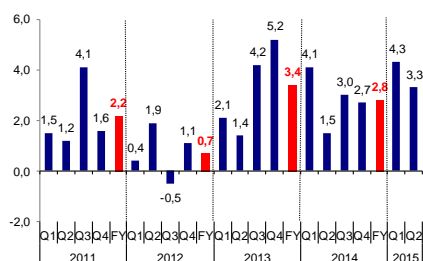


# Southeastern Europe

## Economic & Financial Outlook

**Real GDP (%Δ y/y, non-seasonally adjusted)**


Source: National Institute of Statistics

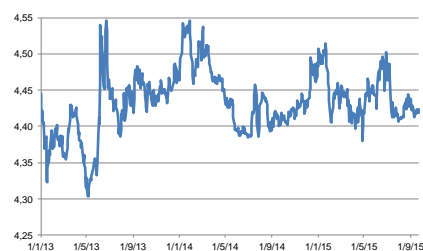
**Harmonized Index of Consumer Prices (%Δ y/y)**


Sources: Eurostat, National Institute of Statistics

**Current Account: January-July 2015 (€mn)**

	Jan.-Jul.2015	Jan.-Jul.2014
Exports (fob)	28.801	26.851
Imports (fob)	32.337	29.856
Trade Balance	-3.536	-3.005
Services Balance	3.638	3.328
-Tourism-travel	-196	-200
Income Balance	-1.687	-2.282
Current Transfers Balance	1.238	962
Current Account Balance	-347	-997

Source: National Bank of Romania

**Euro vs RON**


Source: Bloomberg

## 1. ROMANIA

### ECONOMIC OVERVIEW

#### *GDP remains on an upward trend*

GDP growth (non-seasonally adjusted) decelerated to 3.3% y/y in Q2 2015 compared with 4.3% in Q1 2015. In Q2 2015, private consumption had the biggest contribution to GDP growth (3.8%) and increased by 5.3%. Gross fixed capital formation rose by 7.9% contributing by 1.6% to GDP growth. Exports increased by 4.2% contributing by 1.8% to GDP growth, while imports by 7.8% affecting negatively GDP growth by 3.4%. We expect GDP to expand by 3.3% y/y in 2015.

### FISCAL POLICY

#### *Higher surplus in Jan.-July*

In Jan.-Jul. budget showed a surplus of RON 7.4 billion (1.1% of GDP) as revenues increased by 9.9% y/y, while expenses by 2.9% y/y. According to the European Commission (Spring 2015), budget deficit is expected to be -1.6% of GDP in 2015 slightly up from -1.5% in 2014, as a result of the reduction of VAT rates for food and of the special construction tax rate. On the other hand, public debt will increase to 40.1% of GDP in 2015 from 39.8% in 2014.

### INFLATION

#### *Negative inflation due to reduced VAT*

Headline inflation (CPI) was negative for three consecutive months and fell to -1.9% y/y in August from -1.7% y/y in July as the extension of the application of the reduced VAT to 9% for the delivery of food goods and beverages entered into force as of June 1, 2015. The target of the National Bank of Romania is 1.5%-3.5%. Harmonized Consumer Price Inflation (HCPI) was also negative for the third month in a row and fell to -1.7% y/y in August from -1.4% y/y in July and on average stood at 0.0% y/y in the first eight months of 2015. Harmonized inflation is expected to fall to a record low in 2015 due to VAT reduction for food and low energy prices.

### BALANCE OF PAYMENTS

#### *The current account deficit decreased*

Current account showed deficit in Jan.-Jul.2015, for four consecutive periods, at €347 million, lower compared with a deficit of €997 million in Jan.-Jul.2014. This was the result of the decrease in the deficit of the primary income, as well of the increase in the surplus of the secondary income and of the services balance. On the other hand, there was a negative effect from the increase in the deficit of the trade balance, as exports rose at a lower rate than imports. According to the European Commission (Spring 2015), the current account deficit is expected at -0.8% of GDP in 2015 from -0.5% in 2014.

### MONEY & FINANCIAL MARKETS

#### *NBR kept its rate unchanged*

On September 30, the National Bank of Romania (NBR) kept its key policy rate unchanged at the historical low of 1.75% where it was cut on May 6 from 2.0%. At the same time, NBR kept its symmetrical corridor of interest rates on standing facilities around the policy rate to  $\pm 1.5$  p.p. In 8M 2015, the RON appreciated by 1.2% against euro and depreciated by 6.7% against US dollar, while in 2014 it had depreciated by 1% against euro and by 14% against US dollar. In July, loans declined by 0.3% y/y from a drop by 3.8% y/y in December 2014. Loans to businesses fell by 3.9% y/y from a decrease by 5.8% y/y in December 2014, while loans to households increased by 3.9% y/y from a decrease by 1.6% y/y in December 2014. NPLs ratio improved to 12.8% in July from 13.9% in March. Deposits rose by 4.7% y/y in July compared with 8.2% in December 2014 with business deposits rising by 4.0% from 10.9% in December 2014 and household deposits by 5.2% from 6.4% in December 2014. Banks are well capitalized as the capital adequacy ratio rose to 18.1% in June from 17.6% in December 2014.

## 2. CYPRUS

### ECONOMIC OVERVIEW

#### *GDP growth is gathering pace*

GDP (seasonally adjusted) increased by 0.8% y/y in Q2 2015, for the 2<sup>nd</sup> consecutive quarter after 14 negative quarters, from 0.1% y/y in Q1 2015. On a quarterly basis, GDP rose by 0.5% in Q2 2015 from 1.2% in Q1 2015. Positive growth rates were recorded in the sectors of manufacturing, trade, hotels & restaurants, transport, communication, professional, scientific & technical activities, administrative & support service activities and financial service activities. Negative growth rates were recorded in the sectors of construction, electricity and the activities of households as employers. European Commission (Spring 2015) predicts GDP to decline by 0.5% y/y in 2015, negatively affected by domestic demand, compared with a decrease by 2.3% in 2014.

### FISCAL POLICY

#### *Budget performance promotes fiscal discipline*

Budget deficit is expected by the European Commission (Spring 2015) to be -1.1% of GDP in 2015, when the one-off effects from banking recapitalization in 2014 will not be there and -0.1% in 2016 due to better economic conditions, compared with -8.8% in 2014. According to the European Commission (Spring 2015), public debt will decline to 106.7% of GDP in 2015 and rise to 108.4% in 2016 from 107.5% in 2014.

### INFLATION

#### *Deflation to continue in 2015*

Headline inflation (CPI) stood at -2.5% y/y in September compared with -2.7% y/y in August, while on average it stood at -2.1% y/y in the first nine months of 2015. Harmonized Consumer Price Inflation (HCPI) remained -1.9% y/y in September, while on average it stood at -1.6% y/y in the first nine months of 2015. European Commission (Spring 2015) expects harmonized inflation at -0.8% y/y in 2015 and to turn positive at 0.9% y/y in 2016 due to the volatility of energy prices.

### UNEMPLOYMENT

#### *Tourism sector to support employment*

Unemployment rate based on CYPSTAT figures decreased to 14.7% in Q2 2015 (10-quarter low), from 17.7% in Q1 2015. In Q2 2015 unemployment rate was slightly higher for men at 14.9% compared with 14.4% for women. The number of unemployed people decreased to 62,643 in Q2 2015 from 77,142 in Q1 2015.

### BALANCE OF PAYMENTS

#### *Deficit increased by 18% y/y*

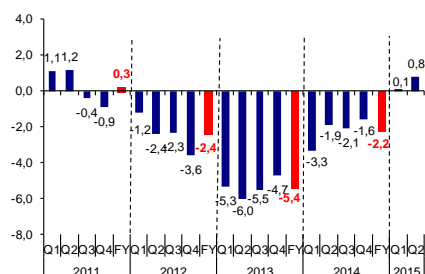
Current account deficit stood at €706.1 million in Q1 2015 compared with a deficit of €599.3 million in Q1 2014 as a result of the increase in trade deficit and the decrease in services surplus, despite the decrease in the deficit in primary income. European Commission (Spring 2015) expects current account deficit to reach -3.9% of GDP in 2015 and -4.2% in 2016 from -4.0% in 2014.

### MONEY & FINANCIAL MARKETS

#### *Successful return to international capital markets*

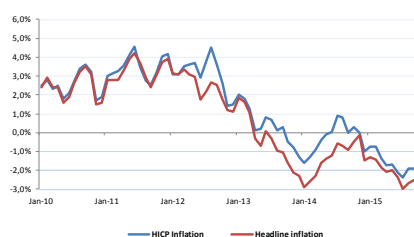
On September 23, IMF completed the 8<sup>th</sup> review of Cyprus's economic adjustment program supported by the EFF arrangement that enables the disbursement of SDR99 mn (€126 mn), bringing total disbursements under the program to SDR693 mn (€882 mn). On April 28, Cyprus proceeded with a new 7-year bond issue, which followed the bond issue on June 18, 2014 (the 1<sup>st</sup> since Oct.2010) at a nominal rate of 3.87% and a yield of 4% and collected €1 billion while its demand stood at €1.9 billion. The success of the bond issue reflects restoring confidence of international markets to the economy of Cyprus and enhances the liquidity of the country. On April 5, the restrictive measures on financial transactions were abolished. In July loans increased by 1.8% y/y (Dec.2014: -3.1%). Loans to businesses rose by 5.6% y/y and loans to households fell by 3.6% y/y. NPLs ratio was 46.4% in June (Dec.2014: 47.8%). Deposits rose by 0.7% y/y in July (Dec.2014: -2.1%). The capital adequacy ratio rose to 15.4% in March from 13.7% in March 2014.

Real GDP (%Δ y/y, seasonally adjusted)



Sources: CYPSTAT

Consumer Prices Index (%Δ y/y)



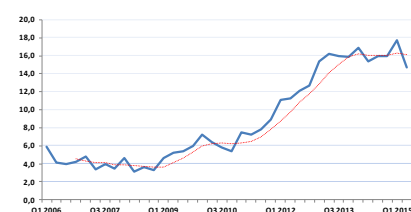
Sources: CYPSTAT

Current Account: Q1 2015 (€ mn)

	Q1 2015	Q1 2014
Exports	610	352
Imports	1,404	1,057
Trade Balance	-794	-705
Services Balance	229	373
Income Balance	-34	-195
Current Transfers Balance	-108	-71
Current Account Balance	-706	-599

Source: Central Bank of Cyprus

Unemployment rate (%)



Source: CYPSTAT

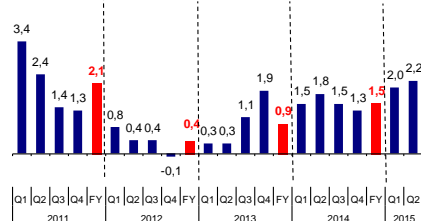
### 3. BULGARIA

#### ECONOMIC OVERVIEW

##### *Accelerating growth rate*

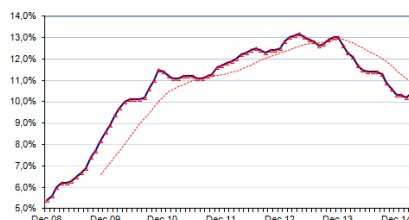
GDP (seasonally adjusted) expanded by 2.2% y/y in Q2 2015 from 2.0% y/y in Q1 2015. In Q2 2015 final consumption (76.4% of GDP) increased by 1.5% y/y from 1.1% y/y in Q1 2015, gross fixed capital formation (22.4% of GDP) increased by 1.5% y/y from 2.1% y/y in Q1 2015, exports rose by 6.1% y/y from 12.9% y/y in Q1 2015 and imports rose by 8.5% y/y from 9.7% y/y in Q1 2015. On a quarterly basis, GDP increased by 0.5% from 0.9% in Q1 2015. Final consumption increased by 0.1% compared with no change in Q1 2015, gross fixed capital formation increased by 0.4% compared with a decrease of 0.1% in Q1 2015, exports decreased by 3.9% from an increase of 4.8% in Q1 2015 and imports fell by 1.6% from an increase of 4.7% in Q1 2015. We envisage GDP to rise by 1.9% y/y in 2015 from 1.7% y/y in 2014 due to the slowdown in public investment as EU co-financed projects under the new operational programs take time to be implemented as well as due to the weaker private investment.

Real GDP (%Δ y/y, seasonally adjusted)



Source: National Statistical Institute

Unemployment rate (%)



Source: National Statistical Institute

Current Account: January-July 2015 (€mn)

	Jan.-Jul.2015	Jan.-Jul.2014
Exports	12,997	11,727
Imports	14,137	13,309
Trade Balance	-1,140	-1,583
Services Balance	1,295	1,373
Income Balance	-795	-523
Current Transfers Balance	1,316	1,179
Current Account Balance	676	446

Source: Bulgarian National Bank

Harmonized Index of Consumer Prices  
(Δ% y/y)



Source: Eurostat

#### UNEMPLOYMENT

##### *Significant decrease*

Unemployment rate fell to 9.9% in Q2 2015 (19 quarter low) from 10.6% in Q1 2015 and it was higher for men at 10.9% compared with unemployment for women at 8.8%. Unemployed people stood at 328.0 th. in Q2 2015 from 346.1 th. in Q1 2015.

#### FISCAL POLICY

##### *Budget balance remains negative*

Budget deficit is forecasted by the EC (Spring 2015) to move marginally higher at -2.9% of GDP in 2015 from -2.8% of GDP in 2014 due to lower indirect tax revenue. Bulgaria has a rather small public debt and the European Commission expects debt to GDP at 29.8% in 2015 and 31.2% in 2016 from 27.6% in 2014, although public debt rose compared to previous years reflecting the support to the financial sector.

#### INFLATION

##### *Inflation at 0%*

Headline inflation (CPI) increased to 0.0% y/y in August from -0.2% y/y in July. In the first eight months of 2015 CPI was 0.03% on average. Harmonized consumer price inflation (HCPI) has been negative, for 25 consecutive months, at -0.8% y/y in August from -1.0% y/y in July and on average stood at -1.1% y/y in the first eight months of 2015.

#### BALANCE OF PAYMENTS

##### *Lower trade deficit improves balance of payments*

Current account showed a surplus of €675.6 million, or 1.6% of GDP, in Jan.-Jul.2015 compared to a surplus of €446.0 million, or 1.1% of GDP, in Jan.-Jul.2014 due to a lower trade deficit, as exports rose at a higher rate than imports. European Commission (Spring 2015) expects current account surplus at 1.3% of GDP in 2015 from 0.9% in 2014. Net direct investment in Bulgaria was negative at €878.9 million in Jan.-Jul.2015 from €516.3 million in Jan.-Jul.2014.

#### MONEY & FINANCIAL MARKETS

##### *Currency board is stable*

In June 2015, Moody's, Fitch and Standard & Poor's affirmed Bulgaria's rating at Baa2, BBB- and BB+ respectively. The financial system has shown substantial resilience to the political and financial turmoil in 2014 resulting from the KTB failure. However, according to IMF (May 2015), there is need for decisive actions to address weaknesses exposed by the KTB failure, restore supervisory credibility and strengthen crisis' management tools and a need for strengthened measures to reduce NPLs. In an environment of low demand for loans, loans decreased by 9.6% y/y in July, compared with a decrease by 7.7% in December 2014. NPLs ratio fell to 16.7% in Q4 2014 from 18.1% in Q3 2014. In July, deposits increased by 2.4% y/y, from a decrease by 0.3% in December 2014. Banks are adequately capitalized as capital adequacy ratio reached 21.9% in Q4 2014 from 16.9% in Q4 2013 and Tier 1 capital ratio was 20.0% in Q4 2014 from 16.0% in Q4 2013.

## 4. SERBIA

### ECONOMIC OVERVIEW

#### *IMF conducted discussions on second review*

On June 26, the Executive Board of IMF completed the first review under a three-year, SDR 935.4 million (€1,168.5 million) precautionary Stand-By-Arrangement (SBA) for Serbia approved on February 23. The completion will make available SDR 304 million (€380 million). The program aims to reduce debt-to-GDP ratio until 2017, to implement comprehensive structural reforms and increase the stability of the financial sector. During August 20-September 1, discussions were held between IMF and the Serbian authorities on the second review under Serbia's precautionary SBA, the completion of which will make available additional SDR 117 million (€147 million).

#### *Return to positive economic growth*

GDP (non-seasonally adjusted) increased by 1.0% in Q2 2015, after five negative quarters when it was affected by severe floods and political indecision, from -2.0% in Q1 2015. In Q2 2015 private consumption decreased by 1.4% y/y from a decrease of 0.5% in Q1 2015 and government consumption decreased by 2.9% y/y from a decrease of 3.7% in Q1 2015, while gross fixed capital formation increased by 8.6% y/y from 4.3% y/y in Q1 2015. Exports rose by 8.7% y/y compared with 8.6% y/y in Q1 2015 and imports rose by 3.0% y/y compared with 11.3% y/y in Q1 2015. On a quarterly basis, GDP (seasonally adjusted) increased by 2.2% in Q2 2015 compared with a decrease by 0.8% in Q1 2015. We envisage GDP to rise marginally in 2015 by 0.4% y/y as a result of the rise in investments, due to improvement in the business environment and lower risk and uncertainty.

### FISCAL POLICY

#### *Fiscal consolidation in progress*

In Jan.-Jul.2015 budget showed a deficit of RSD 24.2 billion down from a deficit of RSD 121.1 billion in Jan.-Jul.2014 as revenues increased by 9.6% y/y, while expenses decreased by 8.0% y/y. European Commission (Spring 2015) expects budget deficit at -4.9% of GDP in 2015, down from -6.7% in 2014, due to reduction in pensions and public sector wages, lower subsidies and public enterprises reform. At the same time European Commission (Spring 2015) sees public debt to rise to 79.6% of GDP in 2015 from 71.0% in 2014.

### INFLATION

#### *CPI increased close to NBS' band target lower level*

Headline inflation (CPI) increased to 2.1% y/y in August, a nine-month high, from 1.0% y/y in July due to a rise in electricity and food prices. In the first eight months of 2015 CPI stood on average at 1.4% y/y. European Commission (Spring 2015) expects inflation from 2.1% in 2014 to reach 2.4% y/y in 2015 and rise to 4.1% y/y in 2016, standing within the National Bank of Serbia's (NBS) band target of 2.5%-5.5% due to pressure from adjustments of administered and food prices.

### BALANCE OF PAYMENTS

#### *Current account deficit narrowing*

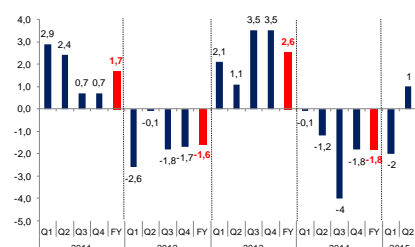
Current account deficit decreased to €795 million in Jan.-Jul.2015 from €1,143 million in Jan.-Jul.2014. This was the result of the decrease in the trade deficit and the increase in the surplus of the services balance and the current transfers balance. According to the European Commission (Spring 2015), the current account deficit is expected at -3.8% of GDP in 2015 from -5.0% in 2014.

### MONEY & FINANCIAL MARKETS

#### *Rate cuts continue due to low inflation*

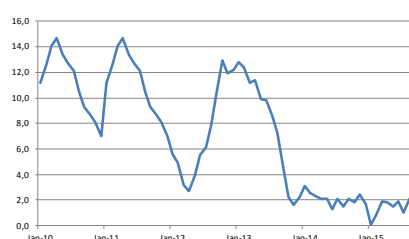
On September 10, the key policy rate was cut to 5.0% from 5.5%, in light of subdued inflationary pressures. In 8M 2015, the RSD appreciated by 0.7% against euro and depreciated by 7.3% against US dollar, while in 2014 it had depreciated by 6% against euro and by 20% against US dollar. Loans decreased by 0.2% y/y in July compared with a decrease of 2.7% y/y in December 2014. NPLs ratio increased to 22.8% in Q2 2015 from 21.5% in December 2014. NBS has adopted regulatory measures aimed at resolving NPLs, as other factors affect NPLs, such as economic recovery and effectiveness of legal framework. Deposits increased by 2.0% y/y in July from 1.8% y/y in December 2014. Banks remained well capitalized with capital adequacy ratio increasing to 21.4% in Q2 2015 from 20.0% in December 2014.

#### Real GDP (%Δ y/y, non-seasonally adjusted)



Source: Statistical Office

#### Consumer Prices Index (%Δ y/y)



Source: Statistical Office

#### Current Account: January-July 2015 (€mn)

	Jan.-Jul. 2015	Jan.-Jul. 2014
Exports	6.623	6.215
Imports	8.793	8.503
Trade Balance	-2.170	-2.288
Services Balance	324	204
Income Balance	-853	-779
Current Transfers Balance	1.904	1.721
Current Account Balance	-795	-1.142

Source: National Bank of Serbia

#### Euro vs RSD



Source: Bloomberg



## 5. ALBANIA

### ECONOMIC OVERVIEW

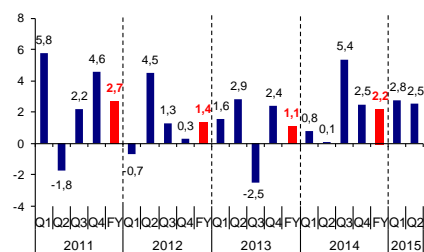
#### *IMF conducted discussions on fifth review*

On May 13, 2015 the Executive Board of the IMF completed the fourth review of Albania's economic performance under the Extended Fund Facility (EFF) of 36 months and SDR295.42 million (€330.9 million) approved by IMF in February 2014, in order to support local authorities' efforts to boost growth and macroeconomic stability. Completion of the fourth review enables an immediate disbursement of SDR28.88 million (€35.9 million), bringing total disbursements so far to SDR123.1 million (€153.1 million). During June 17-30, IMF conducted discussions with the Albanian authorities on the fifth review of Albania's EFF arrangement.

#### *Stable economic recovery*

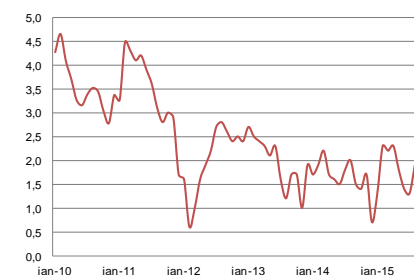
GDP (non-seasonally adjusted) increased by 2.5% y/y in Q2 2015, compared with 2.8% y/y in Q1 2015. This was mainly the result of an increase in construction by 24.5% (contribution by 1.96% to GDP), in mining & quarrying, manufacturing and electricity & water supply by 6.3% (contribution by 0.72% to GDP) and in public administration, education and health & social work activities by 4.2% (contribution by 0.46% to GDP). European Commission (Spring 2015) expects GDP growth rate to accelerate to 3.0% y/y in 2015, fuelled by the domestic demand and the lift in investment from large projects in the energy sector such as the construction of the Trans Adriatic Pipeline in the Albanian territory.

Real GDP (%Δ y/y, non-seasonally adjusted)



Source: INSTAT

Consumer Prices Index (%Δ y/y)



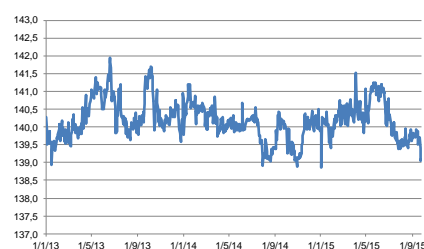
Source: INSTAT

Current Account: January-June 2015 (€mn)

	Jan.-Jun.2015	Jan.-Jun.2014
Exports	250	267
Imports	739	797
Trade Balance	-489	-530
Services Balance	121	50
Income Balance	-25	-14
Current Transfers Balance	210	176
Current Account Balance	-183	-318

Source: Bank of Albania

Euro vs ALL



Source: Bloomberg

### FISCAL POLICY

#### *Budget consolidation to be continued*

European Commission (Spring 2015) expects the budget deficit to fall to -4.0% of GDP in 2015 and to -2.8% in 2016 from -5.2% in 2014 as a result of tax rises, continuing tax collection gain and gradual phasing out of expenses linked to arrears clearance. At the same time European Commission predicts a marginal decrease of public debt to 72.5% of GDP in 2015 from 72.7% in 2014.

### INFLATION

#### *CPI marginally below Central Bank's targeted range*

Headline inflation (CPI) increased to 1.9% y/y in August (4-month high) from 1.3% y/y in July and is marginally below the lower bound of the Bank of Albania's (BoA) target zone of 2%-4%. For the first eight months of 2015 inflation was 1.8% y/y on average. We expect inflation to rise gradually to 2.2% in 2015 from 1.6% in 2014.

### BALANCE OF PAYMENTS

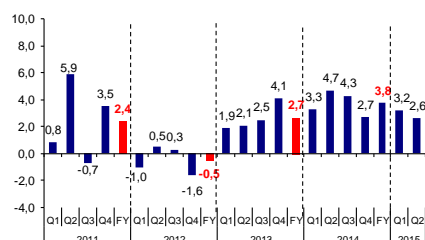
#### *Balance of payments continues to improve*

In Q2 2015, current account balance deficit decreased by 43.1% y/y to €181 million from €318 million in Q2 2014. That was the result of an increase in the surplus of the services and the current transfers balance and of a decrease in the trade deficit. European Commission (Spring 2015) forecasts that the current account deficit will be -13.6% of GDP in 2015 from -13.0% in 2014.

### MONEY & FINANCIAL MARKETS

#### *Key policy rate at historical low*

On September 2, the Bank of Albania decided to keep the key policy rate unchanged at 2.00% (historical low) where it was cut on January 28 from 2.25%. In 8M 2015, the LEK appreciated by 0.3% against the euro and depreciated by 7.9% against the US dollar, while in 2014 it had appreciated by 0.4% against the euro and had depreciated by 13% against the US dollar. Loan growth has been decelerating in 2015, due to weak credit demand and tightening of lending standards, and stood at 0.1% y/y in July from 3.2% y/y in December 2014. Loans to businesses (72.2% of total loans) fell by 0.9% y/y in July from a rise of 3.6% y/y in December 2014. Loans to households (27.8% of total loans) increased by 2.7% y/y in July from 2.1% y/y in December 2014. NPLs ratio fell to 20.0% in Q2 2015 from 22.8% in Q4 2014 due to the increase in total loans. Deposits increased by 1.0% y/y in July from 3.2% y/y in December 2014 with business deposits rising by 6.6% from 21.0% in December 2014 and household deposits by 0.4% from 1.3% in December 2014. The capital adequacy ratio was 16.0% in Q2 2015 from 16.8% in Q4 2014 due to the increase in risk weighted assets.

**Real GDP (%Δ y/y, non-seasonally adjusted)**


Source: State Statistical Office

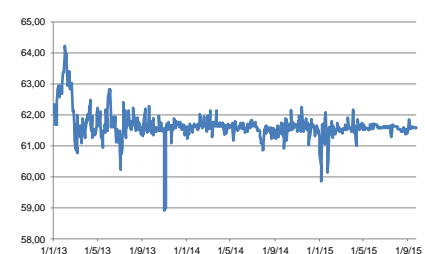
**Consumer Prices Index (%Δ y/y)**


Source: State Statistical Office

**Current Account: January-July 2015 (€mn)**

	Jan.-Jul.2015	Jan.-Jul.2014
Exports	1,704	1,527
Imports	2,735	2,626
Trade Balance	-1,031	-1,100
Services Balance	236	157
Income Balance	-128	-128
Current Transfers Balance	858	859
Current Account Balance	-66	-211

Source: National Bank of FYROM

**Euro vs MKD**


Source: Bloomberg

## 6. FYROM 🇫🇷

### ECONOMIC OVERVIEW

#### IMF concludes Article IV consultation

On August 28, the Executive Board of IMF concluded the Article IV consultation with FYROM. On February 27, 2015 FYROM completed the early repayment of its entire outstanding obligations to the IMF amounting to SDR123.1 million (US\$173.3 million). Under the original schedule, the final repayment would have taken place in March 2016. These obligations resulted from the funds drawn under the Precautionary Liquidity Line approved in January 2011.

#### Growth on a stable path

GDP increased by 2.6% y/y in Q2 2015 compared with 3.2% y/y in Q1 2015. In Q2 2015, private consumption rose by 2.0% y/y compared with 2.2% y/y in Q1 2015 and public consumption increased by 5.8% y/y compared with 0.9% y/y in Q1 2015. On the other hand, gross capital formation decreased by 7.6% y/y compared with an increase by 1.3% y/y in Q1 2015. At the same time, exports rose by 7.4% compared with 9.4% in Q1 2015 and imports rose by 1.6% compared with 4.7% in Q1 2015. European Commission (Spring 2015) projects GDP to grow by 3.8% y/y in 2015, at the same rate as in 2014, mainly driven by domestic demand, but also due to investment activity driven by public expenditure on transport and energy projects and the construction of new foreign investment facilities.

### FISCAL POLICY

#### Need for supplementary budget

The budget deficit is expected by the European Commission (Spring 2015) to fall to -3.8% in 2015 from -4.2% in 2014. The deficit of 2015 will exceed the government's target of -3.3% of GDP as the government will continue increasing social transfers, pensions and public wages creating a need for a supplementary budget. According to the European Commission (Spring 2015), public debt will rise to 39.1% of GDP in 2015 and to 40.5% in 2016 from 37.8% in 2014.

### INFLATION

#### CPI marginally positive

Headline inflation (CPI) increased to 0.1% in August from -0.4% in July. For the first eight months of 2015 inflation stood at -0.3% on average, while we expect inflation to rise to 0.2% y/y in 2015 from -0.3% y/y in 2014. Inflation will be affected by the international oil prices and the prices of vegetables and cereals due to floods at the beginning of the year.

### BALANCE OF PAYMENTS

#### Balance of payments positively affected by trade and services balance

In Jan.-Jul.2015 the current account deficit decreased by 68.8% y/y to €66.0 million from €211.4 million in Jan.-Jul.2014. The decrease of the current account deficit reflects mainly the decrease in trade deficit and the increase in the surplus of services balance. We envisage current account deficit to rise at -2.5% of GDP in 2015 from -1.3% in 2014.

### MONEY & FINANCIAL MARKETS

#### Key policy rate remains stable

On September 15, the National Bank of FYROM kept its key policy rate stable at 3.25% where it stands since July 2013 when it had lowered it from 3.50% as there are no price pressures, the economic growth is solid and movements in the credit market have been generally favorable for a long period. The National Bank of FYROM mentioned that it will continue to closely monitor the macroeconomic developments and will adjust monetary policy accordingly. In 8M 2015, the MKD depreciated by 0.2% against euro and by 8.2% against the US dollar. In July, loans increased by 7.7% y/y compared with 10.6% y/y in December 2014. Loans to businesses grew by 5.0% y/y from 9.3% in December 2014 and loans to households grew by 11.3% y/y from 12.5% y/y in December 2014. NPLs ratio increased to 11.5% in Q2 2015 from 11.3% in Q4 2014. Deposits increased by 6.1% y/y in July from 11.1% y/y in December 2014. Business deposits rose by 8.6% from 16.1% in December 2014 and household deposits by 5.2% from 9.3% in December 2014. The capital adequacy ratio increased to 16.2% in Q2 2015 from 15.7% in Q4 2014.

## 7. Economic Data – Southeastern Europe

Romania	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	3,4	2,8	3,3
Private Consumption	1,2	4,5	3,9
Government Consumption	-4,8	5,3	8,5
Gross Fixed Investment	-7,9	-3,5	7,0
Exports (Goods & Services)	16,2	8,1	7,0
Imports (Goods & Services)	4,2	7,7	8,0
Unemployment	7,1	6,8	6,6
<b>Local Interbank Rates</b>			
3M (average)	3,97	2,29	1,16
1M (average)	3,80	1,90	0,90
<b>Exchange rate (period-end)</b>			
EUR/RON	4,46	4,48	4,44
<b>Prices</b>			
HICP Inflation (%Avg)	3,2	1,4	-0,8
<b>General Government (%GDP)</b>			
Overall Balance	-2,2	-1,5	-1,9
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-1,2	-0,5	-0,8

Bulgaria	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	1,1	1,7	1,9
Private Consumption	-2,3	2,0	1,7
Government Consumption	2,8	3,8	1,0
Gross Fixed Investment	-0,1	2,8	1,2
Exports (Goods & Services)	9,2	2,2	9,5
Imports (Goods & Services)	4,9	3,8	8,5
Unemployment	13,0	11,4	10,6
<b>Local Interbank Rates</b>			
3M (average)	0,76	0,52	0,40
1M (average)	0,33	0,26	0,19
<b>Exchange rate (period-end)</b>			
EUR/BGN	1,96	1,96	1,96
<b>Prices</b>			
HICP Inflation (%Avg)	0,4	-1,6	-0,9
<b>General Government (%GDP)</b>			
Overall Balance	-0,9	-2,8	-2,9
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	1,6	0,9	1,2

Cyprus	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	-5,4	-2,3	0,5
Private Consumption	-6,0	0,4	0,6
Government Consumption	-4,9	-8,7	-2,3
Gross Fixed Investment	-17,1	-18,8	0,2
Exports (Goods & Services)	-5,0	5,7	0,9
Imports (Goods & Services)	-13,6	8,1	0,3
Unemployment	15,9	16,1	16,0
<b>Local Interbank Rates</b>			
3M (average)	10,14	8,25	6,80
1M (average)	9,78	7,84	6,35
<b>Exchange rate (period-end)</b>			
EUR/RSD	114,6	121,4	121,0
<b>Prices</b>			
HICP Inflation (%Avg)	0,4	-0,3	-1,0
<b>General Government (%GDP)</b>			
Overall Balance	-4,4	-0,2	-1,3
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-1,6	-4,5	-4,2

Serbia	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	2,6	-1,8	0,4
Private Consumption	-0,6	-1,3	-1,5
Government Consumption	-1,1	0,1	-2,0
Gross Fixed Investment	-12,0	-2,7	9,5
Exports (Goods & Services)	21,3	3,9	8,6
Imports (Goods & Services)	5,0	3,3	5,7
Unemployment	22,1	18,9	19,0
<b>Local Interbank Rates</b>			
3M (average)	10,14	8,25	6,80
1M (average)	9,78	7,84	6,35
<b>Exchange rate (period-end)</b>			
EUR/RSD	114,6	121,4	121,0
<b>Prices</b>			
Consumer Price Inflation (%Avg)	7,8	2,1	1,7
<b>General Government (%GDP)</b>			
Overall Balance	-5,5	-6,7	-5,0
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-5,6	-5,0	-4,3

Albania	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	1,4	1,9	2,7
Private Consumption	1,8	3,0	3,6
Government Consumption	2,9	1,7	2,0
Gross Fixed Investment	1,2	3,8	6,0
Exports (Goods & Services)	7,9	6,9	6,7
Imports (Goods & Services)	5,0	7,6	7,6
Unemployment	16,4	17,5	16,8
<b>Local Interbank Rates</b>			
3M (average)	5,62	3,89	3,25
1M (average)	5,09	3,57	2,90
<b>Exchange rate (period-end)</b>			
EUR/ALL	140,95	139,87	140,00
<b>Prices</b>			
Consumer Price Inflation (%Avg)	1,9	1,6	2,2
<b>General Government (%GDP)</b>			
Overall Balance	-4,9	-5,2	-4,3
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-10,5	-13,0	-13,4

FYROM	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	2,7	3,8	3,3
Private Consumption	2,1	2,3	2,5
Government Consumption	2,5	-1,2	1,9
Gross Fixed Investment	-16,6	13,5	6,0
Exports (Goods & Services)	-2,7	17,0	8,7
Imports (Goods & Services)	-10,0	14,5	5,4
Unemployment	29,0	28,1	27,3
<b>Local Interbank Rates</b>			
3M (average)	3,69	3,08	2,20
1M (average)	3,19	2,61	1,90
<b>Exchange rate (period-end)</b>			
EUR/MKD	61,59	61,22	61,50
<b>Prices</b>			
Consumer Price Inflation (%Avg)	2,8	-0,3	0,2
<b>General Government (%GDP)</b>			
Overall Balance	-3,9	-4,2	-4,0
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-1,8	-1,3	-2,9

Sources: National Banks, National Statistical Institutes, European Commission, International Monetary Fund, Alpha Bank Economic Research Division

This report is provided for information purposes only. The information it contains has been obtained from sources believed to be reliable but not verified by Alpha Bank. This report does not constitute an advice or recommendation nor is it an offer or a solicitation of an offer for any kind of transaction. Furthermore, it does not constitute an investment research and therefore it has not been prepared in accordance with the legal requirements regarding the safeguarding of independence of an investment research. Alpha Bank has no obligation to review, update, modify or amend this report or to make announcements or notifications in the event that any matter stated herein or any opinion, projection, forecast or estimate set forth herein, changes or is subsequently found to be inaccurate. No representation or warranty, express or implied, is made as to the accuracy, completeness or correctness of the information and the opinions contained herein, or the suitability thereof for any particular use, and no responsibility or liability whatsoever is accepted by Alpha Bank and its subsidiaries, or by their directors, officers and employees for any direct or indirect damage that may result from the use of this report or the information it contains, in whole or in part. Any reproduction or republication of this report or part thereof must mention Alpha Bank as its source.