	---	---	---	---	---	---	---	---	---	---	10.3	---	---	---
30-Year	---	---	---	---	---	---	---	8.1	---	---	---	---	10.3	---	1.4	3.0

*For Albania, FYROM and Ukraine primary market yields are reported

SOVEREIGN EUROBOND SUMMARY, JANUARY 11TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	5.3	539	504
Brazil 6% '17	USD	BB+/Baa3	17/1/2017	2,277	3.1	251	235
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	6.2	458	443
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.2	502	549
Bulgaria 4.25% '17	EUR	BB+/Baa2	9/7/2017	950	0.2	59	35
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	162	124
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	192	168
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	229	177
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	850	3.8	252	215
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	4.0	181	219
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	128	164
Cyprus 4.75% '16	EUR	NA/NA	25/2/2016	25	3.3	---	---
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	750	2.5	278	250
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	990	2.7	287	261
Cyprus 3.875 '22	EUR	NA/B3	6/5/2022	1,000	3.3	322	284
Egypt 3.5% '16	USD	NA/NA	1/7/2016	1,000	---	---	---
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	6.1	453	460
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.1	598	552
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.8	586	538
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	499	538
Romania 6.5% '18	EUR	BBB-/Baa3	18/6/2018	1,500	0.5	84	54
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	1.0	113	89
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.7	176	190
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.3	204	171
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.9	199	276
Russia 3.25% '17	USD	BB+/Ba1	4/4/2017	2,000	3.7	306	280
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	4.1	295	286
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	4.5	288	305
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	5.0	308	312
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	6.2	405	545
Serbia 5.25% '17	USD	BB-/B1	21/11/2017	750	3.3	239	236
Serbia 5.875% '18	USD	BB-/B1	3/12/2018	1,000	4.1	289	294
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.3	276	294
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	312	330
Serbia 5% '24	USD	BB-/NA	1/11/2024	125	3.8	353	323
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.4	322	325
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.7	357	371
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.3	332	377
Turkey 7% '16	USD	NR/Baa3	26/9/2016	2,000	2.6	218	193
Turkey 5.5% '17	EUR	NR/Baa3	16/2/2017	1,500	1.1	149	123
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	2.0	231	210
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.4	287	317
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.9	302	333
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.3	310	359
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.5	337	457
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	6.0	382	412
Turkey 6,875% '36	USD	NR/Baa3	17/3/2036	2,750	6.1	311	386
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	6.1	312	397
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	6.1	313	381
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	9.4	817	767
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	9.3	775	747
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	9.3	774	729
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	9.2	726	704
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.1	718	685

CORPORATE BONDS SUMMARY, JANUARY 11TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	Bulgaria Energy Hld 4.25% '18	EUR	NA/NA	7/11/2018	500	5.3	565	516
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.5	690	640
Cyprus	Hellenic Bank 0.026% '19	EUR	NA/NA	10/3/2019	90	---	---	---
	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.3	327	284
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.4	108	27
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	12.0	169	73
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	3.7	330	309
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	144	112
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.5	384	342
	Garanti Bankasi 3.38% '19	EUR	NA/Baa3	8/7/2019	500	3.4	360	329
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.4	434	391
	Turkiye Is Bankasi 6% '22	USD	NA/Baa3	24/10/2022	1,000	6.4	418	449

CREDIT DEFAULT SWAP SPREADS, JANUARY 11TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	---	477	169	120	273	466	---	---	130	343	265	304	347	1,059
10-Year	---	527	216	164	304	478	---	---	175	358	306	351	393	---

STOCK MARKETS PERFORMANCE, JANUARY 11TH 2016

	2016								2015		2014	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year- Low	Year- High	YTD % change	% change	% change	% change	% change
Brazil (IBOV)	39,950	-5.2	-11.7	-7.8	-18.2	39,924	43,349	-9.4	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	454	-0.6	4.1	-1.4	-9.3	450	462	-1.4	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,017	-8.5	-12.2	-15.6	-8.2	3,017	3,539	-16.0	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-1.5	-1.3	-2.2	-20.9	65	68	-2.2	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	600	-4.2	-0.1	-4.8	-28.0	612	636	-4.8	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,823	-0.5	2.9	-0.6	-0.5	1,820	1,833	-0.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,825	-3.1	-0.9	-4.4	-9.6	24,599	30,025	-4.2	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,283	-3.3	-3.6	-4.4	-1.9	1,283	1,329	-4.4	2.6	1.6	3.7	3.5
Russia (RTS)	3,765	-3.7	-2.8	-4.9	13.0	3,763	3,962	-8.0	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	625	-2.3	-0.6	-0.9	-4.9	624	637	-1.2	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JTS)	48,323	-2.0	0.5	-4.9	-1.3	47,500	50,694	-11.3	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	71,049	0.8	1.1	-2.9	-18.9	69,396	72,132	-6.1	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	244	1.5	1.0	1.5	-38.0	240	246	4.8	-37.8	-54.8	28.7	-24.2
MSCI EMF	723	-5.8	-6.5	-8.6	-24.8	737	794	-8.0	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,601	-4.2	-5.3	-7.3	-7.4	1,611	1,716	-6.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	582	-6.3	0.6	-4.8	-25.4	582	627	-4.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,825	-4.5	-5.0	-8.5	1.8	9,810	10,486	-8.5	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	5,872	-3.6	-1.4	-6.4	-9.7	5,888	6,242	-7.6	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,698	-4.1	-8.0	-7.0	2.9	17,510	18,951	-4.5	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	16,399	-4.4	-5.0	-6.8	-7.5	15,370	18,351	-6.2	-2.2	9.3	7.5	22.2
USA (NASDAQ 100)	1,924	-4.4	-4.4	-6.8	-5.9	1,867	2,135	-6.2	-0.7	10.9	11.4	26.6