



NATIONAL BANK OF GREECE

Economic Analysis Division

Emerging Markets Analysis

Quarterly Chartbook

Q2:2021

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

“Regional economies should maintain their (already) solid growth momentum in the period ahead, but risks remain tilted to the downside”

NBG - Economic Analysis Division

<https://www.nbg.gr/en/the-group/press-office/e-spot/reports>

Emerging Markets Analysis

Head:

Konstantinos Romanos-Louizos

✉ : romanos.louizos.k@nbg.gr

Senior Economist:

Louiza Troupi

✉ : troupi.louiza@nbg.gr





General information	1
Date of next elections	2
Official financial support	3
Foreign currency credit rating	5
Global competitiveness index	6
Ease of doing business index	7
Real sector	
GDP Structure	8
Real GDP	9
Real GDP growth	10
Output gap	11
Community mobility, COVID-19 Vaccination Rollout &	
Economic sentiment	12
Industrial production	13
Retail Sales	14
Employment growth.	15
Unemployment rate	16
Wages (nominal and real)	17
Wages (nominal, EUR) and Tax rates.	18
Balance of payments	
External trade	19
Real effective exchange rate	20
Current account balance	21
Net FDI	22
Other net capital flows.	23
FX reserves	24
Short-term external debt / FX reserves	25
Balance of payments.	26
External debt	27

Real estate prices	28
Inflation	29
Nominal effective exchange rate.	30
Policy rate	31
Reserve requirement ratios	32
Fiscal performance.	33
Fiscal balance	34
Public debt	35
Financial Markets	
Exchange rates.	36
Money market rates	37
Government debt rates	38
Sovereign spreads	39
Stock market	40
Banking sector	
Total loans (y-o-y % change)	41
Total deposits (y-o-y % change)	42
Loans/GDP (%)	43
FX loans/total loans (%)	44
Deposits/GDP (%)	45
FX deposits/total deposits (%)	46
Loans/deposits (%)	47
ROAE (%)	48
CAD ratio (%)	49
NPL ratio (%)	50
Foreign ownership	51



Republic of Turkey



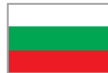
Population (2020, mn): 84.2
GDP (2020, EUR, bn): 627.9
GDP per Capita (2020, EUR): 7,459
Government type: Parliamentary Republic
Chief of state: Recep Tayyip ERDOGAN
Head of Government: Recep Tayyip ERDOGAN
Minister of Finance: Lutfi ELVAN
Central Bank Governor: Sahap KAVCIOGLU



Romania



Population (2020, mn): 19.4
GDP (2020, EUR, bn): 218.3
GDP per Capita (2020, EUR): 11,251
Government type: Semi Presidential Republic
Chief of state: Klaus Werner IOHANNIS
Head of Government: Vasile-Florin CITU
Minister of Finance: Vasile-Florin CITU
Central Bank Governor: Mugur ISARESCU



Republic of Bulgaria



Population (2020, mn): 6.9
GDP (2020, EUR, bn): 60.6
GDP per Capita (2020, EUR): 8,773
Government type: Parliamentary Republic
Chief of state: Rumen RADEV
Head of Government: Stefan YANEV (caretaker)
Minister of Finance: Assen VASSILEV (caretaker)
Central Bank Governor: Dimitar RADEV



Republic of Serbia



Population (2020, mn): 6.9
GDP (2020, EUR, bn): 46.5
GDP per Capita (2020, EUR): 6,739
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 (2020, mn): 2.1
GDP (2020, EUR, bn): 10.8
GDP per Capita (2020, EUR): 5,189
Government type: Parliamentary Republic
Chief of state: Stevo PENDAROVSKI
Head of Government: Zoran ZAEV
Minister of Finance: Fatmir BESIMI
Central Bank Governor: Anita ANGELOVSKA-BEZOSKA



Republic of Albania



Population (2020, mn): 2.8
GDP (2020, EUR, bn): 13.1
GDP per Capita (2020, EUR): 4,618
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 (2020, mn): 0.9
GDP (2020, EUR, bn): 20.8
GDP per Capita (2020, EUR): 23,522
Government type: Presidential Republic
Chief of state: Nicos ANASTASIADES
Head of Government: Nicos ANASTASIADES
Minister of Finance: Constantinos PETRIDES
Central Bank Governor: Constantinos HERODOTOU



Arab Republic of Egypt



Population (2020, mn): 101.9
GDP (2020, EUR, bn): 330.8
GDP per Capita (2020, EUR): 3,246
Government type: Presidential Republic
Chief of state: Abdel Fattah Said AL-SISI
Head of Government: Mostafa MADBOULY
Minister of Finance: Mohamed MAAIT
Central Bank Governor: Tarek AMER

Date of next elections

- In **Bulgaria**, the July snap election delivered another hung Parliament, failing to end political uncertainty. The populist protest ITN party won a razor-thin victory over the outgoing centre-right GERB but is unable to muster a majority, even with the help of the other newcomer protest parties, namely the right-wing DB alliance and the left-wing ISMV party. A (weak) coalition Government involving the aforementioned parties and the centre-left BSP is the most likely scenario, although a fresh election cannot be ruled out.
- In **Albania**, incumbent PM E. Rama secured a 3rd term after his Socialist party won the April Parliamentary election. However, political tensions are unlikely to ease soon, as the Parliament voted to impeach President I. Meta, a year before the end of his term. The Constitutional Court has the final say on the issue, with its ruling expected by mid-September.
- In **Cyprus**, a fragmented Parliament emerged from the May 30th general elections. President Anastasiades' efforts to secure majority backing in Parliament and the cabinet reshuffle made to this end were derailed by the opposition's unwillingness to support DISY's minority Government. Yet, with all parties reiterating their commitment to support reforms related to the country's Recovery plan, we see limited risk for the political factor to be brought into play in the period ahead

Date of Next Elections								
	Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	June 2023	December 2024	July 2025	April 2024	July 2024	April 2025	May 2026	Oct.- Nov. 2025
Presidential	June 2023	November 2024	November 2021	April 2022	April 2024	July 2022	February 2023	March 2024
Local	March 2024	September 2024	October 2023	April 2024	October 2021	June 2023	December 2021	Unknown *

*: Last local elections were held in April 2008

- The IMF has approved disbursements under its Rapid Financing Instrument to **North Macedonia, Albania** and **Egypt** to address the impact of the pandemic
- **Egypt** has also agreed with the IMF on a 12-month Stand-By Agreement
- **Serbia** renewed its non-financing PCI agreement with the IMF, while **Cyprus** remains under close Post-Programme Monitoring

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

^a Non-financing Policy Coordination Instrument

^b Rapid Financing Instrument

^c under Post-Programme Monitoring since 2018

^d under Post-Programme Monitoring since 2016

^e bn USD

- Full absorption of the funds available under the **Next Generation EU Fund** should provide a significant impetus to economic recovery in **Romania, Bulgaria** and **Cyprus** in 2021-2026
- **Serbia, North Macedonia** and **Albania** will continue to benefit from an **EU emergency package**, including grants and long-term loans

Next Generation EU Fund (2021-23) & Multiannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Next Generation EU Fund**	29.3	6.4**	1.2
o/w Grants	14.3	6.4**	1.0
Loans	15.0	- - **	0.2
Multiannual Financial Framework***	52.1	18.6	1.5

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

** Provisional data. The country's Recovery & Resilience Plan is yet to be finalised

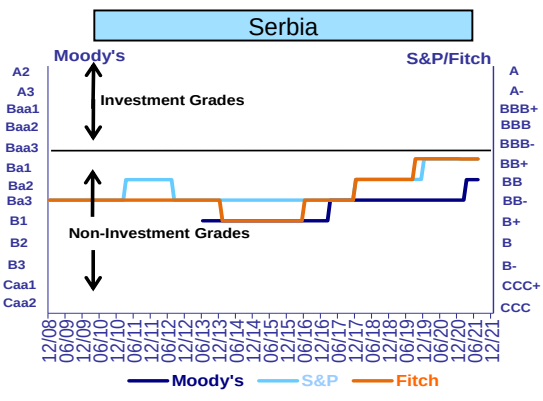
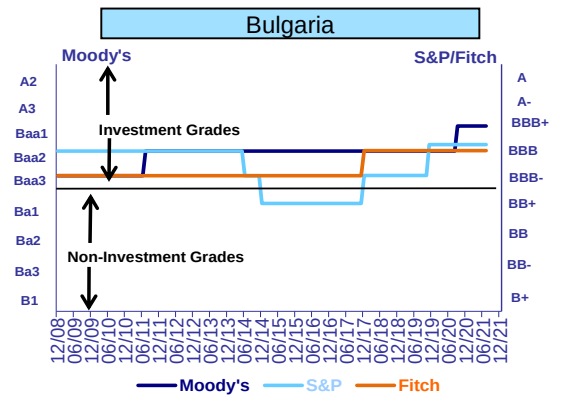
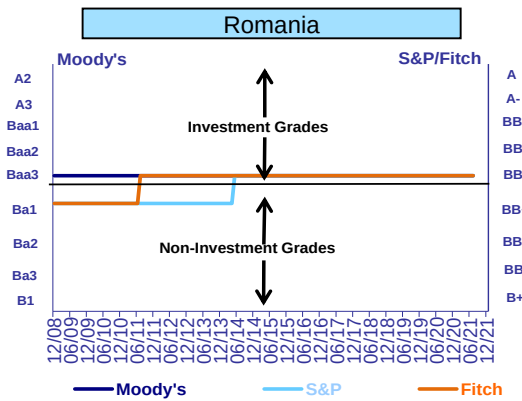
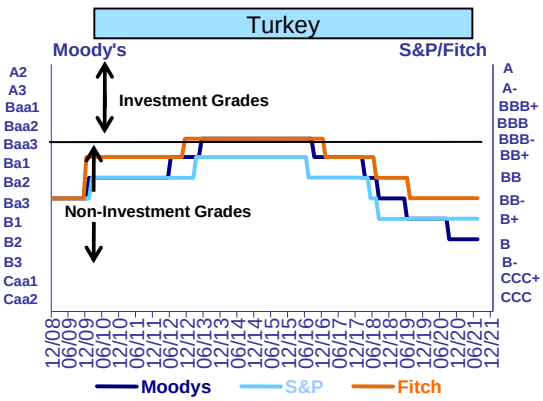
*** Includes Cohesion Policy allocations and payments under the European Agricultural Fund for Rural Development, the European Agricultural Guarantee Fund and the Just Transition Fund

EU Emergency Package * (EUR mn)			
	Serbia	North Macedonia	Albania
Assistance Funds for Social & Economic Recovery	78	62	47
Macro Financial Assistance	---	66	51
Economic Reactivation Package	93	160	180
Support to the Healthcare Sector	15	4	4

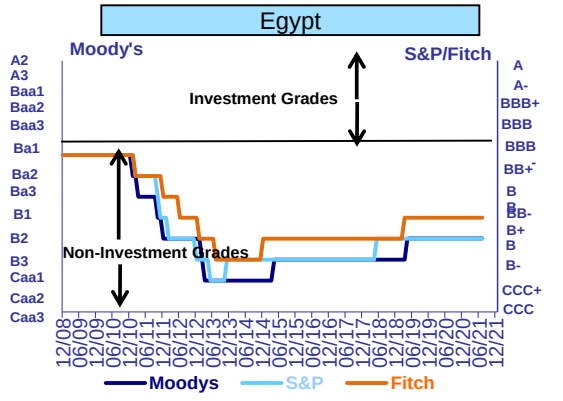
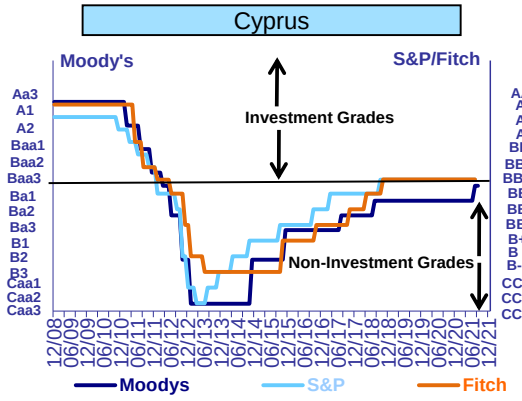
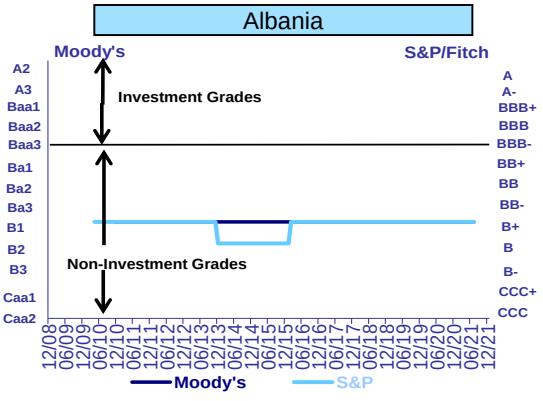
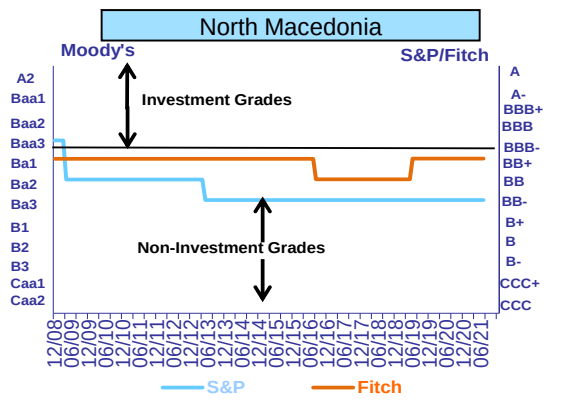
* The countries under review are also set to benefit from part of EU grants, worth up to EUR 9bn, under the Economic and Investment Plan for the Western Balkans

Foreign currency credit rating

- **Serbia's** credit rating was upgraded by 1 notch by Moody's to Ba2 in March, confirming the economy's resilience to the COVID-19 shock and its solid growth outlook
- **Cyprus's** credit rating was upgraded by 1 notch by Moody's to Ba1 in July, on a decrease in banking sector risks and robust GDP growth prospects

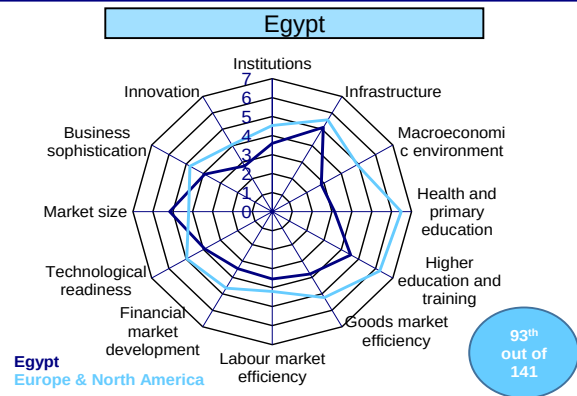
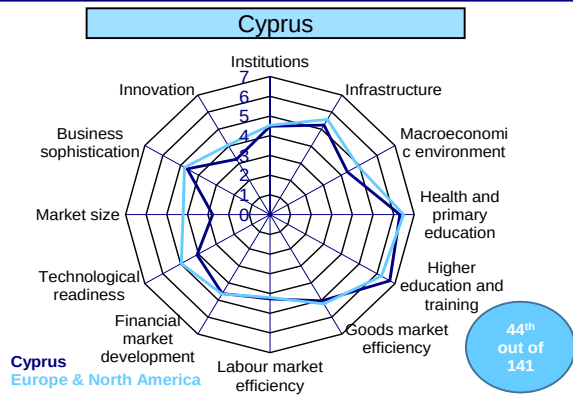
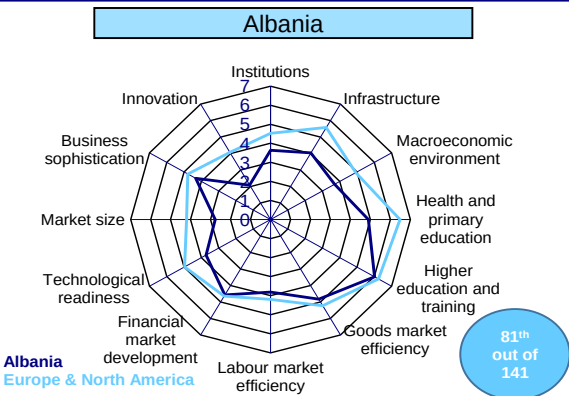
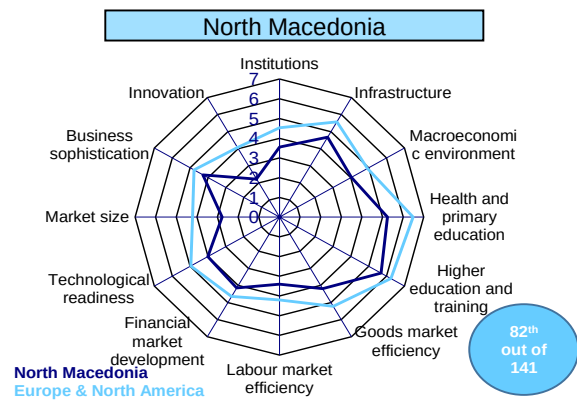
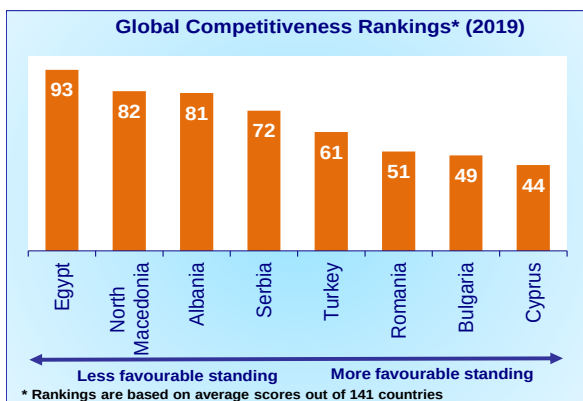
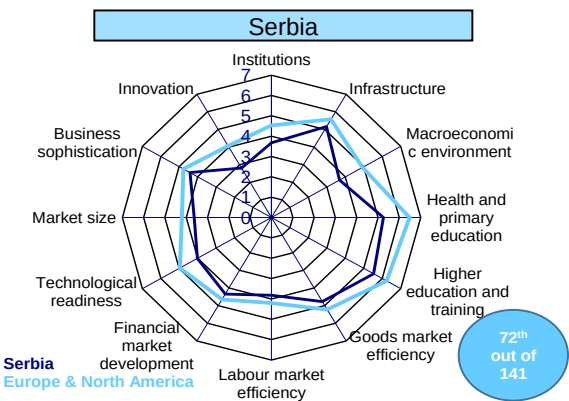
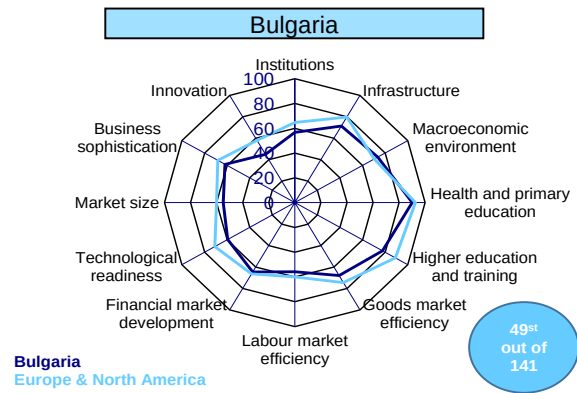
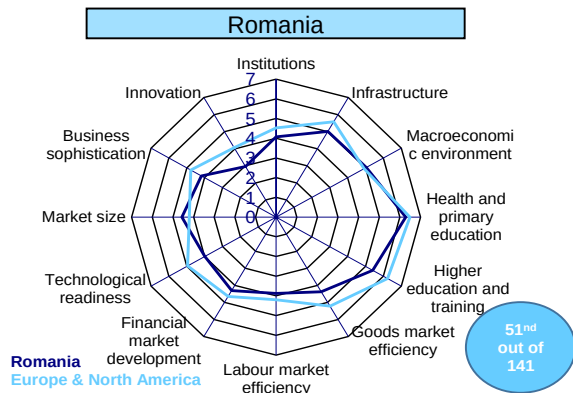
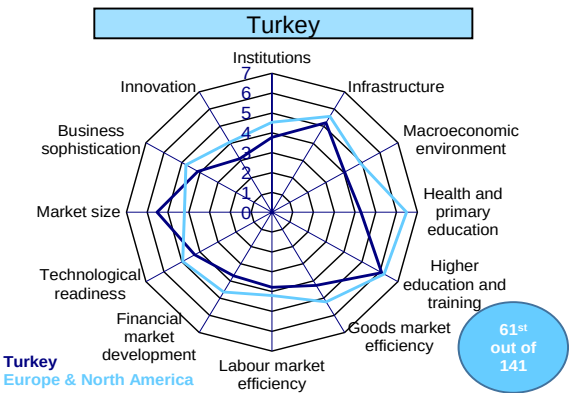


Long-Term Foreign Debt Currency Ratings, July 2021				
Investment Grades	S&P	Moody's	Fitch	
	A+			
	A			
	A-			
	BBB+		Bulgaria	
	BBB	Bulgaria		Bulgaria
Non-Investment Grades	BBB-	Romania, Cyprus	Romania, Cyprus	
	BB+	Serbia	Cyprus	North Macedonia, Serbia
	BB		Serbia	
	BB-	North Macedonia		Turkey
	B+	Albania, Turkey	Albania	Egypt
	B	Egypt	Egypt, Turkey	
	B-			
	CCC+			

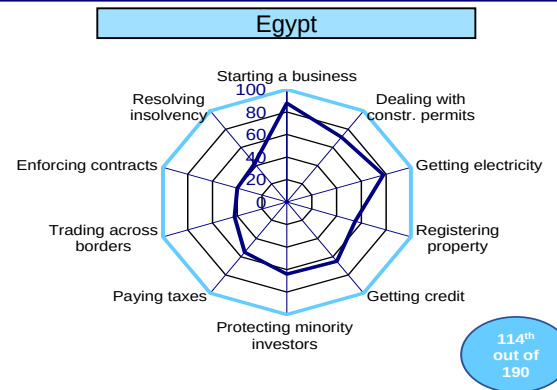
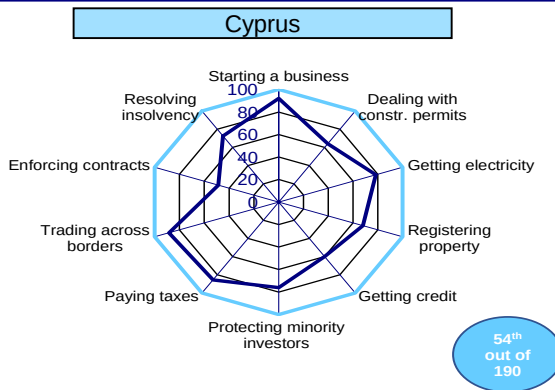
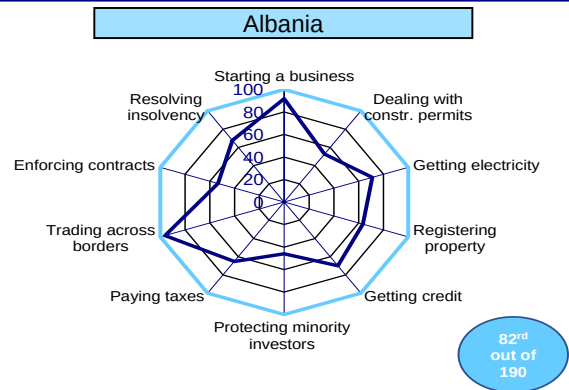
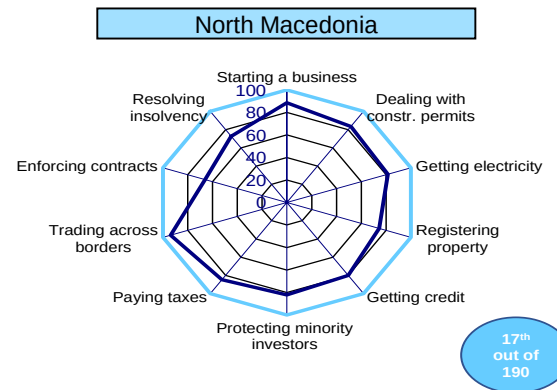
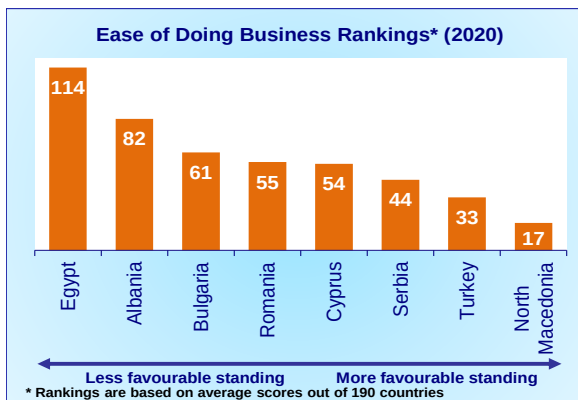
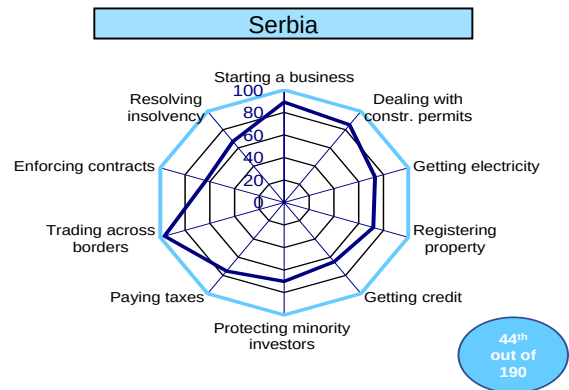
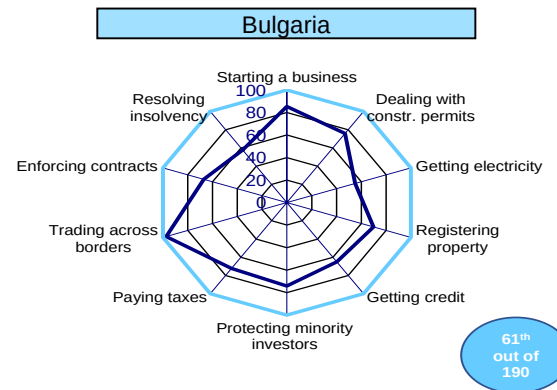
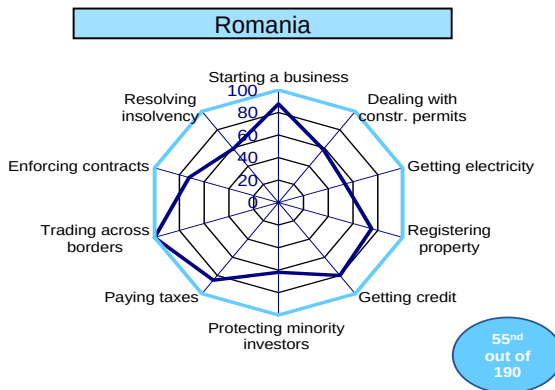
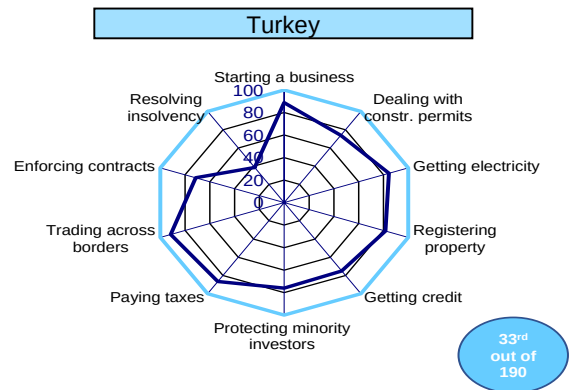


Global competitiveness index 2019 (World Economic Forum)

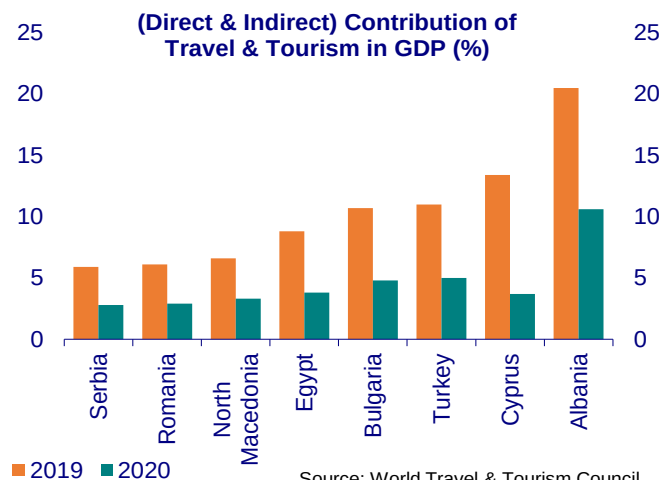
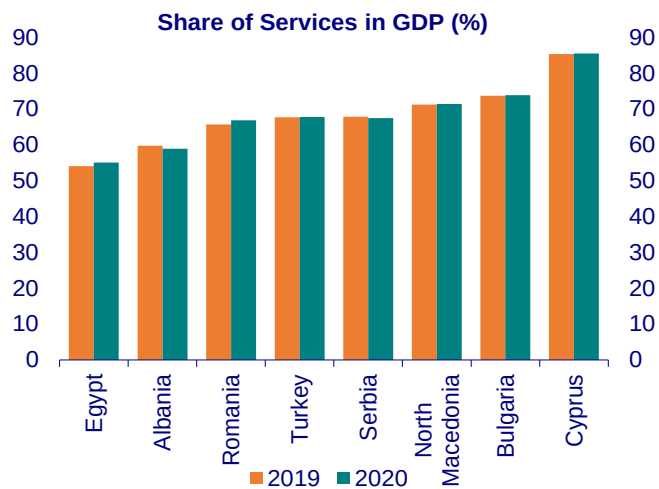
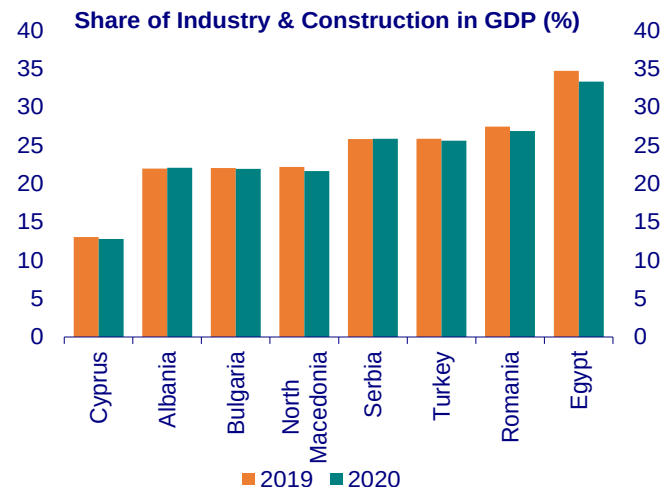
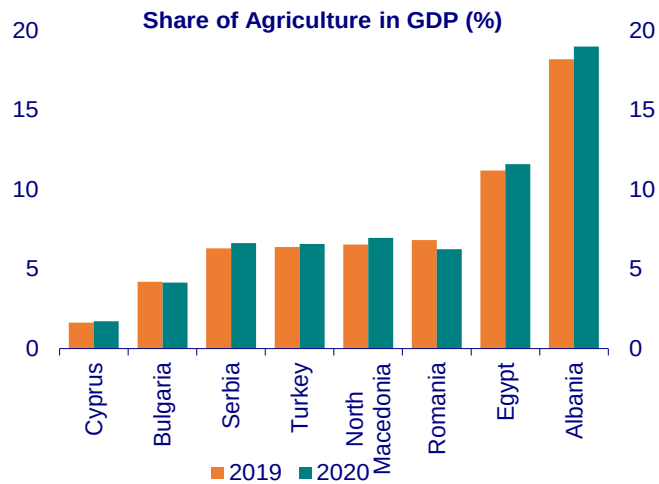
According to the latest WEF's GCI, **Cyprus** is the **most competitive** among the countries under review



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



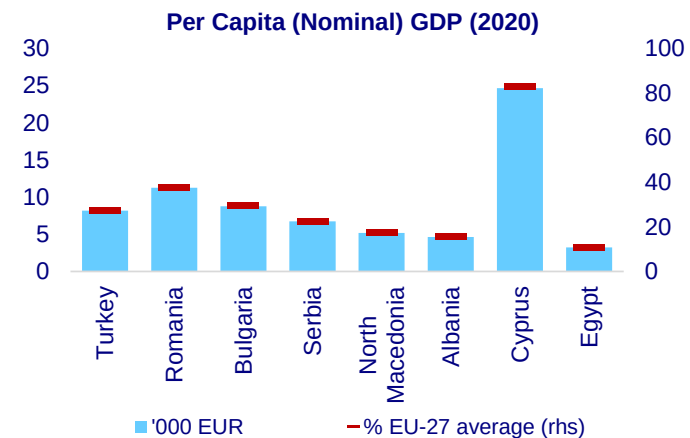
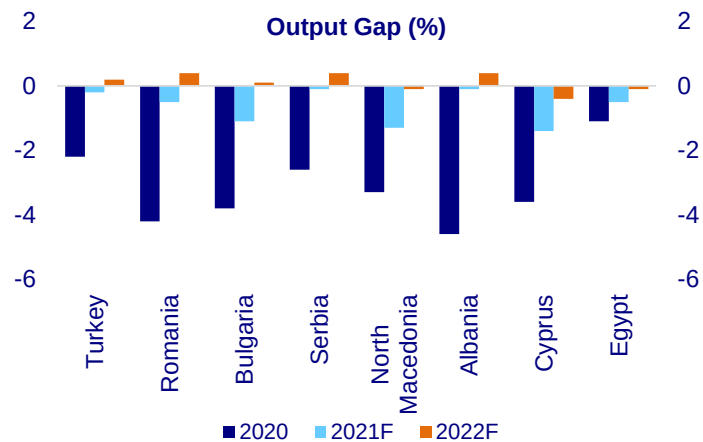
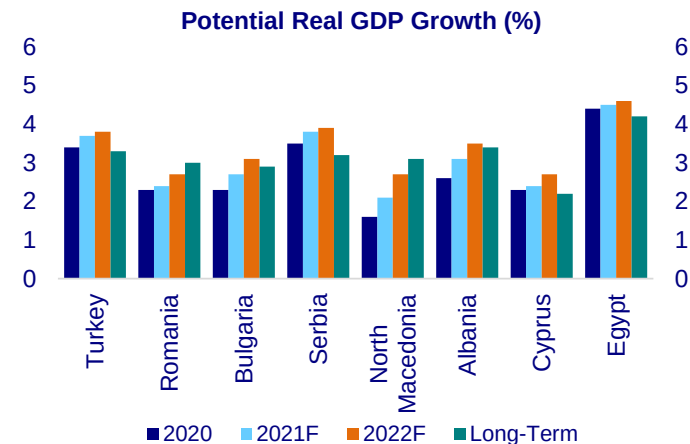
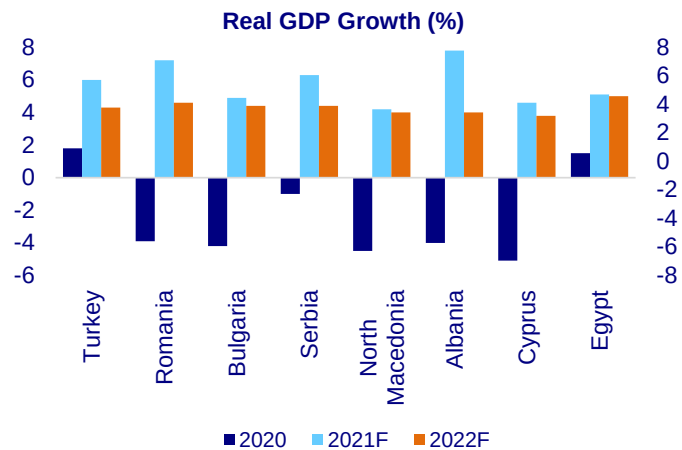
- The underlying deterioration in services' contribution to GDP growth, in the aftermath of COVID-19 shock, has been masked by the sizeable state support granted to the sector (either in the form of direct subsidies or tax deferrals)
- The plunge in high contact-intensive services was partly offset by the increase in the use of electronic services
- Following the gradual lifting of social-distancing restrictions, we expect these trends to reverse, at least partially. Still, the **tourism** sub-sector **is unlikely to return to its pre-COVID-19 levels before 2023-24**



Source: World Travel & Tourism Council

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

- Strong positive base effects from the **gradual re-opening of the economies**, in the wake of the launch of a **massive vaccination campaign**, should boost GDP growth in 2021
- The economies of **Serbia, Albania** and **Romania** have already returned to their pre-pandemic levels, with **Bulgaria** lagging only slightly behind them in terms of the speed of recovery
- North Macedonia** and **Cyprus** are expected to witness a **full recovery to pre-pandemic levels only in early-2022**
- Long-term potential GDP growth is estimated to have been affected by the pandemic and its implications (unweighted, down c. 0.5 pps). However, in the case of EU countries (namely **Romania, Bulgaria** and **Cyprus**), the beneficial economic impact of the **Next Generation EU Fund** should compensate for these losses

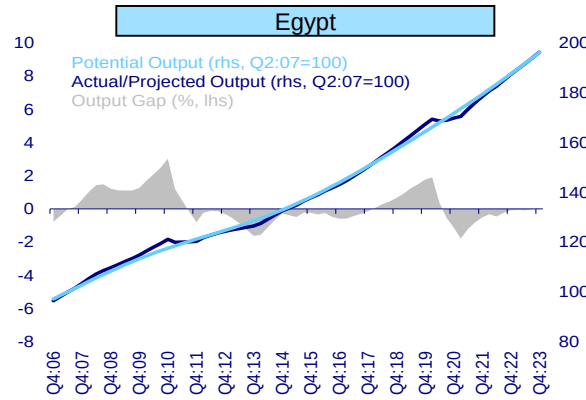
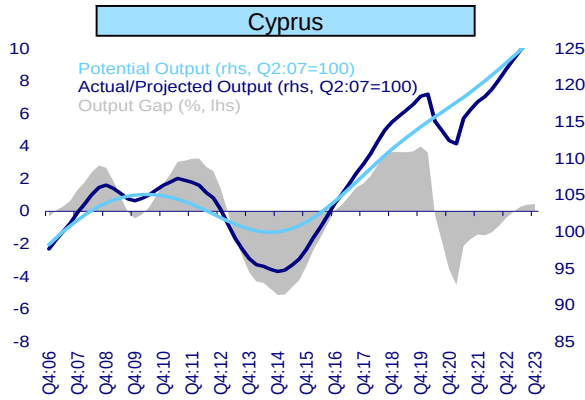
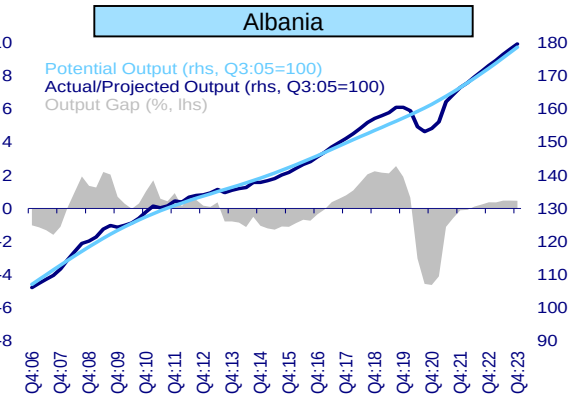
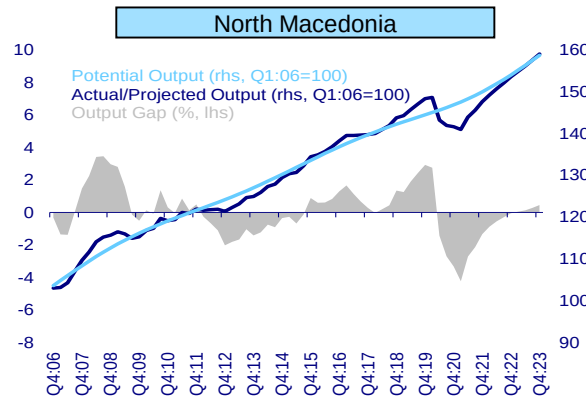
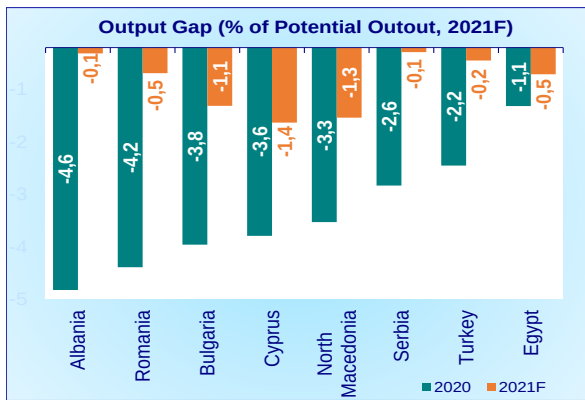
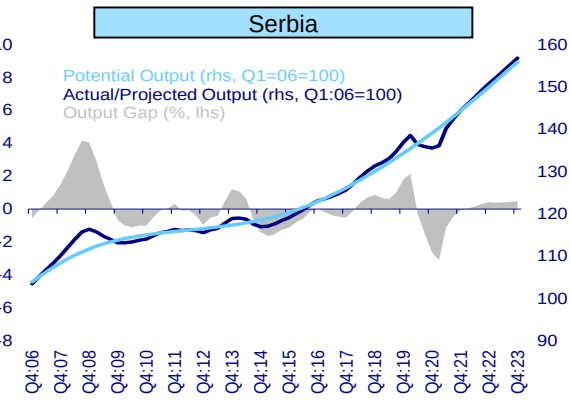
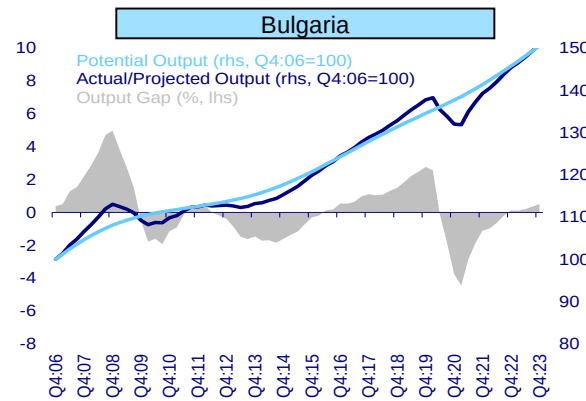
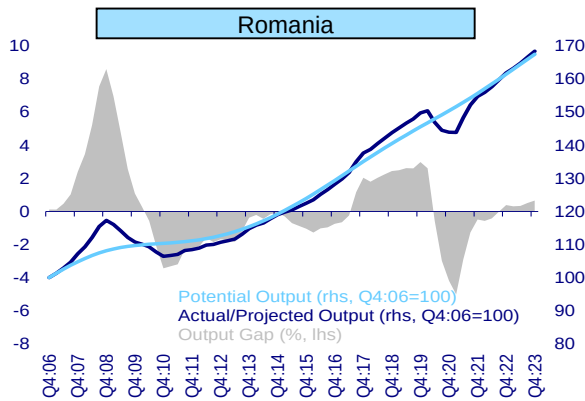
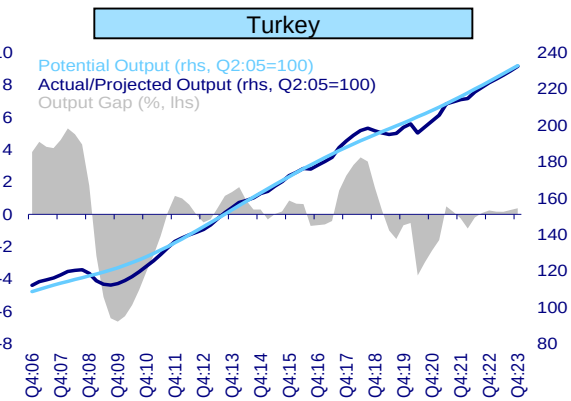


Real GDP (4-quarter rolling, y-o-y % change)

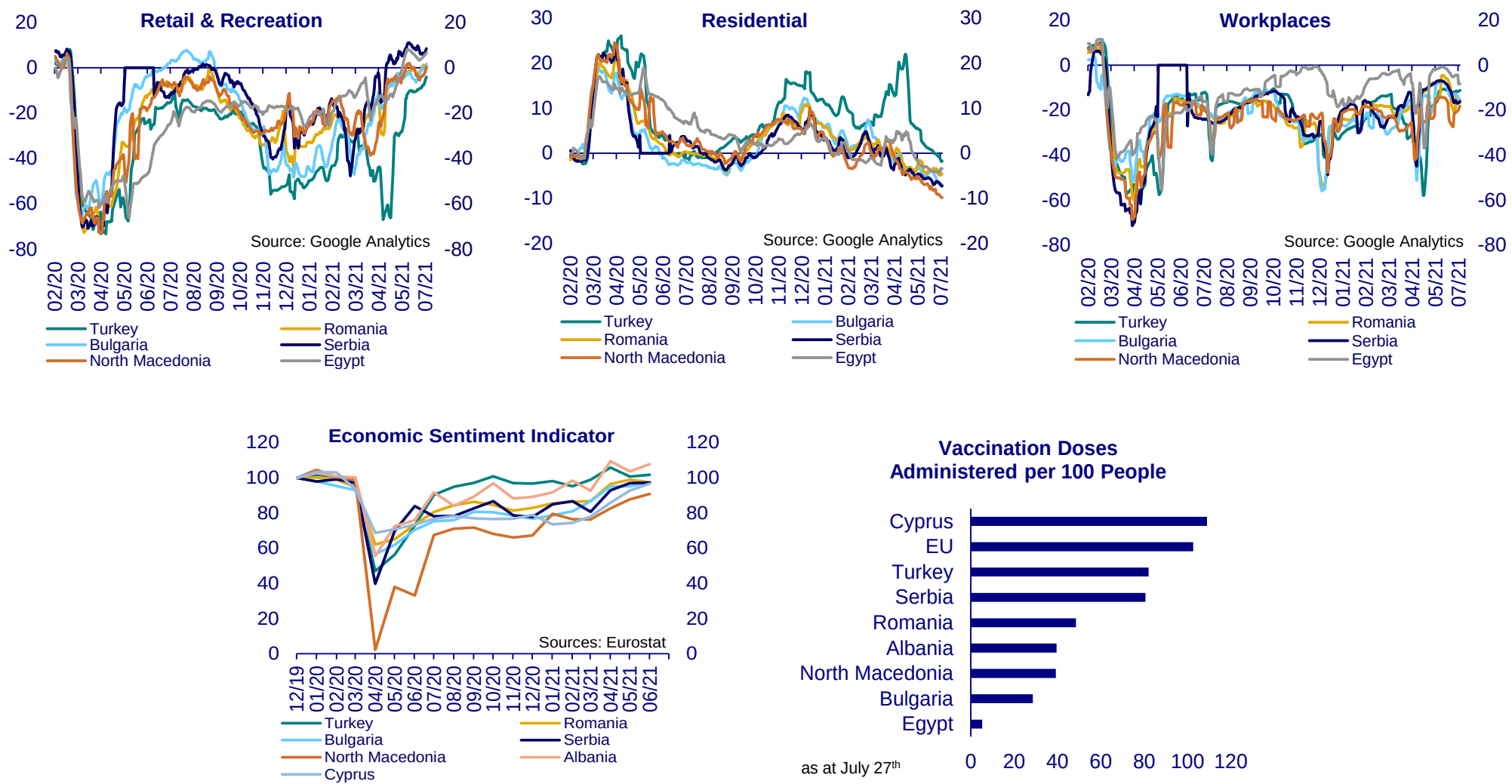
- All the countries under review (but for North Macedonia) witnessed **further recovery in Q1:21**, on the back of a revival in private consumption
- In **Cyprus**, the recovery was driven by a rebound in exports of non-tourist services
- **Albania** received a critical boost from the surge in (hydro-based) energy production, due to abundant rainfalls, and post-earthquake reconstruction activity



The negative output gap in most of the economies under review is expected to close only in 2022

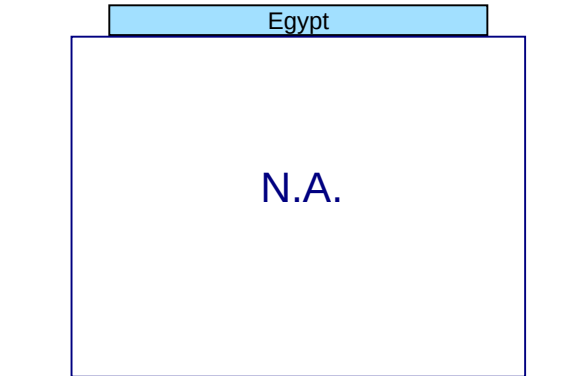
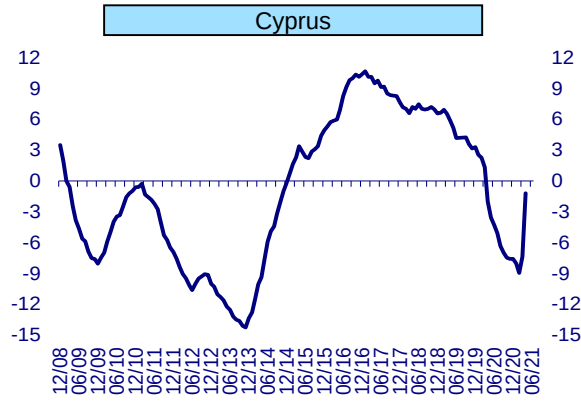
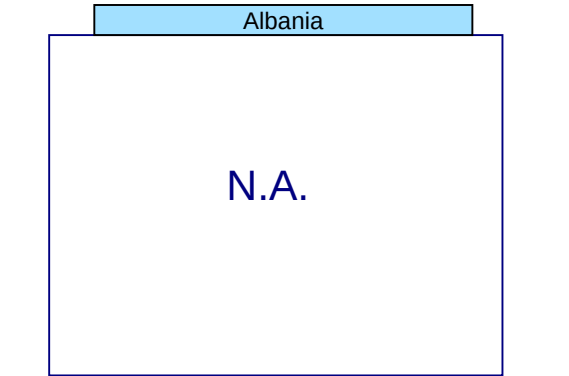
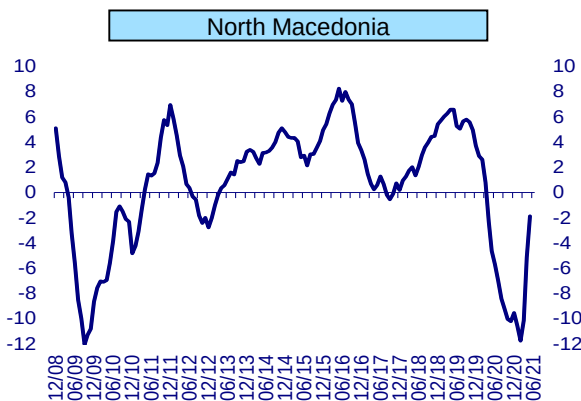
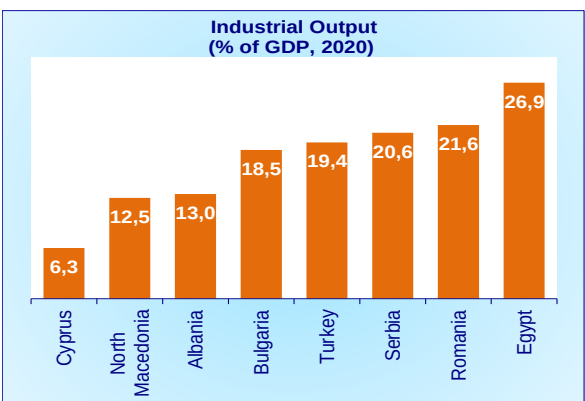
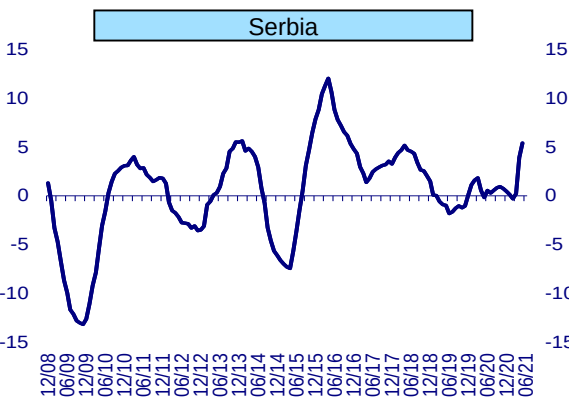
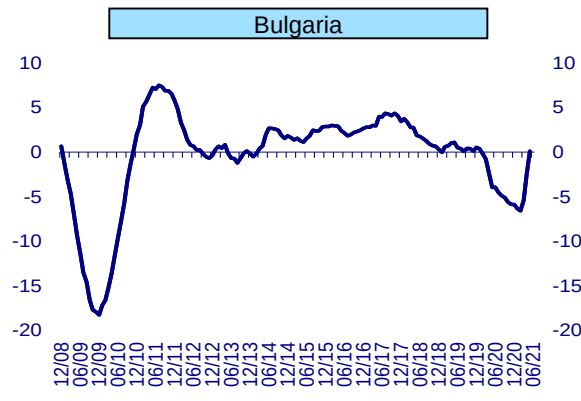
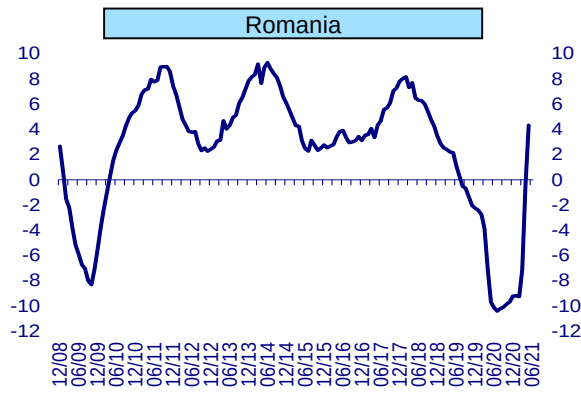
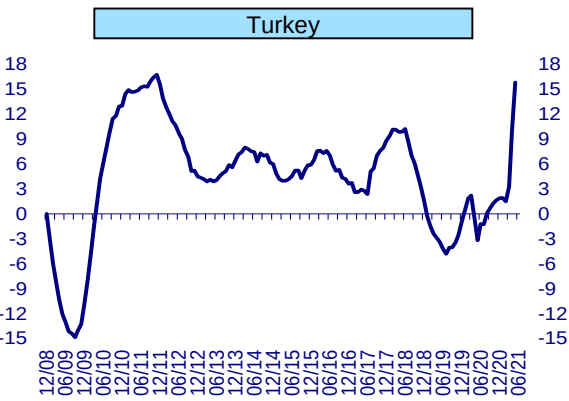


- Sentiment indicators and mobility data point to a **strong pace of economic recovery in Q2:21**
- However, the **recent resurgence in new COVID-19 infections** globally casts doubt over the speed of recovery in Q3:21 onwards
- **Albania, North Macedonia** and in particularly **Egypt** lag behind the rest of the countries under review in terms of **vaccination coverage**



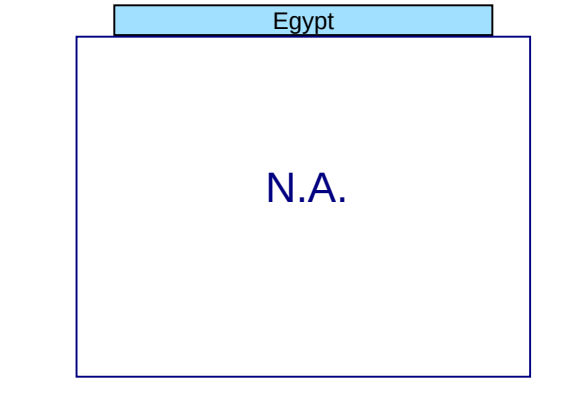
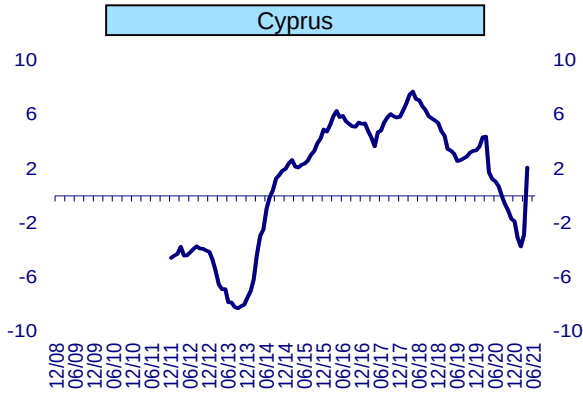
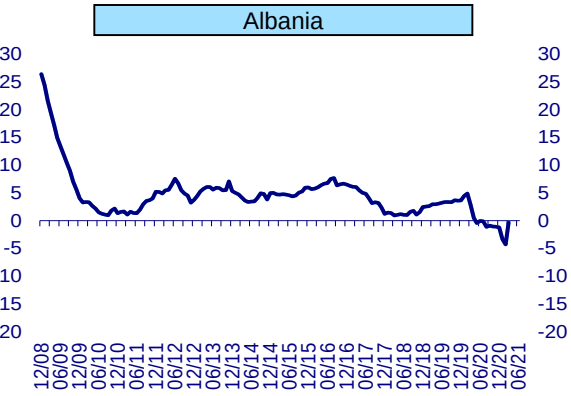
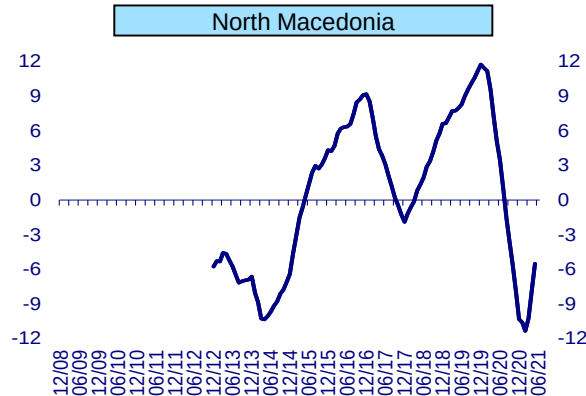
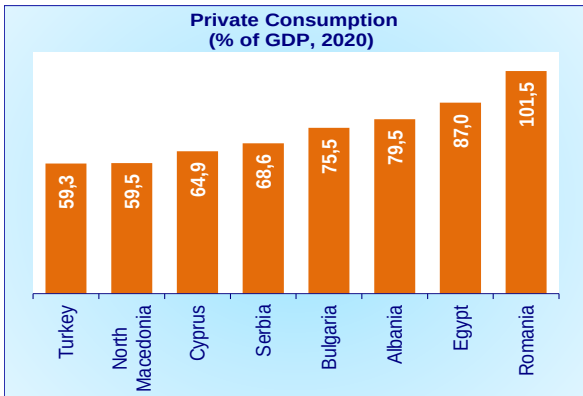
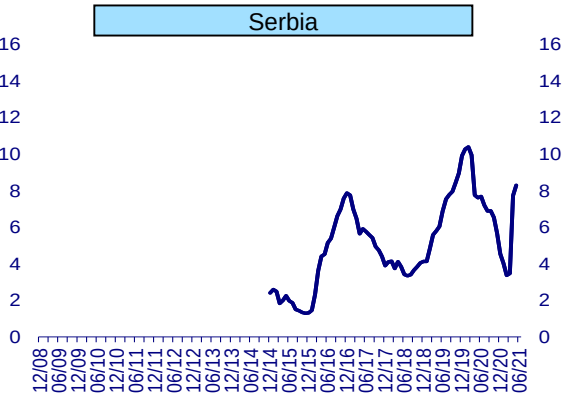
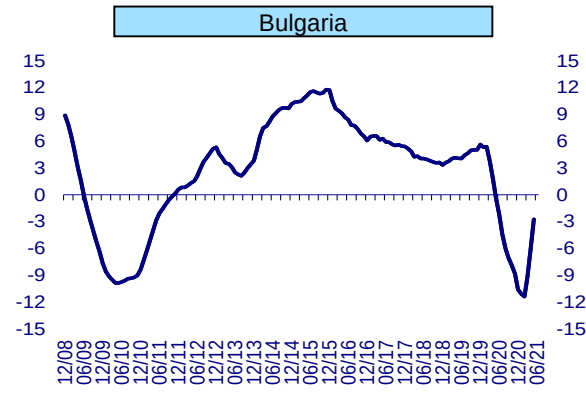
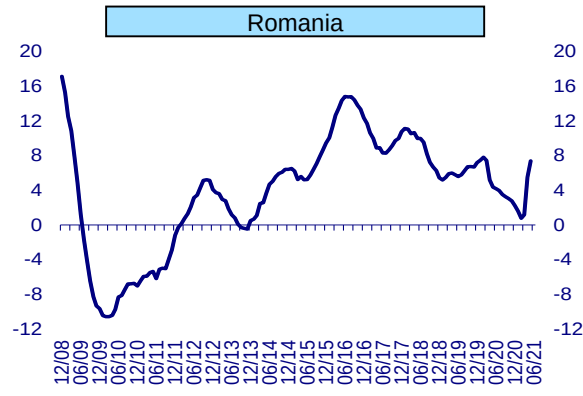
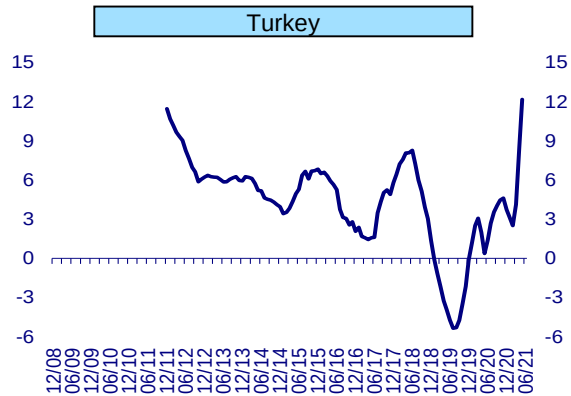
Industrial production (12-month rolling, y-o-y % change)

Industrial output has returned back to pre-pandemic levels in most of the economies under review, despite persistent supply-chain constraints (particularly pertaining to border controls and a global semiconductors shortage)



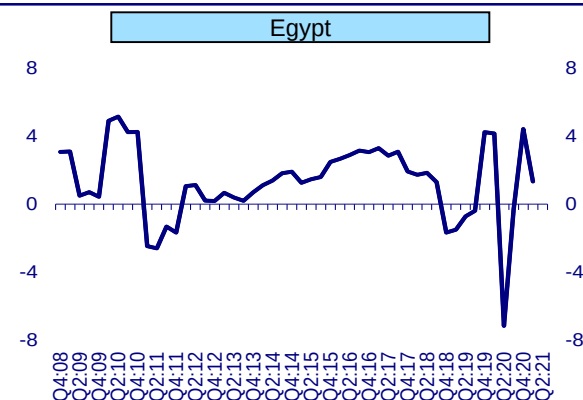
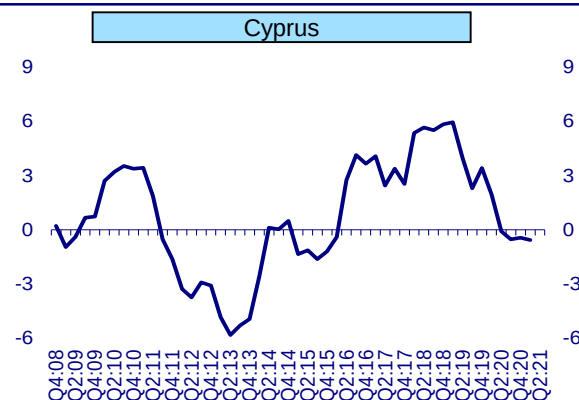
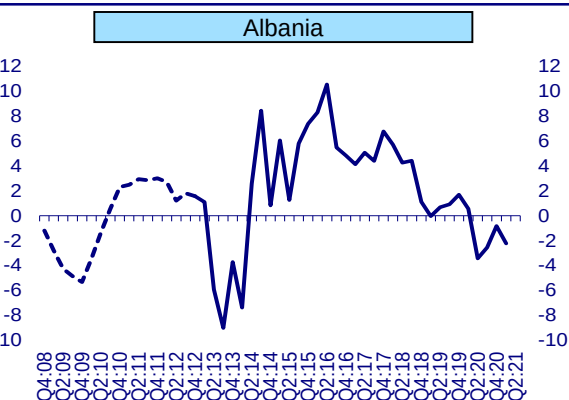
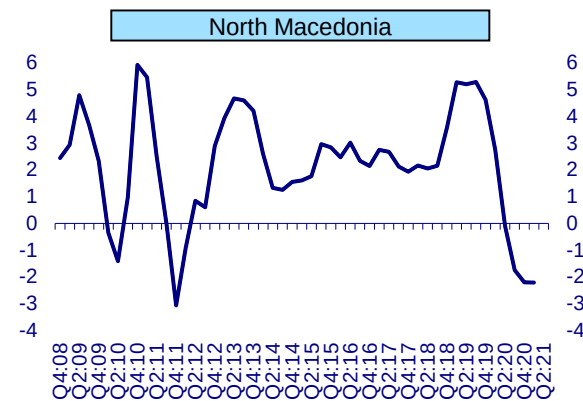
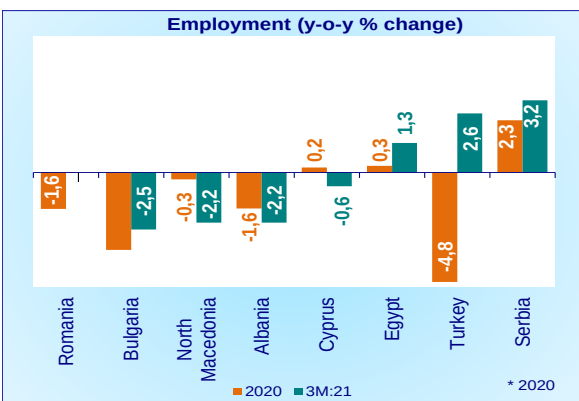
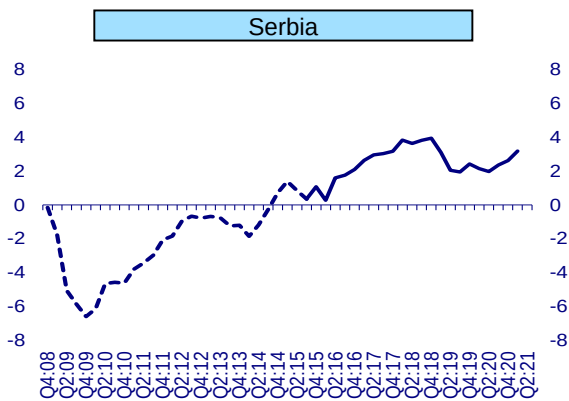
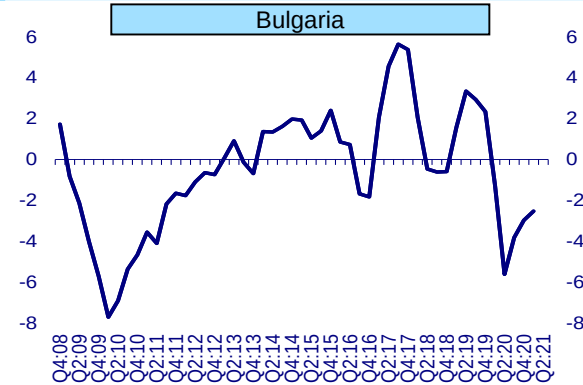
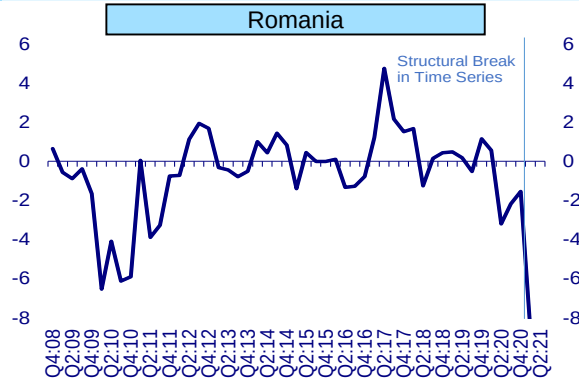
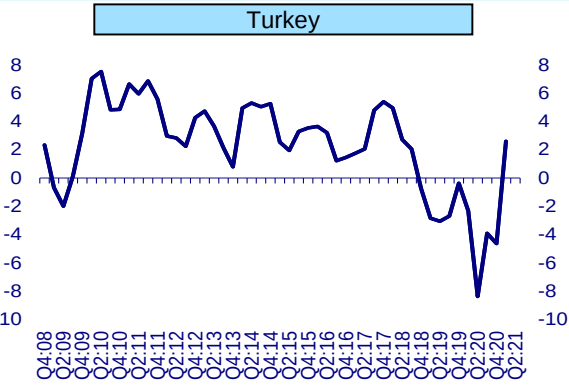
Retail Sales (constant terms, 12-month rolling, y-o-y % change)

Retail sales rebounded strongly in Q2:21, on strong positive base effects from the re-opening of the economies



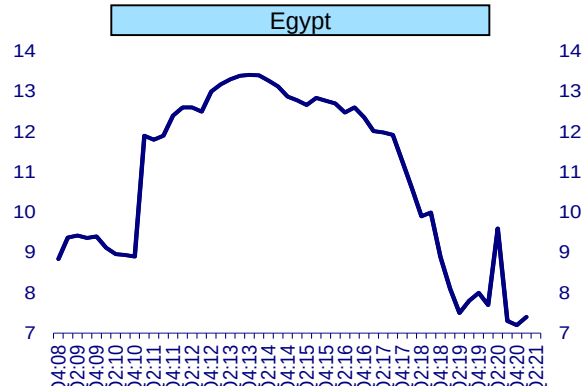
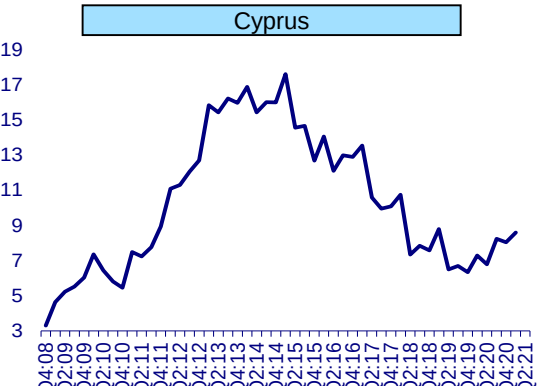
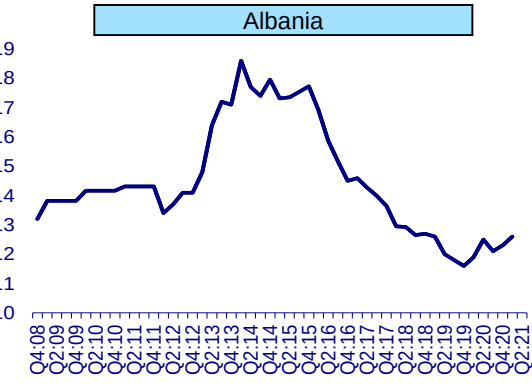
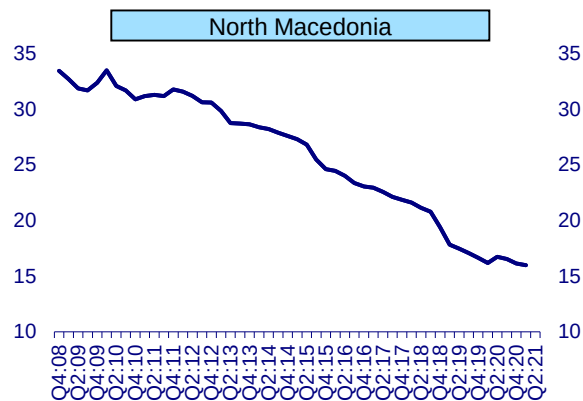
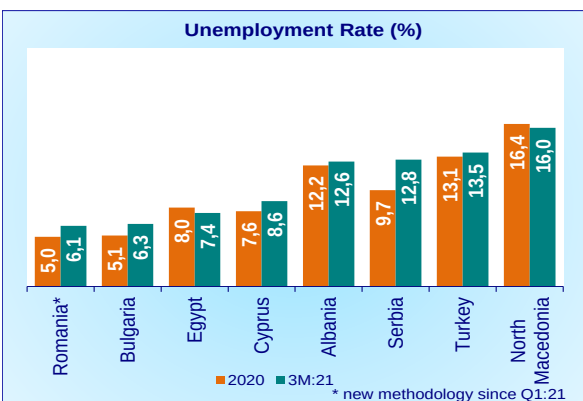
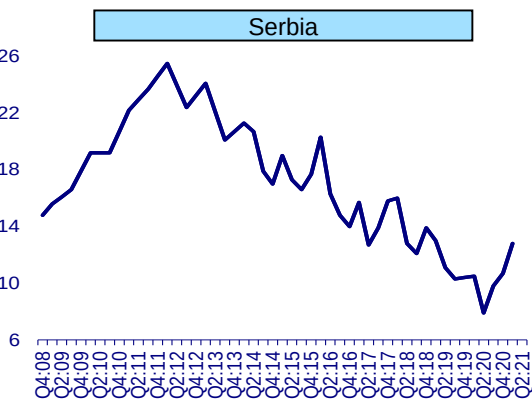
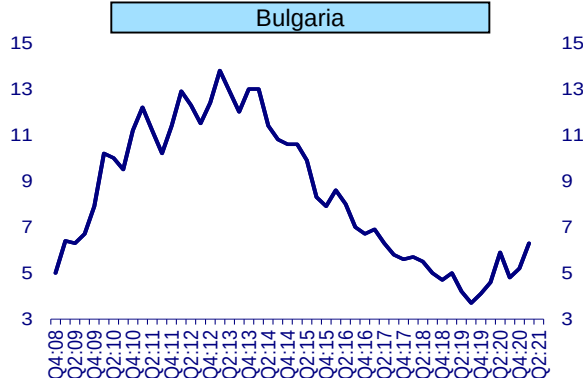
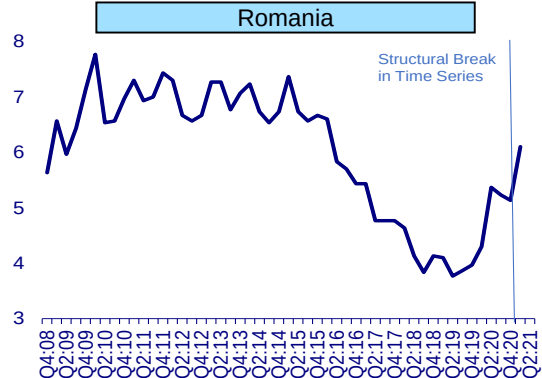
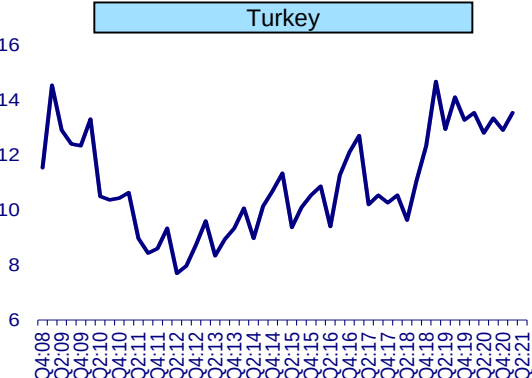
Employment growth (y-o-y % change)

- Despite signs of improvement, **employment still remains well below its pre-COVID-19 levels** in most of the economies under review
- The labour market picture would have been much bleaker without the **extension of state-sponsored short-term employment schemes**
- Looking ahead, **recovery in the labour market is expected to be slow**, lagging behind that of the broader economy



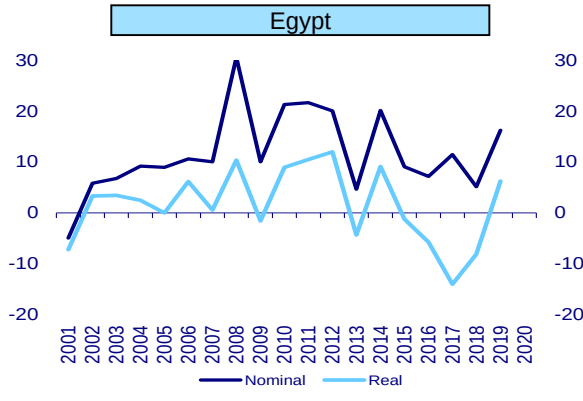
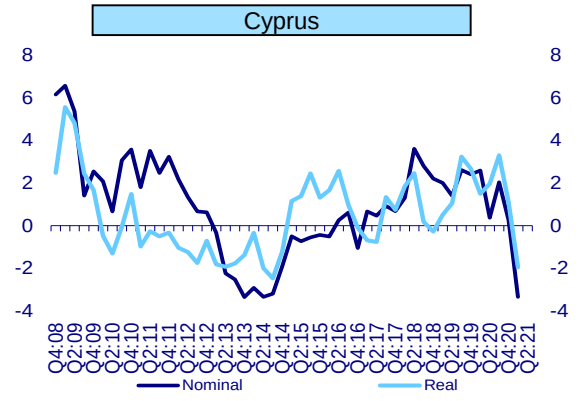
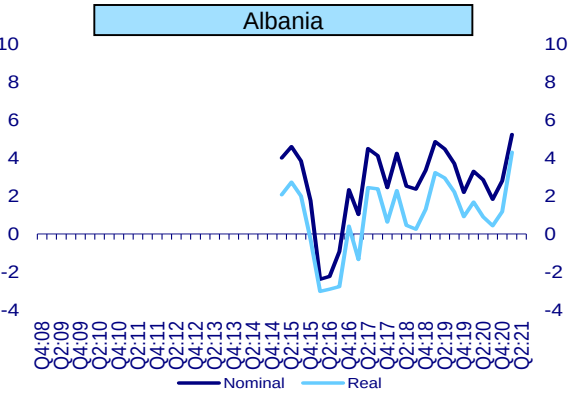
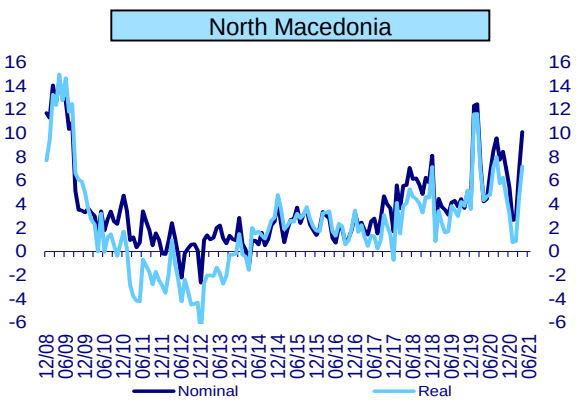
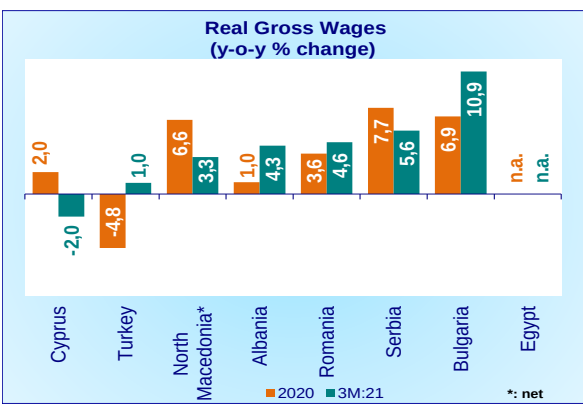
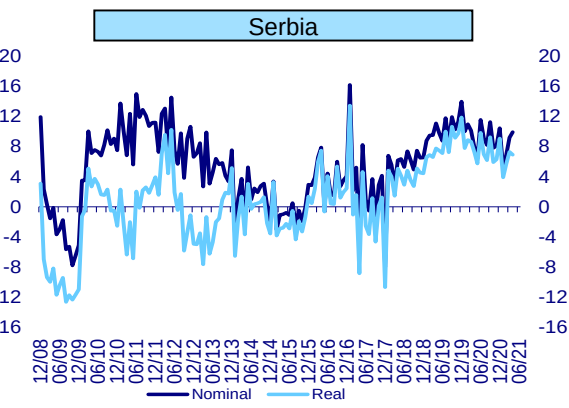
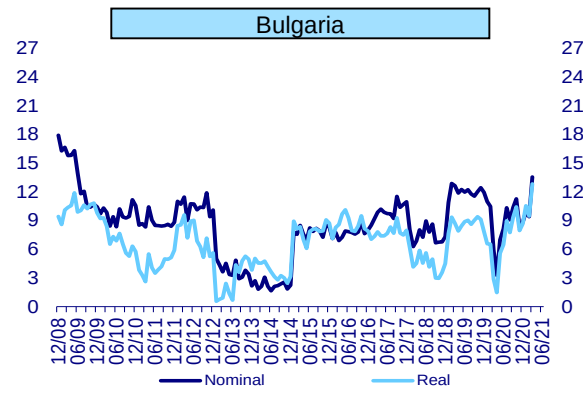
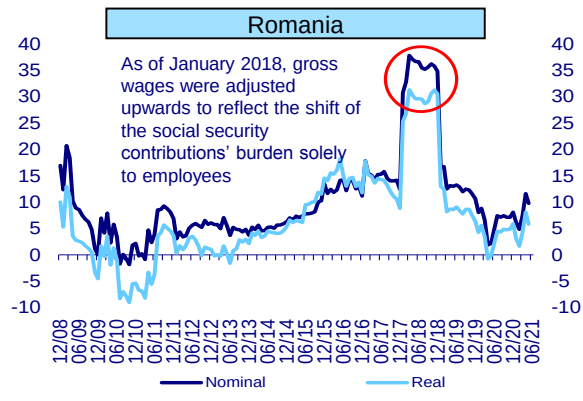
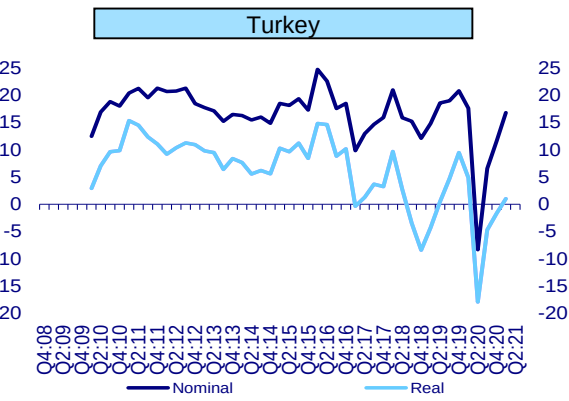
Unemployment rate (%)

- **Unemployment is set to remain elevated** in most economies under review over the next quarters, following the expiration of the emergency employment schemes
- The still relatively **low participation rates** mask the underlying deterioration in labour market conditions

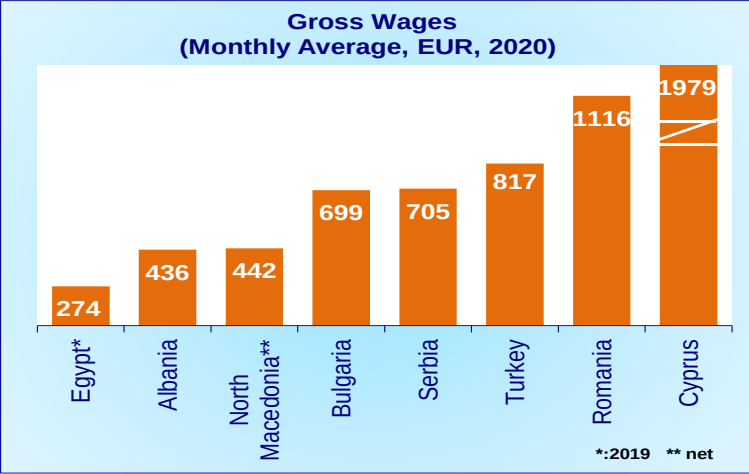


Nominal and real wages (y-o-y % change)

- Given the **still large labour market slack**, the recent rebound in wage growth should be attributed to strong positive base effects from the lockdown a year before
- Wage growth would have been more modest without the state-sponsored wage subsidy schemes and the bonuses granted to healthcare workers



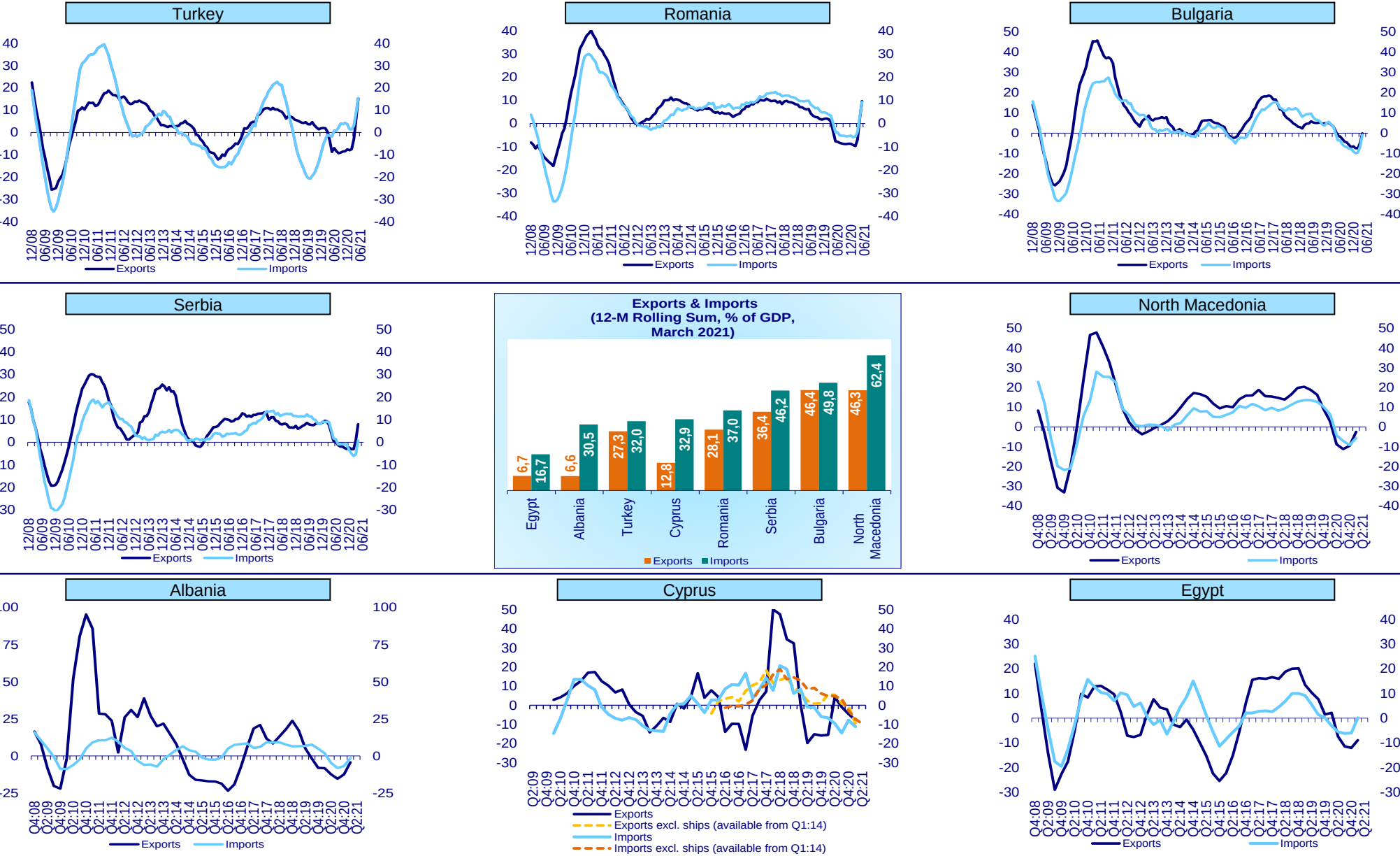
- North Macedonia and Albania remain the most competitive countries in terms of labour costs in Southeastern Europe
- Bulgaria and North Macedonia have the most favourable personal and corporate income tax rates



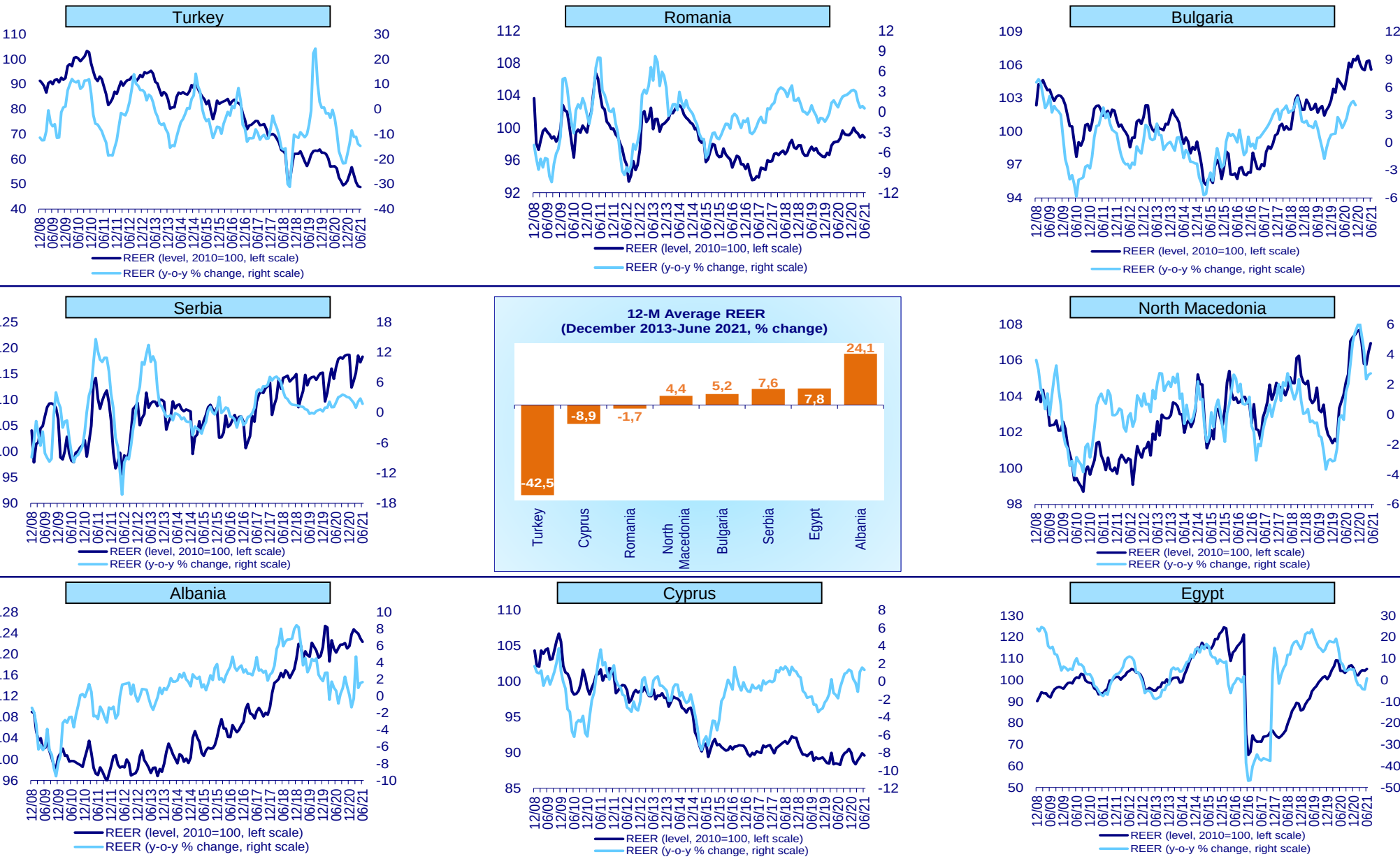
	Tax Rates (%)	
	Personal Income	Corporate Income
Turkey	15.0 - 35.0	22.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0 – 20.0	15.0
North Macedonia	10.0 – 18.0	10.0
Albania	13.0 - 23.0	5.0 - 15.0
Cyprus	20.0 - 35.0	12.5
Egypt	14.0 - 22.5	22.5
Greece	9.0 - 44.0	24.0

External trade (12-month rolling, y-o-y % change)

- External trade has rebounded since the beginning of the year, following the gradual reopening of economies
- In **Serbia** export growth outpaced markedly import growth, reflecting strong product and geographical diversification. The same holds for **North Macedonia**, where the recovery in domestic demand has been lagging behind that of exports

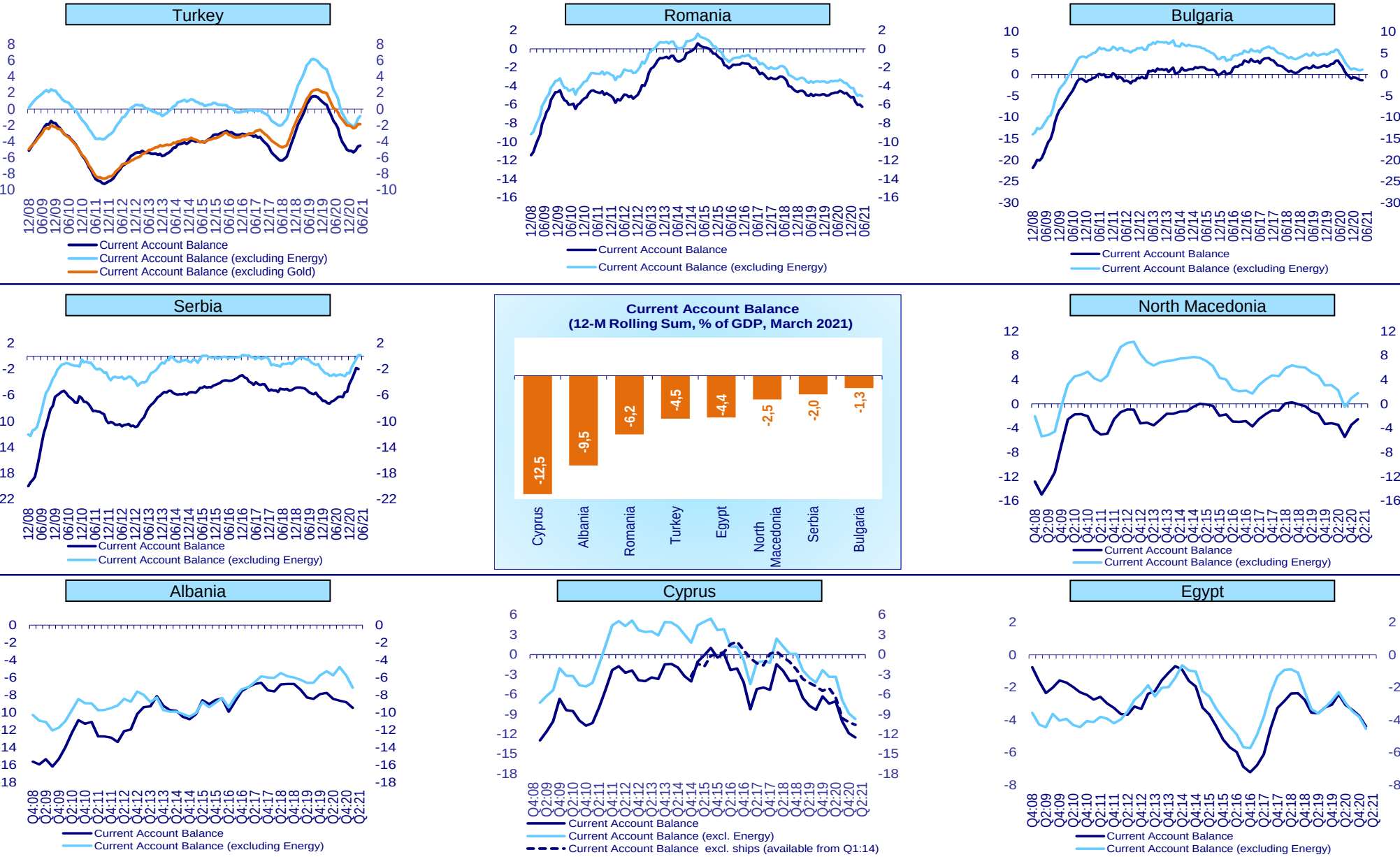


Turkey’s external competitiveness has improved significantly over the past 7½ years



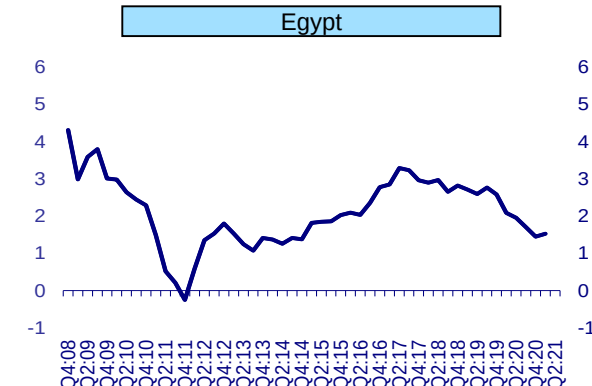
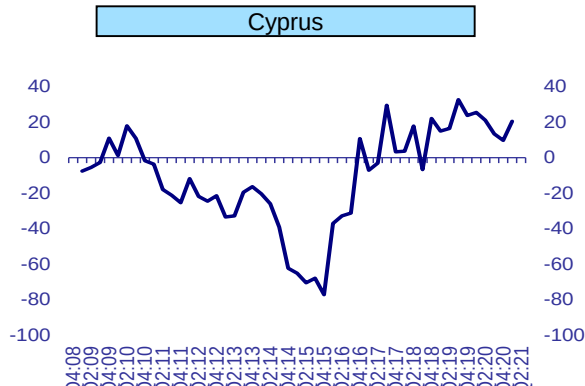
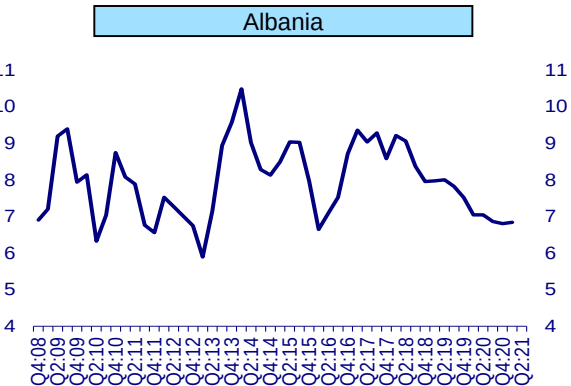
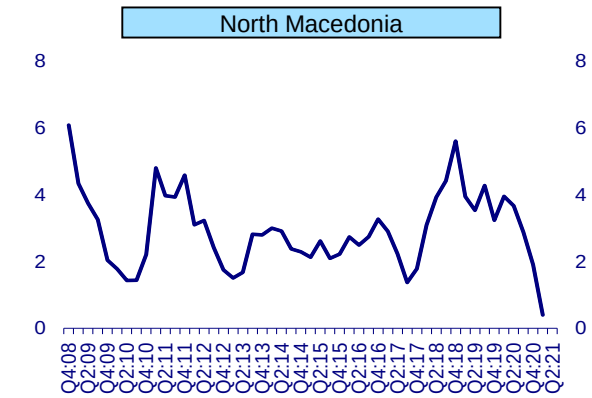
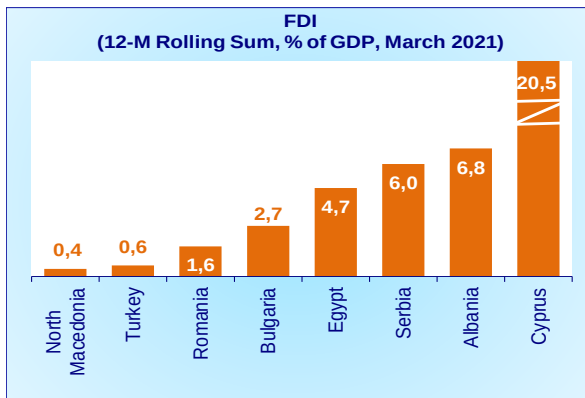
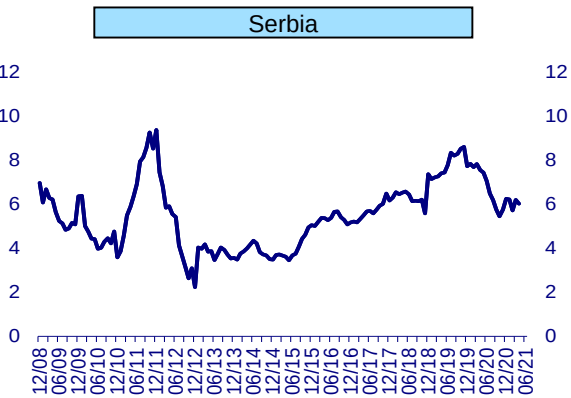
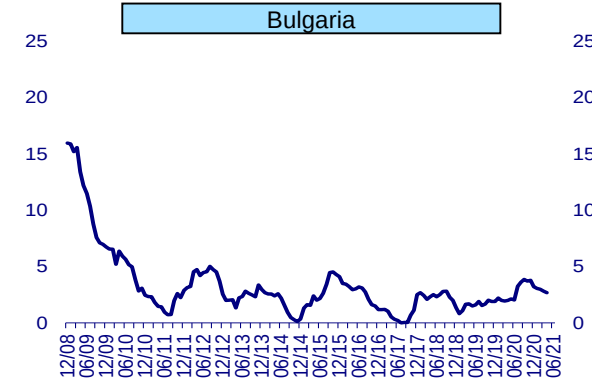
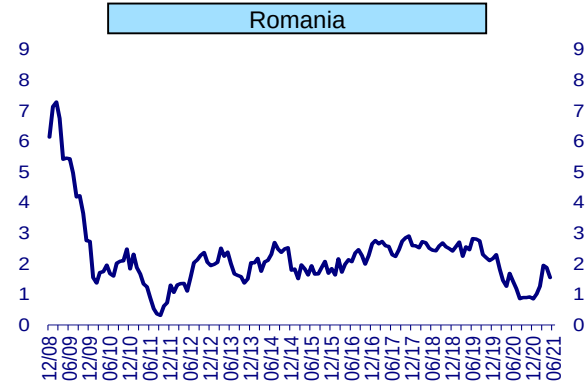
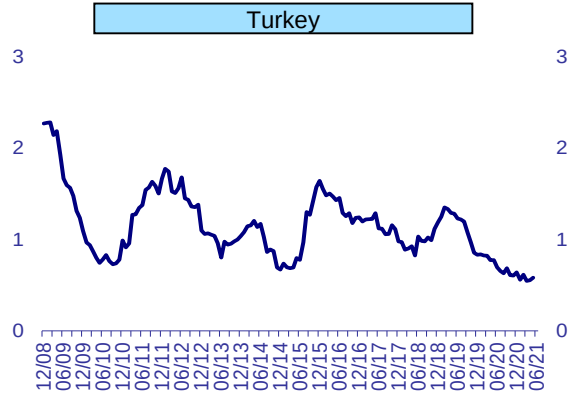
Current account balance (12-month rolling, % of GDP)

- Unfavourable global oil prices, together with stronger domestic demand (Romania, Bulgaria, Albania), weaker tourism receipts (Egypt) and higher income outflows (Romania, Cyprus -- the bulk of which, however, was reinvested), led to a further deterioration in external imbalances in these economies in Q1:21
- In contrast, favourable export (Serbia) and import (Turkey, North Macedonia) dynamics drove the respective current account deficits lower at the same time



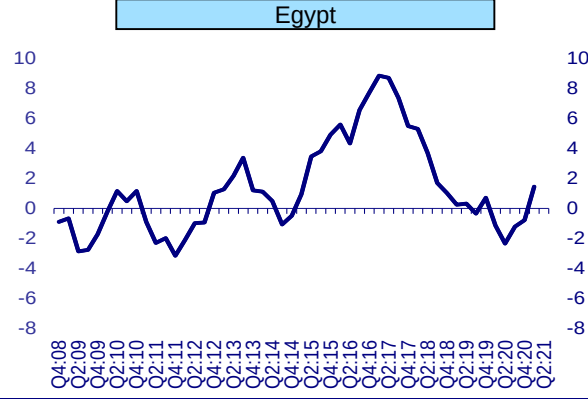
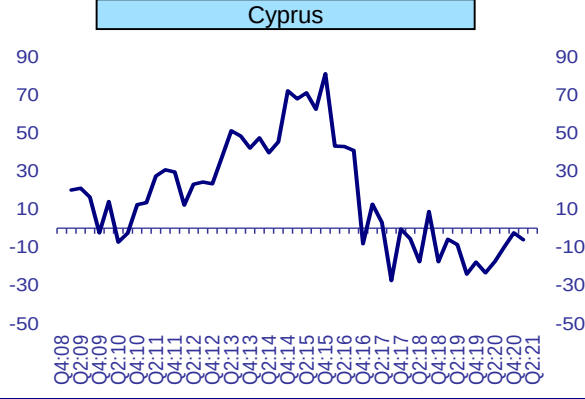
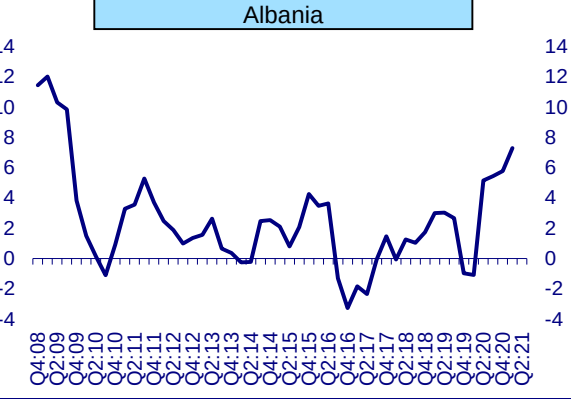
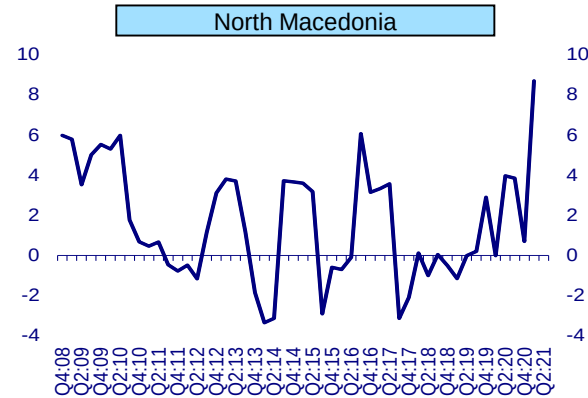
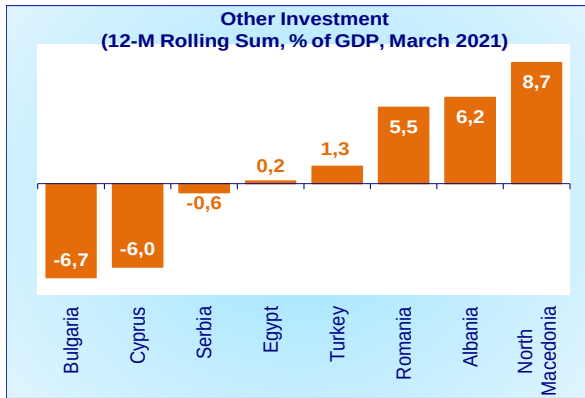
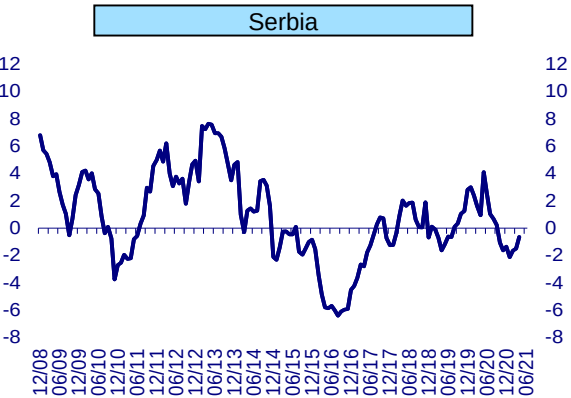
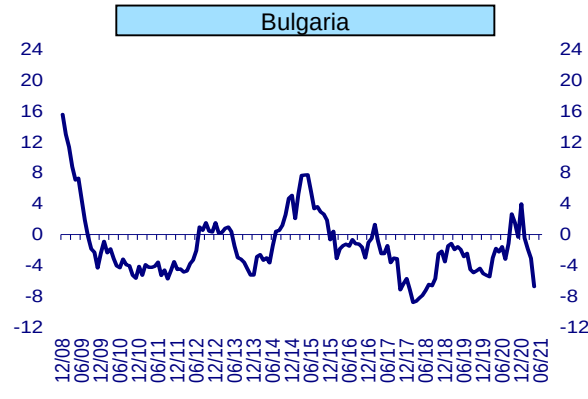
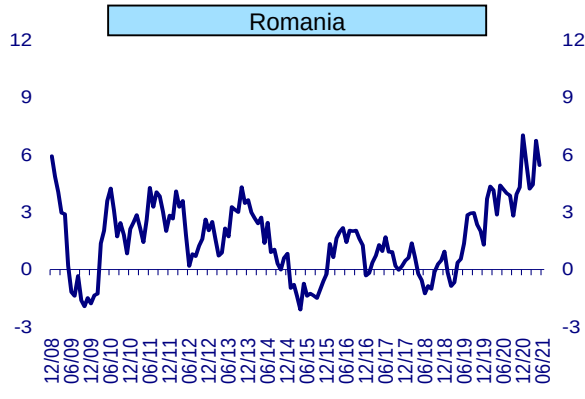
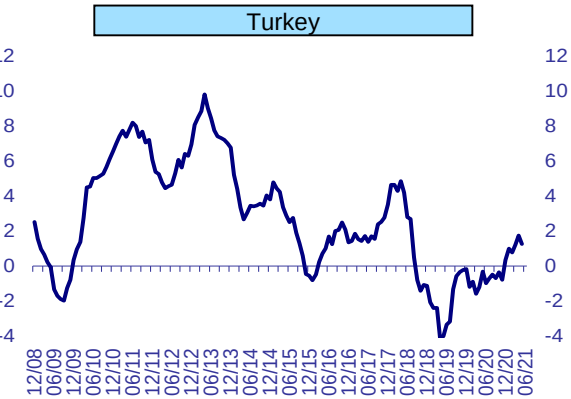
Net foreign direct investment (12-month rolling, % of GDP)

- The pandemic has **caused disruptions in FDI** in all the economies under review
- FDI is unlikely to revive soon, reflecting still heightened uncertainty
- **Albania** and **Serbia** remained the most significant recipients of FDI during the COVID-19 crisis



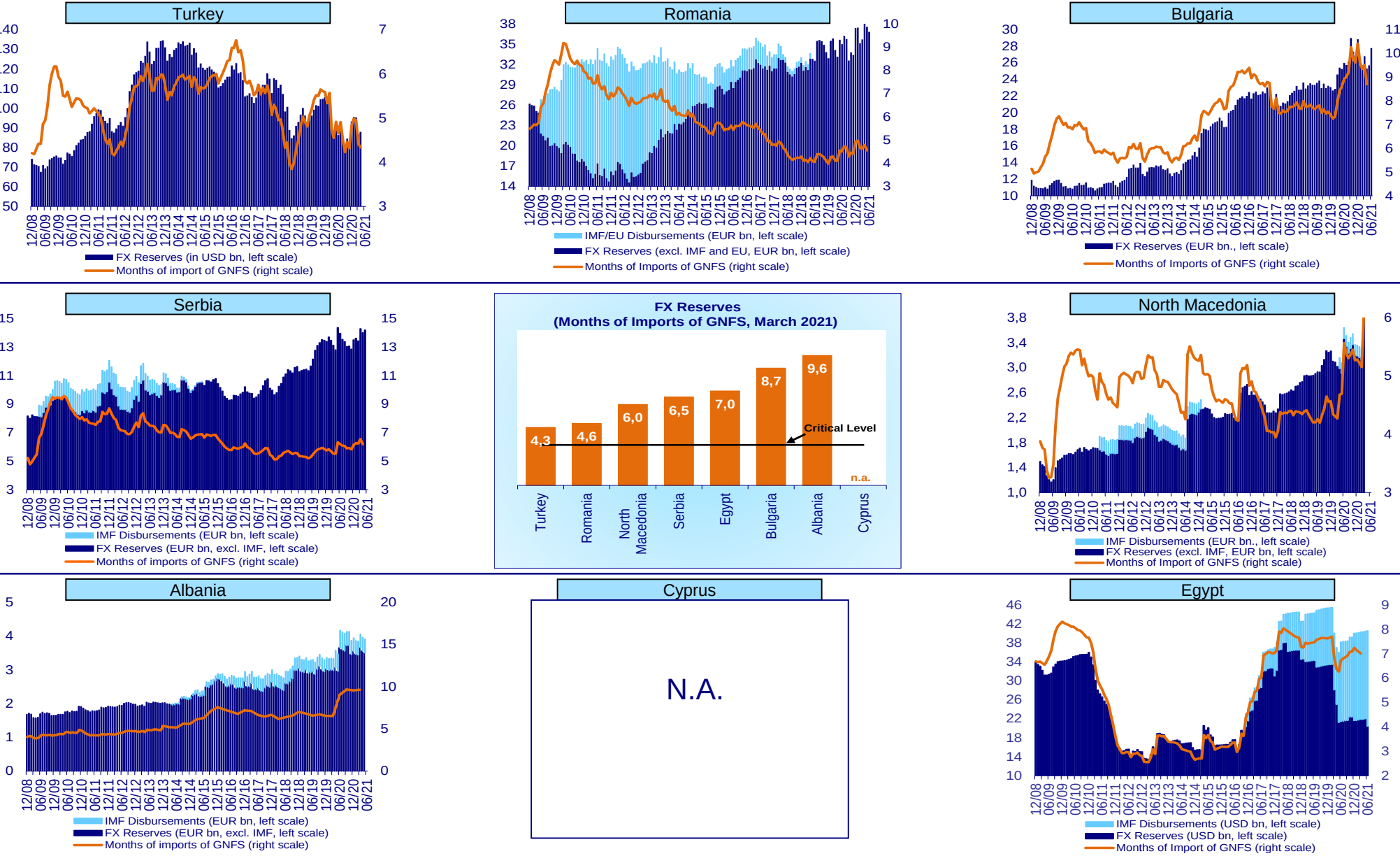
Other net capital flows, excluding IMF funding and net errors and omissions (12-month rolling, % of GDP)

- Increased international debt market liquidity should ensure a smooth rollover of maturing external debt for all the economies under review in 2021
- Romania, Bulgaria and Cyprus are also set to benefit from increased flow of funds under the Next Generation EU Fund



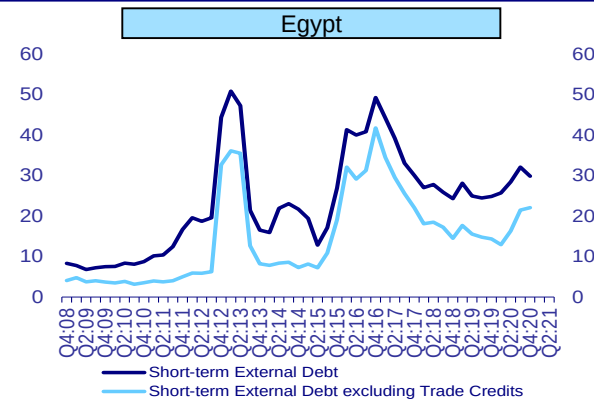
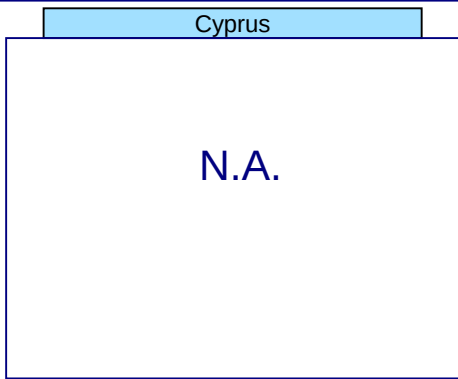
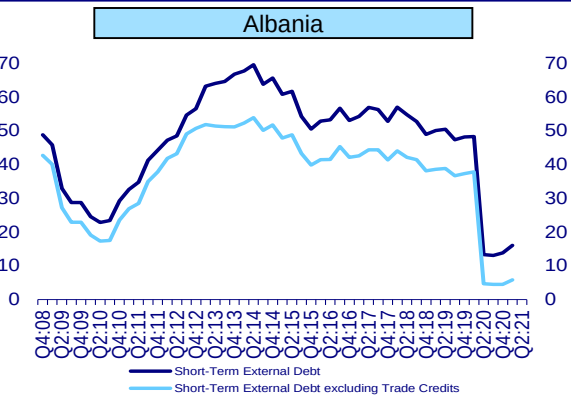
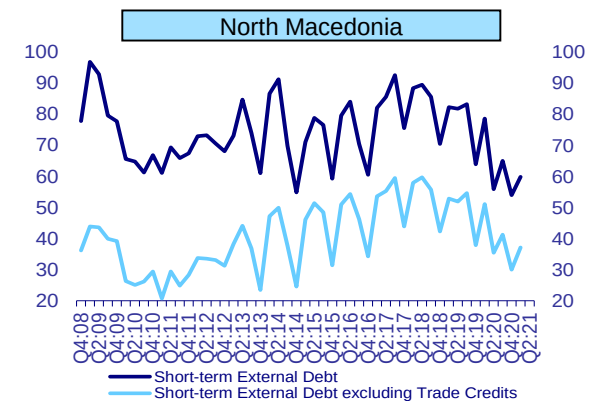
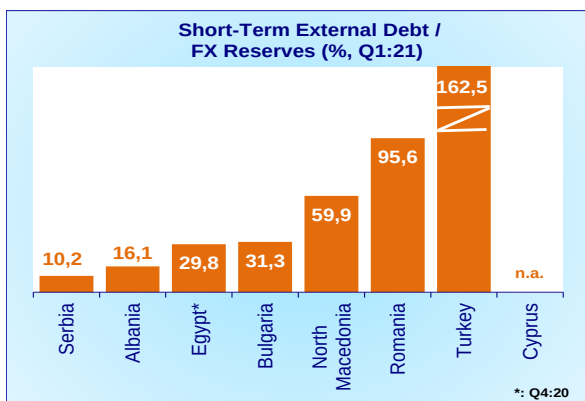
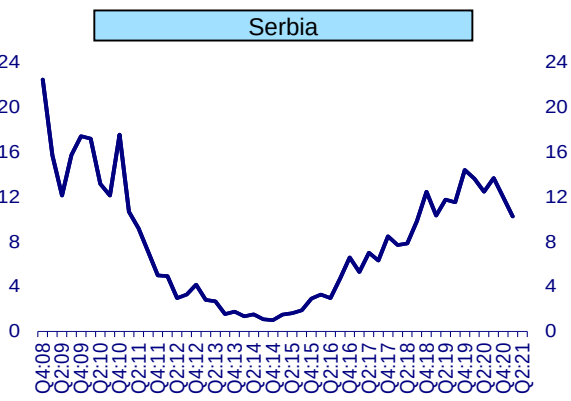
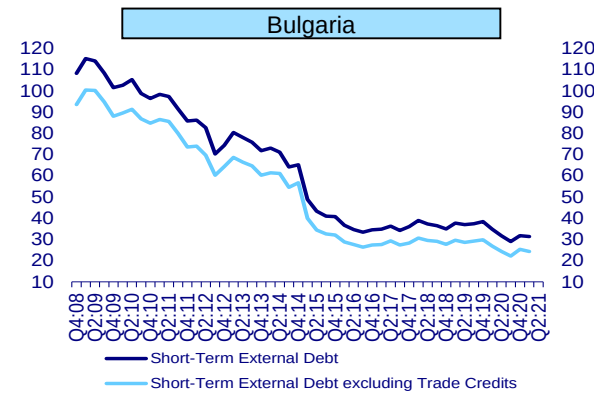
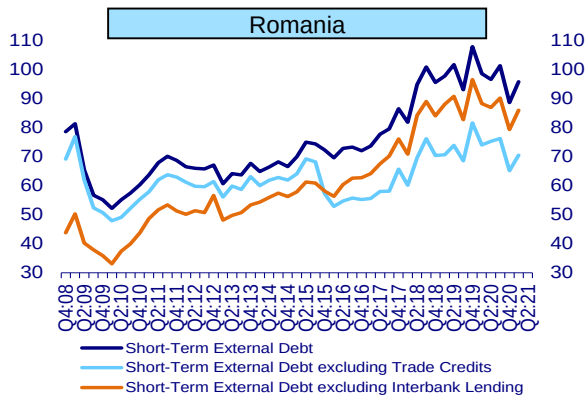
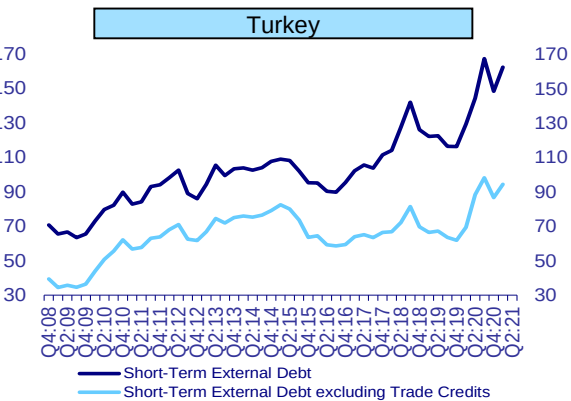
Foreign exchange reserves

- FX reserves stand at adequate levels for all countries under review
- The picture is, however, misleading in the case of **Turkey**, where the CBRT has increased its borrowing from banks to replenish its FX reserve base, which has been eroded, following massive interventions in the FX market over the past 3 years. Adjusted for the latter, Turkey's net FX reserves have turned negative



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

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



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

- External imbalances are projected to broadly return to their pre-COVID-19 levels by end-2022 in most of the economies under review
- In **Albania** and **Cyprus**, the **large share of tourism** in exports of services poses serious challenges in this regard
- The **quality of external financing** is expected to improve at a relatively slower pace than that of external imbalances, with non-debt generating foreign direct investments covering a relatively smaller share of the current account deficit compared with the pre-COVID-19 period

Turkey	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	0.9	-5.2	-3.4	-2.5
Net FDI	0.8	0.6	0.7	0.8
Other net capital inflows *	-0.2	0.3	1.1	1.3

Romania	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	-4.9	-5.2	-5.8	-5.3
Net FDI	2.2	0.9	1.2	1.4
Other net capital inflows *	3.1	6.9	4.7	4.2

Bulgaria	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	1.8	-0.7	0.6	1.3
Net FDI	1.9	3.2	1.5	1.5
Other net capital inflows *	-4.5	7.1	-0.8	-1.2

Serbia	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	-6.9	-4.3	-4.6	-4.6
Net FDI	7.7	6.2	6.6	6.7
Other net capital inflows *	2.8	-1.4	1.0	-1.3

North Macedonia	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	-3.3	-3.5	-2.8	-2.6
Net FDI	3.2	1.9	2.1	2.4
Other net capital inflows *	10.0	5.6	8.0	5.9

Albania	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	-7.9	-8.8	-8.6	-8.0
Net FDI	7.5	6.8	6.7	7.0
Other net capital inflows *	-0.8	4.7	1.0	0.4

Cyprus	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
Current account balance	-6.3	-11.9	-9.5	-6.7
Net FDI **	23.8	9.7	11.0	13.5
Other net capital inflows *	-17.7	4.4	-1.5	-6.8

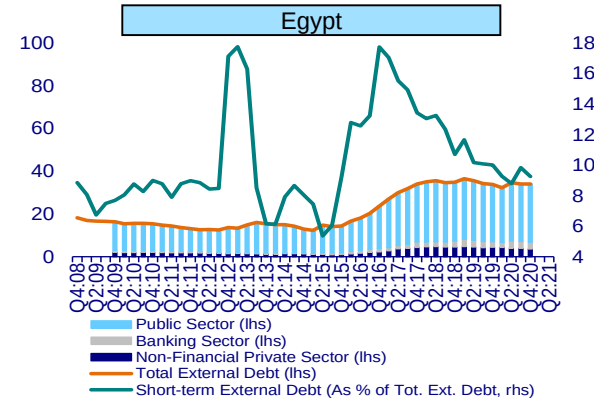
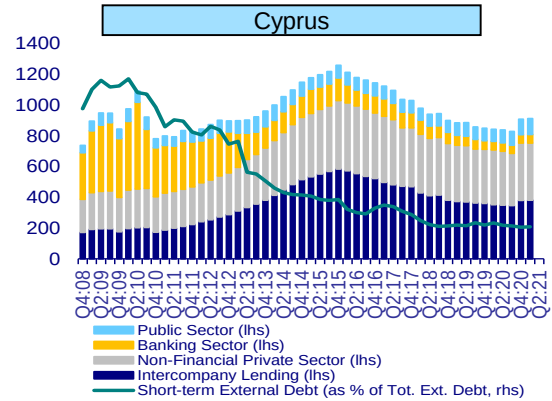
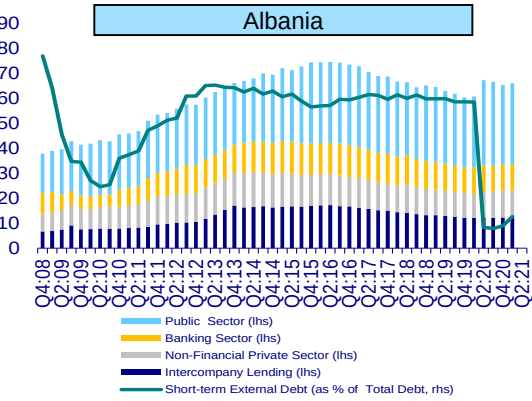
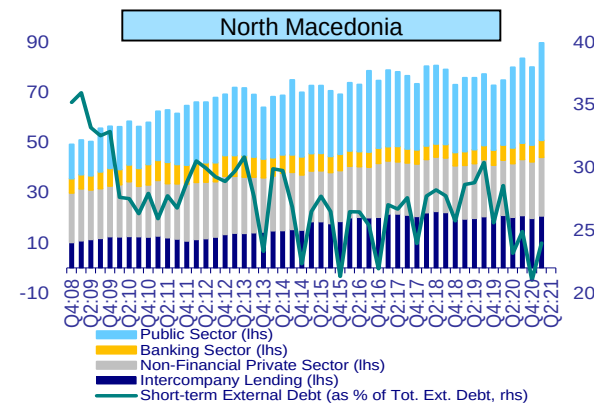
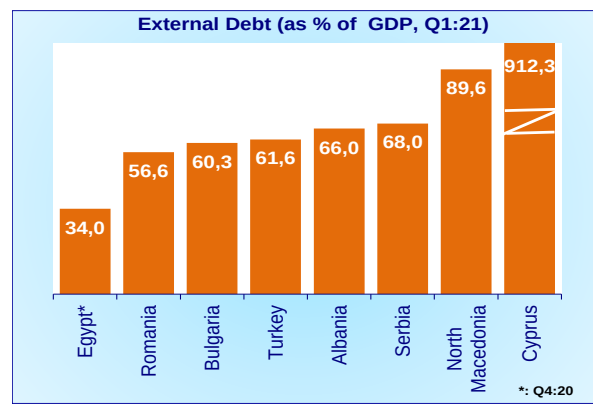
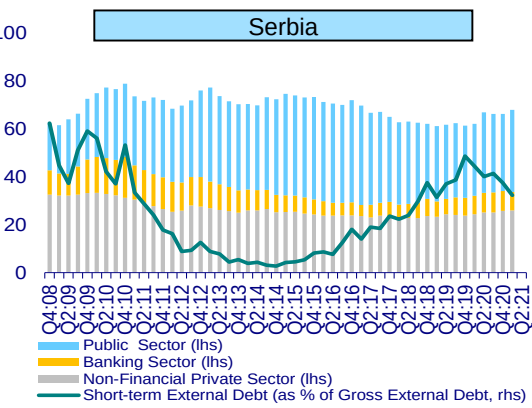
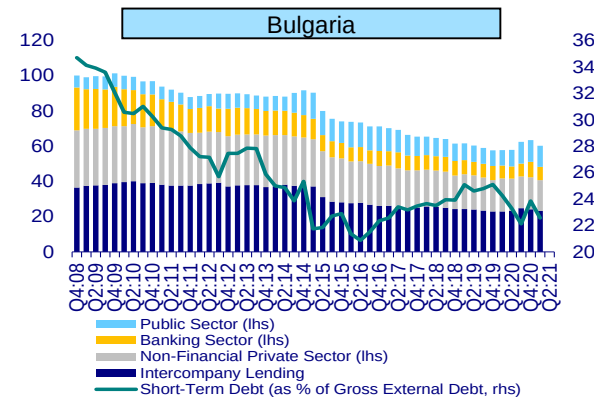
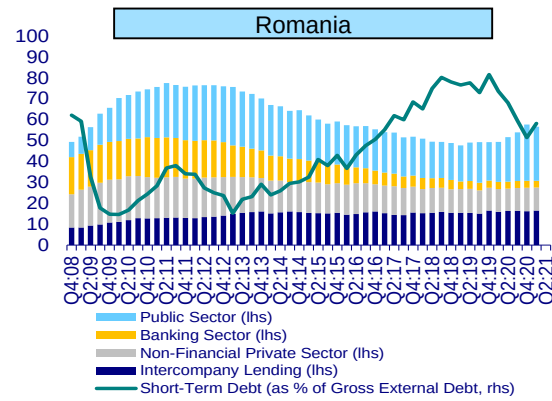
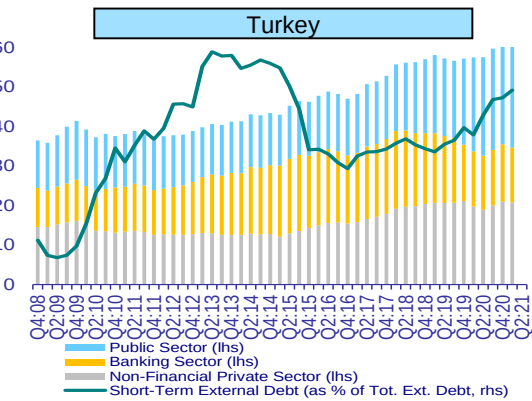
Egypt #	June 19	June 20	June 21E	June 22F
Current account balance	-3.6	-3.1	-4.0	-3.4
Net FDI	2.6	2.0	1.4	1.5
Other net capital inflows *	0.3	-3.8	2.3	2.2

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

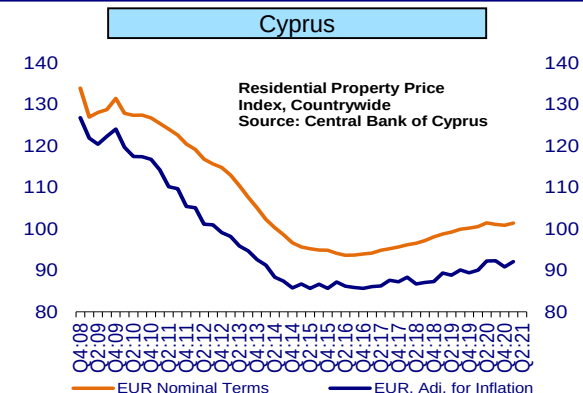
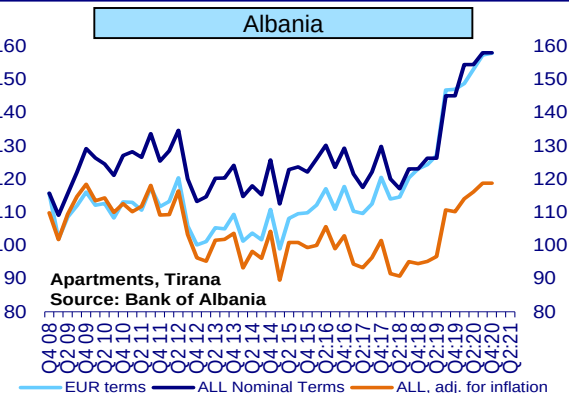
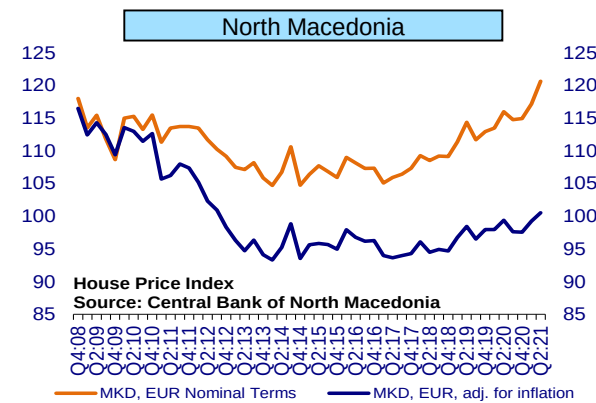
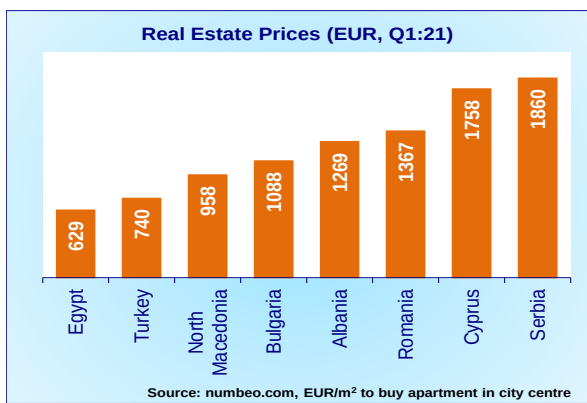
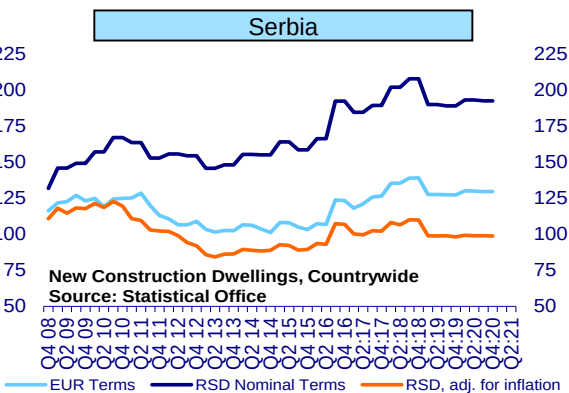
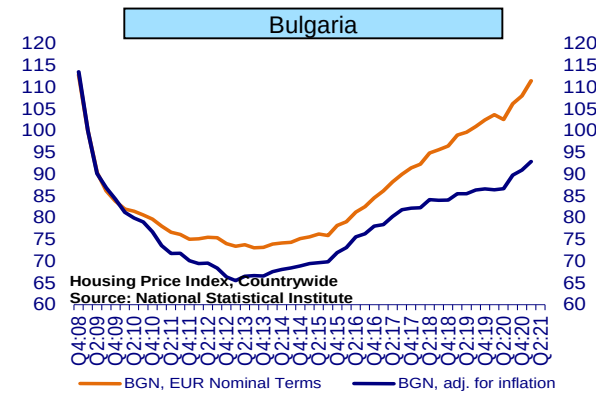
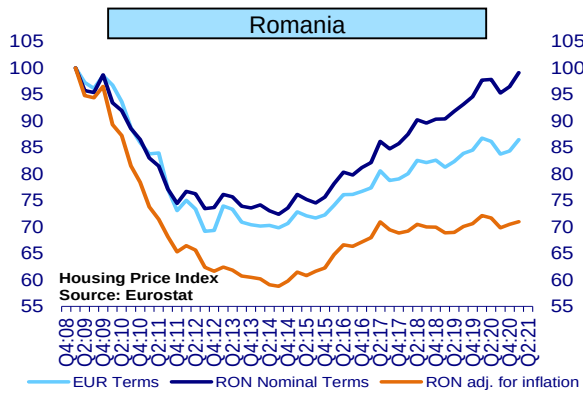
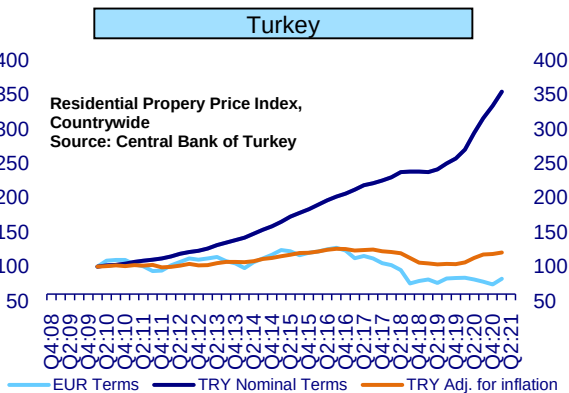
*: excluding IMF and ESM funding and net errors and omissions, #: Fiscal year ending on June 30th

External debt (% of GDP)

In most countries under review, **external debt is on the rise**, as net debt repayments by the private sector are more than offset by higher net lending to the public sector to finance its policy response to the COVID-19 shock

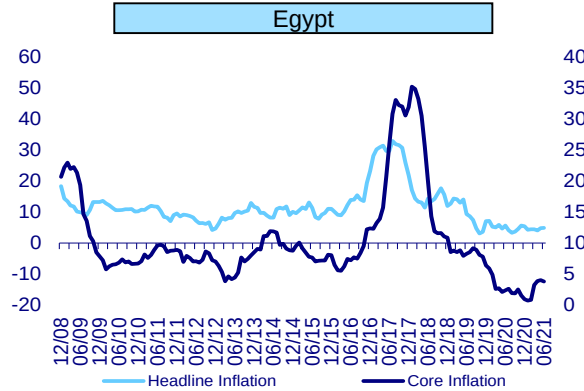
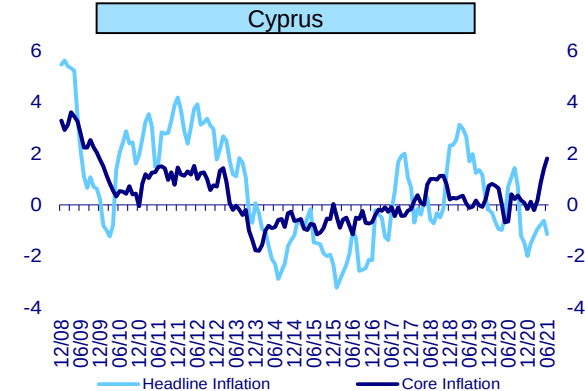
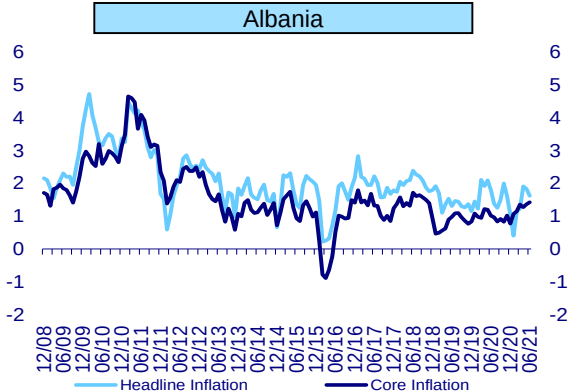
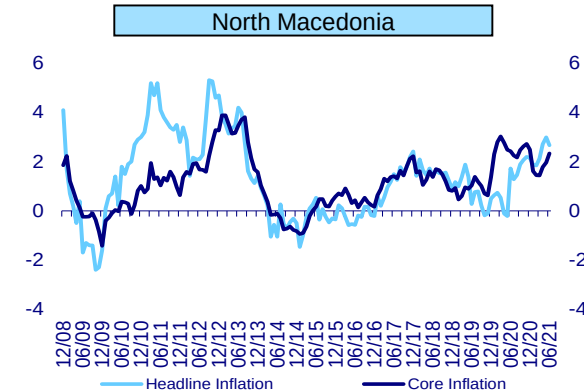
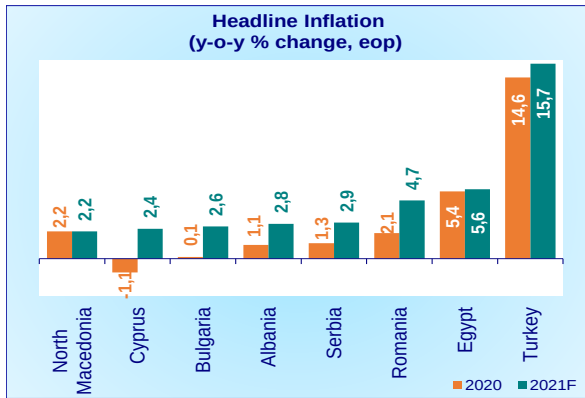
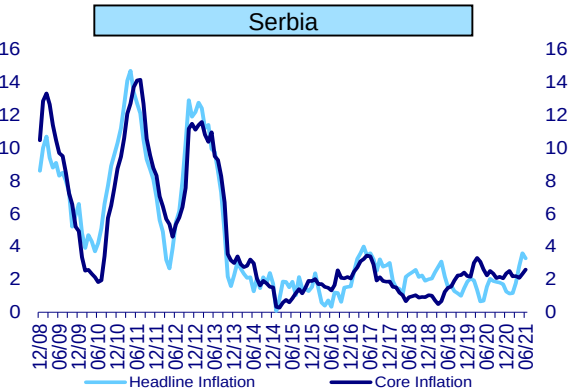
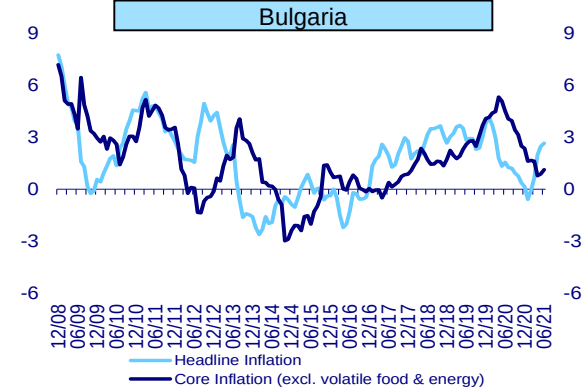
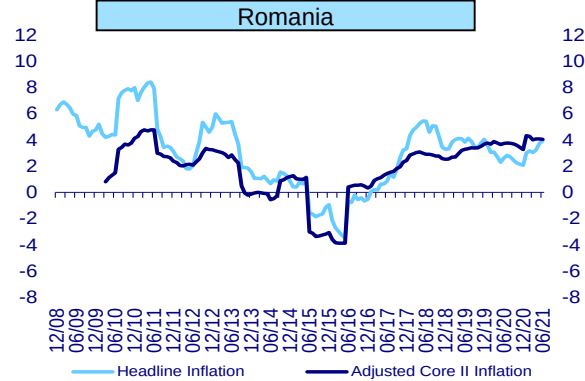
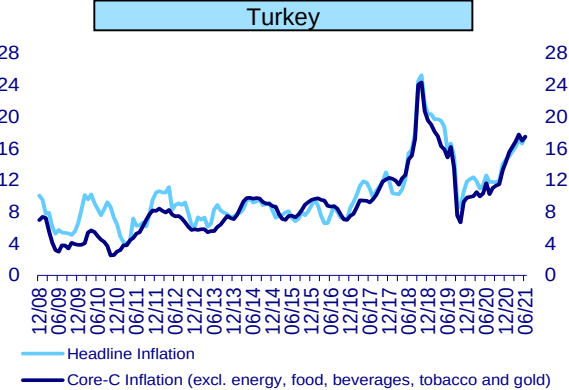


Real estate prices continued to rise in real terms in most countries under review, despite the impact of the pandemic



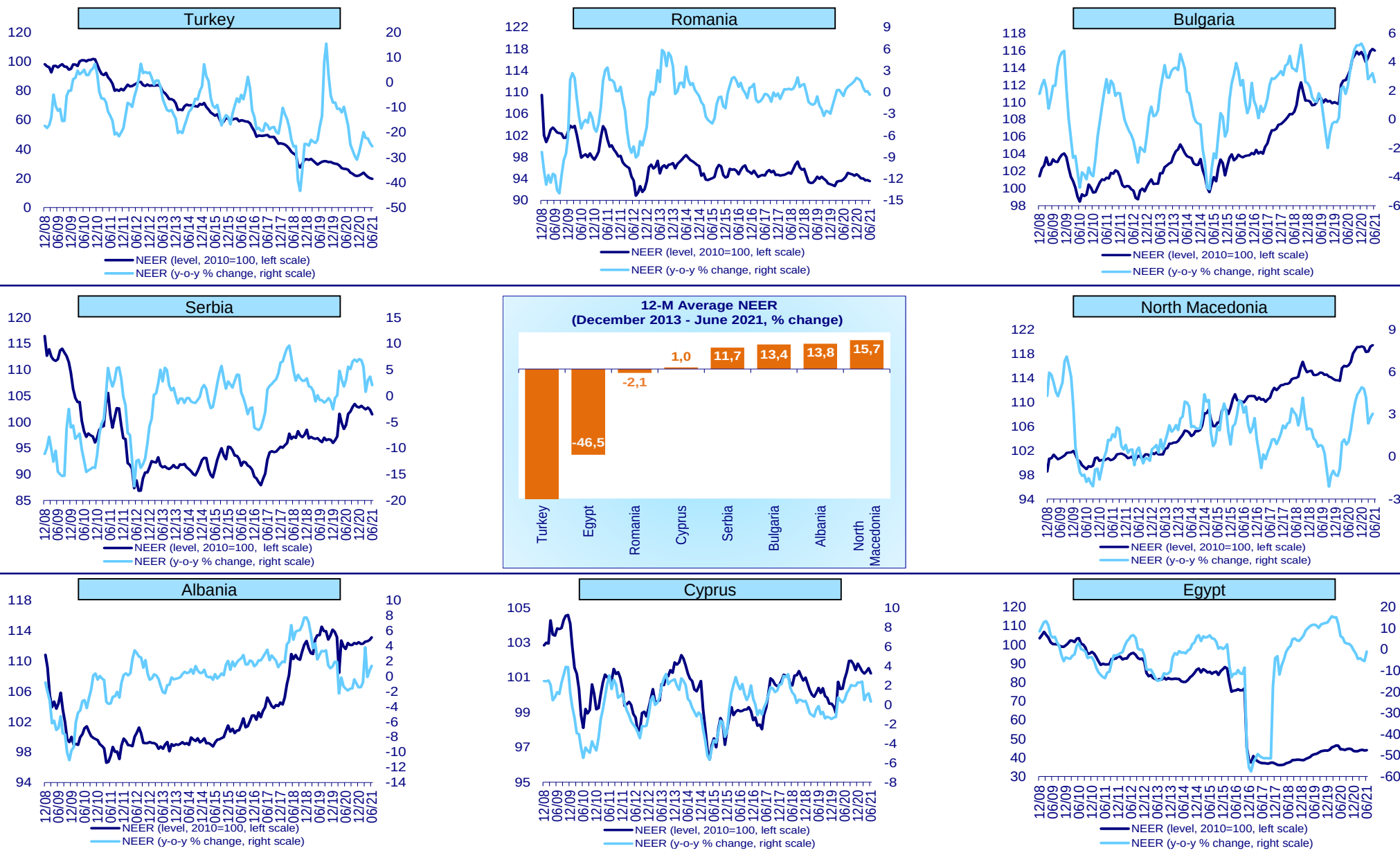
Inflation (%)

- Stronger demand-side pressures, following the re-opening of the economies, together with strong negative base effects from the plunge in global energy prices in 2020, have boosted inflation since the beginning of the year
- In Turkey, the recent sharp depreciation of the TRY has added markedly to inflationary pressures



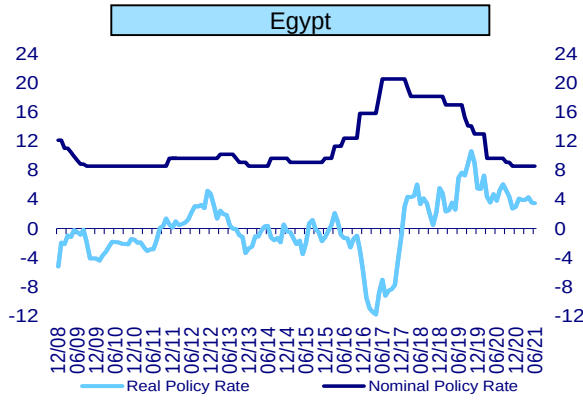
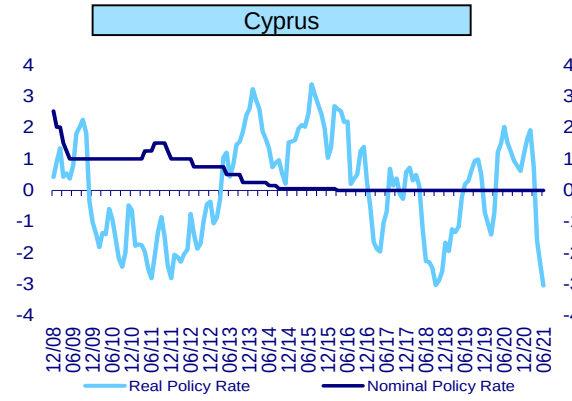
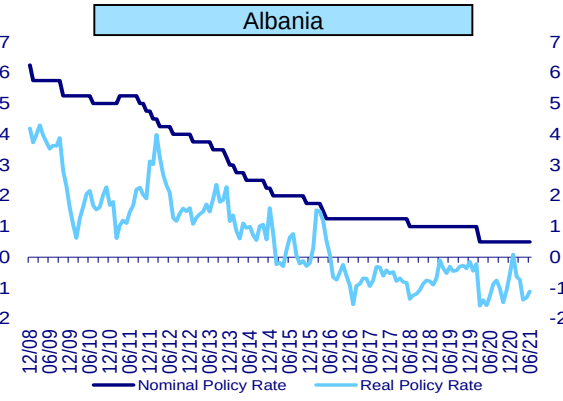
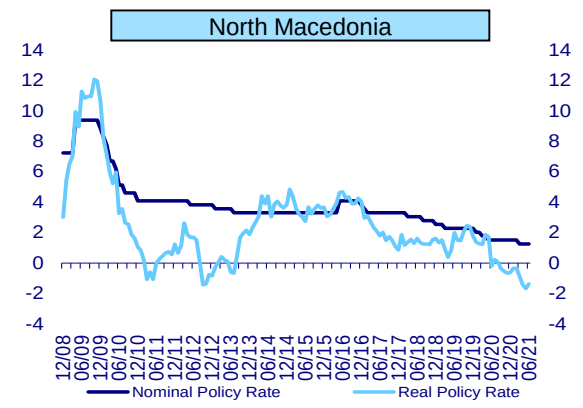
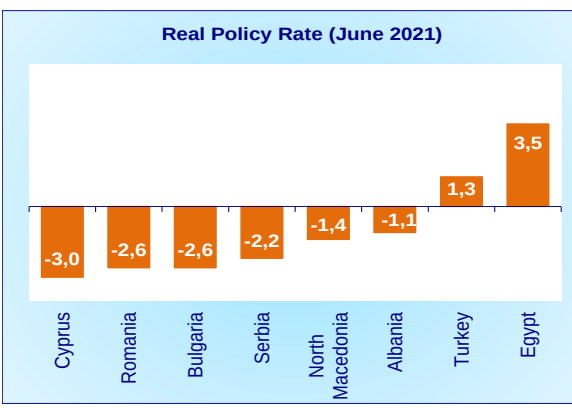
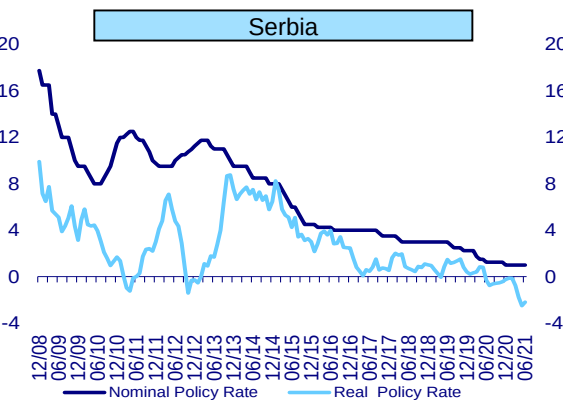
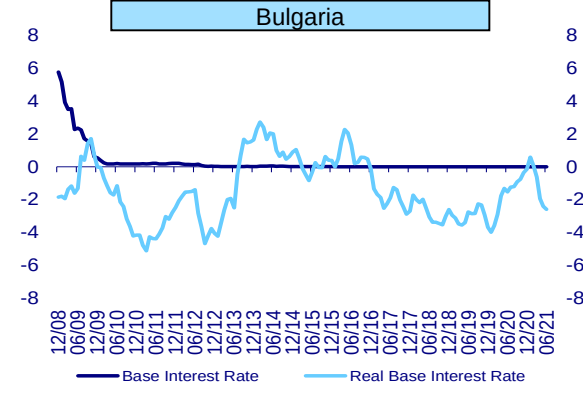
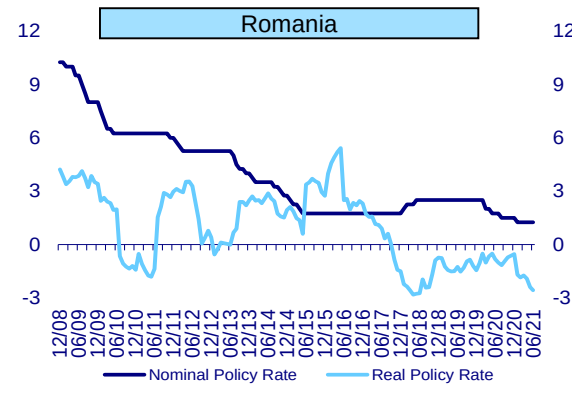
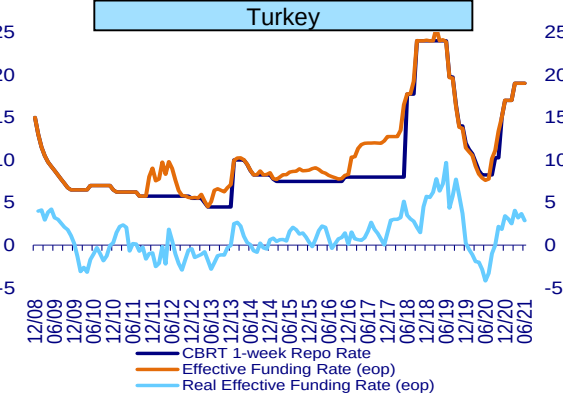
CPI-based nominal effective exchange rate

- The TRY and the EGP have depreciated significantly in nominal terms over the past 7½ years



Policy rate

- Despite rising cost-push inflationary pressures and taper tantrum concerns, **monetary policy conditions should remain highly accommodative by the end of 2021** in all the countries under review, with the exception of **Turkey**, where interest rates are expected to be cut modestly towards the end of the year
- Regional central banks are expected to **start tightening** their stance only **in 2022**



Reserve requirement ratios

- In a bid to reduce dollarization, the Central Bank of **Turkey** hiked its reserves requirement rates on FC liabilities in July

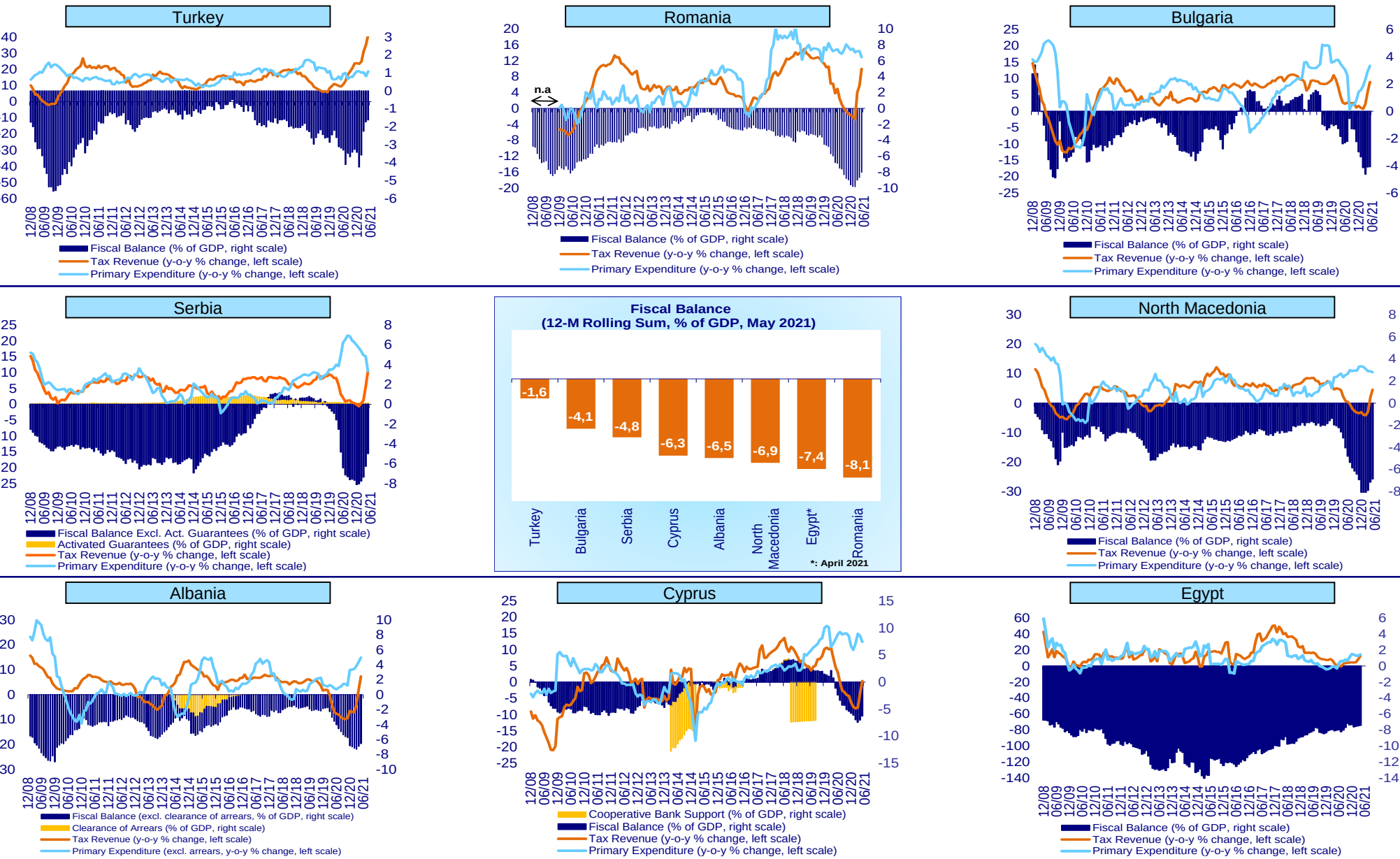
Turkey				Romania				Bulgaria			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2019	Dec. 2020	July 2021		Dec. 2019	Dec. 2020	July 2021		Dec. 2019	Dec. 2020	July 2021
LC Liabilities	1.0-7.0	1.0-6.0	3.0-8.0	LC Liabilities	8.0	8.0	8.0	LC Liabilities	10.0	10.0	10.0
FC Liabilities	13.0-19.0	13.0-19.0	15.0-21.0	FC Liabilities	8.0	5.0	5.0	FC Liabilities	5.0	5.0	5.0

Serbia				North Macedonia				Albania			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2019	Dec. 2020	July 2021		Dec. 2019	Dec. 2020	July 2021		Dec. 2019	Dec. 2020	July 2021
LC Liab.	0.0 - 5.0	0.0 - 5.0	0.0 - 5.0	LC Liabilities	8.0	8.0	8.0	LC Liabilities	5.0-7.5	5.0-7.5	5.0-7.5
FC Liab.	13.0 - 20.0	13.0 - 20.0	13.0 - 20.0	FC Liabilities	15.0	15.0	15.0	FC Liabilities	12.5-20.0	12.5-20.0	12.5-20.0

Cyprus				Egypt			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2019	Dec. 2020	July 2021		Dec. 2019	Dec. 2020	July 2021
LC Liabilities	1.0	1.0	1.0	LC Liabilities	14.0	14.0	14.0
FC Liabilities	1.0	1.0	1.0	FC Liabilities	---	---	---

Fiscal performance (12-month rolling)

Despite the extension of emergency support schemes, **fiscal accounts** in all the countries under review (but for Bulgaria) have begun to show **signs of improvement**, reflecting the nascent economic recovery and strong base effects from the collection of deferred taxes



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

- The gradual phasing-out of the emergency support schemes should help compress further the budget deficit in all the economies under review during the remainder of the year, but for Bulgaria, which would continue to benefit from the ample fiscal space available
- Nevertheless, **fiscal balances are unlikely to revert to their pre-crisis levels soon**

Turkey				Romania				Bulgaria			
Dec. 19*	Dec. 20	Dec. 21F	Dec. 22F	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F	Dec. 19*	Dec. 20	Dec. 21F	Dec. 22F
-2.9	-3.4	-3.0	-2.7	-4.6	-9.7	-6.8	-5.0	-1.0	-3.0	-3.5	-2.3

*Including one-off transfers of profits and reserve funds from the CBRT worth c. 1.5% of GDP

*Including the purchase of military equipment worth 1.8% of GDP

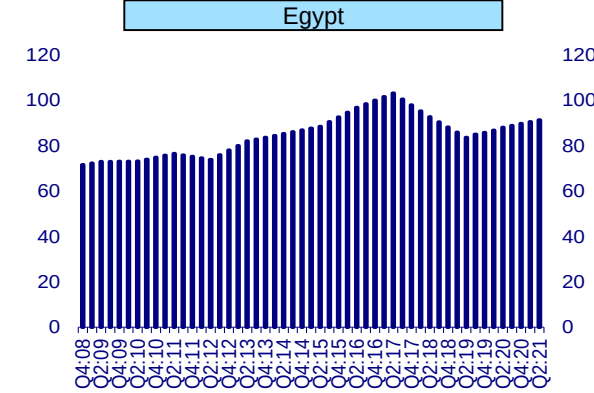
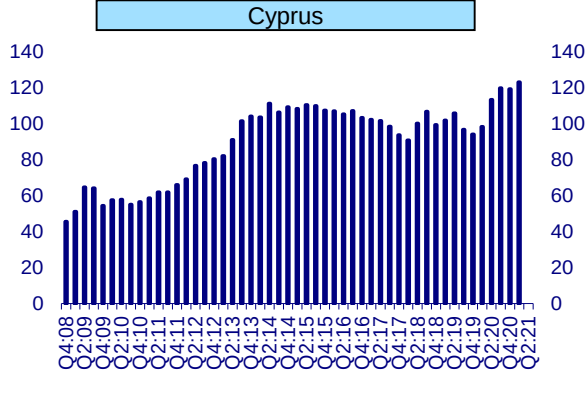
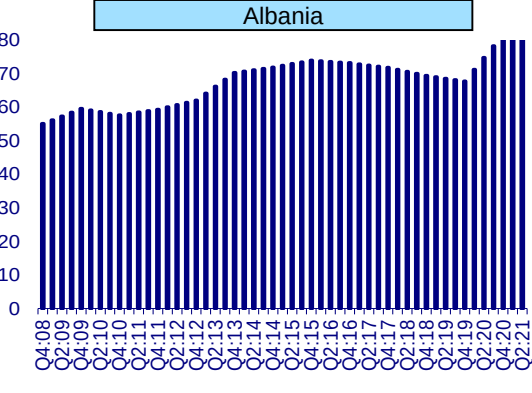
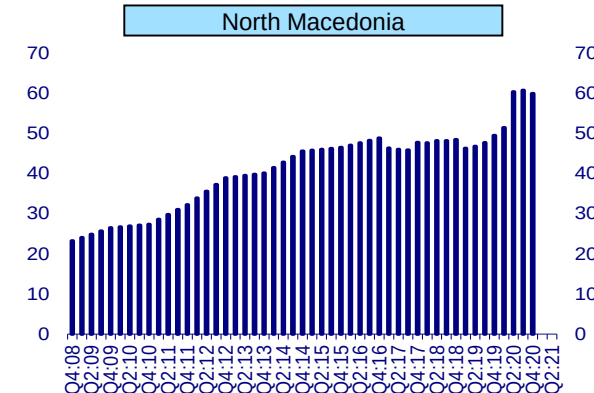
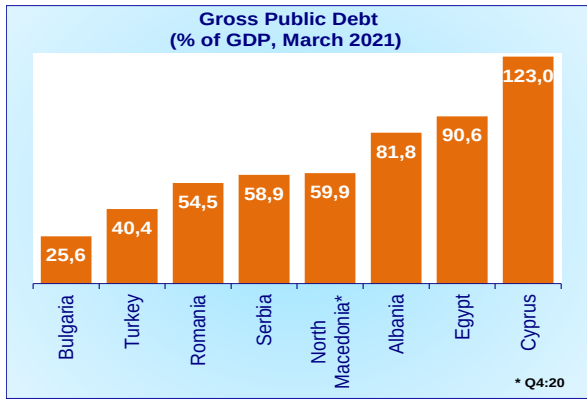
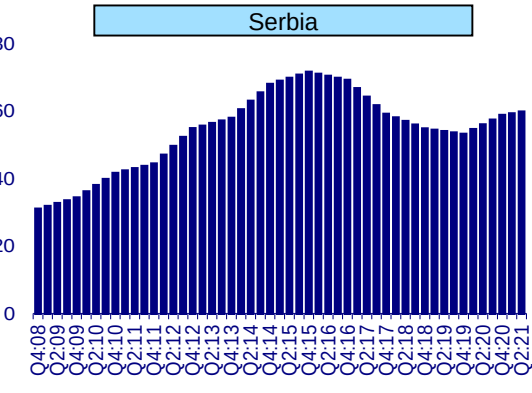
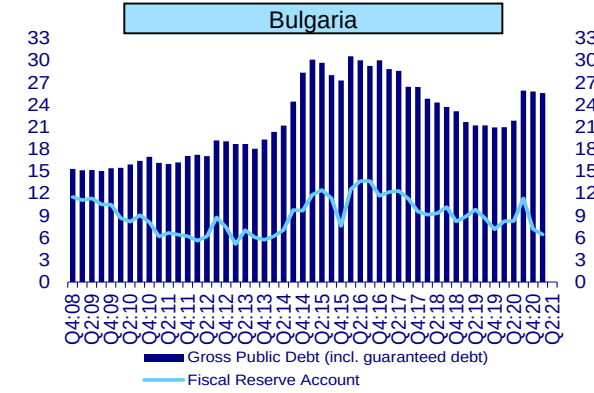
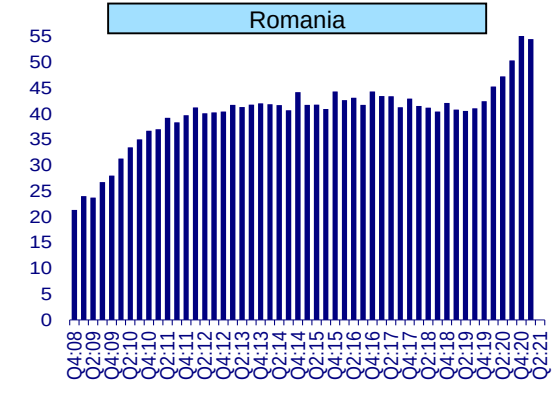
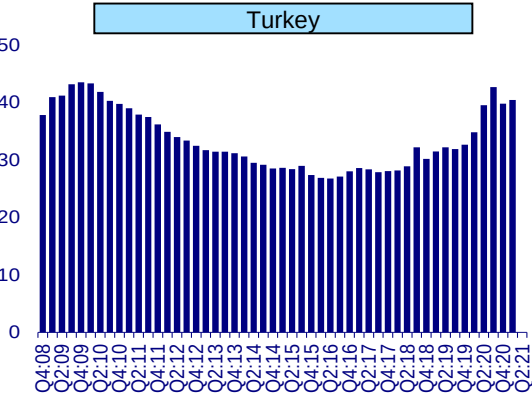
Serbia				North Macedonia				Albania			
Dec. 19	Dec. 20	Dec. 21F	Dec. 22F	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F	Dec. 19	Dec. 20	Dec. 21F	Dec. 22F
-0.2	-8.1	-6.5	-3.5	-2.0	-8.1	-5.3	-3.8	-1.9	-6.8	-5.6	-3.0

Cyprus				Egypt*			
Dec. 19	Dec. 20	Dec. 21F	Dec. 22F	Jun. 19	Jun. 20	Jun. 21E	Jun. 22F
1.5	-5.7	-4.5	-2.2	-8.1	-8.0	-7.4	-6.8

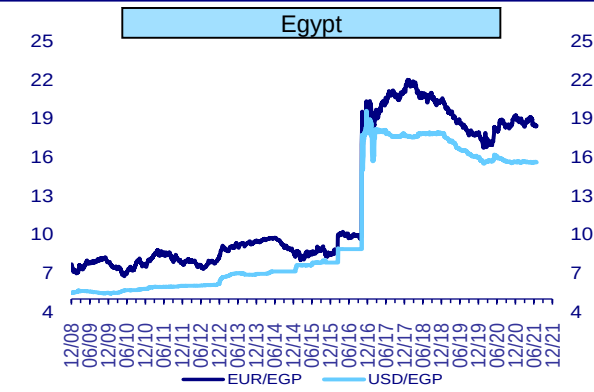
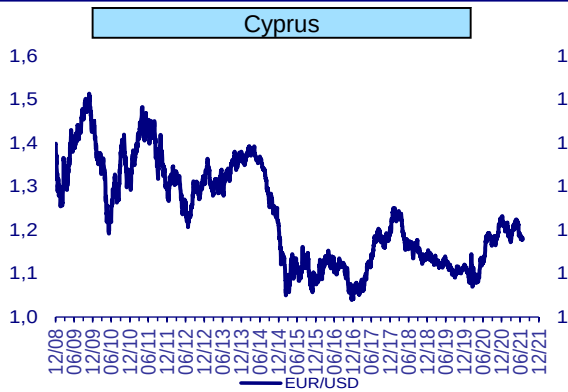
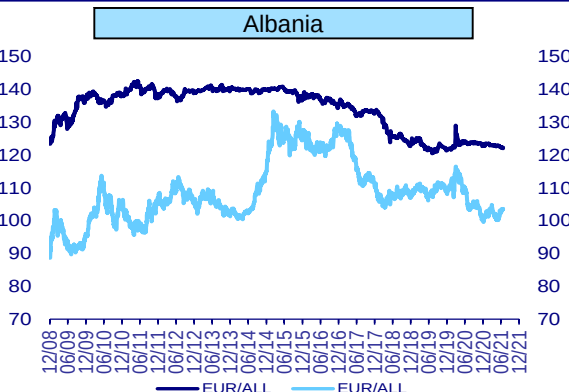
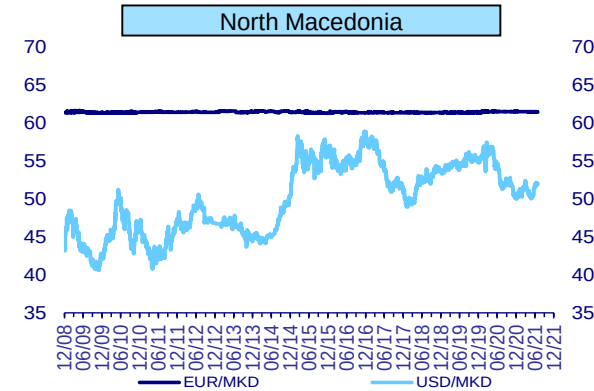
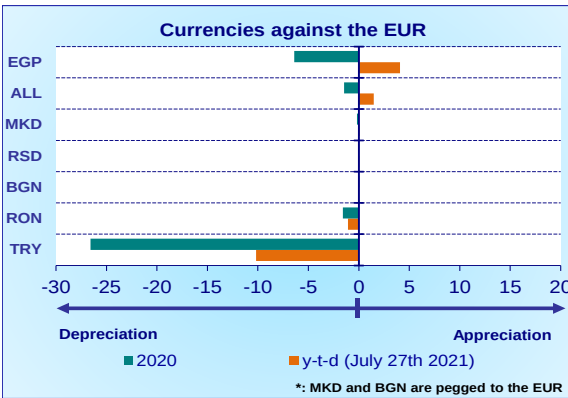
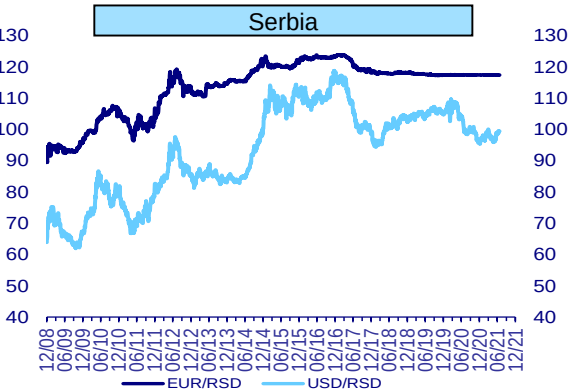
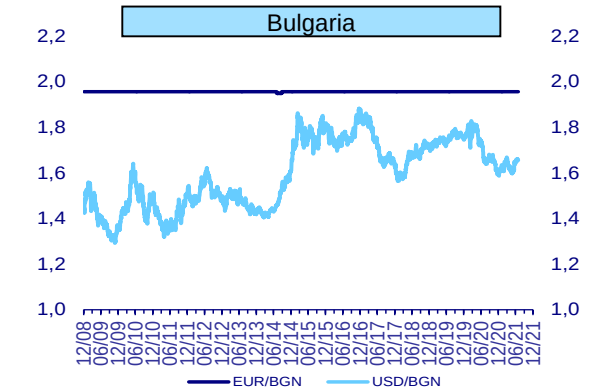
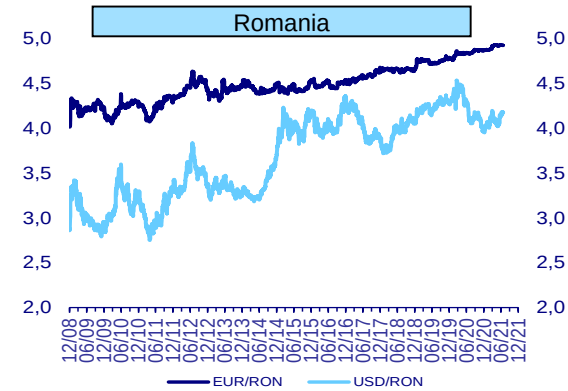
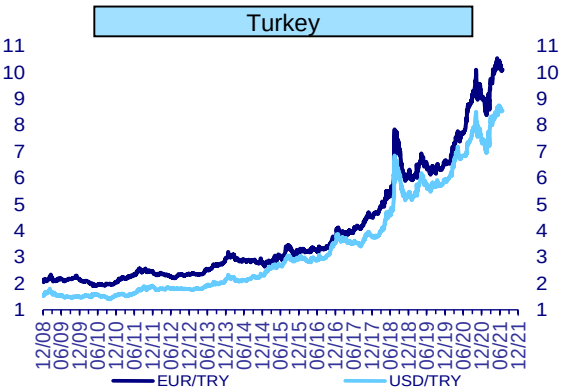
*: Fiscal year ending on June 30th.

Public debt (% of GDP)

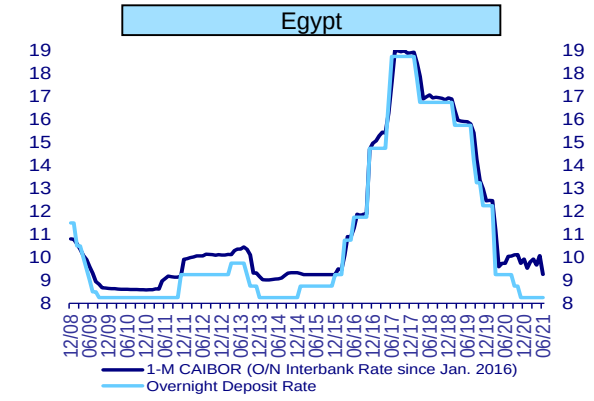
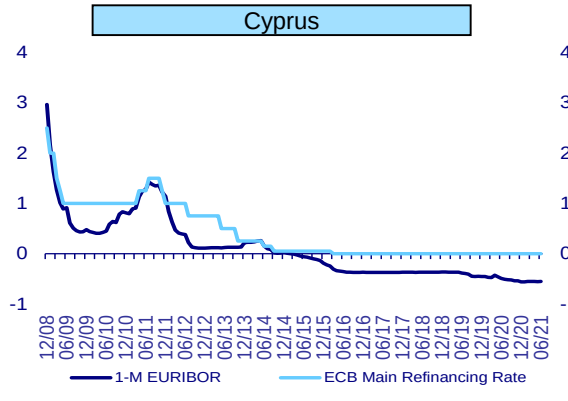
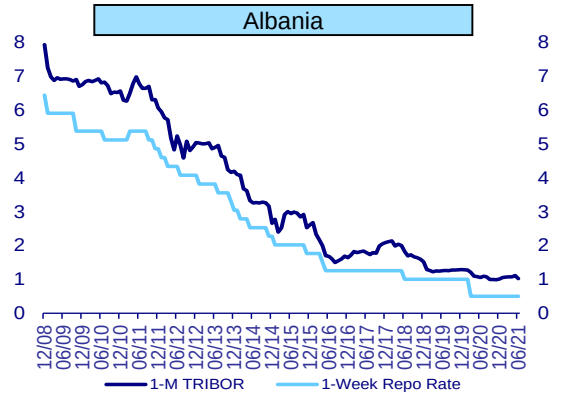
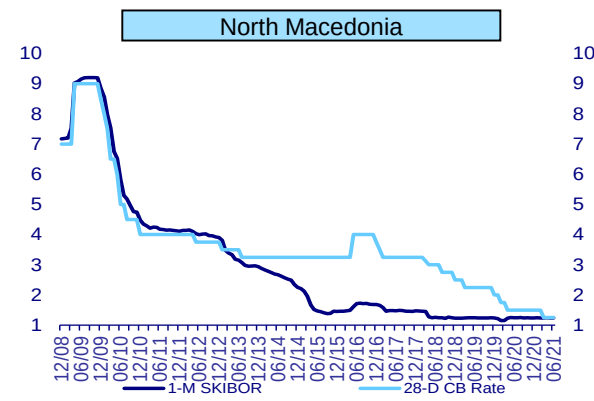
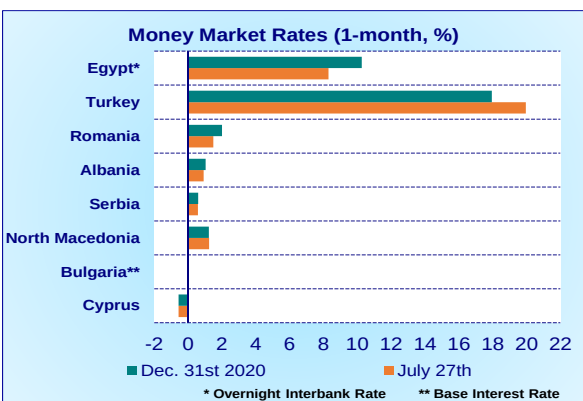
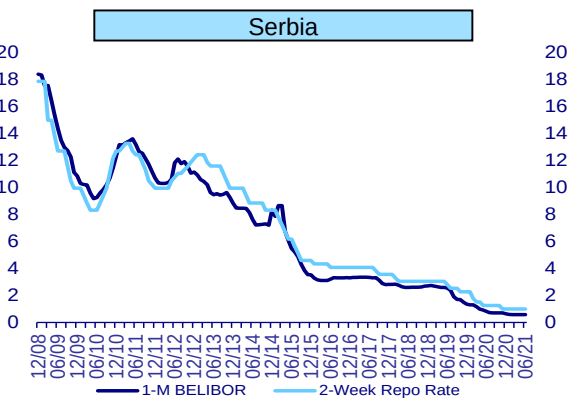
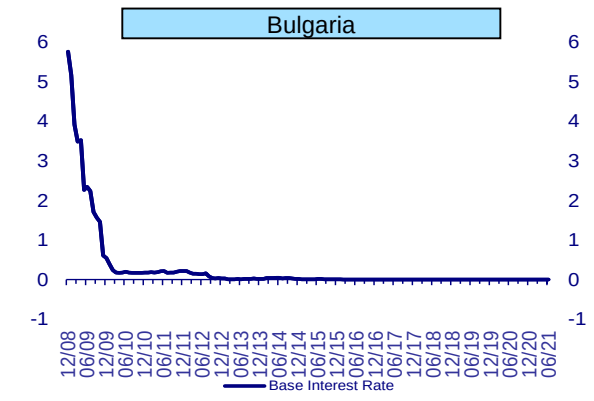
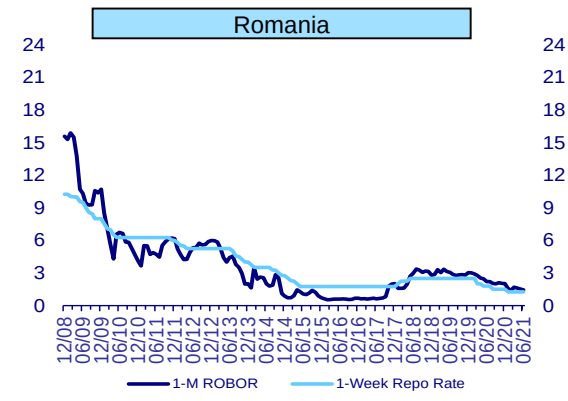
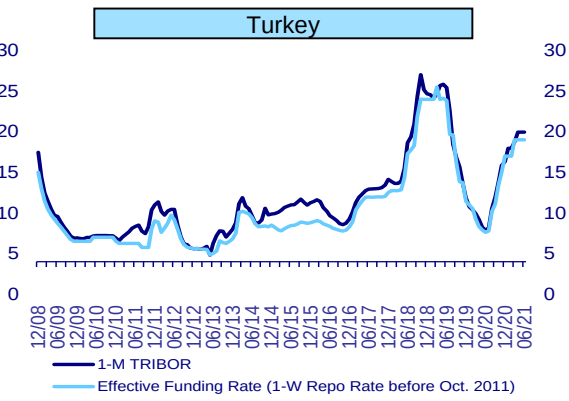
- The COVID-19 crisis has left all the economies under review with **a significant debt legacy**
- The public debt-to-GDP ratios are set to rise further in most the economies under review this year, albeit at a modest pace
- Potential calls on the state guarantees granted during the crisis could delay the reduction in public debt



Strong depreciation pressures on the TRY, reflect the risk of a premature and frontloaded easing in monetary policy, following the change at the helm of the CBRT in March

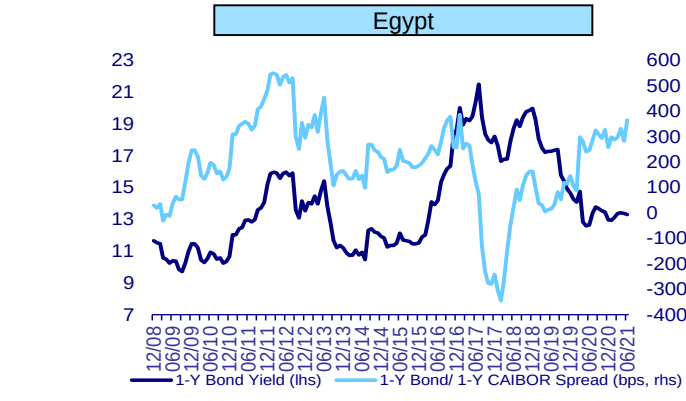
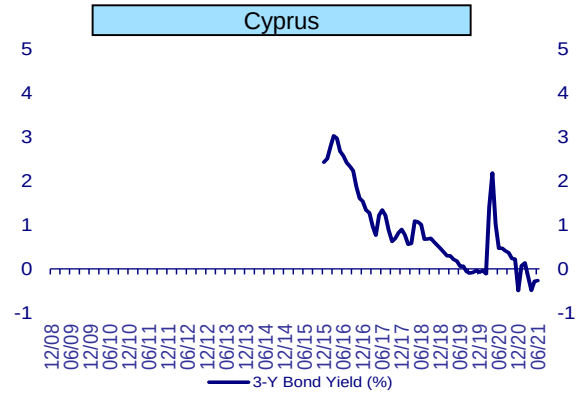
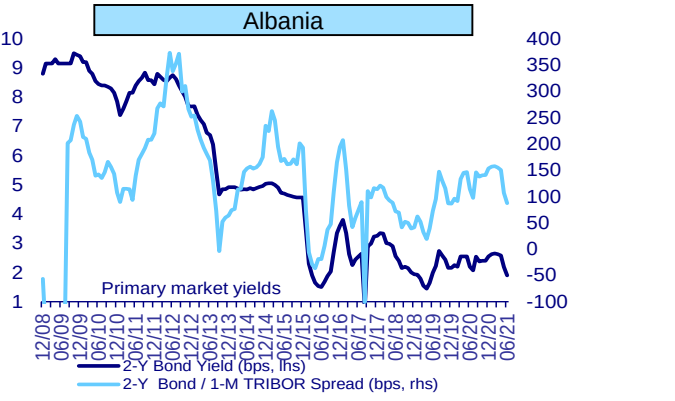
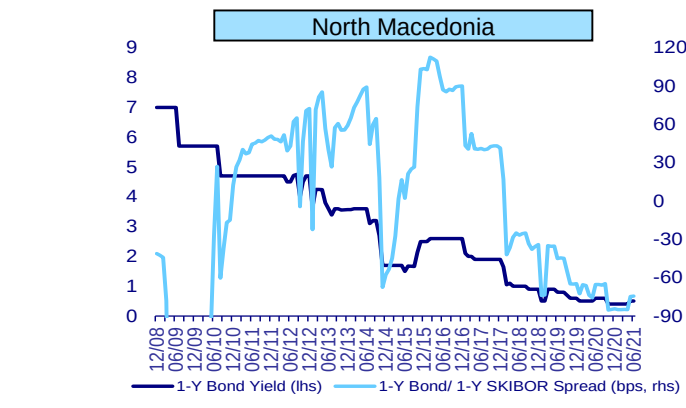
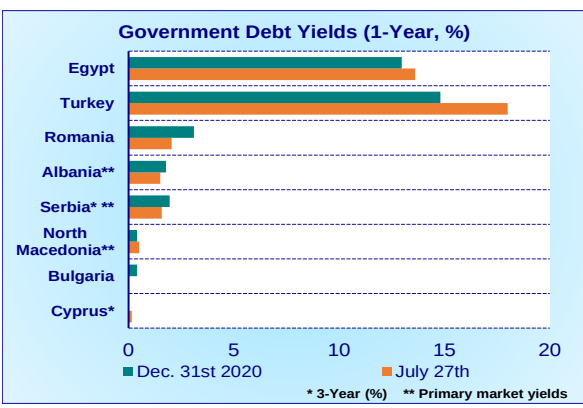
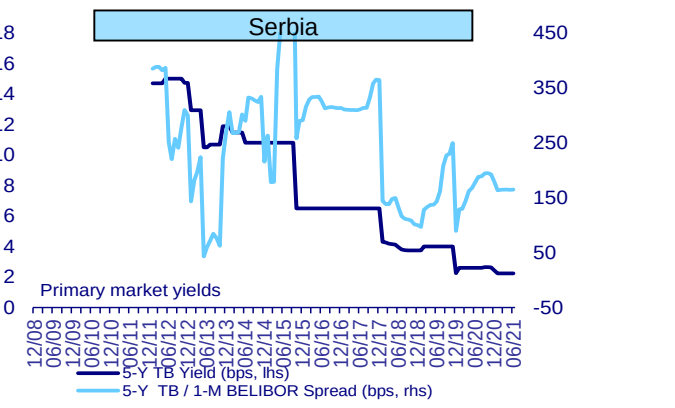
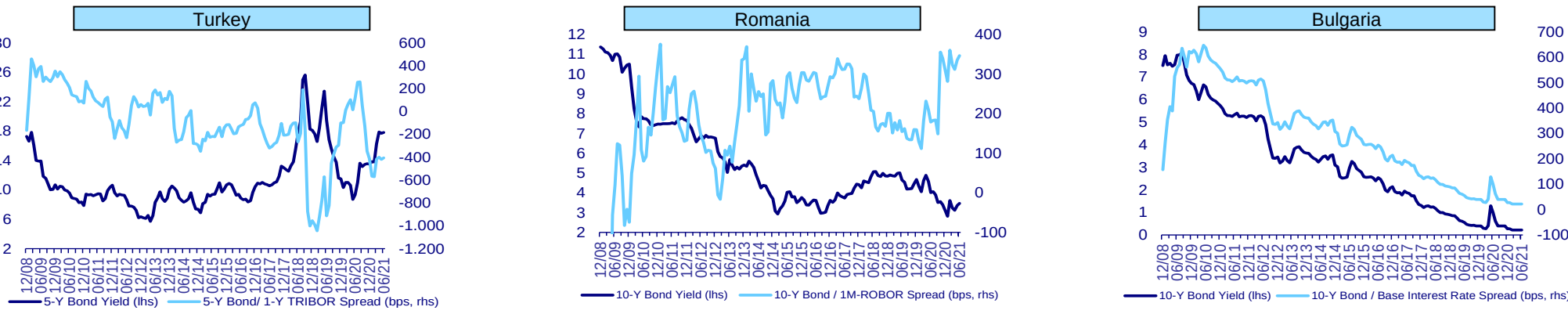


Money market rates remain at historical low levels in all countries under review, with the exception of Turkey, reflecting accommodative monetary policy conditions



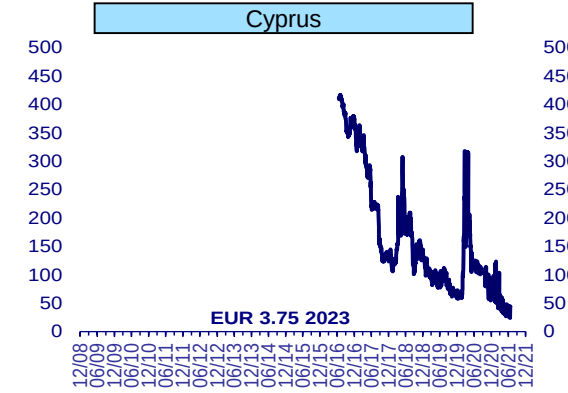
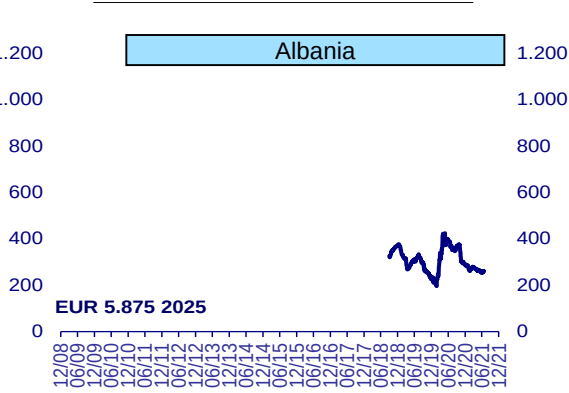
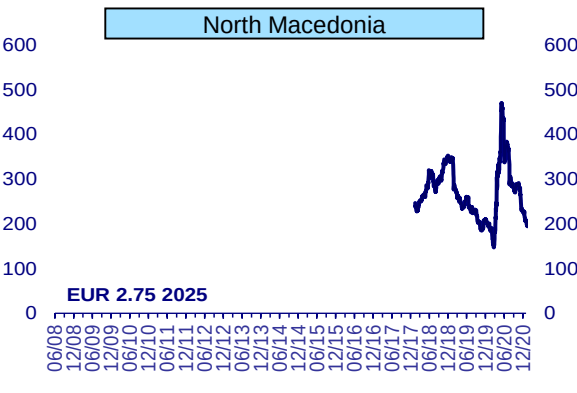
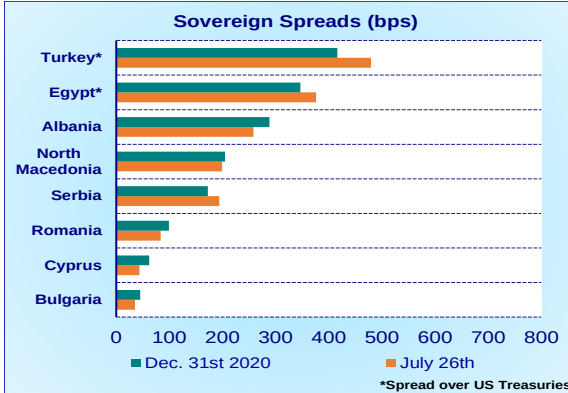
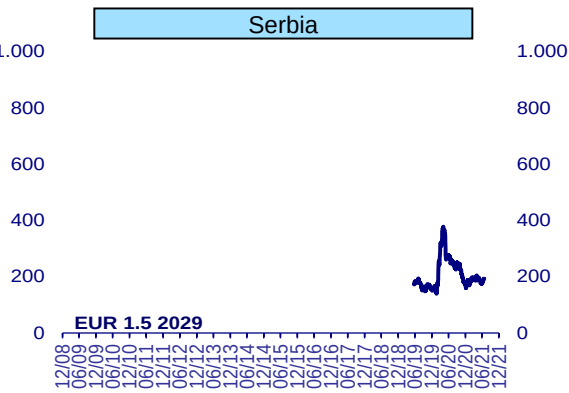
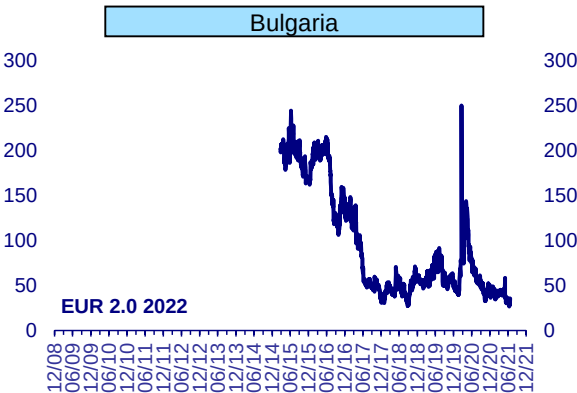
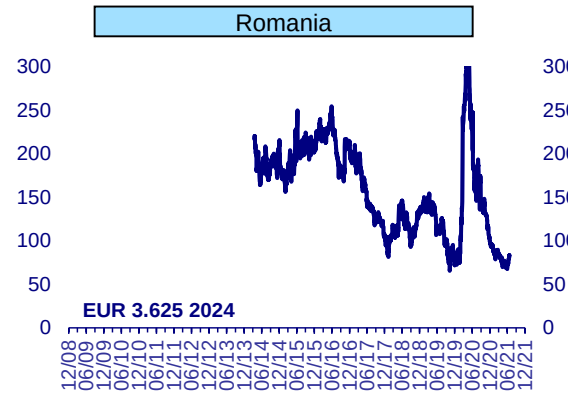
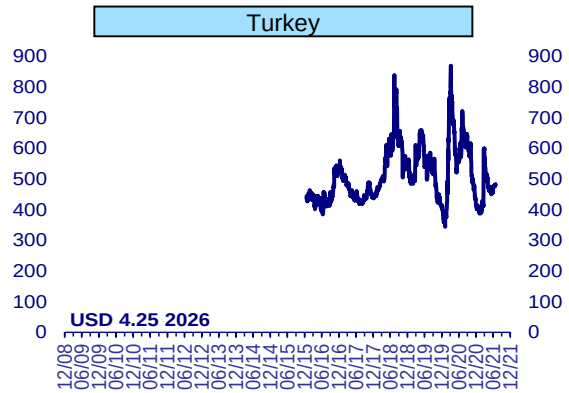
Government debt yields (%)

Despite still high public financing needs, **Government debt yields remain subdued** in all countries under review, with the exception of Turkey, thanks to abundant liquidity in the market

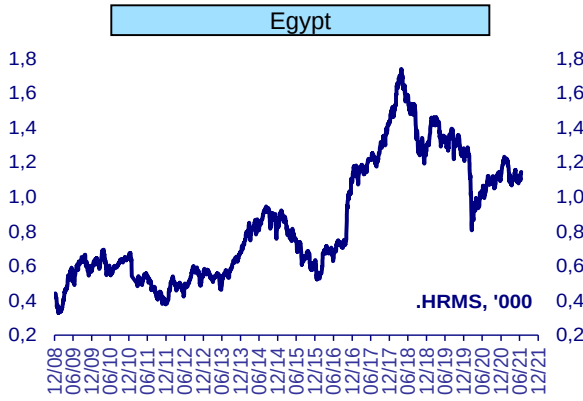
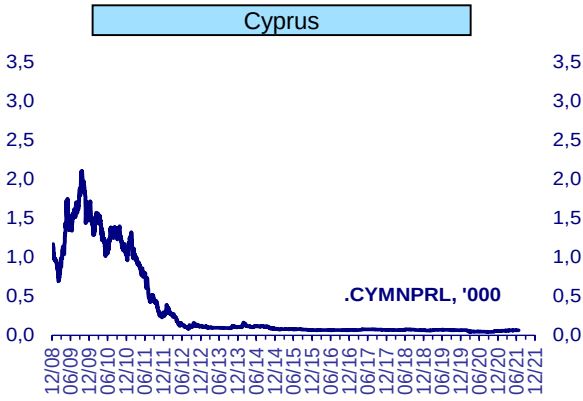
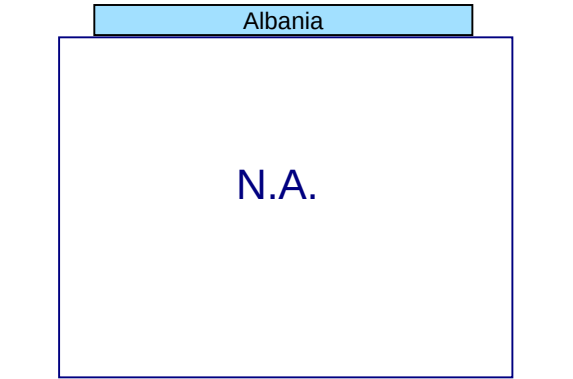
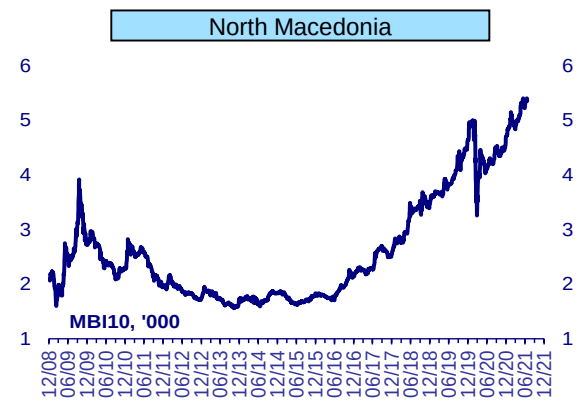
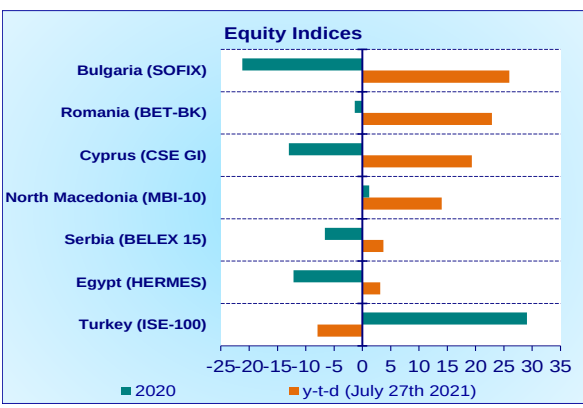
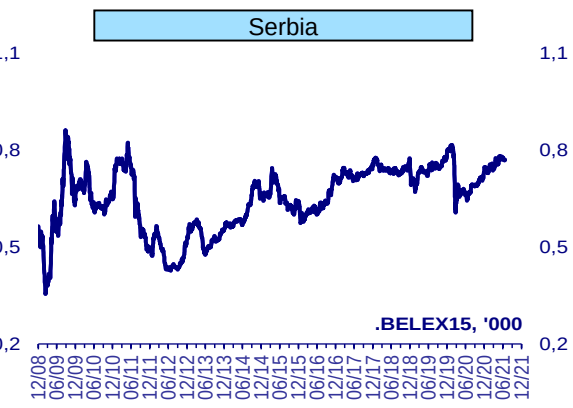
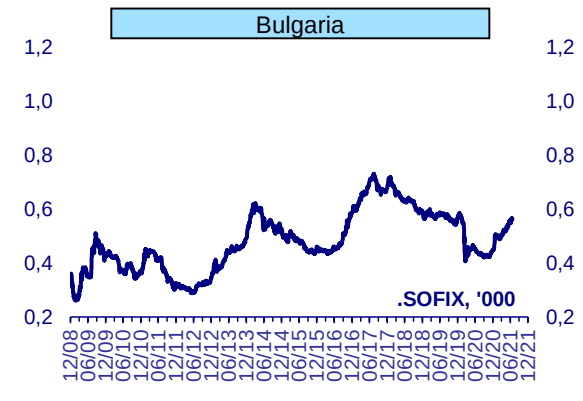
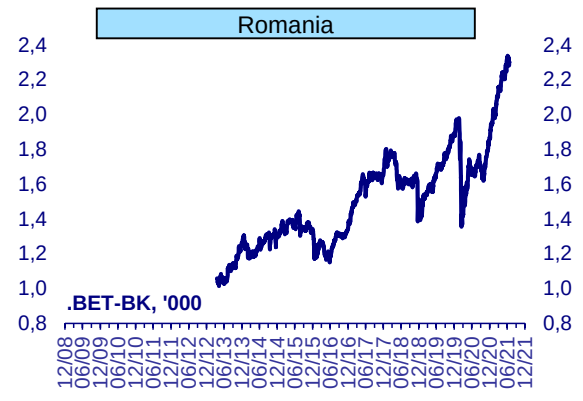
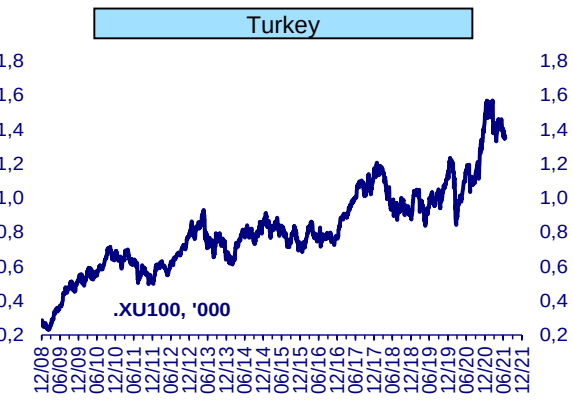


Sovereign spreads (bps)

With the exception of Turkey, sovereign spreads in all countries under review have broadly returned to their pre-COVID-19 lows

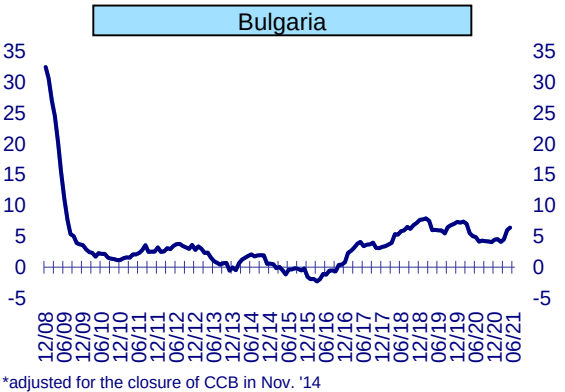
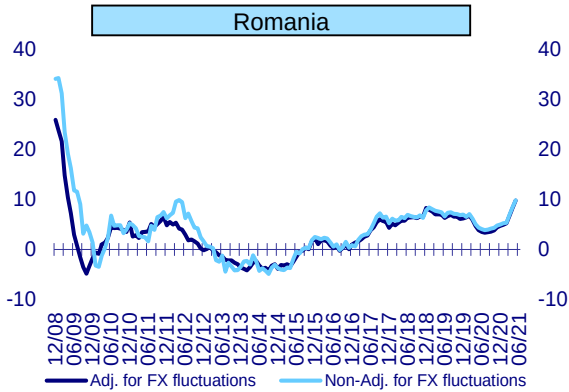
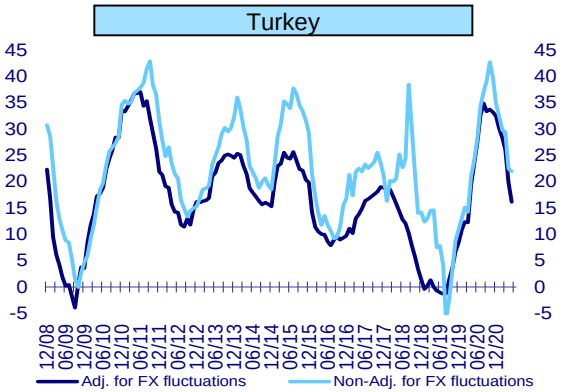


With the exception of Turkey, stock markets in continue their upward march on stronger sentiment amid COVID-19 vaccine rollout

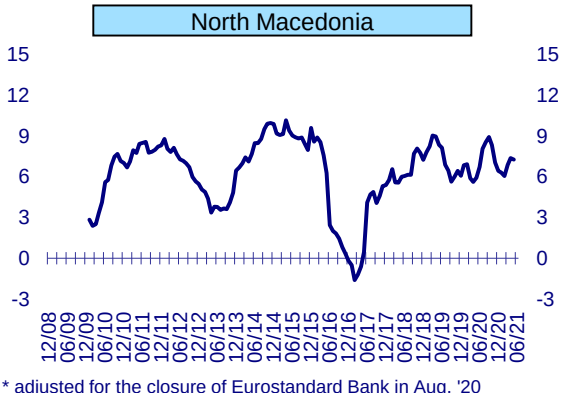
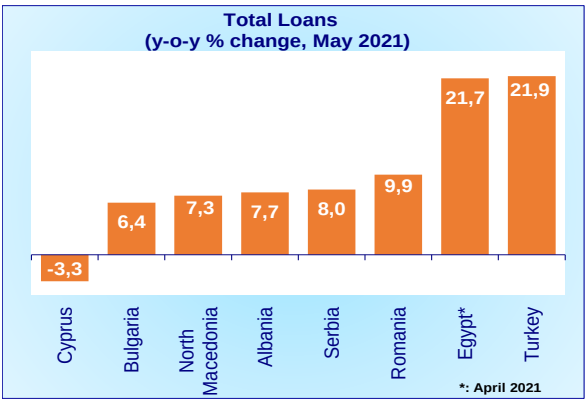
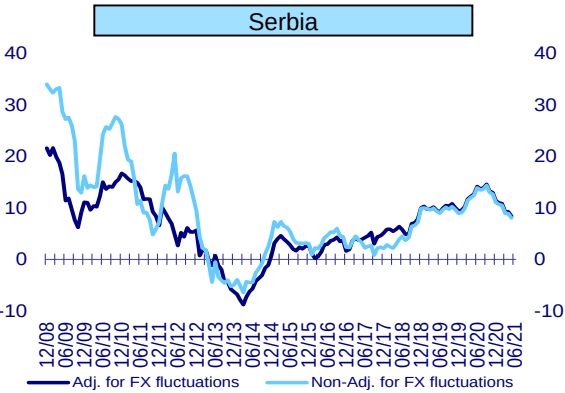


Total loans (y-o-y % change)

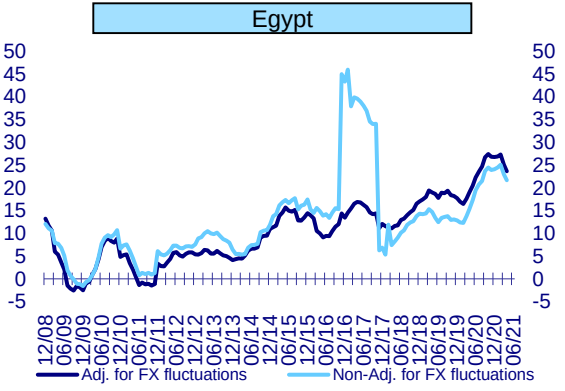
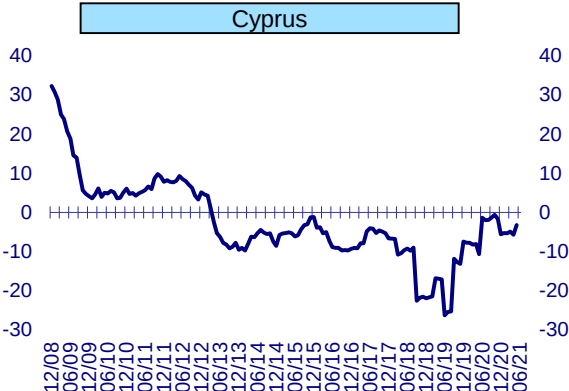
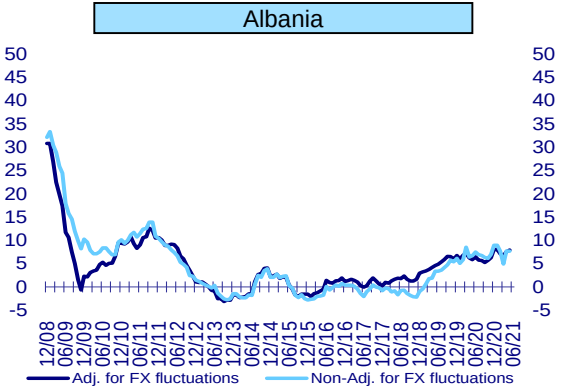
- **Lending activity** in most countries under review **continued to expand at a solid pace**, supported by state guarantee and subsidized lending schemes
- In **Turkey**, lending activity has been losing momentum lately, in line with the CBRT's tighter monetary policy stance



*adjusted for the closure of CCB in Nov. '14

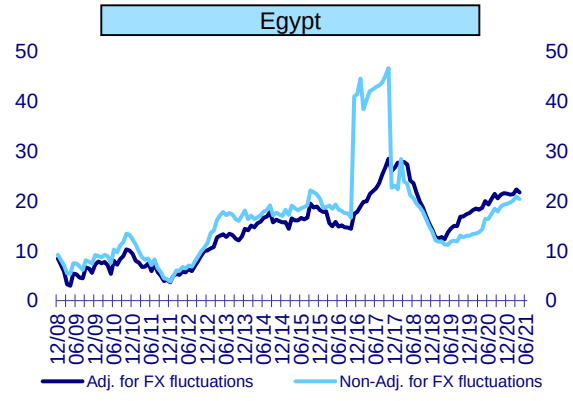
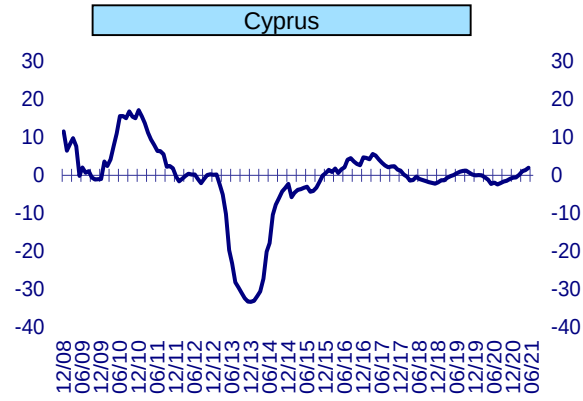
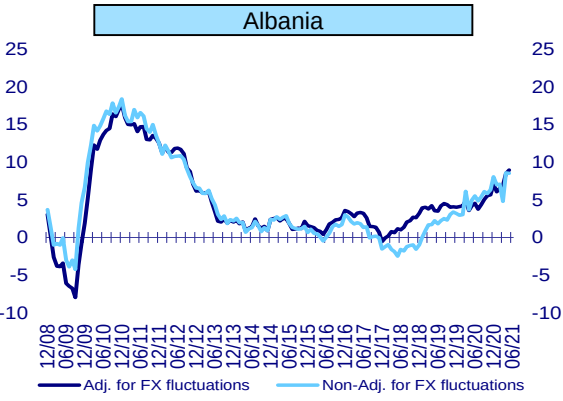
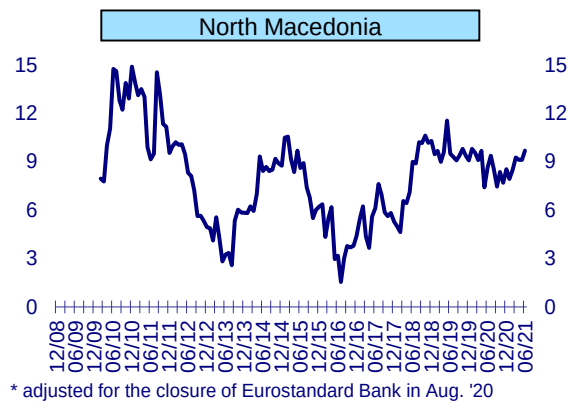
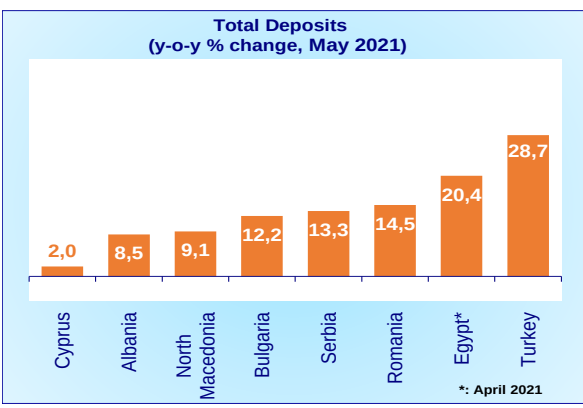
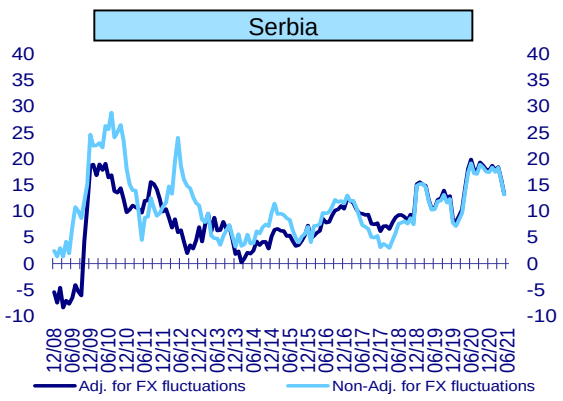
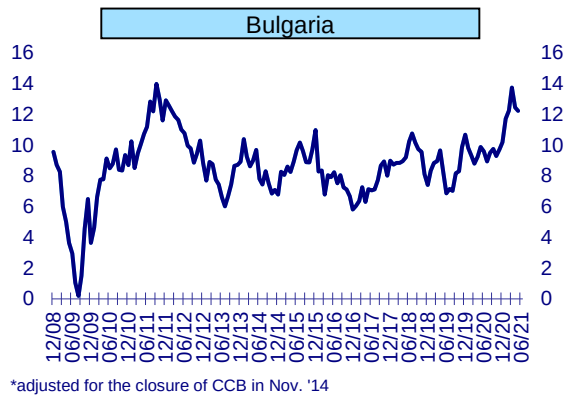
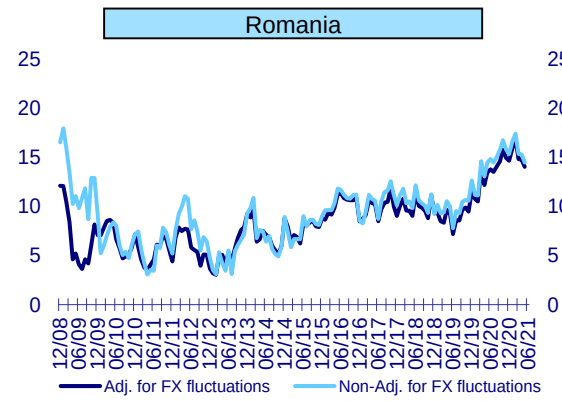
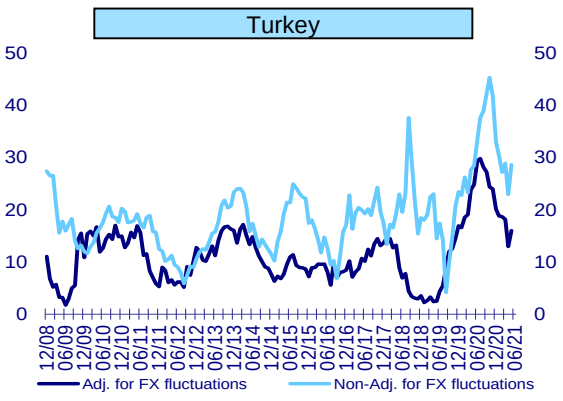


* adjusted for the closure of Eurostandard Bank in Aug. '20



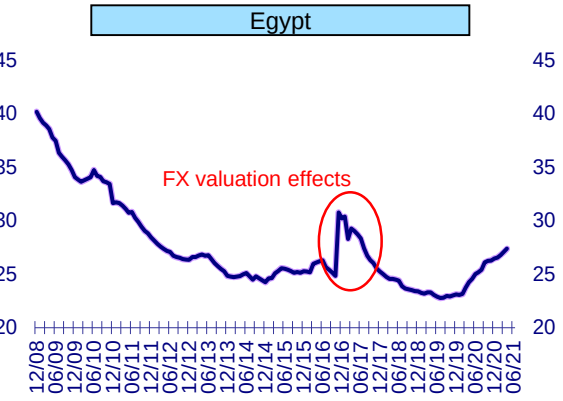
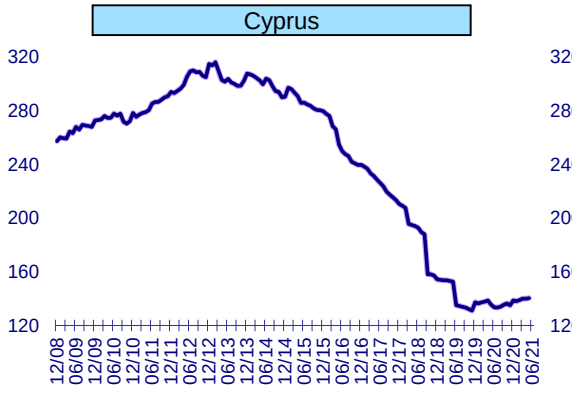
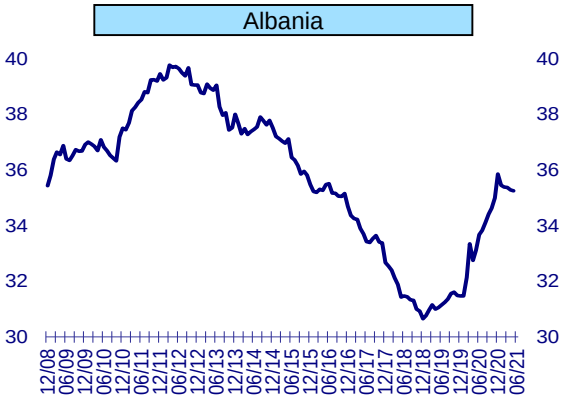
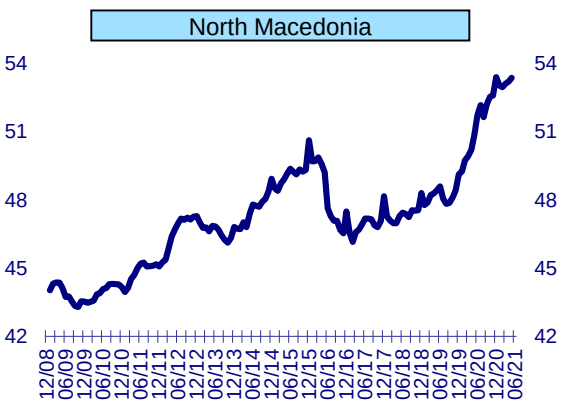
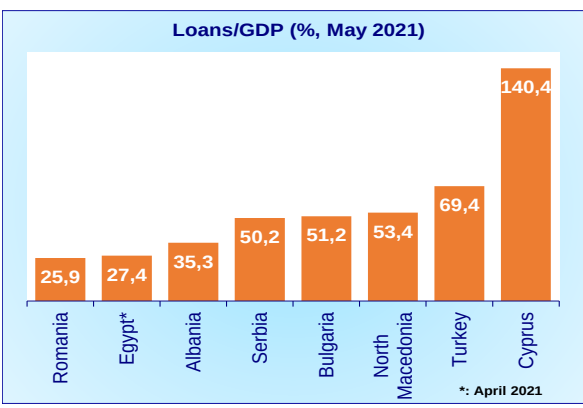
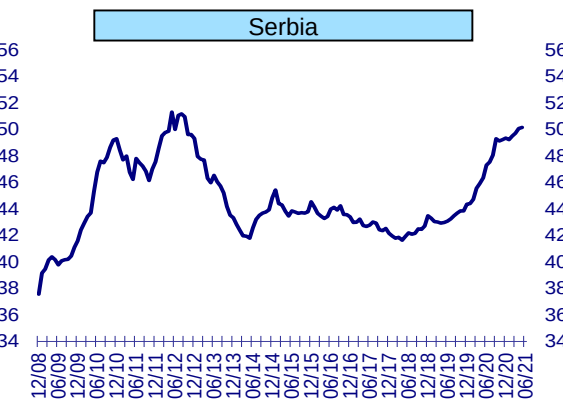
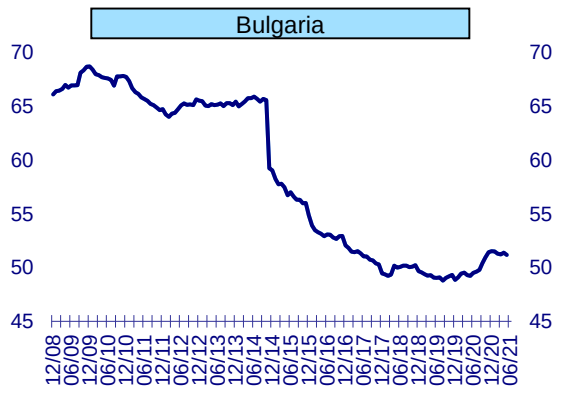
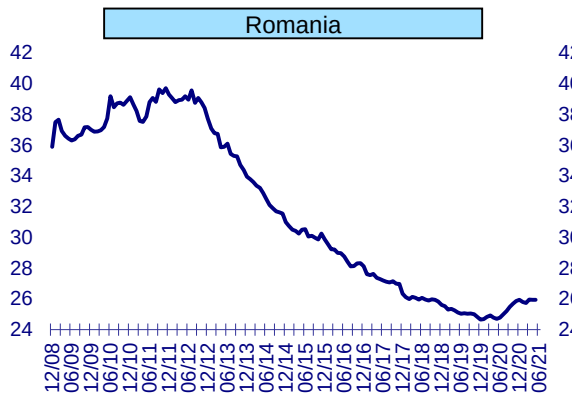
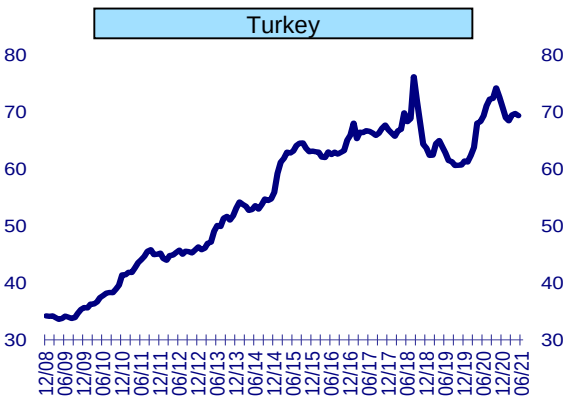
Total deposits (y-o-y % change)

▪ Deposit growth remained robust, surpassing lending growth in all the countries under review, but for Egypt



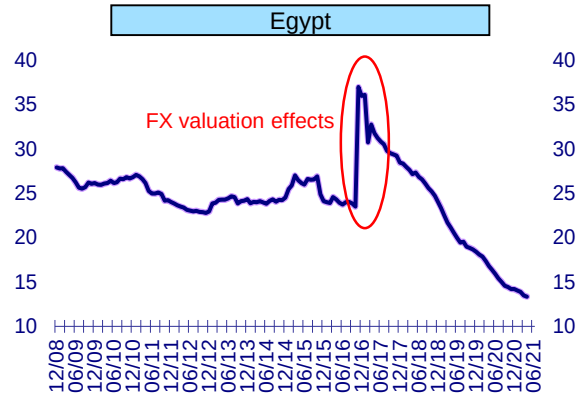
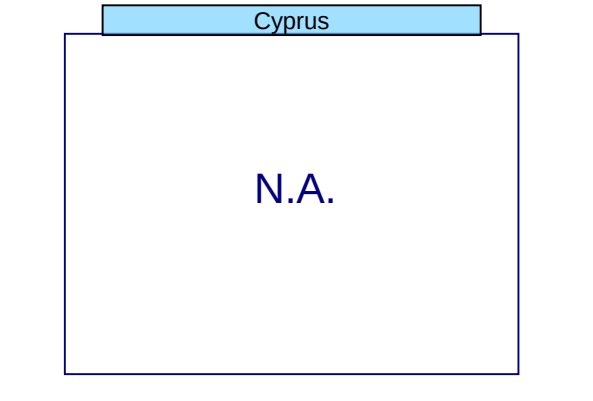
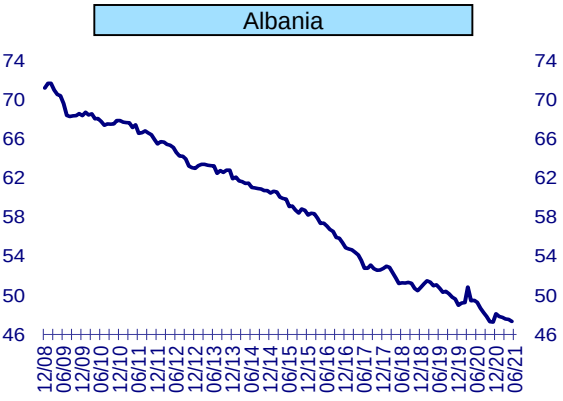
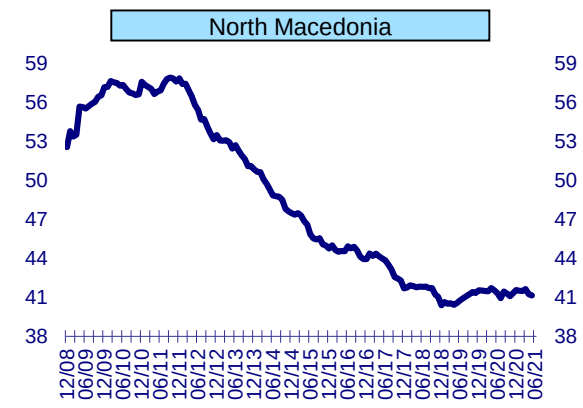
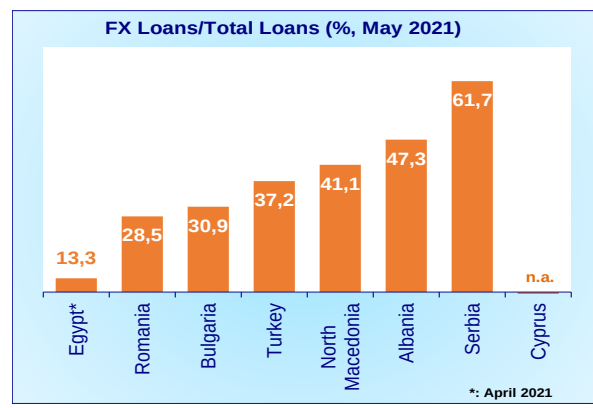
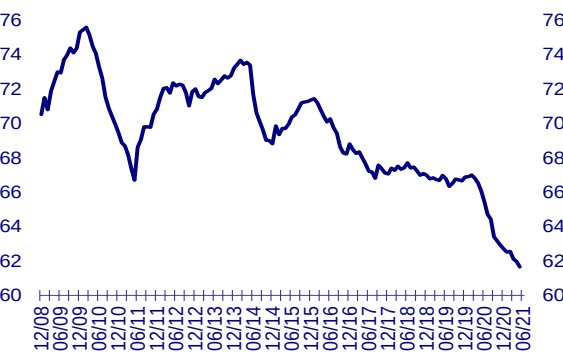
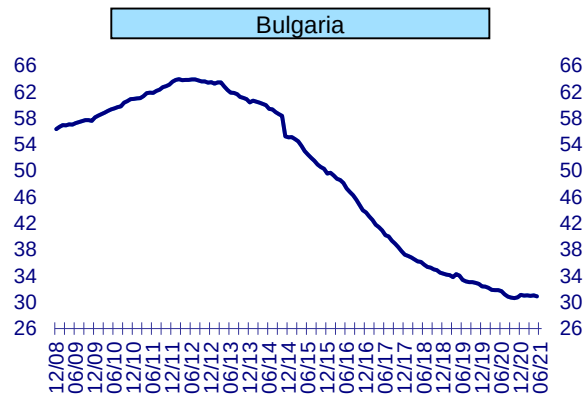
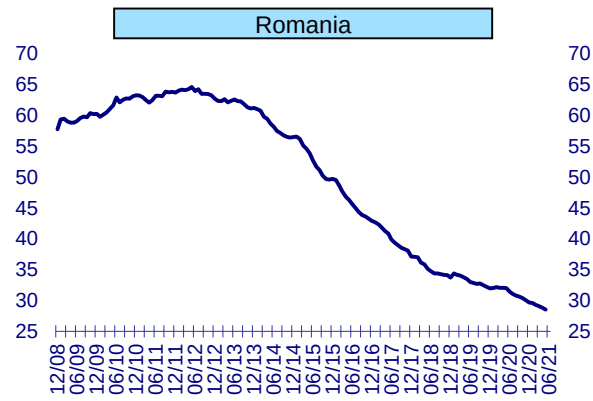
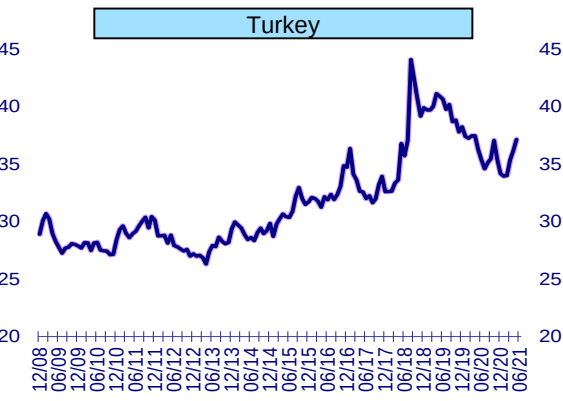
Total loans-to-GDP ratio (%)

- Improving economic growth prospects should allow banks to keep credit flowing, despite the expiry of credit support schemes
- All economies under review, with the exception of Cyprus, are still **underpenetrated in terms of lending**



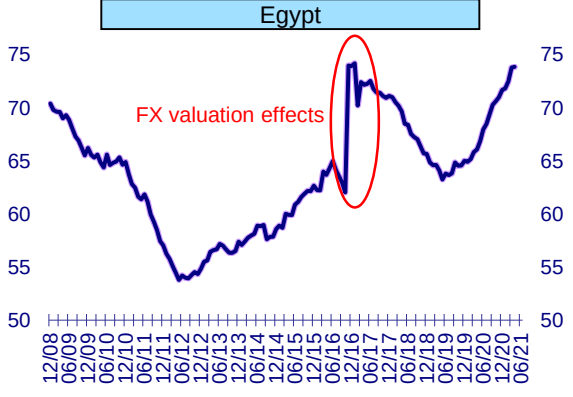
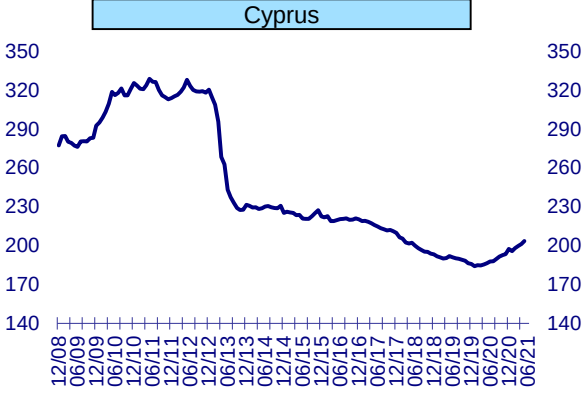
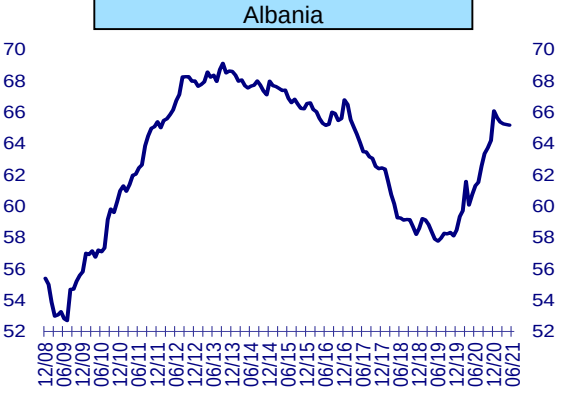
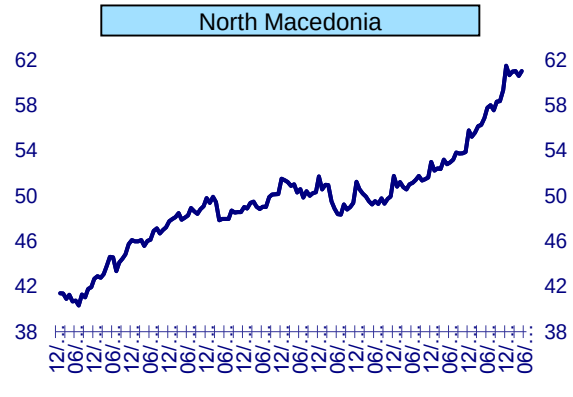
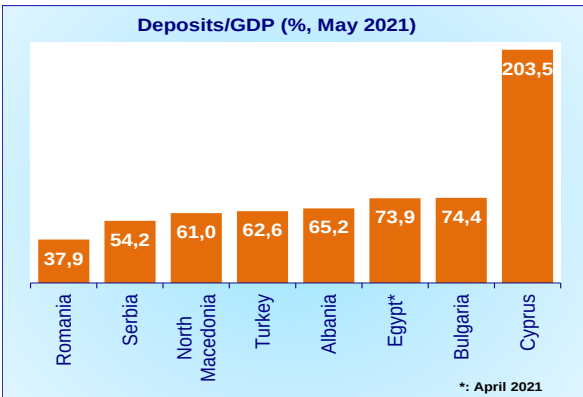
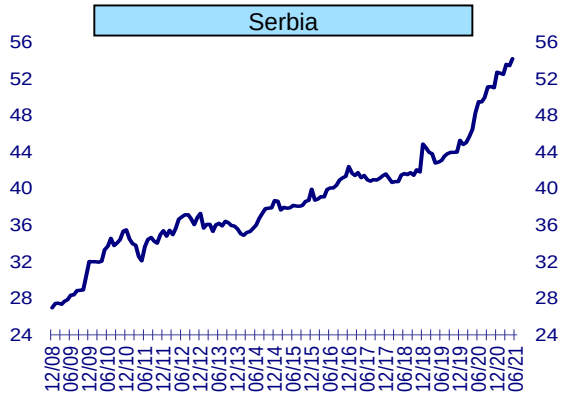
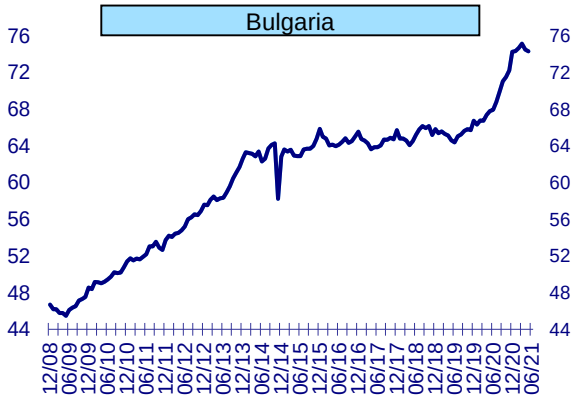
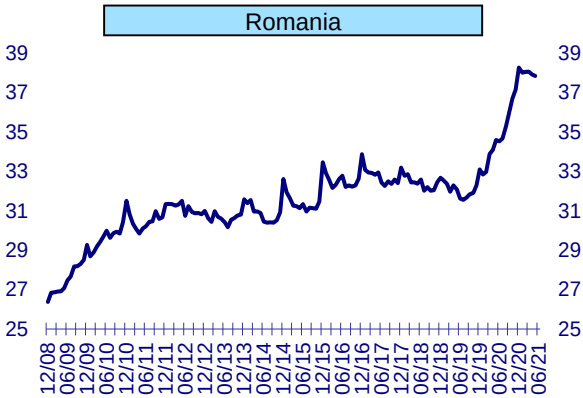
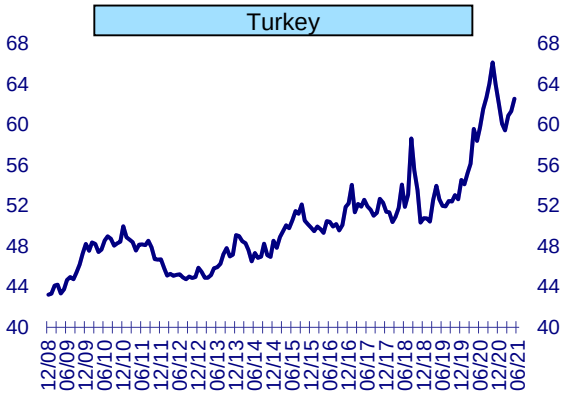
FX loans-to-total loans ratio (%)

Banking systems' reliance on FX financing remains low in most of the countries under review



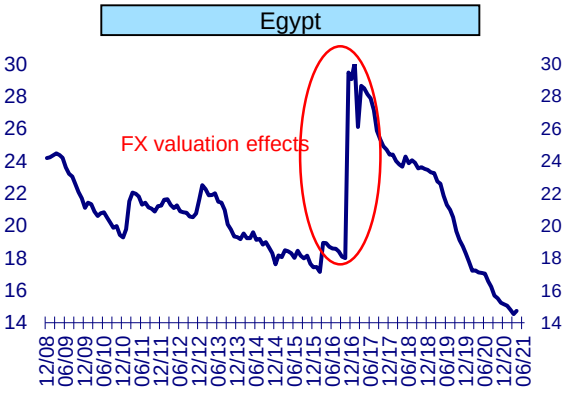
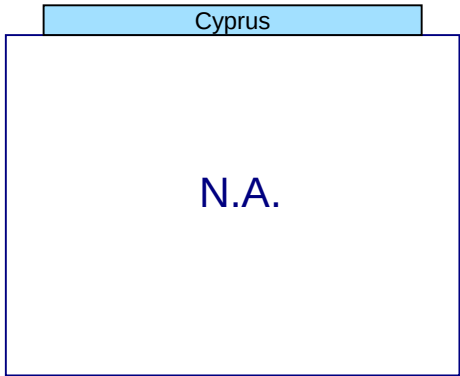
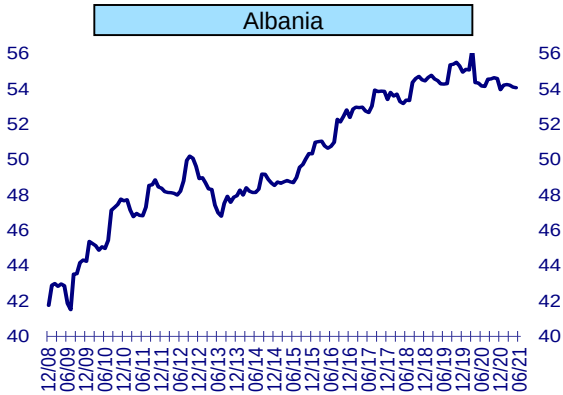
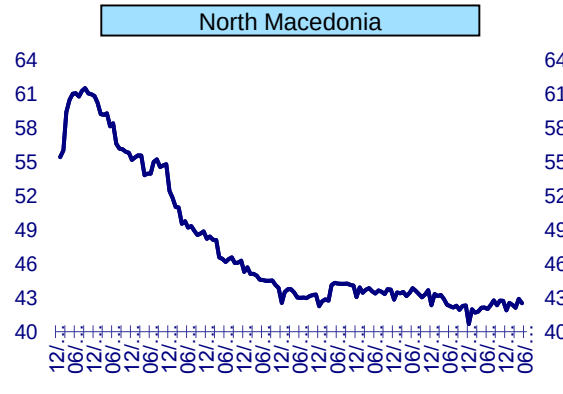
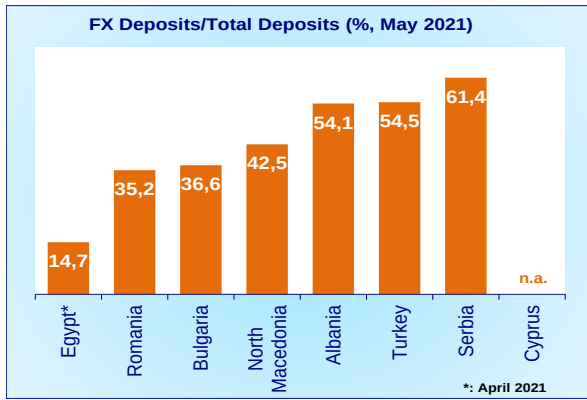
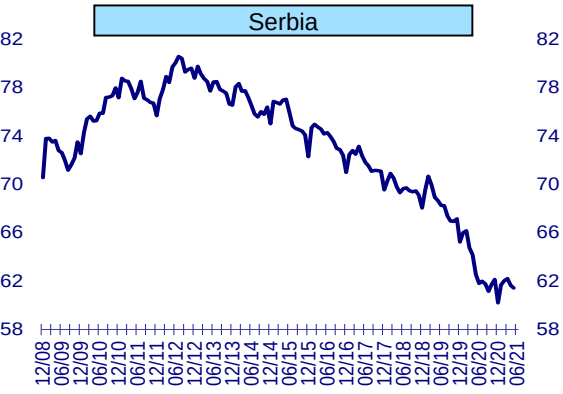
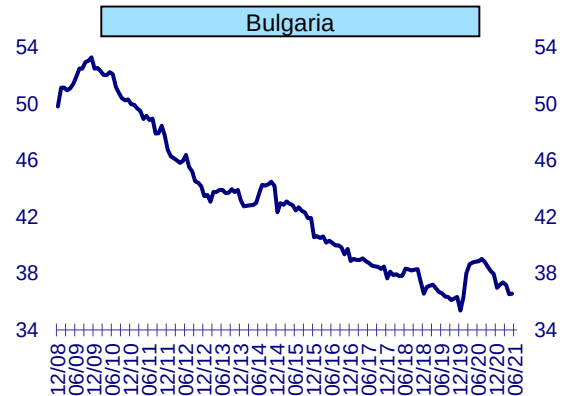
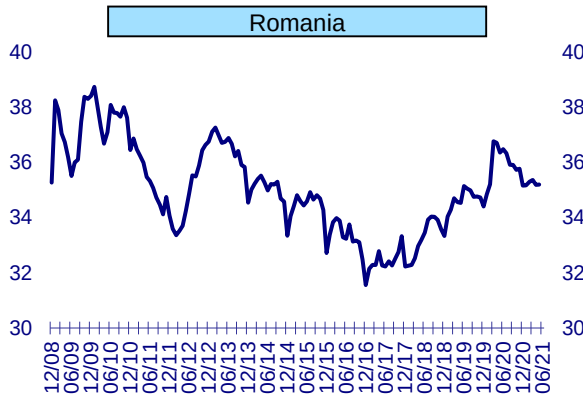
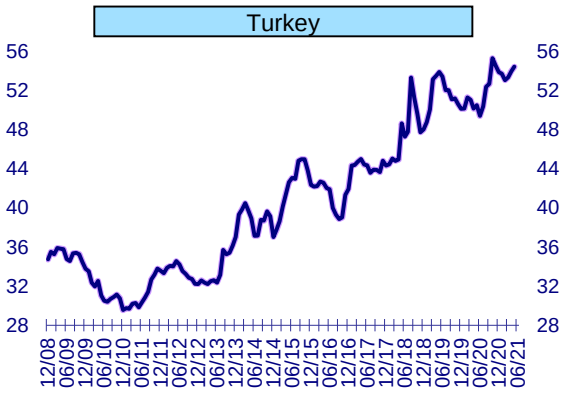
Total deposits-to-GDP ratio (%)

Following a steep rise in 2020, the savings rate is set to gradually return to its pre-COVID-19 levels, reflecting the normalization in spending patterns and expiration of emergency state support schemes



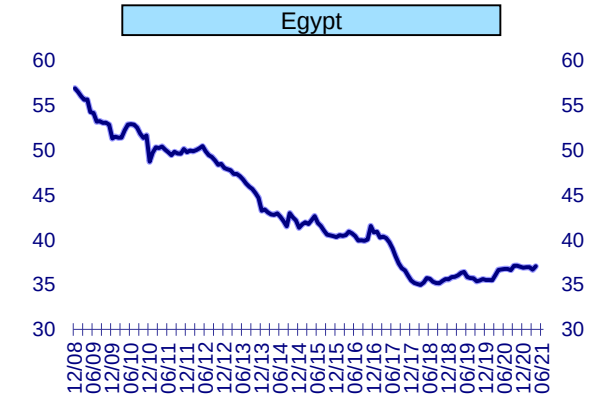
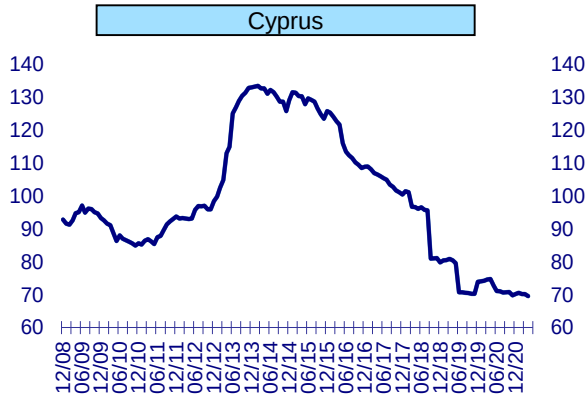
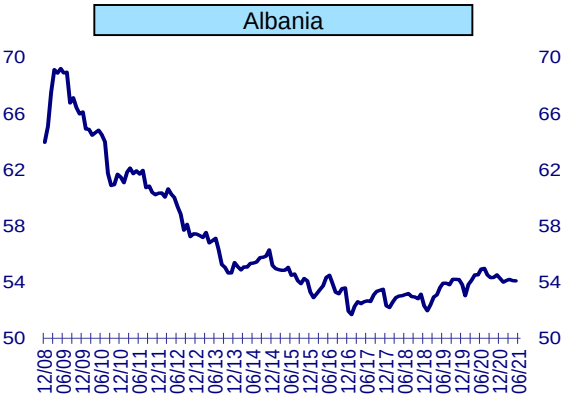
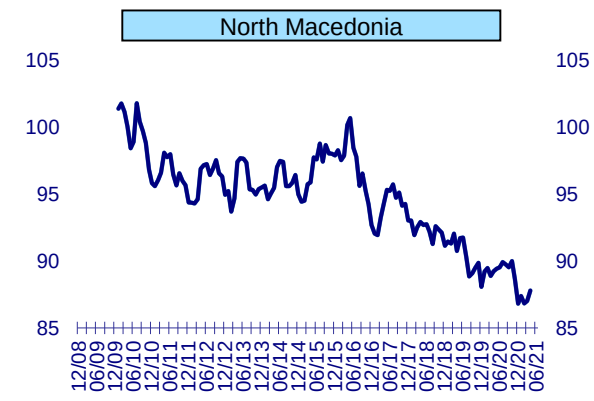
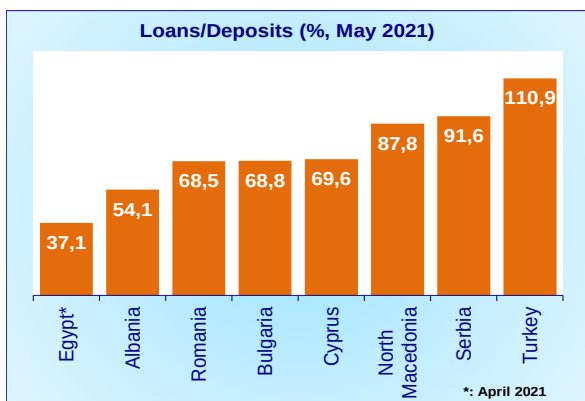
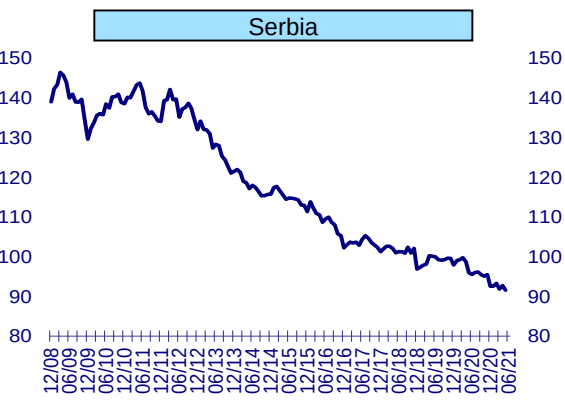
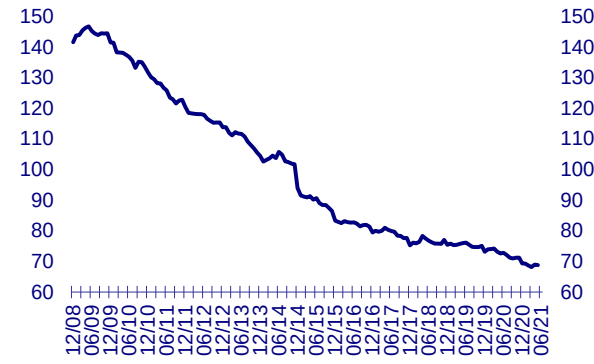
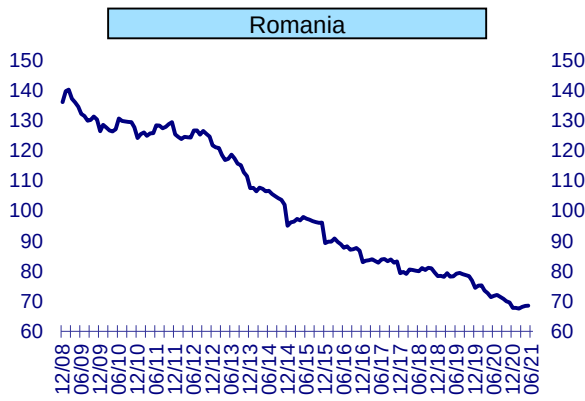
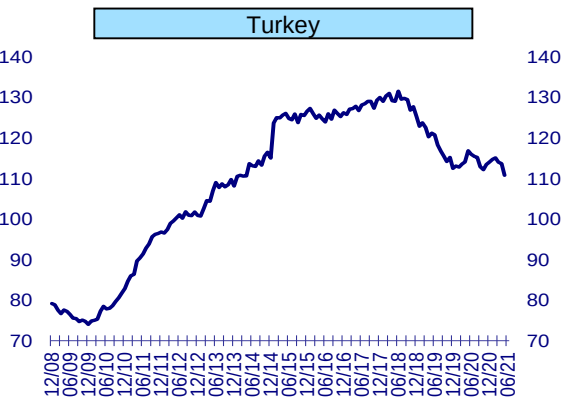
FX deposits-to-total deposits ratio (%)

- The proportion of FX deposits in total deposits is at a similar level to that for loans



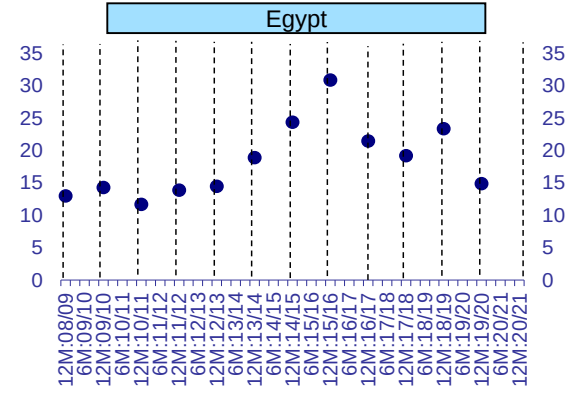
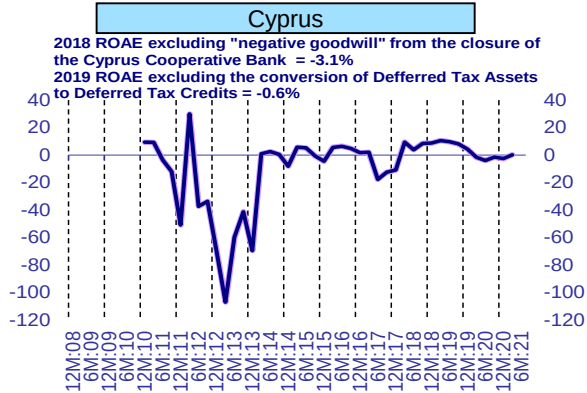
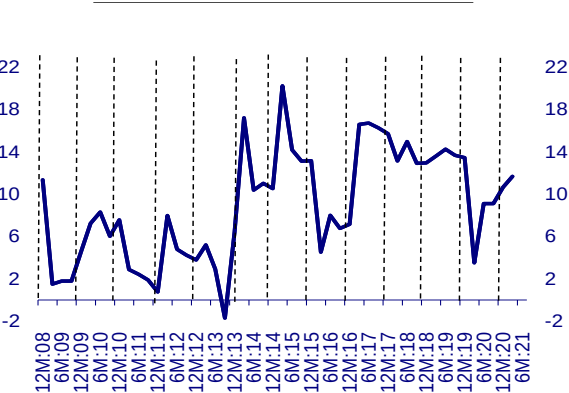
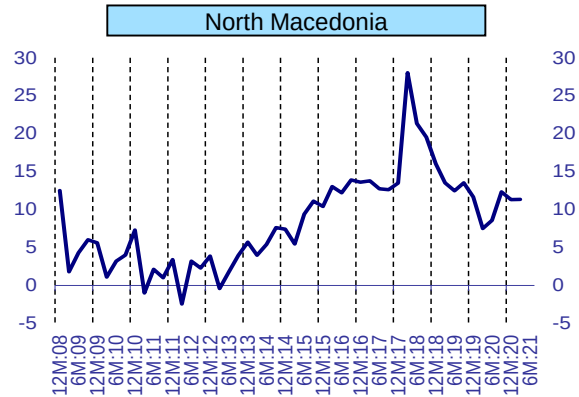
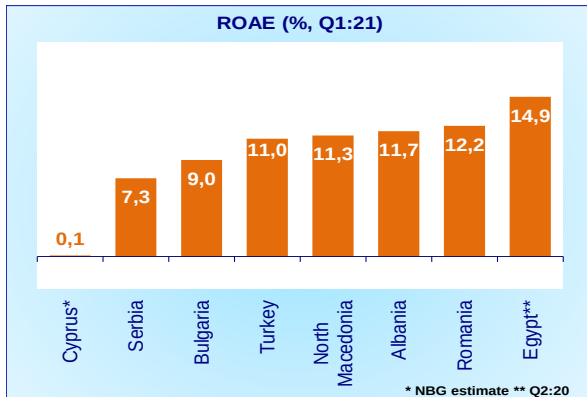
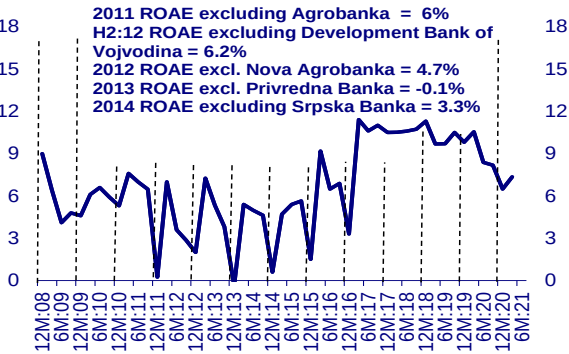
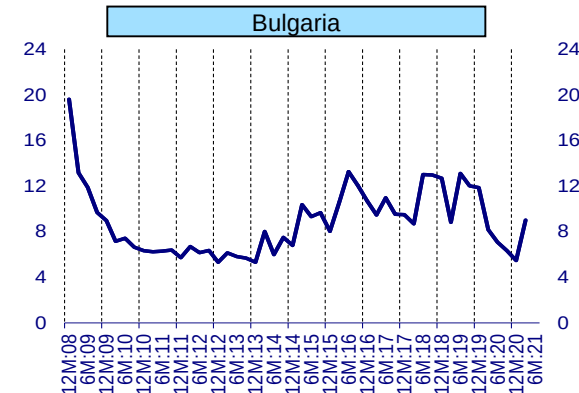
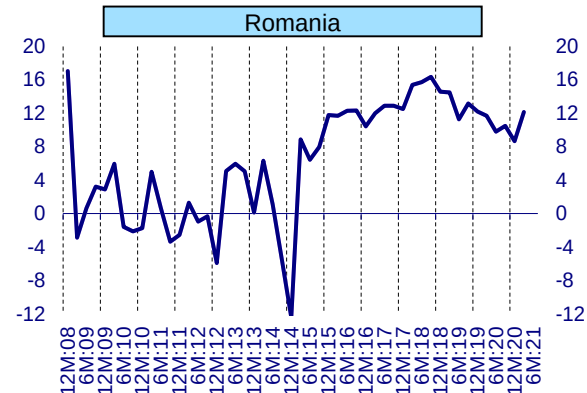
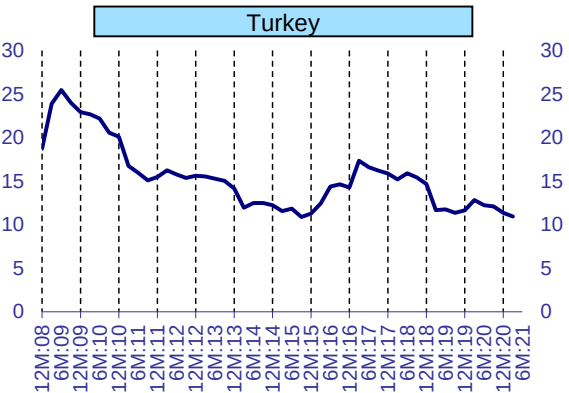
Total loans-to-total deposits ratio (%)

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



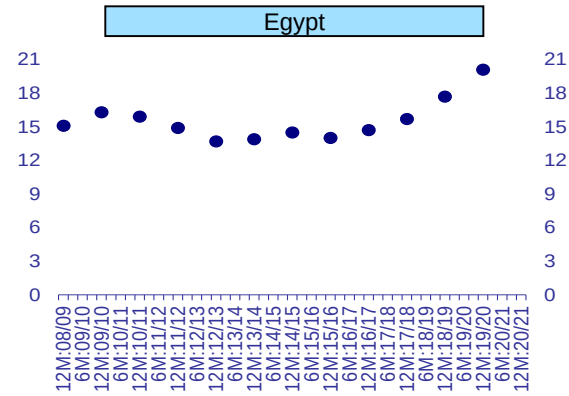
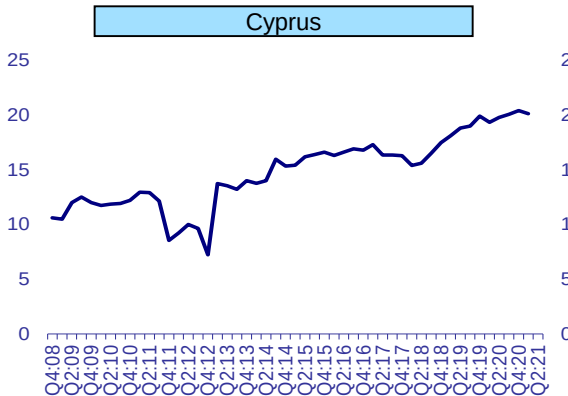
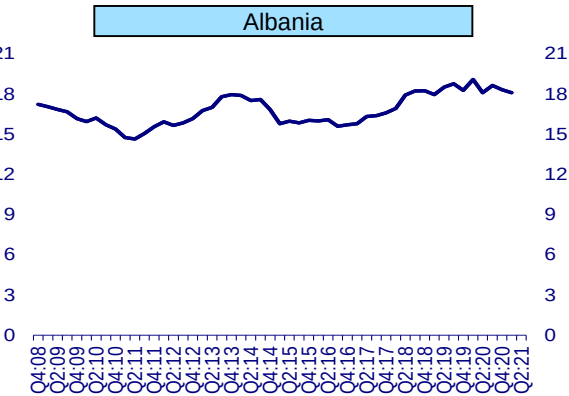
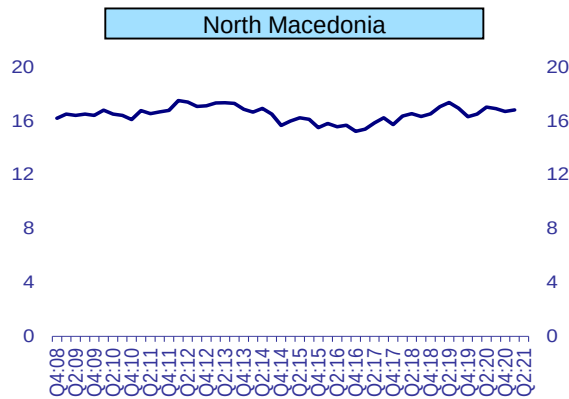
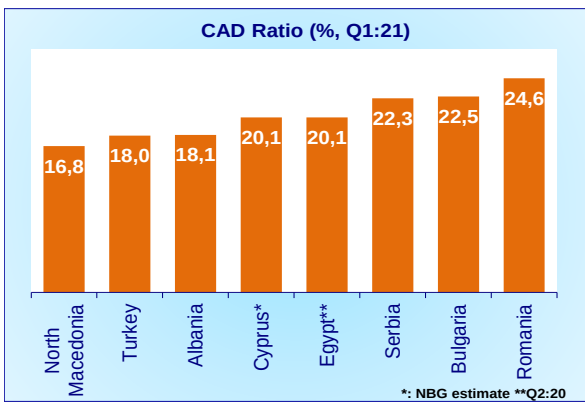
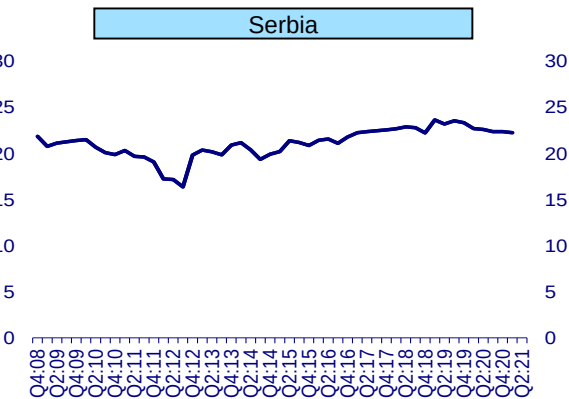
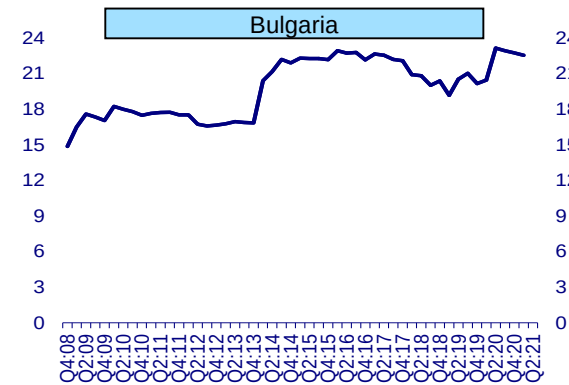
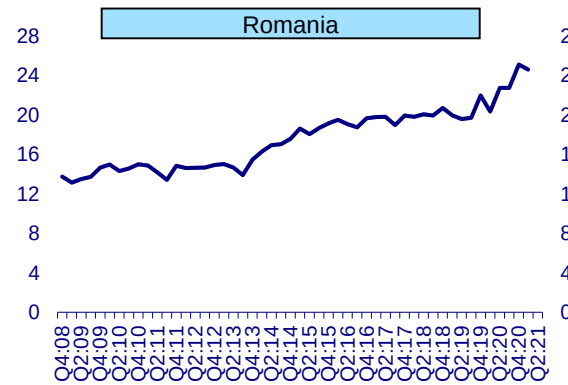
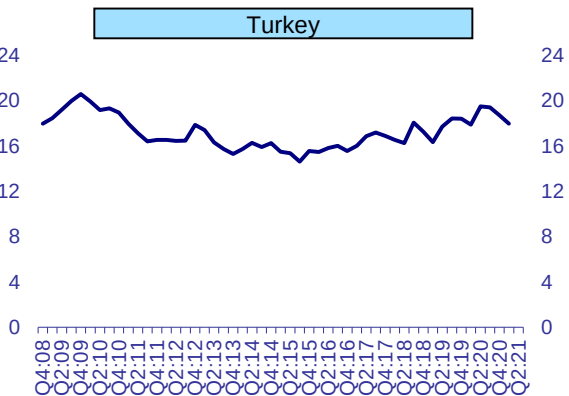
Return-to-average equity ratio (% , cumulative and annualised)

Amid a still weak operating environment, banking system profitability remains under relatively pressure, mainly due to high provisioning needs



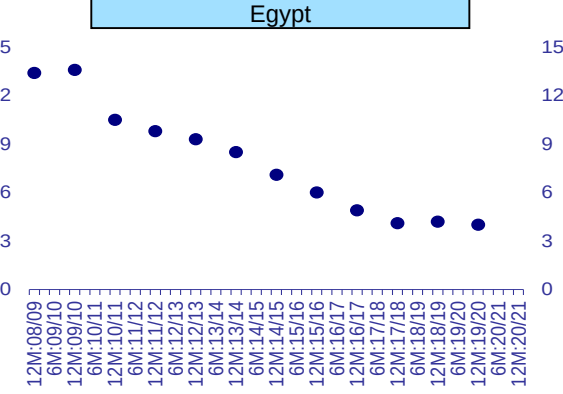
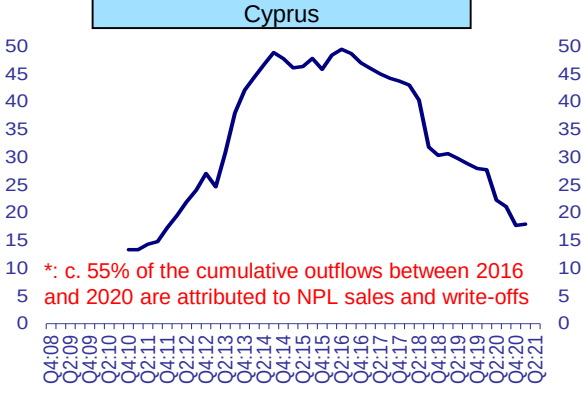
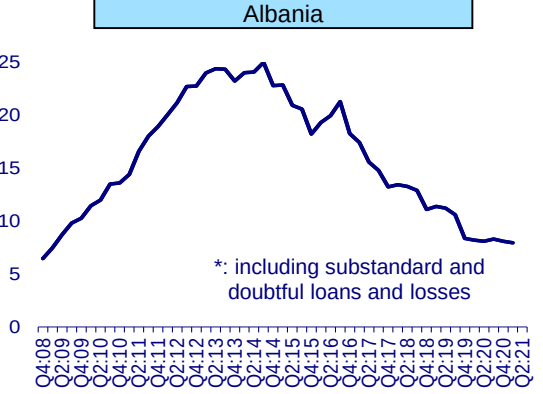
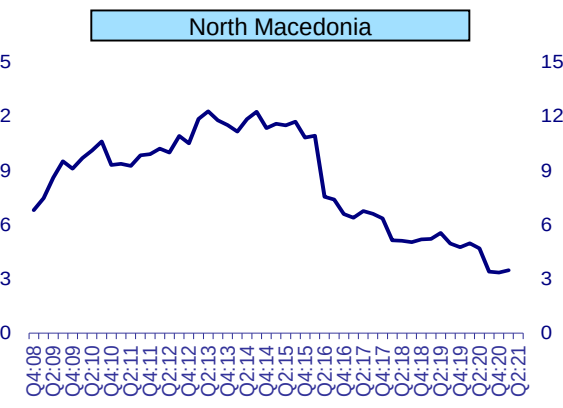
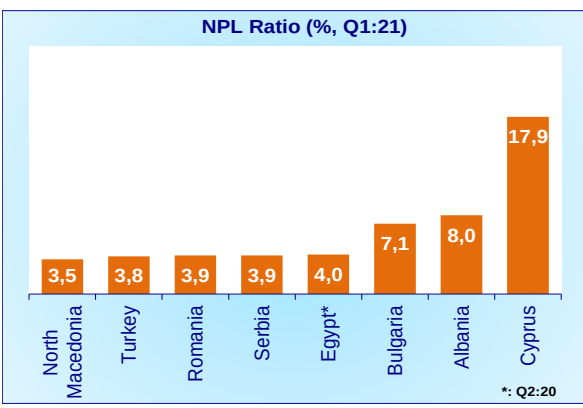
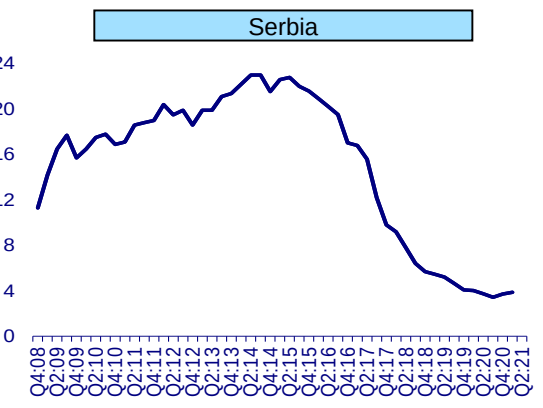
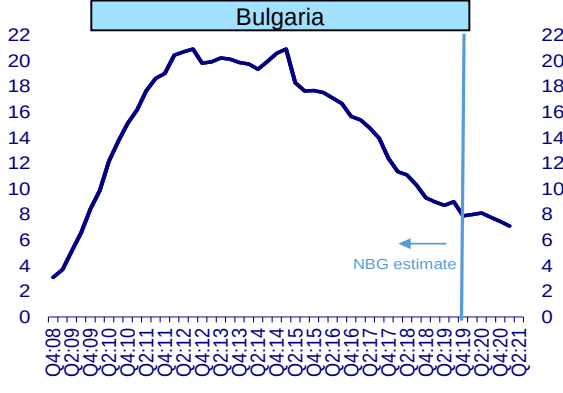
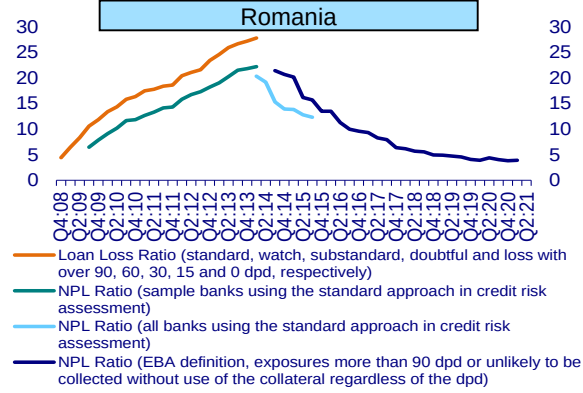
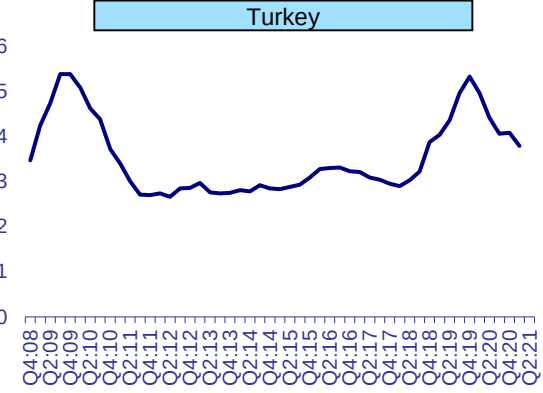
Capital adequacy ratio (%)

Banking systems in all countries under review remain **well-capitalised**



Non-performing loans ratio (%)

- The underlying **deterioration in credit quality is yet to be seen** in most countries under review, due to the **debt moratoria** in place since the outbreak of the pandemic
- These schemes are due to be phased-out by the end of the year



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

Foreign Ownership (% of Total Assets, Dec. 2020)							
Turkey	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus ^a	Egypt ^b
21.5	70.5	76.0	77.9	66.0	69.0	21.1	55.0

^a: 30.06.2019

^b: 31.12.2015

DISCLOSURES: *This report has been produced by the Economic Analysis Division of the National Bank of Greece, which is regulated by the Bank of Greece, and is provided solely for the information of professional investors who are expected to make their own investment decisions without undue reliance on its contents, i.e. only after effecting their own independent enquiry from sources of the investors' sole choice. The information contained in this report does not constitute the provision of investment advice and under no circumstances is it to be used or considered as an offer or an invitation to buy or sell or a solicitation of an offer or invitation to buy or sell or enter into any agreement with respect to any financial asset, service or investment. Any data provided in this report has been obtained from sources believed to be reliable but have to be not been independently verified. In accordance with the Republic of Serbia's national sources, data related to AP Kosovo and Metohia are outside the scope of coverage this report. Because of the possibility of error on the part of such sources, National Bank of Greece does not guarantee the accuracy, timeliness or usefulness of any information. The National Bank of Greece and its affiliate companies, its representatives, its managers and/or its personnel or other persons related to it, accept no liability for any direct or consequential loss arising from any use of this report. The final investment decision must be made by the investor and the responsibility for the investment must be taken by the investor. This report is not directed to, nor intended for distribution to use or used by, any person or entity that is a citizen or resident of or located in any locality, state, country or other jurisdiction where such a distribution, publication, availability or use would be contrary to any law, regulation or rule. The report is protected under intellectual property laws and may not be altered, reproduced or redistributed, to any other party, in whole or in part, without the prior written consent of National Bank of Greece.*