

ZEW, the Centre for European Economic Research, Mannheim, and Erste Group Bank AG, Vienna, carry out a monthly survey for Central and Eastern Europe, Austria, as well as the Eurozone asking financial market experts for their assessments and expectations with regard to economic and financial market data. The results of the current survey, conducted between June 29 and July 13, 2009, are published in the August 2009 issue of the "Financial Market Report CEE" 66 financial market experts participated in this month's survey.

Economic Expectations for Central and Eastern Europe more cautious

After the upward trend of the business forecast for the CEE region in the previous six months, the financial experts have adjusted their expectations downwards in July. The ZEW/Erste Group Bank sentiment indicator CEE loses 16.4 points, currently standing at 4.0 points. Nonetheless, the majority of the respondents anticipate an unchanged cyclical development in the CEE area over a six month horizon. A similar downward

adjustment was observed in July for the ZEW sentiment indicator for Germany, as well as for the ZEW/Credit Suisse economic indicator for Switzerland. The analysts' inflation forecast for all economies evaluated is characterised by a shift towards unchanged inflation rates. The balances capturing the stock market expectations for the coming six months for all analysed stock indices remain clearly positive.

Economic Outlook for CEE Countries, Austria and the Eurozone

The ZEW/Erste Group Bank sentiment indicator for Central and Eastern Europe, which is calculated as the balance of positive and negative assessments of the economic development on a six months horizon, falls by 16.4 points to 4.0 points in July. Nonetheless, with a share of 38.8 percent the majority of the respondents anticipate an unchanged cyclical development in the CEE region for the upcoming half year. The results from the analogous surveys for Germany and Switzerland show a similar correction of the economic expectations of the financial market experts in July.

The economic outlook for Austria improves by 4.5 points to 14.5 points in July. The respective indicator for the Eurozone recedes marginally by 0.9 points, now standing at 15.8 points. With respect to both Austria and the Eurozone, the answers suggesting an unchanged economic development on a six month horizon prevail.

In the July survey, the financial experts hold a critical view on the present economic situation in all analysed regions and individual countries. The corresponding balance for the CEE area recedes by 13.7 points to minus 75.0 points. As for Austria and the Eurozone, the decreases are even more pronounced, with the associated indicators falling by 19.2 and 14.8 points to minus 45.5 and minus 70.0 points respectively.

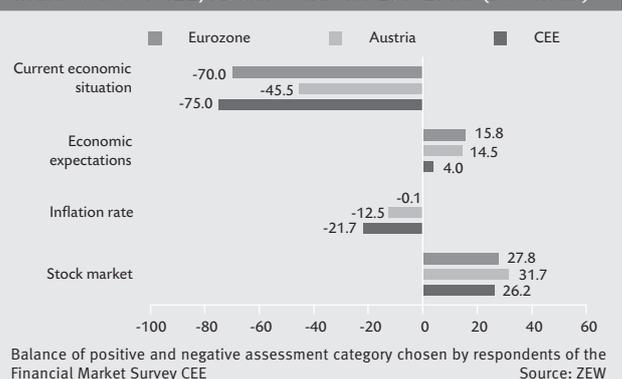
The analysts' inflation forecasts for all regarded economies are characterised by a shift towards unchanged rates of price increases. Concerning the CEE region, 43.5 percent of the respondents predict that the inflation risk will neither rise nor

fall in the next half year. The outcomes for the Eurozone as a whole and Austria in particular are quite alike.

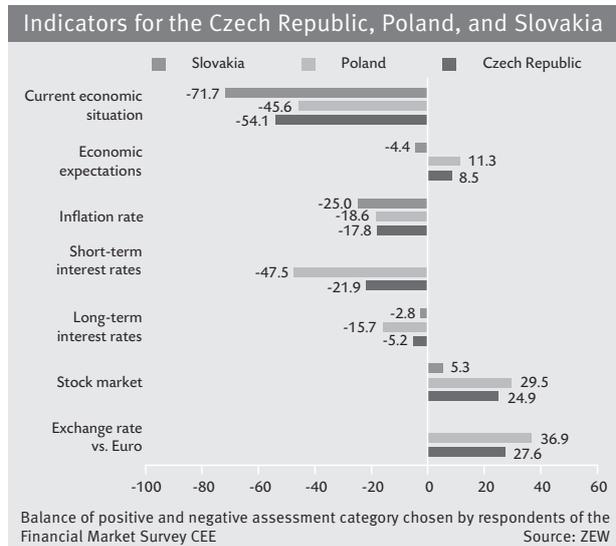
In July an increasing majority of the financial experts count on constant short-term interest rates in the Eurozone. 69.6 percent of the survey participants share the view of the ECB, regarding the current interest level as "appropriate" and anticipate no adjustment.

The respondents' stock market expectations for the coming six months are mixed. Whereas the balance for the CEE share index NTX improves marginally, the respective indicators for the Austrian ATX and the Eurostoxx 50 lose value slightly. However, all balances remain clearly positive with values around 30 points.

Indicators for CEE, Austria and the Eurozone (balances)



Czech Republic, Poland and Slovakia: Expectations for Unchanged Economies



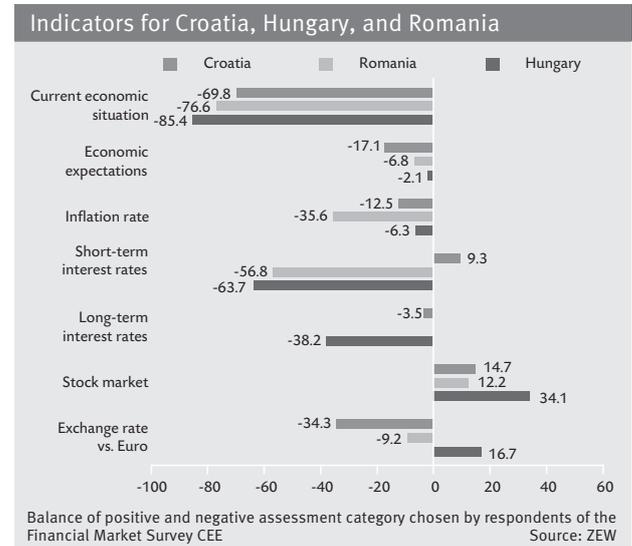
This month's survey results for the Czech Republic, Poland and Slovakia are characterised by a shift of the economic expectations from optimistic to neutral. The share of optimistic expectations for the Czech Republic has diminished in favour of neutral predictions and the majority of the financial experts now anticipate an unchanged cyclical development for the coming six months. The sentiment indicator for the Czech Republic loses its leading position within the CEE countries decreasing by 10.6 points to 8.5 points. Declining 15.0 points, the balance which captures the business prospects for Slovakia turns negative in July, closing at minus 4.4 points. By contrast, the business forecasts for Poland improve slightly by 0.5 points to 11.3 points in July.

The financial experts' assessments of the current business conditions in the Czech Republic, Poland and Slovakia change for the worse in the current survey. In spite of having recovered in June, all three respective balances lose value this month. The analysts' evaluations of the present situation in the Czech Republic shift from positive to neutral and the respective balance recedes by 9.6 points to minus 54.1 points. The corresponding indicator for Slovakia notes the sharpest decline among the analysed countries in this category, dropping by 21.7 points to minus 71.7 points. The respondents' view on the current state of the Polish economy worsens by 7.5 points to minus 45.6 points.

Concerning the anticipated developments in the stock markets, the expectations for the Czech PX 50 and the Polish WIG remain nearly unchanged, closing at 24.9 and 29.5 points. Compared to the assessments for all other CEE nations, the financial experts take a more cautious view on the future potential of the Slovak stock index SAX. The corresponding balance achieves the lowest value among the predictions for the share indices.

According to the majority of respondents, the Polish Zloty is about to appreciate versus the Euro within the coming half year.

Hungary, Romania and Croatia: Doubts about Current Situation



Consistent with the results of the previous month, the financial experts are more cautious in their assessment of the medium-term economic prospects in Romania and Croatia in July. The sentiment indicator for Croatia notes the sharpest decline in the July survey of 21.9 points, reaching a value of minus 17.1 points – the lowest level among all analysed economies. Nonetheless, a majority of the analysts expect unchanged economic developments within a six month horizon. The indicator for Romania declines by 4.6 points in July, now standing at minus 6.8 points. After its significant decline in June, the indicator capturing the economic forecast for Hungary recovers slightly this month. The corresponding balance ascends by 2.3 points to minus 2.1 points, with most financial experts anticipating an unchanged cyclical situation, as well.

The respondents' doubt concerning the present economic conditions in the three selected countries increases in July, as all three balances lose in value. The evaluation for the Hungarian economy recedes by 7.6 points to minus 85.4 points, bringing up the rear again within the analysed CEE countries. With regards to Romania and Croatia, the respective indicators decrease by 8.5 and 13.4 points to minus 76.6 and minus 69.8 points respectively.

Last month's outcomes were characterised by a growing share of financial experts perceiving increased inflation risks for Hungary, Romania and Croatia. With respect to the latter two countries, this tendency has not carried over into July. The expectations of the analysts concerning the short-term interest rates in Croatia have changed substantially in July. Due to a strongly growing proportion of the experts predicting rising interest rates, the associated indicator turns positive this month, climbing 23.6 points to currently 9.3 points.

The balance reflecting the analysts' outlook for the development of the Hungarian stock index BUX improves marginally in the July survey and achieves the highest value in this category.

Special Question: CEE Tourism Sector in 2009

In view of the forthcoming summer season, this month's special question focuses on the outlook for the CEE tourism sector in 2009. Will the CEE region suffer from shrinking demand for vacation or could it profit from the crisis by offering a still favourable price-performance ratio? For this purpose, we asked the financial experts to compare the prospects of the tourism sector in the CEE area to the ones of the holiday destinations in Western Europe (e.g. Spain, France and Italy). Moreover, we were interested in the analysts' view on the importance of specific tourism fields and the meaningful challenges for the CEE tourism industry in 2009.

With regard to the perspectives of the tourism sector in CEE compared to Western European locations for the upcoming summer season, the financial experts' assessments differ considerably. Presumably assuming increased price sensitivity of tourists this year, a majority of 45 percent of the respondents predict better or at least slightly better prospects for the tourism sector in Central and Eastern Europe. In contrast, 41 percent of the respondents believe that the tourist destinations in Western Europe will attract comparatively more visitors over the coming summer. 14 percent of the financial experts spot equal prospects for the CEE tourism sector.

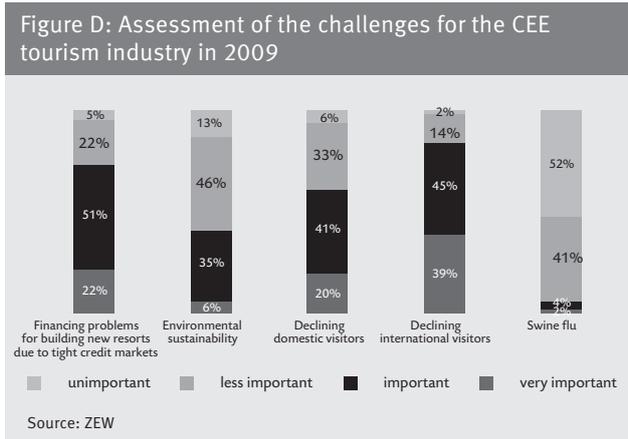
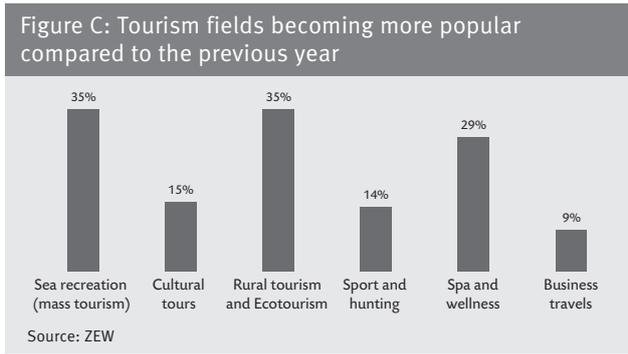
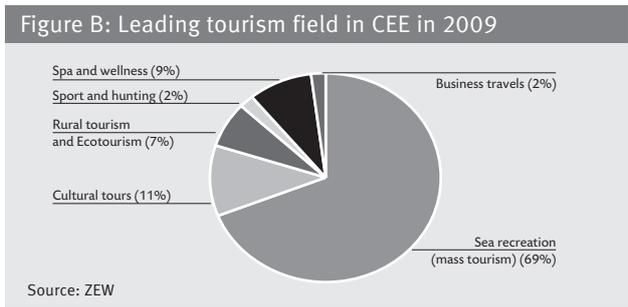
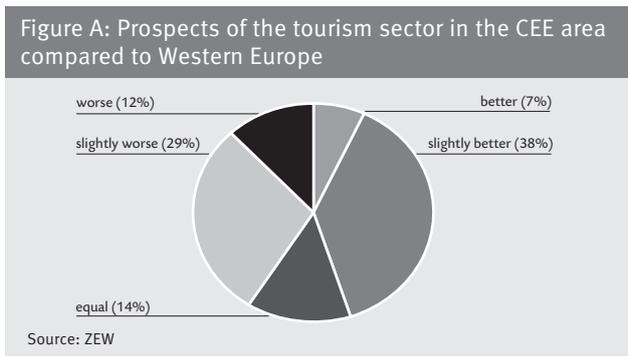
When being asked to identify the most significant tourism field, the analysts are pretty much agreed: A distinct majority of 69 percent believe that mass tourism at the sea will be dominant in the coming summer season. Cultural travels position themselves far behind, featuring a share of only 11 percent, followed by spa and wellness holidays with 9 percent as well as rural and ecotourism with 7 percent.

Moreover, 35 percent of the financial experts are convinced that sea recreation in the form of mass tourism will even gain in importance compared to the previous year. A comparable performance potential for this season is attributed by the analysts only to rural and ecotourism in the CEE area. Slightly fewer respondents, namely 29 percent, assume that spa and wellness holidays in the region will become more popular in 2009. As opposed to this, less than every tenth survey participant holds the view that business travels to CEE countries will play a more important role this year.

According to the questioned financial experts, the decreasing number of international visitors is the most urgent problem for the CEE tourism industry in 2009, 84 percent of all survey participants considering it to be "very important" or at least "important". From the respondents' point of view, a possible reduction of local demand for vacation in the CEE area is less significant in this respect. Most financial experts, namely 41 percent, regard a declining number of domestic visitors as an "important", 33 percent even as an only "less important" challenge for the tourism sector in the region.

Moreover, a large majority of the analysts (73 percent) raise concerns over potential financing problems for building new resorts in view of currently tight credit markets. More than half of the respondents consider this to be an "important" challenge for tourism in CEE this year.

Despite the assumed domination of mass tourism at the sea, most financial experts, namely 46 percent, hold the



view that the exigency to achieve more environmental sustainability will be a matter of lower relevance for the CEE tourism sector in 2009.

Additionally, an overwhelming majority of the participants are convinced that recent cases of swine flu in Central and Eastern European countries will have a negligible impact on the domestic tourism industry.

Mariela Borell, Oliver Herrmann

ZEW-Financial Market Survey: July 2009

Current economic situation	good		acceptable (normal)		bad		balance									
Austria	4,5	(-11,3)	45,5	(+3,4)	50,0	(+7,9)	-45,5	(-19,2)								
Croatia	2,3	(+2,3)	25,6	(-18,0)	72,1	(+15,7)	-69,8	(-13,4)								
Czech Republic	4,2	(-9,1)	37,5	(+8,6)	58,3	(+0,5)	-54,1	(-9,6)								
Hungary	2,1	(+2,1)	10,4	(-11,8)	87,5	(+9,7)	-85,4	(-7,6)								
Poland	2,2	(-12,1)	50,0	(+16,7)	47,8	(-4,6)	-45,6	(-7,5)								
Romania	6,4	(+1,8)	10,6	(-12,1)	83,0	(+10,3)	-76,6	(-8,5)								
Slovakia	2,2	(-9,7)	23,9	(-2,3)	73,9	(+12,0)	-71,7	(-21,7)								
CEE	2,1	(+0,1)	20,8	(-13,9)	77,1	(+13,8)	-75,0	(-13,7)								
Eurozone	2,0	(-0,2)	26,0	(-14,4)	72,0	(+14,6)	-70,0	(-14,8)								
Economic expectations	improve		no change		worsen		balance									
Austria	36,5	(+4,0)	41,5	(-3,5)	22,0	(-0,5)	14,5	(+4,5)								
Croatia	19,5	(-9,1)	43,9	(-3,7)	36,6	(+12,8)	-17,1	(-21,9)								
Czech Republic	29,8	(-10,6)	48,9	(+10,6)	21,3	(+/-0,0)	8,5	(-10,6)								
Hungary	22,4	(-1,5)	53,1	(+5,3)	24,5	(-3,8)	-2,1	(+2,3)								
Poland	31,8	(-5,1)	47,7	(+10,7)	20,5	(-5,6)	11,3	(+0,5)								
Romania	28,8	(+1,8)	35,6	(-8,2)	35,6	(+6,4)	-6,8	(-4,6)								
Slovakia	21,7	(-10,2)	52,2	(+5,4)	26,1	(+4,8)	-4,4	(-15,0)								
CEE	32,6	(-8,2)	38,8	(+/-0,0)	28,6	(+8,2)	4,0	(-16,4)								
Eurozone	33,4	(-4,1)	49,0	(+7,3)	17,6	(-3,2)	15,8	(-0,9)								
Inflation rate	increase		no change		decrease		balance									
Austria	20,0	(-4,4)	47,5	(+1,6)	32,5	(+2,8)	-12,5	(-7,2)								
Croatia	22,5	(-5,0)	42,5	(+10,0)	35,0	(-5,0)	-12,5	(+/-0,0)								
Czech Republic	20,0	(+/-0,0)	42,2	(+6,6)	37,8	(-6,6)	-17,8	(+6,6)								
Hungary	31,2	(+0,1)	31,3	(+9,1)	37,5	(-9,2)	-6,3	(+9,3)								
Poland	18,6	(-5,2)	44,2	(+13,2)	37,2	(-8,0)	-18,6	(+2,8)								
Romania	13,3	(-11,1)	37,8	(+17,8)	48,9	(-6,7)	-35,6	(-4,4)								
Slovakia	15,9	(-2,3)	43,2	(+15,9)	40,9	(-13,6)	-25,0	(+11,3)								
CEE	17,4	(-9,3)	43,5	(+10,2)	39,1	(-0,9)	-21,7	(-8,4)								
Eurozone	28,5	(-0,6)	42,9	(+3,3)	28,6	(-2,7)	-0,1	(+2,1)								
Short-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	28,1	(+16,7)	23,4	(+7,8)	53,1	(-9,8)	43,3	(-6,7)	18,8	(-6,9)	33,3	(-1,1)	9,3	(+23,6)	-9,9	(+8,9)
Czech Republic	9,8	(+5,0)	10,5	(+2,6)	58,5	(+4,8)	55,3	(+/-0,0)	31,7	(-9,8)	34,2	(-2,6)	-21,9	(+14,8)	-23,7	(+5,2)
Hungary	4,5	(-2,7)	4,9	(-0,2)	27,3	(+3,5)	24,4	(+1,3)	68,2	(-0,8)	70,7	(-1,1)	-63,7	(-1,9)	-65,8	(+0,9)
Poland	7,5	(+0,2)	5,3	(+2,7)	37,5	(+0,9)	34,2	(-15,8)	55,0	(-1,1)	60,5	(+13,1)	-47,5	(+1,3)	-55,2	(-10,4)
Romania	5,4	(-2,3)	2,8	(-2,9)	32,4	(-3,5)	28,6	(-5,7)	62,2	(+5,8)	68,6	(+8,6)	-56,8	(-8,1)	-65,8	(-11,5)
Eurozone	23,9	(+11,1)			69,6	(+5,8)			6,5	(-16,9)			17,4	(+28,0)		
Long-term interest rates	increase		no change		decrease		balance									
	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]	[abs.]	[rel.]								
Croatia	24,1	(+5,9)	37,1	(+11,3)	48,3	(-0,2)	25,9	(-9,6)	27,6	(-5,7)	37,0	(-1,7)	-3,5	(+11,6)	0,1	(+13,0)
Czech Republic	23,7	(-8,8)	19,5	(+5,9)	47,4	(+14,9)	44,4	(+6,6)	28,9	(-6,1)	36,1	(-12,5)	-5,2	(-2,7)	-16,6	(+18,4)
Hungary	16,6	(-2,9)	20,5	(+12,6)	28,6	(+4,2)	23,1	(-0,6)	54,8	(-1,3)	56,4	(-12,0)	-38,2	(-1,6)	-35,9	(+24,6)
Poland	21,1	(-1,4)	19,4	(+11,1)	42,1	(+9,6)	30,6	(-5,5)	36,8	(-8,2)	50,0	(-5,6)	-15,7	(+6,8)	-30,6	(+16,7)
Slovakia	22,2	(-4,1)	14,7	(+3,3)	52,8	(+13,3)	44,1	(-1,6)	25,0	(-9,2)	41,2	(-1,7)	-2,8	(+5,1)	-26,5	(+5,0)
Germany	46,5	(+4,3)			30,2	(-5,4)			23,3	(+1,1)			23,2	(+3,2)		
Stock market indices	increase		no change		decrease		balance									
EURO STOXX 50	46,9	(-7,5)	34,0	(+12,3)	19,1	(-4,8)	27,8	(-2,7)								
ATX (Austria)	52,2	(-3,9)	27,3	(+2,9)	20,5	(+1,0)	31,7	(-4,9)								
NTX (CEE)	50,0	(-1,1)	26,2	(+2,9)	23,8	(-1,8)	26,2	(+0,7)								
CROBEX (Croatia)	41,5	(-15,7)	31,7	(+12,7)	26,8	(+3,0)	14,7	(-18,7)								
PX 50 (Czech Rep.)	45,4	(-3,5)	34,1	(+7,4)	20,5	(-3,9)	24,9	(+0,4)								
BUX (Hungary)	51,1	(-5,7)	31,9	(+13,7)	17,0	(-8,0)	34,1	(+2,3)								
WIG (Poland)	47,7	(-5,7)	34,1	(+10,8)	18,2	(-5,1)	29,5	(-0,6)								
BET (Romania)	43,9	(-3,7)	24,4	(+0,6)	31,7	(+3,1)	12,2	(-6,8)								
SAX (Slovakia)	31,6	(-11,7)	42,1	(+12,4)	26,3	(-0,7)	5,3	(-11,0)								
SBI 20 (Slovenia)	35,2	(-17,7)	43,2	(+16,7)	21,6	(+1,0)	13,6	(-18,7)								
Exchange rates (vs. Euro)	appreciate		no change		depreciate		balance									
Kuna (Croatia)	13,1	(-5,4)	39,5	(+2,7)	47,4	(+2,7)	-34,3	(-8,1)								
Koruna (Czech Rep.)	42,5	(-14,0)	42,6	(+18,7)	14,9	(-4,7)	27,6	(-9,3)								
Forint (Hungary)	39,6	(-3,9)	37,5	(+4,9)	22,9	(-1,0)	16,7	(-2,9)								
Zloty (Poland)	56,5	(-2,6)	23,9	(+8,0)	19,6	(-5,4)	36,9	(+2,8)								
Lei (Romania)	27,2	(-4,5)	36,4	(-2,6)	36,4	(+7,1)	-9,2	(-11,6)								
US-Dollar	37,0	(+3,7)	15,2	(-0,4)	47,8	(-3,3)	-10,8	(+7,0)								

Note: 66 Financial experts participated in the July survey which was conducted during the period 06/29/09-07/13/09. Analysts were asked about their expectations for the next 6 months. Numbers displayed are percentages (month-over-month percentage point changes compared to the survey in June 2009 in parentheses). Balances refer to the differences between positive and negative assessments.

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