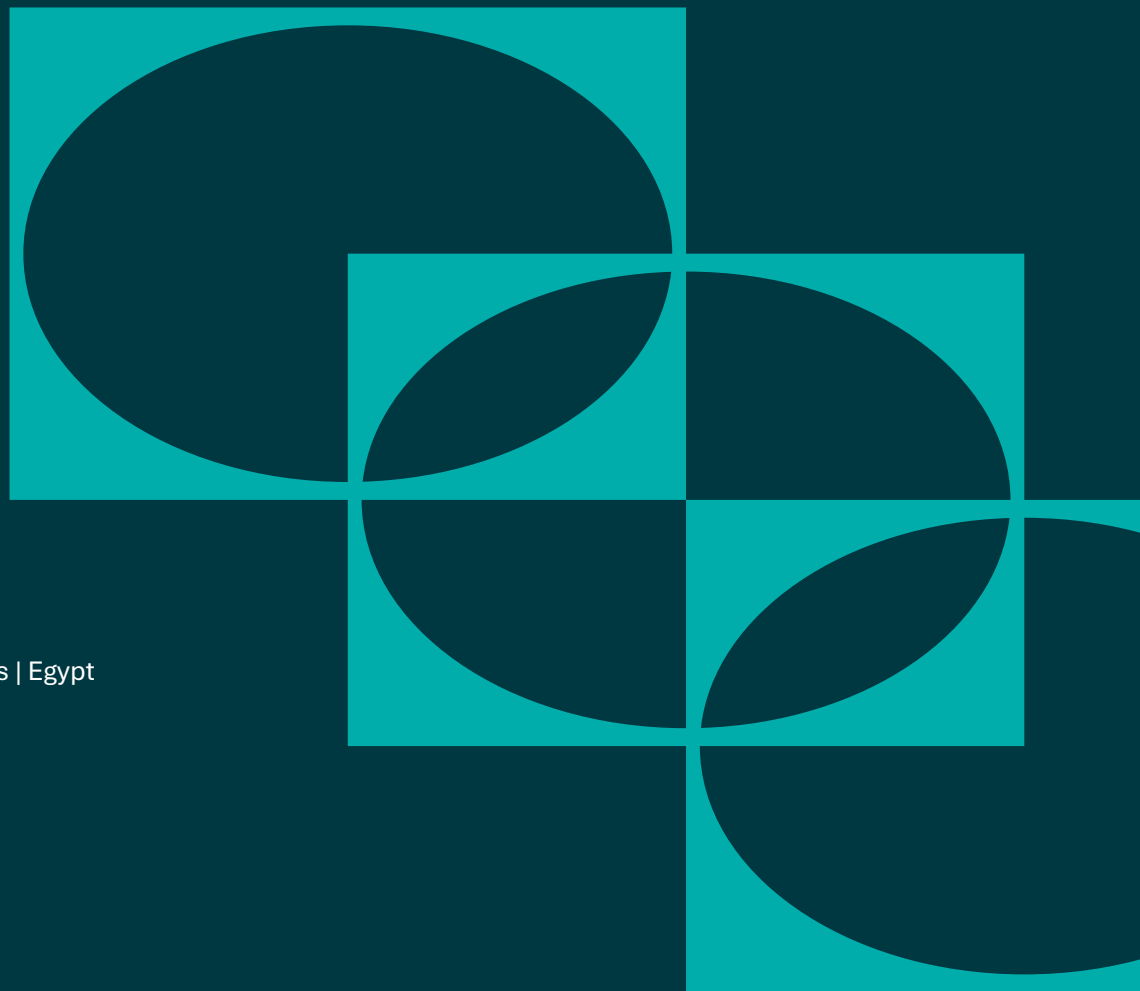


Quarterly Chartbook Q3:25

- *Regional economies remain on solid footing, despite widespread uncertainty*
- *Strengthened fundamentals and a gradual easing of financial conditions in most countries to support economic and business activity in 2025-27*

Economic Analysis Division Emerging Markets Analysis

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



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Snapshot

General information

Date of next elections

Foreign currency credit rating

World Governance Indicators

Real Sector

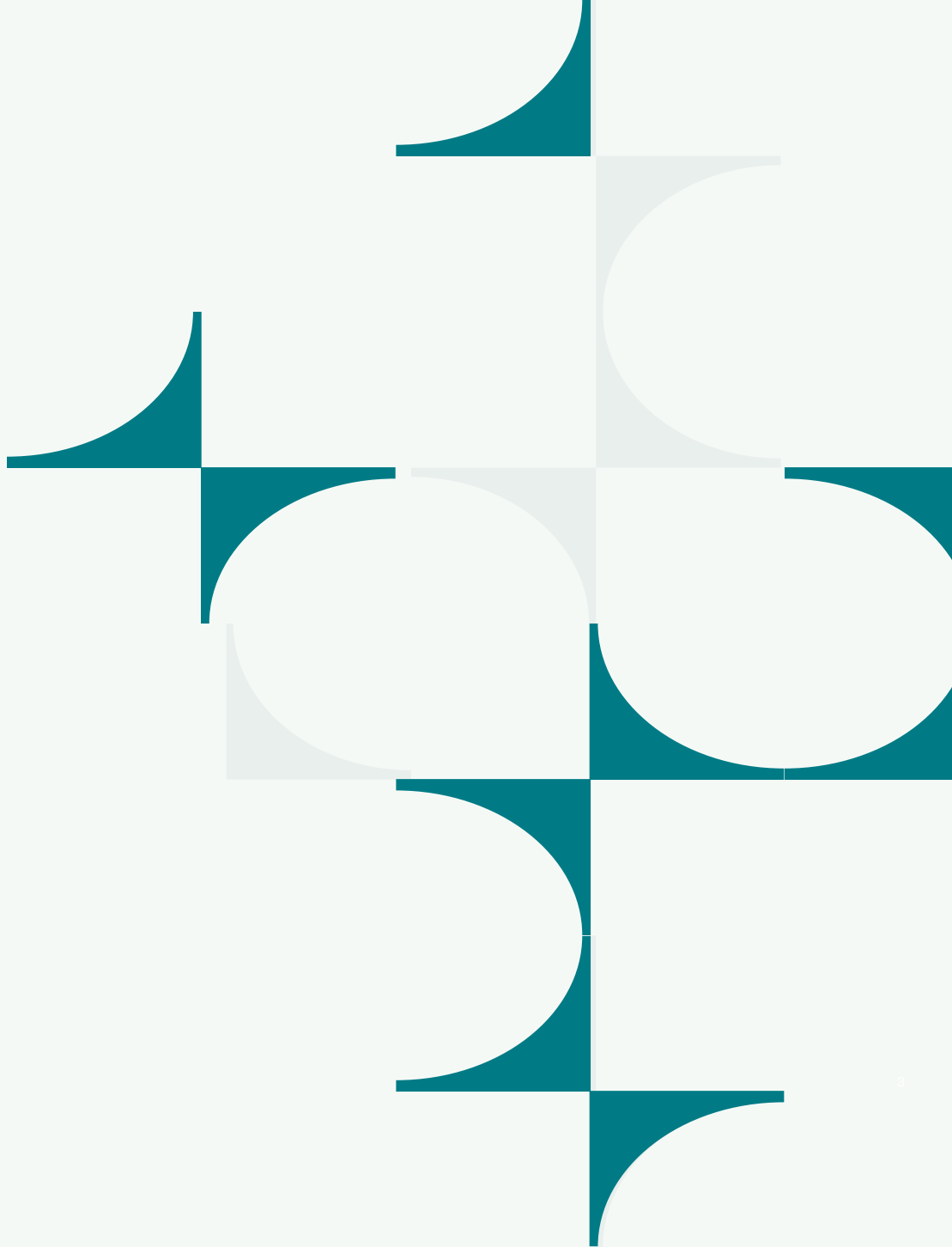
External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector





Republic of Türkiye



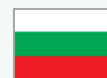
Population (2024, mn): 85.8
 GDP (2024, EUR, bn): 1,222.5
 GDP per Capita (2024, EUR): 14, 247
 Government type: Parliamentary Republic
 Chief of state: Recep Tayyip ERDOGAN
 Head of Government: Recep Tayyip ERDOGAN
 Minister of Finance: Mehmet SIMSEK
 Central Bank Governor: Fatih KARAHAN



Romania



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



Republic of Bulgaria



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



Republic of Serbia



Population (2024 mn): 6.6
 GDP (2024, EUR, bn): 82.4
 GDP per Capita (2024, EUR): 12,488
 Government type: Parliamentary Republic
 Chief of state: Aleksandar VUCIC
 Head of Government: Duro MACUT
 Minister of Finance: Sinisa MALI
 Central Bank Governor: Jorgovanka TABAKOVIC



Republic of North Macedonia



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



Republic of Albania



Population (2024, mn): 2.7
 GDP (2024, EUR, bn): 25.1
 GDP per Capita (2024, EUR): 9,399
 Government type: Parliamentary Republic
 Chief of state: Bajram BEGAI
 Head of Government: Edi RAMA
 Minister of Finance: Petrit MALAJ
 Central Bank Governor: Gent SEJKO



Republic of Cyprus



Population (2024, mn): 1.0
 GDP (2024, EUR, bn): 33.6
 GDP per Capita (2024, EUR): 34,495
 Government type: Presidential Republic
 Chief of state: Nikos CHRISTODOULIDIS
 Head of Government: Nikos CHRISTODOULIDIS
 Minister of Finance: Makis KERAVERNOS
 Central Bank Governor: Christodoulos PATSIDALIDES



Arab Republic of Egypt



Population (2024, mn): 108.9
 GDP (2024, EUR, bn): 339.7
 GDP per Capita (2024, EUR): 3,122
 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

- Following months of political stalemate, **Romania** has now a new Government in place to tackle challenges lying ahead, especially the need for multi-year fiscal consolidation. The new Government is headed by I. Bolojan, leader of the centre-right PNL, and enjoys additional backing from all mainstream pro-EU parties, namely the centre-left PSD, the country's biggest party, the liberal USR and the Hungarian-minority party, UDMR. Recall that the outgoing coalition (led by the PSD and also comprising the PNL and the UDMR) had collapsed a day after ultra-nationalist pro-Russia C. Georgescu topped the 1st round of the Presidential election in November (which was, however, later controversially annulled), leaving the ruling coalition's candidate out of the 2nd round. The Presidential ballot was re-run in May, with pro-EU, centrist N. Dan defeating ultra-nationalist G. Simion, leader of the AUR party (who had won the 1st round, with c. 40% of the vote). All said, considering the challenges lying ahead and the painful, costly political fiscal consolidation measures adopted, the new ruling coalition would likely face an uphill battle to maintain political stability
- In **Serbia**, the installation of the new SNS Government failed to ease public unrest. Massive country-wide student-led protests are continuing for an 8th consecutive month since the collapse of the roof at Novi Sad's railway station, killing 16 people. A key target of the protests is President A. Vučić, who has been accused of corruption, controlling the media and sidelining the Parliament. Protesters have been calling lately for snap elections, with President Vučić, however, categorically rejecting the prospect, although the fragmented and ideologically divergent Parliamentary opposition has yet to present a credible challenger. Note that latest polls suggest that a student-backed list could outperform the SNS. Worryingly, political noise is set to remain elevated until the next election (due by late-2026/early-2027, as President Vučić has suggested), weighing on economic sentiment and potentially affecting policy implementation (especially stalling progress on structural reforms)
- In **Albania**, despite several corruption scandals (involving arrests and convictions of prominent SP members and Rama's close allies), the SP -- in power since 2013 -- managed to retain an outright majority, capitalizing on steady progress with the EU agenda (which peaked with the long-awaited opening of EU accession process in October 2024) and robust economic performance (supported by a booming tourism sector) amid prudent macroeconomic policies

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

* last local elections hold in 2008

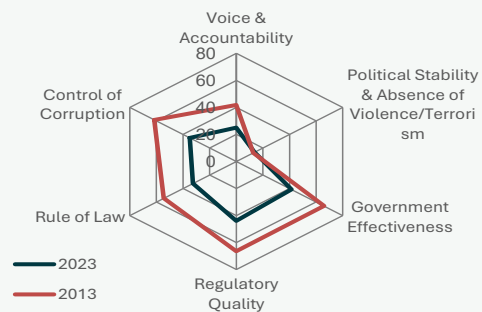
Foreign currency credit rating

- Bulgaria’s accession to the euro area prompted S&P and Fitch to upgrade the former’s sovereign credit rating by 1 notch, to “BBB+”
- The implications of the booming tourism sector in Albania prompted S&P to upgrade the sovereign’s credit by 1 notch to BB
- The modest levels of external and public debt in most of the economies under review should provide them with some headroom to navigate through uncertainties, **without endangering their credit profiles**. Economies currently undergoing adjustment, such as **Egypt** (with S&P’s having already revised its outlook from positive to stable) and **Türkiye**, are the most vulnerable, should global risk aversion worsen substantially
- The success of its (soon to be enacted) multi-year fiscal consolidation plan is a *sine qua non* condition for **Romania** to maintain its investment-grade status

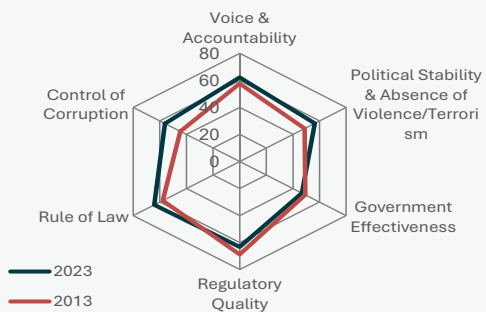


- Governance standards in EU candidate countries (**Serbia, North Macedonia, Albania**) are approaching those of new EU member states (**Romania, Bulgaria**)
- Türkiye's** and **Egypt's** low ranking in terms of governance constrains investor sentiment

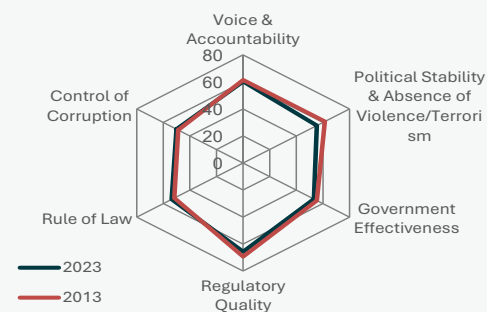
Türkiye



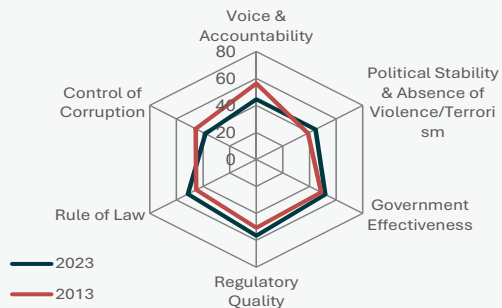
Romania



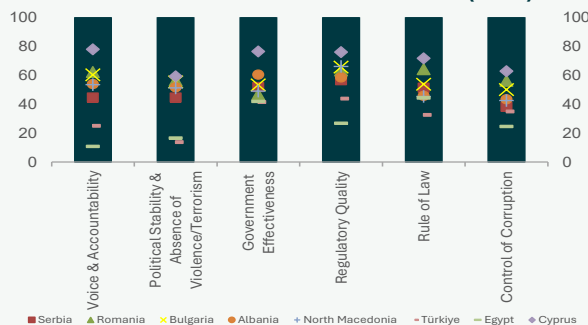
Bulgaria



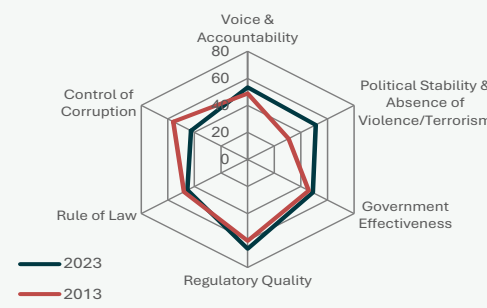
Serbia



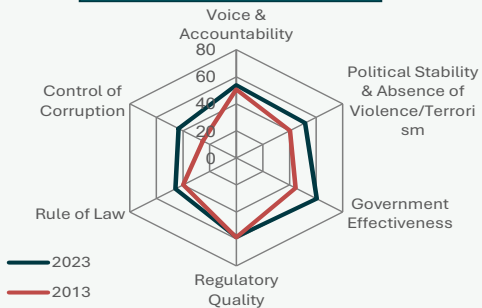
Worldwide Governance Indicators (2024)



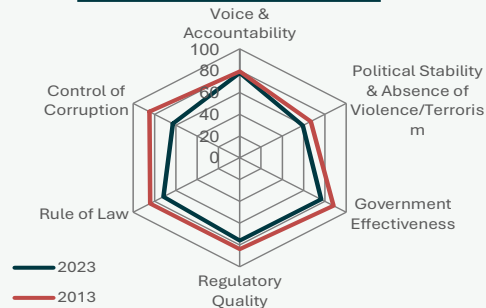
North Macedonia



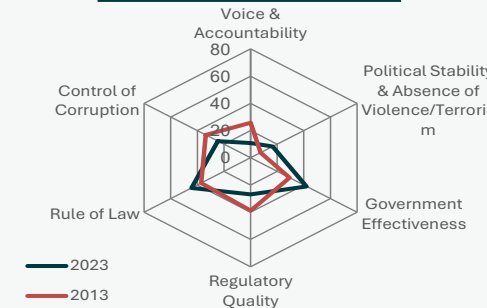
Albania



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

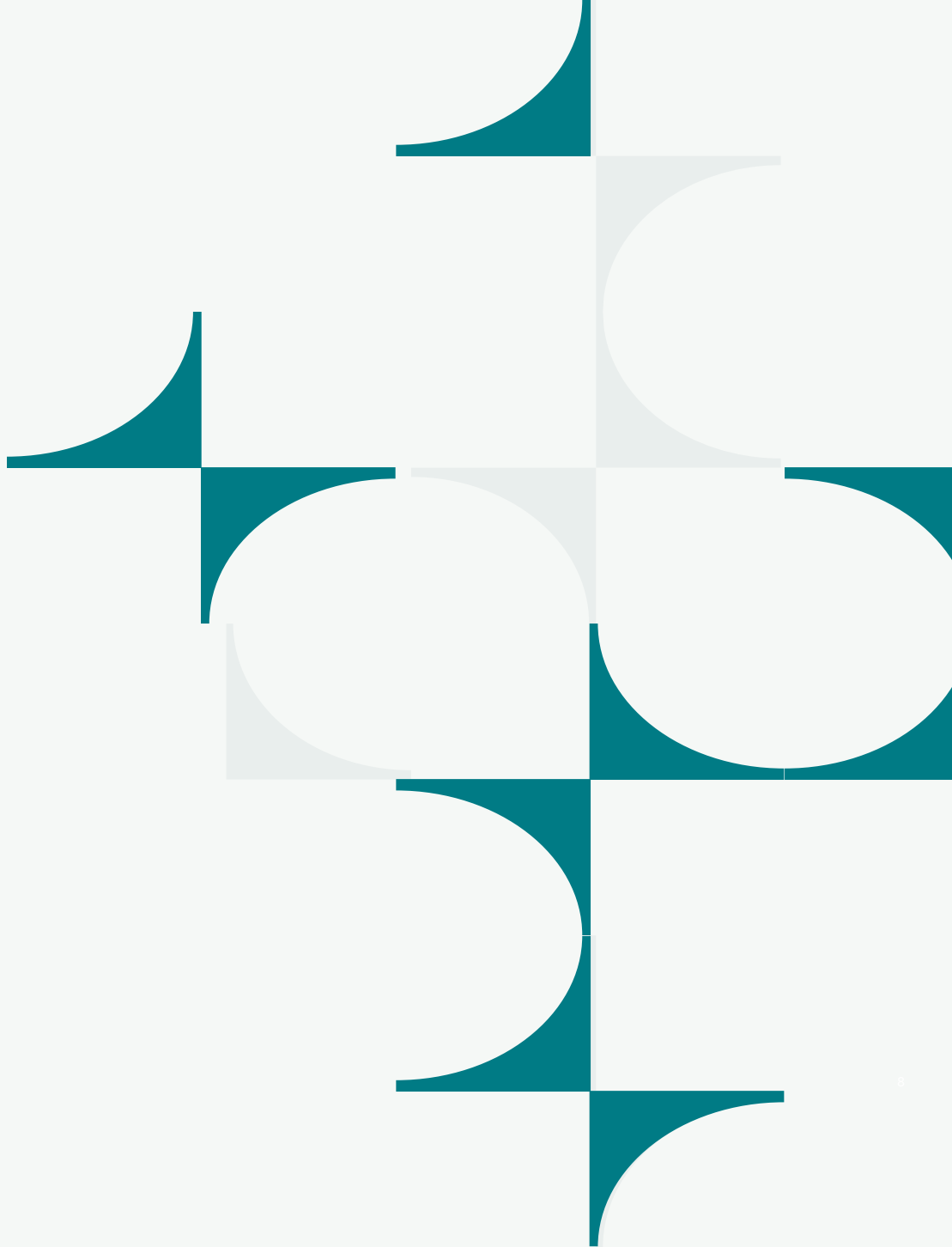
External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Banking Sector



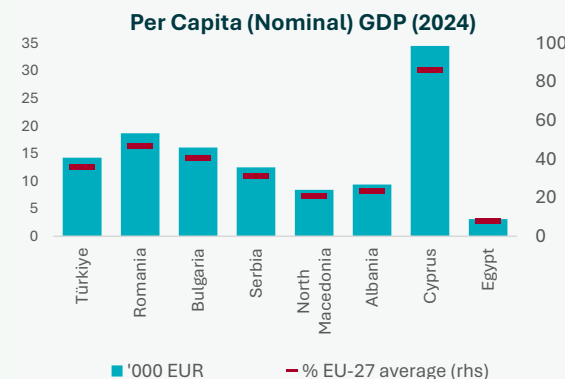
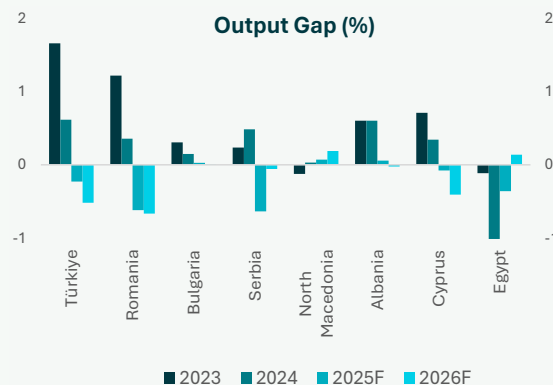
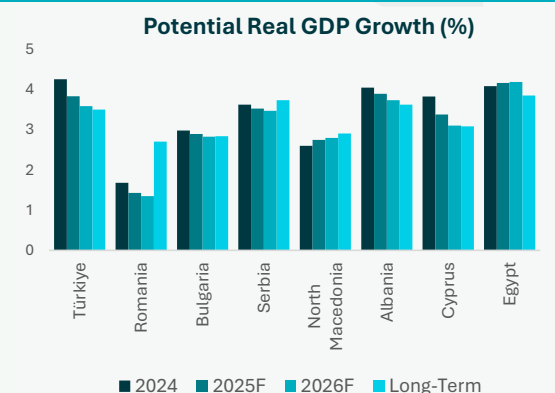
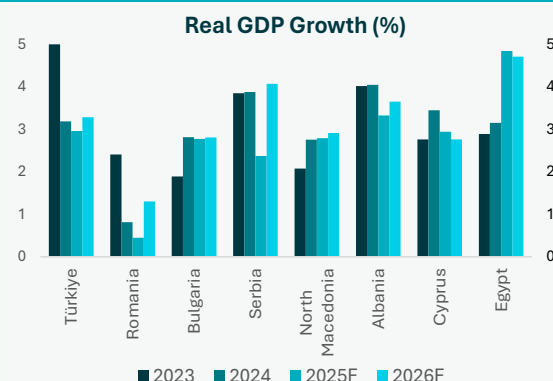
Real GDP (4-quarter rolling, y-o-y % change)

- All the economies under review (barring Romania and Serbia) maintained **quite solid growth momentum** in the 1st quarter of the year, with GDP growth easing slightly, however, in several cases, due, *inter alia*, to unfavourable base effects. **Egypt** maintains the strongest growth trend in the broader region
- Political uncertainty has weighed significantly on GDP growth in Q1:25 in **Serbia** and **Romania** (with the latter's economy also suffering from structural weaknesses which prevent it from capitalizing on strong domestic demand). Still, the **Serbian** economy has a strong upside potential in the medium-term. Launch of fiscal consolidation programme should delay economic recovery in **Romania**



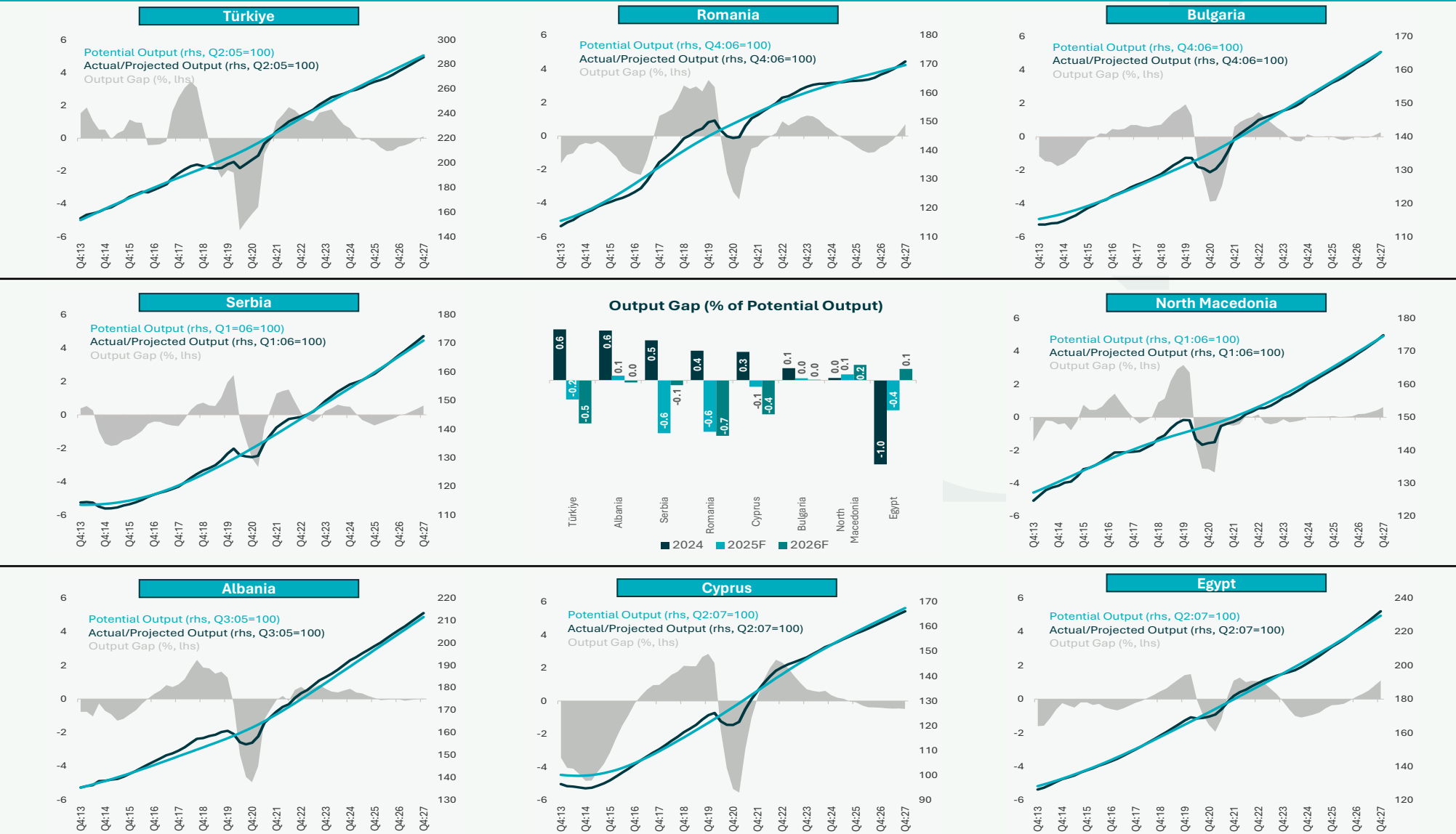
Real GDP growth, potential real GDP growth, output gap and per capita (nominal) GDP

- All the economies under review (barring Romania) are set to remain on a **solid footing** over the forecast horizon, supported by the positive effects of **relatively low inflation** on real disposable income and broader financing conditions. **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 public sector continuing to provide key impetus. In contrast, in view of the **poor outlook for exports**, following the **US protectionist shift and structural changes in key EU industries** (especially in the automotive sector), and firm domestic demand, **net exports are unlikely to add to overall growth** this year
- The **balance of risk is clearly tilted to the downside**. Indeed, **trade tensions between the US and its trading partners remain in place** (see p.12). At the same time, **geopolitical unrest is unlikely to subside** over the forecast horizon. Nonetheless, the recent ceasefire agreement between Israel and Iran suggests that the risk of an escalation in tensions in the short-term is relatively low, helping keep global energy prices in favourable territory
- 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
- The need for multi-year fiscal consolidation, on the one hand, and the weak (in terms of GDP growth) starting point of the adjustment, on the other hand, paint a rather poor outlook for the **Romanian** economy, with the economy struggling to escape stagnation this year
- Bulgaria's** accession to the euro area should help spur economic growth, eventually promoting real convergence with the euro area



Output gap (4-quarter rolling)

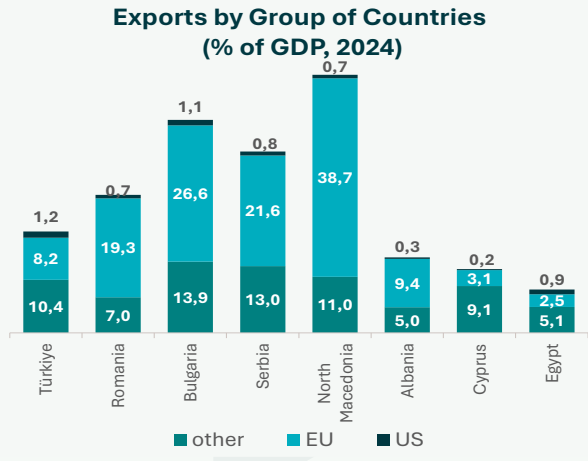
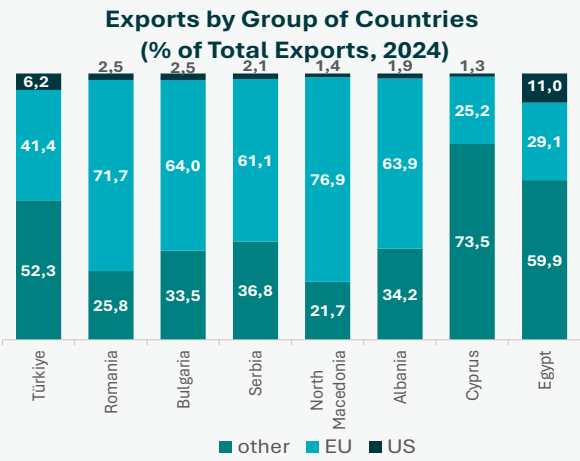
- The massive relocation of foreign companies in **Cyprus** (with 2,300 firms and 12,000 employees having registered locally over the past 2 years) to benefit from its attractive headquartering policy and the boom in the tourism sector in **Albania** (with tourist arrivals having nearly doubled compared to their pre-pandemic level) have resulted in both economies growing -- at least until recently -- at a pace exceeding its potential growth
- Most of the economies under review are expected to grow at a pace **lower but not far off its potential** over the forecast horizon
- Romania's** multi-year fiscal consolidation programme means that its economic growth is set to underperform its potential in the years to come



Impact of US tariffs

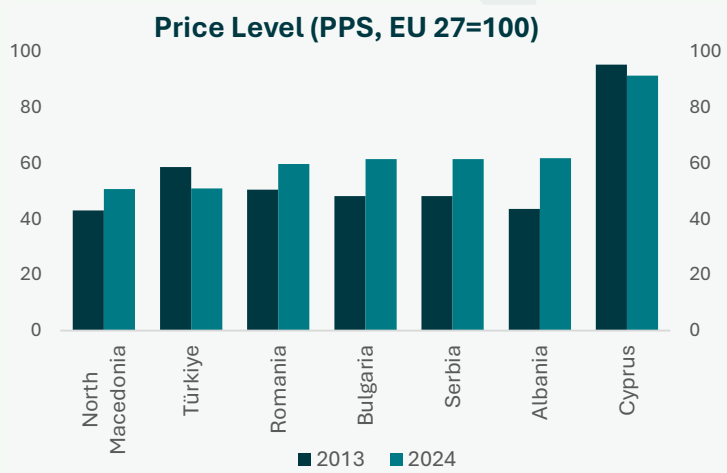
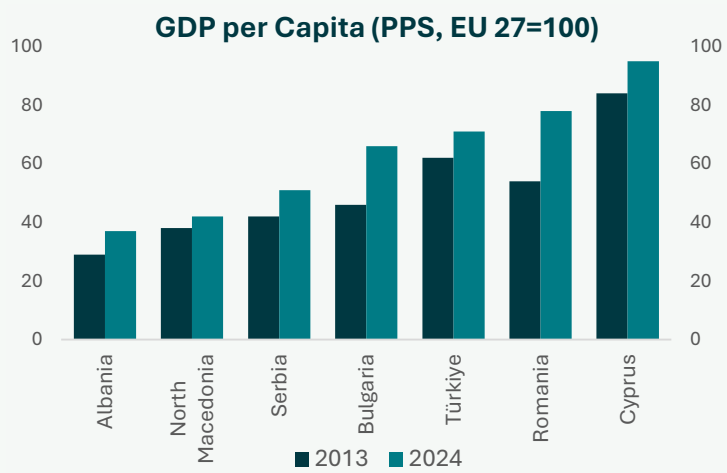
- **Global trade tensions are continuing**, with the US ramping up tariff threats after the initial deadline of July 9 expired with only a few trade deals (namely those with the UK, Vietnam, Philippines and a preliminary agreement with China) having been completed. Now, major US trading partners are now faced with blanket tariffs, ranging from 15% up to 50%, starting from August 1 -- on top of sectoral tariffs (see below) -- unless agreements are negotiated. Some key trade partners of the US stand ready to secure better terms by offering additional concessions, mainly in the form of higher FDI commitments. As regards the EU, President Trump has threatened to impose a 30% tariff rate, higher than the reciprocal rate of 20% announced in April and the 10% rate effective since then.
- Still, our **baseline scenario** assumes that trade deals with the bulk of US trading partners would be reached, with the tariff rates to be eventually applied being **lower** than the reciprocal rates announced in April and **not far off** the “standard” rate of 10%
- At the same time, however, **(high) sectoral US tariffs** -- on steel & aluminum (50%) and cars (25%) -- **are expected to remain in place for most countries**, with their base potentially expanding (to reportedly include copper, pharmaceuticals and semi-conductors)
- This means that, although **the risk of a full-blown global trade war appears to be low, US tariffs are here to stay**, eventually weighing on global trade and GDP growth
- 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 the industrial sectors of Romania, Bulgaria, Serbia and North Macedonia are quite integrated in the EU value chains, especially of the automotive sector, the output of which is subject to a higher tariff); 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. Under our baseline scenario, the overall impact (which has been incorporated in our GDP growth forecasts) should be **manageable**

US tariff rates by country (%)			
	Originally levied	Effective until August	After August in the absence of a trade deal
Türkiye	10.0	10.0	10.0
Romania	20.0	10.0	30.0
Bulgaria	20.0	10.0	30.0
Serbia	37.0	10.0	35.0
North Macedonia	33.0	10.0	33.0
Albania	10.0	10.0	10.0
Cyprus	20.0	10.0	30.0
Egypt	10.0	10.0	10.0



Convergence with the EU

- **Cyprus** is close to the EU average standards both in terms of GDP per Capita and Prices.
- **Romania** and, to a somewhat lesser extent, **Bulgaria** have been converging at a fast pace with the EU in real terms, driven by capital deepening and productivity gains, highlighting the benefits of EU membership. Full Schengen accession -- effective as of January 1, 2025 -- should help both economies fully reap the benefits of the single market
- **Bulgaria** is set to become the 21st member of the euro area, starting from January 1, 2026. Joining the euro area (*per se*) should bring no fundamental change in policies, given the long-standing currency board arrangement and high euroization of the economy. Still, besides a seat in the ECB's Governing Council, euro area membership should entail significant benefits for Bulgaria, including lower transaction and funding costs, while help cement investor confidence, though bolstering financial stability and reducing the risks of financial contagion and a balance of payments crisis, eventually spurring GDP growth and promoting real convergence with euro area
- 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



- Delays in completion of reforms reducing the state’s footprint on the economy have led the IMF to combine the 5th and 6th reviews under **Egypt**’s USD 8bn Extended Fund Facility programme this fall. A EUR 4.0bn tranche under the EU’s EUR 7.4bn support programme is set to be disbursed soon to **Egypt** (following EU member states’ approval)

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	6.0 ^g since 2021	2.8 ^g	3.3 ^g since 2023	---	---
	EU	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Next Repayments	IMF	---	---	---	---	---	0.1 in 2025	Starting in 2026	0.05 in 2025	0.08 in 2025	---	2.4 ^g in H2:25	---	1.4 ^g in H2:25	---	---
	EU	---	---	---	---	---	---	---	---	---	0.4 in 2025	---	---	---	---	---

^a Stand-By Arrangement (SBA)
^b under the Policy Coordination Instrument
^c Rapid Financing Instrument
^d Precautionary and Liquidity Line (PLL)
^e under Post-Programme Monitoring since 2018

^f under Post-Programme Monitoring since 2016
^g bn USD
^h Extended Fund Facility (EFF), extended by USD 5bn in 2024
ⁱ An arrangement under IMF’s Resilience and Sustainability Facility (RSF) for green transition has been also approved, unlocking access to USD 1.3bn
^j concessional lending under EU’s Macro-Financial Assistance (MFA), which is part of a broader support package, worth EUR 7.4bn, which also includes EUR 1.8bn in investments under the Southern Neighborhood Economic and Investment Plan and EUR 0.6bn in grants

Official financial support (EU)

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

EU Members			
Next Generation EU Fund (2021-23) & Multiannual Financial Framework (2021-27) (EUR bn)			
	Romania	Bulgaria	Cyprus
Recovery and Resilience Facility*	28.5	5.7	1.2
o/w Grants	13.6	5.7	1.0
Loans	14.9	---	0.2
Absorption Rate (% of total allocation)	37.6	24.1	37.3
Absorption Rate (% of EU average)	77.1	49.4	76.4
Other**	3.4	0.4	0.2
Multiannual Financial Framework***	55.4	18.6	1.5

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

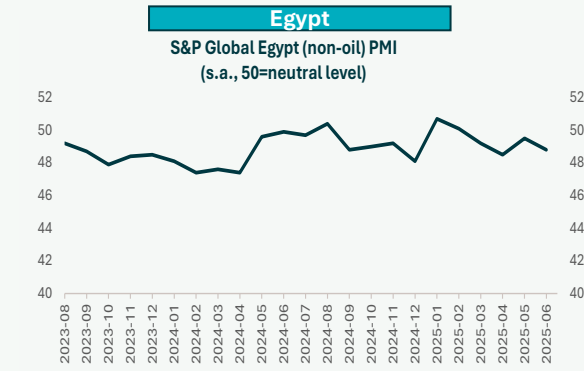
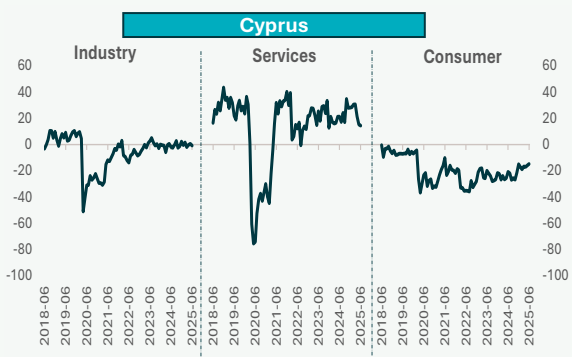
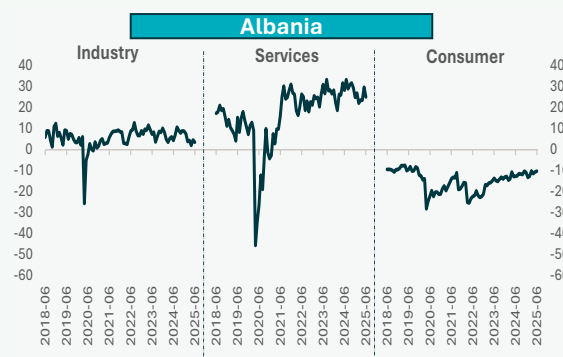
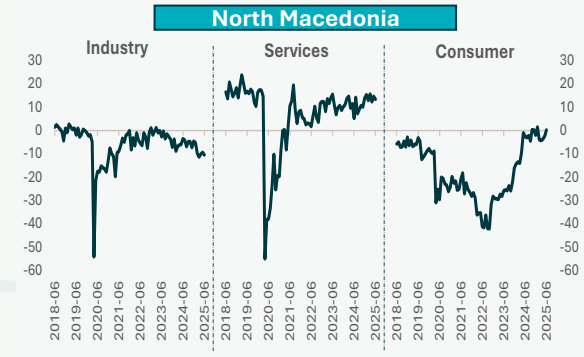
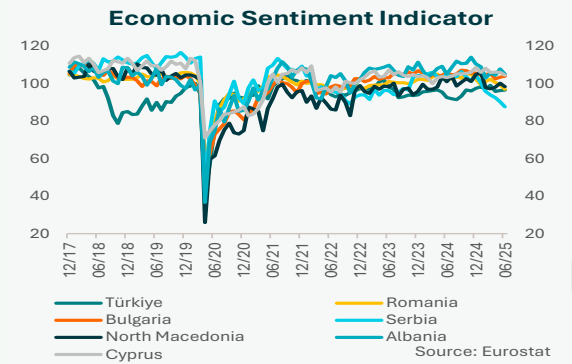
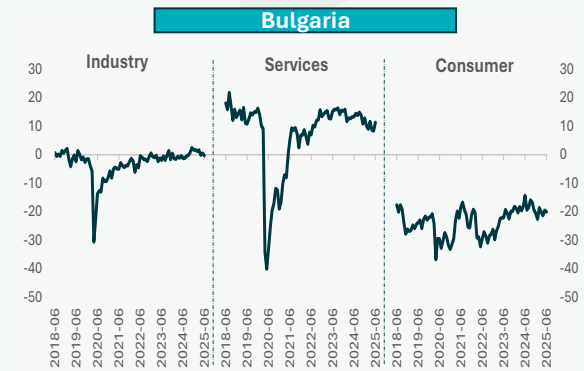
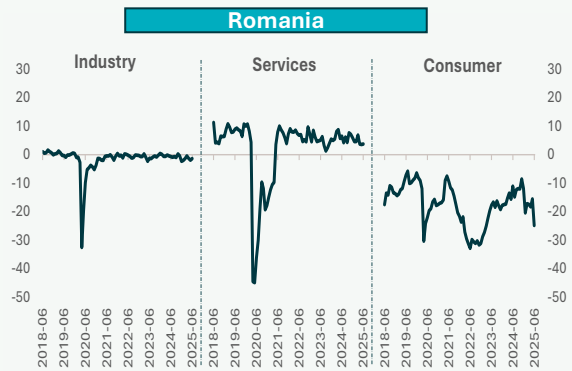
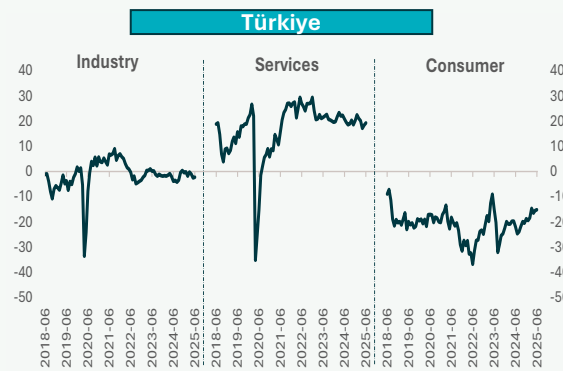
**Includes amounts under React-EU, Just Transition Fund, European Agricultural Fund for Rural Development.

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

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

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

- Economic sentiment has been hit by **global trade uncertainties** and **geopolitical unrest**
- Albeit off its post-pandemic peak, **sentiment in most of the services sectors** under review remains **positive**. On the other hand, long-standing **stagnation in the respective industrial sectors** (see next page) along with **poor (short-term) prospects of recovery** have been weighing on sentiment
- Political turmoil in **Serbia** and a prolonged and very tense election cycle in **Romania** have eroded sentiment (especially on consumer confidence) in respective economies



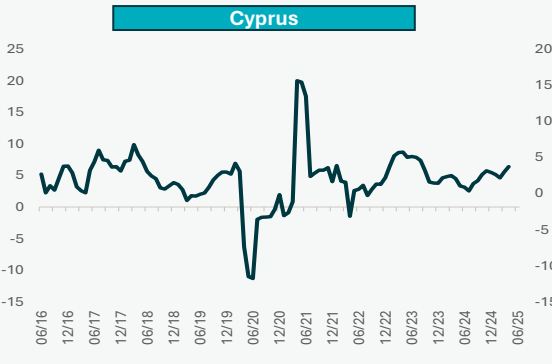
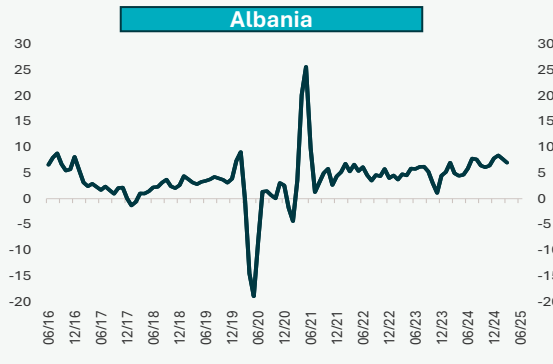
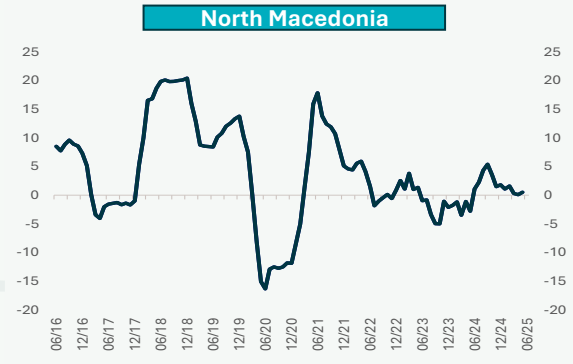
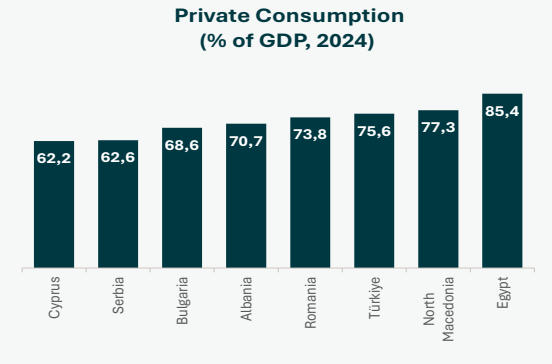
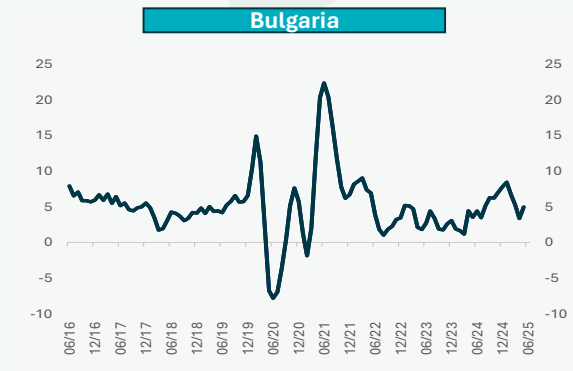
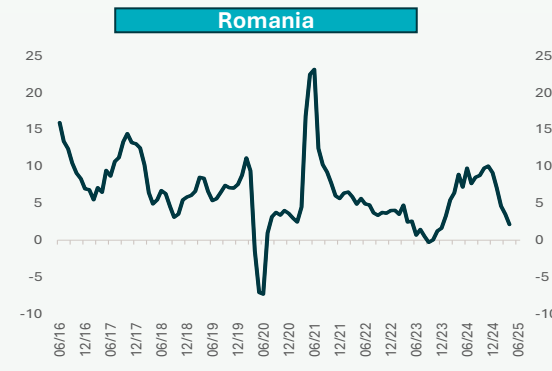
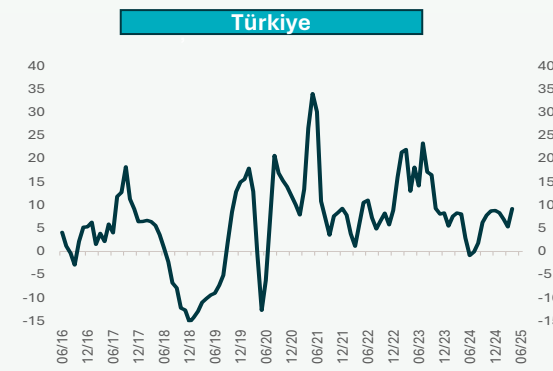
Industrial production (3-month rolling, y-o-y % change)

- Despite healthy domestic demand, the industrial sectors under review have been at a **standstill**, mainly due to weak demand from the EU (especially Germany). This discrepancy reflects, *inter alia*, their relatively low position in global value chains
- Among the sectors under review, only those of **Serbia** and **Cyprus** have managed to exceed their pre-2022-energy-crisis levels of output
- Worryingly, the **US protectionist shift** clearly weighs on the sectors' short-term outlook. In the longer-term, **Germany's massive infrastructure and climate protection stimulus package** should have positive spillover effects on regional industries



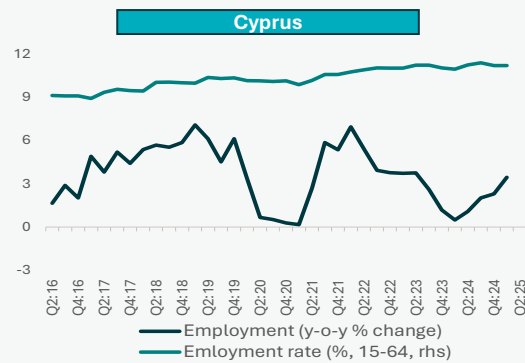
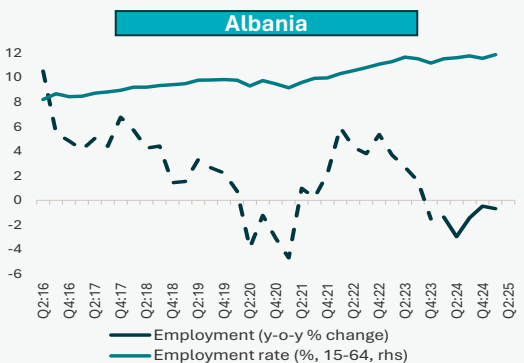
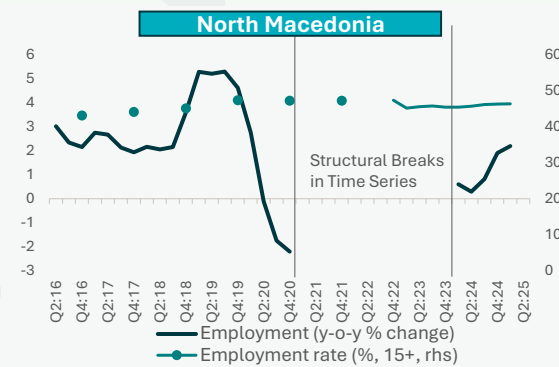
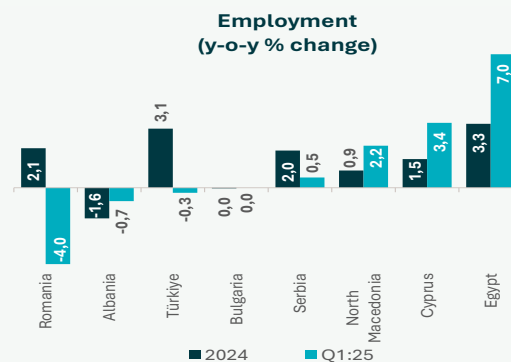
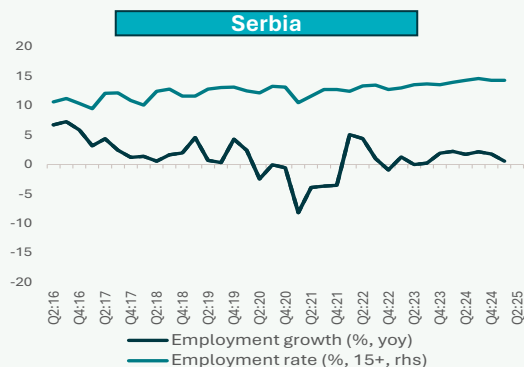
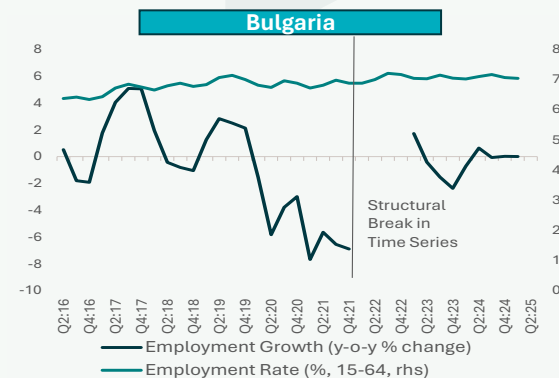
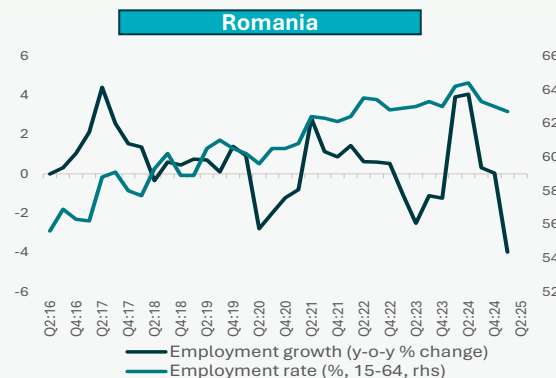
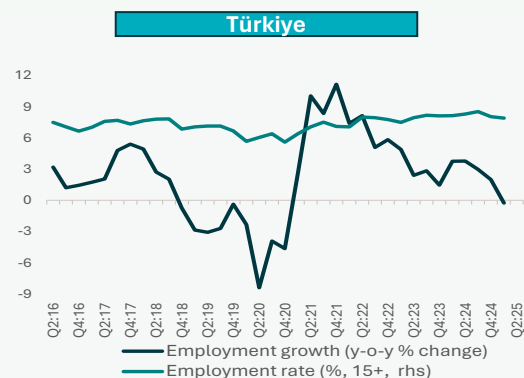
Retail Sales (constant terms, 3-month rolling, y-o-y % change)

■ Despite solid expansion in real incomes, **growth in retail sales has been failing to impress** in most of the economies under review, mainly due to relatively weak consumer confidence, on the back of broad-based uncertainties



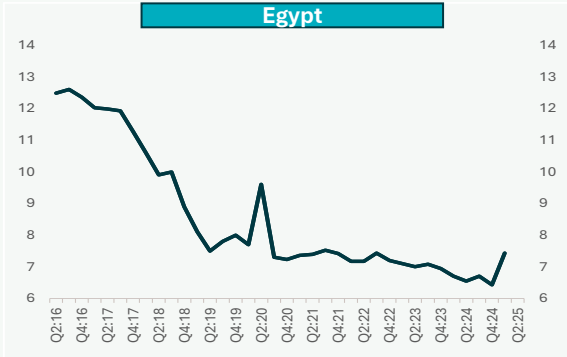
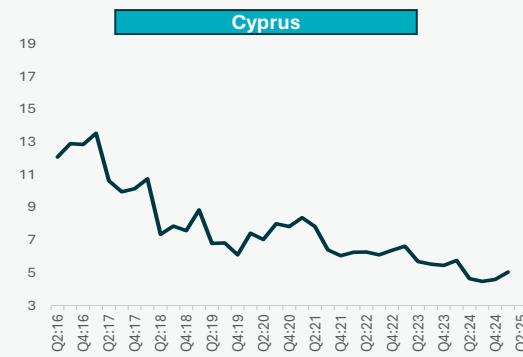
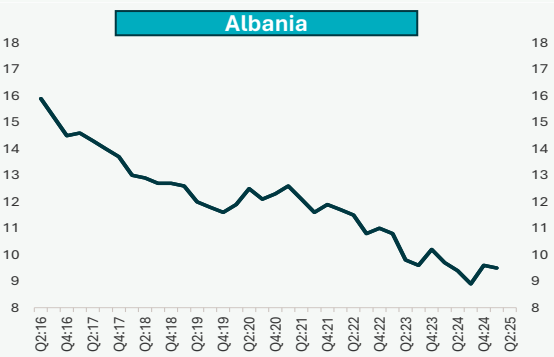
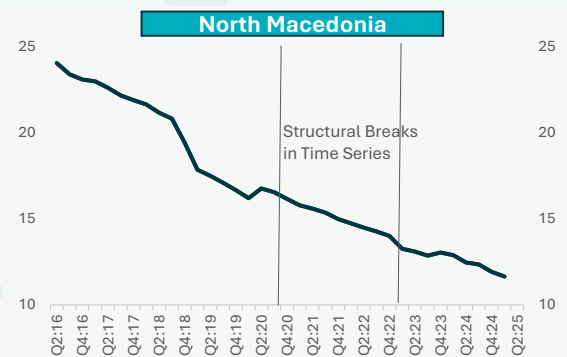
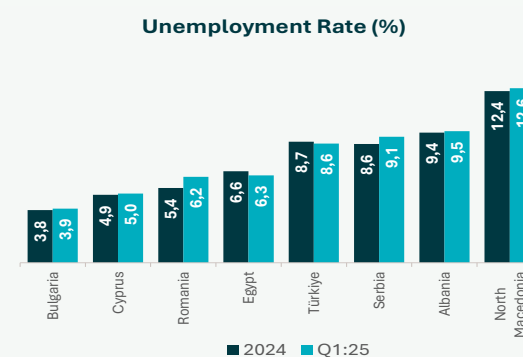
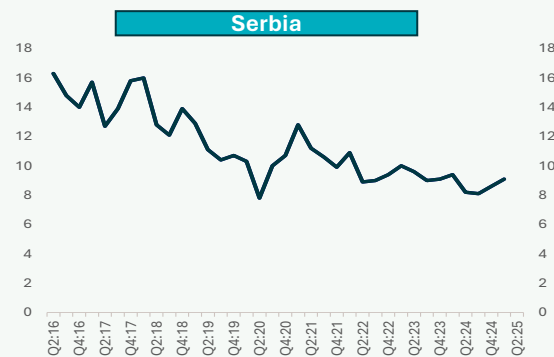
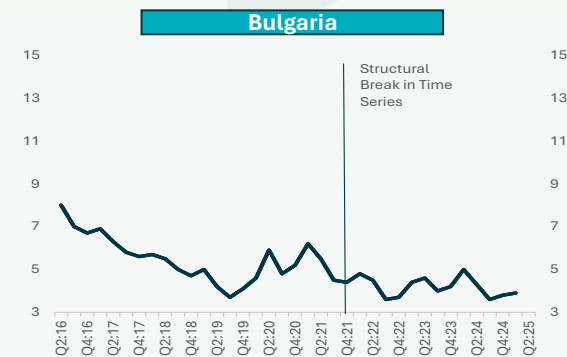
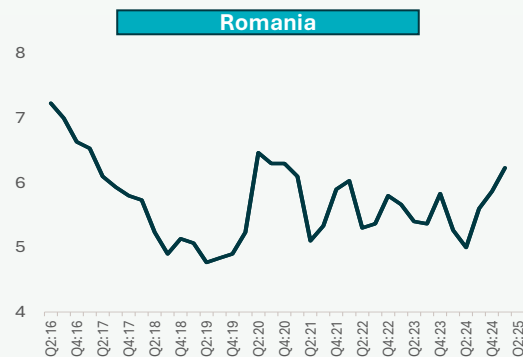
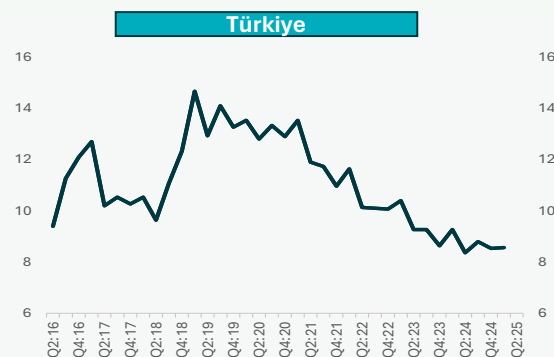
Employment growth (y-o-y % change) & Employment Rate (%)

- 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** along with **heightened uncertainty** cannot but **weigh on employers' hiring plans**, at least in the short-term
- Romania** has been seeing signs of weakness in its labour market over the past few quarters. Pressures are set to intensify, in line with the poor economic outlook



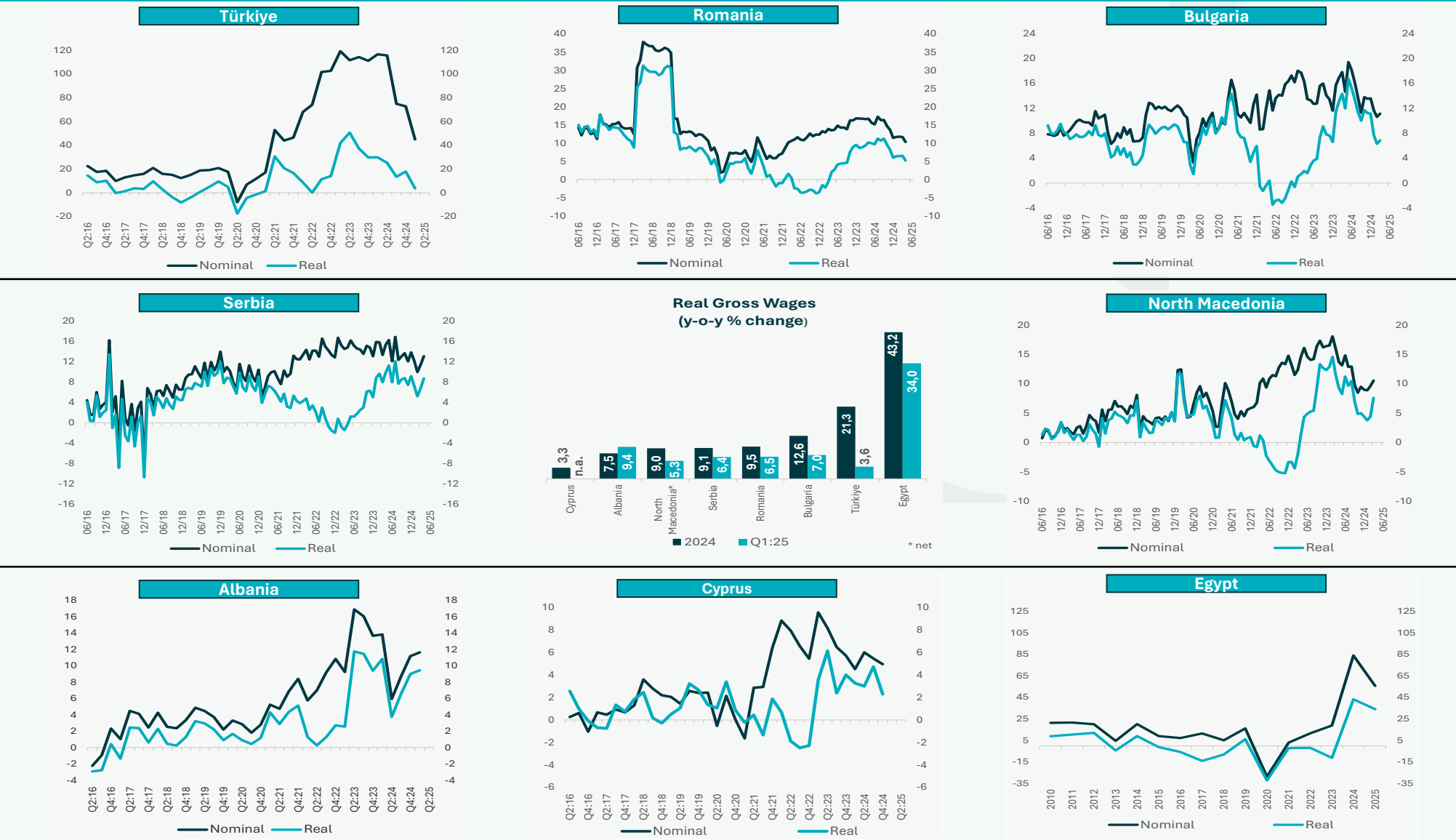
Unemployment rate (%)

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

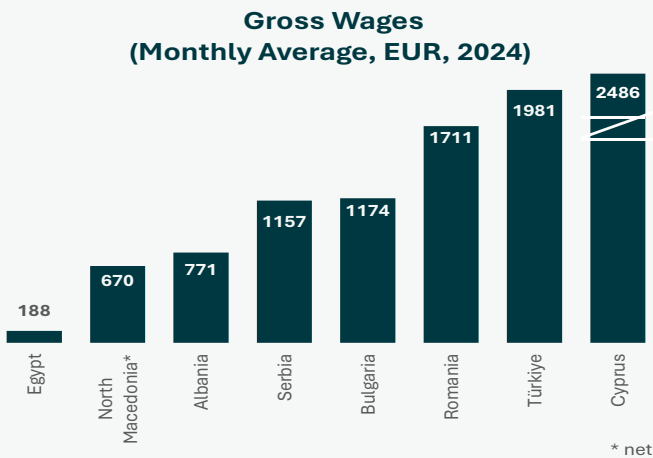


Nominal and real wages (y-o-y % change)

- 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 review, underpinning private consumption
- Considering employers' cautiousness, on the one hand, and the fact 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 averages



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



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

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

Snapshot

Real Sector

External Accounts

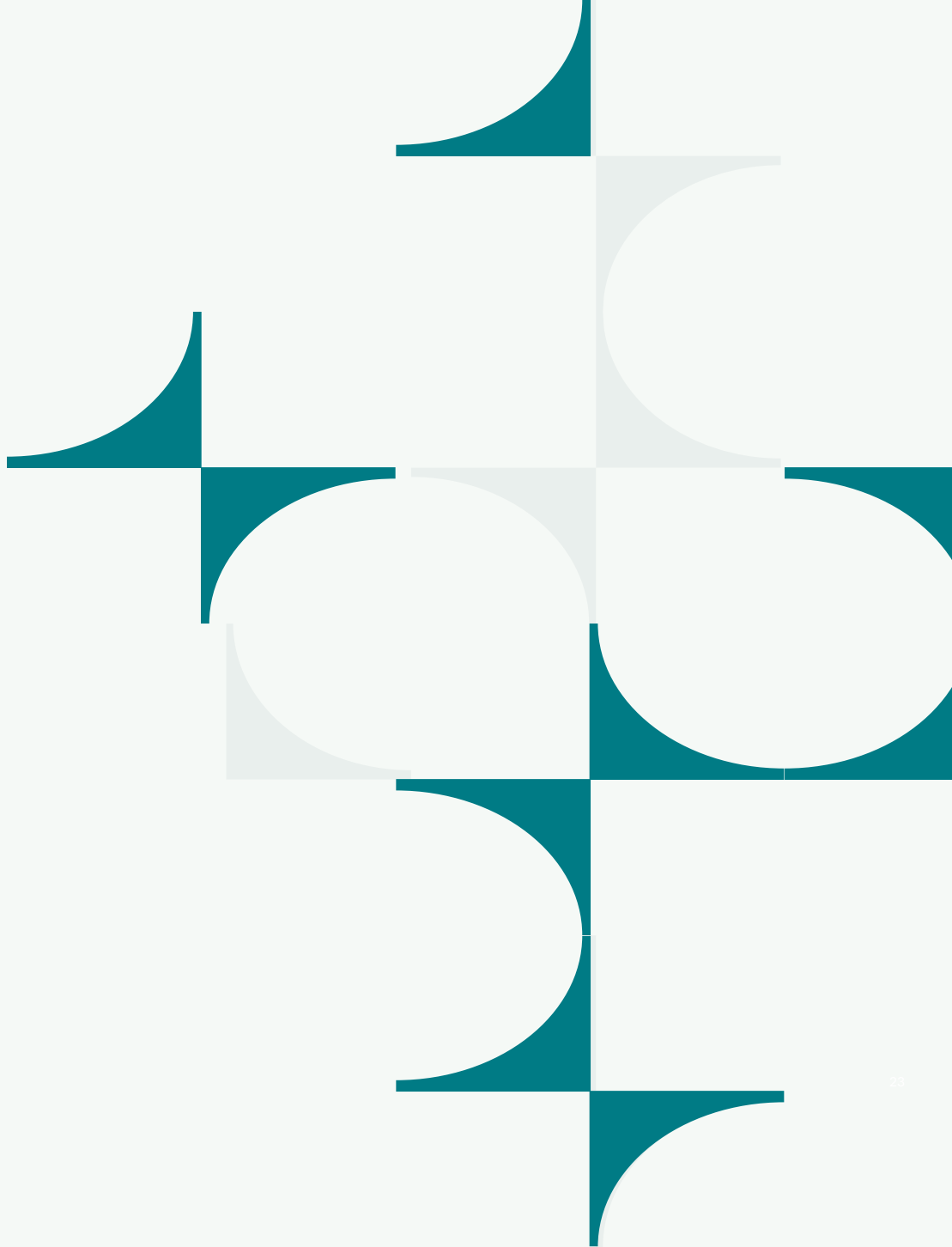
- External trade
- Real effective exchange rate
- Current account balance
- Net FDI
- Other net capital flows
- Balance of payments
- FX reserves
- Short-term external debt / FX reserves
- External debt

Prices & Monetary Policy

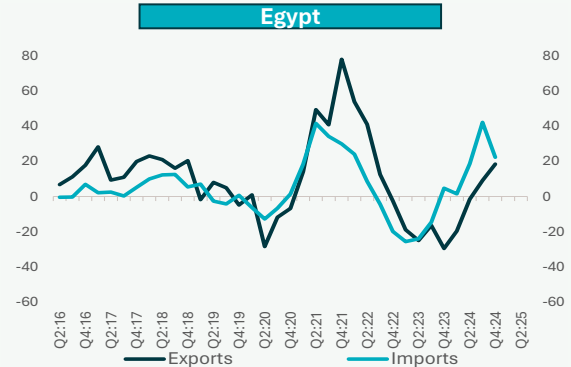
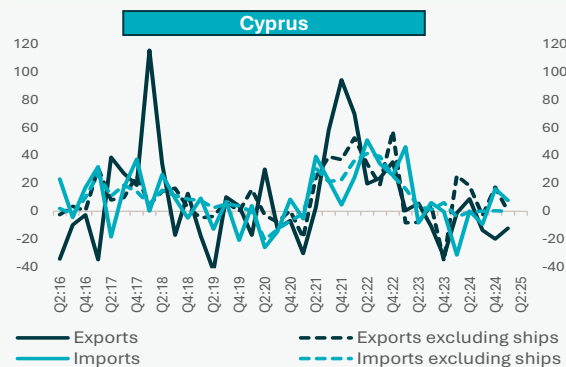
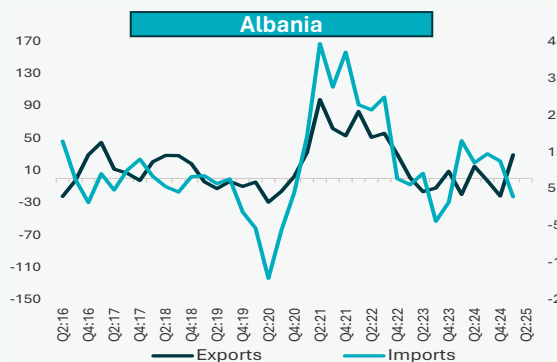
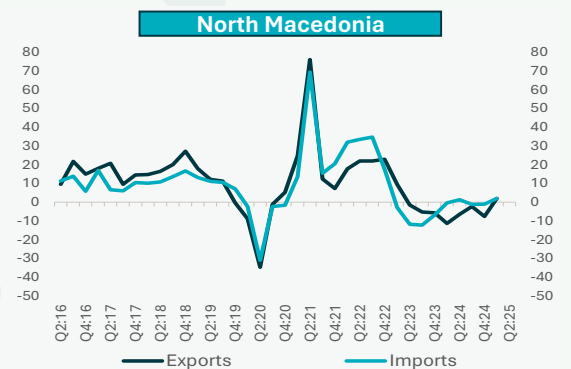
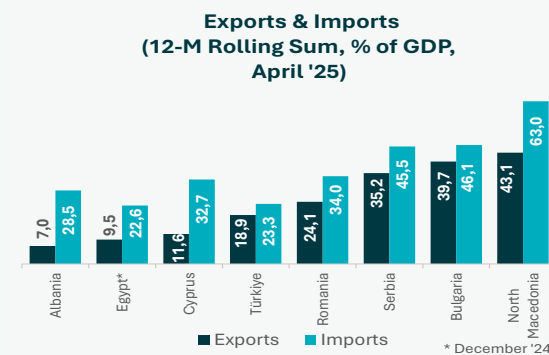
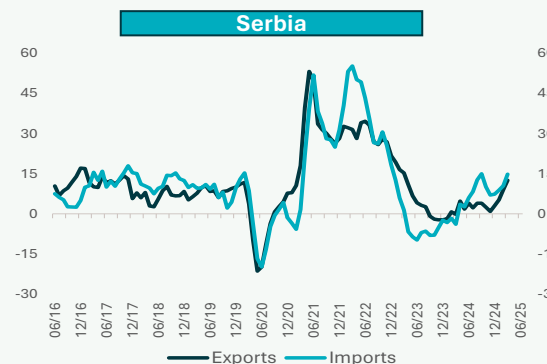
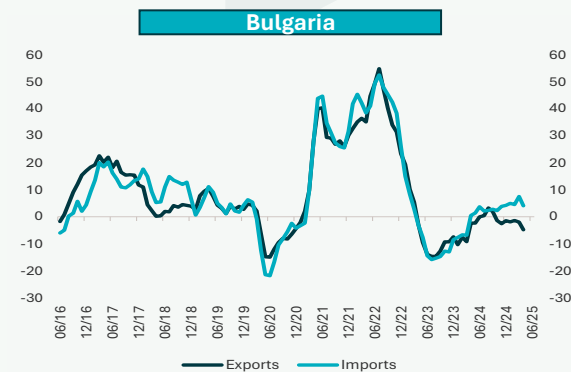
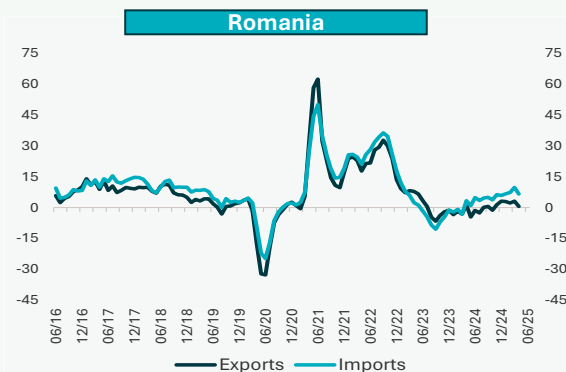
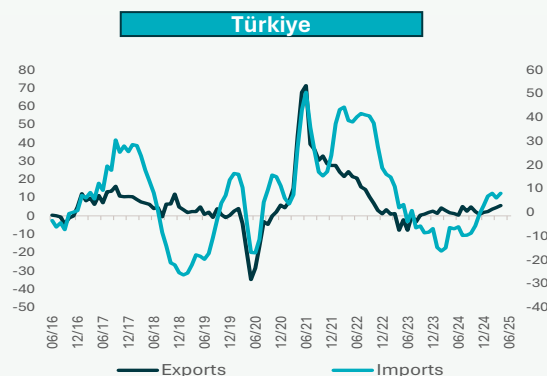
Fiscal Position

Financial Markets

Banking Sector

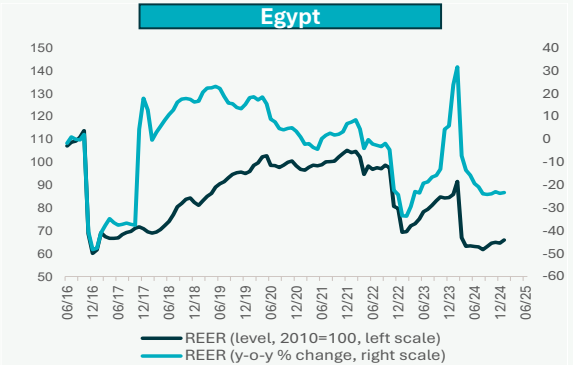
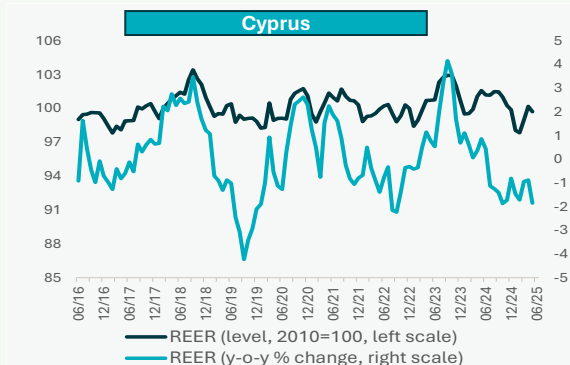
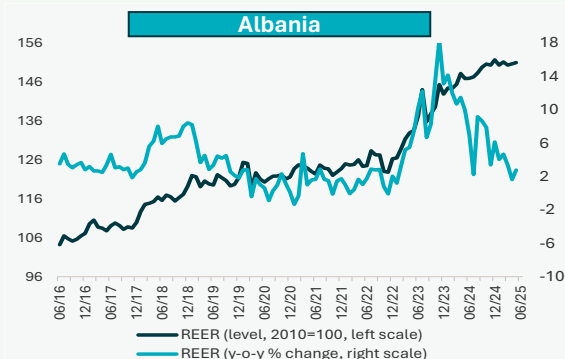
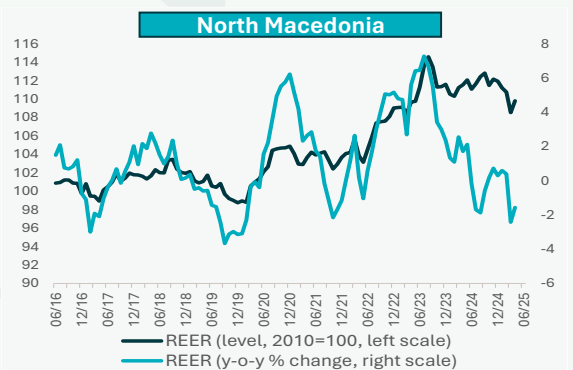
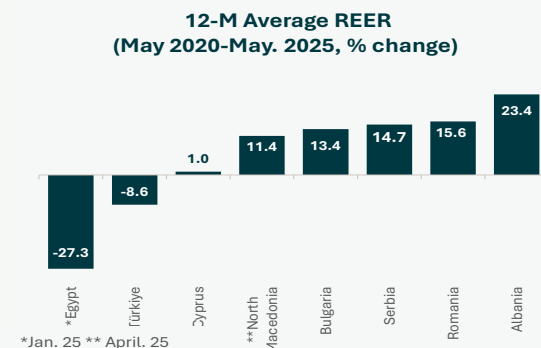
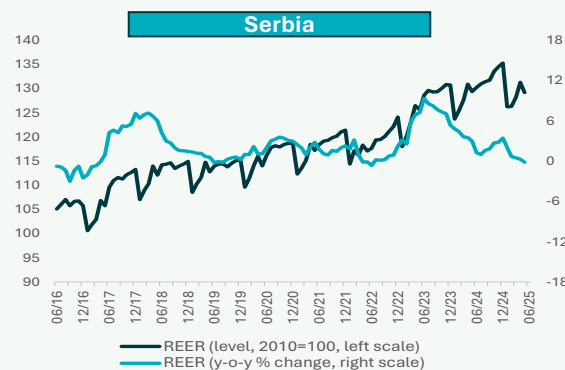
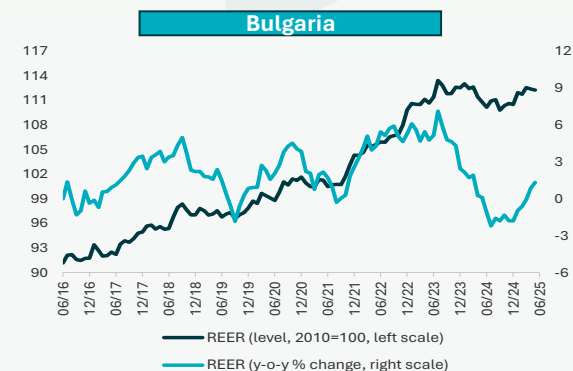
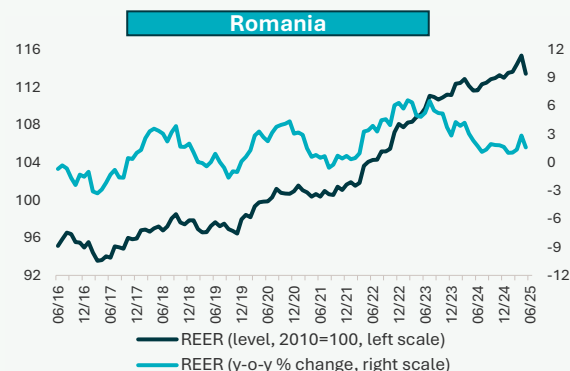
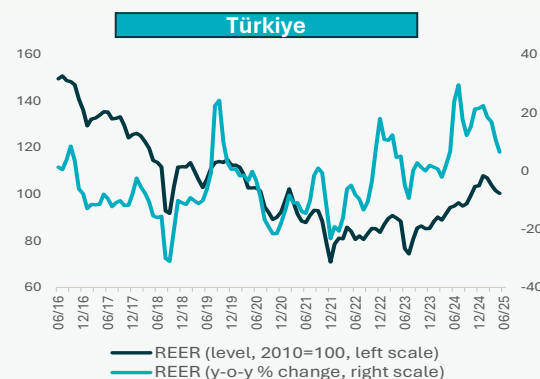


- Export growth has stalled, in line with the relatively weak pace of expansion in the EU, falling behind that of imports in most of the economies under review



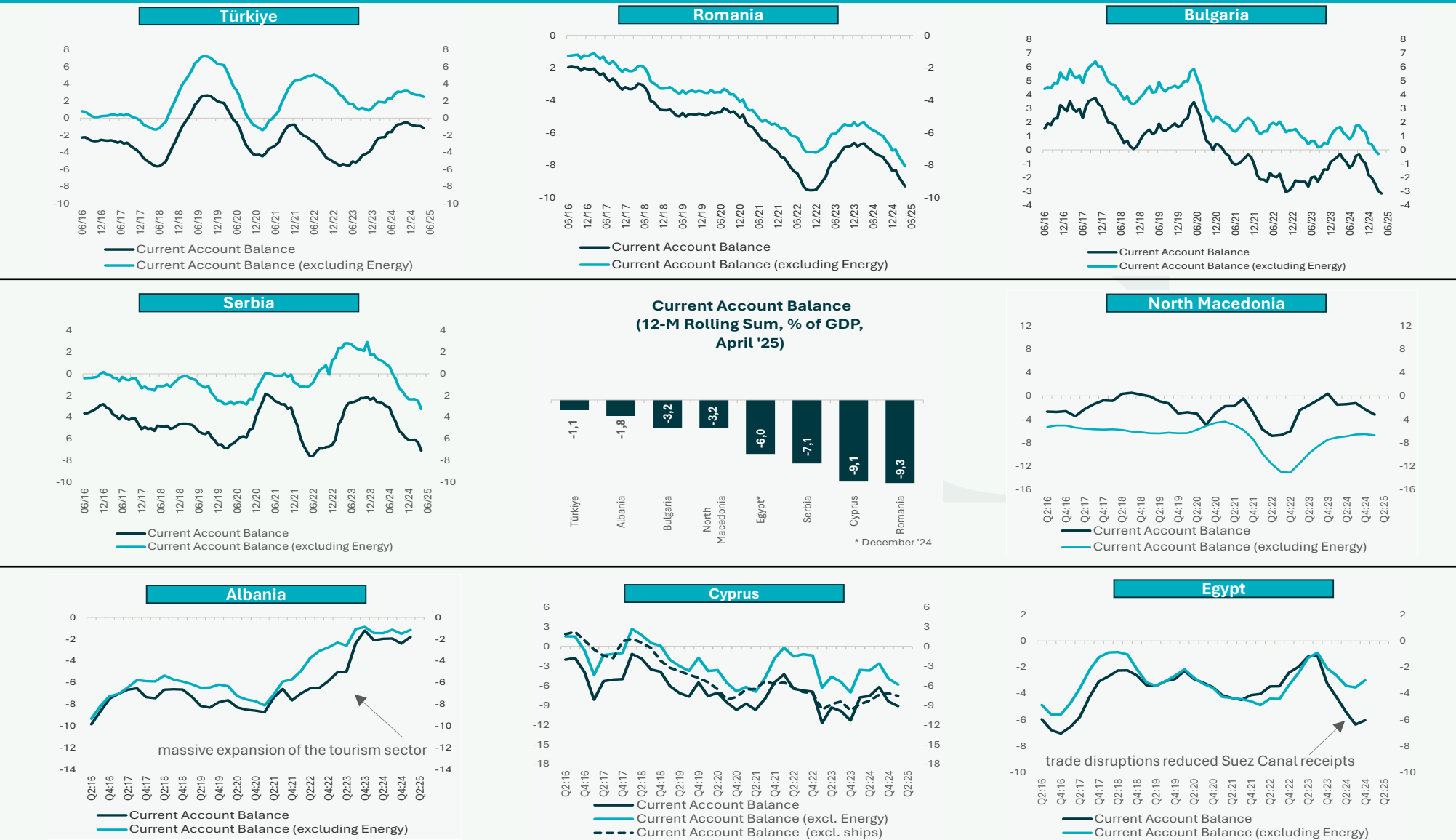
CPI-based real effective exchange rate

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



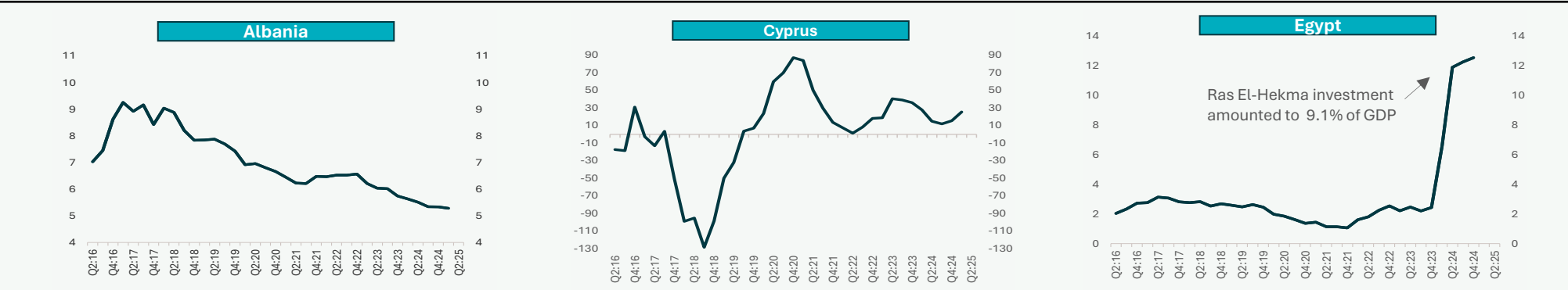
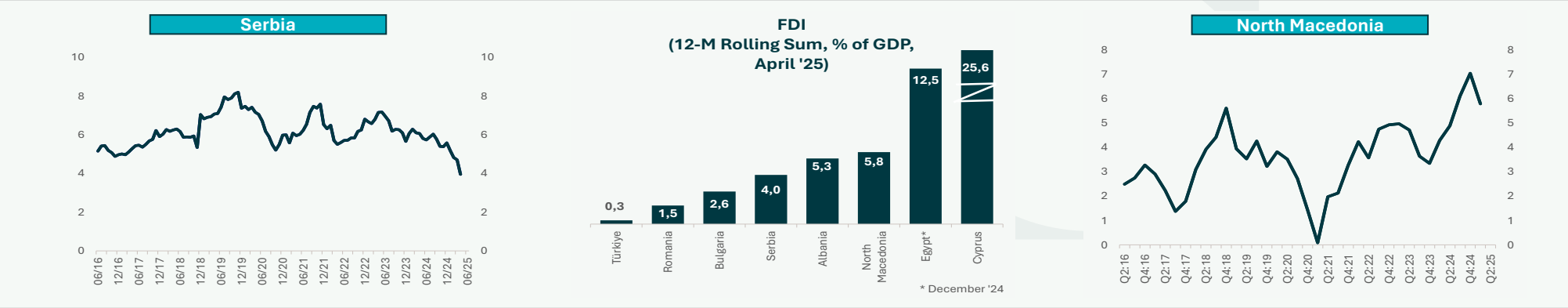
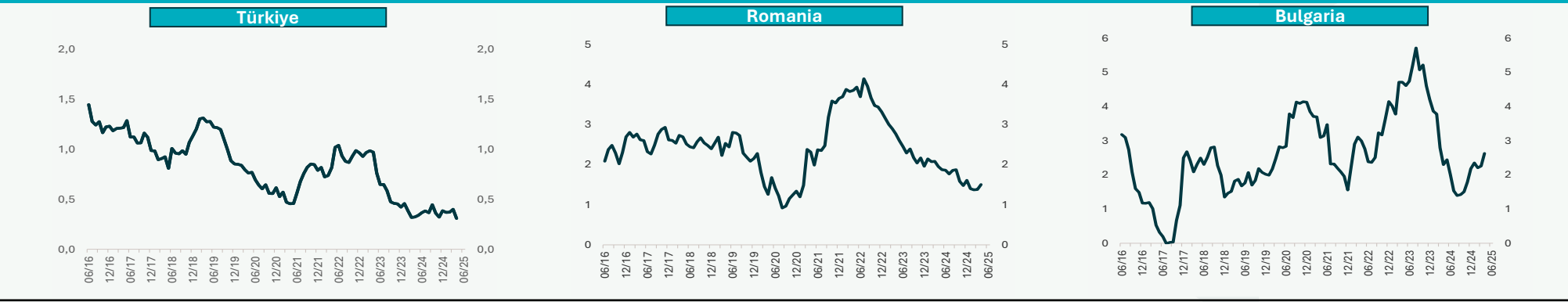
Current account balance (12-month rolling, % of GDP)

- Firming domestic demand has kept trade balances under pressure in most of the economies under review (especially **Romania**, **Bulgaria**, **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 gas production and lower Suez Canal receipts, due to Red Sea disruptions, have weighed on the current account deficit



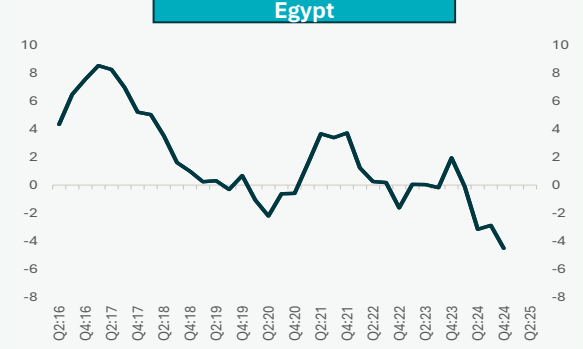
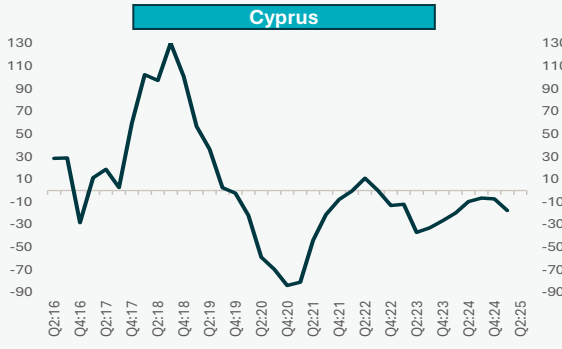
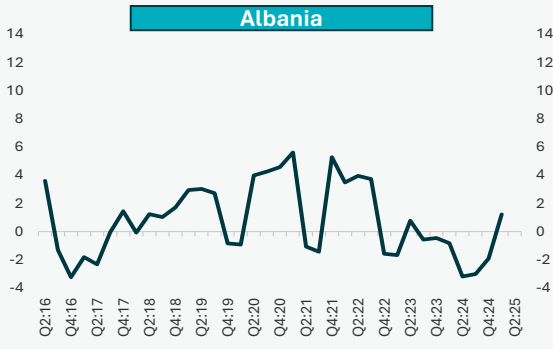
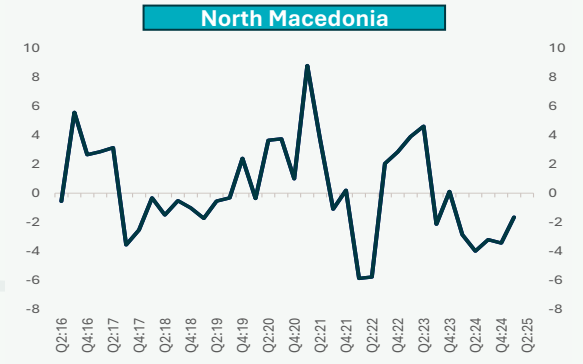
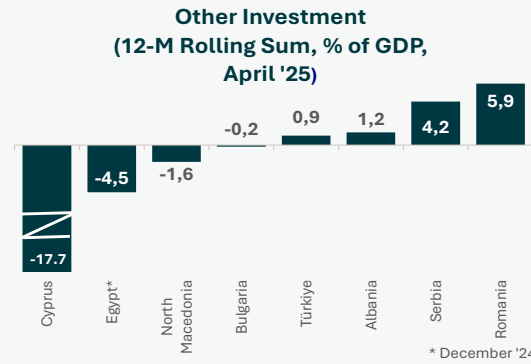
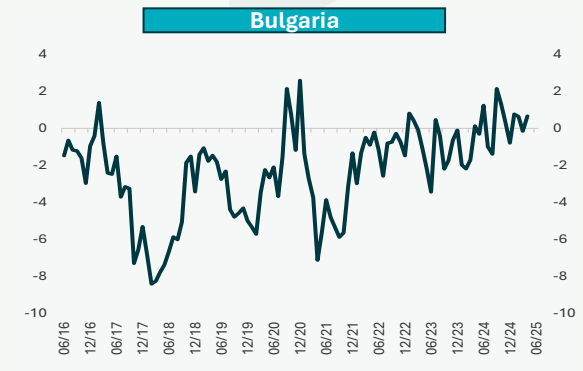
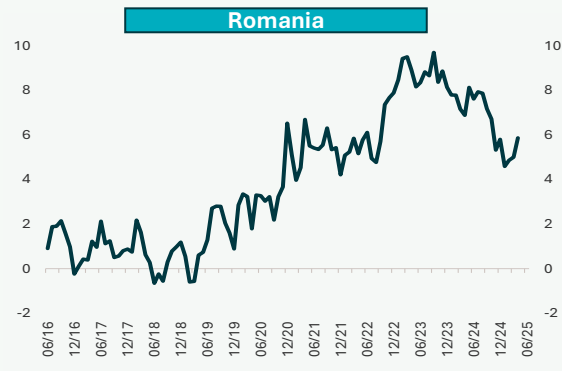
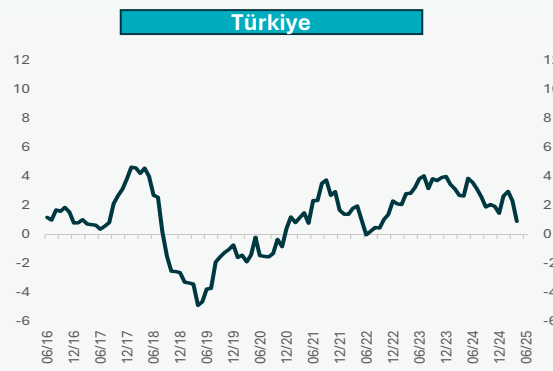
Net foreign direct investment (12-month rolling, % of GDP)

- Albania, Serbia and North Macedonia enjoy the strongest net FDI inflow in the region
- In Egypt, pending SOE privatizations and large-scale foreign (mostly from GCC countries) funded development investments (in the mode of UAE's ongoing Ras El-Hekma project) should keep FDI high in the period ahead, providing critical FX inflows
- Traditionally, the bulk of FDI consist of reinvested earnings and intercompany lending
- Broad-based uncertainty including concerns over geopolitical fragmentation) and lackluster economic growth in the EU 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**, in the wake of the US protectionist shift, on the one hand, and **firm domestic demand**, on the other hand, the **current account balance is set to remain under pressure** in most of the economies under review, **despite the favourable outlook for global energy prices**
- Based on y-t-d data on tourist arrivals, **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
- The current account deficit of the economies under review (barring Romania, Serbia and Cyprus) should remain **below** the empirical critical threshold of c. 5.0% of GDP
- Envisaged fiscal consolidation should help narrow gradually **Romania's** sizeable current account deficit
- Egypt's** external balances are expected to improve, following kicking-in of gains in external competitiveness from the weaker EGP. Note that ongoing unrest in the Middle-East has distorted Suez Canal traffic, depriving the economy of a critical source of FX income
- Easing global financing conditions should help most countries under review **plug their external financing gap this year without drawing on FX reserves**

Türkiye	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-3.6	-0.8	-1.3	-1.9
Net FDI	0.4	0.4	0.5	0.6
Other net capital inflows *	4.0	1.5	1.8	0.0

Bulgaria	Dec. 23	Dec. 24	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 *	-1.5	0.0	-0.5	-0.4

North Macedonia	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	0.4	-2.3	-3.0	-3.0
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. 24	Dec. 25F	Dec. 26F
Current account balance**	-11.3	-8.4	-8.9	-9.2
Net FDI**	36.0	15.5	17.1	17.9
Other net capital inflows *	-26.9	-7.3	-7.3	-6.0

** 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	-8.4	-7.9	-7.3
Net FDI	2.0	1.6	1.6	1.6
Other net capital inflows *	8.8	7.0	6.1	6.1

Serbia	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-2.4	-6.1	-6.4	-6.6
Net FDI	5.7	5.6	5.6	5.6
Other net capital inflows *	2.9	3.0	3.7	3.7

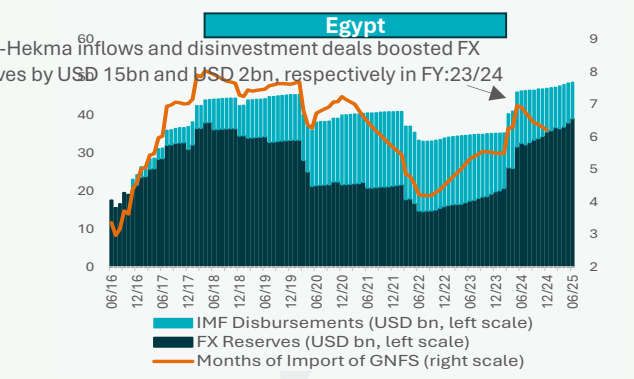
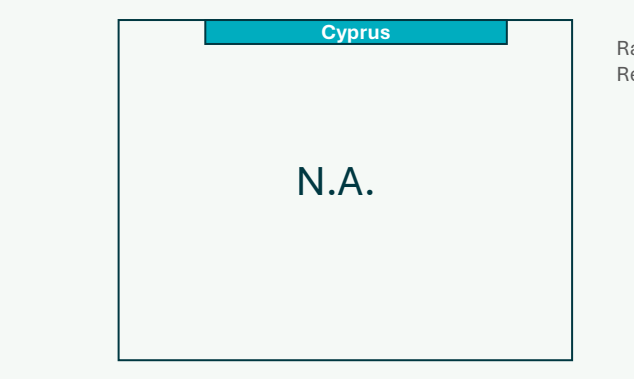
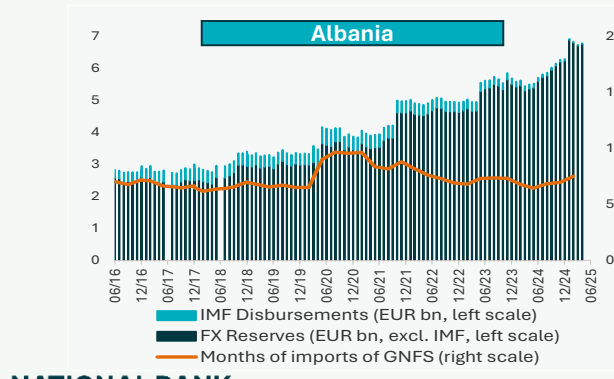
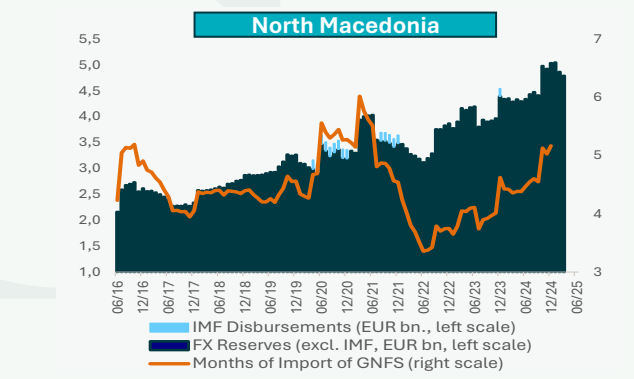
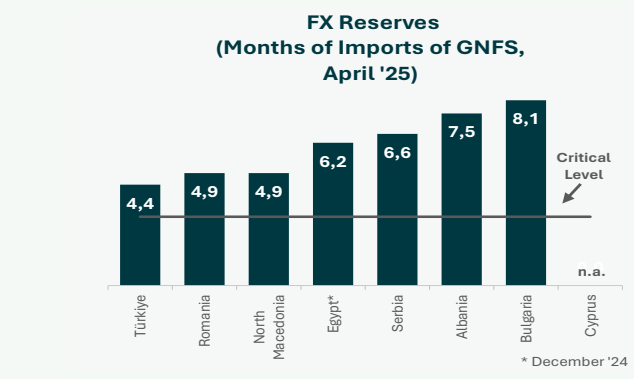
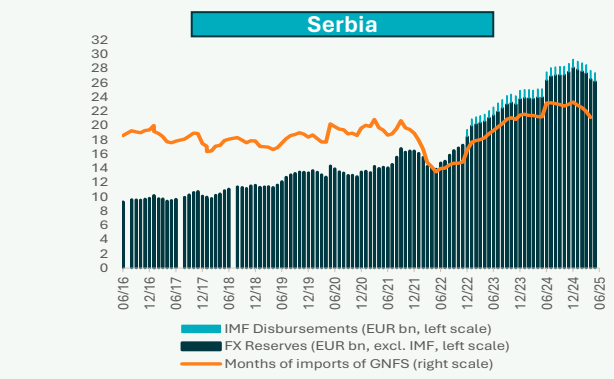
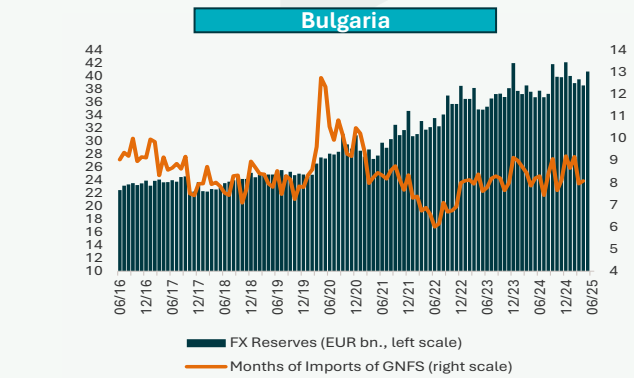
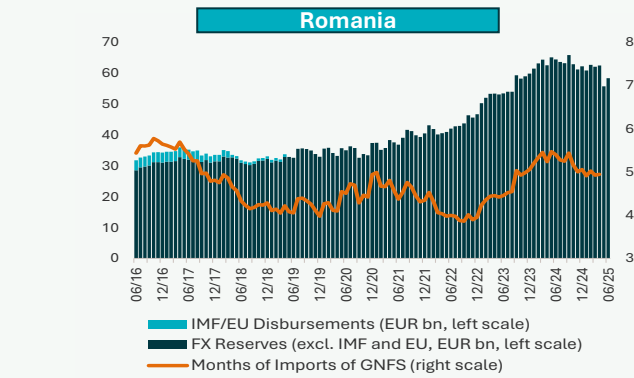
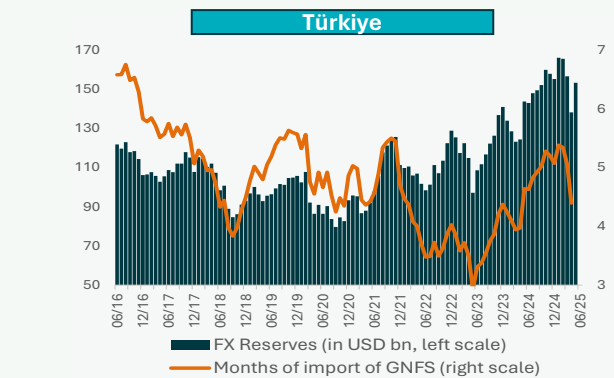
Albania	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
Current account balance	-1.2	-2.4	-2.8	-3.0
Net FDI	5.8	5.4	5.1	5.2
Other net capital inflows *	-0.5	-1.9	-0.4	-0.4

Egypt#	Jun. 23	Jun. 24	Jun. 25E	Jun. 26F
Current account balance	-1.2	-5.4	-5.5	-4.6
Net FDI	2.5	11.9***	3.2	3.1
Other net capital inflows *	0.0	-3.2	2.3	0.9

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

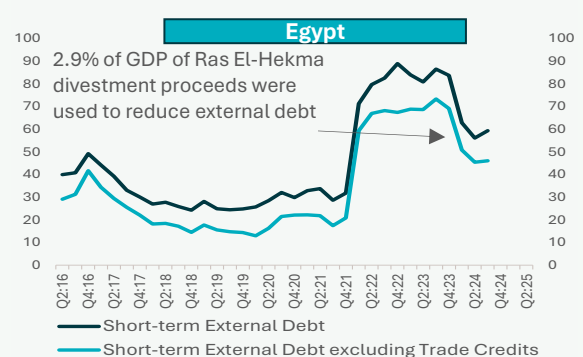
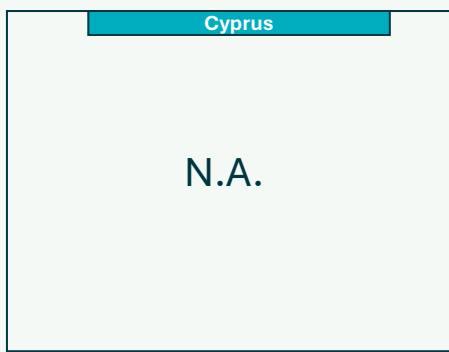
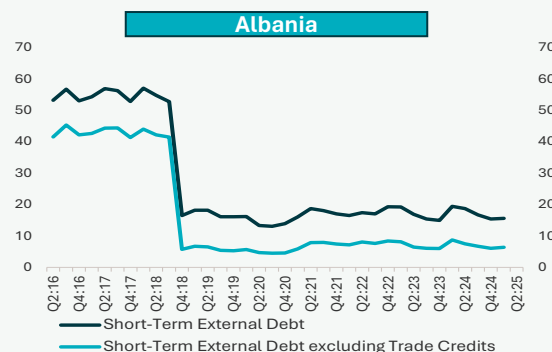
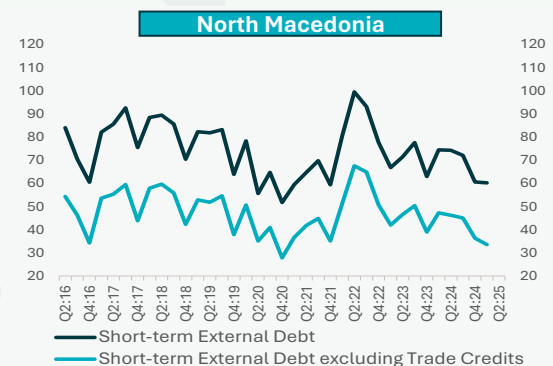
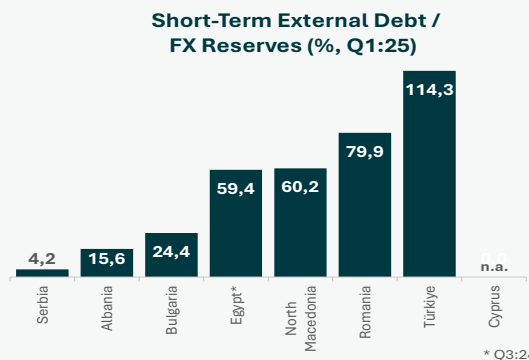
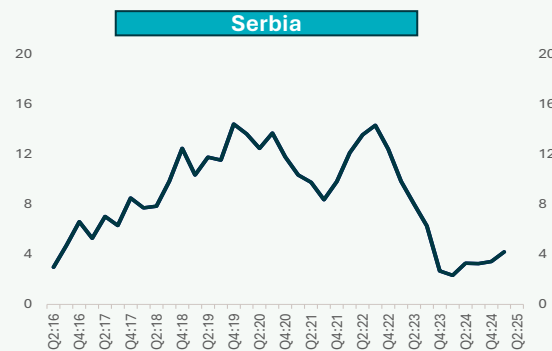
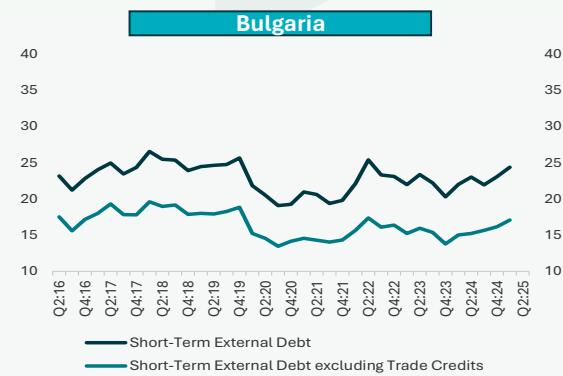
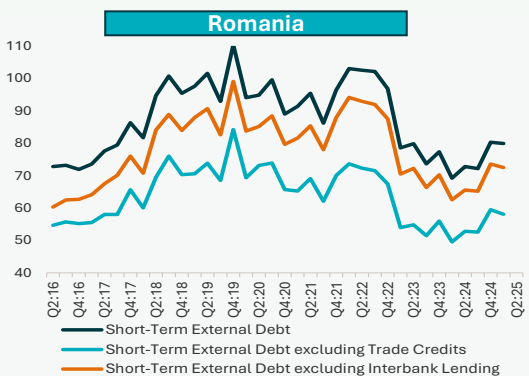
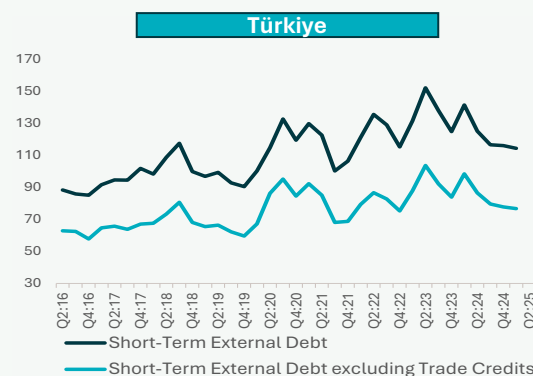
Foreign exchange reserves

- FX reserves have come under pressure in **Türkiye, Romania and Serbia** since the beginning of the year, reflecting weaker investor sentiment in the face of increased political uncertainty
- Still, FX reserves stand at **adequate** levels in all countries under review, covering more than 4 months of GNFS imports



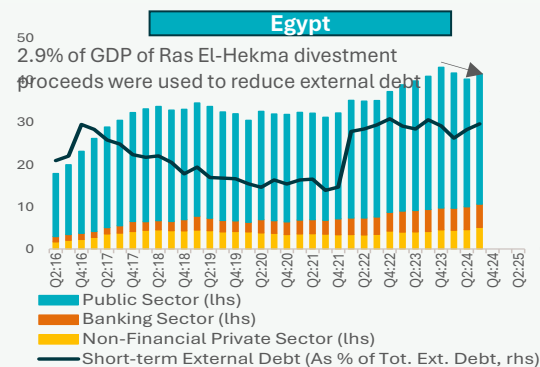
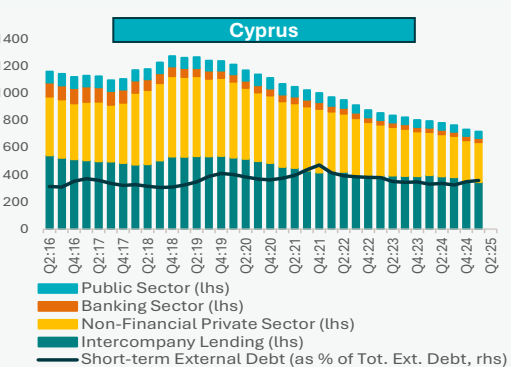
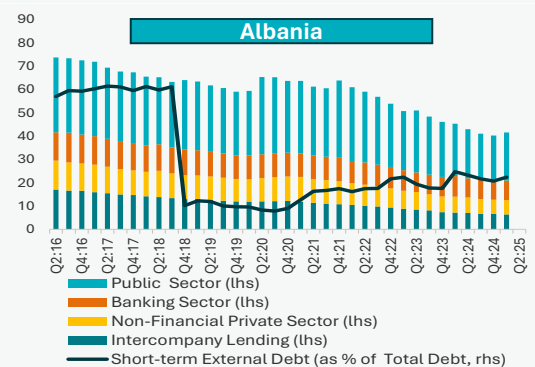
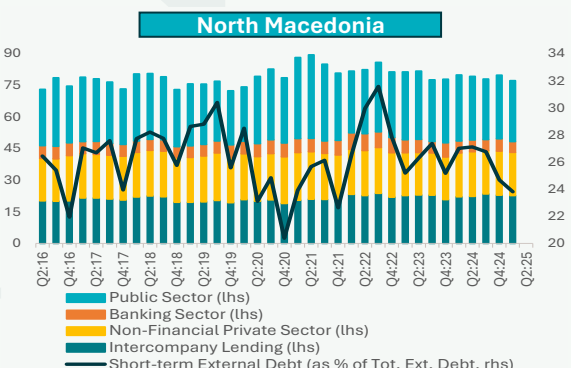
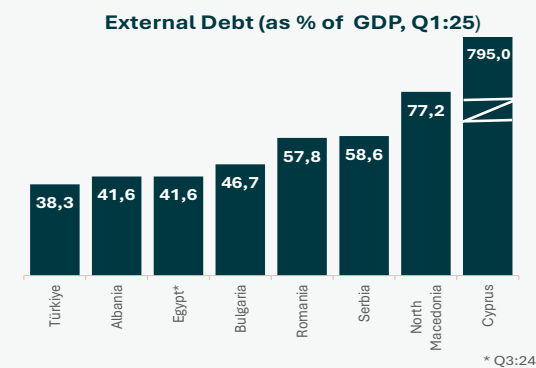
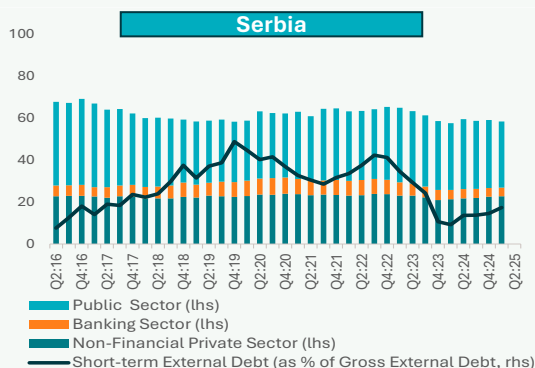
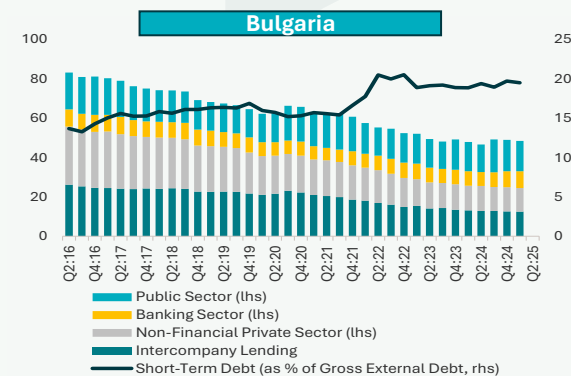
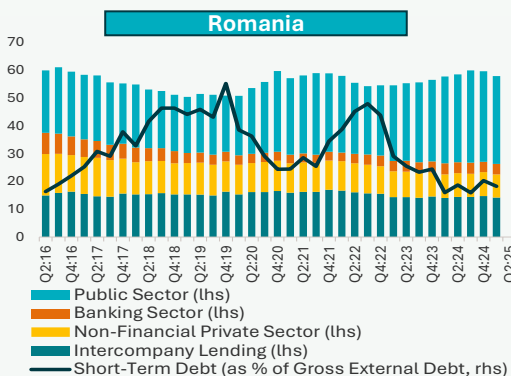
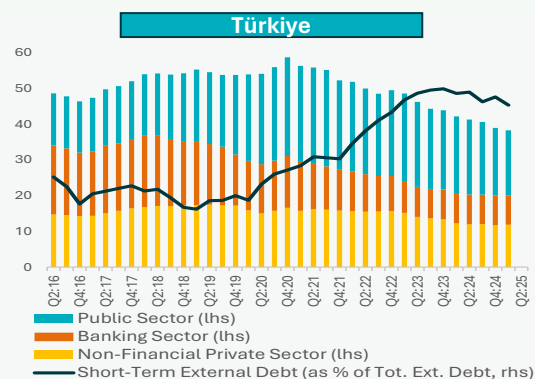
Short-term external debt-to-Foreign exchange reserves ratio (%)

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



External Debt (% of GDP)

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



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Real estate prices

Inflation

Energy & Food prices and Transport costs

Nominal effective exchange rate

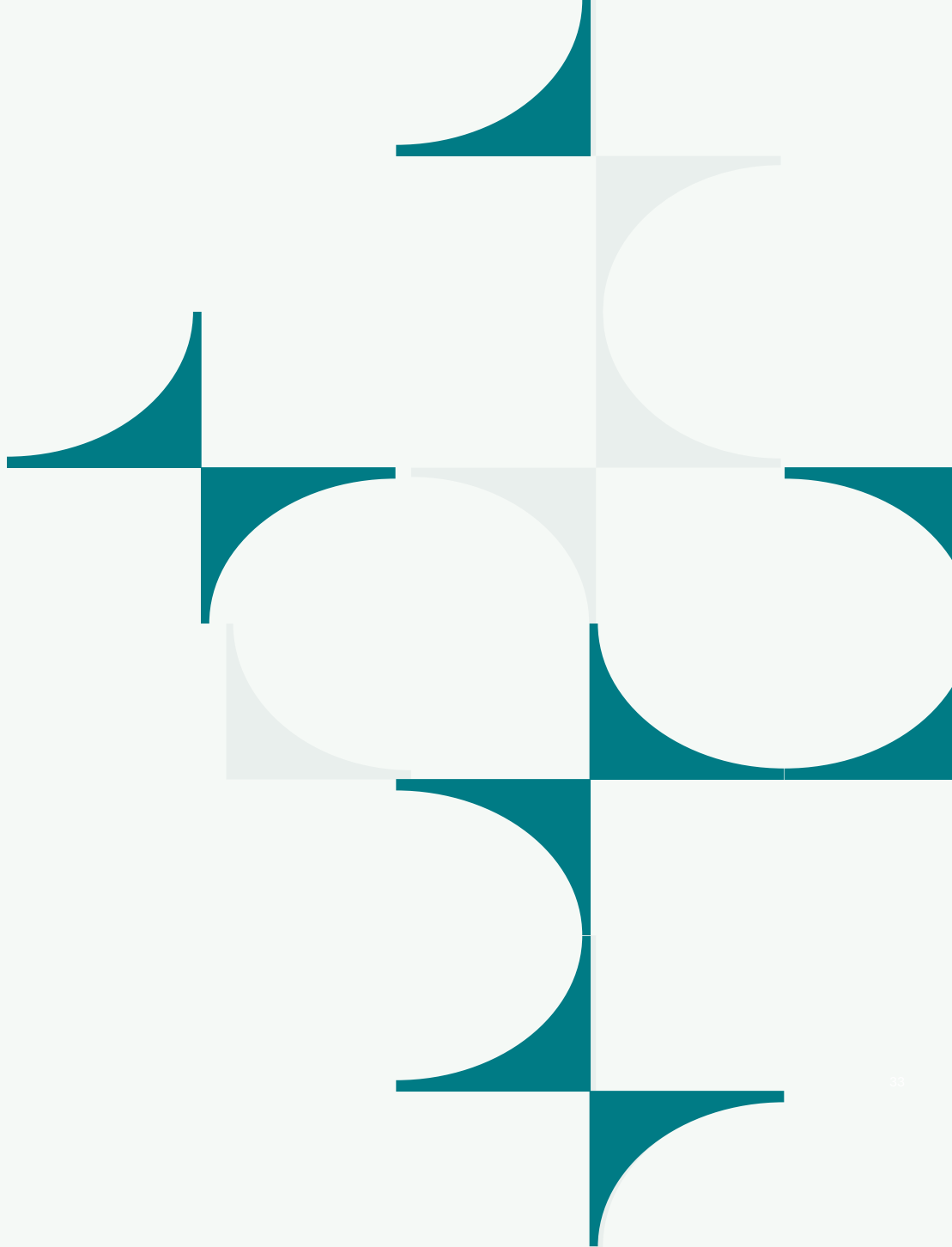
Policy rate

Reserve requirement ratios

Fiscal Position

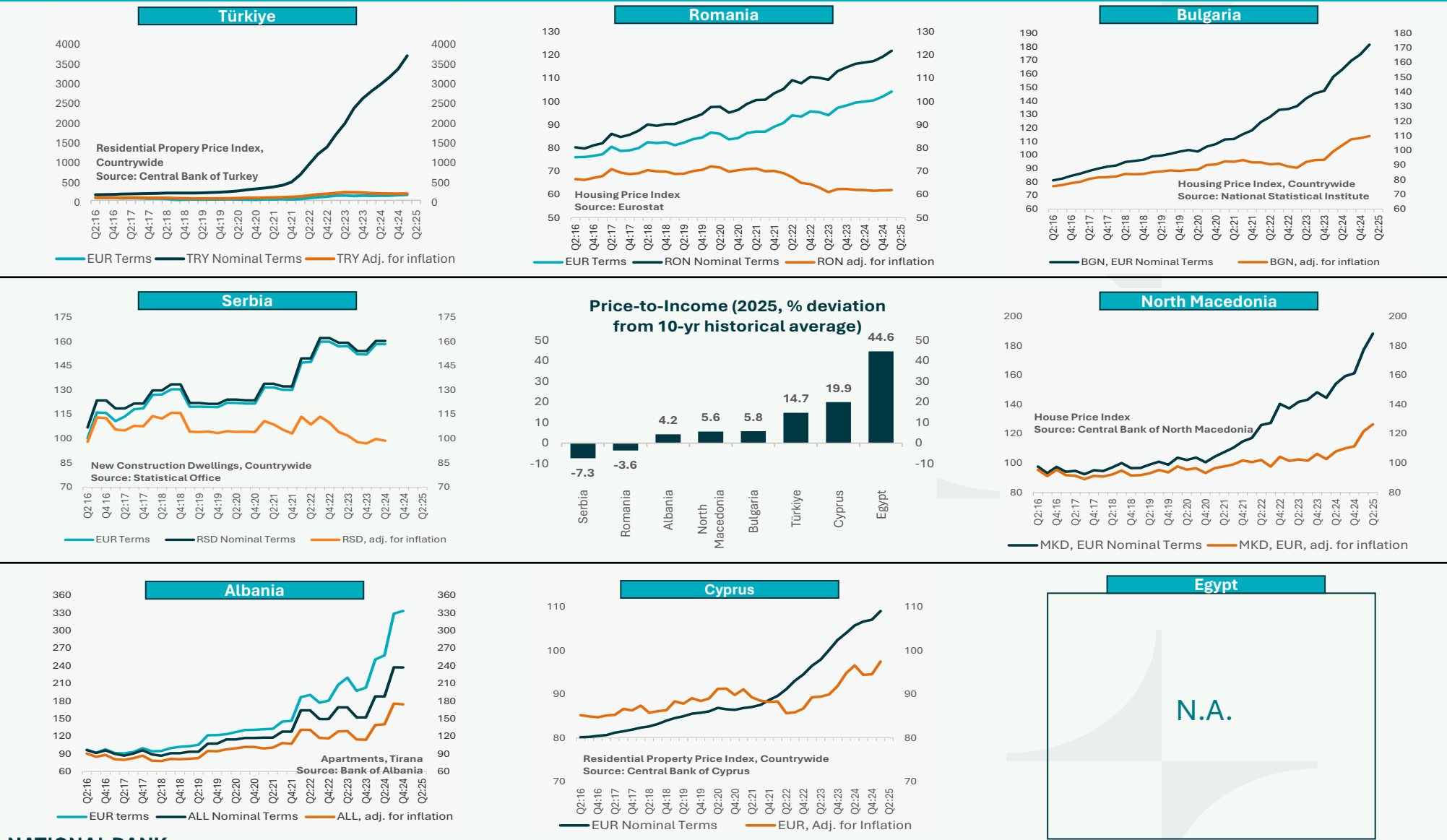
Financial Markets

Banking Sector

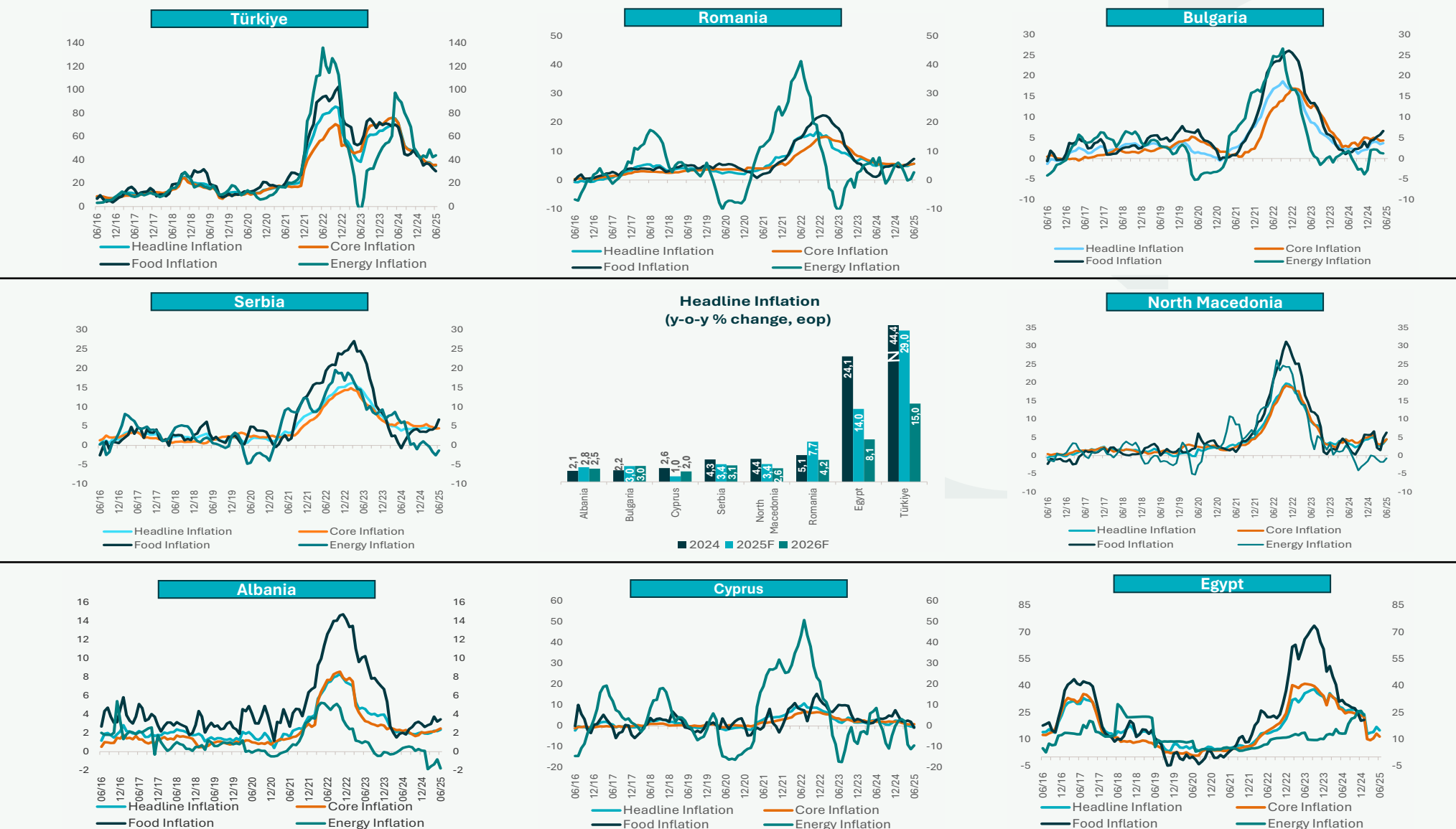


Real estate prices

- The 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 **Albania**, **Bulgaria** and **North Macedonia** warrants caution. However, based on the evolution of the price-to-income ratio, the respective markets do not appear to be significantly overvalued
- Easing financing conditions should provide a **tailwind** to the real estate market in the period ahead

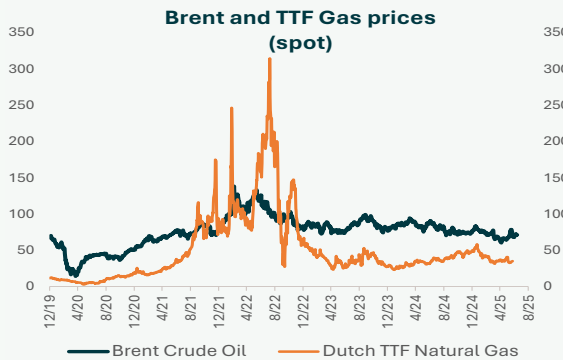
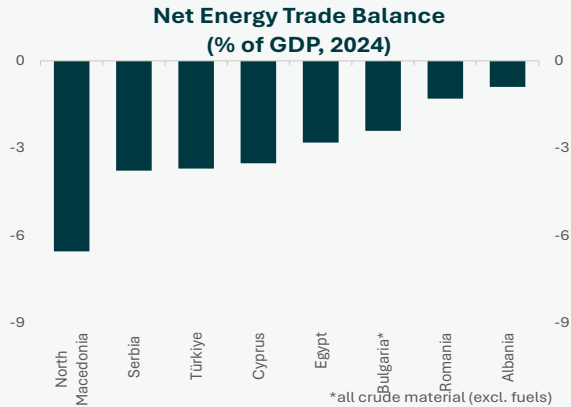


- Disinflation has lost much of its steam lately, due not only to negative base effects from the unwinding of measures mitigating the cost-of-living crisis but also to the fading impact of lower energy prices and sticky services inflation
- Overall, headline inflation is set to continue on a slow downward trend but is **unlikely to return to pre-pandemic levels** before the end of the 2-year forecast horizon
- Tax hikes in **Romania** (in VAT & excise duties, effective as of August) and **Egypt** (VAT amendments, effective as of July) should push inflation higher in the short-term

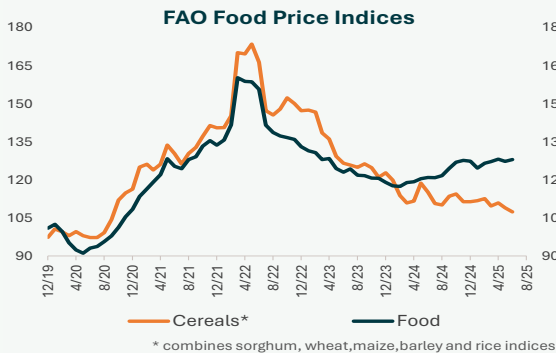
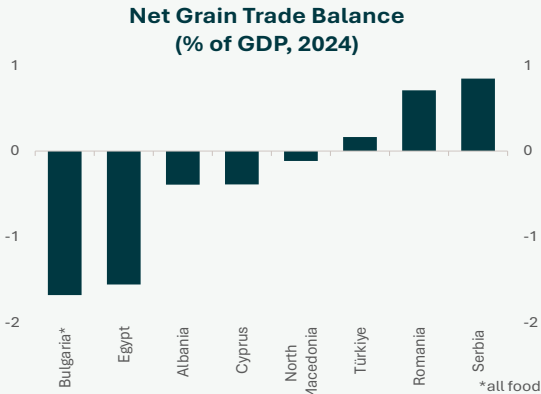


- Slowing global economic growth, in the wake of the US’s protectionist shift, suggests a **favourable outlook for global energy prices** over the forecast horizon. Geopolitical unrest is a key factor to consider in the period ahead, although we recognize that recent ceasefire agreement between Israel and Iran reduces the risk of a new escalation in tensions in the Middle-East, at least in the short-term
- On the other hand, **global food prices** (especially of dairy, vegetable oil and, to a lesser extent, meat products) **have been on the rise**, reflecting, *inter alia*, supply constraints

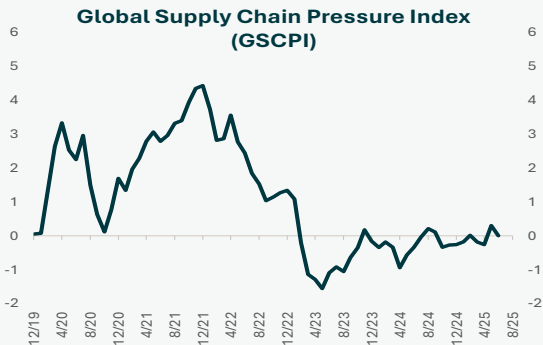
Energy



Food

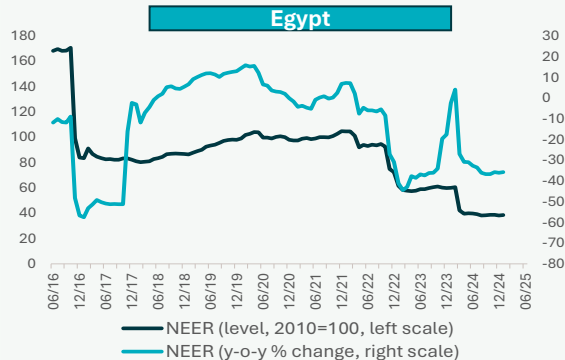
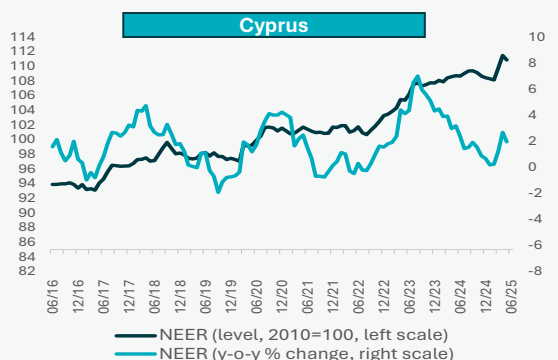
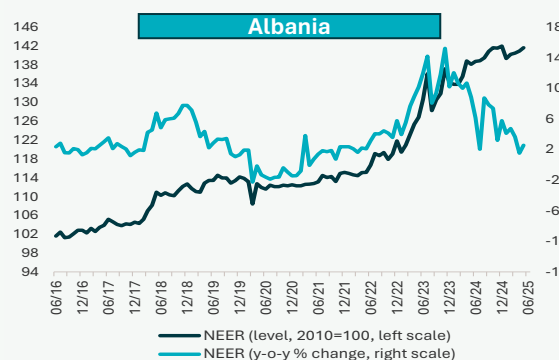
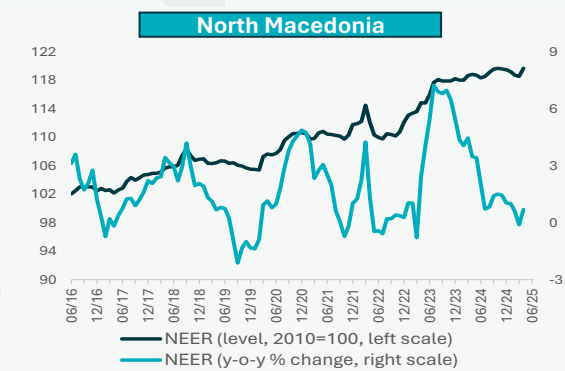
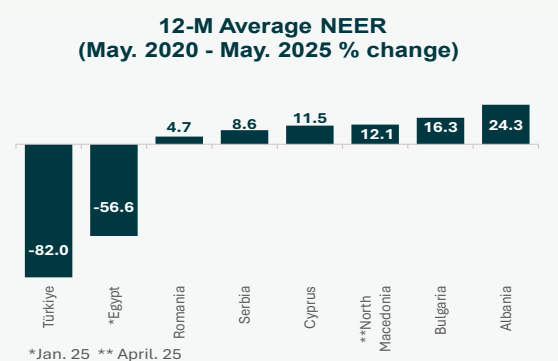
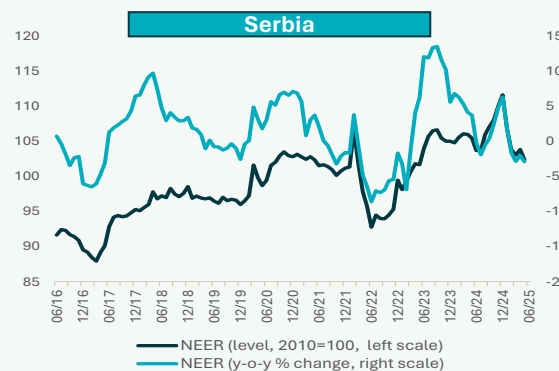
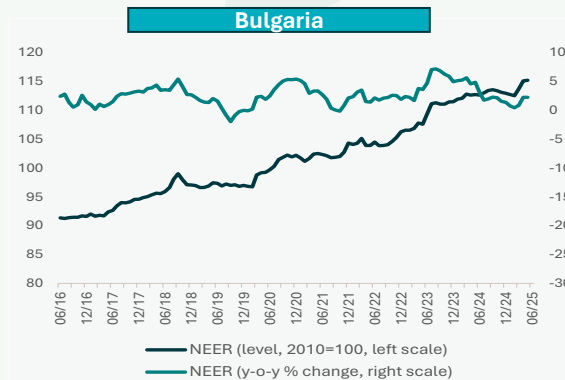
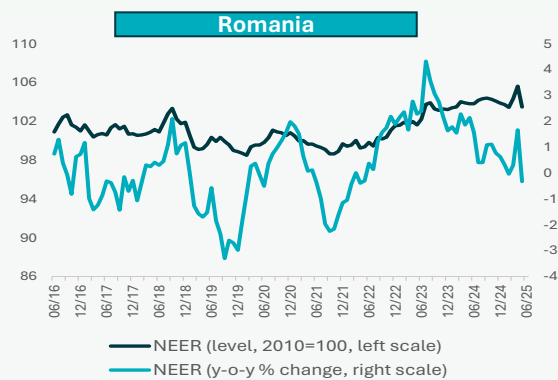
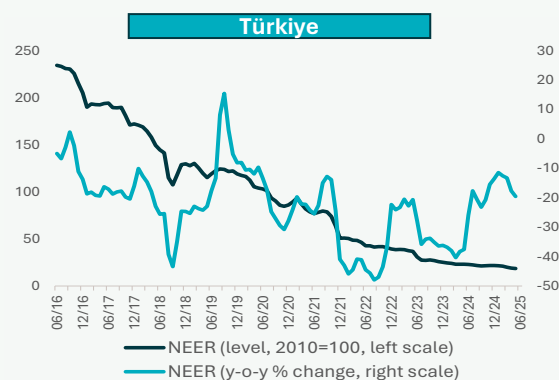


Global Supply

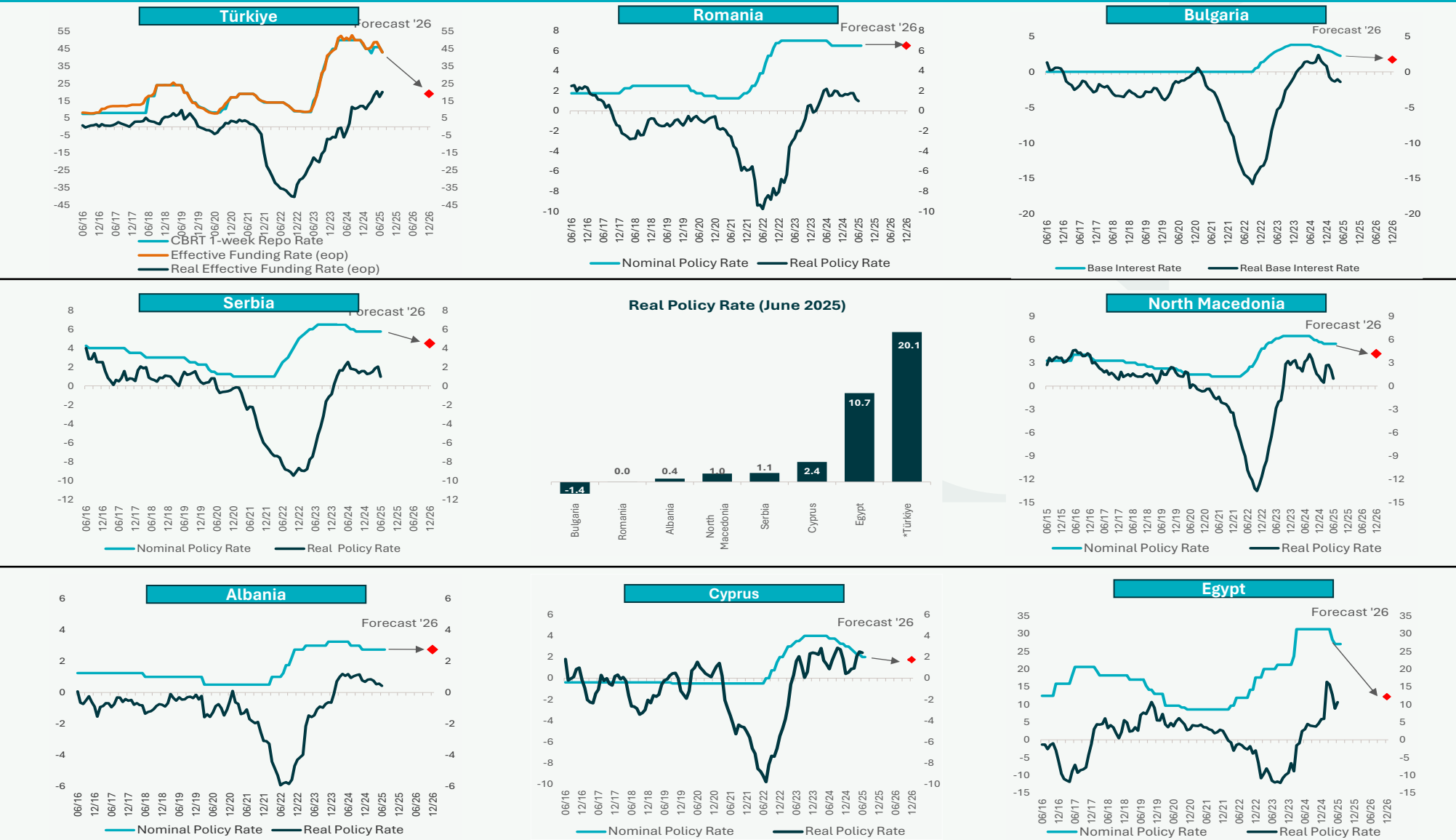


Nominal effective exchange rate

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



- # Policy rate
- Despite the ECB's quite aggressive easing trajectory over the past 12 months, most regional central banks are set to **ease their stance cautiously**, in view of slow disinflation processes
 - In **Türkiye**, the CBRT has switched back to (cautious) easing mode after a short-lived episode of political uncertainty had prompted it to hike interest rates
 - In **Romania**, the envisaged jump in inflation, following tax hikes to help contain the sizeable budget deficit, and the need to stem (an additional) weakening of the RON should prompt the NBR to remain on hold at least until early next year



Reserve requirement ratios

■ In **Türkiye**, the CBRT has further raised its reserve requirement rates on banks' FX and FX-protected liabilities since the beginning of the year to stem dollarization

Türkiye				Romania				Bulgaria			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	July 2025		Dec. 2023	Dec. 2024	July 2025		Dec. 2023	Dec. 2024	July 2025
LC Liabilities	0.0-8.0*	3.0-17.0**	3.0-17.0***	LC Liabilities	8.0	8.0	0.0-8.0	LC Liabilities	12.0	12.0	12.0
FC Liabilities	5.0-29.0	5.0-30.0	5.0-32.0	FC Liabilities	5.0	5.0	0.0-5.0	FC Liabilities	10.0	12.0	12.0
* FX protected accounts: 10.0-30.0											
** FX protected accounts: 22.0-30.0											
*** FX protected accounts: 22.0-40.0											

Serbia				North Macedonia				Albania			
Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)				Reserve Requirement Ratios (%)			
	Dec. 2023	Dec. 2024	July 2025		Dec. 2023	Dec. 2024	July 2025		Dec. 2023	Dec. 2024	July 2025
LC Liabilities	2.0-7.0	2.0-7.0	2.0-7.0	LC Liabilities	5.0	0.0-8.0	0.0-8.0	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	5.0-21.0	5.0-21.0	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	July 2025		Dec. 2023	Dec. 2024	July 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

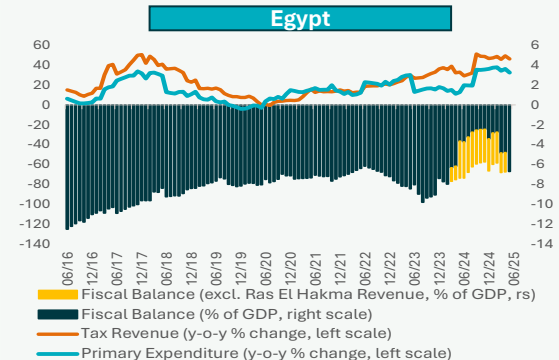
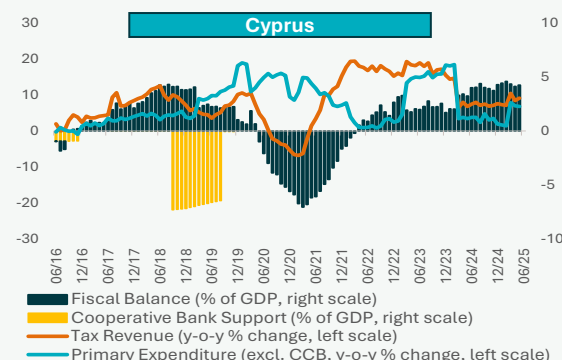
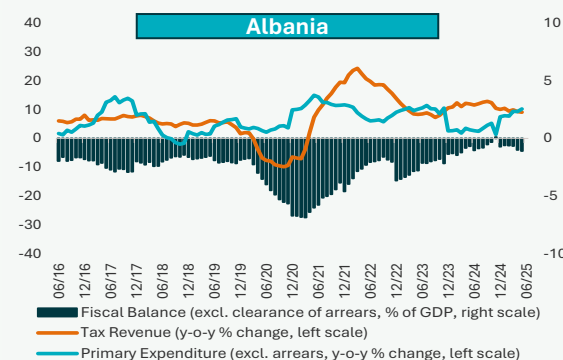
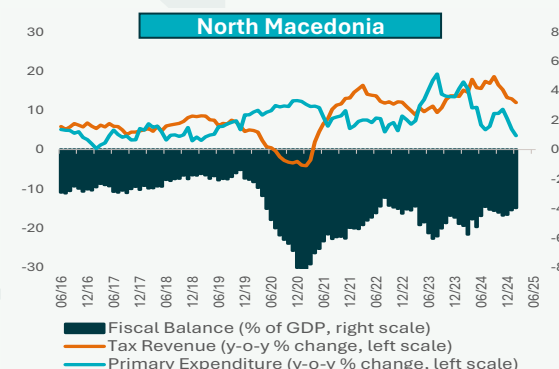
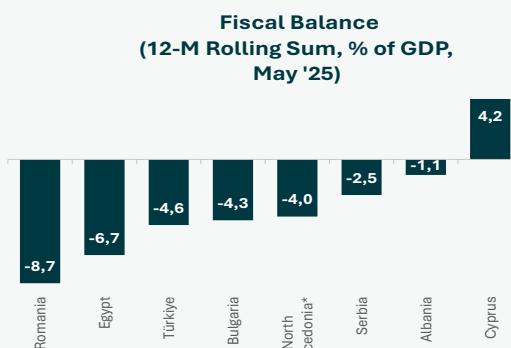
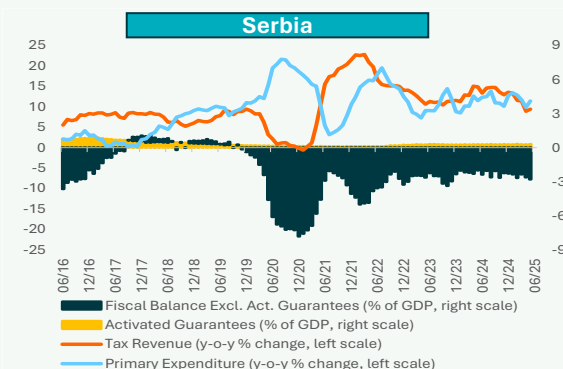
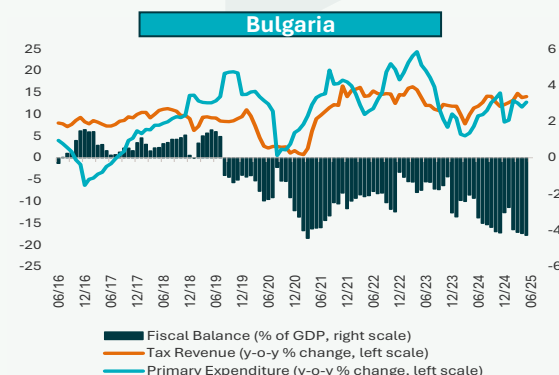
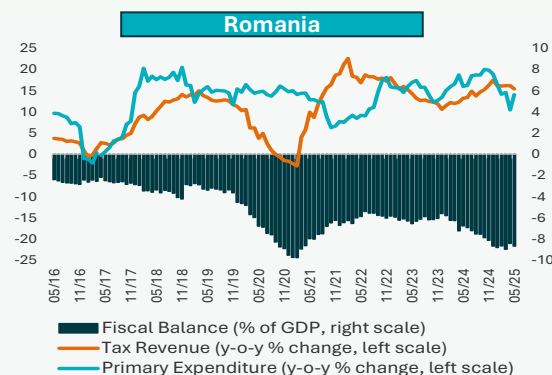
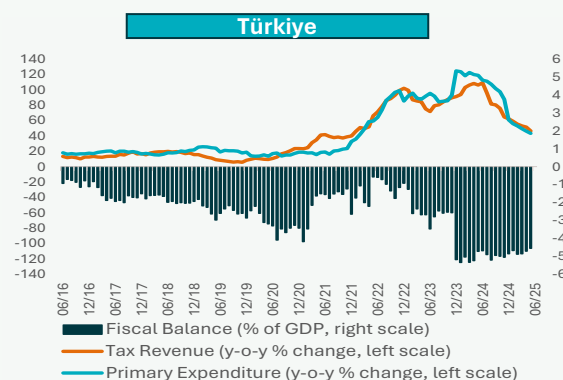
Public debt

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)

- Barring Cyprus and Albania, the budget in the remaining economies under review remains in a **deficit much higher** than that witnessed in the period prior to the pandemic,
- Under current policies, **fiscal consolidation is unlikely to gain much pace** in the period ahead
- In **Romania**, a fiscal consolidation package (involving, among others, hikes in the VAT rate and excise duties as well as wage freezes, with additional -- yet undisclosed -- measures being in the pipeline for next year) will be put into effect as of August to help contain the highest budget deficit in the EU. Still, the latter is unlikely to fall below the critical threshold of 3.0% of GDP earlier than 2031
- Amid solid economic growth, 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. 24	Dec. 25F	Dec. 26F
-5.2	-4.9	-3.8	-3.0	-5.6	-8.7	-7.7	-6.6	-3.0	-3.0	-3.0	-3.0

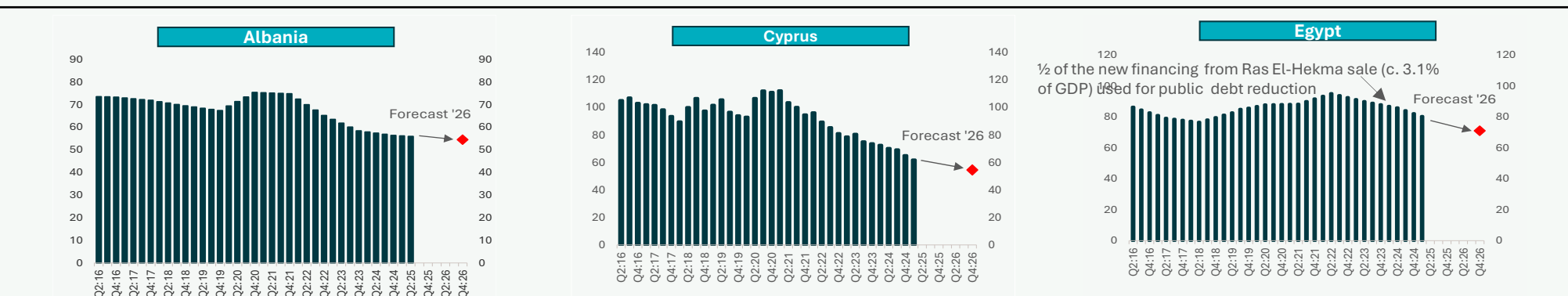
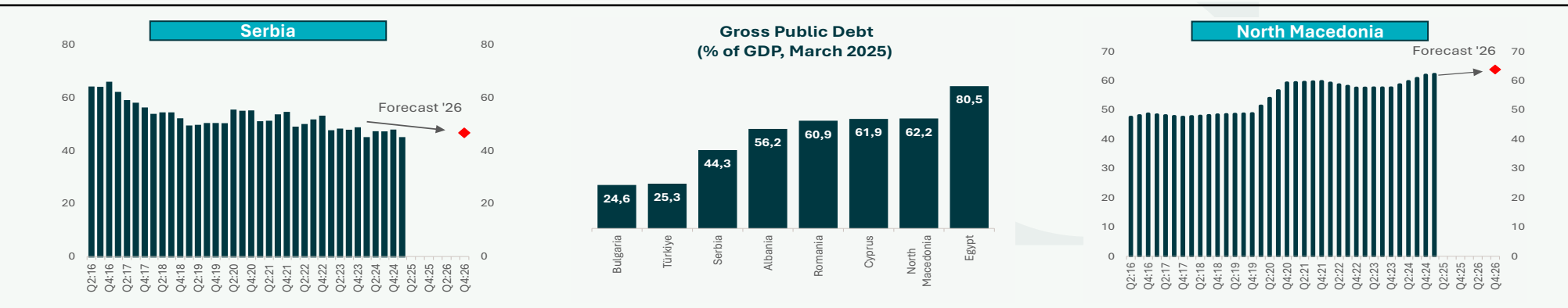
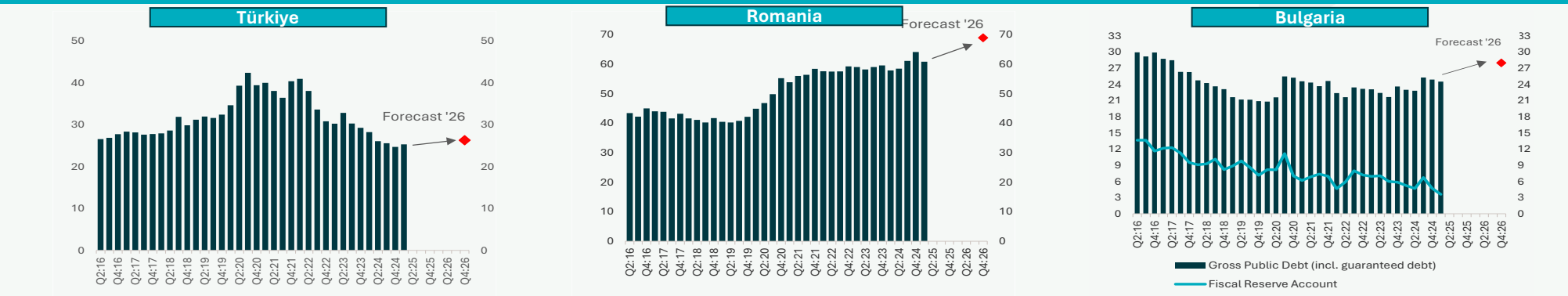
Serbia				North Macedonia				Albania			
Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Dec. 23	Dec. 24	Dec. 25F	Dec. 26F
-2.1	-2.0	-2.8	-2.8	-4.6	-4.4	-4.2	-3.6	-1.3	-0.7	-2.0	-2.0

Cyprus				Egypt*			
Dec. 23	Dec. 24	Dec. 25F	Dec. 26F	Jun. 23	Jun. 24**	Jun. 25E	Jun. 26F
1.7	4.3	3.5	3.0	-6.0	-3.6	-7.4	-6.4

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

Public debt (% of GDP)

- Easing inflation suggests a **smaller favourable “snowball” effect** on debt-to-GDP ratio than before
- The proposed fiscal leeway in EU spending rules (valid for 4 years, to start from 2025) to accommodate for **higher defense spending** (up to 1.5% of GDP per year) should put an **extra burden on beneficiaries’ public debt**
- Romania’s** public debt is set to cross soon the EU threshold of 60% of GDP, remaining, however, well below the EU average (currently exceeding 80% of GDP)
- Importantly, the relatively **low level of public debt** in most of the economies under review (see next page) provides some room for fiscal manoeuvre



Snapshot

Real Sector

External Accounts

Prices & Monetary Policy

Fiscal Position

Financial Markets

Exchange rates

Money market rates

Government debt rates

Sovereign spreads

Stock market

Banking Sector



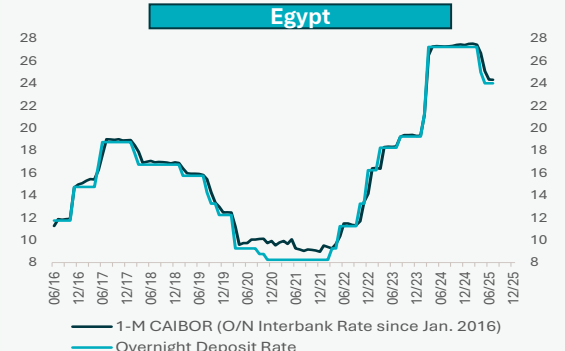
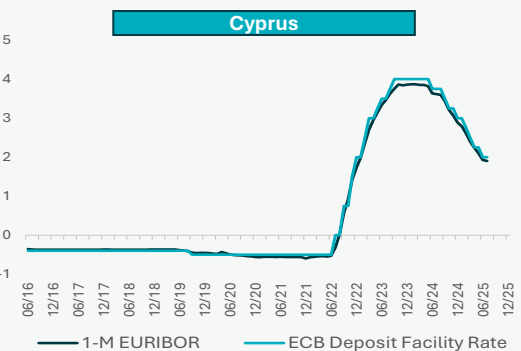
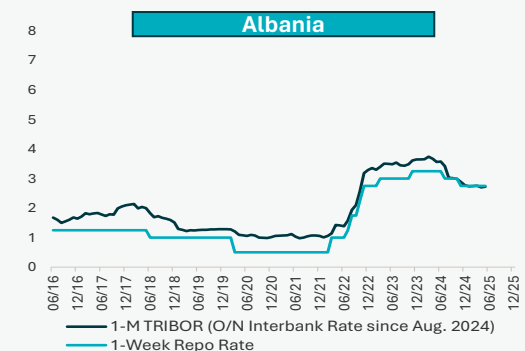
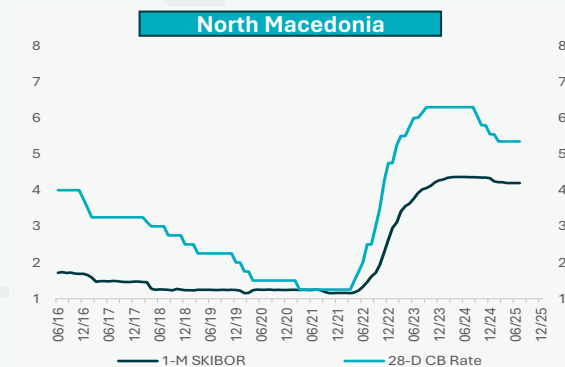
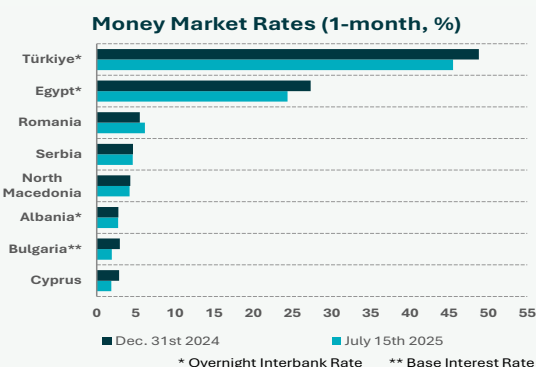
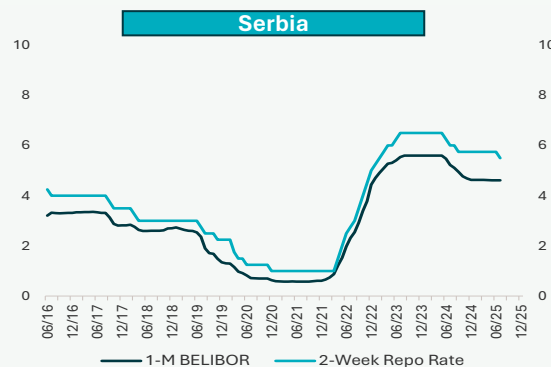
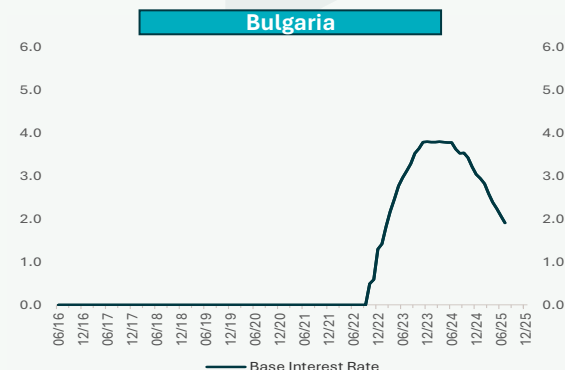
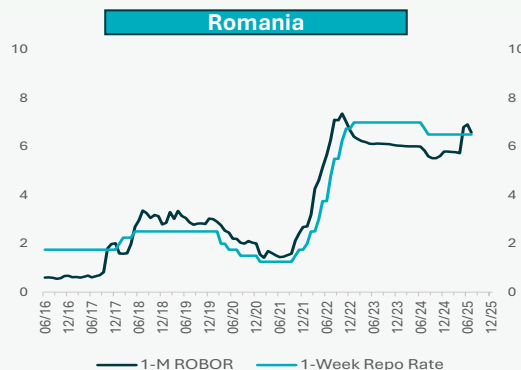
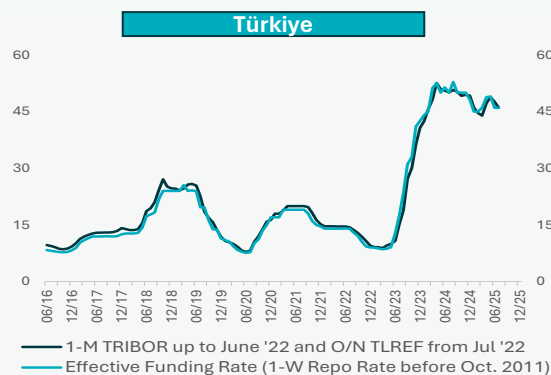
Exchange rates

- 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 9 months, benefiting from market concerns over the disproportionately larger impact of the tariffs on the US economy
- Concerns over authorities’ ability to push ahead with fiscal consolidation raised significant pressure on the **Romanian Leu** between the two rounds of the highly contested recent Presidential election. The formation of a new pro-EU Government and subsequent launch of measures to contain the budget deficit appears to have soothed markets
- Albanian Lek’s** appreciation has come on the back of solid FDI inflows, increased remittances, strong tourism activity and a positive nominal interest rate differential



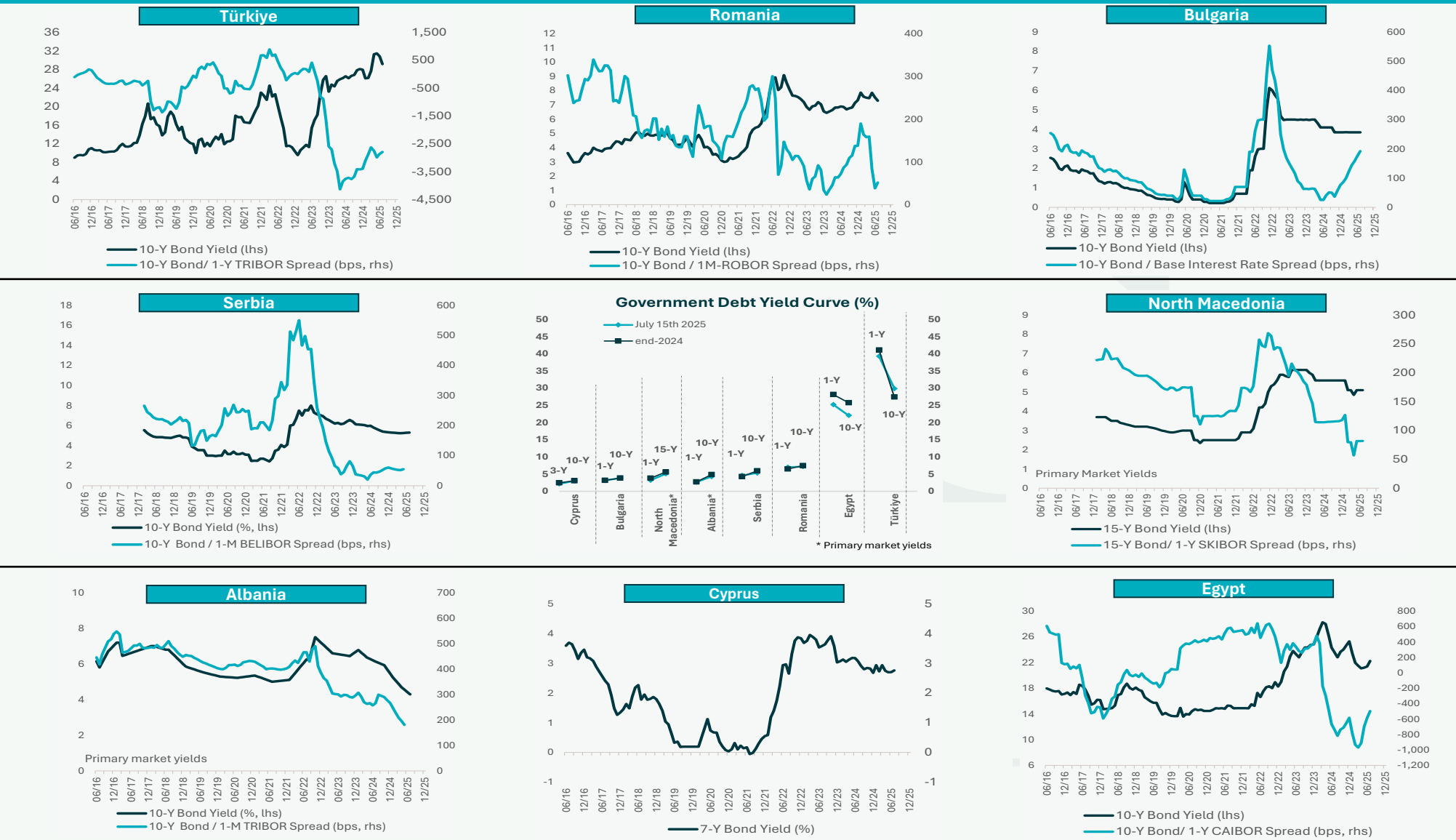
Money market rates (%)

- Money market rates **continue on a slow downward trend** in most of the economies under review, following central banks' easing cycle
- In **Romania**, the recent jump in money market rates reflects the impact of the NBR's intervention to support the RON

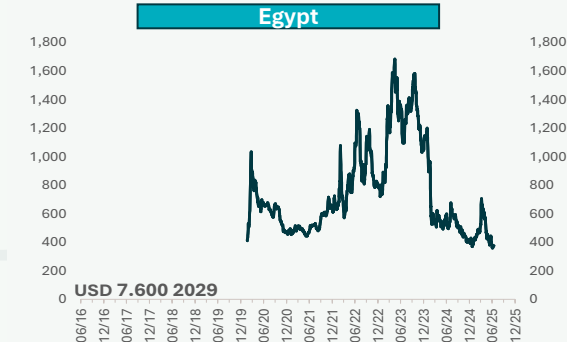
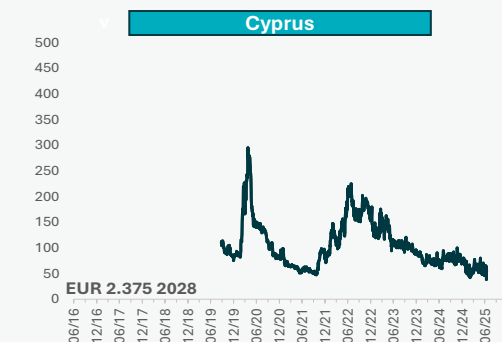
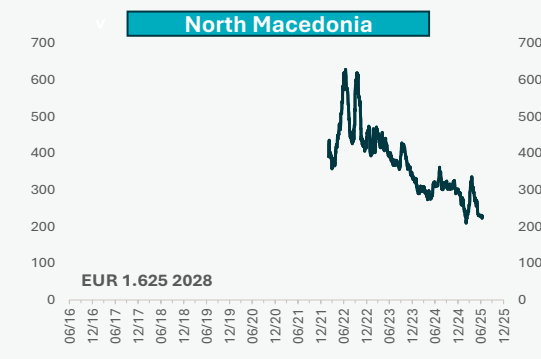
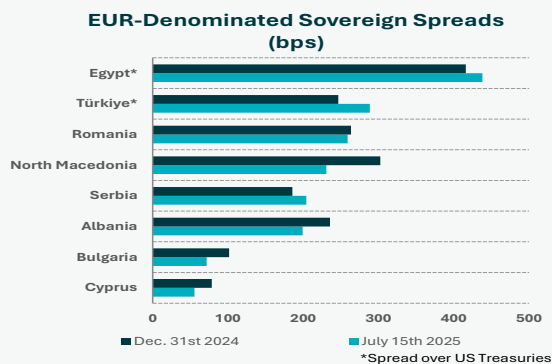
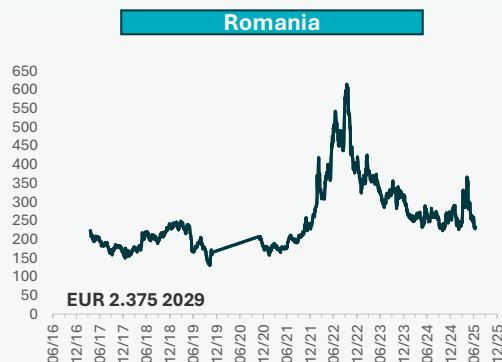


Government Debt Yields (%)

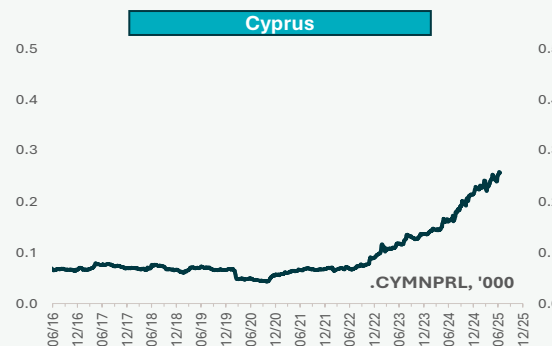
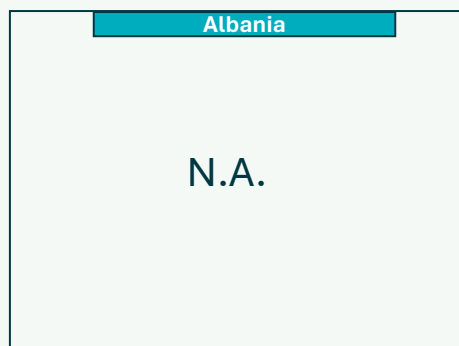
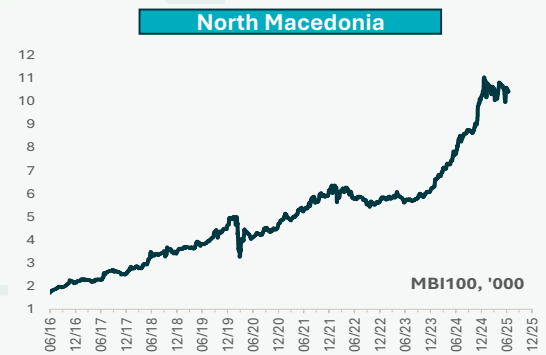
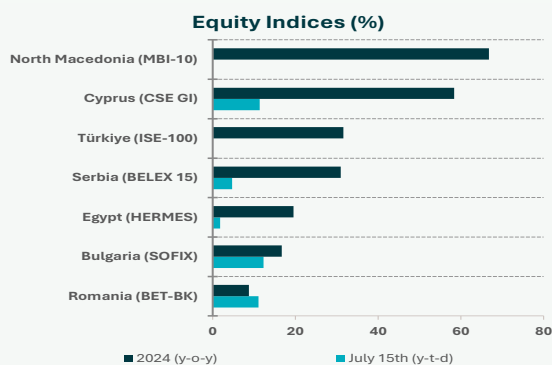
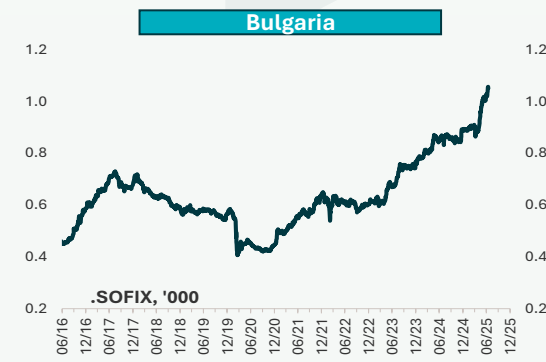
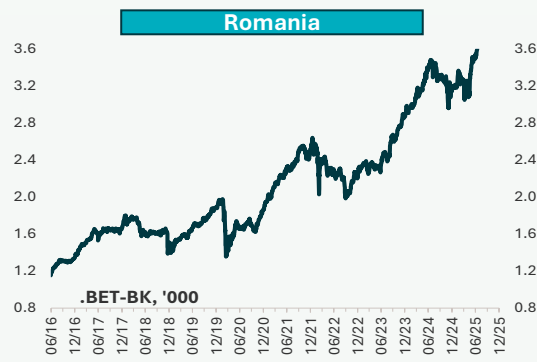
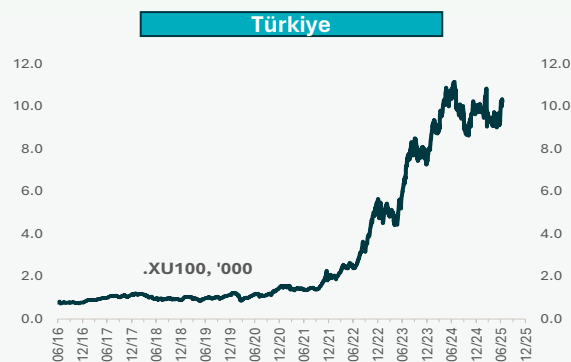
- In most of the markets under review, bond yields continued to drift **lower**, albeit at a slow pace, in line with moderating inflation and the prospect of lower interest rates
- In **Türkiye**, the CBRT's switching back to (cautious) easing mode has helped debt yields come off their record-high levels.
- **Romania**'s bond yields have been easing since the formation of the new Government and launch of fiscal consolidation measures, remaining, however, higher than the levels seen prior to the ballooning of the FY:24 budget deficit to record-high levels
- Reflecting ongoing adjustment, the yield curves of **Türkiye** and **Egypt** remain inverted



- Despite persistent global trade uncertainties, risk aversion has eased since the US “*Liberation Day*” in April, driving sovereign spreads **lower**
- Dissipation of fears of an imminent rating downgrade, following launch of multi-year fiscal consolidation programme, pushed **Romania’s** sovereign spreads lower



- Following a brief pause in April, most regional stock markets have resumed their **upward trend**, in line with the prospect of easing interest rates amid solid economic growth
- 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 (%)

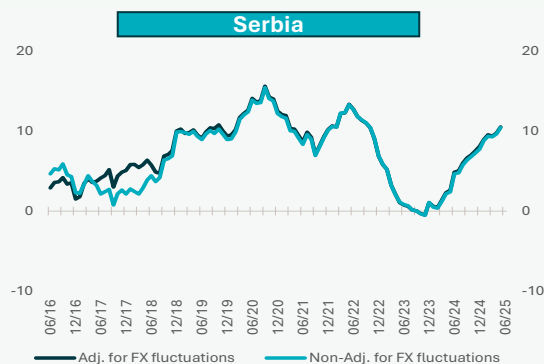
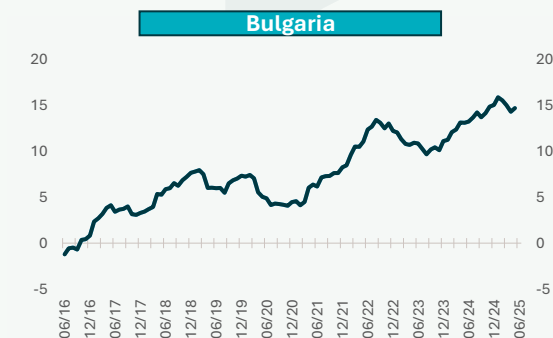
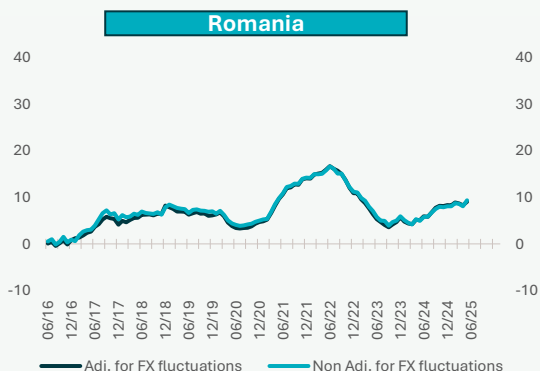
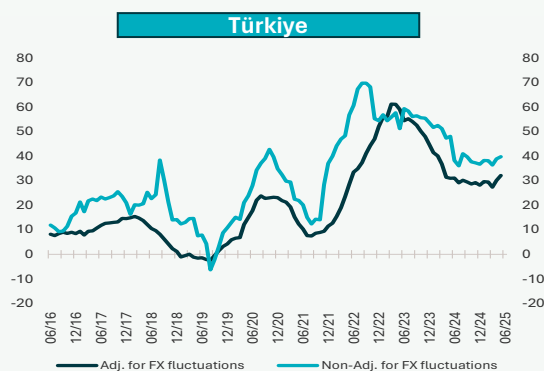
ROAE (%)

CAD ratio (%)

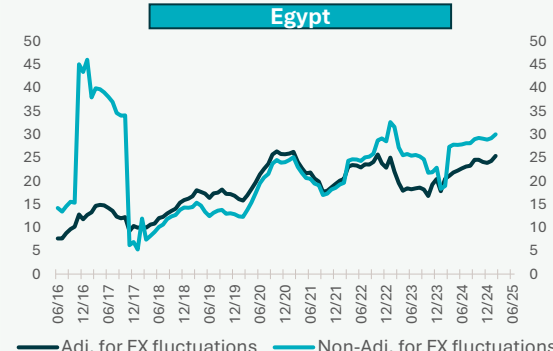
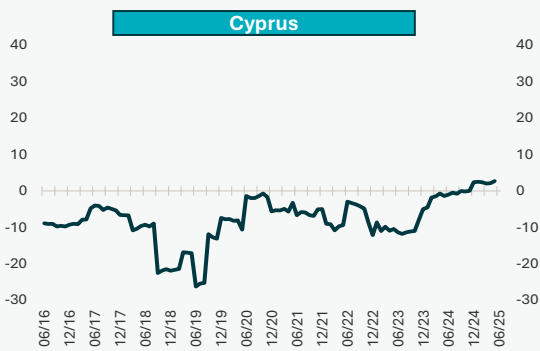
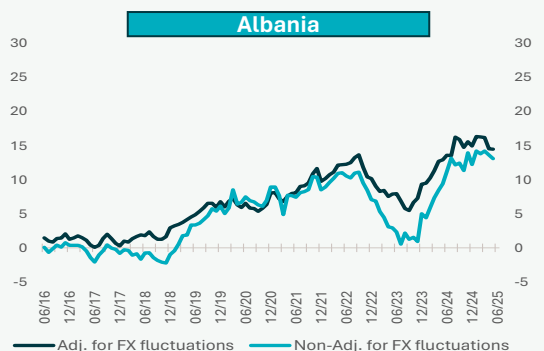
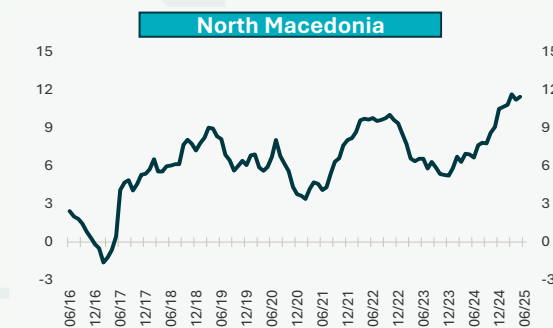
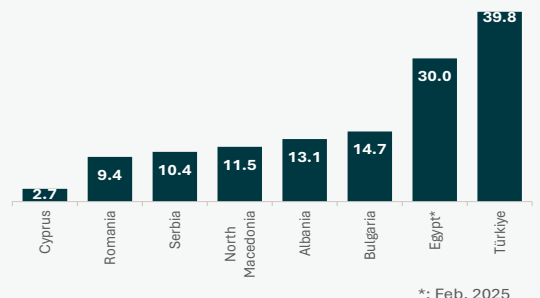
NPL ratio (%)



- Credit expansion has been **gaining steam** in most of the economies under review

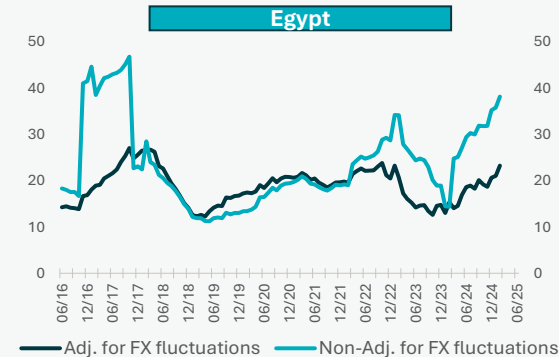
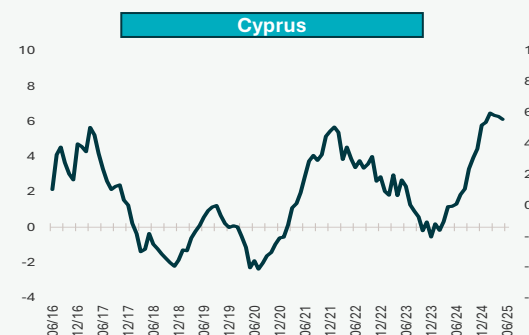
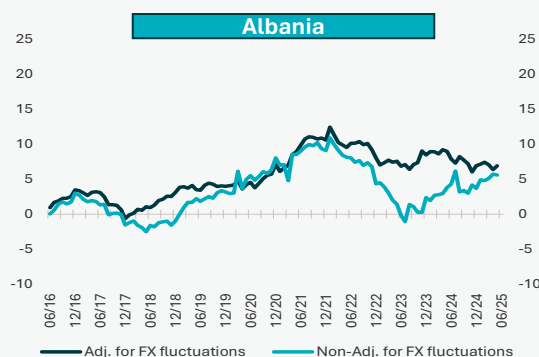
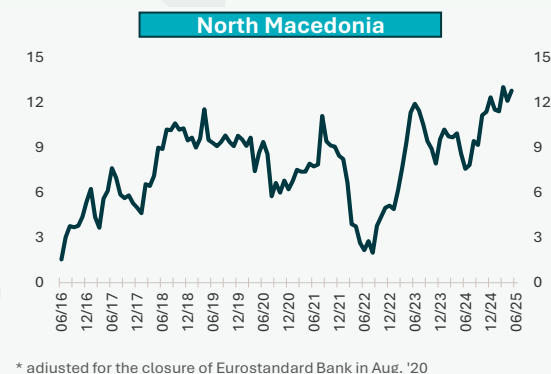
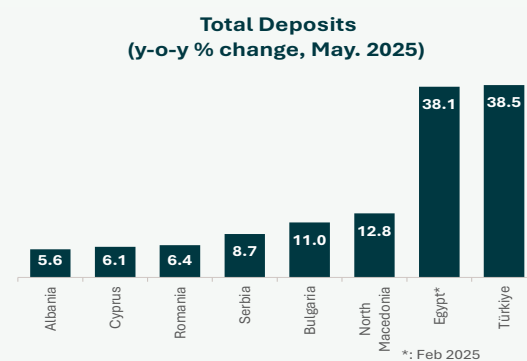
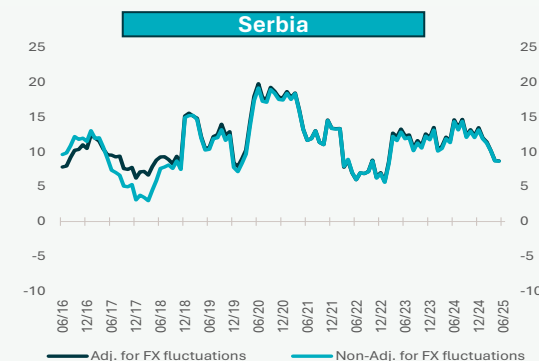
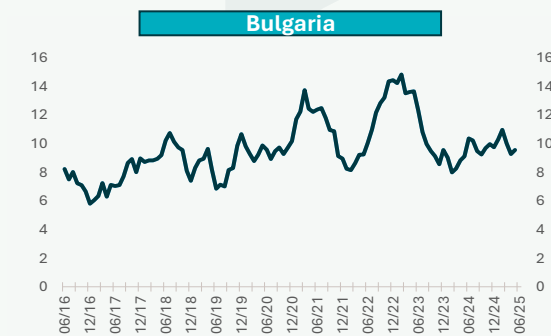
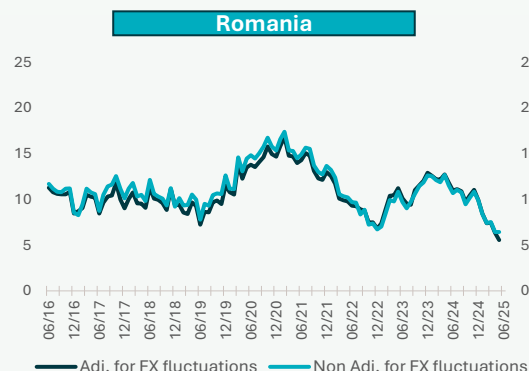
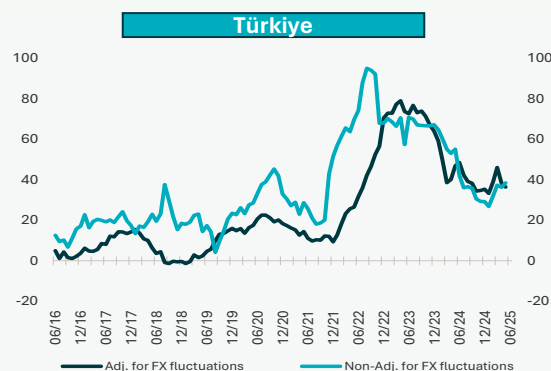


Total Loans
(y-o-y % change, May. 2025)

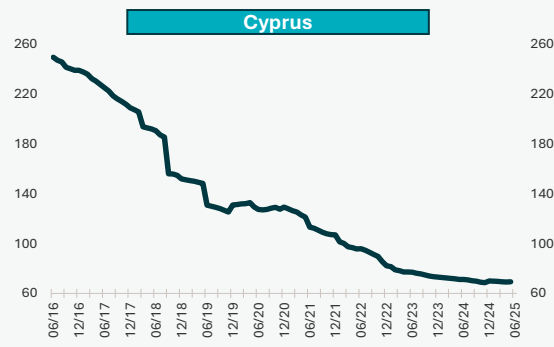
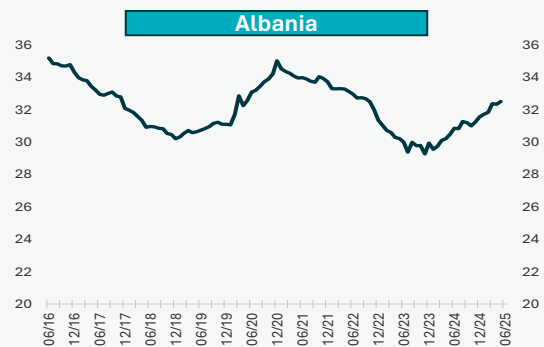
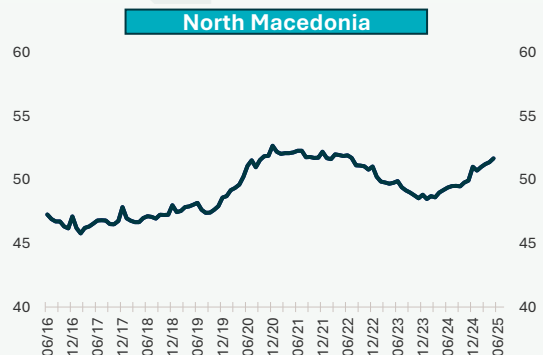
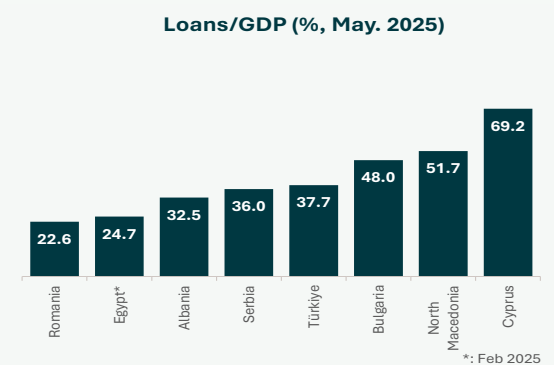
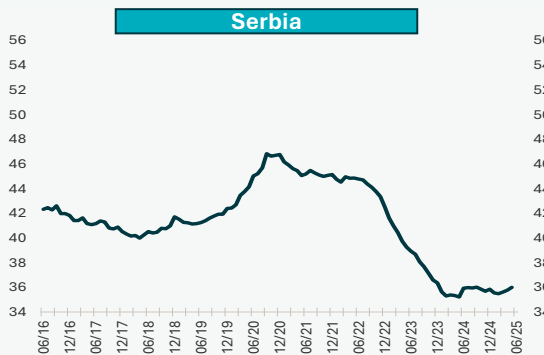
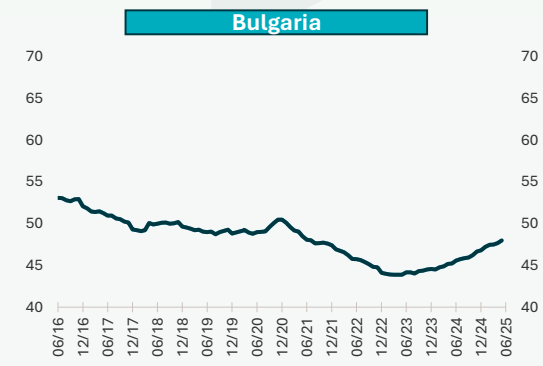
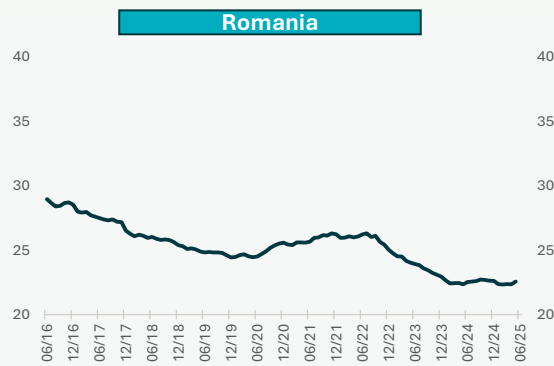
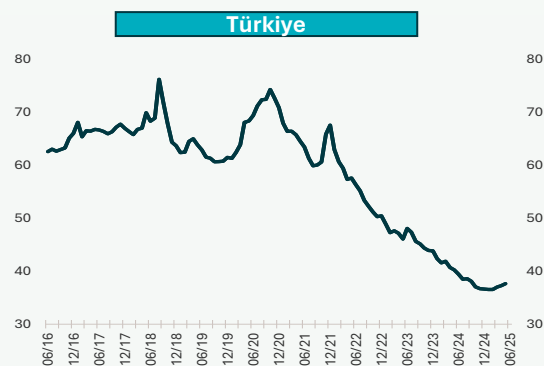


Total deposits (y-o-y % change)

- 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

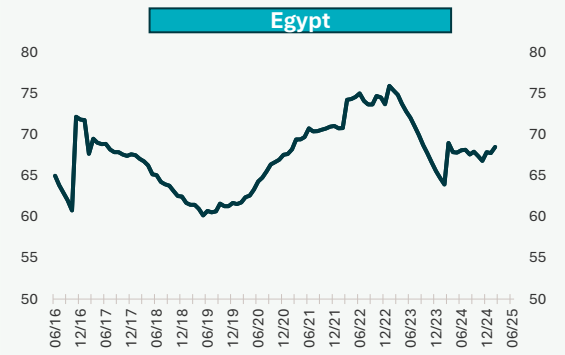
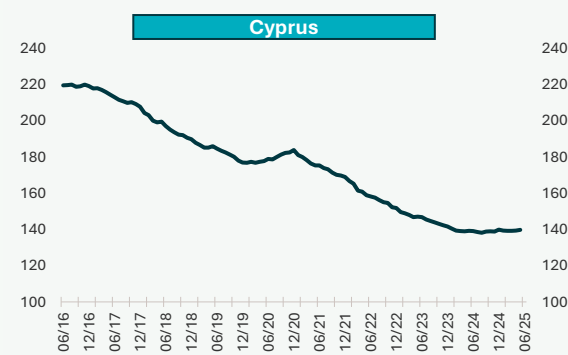
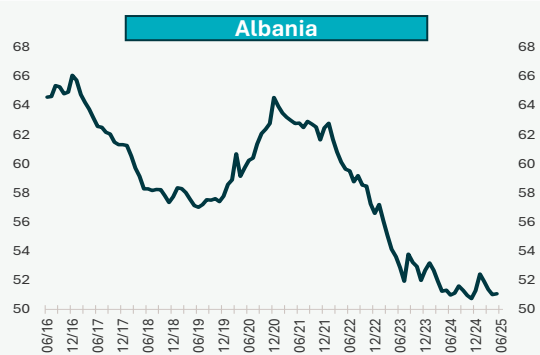
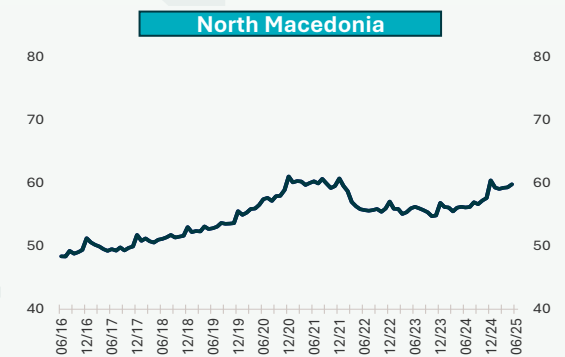
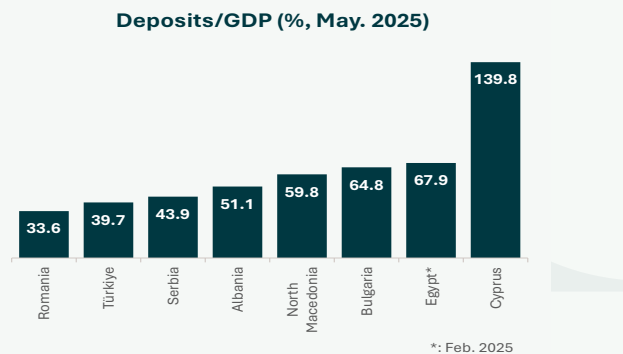
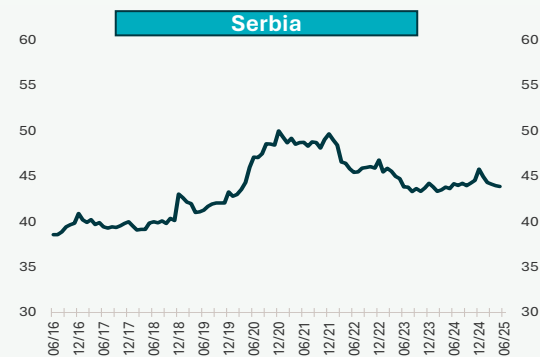
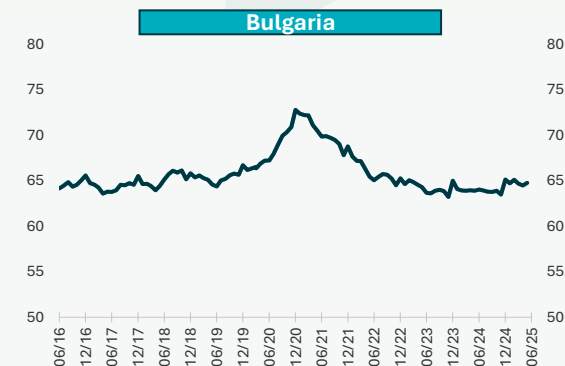
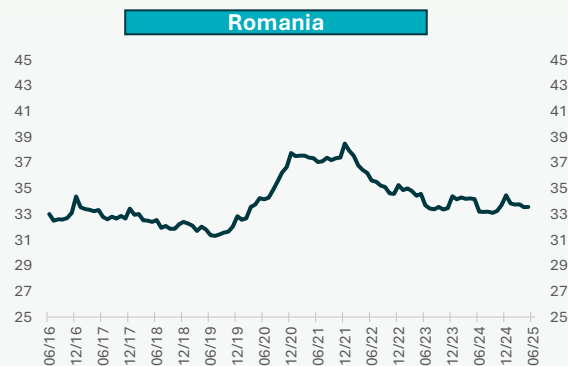
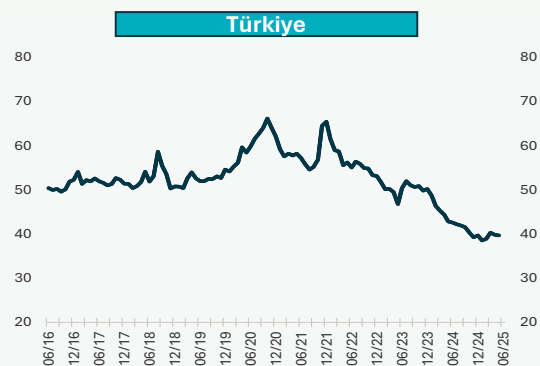


- All economies under review, except Cyprus, are still **underpenetrated** in terms of lending, with no advance since prior to the pandemic



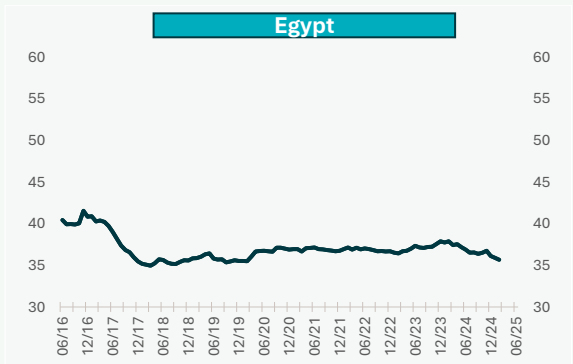
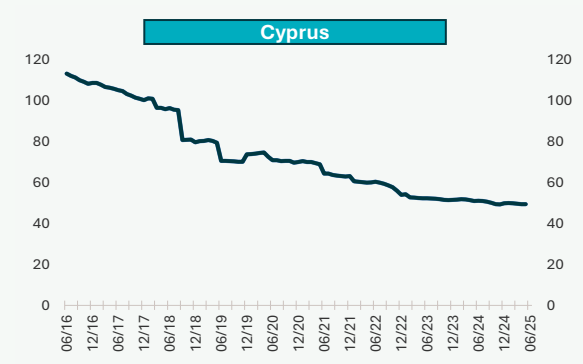
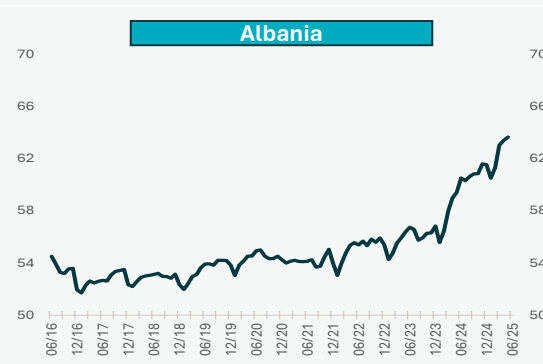
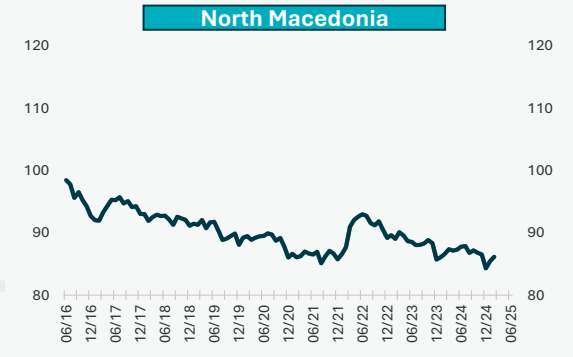
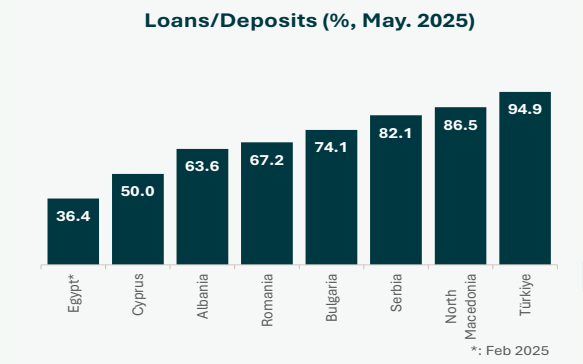
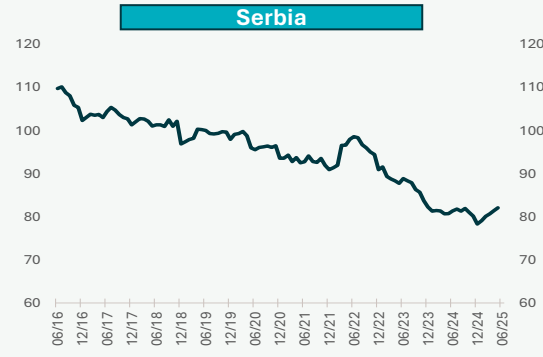
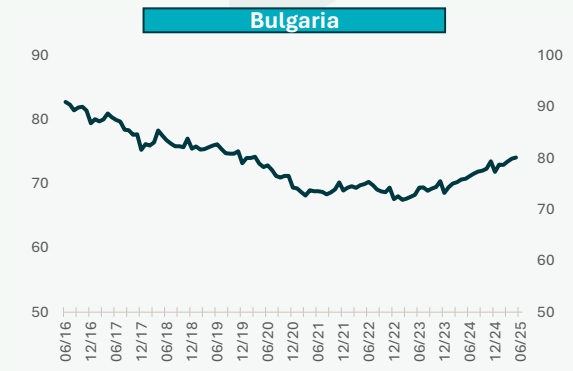
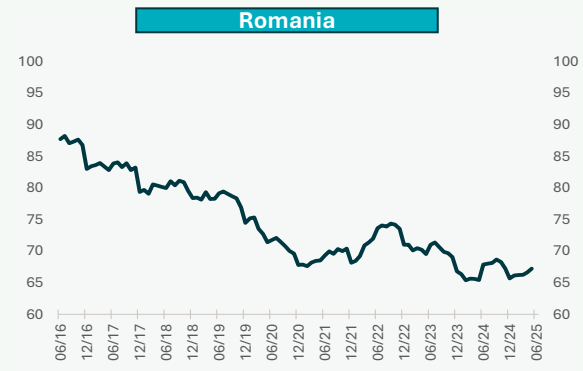
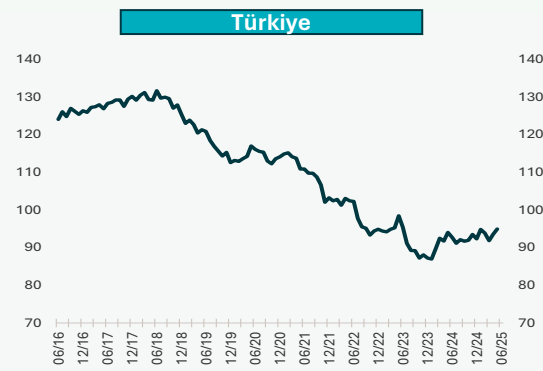
Total deposits-to-GDP ratio (%)

- 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
- In **Albania**, the appreciation of the Lek, amid high euroization, has eroded significantly the value of deposits
- In **Türkiye** and **Egypt**, which have been going through economic adjustment, the downward trend in deposits (as percent of GDP) was only recently interrupted
- In view of shallow capital markets and lack of alternative saving products, banks absorb the bulk of private sector's savings



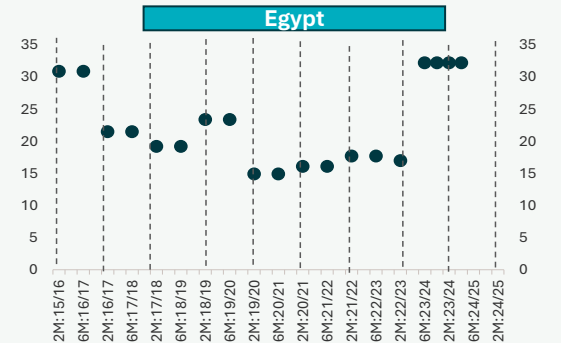
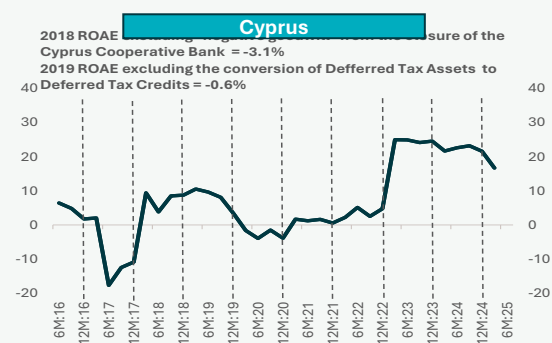
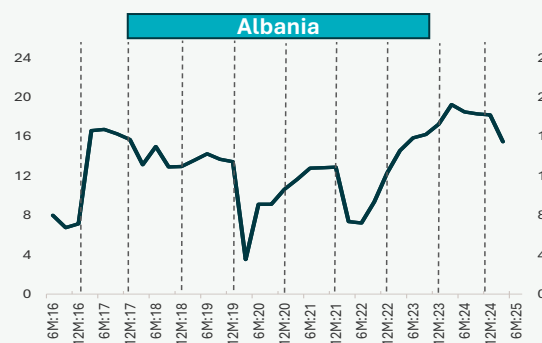
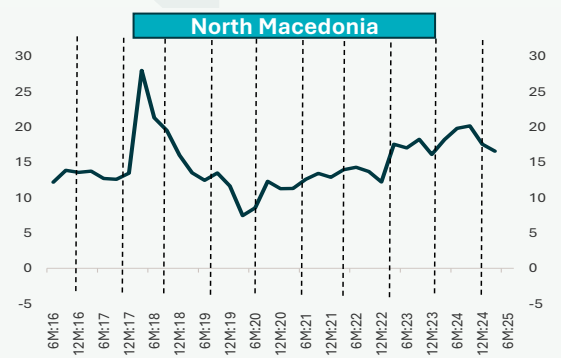
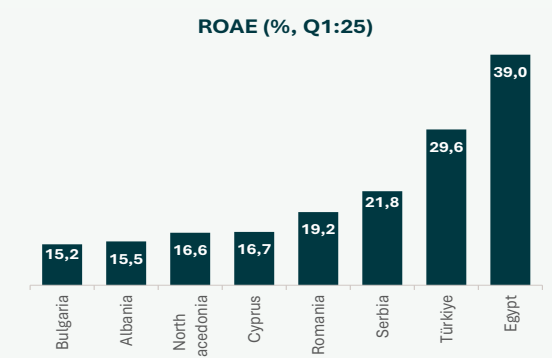
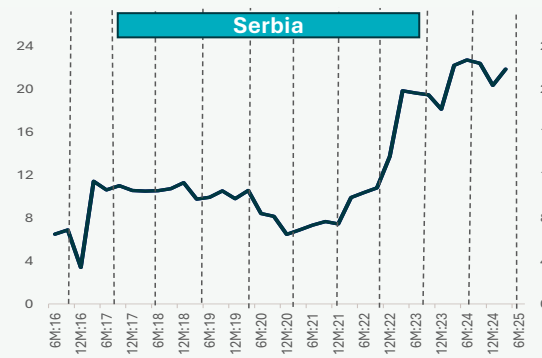
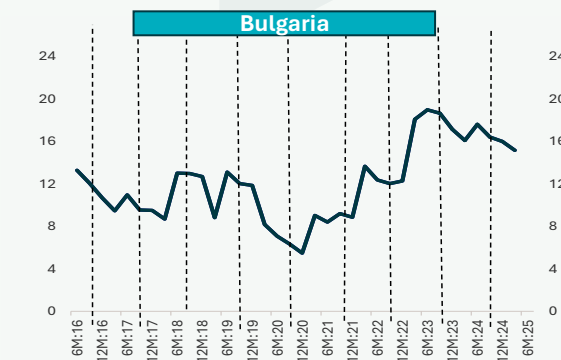
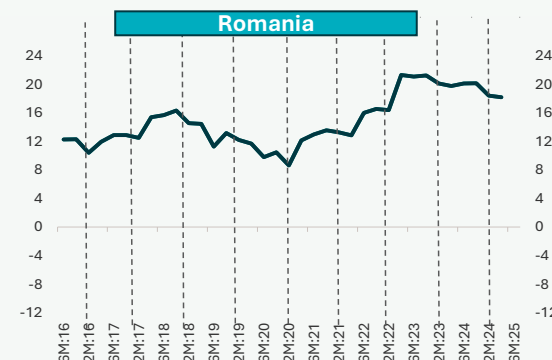
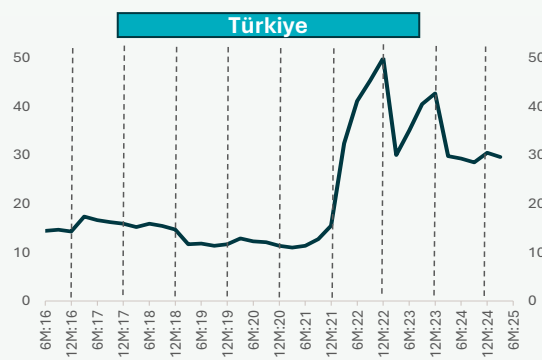
Total loans-to-total deposits ratio (%)

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

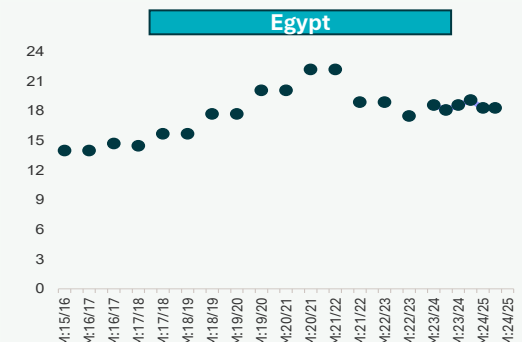
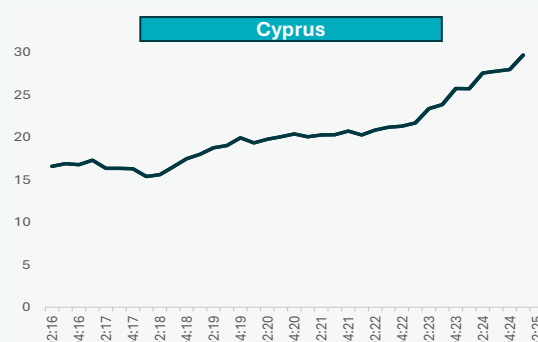
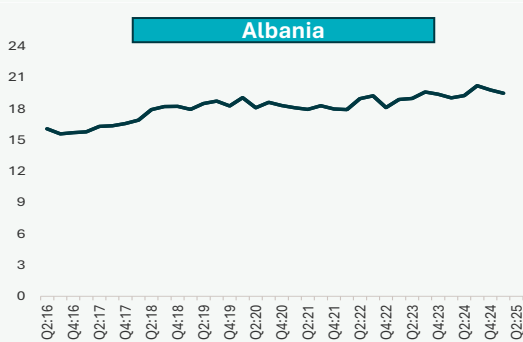
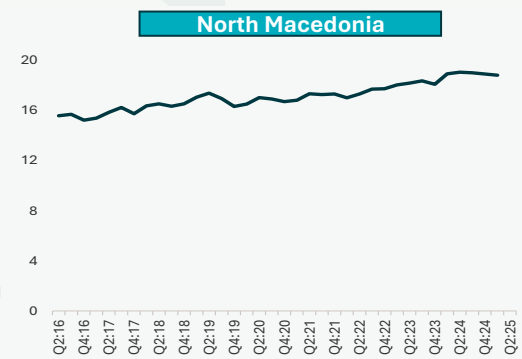
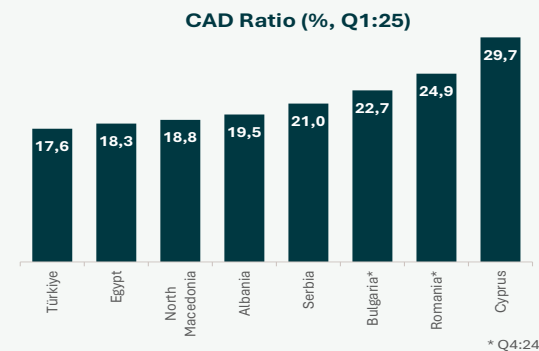
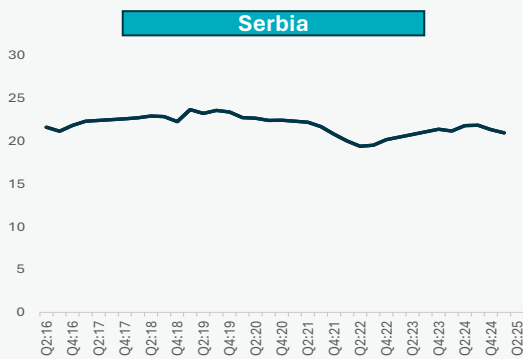
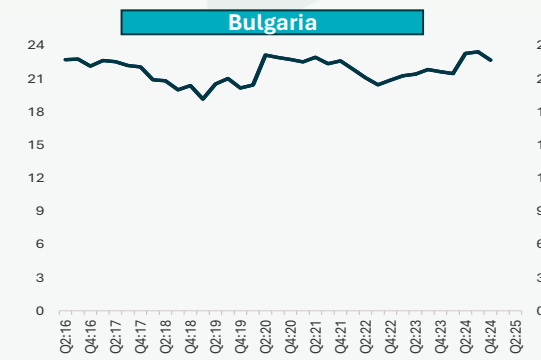
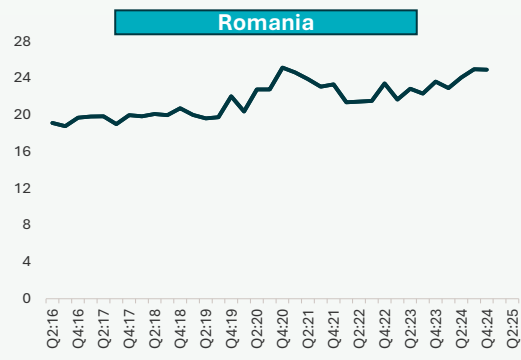
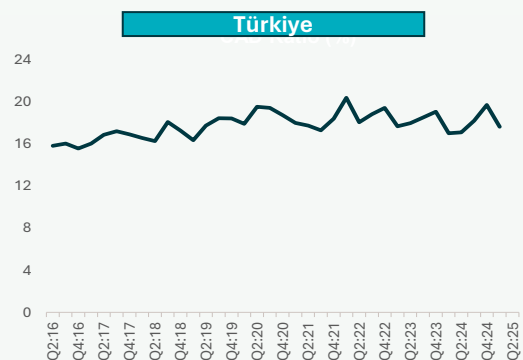


Return-to-average equity ratio (% , cumulative and annualized)

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

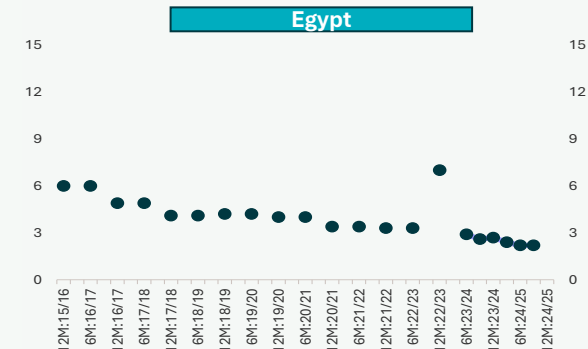
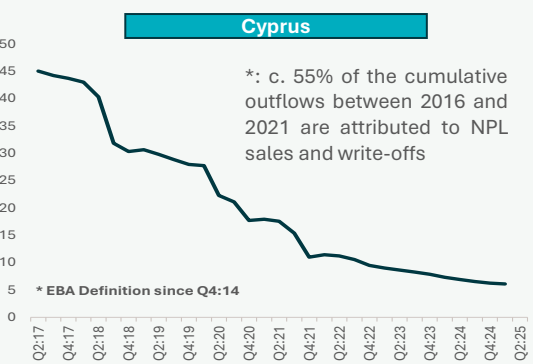
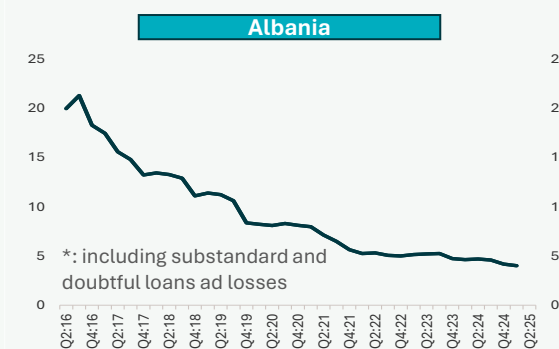
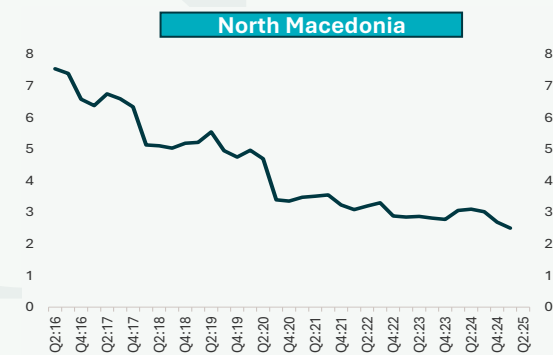
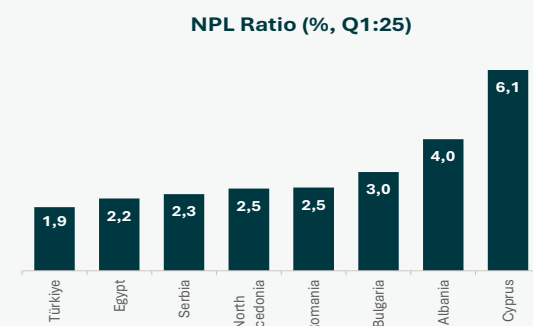
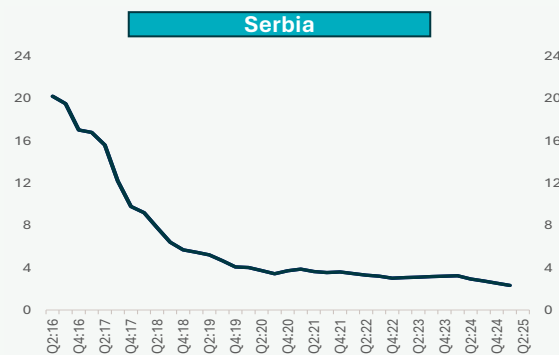
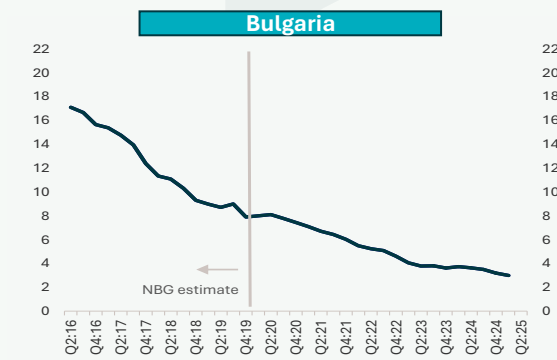
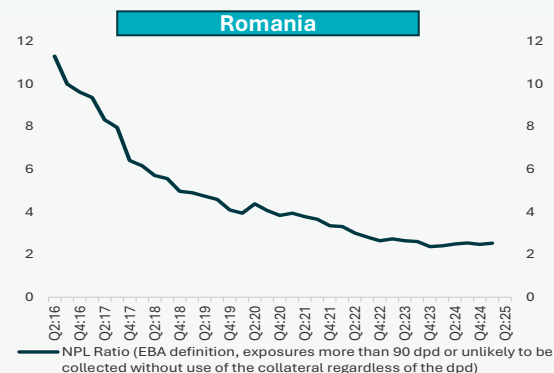
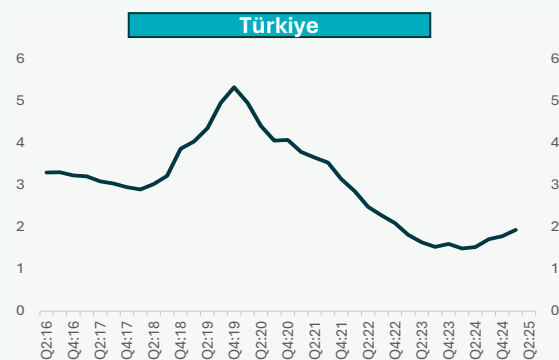


- Banking systems in all countries under review remain **well-capitalised**, suggesting that there is significant headroom to absorb potential losses



Non-performing loans ratio (%)

- 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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