



NATIONAL BANK OF GREECE

# Economic Analysis Division

## Emerging Markets Analysis

### Quarterly Chartbook

Q3:2022



Turkey, Romania, Bulgaria, Serbia, North Macedonia, Albania, Cyprus, Egypt

*“Regional economies enter a period of high inflation and moderate, yet still healthy, economic growth”*

- Special Focus on the impact of the Russia- Ukraine crisis
- Update on Banking Sector Developments

**NBG - Economic Analysis Division**

**Emerging Markets Analysis**

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## Quarterly Chartbook

# Q3:2022


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**Republic of Turkey**




Population (2022, mn): 86.2  
 GDP (2022, EUR, bn): 735.8  
 GDP per Capita (2022, EUR): 8,537  
 Government type: Parliamentary Republic  
 Chief of state: Recep Tayyip ERDOGAN  
 Head of Government: Recep Tayyip ERDOGAN  
 Minister of Finance: Nurredin NEBATI  
 Central Bank Governor: Sahap KAVCIOGLU




**Romania**



Population (2022, mn): 19.3  
 GDP (2022, EUR, bn): 282.1  
 GDP per Capita (2022, EUR): 14,596  
 Government type: Semi Presidential Republic  
 Chief of state: Klaus Werner IOHANNIS  
 Head of Government: Nicolae-Ionel CIUCA  
 Minister of Finance: Adrian CACIU  
 Central Bank Governor: Mugur ISARESCU



**Republic of Bulgaria**



Population (2022, mn): 6.8  
 GDP (2022, EUR, bn): 79.4  
 GDP per Capita (2022, EUR): 11,617  
 Government type: Parliamentary Republic  
 Chief of state: Rumen RADEV  
 Head of Government: Kiril PETKOV  
 Minister of Finance: Assen VASSILEV  
 Central Bank Governor: Dimitar RADEV



**Republic of Serbia**




Population (2022, mn): 6.9  
 GDP (2022, EUR, bn): 59.9  
 GDP per Capita (2022, EUR): 8,705  
 Government type: Parliamentary Republic  
 Chief of state: Aleksandar VUCIC  
 Head of Government: Ana BRNABIC  
 Minister of Finance: Sinisa MALI  
 Central Bank Governor: Jorgovanka TABAKOVIC



**Republic of North Macedonia**




Population (2022, mn): 1.8  
 GDP (2022, EUR, bn): 13.5  
 GDP per Capita (2022, EUR): 7,388  
 Government type: Parliamentary Republic  
 Chief of state: Stevo PENDAROVSKI  
 Head of Government: Dimitar KOVACEVSKI  
 Minister of Finance: Fatmir BESIMI  
 Central Bank Governor: Anita ANGELOVSKA-BEZHOSKA




**Republic of Albania**




Population (2022, mn): 2.9  
 GDP (2022, EUR, bn): 17.0  
 GDP per Capita (2022, EUR): 5,958  
 Government type: Parliamentary Republic  
 Chief of state: Bajram BEGAJ  
 Head of Government: Edi RAMA  
 Minister of Finance: Delina IBRAHIMAJ  
 Central Bank Governor: Gent SEJKO




**Republic of Cyprus**



Population (2022, mn): 0.9  
 GDP (2022, EUR, bn): 25.8  
 GDP per Capita (2022, EUR): 28,397  
 Government type: Presidential Republic  
 Chief of state: Nicos ANASTASIADES  
 Head of Government: Nicos ANASTASIADES  
 Minister of Finance: Constantinos PETRIDES  
 Central Bank Governor: Constantinos HERODOTOU



**Arab Republic of Egypt**



Population (2022, mn): 106.0  
 GDP (2022, EUR, bn): 373.6  
 GDP per Capita (2022, EUR): 3,522  
 Government type: Presidential Republic  
 Chief of state: Abdel Fattah Saeed EL-SISI  
 Head of Government: Mostafa MADBOULY  
 Minister of Finance: Mohamed MAAIT  
 Central Bank Governor: Tarek AMER

- **Bulgaria** has entered a new period of political instability, following the collapse of the 6-month old ruling coalition, led by the liberal, anti-graft “We Continue the Change” party, in June, due to the withdrawal of the populist ITN party. Snap election will be most likely called for October. Against this backdrop, we expect policy implementation to be affected, threatening the disbursement of the next tranches of EU funds under the Recovery and Resilience Facility. With the latest polls showing seven parties entering the parliament and none of them obtaining an absolute majority if elections were held today, the formation of the next government would be a difficult exercise. Importantly, the anchors provided by the long-standing currency board and the inclusion of the BGN into the ERM II, a precursor to the adoption of the euro, for all of which there is consensus among political parties, limit the risk of a serious disruption in economic policies
- In a significant breakthrough, **North Macedonia**’s Parliament endorsed a French-mediated deal to settle a dispute with Bulgaria, potentially clearing the way for the launch of long-awaited EU accession negotiations. The deal provides, *inter alia*, for the amendment of North Macedonia’s constitution to recognise the existence of a Bulgarian minority. Worryingly, however, with the ruling coalition lacking a constitutional majority and the opposition having rejected the deal, the eventual opening of the first chapters of accession negotiations could be delayed further
- In **Turkey**, the economic turmoil tests President Erdogan’s popularity, increasing the risk of further escalation in political tensions and polarization ahead of next year’s elections

Date of Next Elections								
	Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	June 2023	December 2024	July 2025	April 2026	July 2024	April 2025	May 2026	Oct.- Nov. 2025
Presidential	June 2023	November 2024	November 2025	April 2027	April 2024	June 2027	February 2023	March 2024
Local	March 2024	September 2024	October 2023	April 2026	October 2025	June 2023	May 2024	Unknown *

\*: Last local elections were held in April 2008

- **Egypt's** 12-month Stand-By Agreement with the IMF expired in 2021. The authorities are under discussions with the IMF for a new programme
- **North Macedonia** has applied for a Precautionary and Liquidity Line Arrangement with the IMF. Approval is still pending

IMF & EU Financial Support (EUR bn)												
		Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania		Cyprus	Egypt		
Period		---	---	---	2021-2023 <sup>a</sup>	2020 <sup>b</sup>	2014-2017 <sup>c</sup>	2020 <sup>b</sup>	2013-2016 <sup>d</sup>	2016-2019	2020 <sup>b</sup>	2020-2021
Programme	IMF	---	---	---	---	0.2	0.4	0.2	1.1	11.9 <sup>e</sup>	2.8 <sup>e</sup>	5.2 <sup>e</sup>
	EU	---	---	---	---	---	---	---	9.0	---	---	---
Drawn so far	IMF	---	---	---	---	0.2	0.4	0.2	1.0	11.9 <sup>e</sup>	2.8 <sup>e</sup>	5.4 <sup>e</sup>
	EU	---	---	---	---	---	---	---	6.3	---	---	---
Repaid	IMF	---	---	---	---	---	0.1 since 2019	---	1.1	0.2 <sup>e</sup>	---	---
	EU	---	---	---	---	---	---	---	---	---	---	---
Next Repayments	IMF	---	---	---	---	Starting in 2023	0.1 in 2022	Starting in 2023	---	0.8 in 2022	Starting in 2023	Starting in 2023
	EU	---	---	---	---	---	---	---	Starting in 2025	---	---	---

<sup>a</sup> Non-financing Policy Coordination Instrument

<sup>b</sup> Rapid Financing Instrument

<sup>c</sup> under Post-Programme Monitoring since 2018

<sup>d</sup> under Post-Programme Monitoring since 2016

<sup>e</sup> bn USD

- Full absorption of the funds available under the **EU Recovery & Resilience Facility** (RRF) should provide a significant impetus to economic recovery in **Romania, Bulgaria** and **Cyprus** in 2022-2027 (lifting their long-term potential GDP growth by c. 0.7 pps, unweighted)
- **Serbia, North Macedonia, Albania** and **Turkey** should benefit not only from EU pre-accession assistance but also from cross-border spillover effects from the RRF

EU Members			
Next Generation EU Fund (2021-23) & Multiannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	29.2	6.3	1.2
o/w Grants	14.2	6.3	1.0
Loans	14.9	- - -	0.2
Other**	3.2	1.4	0.2
Multiannual Financial Framework***	52.2	18.6	1.5

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

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

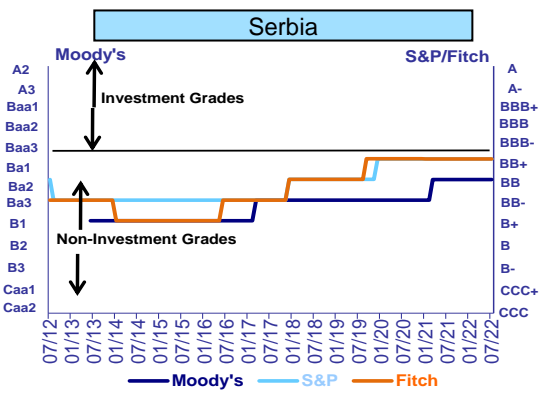
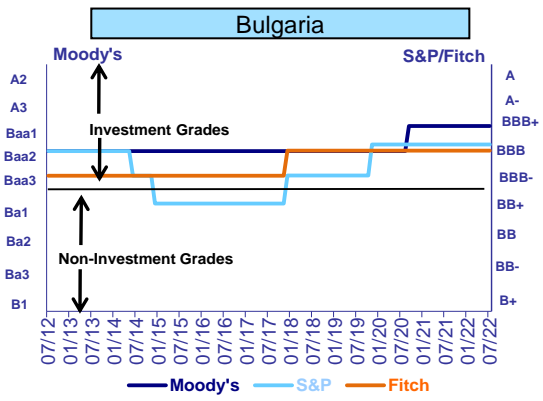
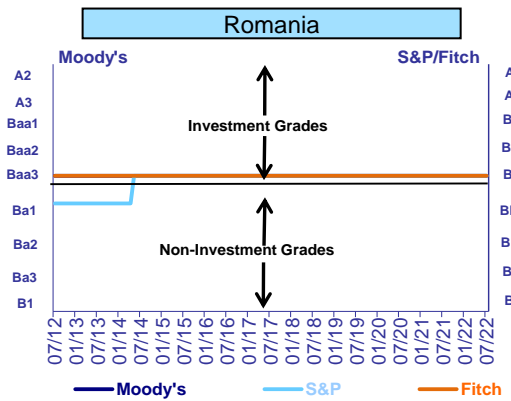
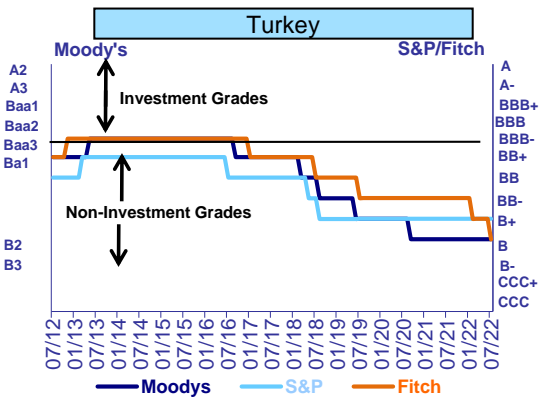
\*\*\* Includes Cohesion Policy allocations and payments under the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the Just Transition Fund.

EU Candidate Countries			
Instrument for Pre-Accession Assistance (IPA III, 2021-27)* (EUR bn)			
Turkey	Serbia	North Macedonia	Albania
4.7	2.0	0.8	0.8

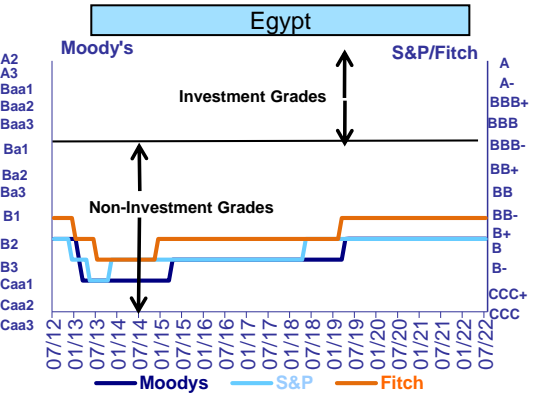
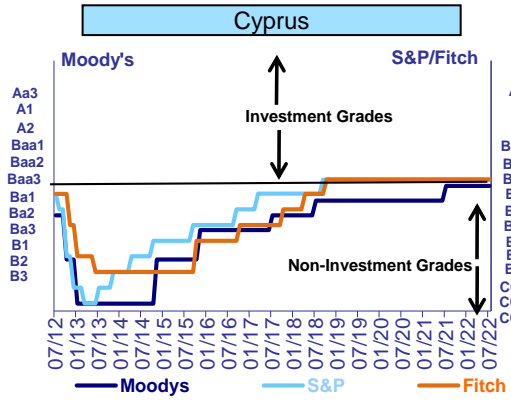
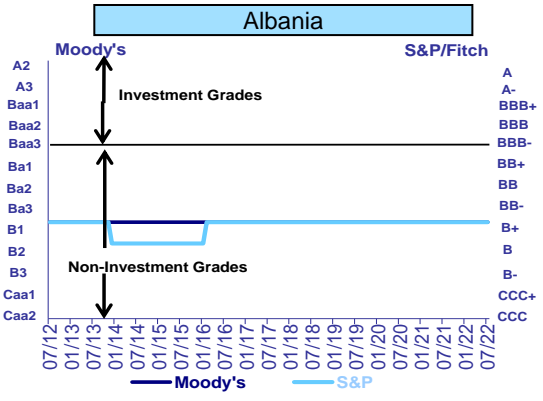
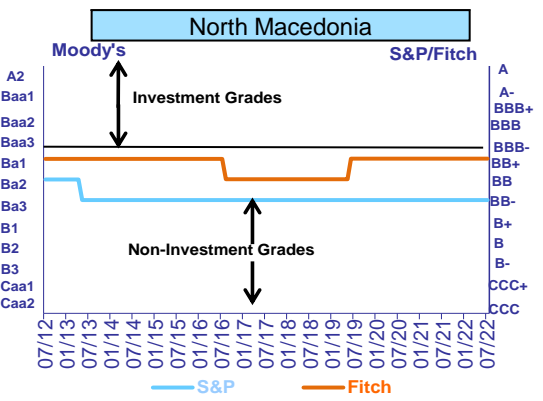
\* Indicative allocations, NBG calculations

# Foreign currency credit rating

- Turkey's credit rating was downgraded by 1 notch by Fitch to "B" with a negative outlook in July, confirming the economy's vulnerabilities in terms of high inflation, weak external position and limited policy credibility



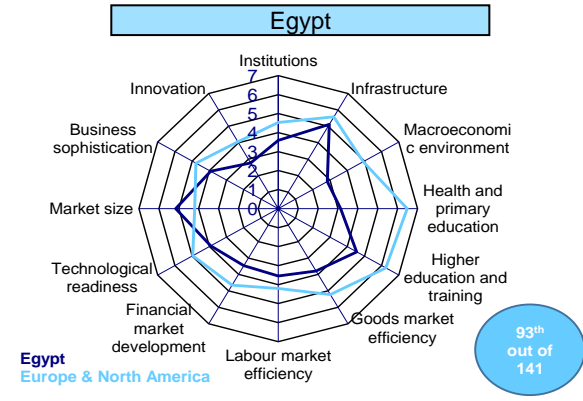
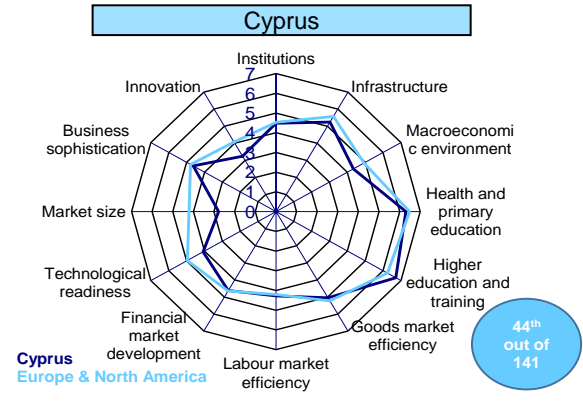
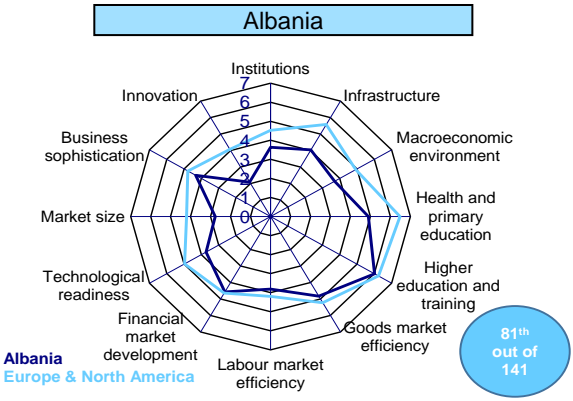
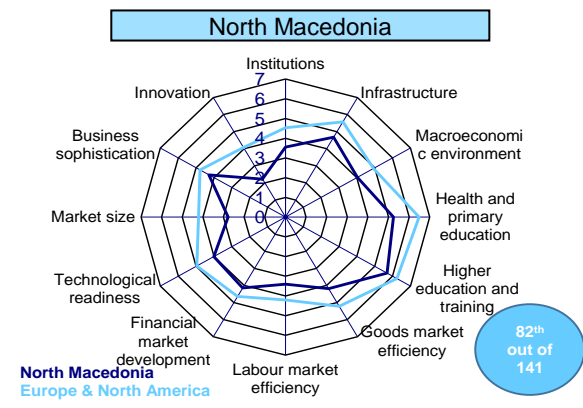
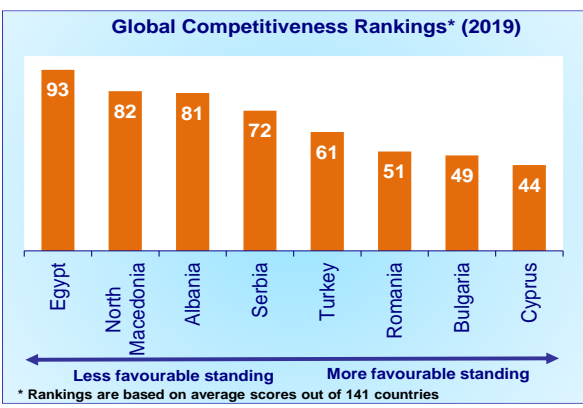
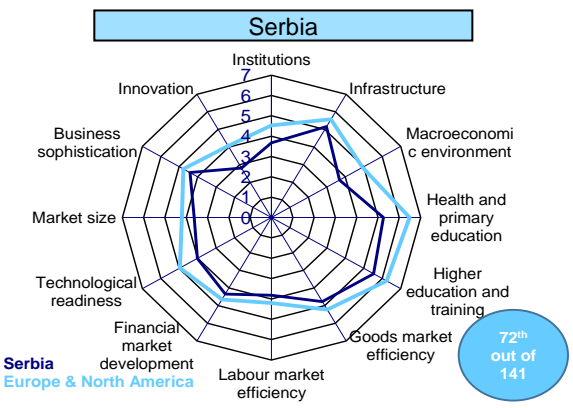
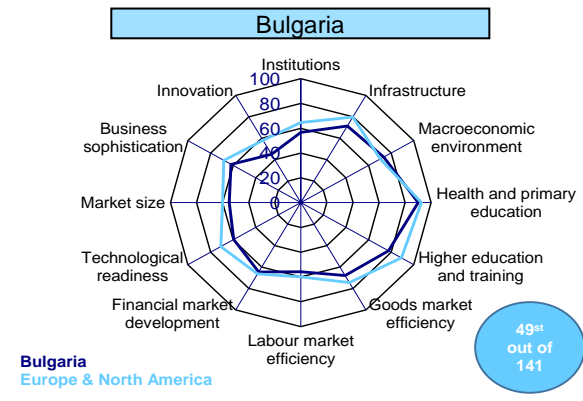
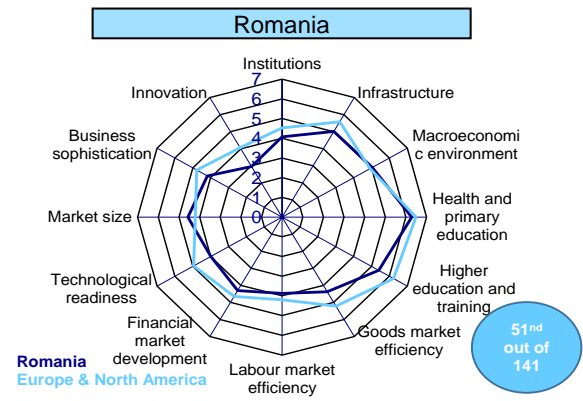
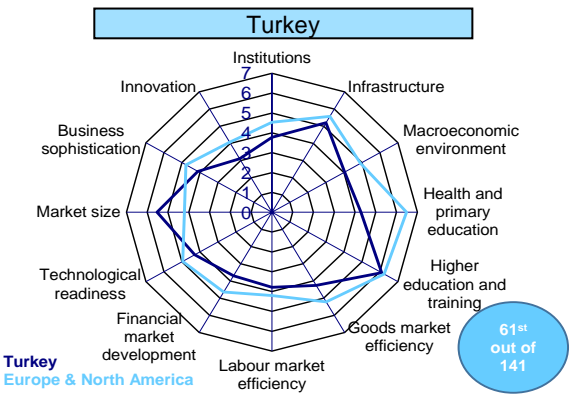
Long-Term Foreign Debt Currency Ratings, July 2022			
	S&P	Moody's	Fitch
Investment Grades	A+		
	A		
	A-		
	BBB+		Bulgaria
	BBB	Bulgaria	
	BBB-	Romania, Cyprus	Romania
Non-Investment Grades	BB+	Serbia	Cyprus
	BB		North Macedonia, Serbia
	BB-	North Macedonia	
	B+	Albania, Turkey	Albania
	B	Egypt	Egypt,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





# Global competitiveness index 2019 (World Economic Forum)

According to the latest WEF's GCI, **Cyprus** is the **most competitive** among the countries under review followed by **Bulgaria** and **Romania**

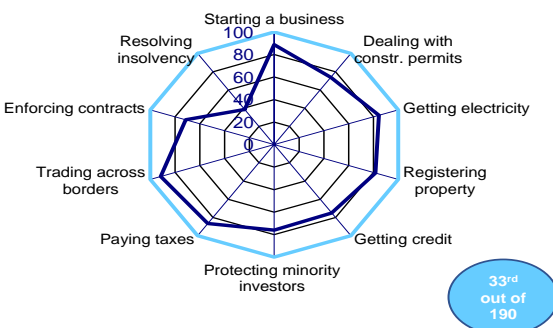




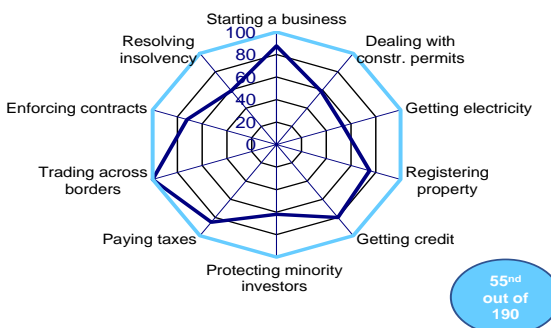
# Ease of doing business index 2020 (World Bank)

North Macedonia ranks 1<sup>st</sup> in terms of ease of doing business among the countries under review

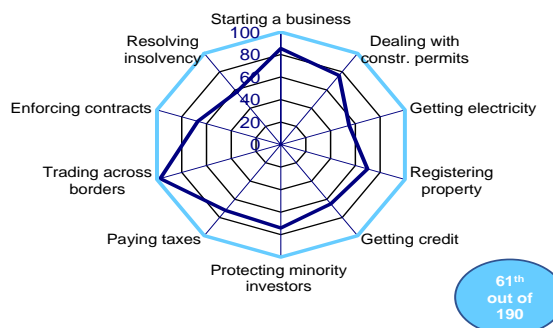
**Turkey**



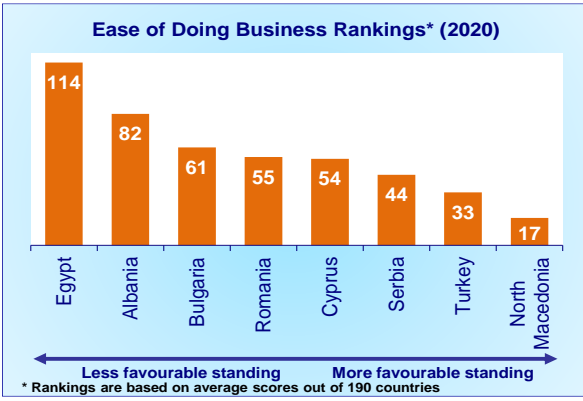
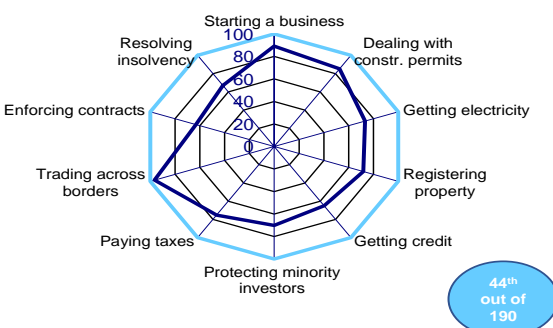
**Romania**



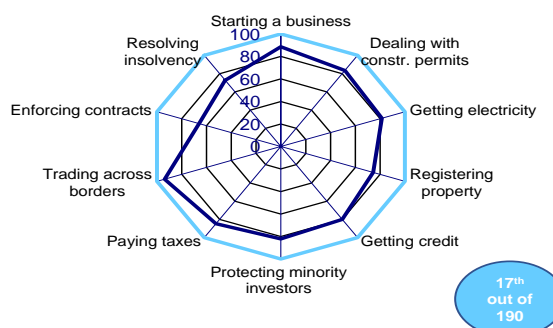
**Bulgaria**



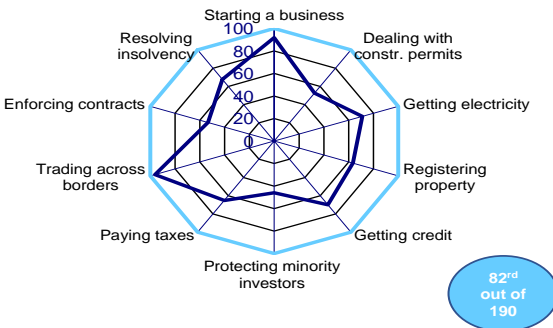
**Serbia**



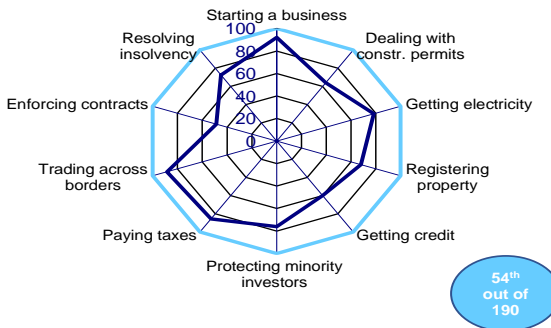
**North Macedonia**



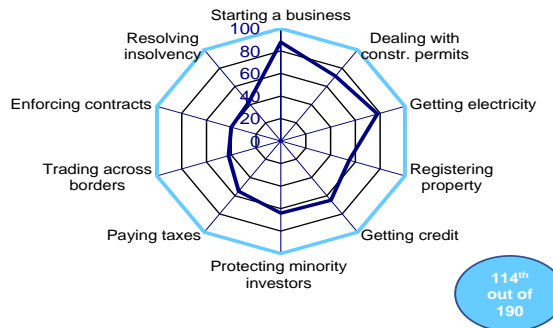
**Albania**



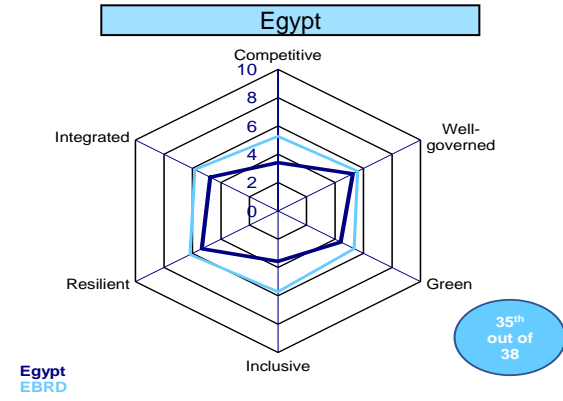
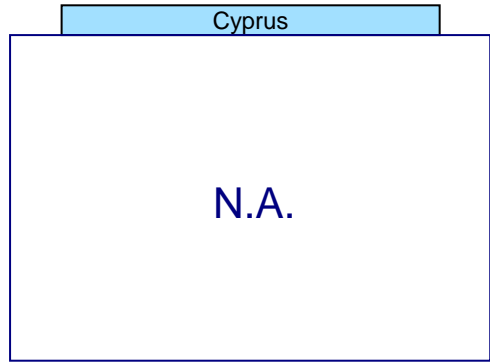
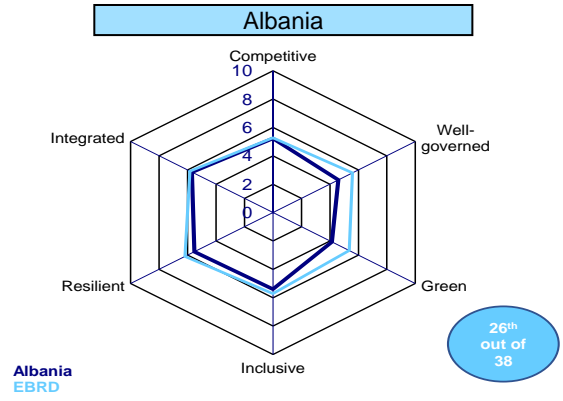
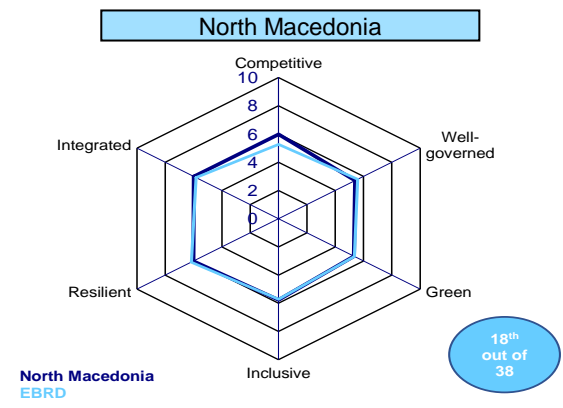
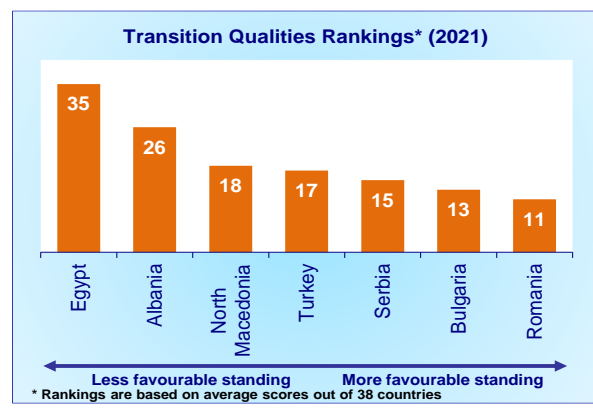
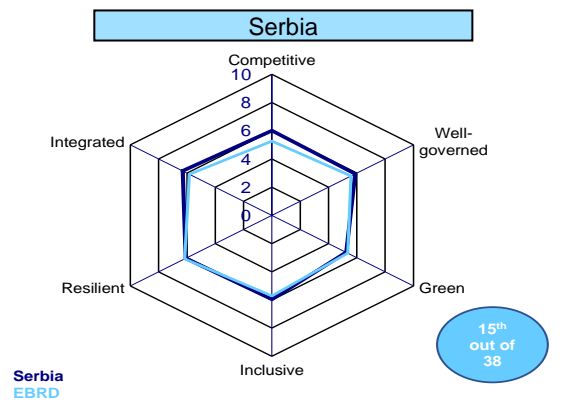
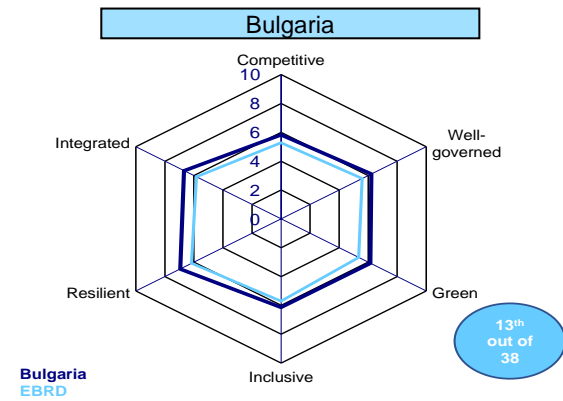
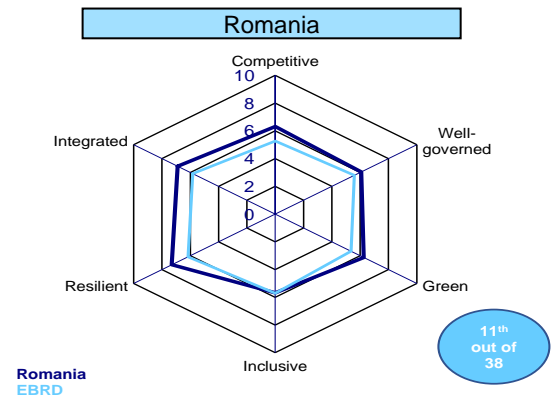
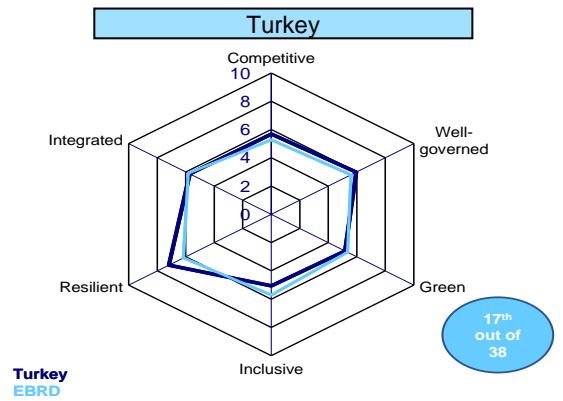
**Cyprus**



**Egypt**

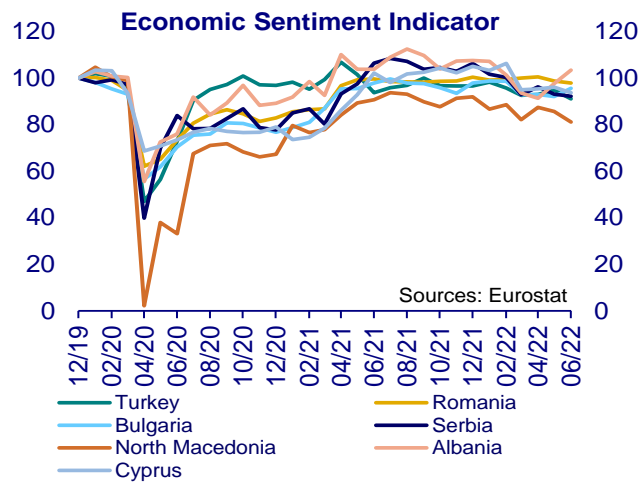
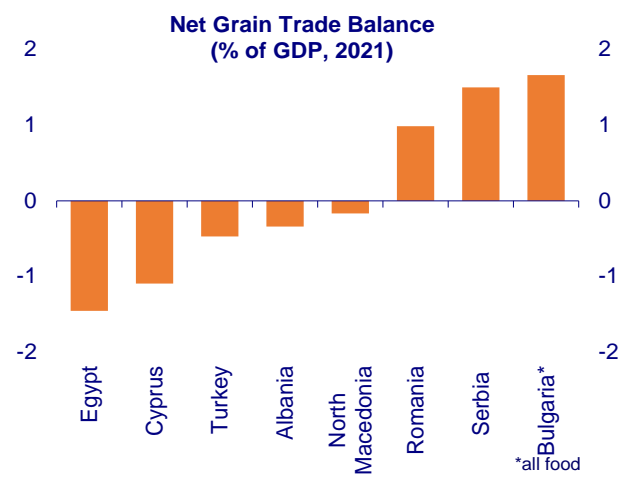
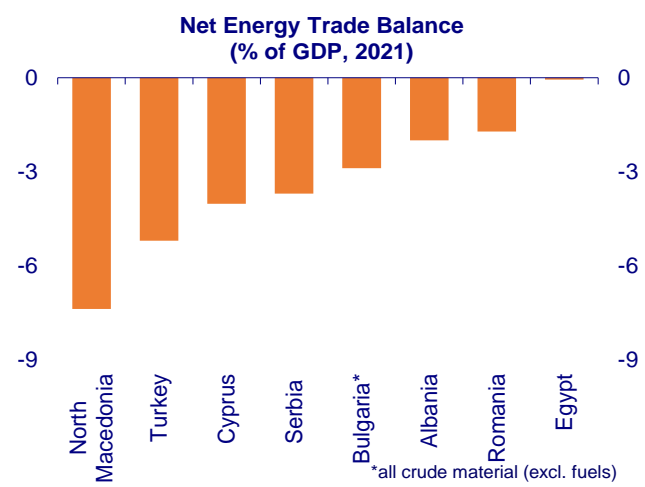


▪ Romania and Bulgaria have benefitted from their EU membership, moving ahead of their regional peers in terms of building a sustainable market economy



# Impact of the Russia-Ukraine crisis: Energy & Food Trade Balances and Economic Sentiment

- The **key transmission channel** of the implications of the ongoing Russia-Ukraine conflict has been that of **(higher) inflation**. Indeed, given the economies' **reliance on imports** to cover their **energy** (but for Egypt) and **food (grain)** needs (but for Bulgaria, Romania and Serbia), the spike in global commodity prices and associated second-round effects have pushed up the domestic inflation rates to record-high levels (see also next pages), weighing heavily on real disposable incomes
- Following the outbreak of the Russia-Ukraine conflict, **economic sentiment**, which had broadly recovered to its pre-COVID-19 levels in all the economies under review (but for North Macedonia), **has started deteriorating** again, adding to headwinds for economic growth



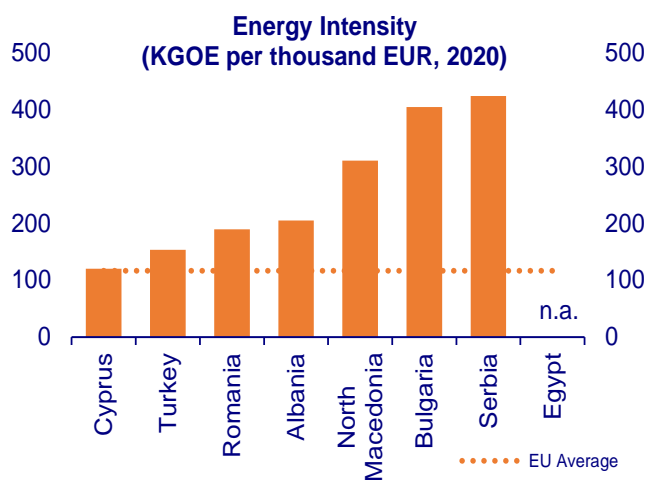
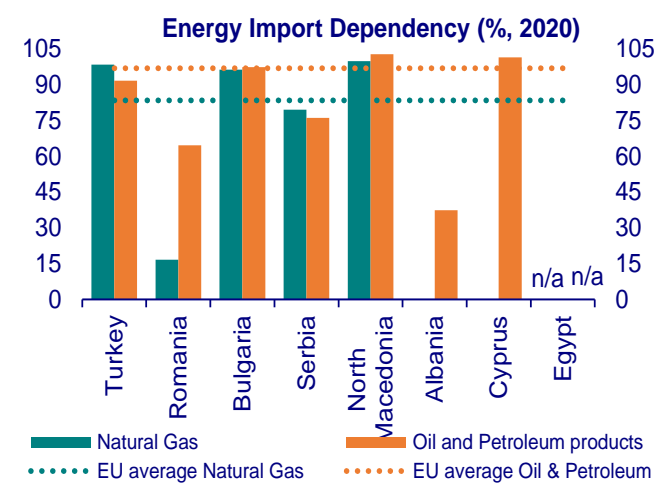
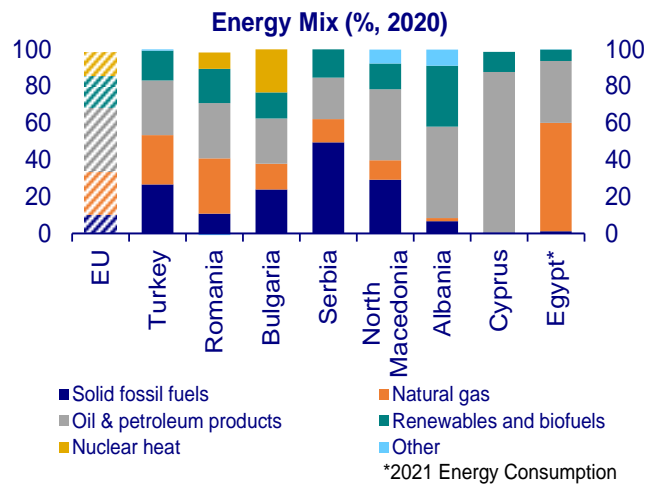
# Impact of the Russia-Ukraine crisis: Direct Trade of Goods & Services

- The impact of the Russia-Ukraine conflict on the economies' under review in terms of **direct exports of goods** has been small, reflecting their **limited exposure to these countries**. Still, **slowing economic growth in the EU**, the region's main trade partner, together (albeit to a lesser extent) with the war-induced disruptions to supply chains, should weigh on the economies' export performance
- The abrupt halt in tourist inflows from Russia and Ukraine is also expected to affect the **economies dependent on tourism**, especially **Cyprus**, despite the authorities' efforts to diversify the source countries. Nevertheless, the strong rebound in tourism activity this year, in the aftermath of the easing of COVID-19 restrictions (see also next pages), should largely mask this impact
- **Cyprus** would be also affected by the crisis through the channel of **business services**, for which Russia is a key export market (with related exports of accounting for a sizeable c. 11.5% of GDP)



# Impact of the Russia-Ukraine crisis: Energy Profiles

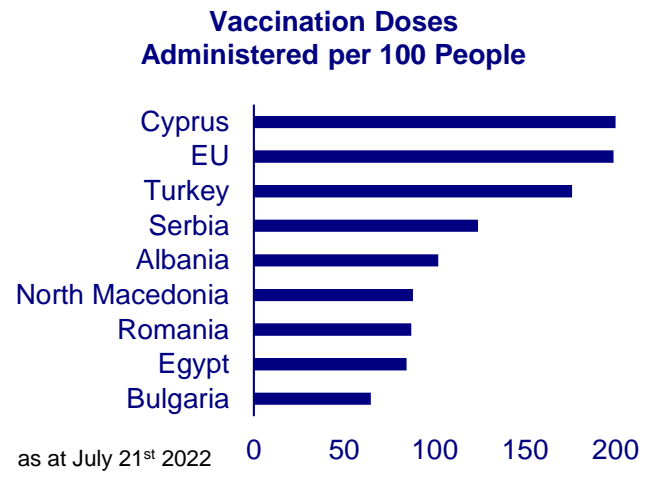
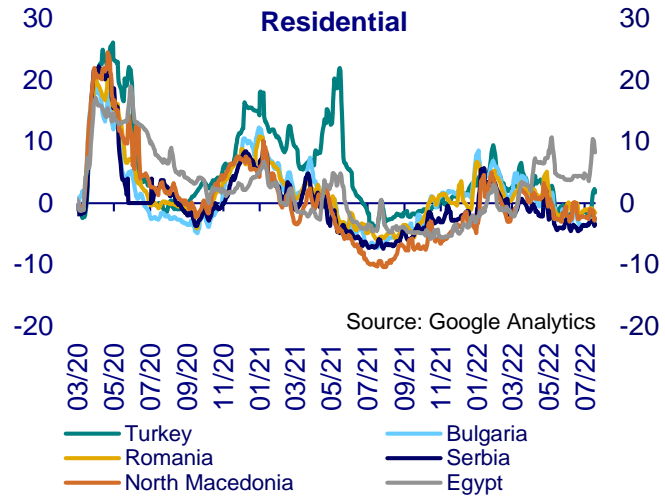
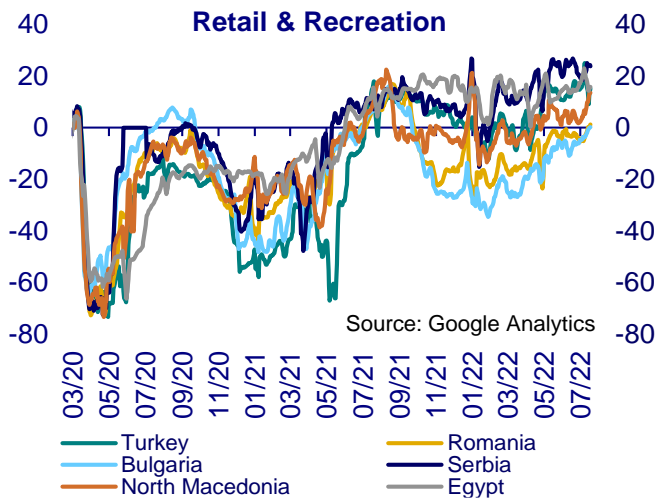
- **Fossil fuels play dominant role in the region's energy mix**, with oil & petroleum products holding the biggest share, followed by natural gas. Interestingly, solid fuels account for a significant share in most of the economies' energy mix (much larger than that of the EU), especially in Serbia, and could serve, to some extent, as a buffer to global energy shocks
- The economies' **high energy import dependency** suggests **increased energy security risks** (with Albania and Romania, however, being better placed than their peers). More worryingly, in light of the ongoing geopolitical tension, the economies' reliance on Russian energy supplies to cover their needs amplifies these risks
- At the same time, the economies' **very high energy intensity**, which, *inter alia*, stems from a relatively **low energy efficiency**, increases their **vulnerability to energy price volatility and potential disruptions to energy flows**



Source: Energy statistics - europa.eu

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

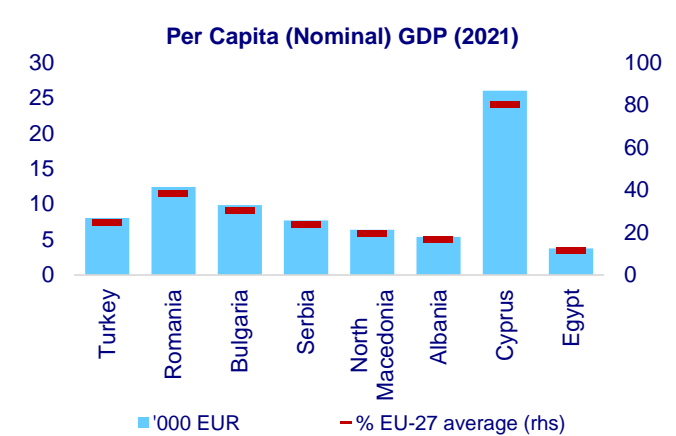
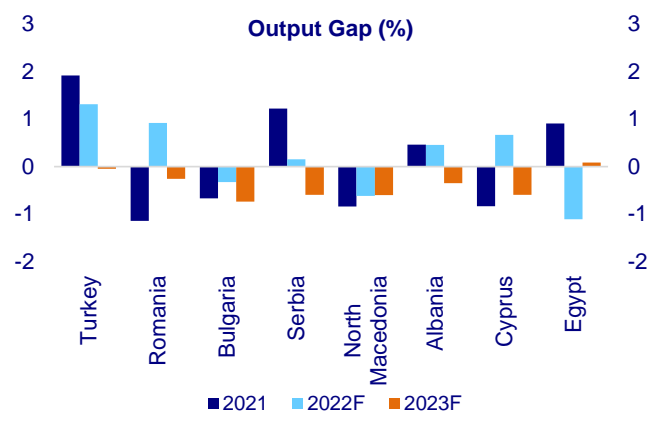
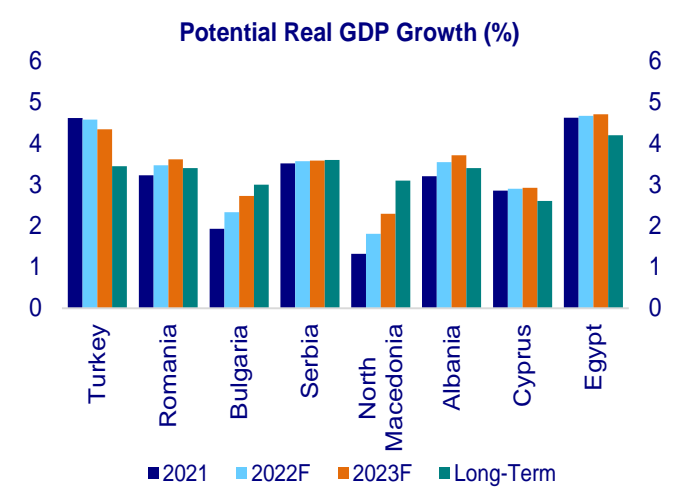
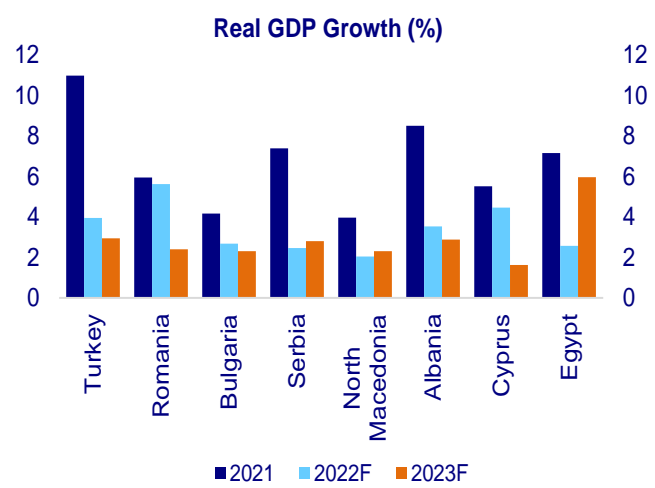
- Community mobility has recovered to pre-COVID-19 levels, following the improvement in the epidemiological situation (with the Omicron variant being less fatal than its predecessors) and the concomitant easing in social distancing measures
- Still, the evolution of COVID-19 poses a downside risk to the economic outlook, especially for **Bulgaria and Egypt**, where **vaccination coverage remains low**



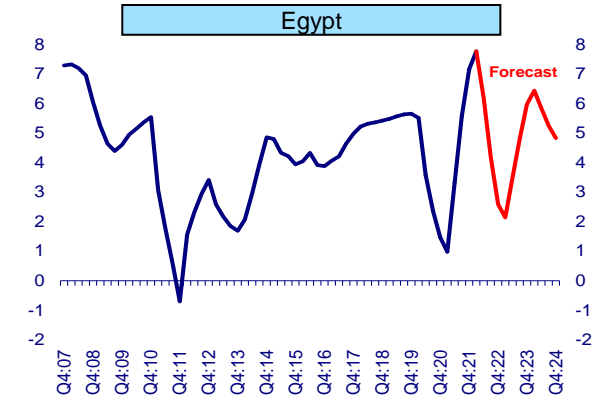
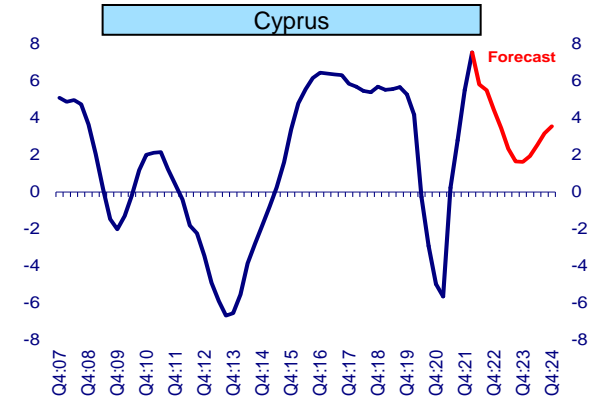
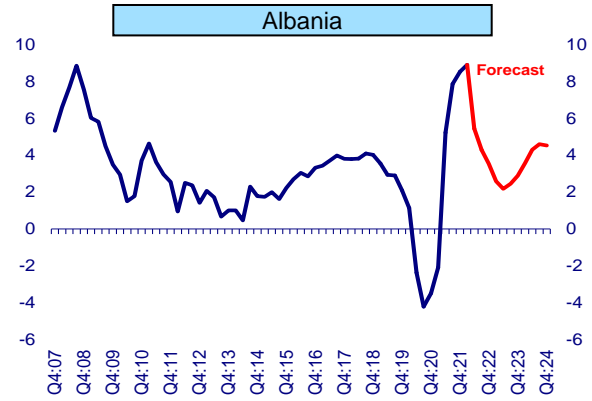
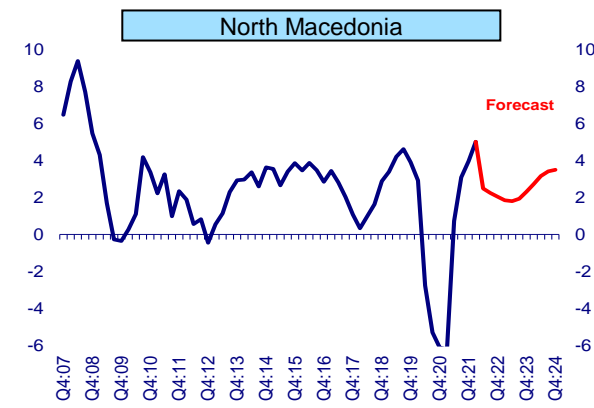
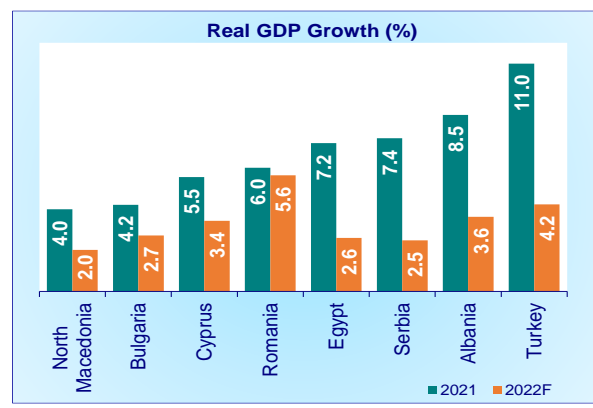
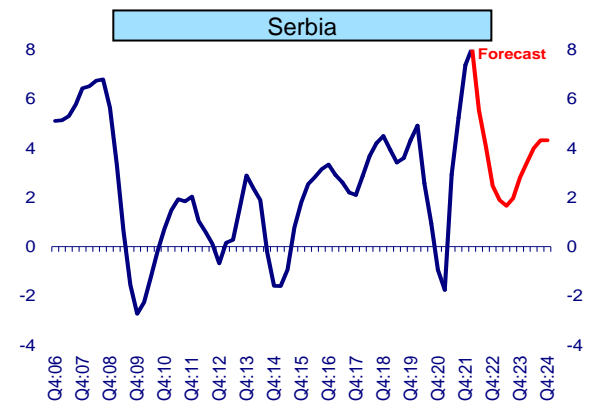
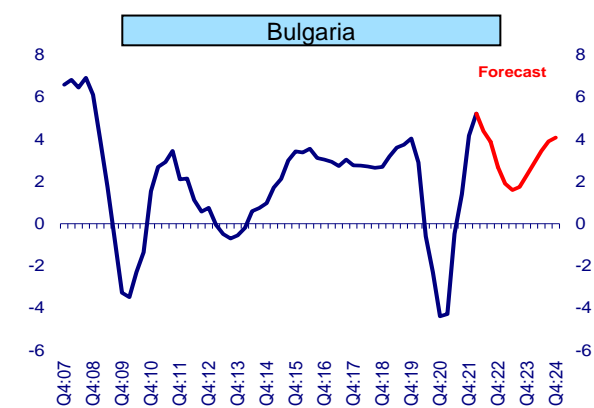
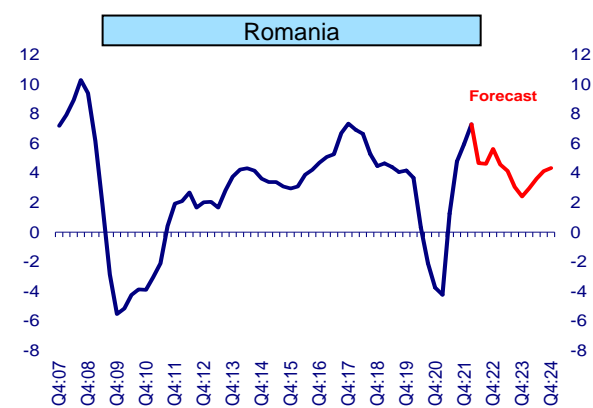
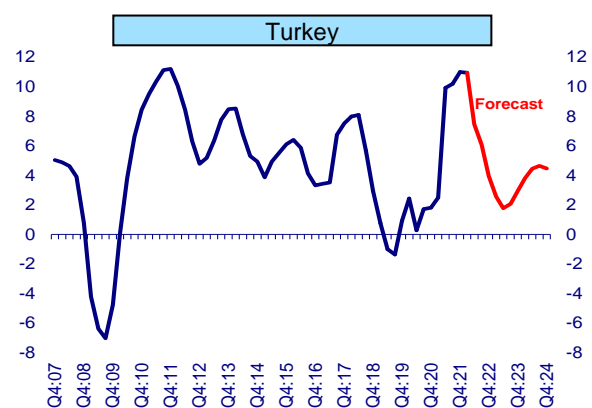


# Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- **Economic growth** is set to **slow down** markedly in all the countries under review, reflecting the impact of the **negative terms-of-trade shock from higher global commodity prices**, in the aftermath of the Russia-Ukraine conflict, on both domestic and external demand
- Visibility remains low when it comes to longer-term forecasts. Assuming some **easing of price pressures in 2023**, we see **economic momentum gaining steam**, especially in H2:23, despite the significant (lagged) impact of the **ongoing monetary policy tightening**. Still, we expect FY:23 GDP growth to come in lower than that of FY:22, reflecting a much smaller carry-over effect from previous year
- Should the implications of the ongoing geopolitical tensions prove to be harsher than assumed (e.g. involving physical disruptions to energy supply), economic growth could be much lower than projected. An unexpected and abrupt tightening in global financing conditions (including capital flow reversals) also poses a downside risk

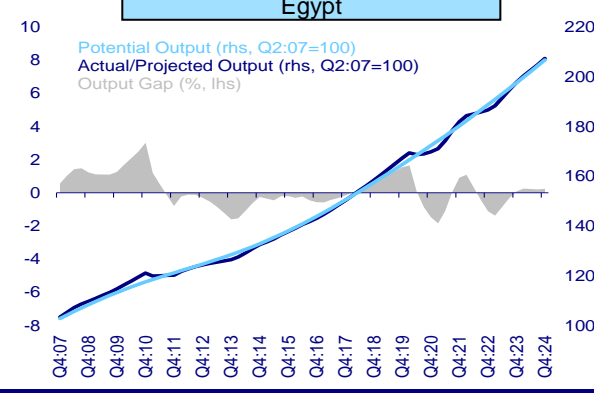
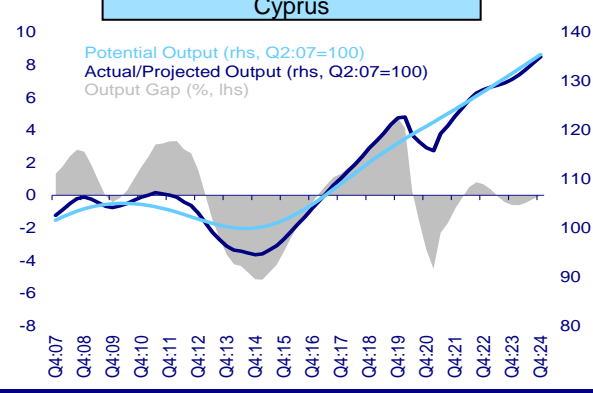
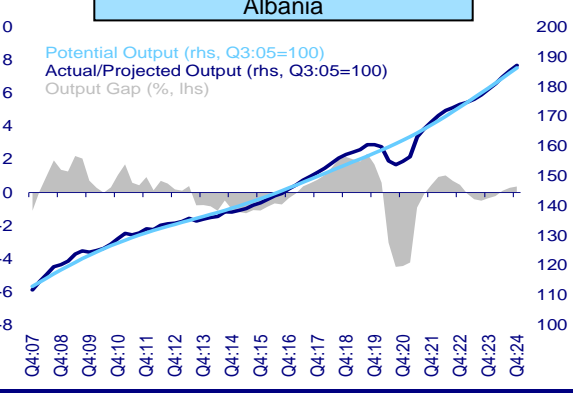
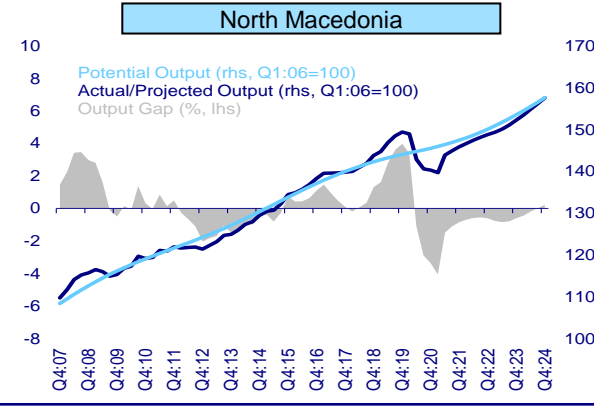
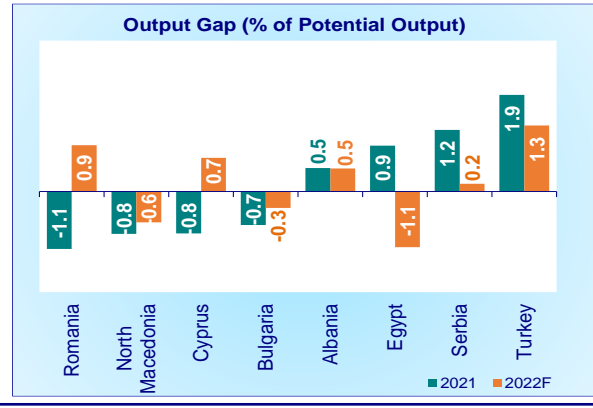
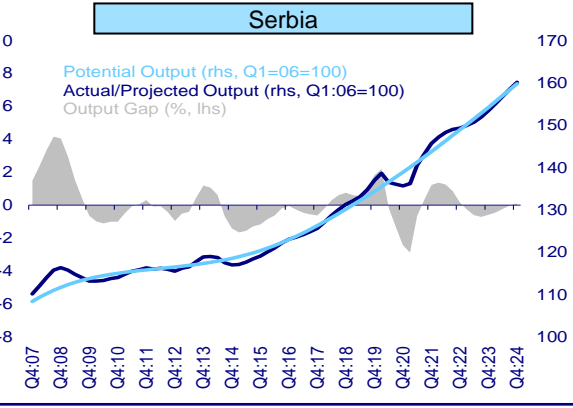
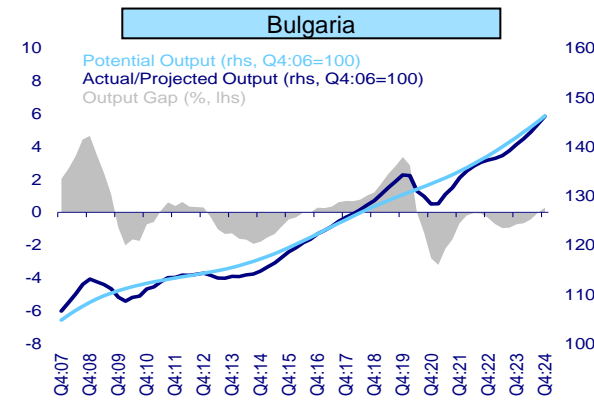
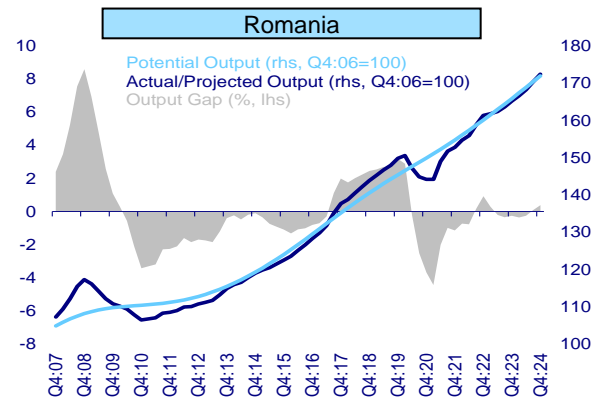
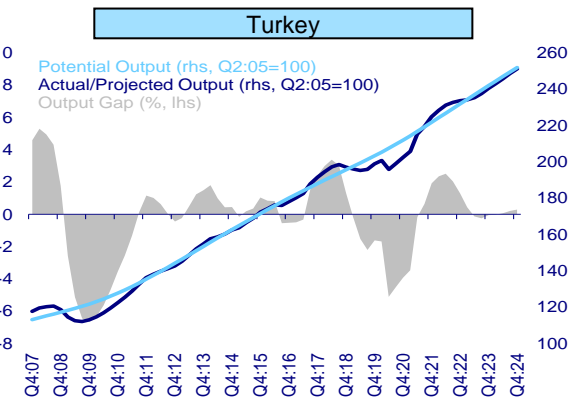


Following a strong start to the year, economic activity is unlikely to contribute much to overall growth over the next few quarters



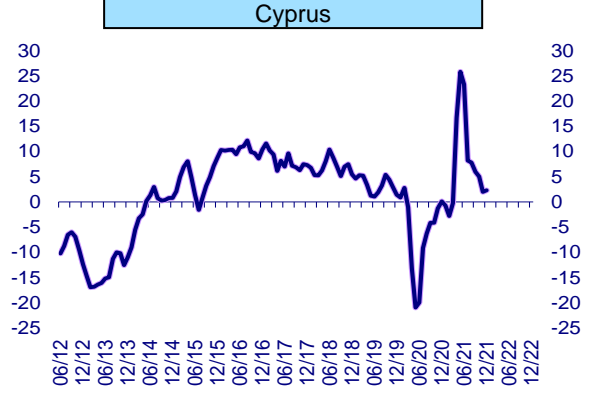
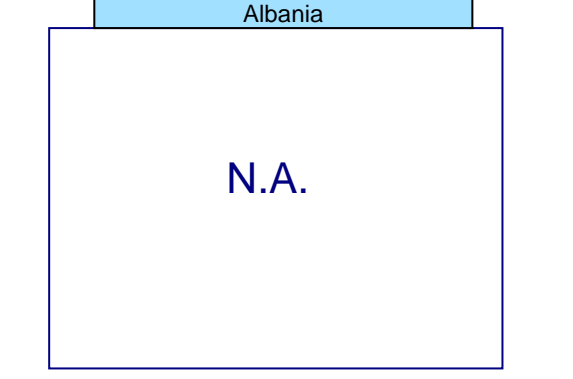
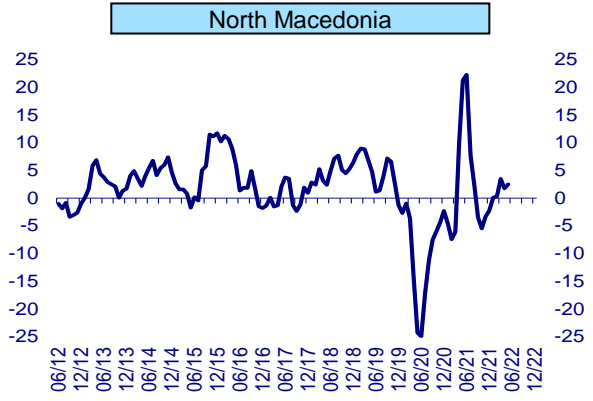
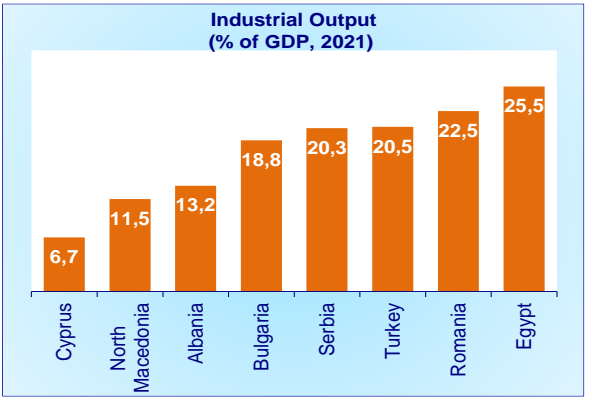
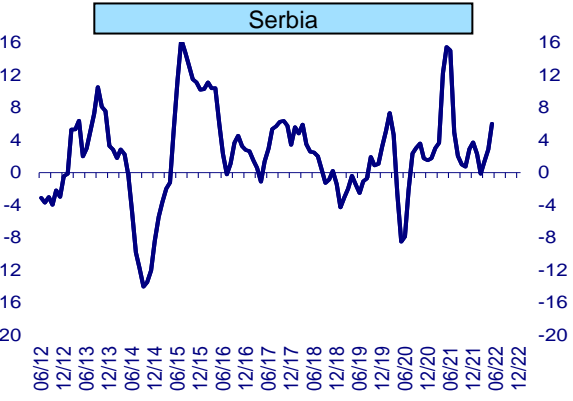
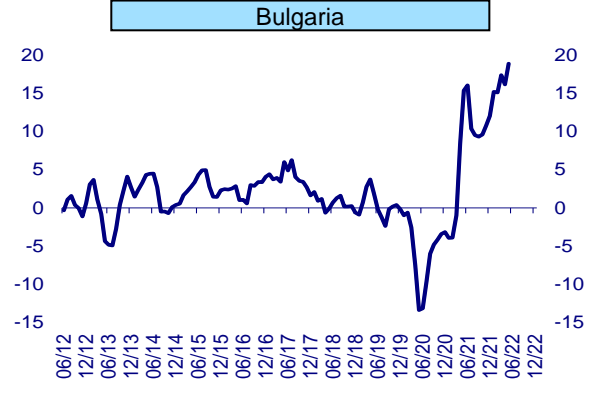
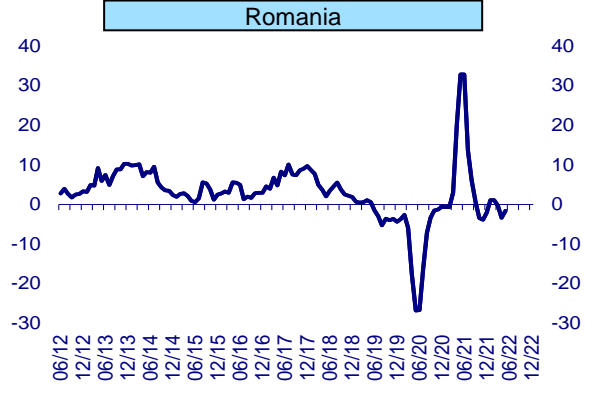
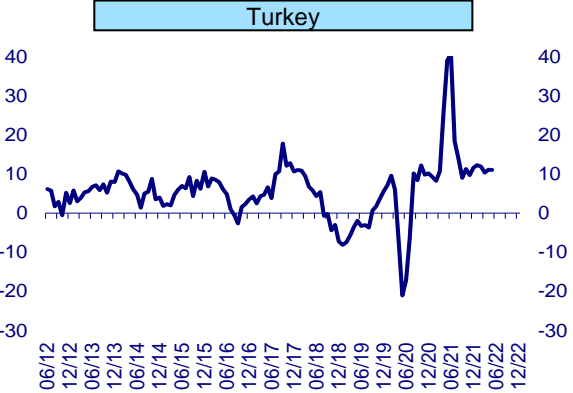
# Output gap (4-quarter rolling)

Under our baseline scenario, most of the economies under review should see a (small) **negative output gap** between late-2022 and early-2024



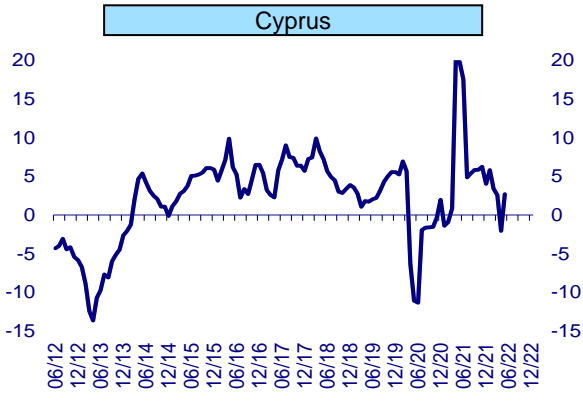
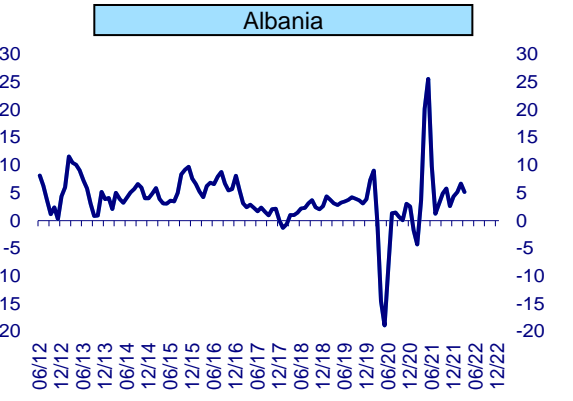
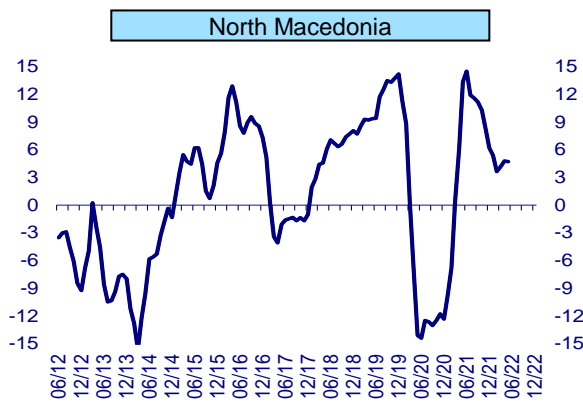
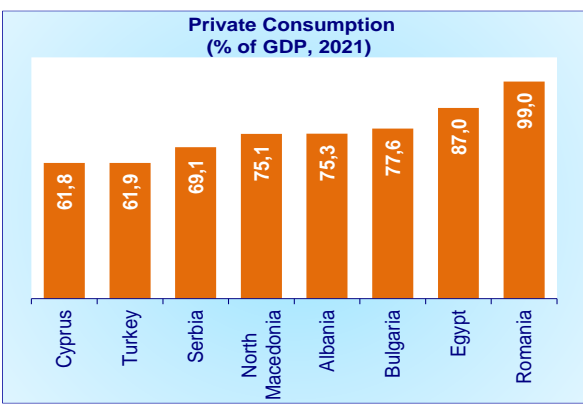
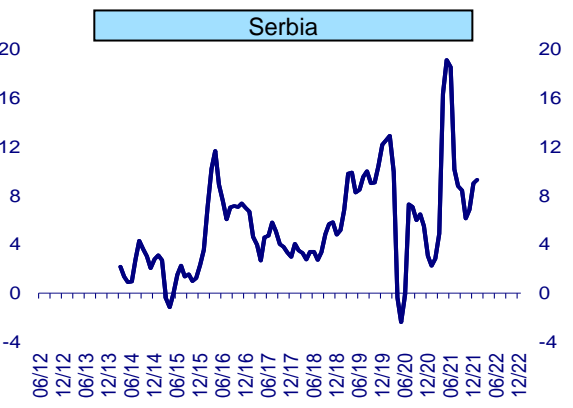
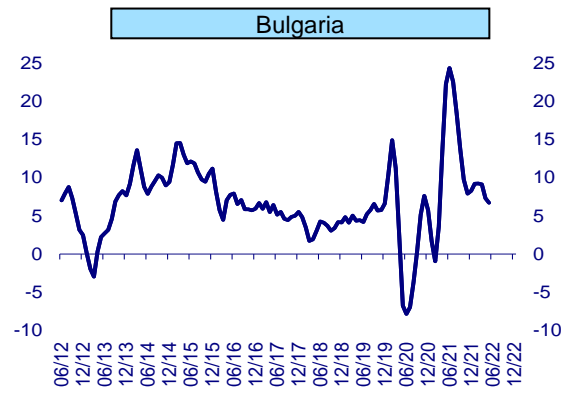
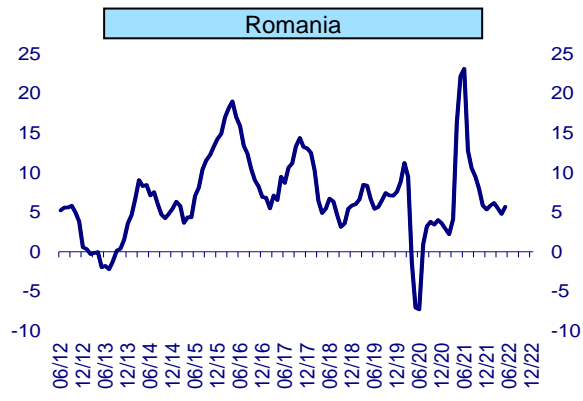
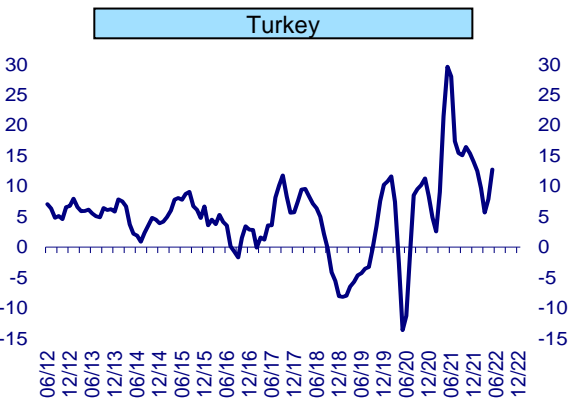
# Industrial production (3-month rolling, y-o-y % change)

- **Supply chains strains** (mainly caused by the Russia-Ukraine conflict and the zero-Covid policy in China) continued to hold back industrial output in most of the economies under review in Q2:22. Bulgaria's exceptional performance was reportedly associated with increased exports of defence products to Ukraine
- The **tailwind provided by the large backlog of orders** should eventually fade out over the next few months



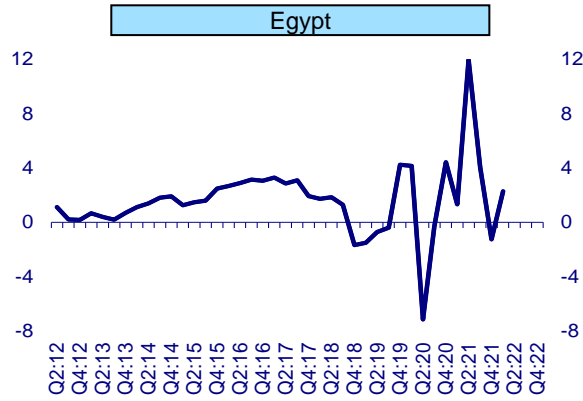
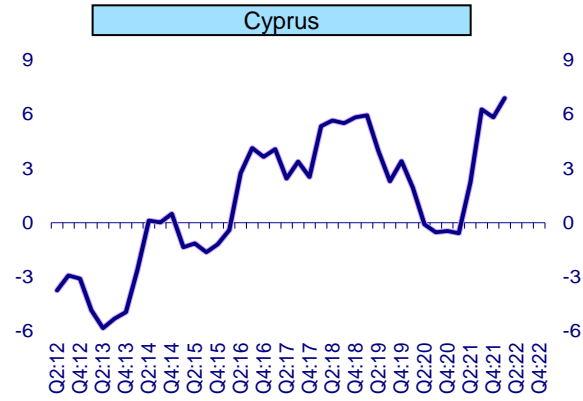
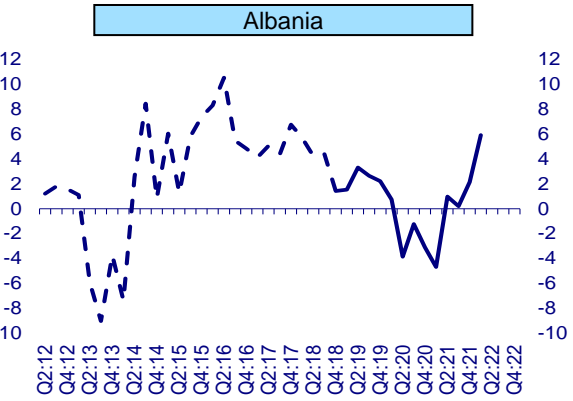
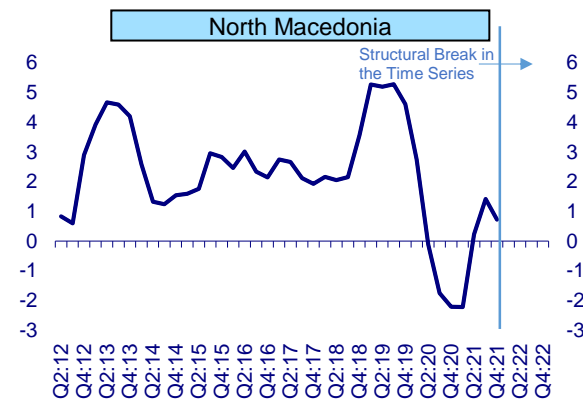
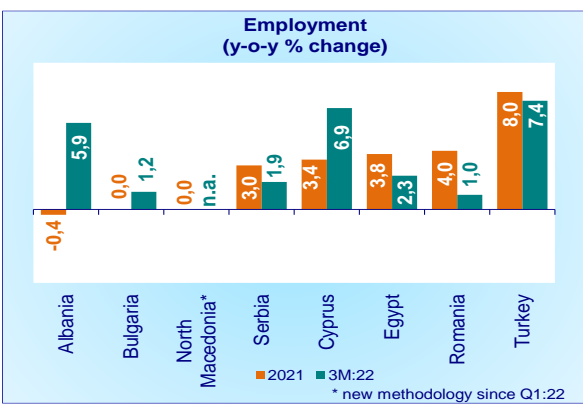
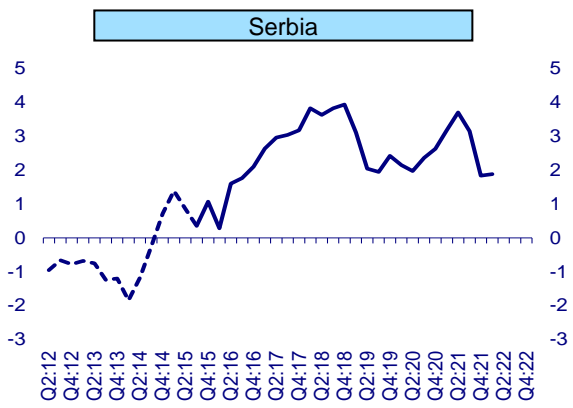
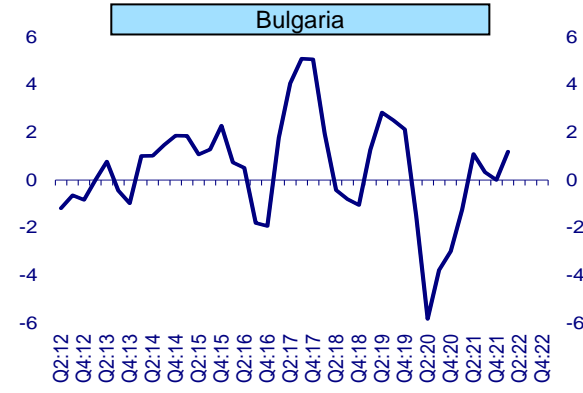
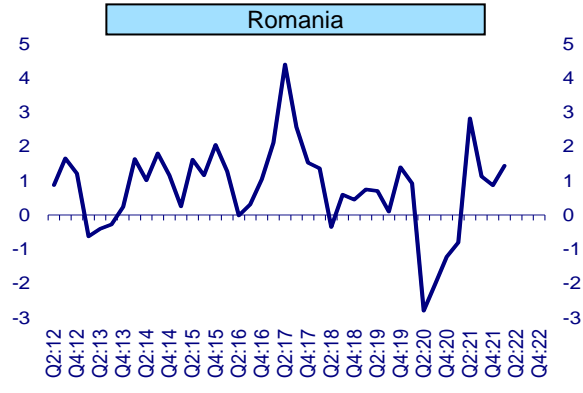
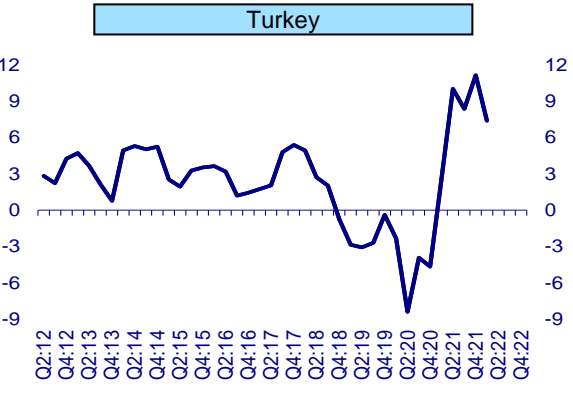
# Retail Sales (constant terms, 3-month rolling, y-o-y % change)

- Despite strong headwinds, retail sales continued to grow at a healthy pace in Q2:22 in all the economies under review (but for Cyprus)
- Increased services consumption, following the easing in COVID-19 restrictions, must have compensated for weaker demand for durable and non-durable goods



# Employment growth (y-o-y % change)

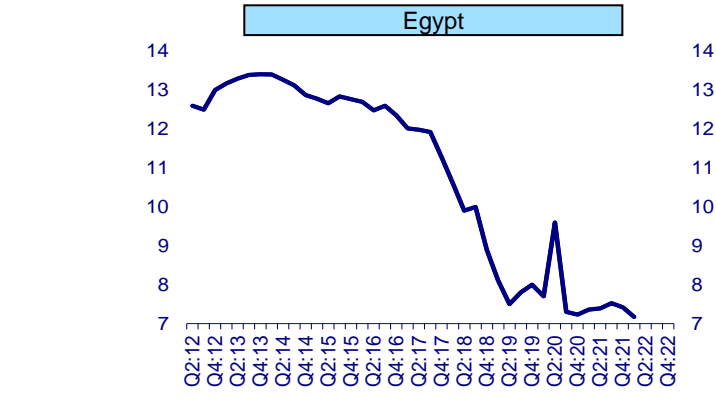
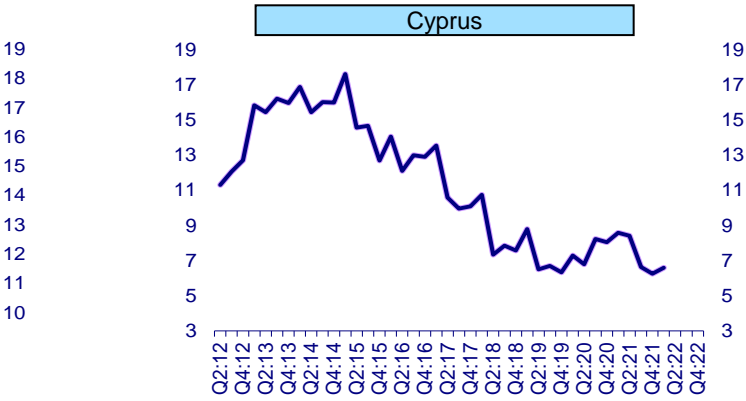
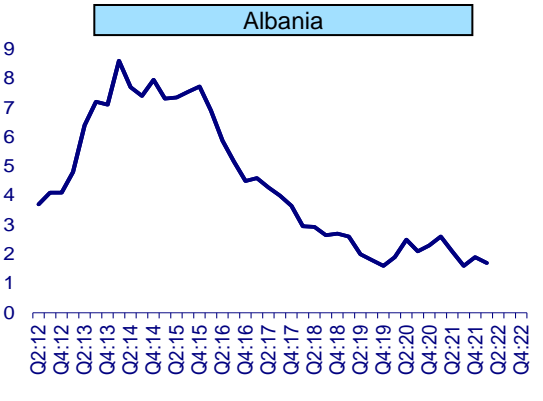
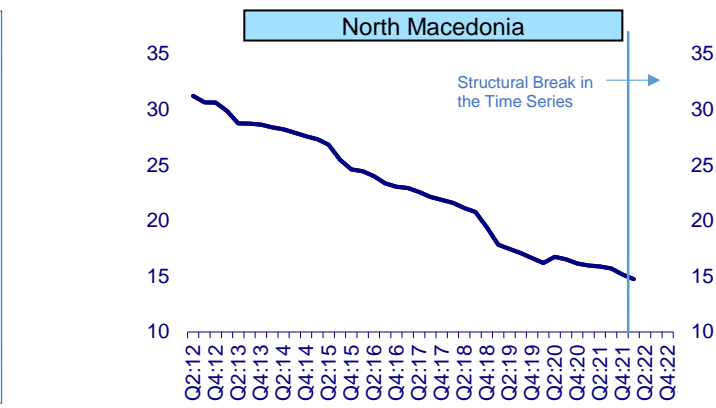
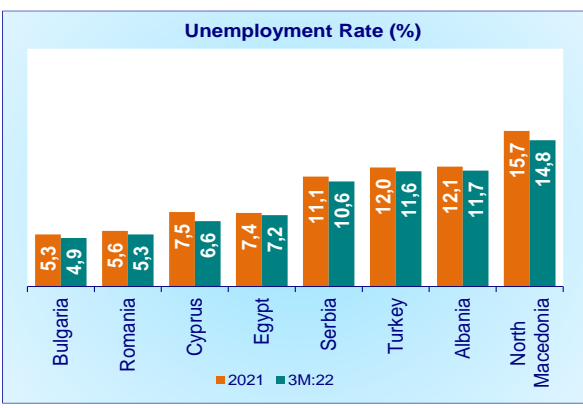
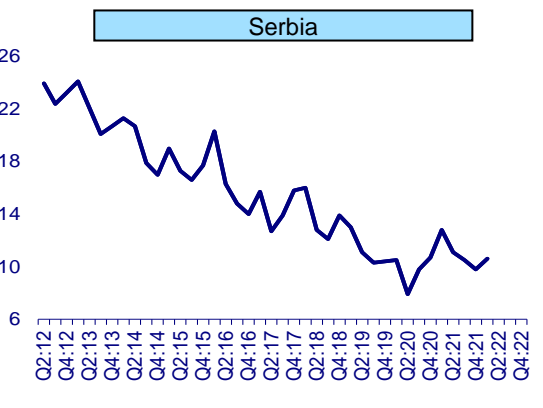
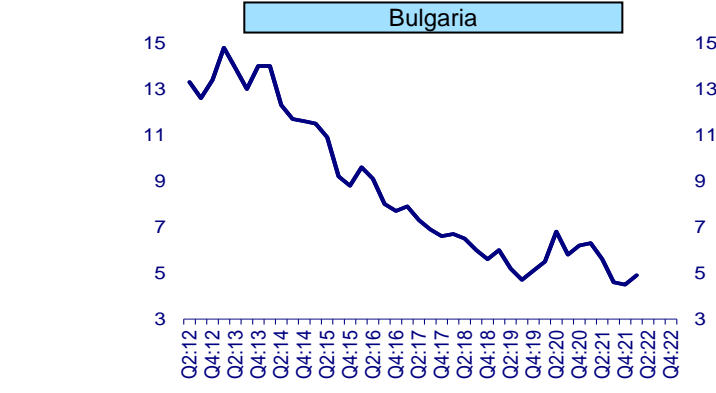
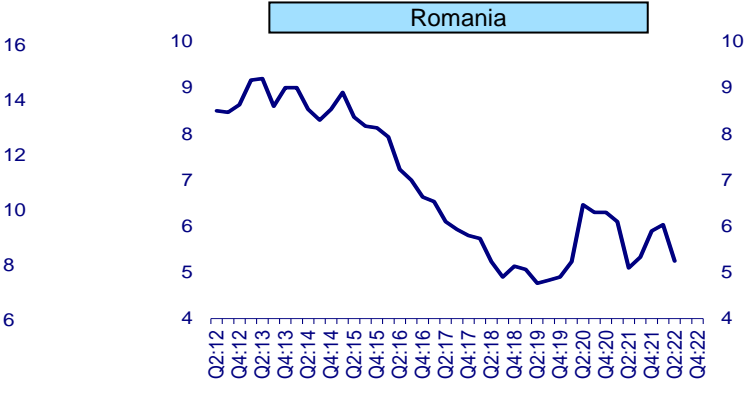
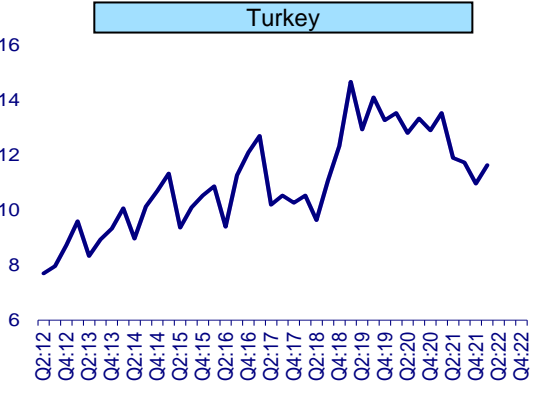
Following a strong start to the year, employment growth is set to weaken in the period ahead, in line with slowing economic growth





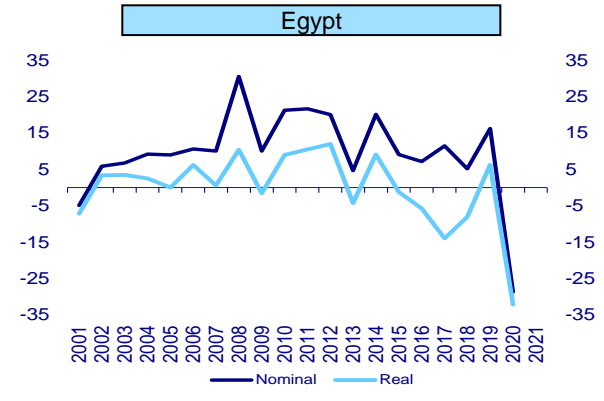
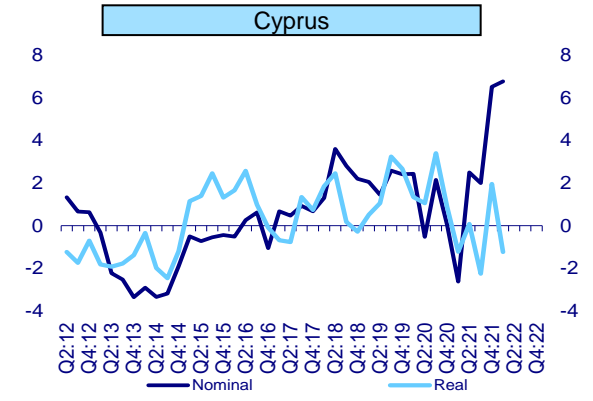
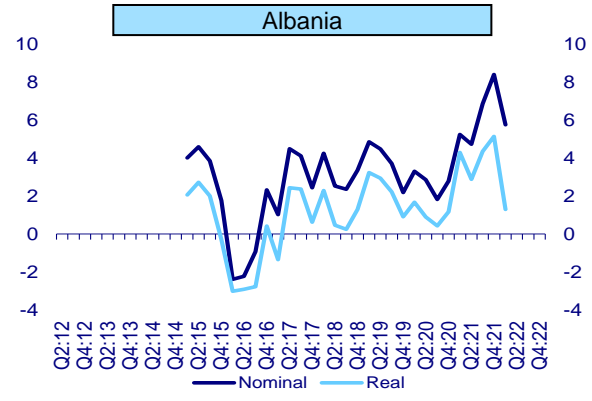
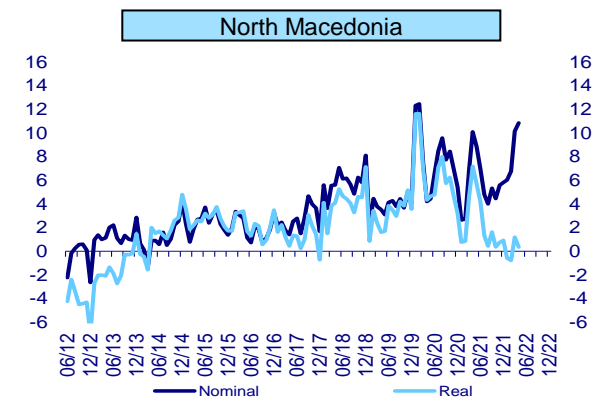
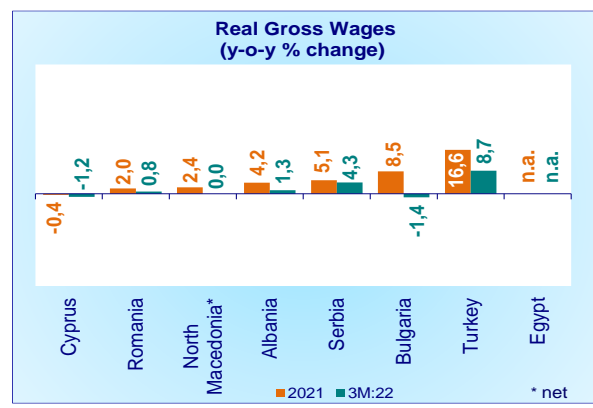
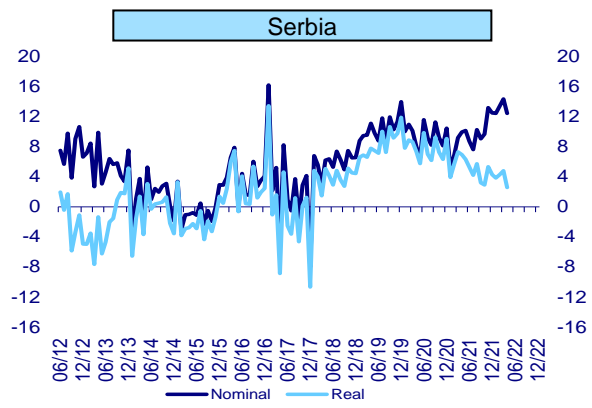
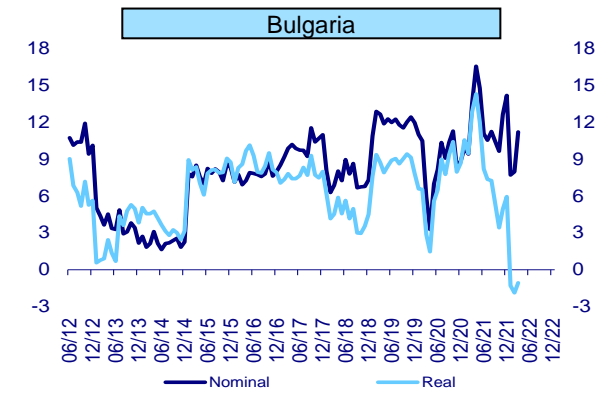
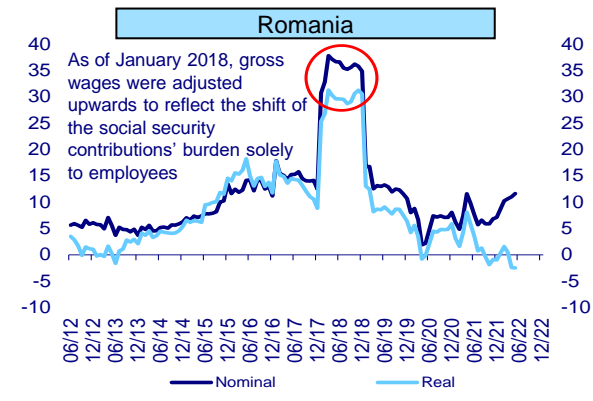
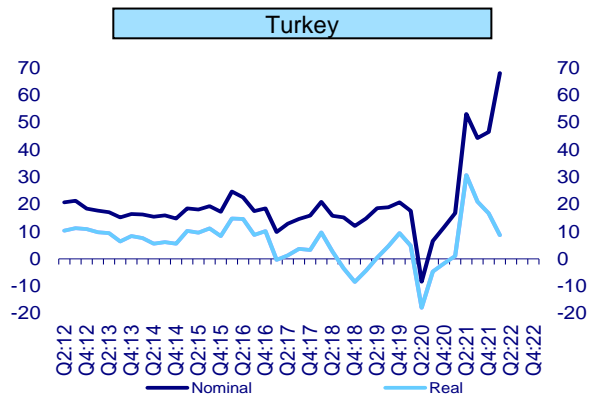
# Unemployment rate (%)

- Labour markets have broadly returned to their pre-COVID-19 (tight) levels in most of the economies under review
- In view of persistent shortages and mismatches in most of the labour markets under review, **underlying slack is unlikely to increase materially**, at least in the short term, despite slowing economic growth



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

- **Nominal wage growth is gaining steam**, as higher inflation expectations feed into wage negotiations
- Nevertheless, reflecting rapidly rising inflation, **real wage growth should remain subdued or negative** in the period ahead, weighing on private consumption



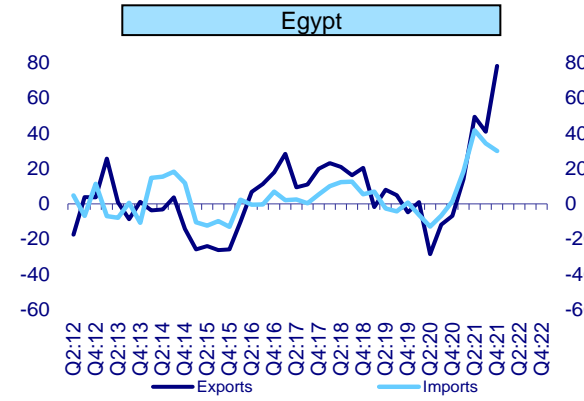
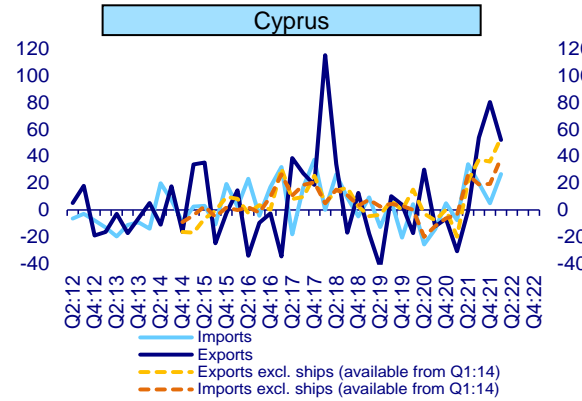
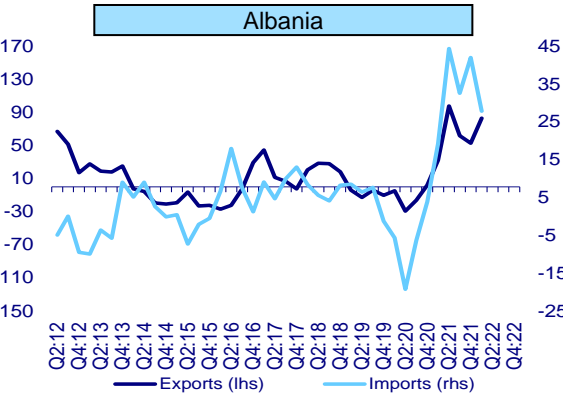
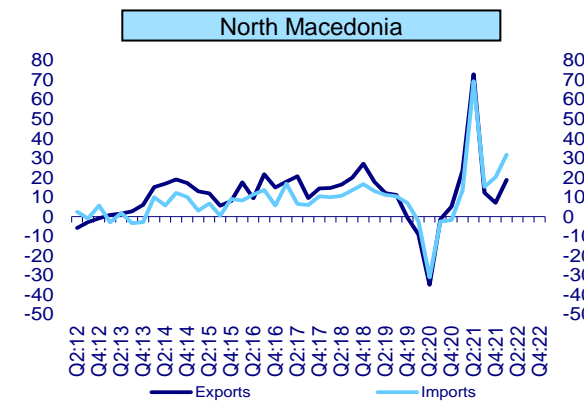
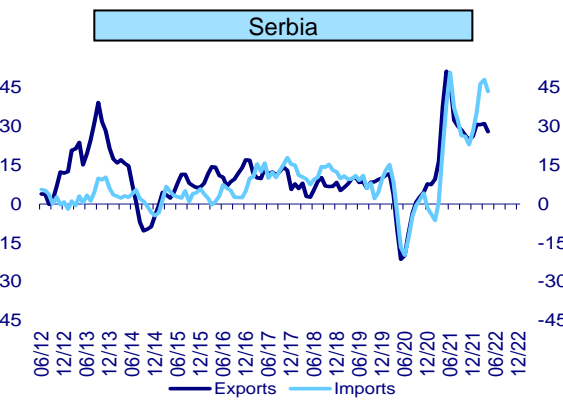
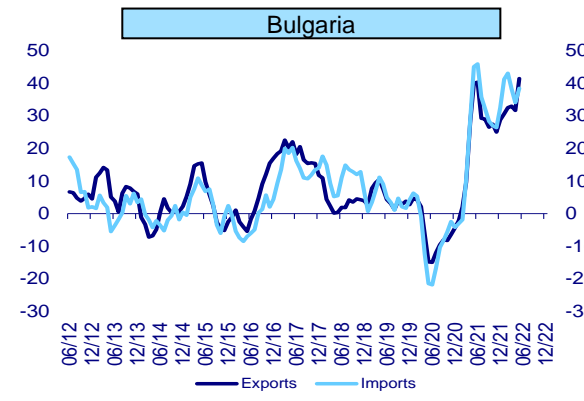
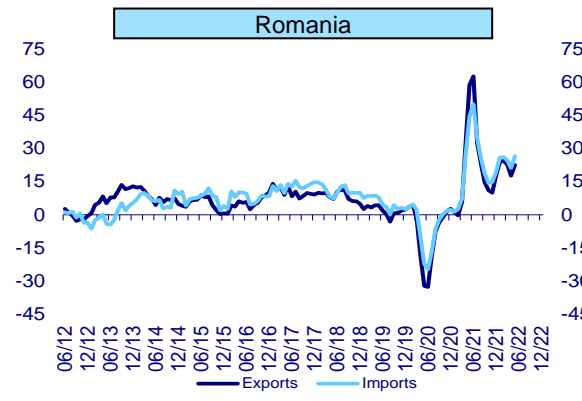
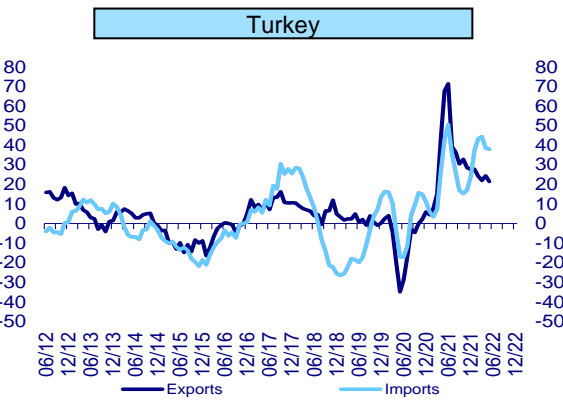
- North Macedonia and Albania remain the most competitive countries in terms of labour costs in Southeastern Europe
- Bulgaria and North Macedonia have the most favourable personal and corporate income tax rates



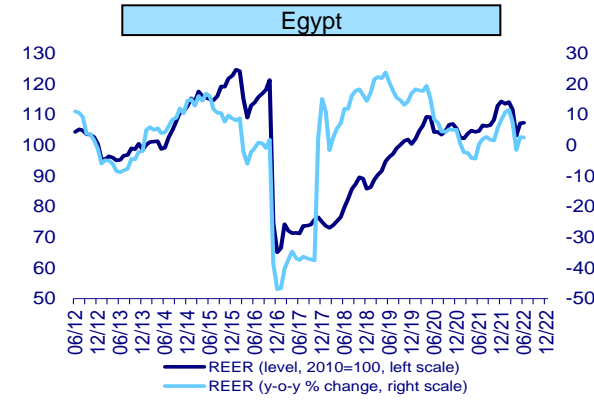
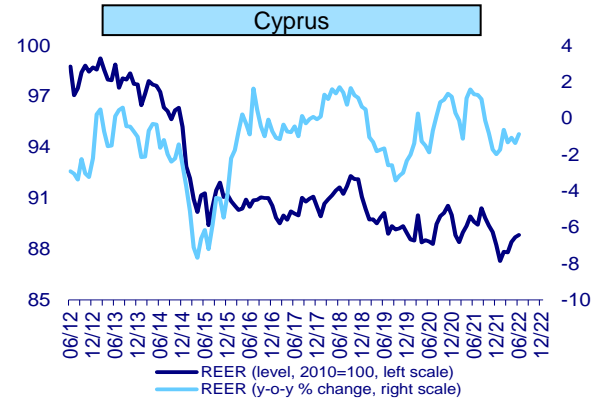
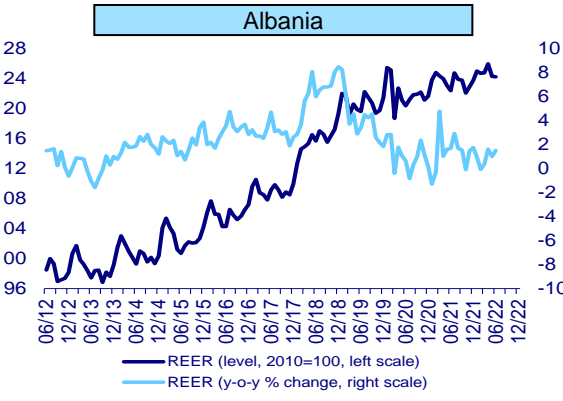
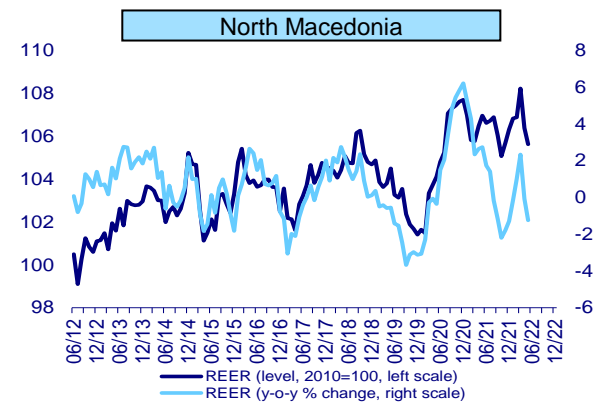
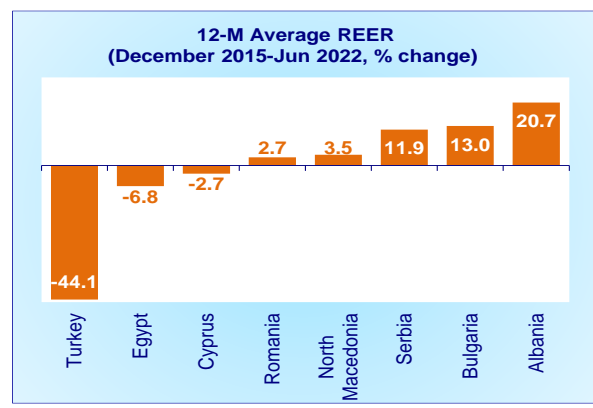
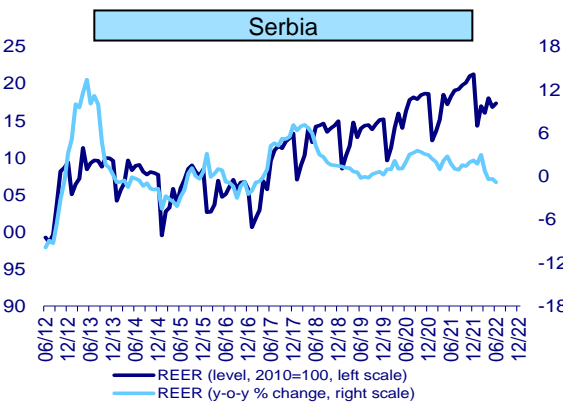
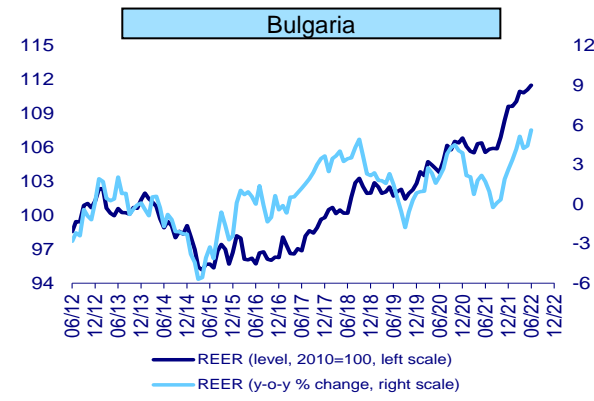
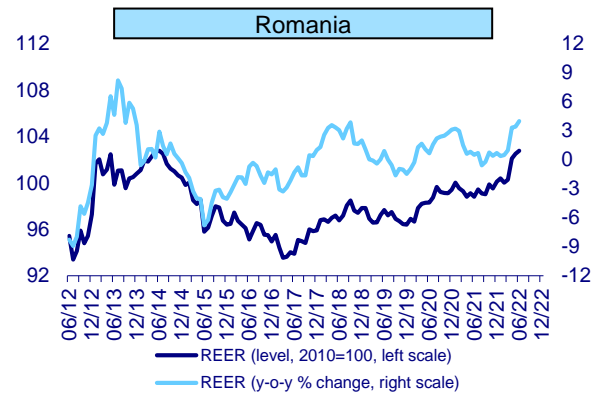
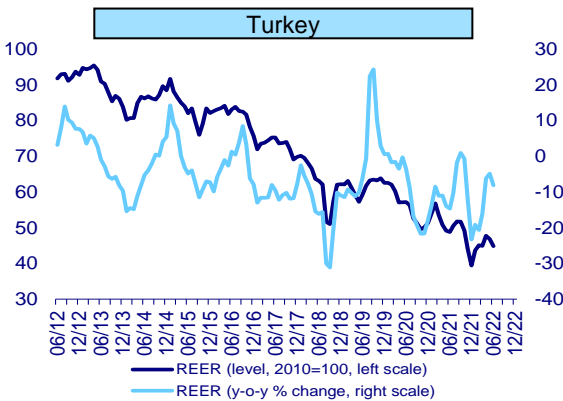
Tax Rates (% , 2022)		
	Personal Income	Corporate Income
Turkey	15.0 - 40.0	23.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0 – 20.0	15.0
North Macedonia	10.0	10.0
Albania	13.0 - 23.0	5.0 - 15.0
Cyprus	20.0 - 35.0	12.5
Egypt	2.5 – 25.0	22.5
Greece	9.0 - 44.0	22.0

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

The rebound in external trade turnover has been driven by prices rather than volumes

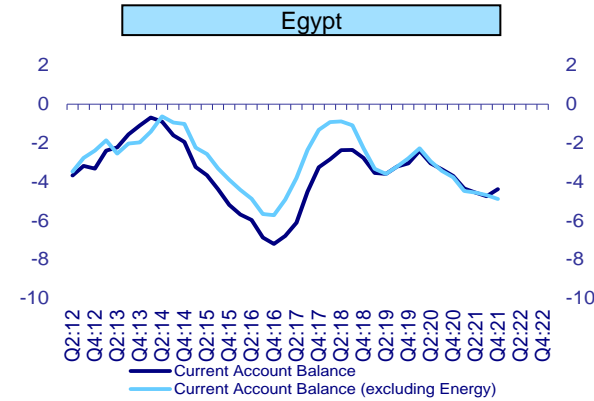
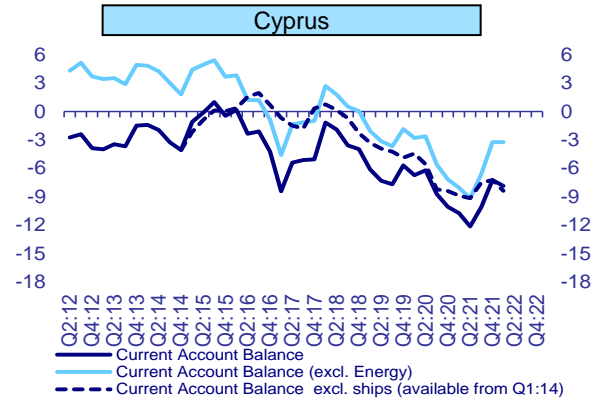
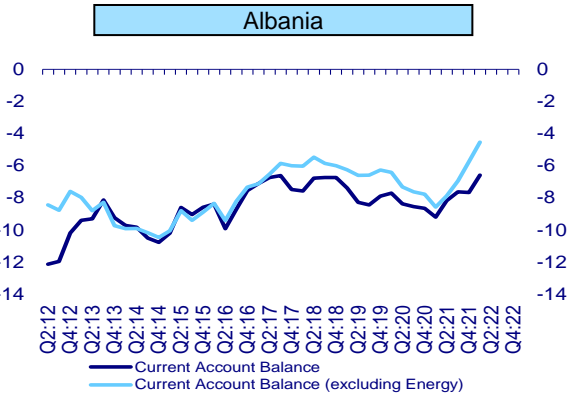
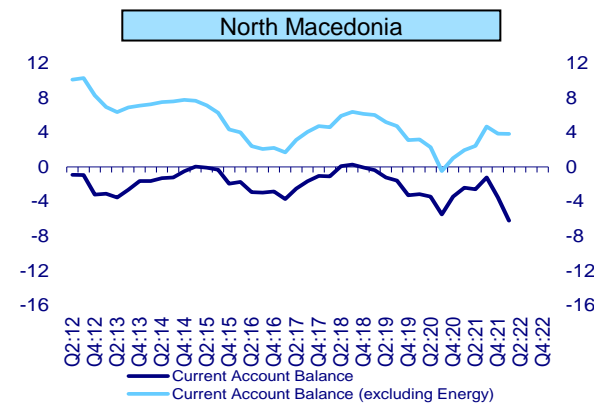
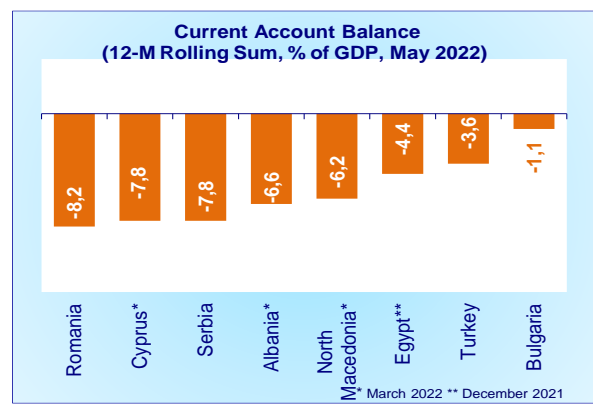
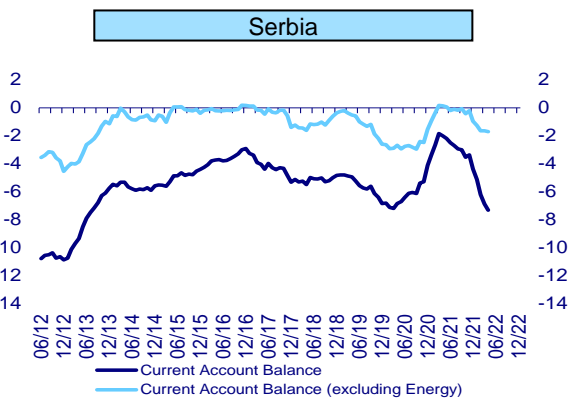
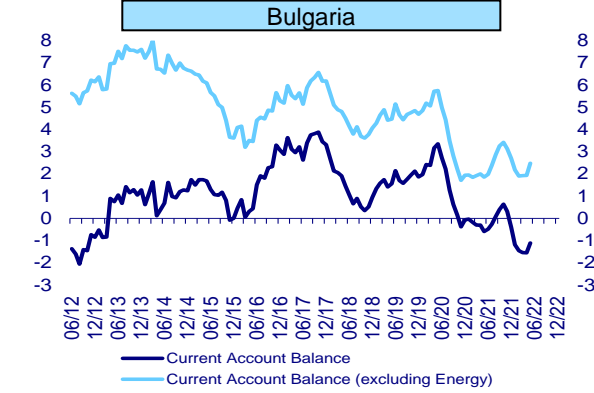
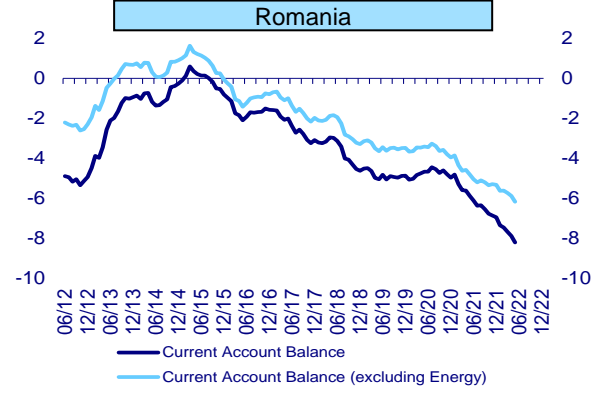
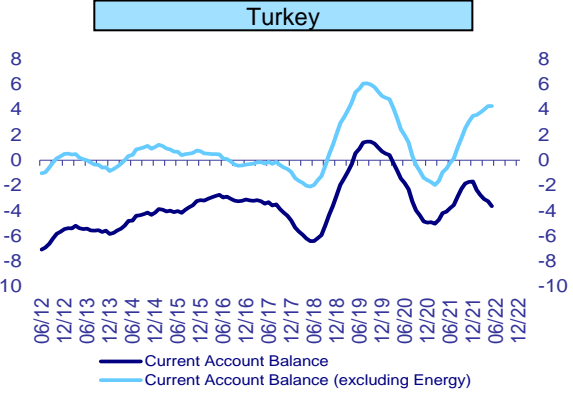


Turkey's external competitiveness has improved significantly over the past 6 years



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

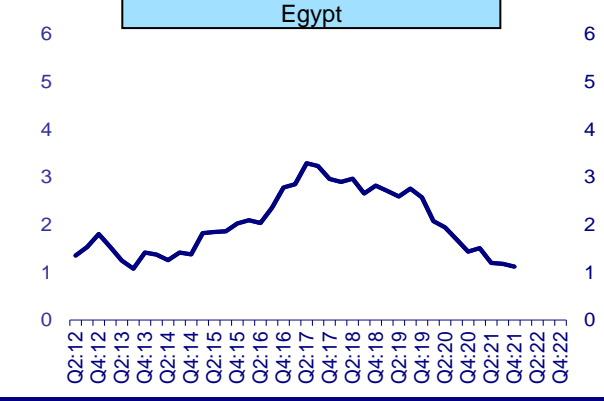
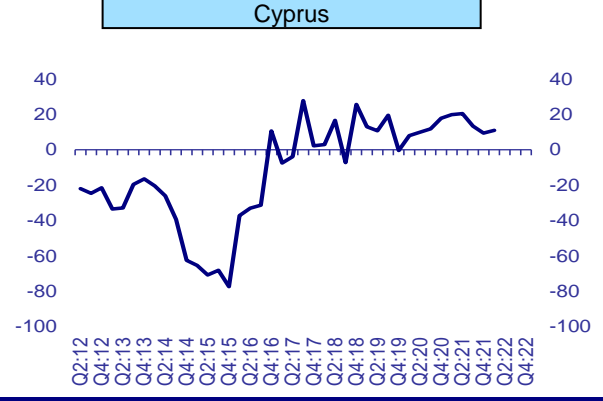
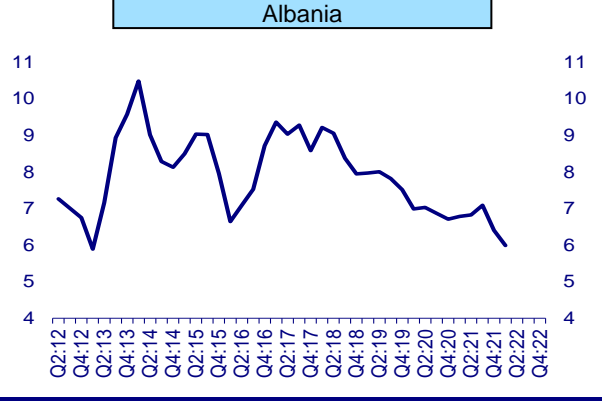
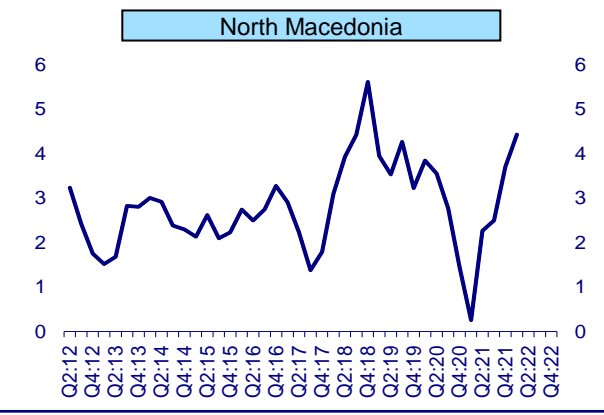
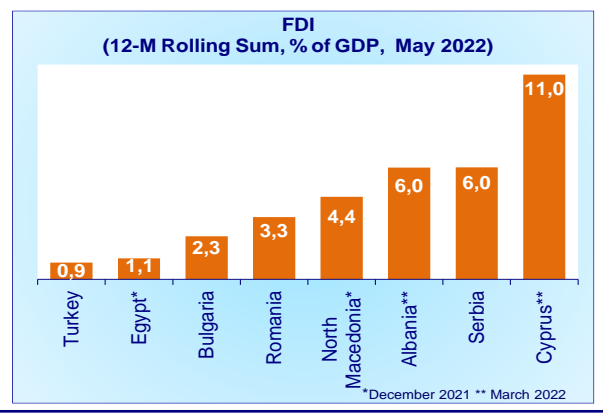
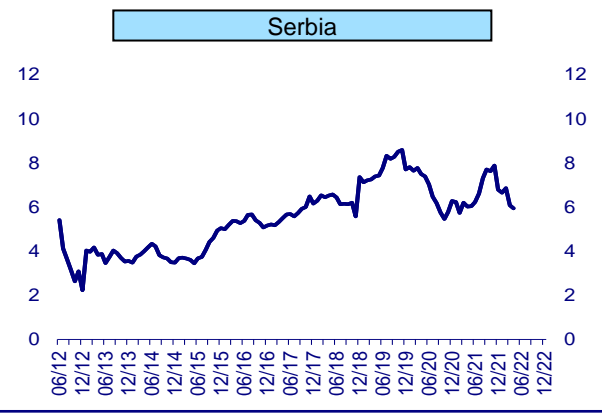
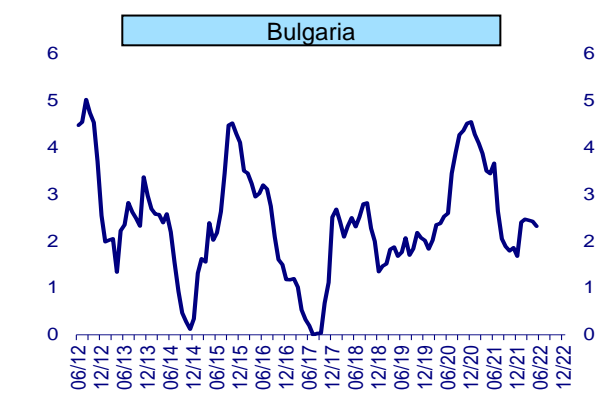
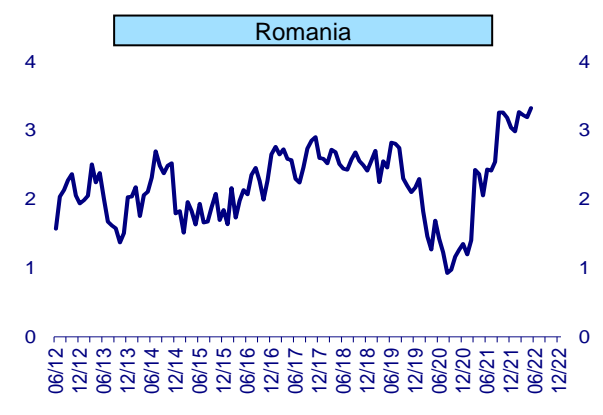
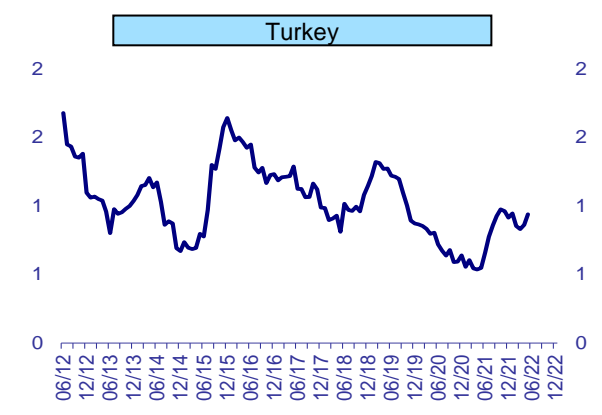
- External imbalances have been on the rise in all the economies under review (but for Albania, where external accounts have been benefiting from the improvement in the services -- especially tourism & transport -- balance), in line not only with unfavourable global commodity prices but also still strong domestic demand
- Excluding energy, the current account surplus has been widening in **Turkey**, reflecting the impact of the massive depreciation of the TRY



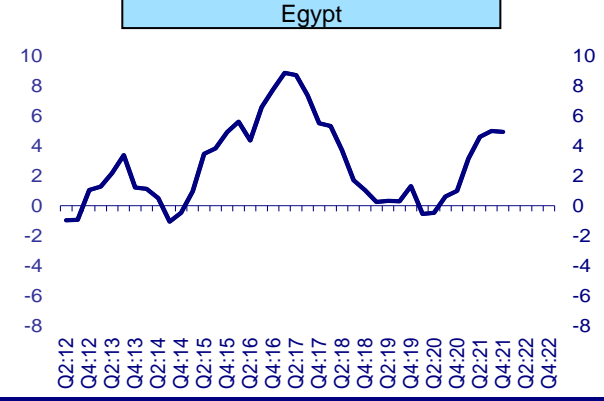
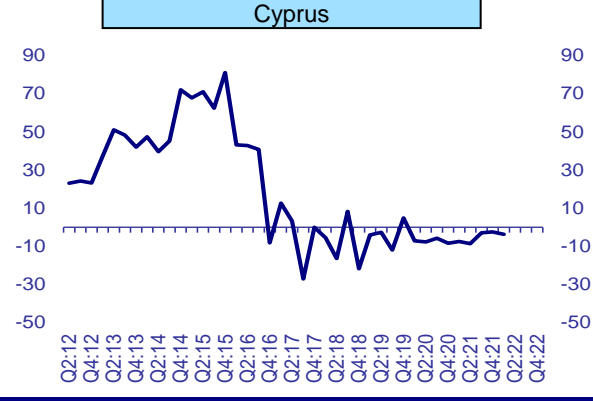
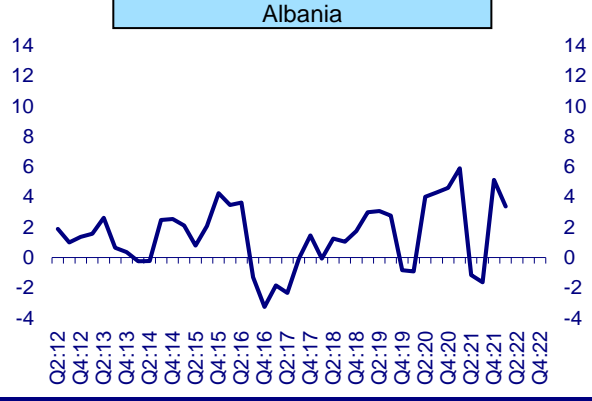
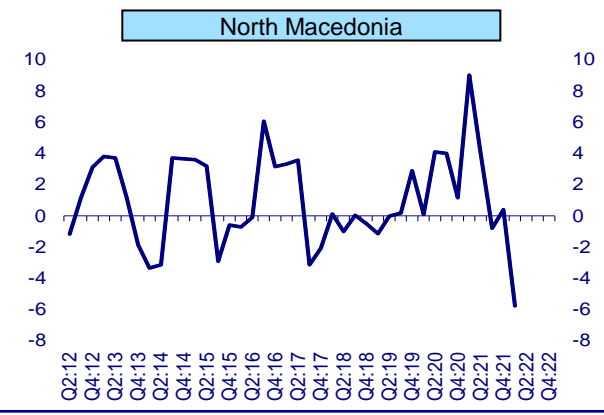
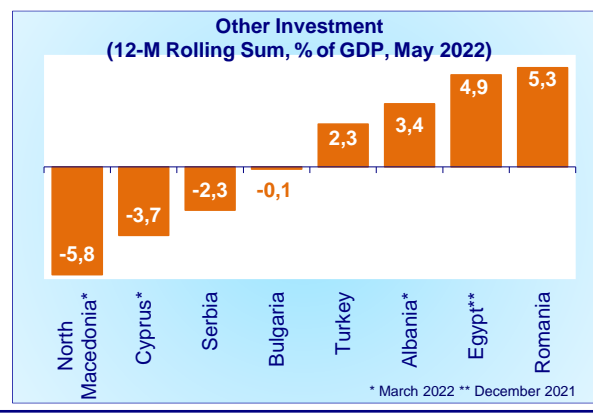
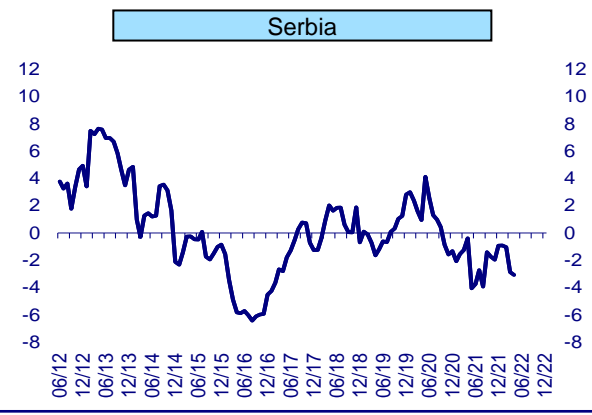
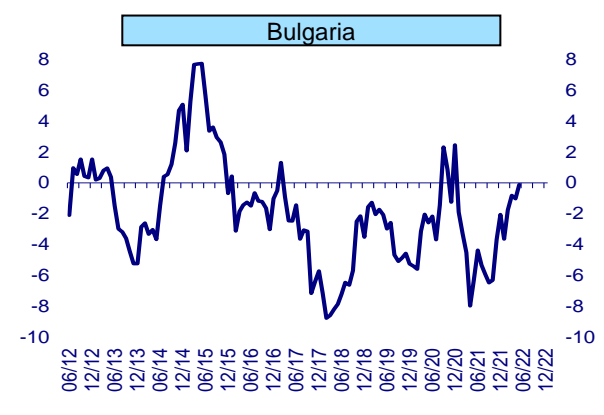
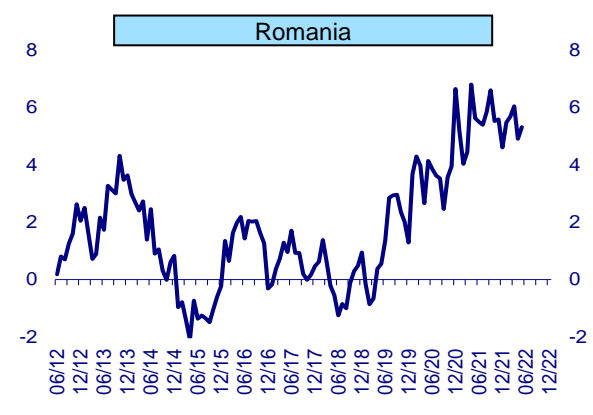
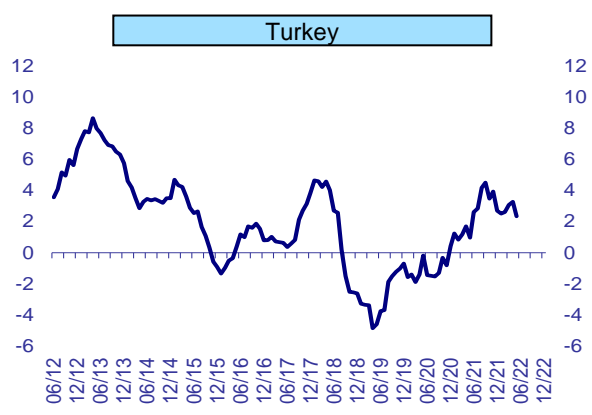


# Net foreign direct investment (12-month rolling, % of GDP)

- **Heightened uncertainty**, in the aftermath of the ongoing geopolitical tensions, is set to weigh on FDI flows in the period ahead
- **Intercompany lending** should remain the dominant form of FDI

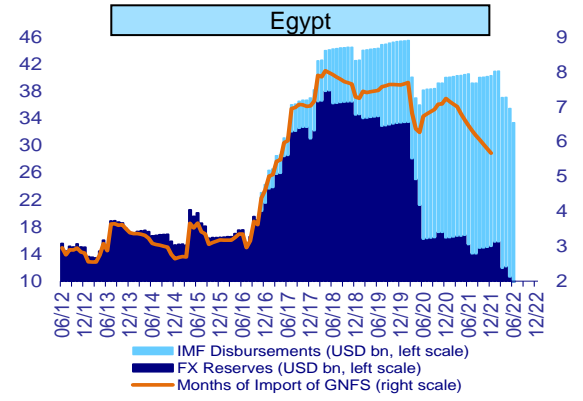
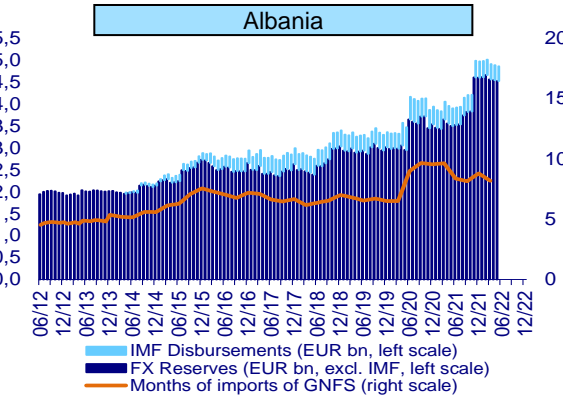
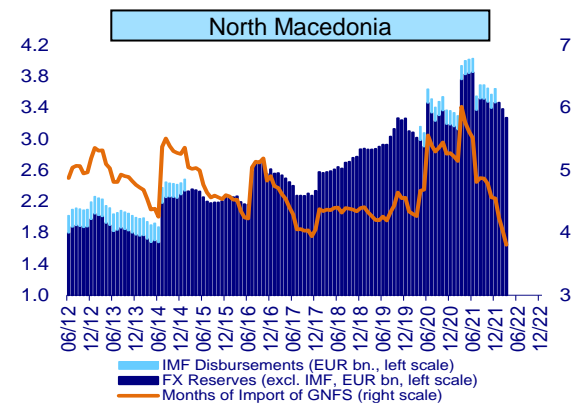
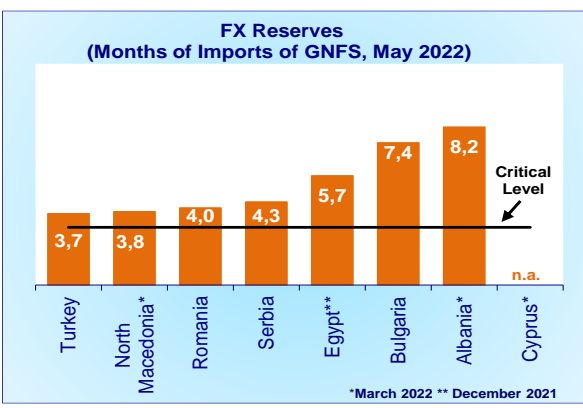
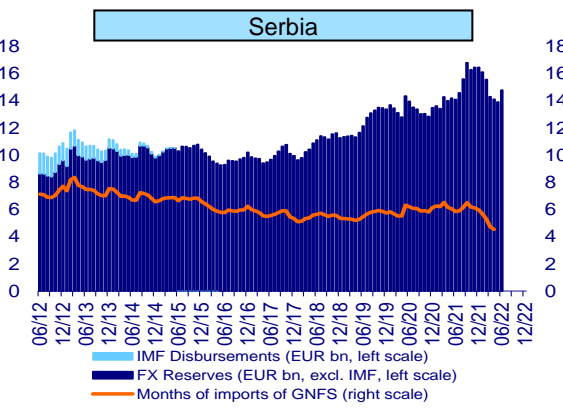
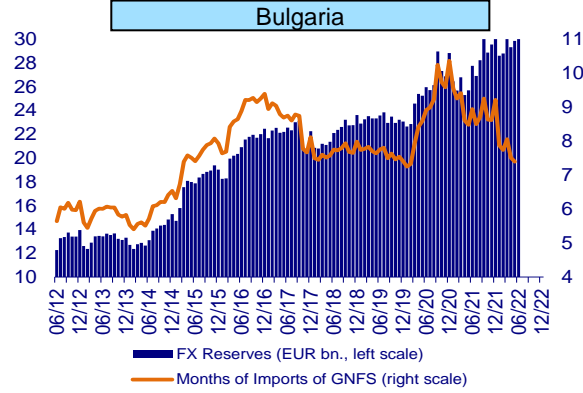
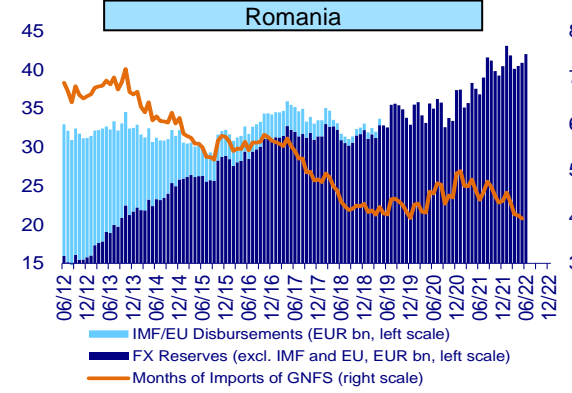
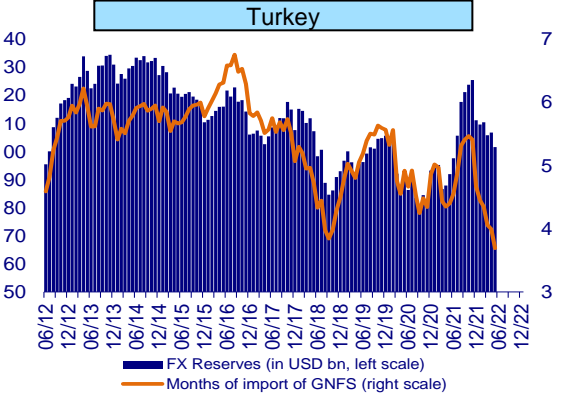


- **Tightening global liquidity conditions**, together with **elevated risk aversion**, in the wake of the Russia-Ukraine crisis, cloud the external financing outlook
- **Romania, Bulgaria and Cyprus** will continue to benefit from increased flow of funds under the **EU Recovery & Resilience Facility**



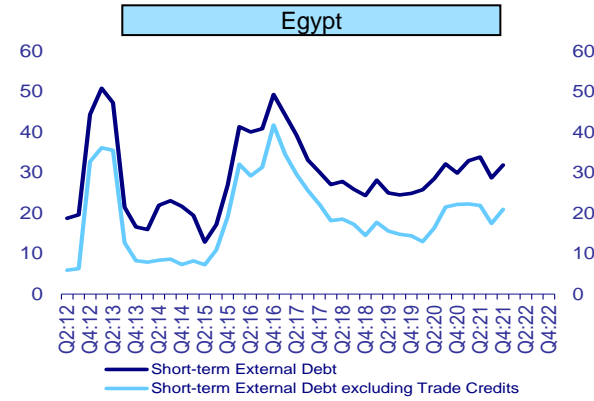
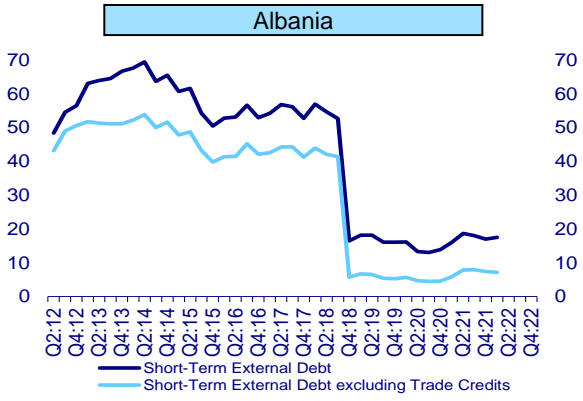
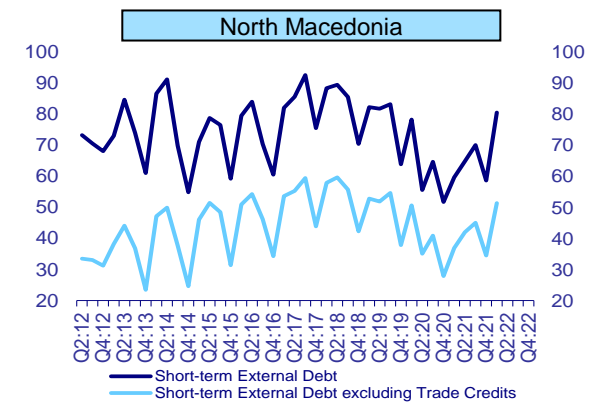
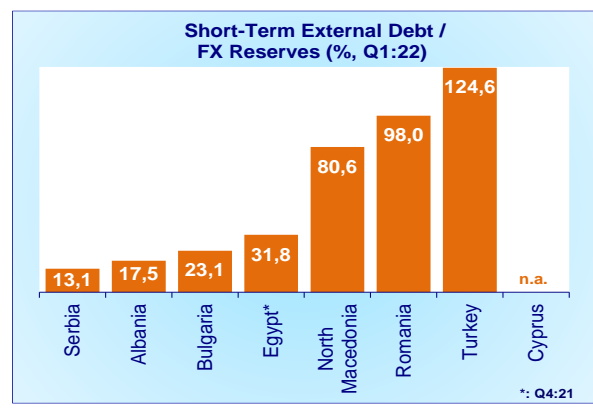
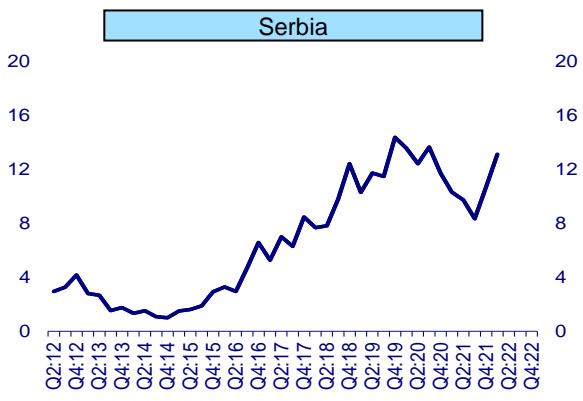
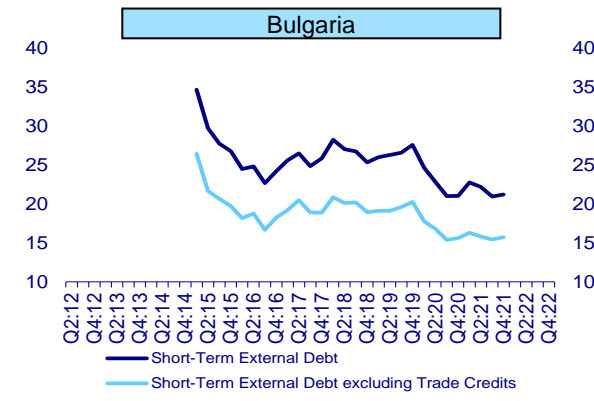
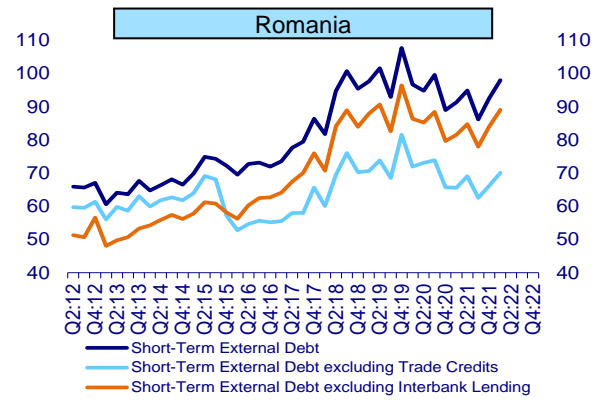
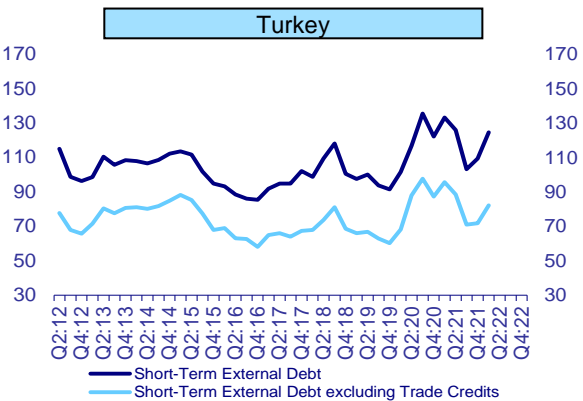
# Foreign exchange reserves

- FX reserves stand at adequate levels in all countries under review. Underlying pressures mostly reflect increased FX needs, on the back of higher global energy prices
- The picture is, however, misleading in the case of **Turkey**, where net FX reserves have long turned negative, reflecting the CBRT's increased borrowing from banks
- Egypt** has been relying on IMF funding to bolster its FX reserves position



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

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



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

- Despite the ongoing monetary policy tightening, **external imbalances are projected to widen further** in most of the economies under review this year, in line with **higher global commodity (especially energy and food) prices**
- Tourism-reliant economies, such as **Egypt, Cyprus, Turkey, Bulgaria and Albania**, should benefit from the rebound in global tourism activity, following the ease of COVID-19 restrictions
- The **quality of external financing** is set to worsen this year, with non-debt generating foreign direct investments covering a smaller share of the current account deficit

Turkey	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-4.9	-1.7	-4.4	-2.7
Net FDI	0.6	0.9	0.9	0.9
Other net capital inflows *	0.4	2.7	1.2	1.1

Romania	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-5.0	-7.0	-8.4	-7.5
Net FDI	1.4	3.0	3.3	3.5
Other net capital inflows *	6.2	4.9	5.4	4.8

Bulgaria	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-0.1	-0.4	-2.0	-1.0
Net FDI	4.5	1.7	2.1	2.2
Other net capital inflows *	5.0	2.6	-0.9	0.0

Serbia	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-4.1	-4.4	-7.5	-6.7
Net FDI	6.3	6.8	6.5	6.7
Other net capital inflows *	-1.3	0.5	-3.9	0.0

North Macedonia	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-3.4	-3.5	-7.1	-6.3
Net FDI	1.5	3.7	3.9	4.0
Other net capital inflows *	5.6	8.7	-1.1	8.3

Albania	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-8.7	-7.7	-8.2	-7.5
Net FDI	6.7	6.4	6.4	6.7
Other net capital inflows *	4.6	5.1	-0.2	1.4

Cyprus	Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
Current account balance	-10.1	-7.2	-9.1	-6.2
Net FDI **	17.9	9.5	8.5	10.3
Other net capital inflows *	-1.8	-2.5	0.6	-4.1

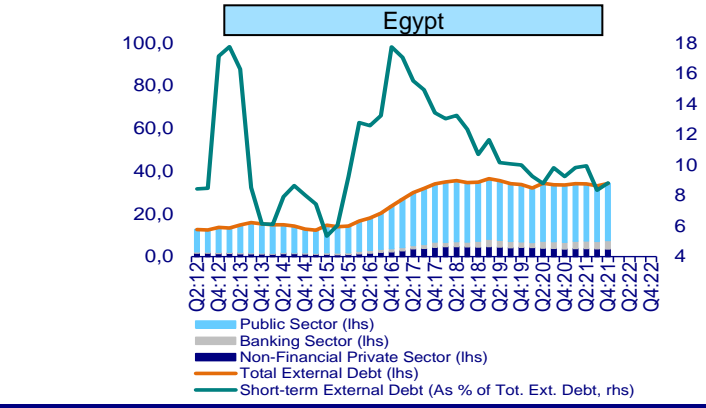
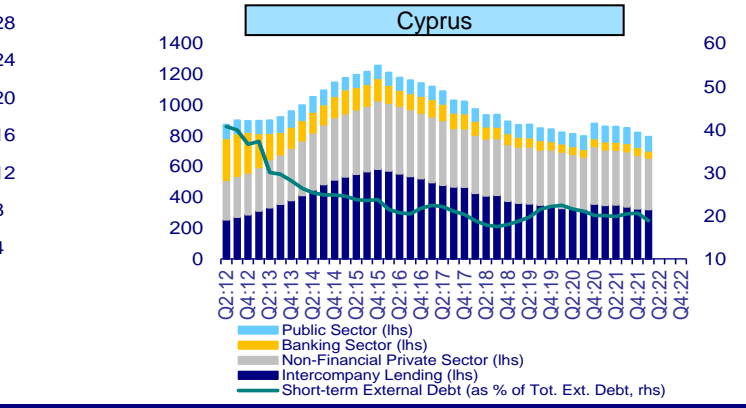
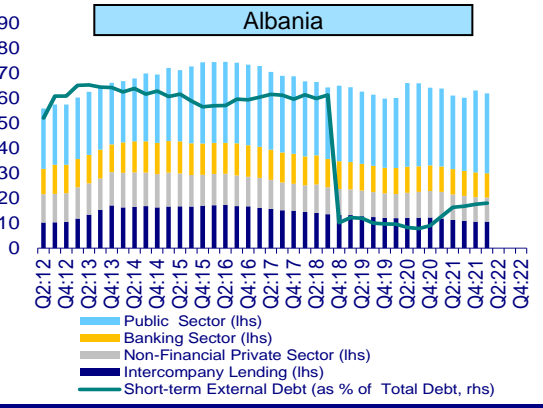
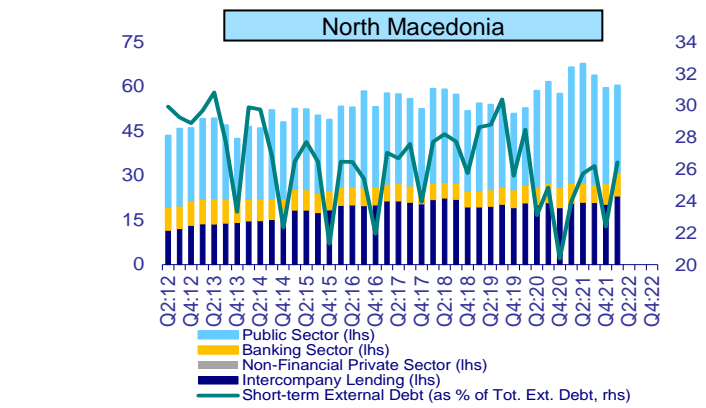
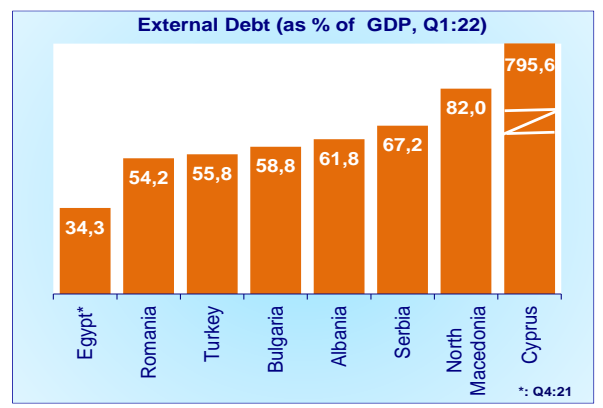
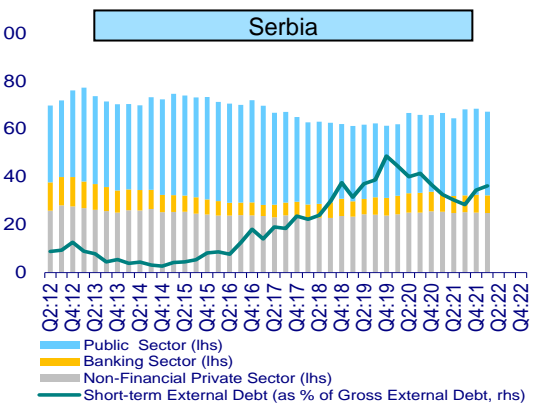
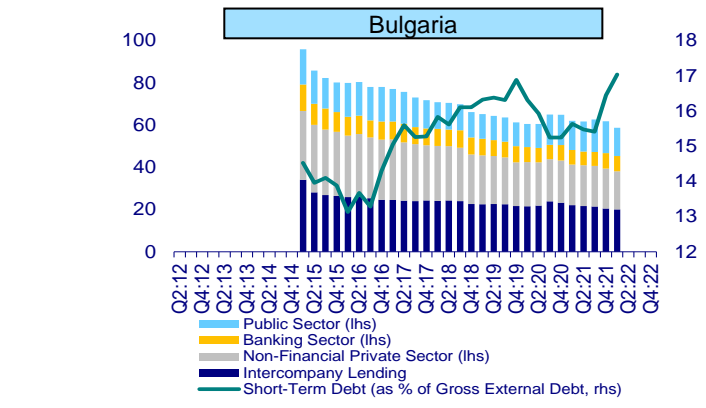
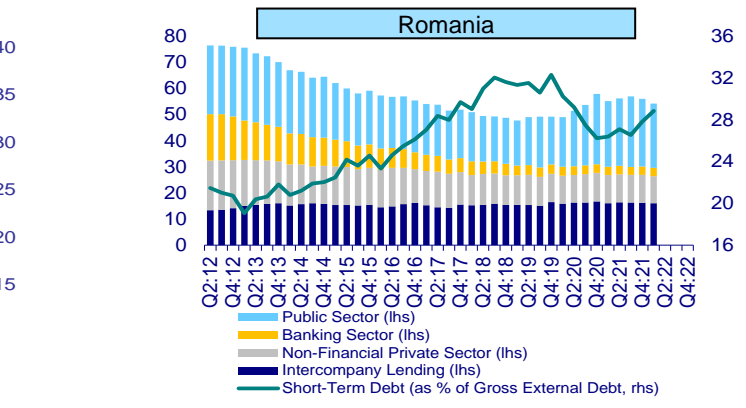
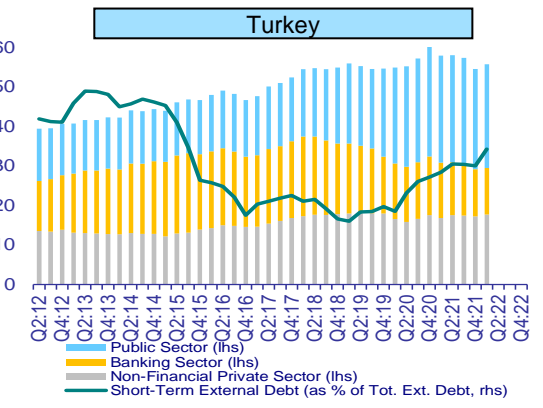
Egypt #	June 20	June 21	June 22E	June 23F
Current account balance	-3.1	-4.6	-4.1	-3.9
Net FDI	1.9	1.2	1.3	1.5
Other net capital inflows *	-3.8	3.8	1.8	3.3

\*\* 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 30<sup>th</sup>

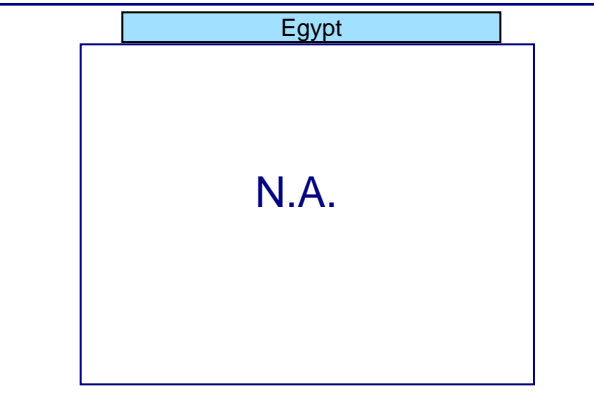
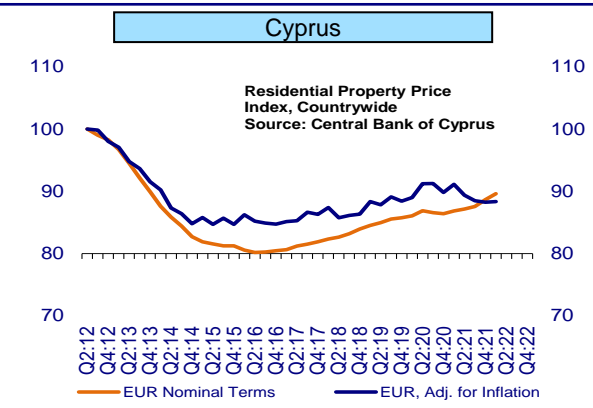
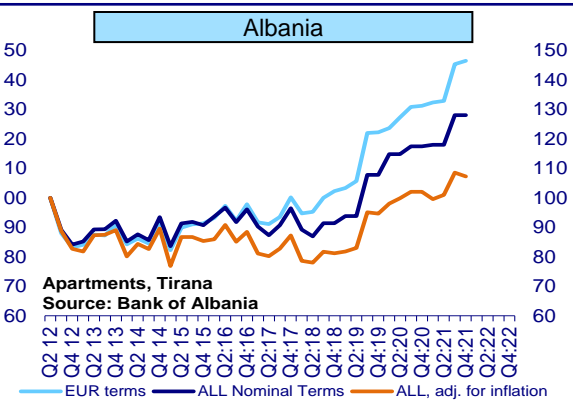
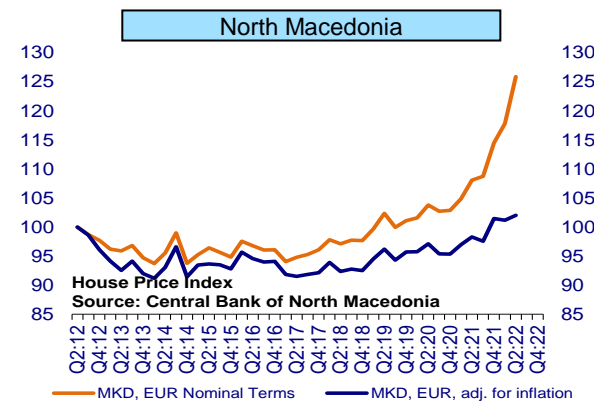
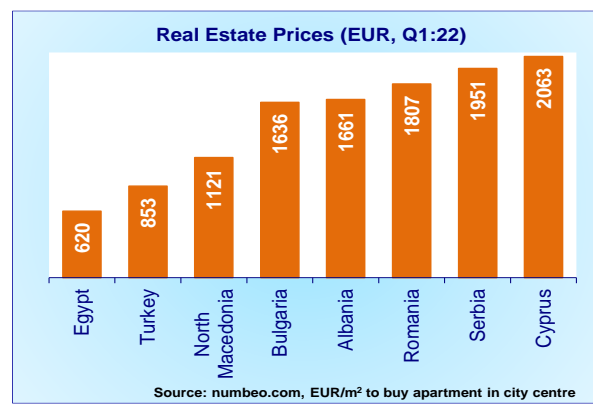
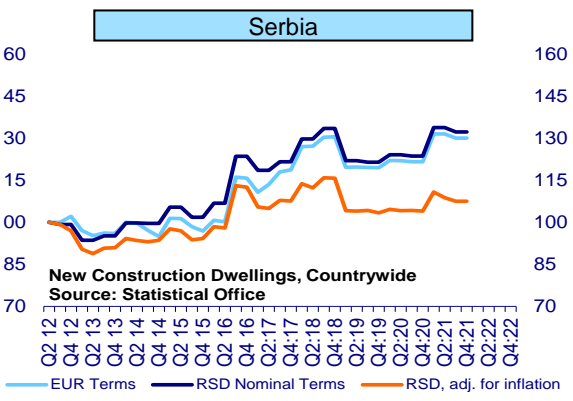
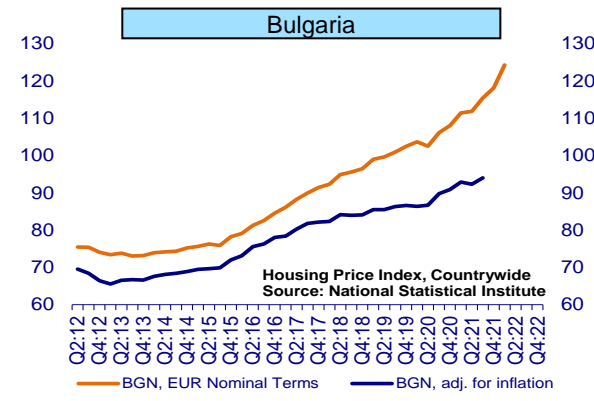
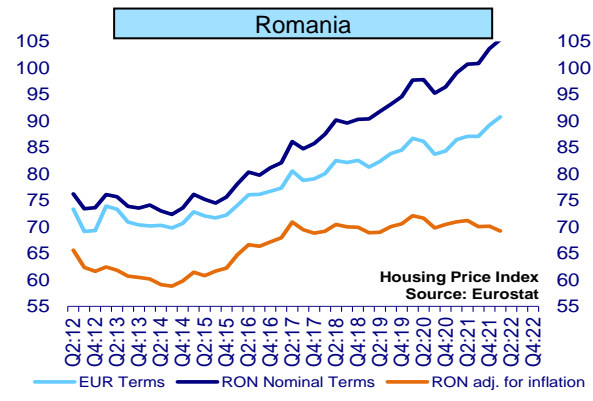
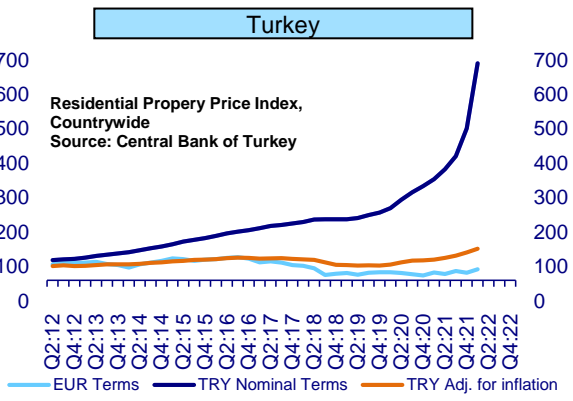
# External debt (% of GDP)

- Widening external imbalances mean that **external debt should continue its upward trend** in the period ahead
- However, debt accumulation should come at a **higher cost**, reflecting **tightening global liquidity conditions**



# Real estate prices

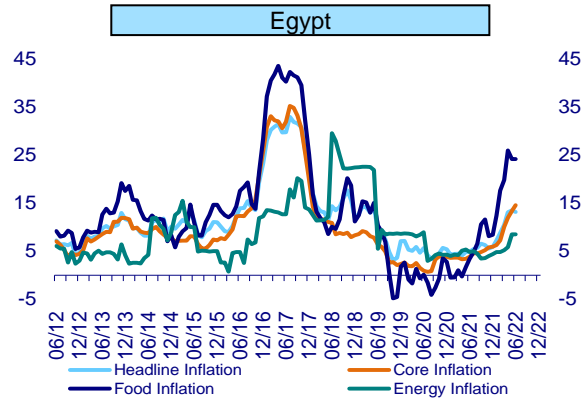
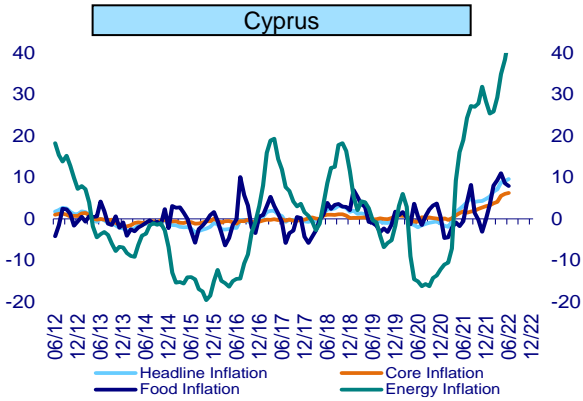
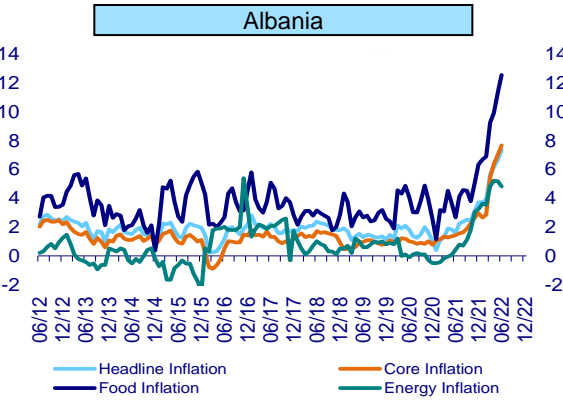
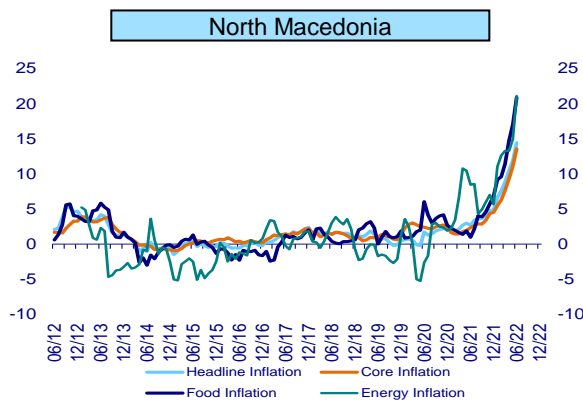
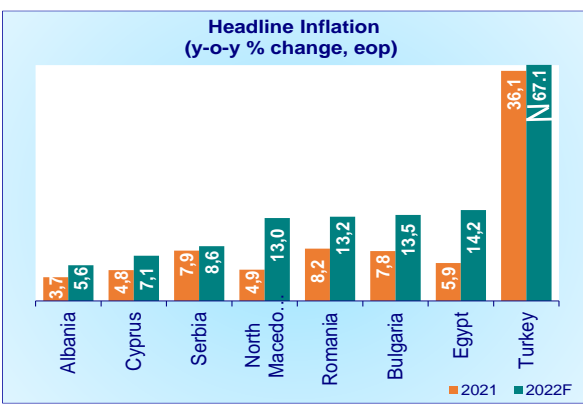
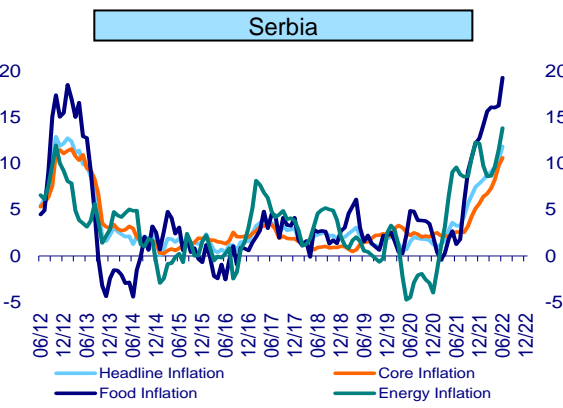
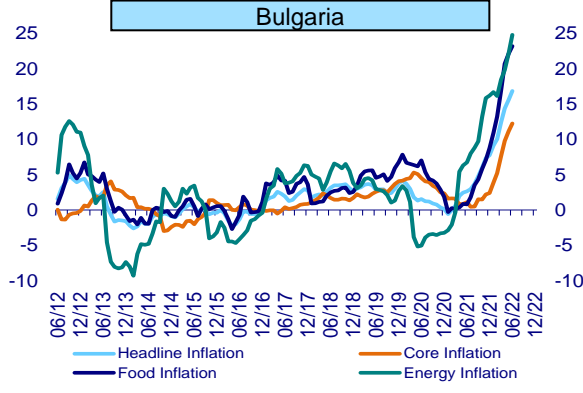
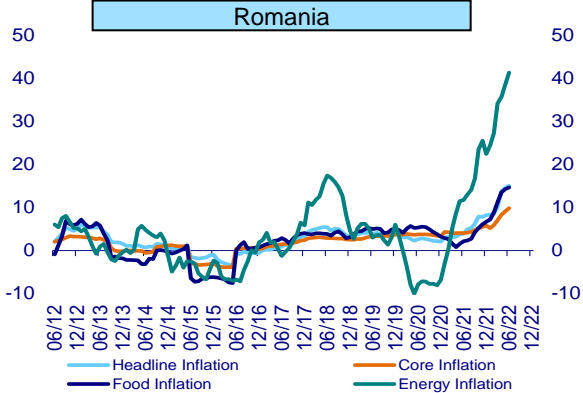
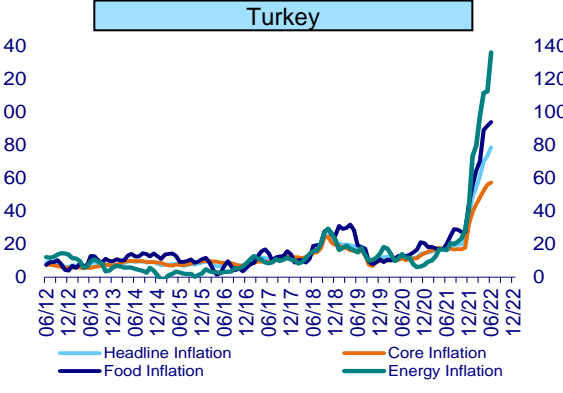
- Real estate prices continued their upward trend in H1:22 in most of the countries under review, following, *inter alia*, the pass-through of the ongoing increase in construction costs
- Looking further ahead, **tighter financing conditions** should eventually lead to a **cooling-down** in the real estate market



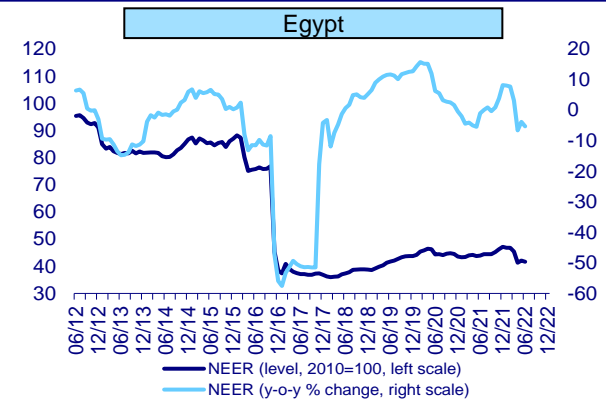
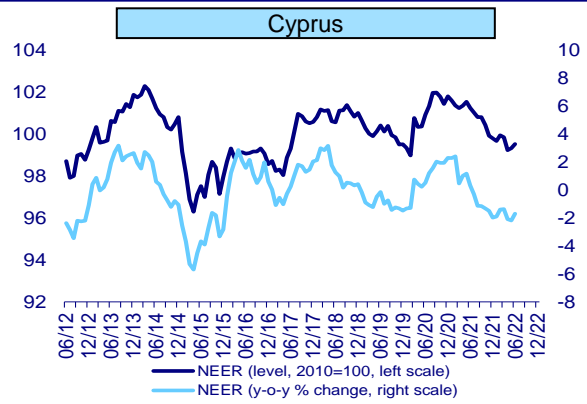
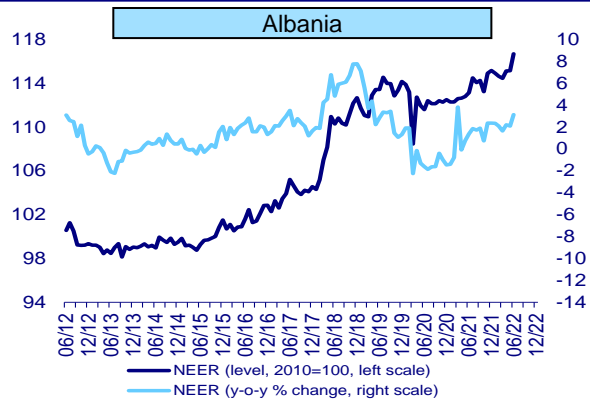
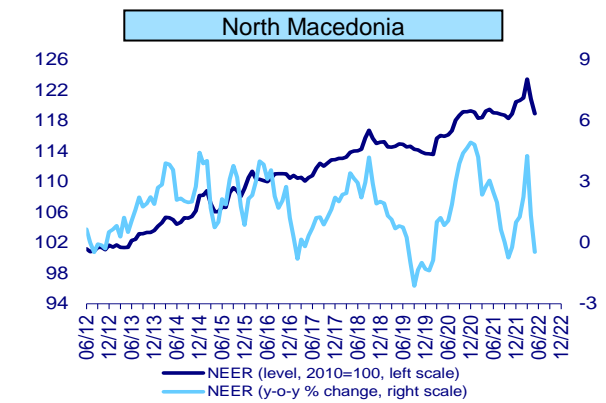
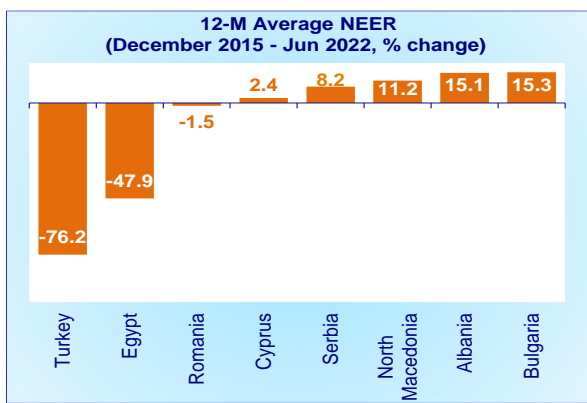
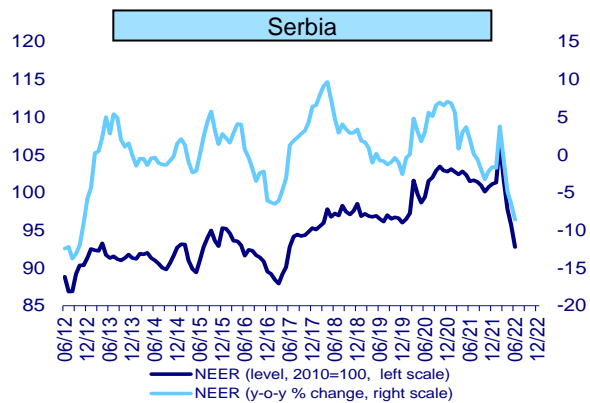
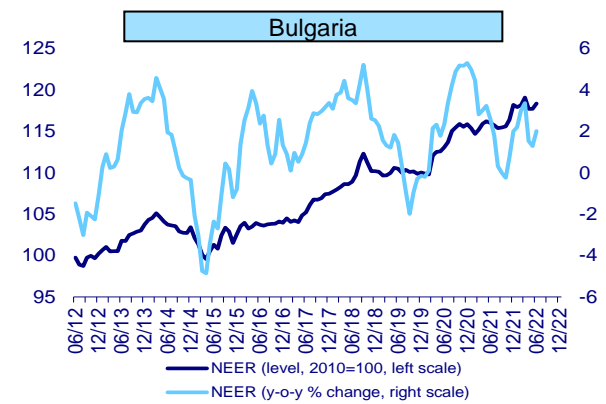
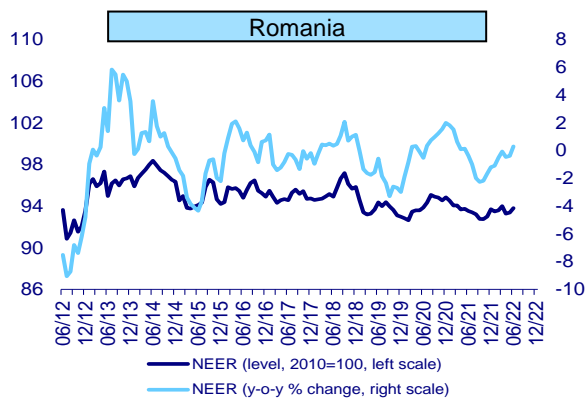
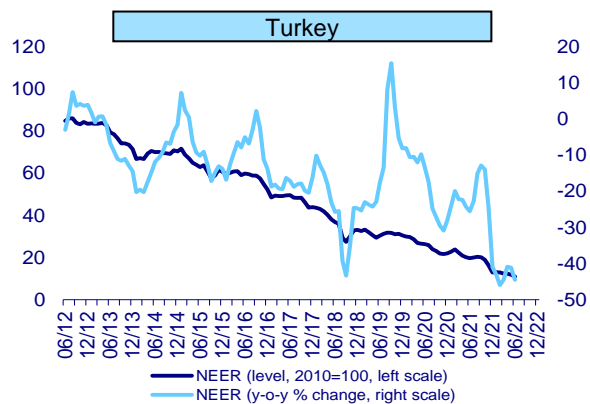


# Inflation (%)

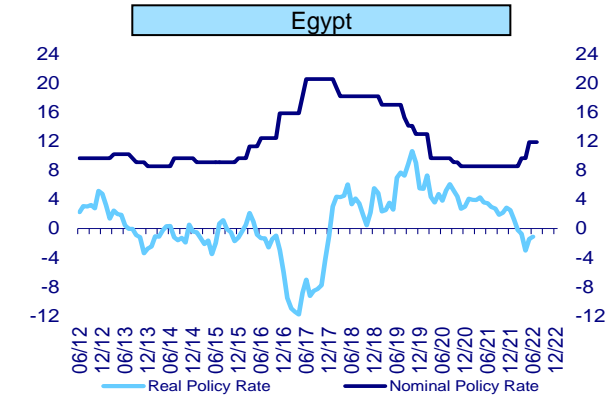
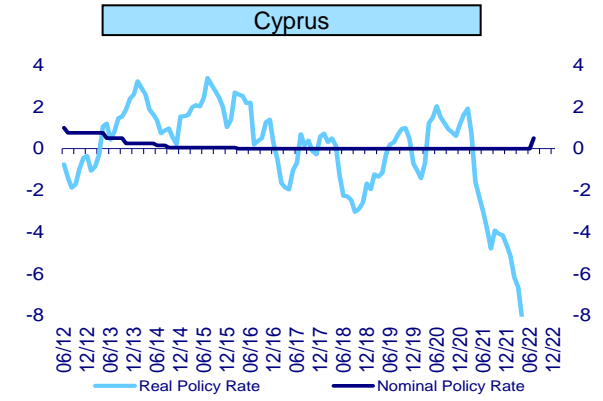
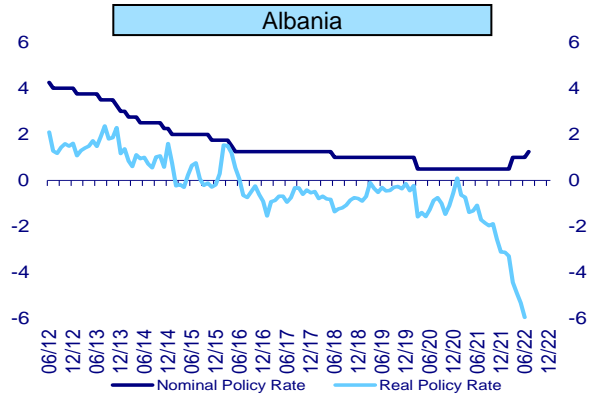
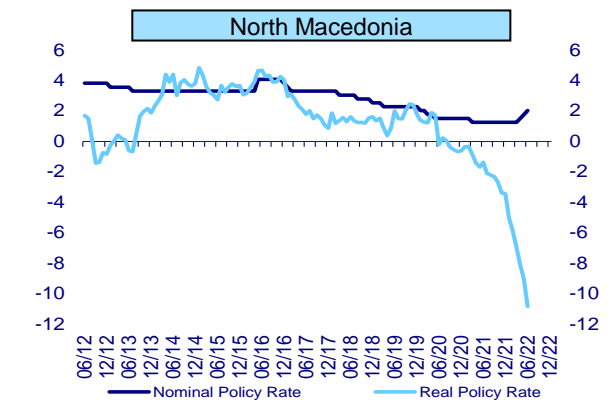
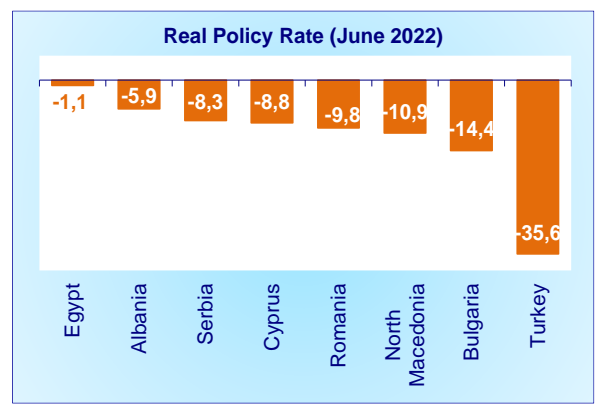
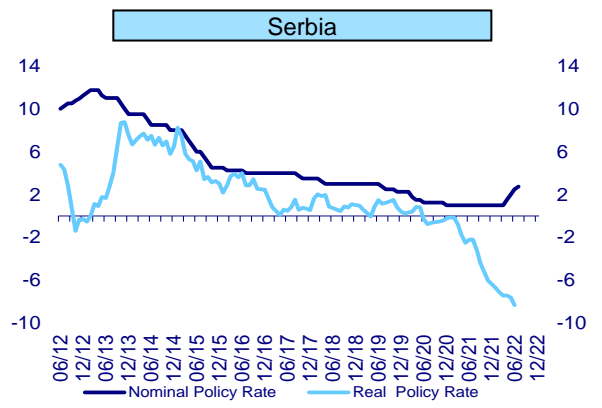
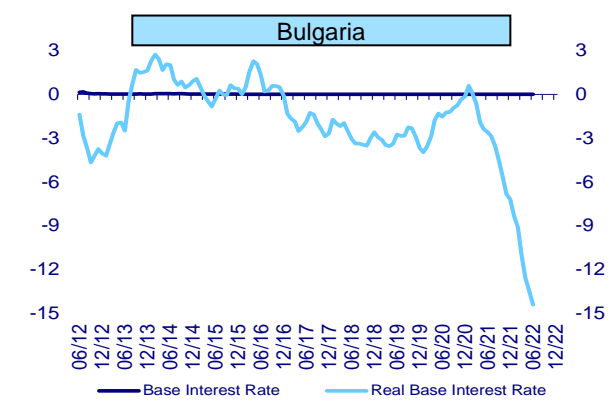
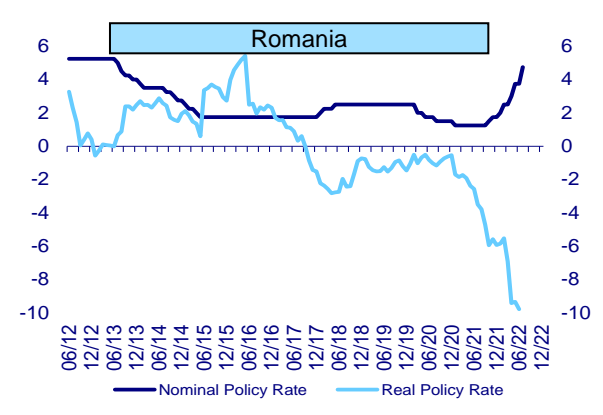
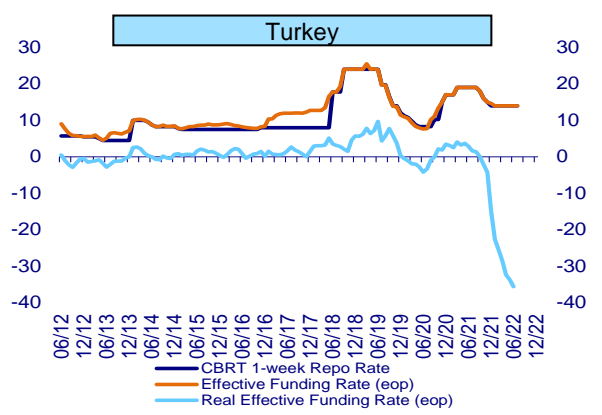
- Higher global commodity (especially energy & food) prices and their second-round effects have pushed inflation to record highs in all the economies under review
- Under our baseline scenario, energy inflation is set to peak in the next few months, before embarking on a downward trend, while food and core inflation measures are set to remain elevated for much longer, reflecting, *inter alia*, war-induced disruptions to supply chains and higher input and labour costs



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



With inflation at record-high levels and pressures on domestic currencies building up, on the back, *inter alia*, of surging global risk aversion and major central banks' hawkish turn, **regional central banks cannot but maintain their tightening bias** in the period ahead, despite strong downside risks to economic growth



## Reserve requirement ratios

- In a bid to discourage euroization, the Central Bank of **North Macedonia** hiked its reserves requirement rates on FC liabilities

### Turkey

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Jul. 2022
LC Liabilities	1.0-6.0	3.0-8.0	3.0-8.0
FC Liabilities	13.0-19.0	19.0-25.0	19.0-25.0

### Romania

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

### Bulgaria

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

### Serbia

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

### North Macedonia

Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Jul. 2022
LC Liabilities	8.0	8.0	5.0
FC Liabilities	15.0	15.0	18.0

### Albania

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

### Cyprus

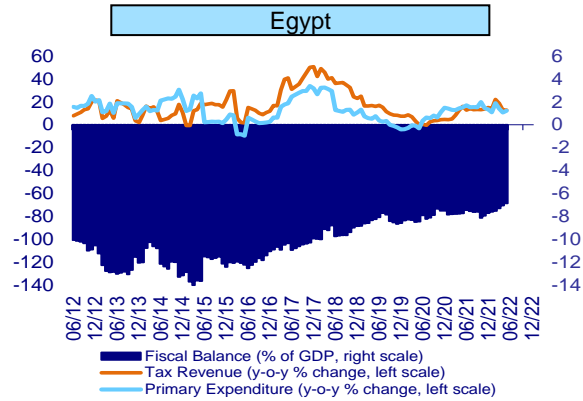
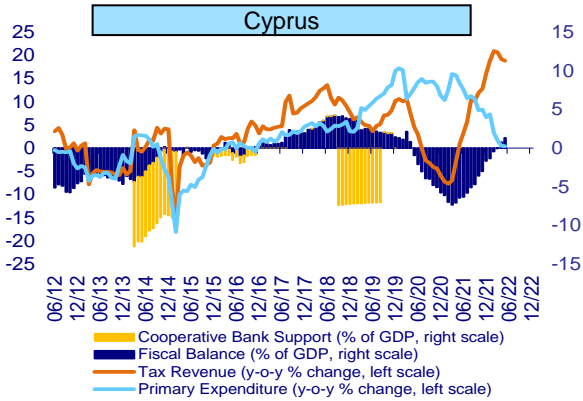
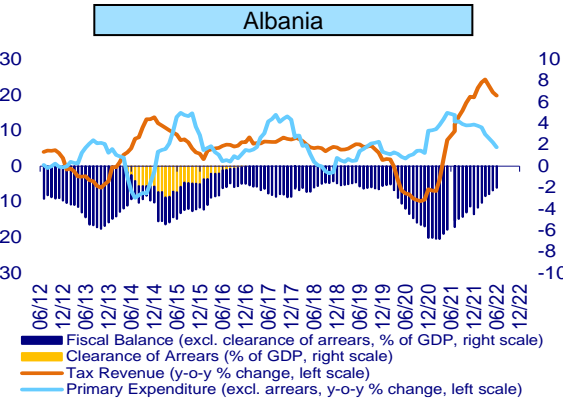
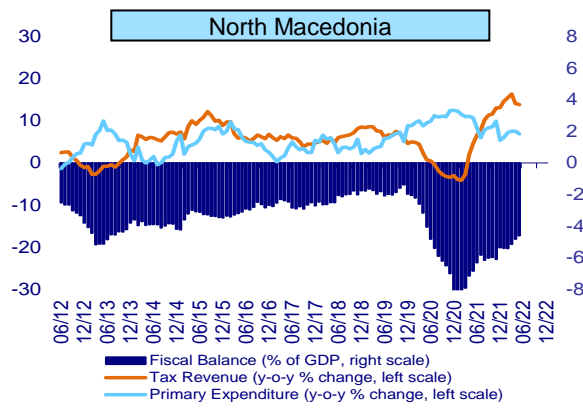
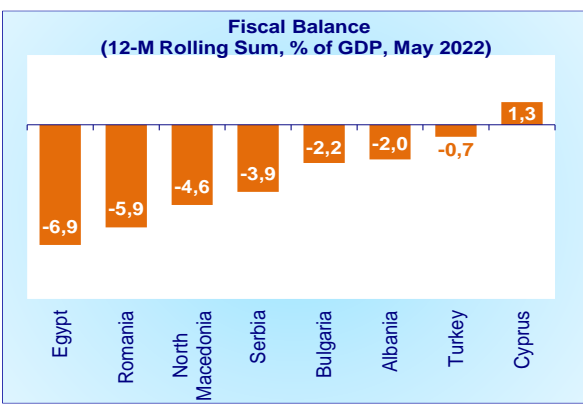
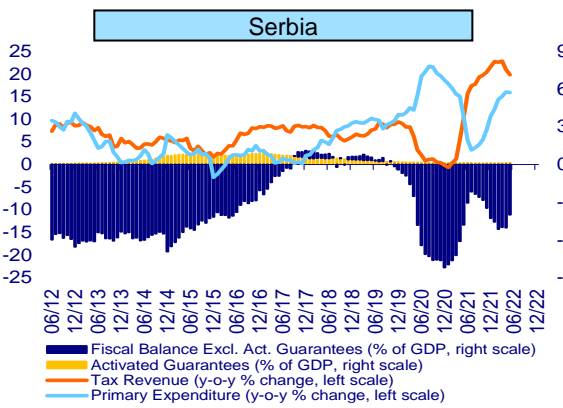
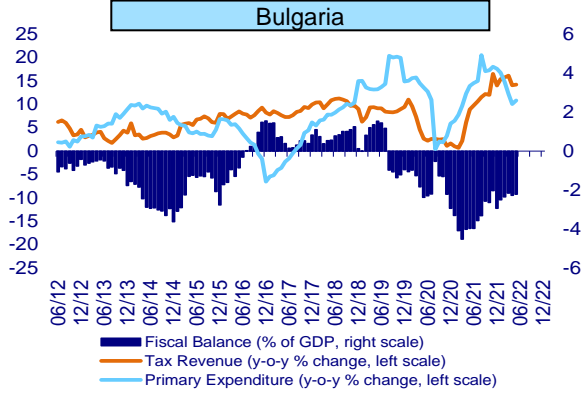
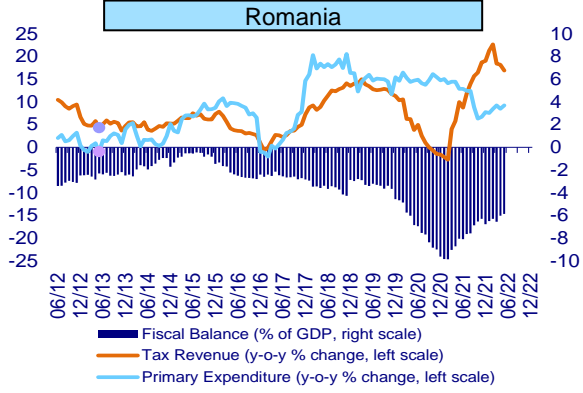
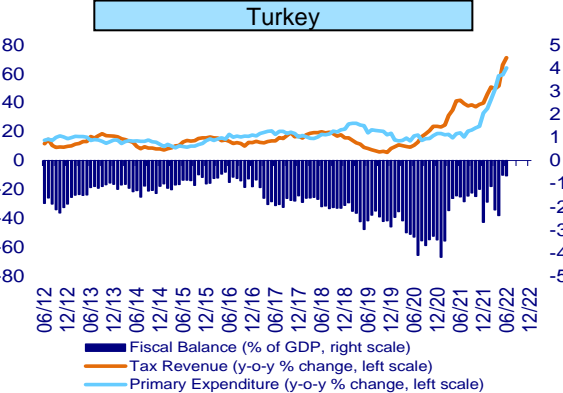
Reserve Requirement Ratios (%)			
	Dec. 2020	Dec. 2021	Jul. 2022
LC Liabilities	1.0	1.0	1.0
FC Liabilities	1.0	1.0	1.0

### Egypt

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

# Fiscal performance (12-month rolling)

- **Fiscal accounts** in all the countries under review **have been improving so far in 2022**, as tax revenues are more responsive to inflation than spending. The unwinding of COVID-19 support schemes also helped to this end
- However, with **pressure on budget spending building up**, this trend is set to pause (or even reverse) soon



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

- **Fiscal consolidation is set to slow down** (or even pause) this year, so as to allow the budget to absorb part of the higher energy bill
- **Rising debt yields** (see also next pages) are set to add to the budget burden
- **Fiscal balances are unlikely to revert to their pre-COVID-19 levels soon**

### Turkey

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-3.4	-2.7	-3.5	-3.5

### Romania

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-9.6	-6.8	-6.2	-5.5

### Bulgaria

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-2.9	-3.5	-3.0	-2.4

### Serbia

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-8.0	-4.1	-4.0	-2.6

### North Macedonia

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-8.2	-5.4	-5.4	-4.4

### Albania

Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-6.7	-4.5	-4.5	-3.5

### Cyprus

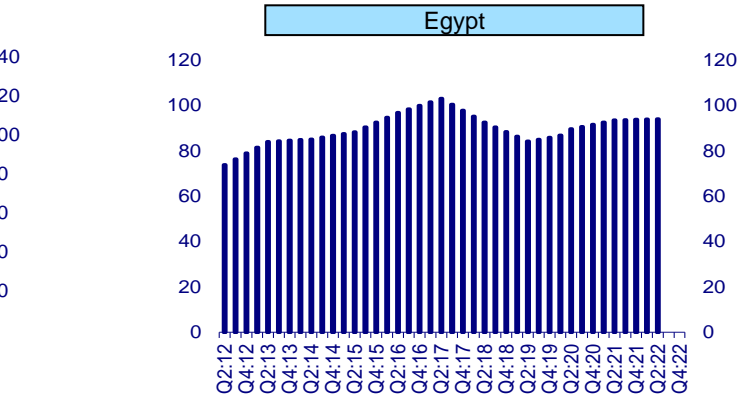
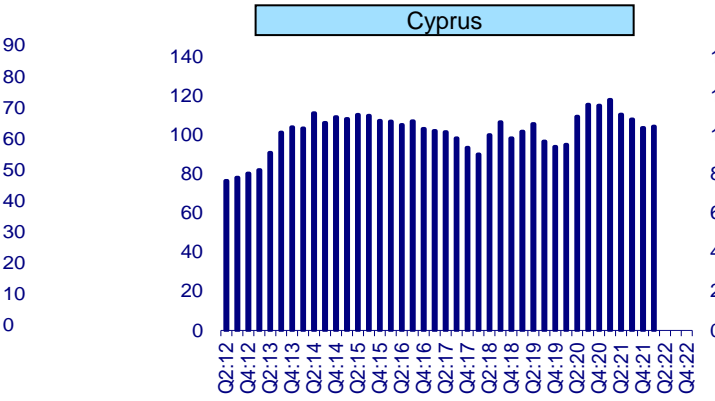
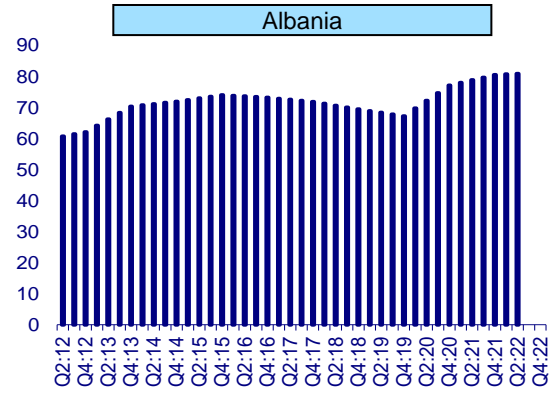
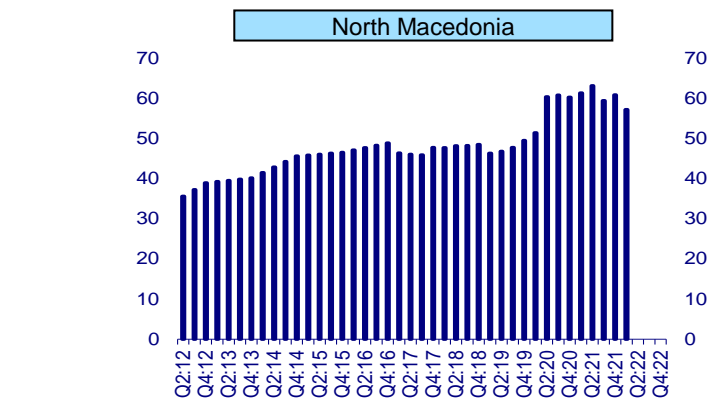
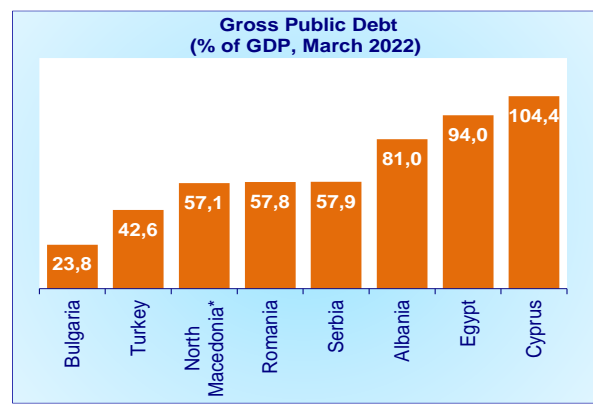
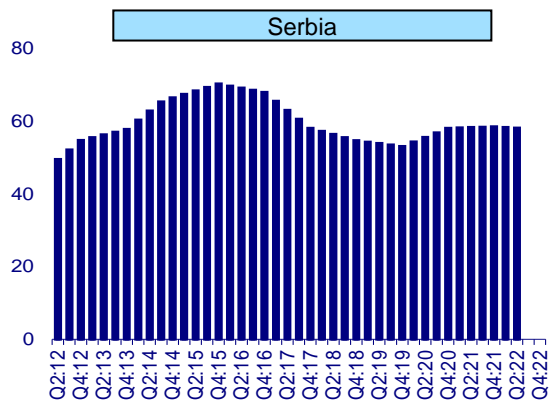
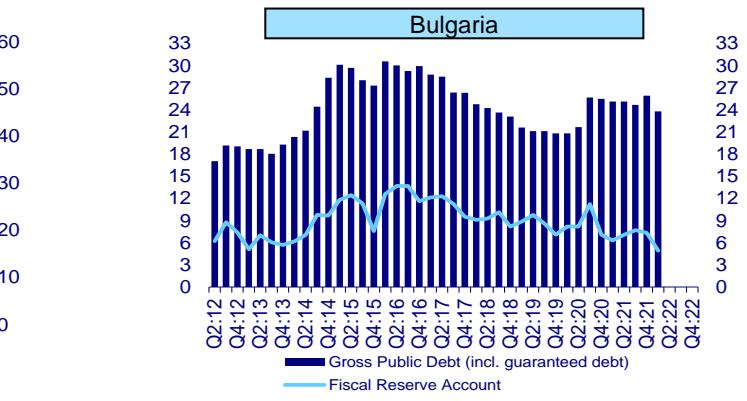
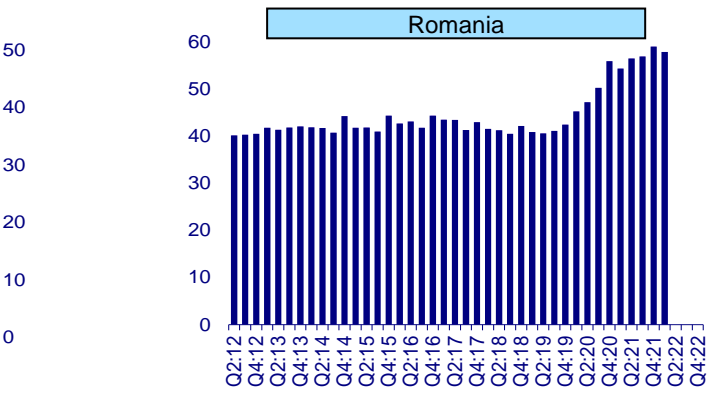
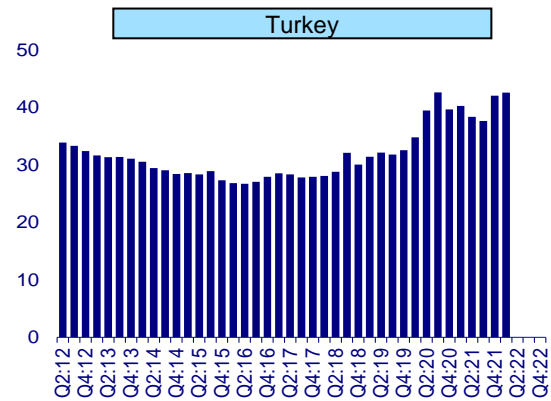
Dec. 20	Dec. 21	Dec. 22F	Dec. 23F
-5.6	-1.7	-1.7	-1.2

### Egypt\*

Jun. 20	Jun. 21	Jun. 22F	Jun. 23F
-7.9	-7.4	-7.2	-6.8

\*: Fiscal year ending on June 30<sup>th</sup>.

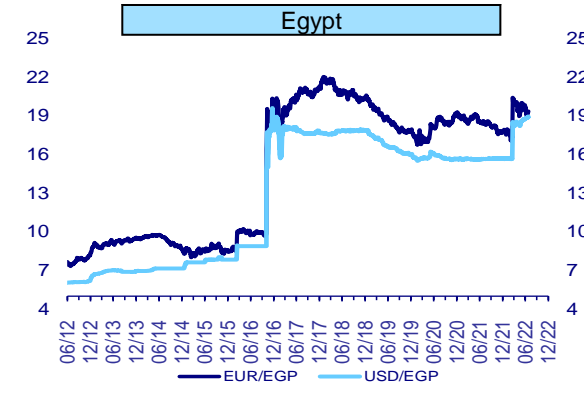
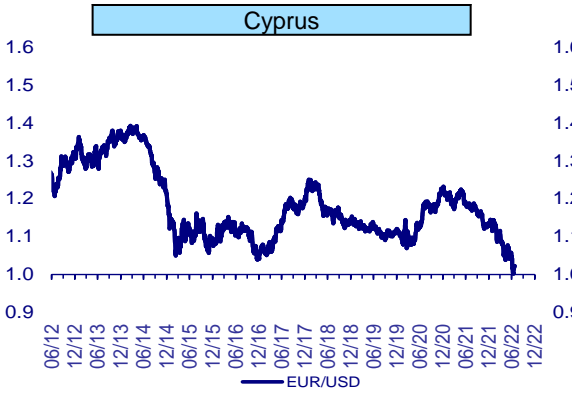
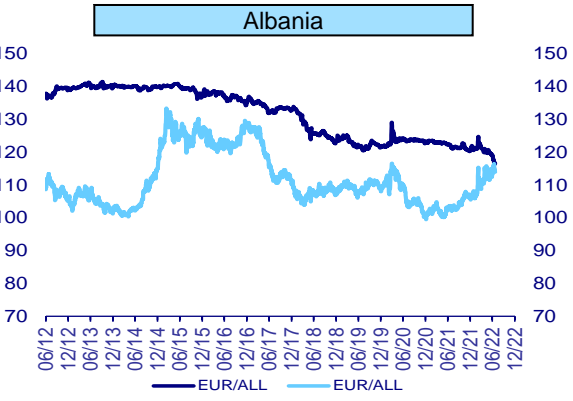
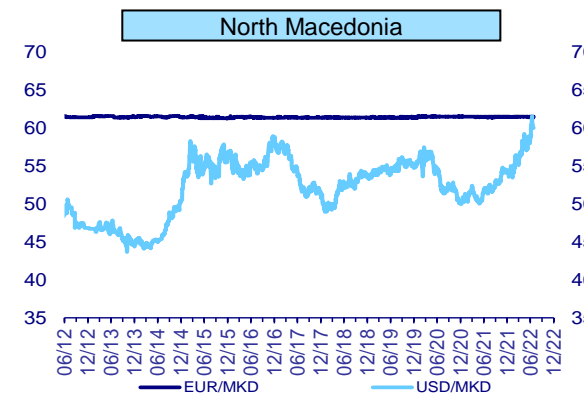
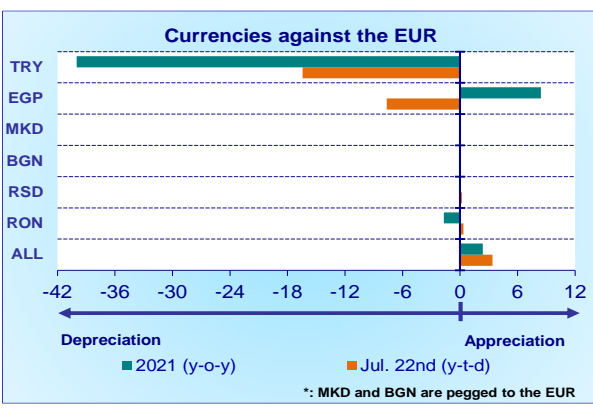
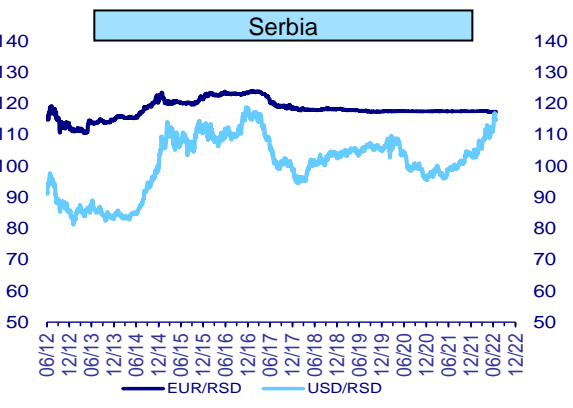
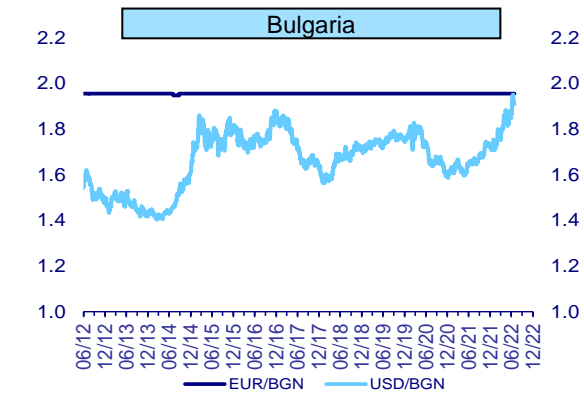
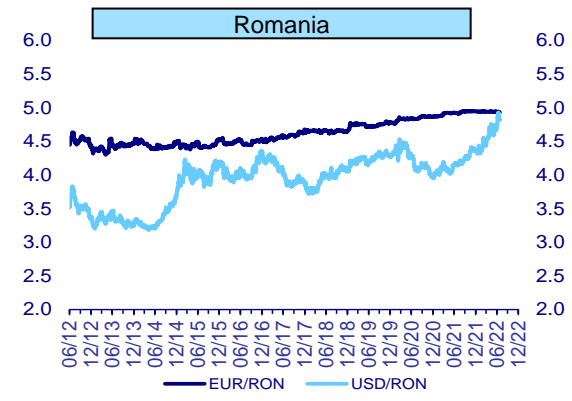
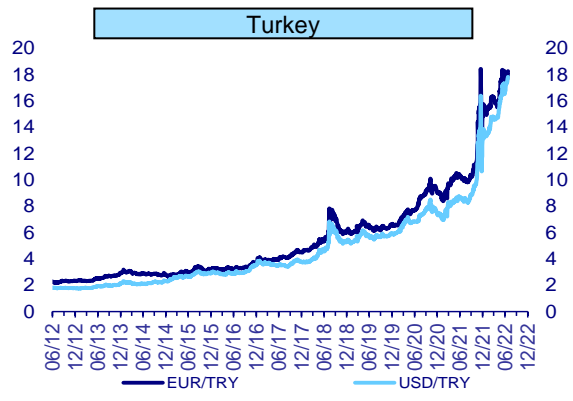
- The COVID-19 crisis has left all the economies under review with a **significant debt legacy**
- Despite the still sizeable budget deficits, the **public debt-to-GDP ratios are unlikely to rise much further** this year, reflecting the impact of the jump in inflation



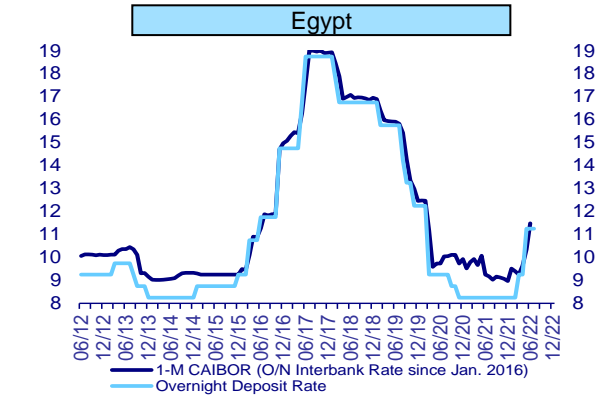
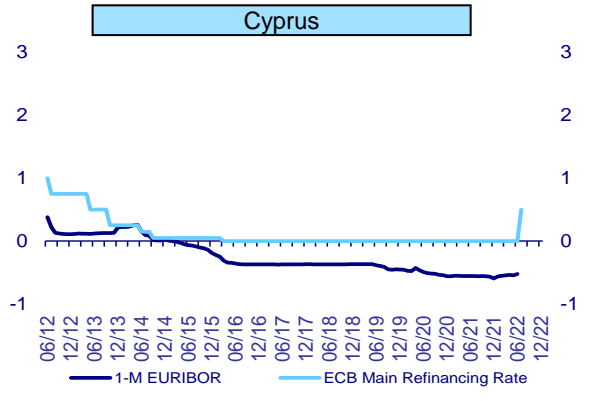
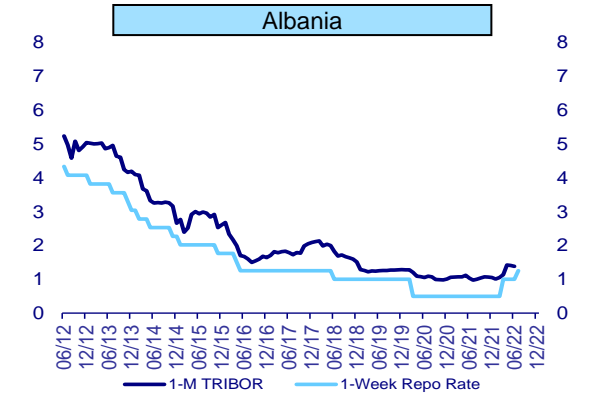
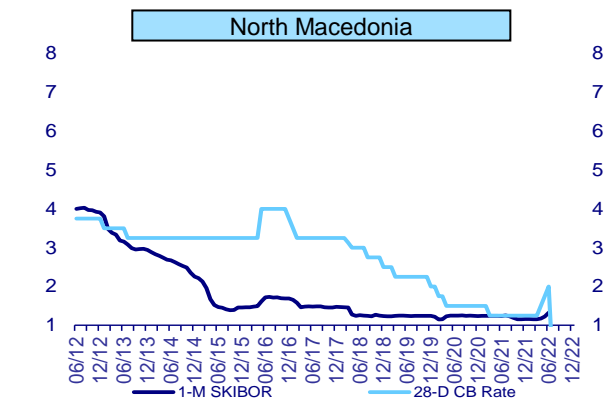
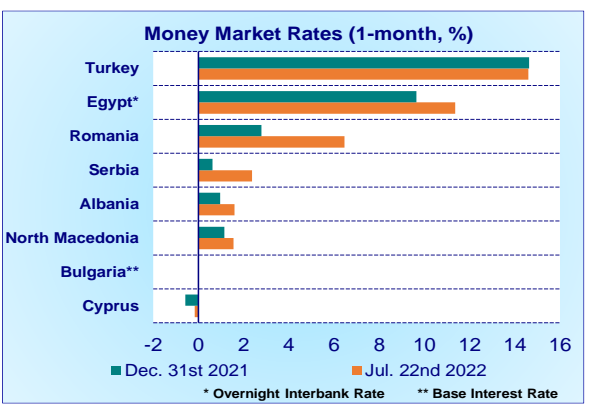
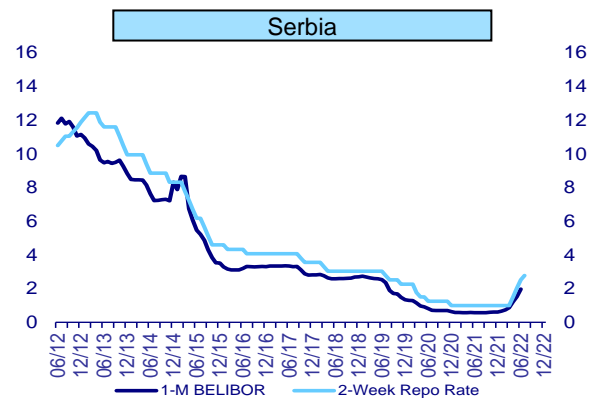
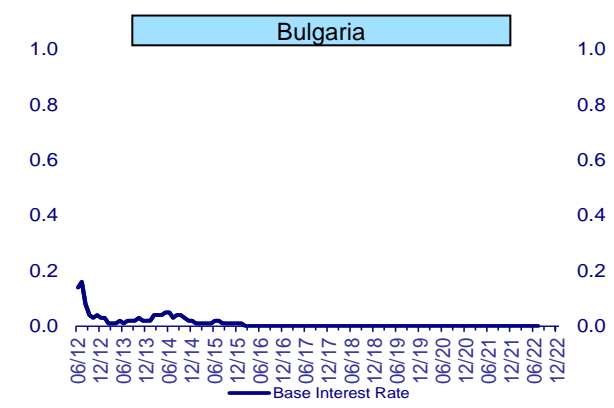
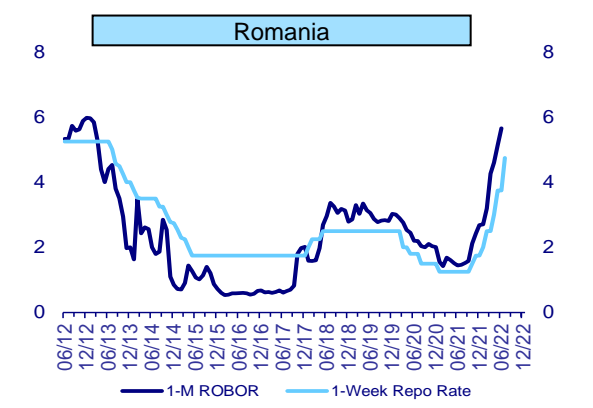
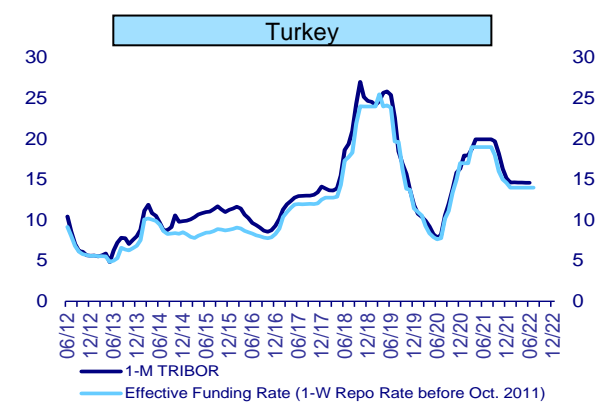


# Exchange rates

- In light of the Fed's aggressive policy tightening, **all the currencies** under review **saw their value drop sharply against the USD** over the past months
- Concerns over the consistency of the CBRT's policies, given the economy's vulnerabilities, have led to (another) massive depreciation in the **TRY** so far this year

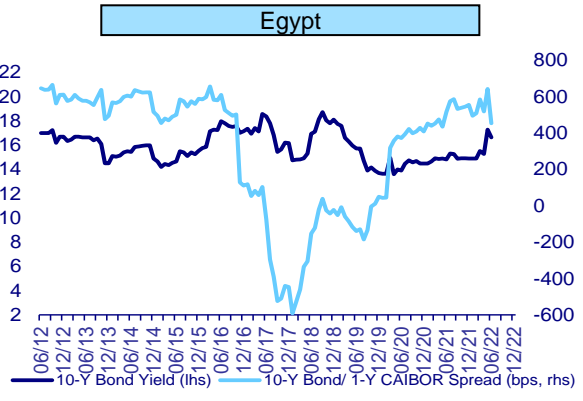
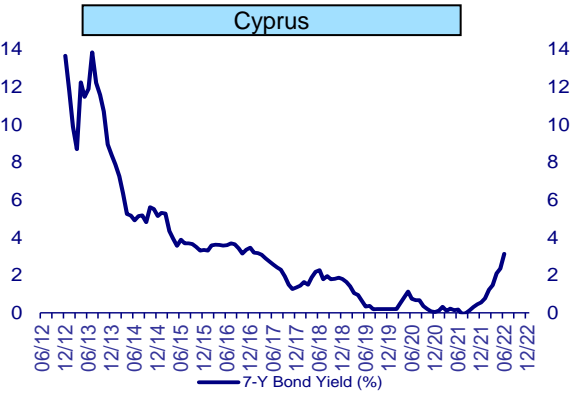
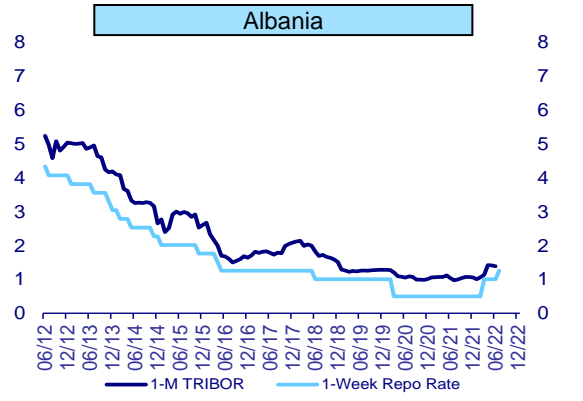
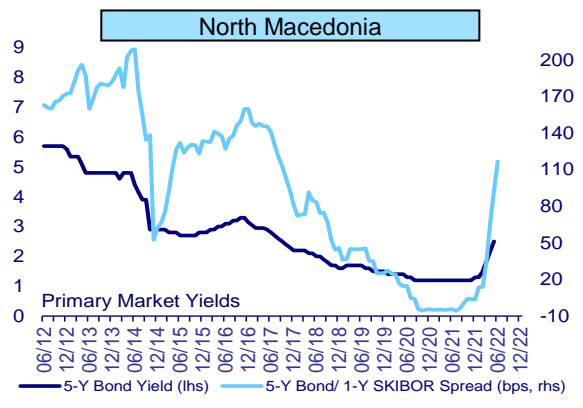
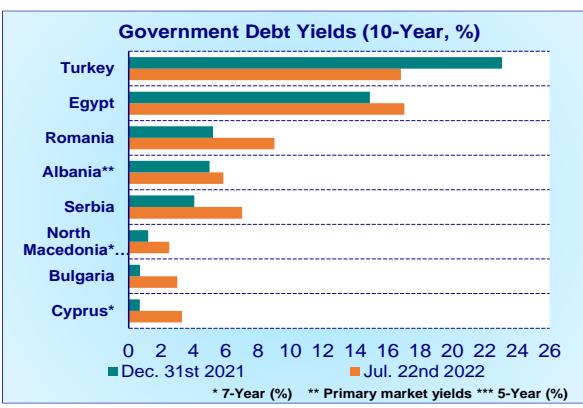
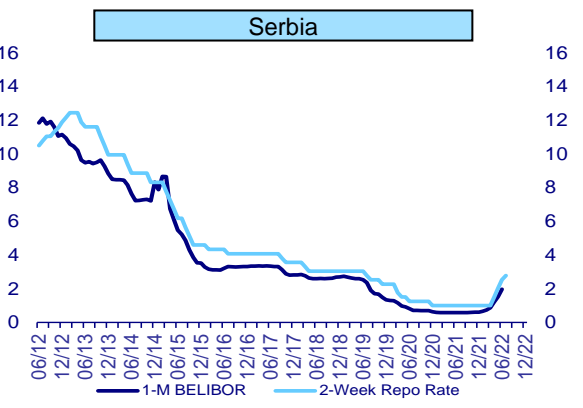
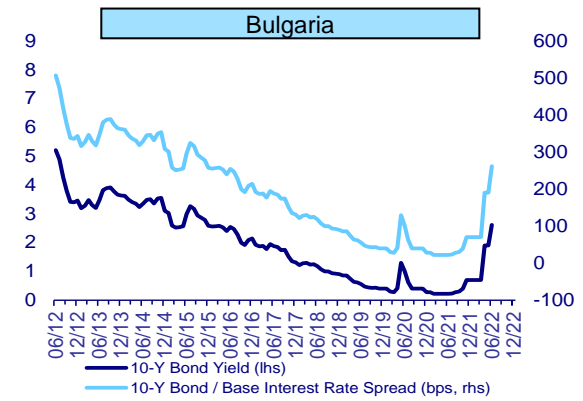
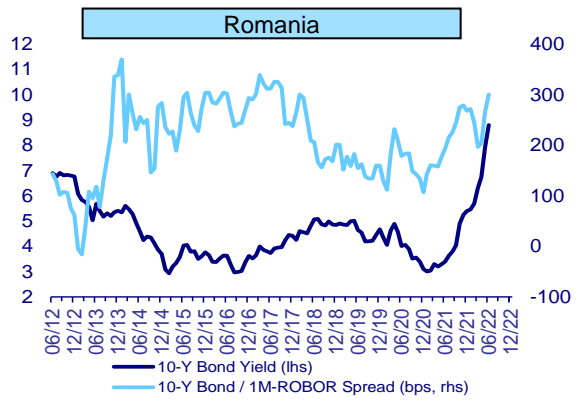
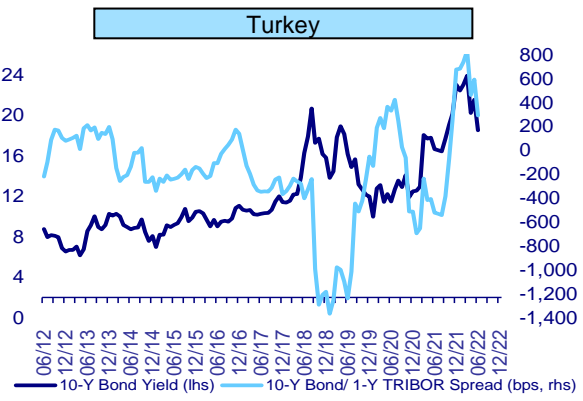


Money market rates have risen from historical low levels in virtually all the countries under review, reflecting tightening monetary policy conditions



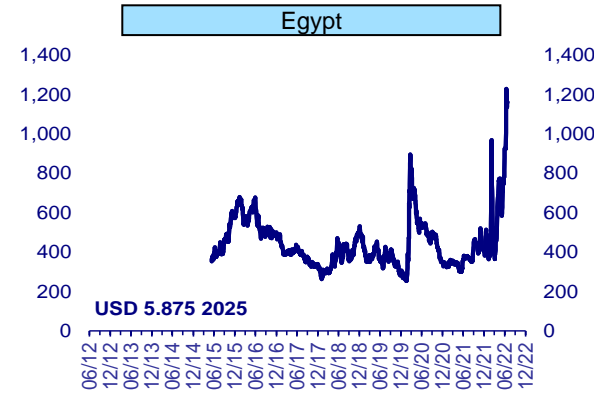
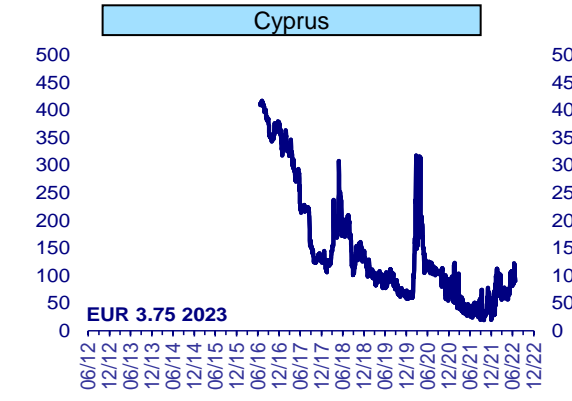
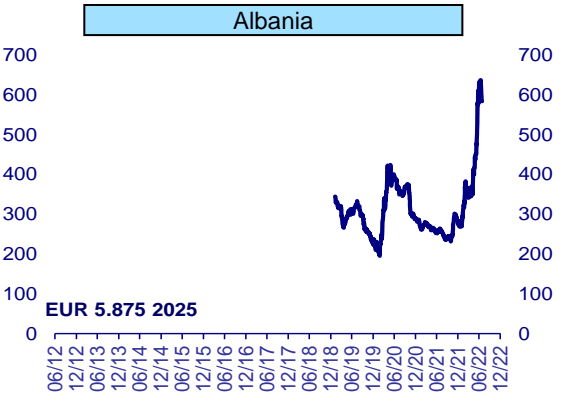
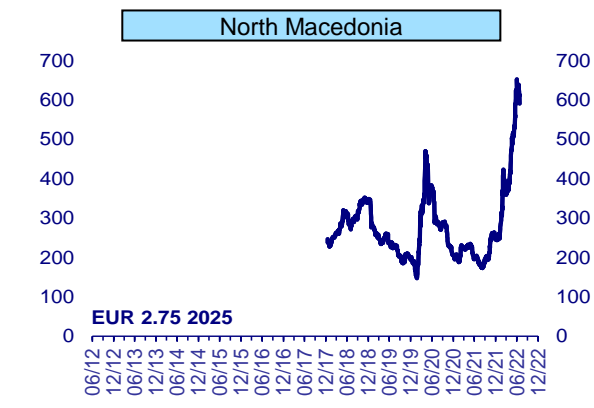
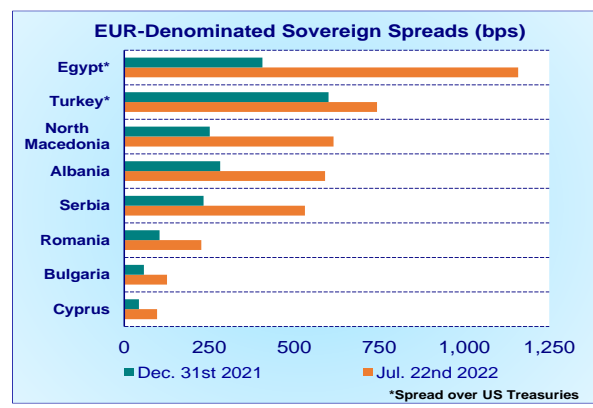
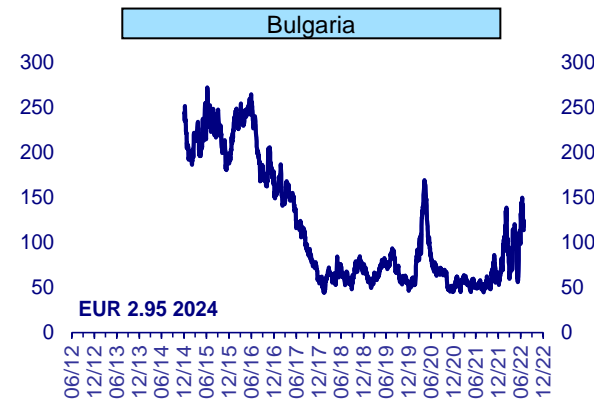
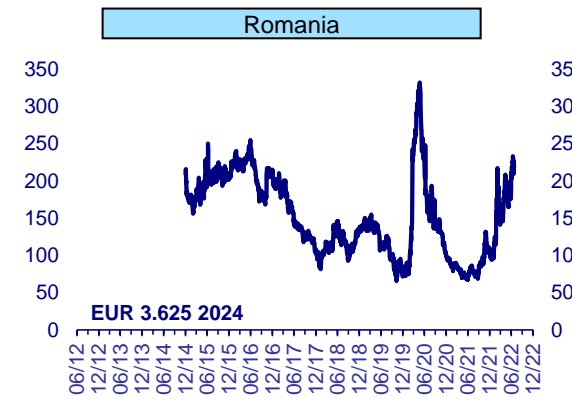
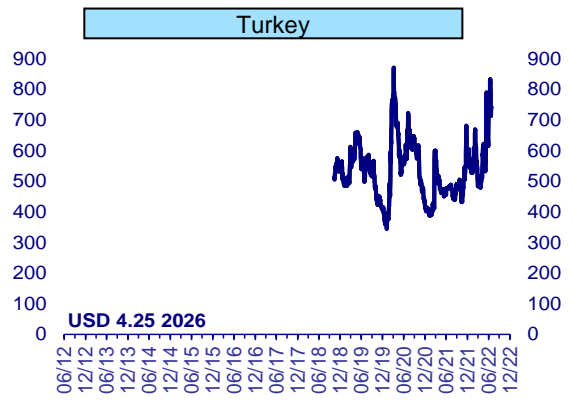
# Government debt yields (%)

- Rising inflation, together with expectations for further tightening in monetary policy conditions, have driven **debt yields much higher** so far in 2022
- The drop in yields in **Turkey** was attributed to adoption by the CBRT of a regulation requiring banks to hold LC bonds against FC deposits



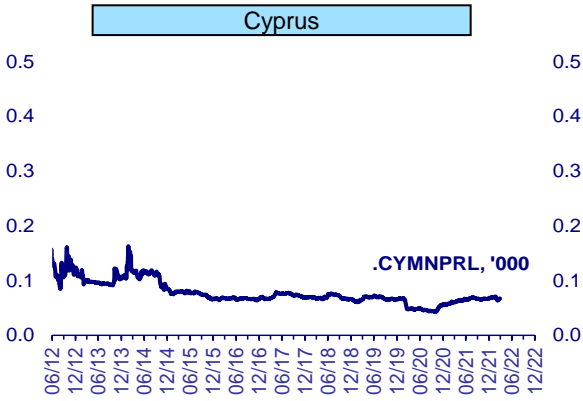
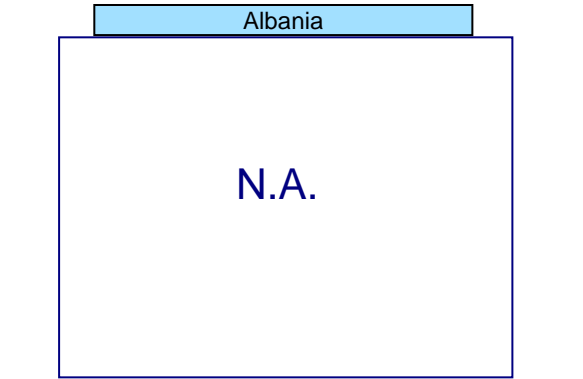
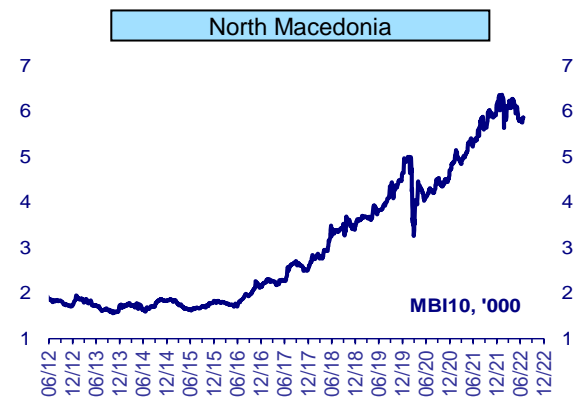
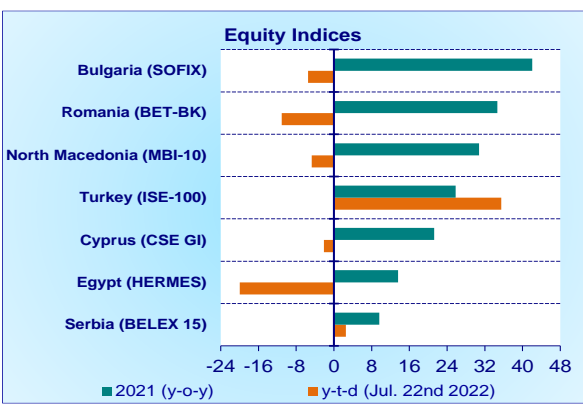
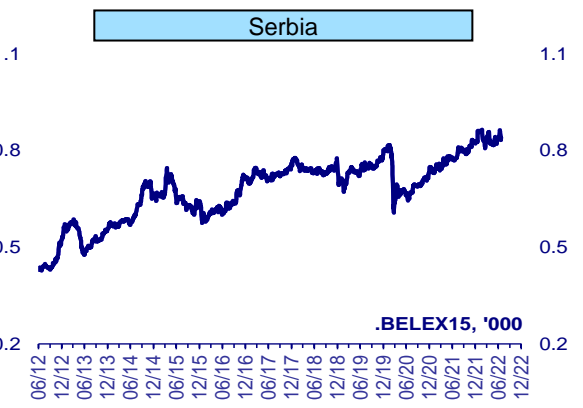
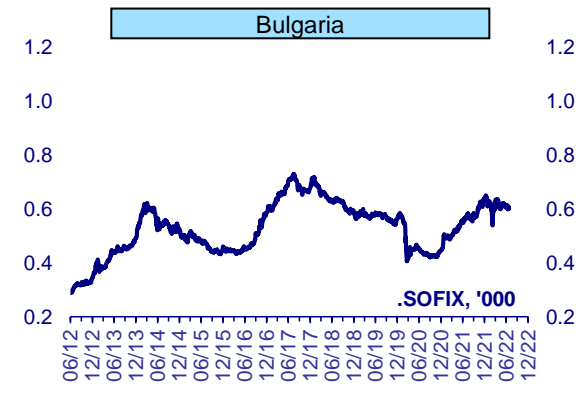
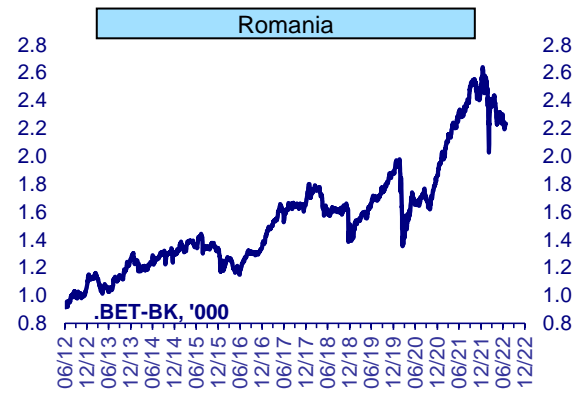
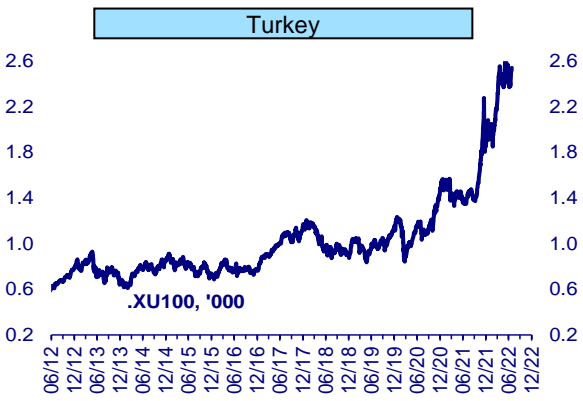
# Sovereign spreads (bps)

Amid "flight-to-quality", sovereign spreads have widened markedly recently to levels only seen at the outbreak of COVID-19



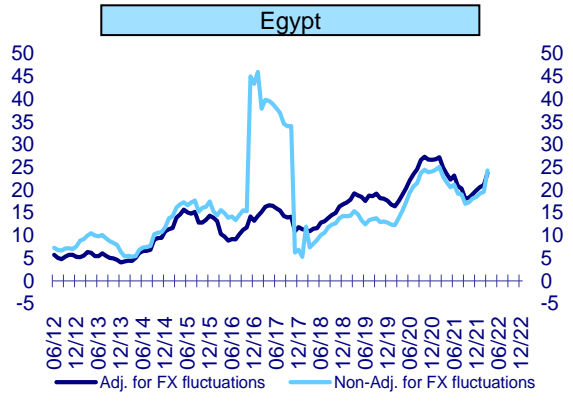
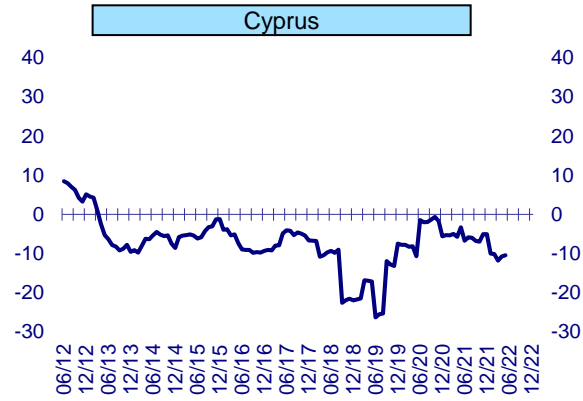
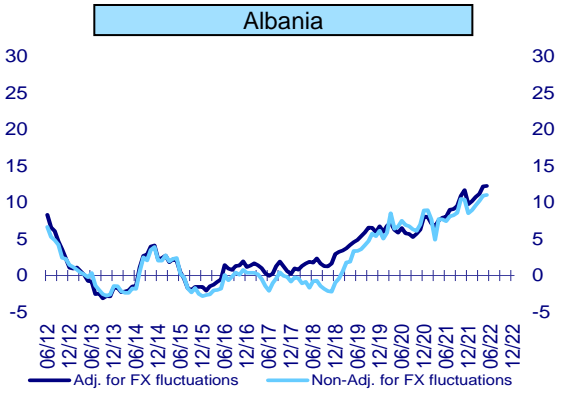
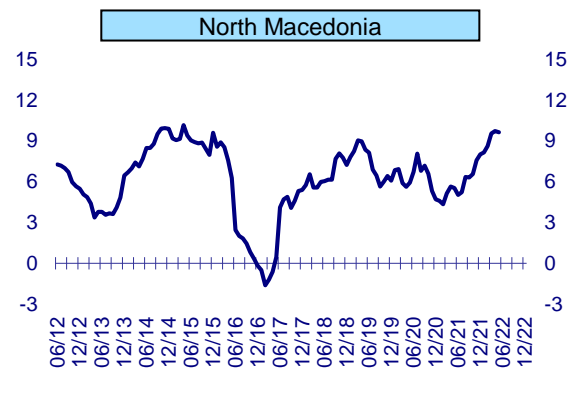
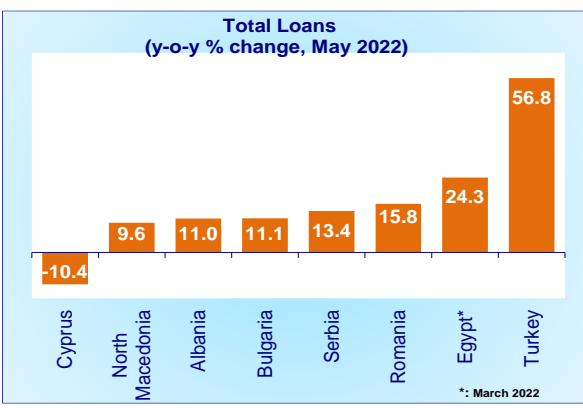
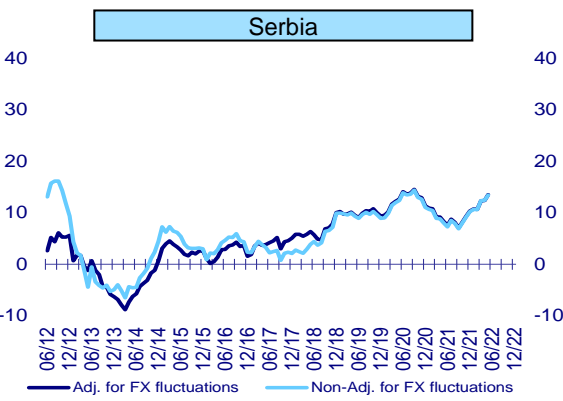
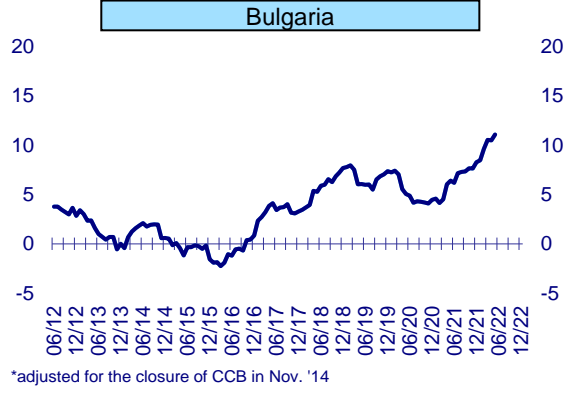
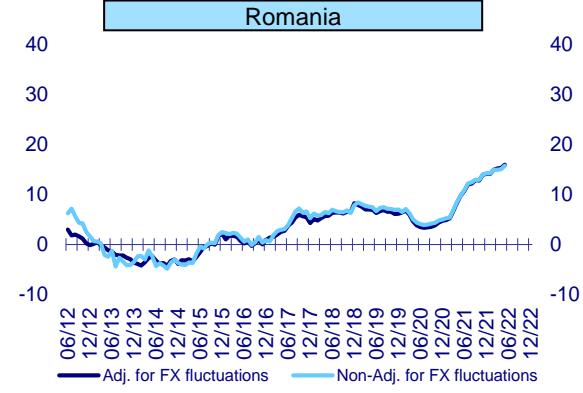
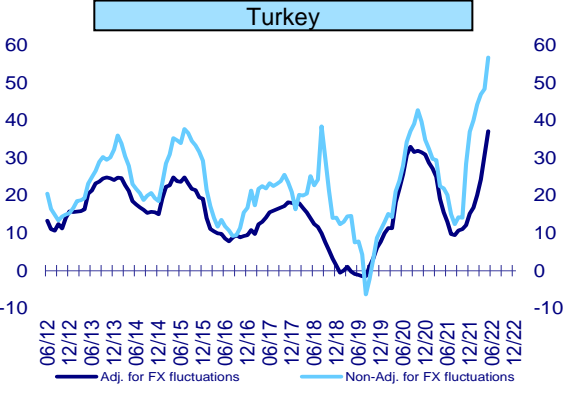
# Stock market

- Amid heightened uncertainty, **stock markets have come off their recent highs** in most of the countries under review
- In **Turkey**, strong domestic demand for equities as a hedge against inflation has pushed up stock market valuations to record-high levels

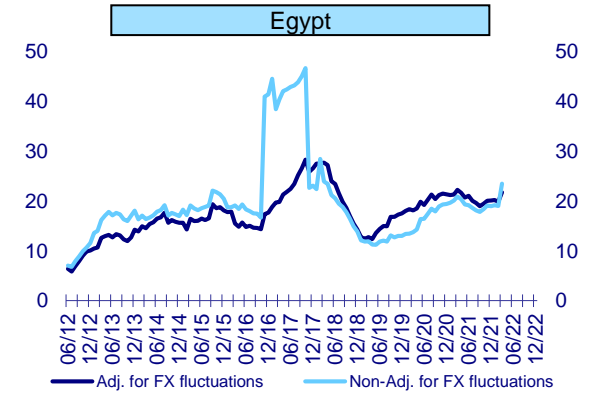
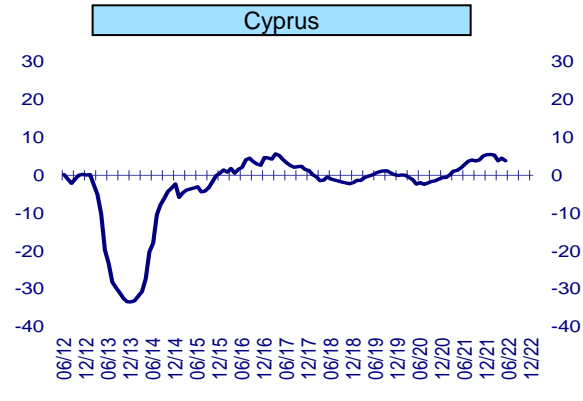
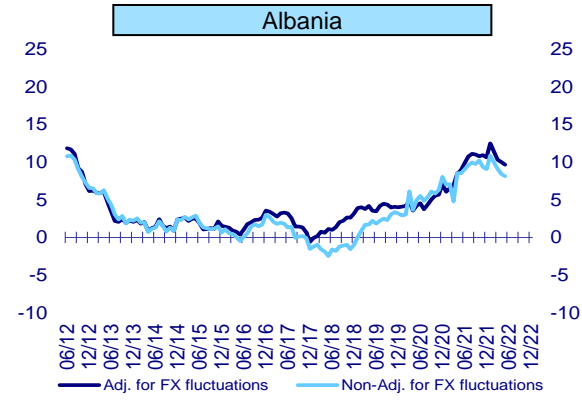
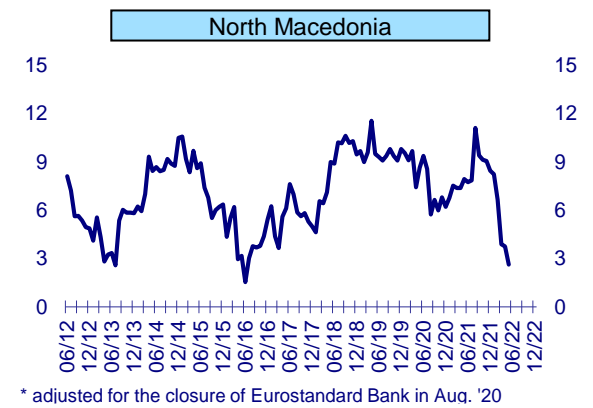
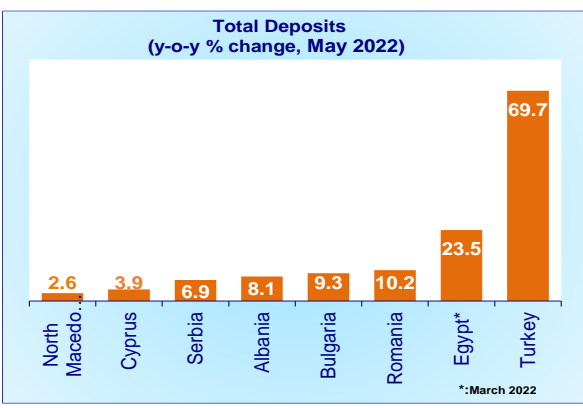
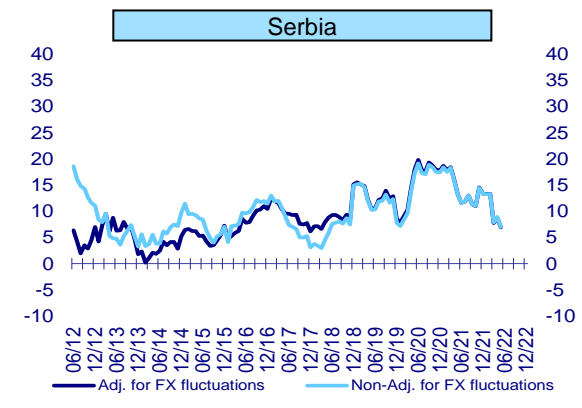
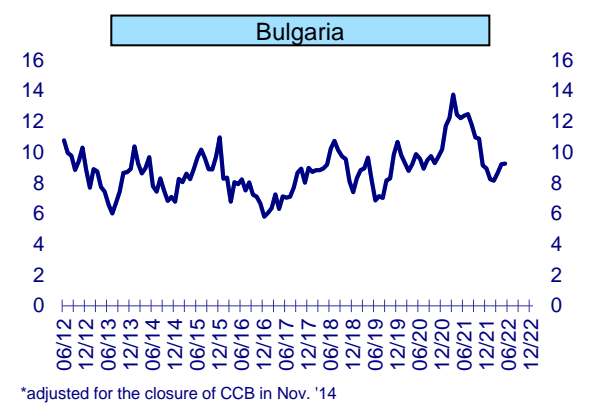
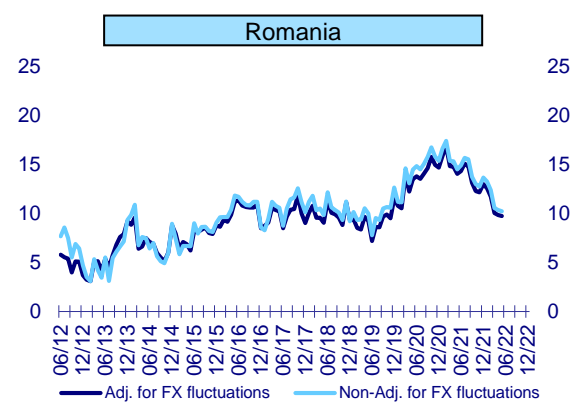
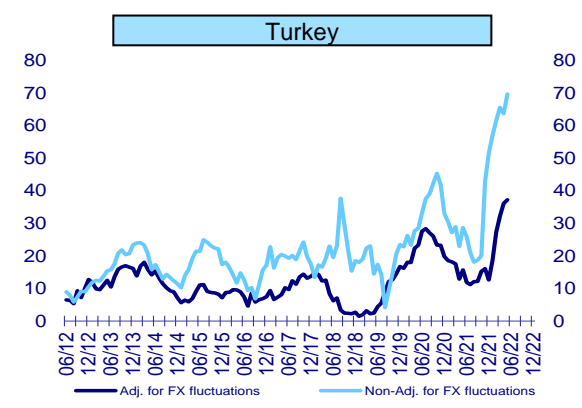


# Total loans (y-o-y % change)

- Following a strong start to the year, **credit uptake cannot but be affected by slowing economic growth and gradually tightening financing conditions** (as implied by rising interest rates and central banks' more stringent macroprudential policies)
- In **Turkey**, credit growth has been surging, reflecting skyrocketing inflation against the backdrop of an inconsistently loose monetary policy



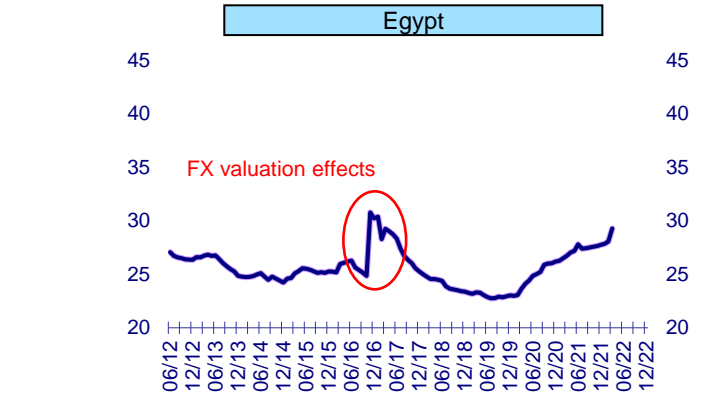
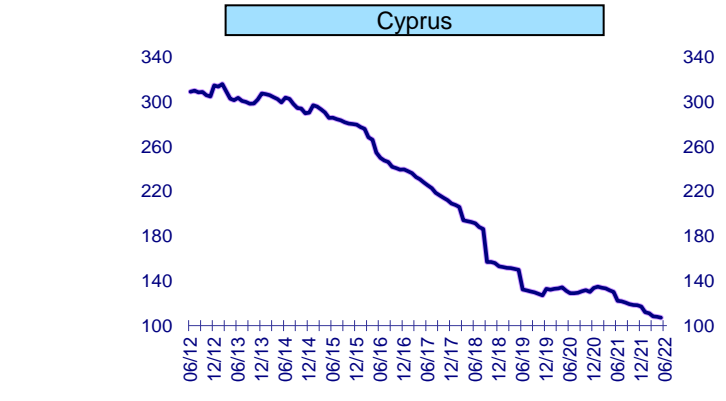
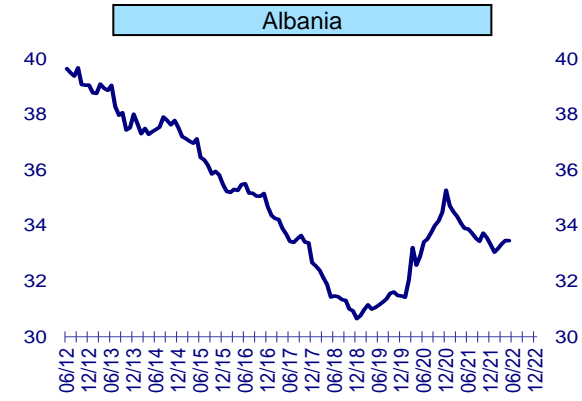
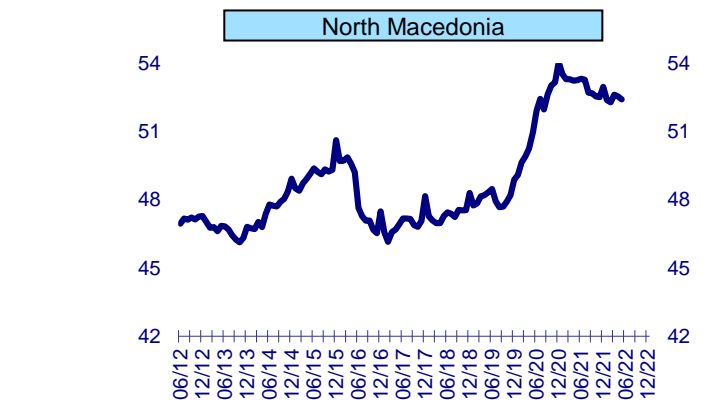
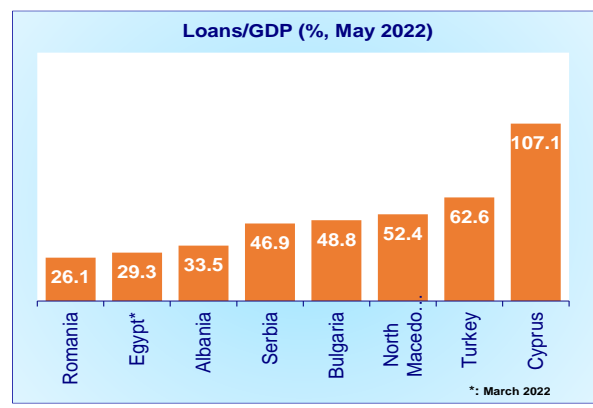
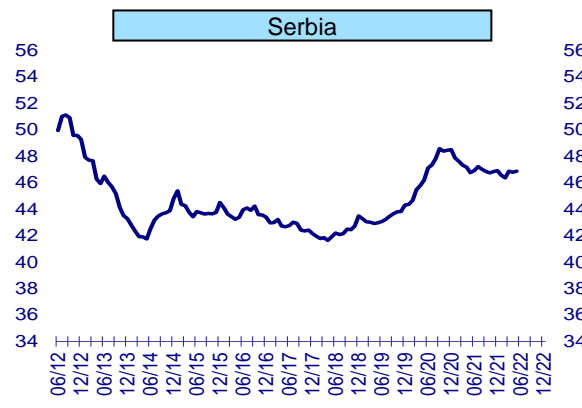
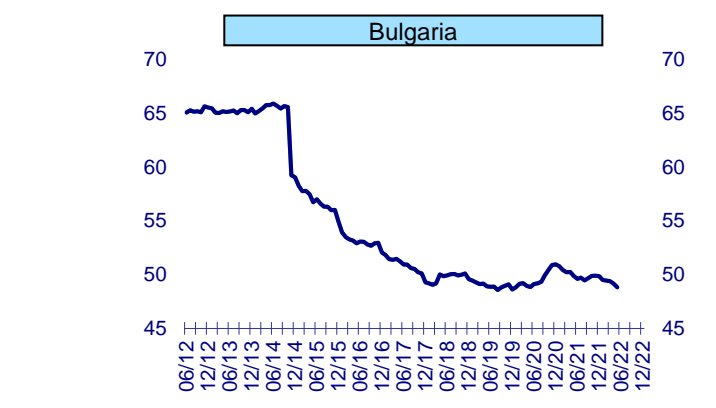
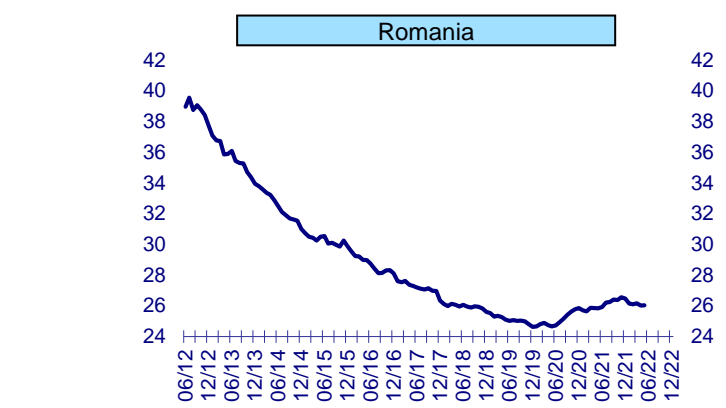
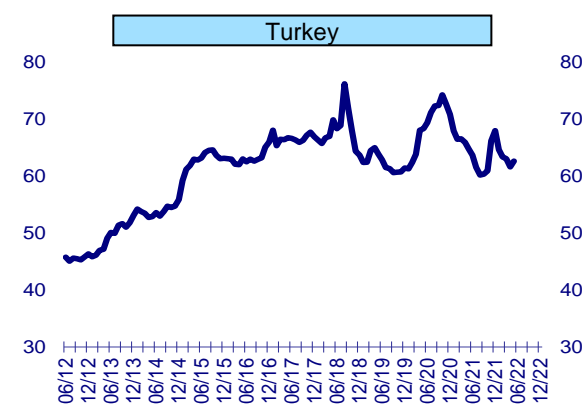
▪ **Heightened uncertainty** and increased recourse to deposits to counter the inflation shock has been translated into slowing deposit growth in most of the economies under review





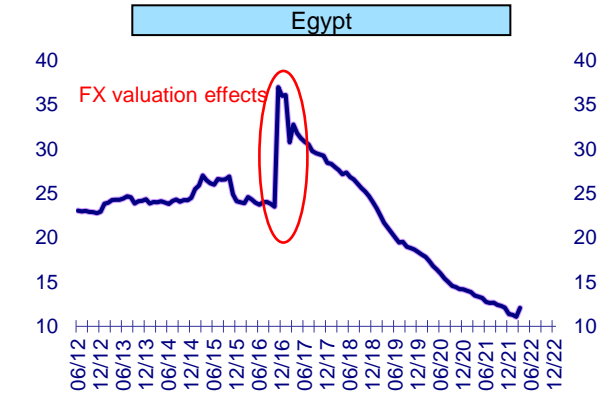
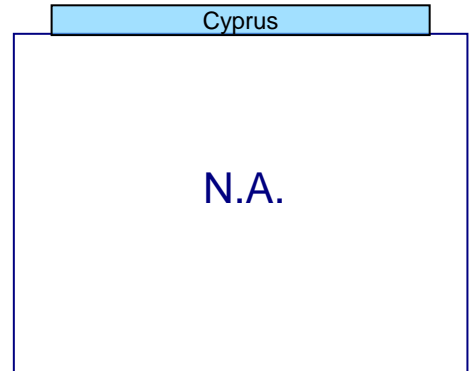
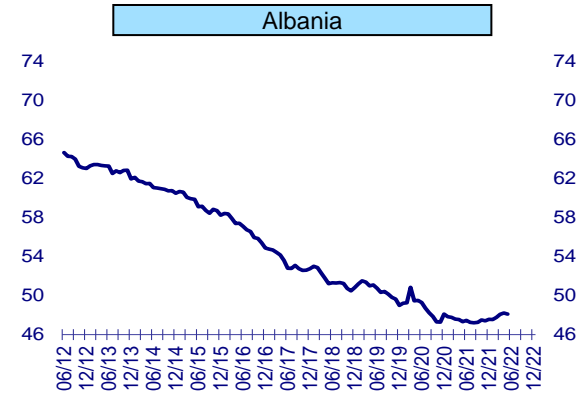
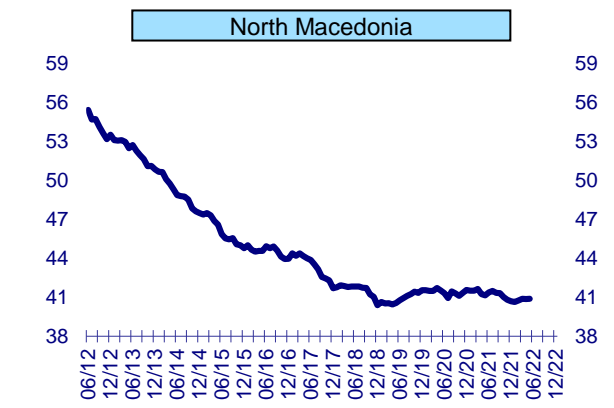
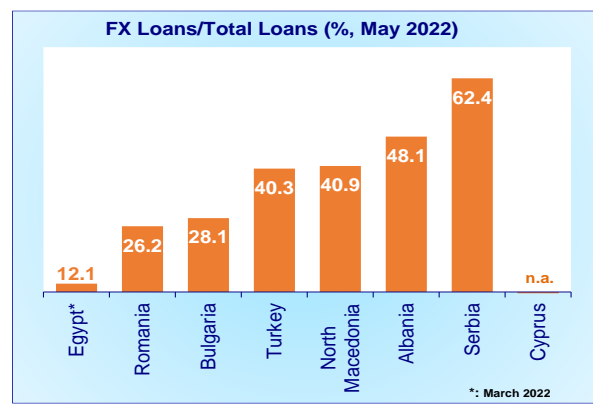
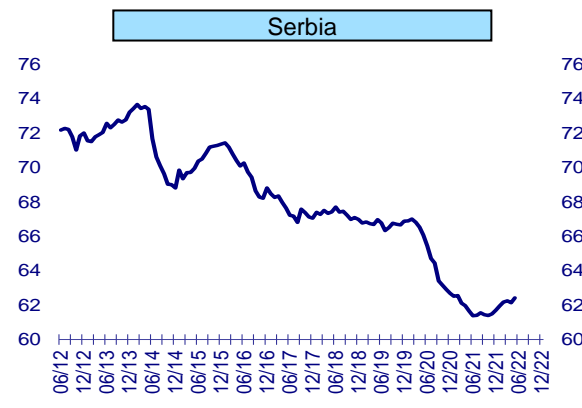
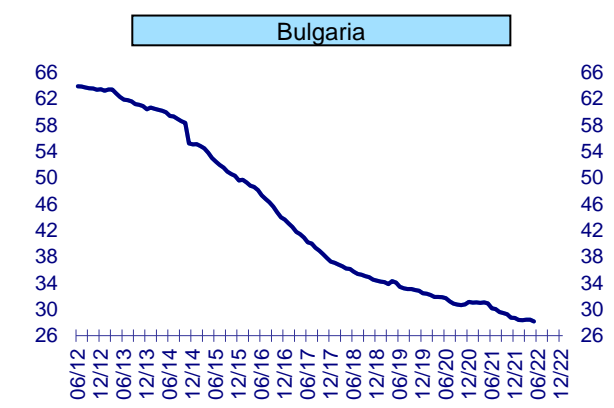
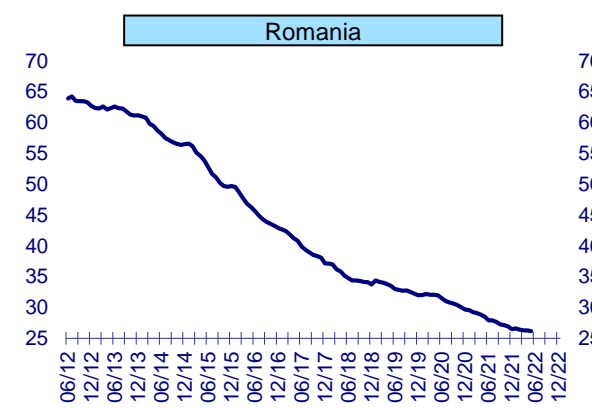
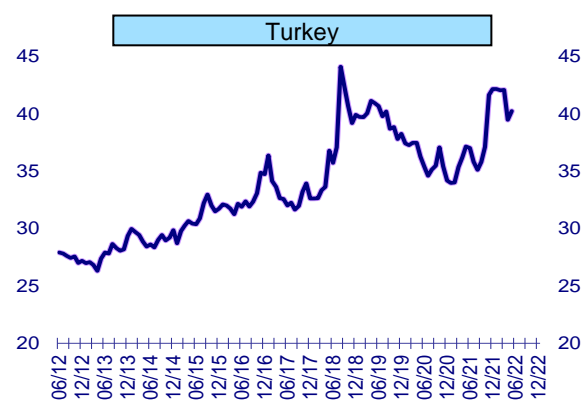
# Total loans-to-GDP ratio (%)

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



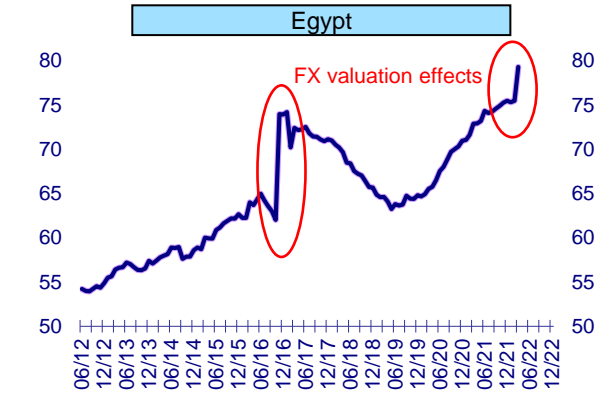
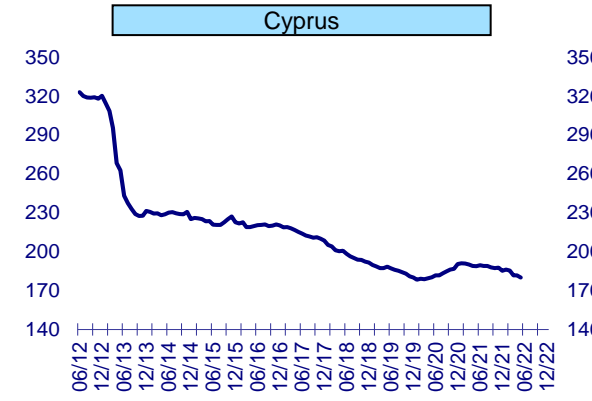
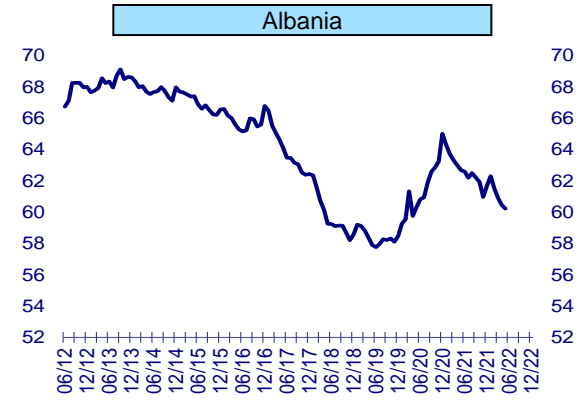
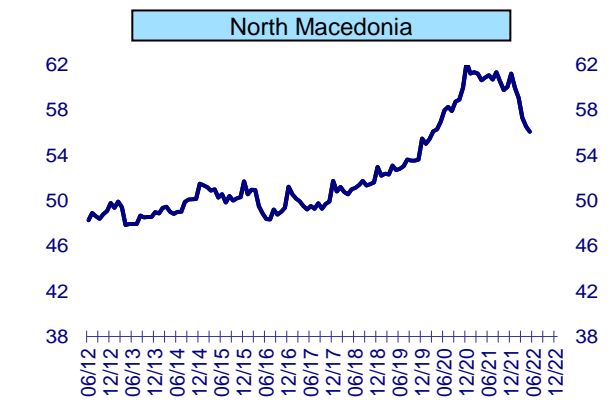
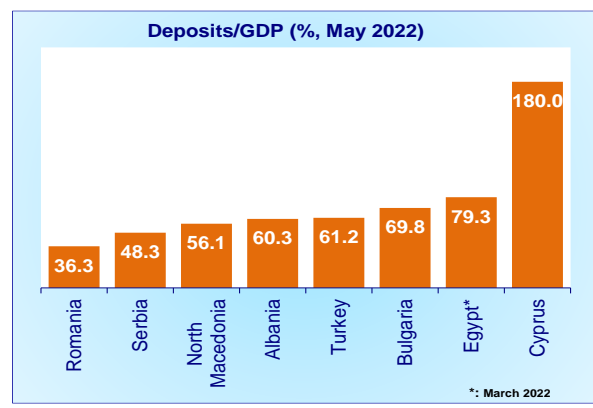
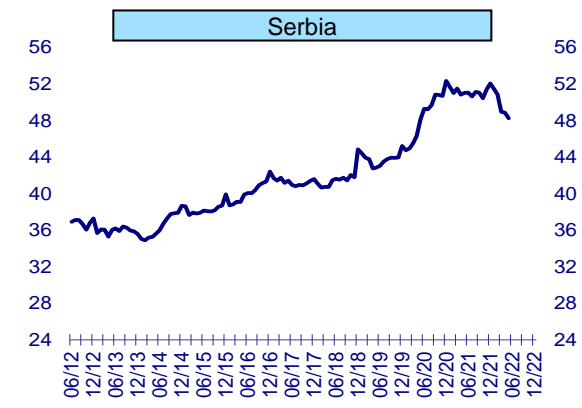
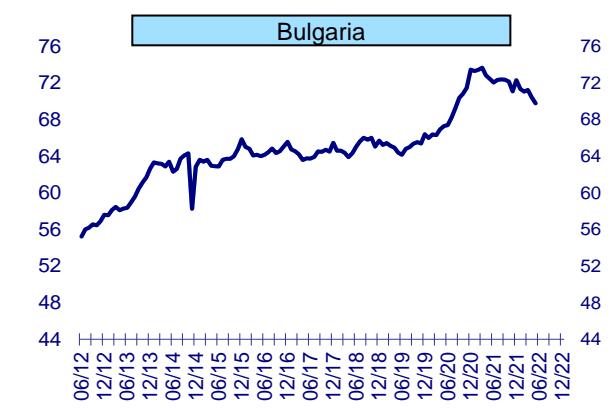
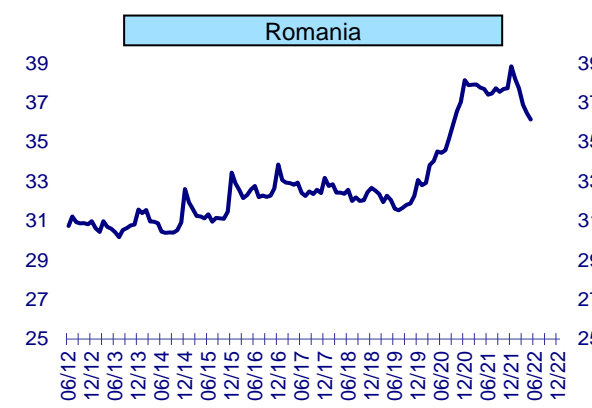
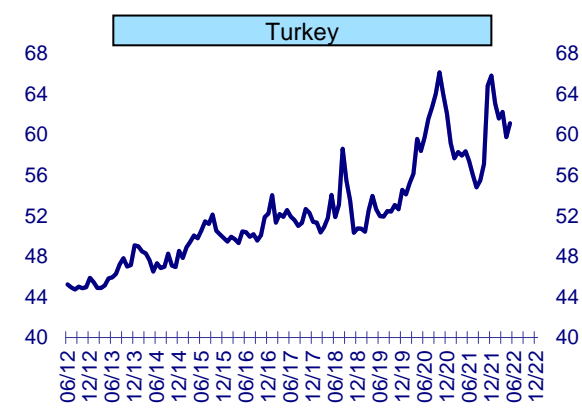
# FX loans-to-total loans ratio (%)

▪ Loan euro/dollarization remains low in most of the countries under review



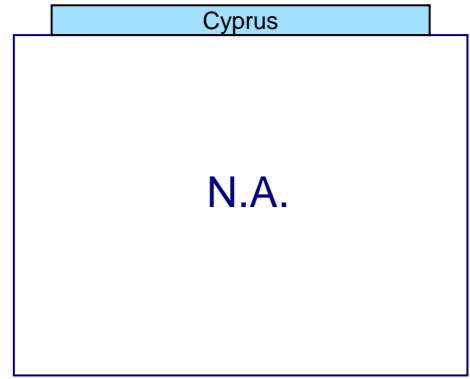
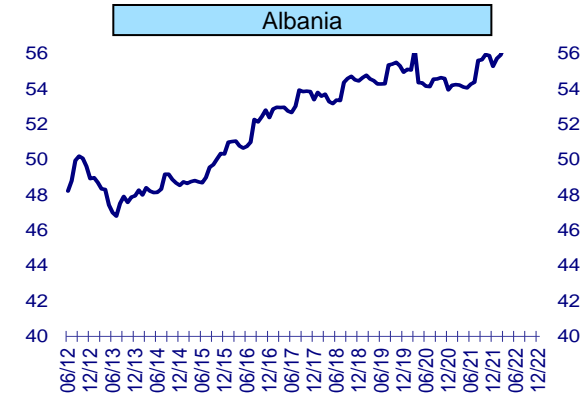
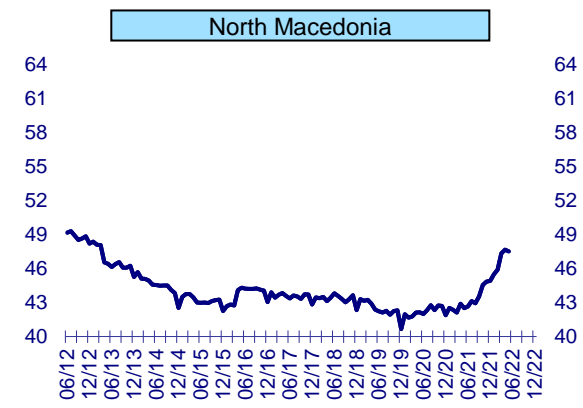
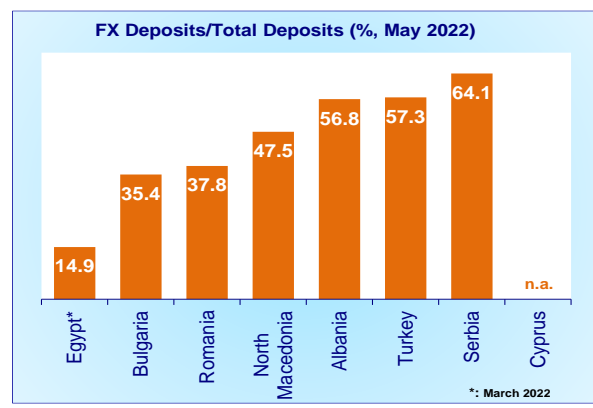
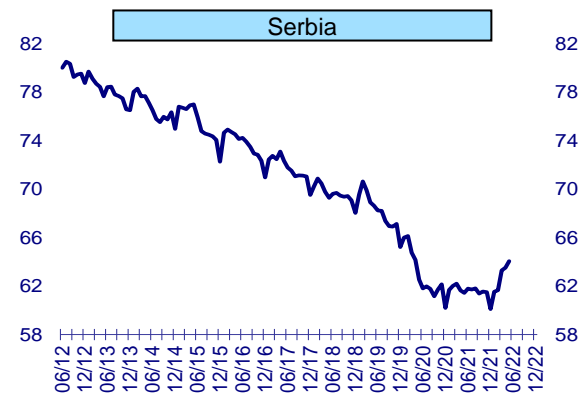
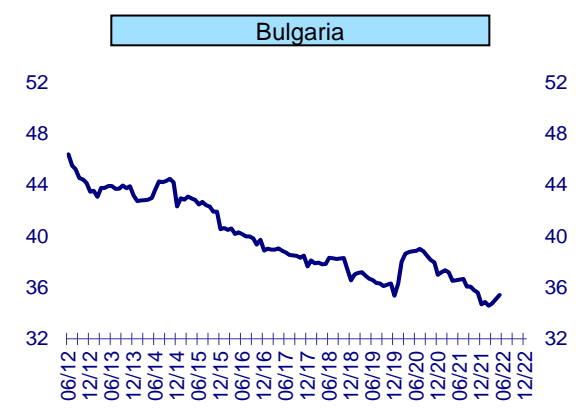
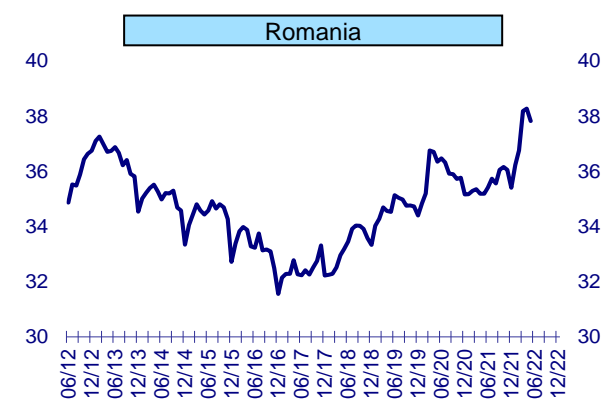
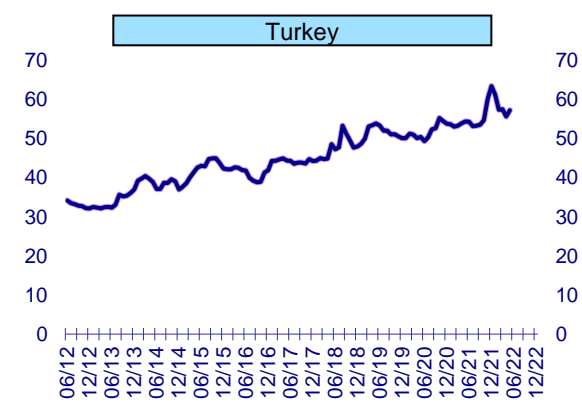
# Total deposits-to-GDP ratio (%)

Amid stubbornly high inflation, the savings rate is expected to ease further in the period ahead



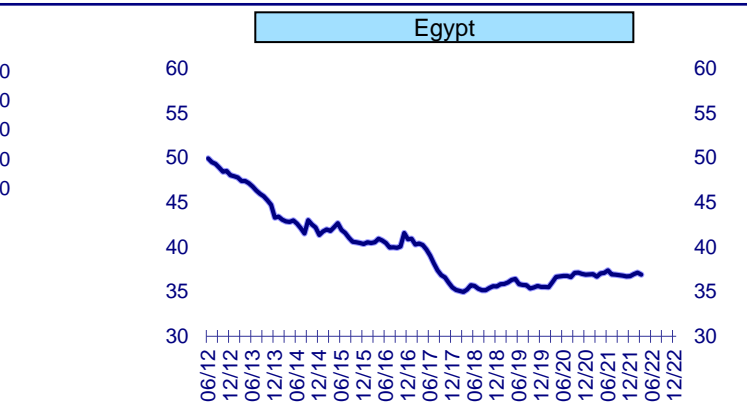
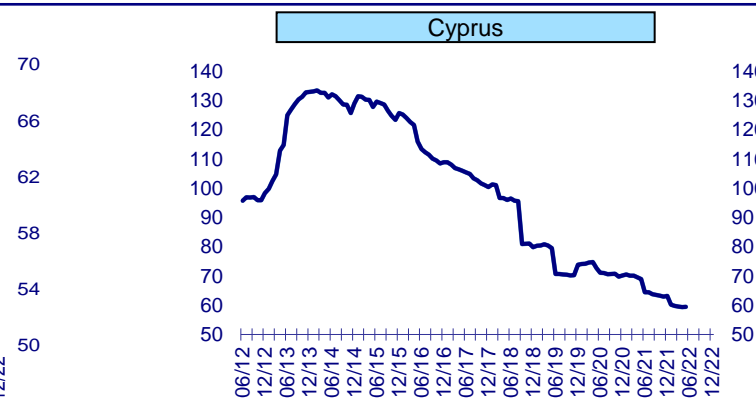
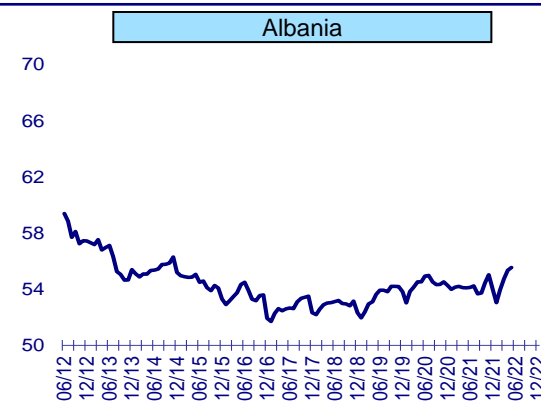
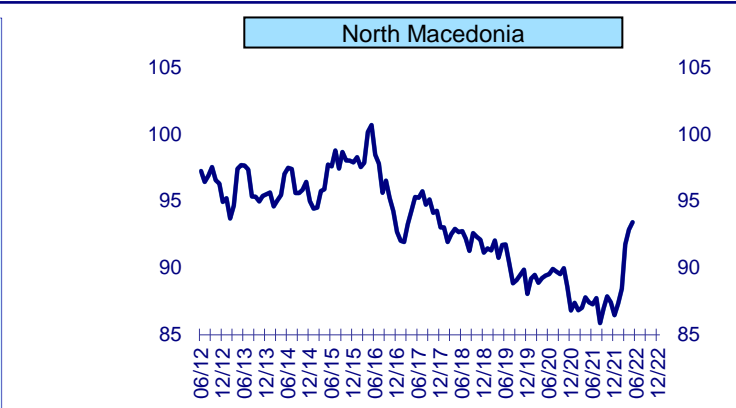
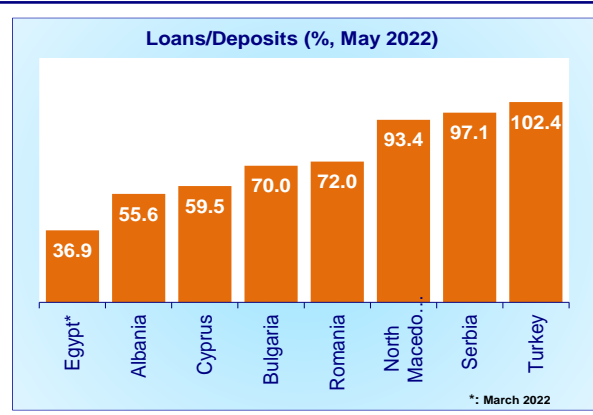
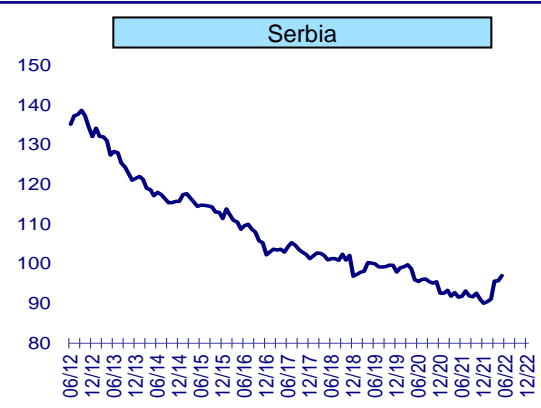
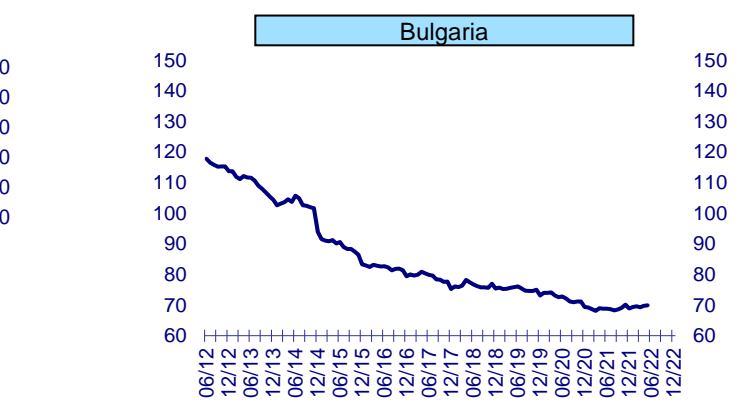
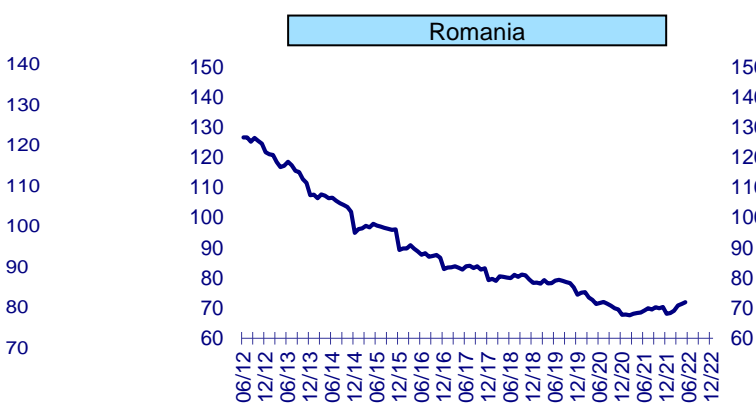
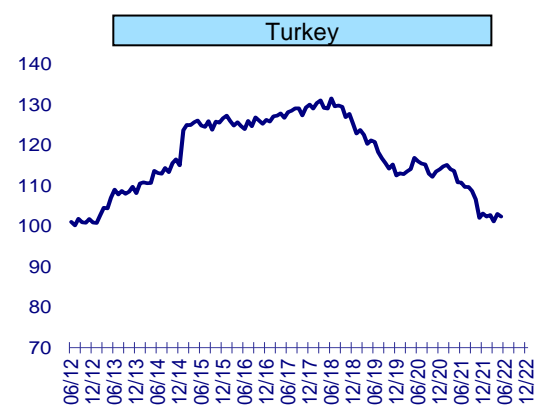
# FX deposits-to-total deposits ratio (%)

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



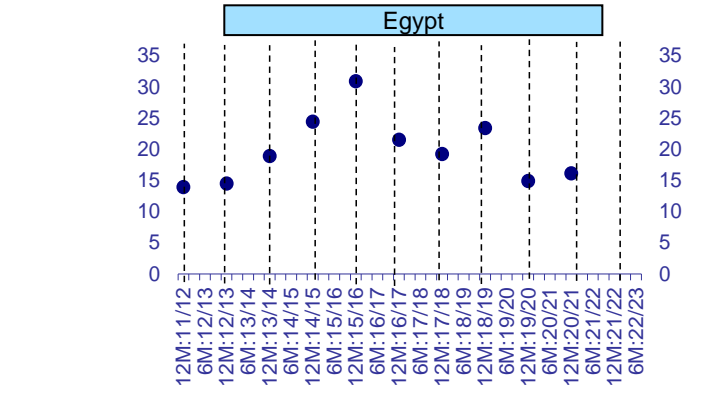
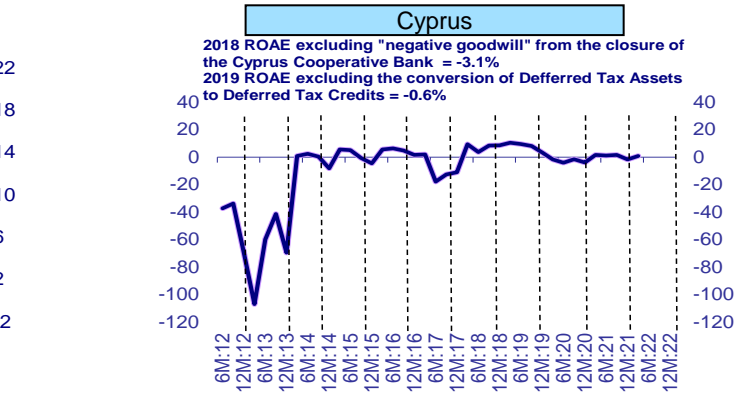
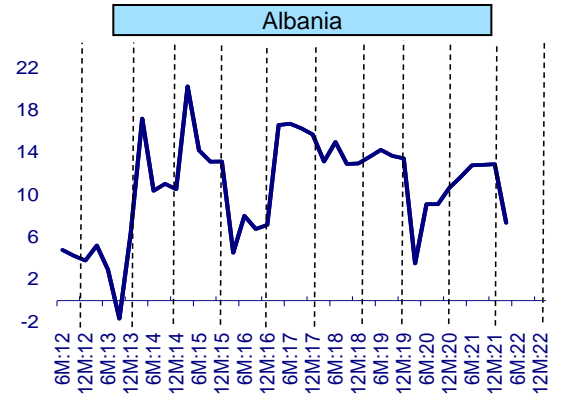
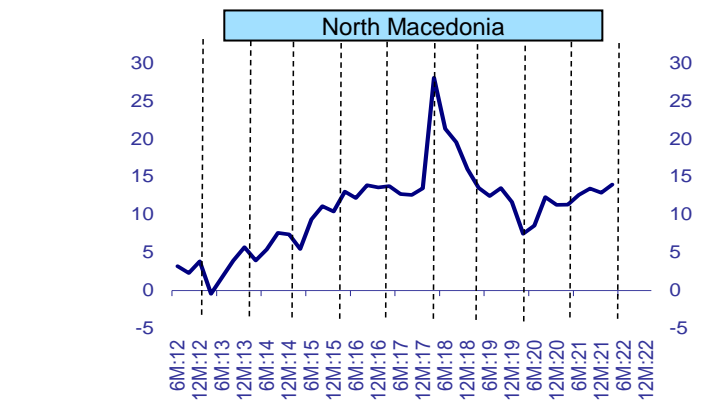
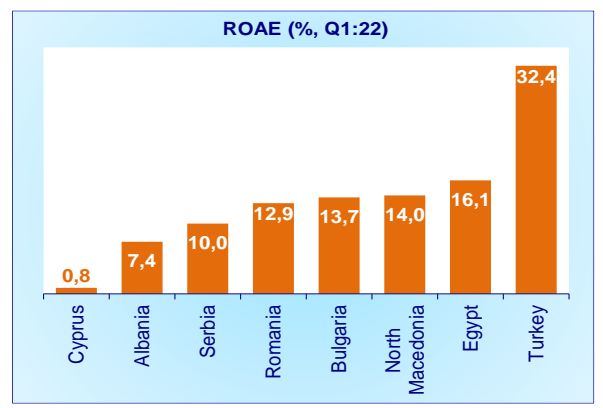
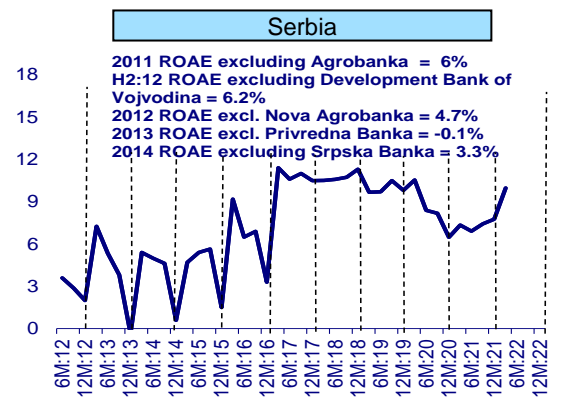
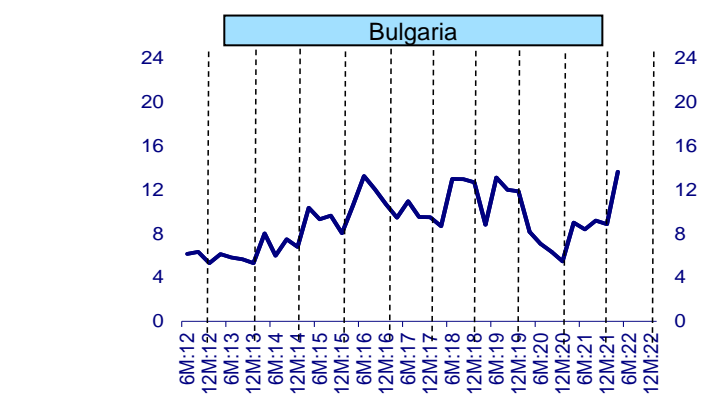
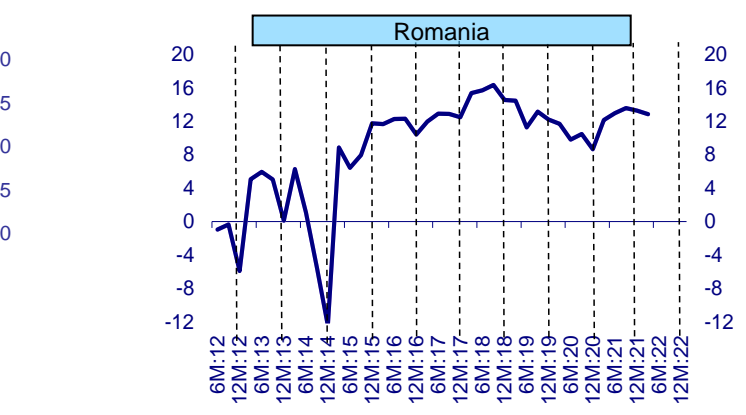
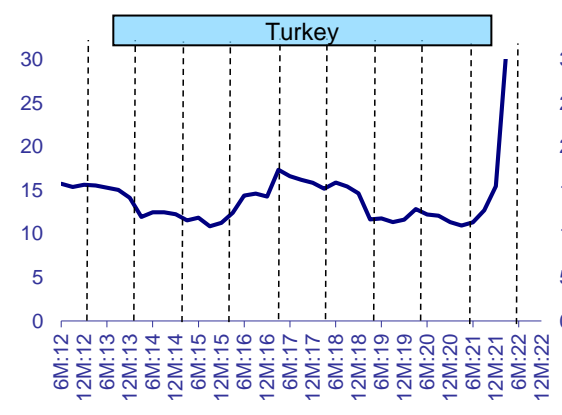
# Total loans-to-total deposits ratio (%)

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



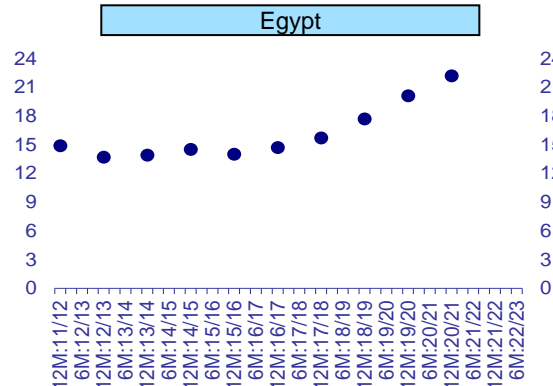
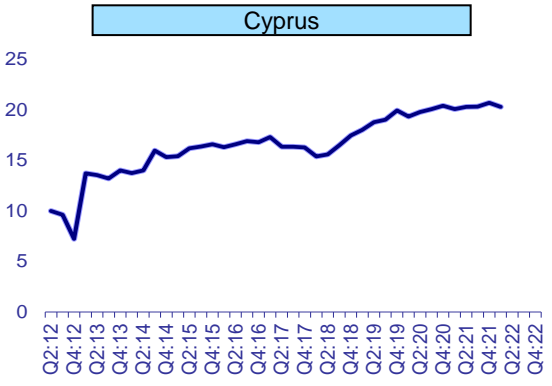
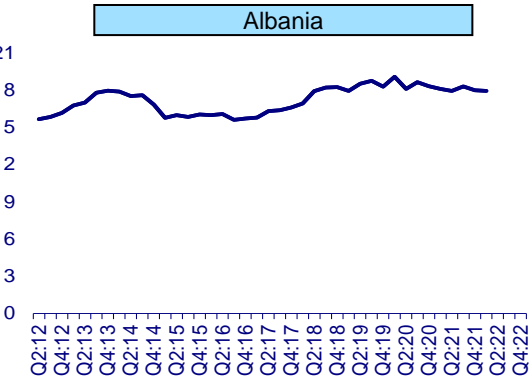
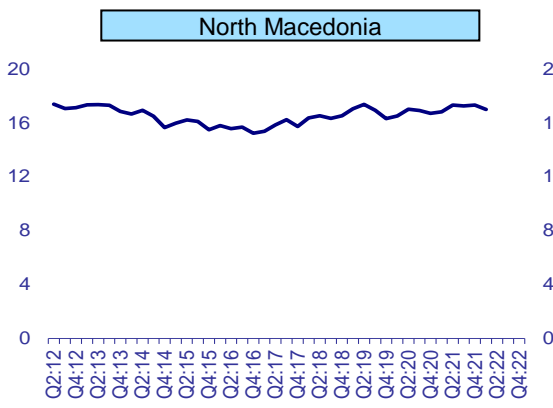
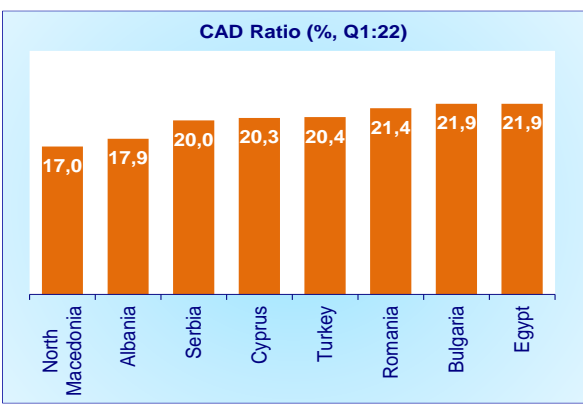
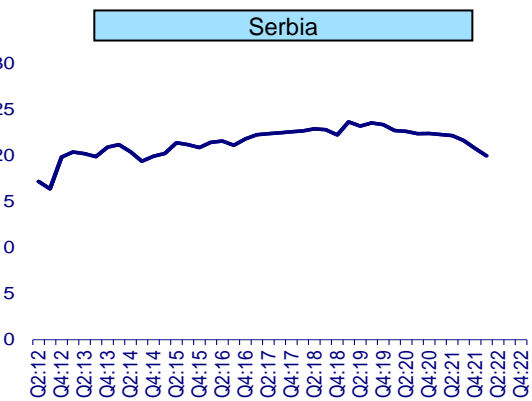
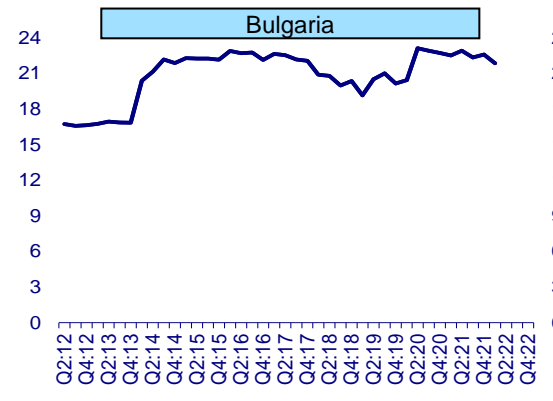
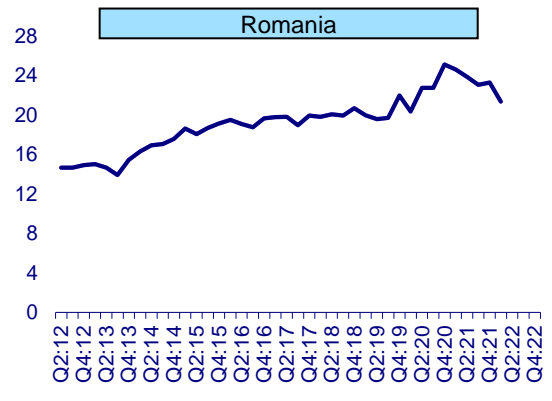
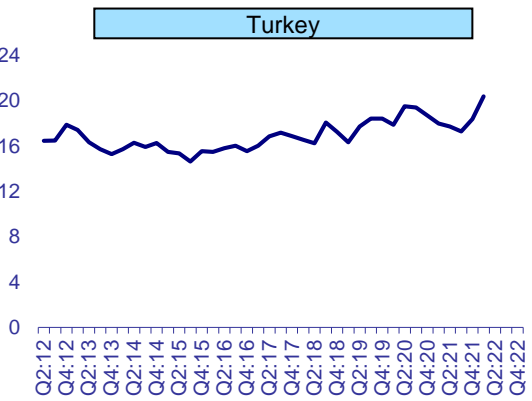
# Return-to-average equity ratio (% , cumulative and annualised)

- Despite challenges lying ahead, **banks' profitability strengthened further** in most of the countries under review in Q1:22
- Turkish banks' overperformance** was largely attributed to a massive increase in gains from their CPI-indexed bond holdings



# Capital adequacy ratio (%)

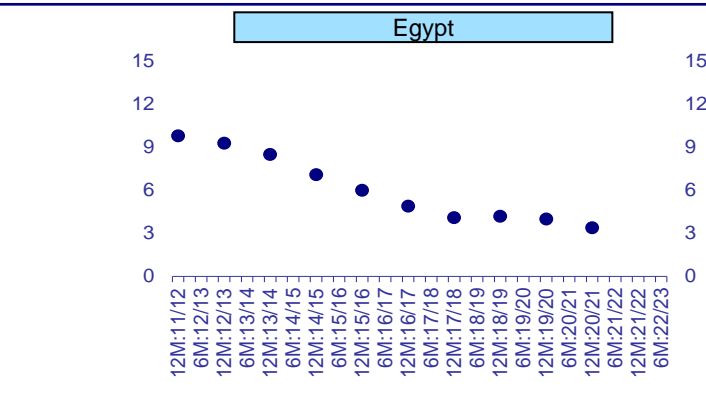
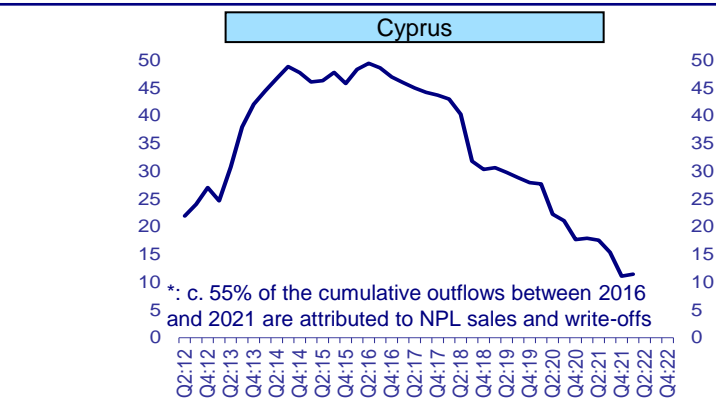
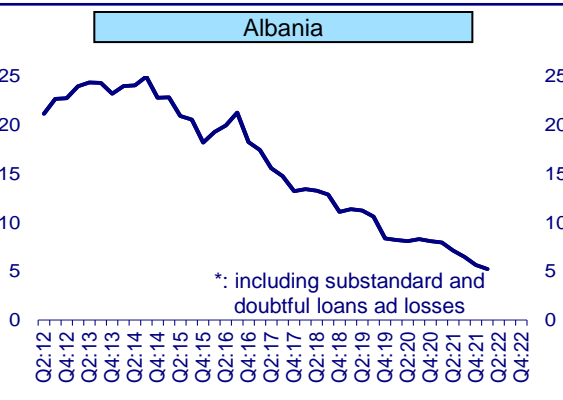
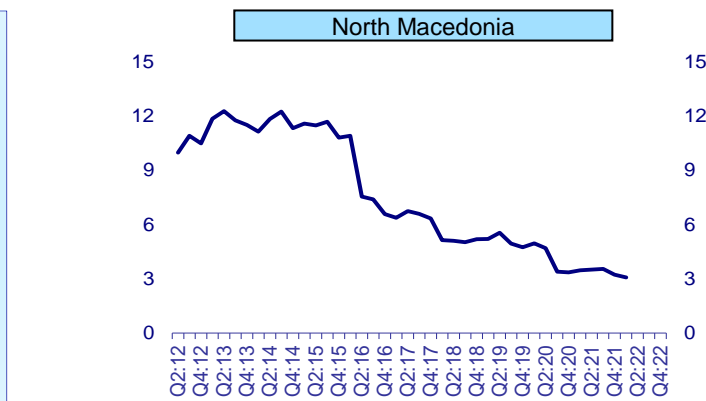
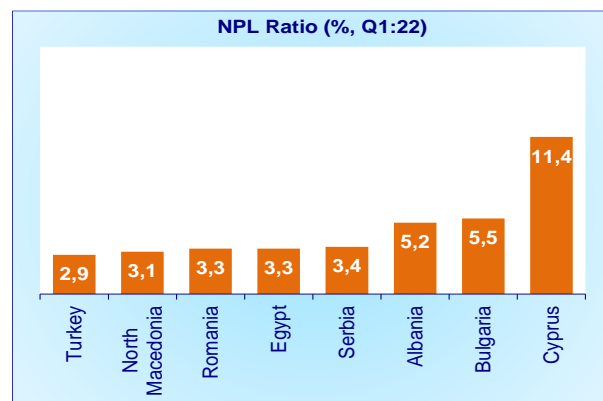
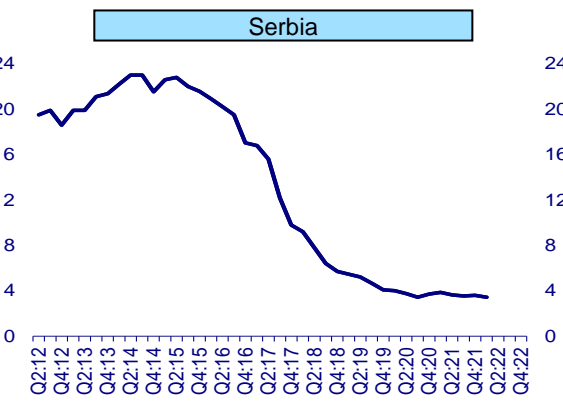
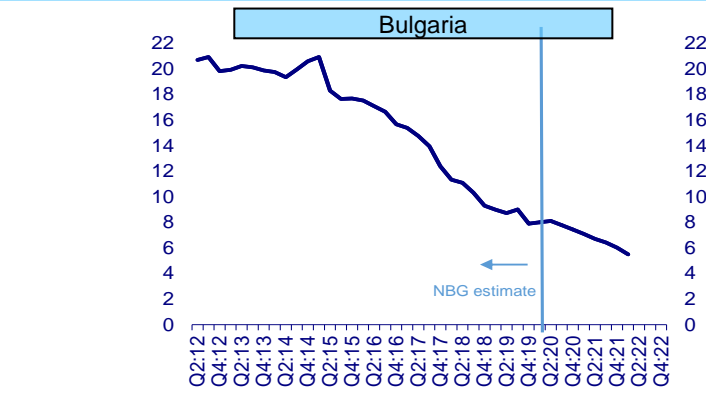
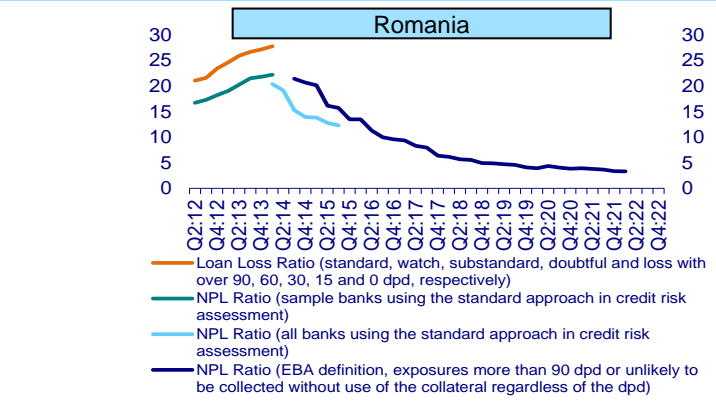
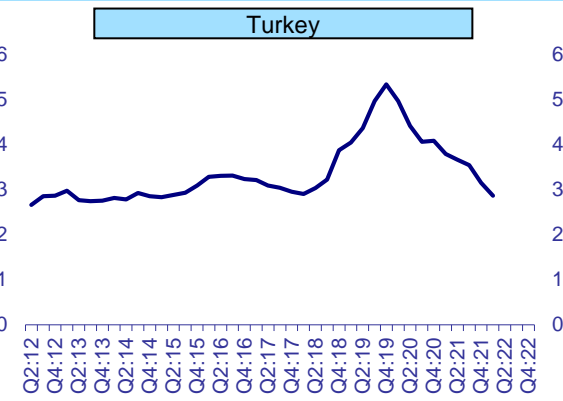
Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses





# Non-performing loans ratio (%)

- Rampant inflation and rising interest rates are due to test the private sector's **repayment capacity** in the period ahead
- The implications of the ongoing Russia-Ukraine crisis on asset quality should not be significant, in view of the **minimal direct financial exposure** of the banking systems under review to these countries



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