NATIONAL BANK OF GREECE

Economic **A**nalysis **D**ivision
Emerging **M**arkets **A**nalysis
Quarterly Chartbook

Q1:2022

Turkey, **R**omania, **B**ulgaria, **S**erbia, **N**orth **M**acedonia, **A**lbania, **C**yprus, **E**gypt

"The implications of the ongoing Russia-Ukraine crisis cloud the economic outlook"

NBG - Economic Analysis Division

Emerging Markets Analysis

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NBG-Emerging Markets Analysis

Quarterly Chartbook

Q1:2022

Republic of Turkey

Population (2021, mn): 85.2
GDP (2021, EUR, bn): 686.0
GDP per Capita (2021, EUR): 8,053
Government type: Parliamentary Republic
Chief of state: Recep Tayyip ERDOGAN
Head of Government: Recep Tayyip ERDOGAN
Minister of Finance: Nurredin NEBATI
Central Bank Governor: Sahap KAVCIOGLU

Romania

Population (2021, mn): 19.4
GDP (2021, EUR, bn): 239.8
GDP per Capita (2021, EUR): 12,358
Government type: Semi Presidential Republic
Chief of state: Klaus Werner IOHANNIS
Head of Government: Nicolae-Ionel CIUCA
Minister of Finance: Adrian CACIU
Central Bank Governor: Mugur ISARESCU

Republic of Bulgaria

Population (2021, mn): 6.9
GDP (2021, EUR, bn): 67.9
GDP per Capita (2021, EUR): 9,879
Government type: Parliamentary Republic
Chief of state: Rumen RADEV
Head of Government: Kiril PETKOV
Minister of Finance: Assen VASSILEV
Central Bank Governor: Dimitar RADEV

Republic of Serbia

Population (2021, mn): 6.9
GDP (2021, EUR, bn): 53.4
GDP per Capita (2021, EUR): 7,723
Government type: Parliamentary Republic
Chief of state: Aleksandar VUCIC
Head of Government: Ana BRNABIC
Minister of Finance: Sinisa MALI
Central Bank Governor: Jorgovanka TABAKOVIC

Republic of North Macedonia

Population (2021, mn): 2.1
GDP (2021, EUR, bn): 11.8
GDP per Capita (2021, EUR): 5,662
Government type: Parliamentary Republic
Chief of state: Stevo PENDAROVSKI
Head of Government: Dimitar KOVACEVSKI
Minister of Finance: Fatmir BESIMI
Central Bank Governor: Anita ANGELOVSKA-BEZOSKA

Republic of Albania

Population (2021, mn): 2.9
GDP (2021, EUR, bn): 14.6
GDP per Capita (2021, EUR): 5,119
Government type: Parliamentary Republic
Chief of state: Ilir META
Head of Government: Edi RAMA
Minister of Finance: Delina IBRAHIMAJ
Central Bank Governor: Gent SEJKO

Republic of Cyprus

Population (2021, mn): 0.9
GDP (2021, EUR, bn): 23.4
GDP per Capita (2021, EUR): 26,063
Government type: Presidential Republic
Chief of state: Nicos ANASTASIADES
Head of Government: Nicos ANASTASIADES
Minister of Finance: Constantinos PETRIDES
Central Bank Governor: Constantinos HERODOTOU

Arab Republic of Egypt

Population (2021, mn): 103.9
GDP (2021, EUR, bn): 338.9
GDP per Capita (2021, EUR): 3,261
Government type: Presidential Republic
Chief of state: Abdel Fattah Said AL-SISI
Head of Government: Mostafa MADBOULY
Minister of Finance: Mohamed MAAIT
Central Bank Governor: Tarek AMER

- In **Bulgaria**, after months of political uncertainty and two inconclusive election outcomes, the November 2021 elections resulted in the formation of a broad-based Government (led by the new centrist anti-graft "We Continue the Change" party and also including the centre-left "Bulgarian Socialist Party", the populist "There is Such People" party and the centre-right "Democratic Bulgaria" party).
- In light of the formation of a functioning Government in Bulgaria, we see increased chances for the dispute between the latter and North Macedonia to be settled, and, consequently, for the long-awaited EU accession talks with **North Macedonia** to be launched
- **Serbia** holds triple elections -- (snap) parliamentary, presidential and local -- on April 3rd, with the latest polls suggesting that President Vucic's market friendly ruling party would remain in office
- In **Turkey**, the recent economic turmoil has significantly eroded President Erdogans's popularity. We expect political tensions and polarization to increase ahead of next year's elections

Date of Next Elections

	Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	June 2023	December 2024	July 2025	April 2022	July 2024	April 2025	May 2026	Oct.- Nov. 2025
Presidential	June 2023	November 2024	November 2025	April 2022	April 2024	July 2022	February 2023	March 2024
Local	March 2024	September 2024	October 2023	April 2022	October 2025	June 2023	May 2024	Unknown *

*: Last local elections were held in April 2008

- **Egypt's** 12-month Stand-By Agreement with the IMF expired in 2021. The authorities are under discussions with the IMF for a new programme
- **Serbia** has renewed its non-financing PCI agreement with the IMF

IMF & EU Financial Support (EUR bn)

		Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Albania	Cyprus	Egypt	Egypt	Egypt
Period		- - -	- - -	- - -	2021-2023[a]	2020[b]	2014-2017[c]	2020[b]	2013-2016[d]	2016-2019	2020[b]	2020-2021
Programme	IMF	- - -	- - -	- - -	- - -	0.2	0.4	0.2	1.1	11.9[e]	2.8[e]	5.2[e]
	EU	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.0	- - -	- - -	
Drawn so far	IMF	- - -	- - -	- - -	- - -	0.2	0.4	0.2	1.0	11.9[e]	2.8[e]	5.4[e]
	EU	- - -	- - -	- - -	- - -	- - -	- - -	- - -	6.3	- - -	- - -	- - -
Repaid	IMF	- - -	- - -	- - -	- - -	- - -	0.1 since 2019	- - -	1.1	0.2[e]	- - -	- - -
	EU	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Next Repayments	IMF	- - -	- - -	- - -	- - -	Starting in 2023	0.1 in 2022	Starting in 2023	- - -	0.8 in 2022	Starting in 2023	Starting in 2023
	EU	- - -	- - -	- - -	- - -	- - -	- - -	- - -	Starting in 2025	- - -	- - -	- - -

[a] Non-financing Policy Coordination Instrument
[b] Rapid Financing Instrument
[c] under Post-Programme Monitoring since 2018
[d] under Post-Programme Monitoring since 2016
[e] bn USD

- Full absorption of the funds available under the **EU Recovery & Resilience Facility** (RRF) should provide a significant impetus to economic recovery in **Romania, Bulgaria** and **Cyprus** in 2021-2027 (lifting their long-term potential GDP growth by c. 0.7 pps, unweighted)
- **Serbia, North Macedonia, Albania** and **Turkey** should benefit not only from EU pre-accession assistance but also from cross-border spillover effects from the RRF

Next Generation EU Fund (2021-23) & Multiannual Financial Framework (2021-27) (EUR bn)

	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	29.2	6.6**	1.2
o/w Grants	14.2	6.6**	1.0
Loans	14.9	- - - **	0.2
Other***	3.2	1.4	0.2
Multiannual Financial Framework****	52.2	18.6	1.5

* For the loan component of the Fund, the allocations will depend on the demand of Member States. As a rule, Member States can request a loan worth up to 6.8% of its 2019 GNI.

** Provisional data. The country's Recovery & Resilience Plan has been submitted but is yet to be approved.

***Includes amounts under React-EU, Just Transition Fund, European Agricultural Fund for Rural Development.

**** Incudes Cohesion Policy allocations and payments under the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the Just Transition Fund.

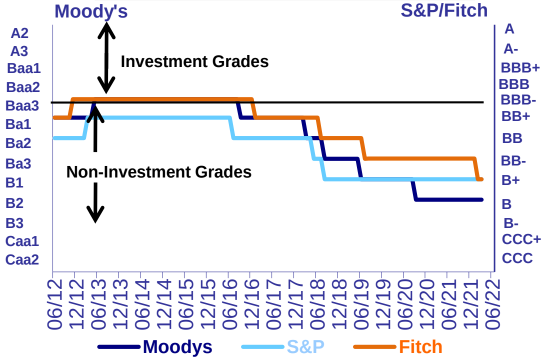
Instrument for Pre-Accession Assistance (IPA III, 2021-27)* (EUR bn)

Turkey	Serbia	North Macedonia	Albania
4.7	2.0	0.8	0.8

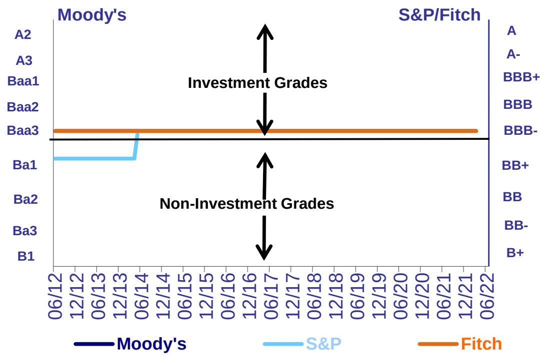
* Indicative allocations, NBG calculations

- **Turkey's** credit rating was downgraded by 1 notch by Fitch to B+ in March, confirming the economy's vulnerabilities in terms of high inflation, low external liquidity and weak policy credibility

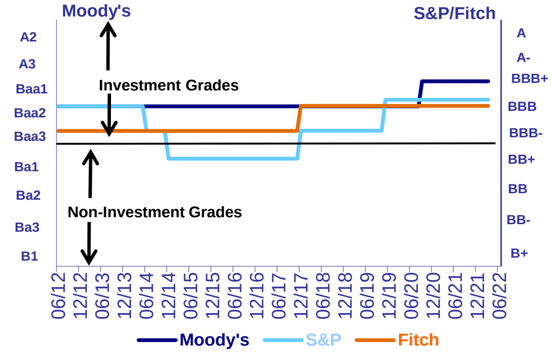
Turkey



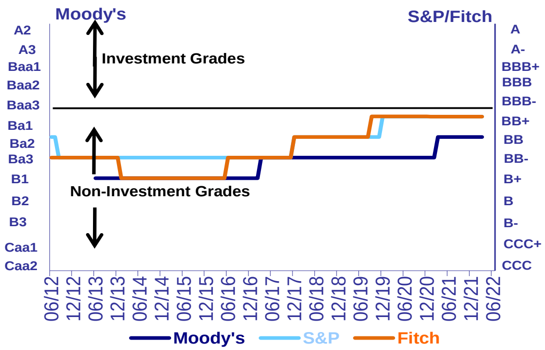
Romania



Bulgaria

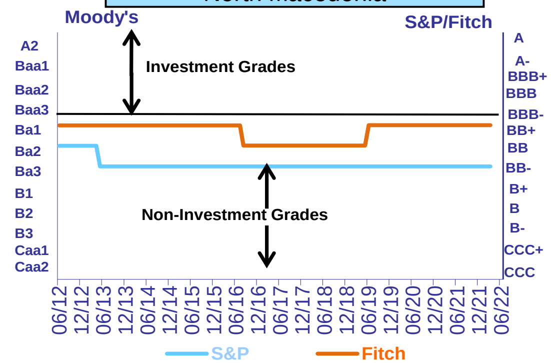


Serbia

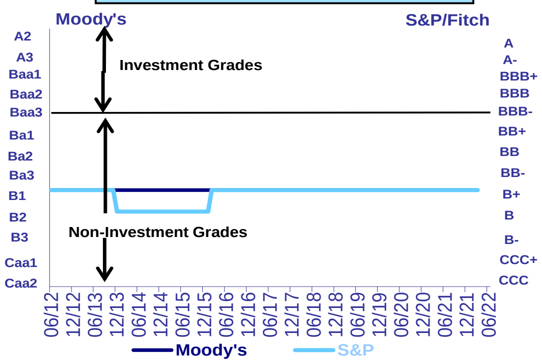


	Long-Term Foreign Debt Currency Ratings, March 2022			
		S&P	Moody's	Fitch
Investment Grades	A+			
	A			
	A-			
	BBB+		Bulgaria	
	BBB	Bulgaria		Bulgaria
	BBB-	Romania, Cyprus	Romania	Romania, Cyprus
Non-Investment Grades	BB+	Serbia	Cyprus	North Macedonia, Serbia
	BB		Serbia	
	BB-	North Macedonia		
	B+	Albania, Turkey	Albania	Egypt,Turkey
	B	Egypt	Egypt,Turkey	
	B-			
	CCC+			

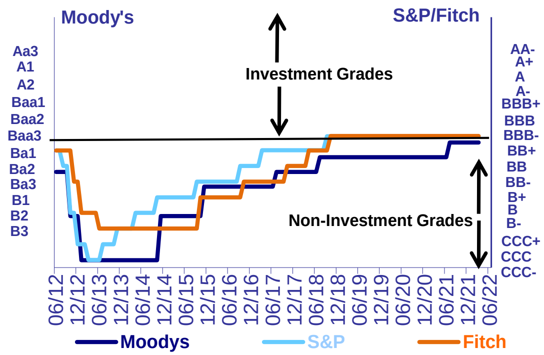
North Macedonia



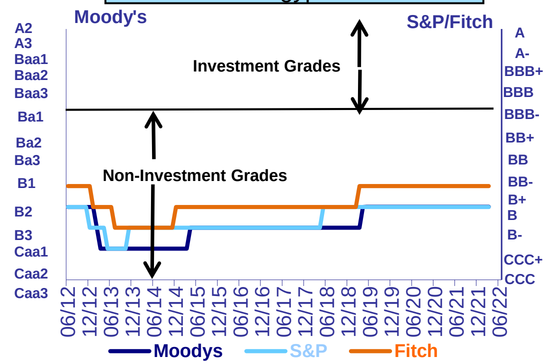
Albania



Cyprus

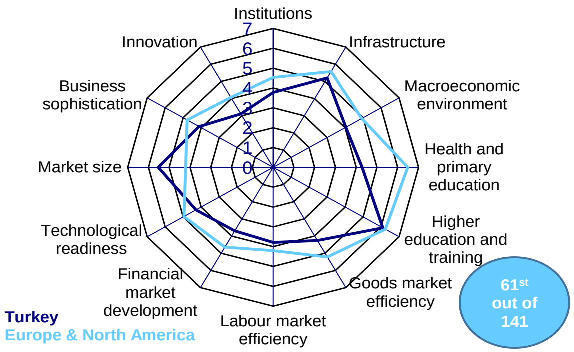


Egypt

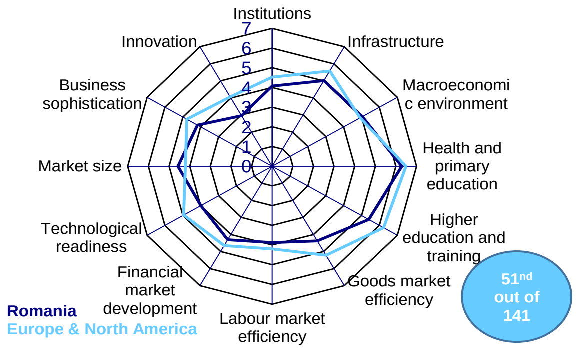


- According to the latest WEF's GCI, **Cyprus** is the **most competitive** among the countries under review

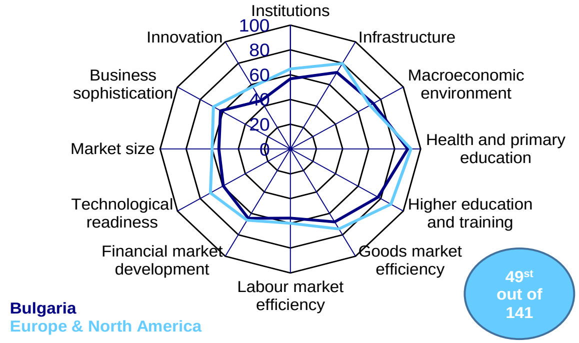
Turkey



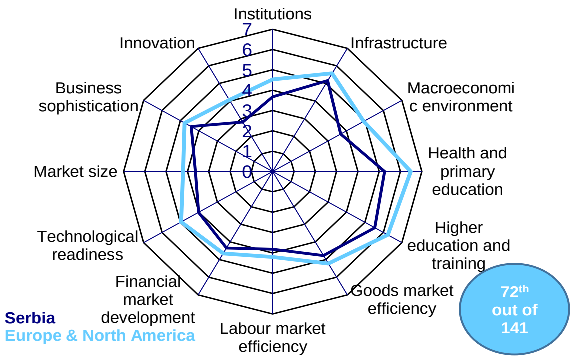
Romania



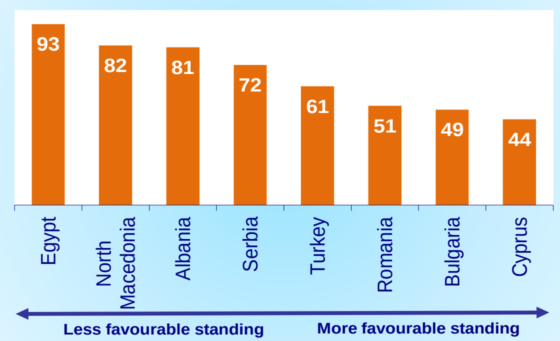
Bulgaria



Serbia

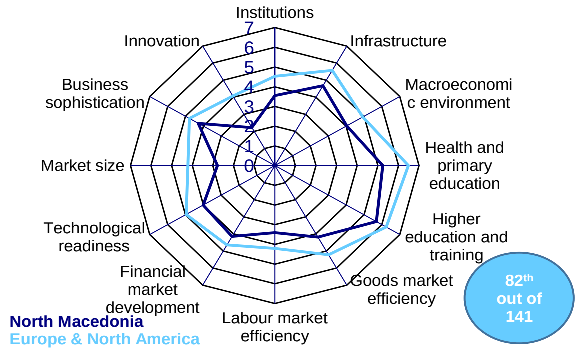


Global Competitiveness Rankings* (2019)

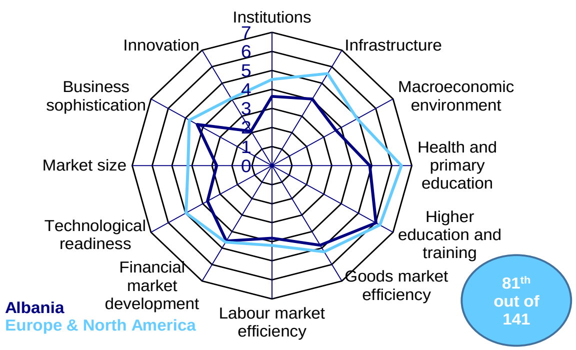


* Rankings are based on average scores out of 141 countries

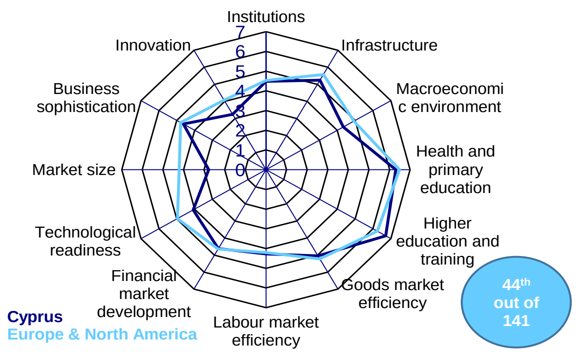
North Macedonia



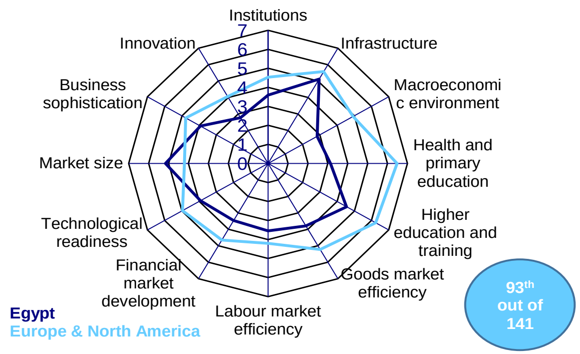
Albania



Cyprus

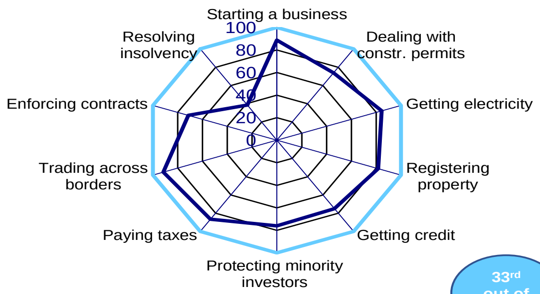


Egypt



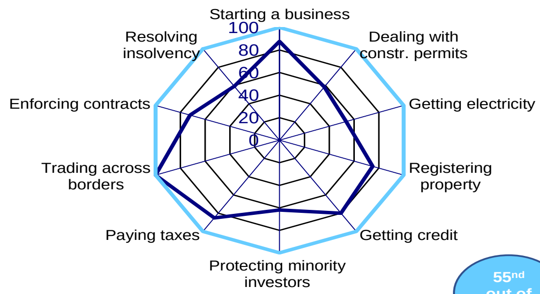
- **North Macedonia ranks 1st in terms of ease of doing business** among the countries under review

Turkey



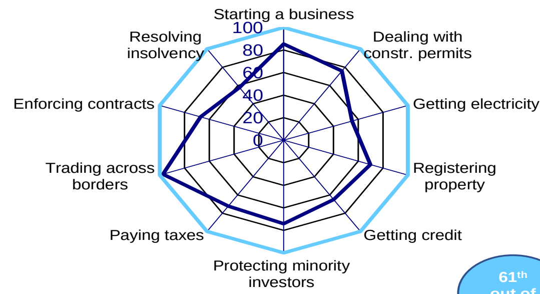
33rd out of 190

Romania



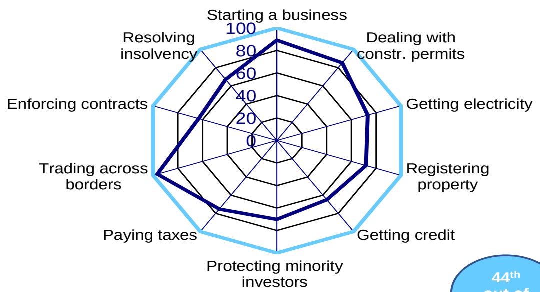
55nd out of 190

Bulgaria



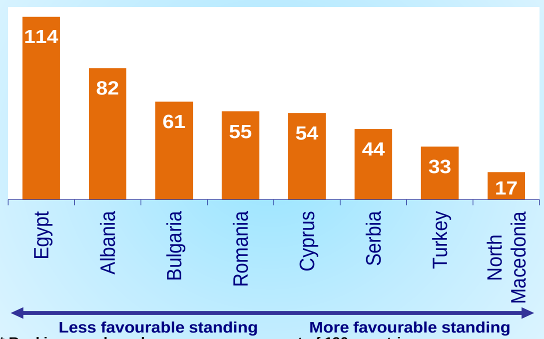
61th out of 190

Serbia



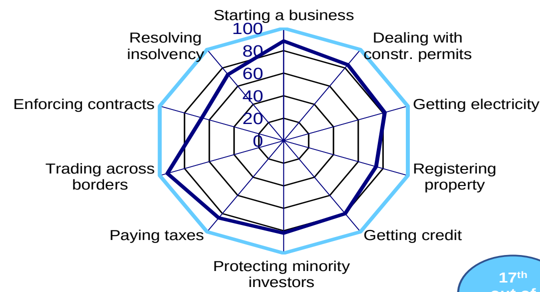
44th out of 190

Ease of Doing Business Rankings* (2020)



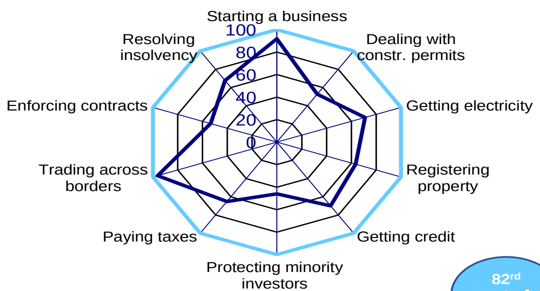
* Rankings are based on average scores out of 190 countries

North Macedonia



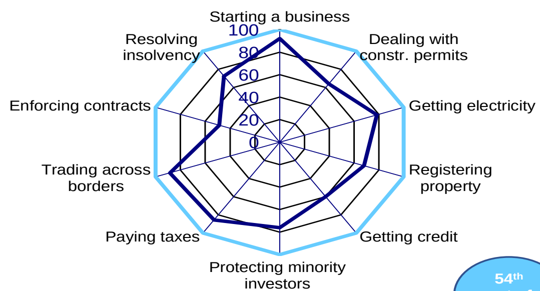
17th out of 190

Albania



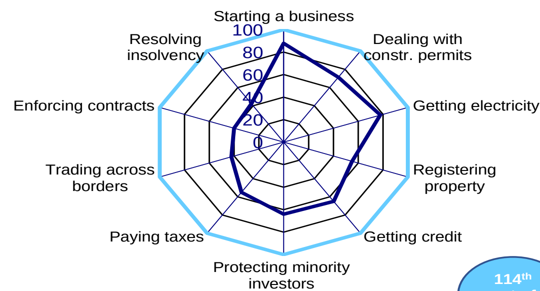
82rd out of 190

Cyprus



54th out of 190

Egypt

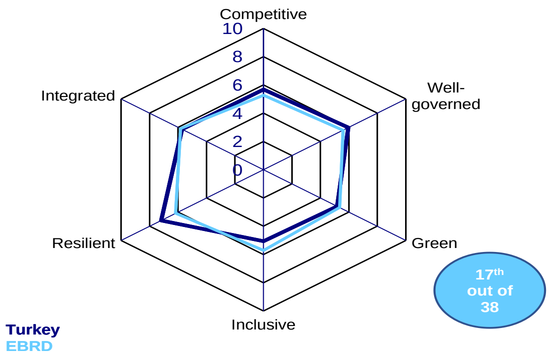


114th out of 190

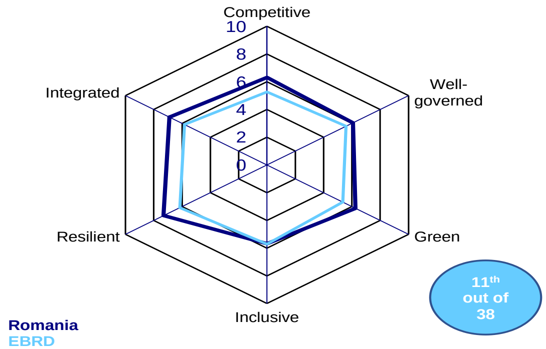
Transition qualities index 2021 (EBRD)

- **Romania** and **Bulgaria** have benefitted from their EU membership, moving ahead of their regional peers in terms of building a **sustainable market economy**

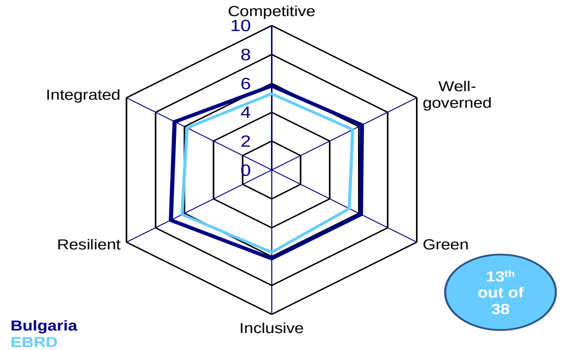
Turkey



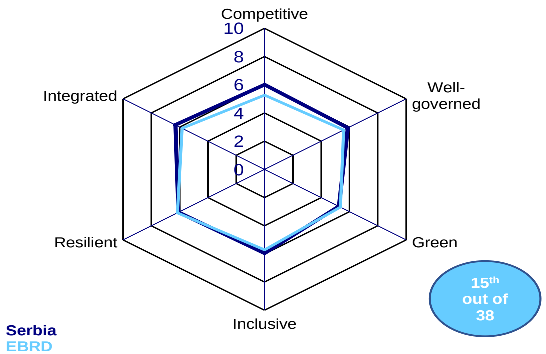
Romania

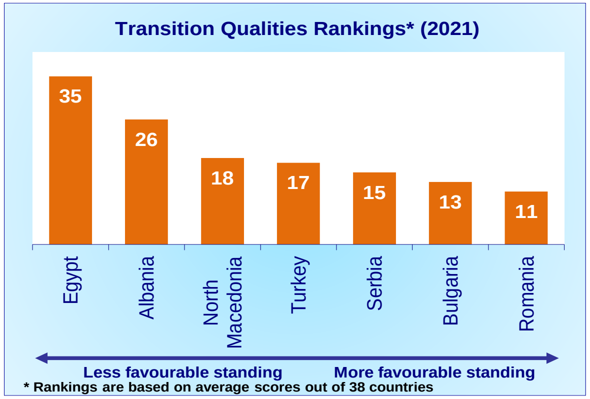


Bulgaria

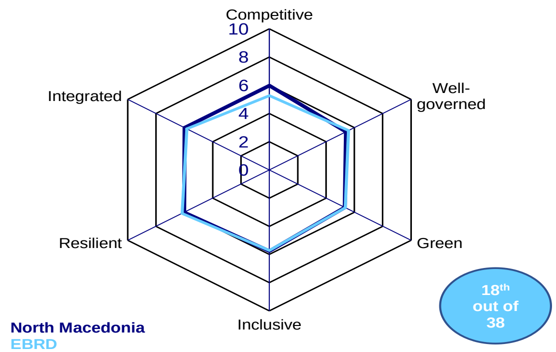


Serbia

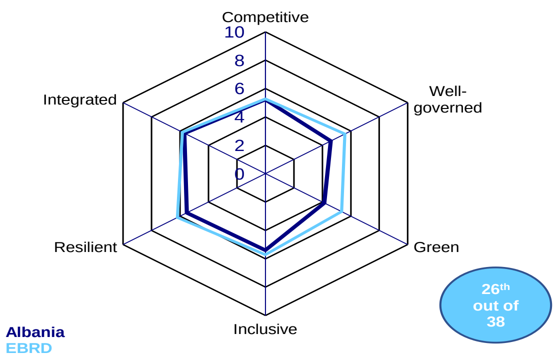




North Macedonia



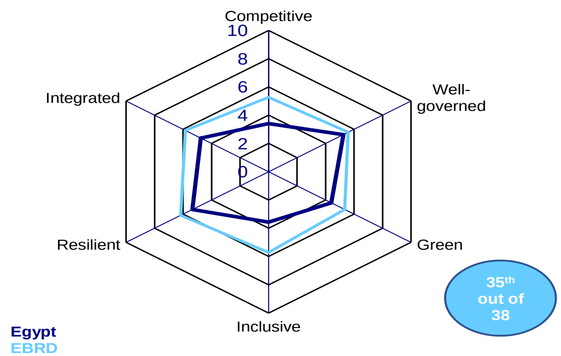
Albania



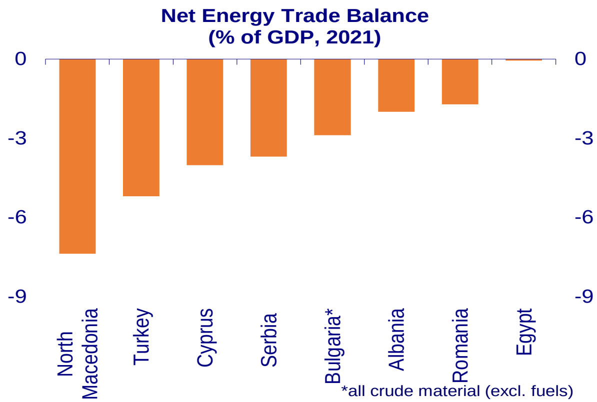
Cyprus

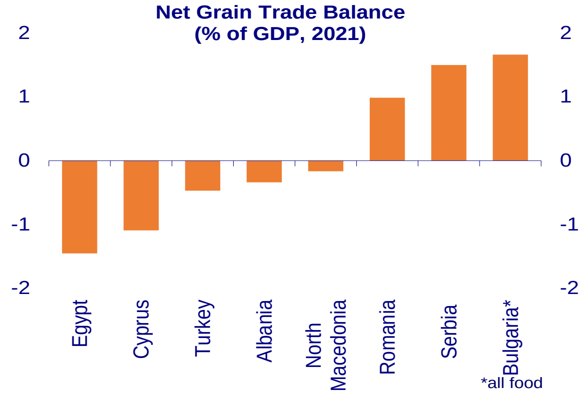
N.A.

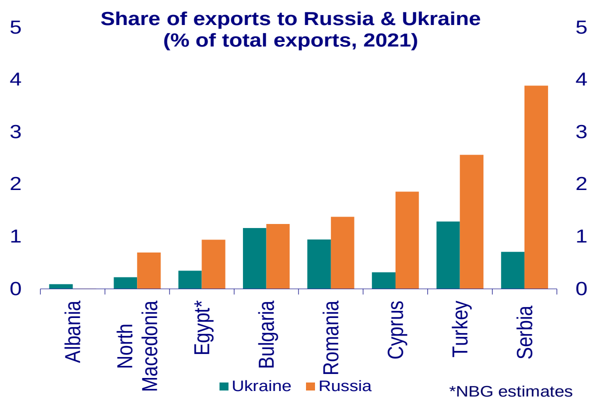
Egypt

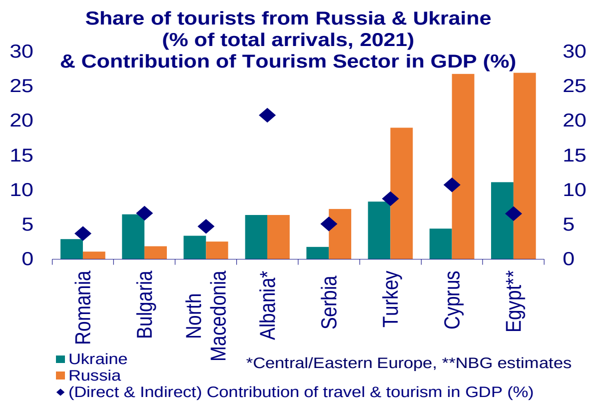


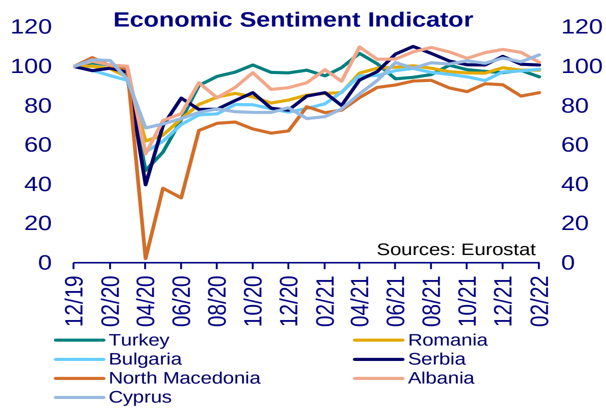
- The **key transmission channel** of the implications of the ongoing Russia-Ukraine crisis should be that of **(higher) inflation**. Indeed, given the economies' **reliance on imports** to cover their **energy** needs (but for Egypt) and **food (grain)** needs (but for Bulgaria, Romania and Serbia), the spike in global commodity prices and associated second-round effects should push the domestic inflation rates even further up from (already elevated) current levels
- In terms of **exports of goods**, the direct impact of the ongoing geopolitical tensions on the economies' under review should be small, reflecting their **limited exposure to Russia and Ukraine.** Still, the **slower-than-initially envisaged growth in the EU**, the region's main trade partner, is set to weigh on the economies' export performance
- For the **economies dependent on tourism**, especially **Egypt, Cyprus** and to a lesser extent **Turkey**, the impact of the ongoing crisis is expected to be much more **significant**. Indeed, with the Ukrainian economy being devastated and the Russian economy due to fall in recession, hit, *inter alia*, by the EU-US sanctions and the weaker RUB, tourist outflows from these countries should be minimal this year, even if the EU-wide ban on Russian flights currently in place is lifted
- **Cyprus** would be also affected by the crisis through the channel of **business-related services**, for which Russia is a key export market
- **Economic sentiment** in all the countries under review is expected to deteriorate significantly in the period ahead, as the implications of the ongoing crisis unfold





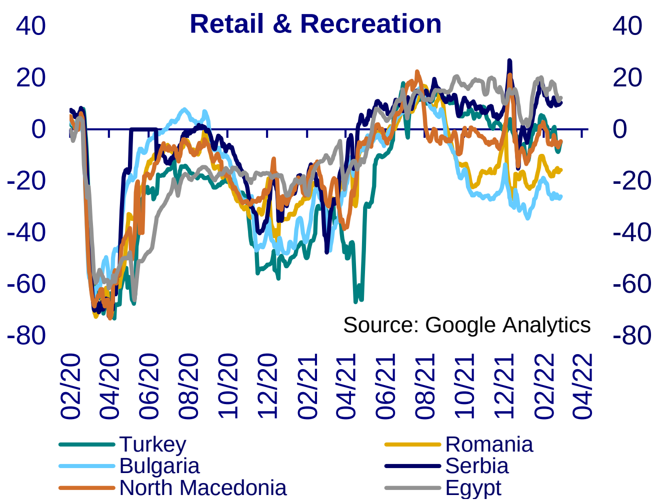


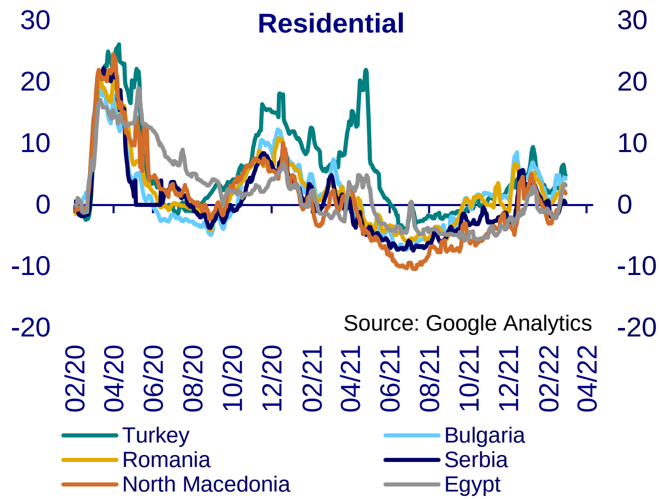


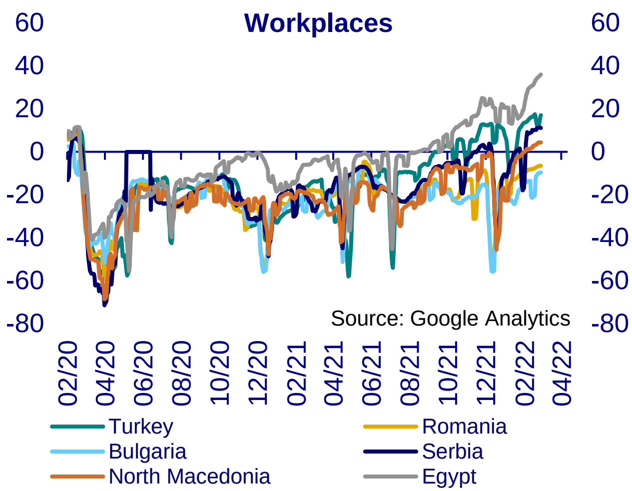


Community Mobility (7-day m.a., % change from baseline) & COVID-19 Vaccination Rollout

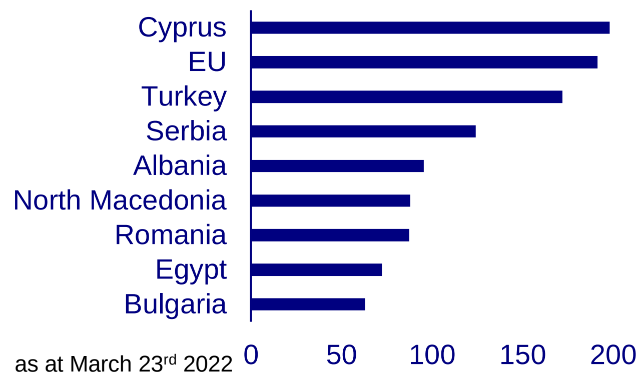
- **Community mobility has recovered to pre-COVID-19 levels** in most of countries under review, following the improvement in the epidemiological situation and the concomitant easing in social distancing measures
- Still, the evolution of COVID-19 poses a downside risk to the economic outlook, especially for **Bulgaria and Egypt,** where **vaccination coverage remains low**





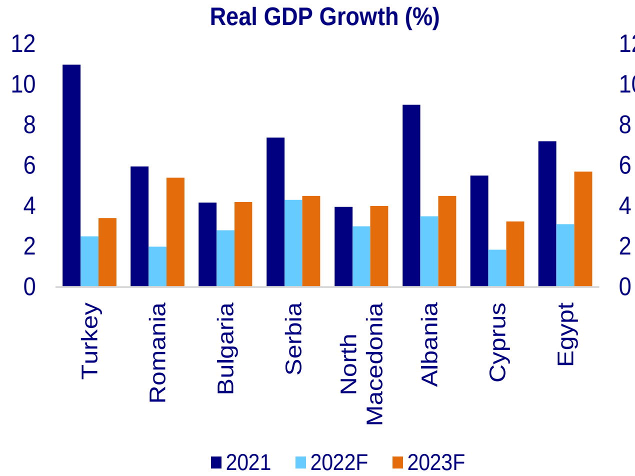


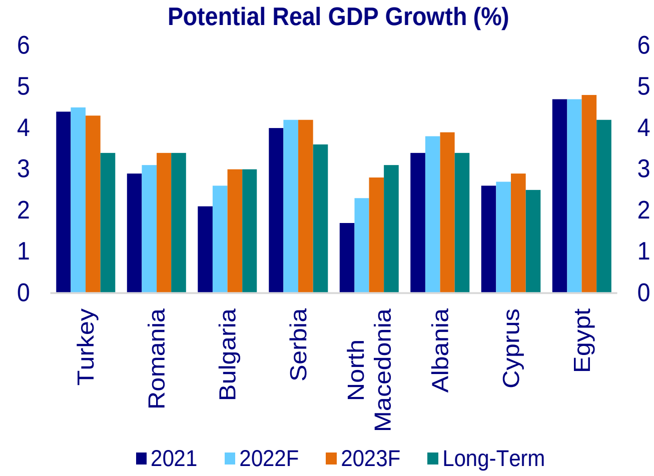
Vaccination Doses Administered per 100 People

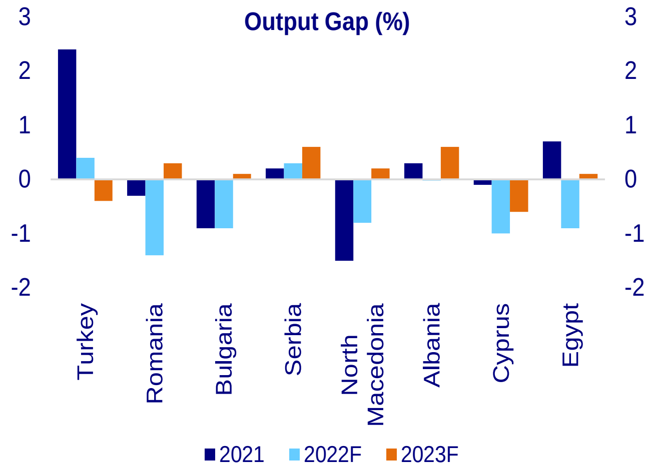


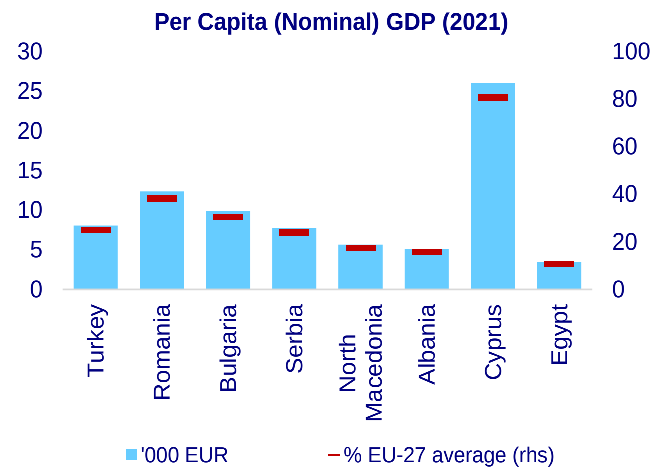
Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- **Economic activity** in all the countries under review, but for North Macedonia, **has returned to pre-COVID-19 levels**, with **Turkey, Serbia** and **Albania** standing out
- The **implications of the ongoing Russia-Ukraine crisis** have led us to **revise downwards** our **GDP growth forecasts for 2022** by c. 0.8 pps (unweighted) in the economies under review but for **Cyprus,** where the revision was much larger (down 2.2 pps), due to the economy's linkages with Russia
- The slowdown in GDP growth is expected to be much more acute in **Turkey**, whose economy has been significantly hit by a currency crisis at end-2021
- Assuming that geopolitical tensions subside by end-year, we expect **GDP growth to rebound in 2023** in all the economies under review, underpinned, *inter alia*, by a strong carry-over effect
- Our forecasts could be revised lower, should the implications of the ongoing crisis turn out to be more severe than assumed in our baseline scenario (e.g. involving physical disruptions to energy supply)

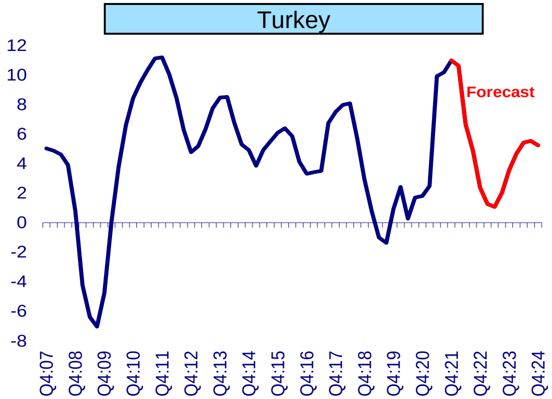


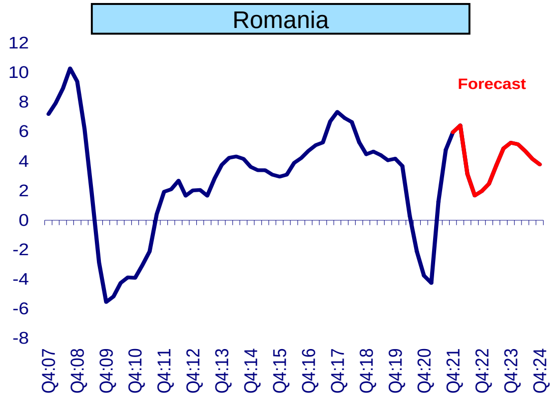


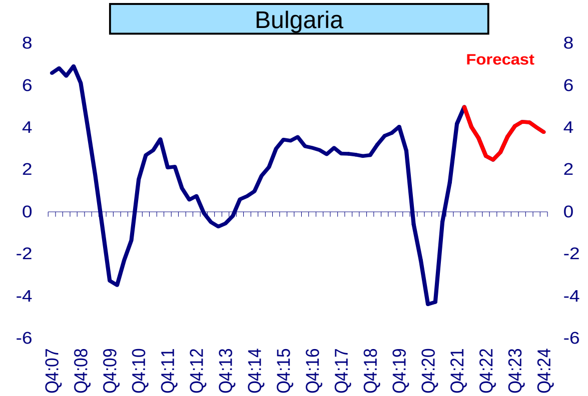


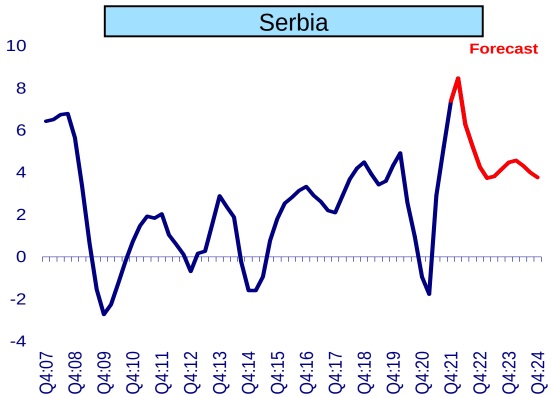


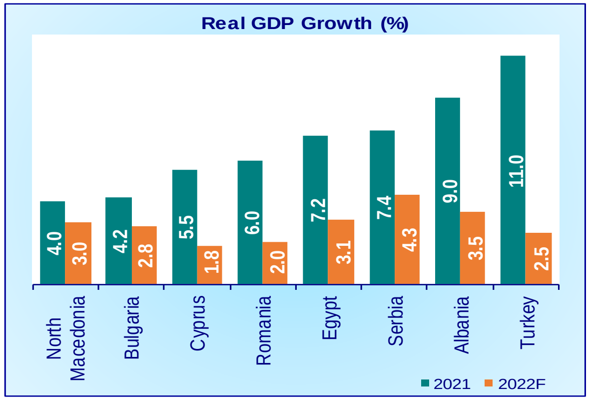
- Following a faster-than-expected recovery in H1:21, GDP growth has lost some momentum in H2:21, amid, *inter alia*, severe strains in global supply chains
- **Economic growth is expected to slow down abruptly over the next quarters**, mainly reflecting the impact of **rapidly rising inflation**

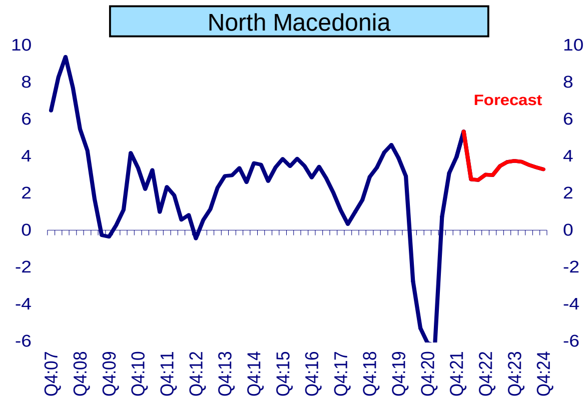


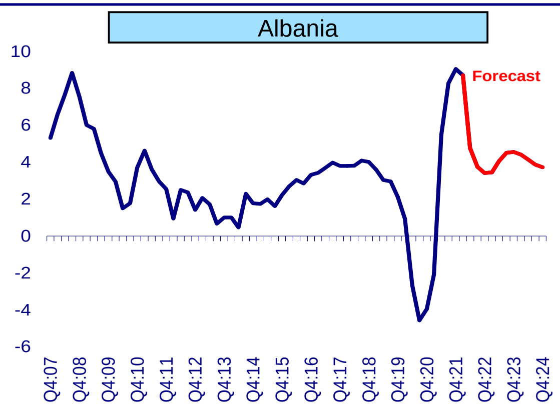


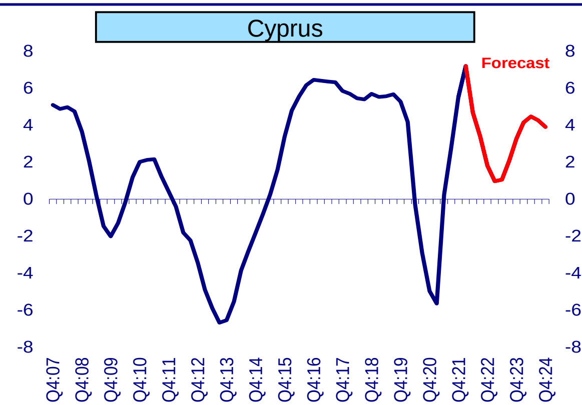


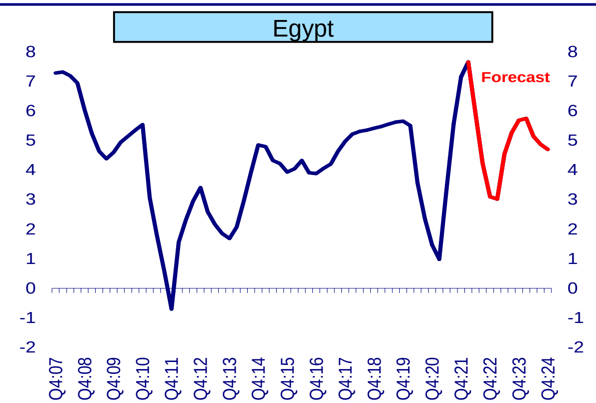




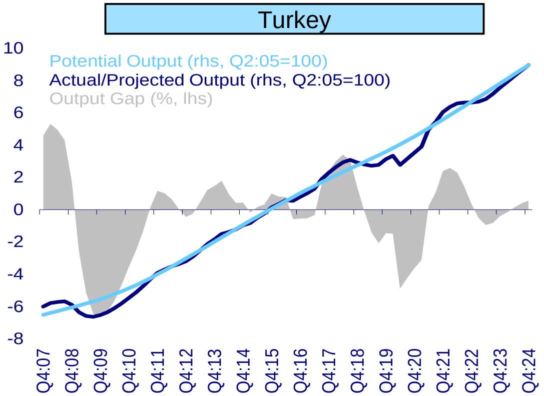


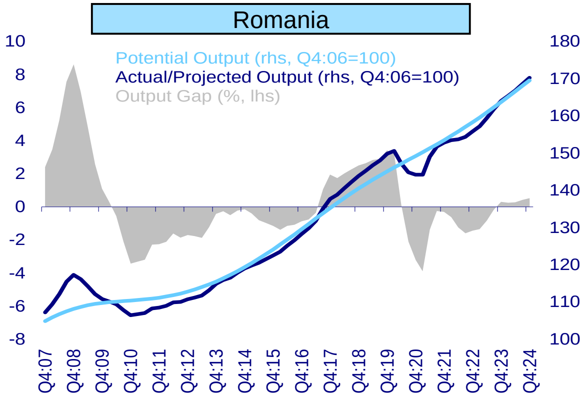


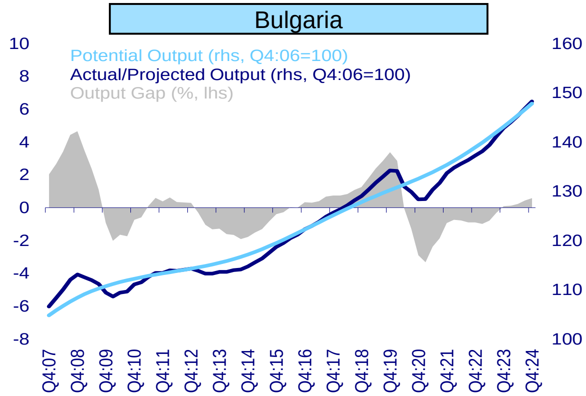


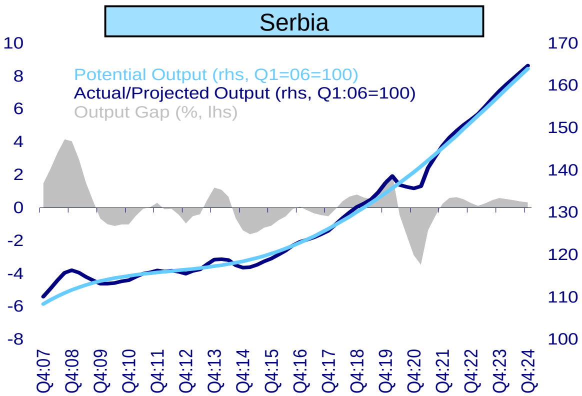


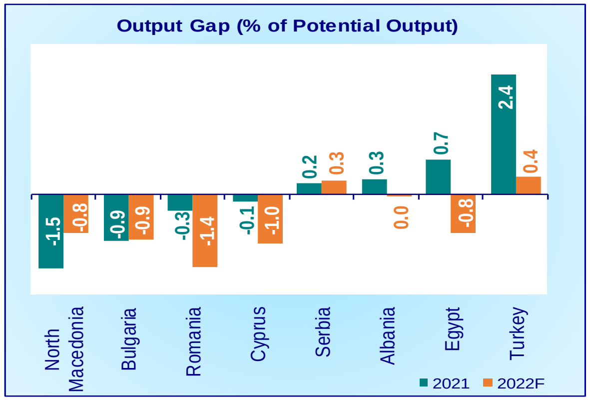
- The economic impact of the Russia-Ukraine crisis (which comes on top of that of COVID-19), should **delay the closing of the (negative) output gap** by c. 1 year (i.e. end-2023) in the economies under review

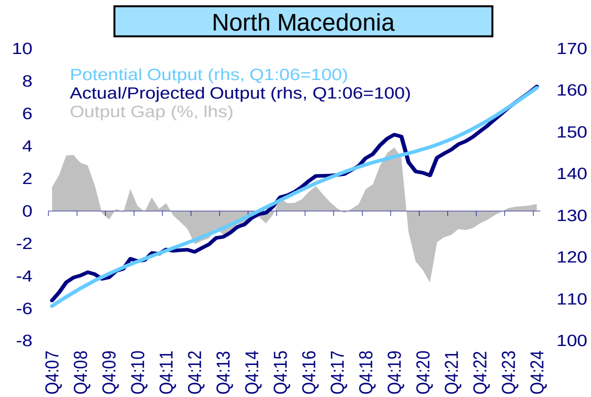


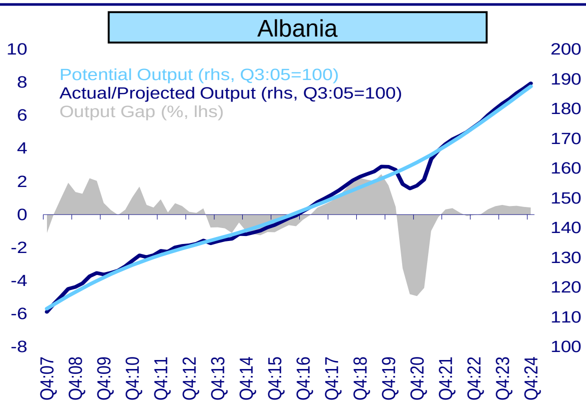


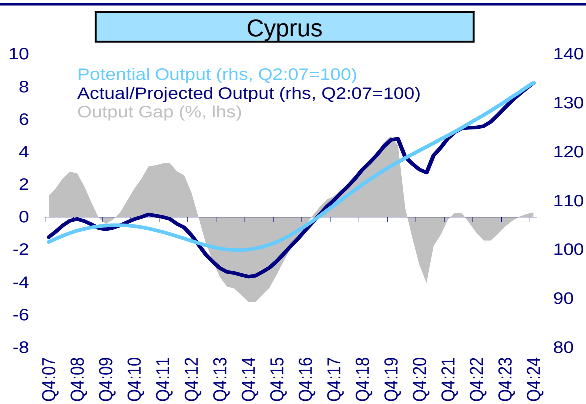


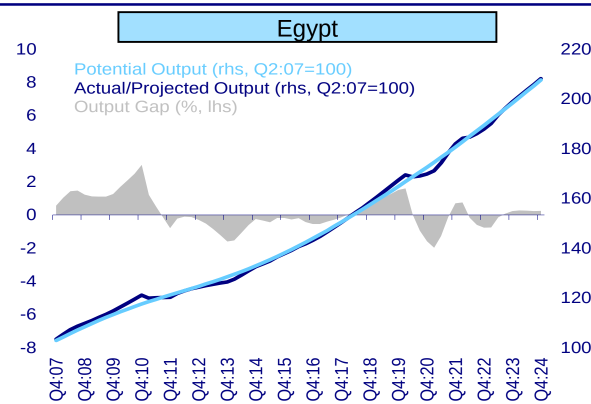








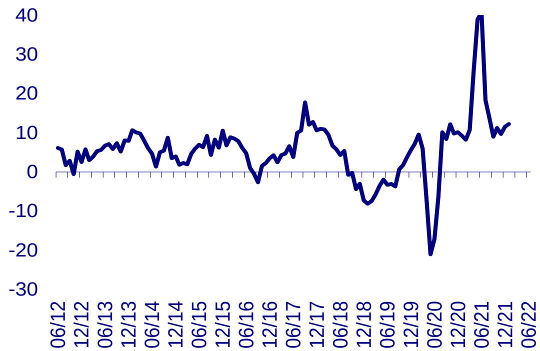




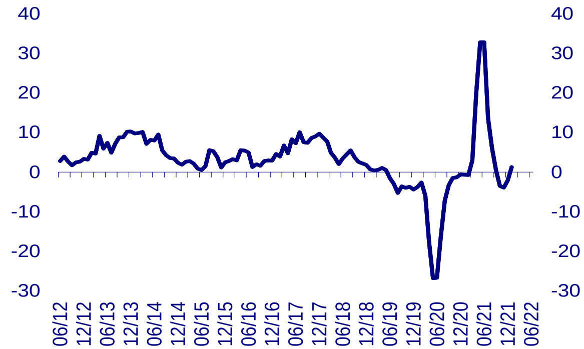
Industrial production (3-month rolling, y-o-y % change)

- **Supply chains strains** (particularly pertaining to border controls and a global semiconductors shortage) continue to **hold back industrial output** in the economies under review

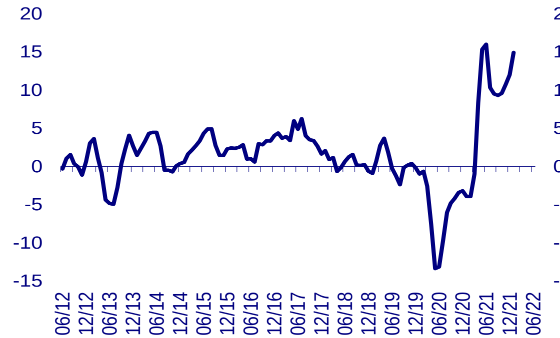
Turkey



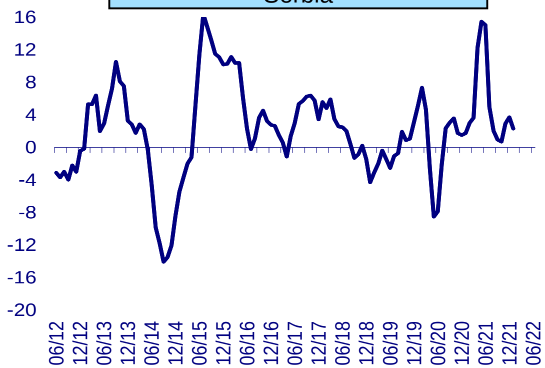
Romania

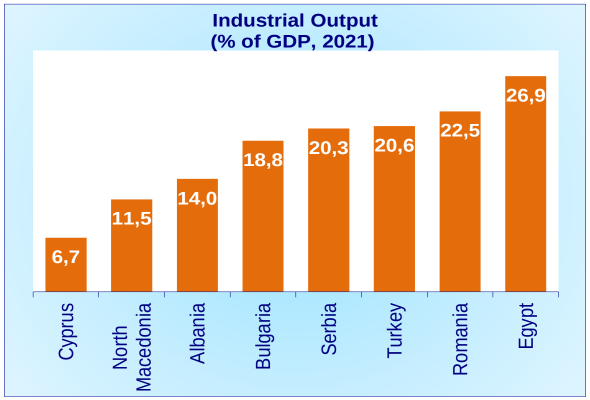


Bulgaria

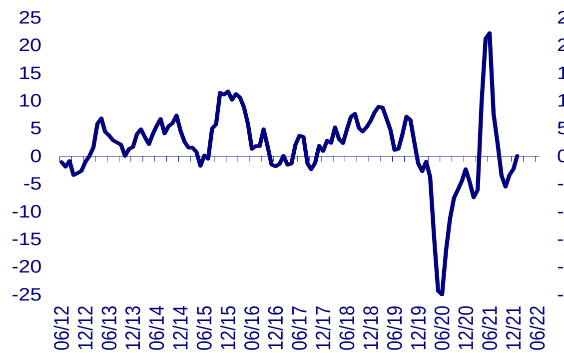


Serbia





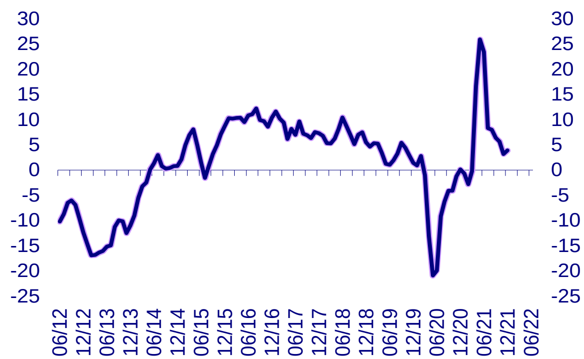
North Macedonia



Albania

N.A.

Cyprus

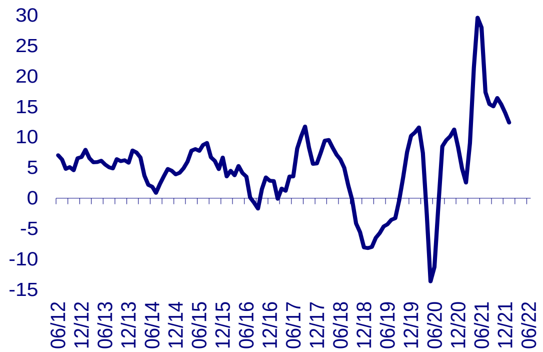


Egypt

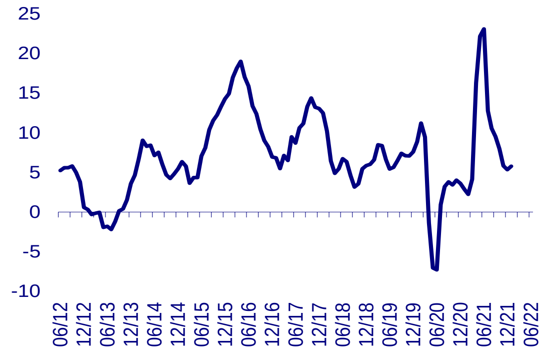
N.A.

- **Rising inflation** and **deteriorating confidence** have started weighing on **retail sales**

Turkey



Romania



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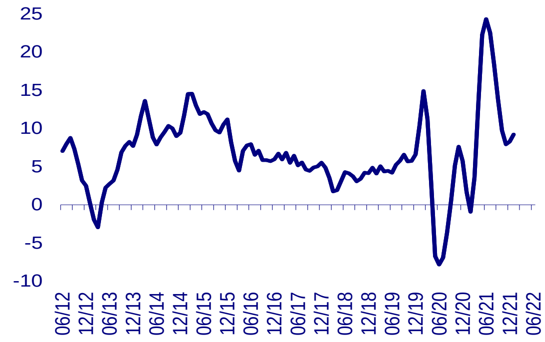
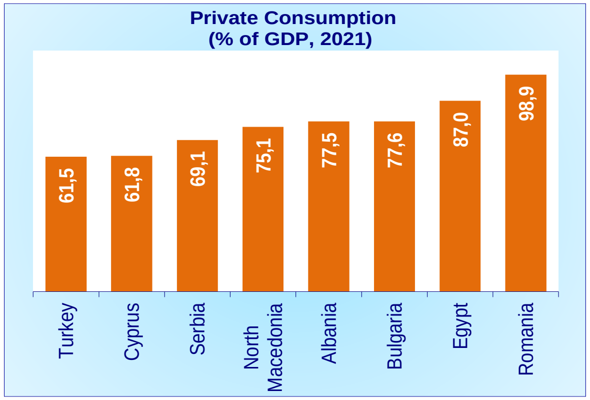
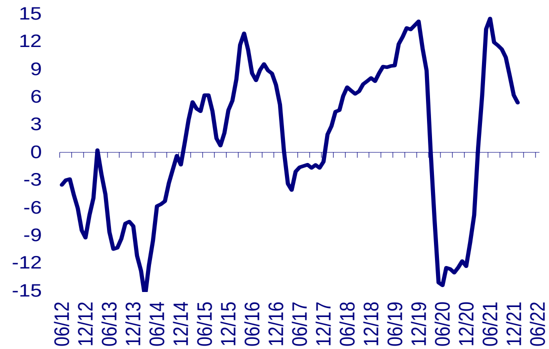


Serbia



North Macedonia



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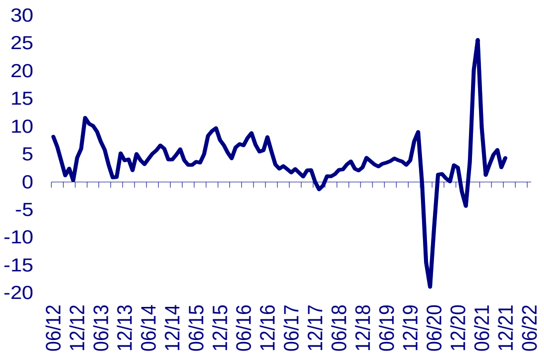

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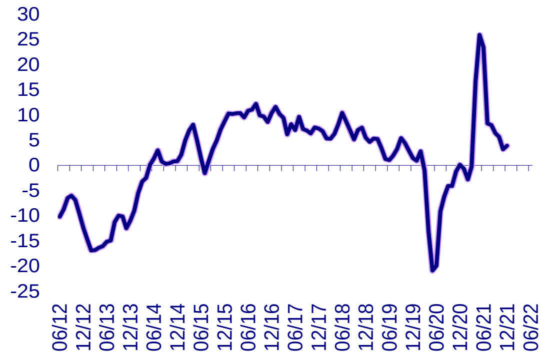


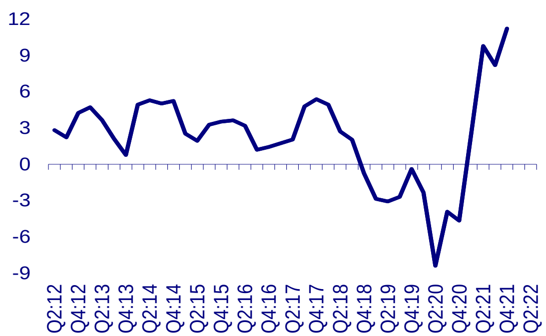
Egypt

N.A.

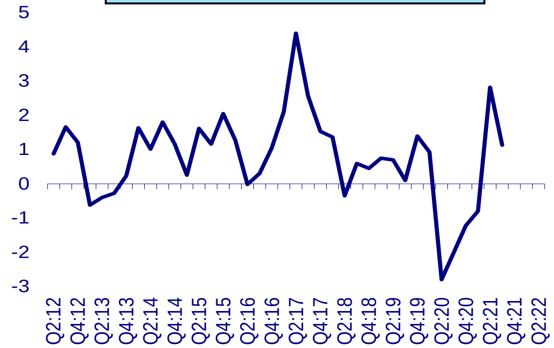
Employment growth (y-o-y % change)

- Following the gradual reopening of economies, **employment growth rebounded in 2021**, yet significantly lagging the output recovery
- Employment growth is set to weaken in 2022, in line with **slowing economic growth**

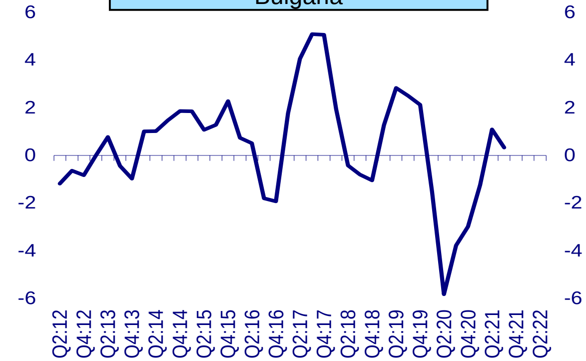
Turkey



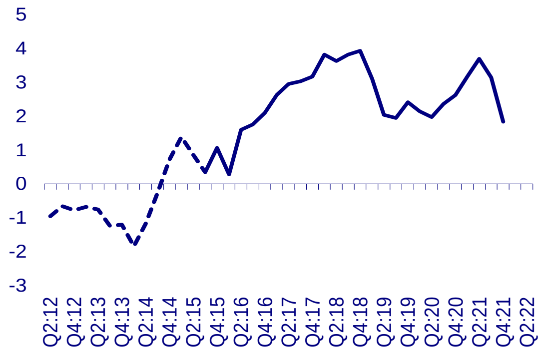
Romania

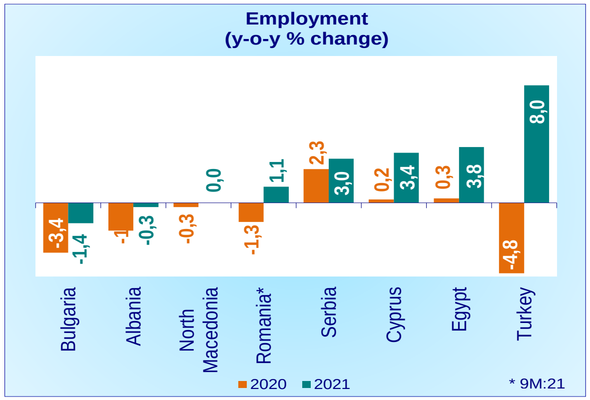


Bulgaria

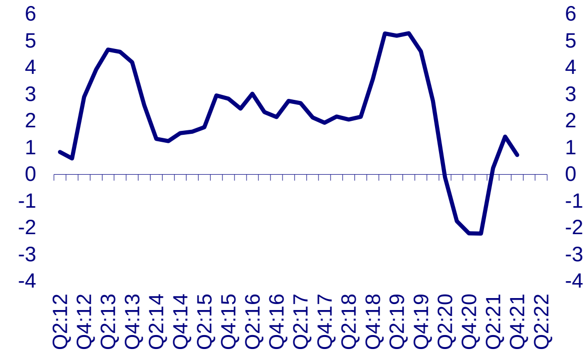


Serbia

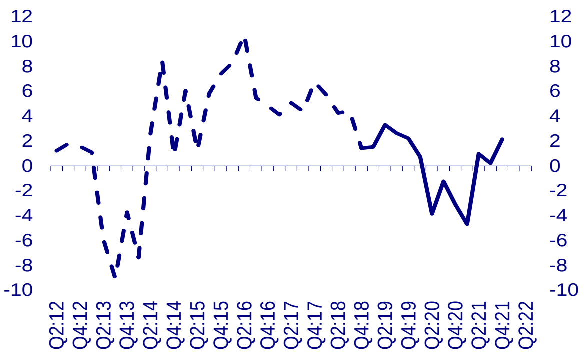




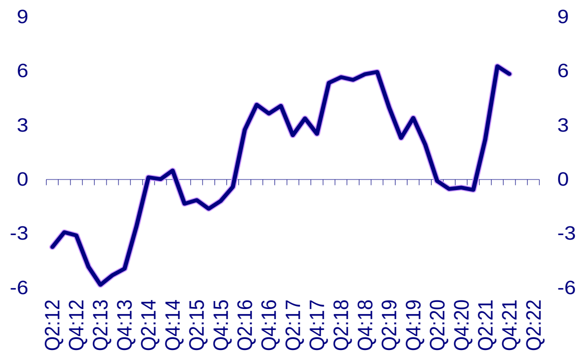
North Macedonia



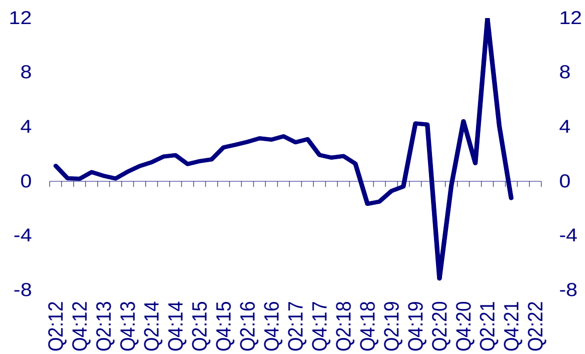
Albania



Cyprus



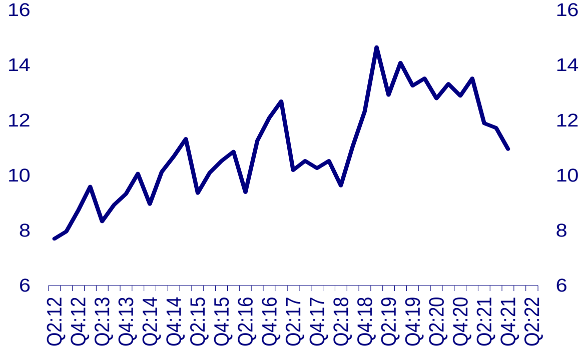
Egypt



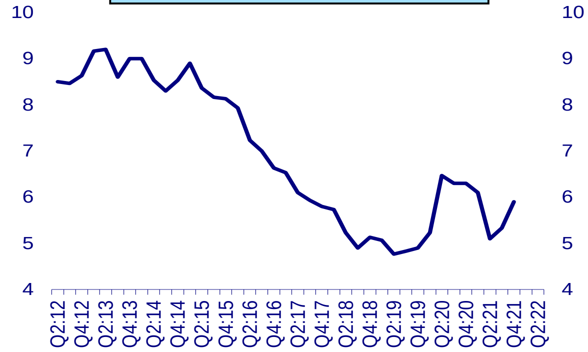
Unemployment rate (%)

- The **unemployment rate** has broadly returned to its pre-COVID-19 (historic low) levels in most of the economies under review
- **Slowing economic growth** and an **increasing participation rate** mean that unemployment is unlikely to improve much further in 2022

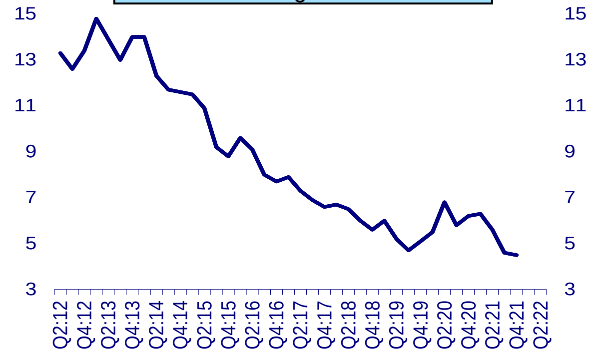
Turkey



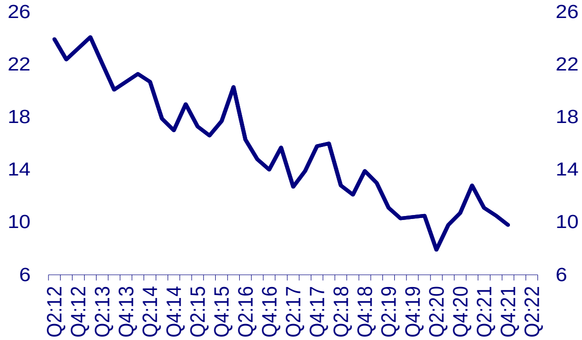
Romania

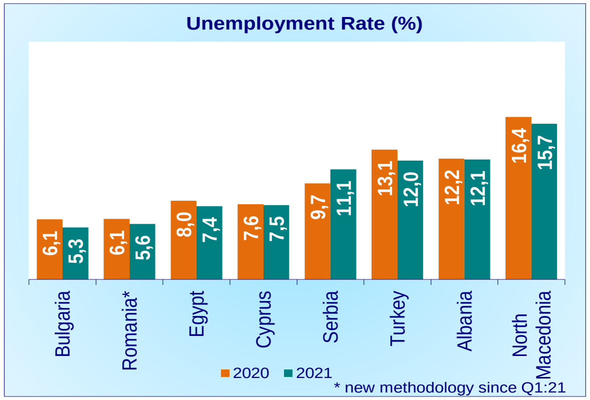


Bulgaria

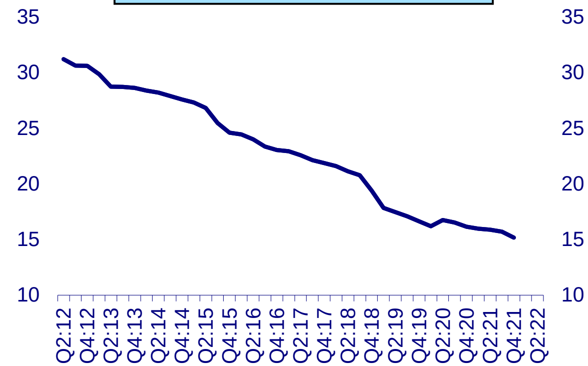


Serbia

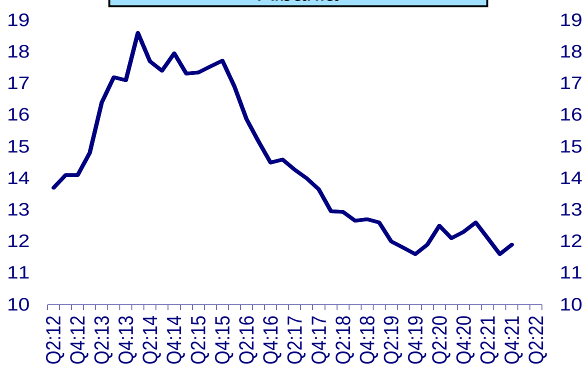




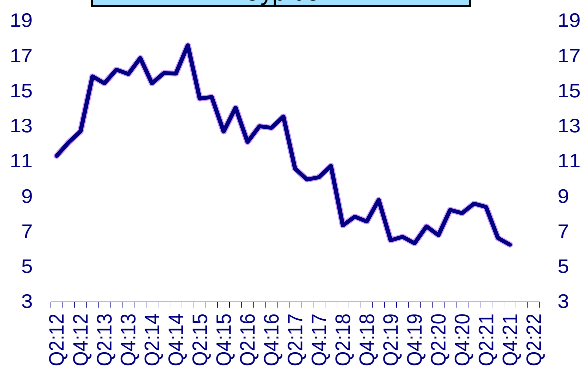
North Macedonia



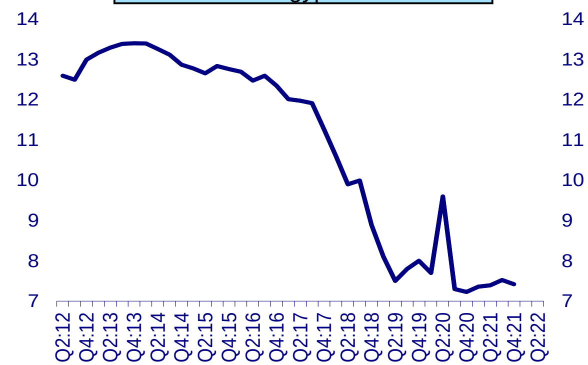
Albania



Cyprus

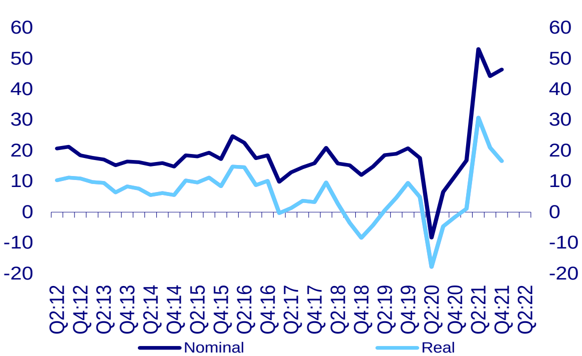


Egypt

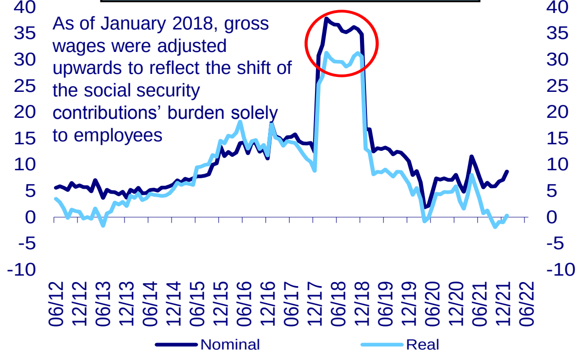


- Wage growth strengthened in 2021, in line with economic recovery
- Strong inflationary pressures, amid relatively tight labour market conditions, mean that **2022 is set for a strong uptick in nominal wage growth**

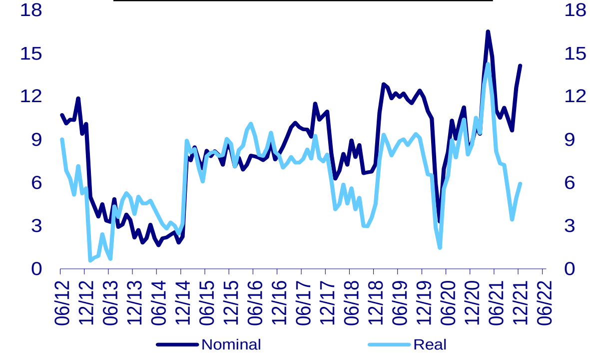
Turkey



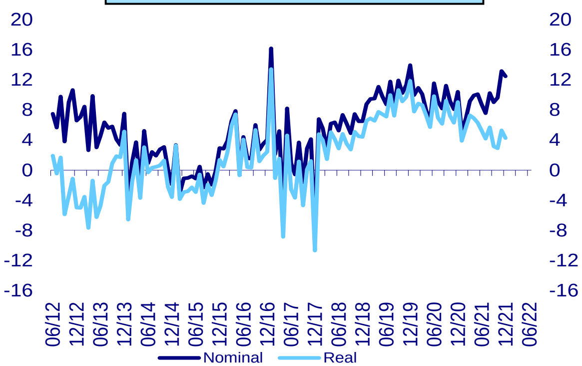
Romania



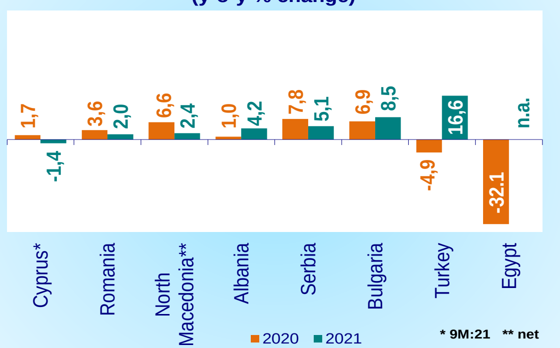
Bulgaria

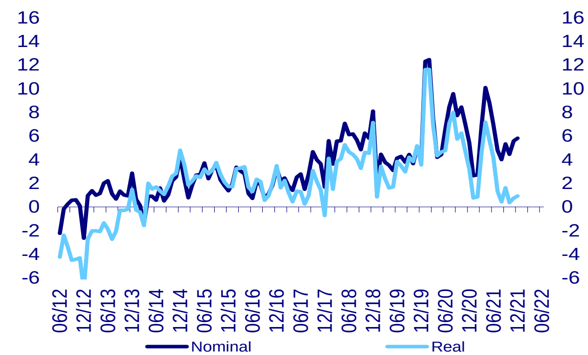


Serbia

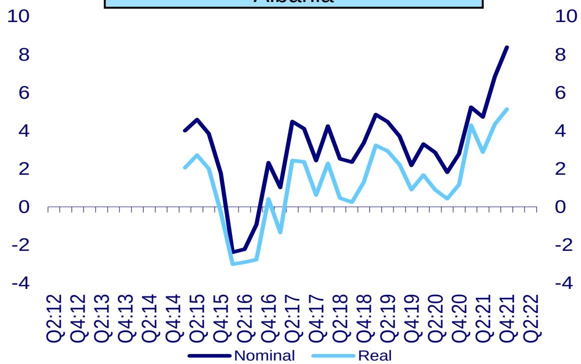


Real Gross Wages (y-o-y % change)

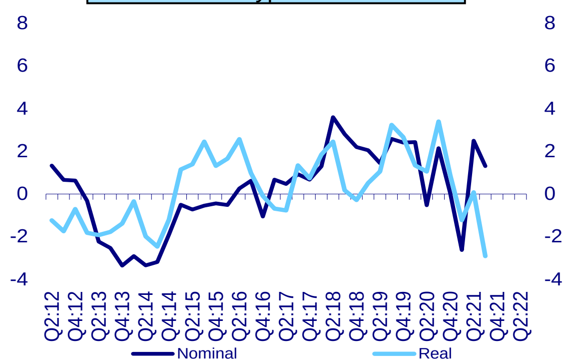




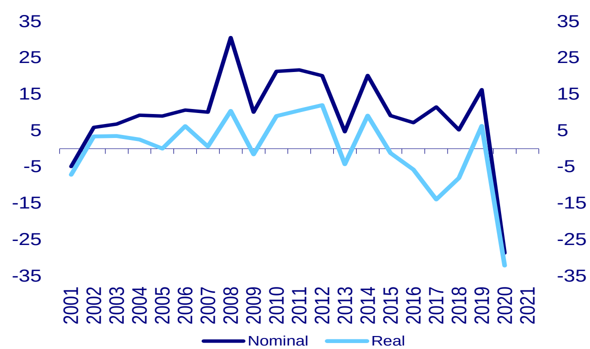
Albania



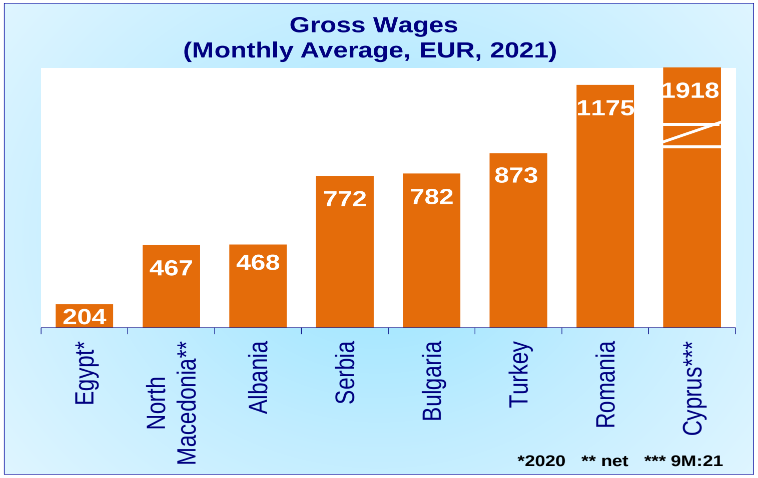
Cyprus



Egypt



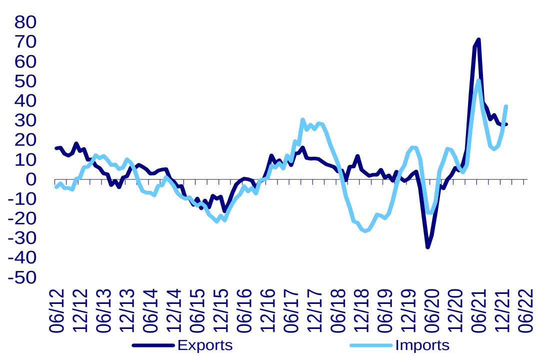
- **North Macedonia** and **Albania** remain the **most competitive countries in terms of labour costs** in Southeastern Europe
- **Bulgaria** and **North Macedonia** have the most **favourable personal and corporate income tax rates**



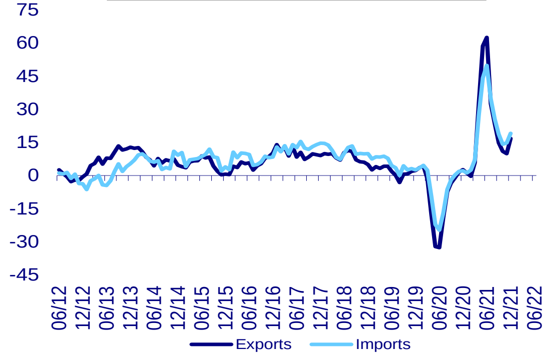
Tax Rates (%, 2022)		
	Personal Income	Corporate Income
Turkey	15.0 - 40.0	23.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0 – 20.0	15.0
North Macedonia	10.0	10.0
Albania	13.0 - 23.0	5.0 - 15.0
Cyprus	20.0 - 35.0	12.5
Egypt	2.5 – 25.0	22.5
Greece	9.0 - 44.0	22.0

- **External trade rebounded in 2021**, following the gradual reopening of the economies
- Despite the impact of **disruptions in global supply chains**, **external trade turnover still remains elevated**, reflecting **higher global energy prices**

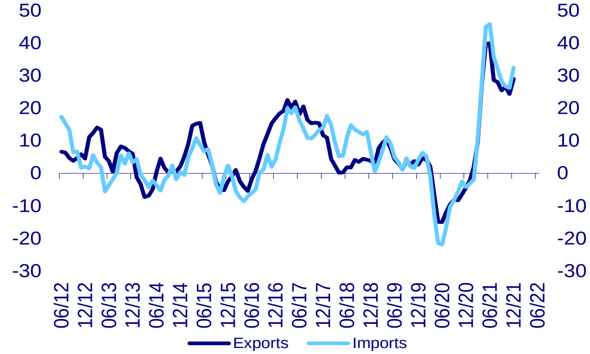
Turkey



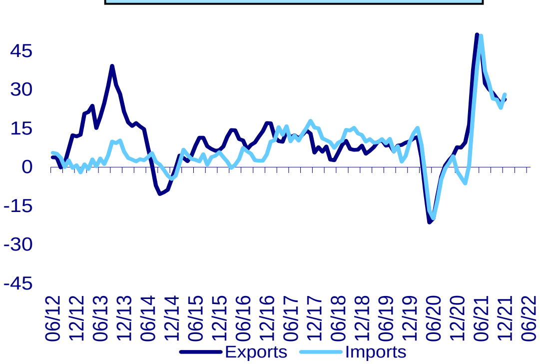
Romania

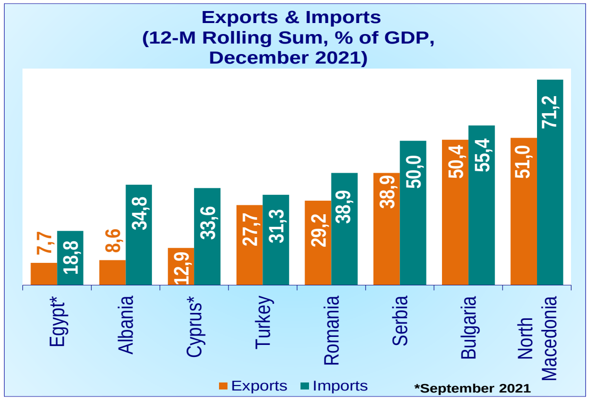


Bulgaria

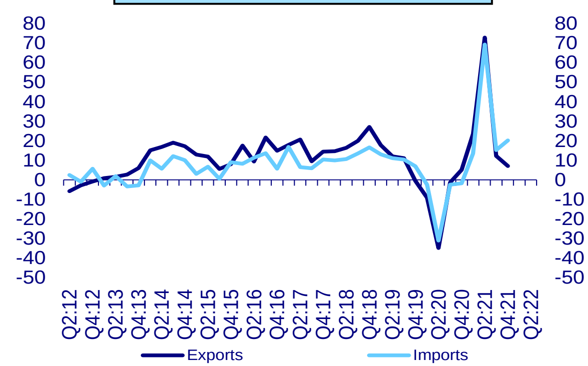


Serbia

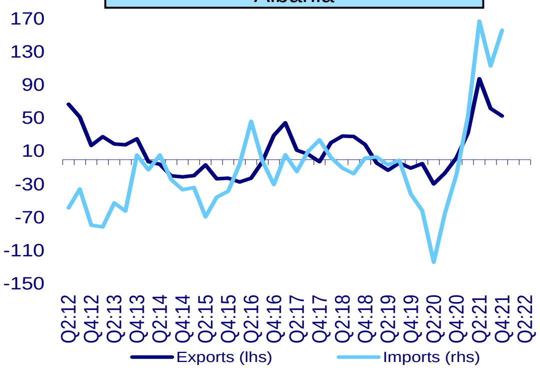




North Macedonia



Albania



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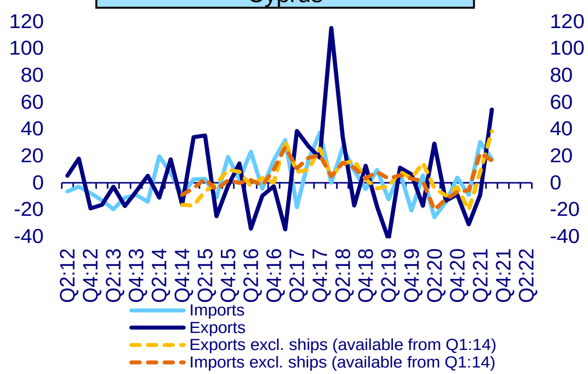
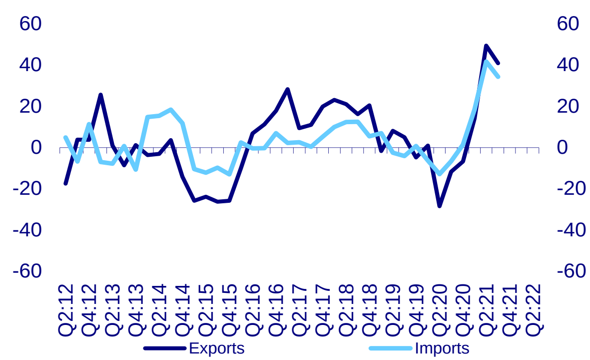
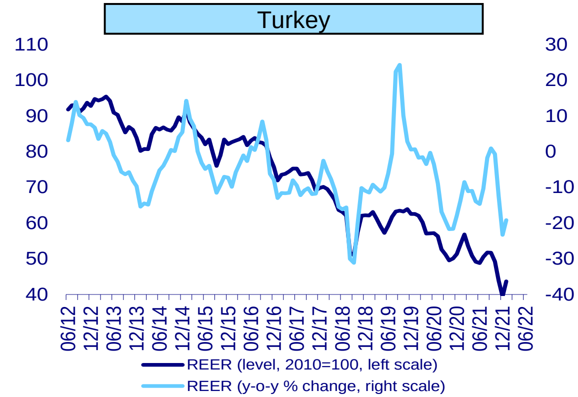
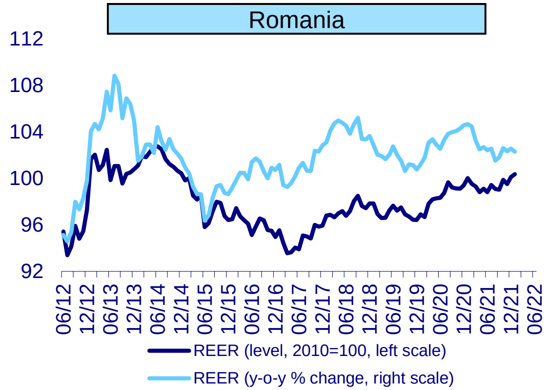


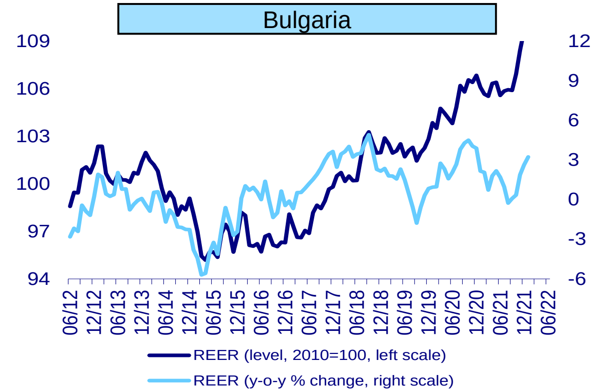
Egypt

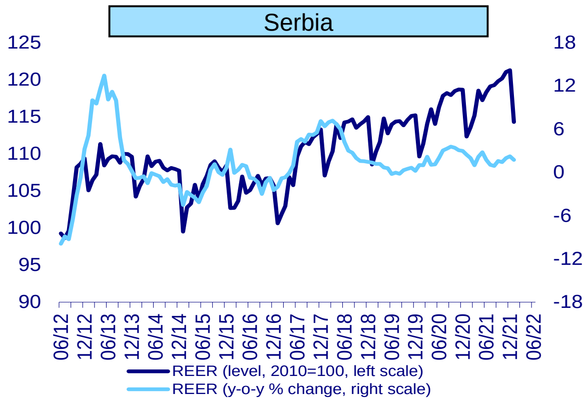


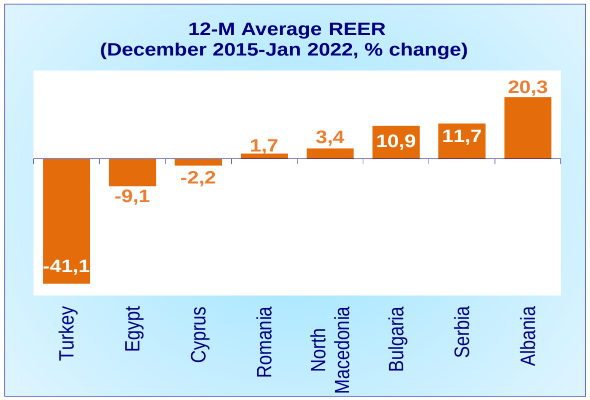
- **Turkey's** external competitiveness has improved significantly over the past 6 years

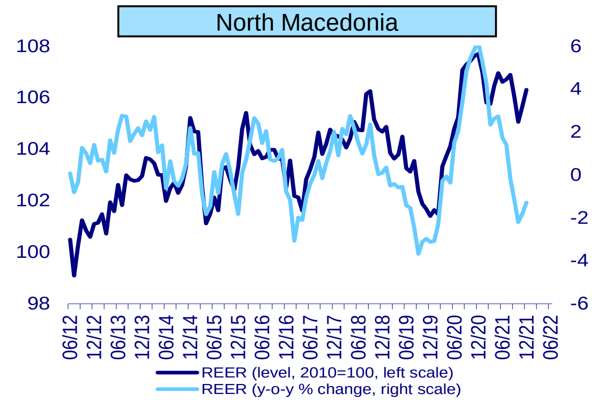


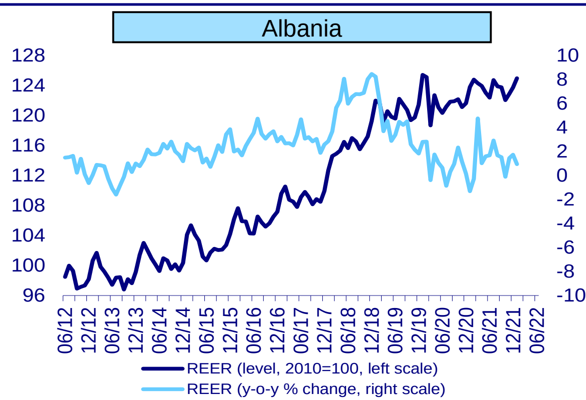


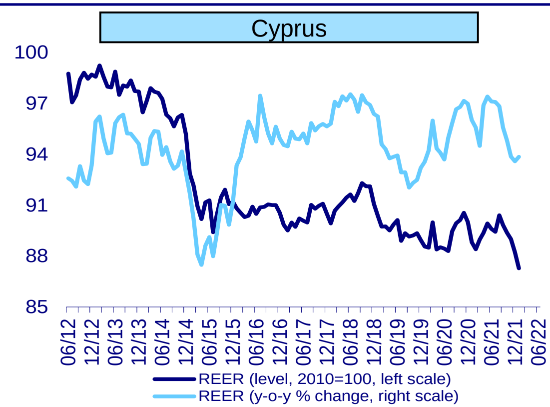


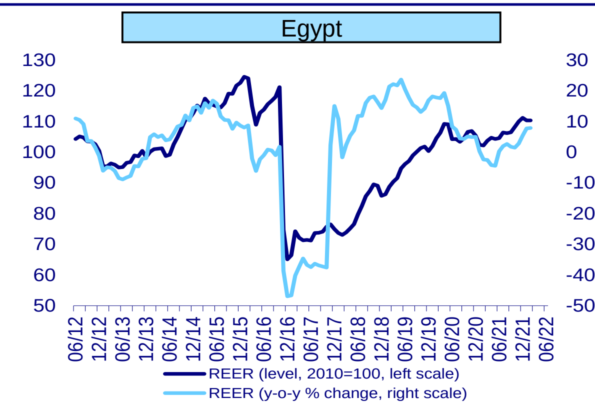








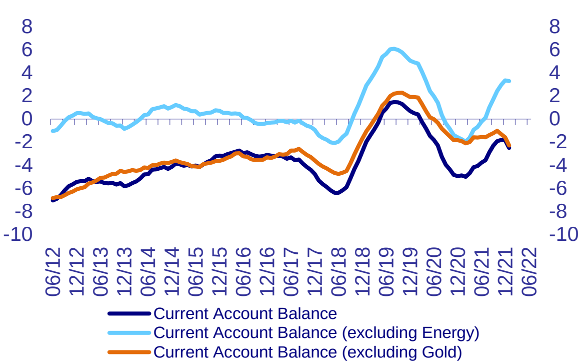




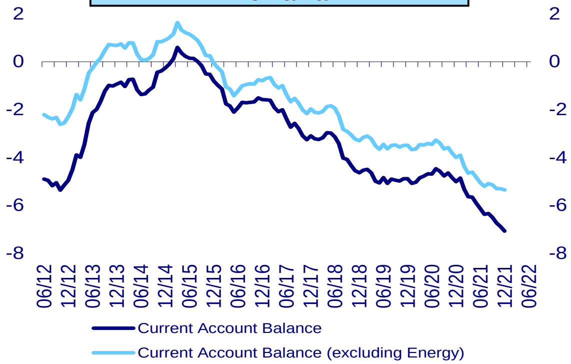
Current account balance (12-month rolling, % of GDP)

- **Unfavourable global energy prices**, together with **recovering domestic demand**, resulted in **a deterioration in goods trade imbalances** in all the economies under review in 2021, but for **Turkey**, which benefitted from lower imports of gold and a strong rebound in exports
- For **Cyprus, Albania** and **Turkey**, this deterioration was more than offset by a **rebound in tourist inflows**, leading to an **improvement in external accounts**

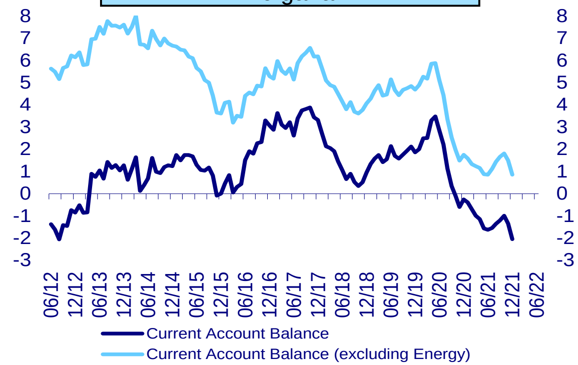
Turkey



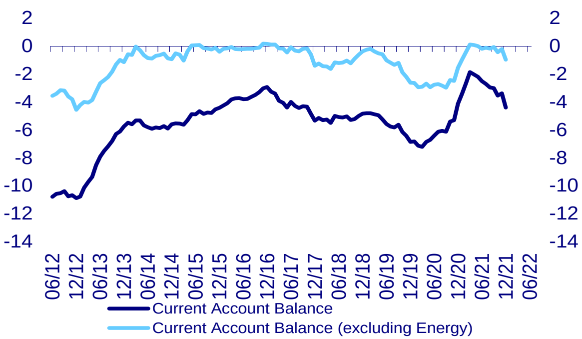
Romania

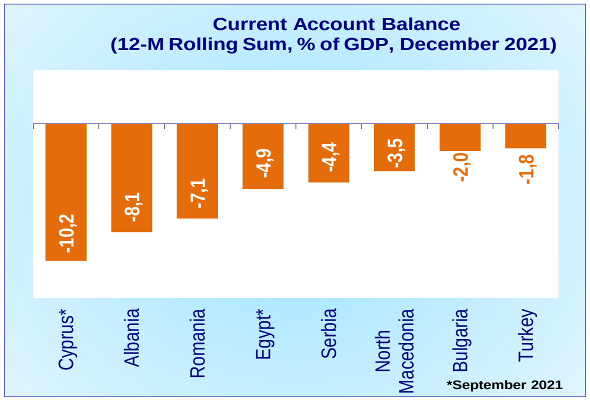


Bulgaria

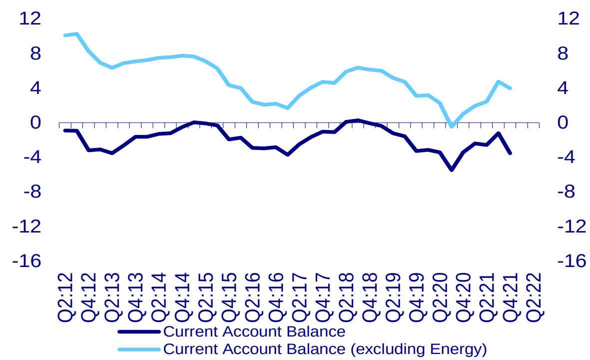


Serbia

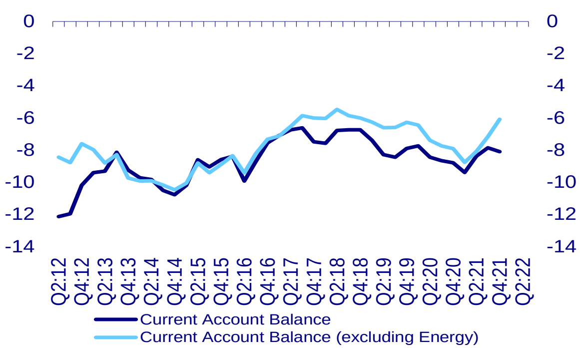




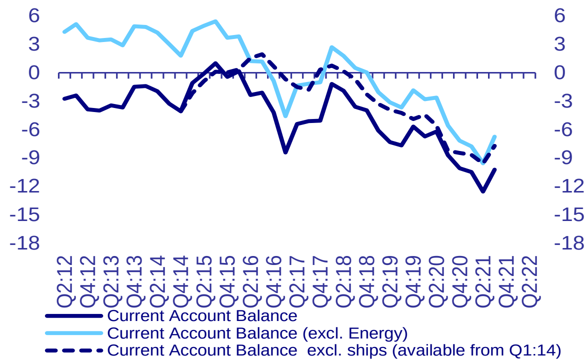
North Macedonia



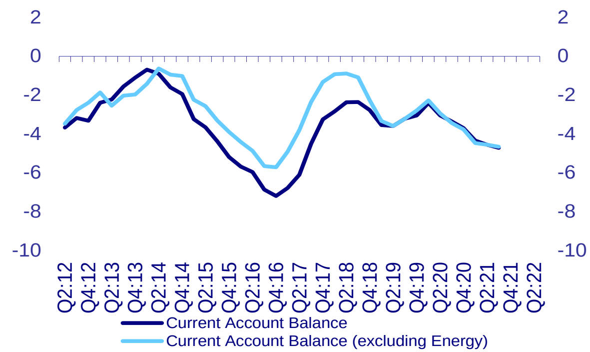
Albania



Cyprus



Egypt

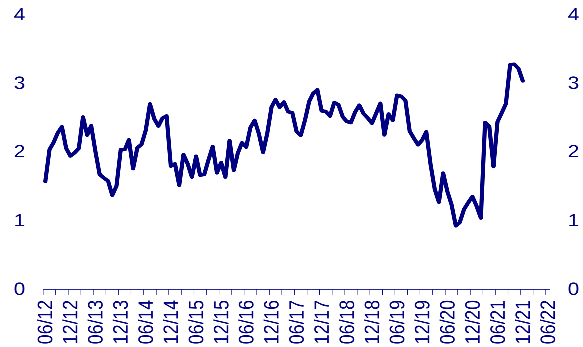


Net foreign direct investment (12-month rolling, % of GDP)

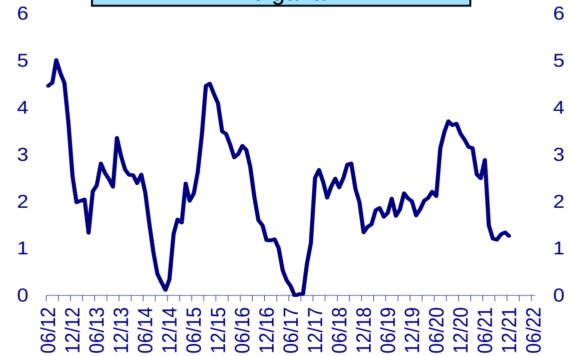
- **FDI revived** in most of the economies under review **in 2021**, mainly driven by **higher intercompany lending**
- **Heightened uncertainty**, in the aftermath of the ongoing geopolitical tensions, is set **to weigh on FDI flows in 2022**
- **Albania** and **Serbia** remain the most significant recipients of FDI

Turkey

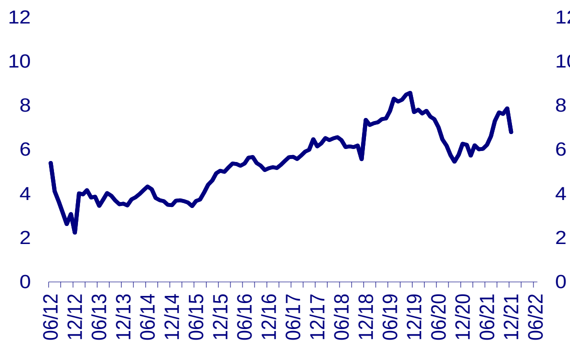
Romania



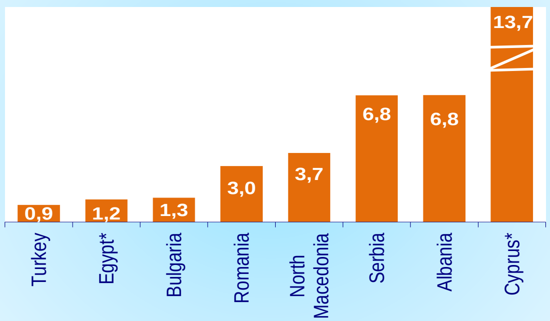
Bulgaria



Serbia

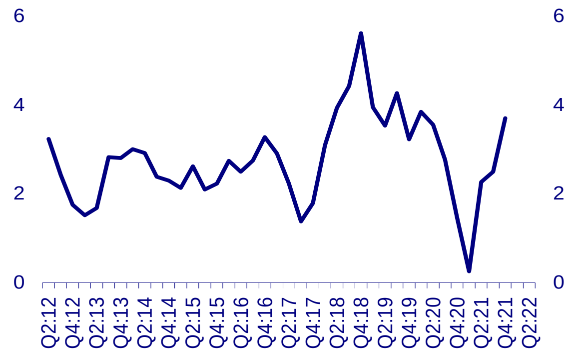


FDI
(12-M Rolling Sum, % of GDP, December 2021)

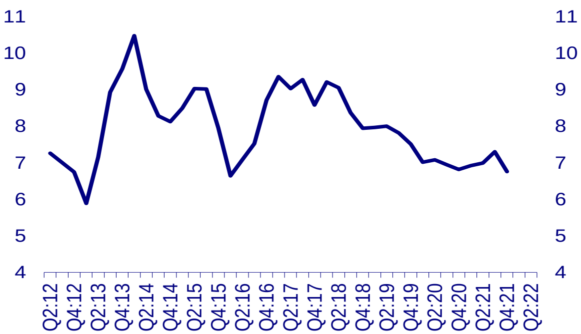


*September 2021

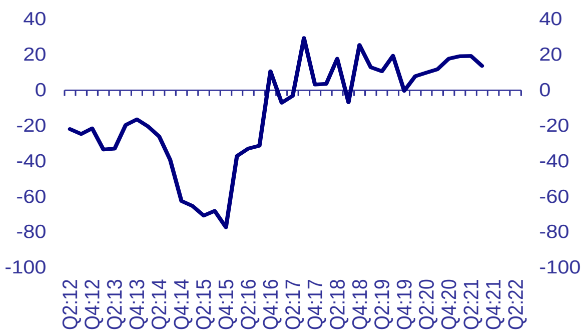
North Macedonia



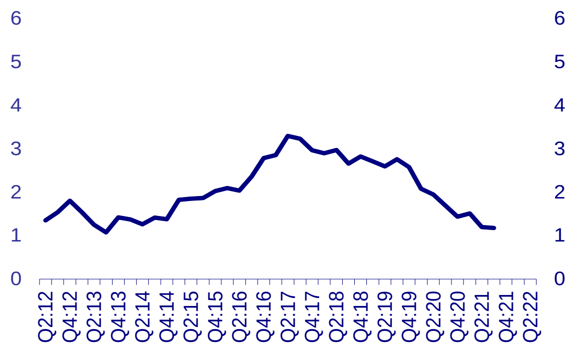
Albania



Cyprus



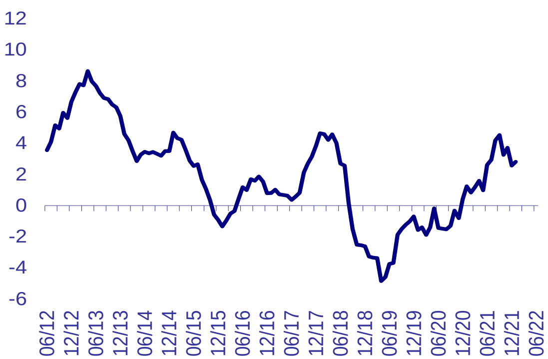
Egypt



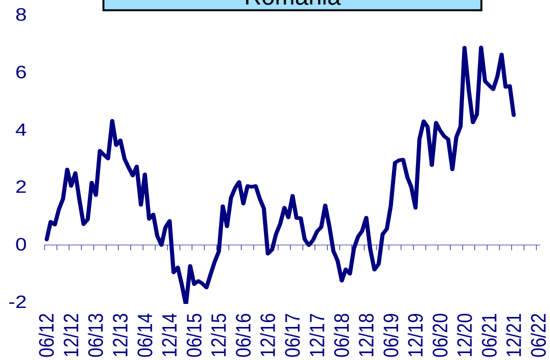
Other net capital flows, excluding IMF funding and net errors and omissions (12-month rolling, % of GDP)

- **Increased global debt market liquidity** ensured a smooth rollover of maturing external debt in most of the economies under review in 2021
- **Tightening global liquidity conditions**, together with **elevated risk aversion**, in the wake of the Russia-Ukraine crisis, cloud the external financing outlook
- **Romania**, **Bulgaria** and **Cyprus** will continue to benefit from increased flow of funds under the **EU Recovery & Resilience Facility**

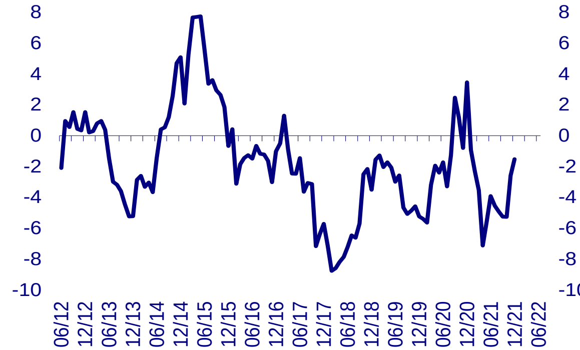
Turkey



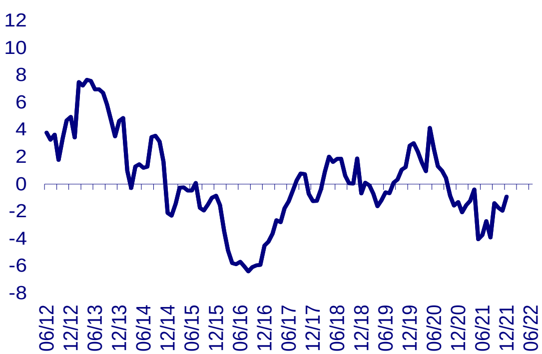
Romania

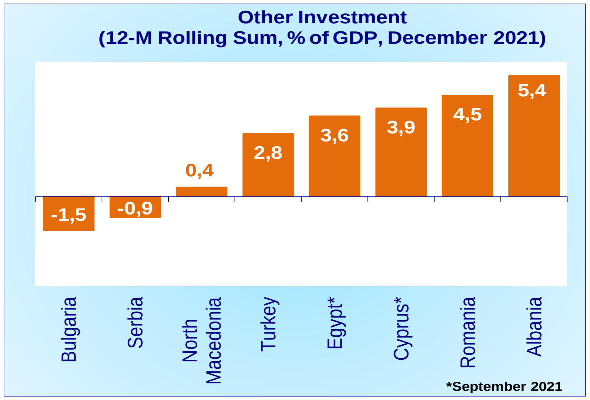


Bulgaria

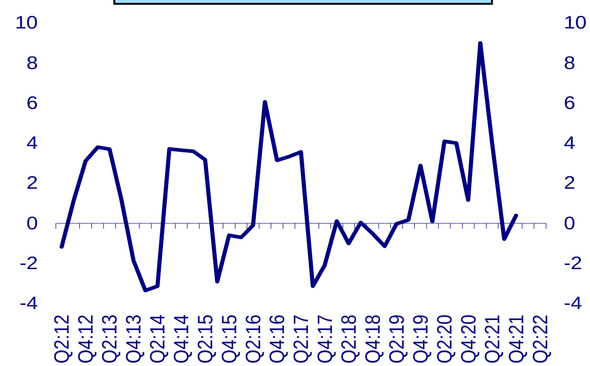


Serbia

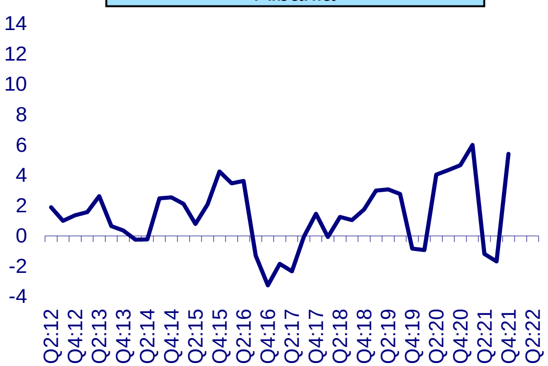




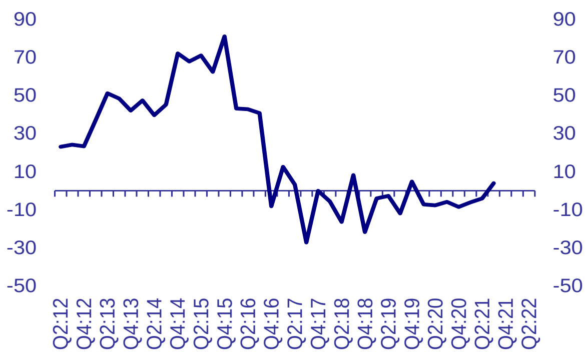
North Macedonia



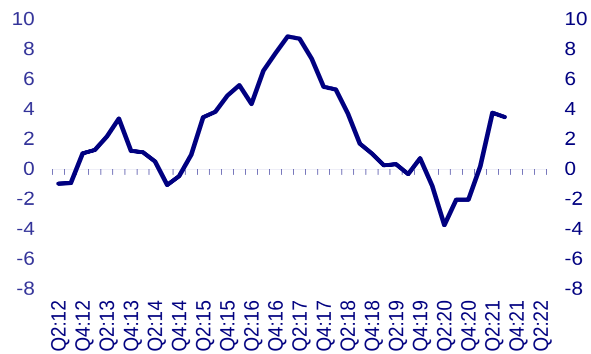
Albania



Cyprus

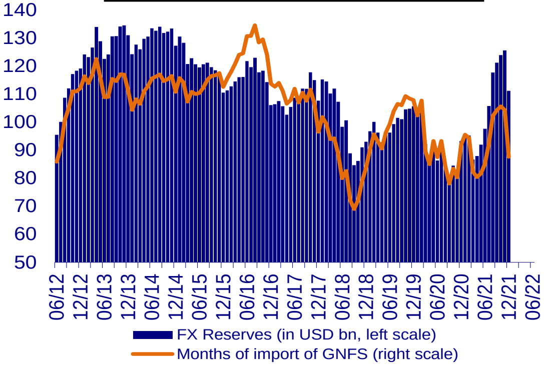


Egypt

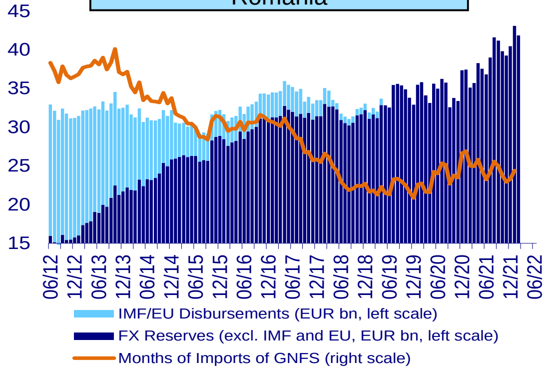


- **FX reserves stand at adequate levels** in all countries under review. Underlying pressures mostly reflect increased FX needs, on the back of higher global energy prices
- The picture is, however, misleading in the case of **Turkey**, where the CBRT has increased its borrowing from banks to replenish its FX reserve base, which has been eroded, following massive interventions in the FX market over the past years. Adjusted for the latter, Turkey's net FX reserves have turned negative

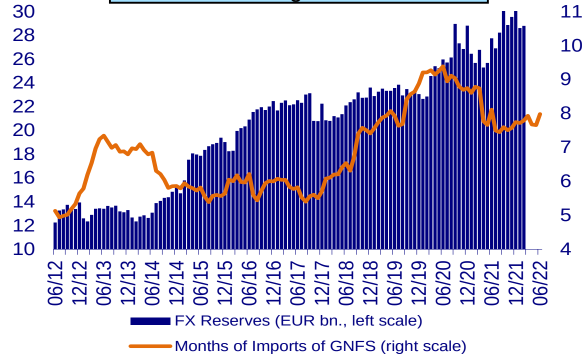
Turkey



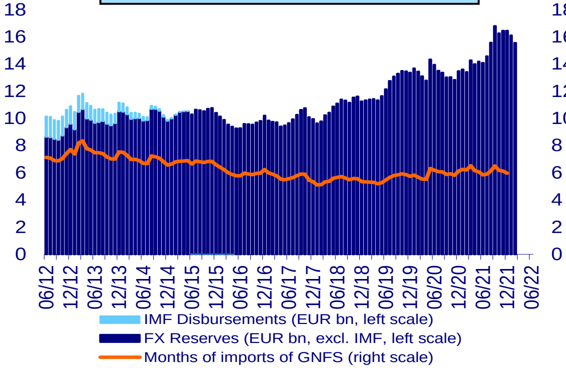
Romania

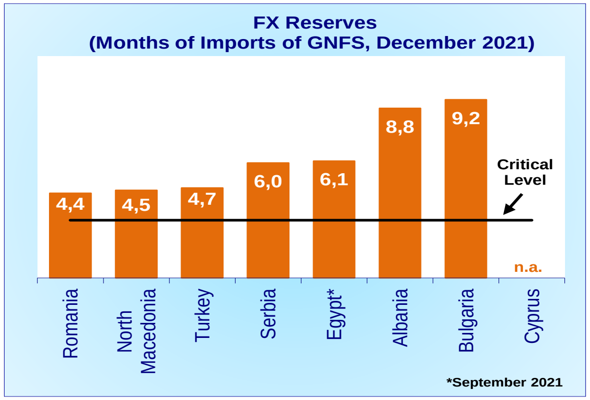


Bulgaria

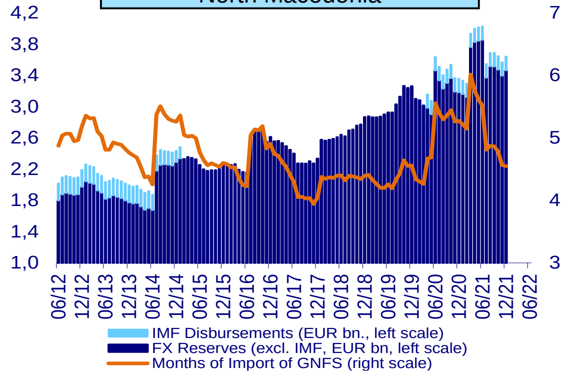


Serbia

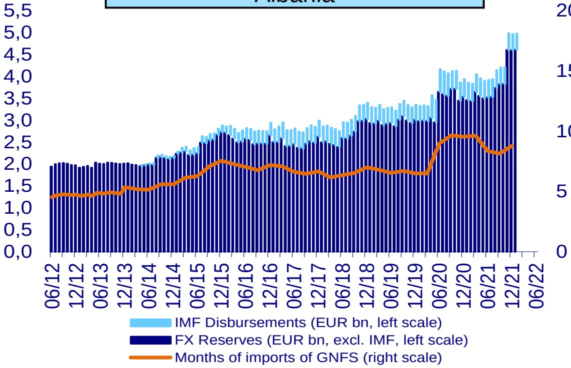




North Macedonia



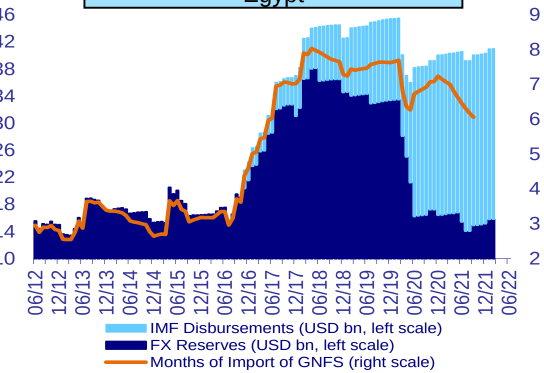
Albania



Cyprus

N.A.

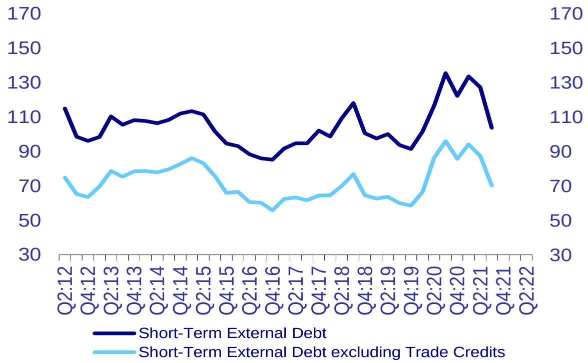
Egypt



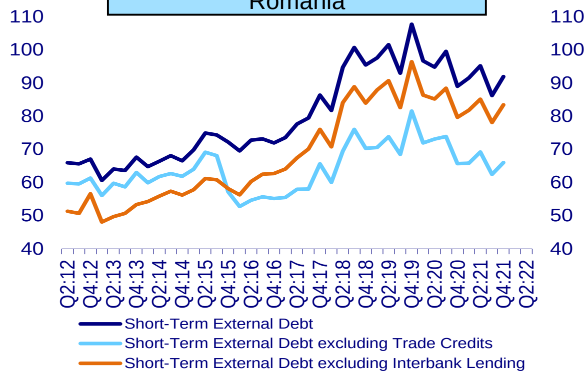
Short-term external debt-to-Foreign exchange reserves ratio (%)

- **Short-term external debt is comfortably covered by FX reserves** in all countries under review, with the exception of **Turkey** and **Romania**

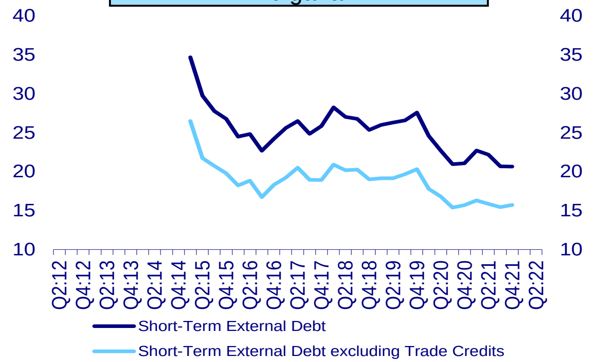
Turkey



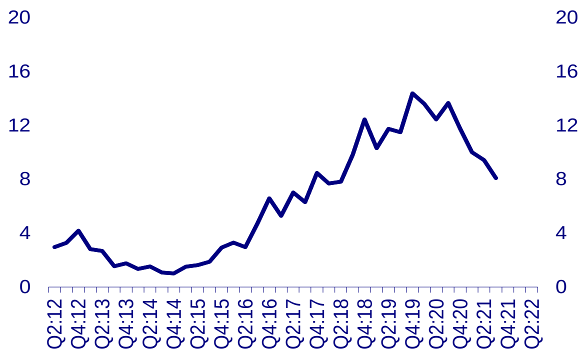
Romania

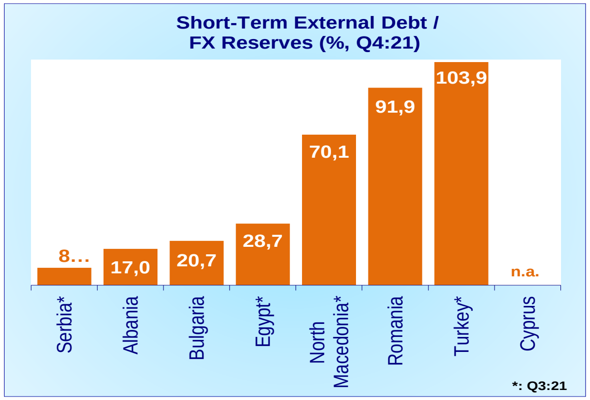


Bulgaria

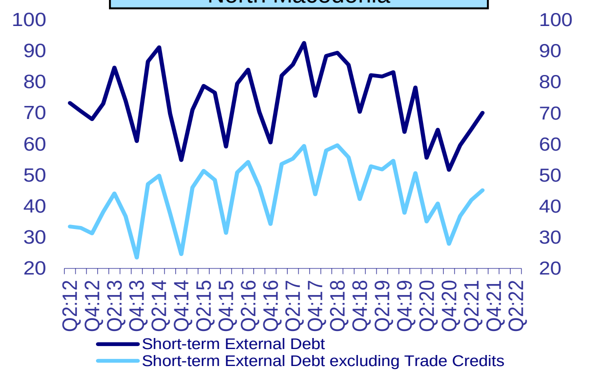


Serbia

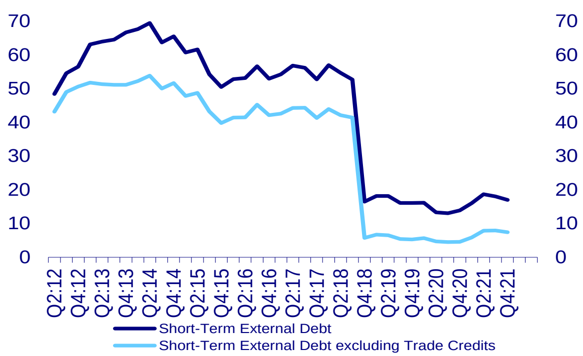




North Macedonia



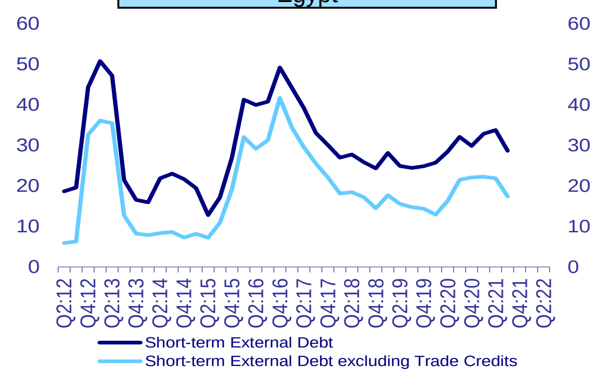
Albania



Cyprus

N.A.

Egypt



Balance of payments (12-month rolling, % of GDP)

- **External imbalances are projected to widen** in most of the economies under review this year, in line with **higher global commodity (especially energy) prices**
- For **Egypt**, **Cyprus** and to a lesser extent **Turkey**, which are highly dependent on tourism inflows from Russia and Ukraine, the adverse impact of the ongoing crisis on external accounts should be much more significant
- The **quality of external financing** is set to worsen in 2022, with non-debt generating foreign direct investments covering a smaller share of the current account deficit

Turkey	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-4.9	-1.8	-3.2	-1.7
Net FDI	0.6	0.9	0.9	1.0
Other net capital inflows *	0.4	2.6	1.2	1.2

Romania	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-5.0	-7.1	-6.8	-6.6
Net FDI	1.4	3.0	2.2	2.3
Other net capital inflows *	6.2	5.0	4.8	4.8

Bulgaria	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-0.3	-2.0	-2.5	-1.8
Net FDI	3.5	1.3	1.3	1.4
Other net capital inflows *	6.5	4.4	1.5	2.4

Serbia	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-4.1	-4.4	-4.7	-4.3
Net FDI	6.3	6.8	6.7	6.8
Other net capital inflows *	-1.3	0.5	-2.0	-2.3

North Macedonia	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-3.4	-3.5	-4.2	-3.0
Net FDI	1.5	3.7	3.4	3.5
Other net capital inflows *	5.6	8.7	5.0	5.5

Albania	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-8.8	-8.1	-7.9	-6.9
Net FDI	6.8	6.8	7.0	7.3
Other net capital inflows *	4.7	5.4	0.5	1.0

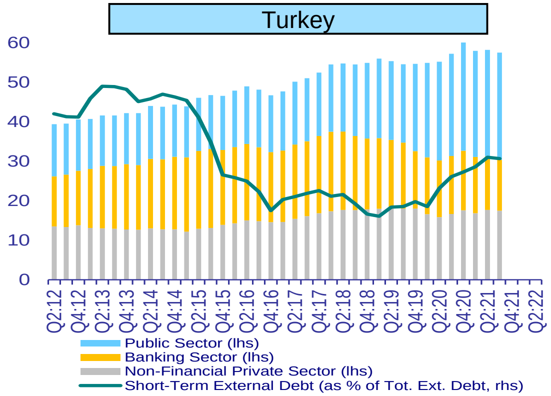
Cyprus	Dec. 20	Dec. 21E	Dec. 22F	Dec. 23F
Current account balance	-10.1	-9.0	-11.4	-8.0
Net FDI **	17.9	19.9	24.0	28.9
Other net capital inflows *	4.3	-10.8	-12.6	-20.9

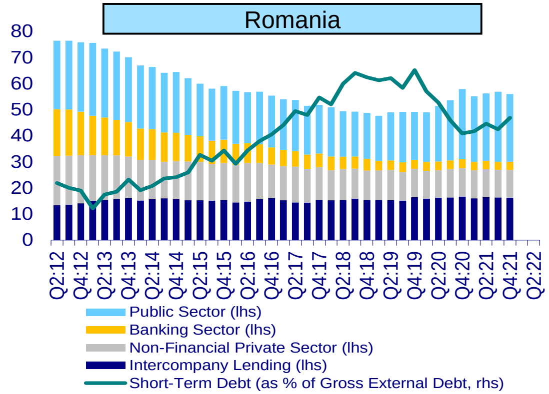
** Gross in/out-flows related to financial SPEs are sizeable and volatile

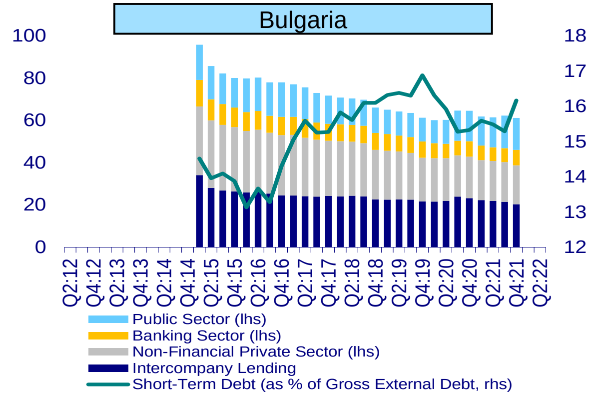
Egypt #	June 20	June 21	June 22F	June 23F
Current account balance	-3.1	-5.1	-4.2	-4.4
Net FDI	1.9	1.3	1.3	1.4
Other net capital inflows *	-3.8	4.3	3.2	3.4

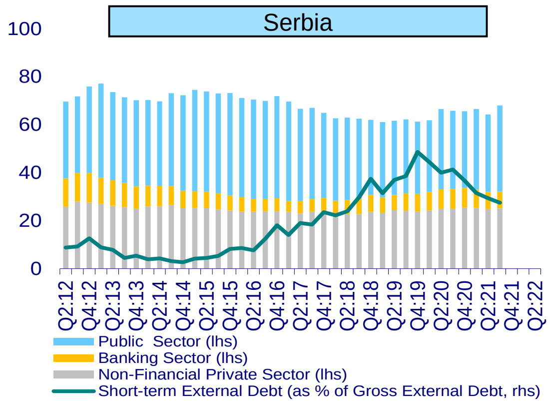
*: excluding IMF and ESM funding and net errors and omissions, #: Fiscal year ending on June 30th

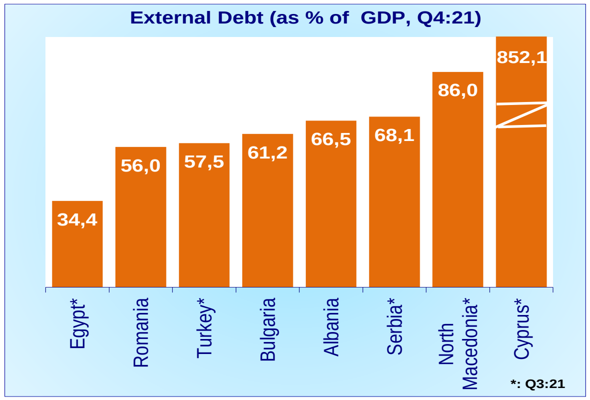
- In most countries under review, **external debt rose further in 2021**, mainly driven by lending to the public sector to finance its policy response to the COVID-19 shock
- **External debt accumulation is expected to lose steam in 2022**, as global liquidity conditions begin to tighten

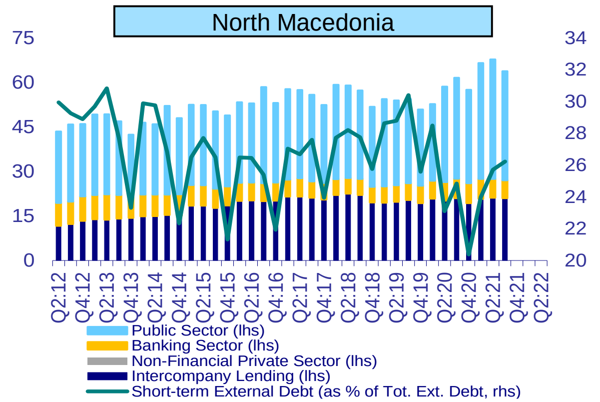


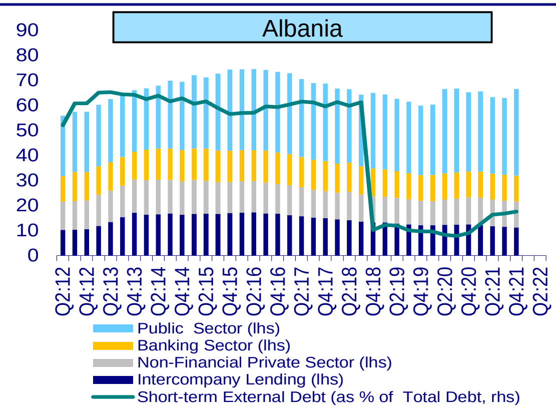


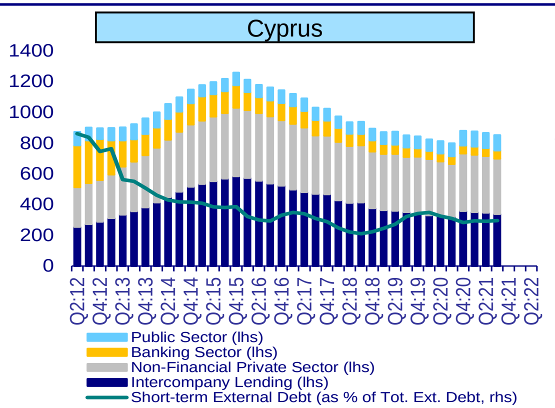


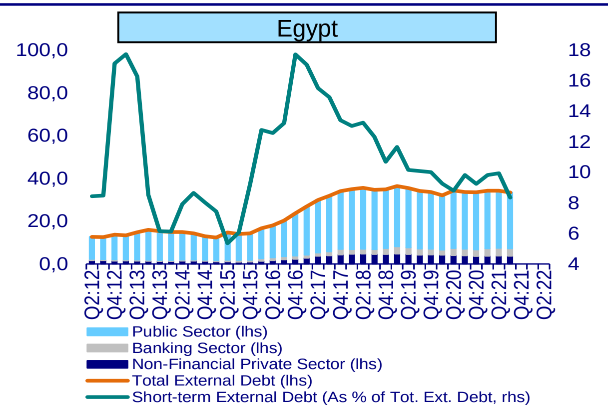








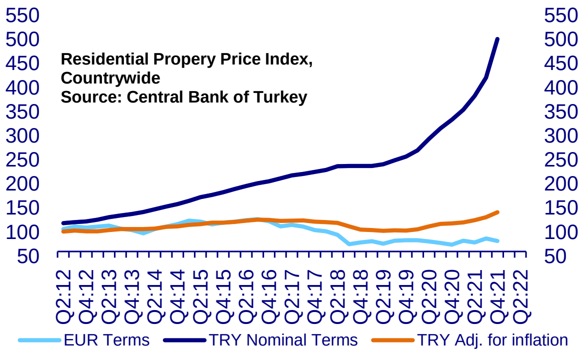




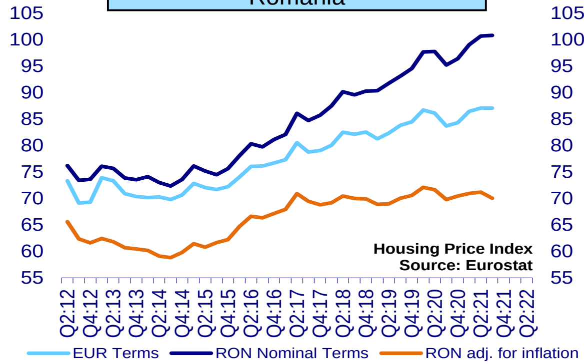
Real estate prices

- Amid accommodative credit conditions and abundant market liquidity, **real estate prices continued their upward trend in 2021** in most of the countries under review
- Nominal price pressures are set to remain elevated in the short-term, following, *inter alia*, the pass-through of the **ongoing increase in construction costs**
- Looking further ahead, **tighter monetary policy conditions** should eventually lead to a **cooling-down** in the real estate market

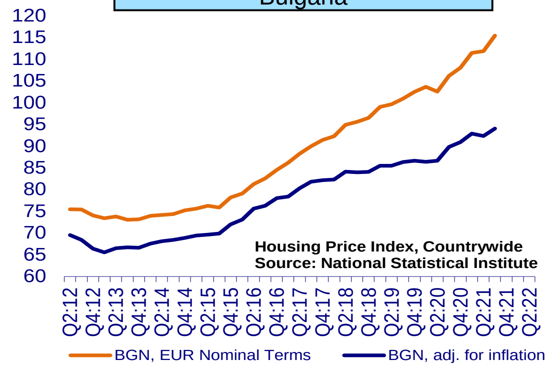
Turkey



Romania



Bulgaria



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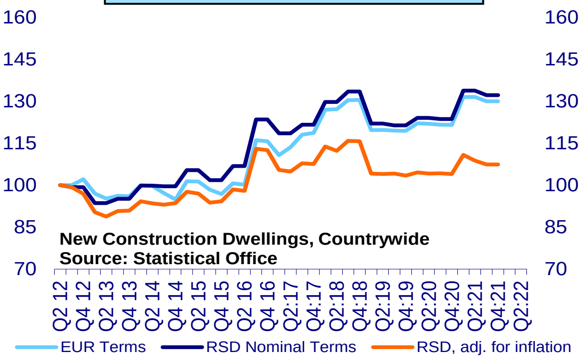

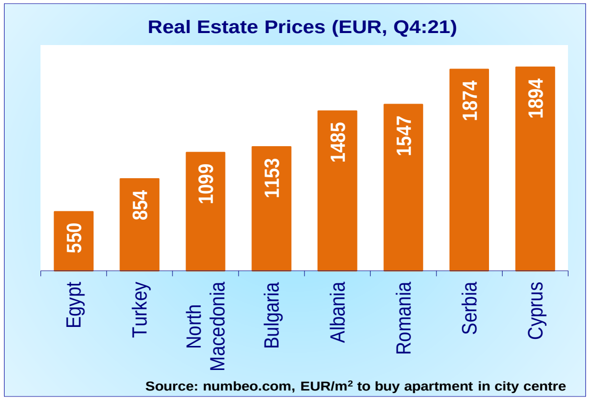

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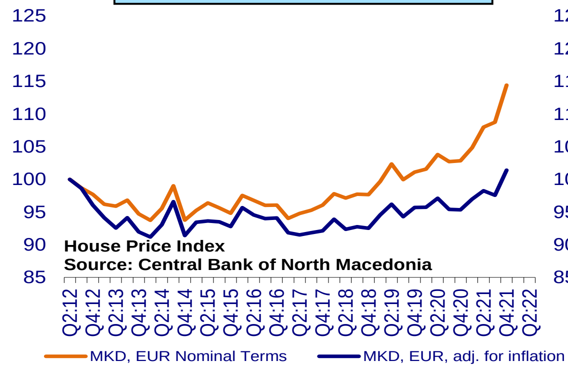
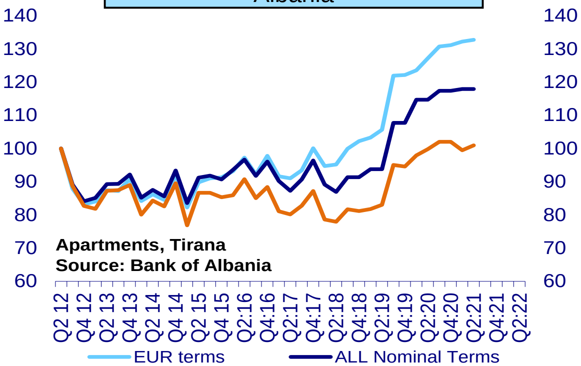
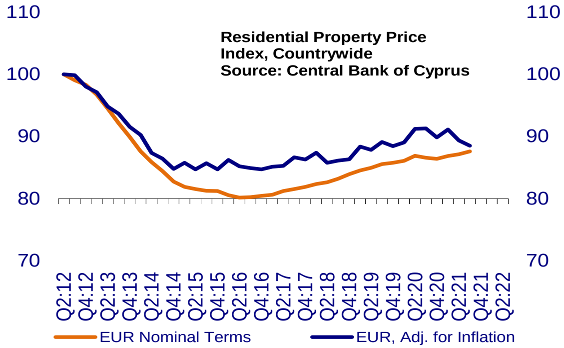


Albania



Cyprus



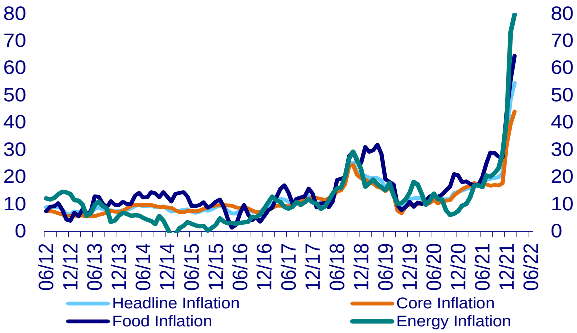
Egypt

N.A.

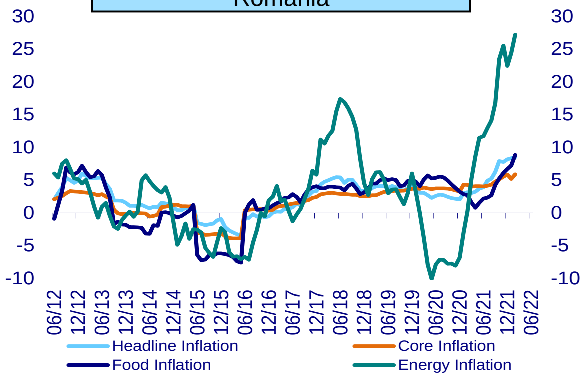
Inflation (%)

- **Higher global energy prices** and the impact of **disruptions in global supply chains have pushed inflation to multi-year highs** in all the economies under review
- The **spike in global commodity (especially energy) prices**, in the aftermath of the ongoing geopolitical tensions, and associated **second-round effects** are set to push inflation even higher in the period ahead, despite the measures put in place by the authorities (including price caps and subsidies)

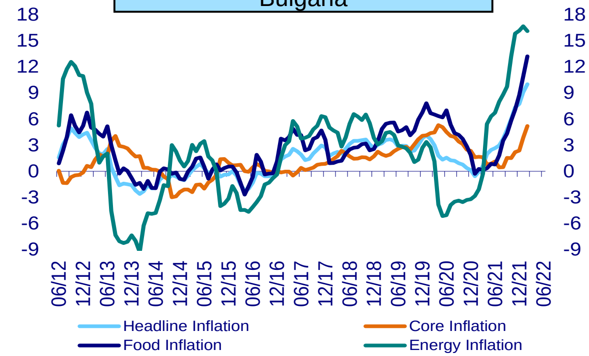
Turkey



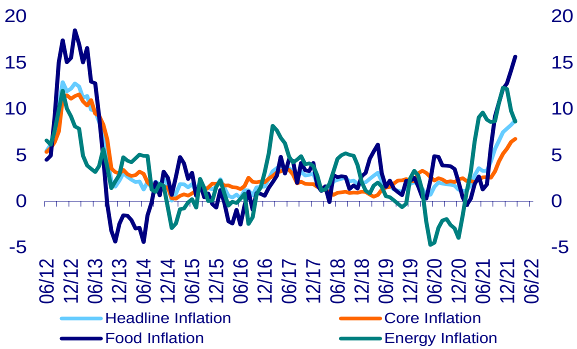
Romania



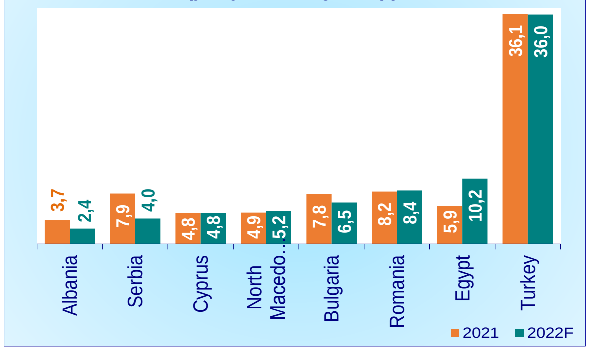
Bulgaria



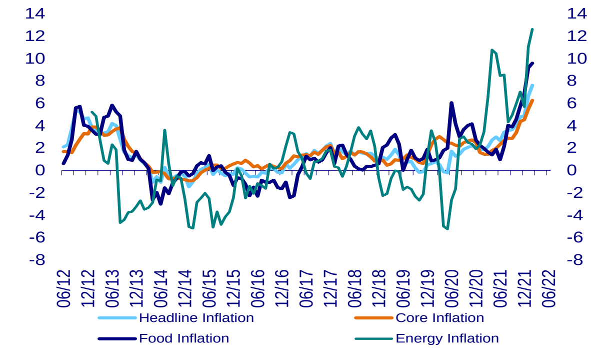
Serbia



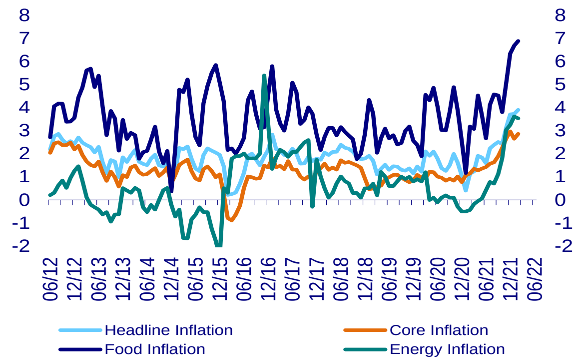
Headline Inflation (y-o-y % change, eop)



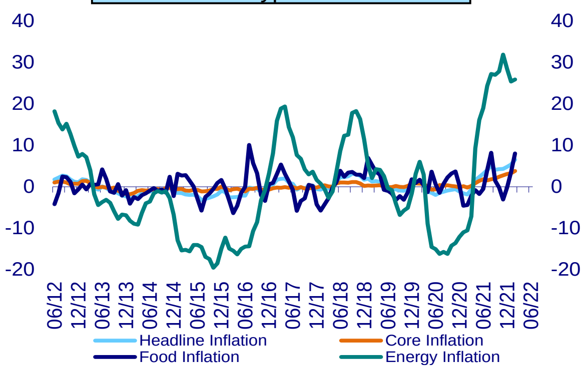
North Macedonia



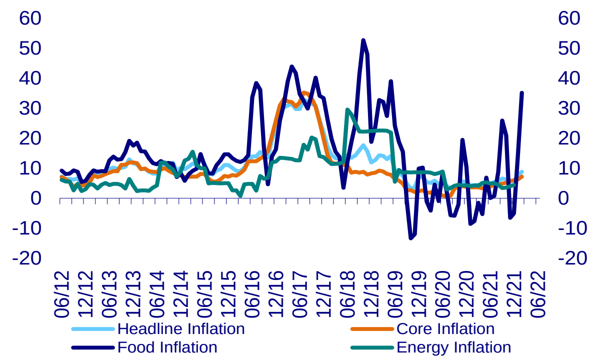
Albania



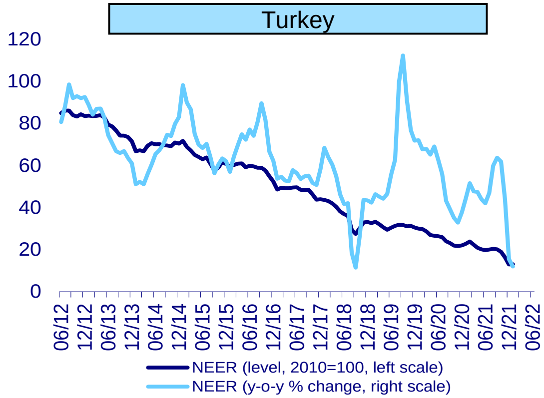
Cyprus

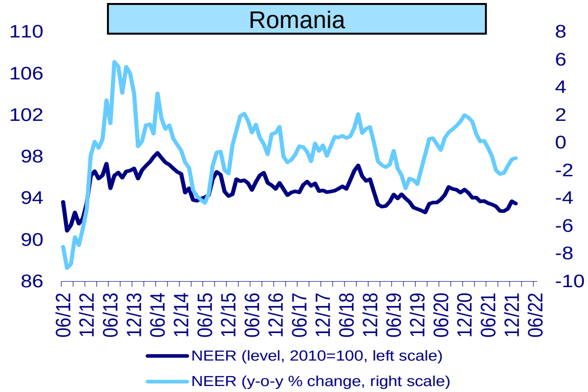


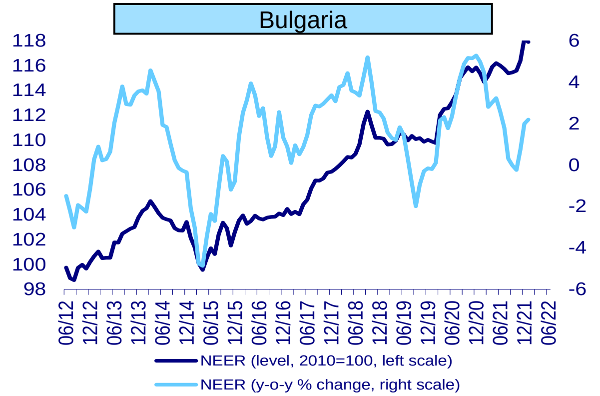
Egypt

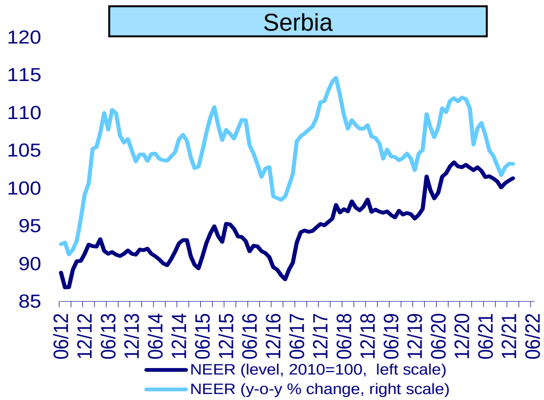


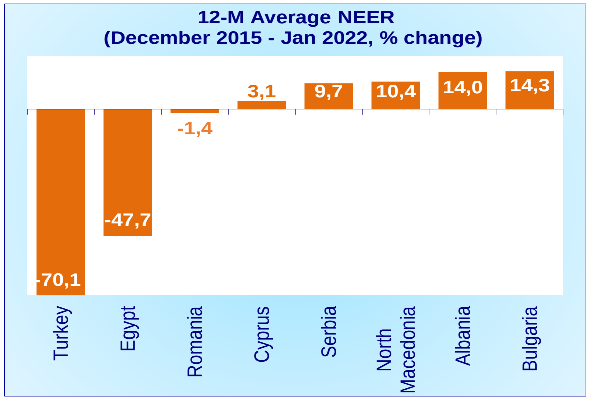
- The **TRY** and the **EGP** have **depreciated** significantly in nominal terms over the past 6 years

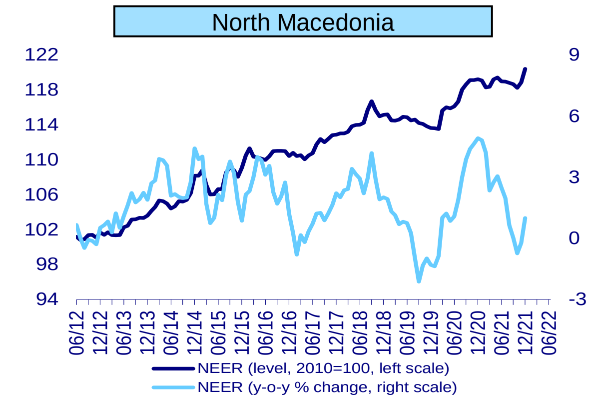


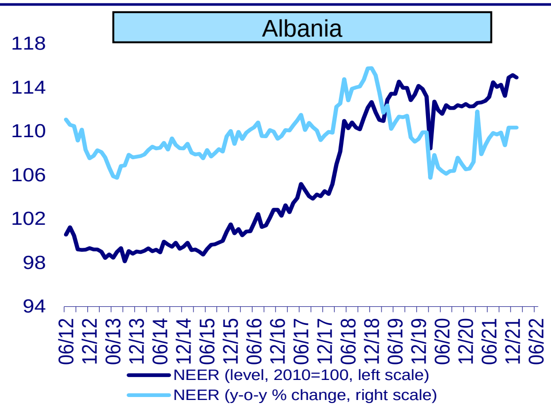


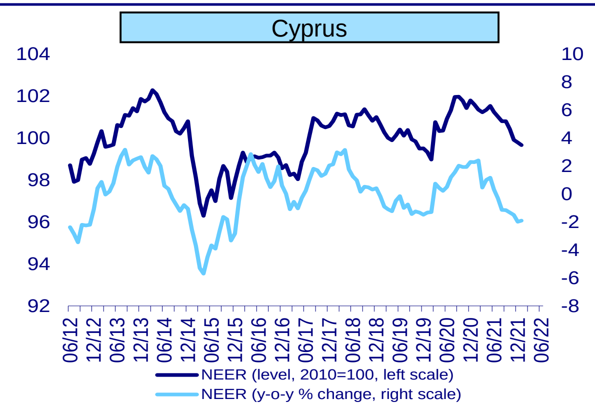


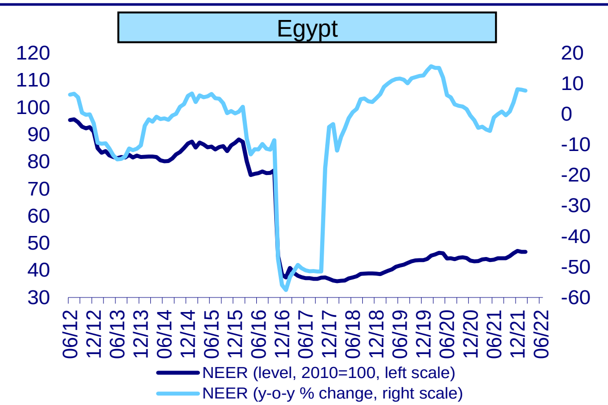




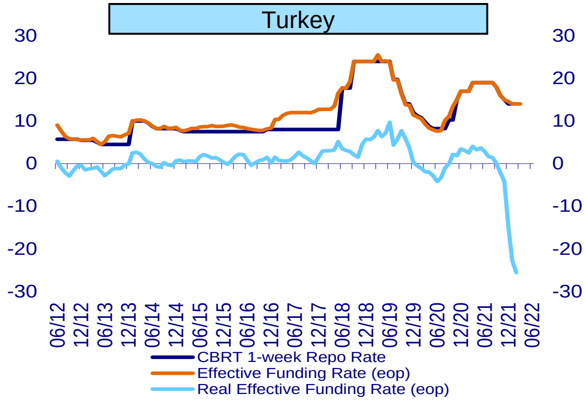


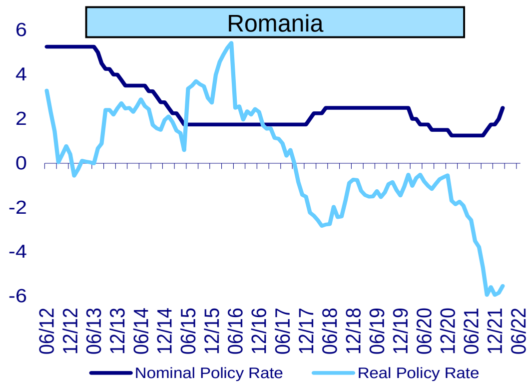


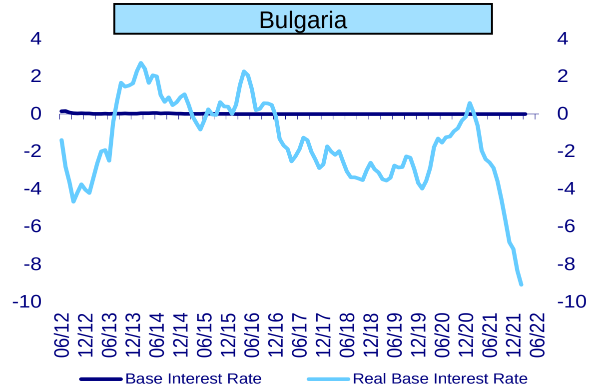


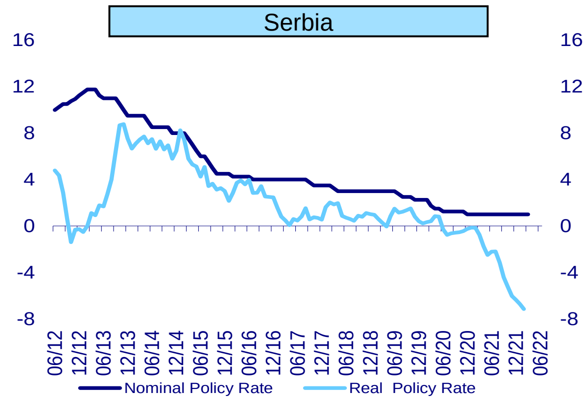


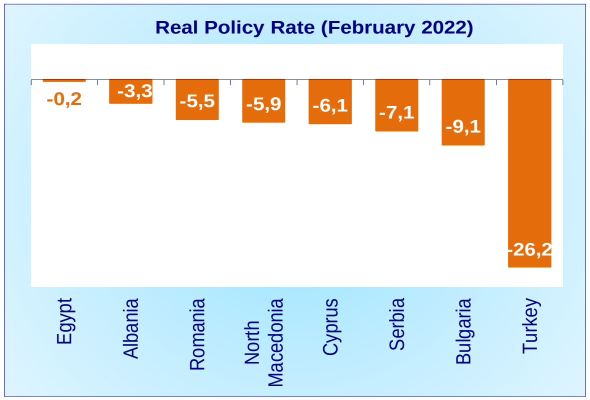
- With inflation due to rise further from already record high levels and pressures on domestic currencies building up, on the back, *inter alia*, of surging global risk aversion, **central banks cannot but tighten their stance** in the period ahead, despite strong downside risks to economic growth

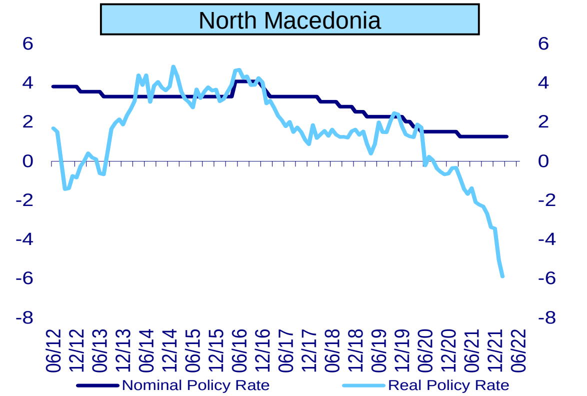


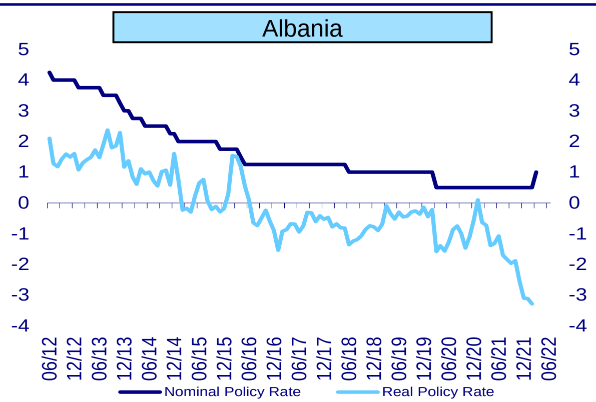


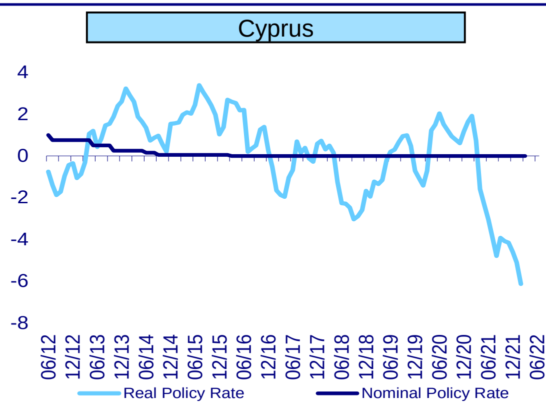


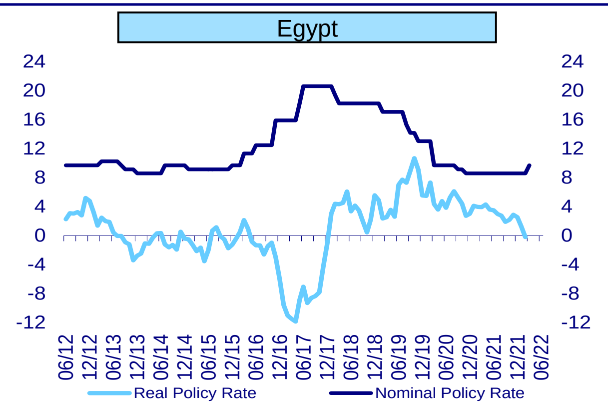












Reserve requirement ratios

- In a bid to discourage dollarization, the Central Bank of **Turkey** hiked further its reserves requirement rates on FC liabilities

Turkey

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	1.0-6.0	3.0-8.0	3.0-8.0
FC Liabilities	13.0-19.0	19.0-26.0	19.0-26.0

Romania

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	8.0	8.0	8.0
FC Liabilities	5.0	5.0	5.0

Bulgaria

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	10.0	10.0	10.0
FC Liabilities	5.0	5.0	5.0

Serbia

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liab.	0.0 - 5.0	0.0 - 5.0	0.0 - 5.0
FC Liab.	13.0 - 20.0	13.0 - 20.0	13.0 - 20.0

North Macedonia

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	8.0	8.0	8.0
FC Liabilities	15.0	15.0	15.0

Albania

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	5.0-7.5	5.0-7.5	5.0-7.5
FC Liabilities	12.5-20.0	12.5-20.0	12.5-20.0

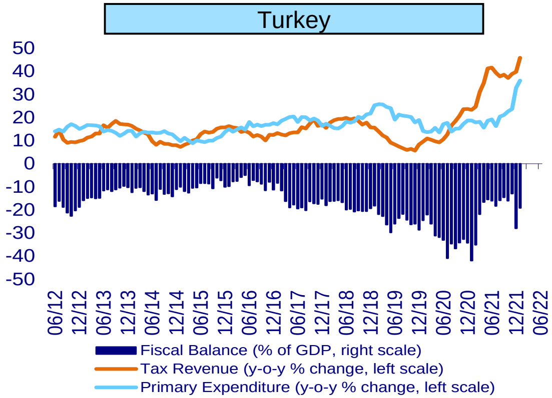
Cyprus

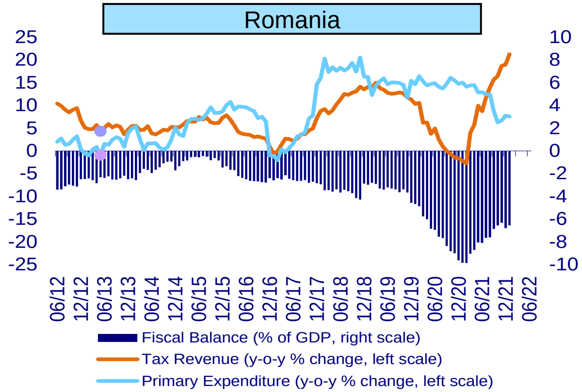
Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	1.0	1.0	1.0
FC Liabilities	1.0	1.0	1.0

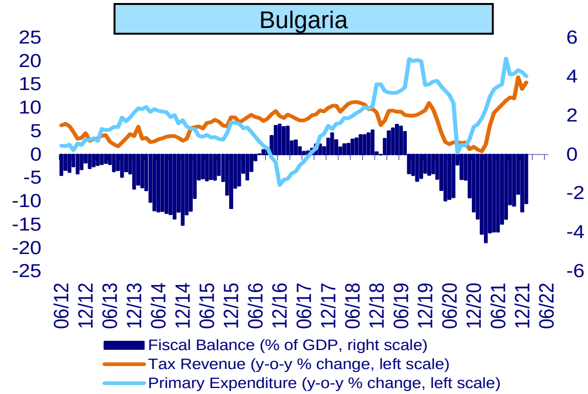
Egypt

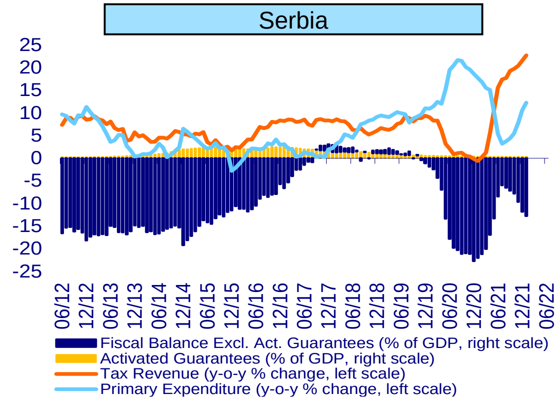
Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Feb. 2022
LC Liabilities	14.0	14.0	14.0
FC Liabilities	- - -	- - -	- - -

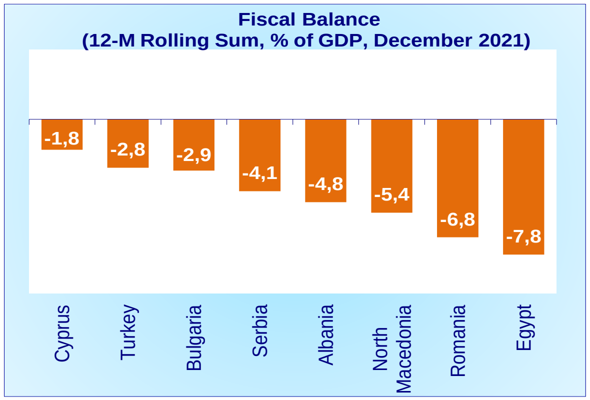
- **Fiscal accounts** in all the countries under review **improved in 2021**, reflecting economic recovery and strong base effects from the collection of deferred taxes, on the one hand, and the gradual phasing-out of COVID-19-related support schemes, on the other hand

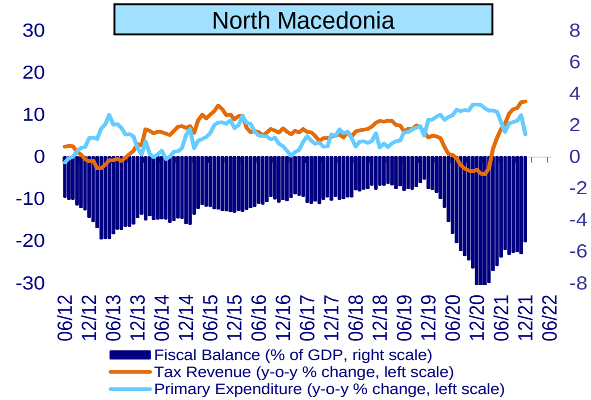


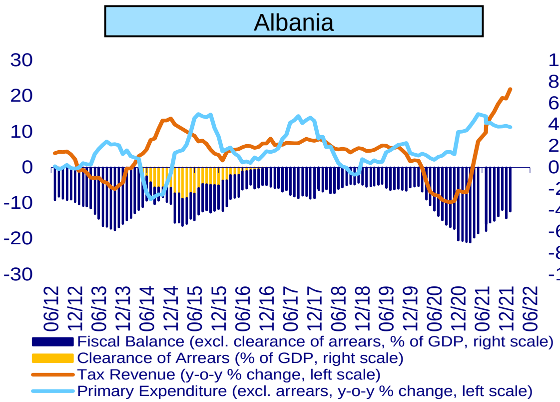


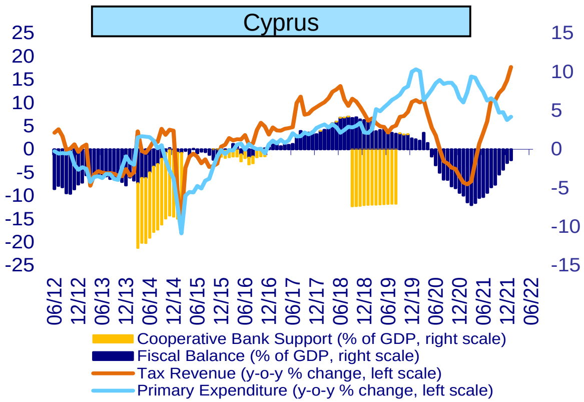


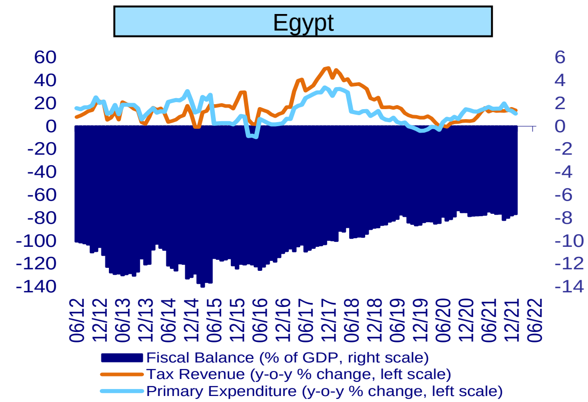












Fiscal balance (12-month rolling, % of GDP)

- **Fiscal consolidation is set to slow down in 2022** in most of the economies under review, so as to allow the budget to absorb part of the higher energy bill
- Benefitting from the ample fiscal space available, **Turkey** and **Bulgaria** stand ready to provide a significant fiscal stimulus
- **Fiscal balances are unlikely to revert to their pre-COVID-19 levels soon**

Turkey

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-3.4	-2.7	-3.8	-3.0

Romania

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-9.6	-6.8	-6.0	-4.6

Bulgaria

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-2.9	-2.9	-4.5	-3.6

Serbia

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-8.0	-4.1	-4.0	-2.5

North Macedonia

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-8.2	-5.4	-5.4	-4.0

Albania

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-6.8	-4.8	-4.8	-3.5

Cyprus

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-5.6	-1.8	-1.8	-1.2

Egypt*

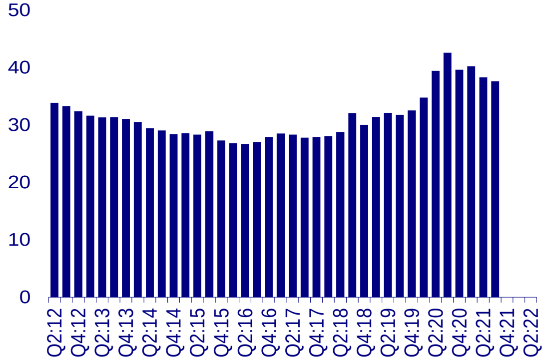
Jun. 20	Jun. 21	Jun. 22F	Jun. 23F
-7.9	-7.4	-7.2	-6.5

*: Fiscal year ending on June 30th.

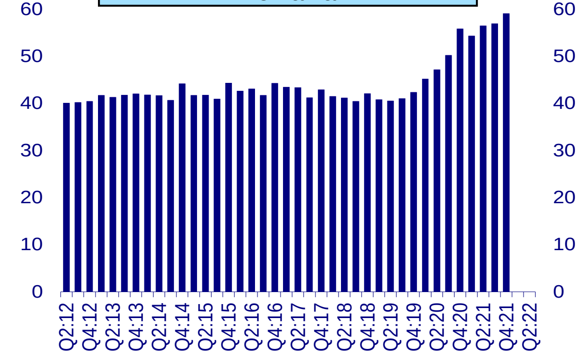
Public debt (% of GDP)

- The COVID-19 crisis has left all the economies under review with **a significant debt legacy**
- The **public debt-to-GDP ratios are set to rise further** in most the economies under review in 2022, albeit at a modest pace

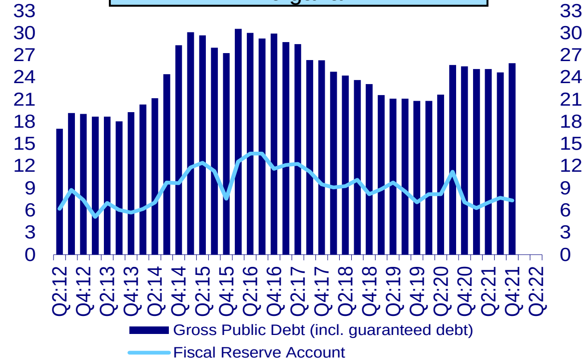
Turkey



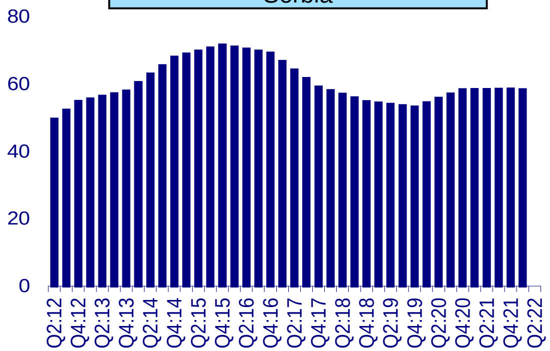
Romania

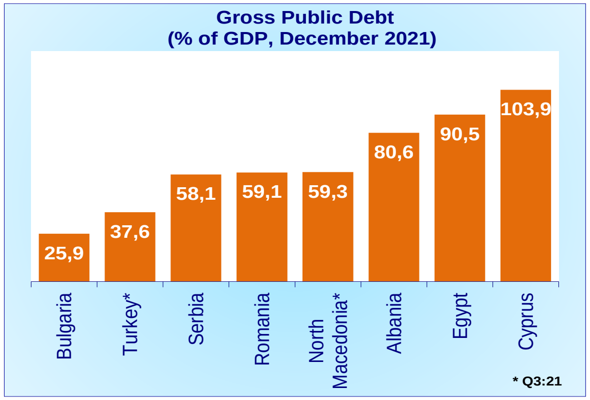


Bulgaria

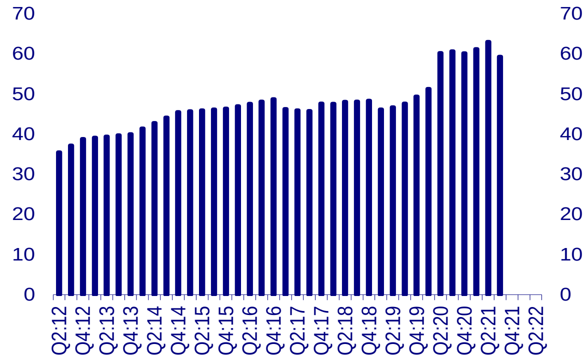


Serbia

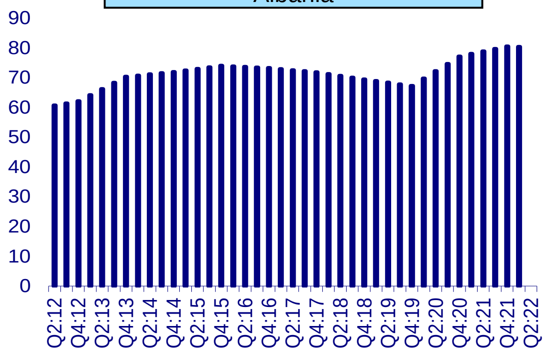




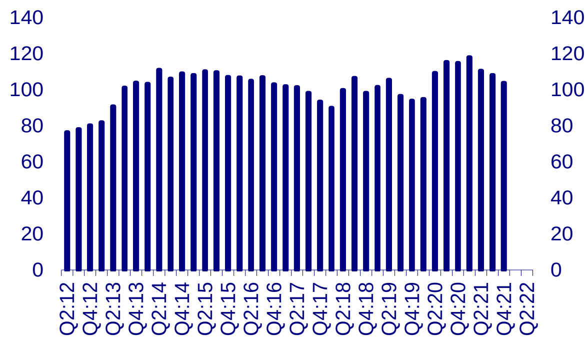
North Macedonia



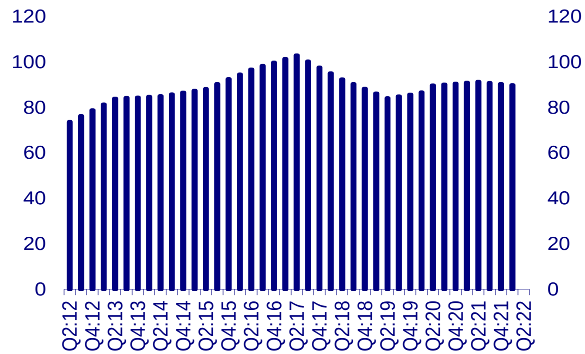
Albania



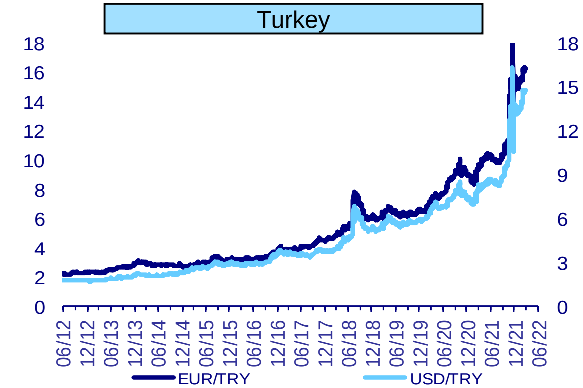
Cyprus

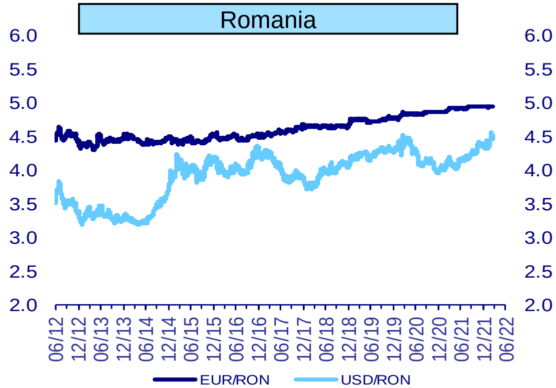


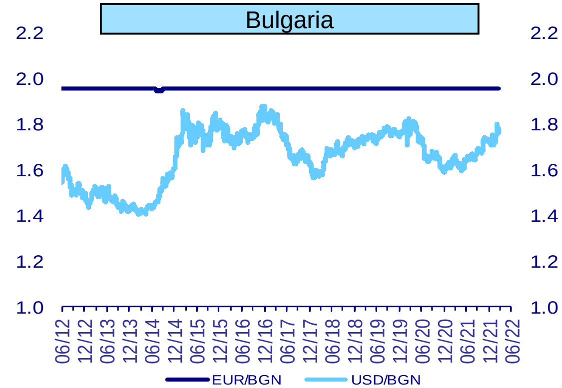
Egypt

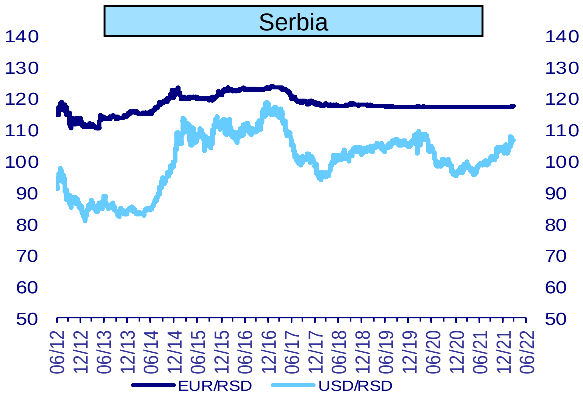


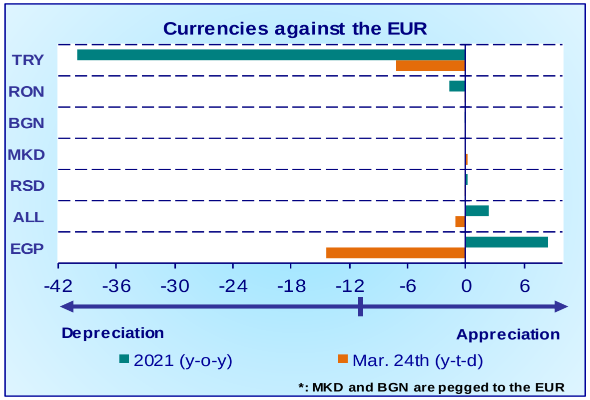
- Concerns over the consistency of the CBRT's policies, given the economy's vulnerabilities, led to (another) massive depreciation in the **TRY** in 2021
- Strong underlying pressures on the **EGP**, mainly reflecting "flight-to-quality", in the aftermath of the ongoing geopolitical tensions, prompted the CBE to allow the currency to depreciate markedly in March

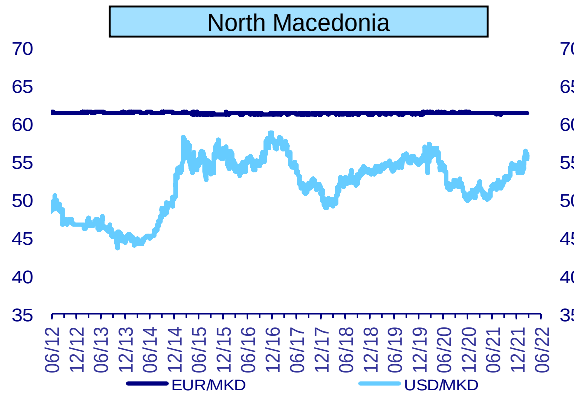


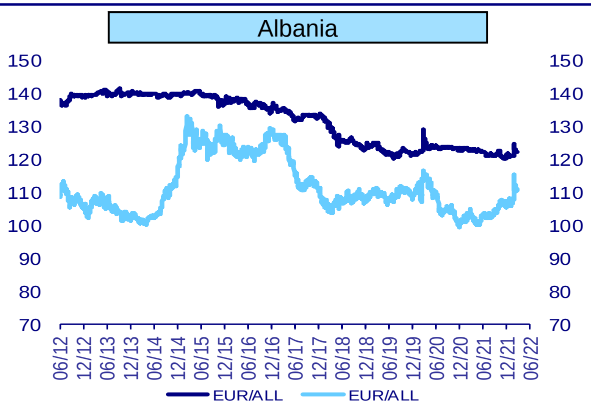


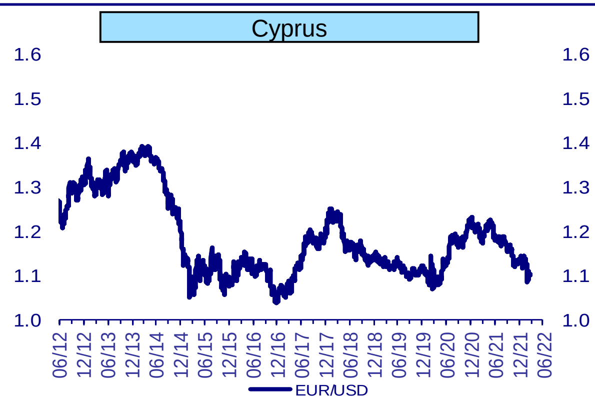


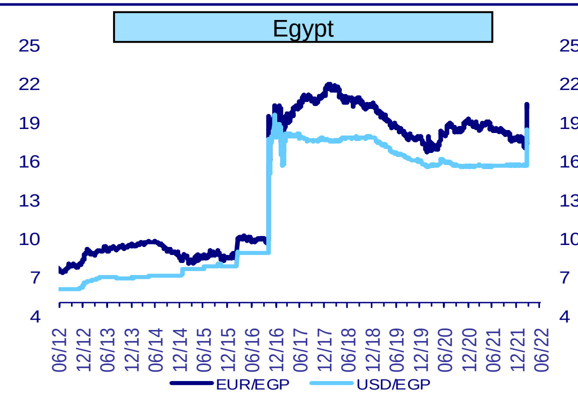






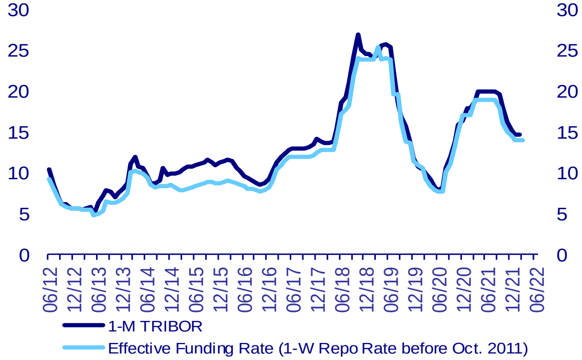




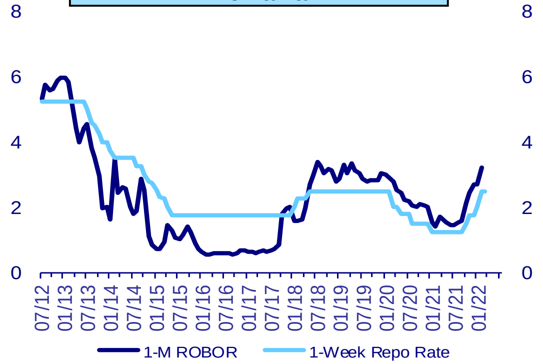


- **Money market rates have risen from historical low levels** in virtually all the countries under review, with the exception of Turkey, reflecting tightening liquidity conditions

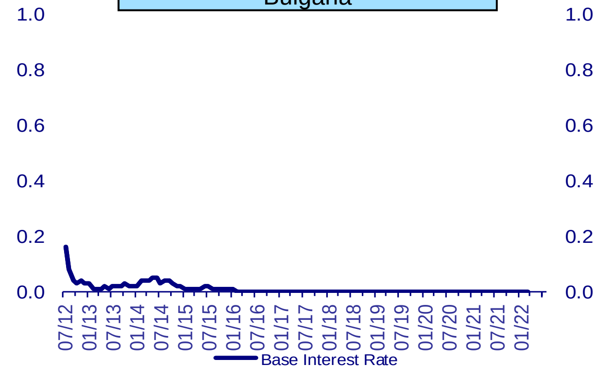
Turkey



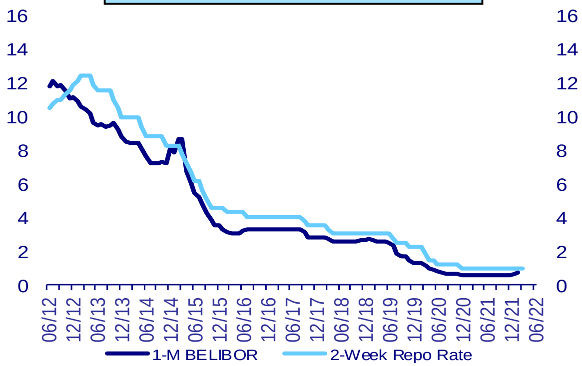
Romania

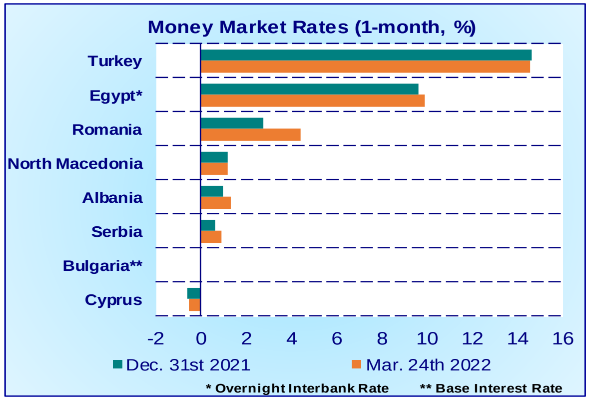


Bulgaria

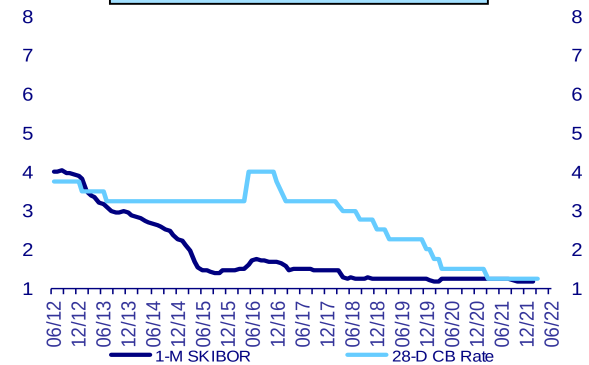


Serbia

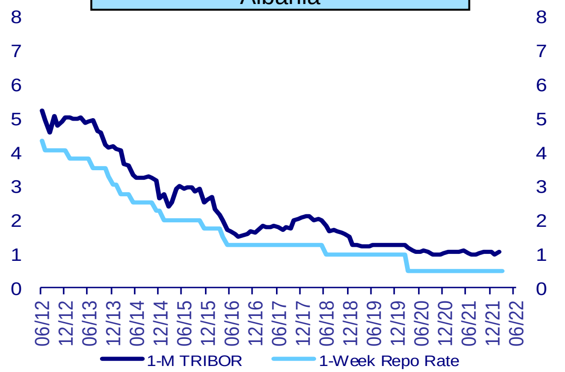




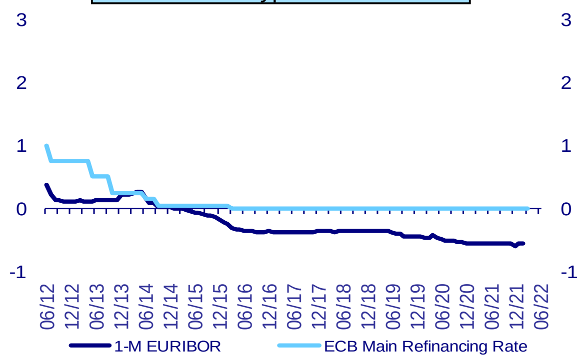
North Macedonia



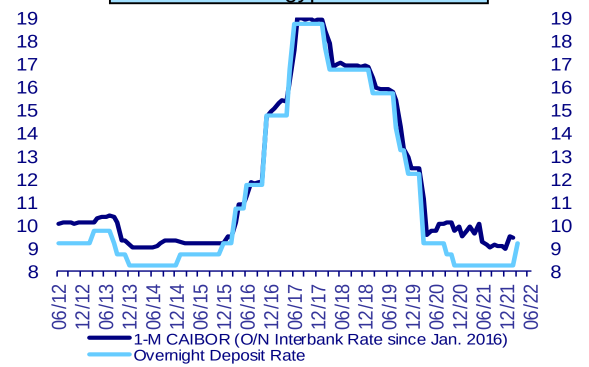
Albania



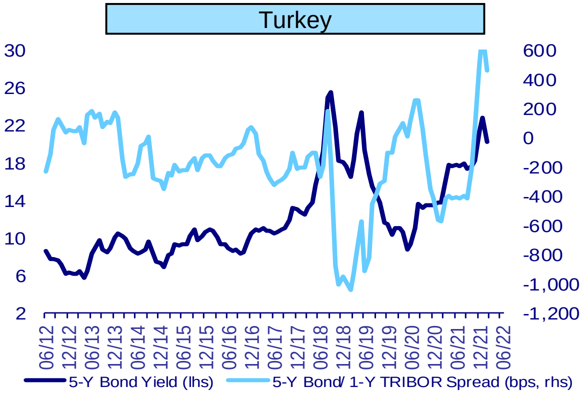
Cyprus

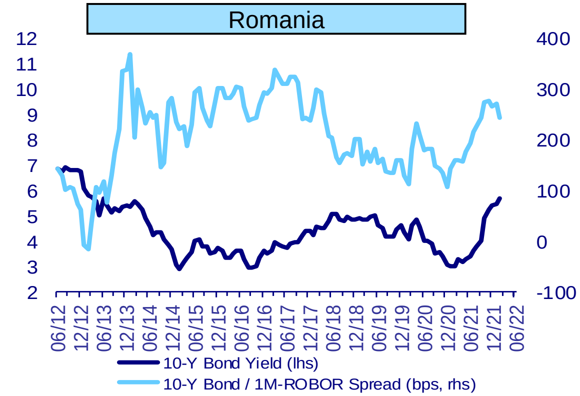


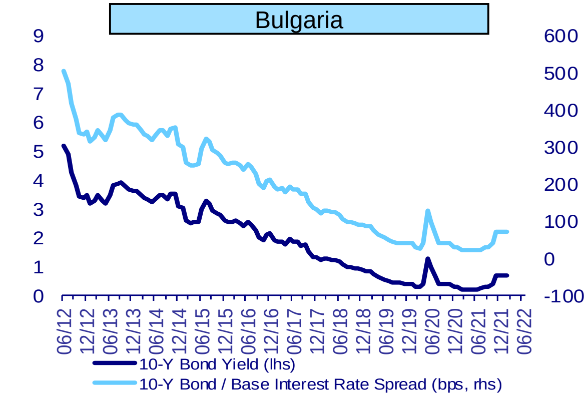
Egypt

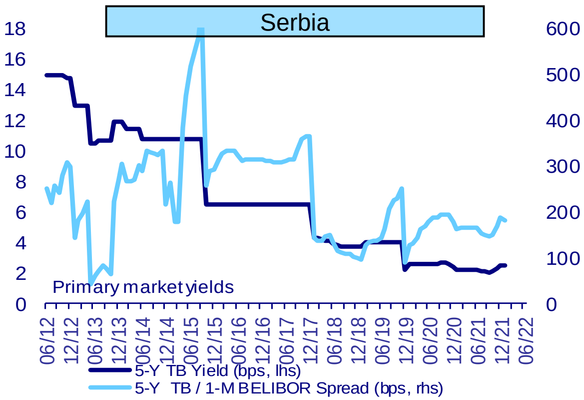


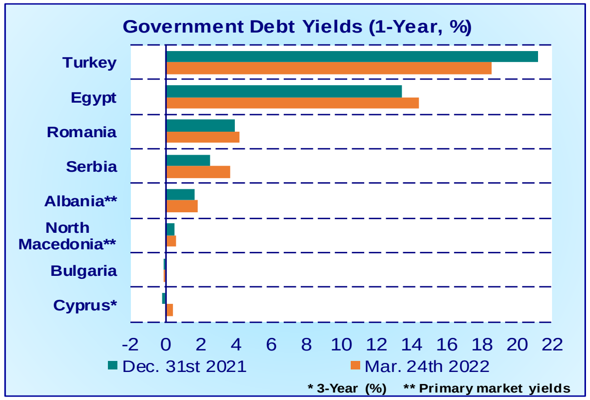
- Rising inflation, together with expectation of tighter monetary policy conditions, have driven **debt yields higher**

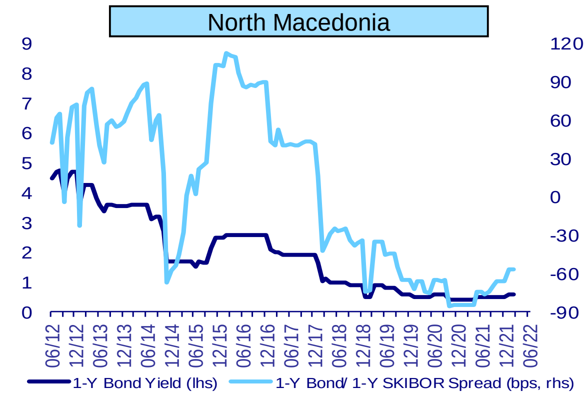


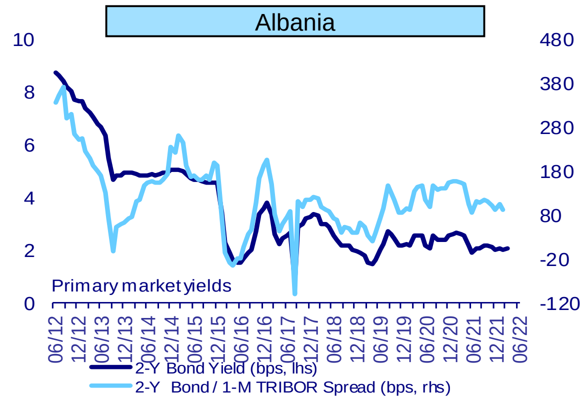


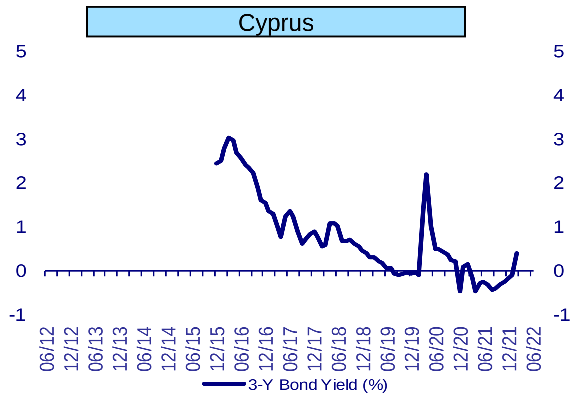


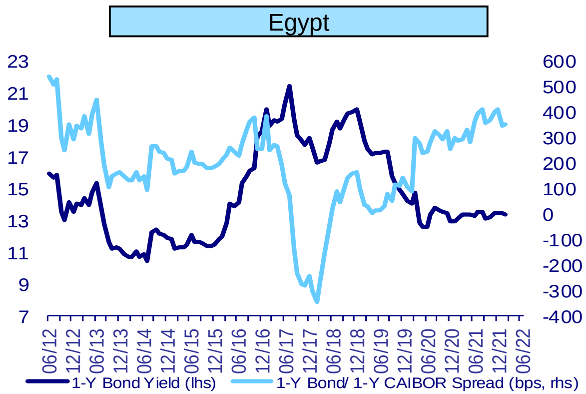






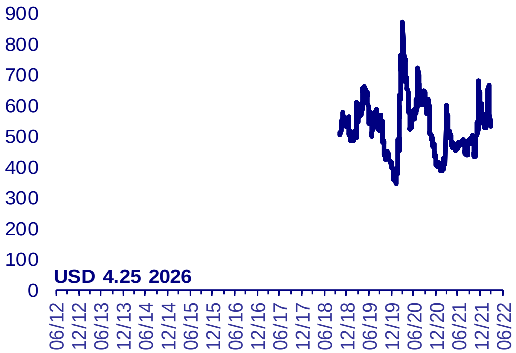




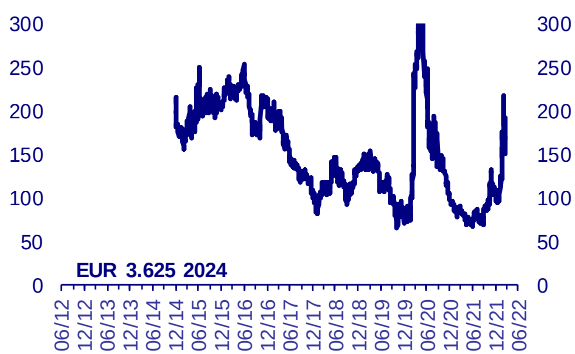


- Amid “flight-to-quality”, **sovereign spreads have widened markedly recently**, approaching the highs recorded at the outbreak of COVID-19
- Looking ahead, tightening global liquidity conditions do not bode well for the return of spreads to their pre-Russia-Ukraine crisis lows

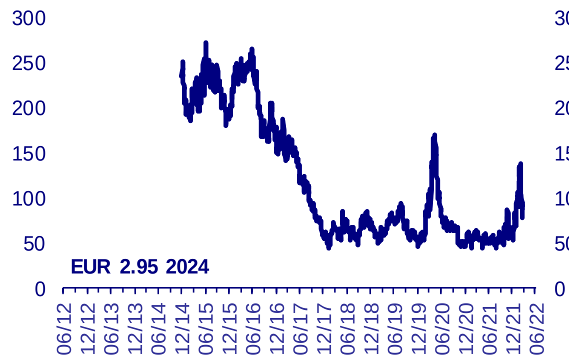
Turkey



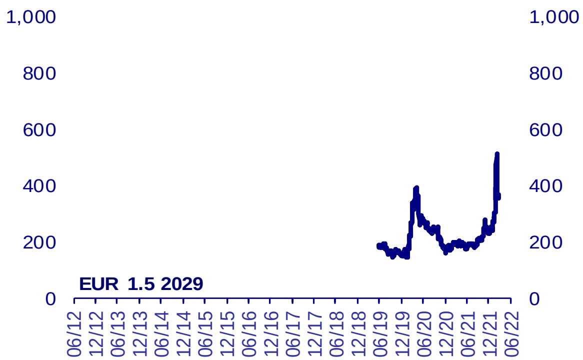
Romania

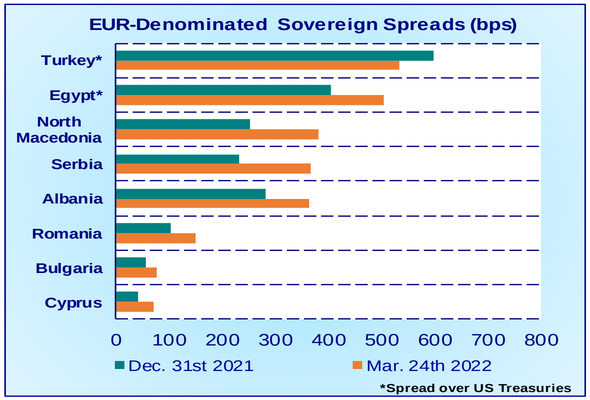


Bulgaria

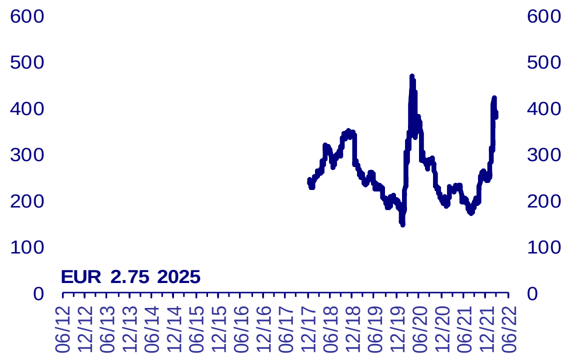


Serbia

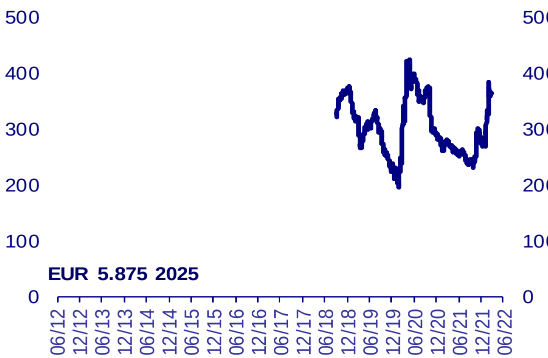




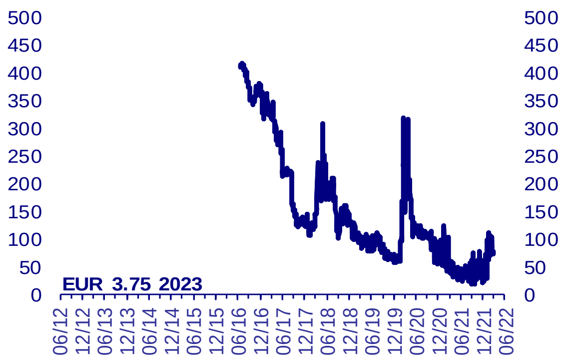
North Macedonia



Albania



Cyprus

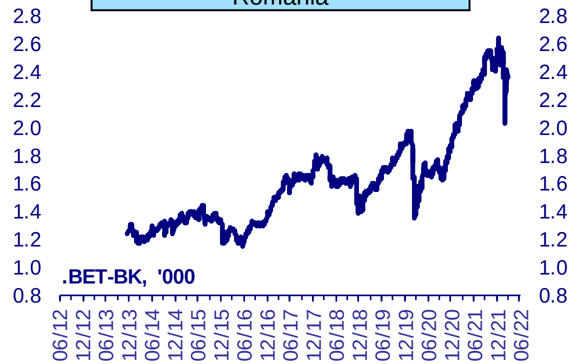


Egypt

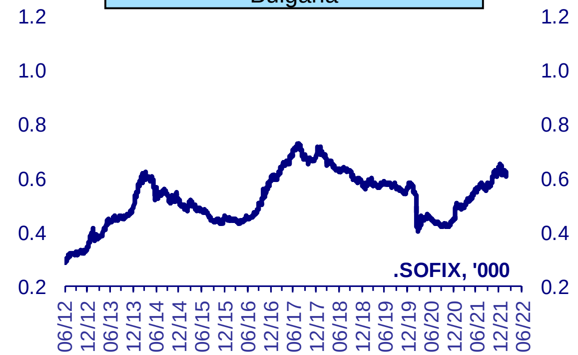
- Amid heightened uncertainty, **stock markets have come off their recent highs**

Turkey

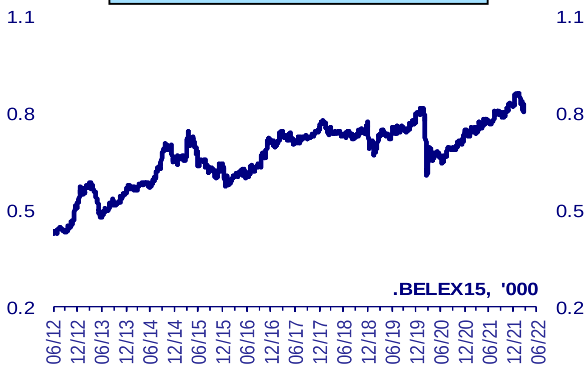
Romania

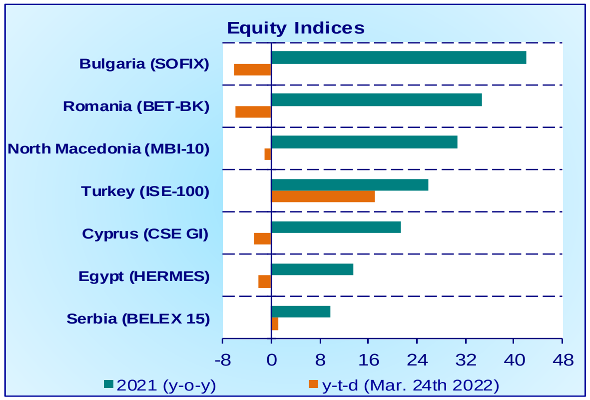


Bulgaria



Serbia





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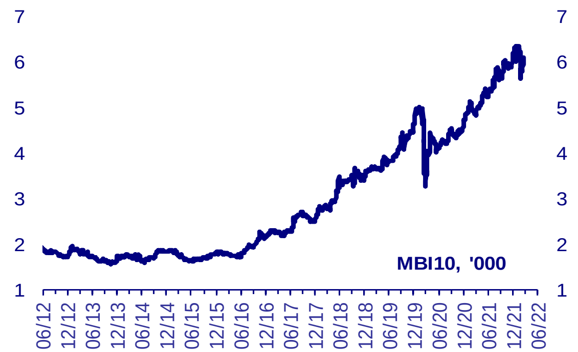
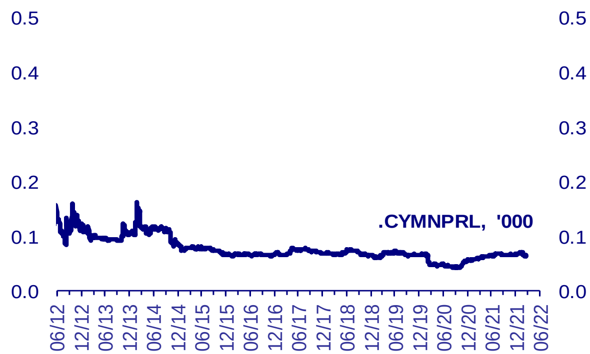


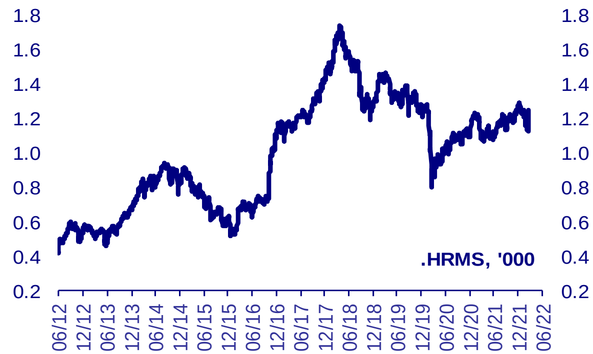
Albania

N.A.

Cyprus

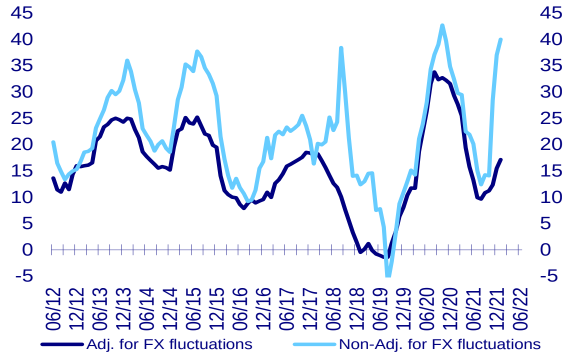


Egypt



- **Credit expansion strengthened in 2021** in most countries under review
- In **Turkey**, against the backdrop of a loose monetary policy stance, lending activity has been gaining momentum (again) lately

Turkey



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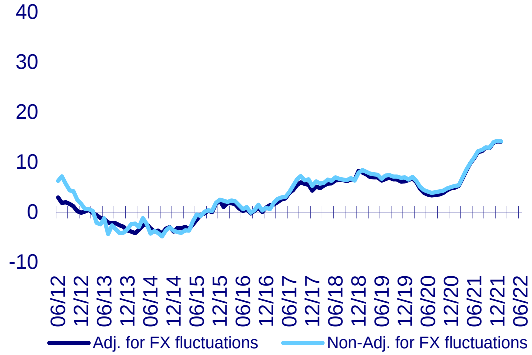

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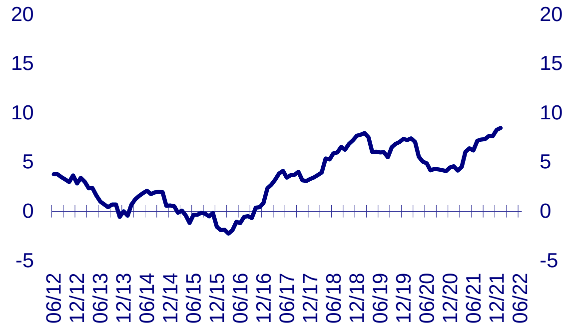
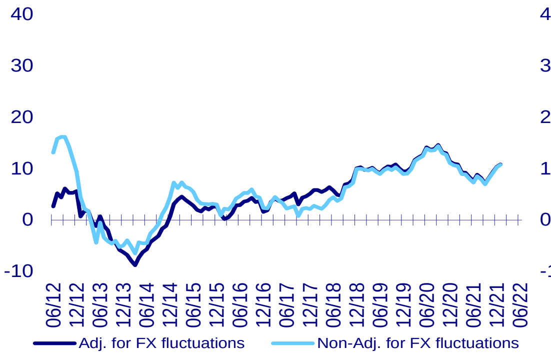
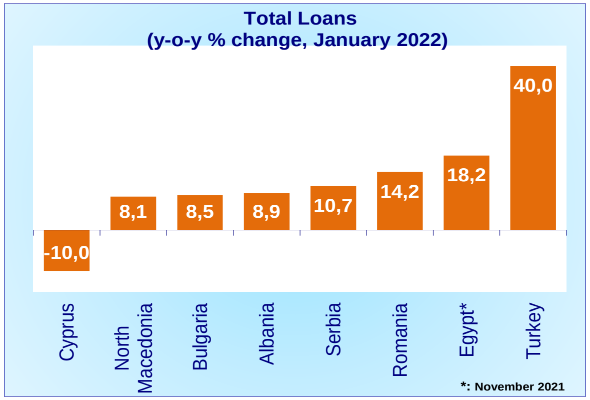


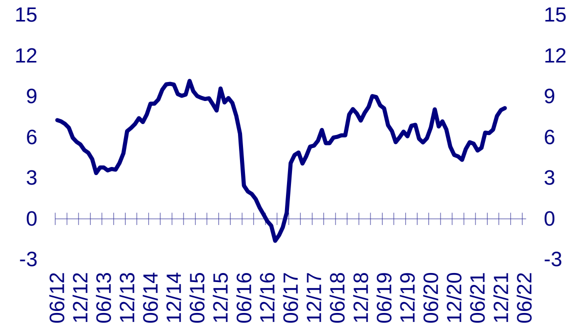
*adjusted for the closure of CCB in Nov. '14

Serbia



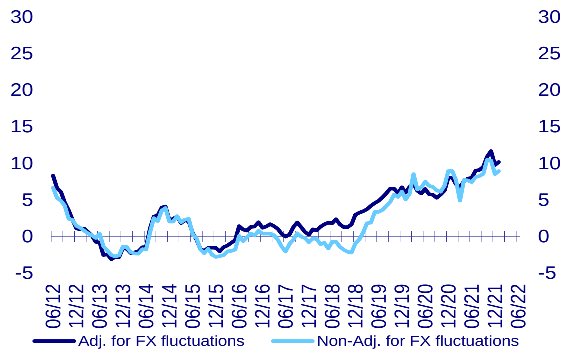


North Macedonia

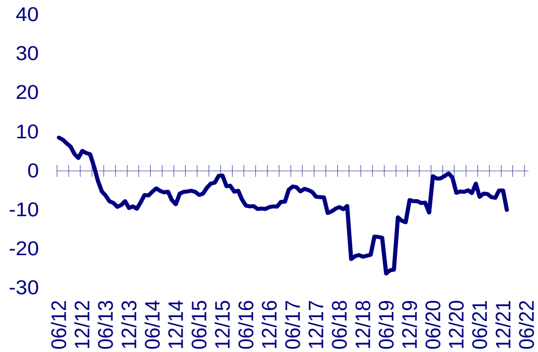


* adjusted for the closure of Eurostandard Bank in Aug. '20

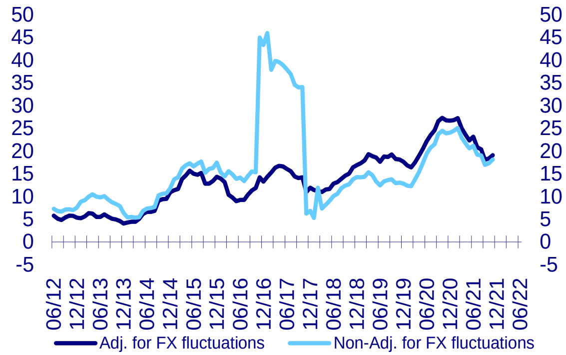
Albania



Cyprus



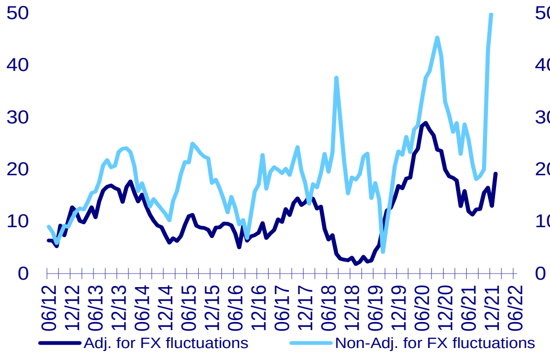
Egypt



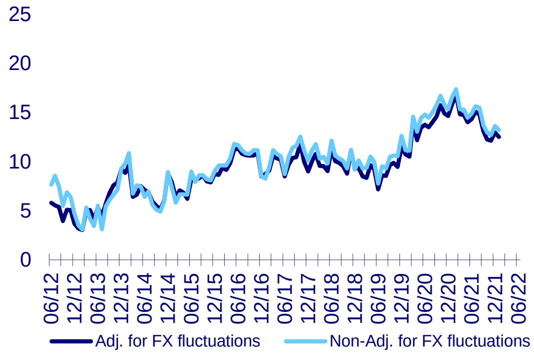
Total deposits (y-o-y % change)

- **Albeit slowing down, deposit growth continues to outpace lending growth** in most of the countries under review

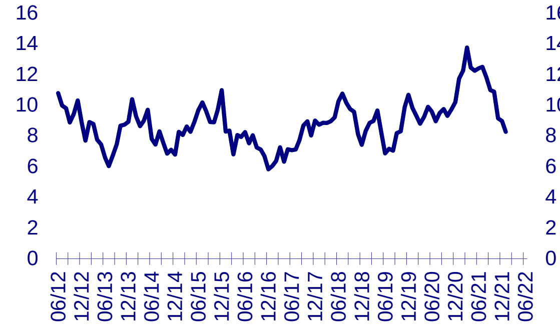
Turkey



Romania

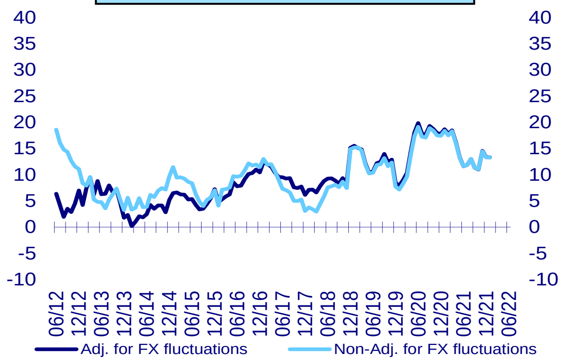


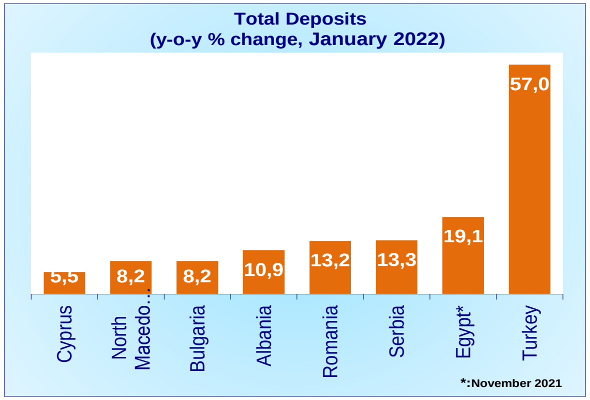
Bulgaria



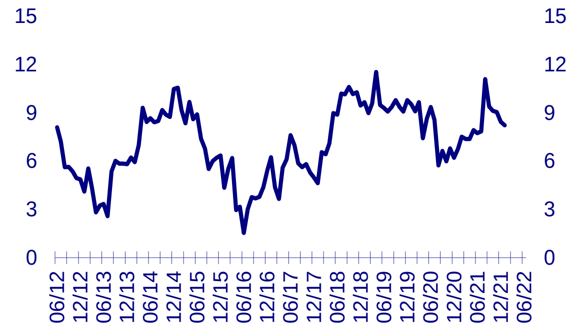
*adjusted for the closure of CCB in Nov. '14

Serbia



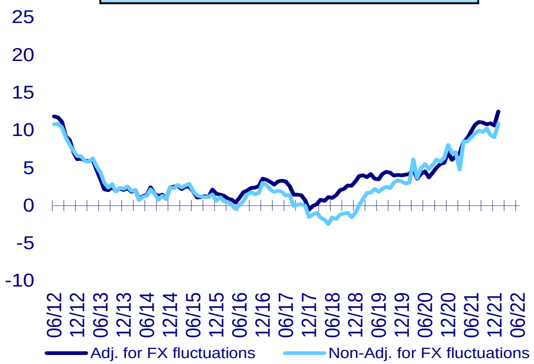


North Macedonia

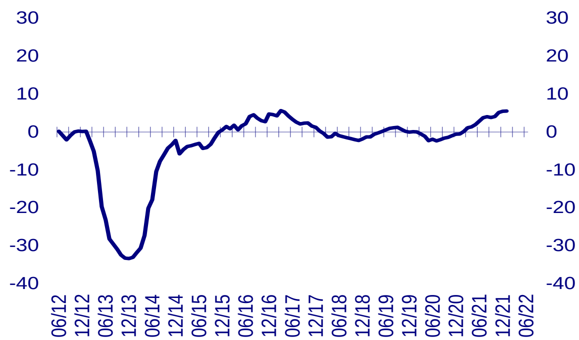


* adjusted for the closure of Eurostandard Bank in Aug. '20

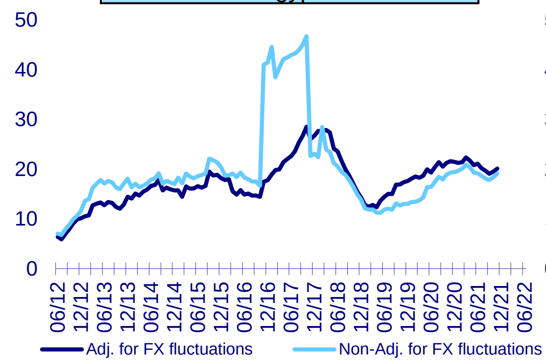
Albania



Cyprus

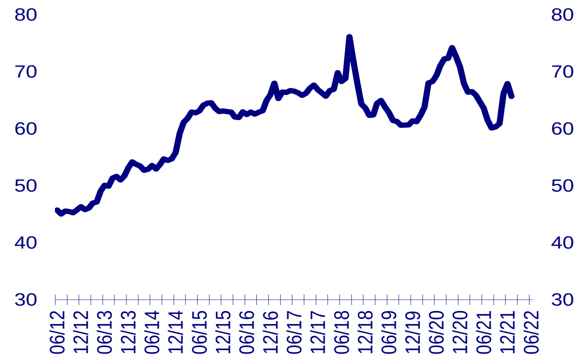


Egypt

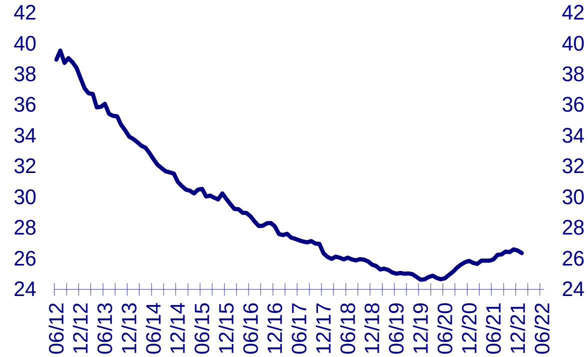


- All economies under review, except Cyprus, are still **underpenetrated in terms of lending**

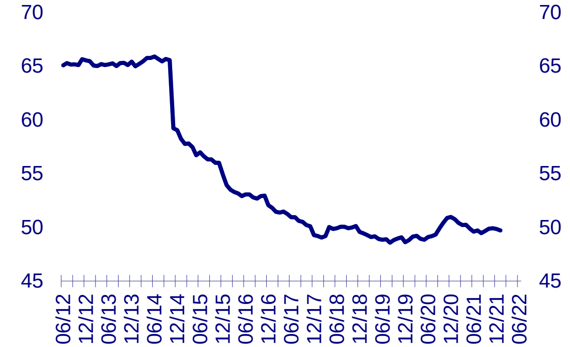
Turkey



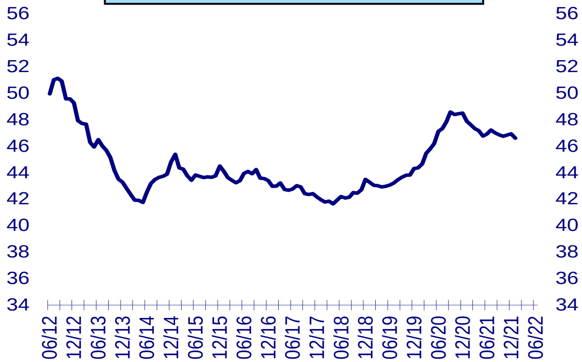
Romania

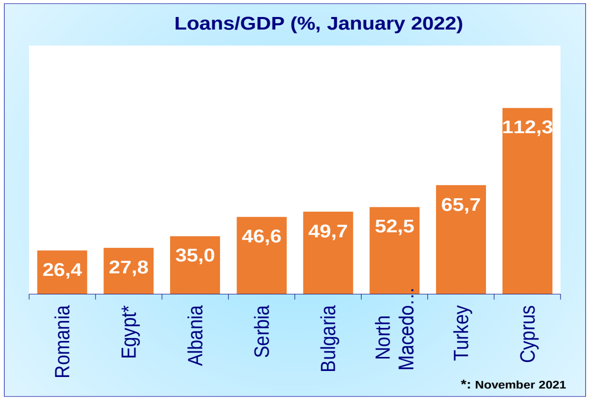


Bulgaria

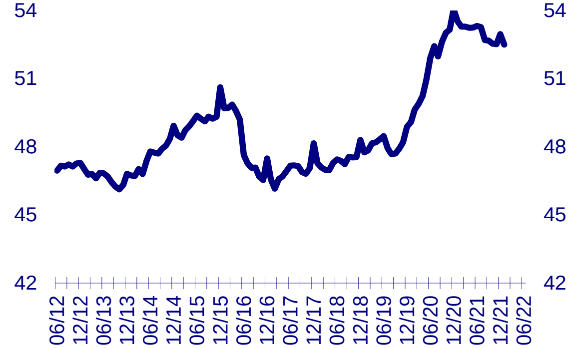


Serbia

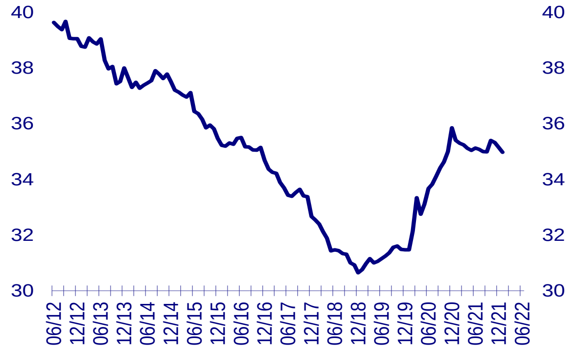




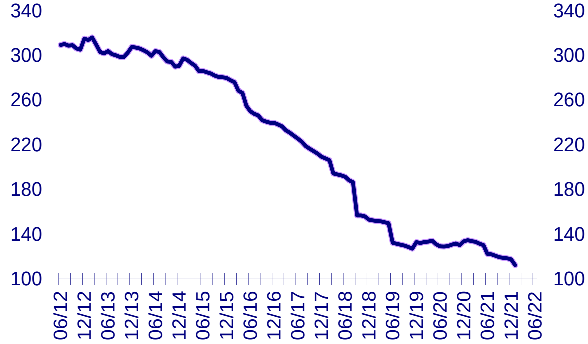
North Macedonia



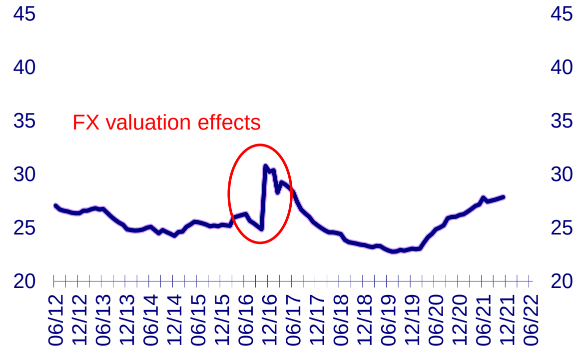
Albania



Cyprus

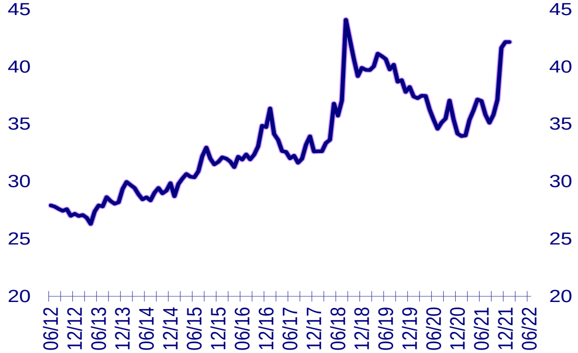


Egypt

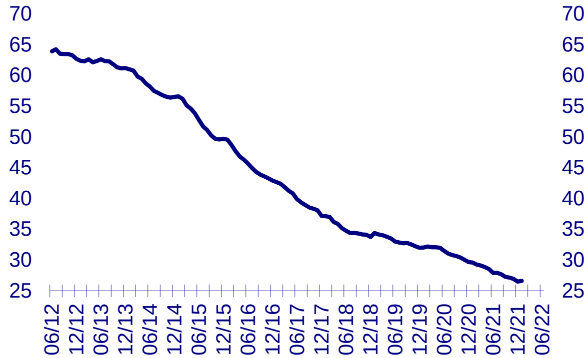


- Banking systems' **reliance on FX financing remains low** in most of the countries under review

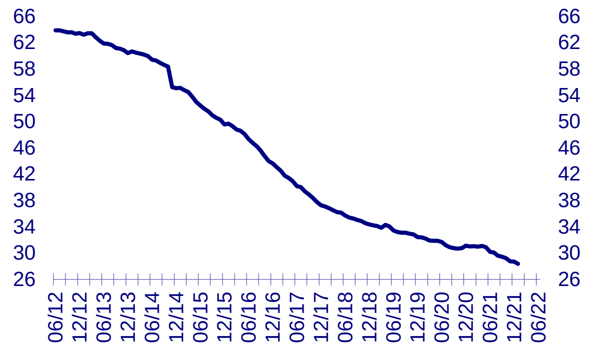
Turkey



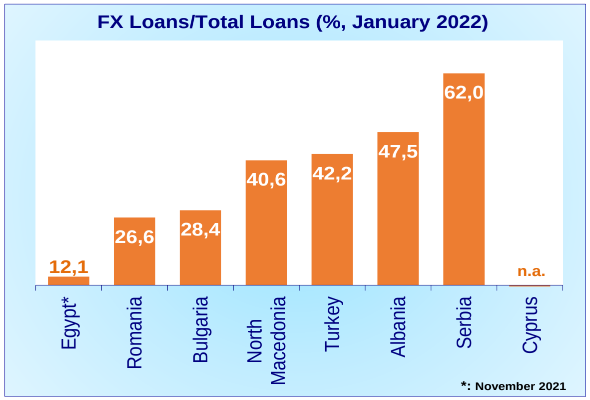
Romania



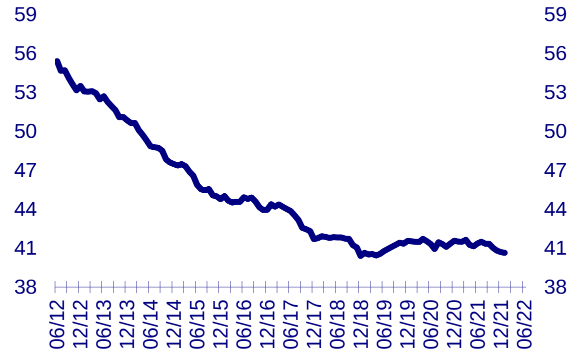
Bulgaria



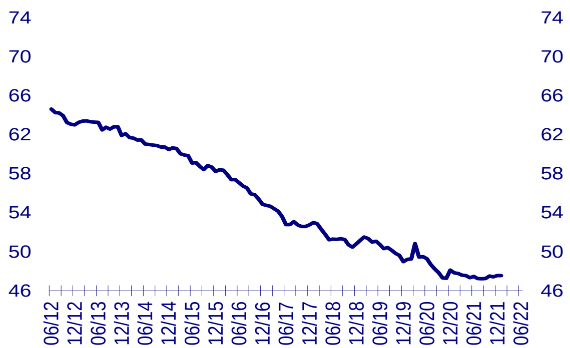
Serbia



North Macedonia



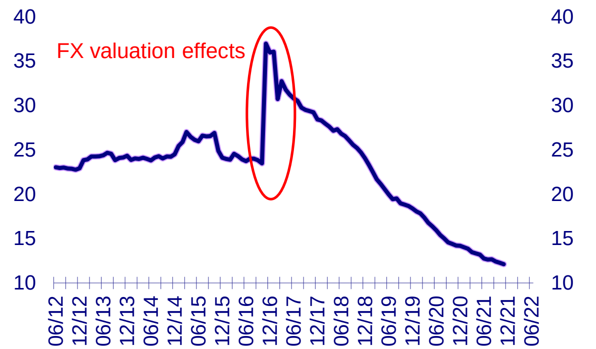
Albania



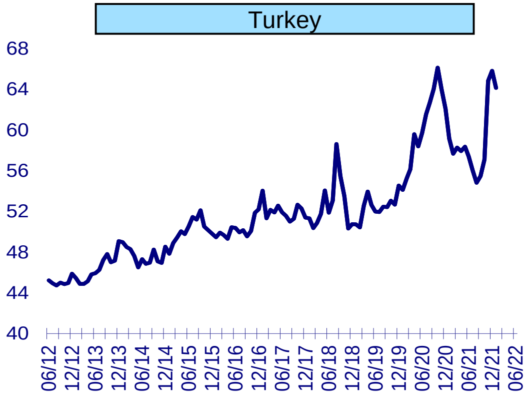
Cyprus

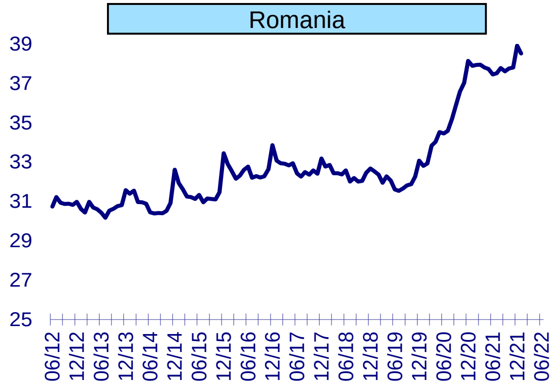
N.A.

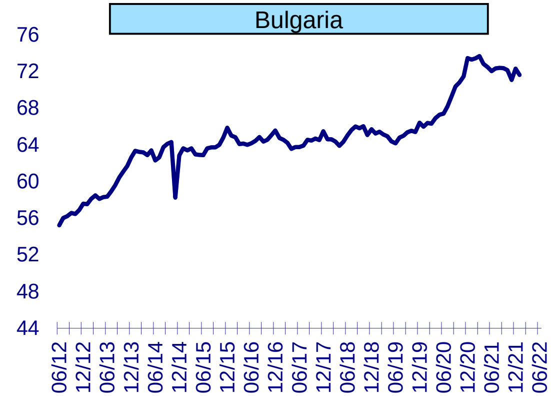
Egypt

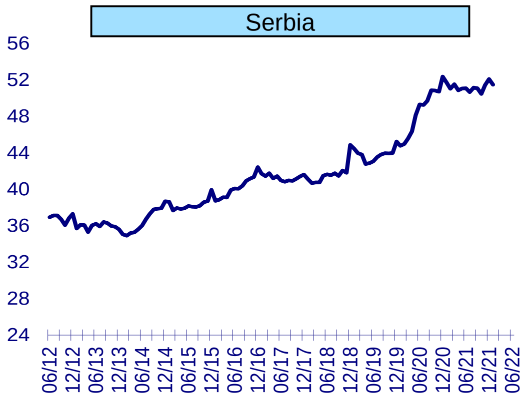


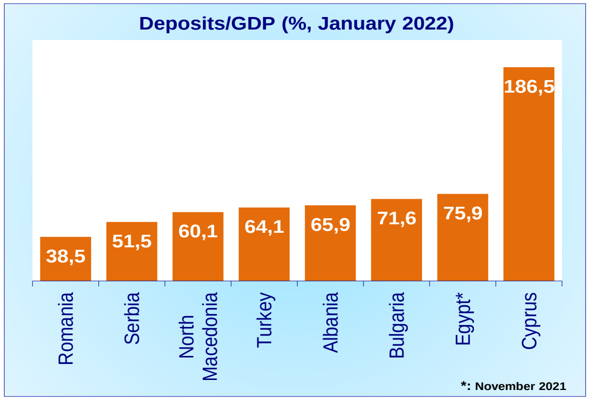
- Amid rapidly rising inflation, the **savings rate is expected to ease** in the period ahead

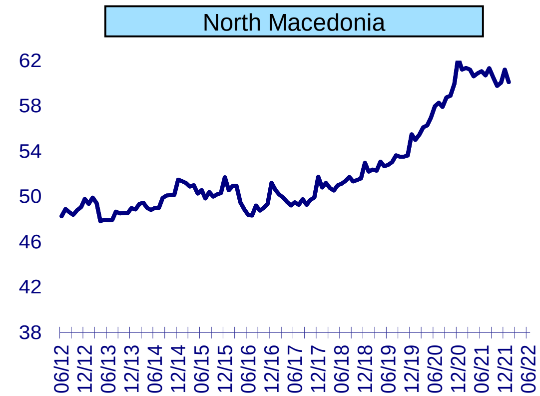


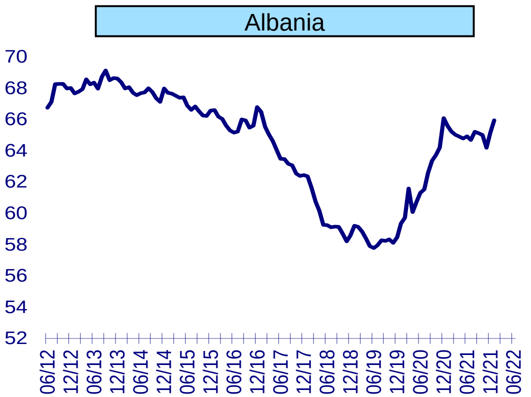


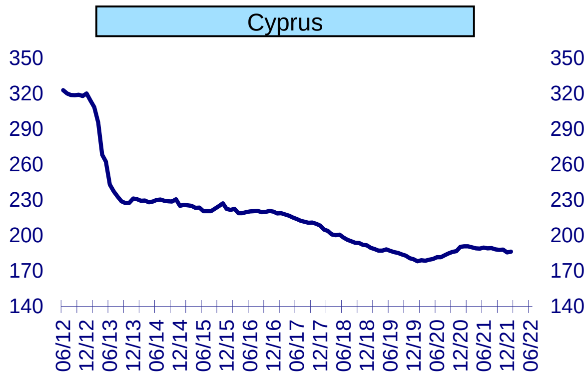






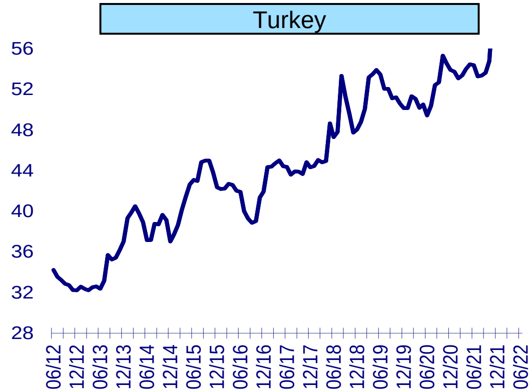


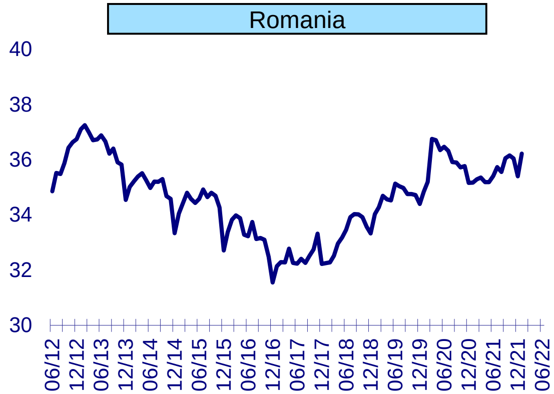


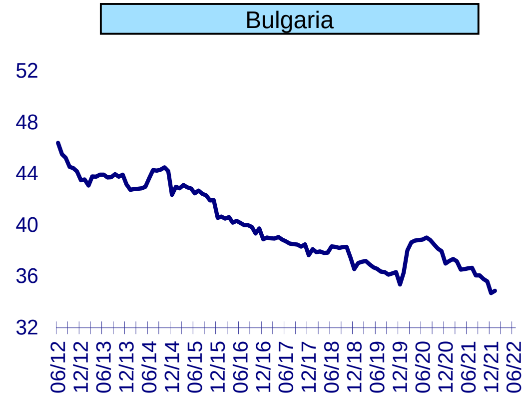


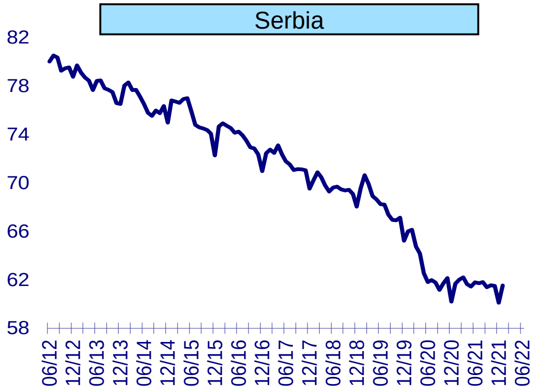
FX deposits-to-total deposits ratio (%)

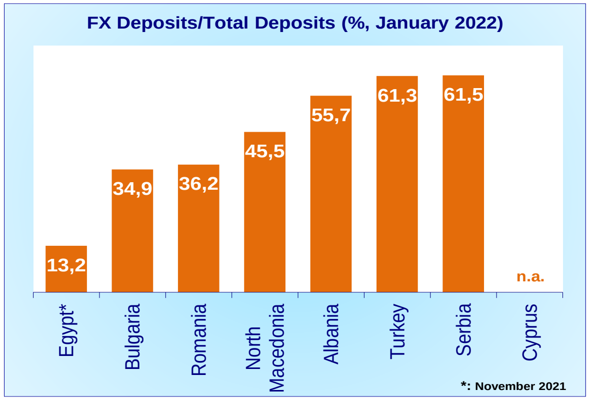
- The **proportion of FX deposits in total deposits is higher than that for loans** in most of the countries under review

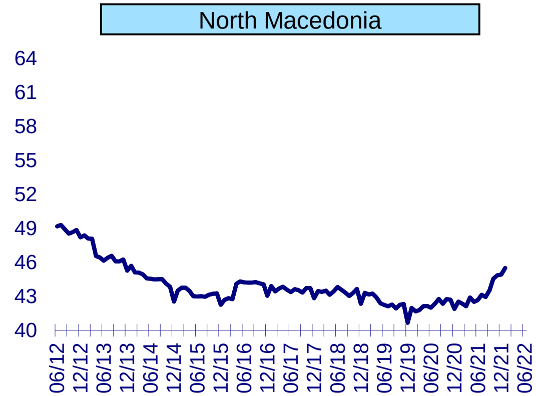


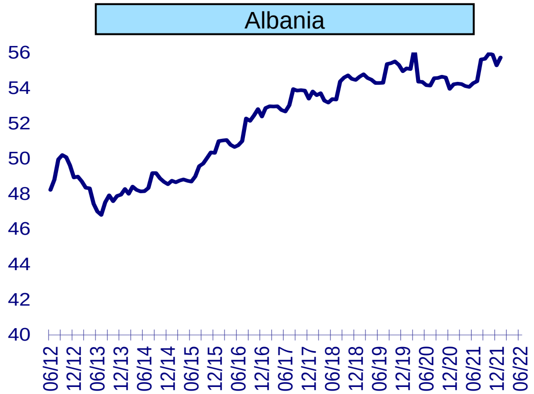






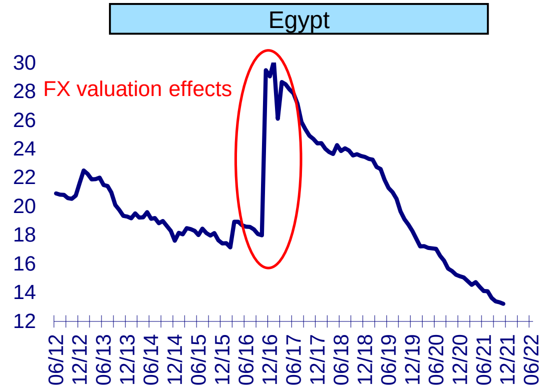






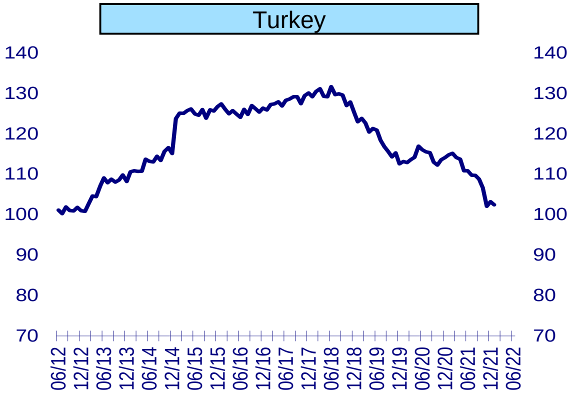
Cyprus

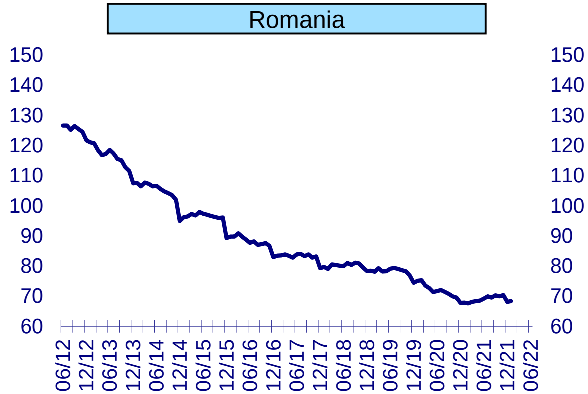
N.A.

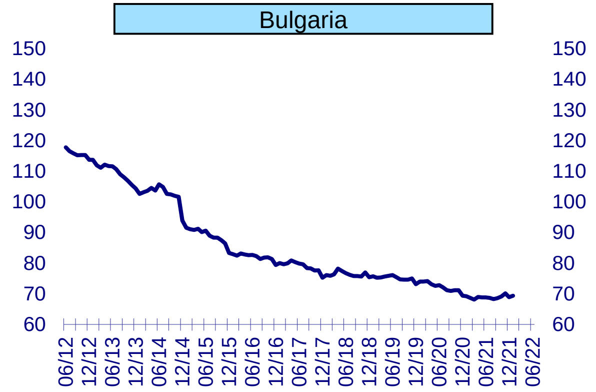


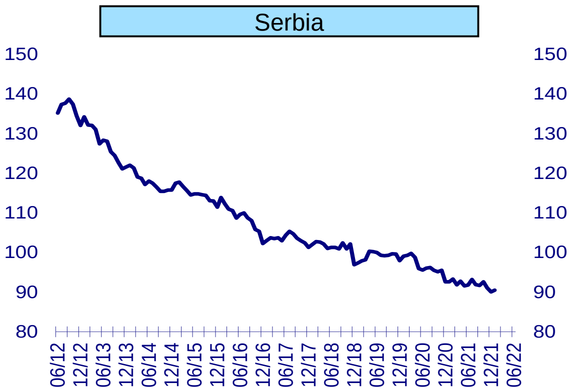
Total loans-to-total deposits ratio (%)

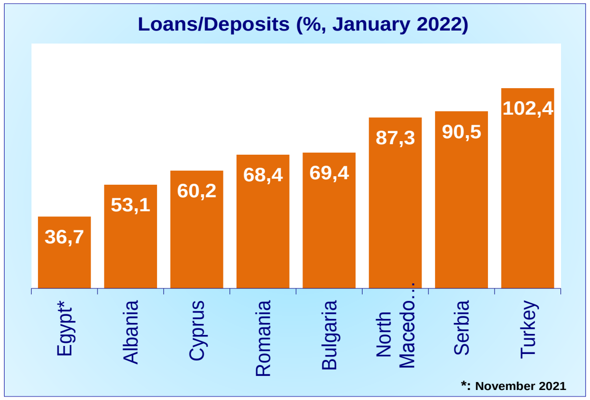
• All banking systems under review enjoy a **loan-to-deposit ratio well below the 100% threshold**, with the exception of Turkey

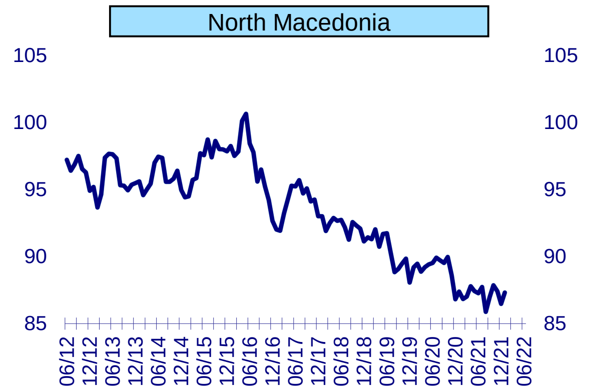


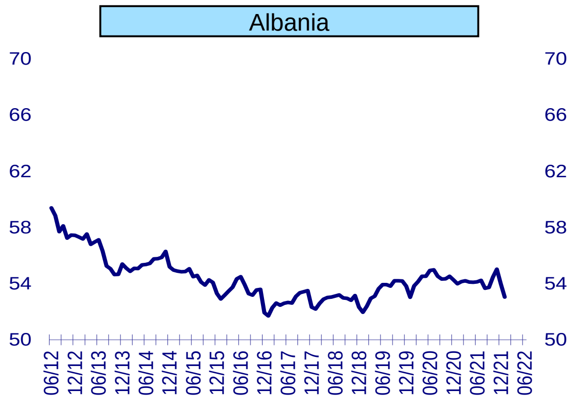


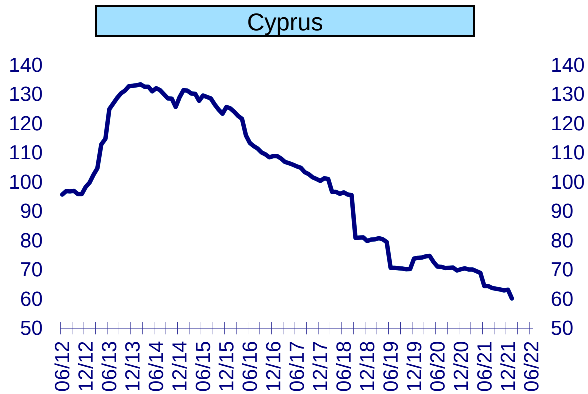


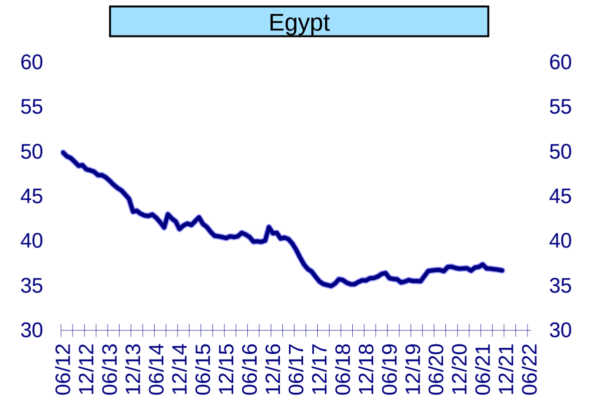






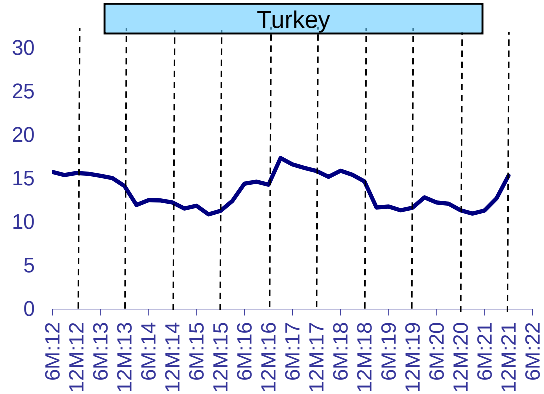


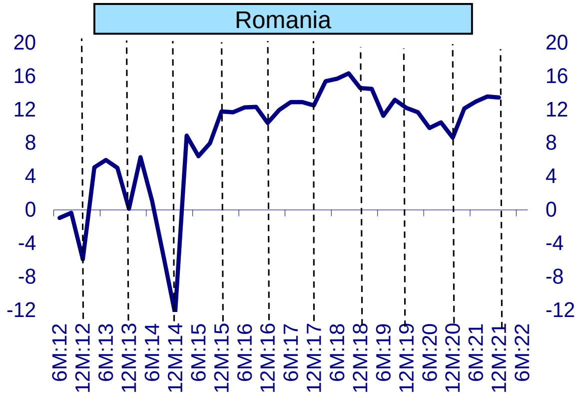


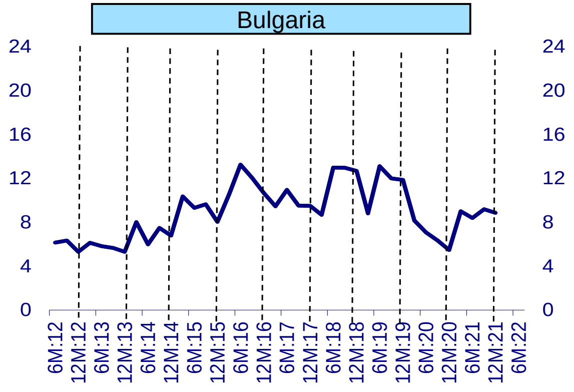


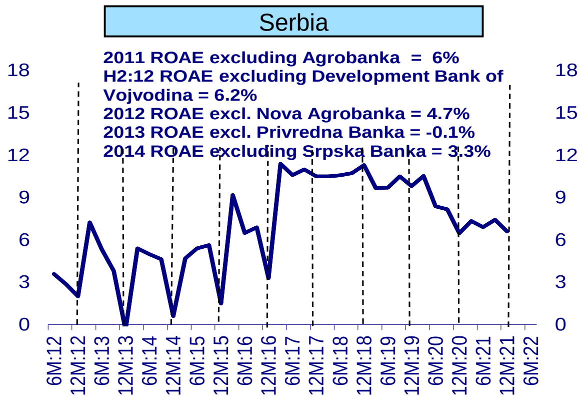
Return-to-average equity ratio (%, cumulative and annualised)

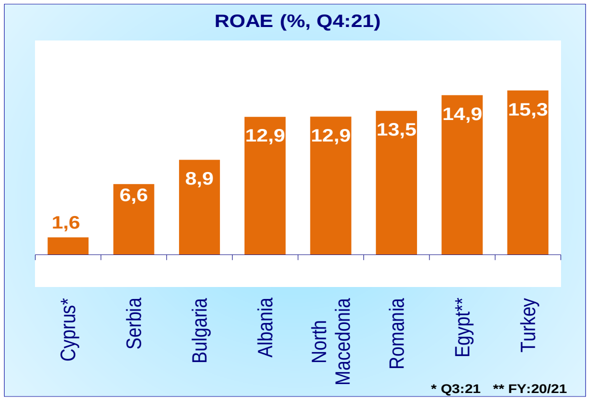
- Reflecting an improving operating environment, the **profitability of the banking system** in most countries under review **improved** sharply in 2021, mainly in line with **lower provisioning**

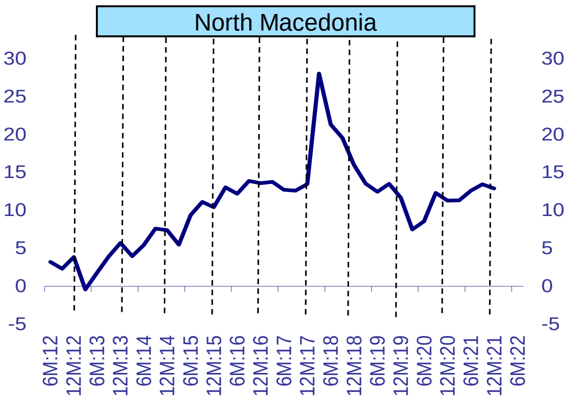


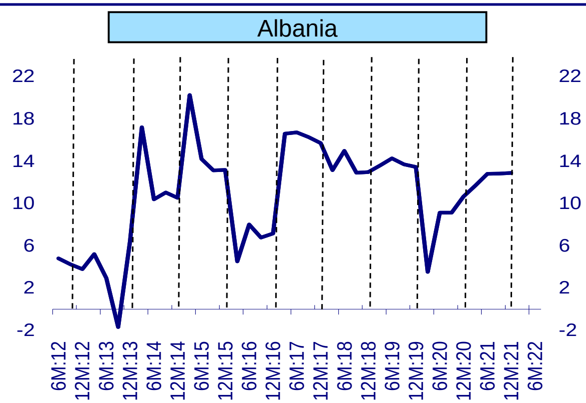


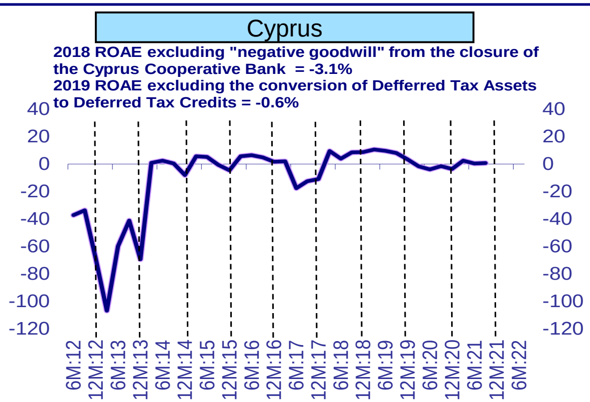


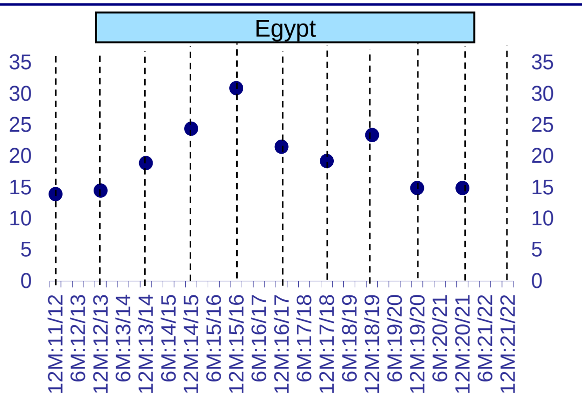




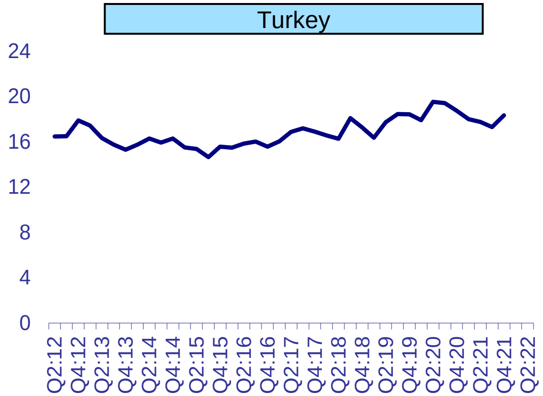


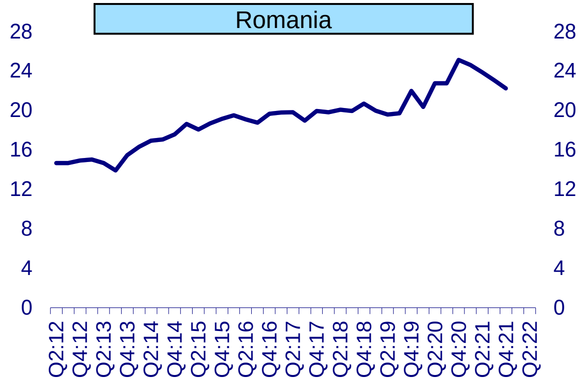


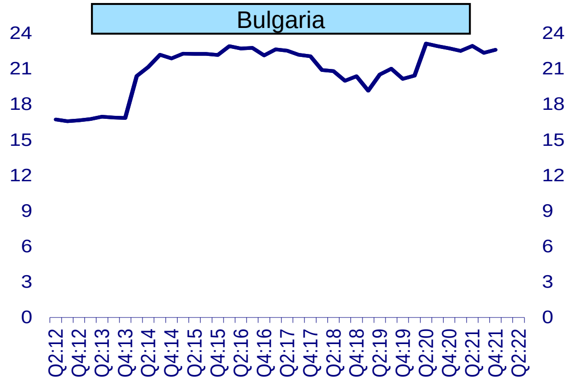


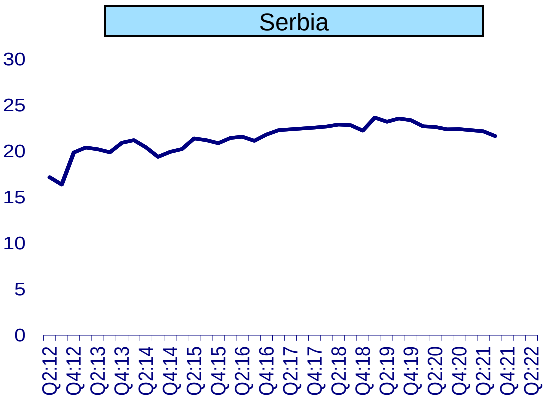


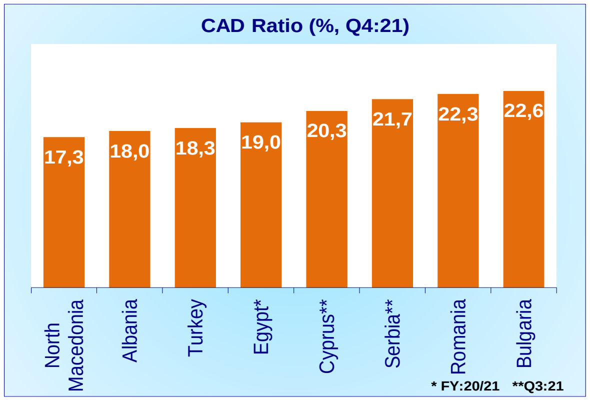
- Banking systems in all countries under review remain **well-capitalised**

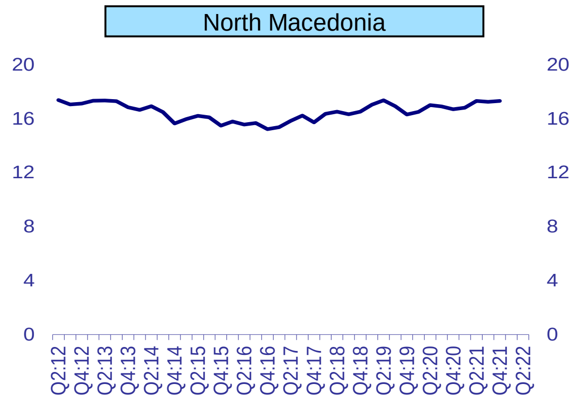


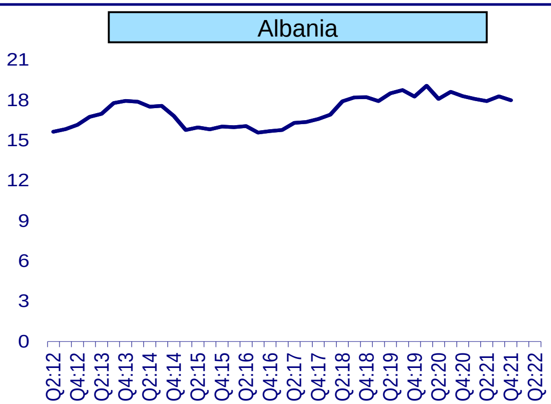


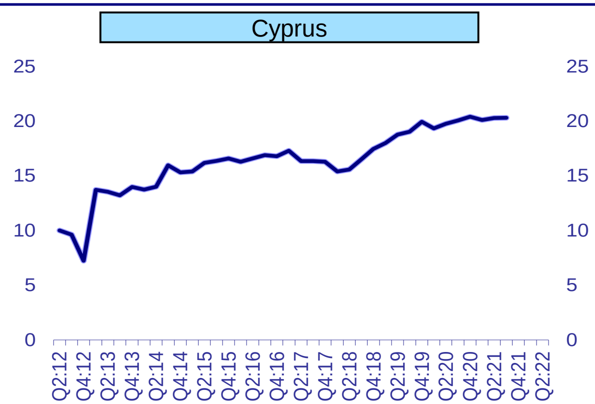


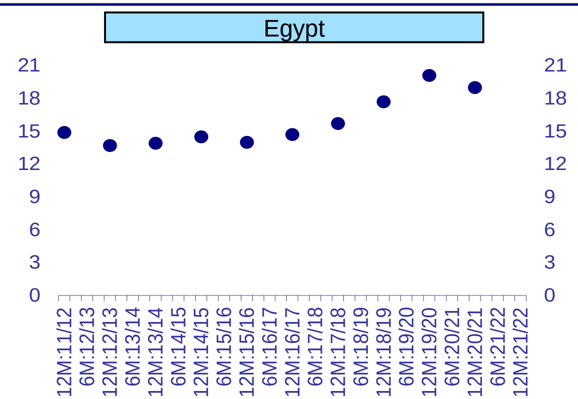










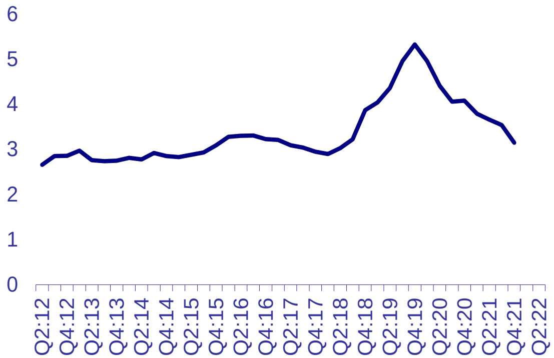


Non-performing loans ratio (%)

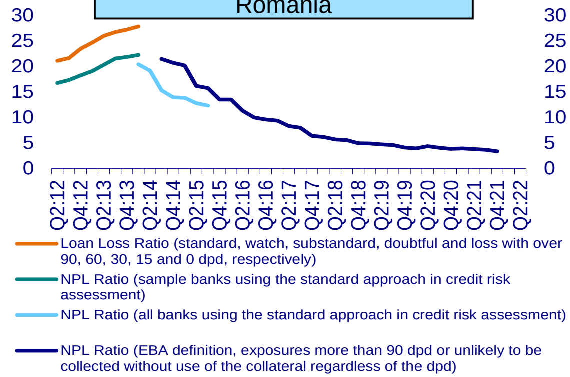
•**Solvency pressures have been limited** so far, despite the expiration of forbearance measures (incl. debt moratoria) taken to alleviate the impact of COVID-19

• The implications of the ongoing Russia-Ukraine crisis on asset quality should not be significant, in view of the **minimal direct financial exposure** of the banking systems under review to these countries

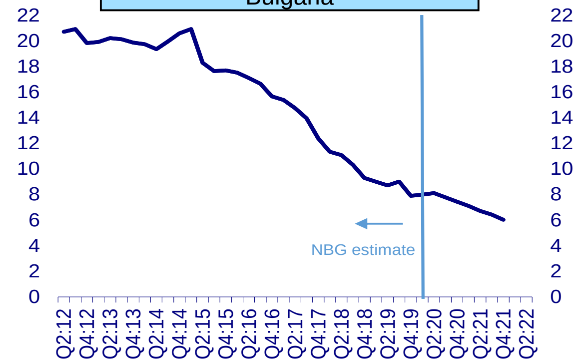
Turkey



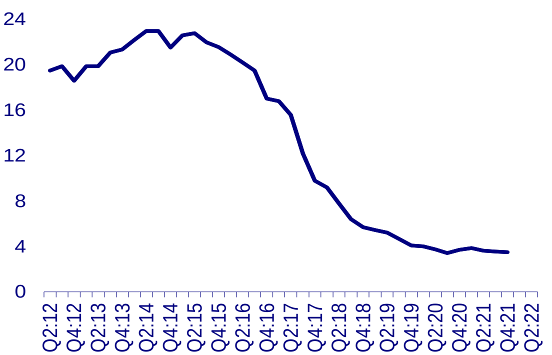
Romania

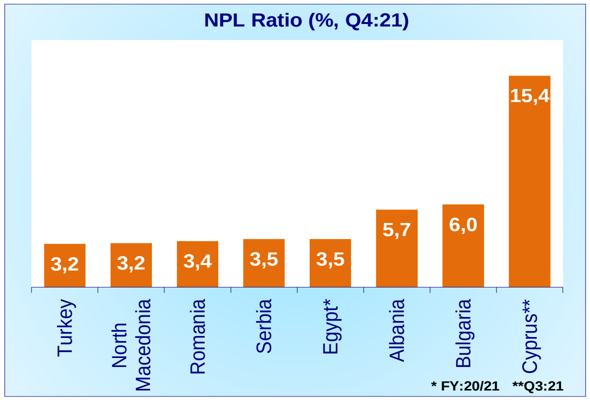


Bulgaria

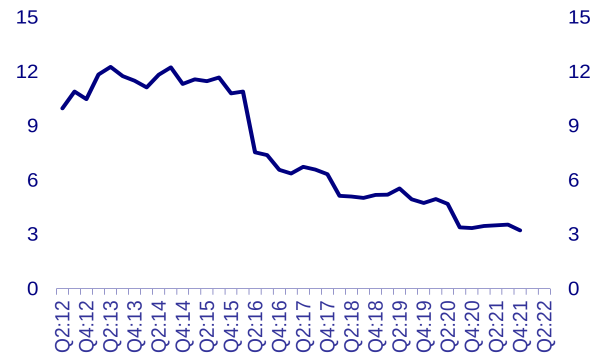


Serbia

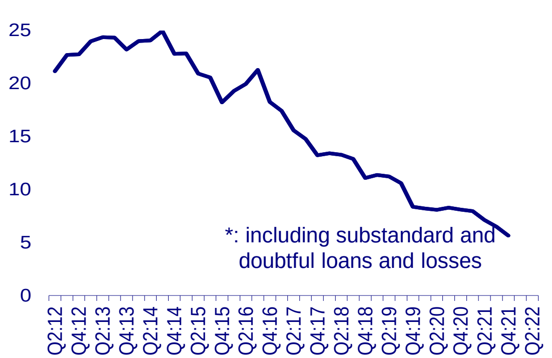




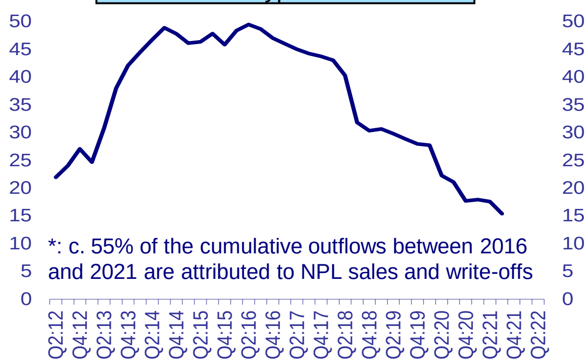
North Macedonia



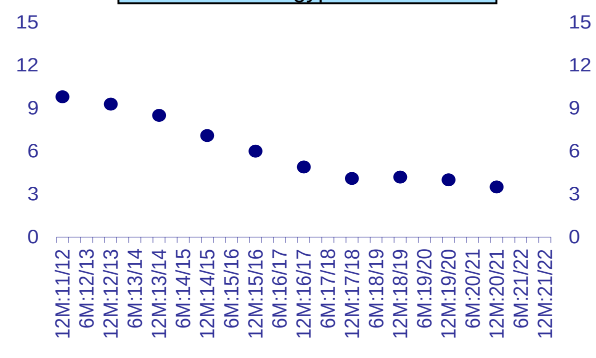
Albania



Cyprus



Egypt



- A **strong foreign presence** in Albania, Romania, Bulgaria, North Macedonia and Serbia

Foreign Ownership (% of Total Assets, Dec. 2021)							
Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus [a]	Egypt [b]
21.6	68.2	77.0	86.3	65.6	69.0	21.1	55.0

[a]: 30.06.2019

[b]: 31.12.2015

DISCLOSURES: *This report has been produced by the Economic Analysis Division of the National Bank of Greece, which is regulated by the Bank of Greece, and is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on its contents, i.e. only after effecting their own independent enquiry from sources of the investors' sole choice. The information contained in this report does not constitute the provision of investment advice and under no circumstances is it to be used or considered as an offer or an invitation to buy or sell or a solicitation of an offer or invitation to buy or sell or enter into any agreement with respect to any financial asset, service or investment. Any data provided in this report has been obtained from sources believed to be reliable but have to be not been independently verified. In accordance with the Republic of Serbia's national sources, data related to AP Kosovo and Metohia are outside the scope of coverage this report. Because of the possibility of error on the part of such sources, National Bank of Greece does not guarantee the accuracy, timeliness or usefulness of any information. The National Bank of Greece and its affiliate companies, its representatives, its managers and/or its personnel or other persons related to it, accept no liability for any direct or consequential loss arising from any use of this report. The final investment decision must be made by the investor and the responsibility for the investment must be taken by the investor. This report is not directed to, nor intended for distribution to use or used by, any person or entity that is a citizen or resident of or located in any locality, state, country or other jurisdiction where such a distribution, publication, availability or use would be contrary to any law, regulation or rule. The report is protected under intellectual property laws and may not be altered, reproduced or redistributed, to any other party, in whole or in part, without the prior written consent of National Bank of Greece.*