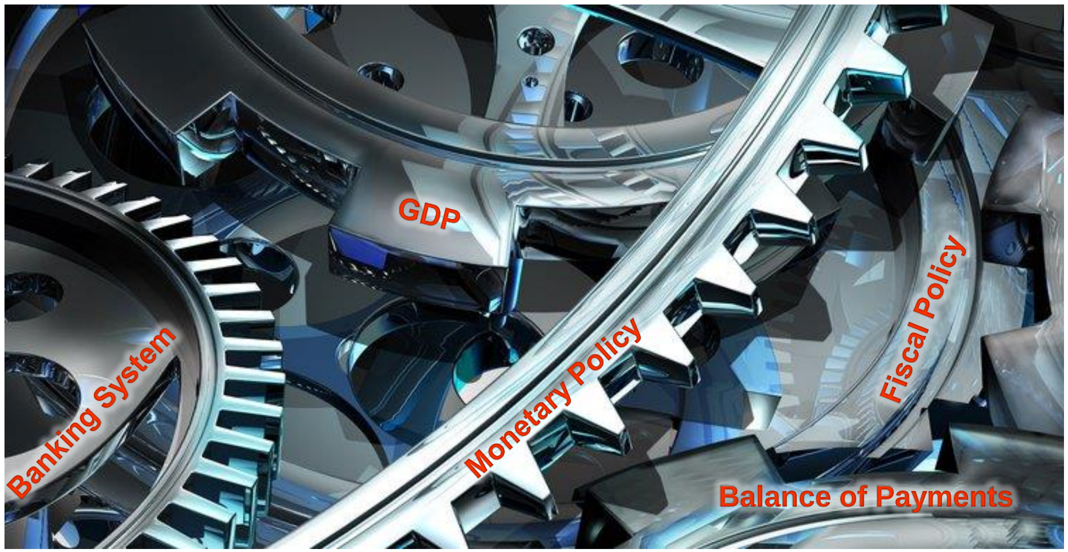
Economic Analysis Division
Emerging Markets Analysis
Quarterly Chartbook

Q1:2019

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



NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

Emerging Markets Analysis
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NBG-Emerging Markets Analysis

Quarterly Chartbook

Q1:2019

NATIONAL BANK

Republic of Turkey

Population (2018, mn): 81.9
GDP (2018, EUR, bn): 650.5
GDP per Capita (2018, EUR): 7,946
Government type: Parliamentary Republic
Chief of state: Recep Tayyip ERDOGAN
Head of Government: Recep Tayyip ERDOGAN
Minister of Finance: Berat ALBAYRAK
Central Bank Governor: Murat CETINKAYA

Romania

Population (2018, mn): 19.6
GDP (2018, EUR, bn): 202.2
GDP per Capita (2018, EUR): 10,294
Government type: Semi Presidential Republic
Chief of state: Klaus Werner IOHANNIS
Head of Government: Vasilica-Viorica DANCILA
Minister of Finance: Eugen-Orlando TEODOROVICI
Central Bank Governor: Mugur ISARESCU

Republic of Bulgaria

Population (2018, mn): 7.0
GDP (2018, EUR, bn): 55.2
GDP per Capita (2018, EUR): 7,872
Government type: Parliamentary Republic
Chief of state: Rumen RADEV
Head of Government: Boyko BORISOV
Minister of Finance: Vladislav GORANOV
Central Bank Governor: Dimitar RADEV

Republic of Serbia

Population (2018, mn): 7.0
GDP (2018, EUR, bn): 42.8
GDP per Capita (2018, EUR): 6,124
Government type: Parliamentary Republic
Chief of state: Aleksandar VUCIC
Head of Government: Ana BRNABIC
Minister of Finance: Sinisa MALI
Central Bank Governor: Jorgovanka TABAKOVIC

Republic of North Macedonia

Population (2018, mn): 2.1
GDP (2018, EUR, bn): 10.8
GDP per Capita (2018, EUR): 5,170
Government type: Parliamentary Republic
Chief of state: Gjorge IVANOV
Head of Government: Zoran ZAEV
Minister of Finance: Dragan TEVDOVSKI
Central Bank Governor: Anita ANGELOVSKA-BEZOSKA

Republic of Albania

Population (2018, mn): 2.9
GDP (2018, EUR, bn): 14.0
GDP per Capita (2018, EUR): 4,522
Government type: Parliamentary Republic
Chief of state: Ilir META
Head of Government: Edi RAMA
Minister of Finance: Anila DENAJ
Central Bank Governor: Gent SEJKO

Republic of Cyprus

Population (2018, mn): 0.86
GDP (2018, EUR, bn): 20.7
GDP per Capita (2018, EUR): 24,106
Government type: Presidential Republic without PM
Chief of state: Nicos ANASTASIADES
Head of Government: Nicos ANASTASIADES
Minister of Finance: Harris GEORGIADES
Central Bank Governor: Chrystalla GEORGHADJI

Arab Republic of Egypt

Population (2018, mn): 98.1
GDP (2018, EUR, bn): 236.5
GDP per Capita (2018, EUR): 2,408
Government type: Semi Presidential Republic
Chief of state: Abdel Fattah Said AL-SISI
Head of Government: Sherif Ismail MOHAMED
Minister of Finance: Amr EL-GARHY
Central Bank Governor: Tarek AMER

In Turkey, fiscal slippage ahead of the end-March local elections jeopardizes economic and financial stability. Note that the fiscal deficit reached a 9-year high of 2.2% of GDP on a 12-month basis in February -- well above the full-year target of 1.8% of GDP

Date of Next Elections

	Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	June 2018	December 2020	March 2021	April 2020	May 2020	June 2021	May 2021	Oct.- Dec. 2020
Presidential	June 2018	November 2019	November 2020	April 2022	April 2019	July 2022	February 2023	March 2022
Local	March 2019	June 2020	October 2019	April 2020	March 2021	June 2019	December 2021	Unknown *

*: Last local elections were held in April 2008

In early-February, the IMF Executive Board approved the fourth review of Egypt's economic reform programme -- supported by the 3-year USD 12bn Extended Fund Facility -- allowing the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to USD 10bn

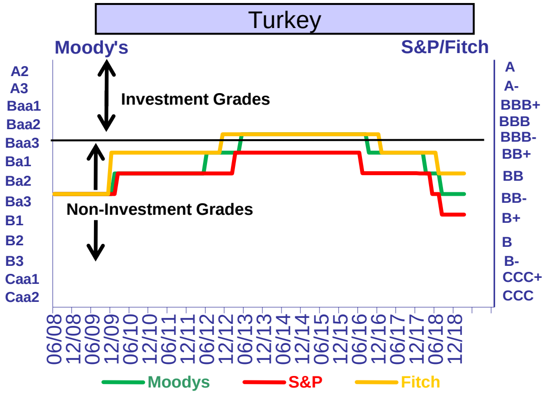
IMF & EU Financial Support (EUR bn)

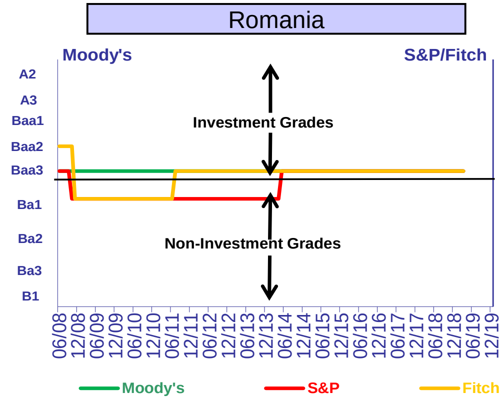
		Turkey	Romania			Bulgaria	Serbia				North Macedonia	Albania	Cyprus	Egypt
Period		- - -	2009 2011	2011-2013*	2013-2015*	- - -	2009-2011	2011-2013*	2015-2018*	2018-2021**	2011-2013	2014-2017	2013-2016	2016-2019
Programme	IMF	- - -	13.0	3.6	2.0	- - -	2.9	1.1	1.2	- - -	0.5	0.4	1.0	12.0***
	EU	- - -	5.0	1.4	2.0	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.0	- - -
Drawn so far	IMF	- - -	12.1	- - -	- - -	- - -	1.5	- - -	- - -	- - -	0.2	0.4	0.9	10.0**
	EU	- - -	5.0	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	6.3	- - -
Repaid	IMF	- - -	12.1 since 2009			- - -	1.6 since 2009			- - -	0.2	- - -	0.3 early in 2017	- - -
	EU	- - -	1.5 since 2009			- - -	- - -			- - -	- - -	- - -	- - -	- - -
Next Repayments	IMF	- - -	- - -			- - -	- - -			- - -	- - -	Starting in 2019	Starting in 2020	Starting in 2021
	EU	- - -	EUR 1.0bn in 2019			- - -	- - -			- - -	- - -	- - -	Starting in 2027	- - -

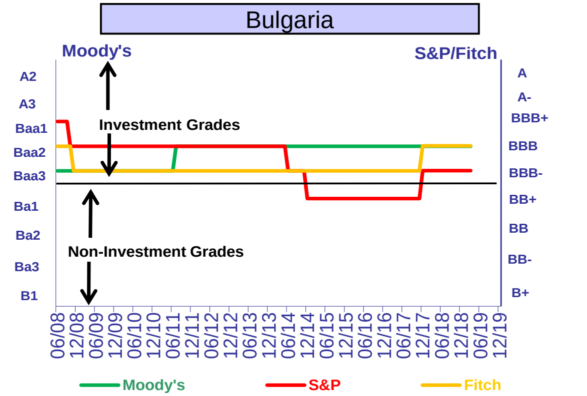
* Precautionary
** Non-financing Policy Coordination Instrument
*** bn USD

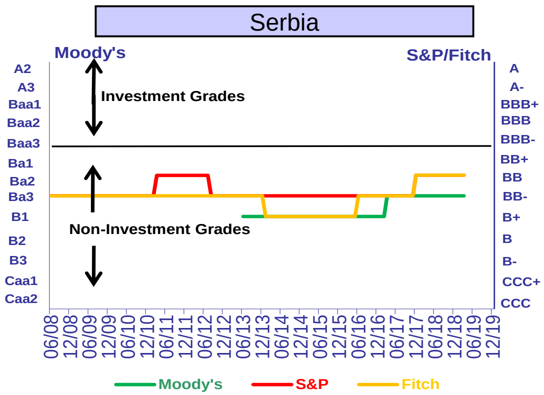
Foreign currency credit rating

In 2018: i) Cyprus’ credit rating was upgraded by 1 notch by Moody’s to Ba2 and S&P to BBB- (investment grade) and by 2 notches by Fitch to BBB- (investment grade); ii) Egypt’s credit rating was upgraded by 1 notch by S&P to B; and iii) Turkey’s credit rating was downgraded by 2 notches by Moody’s to Ba3 and S&P to B+ and by 1 notch by Fitch to BB



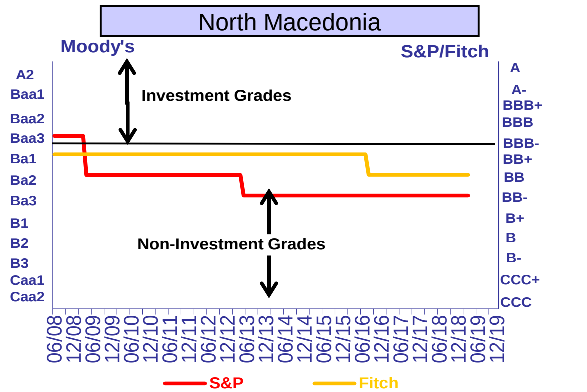


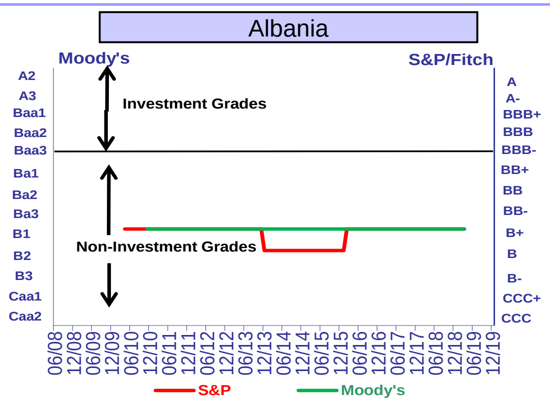


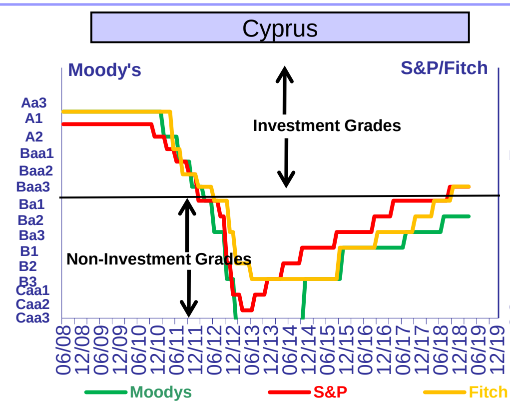


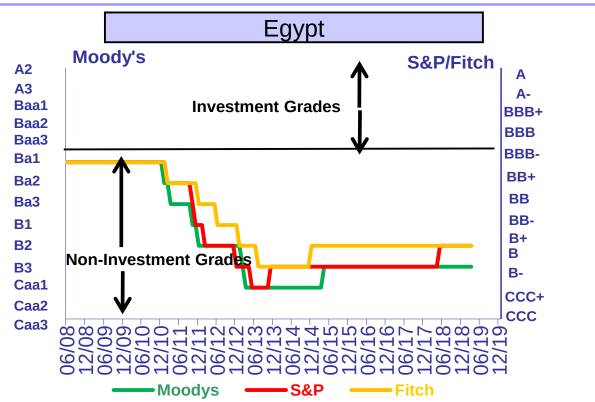
Long-Term Foreign Debt Currency Ratings, March 2019

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



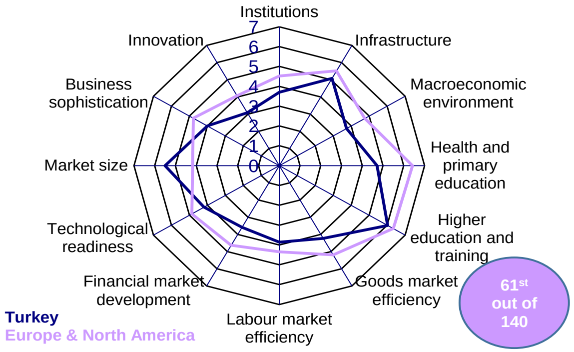




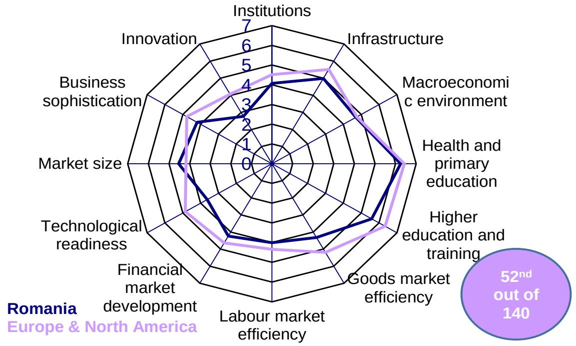


According to the latest WEF's GCI, Cyprus is the most competitive among the countries under review

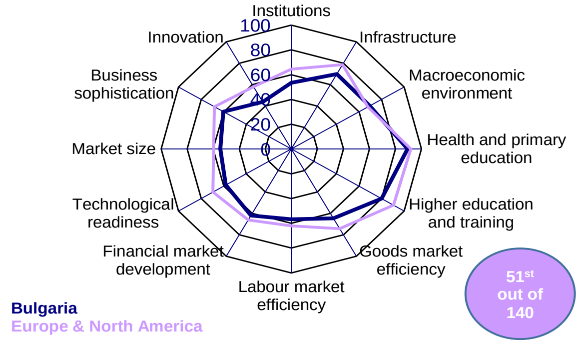
Turkey



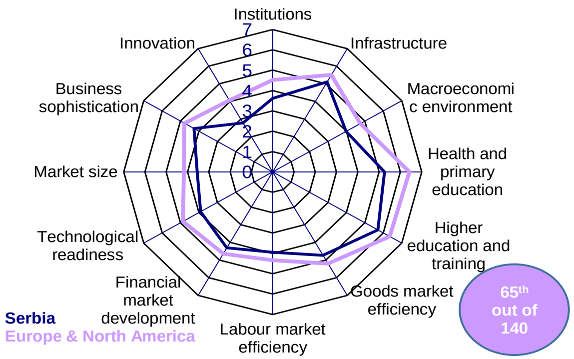
Romania

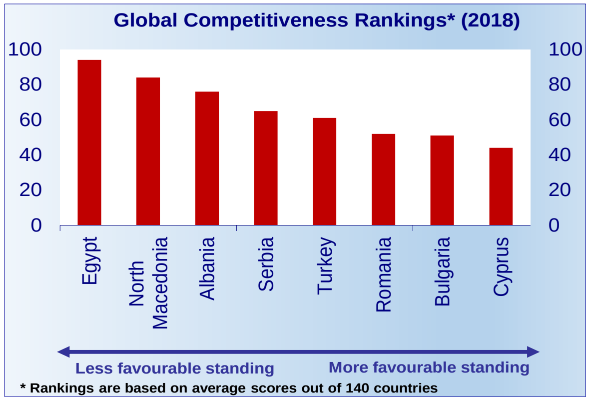


Bulgaria

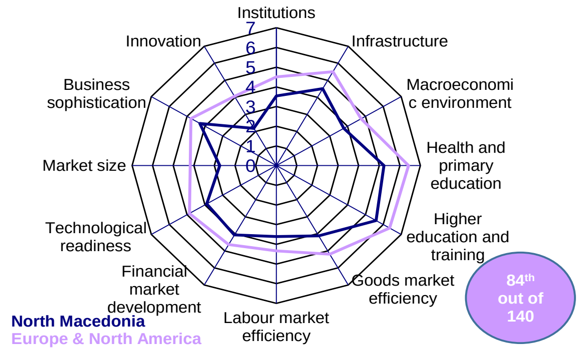


Serbia

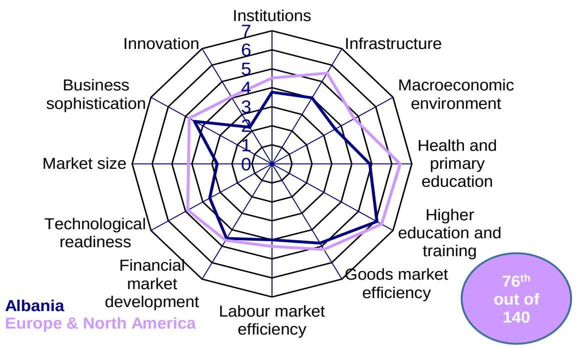




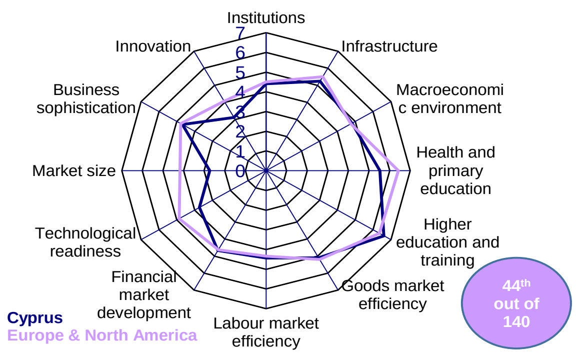
North Macedonia



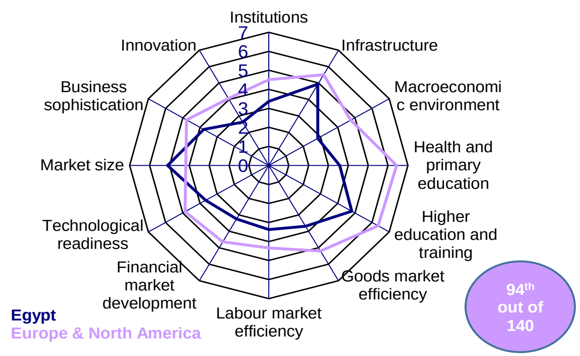
Albania



Cyprus

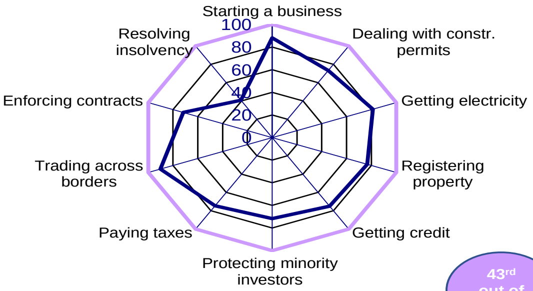


Egypt



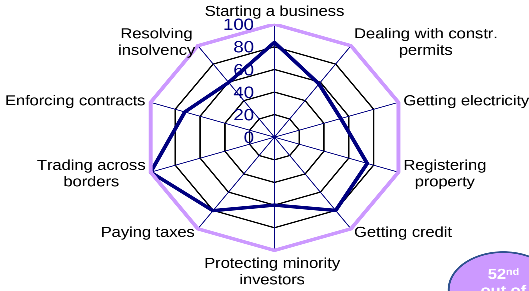
The latest WB's Ease of Doing Business report shows North Macedonia has the most favourable standing among the countries under review

Turkey



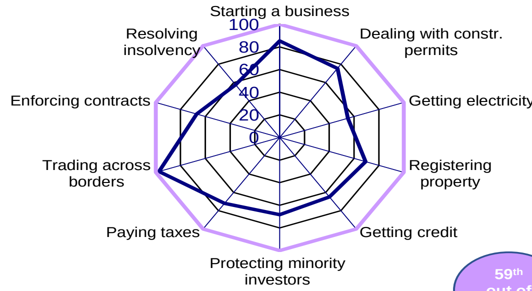
43rd out of 190

Romania



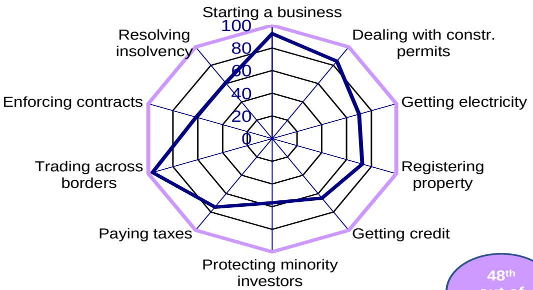
52nd out of 190

Bulgaria



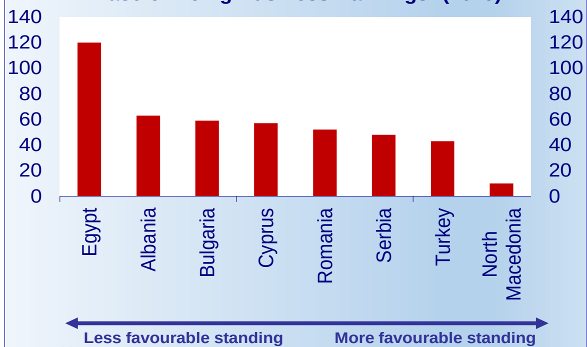
59th out of 190

Serbia



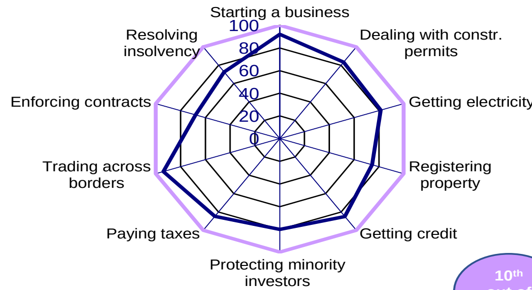
48th out of 190

Ease of Doing Business Rankings* (2019)



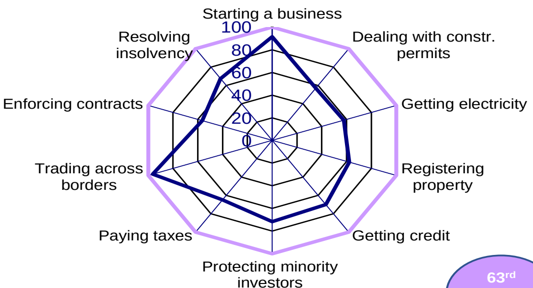
* Rankings are based on average scores out of 190 countries

North Macedonia



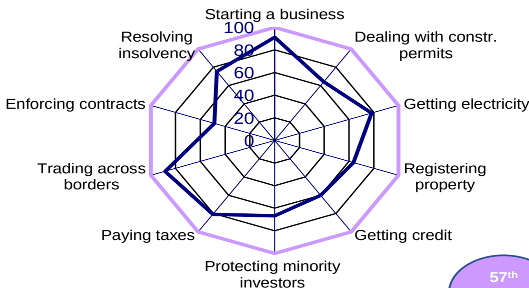
10th out of 190

Albania



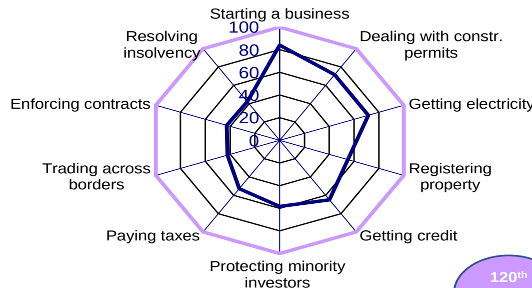
63rd out of 190

Cyprus



57th out of 190

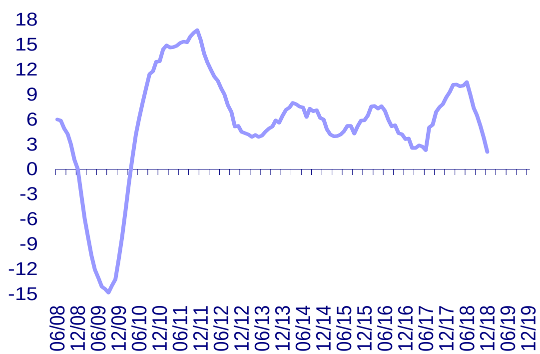
Egypt



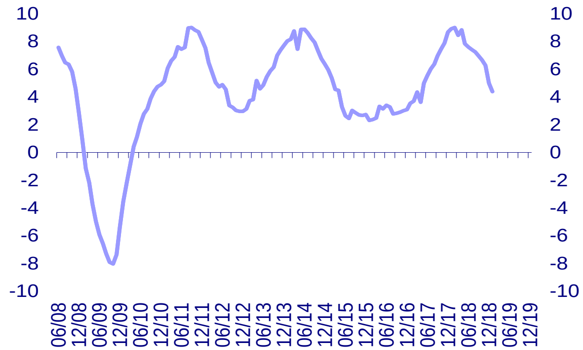
120th out of 190

Industrial output lost momentum in most of the countries under review in H2:18, partly due to a slowdown in economic activity in their main trading partner -- the euro area

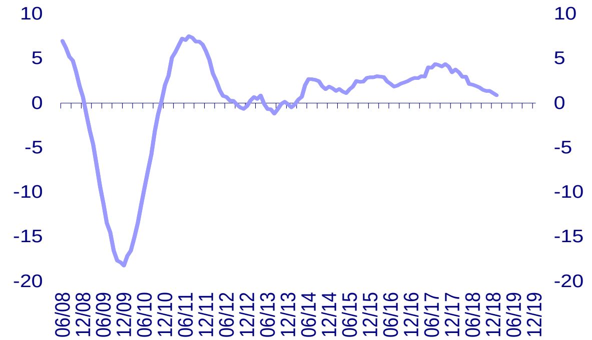
Turkey



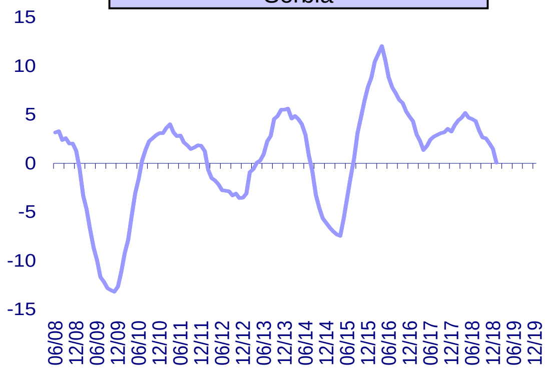
Romania

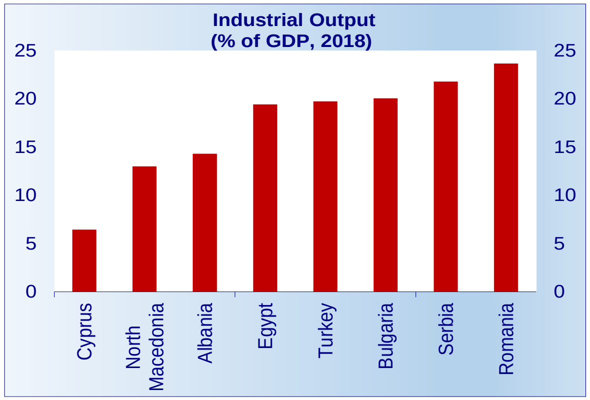


Bulgaria

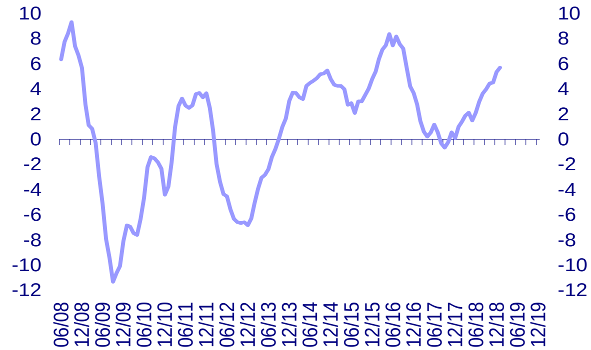


Serbia





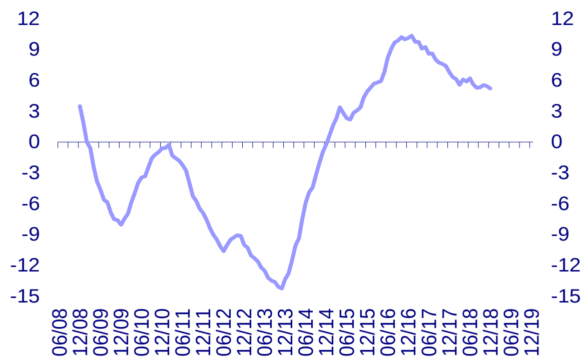
North Macedonia



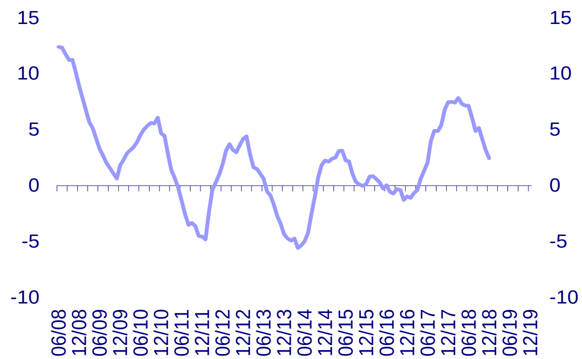
Albania

N.A.

Cyprus



Egypt

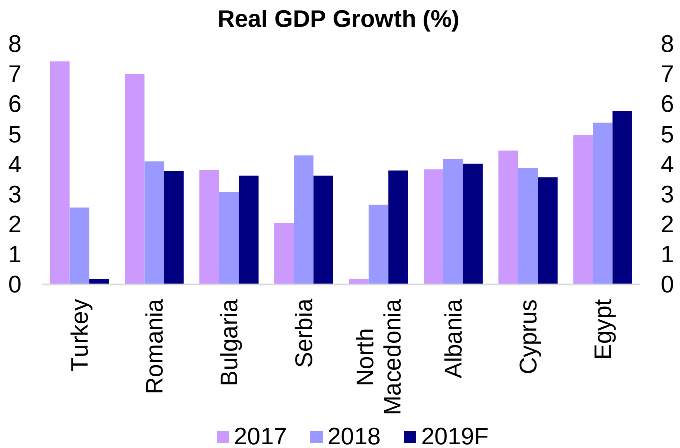


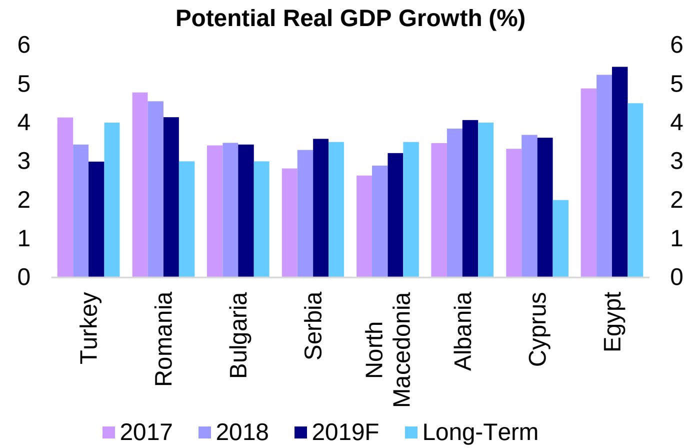
Real GDP growth, potential Real GDP growth, output gap and per capita (nominal) GDP

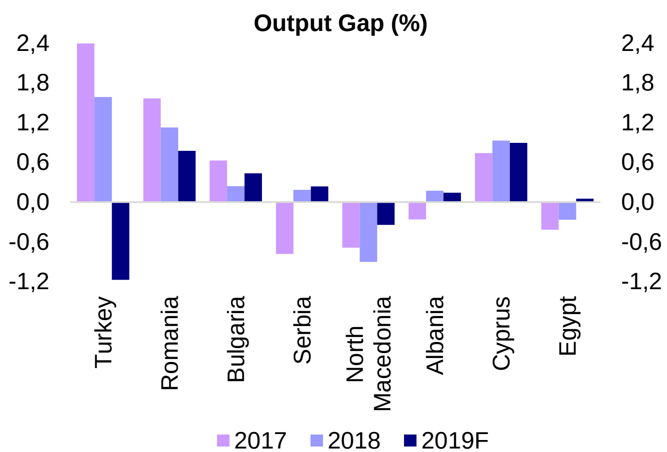
Despite an adverse external environment, all economies under review, with the exception of Turkey, are set to post solid growth this year (higher than 3.5%)

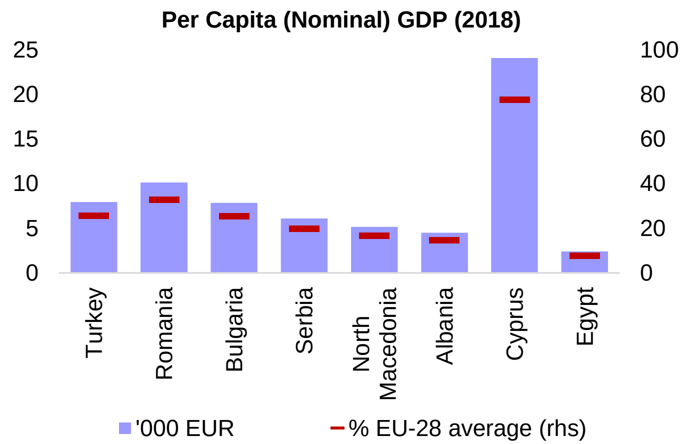
This year's growth is expected to surpass its potential in most of the economies under review

A switch from a positive to a negative output gap this year in Turkey points to a further weakening in economic activity and declining inflationary pressures

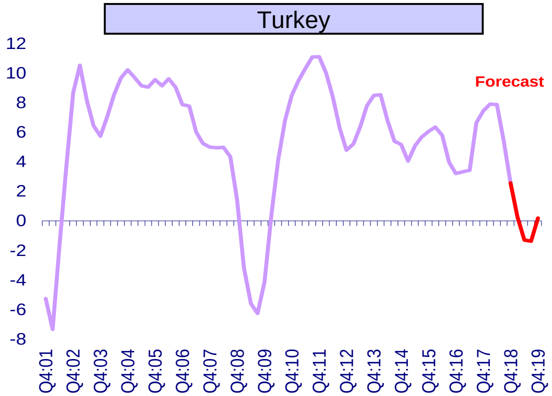


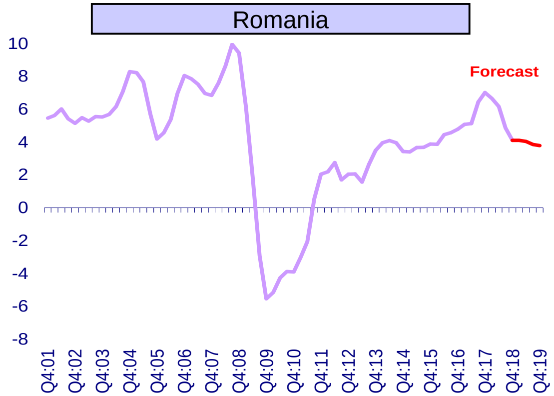


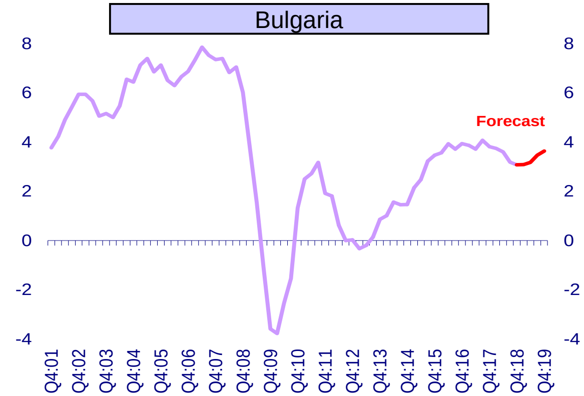


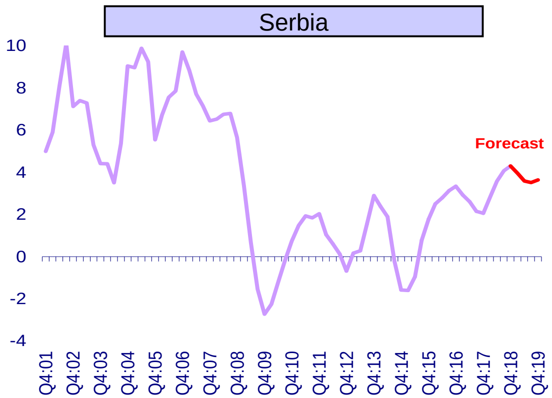


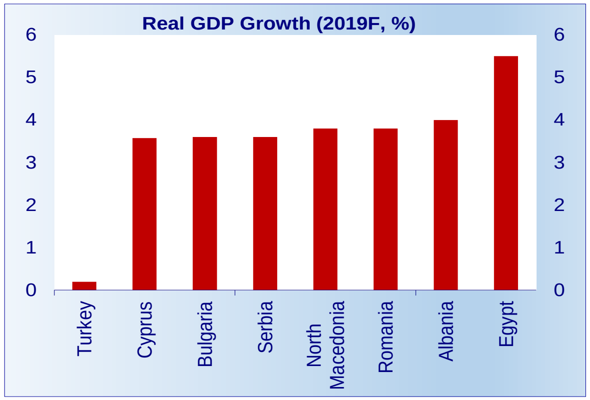
GDP growth is expected to range between 0.2% (Turkey) and 5.6% (Egypt) this year in the economies under review

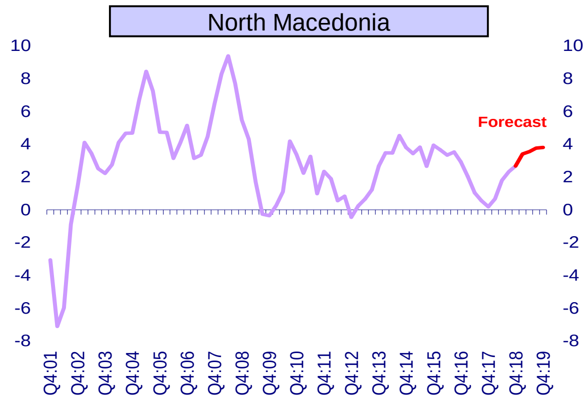


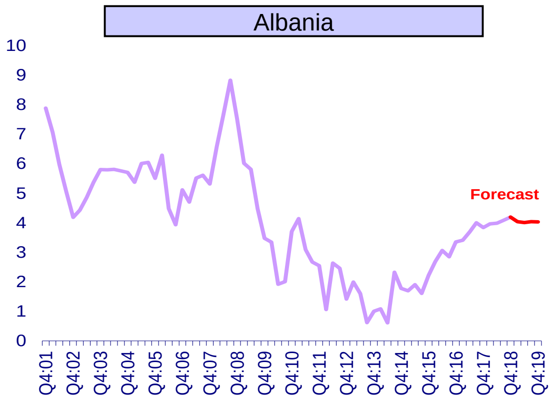


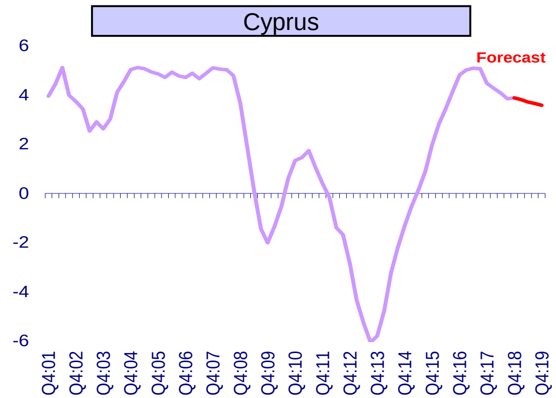


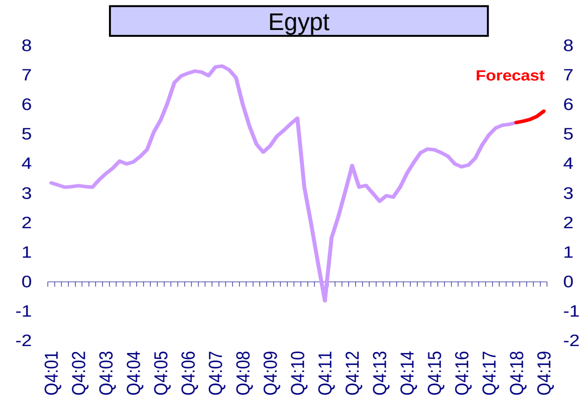




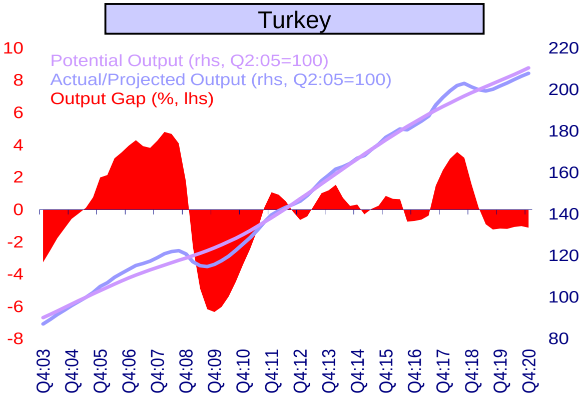


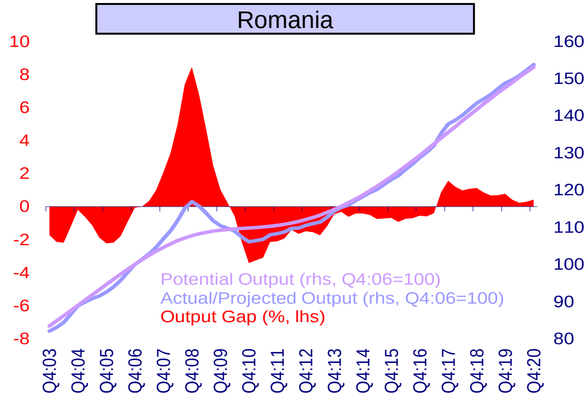


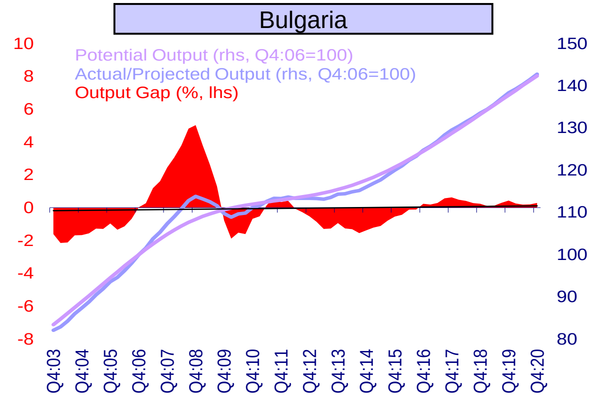


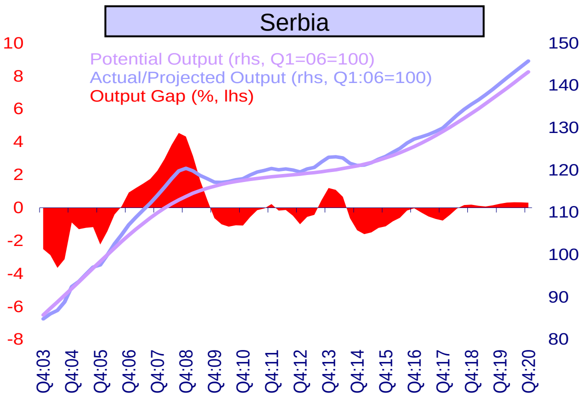


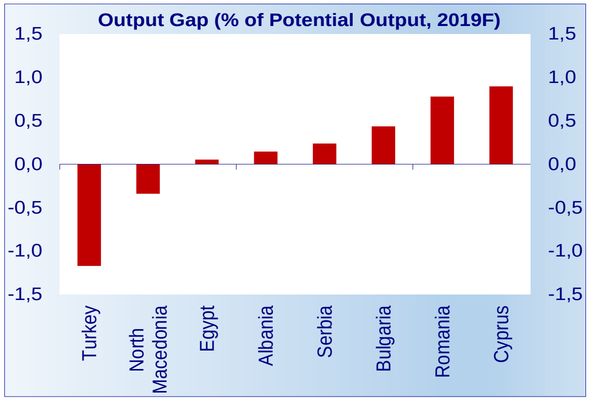
Only Turkey and North Macedonia are expected to experience a negative out gap this year among the countries under review

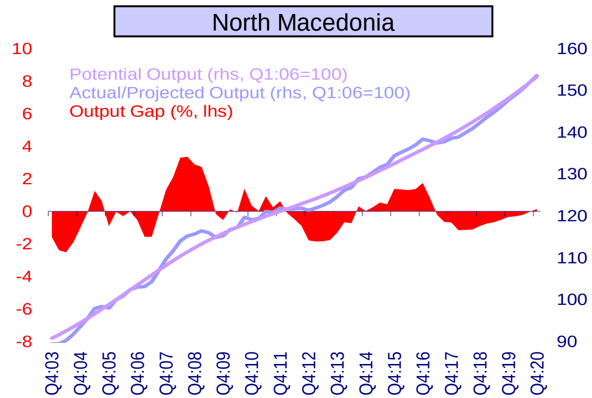


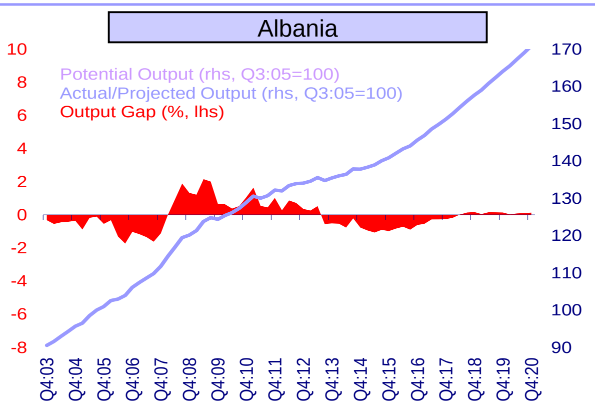


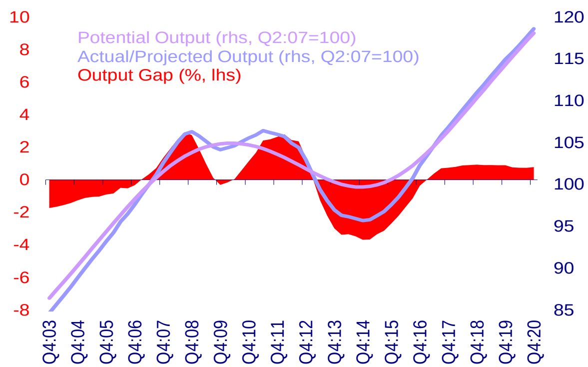


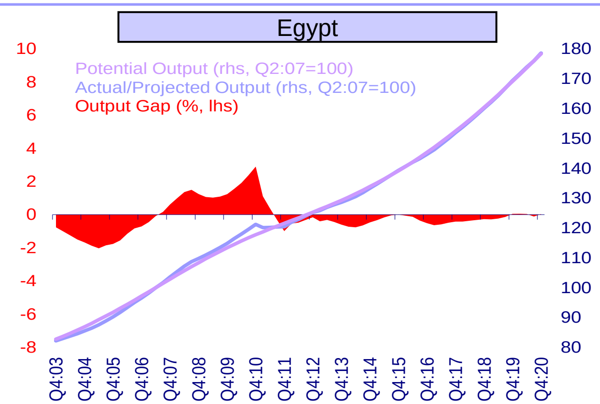






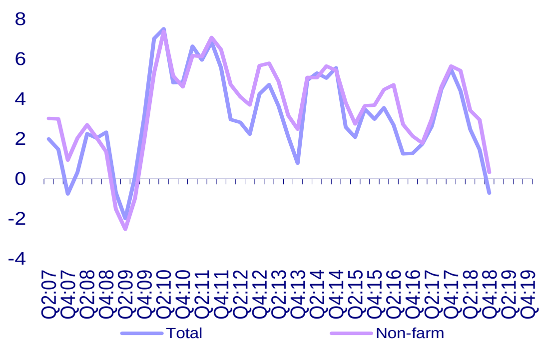




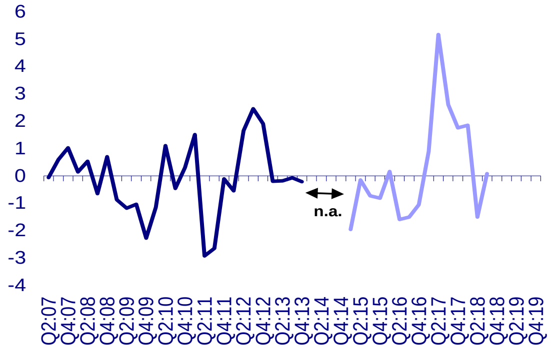


Accelerating employment growth largely supported economic activity in 2018, notably in North Macedonia, Serbia, Albania and Cyprus.
Quasi nil employment growth in Romania and Bulgaria in 2018 is attributable to full employment

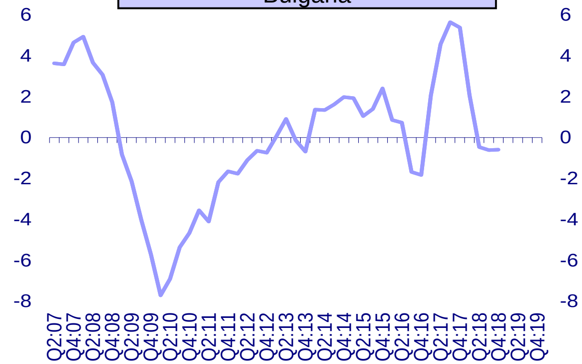
Turkey



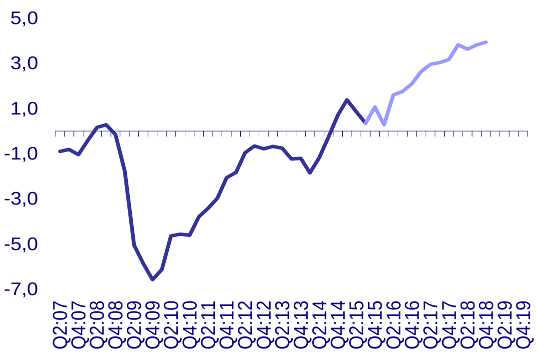
Romania

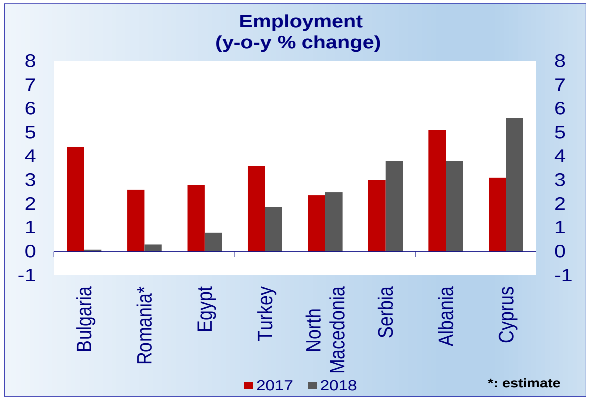


Bulgaria

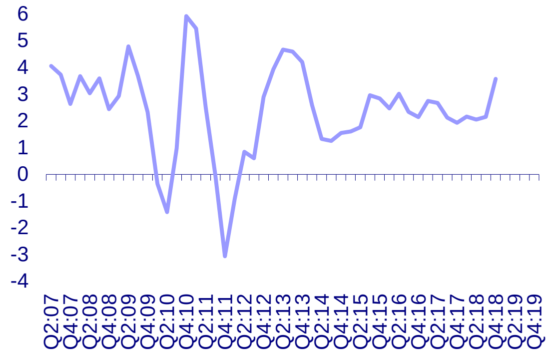


Serbia

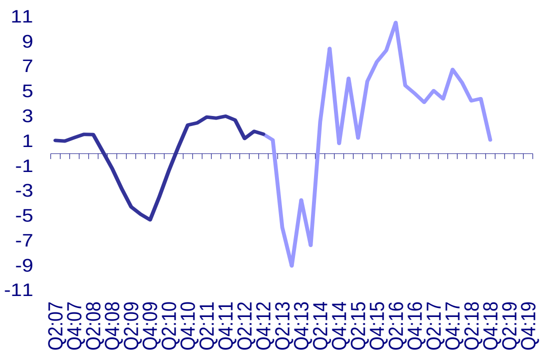




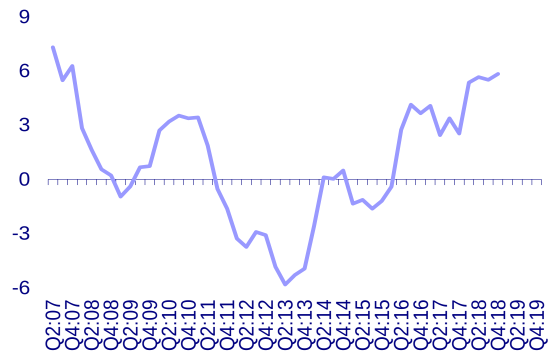
North Macedonia



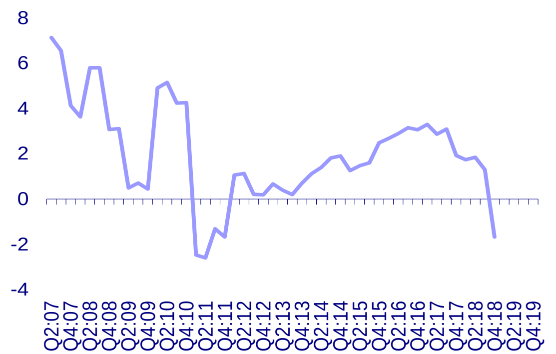
Albania



Cyprus

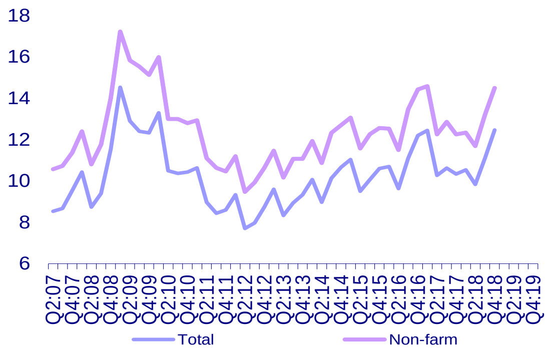


Egypt

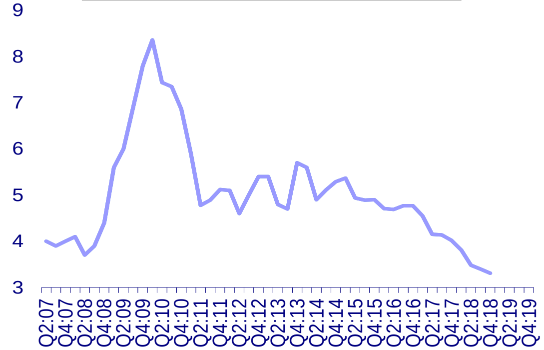


The unemployment rate continued on its downward trend in 2018 in all countries under review, with the exception of Turkey

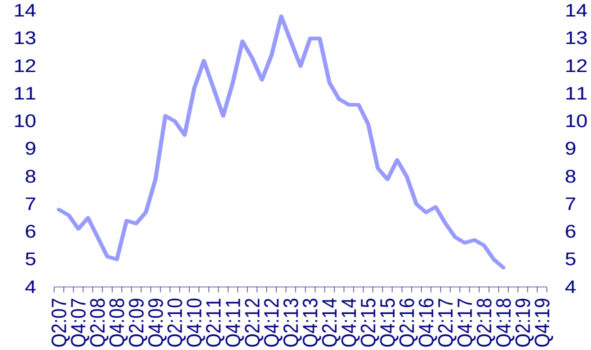
Turkey



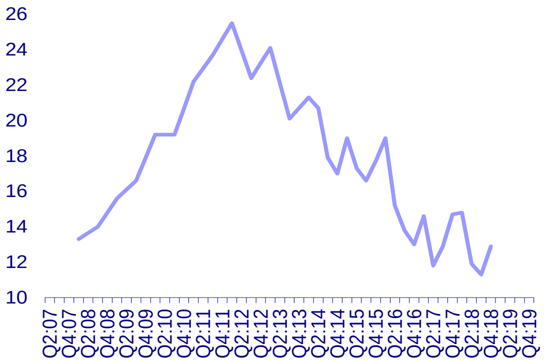
Romania

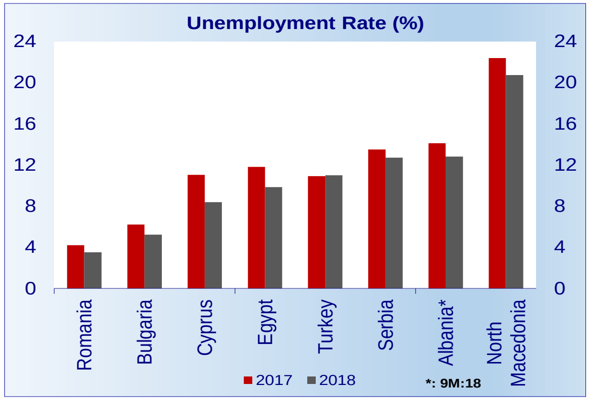


Bulgaria

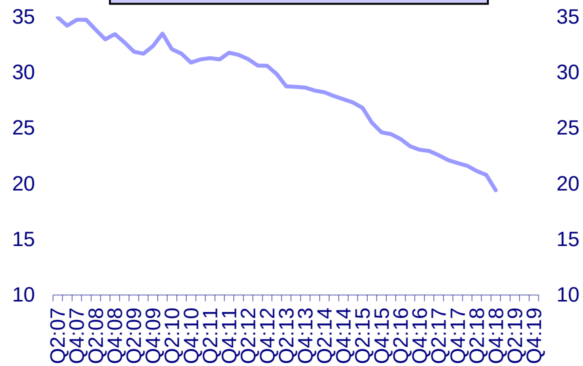


Serbia

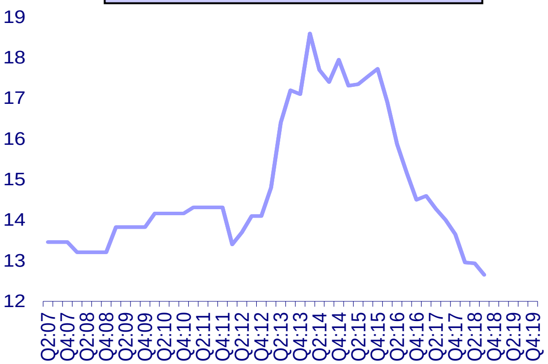




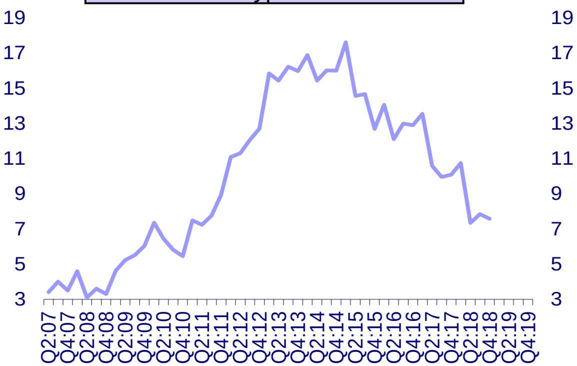
North Macedonia



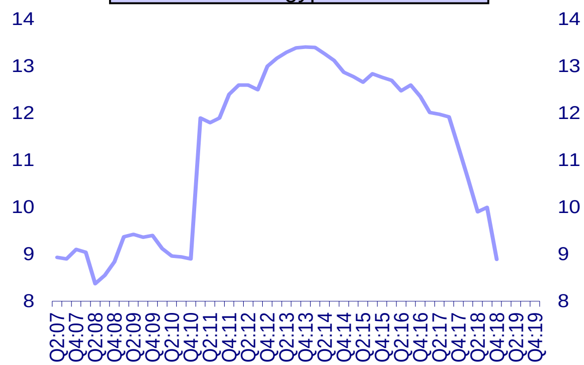
Albania



Cyprus

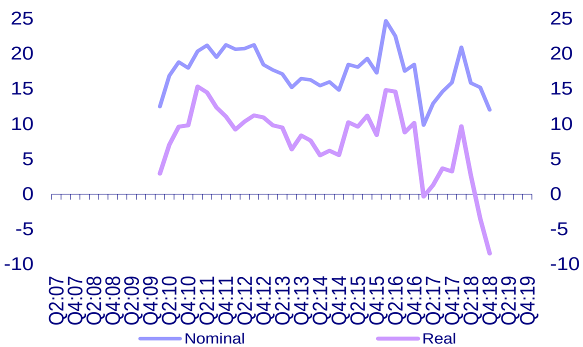


Egypt

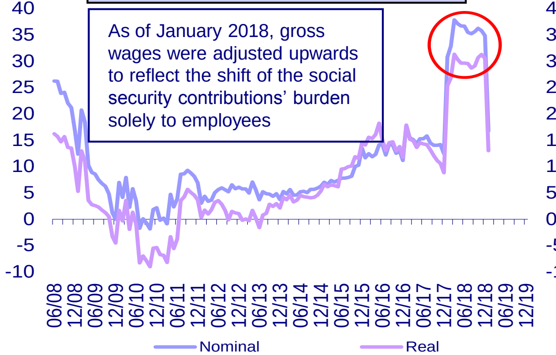


Romania posted the sharpest real wage growth in 2018 among the countries under review, following the shift of the social security contributions' burden solely to employees

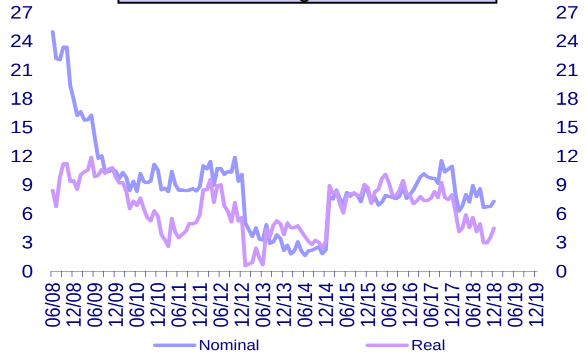
Turkey



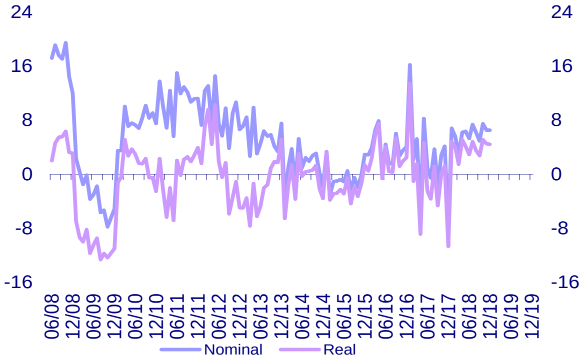
Romania

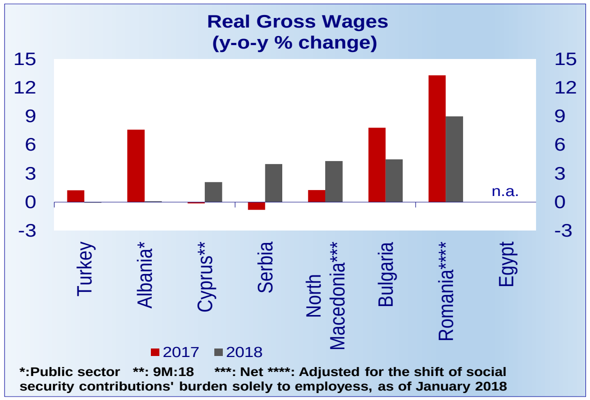


Bulgaria

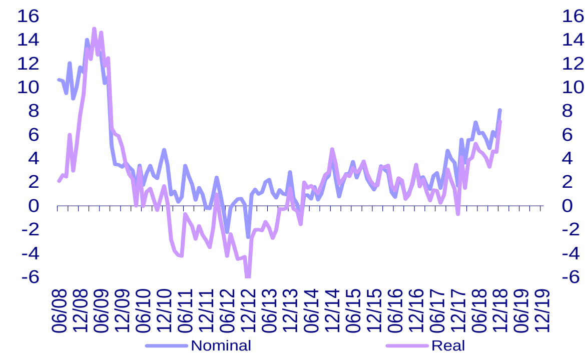


Serbia

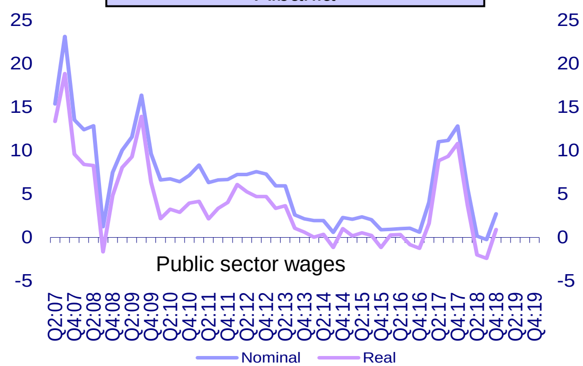




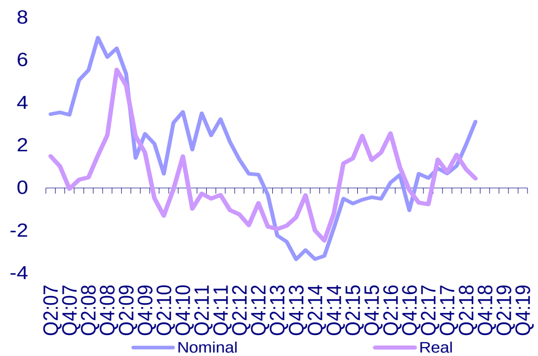
North Macedonia



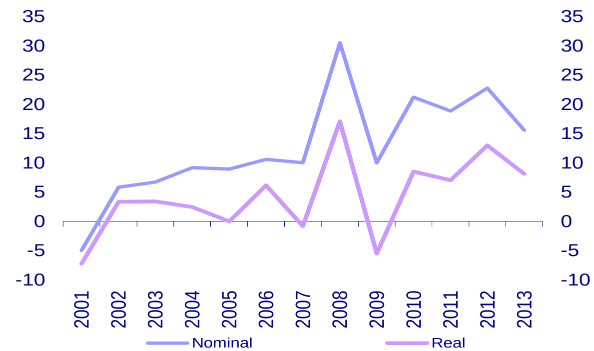
Albania



Cyprus

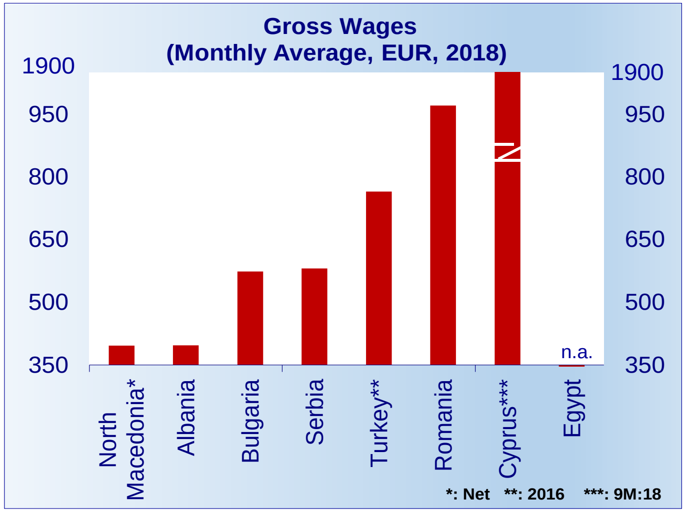


Egypt



North Macedonia and Albania remain the most competitive countries in terms of labour costs

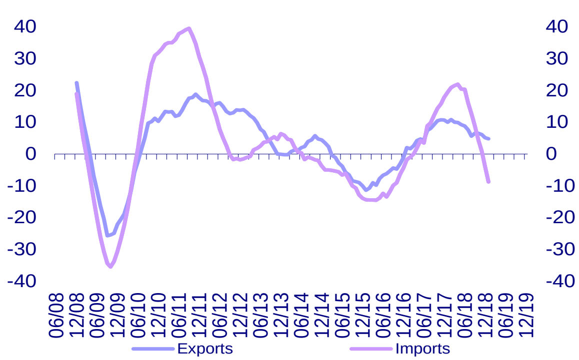
Bulgaria and North Macedonia have the most favourable personal and corporate income tax rates



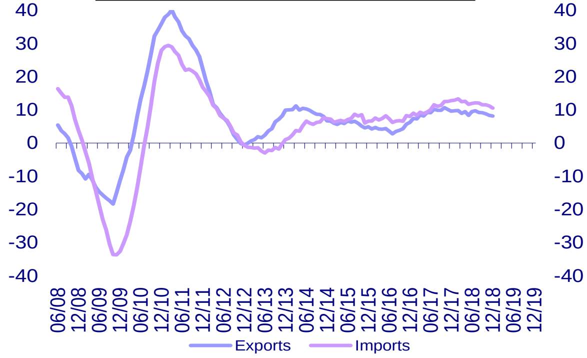
Tax Rates (%)		
	Personal Income	Corporate Income
Turkey	15.0 - 35.0	22.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0	15.0
North Macedonia	10.0 – 18.0	10.0
Albania	13.0 - 23.0	15.0
Cyprus	20.0 - 35.0	12.5
Egypt	10.0 - 22.0	23.0
Greece	22.0 - 45.0	29.0

Pressures on the current account increased in Romania, Bulgaria and Serbia in 2018, as exports expanded at a slower pace than imports

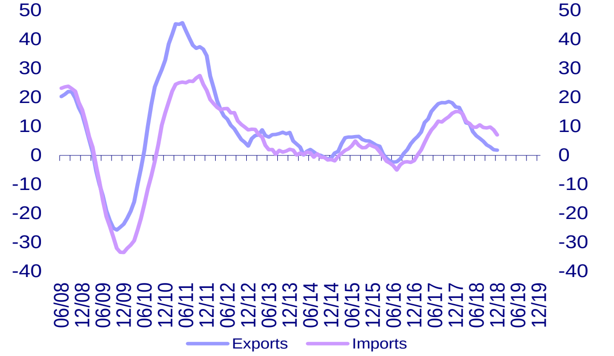
Turkey



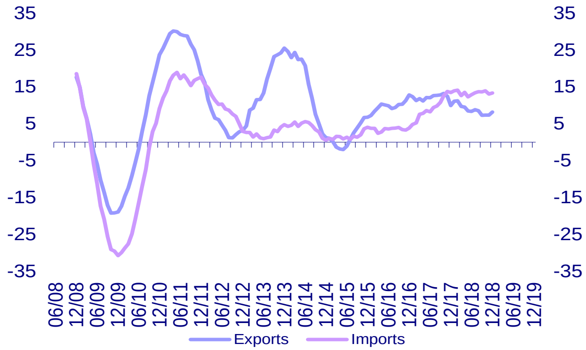
Romania

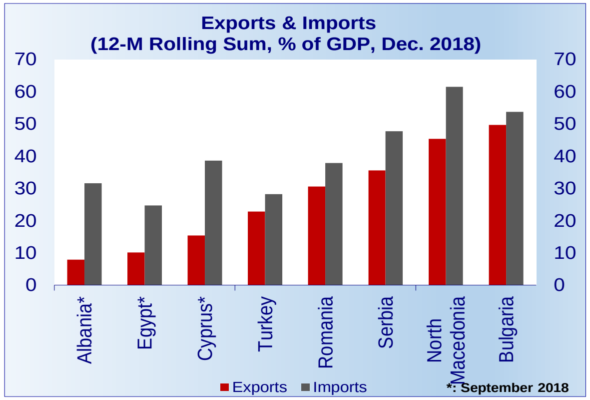


Bulgaria

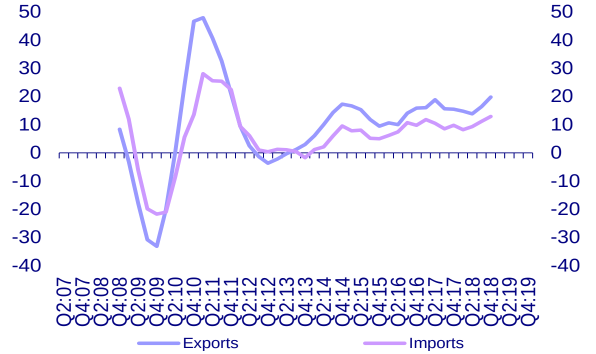


Serbia

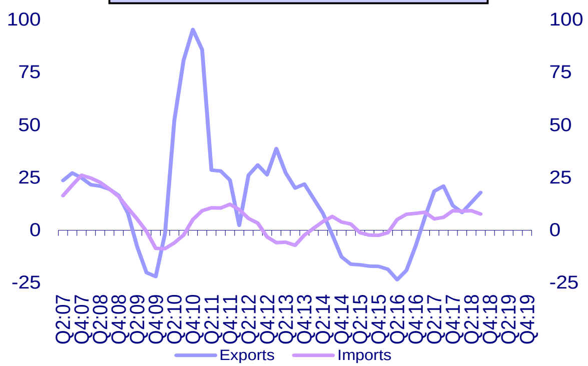




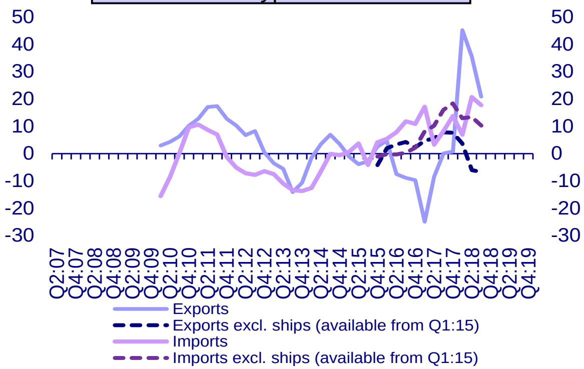
North Macedonia



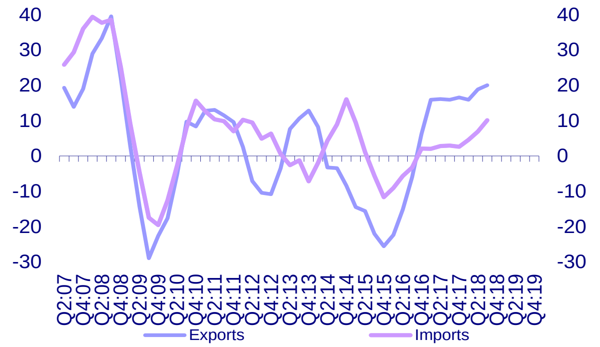
Albania



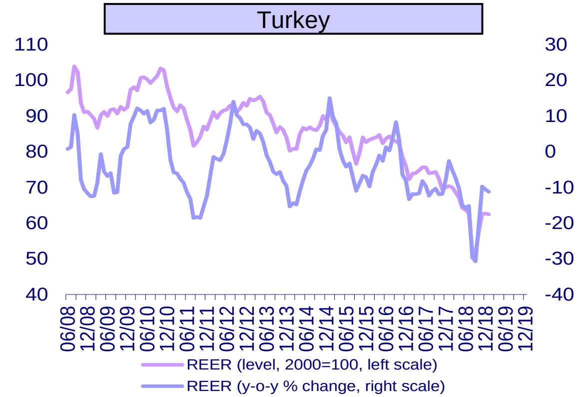
Cyprus

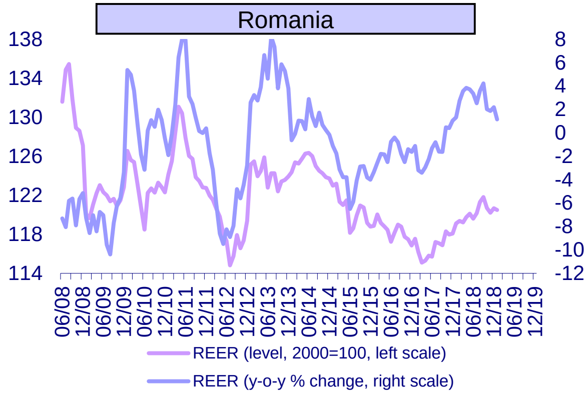


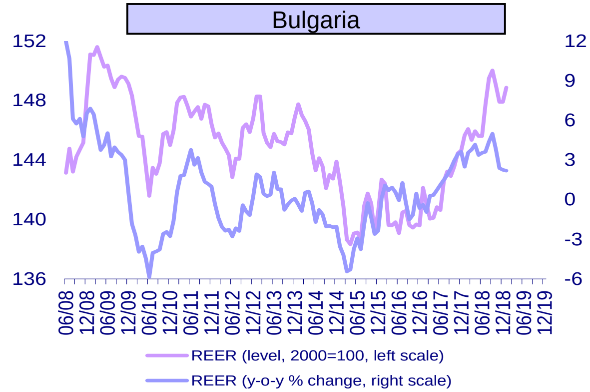
Egypt

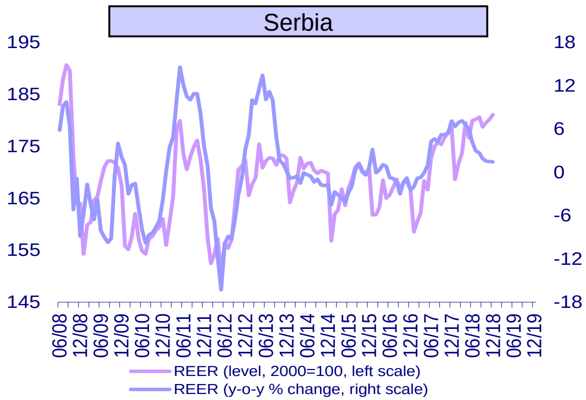


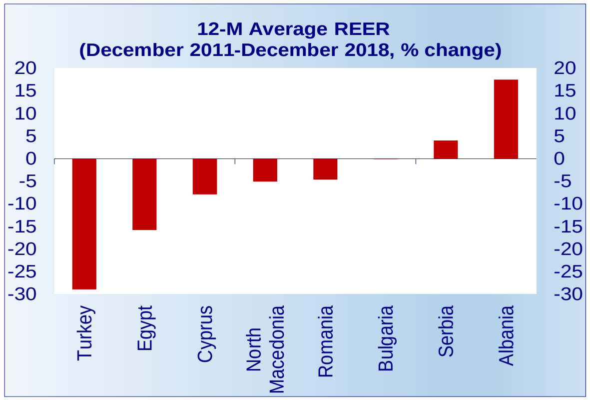
Competitiveness in all the countries under review has improved over the past 7 years, excluding Albania and Serbia

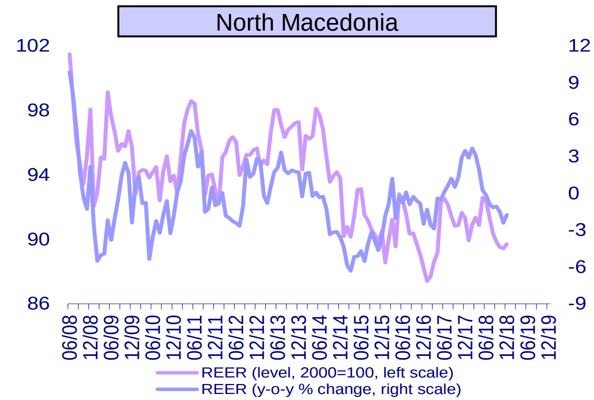


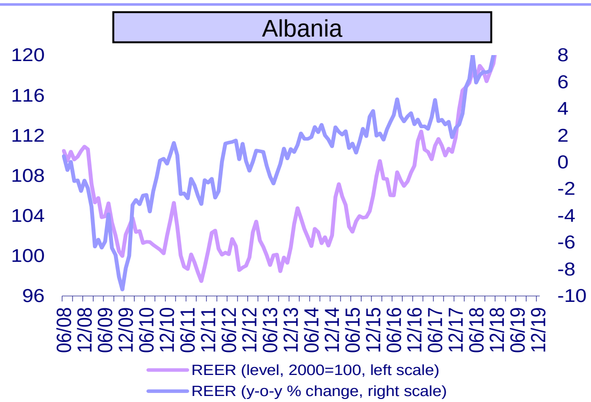


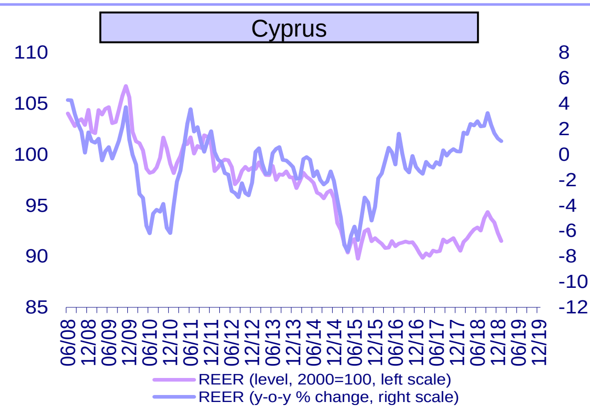


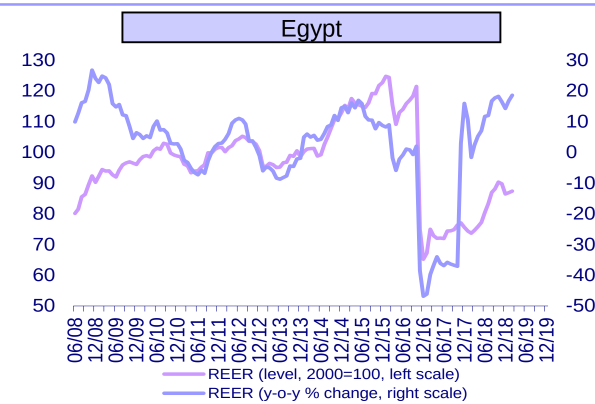








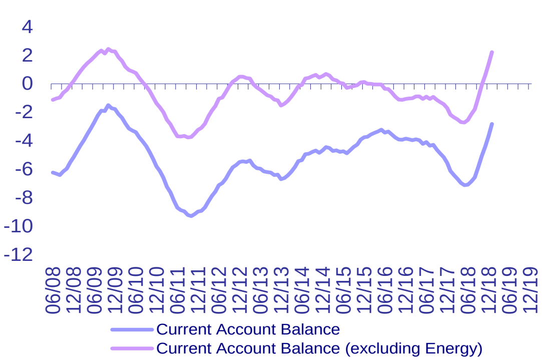




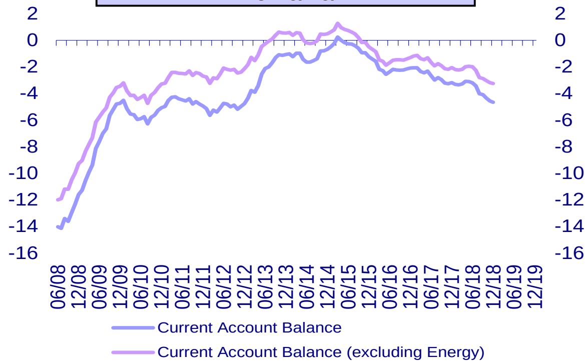
The current account deficit remained at sustainable levels in 2018 in most of the economies under review, despite weaker external demand.

Bulgaria remains, by far, the best performer among the economies under review, posting a current account surplus of 4.6% of GDP in 2018

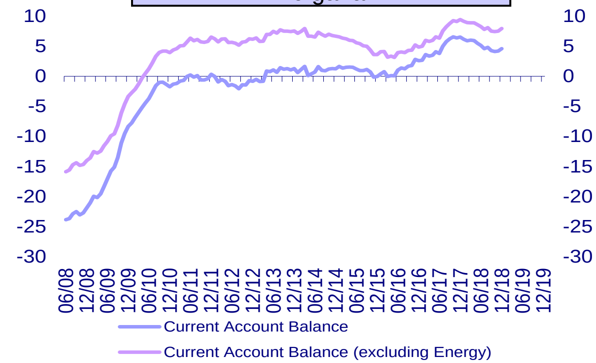
Turkey



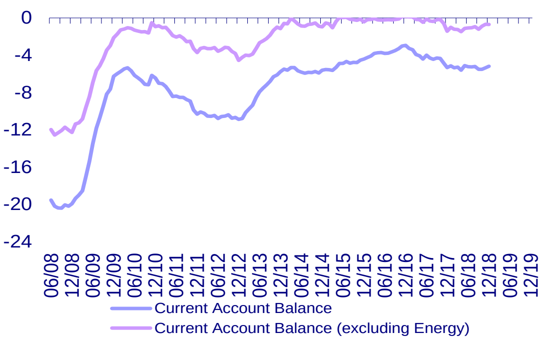
Romania

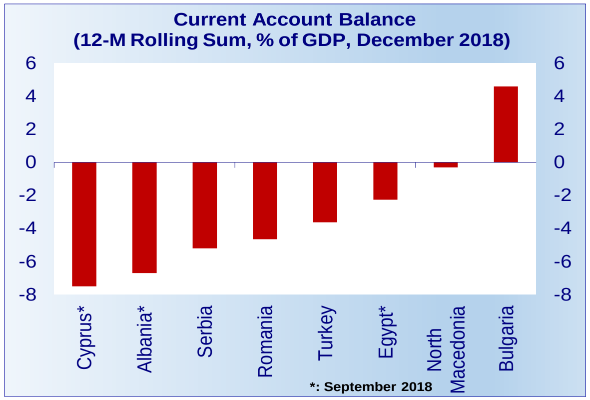


Bulgaria

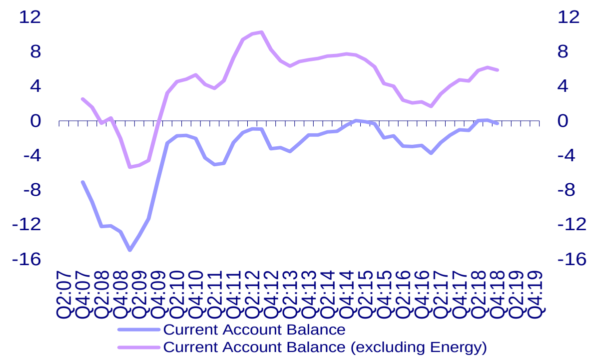


Serbia

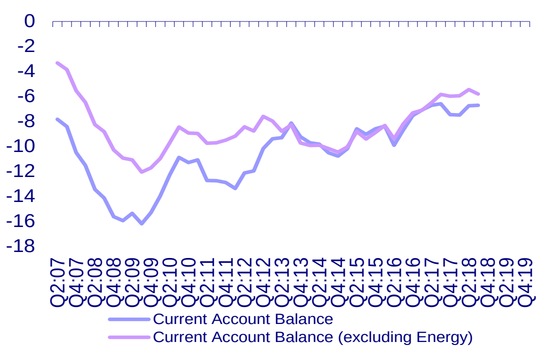




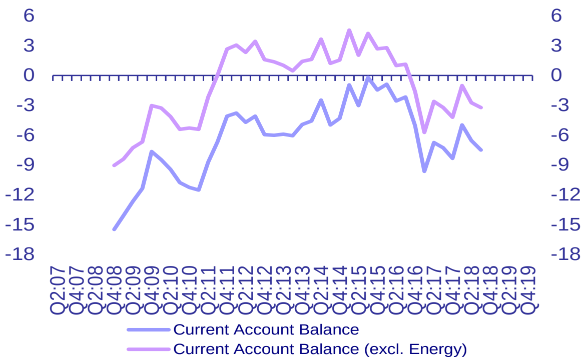
North Macedonia



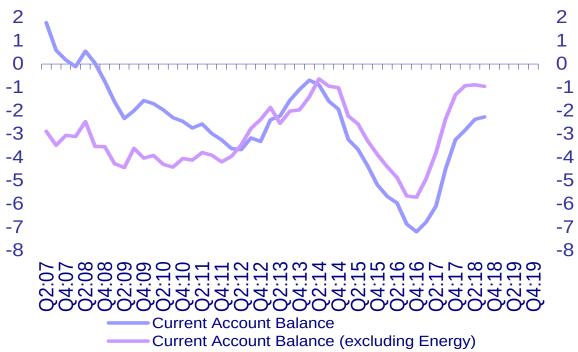
Albania



Cyprus

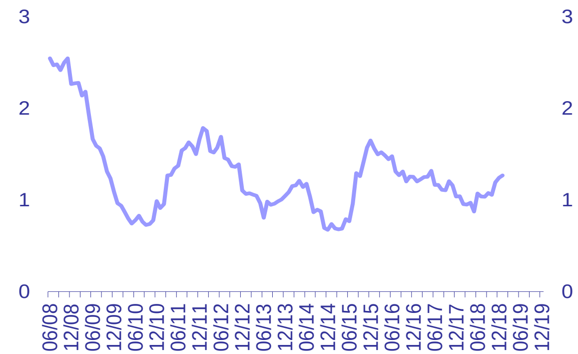


Egypt

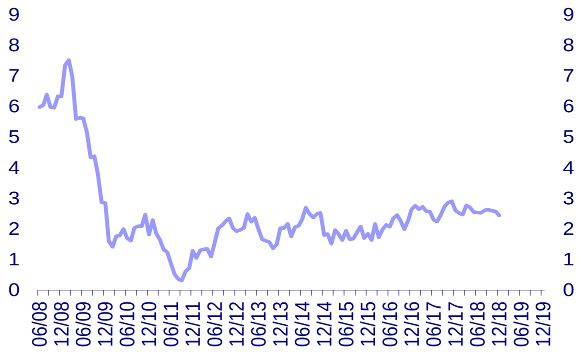


In 2018, net FDI rose sharply in North Macedonia, reaching an 11-year high of 5.8% of GDP, due to a brighter economic outlook
Net FDI reached an 11-year high of 7.4% of GDP in Serbia in 2018, reflecting large brownfield investments
In Albania, net FDI continued to fluctuate around 8% of GDP for a 10[th] consecutive year in 2018, mainly on the back of large investments in energy projects

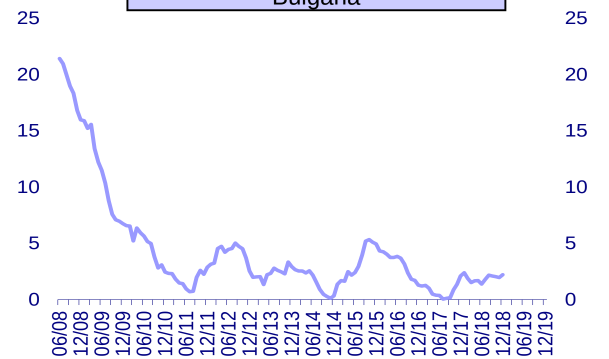
Turkey



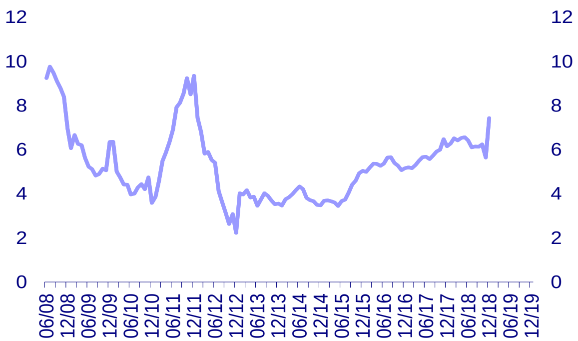
Romania

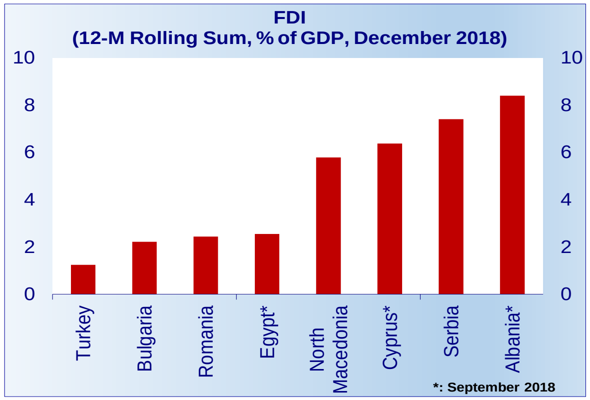


Bulgaria

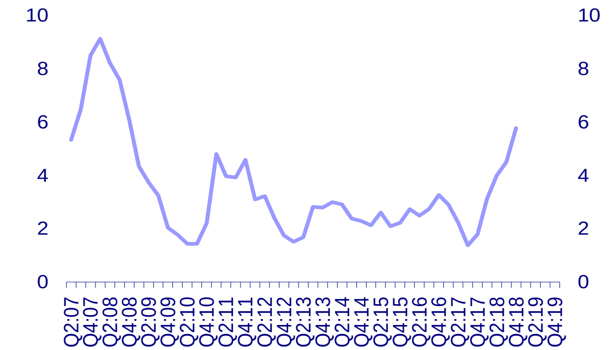


Serbia

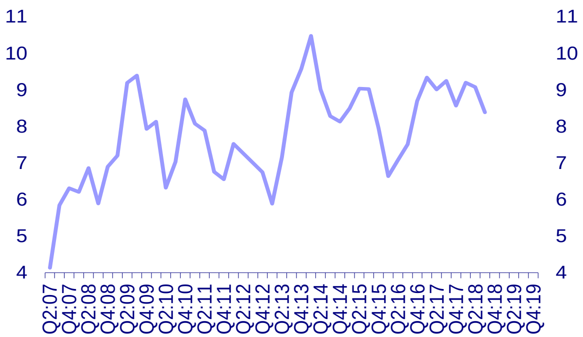




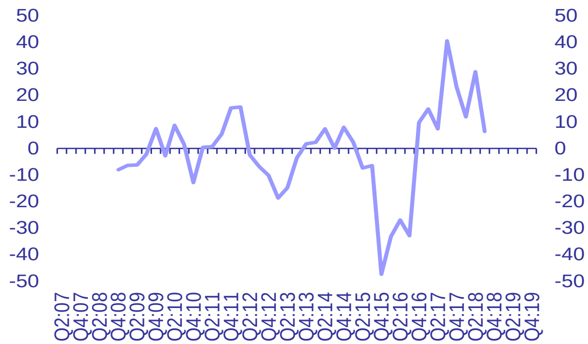
North Macedonia



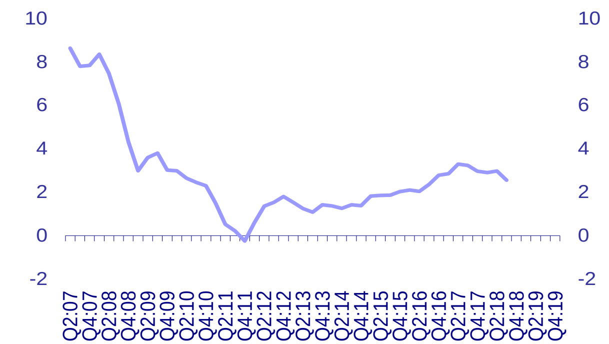
Albania



Cyprus



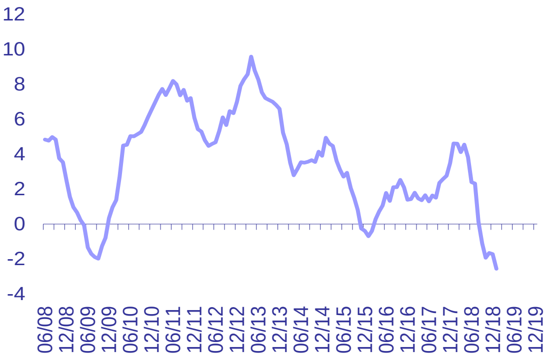
Egypt



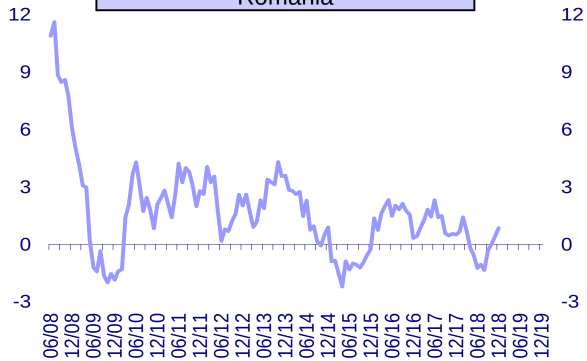
Other net capital flows, excluding IMF funding and net errors and omissions (12-month rolling, % of GDP)

“Other net capital” inflows weakened in 2018 in most of the countries under review, mainly due to tighter global liquidity conditions

Turkey



Romania



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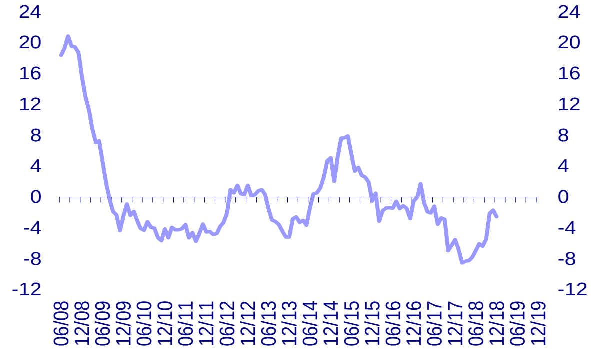

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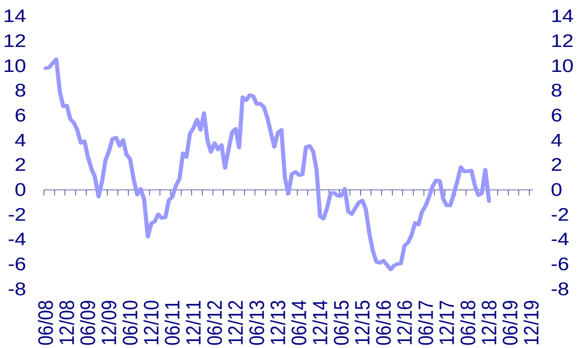

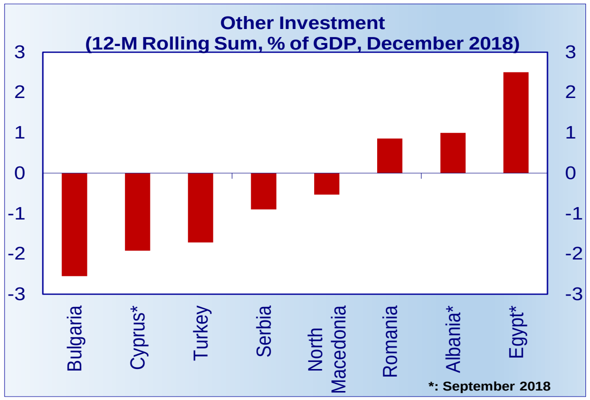

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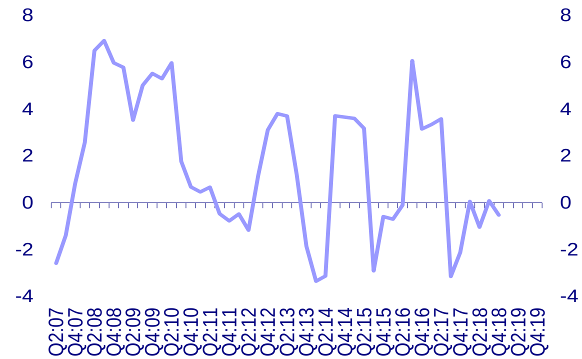

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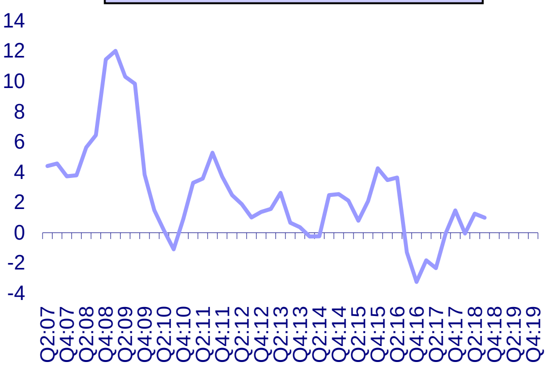

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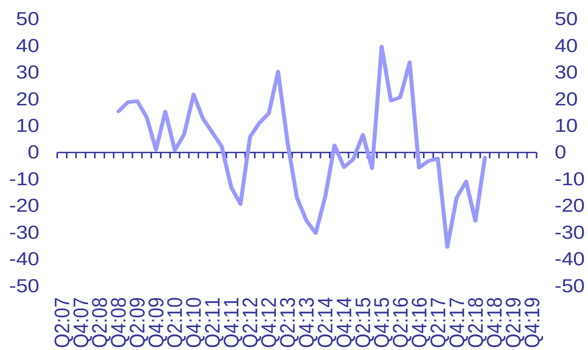

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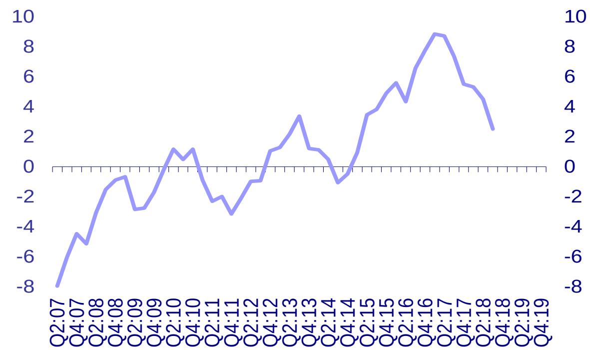
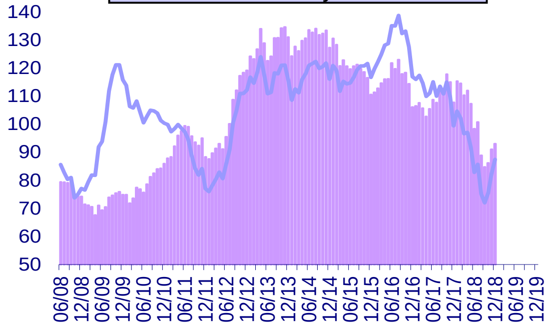
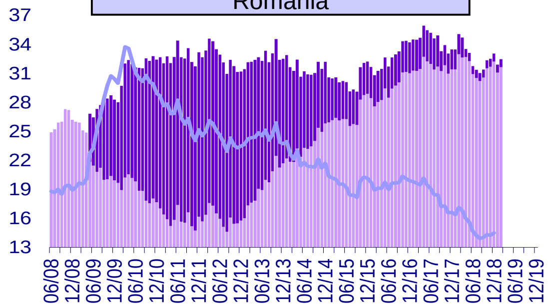


In all countries under review, import coverage largely surpasses the critical level of 3 months

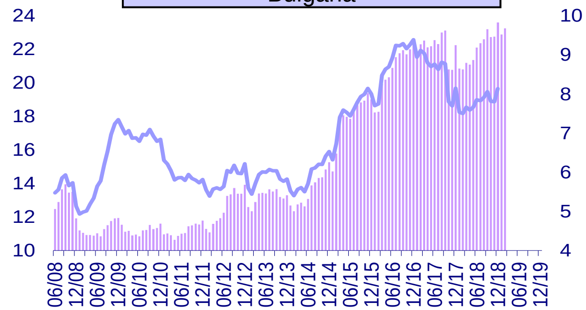
Turkey



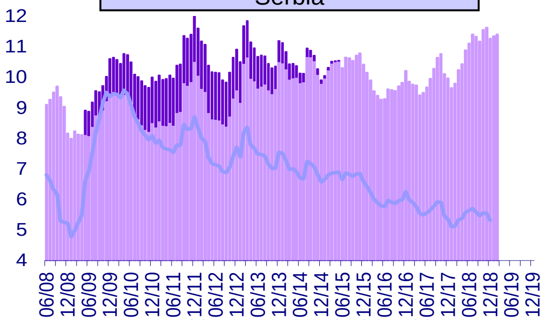
Romania

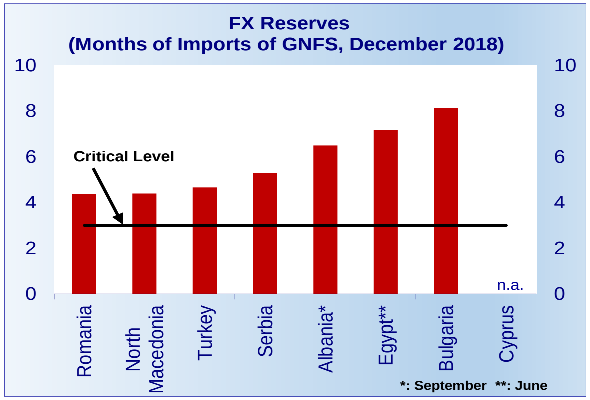


Bulgaria

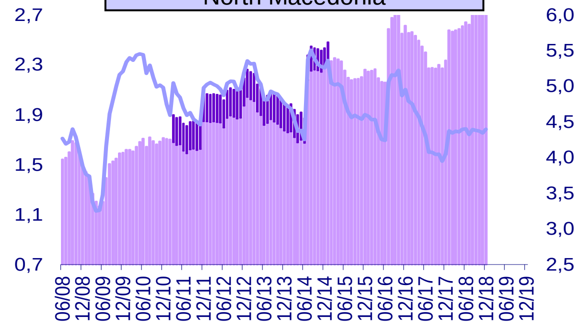


Serbia

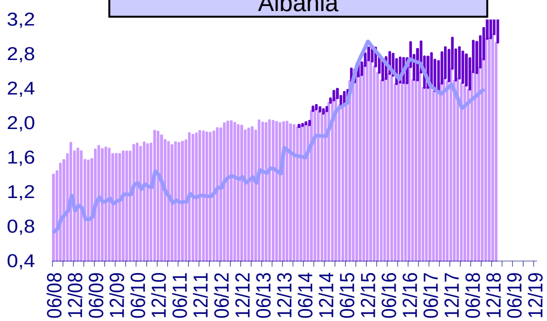




North Macedonia



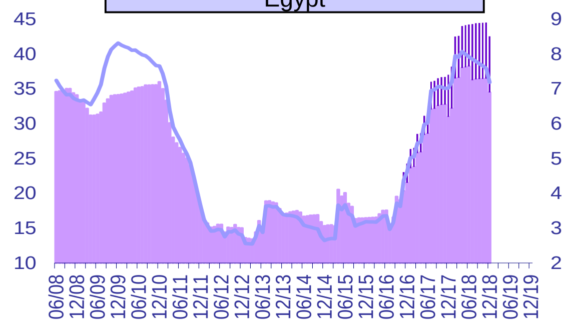
Albania



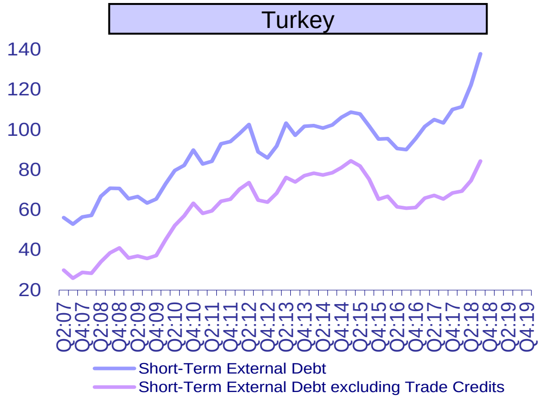
Cyprus

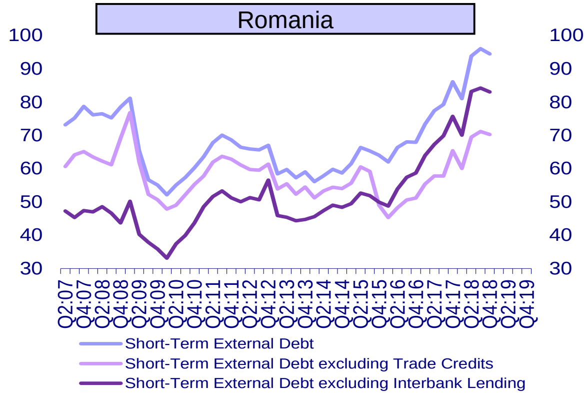
N.A.

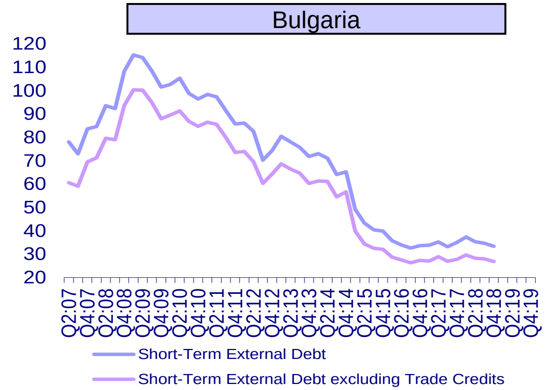
Egypt

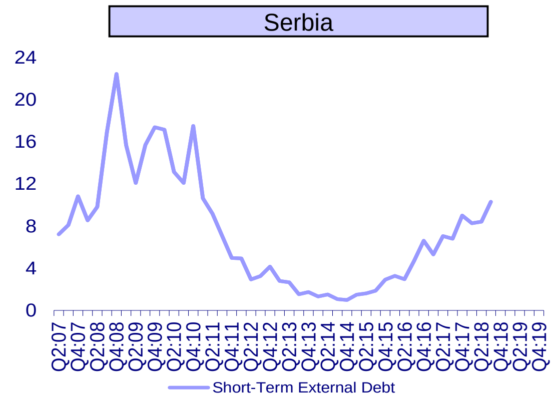


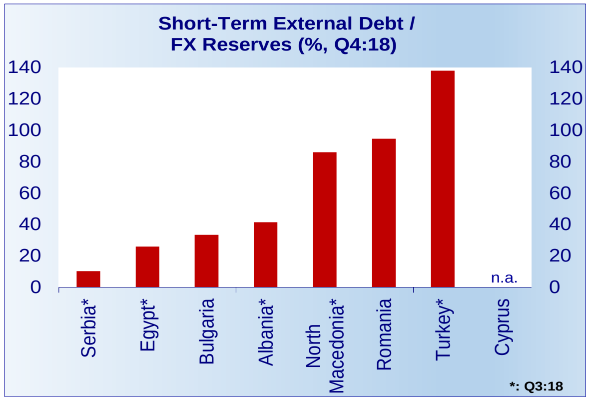
Short-term external debt is comfortably covered by FX reserves in all countries under review, with the exception of Turkey

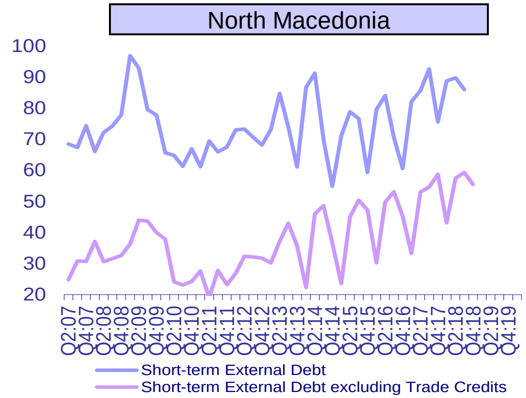


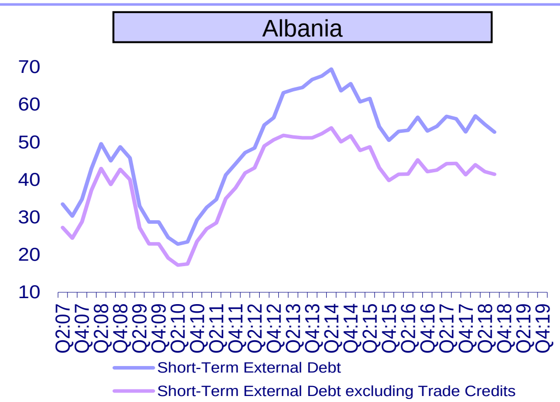






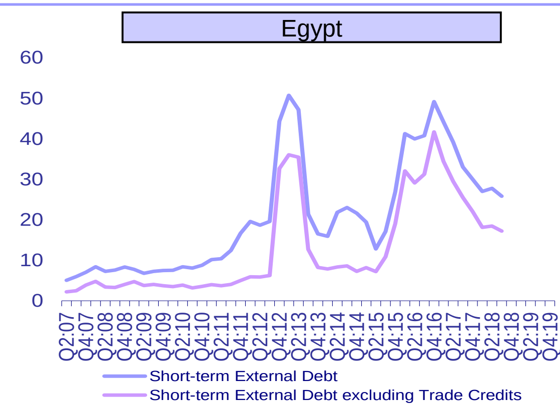






Cyprus

N.A.



The current account deficit is expected to widen to a 12-year high this year in Romania -- contributing to depreciation pressures on the domestic currency

Turkey	Dec. 16	Dec.17	Dec. 18	Dec. 19F
Current account balance	-3.8	-5.6	-3.6	-2.8
Net FDI	1.3	1.1	1.0	1.0
Other net capital inflows *	1.4	3.5	-1.7	1.7

Romania	Dec. 16	Dec.17	Dec. 18	Dec. 19F
Current account balance	-2.1	-3.2	-4.7	-5.2
Net FDI	2.6	2.6	2.4	2.5
Other net capital inflows *	0.3	1.1	1.5	2.0

Bulgaria	Dec. 16	Dec.17	Dec. 18	Dec. 19F
Current account balance	2.6	6.5	4.6	2.5
Net FDI	1.3	2.1	2.2	2.4
Other net capital inflows *	-0.5	-5.5	-2.6	-2.2

Serbia	Dec. 16	Dec.17	Dec. 18	Dec. 19F
Current account balance	-2.9	-5.3	-5.2	-5.0
Net FDI	5.2	6.2	7.4	5.9
Other net capital inflows *	-4.5	-1.3	-0.9	-1.3

North Macedonia	Dec. 16	Dec.17	Dec. 18	Dec. 19F
Current account balance	-2.8	-1.0	-0.3	-0.9
Net FDI	3.3	1.8	5.8	4.1
Other net capital inflows *	3.1	-2.1	-0.5	-0.6

Albania	Dec. 16	Dec.17	Dec. 18E	Dec. 19F
Current account balance	-7.5	-7.5	-6.6	-5.6
Net FDI	8.7	8.6	7.7	7.1
Other net capital inflows *	-3.3	1.5	2.4	0.0

Cyprus	Dec. 16	Dec.17	Dec. 18E	Dec. 19F
Current account balance	-5.1	-8.4	-6.9	-8.2
Net FDI	9.8	23.1	6.8	7.0
Other net capital inflows *	-5.0	-17.0	-0.1	-1.2

Egypt #	June 16	June 17	June 18	June 19F
Current account balance	-6.0	-6.0	-2.4	-1.8
Net FDI	2.0	3.3	3.0	3.0
Other net capital inflows *	4.3	8.7	4.5	-0.6

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

Among the countries under review, only Turkey and Romania are expected to resort to FX reserves this year to fill the financing gap

Turkey (USD bn)	2017	2018	2019F
Financing Needs	215.4	207.7	212.4
Cur. Acct Deficit	47.3	27.8	21.8
Amort. + Other	168.0	179.9	190.6
Financing Sources	217.0	183.0	211.4
FDI	9.5	7.5	8.0
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	208.8	175.5	203.4
Change in FX Res.	1.6	-14.7	-1.0

Romania (EUR bn)	2017	2018	2019F
Financing Needs	39.5	44.4	45.3
Cur. Acct Deficit	6.0	9.4	10.9
Amort. + Other	33.5	35.0	34.4
Financing Sources	38.8	40.0	42.9
FDI	4.9	4.9	5.2
IMF	0.0	0.0	0.0
Other IFIs	-0.7	-1.2	-1.0
Other	34.6	36.3	38.7
Change in FX Res.	-0.7	-0.4	-2.4

Bulgaria (EUR bn)	2017	2018	2019F
Financing Needs	9.2	8.7	10.0
Cur. Acct Deficit	-3.4	-2.5	-1.5
Amort. + Other	12.6	11.2	11.5
Financing Sources	9.0	10.1	11.6
FDI	1.1	1.2	1.4
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	7.9	8.9	10.2
Change in FX Res.	-0.2	1.4	1.6

Serbia (EUR bn)	2017	2018	2019F
Financing Needs	4.6	7.5	6.5
Cur. Acct Deficit	2.1	2.2	2.3
Amort. + Other	2.5	5.2	4.2
Financing Sources	4.4	8.8	6.7
FDI	2.4	3.2	2.7
IMF	0.0	0.0	0.0
Other IFIs	0.0	0.0	0.0
Other	2.0	5.6	4.1
Change in FX Res.	-0.2	1.3	0.2

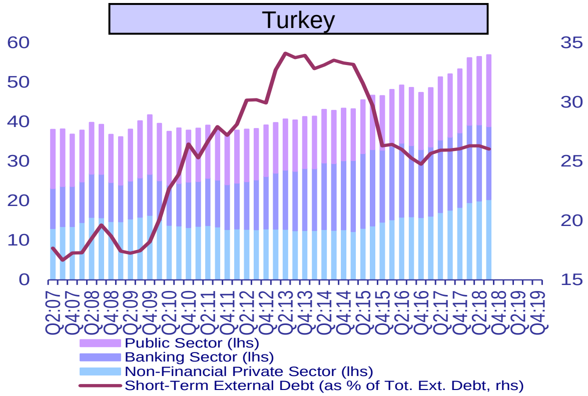
N. Macedonia (EUR bn)	2017	2018	2019F
Financing Needs	2.1	2.0	2.0
Cur. Acct Deficit	0.1	0.0	0.1
Amort. + Other	2.0	2.0	1.9
Financing Sources	1.8	2.5	2.3
FDI	0.2	0.6	0.5
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	1.6	1.9	1.8
Change in FX Res.	-0.3	0.5	0.3

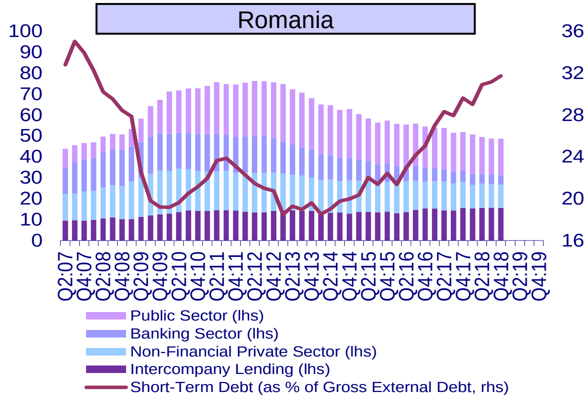
Albania (EUR bn)	2017	2018E	2019F
Financing Needs	1.1	1.3	1.0
Cur. Acct Deficit	0.9	0.9	0.8
Amort. + Other	0.2	0.4	0.3
Financing Sources	1.1	1.7	1.0
FDI	1.0	1.0	1.0
IMF	0.1	0.0	0.0
Other IFIs	0.2	0.0	0.1
Other	-0.1	0.7	0.0
Change in FX Res.	0.1	0.4	0.0

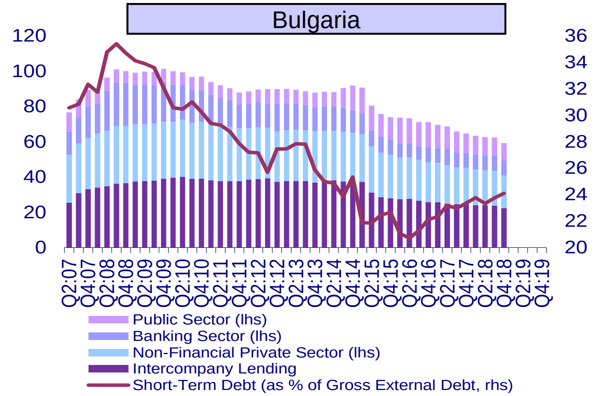
Cyprus (EUR bn)	2017	2018E	2019F
Financing Needs	43.3	38.5	38.5
Cur. Acct Deficit	1.6	1.4	1.8
Amort. + Other	44.2	37.1	36.7
Financing Sources	43.3	38.5	38.5
FDI	4.5	1.4	1.5
IMF	0.0	0.0	0.0
Other IFIs	0.0	0.0	0.0
Other	41.3	37.1	37.0
Change in FX Res.	0.0	0.0	0.0

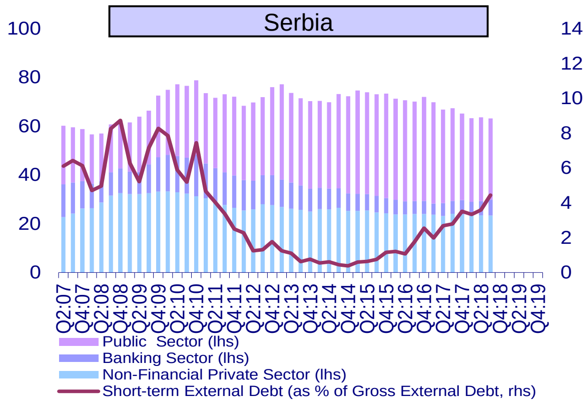
Egypt (USD bn)	16/17	17/18	18/19F
Financing Needs	30.6	20.3	20.7
Cur. Acct Deficit	14.2	6.0	5.4
Amort. + Other	16.4	14.3	15.2
Financing Sources	44.4	33.3	22.9
FDI	7.8	7.5	9.0
IMF	2.8	3.3	4.0
Other IFIs	2.5	2.5	0.0
Other	31.3	20.0	9.9
Change in FX Res.	13.8	13.0	2.2

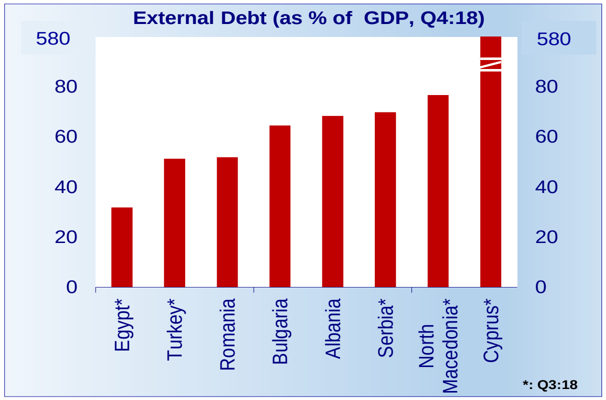
The external debt-to-GDP ratio does not exceed 80% in the countries under review, with the exception of Cyprus

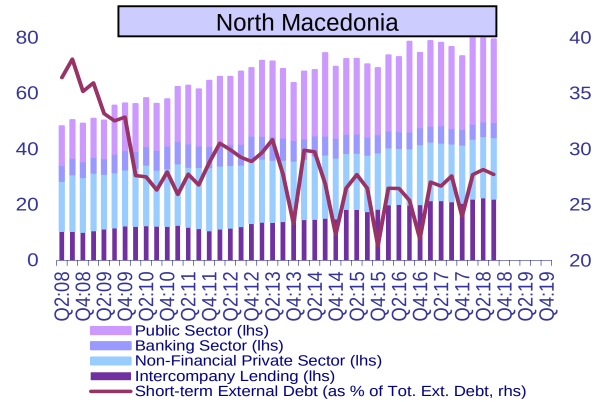


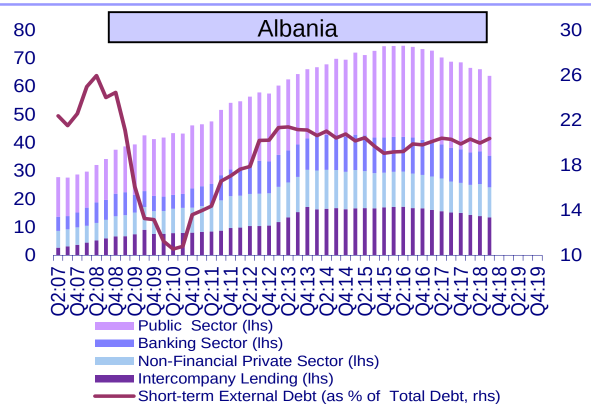


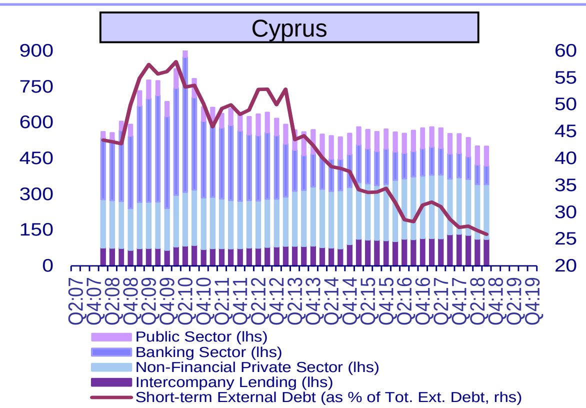


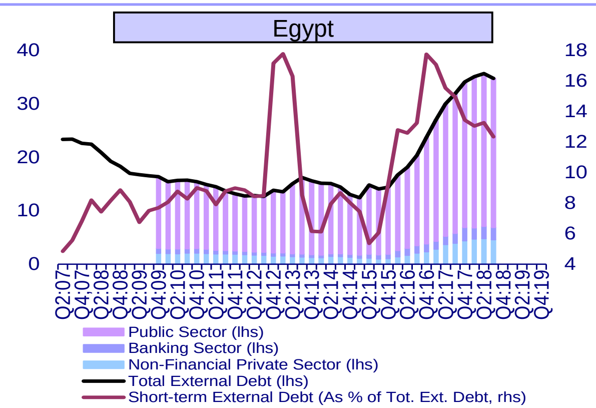






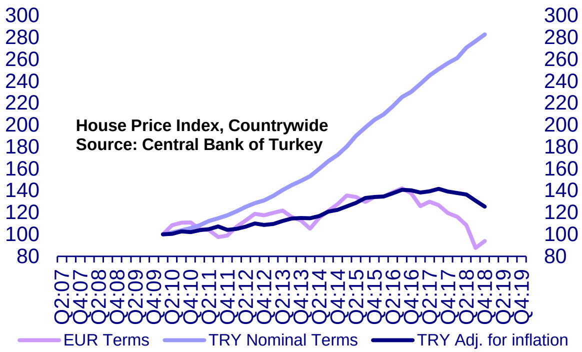




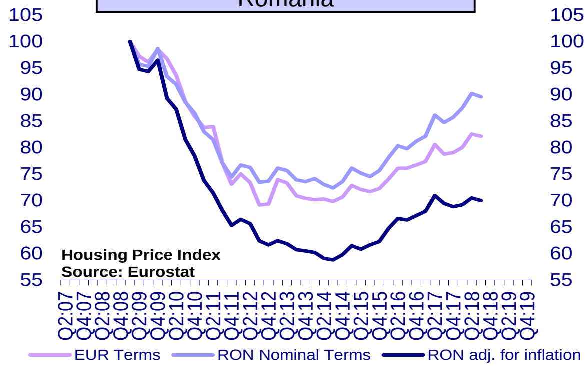


Real estate prices continued on an upward trend in Romania and Bulgaria in 2018, but remain well below their pre-crisis peak

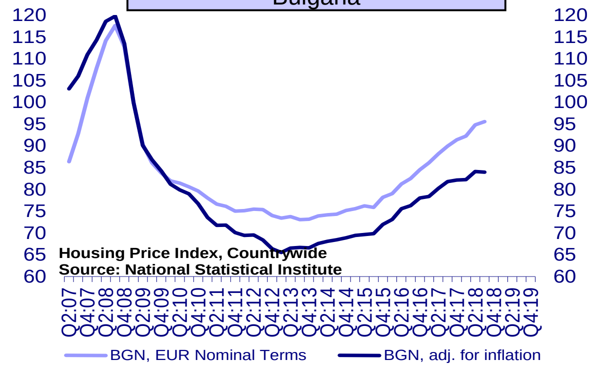
Turkey



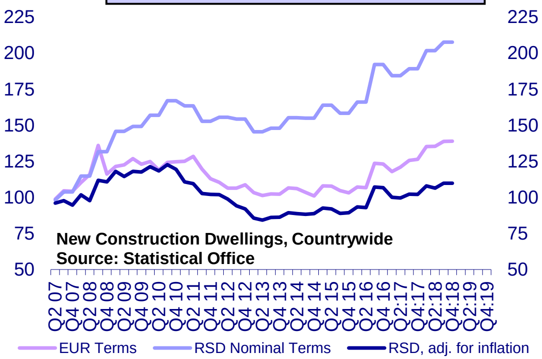
Romania

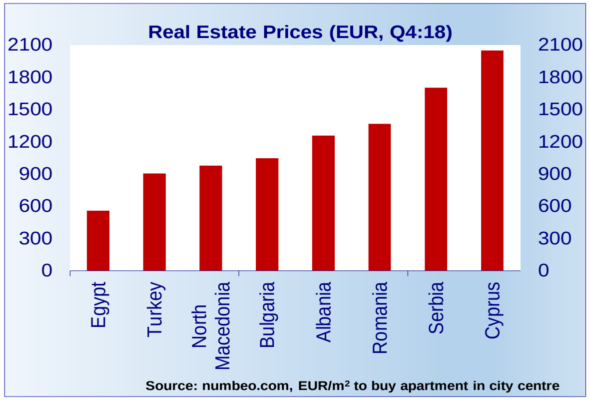


Bulgaria

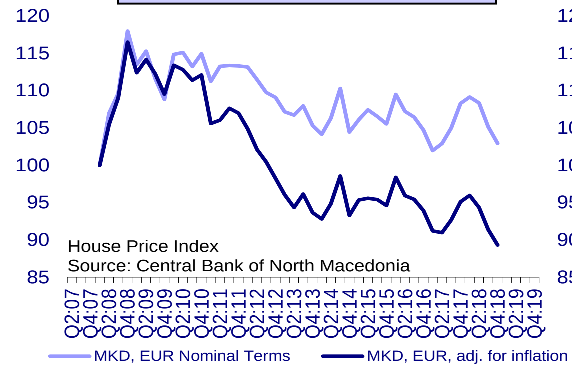


Serbia

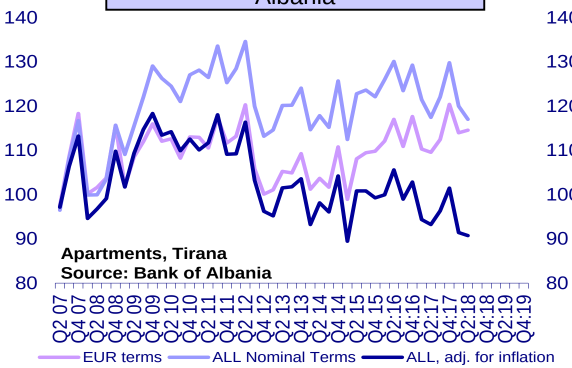




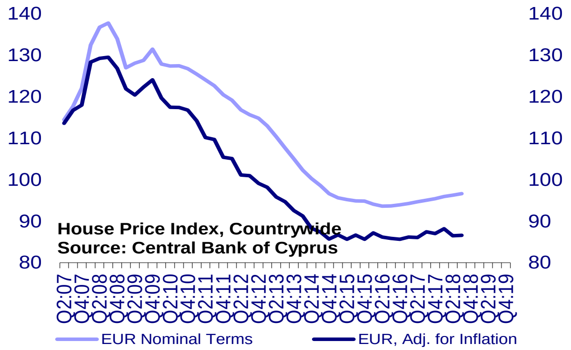
North Macedonia



Albania



Cyprus

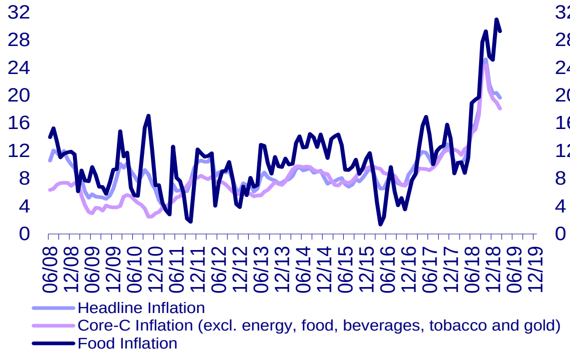


Egypt

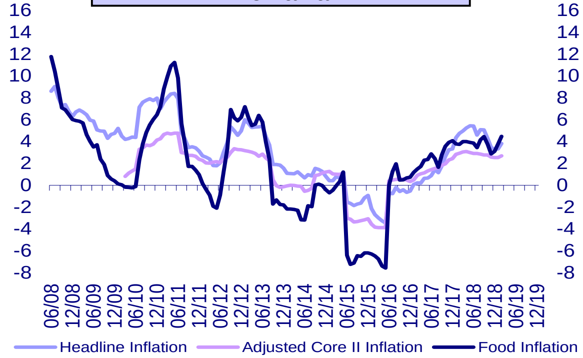
N.A.

Headline inflation is set to decline this year in Turkey and Egypt, but remain in double digits

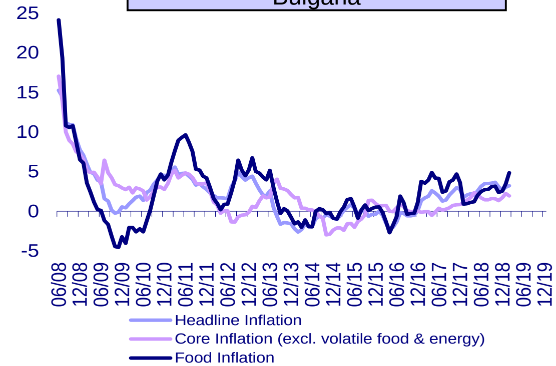
Turkey



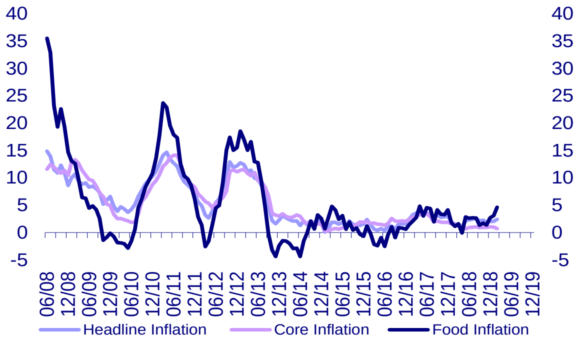
Romania

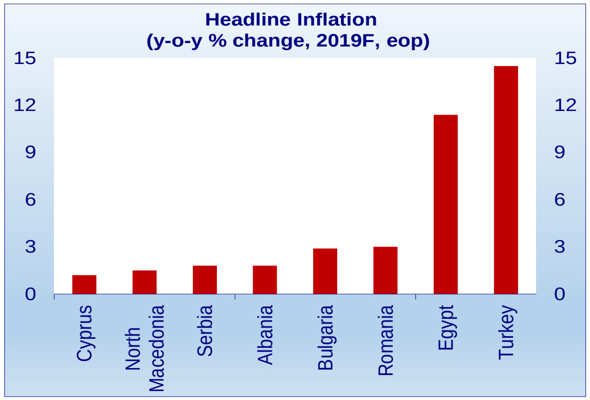


Bulgaria

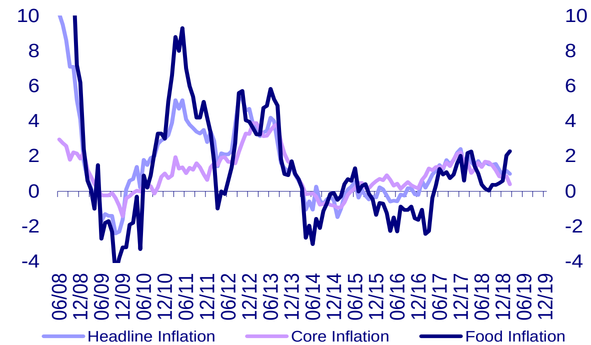


Serbia

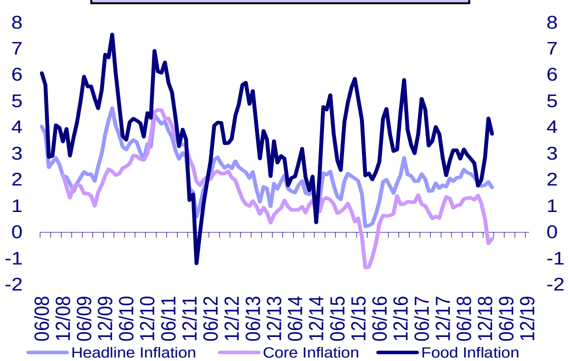




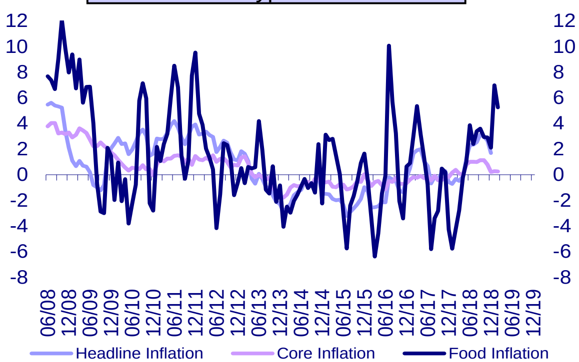
North Macedonia



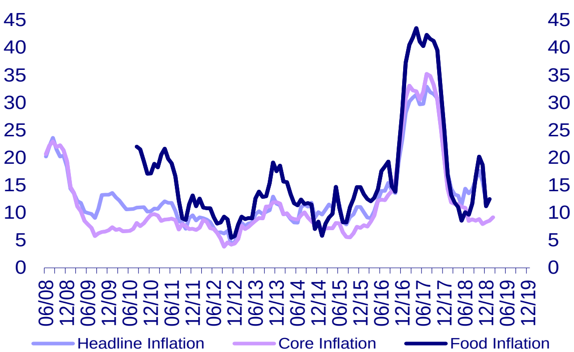
Albania



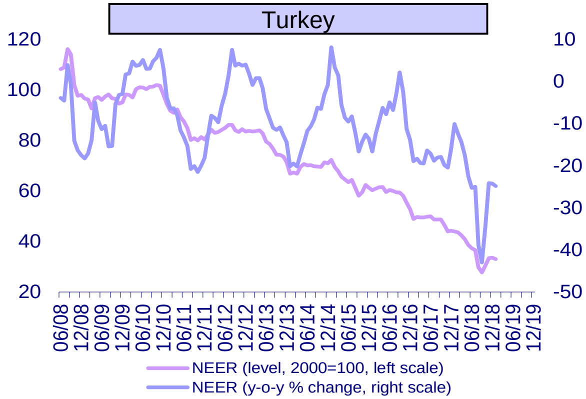
Cyprus

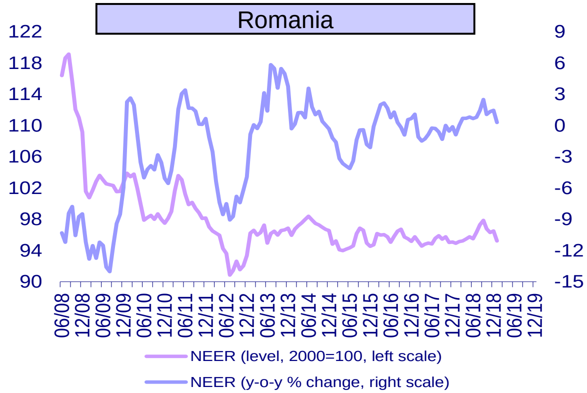


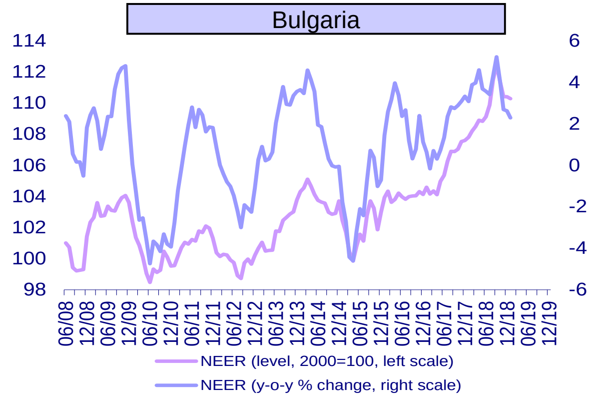
Egypt

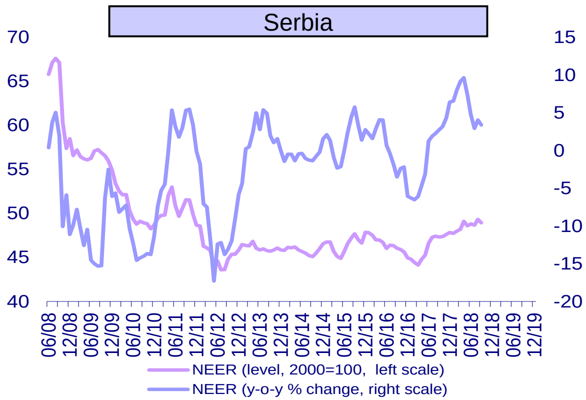


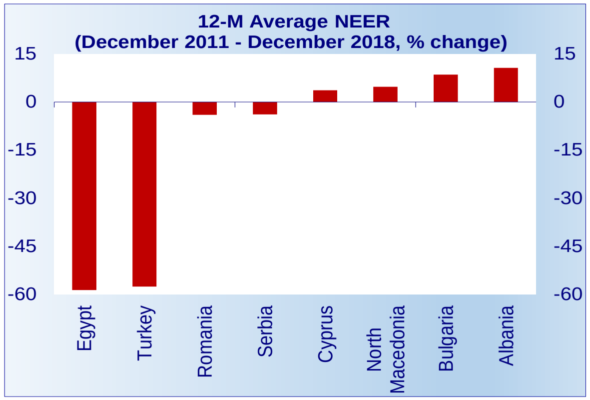
The EGP and TRY have depreciated significantly in nominal terms over the past 7 years

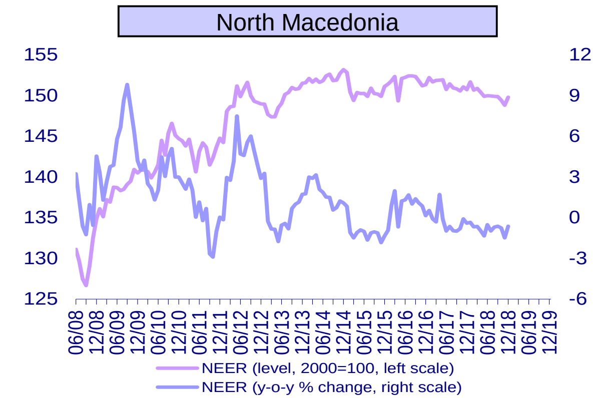


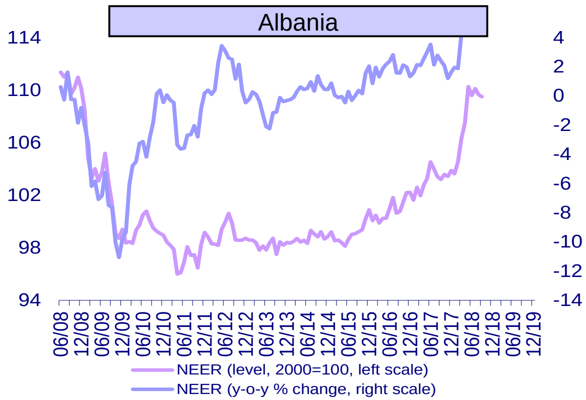


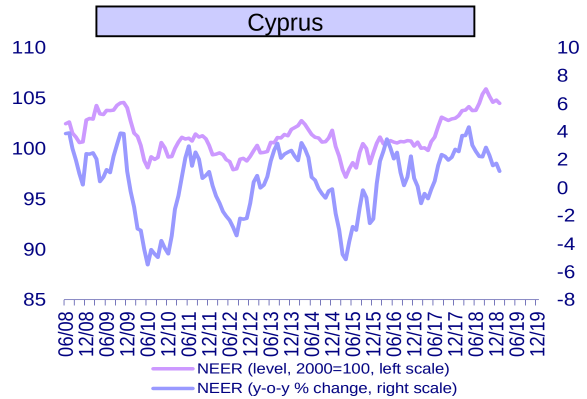


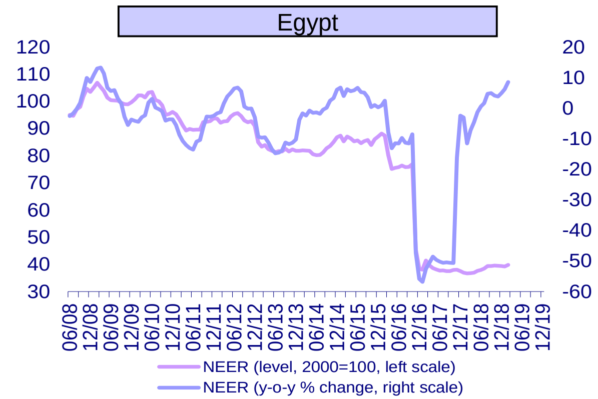




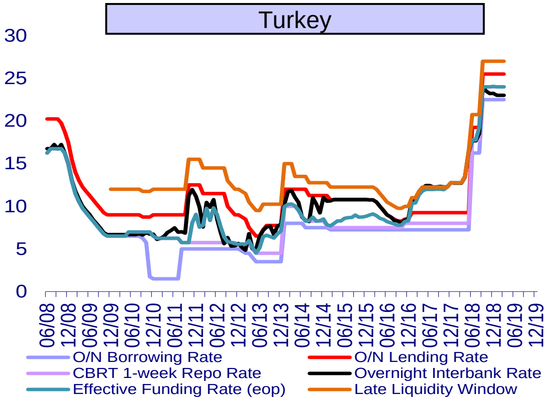


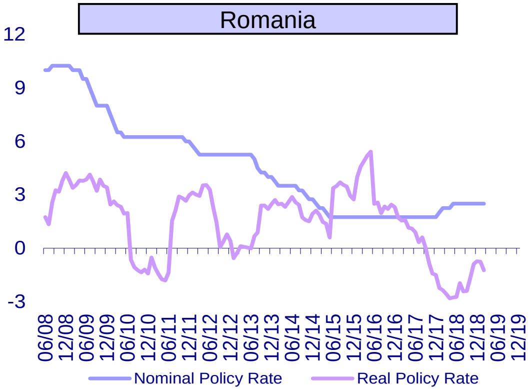


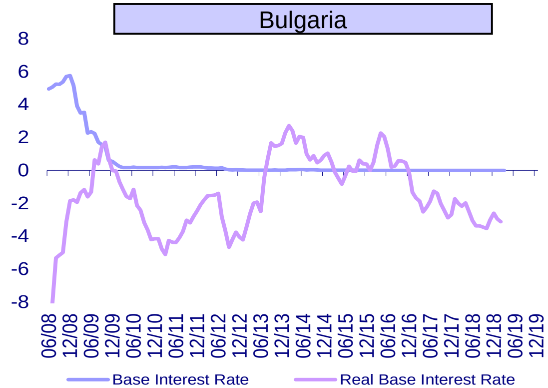


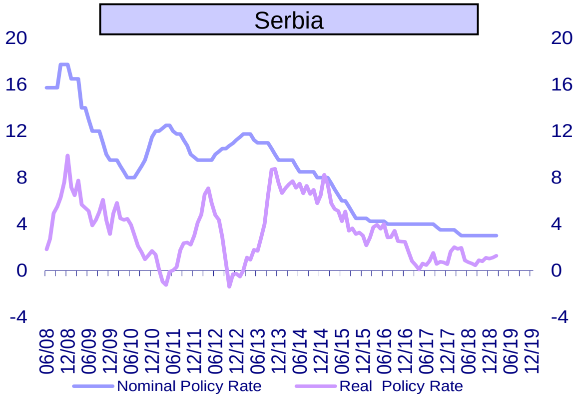


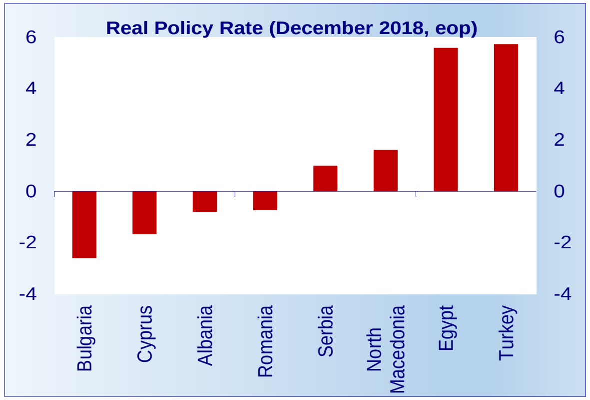
In 2018, only Romania and Turkey have hiked their policy rates in an effort to contain inflationary pressures

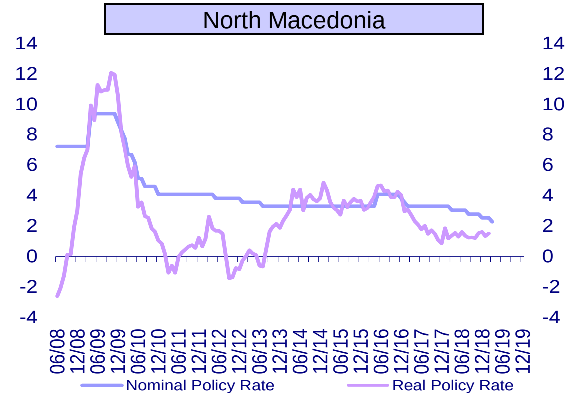


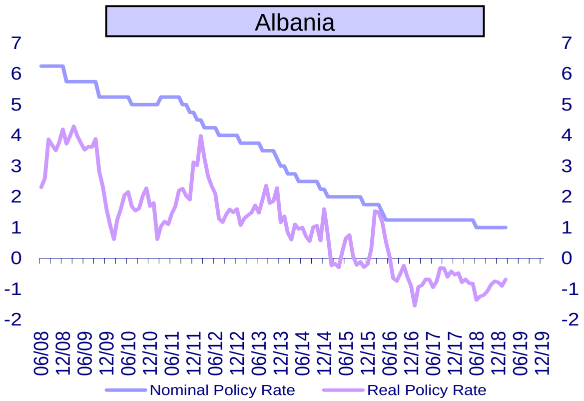


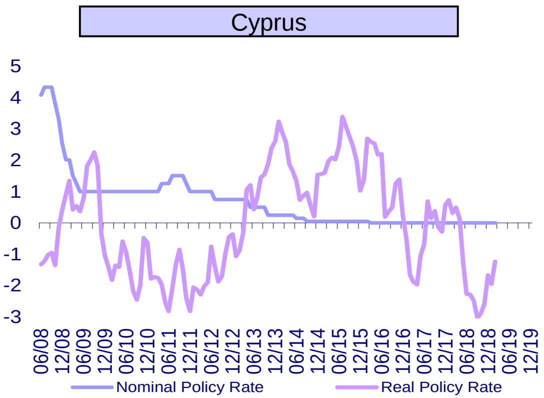


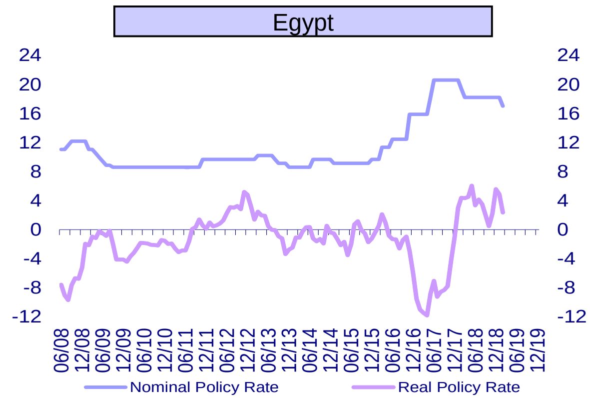












Reserve requirement ratios

The Bank of Albania proceeded with a cut in RRR for LC liabilities (by 2.5 pps to 7.5%) and a hike in RRR for FX liabilities (by 2.5 pps to 12.5%) in 2018, in an effort to reduce the euroisation of the economy

The Central Bank of Turkey cut RRR for: i) LC liabilities by 250 pps; and ii) non-core FX liabilities with maturities up to 3 years by 400 bps in 2018, in a bid to reverse the disorderly depreciation of the domestic currency last August

Turkey

Reserve Requirement Ratios (%)			
	Dec. 2017*	Dec. 2018	Mar. 2019
LC Liabilities	10.1	n.a.	n.a.
FC Liabilities	12.4	n.a.	n.a.

*: Blended rate

Romania

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	8.0	8.0	8.0
FC Liabilities	8.0	8.0	8.0

Bulgaria

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	10.0	10.0	10.0
FC Liabilities	5.0	5.0	5.0

Serbia

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liab.	0.0 - 5.0	0.0 - 5.0	0.0 - 5.0
FC Liab.	13.0 - 20.0	13.0 - 20.0	13.0 - 20.0

North Macedonia

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	8.0	8.0	8.0
FC Liabilities	15.0	15.0	15.0

Albania

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	10.0	5.0-7.5	5.0-7.5
FC Liabilities	10.0	12.5-20.0	12.5-20.0

Cyprus

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	1.0	1.0	1.0
FC Liabilities	1.0	1.0	1.0

Egypt

Reserve Requirement Ratios (%)			
	Dec. 2017	Dec. 2018	Mar. 2019
LC Liabilities	14.0	14.0	14.0
FC Liabilities	- - -	- - -	- - -

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

A loose fiscal stance in Turkey, Romania, North Macedonia, Bulgaria, Albania and Serbia this year should boost economic activity and employment

In Romania, the fiscal easing is unwelcome, in view of strong overheating pressures

Turkey

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
-1.5	-2.0	-1.8	-1.8	-3.0

Romania

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
-2.8	-2.9	-2.9	-3.0	-3.6

Bulgaria

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
0.8	0.1	1.1	0.0	-0.5

Serbia

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
1.1	0.6	1.0	0.6	0.4

North Macedonia

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
-2.7	-1.8	-2.5	-1.8	-2.6

Albania

Dec. 17	Dec. 18	Jan. 18	Jan. 19	Dec. 19F
-2.0	-1.6	-2.1	-1.8	-1.9

Cyprus

Dec. 17	Dec. 18*	Jan. 18	Jan. 19	Dec. 19F
1.8	-5.1	2.2	-5.0	3.1

*: Adjusted for the fiscal burden from the sale of Cyprus Cooperative Bank to Hellenic Bank (EUR 1.7bn or 8.1% of GDP), the budget balance posted a surplus of 3% of GDP in 2108.

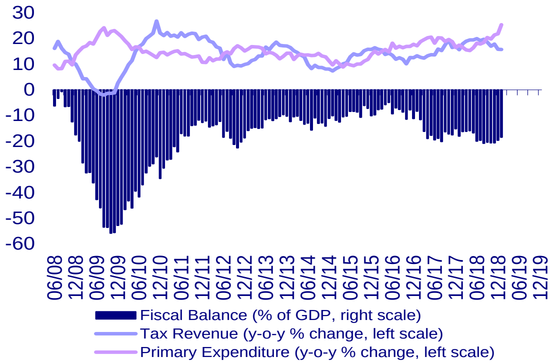
Egypt

June 17	June 18	Dec. 17	Dec. 18	June 19F
-10.9	-9.7	-9.9	-9.9	-8.8

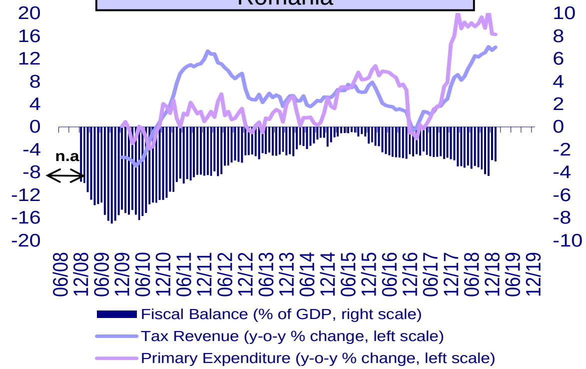
*: Fiscal year ending on June 30th.

A tighter fiscal stance in Cyprus and Egypt this year should help bring down the public debt-to-GDP ratio

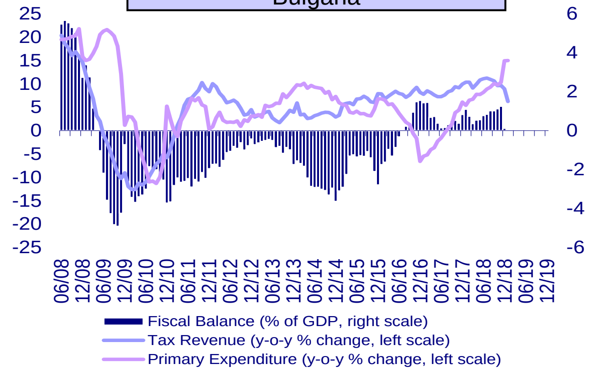
Turkey



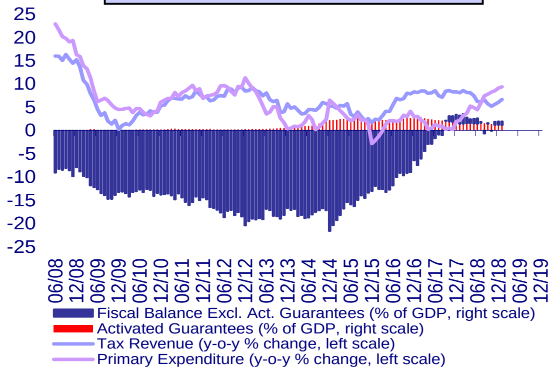
Romania

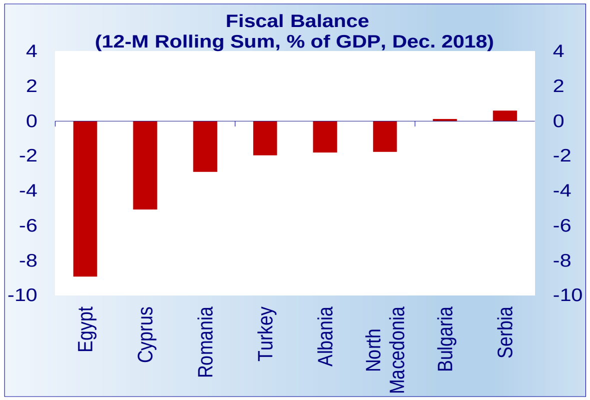


Bulgaria

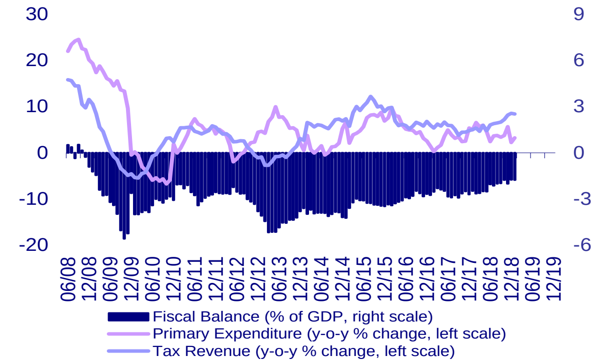


Serbia

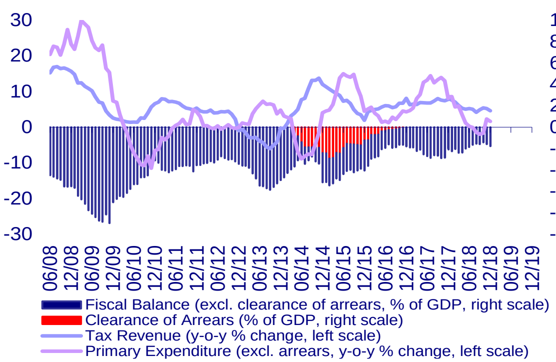




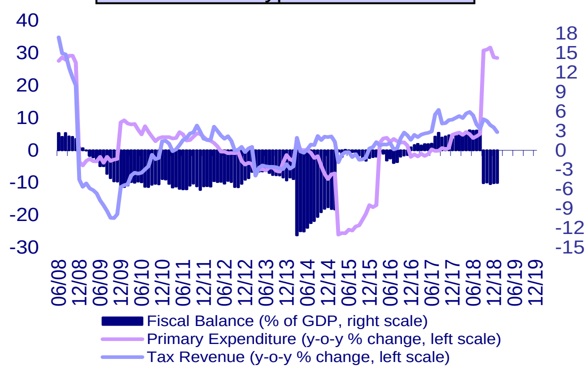
North Macedonia



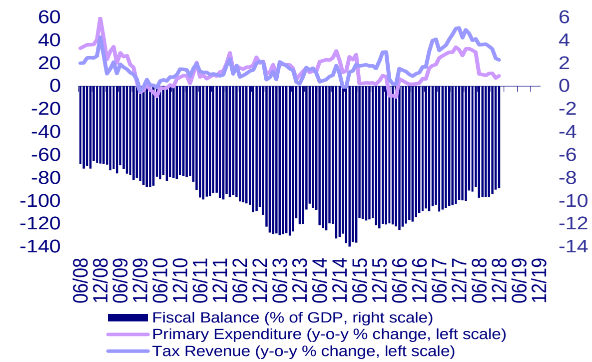
Albania



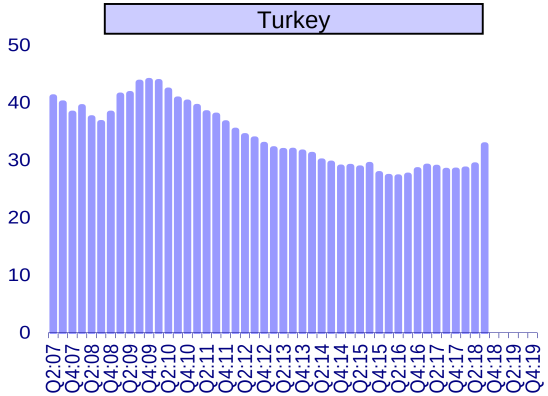
Cyprus

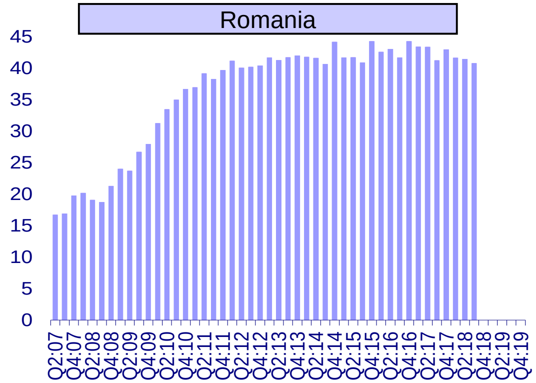


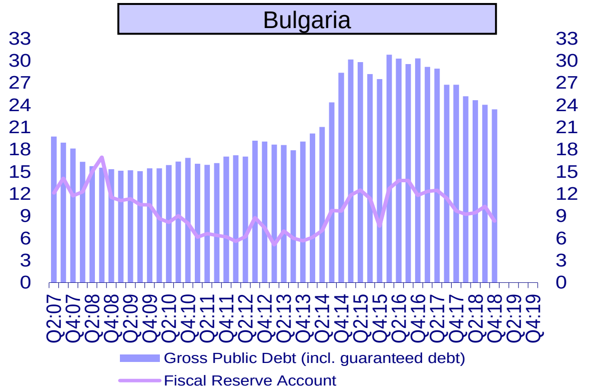
Egypt

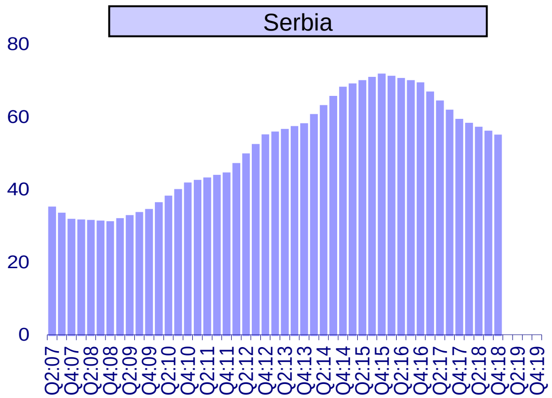


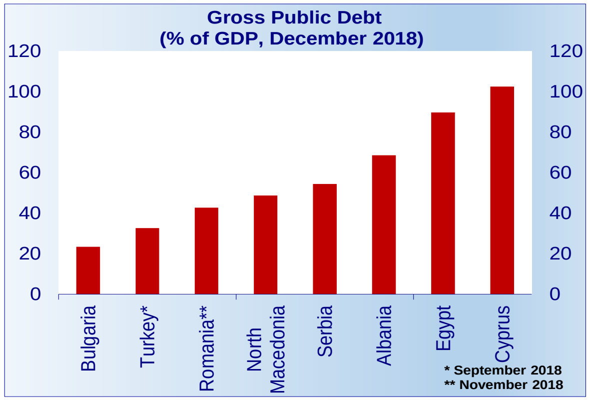
The public debt-to-GDP ratio remains at critical levels in Cyprus and Egypt

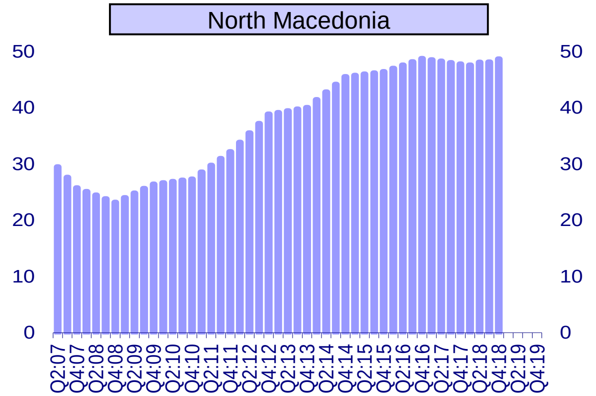


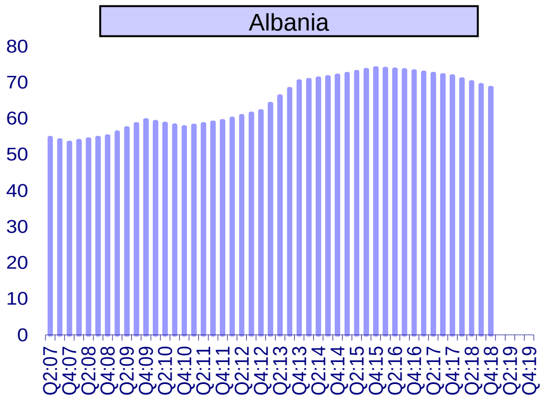


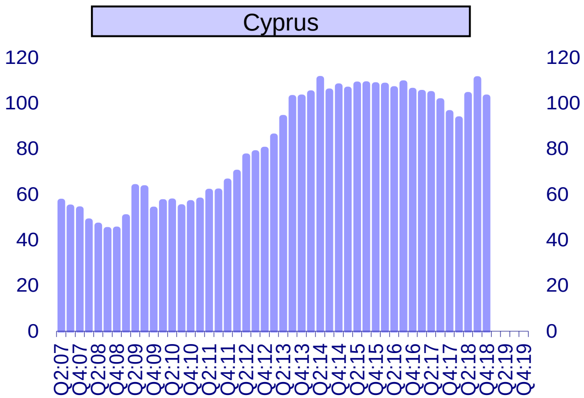


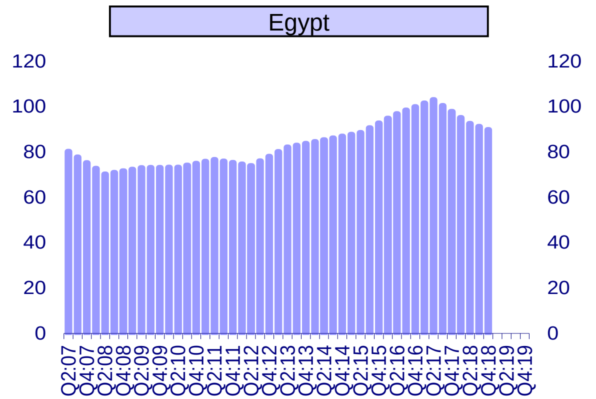






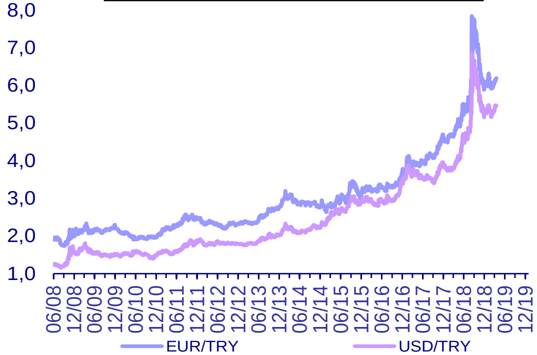




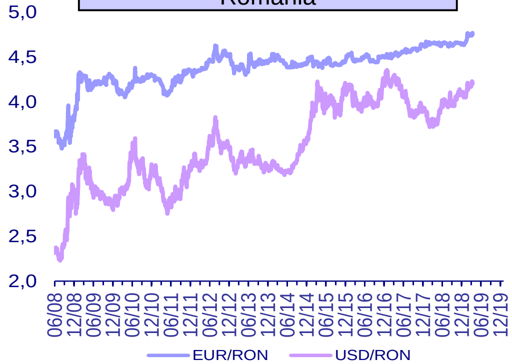


The TRY has depreciated significantly against the EUR since the beginning of the year

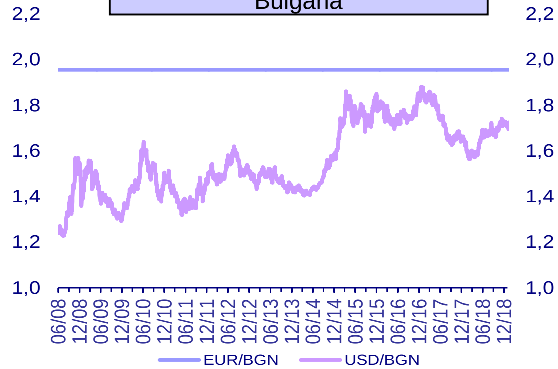
Turkey



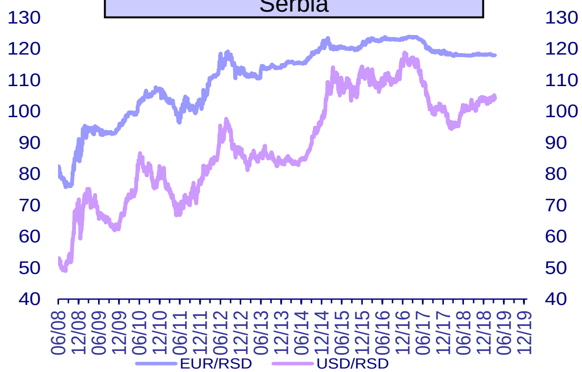
Romania

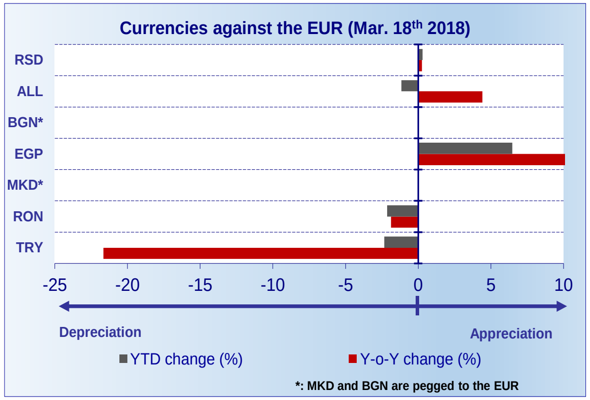


Bulgaria

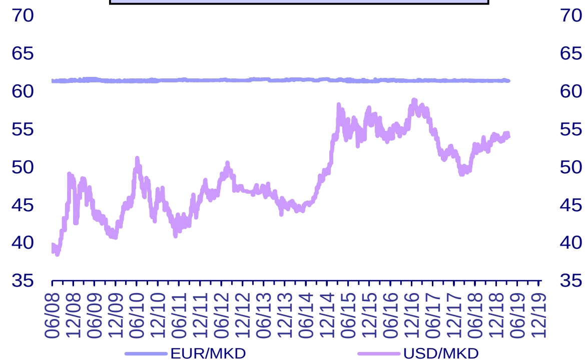


Serbia

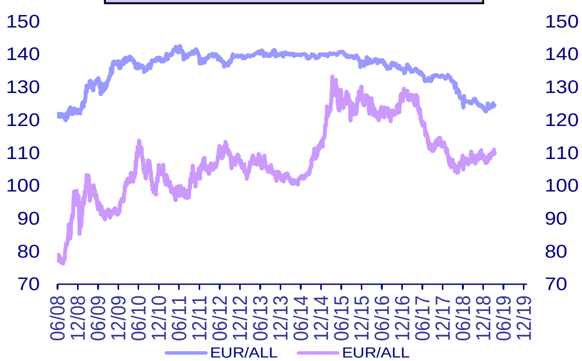




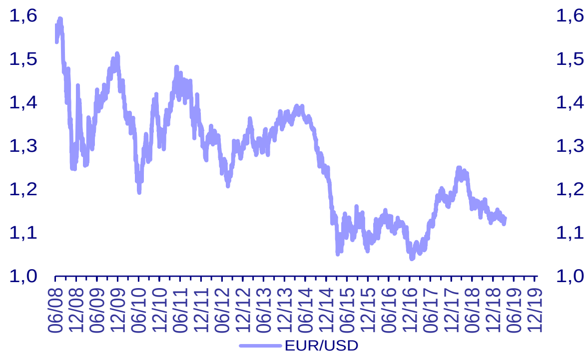
North Macedonia



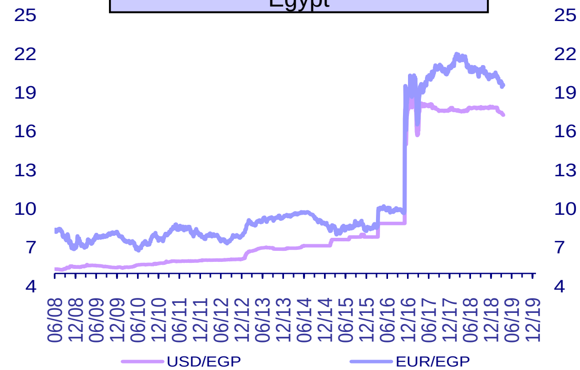
Albania



Cyprus

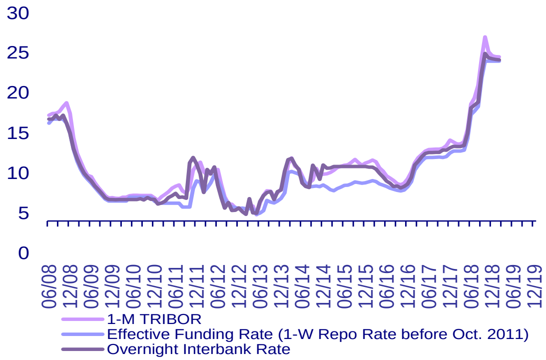


Egypt

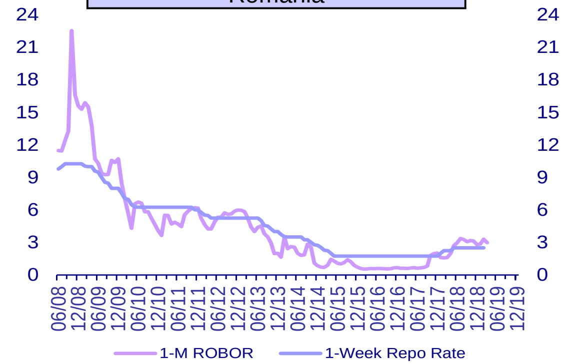


Money market rates have declined slightly in Turkey and Egypt since the beginning of the year

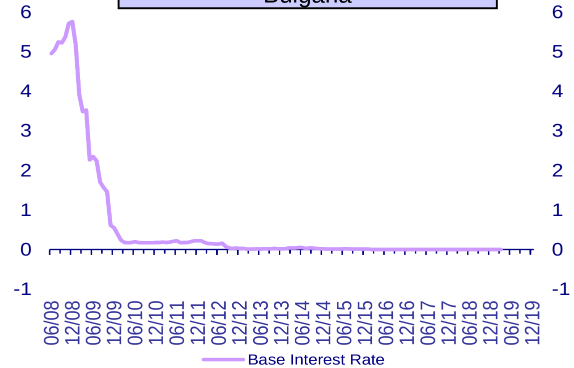
Turkey



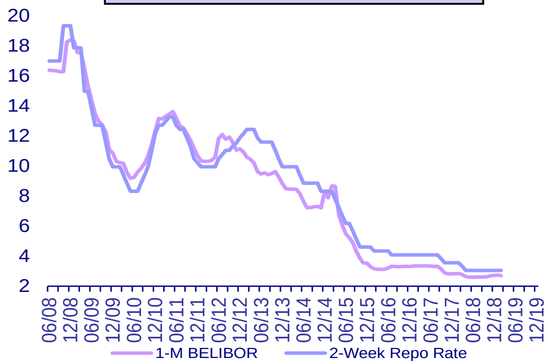
Romania

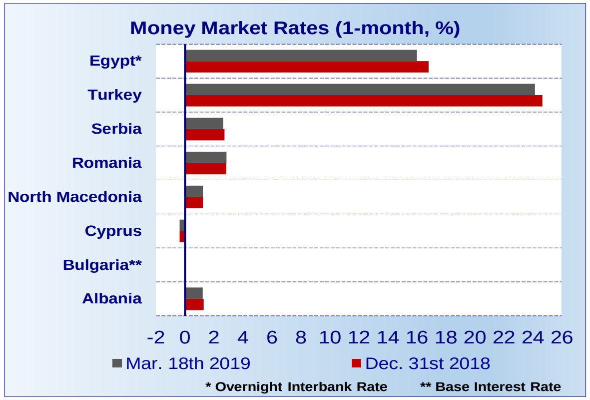


Bulgaria

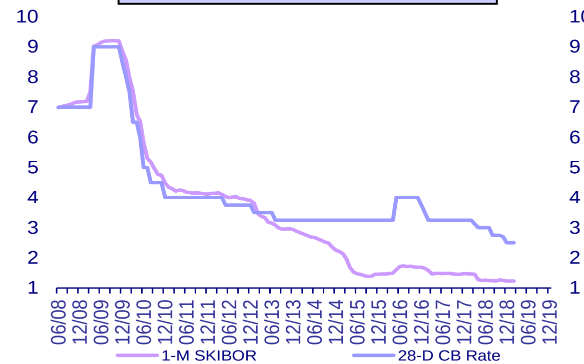


Serbia

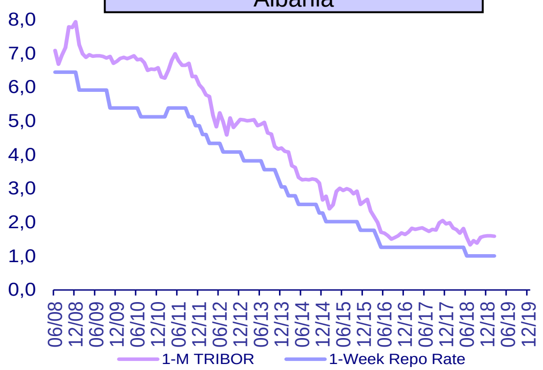




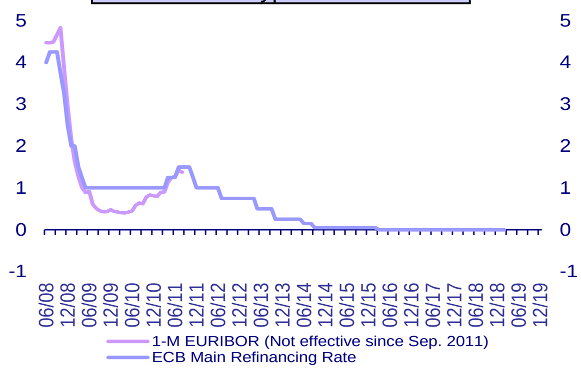
North Macedonia



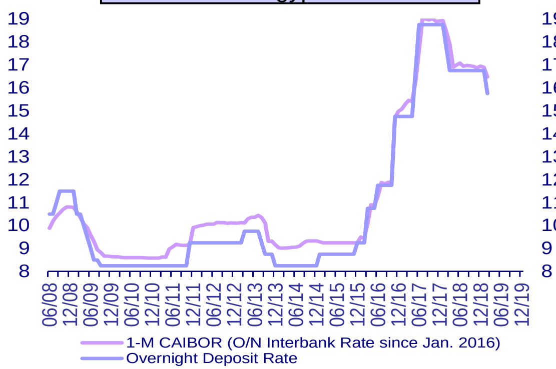
Albania



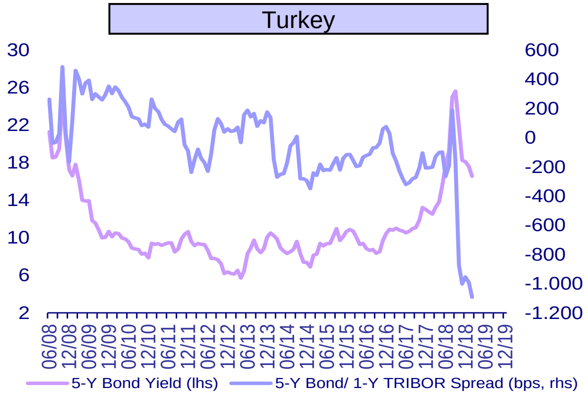
Cyprus

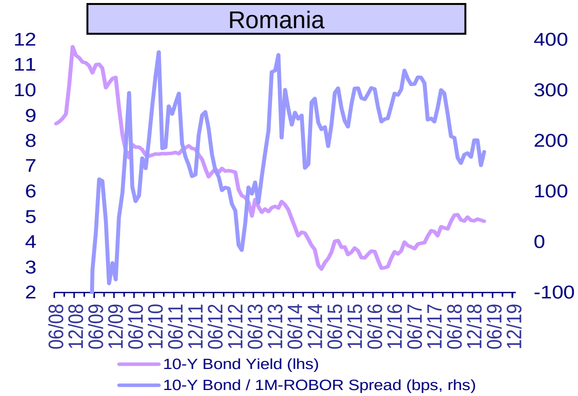


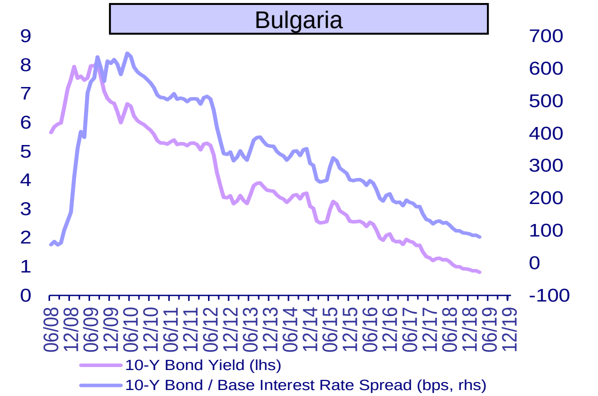
Egypt

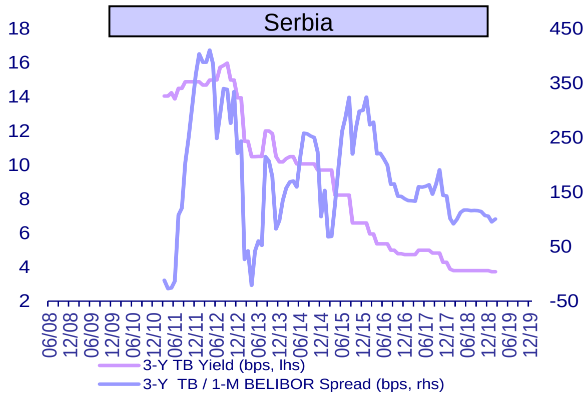


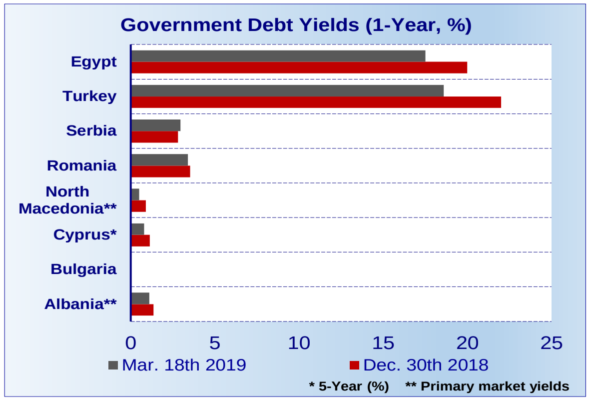
Government debt yields have also declined in Turkey and Egypt since the start of the year

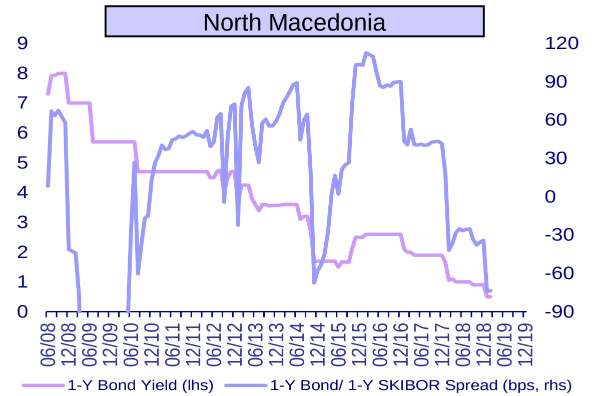


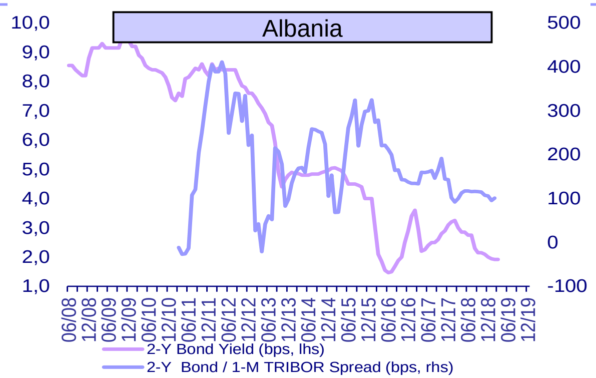


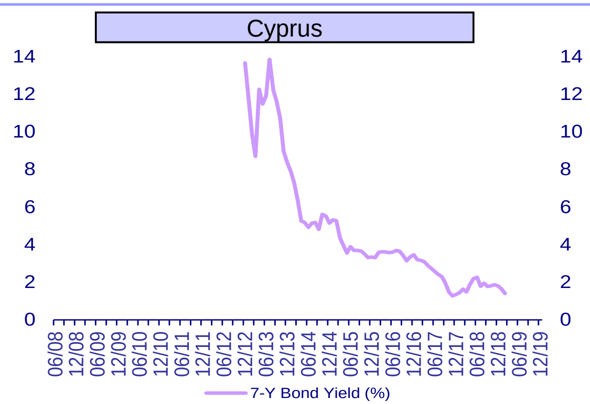


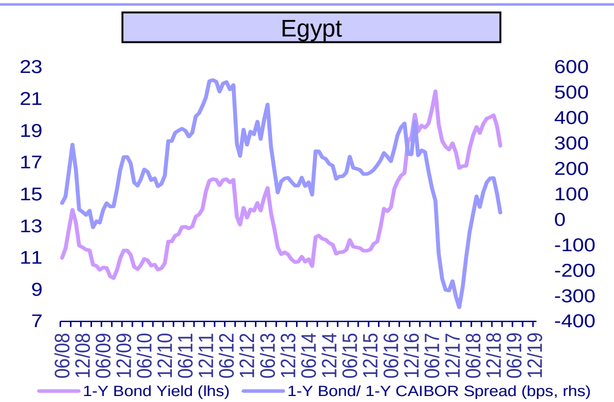






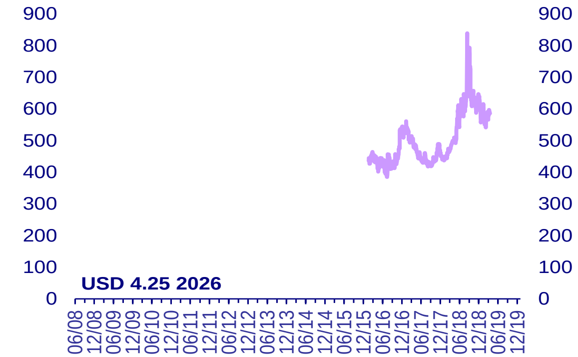




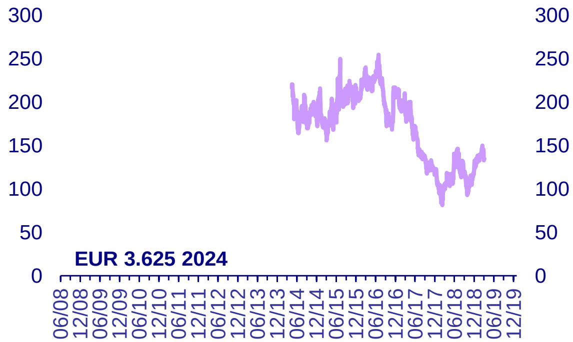


Sovereign spreads have decreased in all the countries under review since the beginning of the year -- with the exception of Turkey and Romania

Turkey

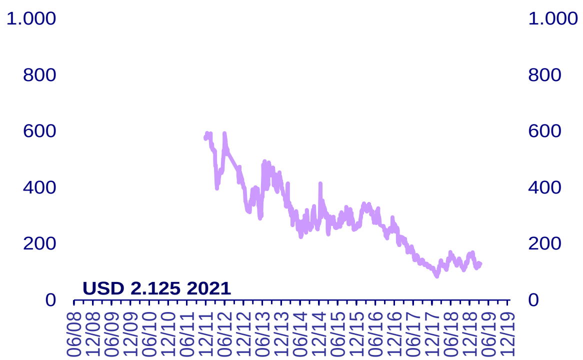


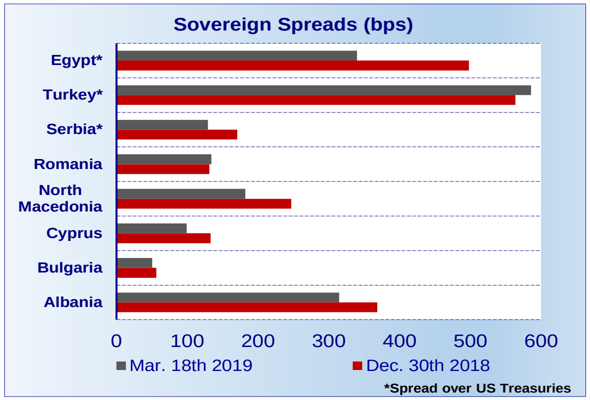
Romania



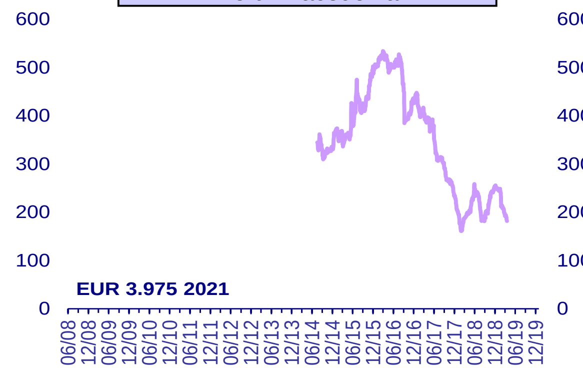
Bulgaria

Serbia

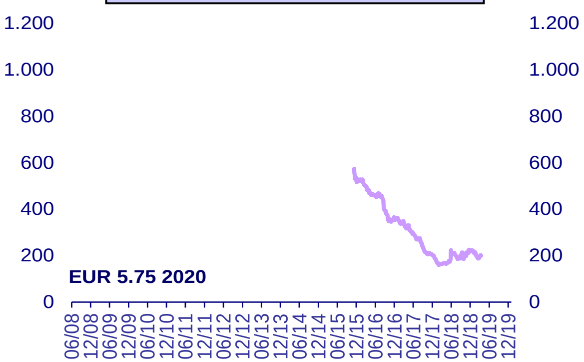




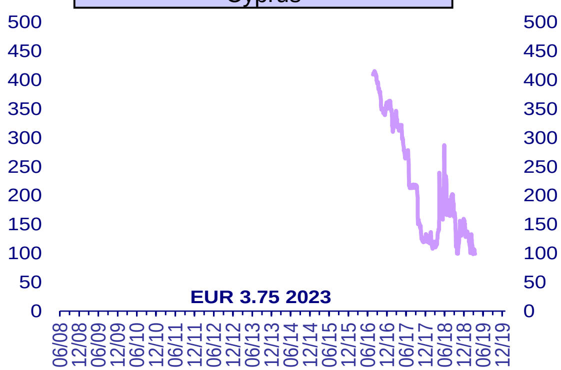
North Macedonia



Albania



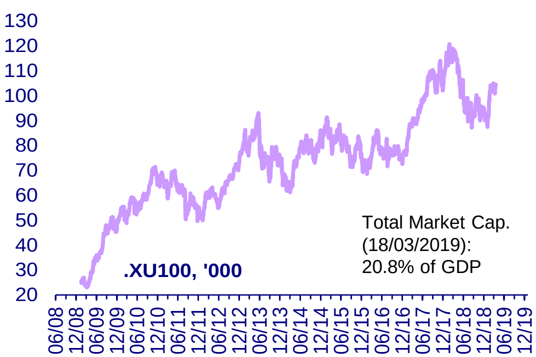
Cyprus



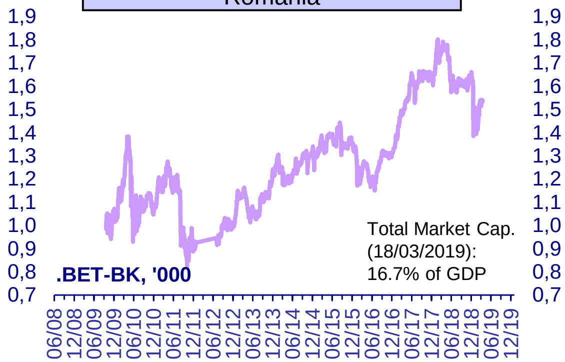
Egypt

Among the stock markets under review, only those of Egypt, North Macedonia, Romania and Turkey have posted gains since the start of the year

Turkey



Romania



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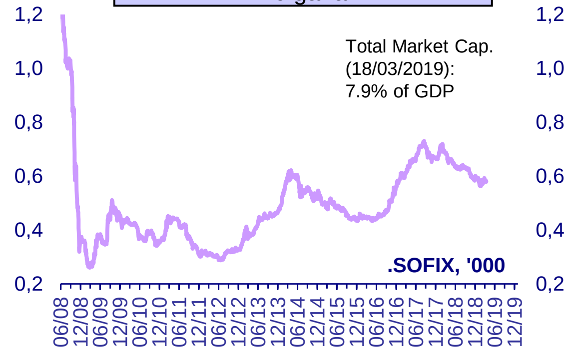
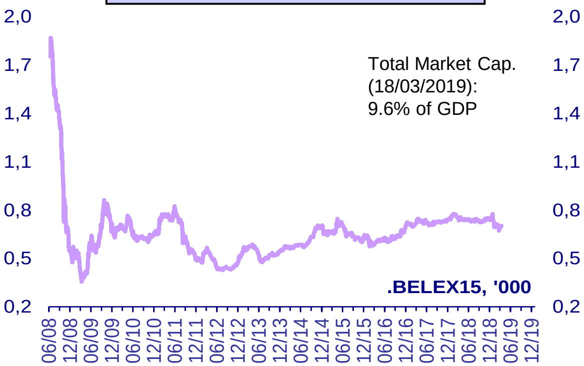
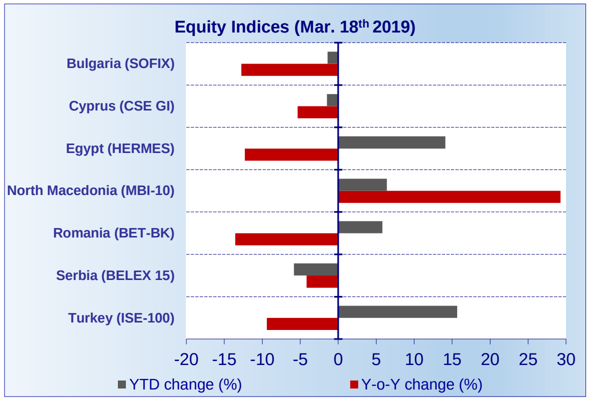
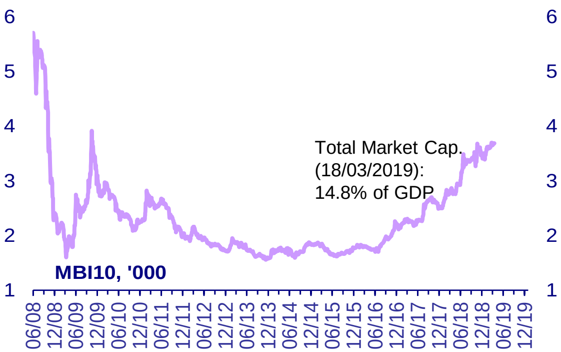


Serbia





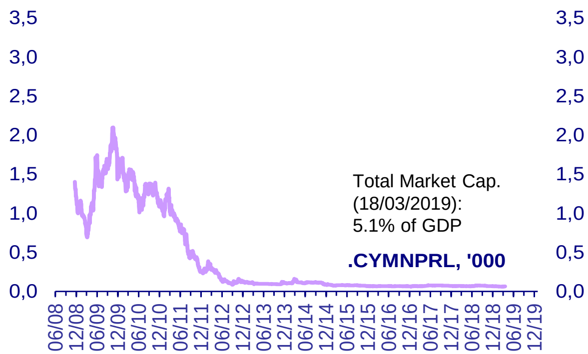
North Macedonia



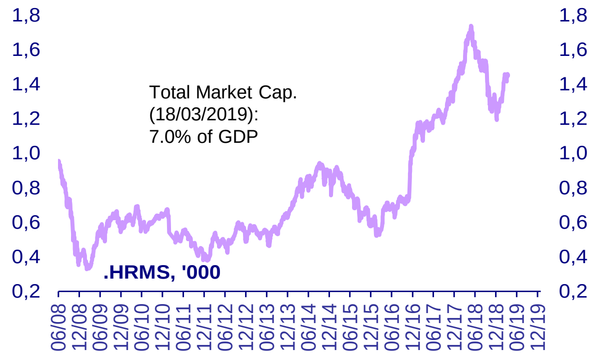
Albania

N.A.

Cyprus

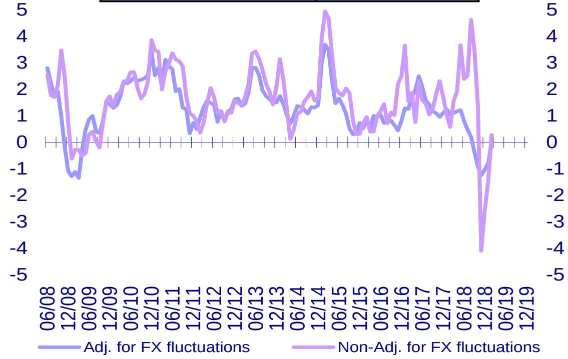


Egypt

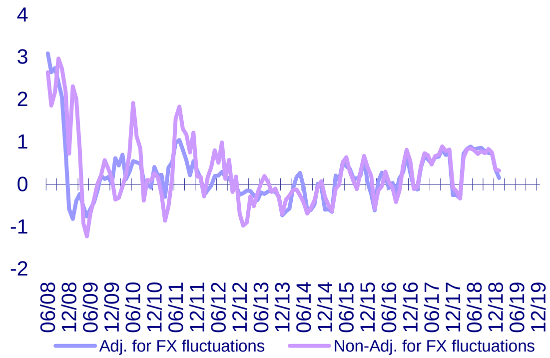


Positive monthly lending growth in all the countries under review in January, with the exception of Cyprus

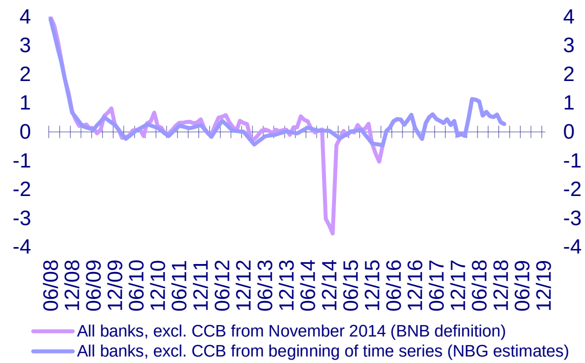
Turkey



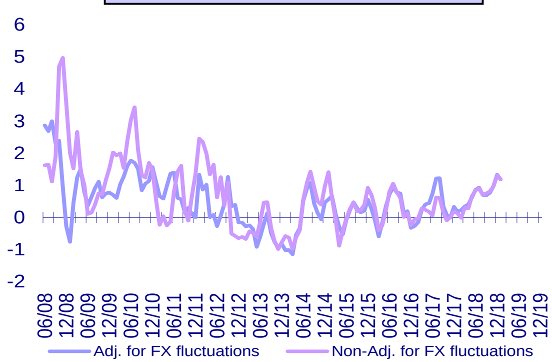
Romania

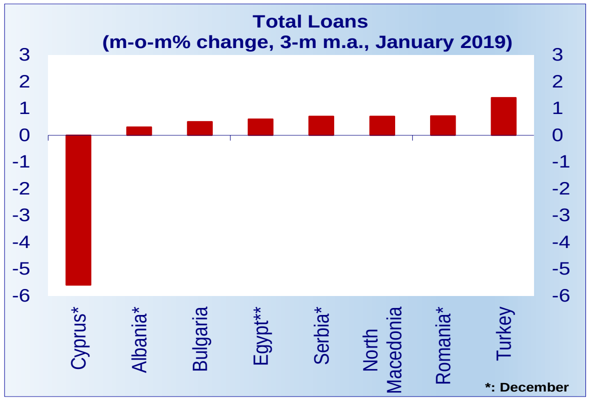


Bulgaria

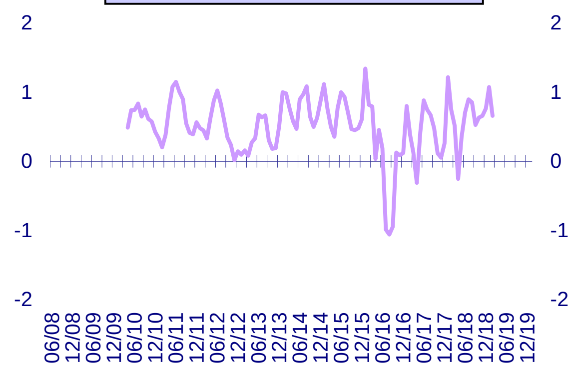


Serbia

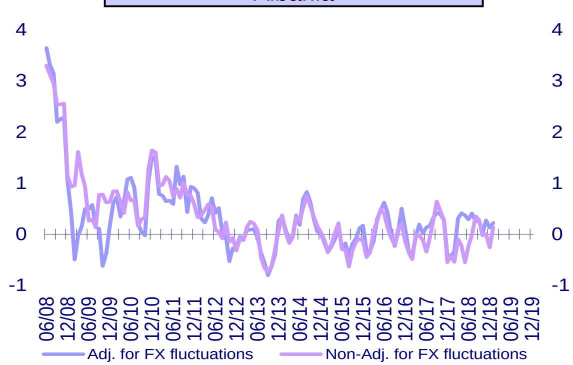




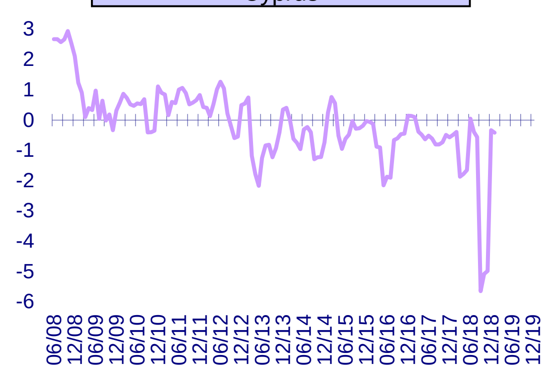
North Macedonia



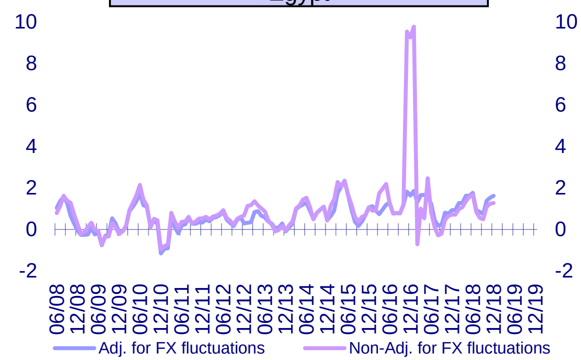
Albania



Cyprus

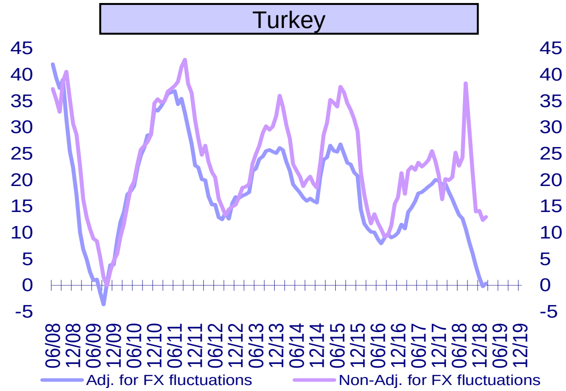


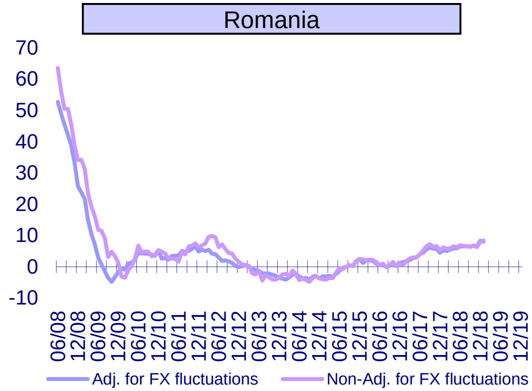
Egypt

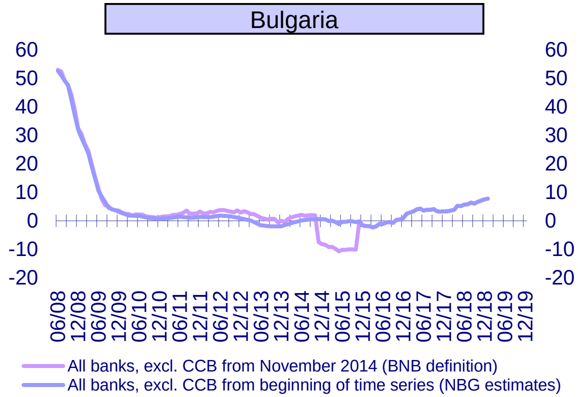


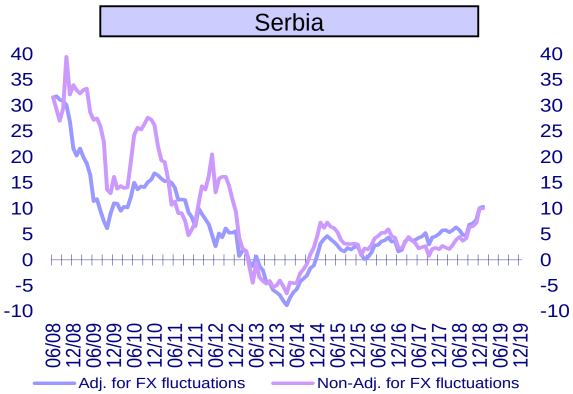
Total loans (y-o-y % change)

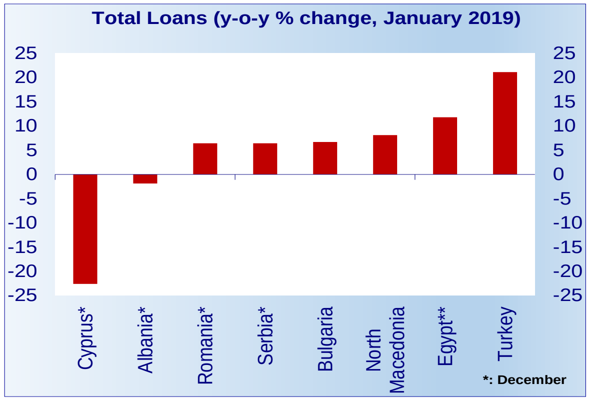
Lending activity is set to strengthen this year in most of the countries under review, as a result of banks' ample liquidity and improved asset quality

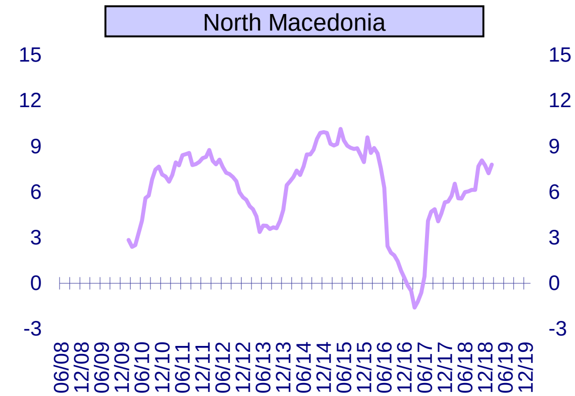


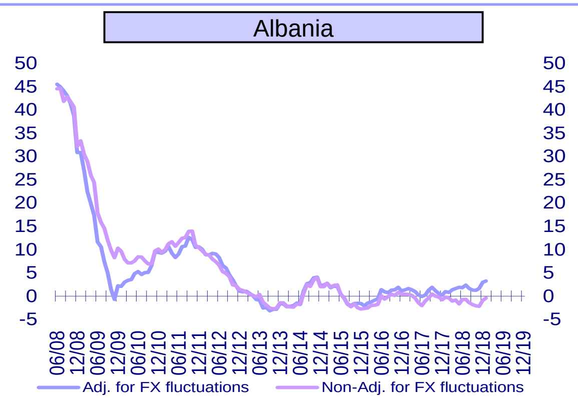


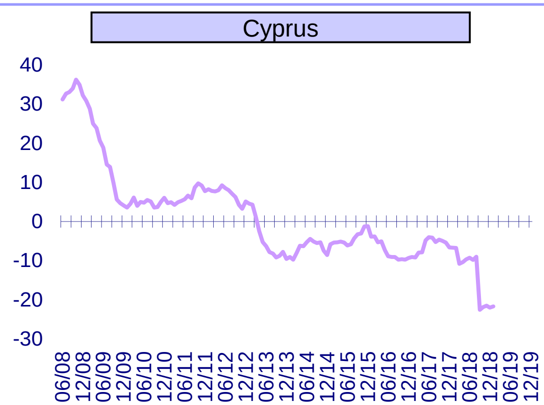


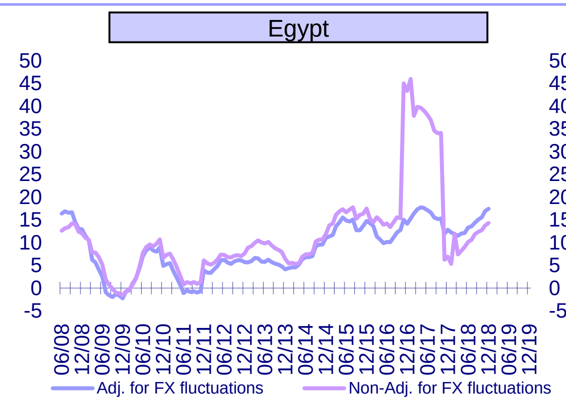




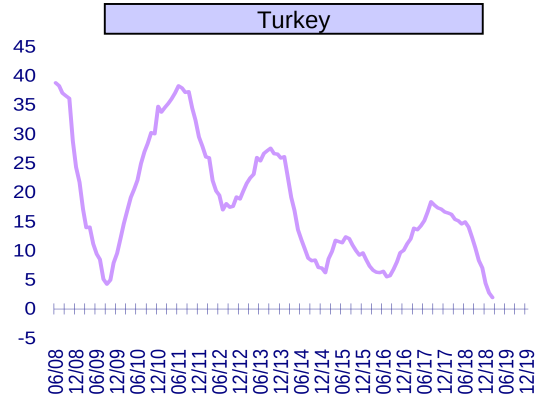


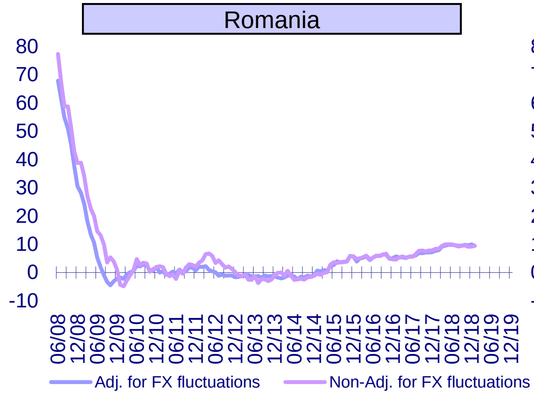


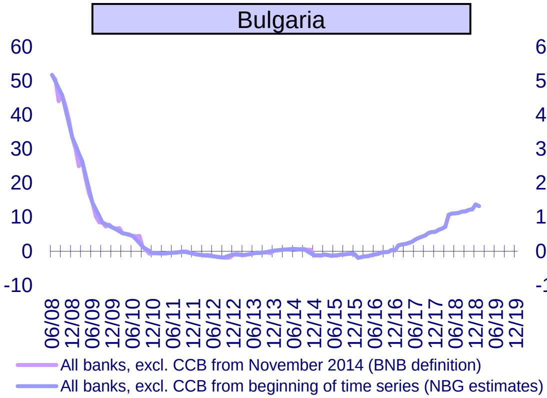


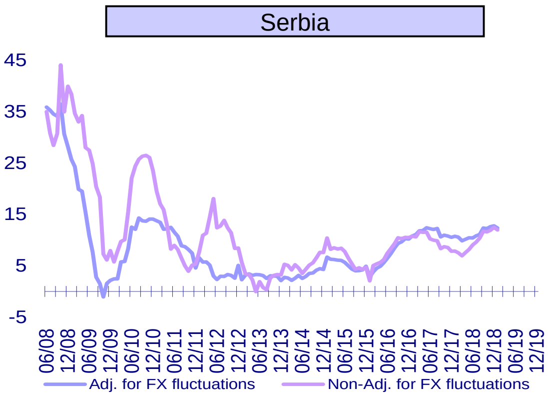


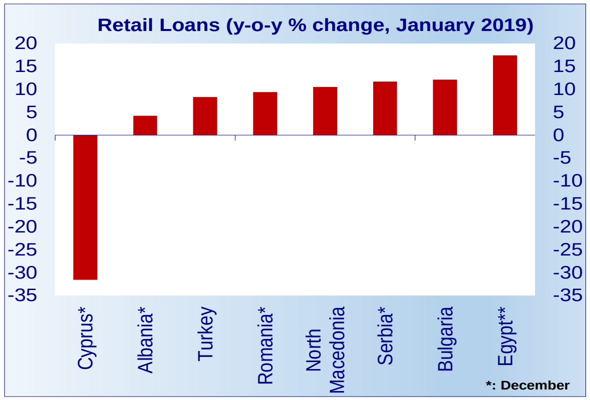
Lending activity is set to be driven mainly by the retail segment in all the countries under review this year

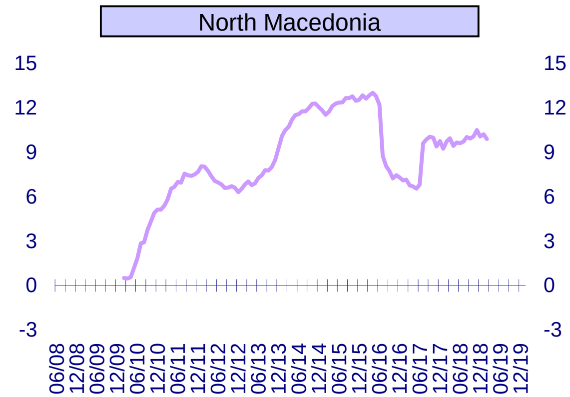


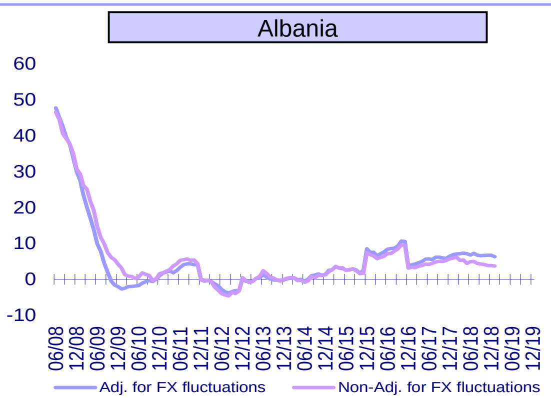


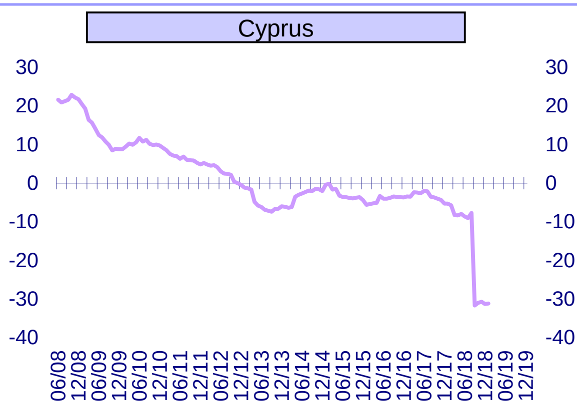


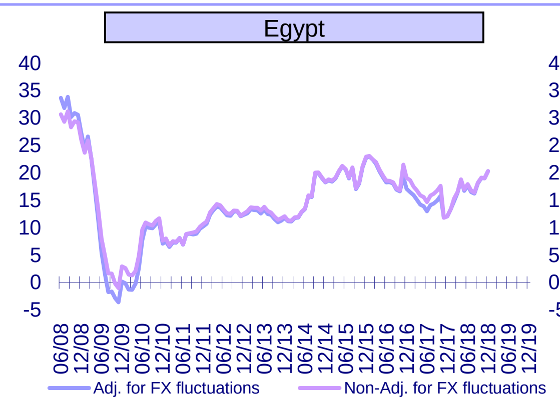






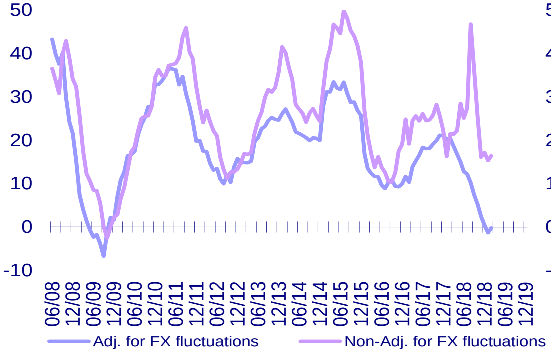




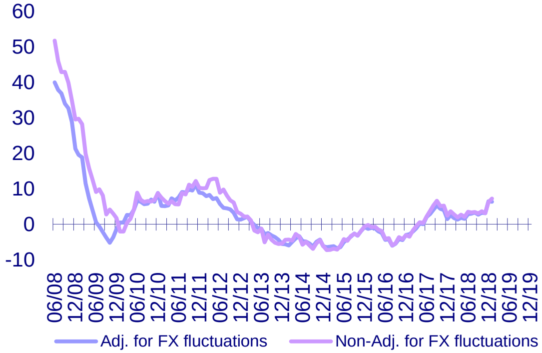


The corporate segment is set to contribute modestly to lending activity this year

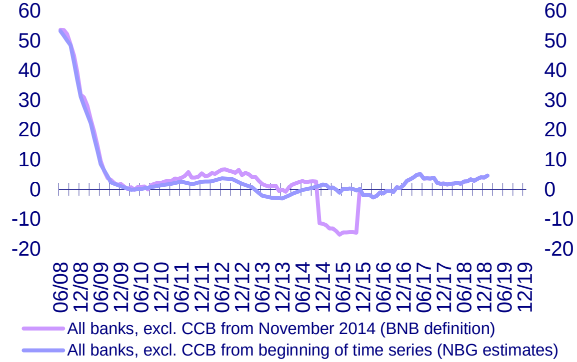
Turkey



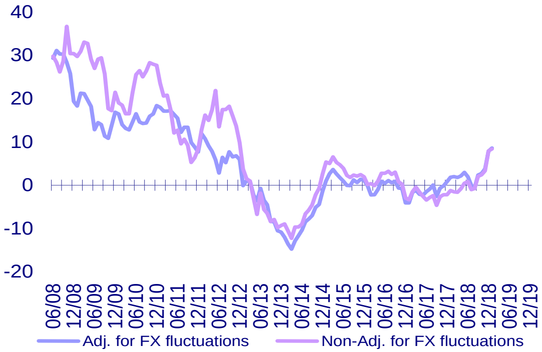
Romania

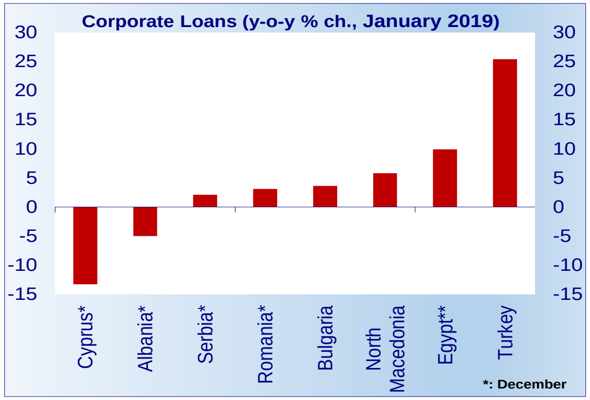


Bulgaria

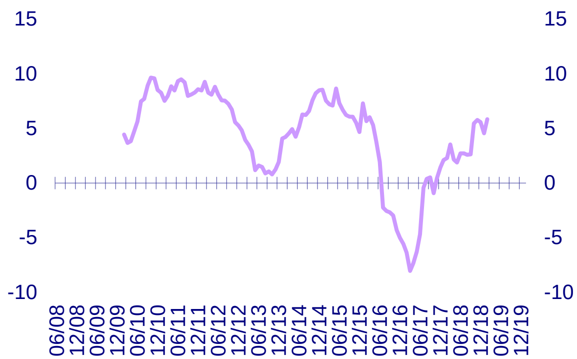


Serbia

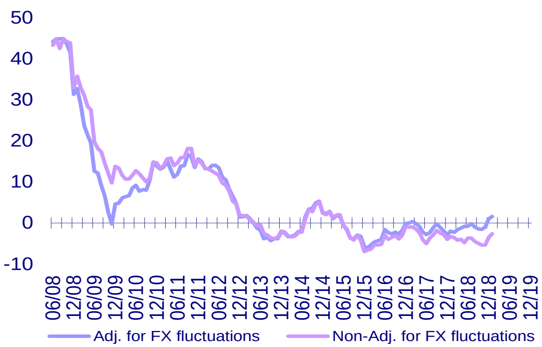




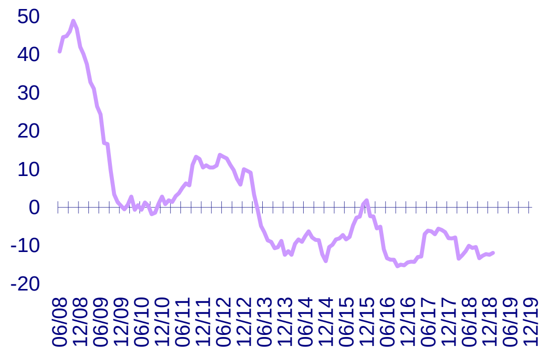
North Macedonia



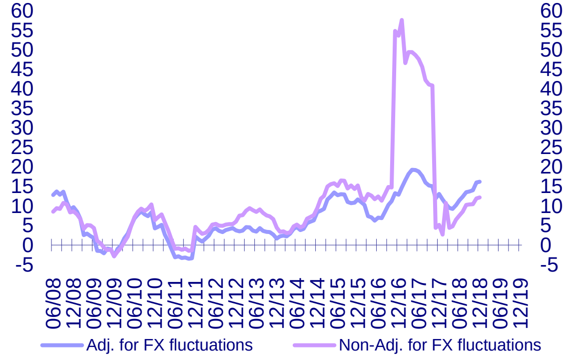
Albania



Cyprus

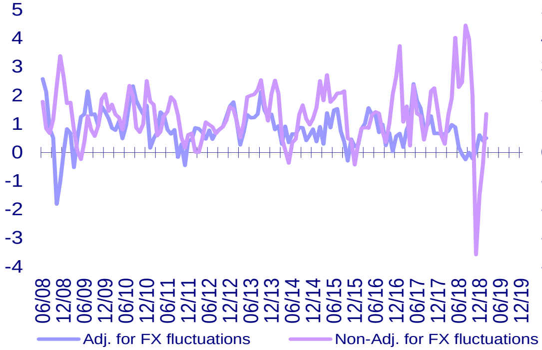


Egypt

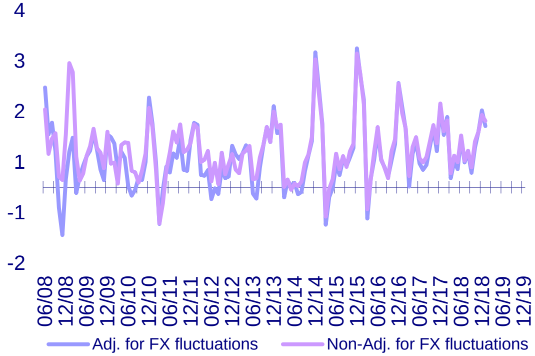


Positive monthly deposit growth in all the countries under review in January, with the exception of Cyprus

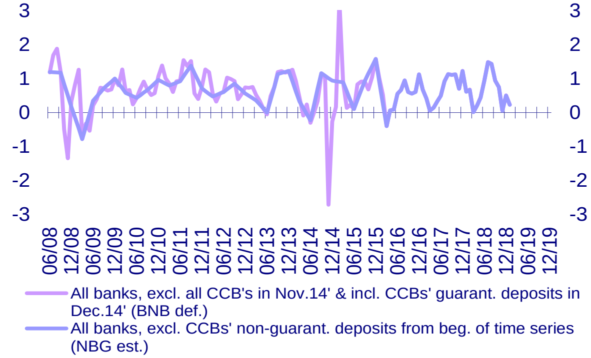
Turkey



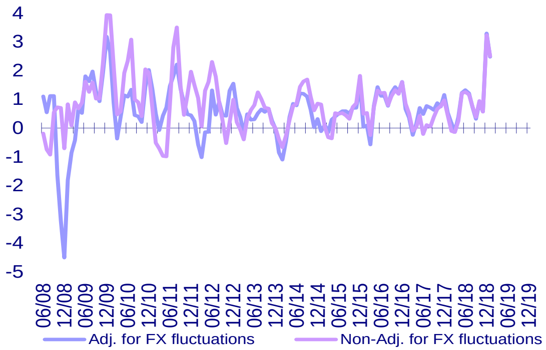
Romania

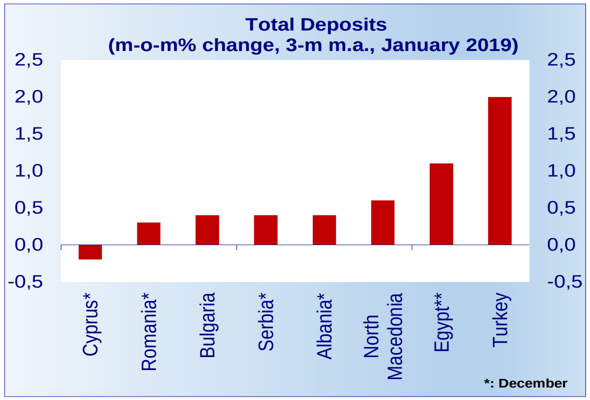


Bulgaria

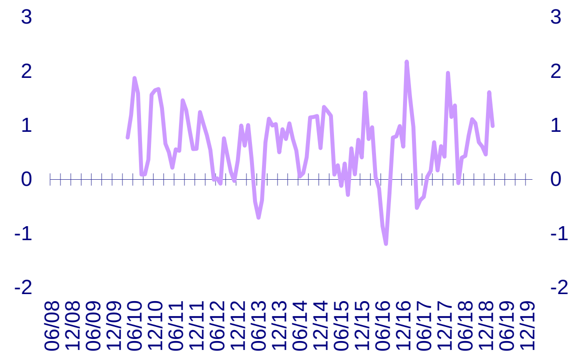


Serbia

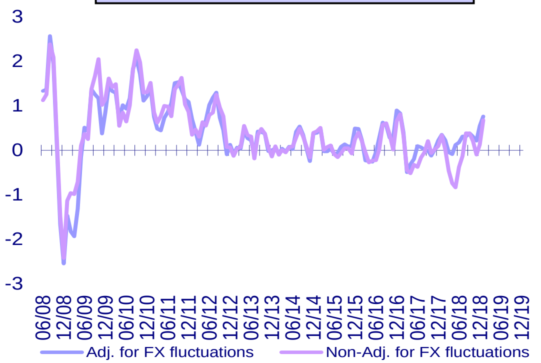




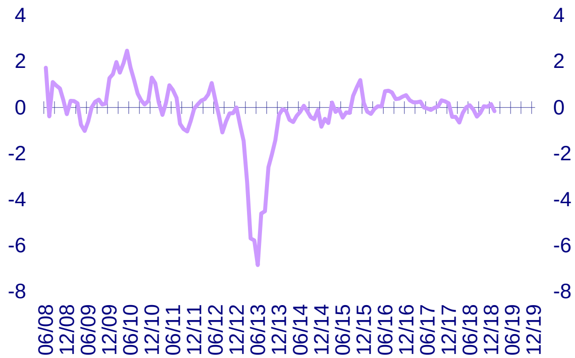
North Macedonia



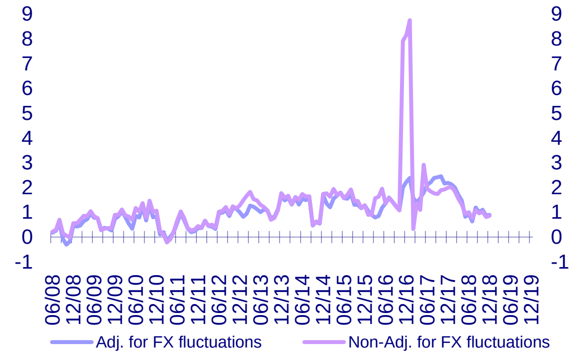
Albania



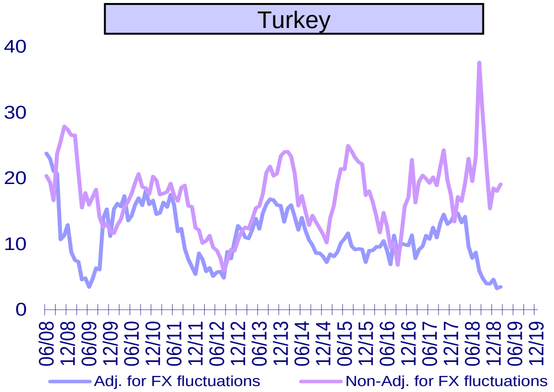
Cyprus

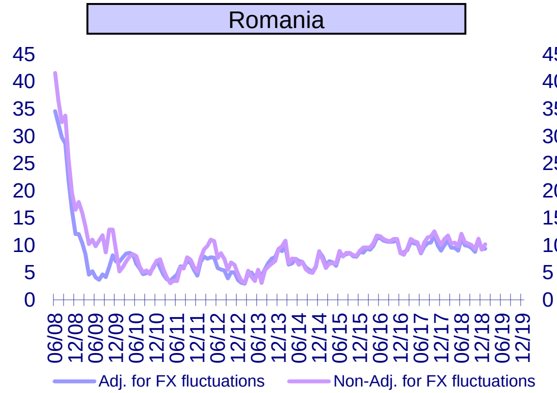


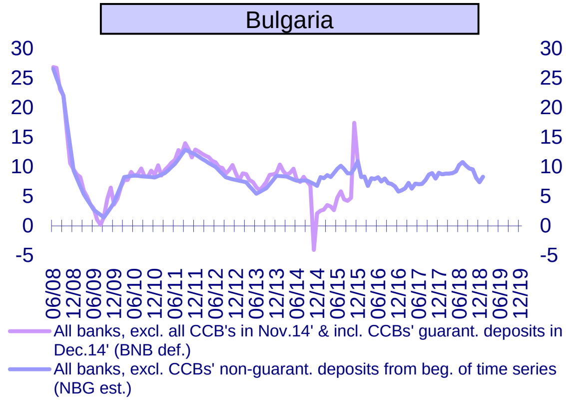
Egypt

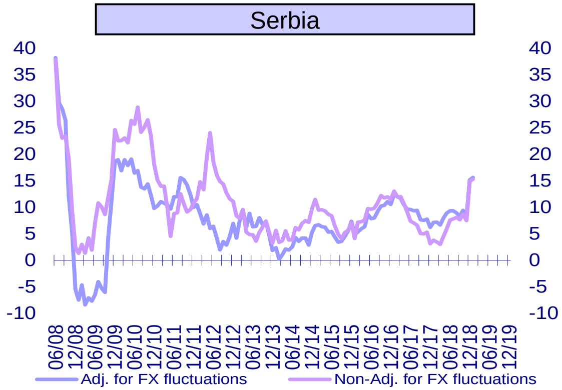


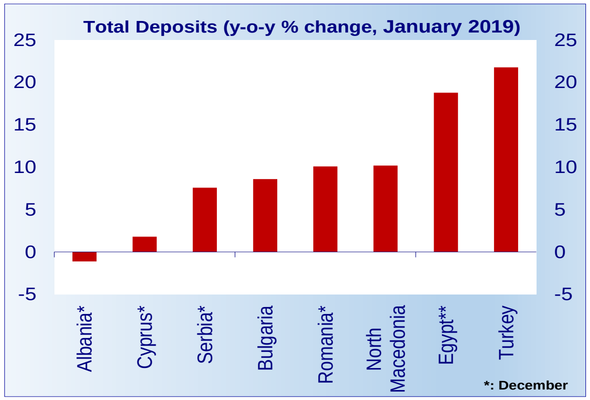
Deposit growth is set to exceed that of lending once again in most of the countries under review this year

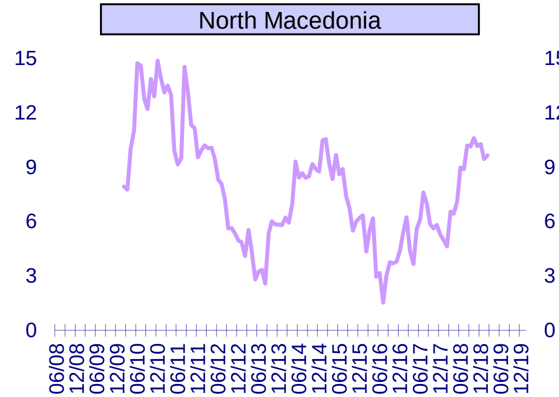


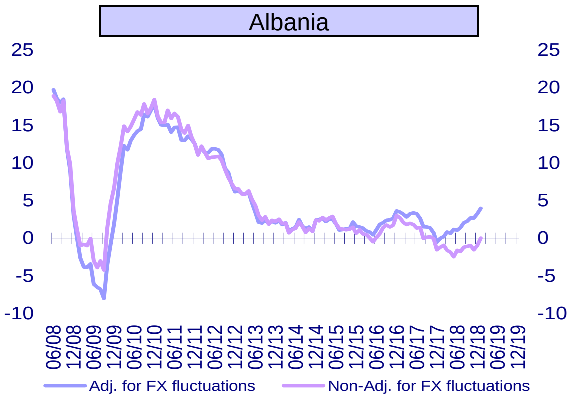


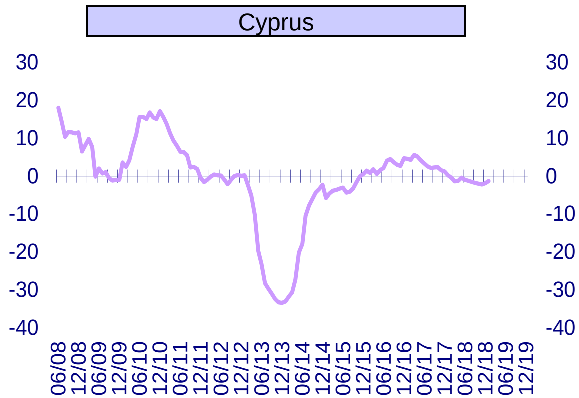


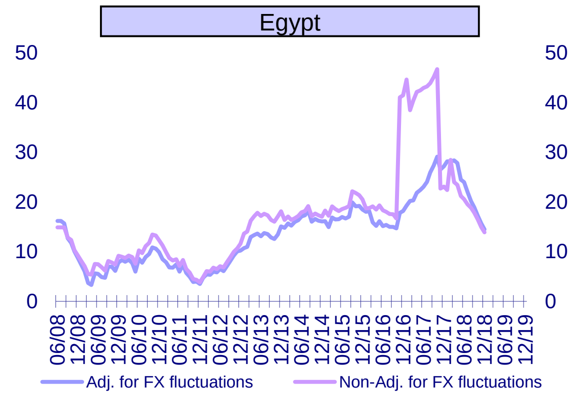






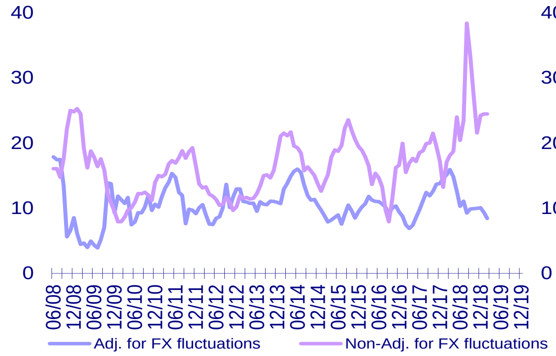




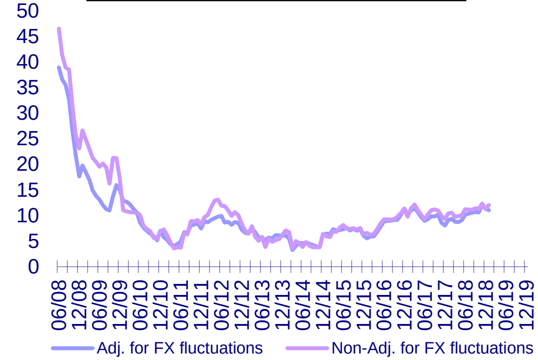


The retail segment is likely to be the main driver of deposit growth in Turkey and Egypt this year

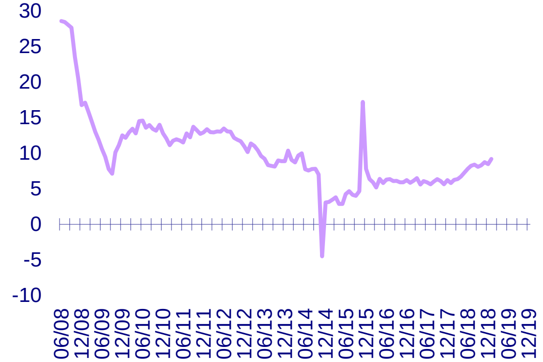
Turkey



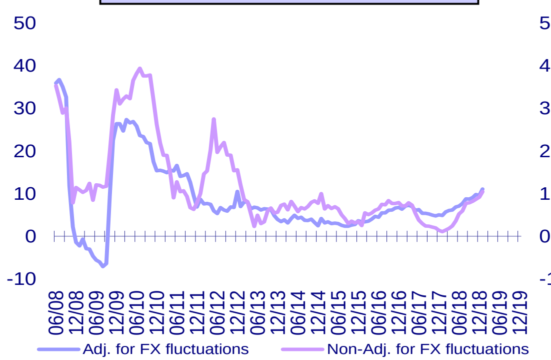
Romania

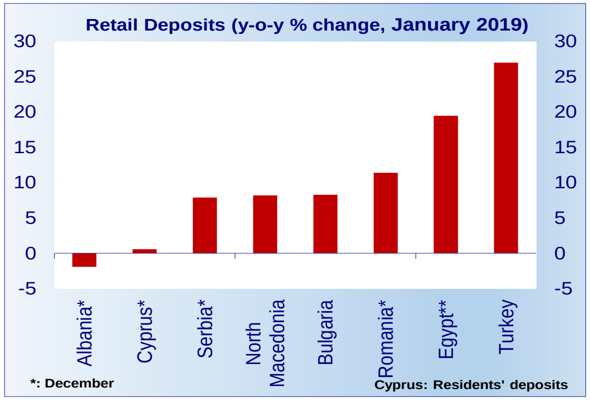


Bulgaria

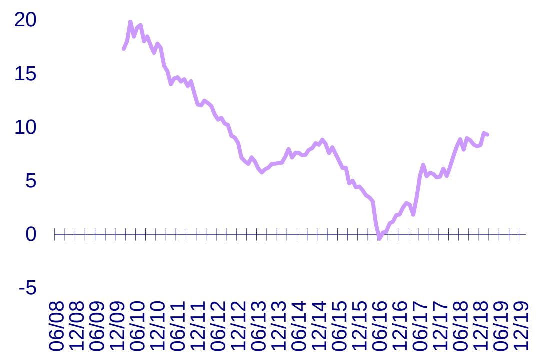


Serbia

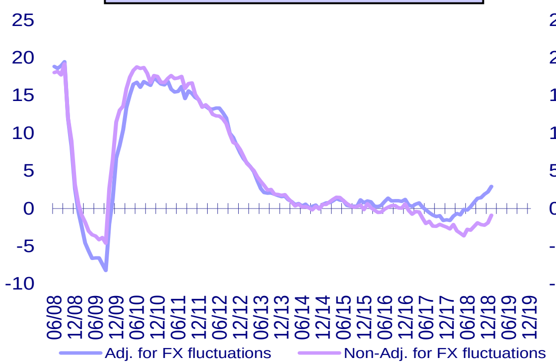




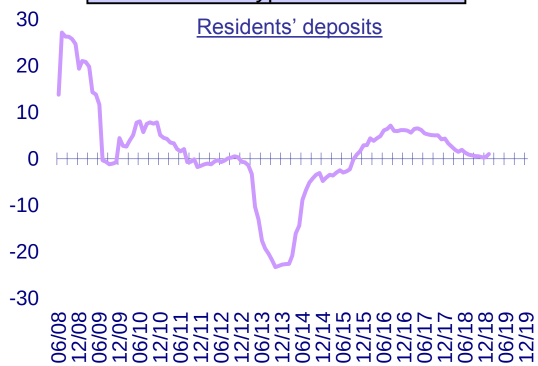
North Macedonia



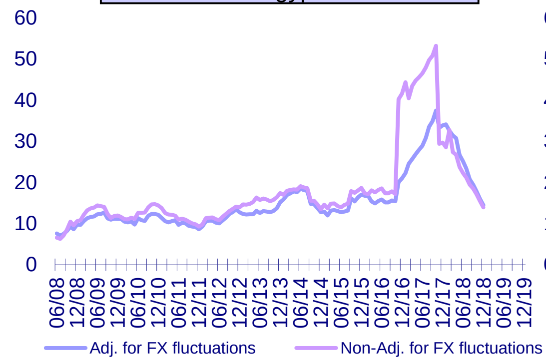
Albania



Cyprus

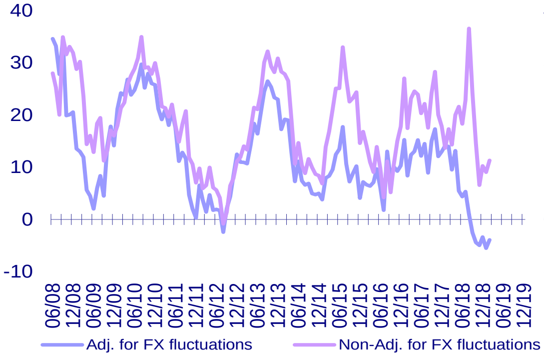


Egypt

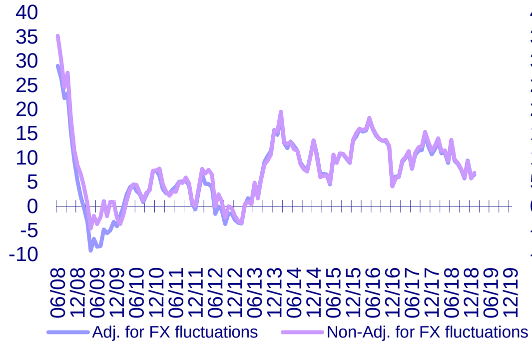


The corporate segment is likely to expand at a faster pace than retail this year in Bulgaria, North Macedonia and Albania

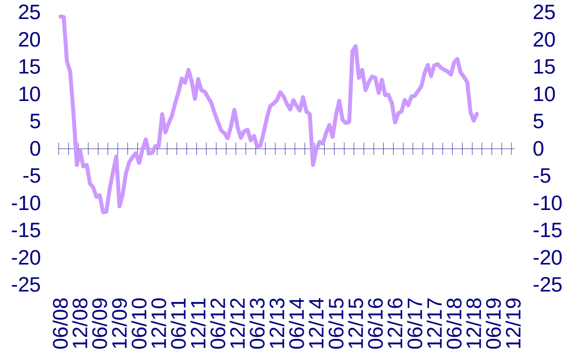
Turkey



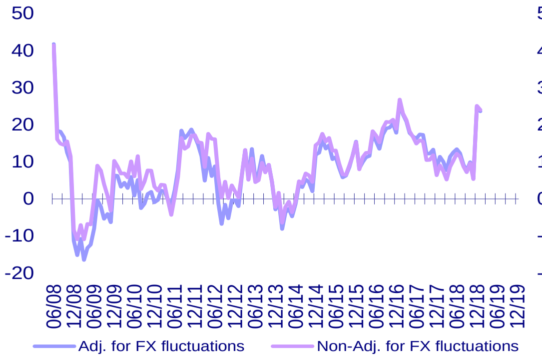
Romania

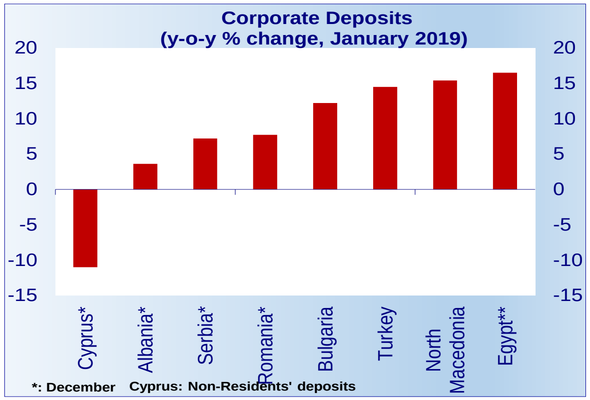


Bulgaria

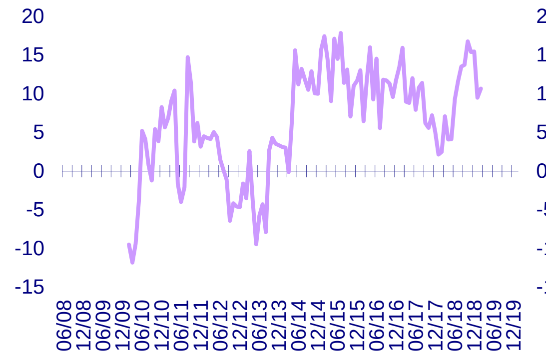


Serbia

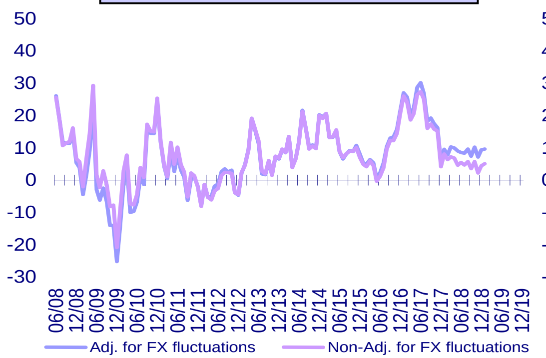




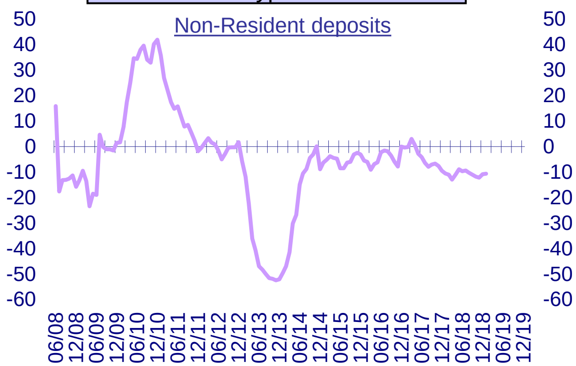
North Macedonia



Albania



Cyprus



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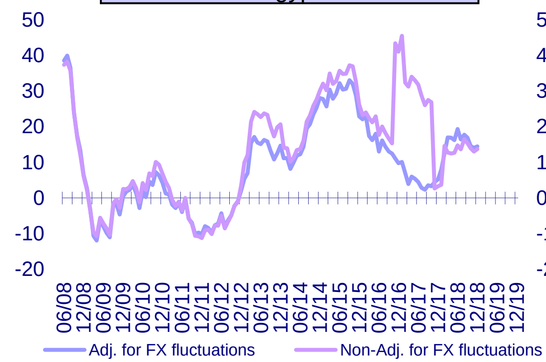
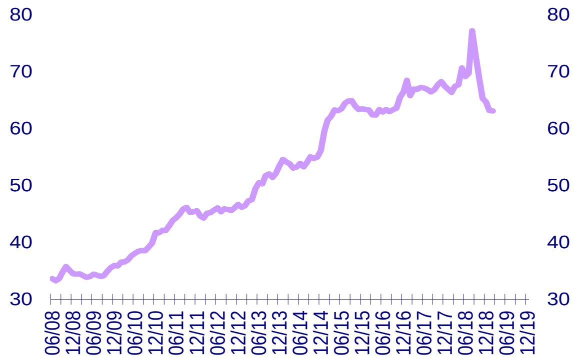


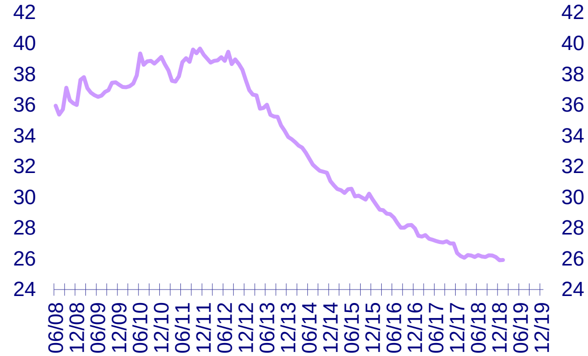
Total loans-to-GDP ratio (%)

All the economies under review, with the exception of Cyprus, are still underpenetrated in terms of lending

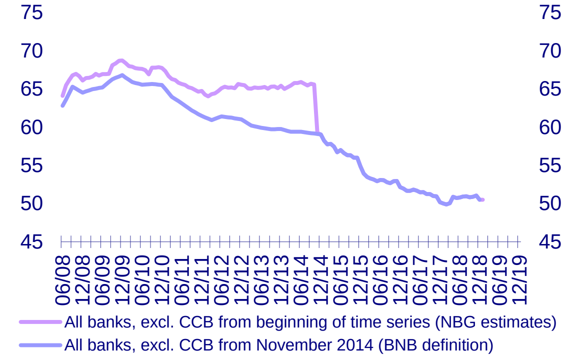
Turkey



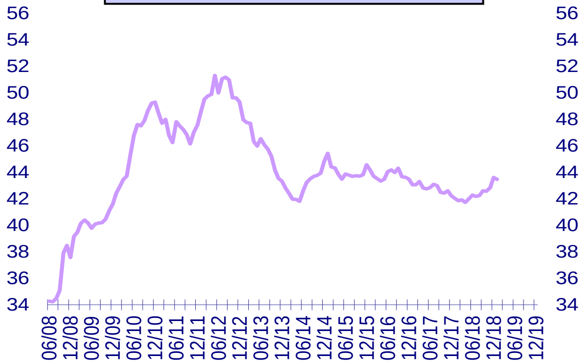
Romania

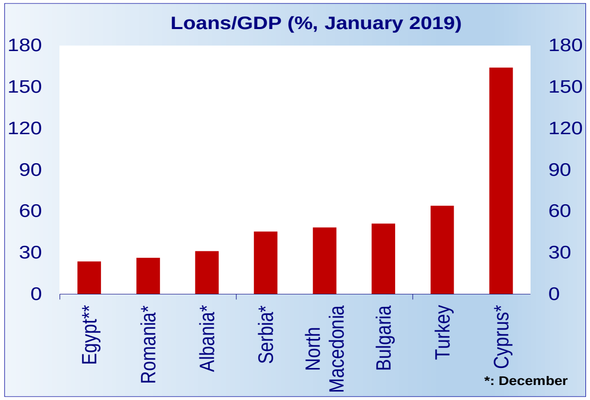


Bulgaria

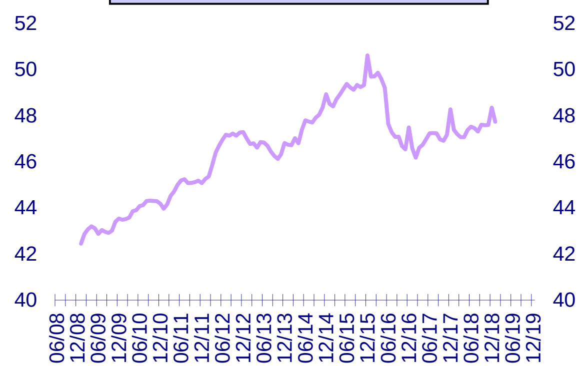


Serbia

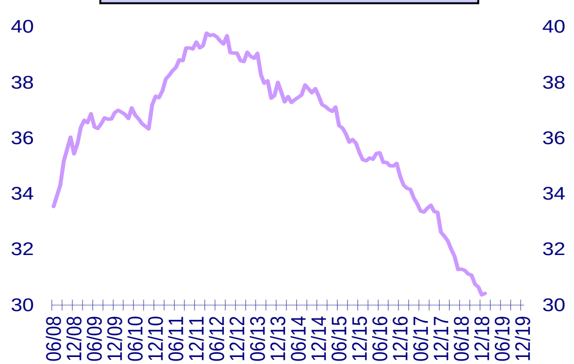




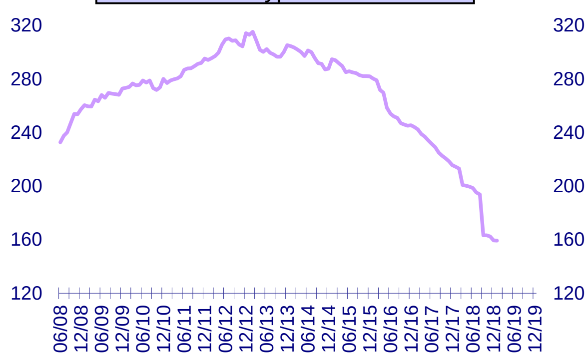
North Macedonia



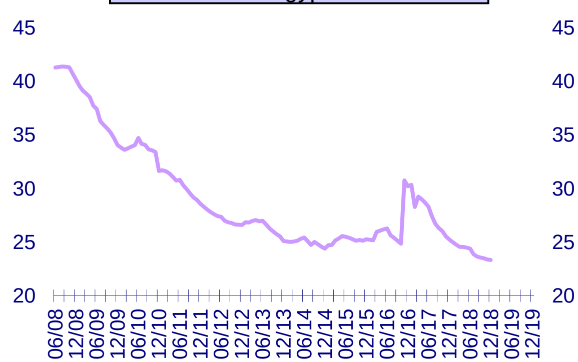
Albania



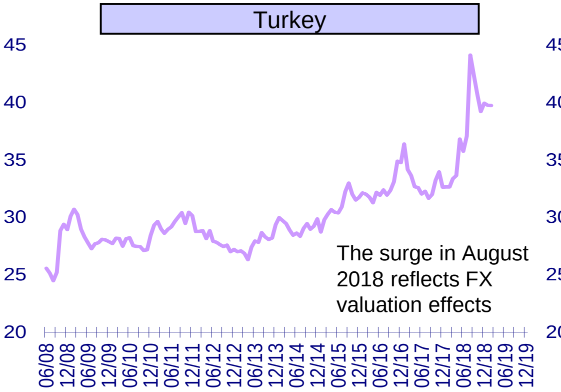
Cyprus

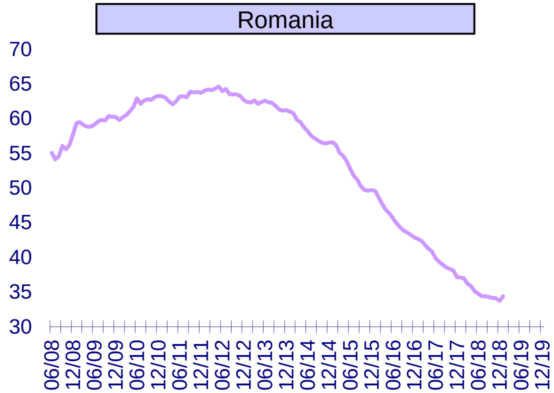


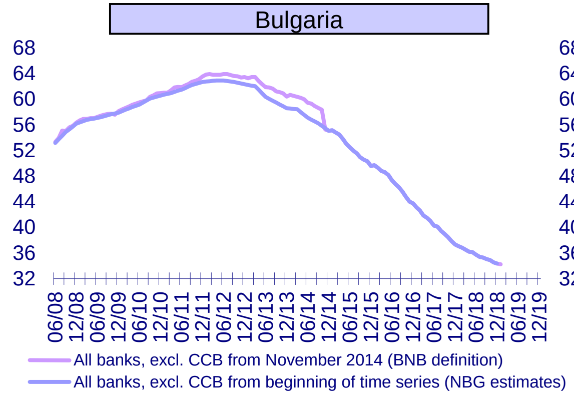
Egypt

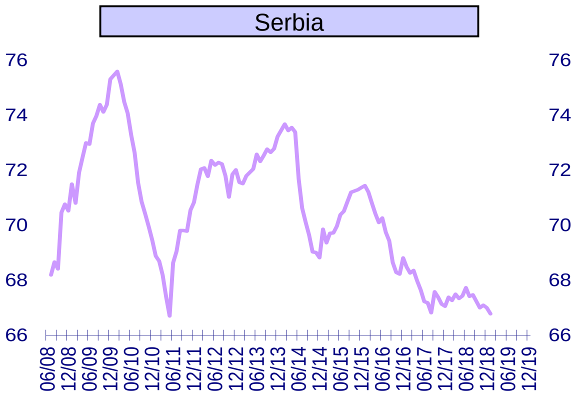


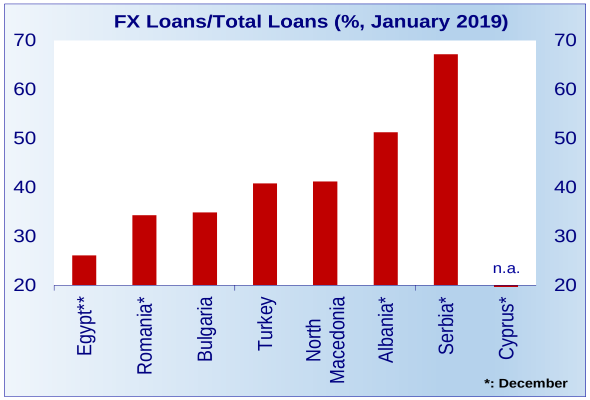
The proportion of FX lending in total lending in most of the countries under review is decreasing, but remains high

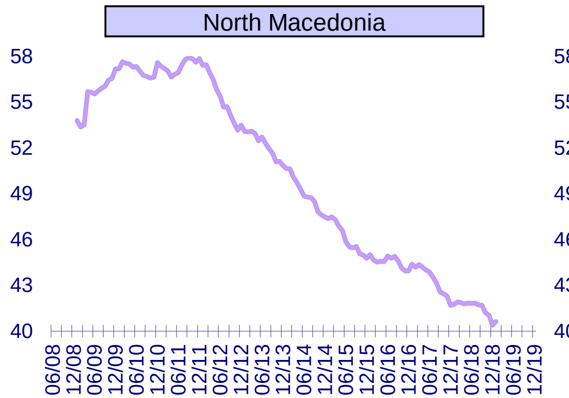


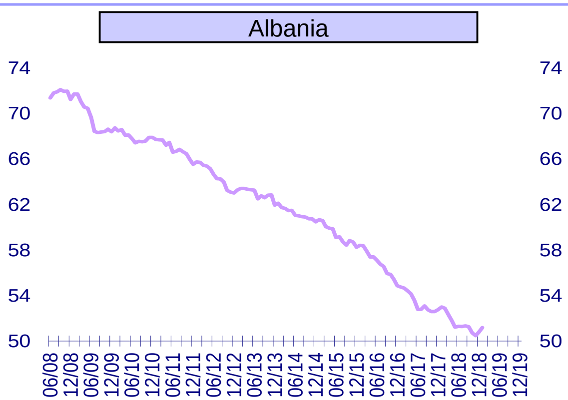






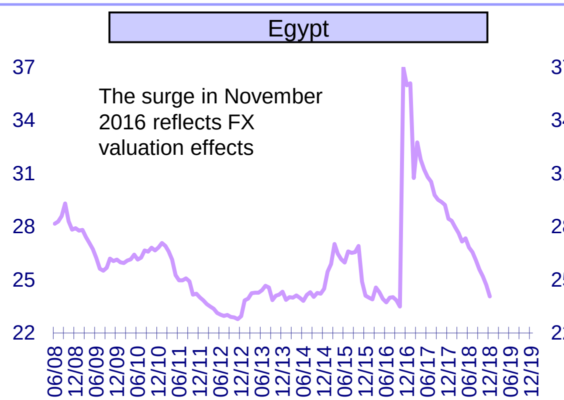






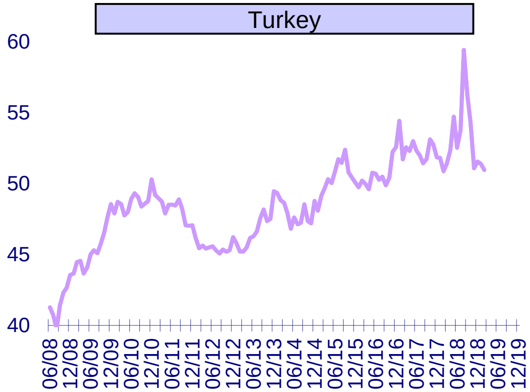
Cyprus

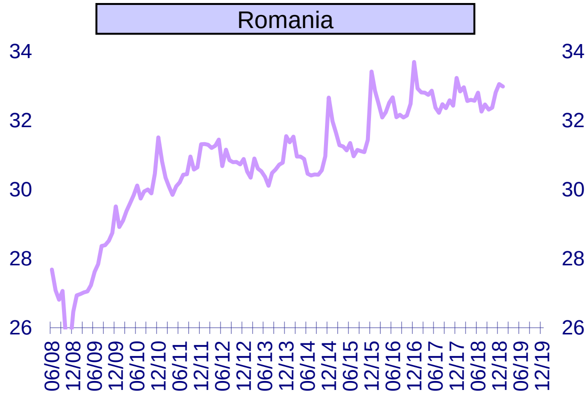
N.A.

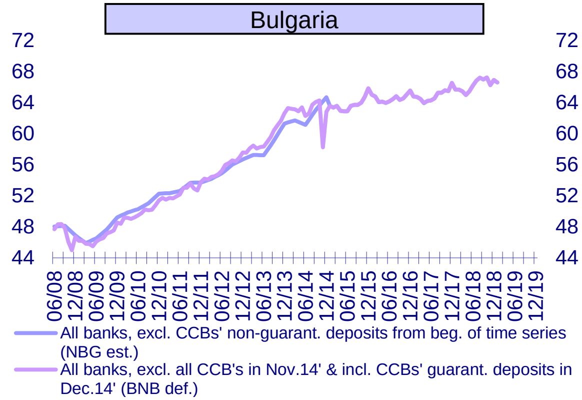


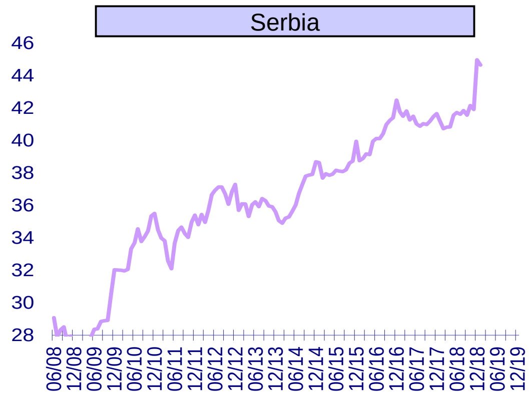
Total deposits-to-GDP ratio (%)

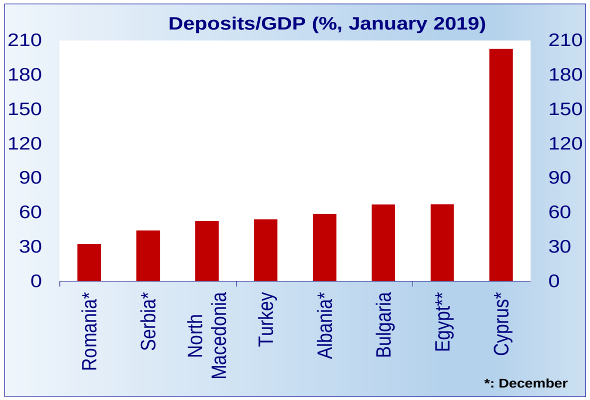
The deposit-to-GDP ratio is likely to continue on its sharp downward trend this year in Albania (due to attractive domestic debt yields)

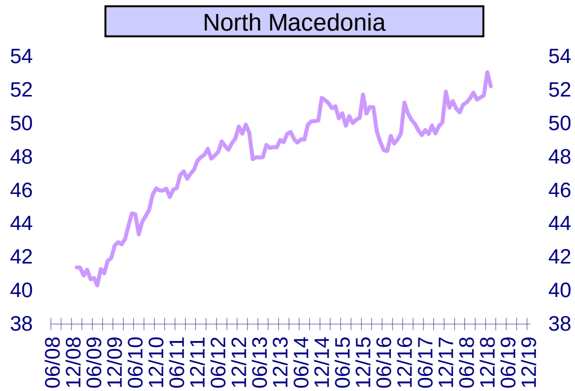


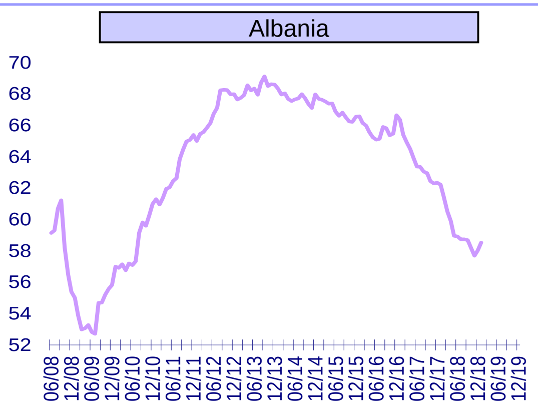


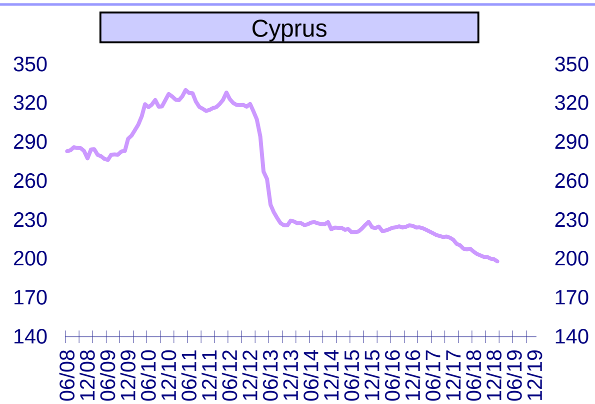


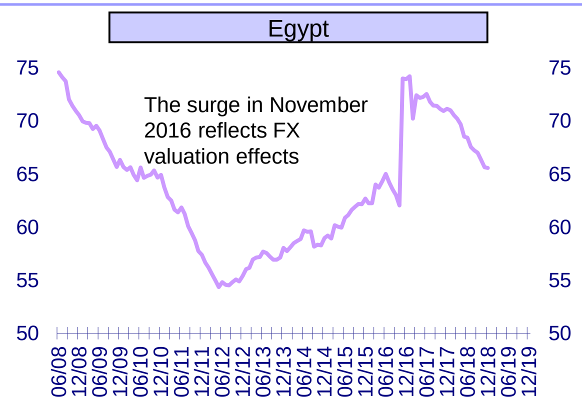




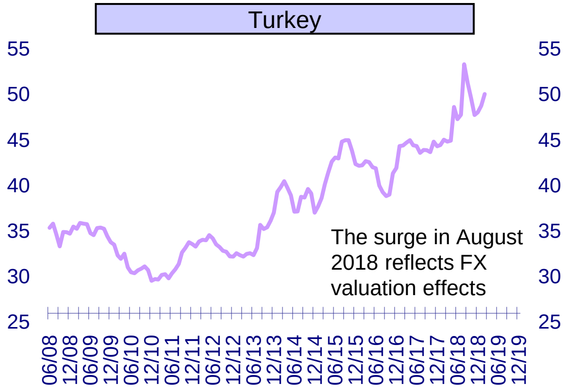


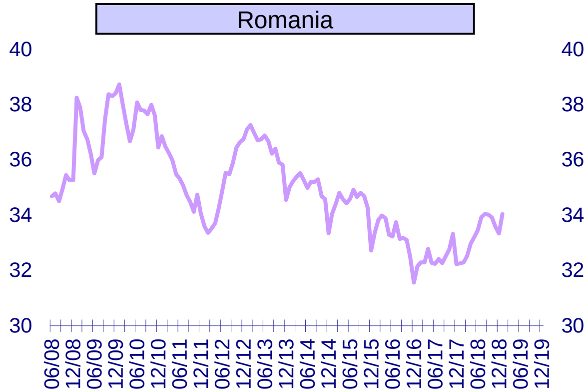


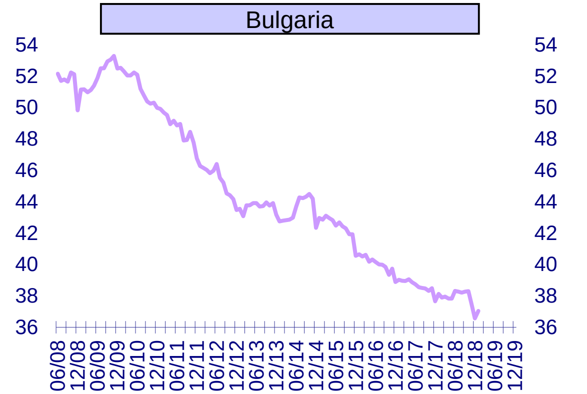


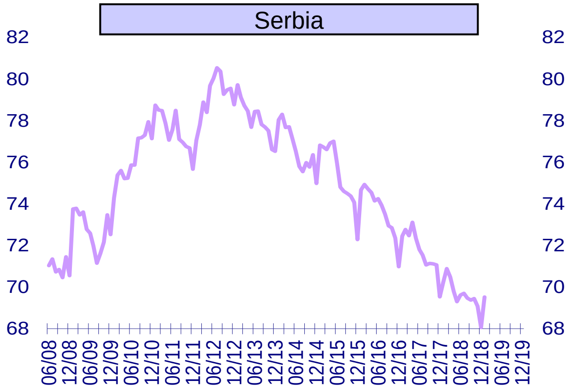


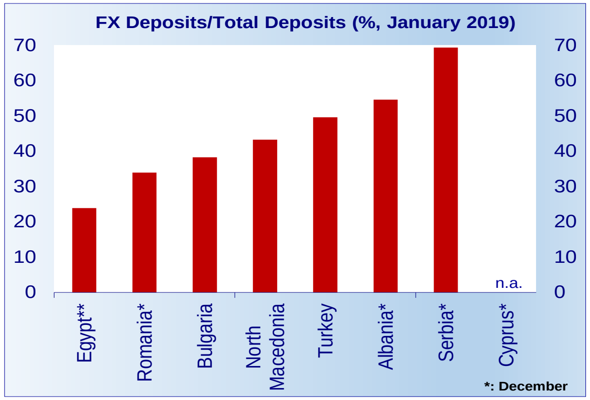
The proportion of FX deposits in total deposits is at similar levels to that for loans

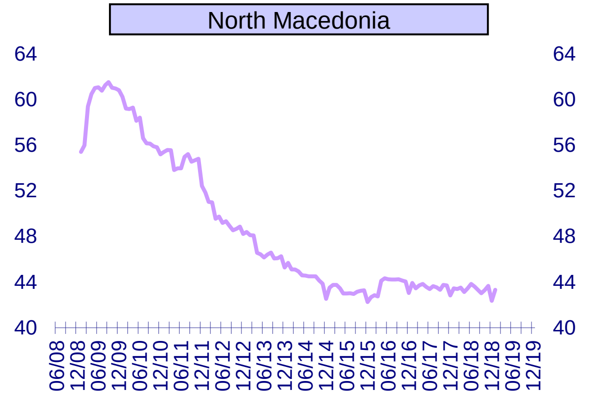


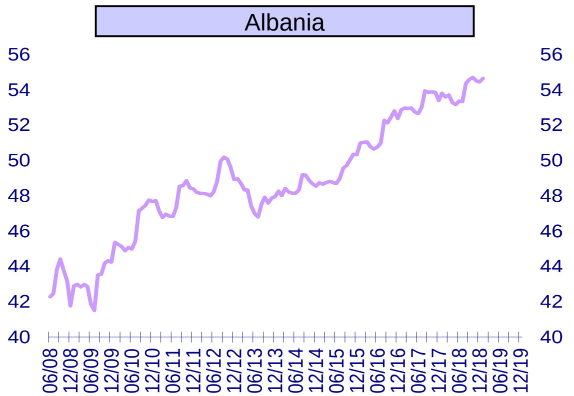


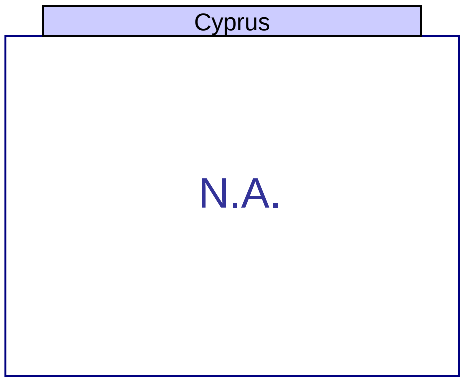


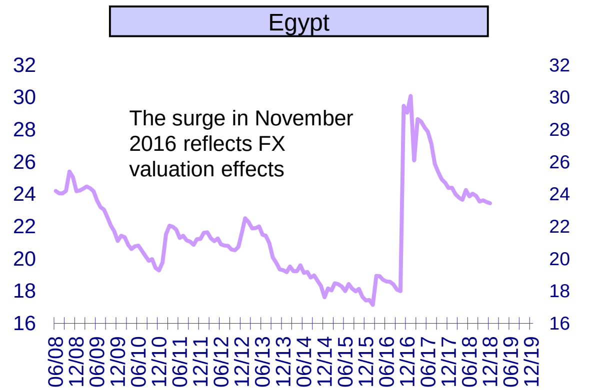




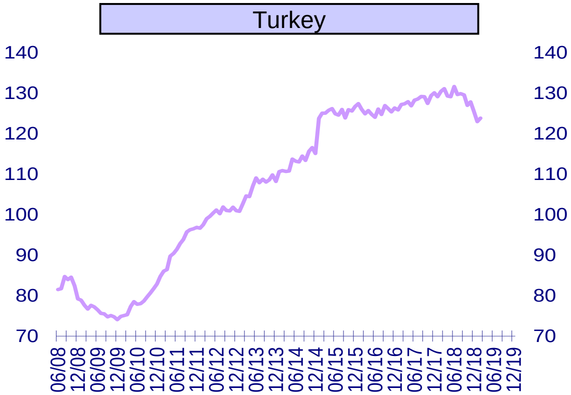


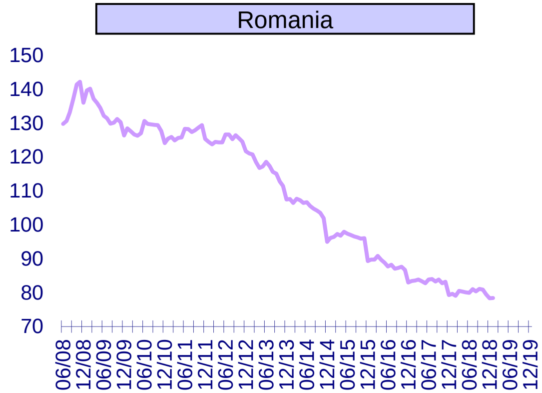


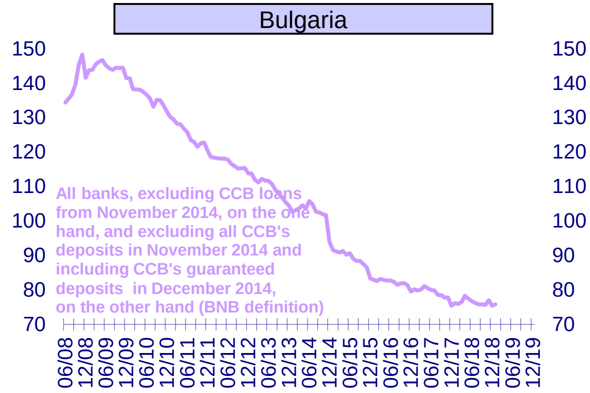


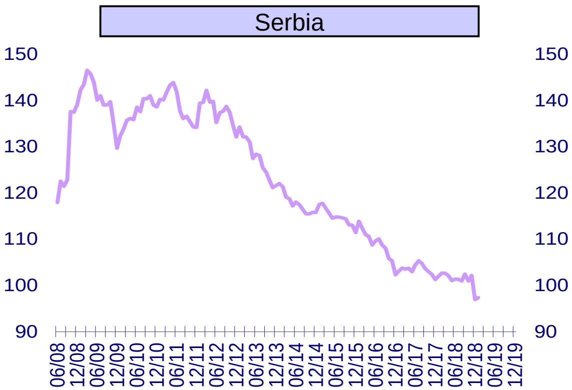


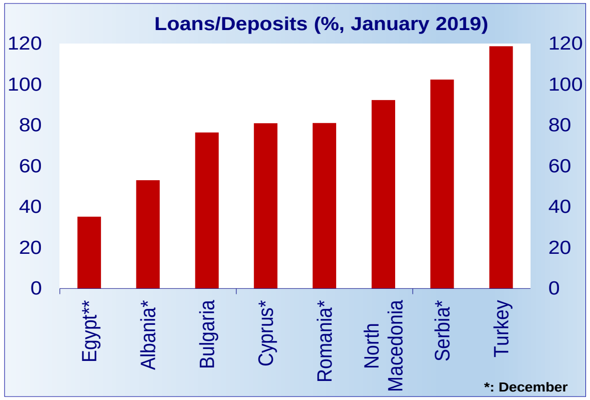
Liquidity pressures are expected to ease further this year in most of the countries under review

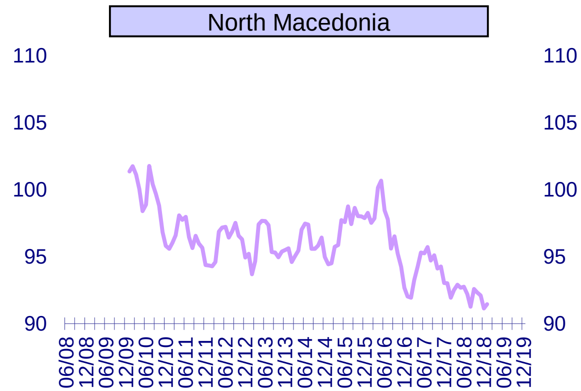


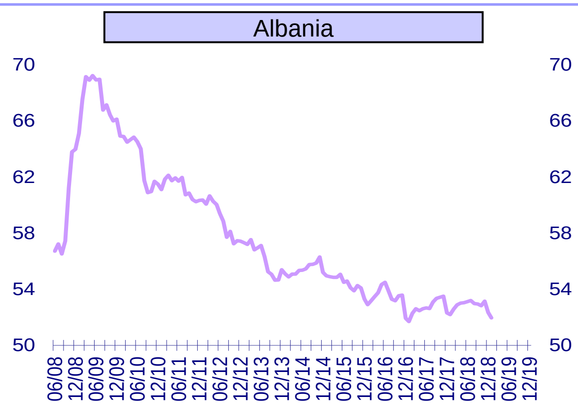


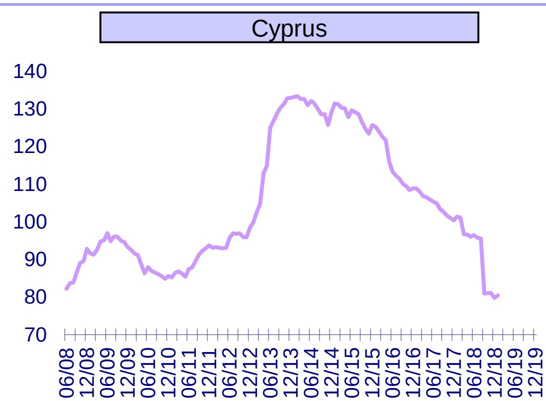


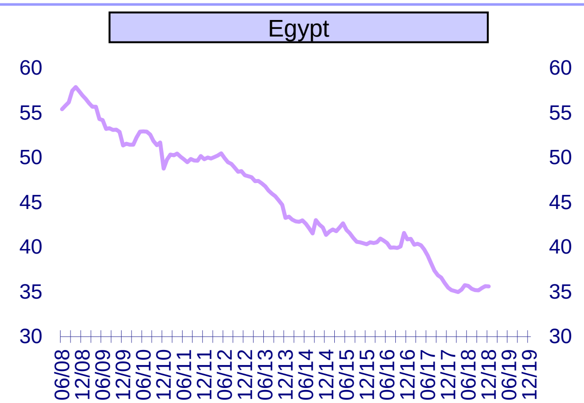




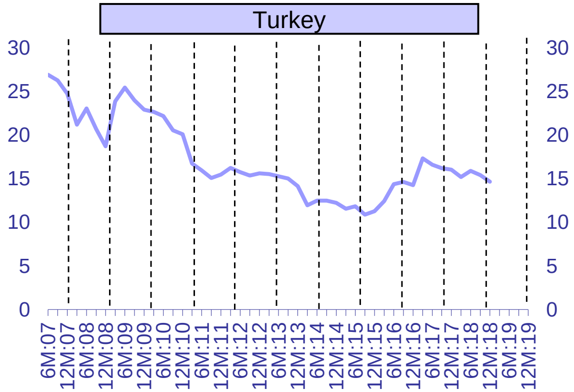


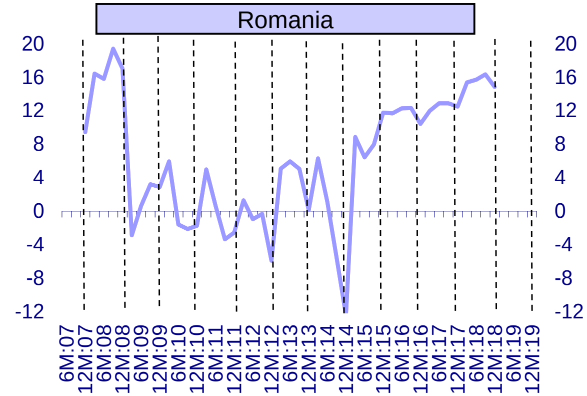


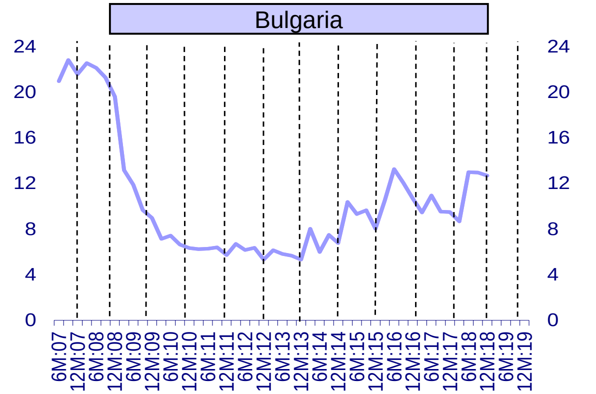


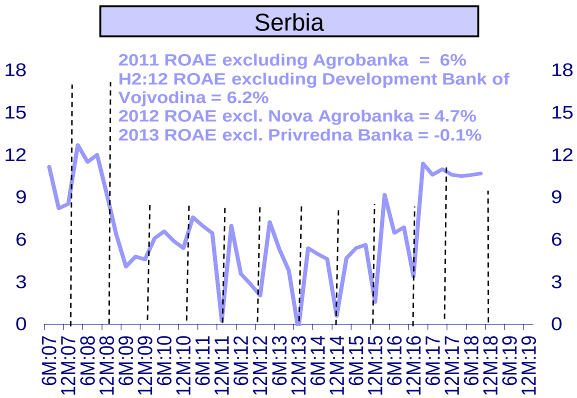


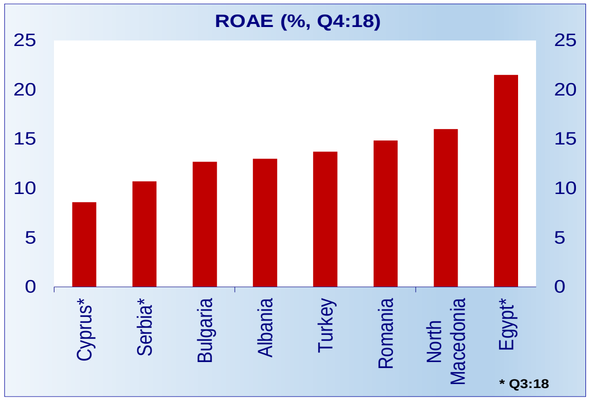
Double-digit return-to-average equity ratio in sight in all the countries under review this year, with the exception of Cyprus

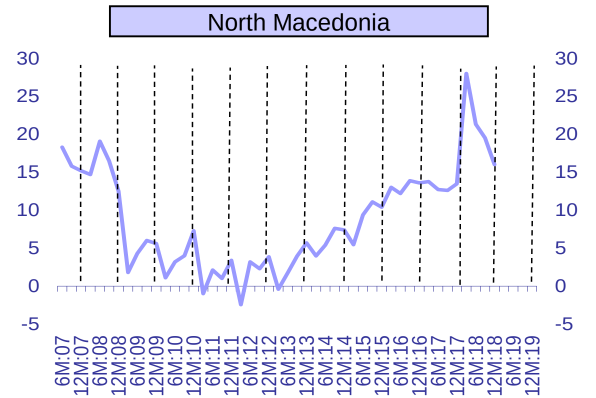


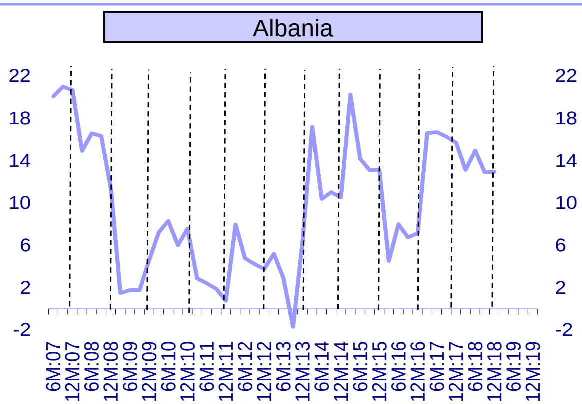


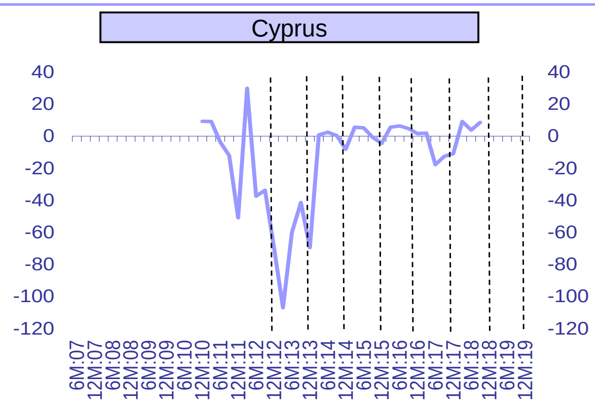


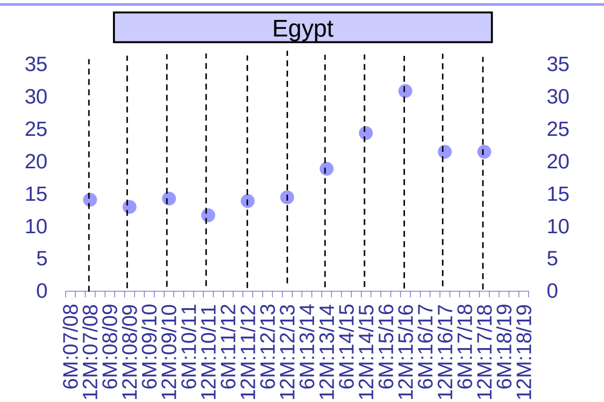




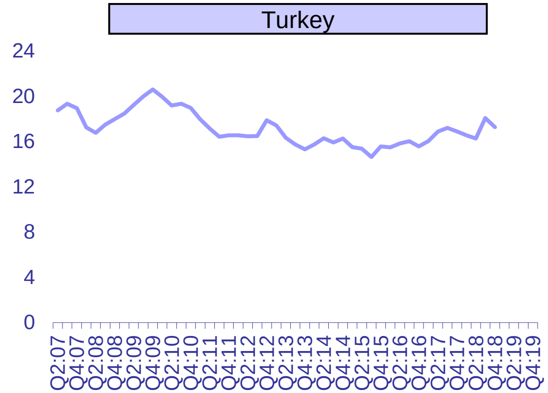


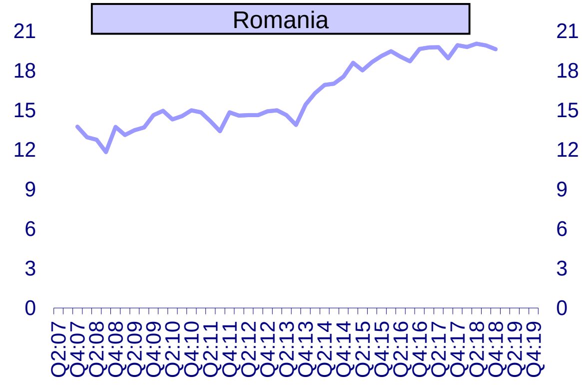


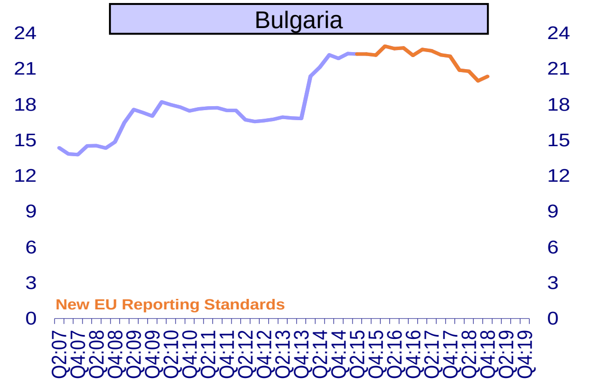


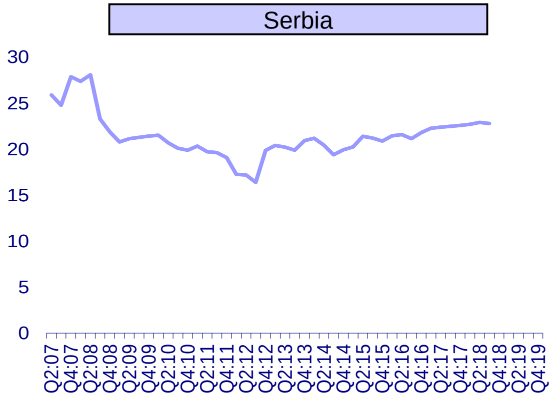


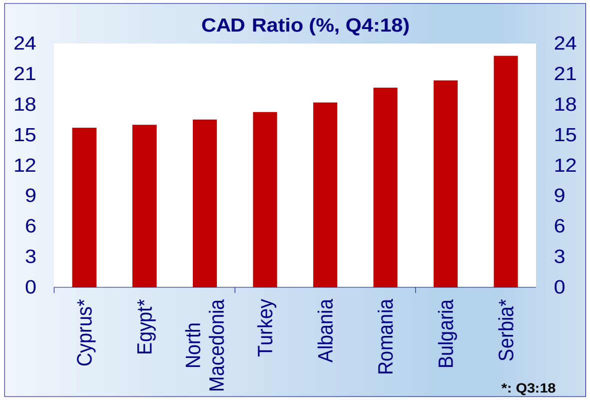
Capital base should remain solid in all the banking sectors under review

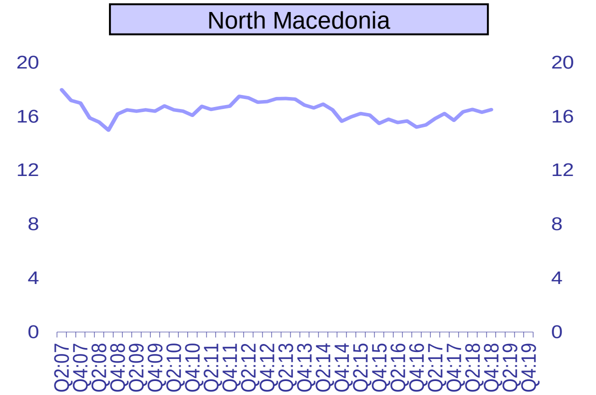


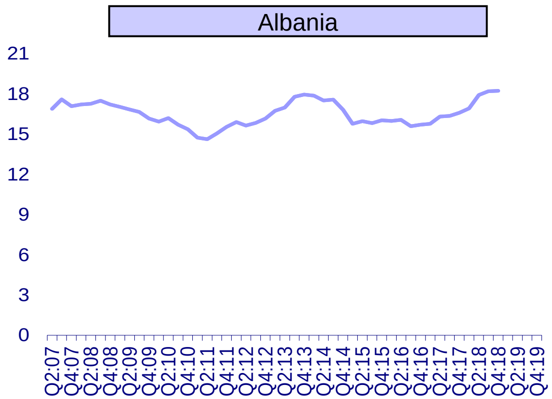


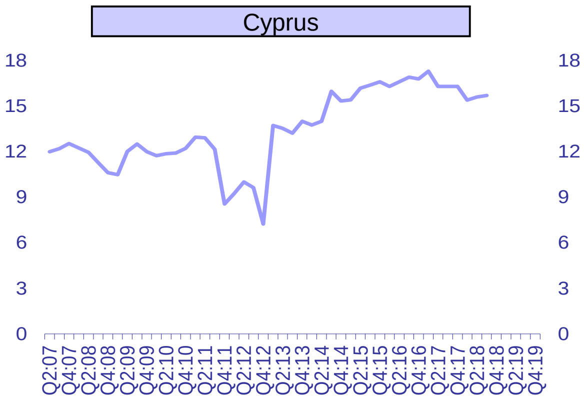


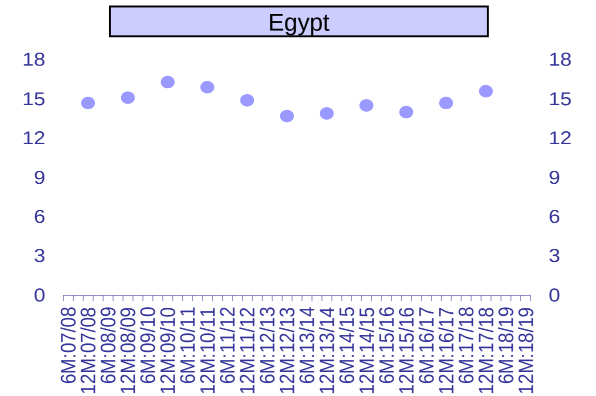








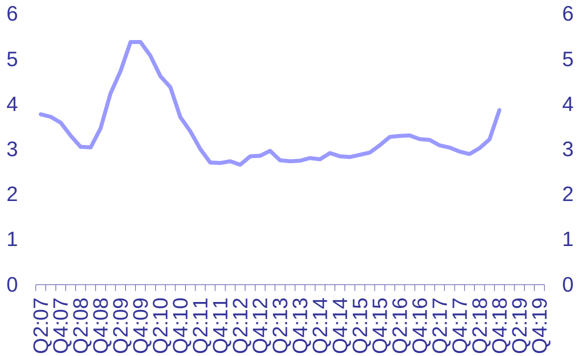




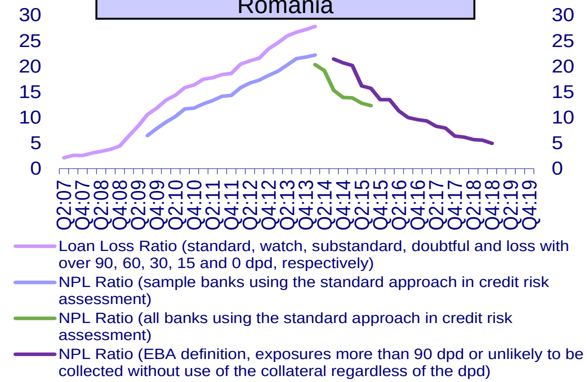
Non-performing loans ratio (%)

NPL ratios to continue on their downward trend in all the countries under review, with the exception of Turkey, supported by strong economic activity, large write-offs and sales of bad loans to non-financial companies

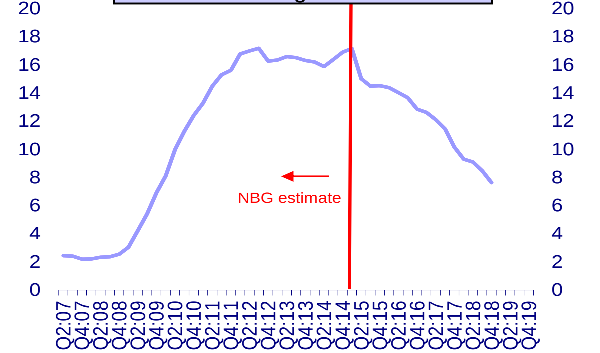
Turkey



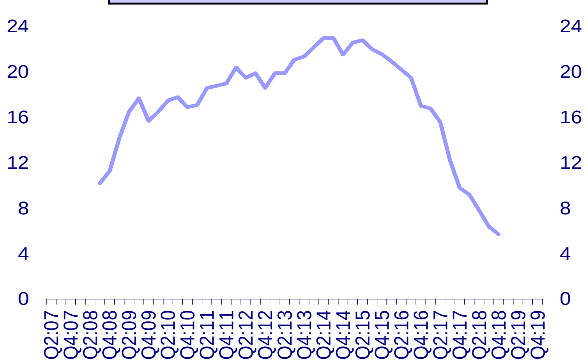
Romania

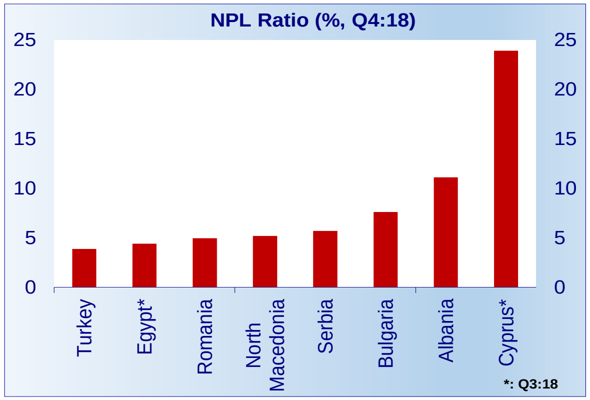


Bulgaria

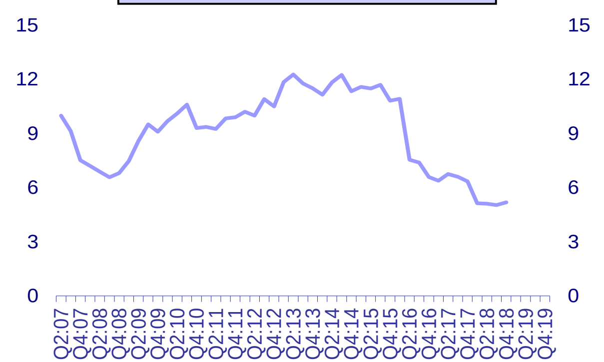


Serbia

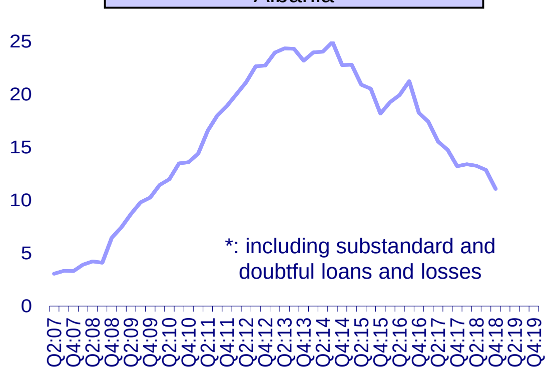




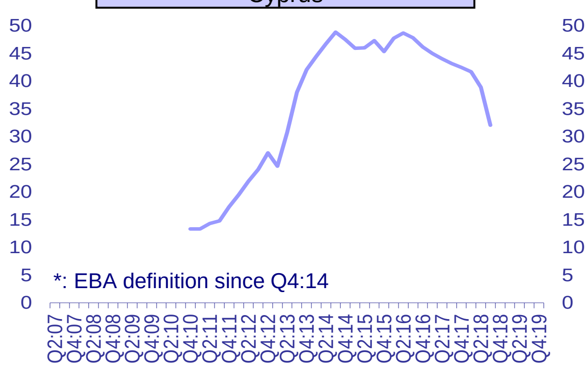
North Macedonia



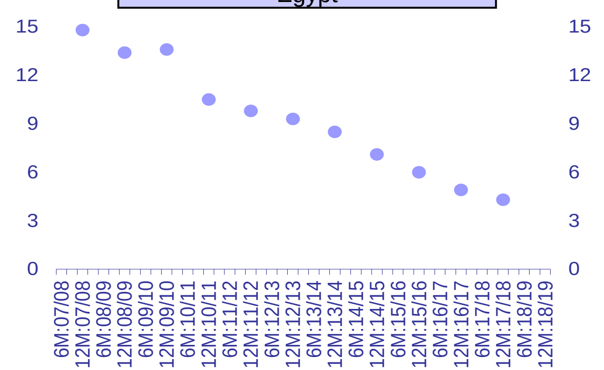
Albania



Cyprus



Egypt



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

Foreign Ownership (% of Total Assets, 2018)							
Turkey [a]	Romania	Bulgaria	Serbia [a]	North Macedonia [b]	Albania [c]	Cyprus [b]	Egypt [d]
25.4	75.0	76.2	76.3	70.5	80.8	15.0	55.0

[a]: 30.09.2018

[b]: 31.12.2017

[c]:30.06.2018

[d]: 31.12.2015