Economic Analysis Division

Emerging Markets Analysis

Bi-Weekly Report

12 – 25 March 2019

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

Emerging Markets Analysis

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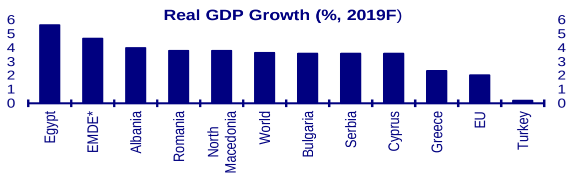
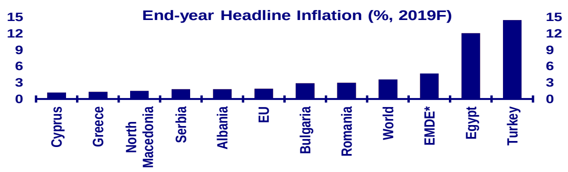


* EMDE: Emerging Market & Developing Economies



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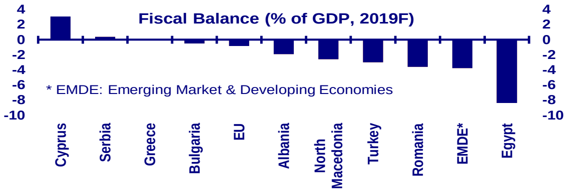

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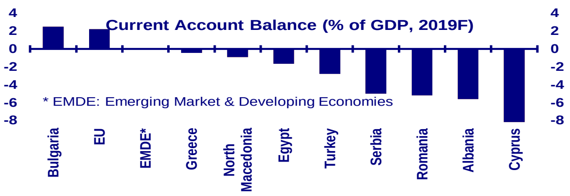


* EMDE: Emerging Market & Developing Economies

- GDP growth declined sharply to a post-global financial crisis low of 2.5% in FY:18 from 7.4% in FY:17; a further slowdown is in sight this year
- The unemployment rate reached a 9-year high of 11.0% in FY:18 and is set to rise to a post-global financial crisis high of 12.0% this year

- Economic activity remained strong in Q4:18 (up 4.1% y-o-y), albeit losing momentum
- Economic growth is set to slow in FY:19

- The Bulgarian economy maintained momentum in Q4:18
- GDP growth is set to rebound in FY:19, underpinned by a looser fiscal stance
- The labour market shows signs of stagnation

- The underlying current account deficit (excluding energy) narrowed markedly to 0.7% of GDP in FY:18 from 1.4% in FY:17
- The capital and financial account improved markedly and more than covered the CAD in FY:18

- The Central Bank lowered its key rate by 25 bps, to an all-time low of 2.25%
- GDP growth rebounded to 2.7% in FY:18 from a 5-year low of 0.2% in FY:17, supported by both domestic and external demand
- Labour market conditions tightened further in FY:18, underpinned by stronger economic activity and active labour market policies

- The FY:18 deficit narrowed to a record low of 1.6% of GDP and overperformed its target of 2.0% of GDP
- The 2019 Budget is set to underperform its target of 1.9% of GDP this year, unless additional corrective fiscal measures are introduced

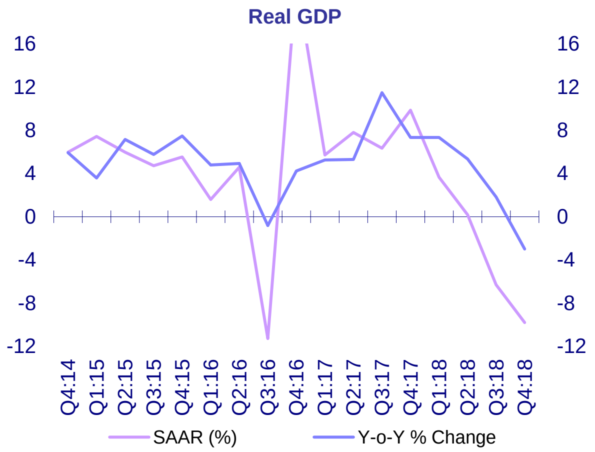
- GDP growth slowed to a still strong 3.9% in FY:18 from an upwardly-revised 4.5% in FY:17, due to weaker domestic demand
- GDP growth is expected to moderate further to a still strong 3.6%
- The unemployment rate returned to single digits, reaching a post-crisis low of 8.4% in FY:18

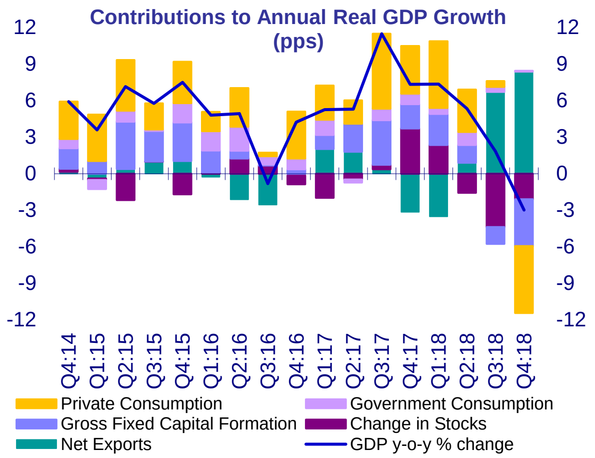
- The envisaged fiscal consolidation for this fiscal year -- 1.9 pps of GDP -- is on track
- Headline inflation rose to a 4-month high of 14.4% y-o-y in February from 12.7% in January, mainly on the back of accelerating volatile prices of fruit & vegetables
- The CBE is likely to cut its key policy rates by 200 bps by end-2019

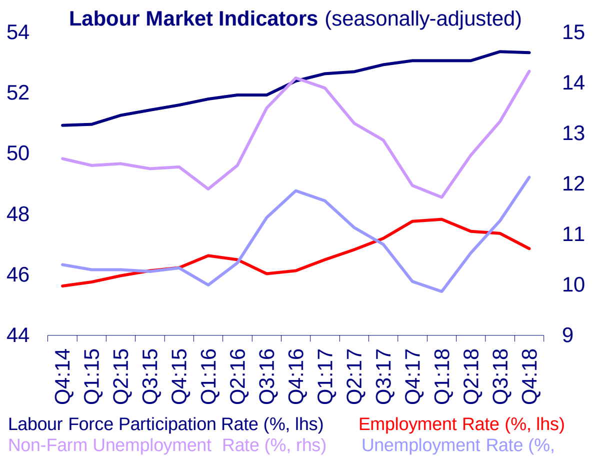
Please see disclosures on page 14

Turkey

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







	25 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	26.3	23.5	22.0	18.5
TRY/EUR	6.28	6.30	6.60	6.80
Sov. Spread (2025, bps)	499	420	380	340

	25 Mar.	1-W %	YTD %	2-Y %
ISE 100	99,326	-5.0	9.8	9.9

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.2	7.4	2.6	0.2	3.0
Inflation (eop, %)	8.5	11.9	20.3	14.5	11.5
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-3.6	-2.8	-3.6
Fiscal Bal. (% GDP)	-1.1	-1.5	-1.9	-3.0	-3.0

GDP growth declined sharply to a post-global financial crisis (GFC) low of 2.5% in FY:18 from 7.4% in FY:17; a further slowdown is in sight this year. Turkey's GDP contracted by 3.0% y-o-y in Q4:18, following 2 consecutive quarters of a sharp slowdown (from a peak of 7.4% y-o-y in Q1:18 to 5.3% in Q2:18 and 1.8% in Q3:18). The sharp deterioration in Q4:18 is mainly attributed to a sudden stop in capital inflows and a tighter monetary policy stance (the CBRT hiked the 1-week repo rate by 6.25 pps to 24.0% in mid-September in response to the August currency crisis and has left it unchanged since then).

Importantly, the much-needed rebalancing of the economy accelerated in Q4:18. Indeed, domestic demand shaved 11.4 pps and 4.9 pps off headline growth in Q4:18 and Q3:18, respectively, after having contributed 4.4 pps in Q2:18, while net exports had seen their contribution to overall growth rising sharply to 8.4 pps in Q4:18 from 6.7 pps in Q3:18 and 0.9 pps in Q2:18.

The strong performance in net exports in Q4:18 reflects both a significant rise in exports, mainly due to a sharp improvement in price competitiveness, and a sharp decline in imports, due to limited access to external funding and weaker domestic demand.

The deterioration in domestic demand in Q4:18 was broadly based, with a collapse in private consumption and gross fixed capital formation, as well as a depletion of inventories. Government consumption was the only component that did not drag down domestic demand in Q4:18.

With the Q4:18 outcome, real GDP growth stood at a post-GFC low of 2.5% in FY:18 -- significantly below the official target of 3.8% and the FY:17 outturn of 7.4%.

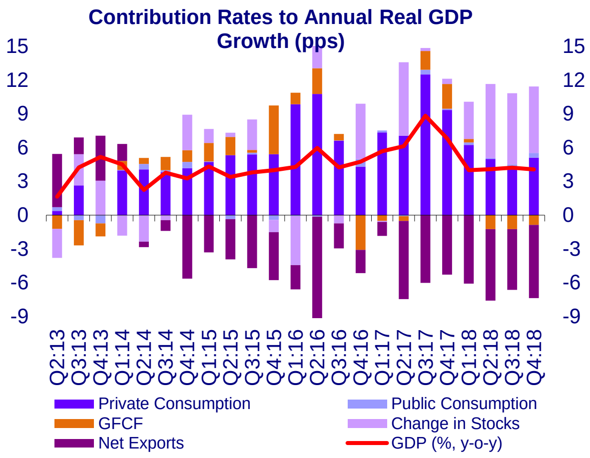
For this year, we expect economic activity to slow to 0.2% from 2.5% in FY:18, as domestic demand is set to contract further, due to limited room for fiscal monetary policy easing and tighter external financing conditions, and external demand is expected to weaken, due to the slowdown in global economic activity. The stagnation of economic activity this year should not be a cause for concern for the Government, as the presidential and parliamentary elections are not scheduled until June 2023 and there is a high risk of a repeat of the August 2018 currency crisis in the event of policy slippage.

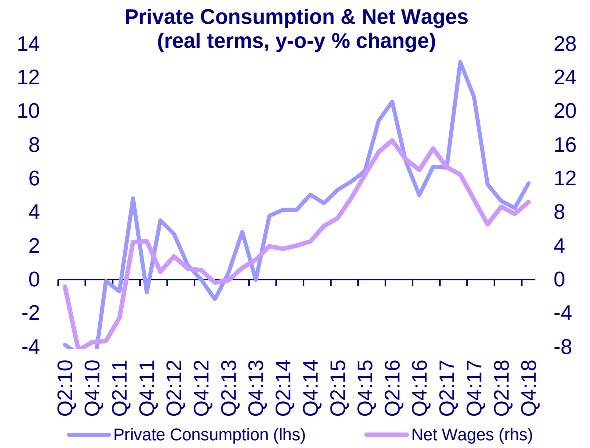
The unemployment rate reached a 9-year high of 11.0% in FY:18 and is set to rise to a post-GFC high of 12.0% this year. The seasonally-adjusted (s.a.) unemployment rate rose by 0.8 pps q-o-q to an 8½-year high of 12.1% in Q4:18, following two consecutive quarters of increase totalling 1.4 pps. The deterioration in Q2-Q4:18 reflects weaker economic activity momentum (s.a. real GDP growth declined from 0.9% q-o-q in Q1:18 to 0% in Q2:18, -1.6% in Q3:18 and -2.4% in Q4:18), stemming mainly from heightened uncertainty and a tighter monetary policy stance. Indeed, uncertainty was triggered by the unexpected announcement of presidential and parliamentary elections in early-Q2:18 – 17 months ahead of schedule -- and reached a peak in mid-Q3:18 (currency crisis), due to the absence of an adequate policy response to the country's alarming imbalances and heightened tensions with the US. Moreover, the CBRT had hiked its effective funding rate from 12.8% at end-March to 24.0% in mid-September and has left it unchanged since then, in its efforts to dampen depreciation pressures on the TRY. With the Q4:18 outcome, the unemployment rate reached a 9-year high of 11.0% in FY:18.

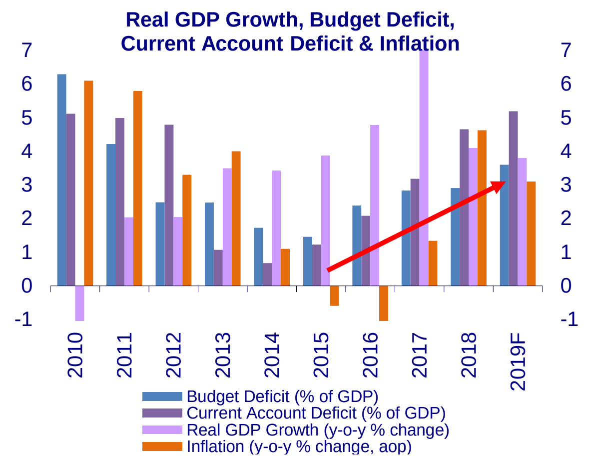
For this year, we expect the unemployment rate to continue on its upward trend, due to the further economic slowdown, rising to a 10-year high of 12.0% in FY:19 from 11.0% in FY:18.

Romania

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







	25 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.2	3.0	3.0	3.0
RON/EUR	4.75	4.80	4.82	4.85
Sov. Spread (2024, bps)	139	132	125	110

	25 Mar.	1-W %	YTD %	2-Y %	
BET-BK	1,536	-0.3	5.5	1.8	
	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.1	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.0	2.8
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.7	-5.2	-5.5
Fiscal Bal. (% GDP)	-2.4	-2.8	-2.9	-3.6	-3.8

Economic activity remained strong in Q4:18 (up 4.1% y-o-y), albeit losing momentum. GDP increased by a still solid 0.7% q-o-q s.a. against a rise of 1.7% in Q3:18. As a result, the annual pace of economic expansion eased slightly to 4.1% y-o-y in Q4:18, bringing FY:18 growth also to 4.1% -- well below the FY:17 outcome of 7.0%.

Private consumption remained the main engine of growth in Q4:18. Private consumption picked up strongly in Q4:18 (up 5.7% y-o-y against 4.2% in Q3:18), in line with slowing inflation (to 3.7% y-o-y in Q4:18 from a high of 4.9% in Q3:18) and the acceleration in consumer lending (up 4.0% y-o-y in real terms in Q4:18 against a rise of 1.2% in Q3:18). Note that, albeit having slowed from the double-digit rates witnessed last year, growth in private consumption remains solid, reflecting tight labour market conditions (the LFS unemployment rate fell to a historical low of 4.2% in FY:18 from 4.9% in FY:17) and the loose incomes policy. Regarding the latter, public wages rose by 25% in January, with certain sub-sectors receiving another 20% increase in March. The impact of the loose incomes policy on disposable income was moderated, however, by the shift in the bulk of the social security contributions' burden onto employees.

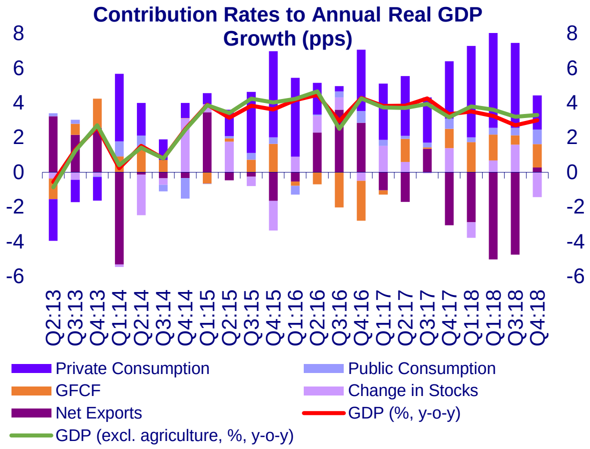
Worryingly, fixed investment continued to decline in Q4:18 (down 3.3% y-o-y following a contraction of 3.9% in Q3:18), despite higher public investment (up 0.3 pps of GDP y-o-y). This deterioration was more than offset, however, by the build-up in inventories (incl. statistical discrepancies, adding a sizeable 5.9 pps to headline growth in Q4:18). Unsurprisingly, net exports continued to weigh on overall growth in Q4:18 (shaving as much as 6.5 pps off headline growth against 5.4 pps in Q3:18), in line with robust private consumption.

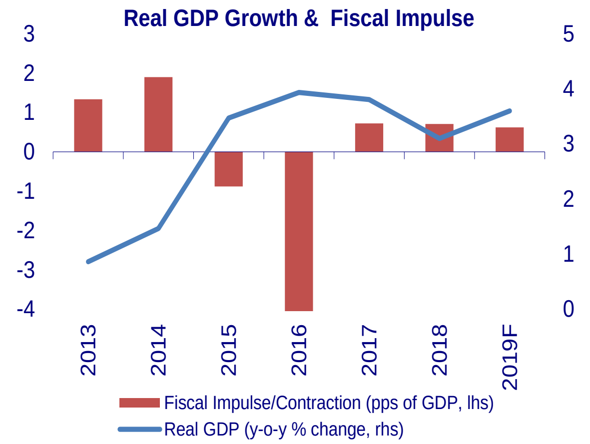
Economic growth is set to slow in FY:19. Private consumption should remain the main engine of growth in FY:19, amid the ongoing easing in incomes policy (including targeted hikes in public sector wages -- up 19% on average -- and a 15% increase in pensions in September). Nevertheless, its pace of expansion should moderate somewhat, reflecting slower employment growth in a labour market close to full employment and weaker economic sentiment. The latter is due to elevated fiscal and political uncertainty (recall the recently-introduced but soon to be revised controversial bank tax) ahead of a long pre-election period (presidential and legislative elections are scheduled for end-2019 and mid-2020, respectively). In this context, private investment is also unlikely to revive, despite positive base effects from the underperformance in recent years. In fact, fixed investment should, once again, be sustained by public investment, which is projected to pick-up in FY:19, on the back of better absorption of EU funds. At the same time, net exports are set to remain a large drag on overall growth, in line with the slowdown in the EU -- Romania's main trading partner. All said, we see FY:19 GDP growth declining to 3.8% from 4.1% in FY:18, despite the strong carry-over from Q4:18 (1.7 pps).

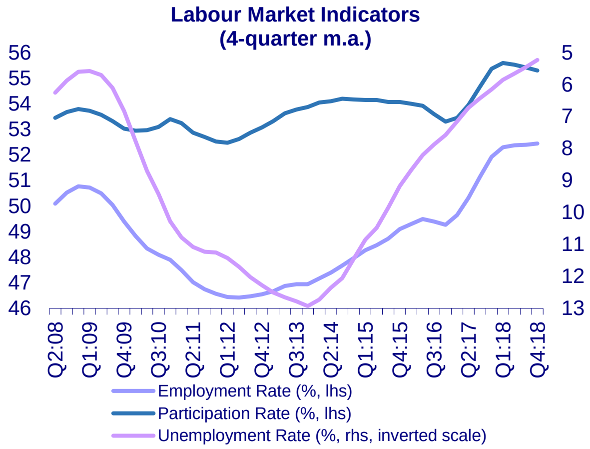
Worryingly, the economy still appears overheated, with GDP growth above its long-term potential (of 3.0%) for a 7th consecutive year and the current account deficit up sharply (to 5.2% of GDP in FY:19 from a low of 0.7% in FY:14). At the same time, fiscal policy is expansionary (the budget deficit is set to widen to 3.6% of GDP in FY:19, above the EU threshold of 3.0%, from 2.9% in FY:18 and a low of 1.5% in FY:15). Against this backdrop, the NBR is behind the curve. Our "Taylor rule" estimates suggest that rates should be raised to 4.5% from 2.5% currently, in order to address these challenges. However, as long as the bank tax is not decoupled from the evolution of ROBOR, the NBR will not have room for manoeuvre.

Bulgaria

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







	25 Mar.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	55	52	48	40

	25 Mar.	1-W %	YTD %	2-Y %
SOFIX	583	-0.5	-2.0	-8.9

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.1	3.6	3.2
Inflation (eop, %)	0.1	2.8	2.7	2.9	2.7
Cur. Acct. Bal. (% GDP)	2.6	6.5	4.6	2.5	1.8
Fiscal Bal. (% GDP)	1.6	0.8	0.1	-0.5	-0.5

The Bulgarian economy maintained momentum in Q4:18. GDP rose by 0.8% q-o-q s.a. in Q4:18, an equal pace to that observed in the past 3 quarters. On an annual basis, the pace of economic expansion picked up to 3.0% y-o-y in Q4:18 from 2.7% in Q3:18, bringing FY:18 growth to 3.1% -- below the FY:17 outcome of 3.8%. Note that half of the economic slowdown in FY:18 is explained by weaker agricultural output, due to adverse weather conditions.

Stronger net exports, amid a sharp slowdown in private consumption, sustained GDP growth in Q4:18. Private consumption lost steam abruptly in Q4:18 (up 2.6% y-o-y against a rise of 7.6% in Q3:18), reflecting the stagnation in the labour market (see below) and a deterioration in consumer confidence (to -27.0 in Q4:18 from -23.8 in Q3:18). Against this backdrop, the build-up in inventories also halted in Q4:18 (subtracting 1.4 pps of GDP from overall growth). In fact, the only factor underpinning domestic demand was fixed investment, which strengthened in Q4:18 (up 7.0% y-o-y following a rise of 3.0% in Q3:18), mainly driven by the public sector (up 0.6 pps of GDP y-o-y). Importantly, despite weak external demand, especially from Bulgaria's non-EU trading partners, due, *inter alia*, to the appreciation of the EUR (up 5.7% in real terms in FY:18), net exports improved in Q4:18 (adding 0.3 pps of GDP to overall growth against -4.7 pps in Q3:18), in line with the sharp slowdown in domestic demand.

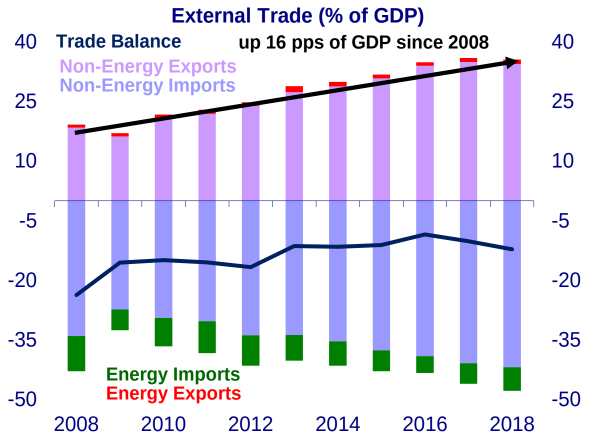
GDP growth is set to rebound in FY:19, underpinned by a looser fiscal stance. Private consumption should rebound in FY:19, due to the looser incomes policy (public sector wages rose by 10% in January, while pensions will increase by 5.7% in July) and its spillover to the private sector, amid tight labour market conditions. Moreover, against the backdrop of increasing capacity utilization rate (currently at 79% against a historical average of 70%), fixed investment is set to pick up in FY:19, reflecting low interest rates and better absorption of EU funds. Worryingly, net exports could be a large drag on overall growth, due not only to stronger domestic demand, but also to weaker external demand from the EU -- Bulgaria's main trading partner. All said, in view of the large positive carry over from the previous year (1.1 pp), we see FY:19 GDP growth rebounding to 3.6%.

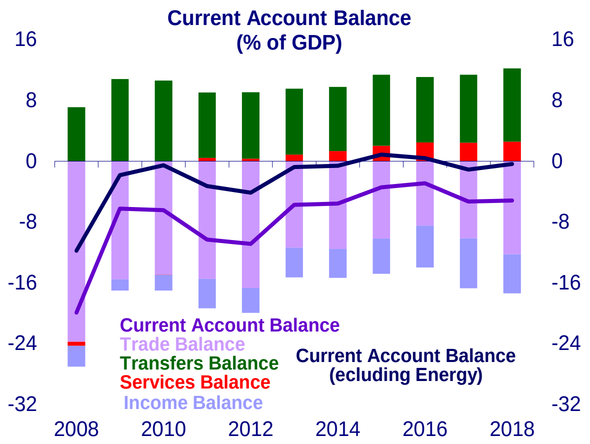
The labour market shows signs of stagnation. The unemployment rate fell by 0.9 pps y-o-y to a low of 4.7% in Q4:18 -- a 20th consecutive quarter of decline. However, for a 3rd consecutive quarter, this improvement was solely due to the drop in the number of unemployed seeking a job, as suggested by the easing participation rate (down 0.5 pps y-o-y to 55.0%). Indeed, after a strong rise in 2014-17 (at a CAGR of 1.9%), employment has begun to decline slowly (down 0.6% y-o-y for a 3rd consecutive quarter in Q4:18). In this context, wage pressures eased (up 3.8% y-o-y in real terms in H2:18 against rises of 5.2% in H1:18 and 7.8% in FY:17). Albeit slowing, real wage growth still surpasses productivity gains (c. 2.5% p.a. over the past 4 years).

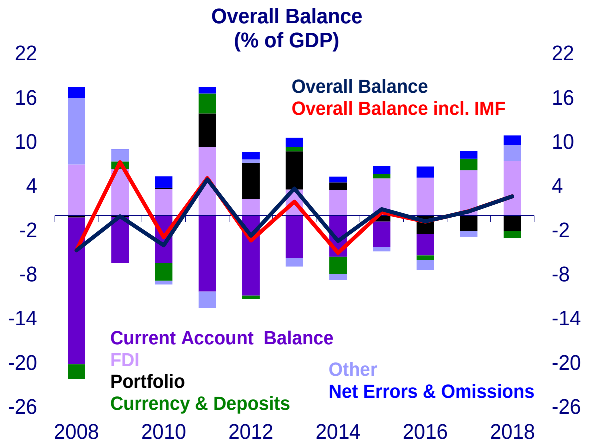
Structural problems cloud the outlook for the labour market. The labour force is shrinking due to migration and ageing (down 1.0% p.a. over the past 8 years). At the same time, long-term unemployment remains high (60% of people have been unemployed for 12 months or more), reflecting labour market rigidities and skills mismatches. In this context, the labour market is set to remain stagnant in FY:19, with employment falling marginally against no change on average in FY:18 and the unemployment rate easing slightly to c. 5.0%. As a result, and in view of the loose incomes policy, wage pressures are set to persist. However, this is still not a major concern. Indeed, with total costs being $^{1}/_{5}$ of the EU average, competitiveness remains strong as reflected in the large current account surplus.

Serbia

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







	25 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	117.9	116.5	116.0	115.0
Sov. Spread (2021, bps)	151	140	128	110

	25 Mar.	1-W %	YTD %	2-Y %
BELEX-15	730	1.8	-4.1	-2.1

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	3.6	3.8
Inflation (eop, %)	1.6	3.0	2.0	1.8	2.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-5.2	-5.0	-4.5
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	0.4	-0.2

The underlying current account deficit (CAD, excluding energy) narrowed markedly to 0.7% of GDP in FY:18 from 1.4% in FY:17. The CAD reversed its upward trend in FY:18, despite an unfavourable energy bill, narrowing by 0.1 pp y-o-y to 5.2% of GDP in FY:18, after having widened by 2.4 pps y-o-y in FY:17.

The improvement was supported by: i) the normalization in the income deficit (down 1.4 pps of GDP in FY:18, following large FDI-related repatriation of dividends & profits in FY:17); and ii) higher remittances (up 0.7 pps of GDP) mainly from Germany, Austria and France.

The decline in the CAD would have been larger had the trade deficit not widened (by a sizeable 2.1 pps of GDP in FY:18), due to higher imports. In fact, imports rose by 13.3%, in EUR terms, in FY:18, reflecting: i) investment and export-related imports; ii) higher energy imports (up 25.4%, in EUR terms) -- in line with global oil prices (up 24.8% in FY:18 in EUR terms); and iii) the gradual recovery in consumption. Note that the underlying CAD (excluding energy) narrowed at a faster pace, by 0.7 pps to 0.7% of GDP in FY:18.

On the other hand, exports grew by 8.2% in FY:18, supported by still robust external demand and the past years' FDIs (diversified, and largely directed towards export-oriented sectors). Serbia's exports in 2018 were, however, contained by: i) the imposition by Kosovo of a 100% tariff on imports from Serbia in November 2018 (Kosovo accounts for 3.0% of Serbia's exports, mainly food); and ii) the temporary 2-month halt in production by carmaker FIAT in Q4:18 (which accounted for a sizeable 4.4% of Serbia's exports in FY:18).

The capital and financial account (CFA) improved markedly and more than covered the CAD in FY:18. The CFA surplus rose by 1.6 pps to 6.5% of GDP in FY:18, mainly on the back of strong FDI inflows (up 1.3 pps y-o-y to a 7-year high of 7.4% of GDP in FY:18). The latter was boosted by: i) the EUR 501mn (1.2% of GDP) concession fee paid by France's Vinci Airports after the acquisition of the 25-year operating concession of the state-owned Nikola Tesla airport; ii) the privatisation of 65% of the mining and smelting company RTB Bor, acquired by the Chinese company Zijin for USD 350mn; and iii) the privatisation of the state-owned dairy company PKB, acquired by the UAE-based agricultural company Al Dahra for EUR 150mn. The CFA was also supported by large (net) borrowing (of 3.0% of GDP in FY:18 against 0.5% of GDP in FY:17). Note that the CFA surplus would have been larger had the Government not repaid a USD 1.0bn Eurobond (or 2.0% of GDP).

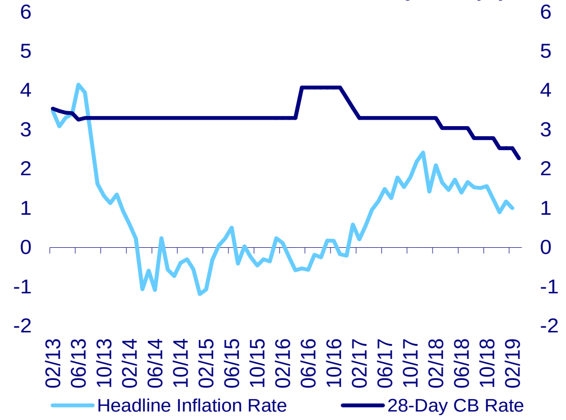
Reflecting CAD and CFA developments in FY:18, large positive (net) errors & omissions (1.3% of GDP) and valuation effects, FX reserves increased by a sizeable EUR 1.3bn (3.0% of GDP) in FY:18, reaching a 7-year high of EUR 11.3bn and covering 5.3 months of imports.

The CAD is set to continue on its downward trend this year, ending 2019 at c. 5.0% of GDP. The CAD is set to moderate further by 0.2 pps of GDP in FY:19, reflecting a favourable energy bill, and a rebound in mining exports by RTB Bor (accounting for 1.2% of exports in FY:18), following its privatisation at end-2018. Note, however, that the CAD is set to be negatively affected by Kosovo's tariffs and the slowdown in the EU this year. Covering this year's CAD should not be an issue. Indeed, projecting: i) robust FDI inflows (of 5.6% of GDP in FY:19) -- more than covering the CAD; and ii) broadly zero (net) capital inflows, we see FX reserves rising modestly by EUR 0.3mn, reaching an 8-year high of EUR 11.5bn. Note that the continued engagement with the IMF through the (non-financing) Policy Coordination Instrument provides a buffer against external shocks and reinforces investor confidence amid increasing popular discontent.

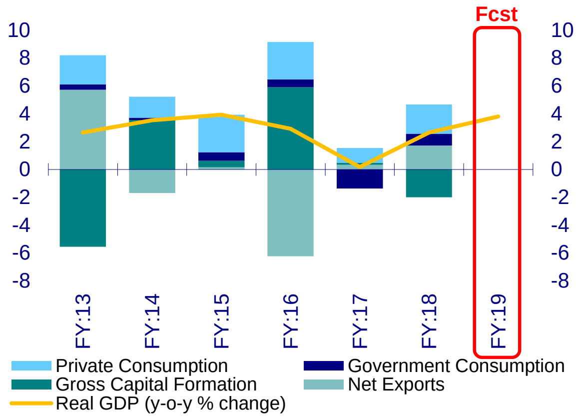
North Macedonia

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

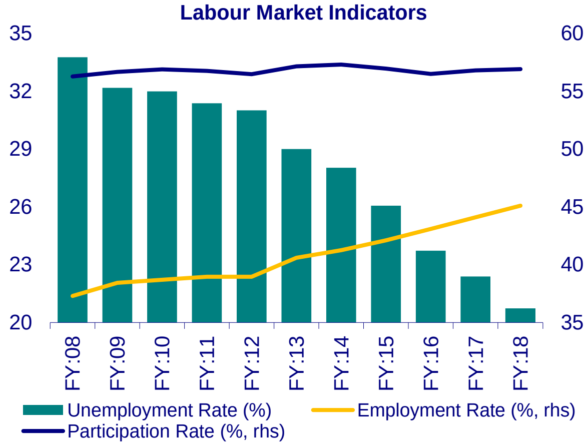
Headline Inflation & Nominal Policy Rate (%)



Contributions to Real GDP Growth (pps)



Labour Market Indicators



	25 Mar.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	190	185	175	160

	25 Mar.	1-W %	YTD %	2-Y %
MBI 100	3,679	-0.3	6.1	62.5

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	2.8	0.2	2.7	3.8	4.0
Inflation (eop. %)	-0.2	2.4	0.9	1.5	1.7
Cur. Acct. Bal. (% GDP)	-2.8	-1.0	-0.3	-0.9	-1.5
Fiscal Bal. (% GDP)	-2.7	-2.7	-1.8	-2.6	-2.7

The Central Bank lowered its key rate by 25 bps, to an all-time low of 2.25%. The NBRNM proceeded with a 25 bp cut to its key 28-day CB bill rate, to a record low of 2.25%, at its March MPC meeting, bringing total cuts to 175 bps since the initiation of the cycle of monetary policy easing in December 2016.

The move was motivated by: i) subdued inflation (the headline figure has fluctuated tightly around 1.0% y-o-y since December); ii) still moderate economic growth (see below), and iii) the absence of pressures on the domestic currency.

Looking ahead, we expect the NBRNM to maintain its central rate unchanged at 2.25% throughout the rest of the year, in view of a benign inflation outlook, a persistently negative, albeit closing, output gap (-0.3 pps on a 4-quarter rolling basis in Q4:19), continued fiscal prudence and a less-than-initially-expected tightening in global financial conditions. However, the CB could initiate a new cycle of monetary tightening in the event of protracted domestic political uncertainty due to inconclusive April-May Presidential elections.

GDP growth rebounded to 2.7% in FY:18 from a 5-year low of 0.2% in FY:17, supported by both domestic and external demand. Indeed, domestic demand and net exports contributed 1.1 pp and 1.4 pps, respectively, to the 2.5 pp rise in GDP growth between FY:17 and FY:18. Specifically, private consumption growth almost doubled to 2.9%, contributing 2.1 pps to overall GDP growth in FY:18, on the back of tighter labour market conditions (see below) and buoyant retail lending. Moreover, Government consumption growth turned positive in FY:18 (up 6.9% and contributing 0.8 pps to GDP growth), on the back of a base effect. On a negative note, growth of gross capital formation (GCF, including gross fixed capital formation, changes in inventories and statistical discrepancies) turned negative in FY:18 (down 5.6% and subtracting 2.0 pps from GDP growth). We estimate the deterioration in GCF to have resulted mainly from weaker public investment, reflecting delays in the clearance of "*administrative obstacles*" to the resumption of country's key infrastructure projects. Encouragingly, activity in the construction sector posted a sizeable increase in Q4:18 (up 20% y-o-y), following 7 quarters of decline.

Moreover, net exports contributed 1.7 pps to headline growth in FY:18, as export growth (up 15.3%) outpaced that of imports (up 9.0%). The strong rise in exports was mainly supported by buoyant production in the country's industrial zones (accounting for c. 40% of merchandise export volumes), while the milder rise in imports reflects still subdued domestic demand.

Looking ahead, we see GDP growth rising to a 4-year high of 3.8% in FY:19. The acceleration will be driven by a broad-based improvement in domestic demand, benefiting from improved confidence in the domestic economy, ahead of the opening of the EU accession talks.

Labour market conditions tightened further in FY:18, underpinned by stronger economic activity and active labour market policies. The unemployment rate declined by 1.6 pps to a multi-year low of 20.7% in FY:18, exclusively due to an increase in the employment rate (up 1.0 pp to 45.1%), reflecting solid job creation (up 2.5%). The latter was supported by both strengthening economic activity and government-subsidized employment programmes.

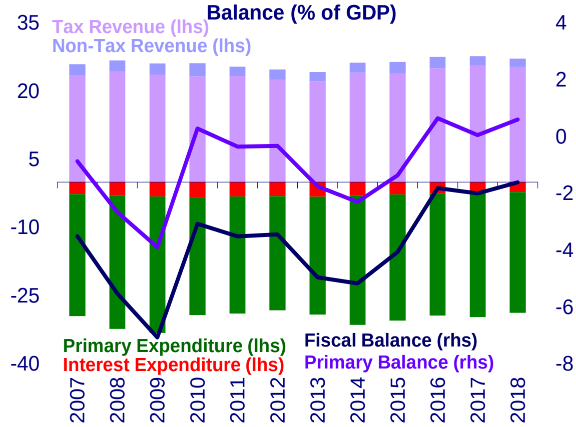
Against this backdrop and following a significant hike to the minimum wage (up 19% to MKD 12k or c. EUR 200) at end-Q3:17, nominal wages rose sharply by 5.9%, following an increase of 2.6% in FY:17. Looking ahead, labour market conditions are set to improve further. We see the unemployment rate moderating to 19.0% and the employment expanding by 2.5% in FY:19 – as in FY:18.

Albania

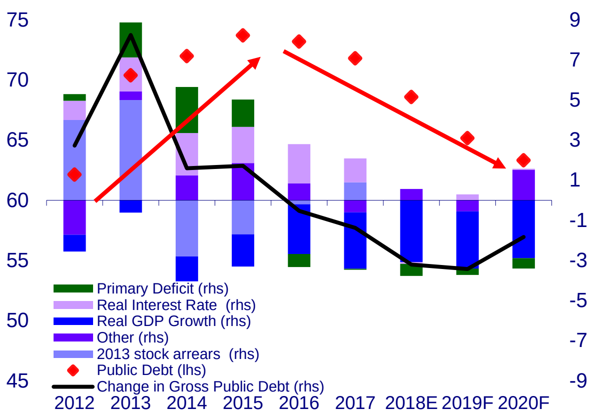
B+ / B1 / NR (S&P / Moody's / Fitch)

Consolidated Fiscal Balance (% of GDP)				
	2017	2018	2019 Budget	NBG 2019F
Revenue	27.7	27.2	27.9	27.2
Tax Revenue	25.7	25.4	25.7	25.4
o/w VAT	9.0	8.7	8.8	8.5
Grants	0.7	0.5	0.9	0.6
Non-Tax Revenue	1.3	1.3	1.4	1.2
Expenditure	29.7	28.8	29.8	28.9
Current Expenditure	24.6	24.0	24.4	24.1
o/w interest	2.1	2.2	2.4	2.4
Capital Expenditure	4.4	4.7	5.2	4.8
Net Lending	0.6	0.0	0.0	0.0
Contingency	0.0	0.0	0.2	0.0
Fiscal Balance	-2.0	-1.6	-1.9	-1.7
Primary Balance	0.1	0.6	0.5	0.7

Revenue, Expenditure, Fiscal & Primary Balance (% of GDP)



Contributions to Public Debt (pps of GDP)



	25 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.19	2.2	2.2	2.2
ALL/EUR	124.9	123.8	123.5	122.0
Sov. Spread (bps)	204	200	192	180

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

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.4	3.8	4.3	4.0	4.2
Inflation (eop, %)	2.2	1.8	1.8	1.8	2.0
Cur. Acct. Bal. (% GDP)	-7.5	-7.5	-6.6	-5.6	-5.4
Fiscal Bal. (% GDP)	-1.8	-2.0	-1.6	-2.1	-2.1

The FY:18 deficit narrowed to a record low of 1.6% of GDP and overperformed its target of 2.0% of GDP. Despite weaker revenue, the FY:18 deficit declined by 0.4 pps to an all-time low of 1.6% of GDP, due to a lower spending.

Specifically, revenue was down 0.5 pps of GDP in FY:18. This negative performance resulted from: i) lower VAT and excise revenue (down by 0.3 and 0.2 pps of GDP, respectively, in FY:18), mainly due to the appreciation of the ALL; and ii) lower grants (down 0.2 pps of GDP in FY:18). The revenue performance would have been worse in FY:18 had revenue-enhancing measures not been introduced (c. 0.2 pps of GDP in FY:18, including a hike in excises on cigarettes) and had the PIT and social contributions not increased (each by 0.1 pp of GDP), on the back of strong activity, tighter labour market conditions and the Government's campaign against informal employment.

On the other hand, expenditure declined by 0.9 pps of GDP in FY:18, mainly on the back of a favourable base effect, stemming from large net lending for the energy sector in FY:17 (0.6% of GDP). The latter was used to finance large energy imports following a prolonged drought that led to a sharp decline in hydropower production. Spending in FY:18 was also held back by lower social insurance expenditure and transfers (down by 0.3 pps and 0.2 pps of GDP, respectively). The decline in expenditure in FY:18 would have been even sharper had capital expenditure not been increased by 0.3 pps to a 5-year high of 4.7% of GDP.

As a result, the public debt-to-GDP ratio is estimated to have continued on its downward trend at a faster pace – down 3.2 pps to a 6-year low of 68.6% in FY:18 (see chart). The drop in the public debt in FY:18 occurred despite the issuance of a EUR 500mn Eurobond in October, yet used for the partial (EUR 200mn) early repayment of a Eurobond maturing in 2020 (adding net 2.3 pps of GDP to the public debt-to-GDP ratio). The sharp decline in the public debt-to-GDP ratio in FY:18 was mainly driven by higher real GDP growth and stronger ALL (accounting for 3.1 pps and 1.5 pps of GDP, respectively, of the decline) as well as a larger primary surplus (0.6% of GDP).

The 2019 Budget is set to underperform its target of 1.9% of GDP this year, unless additional corrective fiscal measures are introduced. The 2019 Budget envisages a slightly looser fiscal stance, targeting a deficit of 1.9% of GDP -- 0.3 pps above the FY:18 outcome.

In our view, the FY:19 revenue target seems overly optimistic, as it is based on over-estimated FY:18 outcome (28.1% of GDP against an outcome of 27.2%). In fact, we expect FY:19 revenue growth at 5.4% y-o-y (in line with our nominal GDP growth forecast of 5.5%) -- underperforming its target of 8.3% and resulting in a revenue shortfall of 0.8 pps of GDP. Note that the positive impact from a series of new tax measures introduced this year (including an environmental tax and excise hikes) and estimated at 0.3 pps of GDP is set to be almost fully offset by the negative impact of the law banning gambling.

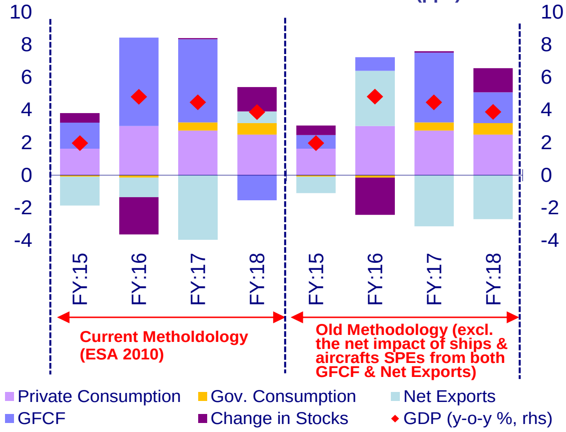
On the other side of the budget, projecting that contingency reserves (0.2 pps) are saved and any pre-election fiscal slippage ahead of the June local elections is corrected in H2:19, the full execution of the FY:19 expenditure target growth of 7.2% should result in a FY:19 deficit of 2.1% of GDP – above its target of 1.9% and the FY:18 outcome of 1.6%, but in line with the latest IMF forecast (Country report, January 2019).

As a result, the public debt-to-GDP ratio should narrow further, to a 7-year low of c. 65.3% of GDP in FY:19 -- still the highest in SEE-5.

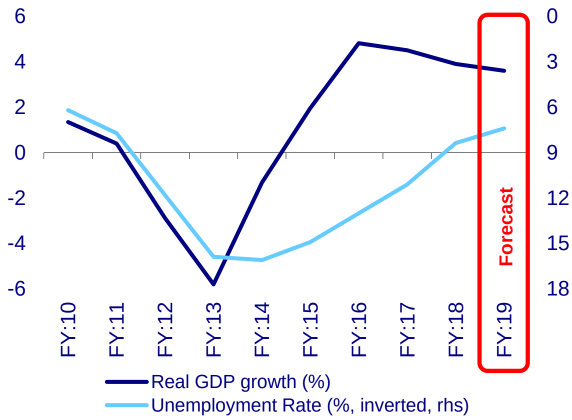
Cyprus

BBB- / Ba2 / BBB- (S&P / Moody's / Fitch)

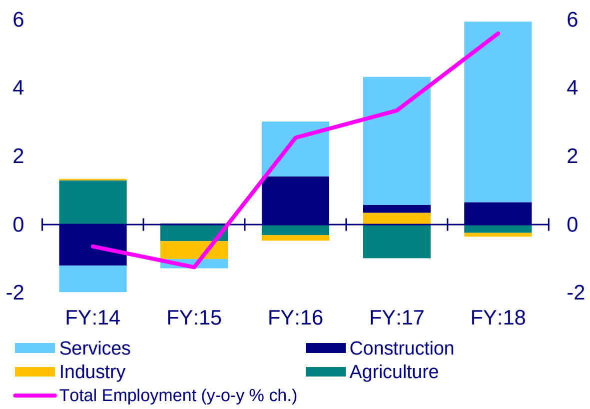
Contributions to Real GDP Growth (pps)



Real GDP Growth & Unemployment Rate (%)



Contributions to Employment Growth (pps)



	25 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.13	1.22	1.24	1.26
Sov. Spread (2025. bps)	141	130	120	100

	25 Mar.	1-W %	YTD %	2-Y %
CSE Index	65	-0.3	-1.8	-2.8

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	4.5	3.9	3.6	3.2
Inflation (eop. %)	-0.3	-0.6	1.7	1.2	1.4
Cur. Acct. Bal. (% GDP)	-5.1	-8.4	-6.9	-8.2	-7.5
Fiscal Bal. (% GDP)	0.3	1.8	-5.1	3.1	3.0

GDP growth slowed to a still strong 3.9% in FY:18 from an upwardly-revised 4.5% in FY:17, due to weaker domestic demand. The pace of economic expansion moderated to 3.9% in FY:18 from an upwardly-revised 4.5% in FY:17 and a peak of 4.8% in FY:16 -- nevertheless, comparing favourably with the EU-28 outcome of 2.0%. The deceleration was exclusively due to a slowdown in domestic demand (to 3.0% from 8.4% in FY:17). Indeed, gross fixed capital formation (GFCF) subtracted 1.5 pps from overall GDP growth in FY:18 after having contributed a sizeable 5.1 pps in FY:17, dragged down by lower mostly-imported (net) investment in shipping (see below) and unfavourable base effects from elevated residential and tourism infrastructure investment in FY:17.

Moreover, private consumption also saw its contribution to overall growth declining in FY:18 (contributing 2.5 pps to overall growth against 2.7 pps in FY:17), despite rising real disposable income (reflecting higher employment and wages and subdued inflation), likely due to increased household debt servicing. Recall that in July 2018, in an effort to accelerate the clean-up of banks' loan books and improve debt payment discipline, Parliament approved, *inter alia*, targeted amendments to insolvency and foreclosure frameworks and the adoption of a loan securitization framework and a secondary market for sales of loans. The deceleration in domestic demand in FY:18 would have been sharper had it not been for a stronger build-up in inventories (contributing 1.5 pps to headline growth against 0.1 pp in FY:17) and public consumption (contributing 0.7 pps of GDP against 0.5 in FY:17). Not surprisingly, net exports improved in FY:18, contributing 0.7 pps of GDP after having subtracted 3.9 pps of GDP in FY:17, as the pace of deceleration in imports (to 2.0% from 12.2% in FY:17) exceeded that of exports (to 3.3% from 6.0% in FY:17). The relatively larger drop in total imports reflected not only softer domestic demand but also the impact of both a decline in imports of ships (down 14.3%) and a rise in exports of ships (up 5.7%, reflecting the de-registration of ships).

GDP growth is expected to moderate further to a still strong 3.6%. The slowdown should be mainly driven by weaker external demand, reflecting softer economic activity in the EU – the country's main trading partner and source of tourists. A further moderation in private consumption should also weigh on overall growth in FY:19, due to an intensification in households' loan servicing, following the recently-adopted "*Estia*" subsidy scheme. Recall that this scheme aims at providing State subsidies (starting this year) to "vulnerable" distressed borrowers with loans secured with their primary residence, provided that they are current on their own debt obligations. There is, however, a downside risk to our GDP forecast for this year, stemming from a disorderly departure by the UK from the EU.

The unemployment rate returned to single digits, reaching a post-crisis low of 8.4% in FY:18. The unemployment rate declined by a multi-year high of 2.4 pps to 8.4% in FY:18. The significant decline was due to a solid rise in the employment rate (up 2.4 pps to 57.2%), reflecting the continued recovery in employment, which outpaced that of the participation rate (up 0.8 pps to 62.4%). Indeed, employment growth accelerated to an 11-year high of 5.6% in FY:18, from 4.6% in FY:17, mainly on the back of stronger hiring in the services and construction sectors.

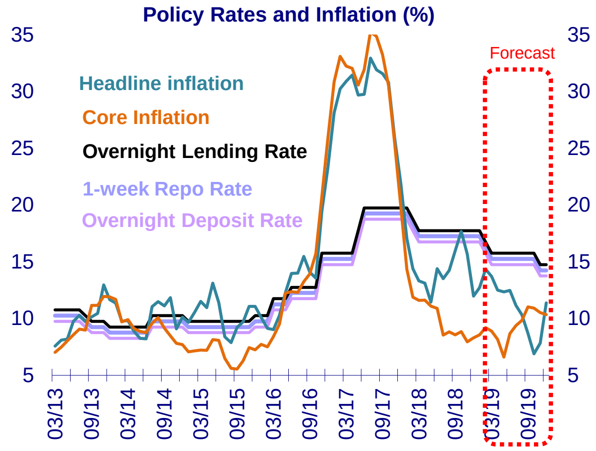
For this year, we expect the pace of job creation to moderate and the unemployment rate to post a smaller decline, due to the anticipated slowdown in economic activity. Overall, we see employment rising by a still strong 4.2% and the unemployment rate dropping by 1.4 pps to a 9-year low of 7.0% in FY:19.

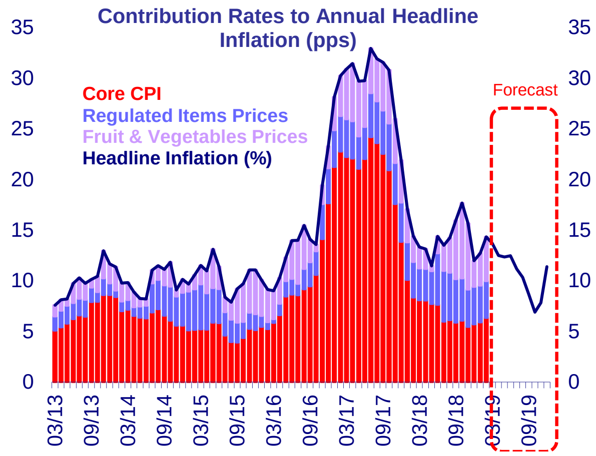
Egypt

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

Fiscal Accounts (% of GDP)

	2017/18 Estimate	7M: 2017/18 Outcome	7M: 2018/19 Outcome	2018/19 Budget	NBG 2018/19 Forecast
Revenue	18.1	8.0	8.7	18.8	18.7
Tax Revenue	14.1	6.6	6.8	14.7	14.5
Other Revenue	4.0	1.4	1.9	4.1	4.2
Expenditure	27.9	12.9	12.9	27.2	27.3
Wages & Salaries	5.3	2.9	2.9	5.1	5.1
Purch. of G. & S.	1.1	0.5	0.6	1.1	1.1
Interest Payments	9.8	4.6	4.7	10.3	10.6
Subsidies, grants & social benefits	7.4	2.9	2.4	6.3	6.4
Other Expenditure	4.2	1.9	2.2	4.3	4.1
Fiscal Balance	-9.7	-4.9	-4.2	-8.4	-8.6
Primary Balance	0.1	-0.3	0.5	2.0	2.0





	25 Mar.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.9	15.5	14.0	12.0
EGP/USD	17.3	17.6	17.8	18.0
Sov. Spread (2025, bps)	379	350	330	290

	25 Mar.	1-W %	YTD %	2-Y %
HERMES 100	1,415	-2.3	11.4	20.9

	15/16	16/17	17/18E	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.5	5.8
Inflation (eop. %)	14.0	29.8	14.4	12.5	9.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-1.8	-1.5
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-8.6	-8.0

The envisaged fiscal consolidation for this fiscal year -- 1.9 pps of GDP -- is on track. The primary balance turned into a surplus of 0.5% of GDP in 7M:18/19 (July 2018-January 2019) from a deficit of 0.3% in 7M:17/18, mainly on the back of higher revenue (up 0.7 pps of GDP y-o-y). In fact, both tax and non-tax revenue strengthened (up 0.2 pps and 0.5 pps of GDP y-o-y, respectively), reflecting accelerating economic activity, improved tax collection and larger profits and dividends from state-owned companies.

Encouragingly, primary expenditure remained under control in 7M:18/19 (down 0.1 pp of GDP y-o-y), with rises in purchases of goods & services and capital expenditure (0.1 pp and 0.3 pps of GDP y-o-y) being more than offset by the decline in food and energy subsidies.

Looking ahead, we expect the primary balance to continue to improve during the rest of the fiscal year (1.1 pp of GDP y-o-y in 8-12M:18/19), mainly on the back of continued decline in subsidies – sustained by favourable global oil prices and stronger EGP). Overall, we expect the primary balance to improve by 1.9 pps to a surplus of 2.0% of GDP this fiscal year, meeting its target and leading to a cumulative fiscal consolidation of 5.5 pps of GDP since 2015/16 -- as envisaged in the 3-year IMF-supported programme. We also see the overall fiscal balance improving, though at a slower pace, by 1.1 pp to a deficit of 8.6% of GDP this fiscal year – missing its target of 8.4% -- due to a higher-than-budgeted interest bill (by c. 0.3 pps of GDP), reflecting a tighter-than-projected monetary policy stance.

Importantly, the expected fiscal consolidation this fiscal year (1.9 pps of GDP), along with high nominal GDP growth, will help reduce further the general government debt to 86.5% of GDP from 92.5% in 2017/18 and an all-time high of 103.0% in 2016/17.

Headline inflation rose to a 4-month high of 14.4% y-o-y in February from 12.7% in January, mainly on the back of accelerating volatile prices of fruit & vegetables. Prices of fruit & vegetables increased sharply, by 32.7% y-o-y in February, following a rise of 23.7% in January (adding 1.2 pps to headline inflation between January and February). Moreover, core inflation accelerated to 9.2% y-o-y in February from 8.6% in January, exclusively due to more unfavourable "other food" prices.

Looking ahead, we expect headline inflation to moderate to 12.5% y-o-y in June (end-2018/19) and 11.5% in December. Note that the new round of adjustments in regulated prices, expected in June, will have no impact on annual inflation, due to a base effect (the resulting monthly increase in inflation – 3.2 pps – will be broadly equal to that of June 2018). The expected moderation in inflation by December should result from a gradual normalization in prices of fruit & vegetables, continued prudent fiscal-monetary policy mix and a relatively stable domestic currency. Note that the latter has strengthened by c. 4.0% to a 2-year high of EGP 17.2 per USD since end-January, mainly due to the return of foreign investors to the domestic debt market (foreign holdings of Egyptian T-bills rose by USD 5.0bn in the first 2 months of this year, following a decline of USD 10.5bn in the previous 9 months).

The CBE is likely to cut its key policy rates by 200 bps by end-2019. In view of a benign inflation outlook and a still negative output gap, we expect the CBE to proceed with two cuts, totaling 200 bps, by end-2019, bringing down the overnight deposit, 1-week repo, and overnight lending rates to 13.75%, 14.25%, and 14.75%, respectively. Should our forecast materialise, total policy rate cuts would reach 500 bps since the start of the new cycle of monetary policy loosening in February 2018.

FOREIGN EXCHANGE MARKETS, MARCH 25TH 2019

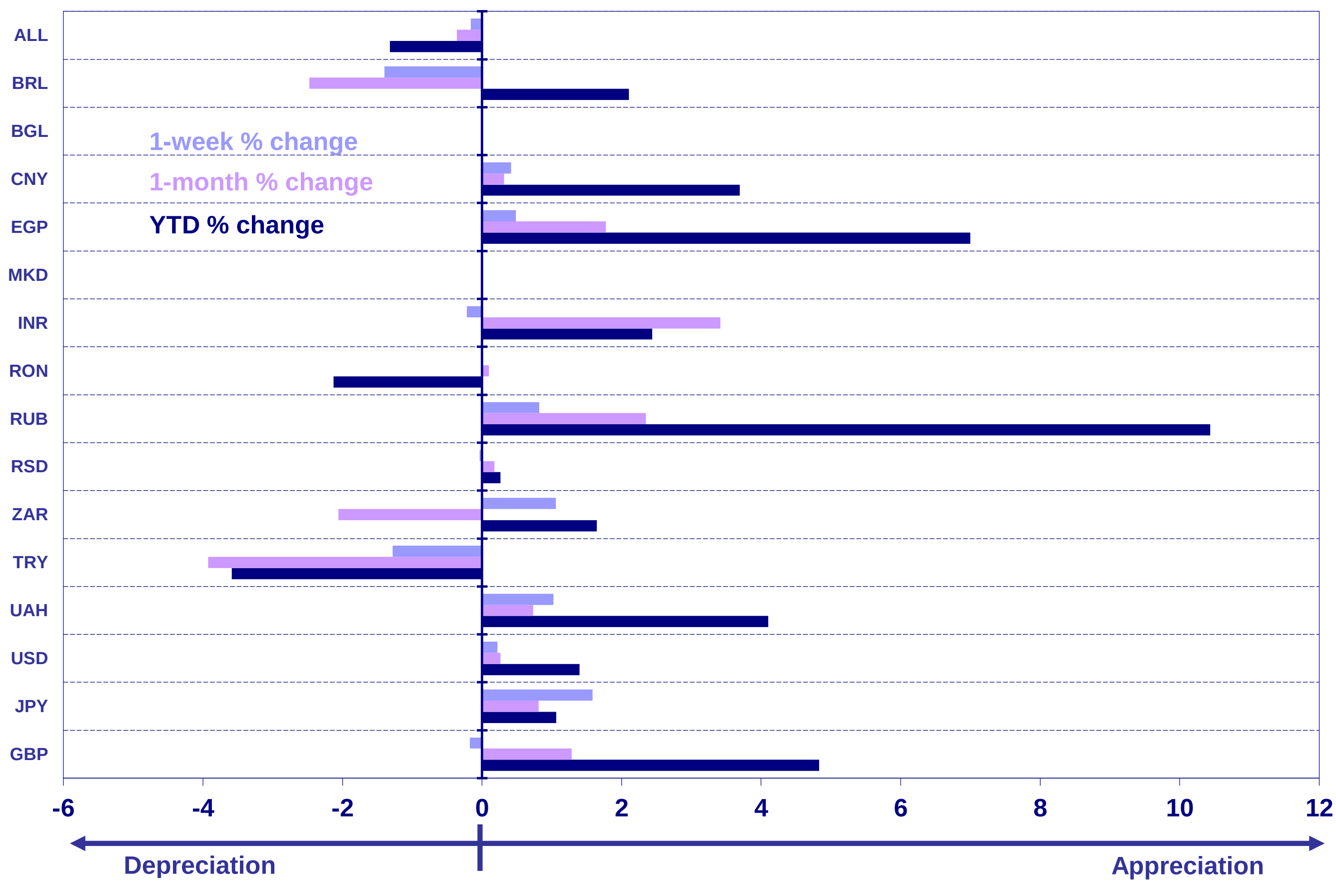
Against the EUR

	Currency	2019										2018	2017
		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	124.9	-0.2	-0.4	-1.3	4.8	123.6	125.9	125.2	125.0	123.8	7.8	1.9
Brazil	BRL	4.36	-1.4	-2.5	2.1	-5.5	4.16	4.46	- - -	- - -	4.65	-10.7	-13.9
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	7.58	0.4	0.3	3.7	3.0	7.51	7.88	- - -	- - -	7.83	-0.8	-6.0
Egypt	EGP	19.47	0.5	1.8	7.0	11.5	19.58	21.16	- - -	- - -	- - -	0.0	-9.4
North Macedonia	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	77.9	-0.2	3.4	2.4	3.4	77.7	82.3	- - -	- - -	- - -	-3.9	-6.7
Romania	RON	4.75	0.0	0.1	-2.1	-2.2	4.66	4.78	4.81	4.85	4.95	0.6	-3.0
Russia	RUB	72.4	0.8	2.3	10.4	-1.7	72.3	80.1	73.9	75.3	78.2	-13.4	-6.8
Serbia	RSD	117.9	0.0	0.2	0.3	0.6	117.9	118.5	118.3	118.5	- - -	0.2	4.2
S. Africa	ZAR	16.2	1.1	-2.1	1.6	-10.7	15.16	16.66	16.5	16.8	17.4	-9.9	-2.7
Turkey	YTL	6.28	-1.3	-3.9	-3.6	-21.4	5.91	6.60	6.84	7.31	8.16	-24.9	-18.4
Ukraine	UAH	30.4	1.0	0.7	4.1	7.4	29.55	32.66	- - -	- - -	- - -	6.0	-15.2
US	USD	1.13	0.2	0.3	1.4	10.0	1.1	1.2	1.14	1.15	1.17	4.6	-12.4
JAPAN	JPY	124.4	1.6	0.8	1.1	5.4	118.8	127.5	124.4	124.5	124.5	7.5	-8.9
UK	GBP	0.86	-0.2	1.3	4.8	2.0	0.8	0.9	0.86	0.86	0.87	-1.1	-4.1

* 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 25th 2019)



MONEY MARKETS, MARCH 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.5	- - -	15.9	- - -	- - -	3.6	7.7	- - -	26.3	8.0	17.2	- - -	2.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	3.6	7.8	2.3	- - -	6.9	- - -	- - -	- - -
S/W	1.1	6.4	- - -	2.7	-0.4	- - -	1.1	- - -	- - -	8.5	2.3	- - -	7.8	17.6	-0.4	2.4
1-Month	1.2	6.4	0.0	2.9	-0.4	- - -	1.2	7.3	3.2	8.5	2.7	26.3	7.1	19.1	-0.4	2.5
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.7	2.8	26.3	7.1	- - -	- - -	2.6
3-Month	1.4	6.4	- - -	2.8	- - -	- - -	1.5	7.5	3.2	8.2	3.0	26.2	7.1	19.6	- - -	2.6
6-Month	1.4	6.5	- - -	2.9	- - -	- - -	1.7	- - -	3.3	8.3	3.1	25.2	7.8	- - -	- - -	2.7
1-Year	1.5	6.6	- - -	3.1	-0.1	- - -	2.0	- - -	3.5	8.8	- - -	25.2	8.3	- - -	-0.1	2.7

*For Bulgaria, the Base Interest Rate (BIR) is reported. For Egypt, the O/N Interbank Rate is reported.

LOCAL DEBT MARKETS, MARCH 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.2	- - -	6.3	- - -	7.7	- - -	21.6	- - -	- - -	-0.5	2.5
6-Month	- - -	- - -	- - -	- - -	- - -	17.3	- - -	6.3	2.9	7.7	3.3	19.8	- - -	- - -	-0.5	2.5
12-Month	1.1	- - -	-0.1	2.4	- - -	17.3	0.9	6.5	3.3	7.5	2.9	20.2	- - -	19.3	-0.6	2.4
2-Year	1.6	- - -	- - -	2.7	- - -	- - -	1.3	6.6	3.2	7.7	- - -	19.5	7.0	- - -	-0.6	2.3
3-Year	- - -	- - -	-0.3	2.8	0.3	- - -	- - -	6.6	3.7	7.9	- - -	18.7	7.1	17.9	-0.6	2.2
5-Year	2.8	8.1	- - -	3.0	0.8	16.9	- - -	7.0	4.2	7.9	3.8	17.4	7.9	- - -	-0.4	2.2
7-Year	3.8	- - -	0.4	- - -	1.1	16.6	- - -	7.3	4.3	8.0	- - -	- - -	- - -	- - -	-0.3	2.3
10-Year	- - -	9.0	0.7	3.1	- - -	16.5	- - -	7.5	4.8	8.2	- - -	16.7	8.7	- - -	0.0	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.6	- - -	8.3	- - -	- - -	9.9	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.7	- - -	- - -	- - -	- - -	9.8	- - -	0.6	2.9

*For Albania. North Macedonia and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, MARCH 25TH 2019

		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	1.8	239	205
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BB/Baa3	30/4/2020	500	3.9	146	138
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	147	113
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.7	423	378
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.2	507	477
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	9.4	708	650
	Vakifbank 5.75% '23	USD	NA/B1	30/1/2023	650	8.8	660	609
	TSKB 5.5% '23	USD	NA/B2	16/1/2023	350	9.1	694	632
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.0	578	542
	KOC Holding 5.25% '23	USD	BBB-/Ba2	15/3/2023	750	6.3	412	394

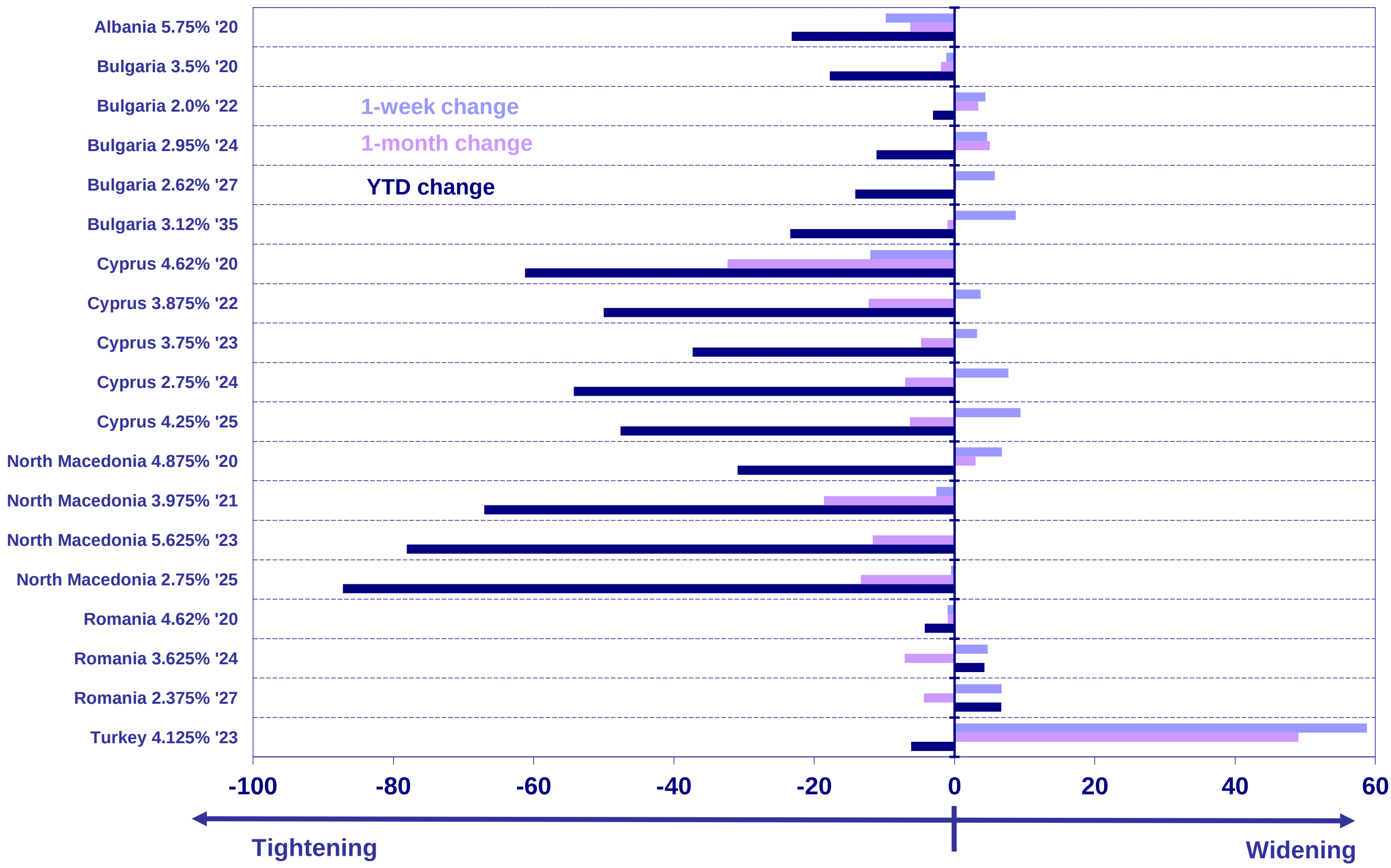
CREDIT DEFAULT SWAP SPREADS. MARCH 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	174	76	49	103	365	- - -	95	106	129	121	400	199	651
10-Year	- - -	249	104	88	116	411	- - -	104	146	184	148	438	262	673

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. MARCH 25TH 2019

	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	1.5	204	180
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	-0.2	40	6
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	55	11
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.2	60	18
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	0.8	102	58
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.1	191	135
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.3	83	51
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.3	85	43
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	0.6	103	66
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	0.8	123	78
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.1	141	104
North Macedonia 4.875% '20	EUR	BB-/NA	1/12/2020	178	0.9	144	117
North Macedonia 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.3	190	473
North Macedonia 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.0	238	213
North Macedonia 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.2	254	207
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	59	29
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	139	98
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.2	241	190
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.1	459	406

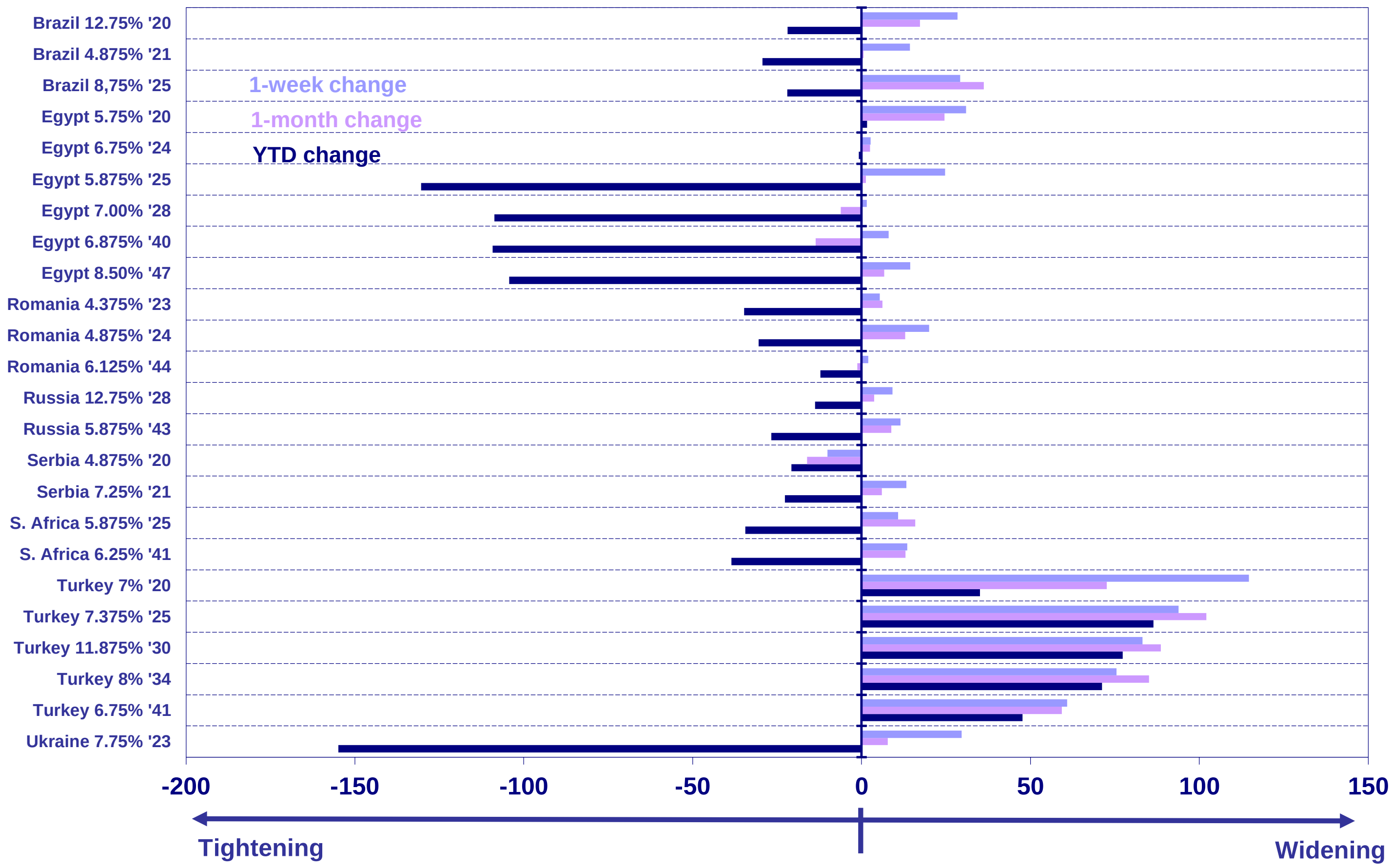
EUR-Denominated Eurobond Spreads (March 25th 2019)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. MARCH 25TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.0	55	42
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.2	87	76
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.0	181	199
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	4.9	245	236
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	5.9	373	371
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	6.1	379	377
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.9	447	446
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	7.7	481	473
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.3	544	570
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	3.6	136	134
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	3.6	141	141
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.0	217	268
Russia 12.75% '28	USD	BBB-/Baa3	24/6/2028	2,500	4.5	210	291
Russia 5.875% '43	USD	BBB-/Baa3	16/9/2043	1,500	5.0	215	259
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	3.7	126	115
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	3.7	151	145
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	4.9	265	274
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.0	309	342
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	5.8	334	328
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.2	499	490
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.7	533	624
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	7.9	549	535
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.8	490	446
Ukraine 7.75% '23	USD	B-/Caa1	1/9/2023	1,355	8.6	642	617

USD-Denominated Eurobond Spreads (March 25th 2019)



STOCK MARKETS PERFORMANCE. MARCH 25TH 2019

	2019								2018		2017	
	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)	93,662	-6.3	-4.3	6.6	10.1	87,536	100,439	8.6	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	583	-0.5	0.1	-2.0	-10.9	560	622	-2.0	-12.3	-12.3	15.5	15.5
China (SHCOMP)	3,043	-1.7	8.5	22.0	-2.9	2,441	3,130	26.5	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	65	-0.3	7.4	-1.8	-4.1	60	67	-1.8	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,415	-2.3	-2.5	11.4	-13.4	1,290	1,467	15.9	-11.1	-11.1	32.0	18.7
North Macedonia (MBI)	3,679	-0.3	-0.6	6.1	31.1	3,467	3,708	6.1	36.6	36.6	18.9	18.9
India (SENSEX)	37,809	-0.8	5.4	4.8	14.3	32,973	38,990	7.6	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,536	-0.3	0.3	5.5	-13.1	1,394	1,554	3.3	-11.6	-11.1	22.8	19.1
Russia (MOEX)	2,498	0.6	0.4	5.9	11.5	2,350	2,552	16.4	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	730	1.8	6.7	-4.1	-2.5	668	760	-4.0	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	55,367	-2.5	-1.1	5.6	-1.4	50,907	57,138	7.6	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	99,326	-5.0	-3.7	9.8	-14.7	87,399	105,930	5.3	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	553	-1.7	-0.3	-1.1	55.8	544	568	3.0	77.5	88.1	18.8	0.8
MSCI EMF	1,048	-2.0	-1.0	8.8	-11.4	946	1,075	10.0	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,867	-1.8	-0.1	9.0	-6.2	1,709	1,907	10.2	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	708	-2.4	4.6	17.3	-10.4	600	731	17.3	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	11,347	-2.7	-1.0	7.5	-3.7	10,387	11,823	7.5	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	7,178	-1.7	0.0	6.6	4.2	6,599	7,371	12.1	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	25,517	-1.5	-2.0	10.6	5.4	21,713	26,952	11.9	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,798	-1.2	0.2	12.6	5.3	2,444	2,860	13.8	-6.2	-1.9	19.4	4.7

Equity Indices (March 25th 2019)