

## Eastern European Fixed Income: Weekly Overview

December 5–December 11, 2016

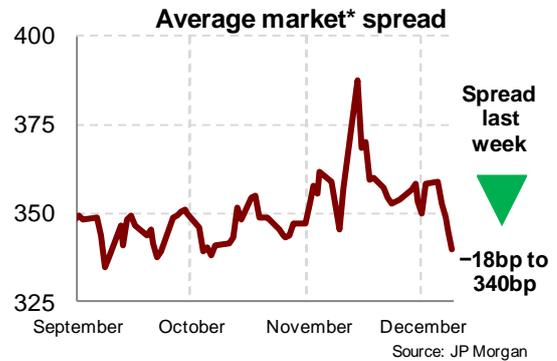
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- Over the week, the region's Eurobond market\* gained 0.7%. In terms of country performance, Ukraine and Russia added less than the market, while Turkey and Kazakhstan outperformed and added 1.0% and 1.4%, respectively. Average market yield declined by 0.1pp to 5.6%
- Q3'16 GDP growth in CEE region: Turkey, Hungary and Bulgaria



### General news

#### CEE region countries publish their preliminary Q3 growth figures:

- Turkey's GDP unexpectedly fell by 1.8% in Q3'16 compared with the respective quarter in 2015. Economists had forecast growth of 0.3% y/y after the country's economy had expanded by upwards revised 4.5% y/y in Q2'16. The service sector fell by 8.4% y/y, the most among the activities that constitute the GDP. Government expenditures supported the GDP the most as those increased by 23.8% y/y, whilst net exports were a significant drag hurt by 7.0% decline in exports and increasing imports. Analysts expect the country's economy to expand by 3.0% in 2016 and further by 3.1% in 2017.
- According to the final data release, Hungary's GDP growth rate slowed down to 2.2% y/y in Q3'16, however, surpassing flash estimate of 2.0% y/y; the advancement was trailing the revised 2.8% y/y growth rate recorded in Q2'16. In line with previous release, further improvement was restrained by falling industrial sectors, including car manufacturing. Overall, consensus expectation for Hungarian GDP are set for 2.1% y/y expansion in 2016 and for 2.6% y/y in 2017.
- Bulgaria's Q3'16 GDP growth was revised down to 3.4% y/y and 0.7% q/q on a seasonally adjusted basis compared with 3.5% y/y and 0.8% q/q estimated previously. The GDP growth was boosted by the 'Arts, entertainment and recreation, repair of households goods and other services' economic sector which expanded the most or by 7.9% y/y and was dragged by 'Financial and insurance activities' economic sector which contracted the most, by 1.4% y/y. By final use, net export dynamics had a positive boost to the country's growth and dragged by gross fixed capital formation. Economists expect the country's economy to expand by 2.9% in 2016 and by further 2.8% in 2017.

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\* 50% EMBI Global Diversified Europe region and 50% CEMBI Diversified Europe region