

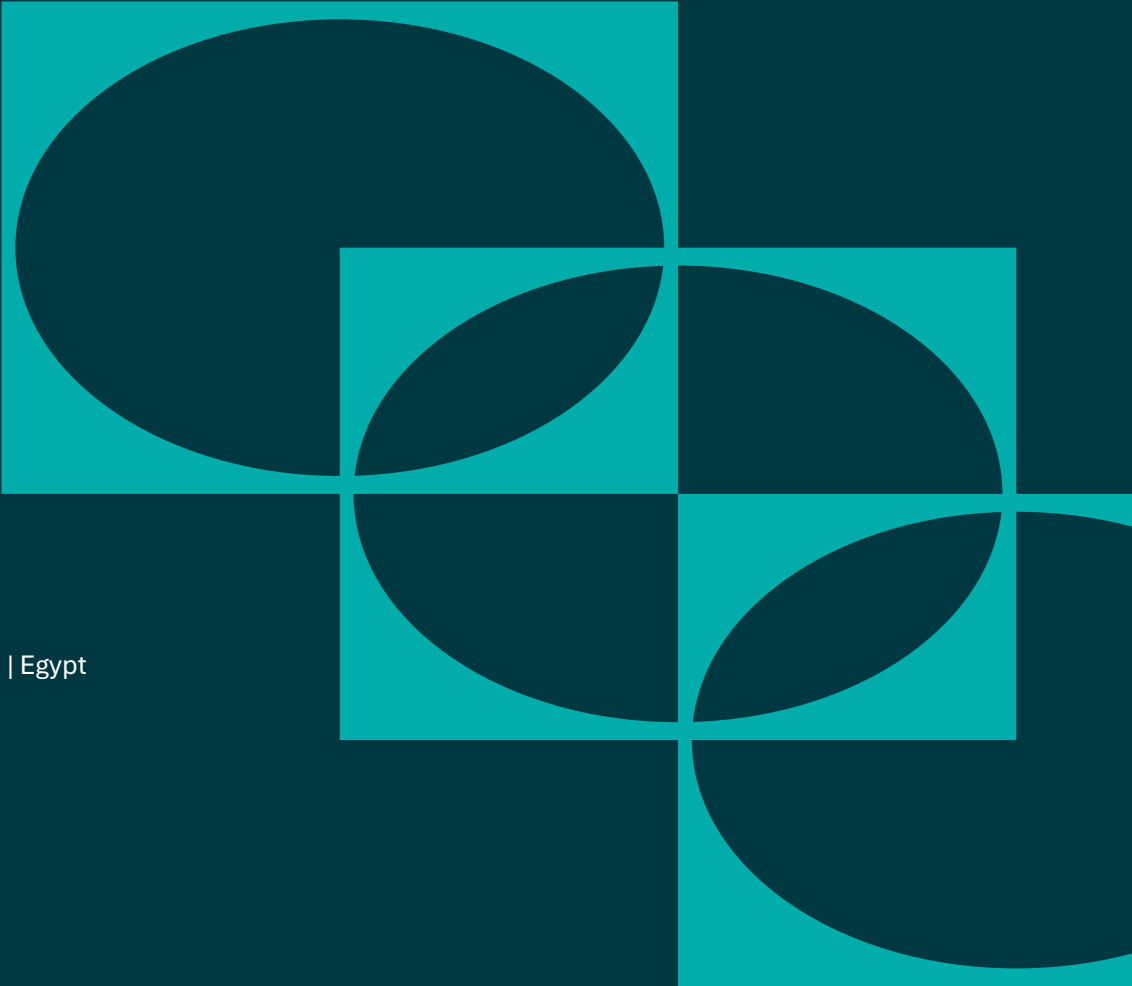
Quarterly Chartbook Q2:25

“Regional economies stand on solid ground, despite unfolding global trade tensions”

Special Focus:
Impact of US tariffs

Economic Analysis Division Emerging Markets Analysis

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



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Snapshot

General information

Date of next elections

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World Governance Indicators

Real Sector

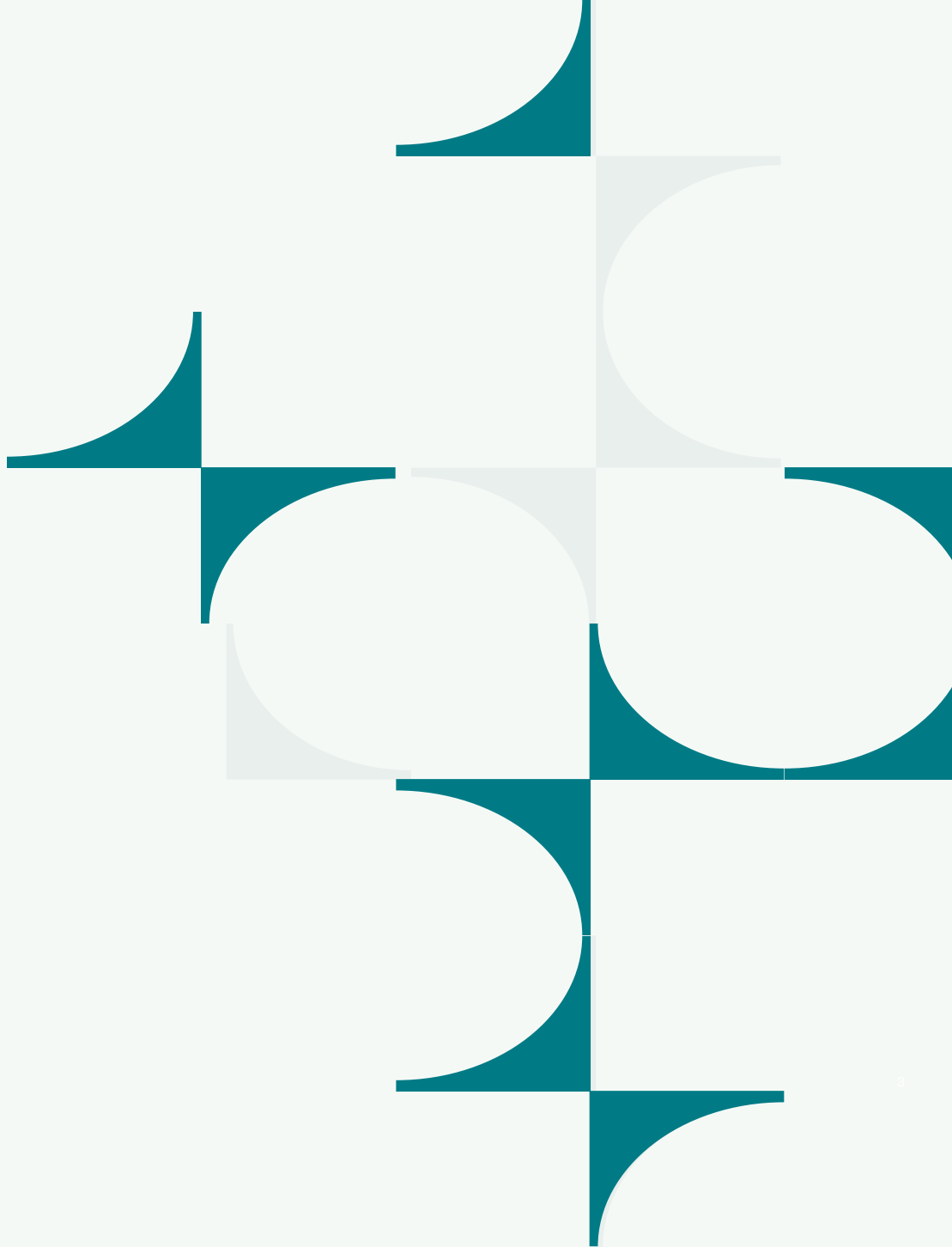
External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector





Republic of Türkiye



Population (2024, mn): 85.8
 GDP (2024, EUR, bn): 1,222.5
 GDP per Capita (2024, EUR): 14, 247
 Government type: Parliamentary Republic
 Chief of state: Recep Tayyip ERDOGAN
 Head of Government: Recep Tayyip ERDOGAN
 Minister of Finance: Mehmet SIMSEK
 Central Bank Governor: Fatih KARAHAN



Romania



Population (2024, mn): 18.9
 GDP (2024, EUR, bn): 343.8
 GDP per Capita (2024, EUR): 18,150
 Government type: Semi Presidential Republic
 Chief of state: Ilie BOLOJAN (interim)
 Head of Government: Marcel Ciolacu
 Minister of Finance: Barna TANCZOS
 Central Bank Governor: Mugur ISĂRESCU



Republic of Bulgaria



Population (2024e, mn): 6.4
 GDP (2024e, EUR, bn): 103.7
 GDP per Capita (2024e, EUR): 16,329
 Government type: Parliamentary Republic
 Chief of state: Rumen RADEV
 Head of Government: Rosen ZHELJAZKOV
 Minister of Finance: Temenuzhka PETKOVA
 Central Bank Governor: Dimitar RADEV



Republic of Serbia



Population (2024e mn): 6.7
 GDP (2024e, EUR, bn): 82.4
 GDP per Capita (2024e, EUR): 12,261
 Government type: Parliamentary Republic
 Chief of state: Aleksandar VUCIC
 Head of Government: Djuro MACUT
 Minister of Finance: Sinisa MALI
 Central Bank Governor: Jorgovanka TABAKOVIC



Republic of North Macedonia



Population (2024, mn): 1.8
 GDP (2024, EUR, bn): 15.4
 GDP per Capita (2024, EUR): 8,426
 Government type: Parliamentary Republic
 Chief of state: Gordana SILJANOVSKA-DAVKOVA
 Head of Government: Hristijan MICKOSKI
 Minister of Finance: Gordana DIMITRIESKA-KOCHOSKA
 Central Bank Governor: Anita ANGELOVSKA-BEZHOSKA



Republic of Albania



Population (2024, mn): 2.7
 GDP (2024, EUR, bn): 25.2
 GDP per Capita (2024, EUR): 9,444
 Government type: Parliamentary Republic
 Chief of state: Bajram BEGAI
 Head of Government: Edi RAMA
 Minister of Finance: Petrit MALAJ
 Central Bank Governor: Gent SEJKO



Republic of Cyprus



Population (2024, mn): 1.0
 GDP (2024, EUR, bn): 33.4
 GDP per Capita (2024, EUR): 34,338
 Government type: Presidential Republic
 Chief of state: Nikos CHRISTODOULIDIS
 Head of Government: Nikos CHRISTODOULIDIS
 Minister of Finance: Makis KERAVERNOS
 Central Bank Governor: Christodoulos PATSIDIDES



Arab Republic of Egypt



Population (2024, mn): 108.9
 GDP (2024, EUR, bn): 338.7
 GDP per Capita (2024, EUR): 3,113
 Government type: Presidential Republic
 Chief of state: Abdel Fattah Saeed EL-SISI
 Head of Government: Mostafa MADBOULY
 Minister of Finance: Ahmed KOUCHOUK
 Central Bank Governor: Hassan ABDALLA

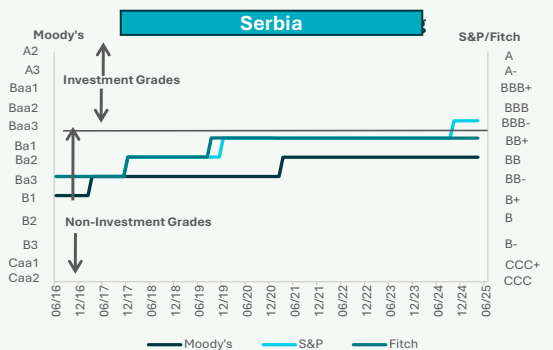
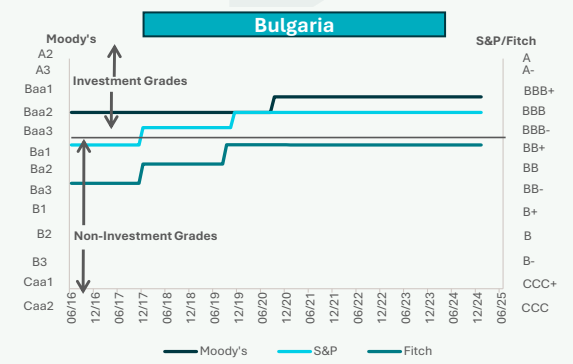
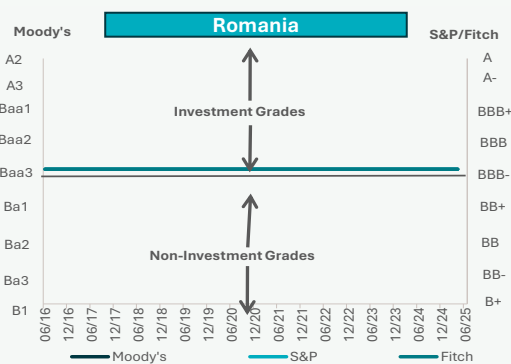
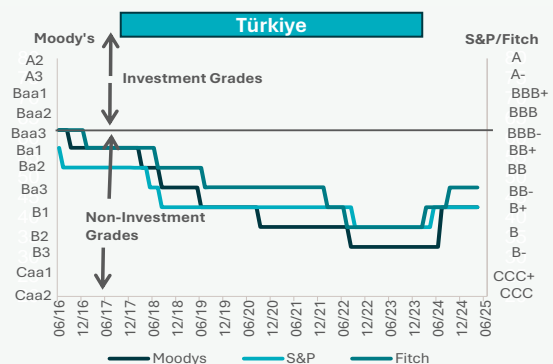
Date of next elections

- Istanbul’s popular mayor, E. Imamoglu of the opposition CHP, was arrested in March on charges of corruption and aiding a terrorist group. Similar actions had been also launched against other prominent opposition members over the past months. The crackdown on the opposition has been widely criticized for being politically motivated, triggering mass demonstrations domestically and giving new rise to concerns over the rule of law in **Türkiye**
- Political uncertainty has yet to ease in **Romania**. Recall that the Constitutional Court annulled the November Presidential election, which saw far-right-wing, pro-Russian C. Georgescu unexpectedly winning the 1st round, after intelligence information showed that he benefitted from an unfair social media campaign allegedly directed by Russia. Georgescu was banned from re-running the election (scheduled for May 4), with far-right opposition having now gathered behind G. Simion, leader of the AUR party, Romania’s 2nd largest party, whom opinion polls show to be the frontrunner, followed by independent nationalist V. Ponta, independent centrist N. Dan and C. Antonescu, candidate of the PSD-led ruling coalition (also comprising the PNL and the Hungarian minority party, UDMR). All said, given that the ruling coalition controls a slim majority in Parliament, maintaining political stability would be an uphill battle, especially in the event the next President comes within the ranks of far-right oppositi
- In **Bulgaria**, political noise is on the rise following partial recount of votes of the October ’24 election, which resulted in the nationalist far-right pro-Russia Velichie party entering the Parliament, with 10 seats, mostly to the detriment of the ruling coalition’s (led by the GERB and comprising the BSP and the ITN parties, relying on support from the APS) Parliamentary majority, which now stands at a fragile 121 MPs out of a total of 240. Adding to concerns over political instability, the APS threatened to withdraw its support for the ruling coalition, following the latter’s failure to secure election of APS’s candidates to several regulatory bodies, but later decided to extend backing, at least until the release of the EC’s and ECB’s extraordinary convergence report, expected by June. Recall that Bulgaria has held 7 snap elections over the past 4 years, having being government for most of that time by interim administrations
- In **Serbia**, a new SNS Government, headed by little-known D. Macut, was approved by Parliament in mid-April. Recall that the outgoing Government had resigned amid country-wide protests, sparked by the collapse of the roof at Novi Sad’s railway station, killing 15 people in November 2024. The installation of the new Government has failed to ease protests, which are actually targeting President A. Vučić, accusing him of corruption, controlling the media and sidelining the Parliament. Worryingly, political noise is set to remain elevated until the next election (due by 2027), with the fragmented and ideologically divergent opposition struggling, however, to present a credible challenge. Still, policy continuity and robust economic growth remain our baseline scenario

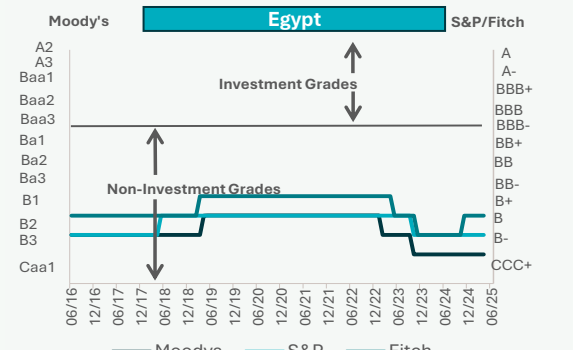
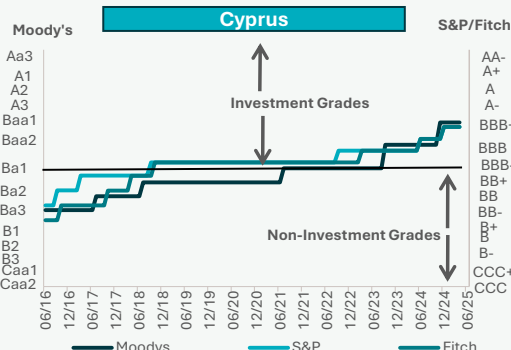
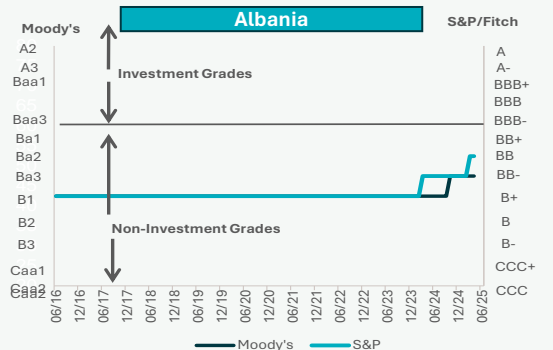
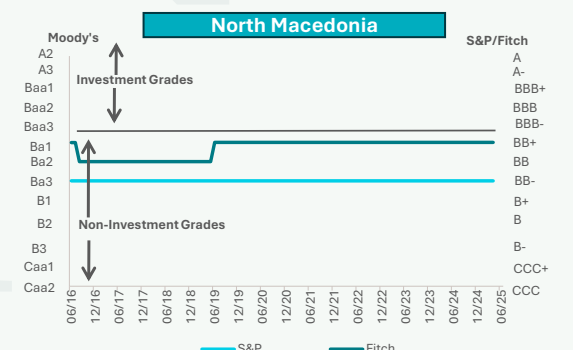
Date of Next Elections								
	Türkiye	Romania	Bulgaria	Serbia	North Macedonia	Albania	Cyprus	Egypt
Legislative	May 2028	December 2028	October 2028	By Dec 2027	June 2028	May 2025	May 2026	Oct.- Nov. 2025
Presidential	May 2028	May 2025	November 2026	April 2027	May 2029	June 2027	February 2028	December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

Foreign currency credit rating

The modest levels of external and public debt in most of the economies under review should provide them with some headroom to absorb the fallout of US tariffs, **without endangering their credit profiles**. Economies currently undergoing adjustment, such as **Egypt** (with S&P's having already revised its outlook from positive to stable) and **Türkiye**, are the most vulnerable, especially in the event global risk aversion persists

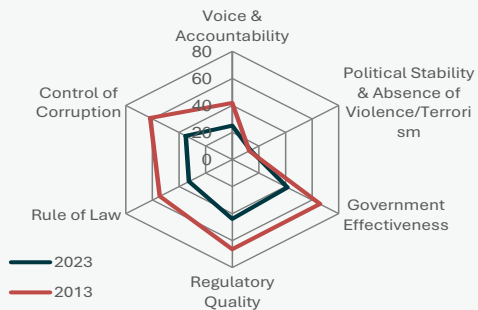


Long-Term Foreign Debt Currency Ratings, April 2025				
Grades	Investment	S&P	Moody's	Fitch
Investment	A+			
	A			
	A-	Cyprus	Cyprus	Cyprus
	BBB+		Bulgaria	
	BBB	Bulgaria		Bulgaria
	BBB-	Romania, Serbia	Romania	Romania
	BB+			North Macedonia
	BB	Albania	Serbia	Serbia
	BB-	North Macedonia	Albania	Türkiye
	B+	Türkiye	Türkiye	
Non-Investment	B			Egypt
	B-	Egypt		
	CCC+		Egypt	

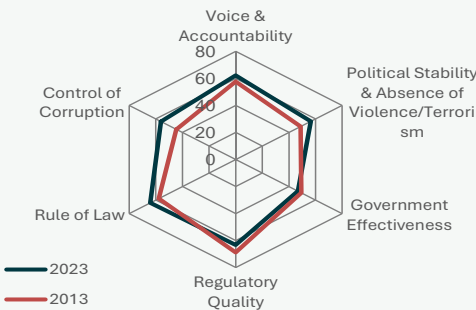


- Governance standards in EU candidate countries (**Serbia, North Macedonia, Albania**) are approaching those of new EU member states (**Romania, Bulgaria**)
- Türkiye's** and **Egypt's** low ranking in terms of governance constrains investor sentiment

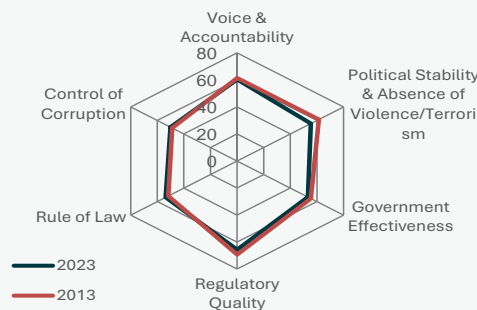
Türkiye



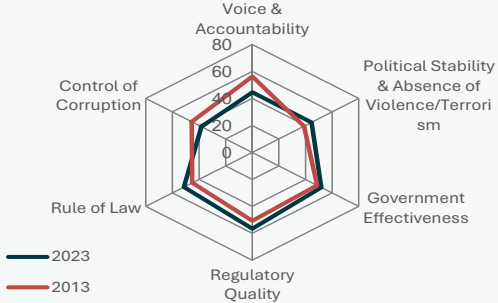
Romania



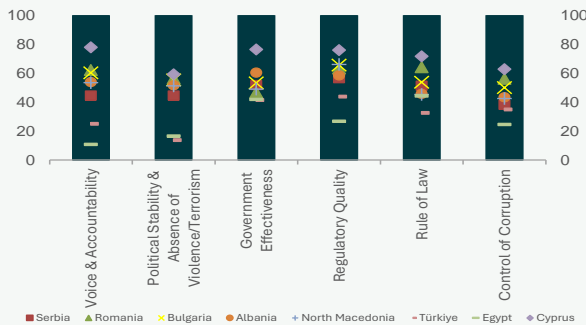
Bulgaria



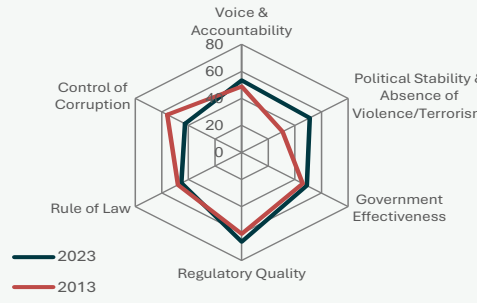
Serbia



Worldwide Governance Indicators (2024)



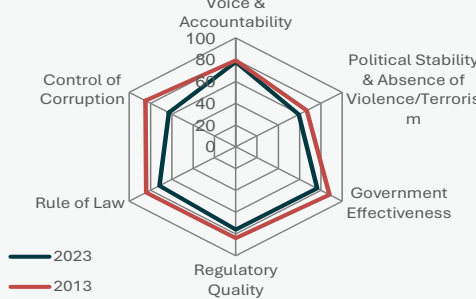
North Macedonia



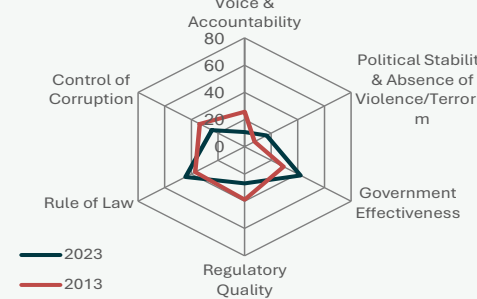
Albania



Cyprus



Egypt



Snapshot

Real Sector

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

External Accounts

Prices & Monetary Policy

Fiscal Position

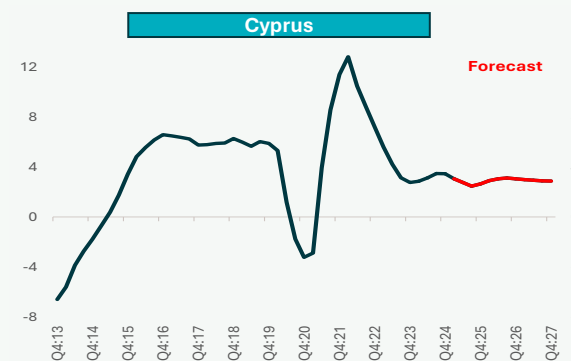
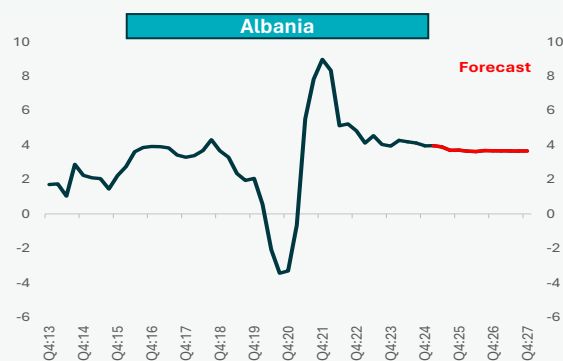
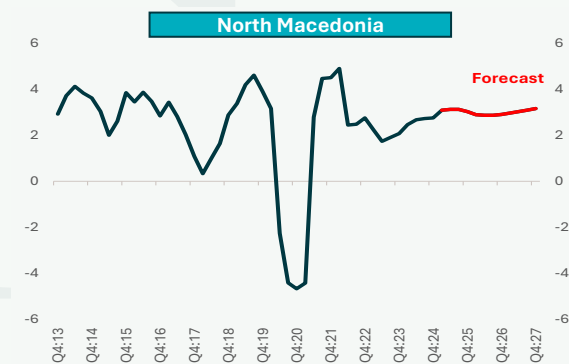
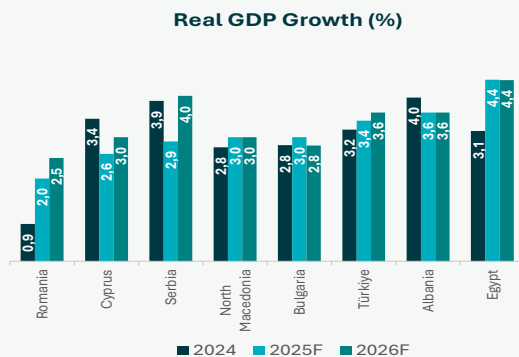
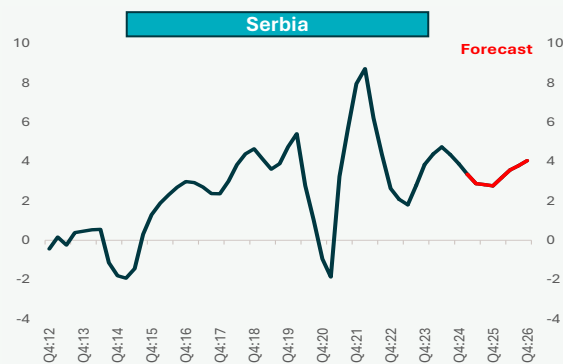
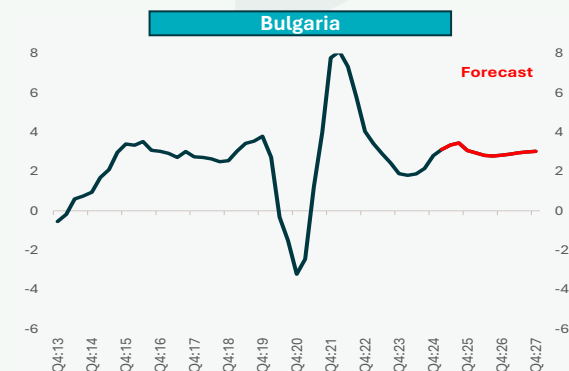
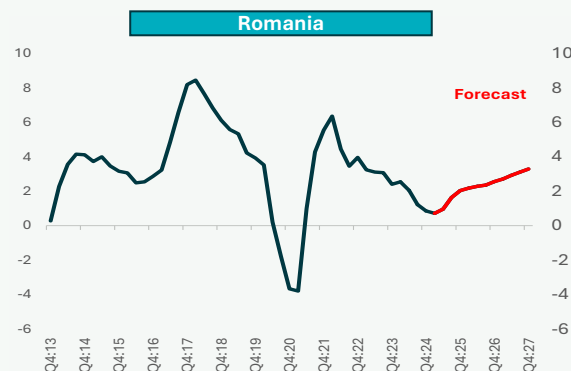
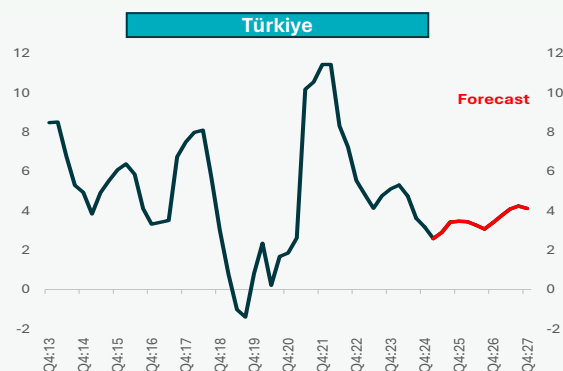
Financial Markets

Banking Sector



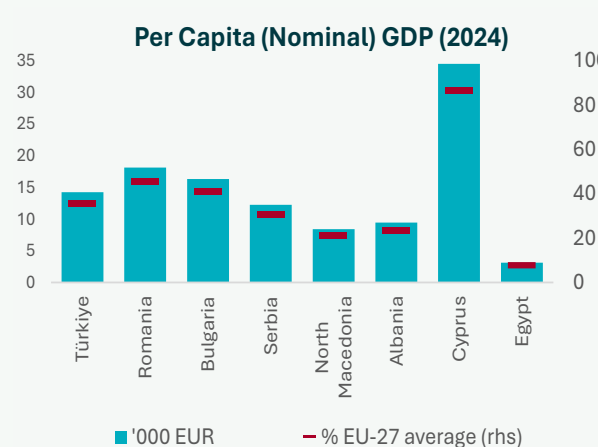
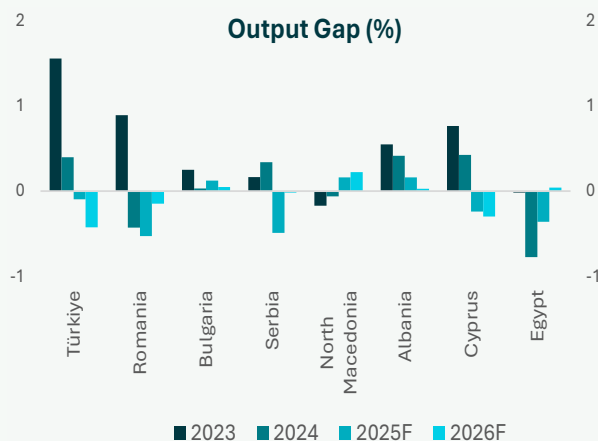
Real GDP (4-quarter rolling, y-o-y % change)

- Against the backdrop of **easing inflationary pressures**, which enabled central banks to start **reversing (cautiously) past years' aggressive policy tightening**, GDP grew at a solid pace in **FY:24**, in all the economies under review, barring Romania. Türkiye and Egypt, which are undergoing economic adjustment, saw their pace of economic expansion moderating, however, compared with FY:23
- Political uncertainty has weighed significantly on GDP growth in **Serbia** in Q1:25 (flash estimate)



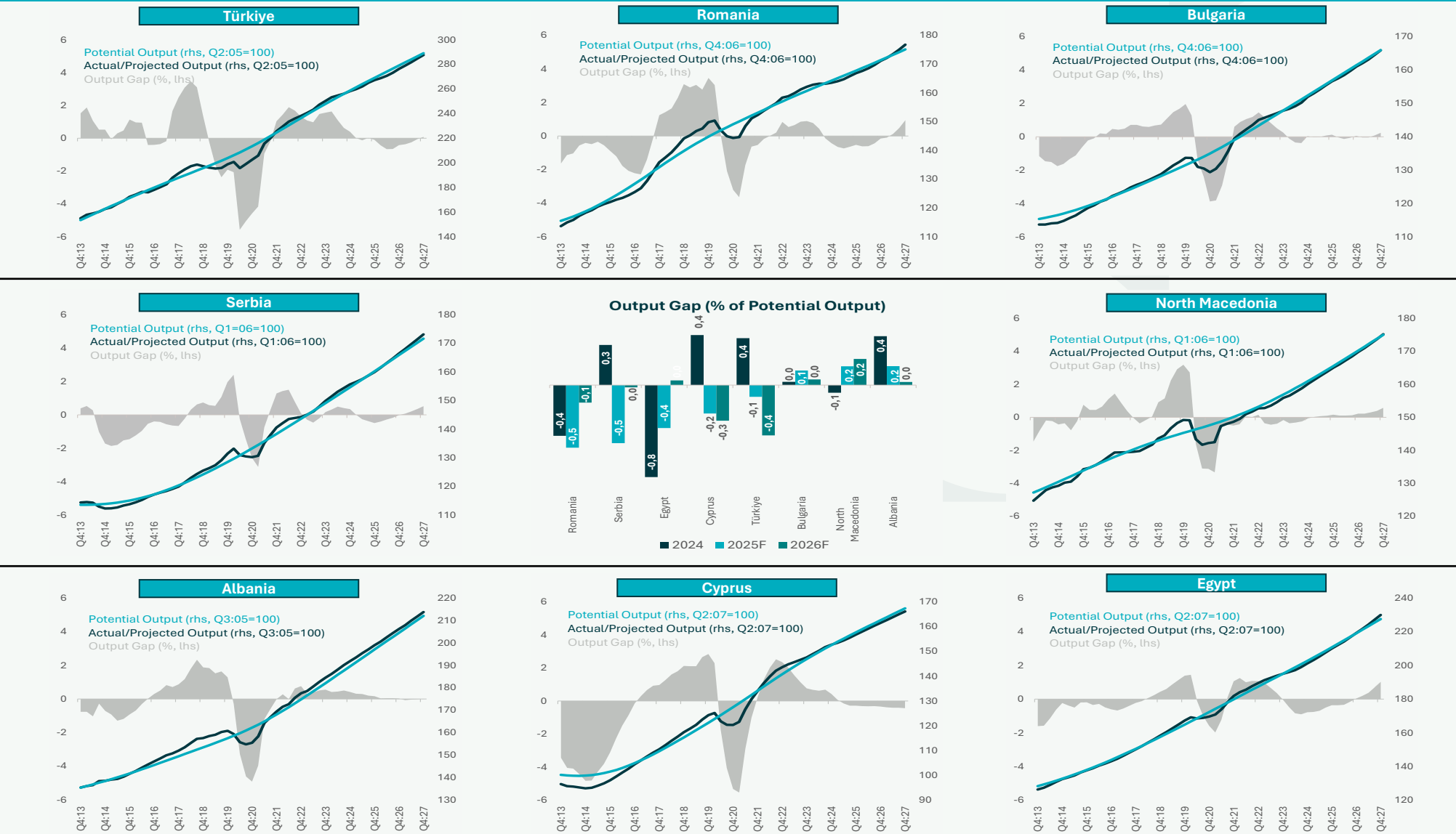
Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- All the economies under review are set to **remain on a solid footing in 2025 GDP**, supported by **low inflation** (which, however, is set to continue exceeding the levels seen prior to the pandemic) and **further (yet slowly) easing in monetary policy conditions** (with signs of reviving credit activity already evident in most of the economies). **Private consumption should continue driving overall growth**, underpinned, *inter alia*, by solid -- but moderating -- real wage growth, amid still tight labour markets (with employment growth having lost momentum, nonetheless). **Fixed investment is also due to increase its contribution to overall growth, albeit modestly**, with the public sector continuing to provide a critical contribution. In contrast, in view of the **poor outlook for exports, amid global trade tensions** (see next page), on the one hand, and **firming domestic demand**, on the other hand, **net exports are unlikely to add to overall growth** this year
- Risks** to our forecasts are tilted to the **downside**, at least in the short-term, including from an escalation of ongoing trade tensions to a full-blown trade war and related uncertainty (see next page). A resurgence in geopolitical uncertainty, leading, among others, to and a new spike in global energy prices, and extreme weather conditions also pose downside risks to this outlook. Importantly, most economies under review have some fiscal space to provide support in the event of large negative shocks
- On a positive note, in the **longer-term**, the rollout of the EU's defense plan and Germany's massive infrastructure and climate protection stimulus package should lead to a cyclical upswing, with positive spillovers to EU-linked economies



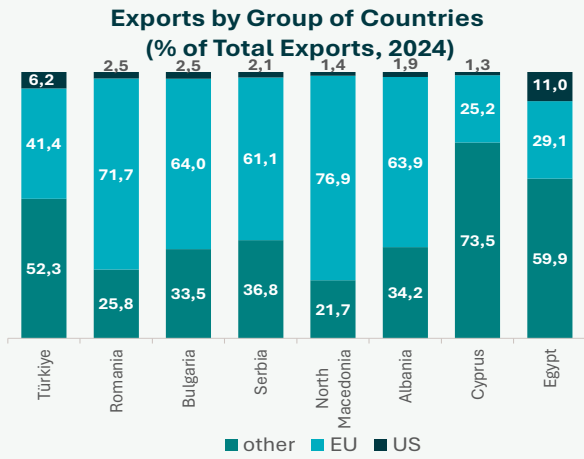
Output gap (4-quarter rolling)

- The massive relocation of foreign companies in **Cyprus** to benefit from its attractive headquartering policy (with 2,300 firms -- most of them operating in the ICT sector -- with 12,000 employees having registered locally over the past 2 years) and the overperformance of the tourism sector in **Albania** (with tourist arrivals in FY:24 having exceeded by c. 85% their pre-pandemic level) have resulted in both economies growing -- at least until recently -- at a pace exceeding their potential growth
- Türkiye's** large positive output gap was eventually closed, c. 1½ years after the sharp reversal in monetary policy
- Barring Romania, Serbia and Egypt, the economies under review are expected to grow at a pace **lower but not far off their potential** in FY:25

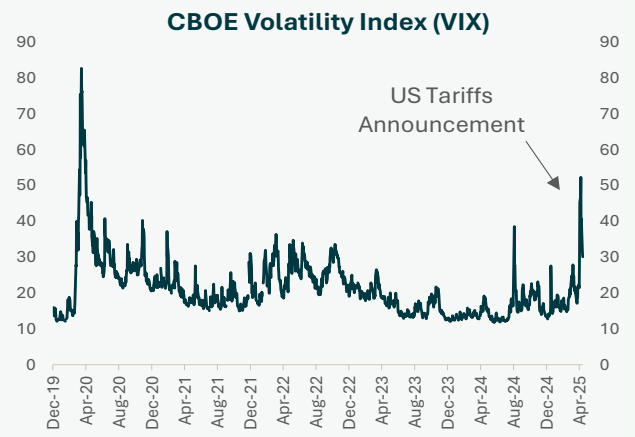
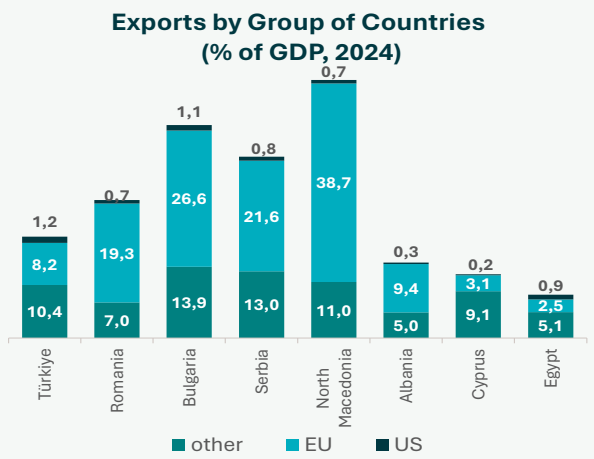


- **Global trade tensions are unfolding quickly**, with the **US administration announcing new tariffs on its trade partners** in early-April (including the EU -- 20% -- and China, which is hit the hardest -- 145%, see table), in the first place, but later authorizing a **90-day pause** for most countries (but not China), on the condition that they have not taken any countermeasures, leaving a minimum broad 10% tariff effective during that period. Note that the **sectoral US tariffs** (of 25%, levied on steel & aluminum, automotive & related parts imports), which had been earlier announced, **remain in place**, with their base reportedly due to expand soon (to include pharmaceuticals and semi-conductors, which have so far been exempted)
- **China** has already responded with a reciprocal tariff (of 125%) on all US imports, while the **EU** has put a first round of targeted tariffs on US imports on hold
- As regards the potential economic impact of US tariffs on the economies under review, we note that their direct exports to the US -- both in terms of their share in total exports and as well as in terms of economic importance (% of GDP) -- are not significant, suggesting a relatively **low direct impact**
- However, accounting for: i) the economies' under review value added embedded on exports of 3rd countries to the US (note that Romania, Bulgaria, Serbia and North Macedonia industrial sectors are quite integrated in the EU value chains, especially of the automotive and related parts sector, the output of which is subject to a higher tariff of 25%); as well as for ii) the direct and indirect spillover effects not only on other sectors of their domestic economies (note that services related to external trade account to up to 33% of the value of total exports of services) but also on the global (especially the EU -- region's main trade partner) economy should result in a **much larger overall impact**
- All said, considering the complexity of the channels through which the impact of US tariffs and (potential) countermeasures would kick-in, it is difficult to quantify their overall impact on the economies under review. For the time being, we **revise our GDP growth forecasts for the economies' under review down, but marginally -- up to 0.2 pps (unweighted) in FY:25 and up to 0.4 pps in FY:26 versus our previous baseline path** (which had already assumed some tariff impact, nonetheless)

US tariff rates by country (%)		
	Originally levied	Effective until July
Türkiye	10.0	10.0
Romania	20.0	10.0
Bulgaria	20.0	10.0
Serbia	37.0	10.0
North Macedonia	33.0	10.0
Albania	10.0	10.0
Cyprus	20.0	10.0
Egypt	10.0	10.0

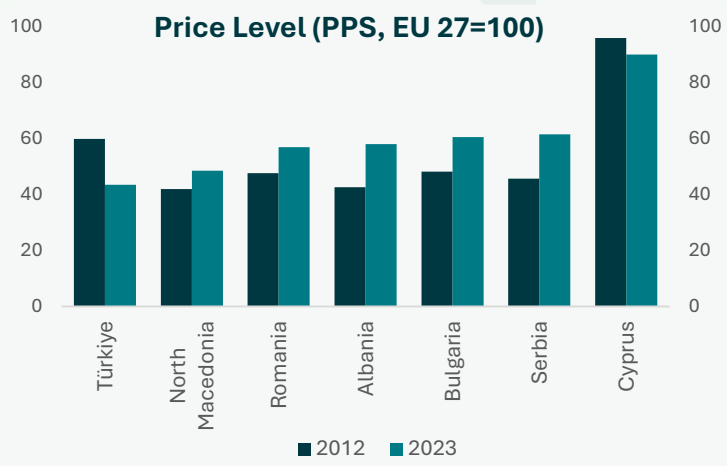
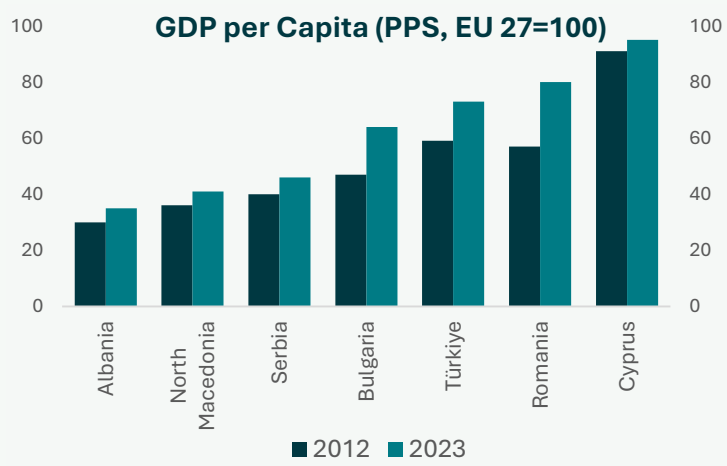


- We recognize that **risks to this outlook are heavily skewed to the downside**, especially in the event **ongoing trade tensions escalate to a full-blown global trade war** (with its scope extending to include services and capital). However, with most of the countries appearing to be willing to engage into negotiations with the US over a new trade deal, the odds for such a scenario remain fairly low, in our view, albeit non-negligible. Encouragingly, in a nod to an easing trade standoff, both the US and China have been considering several tariff exemptions to give relief to their domestic industries (with the US having already moved to ease the tariff impact on its automotive industry)
- Worryingly, **prolonged uncertainty** over the evolution of trade tensions could lead households to channel their increasing incomes to savings and businesses to defer their investment plans, **magnifying the impact of tariffs per se on economic growth**. Persistent broad-based global uncertainty could also lead to high market volatility and adverse financing conditions, **eroding policy buffers** to counteract shocks, and thus increasing the risk of financial contagion. Even if US tariffs are fully reversed (which is not our baseline scenario, however), confidence would need much more time to return to pre-“US Liberation Day” levels
- Given the substantially higher US tariffs levied on imports from China, there is also a risk that abundant supply of Chinese production will be channeled to the EU, adding to the initial adverse impact
- On the other hand, the final impact of US tariffs could be moderated by a depreciation of the economies’ currencies against the USD (although this is not the case, at least for the time being)



Convergence with the EU

- **Cyprus** is close to the EU average standards both in terms of GDP per Capita and Prices.
- **Romania** and, to a somewhat lesser extent, **Bulgaria** have been converging at a fast pace with the EU in real terms, driven by capital deepening and productivity gains, highlighting the benefits of EU membership. Full Schengen accession -- effective as of January 1, 2025 -- should help both economies fully reap the benefits of the single market
- **Bulgaria** has requested the EC and the ECB to prepare extraordinary convergence reports, paving the way for **euro adoption**. Recall that Bulgaria has been long meeting all the criteria for euro adoption but one, that of price stability, which was met only recently. Although concerns over the prospect of sustainable inflation convergence remain, we expect competent authorities to show some compromise, eventually allowing Bulgaria join the euro area. Given the time needed for the remaining technical preparations to be completed, we see accession taking place on January 1, 2026
- Despite the unorthodox policy mix pursued by authorities over the past years, the pace of **Türkiye**'s real convergence with the EU has been quite fast
- Convergence with the EU has been sluggish for EU candidate countries (**Albania, North Macedonia and Serbia**), reflecting persistent under-investment, due, among others, to entry and operation barriers in place (such as corruption, bureaucracy, and informality), low employment (on the back, *inter alia*, of high emigration) and relatively weak total factor productivity growth. Assuming a potential growth of around 3.0% it would **take more than 30 years** to align the countries' per-capita GDP with that of the EU's



Official financial support (IMF)

- The IMF approved a 36-month Policy Coordination Instrument (PCI) with **Serbia**, following the conclusion of the previous EUR 2.4 Stand-By Agreement (SBA). The PCI is a non-financing instrument, designed to help authorities commit to strong economic policies and structural reforms, and thus potentially unlock financing from other IFIs
- The IMF Executive Board completed the 4th review of the Extended Fund Facility (EFF) arrangement, allowing for an immediate disbursement of USD 1.2bn, and approved a new USD 1.3bn arrangement under the Resilience and Sustainability Facility (RSF), renewing its vote of confidence in the **Egyptian** economy

IMF & EU Financial Support (EUR bn)																
		Türkiye	Romania	Bulgaria	Serbia		North Macedonia		Albania		Cyprus	Egypt				
Period		---	---	---	2022-2024 ^a	2024-2027 ^b	2020 ^c	2022-2024 ^d	2014-2017 ^e	2020 ^f	2013-2016 ^g	2016-2019	2020 ^c	2020-2021 ^a	2022-2026 ^{h,i}	2024-2027 ^j
Programme	IMF	---	---	---	2.4	---	0.2	0.5	0.4	0.2	1.1	11.9 ^g	2.8 ^g	5.2 ^g	8.0 ^g	---
	EU	---	---	---	---	---	---	---	---	---	9.0	---	---	---	---	5.0
Drawn so far	IMF	---	---	---	1.2	---	0.2	0.1	0.4	0.2	1.0	11.9 ^g	2.8 ^g	5.2 ^g	3.2 ^g	---
	EU	---	---	---	---	---	---	---	---	---	6.3	---	---	---	---	1.0
Repaid	IMF	---	---	---	---	---	0.2	---	0.4 since 2019	0.1 since 2023	1.1	5.8 ^g	2.0 ^g	2.8 ^g	---	---
	EU	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Next Repayments	IMF	---	---	---	---	---	0.1 in 2025	Starting in 2026	0.05 in 2025	0.04 in 2025	---	2.6 ^g in 2025	0.7 ^g in 2025	2.0 ^g in 2025	---	---
	EU	---	---	---	---	---	---	---	---	---	0.4 in 2025	---	---	---	---	---

^a Stand-By Arrangement (SBA)

^b under the Policy Coordination Instrument

^c Rapid Financing Instrument

^d Precautionary and Liquidity Line (PLL)

^e under Post-Programme Monitoring since 2018

^f under Post-Programme Monitoring since 2016

^g bn USD

^h Extended Fund Facility (EFF), extended by USD 5bn in 2024

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

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

Official financial support (EU)

- As of 2024, EU countries lost access to funding under the 2014-20 **Multannual Financial Framework** (MFF, T+3 rule). We expect absorption of EU funds under the current MFF to accelerate progressively as the expiration date approaches
- Full absorption of the funds available under the **EU Recovery & Resilience Facility** (RRF) should provide a significant impetus to economic recovery in **Romania, Bulgaria** and **Cyprus**. Worryingly, their RRF absorption rates lag so far behind the EU average
- Against the backdrop of prolonged political uncertainty, **Bulgaria** has been facing delays in absorbing EU funds
- Serbia, North Macedonia, Albania** and **Türkiye** benefit not only from EU pre-accession assistance but also from cross-border spillover effects from the RRF
- EU pre-accession assistance has been complemented with the **Reform and Growth Plan for the Western Balkans** which envisages a total of EUR 6bn in financing (of which EUR 2bn as non-repayable support) in the period of 2024-2027
- The European Parliament recently approved a EUR 4.0bn tranche to **Egypt** (to be disbursed by June subject to member states' approval), as part of the EU's EUR 7.4bn support programme

EU Members			
Next Generation EU Fund (2021-23) & Multannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	28.5	5.7	1.2
o/w Grants	13.6	5.7	1.0
Loans	14.9	---	0.2
Absorption Rate (% of total allocation)	33.1	24.1	37.3
Absorption Rate (% of EU average)	69.9	50.8	78.6
Other**	3.4	0.4	0.2
Multannual Financial Framework***	55.4	18.6	1.5

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

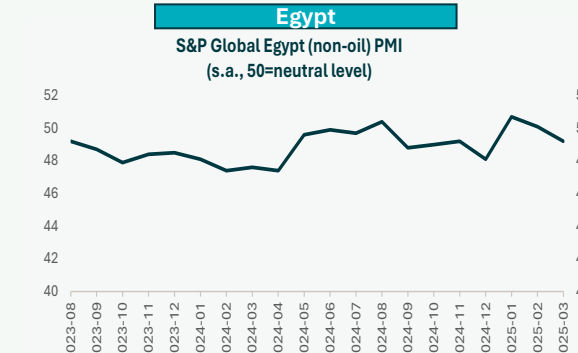
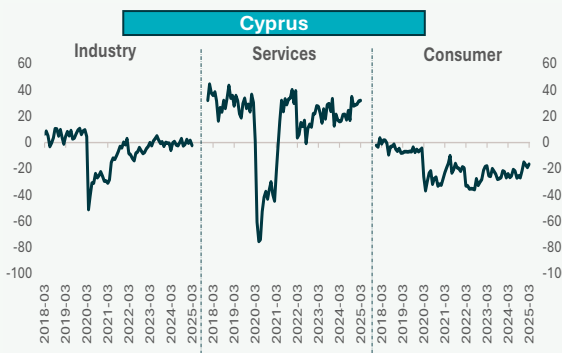
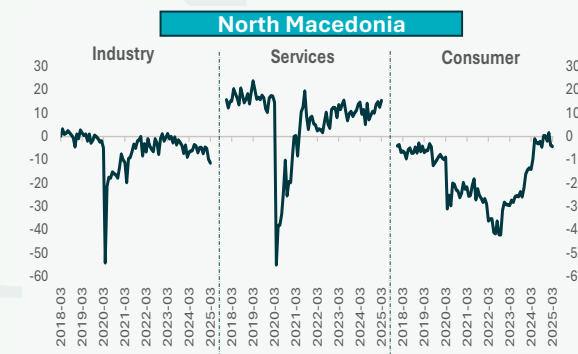
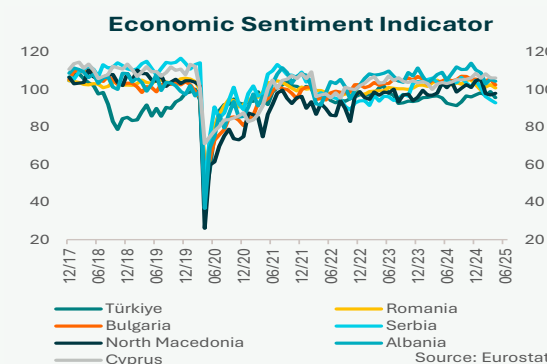
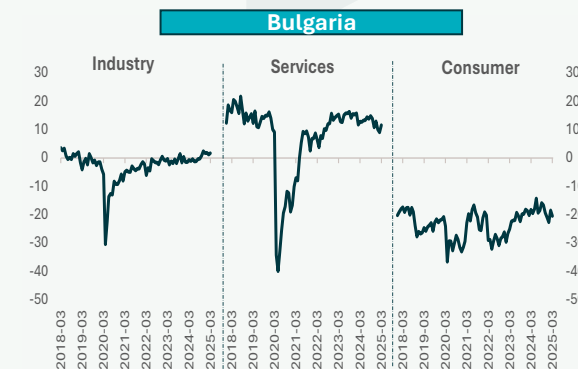
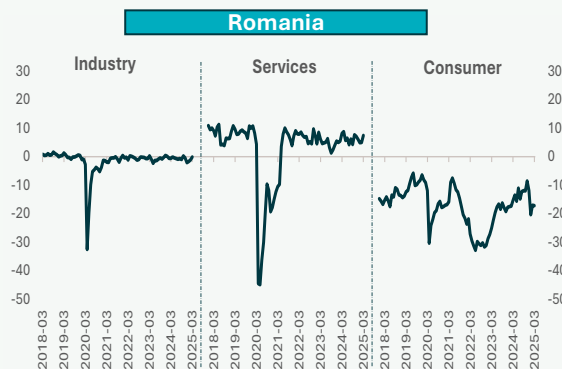
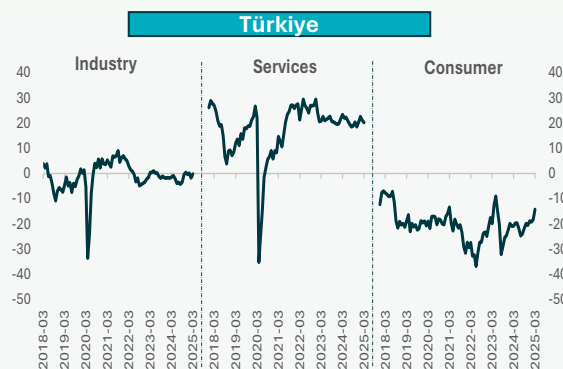
**Includes amounts under React-EU, Just Transition Fund, European Agricultural Fund for Rural Development.

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

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

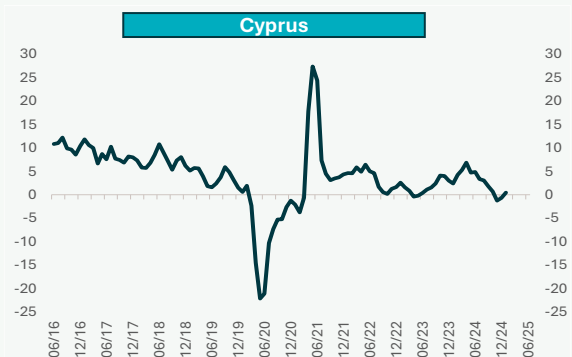
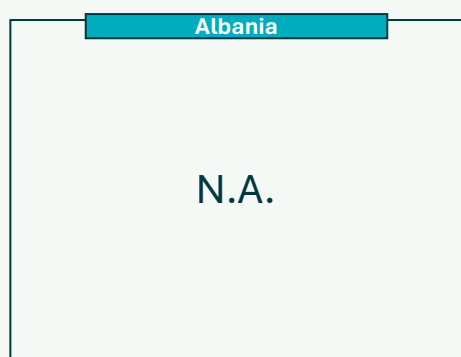
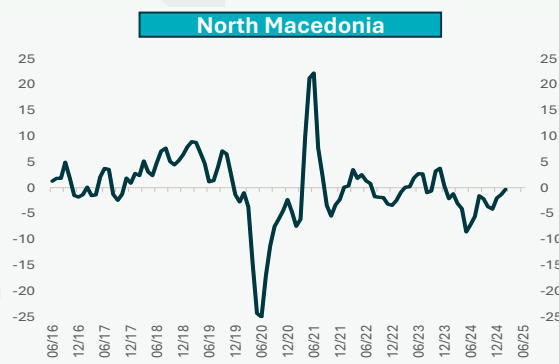
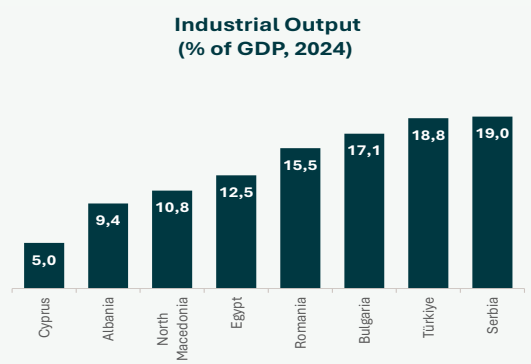
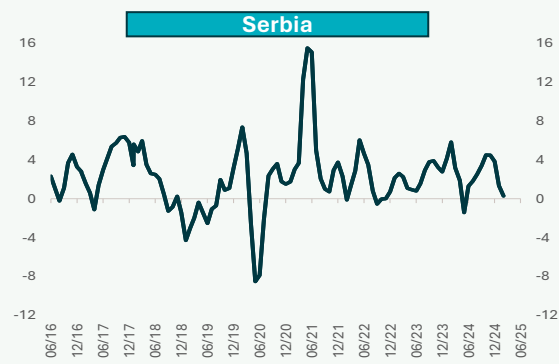
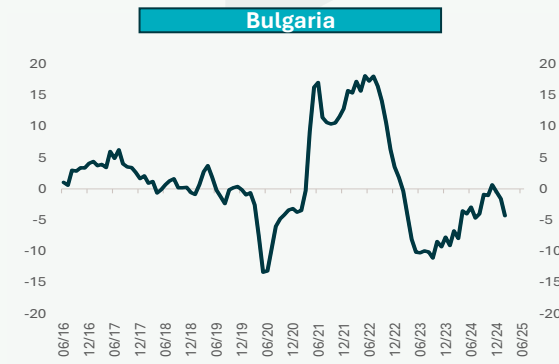
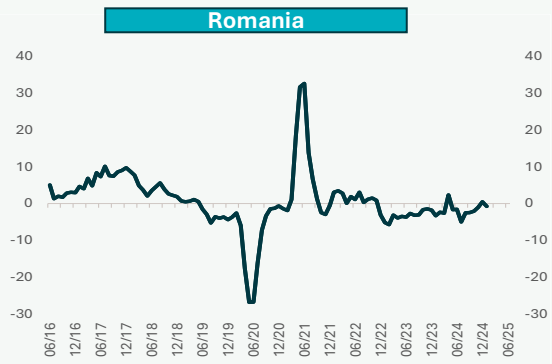
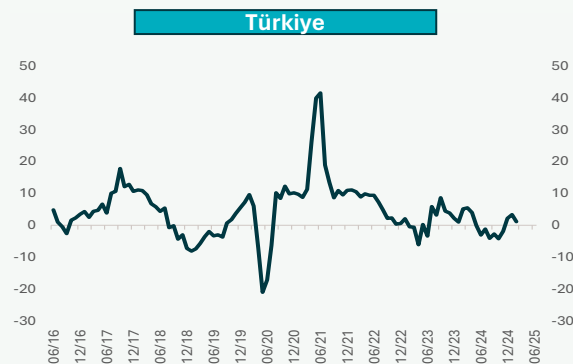
Economic Sentiment Indicator (difference between the % of respondents giving positive and negative replies, s.a.)

- Economic sentiment has been hit by the **escalation of global trade tensions**. Assuming trade uncertainty persists, **further deterioration** is expected
- Sentiment in the (ailing) **industrial sector is estimated to have been mostly affected with the services sector suffering less**, at least for the time being. April flash data suggest that **consumer confidence**, which was already faltering in some of the economies under review, has been also **impacted**
- Even if US tariffs are fully reversed (which is not our baseline scenario), confidence would need much more time to return to pre-“US Liberation Day” levels



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

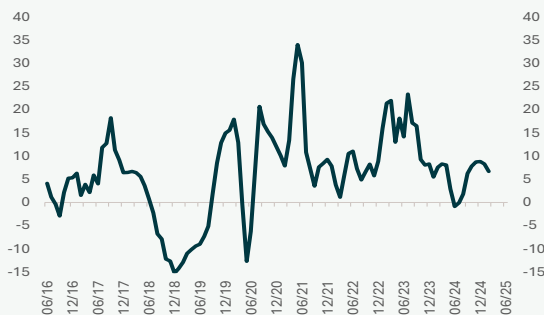
- Despite healthy domestic demand, **the industrial sector has been at a standstill**, reflecting weak demand from the EU (especially Germany) and relatively high energy prices. This discrepancy reflects, *inter alia*, the relatively low position of the industrial sectors under review in global value chains
- Among the sectors under review, only those of **Serbia** and **Cyprus** have managed to exceed the pre-2022-energy-crisis levels of output
- Worryingly, the **unfolding global trade tensions cloud significantly the outlook for the sector**



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

- Rising (real) incomes has been sustaining growth in retail sales
- Despite the disinflationary impact of US tariffs, growth in retail sales could lose momentum, due to weakening consumer confidence

Türkiye



Romania



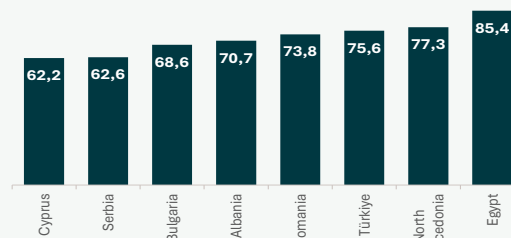
Bulgaria



Serbia



**Private Consumption
(% of GDP, 2024)**



North Macedonia



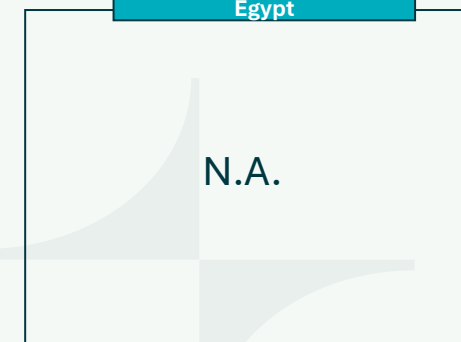
Albania



Cyprus

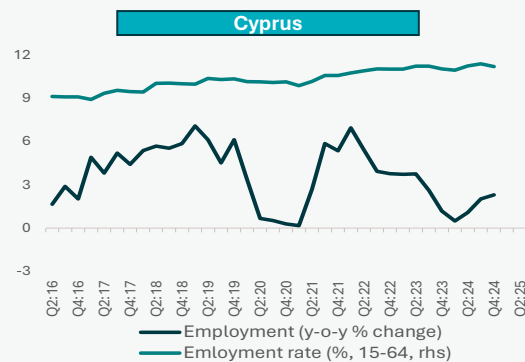
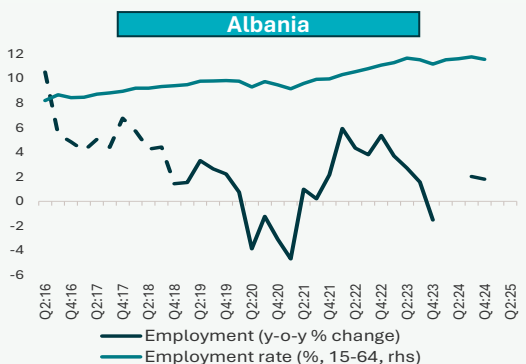
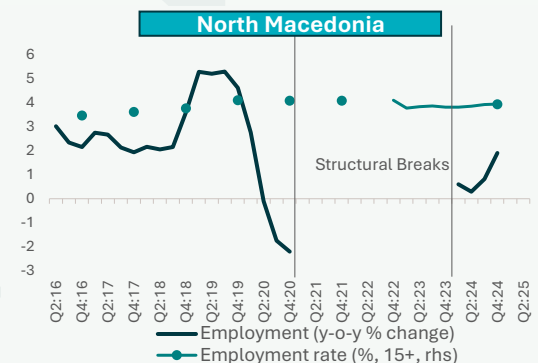
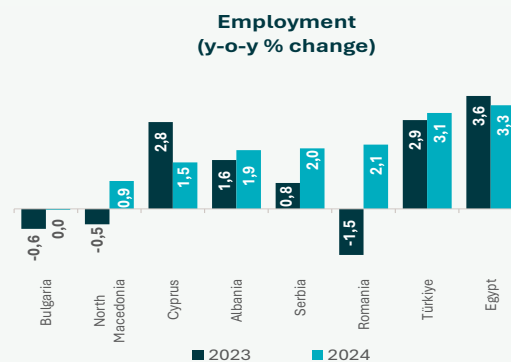
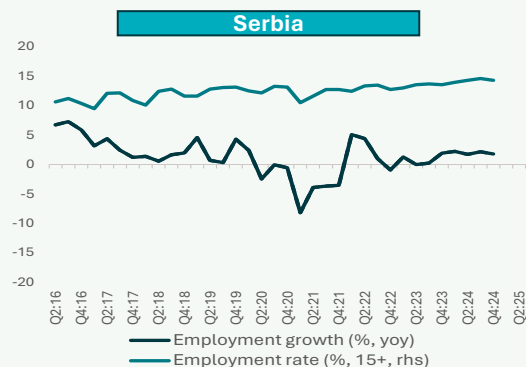
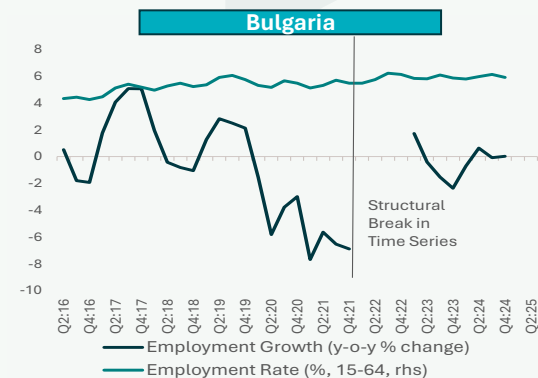
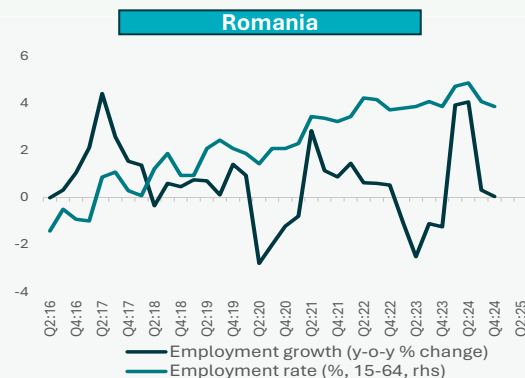
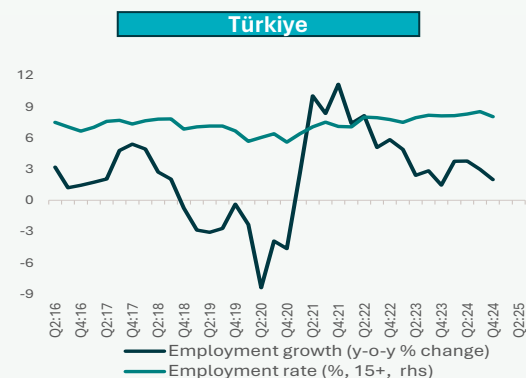


Egypt



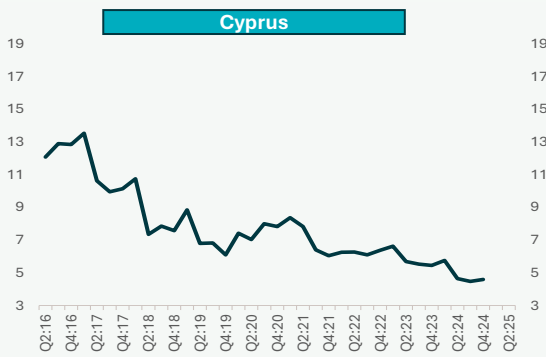
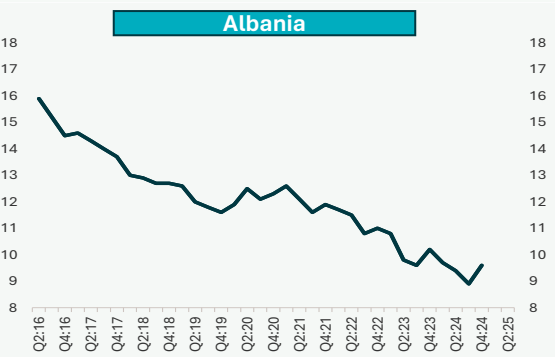
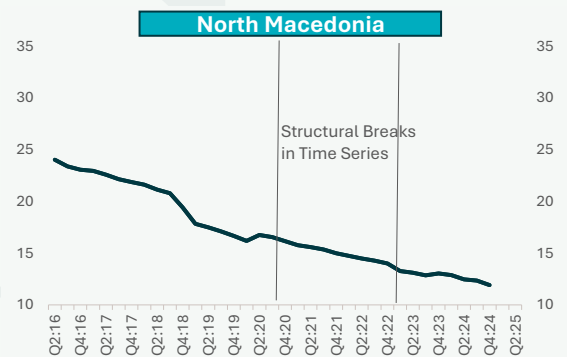
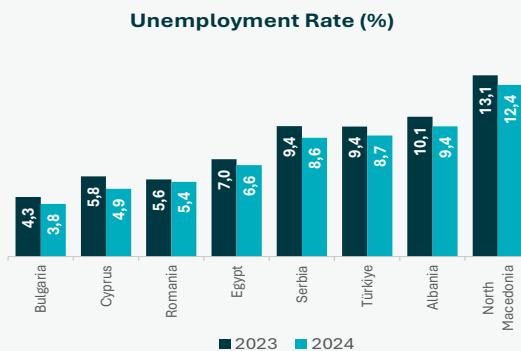
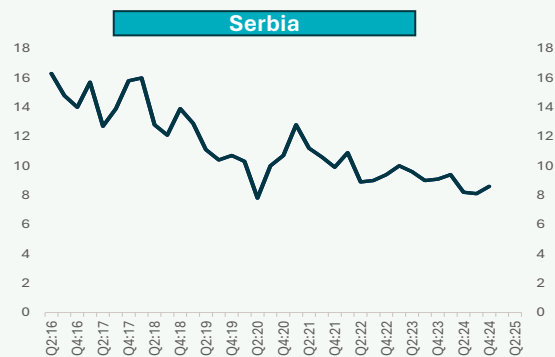
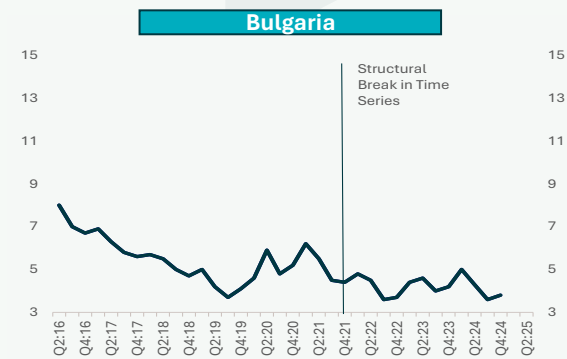
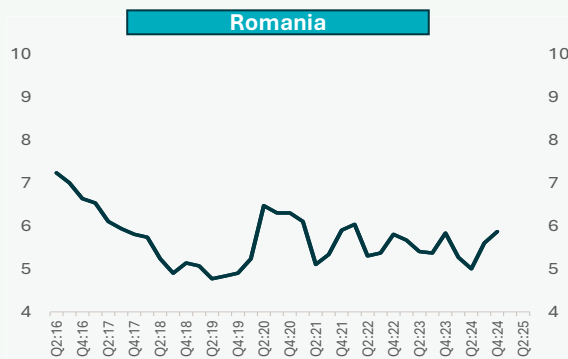
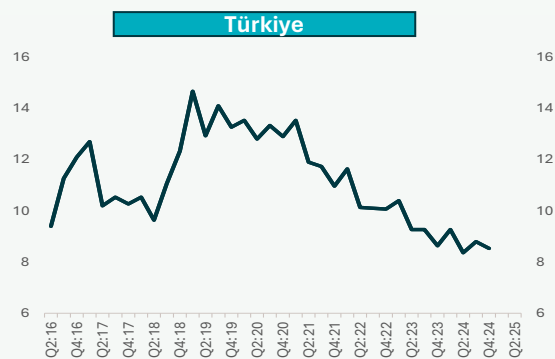
Employment growth (y-o-y % change) & Employment Rate (%)

- Following strong expansion over the past 2 years, **employment growth has moderated significantly** in most of the economies under review
- Still, considering employment and unemployment rates, overall labour market conditions remain **tight**
- The **weak outlook for exports**, due to US tariffs, combined with **heightened uncertainty** cannot but **weigh on employers' hiring plans**



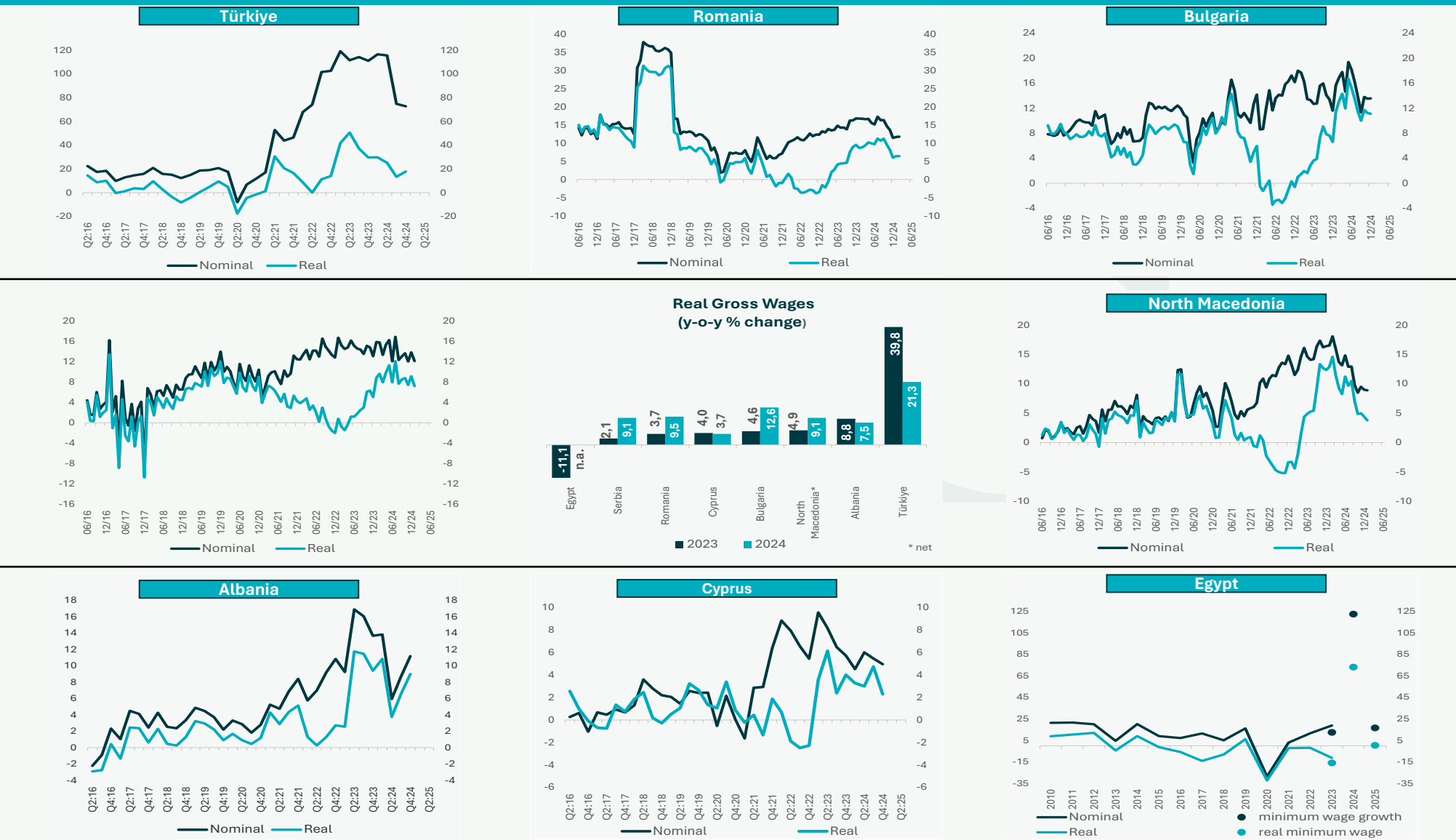
Unemployment rate (%)

- The **unemployment rate appears to have bottomed out at historical low levels** in most of the economies under review. In some cases, the current levels are even below those observed prior to the GFC and are combined with record-high participation rates
- The very high and more sluggish levels of unemployment in **North Macedonia** and **Albania** and, to a lesser extent **Serbia**, largely reflect the large share of domestic grey economy. The latter implies much stronger underlying activity trends in those economies than suggested by official data

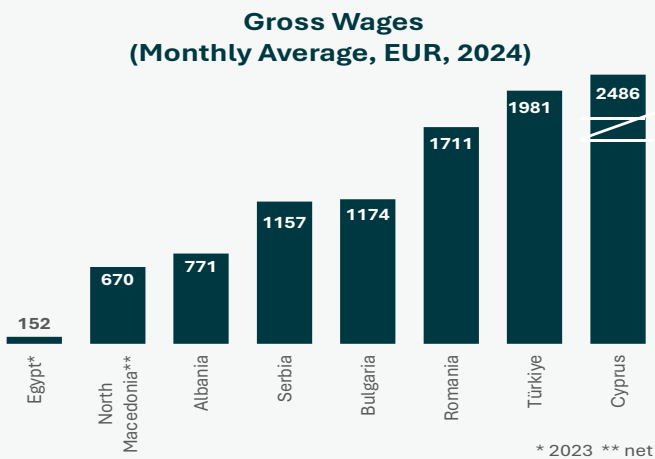


Nominal and real wages (y-o-y % change)

- Strong nominal wage growth has come on back of **backward-looking wage setting behaviour**, **tight labour market conditions** as well as a **loose incomes policy** and its spillover to the private sector
- Albeit slowing, real ex-post wage growth remains solid** in most countries under the review, underpinning private consumption
- Considering employers' cautiousness , on the one hand, and given that the purchasing power losses incurred by households over the past 2 years have been more than recouped, on the other hand, wage growth is expected to **moderate** in the period ahead, remaining, nonetheless, above historical levels



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



Tax Rates (% , 2025)		
	Personal Income	Corporate Income
Türkiye	15.0 - 40.0	25.0-30.0
Romania	10.0	16.0
Bulgaria	10.0	10.0
Serbia	10.0 – 20.0	15.0
North Macedonia	10.0	10.0
Albania	13.0 - 23.0	5.0 - 15.0
Cyprus	20.0 - 35.0	12.5*
Egypt	10.0 – 27.5	22.5
Greece	9.0 - 44.0	22.0

* At end-2024, Cyprus’ Parliament approved levy of a 15% global minimum effective tax (GMCT) on Pillar 2 companies (i.e. mainly large multinational companies and large-scale domestic groups in the EU) -- starting from January 2026 -- aligning with EU standards. Note that the GMCT was due to be applied by January 1, 2024.

Snapshot

Real Sector

External Accounts

- External trade
- Real effective exchange rate
- Current account balance
- Net FDI
- Other net capital flows
- Balance of payments
- FX reserves
- Short-term external debt / FX reserves
- External debt

Prices & Monetary Policy

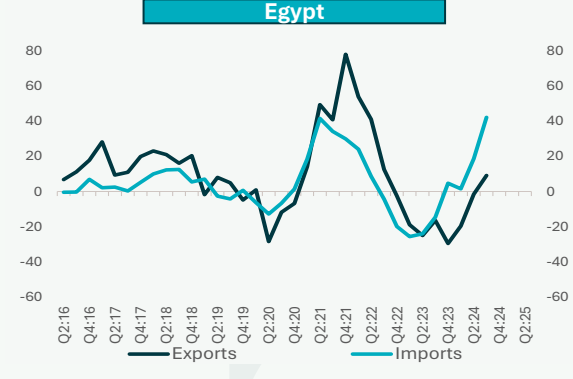
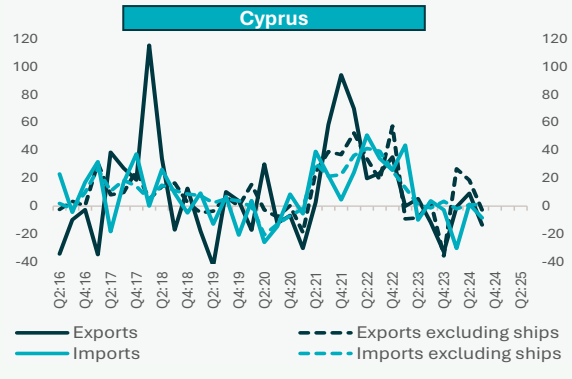
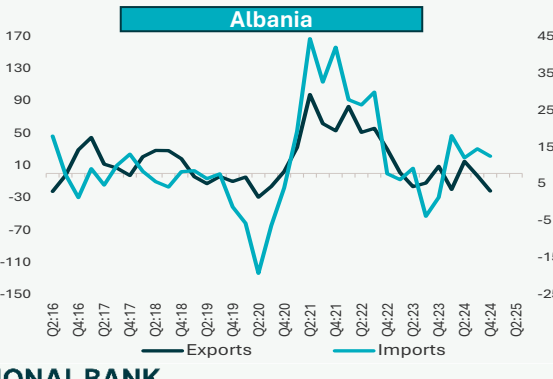
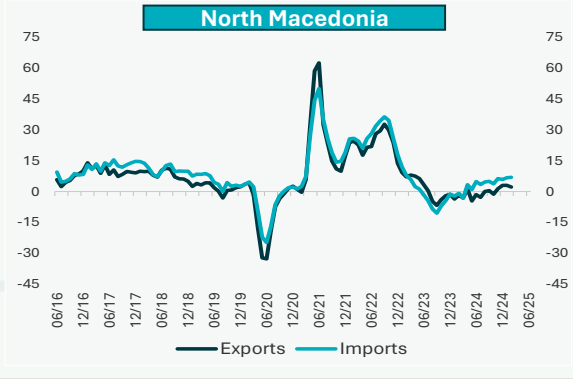
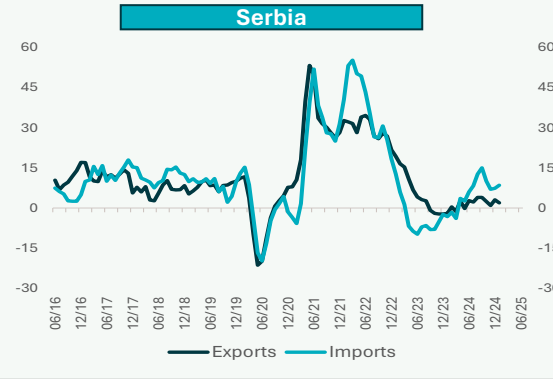
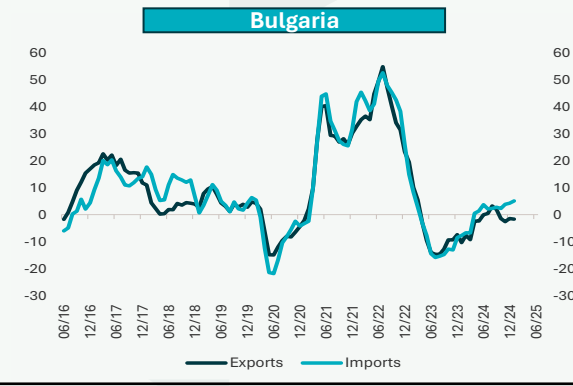
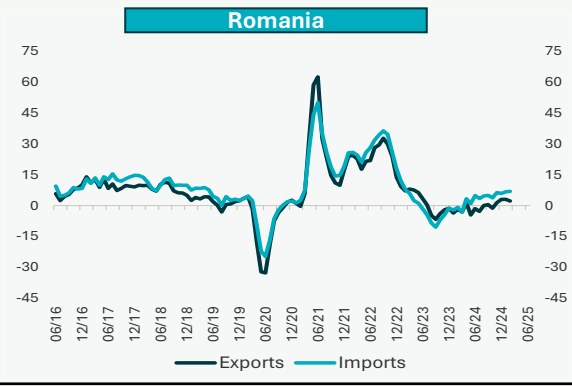
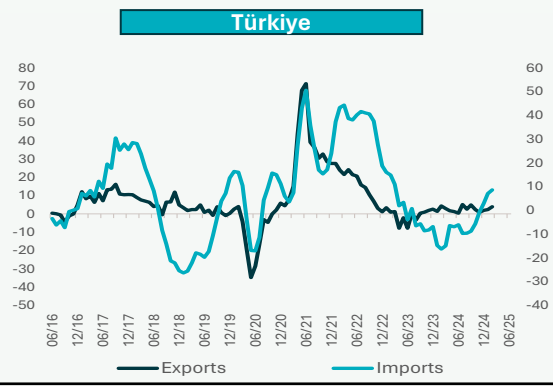
Fiscal Position

Financial Markets

Banking Sector

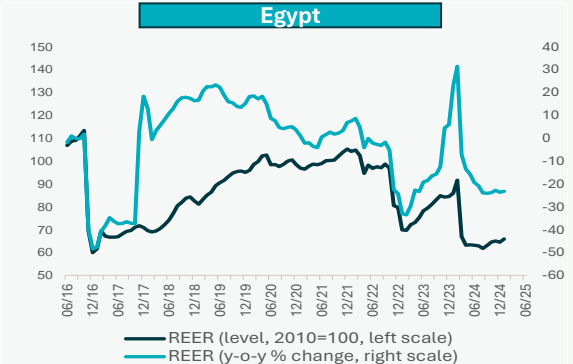
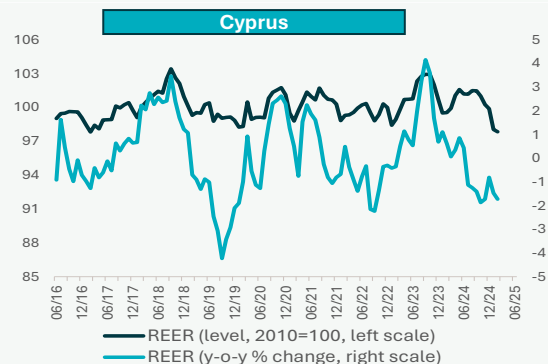
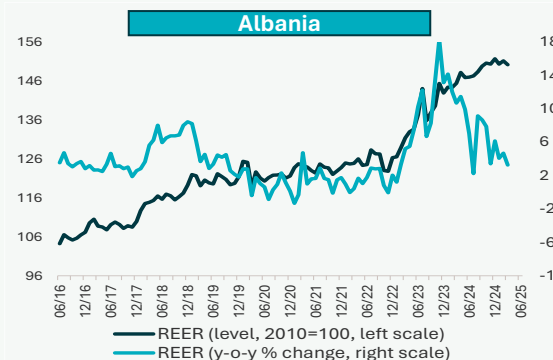
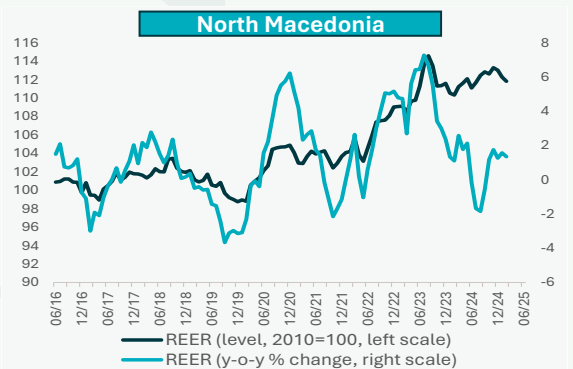
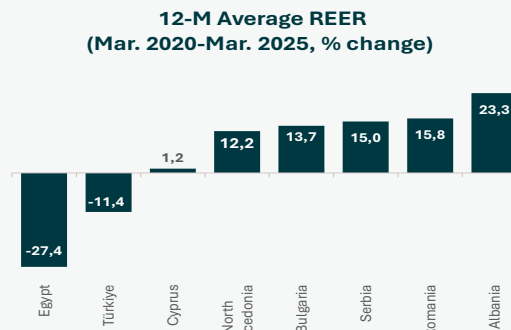
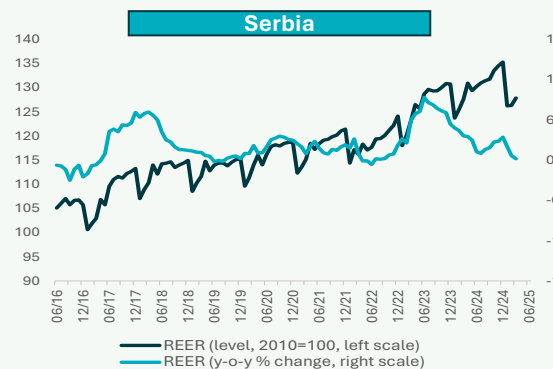
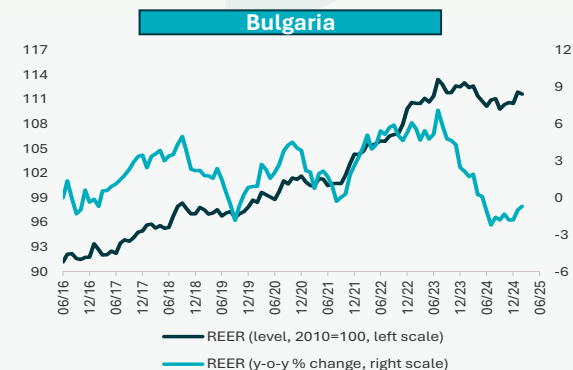
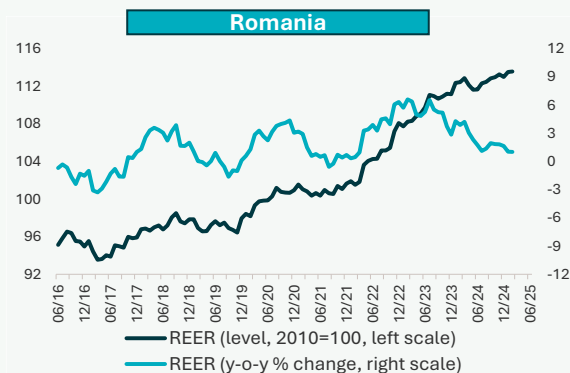
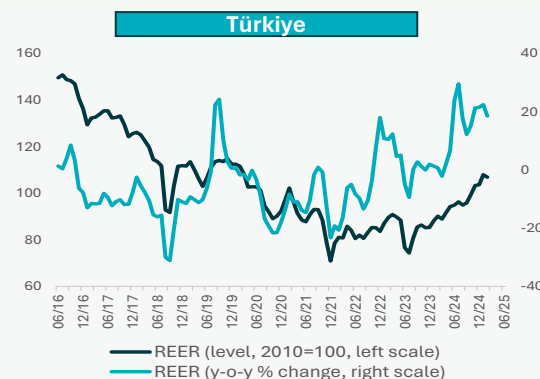


■ **Export growth has stalled**, in line with the relatively weak pace of expansion in the EU, falling behind that of imports in most of the economies under review. Implementation of US tariffs means that both export and import growth rates would embark on a downward trend, with their **implied gap most likely widening**, at least in the short-term



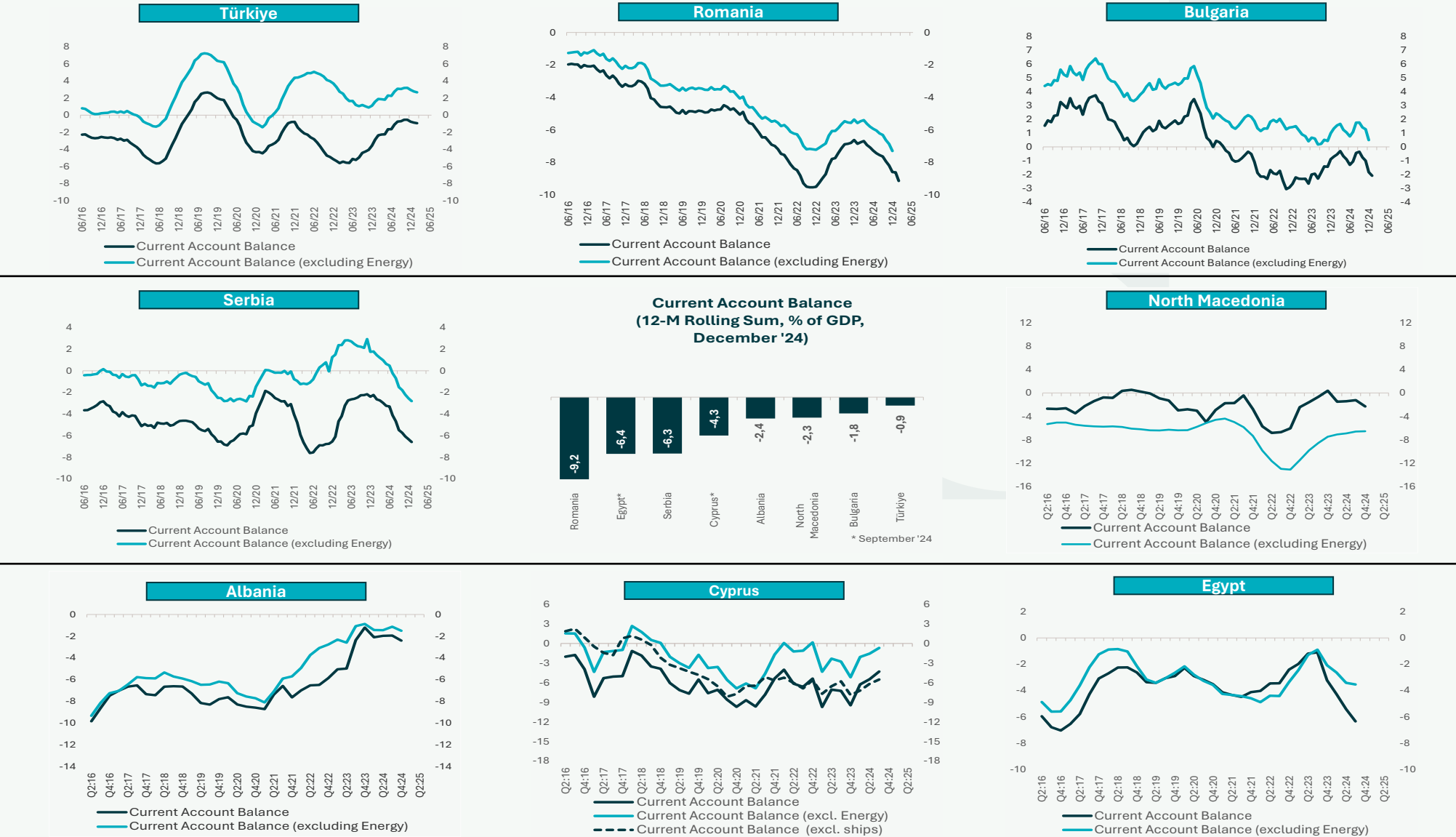
CPI-based real effective exchange rate

- High inflation has been eroding the gains in external price competitiveness from the massive depreciation of the **Turkish Lira** in nominal terms
- Albania** has experienced a strong appreciation of its currency in real terms over the past 5 years, which has hit the economy's manufacturing sector
- The sharp depreciation of the **Egyptian Pound** corrected the losses in external price competitiveness stemming from stubbornly high inflation



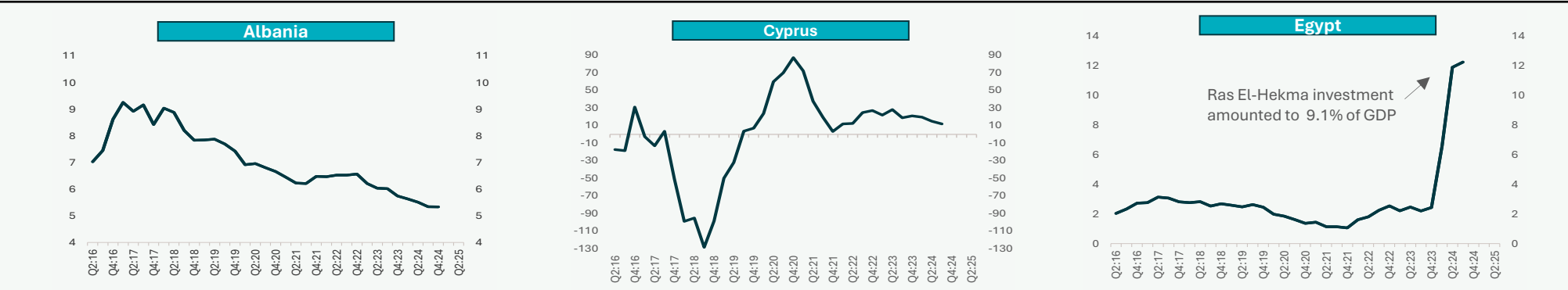
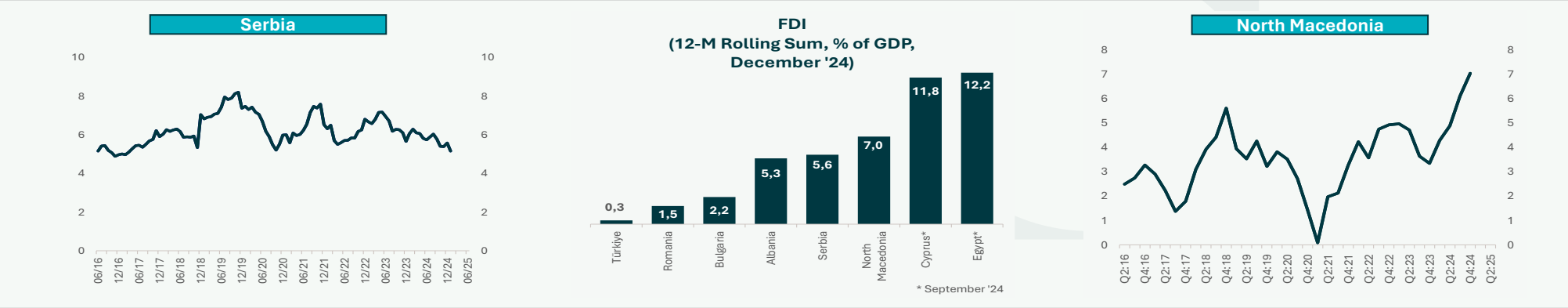
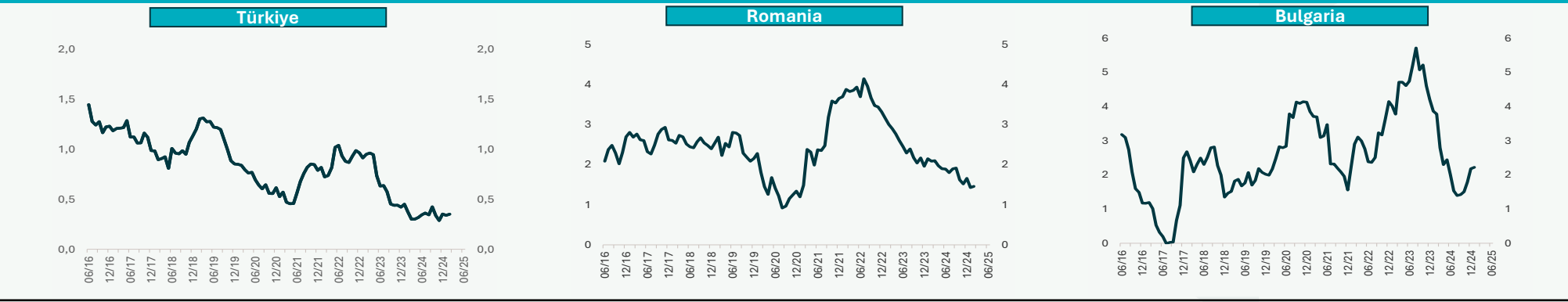
Current account balance (12-month rolling, % of GDP)

- Firming domestic demand has kept trade balances under pressure** in most of the economies under review (especially **Romania, Serbia and Egypt**), despite favourable global energy prices
- In **Türkiye**, economic adjustment has resulted in a sharp correction in external imbalances. The massive expansion of the tourism sector in **Albania** and foreign business relocation to **Cyprus** have drove a structural widening in the services surplus of both economies. In **Egypt**, falling domestic as production and lower Suez Canal receipts, due to Red Sea disruptions, have the been putting additional pressure on the current account deficit



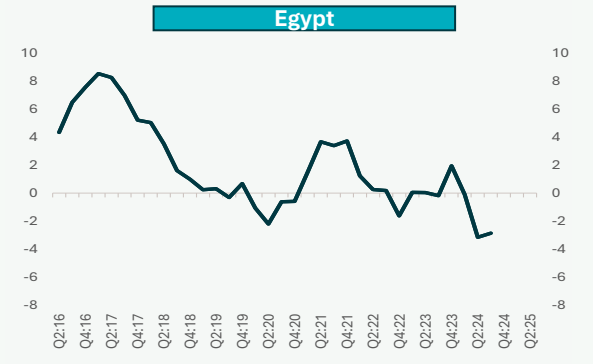
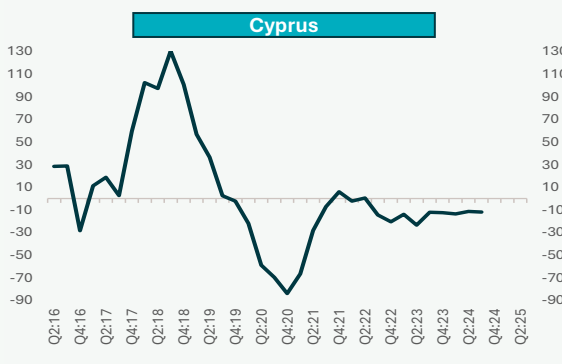
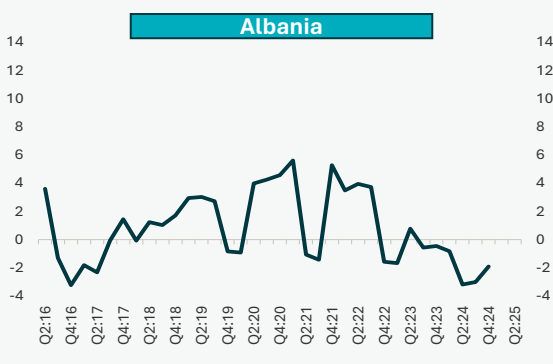
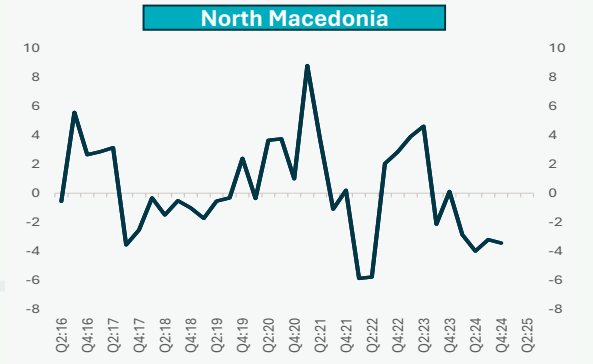
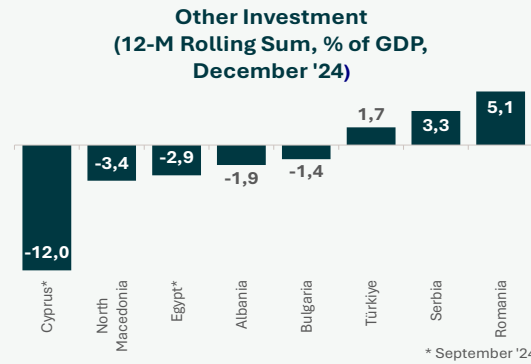
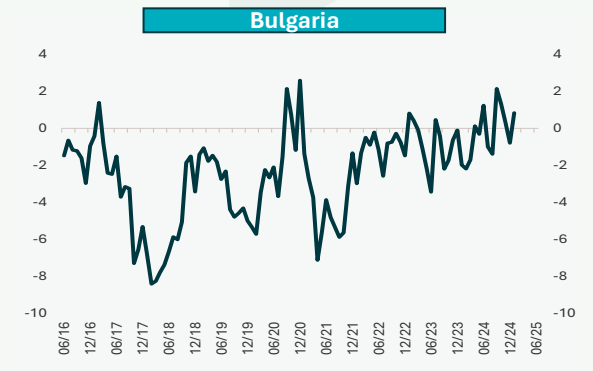
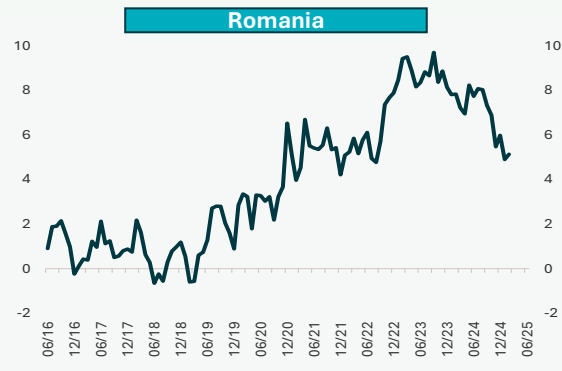
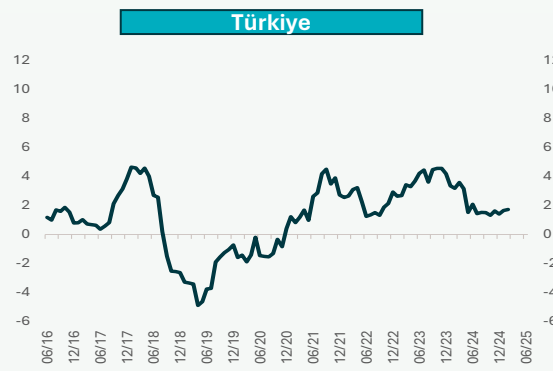
Net foreign direct investment (12-month rolling, % of GDP)

- Albania, Serbia and North Macedonia enjoy the strongest net FDI inflow in the region
- UAE's Ras El-Hekma development project, worth USD 35bn (c. 9.0% of GDP), provided a critical FX inflow to **Egypt**, helping to ease financing pressures. In a bid to attract investments and much-needed FX, authorities have allocated several areas on the Red Sea Coast for similar large-scale investments
- Traditionally, the bulk of FDI consist of **reinvested earning** and **intercompany lending**
- Broad-based uncertainty** cannot but **affect FDI flows** in the period ahead



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

- Despite easing global financing conditions, **other investment flow has been subdued** so far
- Serbia's** upgrade to investment grade has increased its allure to foreign investors
- Romania, Bulgaria and Cyprus** will continue to benefit from increased flow of funds under **the EU Recovery & Resilience Facility**



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

- In view of the **poor outlook for exports, due to implications from the US-led trade tensions**, on the one hand, and **firm domestic demand**, on the other hand, the **current account balance is set to remain under pressure** in most of the economies under review, **despite the even more favourable outlook for global commodity prices**
- According to preliminary information on early bookings from major global tour operators, **tourism is headed for a new record in 2025**, with related activity, however, **growing at a slower pace than in the previous years**, meaning that the scope for further significant improvement in the economies' tourism balances is narrow. A remarkable exception is **Albania** (Europe's fastest growing tourism destination since after the pandemic, albeit from a low base), which is set to continue overperforming, benefiting, *inter alia*, from strong price competitiveness *vis-à-vis* its regional peers
- The ceasefire deal between Israel and Hamas should help restore Suez Canal traffic, alleviating pressure on **Egypt's** current account deficit. A more tangible improvement is expected in the medium-term, when gains in external competitiveness from the weaker EGP are expected to kick-in
- With the exceptions of **Romania** and (temporarily) **Egypt**, the CAD of the economies under review is set to remain below the empirical critical threshold of c. 5.0% of GDP
- Easing external financing conditions should help most countries under review **plug their external financing gap this year without drawing on FX reserves**. **Heightened global uncertainty** poses a **downside risk** to this outlook

Türkiye	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-3.6	-0.8	-1.3	-1.8
Net FDI	0.4	0.4	0.4	0.5
Other net capital inflows *	4.0	1.4	1.8	0.0

Bulgaria	Dec. 23	Dec. 24E	Dec. 25F	Dec. 26F
Current account balance	0.9	-1.8	-2.4	-2.9
Net FDI	4.2	2.2	3.0	3.5
Other net capital inflows *	0.2	-1.4	-0.4	-0.4

North Macedonia	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	0.4	-2.3	-3.0	-3.1
Net FDI	3.3	7.0	5.5	5.4
Other net capital inflows *	-0.9	-3.4	-0.9	0.0

Cyprus	Dec. 23	Dec. 24E	Dec. 25F	Dec. 26F
Current account balance**	-9.5	-4.6	-5.0	-5.2
Net FDI**	21.0	16.6	18.4	19.12
Other net capital inflows *	-12.6	-12.1	-12.5	-11.3

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

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

Romania	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-6.6	-8.6	-8.0	-7.5
Net FDI	2.0	1.7	1.7	1.7
Other net capital inflows *	8.8	7.2	6.7	6.2

Serbia	Dec. 23	Dec. 24E	Dec. 25F	Dec. 26F
Current account balance	-2.4	-6.3	-6.4	-6.6
Net FDI	5.7	5.6	5.5	5.5
Other net capital inflows *	2.8	3.1	3.7	3.7

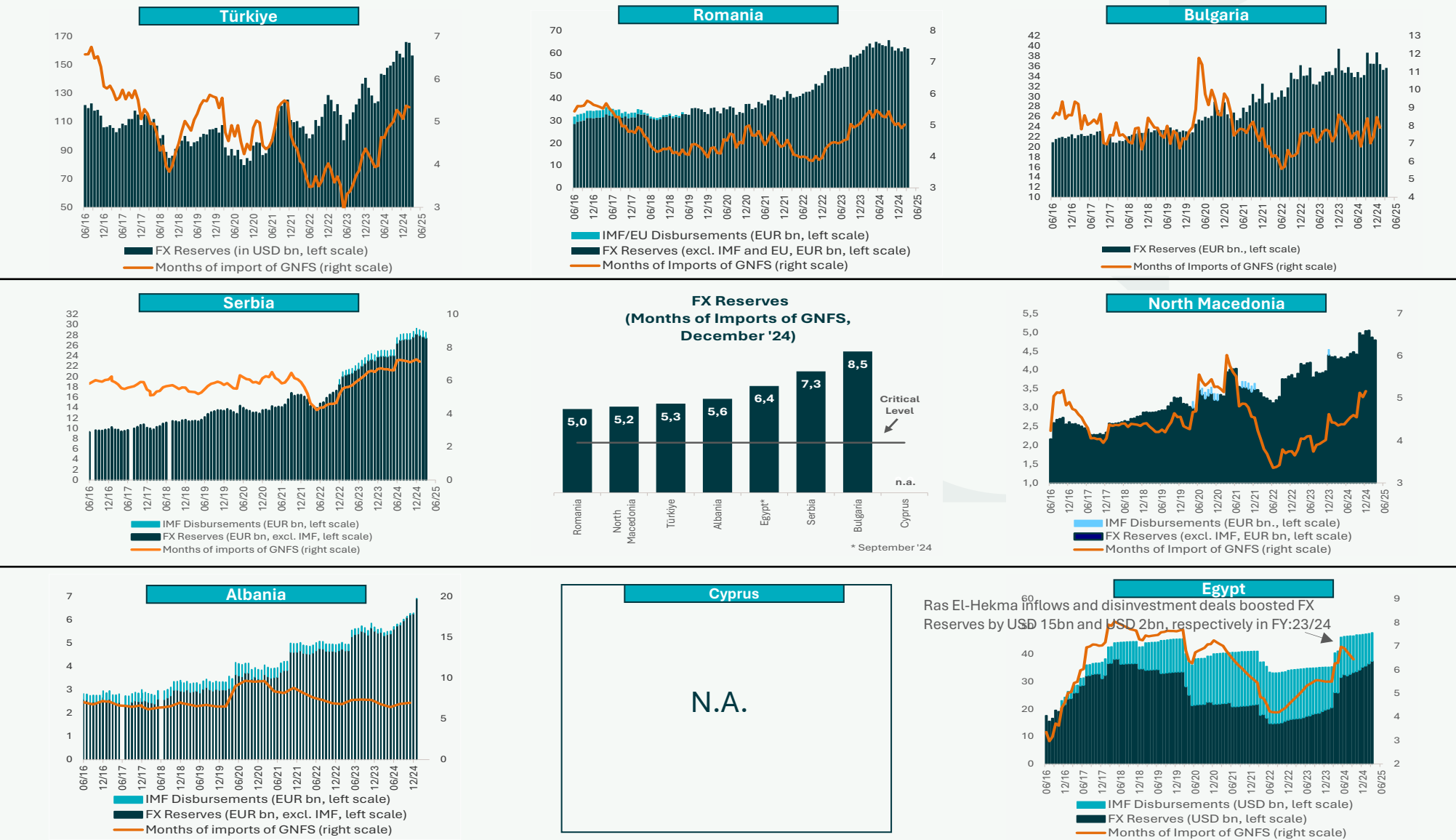
Albania	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-1.2	-2.4	-2.8	-3.0
Net FDI	5.7	5.3	5.2	5.2
Other net capital inflows *	-0.4	-1.9	-0.4	-0.4

Egypt#	Jun. 23	Jun. 24	Jun. 25F	Jun. 26F
Current account balance	-1.2	-5.4	-5.0	-4.2
Net FDI	2.5	11.9***	3.2	3.1
Other net capital inflows *	0.0	-3.2	1.9	0.5

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

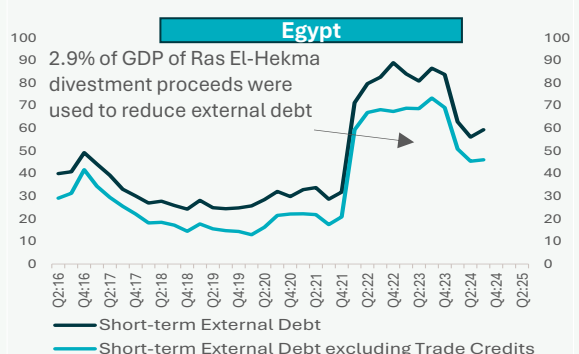
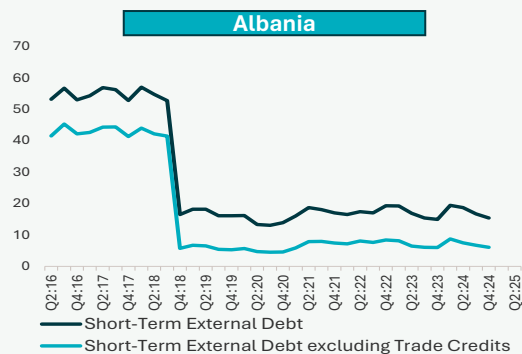
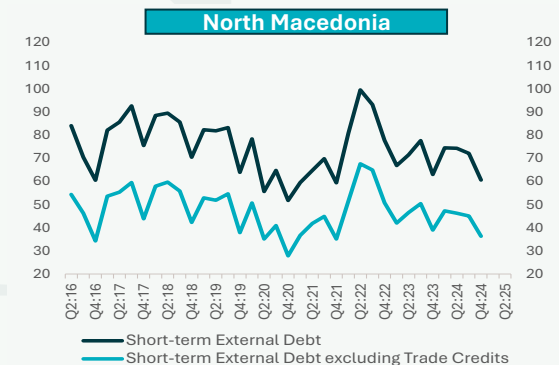
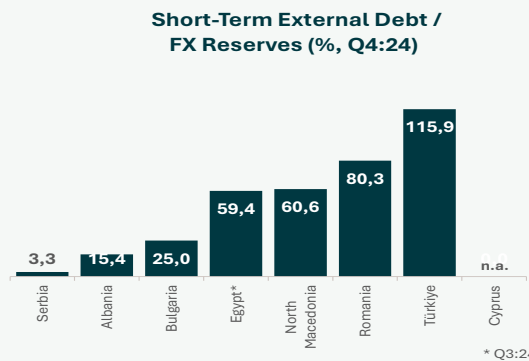
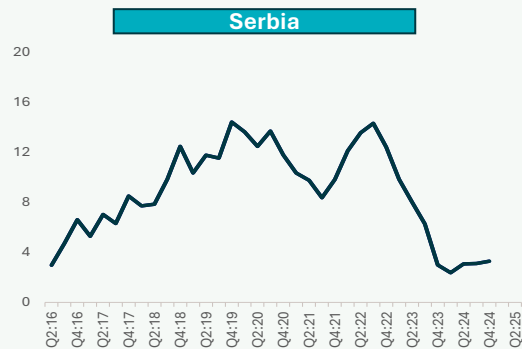
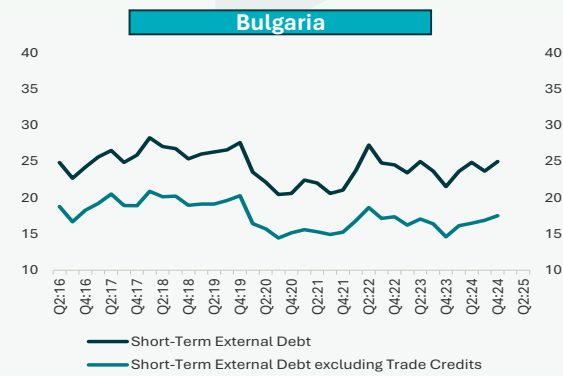
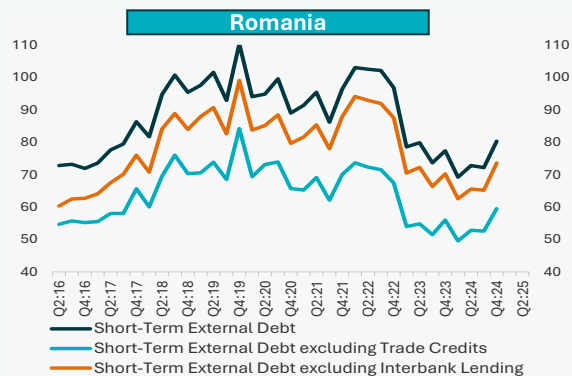
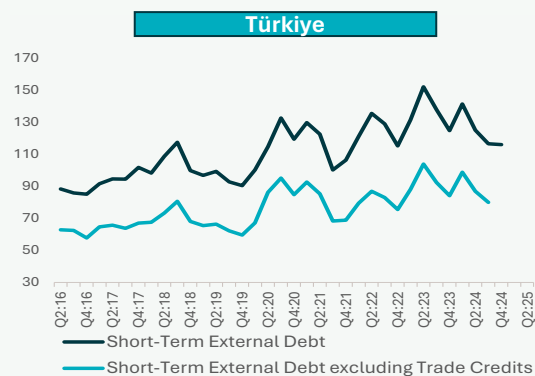
Foreign exchange reserves

- FX reserves stand at **adequate** levels in all countries under review, having significantly strengthened over the past year
- Following the mid-2023 policy reversal, FX reserves accumulation in **Türkiye** has been fast, with net FX reserves re-entering (after 4 years) positive territory in mid-2024
- A sizeable FDI has bolstered **Egypt**'s FX reserves. Authorities' commitment to IMF-mandated reforms (including FX liberalization) should shield Egypt against heightened global uncertainty, helping, *inter alia*, ensure uninterrupted flow of financing from IFIs



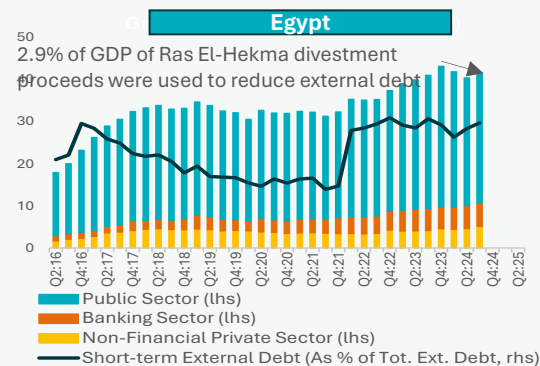
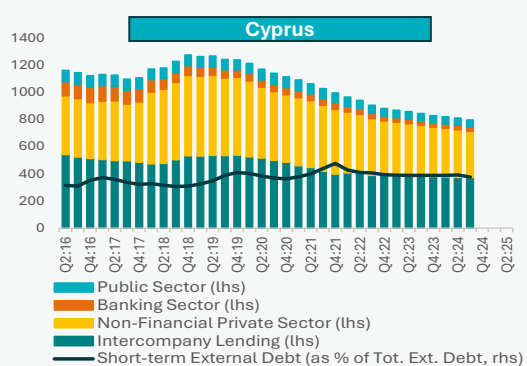
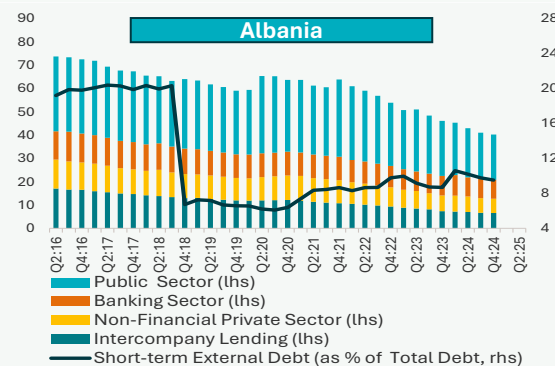
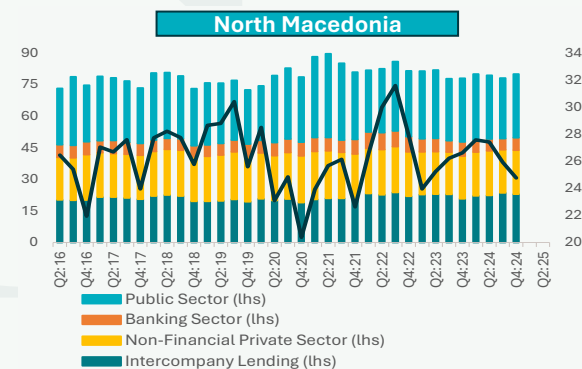
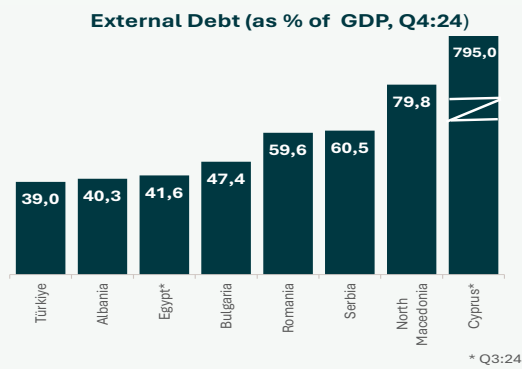
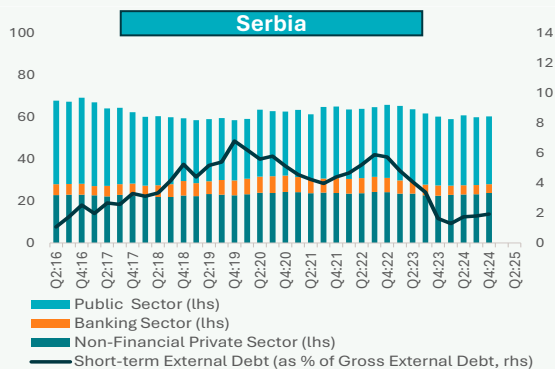
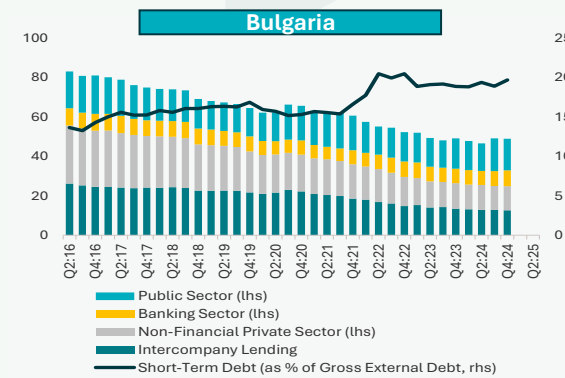
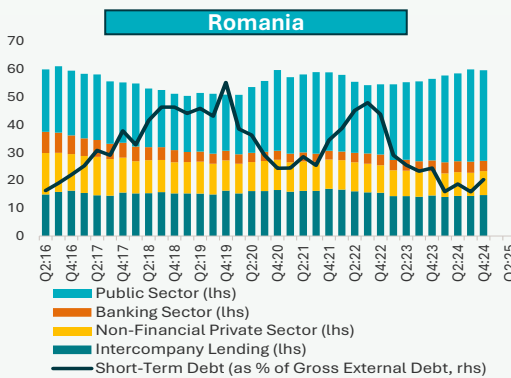
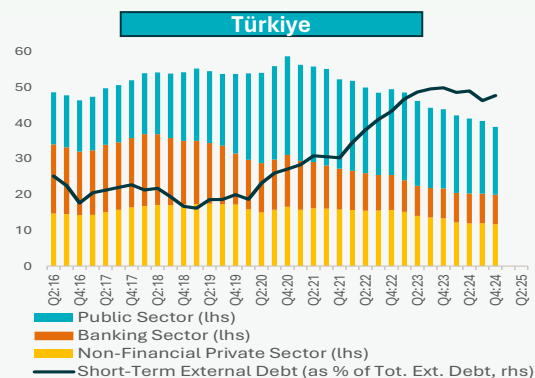
Short-term external debt-to-Foreign exchange reserves ratio (%)

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



External Debt (% of GDP)

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



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Real estate prices

Inflation

Energy & Food prices and Transport costs

Nominal effective exchange rate

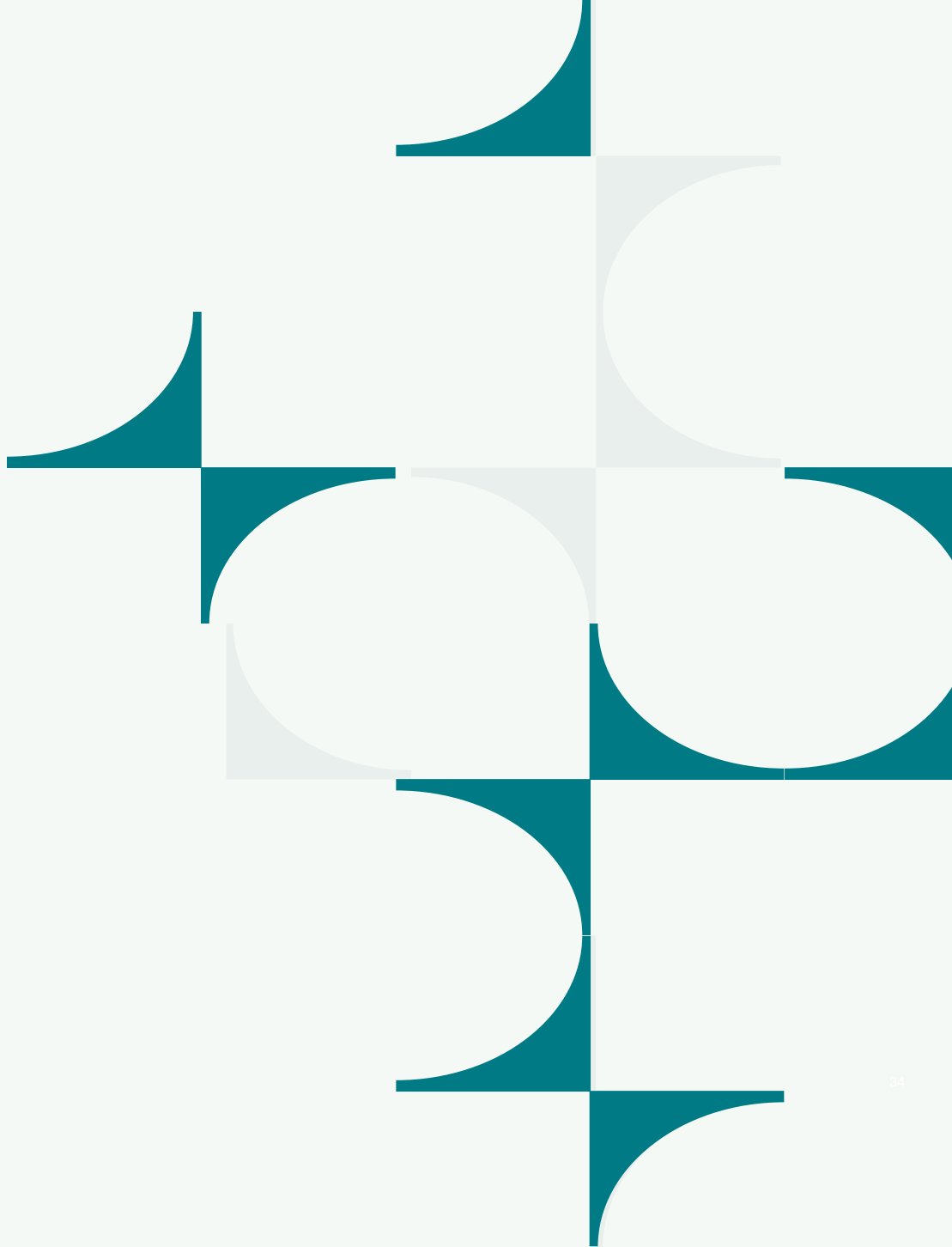
Policy rate

Reserve requirement ratios

Fiscal Position

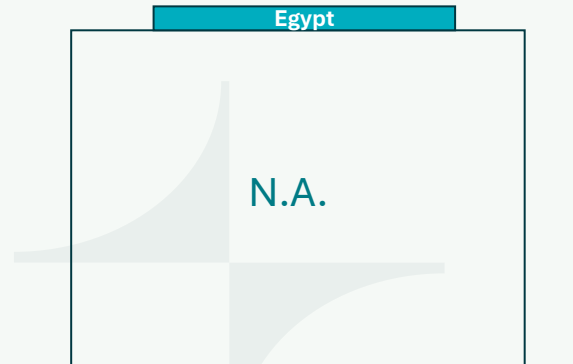
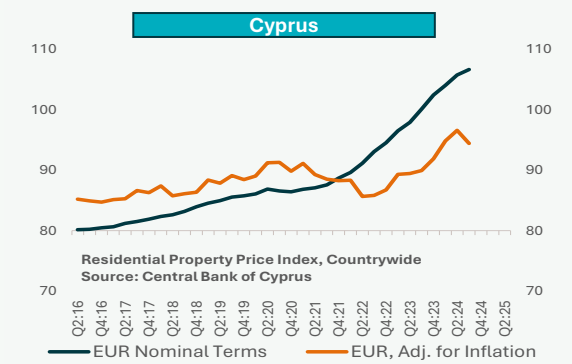
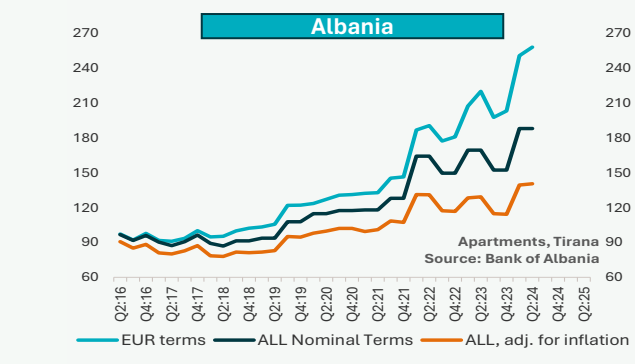
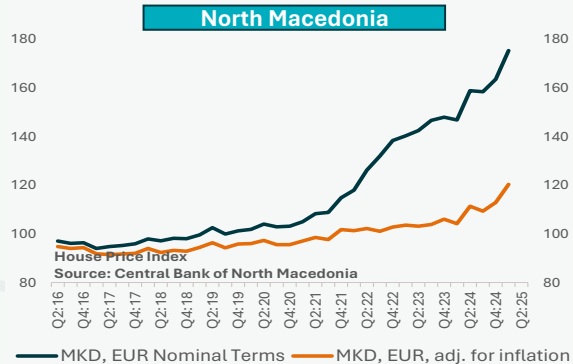
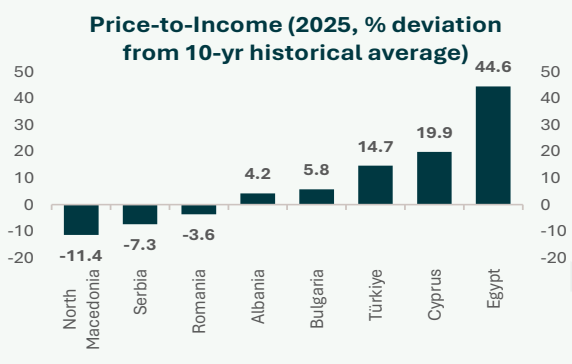
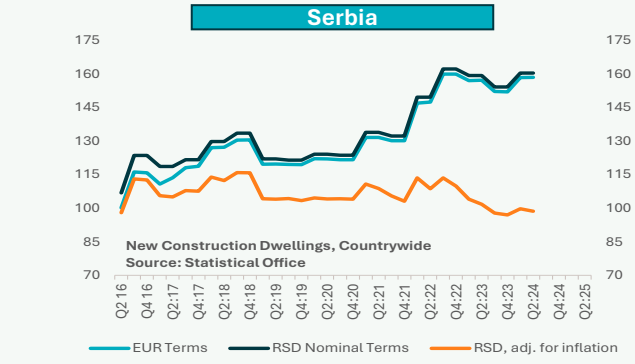
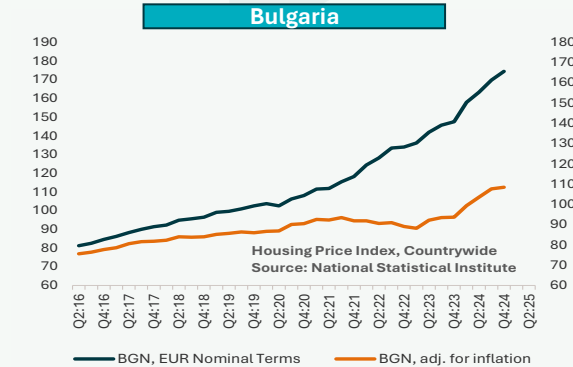
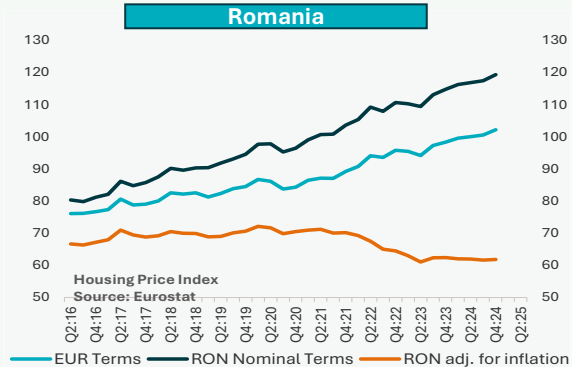
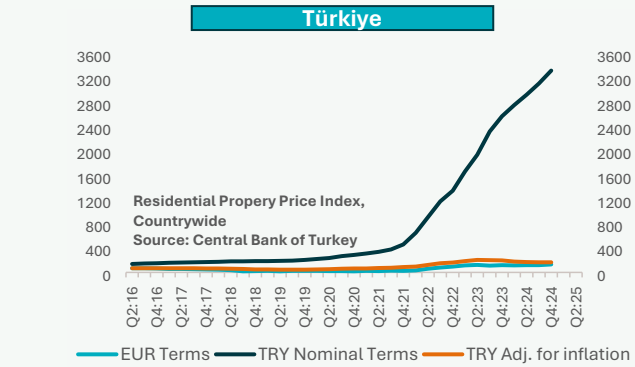
Financial Markets

Banking Sector



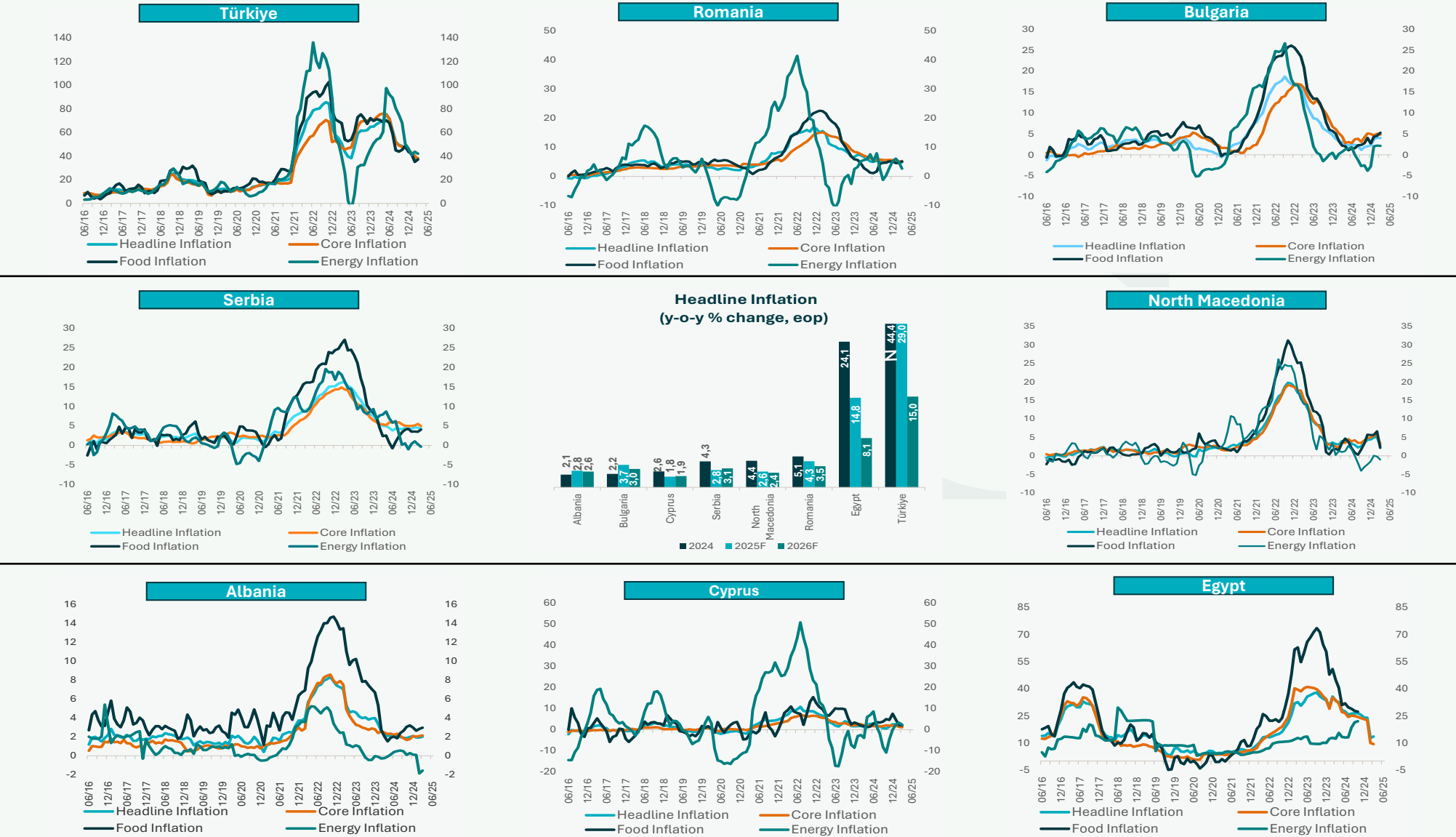
Real estate prices

- The overperformance of the real estate market in **Cyprus** has been mostly driven by foreigners, following relocation of foreign companies to the island, and to a lesser extent, war-related migration from Russia, Ukraine and the Middle-East
- In **Türkiye**, agents have rushed into the real estate market to hedge against skyrocketing inflation
- Strong price growth in the real estate markets of **Bulgaria** and **North Macedonia** warrants caution
- Easing financing conditions should provide a **tailwind** to the real estate market in the period ahead



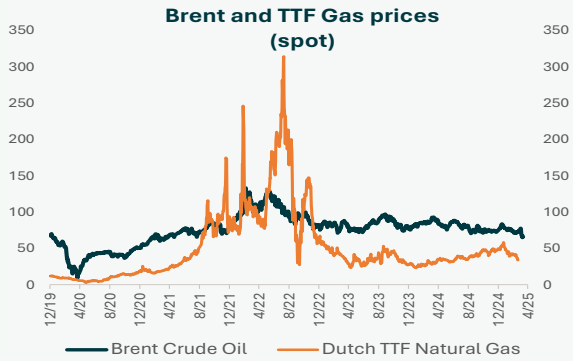
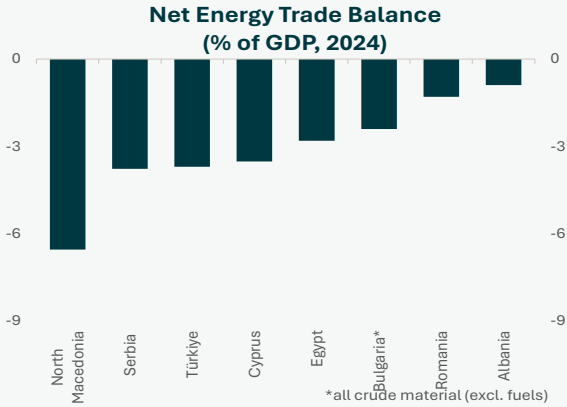
Inflation (%)

- Disinflation has lost much of its steam lately, due not only to negative base effects from the unwinding of the measures mitigating the cost-of-living crisis but also to the fading impact of lower energy prices and sticky services inflation
- Overall, headline inflation should continue on a slow downward trend but is **unlikely to return to pre-pandemic levels** before the end of the 2-year forecast horizon
- Repercussions from unfolding global trade tensions** (weaker global growth, favourable global commodity prices) suggest that the balance of risks to this outlook has been tilted to the **downside**

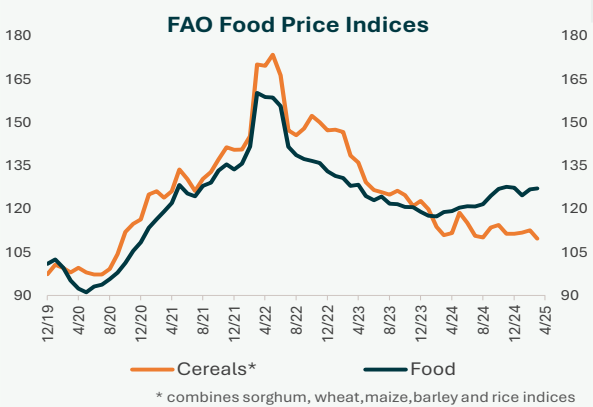
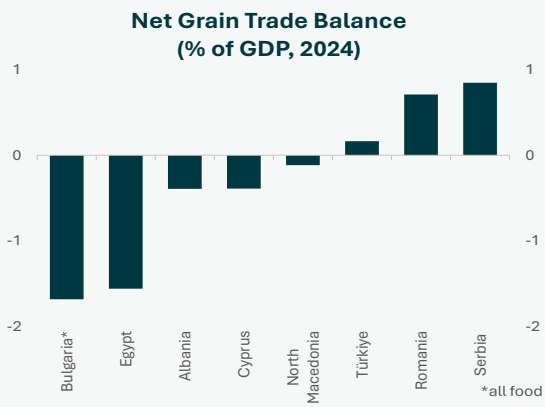


Favourable global energy prices, in the aftermath of unfolding global trade tensions, suggests that the gap between (currently higher) core and headline inflation rates is set to **widen**, at least in the short-term

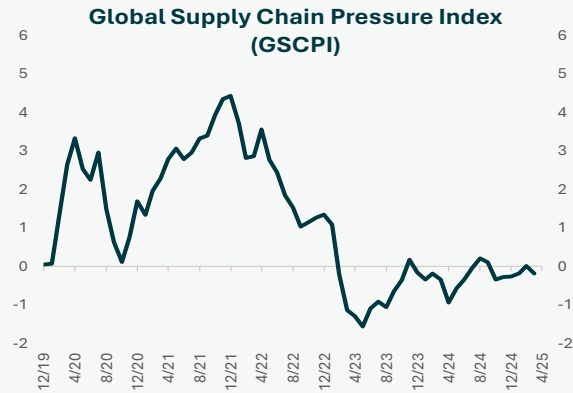
Energy



Food

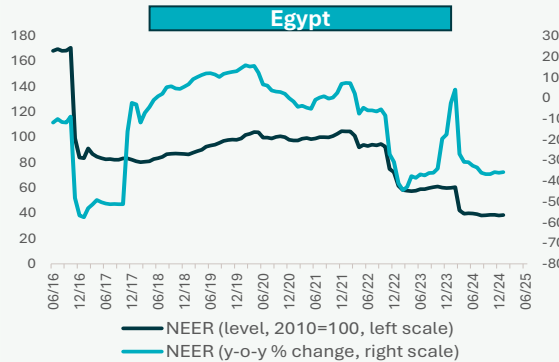
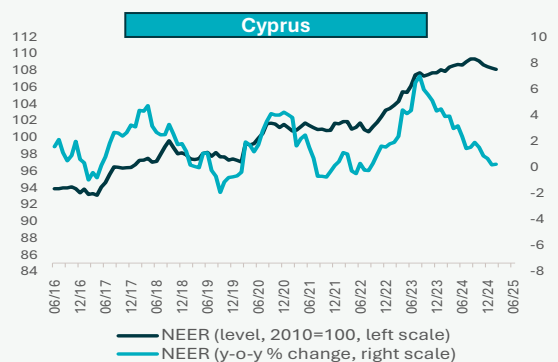
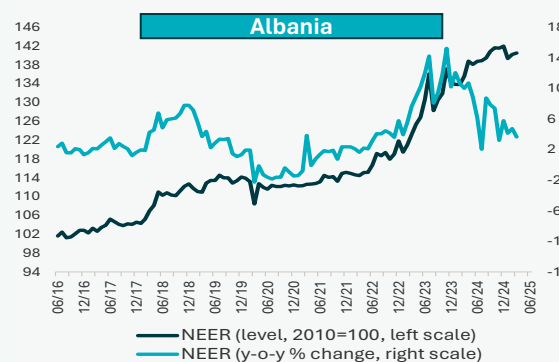
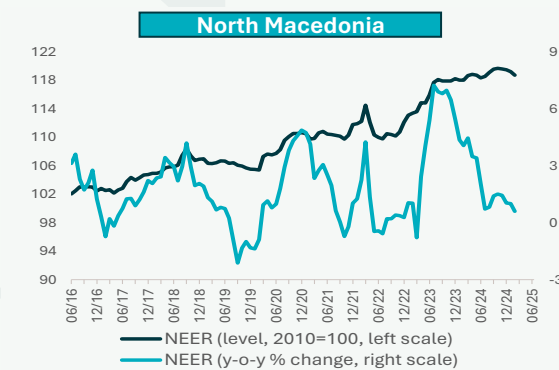
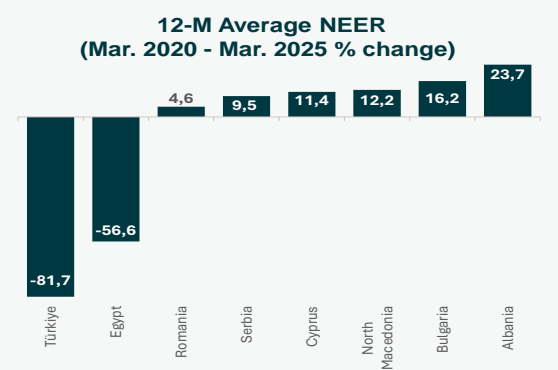
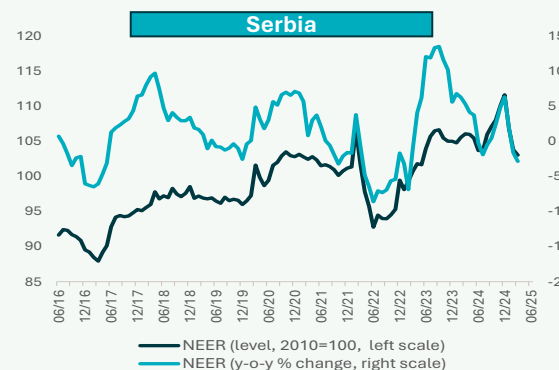
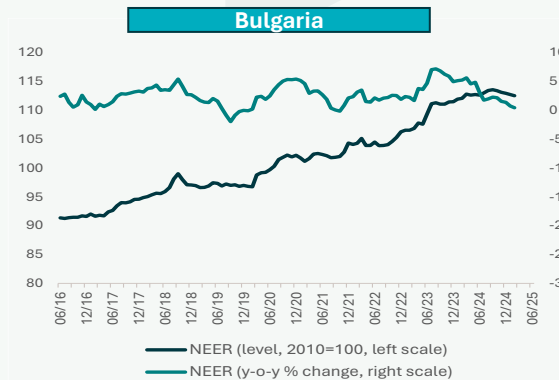
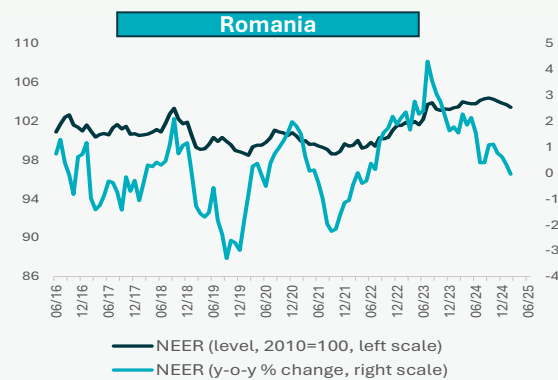
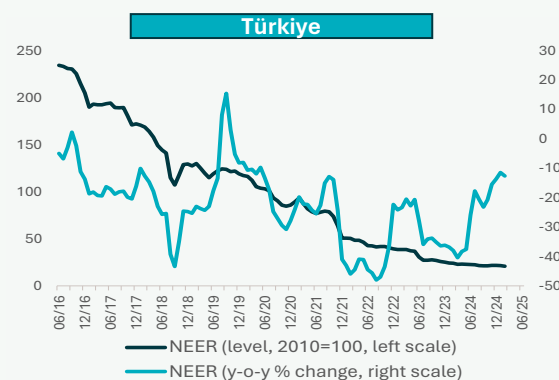


Global Supply

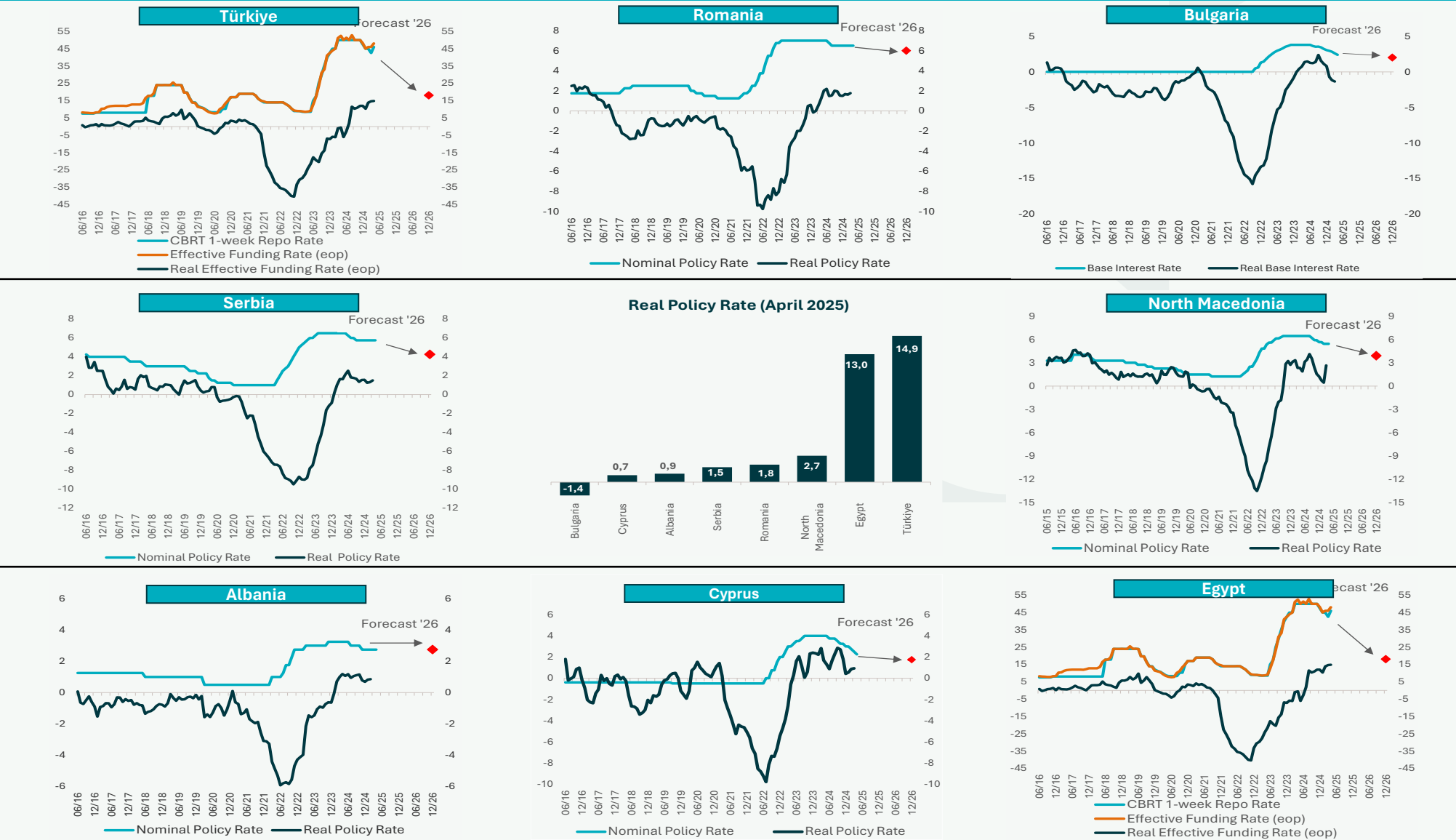


Nominal effective exchange rate

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



- Policy rate
- A slowdown in disinflation and elevated broad-based uncertainty has prompted **most regional central banks to remain on hold** since the beginning of 2025
 - In **Türkiye**, the political turmoil triggered a sell-off of domestic assets (which was later compounded by adverse global market conditions), leading the CBRT to reverse its easing cycle. In **Egypt**, the adjustment in inflation, following the elimination of unfavourable base effects from FX depreciation, allowed the CBE to start cutting rates
 - Despite the **ECB's determination to move ahead of the curve** as fast as possible, **most regional central banks are likely to remain cautious, eventually following suit, but at a slower pace**, in view of sticky core inflation, on the back, *inter alia*, of solid domestic demand



Reserve requirement ratios

- In a bid to absorb excess liquidity in the market, the central banks of **Türkiye** and **North Macedonia** have raised their reserve requirement ratios on LC-denominated liabilities in 2024

Türkiye				Romania				Bulgaria			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	Apr. 2025		Dec. 2023	Dec. 2024	Apr. 2025		Dec. 2023	Dec. 2024	Apr. 2025
LC Liabilities	0.0-8.0*	0.0-15.0*	0.0-15.0*	LC Liabilities	8.0	8.0	8.0	LC Liabilities	12.0	12.0	12.0
FC Liabilities	5.0-29.0	5.0-29.0	5.0-29.0	FC Liabilities	5.0	5.0	5.0	FC Liabilities	10.0	12.0	12.0

* FX protected accounts: 5.0-25.0

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

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

Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Fiscal performance

Fiscal balance

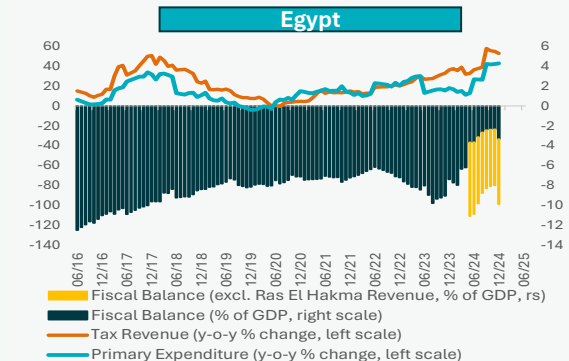
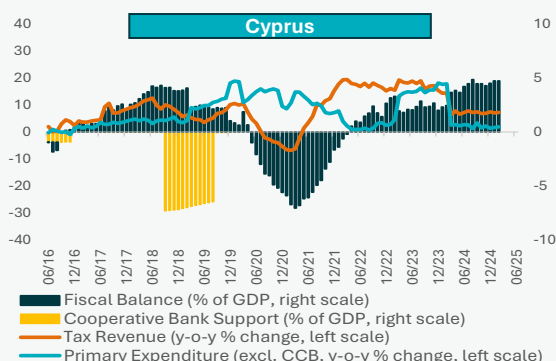
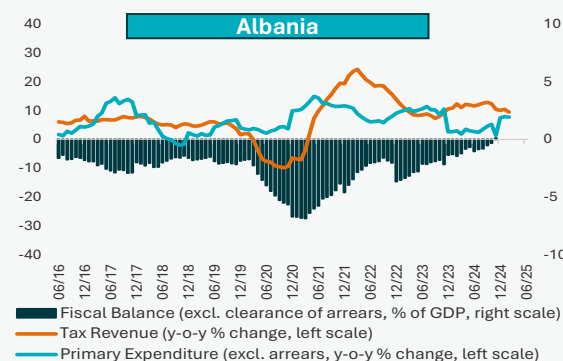
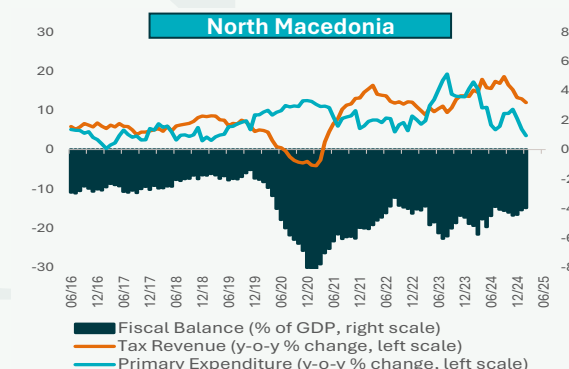
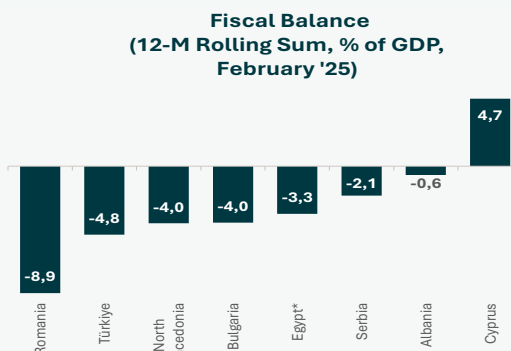
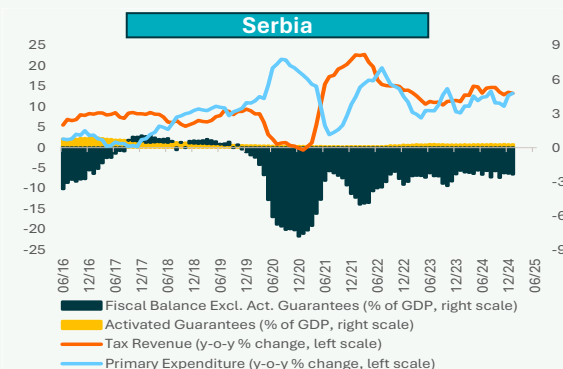
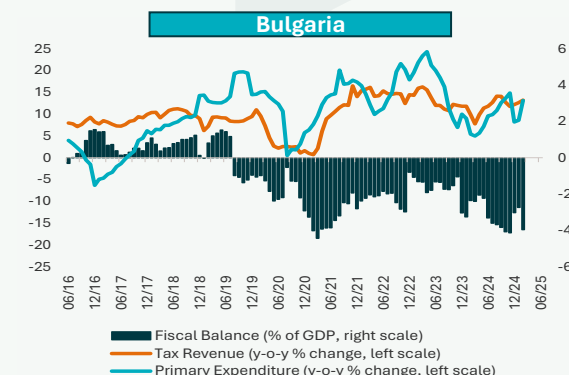
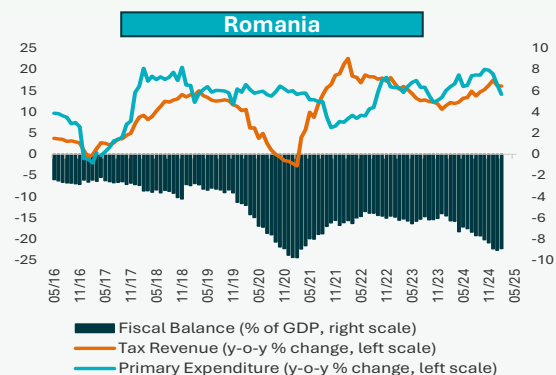
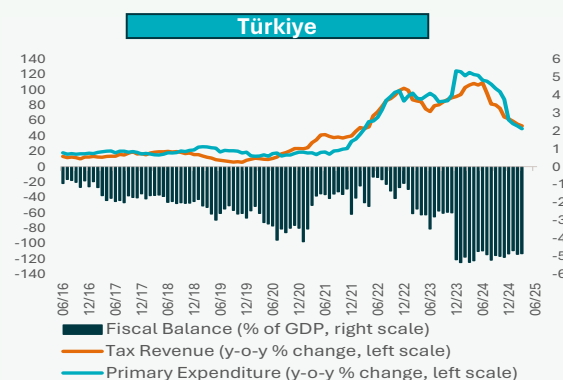
Public debt

Financial Markets

Banking Sector



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



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

- Under current policies, **fiscal consolidation is unlikely to gain much pace** in the period ahead. As a result, **fiscal balances are set to remain above their pre-pandemic levels** over the forecast horizon in most of the economies under review
- Fiscal consolidation could even halt or reverse in the event the fallout from US tariffs and related uncertainty turns out to be larger-than-envisaged. Importantly, the **relatively low level of public debt** in most of the economies under review (see next page) **provides some room for fiscal manoeuvres**
- In **Romania**, following a weak start to the year, despite the measures taken, we expect a new fiscal package to be unveiled after the May Presidential election, helping put the budget deficit on a downward trend. Still, the latter is unlikely to fall below the critical threshold of 3.0% of GDP earlier than 2031
- Amid solid economic growth, and with a view to reduce further the public debt stock, **Cyprus** is set to continue to post large fiscal surpluses
- High public debt servicing costs (absorbing c. 40% of budget revenue) make substantial progress with **Egypt’s** fiscal consolidation difficult, given, *inter alia*, ongoing economic adjustment and repercussions from the crisis in the Middle-East

Türkiye				Romania				Bulgaria			
Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24E	Dec. 25F	Dec. 26F
-5.2	-4.9	-3.6	-3.0	-5.6	-8.9	-7.6	-6.6	-3.0	-3.0	-3.0	-3.0

Serbia				North Macedonia				Albania			
Dec. 23	Dec. 24E	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
-2.1	-2.0	-2.8	-2.8	-4.6	-4.4	-4.0	-3.4	-1.3	-0.7	-2.0	-2.0

Cyprus				Egypt*			
Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Jun. 23	Jun. 24**	Jun. 25F	Jun. 26F
2.0	4.5	3.2	2.8	-6.0	-3.6	-8.0	-6.2

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

Public debt (% of GDP)

- Easing inflation suggests a **smaller favourable “snowball” effect** on debt-to-GDP ratio than before
- The proposed fiscal leeway in EU spending rules (valid for 4 years, to start from 2025) to accommodate for **higher defense spending** (up to 1.5% of GDP per year) should put an **extra burden on beneficiaries’ public debt**
- Romania’s** public debt is set to cross soon the EU threshold of 60% of GDP, remaining, however, well below the EU average (currently exceeding 80% of GDP)
- Against the backdrop, *inter alia*, of recurring large budget surpluses, **Cyprus** should be able to lower its public debt-to-GDP ratio below the EU threshold by end-2026



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Exchange rates

Money market rates

Government debt rates

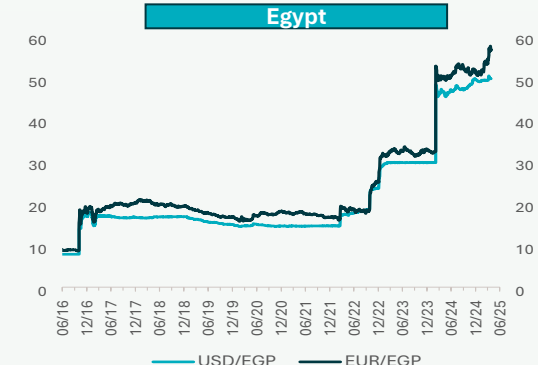
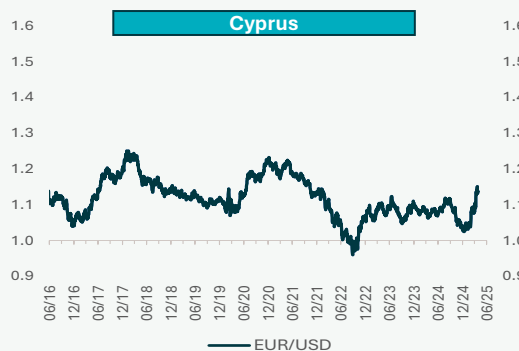
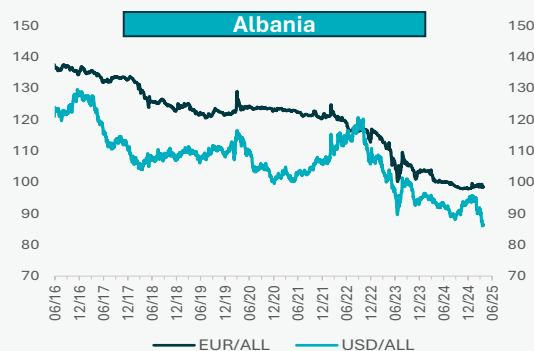
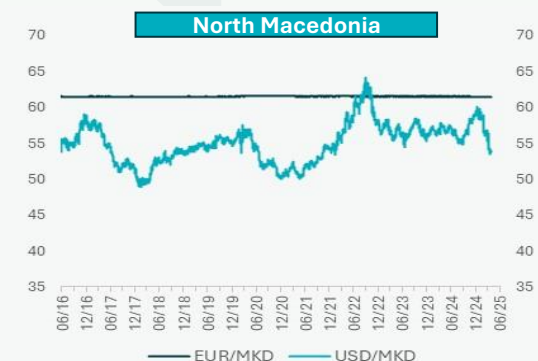
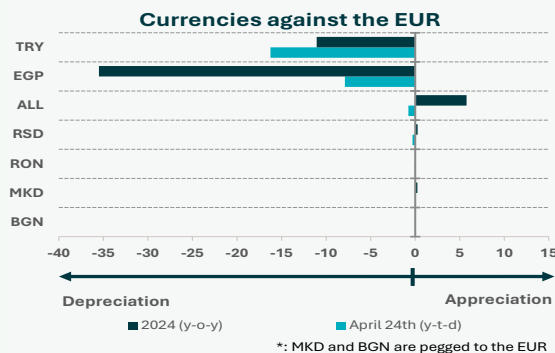
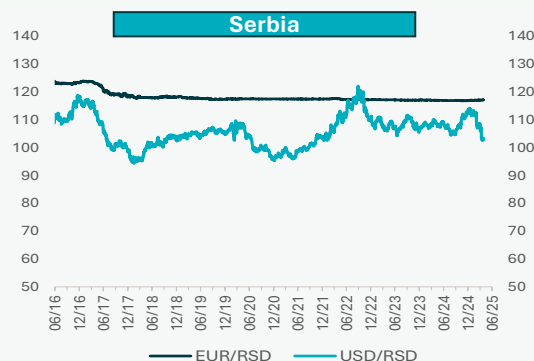
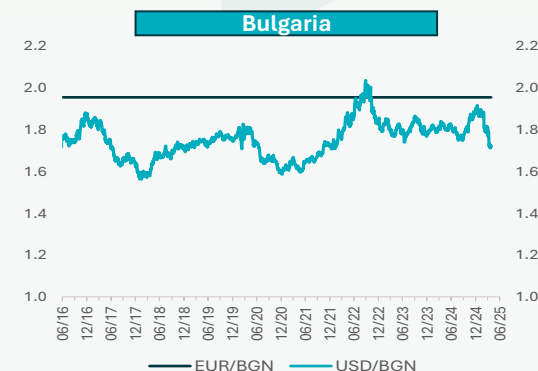
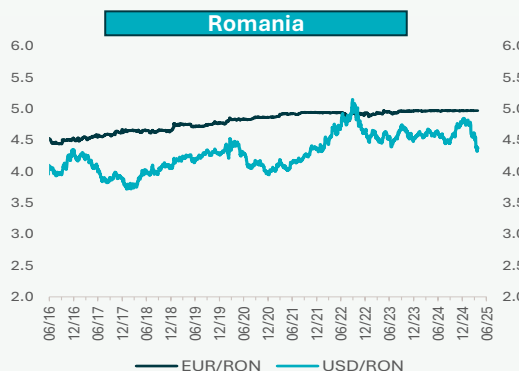
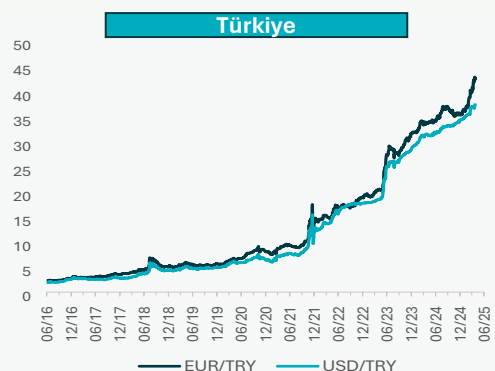
Sovereign spreads

Stock market

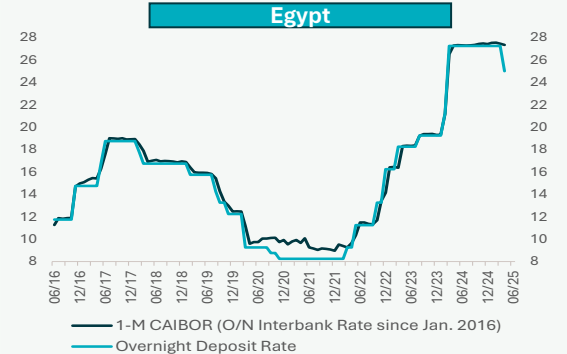
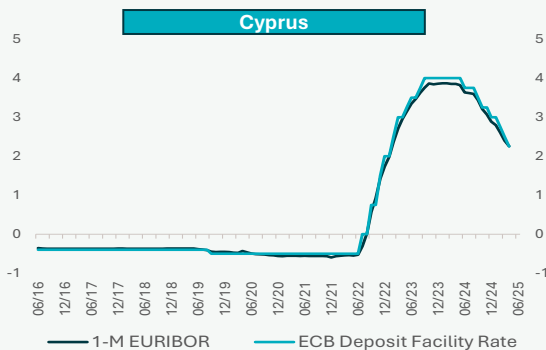
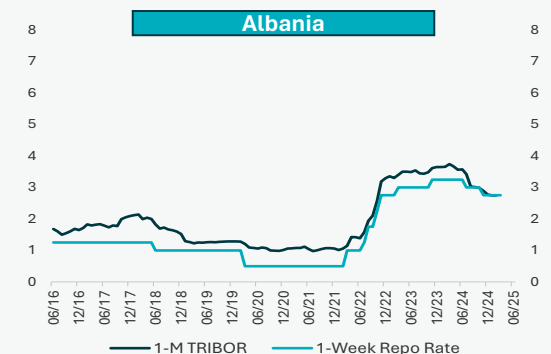
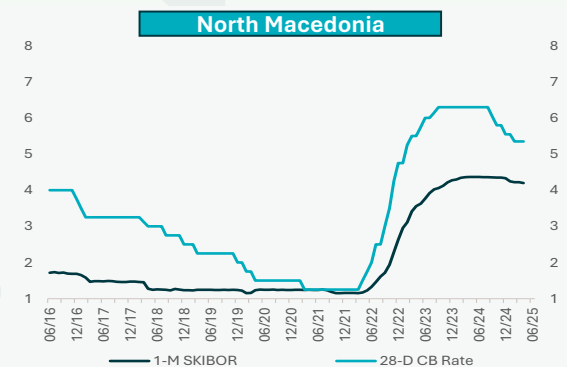
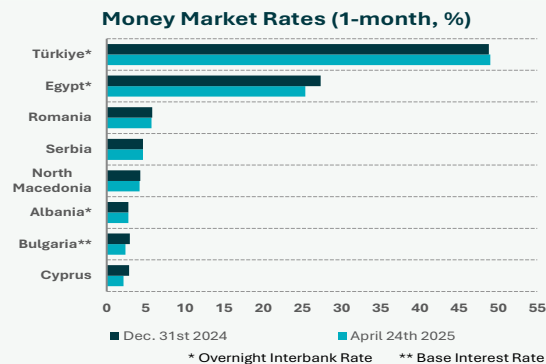
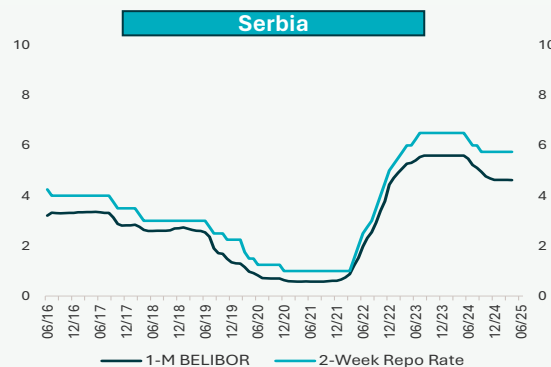
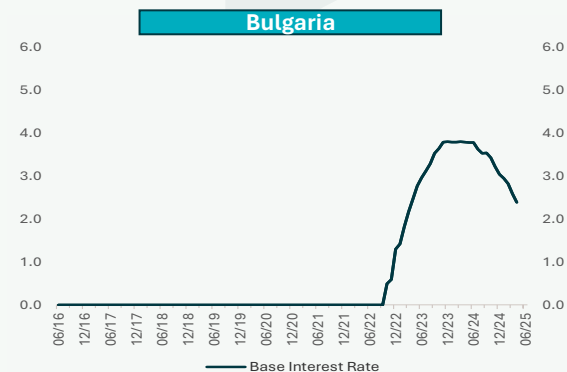
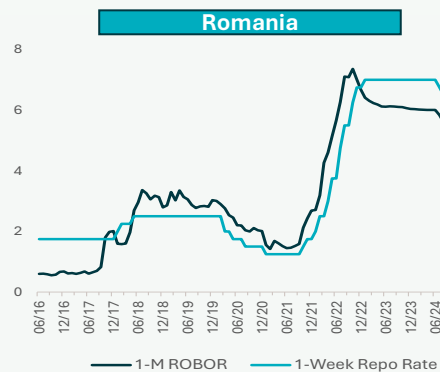
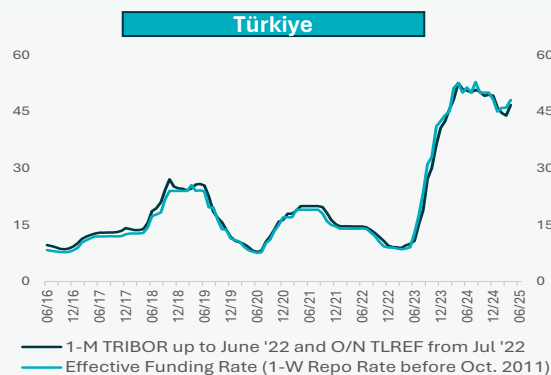
Banking Sector



- Following “US Liberation Day”, the **Euro** (and regional currencies linked to the latter) has more than recouped the losses suffered against the **US Dollar** over the past 6 months, benefiting from market concerns over the disproportionately larger impact of the tariffs on the US economy
- Domestic political turmoil and heightened global risk aversion have raised significant pressure on the **Turkish lira** over the past 2 months
- Albanian Lek's** appreciation has come on the back of solid FDI inflows, increased remittances, strong tourism activity and a positive nominal interest rate differential

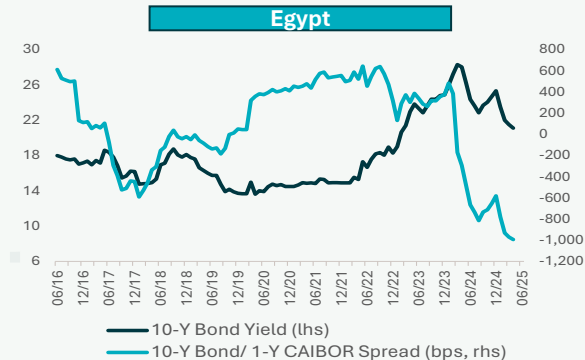
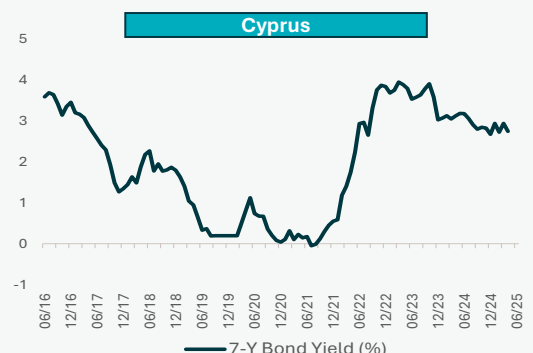
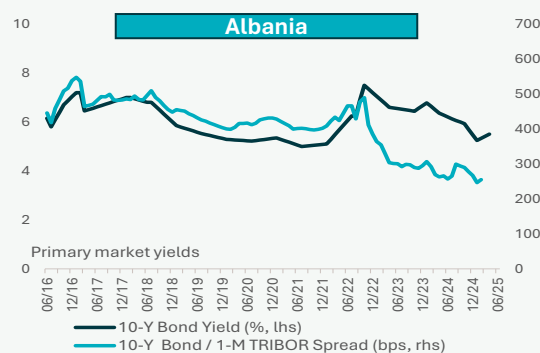
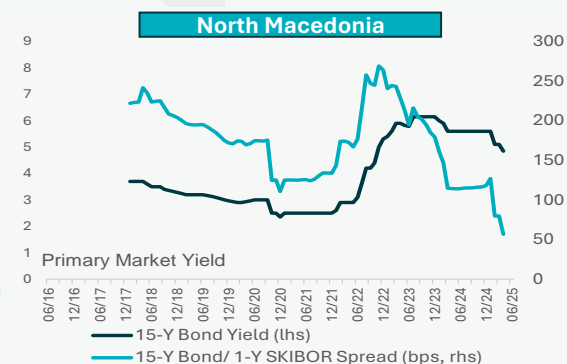
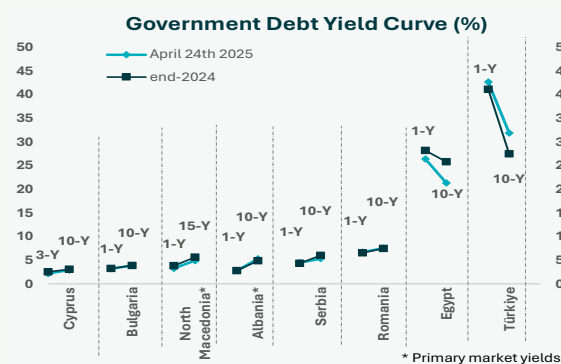
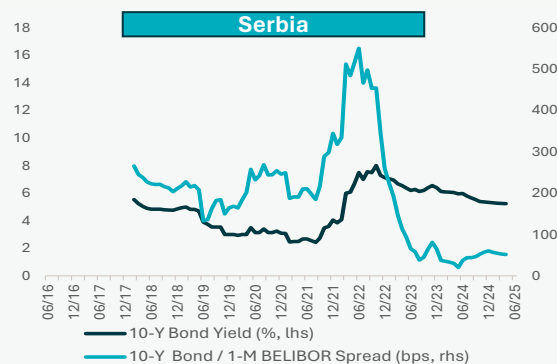
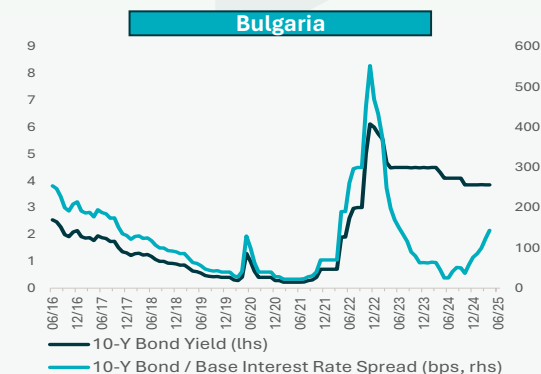
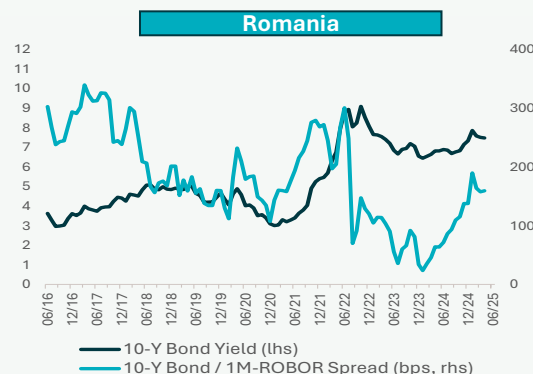
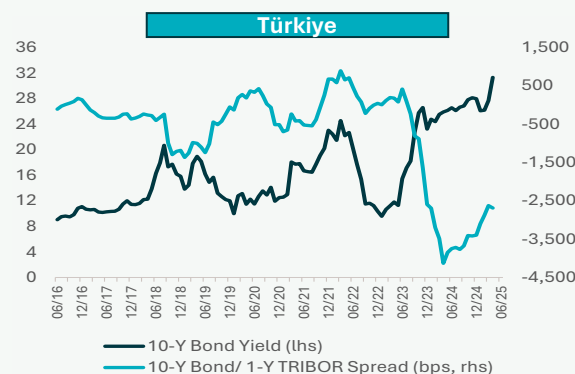


- Money market rates **continue on a (slow) downward trend** in all the economies under review (barring Türkiye), following central banks' easing cycle

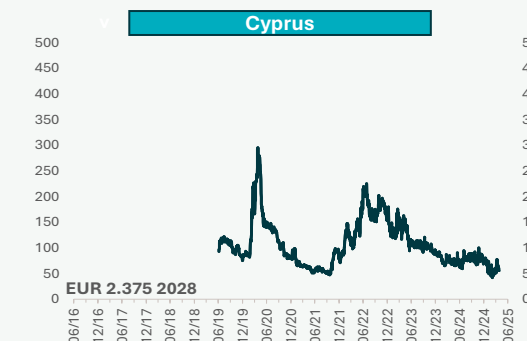
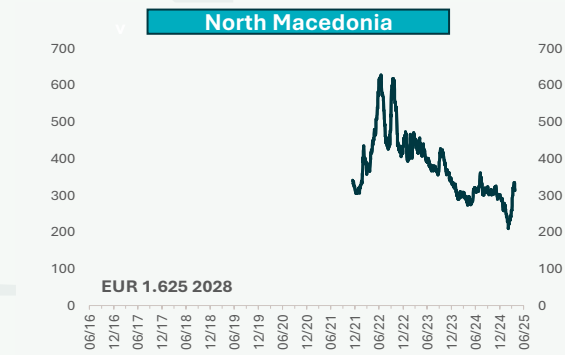
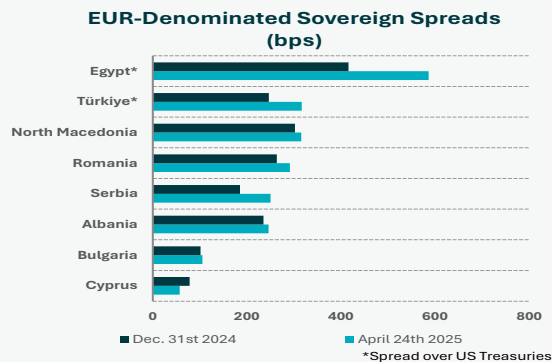
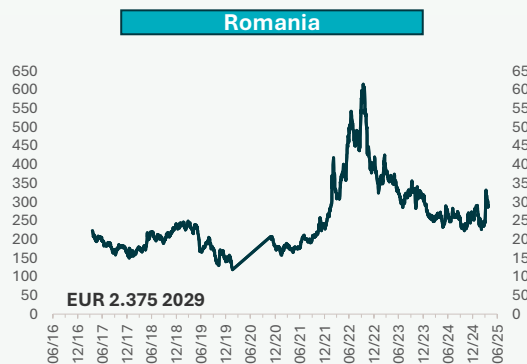


Government Debt Yields (%)

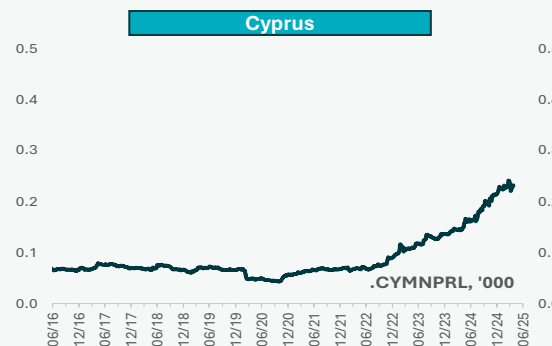
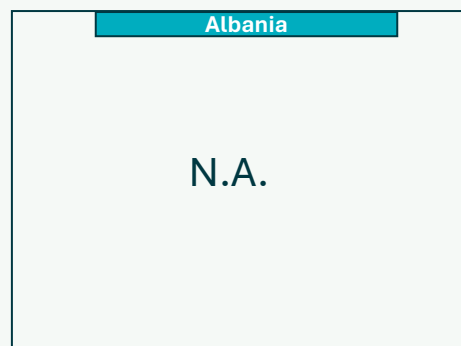
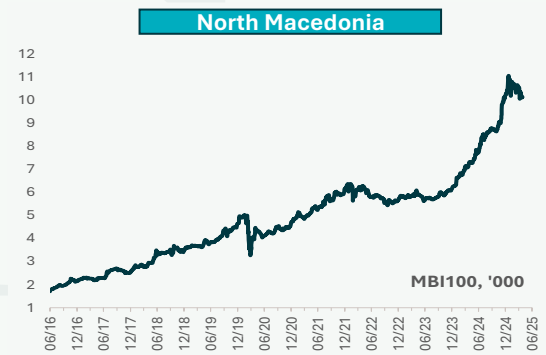
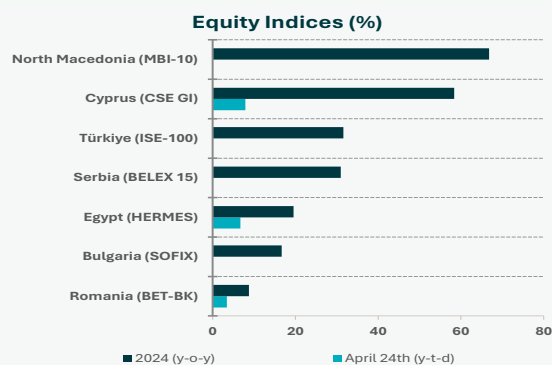
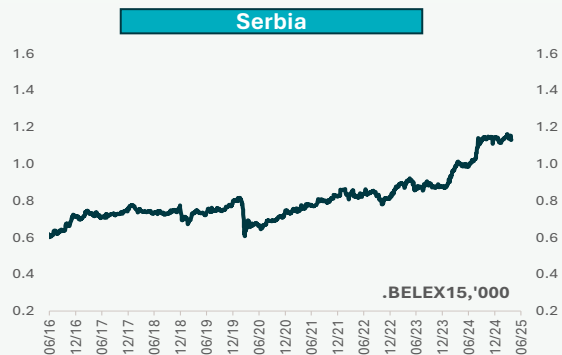
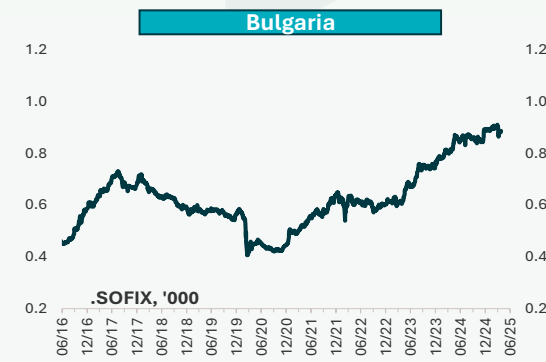
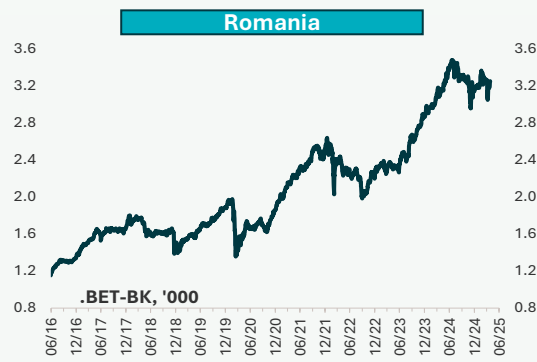
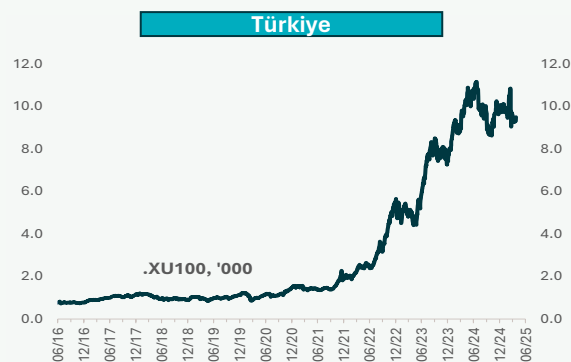
- In most of the economies under review bond yields continued to drift **lower**, albeit at a slow pace, in line with moderating inflation and the prospect of lower interest rates
- In **Türkiye**, sizeable foreign investors' outflows from the local debt market pushed debt yields to record-high levels. Markets' concerns over the prospect of fiscal consolidation amid a fragile political environment have sent **Romania's** bond yields to more than 1½ year-high levels
- Reflecting ongoing adjustment, the yield curves of **Türkiye** and **Egypt** remain inverted



- Heightened global risk aversion has driven sovereign spreads **higher**, yet below the levels observed during previous shocks



- **Uncertainty over unfolding global trade tensions has weighed** on regional stock markets, but modestly
- Importantly, valuations are not much above historical average levels



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector

Total loans (y-o-y % change)

Total deposits (y-o-y % change)

Loans/GDP (%)

Deposits/GDP (%)

Loans/deposits (%)

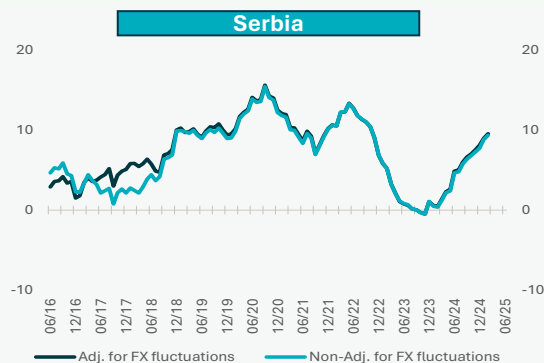
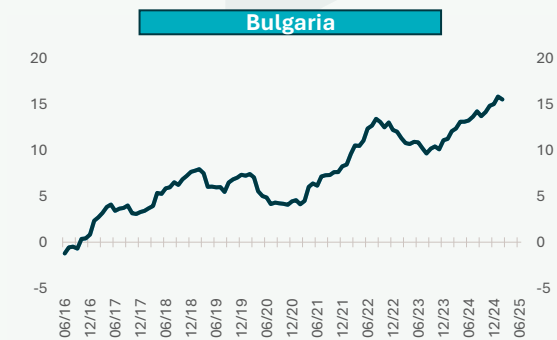
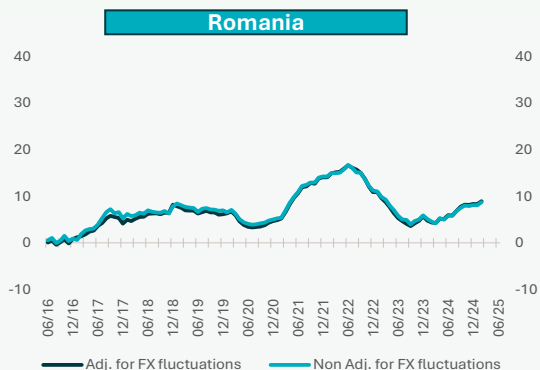
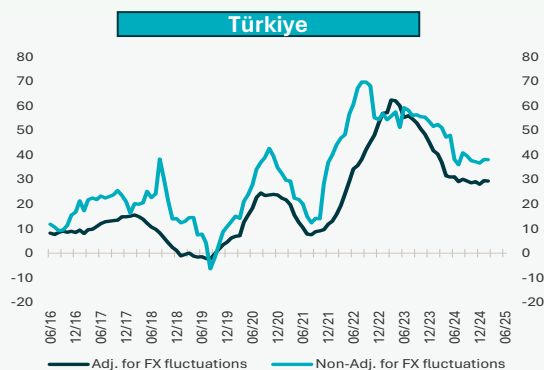
ROAE (%)

CAD ratio (%)

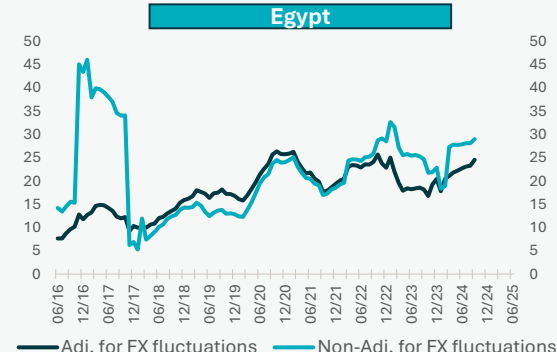
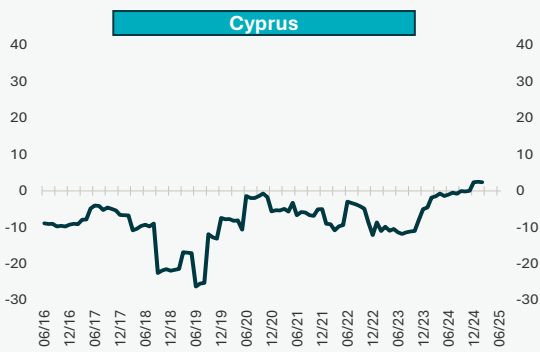
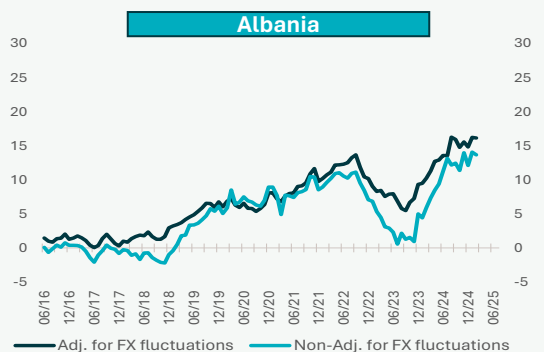
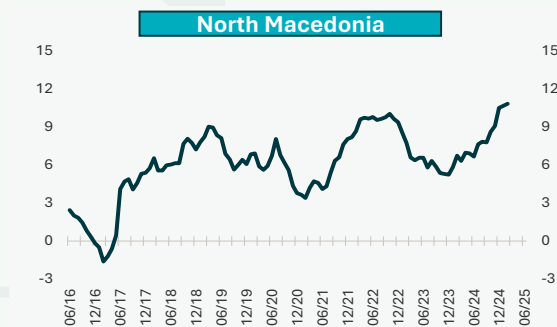
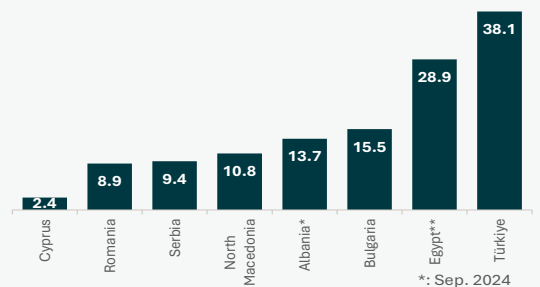
NPL ratio (%)



- Signs of revival in credit activity are already evident in most of the countries under review
- Heightened uncertainty could affect both demand and supply of credit

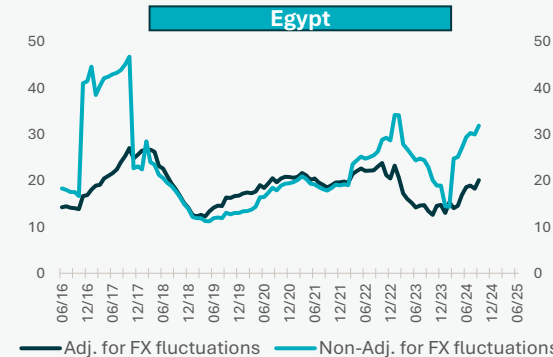
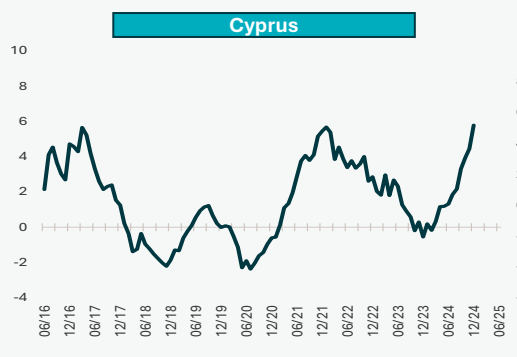
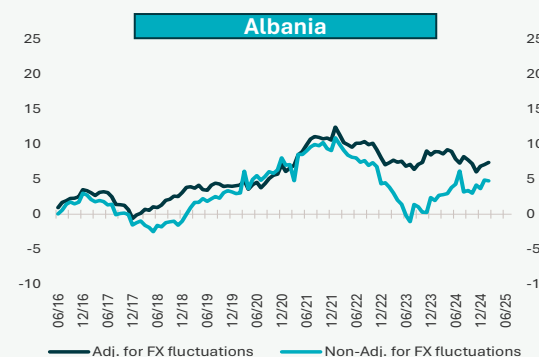
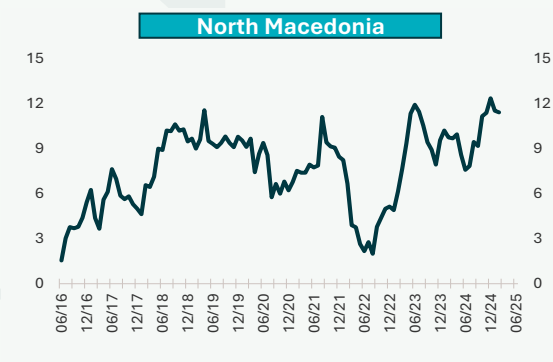
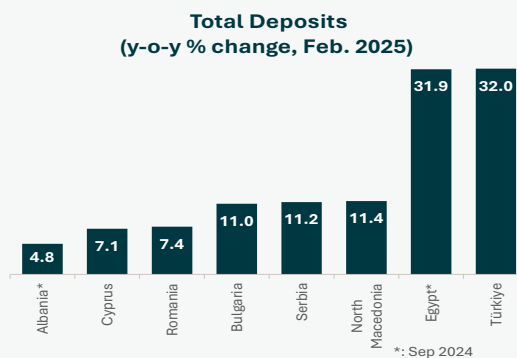
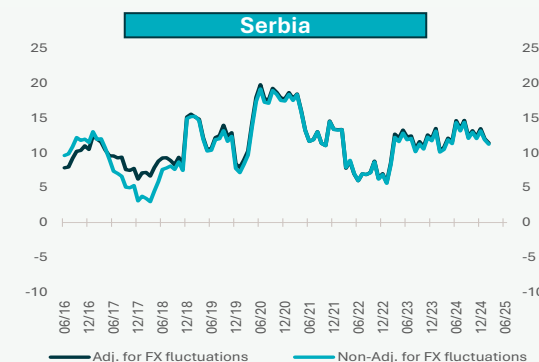
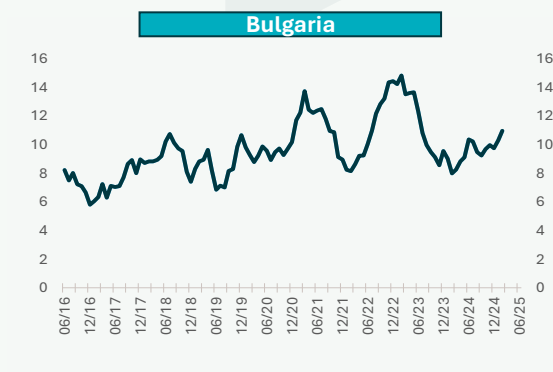
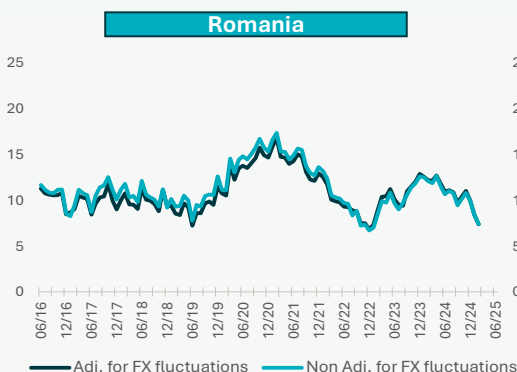
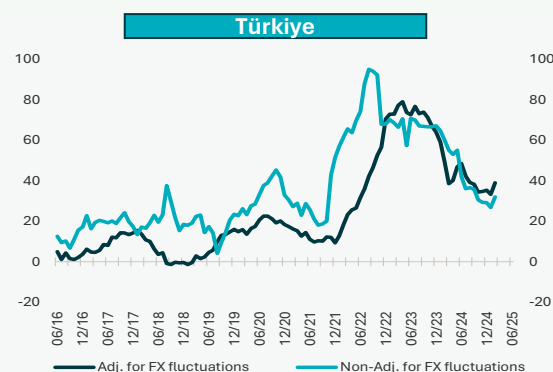


Total Loans
(y-o-y % change, Feb. 2025)

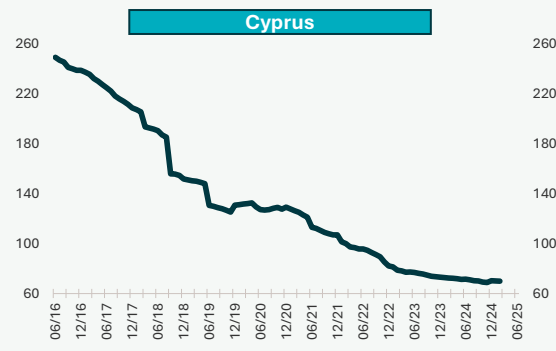
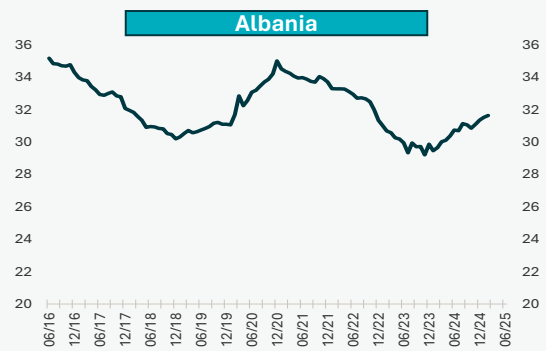
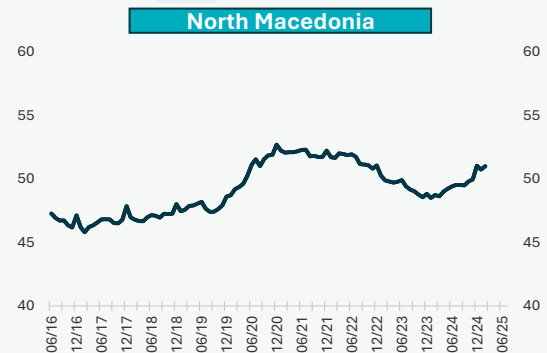
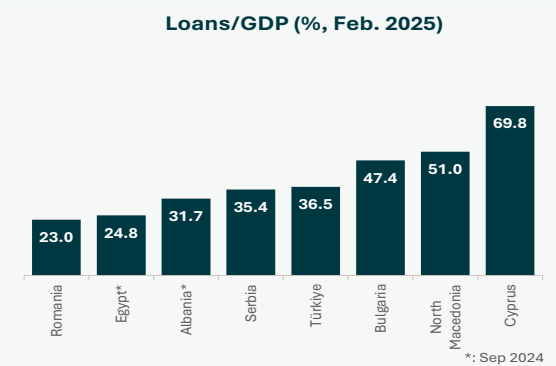
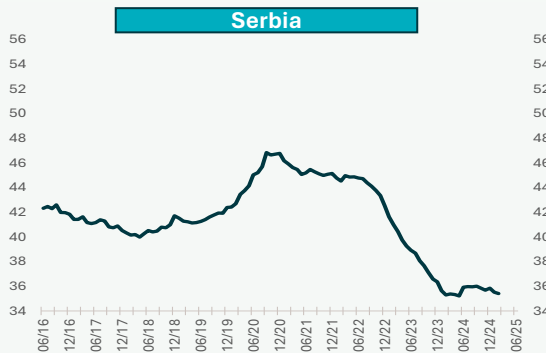
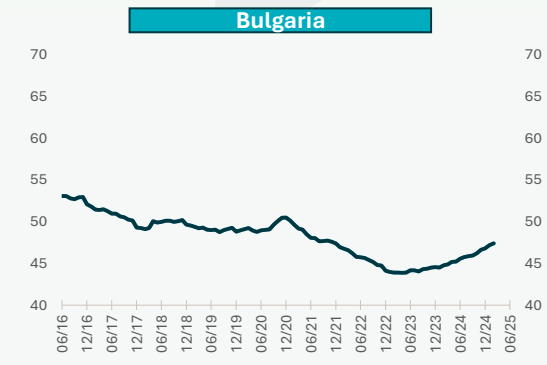
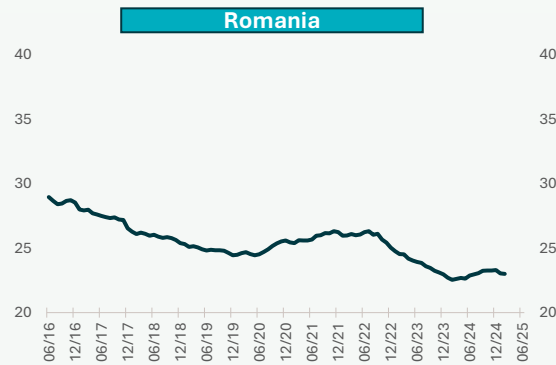
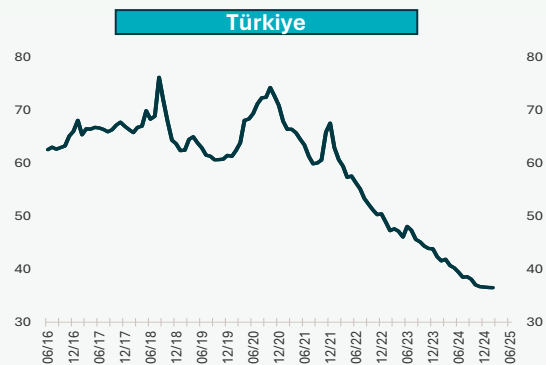


Total deposits (y-o-y % change)

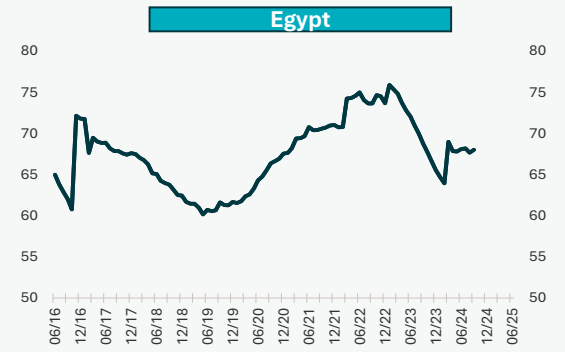
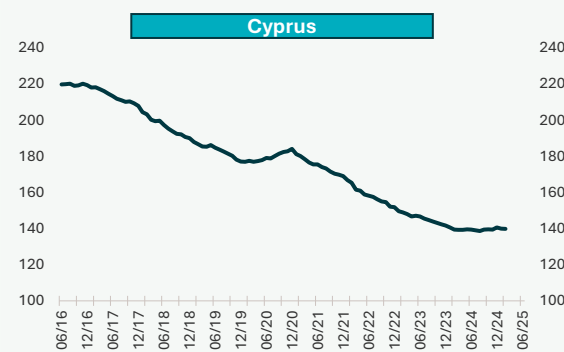
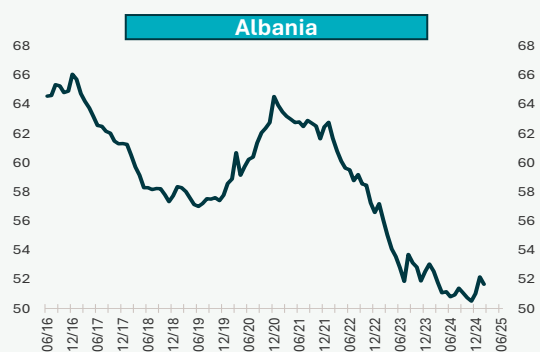
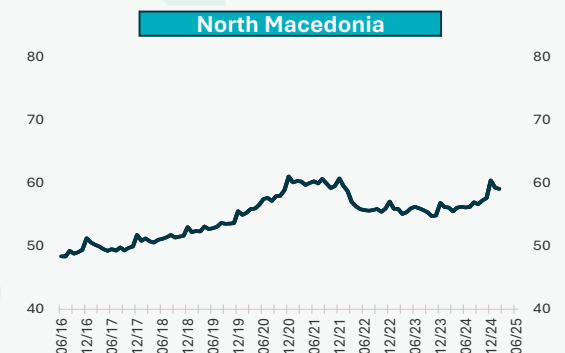
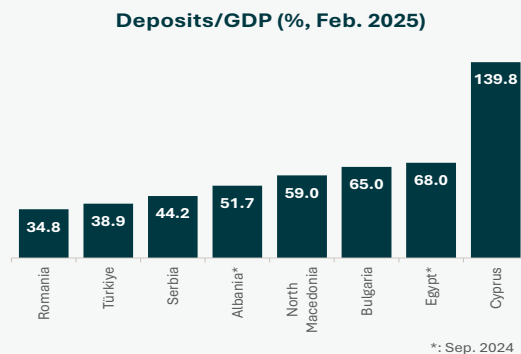
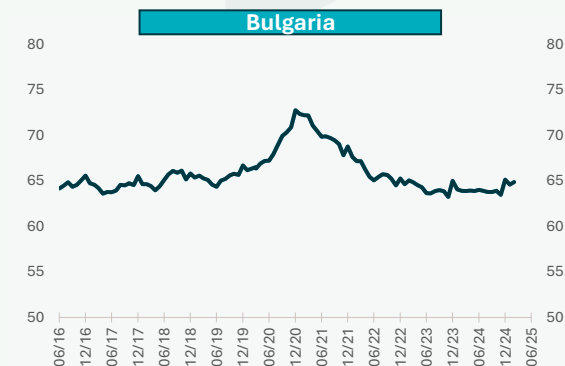
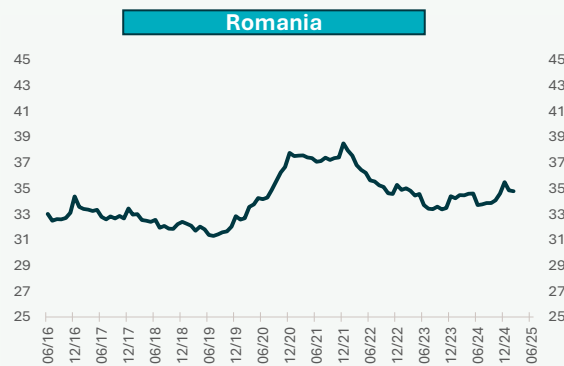
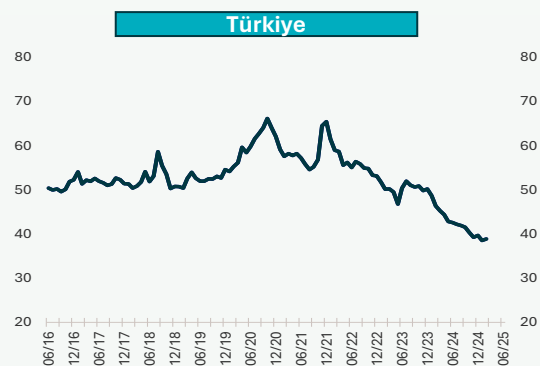
- Deposit growth remains **strong** in most of the economies under review, following easing of cost-of-living crisis, healthy economic growth and still high real (*ex-post*) deposit interest rates



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

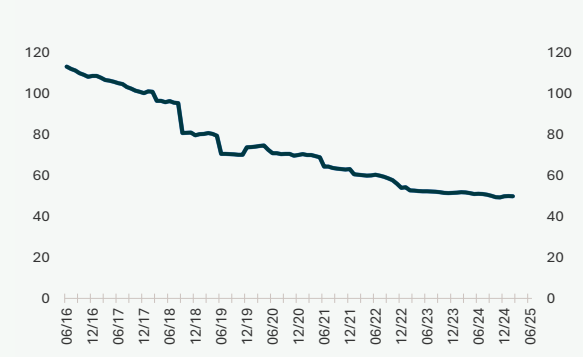
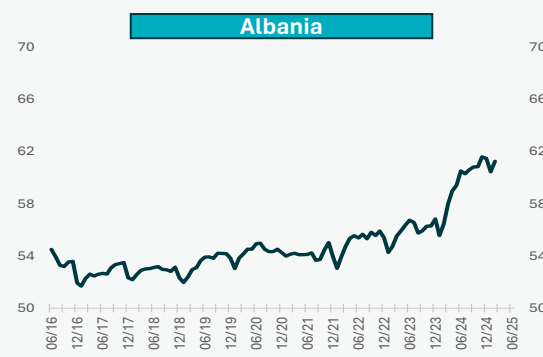
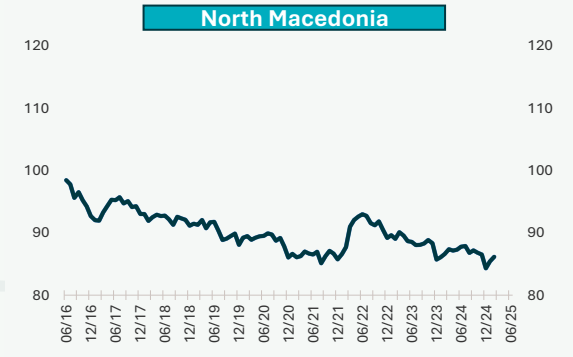
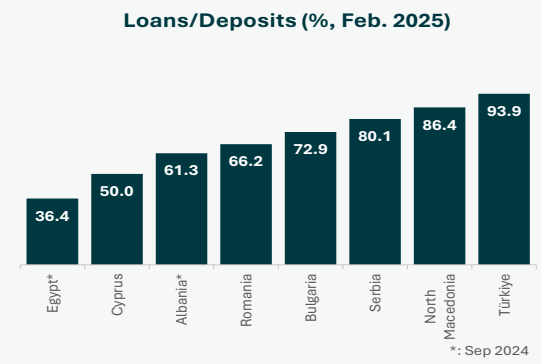
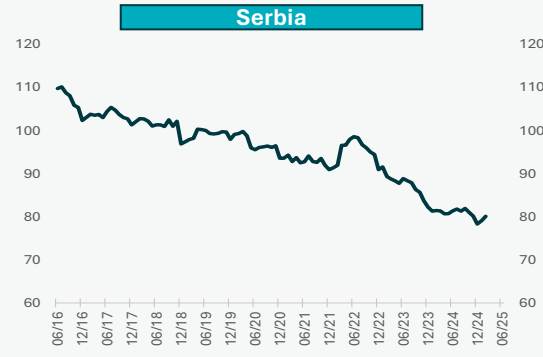
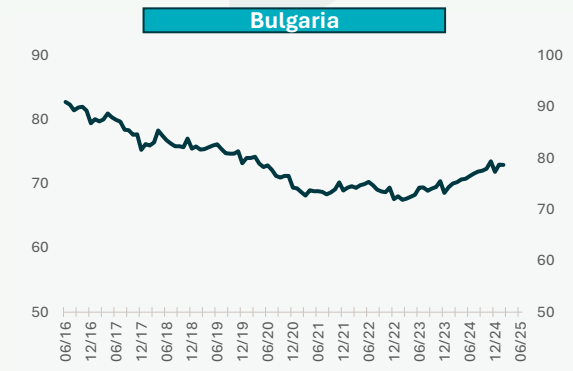
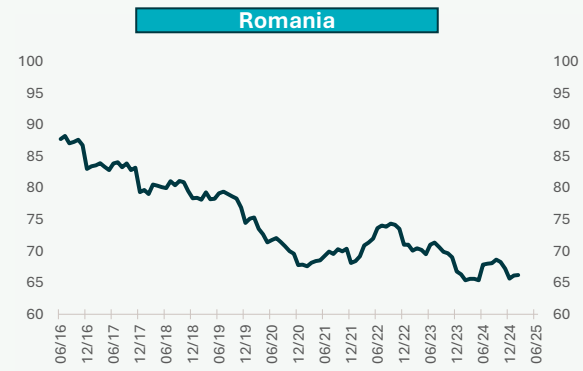
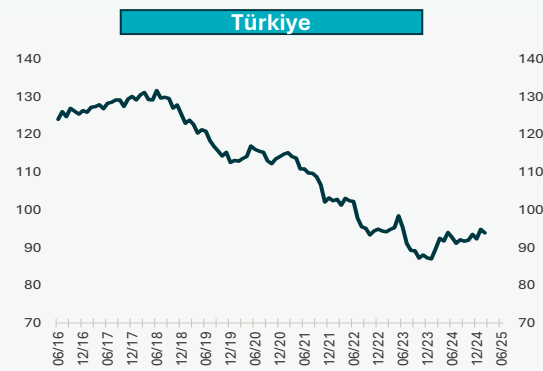


- After stalling during the recent cost-of-living crisis, deposits (as percent of GDP) appear to **be picking up** (albeit slowly) in most of the economies under review, barring Türkiye and Egypt, which are undergoing economic adjustment, and Albania, where the appreciation of the Lek, amid high euroization, has eroded significantly their value



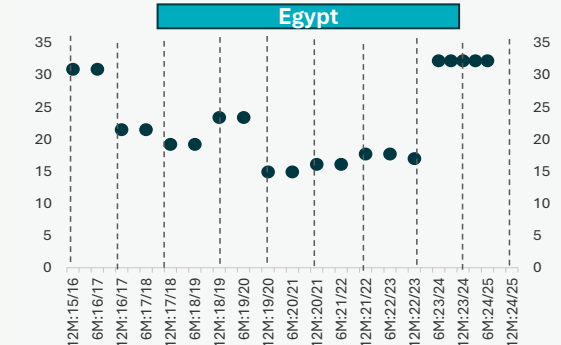
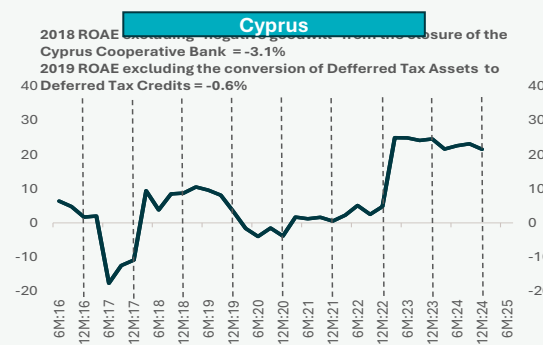
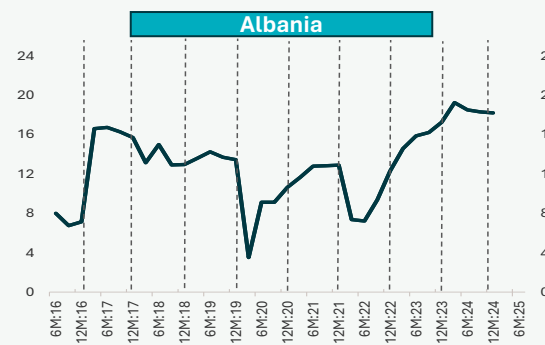
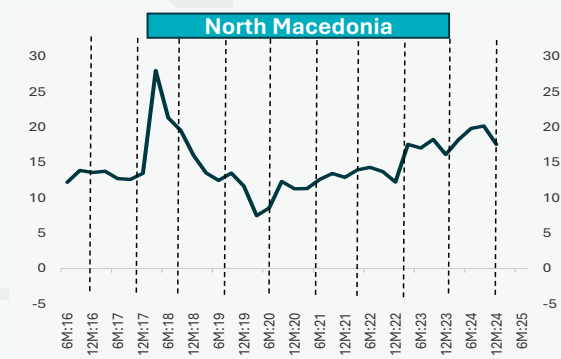
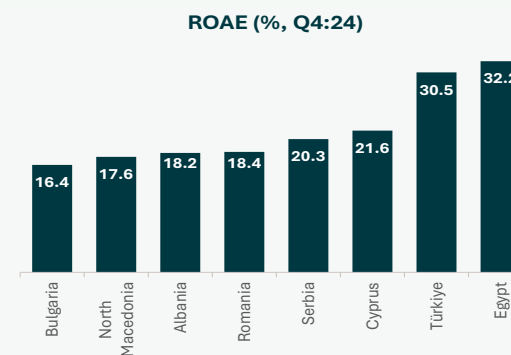
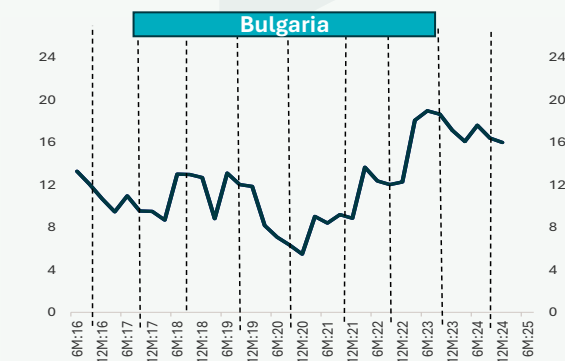
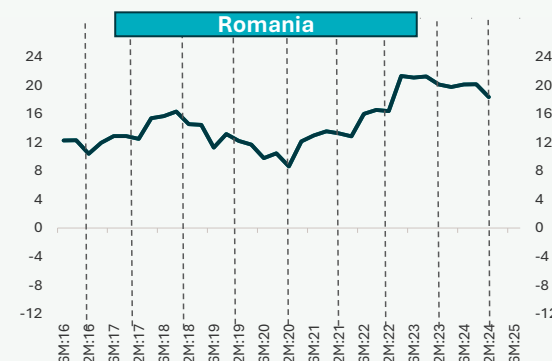
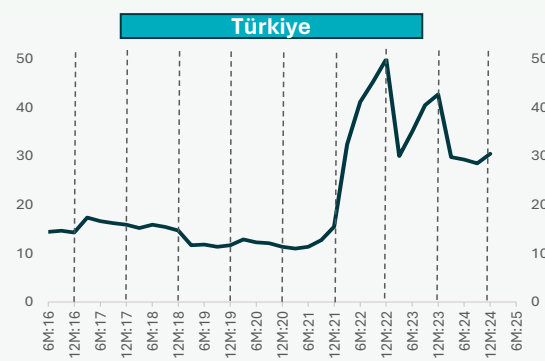
Total loans-to-total deposits ratio (%)

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

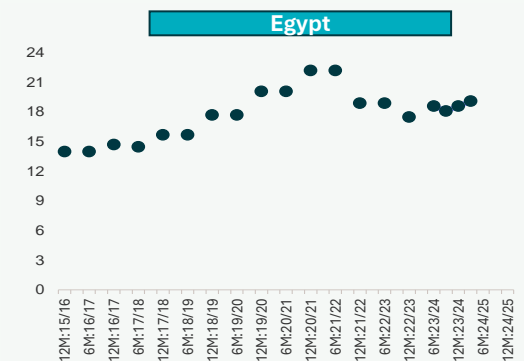
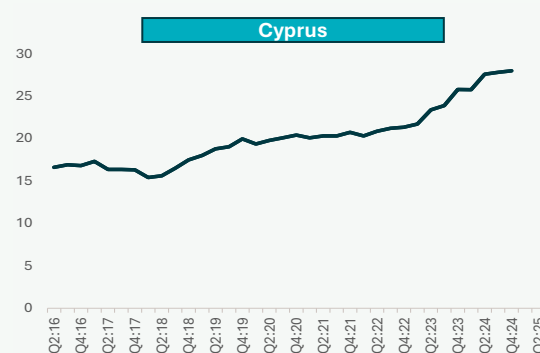
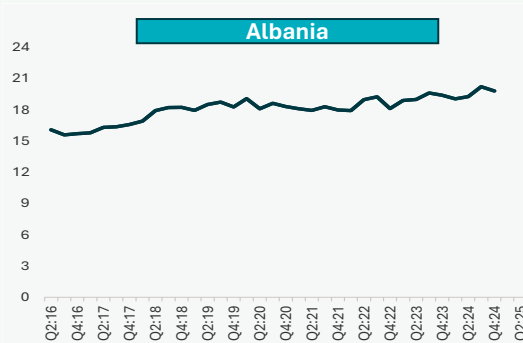
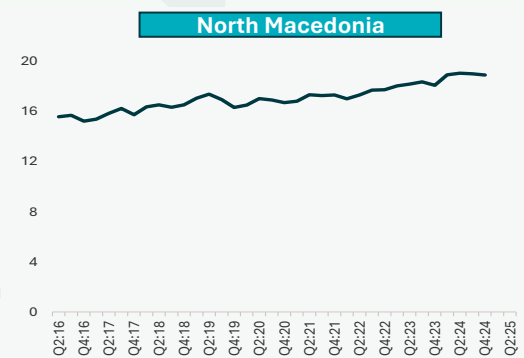
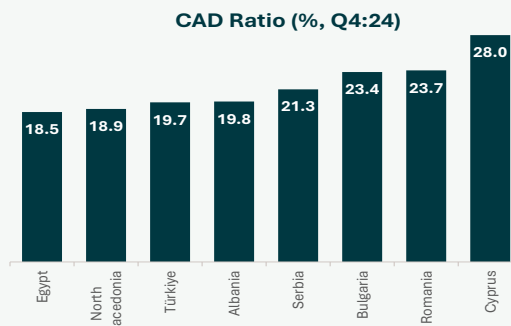
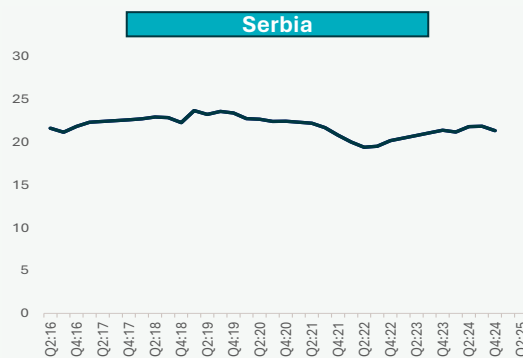
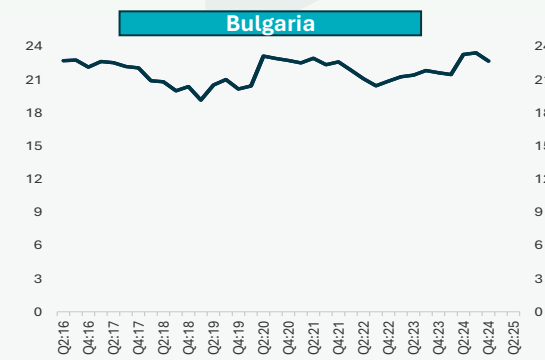
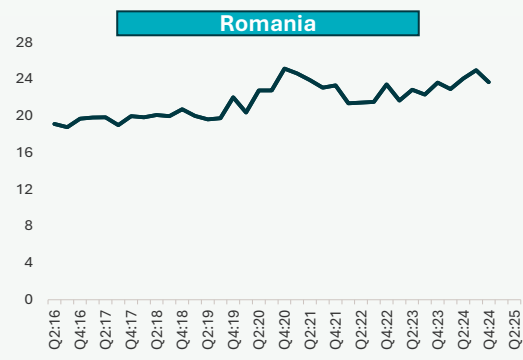
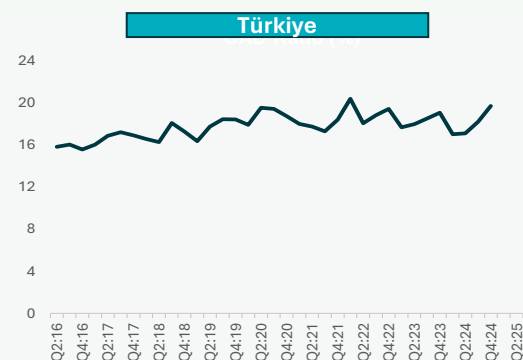


Return-to-average equity ratio (% , cumulative and annual)

- Although interest rates have started to decline, following central banks easing cycles, adjustment in banks' net interest margin (NIM) has been slow, meaning that ROAE is still not far off the **record-high levels** seen recently
- Further easing in monetary policy, combined with higher provisioning needs to account for heightened uncertainty, should **raise pressure on profitability**, with the latter still projected to remain above historical levels, nonetheless

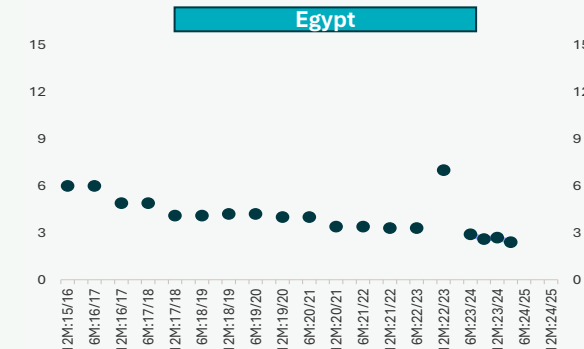
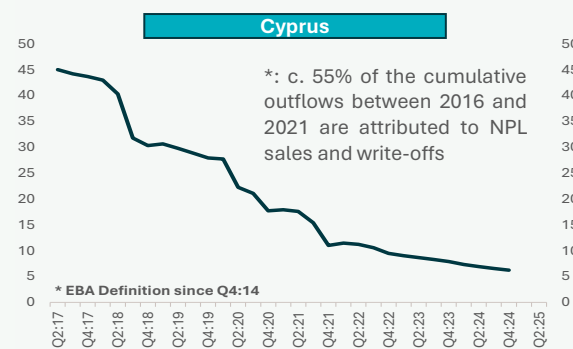
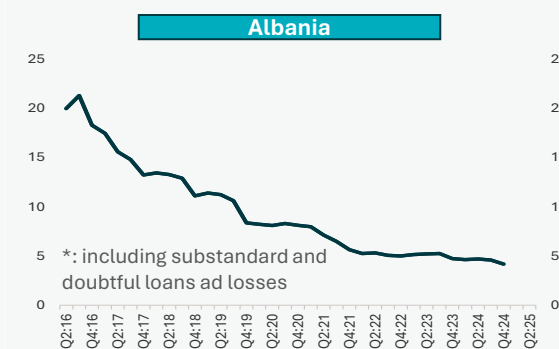
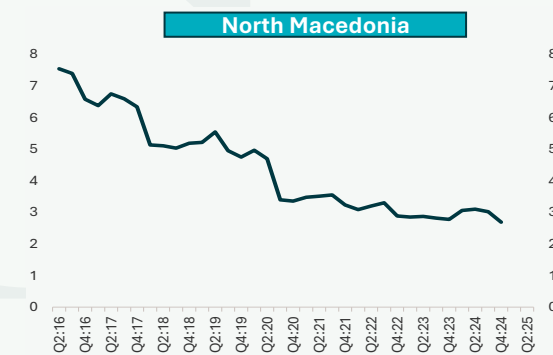
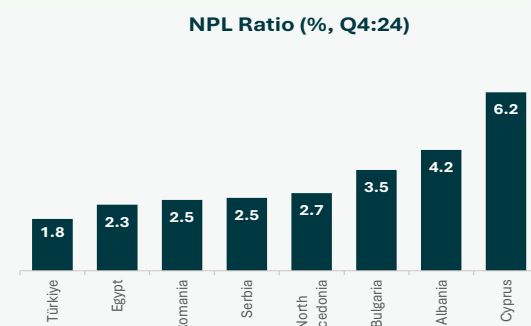
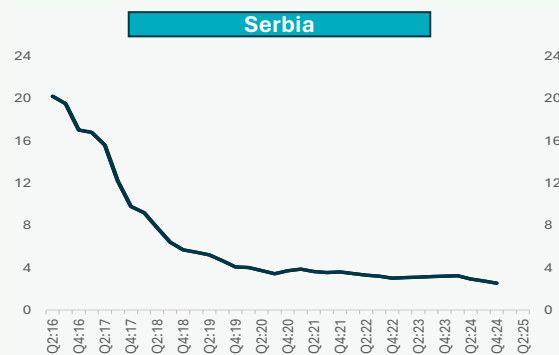
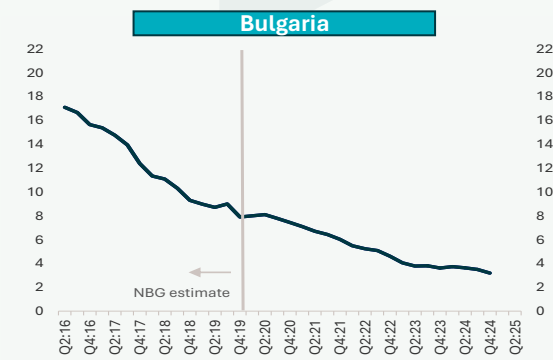
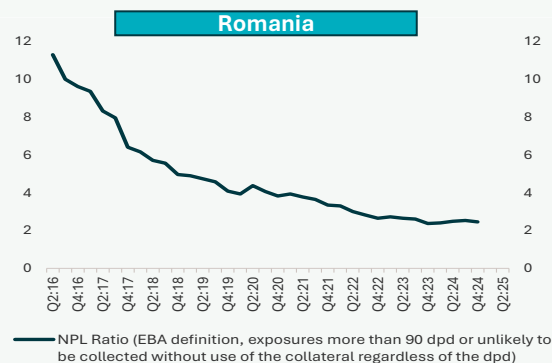
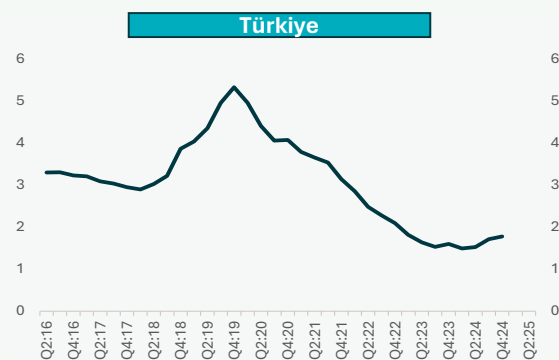


- Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses



Non-performing loans ratio (%)

- Pressure on asset quality has been limited so far, with NPL ratios remaining close to their recent **multi-year low levels**
- Higher provisioning to address elevated uncertainty** should safeguard banks from a potential deterioration in their operating environment





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