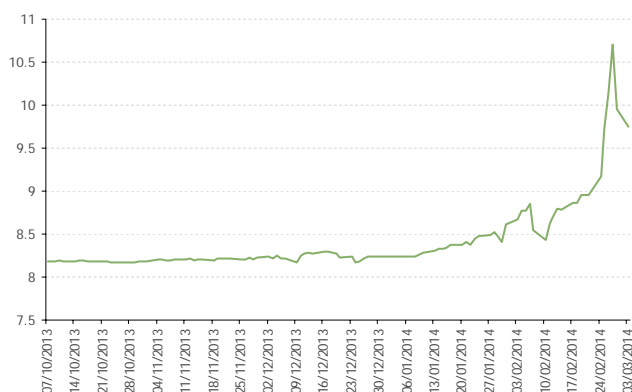




## ECONOMIC INDICATORS BULLETIN FOR SOUTH-EASTERN EUROPE

- The ongoing developments in Ukraine remain extremely volatile, as the country has split into two fronts - the first that is pro-European and is concentrated in Kiev and the second that is pro-Russian and is concentrated in the Crimea region. However, the domestic unrest that began in November last year has created turmoil in international relations. In recent weeks, the three major rating agencies downgraded Ukraine's sovereign credit rating noting the increasing political uncertainty. A key challenge the country will have to face, apart from the socio-political turmoil is the debt service and the depreciation of the Ukrainian currency against the dollar.
- On February 26<sup>th</sup>, the Bank of Albania (BoA) decided to cut the key policy rate by 25 basis points to the historically low level of 2.75%. The last rate cut, of 25 bps, was in December.
- In its winter forecasts, the European Commission (EC) estimates that Bulgaria's economy will further recover in 2014 by 1.7% – compared to 1.5% in the autumn forecasts – and 2.0% in 2015.
- In its winter forecasts, the EC estimates that Cyprus's economy will contract by 4.8% in 2014 – compared to 3.9% in the autumn forecasts – while in 2015 growth will gradually resume, reaching 0.9% as domestic demand recovers.
- In its winter forecasts, the EC predicts that Romania's economy will grow by 2.3% in 2014 – compared to 2.1% in the autumn forecasts – and by 2.5% in 2015, as domestic demand is estimated to increase its contribution to growth.
- In its winter forecasts, the EC estimates that Serbia's economy will grow by 1.3% in 2014 – compared to 1.5% in the autumn forecasts – and to 2.2% in 2015.

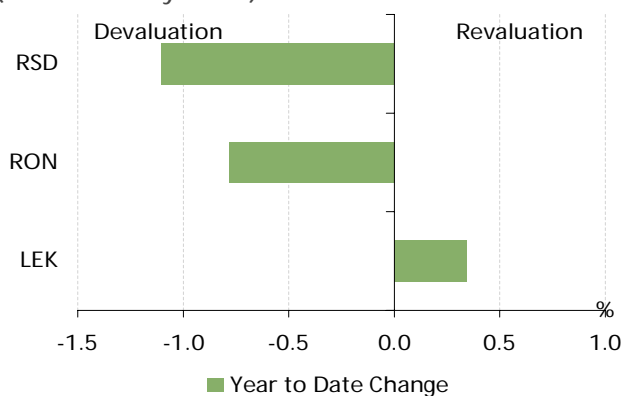
### Ukraine: UAH/USD



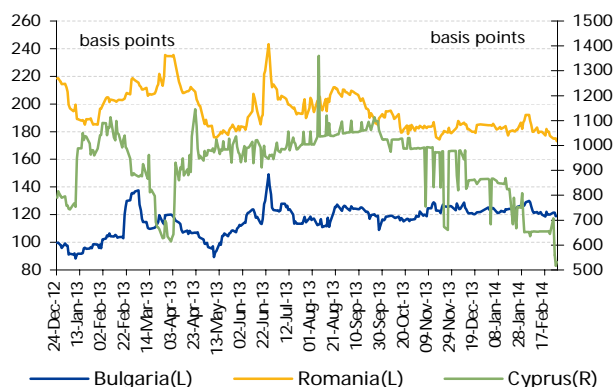
### Ukraine: Sovereign Ratings

	Rating View	Outlook/Action
Fitch	CCC	NEGATIVE
Moody's	Caa2	NEGATIVE
S&P	CCC	NEGATIVE

### Bilateral Exchange Rates vs. the Euro (27<sup>th</sup> February 2014)



### CDS 5Y USD

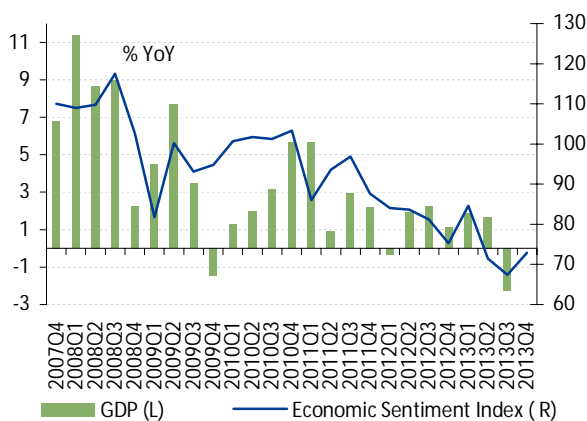


Source: Piraeus Bank Research, Datastream, Bloomberg

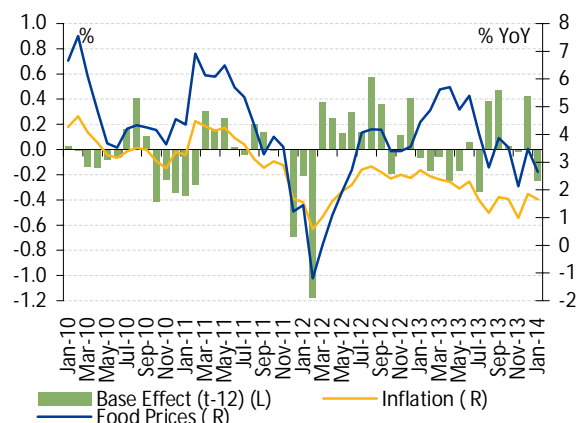
## A. ALBANIA

- On February 26<sup>th</sup>, the Bank of Albania (BoA) decided to cut the key policy rate by 25 basis points to the historically low level of 2.75%. The last rate cut, of 25 bps, was in December. The BoA notes that current economic and financial developments require the easing of monetary policy.
- In 2013, the fiscal deficit widened to 4.6% of GDP, compared to 3.4% in 2012, as budget revenues decreased to 23.4% of GDP from 24.5% in the same years. Public expenditures increased to 28.0% in 2013 from 27.9% in 2012. Additionally, in January the fiscal balance turned to a surplus of 0.2% of GDP compared to a marginal deficit of 0.02% in January 2013, as public expenditures declined to 1.7% from 2.0% and revenues reached 1.9% from 2.0% for the same months. (Graph 1.2)
- According to the Governor of the BoA, the local economy is expected to recover gradually in 2014 as both external and domestic private sector demand are expected to improve. Additionally, the private sector arrears payments are expected to improve the sector's liquidity as well as the banks' balance sheets.

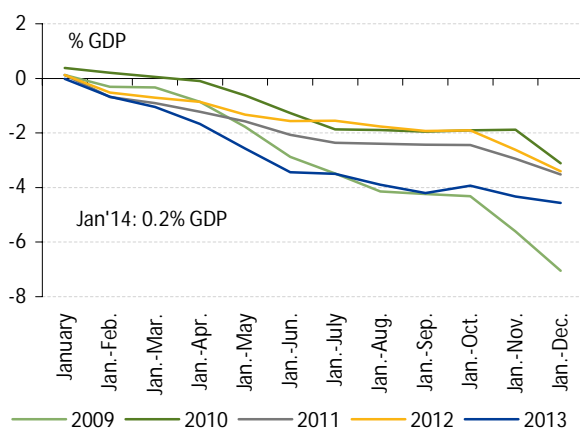
1.0 Real GDP & Economic Sentiment Index



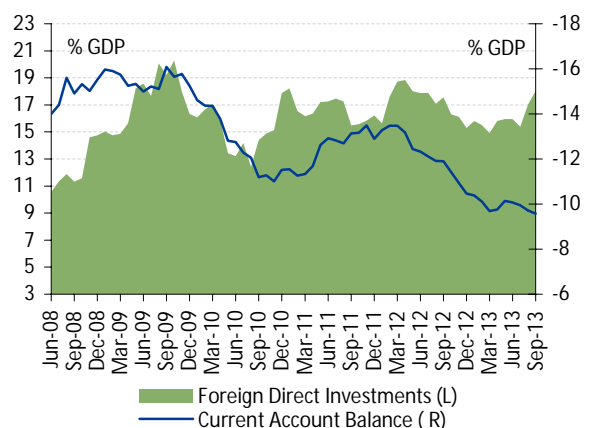
1.1 Inflation, Base Effect & Food Prices



1.2 Fiscal Balance



1.3 Current Account Balance & FDIs (12m rolling sum)

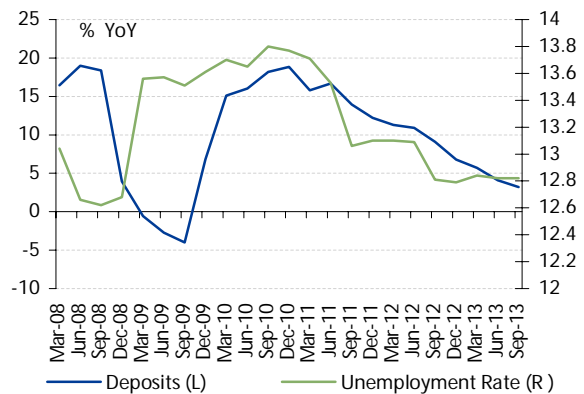
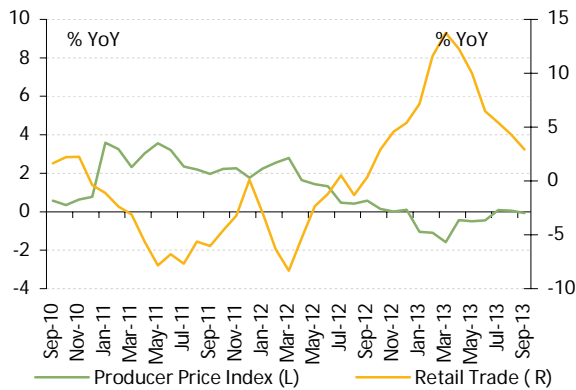


Source: Piraeus Bank Research, Datastream, National Sources

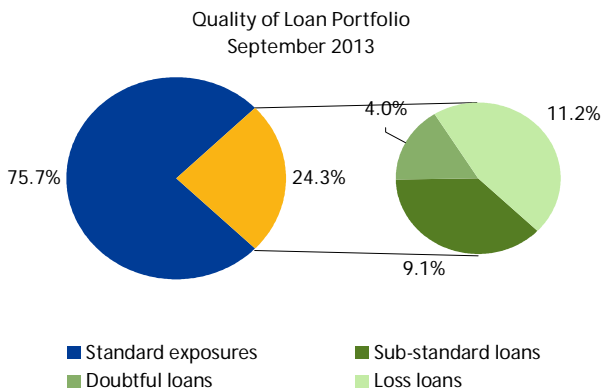
1.5 Total Deposits & Unemployment Rate

ECONOMIC INDICATORS BULLETIN FOR SOUTH-EASTERN EUROPE

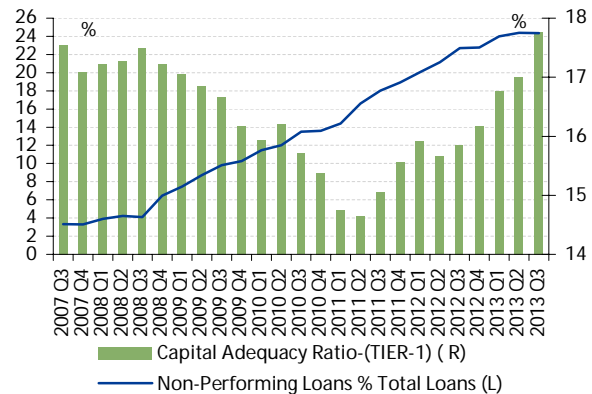
### 1.4 Producer Price Index & Retail Trade



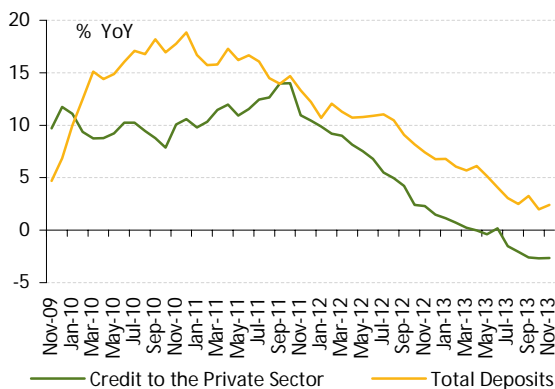
### 1.6 Quality of Loan Portfolio



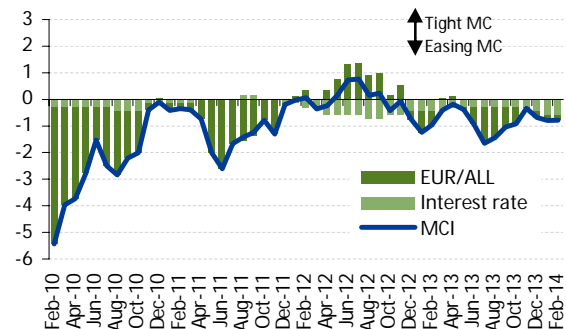
### 1.7 NPLs & Capital Adequacy Ratio



### 1.8 Credit Expansion & Total Deposits

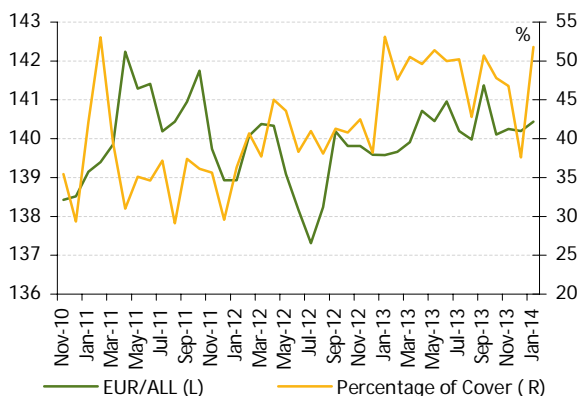


### 1.9 Monetary Conditions Index (MCI)

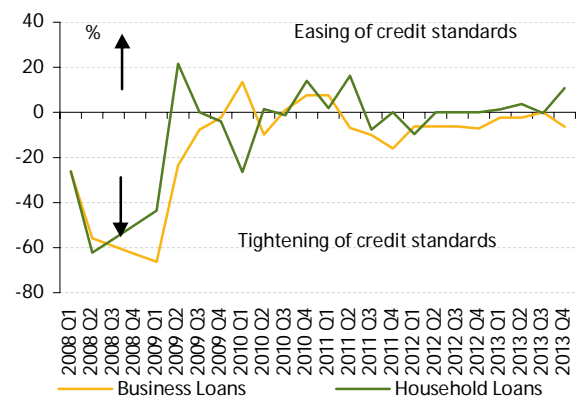


Note: The index is a weighted sum of the annual change in the policy rate (60% weight) and the fx rate (-40% weight)

### 2.0 EUR/ALL & Imports to Exports Coverage



### 2.1 Central Bank's Lending Survey

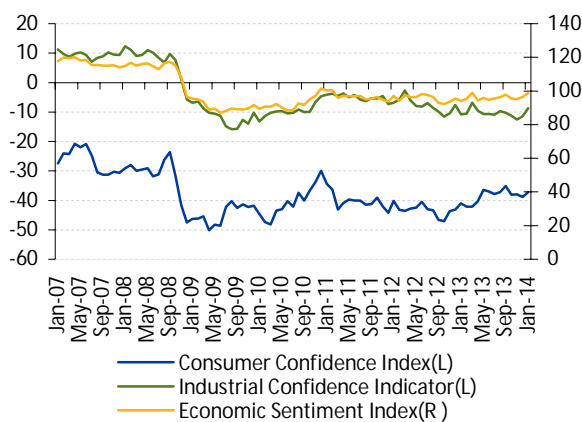


Source: Piraeus Bank Research, Datastream, National Sources

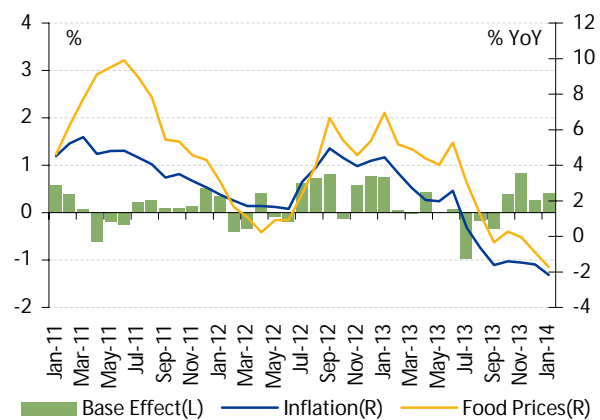
## B. BULGARIA

- In its winter forecasts, the European Commission (EC) estimates that Bulgaria's economy will further recover in 2014 by 1.7% – compared to 1.5% in the autumn forecasts – and 2.0% in 2015. Exports will remain the main growth driver, while domestic demand is expected to contribute equally to growth. However, the labour market will remain weak due to modest growth.
- The current account balance recorded a surplus of 2.1% of GDP in 2013 compared to a deficit of 1.3% in 2012 due to the moderation in the trade deficit to 5.8% from 8.7% for the same years. The current account balance was financed adequately as net FDIs stood at 3.0% of GDP in 2013 from 3.7% in 2012. (Graph 1.3)
- In January, foreign exchange reserves contracted by 9.3% YoY from an increase of 12.7% in January 2013, while in December reserves covered 129.7% of the short-term gross external debt from 126.2% in December 2012. (Graph 1.8)
- In January, private sector credit contracted for the third consecutive month, falling by 0.4% YoY from an increase of 3.4% in January 2013, while business loans decreased by 0.6% from an increase of 5.8% for the same months. Household lending contracted by 0.2% in January from -0.8% in January 2013. Conversely, private sector deposits increased at a faster rate of 9.4% YoY from 3.7% for the same months. Finally, the liquidity ratio (loans/deposits) in January moderated to 75.0% from 82.4% in January last year. (Graph 2.0)

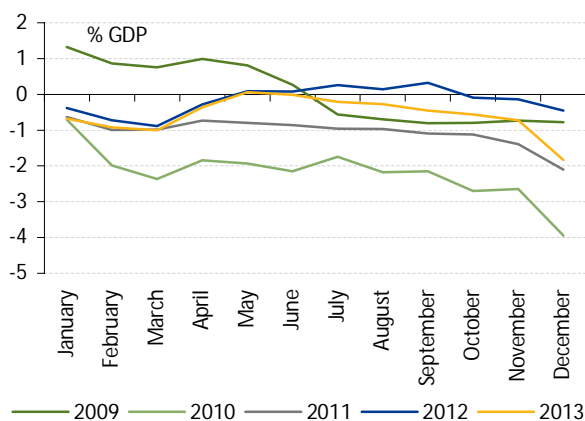
### 1.0 Leading Indicators



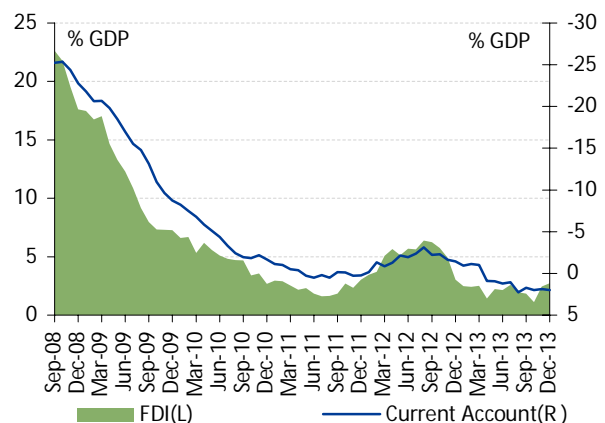
### 1.1 Inflation & Base Effect



### 1.2 Fiscal Balance



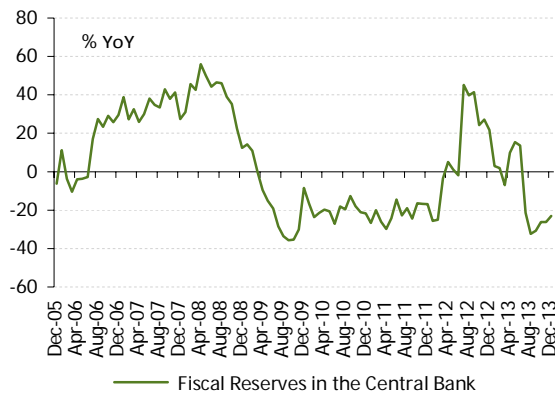
### 1.3 Current Account Balance & FDIs (12m rolling sum)



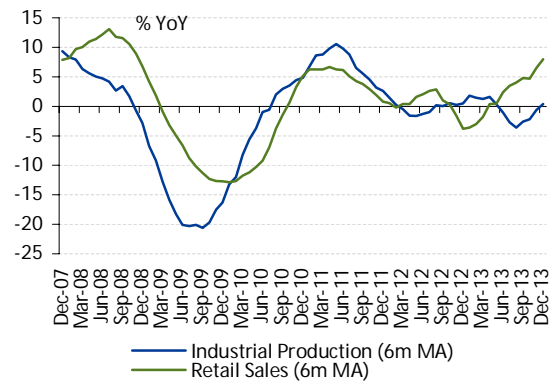
Source: Piraeus Bank Research, Datastream, National Sources

ECONOMIC INDICATORS BULLETIN FOR SOUTH-EASTERN EUROPE

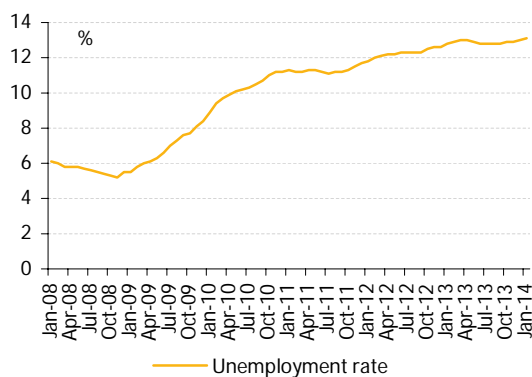
### 1.4 Fiscal Reserves



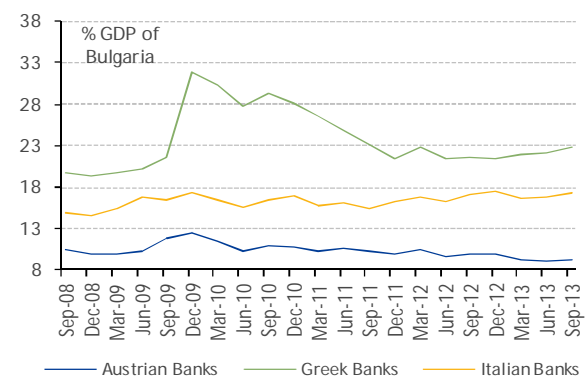
### 1.5 Industrial Production & Retail Sales



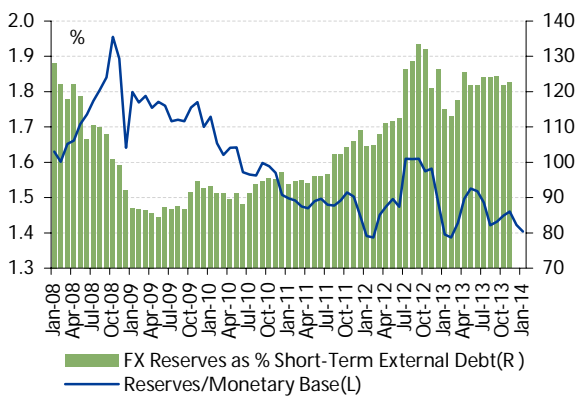
### 1.6 Unemployment Rate



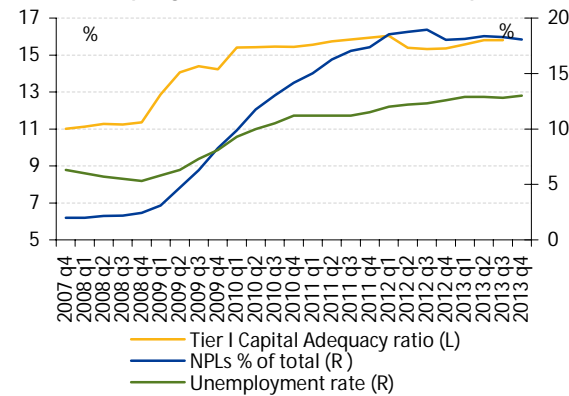
### 1.7 Foreign Claims



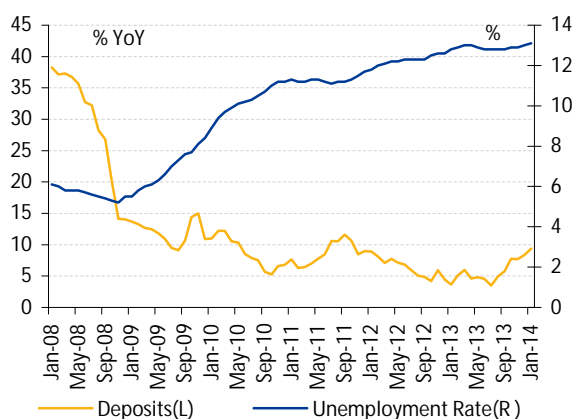
### 1.8 FX Reserves & Monetary Base



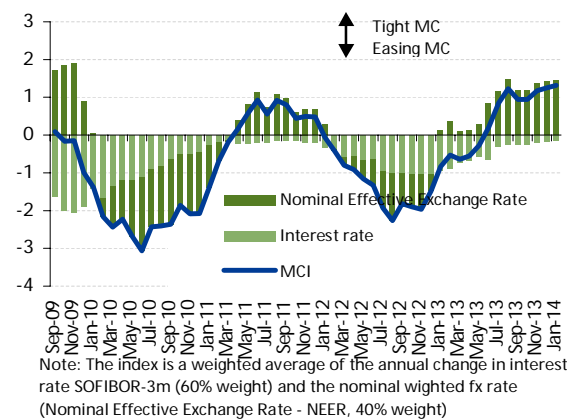
### 1.9 Unemployment Rate, NPLs & Capital Adequacy



### 2.0 Deposits & Unemployment Rate



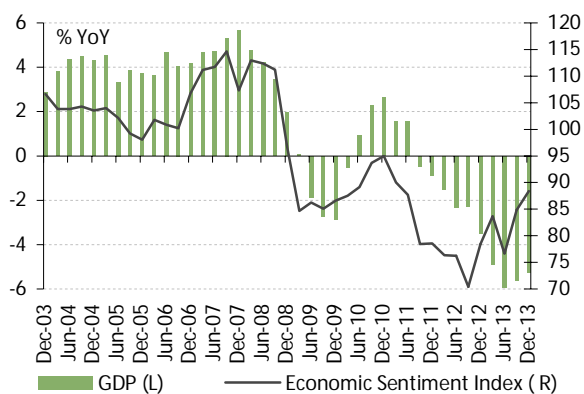
### 2.1 Monetary Conditions Index (MCI)



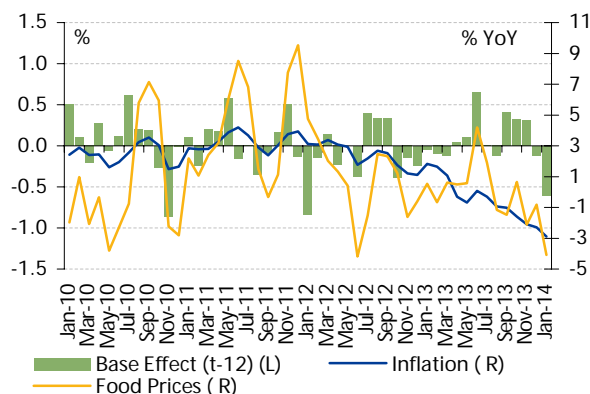
## C. CYPRUS

- In its winter forecasts, the EC estimates that Cyprus's economy will contract by 4.8% in 2014 – compared to 3.9% in the autumn forecasts – while in 2015 growth will gradually resume, reaching 0.9% as domestic demand recovers. The better than expected fiscal performance in 2013 lays the basis for further improvements in the current year.
- In its February 17<sup>th</sup> meeting, the Eurogroup welcomed the conclusions of the troika's third review of Cyprus's economic program, noting that the country's program remains on track, due to better than expected macroeconomic and fiscal performances. In addition, the ongoing stabilization of the financial sector in Cyprus will pave the way for the second phase of the gradual relaxation of the temporary restrictive measures on transactions. Indicatively, the Central Bank of Cyprus (CBC) and the Ministry of Finance (MoF) proceeded last week to make two major relaxations of the restrictive measures.
- In December, industrial production contracted by 5.7%, from decreases of 14.4% in November and 17.8% in December 2012. In the construction sector, building permits contracted at a faster rate in December 2013 by 16.3% from -13.5% in November and -15.9% in December 2012. Tourism arrivals in January decreased by 3.8% YoY from an increase of 0.1% in December 2013 and a decrease of 11.2% in January 2013. (Graph 1.5 & 1.7)
- In January 2014, the fiscal balance turned to surplus of 0.92% of GDP from 0.37% in January 2013, due to the decrease in public spending of 15.1% YoY as other current transfers and wages decreased by 33.6% YoY and 3.2% respectively. Public revenues in January 2014 moderated to 0.6% of GDP due to the decrease in tax revenues. (Graph 1.2)
- Private sector credit contracted by 12.7% YoY in January 2014 from a decrease of 12.1% in December 2013 and an increase of 6.0% in January 2013, as business and household loans both contracted. Private sector deposits contracted by 21.5% YoY in January from decreases of 22.4% in December and 0.8% in January 2013, as residents' deposits contracted by 14.7% from -14.6% and -1.8% for the same months. (Graph 2.0)

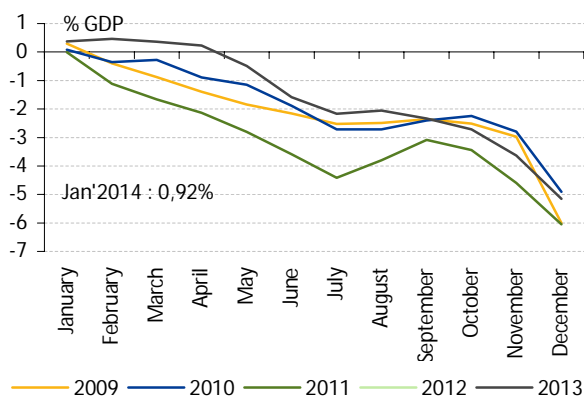
### 1.0 Real GDP & Economic Sentiment Indicator (ESI)



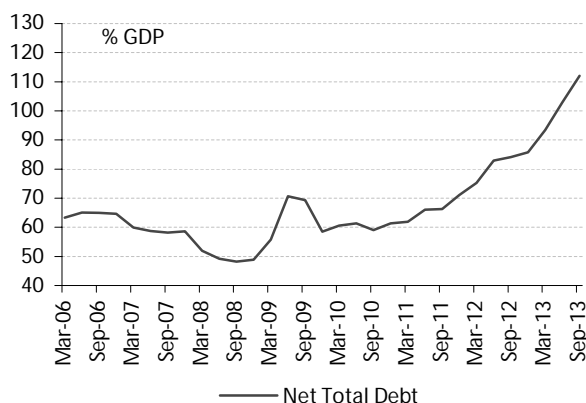
### 1.1 Inflation & Base Effect



### 1.2 Fiscal Balance



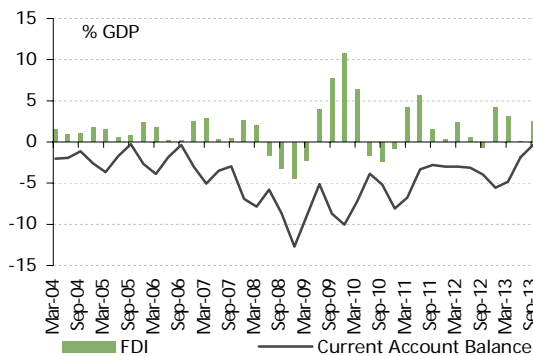
### 1.3 Public Debt



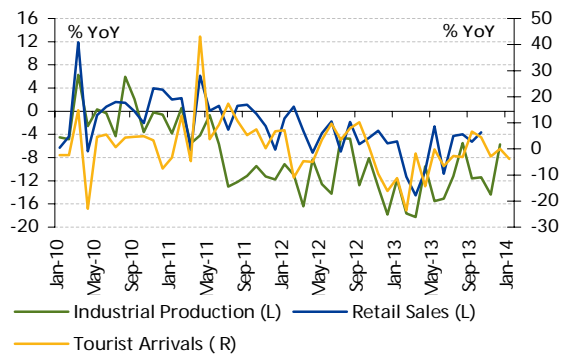
Source: Piraeus Bank Research, Datastream, National Sources

ECONOMIC INDICATORS BULLETIN FOR SOUTH-EASTERN EUROPE

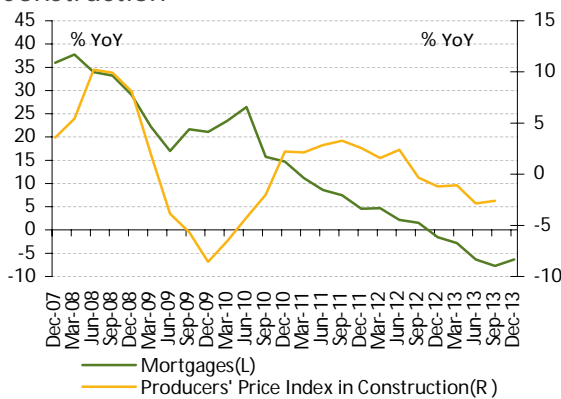
### 1.4 Current Account Balance (6m MA)



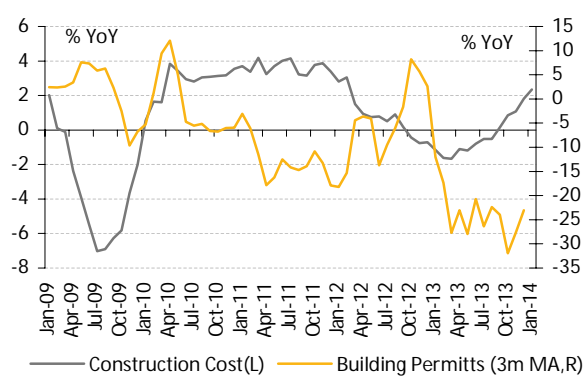
### 1.5 Industrial Production, Retail Sales & Tourist Arrivals



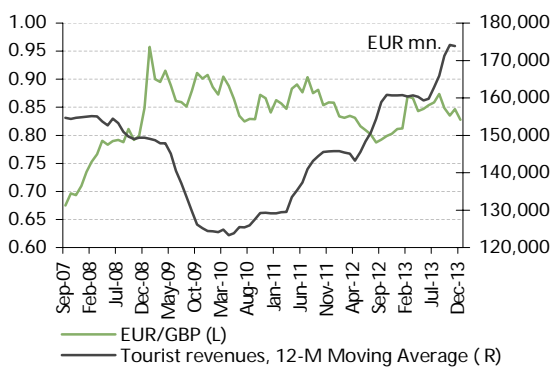
### 1.6 Mortgage Loans & Producer's Price Index in Construction



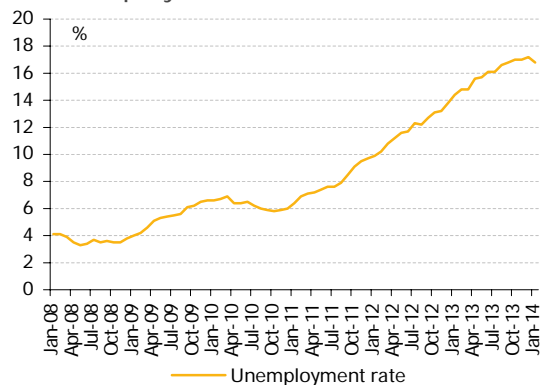
### 1.7 Construction Cost & Building Permits



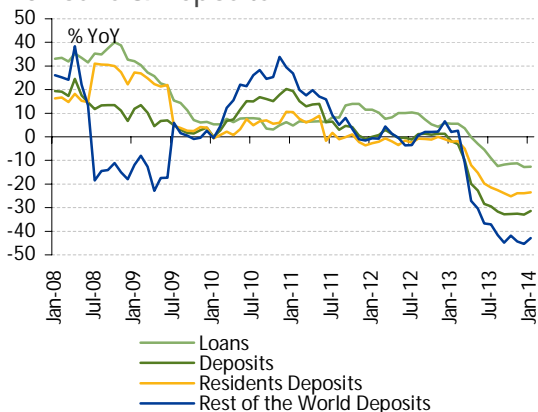
### 1.8 EUR/GBP & Tourism Revenues



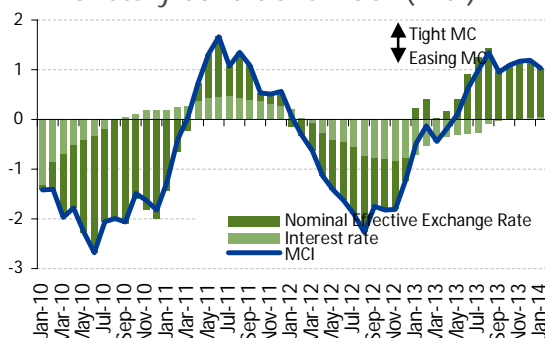
### 1.9 Unemployment Rate



### 2.0 Loans & Deposits



### 2.1 Monetary Conditions Index (MCI)

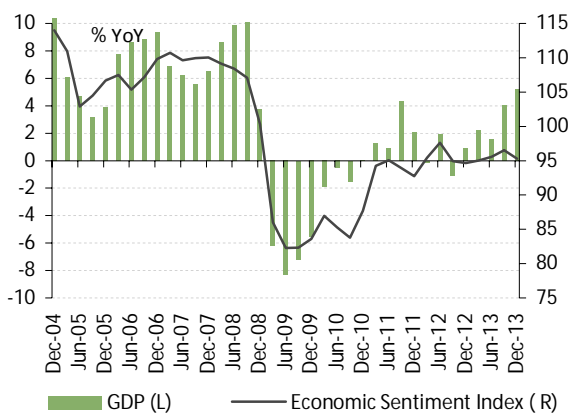


Note: The index is a weighted average of the annual change in interest rate EURIBOR-3m (60% weight) and the nominal weighted fx rate (Nominal Effective Exchange Rate - NEER, 40% weight)

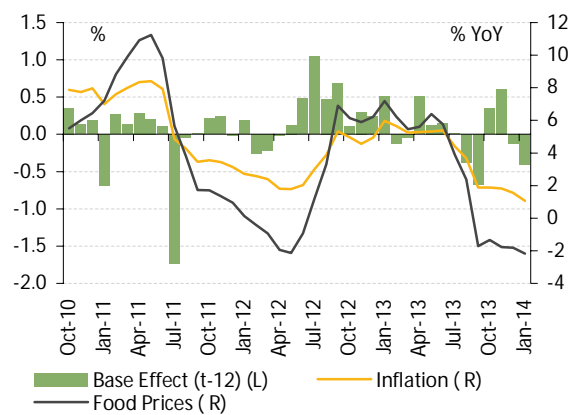
## D. ROMANIA

- In its winter forecasts, the EC predicts that Romania's economy will grow by 2.3% in 2014 – compared to 2.1% in the autumn forecasts – and by 2.5% in 2015, as domestic demand is estimated to increase its contribution to growth along with exports. Fiscal consolidation is expected to continue in 2014 and 2015.
- In December, gross external debt moderated to 68.5% of GDP from 73.4% in 2012. Both medium and short-term external debt declined in December. (Graph 1.7)
- In January, private sector credit contracted for the 11<sup>th</sup> consecutive month, falling by 2.1% YoY compared to an increase of 0.3% in January 2013, as local currency loans increased at a slower rate in January and foreign currency loans contracted for the 14<sup>th</sup> consecutive month. Business loans contracted in January by 3.8% YoY from an increase of 4.4% in January last year, while household loans contracted for the 13<sup>th</sup> consecutive month, falling by 0.1% YoY from a decrease of 1.0% for the same months. On the other hand, private sector deposits in January increased at a faster rate of 9.9% YoY from 4.1% in January 2013, while the liquidity ratio (loans/ deposits) was 101.7% from 114.1% for the same months. (Graphs 1.8 & 1.9)

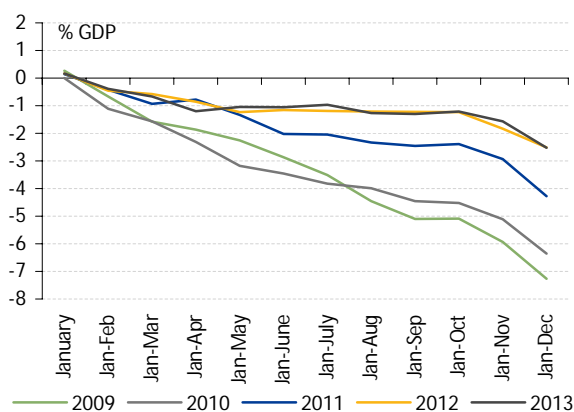
### 1.0 Leading Indicators



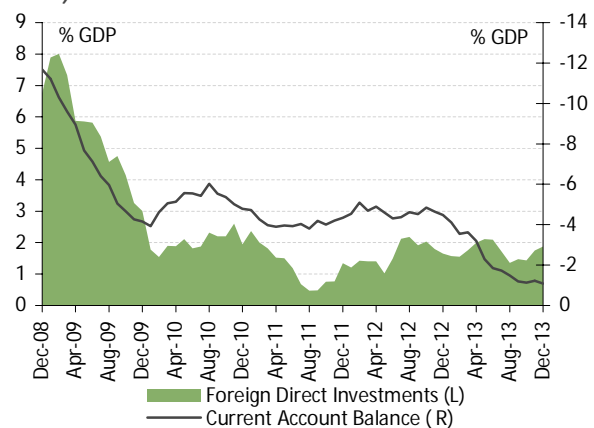
### 1.1 Inflation & Base Effect



### 1.2 Fiscal Balance



### 1.3 Current Account Balance & FDIs (12m rolling sum)

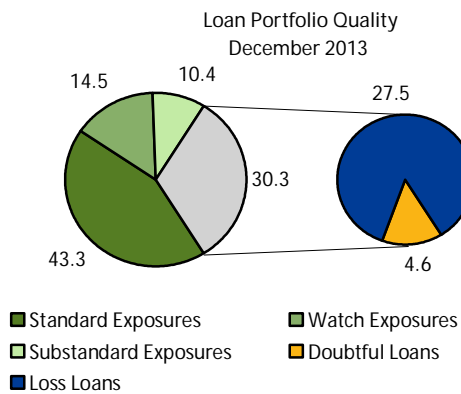


Source: Piraeus Bank Research, Datastream, National Sources

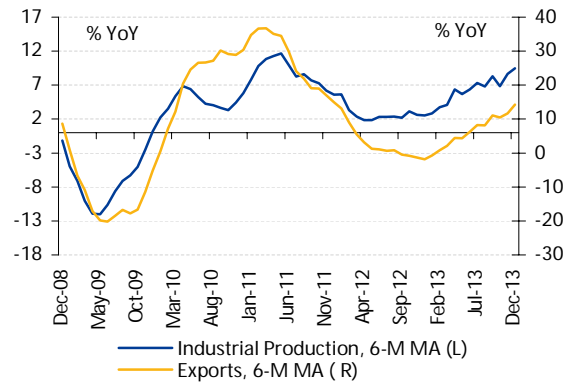


ECONOMIC INDICATORS BULLETIN FOR SOUTH-EASTERN EUROPE

### 1.4 Loan Portfolio Quality



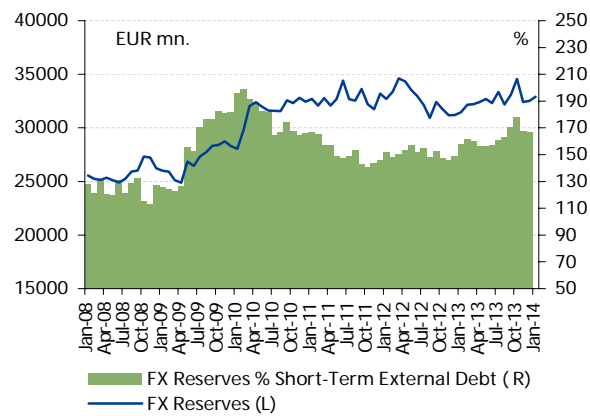
### 1.5 Industrial Production & Exports



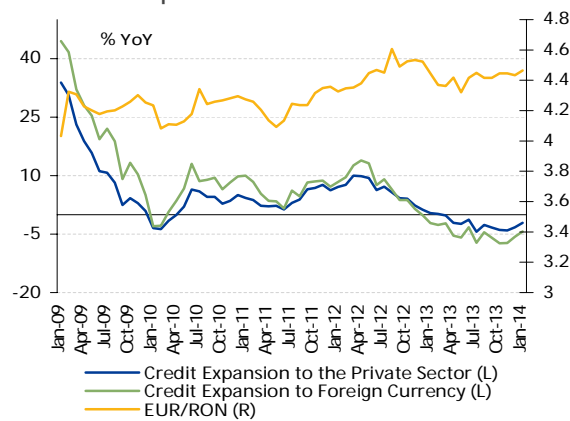
### 1.6 Unemployment Rate



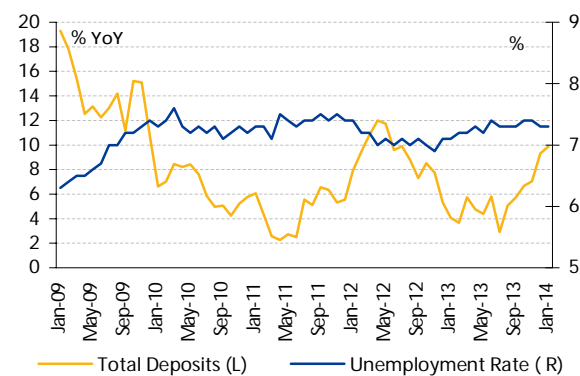
### 1.7 FX Reserves as % of Short-Term External Debt



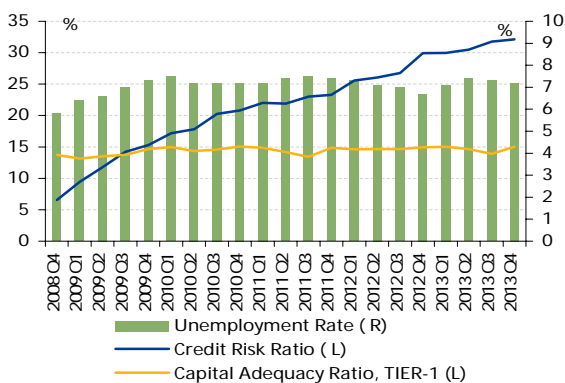
### 1.8 Credit Expansion & FX Rate



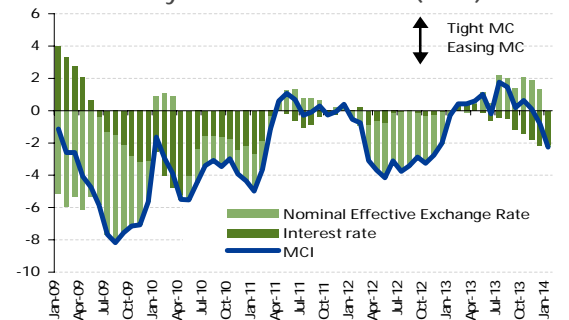
### 1.9 Deposits & Unemployment Rate



### 2.0 Unemployment Rate, NPLs & Capital Adequacy



### 2.1 Monetary Conditions Index (MCI)

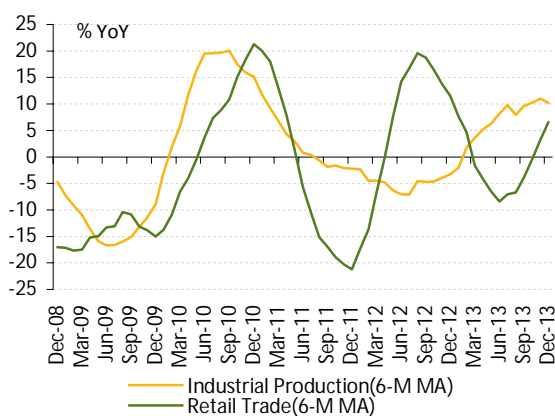


Note: The index is a weighted average of the annual change in interest rate BUBOR-3m (60% weight) and the nominal weighted fx rate (Nominal Effective Exchange Rate - NEER, 40% weight)

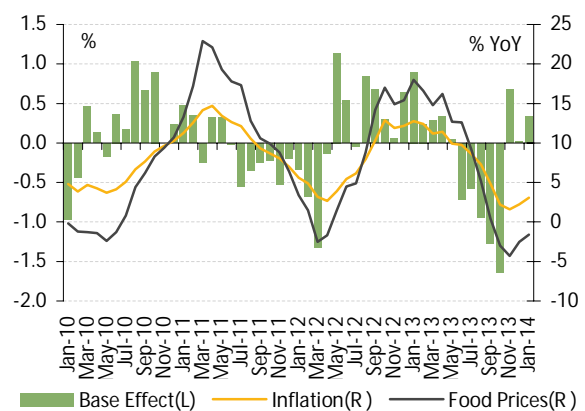
## E. SERBIA

- In its winter forecasts, the EC estimates that Serbia's economy will grow by 1.3% in 2014 – compared to 1.5% in the autumn forecasts – and to 2.2% in 2015, as an increase in investments due to the country's accession talks will be the main growth driver.
- In January, inflation reached 3.1% from 2.3% in December and 12.8% in January 2012, while food prices contracted by 1.6% YoY compared to decreases of 2.5% and 18.0% for the same months. On a monthly basis, the general consumer price index increased in January by 1.4% from 0.2% in the previous month. (Graph 1.1)
- In January, the fiscal deficit was 0.2% of GDP, the same as in January 2013, as public expenditures reached 2.0% and revenues 1.8% of GDP. (Graph 1.2)
- Private sector credit contracted further in January by 3.7% YoY from an increase of 4.2% in January 2012, as loans to businesses contracted and household lending increased at a slower rate. Private sector deposits in January increased marginally by 1.0% YoY from 10.5% for the same month last year. (Graph 2.0)
- Public debt in January increased to 62.3% of GDP from 61.2% in December 2013. (Graph 1.6)

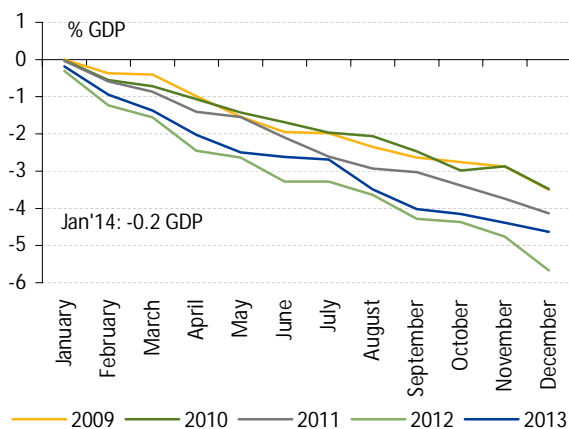
### 1.0 Leading Indicators



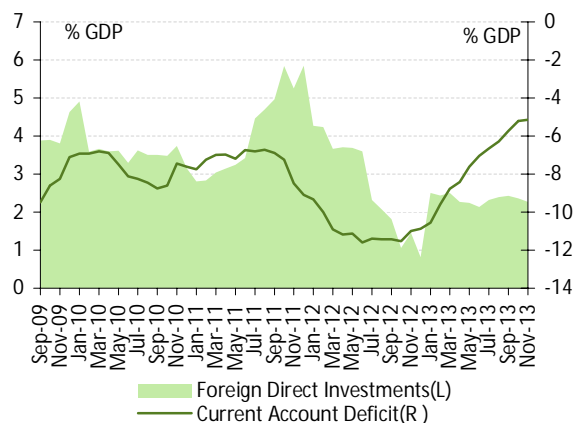
### 1.1 Inflation & Base Effect



### 1.2 Fiscal Balance

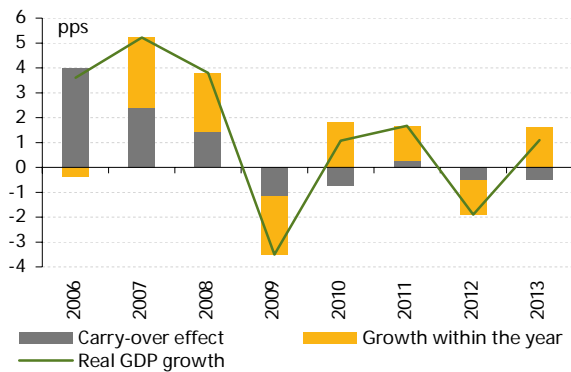


### 1.3 Current Account Balance & FDIs (12m rolling sum)

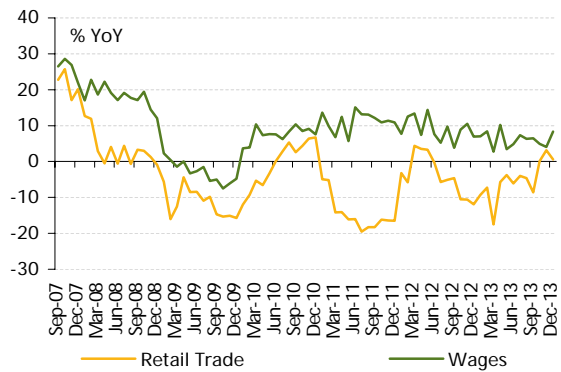


Source: Piraeus Bank Research, Datastream, National Sources

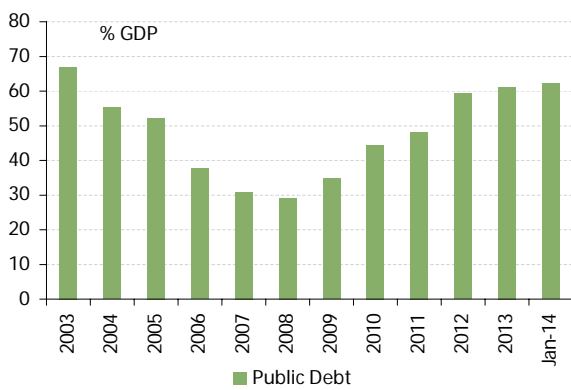
### 1.4 Carry Over Effect



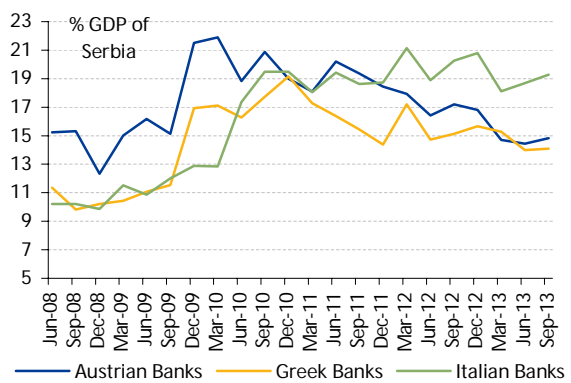
### 1.5 Retail Sales & Real Wages



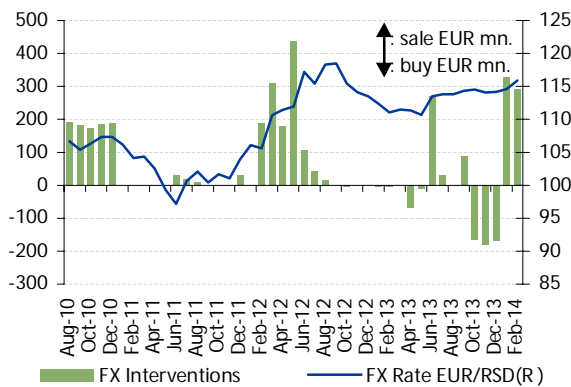
### 1.6 Public Debt



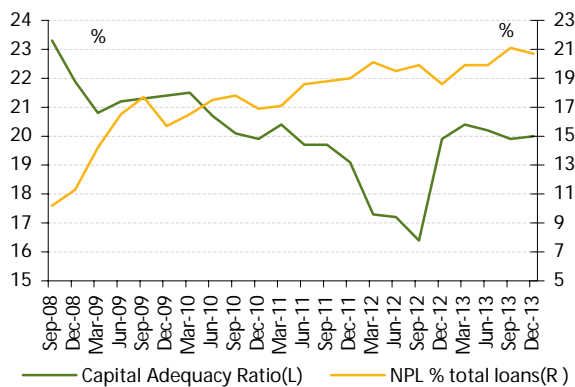
### 1.7 Foreign Claims



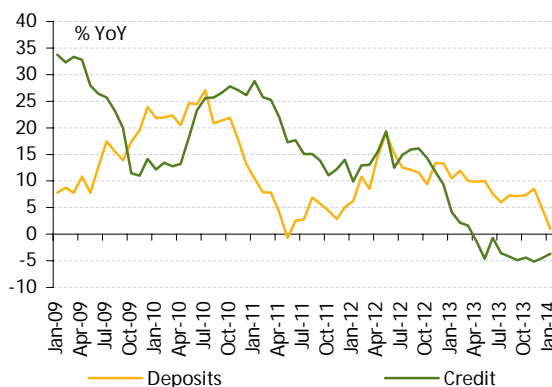
### 1.8 Central Bank Interventions in the Domestic FX Market & EUR/RSD



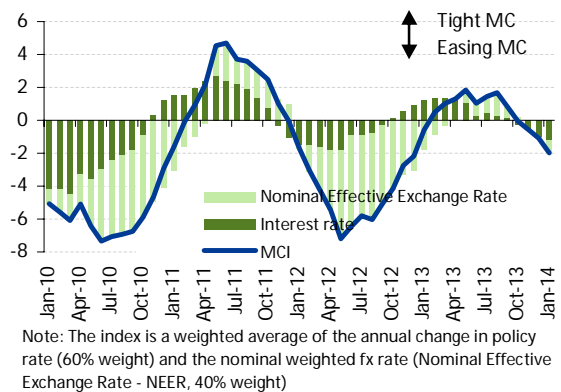
### 1.9 Capital Adequacy & NPLs



### 2.0 Private Sector Deposits & Credit



### 2.1 Monetary Conditions Index (MCI)



Source: Piraeus Bank Research, Datastream, National Sources, BIS

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