

# Economic Analysis Division

## Emerging Markets Analysis

### Quarterly Chartbook



## Q3:2018

Turkey Romania Bulgaria Serbia FYROM Albania Cyprus Egypt

#### NBG - Economic Analysis Division

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#### Emerging Markets Analysis

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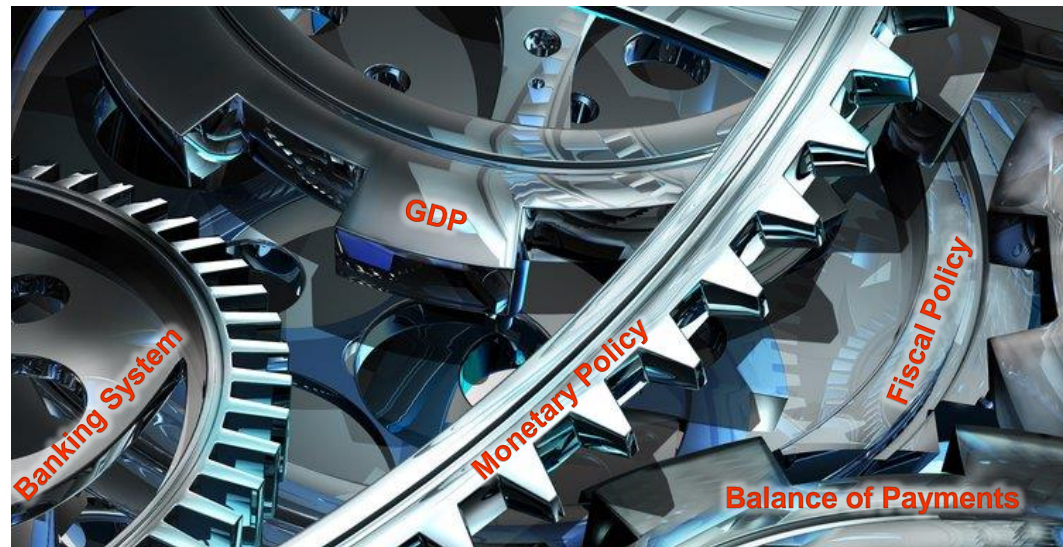
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**Republic of Turkey**




Population (2017, mn): 80.8  
 GDP (2017, EUR, bn): 754.1  
 GDP per Capita (2017, EUR): 9,332  
 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 (2017, mn): 19.9  
 GDP (2017, EUR, bn): 188.0  
 GDP per Capita (2017, EUR): 9,429  
 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 (2017, mn): 7.1  
 GDP (2017, EUR, bn): 50.4  
 GDP per Capita (2017, EUR): 7,148  
 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 (2017, mn): 7.0  
 GDP (2017, EUR, bn): 36.8  
 GDP per Capita (2017, EUR): 5,230  
 Government type: Parliamentary Republic  
 Chief of state: Aleksandar VUCIC  
 Head of Government: Ana BRNABIC  
 Minister of Finance: Sinisa MALI  
 Central Bank Governor: Jorgovanka TABAKOVIC



**Former Yugoslav Republic of Macedonia**




Population (2017, mn): 2.1  
 GDP (2017, EUR, bn): 10.1  
 GDP per Capita (2017, EUR): 4,860  
 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 (2017, mn): 2.9  
 GDP (2017, EUR, bn): 11.6  
 GDP per Capita (2017, EUR): 4,036  
 Government type: Parliamentary Republic  
 Chief of state: Ilir META  
 Head of Government: Edi RAMA  
 Minister of Finance: Arben AHMETAJ  
 Central Bank Governor: Gent SEJKO



**Republic of Cyprus**



Population (2017, mn): 0.85  
 GDP (2017, EUR, bn): 19.6  
 GDP per Capita (2017, EUR): 22,944  
 Government type: Presidential Republic without PM  
 Chief of state: Nicos ANASTASIADES  
 Head of Government: Nicos ANASTASIADES  
 Minister of Finance: Harris GEORGIADIS  
 Central Bank Governor: Chrystalla GEORGHADJI



**Arab Republic of Egypt**



Population (2017, mn): 94.8  
 GDP (2017, EUR, bn): 217.6  
 GDP per Capita (2017, EUR): 2,296  
 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 prudence ahead of the March 2019 local elections is key to preserving economic and financial stability

Date of Next Elections								
	Turkey	Romania	Bulgaria	Serbia	FYROM	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 mid-November, the IMF and Egyptian authorities are expected to reach a staff-level agreement (SLA) on the fourth review of Egypt's economic reform programme, which is supported by the IMF's USD 12bn arrangement. The IMF Executive Board's approval of this review, likely in December, would provide access to c. USD 2bn, bringing total disbursements under the programme to c.USD 10bn

IMF & EU Financial Support (EUR bn)														
		Turkey	Romania			Bulgaria	Serbia				FYROM	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	8.0**
	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	---

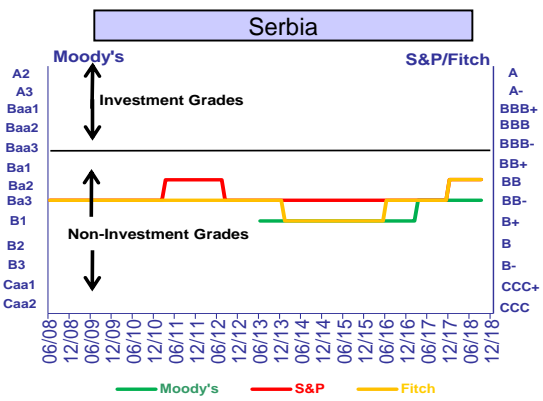
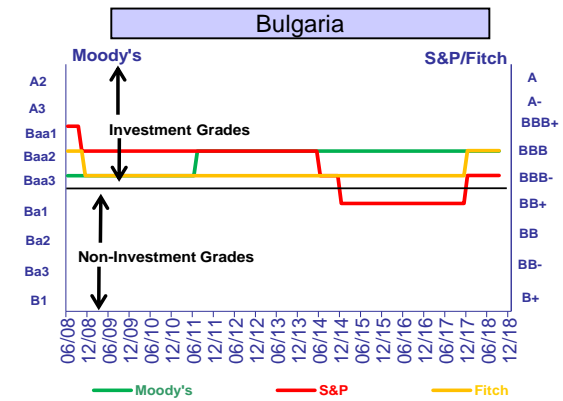
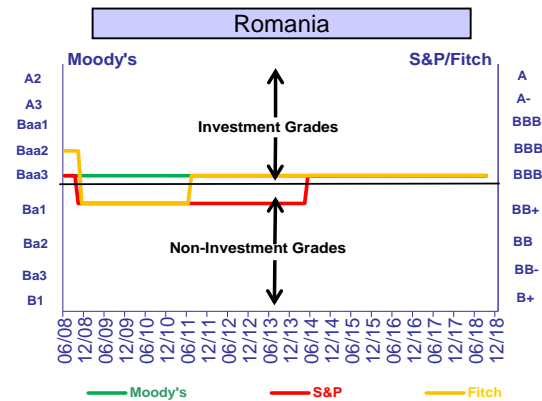
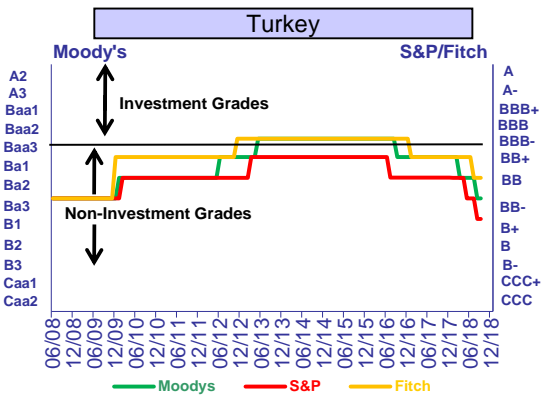
\* Precautionary

\*\* Non-financing Policy Coordination Instrument

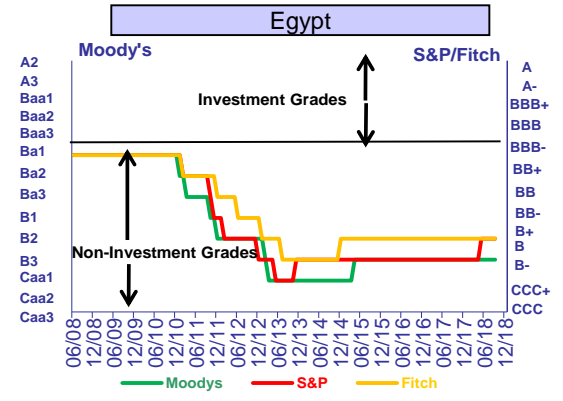
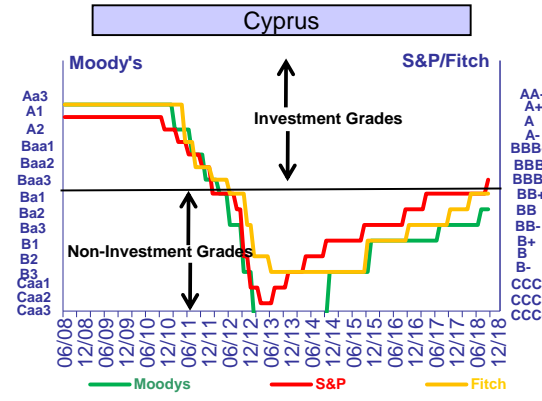
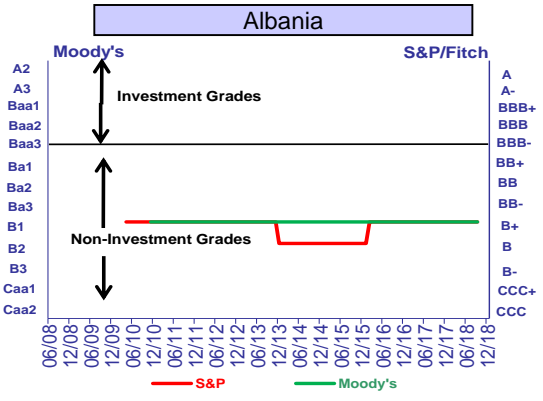
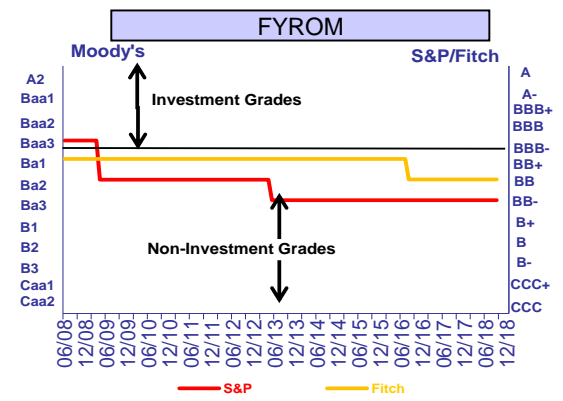
\*\*\* bn USD

# Foreign currency credit rating

Since the beginning of the year: i) Cyprus' credit rating was upgraded by 1 notch by Fitch to BB+, Moody's to Ba2 and S&P to BBB- (investment grade); ii) Egypt's credit rating was raised 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

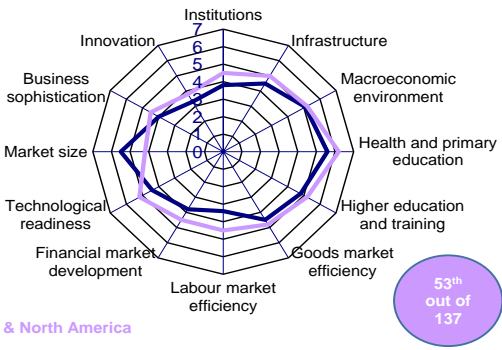


Long-Term Foreign Debt Currency Ratings, September 2018				
	S&P	Moody's	Fitch	
Investment Grades	A+			
	A			
	A-			
	BBB+			
	BBB	Bulgaria, Romania, Cyprus	Bulgaria	Bulgaria
	BBB-	Bulgaria, Romania, Cyprus	Romania	Romania
Non-Investment Grades	BB+		Cyprus	
	BB	Serbia	Cyprus	FYROM, Serbia, Turkey
	BB-	FYROM	Serbia, Turkey	
	B+	Albania, Turkey	Albania	
	B	Egypt		Egypt
	B-	Egypt		
CCC+				

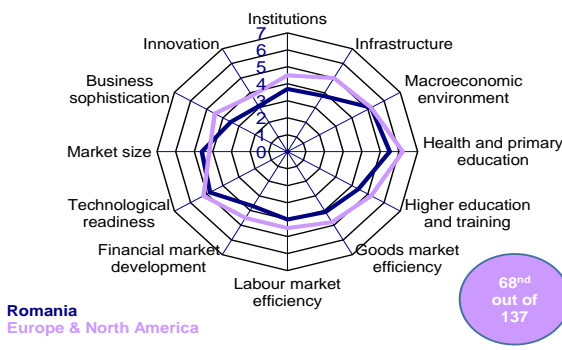


According to the latest WEF's GCI, Bulgaria is the most competitive among the countries under review

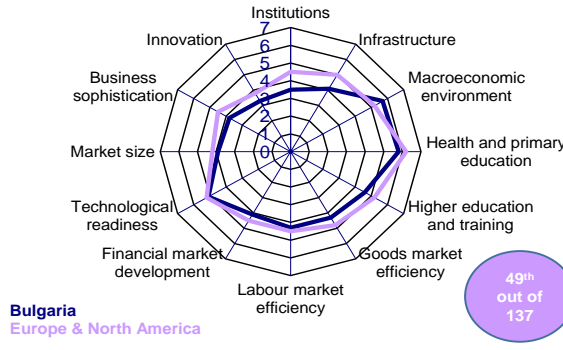
## Turkey



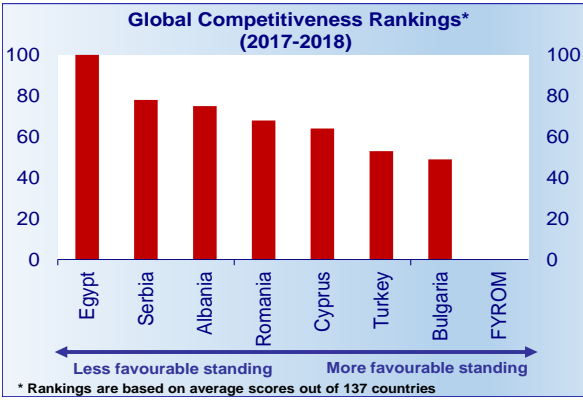
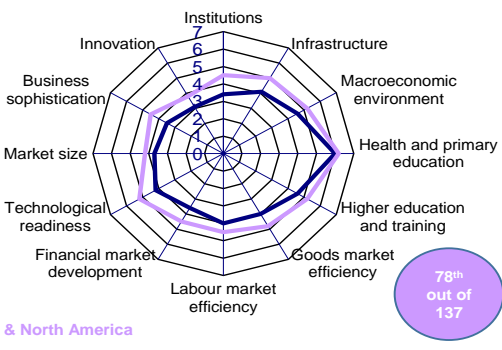
## Romania



## Bulgaria



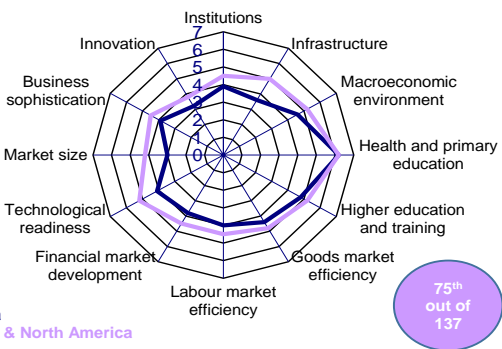
## Serbia



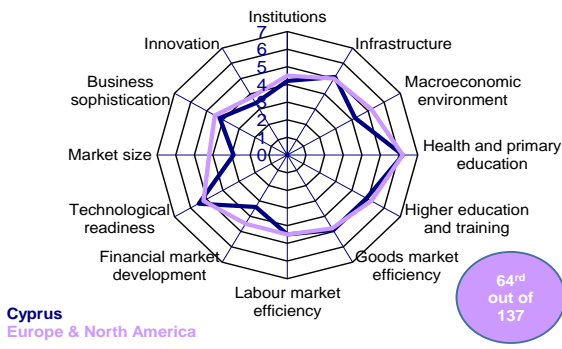
## FYROM

Not Ranked due to Lack of Data

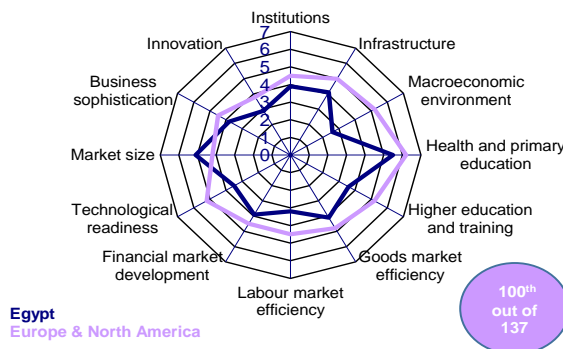
## Albania



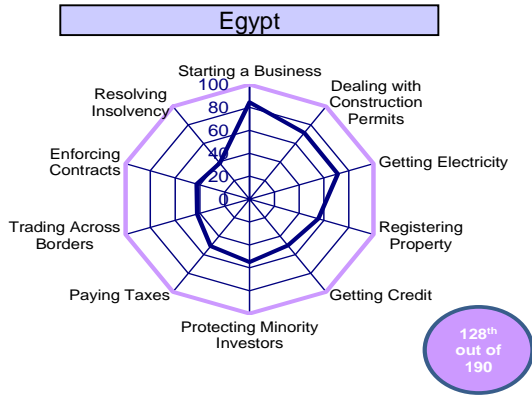
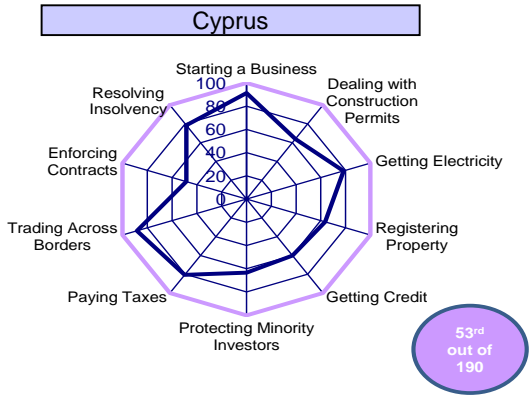
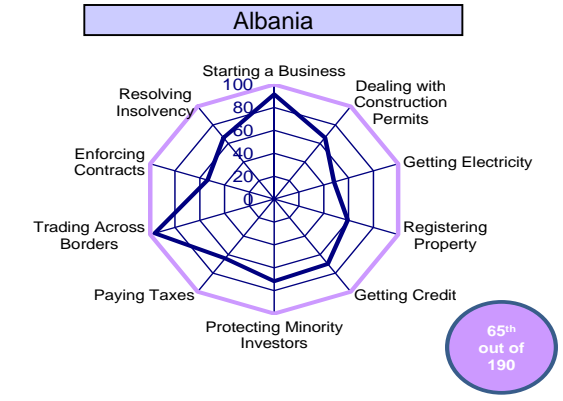
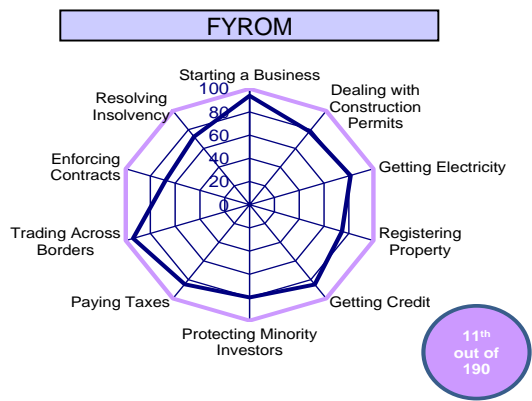
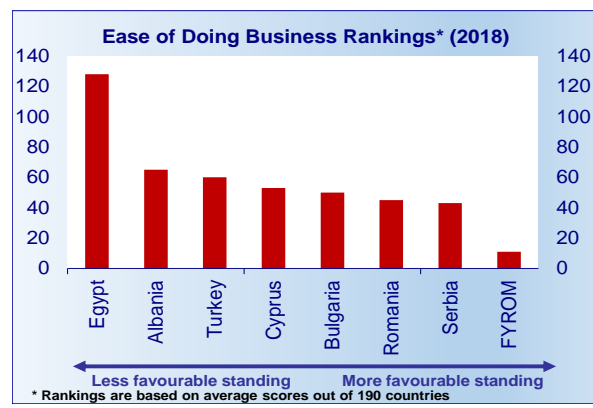
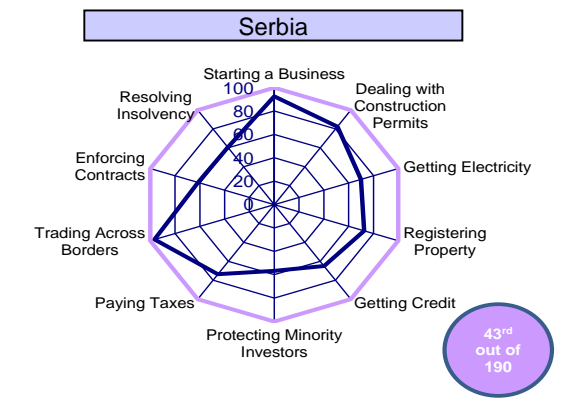
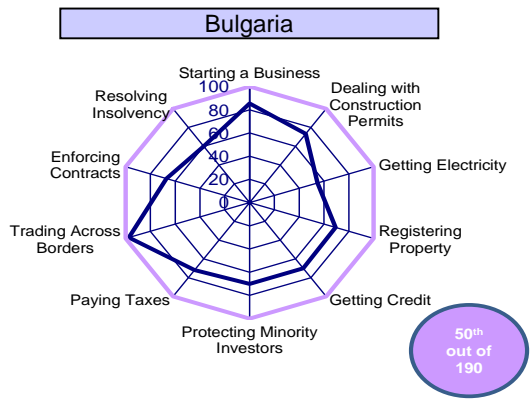
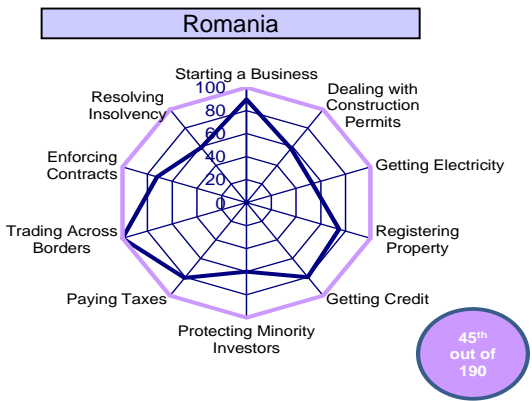
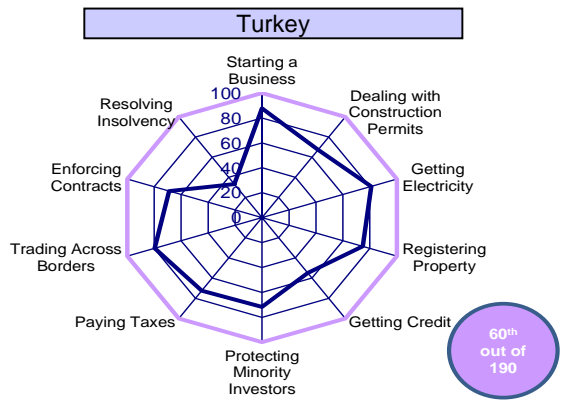
## Cyprus



## Egypt



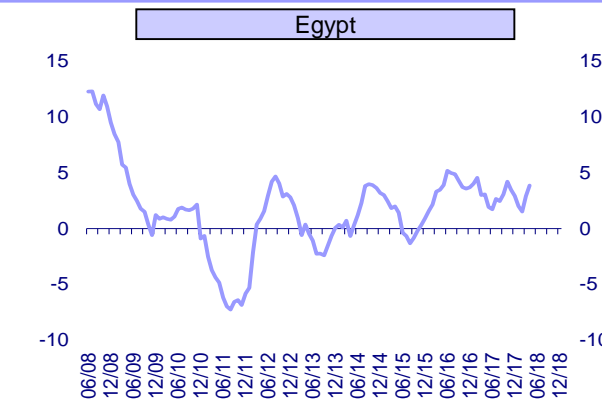
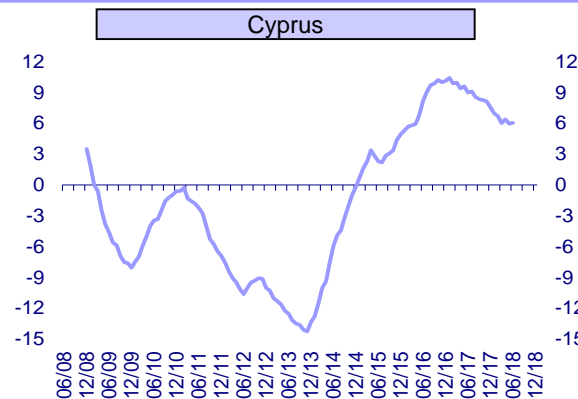
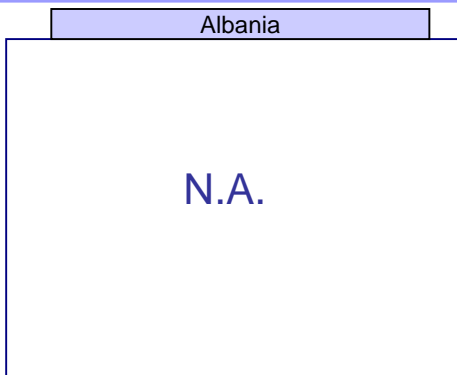
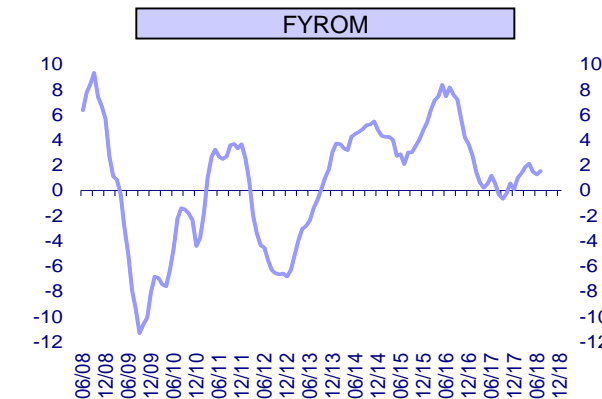
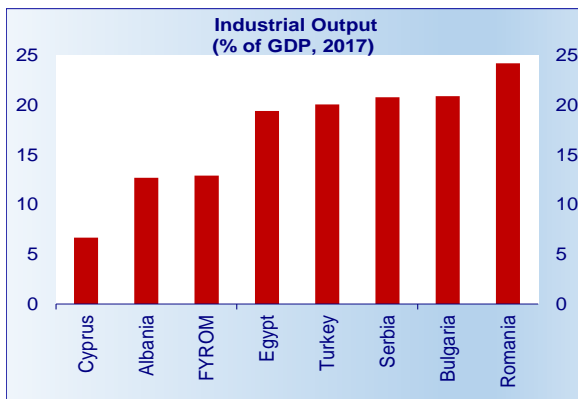
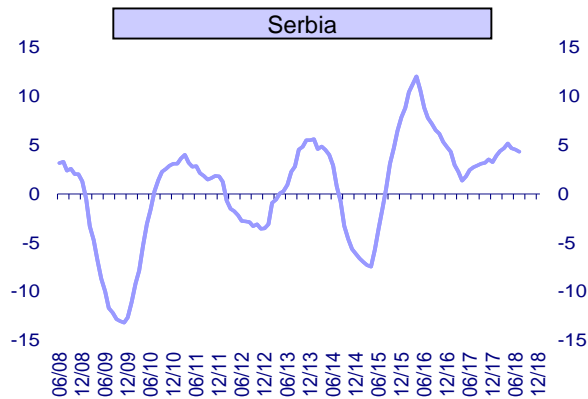
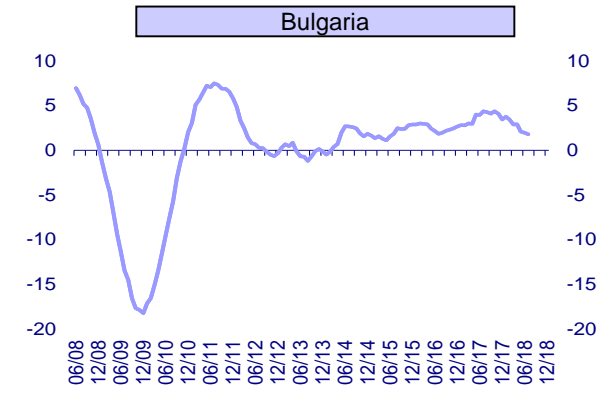
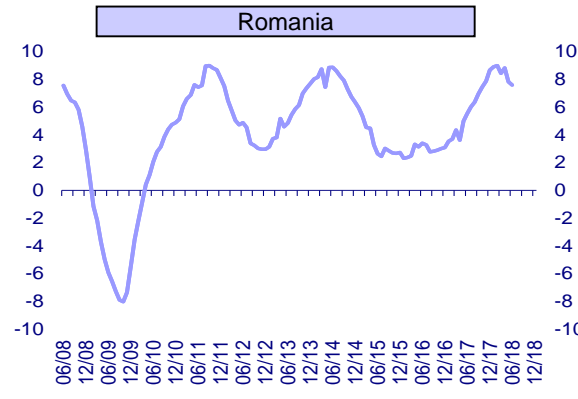
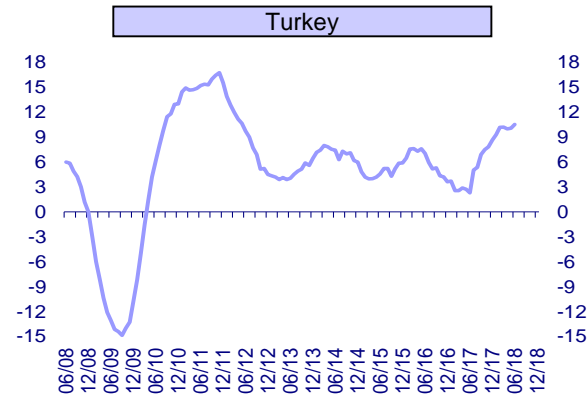
The latest WB's EDBI shows FYROM has the most favourable standing among the countries under review





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

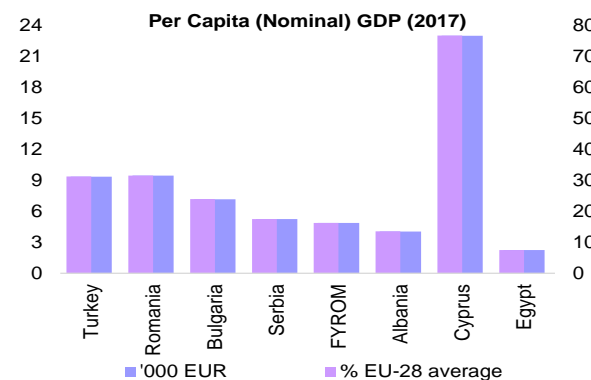
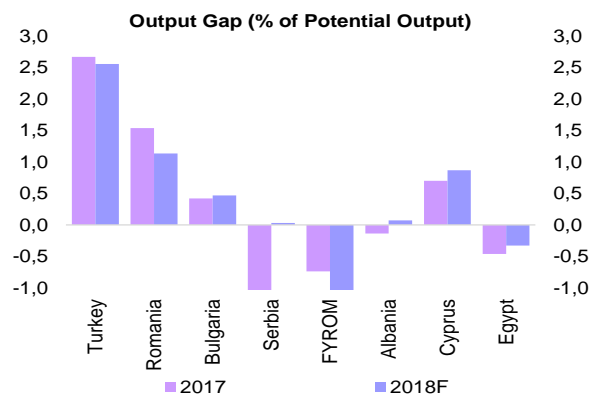
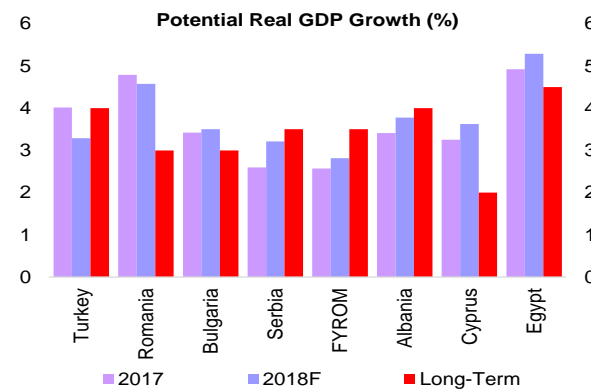
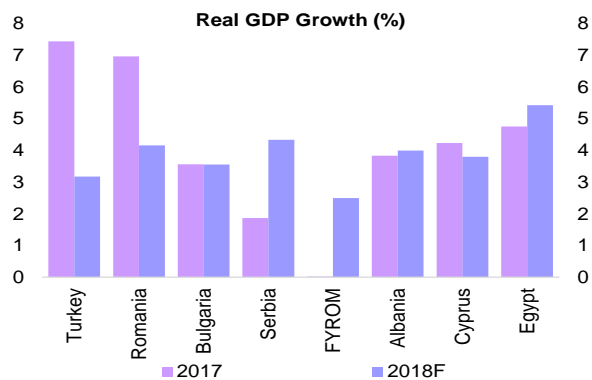
The contribution of industrial output to gross value added growth has improved markedly since July 2017 in Turkey, Romania and Serbia



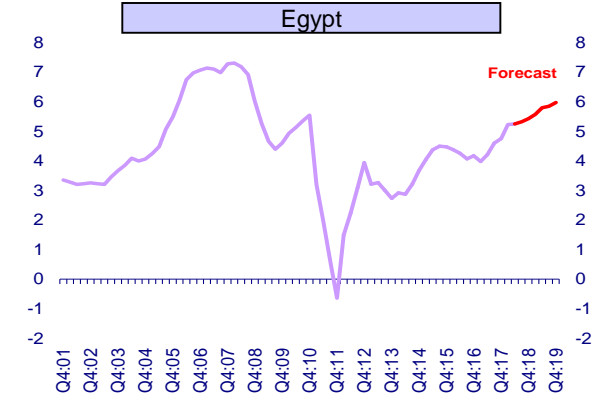
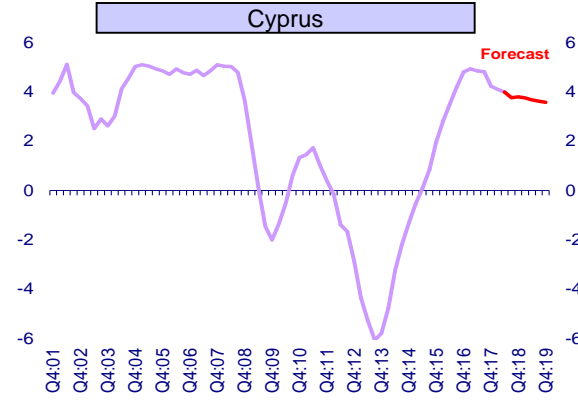
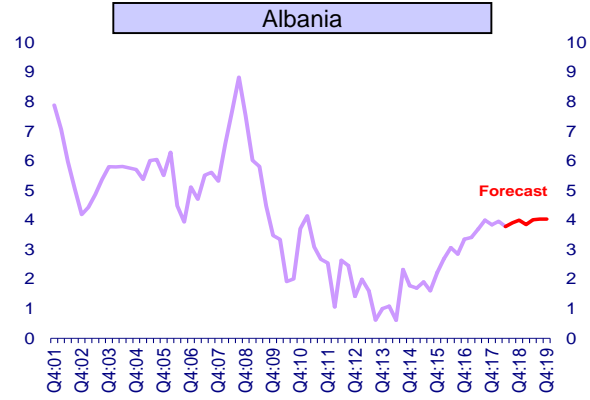
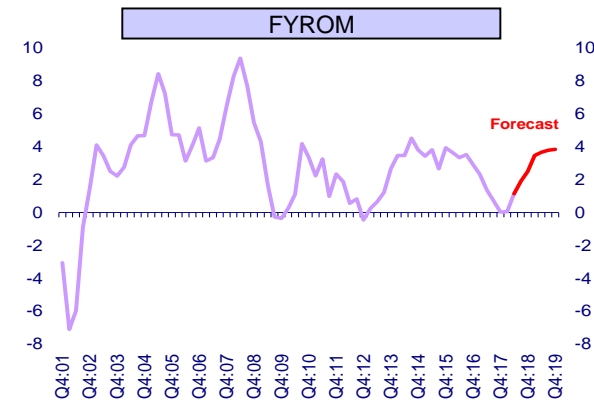
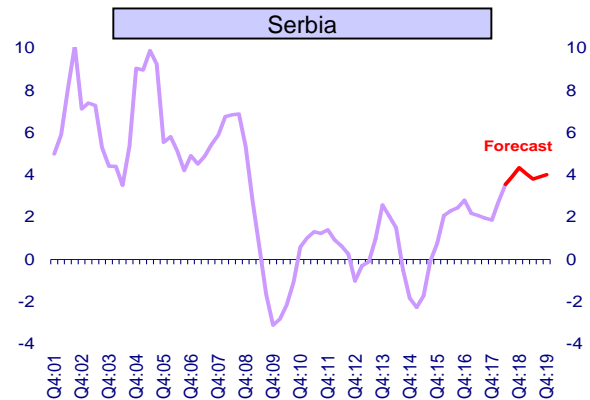
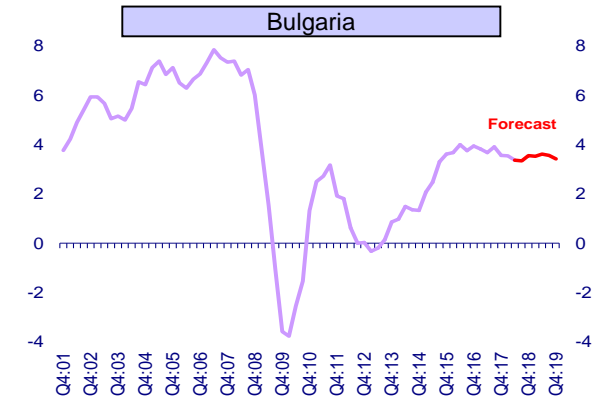
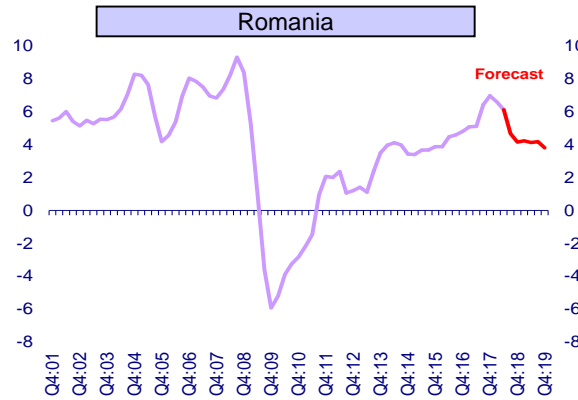
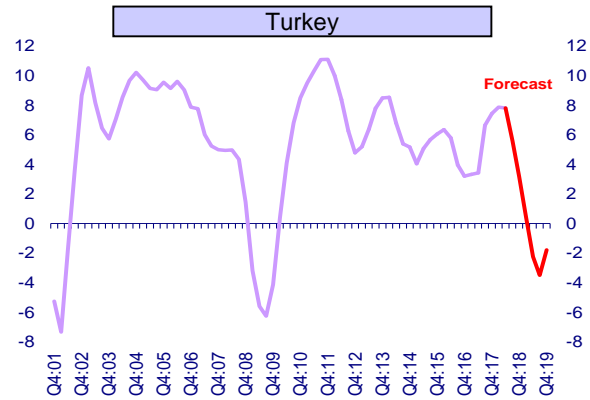
All economies under review are set to post solid growth this year (higher than 2.4%)

This year's growth is expected to surpass its potential in all economies under review, with the exception of Turkey and Romania

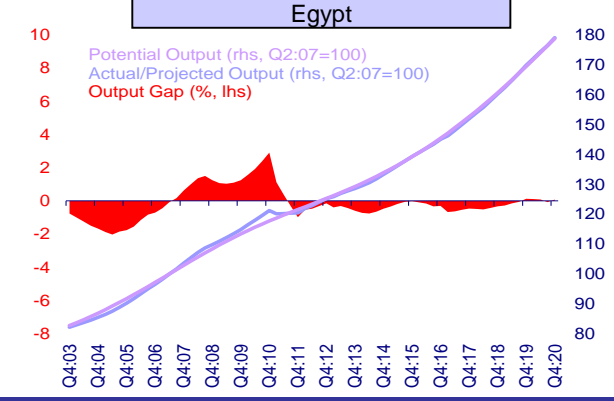
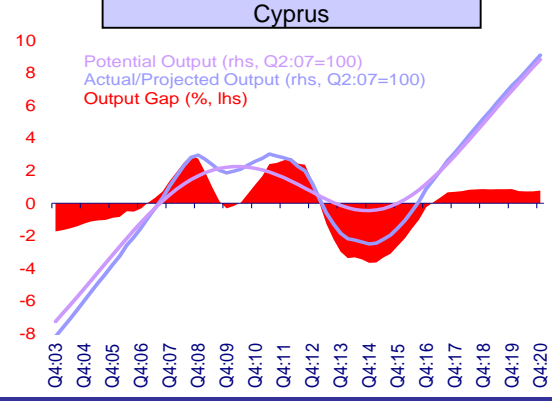
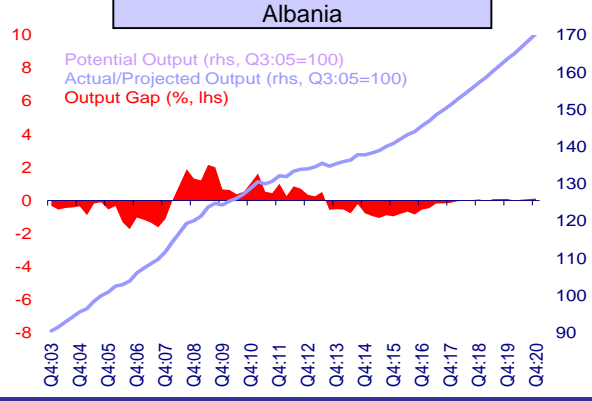
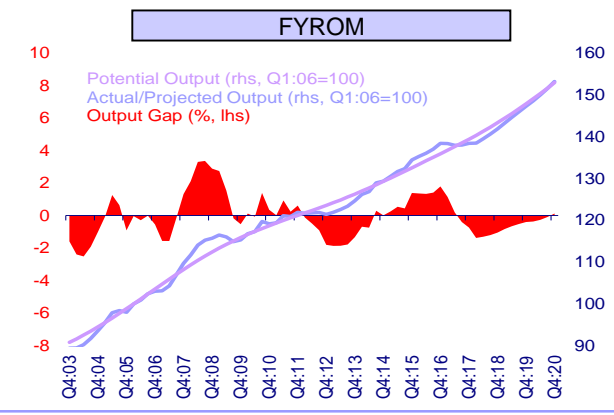
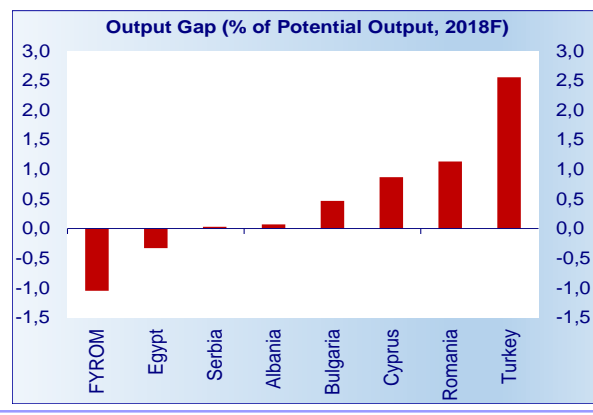
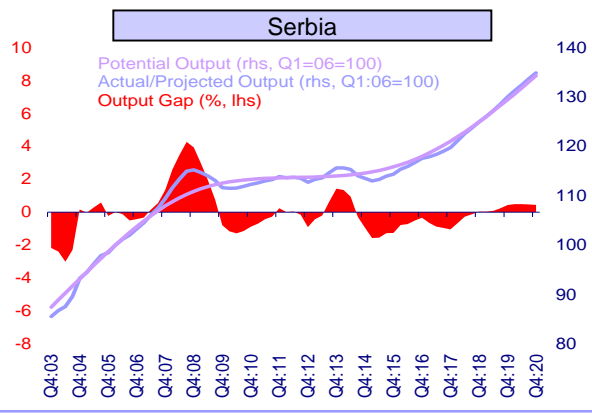
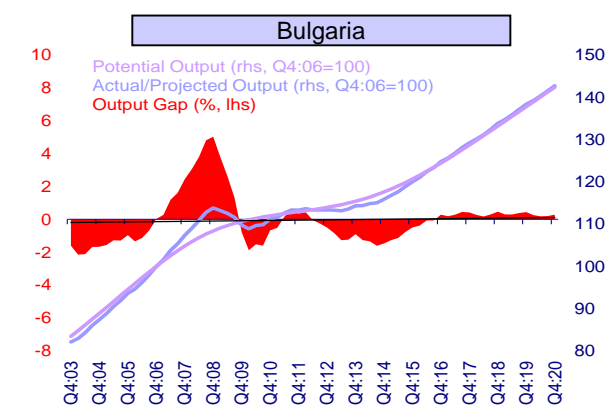
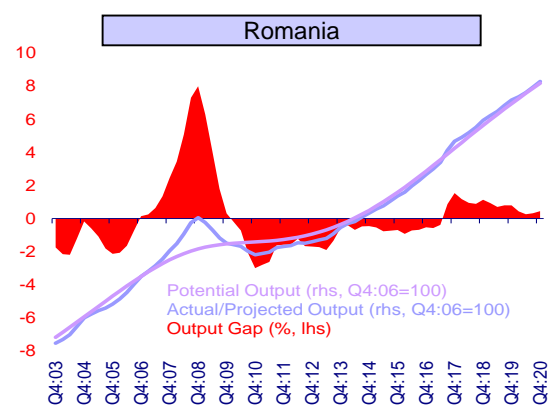
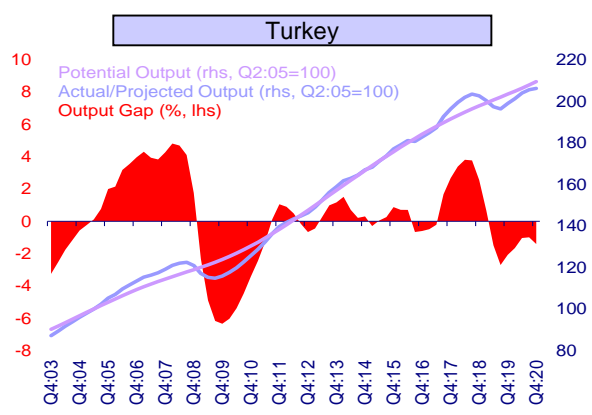
Large positive output gaps in Romania and Turkey point to an overheating of the economy and increasing inflationary pressures



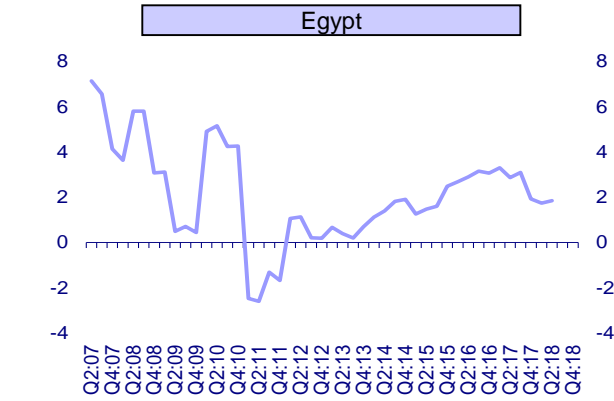
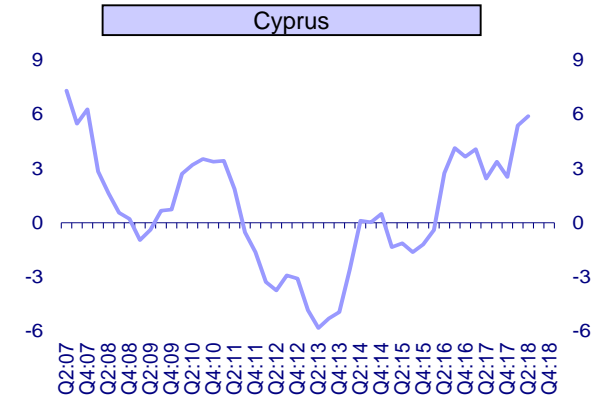
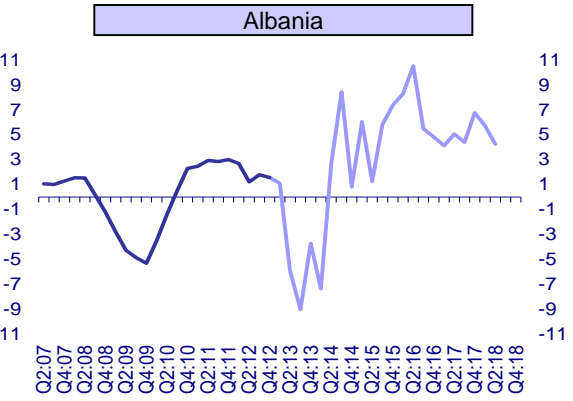
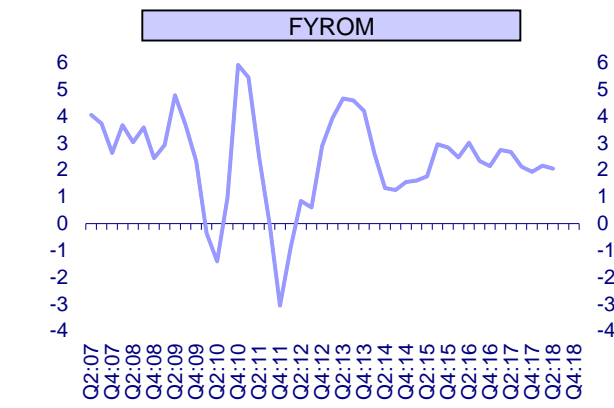
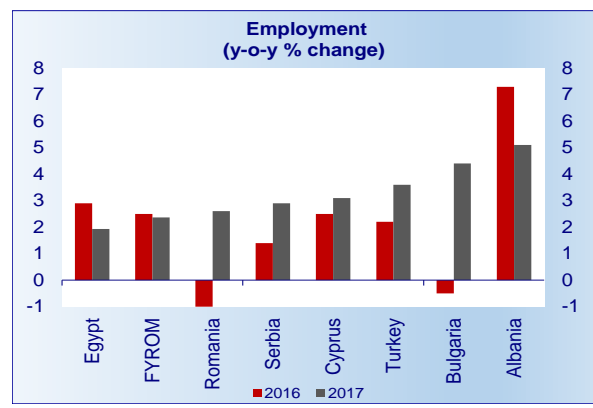
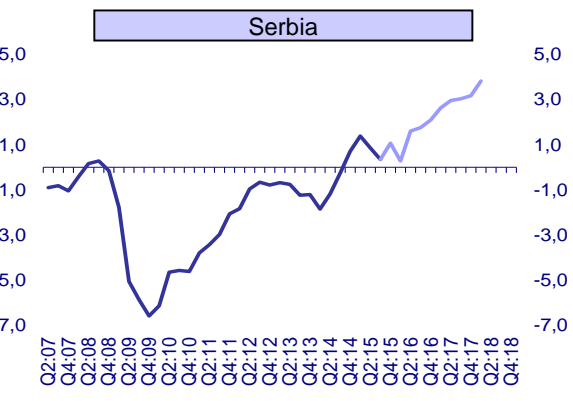
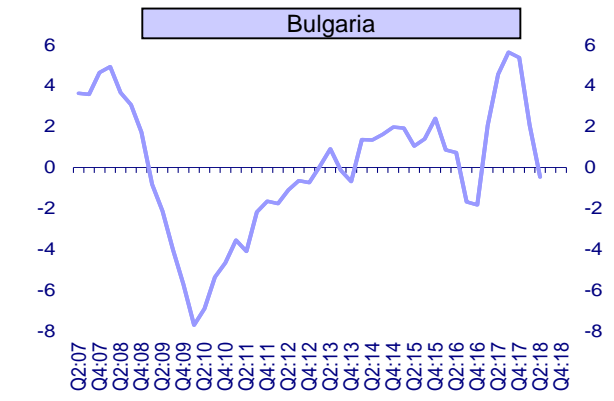
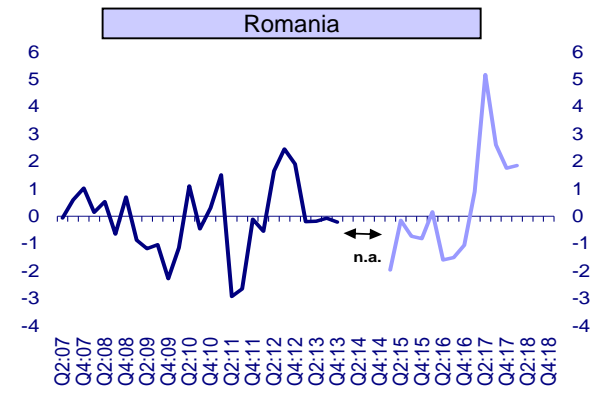
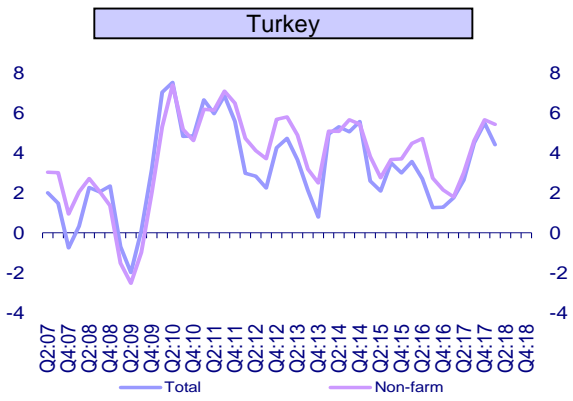
GDP growth is expected to range between 2.5% (FYROM) and 5.5% (Egypt) this year in the economies under review



The output gap should remain negative in Egypt and FYROM this year

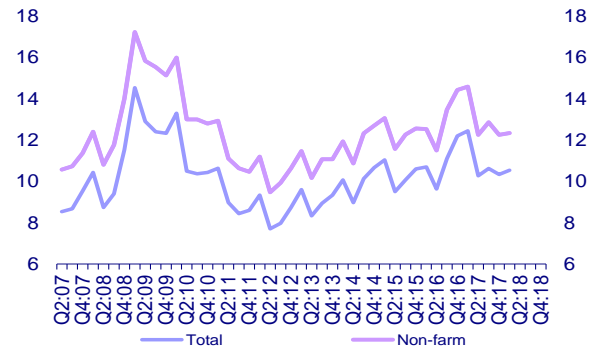


Employment in most countries under review is supported by buoyant economic activity this year

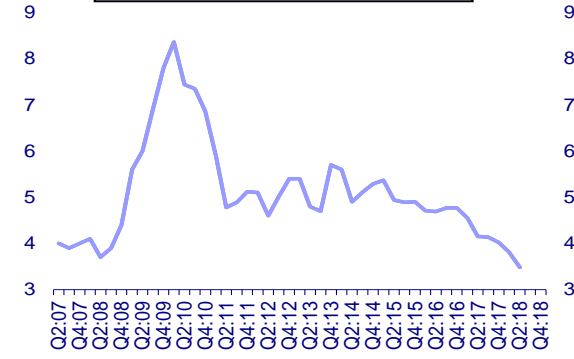


The unemployment rate should continue on its downward trend this year in all countries under review, with the exception of Turkey

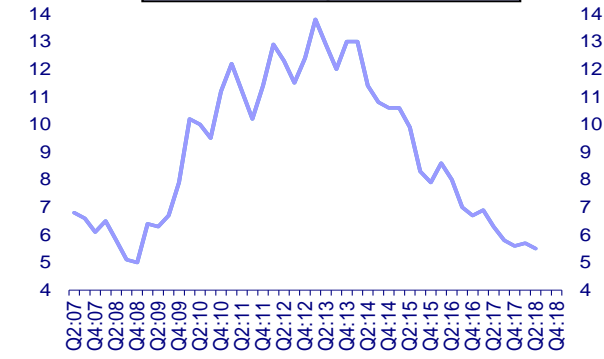
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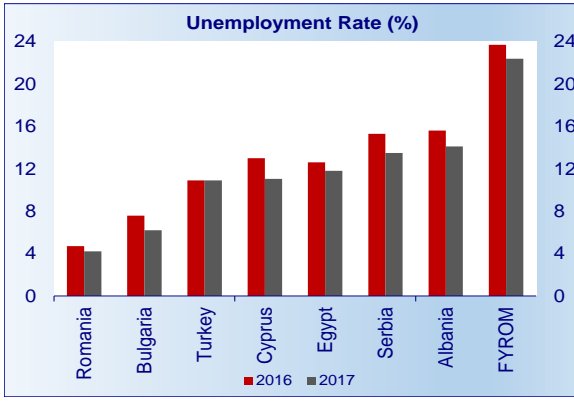
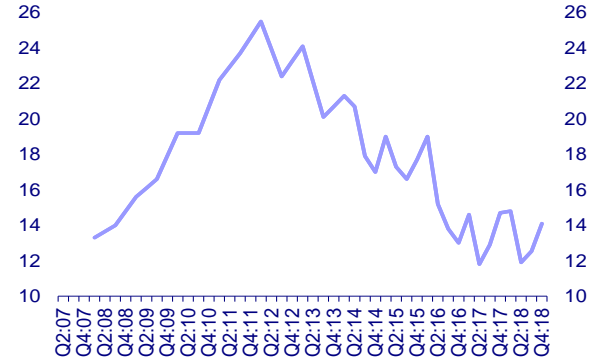
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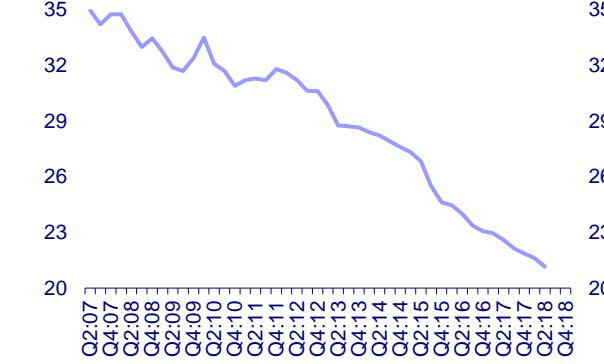
Bulgaria



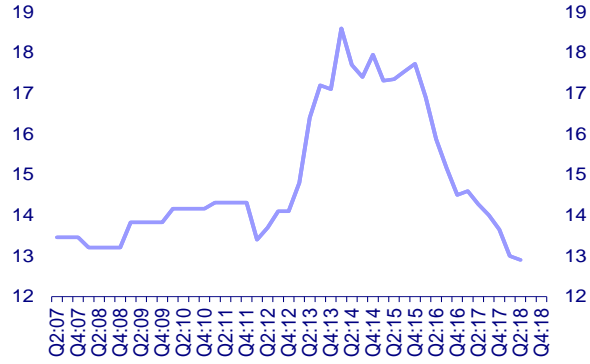
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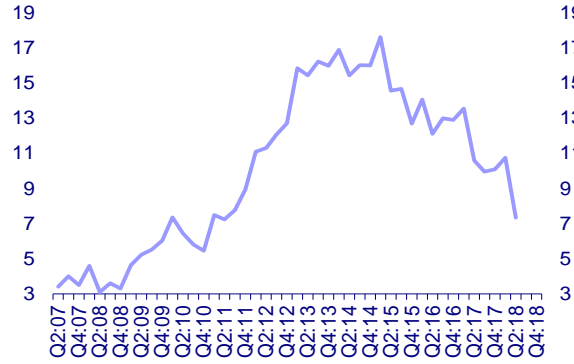
FYROM



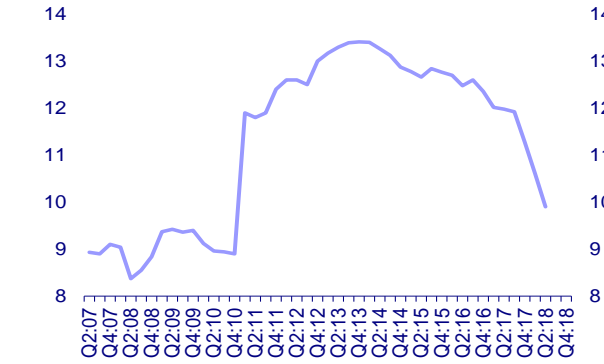
Albania



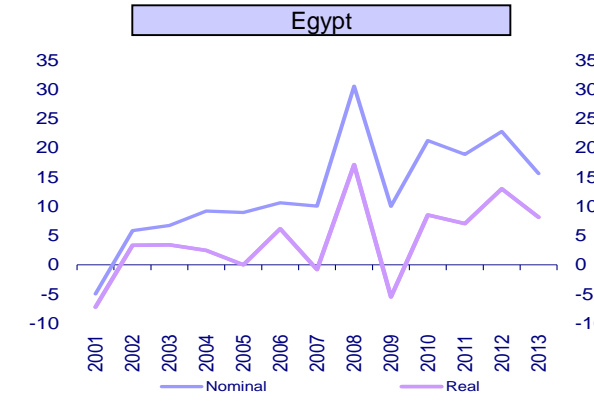
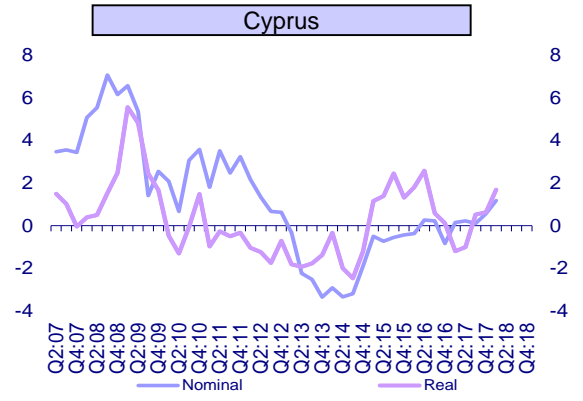
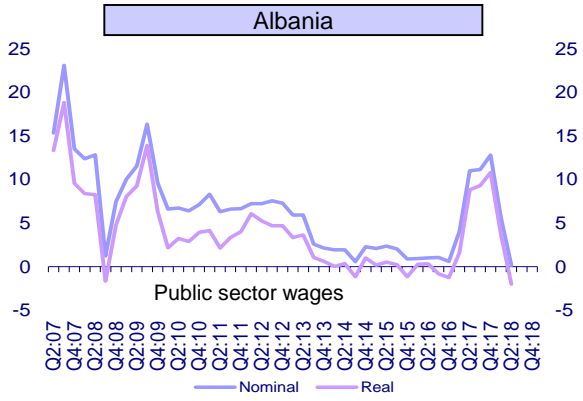
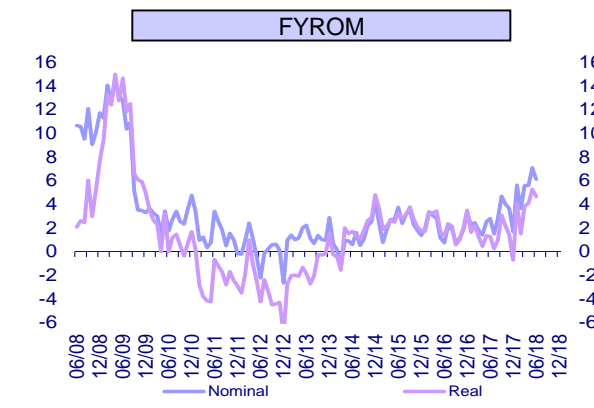
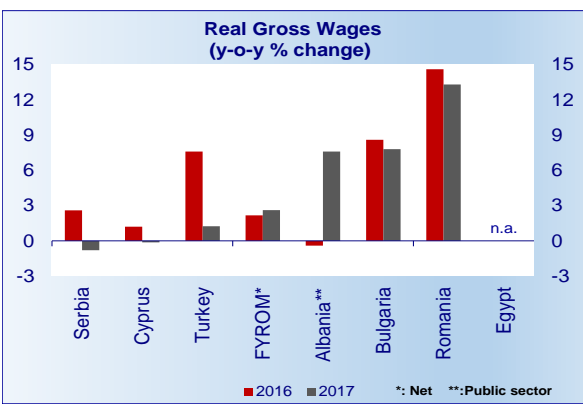
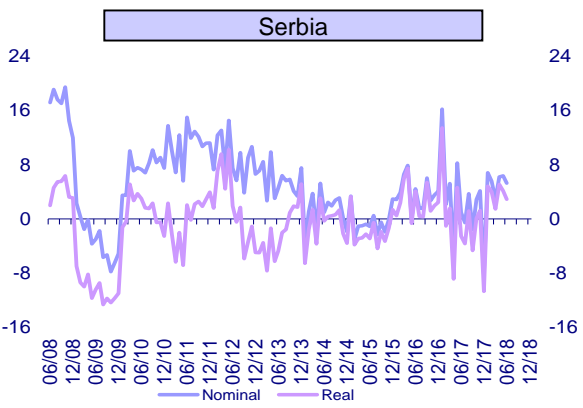
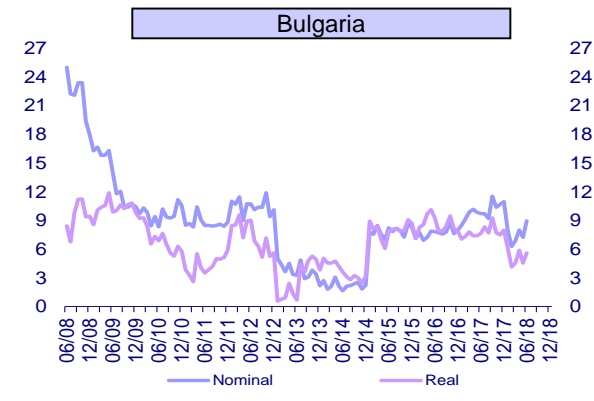
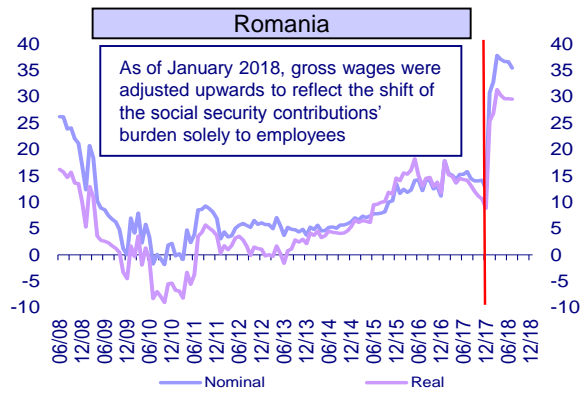
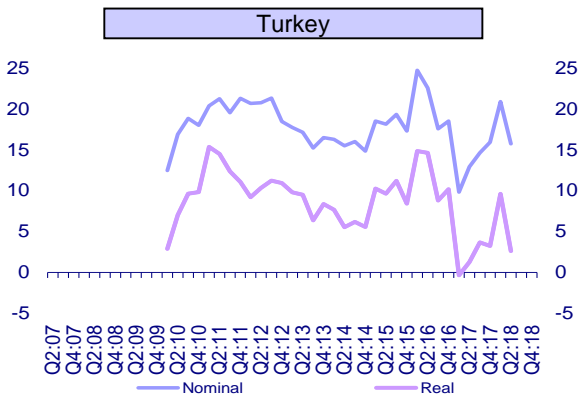
Cyprus



Egypt

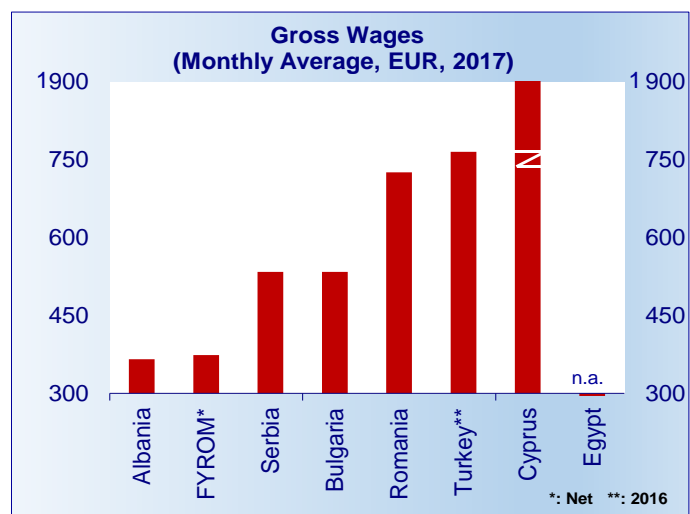


Real wages set to decelerate this year in most of the countries under review, due to rising inflation



FYROM and Albania are the most competitive in terms of labour costs

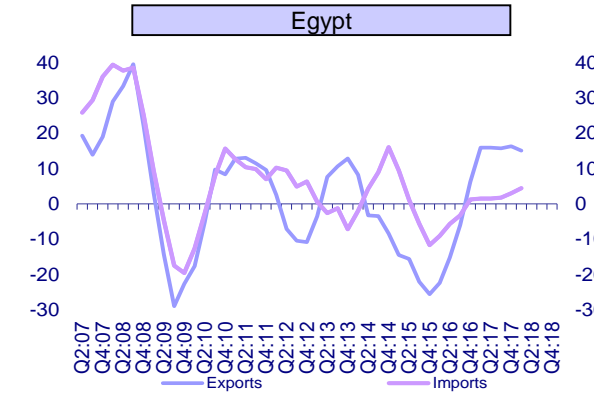
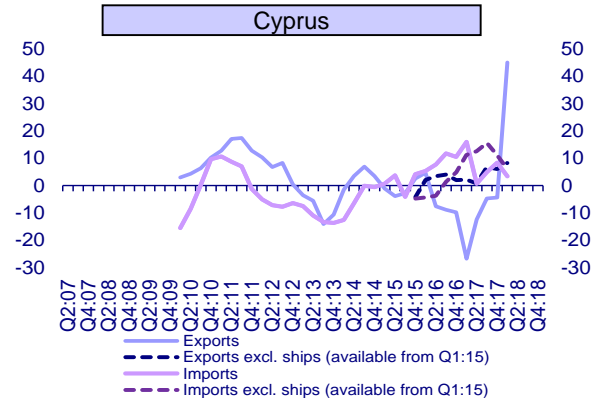
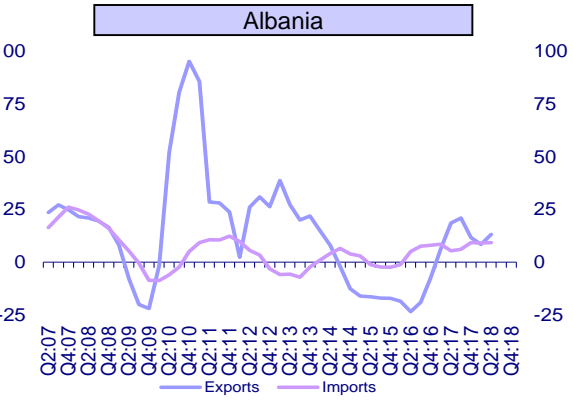
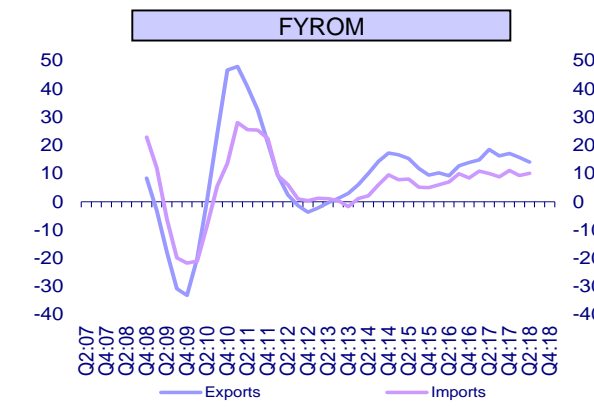
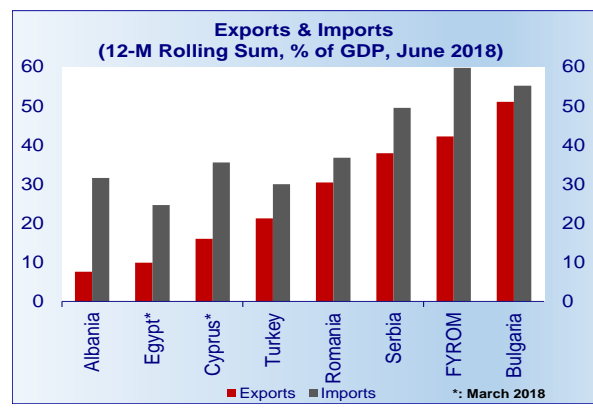
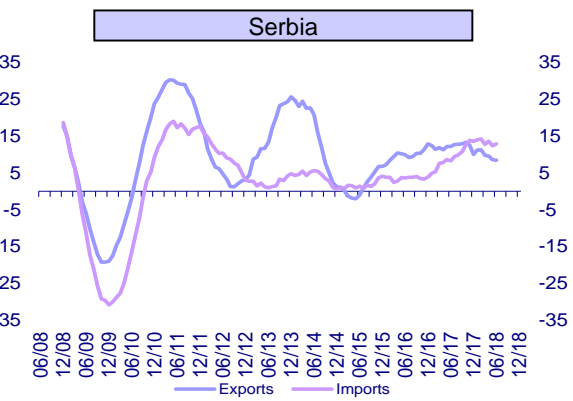
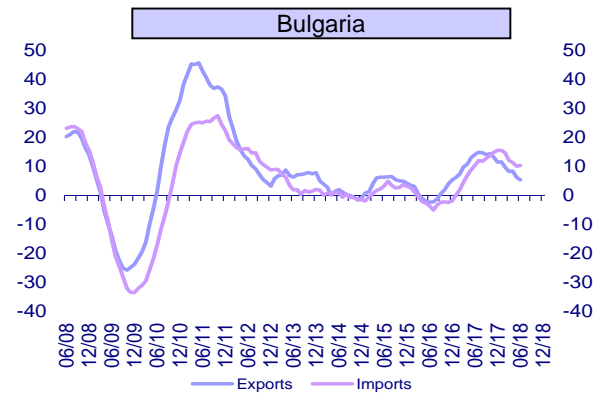
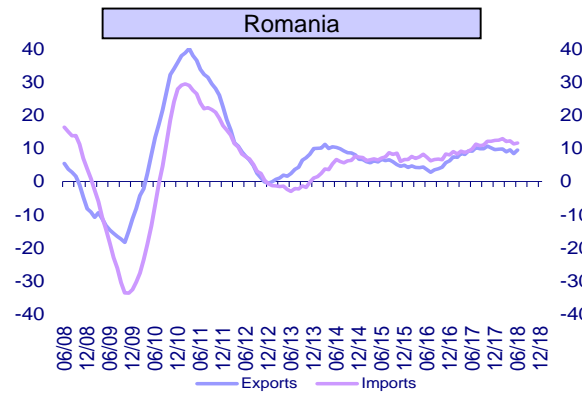
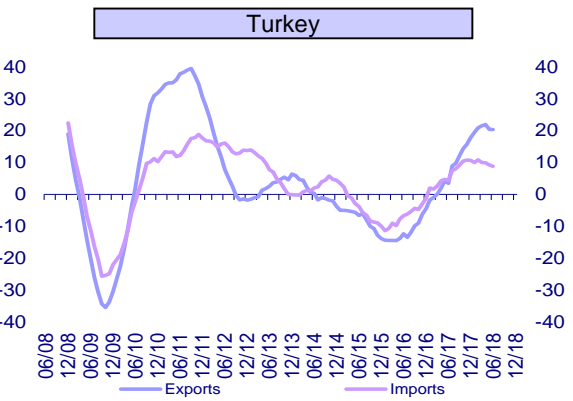
Bulgaria and FYROM have the most favourable personal and corporate income tax rates



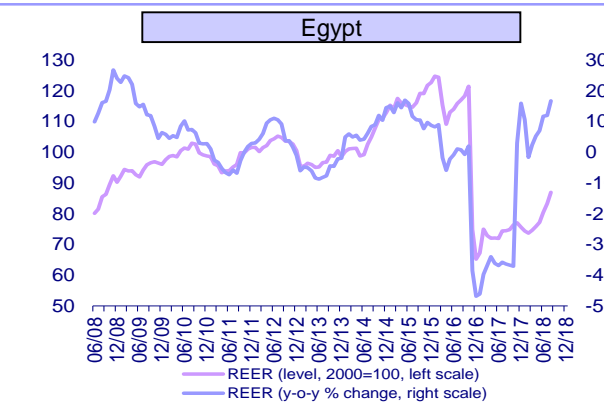
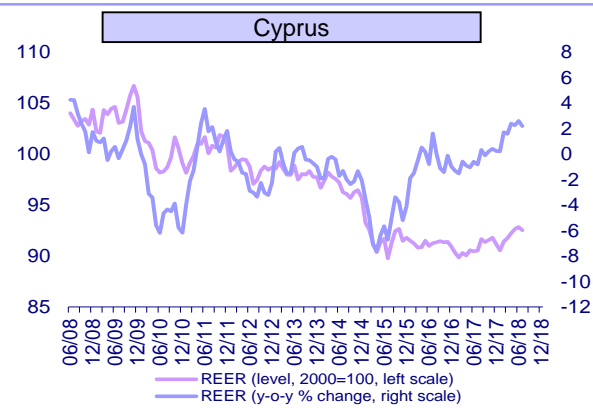
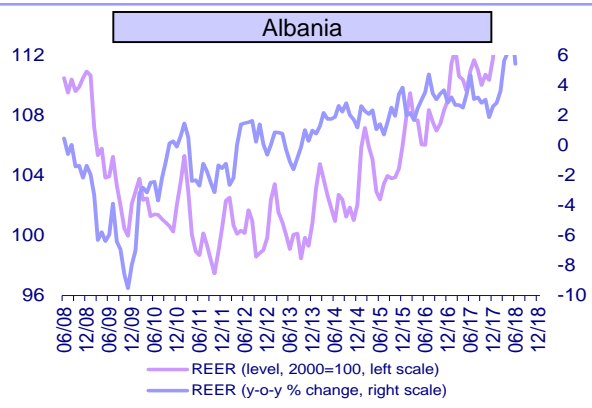
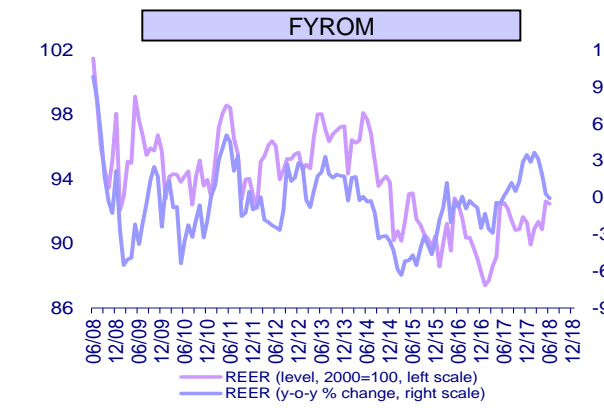
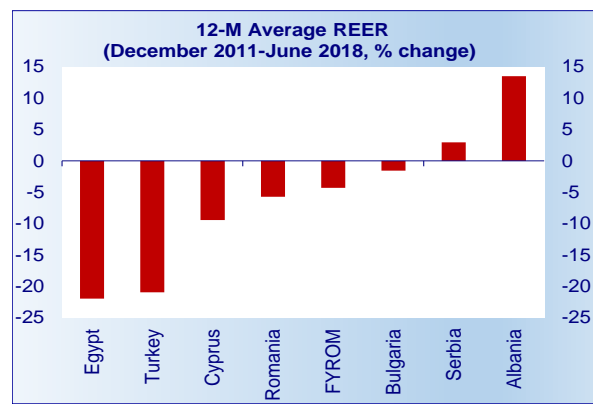
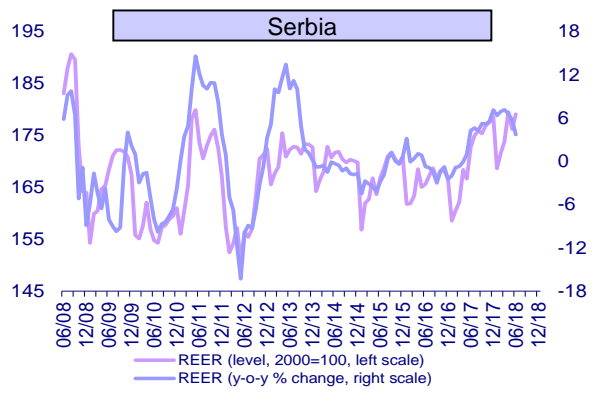
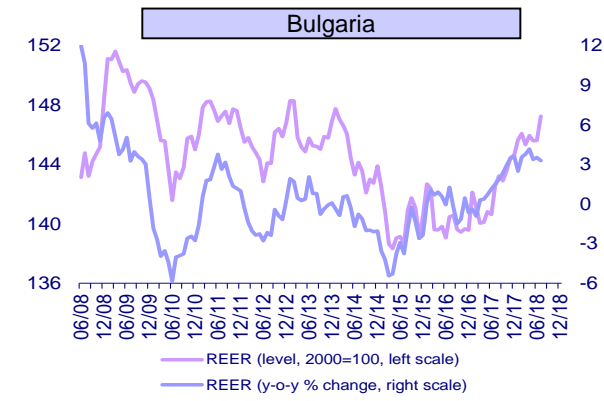
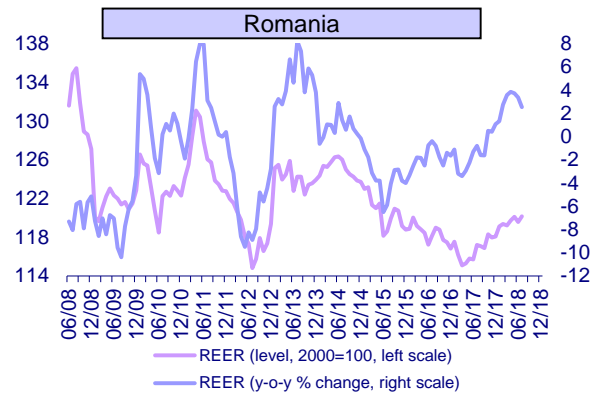
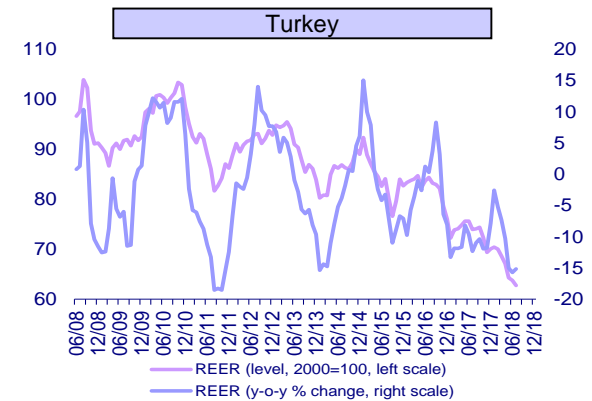
	Tax Rates (%)	
	Personal Income	Corporate Income
Turkey	15.0 - 35.0	22.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0	15.0
FYROM	10.0	10.0
Albania	13.0 - 23.0	15.0
Cyprus	20.0 - 35.0	12.5
Egypt	10.0 - 22.0	23.0
Greece	22.0 - 45.0	29.0



Buoyant exports in most of the economies under review should sustain economic activity this year



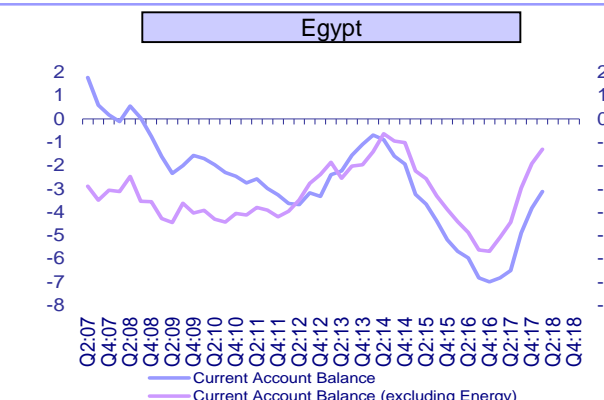
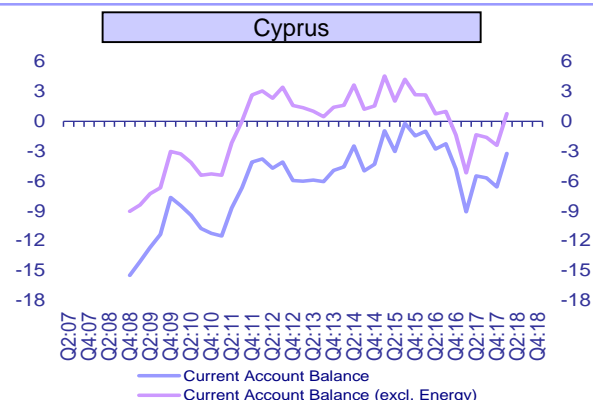
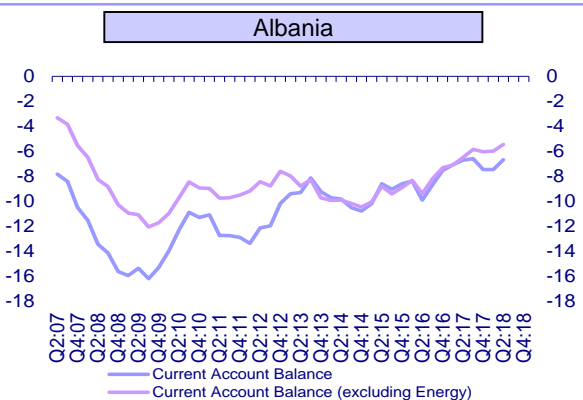
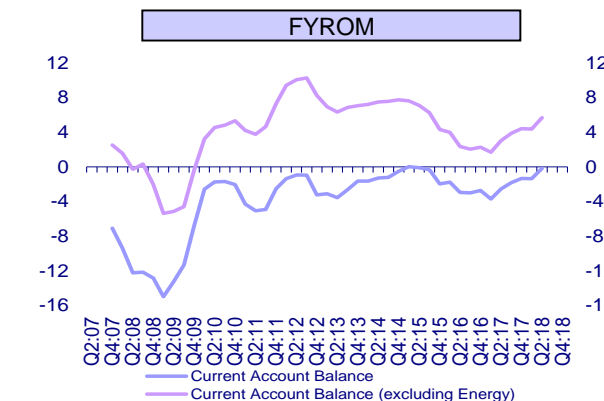
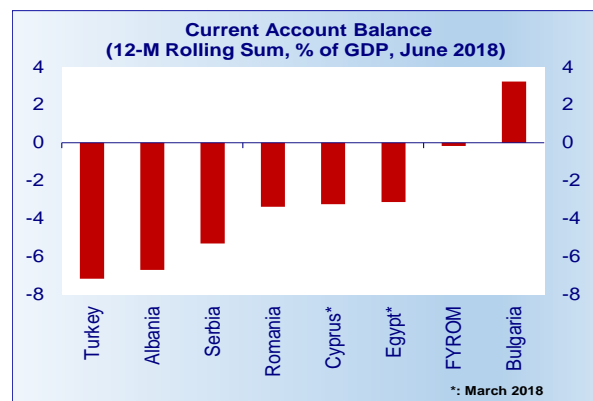
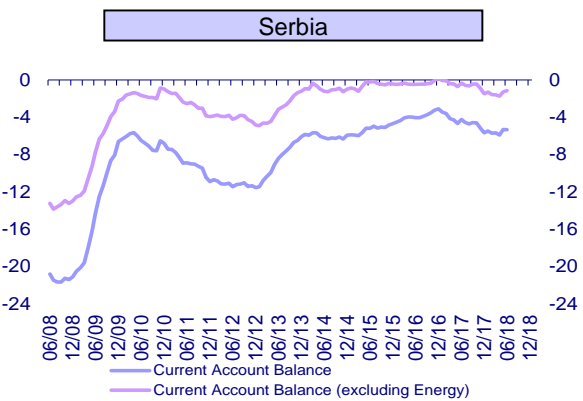
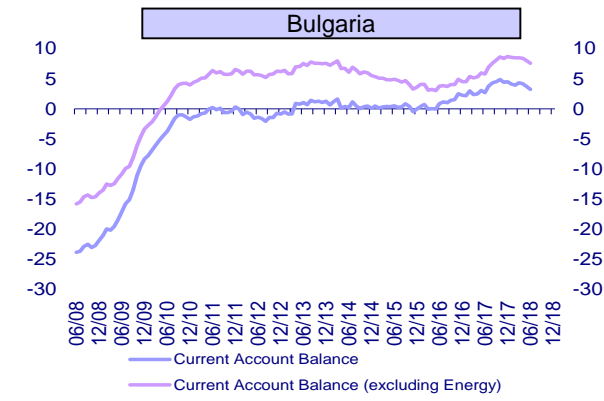
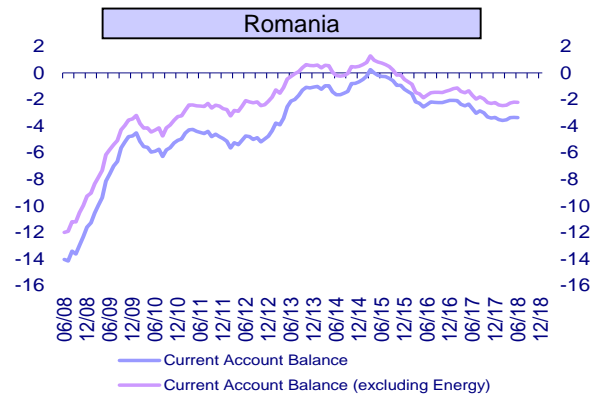
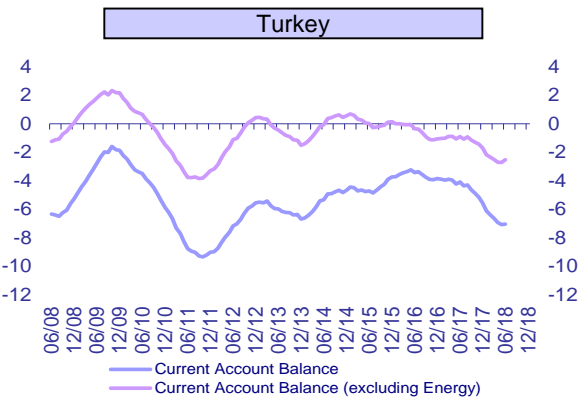
Competitiveness in all the countries under review has improved over the past 6 years, excluding Albania and Serbia



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

The current account deficit is set to remain at sustainable levels this year in most of the economies under review, on the back of still strong external demand.

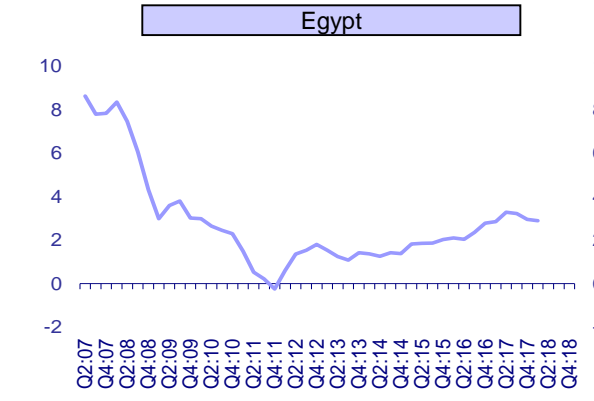
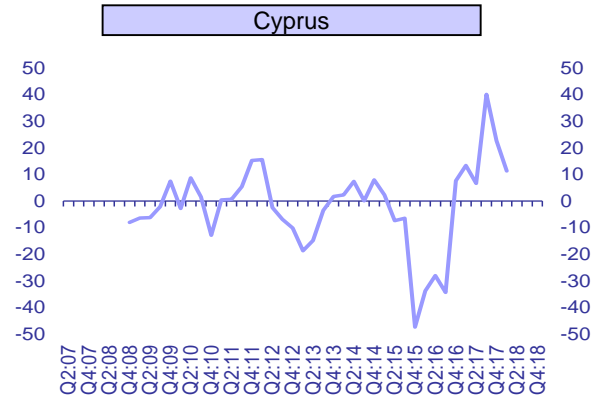
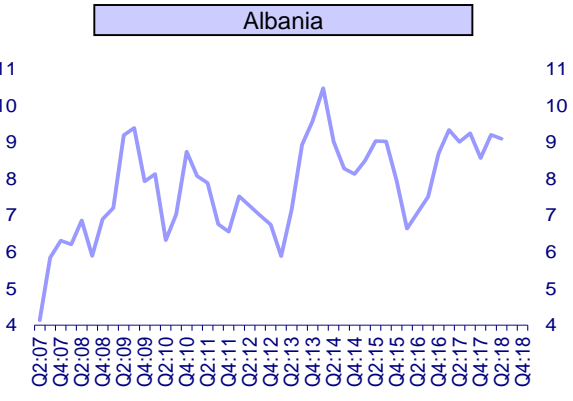
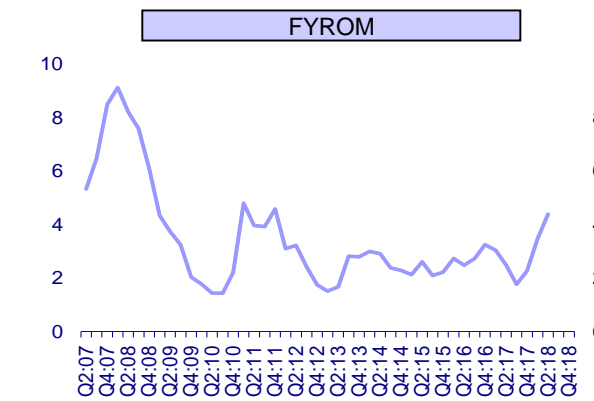
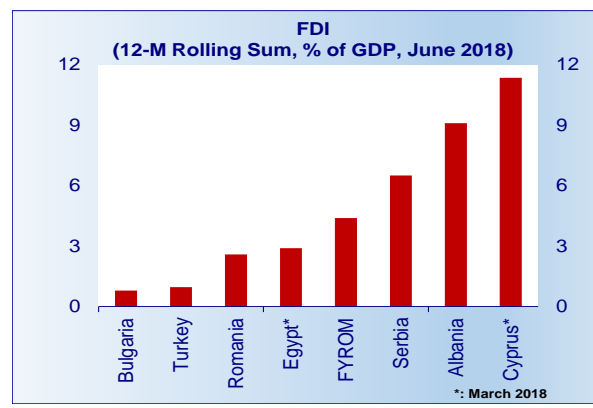
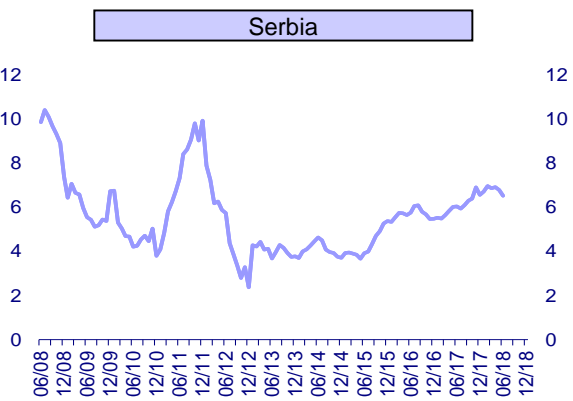
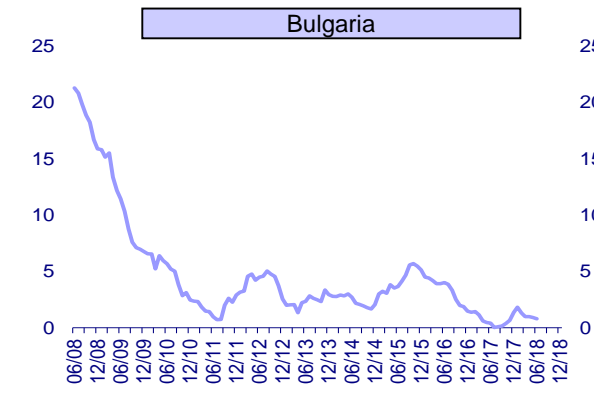
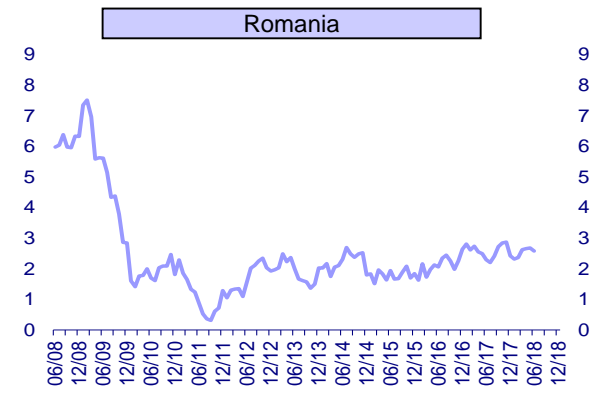
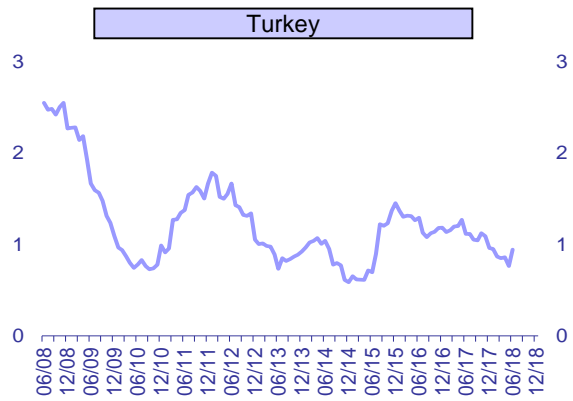
Bulgaria remains by far the best performer among the economies under review



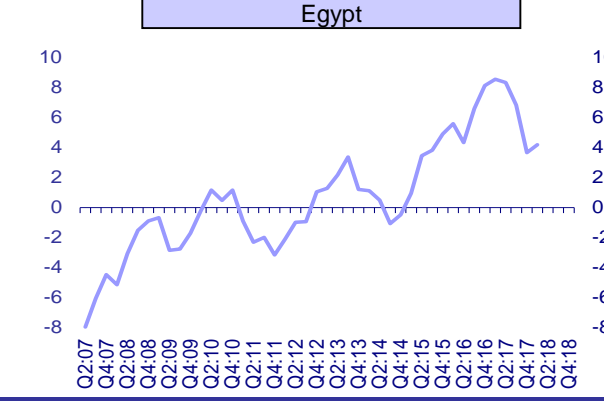
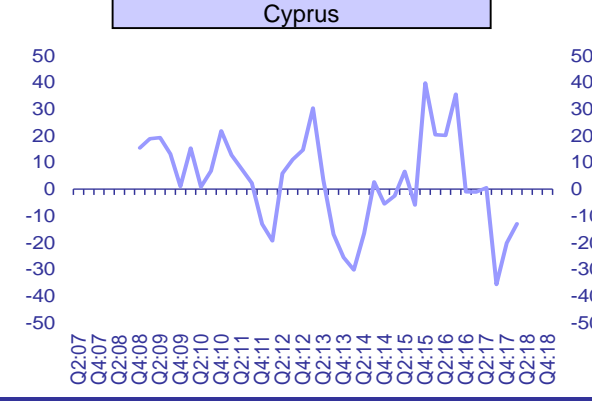
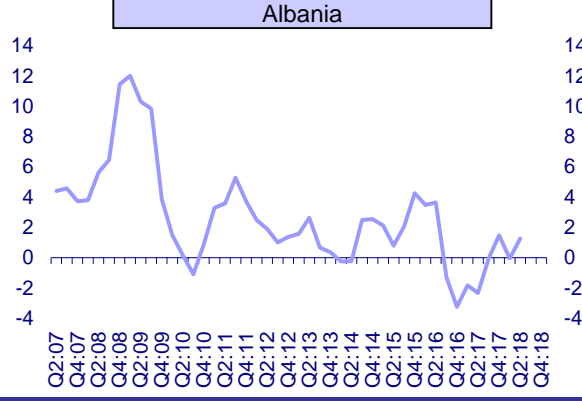
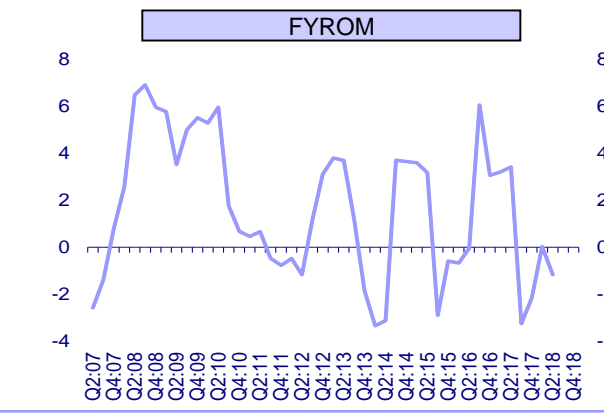
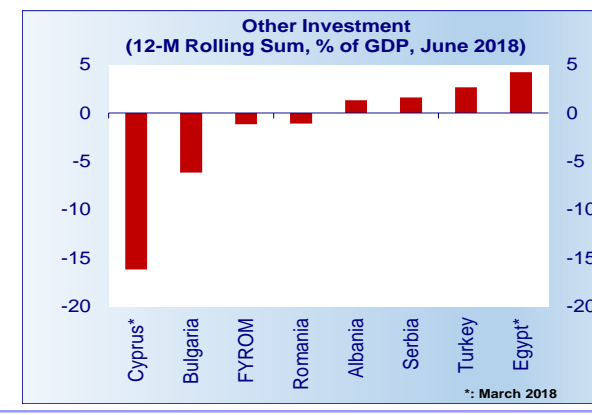
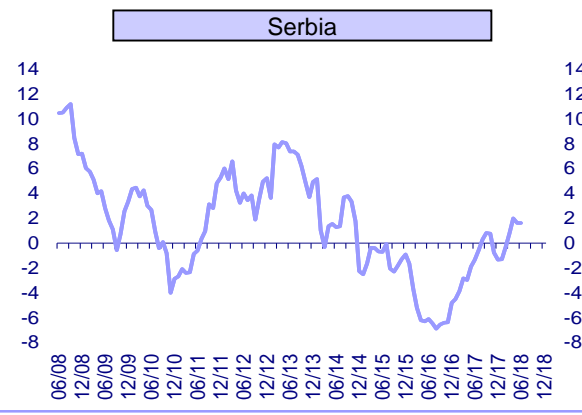
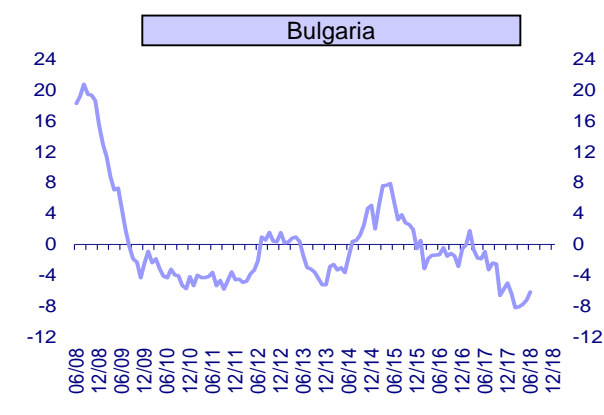
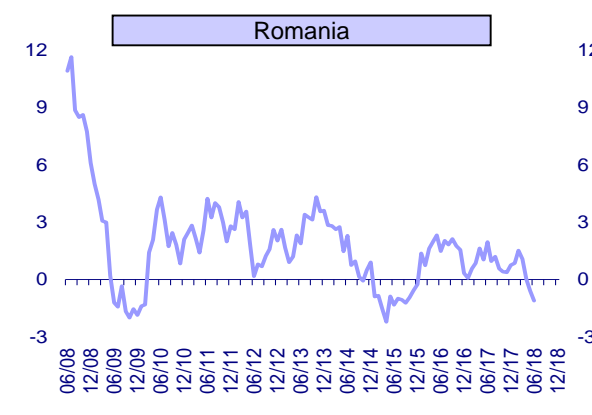
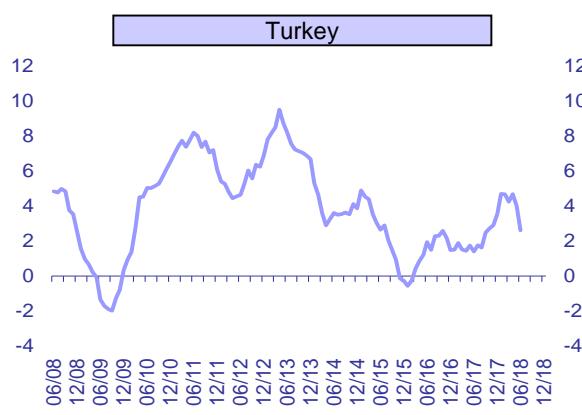
# Net foreign direct investments (12-month rolling, % of GDP)

Net FDI remains close to historically low levels in most of the countries under review.

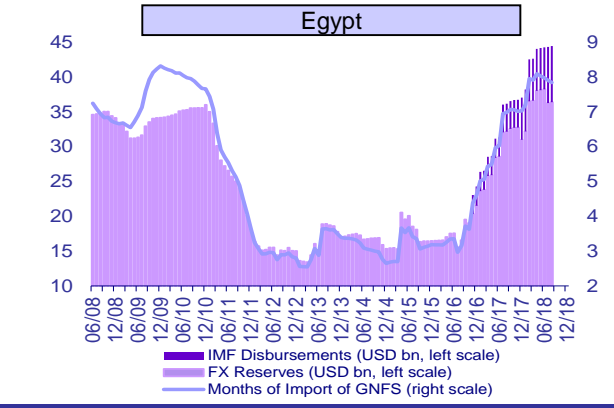
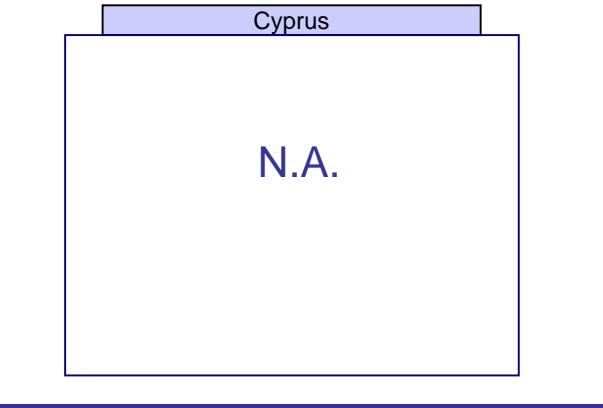
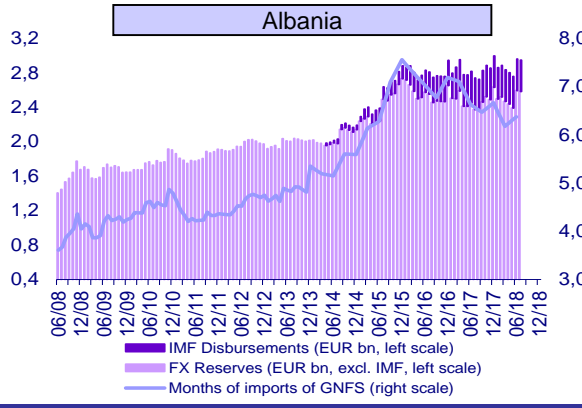
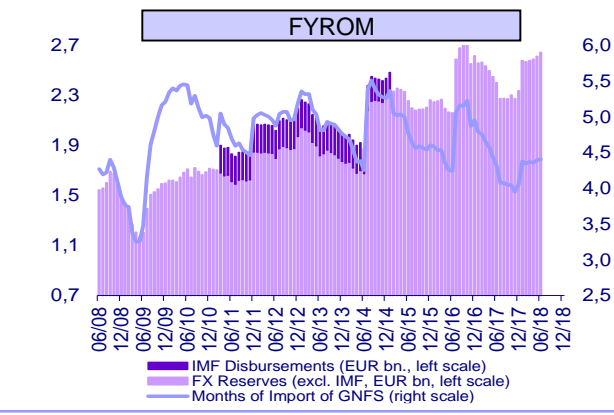
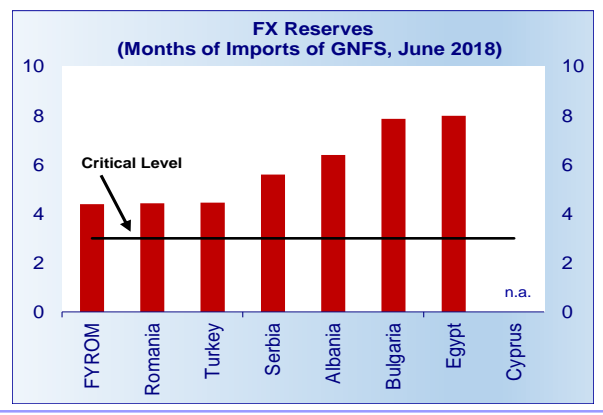
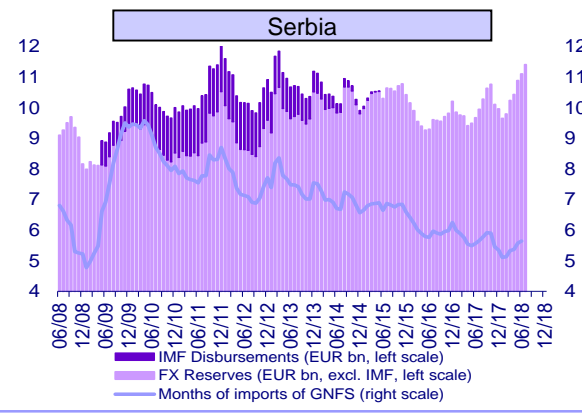
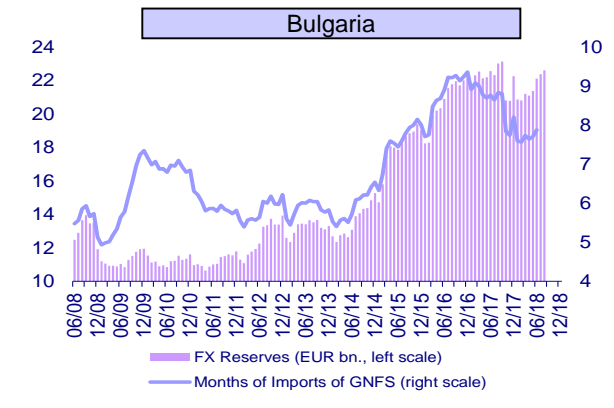
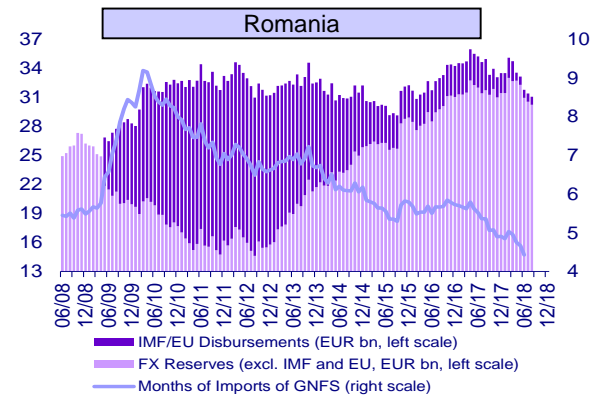
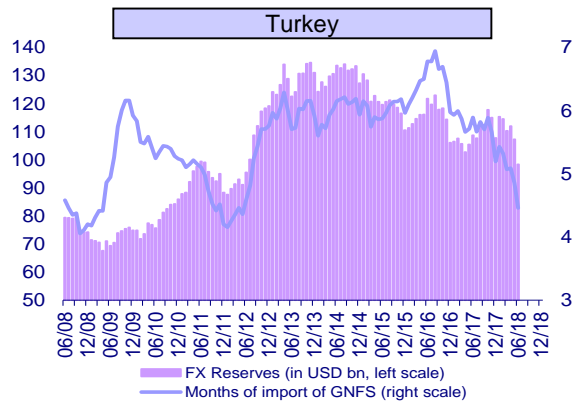
In Albania, net FDI continues to fluctuate around 8% of GDP for a 10<sup>th</sup> consecutive year, mainly on the back of large investments in energy projects



Other net capital inflows to slow in most of the countries under review this year, due to tighter global liquidity conditions

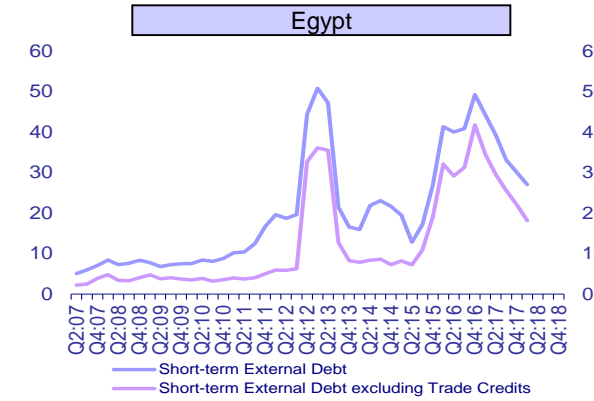
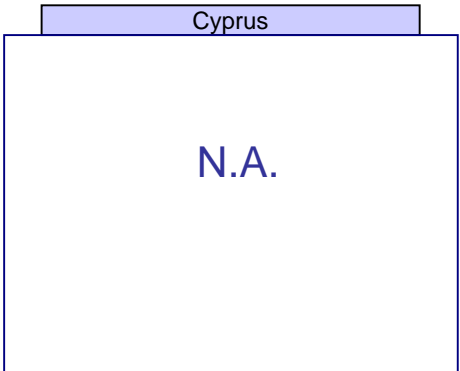
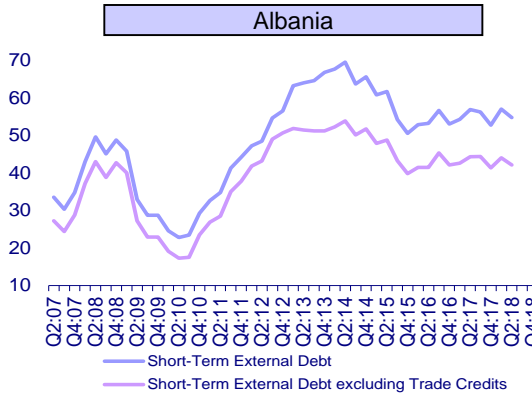
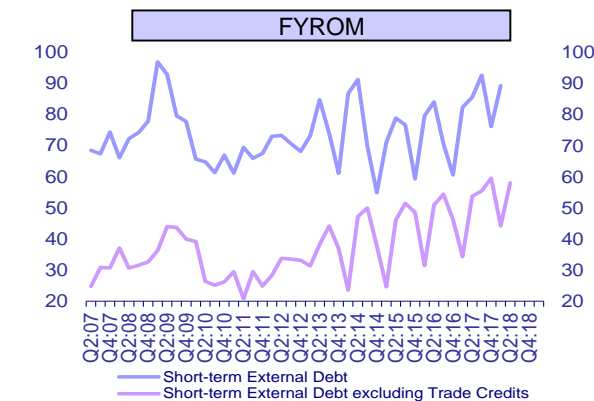
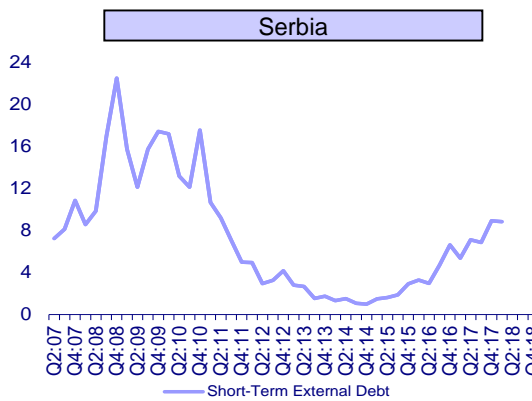
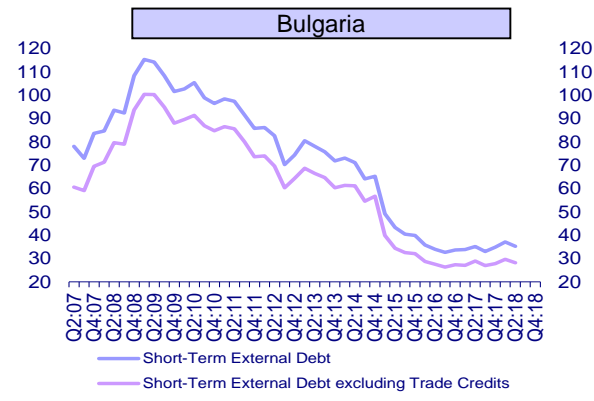
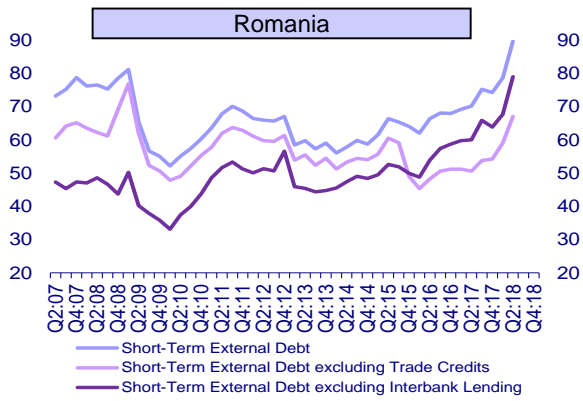
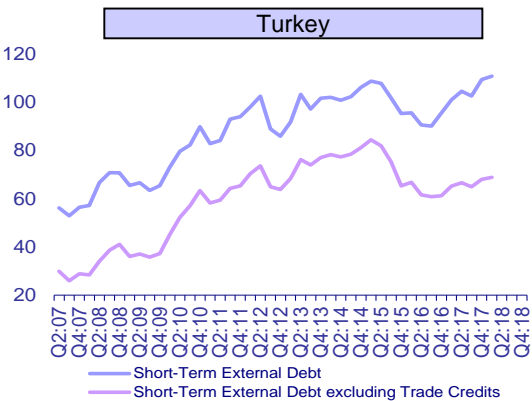


In all countries under review, import coverage largely surpasses the critical level of 3 months



# 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



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

The current account deficit is expected to widen further this year in Turkey and Romania.

More than half of it should be covered through non-debt generating FDI in Romania, while the bulk of it will rely on volatile portfolio inflows in Turkey

Turkey	Dec. 16	Dec.17	Jul. 17	Jul. 18	Dec. 18F
Current account balance	-3.8	-5.6	-4.4	-6.9	-6.0
Net FDI	1.2	1.0	1.1	0.9	1.0
Other net capital inflows *	1.5	3.5	1.8	2.6	5.0

Romania	Dec. 16	Dec.17	Jun. 17	Jun. 18	Dec. 18F
Current account balance	-2.1	-3.3	-2.7	-3.4	-3.7
Net FDI	2.6	2.4	2.3	2.6	2.6
Other net capital inflows *	0.3	1.4	2.0	0.1	1.5

Bulgaria	Dec. 16	Dec.17	Jun. 17	Jun. 18	Dec. 18F
Current account balance	2.3	4.5	2.7	3.2	2.7
Net FDI	1.5	1.4	0.4	0.8	1.5
Other net capital inflows *	-0.6	-5.0	-0.9	-6.2	-1.9

Serbia	Dec. 16	Dec.17	Jun. 17	Jun. 18	Dec. 18F
Current account balance	-3.1	-5.7	-4.2	-5.4	-5.4
Net FDI	5.5	6.6	6.0	6.5	6.6
Other net capital inflows *	-4.8	-1.3	-1.4	1.6	0.2

FYROM	Dec. 16	Dec.17	Jun. 17	Jun. 18	Dec. 18F
Current account balance	-2.7	-1.3	-2.5	-0.2	-1.3
Net FDI	3.3	2.3	2.5	4.4	3.9
Other net capital inflows *	3.1	-2.2	3.4	-1.2	1.9

Albania	Dec. 16	Dec.17	Jun. 17	Jun. 18	Dec. 18F
Current account balance	-7.5	-7.5	-6.7	-6.7	-6.8
Net FDI	8.7	8.6	-9.0	-9.1	7.7
Other net capital inflows *	-3.3	1.5	-2.3	1.3	0.0

Cyprus	Dec. 16	Dec.17	Mar. 17	Mar. 18	Dec. 18F
Current account balance	-4.8	-6.6	-9.1	-3.2	-4.8
Net FDI	7.6	22.7	13.3	11.3	7.4
Other net capital inflows *	-0.9	-20.2	-1.0	-12.9	-2.6

Egypt #	June 16	June 17	Mar. 17	Mar. 18	June 18E
Current account balance	-6.0	-6.5	-6.8	-3.1	-2.8
Net FDI	2.0	3.3	2.9	2.9	3.4
Other net capital inflows *	5.6	7.8	9.6	4.2	3.3

\*: excluding IMF and ESM funding and net errors and omissions, #: Fiscal year ending on June 30<sup>th</sup>



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

Turkey (USD bn)	2017	2018F	2019F
<b>Financing Needs</b>	215.4	225.0	224.5
Cur. Acct Deficit	47.4	45.0	32.5
Amort. + Other	168.0	180.0	192.0
<b>Financing Sources</b>	217.0	225.0	224.5
FDI	8.2	7.5	7.0
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	208.8	117.5	117.5
<b>Change in FX Res.</b>	1.6	0.0	0.0

Romania (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	39.9	42.5	43.2
Cur. Acct Deficit	6.3	7.5	9.0
Amort. + Other	33.6	35.0	34.2
<b>Financing Sources</b>	39.2	41.9	42.5
FDI	4.6	5.3	5.9
IMF	0.0	0.0	0.0
Other IFIs	-0.7	-1.4	-1.0
Other	35.3	38.0	37.6
<b>Change in FX Res.</b>	-0.7	-0.6	-0.7

Bulgaria (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	10.3	9.7	10.6
Cur. Acct Deficit	-2.3	-1.4	-0.8
Amort. + Other	12.6	11.1	11.4
<b>Financing Sources</b>	10.1	10.9	12.1
FDI	0.7	0.8	0.9
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	9.4	10.1	11.2
<b>Change in FX Res.</b>	-0.2	1.2	1.5

Serbia (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	5.3	6.8	6.0
Cur. Acct Deficit	2.1	2.2	2.3
Amort. + Other	3.2	4.6	3.7
<b>Financing Sources</b>	5.1	7.4	6.2
FDI	2.4	2.7	2.6
IMF	0.0	0.0	0.0
Other IFIs	0.0	0.0	0.0
Other	2.7	4.7	3.6
<b>Change in FX Res.</b>	-0.2	0.6	0.2

FYROM (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	2.1	2.1	2.1
Cur. Acct Deficit	0.1	0.1	0.2
Amort. + Other	2.0	2.0	1.9
<b>Financing Sources</b>	1.8	2.5	2.3
FDI	0.2	0.4	0.4
IMF	0.0	0.0	0.0
Other IFIs	n.a.	n.a.	n.a.
Other	1.6	2.1	1.9
<b>Change in FX Res.</b>	-0.3	0.4	0.2

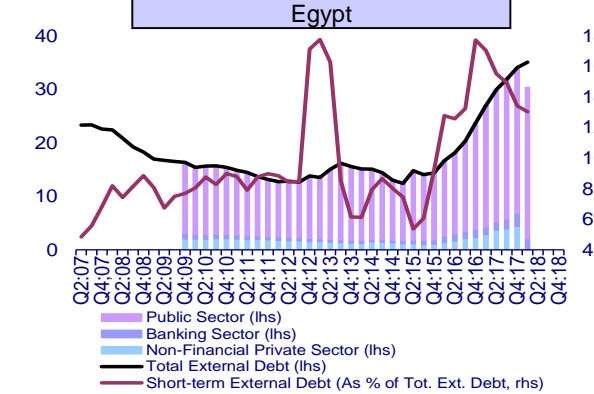
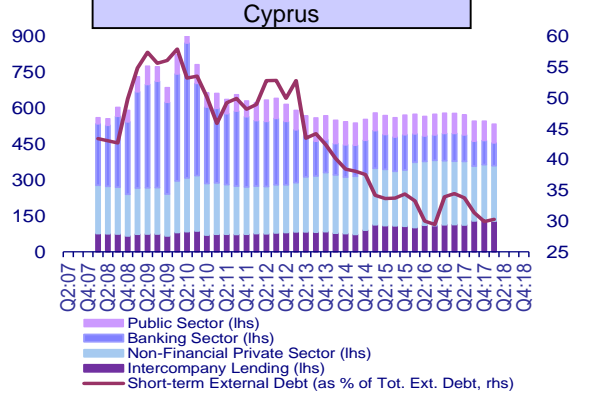
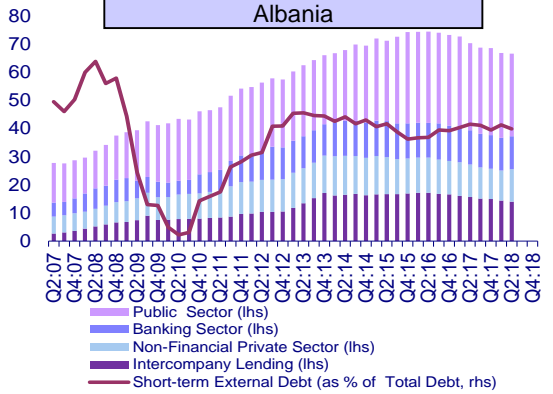
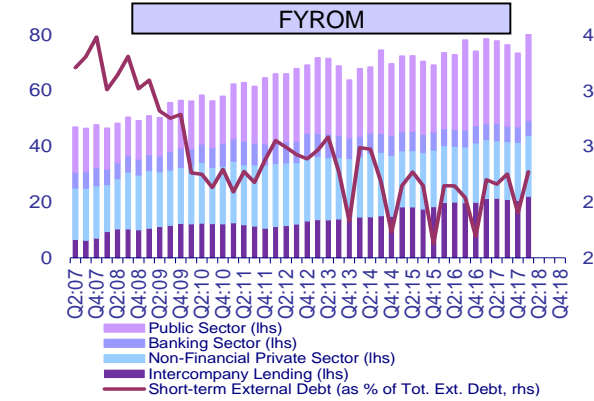
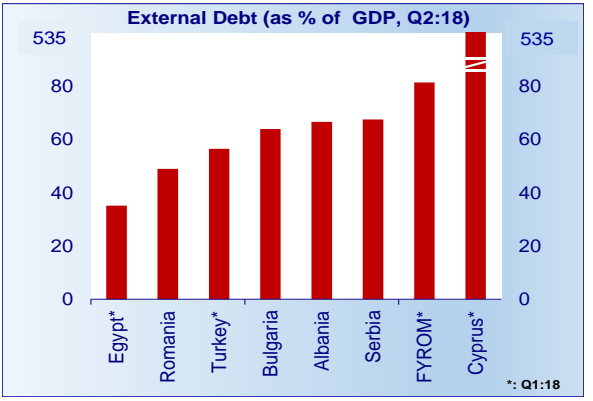
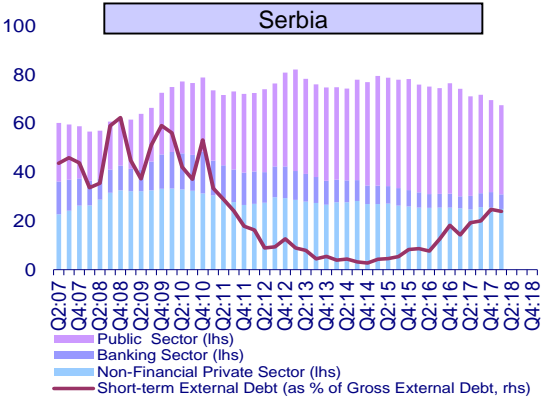
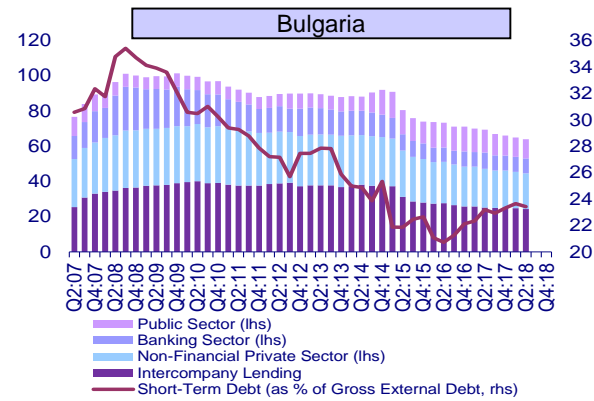
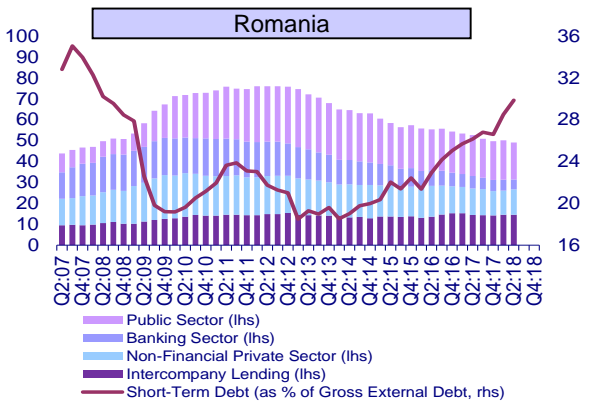
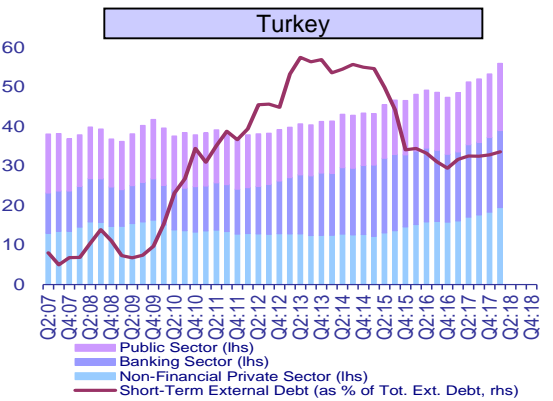
Albania (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	1.1	1.1	1.1
Cur. Acct Deficit	0.9	0.9	0.8
Amort. + Other	0.2	0.2	0.2
<b>Financing Sources</b>	1.1	1.0	1.4
FDI	1.0	1.0	1.0
IMF	0.1	0.0	0.0
Other IFIs	0.2	0.0	0.0
Other	-0.1	0.0	0.4
<b>Change in FX Res.</b>	0.1	-0.1	0.3

Cyprus (EUR bn)	2017	2018F	2019F
<b>Financing Needs</b>	45.8	47.4	49.2
Cur. Acct Deficit	1.3	1.0	1.0
Amort. + Other	44.5	46.4	48.2
<b>Financing Sources</b>	45.8	47.4	49.2
FDI	4.4	1.5	1.6
IMF	0.0	0.0	0.0
Other IFIs	0.0	0.0	0.0
Other	41.4	45.9	47.6
<b>Change in FX Res.</b>	0.0	0.0	0.0

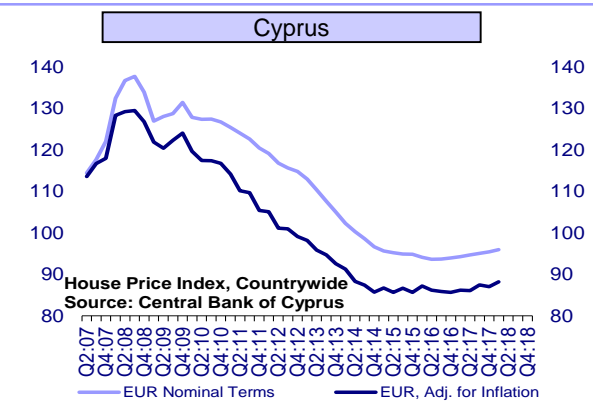
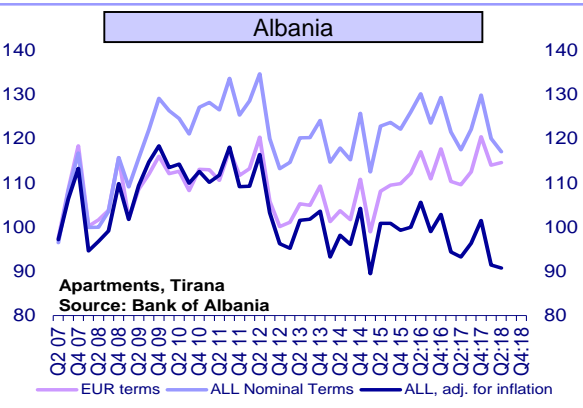
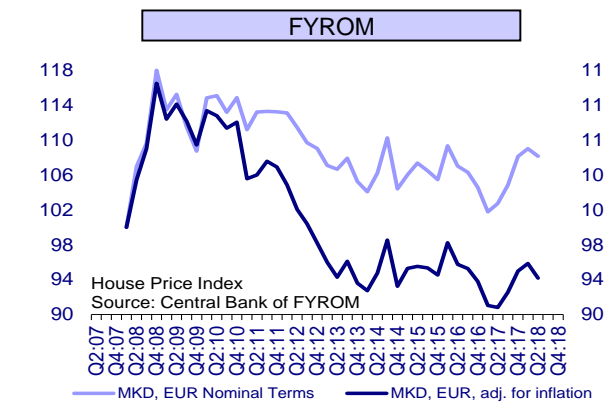
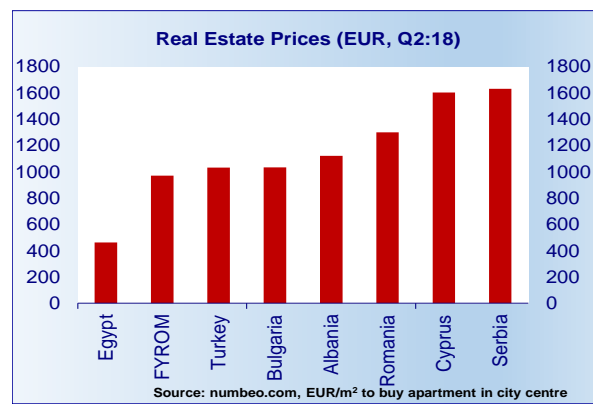
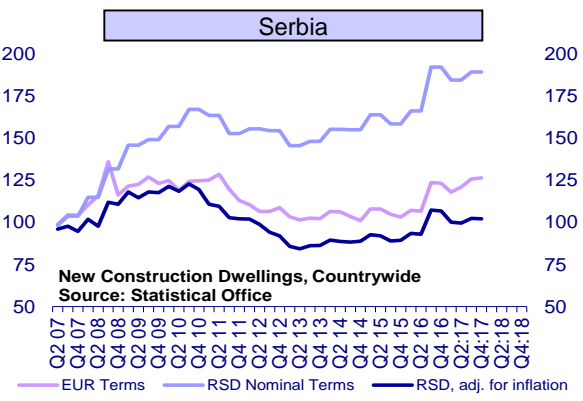
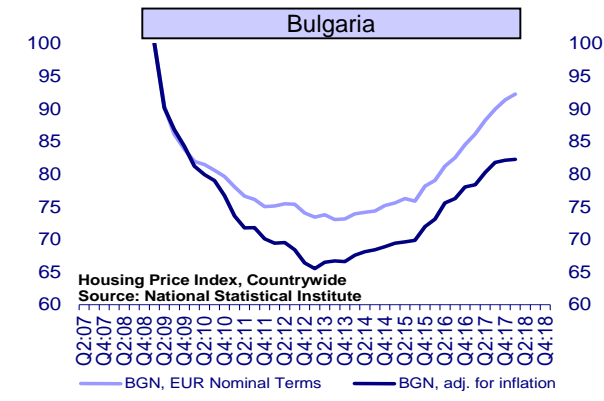
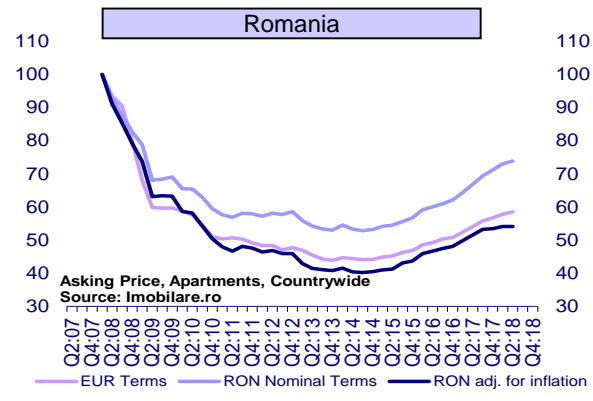
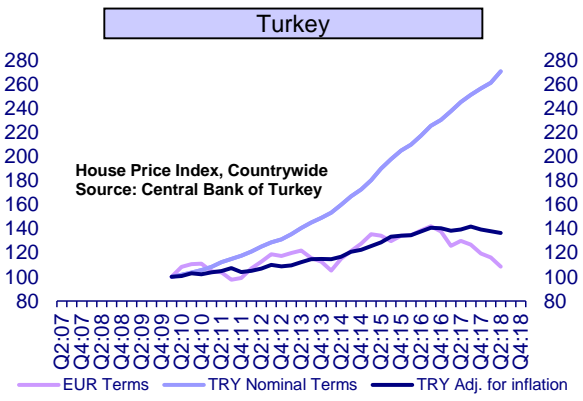
Egypt (USD bn)	16/17	17/18F	18/19F
<b>Financing Needs</b>	30.6	20.3	20.7
Cur. Acct Deficit	15.3	7.0	8.9
Amort. + Other	15.0	12.3	11.8
<b>Financing Sources</b>	44.4	33.3	20.9
FDI	7.7	8.5	9.6
IMF	2.8	3.3	4.1
Other IFIs	2.5	2.5	0.0
Other	31.4	19.0	7.2
<b>Change in FX Res.</b>	13.8	13.0	0.2

# External debt (% of GDP)

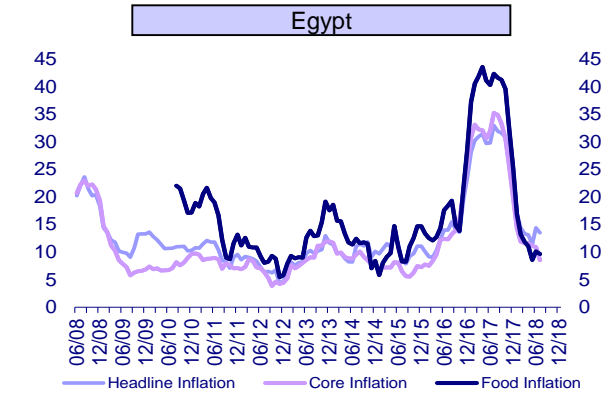
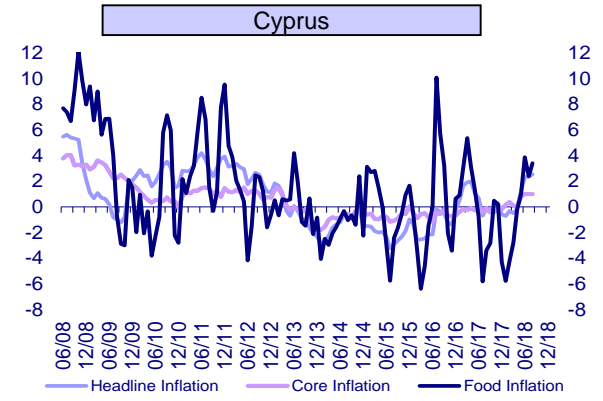
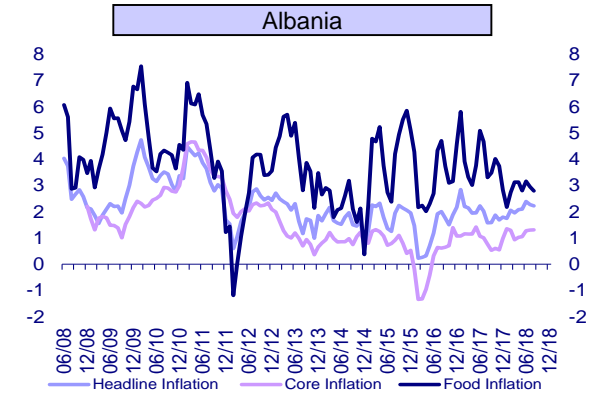
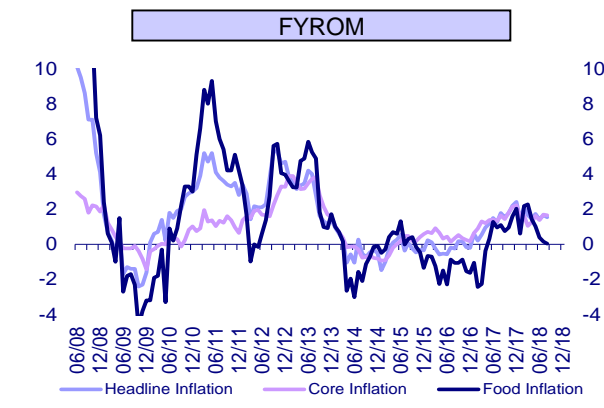
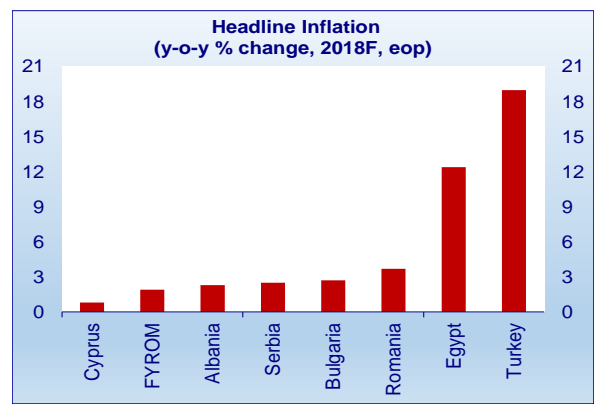
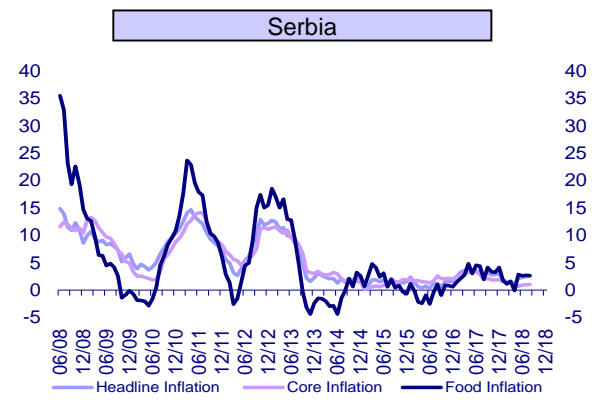
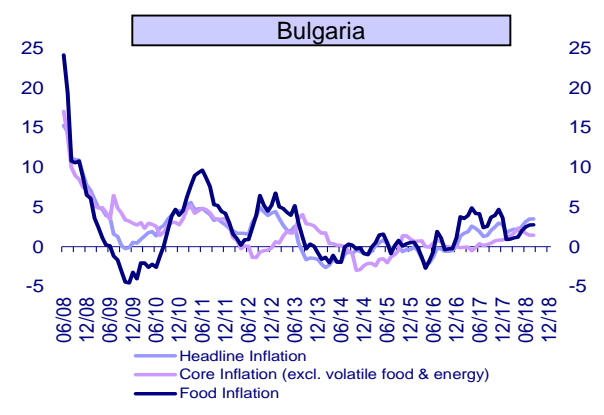
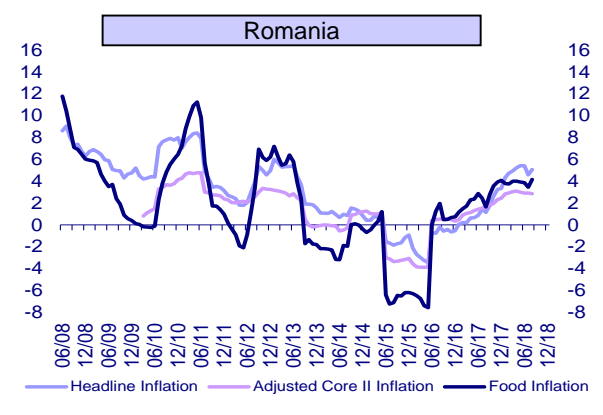
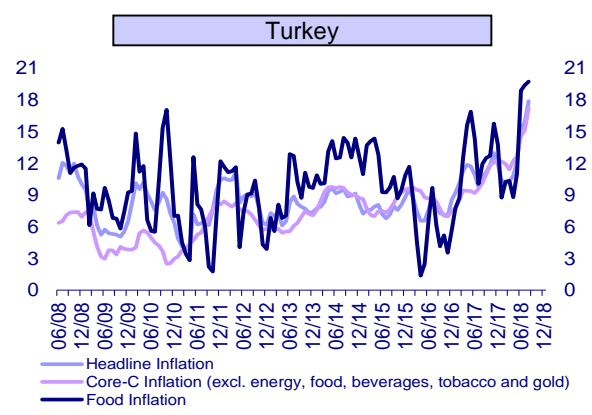
The external debt-to-GDP ratio does not exceed 80% in the countries under review, with the exception of Cyprus



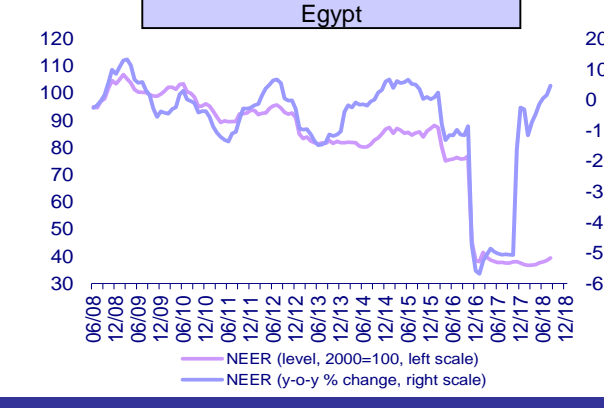
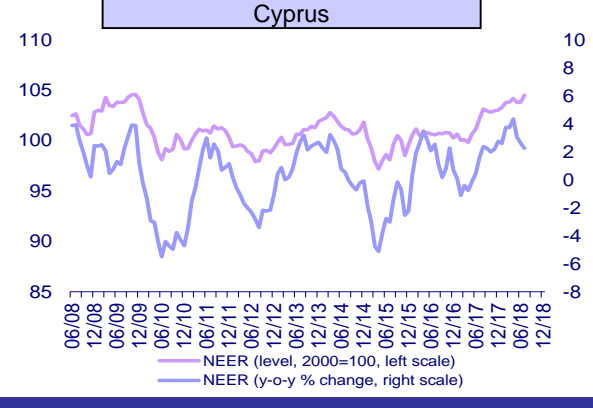
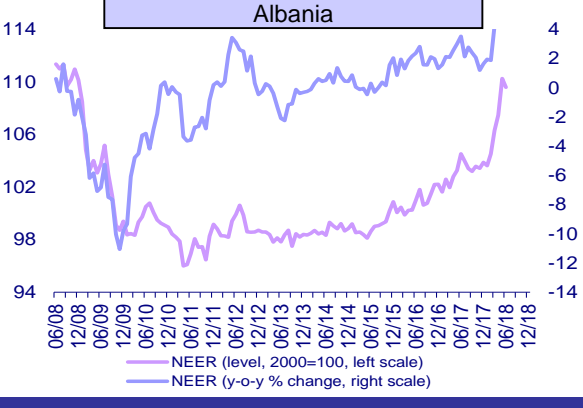
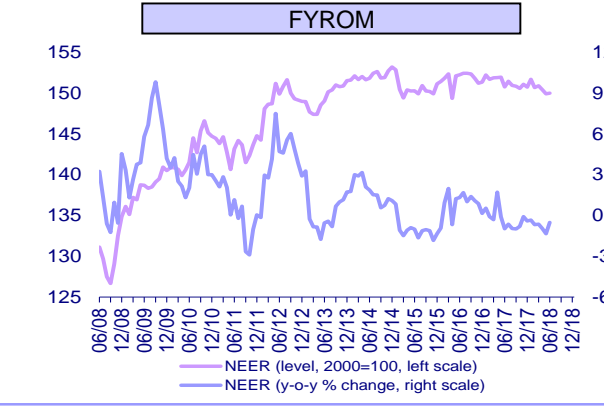
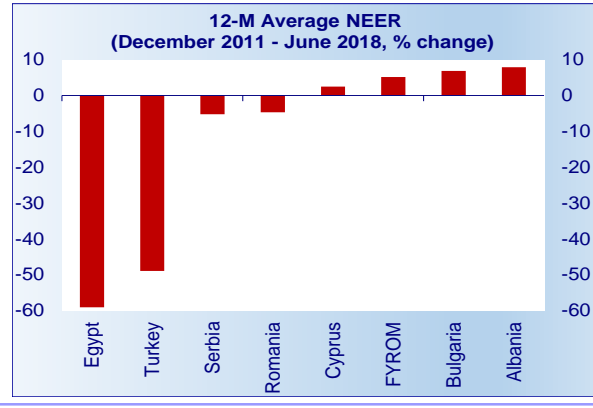
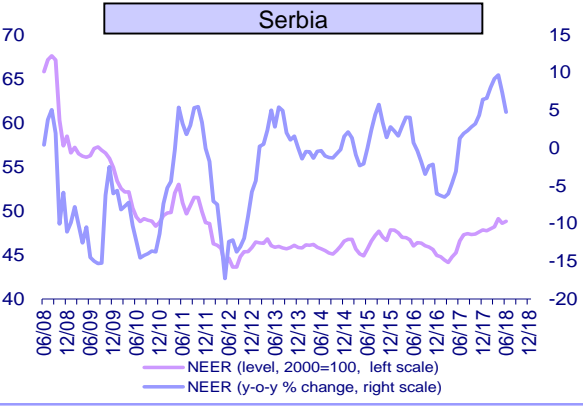
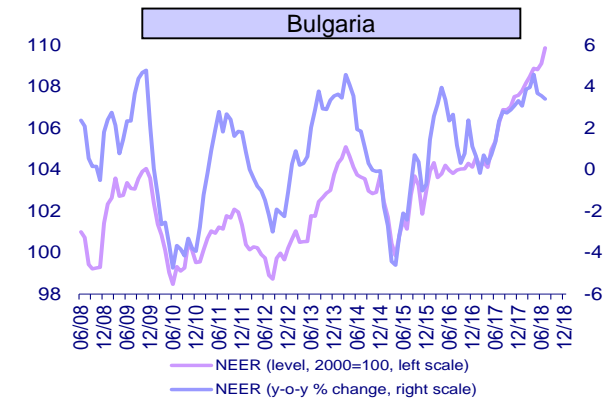
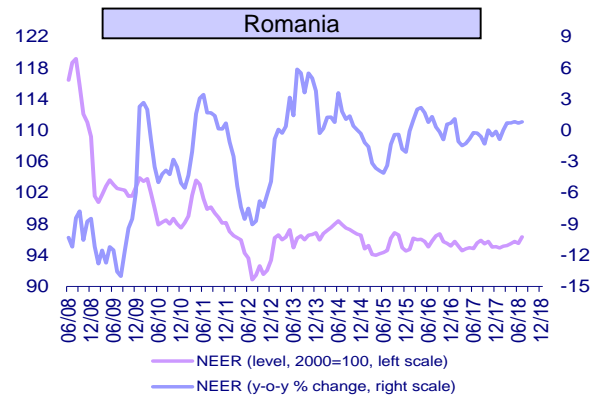
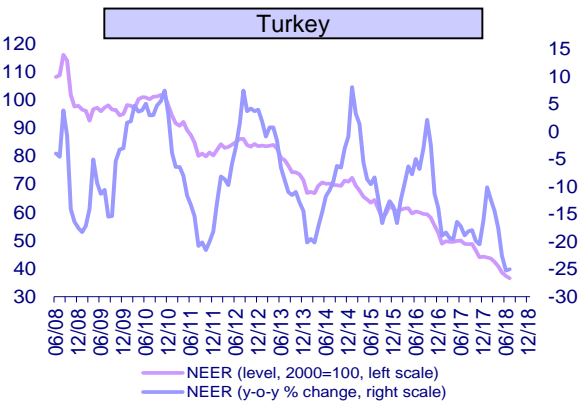
Real estate prices continued on an upward trend in Romania and Bulgaria in H1:18, but remain well below their pre-crisis peak



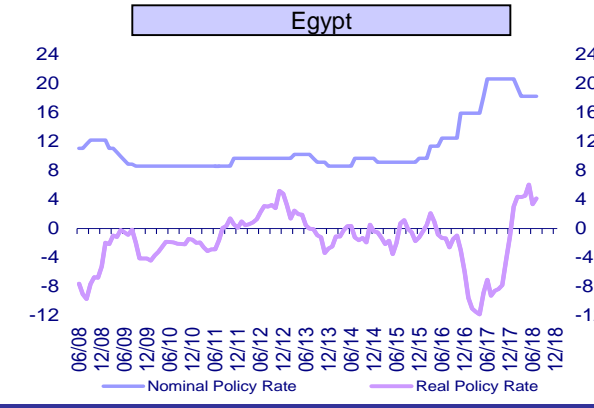
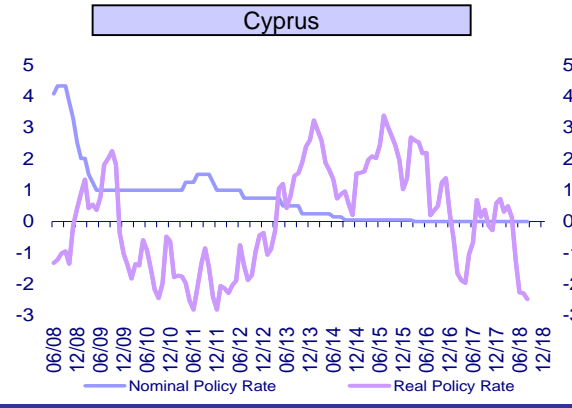
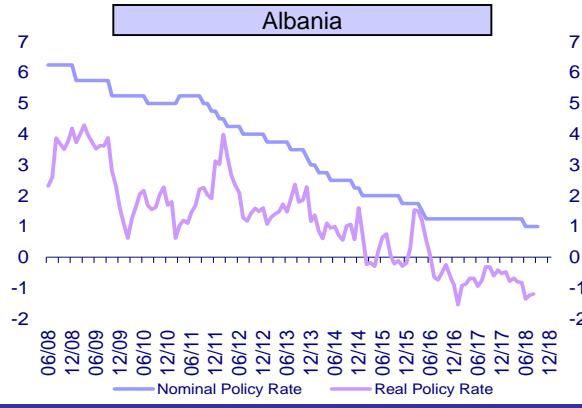
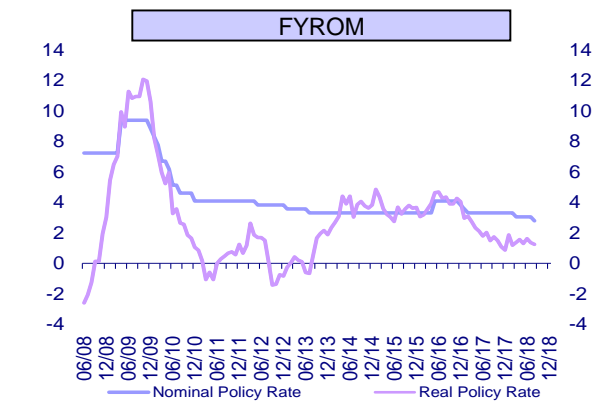
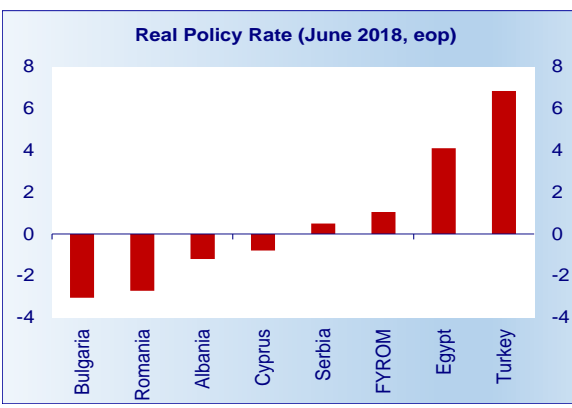
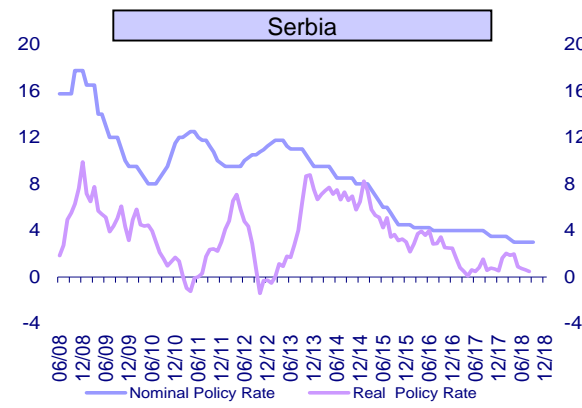
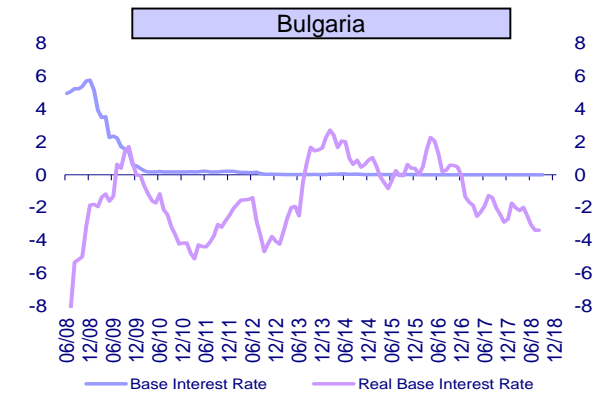
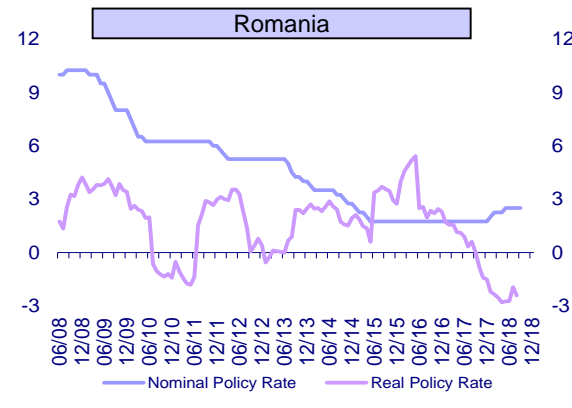
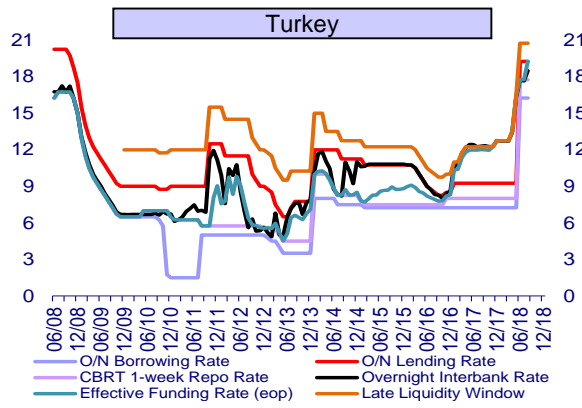
In Turkey, headline inflation is set to reach a 16-year high this year



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



Since the beginning of the year, only Romania and Turkey have hiked their policy rates 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 June, 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 mid-August, in a bid to reverse a disorderly depreciation of the domestic currency

### Turkey

#### Reserve Requirement Ratios (Average, %)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	10.1	10.1	10.1
FC Liabilities	13.0	12.4	12.4

### Romania

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	8.0	8.0	8.0
FC Liabilities	10.0	8.0	8.0

### Bulgaria

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	10.0	10.0	10.0
FC Liabilities	5.0	5.0	5.0

### Serbia

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
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

### FYROM

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	8.0	8.0	8.0
FC Liabilities	15.0	15.0	15.0

### Albania

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	10.0	10.0	5.0-7.5
FC Liabilities	10.0	10.0	12.5-20.0

### Cyprus

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	1.0	1.0	1.0
FC Liabilities	1.0	1.0	1.0

### Egypt

#### Reserve Requirement Ratios (%)

	Dec. 2016	Dec. 2017	Sep. 2018
LC Liabilities	10.0	14.0	14.0
FC Liabilities	---	---	---

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

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

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

### Turkey

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
-1.1	-1.5	-1.9	-2.0	-1.9

### Romania

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
-2.4	-2.8	-2.6	-3.4	-3.6

### Bulgaria

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
1.6	0.9	0.2	0.9	0.0

### Serbia

Dec. 16	Dec. 17	Jun. 17	Jun. 18	Dec. 18F
-1.3	1.2	0.2	0.9	0.6

### FYROM

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
-2.7	-2.7	-2.9	-2.2	-2.8

### Albania

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
-1.8	-2.0	-2.9	-1.8	-2.0

### Cyprus

Dec. 16	Dec. 17	Jul. 17	Jul. 18	Dec. 18F
0.3	1.8	1.9	3.2	2.2

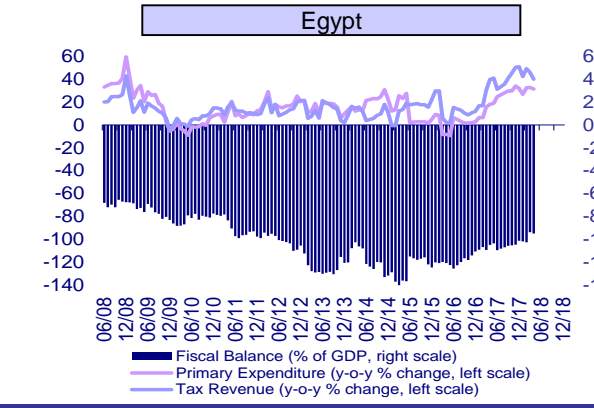
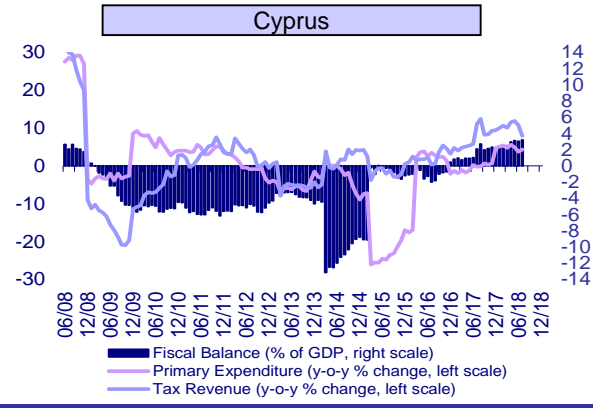
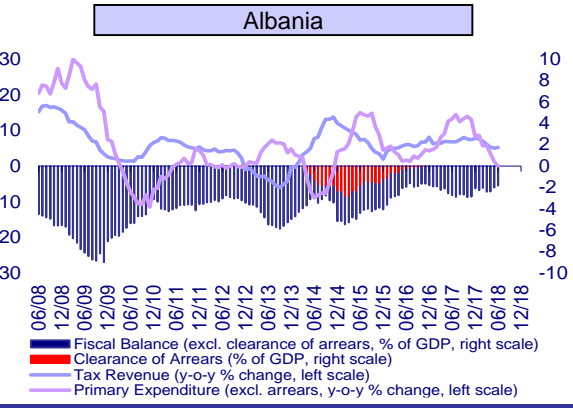
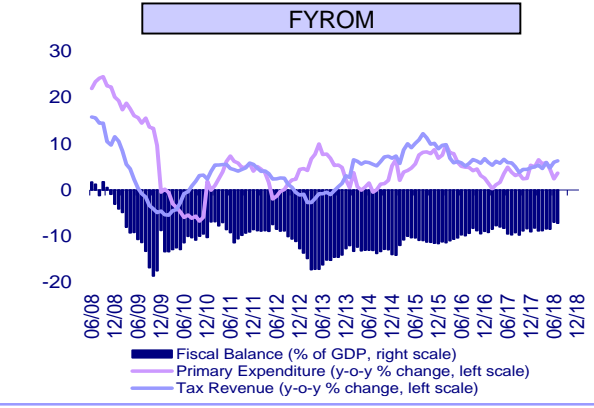
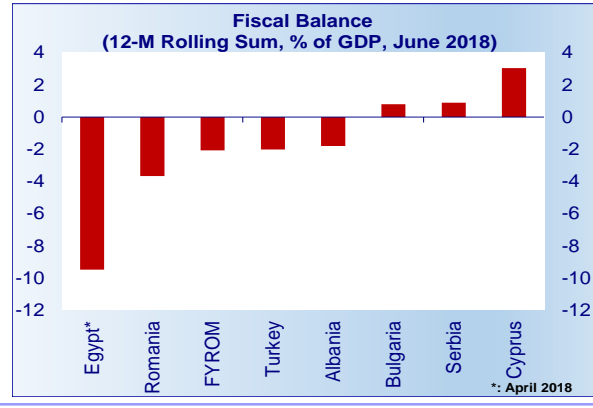
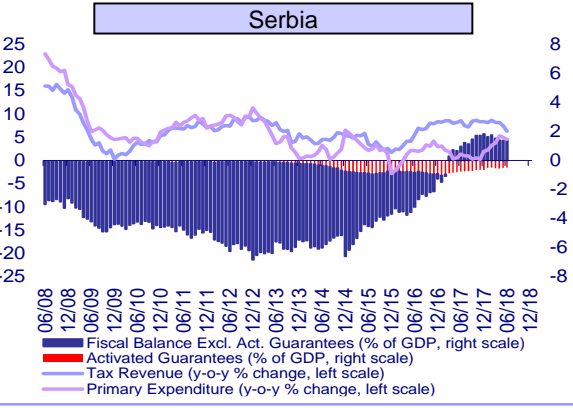
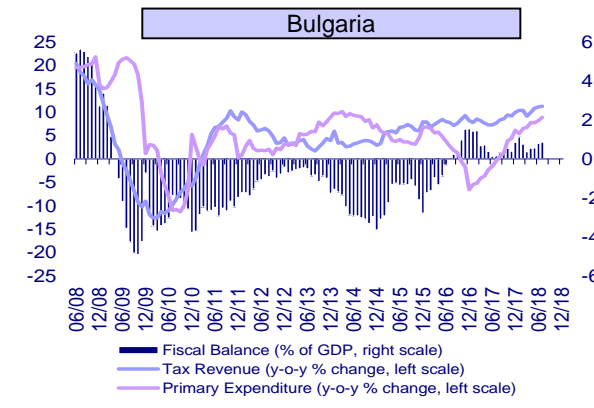
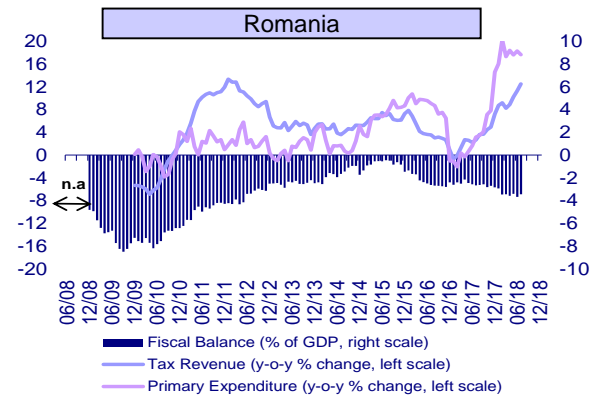
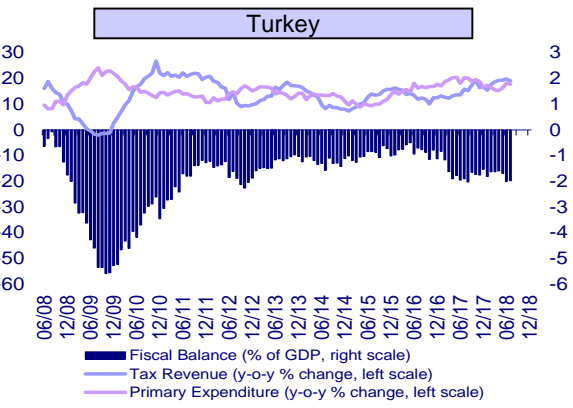
### Egypt

June 16	June 17	Apr. 17	Apr. 18	June 18E
-12.5	-10.9	-11.1	-9.5	-9.8

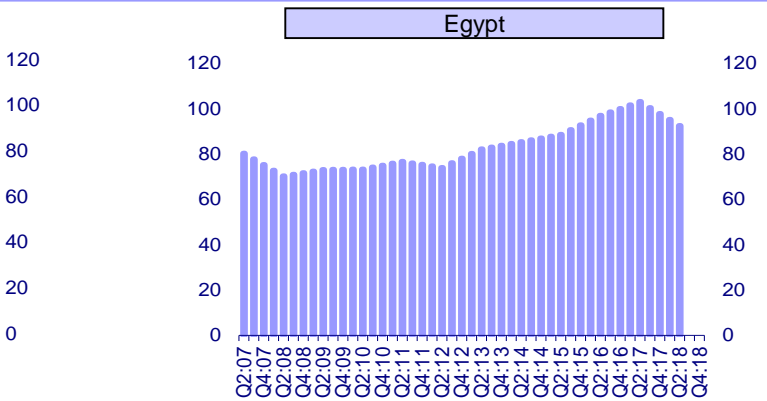
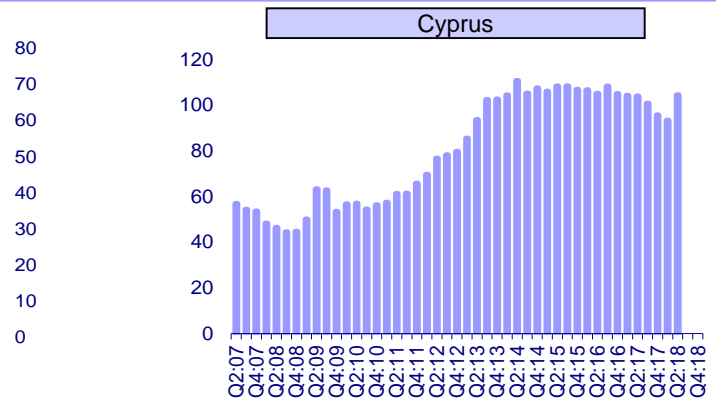
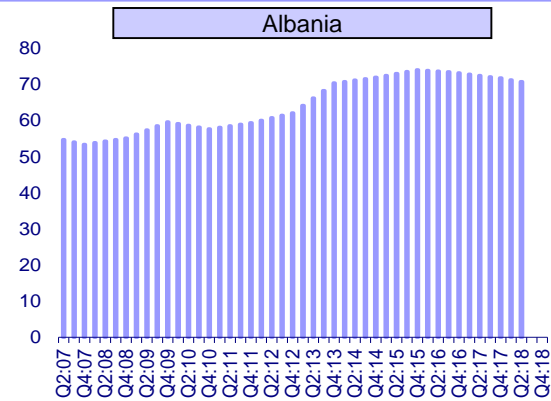
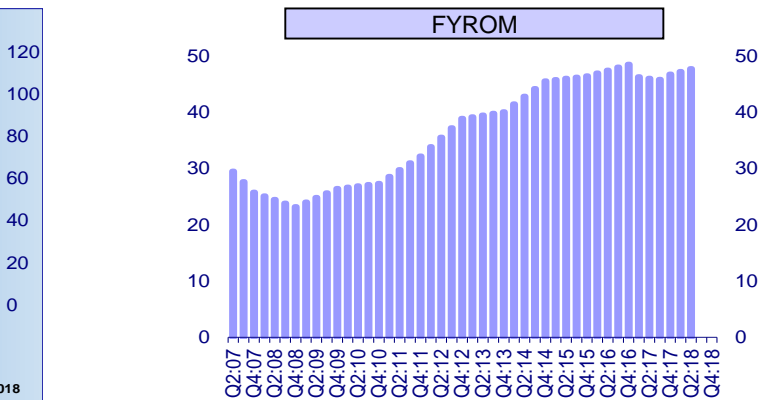
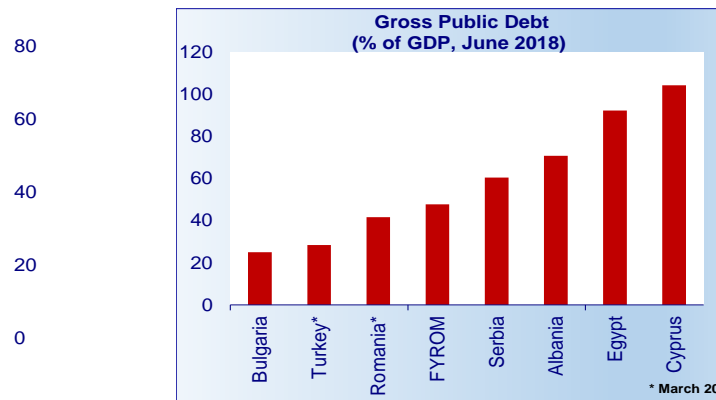
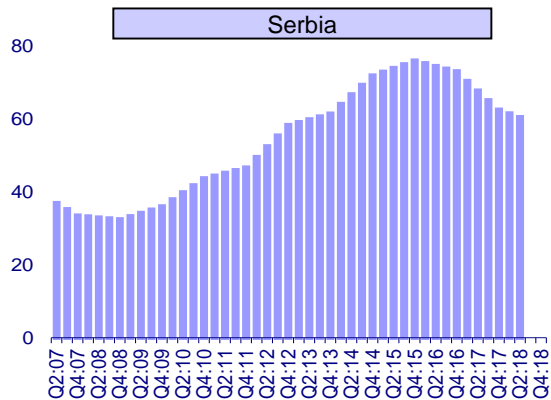
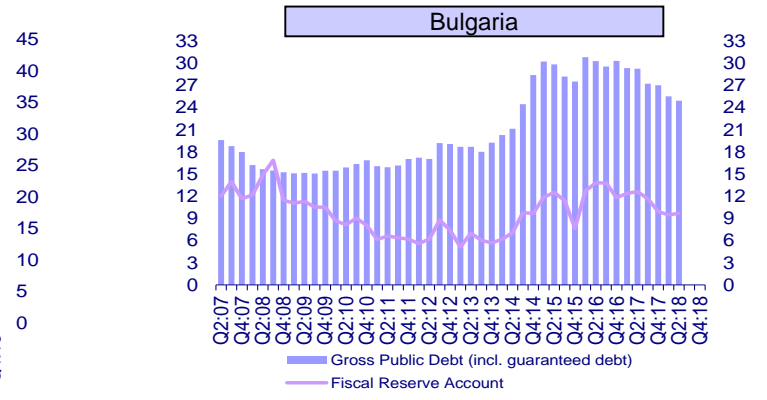
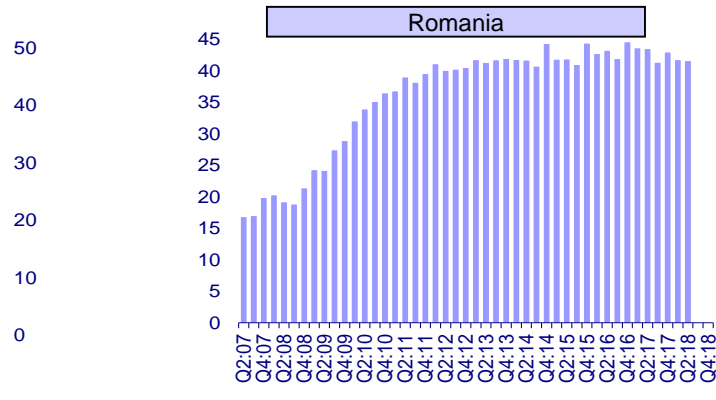
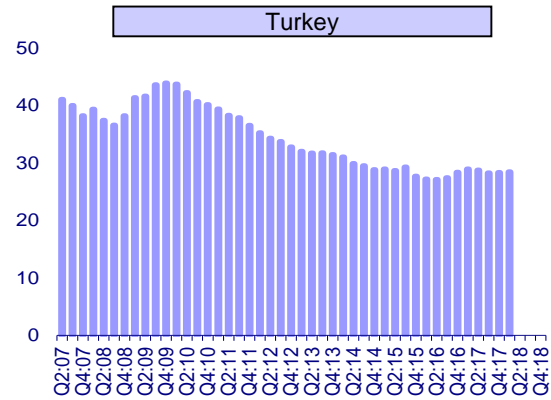
\*: Fiscal year ending on June 30<sup>th</sup>.



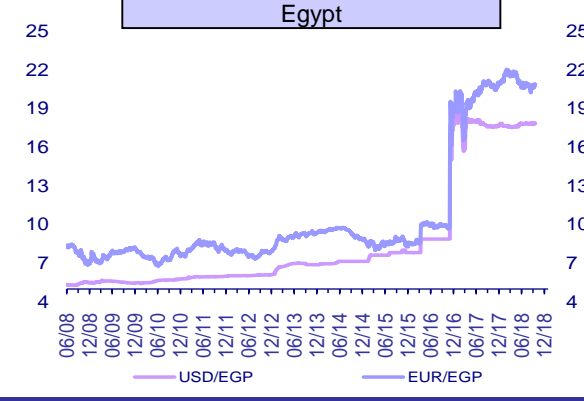
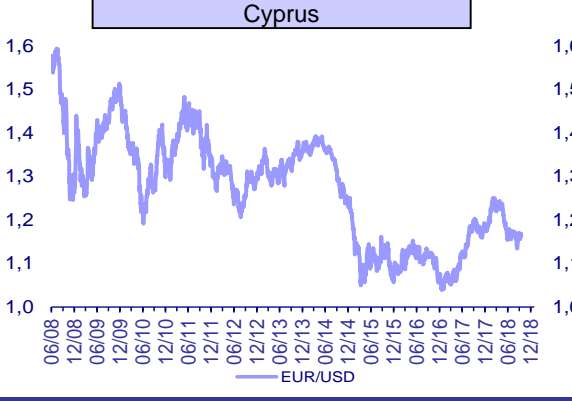
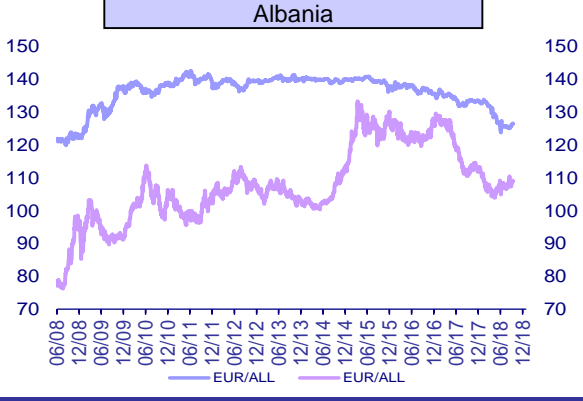
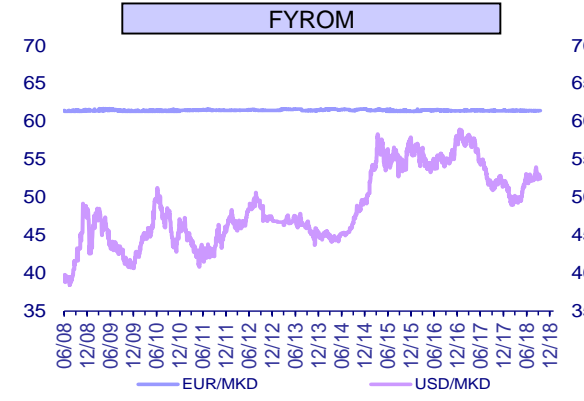
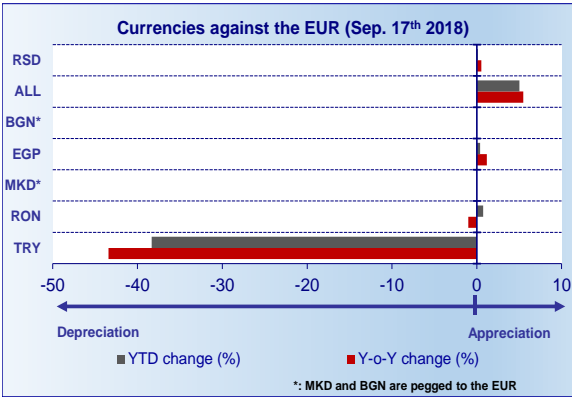
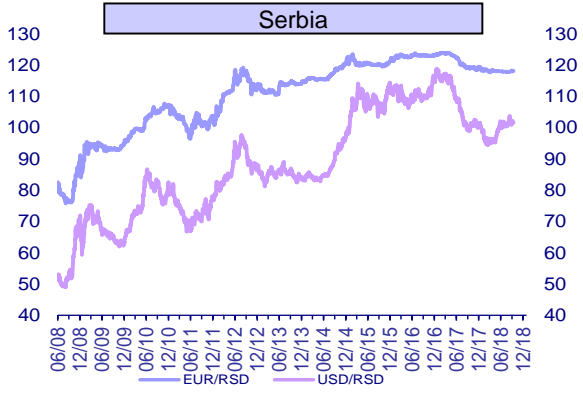
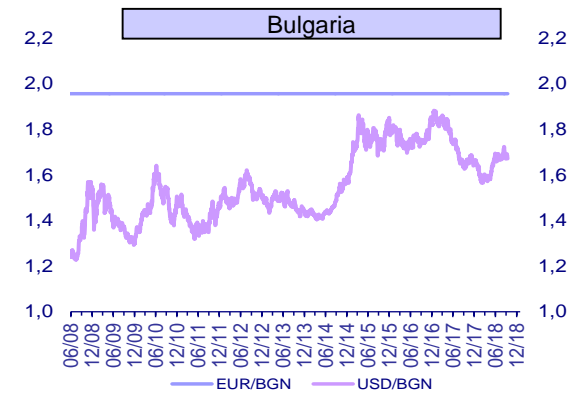
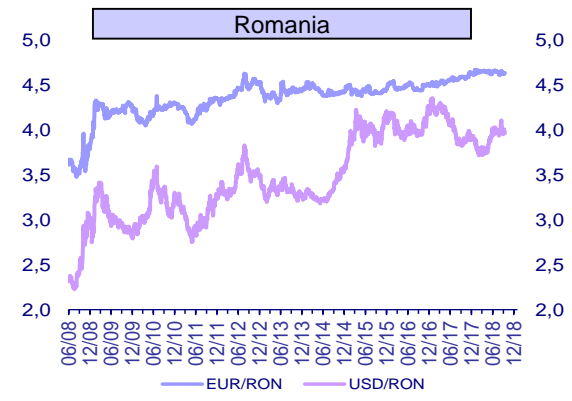
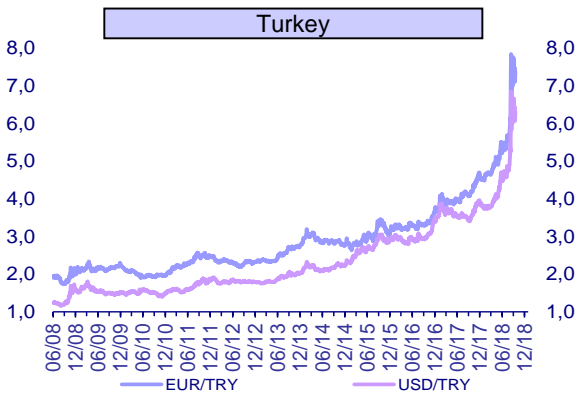
A tight fiscal stance in Serbia, Cyprus and Egypt this year should help bring down the public debt-to-GDP ratio



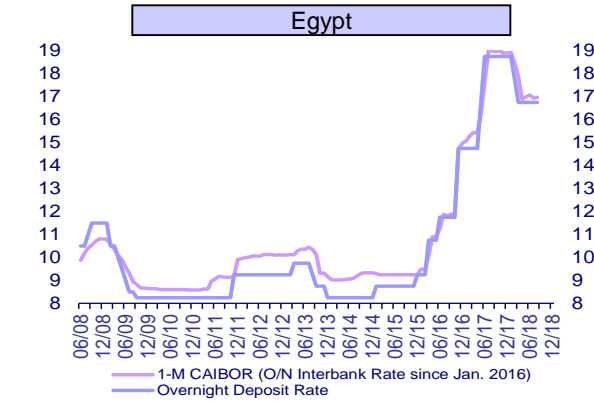
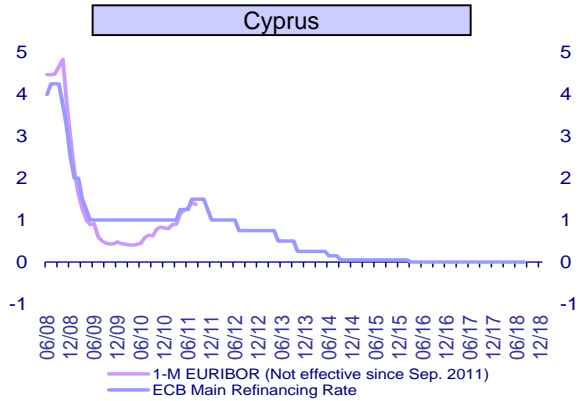
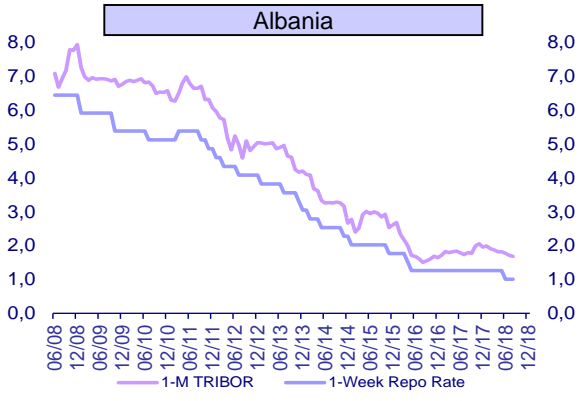
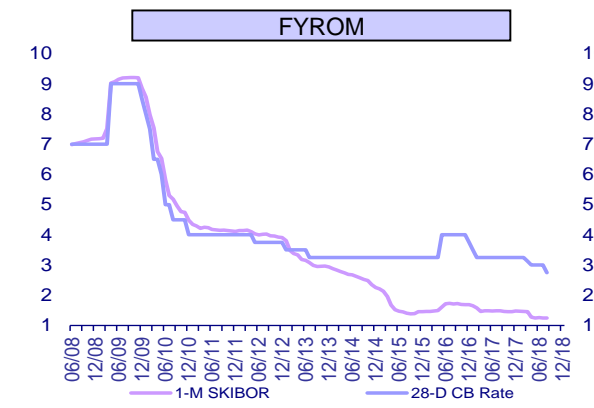
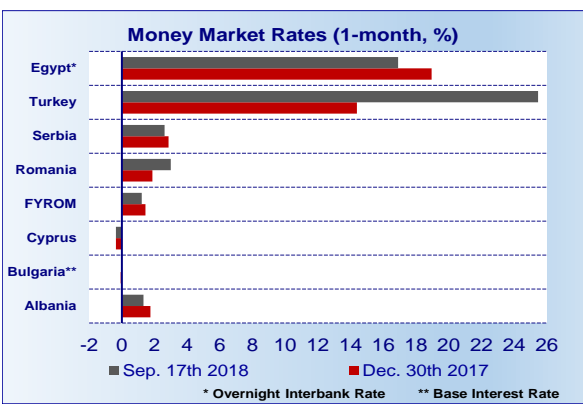
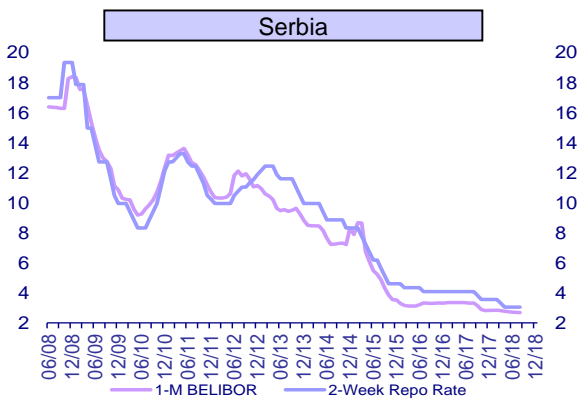
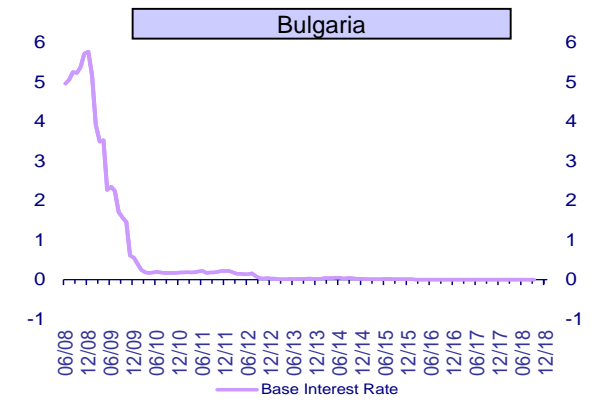
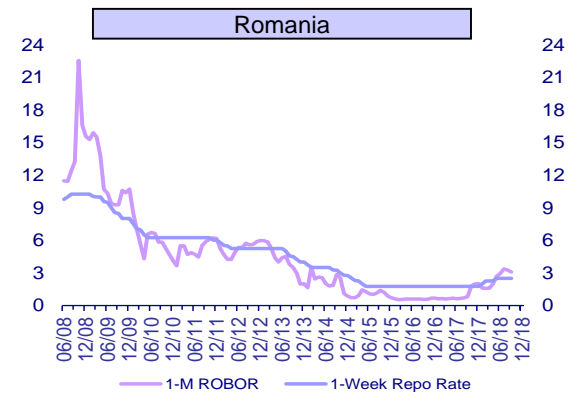
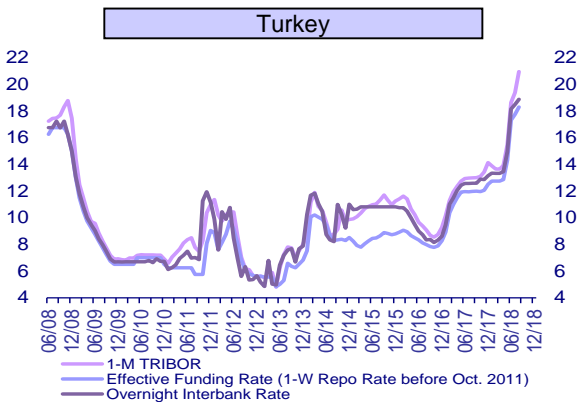
The public debt-to-GDP ratio is still at critical levels in Cyprus and Egypt, despite a tight fiscal stance



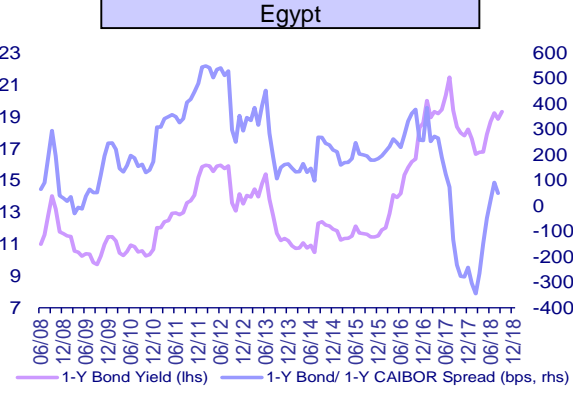
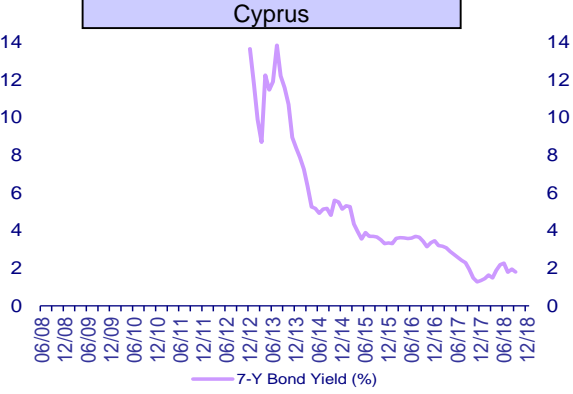
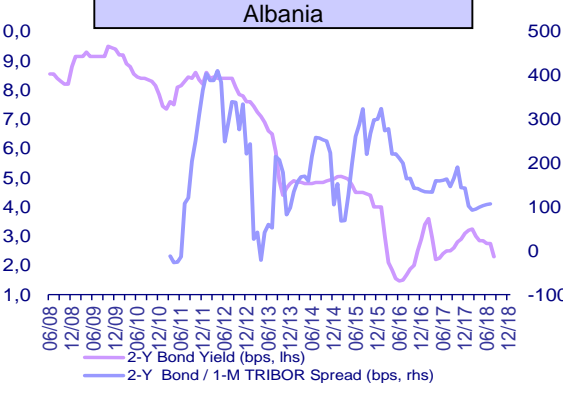
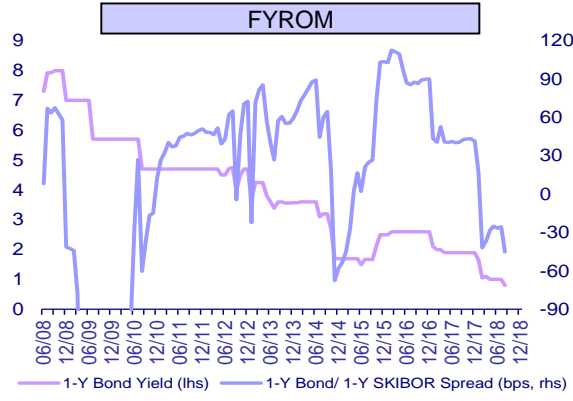
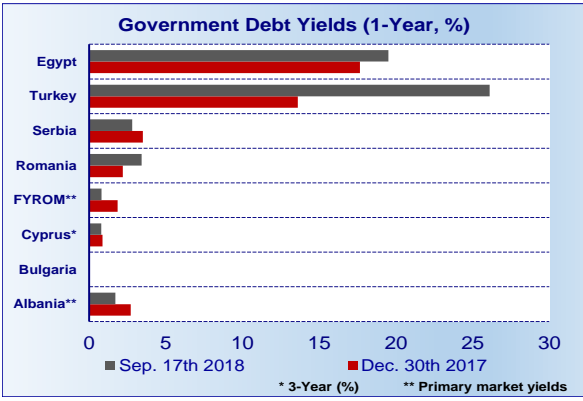
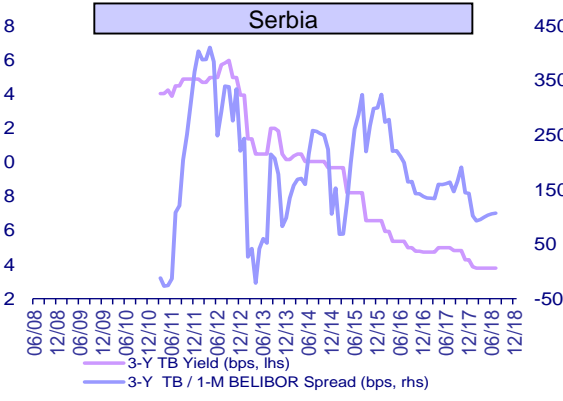
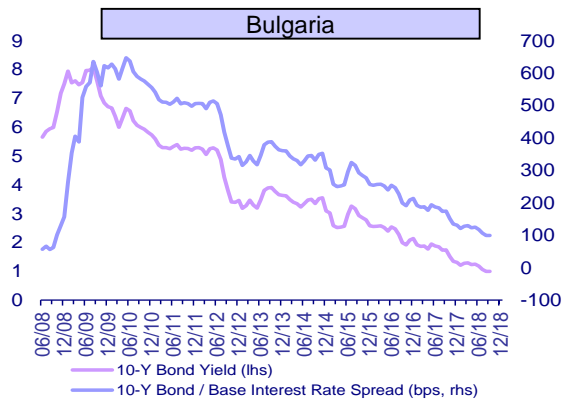
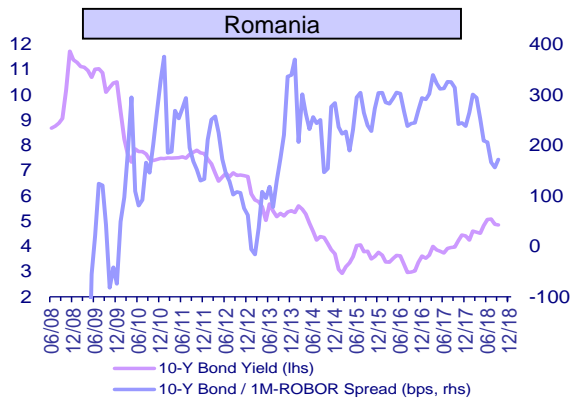
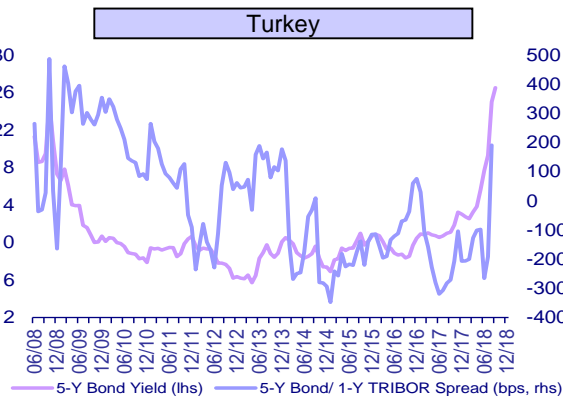
The TRY has depreciated significantly against the EUR since the beginning of the year



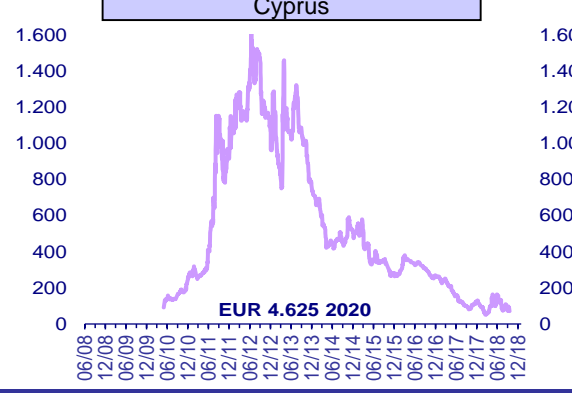
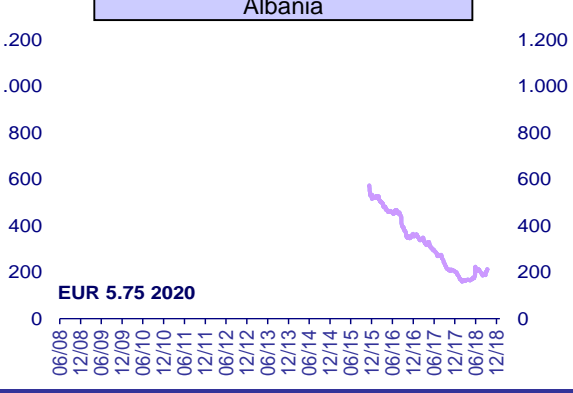
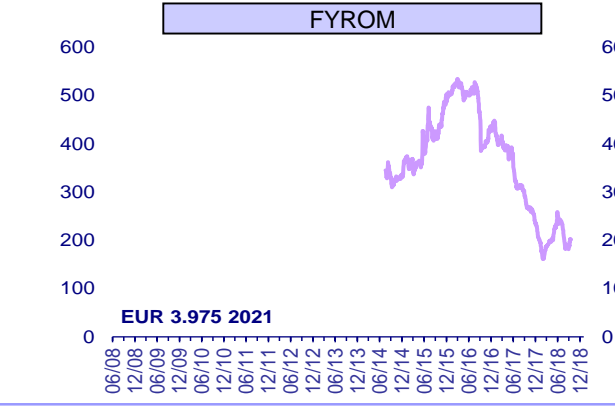
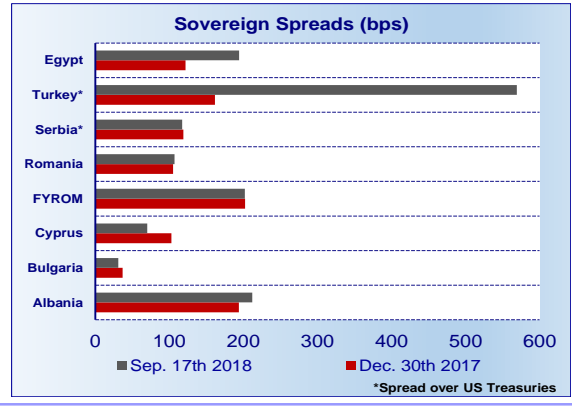
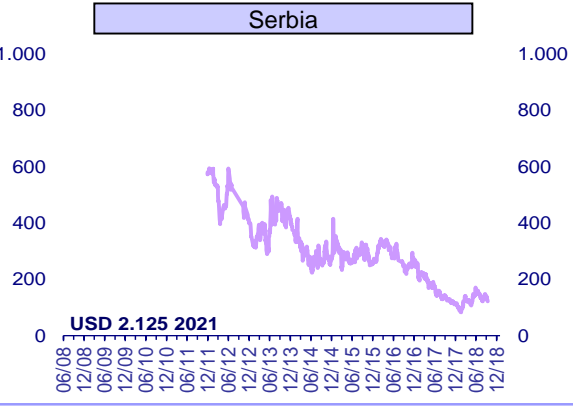
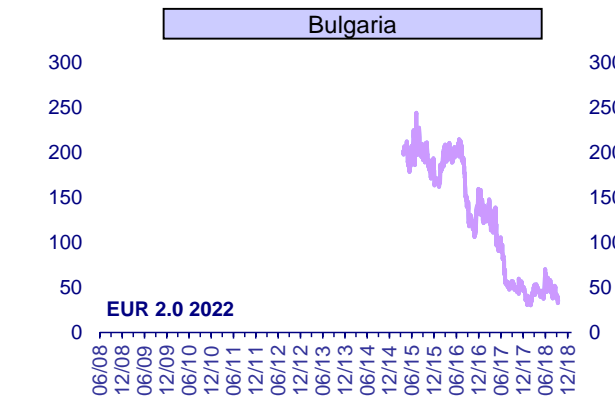
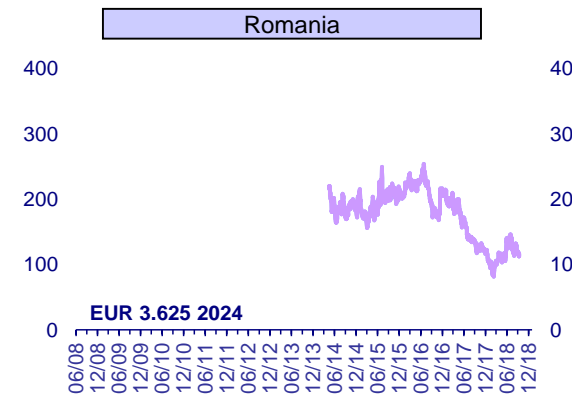
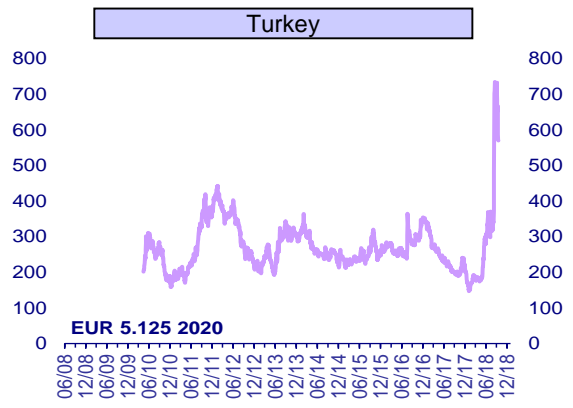
Money market rates have increased significantly in Turkey since the beginning of the year, reflecting tighter global and domestic liquidity conditions



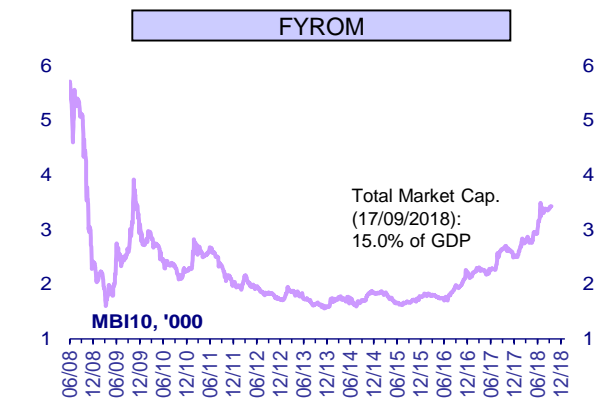
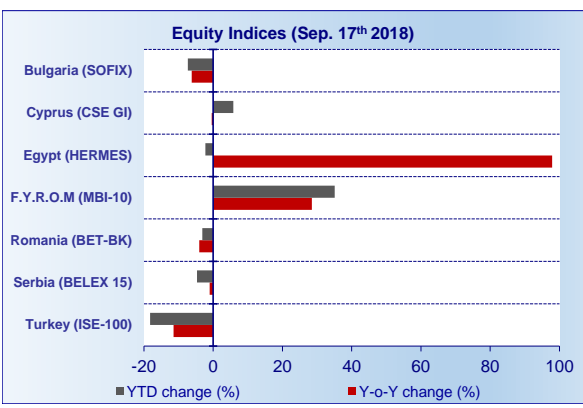
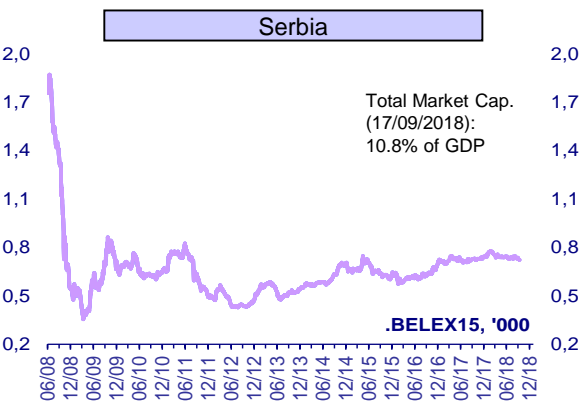
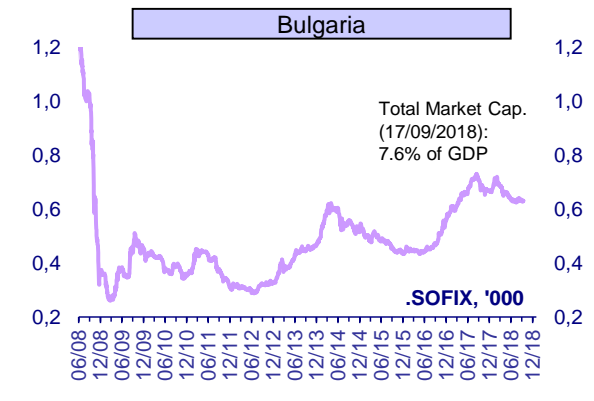
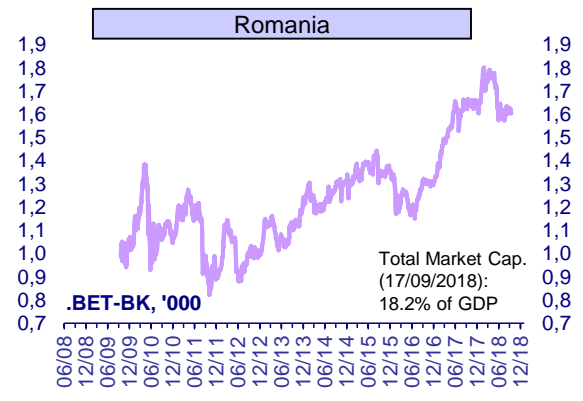
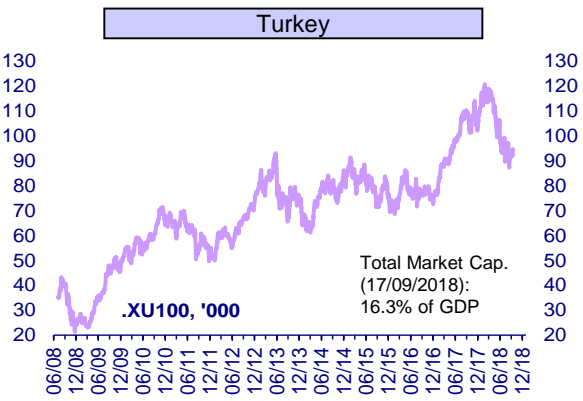
Government debt yields have also increased in Turkey, Egypt and Romania since the start of the year



Sovereign spreads have increased in all the countries under review since the beginning of the year – with the exception of Cyprus, Bulgaria and Serbia

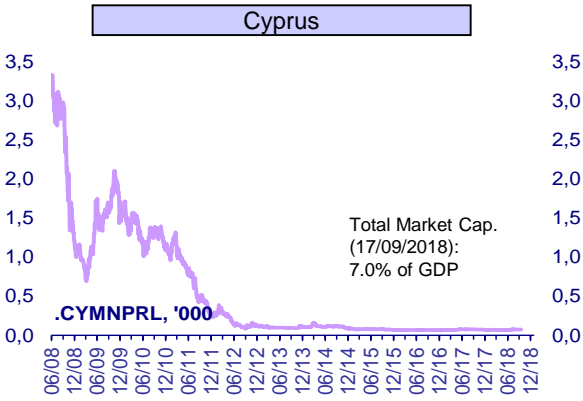


Among the stock markets under review, only those of FYROM and Cyprus have posted gains since the start of the year

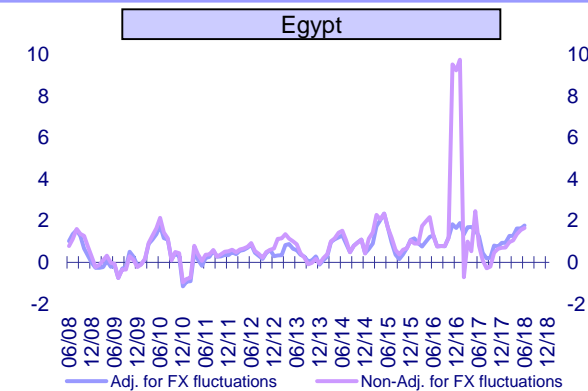
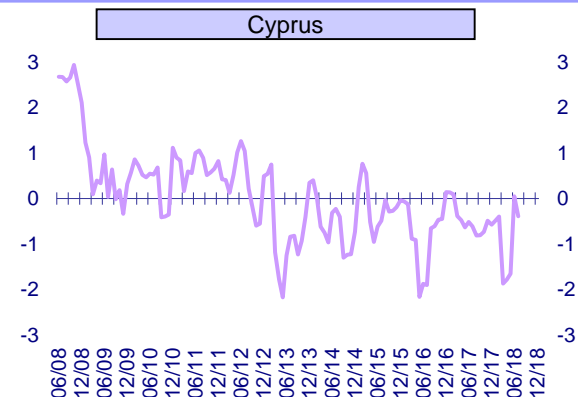
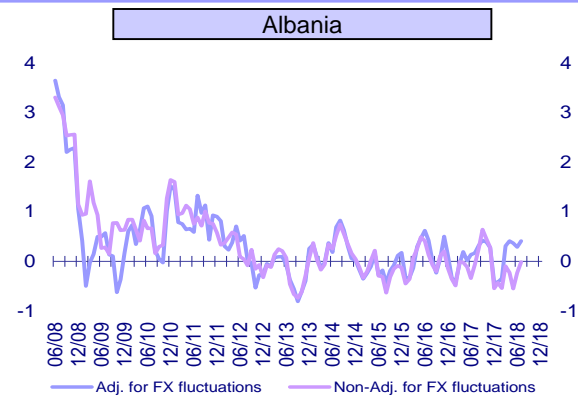
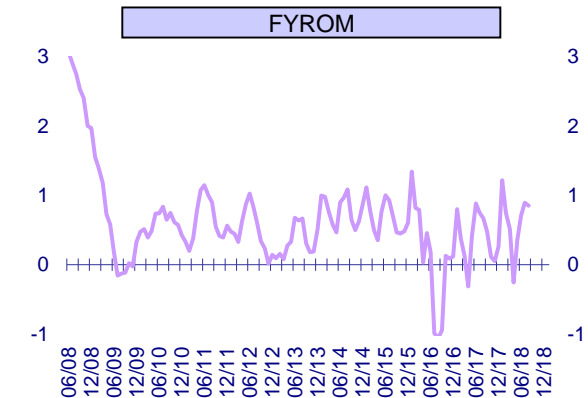
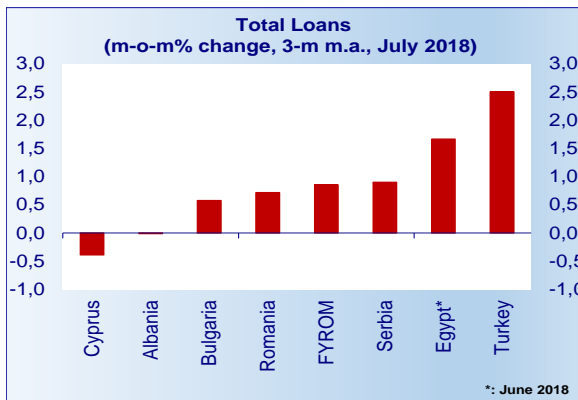
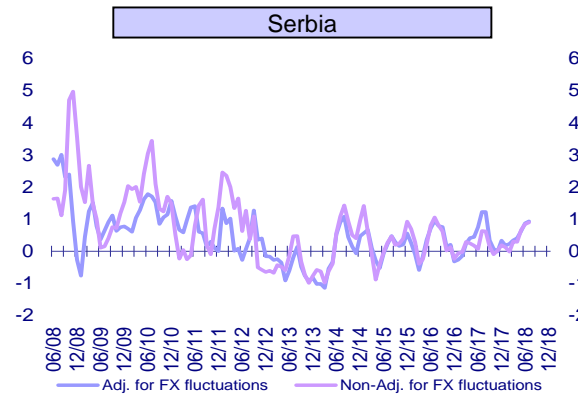
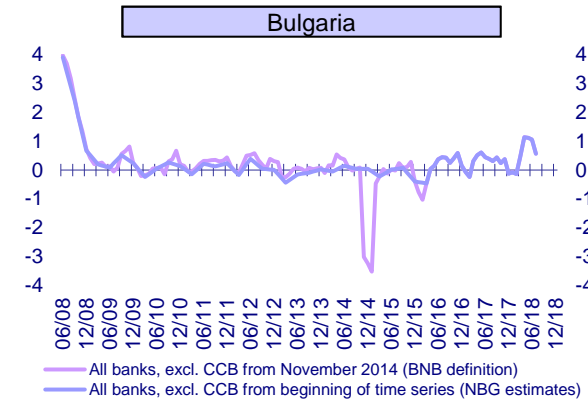
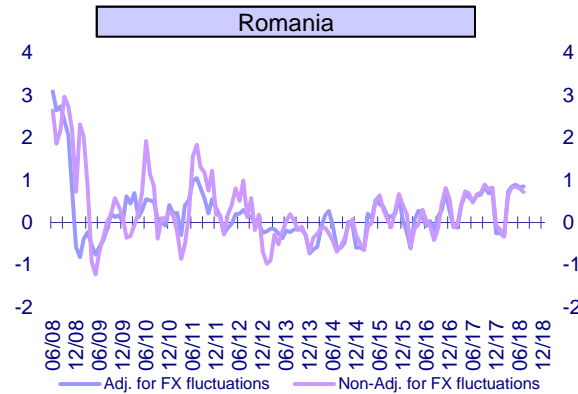
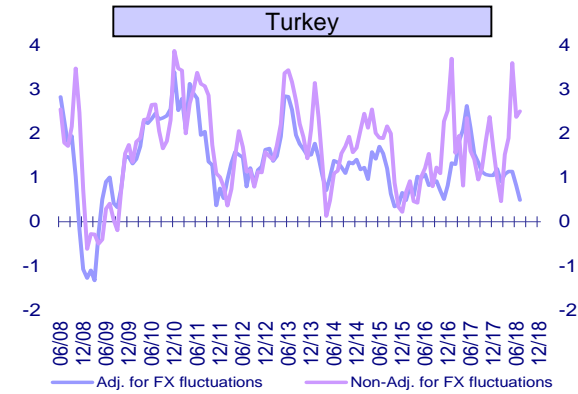


**Albania**

N.A.

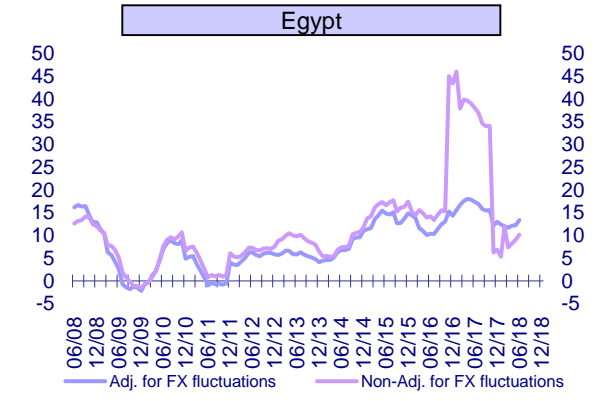
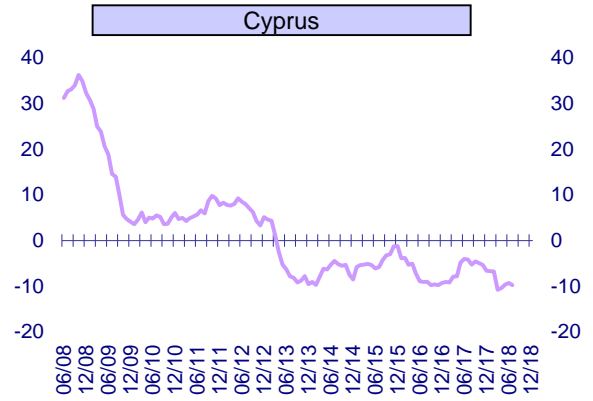
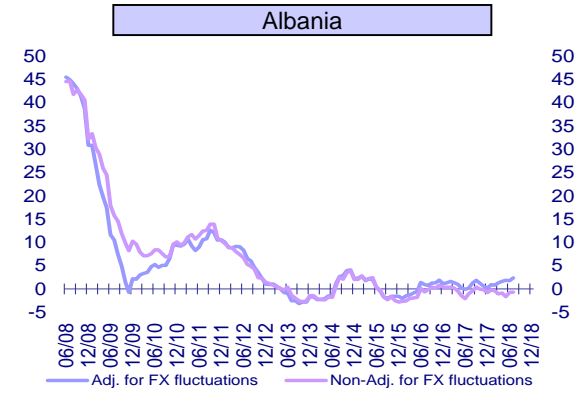
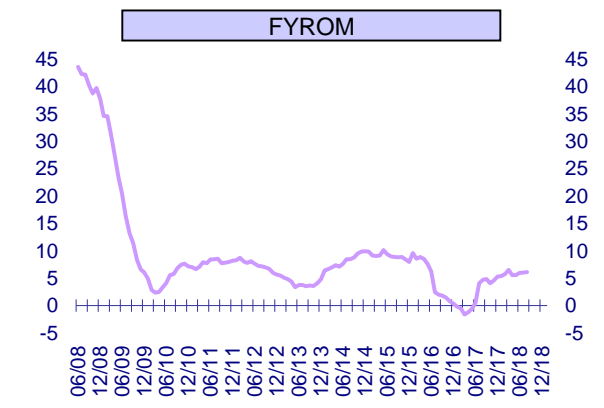
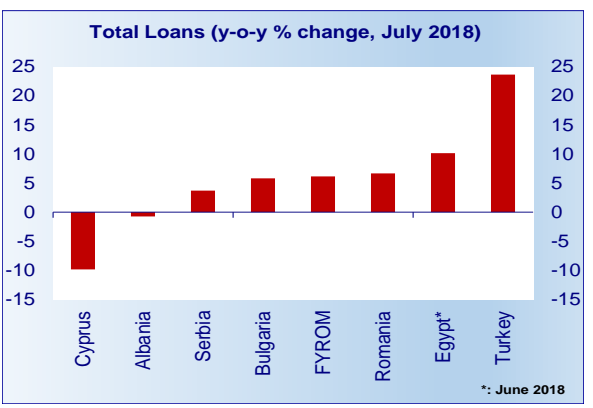
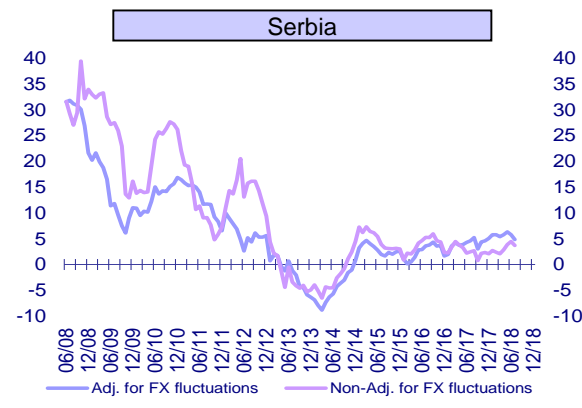
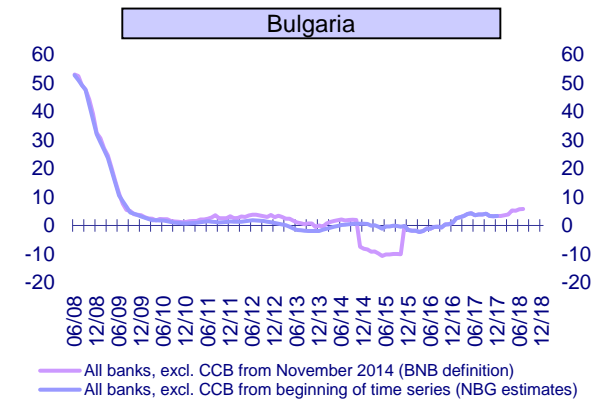
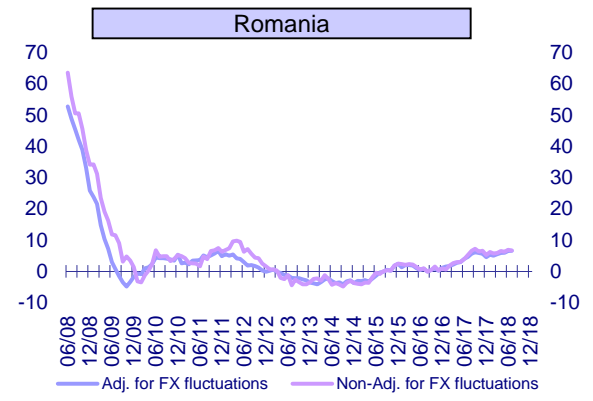
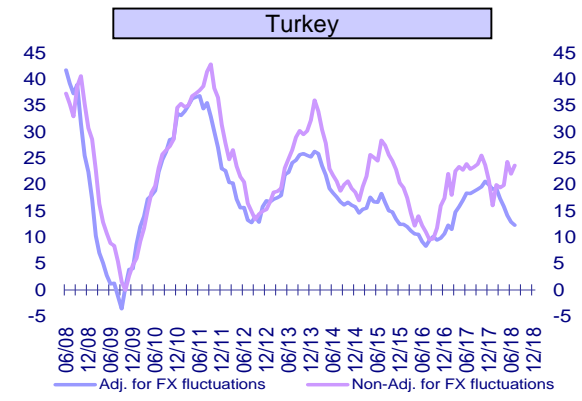


## Positive lending growth in most of the countries under review in H1:18

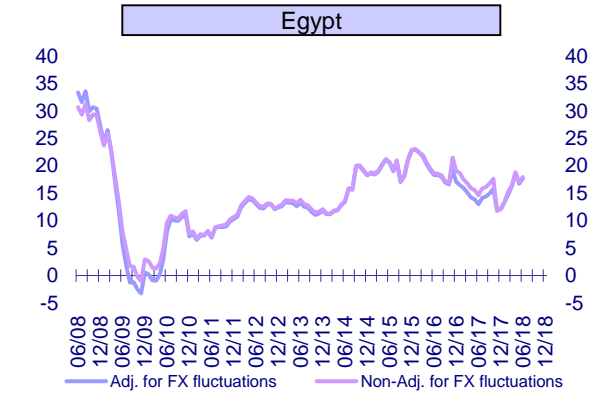
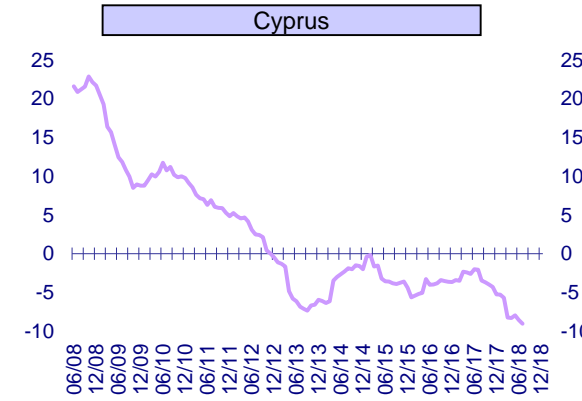
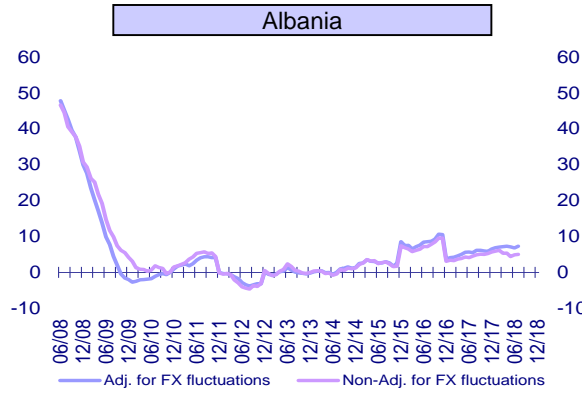
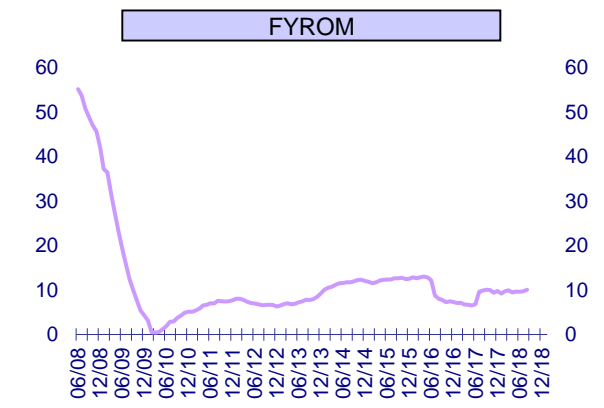
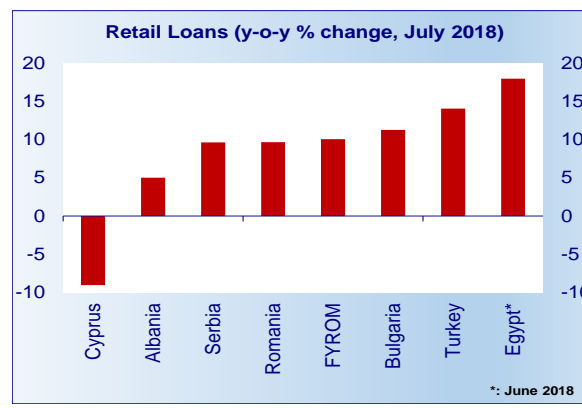
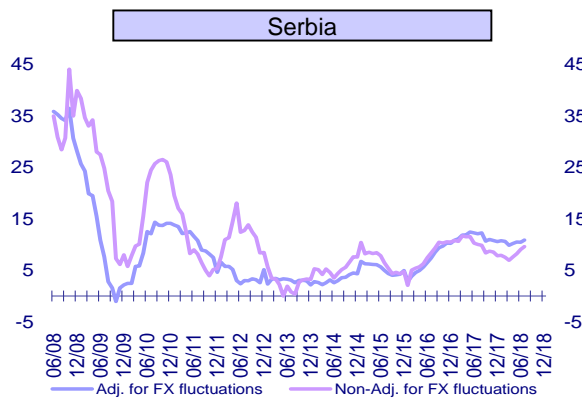
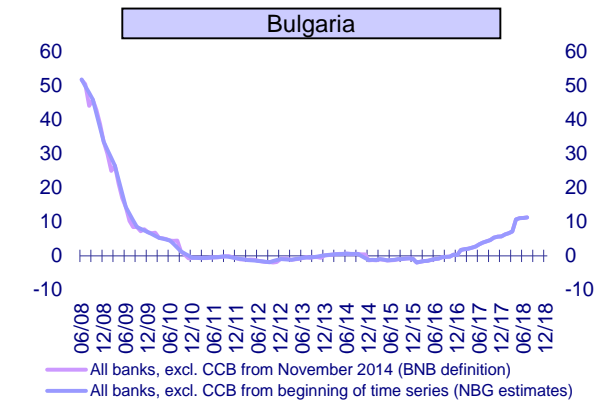
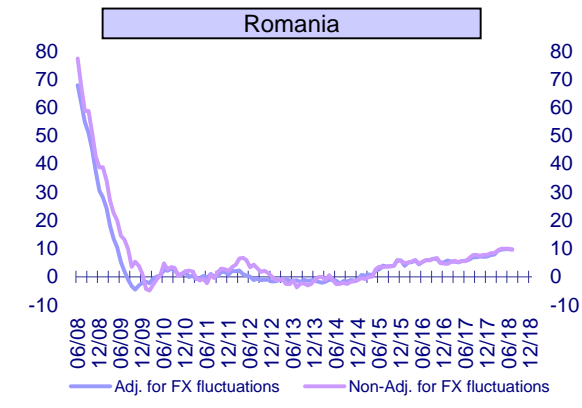
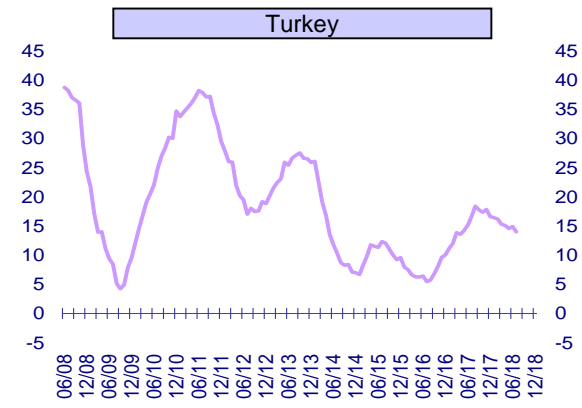




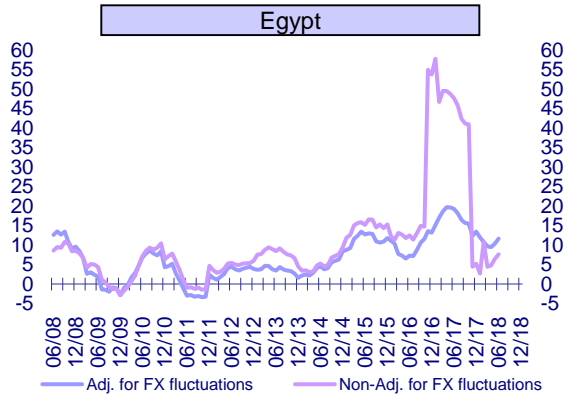
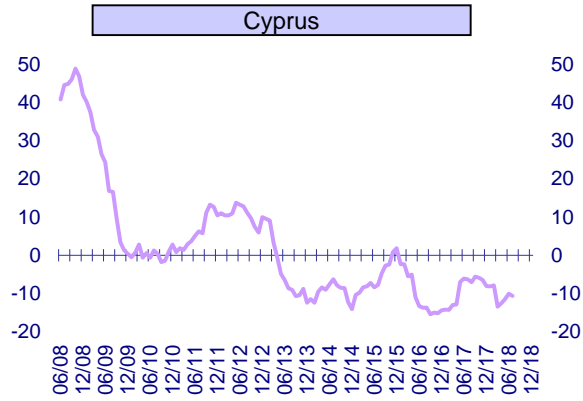
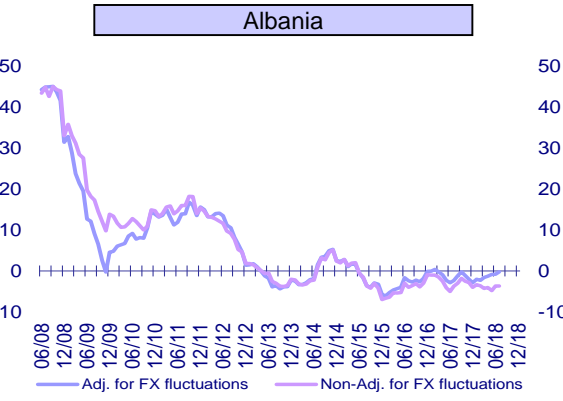
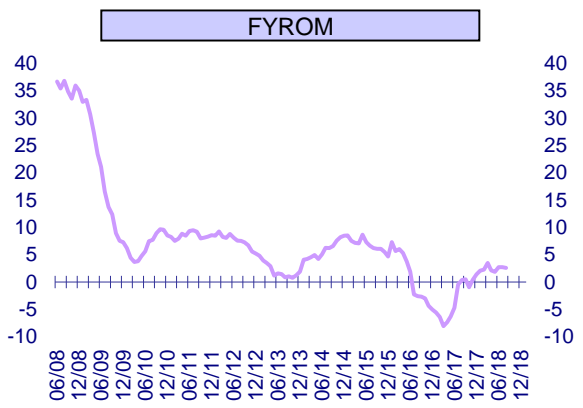
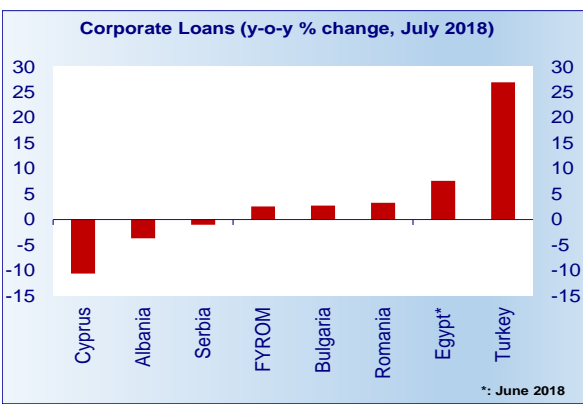
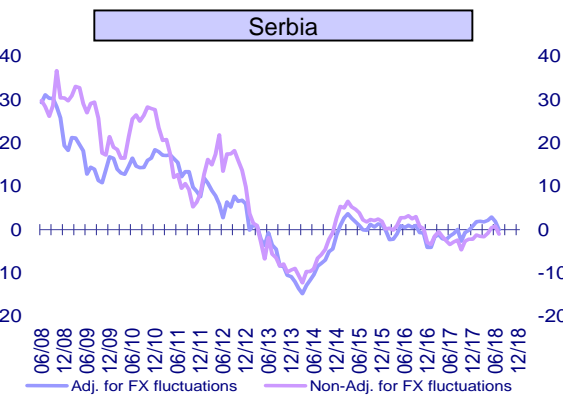
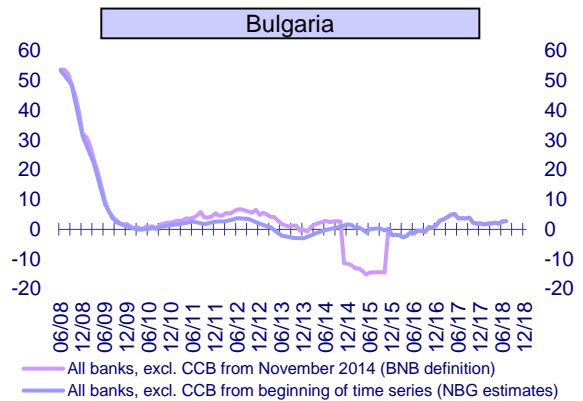
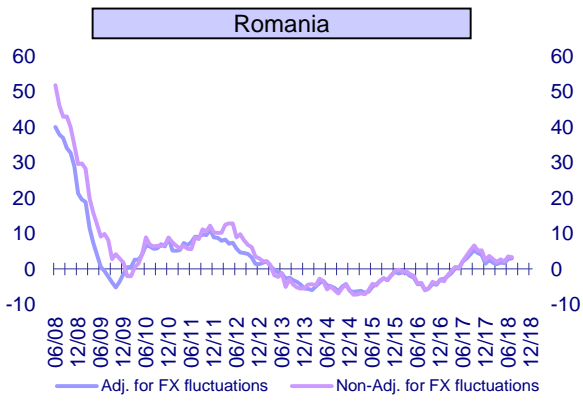
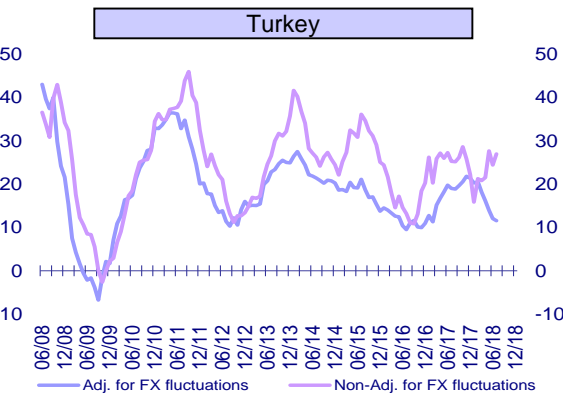
Lending activity is set to strengthen this year in most of the countries under review, as a result of banks' ample liquidity and improved asset quality



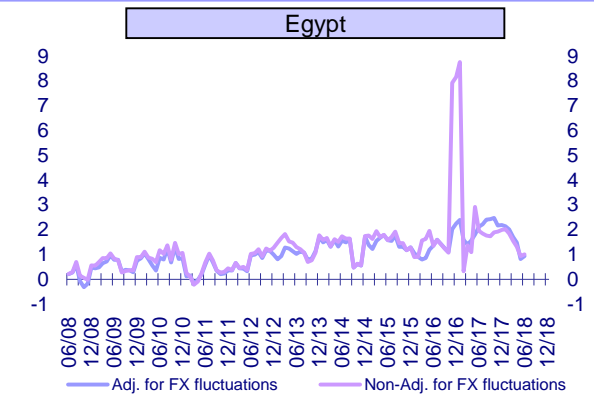
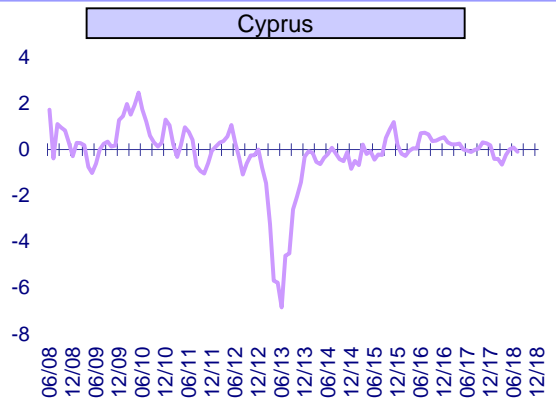
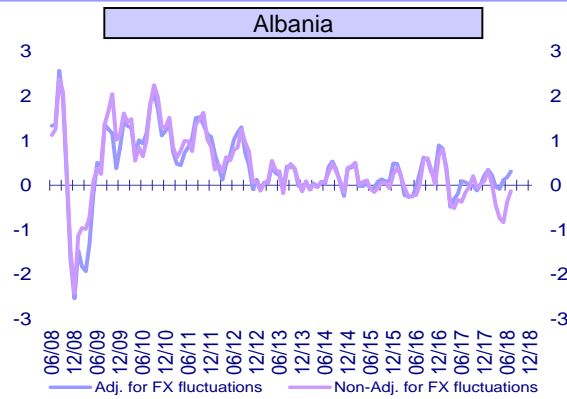
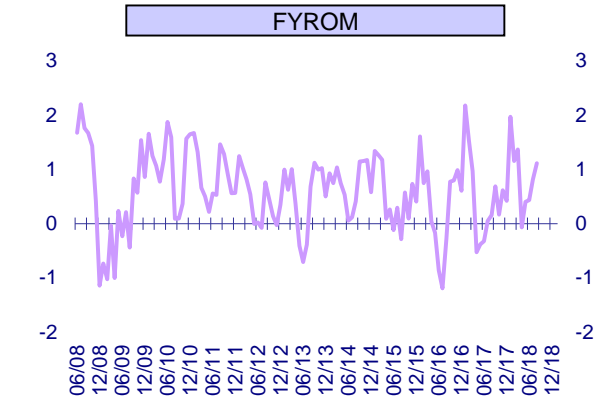
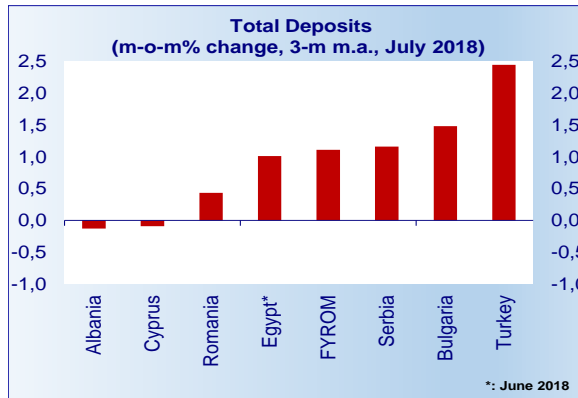
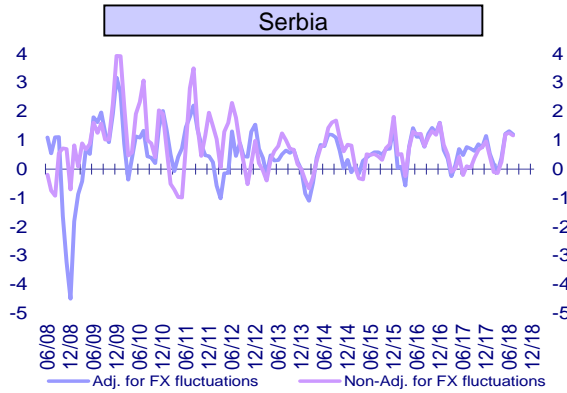
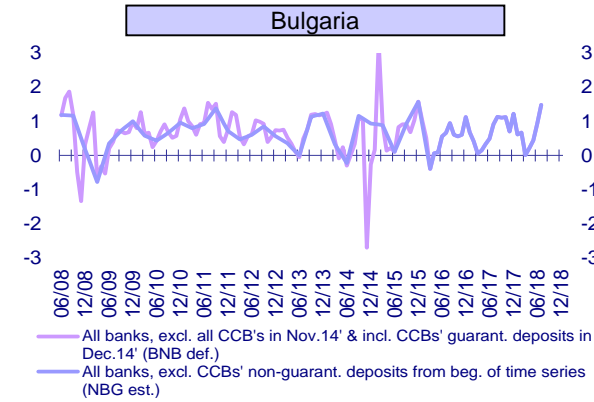
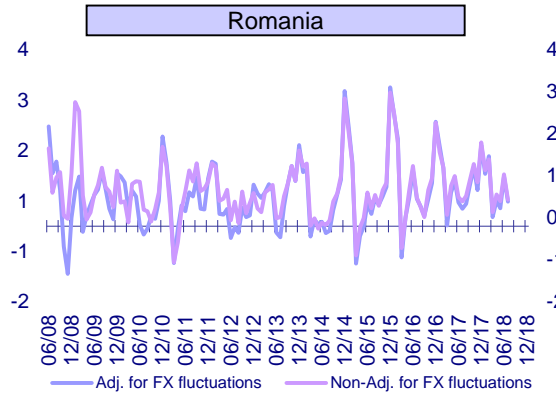
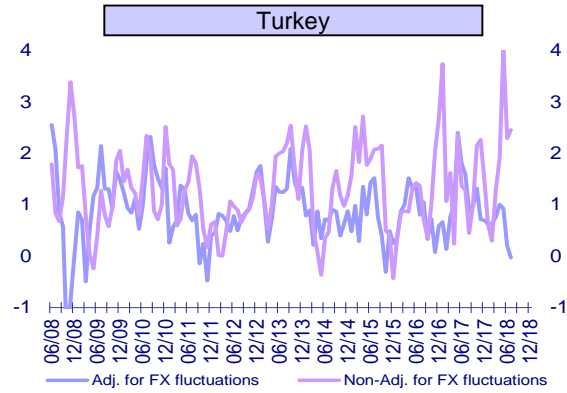
Lending activity is set to be driven mainly by the retail segment in all the countries under review this year



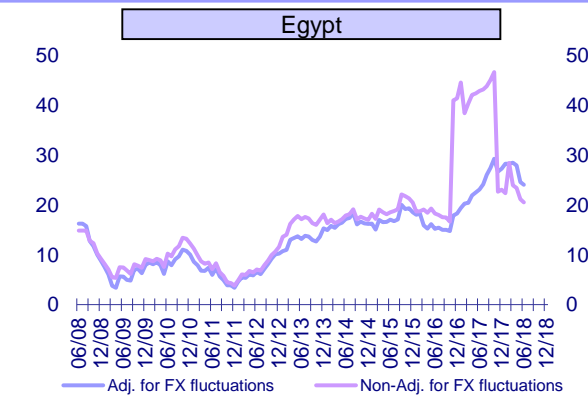
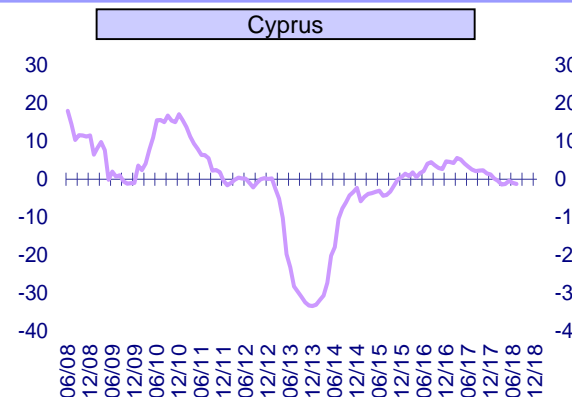
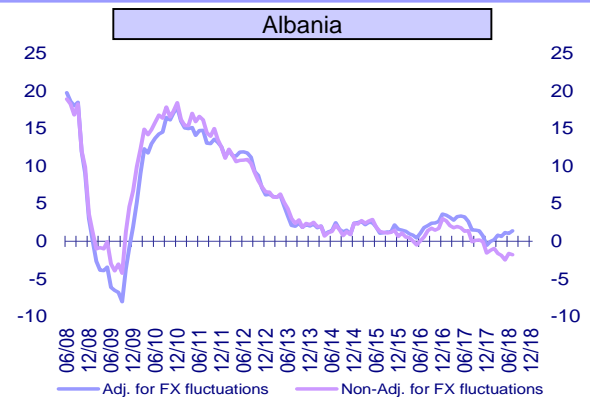
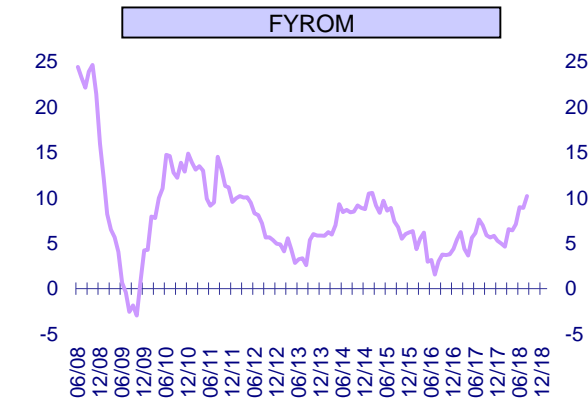
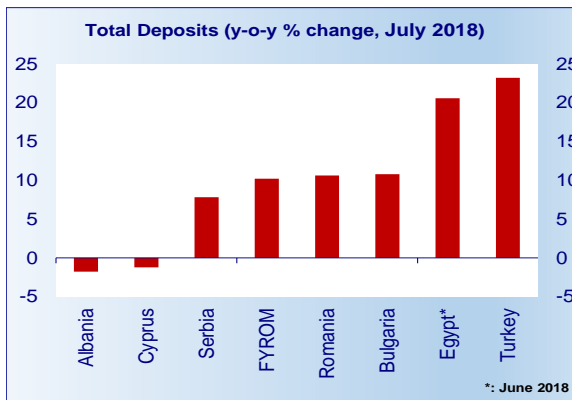
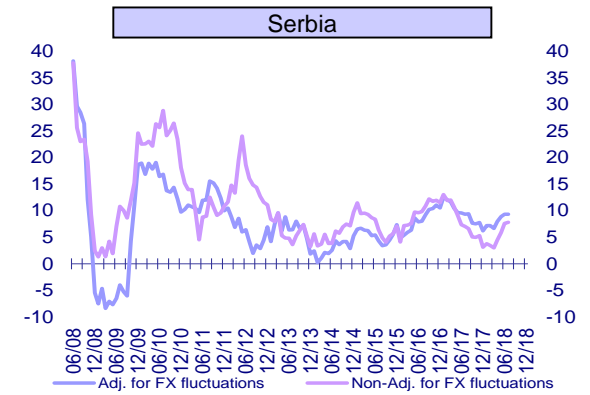
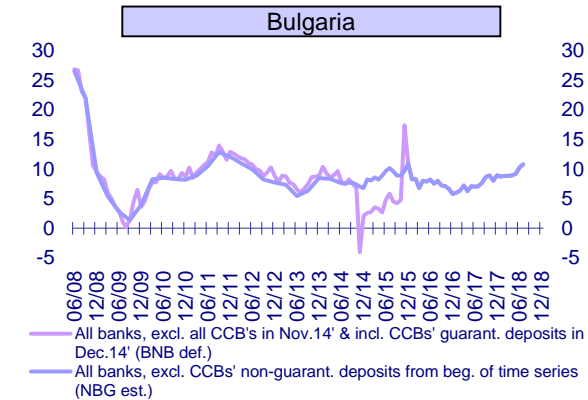
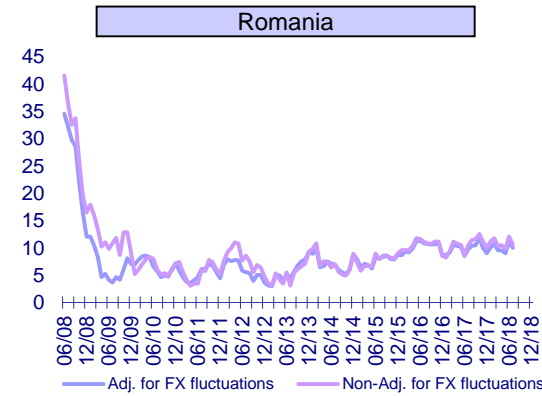
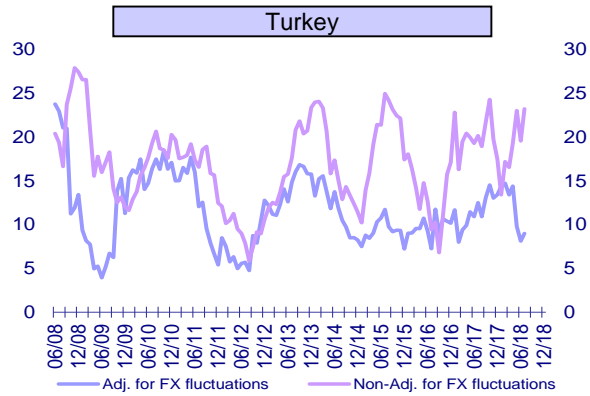
The corporate segment is set to contribute modestly to lending activity this year



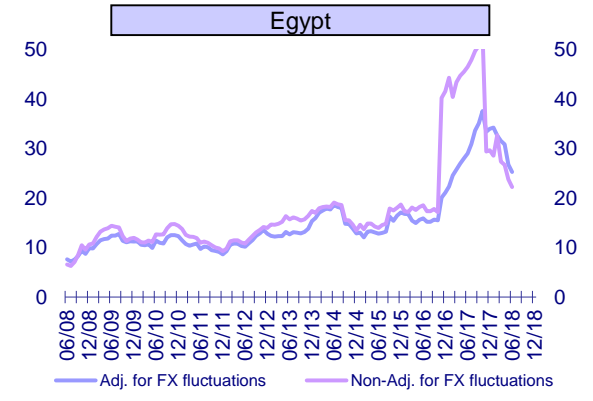
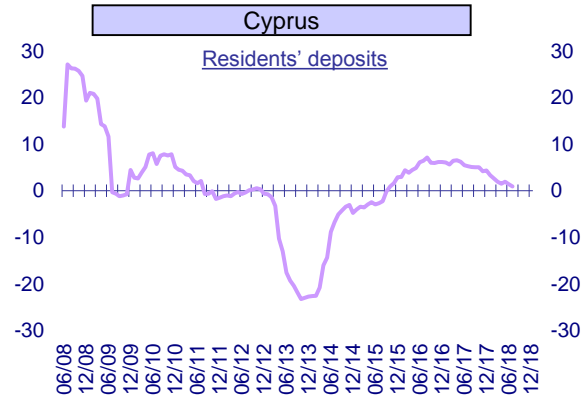
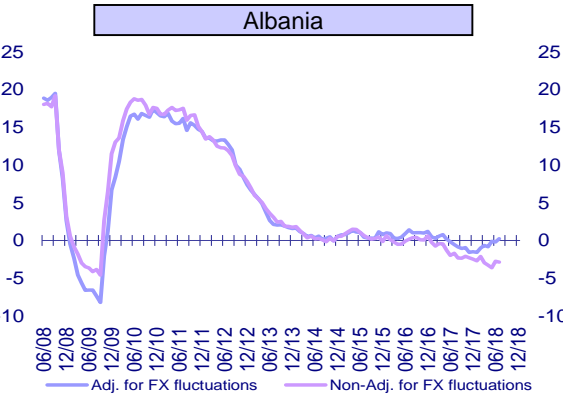
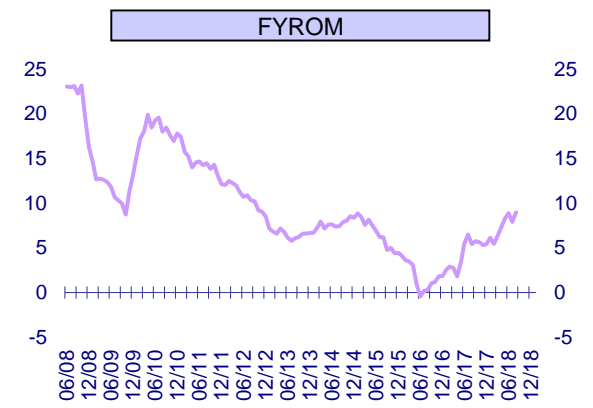
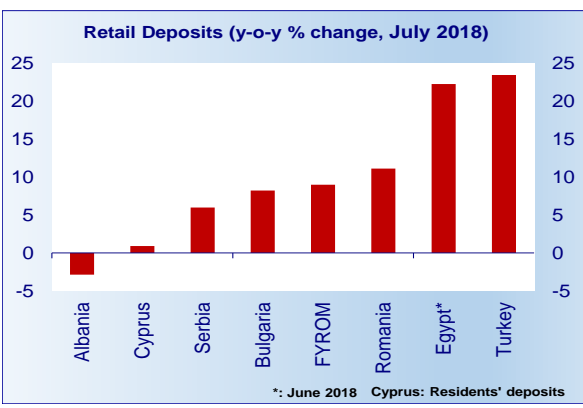
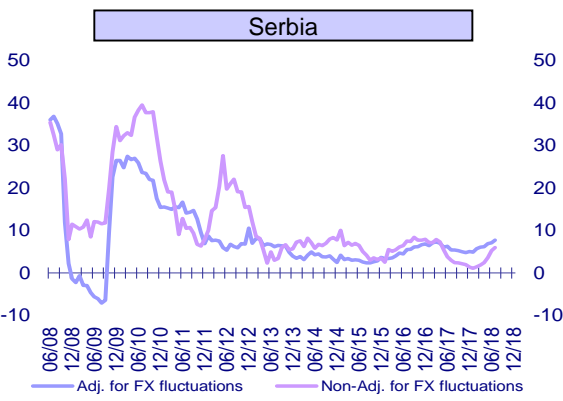
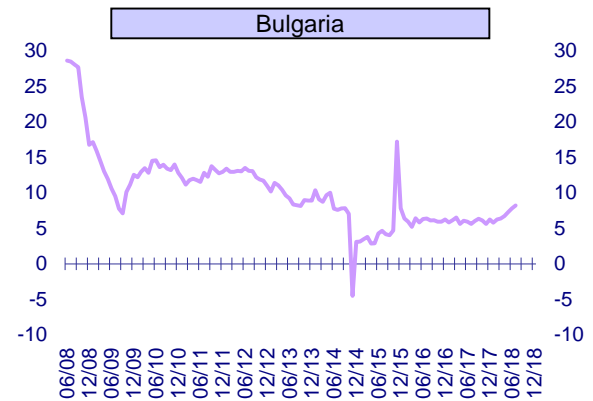
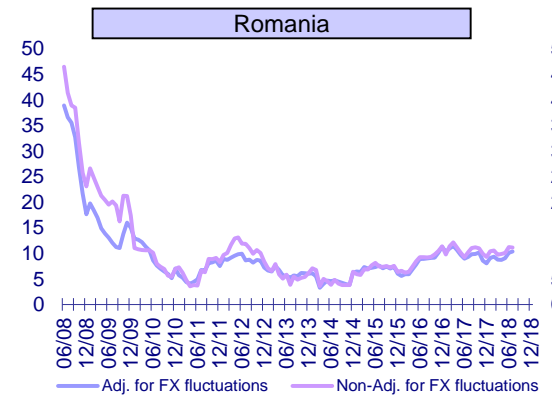
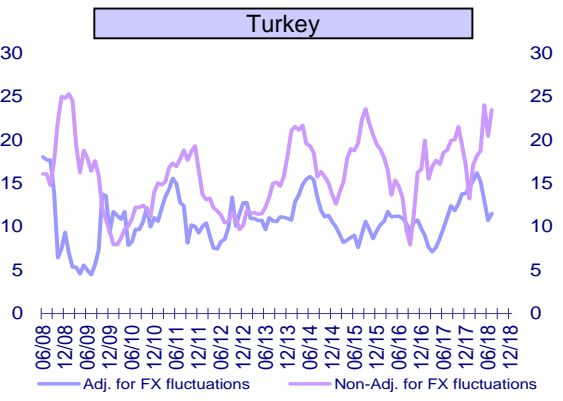
Positive deposit growth in all the countries under review in H1:18, with the exception of Albania



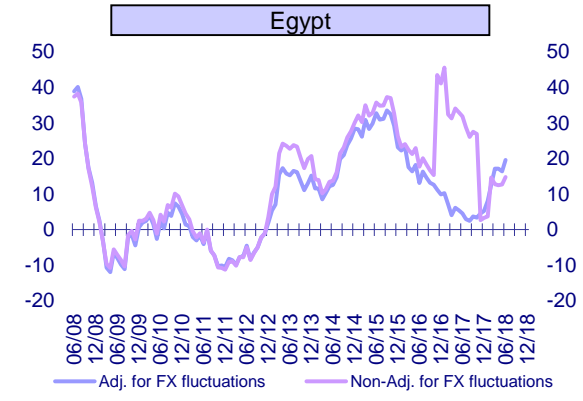
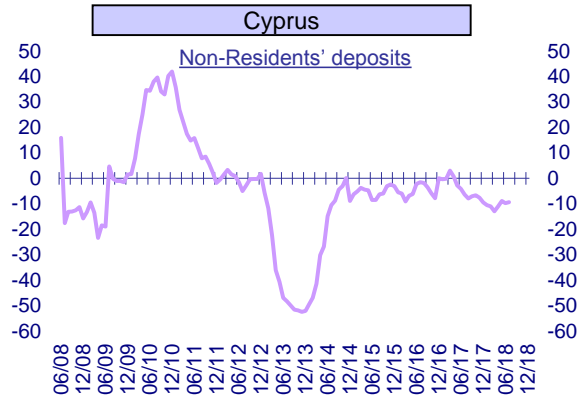
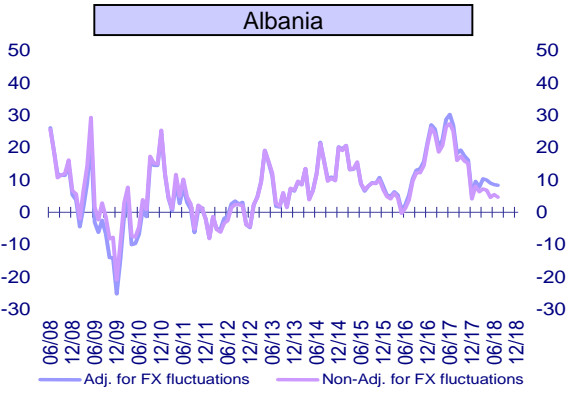
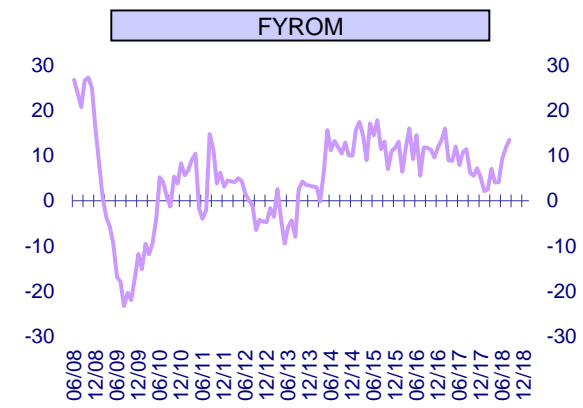
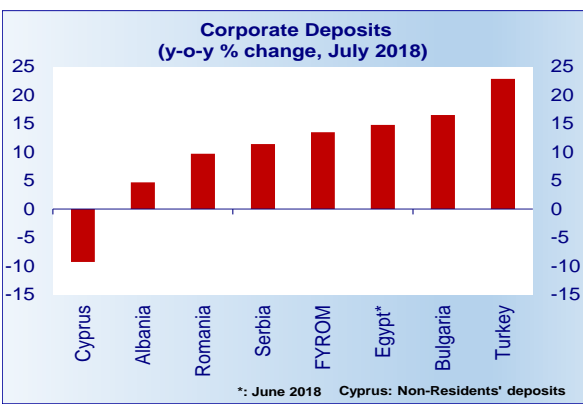
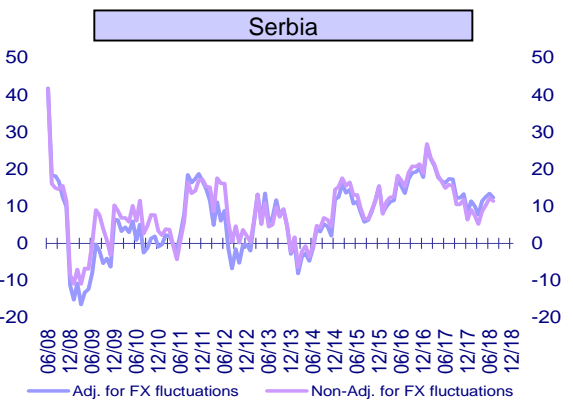
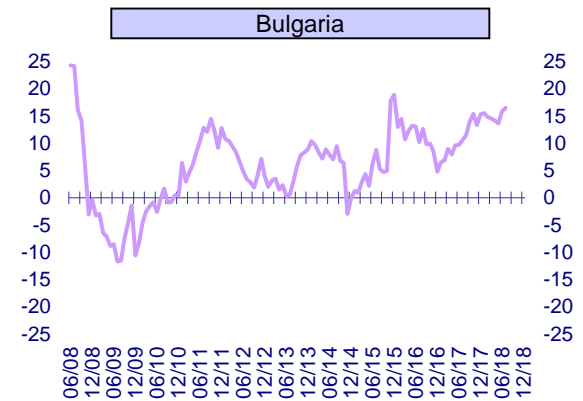
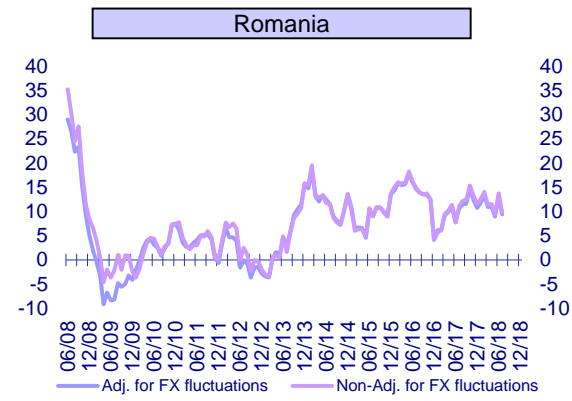
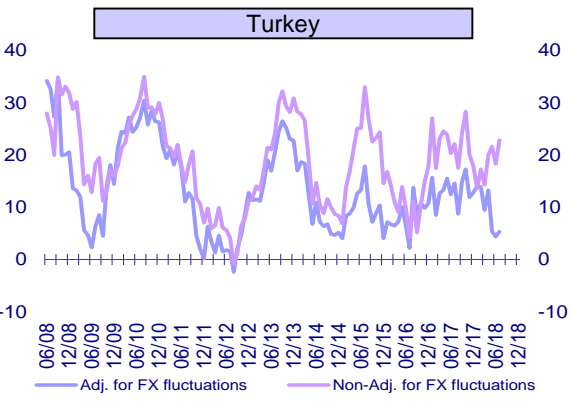
Deposit growth is set to surpass lending growth in most of the countries under review this year



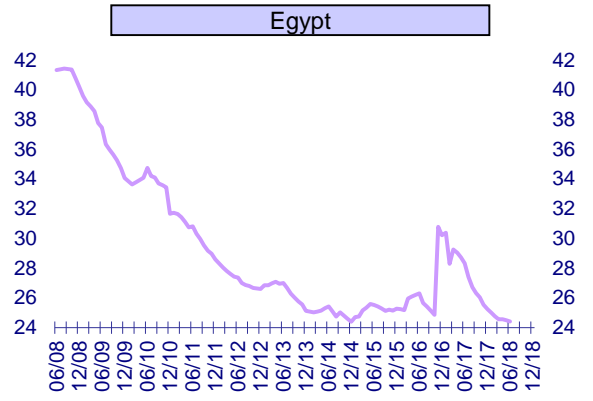
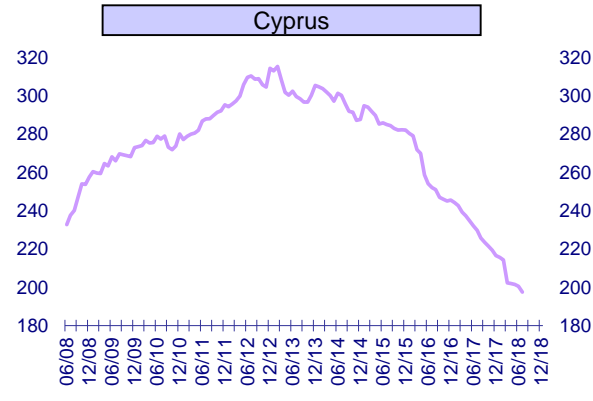
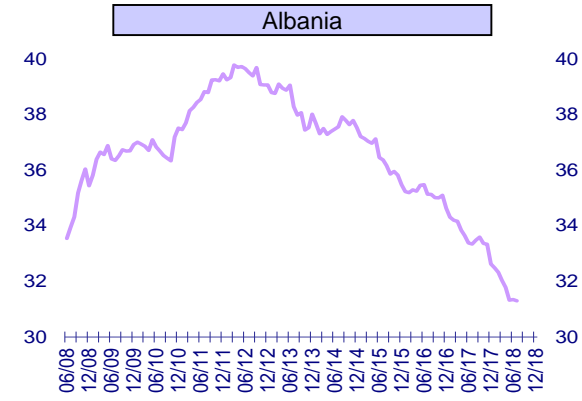
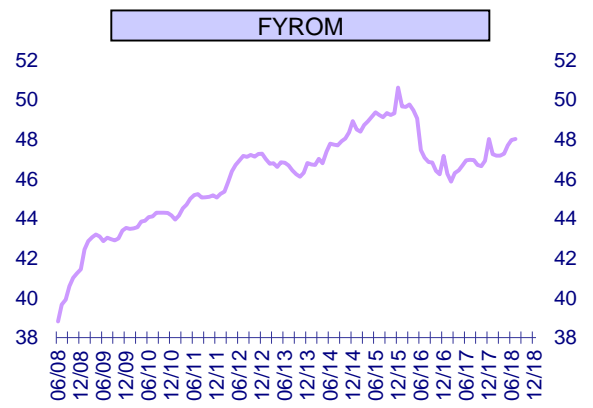
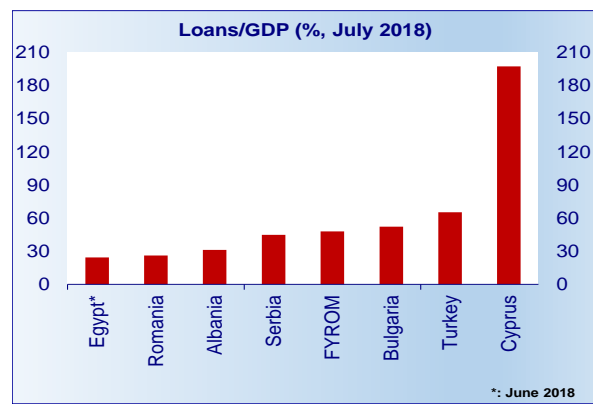
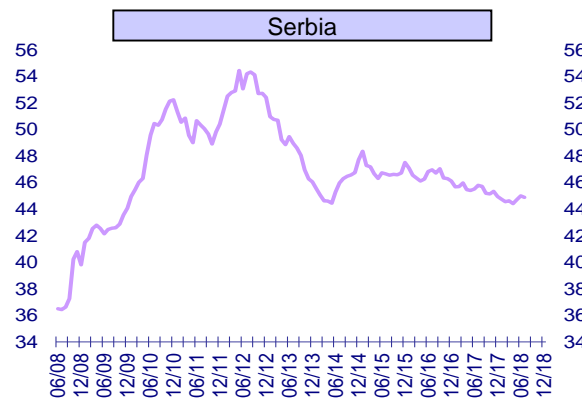
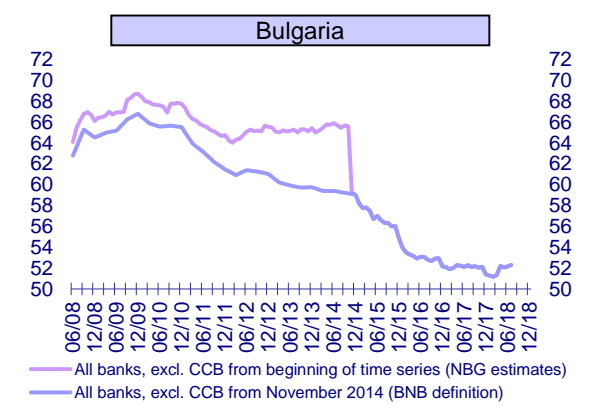
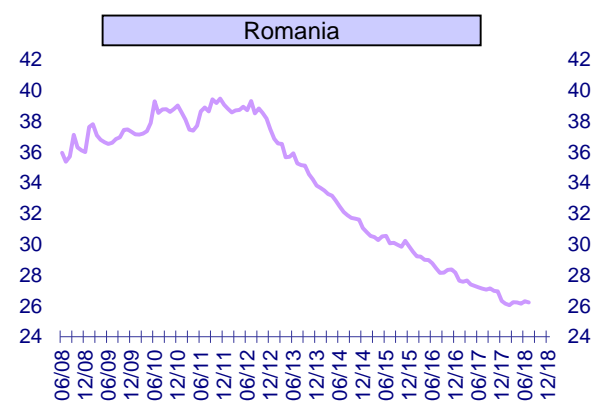
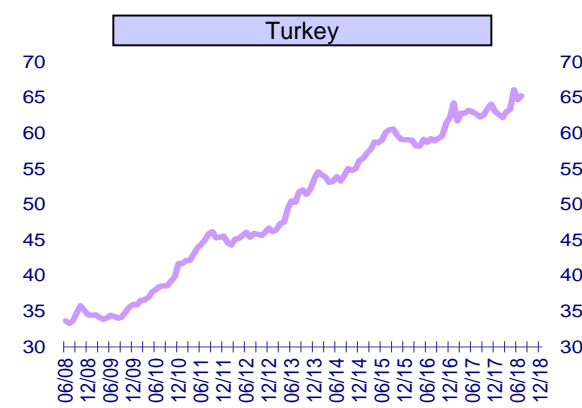
The retail segment has been the main driver of deposit growth in Cyprus and Egypt since the start of the year



The corporate segment is growing at a faster pace than the retail segment in Bulgaria, Serbia, FYROM and Albania

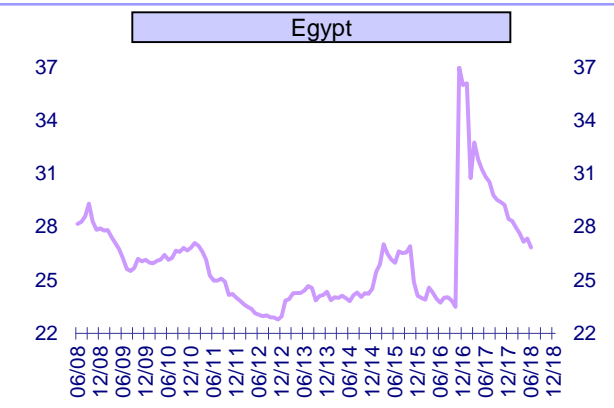
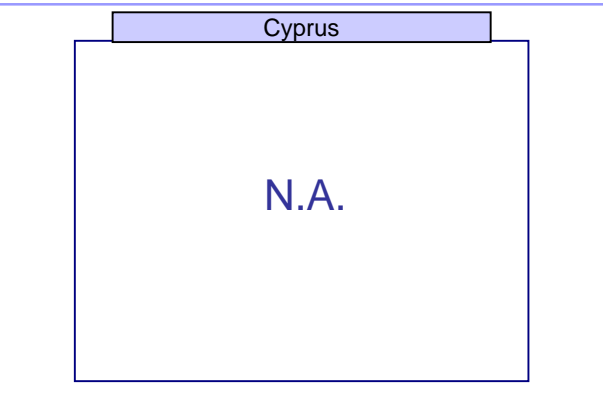
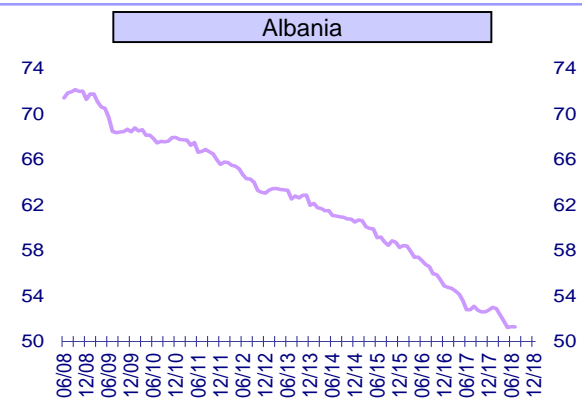
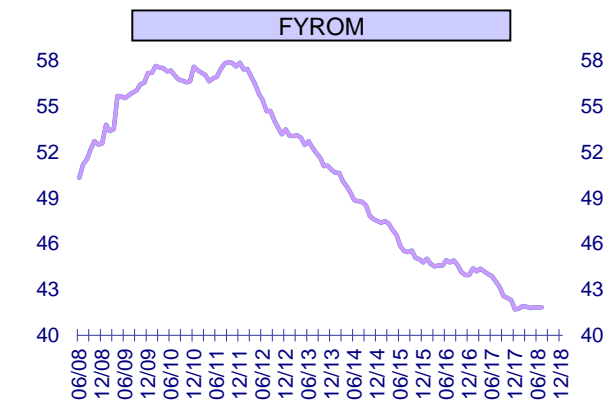
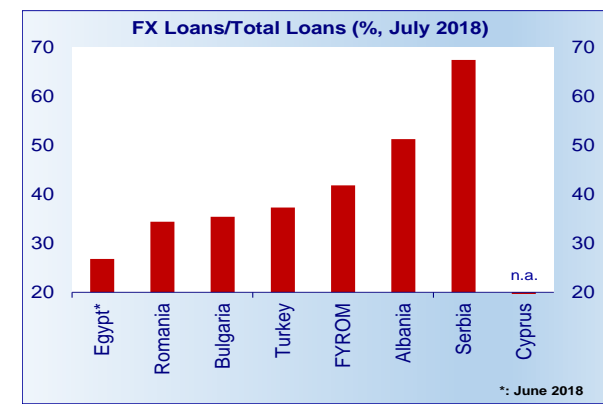
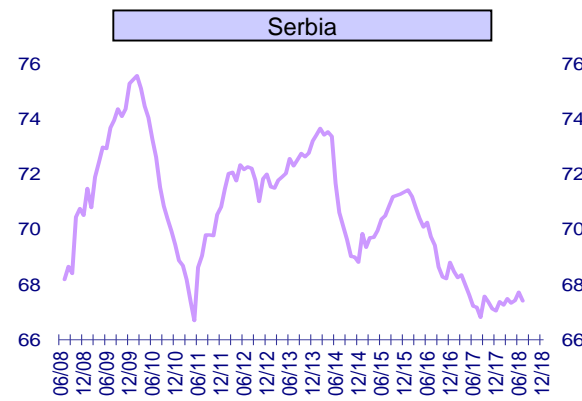
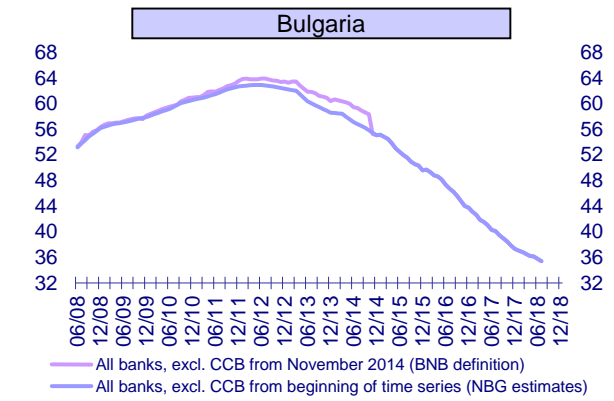
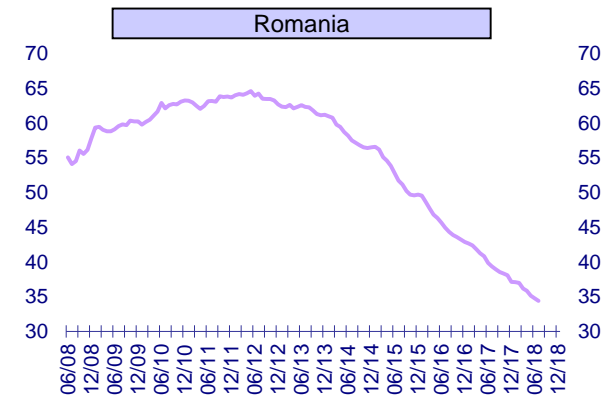
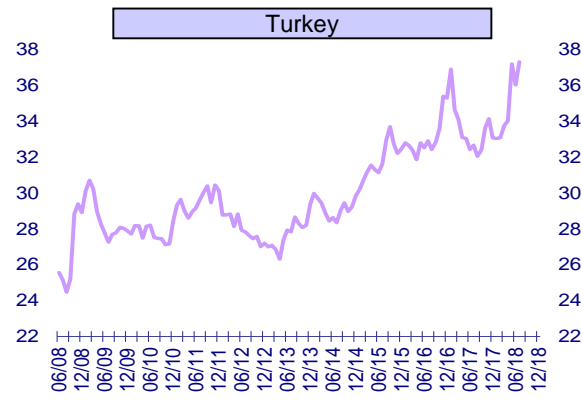


All the economies under review, with the exception of Cyprus, are underpenetrated in terms of lending

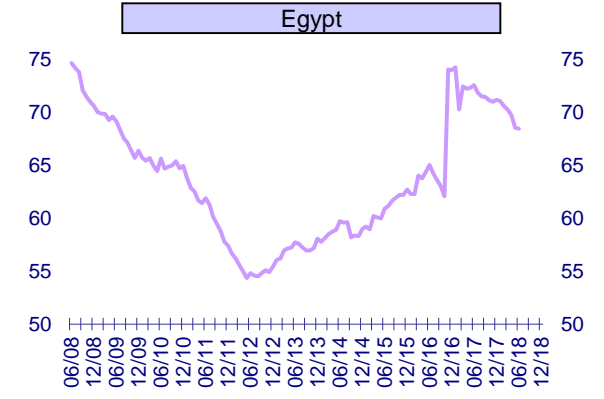
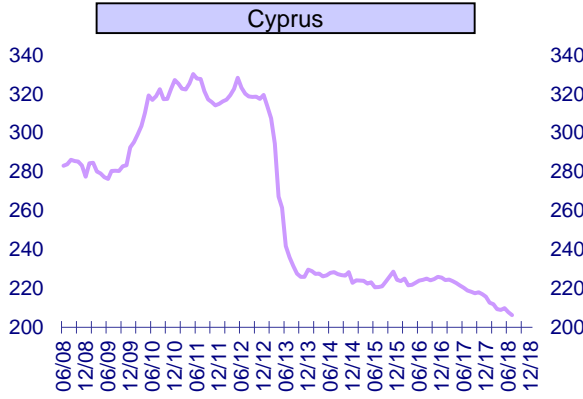
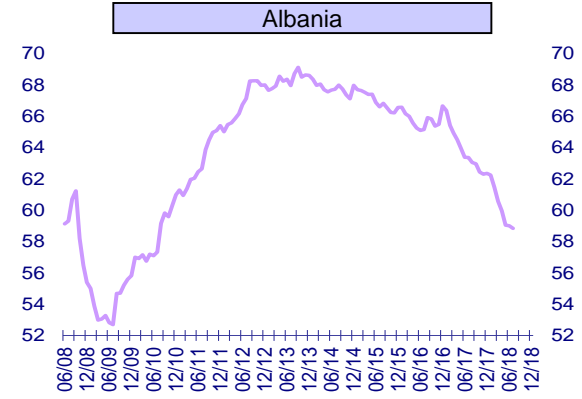
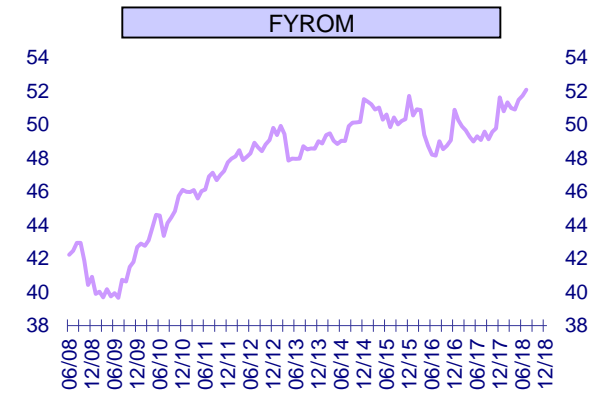
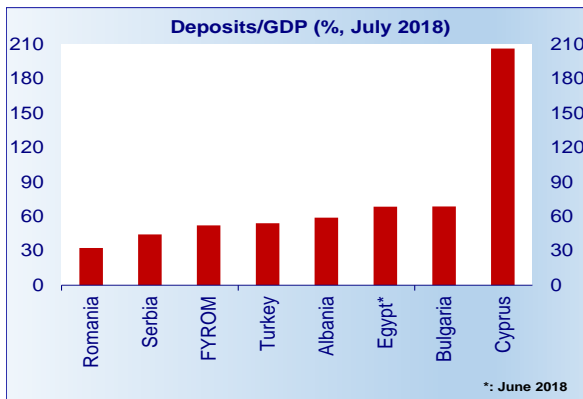
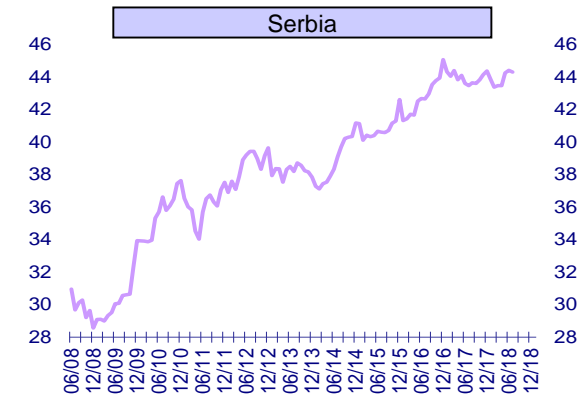
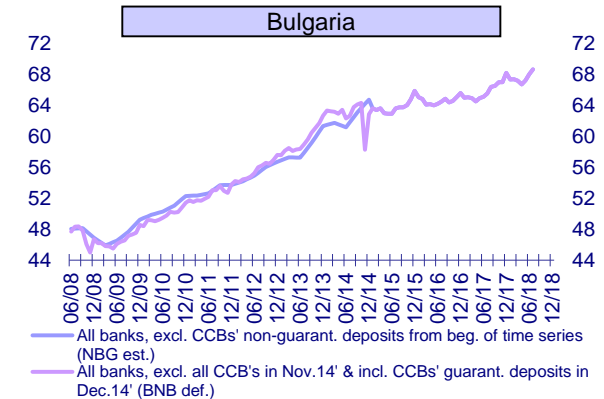
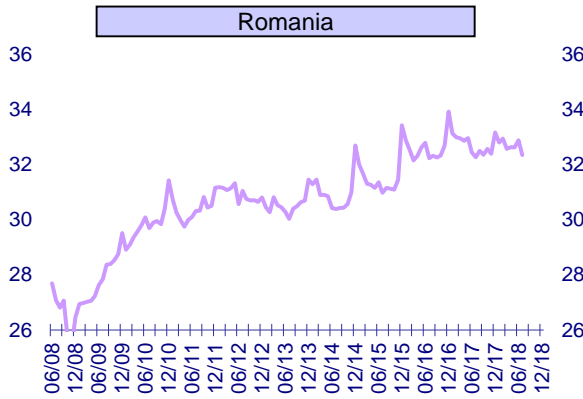
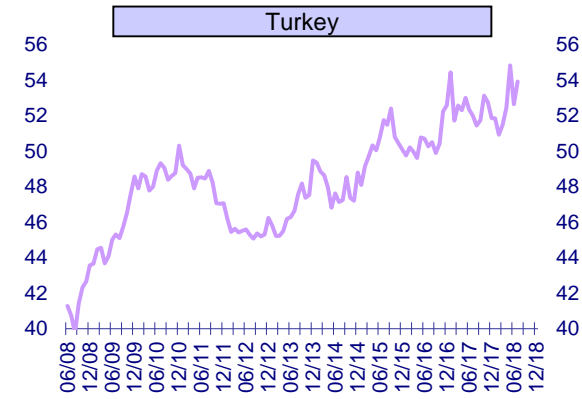




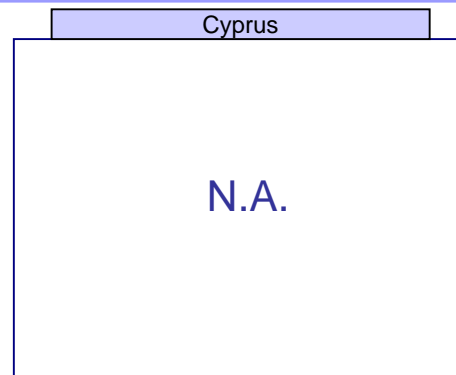
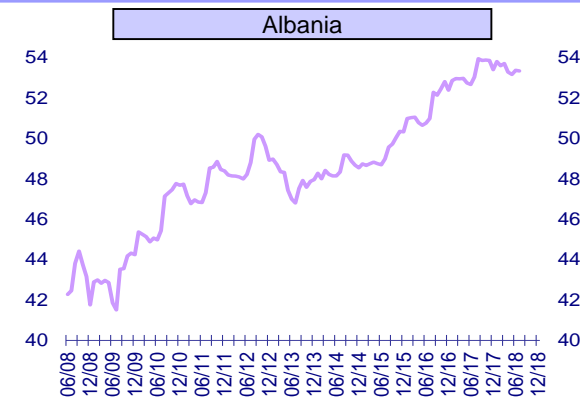
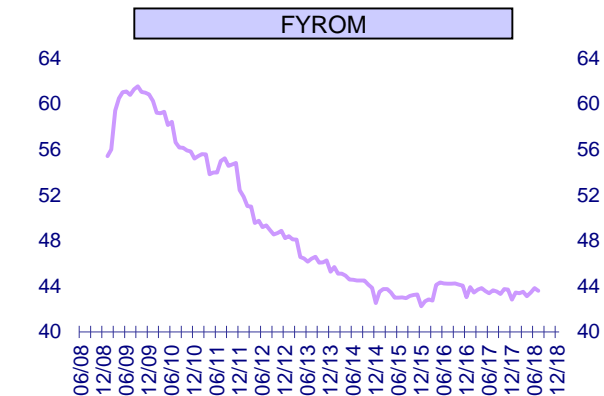
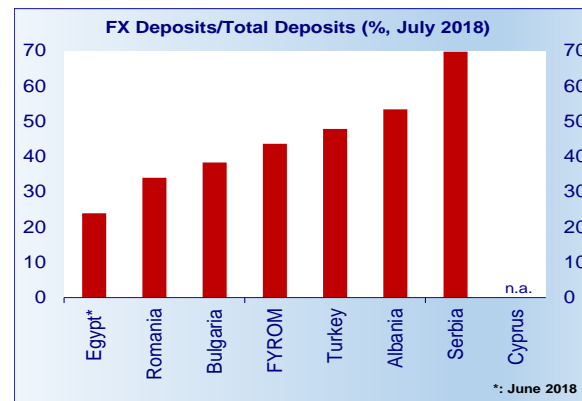
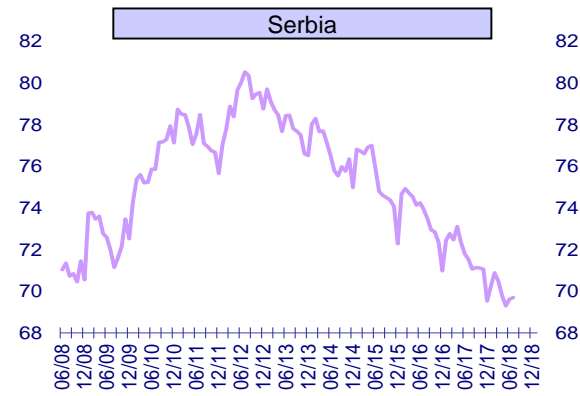
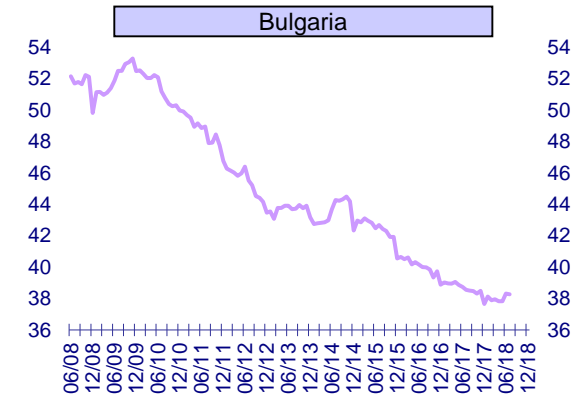
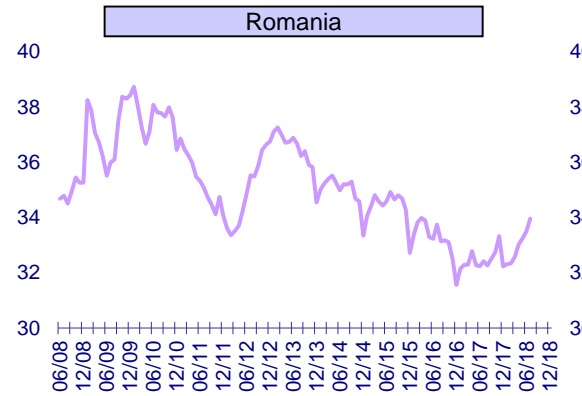
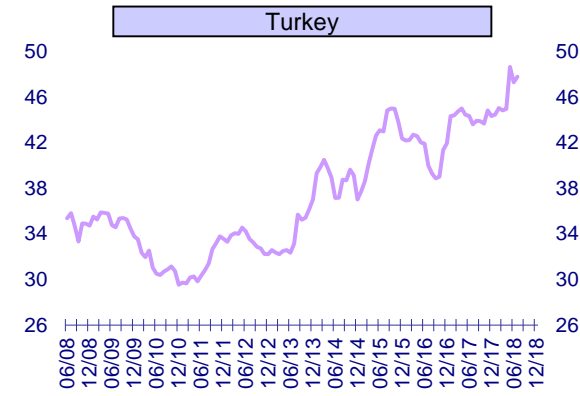
The proportion of FX lending in total lending in most of the countries under review is decreasing; yet it remains high



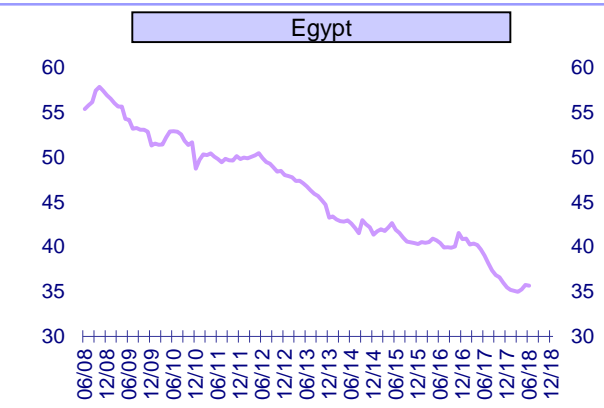
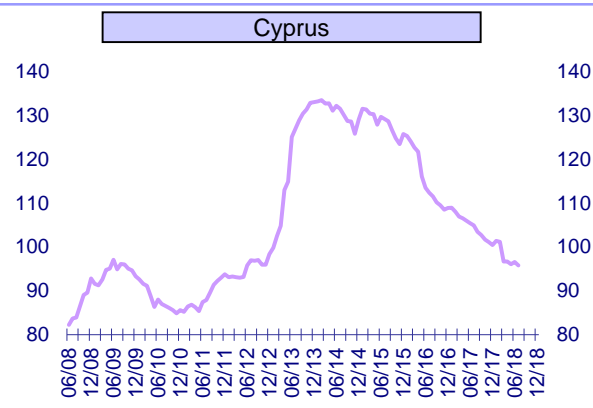
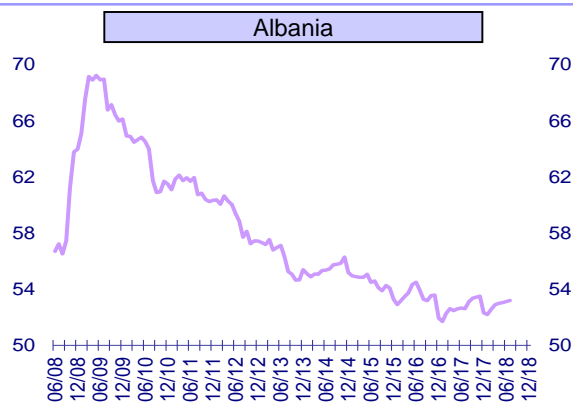
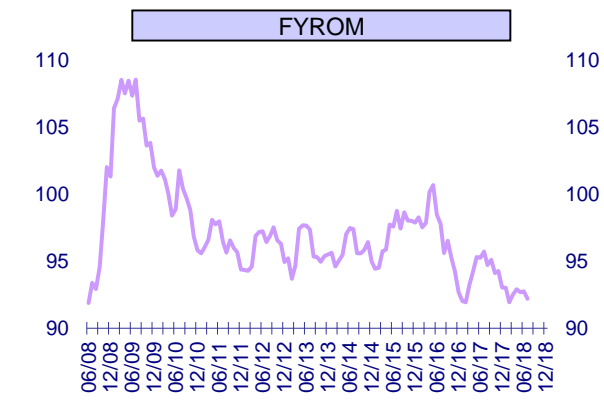
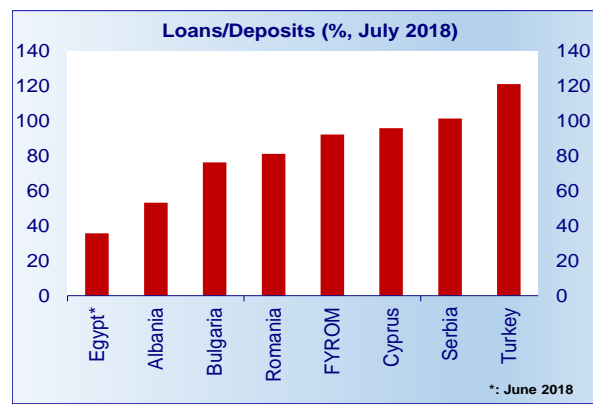
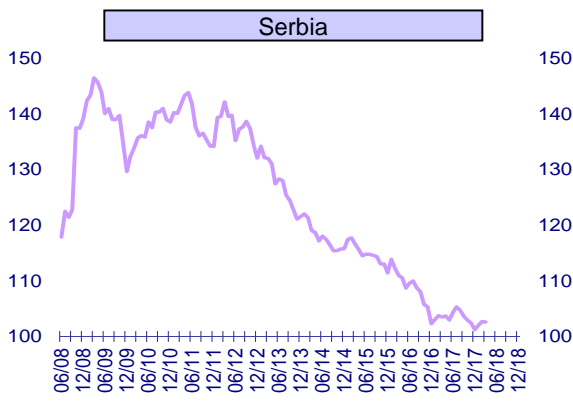
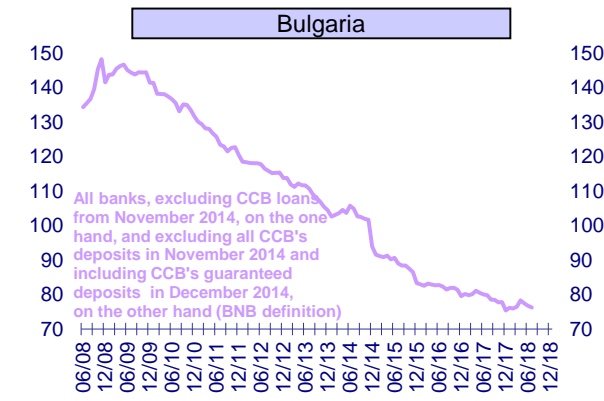
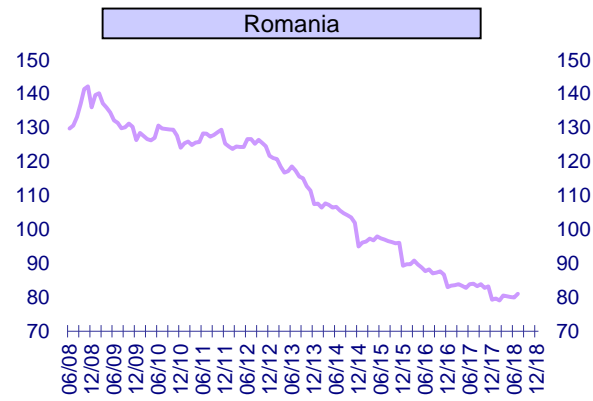
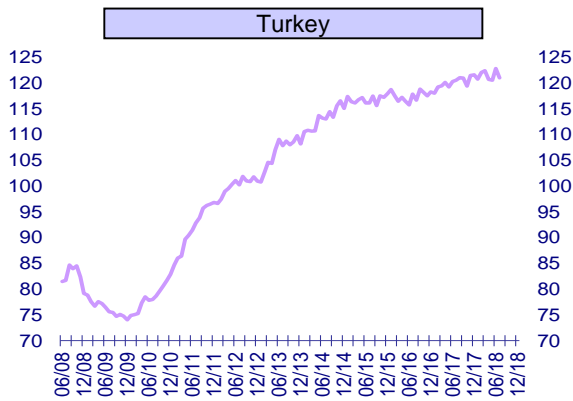
The deposit-to-GDP ratio continues on its sharp downward trend in Albania (due to attractive domestic debt yields)



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

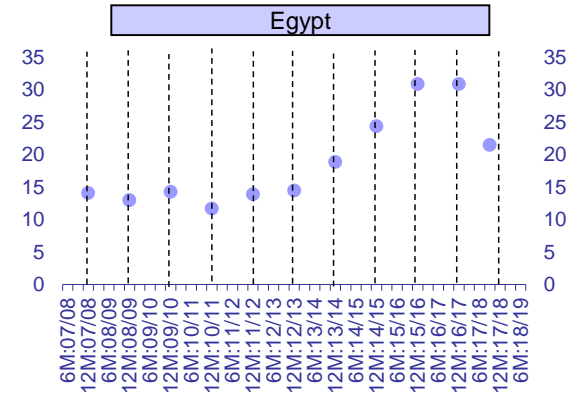
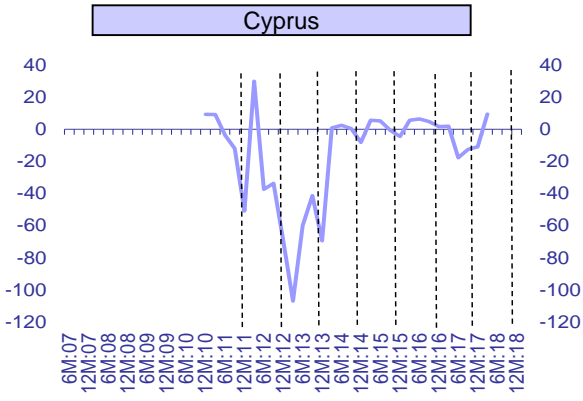
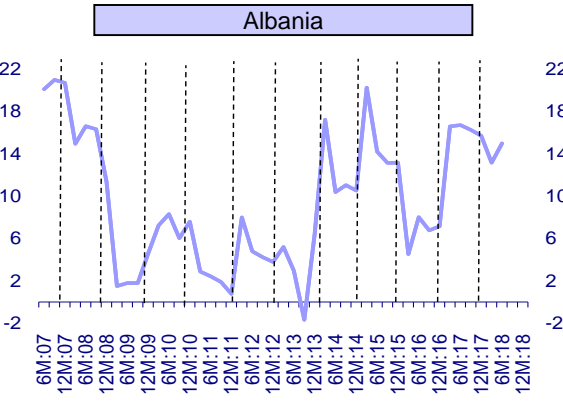
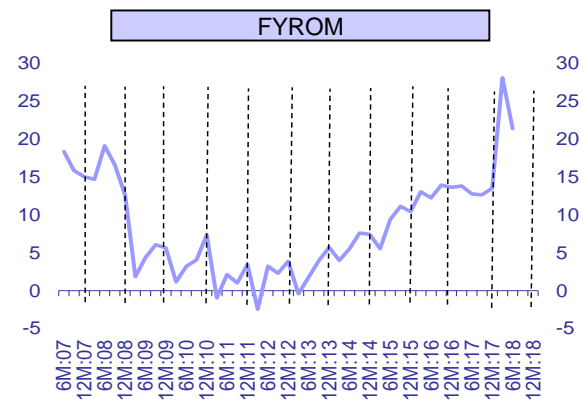
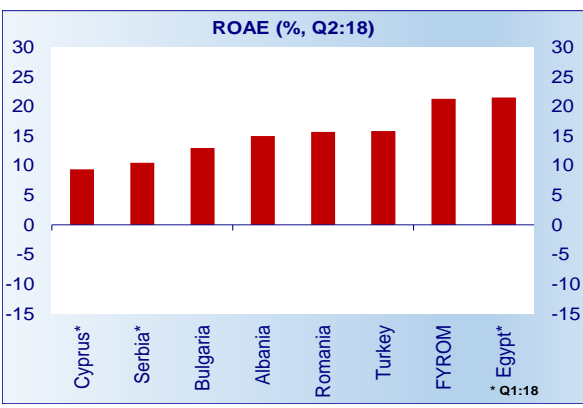
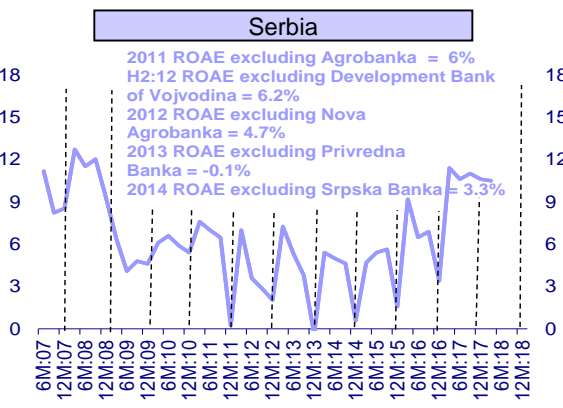
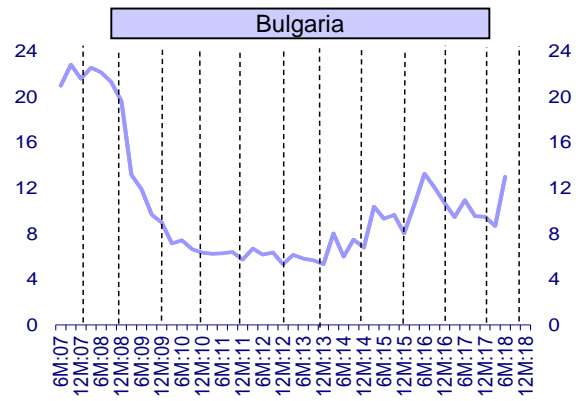
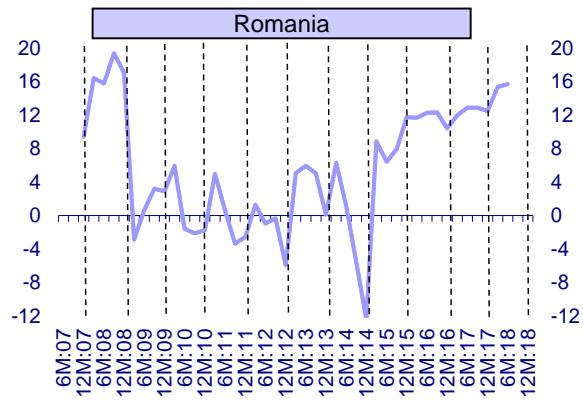
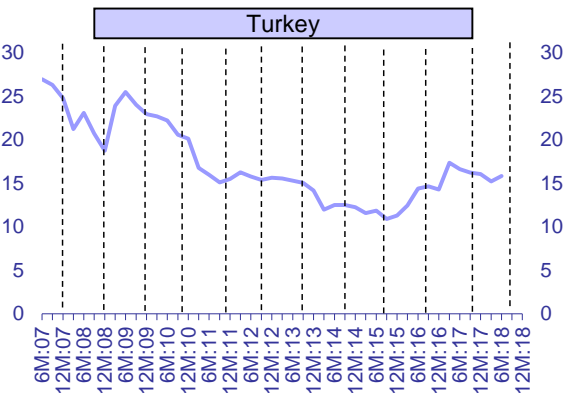


Liquidity pressures continue to ease in all the countries under review, with the exception of Turkey

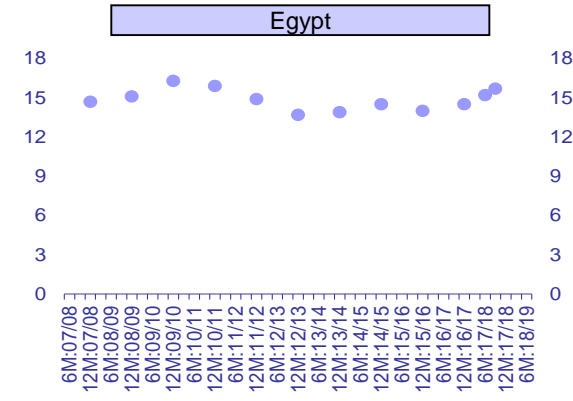
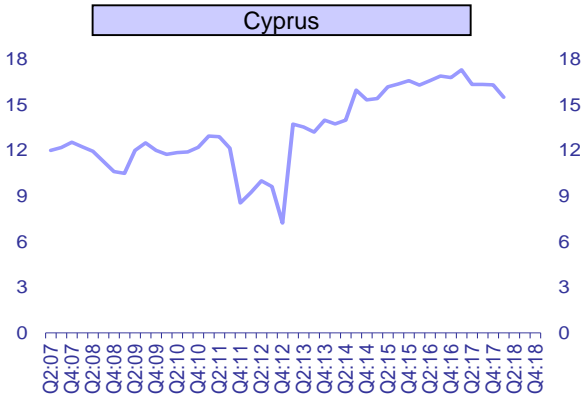
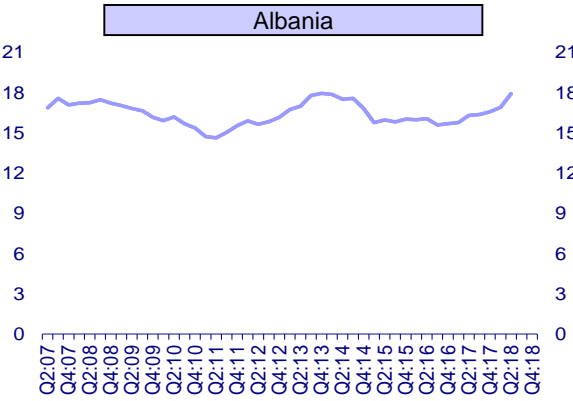
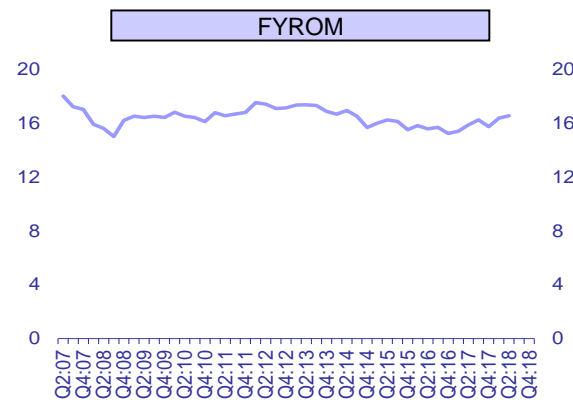
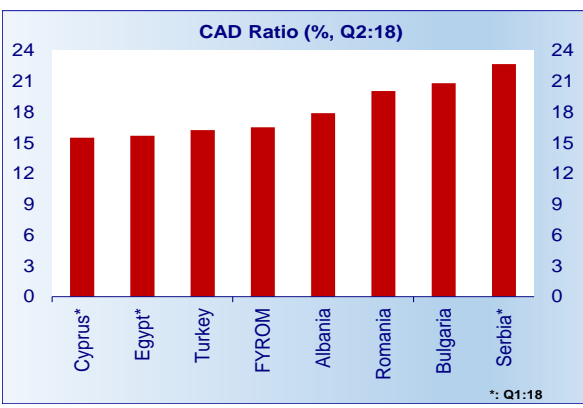
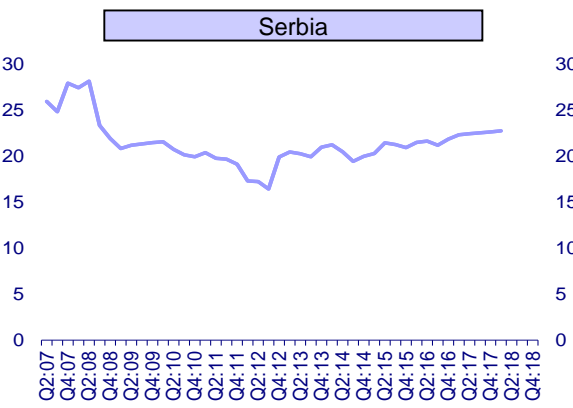
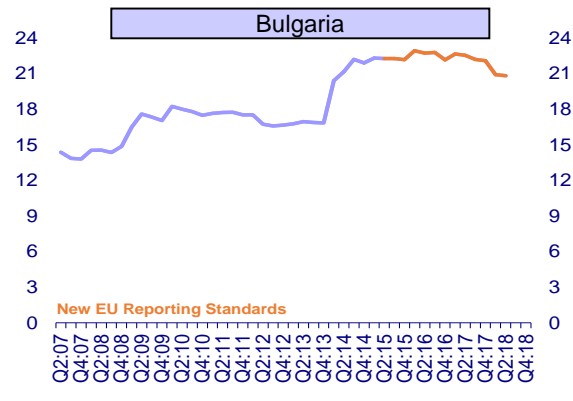
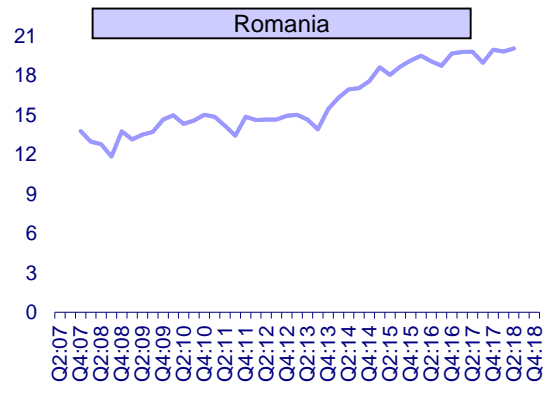
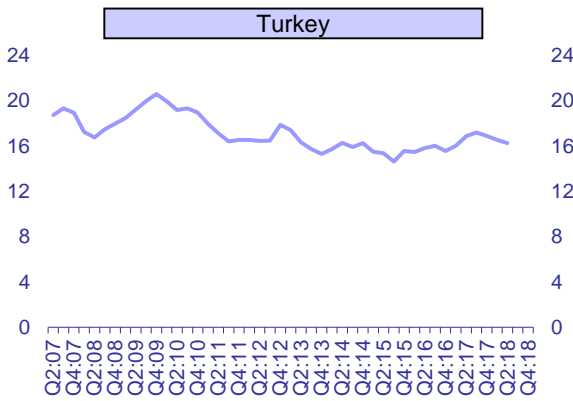


# Return-to-average equity ratio (% , cumulative and annualised)

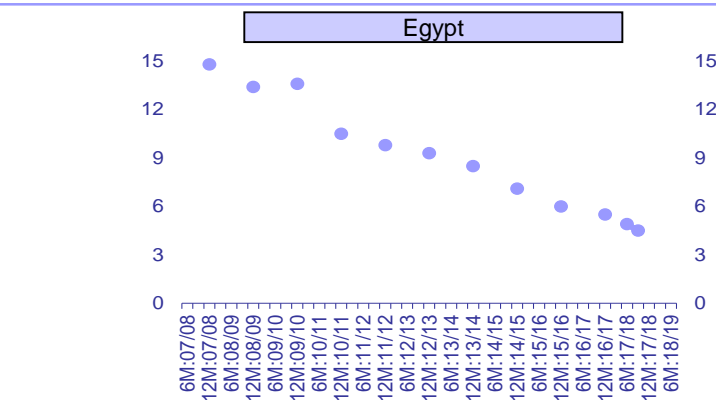
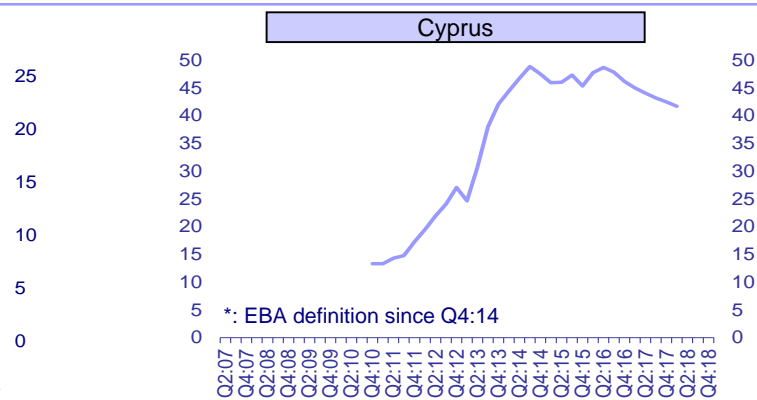
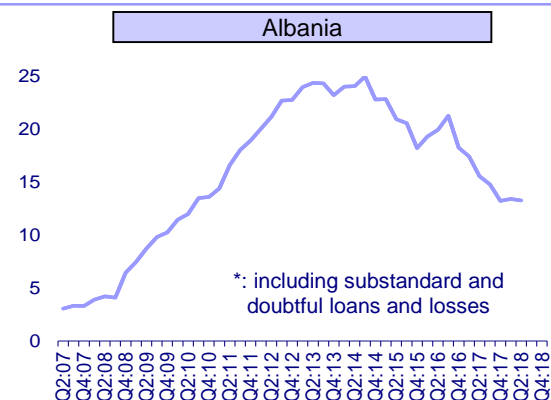
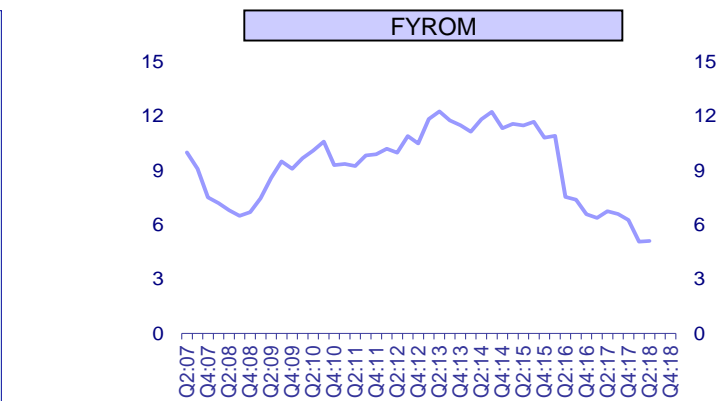
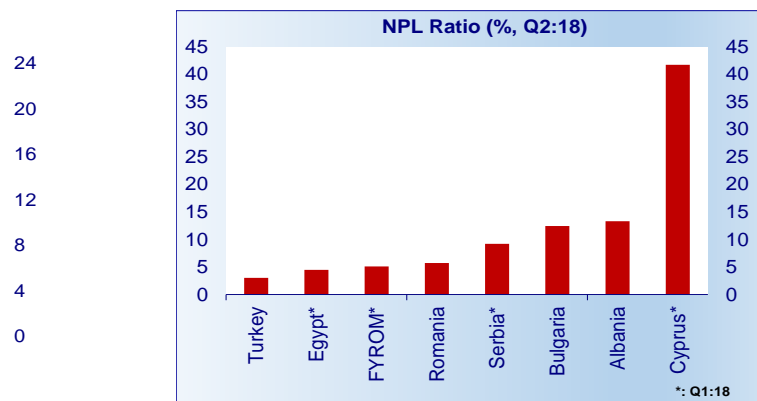
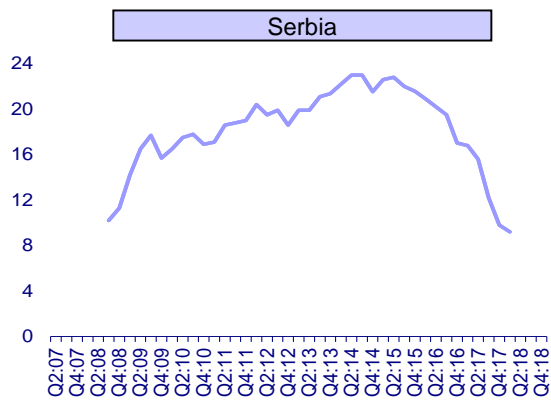
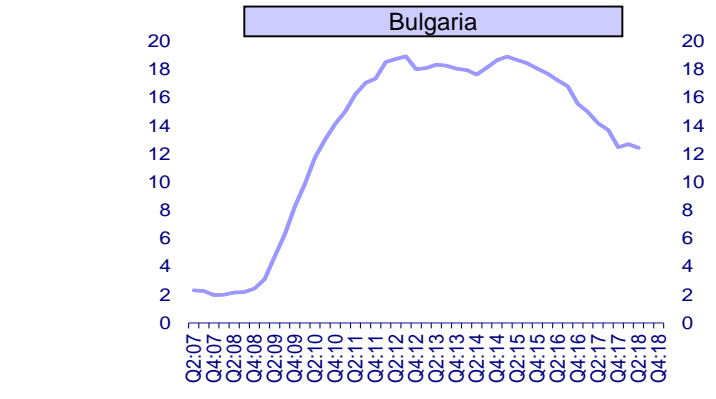
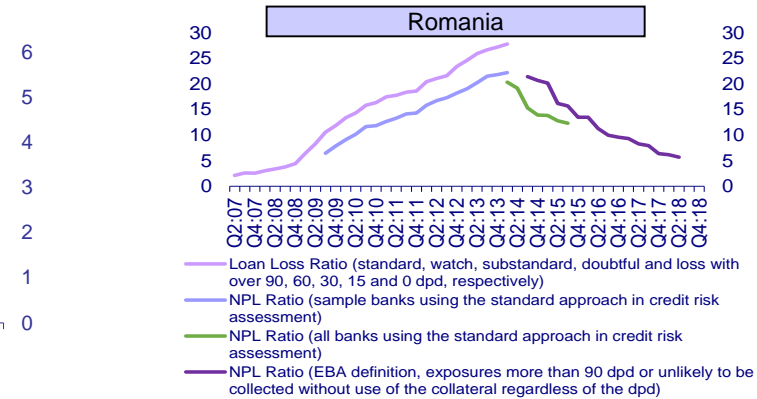
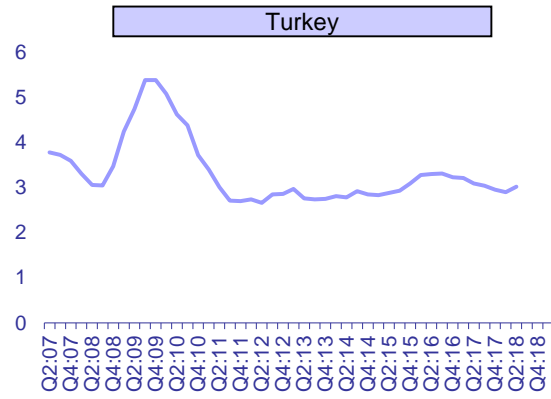
Double-digit return-to-average equity ratio in sight in all the countries under review this year, with the exception of Turkey and Cyprus



Capital base remains sound in all the banking sectors under review



NPL ratios to continue on a 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



A strong foreign presence in Albania, Romania, Bulgaria, Serbia and FYROM

Foreign Ownership (% of Total Assets, 2017)							
Turkey	Romania	Bulgaria	Serbia	FYROM	Albania	Cyprus <sup>a</sup>	Egypt <sup>b</sup>
24.9	77.0	76.6	69.7	70.5	81.4	21.0	55.0

<sup>a</sup>: 30.06.2016

<sup>b</sup>: 31.12.2015