

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- March 10: Initial jobless claims (Mar. 5)

#### EUROZONE

- March 8: Q4 GDP (details)
- March 10: ECB monetary policy meeting

#### GREECE

- March 7: Eurogroup
- March 8: Motor Vehicle Circulation Licences (January 2016)
- March 9- Industrial Production Index (December 2015)

#### CYPRUS

- March 7- Eurogroup
- March 8: HICP (Feb)
- March 10: GDP (NSA, Q4)

#### SEE

##### BULGARIA

- March 8: GDP (WDA, Q4)
- March 11: Trade Balance (Jan)
- March 10:
  - Retail Sales (Jan)
  - Industrial Production (Jan)

##### ROMANIA

- March 8: GDP (WDA, Q4)
- March 9: Net wages (Jan)
- March 11:
  - Industrial Sales (Jan)
  - Trade Balance (Jan)
  - CPI (Feb)

##### SERBIA

- March 7: Producers Price Index (Feb)
- March 11: HICP (Feb)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** All eyes today are on the ECB Governing Council meeting where the Central Bank is widely expected to adopt further monetary stimulus to support the euro area's economic activity and address persistently subdued inflation pressures. In the press conference that will follow ECB President Mario Draghi is expected to adopt a dovish stance leaving the door open for further stimulus, stressing that the Central Bank is determined to do whatever it takes to reach its inflation target.

**GREECE:** Discussions in the context of the 1<sup>st</sup> programme review between the Greek authorities and the ECB/IMF/ESM/EC mission heads resumed yesterday with the agenda focusing on the planned overhaul of the social security pension system. Speaking to reporters after the meeting, Greece's Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos said that a compromise on the issue may not be reached soon and a relevant decision may have to be taken by an extraordinary Eurogroup. According to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in February for the second month in a row coming in at €104.23bn.

### SOUTH EASTERN EUROPE

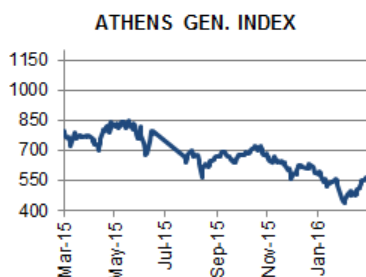
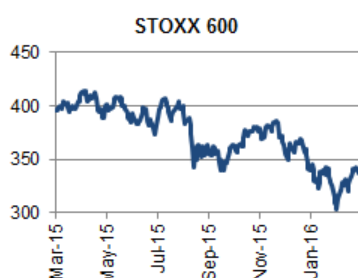
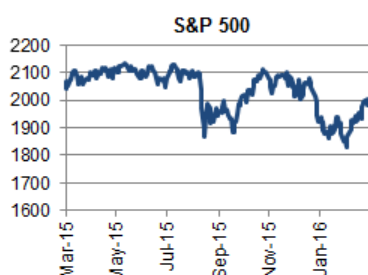
**ROMANIA:** Nominal wage growth remained in double-digit territory in January.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

All eyes today are on the ECB Governing Council meeting where the Central Bank is widely expected to adopt further monetary stimulus to support the euro area's economic activity and address persistently subdued inflation pressures. Market expectations include a 10bps cut in the deposit rate with risks tilted towards a bigger cut, probably through the introduction of a tiered system, an increase in the size of the monthly pace of asset purchases by €10-€15bn and a 3-6 month extension of the QE, while the prospect of certain amendments to the operational modalities of the expanded asset purchase programme or the reviving of the TLTROs cannot be ruled out entirely. In the press conference that will follow ECB President Mario Draghi is expected to adopt a dovish stance leaving the door open for further stimulus, stressing that the Central Bank is determined to do whatever it takes to reach its inflation target. Awaiting the ECB's policy decision, the EUR/USD was hovering around 1.0966/70 in European trade at the time of writing, having retreated from levels near 1.1060 recorded at some point earlier this week. If the ECB's stimulus package proves in line with expectations, the EUR/USD may move higher but any gains will likely prove limited as investors are reluctant to establish fresh sizable positions ahead of next week's FOMC monetary policy meeting. Technically, strong support lies at 1.0825 (March 2 low), a level that could potentially be tested if the ECB surprises with more stimulus than currently expected.

### GREECE

Discussions in the context of the 1<sup>st</sup> programme review between the Greek authorities and the ECB/IMF/ESM/EC mission heads resumed yesterday with the agenda focusing on the planned overhaul of the social security pension system. According to the local press, the main stumbling blocks on the issue include, inter alia: (i) the scheme for the calculation of new pensions with official creditors insisting on lower replacement rates and a lower than €384/month national state guaranteed pension that the Greek government has proposed; (ii) the recalculation of existing pensions as of 2018; (iii) the assessment of certain compromises the government vowed to offer to farmers and freelancers; and (iv) the supplementary pensions with press reports suggesting that the size of a potential cut will be determined by whether official creditors accept the government's proposal for an increase in social security contributions. Speaking to reporters after the meeting, Greece's Minister of Labour, Social Insurance and Social Solidarity Georgios Katrougalos said that a compromise on the social security pension reform may not be reached soon and a relevant decision may have to be taken by an extraordinary Eurogroup. He clarified that while official creditors are primarily interested in a closer link between contributions and benefits, the Greek government, on its part, places more importance on the redistribute element of the system. Official discussions will reportedly continue today with the agenda focusing on the income tax code reform. According to the local press, the main items of dispute on this issue include, inter alia: (i) the level of the tax-free threshold the government proposed for wage earners, pensioners and farmers; (ii) the income tax system for farmers; and (iii) the government's plan to continue the implementation of the solidarity surcharge as a separate tax rather than proceeding with its integration into the income tax, in line with the MoU conditionality. In other news, the first licenses for non-banking institutions that will undertake the management of NPLs will be reportedly issued soon after the completion of the 1<sup>st</sup> programme review. Separately, according to the most recent Bank of Greece data, the total amount of funding taken from the Eurosystem dropped in February for the second month in a row coming in at €104.23bn, €1.86bn lower compared to the prior month.

March 10, 2016

BULGARIA: Indicators	2014	2015e	2016f
Real GDP growth %	1.6	2.9	3.0
CPI (pa, yoy %)	-1.4	-0.1	1.0
Budget Balance/GDP*	-3.7	-3.3	-2.0
Current Account/GDP	0.9	1.5	1.0
EUR/BGN (eop)	1.9558		
	2015	current	2016f
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

CYPRUS: Indicators	2014	2015e	2016f
Real GDP growth %	-2.5	1.5	1.8
HICP (pa, yoy %)	-0.3	-1.5	0.5
Budget Balance/GDP*	-0.2	-0.9	-0.1
Current Account/GDP	-5.1	-5.5	-4.5

\* ESA 2010

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicator:	2014	2015e	2016f
Real GDP growth %	2.9	3.8	4.1
CPI (pa, yoy %)	1.1	-0.4	-0.1
Budget Balance/GDP *	-1.9	-1.9	-2.8
Current Account/GDP	-0.4	-1.0	-2.0
EUR/RON (eop)	4.48	4.52	4.35
	2015	current	2016f
Policy Rate (eop)	1.75	1.75	2.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2014	2015e	2016f
Real GDP growth %	-1.8	0.7	1.8
CPI (pa, yoy %)	2.1	1.5	2.8
Budget Balance/GDP	-6.7	-3.7	-4.0
Current Account/GDP	-6.0	-4.7	-4.6
EUR/RSD (eop)	121.38	121.52	125.00
	2015	current	2016f
Policy Rate (eop)	4.25	4.25	4.25

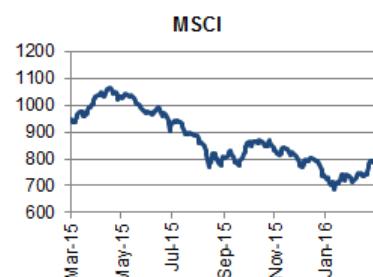
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

## Latest world economic & market developments in the CESEE region

### ROMANIA

Nominal wage growth remained in double-digit territory in January 2016. Net wages came at -8.1% MoM/+11.7% YoY in January down from +10.2% MoM /+13.3% YoY in last December compared to +2.1% MoM/+9.7% YoY in October. The deceleration in monthly dynamics reflects the granting of occasional and performance bonuses given at the end of last year. Yet, the strong momentum on an annual basis is sustained, which becomes more obvious if the annual reading is compared to that of October which doesn't include any bonuses. If the negative inflation stemming from the headline and VAT food stuff rate cuts is factored in, real wages growth now stands at +13.9% YoY in January compared to +14.2% YoY in December vs. +11.5% YoY in October.

The reading is still the highest in EU-28 and close to the latest post-crisis high for the standards of Romania recorded in December. A generous wage increase approved by the parliament for all other unions of the broad public sector- effective from December except for the education and the health sectors which have already received 15% and 25% increases respectively is the main driver behind wage acceleration. The expansion in public sector wages has also spillovers in the private sector wage formation. Even though private sector wage dynamics are still lagging behind those of the public sector, they are an inch below double digits (+9.4% YoY in January down from +10.7% YoY in last December). Looking ahead, the implementation of a 19% hike in the minimum wage effective from next May will continue to put further upward pressure to the average wage in the near term. Robust real wage growth in private and public sector in tandem with improving sentiment and labor market tightening conditions have been fueling a revival of consumption spending throughout 2015, a trend which will most probably continue throughout 2016. On the downside, double digit wage formation entails negative implications for the price competitiveness of the tradables sector which is going to reflect on the net exports side and effectively will be RON negative.

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Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	B+
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B3	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National  
Authorities, Eurobank Research

March 10, 2016

**GLOBAL MARKETS**

Stock markets	FOREX	Government Bonds	Commodities												
Last	ΔD	ΔYTD	Last	ΔDbps	ΔYTD bps	Last	ΔD	ΔYTD							
S&P 500	1989.26	0.5%	-2.7%	EUR/USD	1.0963	-0.3%	1.0%	(yields)	1.86	-1	-41	GOLD	1246	-0.6%	17.4%
Nikkei 225	16852.35	1.3%	-11.5%	GBP/USD	1.4189	-0.2%	-3.7%	UST - 10yr	0.23	-1	-40	BRENT CRUDE	41	-1.1%	8.9%
STOXX 600	339.14	0.5%	-7.3%	USD/JPY	113.59	-0.2%	5.7%	Bund-10yr	-0.02	0	-28	LME X	2326	1.4%	5.6%
								JGB - 10yr							

**CESEE MARKETS**

**SERBIA**

**Money Market**

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	283	-1	-20
1-week	2.95	-1	-24
1-month	3.12	0	-39
3-month	3.30	0	-53
6-month	3.50	0	-53

**RS Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.39	-8	-27
5Y RSD	5.21	-1	8
7Y RSD	7.64	0	-6

**RS Eurobonds**

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.96	-1	-19
USD Nov-24	6.17	0	-24

**CDS**

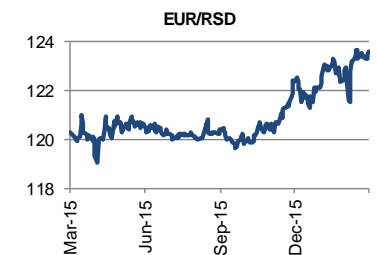
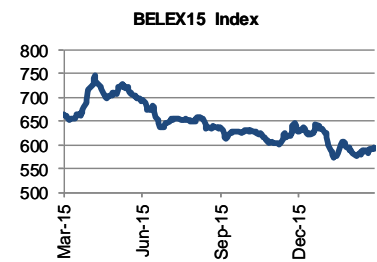
	Last	ΔDbps	ΔYTD bps
5-year	289	19	14
10-year	335	1	-4

**STOCKS**

	Last	ΔD	ΔYTD
BELEX15	593.4	-0.24%	-7.87%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RSD	123.60	-0.09%	-1.63%



**ROMANIA**

**Money Market**

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.39	0	-14
1-month	0.54	0	-15
3-month	0.77	0	-25
6-month	1.03	0	-31
12-month	1.2	0	-32

**RO Local Bonds**

	Last	ΔDbps	ΔYTD bps
3Y RON	1.88	0	-5
5Y RON	2.65	0	-15
10Y RON	3.35	0	-43

**RO Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.45	N/A	-12
USD Jan-24	3.43	1	-36

**CDS**

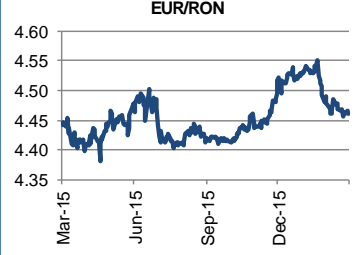
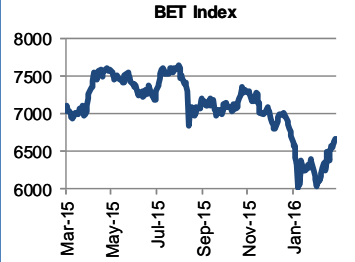
	Last	ΔDbps	ΔYTD bps
5-year	129	1	-5
10-year	175	1	3

**STOCKS**

	Last	ΔD	ΔYTD
BET	6638.7	-0.53%	-5.22%

**FOREX**

	Last	ΔD	ΔYTD
EUR/RON	4.4619	-0.02%	1.17%



**BULGARIA**

**Money Market**

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.00	0	-1
1-month	-0.08	0	-23
3-month	0.03	0	-23
6-month	0.22	0	-31
12-month	0.58	0	-39

**BG Local Bonds**

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.36	0	-24
5Y BGN	1.07	0	-20
10Y BGN	2.64	0	-2

**BG Eurobonds**

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.53	0	-57
EUR Sep-24	2.38	-1	-4

**CDS**

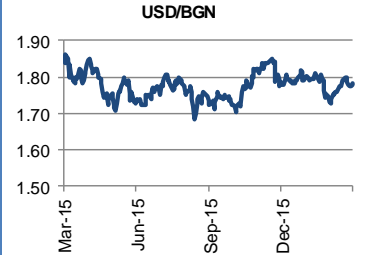
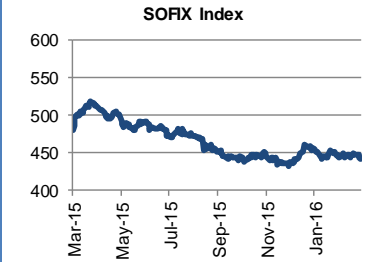
	Last	ΔDbps	ΔYTD bps
5-year	171	-1	-1
10-year	217	-2	1

**STOCKS**

	Last	ΔD	ΔYTD
SOFIX	442.2	-0.32%	-4.05%

**FOREX**

	Last	ΔD	ΔYTD
USD/BGN	1.7842	-0.34%	0.90%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 09:45 EET

March 10, 2016

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