Economic Analysis Division
Emerging Markets Research
Bi-Weekly Report
6 – 19 March 2018

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

Emerging Markets Research

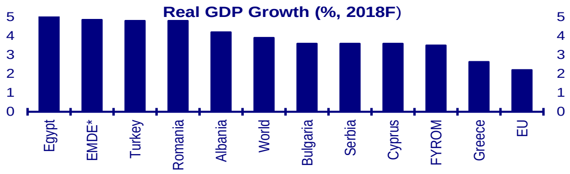
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

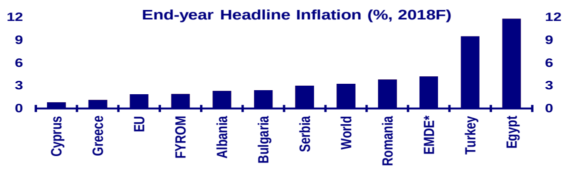
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

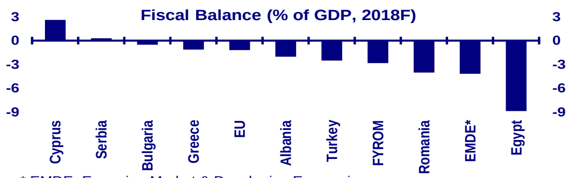
Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



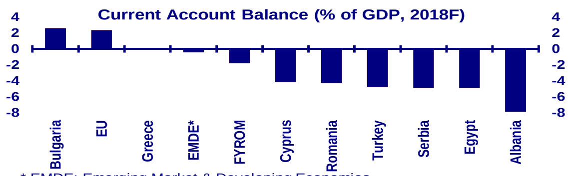
* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies



* EMDE: Emerging Market & Developing Economies

The fiscal performance became more expansionary in 2M:18

The seasonally-adjusted unemployment rate declined for a 4th consecutive quarter in Q4:17 (to 10.1%)

Economic growth reached a post-global crisis high of 7.0% in 2017 against 4.8% in FY:16

Public debt financing costs to rise in FY:18

Economic growth remained solid in FY:17, up 3.6%

The labour market tightened further in Q4:17

Activity slowed temporarily in FY:17 (up 1.9%), mainly due to unfavourable weather conditions

The NBS unexpectedly proceeded with an additional 25 bp cut of its central rate to 3.25%

Economic activity recovered for a second consecutive quarter in Q4:17 (up 1.2% y-o-y), supported by the dissipation of domestic political uncertainty

Labour market conditions tightened further in FY:17, despite economic stagnation

General elections led to a more expansionary fiscal policy in FY:17

The economic recovery accelerated in FY:17, with GDP growth reaching a post-crisis high of 3.9%

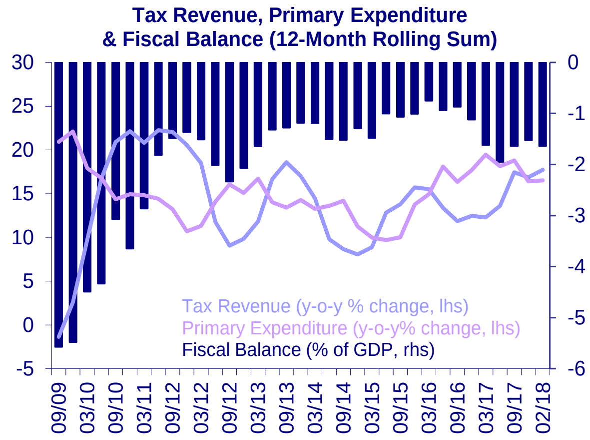
The unemployment rate continued on its downward trend, reaching a 6-year low of 11.0% in FY:17

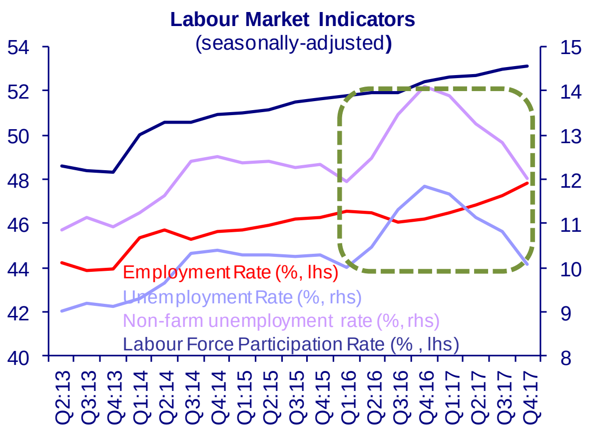
Headline inflation declined to 14.4% y-o-y in February, permitting the Central Bank to proceed with another 100 bps cut of its key rates at its March 29th MPC meeting

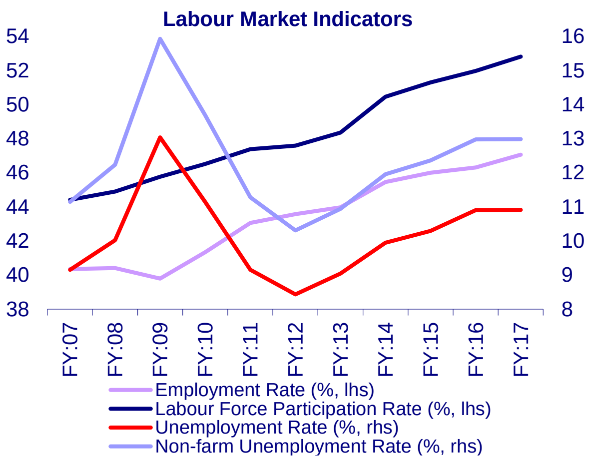
The tourism sector continued its recovery in Q2:17/18, mainly supported by a cheaper domestic currency and improved security conditions

Turkey

BB / Ba2 / BB+ (S&P/ Moody's / Fitch)







	19 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.6	13.5	13.0	12.0
TRY/EUR	4.86	4.88	4.94	5.00
Sov. Spread (2020, bps)	185	180	160	150

	19 Mar.	1-W %	YTD %	2-Y %
ISE 100	115,450	-2.5	0.1	39.2

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.0	4.8	4.2
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.5	-2.5

The fiscal performance became more expansionary in 2M:18. The fiscal balance deteriorated by 0.9 pps of GDP y-o-y (annualised) in 2M:18, after having improved by 1 pp of GDP y-o-y (annualised) in H2:17. The 2M:18 negative performance was exclusively driven by higher primary expenditure (up 0.6 pps of GDP y-o-y) primarily reflecting higher capital expenditure and more generous transfers (mainly agricultural subsidies, social assistance) and support to the defense industry. The 2M:18 fiscal performance would have been worse had tax revenue not improved (up 0.5 pps of GDP y-o-y). The improvement was broad based, reflecting persistently strong economic activity, favourable base effects (tax cuts on white goods and furniture in February 2017) and the rise in January of both the CIT rate for banks and other financial companies (by 2 pps to 22%) and the PIT rate for the third bracket (by 3 pps to 30%). With the 2M:18 outturn, the 12-month rolling budget deficit widened to 1.7% of GDP from 1.5% in December – still below its end-year target of 1.9%.

Looking ahead, we expect the fiscal deficit to widen further during the rest of the year, due to the expected slowdown in economic activity and, to a lesser extent, the rise in defense expenditure (following the incursion of Turkey's military in Syria in January). An expansory fiscal policy faces several challenges. First, there exist large domestic imbalances (the current account deficit rose to a 46-month high of 6% of GDP on a 12-month rolling basis in January, while inflation is not expected to turn to single digits before December). Second, the external financing position is more precarious in 2018 (gross external financing needs are projected at USD 224bn or 24.3% of GDP this year) amid tightening global liquidity conditions. These issues should lead the authorities to hold the fiscal deficit to near its target of 1.9% of GDP, with a view to not jeopardizing economic and financial stability. Overall, we see the FY:18 fiscal deficit at 2.5% of GDP (providing a fiscal stimulus of 1 pp of GDP on a cyclically-adjusted basis).

The seasonally-adjusted (s.a.) unemployment rate declined for a 4th consecutive quarter in Q4:17 (to 10.1%). The decline in the s.a. unemployment rate totalled 1.8 pps in Q1-Q4:17, reversing the sharp increase during the previous 3 quarters (see chart). The latter reflected heightened political and economic uncertainty, following the resignation of the reformist PM, Davutoglu, in early-May 2016 and the failed coup in mid-July 2016. The sharp decline in the s.a. unemployment rate during 2017 was driven by the rebound in economic activity (GDP growth is estimated to have reached a 4-year high of 7.0% in FY:17, up from a post global crisis low of 3.2% in FY:16), supported by a strong fiscal and quasi-fiscal stimulus ahead of the mid-April 2017 referendum (resulting in a fiscal impulse of 0.8 pps and a credit impulse 4.0 pps of GDP). As a result, the FY:17 unemployment rate plateaued at 10.9%, following 4 consecutive years of increase.

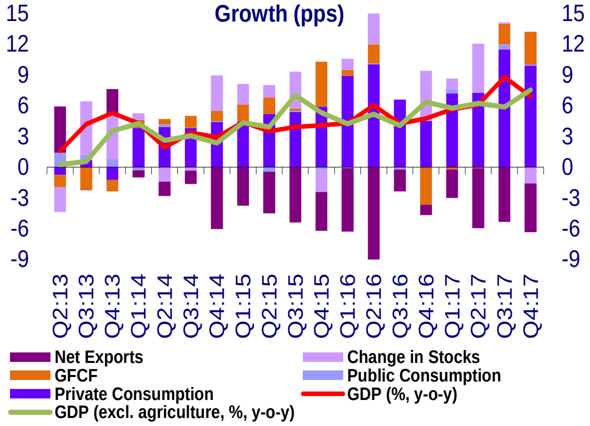
The stabilisation of the unemployment rate in FY:17 reflects the fact that the labour force participation rate and the employment rate both rose by 0.8 pps to record highs of 52.8% and 47.1%, respectively. Importantly, all the sectors of the economy contributed to the strong employment growth of 3.6% in FY:17. Indeed, employment in the construction, services, agricultural and industrial sectors rose by 5.2%, 4.3%, 2.9% and 1.8%, respectively.

For this year, we expect the unemployment rate to resume its upward trend, as economic momentum slows. GDP growth is projected to decline to 4.8% from an estimated 7.0% for FY:17, due to more limited fiscal and quasi-fiscal stimulus and tighter global liquidity conditions. Overall, we see the unemployment rate rising to an 8-year high of 11.3% in FY:18 from 10.9% in FY:17.

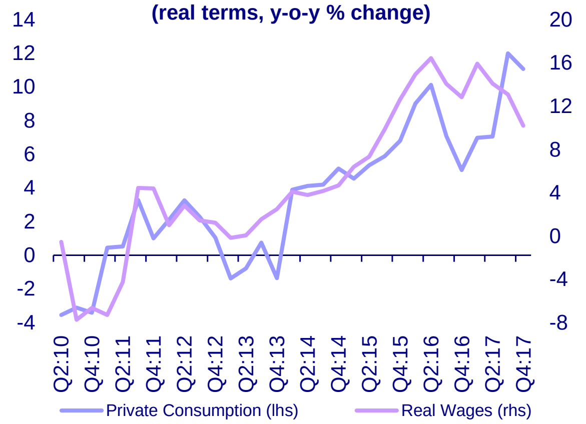
Romania

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

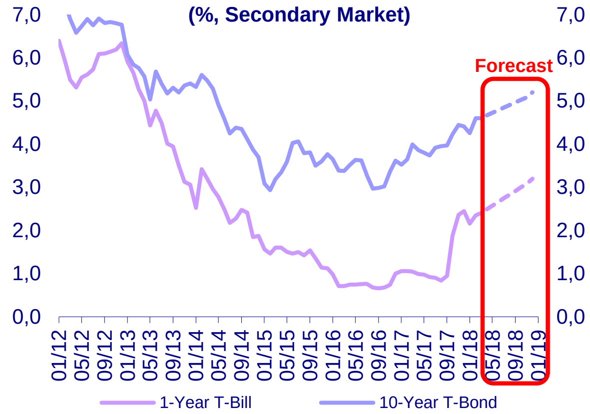
Contribution Rates to Annual Real GDP Growth (pps)



Private Consumption & Wages (real terms, y-o-y % change)



Domestic Debt Yields (%, Secondary Market)



	19 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.6	2.4	2.6	2.8
RON/EUR	4.66	4.63	4.62	4.60
Sov. Spread (2024, bps)	108	106	108	110

	19 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,782	0.8	7.9	39.6

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.4	-4.3	-4.6
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

Economic growth reached a post-global crisis high of 7.0% in 2017 against 4.8% in FY:16. The pace of economic expansion remained strong at 6.9% y-o-y (up 0.6% q-o-q s.a.) in Q4:17, albeit easing compared with the 8.8% y-o-y achieved in Q3:17 (up 2.4% q-o-q s.a., on the back, *inter alia*, of very strong agricultural output). Private consumption remained the main engine of growth in Q4:17 (up 11.1% y-o-y against 12.0% in Q3:17), mainly reflecting the impact of a loose incomes policy (incl. wage hikes of more than 20% in some public sectors, as well as a 14.8% rise in pensions) and its spillover to the private sector. Fixed investment also picked up in Q4:17 (up 12.6% y-o-y against 6.2% in Q3:17), driven by the public sector (where investment was up 1.0 pp of GDP y-o-y). Unsurprisingly, net exports remained a large drag on overall growth in Q4:17 (subtracting a sizeable 4.7 pps of GDP against 5.3 pps in Q3:17).

GDP growth is set to remain strong, supported by a pro-cyclical fiscal stance, widening the positive output gap even further. The budget deficit is expected to widen significantly in FY:18 (to 4.0% of GDP from 2.8% in FY:17), in line with a further easing in incomes policy (public sector wages rose by 25% in January, with the education and health sectors receiving another 20% increase in March) and a tax overhaul (incl. a 6% pp cut to the PIT rate to 10%, combined with a 2 pp cut in social security contributions, SCCs). The change in SCCs also includes a shift, in large part, onto employees, thus curtailing the budgetary impact of the public sector wage hikes, but, at the same time, reducing net wages in the private sector *ceteris paribus*.

In this context, private consumption is set to remain the engine of economic growth, with its pace of expansion moderating, however, due to higher inflation (up 4.4% on average in FY:18 versus 1.3% in FY:17). Importantly, fixed investment should pick up, assisted by better absorption of EU funds. Reflecting the economic imbalances, net exports are set to remain a drag on growth, reflecting excess domestic demand. Assuming normalization of agricultural production, we see GDP growth easing to 4.8% in FY:18 from 7.0% in FY:17. Visible overheating pressures should prompt the NBR to continue its policy tightening (see below).

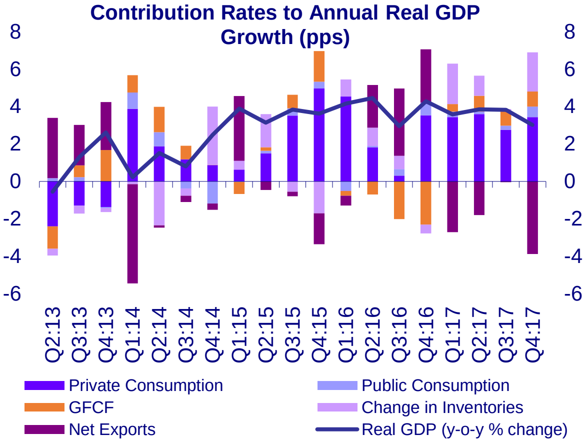
Public debt financing costs to rise in FY:18. We expect debt yields to remain on upward trend throughout the year, reflecting the increased domestic financing needs of the State (almost 6.0% of GDP in FY:18 against 4.9% in FY:17) on the one hand, and the envisaged tightening in monetary policy on the other. Indeed, the NBR is expected to hike its policy rate by another 100 bps in FY:18 to 3.25% (-0.5% in real *ex post* terms), following the two 25 bp rate hikes delivered y-t-d, and by another 125 bps in FY:19. In this context, we see the yield of the 1-year T-bill and the 10-year T-bond rising to 3.2% and 5.2% at year-end, respectively, from 2.3% and 4.6% currently and 0.8% and 2.6% in mid-2016.

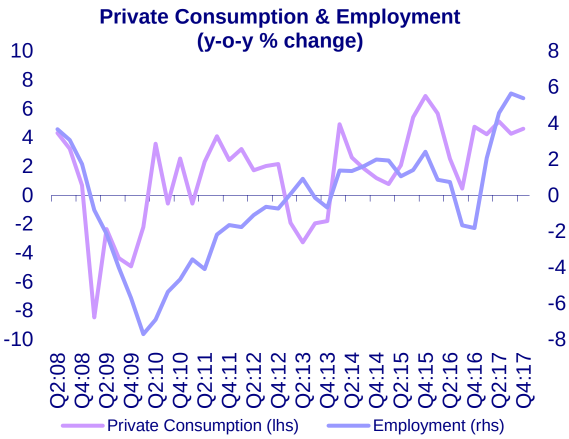
External financing costs for the public sector should also pick up, in view, *inter alia*, of tightening global liquidity conditions. Romania's FY:18 foreign funding target stands at EUR 5.0bn (2.6% of GDP) against EUR 2.8bn raised in FY:17. Note that, in early-February, Romania raised EUR 2.0bn through the sale of 12 and 20-year Eurobonds at relatively favourable terms (yields stood at 133 bps and 190 bps over mid-swaps, respectively).

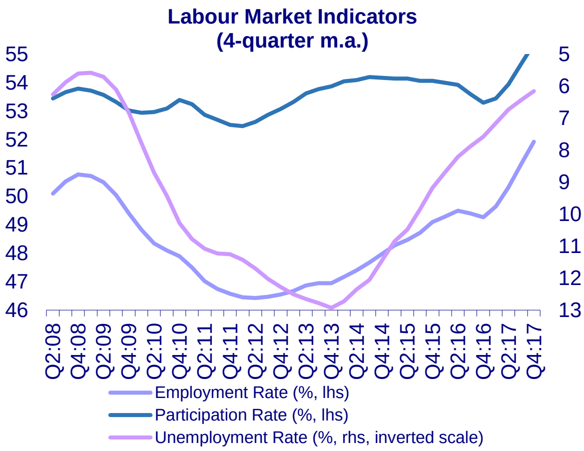
All said, Romania should have no problem in funding the FY:18 budget deficit and rolling over the maturing debt, albeit at a higher cost. We see gross public debt rising to 44.2% of GDP at end-2018 from 43.0% at end-2017. Importantly, despite deteriorating debt dynamics, Romania's gross public debt is broadly in line with that of its peers.

Bulgaria

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







	19 Mar.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	54	48	45	40

	19 Mar.	1-W %	YTD %	2-Y %
SOFIX	672	-1.4	-0.8	49.9

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.6	3.3
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Economic growth remained solid in FY:17, up 3.6%. Annual GDP growth moderated to 3.0% y-o-y (0.7% q-o-q s.a) in Q4:17 from 3.8% (0.9% q-o-q s.a.) in Q3:17, bringing FY:17 growth to 3.6% against 3.9% in FY:16.

Private consumption continued to expand at a strong pace in Q4:17 (up 4.6% y-o-y against 4.3% in Q3:17), in line with tighter labour market conditions (see below). Encouragingly, fixed investment maintained momentum (up 4.1% y-o-y for a 2nd consecutive quarter in Q4:17), despite little support from the public sector. Against the backdrop of solid domestic absorption, stock rebuilding resumed strongly in Q4:17 (incl. statistical discrepancies, adding 2.1 pps of GDP to overall growth). However, these factors were more than offset by the sharp deterioration in net exports (subtracting 3.9 pps from overall growth in Q4:17 against 0 pps in Q3:17), reflecting stronger domestic demand, on the one hand, and weaker demand from Bulgaria's non-EU trade partners on the other (especially Russia, China and Turkey).

GDP growth is set to maintain its momentum in FY:18. In view of the low investment-to-GDP ratio (20% against a pre-crisis high of 32%) and a relatively low industrial capacity utilization rate (75%), we expect fixed investment to strengthen further in FY:18, in line with favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 75%) and better absorption of EU funds. At the same time, albeit easing due to structural problems in the labour market (see below), private consumption should remain strong. On a positive note, net exports will sustain overall growth, reflecting the sustained, albeit gradual, recovery in the EU and still favourable terms of trade. Overall, we see GDP growth at 3.6% in FY:18, unchanged compared with FY:17.

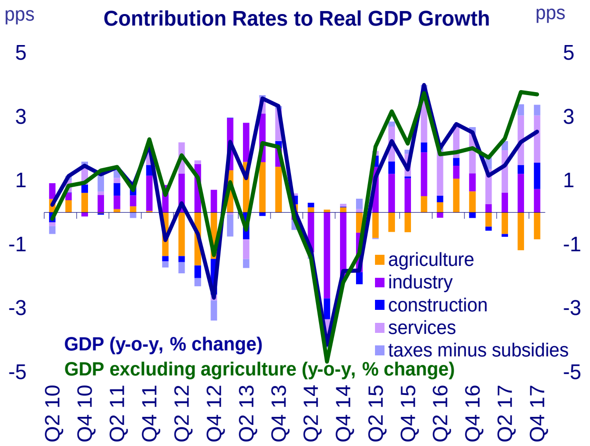
The labour market tightened further in Q4:17. Against the backdrop of solid economic growth, the unemployment rate fell sharply by 1.1 pp y-o-y to 5.6% in Q4:17 (6.2% on average in FY:17 against 7.6% in FY:16). Indeed, employment continued to grow strongly (up 5.4% y-o-y for a 2nd consecutive quarter in Q4:17 against 3.3% in H1:17), raising the employment rate to a high of 52.3% (51.9% on average in FY:17 against 49.3% in FY:16). Note that the participation rate also rose by 2.8 pps y-o-y to 55.5% in Q4:17 (55.4% on average in FY:17 against 53.3% in FY:16, the highest in the region), more than offsetting a decline in the working-age population (down 1.0% y-o-y in Q4:17 and FY:17).

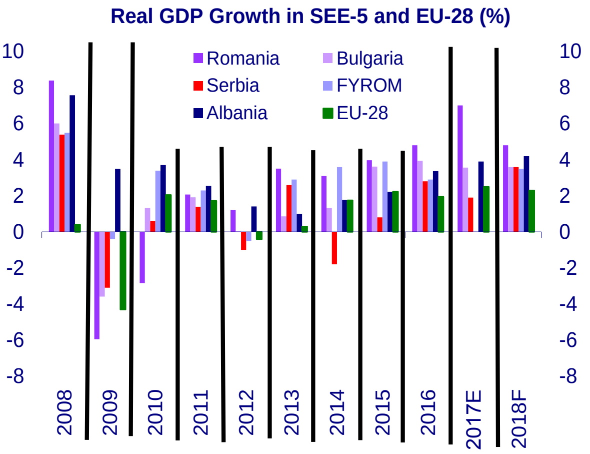
Indeed, buoyant labour market conditions have translated into wage pressures. Real wages continued to grow strongly (up 7.7% y-o-y in Q4:17, a pace broadly similar to that observed over the past 3 quarters), surpassing by far productivity gains (real GDP per employee has been rising at an annual pace of c. 2.5% over the past 3 years).

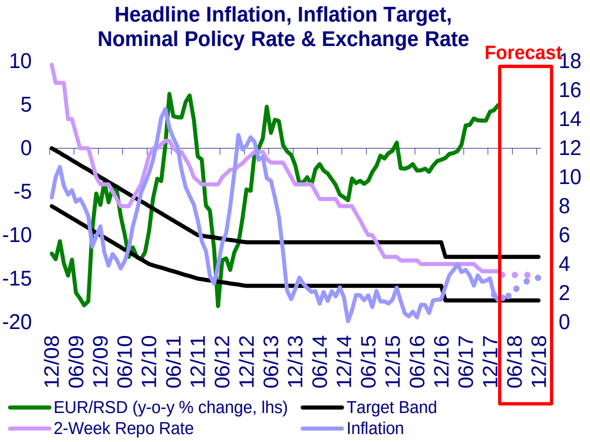
Structural problems cloud the outlook for the labour market. Long-term unemployment remains high (at 5.0%, above the EU average of 4.0%), reflecting labour market rigidities, skills mismatches, and poor activation policies. At the same time, the labour force is shrinking due to migration and ageing (the IMF projects the working age population dropping by 12% in 2015-25). In this context, and despite solid economic activity, we expect labour market conditions to improve at a slower pace in FY:18, with employment increasing by 1.0% (against a rise of 4.4% in FY:17) and the unemployment rate falling to 5.8% (from 6.2% in FY:17). As a result, wage pressures are set to intensify in FY:18. However, this is not a cause for concern. Indeed, with total hourly costs being one-sixth of the EU-28 average, competitiveness remains strong, as reflected in the large current account surplus (projected at 2.6% in FY:18).

Serbia

BB / Ba3 / BB (S&P / Moody's / Fitch)







	19 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.2	118.6	118.6	118.5
Sov. Spread (2021, bps)	135	132	128	120

	19 Mar.	1-W %	YTD %	2-Y %
BELEX-15	749	1.2	-1.5	24.3

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	3.0	3.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-5.7	-5.0	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

Activity slowed temporarily in FY:17 (up 1.9%), mainly due to unfavourable weather conditions. With the rebound in GDP growth in H2:17 to 2.4% y-o-y from a weather-related low of 1.3% in H1:17, FY:17 GDP growth stood at 1.9% -- weaker than the previous year's post-global crisis high of 2.8%. Recall that the poor H1:17 growth performance was the result of adverse weather conditions (an unusually cold winter that was followed by months of drought), which weighed heavily on the primary and construction sectors, as well as the electricity sub-sector. Importantly, excluding agriculture, GDP growth strengthened to a post-crisis high of 2.9% in FY:17 from an already solid 2.3% in FY:16.

The strengthening growth in H2:17 was broad based (excluding agriculture). In fact, growth in the construction sector turned positive and reached double-digits, up by 12.0% y-o-y in H2:17 against a drop of 2.7% in H1:17 (contributing 0.6 pps to overall growth in H2:17). Moreover, growth in the industrial sector accelerated to 4.9% y-o-y in H2:17 from a weaker 2.1% in H1:17 (contributing 1.0 pp to GDP growth in H2:17). Industrial production was strong across all main sub-sectors: i) a rebound in power generation and mining in H2:17, following a (temporary) sharp decline in Q1:17 due to adverse weather conditions; as well as ii) a continued recovery in the manufacturing sub-sector, driven by stronger export growth, lower production costs, strong FDIs and strengthening confidence.

On the other hand, agricultural production declined by 10.8% y-o-y in H2:17 following a drop of 7.7% in H1:17 (subtracting 1.0 pp from growth in H2:17 against 0.6 pps in H1:17), as the negative impact of the unusually cold winter was exacerbated by a summer drought.

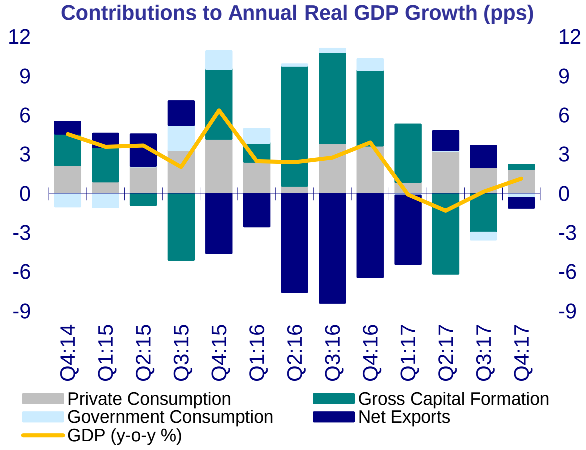
Following a temporary weather-related slowdown in FY:17, the pace of GDP growth is set to accelerate to a post-global crisis high of 3.6% in FY:18. We expect an acceleration in activity this year, underpinned by: i) the normalization in agricultural output (set to contribute 0.6 pps to FY:18 growth, after subtracting 0.8 pps in FY:17); ii) the fading-out of the negative effect from temporary energy production outages in H1:17; iii) strong exports, reflecting the past years' large FDIs and strong external demand; and iv) marked fiscal easing. Activity in 2018 should be also supported by stronger consumption, on the back of the increase in the minimum wage (by 10%) and public sector wages (by 5-10%) and pensions (by 5%) and their spillover to the private sector. Improved confidence in the domestic economy, on the back of strong fundamentals -- reinforced by a new arrangement with the IMF, in the form of a Policy Coordination Instrument -- to be signed by mid-year), accelerating EU-related reforms and political stability should further boost activity. Overall, we see FY:18 GDP growth rising to a 10-year high of 3.6%.

The NBS unexpectedly proceeded with an additional 25 bp cut of its central rate to 3.25%. Following two cuts in September and October, by a cumulative 50 bps, the NBS surprisingly lowered its 2-week repo rate by a further 25 bps, at its March meeting, to a record low of 3.25%. The decision was motivated by the sharp decline in headline inflation (to 1.5% y-o-y in February, reaching the lower bound of the NBS' target range of 3±1.5%) and record low core inflation (at 1.5% in February). The move was also prompted by continued appreciation pressures on the RSD, despite NBS interventions. Going forward, despite a benign inflation outlook (remaining low throughout 9M:18 and gradually approaching the target midpoint by end-Q4:18), we expect the NBS to keep its rate on hold until end-year, in a bid to dampen the ongoing appreciation pressures on the RSD, which would hinder exports (and thus weaken growth and the external accounts).

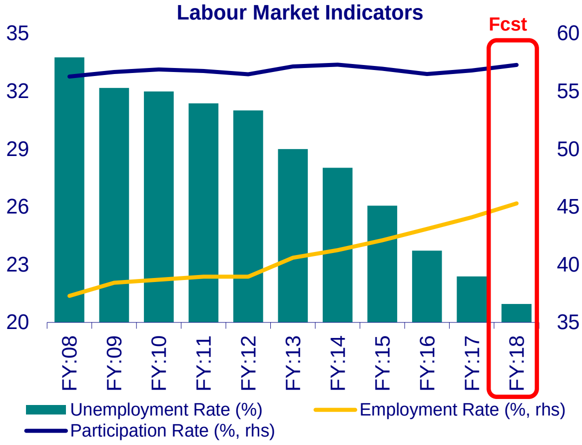
F.Y.R.O.M

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

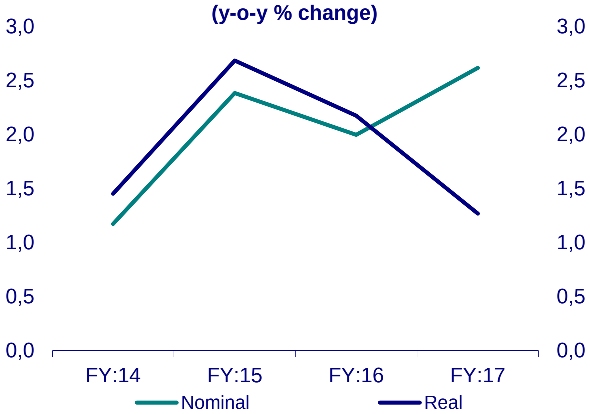
Contributions to Annual Real GDP Growth (pps)



Labour Market Indicators



Overall Economy Nominal/Real Wages (y-o-y % change)



	19 Mar.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	208	170	165	160

	19 Mar.	1-W %	YTD %	2-Y %
MBI 100	2,856	0.4	12.5	58.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

Economic activity recovered for a second consecutive quarter in Q4:17 (up 1.2% y-o-y), supported by the dissipation of domestic political uncertainty. GDP growth continued on its upward trend for a second quarter in a row in Q4:17, rising to 1.2% y-o-y from 0.2% in Q3:17 and a 4½-year low of -1.3% in Q2:17. The economic recovery in H2:17 was supported by the gradual return of confidence, with the dissipation of domestic political uncertainty after the new pro-EU and pro-reform SDSM-led Government took office last May – almost 6 months after the early general elections -- and secured a landslide victory in the October local elections. Despite the H2:17 recovery, FY:17 real GDP growth stood at a 5-year low of 0.0% -- well below the long-term potential rate of 3.5% and the FY:16 outcome of 2.9%.

Encouragingly, gross capital formation (GCF) ceased to be a drag on growth, largely contributing to the rebound in economic activity in Q4:17. GCF (including gross fixed capital formation, changes in inventories and statistical discrepancies) rose by 0.8% y-o-y in Q4:17, following a decline of 9.2% in Q3:17 (contributing 0.3 pps to Q4:17 overall growth after having shaved 3.0 pps off headline growth in Q3:17). Private consumption posted strong growth of 2.7% y-o-y in Q4:17, as in Q3:17, on the back of tighter labour market conditions (see below) and buoyant retail lending (up 7.2% y-o-y in Q4:17). On a negative note, net exports subtracted 0.7 pps from Q4:17 overall growth after having contributed 1.6 pps to headline growth in Q3:17, due to a sharp rise in imports (up 9.0% y-o-y in Q4:17 against a rise of 2.1% in Q3:17), in line with the rebound in domestic demand. The drag from net exports was contained by stronger exports (up 12.1% y-o-y in Q4:17 against a rise of 5.5% in Q3:17), mainly due to the solid performance of the country's main trading partner, the EU-28.

For this year, we expect economic activity to accelerate, on the back of strengthening domestic demand. The latter should be supported by positive political and economic prospects, and a more accommodative policy mix. Indeed, FYROM is expected to commence EU membership talks and join NATO this year. Moreover, both the monetary and fiscal policy are set to ease this year, with the *ex-post*, real and compounded policy rate moderating to 1.2% in FY:18 from 2.0% in FY:17 and the fiscal impulse turning positive to 0.2 pps of GDP in FY:18 from -0.7 pps in FY:17 on a cyclically-adjusted basis. Note that on March 14th, the Central Bank cut its key rate by 25 bps to 3% following a long 13-month period of stable rates,. Overall, we see GDP growth reaching a 3-year high of 3.5% in FY:18 -- in line with its long-term potential.

Labour market conditions tightened further in FY:17, despite economic stagnation. The unemployment rate declined by 1.3 pps to a historical low of 22.4% in FY:17. This positive development reflects the fact that the rise in the employment rate (up 1.0 pp to 44.1%) outpaced that of the participation rate (up 0.3 pps to 56.8%), mainly on the back of continued government-subsidised employment programmes. Importantly, FY:17 employment growth was strong (up 2.4% or 17.1k new jobs, broadly as in FY:16) and broad-based, with the sectors of industry, services and construction posting increases of 3.4% (5.7k), 2.6% (10.1k) and 2.4% (1.3k), respectively. Against this backdrop, wage pressures intensified, with nominal wages rising by 2.6% in FY:17 (against an increase of 2.0% in FY:16). However, with rising inflation, real wages moderated to 1.3% (from 2.2% in FY:16).

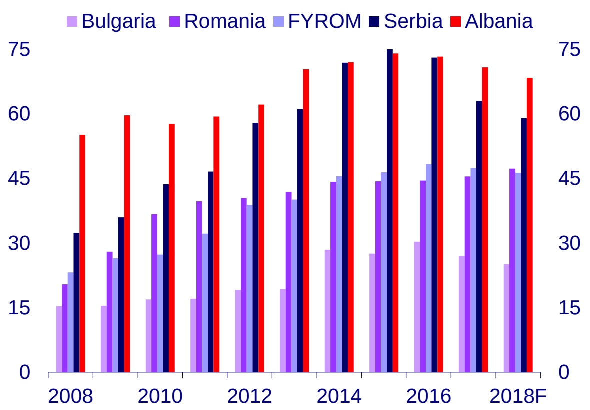
Looking ahead, in view of a strong rebound in economic activity and more generous subsidies for employment and training programmes this year (up 10% to MKD 1.0bn or 0.2% of GDP), we see employment growth accelerating to 2.8% and the unemployment rate declining further to c. 21.0% in FY:18.

Albania

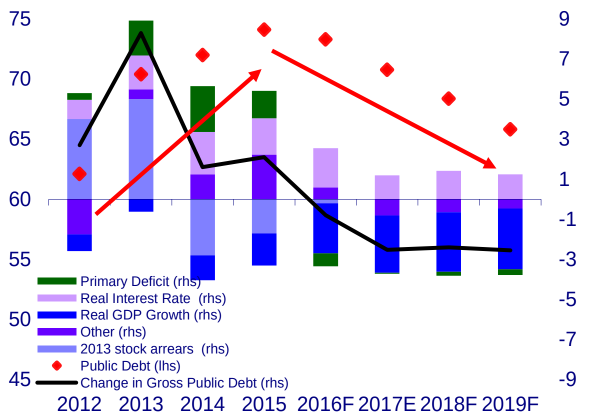
B+ / B1 / NR (S&P / Moody's / Fitch)

Consolidated Fiscal Balance (% of GDP)	2016	2017	2018 Budget	NBG 2018F
Revenue	27.6	27.5	28.1	27.3
Tax Revenue	25.1	25.5	25.6	25.2
o/w VAT	8.9	8.9	9.2	9.0
Grants	1.0	0.7	0.9	0.8
Non-Tax Rev.	1.5	1.3	1.6	1.3
Expenditure	29.4	29.5	30.0	29.3
Current Exp.	25.0	24.5	24.6	24.4
o/w interest	2.5	2.0	2.5	2.3
Capital Exp.	4.0	4.4	5.2	4.9
Net Lending	0.4	0.6	0.0	0.0
Contingency	0.4	0.6	0.2	0.0
Fiscal Balance	-1.8	-2.0	-2.0	-2.0
Primary Balance	0.7	0.1	0.6	0.3

Gross Public Debt in SEE-5 (% of GDP)



Contributions to Public Debt (pps of GDP)



	19 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	130.2	132.0	131.3	130.0
Sov. Spread (bps)	167	210	200	180

	19 Mar.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.9	4.2	4.3
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-8.5	-7.9	-7.0
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

General elections led to a more expansionary fiscal policy in FY:17. The FY:17 fiscal deficit widened by 0.2 pps y-o-y to 2.0% of GDP -- meeting its target and implying a fiscal impulse of 0.3 pps of GDP. Moreover, the primary surplus narrowed by 0.6 pps of GDP. The widening resulted from both non-tax revenue and grants (down 0.5 pps of GDP y-o-y in FY:17) and primary expenditure (up 0.5 pps).

Importantly, the tax revenue performance was strong (up 0.4 pps of GDP y-o-y in FY:17), despite large VAT refunds (up 0.3 pps of GDP y-o-y in FY:17), supported by the economic recovery, the second phase of the Government's campaign against tax evasion, as well as revenue-enhancing measures (of 0.5 pps of GDP in FY:17). The latter consist of the collection of excise debt on diluent for oil extraction and higher income tax payments on the back of incentives for compliance (each yielding 0.2 pps of GDP, according to the IMF).

On the other hand, primary spending increased by a strong 8.1% y-o-y in FY:17. The rise in primary spending (by 0.5 pps of GDP y-o-y in FY:17) was due to: i) higher capital expenditure (up by 0.3 pps of GDP y-o-y in FY:17); and ii) an increase in net lending for energy (due to the rise in energy imports, following a prolonged drought that limited hydropower production), as well as higher expenses for property compensation related to the communist era (together up 0.3 pps of GDP in FY:17). Note that primary expenditure in FY:17 would have been even higher had moderate increases in public wages and pensions (of 7.0% and 3.0%, respectively, in March, after a 3-year freeze) not been broadly offset by savings from the ongoing pension reform and the employment freeze regarding vacancies.

Notwithstanding significant primary spending in an election year, outlays in FY:17 were held back by a large decline in interest payments (down 0.4 pps of GDP y-o-y), due to the declining stock of public debt and the ALL appreciation (see below).

Importantly, the public debt-to-GDP ratio is estimated to have remained on its downward trend, initiated in 2016. It declined at an accelerating pace, down 2.5 pps to a 4-year low of 70.8% in 2017, following a drop by 0.8 pps in FY:16. Recall that the public debt had risen by a cumulative 14.7 pps of GDP in 2012-15 (see chart). The decline in the public debt-to-GDP ratio in 2017 was mainly driven by strong GDP growth and the appreciation of the ALL against the EUR (subtracting an estimated 2.9 pps and 0.8 pps of GDP, respectively, from the public debt-to-GDP ratio).

Fiscal prudence to be observed in 2018. The 2018 Budget envisages a neutral fiscal stance, targeting a deficit of 2.0% of GDP, unchanged from the FY:17 outcome.

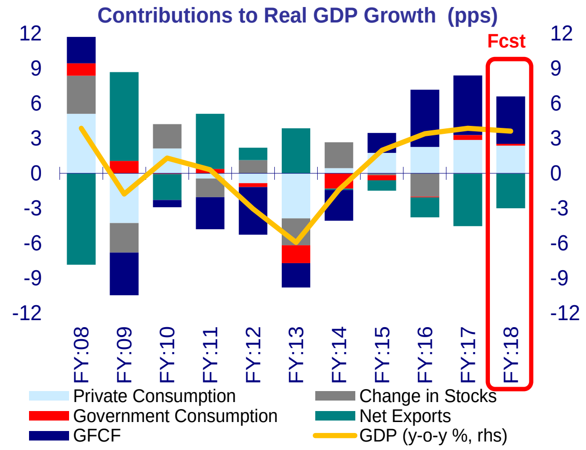
The FY:18 deficit target of 2.0% of GDP appears challenging, as it is based on over-estimated FY:17 revenue (28.4% of GDP against an outcome of 27.5%). In fact, with no additional significant tax measures, we expect FY:18 revenue growth at 5.1% y-o-y (broadly in line with our nominal GDP growth forecast) -- underperforming its target of 8.0% and resulting in a revenue shortfall of 0.8 pps of GDP in FY:18). Therefore, to compensate for the latter, FY:18 expenditure growth should not exceed 5.2% -- compared with its target growth of 7.7%.

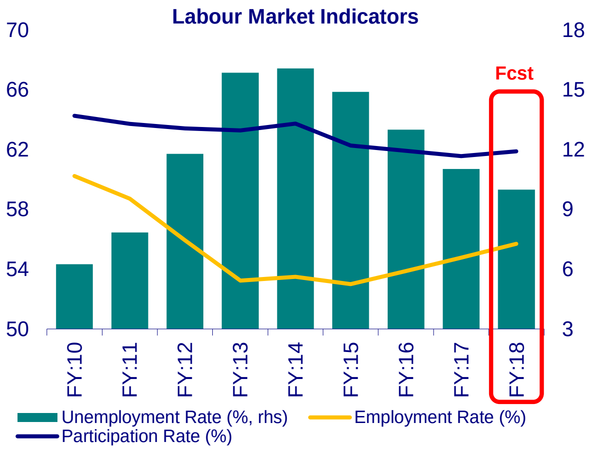
Encouragingly, the required moderate expenditure growth (5.2%) could be easily achieved, through lower-than-budgeted capital expenditure (by 0.3 pps of GDP), lower-than-projected interest expenditure -- which was overestimated in FY:17 (by 0.2 pps) and the saving of contingency reserves (0.2 pps).

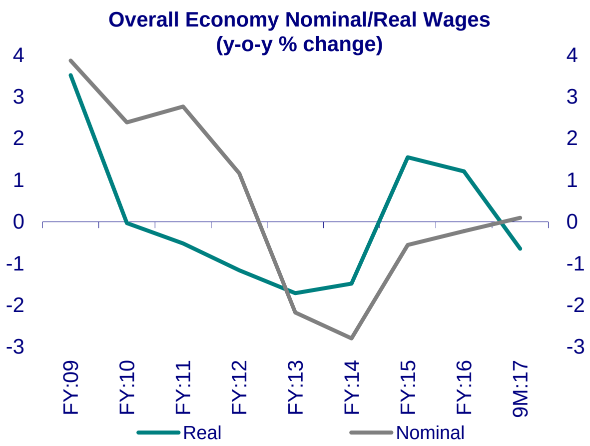
Importantly, even with a neutral fiscal stance, the public debt-to-GDP ratio is set to narrow further, to a 7-year low of 68.4% of GDP in FY:18 -- yet the highest in SEE-5 (see chart).

Cyprus

BB+ / Ba3 / BB (S&P / Moody's / Fitch)







	19 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.23	1.22	1.25	1.30
Sov. Spread (2020. bps)	86	55	52	50

	19 Mar.	1-W %	YTD %	2-Y %
CSE Index	69	0.0	-1.2	-0.5

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.6	3.3
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-4.8	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.9	2.6	2.8

The economic recovery accelerated in FY:17, with GDP growth reaching a post-crisis high of 3.9%. The annual pace of economic expansion stood at a solid 3.9% y-o-y in Q4:17, broadly unchanged from the past 3 quarters. As a result, FY:17 GDP growth strengthened for a 4th consecutive year, reaching 3.9%, from an upwardly-revised 3.4% in FY:16 (from 3.0%) and comparing favourably with the EU-28 outcome of 2.4%.

The strong growth performance in FY:17 was driven by a broad-based improvement in domestic demand. Gross fixed capital formation (GFCF, excl. ships) contributed 4.0 pps to overall growth in FY:17, mainly supported by strong business confidence following the country's "clean exit" from the 3-year economic adjustment programme (March 2016) and a recovery in construction activity. Including ships, the contribution of GFCF to overall growth was larger (5.1 pps of GDP), reflecting higher mostly-imported (net) investments in shipping.

Moreover, both private and public consumption supported the build-up in domestic demand in FY:17 (contributing 2.9 pps of GDP and 0.4 pps of GDP, respectively). The former continued to benefit from rising real disposable income, in line with improving labour market conditions, while the latter saw its contribution turning positive for the first time in 6 years, on the back of higher spending in goods & services, ahead of the February Presidential elections.

On the other hand, net exports, excluding ships, was a drag on GDP growth in FY:17 (subtracting 3.4 pps of GDP), as import growth (up 11.5%) outpaced that of exports (up 5.3%) due to strengthening domestic demand and despite buoyant tourism activity. Note that tourist arrivals posted a solid growth of 13.3%, despite strong base effects and increasing competition from neighbouring Turkey and Egypt. Including ships, the drag from net exports was even larger (4.5 pps of GDP).

For this year, we expect economic activity to grow at a slightly more moderate pace. The deceleration should result from a normalization in GFCF and, to a lesser extent, weaker private consumption. The latter could be hampered by increased household debt servicing, in line with banks' more aggressive loan restructuring. Overall, we see GDP growth moderating to a still strong 3.6% in FY:18.

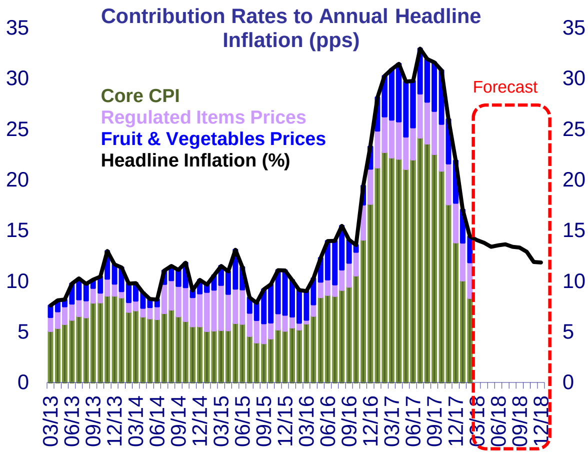
The unemployment rate continued on its downward trend, reaching a 6-year low of 11.0% in FY:17. Against the backdrop of buoyant economic activity and improving confidence, the unemployment rate declined by 2.8 pps y-o-y to a post-crisis low of 10.1% in Q4:17, bringing the FY:17 outcome down to 11.0% (from 13.0% in FY:16). This positive development was mainly due to the continued recovery in employment, which pushed the employment rate up by 0.9 pps to a 6-year high of 54.8% in FY:17. Indeed, employment rose by a solid 3.1% (up 11.4k), following an increase of 2.5% in FY:16, mainly due to the services sector (up 4.5%). Employment growth in FY:17 would have been stronger had the employment performance of the labour-intensive tourism sector not been subdued (contributing 0.3 pps to overall employment growth against 1.1 pp in FY:16), reflecting base effects from a strong recovery in FY:16 and capacity constraints.

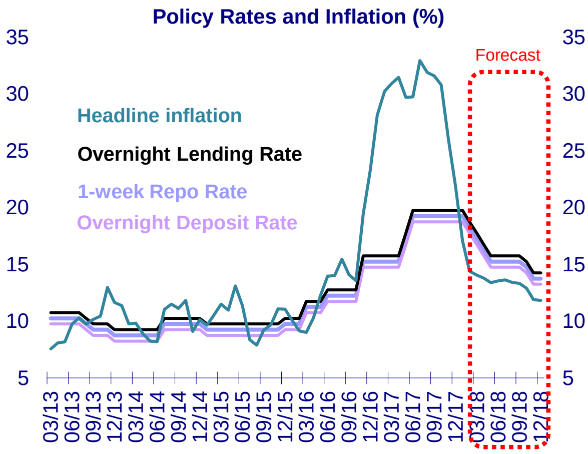
Importantly, despite strong employment growth, nominal wages remained broadly unchanged (up by 0.1% in FY:17), tempered, *inter alia*, by the suspension of indexation of public and private sector wages to prices since the 2013 banking crisis. However, with higher inflation, real wage growth turned negative (-0.6% y-o-y in 9M:17).

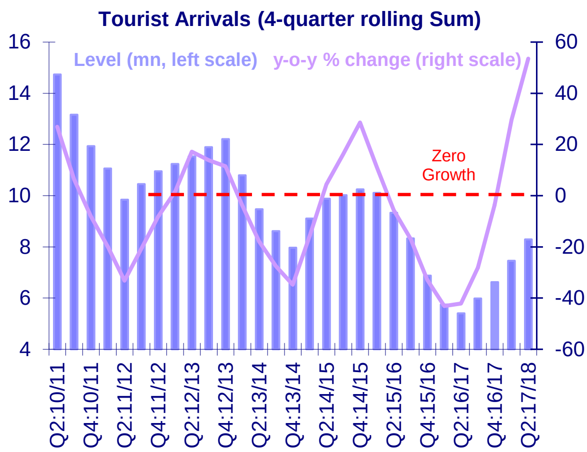
Looking ahead, we expect labour market conditions to tighten further, albeit at a slower pace, due to a foreseen slowdown in economic activity this year. Overall, we see employment rising by a still strong 2.5% and the unemployment rate dropping to 9.2% in Q4:18.

Egypt

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







	19 Mar.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.9	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020, bps)	225	168	152	140

	19 Mar.	1-W %	YTD %	2-Y %
HERMES 100	1,652	1.8	15.0	145.3

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.8	5.5
Inflation (eop, %)	11.4	14.0	29.8	13.5	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-4.8	-3.5
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

Headline inflation declined to 14.4% y-o-y in February, permitting the Central Bank to proceed with another 100 bps cut of its key rates at its March 29th MPC meeting. Headline inflation eased for a seventh consecutive month in February – down to a 1¼-year low of 14.4% y-o-y from a 3-decade high of 33.0% y-o-y in July. Recall that the July peak resulted from: i) further adjustments in regulated prices (prices of fuel and electricity were increased by up to 50% and 42%, respectively, in July); ii) a rise in the VAT rate (by 1 pp to 14% in July); and iii) the flotation of the currency in November 2016 (leading to a depreciation of the EGP against the USD by c. 50% y-o-y in July 2017).

The 18.6 pp decline in headline inflation between July and February had been largely supported by sharp policy rate hikes, the absorption of excess liquidity through open market operations, the increase in the bank reserve requirement ratio, and the fading direct and indirect impacts of the flotation of the EGP -- which has stabilized against the USD since March 2017 -- and the rise in energy prices.

Looking ahead, we expect headline inflation to continue to decline during the rest of the year, albeit at a slower pace, in the absence of supportive base effects. Indeed, the favourable base effects in November 2016 have faded and those of July 2017 will not help as a new cycle of increases in regulated energy prices is set to take place next July. Overall, we see headline inflation easing to 11.8% y-o-y in December -- well within the CBE's end-2018 target range of 10%-16%.

The positive inflation outlook and the absence of depreciation pressures on the domestic currency should strengthen the CBE's hand to continue on its new cycle of monetary policy loosening started in February, with a 100 bp cut of its key interest rates. We expect the CBE to proceed with additional cuts of its key rates, totalling 450 bps, by December. Should our forecasts materialise, the overnight deposit, 1-week repo, and overnight lending rates would reach 13.25%, 13.75%, and 14.25%, respectively, in December (or 2.1%, 2.6% and 3.1%, respectively, in *ex post*, real and compounded terms).

The tourism sector continued its recovery in Q2:17/18. Tourist arrivals posted a sharp increase for a fourth consecutive quarter in Q2:17/18 (October-December 2017, up 53.6% y-o-y, bringing average growth for the past 4 quarters to c. 52.0% y-o-y), following 6 successive quarters of decline (an average decline of c. 35.0% y-o-y in Q1:15/16-Q2:16/17). The strong rise in arrivals in the past 4 quarters was mainly supported by more competitive prices (the EGP has depreciated by c. 50% to EGP 18.0 per USD since November 2016) and a significant improvement in security conditions.

The cheaper Egyptian pound and easing security concerns have also led to a sharp increase in the number of nights spent per tourist in the past 4 quarters (an average rise of 4.0 nights y-o-y to 10 nights). As a result, the total number of nights spent per tourist increased at a faster pace than arrivals during the past 4 quarters (average growth of c. 140.0% and c. 52.0% y-o-y, respectively).

Looking ahead, barring renewed security concerns, we expect tourist arrivals and overnights to continue to increase during the rest of the fiscal year, albeit at a slower pace than in H1:17/18. We see tourist arrivals and overnights expanding by 36.0% and c. 80.0% y-o-y, respectively, to 3-year highs of 9.1mn and 91.8mn in FY:17/18.

Based on the Q1:17/18 tourist spending per night, tourism receipts will rise sharply, by 86.0% (or USD 3.8bn or 1.3 pps of GDP) to a 5-year high of USD 8.2bn in FY:17/18, following an increase of c. 16.0% to USD 4.4bn a year earlier, contributing significantly to the expected narrowing of the current account deficit to 4.8% of GDP in FY:17/18 from 6.6% a year earlier.

FOREIGN EXCHANGE MARKETS, MARCH 19TH 2018

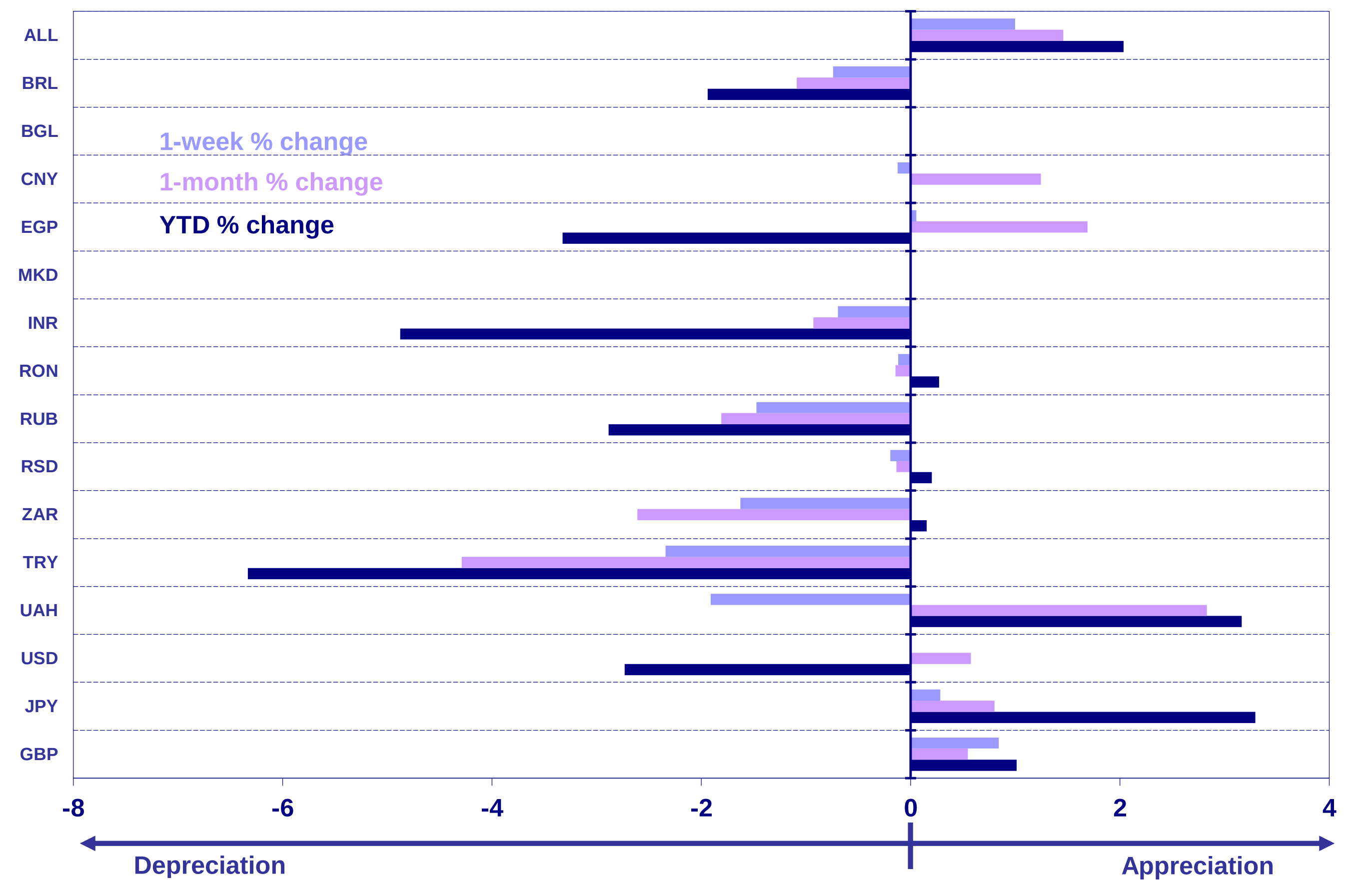
Against the EUR

		2018										2017	2016
	Currency	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	130.2	1.0	1.5	2.0	3.8	130.5	134.0	130.5	130.8	130.5	1.9	1.2
Brazil	BRL	4.05	-0.7	-1.1	-1.9	-18.6	3.85	4.08	4.33	4.32	4.33	-13.9	25.7
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	7.80	-0.1	1.2	0.0	-4.7	7.69	7.96	8.19	8.19	8.19	-6.0	-4.0
Egypt	EGP	21.55	0.1	1.7	-3.3	-9.7	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
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	80.6	-0.7	-0.9	-4.9	-13.0	75.9	81.0	86.7	- - -	- - -	-6.7	0.4
Romania	RON	4.66	-0.1	-0.1	0.3	-2.2	4.62	4.68	4.69	4.72	4.80	-3.0	-0.4
Russia	RUB	71.2	-1.5	-1.8	-2.9	-13.5	67.7	71.8	72.4	73.6	75.9	-6.8	22.9
Serbia	RSD	118.2	-0.2	-0.1	0.2	4.8	117.6	119.1	118.5	118.7	- - -	4.2	-1.5
S. Africa	ZAR	14.8	-1.6	-2.6	0.2	-8.4	14.18	15.16	15.1	15.4	16.0	-2.7	16.2
Turkey	YTL	4.86	-2.3	-4.3	-6.3	-20.0	4.48	4.87	5.02	5.20	5.59	-18.4	-14.7
Ukraine	UAH	32.5	-1.9	2.8	3.2	-11.0	31.86	36.11	38.5	- - -	- - -	-15.2	-8.6
US	USD	1.23	0.0	0.6	-2.7	-12.9	1.2	1.3	1.24	1.25	1.27	-12.4	3.3
JAPAN	JPY	130.9	0.3	0.8	3.3	-7.6	129.4	137.5	130.9	131.0	131.0	-8.9	6.0
UK	GBP	0.88	0.8	0.5	1.0	-1.2	0.9	0.9	0.88	0.88	0.89	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (March 19th 2018)



MONEY MARKETS, MARCH 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.6	-0.1	2.6	- - -	17.9	- - -	- - -	1.3	7.4	- - -	13.3	7.0	16.8	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.3	7.0	2.3	- - -	7.0	- - -	- - -	- - -
S/W	1.3	6.6	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	6.8	2.4	- - -	7.1	17.0	-0.4	1.7
1-Month	1.6	6.5	-0.1	4.5	-0.4	- - -	1.4	7.1	1.6	7.5	2.7	13.6	7.6	17.7	-0.4	1.8
2-Month	- - -	6.5	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	2.8	13.7	7.3	- - -	-0.3	1.9
3-Month	2.1	6.4	0.0	4.7	-0.3	- - -	1.7	7.2	2.0	7.3	2.9	14.0	7.4	17.8	-0.3	2.2
6-Month	2.6	6.4	0.2	4.7	-0.3	- - -	2.0	- - -	2.4	7.8	3.1	14.4	7.5	- - -	-0.3	2.4
1-Year	3.0	6.6	0.6	4.7	-0.2	- - -	2.4	- - -	2.5	7.3	- - -	15.0	7.7	- - -	-0.2	2.6

LOCAL DEBT MARKETS, MARCH 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.8	- - -	6.2	- - -	6.9	0.0	12.7	- - -	- - -	-0.8	1.8
6-Month	2.0	- - -	- - -	- - -	- - -	17.8	- - -	6.4	1.9	6.8	3.3	12.9	- - -	- - -	-0.7	2.0
12-Month	2.6	- - -	-0.1	3.3	- - -	16.7	1.2	6.7	2.3	6.1	3.5	13.3	- - -	16.4	-0.7	2.1
2-Year	3.3	- - -	- - -	3.5	- - -	- - -	1.6	6.9	2.8	6.4	- - -	13.5	6.8	- - -	-0.6	2.3
3-Year	- - -	- - -	0.2	3.5	0.6	- - -	1.8	7.2	3.2	6.7	- - -	13.4	7.1	15.8	-0.4	2.4
5-Year	- - -	8.9	- - -	3.7	0.8	14.9	- - -	7.4	3.8	6.7	4.3	13.1	7.5	- - -	0.0	2.6
7-Year	5.9	- - -	0.9	- - -	1.4	14.7	- - -	7.6	4.2	6.9	- - -	- - -	- - -	- - -	0.2	2.8
10-Year	- - -	9.5	1.3	3.8	- - -	14.7	- - -	7.6	4.5	7.1	- - -	12.5	8.2	- - -	0.6	2.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	7.9	- - -	7.4	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.2	- - -	1.2	3.1

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

CORPORATE BONDS SUMMARY, MARCH 19TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	1.9	233	191
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	181	148
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	96	59
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.0	245	197
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	5.2	259	242
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.3	362	340
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	6.2	349	327
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	6.1	346	321
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	6.2	354	331
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	5.1	245	229

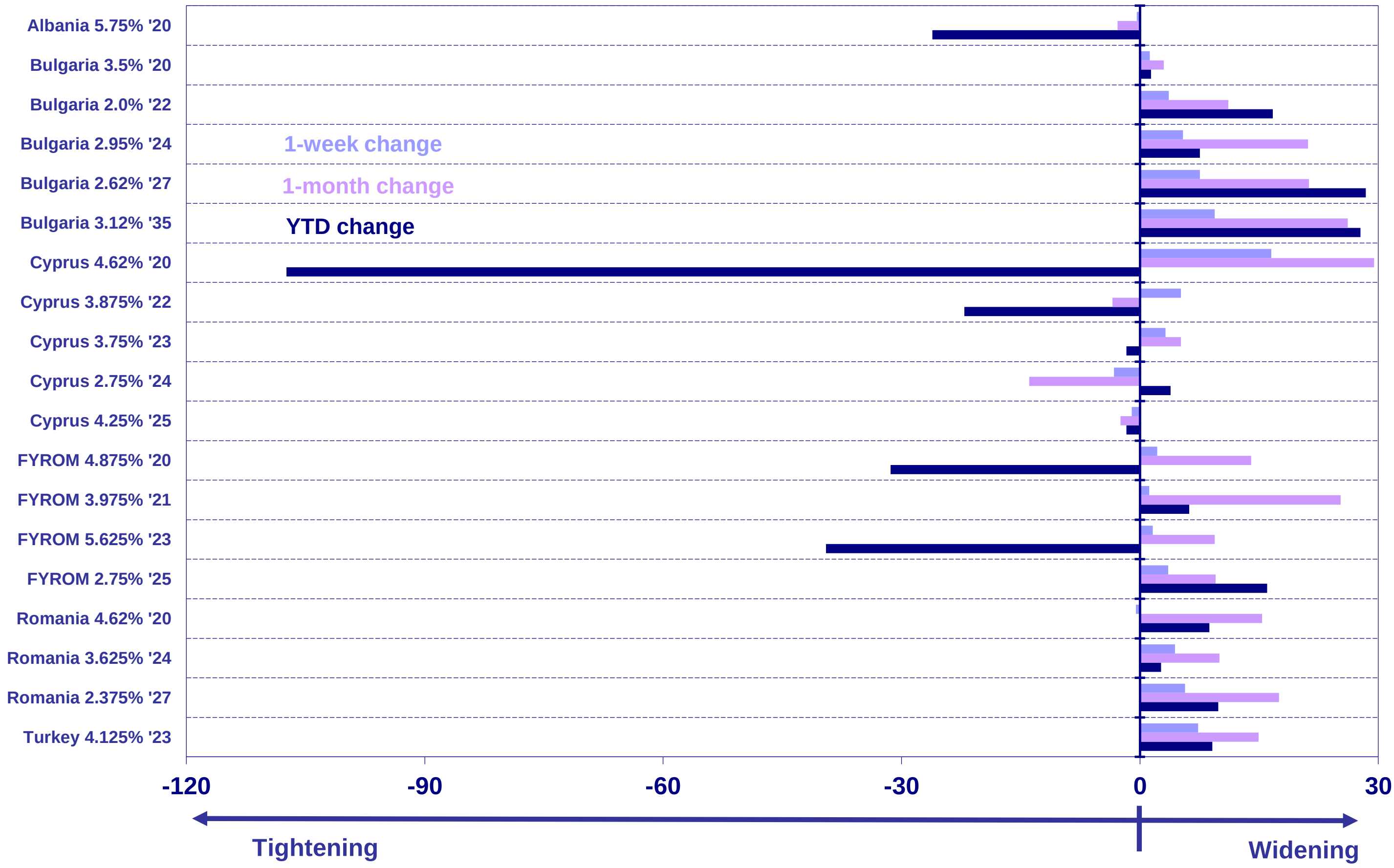
CREDIT DEFAULT SWAP SPREADS, MARCH 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	152	66	57	- - -	258	- - -	80	84	113	118	181	151	365
10-Year	- - -	250	110	97	- - -	305	- - -	89	128	184	154	269	244	399

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 19TH 2018

	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	1.3	167	139
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	69	33
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.3	54	8
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.9	69	32
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	98	56
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	158	111
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.3	86	50
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	0.8	103	59
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.2	124	77
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.4	132	85
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	1.7	141	110
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	162	130
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.7	208	404
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.3	230	198
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.7	253	204
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	59	9
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	108	65
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.2	174	126
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.6	259	221

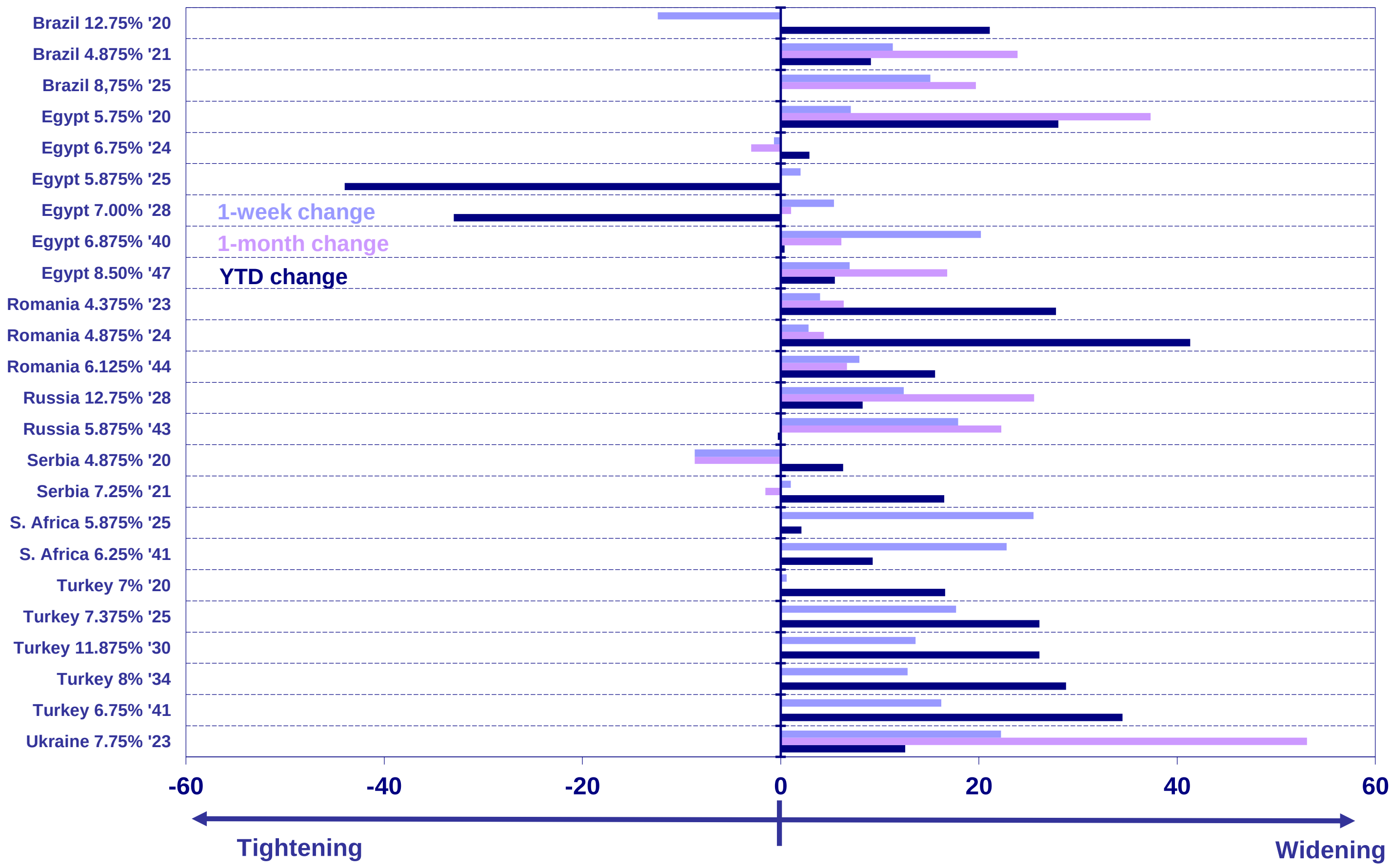
EUR-Denominated Eurobond Spreads (March 19th 2018)



USD-Denominated Sovereign Eurobond Summary, March 19th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.5	18	-9
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.4	93	69
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.4	163	179
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.6	225	194
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	337	332
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	5.8	297	288
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.2	335	336
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.2	408	404
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.6	456	496
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.8	112	97
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.8	114	100
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	168	201
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.6	172	232
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.1	203	228
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.5	122	93
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	3.8	135	112
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.0	221	218
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.8	274	292
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.1	185	156
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.5	270	277
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	6.0	320	401
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.5	362	380
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.6	349	339
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.0	435	421

USD-Denominated Eurobond Spreads (March 19th 2018)



STOCK MARKETS PERFORMANCE, MARCH 19TH 2018

	2018								2017		2016	
	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	
Brazil (IBOV)	83,913	-3.4	-0.7	9.8	29.3	76,403	88,318	7.2	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	672	-1.4	-3.5	-0.8	5.5	671	721	-0.8	15.5	15.5	27.2	27.2
China (SHCOMP)	3,279	-1.4	2.5	-0.8	0.9	3,063	3,587	-0.9	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	69	0.0	-1.8	-1.2	2.5	68	71	-1.2	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,652	1.8	11.2	15.0	41.3	1,429	1,658	11.9	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,856	0.4	3.3	12.5	25.4	2,536	2,877	12.5	18.9	18.9	16.5	16.5
India (SENSEX)	32,923	-2.9	-3.2	-3.3	11.5	29,164	36,444	-8.0	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,782	0.8	2.0	7.9	19.0	1,675	1,802	8.2	22.8	19.1	0.2	0.0
Russia (RTS)	4,485	-0.9	5.2	8.8	1.1	4,128	4,566	5.6	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	749	1.2	-1.6	-1.5	0.3	728	785	-1.3	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	58,088	-1.9	-1.7	-2.4	10.1	55,090	61,777	-2.2	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	115,450	-2.5	-0.9	0.1	27.0	111,107	121,532	-6.2	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	353	-0.3	5.0	11.9	28.7	315	354	15.4	18.8	0.8	10.2	1.0
MSCI EMF	1,204	-1.5	0.3	3.9	23.8	1,136	1,279	1.1	34.3	17.7	8.6	12.2
MSCI EAFE	2,031	-1.3	-2.2	-1.0	12.9	1,992	2,187	-3.7	21.8	6.7	-1.9	1.4
Greece (ASE-General)	807	-2.9	-4.6	0.6	25.4	794	896	0.6	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,217	-1.6	-1.9	-5.4	1.4	11,831	13,597	-5.4	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,043	-2.4	-3.5	-8.4	-5.2	7,062	7,793	-7.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,611	-2.3	-2.4	-0.4	17.7	20,380	26,617	-3.2	25.1	9.6	13.4	16.7
USA (S&P 500)	2,713	-2.5	-0.7	1.5	14.3	2,533	2,873	-1.3	19.4	4.7	9.5	13.2

Equity Indices (March 19th 2018)