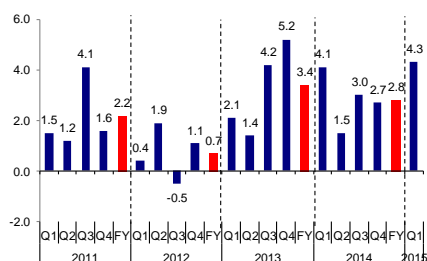
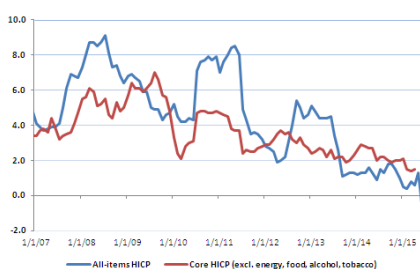


# Southeastern Europe

## Economic & Financial Outlook

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


Source: Eurostat, National Institute of Statistics

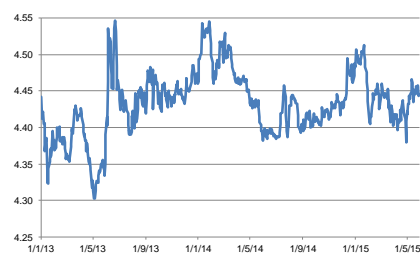
**Harmonized Index of Consumer Prices (%Δ y/y)**


Sources: Eurostat, National Institute of Statistics

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

	Jan.-Apr.2015	Jan.-Apr.2014
Exports (fob)	15,955	15,052
Imports (fob)	17,719	16,635
Trade Balance	-1,764	-1,583
Services Balance	1,926	1,852
-Tourism-travel	-129	-98
Income Balance	-1,043	-992
Current Transfers Balance	854	398
Current Account Balance	-27	-325

Source: National Bank of Romania

**Euro vs RON**


Source: Bloomberg

## 1. ROMANIA

### ECONOMIC OVERVIEW

#### *The real GDP remained on an upward trend in Q1*

GDP (non-seasonally adjusted) increased by 4.3% y/y in Q1 2015 compared with 2.8% in Q4 2014. In Q1 2015, private consumption increased by 4.9% contributing by 3.3% to GDP growth. Gross fixed capital formation rose by 8.0% contributing by 1.2% to GDP growth. Exports increased by 9.7% contributing by 5.0% to GDP growth, while imports by 12.6% affecting negatively GDP growth by 6.3%. We expect GDP to expand by 2.9% y/y in 2015.

### FISCAL POLICY

#### *Good news for public revenues in Q1*

In Q1 2015 budget showed a surplus of RON 4.9 billion (0.7% of GDP) as revenues increased by 10.2% y/y, while expenses only by 0.6% 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

#### *Reduced VAT affects inflation*

Headline inflation (CPI) moved to negative territory to -1.6% y/y in June from 1.2% y/y in May 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 at -0.9% y/y in June from 1.3% y/y in May and on average stood at 0.5% y/y in the first six 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 balance shows small deficit*

Current account showed deficit in Jan.-Apr.2015 at €27 million compared with a deficit of €326 million in Jan.-Apr.2014. This was the result 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, and of the primary income balance. 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 July 1, the National Bank of Romania (NBR) kept its key policy rate unchanged at the historical low of 1.75% where it had cut it 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 H1 2015, the RON appreciated by 0.2% against euro, and depreciated by 8.5% against US dollar, while in 2014 it had depreciated by 1% against euro and by 14% against US dollar. In March loans continued to decline by 0.9% y/y from a drop by 1.8% y/y in February with loans to businesses falling by 1.9% y/y from a decrease by 4.2% y/y in February and loans to households increasing (for the third consecutive month) by 0.4% y/y from 0.8% y/y in February. Non-performing loans accounted for 13.9% of total loans in March at the same rate as in December 2014. Deposits rose by 7.4% y/y in March compared with 8.5% in February. However, banks are well capitalized as the capital adequacy ratio rose to 18.6% in March from 17.6% in December 2014.

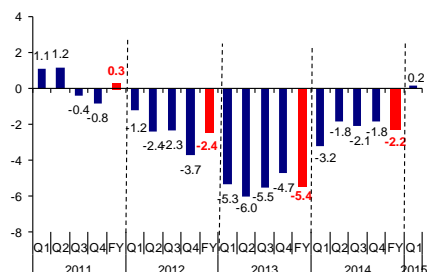
## 2. CYPRUS

### ECONOMIC OVERVIEW

#### *Economy back on track*

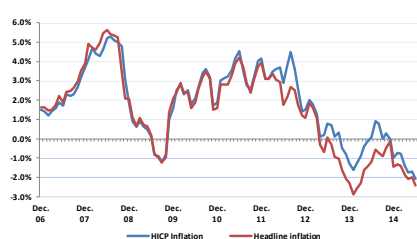
GDP (seasonally adjusted) increased by 0.2% y/y in Q1 2015, its first positive reading after 14 negative quarters. On a quarterly basis, GDP increased by 1.5% in Q1 2015 compared with a decline of 0.3% in Q4 2014. Positive growth rates were recorded in the sectors of trade, hotels & restaurants, communication, electricity, education, health, and legal & accounting activities, while a negative growth rate was recorded in the secondary sector (mining, manufacturing, construction). 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.

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



Sources: Eurostat, CYSTAT

Consumer Prices Index (%Δ y/y)



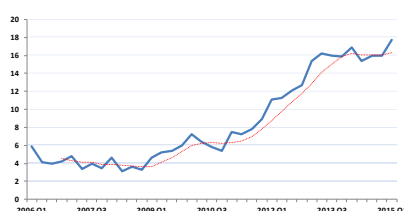
Sources: Eurostat, CYSTAT

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: CYSTAT

### 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 be excluded 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 -2.4% y/y in June from -2.0% y/y in May, while on average stood at -1.8% y/y in the first six months of 2015. Harmonized Consumer Price Inflation (HCPI) stood at -2.1% y/y in June from -1.7% y/y in May and April, while on average it stood at -1.4% y/y in the first six months of 2015. According to the European Commission (Spring 2015), harmonized inflation is expected at -0.8% y/y in 2015 and will turn to 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 Cystat figures increased to 17.7% in Q1 2015 from 16.0% in Q4 and Q3 2014. In Q1 2015 unemployment rate was higher for men at 18.1% compared with 17.3% for women. The number of unemployed people increased to 77,142 in Q1 2015 from 70,267 in Q4 2014.

### 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 markets*

On April 28, 2015, Cyprus proceeded with a new 7-year bond issue, which followed the bond issue on June 18, 2014 (the first since October 2010) at a nominal rate of 3.87% and a yield of 4%. The bond issue collected €1 billion while the demand was €1.9 billion. The success of the bond issue reflects restoring confidence of international markets to the economy of Cyprus and helps to enhance the liquidity of the country. On April 5, 2015, the restrictive measures on financial transactions were abolished. In 2014, banks managed to improve their profitability by reducing operational costs. At the same time, deposits and loans increased in the first three months of 2015, reversing prior decreasing trend. In March 2015, deposits rose by 1.3% y/y and loans by 2.2% y/y. Loans to businesses increased by 5.0% y/y, while loans to households dropped by 2.0% y/y. Non-performing loans were high and accounted for 46.0% of total loans in February 2015 from 47.5% in December 2014.

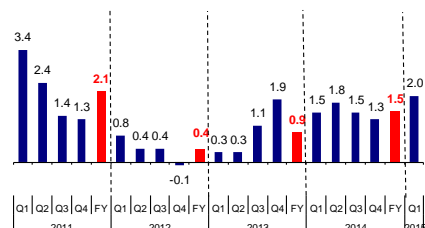
### 3. BULGARIA

#### ECONOMIC OVERVIEW

##### *Stable growth path*

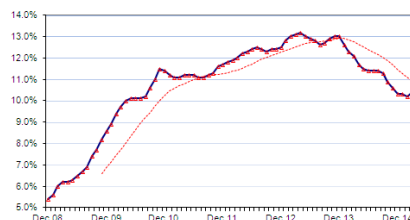
GDP (seasonally adjusted) expanded by 2.0% y/y in Q1 2015 from 1.3% y/y in Q4 2014. In Q1 2015 final consumption (86% of GDP) increased by 1.1% y/y from 1.4% y/y in Q4 2014, gross fixed capital formation (18.1% of GDP) increased by 2.1% y/y from 3.3% y/y in Q4 2014, exports rose by 12.9% y/y from 5.4% y/y in Q4 2014 and imports rose by 9.7% y/y from 7.5% y/y in Q4 2014. On a quarterly basis, GDP increased by 0.9% from 0.4% in Q4 2014. Final consumption remained stable compared with an increase of 1.1% in Q4 2014, gross fixed capital formation decreased by 0.1% compared with an increase of 0.6% in Q4 2014, exports rose by 4.8% from 8.3% in Q4 2014 and imports rose by 4.7% from 4.6% in Q4 2014. We envisage GDP to rise by 1.2% 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 the weaker private investment.

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



Source: National Statistical Institute

Unemployment rate (%)



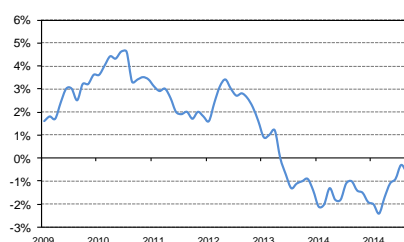
Source: National Statistical Institute

Current Account: January-April 2015 (€mn)

	Jan.-Apr.2015	Jan.-Apr.2014
Exports	7,191	6,253
Imports	8,102	7,636
Trade Balance	-911	-1,383
Services Balance	478	388
Income Balance	-281	-297
Current Transfers Balance	878	855
Current Account Balance	164	-436

Source: Bulgarian National Bank

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



Source: Eurostat

#### UNEMPLOYMENT

##### *Significant improvement*

Unemployment rate fell to 10.6% in Q1 2015 from 13.0% in Q1 2014 and it was higher for men at 11.4% compared with women at 9.7%. Unemployed people stood at 346,100 in Q1 2015 down from 430,300 in Q1 2014.

#### FISCAL POLICY

##### *Budget balance remains negative*

Budget deficit is forecasted by the EC (Spring 2015) to move 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

##### *Deflation trend likely to reverse*

Headline inflation (CPI) was positive for the fourth consecutive month and increased to 0.4% y/y in June from 0.9% y/y in May, after having been negative since Aug.2013. In the first six months of 2015 CPI on average was 0.1%. Harmonized consumer price inflation (HCPI) was negative for 23 consecutive months at -0.6% y/y in June compared to -0.3% y/y in May and on average stood at -1.2% y/y in the first six months of 2015.

#### BALANCE OF PAYMENTS

##### *Improvement on trade balance affects balance of payments*

Current account showed a surplus at €163.8 million or 0.4% of GDP in Jan.-Apr.2015 compared to a deficit at €436.0 million or 1.0% of GDP in Jan.-Apr.2014 due to a smaller 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 €492.3 million in Jan.-Apr.2015 from €234.3 million in Jan.-Apr.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+ accordingly. 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 8.2% y/y in March, but they increased by 0.9% m/m, reversing the negative trend. NPL ratio fell to 16.7% in Q4 2014 from 18.1% in Q3 2014. In March, deposits increased by 0.3% m/m and by 0.7% y/y. Banks are adequately capitalized as capital adequacy ratio reached 21.9% in Q4 2014 from 16.9% in Q4 2013 while Tier 1 capital ratio was 20.0% in Q4 2014 from 16.0% in Q4 2013.

## 4. SERBIA

### ECONOMIC OVERVIEW

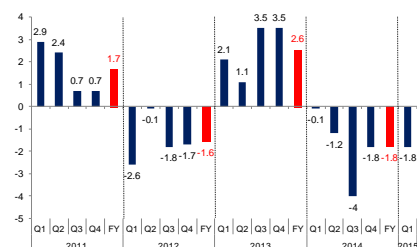
#### *IMF sets a positive tone*

On February 6, 2015 the Executive Board of IMF approved a three-year, SDR 935.4 million (€1,168.5 million) new Stand-By-Arrangement (SBA) for Serbia. The program aims to reduce debt-to-GDP ratio until 2017, to implement comprehensive structural reforms and to increase the stability of the financial sector. In May 2015 discussions were held between IMF and the Serbian authorities on the first review of the SBA while the completion of the review will make available additional SDR117 million (€146 million).

#### *Growth remains in negative territory*

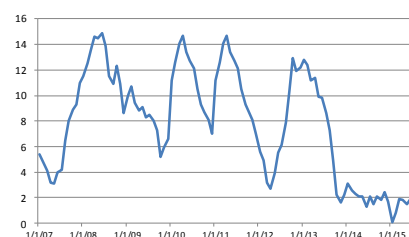
GDP (non-seasonally adjusted) declined by 1.8% y/y in Q1 2015 affected by severe floods and political indecision, at the same rate as in Q4 2014. In Q1 2015 private consumption decreased by 0.6% y/y compared with a decrease of 1.2% in Q4 2014 and government consumption decreased by 3.5% y/y compared with an increase of 1.9% in Q4 2014, while gross fixed capital formation increased by 4.4% y/y from 0.9% y/y in Q4 2014. Exports rose by 9.7% y/y compared with 0.4% y/y in Q4 2014 and imports rose by 11.0% y/y compared with 1.0% y/y in Q4 2014. On a quarterly basis, GDP (seasonally adjusted) decreased by 0.4% in Q1 2015 compared with an increase by 0.2% in Q4 2014. We envisage GDP to rise marginally in 2015 by 0.1% y/y as a result of the rise in investments due to improvements in the business environment and lower risk and uncertainty.

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



Source: Statistical Office

Consumer Prices Index (%Δ y/y)



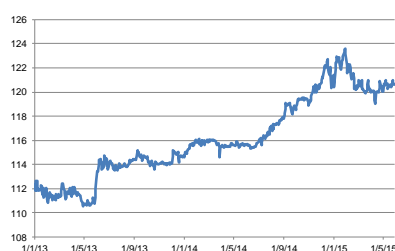
Source: Statistical Office

Current Account: January-April 2015 (€mn)

	Jan.-Apr. 2015	Jan.-Apr. 2014
Exports	3,565	3,468
Imports	4,917	4,708
Trade Balance	-1,352	-1,240
Services Balance	181	99
Income Balance	-328	-448
Current Transfers Balance	1,042	923
Current Account Balance	-457	-666

Source: National Bank of Serbia

Euro vs RSD



Source: Bloomberg

### FISCAL POLICY

#### *Fiscal consolidation in progress*

In Q1 2015 budget showed a deficit of RSD 21.4 billion down from a deficit of RSD 71.8 billion in Q1 2014 as revenues increased by 14.3% y/y, while expenses decreased by 8.9% 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 due to seasonal effects*

Headline inflation (CPI) increased to 1.9% y/y in June from 1.5% y/y in May due to a seasonal rise in the prices of fresh fruit, travel arrangements and petroleum products. In the first six months of 2015 CPI stood at an average 1.3% 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 €457 million in Jan.-Apr.2015 from €666 million in Jan.-Apr.2014. This was the result of the decrease in the deficit of the primary income balance and the increase in the surplus of 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

#### *CPI slowdown supports rate cuts*

In H1 2015, the RSD appreciated by 0.9% against euro, and depreciated by 7.7% against US dollar, while in 2014 it had depreciated by 6% against euro and by 20% against US dollar. The key policy rate was kept unchanged at 6.0% on July 9, after being cut on June 11 from 6.5%, based on the fact that inflation is moving below the lower bound of NBS's target and that strong disinflationary pressures result from demand. Loans increased by 1.8% y/y in March compared with a decrease by 2.7% y/y in December 2014. NPLs ratio increased to 22.6% in March 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 3.9% y/y in March from 1.8% y/y in December 2014. Banks remained well capitalized with capital adequacy ratio at 20.3% in Q1 2015 up from 20.0% in December 2014.

## 5. ALBANIA 🇦🇱

### ECONOMIC OVERVIEW

#### *IMF approves \$36 million disbursement*

On May 13, 2015 the Executive Board of the IMF completed the fourth review of Albania's economic performance under the Extended Fund Facility 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 the total disbursements to SDR123.1 million (€153.1 million).

#### *Economic recovery in progress*

GDP (non-seasonally adjusted) increased by 2.4% y/y in Q4 2014, compared with 3.9% y/y in Q3 2014. This was mainly the result of an increase in construction by 10.8% (contribution by 1.6% to GDP), in other services by 3.2% (contribution by 1.0% to GDP), in trade, hotels and restaurants by 3.3% (contribution by 0.5% to GDP), in industry by 1.6% (contribution by 0.2% to GDP) and transport by 3.0% (contribution by 0.1% to GDP). On the other hand, in Q4 2014, a decrease was posted in agriculture, hunting, forestry and fishing by 2.7% and in post & telecommunication by 9.5%. According to the European Commission (Spring 2015), GDP growth rate will 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 (Albanian Section).

### 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 within Central Bank's acceptable zone*

Headline inflation (CPI) decreased to 1.4% y/y in June (5-month low) against 1.8% y/y in May and stood below the lower bound of the Bank of Albania's (BoA) target zone of 2%-4%. For the first six months of 2015 inflation was 1.9% y/y on average. We expect inflation to rise gradually to 2.2% in 2015 from 1.6% in 2014.

### BALANCE OF PAYMENTS

#### *Services and current transfers balances improve balance of payments*

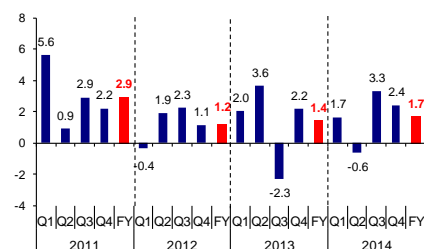
In Q1 2015, current account balance deficit decreased by 15.4% y/y to €230 million from €272 million in Q1 2014. That was mainly the result of an increase in the surplus of the services and the current transfers balance despite the increase in the deficit of the trade and the primary income balances.

### MONEY & FINANCIAL MARKETS

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

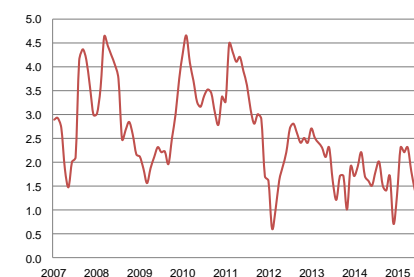
In H1 2015, the LEK depreciated by 0.2% against euro and by 8.9% against the US dollar, while in 2014 it had appreciated by 0.4% against the euro and it had depreciated by 13% against the US dollar. On July 1, 2015 the BoA decided to keep the key policy rate unchanged at 2.00%, which is a historical low. The BoA cut its interest rate to this level on January 28, 2015 from 2.25%. Loans increased (for nine consecutive months) by 2.5% y/y in March 2015 at a lower rate than 3.2% y/y in February 2015 and at about the same rate as in December 2014 (2.4%). This deceleration was due to weak credit demand and to tightening of lending standards. Loans to businesses (72.5% of total loans) increased by 2.1% y/y in March 2015 from 2.8% y/y in December 2014. Loans to households (27.5% of total loans) increased by 3.6% y/y in March 2015 from 1.3% y/y in December 2014. NPLs ratio was 22.7% in Q1 2015 from 24.9% in Q3 2014 due to the base effect of the increase in loans. Deposits increased by 2.4% y/y in March 2015 with business deposits increasing by 13.2% and household deposits by 1.2%. The banking system is still well capitalized. The capital adequacy ratio fell to 15.8% in Q1 2015 from 16.8% in Q4 2014 due to the increase in risk weighted assets.

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



Source: INSTAT

Consumer Prices Index (%Δ y/y)



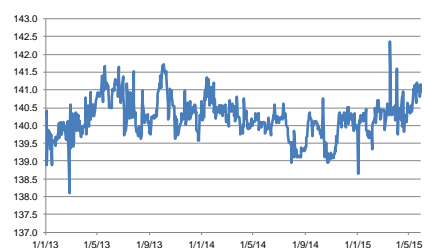
Source: INSTAT

Current Account: January-March 2015 (€mn)

	Jan.-Mar. 2015	Jan.-Mar. 2014
Exports	170	212
Imports	639	639
Trade Balance	-469	-427
Services Balance	103	30
Income Balance	-49	-21
Current Transfers Balance	185	145
Current Account Balance	-230	-273

Source: Bank of Albania

Euro vs ALL



Source: Bloomberg

## 6. FYROM 🇲🇰

### ECONOMIC OVERVIEW

#### *Growth is gathering pace*

GDP grew by 3.2% y/y in Q1 2015 compared with 2.7% y/y in Q4 2014. In Q1 2015, private consumption increased by 2.2% y/y compared with 2.9% y/y in Q4 2014, public consumption increased by 0.9% y/y compared with 1.9% y/y in Q4 2014 and gross capital formation increased by 2.4% y/y compared with 1.8% y/y in Q4 2014. At the same time, exports rose by 8.0% compared with 22.4% in Q4 2014 and imports rose by 4.3% compared with 17.4% in Q4 2014. 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 by 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 deficit target of -3.3% as the government will continue increasing social transfers, pensions and public wages and so there is 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 on a upward mood*

Headline inflation (CPI) was positive for the third month in a row after being negative for eight consecutive months and increased to 0.5% y/y in June from 0.3% y/y in May. For the first six months of 2015 inflation stood at -0.3% on average, while we expect inflation to rise to 0.9% 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

#### *Trade balance affects positively balance of payments*

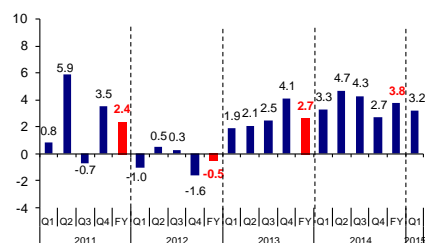
In Jan.-Apr.2015 the current account deficit decreased by 60% y/y to €97.4 million from €243.6 million in Jan.-Apr.2014. The decrease in current account deficit reflects the decrease in trade deficit and the increase in the surplus of services balance and current transfers balance. We envisage current account deficit to rise at -1.5% of GDP in 2015 from -1.3% in 2014.

### MONEY & FINANCIAL MARKETS

#### *Key policy rate remains stable*

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. In H1 2015, the MKD depreciated by 0.7% against euro, and by 9.3% against the US dollar. On April 14, 2015 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 will continue to closely monitor the macroeconomic developments and will adjust monetary policy accordingly. The credit support of banks to the private sector continued in Q1 2015 as loans grew by 9.3% y/y in March 2015 at the same rate as in February 2015, but at a lower rate than 10.5% y/y in December 2014. In particular, loans to households increased by 12.2% y/y in March 2015 from 12.0% y/y in February 2015 and loans to businesses increased by 7.2% y/y in March 2015 from 7.5% in February 2015. The ratio of non-performing loans to total loans decreased to 11.3% in Q4 2014 from 12.2% in Q3 2014 and 11.5% in Q4 2013. Deposits increased by 8.6% y/y in March 2015 at a lower rate than 9.7% y/y in February 2015 and 11.1% y/y in December 2014. The capital adequacy ratio fell to 15.7% in Q4 2014 from 16.8% in Q4 2013.

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



Source: State Statistical Office

Consumer Prices Index (%Δ y/y)



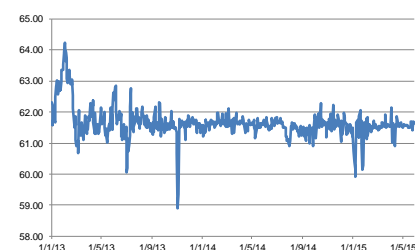
Source: State Statistical Office

Current Account: January-April 2015 (€mn)

	Jan.-Apr.2015	Jan.-Apr.2014
Exports	892	806
Imports	1,501	1,450
Trade Balance	-609	-644
Services Balance	130	54
Income Balance	-81	-71
Current Transfers Balance	462	417
Current Account Balance	-98	-244

Source: National Bank of FYROM

Euro vs MKD



Source: Bloomberg

## 8. Economic Data – Southeastern Europe

Romania	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	3.4	2.8	2.9
Private Consumption	1.2	4.5	3.7
Government Consumption	-4.8	5.3	11.0
Gross Fixed Investment	-7.9	-3.5	3.4
Exports (Goods & Services)	16.2	8.1	5.5
Imports (Goods & Services)	4.2	7.7	6.0
Unemployment	7.1	6.8	6.6
<b>Local Interbank Rates</b>			
3M (average)	3.97	2.29	1.25
1M (average)	3.80	1.90	0.85
<b>Exchange rate (period-end)</b>			
EUR/RON	4.46	4.48	4.42
<b>Prices</b>			
HICP Inflation (%Avg)	3.2	1.4	0.3
<b>General Government (%GDP)</b>			
Overall Balance	-2.2	-1.5	-1.6
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-1.2	-0.5	-0.9

Bulgaria	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	1.1	1.7	1.2
Private Consumption	-2.3	2.0	1.0
Government Consumption	2.8	3.8	0.9
Gross Fixed Investment	-0.1	2.8	-1.2
Exports (Goods & Services)	9.2	2.2	4.5
Imports (Goods & Services)	4.9	3.8	3.5
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	0.2
Government Consumption	-4.9	-8.7	-0.9
Gross Fixed Investment	-17.1	-18.8	-3.6
Exports (Goods & Services)	-5.0	5.7	-0.3
Imports (Goods & Services)	-13.6	8.1	-0.2
Unemployment	15.9	16.1	16.2
<b>Local Interbank Rates</b>			
3M (average)	10.14	8.25	8.00
1M (average)	9.78	7.84	7.80
<b>Exchange rate (period-end)</b>			
EUR/RSD	114.6	121.4	121.0
<b>Prices</b>			
HICP Inflation (%Avg)	0.4	-0.3	-0.8
<b>General Government (%GDP)</b>			
Overall Balance	-4.9	-8.8	-1.1
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-2.0	-4.0	-3.9

Serbia	2013	2014	2015 (f)
<b>Real Economy</b>			
Real GDP	2.6	-1.8	0.1
Private Consumption	-0.6	-1.3	-1.5
Government Consumption	-1.1	0.1	-2.0
Gross Fixed Investment	-12.0	-2.7	8.5
Exports (Goods & Services)	21.3	3.9	5.2
Imports (Goods & Services)	5.0	3.3	2.0
Unemployment	22.1	18.9	19.0
<b>Local Interbank Rates</b>			
3M (average)	10.14	8.25	8.00
1M (average)	9.78	7.84	7.80
<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	1.8
<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	-4.0

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	3.30
1M (average)	5.09	3.57	3.10
<b>Exchange rate (period-end)</b>			
EUR/ALL	140.95	139.87	140.50
<b>Prices</b>			
Consumer Price Inflation (%Avg)	1.9	1.6	2.2
<b>General Government (%GDP)</b>			
Overall Balance	-4.9	-5.2	-4.2
<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	3.6
Private Consumption	2.1	2.3	2.7
Government Consumption	2.5	-1.2	1.9
Gross Fixed Investment	-16.6	13.5	8.0
Exports (Goods & Services)	-2.7	17.0	8.7
Imports (Goods & Services)	-10.0	14.5	6.7
Unemployment	29.0	28.1	27.6
<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	61.45
<b>Prices</b>			
Consumer Price Inflation (%Avg)	2.8	-0.3	0.9
<b>General Government (%GDP)</b>			
Overall Balance	-3.9	-4.2	-3.7
<b>Balance of Payments (% GDP)</b>			
Current Account Balance	-1.8	-1.3	-1.5

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

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