

Short note – Macro/Fixed Income Research – November 9, 2009

Slovakia: September Industrial Production

On monthly basis, industrial production increased markedly in September

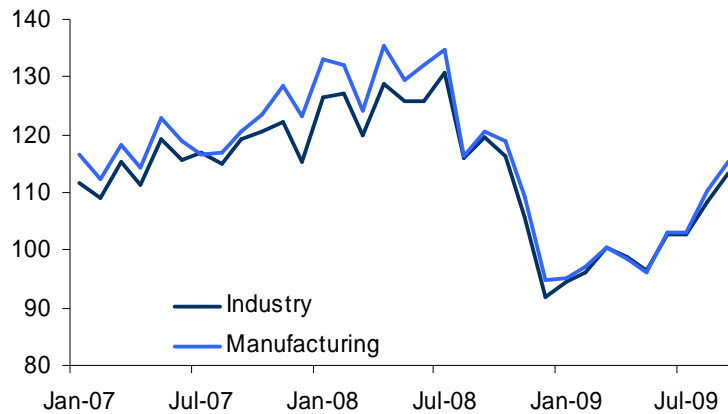
- **Industrial production again surprised on the upside in September, as it fell only by 5.2% y/y** (after a revised -6.3% y/y in August). The market expected around -10% y/y, we forecasted -13% y/y.
- After seasonal adjustment, **the industrial production grew by 4.6% m/m** (Slovak Statistical Office published seasonally adjusted figures for the first time), which is even more impressive after monthly growth by 5.5% a month ago. We expected that the strong growth in August was also due to different timing of holidays compared to season and expected correction. Moreover, the industrial sentiment worsened, so we anticipated monthly decrease of industrial production.
- The monthly growth was not driven by traditional drivers, such as cars and electronics but rather an uneven mix of sectors, including textiles, metals, electrical production and machinery. The recovery thus seems broad-based.
- Although it is still below last year's levels, industrial production is well above the minima seen in December and January. **During the whole 3Q09, the industrial production grew by 9% q/q** after seasonal adjustment. Due to around 30% share of industry within GDP, the risks for our 3Q09 GDP forecast at 4.9% y/y (market: -5.5%) might be skewed for the better (Statistical Office should publish the figure on Friday)
- See also the chart at the next page.

*Analyst: Michal Mušák, Slovenská sporiteľňa
musak.michal@slsp.sk*

This research report was prepared by Erste Group Bank AG ("Erste Group") or its affiliate named herein. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions, forecasts and estimates herein reflect our judgement on the date of this report and are subject to change without notice. The report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time, Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates may from time to time provide investment banking or consulting services to or serve as a director of a company being reported on herein. Further information on the securities referred to herein may be obtained from Erste Group upon request. Past performance is not necessarily indicative for future results and transactions in securities, options or futures can be considered risky. Not all transaction are suitable for every investor. Investors should consult their advisor, to make sure that the planned investment fits into their needs and preferences and that the involved risks are fully understood. This document may not be reproduced, distributed or published without the prior consent of Erste Group. Erste Group Bank AG confirms that it has approved any investment advertisements contained in this material. Erste Group Bank AG is regulated by the Financial Services Authority for the conduct of investment business in the UK.

Please refer to www.erstegroup.com for the current list of specific disclosures and the breakdown of Erste Group's investment recommendations.

Seasonally adjusted industrial production (2006=100)



Source: StatsOffice, seasonal adjustment by SLSP

This research report was prepared by Erste Group Bank AG ("Erste Group") or its affiliate named herein. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions, forecasts and estimates herein reflect our judgement on the date of this report and are subject to change without notice. The report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time, Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Erste Group or its affiliates or the principals or employees of Erste Group or its affiliates may from time to time provide investment banking or consulting services to or serve as a director of a company being reported on herein. Further information on the securities referred to herein may be obtained from Erste Group upon request. Past performance is not necessarily indicative for future results and transactions in securities, options or futures can be considered risky. Not all transaction are suitable for every investor. Investors should consult their advisor, to make sure that the planned investment fits into their needs and preferences and that the involved risks are fully understood. This document may not be reproduced, distributed or published without the prior consent of Erste Group. Erste Group Bank AG confirms that it has approved any investment advertisements contained in this material. Erste Group Bank AG is regulated by the Financial Services Authority for the conduct of investment business in the UK.

Please refer to www.erstegroup.com for the current list of specific disclosures and the breakdown of Erste Group's investment recommendations.