Quarterly Chartbook Q2:26

"Economic resilience to be tested by Middle East volatility"

Special Focus:
Regional Macro-Energy profiles
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Economic Analysis Division
Emerging Markets Analysis

Türkiye | Romania | Bulgaria | Serbia | North Macedonia | Albania | Cyprus | Egypt

NATIONAL BANK OF GREECE

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Republic of Türkiye

Population (2025, mn): 86.0
GDP (2025, EUR, bn): 1,410.9
GDP per Capita (2025, EUR): 16,400
Government type: Parliamentary Republic
Chief of state: Recep Tayyip ERDOGAN
Head of Government: Recep Tayyip ERDOGAN
Minister of Finance: Mehmet SIMSEK
Central Bank Governor: Fatih KARAHAN

Romania

Population (2025, mn): 18.8
GDP (2025, EUR, bn): 379.1
GDP per Capita (2025, EUR): 20,131
Government type: Semi Presidential Republic
Chief of state: Nicuşor DAN
Head of Government: Ilie BOLOJAN (interim)
Minister of Finance: Alexandru NAZARE
Central Bank Governor: Mugur ISĂRESCU

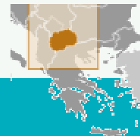
Republic of Bulgaria

Population (2025, mn): 6.3
GDP (2025, EUR, bn): 116.0
GDP per Capita (2025, EUR): 18,533
Government type: Parliamentary Republic
Chief of state: Iliana YOTOVA
Head of Government: Rumen RADEV
Minister of Finance: Gulub DONEV
Central Bank Governor: Dimitar RADEV

Republic of Serbia

Population (2025 mn): 6.5
GDP (2025, EUR, bn): 88.7
GDP per Capita (2025, EUR): 13,565
Government type: Parliamentary Republic
Chief of state: Aleksandar VUCIC
Head of Government: Duro MACUT
Minister of Finance: Sinisa MALI
Central Bank Governor: Jorgovanka TABAKOVIC

Republic of North Macedonia



Population (2025, mn): 1.8
GDP (2025, EUR, bn): 17.0
GDP per Capita (2025, EUR): 9,382
Government type: Parliamentary Republic
Chief of state: Gordana SILJANOVSKA-DAVKOVA
Head of Government: Hristijan MICKOSKI
Minister of Finance: Gordana DIMITRIESKA-KOCHOSKA
Central Bank Governor: Trajko SLAVEVSKI

Republic of Albania

Population (2025, mn): 2.4
GDP (2025, EUR, bn): 27.2
GDP per Capita (2025, EUR): 11.526
Government type: Parliamentary Republic
Chief of state: Bajram BEGAJ
Head of Government: Edi RAMA
Minister of Finance: Petrit MALAJ
Central Bank Governor: Gent SEJKO

Republic of Cyprus

Population (2025, mn): 1.0
GDP (2025, EUR, bn): 36,5
GDP per Capita (2025, EUR): 36,850
Government type: Presidential Republic
Chief of state: Nikos CHRISTODOULIDIS
Head of Government: Nikos CHRISTODOULIDIS
Minister of Finance: Makis KERAVNOS
Central Bank Governor: Christodoulos PATSALIDES

Arab Republic of Egypt

Population (2025, mn): 111.0
GDP (2025, EUR, bn): 352,4
GDP per Capita (2025, EUR): 3,173
Government type: Presidential Republic
Chief of state: Abdel Fattah Saeed EL-SISI
Head of Government: Mostafa MADBOULY
Minister of Finance: Ahmed KOUCHOUK
Central Bank Governor: Hassan ABDALLA

Date of next elections

- In **Romania**, the Government collapsed in a no-confidence vote in early-May, after months of policy disagreements within the ruling coalition over unpopular austerity measures -- including a VAT hike, which pushed inflation to nearly double-digits -- needed to address persistent twin deficits. The motion was initiated by the largest party in the coalition, the center-left PSD, and passed with the backing from the far-right opposition AUR. Several weeks of uncertainty are now due to follow, pending the formation of a new -- and likely fragile -- Government. If a snap election were called -- with the next scheduled election due in 2028 -- the AUR is currently leading opinion polls by a wide margin, capitalizing on growing public discontent, consolidation fatigue and deepening polarization. Amid political deadlock, delays in RRF-related reforms and/or a sustained loss of confidence heighten risks to Romania's already fragile growth outlook, complicates its fiscal consolidation path and thus raises concerns regarding its investment grade status
- On April 19, shortly after entering the euro area, **Bulgaria** held another snap election -- the 8th since 2021 --, with the newcomer centre-left Progressive Bulgaria (PB) coalition topping the polls with 44.6% of the vote, securing an outright Parliamentary majority. As a result, PB leader, R. Radev, who stepped down from the largely ceremonial Presidency in January, was sworn in as PM. While previously criticized for his pro-Russia stance, raising concerns over the future direction of Bulgaria's foreign policy and its position within the EU & NATO, his recent rhetoric points to a more pragmatic commitment to the EU path. Overall, political stability -- critical for the Bulgarian economy -- appears more likely, with the economy's structural reliance on EU funding expected to act as an anchor for policy continuity, reducing the risk of a material rift with the bloc
- In **Cyprus**, broader political continuity is expected following the May general election, although the resulting Parliament is expected to be fragmented. As Cyprus operates under a presidential political system, overall policy consistency is projected to remain in place until the next presidential election in 2028. Currently, President N. Christodoulides governs through a 3-party minority coalition holding only 14 of the 56 seats in the Parliament, relying on backing from DISY (17 seats) -- a party with which he had previously broken ranks -- to secure consensus. While the projected entry of new political formations into Parliament could complicate decision-making, the country's strong institutional framework and a broad cross-party consensus on key structural reforms are expected to safeguard overall political and macroeconomic stability
- Political risk in **Türkiye** remains a key concern, potentially weighing on investor confidence. The main opposition CHP party has been facing an unprecedent judicial crackdown-- widely criticized as politically motivated -- since 2024, with investigations and arrests involving several prominent party figures, including Istanbul's popular Mayor E. İmamoğlu. Most recently, a court decision annulling the party congress that elected Ö. Özel as chairman resulted in his removal from the party's leadership, dealing a fresh blow to Turkish assets

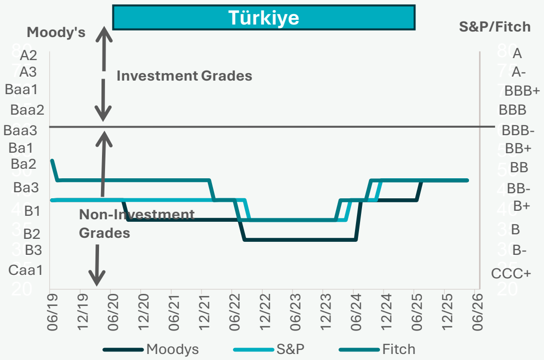
Date of Next Elections

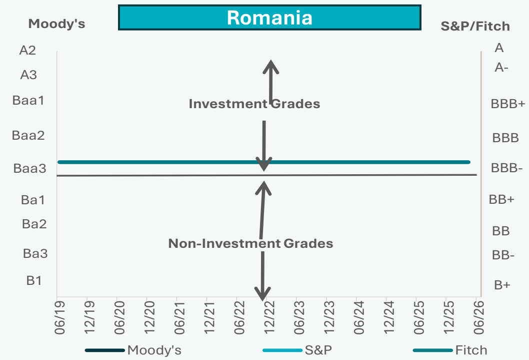
	Türkiye	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	May 2028	November 2028	April 2030	By Dec 2027	May 2028	May 2029	May 2026	November 2030
Presidential	May 2028	May 2030	November 2026	April 2027	May 2029	June 2027	February 2028	December 2029
Local	March 2029	June 2028	October 2027	By Dec 2027	October 2029	May 2027	June 2029	Unknown *

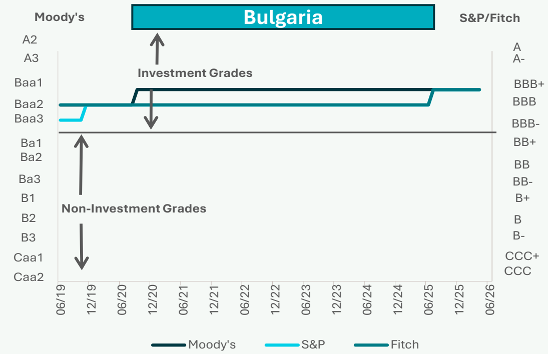
* last local elections hold in 2008

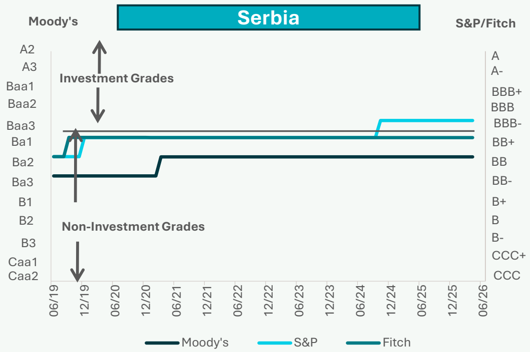
Foreign currency credit rating

- The modest levels of external and public debt in most of the economies under review should provide them with some headroom to navigate uncertainties associated with the Middle East conflict, **without endangering their credit profiles**. Economies currently undergoing adjustment, namely **Türkiye**, **Romania**, and **Egypt**, are the most vulnerable, should global risk aversion worsen substantially
- Fitch revised **Türkiye**'s "BB-" outlook to stable from positive in April, reflecting a marked decline in FX reserves due to support interventions and rising risks to external balances and inflation, given the sizeable energy trade deficit. In **Romania**, the collapse of the coalition Government heightens risks to its already fragile growth outlook, complicates its fiscal consolidation path, and thus raises concerns regarding its investment grade status (BBB-/Baa3), with all rating agencies maintaining a negative outlook

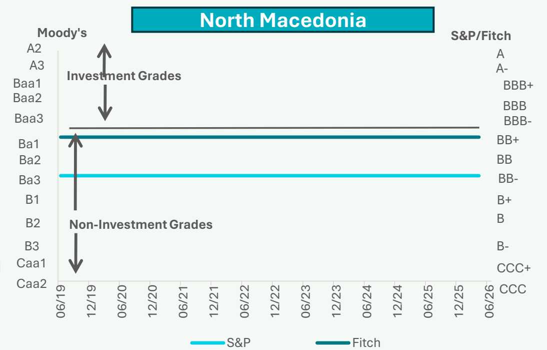


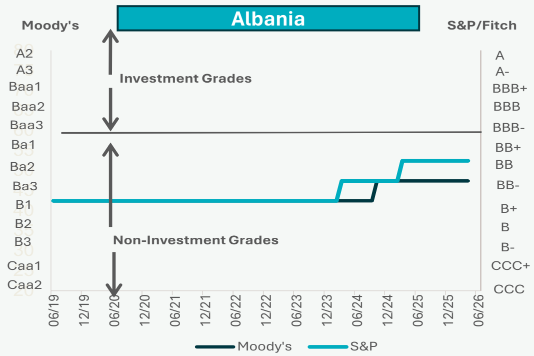


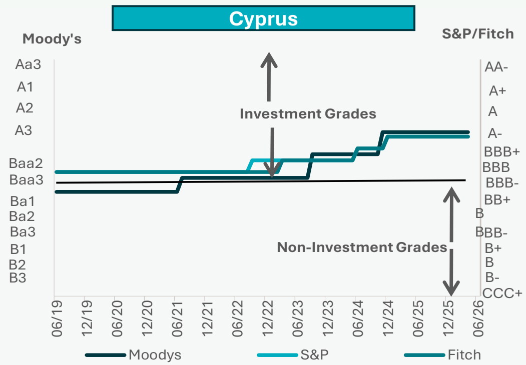


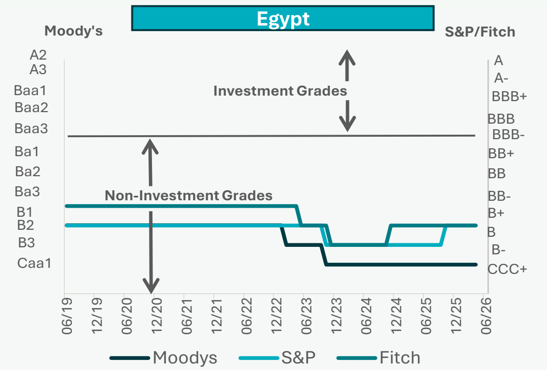


		S&P	Moody's	Fitch
Long-Term Foreign Debt Currency Ratings, May 2026				
Investment Grades	A+			
	A			
	A-	Cyprus	Cyprus	Cyprus
	BBB+	Bulgaria	Bulgaria	Bulgaria
	BBB			
	BBB-	Romania, Serbia	Romania	Romania
Non-Investment Grades	BB+			North Macedonia Serbia
	BB	Albania	Serbia	
	BB-	North Macedonia Türkiye	Albania, Türkiye	Türkiye
	B+			
	B	Egypt		Egypt
	B-			
	CCC+		Egypt	









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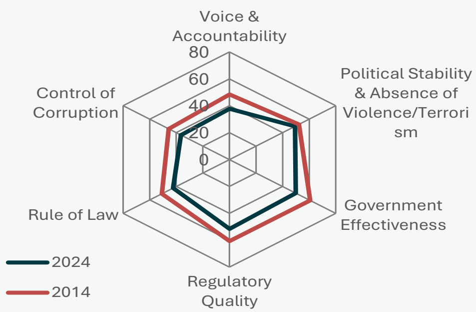
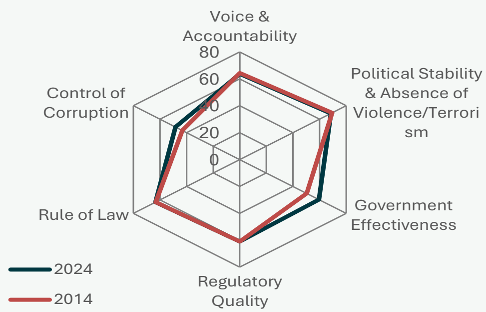
- Governance standards in EU candidate countries (**Serbia, North Macedonia, Albania**) are edging closer to those of new EU member states (**Romania, Bulgaria**)
- **Türkiye**'s and **Egypt**'s low rankings and their comparatively slow progress in terms of governance improvement weigh on investor sentiment

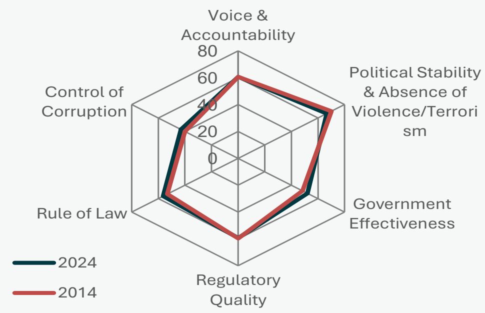
Türkiye



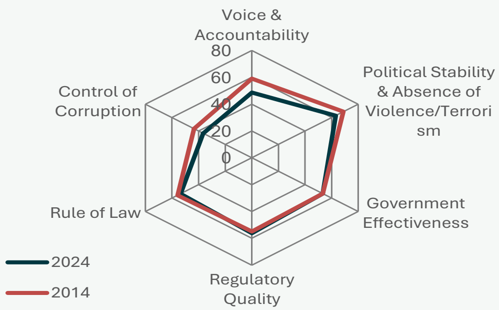
Romania



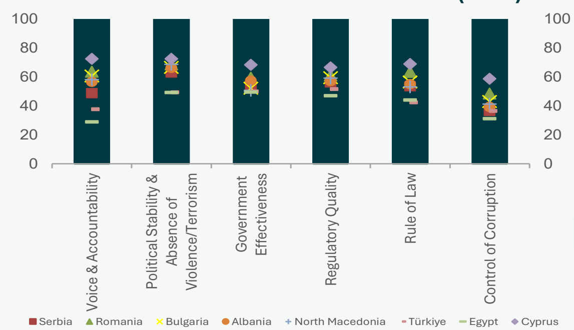
Bulgaria



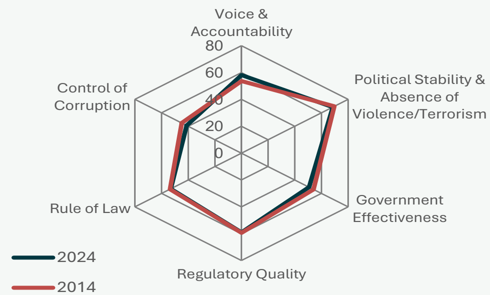
Serbia



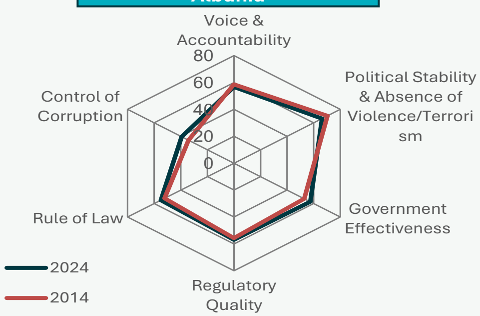
Worldwide Governance Indicators (2024)



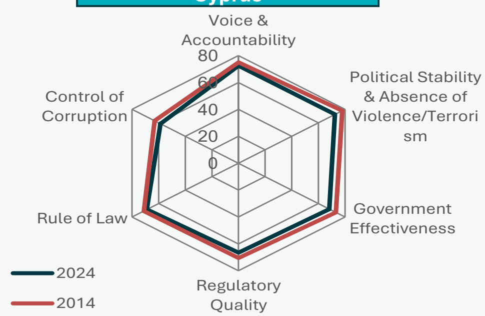
North Macedonia



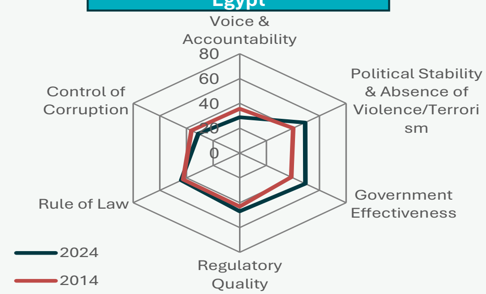
Albania



Cyprus

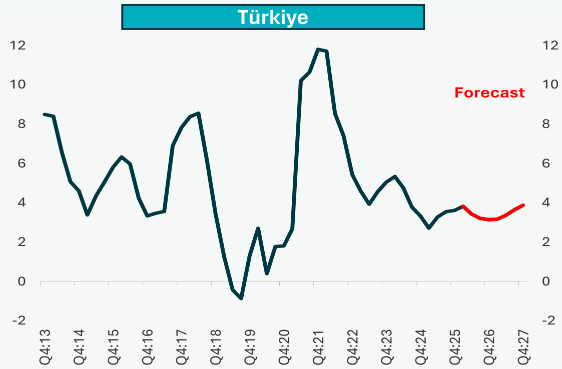


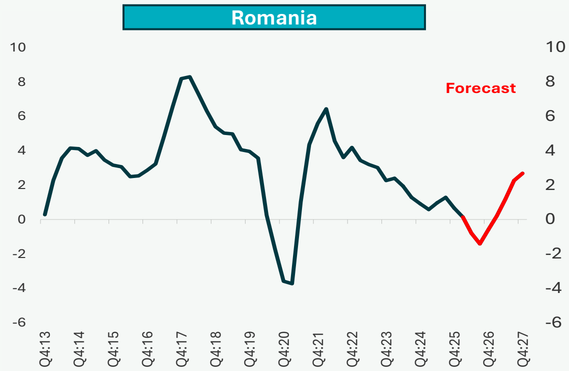
Egypt

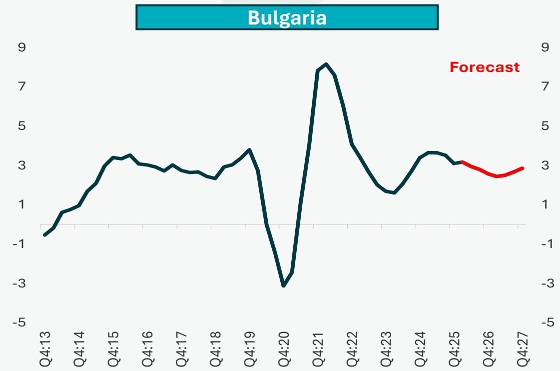


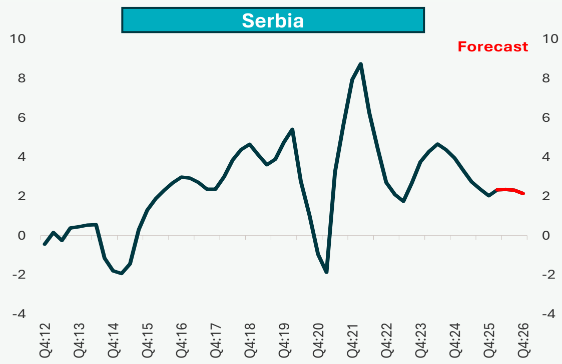
Real GDP (4-quarter rolling, y-o-y % change)

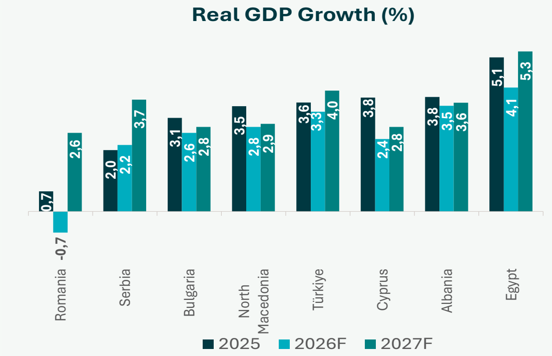
- Most regional economies are estimated to have started the year on **quite a solid footing**, underpinned by strong domestic demand, building on the performance of the previous year, despite the surge in global oil prices following the escalation of the Middle East conflict in late-February
- **Egypt** maintains the strongest growth trend in the broader region. Weakening sentiment amid aggressive fiscal adjustment has pushed the **Romanian** economy into recession. In **Serbia**, the pick-up in GDP growth in Q1:26 was driven by the dissipation of adverse base effects related to political uncertainty rather than by an improvement in underlying momentum

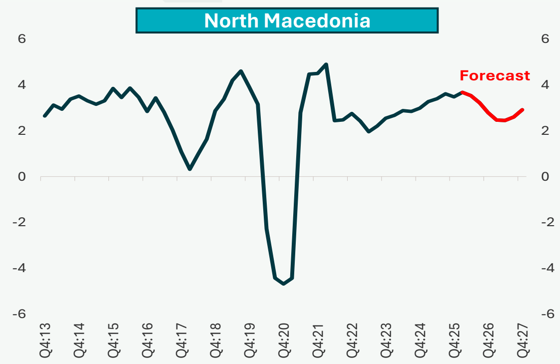


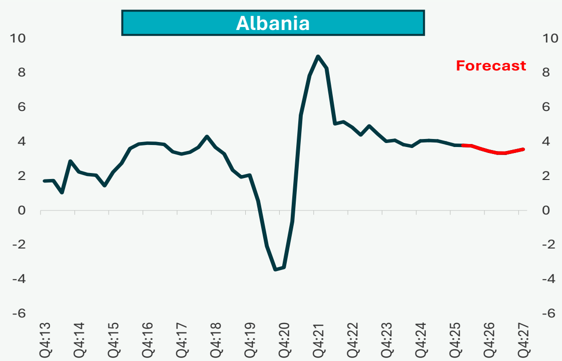


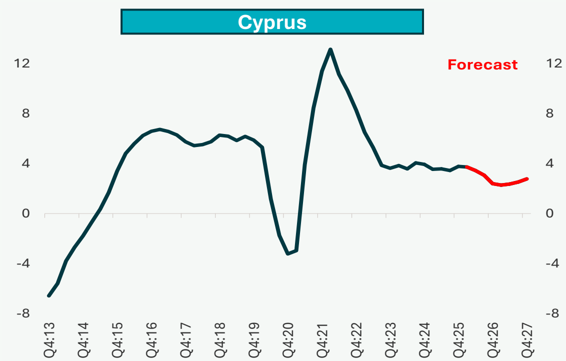


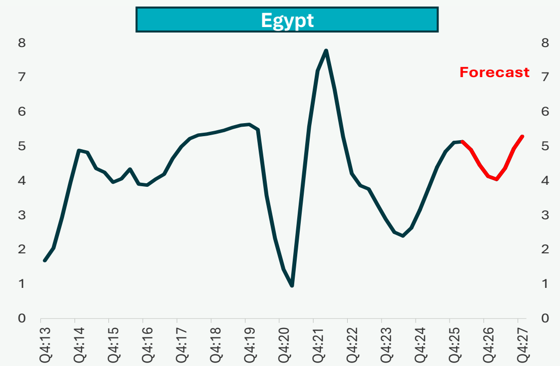












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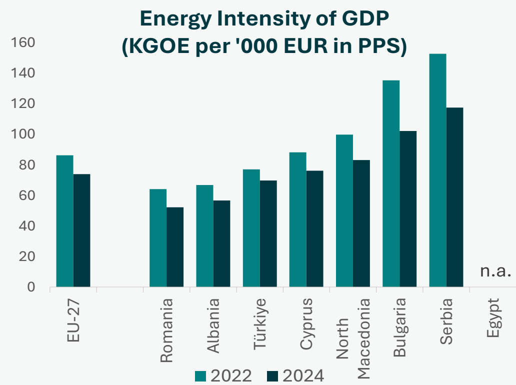
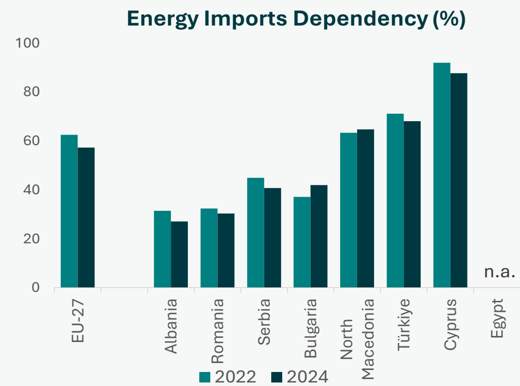
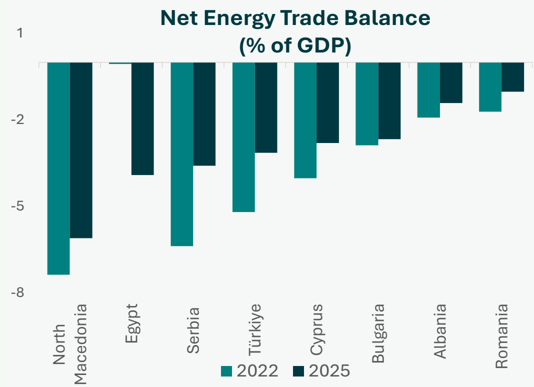
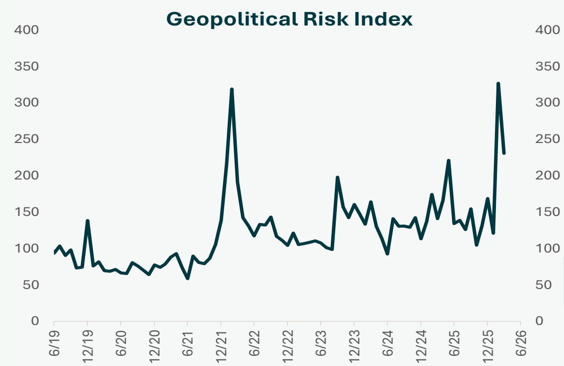
Macro-Energy Spillovers of the Middle East conflict

- The conflict in the Middle East and associated disruptions have **weighed on** the macroeconomic outlook since its onset in late February
- Our **baseline** scenario assumes a **transitory conflict**, with geopolitical tensions subsiding towards the latter half of the year. Nevertheless, post-conflict normalization is expected to be protracted, with supply-side disruptions **persisting** and energy prices **declining gradually** from their current elevated levels, reflecting not only operational constraints but also the persistent incorporation of a geopolitical risk premium. Against this backdrop, the macroeconomic impact is expected to be relatively **limited** and **temporary**, with its magnitude depending critically on the economies' energy intensity and import dependency
- **Energy intensity** in most regional economies has declined somewhat relative to the 2022 global energy shock but remains above the EU average -- particularly in Serbia and Bulgaria. That said, the improvement reflects not only enhanced energy efficiency but also the permanent shutdown of energy-intensive industrial capacity
- Following a rapid expansion in their renewable energy capacity, the **reliance on energy imports** has improved slightly, except in Bulgaria and North Macedonia, where it has increased owing to the curtailment of lignite generation -- driven by market-led decarbonization in the former and resource depletion in the latter. In Egypt, energy import dependency is also estimated to have deteriorated, reflecting declining output from mature fields (notably Zohr) and rising domestic demand
- In any case, the economies are in a different position than at the time of the 2022 global energy price shock, when post-pandemic recovery momentum was strong. This may affect the transmission of the shock to economic activity and inflation. Notably, the risk of a wage-price spiral appears more contained than in 2022, as although inflation expectations may have become more sensitive, the **fragility of aggregate demand** appears to be limiting the capacity of firms to pass on higher costs to consumers. That said, the risk of non-linear price pass-through increases with the duration of supply disruptions



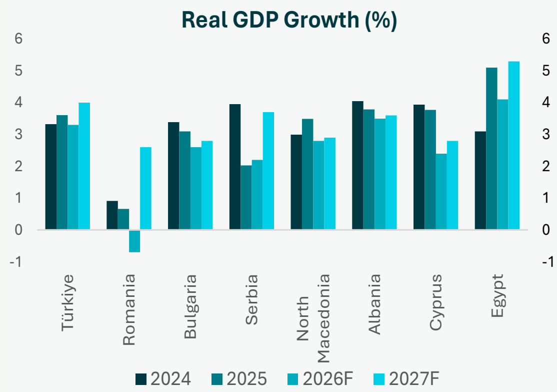


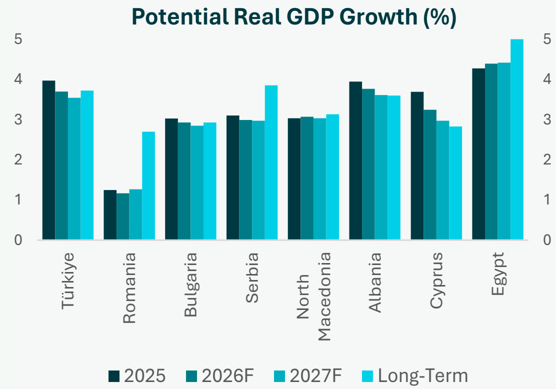


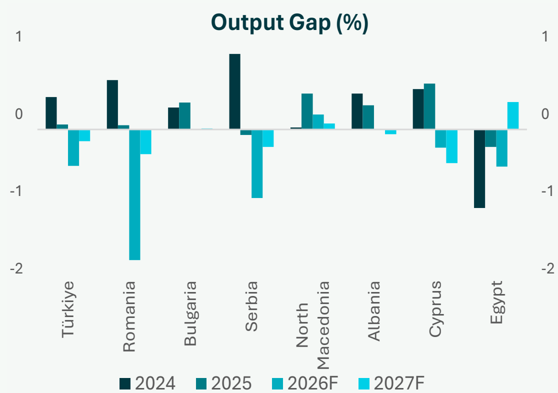


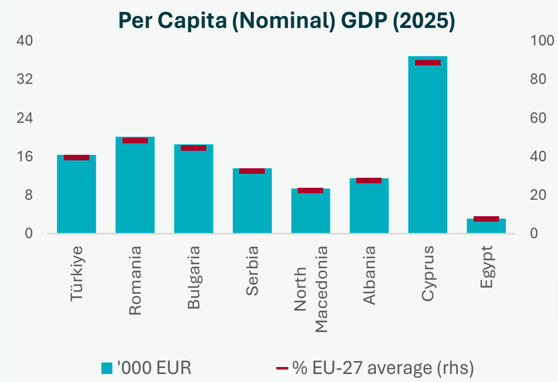
Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- As regards the growth drivers, **private consumption** is expected to remain **quite solid**, supported by resilient labor market conditions, although it is projected **to moderate in the short term**, mainly due to adverse income and confidence effects
- **Fixed investment** is expected to contribute significantly to overall growth, driven by the **public sector** and increased **EU funding** in Romania, Bulgaria and Cyprus, particularly ahead of the RRF's expiry in August
- Amid slower growth in the EU, and in the presence of structural headwinds, including from higher US tariffs and associated uncertainty (see also next page), and intensified competition from China, export growth is set to remain **subdued** this year. Combined with solid domestic demand, this suggests that **net exports** will most likely remain a **drag** on overall growth. The **Cypriot** and **Egyptian** economies, which are tourism-dependent, may face a disproportionately larger drag on net exports due to geopolitical uncertainty, reflecting heightened security concerns stemming from their proximity to the conflict zone
- All economies under review (except Serbia) are expected to see their GDP growth rate **moderate** this year, **albeit modestly**, and remain at **healthy levels** -- except for **Romania**, which is further strained by ongoing aggressive fiscal consolidation and is projected to fall into a mild recession. **Serbia**, on the other hand, is benefiting from strong base effects, which are helping to support its growth



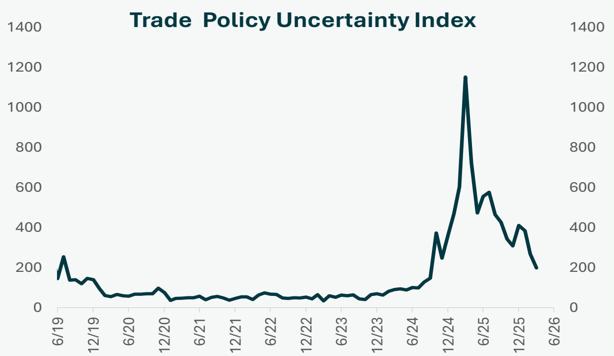


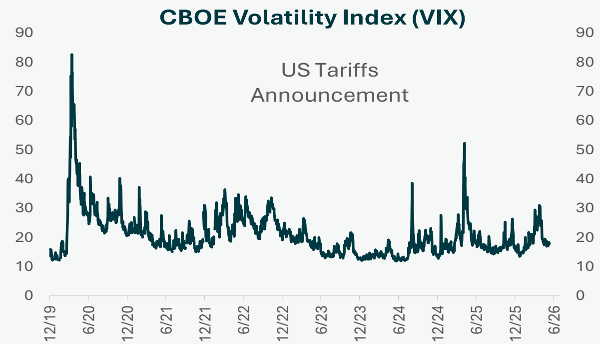


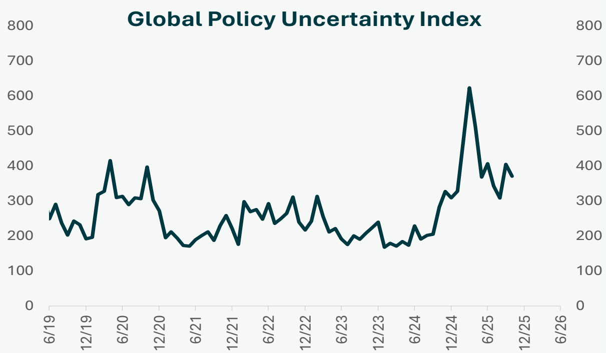


Risks to the Outlook

- The balance of risks to the outlook remains tilted to the **downside**, should the conflict prove more protracted and disruptions persist, giving rise to **persistent supply-side inflationary pressures**. In such a scenario, underlying pressures would intensify and be further amplified by heightened global risk aversion and tighter global financing conditions, particularly in Türkiye and Egypt, given their reliance on domestic demand and external financing, and in Romania, Bulgaria, and North Macedonia, owing to their higher exposure to external demand and trade flows
- Moreover, risks from **shifting global trade policies** have yet to subside, with President Trump recently threatening to raise tariffs on EU auto imports to 25.0%, marking a departure from the recently agreed US-EU trade deal. The latter was intended to reduce uncertainty, albeit at the cost of a higher effective tariff rate (15%) than that observed in 2025 (c. 8.5%). This, together with lower effective US tariff rates applied to the EU's main competitors, including China and India, is expected to further weaken the bloc's competitiveness position. The EU trade agreements with Mercosur (effective as of May 1, 2026) as well as India, Australia and Indonesia should partially offset this impact over the medium-term
- Other downside risks include a downward revision to AI-related productivity expectations and rising concerns about stability in private credit markets, both of which could dampen investment and prompt a re-pricing in financial markets. Climate-related factors, including more frequent extreme weather events, pose additional downside risks
- Most of the economies under review have **some policy space to cushion the impact of the energy price shock**, and several have already announced relief measures
- On the **upside**, if geopolitical tensions de-escalate and price pressures subside faster than assumed, and/or domestic demand proves more resilient than anticipated -- supported, *inter alia*, by fiscal support measures -- economic growth could surpass current projections







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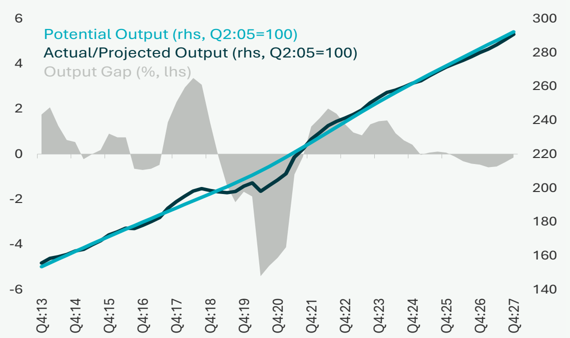
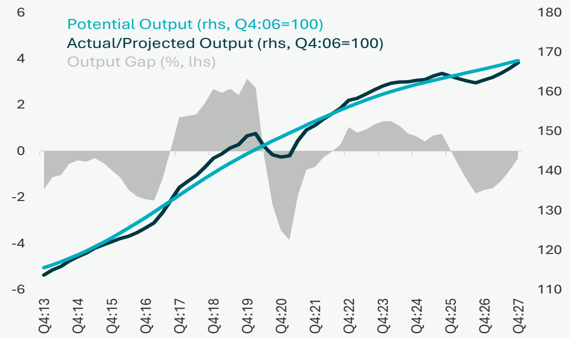
Output gap (4-quarter rolling)

- In **Cyprus**, the relocation of foreign firms under the country's attractive headquartering regime has sustained growth above potential. In Albania, a tourist boom has underpinned strong growth in recent years. In **North Macedonia**, the implementation of large infrastructure projects, including the Corridor 8/10d highway, has recently boosted activity. Conversely, front-loaded fiscal consolidation has significantly widened the negative output gap in **Romania**, while protracted political uncertainty in **Serbia** has curtailed growth momentum
- Assuming a transitory impact from the Middle East tensions, most regional economies are expected to **converge towards potential growth by late-2027**

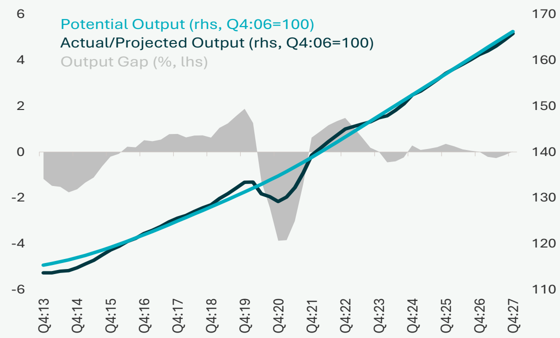
Türkiye



Romania



Bulgaria



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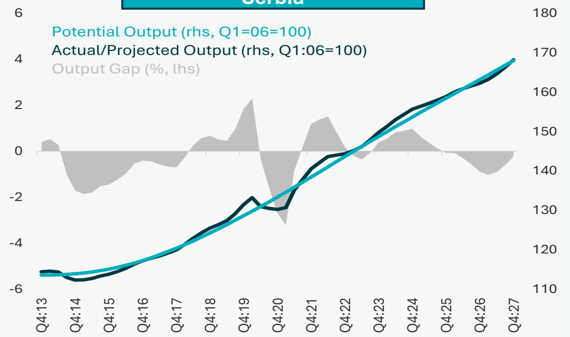
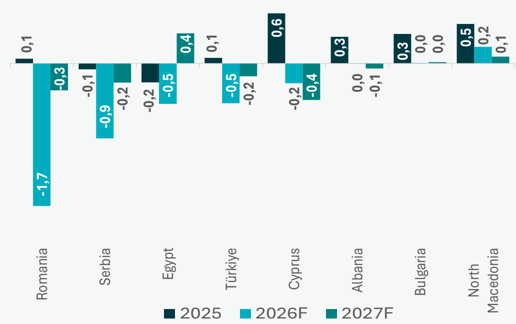


Output Gap (% of Potential Output)



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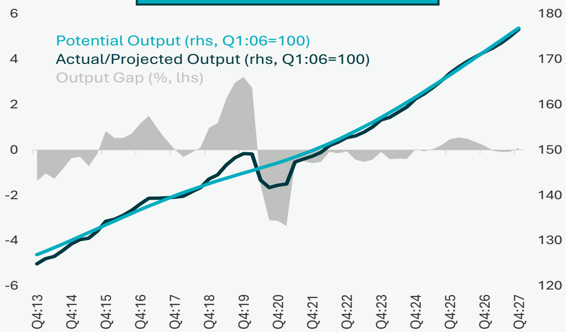
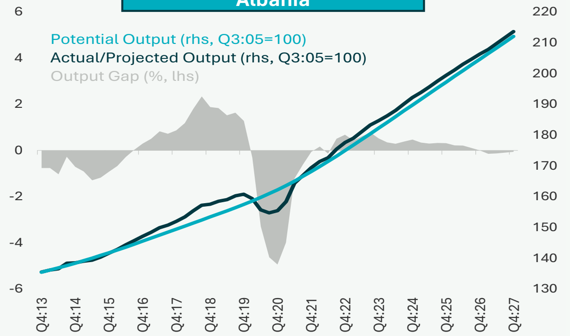


Albania



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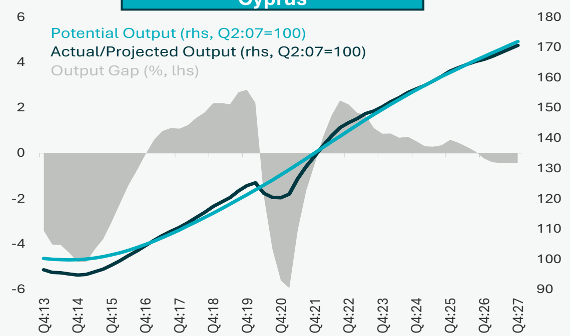
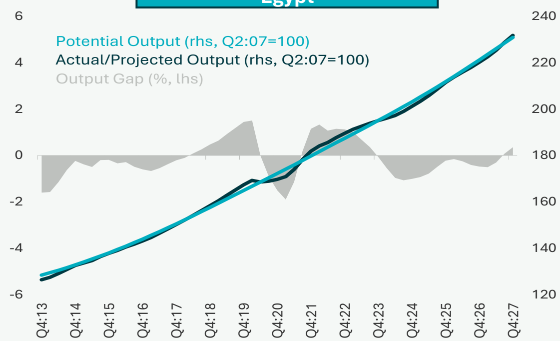
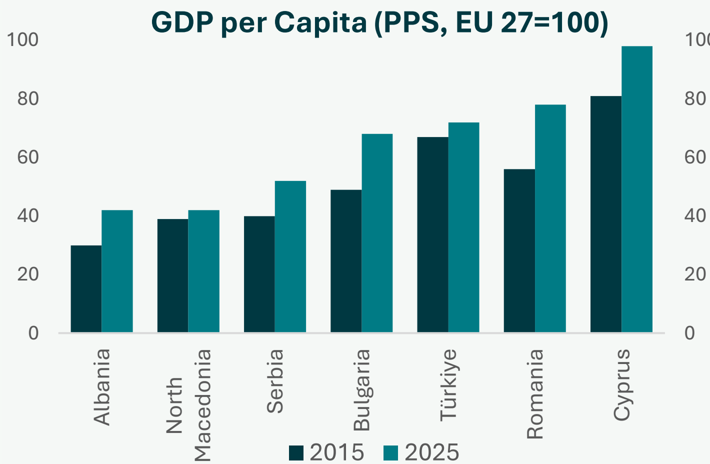


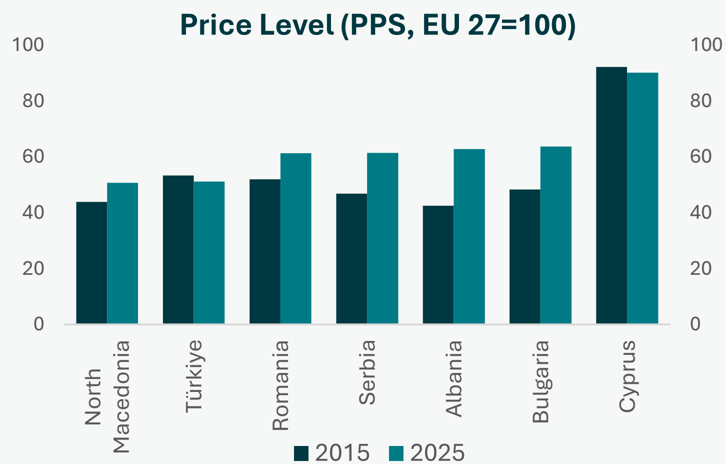
Egypt



Convergence with the EU

- **Cyprus** is close to the EU average standards both in terms of GDP per capita and prices.
- **Romania** and, to a somewhat lesser extent, **Bulgaria** have been converging at a fast pace with the EU in real terms, driven by capital deepening and productivity gains, highlighting the benefits of EU membership. Full Schengen accession -- effective as of January 1, 2025 -- should help both economies fully reap the benefits of the single market
- **Bulgaria** became the 21st member of the euro area on January 1, 2026. While joining the euro area (*per se*) is unlikely to bring fundamental change in policies, given the long-standing currency board arrangement and high euroization of the economy, there are significant benefits. Indeed, besides a seat in the ECB's Governing Council, euro area membership should entail lower transaction and funding costs and strengthened investor confidence through greater financial stability and reduced risks of financial contagion and a balance of payments crisis. Ultimately this should boost financial intermediation and support GDP growth. However, sustained economic convergence with the euro area will depend on the extent to which authorities implement the structural reforms necessary to stimulate investment growth
- The pace of **Türkiye**'s real convergence with the EU has been quite fast, despite the economy's chronic currency crisis, resulting from authorities' unconventional policy approach over the past years
- Convergence with the EU has been sluggish for EU candidate countries (**Albania**, **North Macedonia** and **Serbia**), reflecting persistent under-investment, due, among others, to entry and operation barriers in place (such as corruption, bureaucracy and informality), low employment (on the back, *inter alia*, of high emigration) and relatively weak total factor productivity growth. Assuming a potential growth of around 3.0% it would **take more than 30 years** to align the countries' per-capita GDP with that of the EU's





- The repayment process of **Cyprus**’s loan to the ESM has started, with annual repayments of c. EUR 1.0bn throughout 2031
- The IMF completed the combined 5th and 6th reviews under the EFF for **Egypt** in February, enabling disbursement of USD 2.0bn. Concurrently, the Board concluded the 1st review under the RSF, allowing for the drawdown of USD 0.3bn. These actions bring total disbursements under current programmes to c. USD 5.2bn. In a parallel effort to bolster macroeconomic stability, the EU disbursed EUR 1.0bn in Macro-Financial Assistance (MFA) in January

IMF & EU Financial Support (EUR bn)

		Türkiye	Romania	Bulgaria	Serbia		North Macedonia		Albania		Cyprus	Egypt				
Period		---	---	---	2022-2024[a]	2024-2027[b]	2020[c]	2022-2024[d]	2014-2017[e]	2020[f]	2013-2016	2016-2019	2020[c]	2020-2021[a]	2022-2026[h]	2024-2027i
Programme	IMF	---	---	---	2.4	---	0.2	0.5	0.4	0.2	1.1	11.9[g]	2.8[g]	5.2[g]	9.3 [g]	---
	EU	---	---	---	---	---	---	---	---	---	9.0	---	---	---	---	5.0
Drawn so far	IMF	---	---	---	1.2	---	0.2	0.2	0.4	0.2	1.0	11.9[g]	2.8[g]	5.2[g]	5.3[g]	---
	EU	---	---	---	---	---	---	---	---	---	6.3	---	---	---	---	2.0
Repaid	IMF	---	---	---	---	---	0.2	---	0.3 since 2019	0.2 since 2023	1.1	7.5[g] since 2021	2.8[g]	4.8[g] since 2023	---	---
	EU	---	---	---	---	---	---	---	---	---	0.4	---	---	---	---	---
Next Repayments	IMF	---	---	---	---	---	---	0.1 in 2026	0.03 in 2026	---	---	2.3[g] in 2026	---	0.4[g] in 2026	Starting in 2028	---
	EU	---	---	---	---	---	---	---	---	---	1.0 in 2026	---	---	---	---	---

[a] Stand-By Arrangement (SBA)
[b] under the Policy Coordination Instrument
[c] Rapid Financing Instrument
[d] Precautionary and Liquidity Line (PLL)
[e] under Post-Programme Monitoring since 2018
[f] under Post-Programme Monitoring since 2016
[g] bn USD
[h] Extended Fund Facility (EFF), extended to USD 8bn in 2024, and Resilience and Sustainability Facility (RSF) of USD 1.3bn
[i] concessional lending under EU’s Macro-Financial Assistance (MFA), which is part of a broader support package, worth EUR 7.4bn, which also includes EUR 1.8bn in investments under the Southern Neighborhood Economic and Investment Plan and EUR 0.6bn in grants

Official financial support (EU)

- Absorption of EU funds under the 2021-2027 **Multiannual Financial Framework** (MFF) is expected to accelerate as the expiration date approaches, with funding allowed to be spent until 2030 under the T+3 rule
- Full absorption of **EU Recovery & Resilience Facility** (RRF) funds by the **September 2026 deadline** remains critical for growth in **Romania**, **Bulgaria** and **Cyprus**. However, absorption rates lag the EU average, particularly in **Bulgaria** and **Romania**, reflecting structural deficiencies and the implications of political volatility on policy & reform implementation. In this context, the recent collapse of the coalition government in **Romania** further underscores these systemic risks
- **Serbia**, **North Macedonia**, **Albania** and **Türkiye** benefit not only from EU pre-accession assistance but also from cross-border spillover effects from the RRF
- EU pre-accession assistance has been complemented with the **Reform and Growth Plan for the Western Balkans** which envisages a total of EUR 6bn in financing (of which EUR 2bn as non-repayable support) for the period of 2024-2027. Delays in reform implementation have led to postponed or partial disbursements of these funds to Serbia and N. Macedonia

EU Members			
Next Generation EU Fund (2021-26) & Multiannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	21.4	6.2	1.0
o/w Grants	13.6	6.2	1.0
Loans	7.8	- - -	- - -
Absorption Rate (% of total allocation)	*50.1*	*53.0*	*57.7*
Absorption Rate (% of EU average)	*72.4*	*76.6*	*83.5*
Other**	3.4	0.4	0.2
Multiannual Financial Framework***	55.4	16.6	1.5
Security Action for Europe (SAFE, EUR bn)			
Maximum (tentative) allocation	16.7	3.3	1.2
o/w Pre-financing	2.5	0.5	0.02

EU Candidate Countries				
Instrument for Pre-Accession Assistance (IPA III, 2021-27) (EUR bn)				
	Türkiye	Serbia	North Macedonia	Albania
	4.7	2.0	0.8	0.8
Reform and Growth Facility for the Western Balkans (2024-27, EUR bn)*				
		Serbia	North Macedonia	Albania
Funds Allocated		1.6	0.8	0.9
Absorption Rate (% of total allocation)		*10.6*	*10.2*	*17.8*
Absorption Rate (% of Western Balkans average)		*112.9*	*108.8*	*189.9*

* 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.

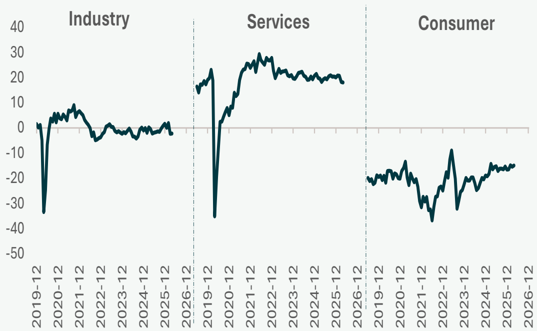
**Includes amounts under React-EU, Just Transition Fund, European Agricultural Fund for Rural Development.

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

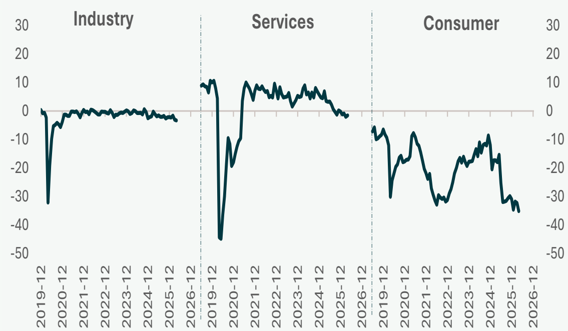
Economic Sentiment Indicator (difference between the % of respondents giving positive and negative replies, s.a.)

- Economic sentiment **deteriorated sharply** in the wake of the escalation of tensions in the Middle East in late February. As expected, the energy-reliant industrial sector was disproportionately affected relative to services. Reflecting its historical sensitivity to geopolitical shocks, consumer confidence experienced a disproportionately severe contraction. The contraction was broad-based, reflecting not only **heightened uncertainty** but also **a worsening outlook for labour markets** and **inflationary pressures**
- For **Romania**, geopolitical headwinds from the Middle East have compounded the dampening effect of aggressive fiscal consolidation on economic sentiment, while the recent political crisis further clouded the outlook. Conversely, the formation of a new Government In **Bulgaria** bodes well for investor confidence. Meanwhile, in **Serbia**, economic sentiment remains hampered by protracted political turmoil and uncertainty surrounding the operational status of NIS following the late-2025 US sanctions

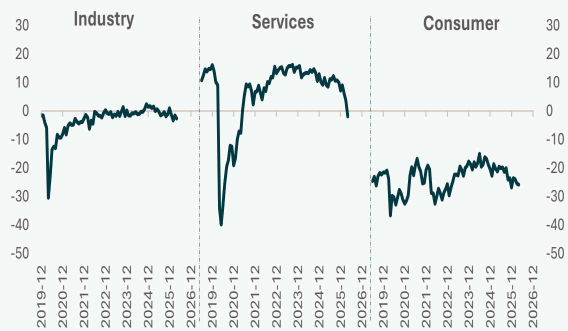
Türkiye



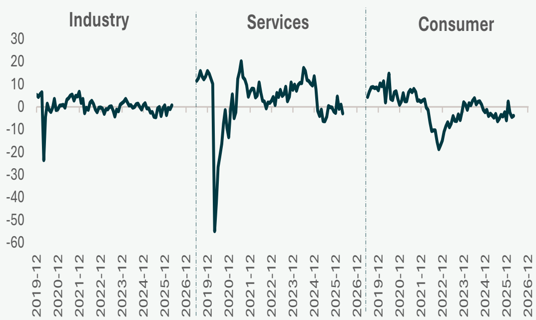
Romania



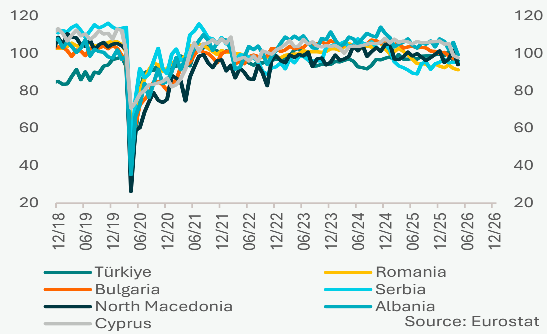
Bulgaria



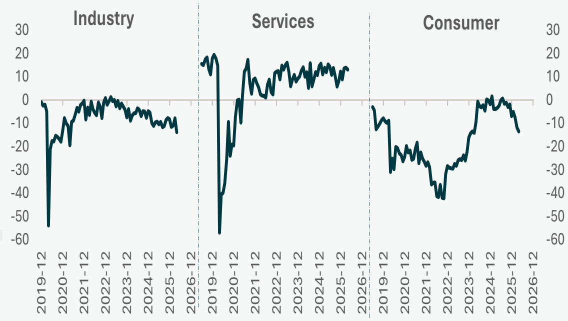
Serbia



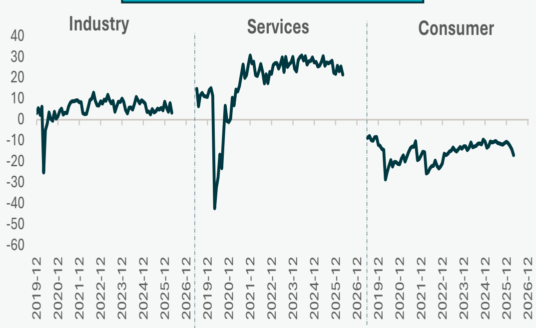
Economic Sentiment Indicator



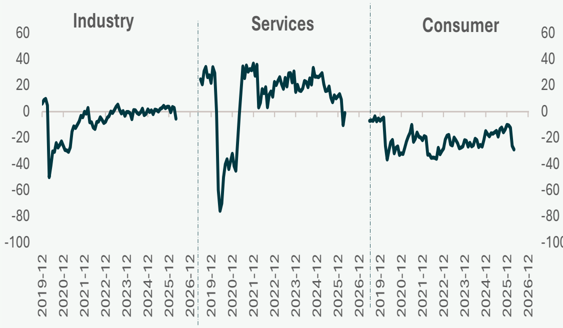
North Macedonia



Albania

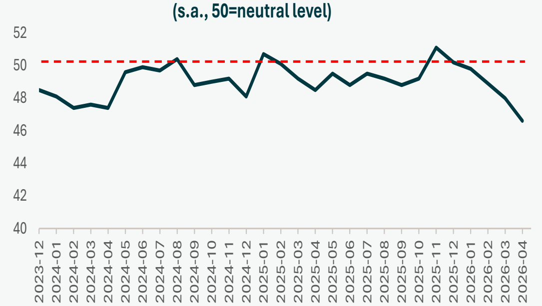


Cyprus



Egypt

S&P Global Egypt (non-oil) PMI
(s.a., 50=neutral level)

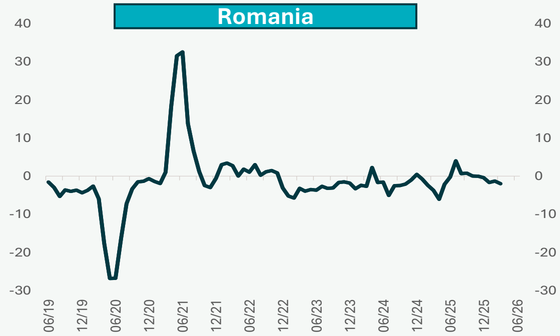


Industrial production (3-month rolling, y-o-y % change)

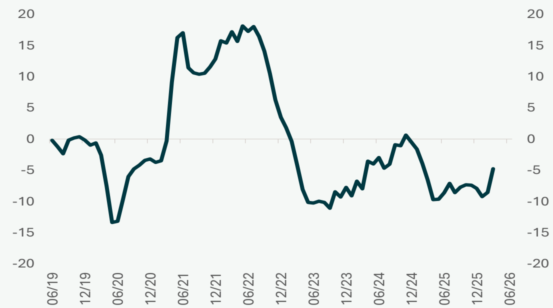
- Industrial activity across the region remained **subdued** prior to the Middle East escalation. The resulting energy price volatility is expected to **dampen** the gains from increased EU-level public investment in defense and infrastructure -- which are likely to be unevenly distributed -- particularly in the near term
- Industrial output has faced a protracted contraction in **Bulgaria**, and to a lesser extent in **Romania** and **North Macedonia**. This underperformance reflects a combination of persistently high energy prices -- exacerbated by green transition costs -- trade frictions from US tariffs, and subdued sentiment, which in **Bulgaria**'s case was further compounded by the impact of prolonged political uncertainty

Türkiye

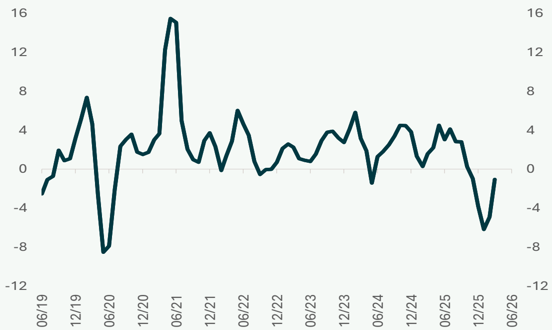
Romania



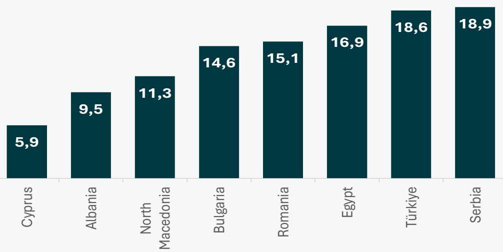
Bulgaria



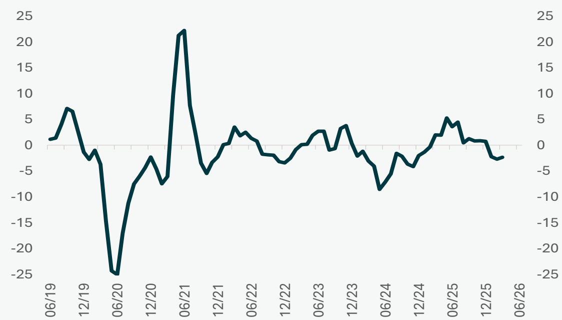
Serbia



Industrial Output (% of GDP, 2025)



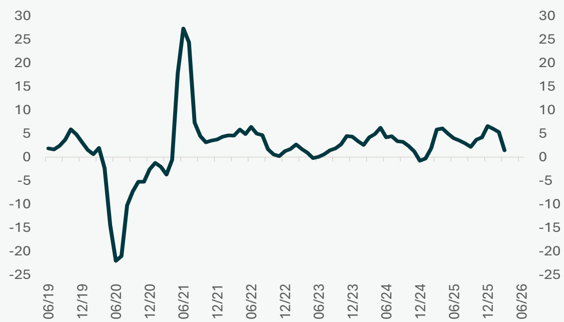
North Macedonia



Albania

N.A.

Cyprus



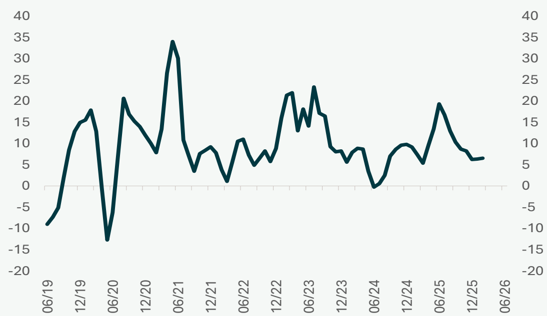
Egypt

N.A.

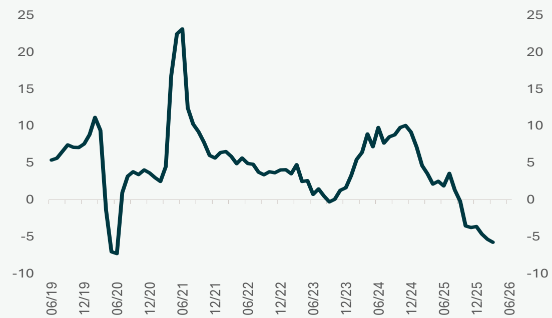
Retail Sales (constant terms, 3-month rolling, y-o-y % change)

- Retail sales across most of the economies under review maintain a **healthy, albeit uneven, momentum**, supported by still **solid real wage growth**. **Romania** remains a notable outlier as private consumption is increasingly constrained by front-loaded fiscal consolidation, including the recent VAT hike and broader tax adjustments
- Persistent energy prices pressures -- functioning as a regressive tax on households -- coupled with fragile consumer sentiment **dampen the near-term growth outlook** for private consumption

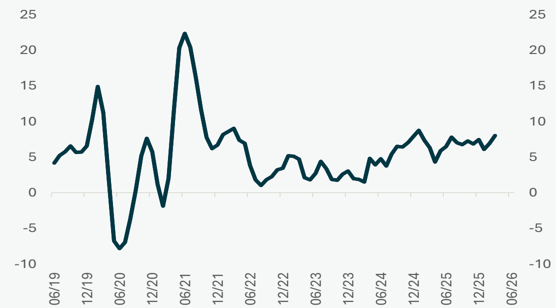
Türkiye



Romania

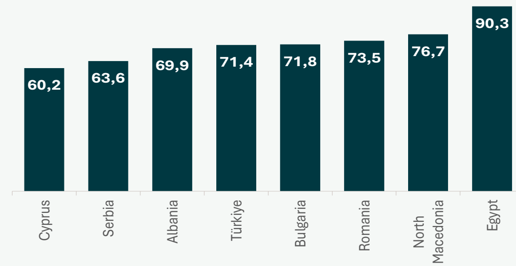


Bulgaria

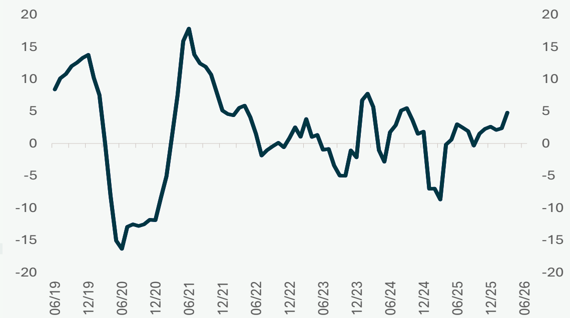


Serbia

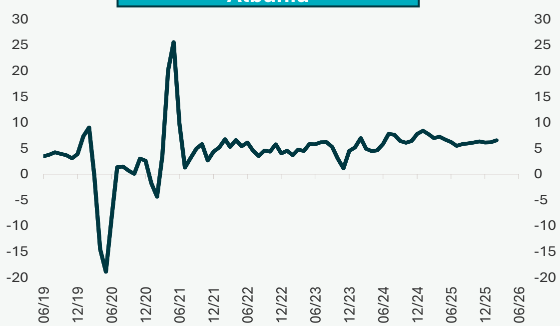
Private Consumption (% of GDP, 2025)



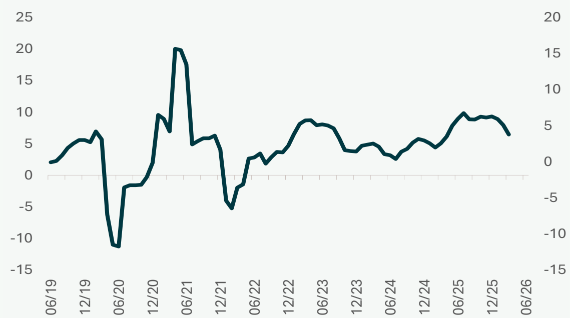
North Macedonia



Albania



Cyprus



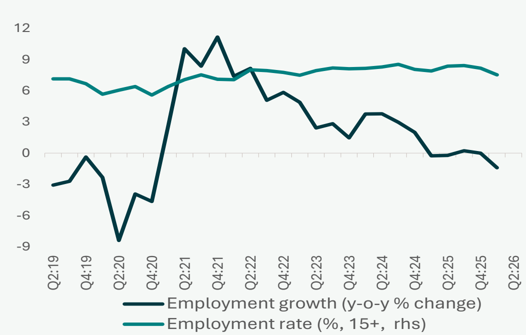
Egypt

N.A.

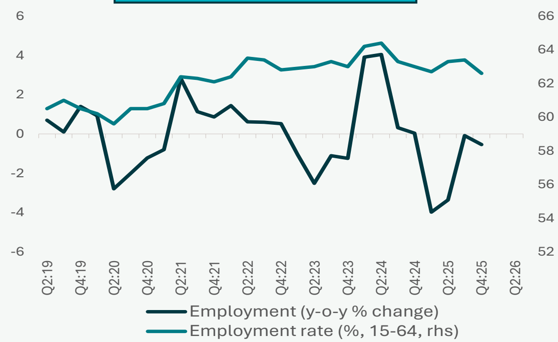
Employment growth (y-o-y % change) & Employment Rate (%)

- Employment growth has largely **stalled** across the broader region, constrained by labour shortages and demographic headwinds, while labour markets remain **tight**
- Notable exceptions include **North Macedonia**, where infrastructure projects and market formalization bolster employment figures, **Cyprus**, where international firm relocations drive a sustained influx of foreign workers, and **Egypt**, where FDI-led infrastructure investment, resilient tourism and structural reforms catalyze job creation
- Assuming a transitory impact from the Middle East tensions, labour markets are projected to stay **resilient**, as businesses opt for **labour hoarding**. However, the scope for such hoarding may be increasingly constrained if persistent supply-side inflationary pressures further compress profit margins

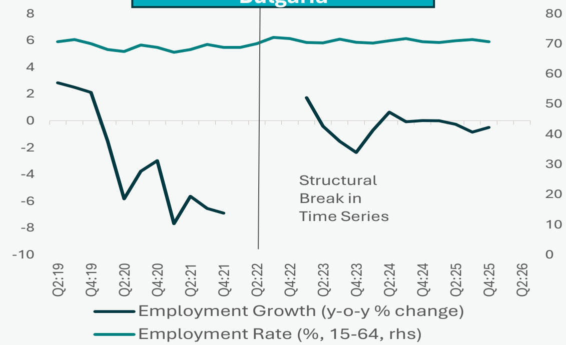
Türkiye



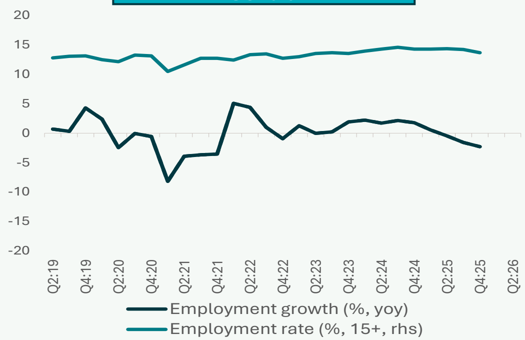
Romania



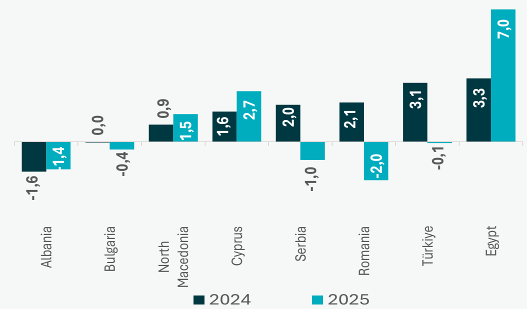
Bulgaria



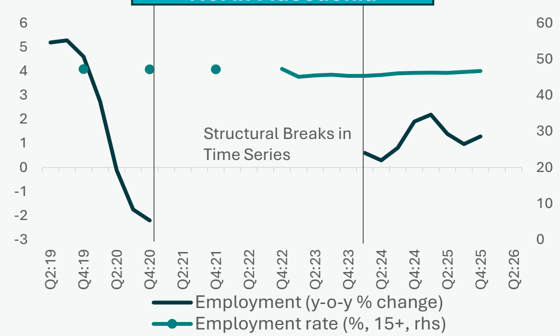
Serbia



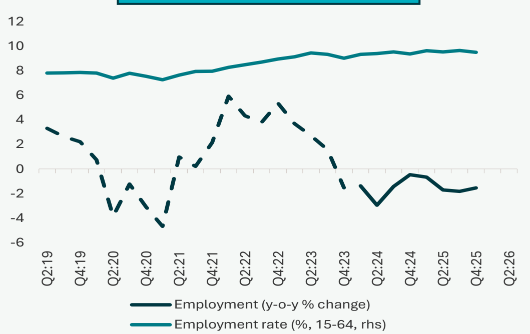
Employment (y-o-y % change)



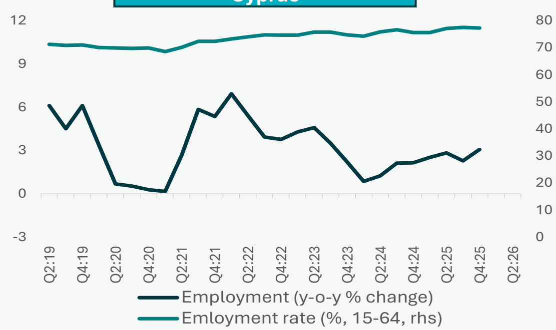
North Macedonia



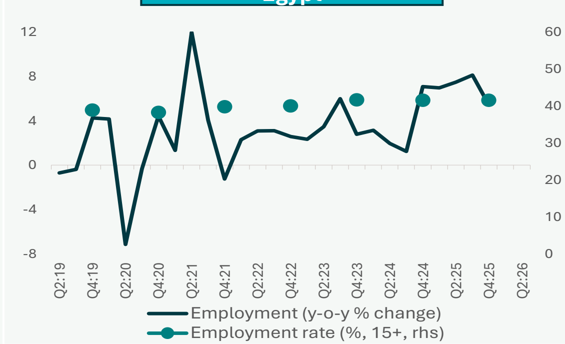
Albania



Cyprus



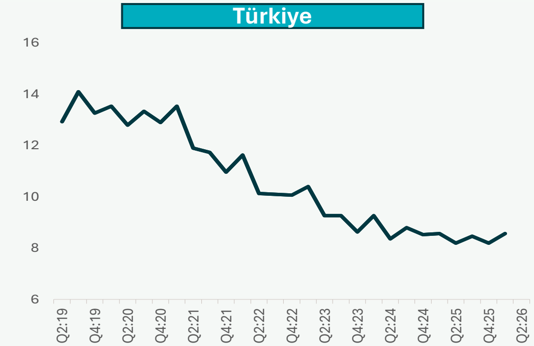
Egypt

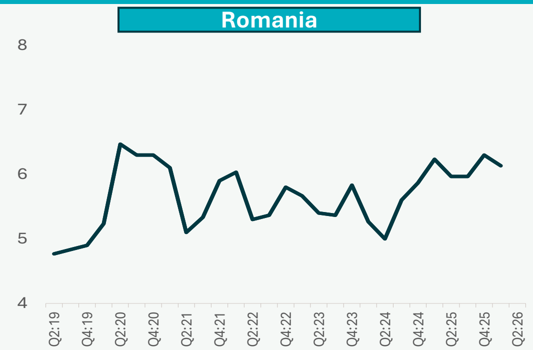


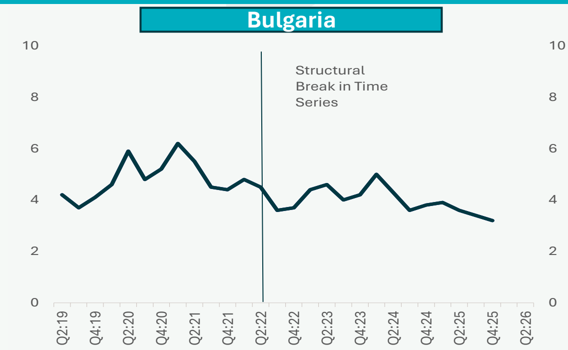
NATIONAL BANK OF GREECE

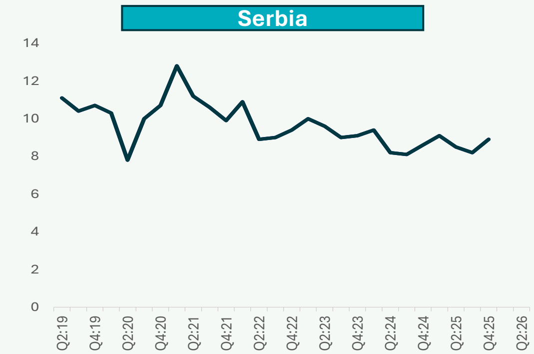
Unemployment rate (%)

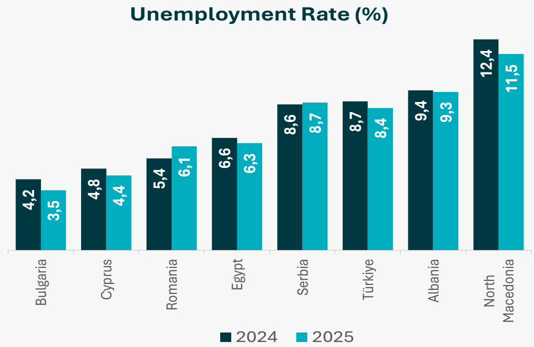
- Regional unemployment rates appear to have **bottomed out** (at levels below pre-GFC lows), bolstered by **record-high participation rates**. Further **improvement is unlikely** in the near-term, particularly in view of slowing economic growth
- In **Romania**, unemployment has been rising gradually, reflecting barely positive GDP growth amid aggressive fiscal consolidation efforts
- The exceptionally high and sluggish unemployment rates in **North Macedonia**, **Albania**, and **Serbia** largely reflect the significant share of grey economic activities. This could indicate much stronger underlying economic trends in these countries than what official data suggests

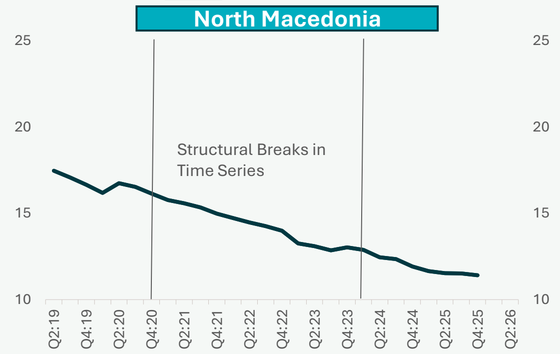


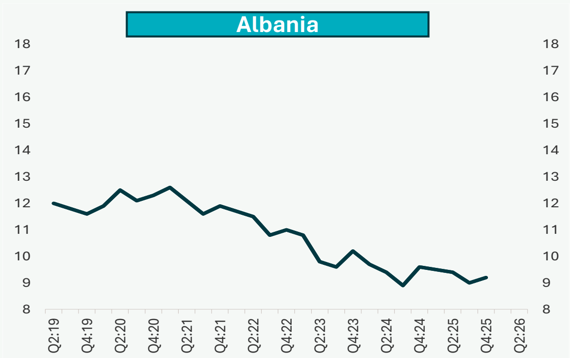


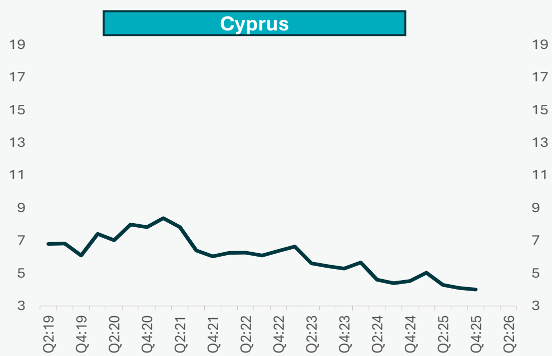


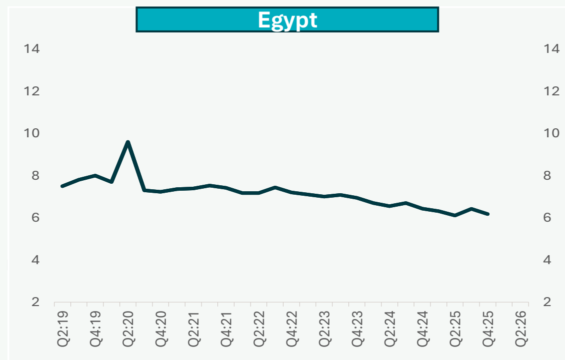






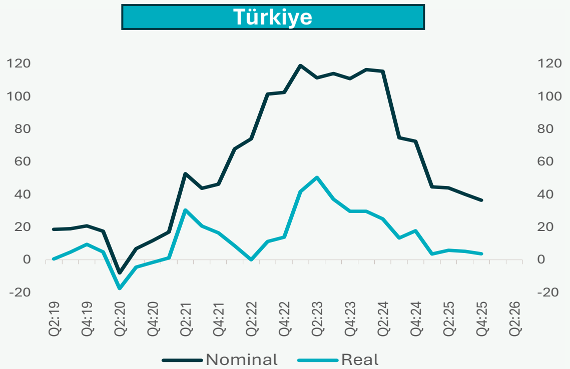


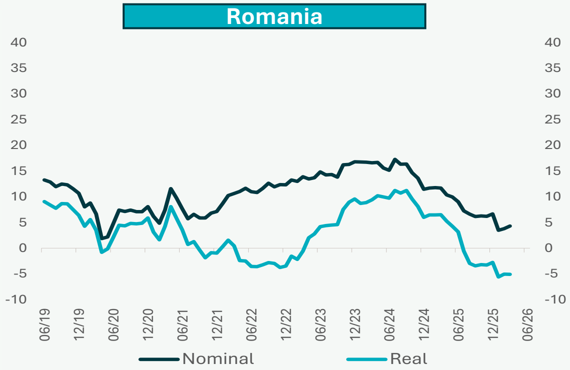


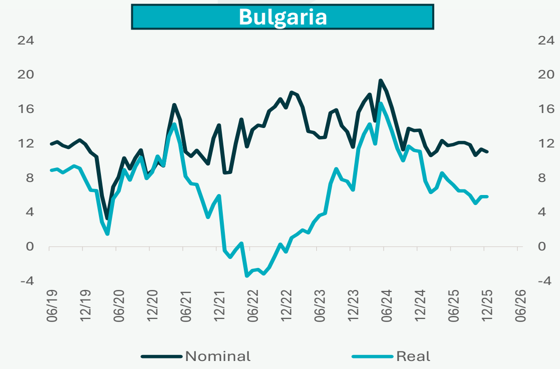


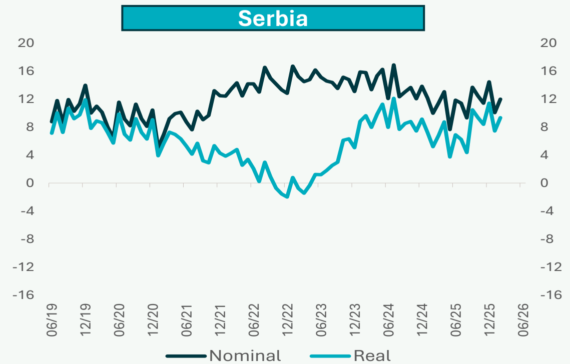
Nominal and real wages (y-o-y % change)

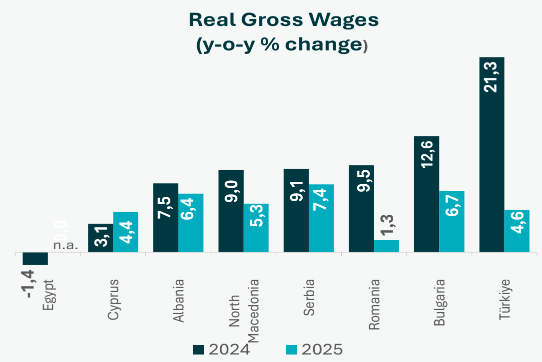
- **Albeit having significantly slowed down,** real *ex-post* wage growth remains **solid** in most regional economies, underpinning private consumption
- Unlike the 2022 energy shock, which was buffered by a strong post-pandemic recovery, the current environment **lacks similar momentum** in both economic activity and employment. Consequently, the scope for wage increases to offset any resurgence of inflation is expected to be more **restrained**
- The anticipated energy-driven uptick in inflation is projected to temporarily push real wage growth into negative territory across most economies under review

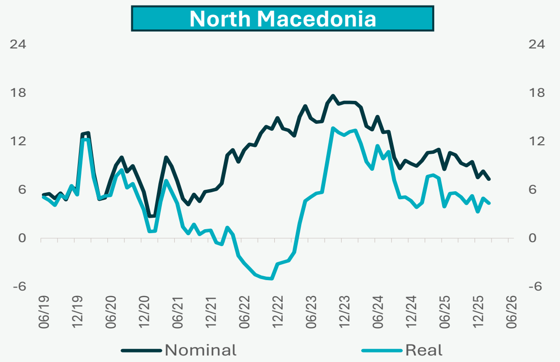


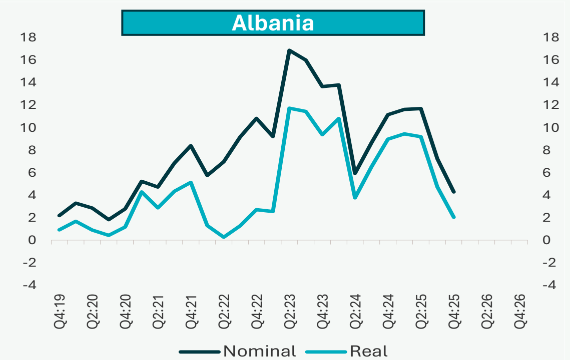


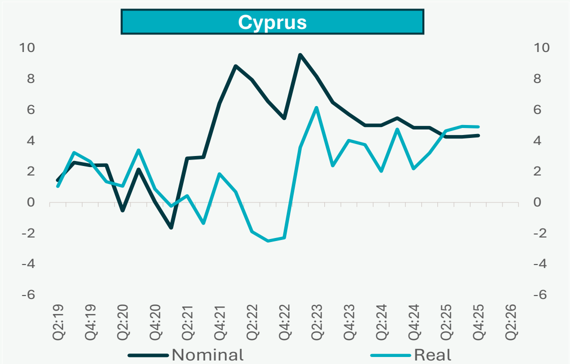










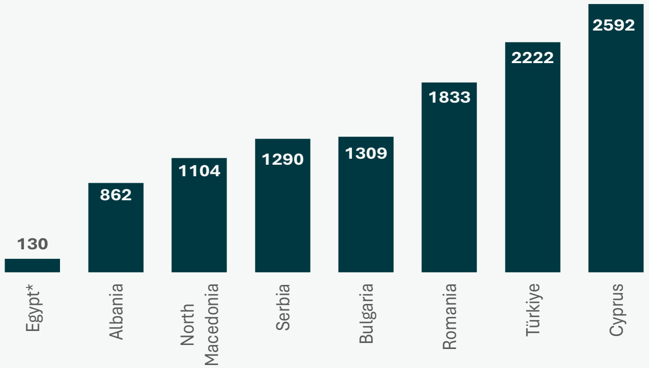


NATIONAL BANK OF GREECE

Nominal wages in EUR and tax rates

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

Gross Wages (Monthly Average, EUR, 2025)



* 2024

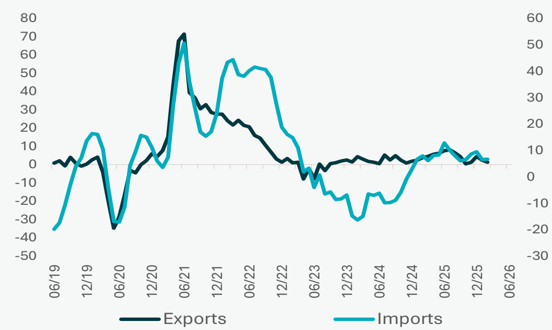
Tax Rates (%, 2026)		
	Personal Income	Corporate Income
Türkiye	15.0 - 40.0	25.0-30.0
Romania	10.0	16.0
Bulgaria	10.0	10.0*
Serbia	10.0 – 20.0	15.0
North Macedonia	10.0	10.0
Albania	13.0 - 23.0	15.0
Cyprus	20.0 - 35.0	15.0
Egypt	10.0 – 27.5	22.5
Greece	9.0 - 44.0	22.0

* The effective CIT rate on Pilar 2 companies (i.e. mainly large multinational companies and large-scale domestic groups in the EU) is set at 15%, aligned with EU standards

External trade (3-month rolling, y-o-y % change)

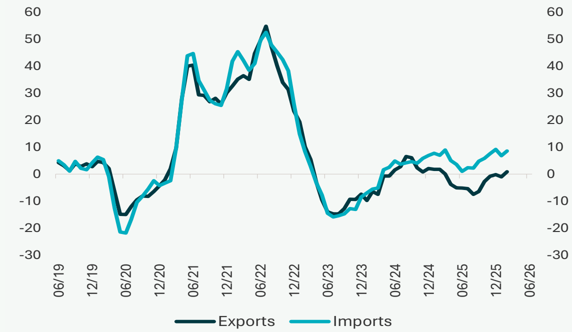
- Despite a global shift toward trade fragmentation, external trade in the region has remained remarkably **resilient**
- The ongoing terms-of-trade shock should **inflate** nominal trade flows, while **widening the divergence** between the latter and real trade flows, which are expected to remain suppressed

Türkiye

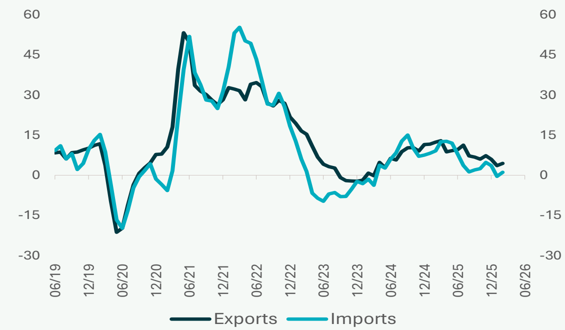


Romania

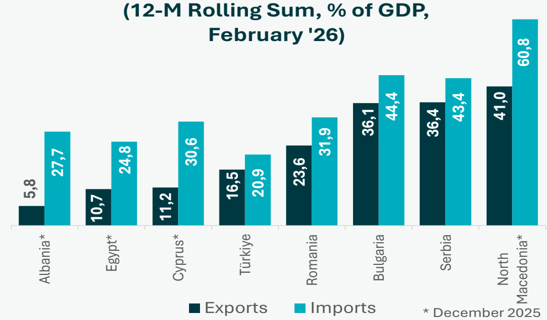
Bulgaria



Serbia

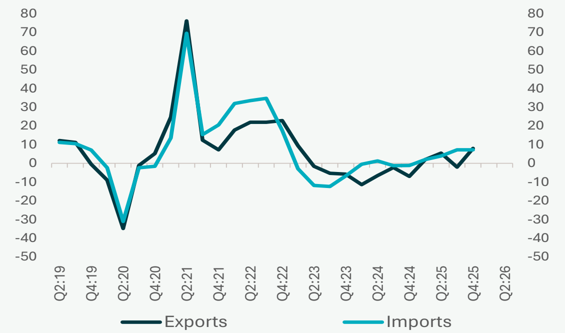


Exports & Imports (12-M Rolling Sum, % of GDP, February '26)

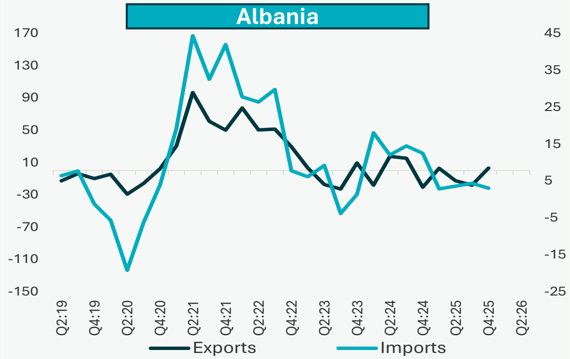


* December 2025

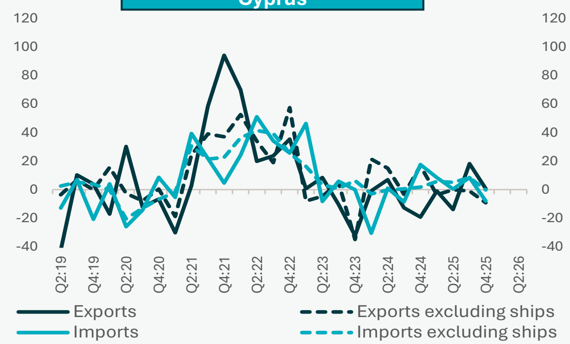
North Macedonia



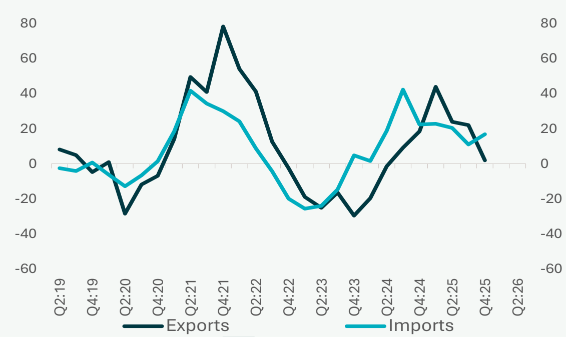
Albania



Cyprus

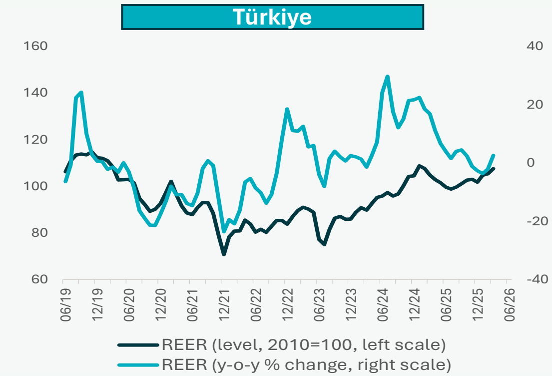


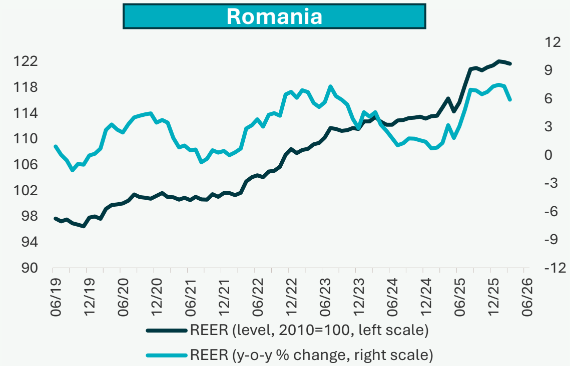
Egypt

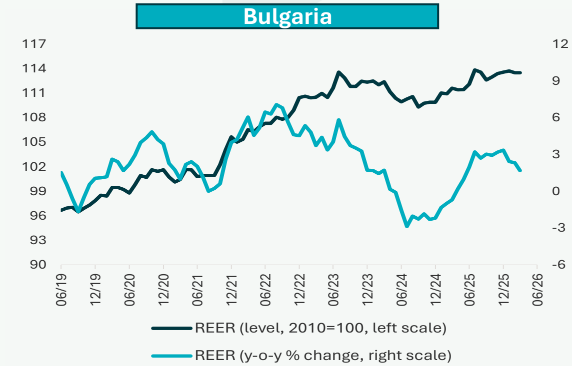


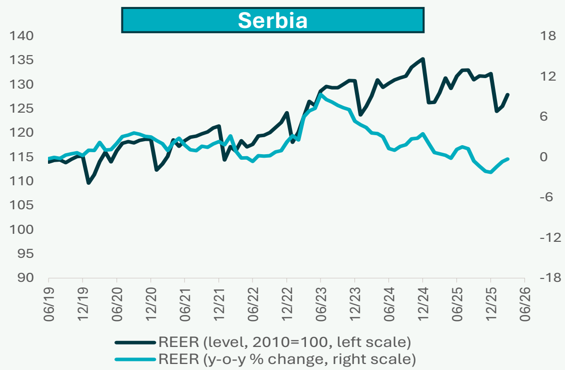
CPI-based real effective exchange rate

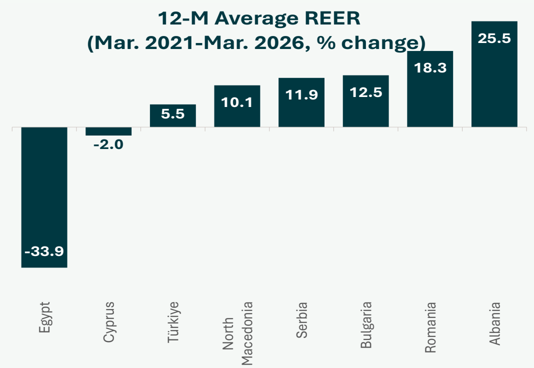
- High inflation has been eroding the gains in external price competitiveness from the massive depreciation of the **Turkish Lira** in nominal terms
- A booming tourism sector has driven a strong appreciation of **Albania**'s currency in real terms over the past 5 years, with the latter weighing, however, on the competitiveness of the economy's manufacturing sector
- The sharp depreciation of the **Egyptian Pound** has offset the losses in external price competitiveness stemming from past stubbornly high inflation

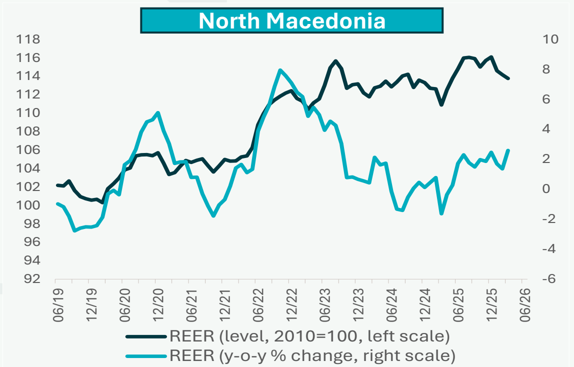


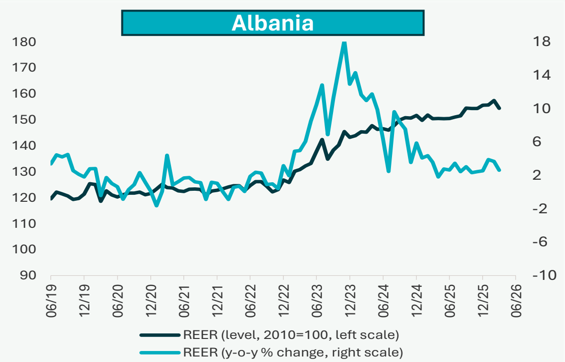


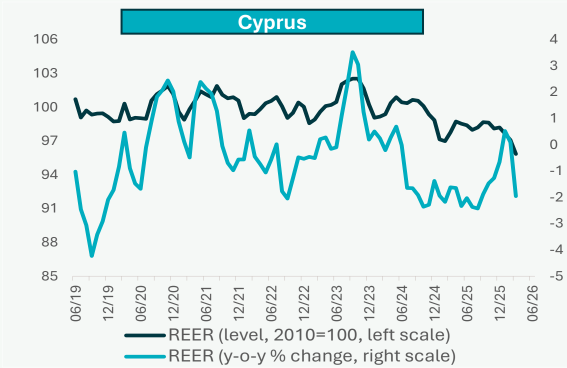


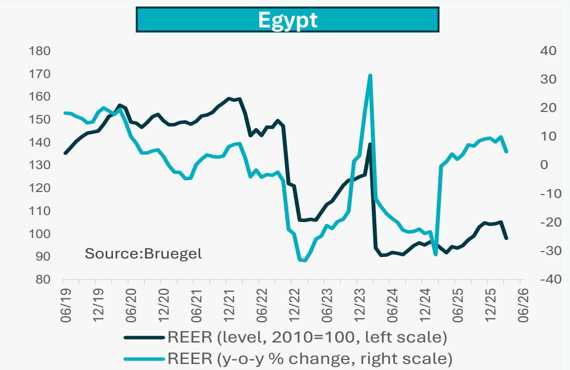








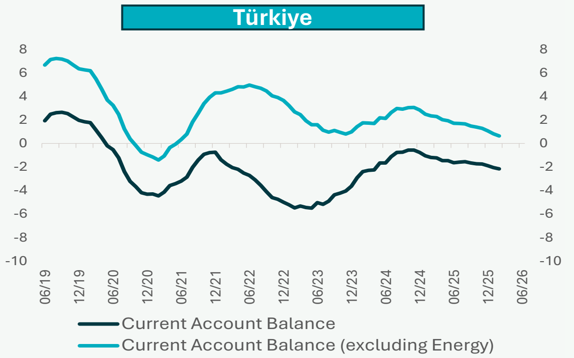


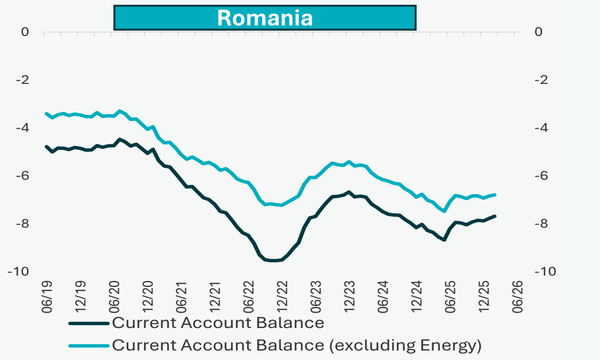


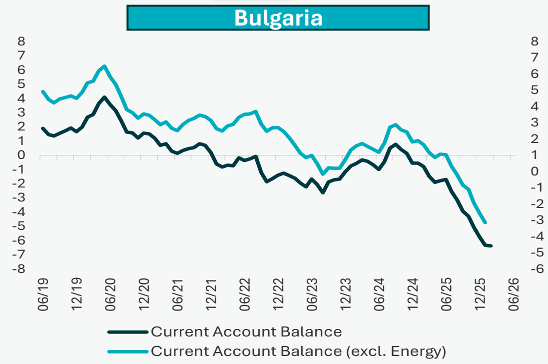
NATIONAL BANK OF GREECE

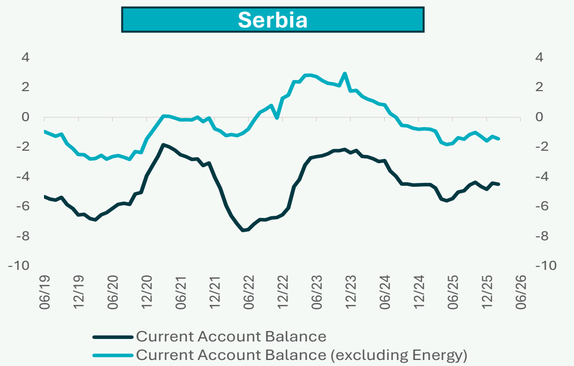
Current account balance (12-month rolling, % of GDP)

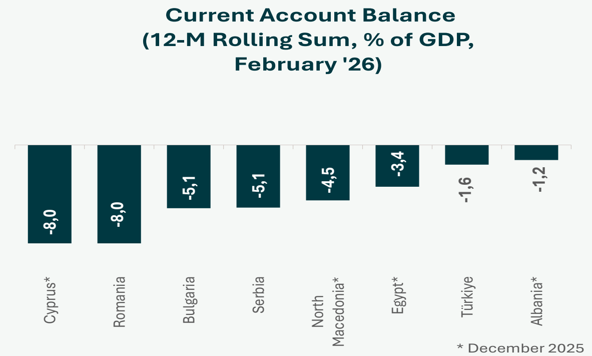
- **In Bulgaria** and **North Macedonia**, the current account deficit has been widening, in line with solid domestic demand, including public investment, which has a high import content. In **Bulgaria**, the deterioration is further exacerbated by a weakening primary income balance, reflecting increased profit repatriation by foreign-owned entities
- In **Romania** and **Serbia**, moderating domestic demand has helped ease some pressure off their elevated current account deficits
- In **Egypt**, a recovery in remittances and tourism has driven a sharp correction in external imbalances, while in **Albania**, the sustained tourism boom has pushed the current account balance into a surplus for the first time

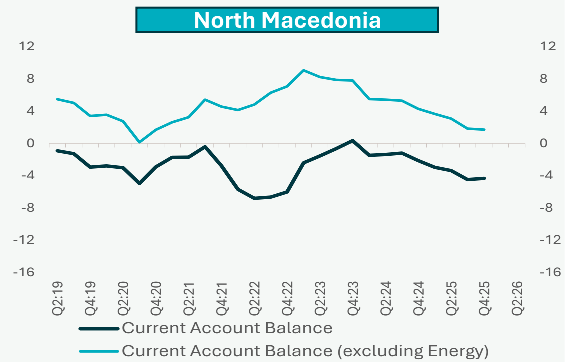


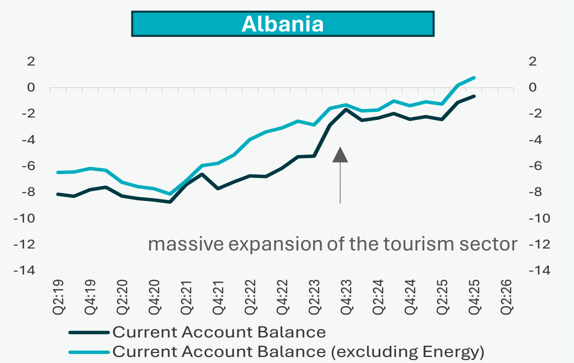


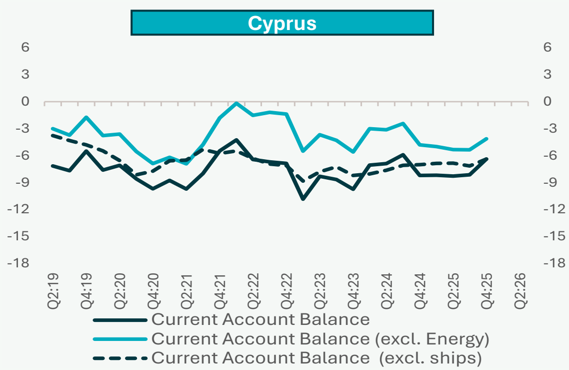


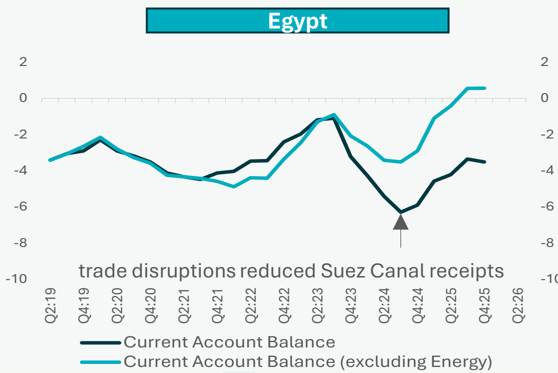








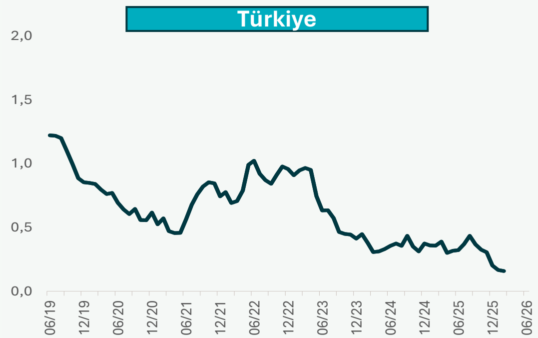


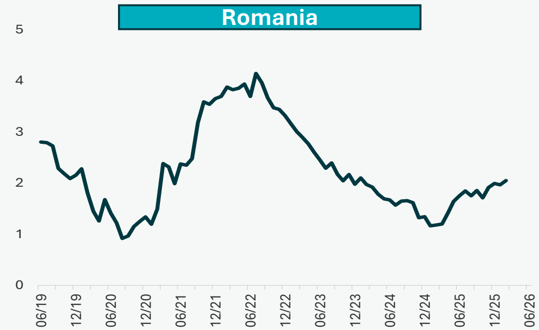


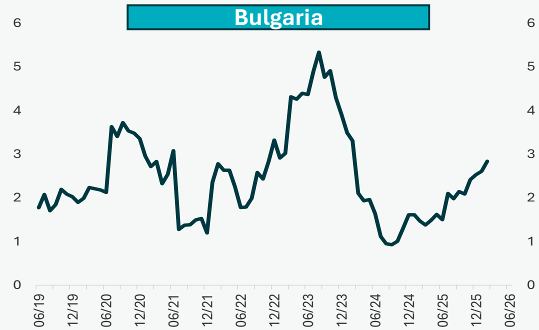
NATIONAL BANK OF GREECE

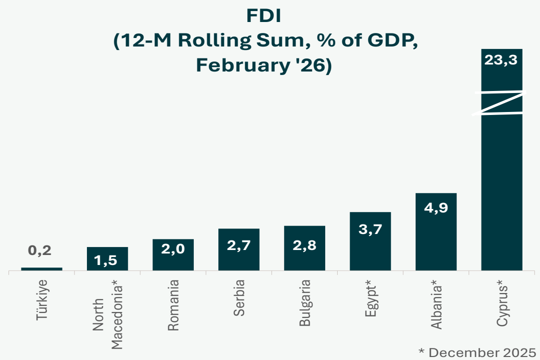
Net foreign direct investment (12-month rolling, % of GDP)

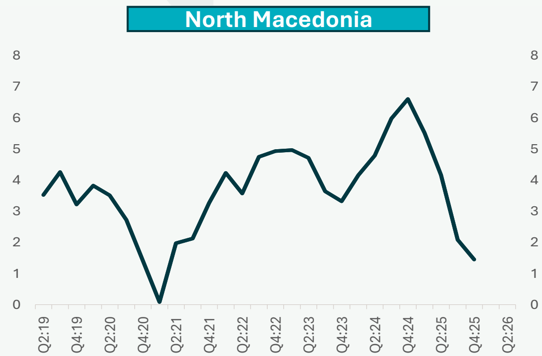
- **Albania** continues to lead the SEE region, underpinned by strong demand for real estate and strategic investments in the energy and banking sectors. Lingering political uncertainty has affected FDI inflows to **Serbia.** In **Cyprus**, while headline figures remain elevated due to the significant role of SPEs, underlying FDI -- driven by ICT expansion -- signals a structural shift towards a more diversified services economy. **Egypt's** outlook is bolstered by SOE privatizations and large-scale GCC-funded real estate ventures
- In the longer-term, **geopolitical fragmentation** and **global supply chain reconfiguration** present a mix of structural challenges and opportunities for FDI. Specifically, persistent headwinds in the **EU automotive industry** could weigh on investment in **Romania**, **Bulgaria** and **North Macedonia**, given their significant sectoral exposure

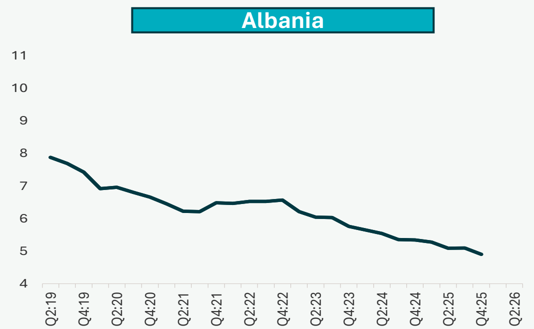


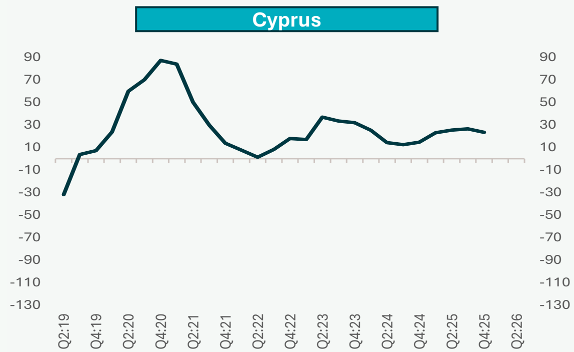


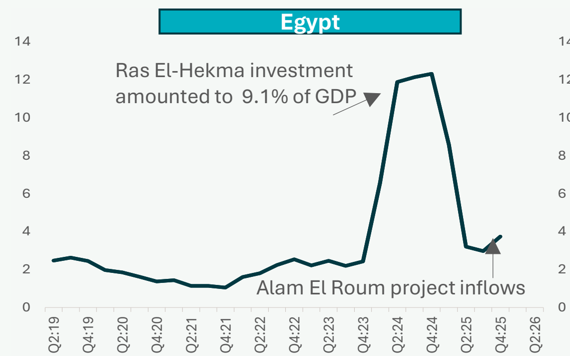








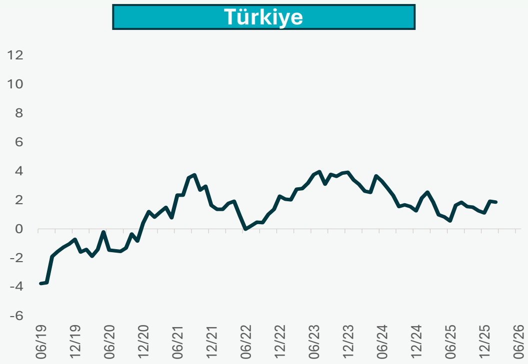


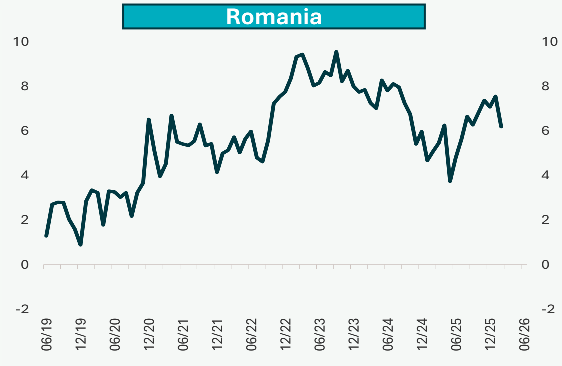


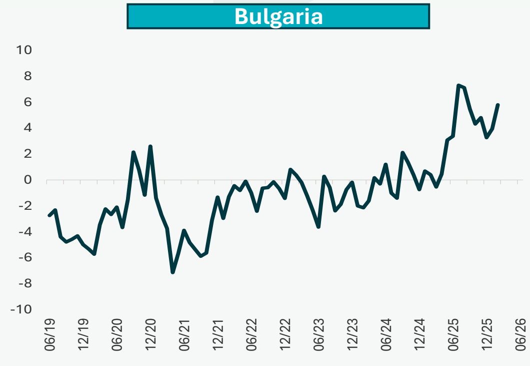
NATIONAL BANK OF GREECE

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

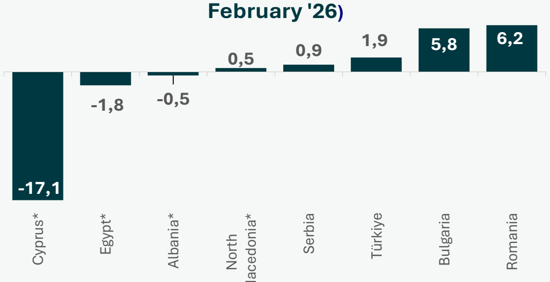
- While a period of relative market stabilization had been supporting capital inflows to most regional economies, the subsequent escalation of tensions in the Middle East has **increased risk premiums** and **exposed external vulnerabilities**, particularly in **Türkiye** and **Egypt**, which remain susceptible to volatility in carry-trade flows



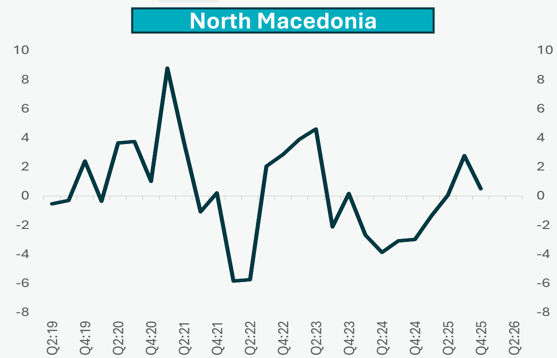


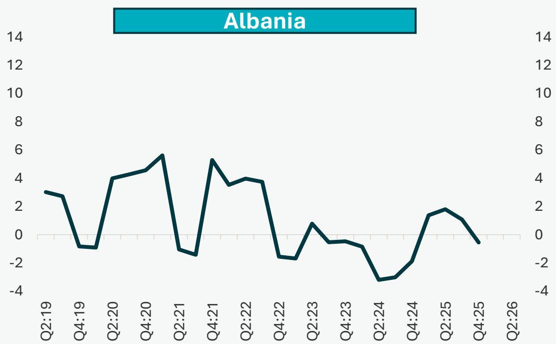


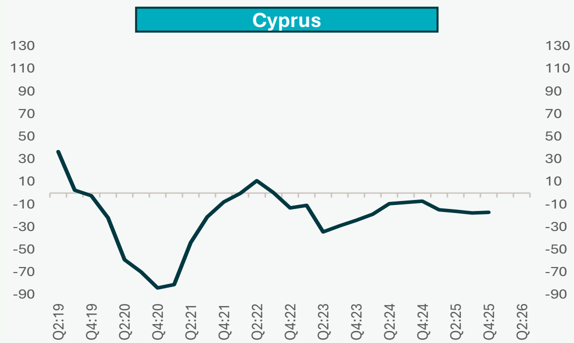
Other Investment (12-M Rolling Sum, % of GDP, February '26)

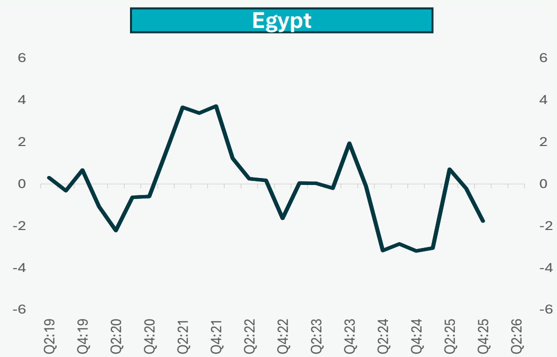


* December 2025









NATIONAL BANK OF GREECE

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

- **Supply-side disruptions**, primarily driven by **elevated global energy prices** in the wake of escalating Middle East tensions, are expected to exert **significant pressure on the trade balances** of the economies under review, with the ultimate impact contingent upon energy import intensity (see p. 10)
- Our baseline scenario assumes **a protracted post-conflict normalization**, reflecting not only operational constraints but also the **persistent incorporation of a geopolitical risk premium**. As a result, current account balances across the region are unlikely to revert to their pre-crisis levels by end-2027. On a positive note, the spillover from the envisaged cyclical upswing in the EU could provide a tailwind for trade
- Heightened **security concerns** may dampen tourism receipts in **Cyprus**, **Egypt** and **Türkiye**. Conversely, **Albania** could benefit from stronger-than-expected tourist arrivals, positioned as a safe, low-cost destination for European travelers
- Despite these pressures, current account deficits of regional (excluding Romania and Cyprus) are projected to remain **below** the empirical threshold of c. 5.0% of GDP
- **Elevated external financing needs, amid tighter global financing conditions**, pose a **risk of FX reserve depletion or FX volatility** as authorities move to close the implied financing gaps

Türkiye	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-1.0	-1.9	-2.7	-2.3
Net FDI	0.4	0.2	0.2	0.2
Other net capital inflows *	1.3	1.1	0.0	0.0

Bulgaria	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-0.5	-5.7	-5.0	-3.8
Net FDI	1.6	2.5	2.4	2.6
Other net capital inflows *	-2.0	0.3	1.3	0.7

North Macedonia	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-2.2	-4.3	-5.8	-4.4
Net FDI	6.6	1.5	1.9	2.2
Other net capital inflows *	-3.0	0.5	2.6	3.0

Cyprus	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance**	-8.2	-6.4	-8.0	-7.0
Net FDI**	14.7	23.3	24.2	25.6
Other net capital inflows *	-7.3	-16.2	-13.7	-16.3

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

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

Romania	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-8.2	-7.9	-7.0	-6.2
Net FDI	1.3	1.1	1.1	1.1
Other net capital inflows *	7.1	7.6	6.3	5.6

Serbia	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-4.5	-4.8	-6.0	-4.4
Net FDI	5.5	2.6	3.0	3.7
Other net capital inflows *	1.6	0.9	2.7	2.5

Albania	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-2.4	-0.7	-1.8	-1.8
Net FDI	5.3	4.9	4.7	4.7
Other net capital inflows *	-1.9	-0.5	-0.4	-0.4

Egypt#	Jun. 24	Jun. 25	Jun. 26F	Jun. 27F
Current account balance	-5.4	-4.2	-4.4	-3.8
Net FDI	11.9***	3.2****	3.7	2.7
Other net capital inflows *	-3.2	-0.7	1.2	1.7

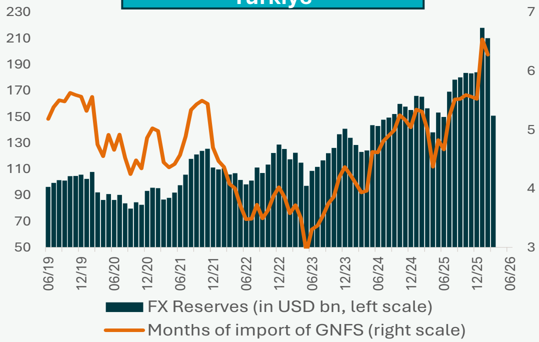
***: including divestment proceeds from the Ras El-Hekma project

****: including the disbursement of USD 3.5bn from Qatar's Alam El Roum investment project in December 2025

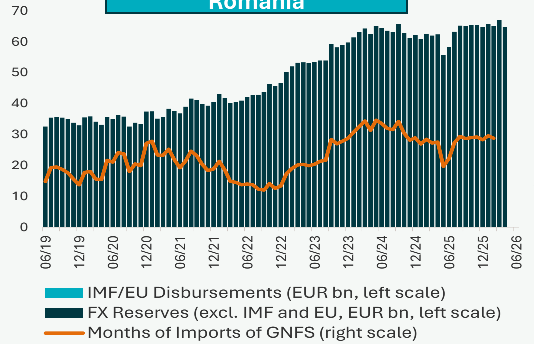
Foreign exchange reserves

- The central bank of **Türkiye** is estimated to have deployed c. USD 50bn in FX reserves (including gold sales) to contain depreciation pressures on the TRY amid heightened global risk aversion and capital outflows and is likely to face additional stress should global financial conditions deteriorate further
- Despite significant capital outflows triggered by escalating Middle East tensions, **Egypt** has reaffirmed its commitment to a flexible FX regime, allowing the EGP to adjust in line with market forces without recourse to FX reserves
- FX reserves stand at **adequate** levels in all countries under review, covering more than 4 months of GNFS imports

Türkiye



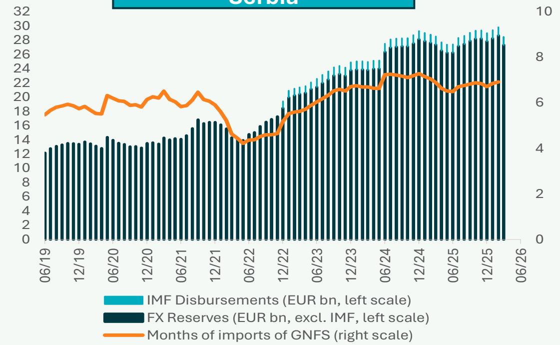
Romania



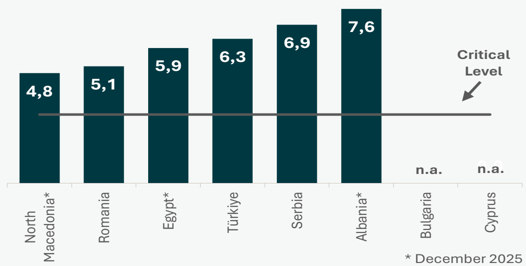
Bulgaria

N.A.

Serbia

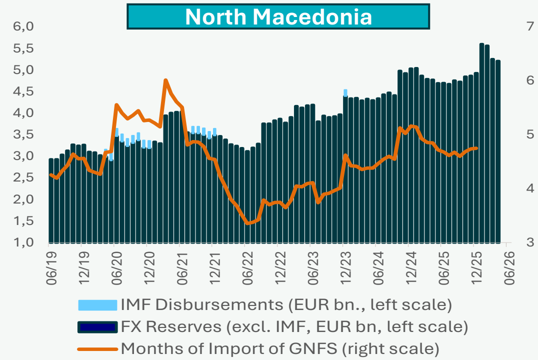


FX Reserves (Months of Imports of GNFS, February '26)

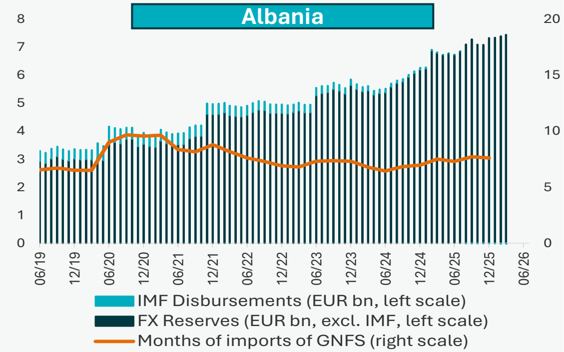


* December 2025

North Macedonia



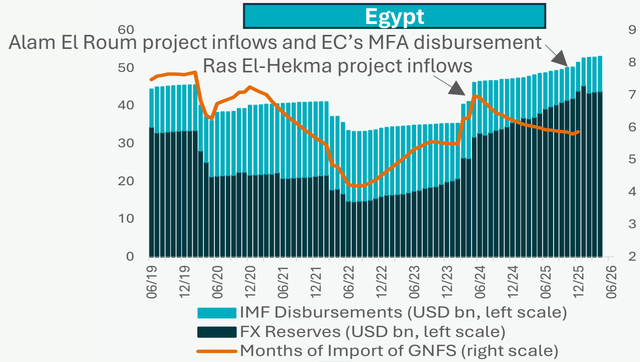
Albania



Cyprus

N.A.

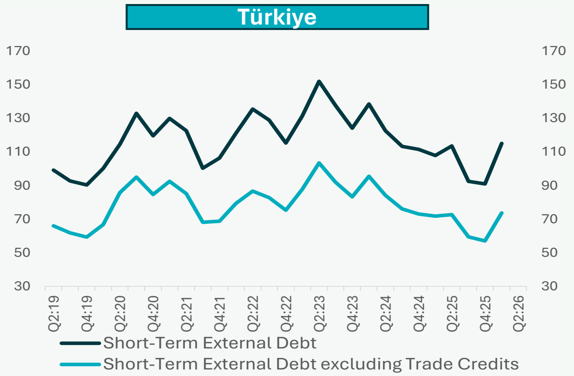
Egypt

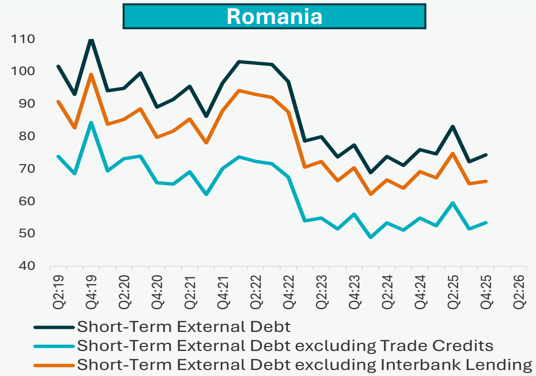


NATIONAL BANK OF GREECE

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

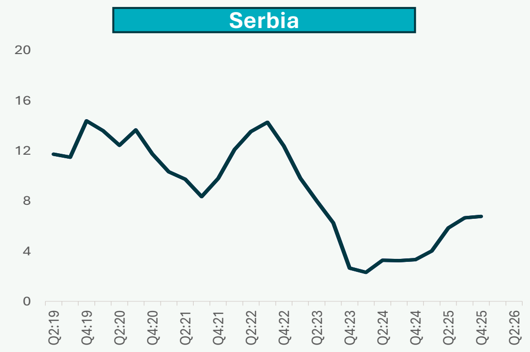
- Short-term external debt is **comfortably covered** by FX reserves in all the countries under review, particularly in Serbia, except for Türkiye

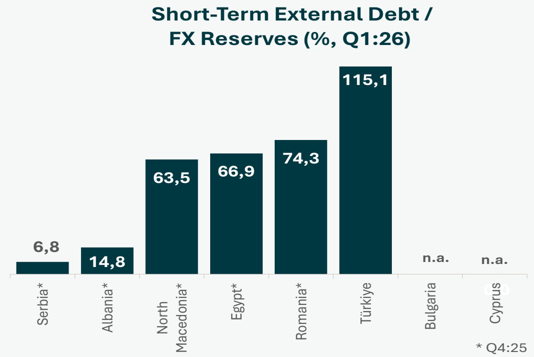


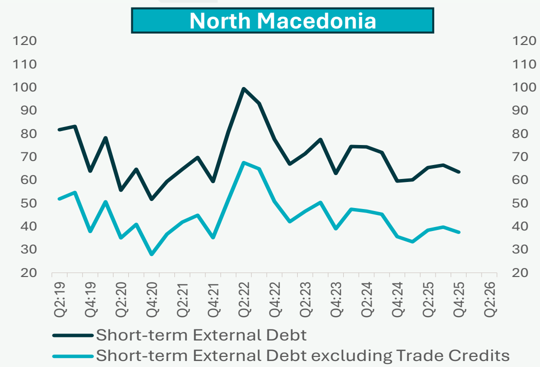


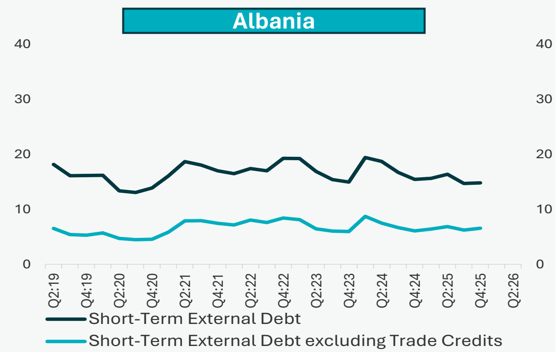
Bulgaria

N.A.









Cyprus

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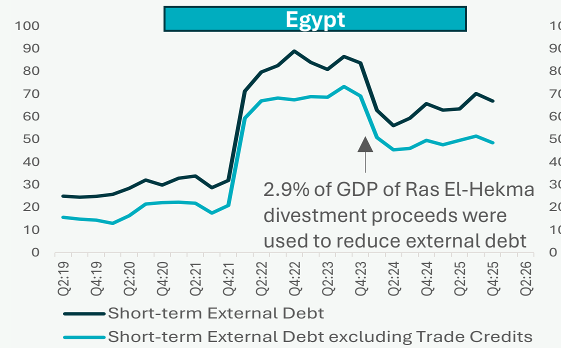
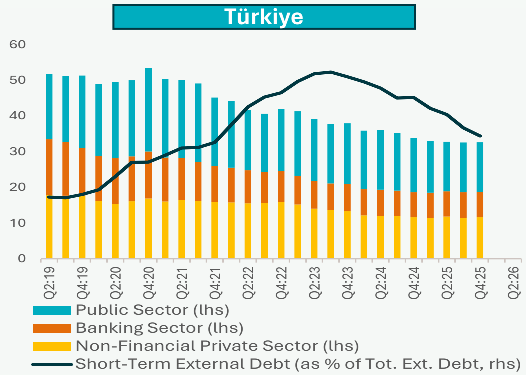
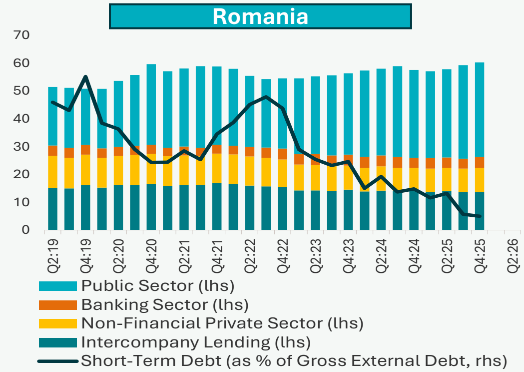


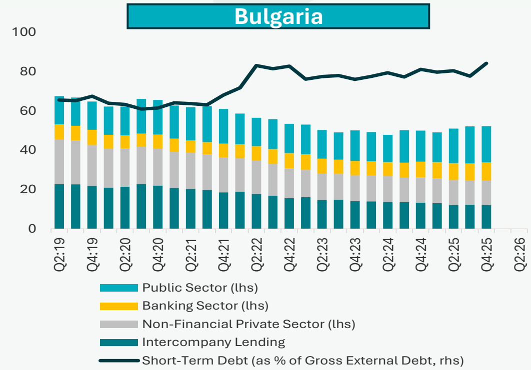
NATIONAL BANK OF GREECE

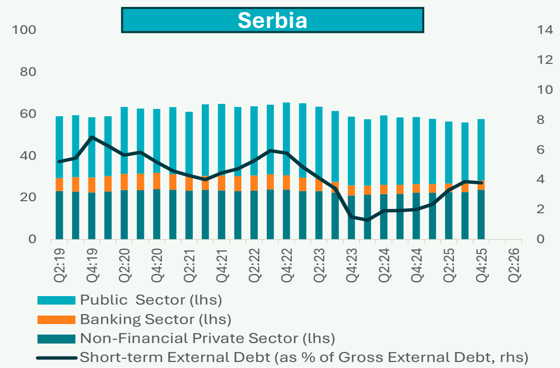
External debt (% of GDP)

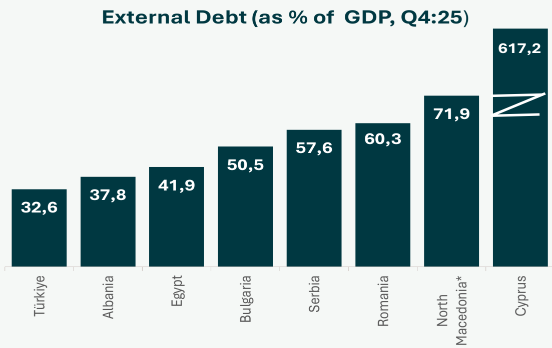
- Temporarily elevated external financing needs -- and the associated FX pressures -- are **unlikely to materially alter the trajectory** of external debt-to-GDP ratio across most of the economies under review, owing to a favourable denominator effect stemming from elevated inflation

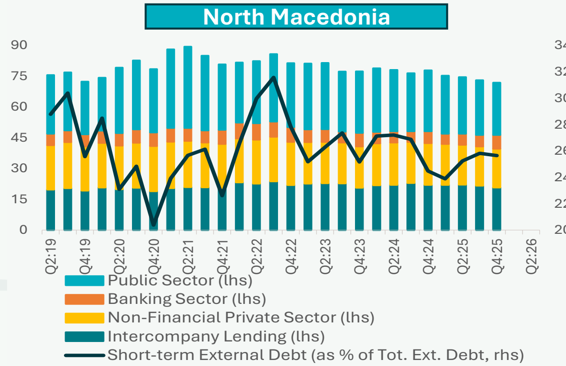


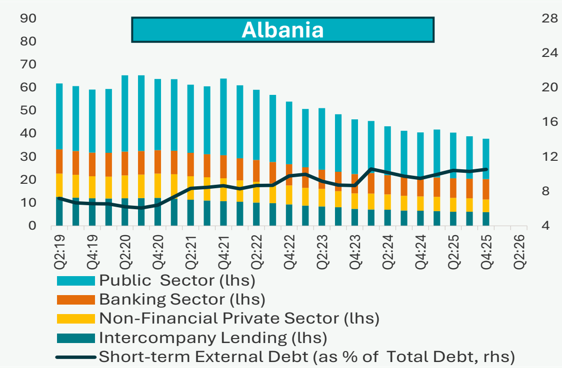


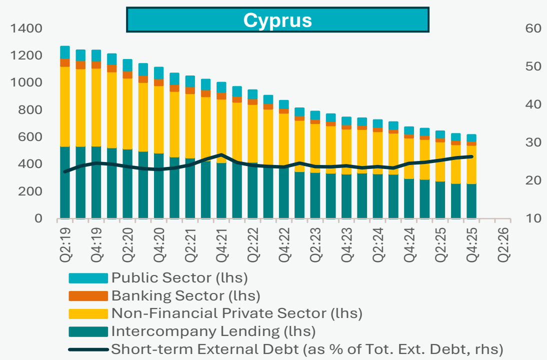


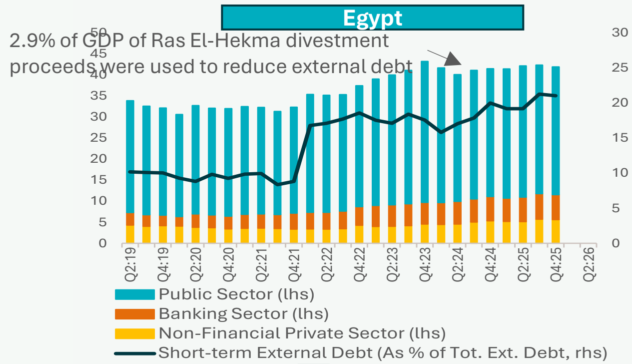








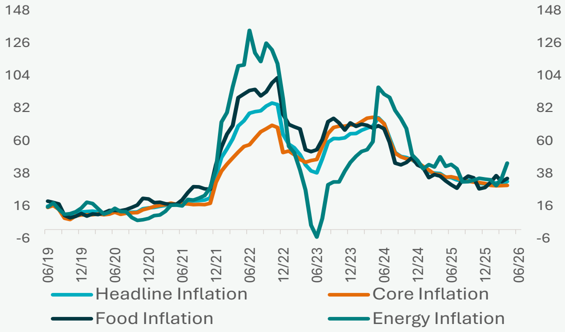




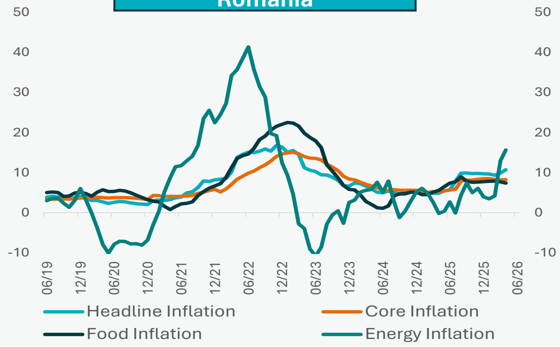
Inflation (%)

- Recent inflation prints across the region reflect the impact of higher global energy prices following the escalation in the Middle East. Under the baseline, headline inflation is projected to **rise further in the near term** -- driven by the pass-through to non-energy components and supply-side disruptions -- before gradually moderating as commodity prices normalize
- Risks to this outlook remain tilted to the **upside**, particularly if persistent supply-side pressures trigger significant second-round effects which could be further propagated due to FX volatility and resilient domestic demand in most economies

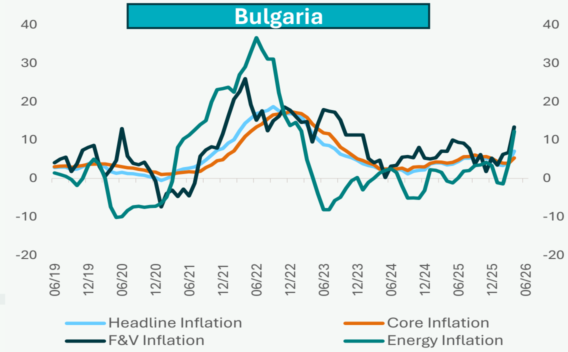
Türkiye



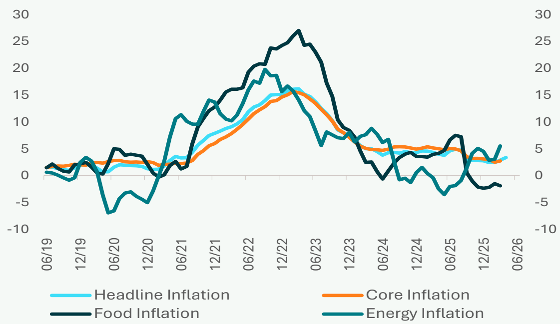
Romania



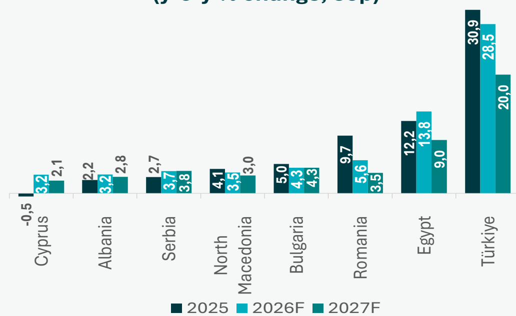
Bulgaria



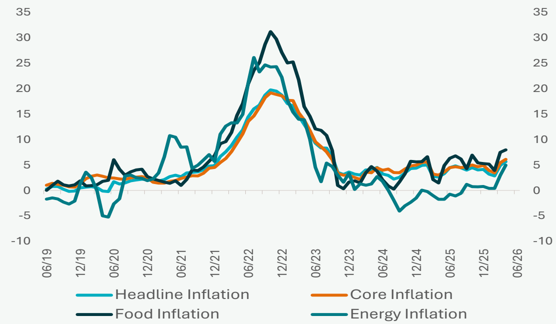
Serbia



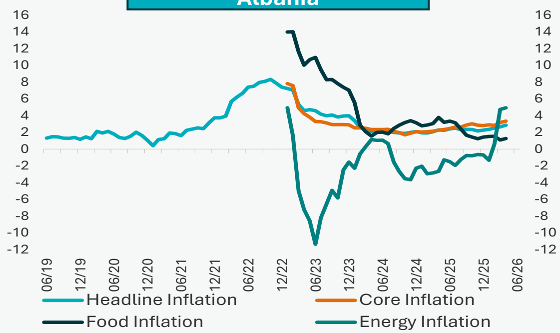
Headline Inflation (y-o-y % change, eop)



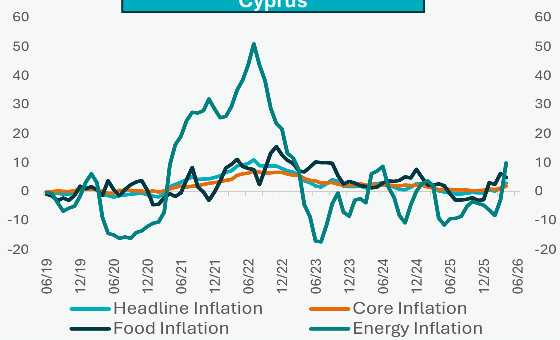
North Macedonia



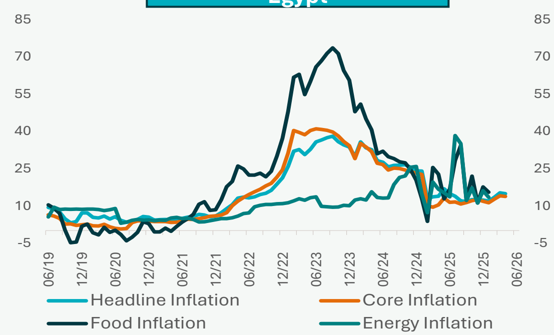
Albania



Cyprus



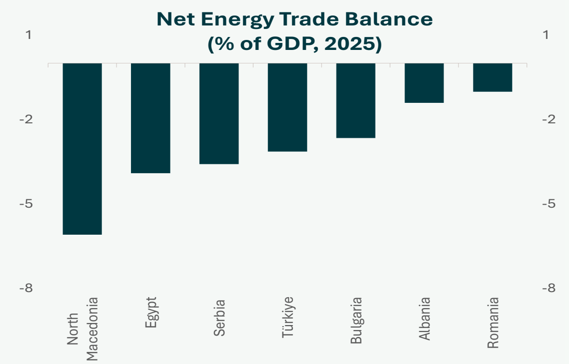
Egypt

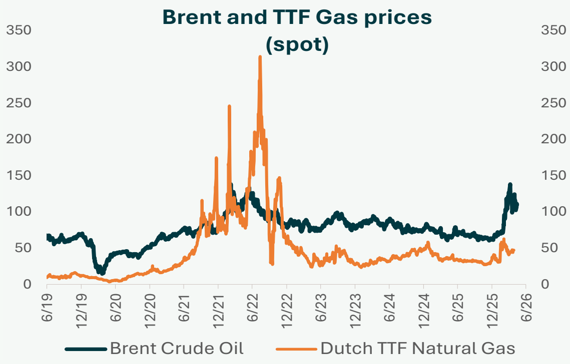


Energy & Food prices and Transport costs

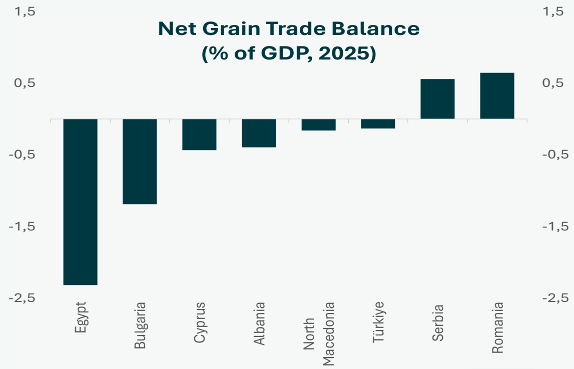
- The escalation of tensions in the Middle East has pushed **global energy prices higher**, increasing the risks of a **stagflationary** shock. However, the impact is not expected to mirror the 2022 energy crisis, in the EU, thanks to structural changes, including reduced reliance on fossil fuels and a secular contraction in energy-intensive sectors amid persistent competitiveness challenges. Even after a long-term agreement in the Middle East is reached, normalization is likely to be gradual, with **supply-side disruptions persisting** and **energy prices declining gradually** from their current elevated levels, reflecting not only operational constraints -- such as rebuilding critical infrastructure and restoring energy and shipping flows -- but also a **continued geopolitical risk premium**
- Higher energy costs are expected to **pass through food prices**, albeit with some delay, reflecting, *inter alia*, higher transportation and fertilizer costs. Under the baseline, these effects should be transitory and eventually subside by **end-2027**

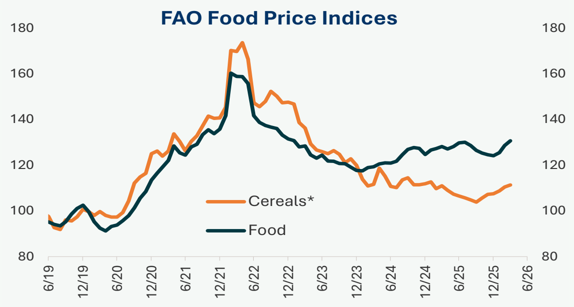
Energy





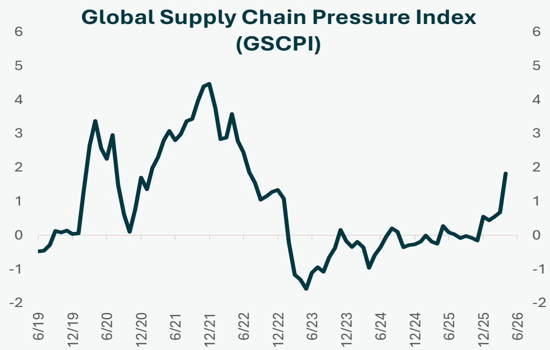
Food





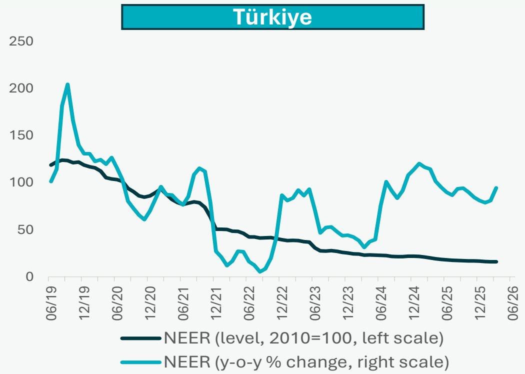
* combines sorghum, wheat,maize,barley and rice indices

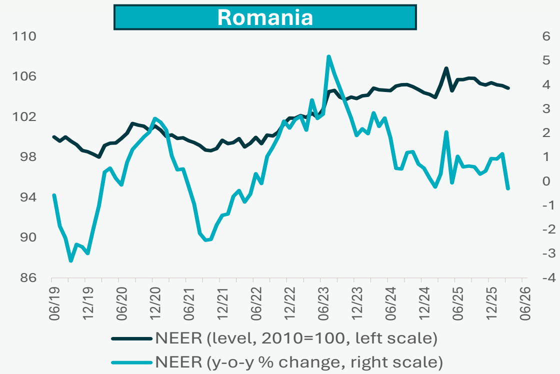
Global Supply

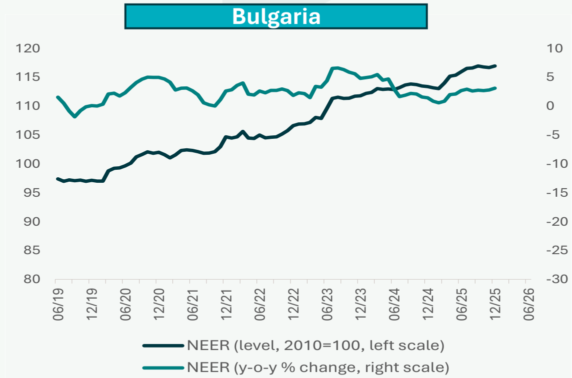


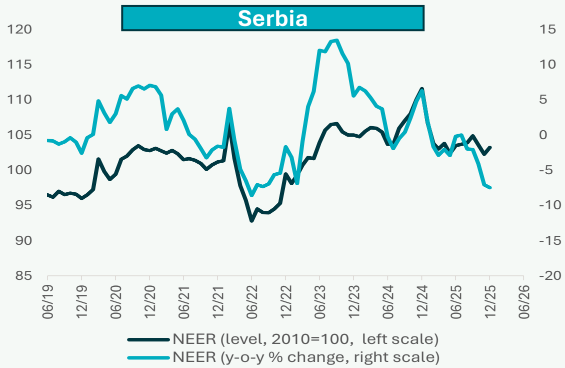
Nominal effective exchange rate

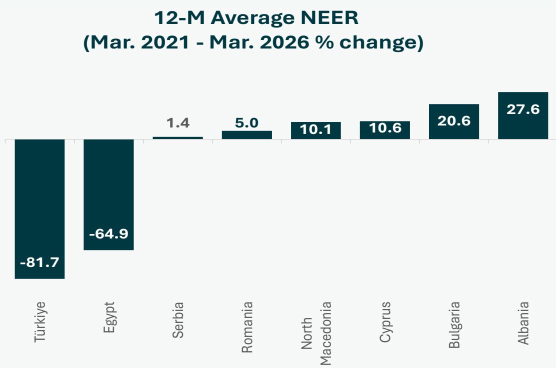
- Against the backdrop of wide external imbalances and inconsistent policies, the **Turkish Lira** and the **Egyptian Pound** depreciated significantly in nominal terms over the past 5 years

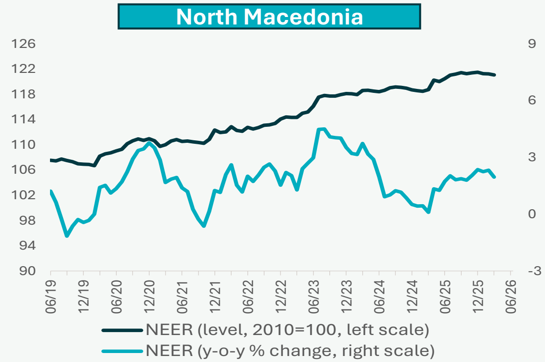


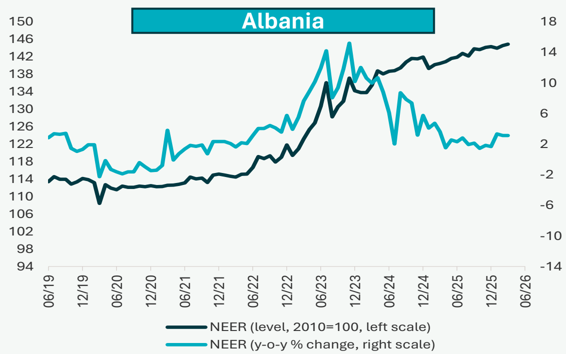


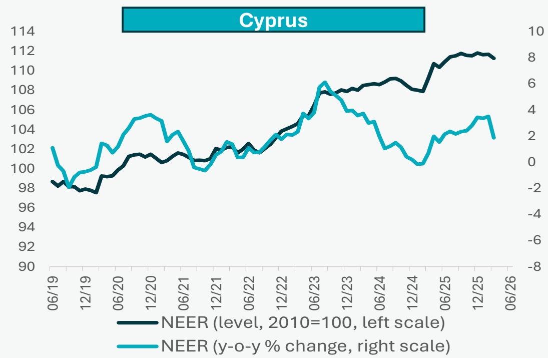


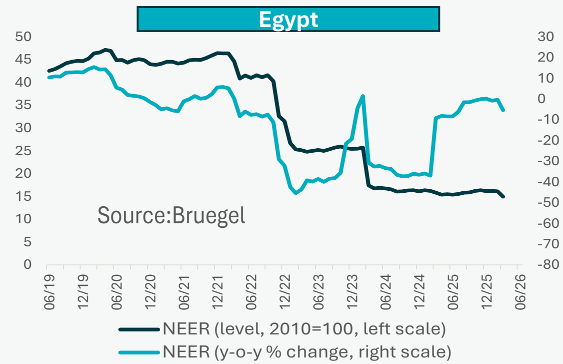










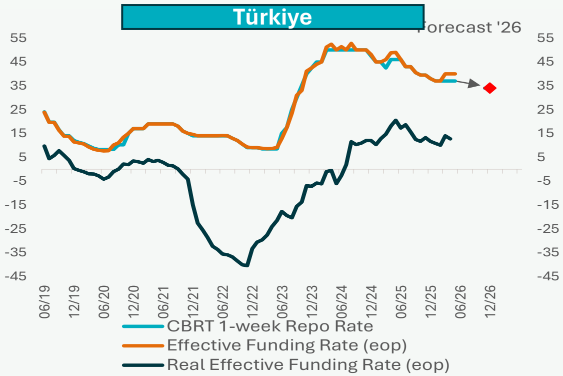


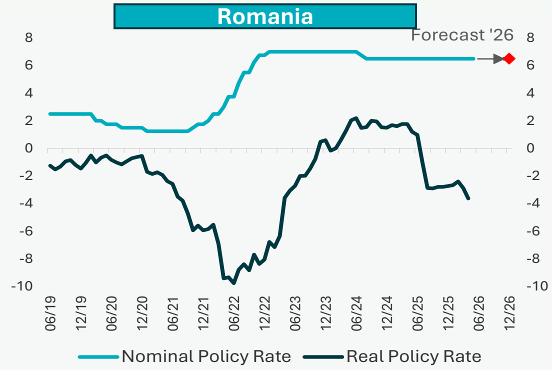
Source:Bruegel

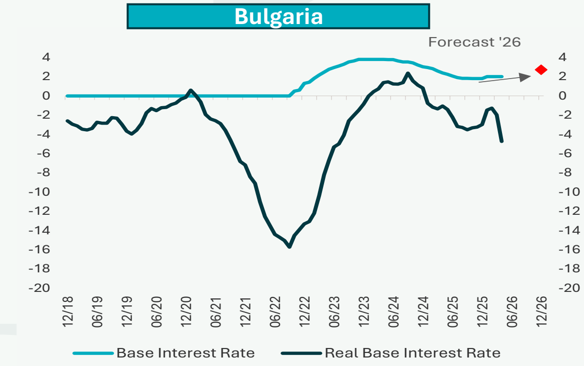
NATIONAL BANK OF GREECE

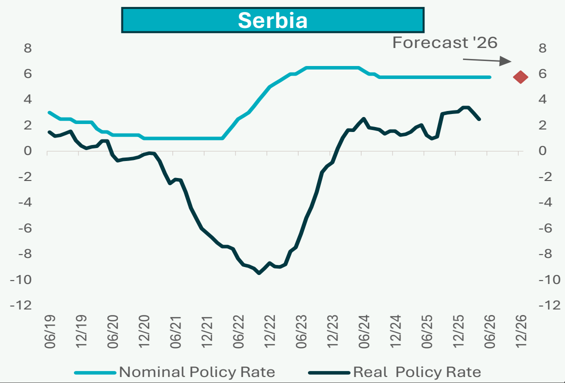
Policy rate

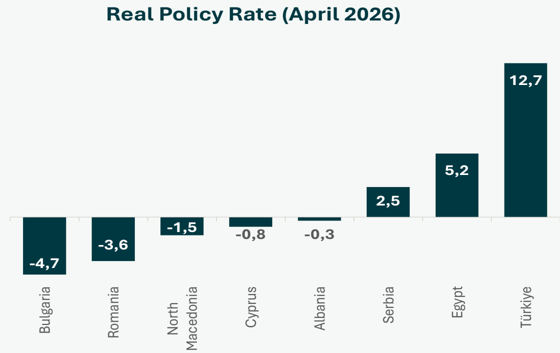
- Markets are currently pricing in **2 rate hikes by the ECB** by year-end, reflecting **concerns over potential second-round effects** stemming from the energy shock. While regional central banks maintain a **relatively tighter stance than the ECB**, they may be compelled to **follow suit** should FX depreciation pressures intensify. A gradual normalization toward current levels is projected to commence in H2:27
- **Türkiye** effectively raised the policy rate by 300 basis points, to 40 percent, through a shift in liquidity provision toward the overnight lending facility to stem depreciation pressures on the TRY

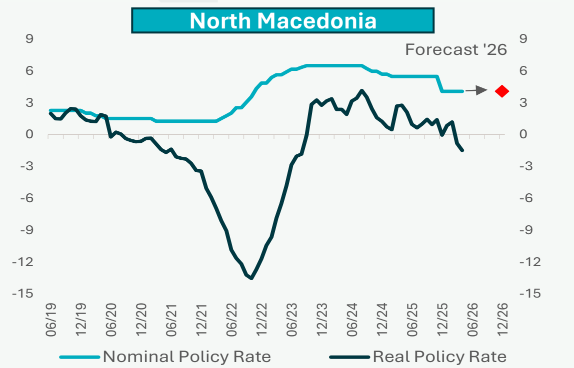


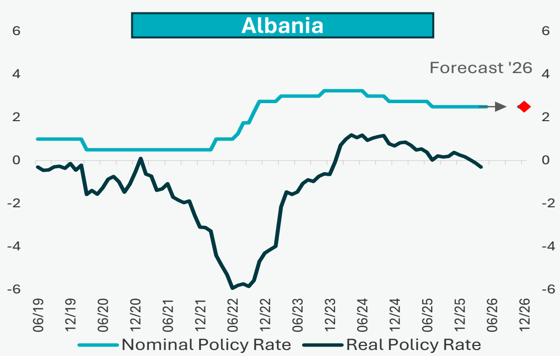


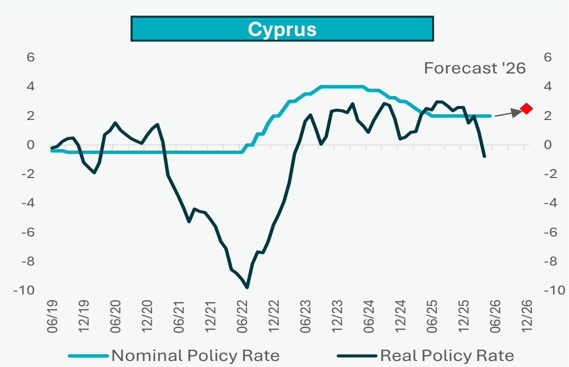


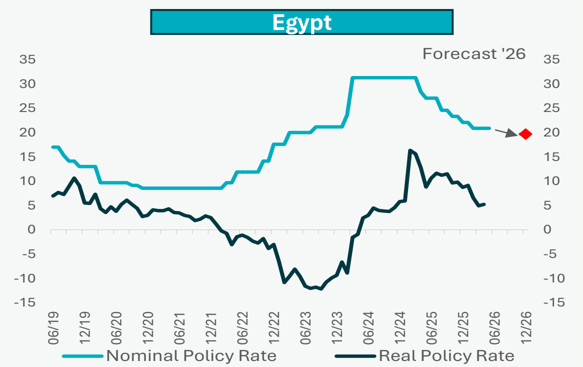












Reserve requirement ratios

- In **Bulgaria**, minimum required reserves were aligned with euro area standards (1.0%) following EUR adoption. To preempt the risk of a credit-fueled bubble, authorities have proactively strengthened their macroprudential framework, introducing tighter borrower-based limits on mortgage lending alongside a higher countercyclical capital buffer

Türkiye

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	3.0-17.0*	3.0-18.0**	3.0-20.0**
FC Liabilities	5.0-30.0	5.0-32.0	0.0-30.0

* FX protected accounts: 22.0-33.0
** FX protected accounts: 22.0-40.0

Romania

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	8.0	0.0-8.0	0.0-8.0
FC Liabilities	5.0	0.0-5.0	0.0-5.0

Bulgaria

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	12.0	12.0	1.0
FC Liabilities	12.0	12.0	1.0

Serbia

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	2.0-7.0	2.0-7.0	2.0-7.0
FC Liabilities	16.0-23.0	16.0-23.0	16.0-23.0

North Macedonia

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	0.0-8.0	0.0-9.0	0.0-9.0
FC Liabilities	5.0-21.0	10.0-22.0	10.0-22.0

Albania

Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
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

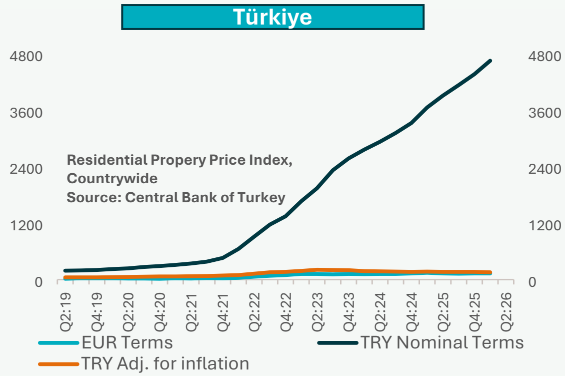
Cyprus

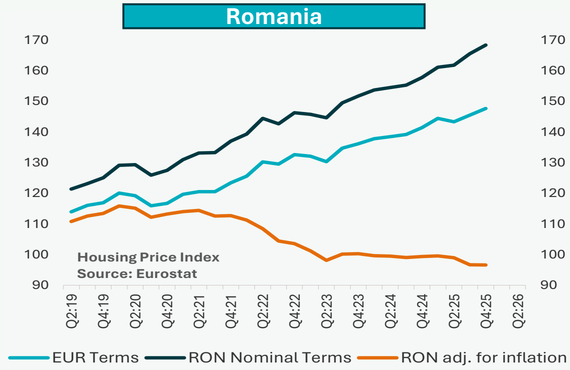
Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	1.0	1.0	1.0
FC Liabilities	1.0	1.0	1.0

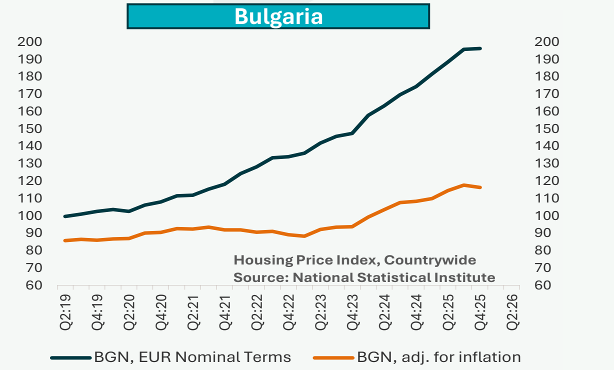
Egypt

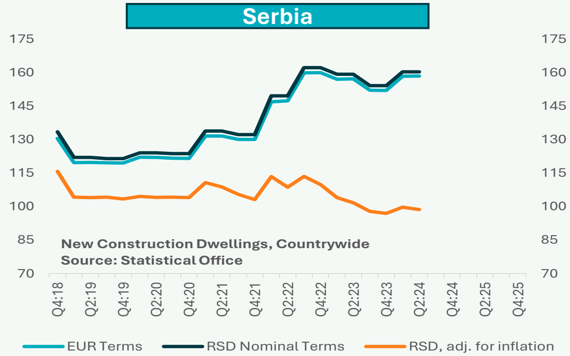
Reserve Requirement Ratios (%)	Dec. 2024	Dec. 2025	May 2026
LC Liabilities	18.0	18.0	16.0
FC Liabilities	- - -	- - -	- - -

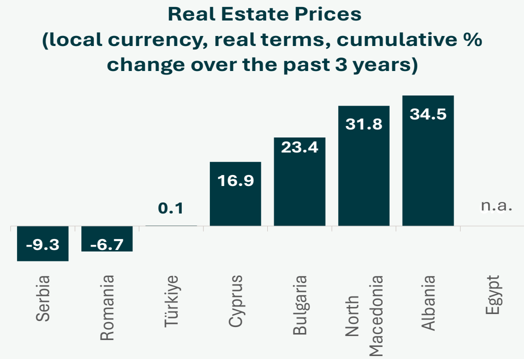
- The strong performance of the real estate market in **Cyprus** has largely been fueled by the influx of foreign workers relocating to the island as their companies move operations there. In **Türkiye**, agents have rushed into the real estate market to hedge against high inflation
- Against the backdrop of strong real estate price growth, authorities in **Bulgaria, North Macedonia** and **Albania** have tightened their borrower-based macro-prudential policy on mortgage lending to contain real estate appreciation

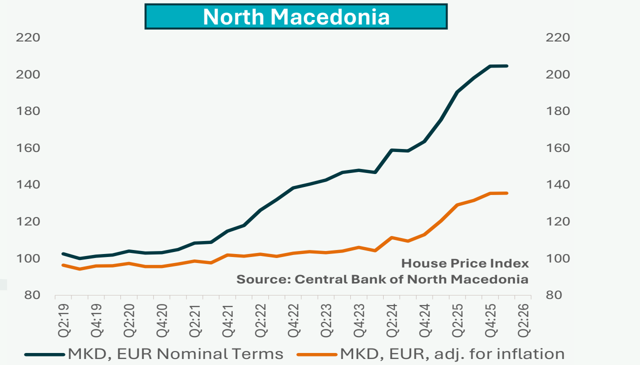


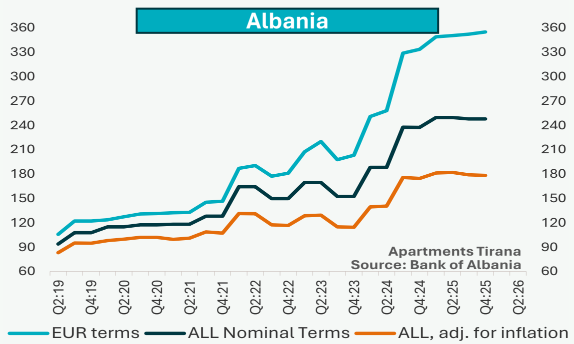


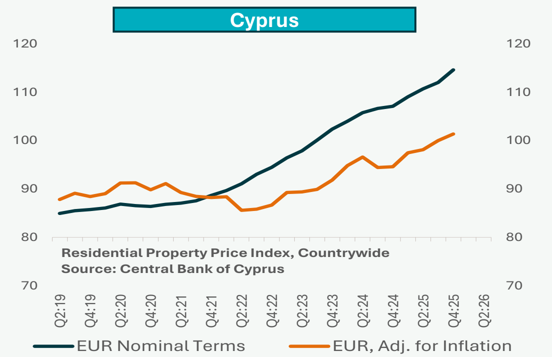












Egypt

N.A.

NATIONAL BANK OF GREECE

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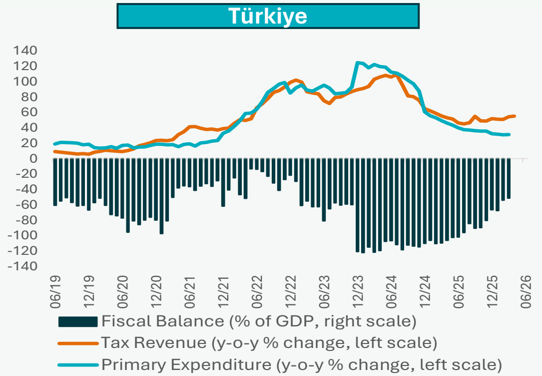
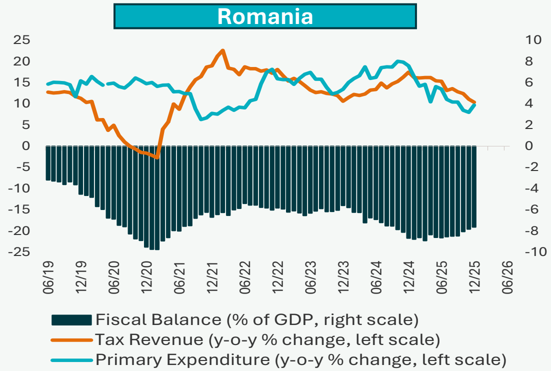
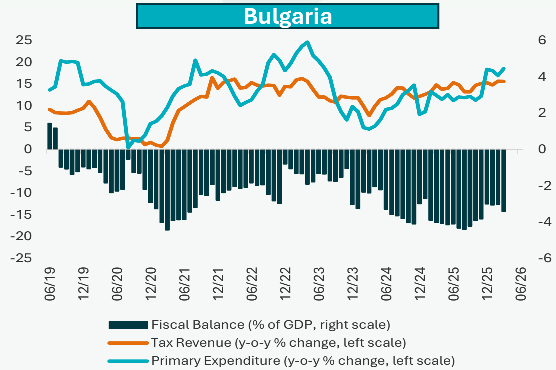
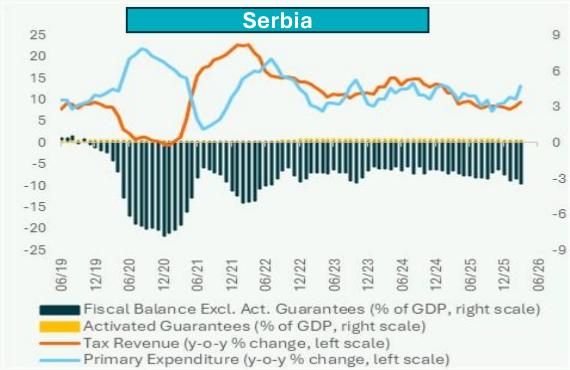
Fiscal performance (cash balance, 12-month rolling)

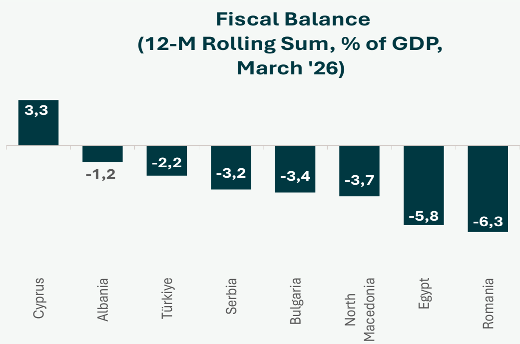
- Prior to the escalation in the Middle East, **fiscal consolidation was underway** in most of the economies under review, albeit at a measured pace, with notable cross-country variation in the underlying stance. Strong tax revenue -- supported, *inter alia*, by resilient labour markets -- and a degree of spending restraint were the main drivers
- A series of aggressive fiscal consolidation measures (including a hike in VAT & excise duties and a wage & pension freeze) helped **Romanian** authorities achieve a significant narrowing in the budget deficit in 2025. In **Türkiye**, a sharp drop in capital transfers (mainly for post-earthquake reconstruction) helped push the primary balance into a marginal surplus for the first time since 2022

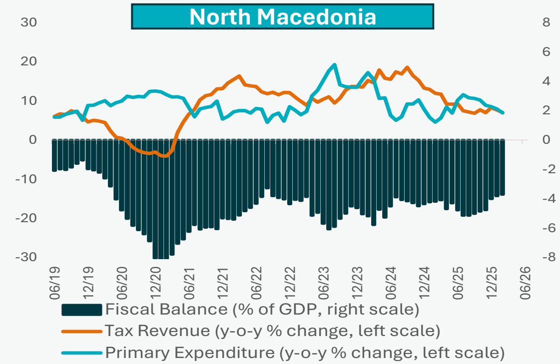


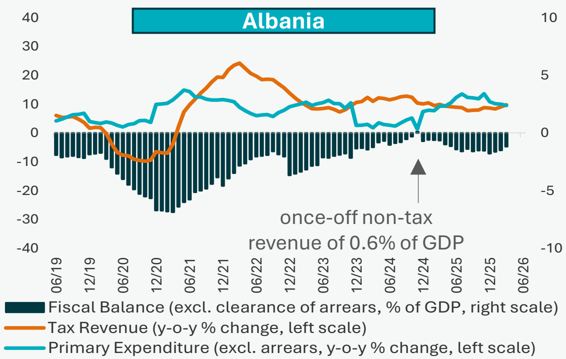


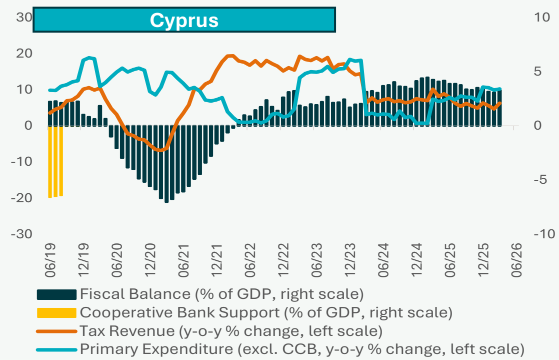


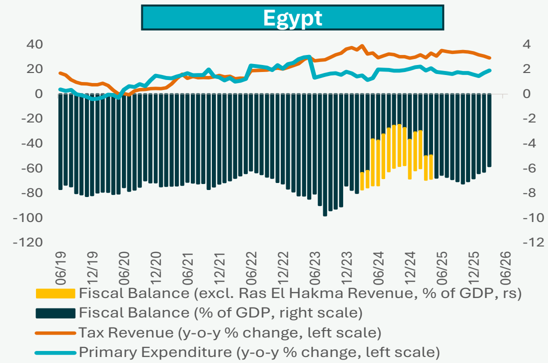












NATIONAL BANK OF GREECE

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

- The fiscal outlook is likely to be **tested by spillovers from the tensions in the Middle East**, with regional Governments having already taken targeted relief measures. Under the baseline scenario, however, the impact on fiscal balances is expected to be much more contained than in 2022-23
- Risks to this outlook are skewed to the downside, particularly in the event persistent supply-side inflationary pressures compel larger state interventions. Such pressures would likely exert a significant drag on economic activity, dampen GDP growth, and prompt central banks to raise interest rates, further exacerbating fiscal imbalances
- In **Romania**, while the front-loaded fiscal consolidation fends off some immediate risks, a materially softer economic growth, due to delays in RRF-related reforms amid political deadlock and/or a sustained loss of confidence, elevated funding costs (with yields the highest in the EU) and/or potential expenditure slippages, could lead to a weaker-than-envisaged adjustment, jeopardizing the economy's investment grade status
- Solid economic growth is set to sustain fiscal surpluses in **Cyprus,** accelerating public debt reduction further below the EU critical threshold of 60% of GDP (see next page)

Türkiye

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-4.7	-2.9	-3.6	-3.5

Romania

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-8.7	-7.6	-6.2	-5.4

Bulgaria

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-3.0	-3.0	-3.3	-4.2

Serbia

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-2.0	-2.4	-3.0	-3.0

North Macedonia

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-4.3	-4.0	-4.0	-3.7

Albania

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-0.7*	-1.8	-2.0	-2.0

*: including once-off non-tax revenue of 0.6% of GDP

Cyprus

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
4.1	2.6	2.7	2.8

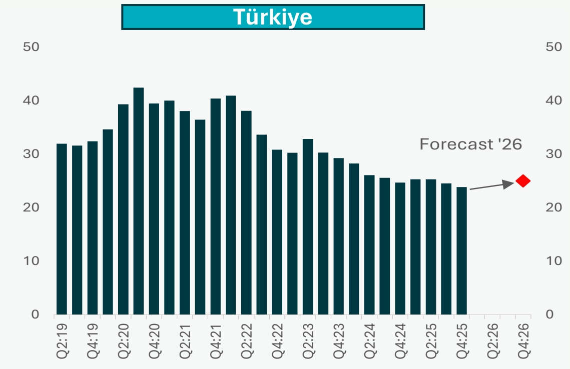
Egypt*

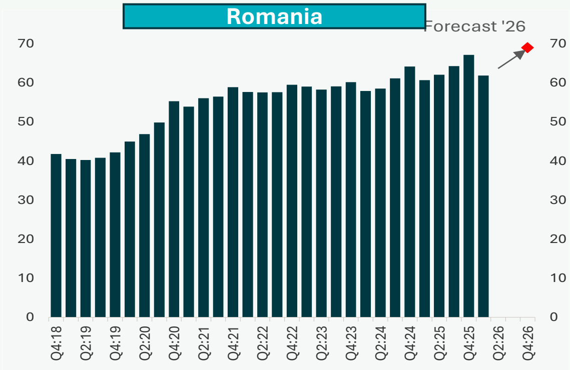
Jun. 24**	Jun. 25	Jun. 26F	Jun. 27F
-3.6	-7.1	-7.0	-6.5

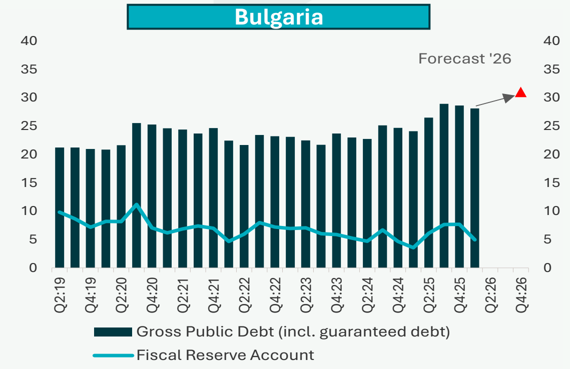
*: Fiscal year ending on June 30th.
**: Ras El-Hekma divenstment proceeds subtracted 3.8 pps of GDP from fiscal deficit in FY:23/24

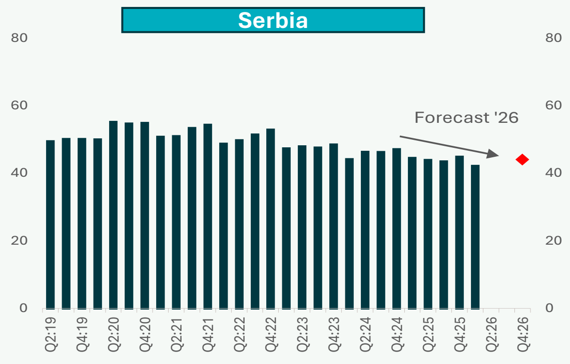
Public debt (% of GDP)

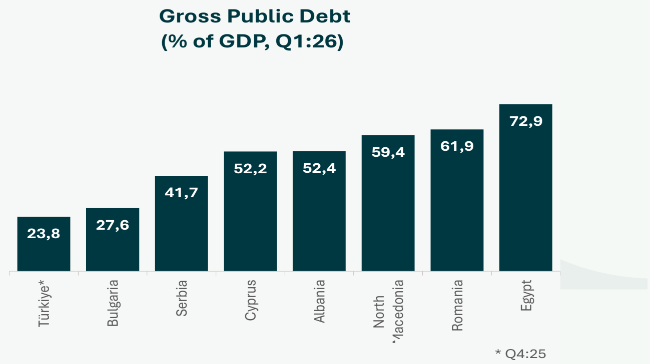
- Fiscal pressures stemming from the tensions in the Middle East are expected to be **partially mitigated** in the near term by the favourable impact of elevated inflation on debt dynamics
- Relatively contained public debt levels across most of the economies under review provides **sufficient fiscal space** to absorb potential shocks and navigate less favourable debt dynamics over the medium term
- **Romania**'s public debt is set to cross soon the EU threshold of 60% of GDP, remaining, however, well below the EU average (currently exceeding 80% of GDP).

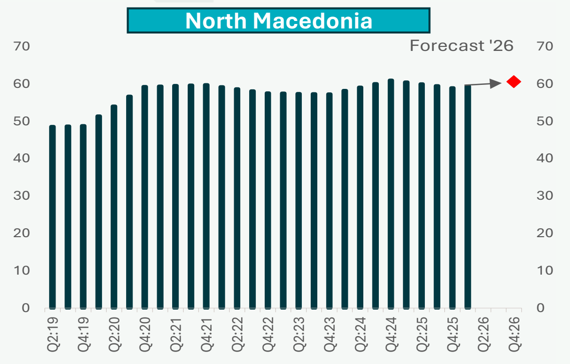


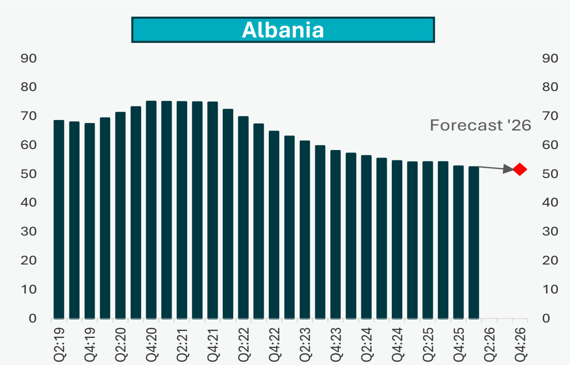


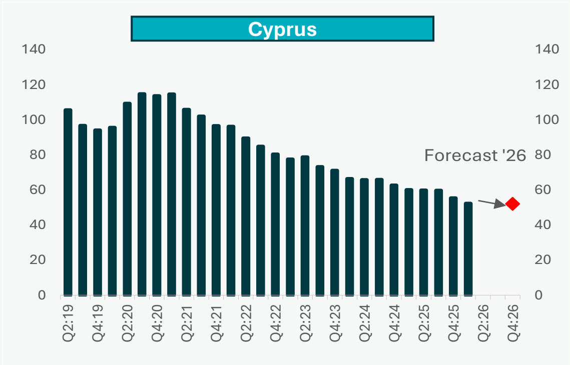


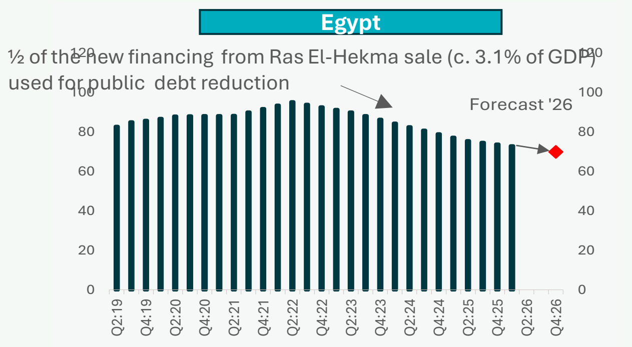












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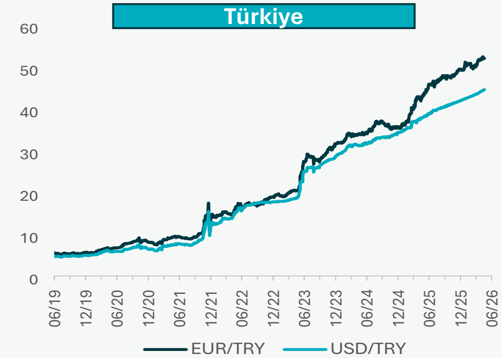
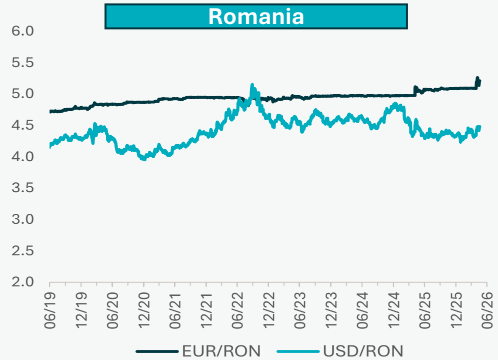
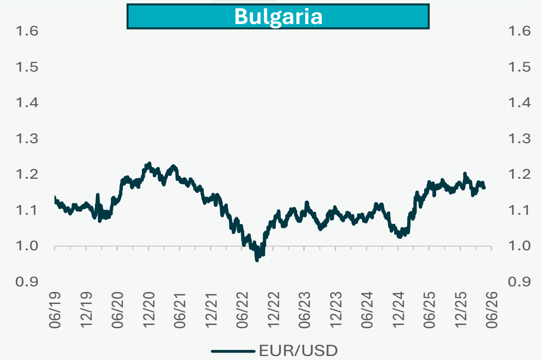
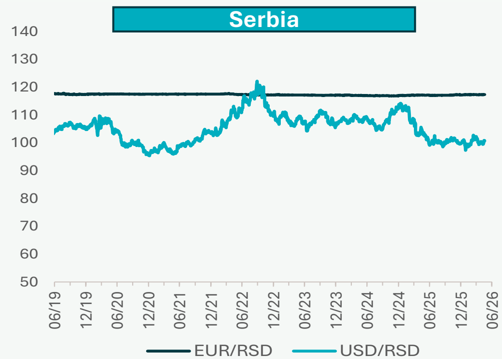
Exchange rates

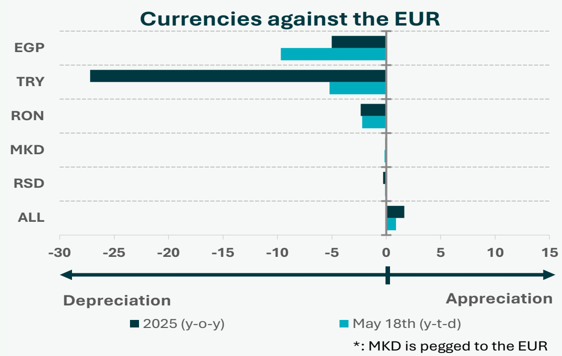
- Following an initial depreciation driven by safe-haven capital flows amid heightened geopolitical tensions in the Middle East, the **euro** has largely recouped its losses as markets reassessed the outlook for inflation and interest rates
- Heightened risk aversion stemming from escalating tensions in the Middle East, coupled with the associated surge in global energy prices, has placed most regional currencies under pressure. This is particularly evident in **Egypt** and **Türkiye**, with the latter's monetary authorities resorting to significant FX interventions to support the lira. In **Romania**, political uncertainty and evolving policy implications further intensified depreciation pressures. Solid FDI inflows, increased remittances and strong tourism activity continue to support **Albania**'s Lek

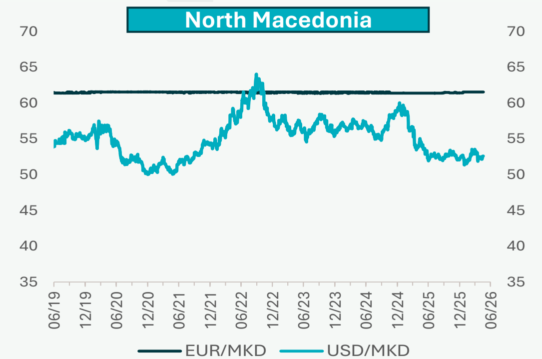


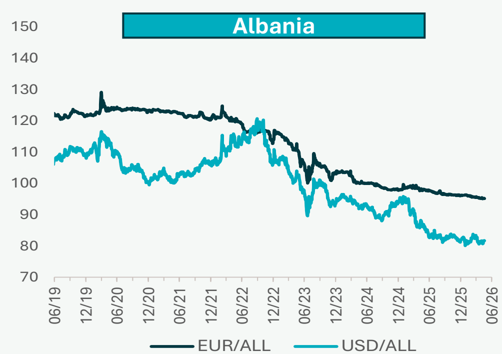


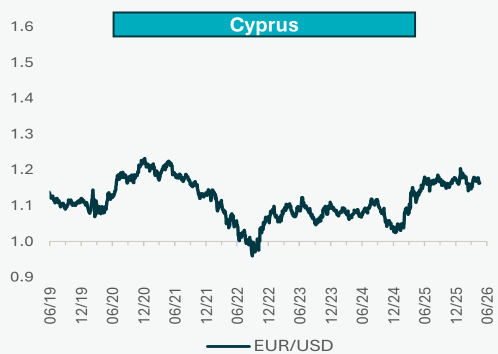


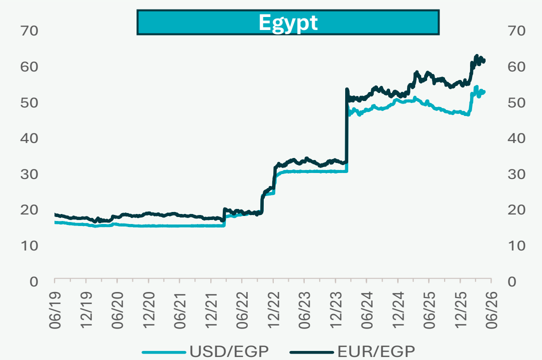








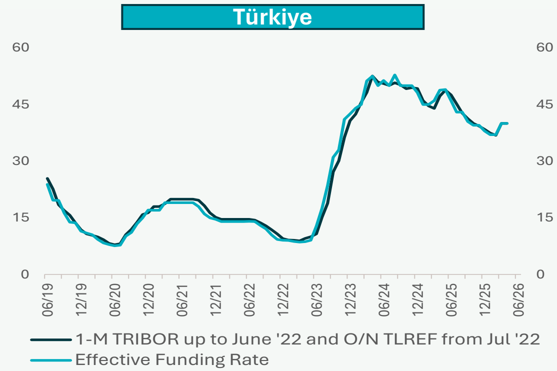


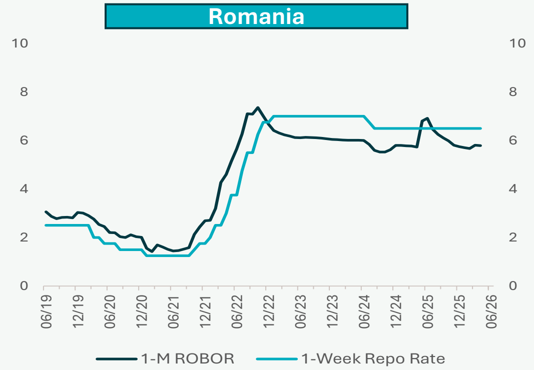


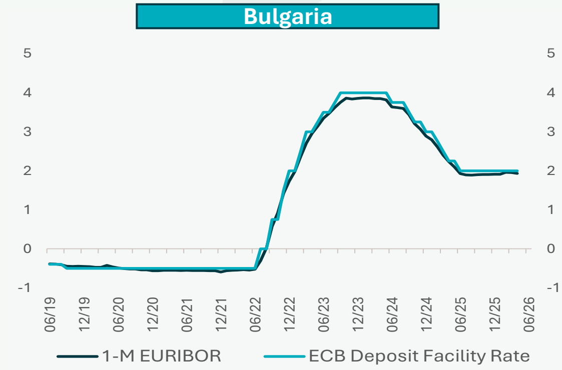
NATIONAL BANK OF GREECE

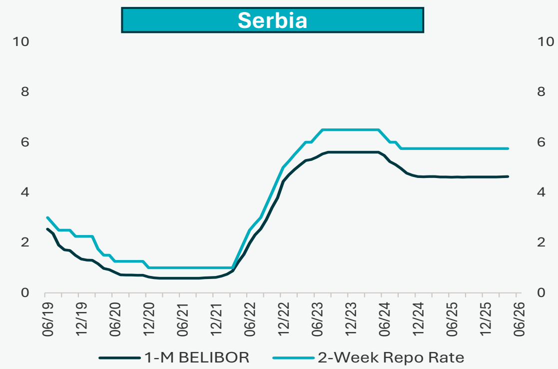
Money market rates (%)

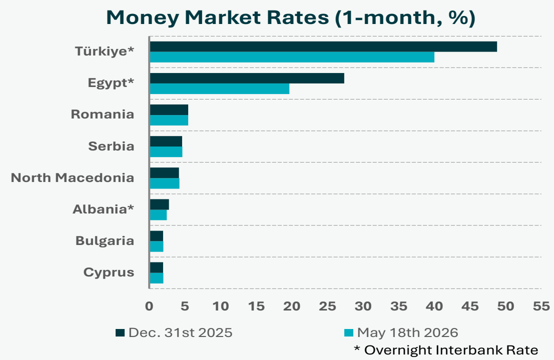
- A regional monetary policy pause, coupled with a shifting tightening bias, has led to a stabilization of money market rates at their cyclical trough

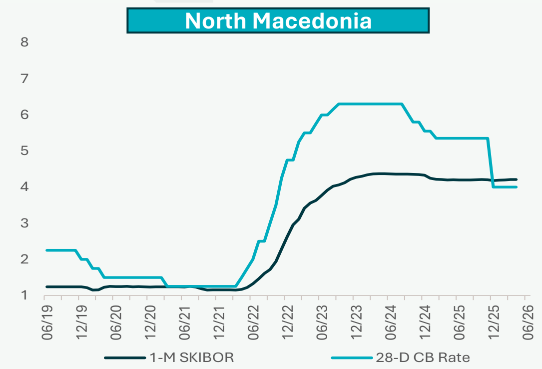


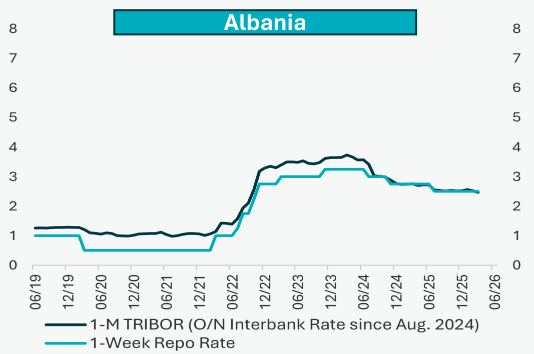


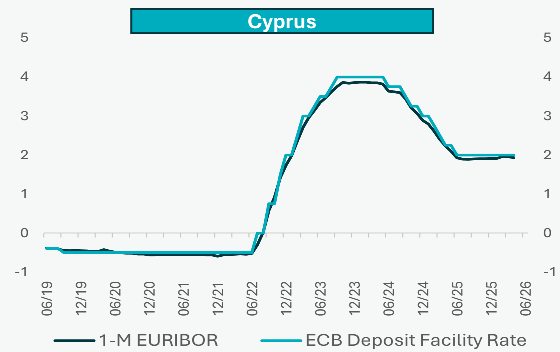


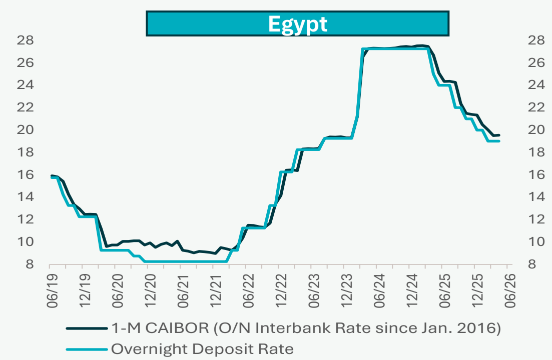




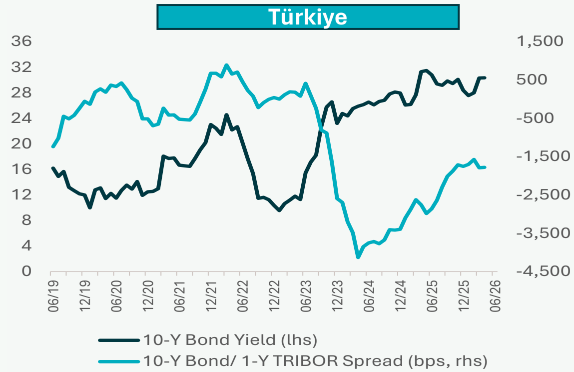


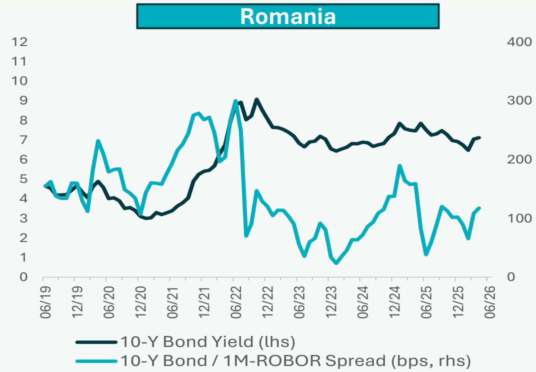


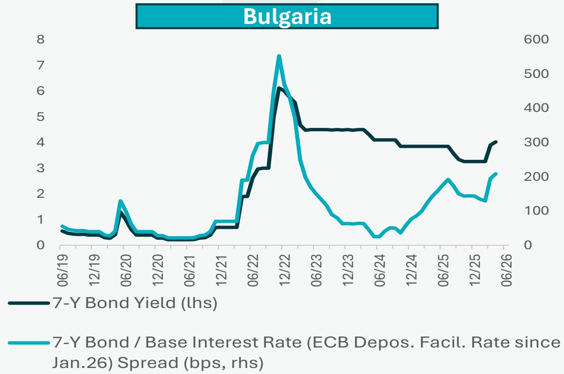


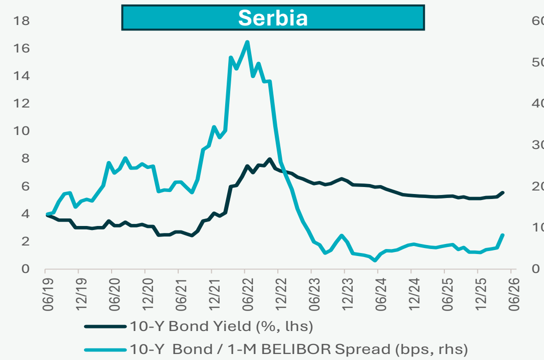


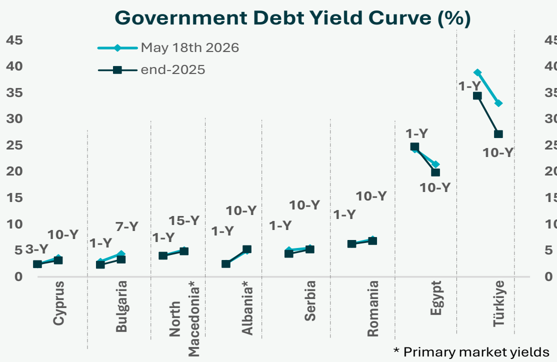
- Heightened risk aversion sparked by geopolitical tensions, compounded by mounting concerns over fiscal slippage, have been exerting **upward** pressure on regional Government debt yields

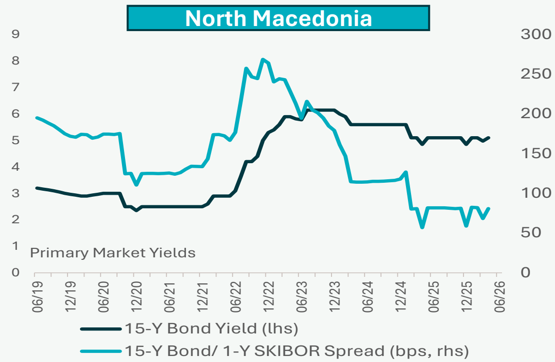


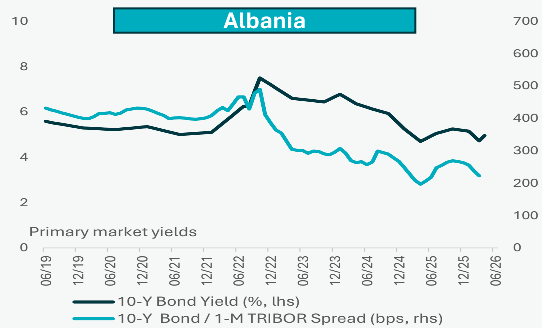


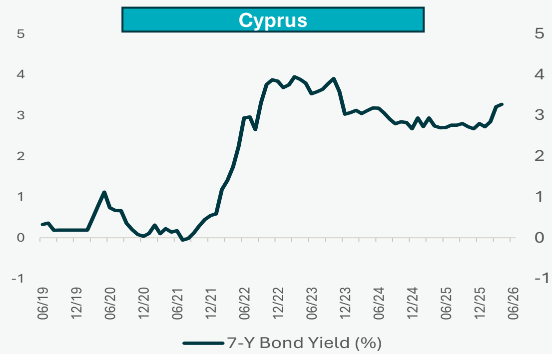


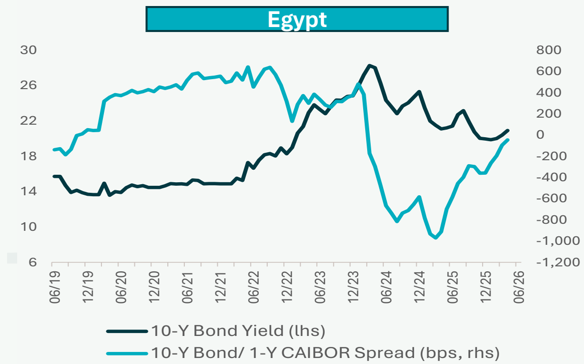






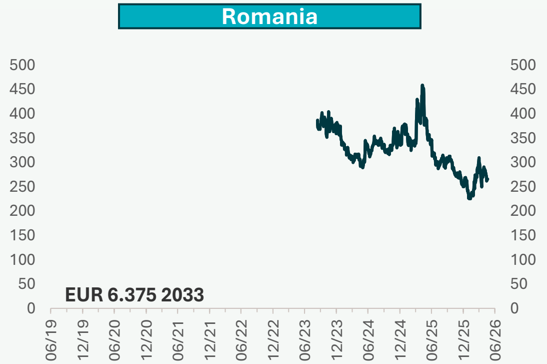


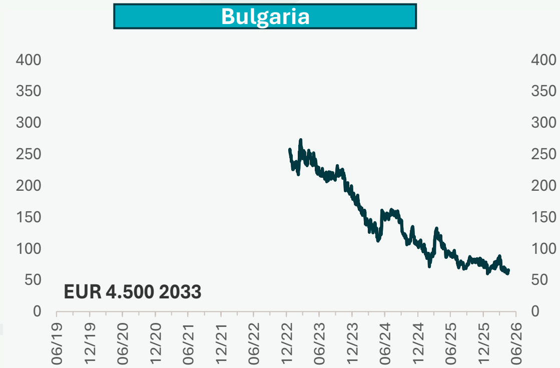


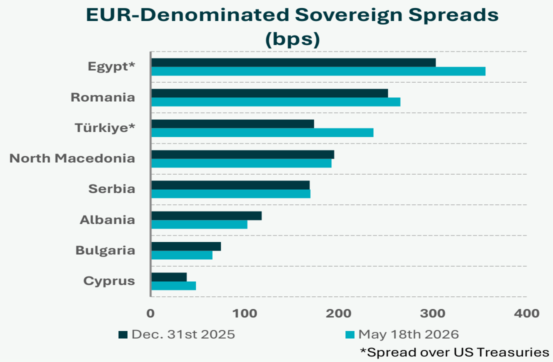


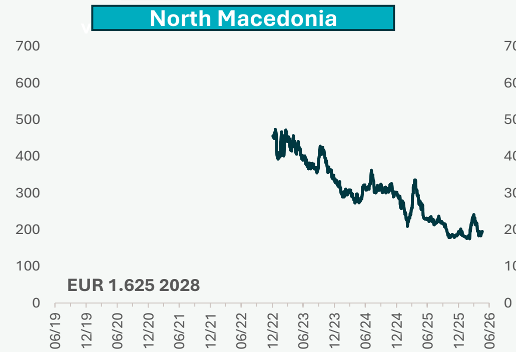
Sovereign spreads (bps)

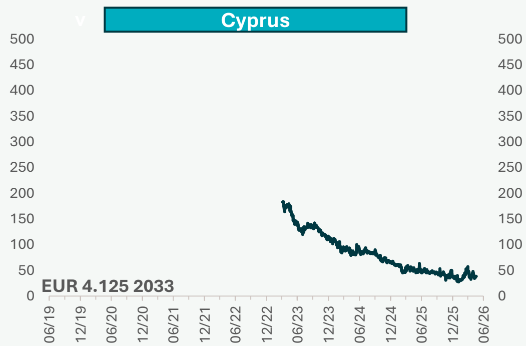
- The relatively stronger fiscal and debt positions of most regional economies -- especially when compared to major advanced economies -- have kept sovereign spreads on a **downward trajectory**, despite increased risk aversion







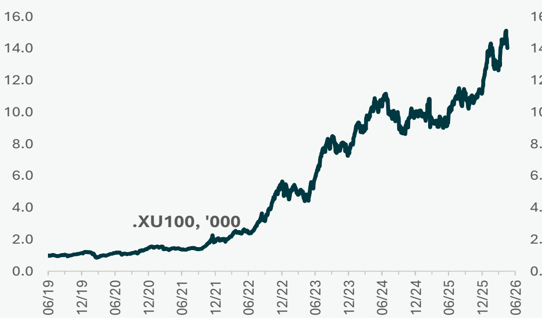




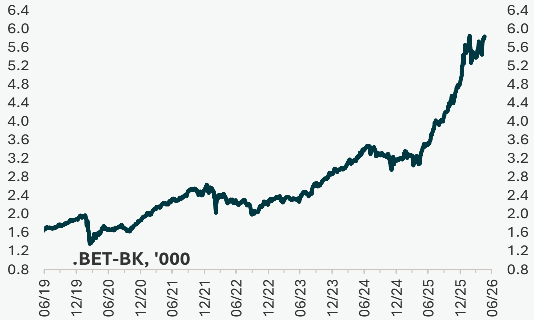
Stock market

- Regional equity markets have demonstrated notable **resilience**, maintaining their upward trajectories despite heightened uncertainty

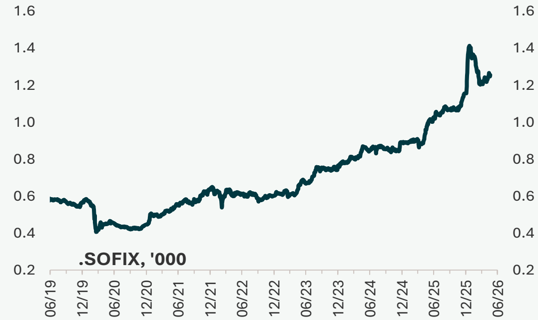
Türkiye



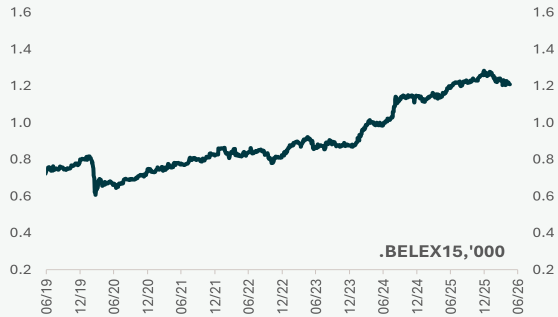
Romania



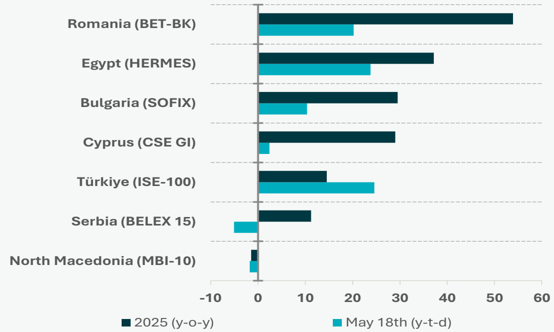
Bulgaria



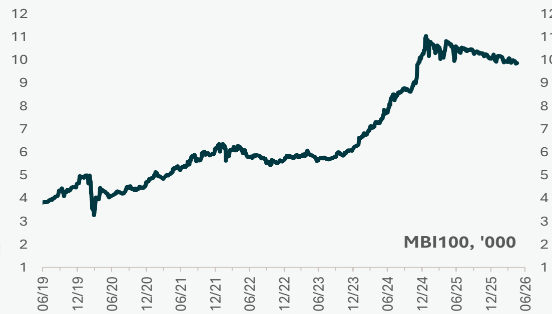
Serbia



Equity Indices (%)



North Macedonia



Albania

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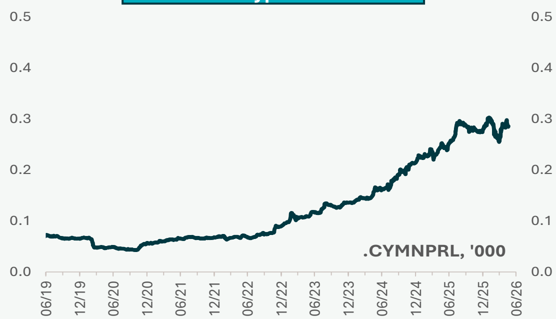
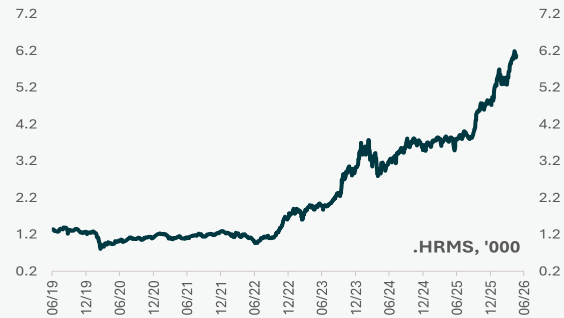
Cyprus



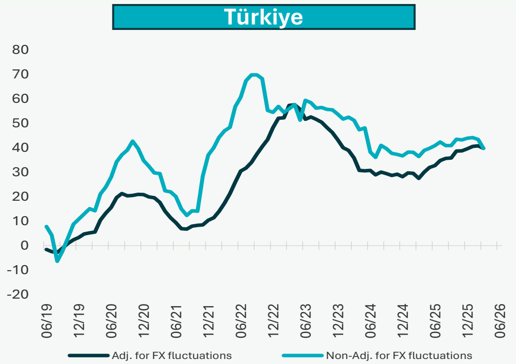
Egypt

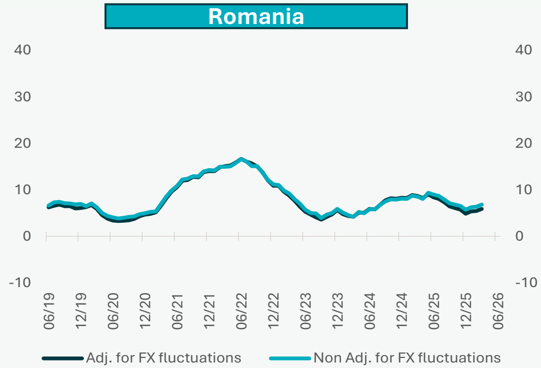


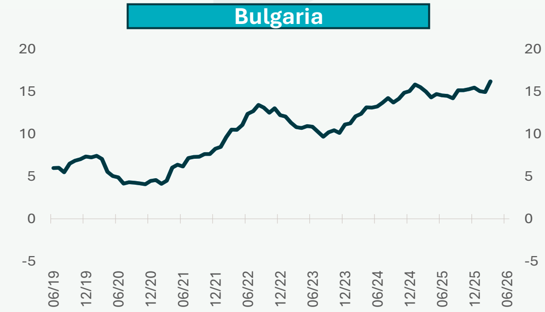
Banking Sector

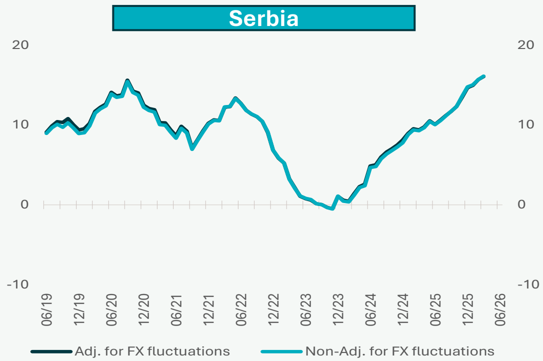
Total loans (y-o-y % change)

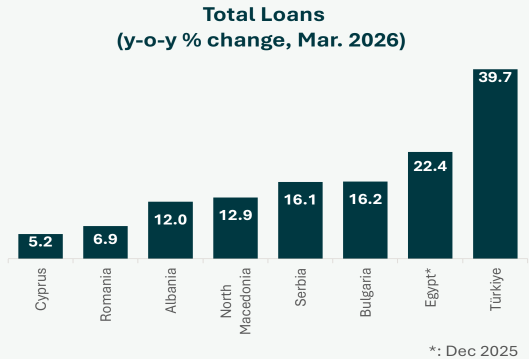
- Credit growth remained **resilient** until recently across most economies under review, reflecting buoyant domestic demand and the delayed pass-through of past monetary policy easing

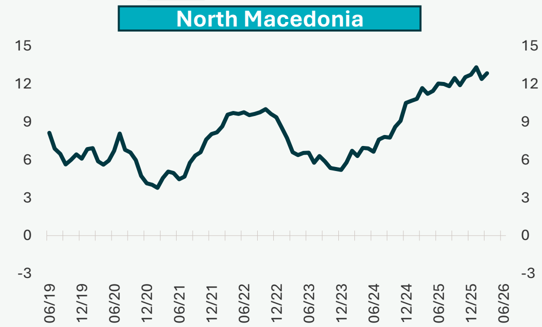


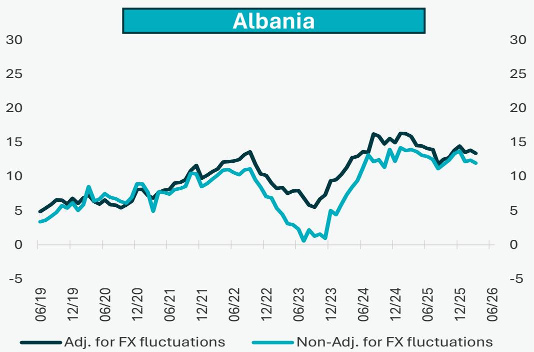


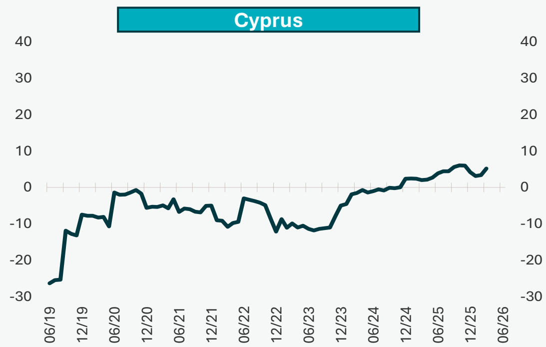


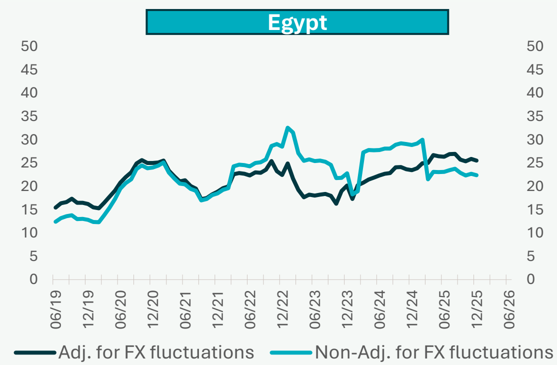








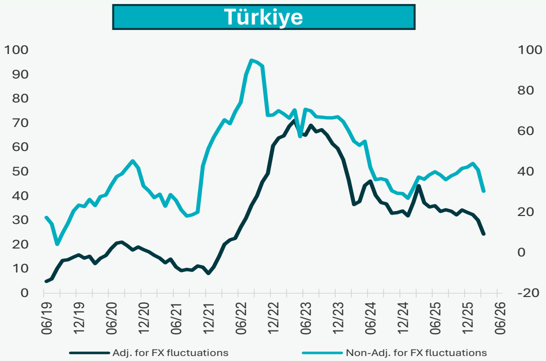


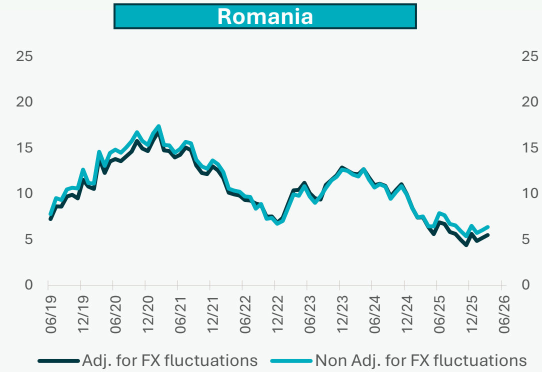


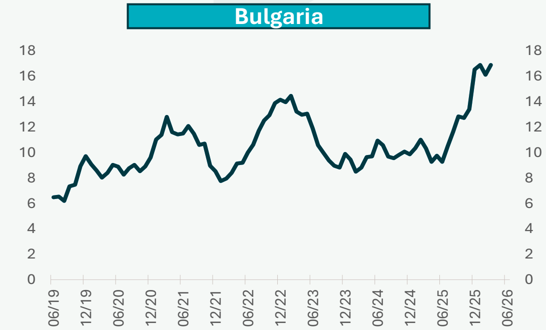
NATIONAL BANK OF GREECE

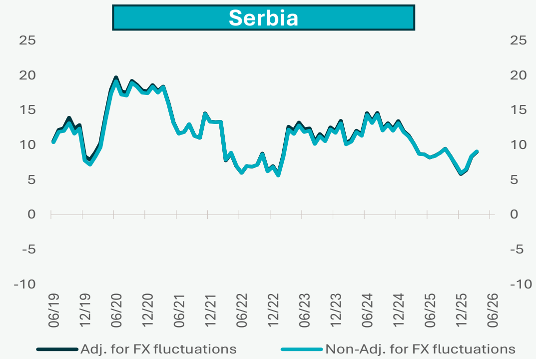
Total deposits (y-o-y % change)

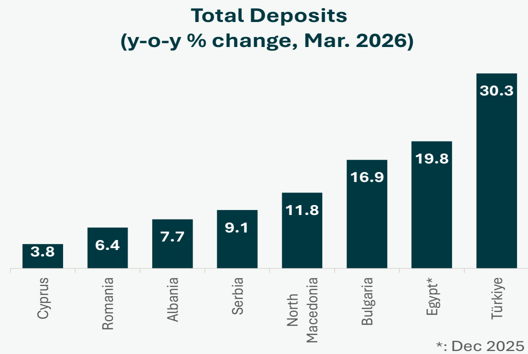
- Deposit growth was **strong** across most economies under review until recently, supported by still elevated real (*ex-post*) deposit interest rates and solid economic growth

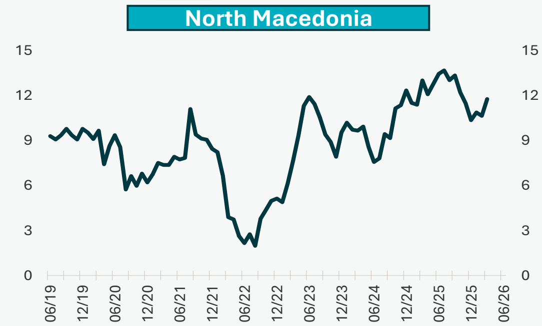


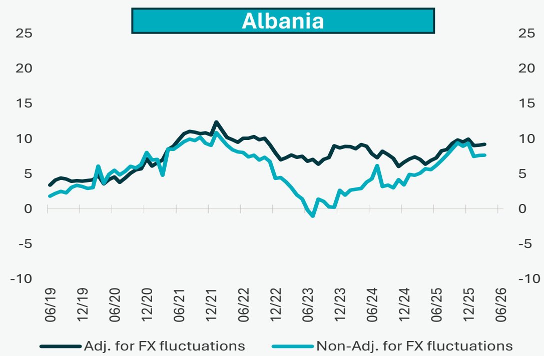


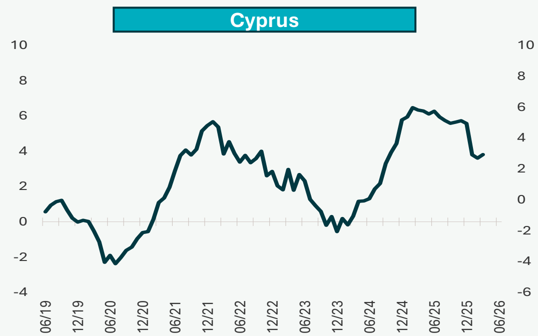


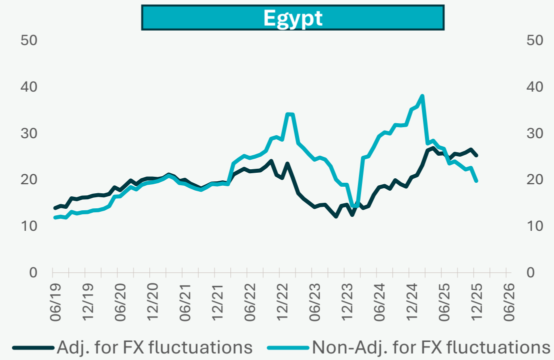








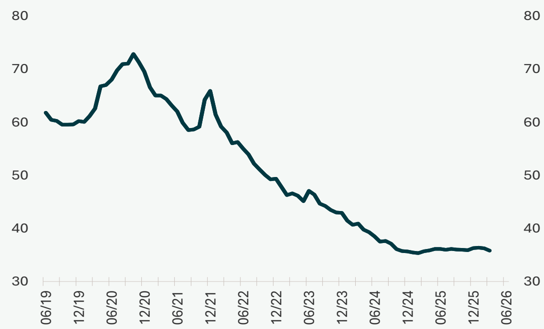




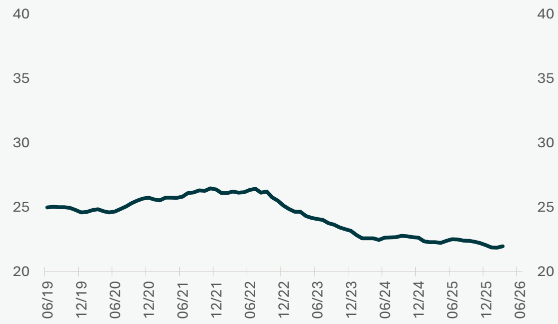
Total loans-to-GDP ratio (%)

- After bottoming out following the 2022 global energy shock, lending penetration has returned to pre-pandemic levels in **Bulgaria**, **North Macedonia**, and **Albania**. In contrast, it remains constrained in **Türkiye** and **Egypt** by tight monetary policy and high real interest rates. In **Cyprus**, the post-pandemic adjustment in the loan-to-GDP ratio primarily reflects a denominator effect, with a lesser contribution from ongoing balance sheet de-risking and market saturation, due to elevated indebtedness
- All economies under review, except Cyprus, are still **underpenetrated** in terms of lending

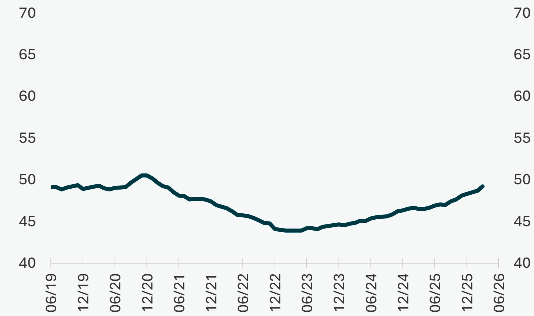
Türkiye



Romania

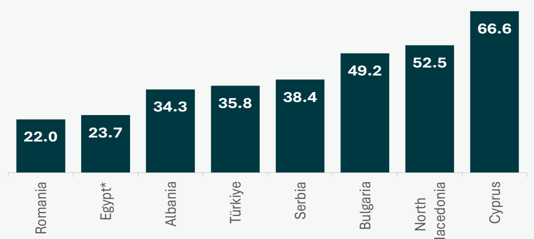


Bulgaria



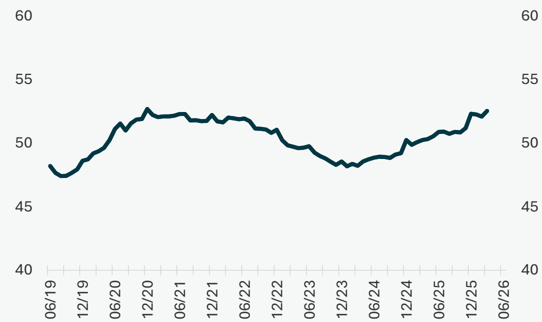
Serbia

Loans/GDP (%, Mar. 2026)

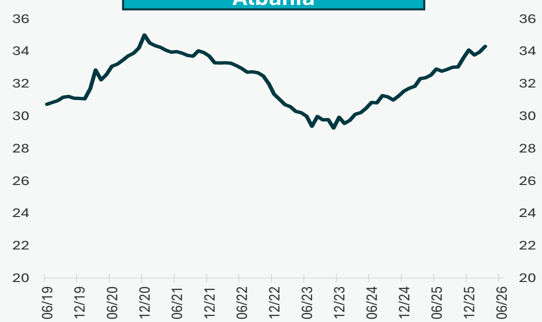


*: Dec 2025

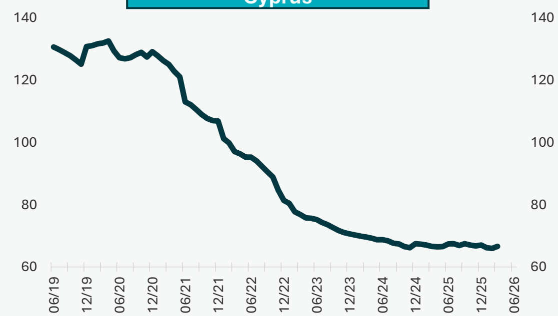
North Macedonia



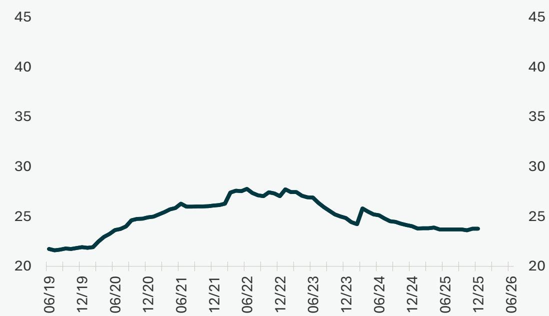
Albania



Cyprus

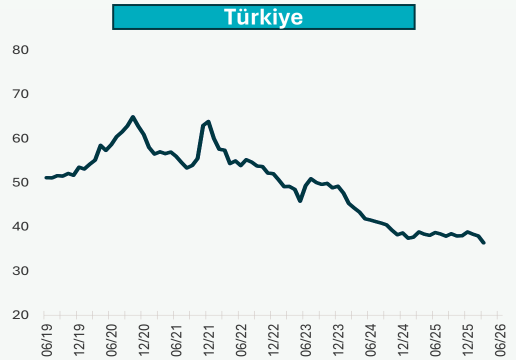


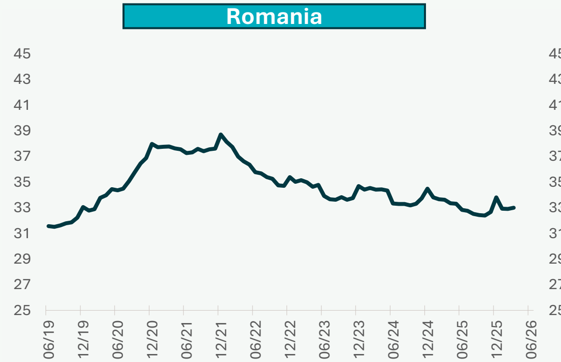
Egypt

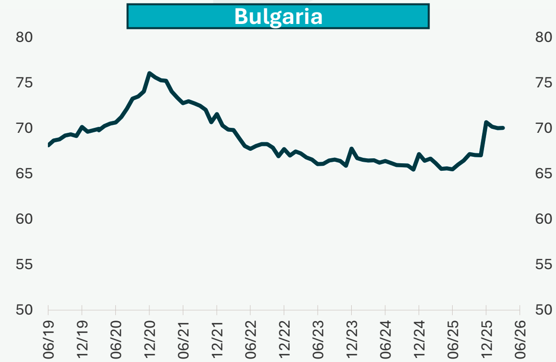


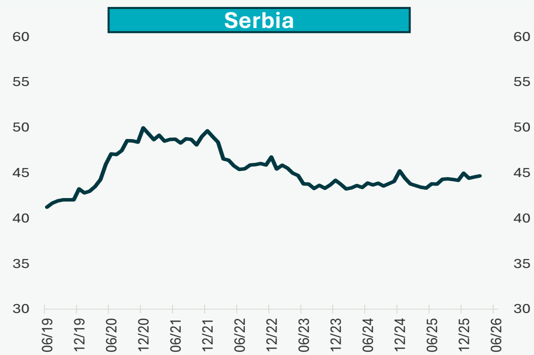
Total deposits-to-GDP ratio (%)

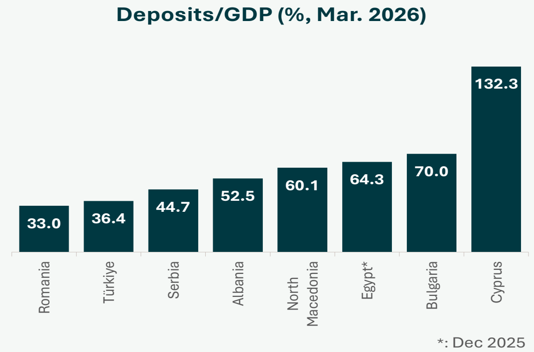
- In **Romania**, **Bulgaria**, **Serbia** and **North Macedonia**, a sustained recovery in household savings had led to a significant reconstitution of deposit-to-GDP ratios towards pre-2022 levels. This buildup of liquidity has bolstered macro-financial buffers, providing agents with a critical cushion to absorb renewed inflationary headwinds
- Macroeconomic adjustment in **Türkiye** and **Egypt** has weighed on deposit levels. In **Albania**, the deposit base has faced significant valuation losses due to the Lek's appreciation amid high euroization. In **Cyprus**, after a post-pandemic correction driven by solid nominal GDP growth and, to a lesser extent, the targeted withdrawal of non-resident deposits -- mainly Russian -- the deposit-to-GDP ratio has stabilized well above the euro area average, reflecting the country's role as a regional financial hub

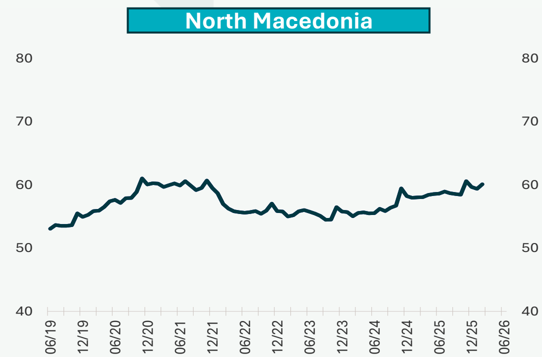


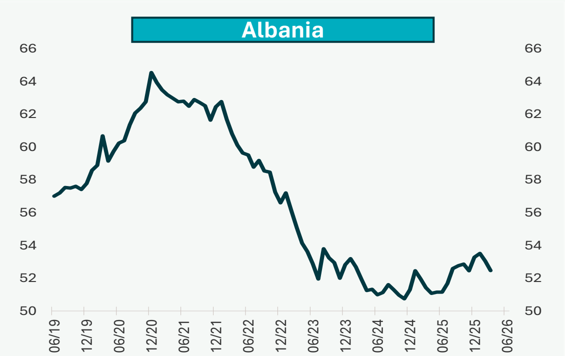


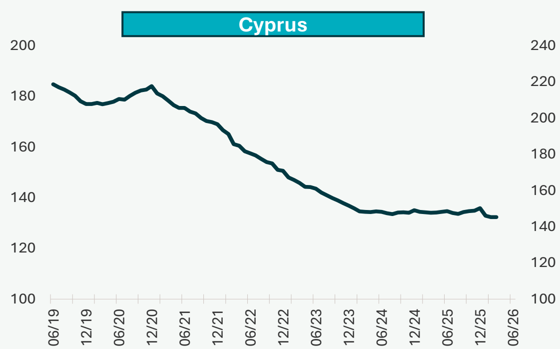


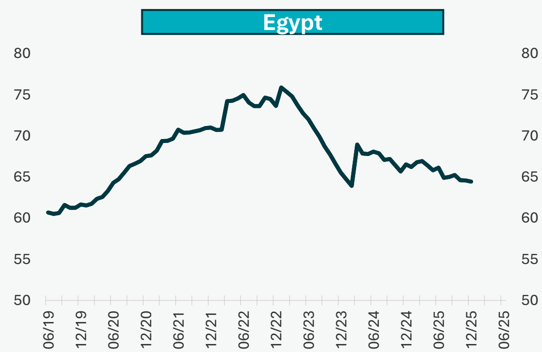






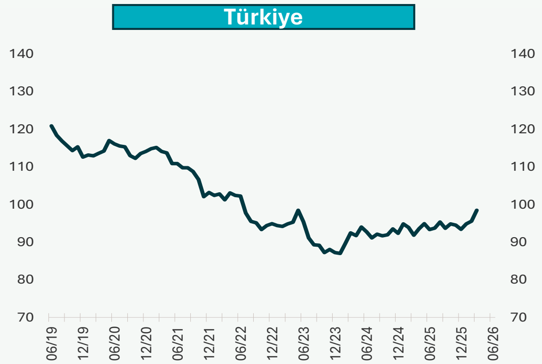


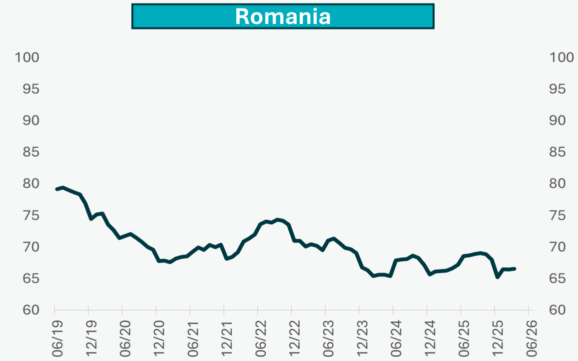


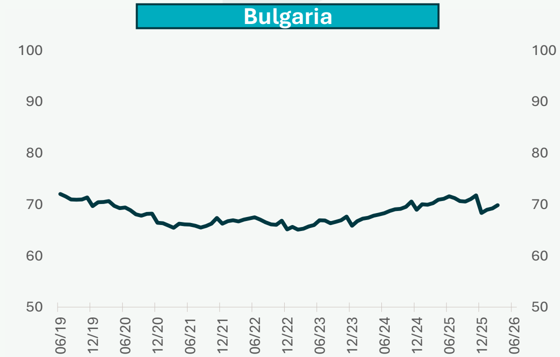


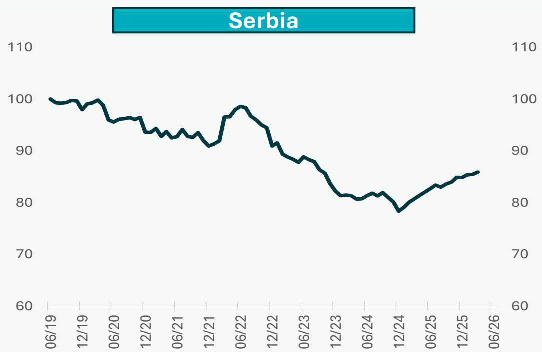
Total loans-to-total deposits ratio (%)

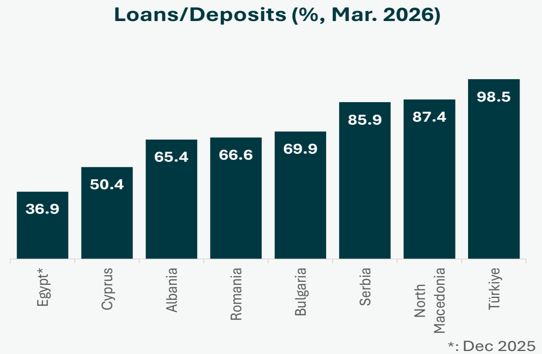
- All banking systems under review, except Türkiye's, enjoy a loan-to-deposit ratio **below** the 100% threshold

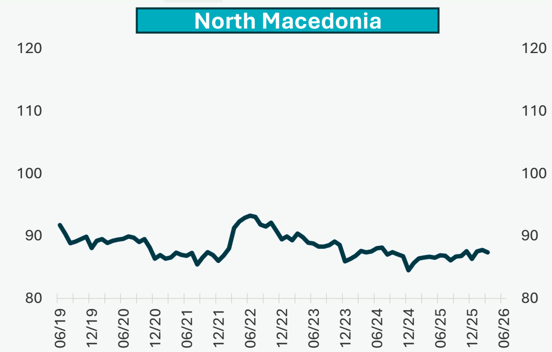


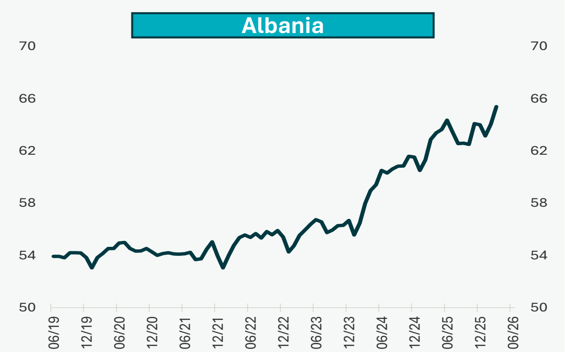


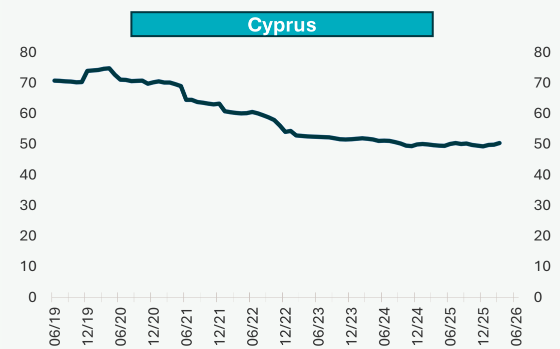


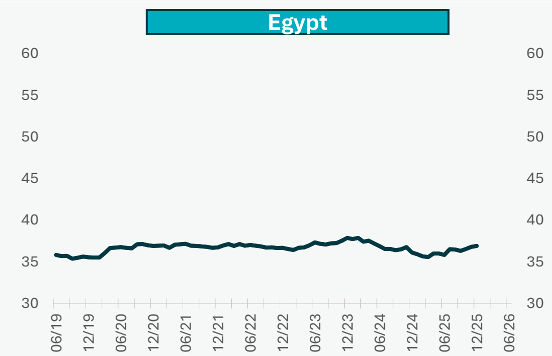






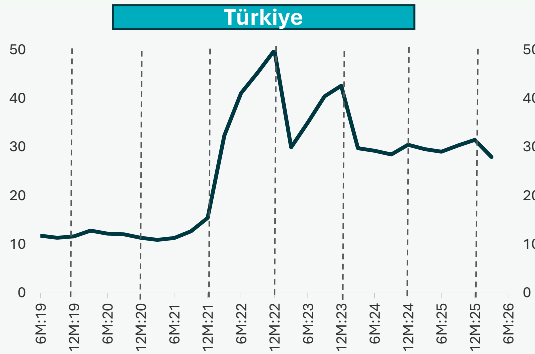


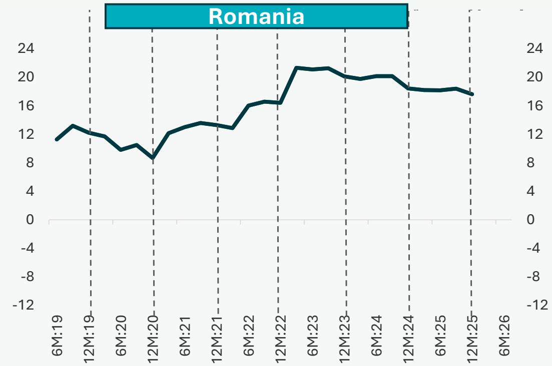


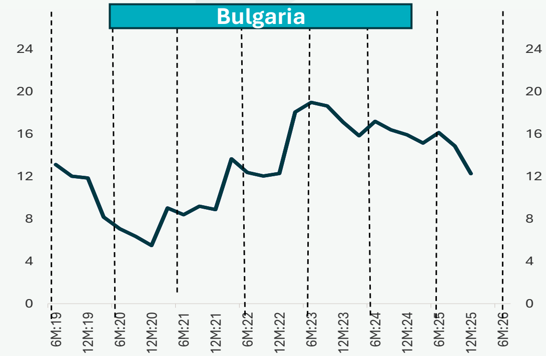


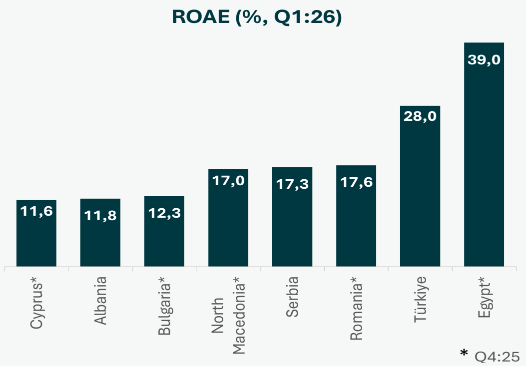
Return-to-average equity ratio (%, cumulative and annualised)

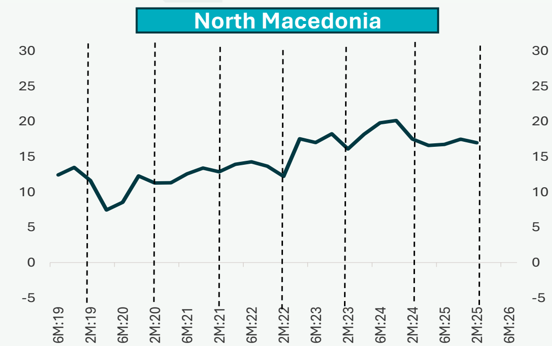
- A **higher-for-longer interest rate environment**, amid the ongoing global energy price shock, is expected to support banks' profitability despite potentially **higher provisioning needs**

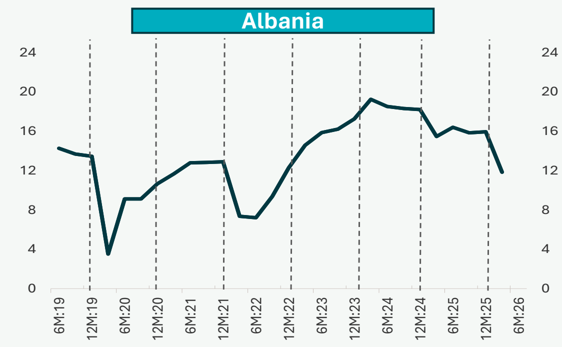


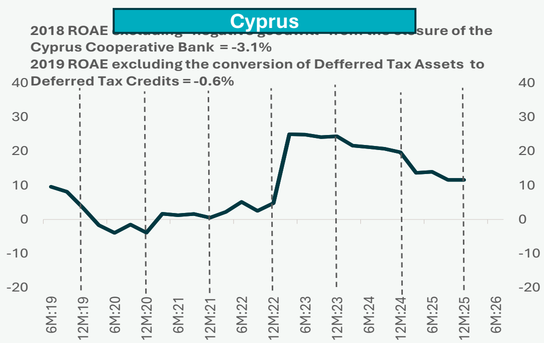


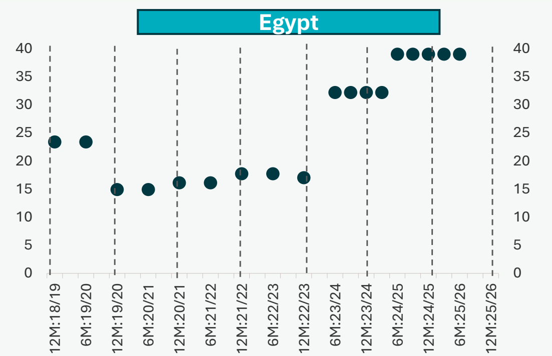








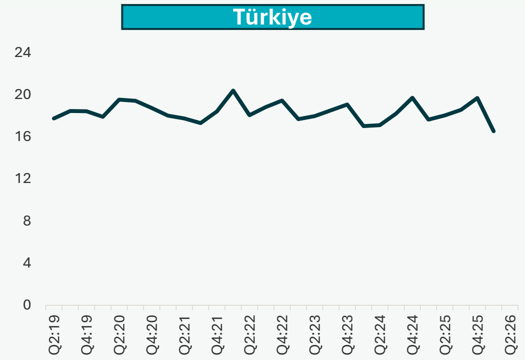


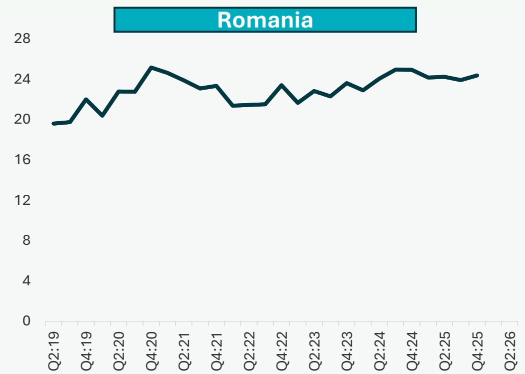


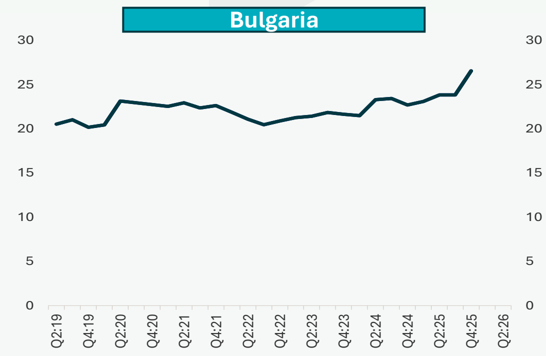
NATIONAL BANK OF GREECE

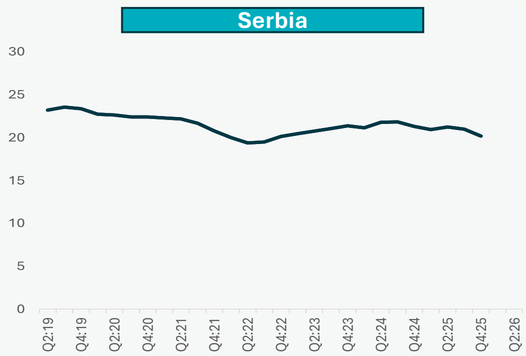
Capital adequacy ratio (%)

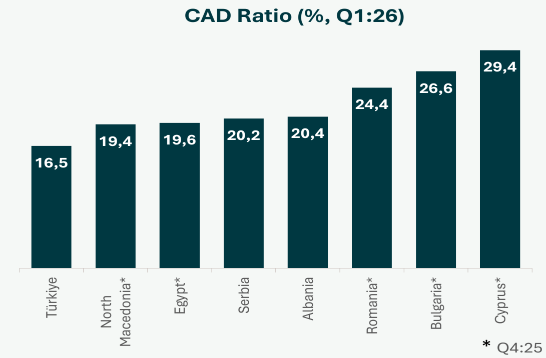
- Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses

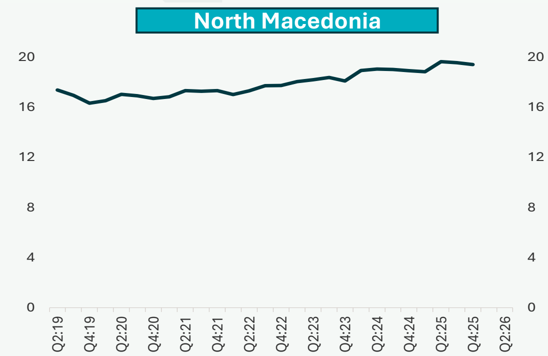


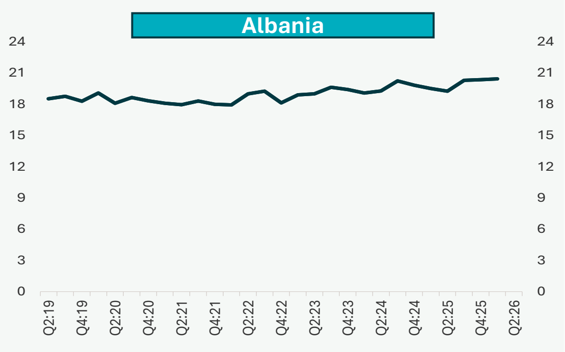


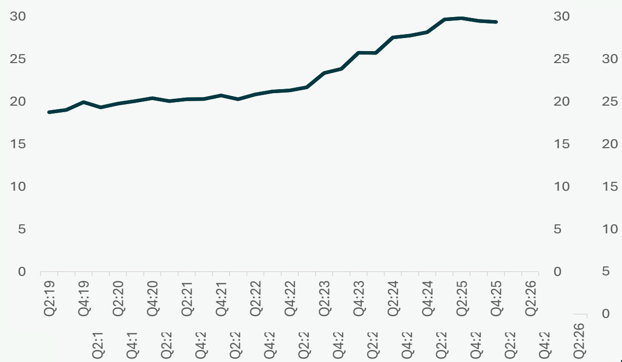


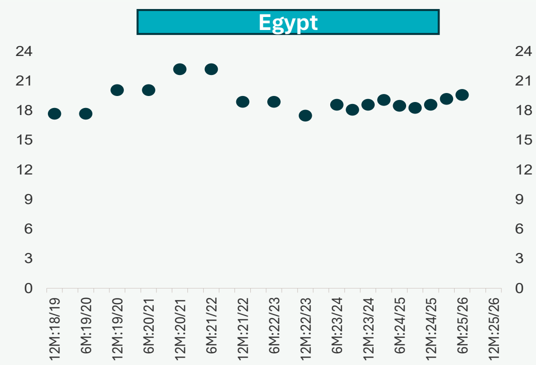






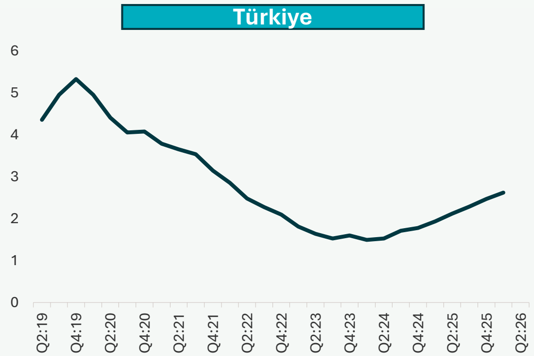


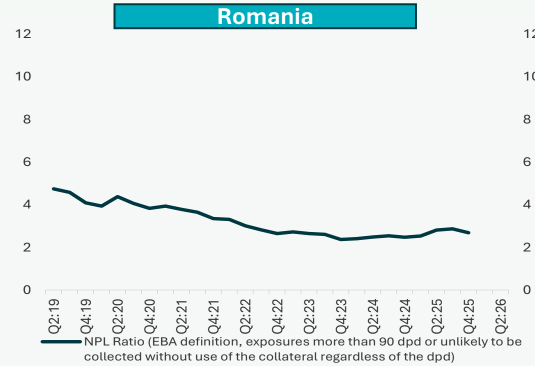


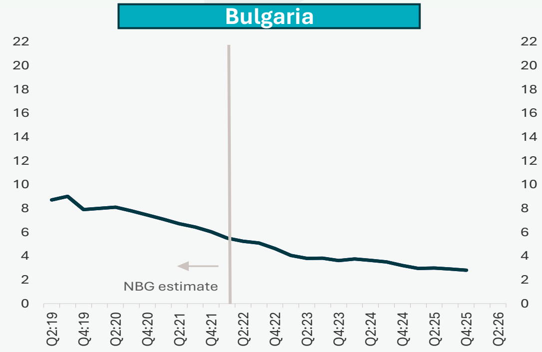


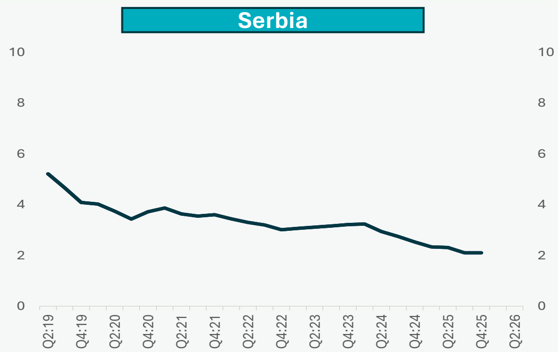
Non-performing loans ratio (%)

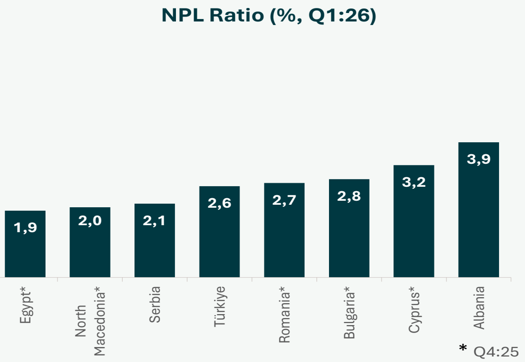
- Asset quality continues to improve across most banking systems under review, with NPL ratios at **multi-year lows**
- The NPL ratio in **Türkiye** has embarked on an upward trend, reflecting the gradual phasing out of regulatory forbearance measures as well as tighter financing conditions

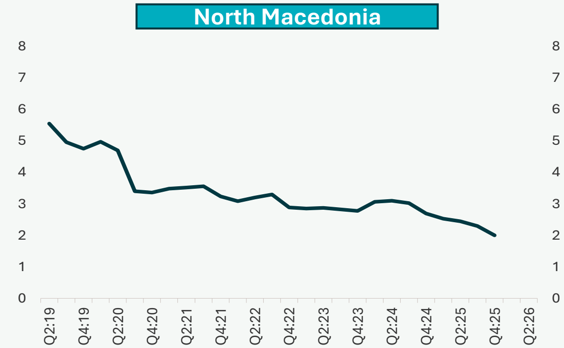


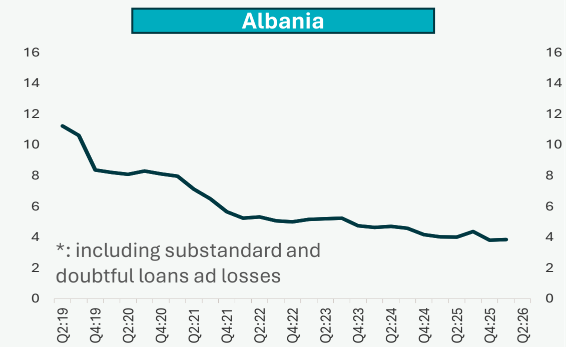


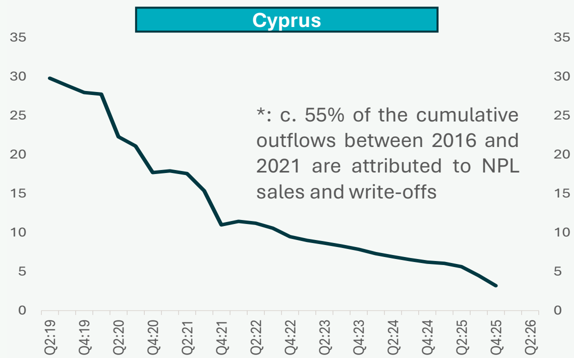


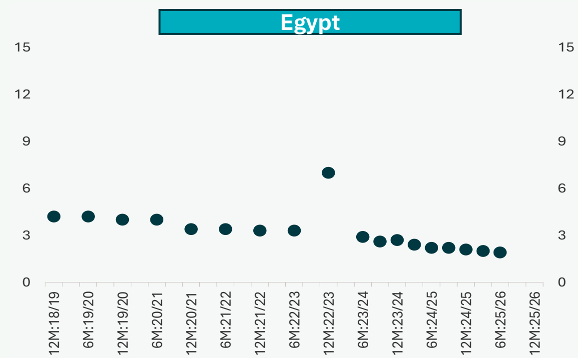












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