



**Institute of Energy
for South East Europe**

**“Second South East Europe
Energy Dialogue” International
Conference**

Thessaloniki, 21-22 May 2008

**The Economies of NBG Group - Well Placed to
Weather the Adverse Global Environment**

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NBG Group: International Presence



ALBANIA

BULGARIA

CYPRUS

EGYPT

FYROM

ROMANIA

SERBIA

TURKEY

GDP (EUR, mn)	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	7,918	28,910	15,578	98,047	5,305	121,432	30,550	480,576

Population (‘000)	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	3,163	7,642	790	71,347	2,047	21,524	7,403	73,875

Degree of Openness (%, 2007)	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	83.7	146.8	103.0	70.0	136.0	75.3	77.4	57.6

FC Rating (S&P's)	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	B+*	BBB+	A+	BB+	BB+**	BBB-	BB-	BB-

Next Legislative Elections	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	June 2009	June 2009	May 2011	Nov. 2011	June 2008	Nov. 2008	May 2012	July 2012

Next Presidential Elections	ALBANIA	BULGARIA	CYPRUS	EGYPT	FYROM	ROMANIA	SERBIA	TURKEY
	July 2012	Oct. 2011	Feb. 2013	Oct. 2011	Apr. 2009	Nov. 2009	Feb. 2013	Aug. 2012

*: Moody's rating – S&P's equivalent, **: FITCH



All You Wanted to Know about the Region's Macro

The Good: the Fundamentals

The Bad: the Imbalances

**The Ugly: the Increased Risks in a Volatile
Environment**



Maturing and Stable Governments with a Clear European Orientation

- Turkey:** Presidential and Parliamentary Elections in 2007 Support Reform and Continuity
- Serbia:** Pro-European and Pro-Reform Outcome in 2008 Parliamentary Elections
- Bulgaria:** The Coalition Government Pursues a Prudent Fiscal Stance and Reform Agenda despite its Waning Popularity
- Romania:** Slowing Reforms in an Election Year (November 2008)
- FYROM:** June 2008 Parliamentary Elections will not Change the pro-Reform Orientation Consensus
- Albania:** EU Anchor Helps the Coalition Government Implement Reforms
- Egypt:** Reform Drive Initiated in July 2004 unlikely to Pause despite Increasing Social Unrest



Aggressive Structural Reforms Support Export-Led Growth and Attract FDI

Banking System:	Tough Regulations and Supervision
Privatisations:	Near Completion in Most Countries
Labour Market:	Significant Progress over the past years but More has to be Done
Pensions:	Significant Progress over the past years but More has to be Done
Fiscal Reform:	Significant Progress over the past years (Corporate tax rate: Albania: 10%, Bulgaria:10%, Cyprus: 10%, Egypt: 20%, FYROM: 10%, Romania: 16%, Serbia: 10%, Turkey: 20%)
Judicial Reform:	Significant Progress over the past years but More has to be Done



All of the Countries in the Region, except Egypt, have Managed to Catch the EU Accession Train

Cyprus: became EMU member in January 2008

Romania: became EU member in January 2007

Bulgaria: became EU member in January 2007

Turkey: commenced EU membership negotiations in December 2005

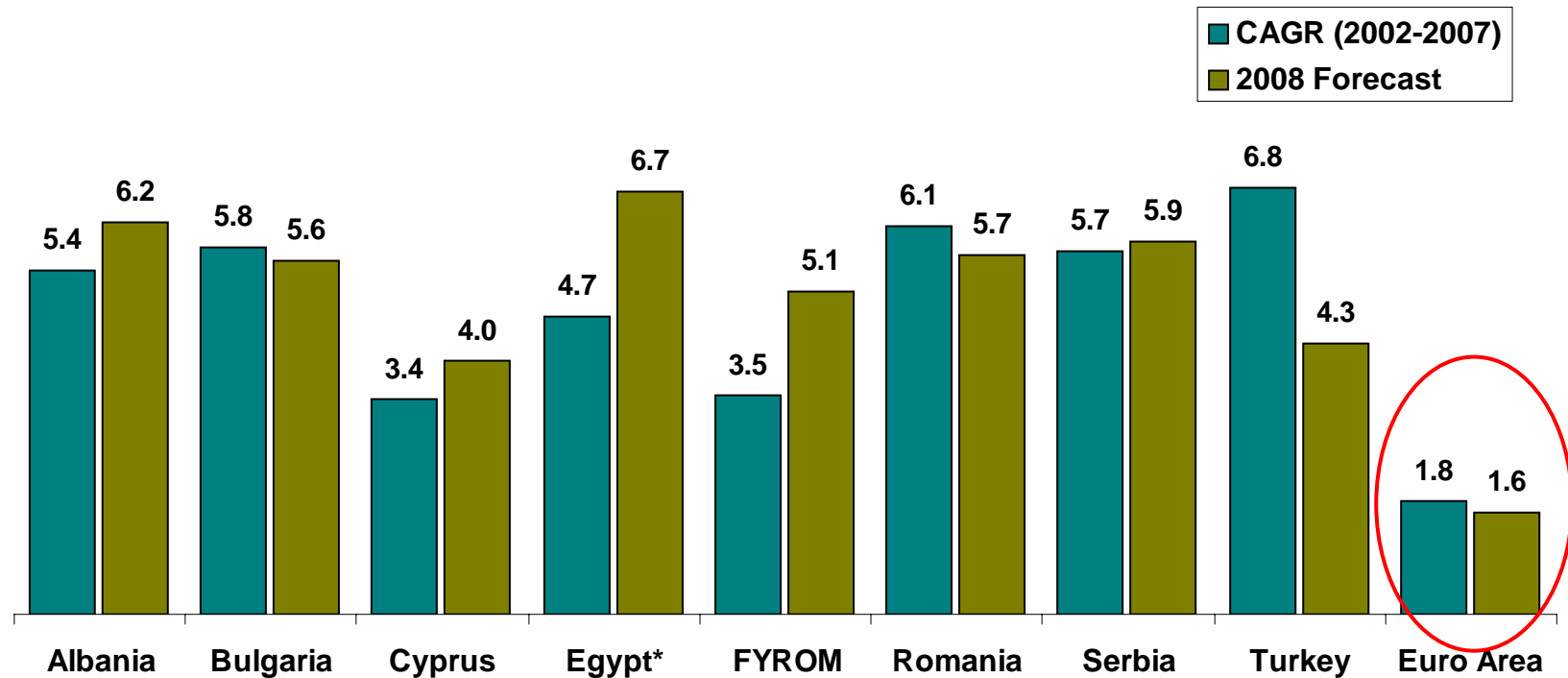
FYROM: was granted EU candidate status in December 2005

Albania: signed the Stabilisation and Association Agreement with the EU in June 2006

Serbia: signed the Stabilisation and Association Agreement with the EU in April 2008



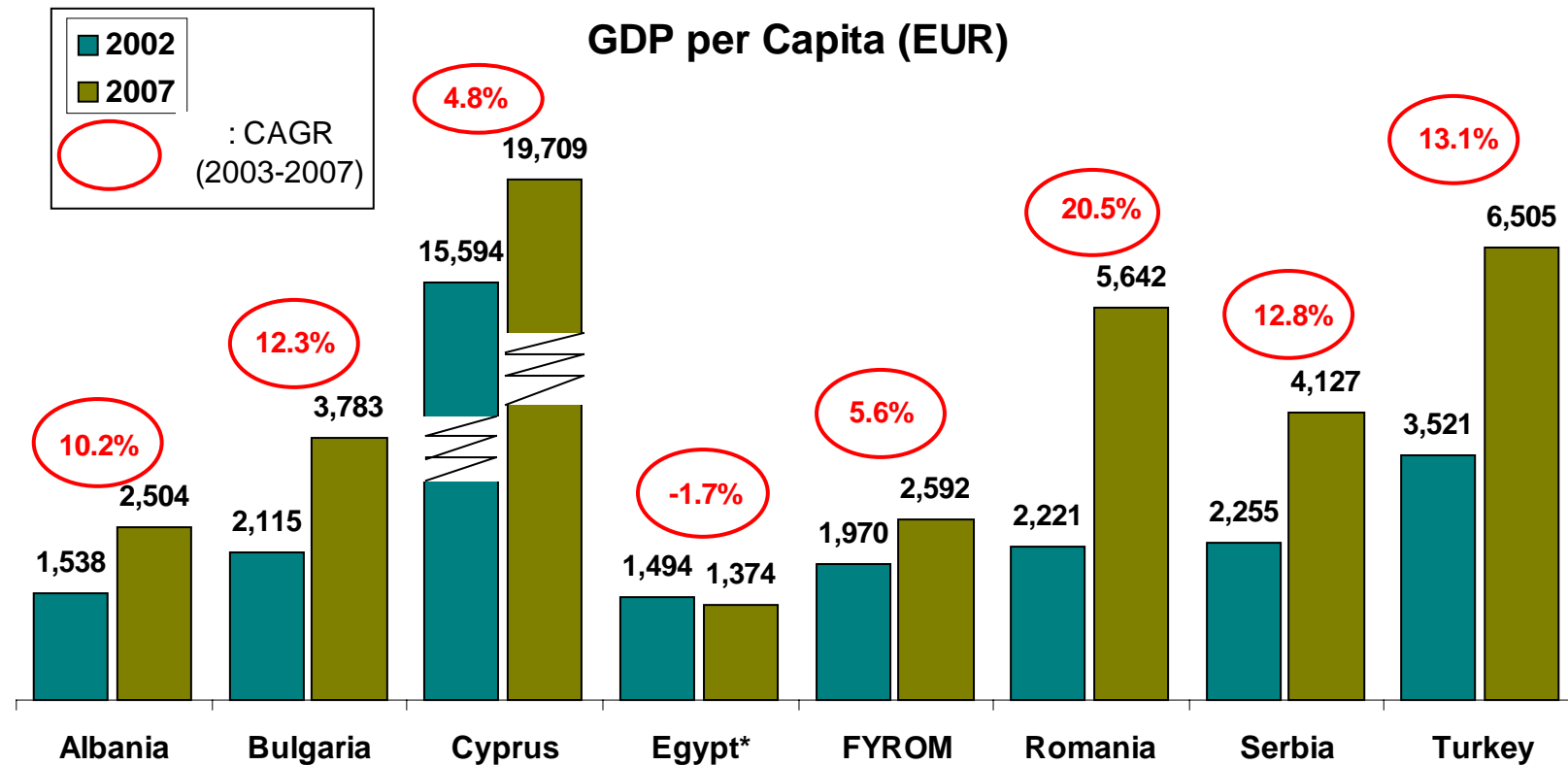
Real GDP Growth (%)



* Fiscal year starting July 1st and ending June 30th

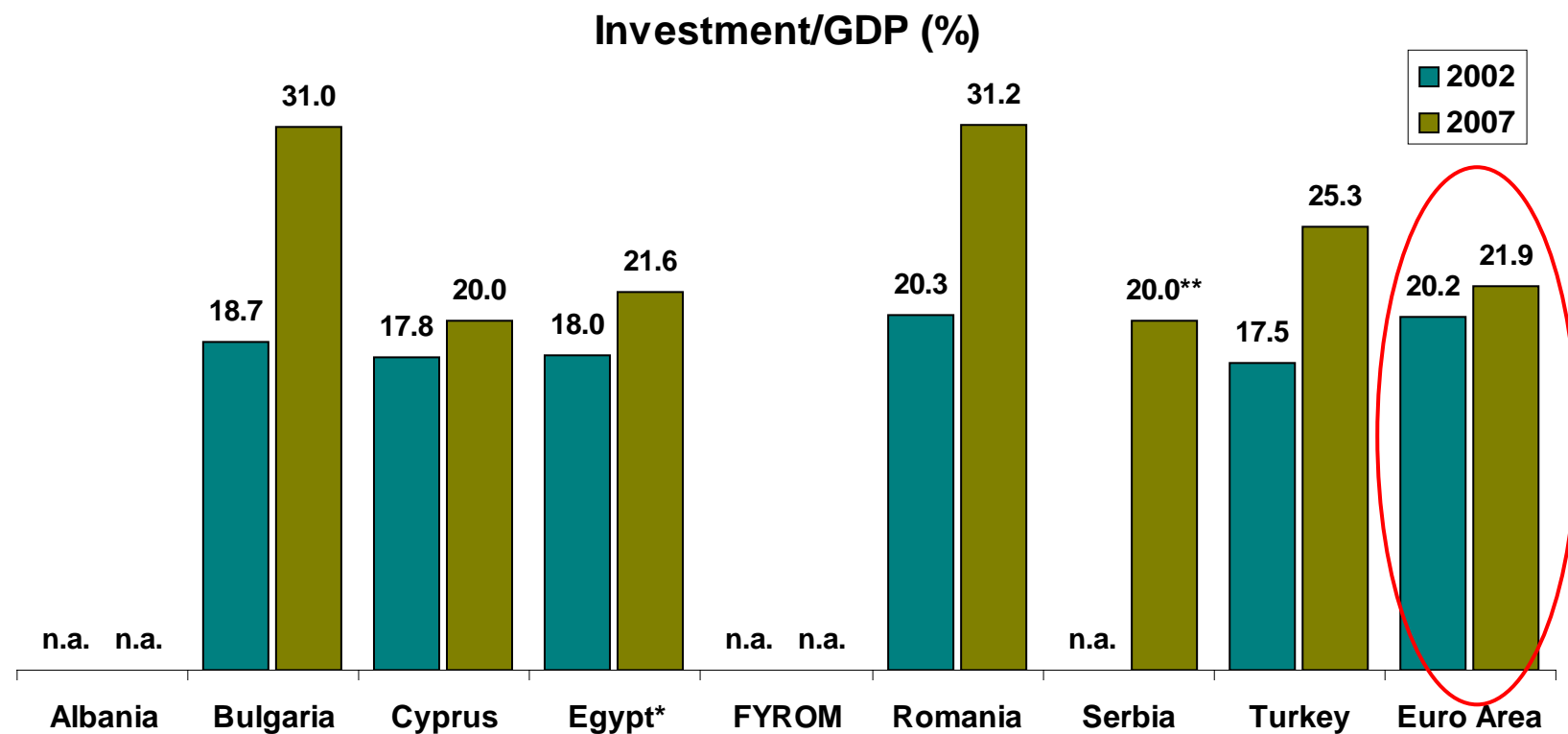


Significant Improvement in Living Standards



* Fiscal year starting July 1st and ending June 30th

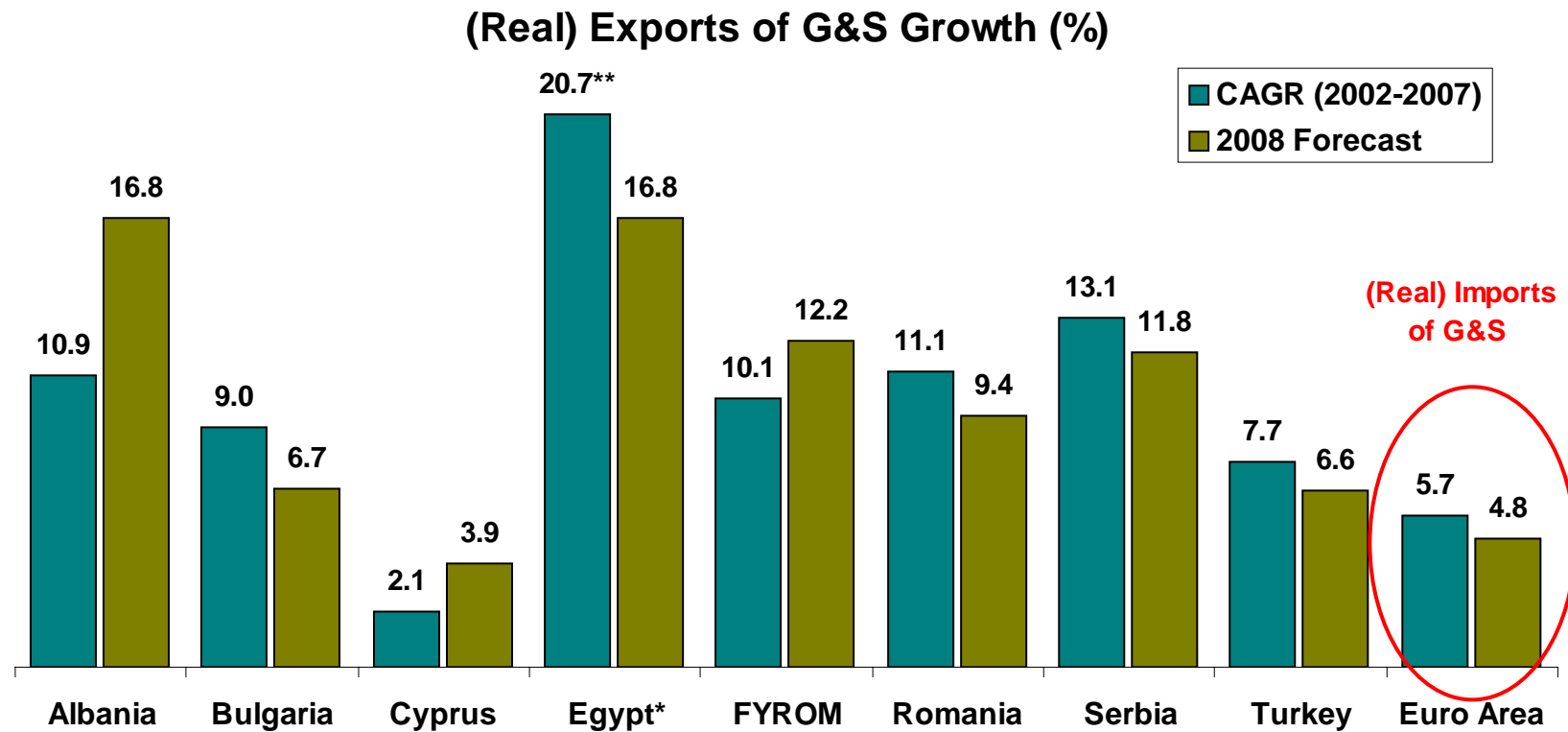
Reforms have Led to a Boom in Investment . . .



* Fiscal year starting July 1st and ending June 30th, ** Estimate



... and Sustained Export Market Share Gains Reflect Strong Competitiveness

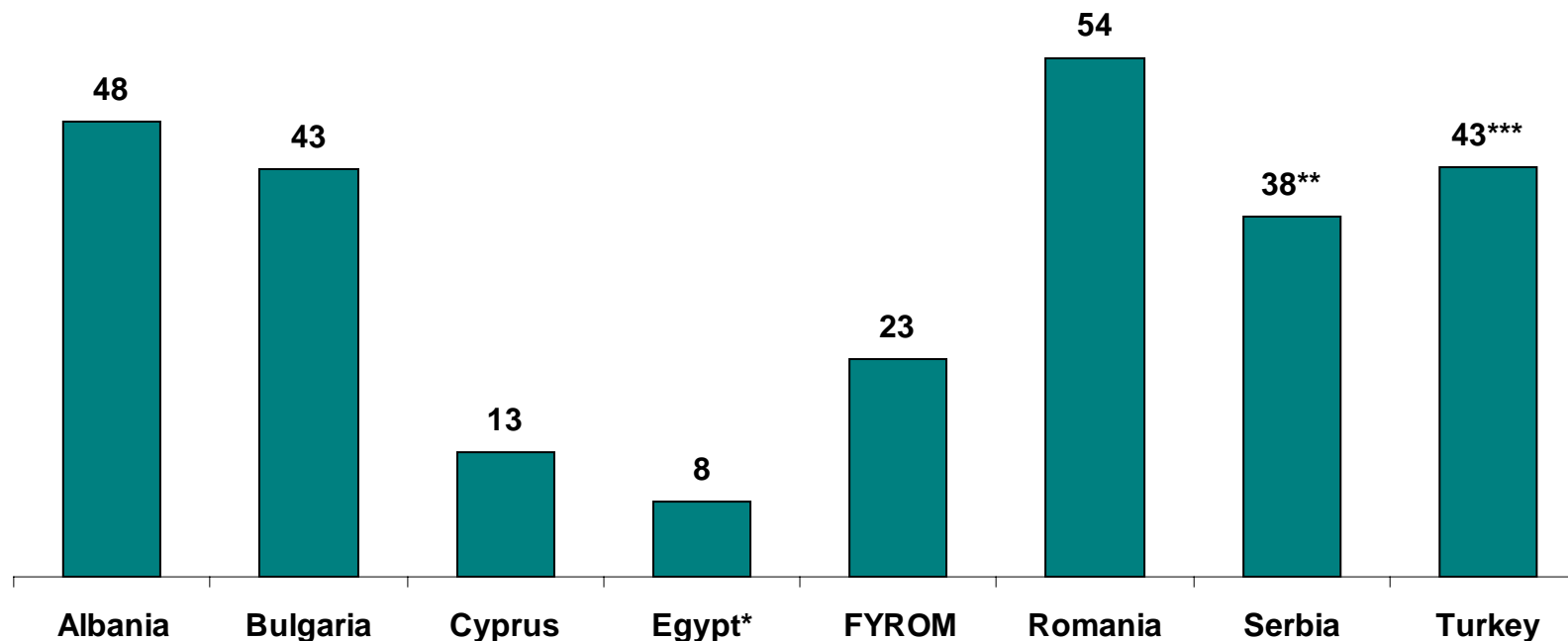


* Fiscal year starting July 1st and ending June 30th, ** 2003-2007

Stable Environment and Reforms have been Good for Banking Activity . . .

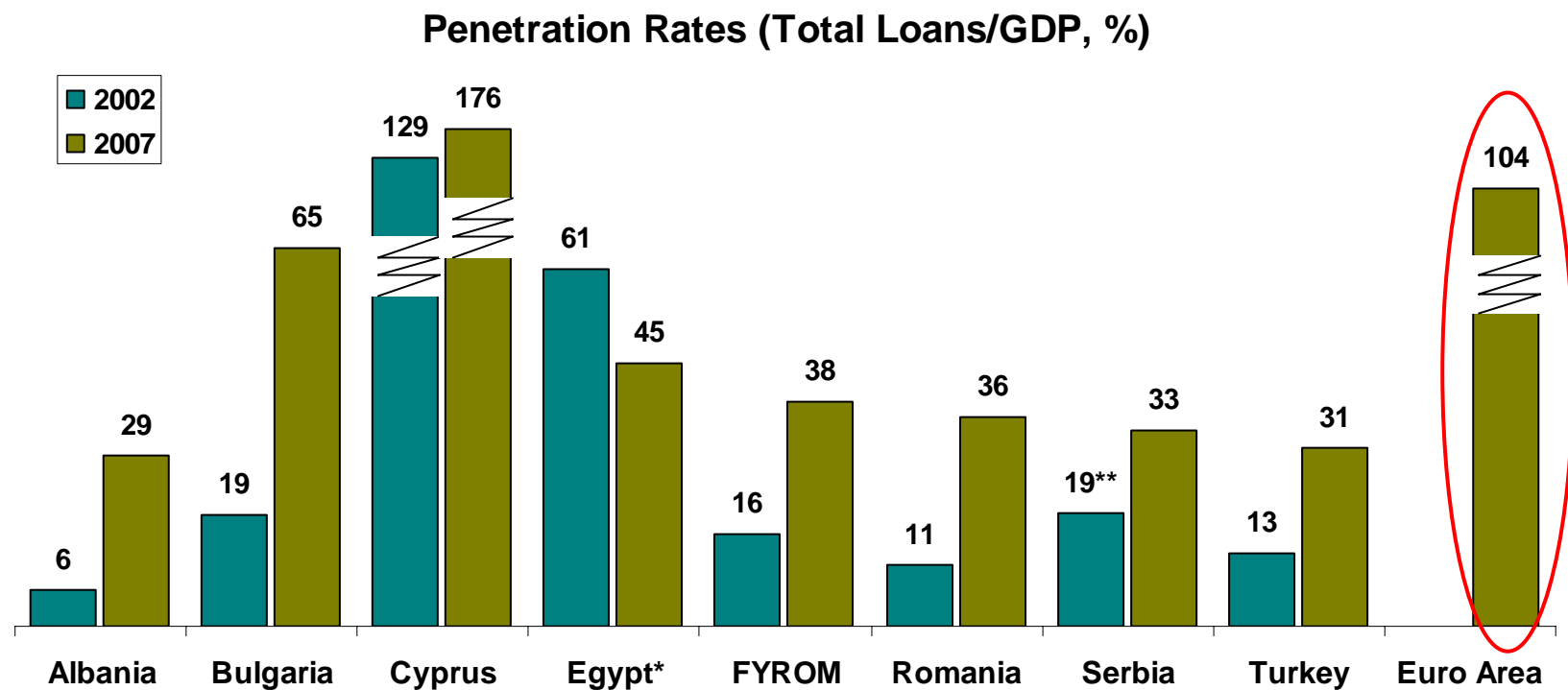


Total Loans CAGR (2002-2007,%)



* Fiscal year starting July 1st and ending June 30th, ** 2004-2007, *** 2003-2007

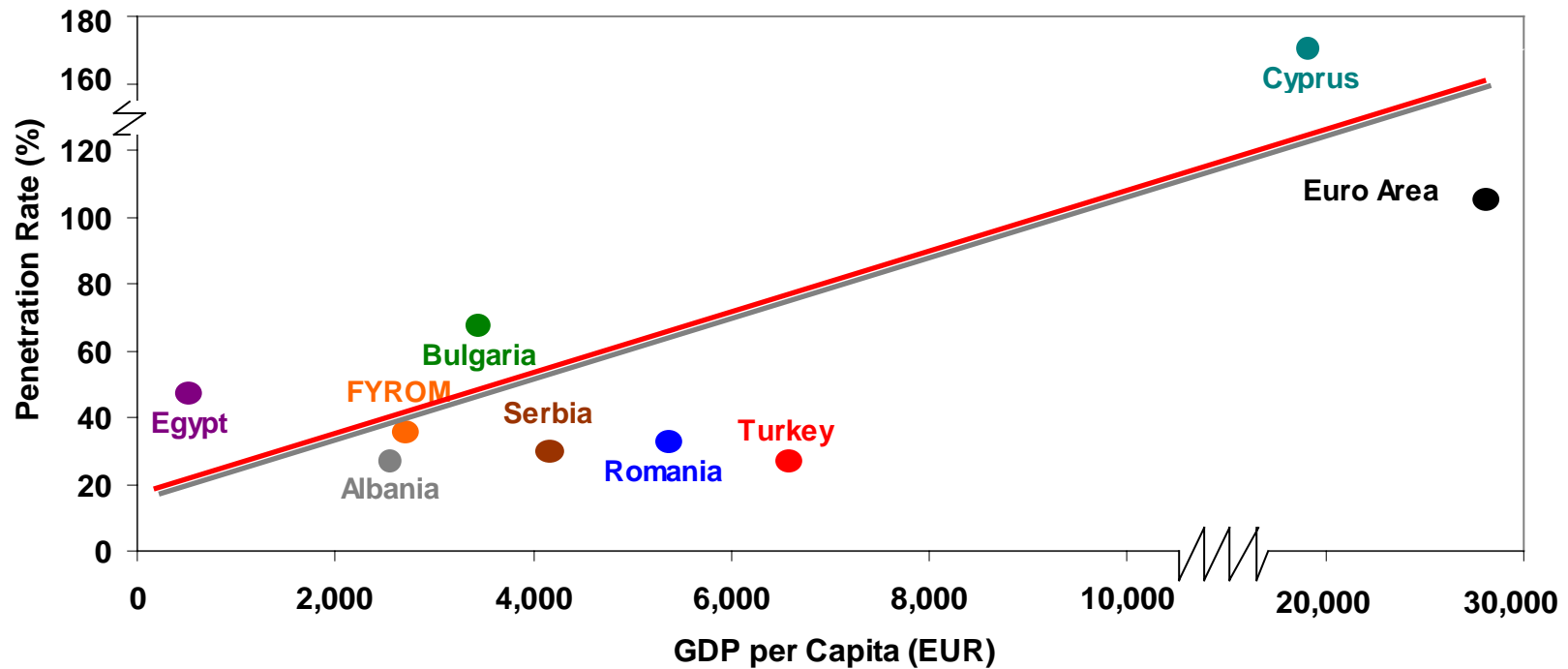
... But there is Much More Room to Grow ...



* Fiscal year starting July 1st and ending June 30th, ** 2003



GDP per Capita & Penetration Rates, 2007

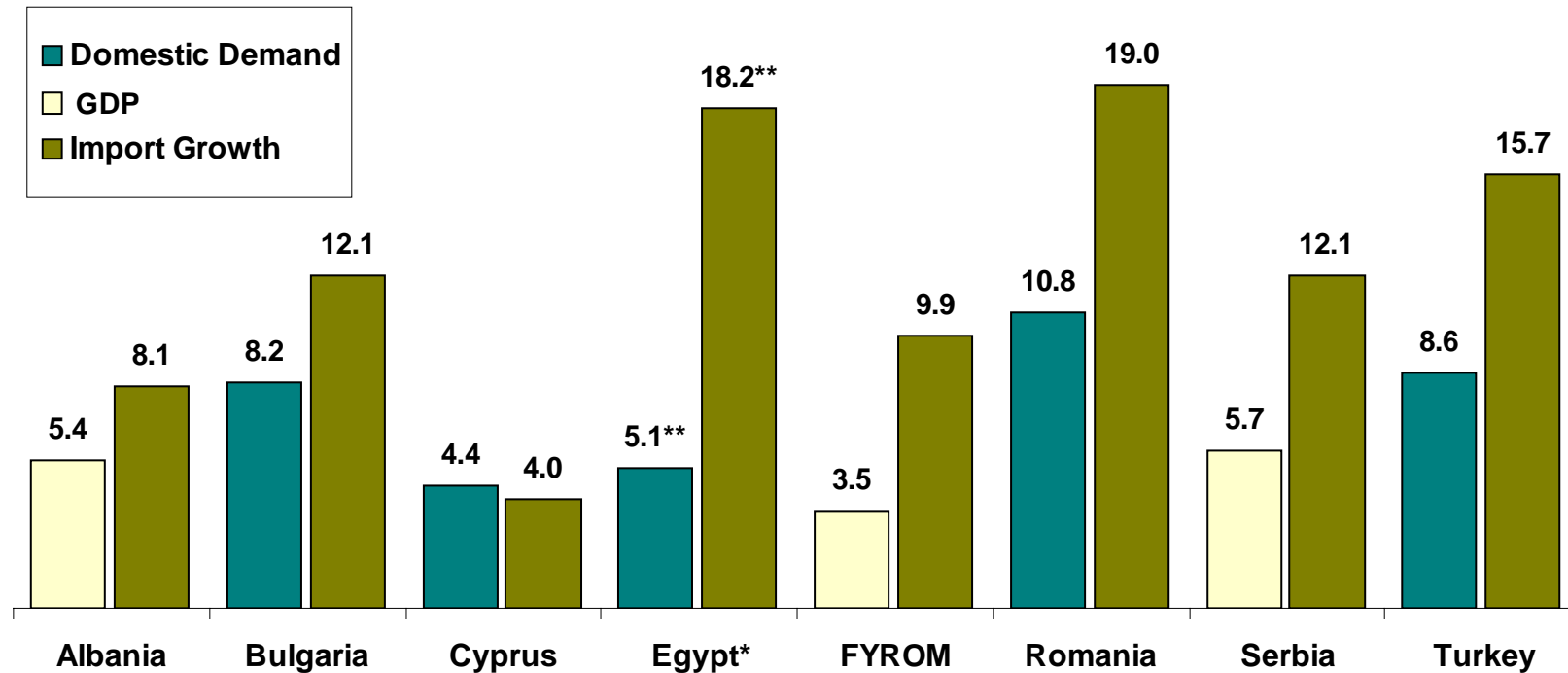




However, “All is not a Bed of Roses”



Domestic Demand & Import Growth (CAGR 2002-2007, %)

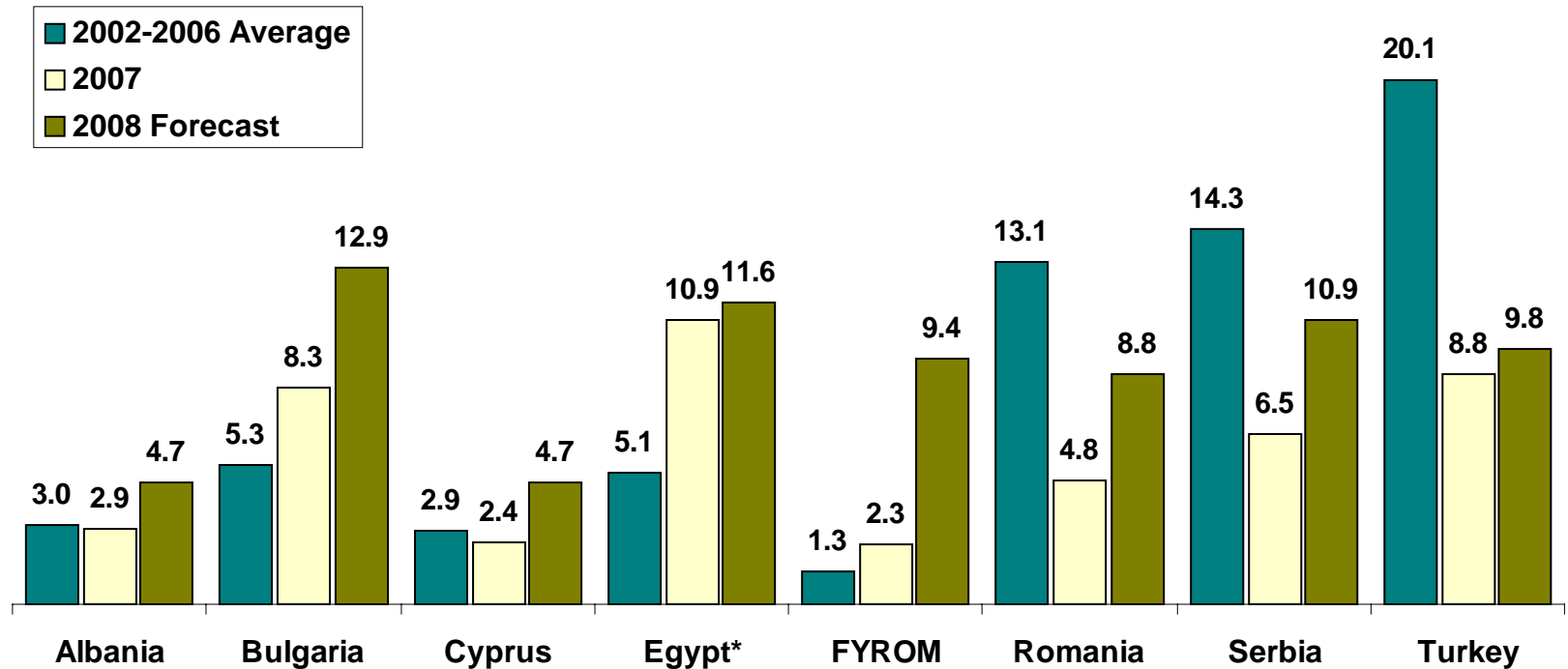


* Fiscal year starting July 1st and ending June 30th, ** 2003-2007



Inflation Picking up due to Commodities as well as Excess Demand

Inflation (y-o-y % change, aop)



Weights in CPI Basket (%)

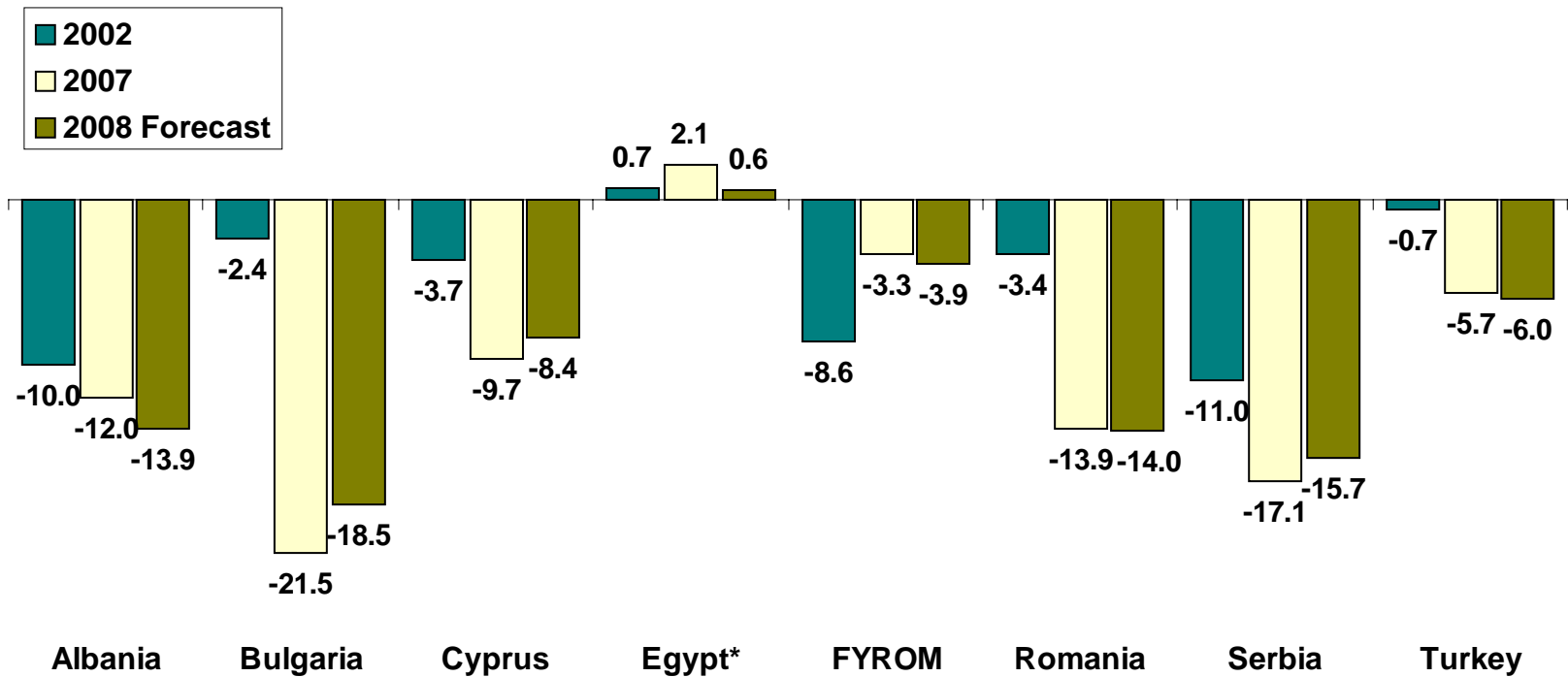
Food	39.3	35.3	17.6	43.9	39.6	37.5	n.a.	28.6
Energy-related	9.3	14.1	10.9	18.8	14.2	18.0	n.a.	15.9
Food + Energy-related	48.6	49.4	28.5	62.7	53.8	55.5	n.a.	44.5

* Fiscal year starting July 1st and ending June 30th



The External Balance has been Worsening . . .

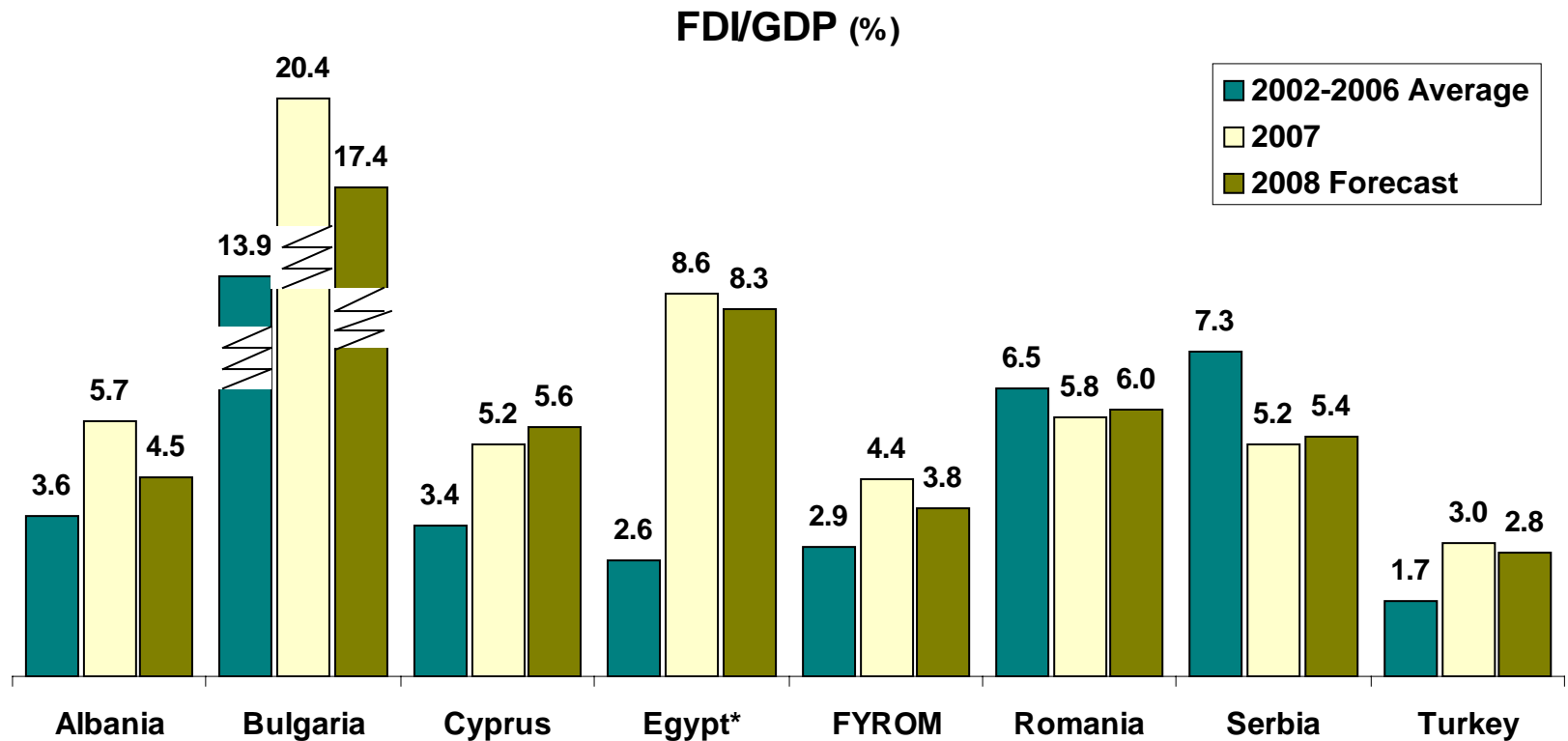
Current Account Balance/GDP (%)



* Fiscal year starting July 1st and ending June 30th



... with Strong FDI Inflows Covering a Significant, but Decreasing, Share of the Financing Needs



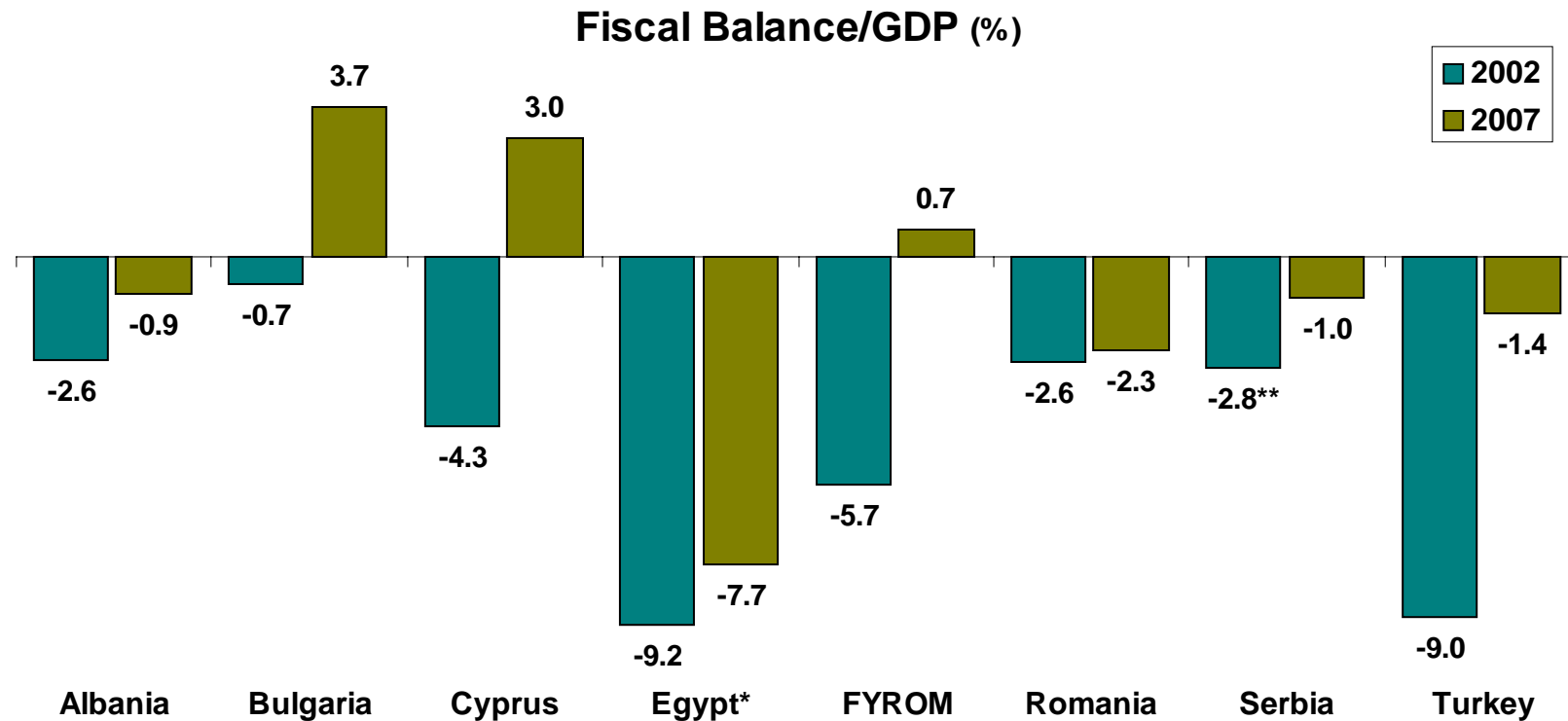
CAD Cover Ratio (%)

2002-2006	44	143	74	---	71	83	63	41
2007	48	95	54	---	135	42	31	53

* Fiscal year starting July 1st and ending June 30th



Macro Policies have been Reacting Well, with Very Tight Fiscal Policy . . .

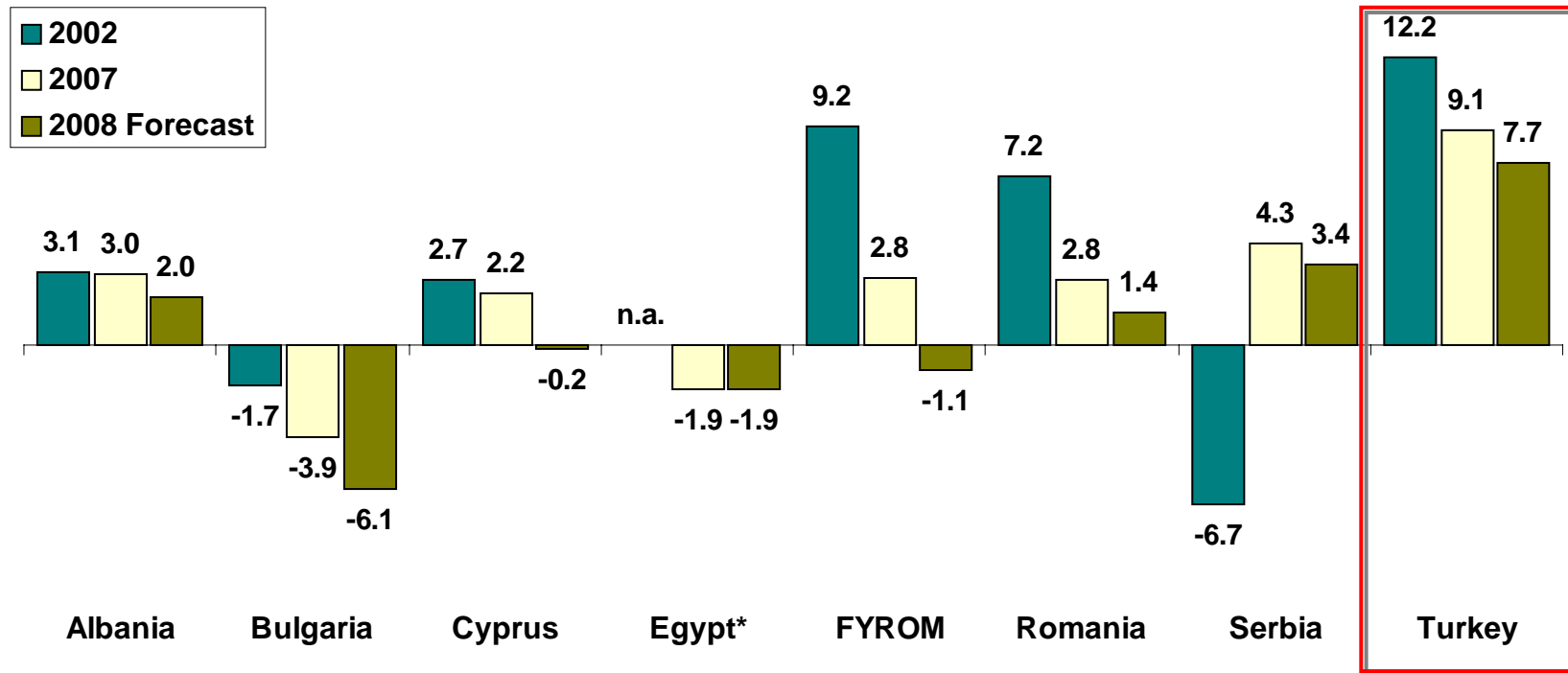


* Fiscal year starting July 1st and ending June 30th, ** 2003



... but with Monetary Policy Constrained by Capital Inflows, especially in Countries with Quasi-Fixed Exchange Rate Regimes ...

Ex Post Real Policy Rate (%)



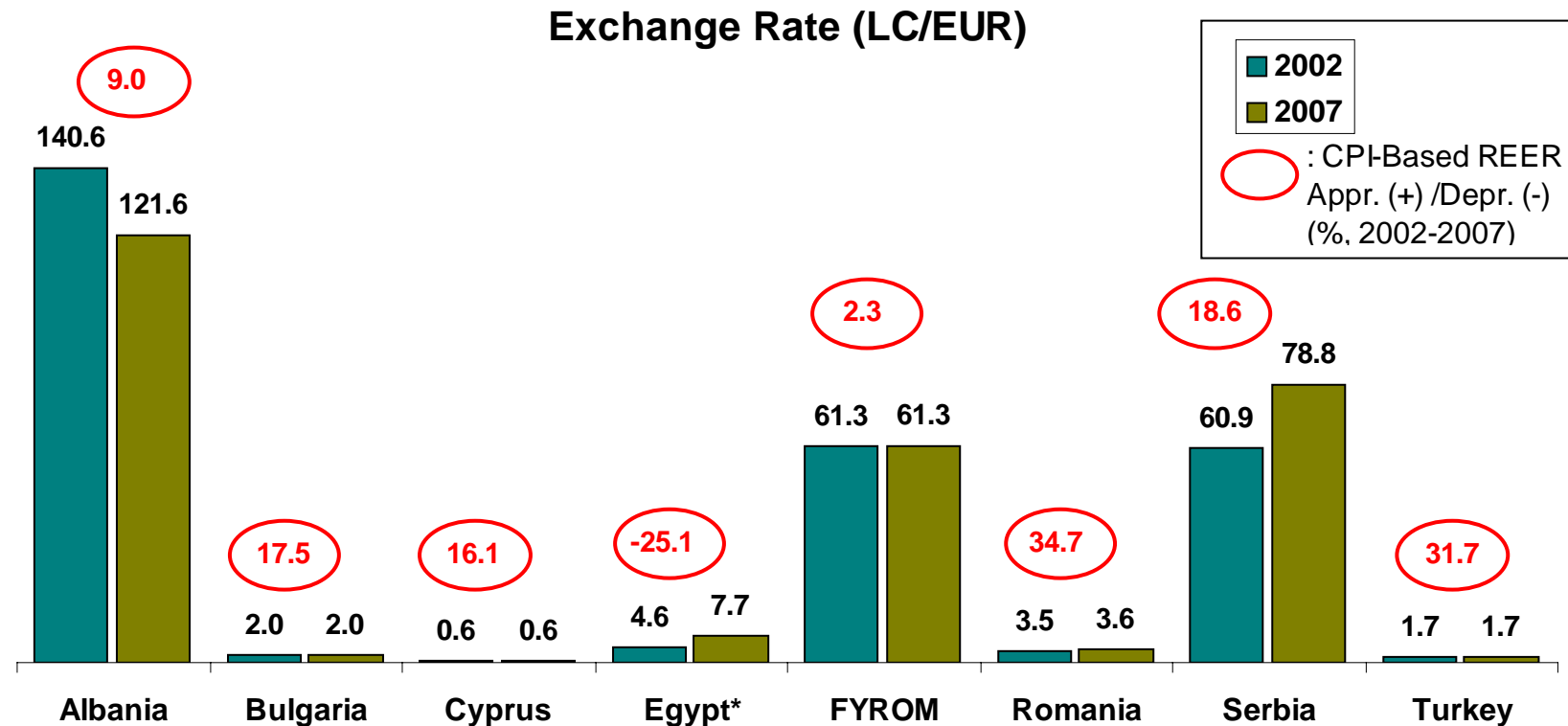
Exchange Rate Regimes:

- | | |
|---|--------------------------------------|
| Albania: Managed Float | FYROM: Nominal Peg to the EUR |
| Bulgaria: Currency Board Arrangement | Romania: Managed Float |
| Cyprus: Peg/EUR | Serbia: Managed Float |
| Egypt: Managed Float | Turkey: Free Float |

* Fiscal year starting July 1st and ending June 30th



**... Exchange Rate Appreciation has done the Heavy Lifting,
which Creates a Fine Balancing Act between Maintaining Internal
and External Balance**



* Fiscal year starting July 1st and ending June 30th

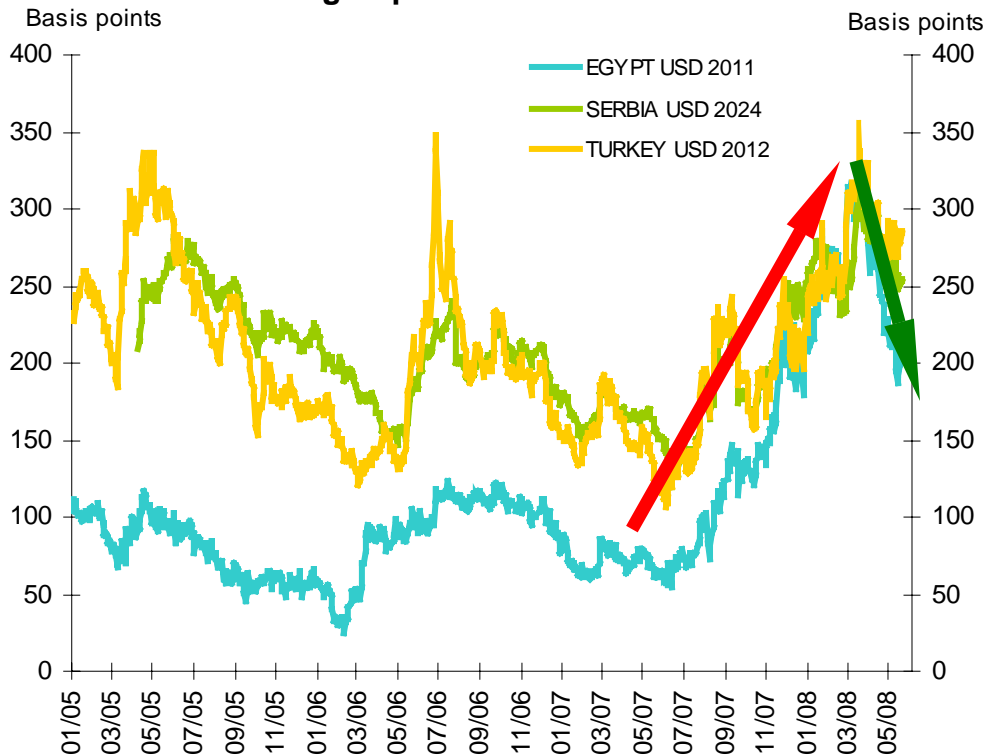


The Risks have Increased in a Volatile and Highly Uncertain International Environment



Unlike Previous Crises, Investors have Held their Nerve and have Stayed with Emerging Markets

Sovereign Spreads over US Treasuries



Sovereign Spreads over German Bunds

