South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

20 – 26 September 2016

NBG - Economic Analysis Division
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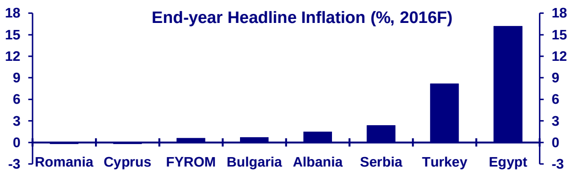
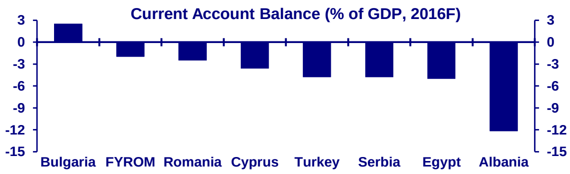
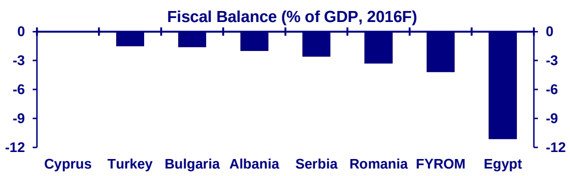


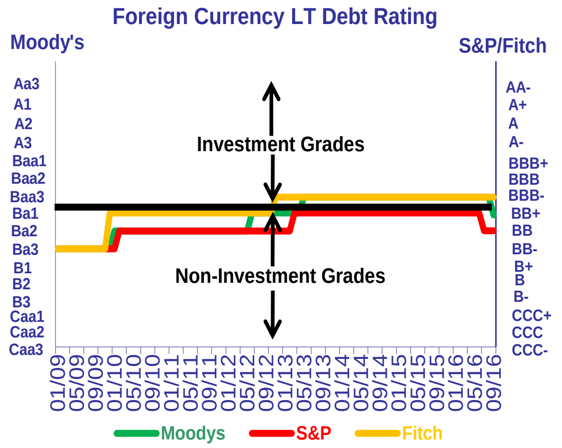


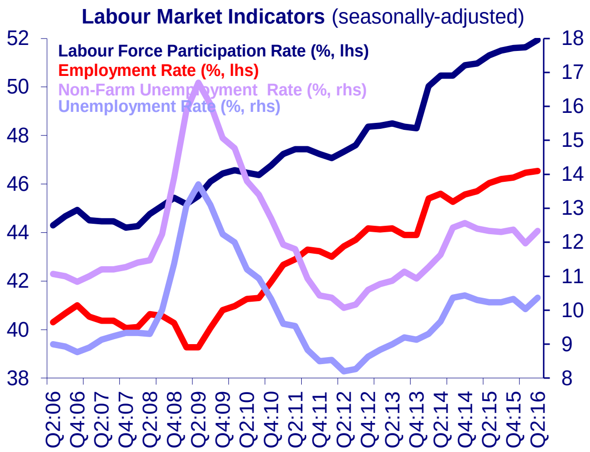


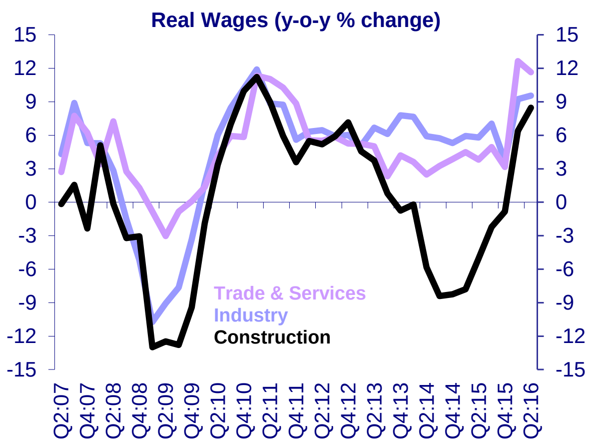
NATIONAL BANK

Turkey

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







	26 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.7	9.2	9.5	9.8
TRY/EUR	3.35	3.36	3.32	3.30
Sov. Spread (2019, bps)	260	250	230	200

	26 Sep.	1-W %	YTD %	2-Y %
ISE 100	76,726	-1.2	4.8	2.8

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.2	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.5	-1.6

Moody's downgraded Turkey's sovereign credit rating to non-investment status. The agency cut the government's long-term issuer and senior unsecured bond ratings debt by one notch to Ba1, stripping the country of investment grade status; however, it maintained the outlook as stable. The downgrade was mainly motivated by slow economic growth (the agency foresees real GDP growth averaging 2.7% between 2016 and 2019, compared with 5.5% in the first four years of this decade), increasing risks of financing the country's large external gap, and rising concerns over the "institutional strength" following the failed coup in mid-July. However, Moody's maintained the country's outlook as stable, citing its "*flexible USD 720bn economy and strong fiscal track record offset the balance-of-payments pressure it faces*". Recall that the country operates under a free-floating exchange rate regime and its public finances are on a sound footing. Indeed, its fiscal deficit and public debt-to-GDP ratio are expected to stand at 1.5% and 32.0% of GDP, respectively, this year -- well below the IMF-calculated averages of 4.7% and 47.3% of GDP for "emerging market and developing economies". It should be noted that S&P downgraded Turkey's sovereign credit rating to two notches below investment grade immediately after the mid-July failed coup, and Fitch revised its outlook on the country's 'BBB- (the lowest investment grade) to negative from stable on August 20th. Importantly, as the bulk of world's largest funds require investment-grade ratings from two of the three major ratings agencies (S&P, Moody's, and Fitch) to consider an asset for investment, the Moody's downgrade could lead to an increase in Turkey's borrowing costs on international markets.

The seasonally-adjusted (s.a.) unemployment rate rose to a 6-quarter high of 10.4% in Q2:16. The s.a. unemployment rate increased by 0.4 pps q-o-q to 10.4% in Q2:16, more than reversing the 0.3 pp q-o-q decline in Q1:16, mainly supported by the dissipation of domestic political uncertainty after a long election cycle (local elections, presidential elections, general elections, and repeat general elections took place in Q1:14, Q3:14, Q2:15, and Q4:15, respectively).

The sharp deterioration in the quarterly unemployment rate in Q2:16 was driven by the slowdown in economic activity (economic growth moderated to 1.2% q-o-q saar from an average of 3.6% q-o-q saar during the previous two quarters), driven, *inter alia*, by deteriorating confidence following the resignation of the reformist PM Davutoglu in early May and the deepening crisis in the tourism sector (the decline in tourist arrivals accelerated to -35.6% y-o-y in Q2:16 from -10.3% in Q1:16), on the back of heightening domestic security concerns and persisting Russian sanctions. Non-farm unemployment also increased, albeit at a slower pace, to 12.3% in Q2:16 from 12.0% in Q1:16.

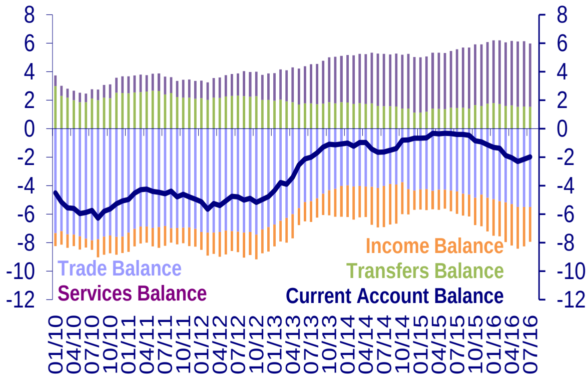
The quarterly 0.4 pp increase in the s.a. unemployment in Q2:16 reflects the fact that the number of new entrants in the labour force (278k q-o-q or 0.9% q-o-q) surpassed the number of jobs created (137k q-o-q or 0.5% q-o-q). Note that the labour force participation ratio and the employment rate reached record levels of 51.9% and 46.5%, respectively, in Q2:16.

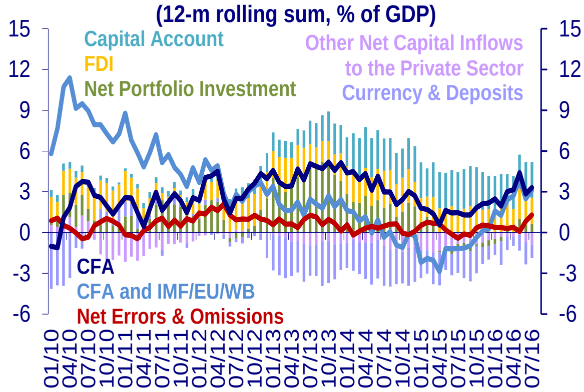
The quarterly improvement in s.a. employment in Q2:16 (by 0.5% q-o-q or 137k q-o-q) would have been larger had employment in the agricultural sector not declined (down 2.6% q-o-q or 142k q-o-q). On an annual basis, employment increased by 2.6% y-o-y in Q2:16.

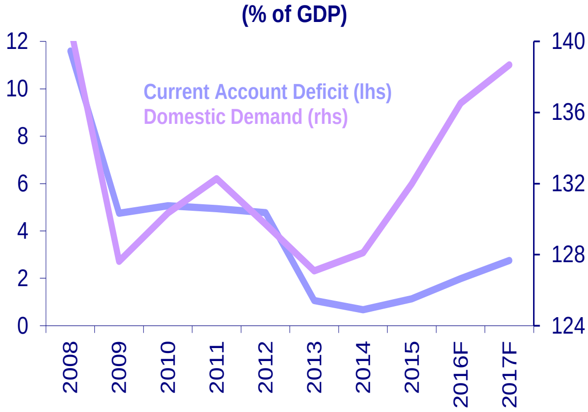
Looking ahead, we expect the s.a. unemployment rate to deteriorate further during the rest of the year, reflecting the intensifying economic slowdown after the July 15th failed coup, and rising labour costs following the January 1st sharp hike of the minimum wage. Overall, we see unemployment rising to a 6-year high of 10.6% in FY:16 from 10.3% in FY:15.

Romania

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







	26 Sep.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.45	4.48	4.49	4.50
Sov. Spread (2024, bps)	185	180	170	150

	26 Sep.	1-W %	YTD %	2-Y %
BET-BK	1,306	0.0	-2.7	0.8

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	5.0	3.5
Inflation (eop, %)	1.6	0.8	-0.9	-0.2	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.7	-1.1	-2.5	-3.1
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.0

The current account deficit (CAD) widened to 2.0% of GDP on a 12-month rolling basis in July from 1.1% at end-2015, in line with stronger private consumption. The CAD widened by 0.8 pps y-o-y to 1.3% of GDP in 7M:16. The main factor behind this deterioration was the trade deficit, which widened markedly in 7M:16 (by 0.7 pps y-o-y to 2.9% of GDP), in line with stronger private consumption. The latter was stimulated by massive tax cuts (the VAT rate on food and non-food items was reduced by 15 pps (to 9%) and 4 pps (to 20%), respectively, in June 2015 and January 2016), and a looser incomes policy (a broad-based 10.0% hike in public sector wages at end-2015 was followed by a 5.0% rise in pensions and targeted increases in wages in the broader public sector in January) and its spillover to the private sector.

The capital & financial account improved in 7M:16, pushing FX reserves higher. Adjusting for net sovereign Eurobond repayments (amounting to 0.6% and 1.2% of GDP in 7M:16 and 7M:15, respectively), net portfolio investment inflows accelerated in 7M:16 (to 0.6% of GDP from just 0.1% in 7M:15). Moreover, net FDI inflows increased slightly (to 1.3% of GDP in 7M:16 from 1.1% in 7M:15), due to higher intercompany lending (up 0.5 pps of GDP y-o-y), which more than offset the decline in direct equity investment and lower reinvested earnings. The capital account also improved in 7M:16 (to 1.7% of GDP from 1.5% in 7M:15), on the back of delayed disbursements from the EU, initially scheduled for FY:15 (up 0.6 pps of GDP y-o-y).

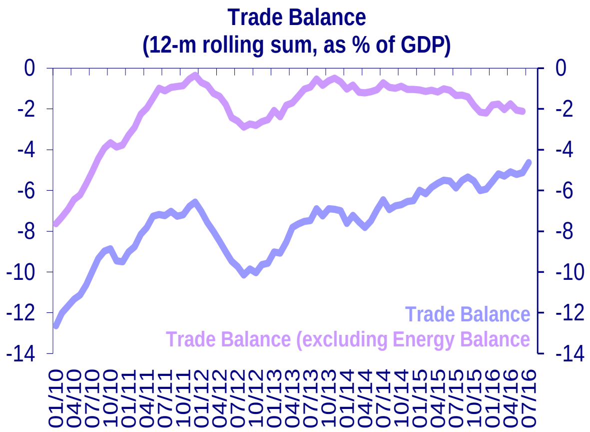
On the other hand, capital outflows from the banking system continued at a steady pace in 7M:16 (reaching 1.7% of GDP, broadly unchanged compared with 7M:15), due to the placement of deposits abroad by domestic banks and deleveraging from foreign banks. At the same time, net lending to the non-financial private sector weakened (with net repayments of 1.0% of GDP in 7M:16 against 0.3% in 7M:15), suggesting that corporates' access to external financing still remains constrained. All said, the overall balance (excluding debt repayments to the IMF/EU) improved (by 1.1 pp y-o-y) to a surplus of 0.5% of GDP in 7M:16. As a result, FX reserves rose slightly to EUR 32.7bn in July from EUR 32.2bn at end-2015.

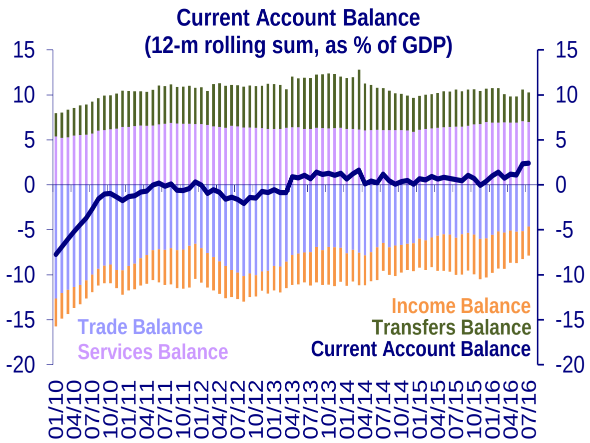
The CAD is set to deteriorate further to 2.5% of GDP in FY:16 from 1.1% in FY:15, due to a further strengthening in domestic demand. Pressures on the trade deficit will likely increase during the remainder of the year, in view of a further build-up in domestic demand, on the back, *inter alia*, of a large fiscal stimulus (0.6 pps of GDP in 8-12M:16). This deterioration should be moderated, however, by higher income inflows, on the back of base effects from deferred EU subsidies in 7M:16.

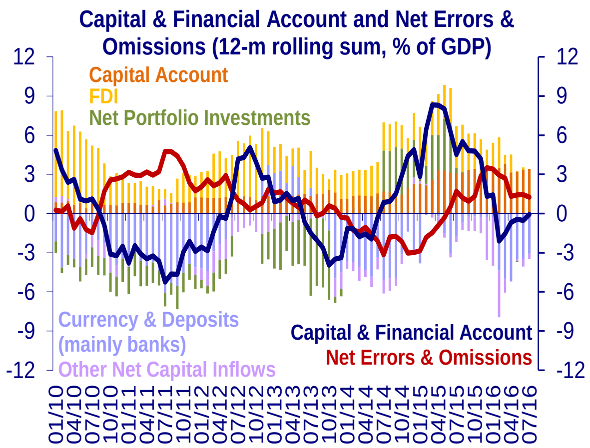
Importantly, with virtually no debt repayments to IFIs in FY:16 (against 1.9% of GDP in FY:15), filling the external financing gap should not be a problem. According to our baseline scenario, projecting that: i) FDI inflows continue at a steady pace (reaching 1.9% of GDP in FY:16 against 1.3% y-t-d, slightly above the FY:15 level of 1.7%); ii) portfolio investment inflows pick up (to 0.5% of GDP from 0.0% y-t-d, still above the FY:15 level of -0.5%) following this week's issuance of a 12-year Eurobond worth EUR 1.0bn (0.6% of GDP); iii) the rollover of maturing debt continues at the current rate (of 90%, broadly unchanged compared with FY:15); and iv) capital transfers continue, albeit at a significantly slower pace (reaching 2.2% of GDP in FY:16 against 1.7% y-t-d, lower than the FY:15 level of 2.4%), as the authorities forfeit EU funding allocated for use during the 2007-13 programming period, we see FX reserves declining slightly (by EUR 0.3bn y-o-y) to a still comfortable level of EUR 31.9bn at end-2016, covering more than 5 months of GNFS imports.

Bulgaria

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







	26 Sep.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.1	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	129	128	125	120

	26 Sep.	1-W %	YTD %	2-Y %
SOFIX	488	2.3	5.8	-10.5

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.8	2.3
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

A better trade performance and lower income outflows push up the 12-month rolling current account surplus (CAS) to a high of 2.3% of GDP in July from 0.4% at end-2015. The CAS widened markedly by 1.9 pps y-o-y to 2.8% of GDP in 7M:16. Specifically, the trade deficit narrowed in 7M:16 (by 1.3 pps y-o-y to 1.9% of GDP), mainly reflecting favourable oil prices (the energy trade deficit was down by an estimated 1.0 pp of GDP y-o-y in 7M:16) and, to a lesser extent, gains in competitiveness (see below). Moreover, following its sharp deterioration in FY:15, the income deficit narrowed in 7M:16 (by 0.9 pps y-o-y to 1.7% of GDP), on the back of lower profit outflows. These developments were partly offset by lower current transfers (mainly from the EU, down 0.4 pps y-o-y to 2.6% of GDP in 7M:16).

Eurobond issuance from the sovereign and the state-owned energy company BEH keep the capital & financial account "in the black" in 7M:16, despite more difficult external financing conditions for the private sector. Proceeds from the placement of a sovereign Eurobond worth 4.4% of GDP in March and a Eurobond by BEH worth 1.2% of GDP in July kept net portfolio investment high in 7M:16 (at 2.7% of GDP, though lower than in 7M:15 -- 3.5% of GDP, with the latter also including net Eurobond proceeds worth 4.8%). In fact, excluding net Eurobond proceeds, portfolio investment was negative for a second consecutive period (at -1.9% of GDP in 7M:16 against -1.3% in 7M:15).

At the same time, capital outflows from the banking system accelerated in 7M:16 (to 3.8% of GDP against 1.0% in 7M:15), largely due to the placement of deposits abroad by domestic banks. Note that, following strong deposit growth in recent years, domestic banks had placed a significant part of their excess liquidity abroad (the banking system's loan-to-deposit ratio currently stands at 82.3%, down from its peak of c. 150% at end-2008).

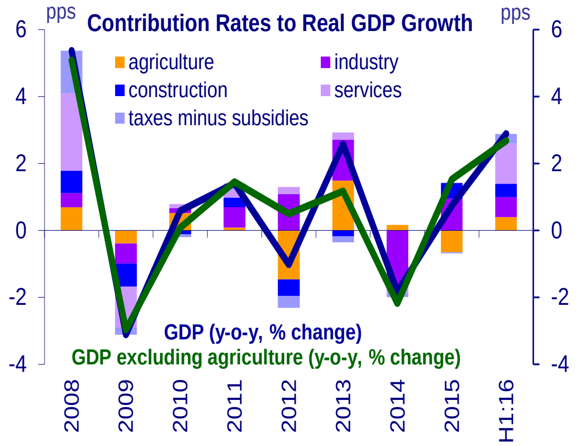
Worryingly, net lending to the non-financial private sector deteriorated in 7M:16 (adjusting for the bridge loan, worth 1.2% of GDP, which BEH acquired in April and repaid in August, net repayments stood at 1.2% of GDP against inflows of 2.5% in 7M:15), as corporates' access to external financing remains constrained. Moreover, net FDI inflows fell (to 1.9% of GDP in 7M:16 from 2.6% in 7M:15), mainly on the back of lower intercompany lending. All said, the overall balance deteriorated (by 1.5 pps y-o-y), but remained in surplus (5.5% of GDP), with FX reserves rising to EUR 21.5bn in July from EUR 19.0bn at end-2015.

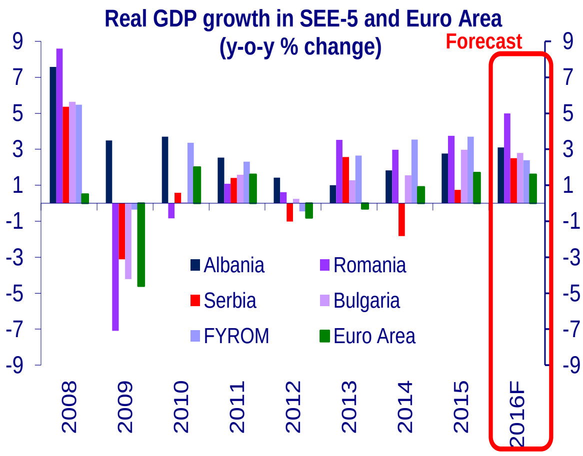
Bulgaria set to remain the best performer in the region in FY:16, with the CAS strengthening to 2.5% of GDP. For the remainder of the year, we expect lower profit and dividend outflows and stronger tourism activity to support the CAS. At the same time, assuming slightly higher global oil prices (up 3.0% y-o-y in BGN terms in 8-12M:16 against a decline of 29.3% in 7M:16), and thus no help from the energy bill, the trade deficit should continue to decline, albeit at a much slower pace, reflecting improved productivity (real GDP per employee is up 7.0% since end-2011, with the BGN remaining stable in real terms in the same period).

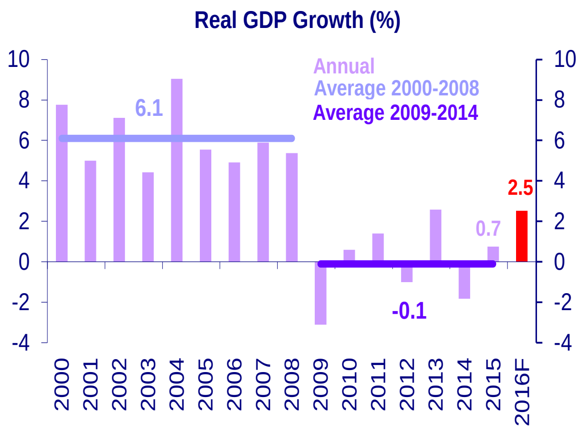
The external financing gap should not be an issue, in view of the large CAS. Projecting that: i) net FDI inflows continue at their current rate (reaching 3.0% of GDP in FY:16 against 1.9% y-t-d, lower than the FY:15 level of 3.6%); ii) portfolio investment outflows decelerate (bringing the FY:16 figure to 2.0% of GDP against 2.7% y-t-d, still higher than the FY:15 outcome of 1.3%); and iii) the maturing debt rollover rate remains at current levels (c. 80%, significantly lower, however, than in FY:15 -- 100%), we see FX reserves at EUR 22.0bn at end-2016 (up EUR 3.0bn y-o-y), covering 11 months of GNFS imports and 300% of short-term external debt (excluding trade credits).

Serbia

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







	26 Sep.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.1	125.1	125.4	125.7
Sov. Spread (2021, bps)	241	230	220	180

	26 Sep.	1-W %	YTD %	2-Y %
BELEX-15	638	-0.3	1.1	-3.8

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.5	2.7
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-2.6	-2.8

Activity accelerates to 2.9% y-o-y in H1:16, supported by stronger services and the normalization in agricultural output. Real GDP rose sharply to 2.9% y-o-y in H1:16 following a modest rise of 0.7% in FY:15. As a result, the 4-quarter rolling GDP has returned to its peak, standing 0.2% above its level before the devastating May 2014 floods and 0.6% above the pre-crisis peak in Q4:08.

The services and agricultural sectors were the main drivers of the improvement in H1:16. Strong growth in the services sector (accounting for a sizeable 51.3% of GDP) provided a significant boost to activity (contributing 1.2 pps to overall GDP growth in H1:16 against virtually 0.0 pps in FY:15). This performance reflects the waning negative impact of austerity measures implemented in FY:15 (including cuts in pensions and public sector wages) that weighed on both private and public consumption. In fact, growth in consumption turned positive after 4 successive years of contraction (up 1.6% y-o-y in H1:16 against a decline of 0.7% in FY:15). The strong rise in the output in the services sector is also attributed to the positive impact from a looser monetary policy stance (an average *ex-post* real policy rate of 3.4% in H1:16, below 4.8% in FY:15), combined with a continuing sharp decline in oil prices and the improvement in the labour market (with wages increasing by 4.2% y-o-y in H1:16 following a drop of -0.2% in FY:15, while the unemployment rate fell to 17.1% in H1:16 from 17.7% in FY:15).

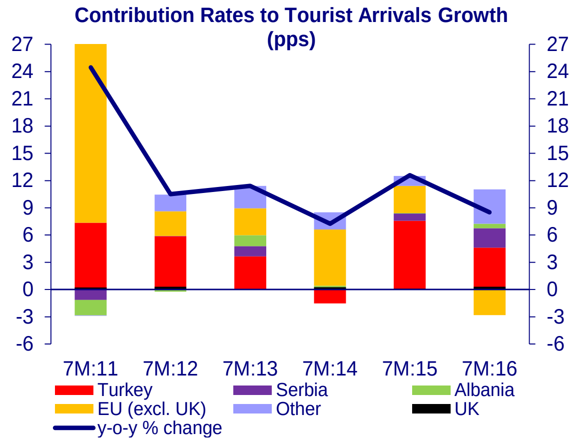
The normalization in agricultural output also boosted activity in H1:16. In fact, growth in the primary sector turned positive (up 5.6% y-o-y, contributing 0.4 pps to real GDP growth in H1:16), after having remained in negative territory throughout 2015 (declining by 7.5% y-o-y and subtracting 0.7 pps from real GDP growth in FY:15). Excluding agriculture, the rebound in real GDP growth would have been milder (up 2.7% y-o-y in H1:16 against an increase of 1.5% y-o-y in FY:15).

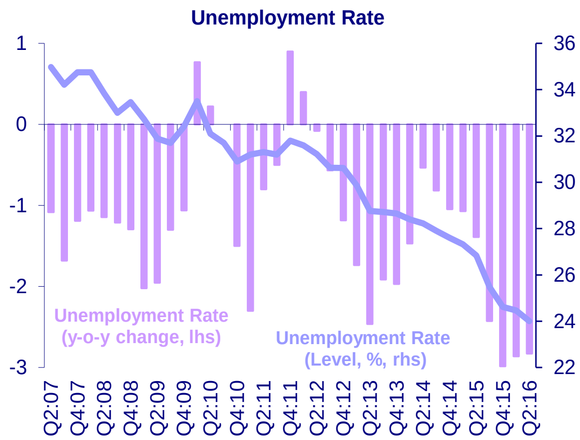
Economic growth would have been even higher in H1:16 had activity in the industrial sector not moderated (up 2.8% y-o-y in H1:16 against a rise of 4.7% y-o-y in FY:15, contributing 0.6 pps to GDP growth in H1:16 against 1.0 pp in FY:15). Although a detailed breakdown is not available, industrial production figures suggest that electricity supply and mining production moderated in H1:16, following a strong recovery in FY:15 that reflected strong positive base effects from the full restoration of production following the devastating May 2014 floods (slowing to 5.9% and 6.5% y-o-y, respectively, in H1:16 after rising by 18.8% and 10.5% in FY:15, together contributing 1.8 pps to industrial sector growth in H1:16 after contributing 4.8 pps in FY:15). Note that growth in the manufacturing sector remained strong (accelerating to 6.1% y-o-y in H1:16 from 5.3% in FY:15, contributing 4.3 pps in H1:16 against 3.7 pps in FY:15). The manufacturing sector was supported by: i) lower production costs (in line with declining oil prices); ii) large FDI inflows; and iii) stronger export growth (accelerating to 10.8% y-o-y in H1:16 from 7.8% in FY:15). Importantly, exports' share of GDP has doubled in the past ten years, exceeding ½ of real GDP in H1:16.

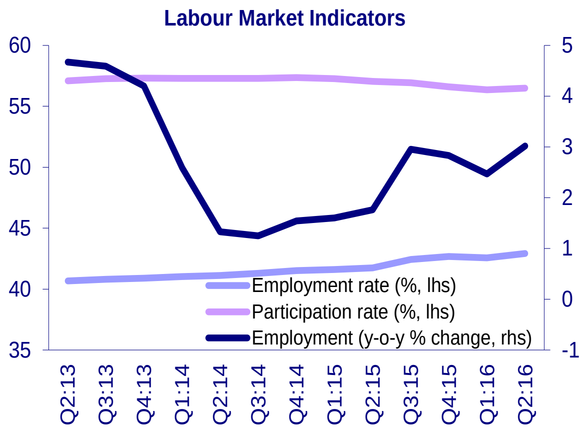
Economic activity is set to reach a 3-year high of 2.5% in FY:16. Looking ahead, output growth is set to strengthen to 2.3% y-o-y in H2:16 compared with 1.7% y-o-y in H2:15, supported by improved agricultural production -- that was a drag on overall growth in FY:15 (excluding agriculture, real GDP growth should be milder, up 2.1% y-o-y in H2:16, moderating from 2.6% y-o-y in H2:15). Moreover, the continued improvement in consumption in H2:16 is set to largely offset the negative base effects from the flood-induced recovery in industrial production in H2:15. Overall, we see FY:16 real GDP growth accelerating further, to a 3-year high of 2.5% -- up from the FY:15 outcome of 0.7%.

F.Y.R.O.M.

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







	26 Sep.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	412	395	380	350

	26 Sep.	1-W %	YTD %	2-Y %
MBI 100	1,946	-0.1	6.1	13.2

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	2.4	3.6
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.2	-3.5

Tourist arrivals remained resilient in 7M:16, sustaining economic growth. Tourist arrivals increased by 8.5% y-o-y to a record high 289.3k in the first seven months of the year, following a rise of 14.2% in FY:15. The strong performance was mainly driven by Turkey – the main source country (accounting for 18.7% of total tourists in FY:15) and neighbouring countries Serbia and Albania (accounting for 9.0% and 3.8%, respectively, of total tourists in FY:15. Indeed, the number of Turkish, Serbian and Albanian tourists rose by 23.1%, 23.6% and 13.0% y-o-y in 7M:16, contributing 4.6 pps, 2.1 pps and 0.5 pps to the overall annual rise in the corresponding period. These gains more than offset a decline in arrivals from the EU (accounting for 51.3% of total arrivals in FY:15), by 5.9% y-o-y in 7M:16 and shaving 2.8 pps off the 7M:16 increase. The decrease in arrivals from the EU would have been even sharper if arrivals from neighbouring Bulgaria (accounting for 6% of total arrivals in FY:15) had not increased sharply (up 22.8% y-o-y in 7M:16). Encouragingly, excluding the EU, Turkey, Serbia and Albania, arrivals rose sharply by 21.4% y-o-y in 7M:16 compared with 5.8% y-o-y in 7M:15, due to a significant increase in arrivals from neighbouring Bosnia-Herzegovina and Kosovo, as well as from Israel, Sweden and Ukraine -- supported by the increase in the number of direct flights from March, mostly low-cost charters.

Tourist receipts reached an all-time high of EUR 101.4mn (1.1% of GDP) in H1:16. Tourist receipts rose by 8.1% y-o-y in H1:16 to a record high of EUR 101.4mn or 1.1% of GDP, broadly in line with the increase in tourist arrivals in the same period (7.9% y-o-y in H1:16).

Going forward, we expect tourist arrival growth to ease slightly during the rest of the year, due to base effects from the sharp increase in 8-12M:15 (up 16.1% y-o-y against a rise of 12.6% in 7M:15) and, to a large extent, a sharp slowdown in arrivals from the largest source country, Turkey, due to the economic slowdown. All said, we see tourist arrivals rising by 6.0% to a high of 515k in 2016, with receipts increasing at a slower pace -- up c. 5.0% or EUR 12mn to EUR 252mn or 2.6% of GDP, helping sustain economic growth (the tourism sector contributes c. 5% each to GDP and employment).

Labour market conditions continue to improve in Q2:16, albeit at a slower pace. The unemployment rate declined to a record low (since the inception of the time series) of 24.0% in Q2:16, as the employment rate increased (up 1.2 pps y-o-y to an all-time high of 42.9%) and the participation rate declined (down 0.5 pps y-o-y to 56.5%). However, the annual pace of decline in the unemployment rate slowed to 2.8 pps in Q2:16 from 2.9 pps in Q1:16 and 3.0 pps in Q4:15, reflecting the slowdown in economic activity (real GDP growth eased sharply to 2.1% y-o-y in H1:16 from 3.7% in FY:15), triggered by the protracted domestic political crisis.

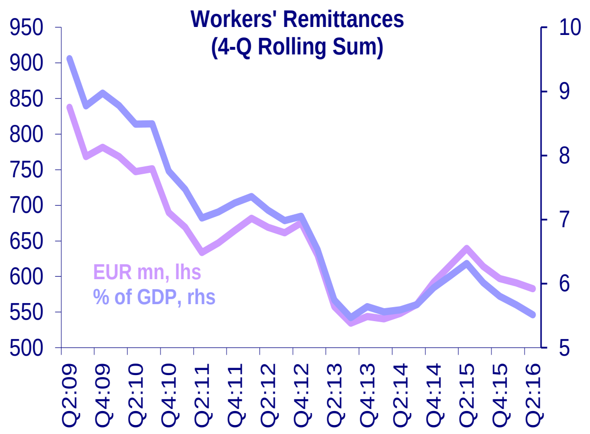
Importantly, despite the slowdown in economic activity, growth in employment accelerated to a 2½ year high of 3% in Q2:16 (21k jobs created) from 2.5% in Q1:16, supported, *inter alia*, by the increase in the production in the technological industrial zones and the rebound in the construction activity (up by 31% y-o-y, in real terms, in Q2:16 compared with increases of 7.7% y-o-y in Q1:16 and 16.8% in FY:15). Note that, in Q2:16, employment rose in services, construction and industry by 6.9%, 6.6% and 3.5%, respectively, more than offsetting the decline in agriculture by 8.9%.

Looking ahead, we expect labour market conditions to continue to improve at a slower pace in H2:16, as domestic political uncertainty is not set to dissipate before the December 11th legislative elections. Our FY:16 forecasts for the unemployment rate and employment growth stand at c. 24.0% and 2.0% y-o-y, respectively, compared with 26.1% and 2.3% y-o-y in 2015.

Albania

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

Balance of Payments (% of GDP)				
	FY:15	6M:15	6M:16	FY:16F
Current Account Balance	-10.7	-3.8	-5.3	-12.5
Trade Balance	-22.3	-9.5	-11.6	-24.4
o/w Energy Balance	*0.3*	*0.7*	*-0.2*	*-0.6*
Exports	7.5	4.1	2.9	6.5
o/w Energy Exports	*4.5*	*2.6*	*1.4*	*3.3*
Imports	29.8	13.6	14.5	30.8
o/w Energy Imports	*4.2*	*2.0*	*1.6*	*3.9*
Services Balance	5.1	2.4	2.7	5.2
Income Balance	-1.0	-0.5	0.0	-0.5
Transfers Balance	7.5	3.8	3.6	7.3
Workers' Remittances	5.8	2.9	2.7	5.6
Capital & Financial Account (excluding IMF)	13.1	4.1	2.5	8.0
FDI	8.0	4.4	3.5	7.5
Portfolio Investments	3.2	1.4	-0.9	0.0
o/w Eurobond	*1.5*	*0.0*	*0.0*	*0.0*
Other Investments	2.0	-1.7	-0.1	0.5
Currency & Deposits	-0.8	-1.3	0.2	-1.0
Loans	1.4	-0.0	-0.7	1.3
Other	1.4	0.5	0.4	0.2
Errors & Omissions	2.6	0.1	1.4	2.5
Overall Balance	5.0	0.3	-1.5	-2.1
IMF Disbursements	0.9	0.9	1.0	1.3
Change in Reserves (+ denotes increase)	5.9	1.2	-0.5	-0.8



	26 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	137.0	138.5	138.7	139.0
Sov. Spread (bps)	409	430	400	350

	26 Sep.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.1	3.2
Inflation (eop, %)	1.9	0.7	2.0	1.8	2.4
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-10.7	-12.5	-13.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

The current account deficit (CAD) widened significantly on an annual basis in H1:16, due to high investment-related imports. The CAD widened markedly on an annual basis in H1:16 by 1.5 pps y-o-y (to 5.3% of GDP), largely due to the deterioration in the trade deficit. The latter increased by a sizeable 2.1 pps of GDP y-o-y in H1:16, due to a strong rise in imports and the continued decline in exports.

In fact, imports surged by 12.6% y-o-y, in EUR terms, in H1:16 against a decline of 2.5% in FY:15, on the back of: i) high import content of rebounding investments (with two major energy projects, i.e. TAP and the Statkraft/Devoll hydropower plant, estimated to add as much as 4.2 pps of GDP in the FY:16 CAD, according to the IMF); and ii) reviving consumption. Imports would have been even higher in H1:16 had oil imports not contracted by 0.4 pps of GDP y-o-y, on the back of the significant drop in global oil prices.

Moreover, exports continued to decline sharply (down 24.3% y-o-y, in H1:16 following a drop of 17.2% in FY:15), reflecting the sustained sharp fall in (high-cost and low-quality) Albanian oil production (by 16.4% y-o-y in H1:16 following a fall of 6.3% in FY:15). In fact, lower oil exports added c. 1.0 pp of GDP y-o-y to the H1:16 CAD.

As a result, the 4-quarter rolling CAD reversed course, rising to (a 1½-year high of) 12.2% of GDP in Q2:16 from a trough of 10.7% in Q4:15.

The capital and financial account (CFA) surplus narrowed in H1:16, and fell short of covering the CAD. The CFA surplus (excluding the IMF) narrowed, by 1.6 pps y-o-y to 2.5% of GDP in H1:16, mainly due to: i) portfolio outflows (amounting to 0.9 pps of GDP in H1:16 against inflows of 1.4 pps in H1:15); and ii) lower (net) non-debt generating FDI inflows. Despite the above-mentioned energy projects, FDI inflows fell by 0.8 pps y-o-y to 3.5% of GDP in H1:16 (but still covering 66.4% of the CAD), constrained by the scale back in investments in the oil sector. The CFA would have been even lower had placements of (short-term) deposits abroad by domestic banks not fallen (to 0.1 pp of GDP in H1:16 from a sizeable 1.3 pps in H1:15).

As a result, the CFA surplus fell short of covering the CAD in H1:16. However, the resulting gap was largely filled by sizeable (positive) net errors and omissions, likely reflecting unrecorded workers' remittances (1.4% of GDP in H1:16), and the disbursement of 3 tranches from the IMF (totalling EUR 108.5mn, or 1.0% of GDP), leading to a moderate balance of payments deficit of EUR 49.6mn (0.5% of GDP) in H1:16. This, along with valuation effects, led to a drop in FX reserves by EUR 52.6mn y-t-d, to EUR 2.8bn, in H1:16, covering an adequate 7.0 months of GNFS imports (down from 7.6 months at end-2015).

The CAD is set to continue to widen in H2:16, but at a slower pace. The deterioration in H2:16 should be contained at 0.3 pps of GDP y-o-y, mainly on the back a less unfavourable energy balance, reflecting a stronger electricity surplus following heavy rainfall in H1:16. Overall, we expect the CAD to widen by 1.8 pps y-o-y to 12.5% of GDP -- 0.8 pps of GDP higher than our initial forecast, exclusively due to larger imports related to large energy projects. Note that, excluding import-intensive TAP and the Statkraft projects, the FY:16 CAD would have eased to c. 8.3% of GDP this year from 8.8% in FY:15.

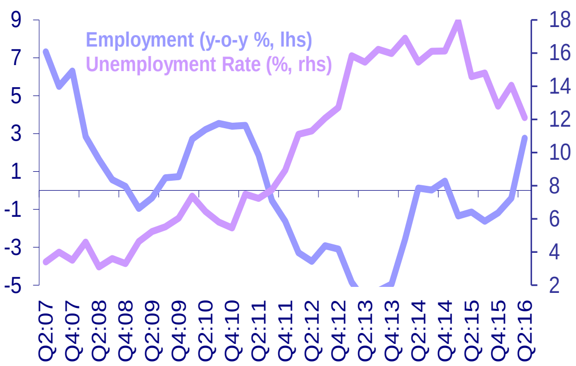
Regarding financing, the bulk (around 55.0%) of the H2:16 CAD should continue to be covered by large FDI inflows. Moreover, assuming steady and consistently high inflows from errors and omissions (c. 1.1% of GDP in H2:16), we see an external financing gap of EUR 182mn (1.7% of GDP) in H2:16, which should, however, be filled by sizeable IFI support of 1.4% of GDP (EUR 35.5mn from the IMF and EUR 118mn from the EBRD). This should lead to an additional drawdown in FX reserves to the tune of EUR 28mn in H2:16. As a result, FX reserves should decline by EUR 78mn this year to EUR 2.8bn.

Cyprus

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

General Government Fiscal Balance (% of GDP)					
	2015	8M:15	8M:16	Revised 2016 Target*	NBG 2016 Forecast
Revenue	39.0	24.9	24.9	38.6	38.6
Tax Revenue	33.1	21.2	21.7	33.0	33.1
Indirect Taxes	14.8	9.6	9.6	14.7	- - -
Direct Taxes	9.9	6.1	6.5	9.7	- - -
Soc. Contrib.	8.5	5.6	5.7	8.6	- - -
Non-Tax revenue	5.9	3.7	3.2	5.6	5.5
Expenditure	39.1	24.2	24.0	39.0	38.6
Cur. Expenditure	36.3	22.8	22.6	36.2	36.0
G.& Services	3.7	2.1	2.1	3.6	- - -
Wag.& Salaries	12.8	7.9	7.6	12.7	- - -
Soc. Transfers	14.1	8.9	9.2	14.3	- - -
Int.Payments	2.8	2.0	1.9	2.6	2.6
Subsidies	0.4	0.3	0.3	0.4	- - -
Other	2.4	1.6	1.5	2.6	- - -
Capital Expend.	2.7	1.4	1.4	2.8	2.6
Fiscal Balance	0.0	0.7	0.9	-0.4	0.0
Primary Balance	2.8	2.7	2.8	2.2	2.6

Employment and Unemployment



	26 Sep.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.13	1.11	1.08	1.05
Sov. Spread (2020. bps)	311	290	260	250

	26 Sep.	1-W %	YTD %	2-Y %
CSE Index	67	-0.7	-0.6	-40.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.4	2.1
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.6	-4.5
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	0.0	0.2

The fiscal performance improved significantly in the first eight months of the year, with the 12-month rolling fiscal balance easing to a surplus of 0.2% of GDP. The fiscal surplus widened by 0.2 pps y-o-y to 0.9% of GDP in 8M:16, due to lower spending. Specifically, the wage bill and interest payments declined in 8M:16 (by 0.3 pps of GDP y-o-y and 0.2 pps of GDP y-o-y, respectively), more than offsetting a significant increase in social transfers (by 0.3 pps of GDP y-o-y).

Total revenue remained flat at 24.9% of GDP in 8M:16, as the increase in tax revenue, mainly due to higher direct taxes (up 0.4 pps of GDP y-o-y) and, to a lesser extent, increased social security contributions (up 0.1 pp of GDP y-o-y), compensated for the decline in non-tax revenue (down 0.5 pps of GDP y-o-y), mainly reflecting a lower dividend payment by the Central Bank.

The FY:16 fiscal deficit is likely to overperform its revised target of 0.4% of GDP. The FY:16 fiscal balance could outperform its target again this year, in view of: i) the positive y-t-d performance; ii) a stronger-than-expected recovery in activity (we see FY:16 real GDP growth at 2.4%, significantly above the FY:15 outcome of 1.6%); and ii) continued spending restraint. Overall, we see the fiscal balance at 0% of GDP in FY:16, unchanged from the FY:15 outcome, but better than its target of a deficit of 0.4% of GDP. This positive performance should help the public debt-to-GDP ratio to reverse course, for the first time in 8 years, to 99.8% in 2016 from 108.9% in 2015, supported by stronger GDP growth, lower funding costs, as well as higher inflation.

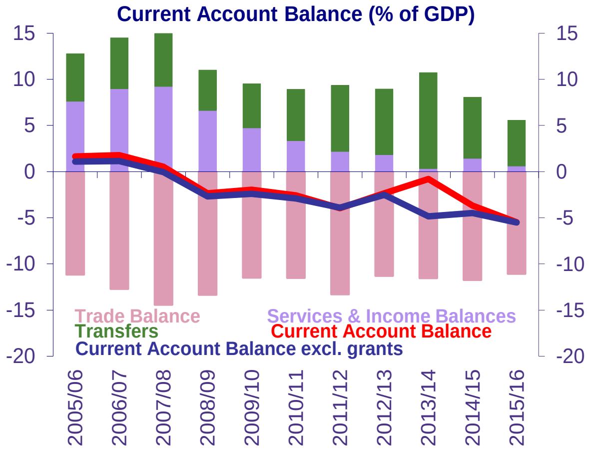
Recall that this year's net financing requirements (excluding short-term government securities) stand at EUR c. 1.0bn (5.7% of GDP). They should be easily covered, despite: i) the absence of IMF-ESM support, following the country's exit from its financial assistance programme in early-March; and ii) the non-eligibility for participation in the ECB's quantitative easing programme, due to the country's non-investment grade. Indeed, this year's net financing requirements will be covered by a government cash buffer of an equivalent amount, accumulated following two Eurobond issues, each of EUR 1bn, in April and October 2015.

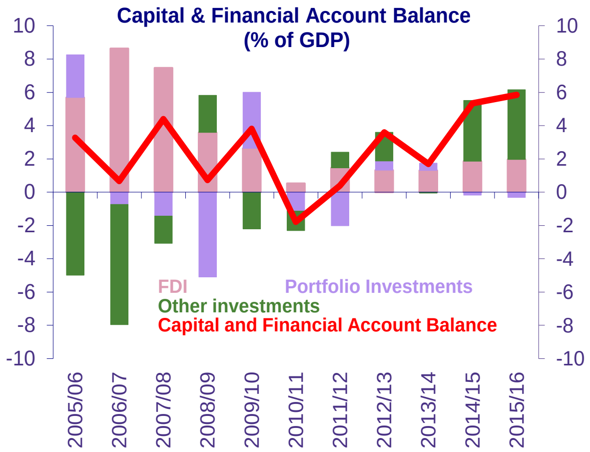
Labour market conditions improved significantly in Q2:16. The unemployment rate declined by 3.5 pps y-o-y to a 4-year low of 12.1% in Q2:16, as the employment rate increased (up 1.0 pp y-o-y to a 3-year high of 54.4%), while the participation rate declined (down 0.6 pps y-o-y to 61.9%). In fact, employment increased by 2.8% y-o-y in Q2:16, following decreases of 0.4% y-o-y in Q1:16 and a CAGR of -2.4% in FY:12-15. The improved performance was supported by the ongoing recovery in economic activity (the annual pace of economic expansion rose to a 7½ year high of 2.9% y-o-y in Q2:16 from 2.6% in Q1:16 and 1.6% in FY:15), especially in the labour-intensive tourism sector (accounting for c. 23% of total employment). Indeed, tourist arrivals increased by 18.6% y-o-y in Q2:16, following rises of 32.4% y-o-y and 8.9%, respectively, in Q1:16 and FY:15.

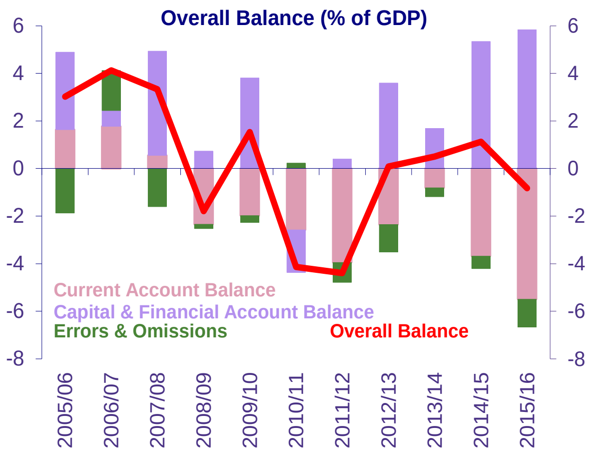
Looking forward, we expect labour market conditions to improve further throughout the rest of the year, mainly on the back of the strong recovery in tourism activity. Indeed, we foresee tourist arrivals maintaining their strong y-t-d momentum, due to continued gains form persisting security concerns in neighbouring countries – Turkey and Egypt – rising by c. 20% to an all-time high of 3.2mn in FY:16, from a 14-year high of 2.7mn in FY:15. Our FY:16 forecasts for the unemployment rate and employment growth stand at 11.2% and 2.0% y-o-y, respectively, compared with 15.0% and -1.3% y-o-y in FY:15.

Egypt

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







	26 Sep.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	11.9	11.8	12.8	11.5
EGP/USD	8.88	10.5	10.5	11.5
Sov. Spread (2020. bps)	412	400	300	220

	26 Sep.	1-W %	YTD %	2-Y %
HERMES 100	710	-0.7	12.7	-23.6

	12/13	13/14	14/15	15/16E	16/17F
Real GDP Growth (%)	2.1	2.2	6.2	4.2	5.0
Inflation (eop. %)	9.8	8.2	11.4	14.0	13.8
Cur. Acct. Bal. (% GDP)	-2.4	-0.8	-3.7	-5.5	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.5

The current account deficit (CAD) reached a 3-decade high of 5.5% of GDP in FY15/16. The CAD rose significantly by 1.8 pps y-o-y (USD 6.5bn y-o-y) to 5.5% of GDP (USD 18.7bn) in FY:15/16 (July 2015-June 2016). The deterioration was driven by: i) a sharp decline in both cash and commodity grants from Gulf countries (down 0.8 pps of GDP y-o-y or USD 2.6bn y-o-y to USD 0.1bn) and workers' remittances (mostly originating from Gulf countries, down 0.9 pps of GDP y-o-y or USD 2.4bn y-o-y), linked indirectly to the sharp drop in global oil prices during the past two years; and ii) sharply declining tourism receipts (down 48.9% y-o-y or 1.1 pps of GDP y-o-y or USD 3.6bn y-o-y), reflecting increasing domestic security concerns following the terrorist bombing of a Russian passenger plane last October.

The CAD would have been larger in FY:15/16 had the non-energy trade deficit not narrowed (down 0.6 pps of GDP y-o-y). Specifically, non-energy merchandise imports declined significantly (down 0.8 pps of GDP y-o-y), mainly on the back of a severe shortage of foreign currency and the CBE's imposition of stricter rules on financing imports in early-Q3:15/16 (January), prioritising the import of basic goods. On the other hand, non-energy merchandise exports also declined, albeit at a slower pace than non-energy merchandise imports (down 0.2 pps of GDP y-o-y), reflecting an overvalued domestic currency and the weakening of the export base due to restricted imports. Unexpectedly, despite the fact that Egypt is a net importer of energy, the energy trade balance did not help contain the CAD deficit amid the fall in global oil prices (global crude oil price declined by 41.3% in FY:15/16). In fact, the energy trade deficit remained unchanged from a year earlier at 1.1% of GDP, due to a sharp increase in the volume of energy imports, in line with surging domestic demand for largely subsidised energy.

The capital and financial account (CFA) strengthened to an all-time high of 5.8% of GDP in FY:15/16, mainly on the back of unsustainably large short-term inflows. The CFA balance improved to USD 19.9bn (5.8% of GDP) in FY:15/16 from USD 17.6bn (5.3% of GDP) a year earlier, on the back of larger short-term deposits at domestic banks, (net) short-term lending and (net) FDI inflows (up USD 3.0bn y-o-y, USD 0.5bn y-o-y, and USD 0.5bn, respectively). The improvement in the CFA balance in FY:15/16 would have been larger had (net) portfolio investment not turned negative (minus USD 1.1bn), following the repayment of a matured 10-year USD 1.3bn US-backed bond at end-Q1:15/16 (September 2015).

Reflecting the current and capital & financial accounts developments and large negative (net) errors & omissions (minus USD 4.0bn or minus 1.2% of GDP), the overall balance turned negative for the first time in 4 years in FY:15/16 (minus USD 2.8bn or -0.8% of GDP). The large negative errors and omissions likely reflect unrecorded non-energy imports financed through the flourishing foreign currency black market. As a result and accounting for valuation effects, FX reserves declined by USD 2.6bn to USD 17.5bn (or 3.4 months of imports of goods and non-factor services) in FY:15/16.

This year's external financing gap will be largely filled through the IMF assistance. For this year, the country's external financing gap should stand at around USD 10bn and be largely filled through the IMF assistance. Encouragingly, in the past week, the Government completed the last prior action (securing USD 5-6bn in bilateral financing) needed for the approval by the IMF Executive Board of a USD 12bn 3-year extended fund facility (EEF) to support the financing of its USD 21bn 3-year reform programme. The approval should obtained by October 9th (at the end of the IMF/WB Group annual meetings) and thus enable the immediate disbursement of the first tranche, worth USD 2.5bn.

FOREIGN EXCHANGE MARKETS, SEPTEMBER 26TH 2016

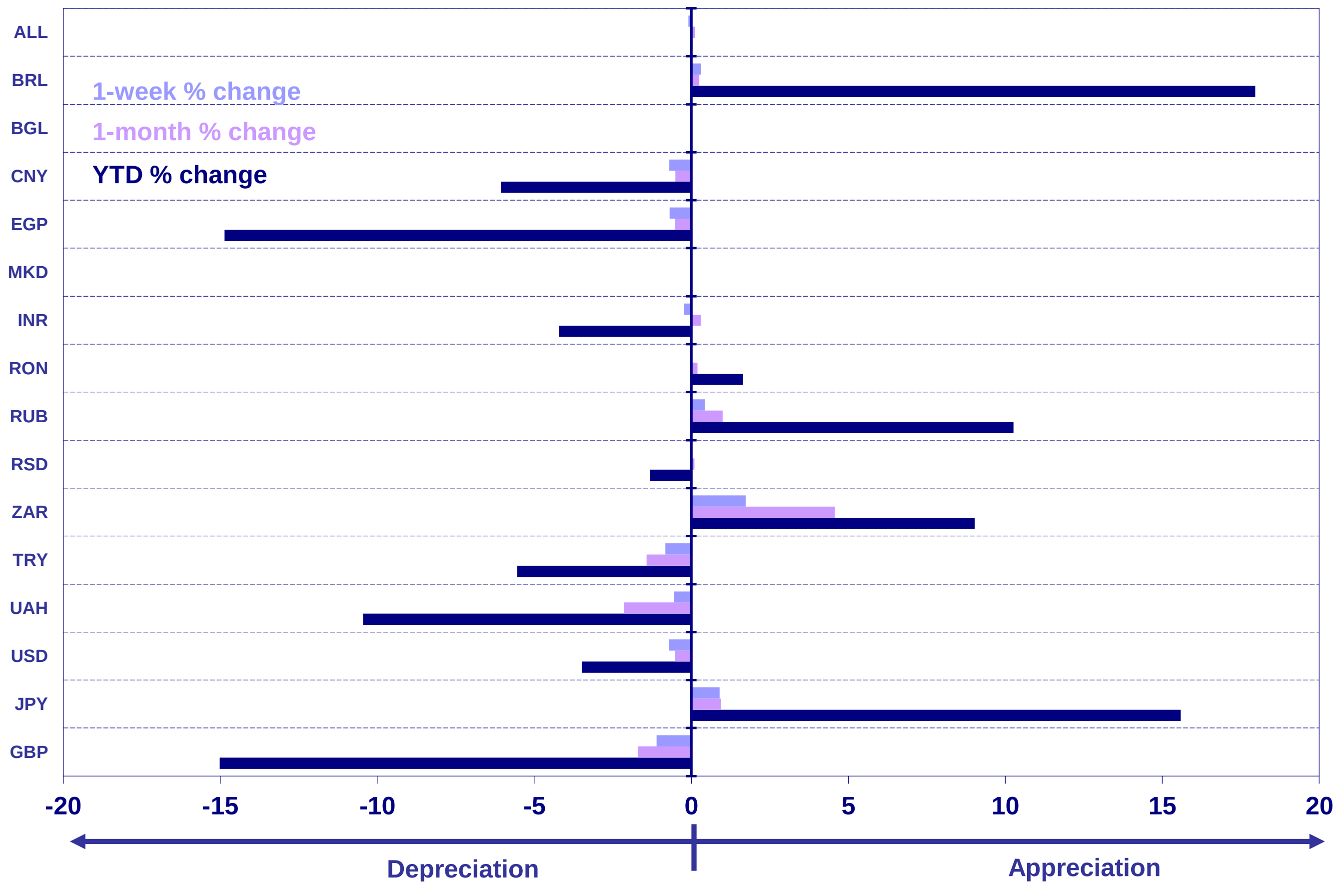
Against the EUR

	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**	2015 % change*	2014 % change*
		2016											
Albania	ALL	137.0	-0.1	0.1	0.0	1.5	135.9	139.5	137.4	137.2	136.0	2.0	0.1
Brazil	BRL	3.65	0.3	0.2	18.0	26.7	3.48	4.55	4.16	4.14	4.11	-25.2	1.0
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.49	-0.7	-0.5	-6.1	-4.6	6.99	7.56	7.73	7.73	7.73	6.7	10.8
Egypt	EGP	9.97	-0.7	-0.5	-14.9	-12.3	8.26	10.23	- - -	- - -	- - -	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	75.0	-0.2	0.3	-4.2	-0.8	71.3	77.8	80.4	- - -	- - -	6.6	12.3
Romania	RON	4.45	0.0	0.2	1.6	-0.8	4.44	4.56	4.46	4.47	4.49	-0.8	-0.5
Russia	RUB	71.9	0.4	1.0	10.3	3.6	69.4	75.1	73.7	75.6	79.0	-15.1	-32.8
Serbia	RSD	123.1	0.0	0.1	-1.3	-2.8	121.6	124.3	123.6	123.9	- - -	-0.1	-5.6
S. Africa	ZAR	15.4	1.7	4.6	9.0	2.6	14.77	18.58	15.7	16.1	16.8	-16.6	3.0
Turkey	YTL	3.35	-0.8	-1.4	-5.5	2.5	3.12	3.41	3.43	3.50	3.66	-10.8	4.4
Ukraine	UAH	29.1	-0.5	-2.1	-10.5	-17.4	25.06	30.32	34.6	- - -	- - -	-27.5	-40.8
US	USD	1.13	-0.7	-0.5	-3.5	-0.1	1.1	1.2	1.13	1.13	1.14	11.4	13.6
JAPAN	JPY	112.9	0.9	0.9	15.6	19.4	109.6	132.3	112.9	112.9	112.8	11.0	-0.1
UK	GBP	0.87	-1.1	-1.7	-15.0	-14.6	0.7	0.9	0.87	0.87	0.87	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (September 26th 2016)



MONEY MARKETS, SEPTEMBER 26TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	14.1	0.0	2.2	- - -	11.9	- - -	- - -	0.5	10.0	- - -	8.3	8.0	15.9	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.0	3.0	- - -	7.8	- - -	- - -	- - -
S/W	1.2	14.1	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	11.0	3.0	- - -	8.1	16.7	-0.4	0.5
1-Month	1.6	14.1	0.1	2.7	-0.4	- - -	1.7	6.9	0.6	10.3	3.3	8.7	7.3	17.8	-0.4	0.5
2-Month	- - -	14.0	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.4	3.4	8.9	8.3	- - -	-0.3	0.7
3-Month	1.7	13.9	0.1	2.8	-0.3	- - -	2.1	6.9	0.7	10.4	3.5	9.1	8.0	18.7	-0.3	0.9
6-Month	1.7	13.4	0.3	2.9	-0.2	- - -	2.4	- - -	0.9	10.4	3.7	9.3	8.1	- - -	-0.2	1.2
1-Year	1.9	12.6	0.8	3.0	-0.1	- - -	3.0	- - -	1.1	10.4	- - -	9.5	9.0	- - -	-0.1	1.6

LOCAL DEBT MARKETS, SEPTEMBER 26TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	14.2	1.6	6.5	- - -	10.0	3.4	7.9	- - -	- - -	-0.7	0.2
6-Month	0.9	- - -	- - -	- - -	- - -	15.3	2.3	6.6	0.5	10.0	3.3	8.2	- - -	- - -	-0.7	0.4
12-Month	1.6	- - -	0.1	2.2	- - -	16.4	2.6	6.7	0.7	9.4	3.9	8.5	- - -	15.6	-0.6	0.6
2-Year	1.9	- - -	- - -	2.4	- - -	- - -	2.0	6.7	0.7	8.8	- - -	8.9	7.6	16.1	-0.7	0.7
3-Year	- - -	- - -	0.3	2.4	2.1	- - -	2.7	6.7	1.5	8.7	- - -	8.3	7.8	16.1	-0.7	0.9
5-Year	- - -	11.7	- - -	2.6	- - -	17.4	2.7	6.8	2.1	8.4	5.5	9.2	8.0	16.0	-0.6	1.1
7-Year	- - -	- - -	1.3	- - -	3.4	17.5	- - -	6.9	2.5	8.4	- - -	- - -	- - -	- - -	-0.5	1.4
10-Year	- - -	11.9	2.0	2.8	3.5	17.5	3.8	6.9	2.9	8.2	- - -	9.6	8.6	- - -	-0.1	1.6
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.2	- - -	8.3	- - -	- - -	9.0	- - -	0.0	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.2	- - -	- - -	- - -	- - -	9.3	- - -	0.5	2.3

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

CORPORATE BONDS SUMMARY, SEPTEMBER 26TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	2.7	337	295
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.1	568	529
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.0	265	217
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.2	137	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.2	140	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.4	231	236
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	116	72
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.3	402	353
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.1	377	328
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.6	414	371
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	494	477

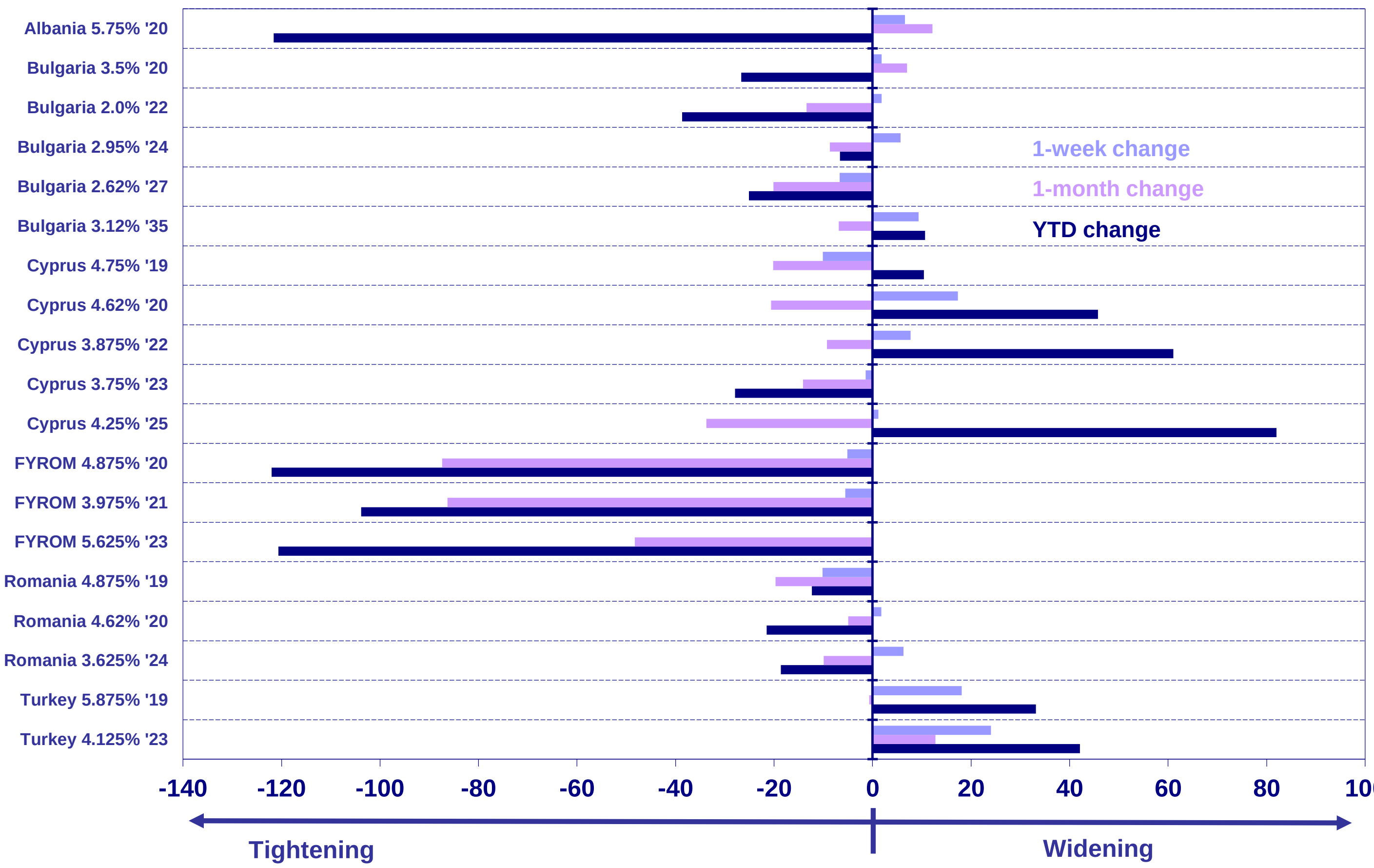
CREDIT DEFAULT SWAP SPREADS, SEPTEMBER 26TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	271	134	104	259	480	- - -	136	105	208	194	249	246	- - -
10-Year	- - -	339	180	151	286	490	- - -	144	146	265	245	305	303	- - -

EUR-Denominated Sovereign Eurobond Summary, September 26th 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	3.4	409	377
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	115	71
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.7	129	91
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	184	147
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	200	163
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	262	220
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	2.1	280	242
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.4	311	273
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.2	376	337
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.4	384	337
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.5	375	338
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.2	394	354
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.4	412	523
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.3	483	452
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	87	44
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.2	93	49
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.5	185	154
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,000	1.9	260	225
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	450	3.0	350	315

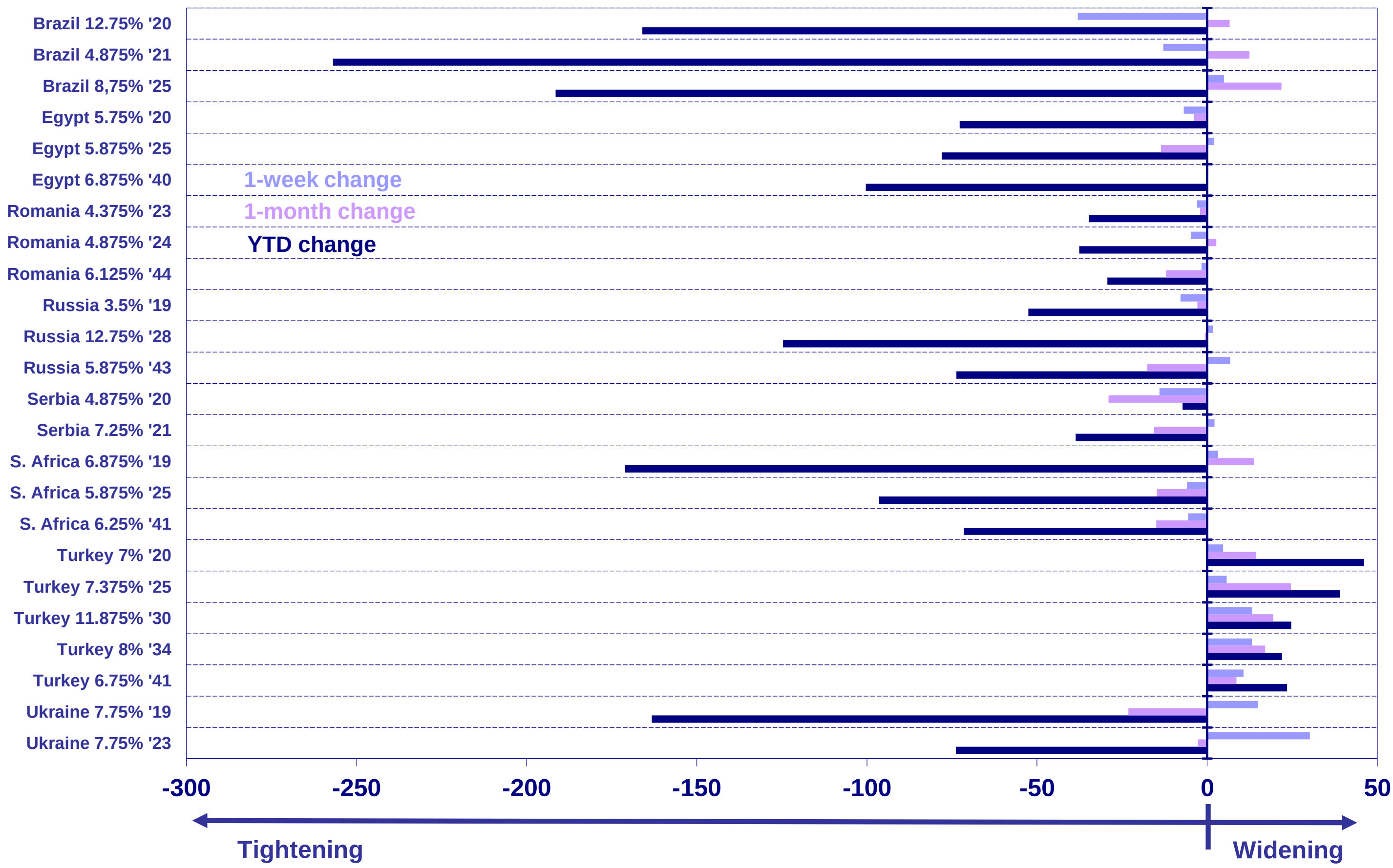
EUR-Denominated Eurobond Spreads (September 26th 2016)



USD-Denominated Sovereign Eurobond Summary, September 26th 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.9	200	210
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.3	222	227
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.6	316	370
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,500	5.0	412	391
Egypt 5.875% '25	USD	B-/B3	30/4/2040	500	6.5	494	495
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	1,500	7.2	486	523
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,000	2.7	125	146
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	2.7	128	150
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,500	4.0	167	271
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	2,500	2.5	175	148
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	1,500	4.1	252	382
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	4.6	229	318
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	2,000	3.3	242	225
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	3.5	241	258
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	2.4	158	149
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	750	3.9	233	272
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	2,000	4.7	235	332
Turkey 7% '20	USD	NR/Baa3	5/2/2025	3,250	3.7	285	277
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	1,500	4.6	316	353
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	4.9	330	465
Turkey 8% '34	USD	NR/Baa3	14/1/2041	3,000	5.3	369	426
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	1,744	5.4	306	378
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,355	8.1	726	692
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	234	8.4	696	685

USD-Denominated Eurobond Spreads (September 26th 2016)



STOCK MARKETS PERFORMANCE, SEPTEMBER 26TH 2016

	2016								2015		2014	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	58,054	1.2	0.6	33.9	32.1	37,046	60,311	59.0	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	488	2.3	2.9	5.8	9.6	432	488	5.8	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,980	-1.5	-2.9	-16.6	-3.9	2,638	3,539	-21.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-0.7	-0.2	-0.6	-10.1	64	70	-0.6	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	710	-0.7	-2.3	12.7	8.0	521	750	9.3	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,946	-0.1	-0.5	6.1	14.0	1,699	1,990	6.1	-0.6	-0.6	6.1	6.1
India (SENSEX)	28,294	-1.2	1.8	9.0	10.5	22,495	29,077	5.6	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,306	0.0	0.6	-2.7	-2.8	1,150	1,329	-0.9	2.6	1.6	3.7	3.5
Russia (RTS)	4,554	1.0	1.6	15.0	23.8	3,509	4,688	28.1	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	638	-0.3	2.5	1.1	1.3	570	647	-0.1	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,480	-1.0	-3.8	1.3	4.0	45,976	54,704	11.9	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	76,726	-1.2	-0.5	4.8	4.7	68,230	86,931	-0.3	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	239	3.6	8.4	-0.5	-21.3	215	256	-10.7	-37.8	-54.8	28.7	-24.2
MSCI EMF	905	0.9	0.5	14.4	15.9	687	930	11.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,702	1.2	0.0	-1.5	3.9	1,492	1,735	-4.3	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	564	1.1	-0.3	-7.8	-13.9	421	659	-7.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,394	0.2	-1.8	-3.3	9.6	8,699	10,802	-3.3	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,818	0.1	-0.3	8.7	14.4	5,500	6,955	-7.6	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,545	0.2	1.1	-13.1	-6.2	14,864	18,951	1.5	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,095	-0.1	-1.6	2.8	13.1	15,451	18,668	-0.2	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,146	0.3	-1.1	4.0	14.0	1,810	2,194	1.0	-0.7	10.9	11.4	26.6

Equity Indices (September 26th 2016)