Moody's Global
Sovereign

Special Comment

September 2009

Latvia, Hungary & Iceland: Fragile Stabilisation But Far from Recovery

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Latvia, Hungary and Iceland, three countries that have been hardest hit by the global economic and financial crisis, can be characterised as in a state of 'fragile stabilisation.' Indeed, they are the only countries whose government ratings have experienced multiple downgrades over the past two years.

This report presents our analysis of the current state of these three countries and the key drivers underpinning future developments. Overall, we cannot yet conclude with any certainty that these three badly damaged European economies have reached the bottom of their respective downturns, which have been exacerbated by the crisis. As a result, the ratings of Latvia, Hungary and Iceland still carry negative outlooks, signalling the possibility of further downgrades in the next 12 to 18 months. Our conclusion is based on the following findings:

- After declining precipitously in late 2008 and early 2009, economic output in Latvia, Hungary and Iceland now appears to be levelling off and key economic indicators are no longer falling at the dramatic rate observed six months ago. These developments have also been mirrored in the countries' financial markets, suggesting that negative pressure may be diminishing.
- It is still too early to speak of recovery in these countries. It is not yet clear whether recent trends are sustainable. True upturns in the data, as opposed to a stabilisation or a moderation in the rate of decline, are still limited.
- Much of the reported improvement is linked to the external sector, as the eurozone has been performing slightly better than expected. The domestic economies remain weak as households and corporates struggle with elevated debt levels, the aftermath of housing bubbles in Latvia and Iceland, and weak banking sectors that are unable or unwilling to extend credit.
- These three governments have been unable to provide the stimulus typical of many advanced countries during their own fiscal crises. Instead, they must reduce expenditure and raise taxes in response to the dramatic reduction in their revenue bases.
- The impact of upcoming cuts in public sector employment will depress confidence, potentially leading to renewed weakness in domestic consumption and investment.

Moody's Investors Service

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Last year's rating actions

	Government foreign currency bond rating		Rating notches downgraded in past year
Countries	August 2008	September 2009	
Hungary	A2 stable outlook	Baa1/negative outlook	2
Iceland	Aa1 stable outlook	Baa1/negative outlook	6
Latvia	A3 stable outlook	Baa3/negative outlook	4

Macroeconomic Trends "Stoplight"

	Latvia	Hungary	Iceland
Consumption (retail sales)			
Business and consumer confidence			
Construction and real estate			
Industrial production			
Government tax receipts			
Exports			
Domestic credit			
Financial markets			

Green box in table signifies positive trends, yellow box, stabilisation, and red, negative trends.

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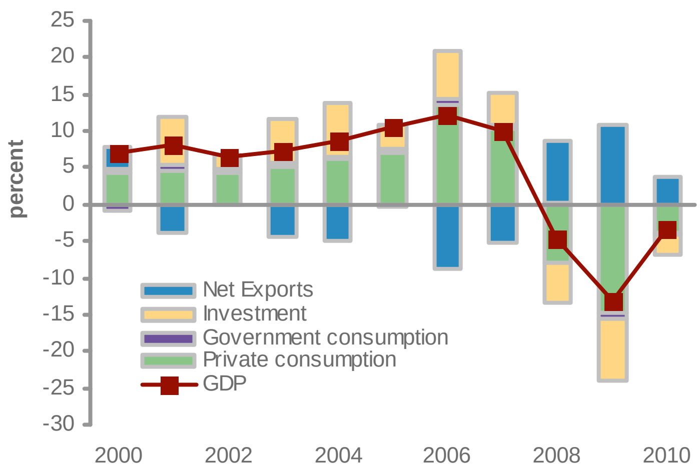
The Case of Latvia

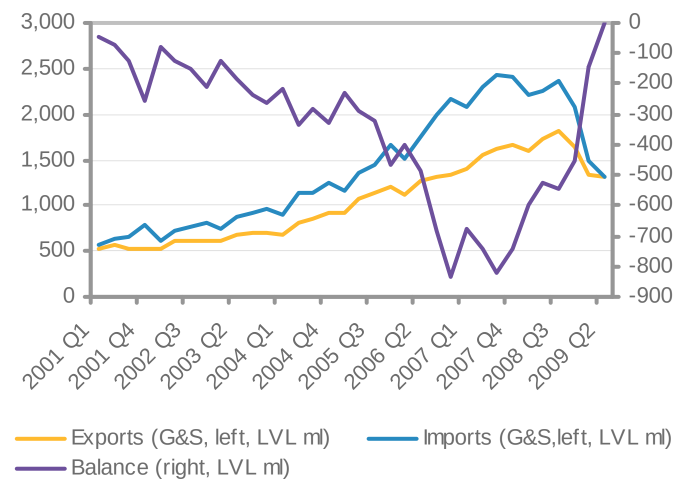
Official Support Holds the Rating in Investment Grade

Latvia (Baa3/negative) is among the countries suffering the most as a result of the global financial crisis. It has relied heavily on external assistance, mainly from the EU and the IMF, to avoid a currency and banking crisis. Latvia's economic downturn has been particularly violent and much deeper than anticipated as real GDP decreased by 18.7% in Q2 y/y after a drop of 18% y/y in Q1 2009. At present, the economy appears to have reached a stage of fragile stabilisation and most economic statistics seem to be at an inflexion point. However, trends in macroeconomic indicators are not signalling a robust recovery in the near future.

Latvia: Contributions to Real GDP Growth



Imports and Exports of G&S (quarterly)-Latvia



Domestic demand will not recover quickly

The main reason behind Latvia's deep recession is the bursting of the credit and real estate bubbles and the associated collapse of domestic demand. However, this situation was clearly worsened by the banking crisis in western Europe in late 2008 and the economic contractions taking place in the major European economies. Domestic demand is bound to remain depressed as households and corporates work to restructure tsheir balance sheets. Households have been severely affected by falling house prices, salary cuts and unemployment; while corporates and banks have faced falls in asset prices, demand and credit availability.

The current deleveraging process is concentrated in the construction and real estate sectors which had previously been a major source of growth and is now facing a rapid decline in building permits. Weak domestic demand is also reflected in the collapse of imports, as shown in the chart above. However, there are some signs of stabilisation in export-related sectors, reflecting the mild recovery underway in the larger European economies. Industrial production, for example, remains basically unchanged since early 2009, even though it has contracted by 17.5% y/y.

Investment has been badly affected by low confidence and a lack of credit. Confidence appears to have bottomed in Q1, but domestic credit growth has been falling steeply since late 2008, and it is likely to turn negative in the coming months (see chart below). Non-performing loans have been rising quickly, reaching in excess of 13% of the total outstanding loan stock in July 2009 – up from only 3.6% in December 2008 – and are expected to reach more than 20% by the end of the year. While foreign banks have pledged to maintain adequate levels of capital in their subsidiaries, credit growth is expected to remain subdued for the coming years.

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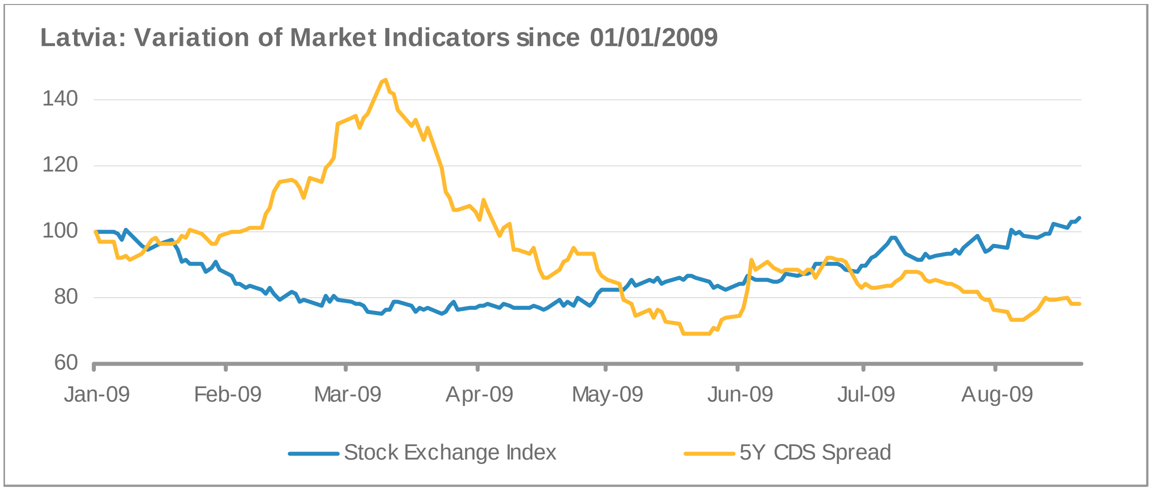
Financial market pressures have eased, at least for now



Overall, financial pressure in Latvia has eased and is now well below the peaks recorded in March and June 2009. This is evidenced by the decline in interbank spreads and CDS on government debt, and the impressive rally in the stock market. However, despite some fiscal improvements and better domestic financing conditions, the government's liquidity is likely to remain dependent on funding from the IMF and the EU for at least the next 6-12 months. This extraordinary financial support is chiefly responsible for Latvia's position in the investment-grade category.

Prospects and Rating Outlook

Moody's is forecasting that Latvia's GDP will contract by 2% to 5% in 2010, but the margin of error around this range is wide, possibly in both directions. Significant fiscal tightening – along with relatively high interest rates and market uncertainty as mentioned above – is expected to limit domestic demand and offset any gains from net exports.

Signs of a fragile stabilisation are becoming more widespread, but the outlook on the government's Baa3 rating remains negative. Moody's continues to be concerned about several important risks, particularly related to the vast number of small banks that focus on non-resident-oriented business, and the possibility of a currency devaluation.[1] There is also the risk that the broader European economy may fail to rebound in a manner sufficient to stimulate Latvia's export sector. Conversely, Moody's could potentially change the outlook to stable if more concrete signs emerge that the economy is stabilising and financial stress remains on a downward path.

The Case of Hungary

Post-Crisis Recovery Hinges on External Demand

Outside the Baltic countries, Hungary (Baa1/negative) is the EU economy that has been most affected by the crisis, with an expected GDP contraction of 6.3% in 2009. Hungary's vulnerability came as no surprise: due to its sizeable external financing needs and its investment- and export-led growth model, Hungary has been particularly exposed to the global economic crisis. Moreover, the country has been struggling to adopt a more effective policy mix as both the scope for monetary policy (due to potential FX weakness) and the scope for fiscal policy (due to already-weak debt metrics) are limited.

The significant GDP contraction recorded in 2009 is the result of massive cut-backs in domestic demand: both private consumption and investment spending are affected. All GDP contributions are negative: private consumption by 3.7% (after -0.2% in 2008), investment by 2.0% (after -0.5% in 2008), government consumption by -0.6% (after +/-0.0% in 2008) and net exports by 0.1% (after +0.4% in 2008).

[1] See Moody's "*Living on The Edge: Latvian Devaluation Speculation And Implications For The Sovereign Rating*," June 2009.

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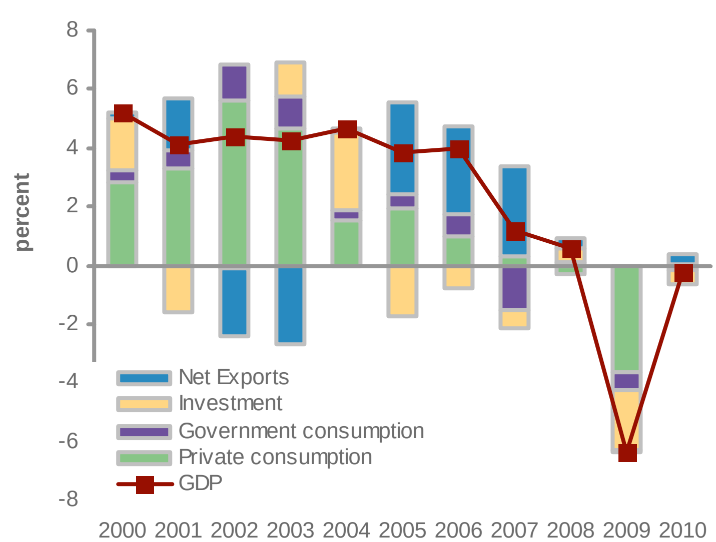
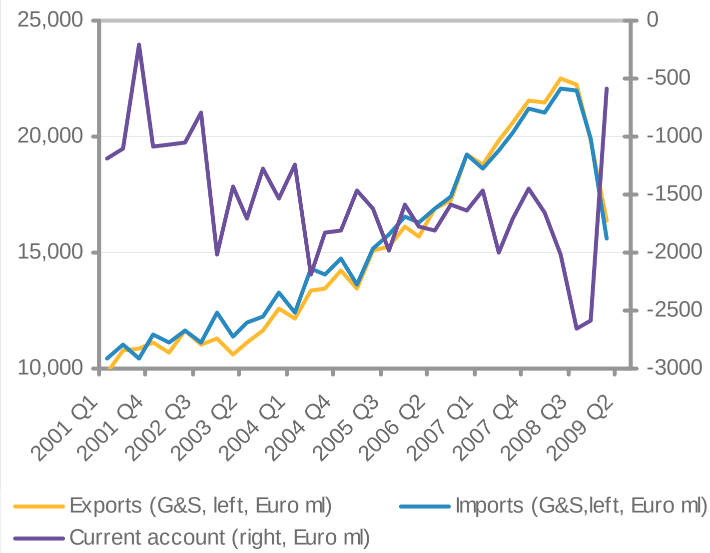
At the same time, balance of payments data indicates that the economic slump – particularly the sharp contraction in exports – has translated into a rapid improvement of external imbalances. In the first quarter, the current account deficit shrank to the lowest level since 2001. This re-balancing of the balance of payments builds the basis for a future recovery: for 2010, net exports are expected to contribute positively to GDP growth.

Survey data (business and overall composite leading indicators have improved since May 2009) and high-frequency indicators already point to gradually improving dynamics, particularly in manufacturing output and exports. Nevertheless, although the forthcoming EMU recovery is expected to revive export demand, job uncertainty and the government's fiscal austerity measures will continue to weigh down Hungary's economic growth. We expect GDP growth for 2010 at -0.3%.

Hungary: Contributions to Real GDP Growth



Imports and Exports of G&S (quarterly)-Hungary



Financial markets are stabilising

Prior to the EU/IMF support package being implemented in October 2008, interest rates on government debt had shot up in the secondary market, auctions for government bonds had to be suspended, and the exchange rate had depreciated considerably, causing financing difficulties for households and corporations heavily exposed to foreign currency-denominated debt. The announcement of the €20 billion package was a defining moment, calming down market fears that the Hungarian sovereign was heading towards a default.

Since then, the exchange rate has stabilised and both CDS and bond spreads have come down substantially. The improvement in sentiment was also reflected by the government's ability to issue a €1 billion bond on international markets recently.

The market rally year-to-date came on the back of meaningful fiscal progress, as the government was very successful in pushing through both short-term consolidation measures as well as longer-term structural reforms. The fiscal package combined cuts in payroll taxes (a 5 percentage point cut in employers' social security contributions) and personal income taxes with increases in the value-added and excise tax rates (effective as of July 2009) as well as the introduction of a property tax.

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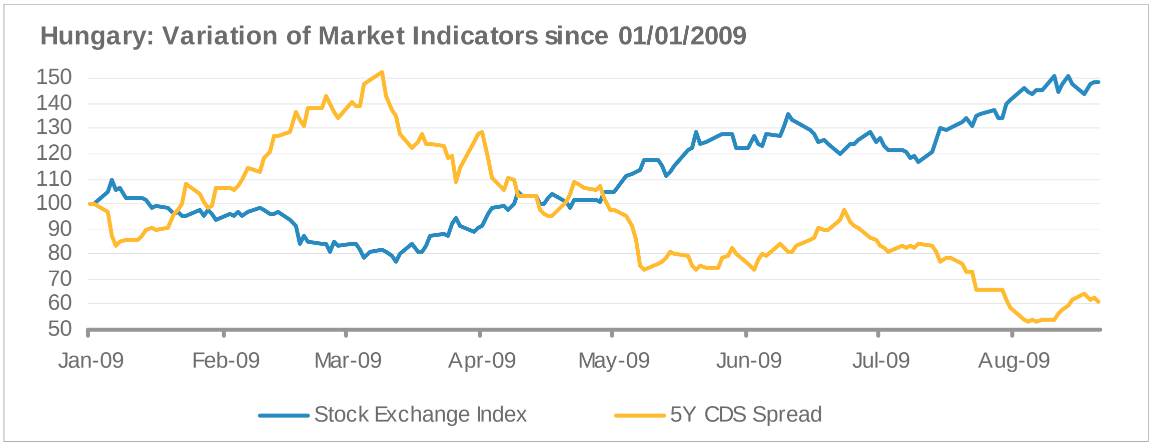

Prospects and Rating Outlook

How will Hungary fare after the crisis? Visibility is still clouded, because the consequences of a severe cyclical downturn are being prolonged and even exacerbated by the necessary fiscal consolidation (spending cuts and tax increases). The latter is dampening both private consumption and government expenditure going forward.

Hungary's way out of the crisis hinges on external demand, particularly on external demand from EMU countries. Note that the region accounts for about 60% of Hungary's exports, which in turn represent about 80% of the country's GDP. Moody's believes that the European recovery will proceed at a relatively sluggish pace, so Hungary's own growth dynamic will be muted.

The rating outlook remains negative following the March 2009 downgrade to Baa1 from A3. We expect that Hungary's economic strength and government financial strength will be impaired even after the crisis has ended. Moody's could potentially downgrade Hungary if it were to exhibit: (i) an economic downturn suggesting a structural erosion of its "economic model"; and/or (ii) a further significant deterioration of government financial strength, possibly aggravated by persistently high refinancing costs and/or the crystallisation of contingent liabilities from the banking system.

That being said, the negative outlook could also be changed to stable in the event that the Hungarian authorities adhere to the objectives of the interim government: i.e. pushing for fiscal consolidation and widening structural reforms. Whereas the former is a prerequisite for stabilising the government's and the external debt metrics to remain compatible with a high Baa rating, the latter is needed to restore Hungarian competitiveness and enable the economy to respond to the pick-up in global – particularly western European – economic activity.

The Case of Iceland

Stability Depends on Tight Capital Controls

Iceland (Baa1/negative) was the first country to be badly hit by the global financial crisis, and is arguably the country in which the crisis will have the longest-lasting impact. The sheer size of the country's banks relative to the resources of the government and central bank made the banking sector uniquely vulnerable amongst advanced industrial nations. The collapse of the banking sector quickly led to a broader economic crisis as the currency plummeted and credit flows seized up. The resulting loss of confidence and wealth had a devastating impact on investment and consumption. Unemployment rose to around 9% against the long-term average of 2%.

However, the overall effect on Iceland's economic output has been muted by the small, open nature of the economy. Much of the decline in domestic demand has been absorbed by a sharp drop in imports relative to exports (a rise in net exports). Nevertheless, Moody's is forecasting that real GDP will decline by about 10% for 2009 as a whole.

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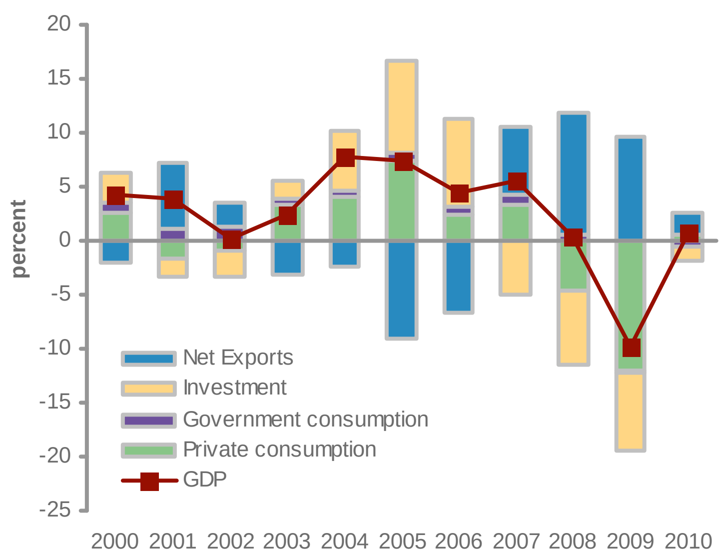
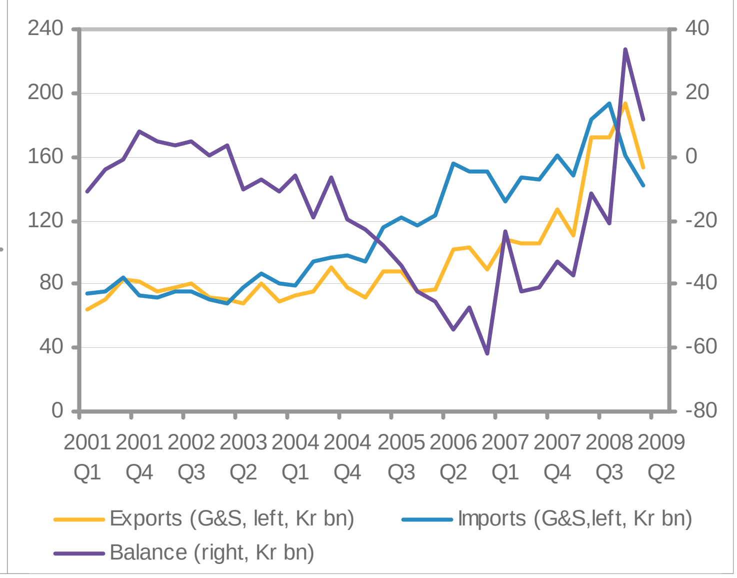
While Moody's observes that there are currently a few signs of a stabilisation in economic indicators, the rating agency cautions that these signs are tentative and not yet widespread. Domestic credit and debit card usage turned positive on a year-on-year basis in June after having been negative since September 2008. Iceland's competitive cost position has ensured that the aluminium smelters have continued to operate at full capacity, thereby supporting exports. After the initial spike, the unemployment rate has been stable over the past few months. However, this stability is mainly related to seasonal factors; and unemployment is expected to resume its upward climb from September onwards and is not likely to peak until around mid-2010.

Iceland: Contributions to Real GDP Growth



Imports and Exports of G&S (quarterly)-Iceland



With a positive contribution from net exports, we forecast that real GDP will grow marginally in 2010. An ongoing reduction in investment is expected to be mitigated next year by new investments in power-intensive industries, particularly the construction of a new aluminium smelter. However, significant cuts in government expenditure and higher taxes will likely prevent private consumption from rebounding anytime soon.

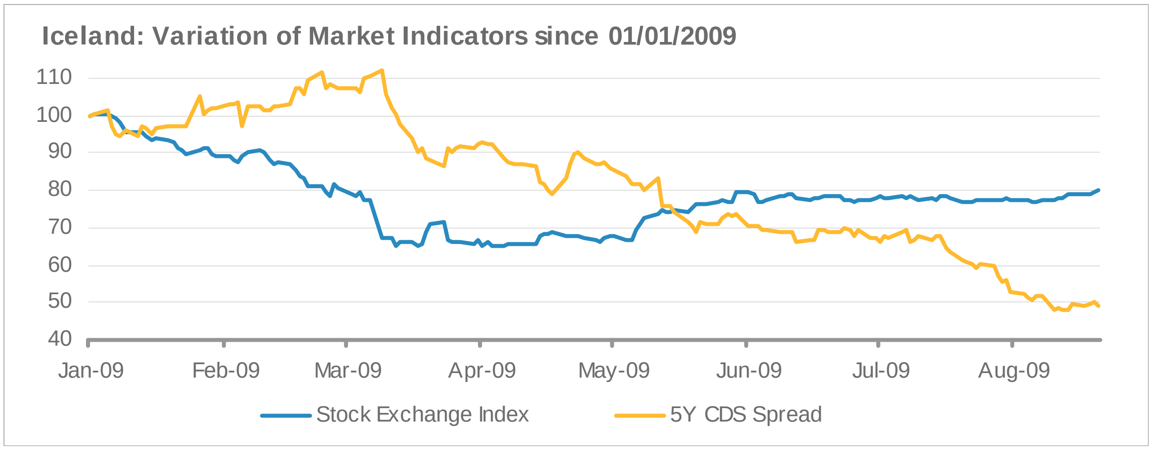
Financial markets are far away from stabilising

The economic environment will be additionally challenged by tight monetary policy, the fledgling banking system and the near-complete lack of access to external private capital. High interest rates are constraining investment, yet will need to be maintained until capital controls are loosened and/or the Icelandic króna starts to appreciate. The restructuring of the banking system is finally close to completion, but it will probably be some time before the banks are able to expand lending by substantive amounts. Meanwhile, households' purchasing power has been eroded by high inflation and rising debt burdens (most household debt is either inflation-linked or denominated in foreign currency).

Iceland's financial markets experienced a painful hammering in 2008, and the situation remains far from normal by any standards. Moody's main concern is the currency risk since the exchange rate remains deeply devalued even with the help of tight capital controls and high interest rates. Domestic interest rates would have to be much higher if it were not for capital controls. Although yields on the government's Eurobonds have declined and Icelandic CDS are down significantly, it is unlikely that the government could issue debt in the international markets at the present time.

Prospects and Rating Outlook

The outlook on the Icelandic government's Baa1 rating remains negative. Signs of economic stabilisation are still too fragile to conclude that the worst effects of the crisis have entirely passed. With domestic demand remaining weak, the timing and strength of the recovery will depend on the condition of the global economy and financial system over the next 18 months. Moody's will also be closely following the government's efforts to tame the budget deficit and repair the banking system, both of which are crucial for improving domestic and international confidence. The outlook on the rating could be changed to stable if signs of economic stabilisation become more broad-based, policy reforms are not unduly delayed and both the government's and private sector's debt burdens appear to be manageable.



Conclusion: Too Early to Call the Bottom

As explained in the brief summaries above, we cannot yet conclude with any certainty that these three badly damaged European economies have reached the bottom of their downturns, which were exacerbated by the global crisis. However, they have reached a fragile stabilisation or even recorded modest upturns, according to a few macro indicators. Moreover, in Hungary and Latvia at least, financial pressures have eased as illustrated by reduced interest spreads and upturns in equity markets. In Iceland, however, any stability achieved thus far has taken place in the context of strict capital controls. Doubts as to whether the Icelandic economy's tentative stability can be sustained once the controls are lifted could postpone their removal for some time.

Despite the tentative hopeful signs that we are seeing, several downside risks remain for these small, very open economies. There are also potential upsides – albeit less likely ones. The risks in both directions relate not only to factors influencing domestic demand, but also to uncertainty about the pace and sequence of the recovery in Western Europe and other trading partners.

We are quite confident that the very worst is over for the global locomotive countries like the US, Germany and commodity consumers like China and India. However, the crisis has impaired the short- to medium-term prospects for growth in countries – both rich and poor – whose debt burdens have become more onerous, in a world where credit demand will be higher but credit supply will be scarcer.

Moody's continues to predict a "hook-shaped" global business cycle,[2] with a much less steep recovery than the downturn and also a far lengthier return to pre-crisis output levels. Such a scenario – if borne out – is unlikely to bring Europe's most damaged economies out of crisis mode over the next year. This fragile stabilisation scenario therefore continues to merit negative rating outlooks on Latvia, Hungary and Iceland.

[2] "*On the Hook" – Update on Moody's Global Macroeconomic Risk Scenarios 2009-2010*," May 2009 (Moody's Global Financial Risk Perspectives) and "*Are Sovereigns on the Road to Recovery?*" August 2009.

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Appendix

Latvia

Variables	Unit	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Retail Sales [1]	-	161.54	156.81	153.7	152.58	148.08	138.64	133.99	127.3	127.86	127.39	119.39	117.05	--
% Chg, MoM		-2.4	-2.9	-2.0	-0.7	-2.9	-6.4	-3.4	-5.0	0.4	-0.4	-6.3	-2.0	
% Chg, YoY		0.7	-3.6	-5.4	-6.9	-7.9	-15.5	-20.7	-23.8	-25.9	-23.8	-27.9	-29.3	
Economic Sentiment Index [2]	-	88.9	85.4	82.4	76.9	67.6	58.7	53.8	52	58.8	59.7	58.2	57.9	59
% Chg, MoM		0.8	-3.9	-3.5	-6.7	-12.1	-13.2	-8.3	-3.3	13.1	1.5	-2.5	-0.5	1.9
% Chg, YoY		-21.3	-23.1	-25.0	-28.7	-37.1	-43.1	-47.5	-47.2	-38.5	-36.0	-35.0	-34.4	-33.6
Construction & Real Estate [3]	*Lat mns*	--	533	--	--	475	--	--	204	--	--	278	--	--
% Chg, QoQ			15.7			-10.8			-57.2			36.5		
% Chg, YoY			5.5			-4.0			-32.2			-39.7		
Industrial Production [4]	*Index 100=2005*	101	102	100	96	93	85	83	85	87	85	86	85	--
% Chg, MoM		-2.5	1.5	-2.5	-3.6	-3.0	-8.5	-3.2	2.7	2.4	-2.1	1.6	-1.3	
% Chg, YoY		-7.4	-3.3	-5.8	-11.0	-13.1	-21.6	-24.7	-21.6	-19.0	-18.9	-17.9	-17.5	
Net Exports [5]	*Lat mns*	-238	-289	-267	-209	-226	-145	-123	-124	-96	-84	-67	-95	--
% Chg, MoM		-12.8	21.4	-7.6	-21.7	8.1	-35.8	-15.2	0.8	-22.6	-12.5	-20.2	41.8	
% Chg, YoY		-24.2	-5.6	-19.3	-28.4	-20.4	-49.3	-54.4	-49.4	-66.3	-65.1	-75.1	-65.2	
Gvt Expenditure [6]	*Lat mns*	402	881	1,376	2,073	2,529	3,132	3,712	4,210	4,734	5,466	6,128	6,903	--
% Chg, MoM		-89.2	119.1	56.2	50.7	22.0	23.8	18.5	13.4	12.5	15.5	12.1	12.6	
% Chg, YoY		-87.9	-76.6	-68.2	-57.8	-55.9	678.7	321.3	205.9	128.3	116.1	95.7	86.0	
Gvt Revenue [6]	*Lat mns*	4,314	4,855	5,357	5,826	6,354	471	938	1,349	1,832	2,289	2,810	3,228	
% Chg, MoM		13.5	12.5	10.3	8.7	9.1	-92.6	99.1	43.8	35.8	25.0	22.7	14.9	
% Chg, YoY		29.6	29.0	23.7	18.7	10.7	-4.5	-4.7	-9.2	-17.5	-18.1	-14.6	-15.1	
Domestic Credit [7]	*Lat mns*	14,928	15,148	15,277	15,656	15,832	15,786	15,555	15,065	15,057	14,987	14,865	14,850	--
% Chg, MoM		1.2	1.5	0.9	2.5	1.1	-0.3	-1.5	-3.2	-0.1	-0.5	-0.8	-0.1	
% Chg, YoY		18.2	18.5	17.3	18.8	18.0	16.6	13.3	8.5	7.1	4.5	2.1	0.7	
NPLs	*% Gross Loans*		2.5			3.6			7.1			12.0		
% Chg, MoM			--			44.0			97.2			69.0		

[1] Eurostat, Index of turnover - Total Retail trade, except of motor vehicles, motorcyles and fuel SA

[2] Eurostat

[3] NSI, Construction products, at current prices

[4] Eurostat, Volume indices of industrial output (except steam and water supply) 2005=100, seasonally adjusted data

[5] NSI

[6] Ministry of Finance

[7] Bank of Latvia

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Iceland

Variables	Unit	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Retail Sales [1]	*ISK mns*	46221		44755		38552		19628		21397		-		-	
% Chg, MoM		2.3		-3.2		-13.9		-49.1		9.0		-		-	
% Chg, YoY		-1.2		-5.2		-21.2		-41.3		-49.3		-		-	
Debit cards usage in retail (NSI)	*ISK mns*	18,107	17,975	17,598	17,658	15,750	22,414	16,065	15,467	16,297	16,530	18,410	20,274	21,311	-
% Chg, MoM		2.3	-0.7	-2.1	0.3	-10.8	42.3	-28.3	-3.7	5.4	1.4	11.4	10.1	5.1	
% Chg, YoY		-6.2	-12.6	5.9	-6.0	-12.4	-0.2	-3.6	-4.6	1.6	0.7	4.3	14.5	17.7	
Economic Sentiment Index [2]		61.4	74.1	76.2	58.9	23.2	25.3	19.5	24.3	37.8	39	29.9	26.4	20.9	-
% Chg, MoM		-0.1	0.2	0.0	-0.2	-0.6	0.1	-0.2	0.2	0.6	0.0	-0.2	-0.1	-0.2	
% Chg, YoY		-50.8	-41.3	-38.4	-55.9	-80.0	-78.5	-83.2	-76.2	-56.6	-59.7	-63.8	-61.1	-66.0	
Construction & Real Estate [3]		66672		61586		63295		48703		51591		-		-	
% Chg, MoM		-6.8		-7.6		2.8		-23.1		5.9		-		-	
% Chg, YoY		-4.5		-3.7		-14.0		-20.6		-13.9		-		-	
Cement Sales (NSI)	*Index*	216	227	242	200	134	84	72	78	79	78	108	132	131	-
% Chg, MoM		-16.6	5.0	6.6	-17.1	-33.1	-37.1	-14.3	7.9	0.8	-0.9	38.3	22.3	-0.9	-
% Chg, YoY		-41.3	-21.5	-24.2	-38.5	-57.2	-57.5	-59.7	-63.6	-63.0	-71.6	-57.3	-49.1	-39.5	-
Industrial Production [4]															
% Chg, MoM		N/A													
% Chg, YoY															
Net Exports [5]	*ISK mns*	-22,857	-3,151	7,877	11,177	2,551	24,064	325	5,976	8,241	2,283	7,416	8,745	6,814	12,567
% Chg, MoM		-1064.2	-86.2	-347.5	41.9	-77.2	847.7	-98.7	1738.8	37.9	-72.3	224.8	17.9	-22.1	84.4
% Chg, YoY		75.3	-75.8	-182.3	-230.5	-2.3	-359.9	-103.5	-148.0	-451.3	-370.5	-394.1	288.3	-129.8	-494.9
GG Expenditure [5]	*ISK mns*	39,348	44,823	36,684	37,244	36,706	59,231	38,916	41,534	42,782	44,510	41,381	49,429	50,084	--
% Chg, MoM		1.9	13.9	-18.2	1.5	-1.4	61.4	-34.3	6.7	3.0	4.0	-7.0	19.4	1.3	
% Chg, YoY		40.2	28.4	24.8	33.1	18.1	38.9	23.2	44.0	29.1	40.7	22.2	28.0	27.3	
GG Revenue [5]	*ISK mns*	38,590	30,163	38,080	36,991	23,336	52,018	55,117	35,470	31,590	29,094	20,864	32,659	21,950	
% Chg, MoM		24.0	-21.8	26.2	-2.9	-36.9	122.9	6.0	-35.6	-10.9	-7.9	-28.3	56.5	-32.8	
% Chg, YoY		13.6	-9.2	10.4	7.6	-32.4	-20.7	-2.6	-9.6	-1.3	-11.7	-38.0	5.0	-43.1	
Domestic Credit [6]	*ISK mns*	4,701,020	4,839,679	5,527,487	--	--	--	--	--	--	--	--	--	--	--
% Chg, MoM		0.4	2.9	14.2											
% Chg, YoY		37.0	39.9	51.7											
NPLs	*% Gross Loans*	N/A													
% Chg, QoQ															

[1] NSI, Construction - NACE 45, Turnover by industry, based on VAT records
[2] Gallup Expectation Index
[3] NSI, Retail Trade & Motor vehicles - NACE 50 & 52, Turnover by industry, based on VAT records
[4] Not Available
[5] NSI
[6] Central Bank of Iceland, latest available.

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Hungary

Variables	Unit	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Retail Sales [1]		113	113	112	112	112	112	112	112	111	111	111	--	--
% Chg, MoM		-0.1	-0.1	-0.1	-0.1	-0.6	0.3	-0.2	-0.3	-0.1	-0.2	0.2		
% Chg, YoY		2.3	2.3	1.6	1.5	0.0	0.5	0.1	-0.4	-1.0	-1.3	-0.8		
Economic Sentiment Index [2]	-	89	85.6	74.4	57.5	52.5	45.5	39	33	35	47.9	49.2	53.5	58.8
% Chg, MoM		-0.9	-3.8	-13.1	-22.7	-8.7	-13.3	-14.3	-15.4	6.1	36.9	2.7	8.7	9.9
% Chg, YoY		-6.3	-9.1	-9.9	-38.7	-42.9	-45.4	-56.3	-63.2	-57.3	-45.7	-41.2	-40.4	-33.9
Construction & Real Estate [3]	*HUF mns*	180,672	197,270	198,698	197,586	231,290	87,234	100,566	140,510	151,511	160,746	213,527	--	--
% Chg, MoM		5.7	9.2	0.7	-0.6	17.1	-62.3	15.3	39.7	7.8	6.1	32.8		
% Chg, YoY		1.5	9.0	3.7	8.2	10.5	-9.1	0.8	6.4	-4.5	-6.2	20.2		
Industrial Production [4]	*HUF mns*	1,616	1,941	1,950	1,836	1,472	1,477	1,481	1,754	1,501	1,477	1,609	1,539	--
% Chg, MoM		-11.6	20.1	0.5	-5.8	-19.8	0.3	0.3	18.4	-14.4	-1.6	8.9	-4.4	
% Chg, YoY		-3.9	2.8	-3.6	-9.7	-18.6	-19.2	-25.0	-9.4	-22.5	-19.3	-14.2	-15.9	
Net Exports [5]	*HUF mns*	-29	25	-27	24	-25	-44	96	166	123	135	130	--	--
% Chg, MoM		-71.9	-187.2	-205.1	-189.8	-205.9	72.3	-319.0	73.5	-25.8	10.0	-4.1		
% Chg, YoY		-28.2	-55.9	-207.7	-26.7	-25.4	71.0	130.7	203.5	2220.8	-1109.7	1237.1		
Gvt Expenditure [6]	*HUF mns*	722,304	572,212	780,964	784,664	1,052,607	683,798	903,124	721,999	737,075	670,540	835,260	764,898	672,639
% Chg, MoM		12.3	-20.8	36.5	0.5	34.1	-35.0	32.1	-20.1	2.1	-9.0	24.6	-8.4	-12.1
% Chg, YoY		10.0	-11.8	3.2	33.8	2.1	-9.1	8.3	4.0	-7.1	15.2	1.9	18.9	-6.9
Gvt Revenue [6]	*HUF mns*	627,724	519,917	777,258	639,047	1,164,501	695,434	629,509	428,490	758,005	707,702	618,746	775,642	617,779
% Chg, MoM		-16.2	-17.2	49.5	-17.8	82.2	-40.3	-9.5	-31.9	76.9	-6.6	-12.6	25.4	-20.4
% Chg, YoY		13.8	11.7	8.9	11.3	11.3	-6.3	7.9	5.2	-4.0	7.5	20.8	3.6	-1.6
Domestic Credit [7]	*HUF bns*	19,401	19,977	22,064	21,235	21,681	22,640	23,161	23,379	22,132	21,353	21,105	20,536	--
% Chg, MoM		4.5	3.0	10.4	-3.8	2.1	4.4	2.3	0.9	-5.3	-3.5	-1.2	-2.7	
% Chg, YoY		14.0	17.2	24.7	18.1	16.5	21.3	20.8	20.4	16.7	14.4	13.3	10.6	
NPLs	*% Gross Loans*		8.3			6.7			7.2			8.1		
% Chg, QoQ			--			-19.3			7.5			12.5		

[1] Eurostat, Index of turnover - Total Retail trade, except of motor vehicles, motorcyles and fuel SA

[2] Eurostat

*[3] NSI, Production value of construction by divisions – NACE Rev. 2**

[4] Eurostat, Volume indices of industrial output (except steam and water supply) 2005=100, seasonally adjusted data

[5] NSI

[6] Ministry of Finance

[7] Bank of Latvia

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Report Number: 120165

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