

EMEA Daily

Review

- **Lithuanian retail sales disappointed in July falling by 6.3% y/y, almost the same rate of decline as in June.** However, a small positive increase on a monthly basis (2.5% m/m) indicates stabilisation, which is likely to continue in the coming months. **Furthermore, Q2 GDP was revised up, to 1.3% y/y from a flash estimate of 1.1% y/y.** Detailed breakdown shows that rapid exports growth was the main driver of the increase, while the stabilisation of domestic demand was mainly due to base effects and a positive change in inventories. We stick to **our GDP forecasts** and expect the Lithuanian economy to **expand by 1% in 2010E** and by **more than 3% in 2011E**.
- **Russian bank lending continued to grow at a steady but moderate pace in July.** Total nominal lending growth was 0.8% m/m and 1.5% y/y. We continue to expect rapid credit growth in Q4, driven by the household sector.
- **Three-month rolling unemployment in Hungary dropped to 11% in May to July, down from 11.1% in April-June.**

Preview

- The recovery in the Polish economy continues and we expect this to be confirmed by Q2 GDP that is due for release today. **Hence, we expect Polish GDP to have grown by 3.3% y/y Q2 – up from 3% y/y in Q1 and slightly more optimistic than the consensus expectation of 3.2% y/y.**
- **We do not expect to see significant stabilisation in Latvian retail trade – the decline slows somewhat to minus 2.9% y/y in July, only slightly up from minus 3.1% y/y in June.** Uncertainties about the Latvian economy remain substantial – these are hardly likely to boost consumer optimism, at least during this year.
- The drop in Estonian wages is likely to stabilise in Q2, but it have to wait for a positive growth trend. More pronounced effect on the economic recovery in earnings cannot be expected until 2012.

Trading update

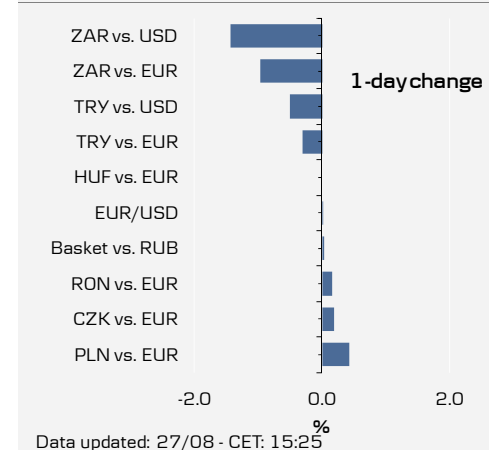
- It is rather depressing to look at our EMEA FX Scorecard right now, as five out of seven currencies in the Scorecard score negatively indicating a potential for further weakness in the EMEA currencies on a one- to three-month horizon. The best scoring currency for the second week in a row is the Israeli shekel, but the score on ILS is only slightly positive – so it is not exactly a strong buy signal. The fact is that this looks more like an ugly contest than a beauty contest – as the general outlook for the EMEA currencies in the short run appears to be rather bleak. Read more in our *EMEA Weekly* [here](#).

EMEA swap rates

2Y IRS	Mid level	1D chg - bp
CZK	1.60	1
HUF	6.31	5
PLN	4.52	0
RUB	5.45	-2
TRY	7.51	1
ZAR	6.25	-4
5Y IRS	Mid level	1D chg - bp
CZK	1.97	0
HUF	6.56	7
PLN	4.86	-1
RUB	6.73	-8
TRY	7.95	1
ZAR	6.97	-4

Source: Reuters Ecowin

EMEA FX markets



Source: Reuters Ecowin

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Calendar

Monday, August 30, 2010		Period	Danske Bank	Consensus	Previous
EK	7:00 Wages	y/y 2nd quarter	-1.1%		-2.3%
PLN	10:00 GDP	y/y 2nd quarter	3.3%	3.2%	3.0%
LVL	12:00 Retail trade	y/y Jul	-2.9%		-3.1%

Source: Danske Markets

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All EM research is available on Bloomberg DMEM

Disclosure

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