“Regional economies remain resilient amid adverse spillovers from Middle East crisis, but risks remain tilted to the downside”

Special Focus:
Regional Macro-Energy profiles

Banking Sector developments

Quarterly Chartbook Q3:26

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

NATIONAL BANK OF GREECE

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General Information

Republic of Türkiye

Population (2025, mn): 86.0
GDP (2025, EUR, bn): 1,415.8
GDP per Capita (2025, EUR): 16,457
Government type: Parliamentary Republic
Chief of state: Recep Tayyip ERDOGAN
Head of Government: Recep Tayyip ERDOGAN
Minister of Finance: Mehmet SIMSEK
Central Bank Governor: Fatih KARAHAN

Romania

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

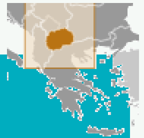
Republic of Bulgaria

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

Republic of Serbia

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

Republic of North Macedonia



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

Republic of Albania

Population (2025, mn): 2.3
GDP (2025, EUR, bn): 27.2
GDP per Capita (2025, EUR): 11.557
Government type: Parliamentary Republic
Chief of state: Bajram BEGAJ
Head of Government: Edi RAMA
Minister of Finance: Petrit MALAJ
Central Bank Governor: Gent SEJKO

Republic of Cyprus

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

Arab Republic of Egypt

Population (2025, mn): 111.0
GDP (2025, EUR, bn): 355,6
GDP per Capita (2025, EUR): 3,202
Government type: Presidential Republic
Chief of state: Abdel Fattah Saeed EL-SISI
Head of Government: Mostafa MADBOULY
Minister of Finance: Ahmed KOUCHOUK
Central Bank Governor: Hassan ABDALLA

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Date of Next Election

- **Romania** is making a last-ditch effort to restore a stable Government after the May collapse of the 4-party pro-EU coalition. So far, leadership disputes have prevented the re-establishment of Parliamentary majority. Were snap elections to be called (before the scheduled 2028 vote) the far-right opposition AUR would likely benefit, as it leads opinion polls by a wide margin amid growing public discontent. The absence of a stable Government raises uncertainty over the authorities' ability to sustain consolidation in 2027 Budget and beyond, amid weak growth. This is underscored by the interim Government's failure to pass a public wage bill reform needed to constrain the 2027 wage bill and unlock EUR 0.8bn in EU funds. A slower fiscal adjustment could weaken investor sentiment, delay the correction of external imbalances, and renew depreciation pressures on the RON, ultimately, increasing risks to Romania's investment-grade
- **Bulgaria** is due to hold Presidential elections in October. Main contenders for this largely ceremonial role include acting President I. Iotova, backed by the ruling "Progressive Bulgaria" (PB) party and the centre-left BSP, and former interim PM A. Gyurov, supported by the pro-EU reformist "We Continue the Change-Democratic Bulgaria" coalition. Iotova succeeded current PM R. Radev, who resigned to lead PB ahead of the April 2026 election. The formation of a majority-backed Government appears to be restoring political stability after 5 years of deadlock
- In **Serbia**, political uncertainty remains elevated ahead of the snap parliamentary elections on October 25. Recall that massive student-led anti-corruption protests, primarily targeting President Vučić, have been rocking the country since the deadly roof collapse at Novi Sad's railway station in November '24. After more than a decade at the forefront of domestic politics, Vučić is constitutionally barred from running for a 3rd presidential term, and he will seek to return as PM again if the ruling SNS wins the elections. Uncertainty remains as to whether Vučić will step down from office prior to or following the vote. Recent opinion polls suggest that the fragmented and ideologically divergent Parliamentary opposition has yet to present a credible challenge to the ruling SNS. Heightened uncertainty has weighed on economic sentiment, contributing to a slowdown in GDP growth for FY:25
- **Cyprus**'s May 2026 legislative elections left the balance between the two main parties, DISY and AKEL, broadly unchanged, as both maintained their seat shares. At the same time, support for the far-right ELAM surged, while several new political entities entered Parliament at the expense of traditional centrist parties, including EDEK and DIPA, which had backed President Christodoulides. Policy continuity is expected, although execution risks have risen. With the administration's legislative base having contracted to DIKO's 8 seats, Christodoulides will likely continue to rely on DISY's support while seeking *ad-hoc* alliances with either ELAM or the fragmented opposition (ALMA, ADK)
- Political risk in **Türkiye** remains a key concern and could weigh on investor confidence. Since 2024, judicial proceedings against the main opposition CHP and prominent figures, including Istanbul's popular Mayor E. İmamoğlu, have drawn criticism as politically motivated. The crisis culminated in a controversial court ruling annulling the CHP congress that elected Ö. Özel as chairman, triggering an intra-party split and mass defections of MPs to form the "New Party" under Özel 's leadership, further fragmenting the opposition

Date of Next Elections

	Türkiye	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	May 2028	November 2028	April 2030	October 2026	May 2028	May 2029	May 2031	November 2030
Presidential	May 2028	May 2030	October 2026	By April 2027	May 2029	June 2027	February 2028	December 2029
Local	March 2029	June 2028	October 2027	By Dec 2027	October 2029	May 2027	June 2029	Unknown *

* last local elections hold in 2008

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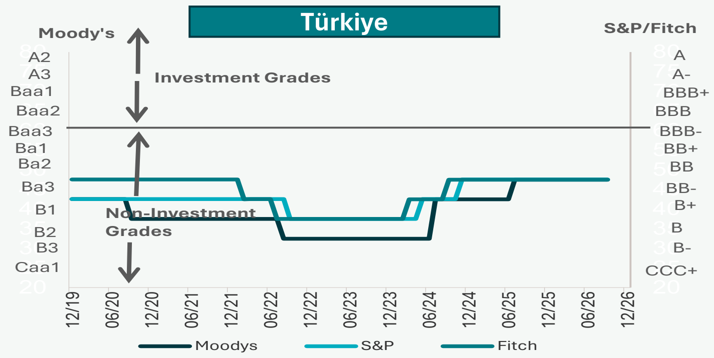
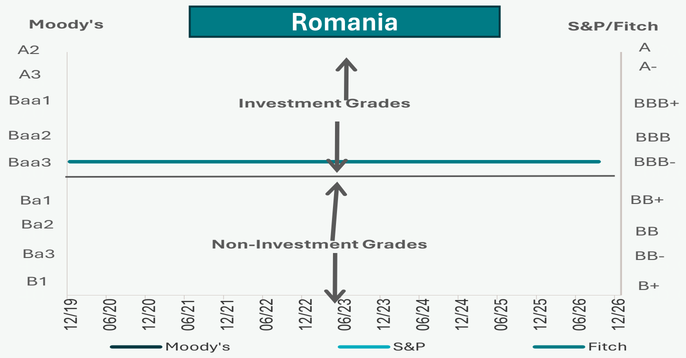
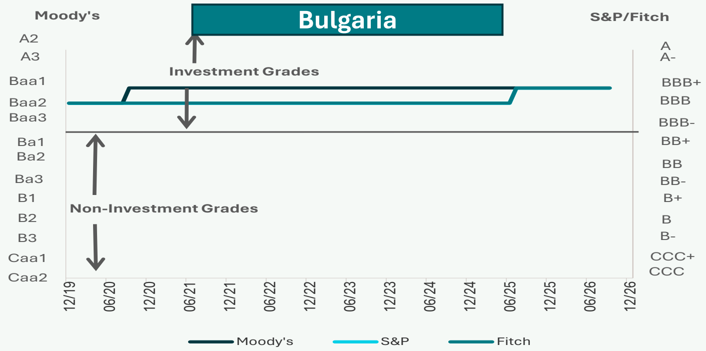
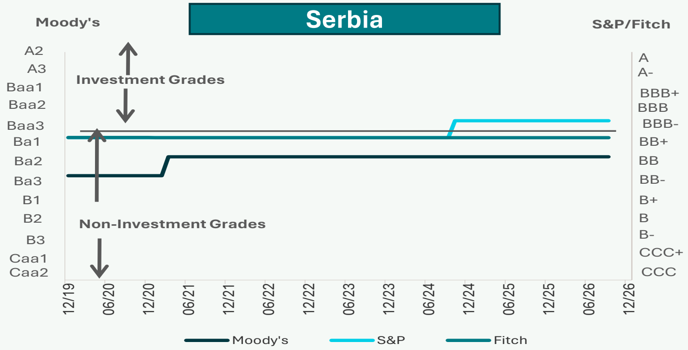
Foreign currency credit rating

- The modest levels of external and public debt in most of the economies under review should provide them with some headroom to navigate uncertainties associated with the Middle East conflict, without endangering their credit profiles. Economies currently undergoing adjustment, namely **Türkiye, Romania,** and **Egypt**, are the most vulnerable, should global risk aversion worsen substantially
- In **Romania**, the lack of stable political Government heightens risks to its already fragile growth outlook, complicates its fiscal consolidation path, and thus raises concerns regarding its investment grade status (BBB-/Baa3), with all rating agencies maintaining a negative outlook. In July, Fitch affirmed the country's rating following the authorities' appeal, thereby averting a downgrade



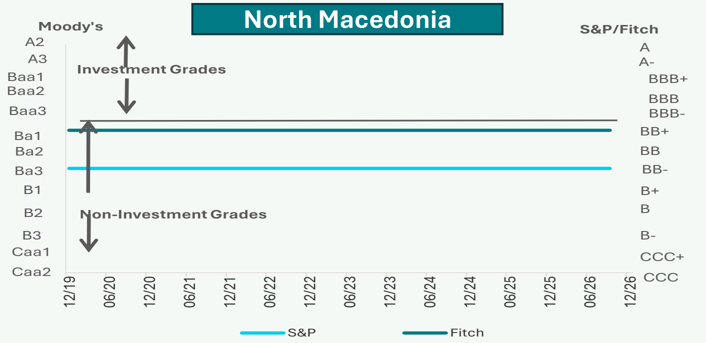


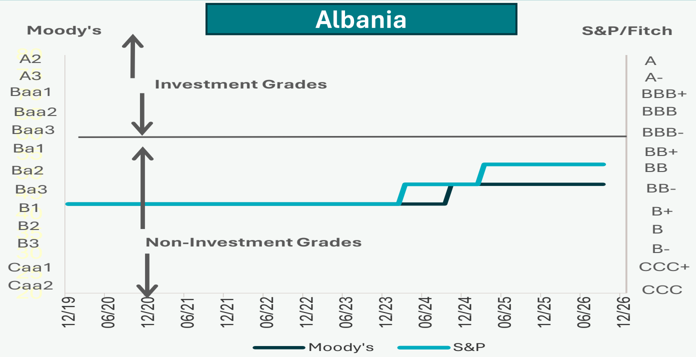


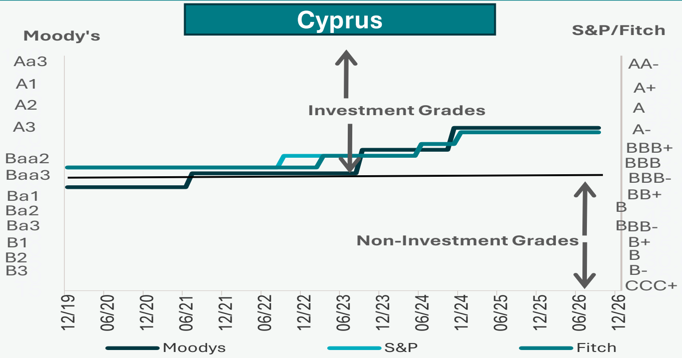


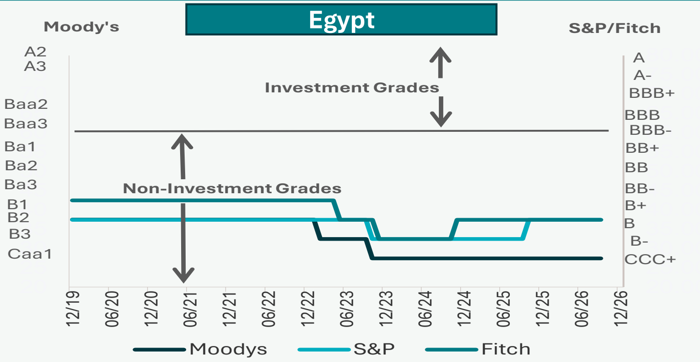
Long-Term Foreign Debt Currency Ratings, September 2026

Grades	Rating	S&P	Moody's	Fitch
Investment Grades	A+			
	A			
	A-	Cyprus	Cyprus	Cyprus
	BBB+	Bulgaria	Bulgaria	Bulgaria
	BBB			
	BBB-	Romania, Serbia	Romania	Romania
Non-Investment Grades	BB+			North Macedonia Serbia
	BB	Albania	Serbia	
	BB-	North Macedonia Türkiye	Albania, Türkiye	Türkiye
	B+			
	B	Egypt		Egypt
	B-			
	CCC+		Egypt	









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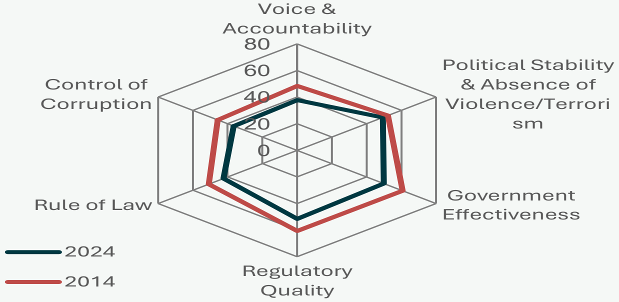
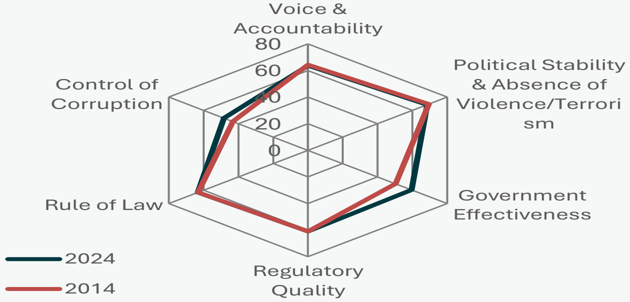
World Governance Indicators

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

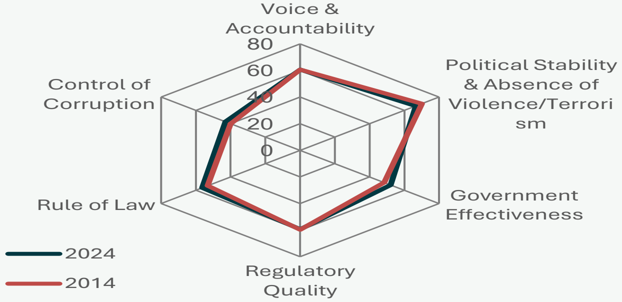
Türkiye



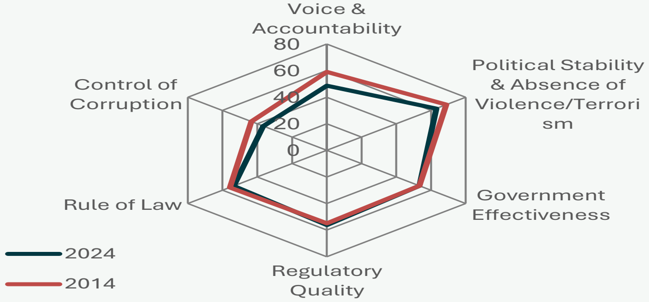
Romania



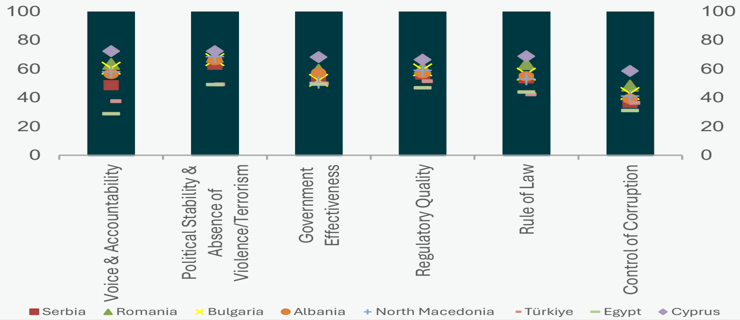
Bulgaria



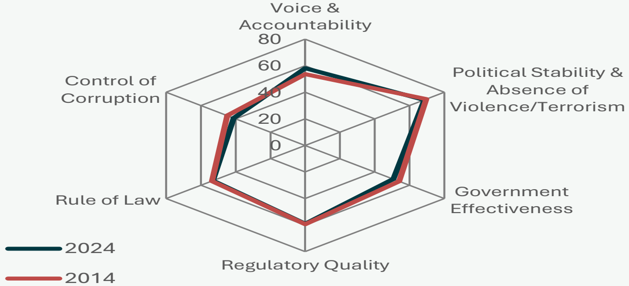
Serbia



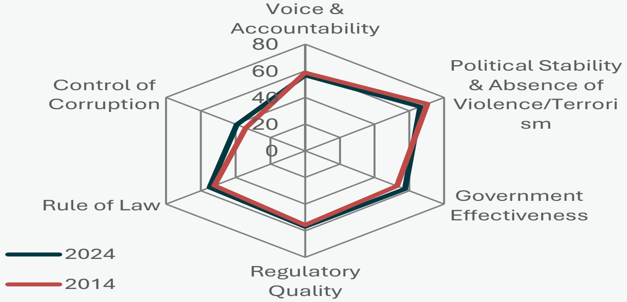
Worldwide Governance Indicators (2024)



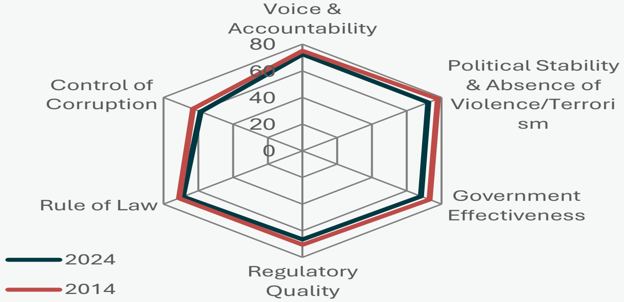
North Macedonia



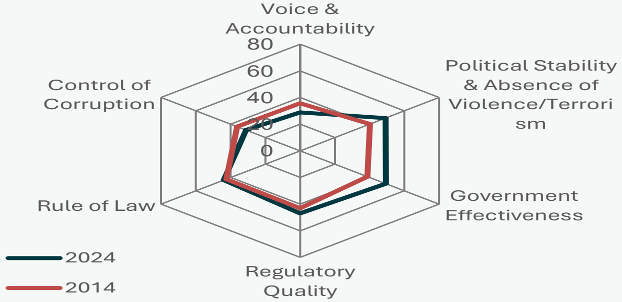
Albania



Cyprus



Egypt



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Real Sector

Real GDP

Economic outlook summary

Risks to the Outlook

Output Gap

Convergence with the EU

Official financial support

Economic sentiment

Industrial production

Retail Sales

Employment growth & Employment rate

Unemployment rate

Wages (nominal and real)

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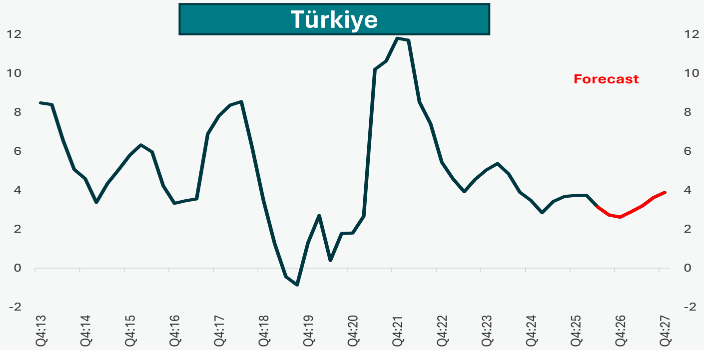
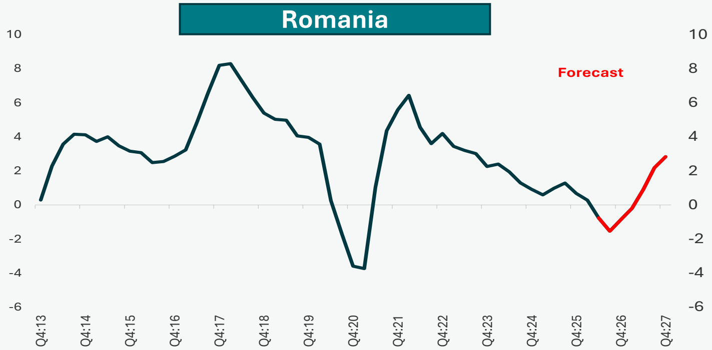
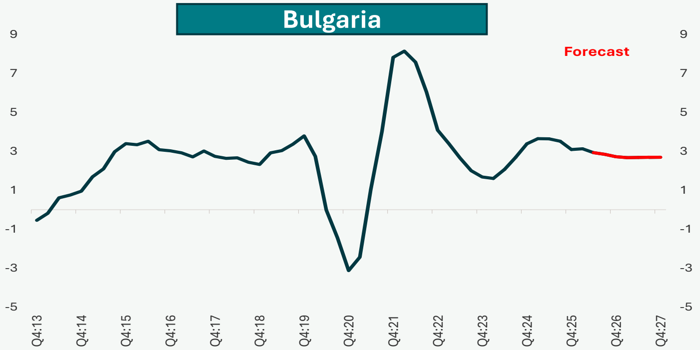
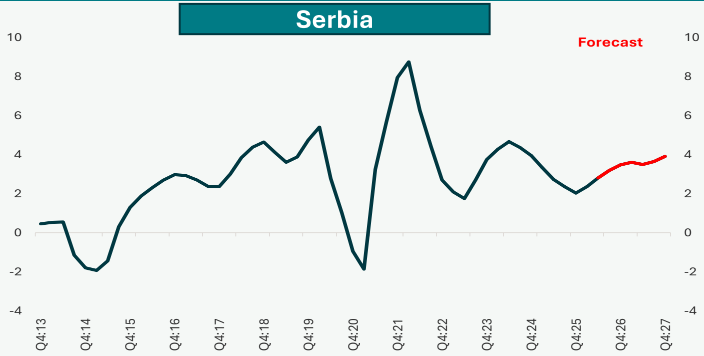
Real GDP (4-quarter rolling, y-o-y % change)

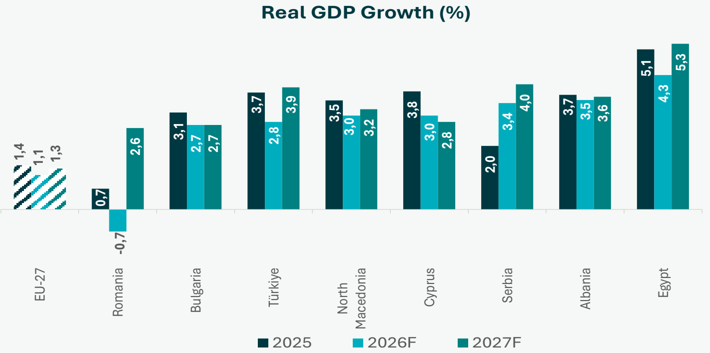
- Most regional economies **held up quite well** in H1:26, with GDP growth rates turning out to be stronger than expected, despite surge in global oil prices after the escalation of the Middle East conflict in late-February
- **Egypt** maintains the strongest growth trend in the broader region. In **Cyprus**, solid private consumption growth alongside strong export growth in ICT and other business services which broadly offset weaker tourist arrivals amid security concerns related to the country's proximity to the conflict, continued to support activity. In **Türkiye**, GDP growth slowed to its weakest pace in 6 years amid tighter monetary conditions. Weak sentiment amid aggressive fiscal adjustment has pushed the **Romanian** economy into recession

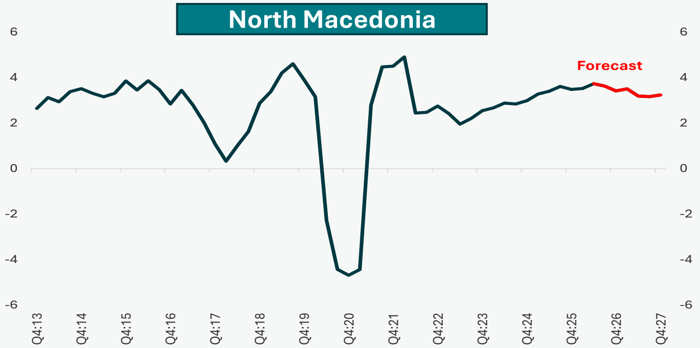


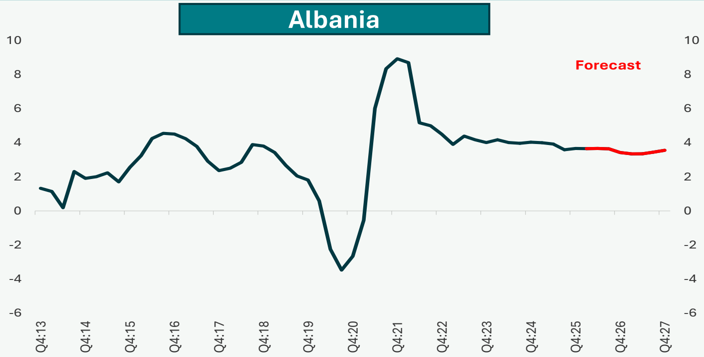


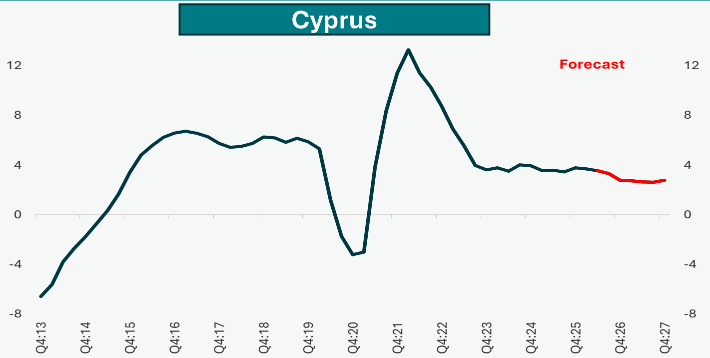


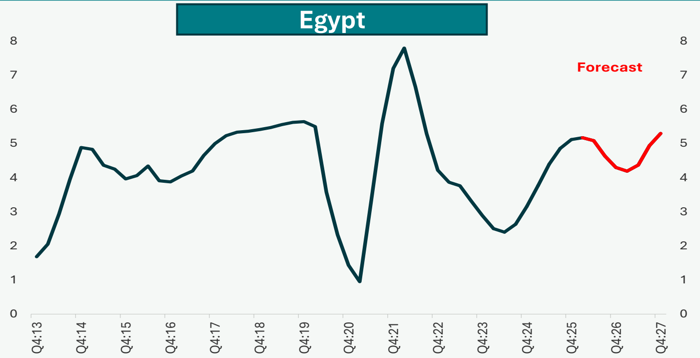












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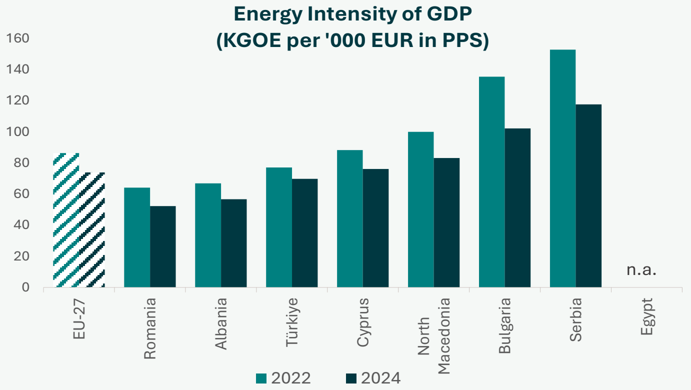
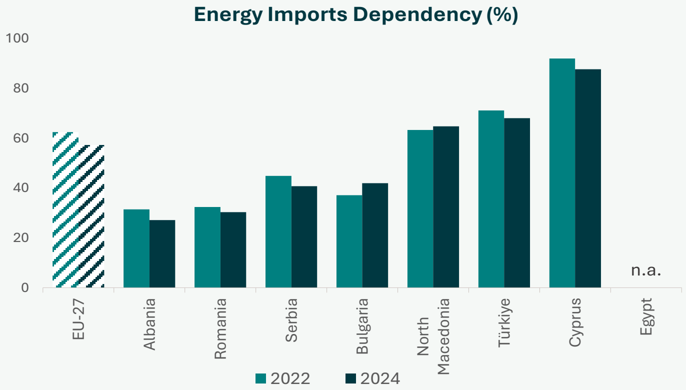
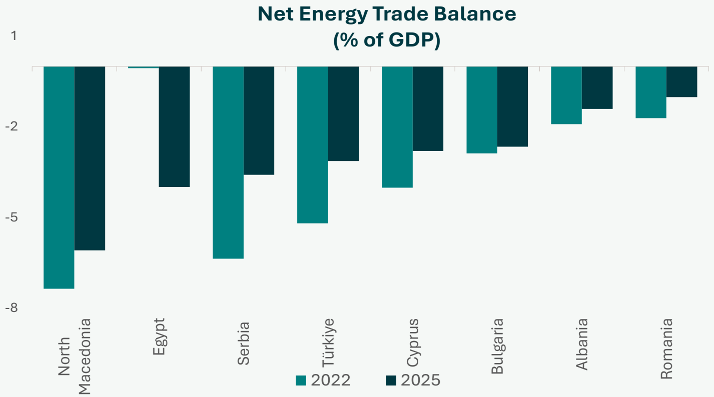
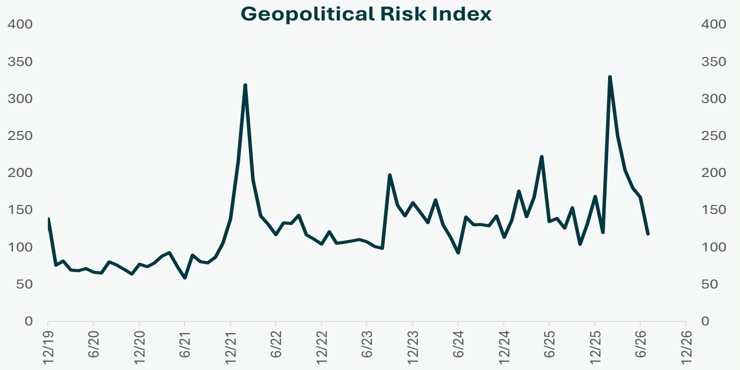
Macro-Energy Spillovers of the Middle East conflict

- The conflict in the Middle East and associated disruptions have **weighed on** the macroeconomic outlook since its onset in late February
- Following the **surge in global energy prices**, inflation has risen markedly across regional economies but has remained below the peaks observed during the 2022-23 energy crisis, as second-round effects have so far been limited. Accelerated decarbonization and lower energy intensity alongside softer aggregate demand relative to the 2022-23 episode -- when post-pandemic recovery momentum was still strong -- have been key factors behind this pattern
- **Energy intensity** in most regional economies has declined somewhat since the 2022 global energy shock, although it remains above the EU average, particularly in **Serbia** and **Bulgaria**. That said, this improvement reflects not only gains in energy efficiency, but also the permanent shutdown of energy-intensive industrial capacity. At the same time, the rapid expansion of renewable energy capacity has reduced energy import dependency in most economies. **Bulgaria**, **North Macedonia**, and **Egypt** are notable exceptions, with energy import dependence estimated to have increased, reflecting lower lignite generation in the first two -- driven by market-led decarbonization in **Bulgaria** and resource depletion in **North Macedonia** -- and declining output from mature fields, notably Zohr, alongside stronger domestic demand in **Egypt**
- While higher inflation and weaker confidence have dented growth, the impact has been relatively **subdued** so far, reflecting, *inter alia*, resilient labour markets and continued public investment -- particularly in EU member states implementing projects under the Recovery & Resilience Facility (RFF) -- which has sustained domestic demand despite tighter financial conditions
- Our **baseline** scenario assumes that geopolitical uncertainty in the Middle East declines over the forecast horizon, notwithstanding intermittent flare-ups. Nevertheless, post-conflict normalization is expected to be **protracted**, with supply-side disruptions persisting and energy prices declining gradually from their elevated levels, reflecting not only operational constraints but also the persistent incorporation of a geopolitical risk premium









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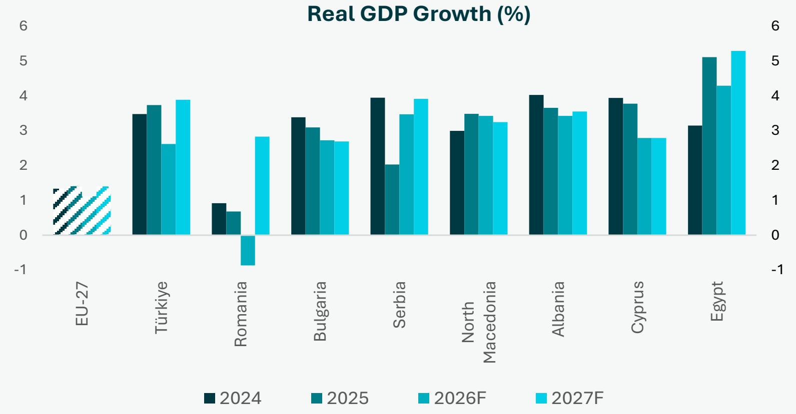
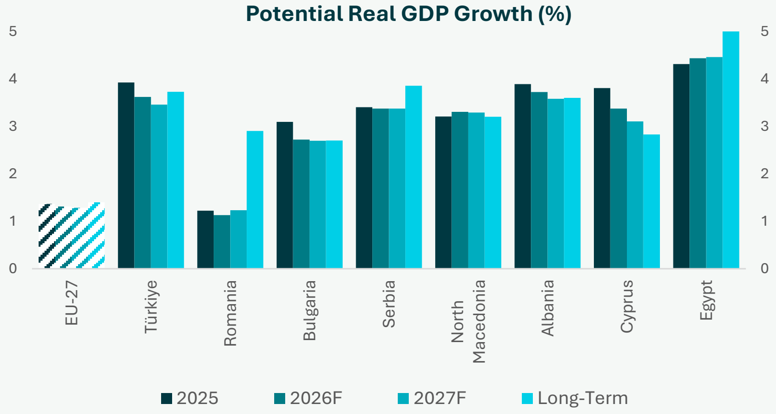
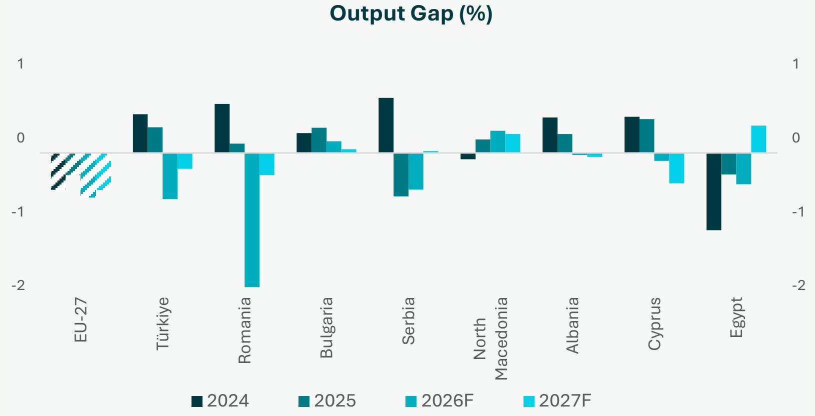
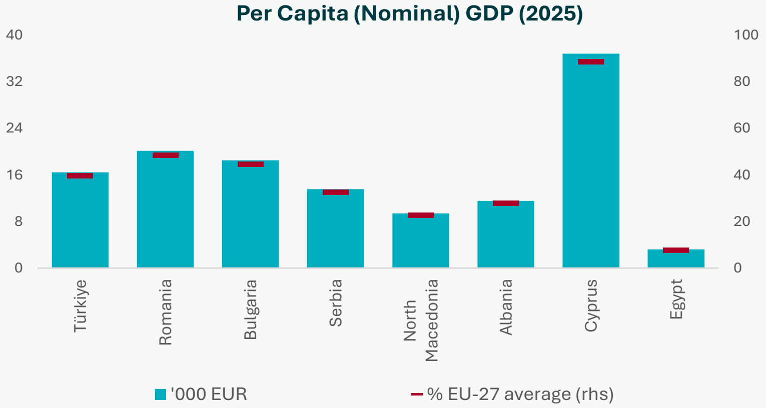
Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- **Private consumption** -- regional economies' traditional growth engine -- is expected to remain **relatively soft yet broadly resilient** in the near term amid adverse income and confidence effects. As price pressures ease, consumption should strengthen over the medium term, supported by robust labour markets, despite the phasing out of fiscal support
- **Fixed investment** is expected to contribute significantly to overall growth, led by the public sector. In **Romania**, **Bulgaria** and **Cyprus**, it should be supported by the implementation of a strong pipeline of projects financed by the RRF prior to its August 2026 expiry, as actual capital expenditure outlay continue to feed into the economy. While private investment is likely to remain subdued in the near term, reflecting tight financing conditions and cautious sentiment – with the exception of the resilient construction sector -- a broader recovery is expected to gather momentum as uncertainty recedes and the global technology cycles turns, driven by advances in and adoption of artificial intelligence (AI)
- Amid softer growth in the EU and persistent structural headwinds -- including US tariffs and related uncertainty (see also next page), the implementation of the EU Carbon Border Adjustment Mechanism (CBAM), which has weighed markedly on energy exports from **Serbia** and **North Macedonia** to the EU, and intensified competition from China -- export growth is set to remain subdued this year. Together with solid domestic demand, this suggests that net exports will likely remain a drag on overall growth
- Most economies under review are expected to see their GDP growth rate **moderate** this year, **albeit modestly**, and remain at **healthy levels** -- except for **Romania**, which is further strained by ongoing aggressive fiscal consolidation and is projected to fall into a mild recession. **Serbia**, on the other hand, is benefiting from strong base effects that are supporting growth









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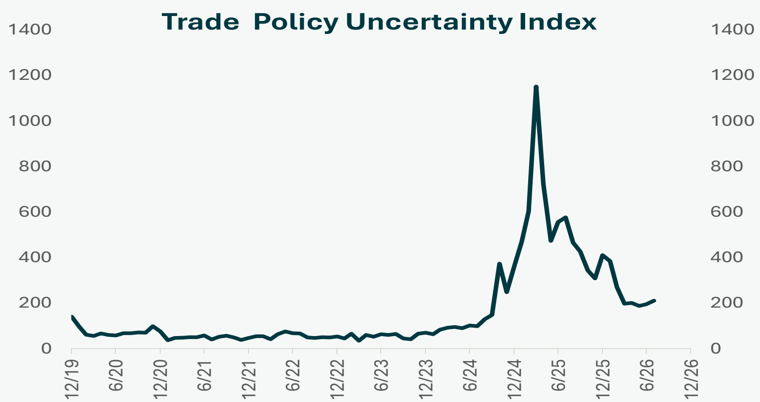
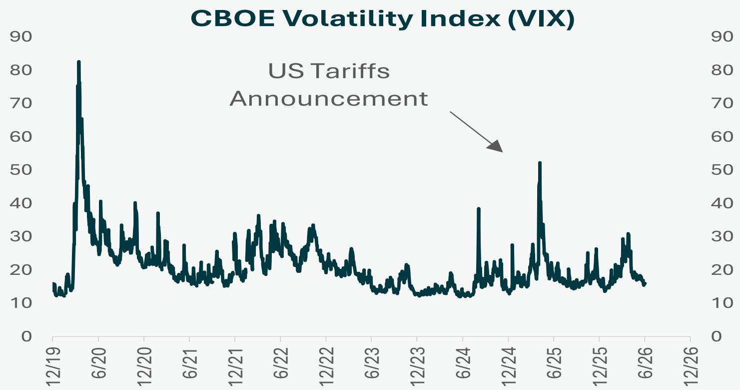
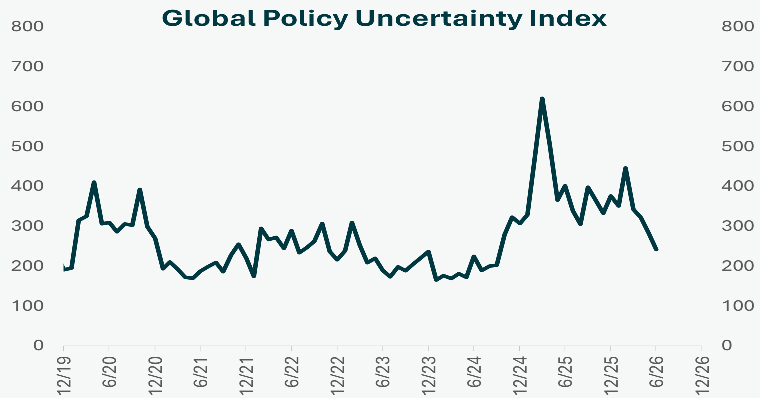
Risks to the Outlook

- The balance of risks to the outlook remains tilted to the **downside**, particularly if the conflict proves more protracted and disruptions persist, giving rise to larger and potentially non-linear pass-through to inflation. In such a scenario, underlying pressures would intensify and be further amplified by heightened global risk aversion and renewed turbulence across global debt markets. The resulting escalation in borrowing costs and tighter financing conditions would pose acute refinancing risks, particularly in **Türkiye** and **Egypt**, given their reliance on external financing
- Risks from **shifting global trade policies** have not subsided, as recent frictions between the US and Canada illustrate. The agreed US-EU trade deal is expected to reduce uncertainty, albeit at the cost of a higher effective tariff rate (15%) than in 2025 (c. 8.5%). Trade agreements with Mercosur (effective as of May 1, 2026) as well as India, Australia and Indonesia should help partly offset this effect over the medium-term
- Other downside risks include a downward revision to AI-related productivity expectations and rising concerns about stability in private credit markets, both of which could dampen investment and prompt a re-pricing in financial markets. Climate-related factors, including more frequent extreme weather events, pose additional downside risks
- On the **upside**, if geopolitical tensions de-escalate and price pressures subside faster than assumed, and/or domestic demand proves more resilient than anticipated -- supported, *inter alia*, by fiscal support measures -- economic growth could surpass current projections







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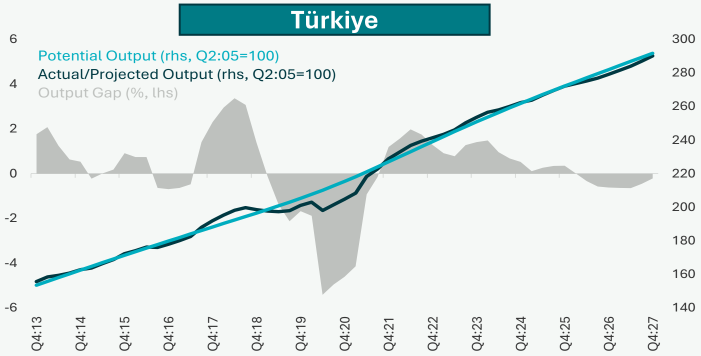
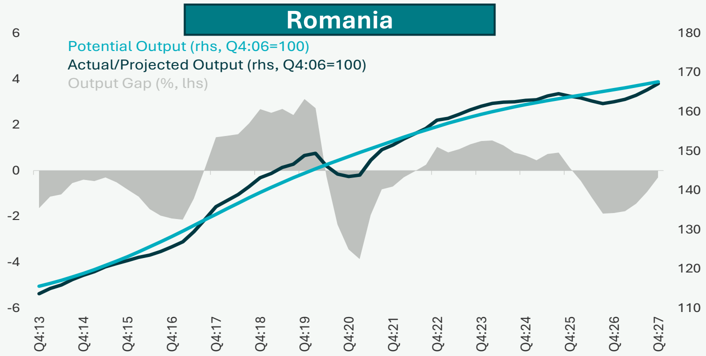
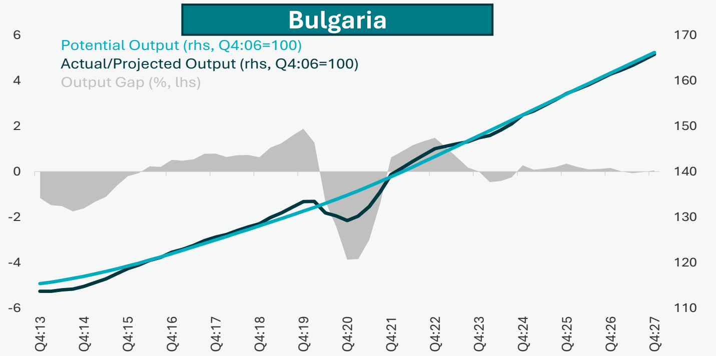
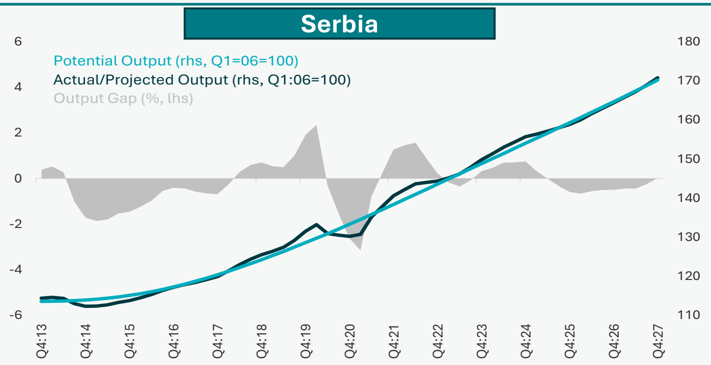
Output gap (4-quarter rolling)

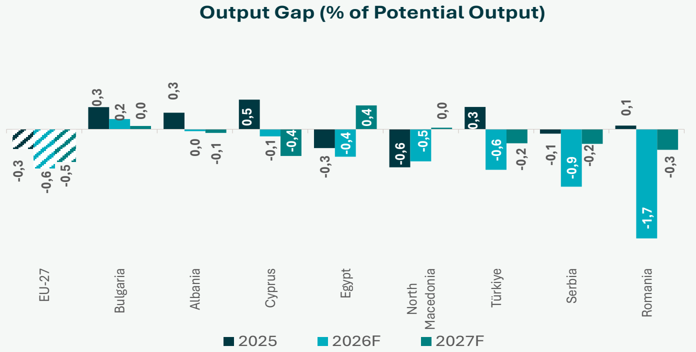
- In **Cyprus**, the relocation of foreign firms -- predominantly in the ICT sector -- under the country's attractive headquartering regime along with their investments and positive spillovers to the domestic economy has sustained growth above potential. In **Albania**, a tourist boom has underpinned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

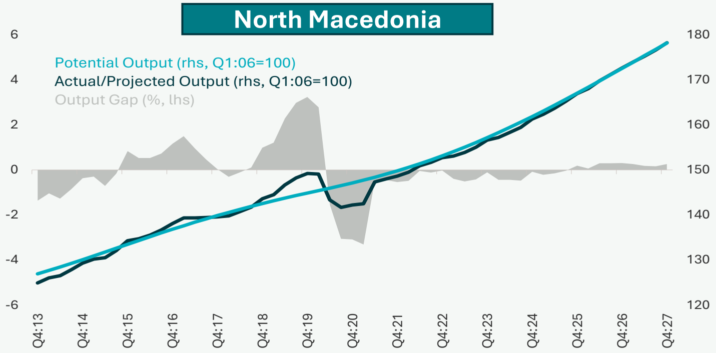


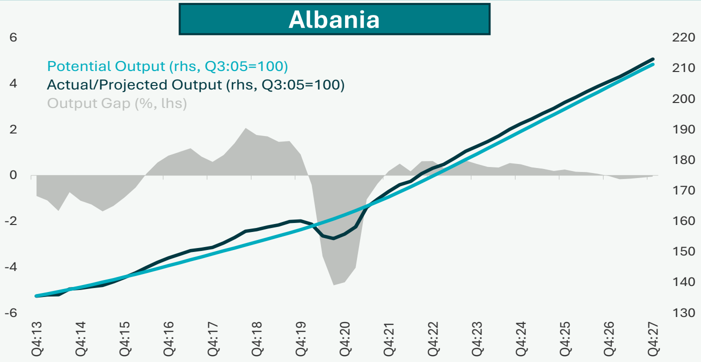


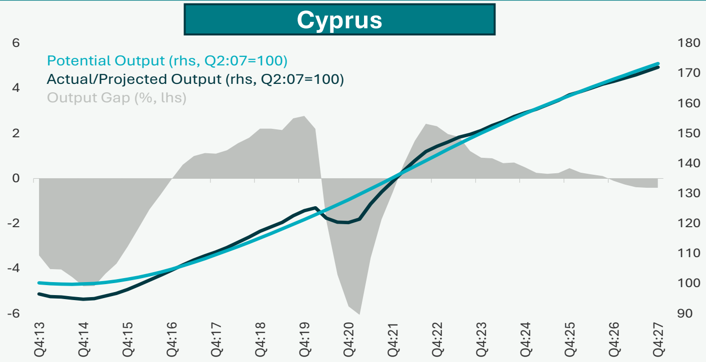


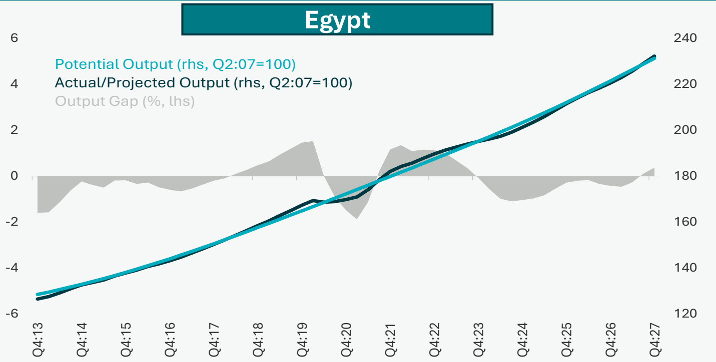






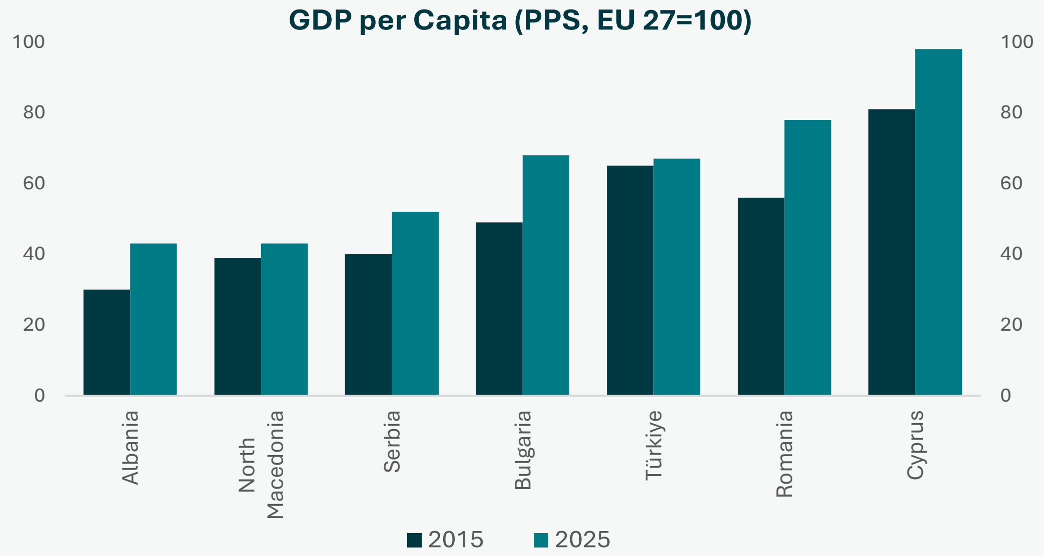


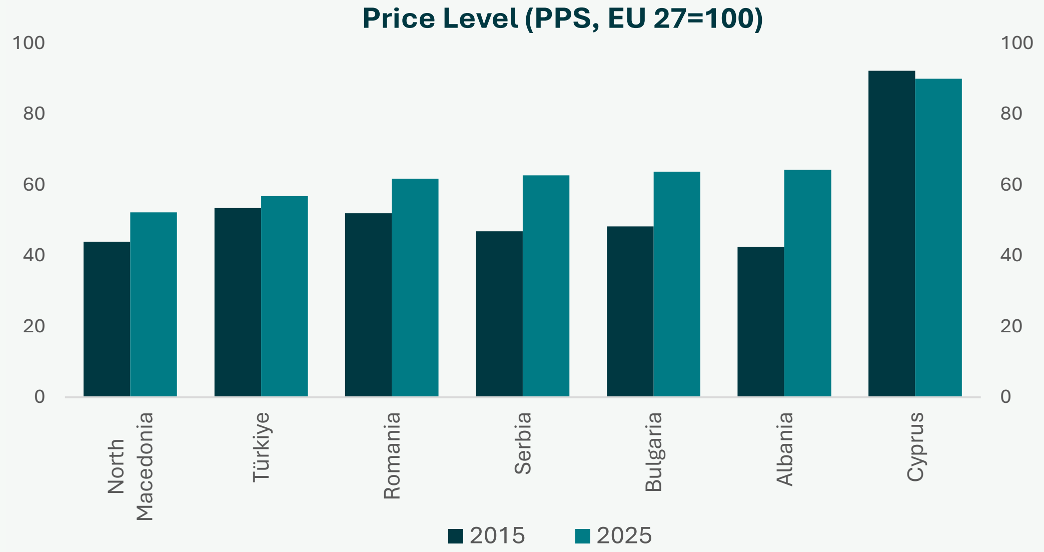




Convergence with the EU

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





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Official financial support (IMF)

- The repayment process of **Cyprus**'s loan to the ESM has started, with annual repayments of c. EUR 1.0bn throughout 2031
- The IMF completed the 7th review under the EFF for **Egypt** in August, making available USD 1.5bn. At the same time, the Board concluded the 2nd review under the RSF, allowing for a disbursement of USD 0.3bn. These actions brought total disbursements under the current arrangements to c. USD 7.3bn. Also in August, the EU disbursed EUR 1.5bn in Macro-Financial Assistance (MFA), bringing total disbursements under the programme to EUR 3.5bn

IMF & EU Financial Support (EUR bn)

		Türkiye	Romania	Bulgaria	Serbia		North Macedonia		Albania		Cyprus	Egypt				
Period		---	---	---	2022-2024[a]	2024-2027[b]	2020[c]	2022-2024[d]	2014-2017[e]	2020[f]	2013-2016	2016-2019	2020[c]	2020-2021[a]	2022-2026[h]	2024-2027i
Programme	**IMF**	---	---	---	2.4	---	0.2	0.5	0.4	0.2	1.1	11.9[g]	2.8[g]	5.2[g]	9.3 [g]	---
	EU	---	---	---	---	---	---	---	---	---	9.0	---	---	---	---	5.0
Drawn so far	**IMF**	---	---	---	1.2	---	0.2	0.2	0.4	0.2	1.0	11.9[g]	2.8[g]	5.2[g]	7.3[g]	---
	EU	---	---	---	---	---	---	---	---	---	6.3	---	---	---	---	3.5
Repaid	**IMF**	---	---	---	---	---	0.2	---	0.3 since 2019	0.2 since 2023	1.1	8.9[g] since 2021	2.8[g]	5.2[g]	---	---
	EU	---	---	---	---	---	---	---	---	---	1.4	---	---	---	---	---
Next Repayments	**IMF**	---	---	---	---	---	---	0.1 in 2026	0.03 in 2026	---	---	0.9[g] in H2:26	---	---	Starting in 2028	---
	EU	---	---	---	---	---	---	---	---	---	1.0 in 2027	---	---	---	---	---

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

NATIONAL BANK OF GREECE

Official financial support (EU)

- Absorption of 2021-27 **Multiannual Financial Framework** (MFF) funds is expected to accelerate near expiration, with disbursements permitted through 2030 under the T+3 rule
- Under the **Recovery & Resilience Facility** (RRF) timeline, reforms and investments under national plans were to be implemented by 31 August, with final payment requests due by 30 September and all disbursements completed by year-end. The execution of a strong pipeline of projects financed by the RRF should support investment activity in the near term
- The EU defense initiative's (**SAFE**) financial envelope is a fraction of the RRF, with its structural design limiting broader aggregate demand spillovers
- In addition to official pre-accession assistance, **Serbia**, **North Macedonia**, **Albania** and **Türkiye** benefit also from positive cross-border spillovers from broader EU transfers in the region
- EU pre-accession assistance has been complemented with the Reform and Growth Plan for the Western Balkans, which envisages a total of EUR 6bn in financing (of which EUR 2bn as non-repayable support) for the period of 2024-2027. Delays in reform implementation have led to postponed or partial disbursements of these funds to **Serbia** and **North Macedonia**

EU Members

Next Generation EU Fund (2021-26) & Multiannual Financial Framework (2021-27) (EUR bn)

	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	20.1	6.3	1.0
o/w Grants	13.6	6.3	1.0
Loans	6.5	- - -	- - -
Absorption Rate (% of total allocation)	*64.5*	*67.7*	*57.7*
Absorption Rate (% of EU average)	*84.0*	*88.2*	*75.2*
Other**	3.4	0.4	0.2
Multiannual Financial Framework***	55.4	16.6	1.5
Security Action for Europe (SAFE, EUR bn)			
Maximum (tentative) allocation	16.7	3.3	1.2
o/w disbursed	2.5	0.5	0.2

EU Candidate Countries

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

Türkiye	Serbia	North Macedonia	Albania
4.9	2.1	0.8	0.9

Reform and Growth Facility for the Western Balkans (2024-27, EUR bn)*

	Serbia	North Macedonia	Albania
Funds Allocated	1.6	0.8	0.9
Absorption Rate (% of total allocation)	*10.6*	*18.9*	*23.1*
Absorption Rate (% of Western Balkans average)	*86.3*	*154.7*	*188.5*

* 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.

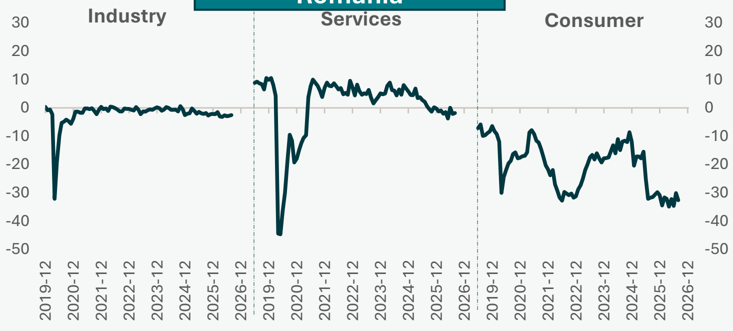
*** Incudes Cohesion Policy allocations and payments under the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the Just Transition Fund.

Economic Sentiment Indicator (difference between the % of respondents giving positive and negative

- After weakening amid escalating Middle East tensions in late February, economic sentiment has **gradually recovered** in most regional economies as agents adjust to the shock, though more slowly than the EU average. Energy-intensive industry remains more affected than services. Unsurprisingly, the recovery in consumer confidence continues to lag other ESI components
- Sentiment is above historical averages only in **Cyprus** and **Albania**, and around average in **Türkiye**. In **Romania**, geopolitical headwinds, aggressive fiscal consolidation and the ongoing political crisis have kept sentiment at recessionary levels for nearly 1½ years. In **Serbia**, stronger-than-expected economic growth has supported sentiment despite prolonged political uncertainty
- The recent re-escalation of tensions in the Middle east, which sent global oil prices back to the highs reached at the onset of the crisis, should weigh on the near term outlook

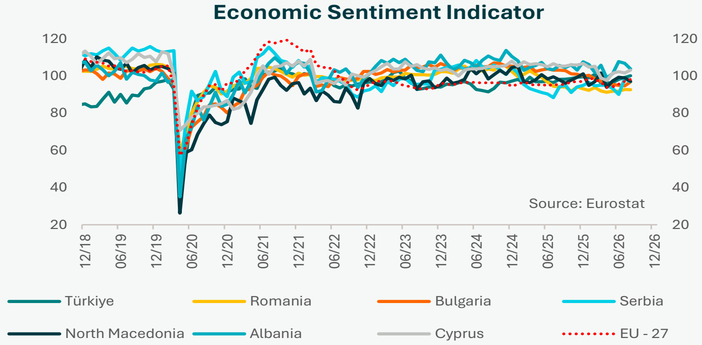
Türkiye

Romania



Bulgaria

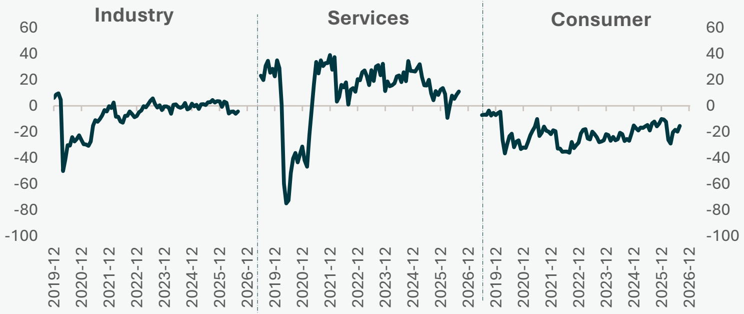
Serbia



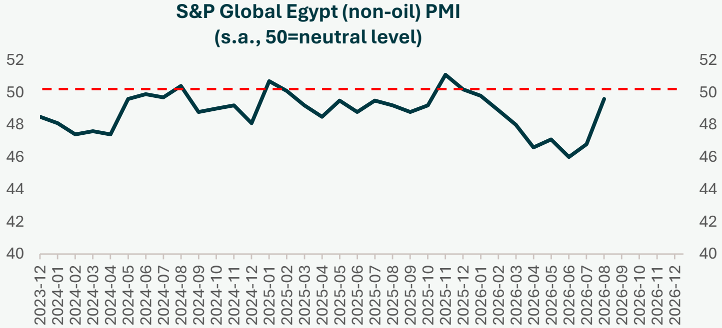
North Macedonia

Albania

Cyprus



Egypt



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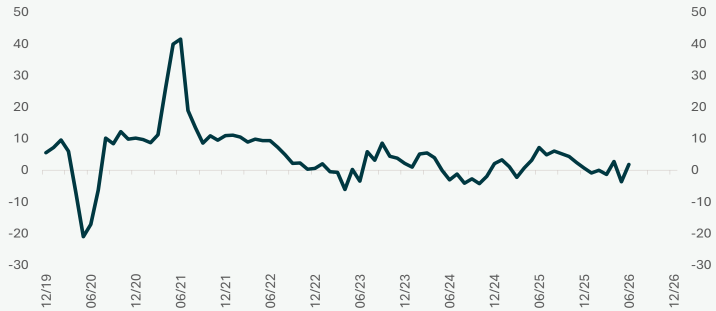
Industrial production (3-month rolling, y-o-y % change)

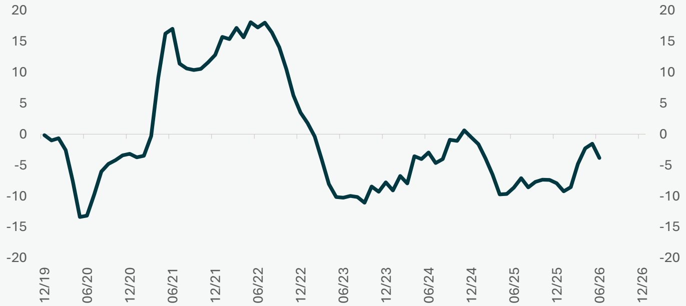
- Industrial activity in the region was **subdued** even prior the escalation of Middle East tensions. Subsequent energy price volatility has put the region's competitiveness under **renewed pressure**. Increased EU-level investment in defense and infrastructure should offer some support -- unevenly across countries -- but the high costs of the ongoing green energy transition remain a key challenge
- Since the escalation of the Middle East crisis in February, the weakest industrial performance has been in **Romania**, which has entered recession, and **Bulgaria**, where industrial output remains in protracted contraction, reflecting, *inter alia*, structural declines in the mining and energy sectors

Türkiye



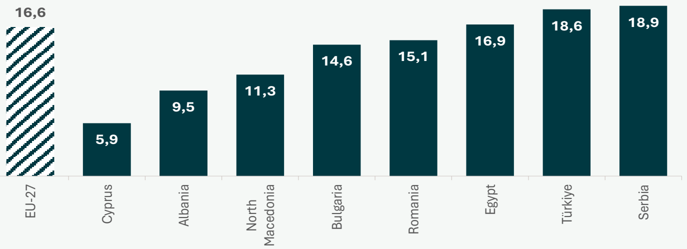
Romania

Bulgaria

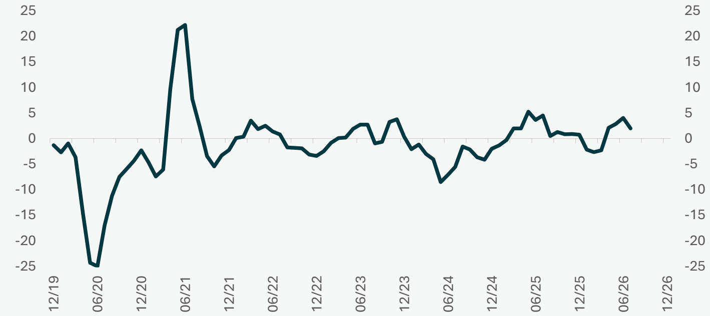


Serbia

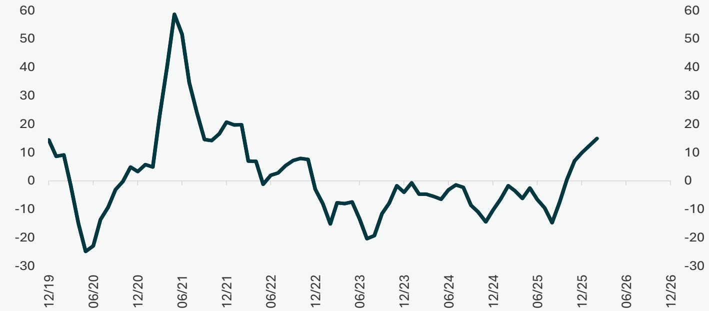
Industrial Output (% of GDP, 2025)



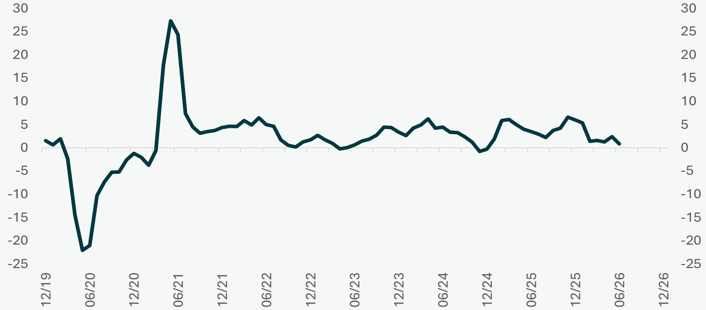
North Macedonia



Albania



Cyprus



Egypt

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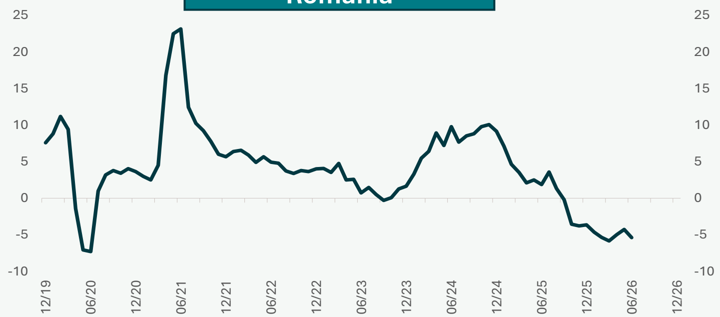
Retail Sales (constant terms, 3-month rolling, y-o-y % change)

- Retail sales across most of the economies under review continue to expand at a **solid, albeit uneven, pace**, supported by still positive real wage growth
- **Romania** remains an outlier as front-loaded fiscal consolidation, including a VAT hike and broader tax adjustments, together with weak sentiment, weighs on private consumption. In **Türkiye**, the slowdown points to a rebalancing of domestic demand amid tight financing conditions and inflation-driven erosion of purchasing power
- Elevated energy prices -- effectively a regressive tax on households -- alongside fragile consumer sentiment, pose **downside risks** to sustained private consumption

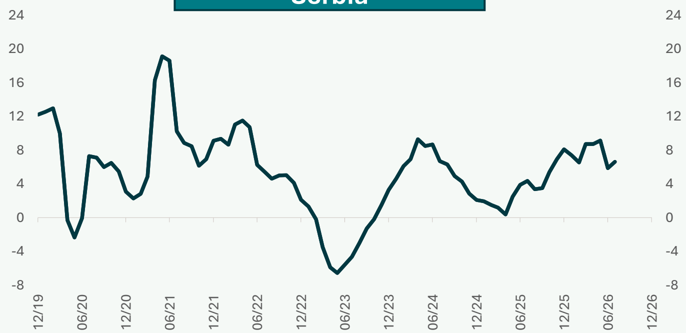
Türkiye

Romania

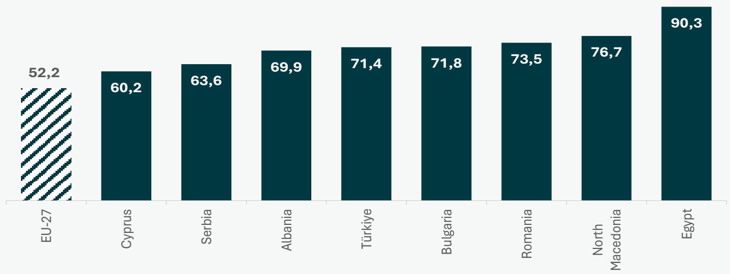


Bulgaria

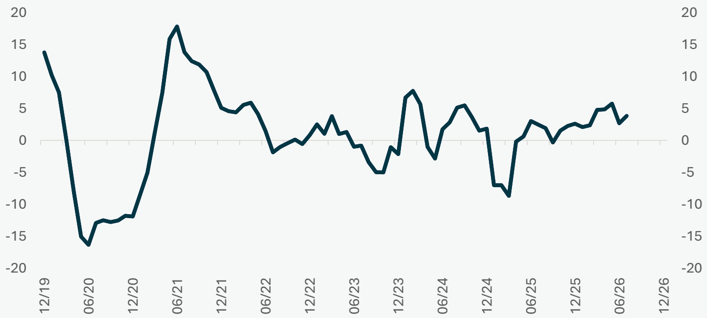
Serbia



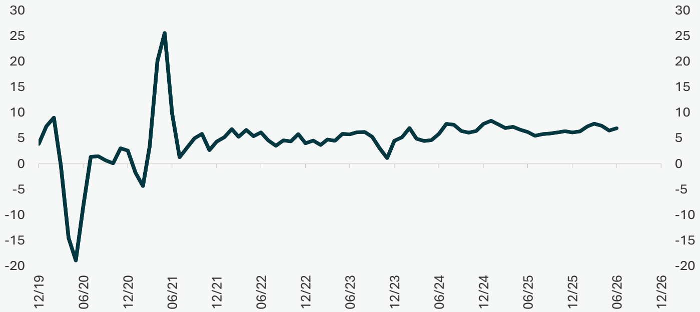
Private Consumption (% of GDP, 2025)



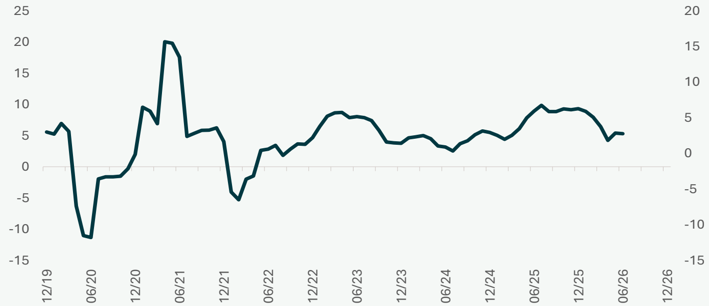
North Macedonia



Albania



Cyprus



Egypt

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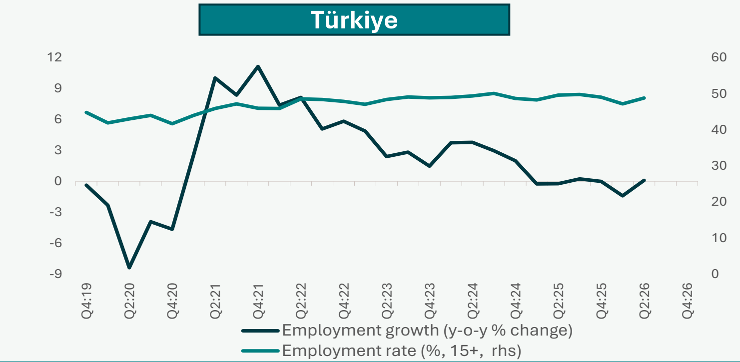
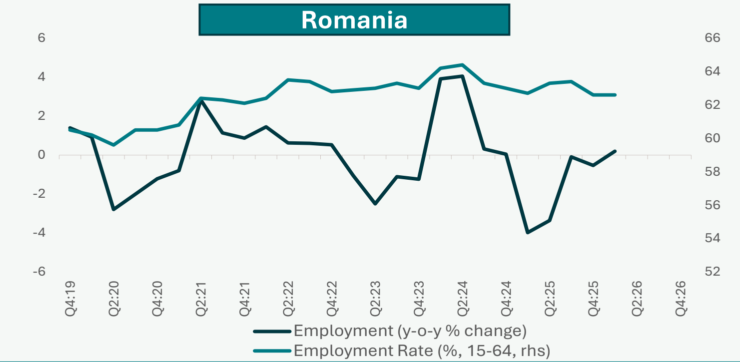
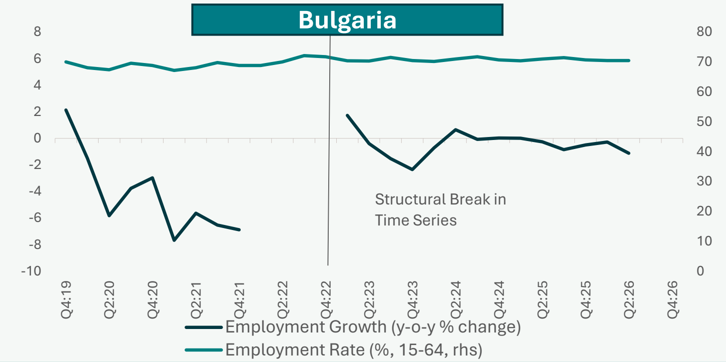
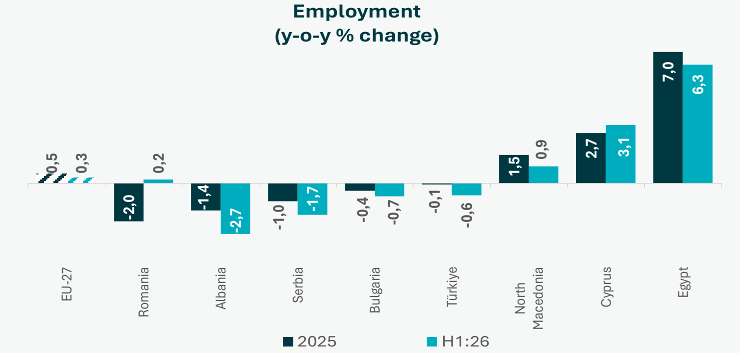
Employment growth (y-o-y % change) & Employment Rate (%)

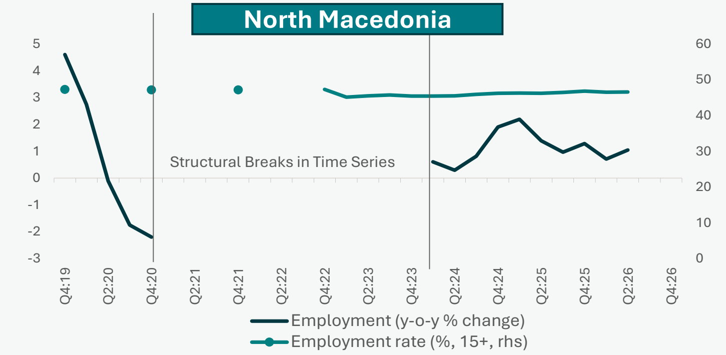
- Employment growth has largely stalled across the broader region and the EU, constrained by **labour shortages** and **demographic headwinds**, while labour markets remain **tight**
- Notable exceptions include **North Macedonia**, where infrastructure projects and market formalization bolster employment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

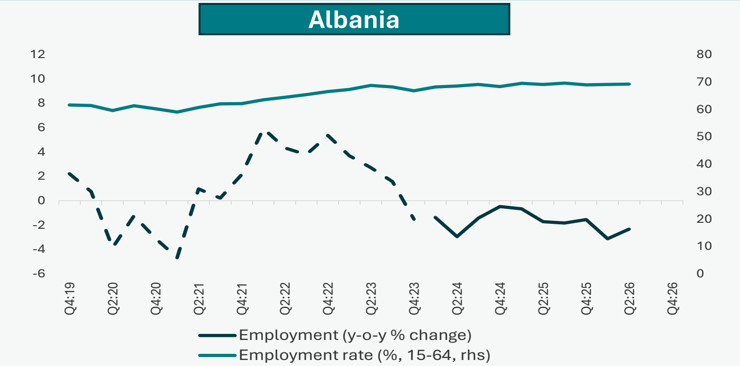


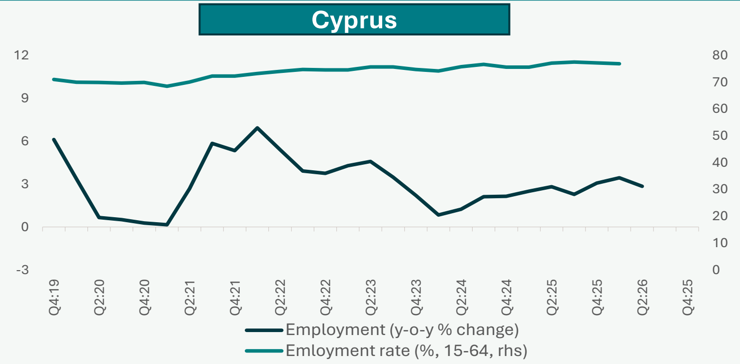












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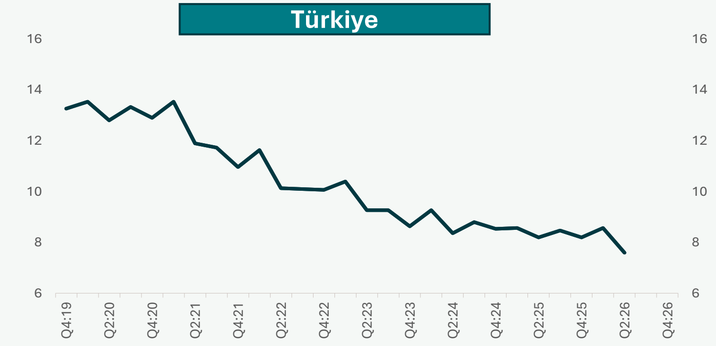
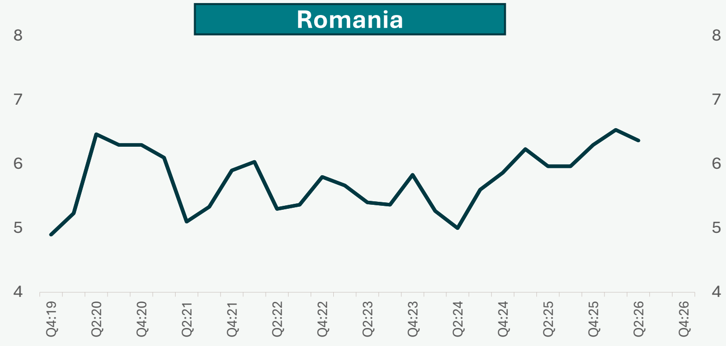
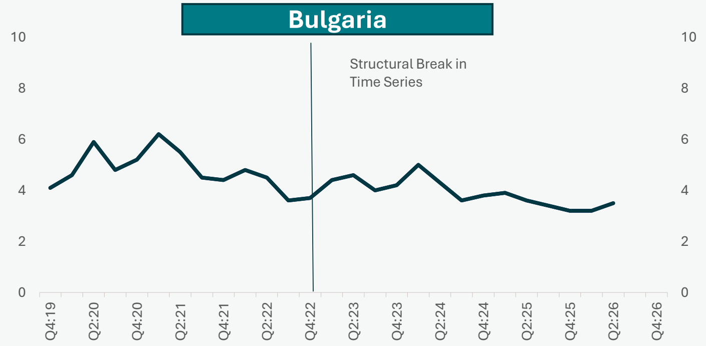
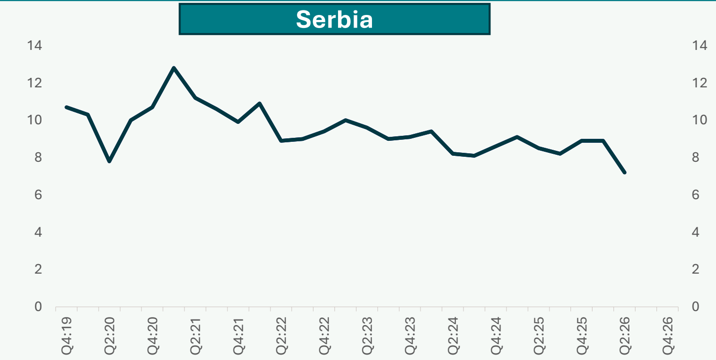
Unemployment rate (%)

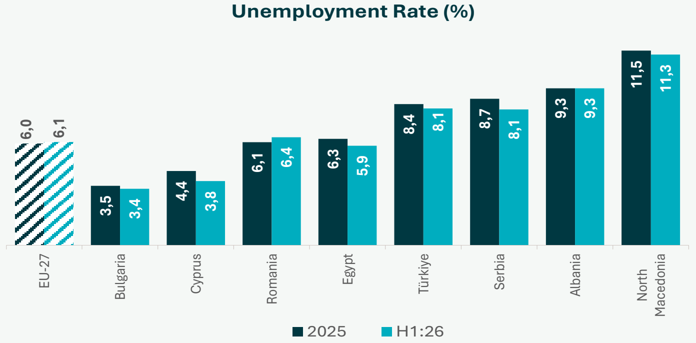
- The unemployment rate has shown signs of **bottoming out** in most of the economies under review, broadly in line with trends in the EU, while remaining below pre-GFC levels. Participation rates remain **high**, although still below EU levels. Any further **improvement is likely to be gradual** in the near-term, given moderate economic growth
- In **Cyprus**, the unemployment rate has fallen well below its estimated NAIRU level (c. 4¾%) and the EU average (of 6.1%), underpinned by above-trend growth amid labour shortages and elevated vacancies. In **Romania**, unemployment has been rising gradually, reflecting the broader economic downturn
- The exceptionally high and sluggish unemployment rates in **North Macedonia**, **Albania**, and **Serbia --** albeit lower in H1:26 -- largely reflect the significant share of grey economic activities

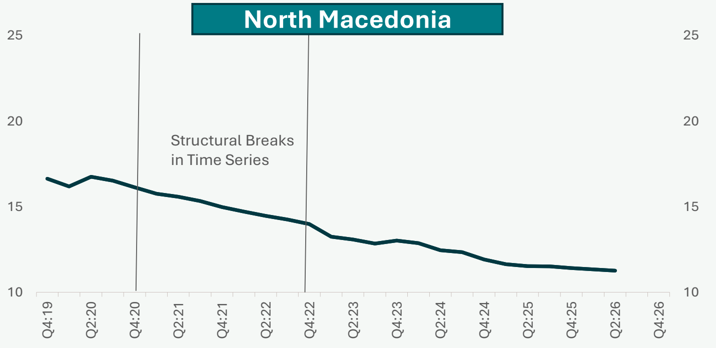


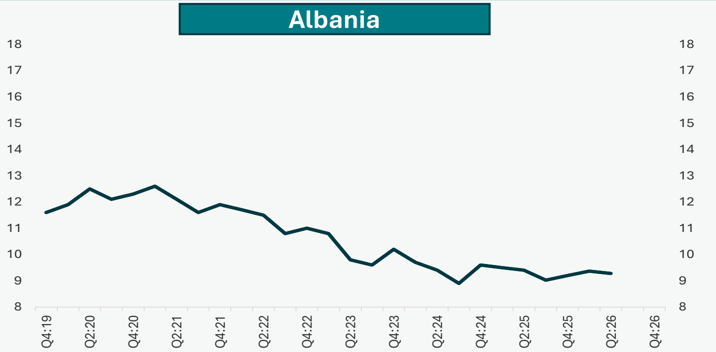


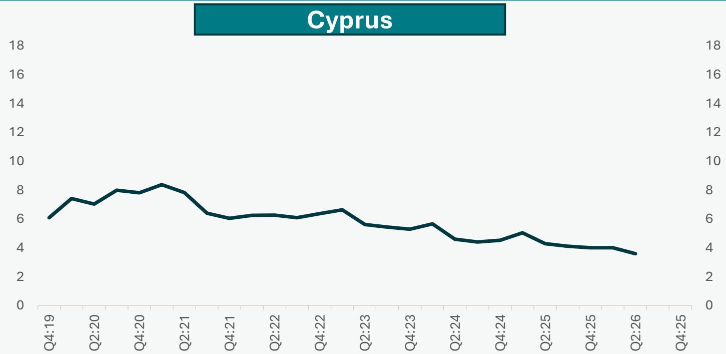


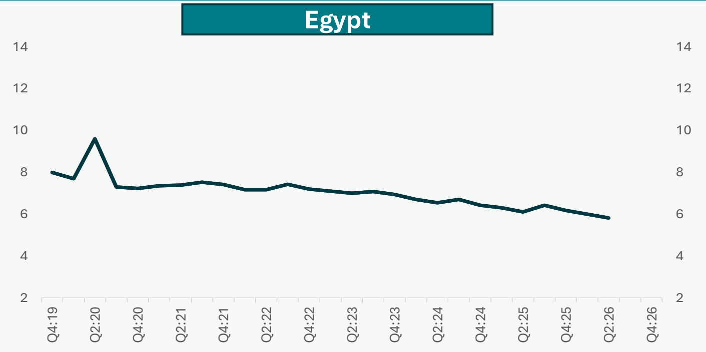








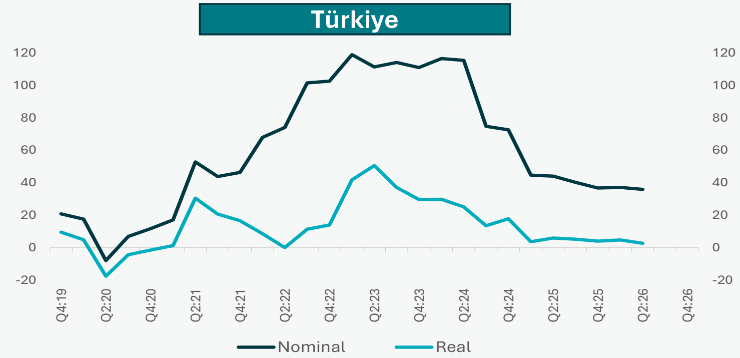


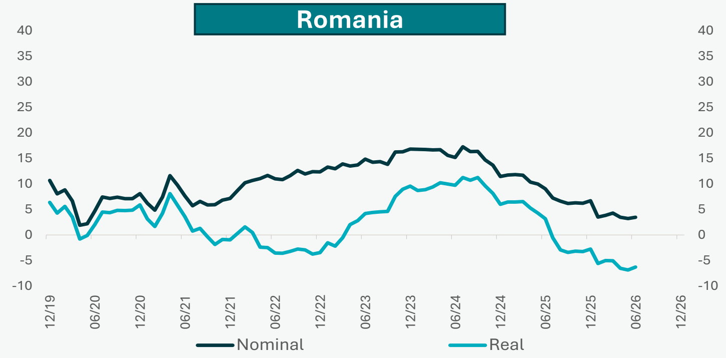


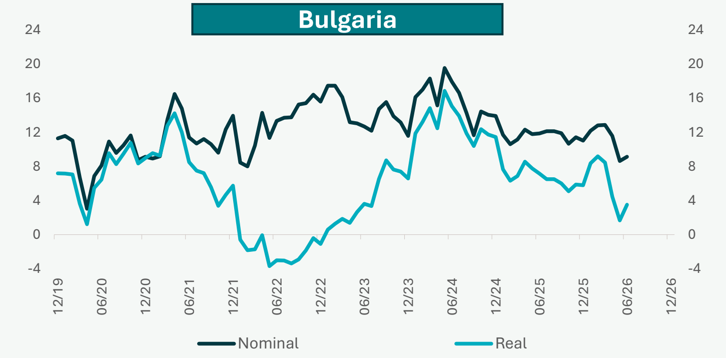
NATIONAL BANK OF GREECE

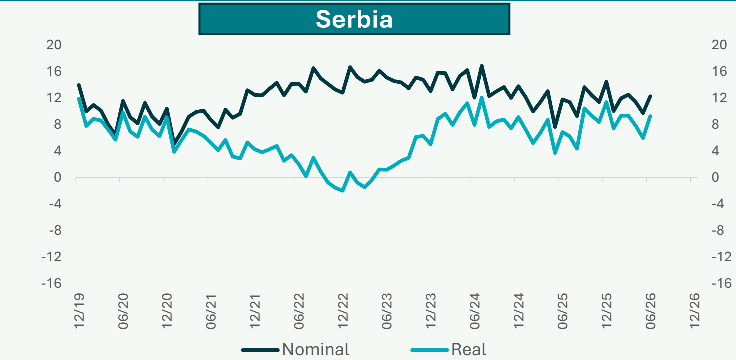
Nominal and real wages (y-o-y % change)

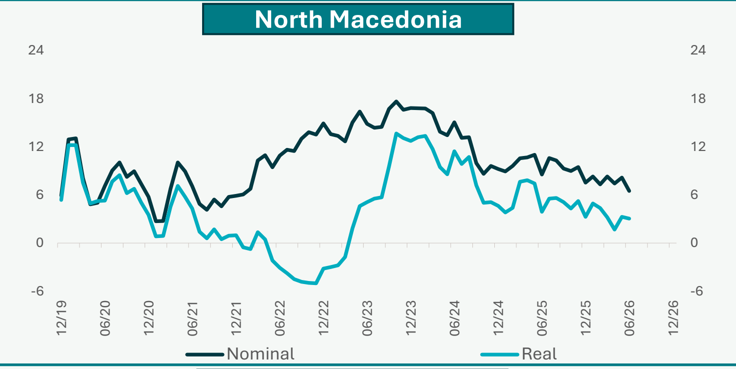
- While real *ex-post* wage growth has **moderated markedly** following the energy-driven inflation surge, it remained positive in most regional economies, supporting private consumption
- In **Romania**, the VAT-driven jump in inflation alongside a tight incomes policy, including a 2-year freeze in public sector wages, has sent real wage growth into negative territory. In **Türkiye**, persistently high inflation paired and a shift towards a more forward-looking wage indexation policy have left real wage growth broadly flat since early 2025
- Unlike the 2022 energy shock, which was cushioned by a strong post-pandemic recovery, the current environment lacks comparable momentum in both economic activity and employment. Consequently, the scope for wage increases to offset higher inflation is expected to be more limited

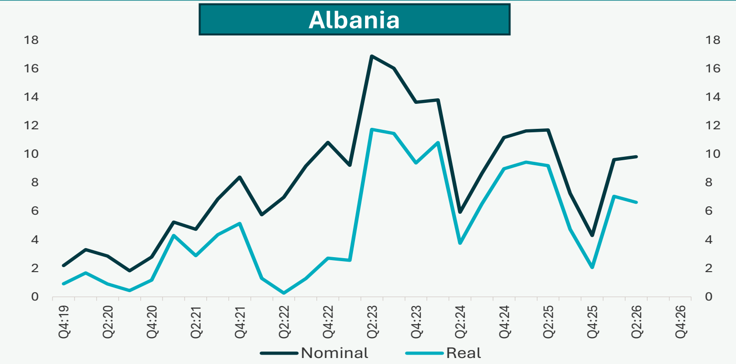


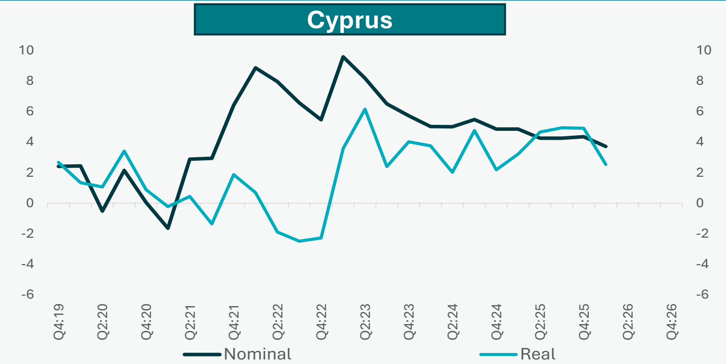


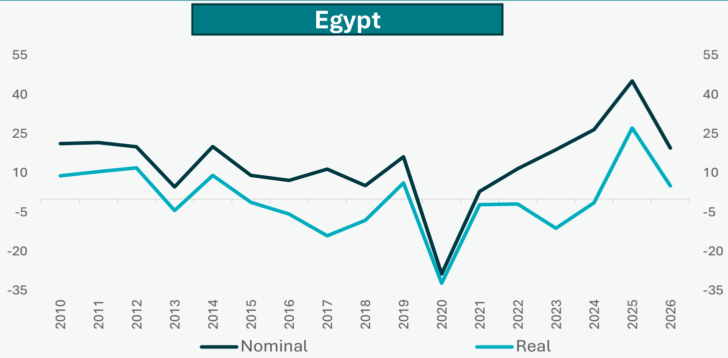








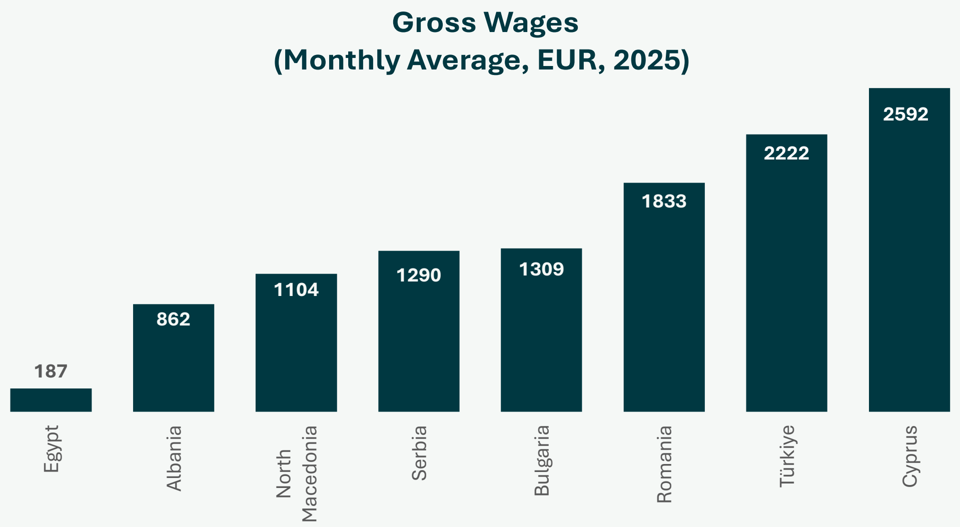




NATIONAL BANK OF GREECE

Nominal wages in EUR and tax rates

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



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

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

NATIONAL BANK OF GREECE

External Accounts

External trade

Real effective exchange rate

Current account balance

Net FDI

Other net capital flows

Balance of payments

FX reserves

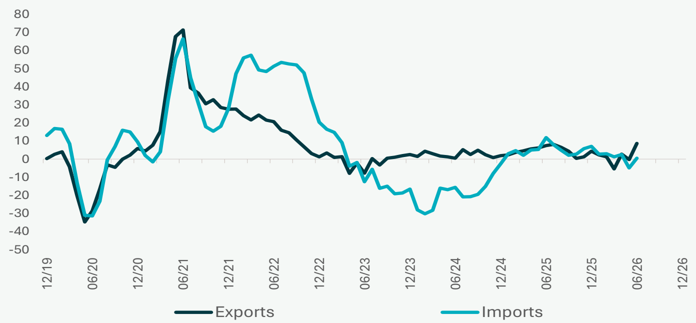
Short-term external debt / FX reserves

External debt

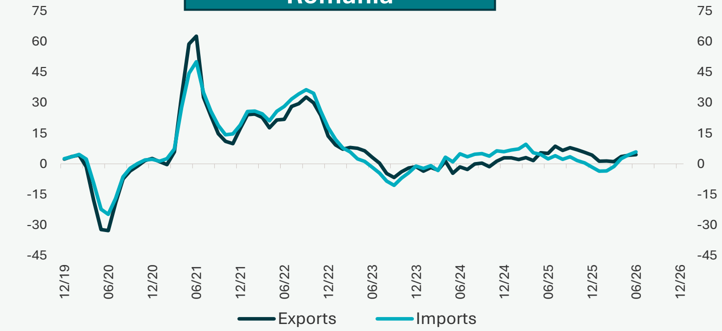
External trade (3-month rolling, y-o-y % change)

- The ongoing terms-of-trade shock has **boosted** growth in nominal trade flows, while **widening the gap** with real trade flows, which remain under pressure
- Rising **trade fragmentation** poses a risk to the global trade outlook

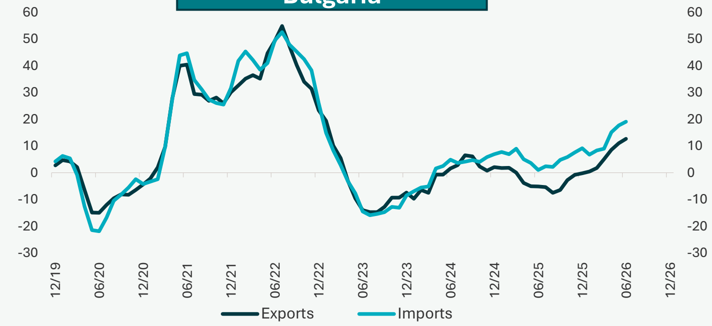
Türkiye



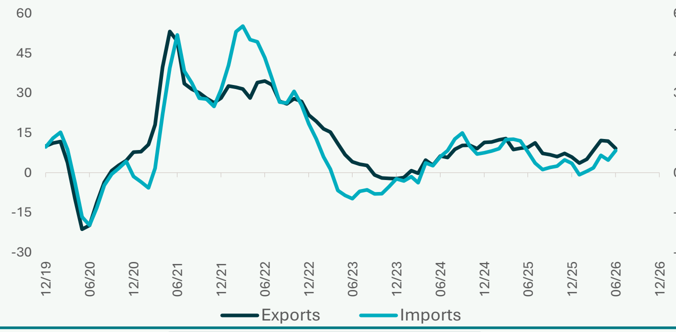
Romania



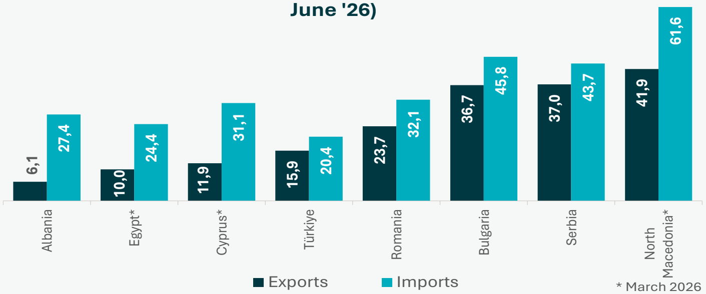
Bulgaria



Serbia

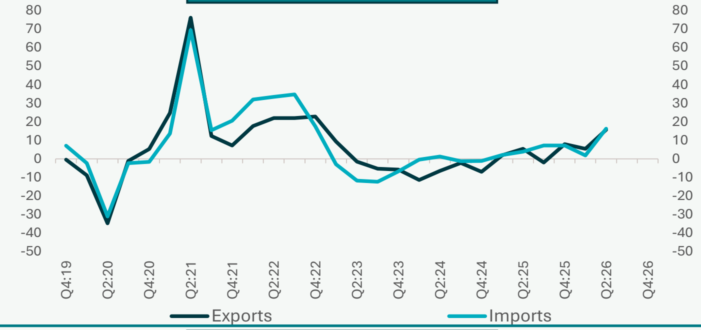


Exports & Imports (12-M Rolling Sum, % of GDP, June '26)



* March 2026

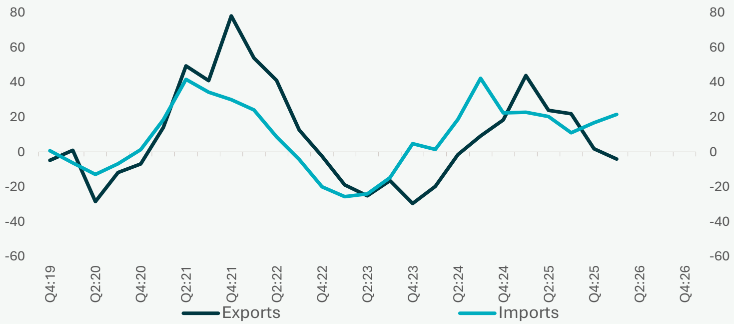
North Macedonia



Albania

Cyprus

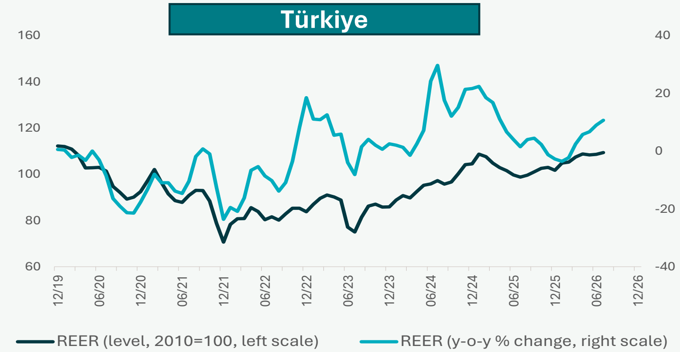
Egypt

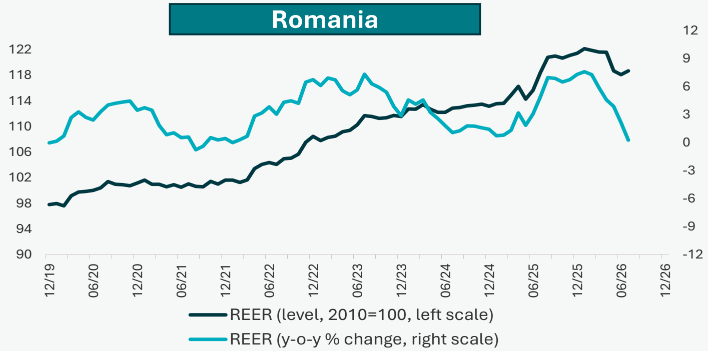


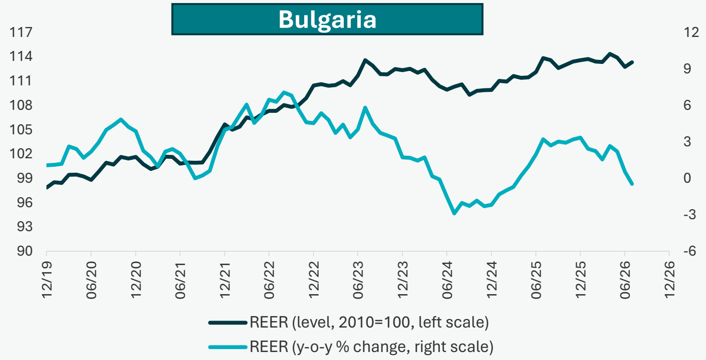
NATIONAL BANK OF GREECE

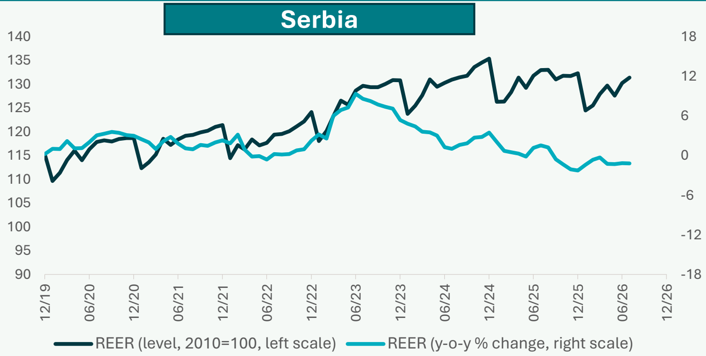
CPI-based real effective exchange rate

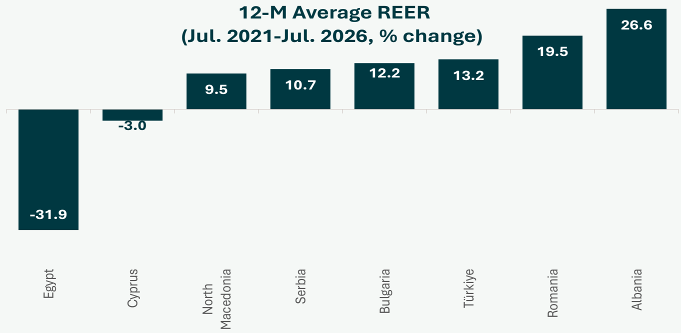
- High inflation has more than offset the gains in external price competitiveness from the massive depreciation of the **Turkish** lira in nominal terms
- A booming tourism sector has driven a strong appreciation of **Albania**’s currency in real terms over the past 5 years, with the latter weighing,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

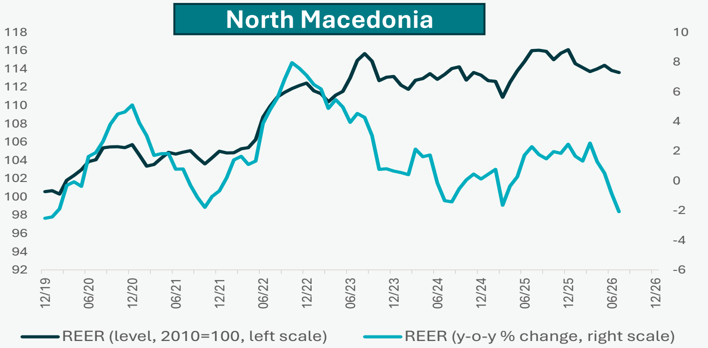


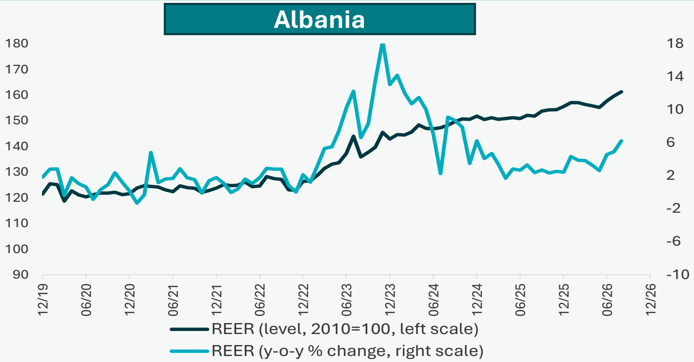


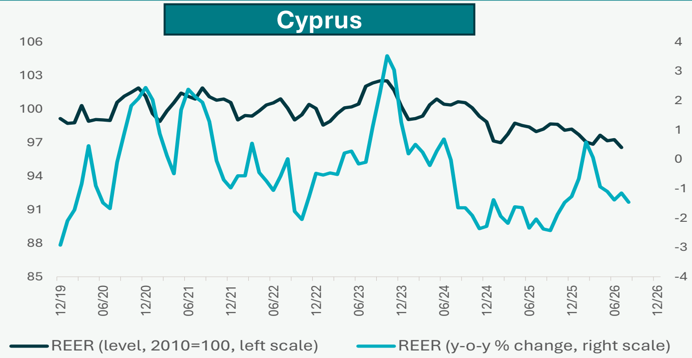


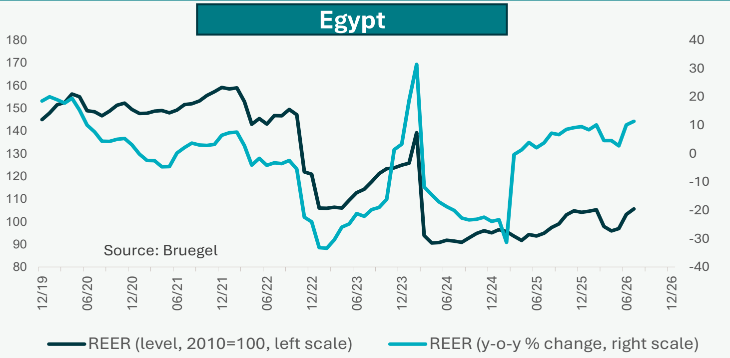










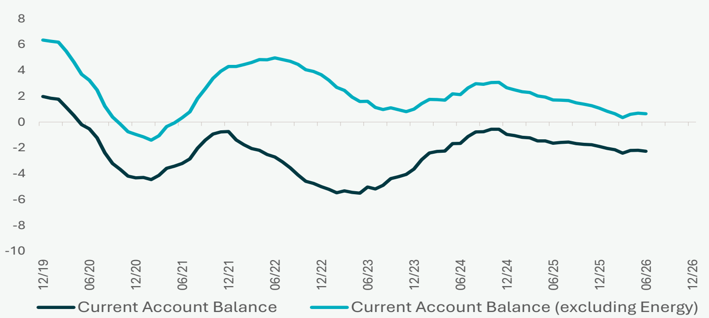


NATIONAL BANK OF GREECE

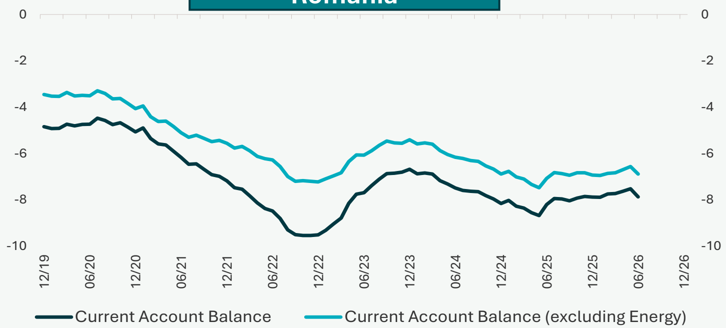
Current account balance (12-month rolling, % of GDP)

- Elevated global energy prices have **widened net energy trade deficits**, putting pressure on external balances across the region
- Implementation of the EU ETS and CBAM has affected the competitiveness of the energy industry in **Bulgaria** and **North Macedonia**, with adverse implications for exports
- In **Romania**, higher primary income outflows have broadly offset the gains from a narrowing of the trade deficit, reflecting weaker domestic demand
- In **Albania**, an across-the-board improvement in the CAB, including robust tourist-driven services, has pushed the headline balance (excluding energy) into a slight surplus for the first time. Higher domestic electricity production (almost entirely relying on hydropower) has largely shielded the economy from the impact of rising global oil prices

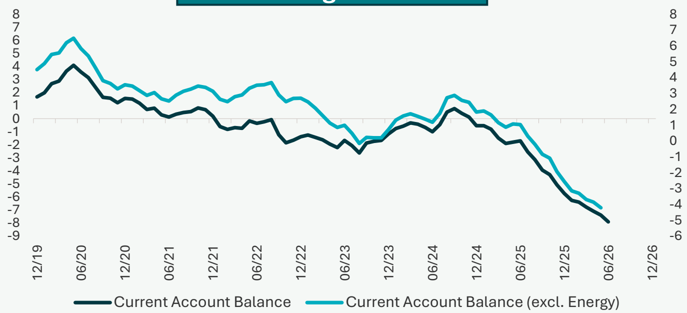
Türkiye



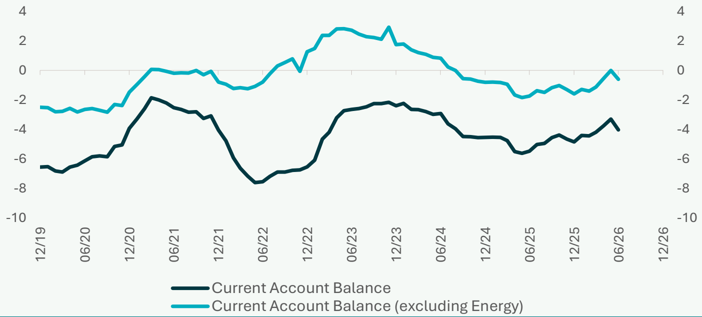
Romania



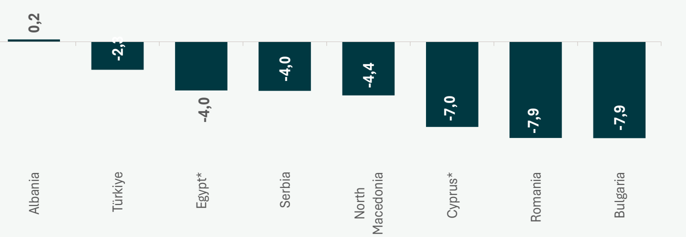
Bulgaria



Serbia

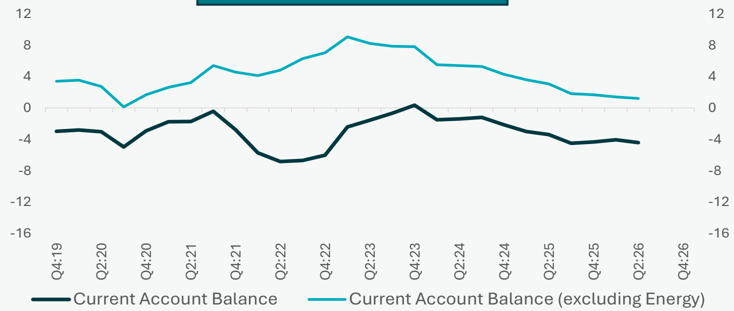


Current Account Balance (12-M Rolling Sum, % of GDP, June '26)

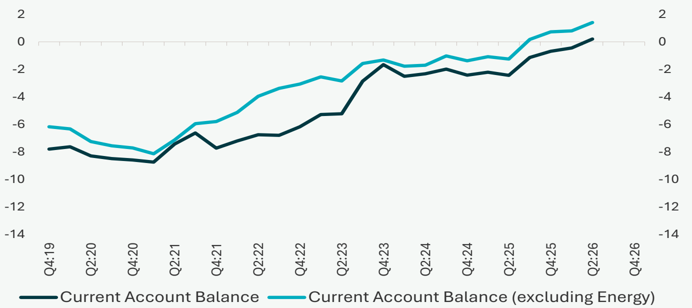


* March 2026

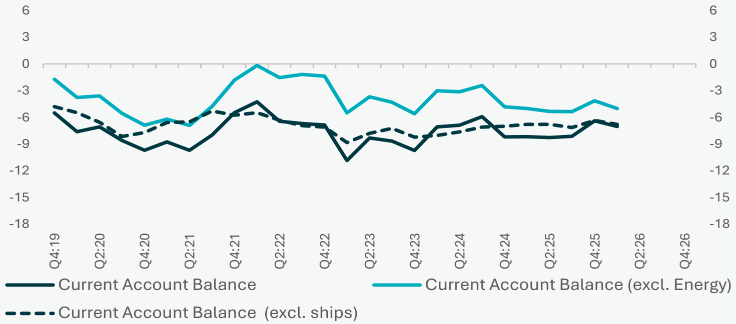
North Macedonia



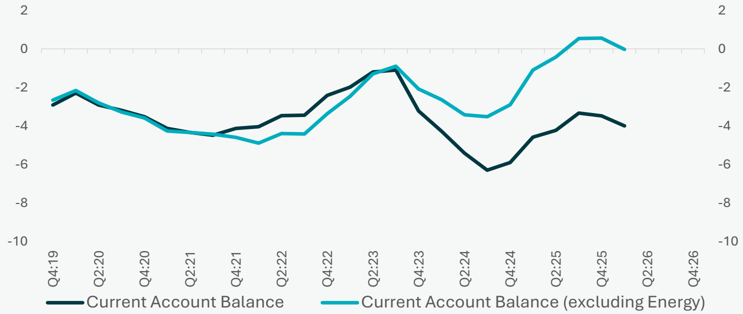
Albania



Cyprus



Egypt

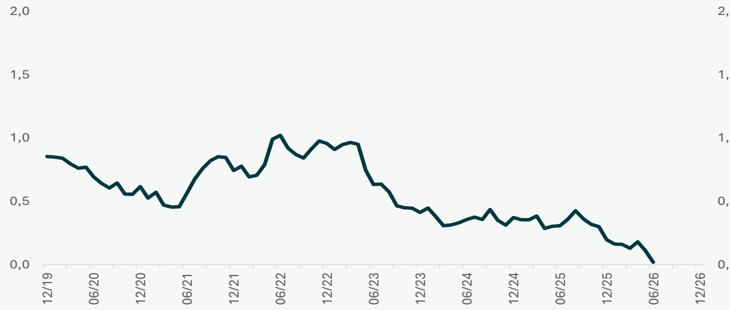


NATIONAL BANK OF GREECE

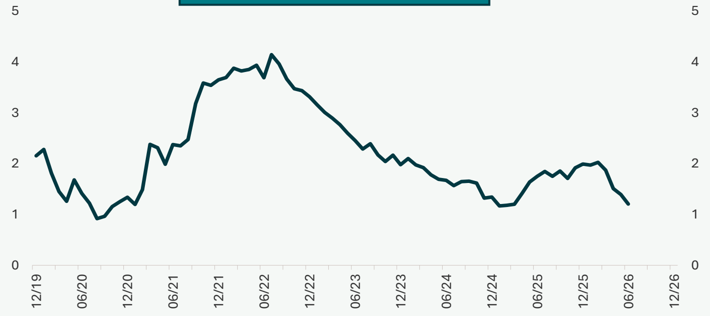
Net foreign direct investment (12-month rolling, % of GDP)

- **Albania** continues to lead the SEE region, underpinned by strong real estate demand and strategic investments in the energy and banking. In **Serbia**, lingering political uncertainty has weighed on FDI. In **Cyprus**, despite elevated headline figures due to the significant role of SPEs, underlying FDI -- driven by ICT -- signals a structural shift towards a more diversified services economy. **Egypt's** outlook is supported by SOE privatizations and large-scale GCC-funded real estate ventures, although the latter appear to have paused temporarily amid Middle East uncertainty
- In the longer-term, **geopolitical fragmentation** and **global supply chain reconfiguration** present a mix of structural challenges and opportunities for FDI

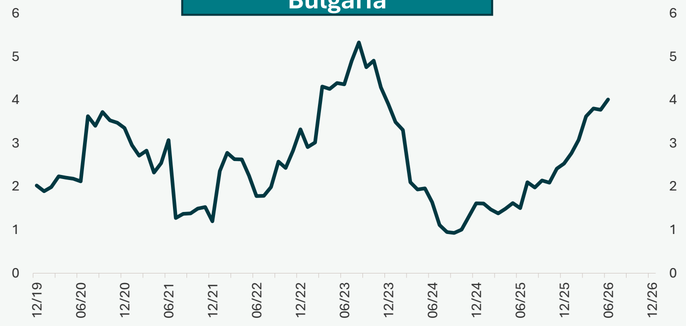
Türkiye



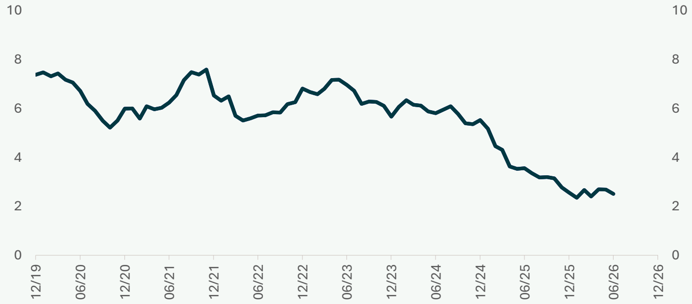
Romania



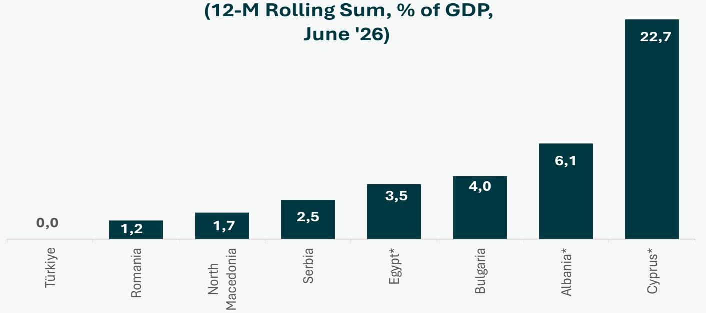
Bulgaria



Serbia

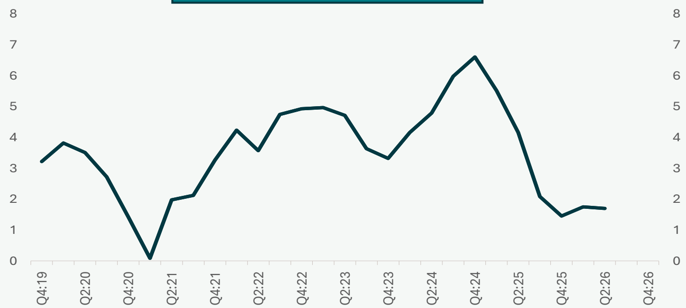


FDI
(12-M Rolling Sum, % of GDP, June '26)

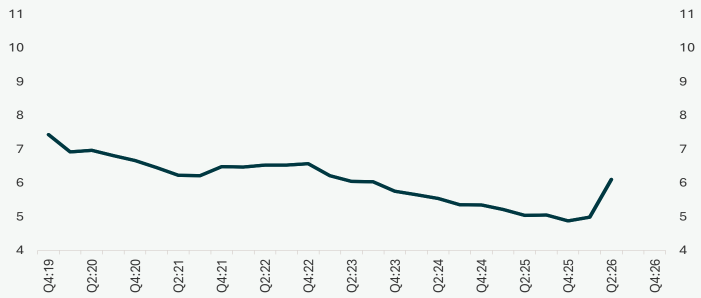


* March 2026

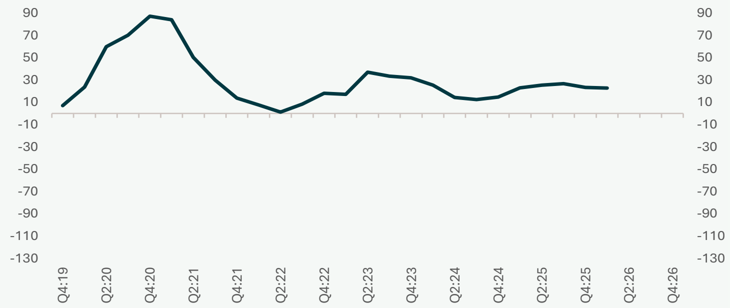
North Macedonia



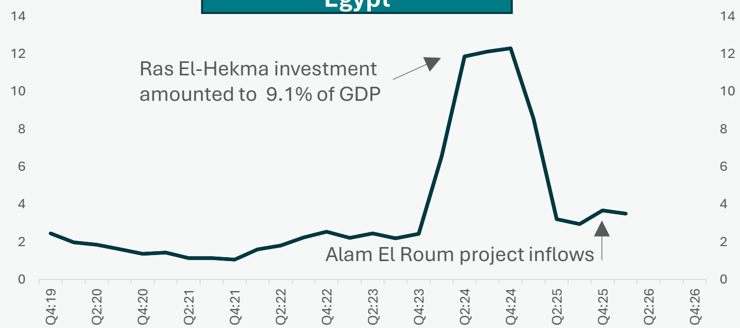
Albania



Cyprus



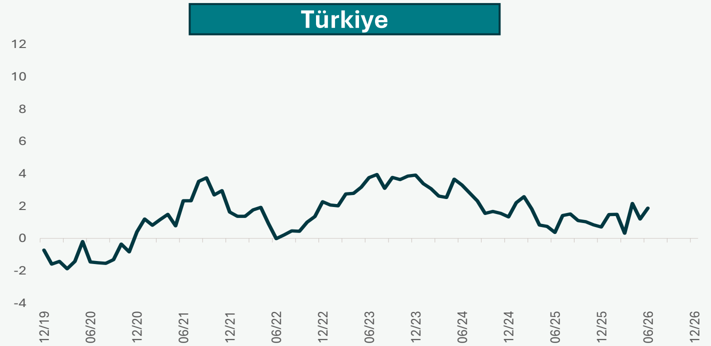
Egypt

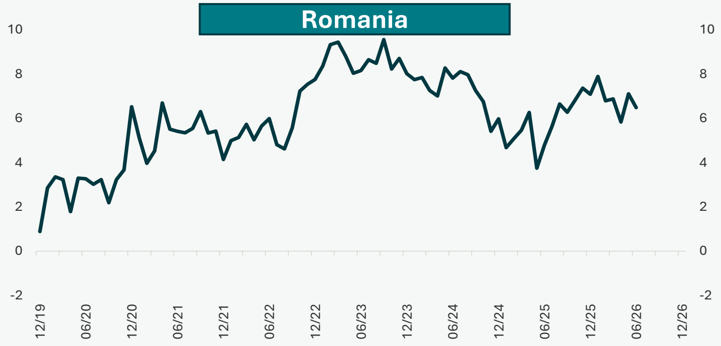


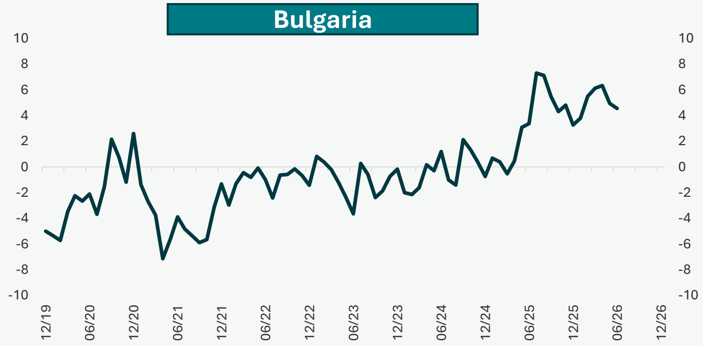
NATIONAL BANK OF GREECE

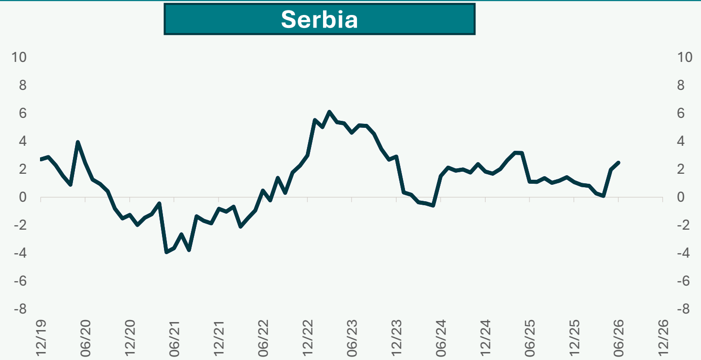
Other net capital flows, excluding IMF funding and net errors and omissions (12-month rolling, % of GDP)

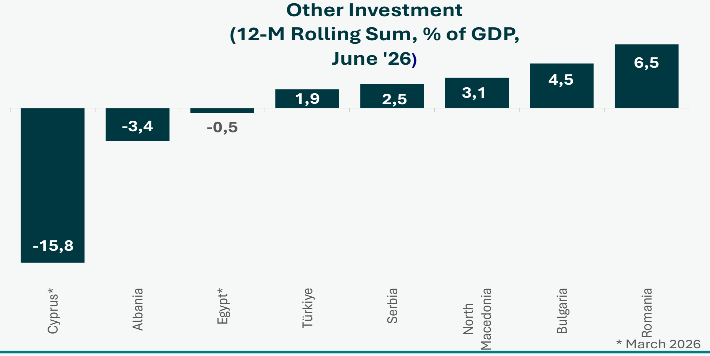
- While a period of relative market stabilization had been supporting capital inflows to most regional economies, the subsequent escalation of tensions in the Middle East has increased risk premiums and exposed external vulnerabilities, particularly in **Türkiye** and **Egypt**, which remain susceptible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

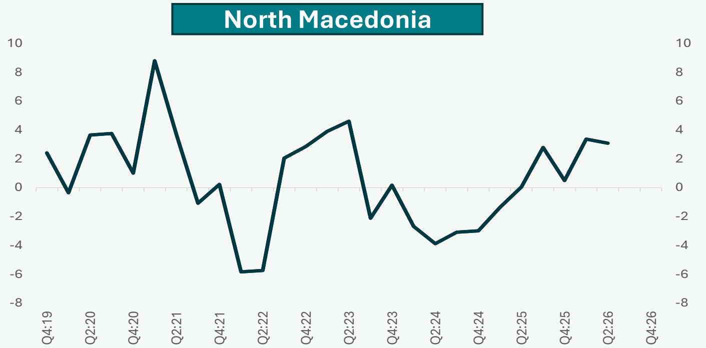


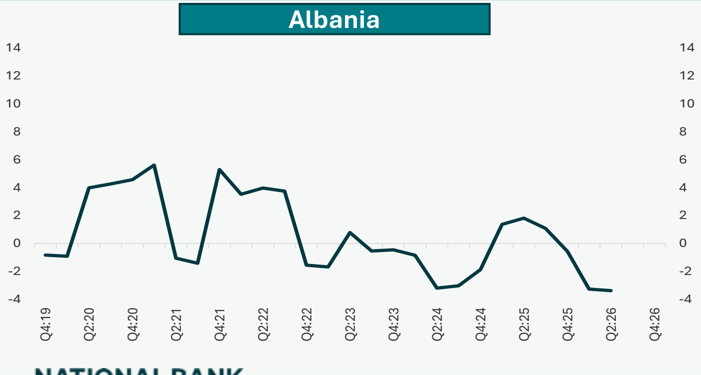


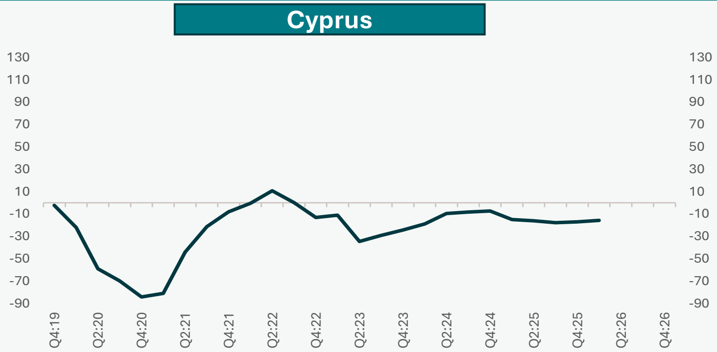


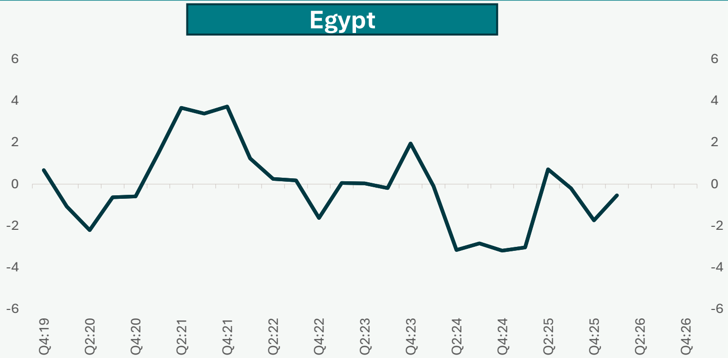












NATIONAL BANK OF GREECE

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

- **Supply-side disruptions**, primarily driven by **elevated global energy prices** in the wake of escalating Middle East tensions, are expected to continue to weigh on trade balances, with the magnitude of the impact depending on economies' energy import intensity (see p. 10)
- The baseline scenario assumes that **geopolitical uncertainty gradually recedes** over the forecast horizon. Nevertheless, **operational constraints and the continued pricing-in of a geopolitical risk premium** are expected to slow the return to pre-conflict conditions. As a result, current account balances across the region are unlikely to revert to their pre-crisis levels by end-2027. On a positive note, the spillover from the envisaged cyclical upswing in the EU could provide a tailwind for trade
- Despite these pressures, the current account deficits of regional economies (excluding **Romania** and **Cyprus**) are projected to remain below the empirical threshold of c. 5.0% of GDP. In **Romania**, the correction in external imbalances is expected to accelerate as fiscal tightening feeds through to import demand
- **Elevated external financing needs, amid tighter global financing conditions**, pose a risk of **FX reserve depletion or FX volatility** as authorities move to close the implied financing gaps

Türkiye	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-1.0	-1.9	-2.6	-2.4
Net FDI	0.4	0.2	0.2	0.2
Other net capital inflows *	1.3	0.7	0.7	0.9

Bulgaria	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-0.5	-5.7	-5.9	-4.0
Net FDI	1.6	2.5	2.9	3.0
Other net capital inflows *	-2.0	0.3	1.3	0.7

North Macedonia	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-2.2	-4.3	-5.4	-4.2
Net FDI	6.6	1.5	1.8	2.5
Other net capital inflows *	-3.0	0.5	0.0	0.0

Cyprus	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance**	-8.2	-6.4	-8.0	-6.9
Net FDI**	14.7	23.3	24.3	25.6
Other net capital inflows *	-7.3	-16.1	-13.7	-16.2

*: excluding IMF and ESM funding and net errors and omissions

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

Romania	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-8.2	-7.9	-7.1	-6.3
Net FDI	1.3	1.1	1.1	1.1
Other net capital inflows *	7.1	7.6	6.0	5.7

Serbia	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-4.5	-4.8	-5.2	-4.5
Net FDI	5.5	2.6	3.0	3.6
Other net capital inflows *	1.6	0.9	2.2	2.5

Albania	Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
Current account balance	-2.4	-0.7	-0.5	-0.4
Net FDI	5.3	4.9	5.5	5.6
Other net capital inflows *	-1.9	-0.6	-0.4	-0.4

Egypt#	Jun. 24	Jun. 25	Jun. 26F	Jun. 27F
Current account balance	-5.4	-4.2	-4.1	-3.6
Net FDI	11.9***	3.2****	3.6	2.7
Other net capital inflows *	-3.2	-0.7	1.0	1.5

#: Fiscal year ending on June 30th

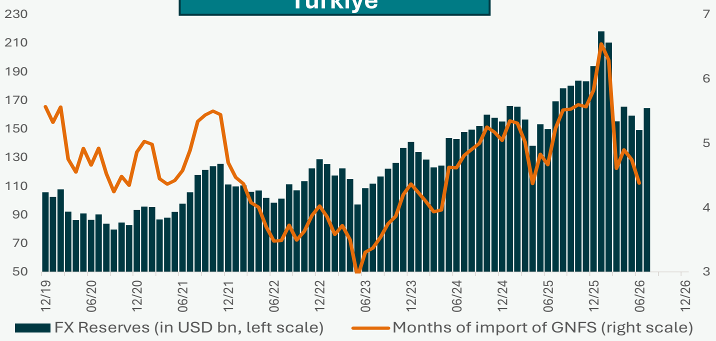
***: including divestment proceeds from the Ras El-Hekma project

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

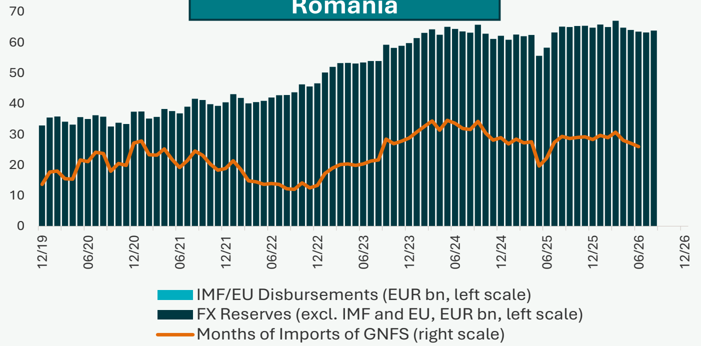
Foreign exchange reserves

- The central bank of **Türkiye** drew down part of its FX reserves to support the lira at the onset of the Middle East crisis; reserves have not yet recovered to pre-crisis level
- Despite significant capital outflows triggered amid heightened uncertainty, **Egypt** has reaffirmed its commitment to a flexible FX regime, allowing the EGP to adjust in line with market forces without recourse to FX reserves. Since then, Eurobond issuance and disbursements under IMF- & EU-supported programmes provided critical support
- FX reserves stand at **adequate** levels in all countries under review, covering more than 4 months of GNFS imports

Türkiye



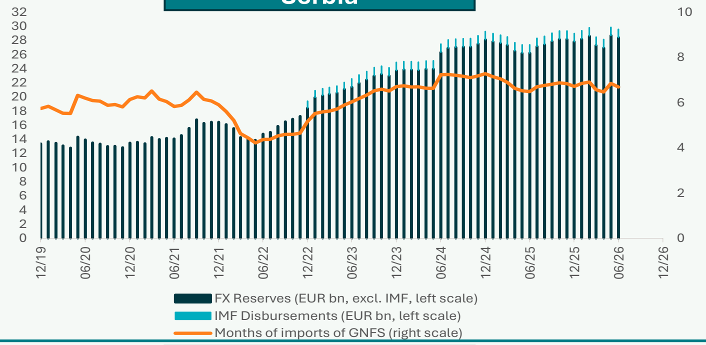
Romania



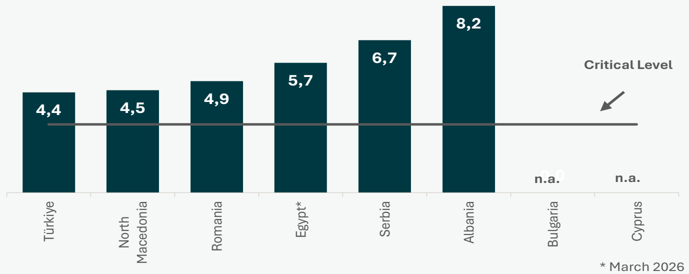
Bulgaria

N.A.

Serbia

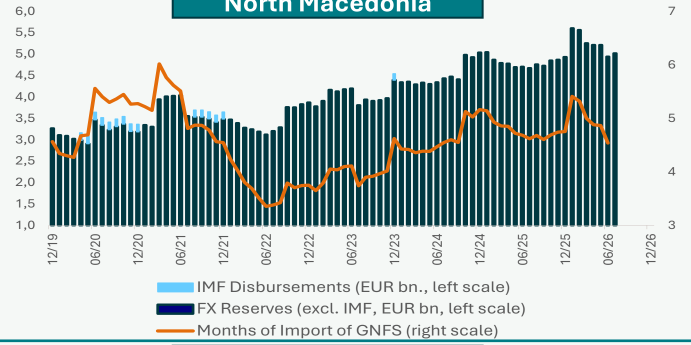


FX Reserves (Months of Imports of GNFS, June '26)

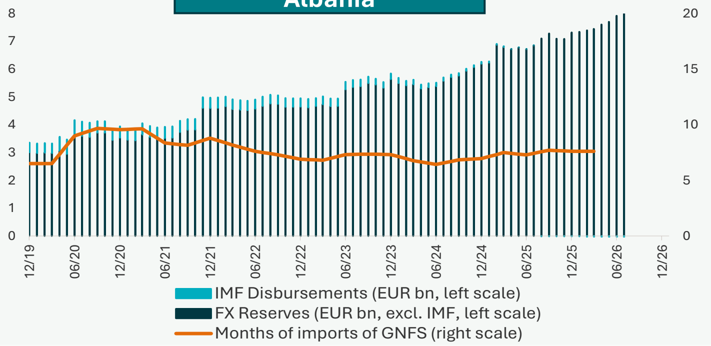


* March 2026

North Macedonia



Albania



Cyprus

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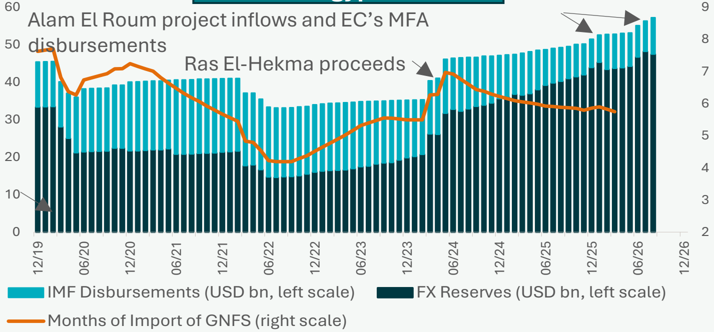
Egypt

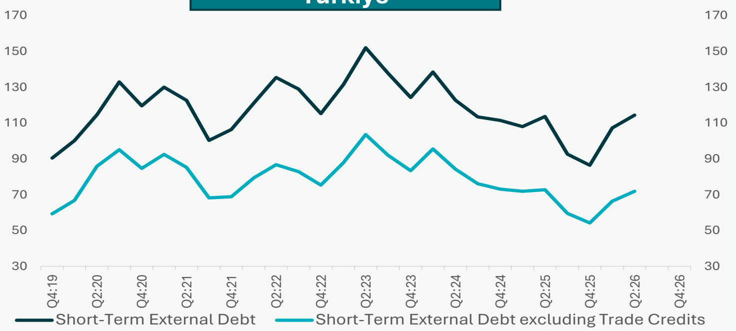


NATIONAL BANK OF GREECE

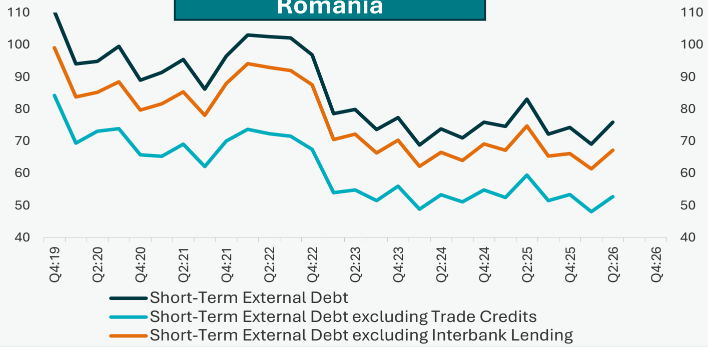
Short-term external debt-to-Foreign exchange reserves ratio (%)

- Reserve coverage of short-term external debt is **comfortable** in all countries under review except **Türkiye**, with particularly strong coverage in **Serbia**

Türkiye



Romania

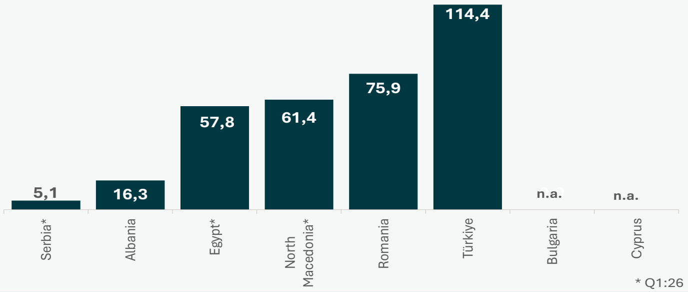


Bulgaria

N.A.

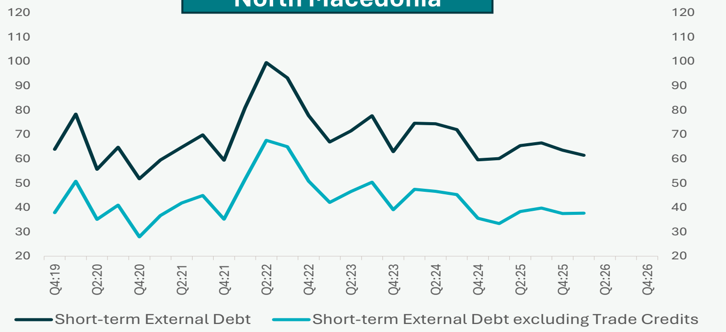
Serbia

Short-Term External Debt / FX Reserves (%, Q2:26)

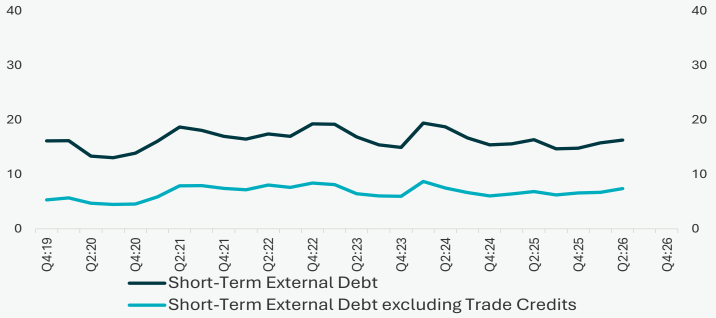


* Q1:26

North Macedonia



Albania



Cyprus

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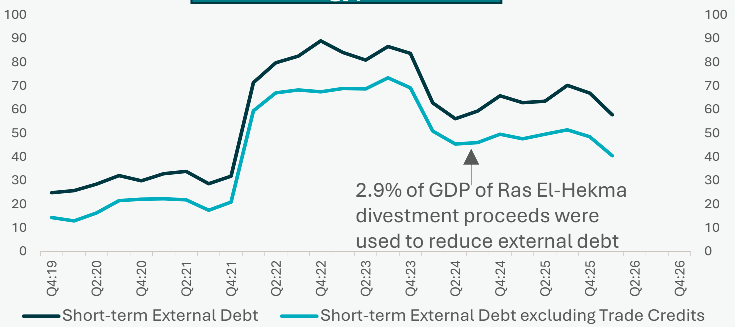
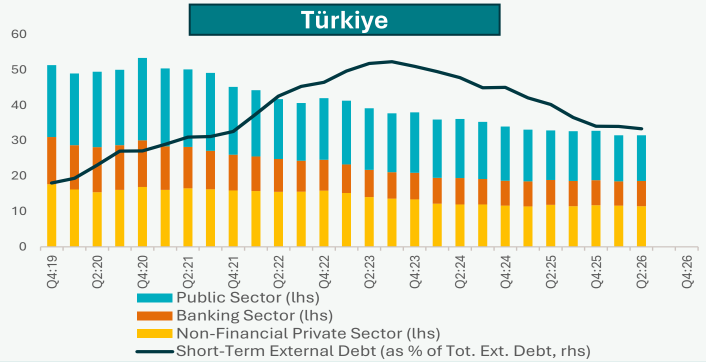
Egypt

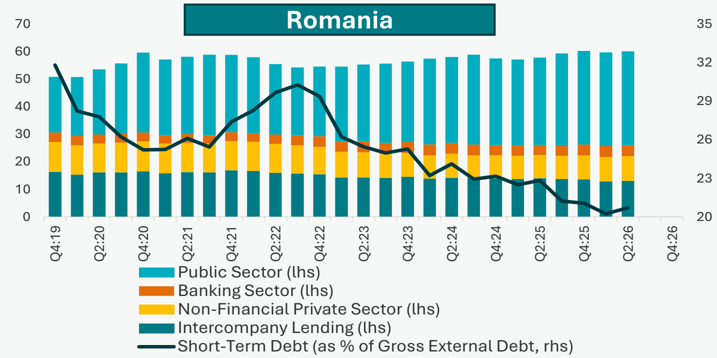


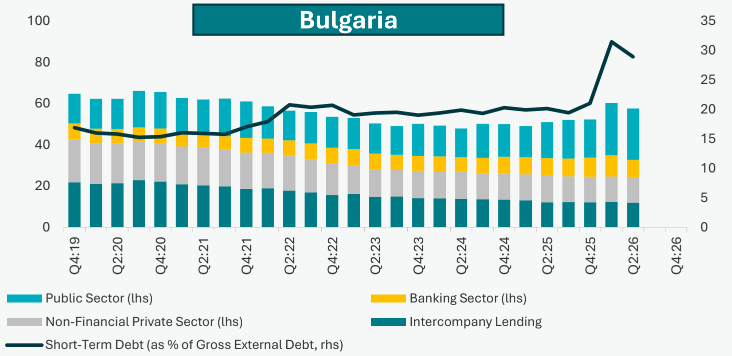
NATIONAL BANK OF GREECE

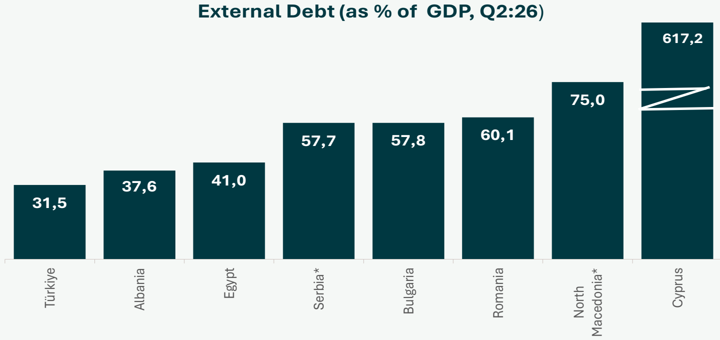
External debt (% of GDP)

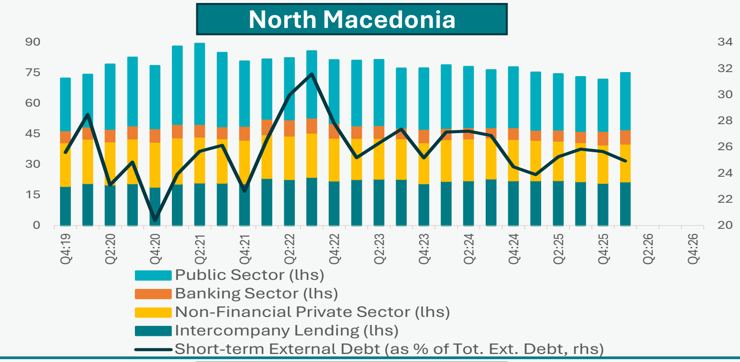
- Temporarily elevated external financing needs are **unlikely to materially alter the trajectory** of external debt-to-GDP ratio across most of the economies under review, owing to a favourable denominator effect stemming from elevated inflation

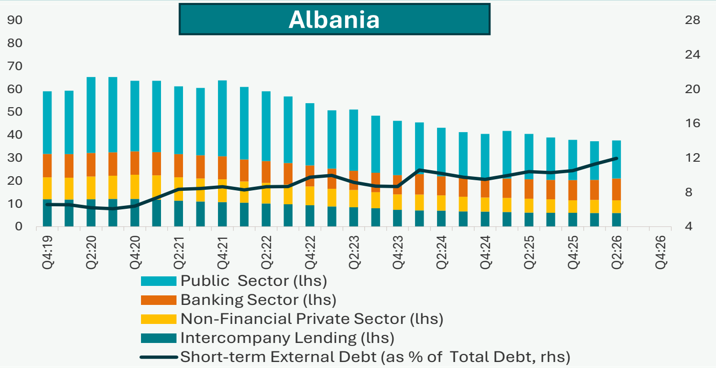


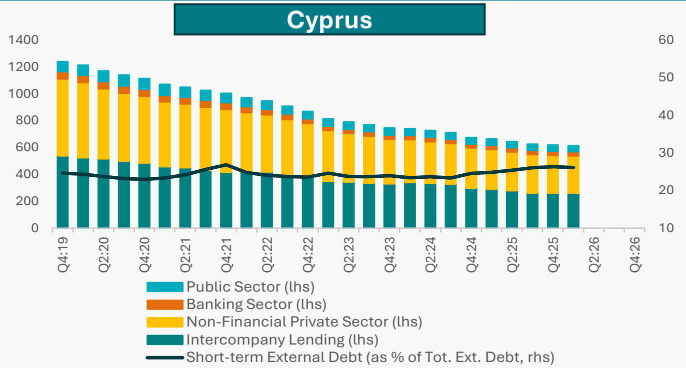


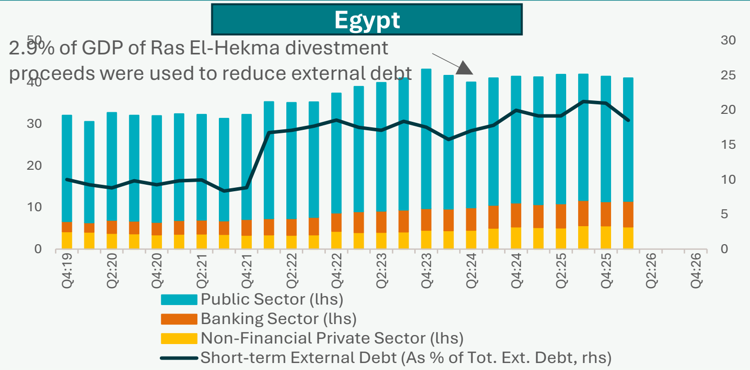












NATIONAL BANK OF GREECE

Prices & Monetary Policy

Inflation

Energy & Food prices and Transport costs

Nominal effective exchange rate

Policy rate

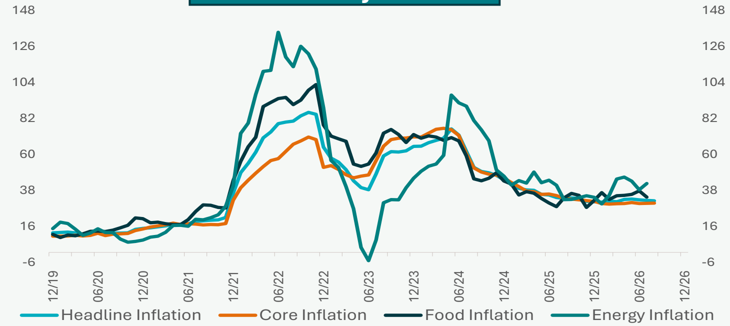
Reserve requirement ratios

Real estate prices

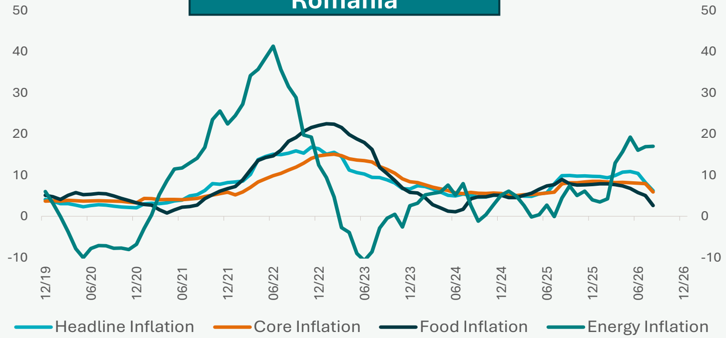
Inflation (%)

- Higher global energy prices have pushed inflation up **markedly** across the region, though it remains below the peaks observed during the 2022–23 energy crisis, as second-round effects remain limited thus far. The pickup has nevertheless been more **pronounced** in regional economies than in the EU, reflecting the higher weights of energy and food in CPI baskets. Under the baseline, headline inflation is projected to **decelerate gradually through H2:27**, as unfavourable base effects dissipate, but **a return to desired levels is not expected before 2028** in most economies
- Risks to the outlook remain tilted to the upside, particularly if persistent supply-side pressures trigger significant second-round effects, amplified by FX volatility and resilient domestic demand in most economies

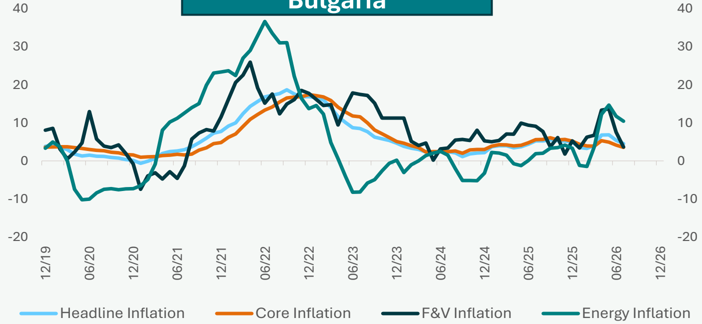
Türkiye



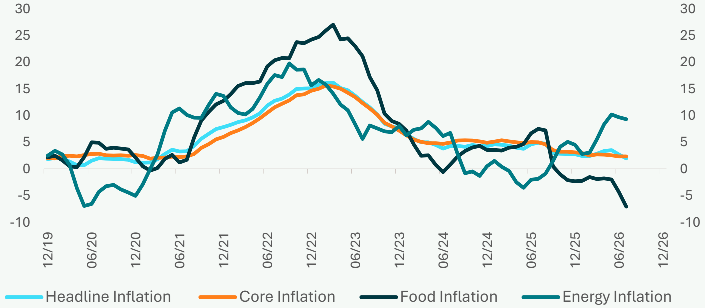
Romania



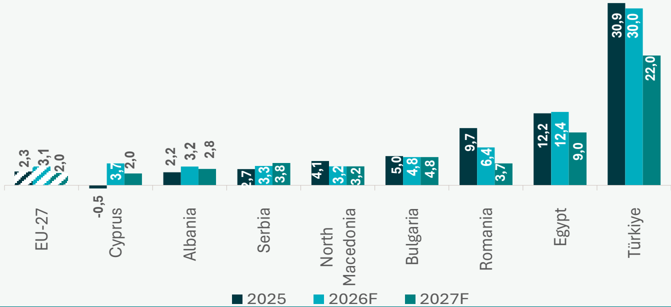
Bulgaria



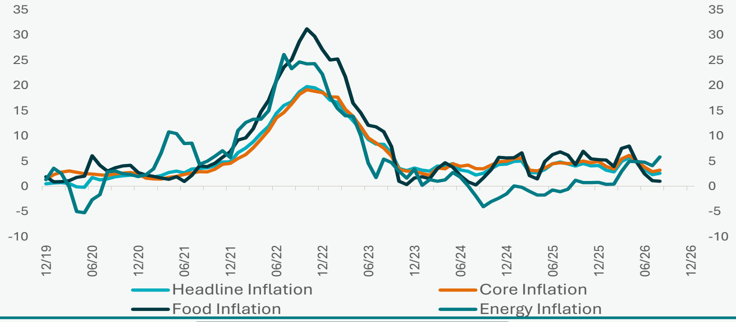
Serbia



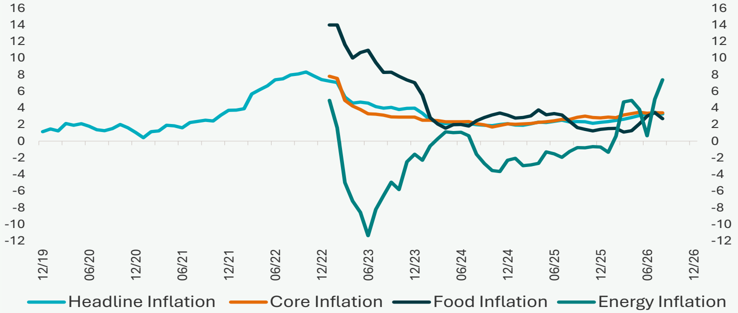
Headline Inflation
(y-o-y % change, eop)



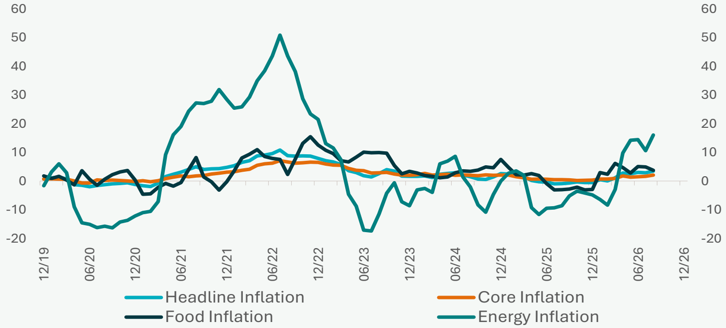
North Macedonia



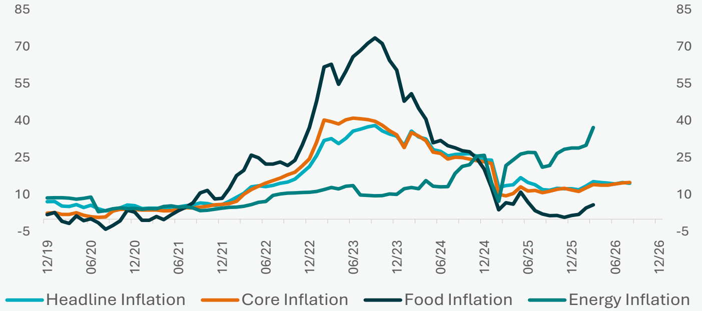
Albania



Cyprus



Egypt

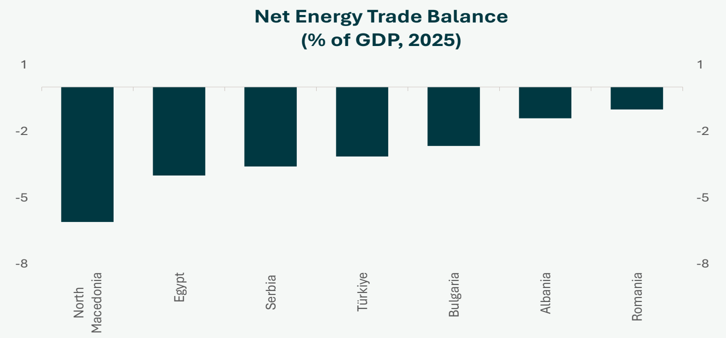


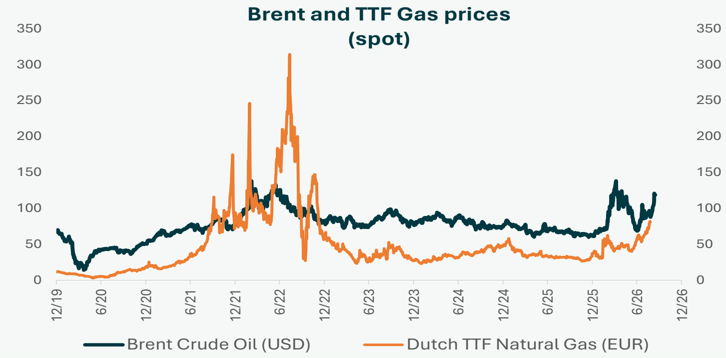
NATIONAL BANK OF GREECE

Energy & Food prices and Transport costs

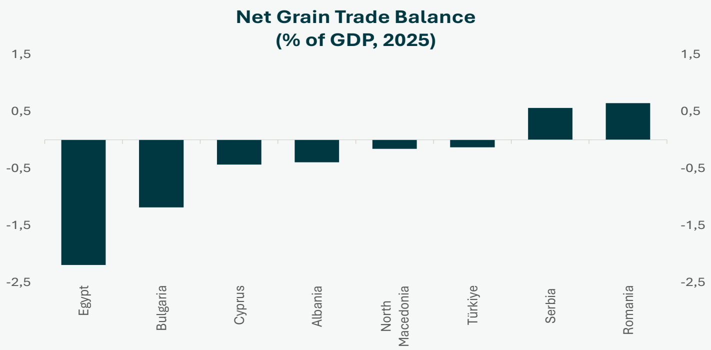
- Volatility in international oil prices remains **elevated**, with prices once again approaching the highs recorded at the onset of the crisis. At the same time, the acute **refining deficit** has widened the spread between retail fuel prices and crude benchmarks, thereby intensifying inflationary pressures. Meanwhile, the global liquefied natural gas (LNG) market remains structurally **tighter** than the oil market, reflecting, *inter alia*, regional fragmentation and limited storage buffers. Forward curves display an intensified backwardation, signaling that market tightness will persist and pushing the anticipated easing of price pressures towards the end of the forecast horizon
- The global food price outlook remains heavily **constrained** by: i) the protracted, lagged pass-through of elevated energy and transportation costs into consumer prices; and ii) the ongoing deficit in the global fertilizer market. Recurrent climate-induced production shocks pose an additional challenge

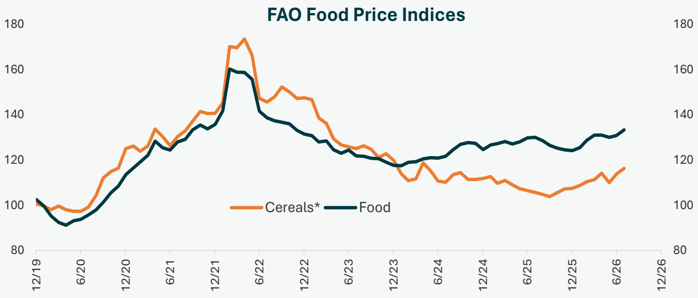
Energy





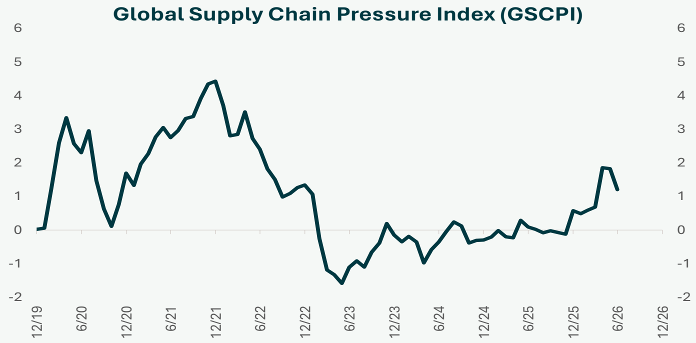
Food





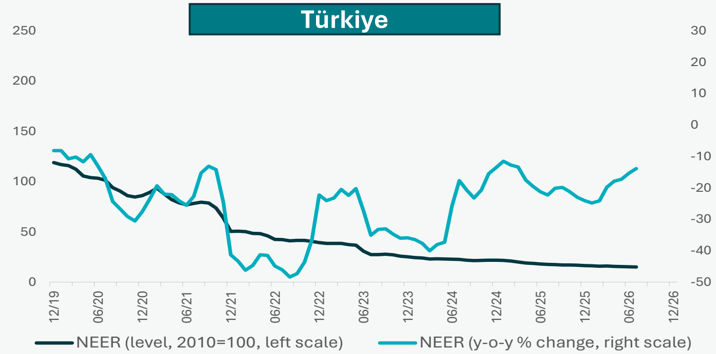
* combines sorghum, wheat,maize,barley and rice indices

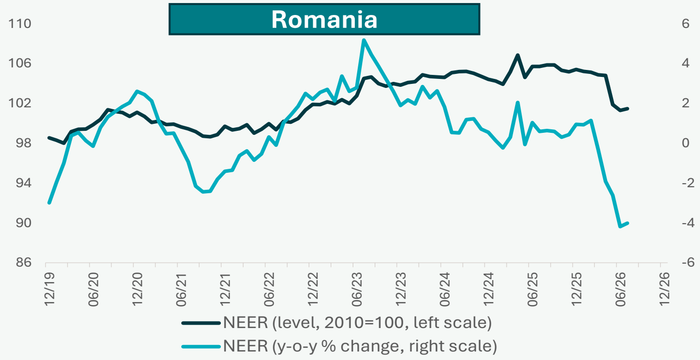
Global Supply

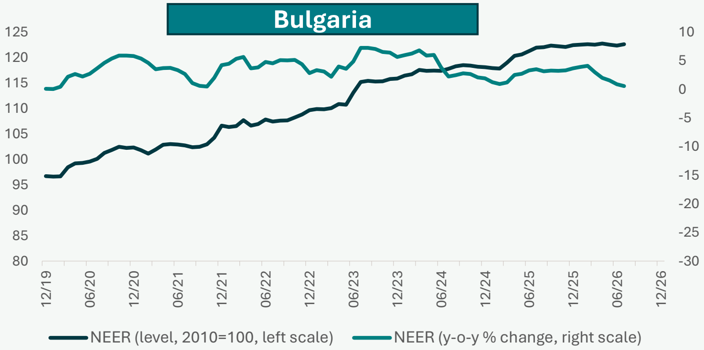


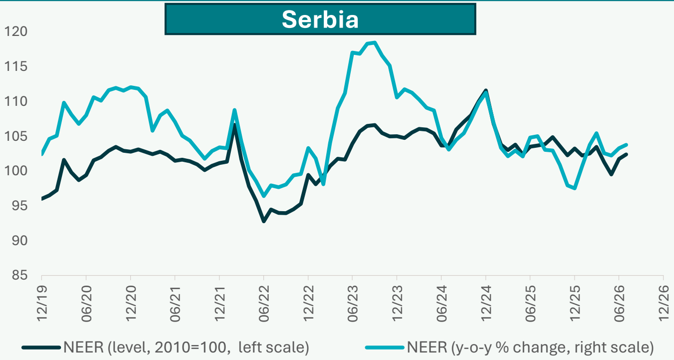
Nominal effective exchange rate

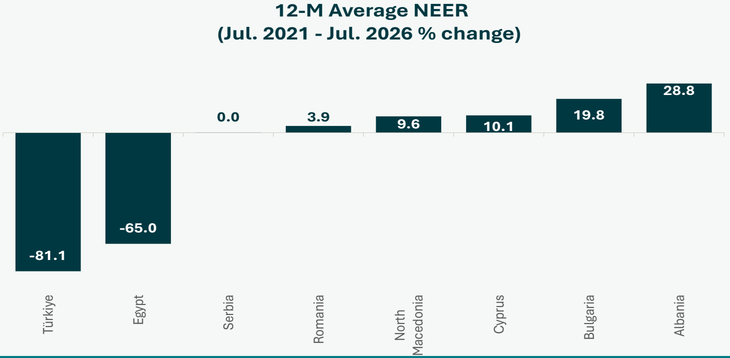
- The recent depreciation of the **Romanian** Leu facilitates the correction of external imbalances
- Against the backdrop of wide external imbalances and inconsistent policies, the **Turkish Lira** and the **Egyptian Pound** depreciated significantly in nominal terms over the past 5 years

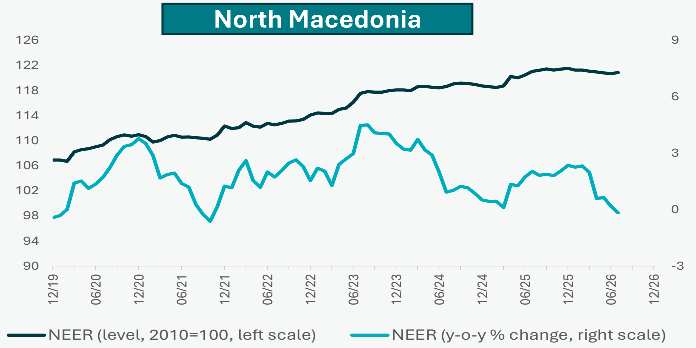


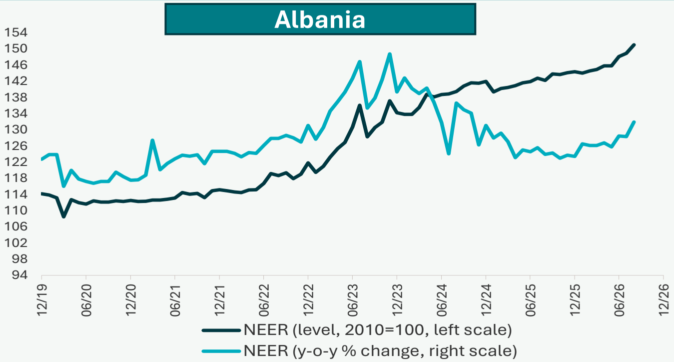


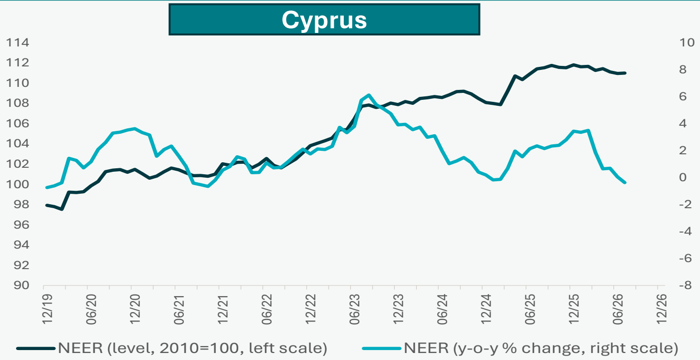


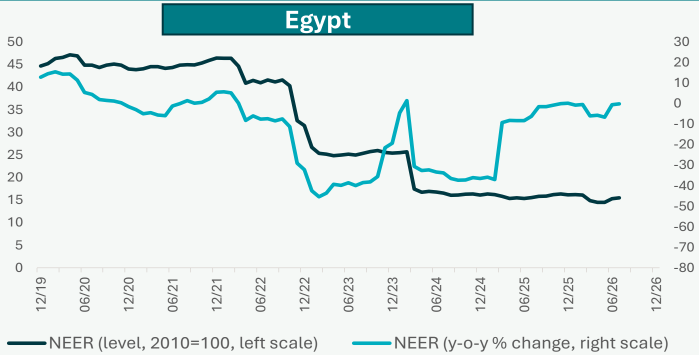








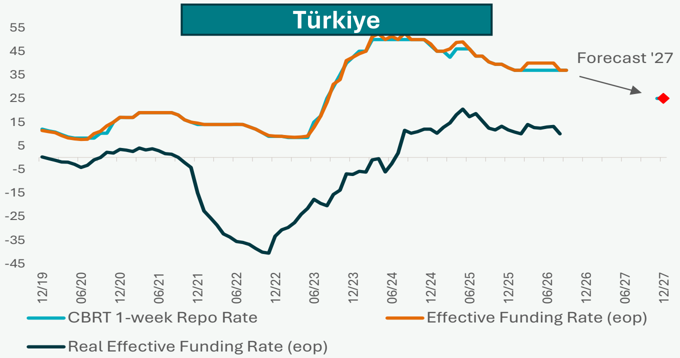


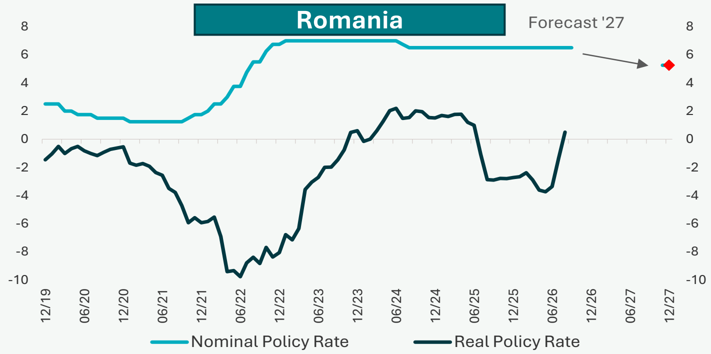


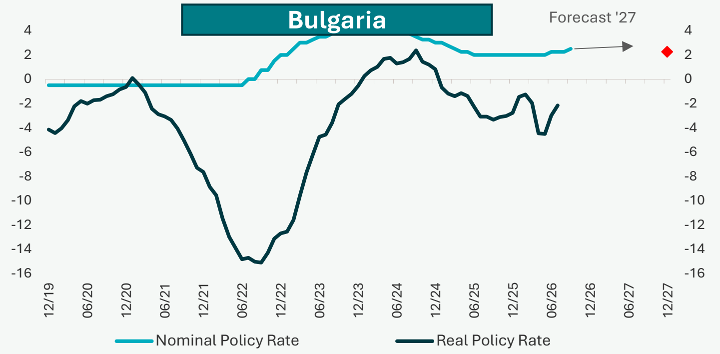
NATIONAL BANK OF GREECE

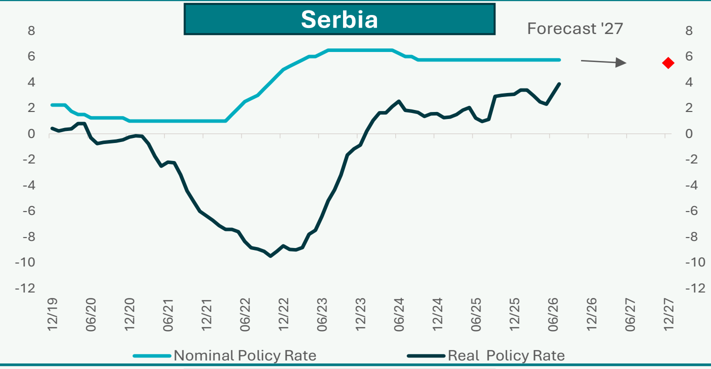
Policy rate

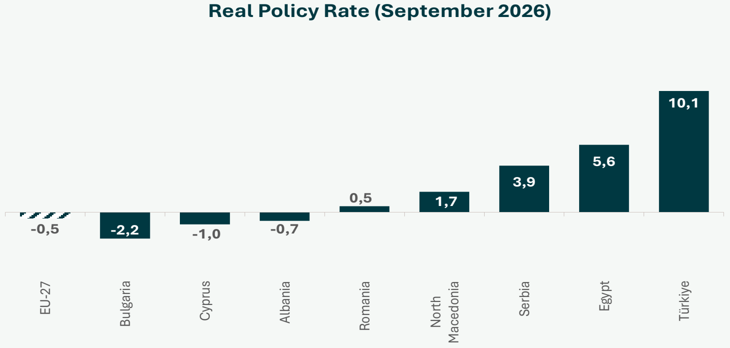
- Most regional central banks remain **on hold, but with a tightening bias**. Although their policy stance is tighter than that of the ECB -- which has already raised its key rate by 50 bps -- they may need to follow suit if inflationary and FX pressures intensify. Under the baseline scenario, a gradual move towards neutral rates is expected only in **H2:27**
- In **Türkiye**, the 300 bps rate hike introduced amid Middle East tensions to contain lira depreciation was reversed in August. Further cautious easing is expected as disinflation gradually progresses. Despite being on the verge of recession, **Romania** maintains the highest policy rates in the EU, reflecting persistently elevated inflation, which was already high before the tax hikes introduced under the fiscal consolidation package

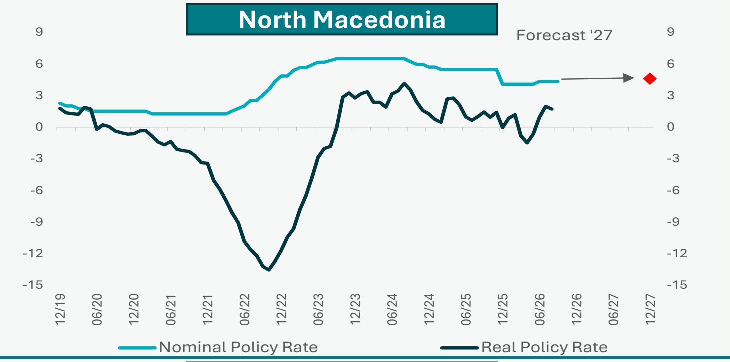


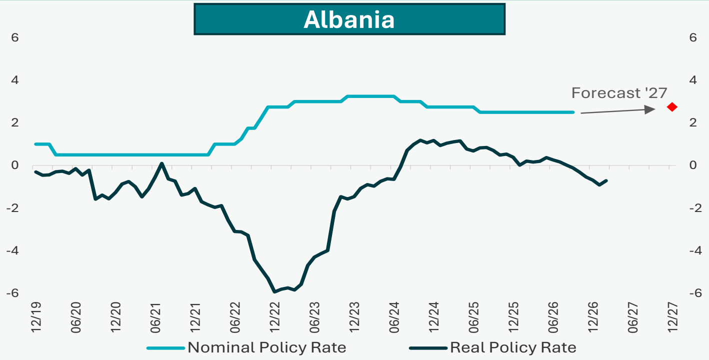


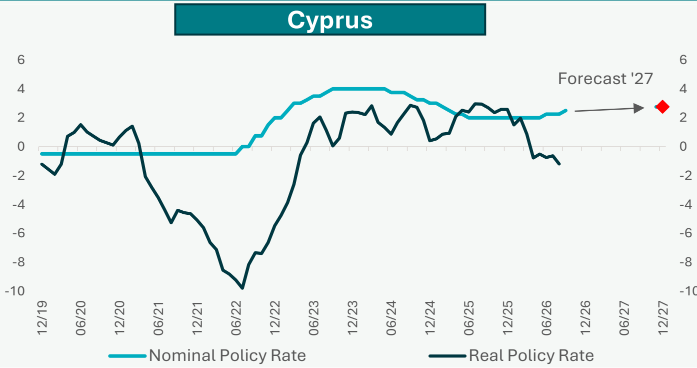


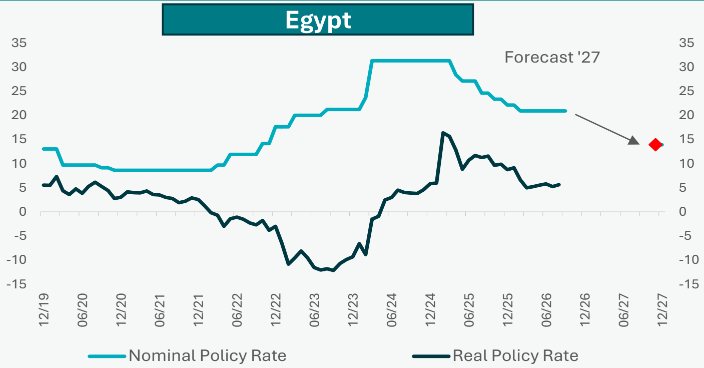












NATIONAL BANK OF GREECE

Reserve requirement ratios

- Against the backdrop of monetary policy tightening and efforts to curb dollarization risks, the central bank of **Türkiye** raised the required reserve ratios on local currency deposits while shifting specific segments of foreign currency liabilities into higher bracket
- In **Bulgaria**, minimum required reserves were aligned with euro area standards (1.0%) following EUR adoption

Türkiye

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

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

Romania

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

Bulgaria

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

Serbia

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

North Macedonia

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

Albania

Reserve Requirement Ratios (%)			
	Dec. 2024	Dec. 2025	Sep. 2026
LC Liabilities	5.0-7.5	5.0-7.5	5.0-7.5
FC Liabilities	12.5-20.0	12.5-20.0	12.5-20.0

Cyprus

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

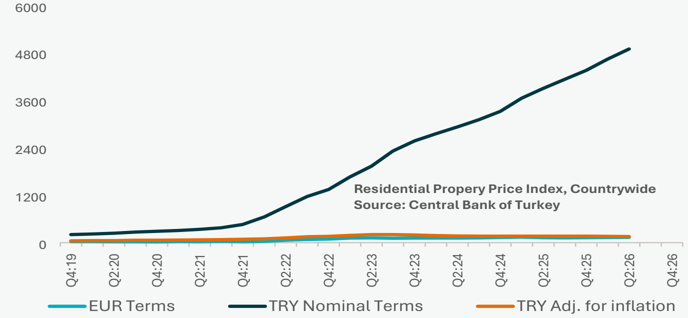
Egypt

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

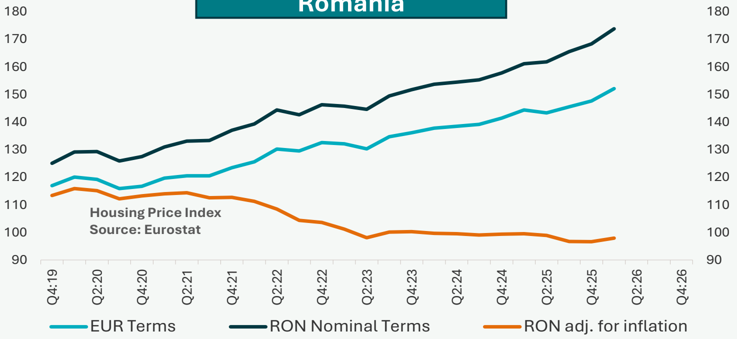
Real estate prices

- House price growth in the region has been **exceeding** the EU average, reflecting, *inter alia*, income convergence, supply constraints, and strong demand supported by credit deepening, remittances, and real estate's role as an inflation hedge. The increase has been more pronounced in **Albania**, **North Macedonia**, **Bulgaria** and **Cyprus**.
- In **Cyprus**, strong real estate activity has been supported by the influx of foreign workers as firms relocate to the island. In **Albania**, demand has also been fueled by non-resident buyers, including emigrants, acquiring second homes for personal use or short-term rental amid the tourist boom
- Authorities in **Bulgaria**, **North Macedonia** and **Albania** have tightened their borrower-based macro-prudential policy on mortgage lending to contain real estate appreciation

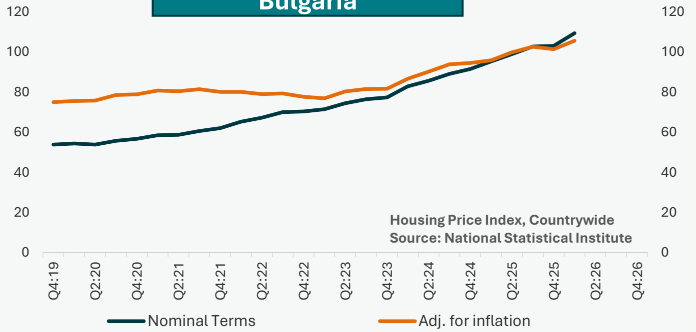
Türkiye



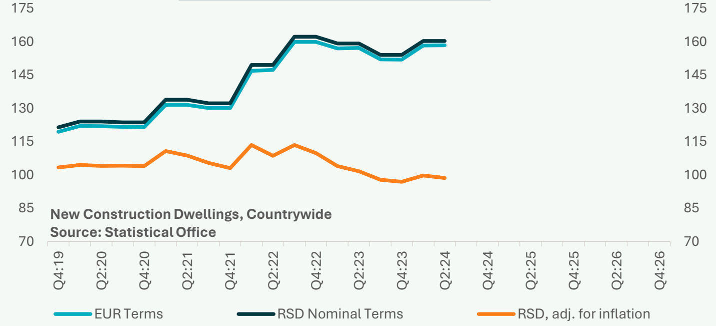
Romania



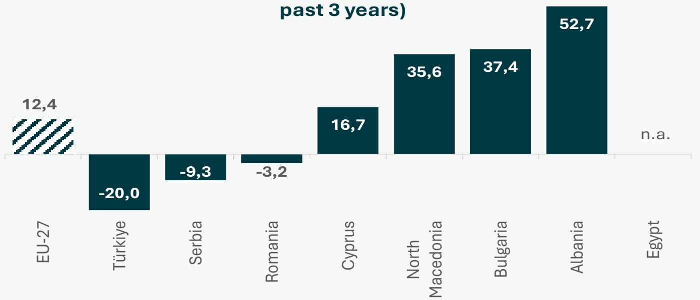
Bulgaria



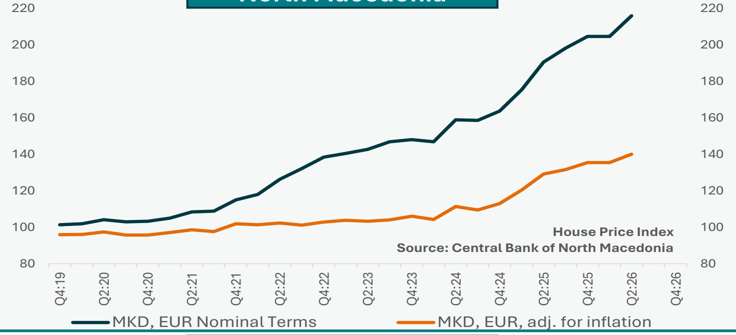
Serbia



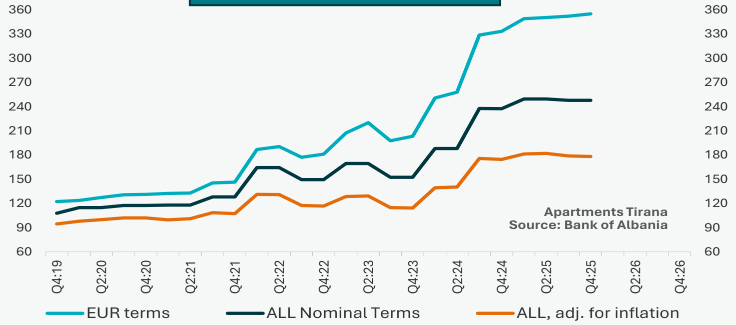
Real Estate Prices (local currency, real terms, cumulative % change over the past 3 years)



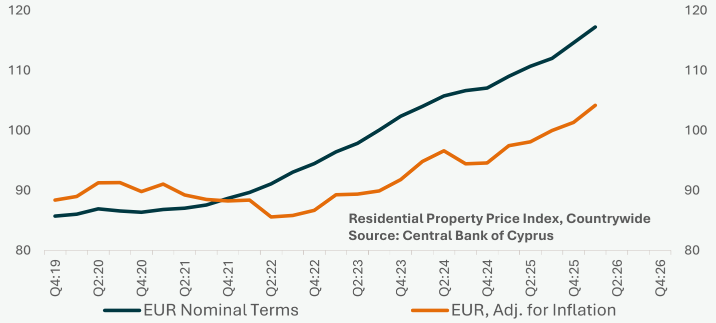
North Macedonia



Albania



Cyprus



Egypt

N.A.

NATIONAL BANK OF GREECE

Fiscal Position

Fiscal performance

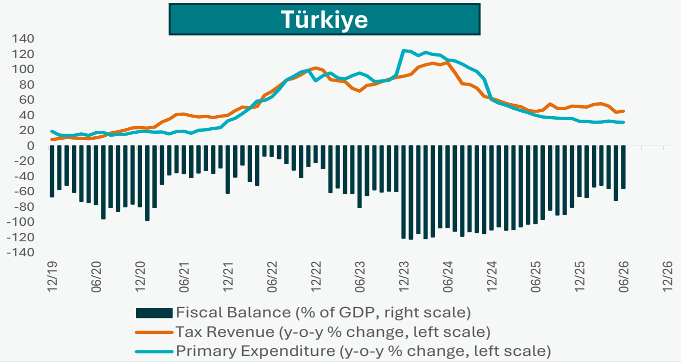
Fiscal balance

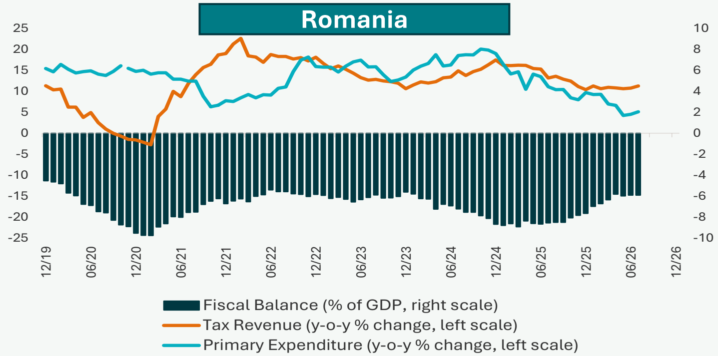
Public debt

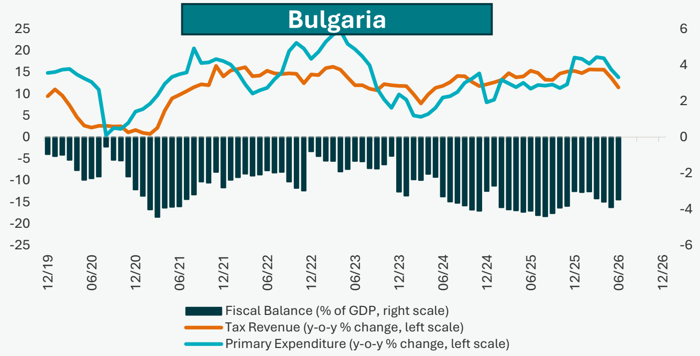
NATIONAL BANK OF GREECE

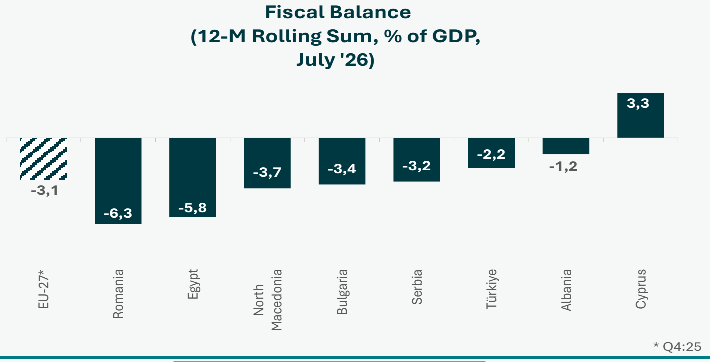
Fiscal performance (cash balance, 12-month rolling)

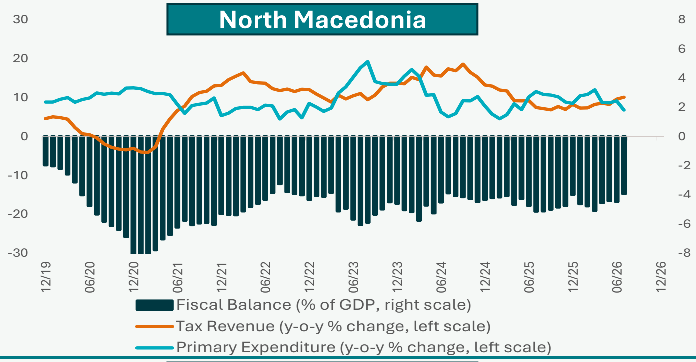
- Prior to the escalation in the Middle East, **fiscal consolidation was underway** in most of the economies under review, albeit at a measured pace, with notable cross-country variation in the underlying stance. Government measures to contain the impact of the renewed global energy price shock have **interrupted** this trend
- In **Türkiye**, the unwinding of post-earthquake reconstruction spending has helped return the primary balance to a small surplus for the first time since 2022. In **Albania**, the broadening of the tax base amid intensified compliance efforts and robust wage growth, alongside ongoing strong tourism activity, has been sustaining fiscal consolidation

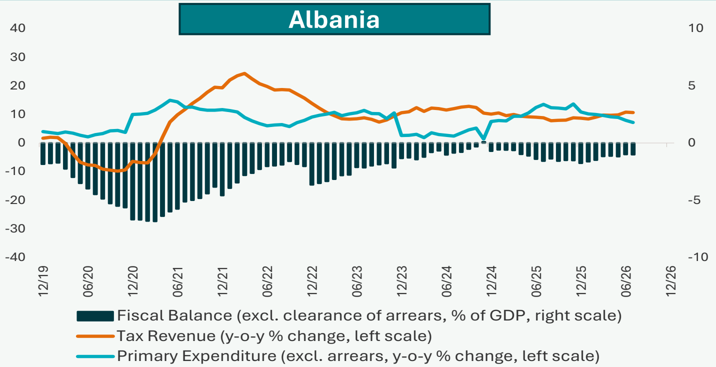


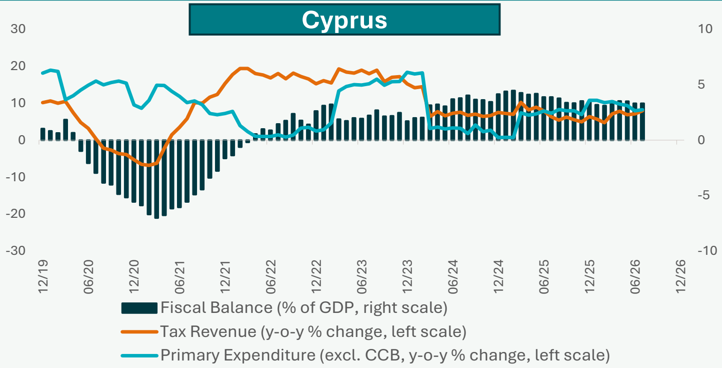


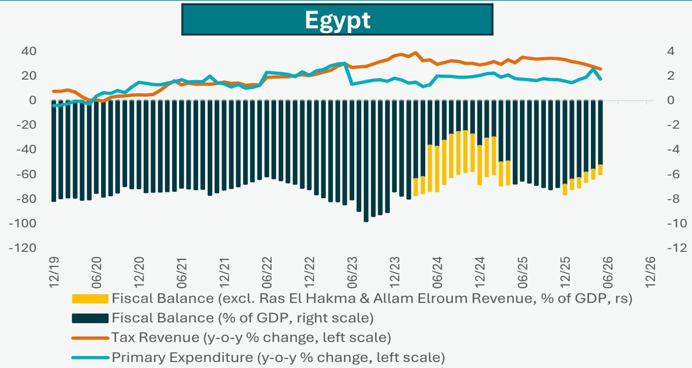












NATIONAL BANK OF GREECE

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

- The fiscal outlook is being **tested by spillovers** from tensions in the Middle East, and Governments have already adopted targeted relief measures. Under the baseline scenario, however, the impact on fiscal balances is expected to be far **smaller** than in 2022-23
- Risks to the near-term outlook remain tilted to the **downside**, particularly if Middle East tensions persist, resulting in prolonged supply-side disruptions and prompting policy intervention by the authorities to ease price pressures
- In **Romania**, a strong fiscal package -- including higher VAT & excise duties alongside a public wage & pension freeze -- helped narrow the budget deficit in FY:25. Consolidation has extended into FY:26, driven by robust VAT revenues. From FY:27 onwards, additional measures will be needed to bring the deficit towards the 3.0% of GDP threshold. Weak economic growth, elevated funding costs -- with bond yields the highest in the EU -- and spending slippages amid prolonged political instability could undermine the adjustment and put economy’s investment-grade rating at risk
- In **Bulgaria**, the long-delayed FY:26 budget envisages a cash deficit of 5.7% of GDP, compared to 3.0% in FY:25, underscoring the structural deterioration of the fiscal position in recent years. The EC projects the accrual (ESA) deficit at 4.1% of GDP in FY:26, up from 3.5% in FY:25, prompting the opening of an Excessive Deficit Procedure in July
- In **North Macedonia**, the revision of the FY:26 budget deficit to 4.1% of GDP from the original 3.5% underscores the challenges to fiscal consolidation amid persistent rigidities in current spending
- In **Cyprus**, solid economic growth and the broadening of the corporate and personal income tax base -- reflecting the headquartering policy and inflows of highly-paid workers -- have strengthened tax revenue, supporting fiscal surpluses and a rapid decline in public debt to below the EU critical threshold of 60% of GDP

Türkiye

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-4.7	-2.8	-3.1	-3.5

Romania

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-8.7	-7.6	-6.2	-5.8

Bulgaria

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-3.0	-3.0	-5.7	-3.8

Serbia

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

North Macedonia

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-4.3	-4.0	-4.1	-3.9

Albania

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
-0.7*	-1.8	-1.3	-1.5

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

Cyprus

Dec. 24	Dec. 25	Dec. 26F	Dec. 27F
4.1	3.4	2.5	2.5

Egypt

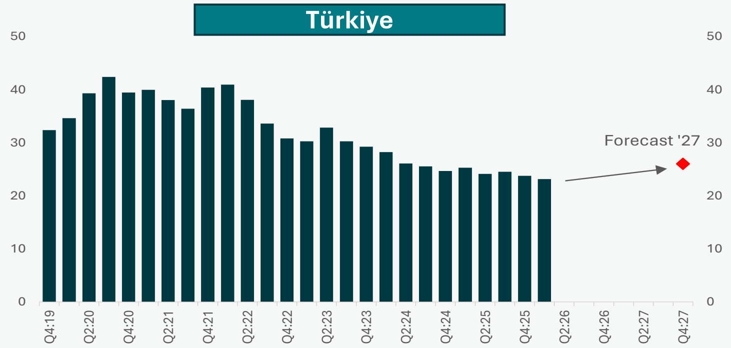
Jun. 24**	Jun. 25	Jun. 26F	Jun. 27F
-3.6	-7.1	-7.0	-6.5

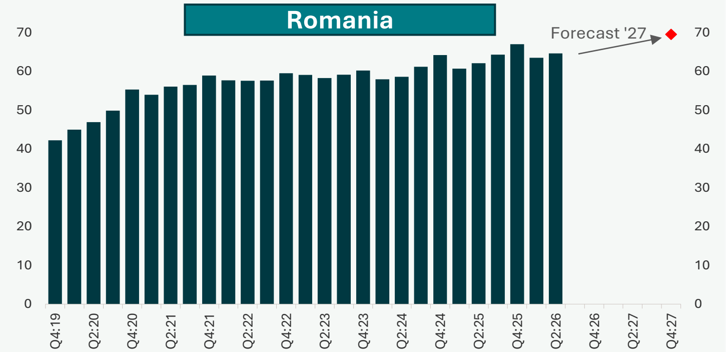
*: Fiscal year ending on June 30th.
**: Ras El-Hekma divenstment proceeds subtracted 3.8 pps of GDP from fiscal deficit in FY:23/24

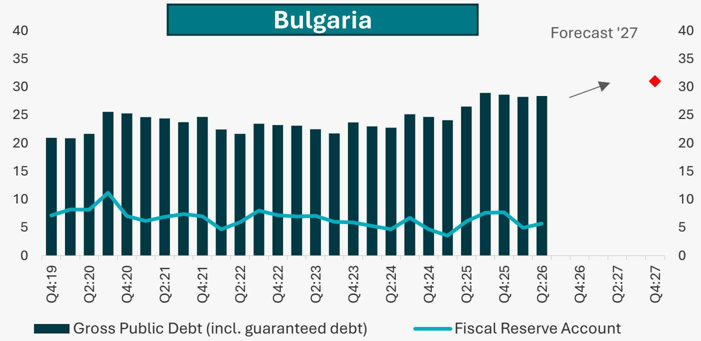
NATIONAL BANK OF GREECE

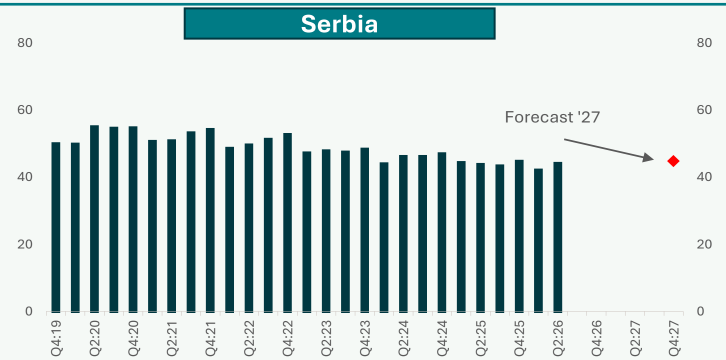
Public debt (% of GDP)

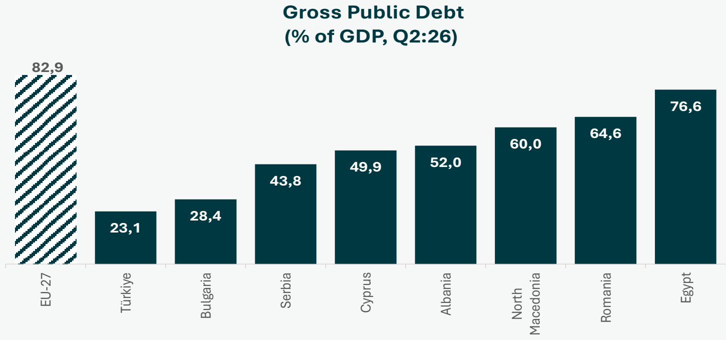
- The adverse impact of higher interest rates and larger primary deficits -- driven by energy support measures -- on debt dynamics is expected to be **partially mitigated** by elevated inflation
- Relatively low public debt levels across most economies under review provides **sufficient fiscal space** to absorb shocks and navigate less favourable debt dynamics
- **Romania**'s public debt is set to cross soon the EU threshold of 60% of GDP, remaining, however, well below the EU average (currently exceeding 80% of GDP)

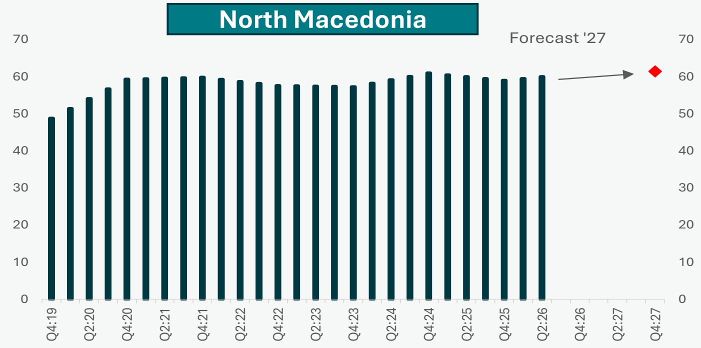


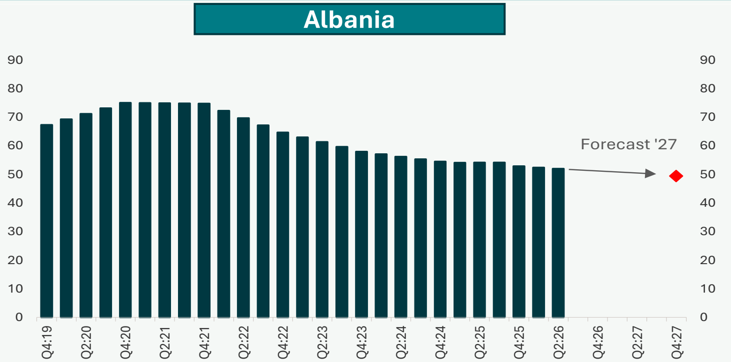


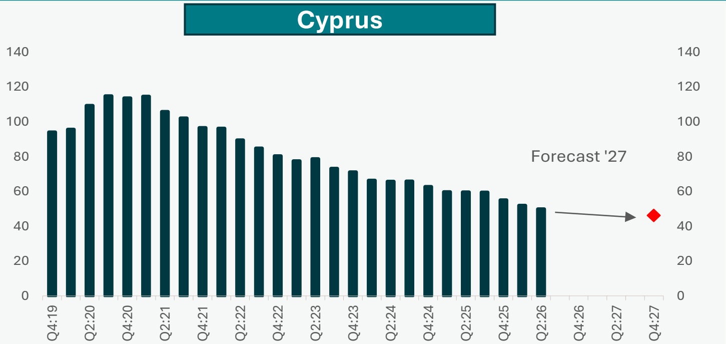


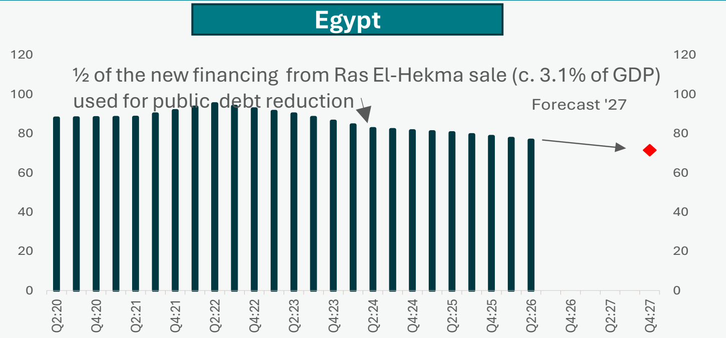












NATIONAL BANK OF GREECE

Financial Markets

Exchange rates

Money market rates

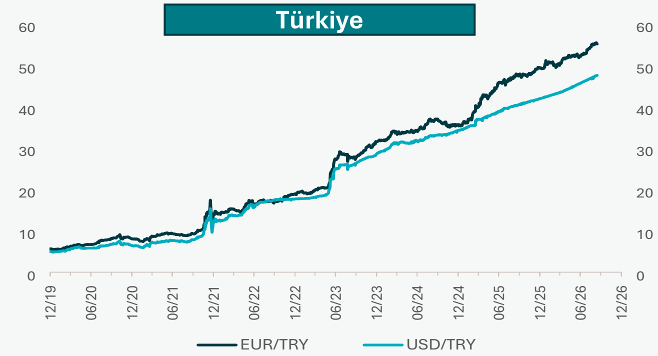
Government debt rates

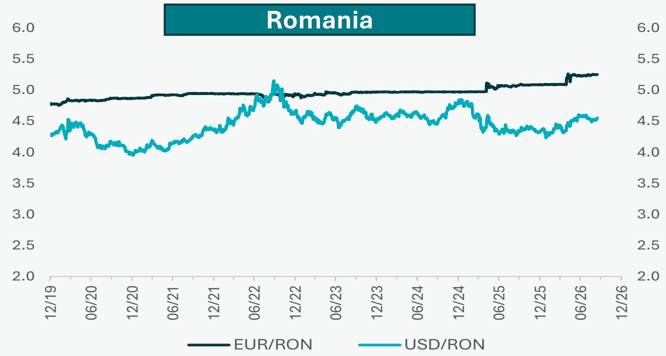
Sovereign spreads

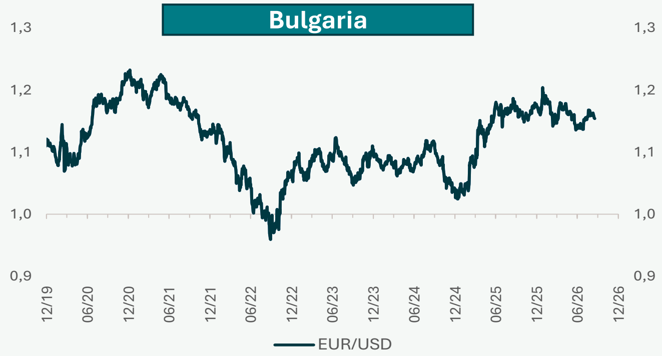
Stock market

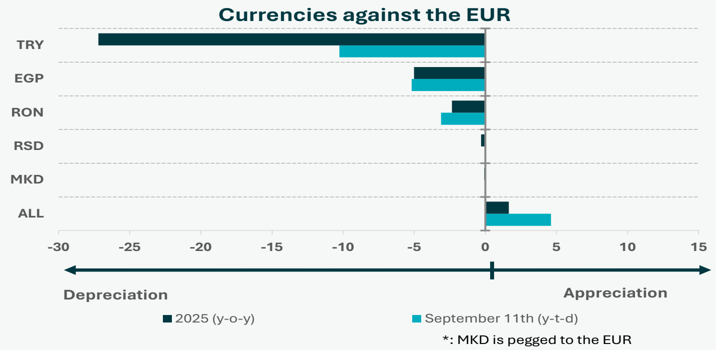
Exchange rates

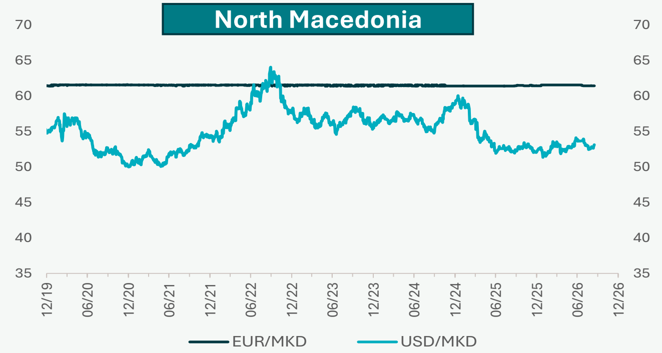
- The **euro**'s earlier recovery stalled as markets shifted focus from regional risk-off flows to monetary policy divergence, with the Fed's hawkish stance reinforcing US yield advantages despite ECB tightening
- Intermittent tensions in the Middle East weigh on risk sentiment and, together with elevated global energy prices, keep most regional currencies under pressure, especially the **Turkish** lira and the **Egyptian** pound. In **Romania**, political uncertainty and shifting policy expectations have pushed the lei into weaker territory. In **Albania**, strong FDI inflows, rising remittances, and robust tourism activity continue to support the lek

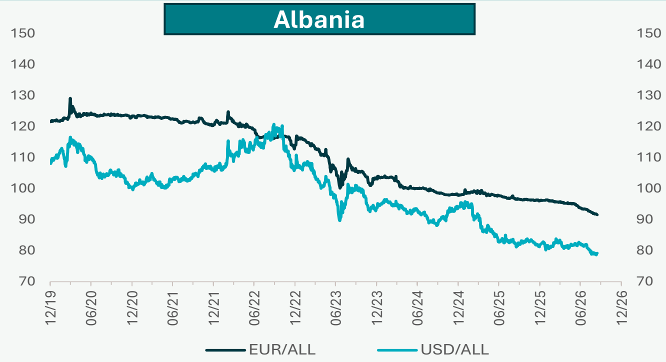


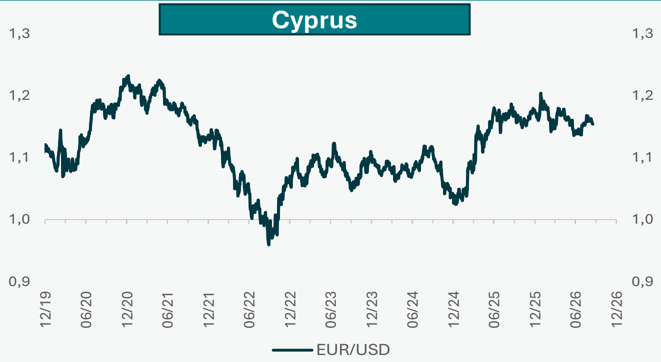


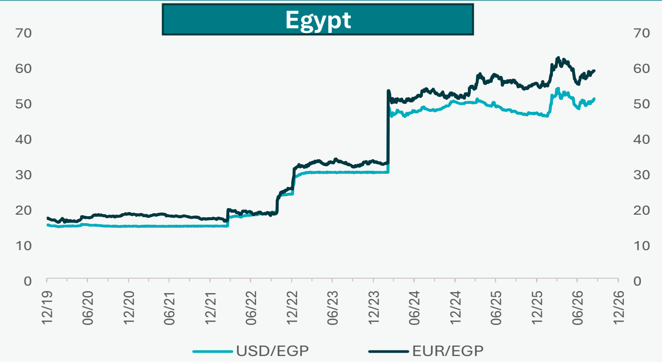








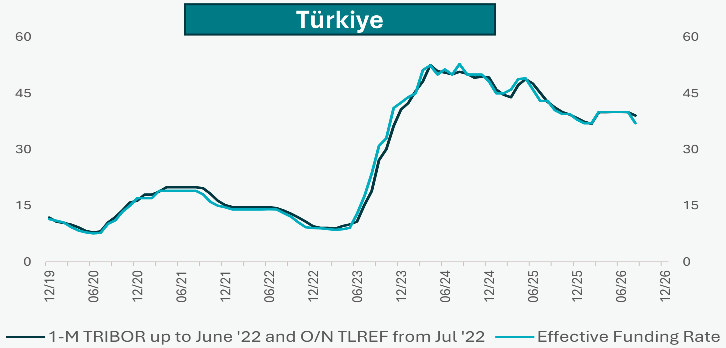


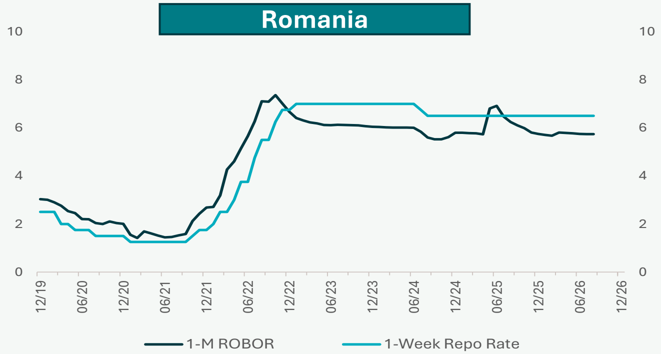


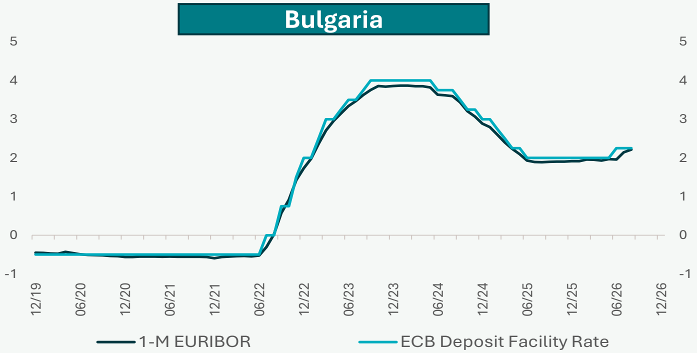
NATIONAL BANK OF GREECE

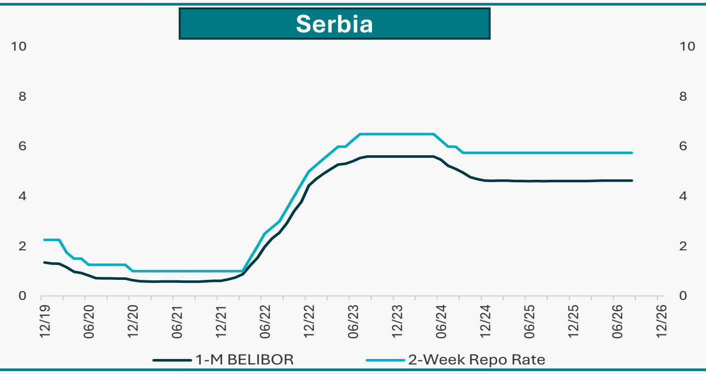
Money market rates (%)

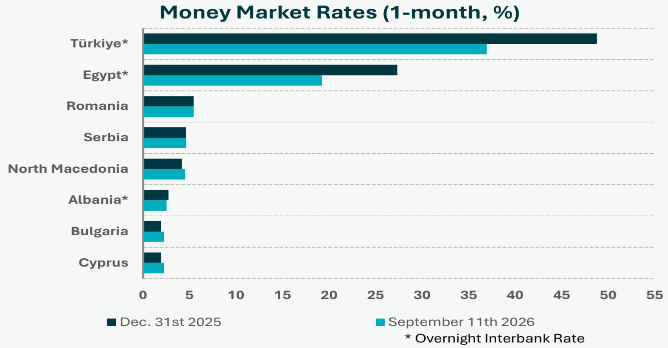
- An extended monetary policy pause across the region, reflecting central banks' cautious stance toward lingering inflation risks, has **anchored** money market rates

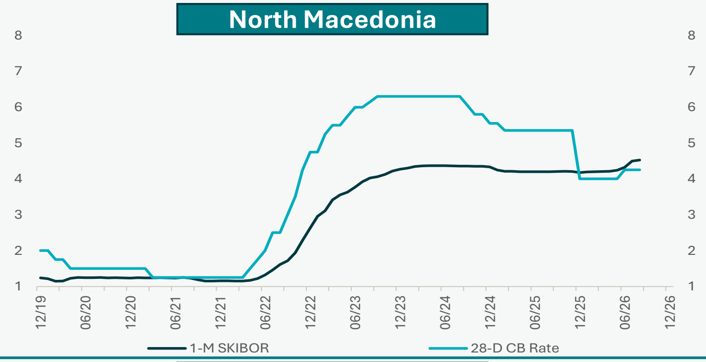


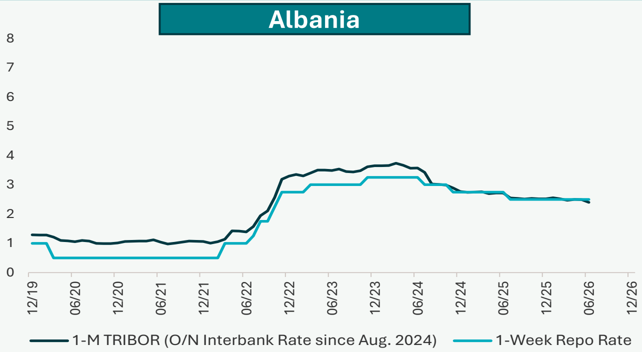


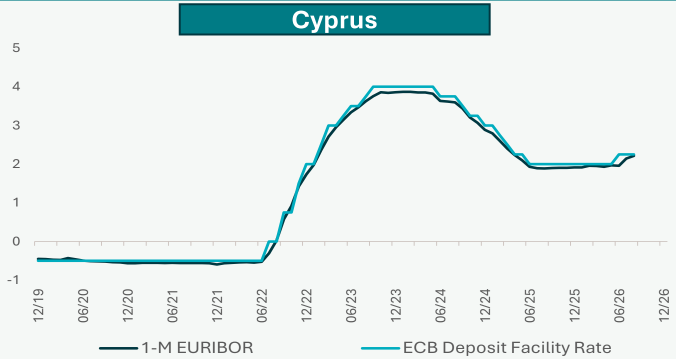


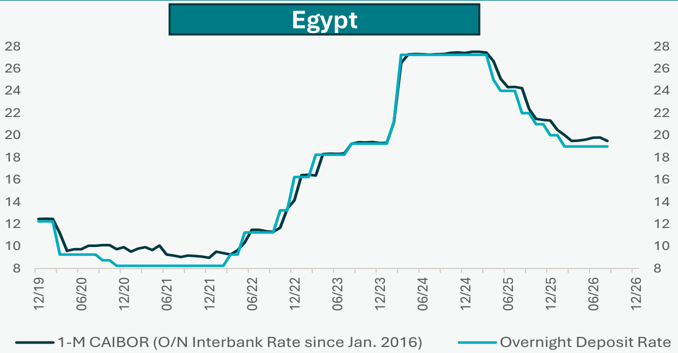








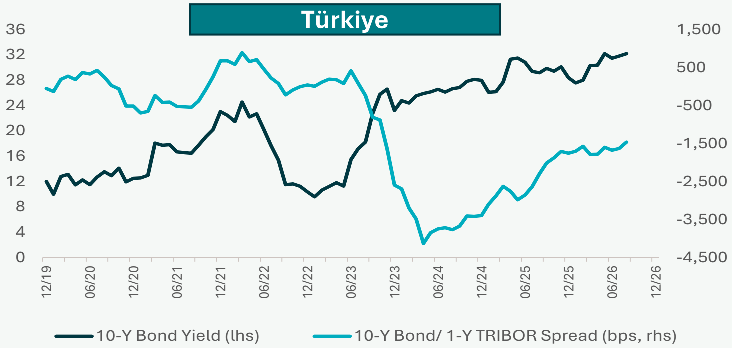


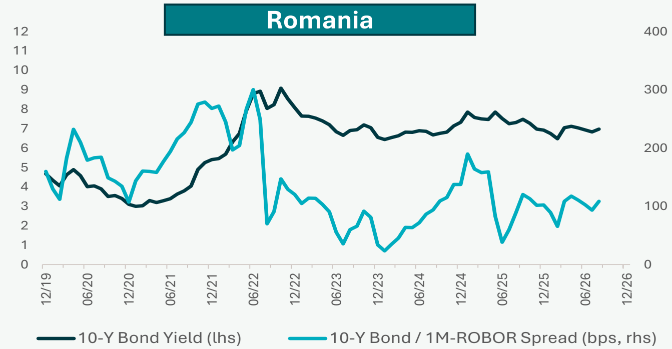


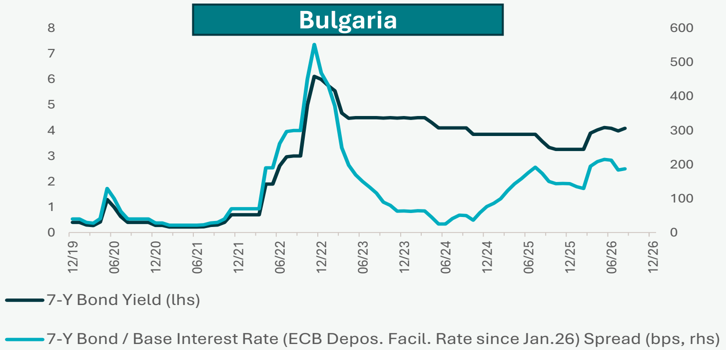
NATIONAL BANK OF GREECE

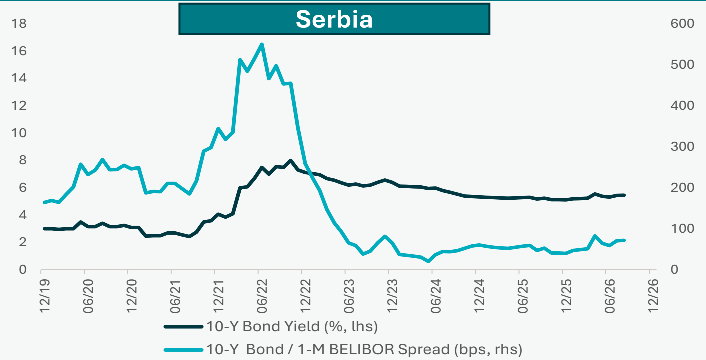
Government Debt Yields (%)

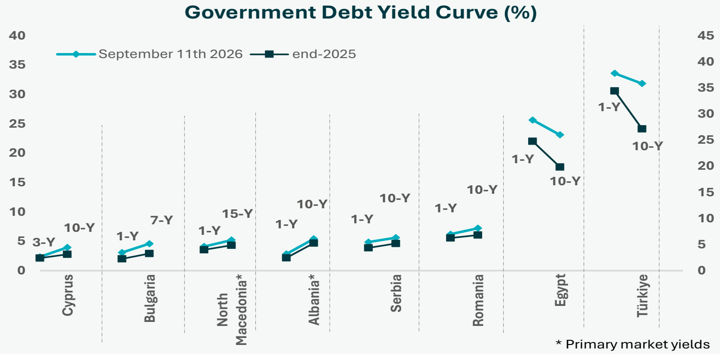
- The global monetary tightening cycle, alongside concerns over persistent inflationary pressures and deteriorating fiscal balances, has recently exerted significant **upward pressure** on regional government debt yields, amid elevated risk aversion driven by geopolitical tensions.
- Non-euro area economies have been **partially insulated** from the pressures facing euro area peers, where bond yields are approaching 2022–23 highs. This reflects tighter domestic monetary frameworks, solid fiscal positions, lower financial integration, and a structural reliance on domestic institutional debt-holders

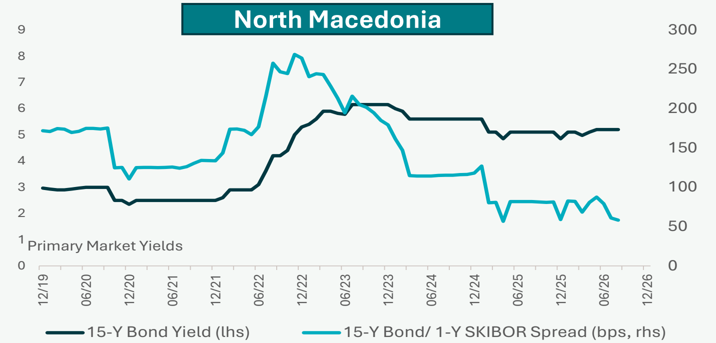


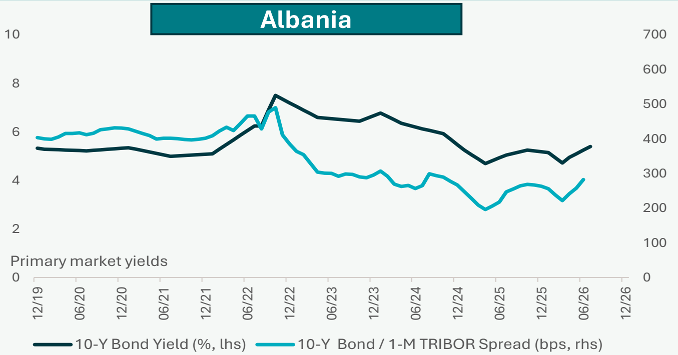


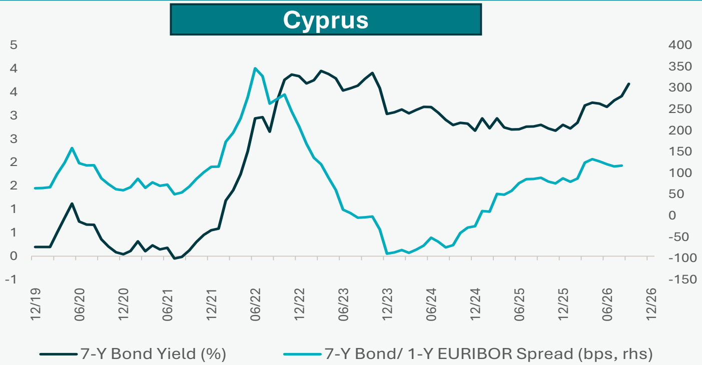


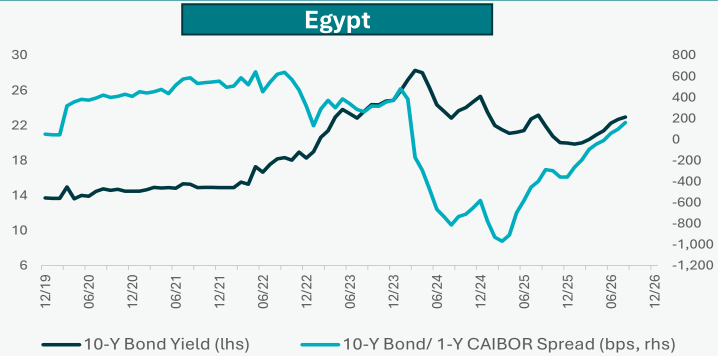








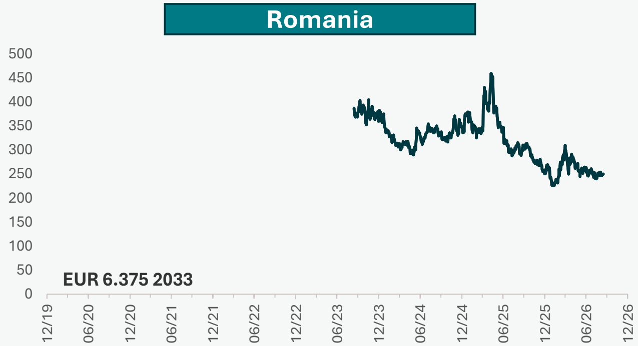


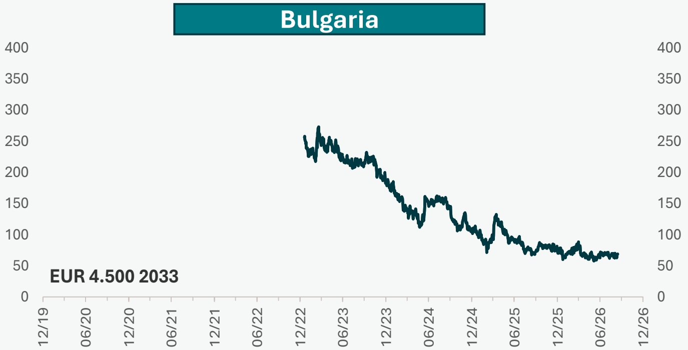


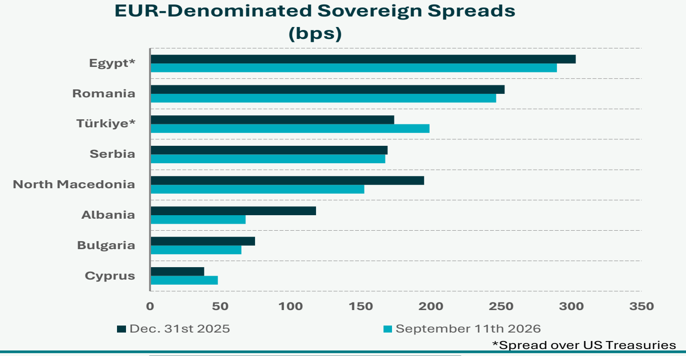
NATIONAL BANK OF GREECE

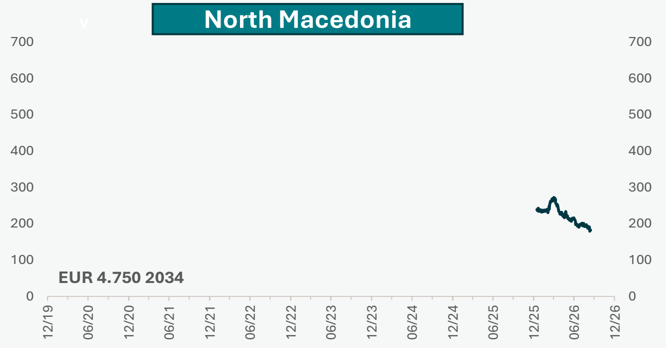
Sovereign spreads (bps)

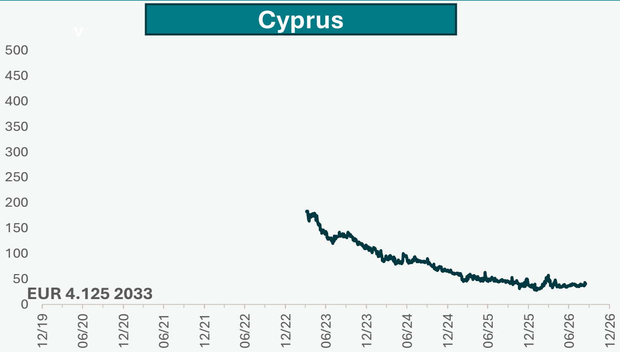
- While regional government debt yields have trended upward, sovereign Eurobond spreads have remained **resilient**. This decoupling highlights **compressed country-specific risk premia** supported by solid fiscal and debt dynamics
- Amid growing confidence in **Egypt**'s economic outlook, the sovereign bond spread has narrowed to c. 320 bps, the lowest level since 2014











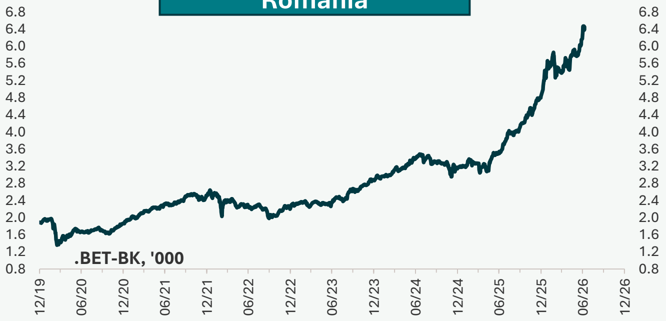
NATIONAL BANK OF GREECE

Stock market

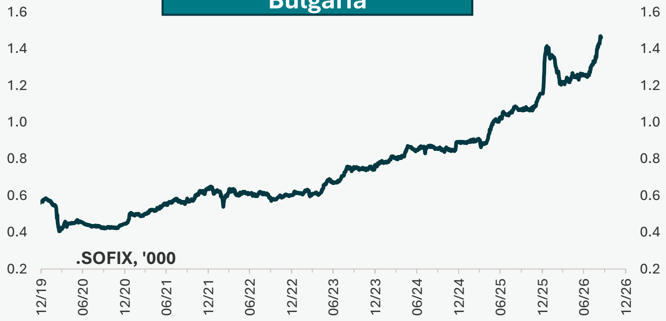
- In contrast to debt markets, regional stock markets have demonstrated notable **resilience**, with major indices maintaining an upward trajectory, underpinned by solid corporate fundamentals and favourable macroeconomic growth prospects. This trend is further supported by the substantial structural weight of the banking sector within regional indices, which historically benefits from a higher interest rate environment
- **North Macedonia**'s benchmark index has faced near-term headwinds, reflecting profit-taking following historical peaks amid persistent liquidity constraints

Türkiye

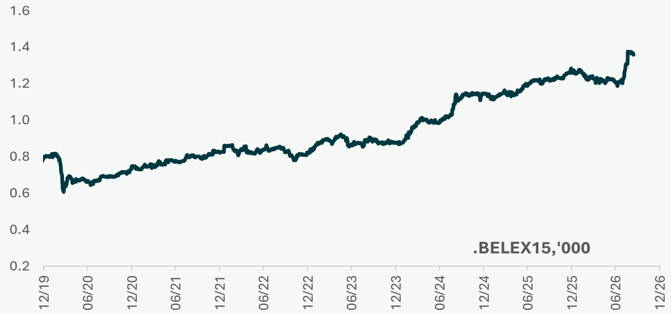
Romania



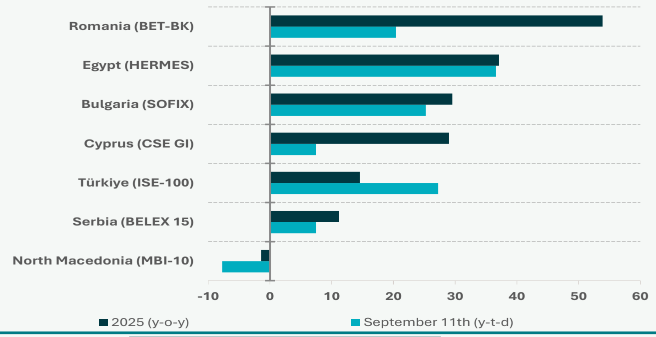
Bulgaria



Serbia



Equity Indices (%)

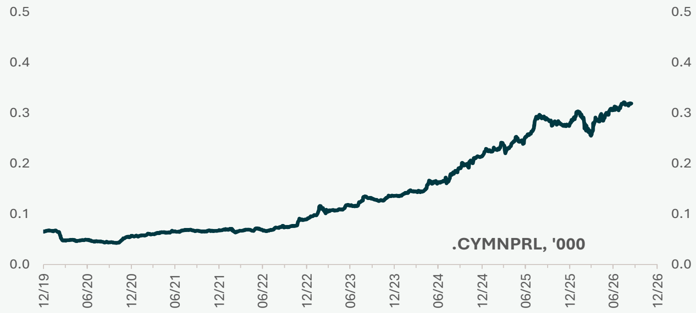


North Macedonia

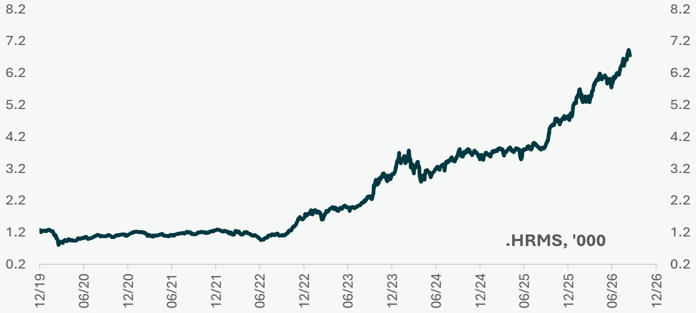
Albania

N.A.

Cyprus



Egypt



Banking Sector

Total loans (y-o-y % change)

Total deposits (y-o-y % change)

Loans/GDP (%)

Deposits/GDP (%)

Loans/deposits (%)

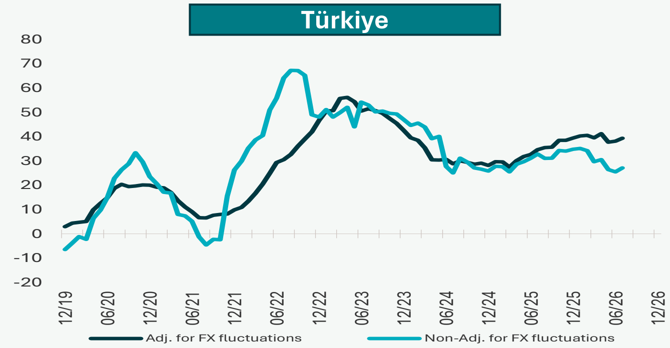
ROAE (%)

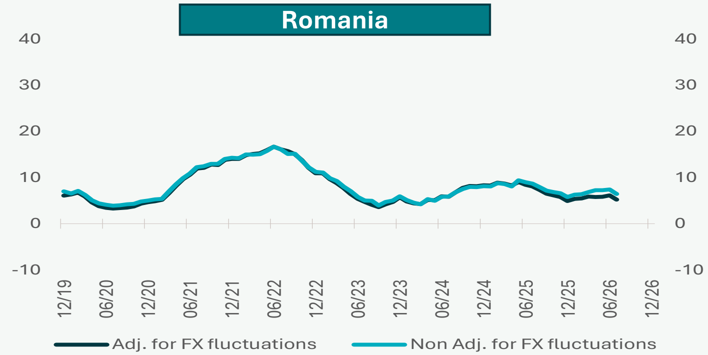
CAD ratio (%)

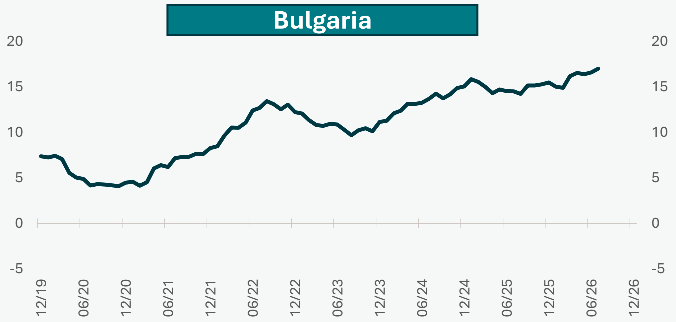
NPL ratio (%)

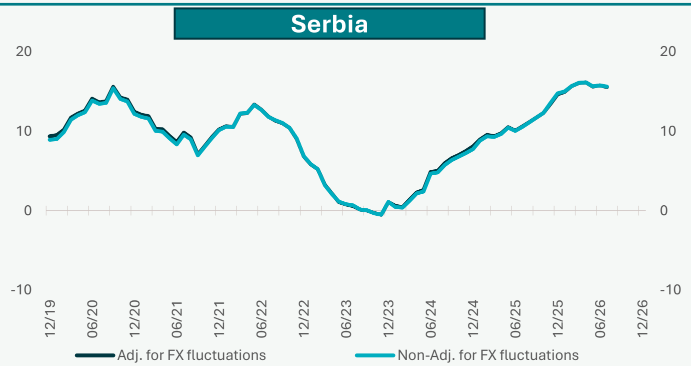
Total loans (y-o-y % change)

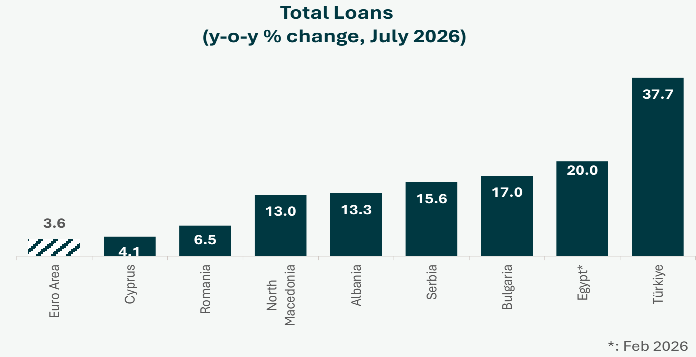
- Credit growth remained **resilient** until recently across most economies under review, reflecting buoyant domestic demand and the sluggish of monetary policy
- Regional credit dynamics continue to **outpace** those of the Euro Area, reflecting a structural catch-up effect and lower levels of lending penetration

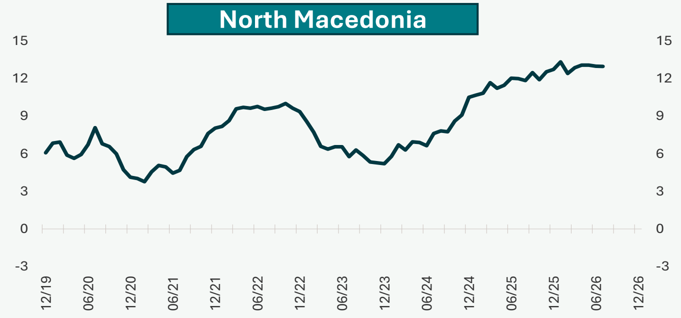


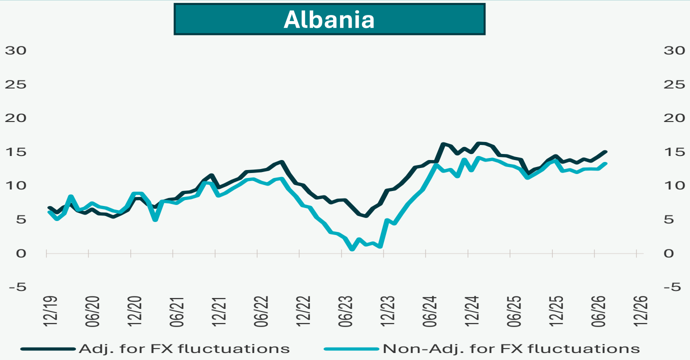


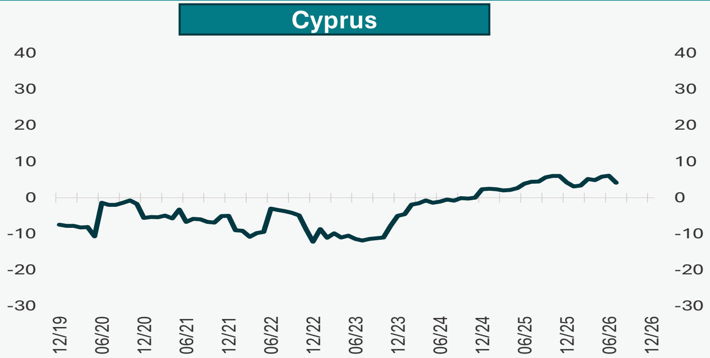


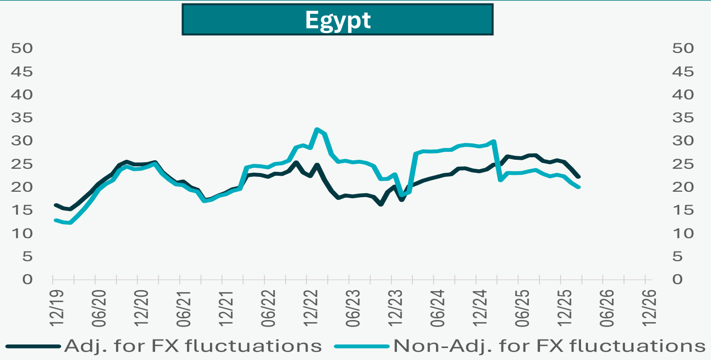










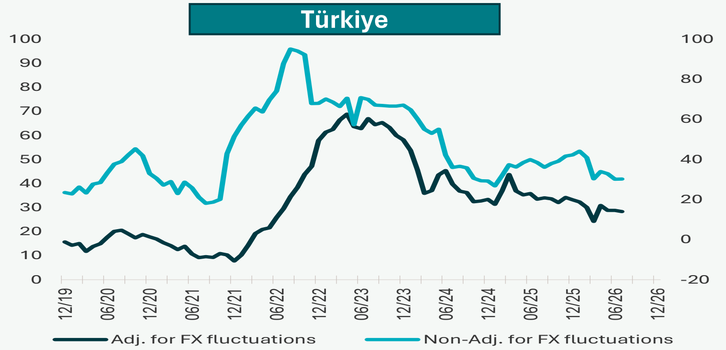


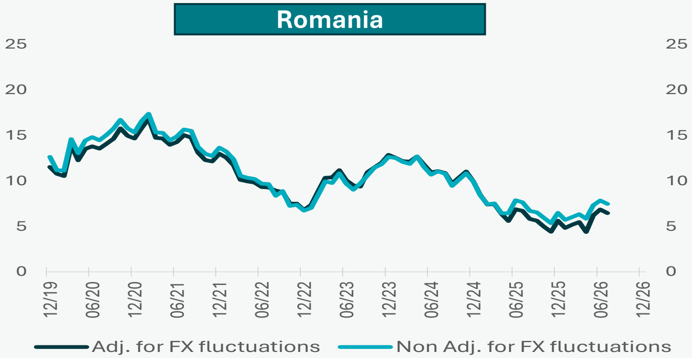
* As high-frequency aggregate EU data on loans and deposits are unavailable, euro area aggregates are used as a proxy

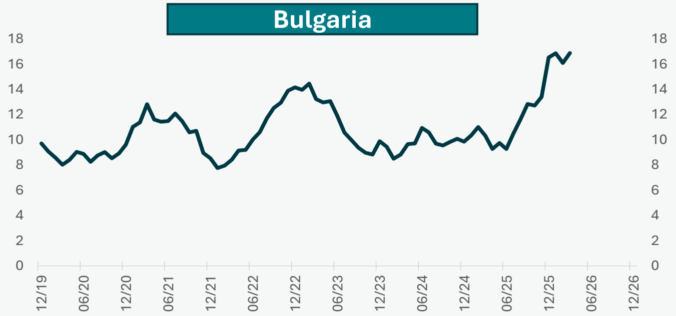
NATIONAL BANK OF GREECE

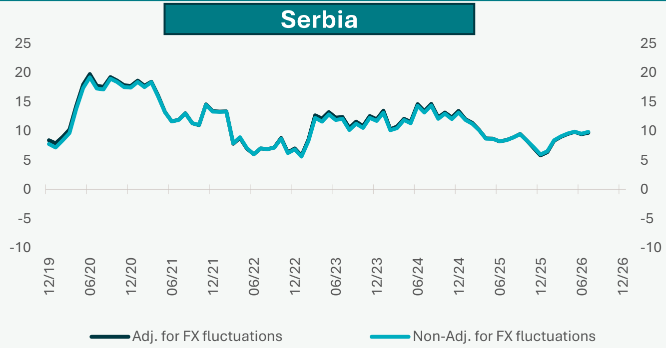
Total deposits (y-o-y % change)

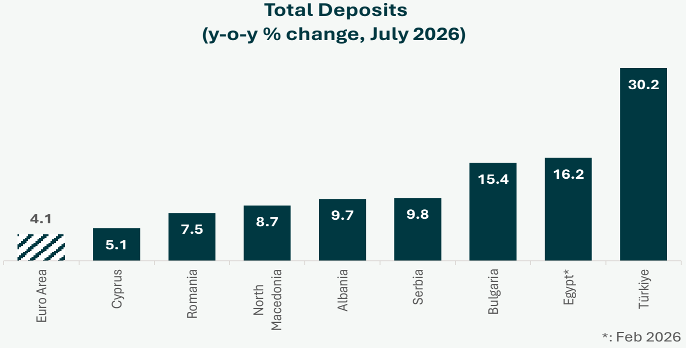
- Deposit growth remained **strong** across most economies under review until recently, supported by still elevated real (*ex-post*) deposit interest rates and solid economic growth
- This expansion has consistently **exceeded** euro area dynamics, reflecting nominal income convergence, wider nominal interest rate differentials, and a structural preference for liquid bank savings given the limited availability of alternative capital market options

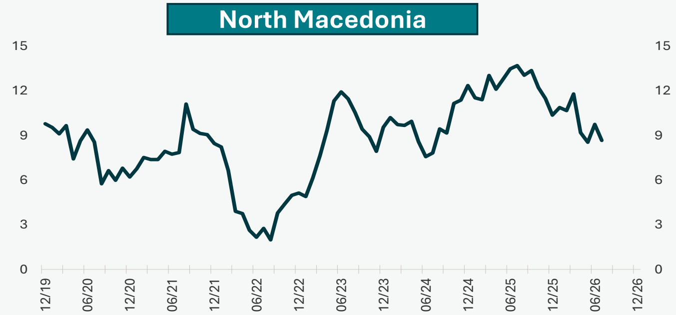


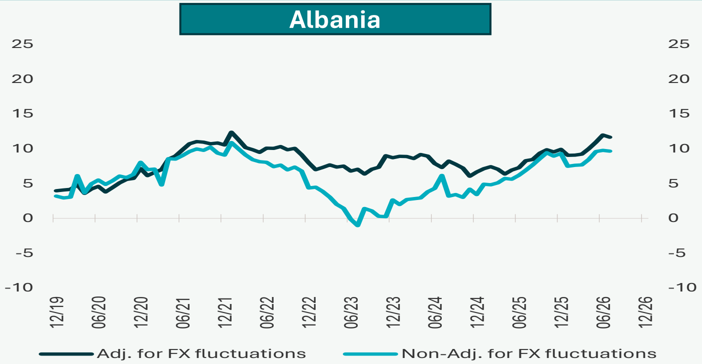


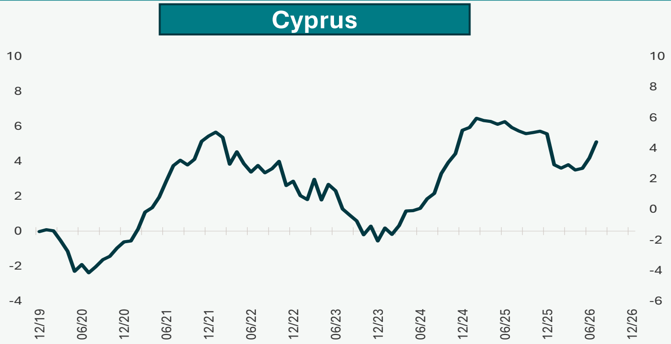


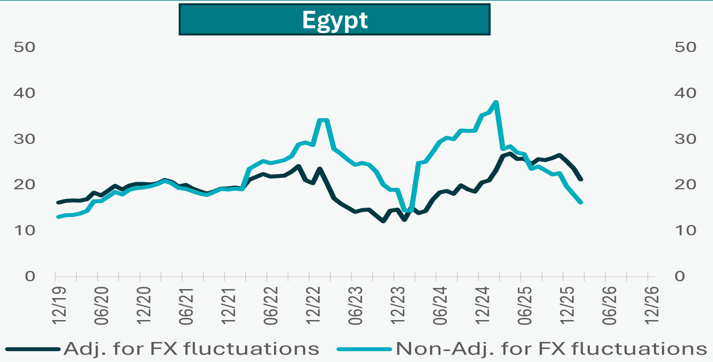












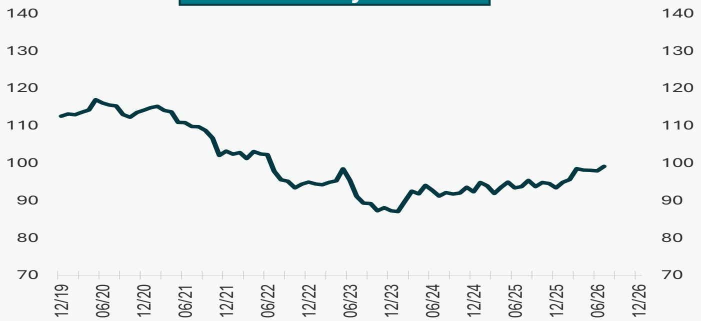
NATIONAL BANK OF GREECE

* As high-frequency aggregate EU data on loans and deposits are unavailable, euro area aggregates are used as a proxy

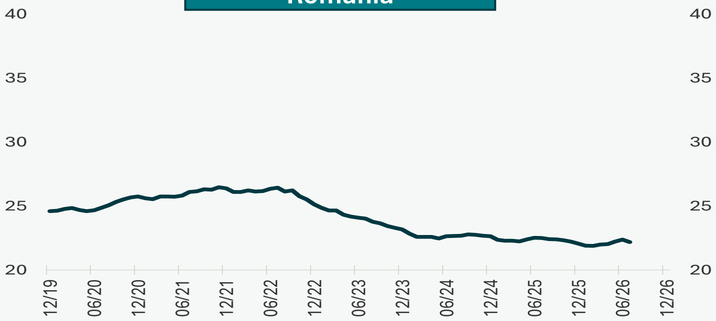
Total loans-to-GDP ratio (%)

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

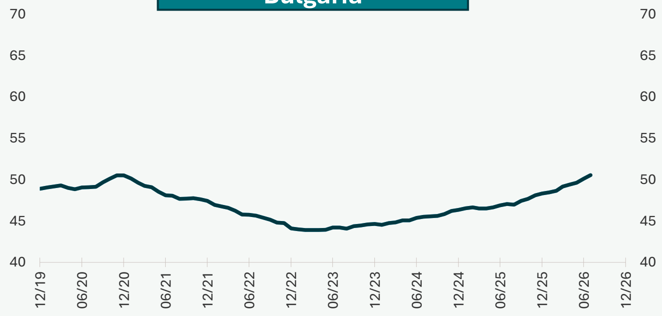
Türkiye



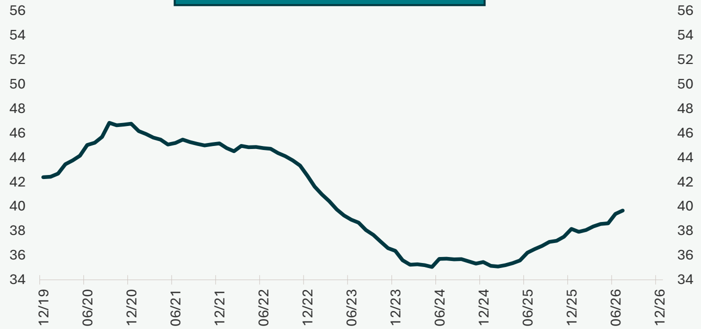
Romania



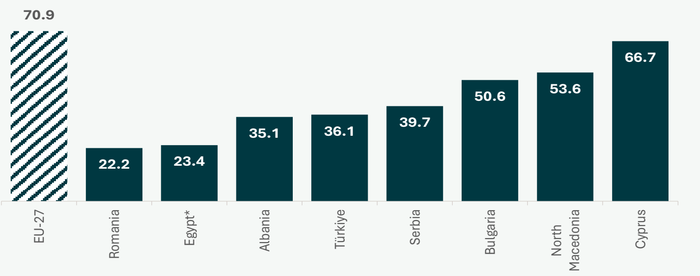
Bulgaria



Serbia

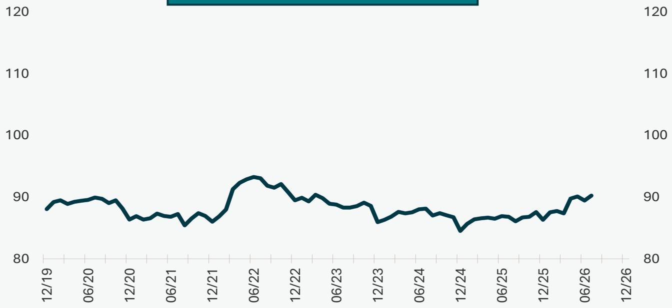


Loans/GDP (%, July 2026)

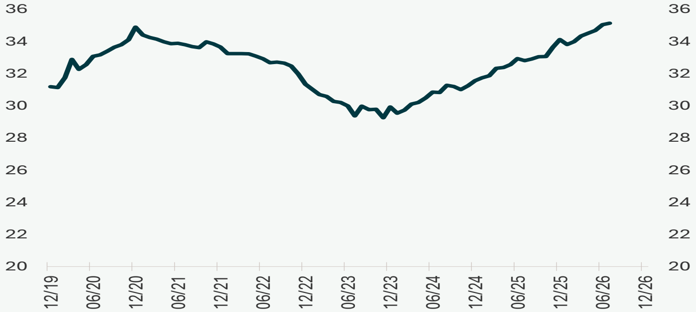


*: Feb 2026

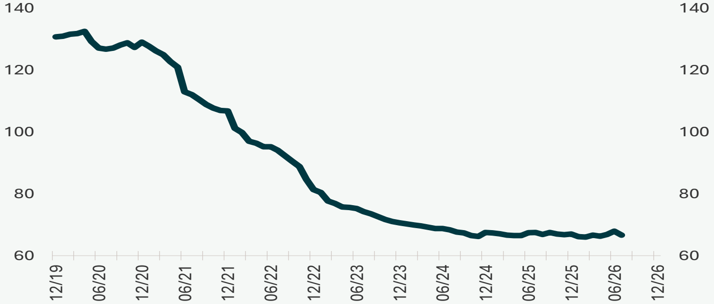
North Macedonia



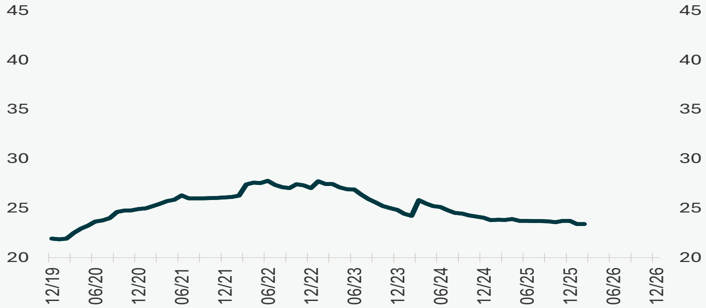
Albania



Cyprus



Egypt



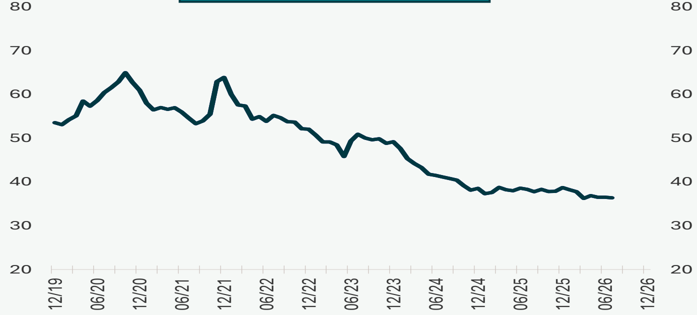
NATIONAL BANK OF GREECE

* As high-frequency aggregate EU data on loans and deposits are unavailable, euro area aggregates are used as a proxy

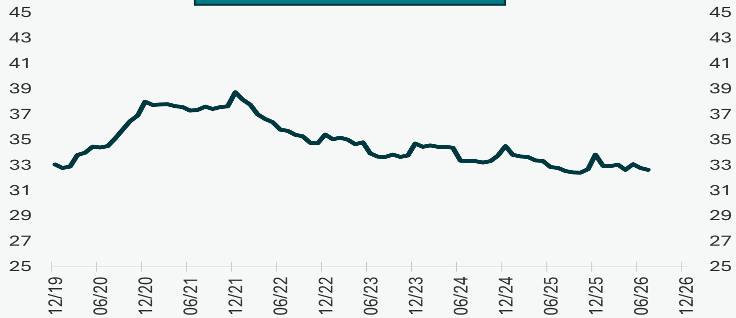
Total deposits-to-GDP ratio (%)

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

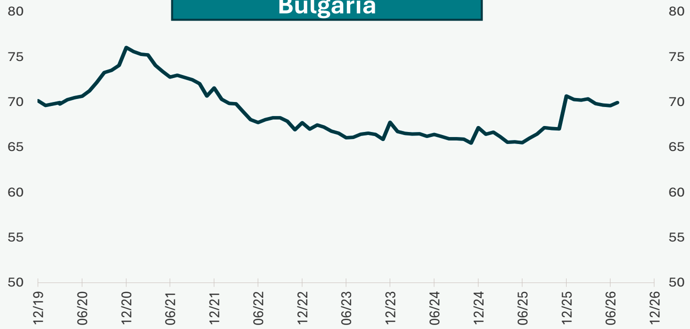
Türkiye



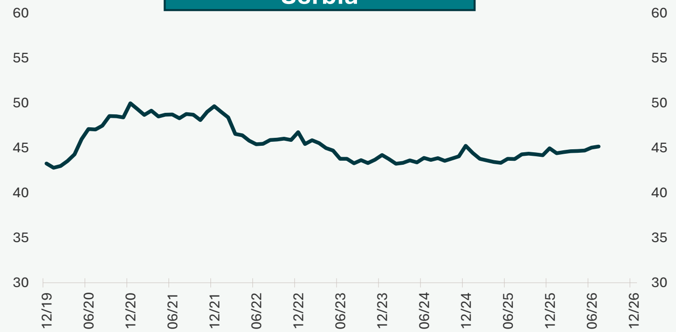
Romania



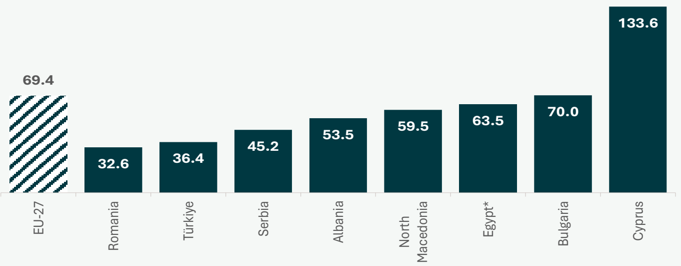
Bulgaria



Serbia

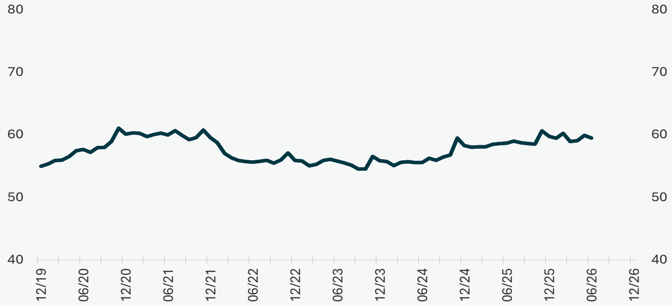


Deposits/GDP (%, July 2026)

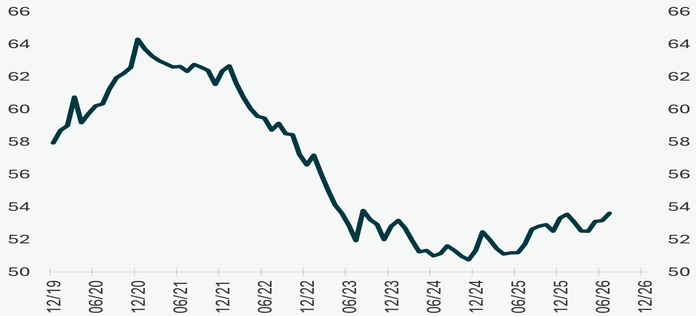


*: Feb 2026

North Macedonia



Albania



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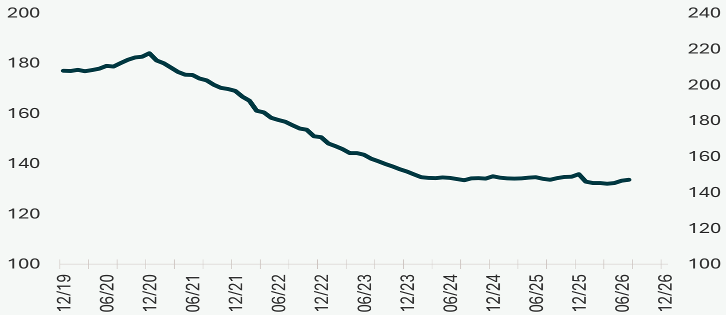
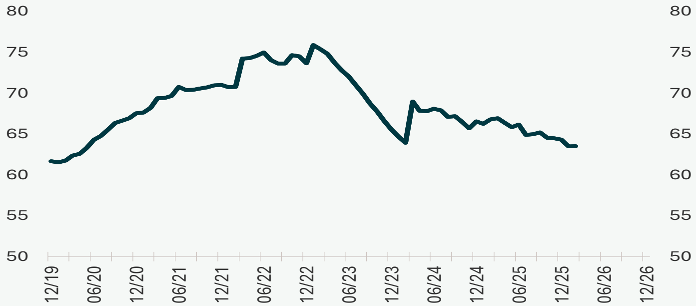


Egypt



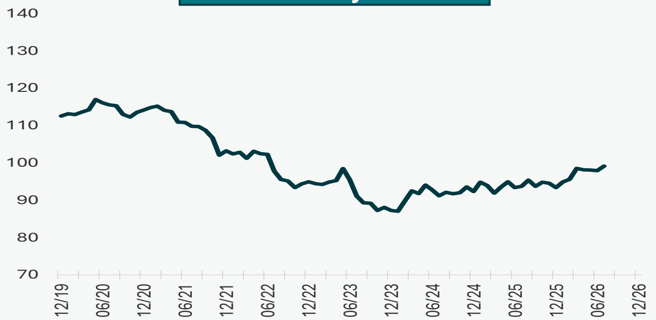
NATIONAL BANK OF GREECE

* As high-frequency aggregate EU data on loans and deposits are unavailable, euro area aggregates are used as a proxy

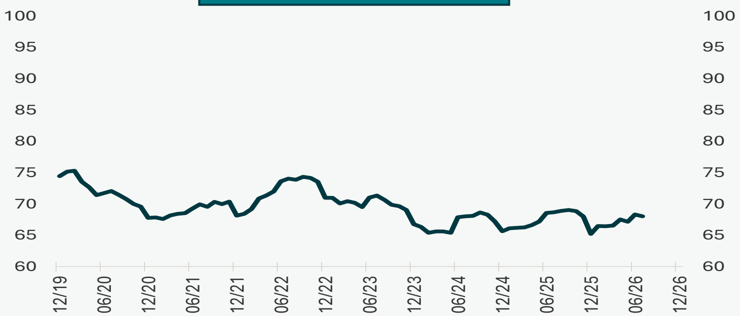
Total loans-to-total deposits ratio (%)

- All banking systems under review enjoy a loan-to-deposit ratio **below** the 100% threshold
- **Türkiye's** ratio is only marginally below this threshold, suggesting more limited liquidity buffers than in regional peers

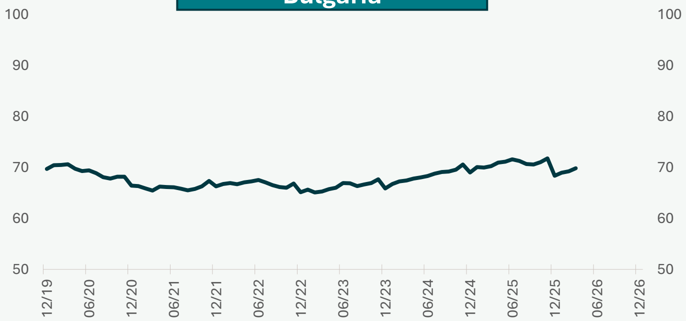
Türkiye



Romania



Bulgaria



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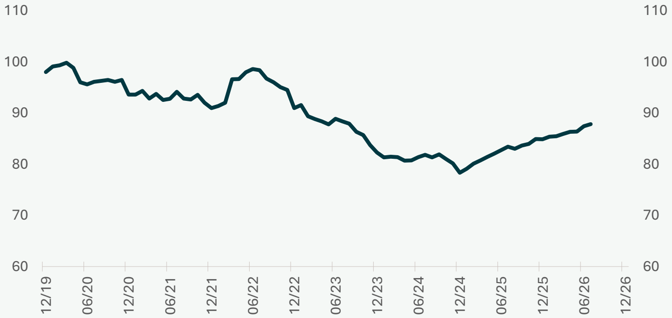
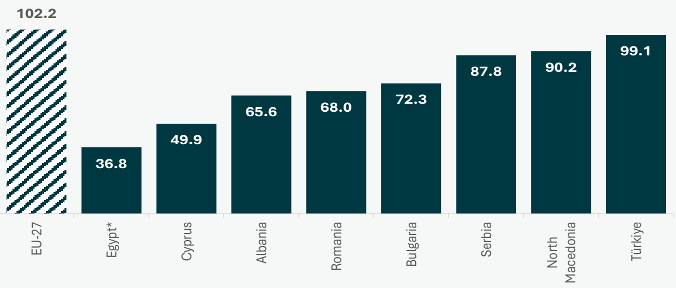
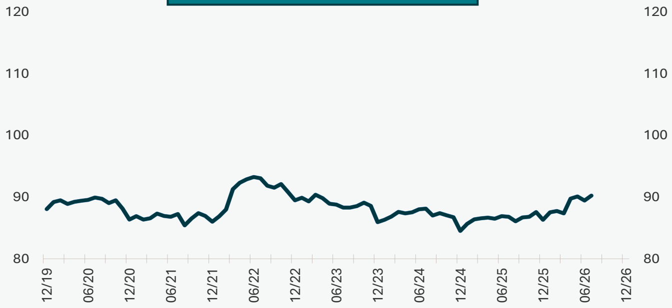


Loans/Deposits (%, July 2026)

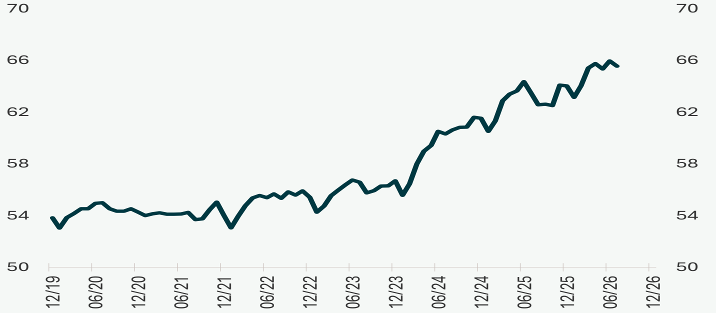


*: Feb 2026

North Macedonia



Albania



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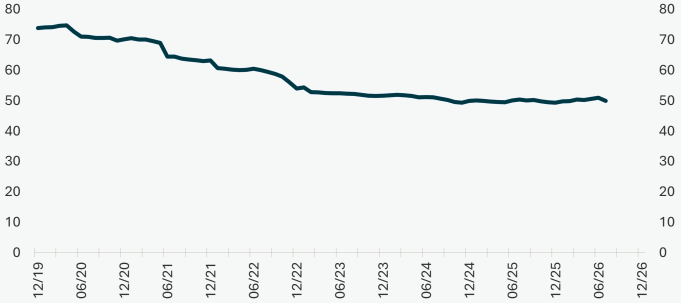
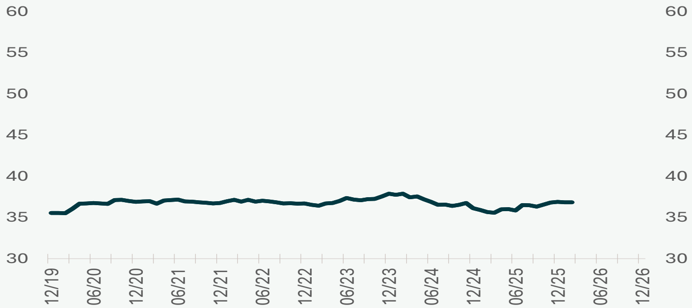


Egypt

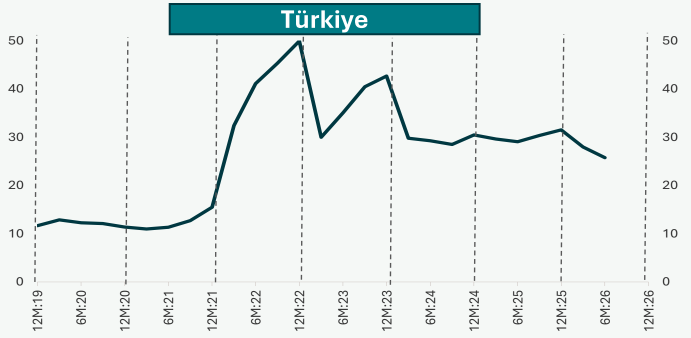


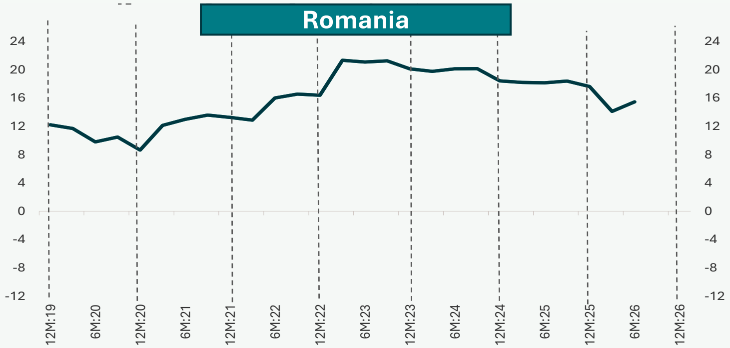
NATIONAL BANK OF GREECE

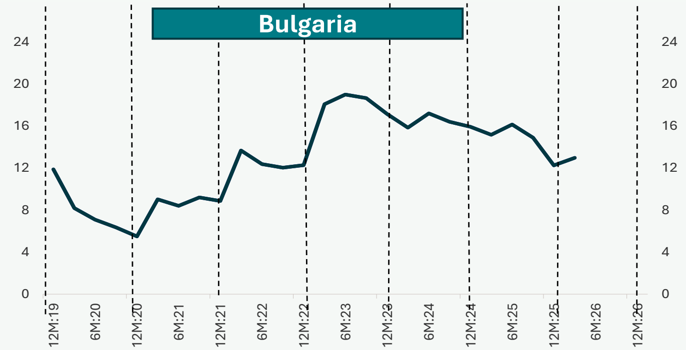
* As high-frequency aggregate EU data on loans and deposits are unavailable, euro area aggregates are used as a proxy

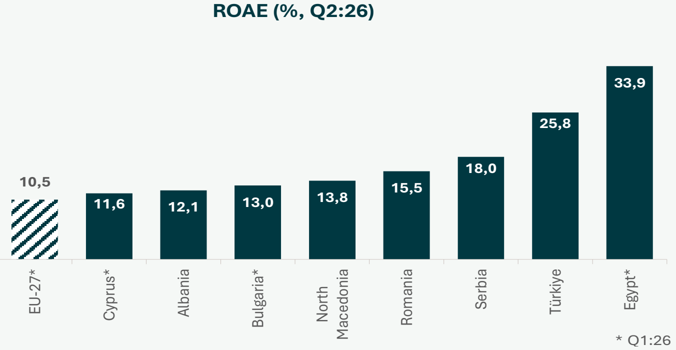
Return-to-average equity ratio (%, cumulative and annualised)

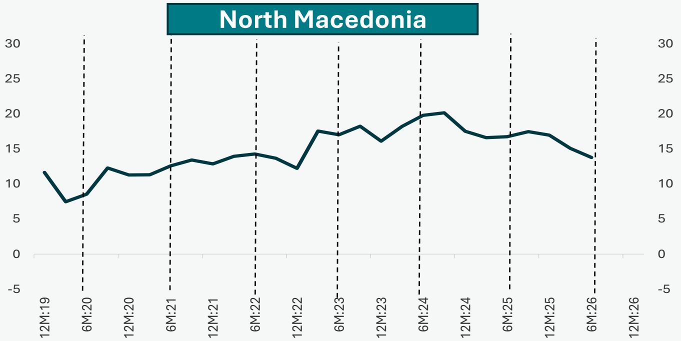
- A **higher-for-longer interest rate environment**, amid the ongoing global energy price shock, is expected to support banks' profitability despite potentially **higher provisioning needs**, with regional banks remaining significantly more profitable than EU peers

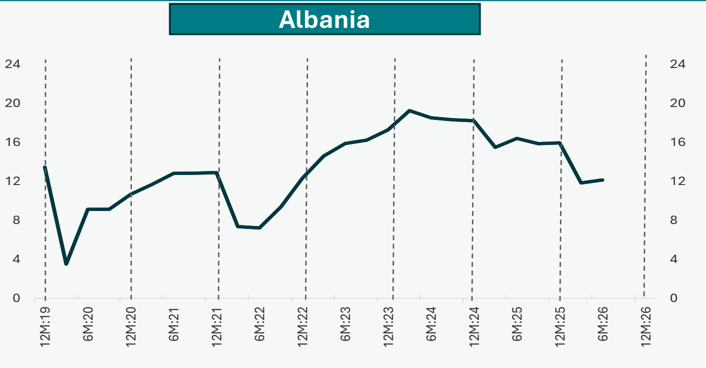


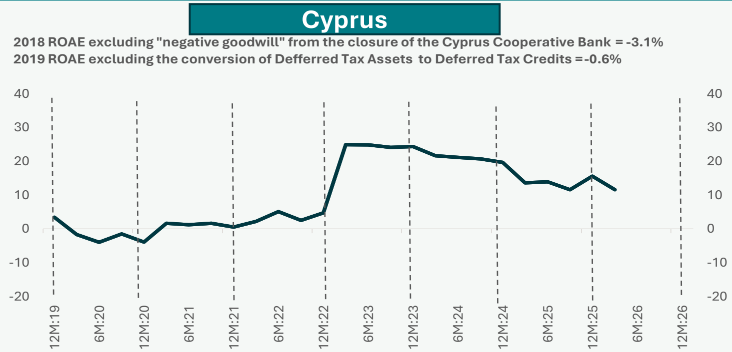


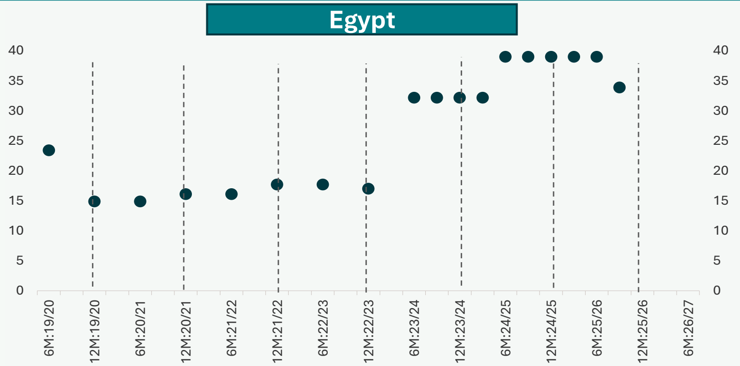








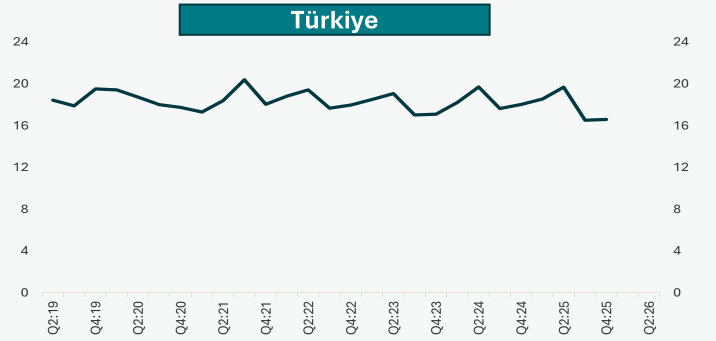


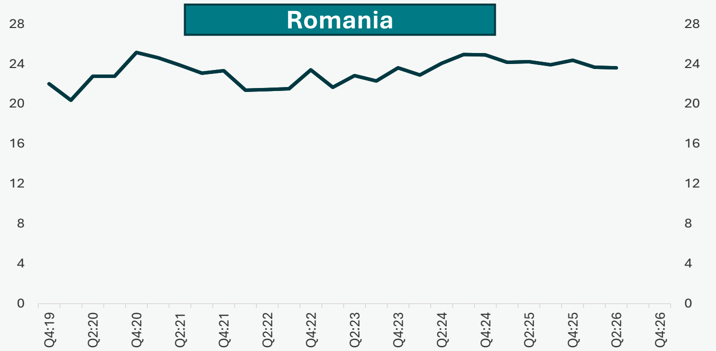


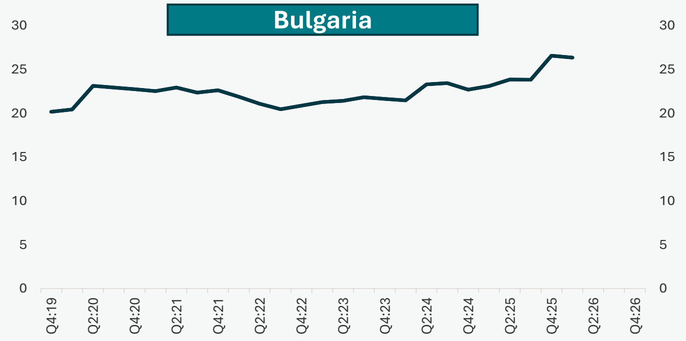
NATIONAL BANK OF GREECE

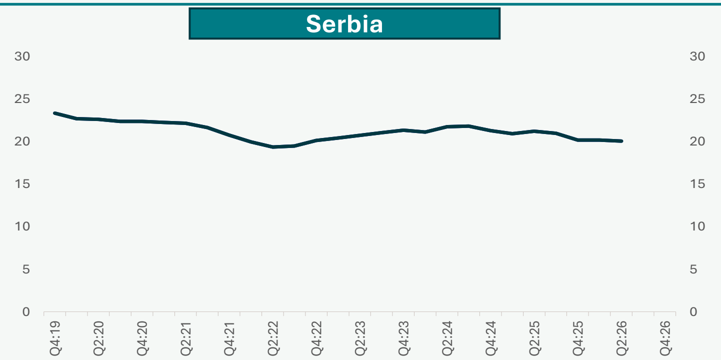
Capital adequacy ratio (%)

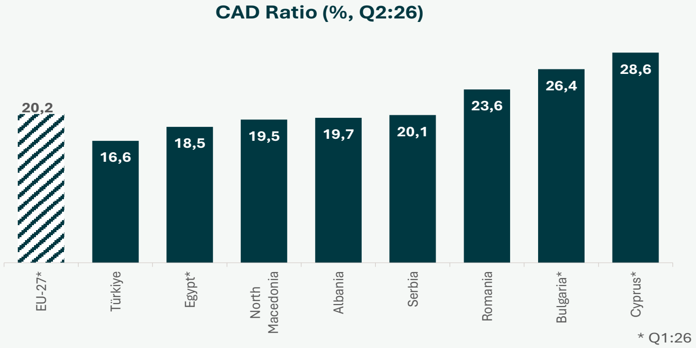
- Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses

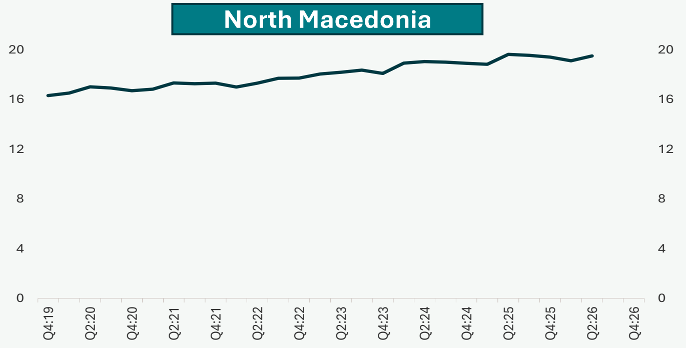


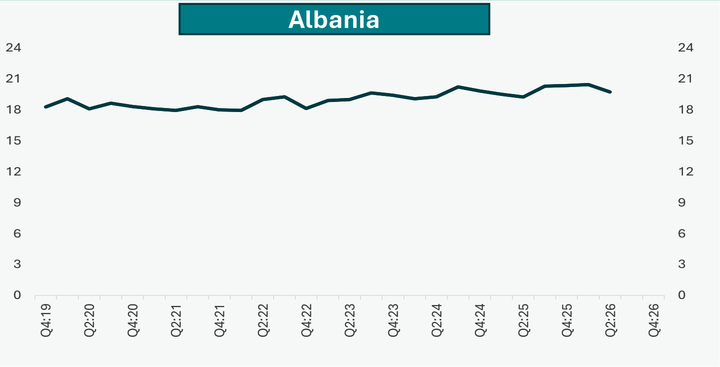


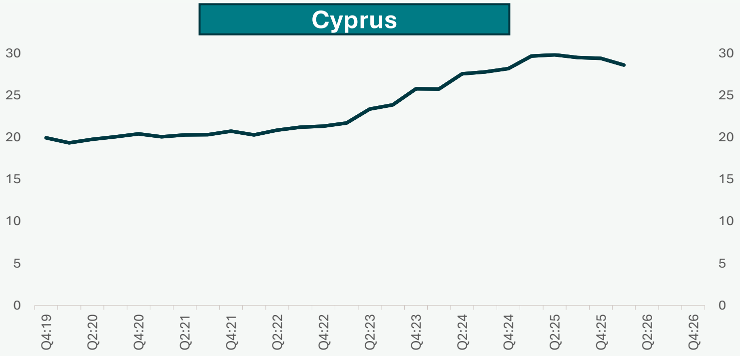


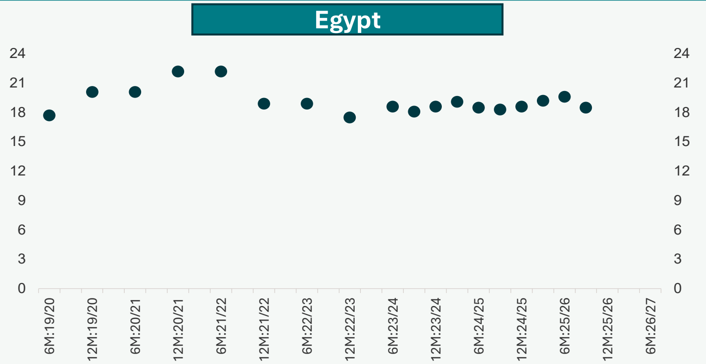










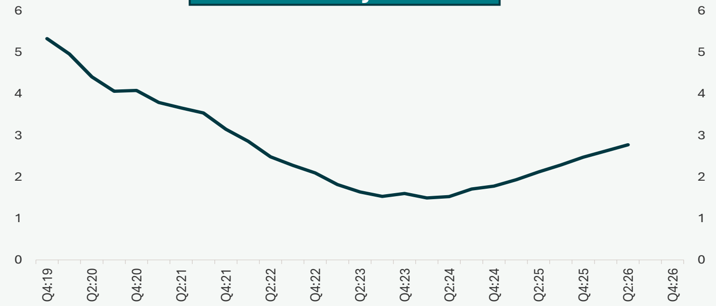


NATIONAL BANK OF GREECE

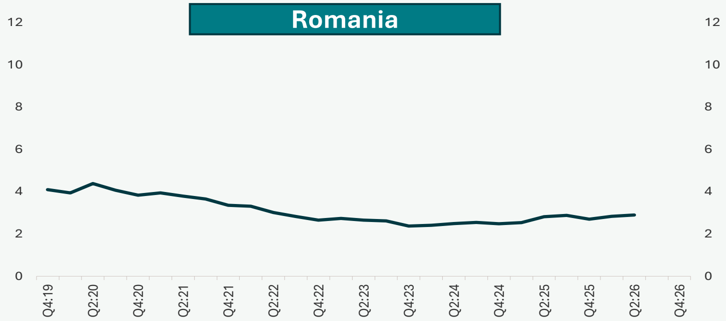
Non-performing loans ratio (%)

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

Türkiye

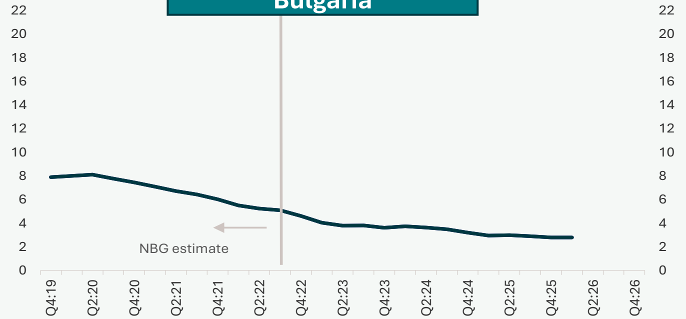


Romania

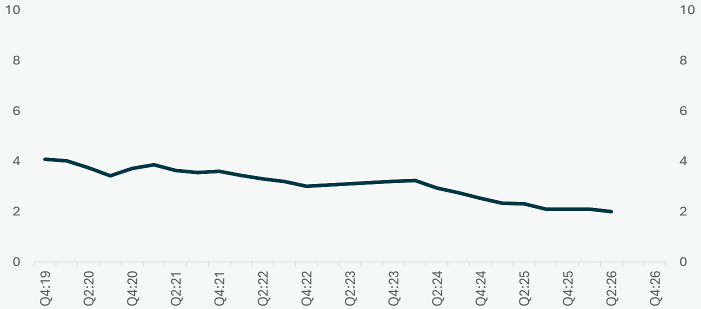


NPL Ratio (EBA definition, exposures more than 90 dpd or unlikely to be collected without use of the collateral regardless of the dpd)

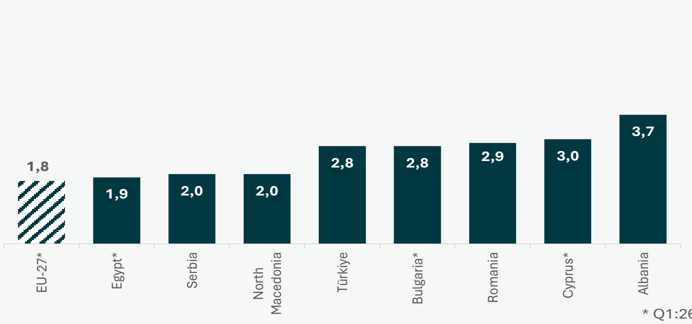
Bulgaria



Serbia

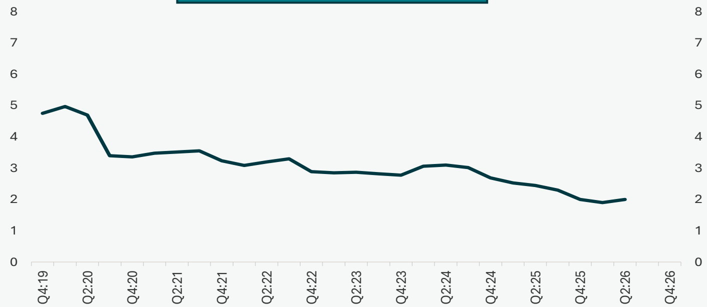


NPL Ratio (%, Q2:26)

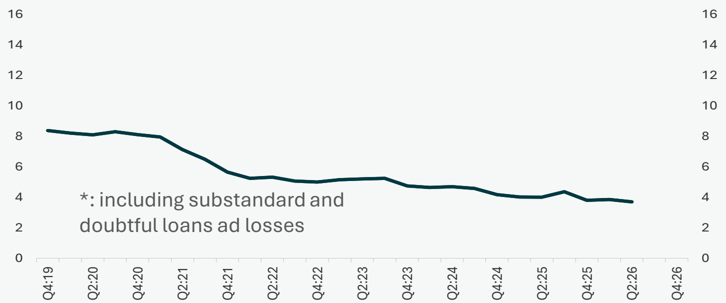


* Q1:26

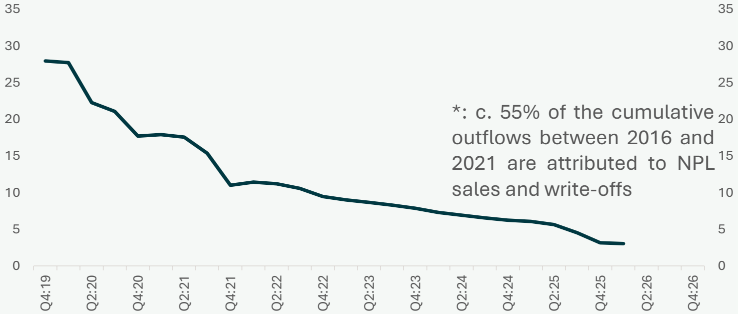
North Macedonia



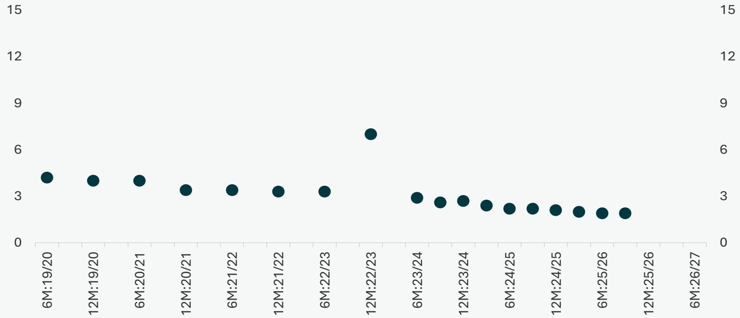
Albania



Cyprus



Egypt



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