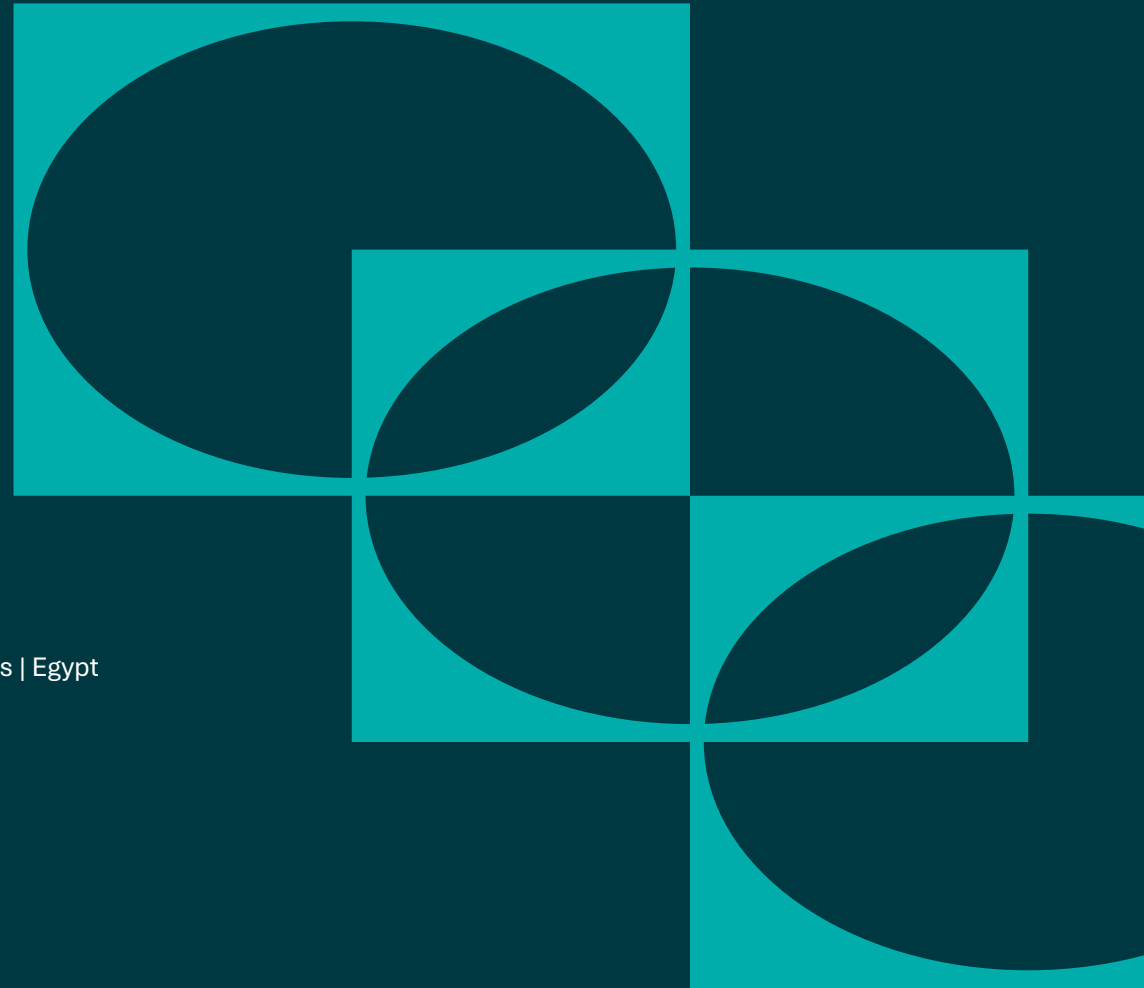


Quarterly Chartbook Q4:25

“Regional economic outlook remains positive, underpinned by strengthened fundamentals, with risks tilted to the downside”

Economic Analysis Division Emerging Markets Analysis

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



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Snapshot

General information

Date of next elections

Foreign currency credit rating

World Governance Indicators

Real Sector

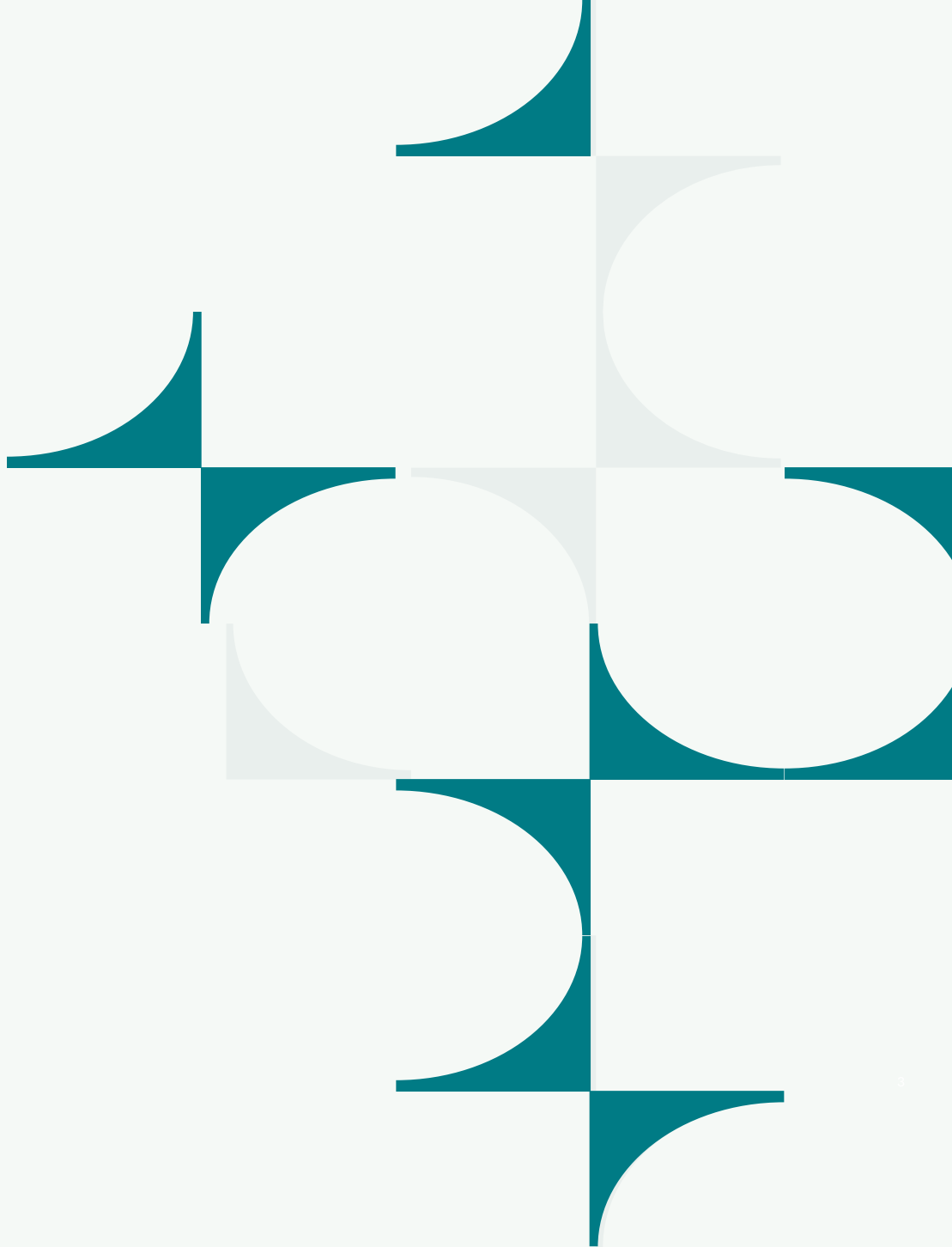
External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector





Republic of Türkiye



Population (2024, mn): 85.5
 GDP (2024, EUR, bn): 1,255.7
 GDP per Capita (2024, EUR): 14, 683
 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 (2024, mn): 18.9
 GDP (2024, EUR, bn): 354.0
 GDP per Capita (2024, EUR): 18,687
 Government type: Semi Presidential Republic
 Chief of state: Nicușor DAN
 Head of Government: Ilie BOLOJAN
 Minister of Finance: Alexandru NAZARE
 Central Bank Governor: Mugur ISĂRESCU



Republic of Bulgaria



Population (2024, mn): 6.4
 GDP (2024, EUR, bn): 103.7
 GDP per Capita (2024, EUR): 16,113
 Government type: Parliamentary Republic
 Chief of state: Rumen RADEV
 Head of Government: Rosen ZHELYAZKOV
 Minister of Finance: Temenuzhka PETKOVA
 Central Bank Governor: Dimitar RADEV



Republic of Serbia



Population (2024 mn): 6.6
 GDP (2024, EUR, bn): 82.4
 GDP per Capita (2024, EUR): 12,543
 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 (2024, mn): 1.8
 GDP (2024, EUR, bn): 15.4
 GDP per Capita (2024, EUR): 8,426
 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 (2024, mn): 2.7
 GDP (2024, EUR, bn): 25.1
 GDP per Capita (2024, EUR): 9.399
 Government type: Parliamentary Republic
 Chief of state: Bajram BEGAI
 Head of Government: Edi RAMA
 Minister of Finance: Petrit MALAJ
 Central Bank Governor: Gent SEJKO



Republic of Cyprus



Population (2024, mn): 1.0
 GDP (2024, EUR, bn): 34,8
 GDP per Capita (2024, EUR): 35,731
 Government type: Presidential Republic
 Chief of state: Nikos CHRISTODOULIDIS
 Head of Government: Nikos CHRISTODOULIDIS
 Minister of Finance: Makis KERAUVOS
 Central Bank Governor: Christodoulos PATSALIDES



Arab Republic of Egypt



Population (2024, mn): 108.2
 GDP (2024, EUR, bn): 340,2
 GDP per Capita (2024, EUR): 3,145
 Government type: Presidential Republic
 Chief of state: Abdel Fattah Saeed EL-SISI
 Head of Government: Mostafa MADBOULY
 Minister of Finance: Ahmed KOUCHOUK
 Central Bank Governor: Hassan ABDALLA

Date of next elections

- In **Romania**, political uncertainty has significantly declined, following the election of pro-EU centrist N. Dan in the Presidency and the installation of a new broad-based pro-EU coalition. The unity of the ruling coalition -- which controls c. $\frac{2}{3}$ rds of Parliamentary seats -- is a *sine qua non* condition for the success of the much-needed fiscal consolidation. Still, considering the socio-economic cost of fiscal adjustment and society's deepening polarization (with far-right parties holding c. $\frac{1}{3}$ rd of Parliamentary seats), political noise could rise again, weighing further on (already weak) economic sentiment
- In **Serbia**, student-led anti-corruption protests are continuing, though their nature has been evolving from the mass rallies seen over the past months towards more targeted actions. Protesters have been calling for snap elections, with President Vučić, who has been long criticized for corruption, controlling the media and sidelining the Parliament, rejecting, however, the prospect. Latest opinion polls suggest that the fragmented and ideologically divergent Parliamentary opposition has yet to present a credible challenge, but that a list backed by the student movement could outperform the SNS. Worryingly, political volatility is set to remain elevated until the next election (due by late-2026/early-2027, as President Vučić has suggested), weighing further on growth, while potentially affecting policy implementation. Should NIS's operation be suspended for a prolonged period due to US sanctions, with significant implications for the economy (see p. 10), President Vučić would find himself under increasing pressure
- Political risk in **Türkiye** remains a key concern, potentially weighing on investor confidence. The legal crackdown on the main opposition CHP party -- which has been widely criticized for being politically motivated -- has escalated since March, with depositions and arrests of several of the party's prominent figures. Should political uncertainty trigger a (new) sell-off of Turkish assets, the CBRT could not but reverse course (as temporarily in March-April) to ensure financial stability
- In **Egypt**, a pro-presidential majority in the Senate (Upper House) emerged after the August election. A similar outcome is expected in the November election for the House of Representatives (Lower House)

Date of Next Elections								
	Türkiye	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	May 2028	November 2028	October 2028	By Dec 2027	May 2028	May 2029	May 2026	November 2025
Presidential	May 2028	May 2030	November 2026	April 2027	May 2029	June 2027	February 2028	December 2029
Local	March 2029	June 2028	October 2027	By Dec 2027	October 2029	May 2027	June 2029	Unknown *

* last local elections hold in 2008

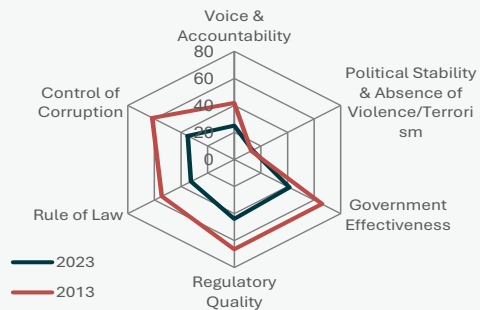
Foreign currency credit rating

- The rebound in GDP growth, in the aftermath of the reforms undertaken over the past 1/3 year -- including FX liberalization -- prompted S&P to upgrade **Egypt**'s credit rating by 1 notch to "B"
- The success of its (soon to be enacted) multi-year fiscal consolidation plan is a *sine qua non* condition for **Romania** to maintain its investment-grade status
- The modest levels of external and public debt in most of the economies under review should provide them with some headroom to navigate through uncertainties, **without endangering their credit profiles**. Economies currently undergoing adjustment, such as **Egypt** (with S&P's having already revised its outlook from positive to stable) and **Türkiye**, are the most vulnerable, should global risk aversion worsen substantially

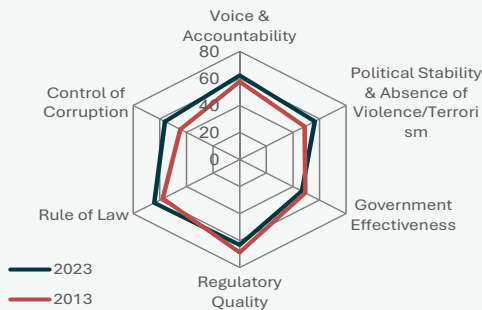


- Governance standards in EU candidate countries (**Serbia, North Macedonia, Albania**) are approaching those of new EU member states (**Romania, Bulgaria**)
- Türkiye's** and **Egypt's** low ranking in terms of governance constrains investor sentiment

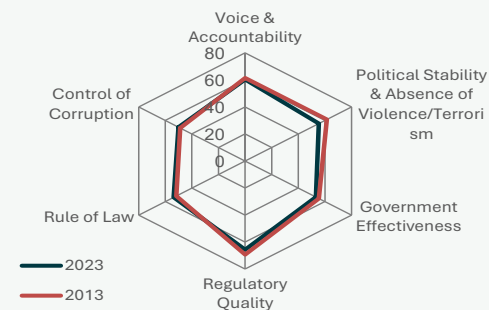
Türkiye



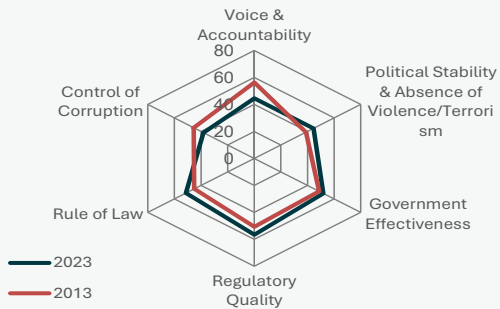
Romania



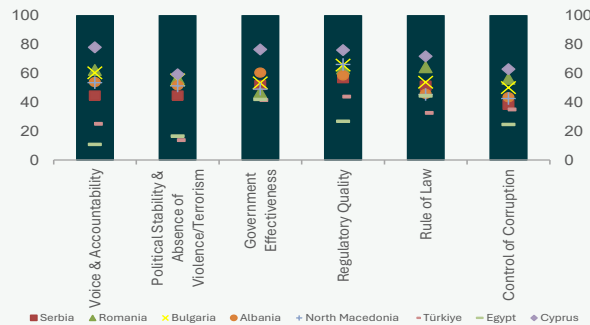
Bulgaria



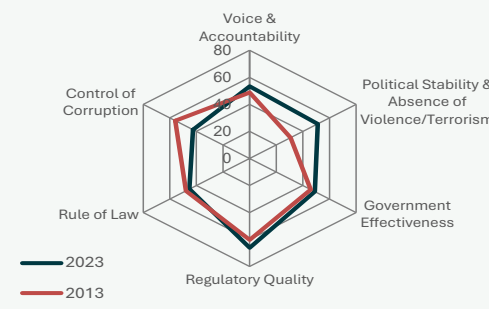
Serbia



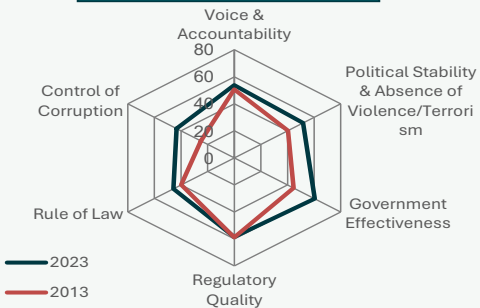
Worldwide Governance Indicators (2024)



North Macedonia



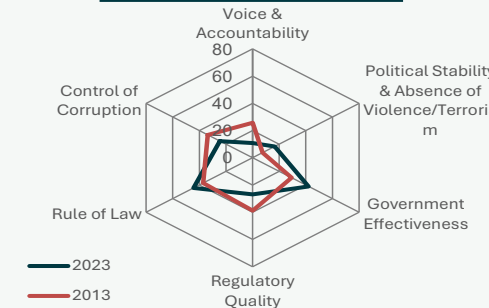
Albania



Cyprus



Egypt



Snapshot

Real Sector

- Real GDP
- Economic outlook
- Output gap
- Potential impact of US tariffs
- Convergence with the EU
- Official financial support
- Economic sentiment
- Industrial production
- Retail sales
- Employment growth & Employment rate
- Unemployment rate
- Wages (nominal and real)
- Wages (nominal, EUR) and Tax rates

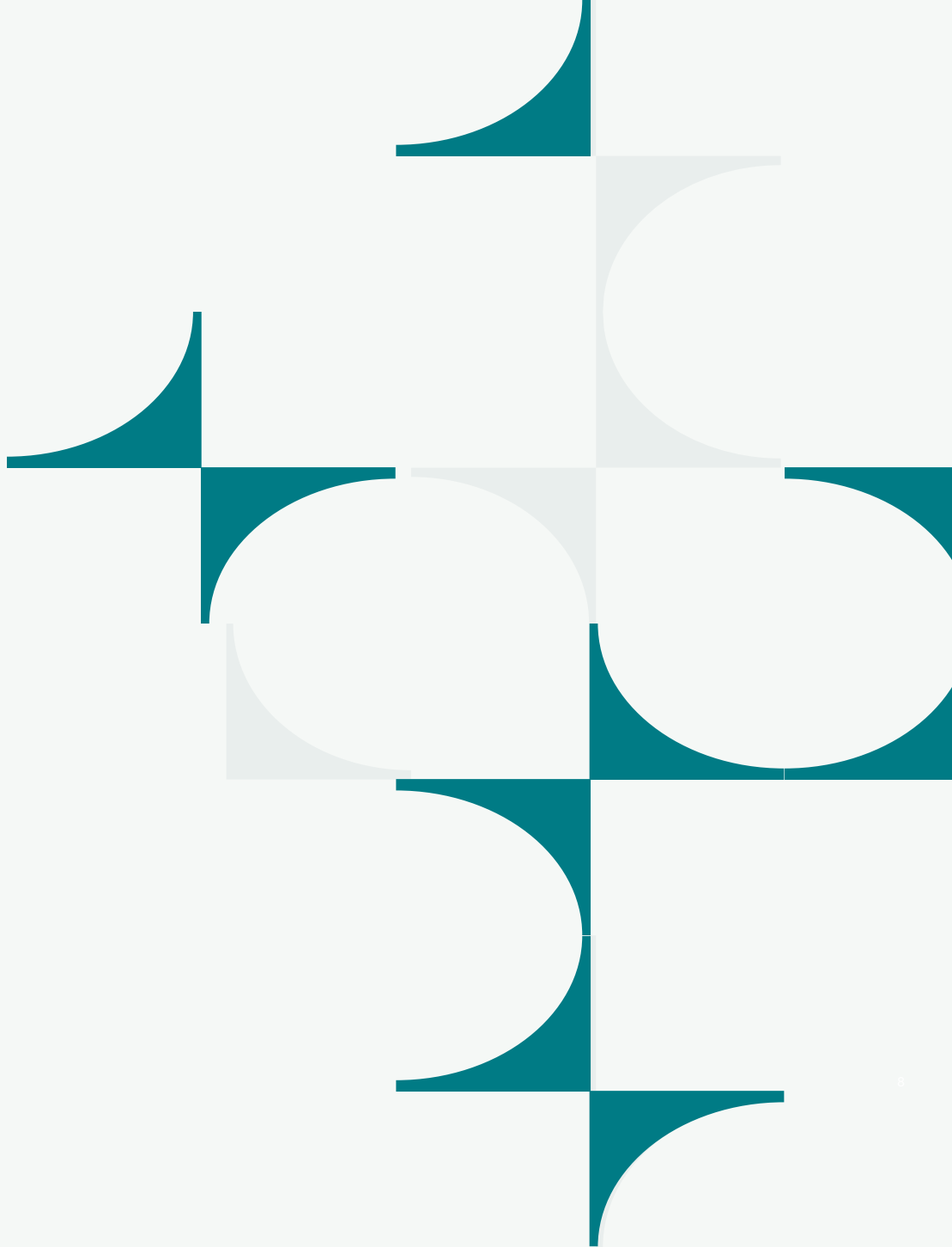
External Accounts

Prices & Monetary Policy

Fiscal Position

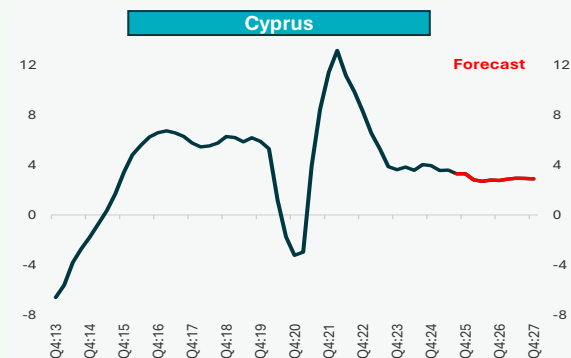
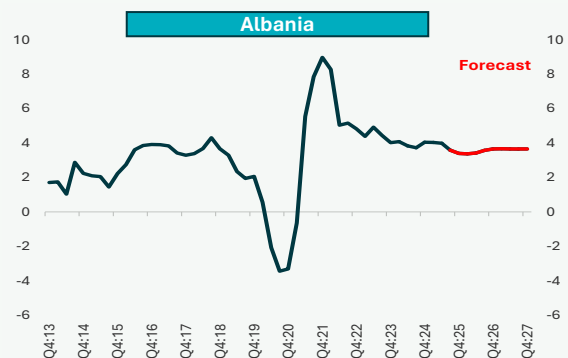
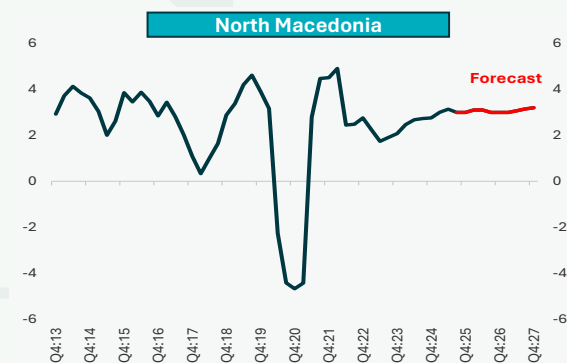
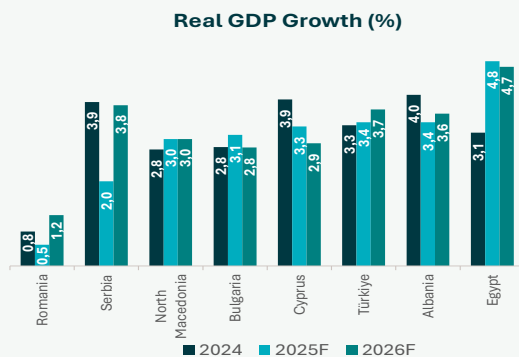
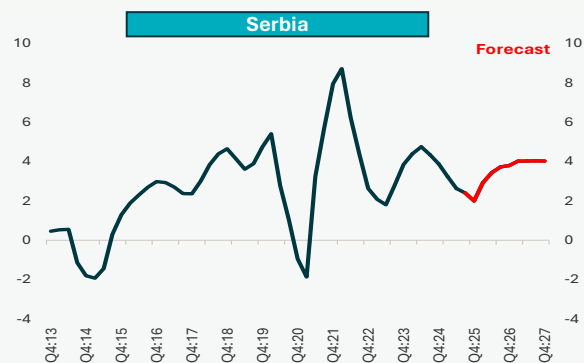
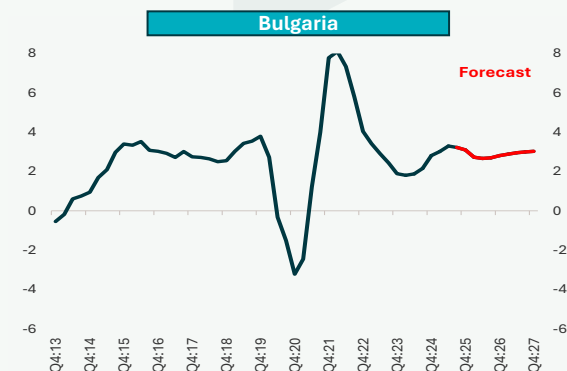
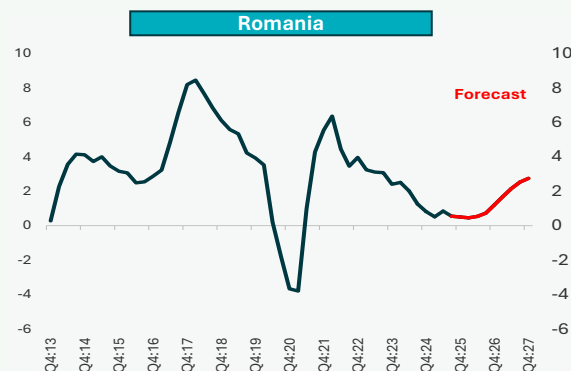
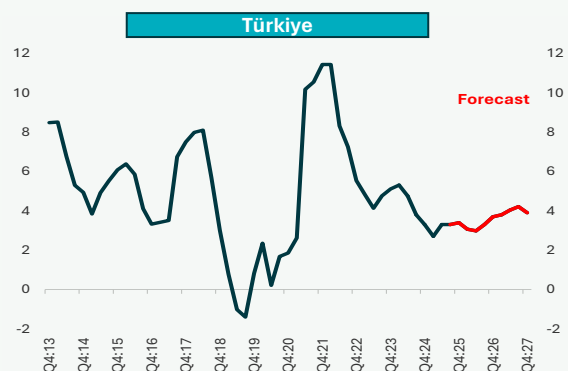
Financial Markets

Banking Sector



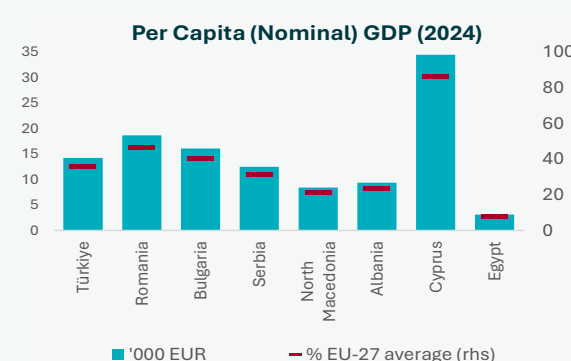
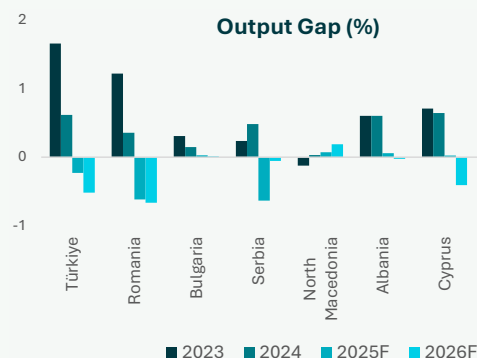
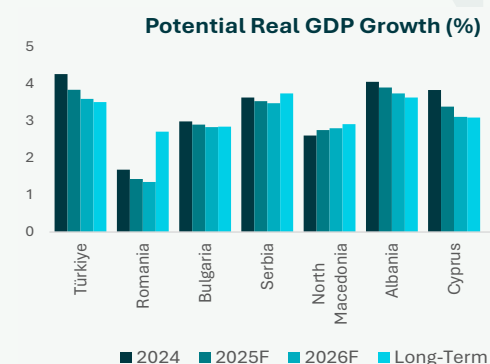
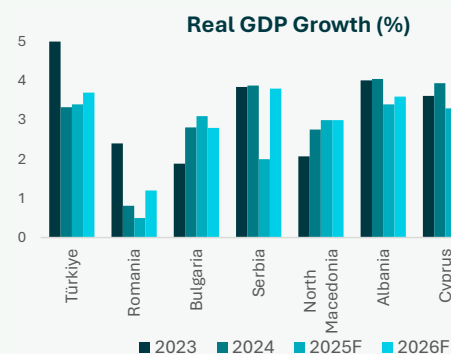
Real GDP (4-quarter rolling, y-o-y % change)

- **GDP growth held up well** in H1:25 in most of the economies under review, thanks, *inter alia*, to solid domestic demand and a frontloading of exports in anticipation of higher US tariffs
- **Egypt** maintains the strongest growth trend in the broader region. Weakening sentiment in anticipation of aggressive fiscal adjustment has left the **Romanian** economy near stagnation. Political uncertainty has weighed significantly on GDP growth in **Serbia**

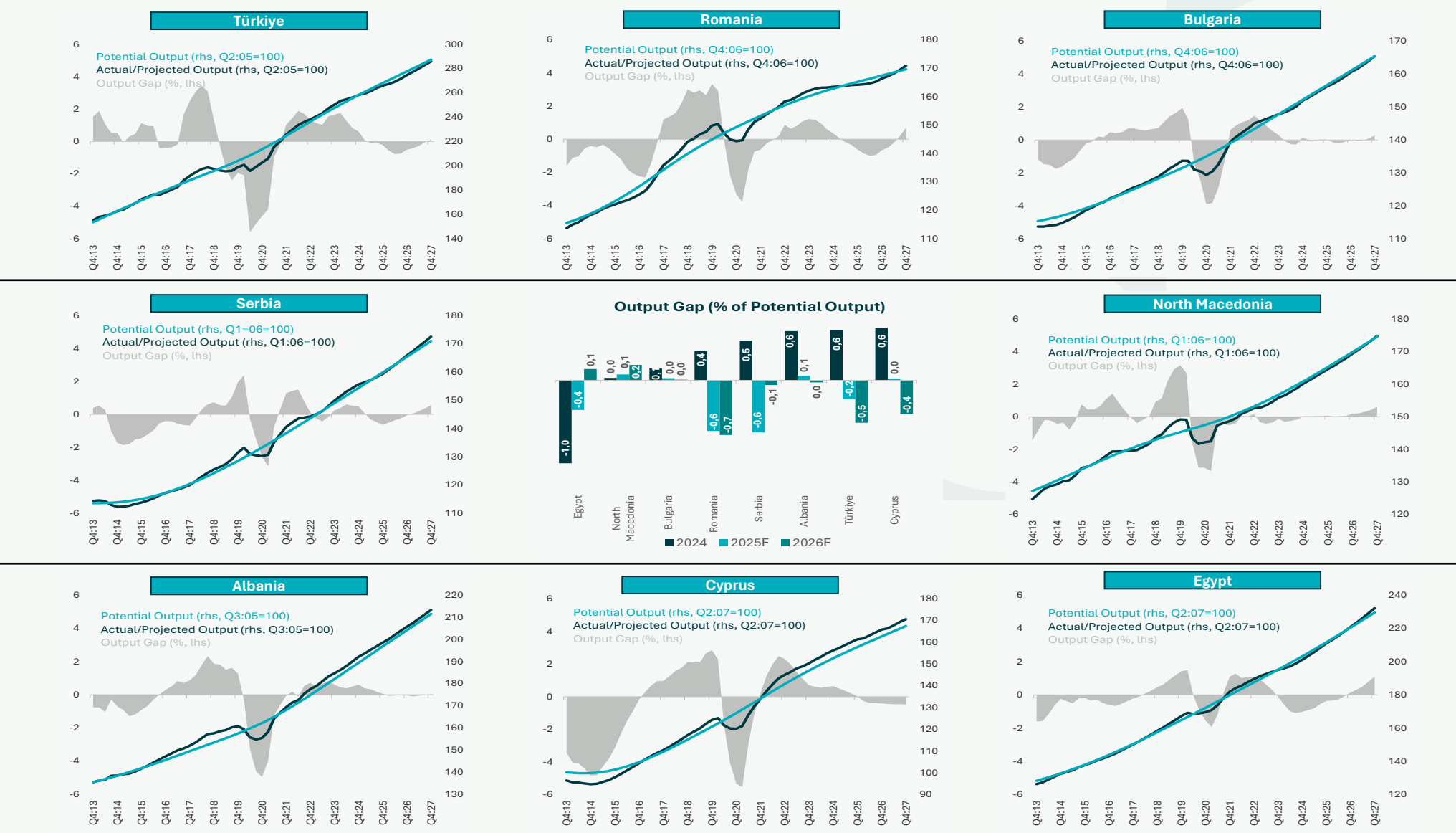


Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- All the economies under review (barring Romania) are set to remain on a quite **solid footing** over the forecast horizon, supported by the positive effect of **relatively low inflation** on real incomes and **accommodative financing conditions**. **Private consumption should continue driving growth**, underpinned, *inter alia*, by a resilient labour market (with employment growth having lost momentum, nonetheless). **Fixed investment is also poised to bolster** to overall growth, with public sector continuing to provide key impetus. In contrast, in view of the **poor outlook for exports**, following the **US protectionist shift** and **structural changes within key sectors of the EU economy** (particularly the automotive industry), **net exports are unlikely to add to overall growth** throughout the end of next year
- Risks** to the economic outlook are still **tilted to the downside**, albeit less pronounced than a few months ago. Indeed, **trade uncertainties** from US protectionist policies appear to be **subsiding, at least as far as the EU and EU-linked economies** are concerned (see next page). At the same time, **global oil prices have been range-bound**, amid increased global supply, but remain **vulnerable to geopolitical flare-ups**. On the **upside**, the **rollout of the EU defense plan** and **Germany's massive stimulus package** should lead to a **cyclical upswing** in the EU, with positive spillovers to EU-linked economies
- The need for multi-year fiscal consolidation, on the one hand, and the weak (in terms of GDP growth) starting point of the adjustment, on the other hand, paint a rather poor outlook for the **Romanian** economy
- A failure to reverse the **US sanctions** imposed on **Serbia's** Russian-owned oil company NIS should have **significant repercussions on economic growth**. Recall that the long-threatened sanctions came eventually into effect in early-October, prompting Croatia's oil pipeline operator to cut supplies to NIS. Without new deliveries, NIS's oil stock should be depleted by year-end, leading to disruptions to domestic supply -- as NIS accounts for c. 80% of the market -- thus directly affecting economic activity and boosting inflation, while hitting, at the same time, domestic economic sentiment and foreign investor confidence. In the event support measures are required to stabilize the economy, they would likely weaken fiscal and external buffers

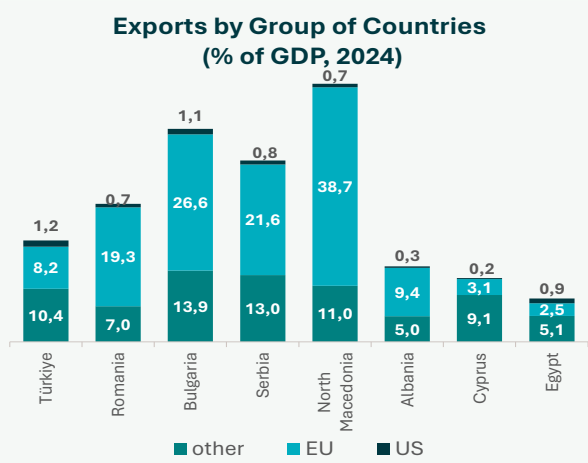
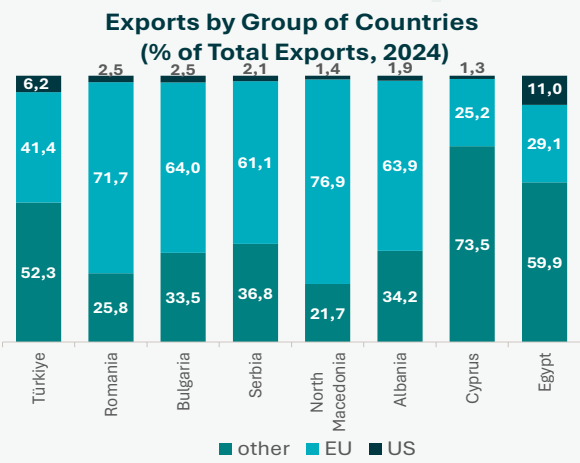


- The structural transformation of the **Cypriot** and **Albanian** economies (following a massive relocation of foreign companies to the latter to benefit from its attractive headquartering policy and a boom in the former's tourist sector) have resulted in both economies growing -- at least until recently -- at a pace exceeding their potential growth
- Most of the economies under review are expected to grow at a pace **lower but not far off their potential** over the forecast horizon
- The imminent multi-year fiscal adjustment in **Romania** suggests that economic growth is set to underperform its potential in the years to come



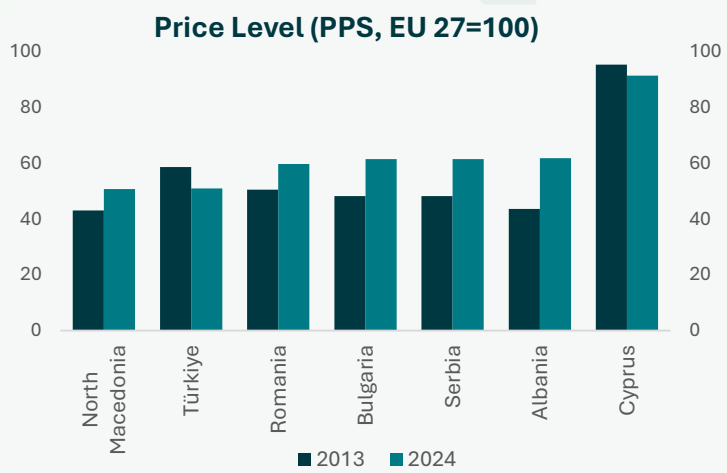
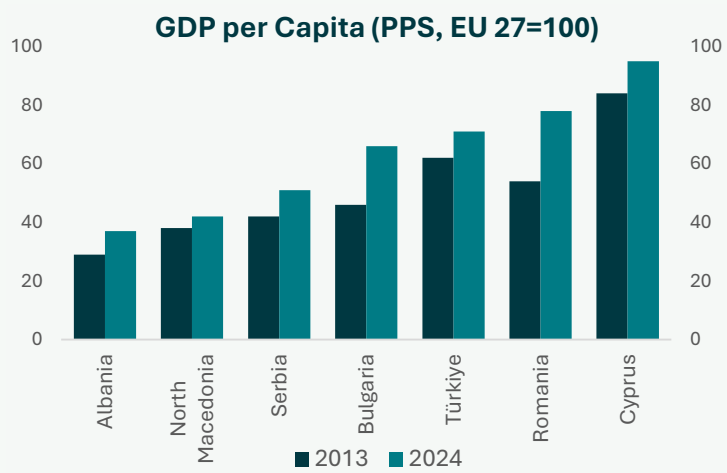
- Trade uncertainties from US protectionist policies appear to be subsiding, at least as far as the EU and most EU-linked economies are concerned, leaving, however, a -- manageable yet non-insignificant -- mark on trade and growth prospects. Indeed, following the July trade deal between the EU and the US, the latter is now faced with a 15% blanket tariff -- as against an effective tariff rate of c. 1.5% prior to the installation of Trump’s administration -- for goods not falling under the scope of sectoral tariffs (note that steel & aluminium products are subject to a 50% tariff rate)
- The direct impact of US tariffs on EU GDP growth is estimated at c. -0.3% over the forecast horizon (factoring in the impact of the appreciation of the EUR against the USD), with almost none of it felt in H1:25, due to a frontloading of US imports. Given the economies’ under review limited direct exposure to the US -- smaller than that of the EU, whose exports to the US amount to c. 2.0% of its GDP, see chart -- the **direct impact of US tariffs should be small (0.1-0.2%)**
- However, accounting for: i) the economies’ value added embedded on exports of 3rd countries to the US (note that Romania, Bulgaria, Serbia and North Macedonia industrial sectors are well integrated in the EU value chains, especially in the automotive and related parts sector); as well as for ii) the direct and indirect spillover effects not only on other sectors of their domestic economies (note that services related to external trade account to up to 33% of the value of total exports of services) but also on global economy, the **overall impact of US tariffs per se should be much larger** (even more than double the direct impact), **yet still manageable** (and is already incorporated in our GDP growth forecasts). Note that a diversion of exports of the economies mostly impacted by US tariffs -- particularly China -- towards the EU and EU-linked economies could magnify the overall long-term impact of US protectionist policies

US tariff rates by country (%)			
	Originally levied	Effective until August	As of August 7 th
Türkiye	10.0	10.0	15.0
Romania	20.0	10.0	15.0
Bulgaria	20.0	10.0	15.0
Serbia	37.0	10.0	35.0
North Macedonia	33.0	10.0	15.0
Albania	10.0	10.0	10.0
Cyprus	20.0	10.0	15.0
Egypt	10.0	10.0	10.0



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** is set to become the 21st member of the euro area, starting from January 1, 2026. Joining the euro area (*per se*) should bring no fundamental change in policies, given the long-standing currency board arrangement and high euroization of the economy. Still, besides a seat in the ECB's Governing Council, euro area membership should entail significant benefits for Bulgaria, including lower transaction and funding costs, while help cement investor confidence, through bolstering financial stability and reducing the risks of financial contagion and a balance of payments crisis, eventually spurring GDP growth and promoting real convergence with euro area
- The pace of **Türkiye**'s real convergence with the EU has been quite fast, despite the economy's chronic currency crisis, resulting from authorities' unconventional policy approach over the past years
- Convergence with the EU has been sluggish for EU candidate countries (**Albania**, **North Macedonia** and **Serbia**), reflecting persistent under-investment, due, among others, to entry and operation barriers in place (such as corruption, bureaucracy and informality), low employment (on the back, *inter alia*, of high emigration) and relatively weak total factor productivity growth. Assuming a potential growth of around 3.0% it would **take more than 30 years** to align the countries' per-capita GDP with that of the EU's



- The repayment process of **Cyprus**'s loan to the ESM is due to start by end-year, with an installment of EUR 350mn, followed by annual repayments of c. EUR 1.0bn throughout 2031
- Egypt** is in talks over the (combined) 5th and 6th reviews of its programme with the IMF, which when completed would give authorities access to up to USD 2.4bn tranches

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,i}	2024-2027 ^j
Programme	IMF	---	---	---	2.4	---	0.2	0.5	0.4	0.2	1.1	11.9 ^g	2.8 ^g	5.2 ^g	8.0 ^g	---
	EU	---	---	---	---	---	---	---	---	---	9.0	---	---	---	---	5.0
Drawn so far	IMF	---	---	---	1.2	---	0.2	0.1	0.4	0.2	1.0	11.9 ^g	2.8 ^g	5.2 ^g	4.5 ^g	---
	EU	---	---	---	---	---	---	---	---	---	6.3	---	---	---	---	1.0
Repaid	IMF	---	---	---	---	---	0.2	---	0.3 since 2019	0.1 since 2023	1.1	6.8 ^g since 2021	2.8 ^g	4.3 ^g since 2023	---	---
	EU	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Next Repayments	IMF	---	---	---	---	---	0.1 in 2025	Starting in 2026	0.04 in 2025	0.04 in 2025	---	0.5 ^g in Q4:25	---	0.5 ^g in Q4:25	---	---
	EU	---	---	---	---	---	---	---	---	---	0.4 in 2025	---	---	---	---	---

^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 by USD 5bn in 2024

ⁱ An arrangement under IMF's Resilience and Sustainability Facility (RSF) for green transition has been also approved, unlocking access to USD 1.3bn

^j concessional lending under EU's Macro-Financial Assistance (MFA), which is part of a broader support package, worth EUR 7.4bn, which also includes EUR 1.8bn in investments under the Southern Neighborhood Economic and Investment Plan and EUR 0.6bn in grants

Official financial support (EU)

- As of 2024, EU countries lost access to funding under the 2014-20 **Multiannual Financial Framework** (MFF, T+3 rule). We expect absorption of EU funds under the current MFF to accelerate progressively as the expiration date approaches
- Full absorption of the funds available under the **EU Recovery & Resilience Facility** (RRF, with final payment requests due no later than September 30, 2026) should provide a significant impetus to economic growth in **Romania, Bulgaria** and **Cyprus**. Worryingly, their RRF absorption rates lag so far behind the EU average, with **Bulgaria** suffering the most, due, *inter alia*, to the implications of political uncertainty on policy & reform implementation
- Serbia, North Macedonia, Albania** and **Türkiye** benefit not only from EU pre-accession assistance but also from cross-border spillover effects from the RRF
- EU pre-accession assistance has been complemented with the **Reform and Growth Plan for the Western Balkans** which envisages a total of EUR 6bn in financing (of which EUR 2bn as non-repayable support) in the period of 2024-2027

EU Members			
Next Generation EU Fund (2021-23) & Multiannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	28.5	5.7	1.2
o/w Grants	13.6	5.7	1.0
Loans	14.9	---	0.2
Absorption Rate (% of total allocation)	37.6	24.1	43.5
Absorption Rate (% of EU average)	66.7	42.7	77.1
Other**	3.4	0.4	0.2
Multiannual Financial Framework***	55.4	18.6	1.5

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

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

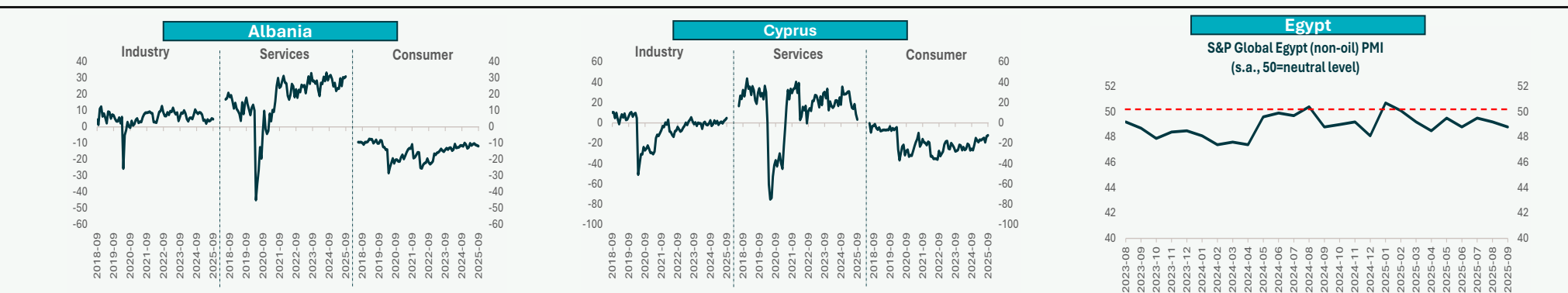
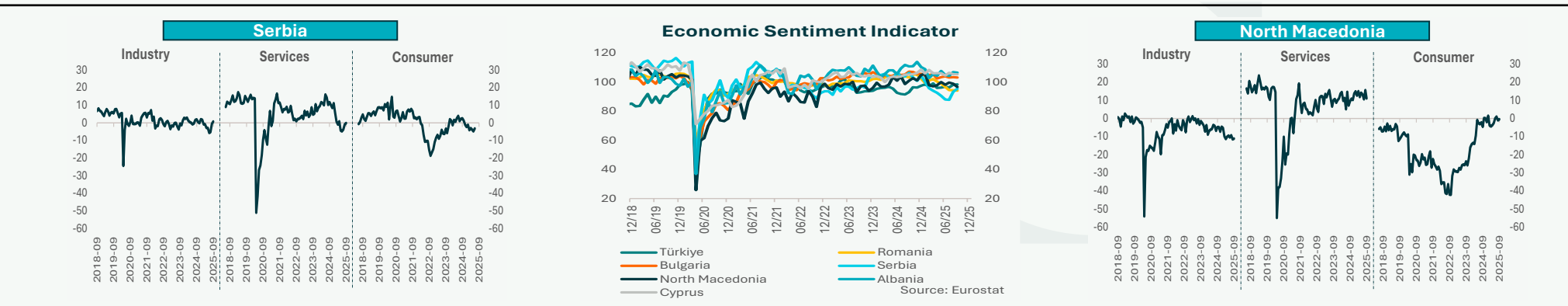
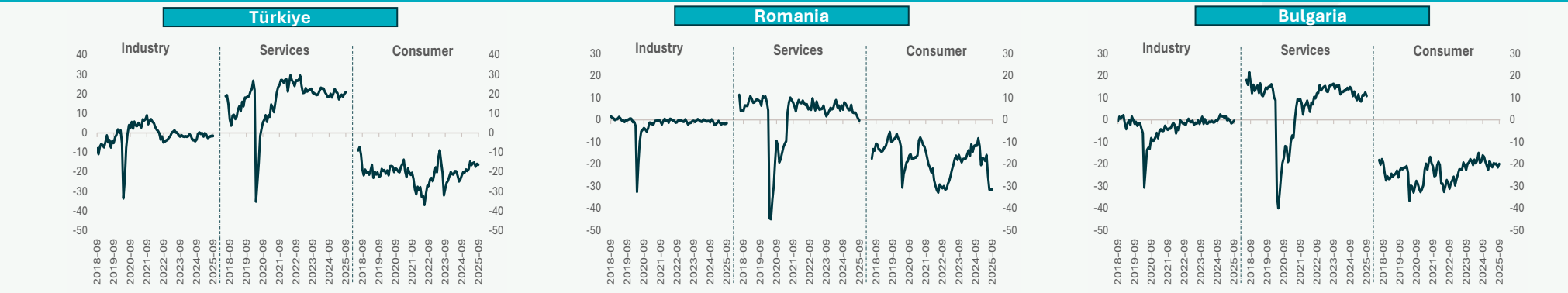
*** Includes Cohesion Policy allocations and payments under the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the Just Transition Fund.

EU Candidate Countries			
Instrument for Pre-Accession Assistance (IPA III, 2021-27)* (EUR bn)			
Türkiye	Serbia	North Macedonia	Albania
4.7	2.0	0.8	0.8
Reform and Growth Facility for the Western Balkans (2024-27, EUR bn)*			
---	1.6	0.8	0.9

* indicative allocations

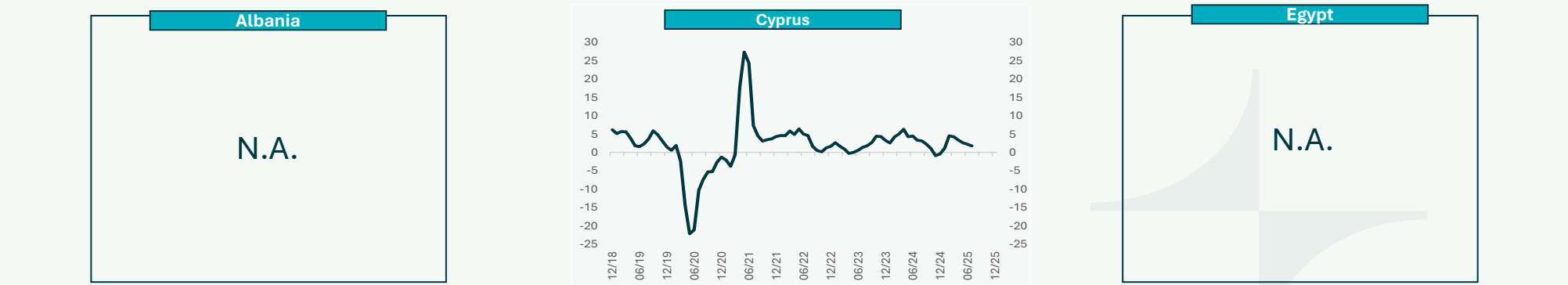
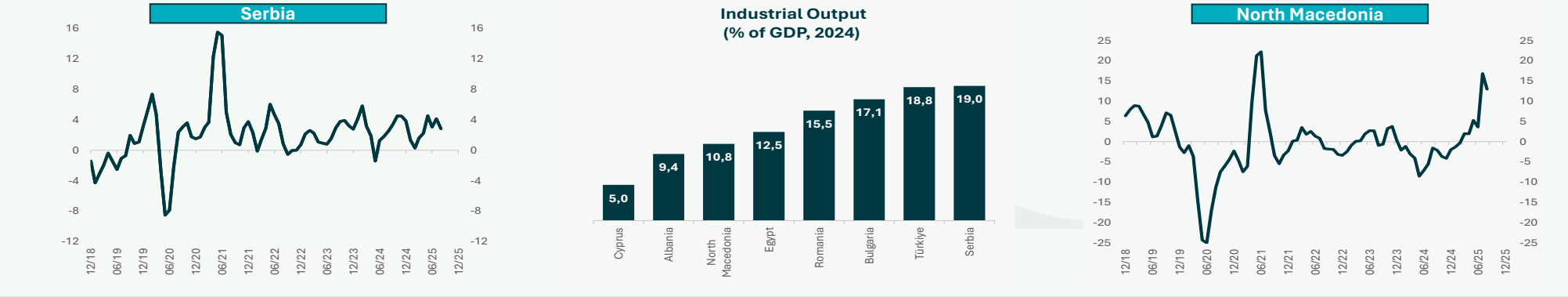
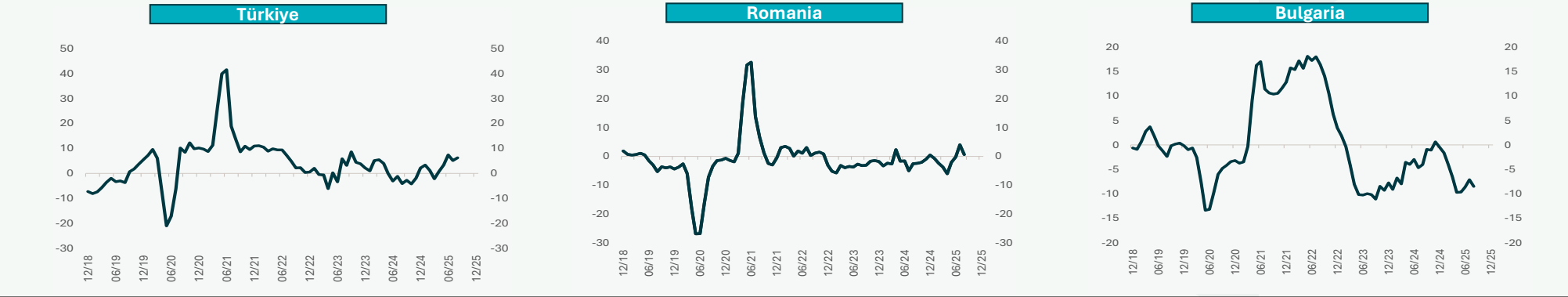
Economic Sentiment Indicator (difference between the % of respondents giving positive and negative replies, s.a.)

- Economic sentiment has been hit by **global trade uncertainties** and **geopolitical unrest**
- The **EU-US trade deal restored stability** to a significant extent and should help **lift sentiment in industry**, which has been **mired by long-standing stagnation** in activity
- Albeit off its post-pandemic peak, **sentiment in most of the services sectors** under review remains **positive**
- Year-long political turmoil in **Serbia** and the launch of an aggressive fiscal consolidation programme in **Romania**, after a prolonged and very tense election cycle, have weighed on sentiment (especially on consumer confidence) in both economies

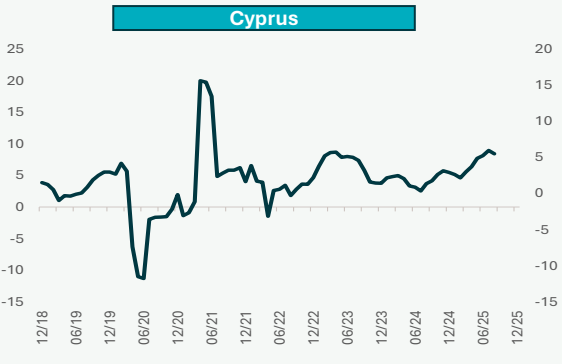
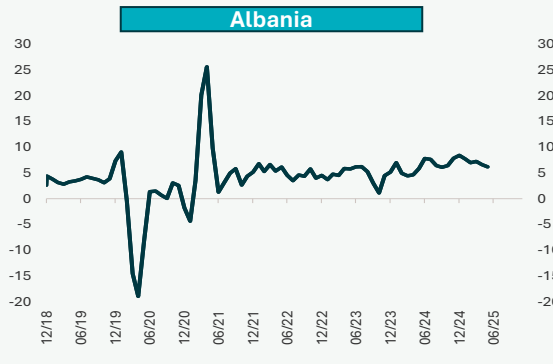
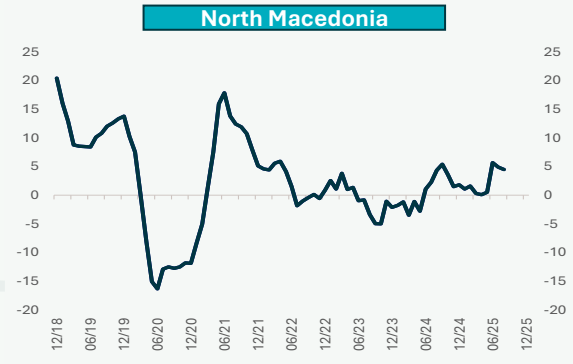
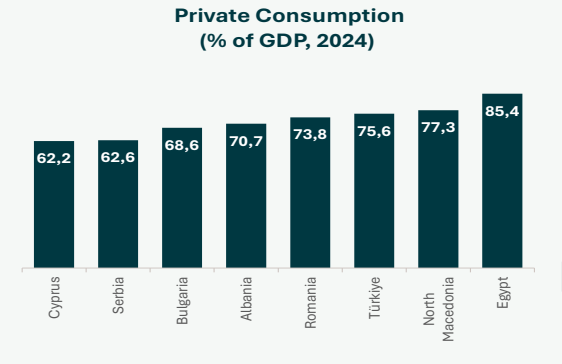
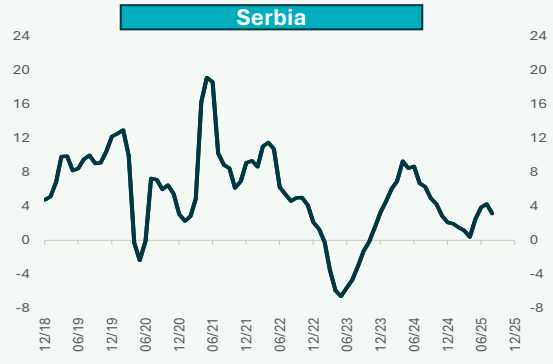
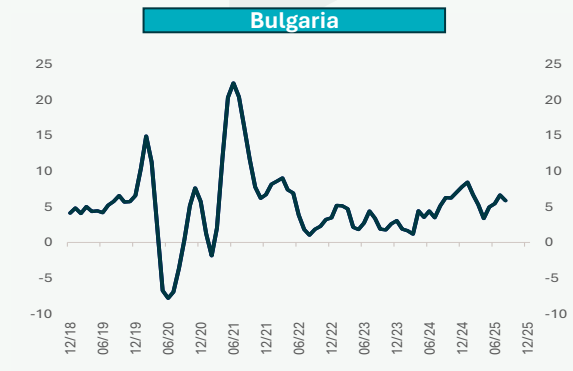
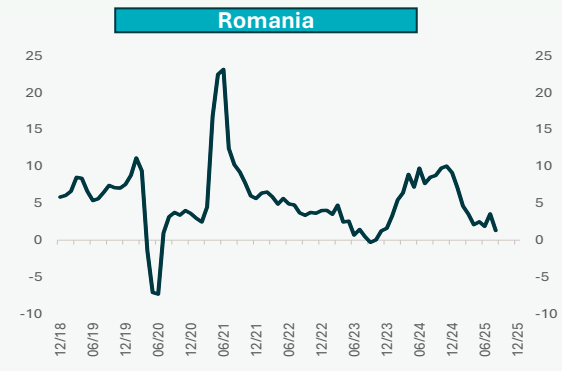
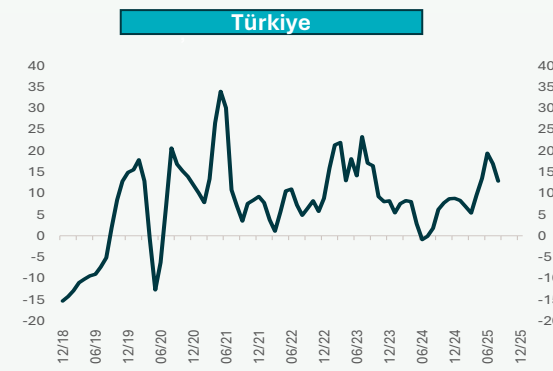


Industrial production (3-month rolling, y-o-y % change)

- After a short-lived recovery related to the US frontloading of imports of goods from the EU in anticipation of higher EU tariffs, industrial activity has been **losing steam**
- Despite healthy domestic demand, the industrial sectors under review have been at a **standstill**, mainly due to weak demand from the EU (especially Germany). This discrepancy reflects, *inter alia*, their relatively low position in global value chains
- Worryingly, the US protectionist shift clearly **weighs on** the sectors’ short-term outlook. In the longer-term, **Germany’s massive infrastructure and climate protection stimulus package** should have **positive spillover effects** on regional industries

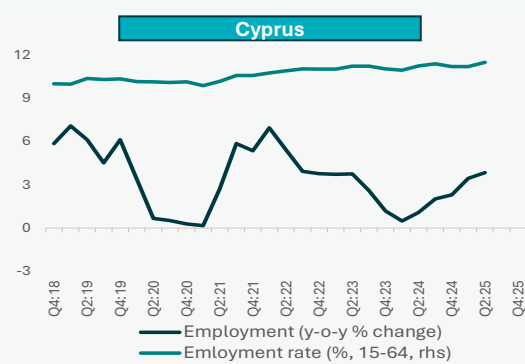
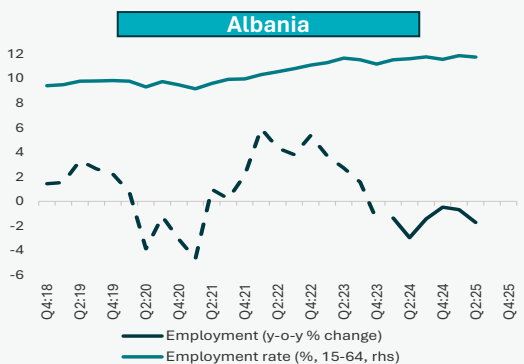
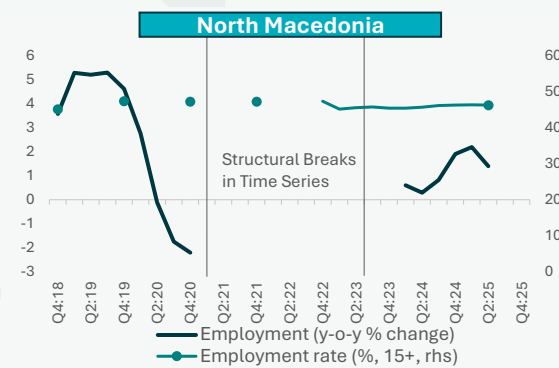
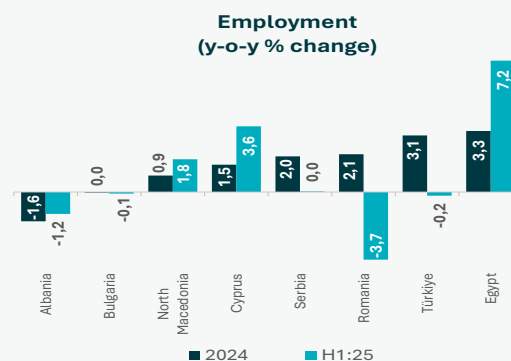
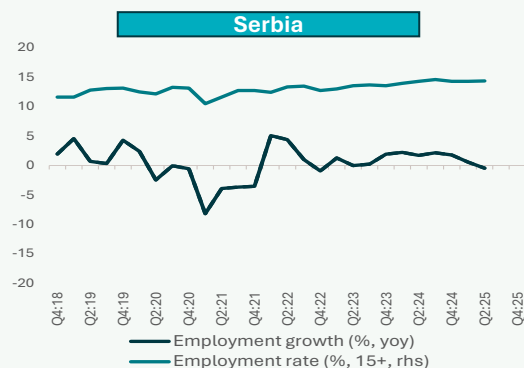
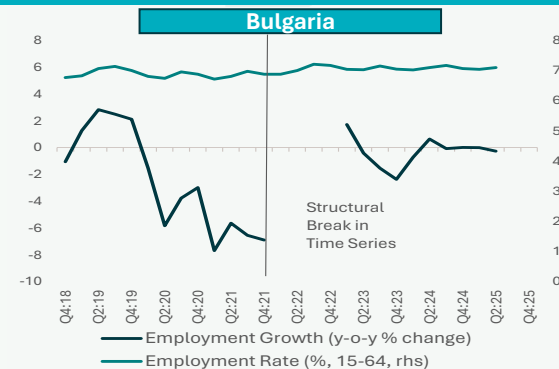
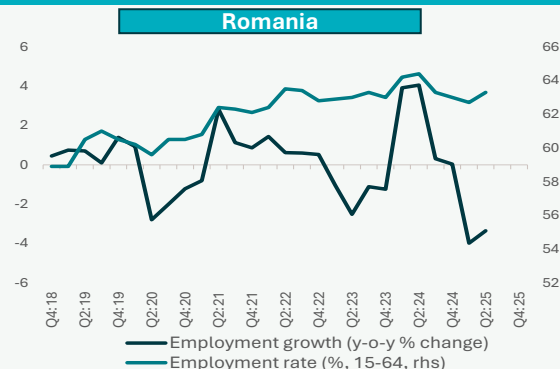


Despite unsupportive consumer confidence in most of the economies under review, retail sales have been **growing, albeit at a modest pace**, underpinned by solid expansion in (real) incomes



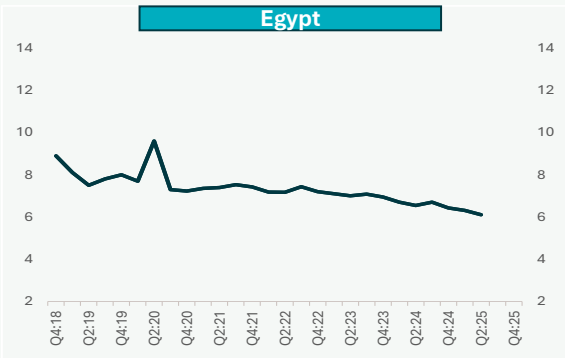
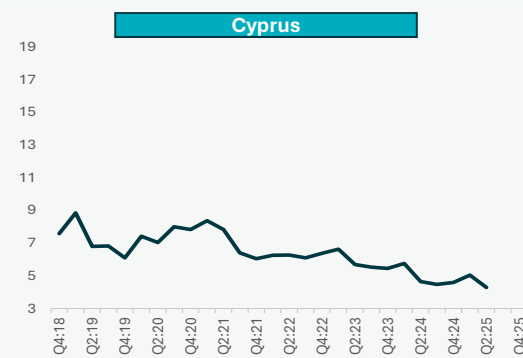
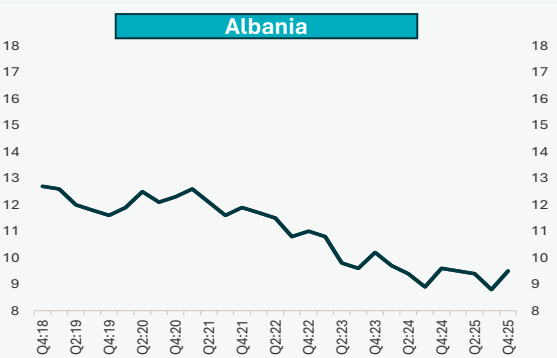
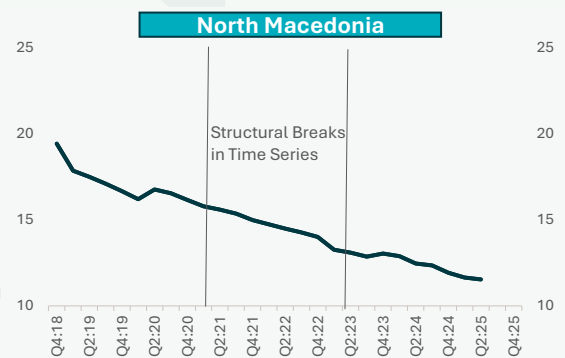
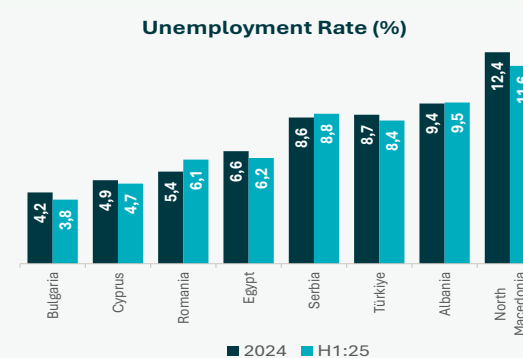
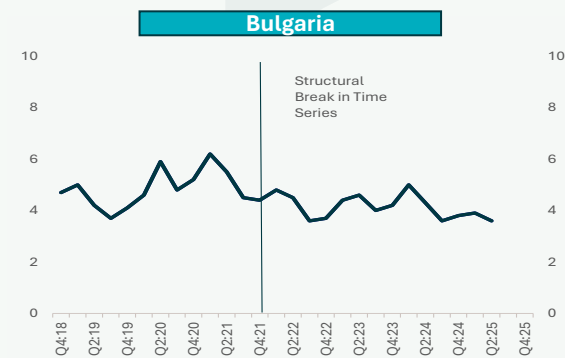
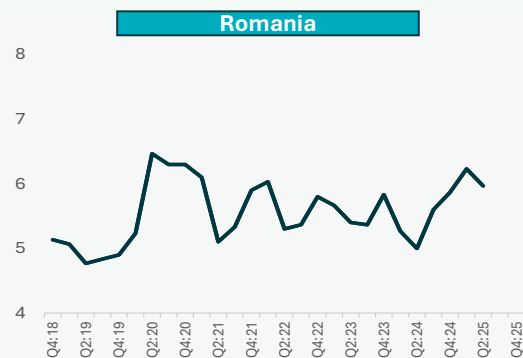
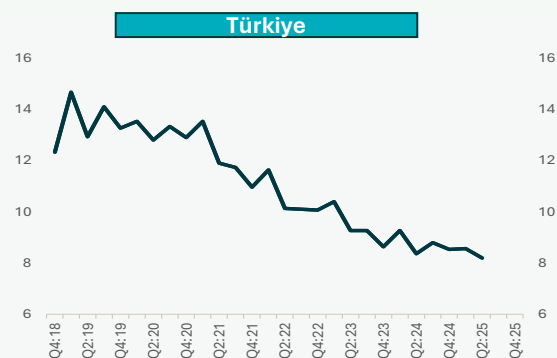
Employment growth (y-o-y % change) & Employment Rate (%)

- Following strong expansion over the past 2 years, **employment growth has been losing steam** in most of the economies under review. Still, considering employment and unemployment rates, overall labour market conditions remain **tight**
- The weak outlook for exports** along with **heightened uncertainty** cannot but **weigh on employers' hiring plans**, at least in the short-term
- Romania** has been seeing signs of weakness in its labour market over the past few quarters. Pressures are set to intensify, in line with the poor economic outlook
- In **Cyprus**, the continuing influx of foreign workers, associated with foreign businesses relocating to the island, has boosted employment growth



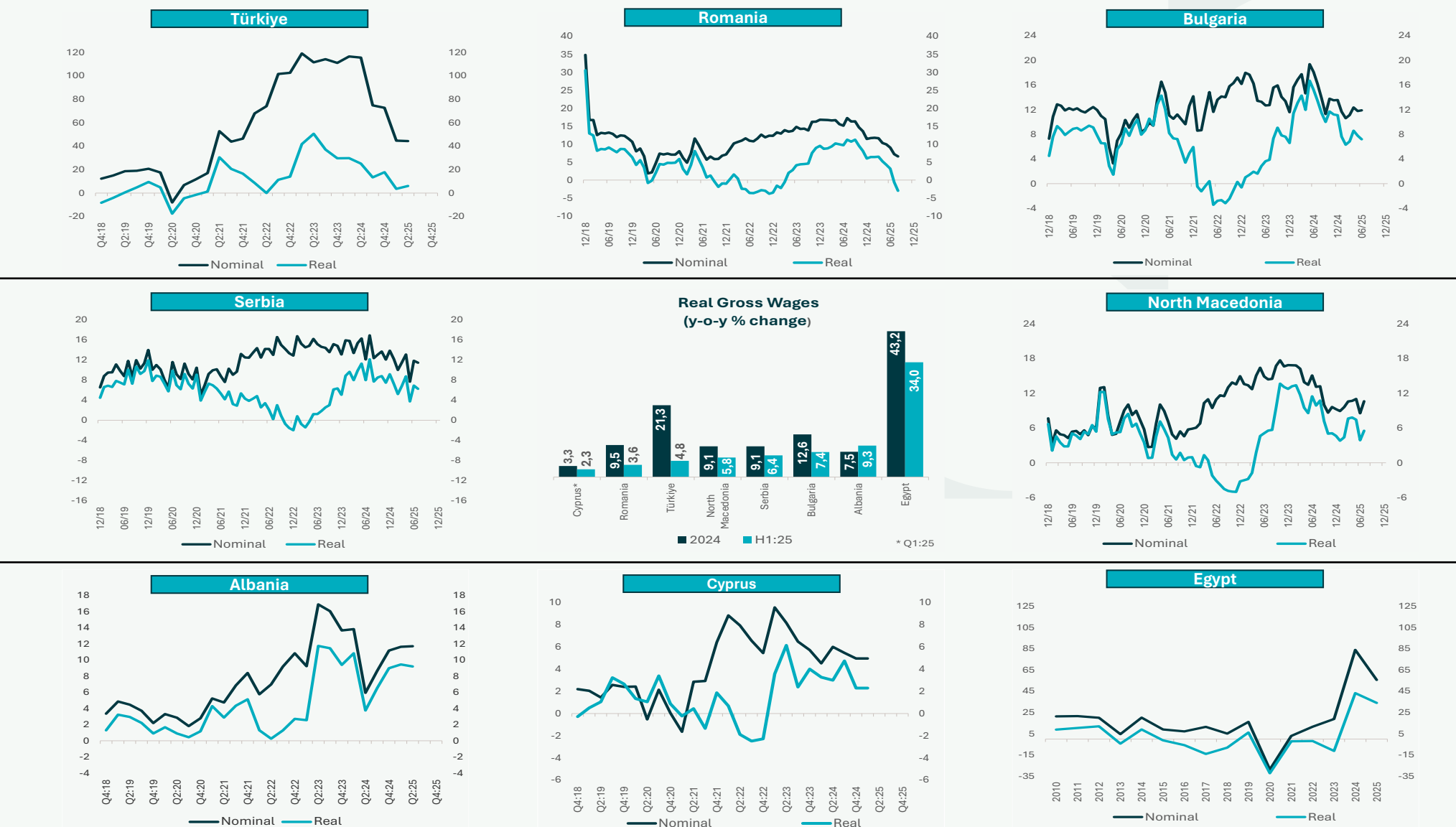
Unemployment rate (%)

- Unemployment rate has yet to bottom out** in most of the economies under review. However, the scope for further improvement appears to be limited, considering that the current rates are below those observed prior to the GFC in most of the economies and are combined with record-high participation rates
- The very high and sluggish levels of unemployment in **North Macedonia, Albania** and **Serbia** largely reflect the large share of grey economic activities. The latter could imply much stronger underlying activity trends in those economies than suggested by official data

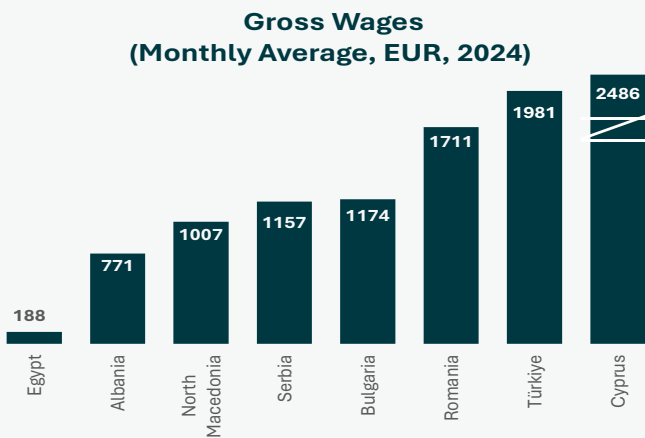


Nominal and real wages (y-o-y % change)

- Albeit slowing, real *ex-post* wage growth remains solid in most countries under review, underpinning private consumption
- More prudent incomes policies, on the back, *inter alia*, of improved inflation expectations, suggest that wage growth is expected to **moderate further** in the period ahead -- given that the purchasing power losses incurred by households during the recent cost-of-living crisis have been more than recouped -- remaining, nonetheless, **above historical averages**, in line with still tight labour market conditions



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



Tax Rates (% , 2025)		
	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	5.0 - 15.0
Cyprus	20.0 - 35.0	12.5*
Egypt	10.0 – 27.5	22.5
Greece	9.0 - 44.0	22.0

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

Snapshot

Real Sector

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

Prices & Monetary Policy

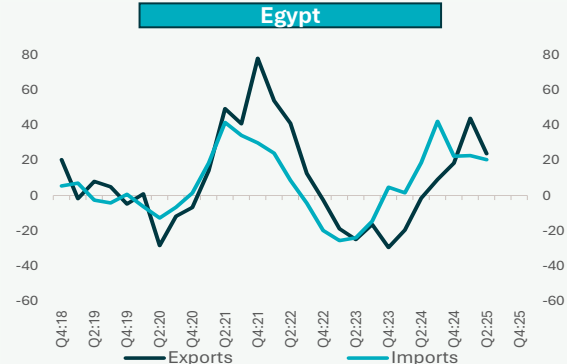
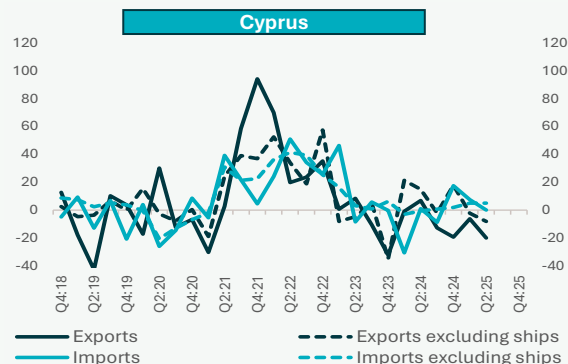
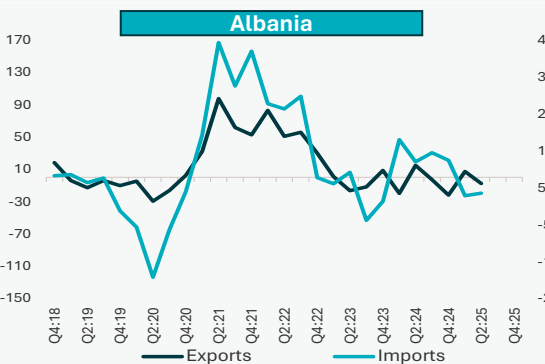
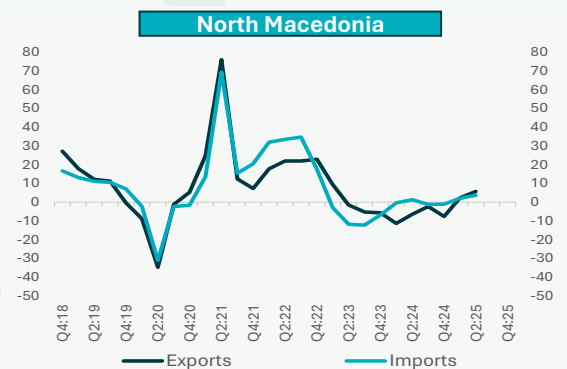
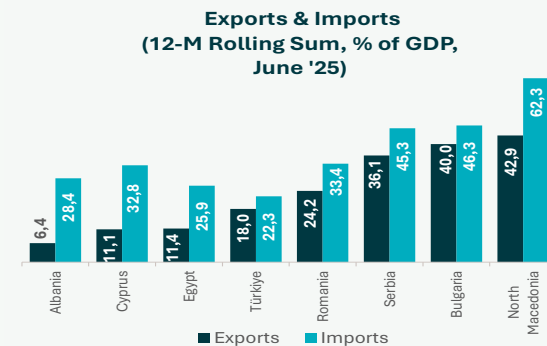
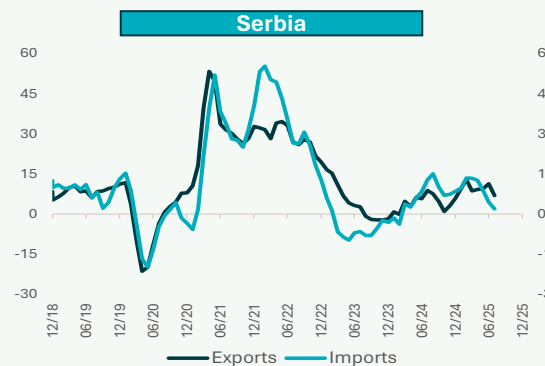
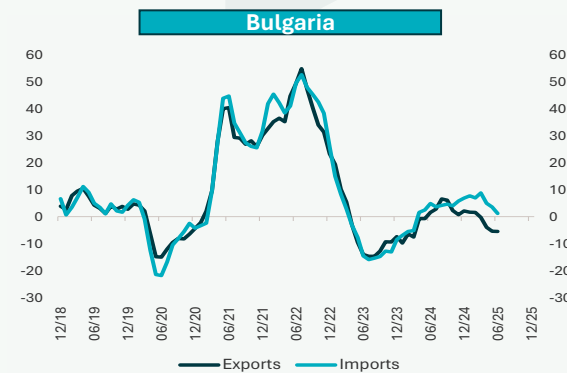
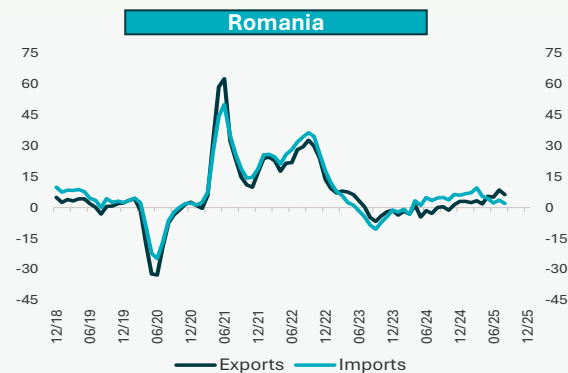
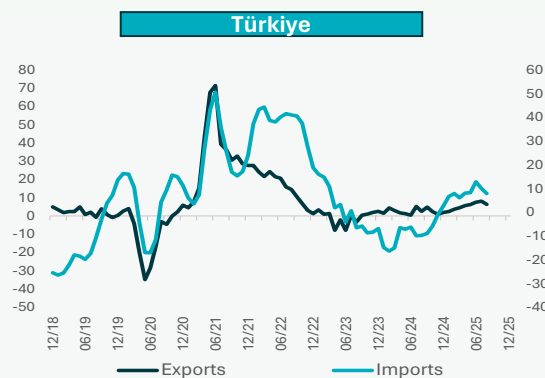
Fiscal Position

Financial Markets

Banking Sector

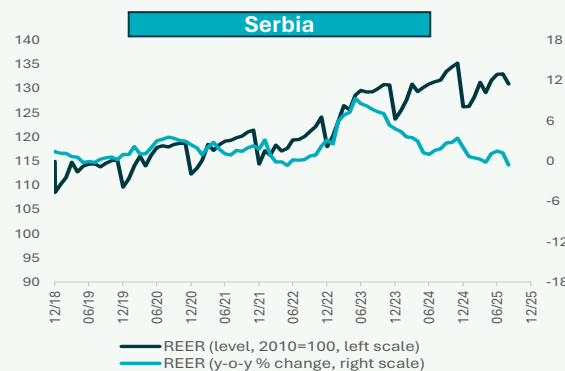
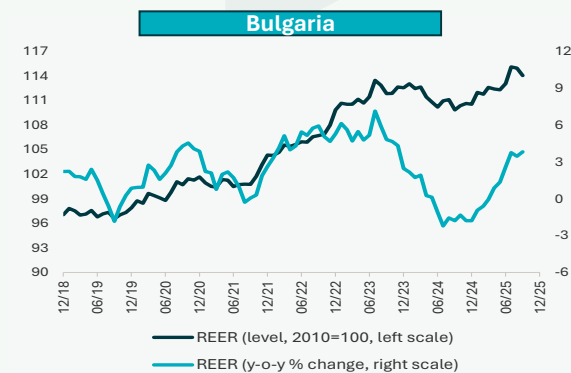
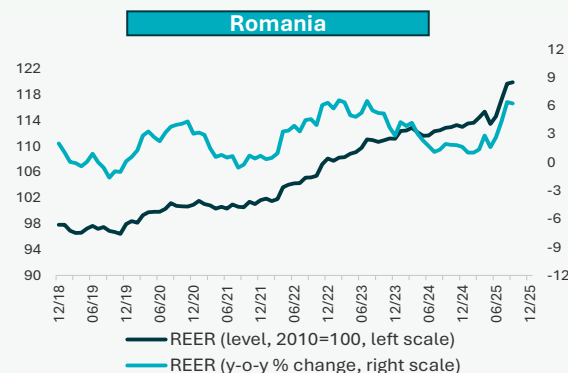
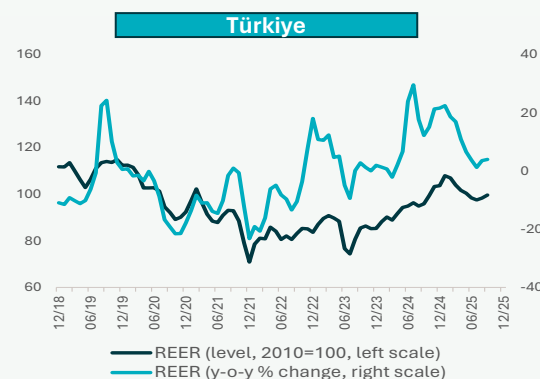


- The unwinding of the frontloading of US imports means that trade growth is set to **lose (further) steam** in the period ahead

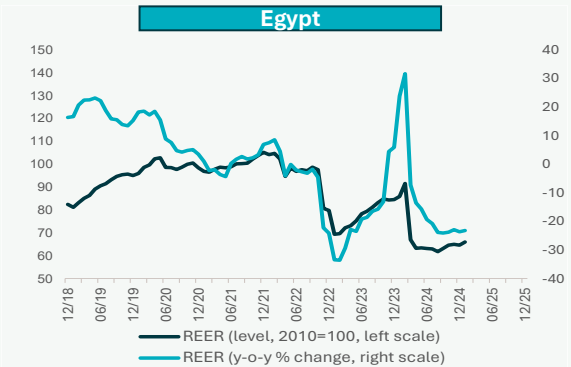
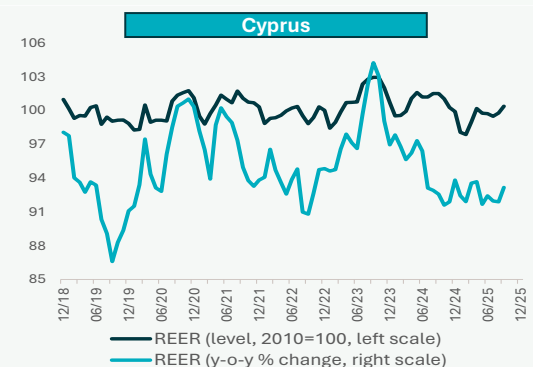
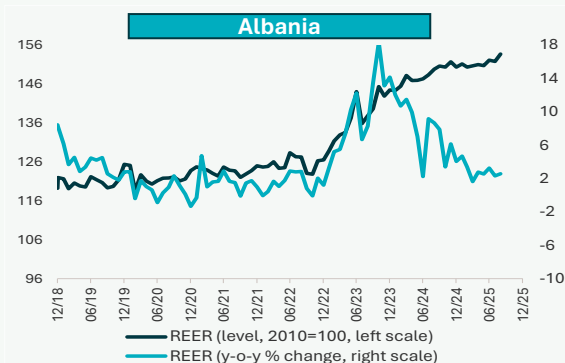
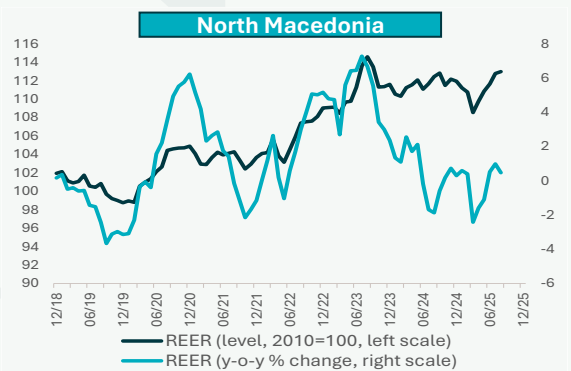
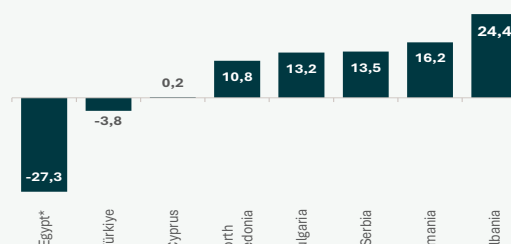


CPI-based real effective exchange rate

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

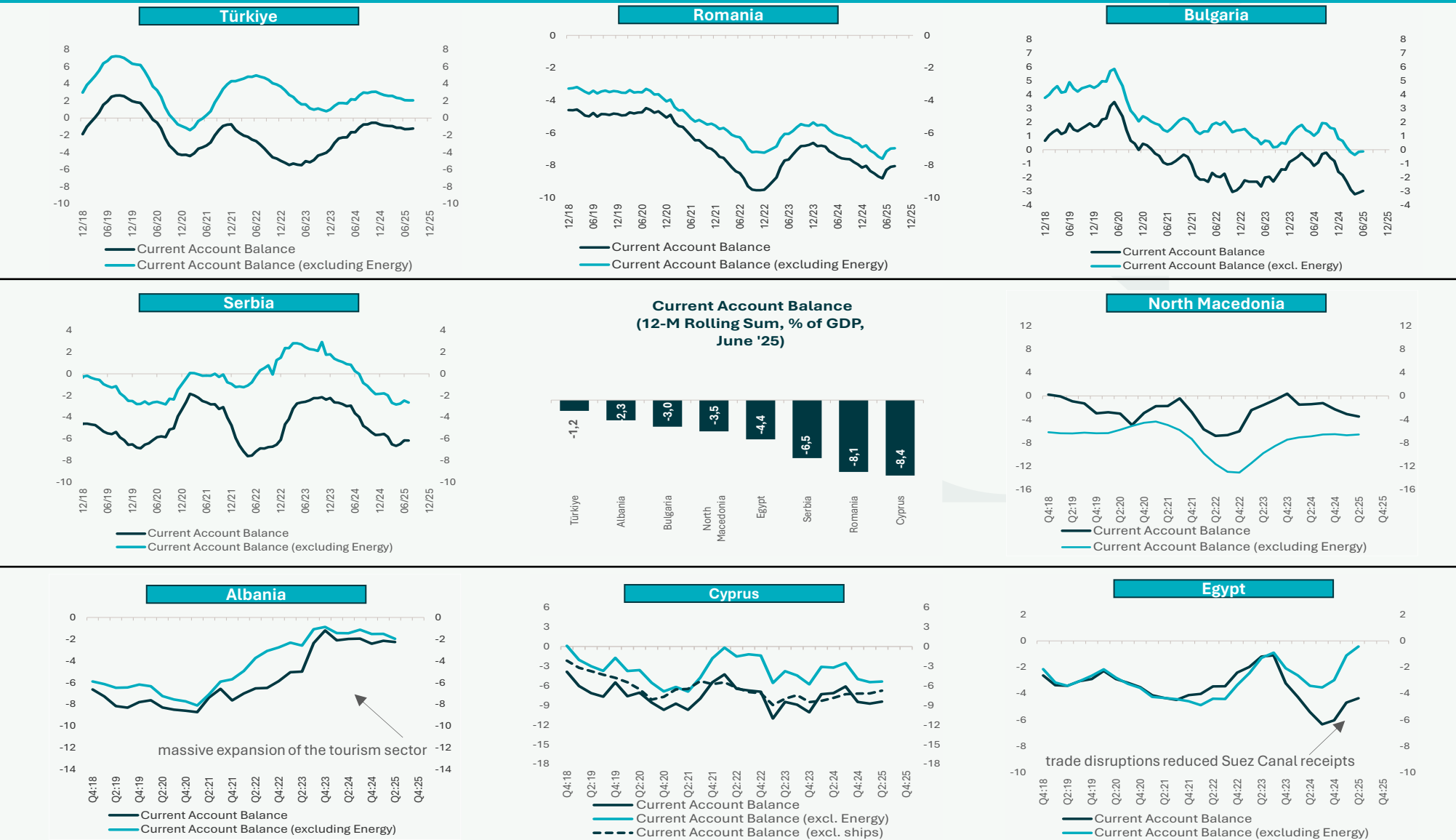


**12-M Average REER
(Sep 2020-Sep. 2025, % change)**



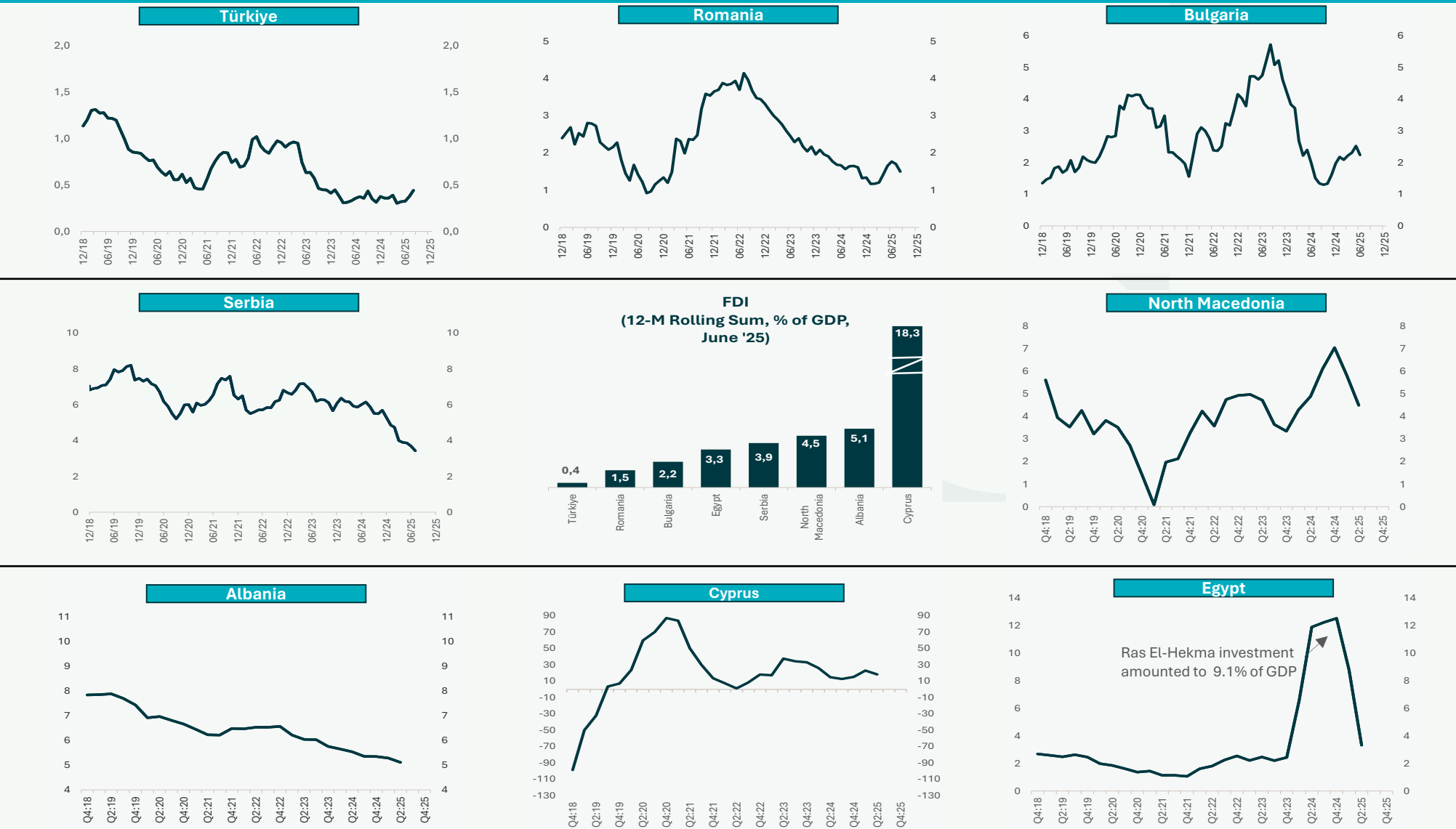
Current account balance (12-month rolling, % of GDP)

- Firm domestic demand has kept trade balances under pressure in most of the economies under review (especially **Romania, Bulgaria and Serbia**), despite favourable global energy prices
- In **Türkiye**, economic adjustment has resulted in a sharp correction in external imbalances. The massive expansion of the tourism sector in **Albania** and foreign business relocation to **Cyprus** have drove a structural widening in the services surplus of both economies. In **Egypt**, a surge in remittance inflows in the wake of FX liberalisation allowed the current account deficit to start narrowing, despite falling gas production and lower Suez Canal receipts



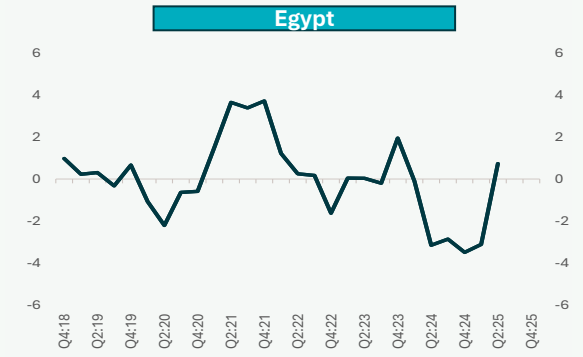
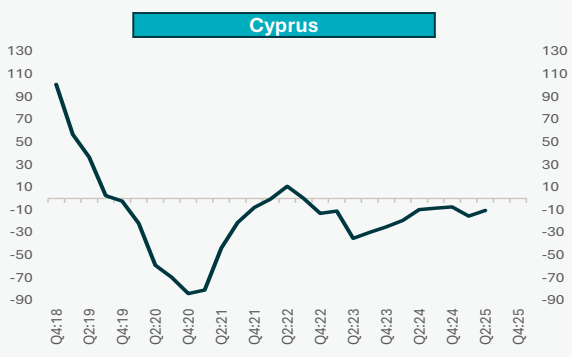
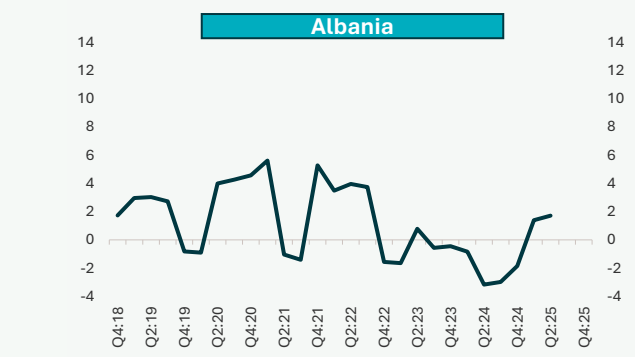
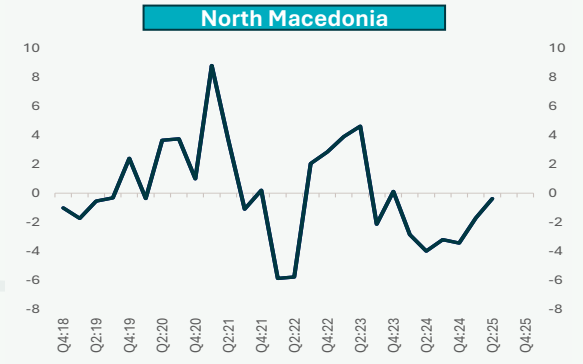
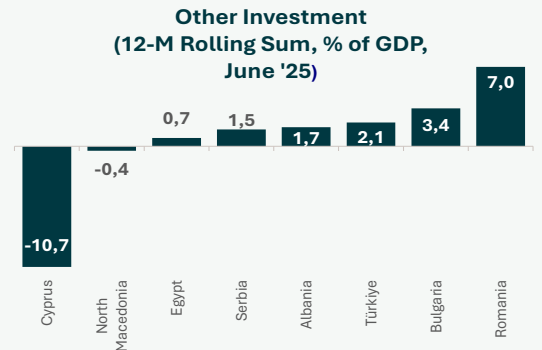
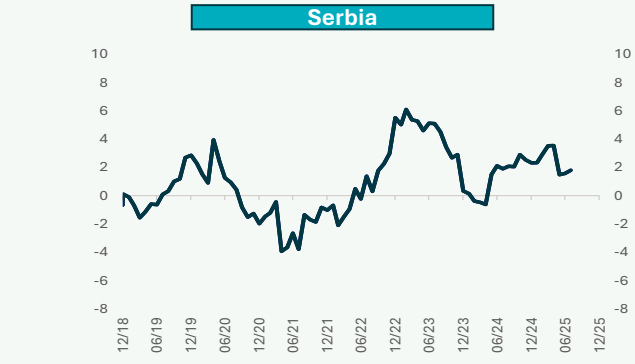
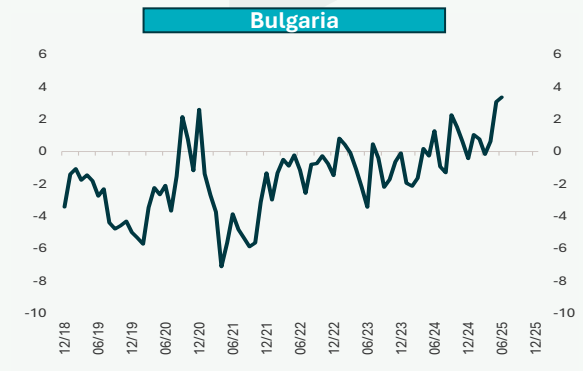
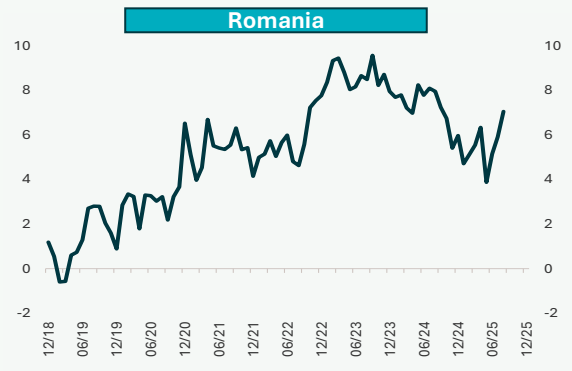
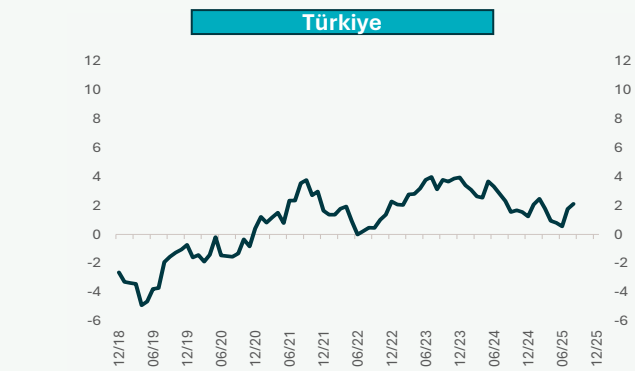
Net foreign direct investment (12-month rolling, % of GDP)

- Albania, Serbia and North Macedonia enjoy the strongest net FDI inflow in the region
- In Egypt, pending SOE privatizations and large-scale foreign (mostly from GCC countries)-funded real estate investments (in the mode of UAE’s ongoing Ras El-Hekma project) should keep FDI high in the period ahead, providing critical FX inflows
- Traditionally, the bulk of FDI consist of **reinvested earnings** and **intercompany lending**
- The **re-configuration of global supply chains** in the aftermath of the US’ protectionist shift and ongoing broader **geopolitical fragmentation** cannot but **affect FDI flows**



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

- Despite easing global financing conditions, **other investment flow has been subdued** so far
- Romania, Bulgaria and Cyprus** will continue to benefit from increased flow of funds under the **EU Recovery & Resilience Facility**, especially ahead of its forthcoming expiry at end-2026



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

- In view of the **poor outlook for exports**, in the wake of the US protectionist shift, on the one hand, and **firm domestic demand**, on the other hand, the **current account balance is set to remain under pressure** in most of the economies under review, **despite the favourable outlook for global energy prices**
- Tourism activity is set for a new record in 2025**, with underlying growth, **moderating**, however. This trend is expected to continue over the forecast horizon, meaning that the scope for significant improvement in the economies' tourism balances is narrow
- The current account deficit of the economies under review (barring Romania, Serbia and Cyprus) should remain **below** the empirical critical threshold of c. 5.0% of GDP
- Envisaged fiscal consolidation should help narrow gradually **Romania's** sizeable current account deficit
- Should US sanctions on **Serbia's** NIS lead to persistent energy supply disruptions, forcing the economy to turn into more expensive energy imports to cover its needs, the current account deficit should widen significantly (from an already high base), raising pressure on Serbia's external buffers
- Egypt's** external balances should improve further, following kicking-in of gains in external competitiveness from the weaker EGP. Assuming easing unrest in the Middle East, Suez Canal traffic should recover, supporting the current account
- Easing global financing conditions should help most countries under review **plug their external financing gap** this year without drawing on FX reserves

Türkiye	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-0.8	-1.5	-1.9	-2.2
Net FDI	0.4	0.5	0.5	0.6
Other net capital inflows *	1.2	1.7	0.0	0.0

Bulgaria	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-1.6	-2.7	-2.5	-1.9
Net FDI	2.0	2.4	2.6	2.9
Other net capital inflows *	-1.4	2.0	1.5	0.8

North Macedonia	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-2.3	-3.5	-3.3	-3.1
Net FDI	7.0	4.9	5.0	5.1
Other net capital inflows *	-3.4	-1.4	0.0	0.0

Cyprus	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance**	-8.2	-8.6	-8.4	-8.3
Net FDI**	14.7	16.3	17.2	18.2
Other net capital inflows *	-7.3	-6.8	-6.1	-7.4

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

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

Romania	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-8.4	-8.2	-7.4	-6.7
Net FDI	1.6	1.4	1.3	1.3
Other net capital inflows *	3.2	7.7	6.5	5.9

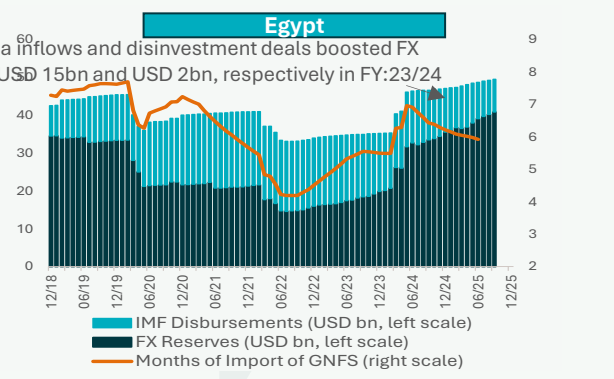
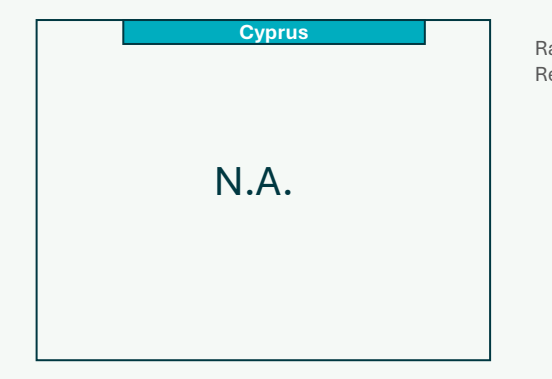
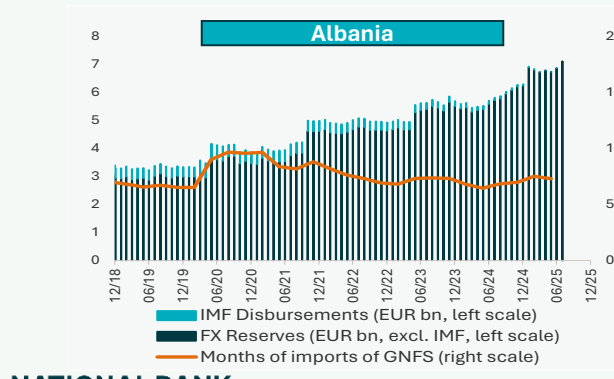
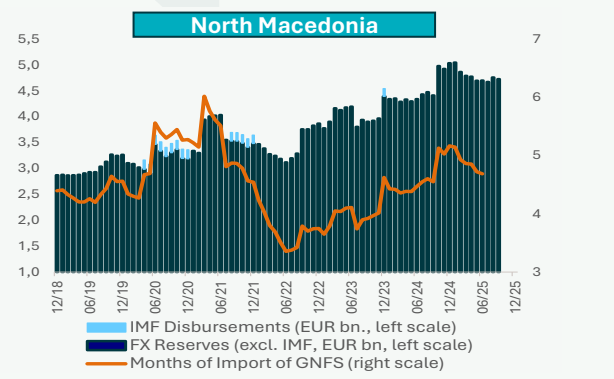
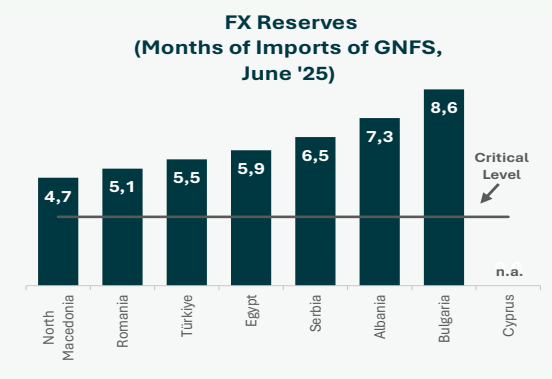
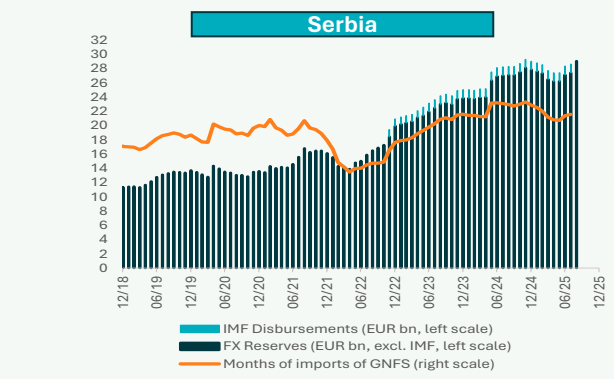
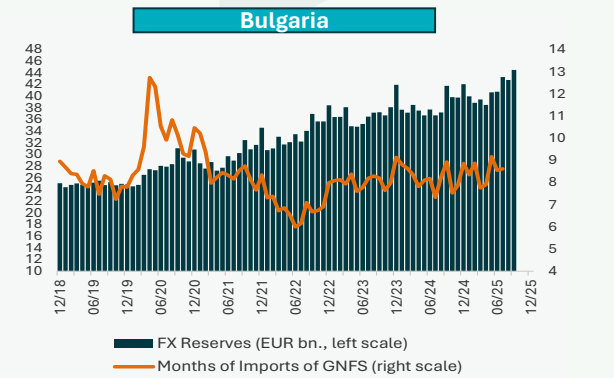
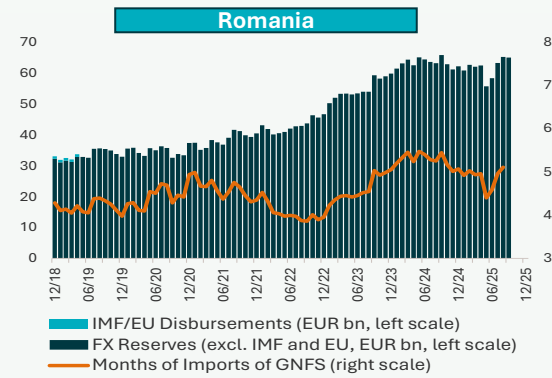
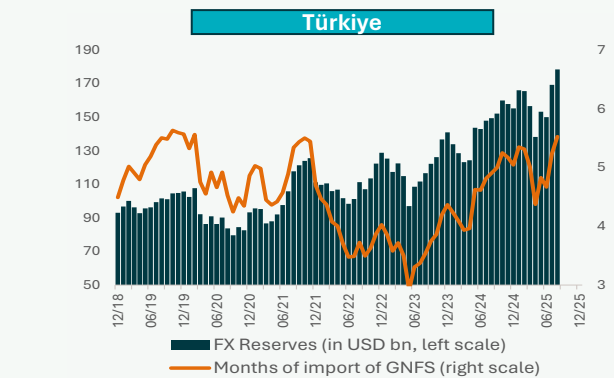
Serbia	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-5.5	-5.9	-5.7	-5.3
Net FDI	5.7	4.0	4.1	4.1
Other net capital inflows *	2.3	2.3	3.2	3.3

Albania	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
Current account balance	-2.4	-2.6	-2.7	-2.9
Net FDI	5.3	5.1	5.2	5.2
Other net capital inflows *	-1.9	-0.2	-0.4	-0.4

Egypt [#]	Jun. 24	Jun. 25	Jun. 26F	Jun. 27F
Current account balance	-5.4	-4.4	-4.7	-3.4
Net FDI	11.9***	3.2	3.1	3.1
Other net capital inflows *	-3.2	3.3	3.1	3.1

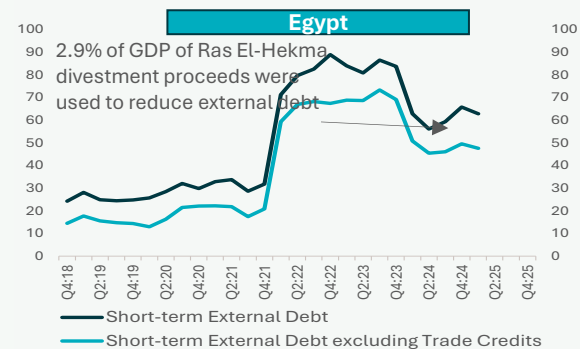
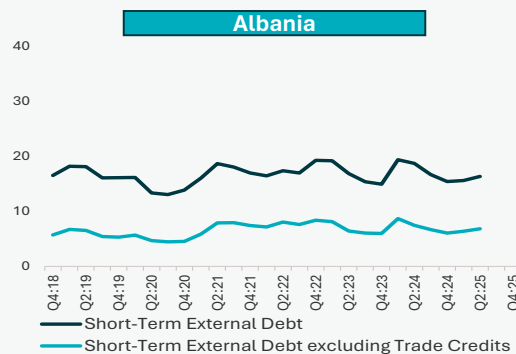
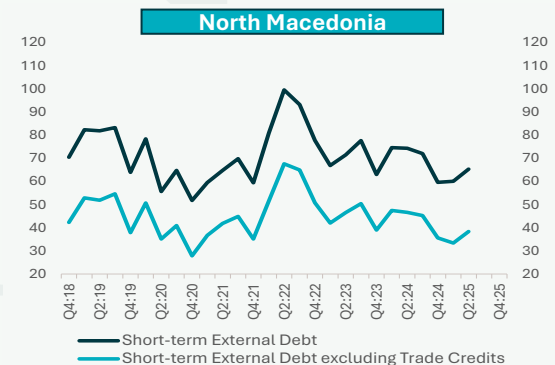
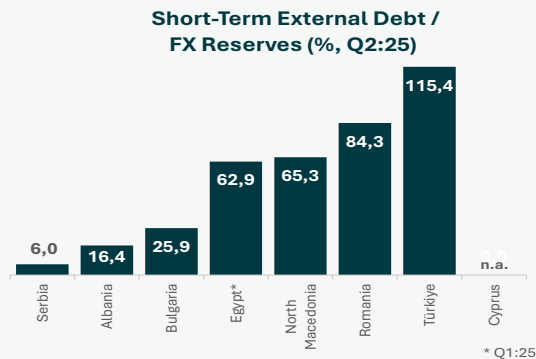
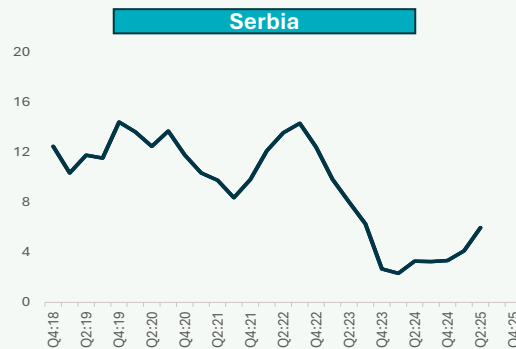
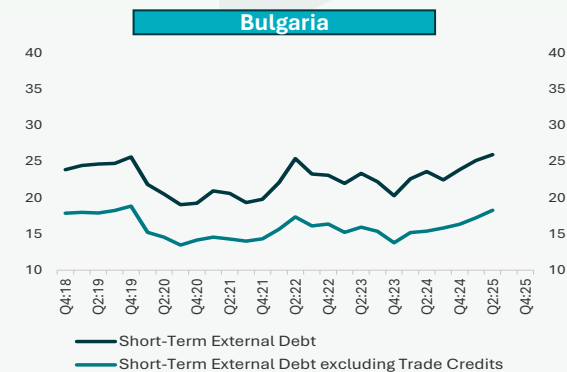
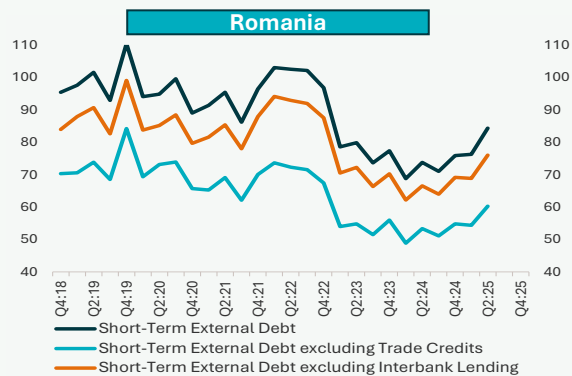
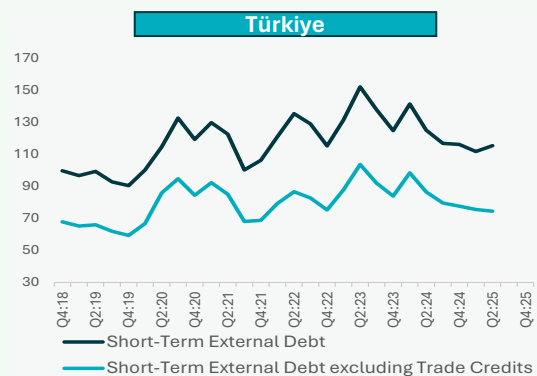
***: including divestment proceeds from the Ras El-Hekma project

- Türkiye, Romania and Serbia have more than recouped the losses in FX reserves suffered in the beginning of the year, amid increased political uncertainty
- FX reserves stand at **adequate** levels in all countries under review, covering more than 4 months of GNFS imports



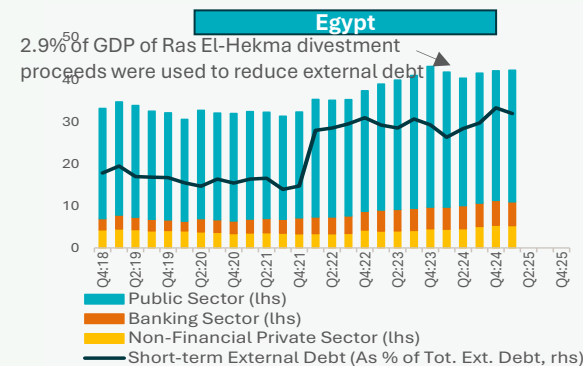
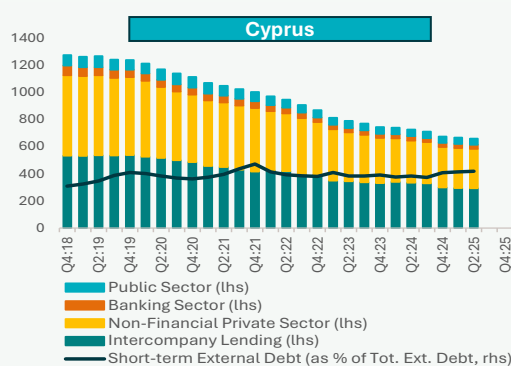
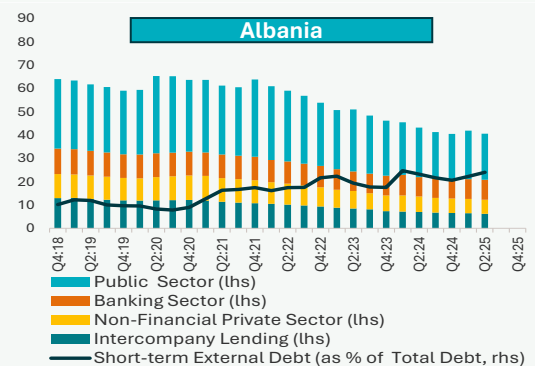
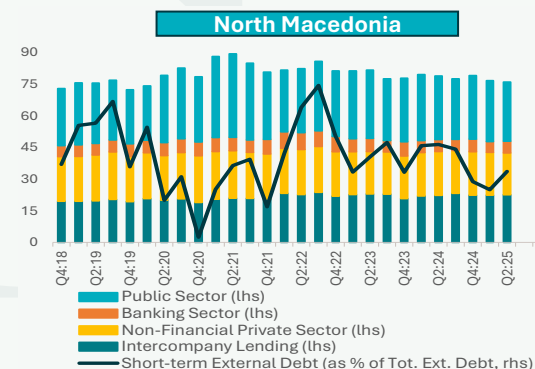
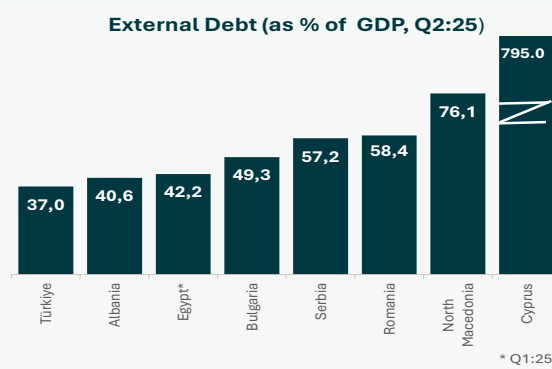
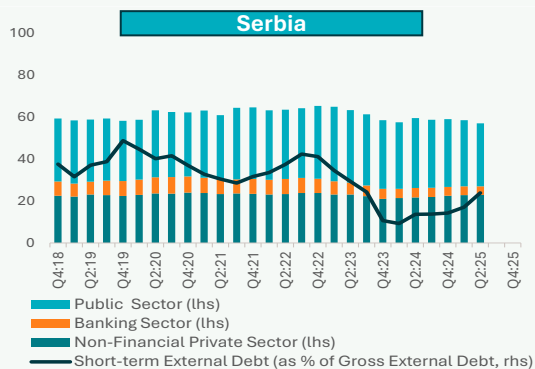
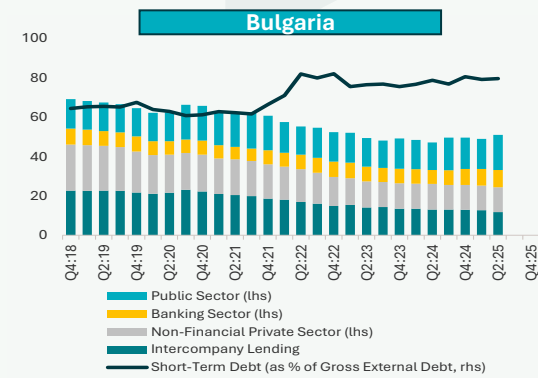
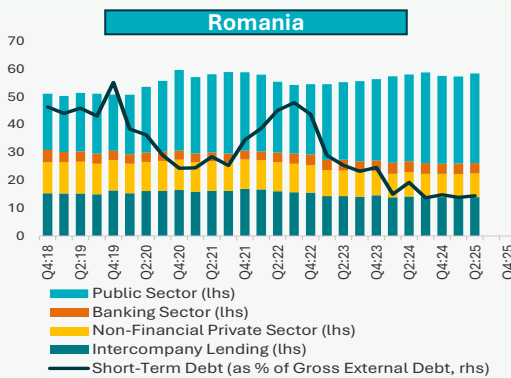
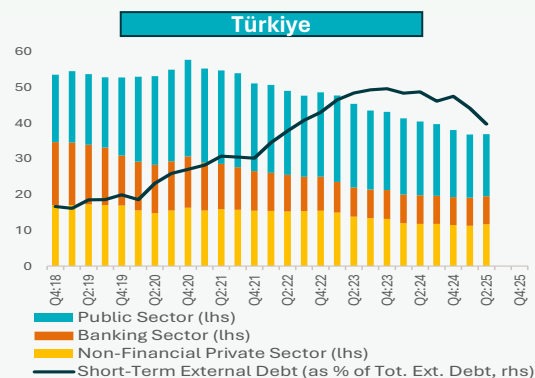
Short-term external debt-to-Foreign exchange reserves ratio (%)

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



External debt (% of GDP)

- Modest current account deficits, together with solid -- yet easing -- GDP growth (denominator effect), should keep the external debt-to-GDP ratio broadly **at current levels** over the forecast horizon in most of the countries under review
- The **cost of debt accumulation should ease**, amid accommodative global financing conditions



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Real estate prices

Inflation

Energy & Food prices and Transport costs

Nominal effective exchange rate

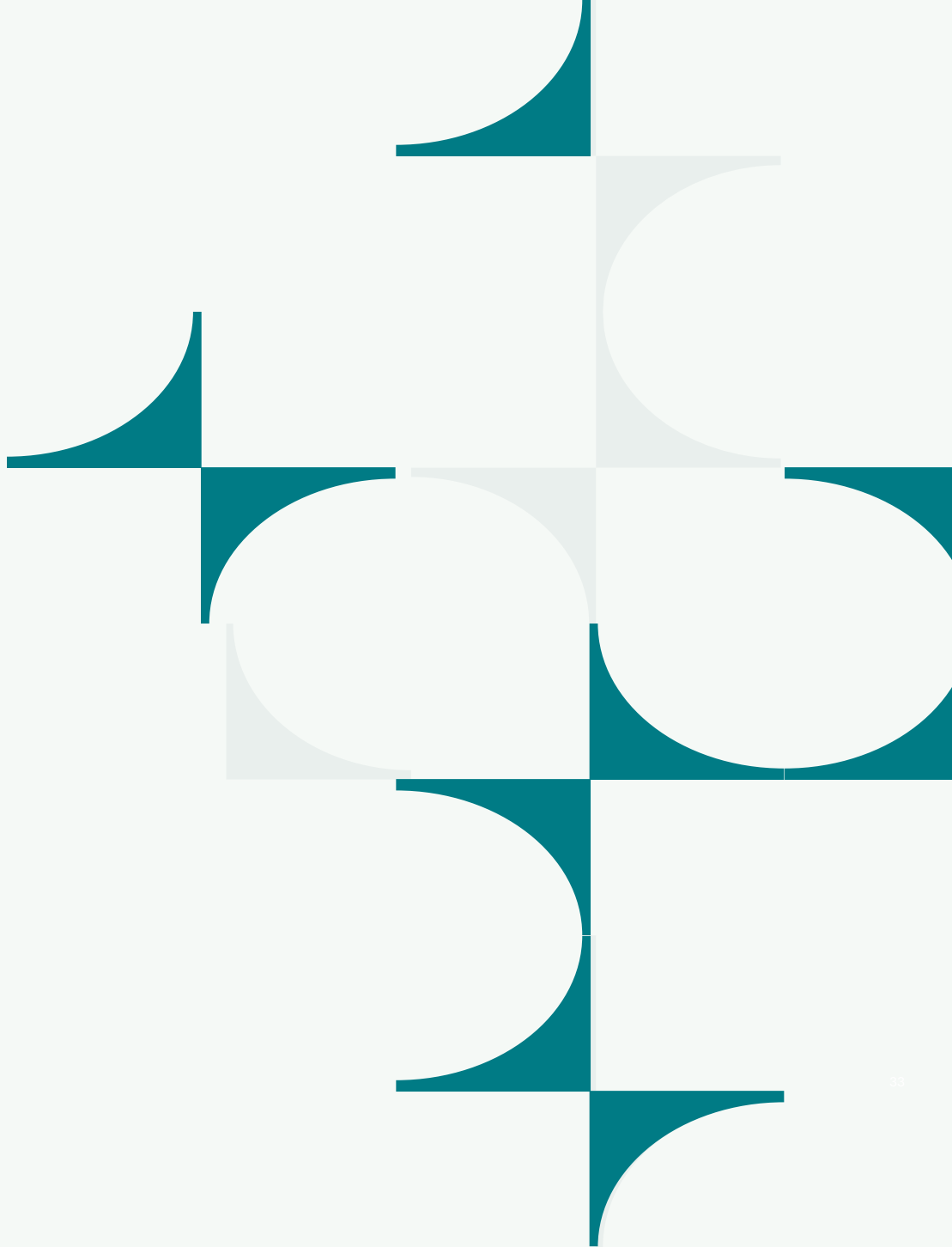
Policy rate

Reserve requirement ratios

Fiscal Position

Financial Markets

Banking Sector



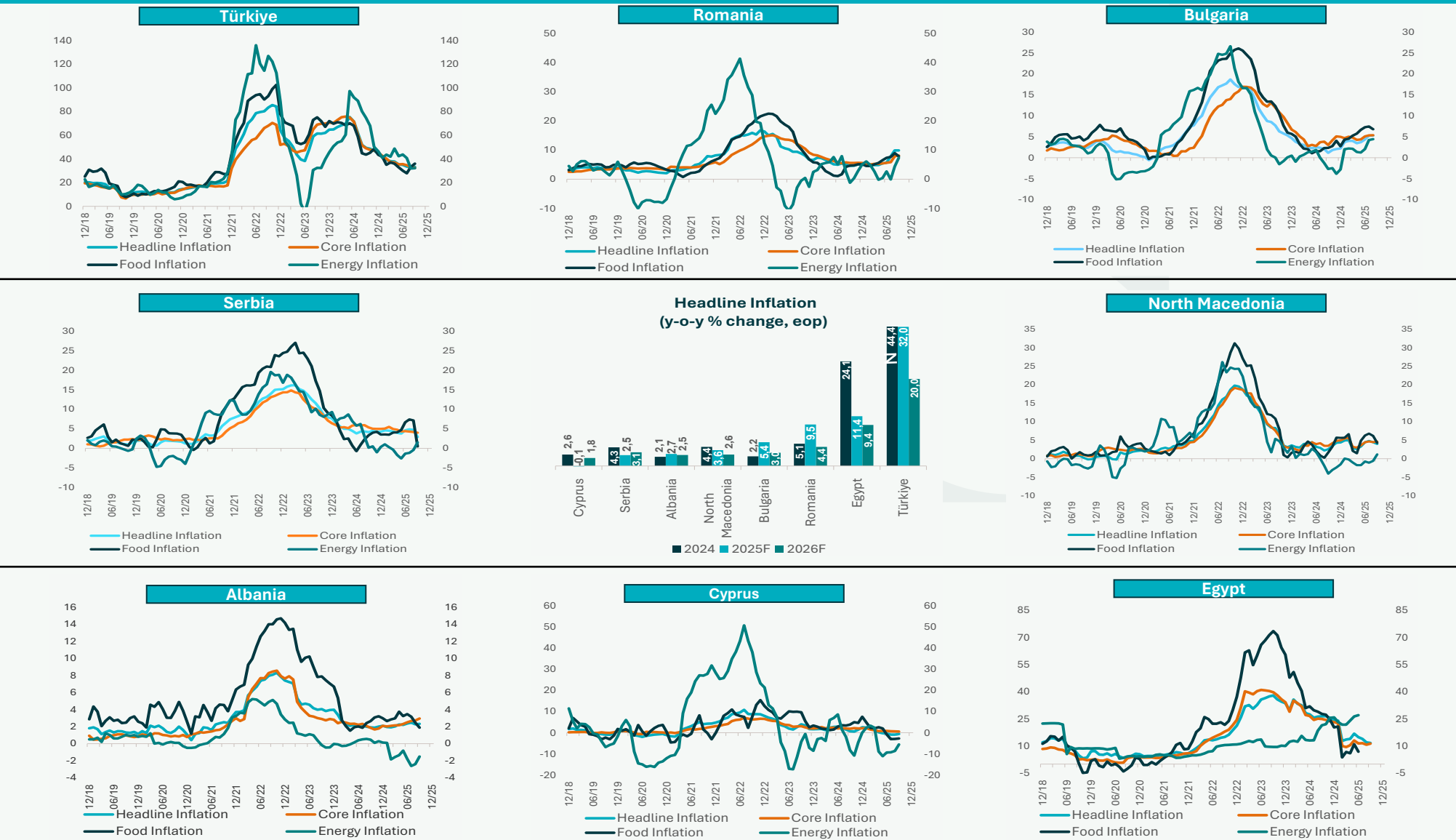
Real estate prices

- The strong performance of the real estate market in **Cyprus** has largely been fueled by the influx of foreign workers relocating to the island as their companies move operations there. In **Türkiye**, agents have rushed into the real estate market to hedge against high inflation
- Against the backdrop of strong real estate price growth, authorities in **Bulgaria** have tightened their borrower-based macro-prudential policy on mortgage lending (October '24) to contain real estate appreciation. Similar measures are due to be implemented in **North Macedonia** by end-year
- Easing financing conditions should provide a **tailwind** to the real estate market in the period ahead



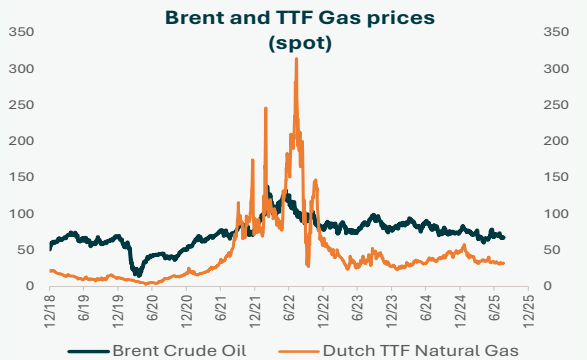
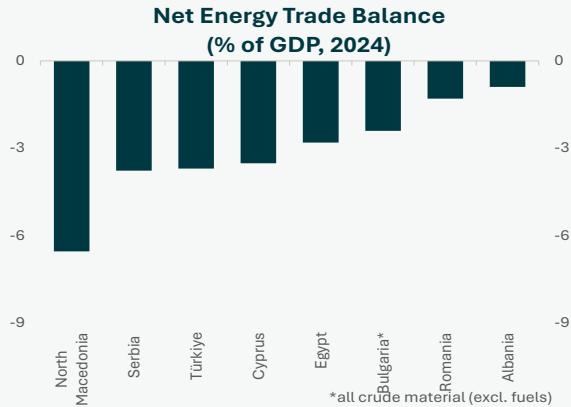
Inflation (%)

- Disinflation has lost much of its steam lately, following not only expiration of the administrative measures mitigating the cost-of-living crisis but also the fading impact of lower energy prices. The headline measure of inflation is now close to that of its **sticky services** component, with the latter largely reflecting **still strong wage growth**
- Headline inflation is set to continue on a slow downward trend but is **unlikely to return to pre-pandemic levels** before the end of the 2-year forecast horizon
- In **Romania**, tax hikes (in VAT & excise duties) and the liberalization of the energy market has sent the inflation rate to nearly double-digits
- In the event US sanctions on **Serbia's** NIS remain effective for long, higher import costs for energy should push headline inflation up significantly

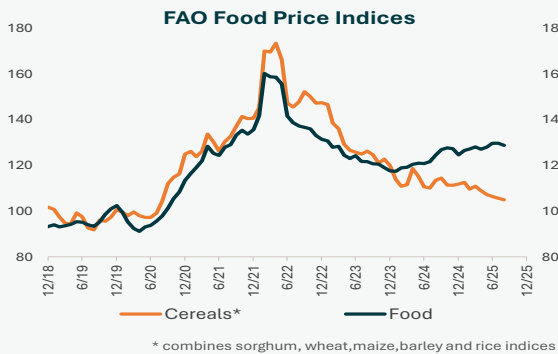
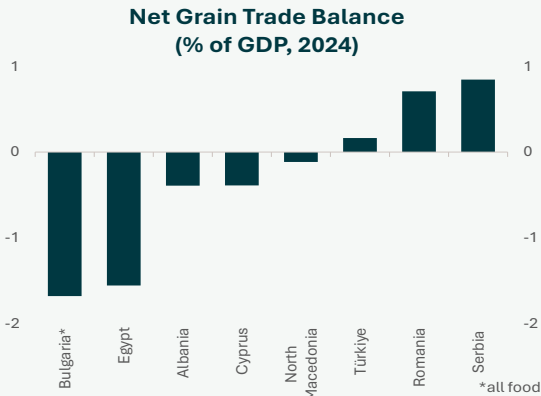


- Global energy prices have been **range bound** but **remain vulnerable to geopolitical flare ups**. Leaving aside the latter, increased oil production from OPEC & non-OPEC nations and the envisaged surge in global LNG capacity suggest a **favourable outlook** for global energy prices over the forecast horizon, in view of modest global economic growth
- Global food prices (especially of dairy, vegetable oil and, to a lesser extent, meat products) have been **on the rise**, reflecting, *inter alia*, supply constraints

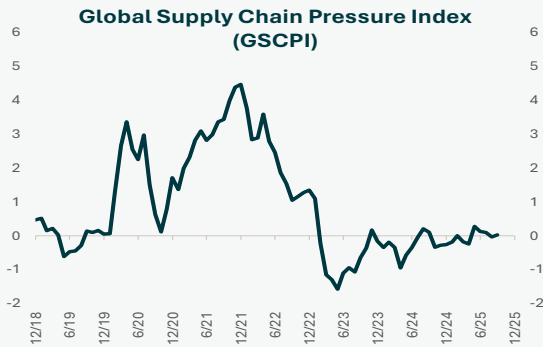
Energy



Food

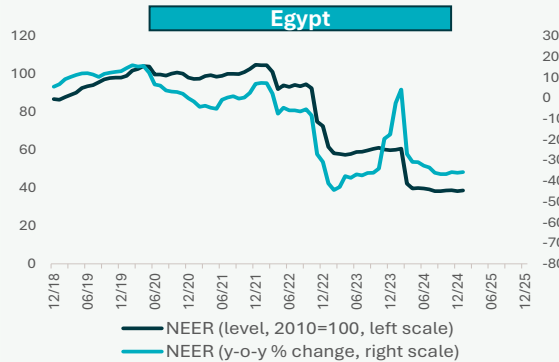
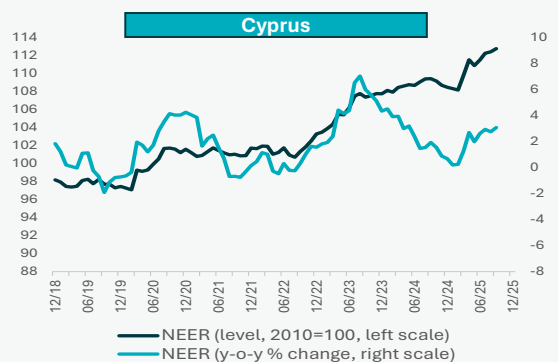
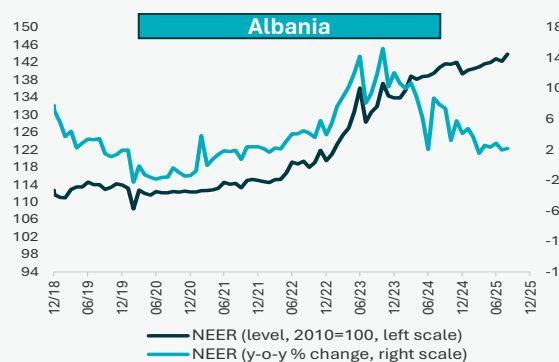
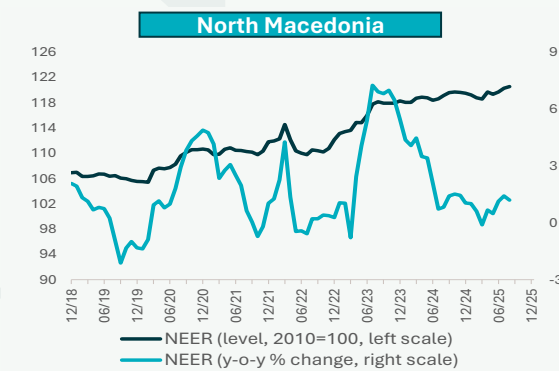
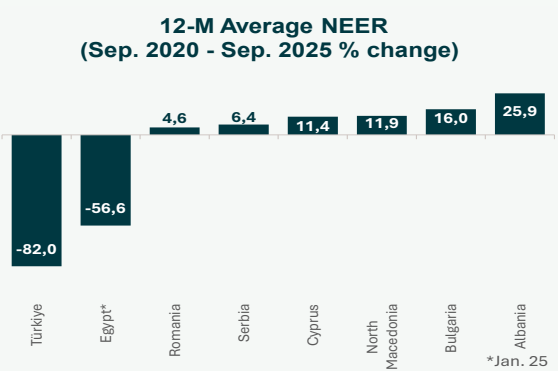
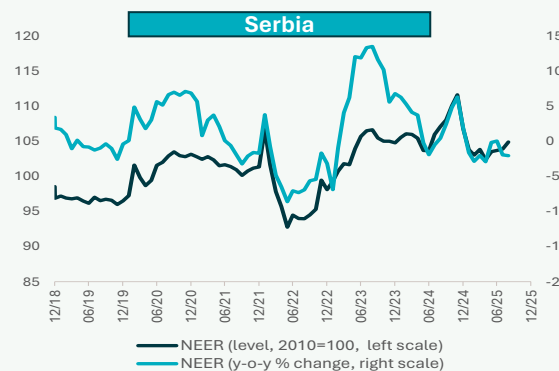
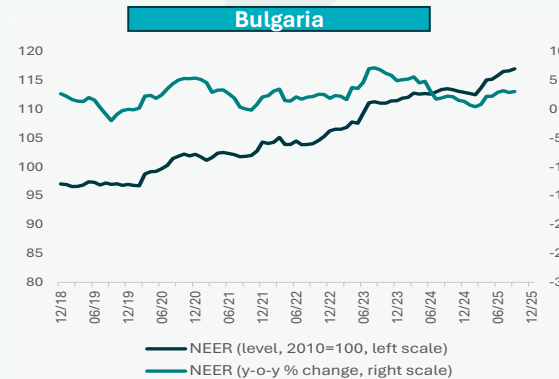
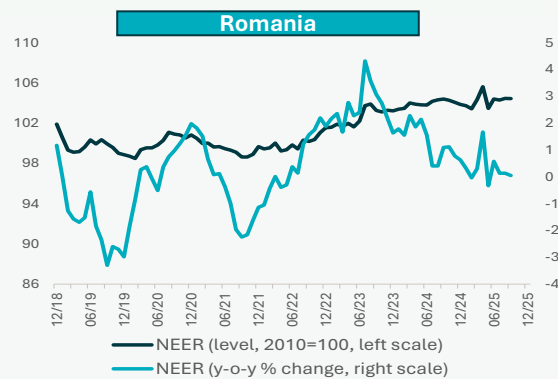
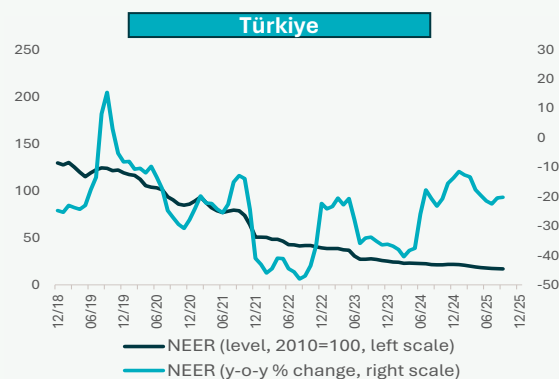


Global Supply

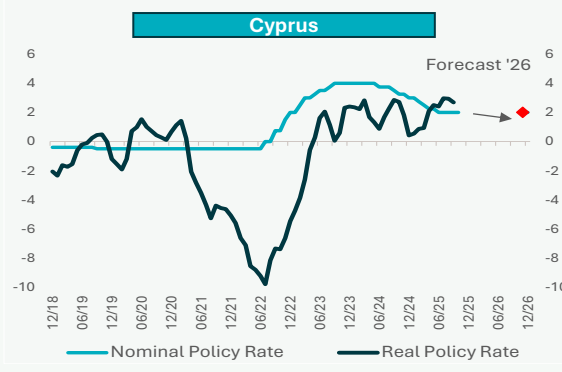
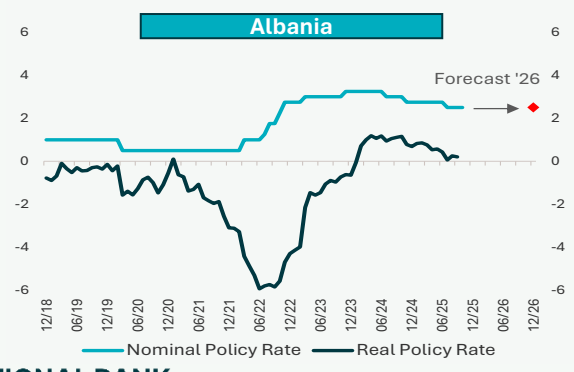
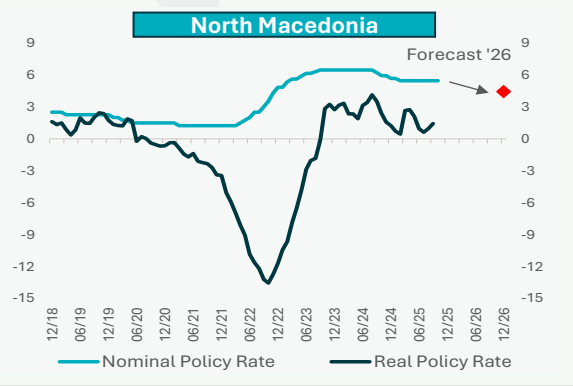
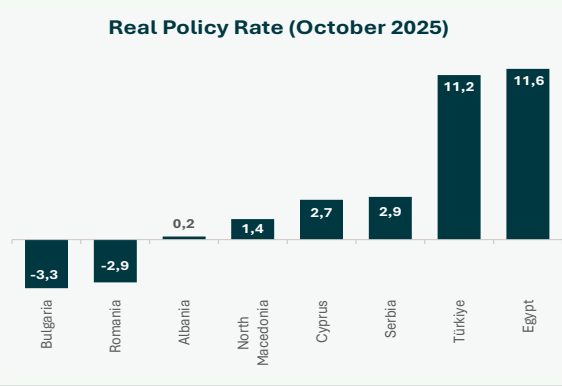
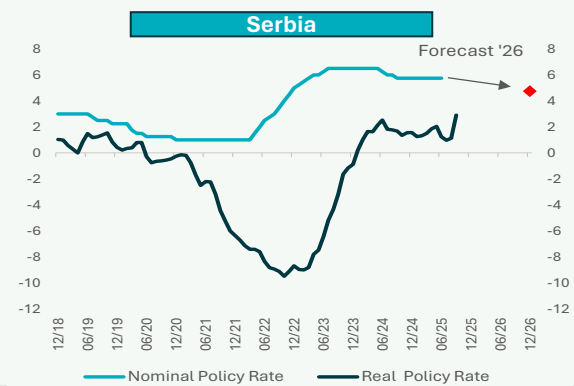
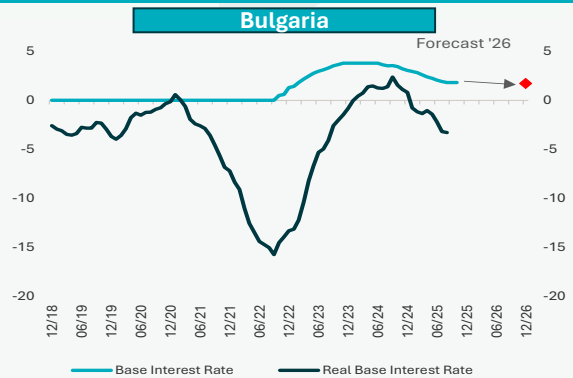
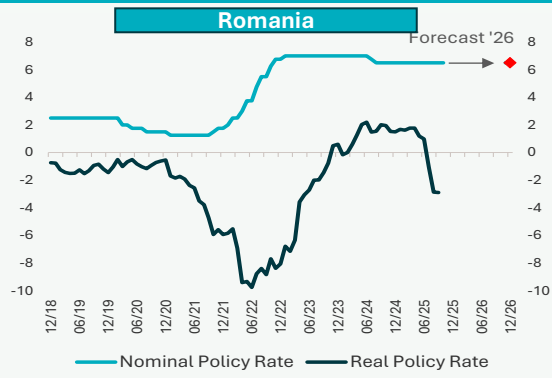
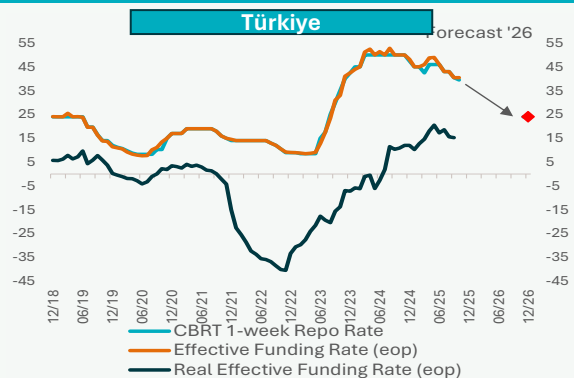


Nominal effective exchange rate

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



- # Policy rate
- Albeit having fallen behind the ECB's quite aggressive easing campaign (with the latter being close to completion), most regional central banks are set to remain **cautious** in the period ahead, in view of slow disinflation process
 - In **Romania**, the jump in inflation in the wake of tax hikes implemented to help contain the sizeable budget deficit, along with the need to contain underlying pressures on the RON, should prompt the NBR to remain on hold at least until mid-2026
 - In **Serbia**, the NBS could switch back into a tightening mode, should an energy price shock hit the economy



Reserve requirement ratios

- In **Bulgaria**, minimum required reserves will be aligned with those in the euro area (1.0%) after the switch to the EUR
- In a bid to contain somewhat credit expansion, while encouraging a shift of banks’ deposit base towards LC-denominated long-term liabilities, the **North Macedonian** central bank will proceed with adjustments in reserve requirement policy, starting in November

Türkiye				Romania				Bulgaria			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	Oct. 2025		Dec. 2023	Dec. 2024	Oct. 2025		Dec. 2023	Dec. 2024	Oct. 2025
LC Liabilities	0.0-8.0*	3.0-17.0**	3.0-18.0***	LC Liabilities	8.0	8.0	0.0-8.0	LC Liabilities	12.0	12.0	12.0
FC Liabilities	5.0-29.0	5.0-30.0	5.0-32.0	FC Liabilities	5.0	5.0	0.0-5.0	FC Liabilities	10.0	12.0	12.0

* FX protected accounts: 10.0-30.0
** FX protected accounts: 22.0-33.0
*** FX protected accounts: 22.0-40.0

Serbia				North Macedonia				Albania			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	Oct. 2025		Dec. 2023	Dec. 2024	Oct. 2025*		Dec. 2023	Dec. 2024	Oct. 2025
LC Liabilities	2.0-7.0	2.0-7.0	2.0-7.0	LC Liabilities	5.0	0.0-8.0	0.0-9.0	LC Liabilities	5.0-7.5	5.0-7.5	5.0-7.5
FC Liabilities	16.0-23.0	16.0-23.0	16.0-23.0	FC Liabilities	21.0	5.0-21.0	10.0-22.0	FC Liabilities	12.5-20.0	12.5-20.0	12.5-20.0

* effective as of November

Cyprus				Egypt			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	Oct. 2025		Dec. 2023	Dec. 2024	Oct. 2025
LC Liabilities	1.0	1.0	1.0	LC Liabilities	18.0	18.0	18.0
FC Liabilities	1.0	1.0	1.0	FC Liabilities	---	---	---

Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Fiscal performance

Fiscal balance

Public debt

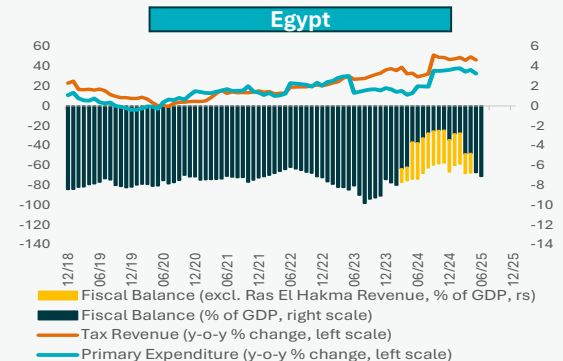
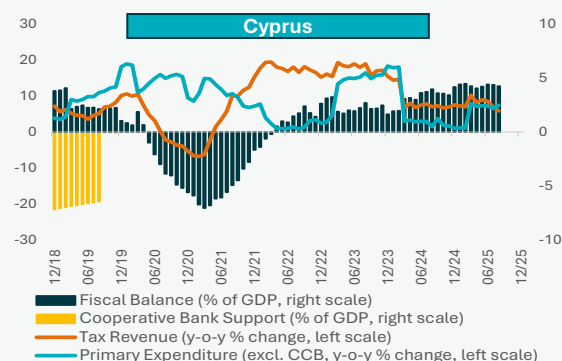
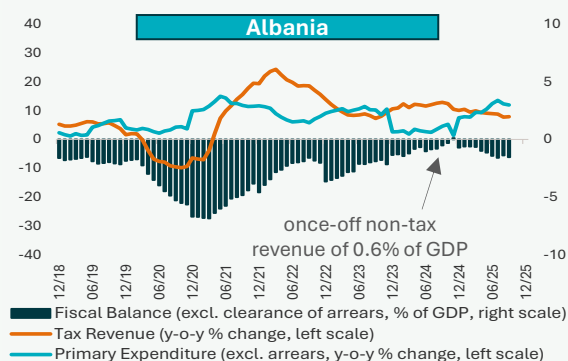
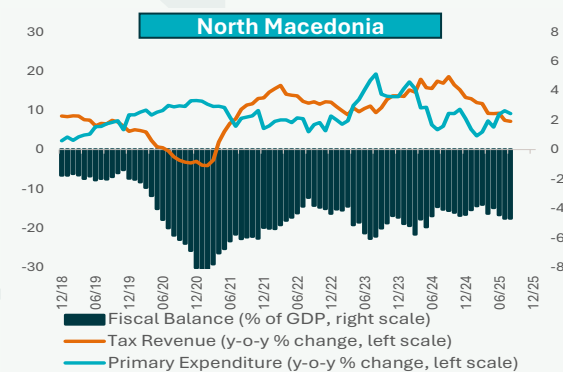
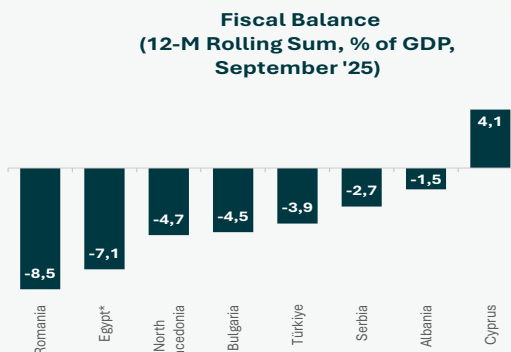
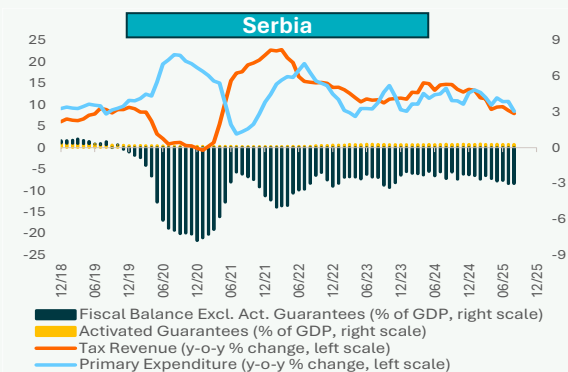
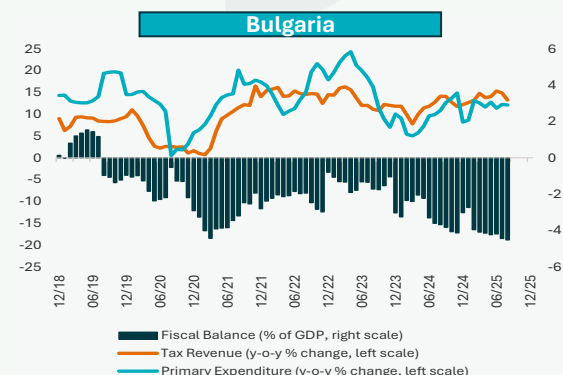
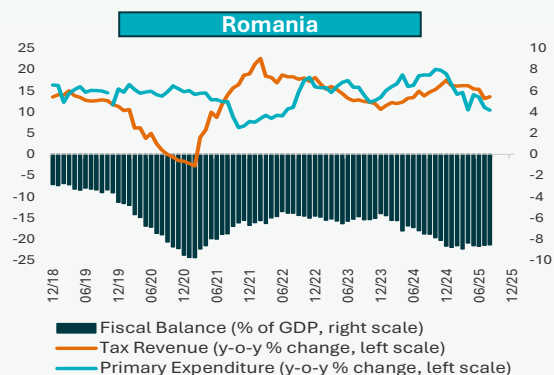
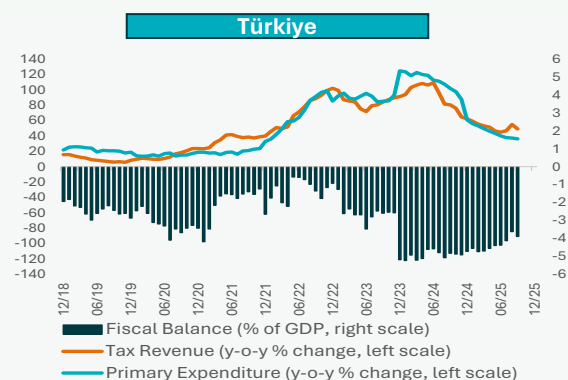
Financial Markets

Banking Sector



Fiscal performance (12-month rolling)

- The pace of fiscal consolidation has been slowing down, as tax revenue growth moderates, following dwindling of windfalls from high inflation, and spending has yet to be reined in, despite the phasing-out of the schemes mitigating the impact of the cost-of-living crisis



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

- Barring Cyprus and Albania, the budget in the remaining economies under review remains in a **deficit much higher** than that witnessed in the period prior to the pandemic
- In the absence of significant policy initiatives, **fiscal consolidation is unlikely to gain much pace** in the period ahead, given defense spending pressures and the impact of adverse demographics on welfare systems
- In **Romania**, a fiscal consolidation package (involving, among others, hikes in the VAT rate and excise duties as well as wage freezes) has been put into effect as of August to help contain the highest budget deficit in the EU. Still, the latter is unlikely to fall below the critical threshold of 3.0% of GDP earlier than 2031
- Amid solid economic growth, **Cyprus** is set to continue to post large fiscal surpluses, aiding in further public debt reduction (below the EU critical threshold of 60% of GDP)
- In **Serbia**, a potentially lower contribution from NIS to the state budget (accounting for more than 10% of budget revenue in FY:23) along with possible extra spending to stabilise the energy market in the event US sanctions remain effective for long could strain fiscal balances

Türkiye				Romania				Bulgaria			
Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
-4.7	-3.8	-3.5	-3.1	-8.7	-7.7	-6.5	-5.8	-3.0	-3.0	-3.0	-3.0

Serbia				North Macedonia				Albania			
Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F	Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F
-2.0	-2.8	-2.8	-3.0	-4.4	-4.6	-4.0	-3.5	-0.7*	-2.0	-2.0	-2.0

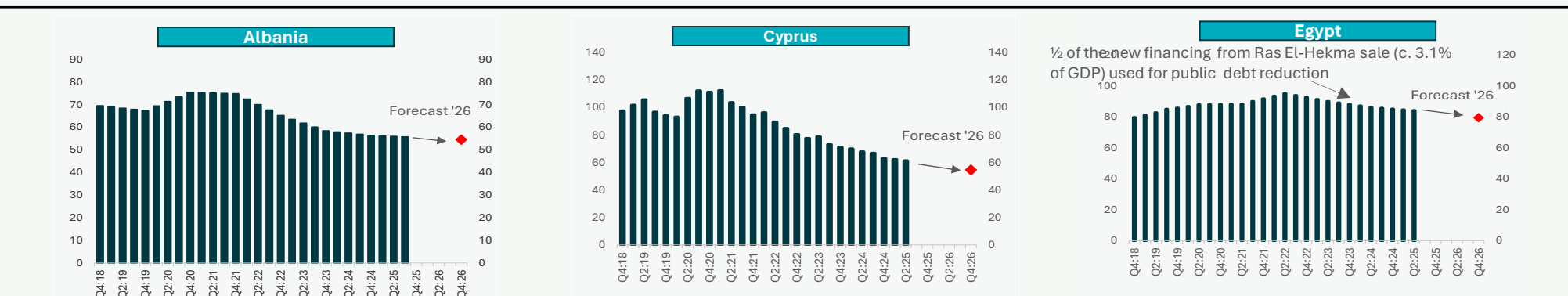
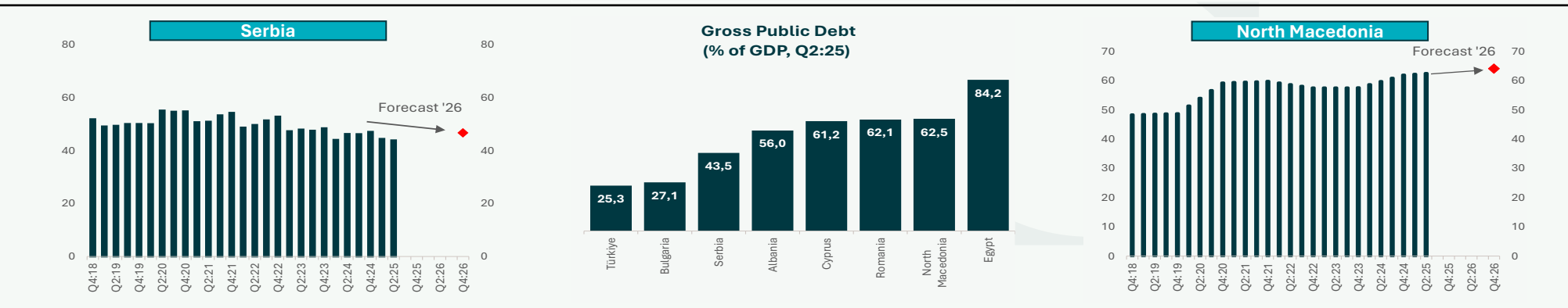
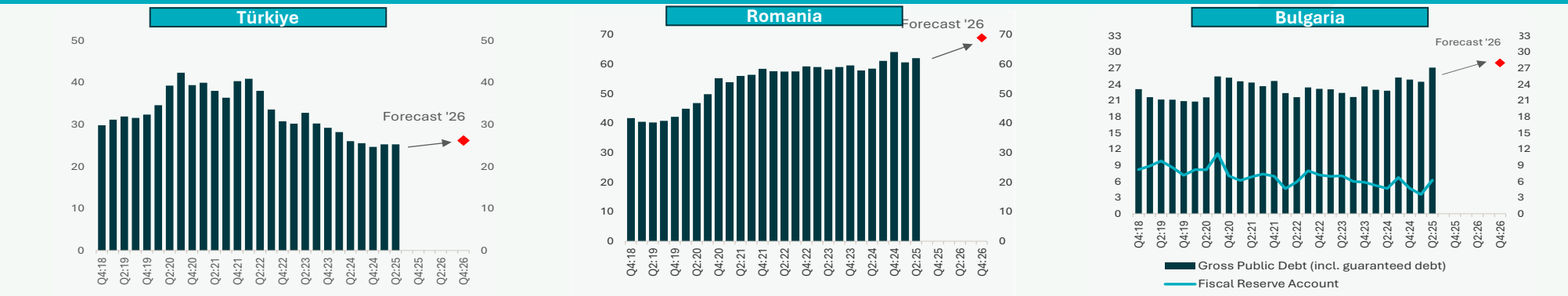
*: including once-off non-tax revenue of 0.6% of GDP

Cyprus				Egypt*			
Dec. 24	Dec. 25F	Dec. 26F	Dec. 27F	Jun. 24**	Jun. 25E	Jun. 26F	Jun. 27F
4.1	3.5	3.0	2.8	-3.6	-7.1	-6.4	-5.8

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

Public debt (% of GDP)

- Easing inflation suggests a **smaller favourable “snowball” effect** on debt-to-GDP ratio than before
- The proposed fiscal leeway in EU spending rules (valid for 4 years, to start from 2025) to accommodate for **higher defense spending** (up to 1.5% of GDP per year) should put an **extra burden on beneficiaries’ public debt**
- 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)
- Importantly, the relatively **low level of public debt** in most of the economies under review provides some room for fiscal manoeuvre in the event of a shock



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Exchange rates

Money market rates

Government debt rates

Sovereign spreads

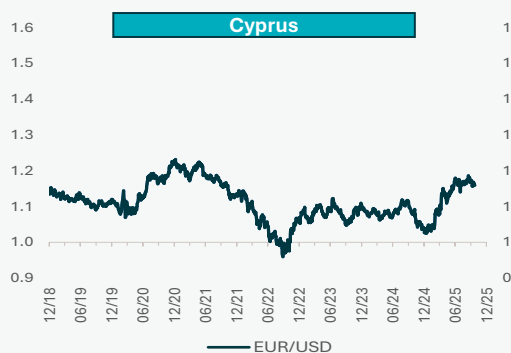
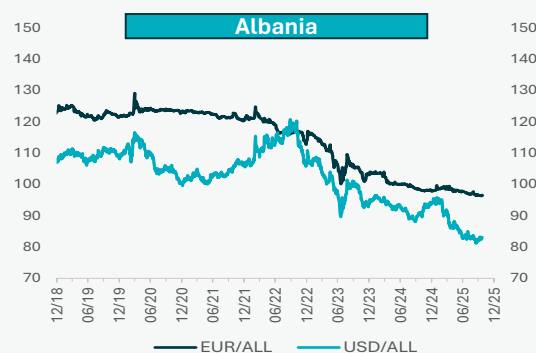
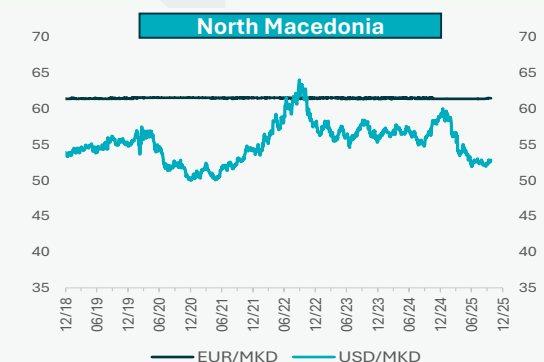
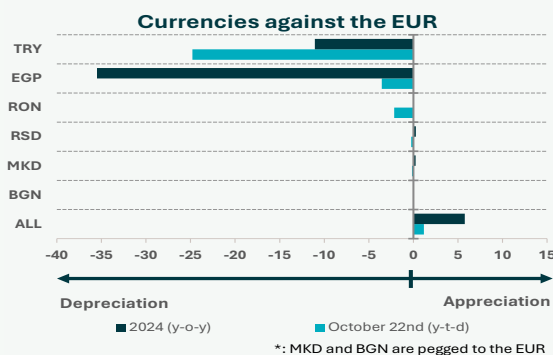
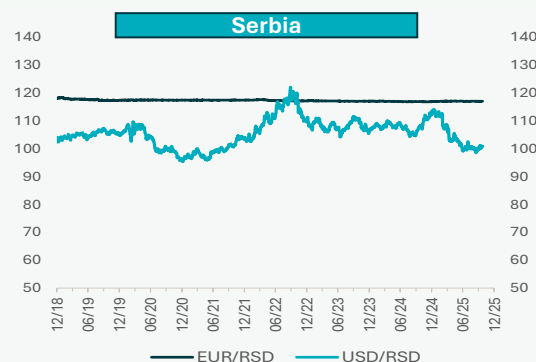
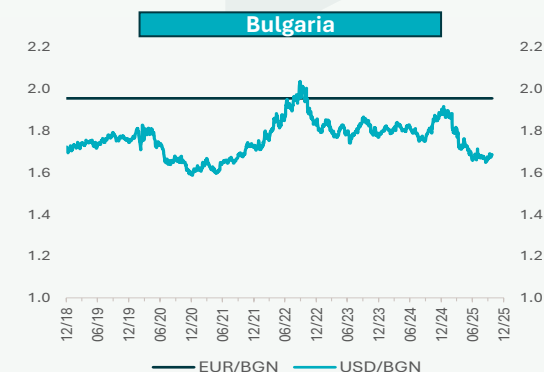
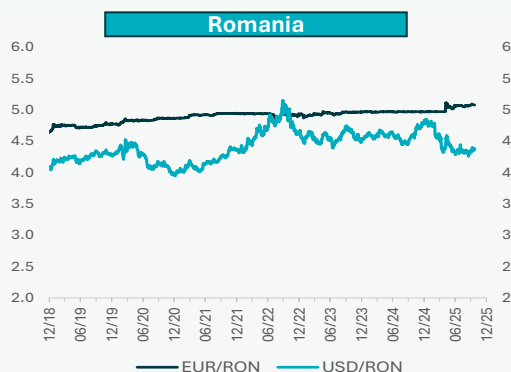
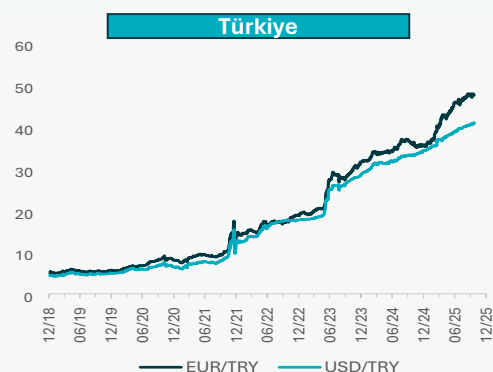
Stock market

Banking Sector



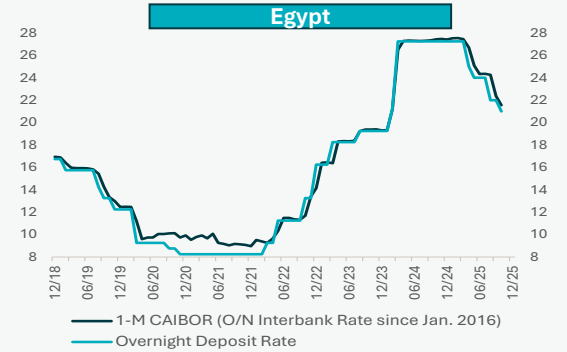
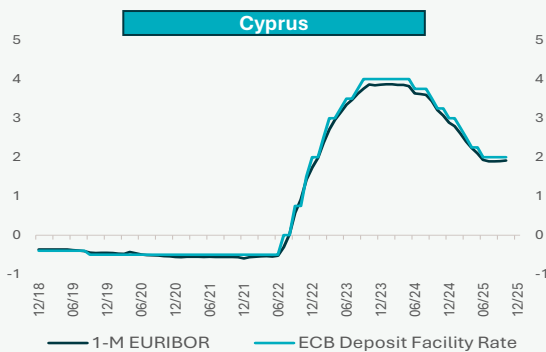
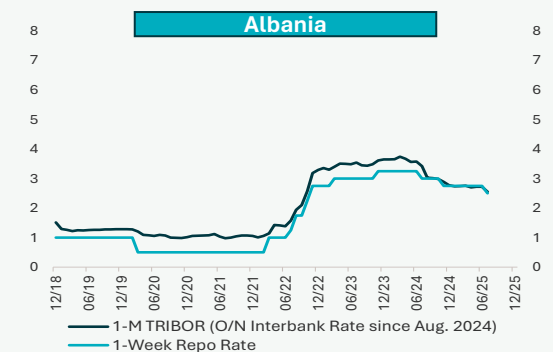
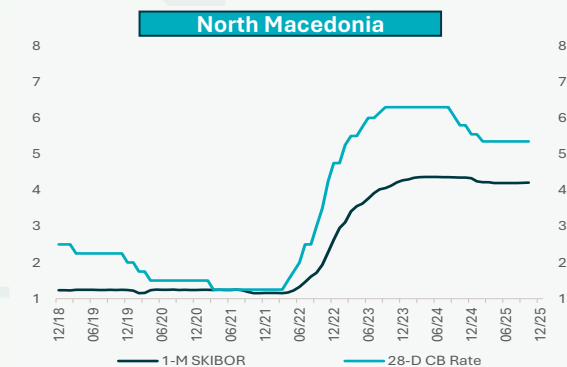
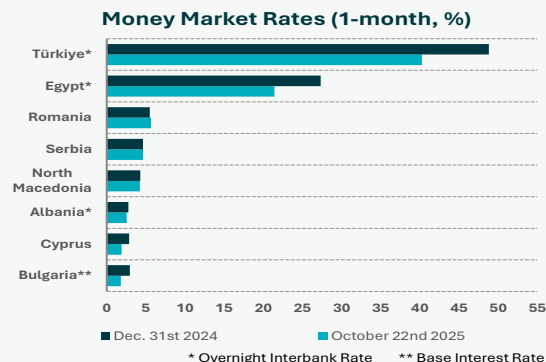
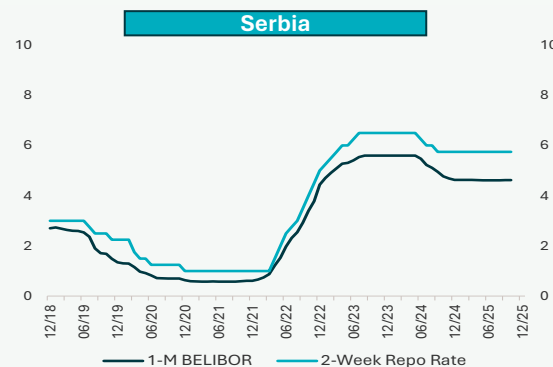
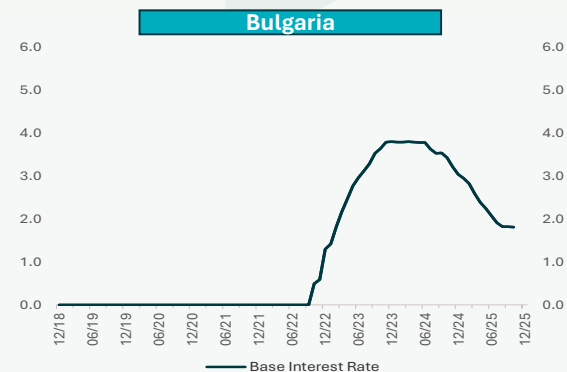
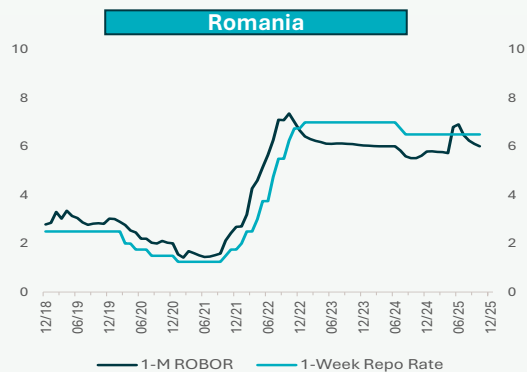
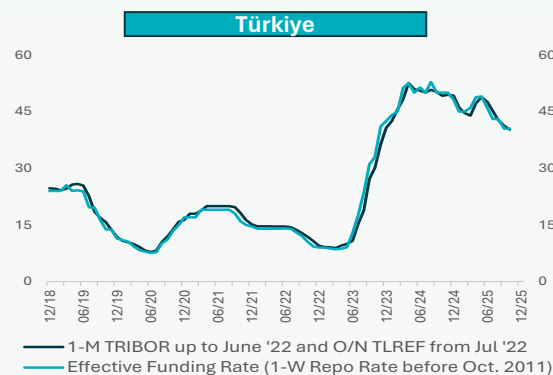
Exchange rates

- The **Euro** (and regional currencies linked to the latter) have rallied against the USD since the “*US Liberation Day*”, benefiting from market concerns over the disproportionately larger impact of the tariffs on the US economy
- Concerns over authorities’ ability to push ahead with fiscal consolidation have raised significant pressure on the **Romanian Leu** since the beginning of the year
- **Albanian Lek’s** appreciation has come on the back of solid FDI inflows, increased remittances, strong tourism activity and a positive nominal interest rate differential



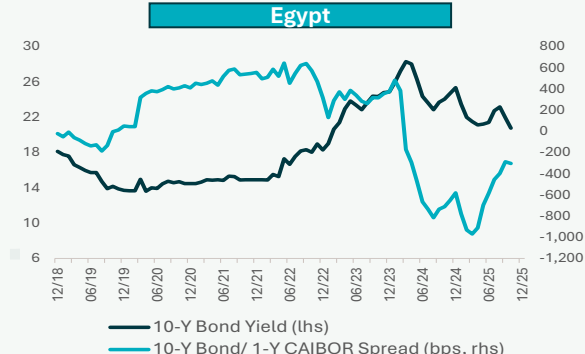
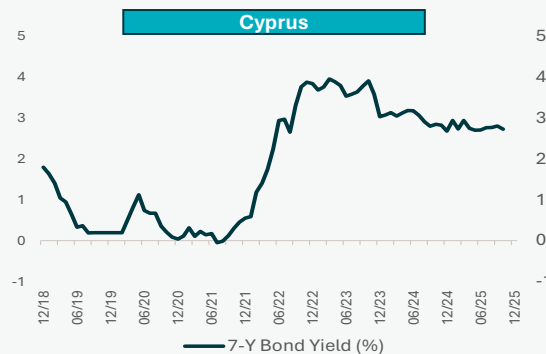
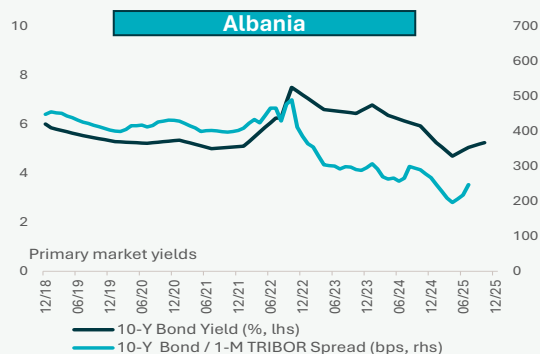
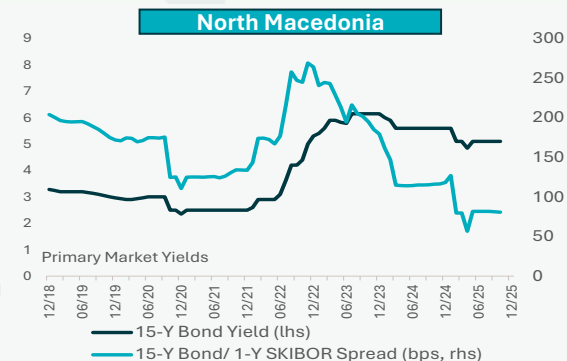
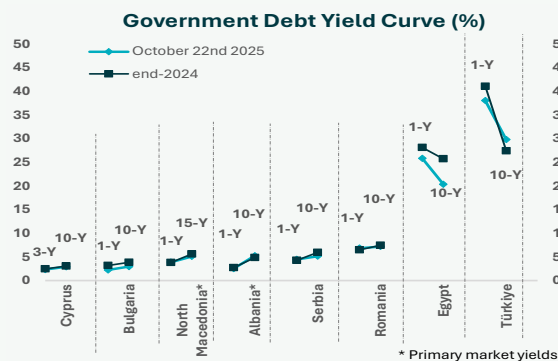
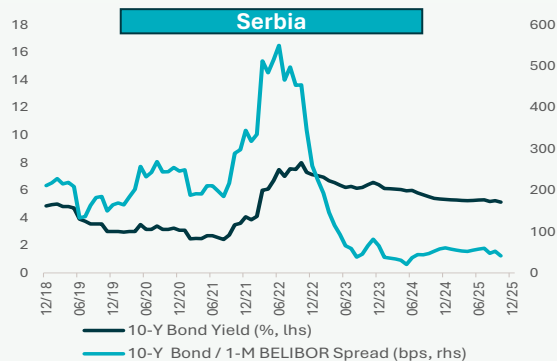
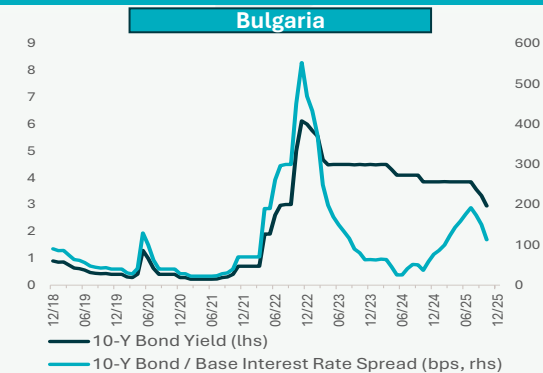
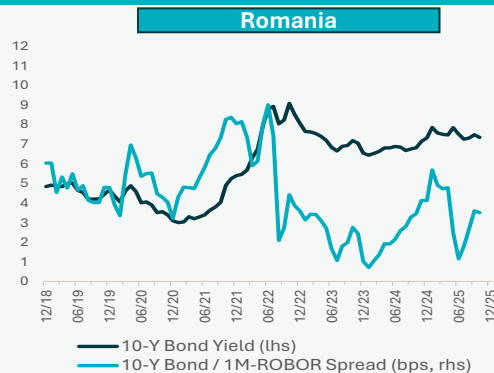
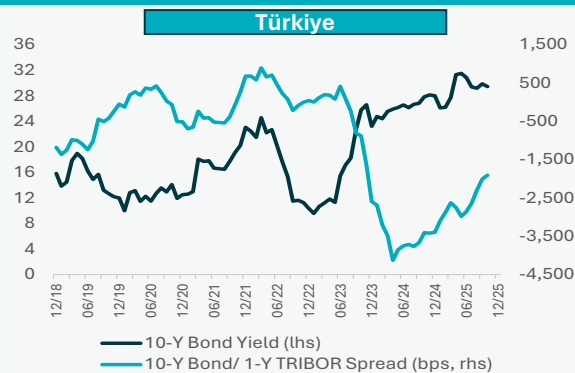
Money market rates (%)

- Money market rates **continue on a slow downward trend** in most of the economies under review, following central banks' easing cycle, which is nearing its end
- In **Romania**, authorities' bid to contain depreciation pressures on the RON has driven money market rates higher



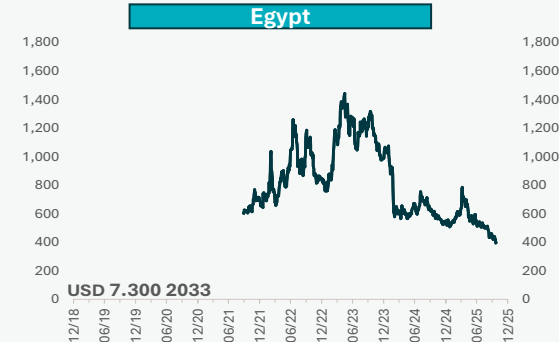
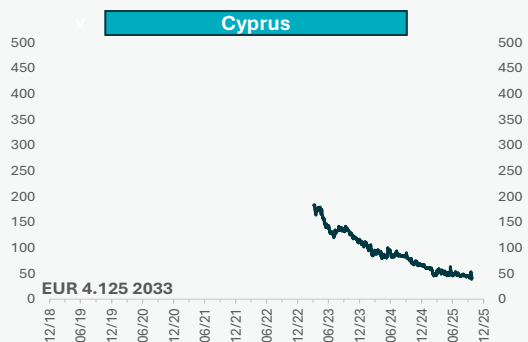
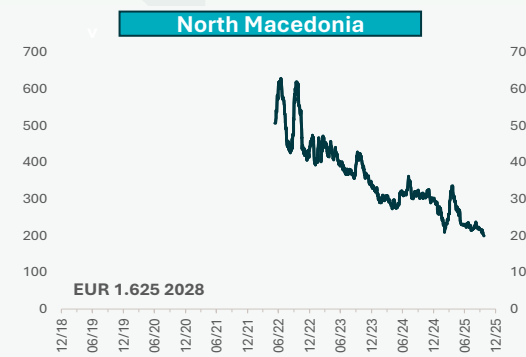
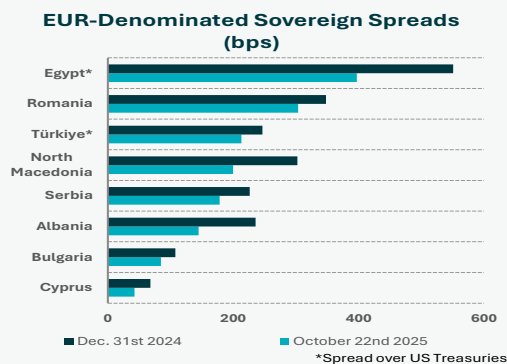
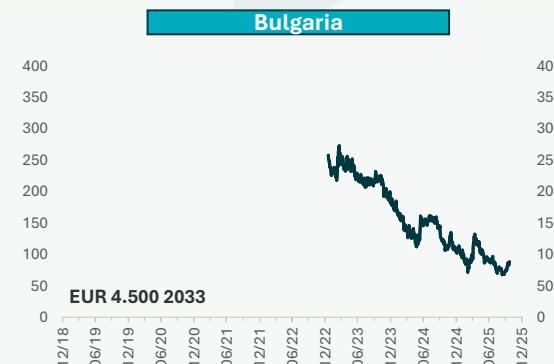
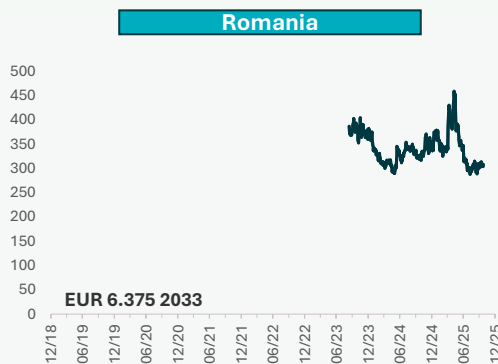
Government Debt Yields (%)

- Government bond yields have been drifting **lower**, albeit at a slower pace than before, in line with moderating inflation and the prospect of lower interest rates
- In **Türkiye**, despite the CBRT's (cautious) easing mode, government debt yields remain elevated, reflecting inflation concerns
- Romania**'s bond yields have eased since the formation of the new Government and launch of fiscal consolidation measures, remaining, however, higher than the levels seen prior to the ballooning of the FY:24 budget deficit to record-high levels
- Reflecting ongoing adjustment, the yield curves of **Türkiye** and **Egypt** remain inverted

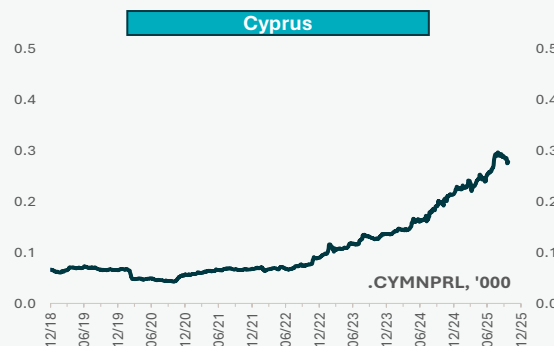
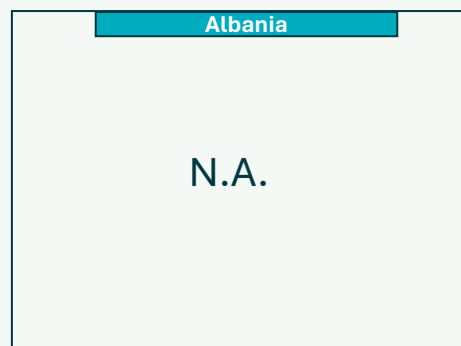
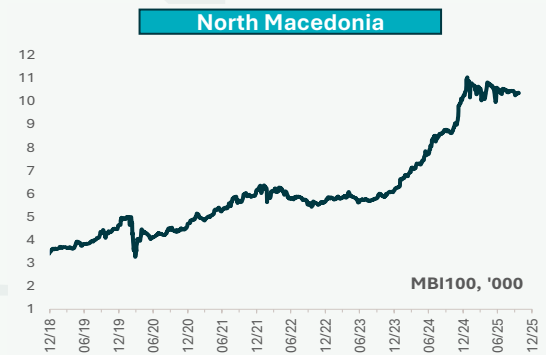
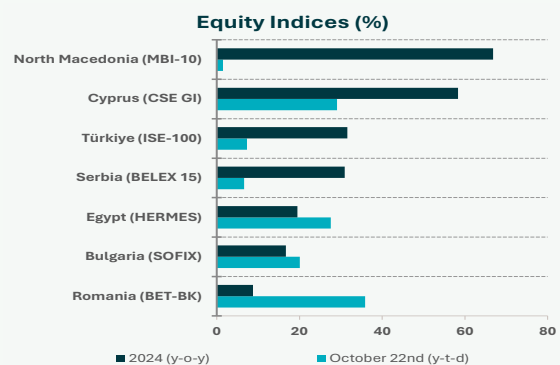
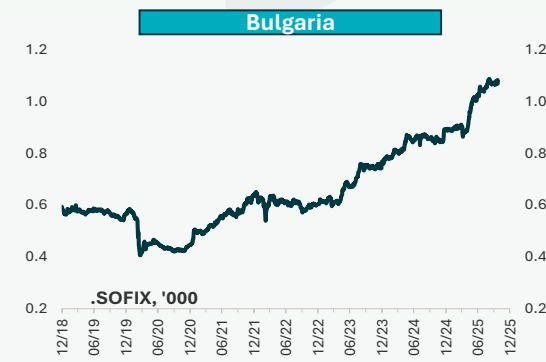
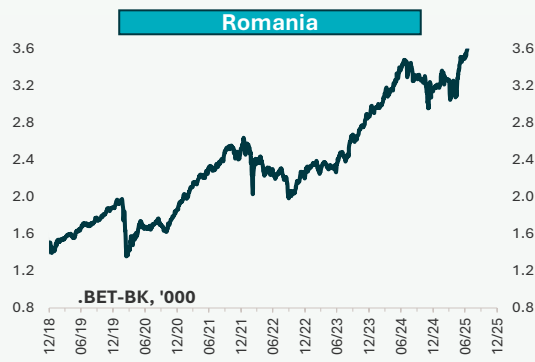
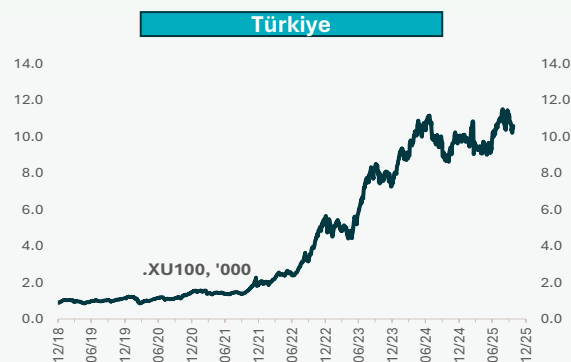


Sovereign spreads (bps)

- Despite broad-based global uncertainty, sovereign spreads have been **heading south**, in line with easing global financing conditions
- Dissipation of fears of an imminent rating downgrade, following launch of multi-year fiscal consolidation programme, has pushed **Romania's** sovereign spreads lower



- Against the backdrop of accommodative financing conditions and solid economic growth, most regional stock markets continue on an **upward trend**
- Valuations have come off their historical average levels



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector

Total loans (y-o-y % change)

Total deposits (y-o-y % change)

Loans/GDP (%)

Deposits/GDP (%)

Loans/deposits (%)

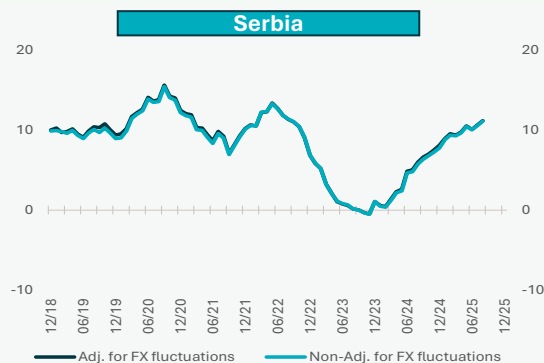
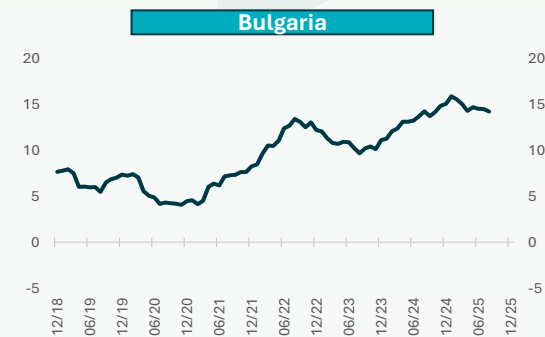
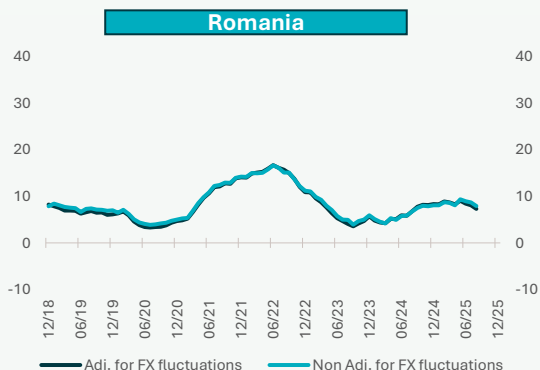
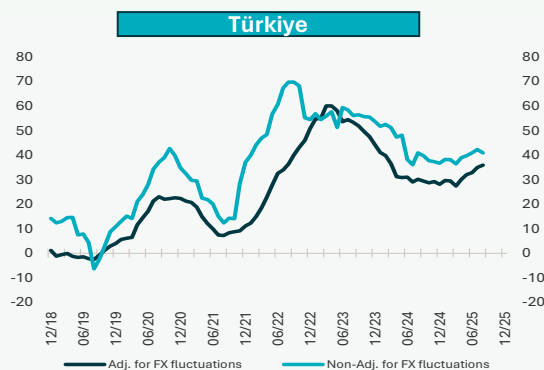
ROAE (%)

CAD ratio (%)

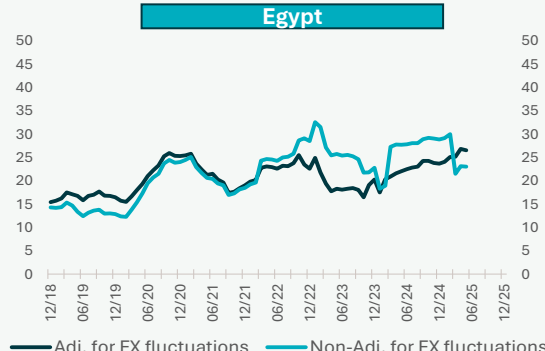
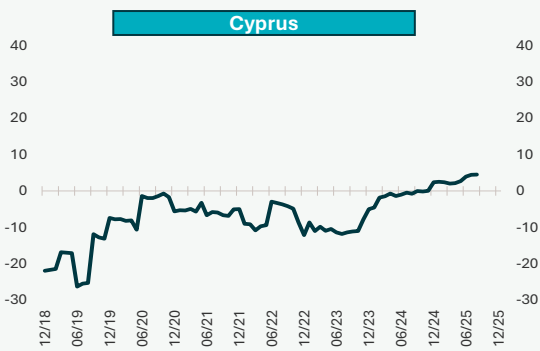
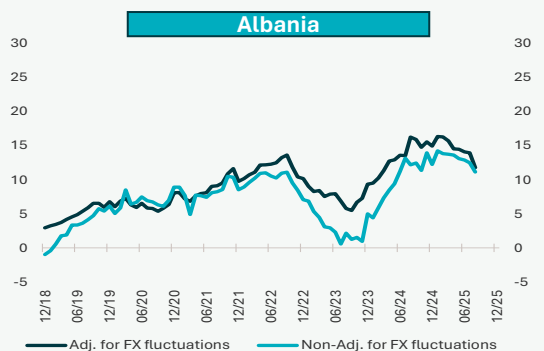
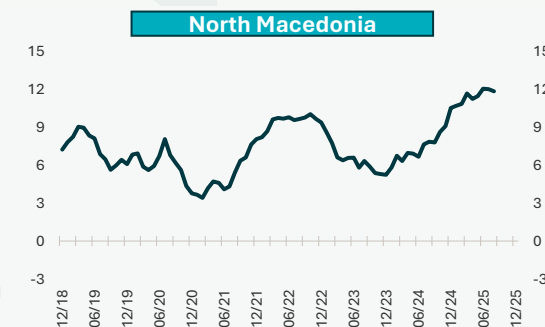
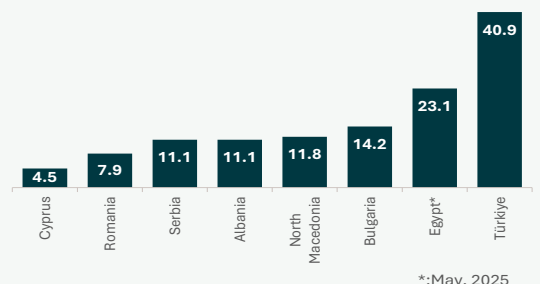
NPL ratio (%)



- Credit expansion has **gained steam** in most of the economies under review, indicating a strong transmission of monetary policy

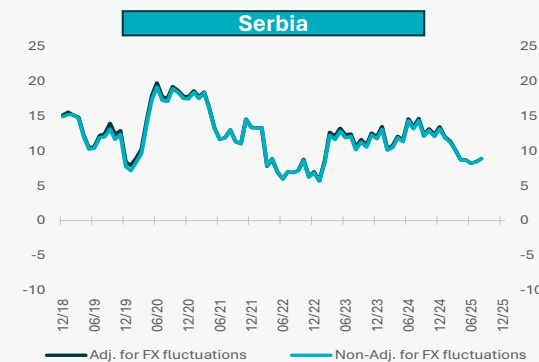
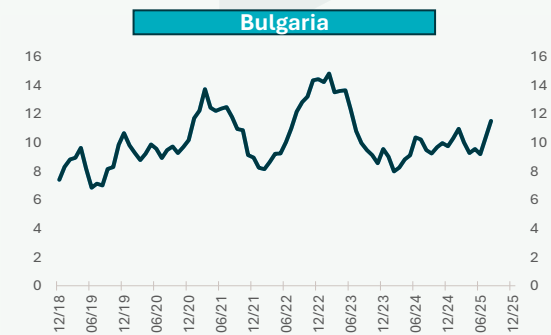
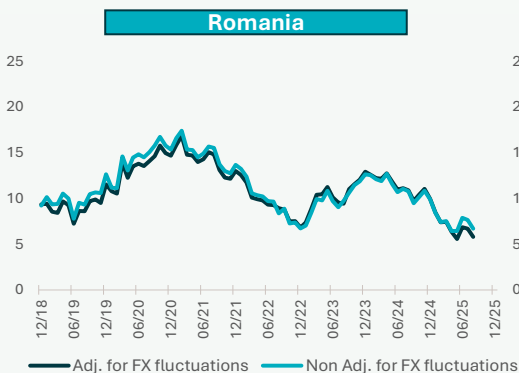
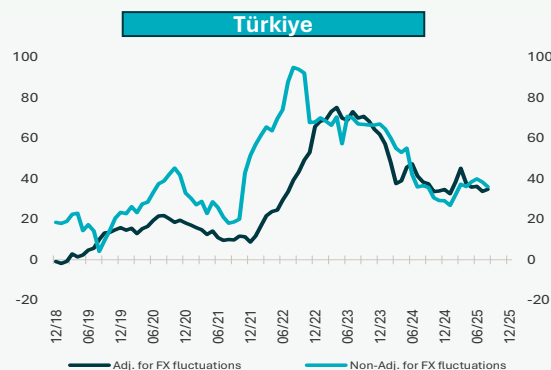


Total Loans
(y-o-y % change, Aug. 2025)

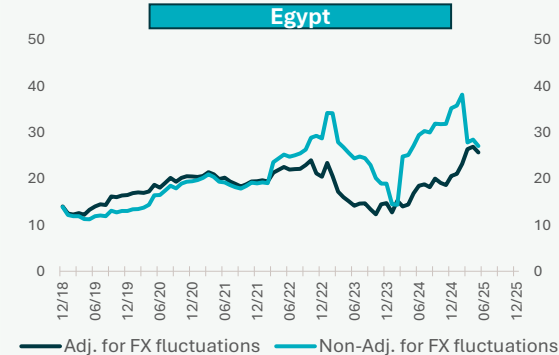
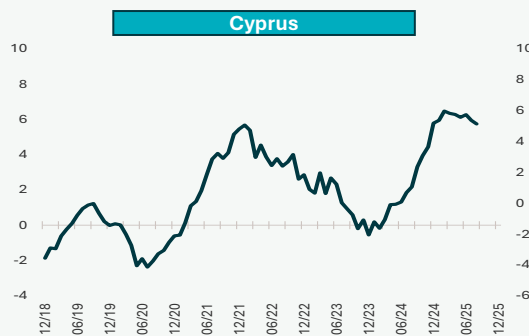
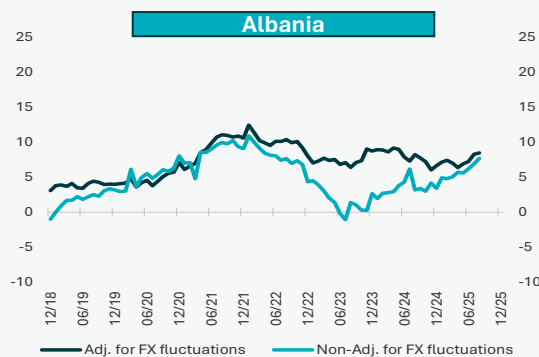
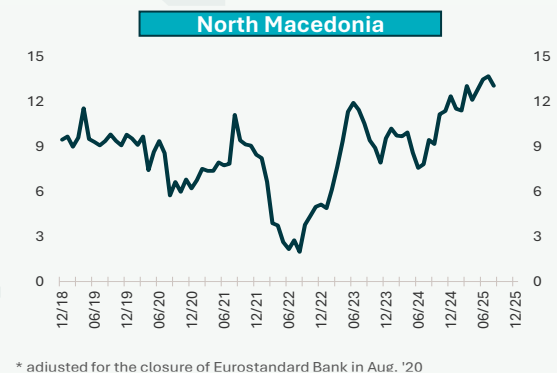
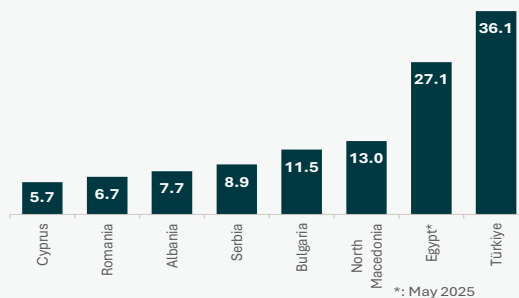


Total deposits (y-o-y % change)

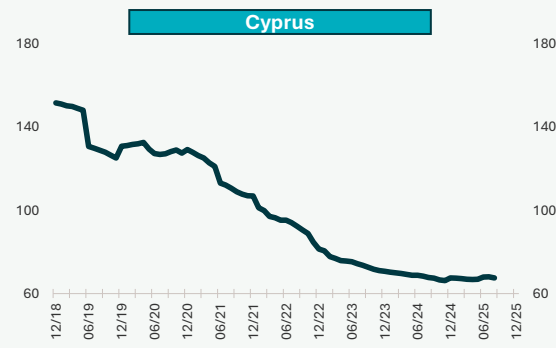
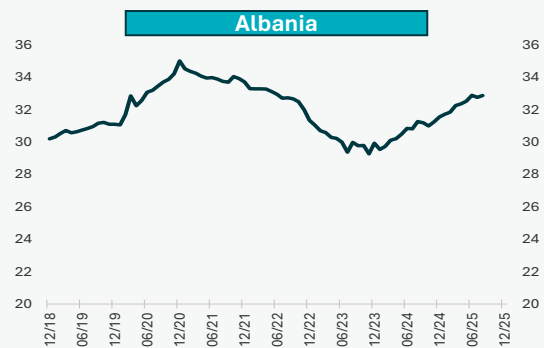
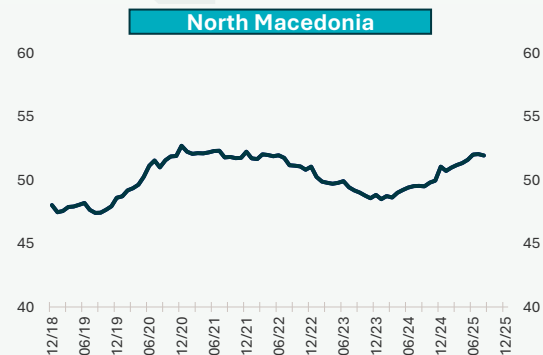
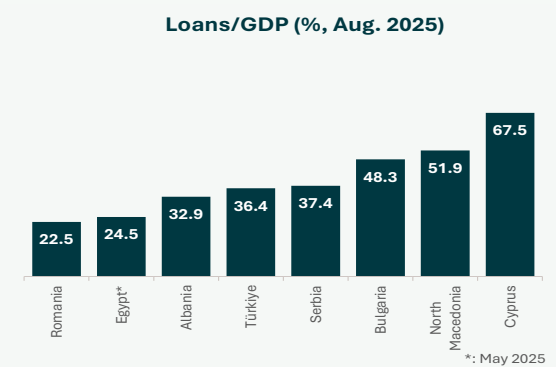
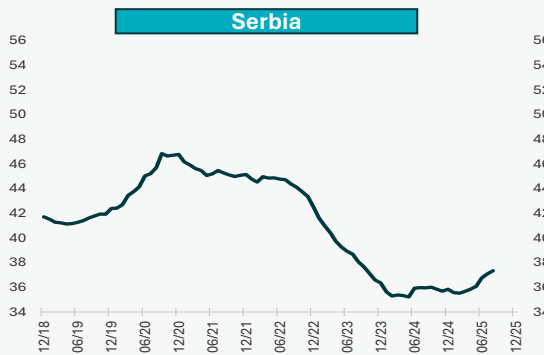
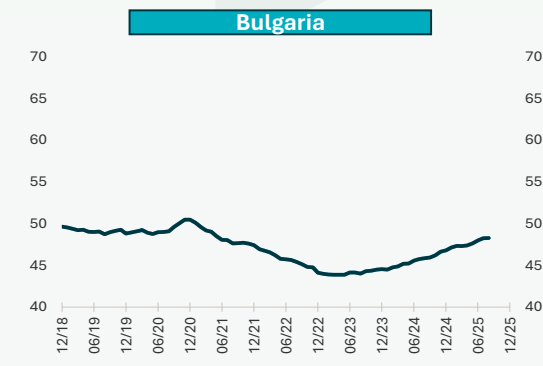
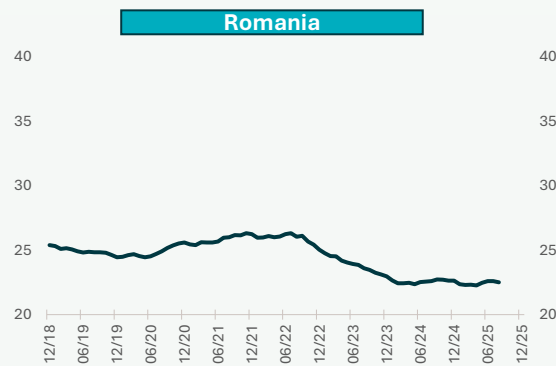
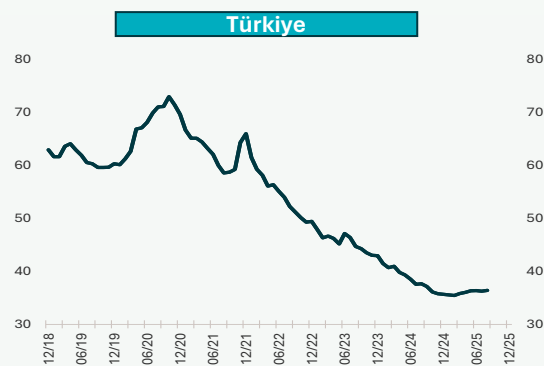
- Deposit growth remains **quite strong** in most of the economies under review, amid still high real (*ex-post*) deposit interest rates and healthy economic growth
- The slowdown in economic activity has affected deposit growth in **Romania** and, to a lesser extent, **Serbia**



**Total Deposits
(y-o-y % change, Sep. 2025)**

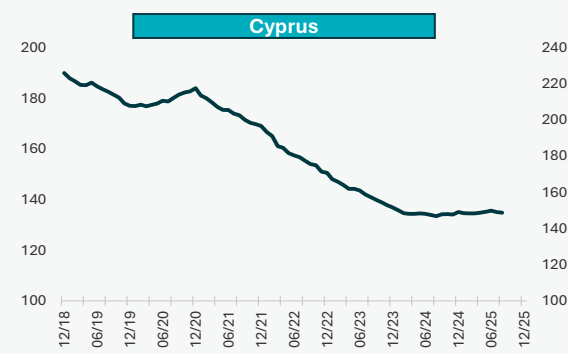
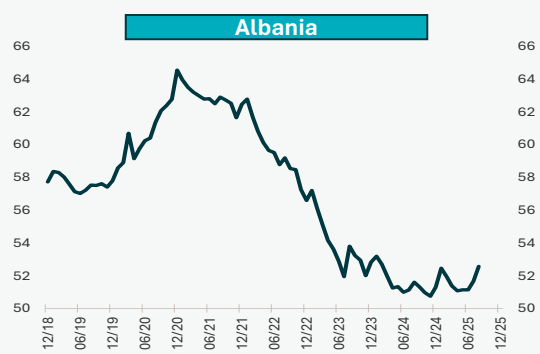
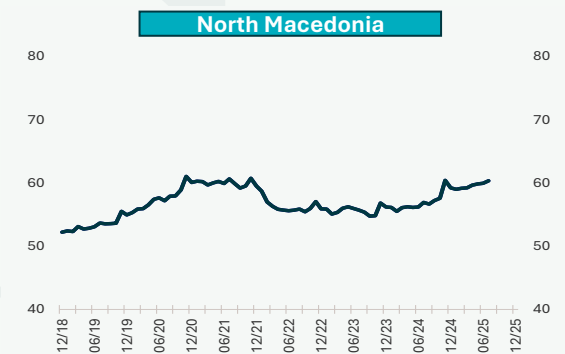
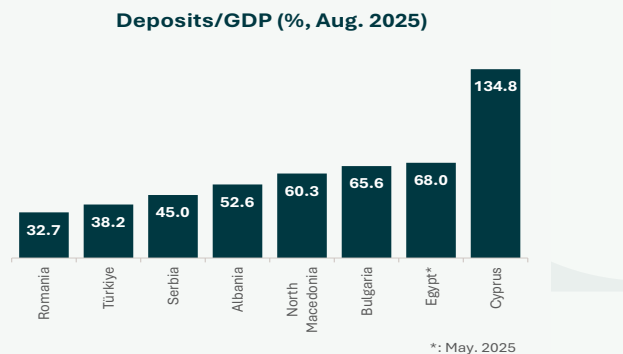
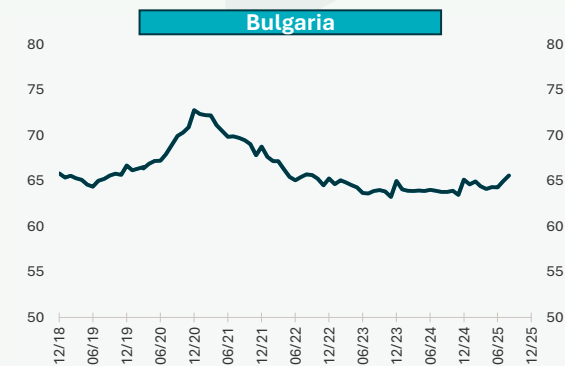
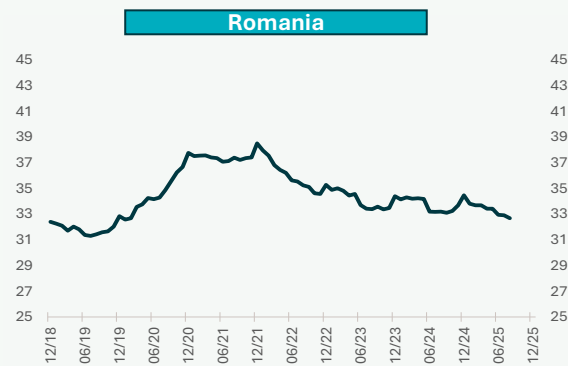
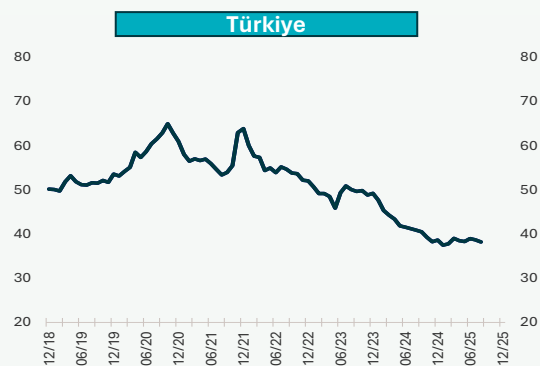


- All economies under review, except Cyprus, are still **underpenetrated** in terms of lending, with no advance since prior to the pandemic



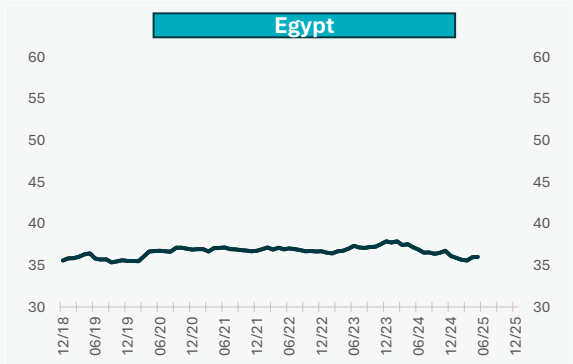
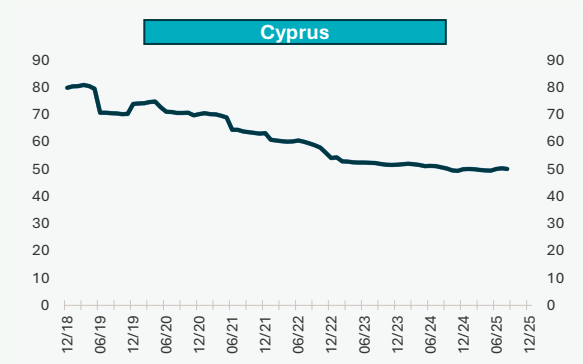
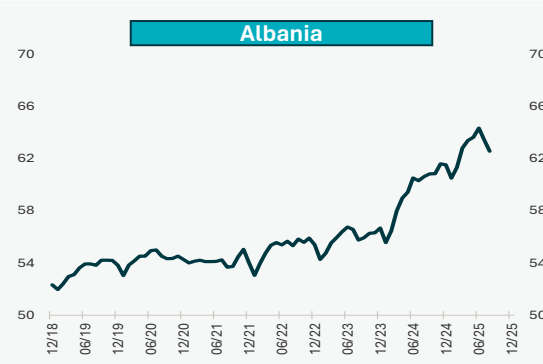
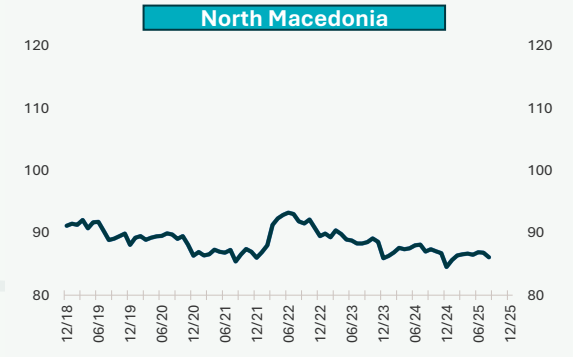
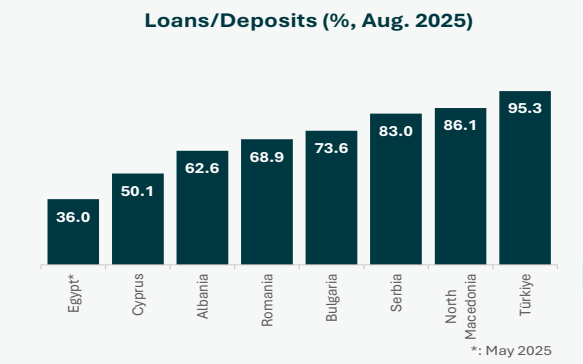
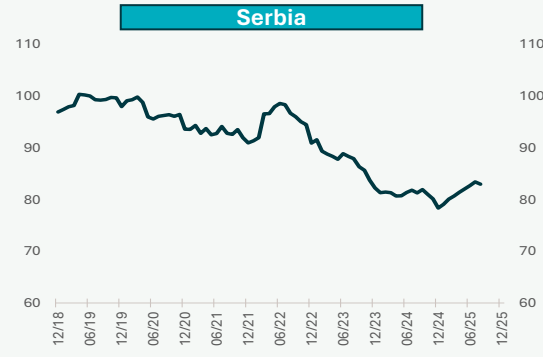
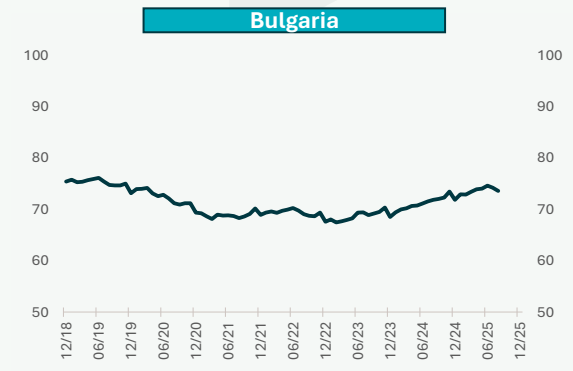
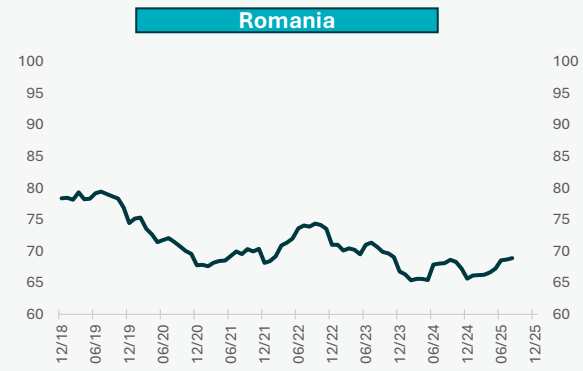
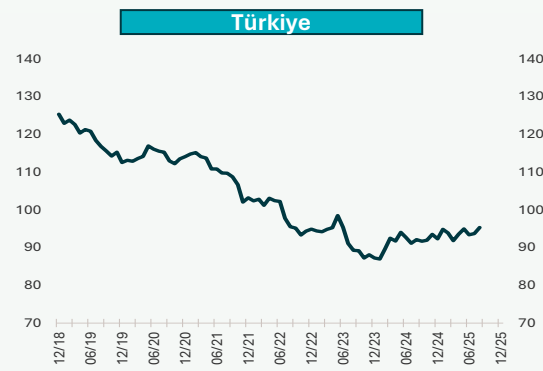
Total deposits-to-GDP ratio (%)

- In most of the economies under review, deposits (as percent of GDP) are broadly at their pre-pandemic levels, as the savings accumulated during the pandemic were depleted during the subsequent cost-of-living crisis
- In **Albania**, the appreciation of the Lek, amid high euroization, has eroded significantly the value of deposits
- A prolonged period of economic adjustment in **Türkiye** and **Egypt** has affected the level of deposits (as percent of GDP)



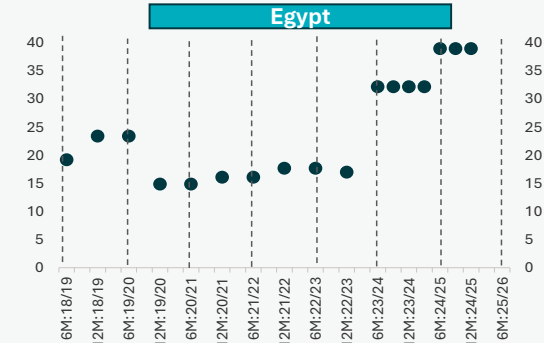
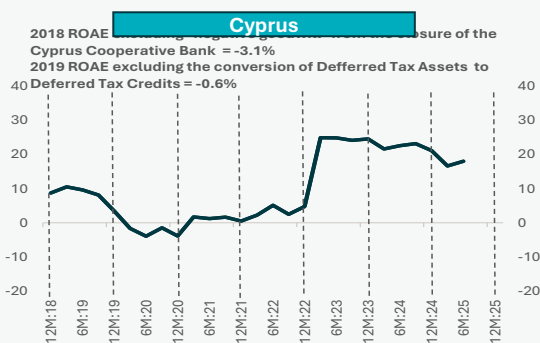
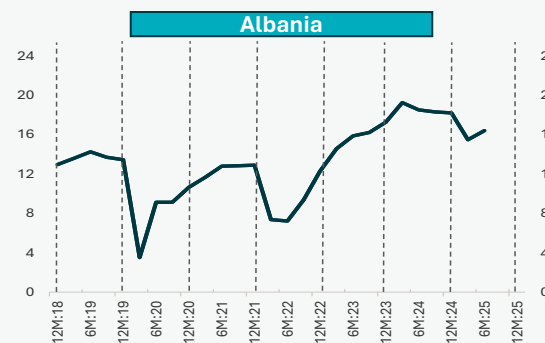
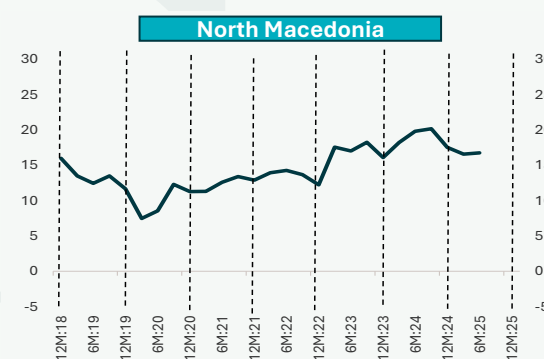
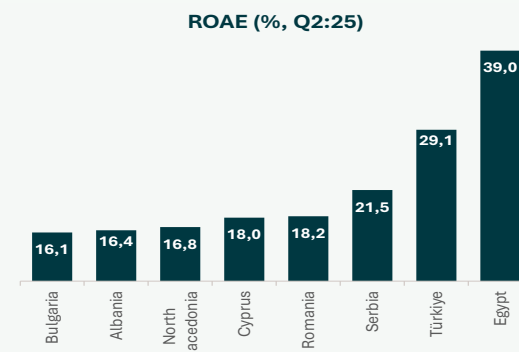
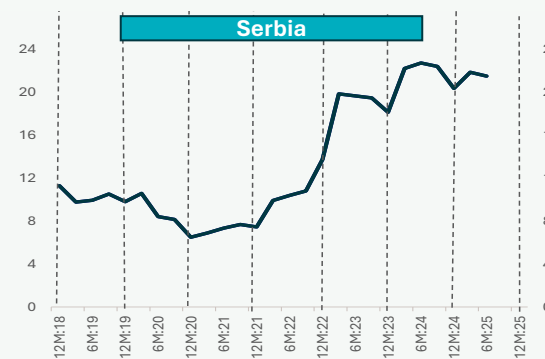
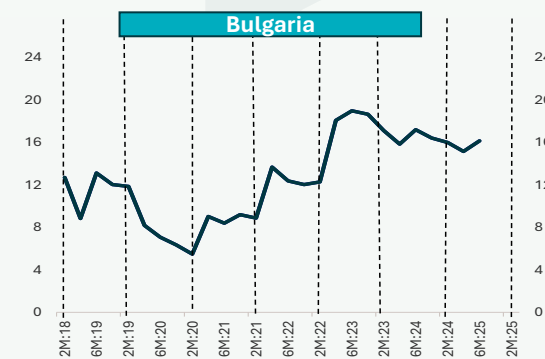
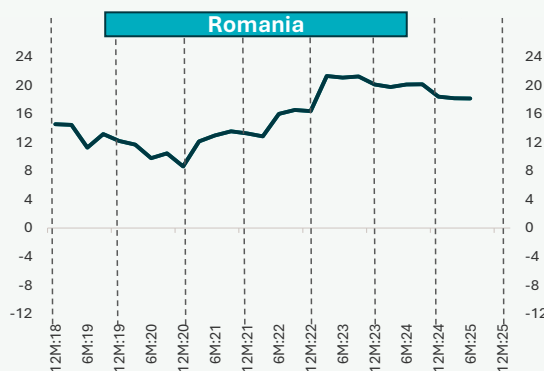
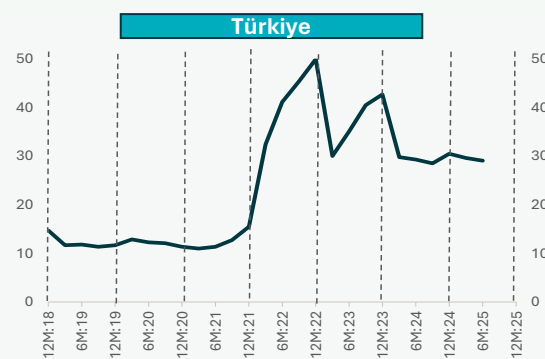
Total loans-to-total deposits ratio (%)

■ All banking systems under review enjoy a loan-to-deposit ratio below the 100% threshold

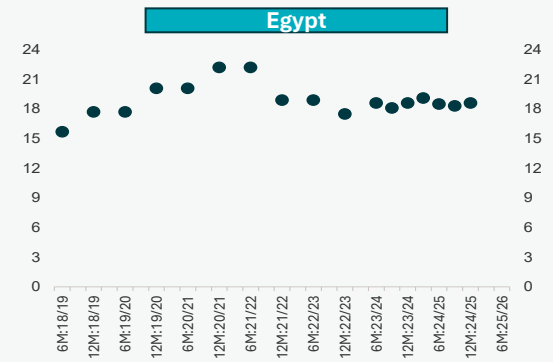
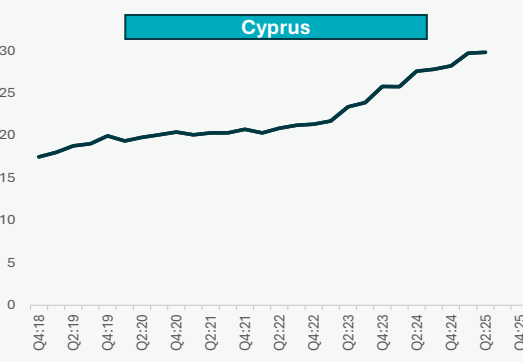
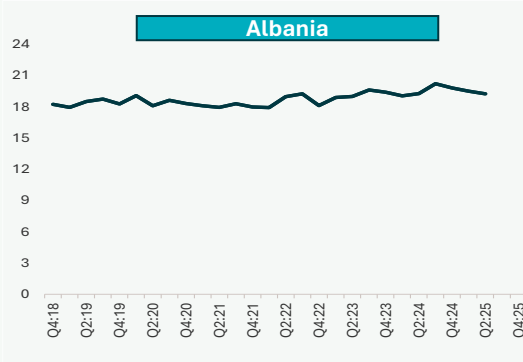
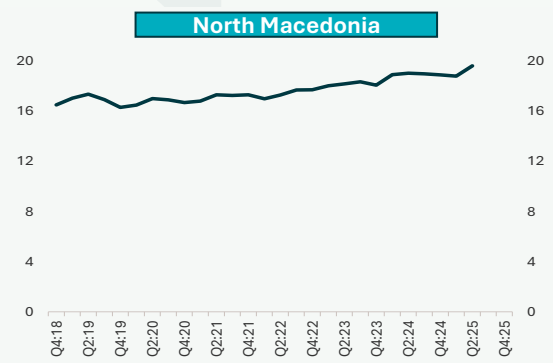
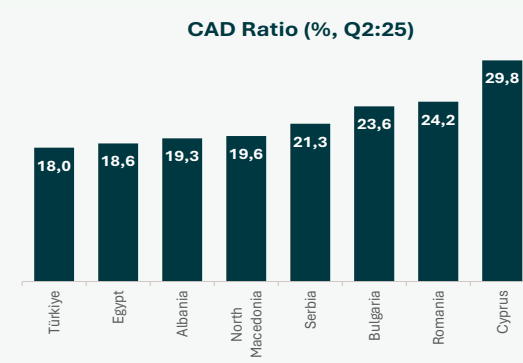
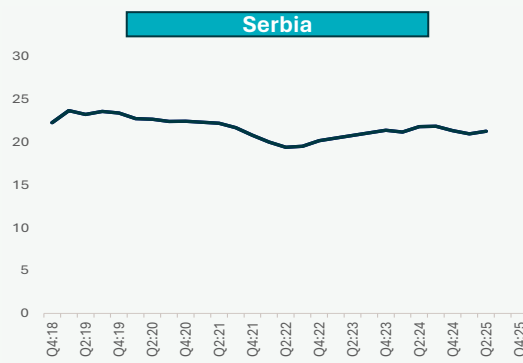
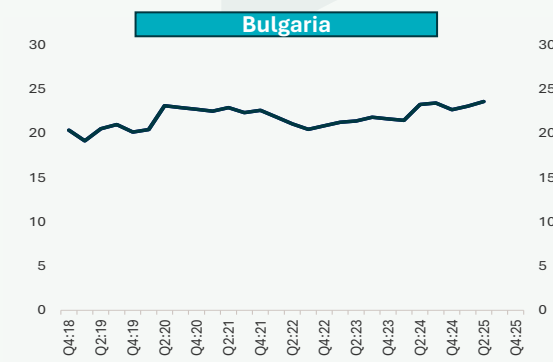
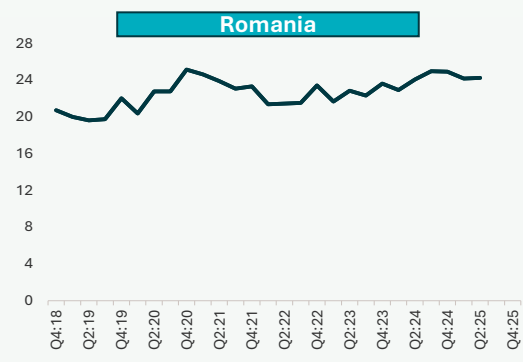
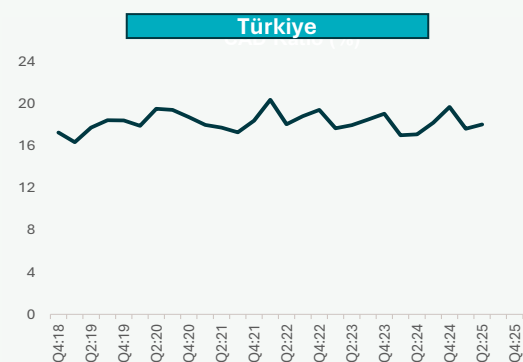


Return-to-average equity ratio (% , cumulative and annualized)

- Regional banks' ROAE has embarked on a slow **downward trend** (from record-high levels) in most of the economies under review, following central banks' easing cycles
- Higher provisioning needs to account for heightened uncertainty should **weigh further on profitability**, with the latter still projected to remain above historical levels over the forecast horizon, nonetheless

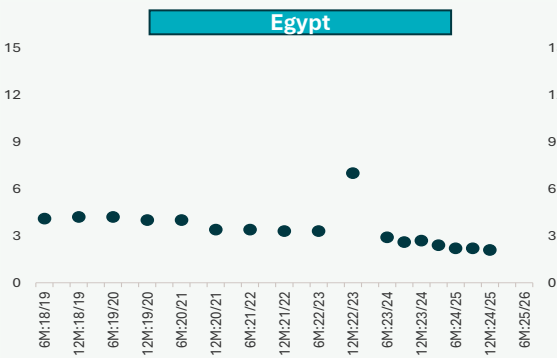
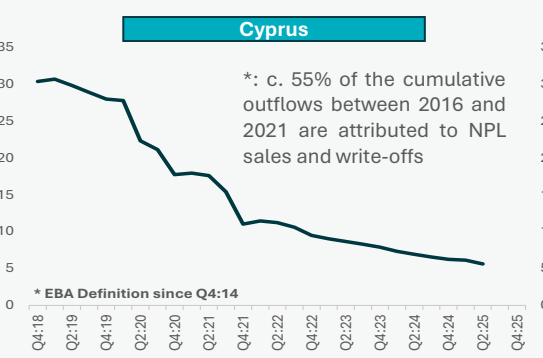
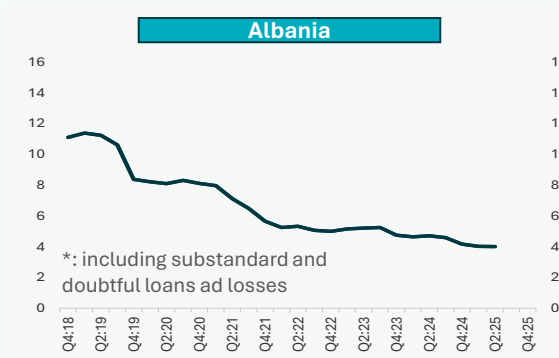
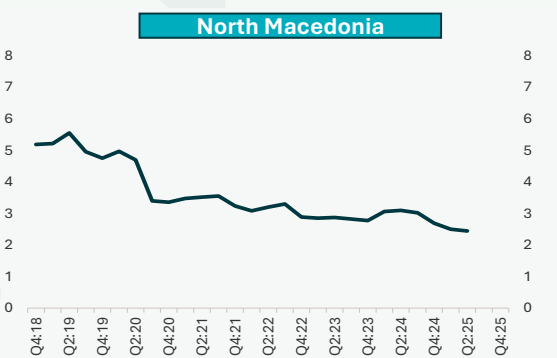
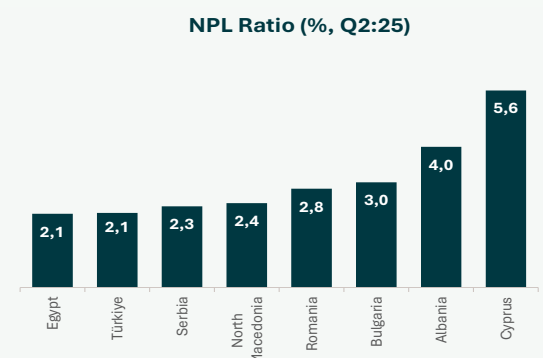
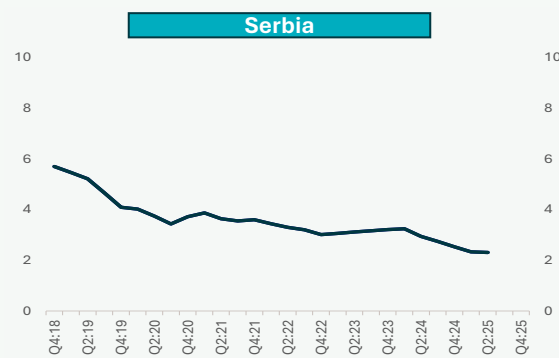
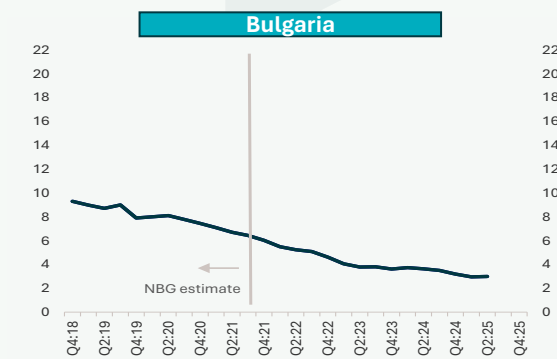
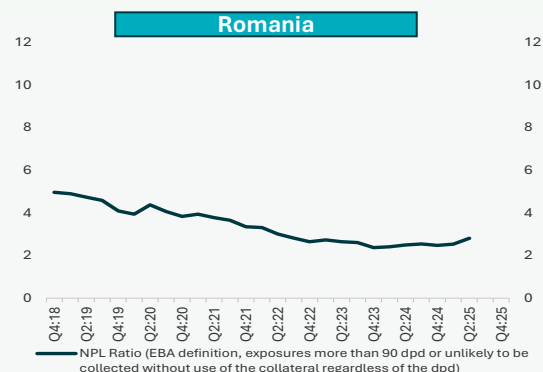
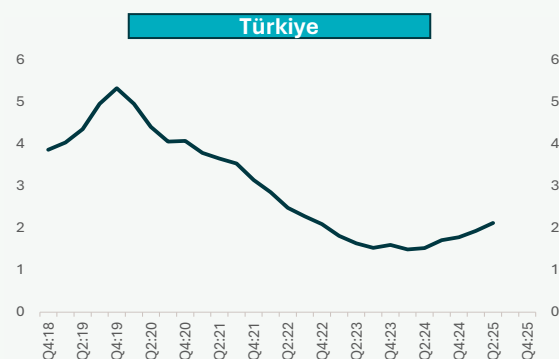


- Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses



Non-performing loans ratio (%)

- Except for Türkiye and, to a much lesser extent Romania, pressure on regional banks' asset quality has been limited so far, with NPL ratios remaining close to their recent multi-year low levels



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