INTESA SANPAOLO

International Research

Economic and Banking Outlook

Viewpoint

While the macroeconomic scenario for Central and Eastern Europe (CEE), Southeastern Europe (SEE), Eastern Europe (EE), and Egypt remains defined by a combination of moderate growth, easing inflation, and monetary policy adjustments, a high degree of uncertainty persists – mainly due to both the geopolitical scenario and the introduction of duties by the USA – and this could affect growth rates, especially in 2025. Notably, our estimates do not yet incorporate the potential effects of Germany's €500Bn stimulus plan and the EU's rearmament initiative, both currently under discussion. Once finalised, these measures could introduce upside risks to growth and investment, particularly in economies with strong industrial and defence sector linkages. The baseline scenario reflects the interplay of trade realignments, monetary policy shifts, and fiscal strategies across emerging Europe. While CEE and SEE remain positioned for continued expansion, EE and Egypt face structural challenges, inflationary risks, and geopolitical uncertainties. In addition, Central banks are navigating disinflationary trends with policy normalisation, but divergences persist. CEE and SEE are expected to ease rates, while EE and Egypt in the short-term face constraints due to inflation and financial market volatility.

March 2025

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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Macroeconomic scenario

- **Overview -** The economic **recovery in Emerging Europe remains fragile**, shaped by external risks, the current slowdown in Germany, and evolving global trade policies. **CEE** remains highly integrated into the European economic system, benefiting from EU trade and investment flows, but faces headwinds from weaker German economic activity and supply chain adjustments. **SEE** economies, while less reliant on industrial exports, continue to be supported by domestic consumption, infrastructure projects, and EU funding, but are vulnerable to external financing conditions. **EE** is subject to geopolitical uncertainty, financial instability, and fiscal constraints, limiting its ability to capitalise on regional growth trends. **Egypt**'s macroeconomic outlook hinges on inflation control and fiscal reforms, as currency depreciation and external imbalances continue to pose challenges. While CEE and SEE benefit from greater trade diversification and investment momentum, EE and Egypt in the short term require stronger structural adjustments to counter economic vulnerabilities.

- **Economic growth - Growth trajectories vary across regions, reflecting differences in domestic policy flexibility, fiscal space, and exposure to external shocks.** CEE growth is projected at 2.6% in 2025, driven by domestic demand resilience, investment recovery, and industrial adaptation to supply chain shifts. SEE is expected to expand by 3.0% in 2025, supported by tourism, infrastructure investment, and EU-backed fiscal programs. EE growth is seen as slowing to 1.6%, reflecting persistent geopolitical risks, inflation pressures, and financing constraints. Egypt's economy is forecast to grow by 4.1%, conditional on the effectiveness of inflation control and foreign investment inflows.

  Although CEE and SEE exhibit stable growth dynamics, **the finalisation of Germany's stimulus and the EU's defence spending plans could introduce upside potential for economic output and fiscal positioning.**

- **Inflation - The disinflation trend is progressing unevenly, with CEE and SEE approaching policy targets, while EE and Egypt continue to face price pressures**. CEE inflation is expected to decline to 3.9%, supported by monetary policy normalisation and easing energy prices. SEE

Macroeconomic forecasts

	GDP (yoy % chg)				CPI (eop, yoy % chg)				Policy rates (eop, %)			
	2023	2024F	2025F	2026F	2023	2024F	2025F	2026F	2023	2024F	2025F	2026F
CEE	0.1	2.1	2.6	2.6	6.1	4.1	3.9	2.5	6.4	5.2	4.6	3.4
SEE	2.4	1.9	2.5	3.2	6.4	4.9	3.6	2.7	6	5.4	4.8	3.2
EE	3.7	4.0	1.5	1.7	11.3	3.8	4.1	2.8	15.9	20.3	20.3	10.1
CEE SEE EE	2.6	3.2	2.0	2.2	6.8	7.6	6.2	3.6	12.1	14.3	14.1	7.4

Source: Intesa Sanpaolo Research Department F= forecasts inflation looks set to moderate to 3.3%, as wage growth stabilises and supply bottlenecks ease. EE inflation remains elevated at 4.8%, driven by domestic cost pressures, geopolitical uncertainty, and fiscal imbalances. Egypt's inflation is projected at 22.0%, reflecting continued external pressures, fiscal adjustments, and currency volatility.

The relative success of inflation management in CEE and SEE supports policy normalisation, whereas EE and Egypt must maintain restrictive policies to prevent further macroeconomic imbalances.

- **Monetary policies - Central banks across the region are adapting their policy stances based on inflation trends and financial conditions.** CEE central banks are expected to continue gradual rate cuts, with policy rates moving towards 3.00-5.00%, reflecting the ongoing disinflation process. SEE is to follow a similar easing path, but with greater caution due to external financing risks. EE remains constrained, particularly in Russia due to inflation and fiscal challenges. And Egypt's policy rate is projected to stay elevated at 21.25%, reflecting persistent inflationary risks and external debt servicing obligations.

  In brief, monetary policy flexibility varies significantly across regions, with CEE and SEE positioned for easing, while EE and Egypt remain constrained by external vulnerabilities and fiscal pressures.

Banking aggregates

- **Strategic Outlook -** The banking landscape across Central and Eastern Europe (CEE), Southeastern Europe (SEE), Eastern Europe (EE), and Egypt continues to evolve amid monetary policy shifts, external financing conditions, and regional economic realignments. While credit growth remains resilient in most economies, deposit expansion is expected to slow, reflecting lower precautionary savings and easing inflation expectations. Lending rates look set to decline, supporting credit demand, while deposit rates will adjust to the new monetary environment, albeit at varying paces across regions.

  Egypt remains a structural outlier in this cycle, where persistent inflation and external imbalances continue to shape the financial sector's trajectory, leading to higher nominal credit expansion and elevated deposit rates.

  As monetary easing progresses, CEE and SEE markets are likely to benefit from enhanced credit availability, while EE and Egypt remain exposed to inflationary pressures and policy constraints. The overall financial system remains stable, but geopolitical risks and external shocks could test liquidity conditions in some markets.

  In summary, the banking outlook for CEE, SEE, EE, and Egypt remains shaped by monetary policy shifts, external financing conditions, and macroeconomic adjustments. While CEE and SEE benefit from improving credit conditions and deposit stabilisation, EE and Egypt must navigate persistent financial pressures.

  Key Trends for 2025:

  - **Loan growth** is expected to remain strong across CEE and SEE, supported by easing rates and investment flows, while EE and Egypt face policy constraints;
  - **Deposit accumulation** will slow, reflecting reduced precautionary savings and monetary normalisation;
  - **Lending rates** will decline, supporting credit expansion, though EE and Egypt remain constrained by inflation risks;
  - **Deposit rates** will adjust downward, improving credit affordability but potentially reducing banking sector margins.

  Looking ahead, CEE and SEE are positioned for stable financial sector expansion, while EE and Egypt require careful policy coordination to sustain financial stability and economic resilience.

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This note has been coordinated by Giovanni Barone. The names of the authors are reported in the individual country sections.

The note considers the countries with Intesa Sanpaolo subsidiaries: Slovakia, Slovenia, Hungary and Czech Republic among the CEE countries; Albania, Bosnia, Croatia, Serbia and Romania among the SEE countries; Russia, Moldova and Ukraine among the EE countries; and Egypt among the MENA countries. It also includes Poland among the CEE countries, where ISP is present with a branch.

The Economic and Banking Outlook is released on a quarterly basis in March, June, September and December.

Recent developments

Antonio Pesce, Francesca Pascali, Davidia Zucchelli

In the CEE region, GDP increased by 2.8% in the fourth quarter (preliminary data) on an annual basis, compared with 1.3% in the previous quarter, owing to the strong economic performance in Poland that offset the economic weakness in Hungary. Based on the peculiarities of each country in the region, and within rather wide bounds, in 4Q24 the economic trend was in a range from 0.4% in Hungary to 3.9% in Poland. On a quarterly basis, CEE area GDP in Q4 2024 increased by 1.0% quarter-on-quarter on a weighted-average basis, compared with a stagnant third quarter. **Among the countries in the SEE area, in 4Q 2024, the only data currently available relates to Croatia, Romania, and Serbia, where the GDP expanded at about 1.5% y//y (weighted average on preliminary data, from 1.2% in previous quarter).**

The high frequency indicators are still mixed, but surveys point to a positive, albeit feeble, cyclical phase in the short term

The latest releases of high-frequency economic indicators are mixed, but generally point to a still positive, although weak, trend in the current quarter. In January, in the CEE area, **industrial production** contracted further (-1.5% yoy from -0.9% in the previous month, in weighted average data), with Slovakia recording the largest decline (-5.2% in calendar adjusted data). In the same month, the trend dynamics of industry in the SEE came back into positive territory (2.1%), sustained by a good performance in Croatia. In February, the **Economic Sentiment indicator** improved slightly in the CEE region with respect to January (to 98.9 from 96.2) and went above the 2024 4Q average (97.3). The improvement was recorded in all countries except Slovenia, where the indicator slightly decreased. In the same month, the same indicator in the SEE area remained at the previous month's level (101.1) and below the 2024 Q4 average (104.7).

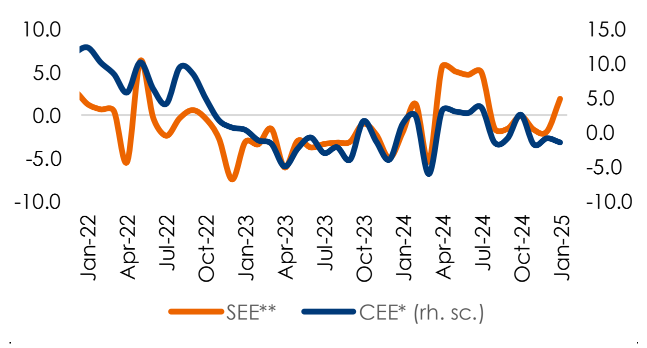
The decline in inflation has seen a temporarily halt

Although varying across countries, **inflationary pressures** are generally resurging in the CEE and SEE regions, due to the temporary acceleration of inflation due to base effects and, in countries such as Poland or Serbia, due to relatively strong economic growth, as well as exchange rate weakness as in Hungary. Aggregating the data (weighted average), in January, for the seventh consecutive month, the annual inflation rate in the CEE area remained above the minimum (2.8% in June in the harmonised measures). In the SEE area, inflation increased to 5.1% in January from 5.0% in December 2024.

Czech Republic CB eased monetary policy further. Temporary pauses in monetary easing in the other countries

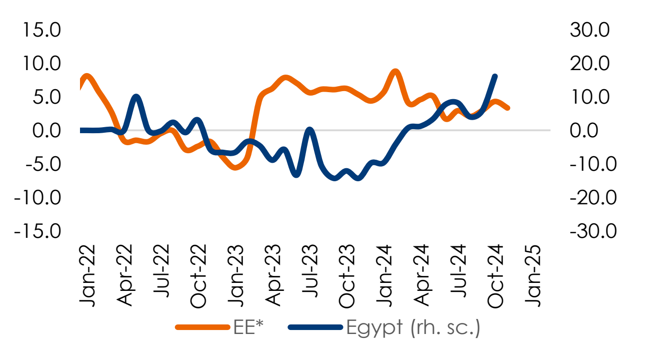
At their most recent meetings, the Czech Republic central bank reduced its **policy rate** to 3.75% from 4.0%, while the remaining national banks held their rates steady at 6.5% and 5.75% for Hungary and Poland, respectively, in the CEE region and at 2.75%, 6.5% and 5.75% in Albania, Romania and Serbia, respectively, in the SEE area. In the financial markets, **long-term yields** slightly increased in several CEE and SEE countries vs. three months, with the spread remaining unchanged with respect to the Bund 10Y. In Hungary, the local currency partially recovered the depreciation of the last months.

Industrial production % yoy – CEE/SEE



Source: National statistics offices. Notes: * weighted average of Slovakia, Slovenia and Hungary data; ** weighted average of Bosnia, Croatia, Romania and Serbia data

Industrial production % yoy – EE/Egypt



Source: National statistics offices. Note: * weighted average of Russia, Ukraine and Moldova data

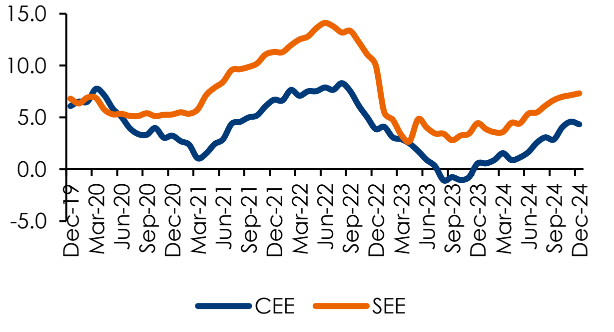
In the EE region, inflation rose in Russia, Moldova and Ukraine

EE countries continued to grow despite ongoing geopolitical tensions. As stated by the central bank, **Russia** ended 2024 with a 4.1% increase in **GDP** and in 3Q24 it decreased by -1.8% y/y in Ukraine (from +1.7% in 2Q24); it grew in 3Q24 by 2.0% (from 3.7% in 2Q24) in **Moldova**. In **Egypt,** GDP grew by 3.5% yoy in 3Q24 (2.4% in 2Q24). Moving to high-frequency indicators, in January, **industrial production** grew (by 2.2% yoy) in Russia (from 8.2% in December), it decreased in Moldova (-3.4% in December), and increased in Ukraine (+1.31% in September 2024). In Egypt, it increased by 16.1% in October (+6.0% in September). In January, **retail sales** increased in Russia by 5.4% (vs 5.2% in December), and in September they increased by 9.9% in Ukraine (vs. +14.9% in August). In Russia, **consumer prices** reached the peak in February (+10.1%), up to the CB targets (4.0%). In February, prices rose in Ukraine also to 13.4% (+12.9% in January). In Moldova, the CPI was 8.6% vs 9.1% in January. In Egypt, inflation rose by 12.8% in February, down from the +24.0% of January, but still well above the upper end of the CB's corridor (7% ± 2%).

Banking aggregates slightly revised for 2024

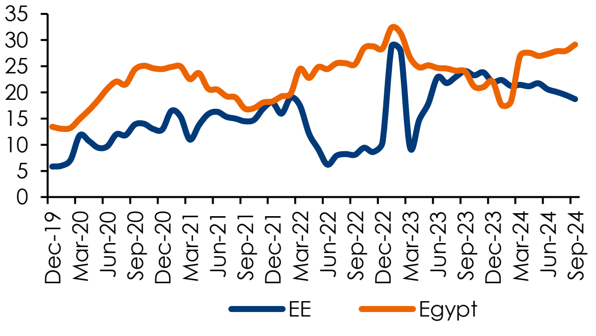
With regard to **banking aggregates**, in December, **banking aggregates in CEE countries** decelerated slightly due to a weaker economic environment, but have been still supported by credit demand, and favourable interest rates. **In SEE countries**, on the other hand, **lending growth** accelerated due to good economic dynamics that were less affected than CEE countries by the crisis in Germany. **Loans increased** by 4.3% yoy vs 4.6% yoy in November**,** in **CEE** and accelerated to 8.6% yoy in December from 8.3% yoy in November in **SEE countries.** The deceleration involved mainly Poland (3.6% yoy from 4.2% in November), while only Slovakia and Slovenia lending accelerated to 2.9% and 2.7%, respectively, from 1.9% yoy as of November. In the SEE area, loan growth was relevant in Croatia, Romania and Serbia (9.4% yoy, 8.2% and by 7.9%, respectively). The best performer remained Albania (12.4%), while in Bosnia loans expanded by 9.3% yoy, pushed up by the still good GDP performance. **Lending accelerated in the CEE** in the **household segment** (by 4.5% yoy in December). The largest contribution came from Hungary (+9.4% yoy), owing to the strengthening of consumer confidence and developments in the use of family support programmes, and also from Slovenia (to 6.2% yoy). In SEE countries, **lending** was particularly strong in the **household segment** (+10% yoy in December vs. +7.1% in the corporates). **NPL ratios** have remained low throughout the region so far. Higher wages and precautionary moves continued to support **deposit growth** in the CEE area, in nominal terms (7.7% yoy in December) despite decelerating, and +9.2% yoy in the SEE countries. There are no signs of liquidity tensions. Only in Slovakia did the **loan/deposit ratio** remain over 100%. **Banking interest rates** are decreasing in almost all countries. However, revisions to policy rates and moderately higher customer risks and provisions could have negative impacts on interest margins and profitability from 2025. In the **EE area**, loan growth remained strong in **Russia** (19% yoy in November) for both corporates (23% yoy) and households (11%). In **Moldova**, the strong loan performance (+26.5% yoy in December) was vigorous for corporates (21% yoy) and particularly robust for the household sector (34.9% yoy, accelerating in the last months). **Total deposit** growth remained dynamic (26.9% yoy in November in Russia) in both the corporate (+25.4% yoy) and household sectors (+28.4% yoy). In **Egypt,** banking aggregates saw continued strong dynamics in nominal terms, with loans increasing by 29% yoy (in September, last available data) and deposits by 34.4% in December (changes came back in positive territory in real terms due to slowing inflation).

Lending growth (% yoy chg, weighted averages)



Source: ISP Research Department based on central bank data

Lending growth (% yoy chg, weighted averages)



Source: ISP Research Department based on central bank data

The international outlook

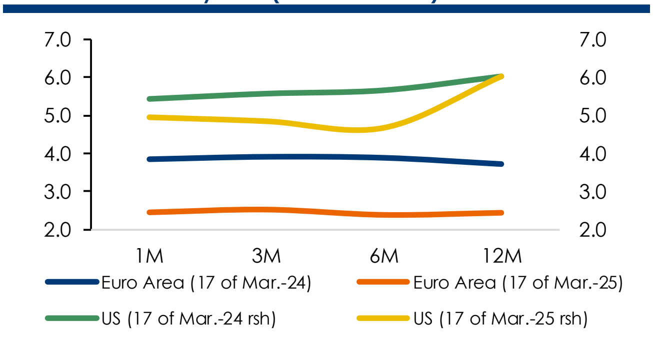
Global economic growth remains steady but with high divergence among regions and countries

Global growth is forecast to remain flat and to disappoint at 3.3% in 2025 and 2026 (IMF January update), below the 2000-2019 average of 3.7%. The forecast is broadly unchanged from the October 2024 World Economic Outlook but looking at the latest data releases for each country, a wide degree of divergence persists. In the third quarter of 2024, the economic dynamic in the United States remained robust, with the GDP expanding at a rate of 2.7% in annual terms, fuelled by strong consumption. In the euro area, growth remained weak, with Germany lagging other euro area countries due to the weakness in manufacturing and goods exports. Growth in China, at 4.7% year-on-year, was weaker than expected. Faster-than-expected growth in net exports only partly offset the slowdown in consumption, which was weighed down by persistently low consumer confidence. Growth in India also slowed more than expected, driven by a sharper-than-expected slowdown in industrial production. **Global inflation** is expected to decline to 4.2 percent in 2025 and to 3.5 percent in 2026 (IMF January update forecasts). Global disinflation continues, but there are signs that progress is stalling in some countries, and that elevated inflation is persistent in a few cases. Although there seems to be some hope for a ceasefire in Ukraine, **Risks to the outlook** for GDP remain mostly to the downside: problems in China's real estate sector could generate global spillovers through their negative effect on global trade, as well as rising protectionism and continued geoeconomic fragmentation. For inflation, the risks to the outlook now seem more balanced since, on the one hand, the introduction of tariffs could cause a general increase in prices, on the other hand, the easing of tensions on international energy markets could favour the decline in energy costs.

In the **United States**, projections have been revised upwards at 2.1% in 2025 (from 2.0%) and at 2.3% in 2026, due to better-than-expected data and the effect on near-term economic policy that the new administration is going to implement. The annual inflation rate in the US edged up to 3.0% in January 2025, compared to 2.9% in December 2024, and above market forecasts of 2.9%, indicating stalled progress in curbing inflation. On a monthly basis, the CPI rose by 0.5%, above 0.4% in the previous month. Meanwhile, annual core inflation unexpectedly rose to 3.3%. The Fed kept the fed funds rate steady at the 4.25%-4.5% range in January, pausing its rate-cutting cycle after three consecutive reductions in 2024. The ISP Research Department expects the policy rate to fall up to 3.5%-3.75% by the middle of next year.

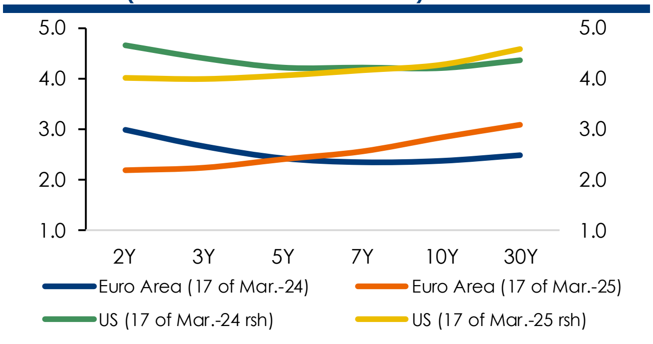
The automotive crisis in the manufacturing sector is weighing severely on the economic dynamic of the **Eurozone**. ISP Research Department forecasts that GDP growth for 2025 will remain weak at 0.9% (Germany on positive ground at 0.2%), and then strengthening, only partially, to 1.2% in 2026 (Germany at 0.9%). The annual inflation rate in the Euro Area eased to 2.4% in February 2025, down from a six-month high of 2.5% in January, according to a flash estimate. It is expected to remain stable in the coming months, and the end-of-period value is projected to around 2.5% in 2025. In March, the ECB lowered the three key interest rates by 25 basis points, as expected, reducing the deposit facility rate to 2.50%, the main refinancing rate to 2.65%, and the marginal lending rate to 2.90%. Two further cuts are now expected during this year.

Benchmark monetary rates (US and EA rates)



Source: ISP based on LSEG Workspace data

Yield curves (US bonds and German Bunds)



Source: ISP based on LSEG Workspace data

The economic outlook

Growth and inflation

Looking ahead, we expect **GDP in the CEE and SEE areas** to continue a positive trend in the coming months but downward revised in the SEE area due to the revision in GDP growth in Romania.

GDP forecasts for 2025 have been confirmed on a recovery path, even if downward revised for SEE area

In CEE area, the last GDP data were in line with our expectations and so our new baseline projects GDP growth have been confirmed at 2.6% yoy in 2025 and in the following two years 2026-27. In the SEE area instead the last release of GDP was worse than expected and so our baseline GDP growth forecast has been lowered for this year (2.5% from 3.0%), due to the economic performance of Romania. In the revision of GDP growth, it has been considered also a statistical base effect in Serbia, where the economic path has been quite strong in previous year.

Risks to our forecasts are on negative side

The prevailing **risks to the outlook** remain broadly on the negative side because of weakness of the international landscape. The geopolitical fragmentation and the impact of commercial tariff policy of the new administration in US, and in the main international commerce actors as response to US policy, could dampen the global economic performance.

Inflation, after the temporary surge of consumer prices pression, is projected to decline, but at a slower pace than previously projected, in those countries where wage dynamics have strengthened significantly, as in Romania and Serbia where the average inflation rate has been upwardly revised to 3.8% and 3.5% in 2025, respectively. An upward revision for inflation occurred also in Hungary (to 4.5% in 2025) because of the higher imported inflation due to the local currency weakness.

After a temporary pause, the inflationary pressures are expected to continue declining, but at a slower pace than previously expected

In relation to **EE** countries, we have slightly adjusted the forecasts. For Russia, we left unchanged at 1.4% for 2025 and at 1.5% for 2026 GDP. For Ukraine, estimates were raised to +3.2% from +4.0% in 2025 and to 4.2% for 2026 (from 4.7% forecasted in December). Estimates are left unchanged for Moldova (+3.0% in 2025 and +3.3% in 2026). Price pressures are expected to increase further in Russia, Ukraine, and Moldova. In Russia, where inflation began to accelerate again from April 2024, it is not expected to reach the CB's targets before 2026. For **Egypt,** we have left unchanged our GDP growth estimate at 4.1% for calendar year 2025 and at 4.3% for 2026. Inflation is expected to fall to 18.0% by year-end 2025 and to 10.8% in 2026. It is not expected to move back to the CB's target before 2032.

ICE-BRENT CRUDE OIL (Barrels $) ICE-BRENT CRUDE OIL (Barrels $)

Source: LSEG Workspace

ICE-NATURAL GAS (Therm £)

Source: LSEG Workspace

Monetary policy and financial markets

In the CEE and SEE area, monetary policy is on a temporary pause, except for the Czech Republic where policy rate was cut in the last meeting. In line with our December 2024 scenario, we continue to believe that the policy rate reduction cycle could resume during this year for almost all countries, albeit at a higher level than in the December scenario. Hungary is now expected to

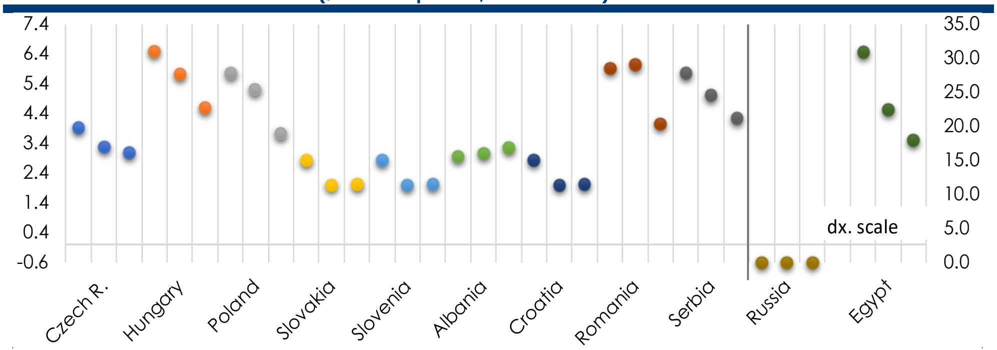
The policy rate easing cycle is expected to resume

reach 5.75% by the end of 2025, and then to continue up to 4.50% at the end of 2026, while the Czech Republic is forecast to arrive at the target point of 3.0% in 2026. For Poland we confirm our expectation of the target policy rate at 3.5% in 2026. Turning to the SEE area, we believe that the monetary easing has been concluded in Albania, while in Romania and Serbia further reductions are expected up to 3.5% and 4.25% by year-end 2026, respectively, and in further reduction (up to 3.75%) by end of 2027 in Serbia.

Outside the CEE/SEE regions, due to a persistent phase of rising inflation, **Russia's CB,** at its meeting on 14 February, decided to leave the key interest rate unchanged at 21.0% p.a.. Although current inflationary pressures remain high, the CBR estimates that the monetary tightening achieved creates the necessary conditions for resuming disinflation processes and reaching the target in 2026, but the scenario predicts that reaching the target will require a long period of maintaining tight monetary conditions in the economy. For 2025, we raised our estimates for the CBR's key rates from the December forecast due to the high level of inflation and structural budget deficit. We also raise them for 2026. **Moldova's** central bank in March 2025 decided to keep the base rate applied to the main short-term monetary policy operations unchanged at 6.50% p.a.. The aim of this decision is to anchor inflationary expectations, to bring inflation within a range of ± 1.5 percentage points from the target of 5.0% over the medium term and to keep it within it, and is part of the moderation of the inflationary process and the propagation of the restrictive monetary policy measures adopted previously, the effects of which will continue to be felt, considering the delays in their transmission. In January the Central Bank of **Ukraine** decided to raise the key interest rate to 15.5% per annum. This decision is aimed at supporting the sustainability of the foreign exchange market, keeping inflation expectations in check, reversing the inflationary trend, and gradually bringing it back to the 5% target. A further tightening of interest rate policy will probably be necessary to contain price pressure. In **Egypt**, at its meeting on 20 February, the Monetary Policy Committee (MPC) decided to keep the policy rate unchanged at 28.25%. The decision reflects the increased upside risks to the inflation outlook due to the impacts of protectionist trade policies and geopolitical tensions. Given the prevailing uncertainty and recent developments, the MPC believes that the current policy rates are appropriate to maintain a sufficiently restrictive monetary stance in order to ensure the realisation of the projected disinflation path and will firmly anchor expectations. Accordingly, the Committee's decisions on the appropriate timing of the start of the accommodative cycle is to be evaluated on a meeting-by-meeting basis. Decisions will continue to be made in response to the expected trajectory and will be sensitive to the prevailing balance of risks.

The profiles for **long-term yields** have been revised slightly upwards overall across the forecast horizon with respect to our December scenario in the CEE/SEE region, due to the forecast higher path for Bund yields. In **FX markets**, exchange rates are expected to move around the current values in the CEE/SEE area overall in 2025 and 2026.

Short-term interest rates 2024-26 (% end of period, ISP forecast)



Source: ISP Research Department forecasts

Banking aggregates and interest rates

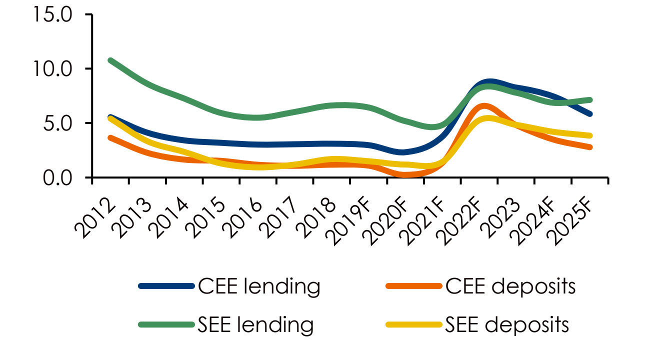
Lending expected to accelerate in the CEE, but to slow in the SEE and EE countries in 2025

Forecasts for **banking aggregates** have been revised slightly for several countries for 2025, upward in both the CEE and the SEE area mainly because of a stronger-than-expected performance in 2024. The forecast has been confirmed for the following years, on a slightly decelerating path. Similarly, **deposit forecasts** have been revised slightly upwards in 2025 and substantially confirmed for the following years decelerating as well. On the asset side, banks are benefiting from low non-performing loan ratios and high profitability and capital (both improved in the last part of the year). Funding tensions could increase in some countries, mainly in Slovakia and Russia, where **LTD ratios remain high**. In general, banks can rely on granular and stable funding bases and conservative liquidity buffers to weather heightened volatility risks. They can count on broad bases of core, sticky domestic deposits and have a moderate reliance on market-sensitive institutional or external funding. Loan/deposit ratios are generally low. However, revisions to policy rates and moderately higher customer risks and provisions and taxes in some countries could have negative impacts on interest margins and profitability from 2025.

Deposits expected to slow almost in all CEE/SEE/EE countries in 2025

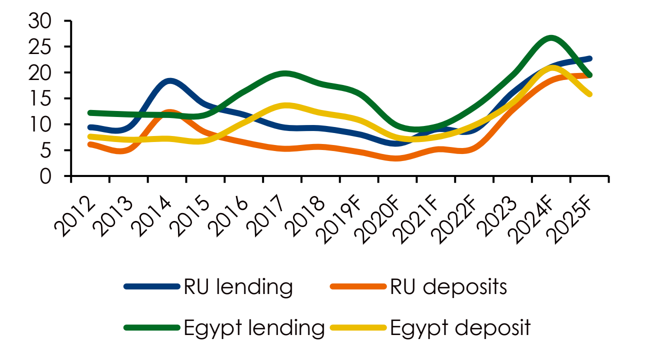
Loan growth in the CEE is forecast to increase in 2025 by 5% (revised from 4.7% forecast in December). Forecasts have been revised mainly in Hungary (+5.2%) and in Poland (to 5.3% in 2025). However, lending will be still negatively affected by higher interest rates in real terms, due to decreasing inflation. Demand for credit could be sustained by improving real disposable incomes supporting consumer lending. Particularly in Slovenia a bit stronger rise in housing loans is expected as interest rates are moving towards the 2022 level (already down to 3.1% in January). Taxes will weigh on bank activity, particularly in Slovakia, where the tightening of the counter-cyclical capital buffer from 1% to 1.5% (from August) is also expected to slow lending. **Forecasts for banking aggregates have been revised slightly for many SEE countries for 2025**, mainly because of better-than-expected recent monthly performances, particularly in Croatia. The new economic landscape will affect **loan growth,** which is forecast to increase in 2025 by 6.2% in the area and is then expected to slow slightly (+5.5% and 4.5%) in the following two years. Banks are benefitting from low non-performing loan ratios and high profitability and capital as in the CEE countries. **NPLs are expected to rise** slightly specifically where the increase in real interest rates – and the associated rise in private-sector debt servicing costs – has been particularly sharp. **Taxes** and the political turmoil are likely to weigh on the economy and the bank activity, particularly in Romania. **Deposit forecasts** have been raised in 2025 (to 5%) as a result of an upward revision in Poland and Hungary, and to 6.1% from 5.7% in the SEE area (mainly in Croatia, +4.5%) and also confirmed for the following years. In 2025, **deposits are expected** to decelerate in many countries because of lower interest rates and growing popularity of mutual and pension funds, but uncertainties about the economy and the evolution of the war could still support deposit growth. **Interest rates** are expected to decline in 2025 in all countries in line with the money markets rates, with the exception of lending interest rates in the SEE area due to resilience of interest rates in Romania (the biggest country). In Russia, deposits are expected to rise strongly by around 20% in 2024 and to slow to 9% in 2025 (revised due to strong performance). In **Egypt**, loans and deposits are expected to slow to 17.3% and 34.4% in 2024 and confirmed to 10.8% and 14.6% in 2025.

Lending and deposit interest rates (% end of period)*



Source: ISP Research Department forecasts. Note: * Weighted average

Lending and deposit interest rates (% end of period)*



Source: ISP Research Department forecasts. Note:*Weighted average

Country-Specific Analysis

Czech Republic

Real Economy

Zdenko Štefanides

We maintain our outlook for the Czech economy broadly the same as seen three months ago even as new data revealed the economy to be a little bit stronger in late 2024 than previously expected. The upside surprise from 4Q24, mainly owing to a bounce in private consumption, is being countered by new downside risks stemming from the incipient tariff war launched by the new US administration. Countering the growing external risks to Czech exports there remains the story of recovering consumer spending linked to disinflation and real wage gains alongside likely fiscal electioneering ahead of the parliamentary elections due in late September or early October. Contributing to growth will also likely be investments, partly related to the reconstruction efforts following the floods that damaged the eastern part of the country this past Fall.

The risks to our 2025 real GDP growth forecast of 2.5% are nonetheless to the downside. With the global outlook becoming less predictable and constructive of late, the confidence of Czech consumers in their own economy is taking a turn for the worse. What helps to reassure us that consumer-led growth will remain on the uptrend is the fact that consumers themselves are reporting their own financial position as improving.

Financial Markets

With inflation at 2.7% in February, still in the upper half of the tolerance band of the Czech National Bank (CNB), the mood has for some time been toward less policy easing than previously. The CNB paused at the December 2024 meeting for the first time since the easing cycle commenced a year earlier. While delivering another 25bps cut on February 6th, the CNB has clearly stated that at its meetings ahead, the Bank Board will base its decisions on an assessment of newly available data and their implications for the inflation outlook. Indeed, as inflation has been somewhat higher than forecast previously and is likely to remain so due to the external developments, we have pushed back the previously forecast easing and project the key refi rate, currently at 3.75%, to end 2025 at the level of 3.25% rather than 3.00% as forecast previously. As for the koruna exchange rate and yields, we see them broadly stable around their current levels.

Banking Sector

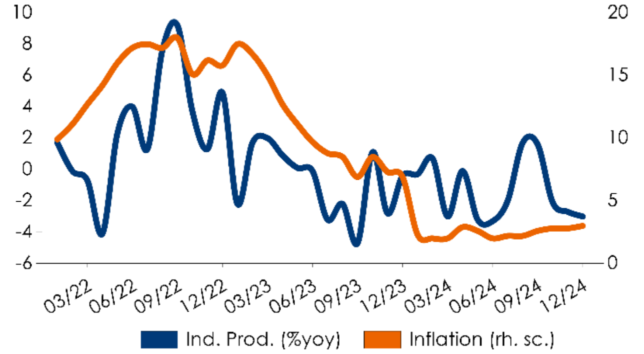
In the banking market, we continue to foresee a balanced growth of loans and deposits, around 4% yoy, which would keep the loan-to-deposit ratio at a comfortable level of around 70%. Deposit growth may nonetheless shift slightly downward as households' pent-up demand for consumer goods and services, built up during the earlier high-inflation era, is released.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	0.0	1.0	2.5	2.4
CPI (eop)	6.9	3.0	2.0	2.0
Euro exch. rate (value, eop)	24.5	25.1	25.0	24.0
Short-term rate (eop)	7.0	3.9	3.3	3.1
L/T bond yields (eop)	4.0	4.1	4.2	4.1
Bank loans (pr. sector, yoy)	6.6	5.7	4.6	4.2
Bank deposits (pr. sector, yoy)	7.5	7.6	3.9	4.0
Lending int. rate (corp., eop)	8.2	5.7	4.2	3.7
Deposit int. rate (hh, eop)	5.7	3.1	2.5	2.3

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Mariann Trippon

Real Economy

The economy emerged from technical recession in Q4, but FY 2024 GDP growth was below 1%. The details confirmed that consumption (and services) remained the key engine of growth. Economic activity is expected to remain subdued in H1 2025 followed by a gradual recovery later. FY 2025 GDP growth could be 2%. The unfolding trade war poses downside risks to the outlook, while the prospect of a peace in Ukraine may have a positive effect on the GDP dynamics via improved sentiment and lower energy prices. Industrial activity is expected to remain subdued, while consumption may remain robust. The stronger than expected price rises at the beginning of 2025 pushed the 2025 CPI trajectory upwards. We pencil in average inflation of 5%, as we believe reaching the central bank target will be further delayed until at least 2026. Labour market tightness eased somewhat, but the unemployment rate is relatively low. Nominal wage growth is expected to decelerate, though it will remain around 9% this year, implying ~4% real wage dynamics. Hungary's external balances will remain strong, but the pre-election government measures will negatively affect the fiscal performance.

Financial Markets

The central bank left the policy rate unchanged in January-February. Upside inflation risks, rising inflationary expectations, domestic vulnerabilities and the uncertain global environment clearly narrows the room for maneuver. The policy rate will remain on hold in H1, but we still expect the central bank to resume the easing cycle later. The pace and size of the rate cuts will strongly depend on incoming new information, though. We have left our eop 2025 policy rate projection unchanged at 5.75%, but risks to the baseline forecast are skewed to the upside. High CPI readings, shifting interest rate expectations and the Ukraine-related improvement in sentiment toward the region lent support to the HUF. EUR/HUF temporarily moved below the 400 threshold. External and domestic uncertainties alongside the expected gradual monetary easing in H2 may hinder any further appreciation, however. We expect EUR/HUF to trade above the 400 level in the coming period. Long yields will remain driven by core market developments.

Banking Sector

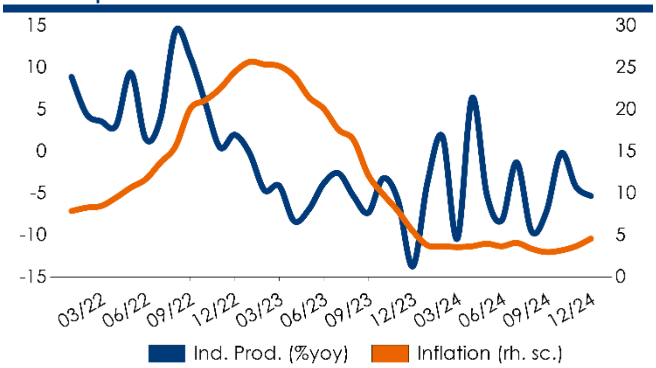
Loans in the banking sector increased by 6.8% over 2024, driven by the weakening of the HUF in the case of corporate loans and the pick-up of the housing and personal loan markets in the case of households. Customer deposits increased by 8.4% in the same period, mostly driven by the households sector (+11.2%), where the large government bond interest payments and growing net wages boosted the deposit volume. In the corporate deposit market, the growth rate was just 6.3% in the same period. With subdued economic growth and still relatively high interest rates, we expect loan volume to grow by around 5% in 2025. For deposits our expectation is a growth rate of 4.6% for the next year, mainly driven by the households sector.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	-0.9	0.7	2.0	3.1
CPI (eop)	5.5	4.6	4.5	3.4
Euro exch. rate (value, eop)	381.8	411.9	407.1	409.7
Short-term rate (eop)	10.3	6.5	5.7	4.6
L/T bond yields (eop)	6.2	6.4	6.2	5.5
Bank loans (pr. sector, yoy)	3.3	6.8	5.2	5.0
Bank deposits (pr. sector, yoy)	0.3	8.4	4.6	4.3
Lending int. rate (corp., eop)	12.4	11.1	8.7	4.3
Deposit int. rate (hhs, eop)	7.7	4.6	3.7	2.3

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Hungarian Central Statistical Office

Poland

Zdenko Štefanides

Real Economy

Growth-wise, thanks to a bounce in private consumption, t2024 ended on a stronger than expected note, resulting in the full-year GDP growth figure of 0.2 % being a point higher than forecast. However, the carry-over impact of the upside 4Q24 surprise meets with the newly elevated downside risks to the global and European economy stemming from the US-centered policies of the Trump administration. As a result, we leave the forecast for 2025 real GDP growth unchanged, at 3.1%. Household consumption will continue to contribute positively to growth even though real wage gains will be materially slower than last year, owing to both the moderation of nominal wage gains and a slight increase in average inflation. The relative gap in real wage dynamics will likely be compensated by higher utilisation of household savings, built up in the preceding two years. Growth impetus also is likely to come from investment thanks to projects financed by EU structural funds and utilisation of the Recovery and Resilience Fund. Government consumption will also likely contribute positively to GDP growth, not least due to the elevated military spending.

Financial Markets

The National Bank of Poland (NBP) has continued to stay put through all its policy meetings in 2024 and its first two meetings in 2025. The key rate is thus steady at 5.75% and will probably stay so for most of 2025 as inflation remains elevated (5.3% in January) and well above the target (2.5% with a symmetrical band for deviations of +/-1 percentage point). In the latter part of the year, however, as inflation is likely to moderate a little, rate cut discussions will likely restart and may in fact result is some easing toward the year-end. Another important factor will be pressure from ongoing policy easing in the Eurozone, which may put Polish enterprises and consumers under unduly tight monetary conditions, both in terms of interest rates and the exchange rate. The Polish zloty has indeed remained stubbornly strong, at 4.2 vs. the euro, which is stronger than 4.3 on average in 2024 and also stronger than its deemed fair value of 4.4-4.5 by the end of 2025, the same level as forecast three months ago. Yields-wise, we continue see a decline, in total by up to half a percentage point by end-2025.

Banking Sector

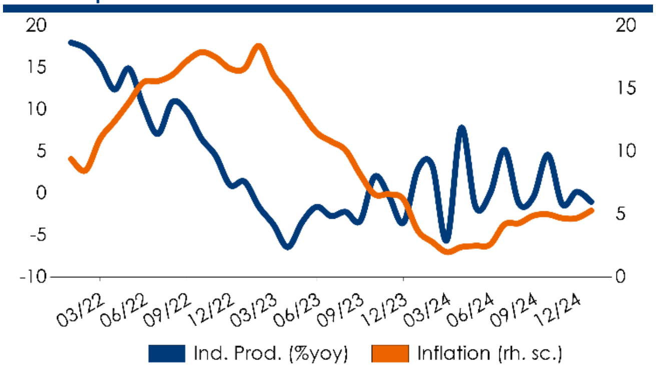
In the banking market, loan volume will likely continue growing alongside the expanding real economy. In the deposit market, we nonetheless see volume growth moderating relative to 2024 as households use their savings to offset the less generous real income growth. The difference in loan and deposit growth dynamics nonetheless should not be sufficient to materially change the comfortable liquidity situation in the Polish banking market, with the loan-to-deposit ratio at 66% vs. 64% in 2024.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	0.1	2.8	3.1	2.6
CPI (eop)	6.2	4.7	4.5	2.5
Euro exch. rate (value, eop)	4.3	4.3	4.5	4.5
Short-term rate (eop)	5.8	5.8	5.2	3.7
L/T bond yields (eop)	5.2	5.7	5.3	5.2
Bank loans (pr. sector, yoy)	-2.5	3.6	5.3	4.5
Bank deposits (pr. sector, yoy)	10.5	8.1	5.6	5.0
Lending int. rate (corp., eop)	7.8	7.7	6.2	4.4
Deposit int. rate (hh, eop)	4.6	3.9	3.2	1.9

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

Despite acceleration in 4Q 2024, thanks to households pre-stocking ahead of the VAT increase on goods in January, we expect the Slovak economy to continue with below-average growth in 2025. This expectation is driven by the ongoing weakness in Slovakia's main trading partners, particularly Germany, by the local fiscal consolidation as well as by the threats stemming from the trade wars started by the new US administration. In particular, automotive exports to the US, amounting to almost 3% of GDP, may be directly affected, as 25% tariffs have been proposed from April 2nd. The EU's Recovery and Resilience funds may boost aggregate demand, especially in 2026.

The local labor market may remain tight despite slower GDP growth, with the unemployment rate hovering around all-time lows. However, wage growth is expected to decelerate markedly in 2025, as the last available monthly and quarterly figures already show a notable slowdown. The inflation rate should reach around 4% this year, as a reflection of the VAT increase in January. In 2026, we also expect an increase in subsidized energy prices for households.

Financial Markets

Since we expect the euro area's inflation to stay around 2.4% this year, the ECB may cut its key rates further towards the neutral level, possibly to 2.0% in June in the case of the deposit facility rate. Should the economic weakness in Europe worsen, the policy rates may go even lower. Longer-term benchmarks, on the other hand, may stay higher as the ECB is continuing its quantitative tightening and Germany as well as the EU as a whole are expected to borrow more than before, e.g. for defence. Slovakia's fiscal situation will remain challenging with the growing debt-to-GDP ratio, and the current risk premium of only around 80 points may increase with time, particularly from 2026 onwards, similar to the situation in Italy in Spain.

Banking Sector

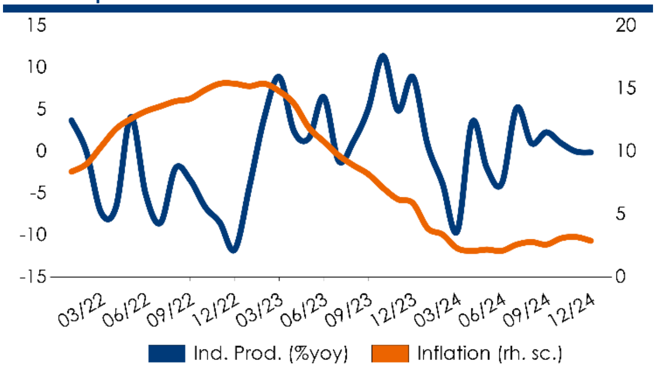
Local banks need to implement a new tax on companies' financial transactions starting in April, which will add to the financial and regulatory burden of their business clients. Together with a bleaker economic outlook, this could mean continued subdued development of corporate lending. Loans in the mortgage segment may recover after the problems with hacked land registry records at the beginning of 2025. Banks' deposit growth may be curtailed by lower household savings rate due to the slower growth of disposable income coupled with higher inflation, as well as the €500 mil. retail government bonds sold in March. The bank levy introduced in 2024 is expected to decrease step by step until 2028, in line with the current legislation.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	1.4	2.0	1.4	2.5
CPI (eop)	5.9	2.9	3.5	2.5
Short-term rate (eop)	3.9	2.8	2.0	2.0
L/T bond yields (eop)	3.3	3.2	3.9	4.3
Bank loans (pr. sector, yoy)	3.4	2.9	4.6	4.5
Bank deposits (pr. sector, yoy)	4.6	6.5	4.9	4.6
Lending int. rate (corp., eop)	5.8	4.8	3.5	2.9
Deposit int. rate (hh, eop)	0.5	0.7	0.3	0.4

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

GDP growth in the closing quarter of 2024 accelerated to 0.6% qoq, an annual increase of 1.5% yoy. At the annual level, personal consumption continued to ease (+1.2%) in line with the milder net wage increase, government consumption softened (+5.7%), while investments remained in the red albeit softening to -5.2% thanks to the qoq recovery of investments in non-residential buildings and infrastructure. Following the pickup in 3Q, the contribution of net exports stayed in black with exports up by 3.9% yoy and imports by 2.3% yoy. FY24 GDP growth thus stood at 1.6% yoy, precisely in line with our estimate.

This year started on a strong footing with January registering sound monthly (+2%) and annual (+3%) increases of both real retail trade and industrial production with a sharp 7% mom and yoy rise in High-tech Manufacturing production. Simultaneously, goods exports stayed on upward path rising 9.7% yoy (EU +0.9% yoy). The March scenario envisages 2025 GDP growth accelerating to 2.4% yoy against the backdrop of sound personal consumption backed by the healthy rise in wages (stronger in the public sector thanks to collective wage agreements), recovery of investment buttressed by EU funds and the positive impact of increased foreign demand. Risks to the downside arise from external demand struggling to turn the corner, trade conflicts and geopolitical risks rekindling uncertainty, while the EU ramping up defence spending and Germany's fiscal expansion might move the needle for the EA economy.

The start of 2025 brought a softening of inflation with the headline rate at 1.9% yoy in February and the average at 2.1% yoy in the first two months. Admittedly, February figure softened reflecting 5% yoy decline of Utilities prices owed to 20% mom lower electricity prices (government regulation - fixed price, grid fees cut in Jan-Feb). We see inflationary pressures remaining modest this year, and due to the postponement of the renewable energy contribution from March to July we have trimmed our forecast average inflation to 2.4% yoy, with the risks assessed as balanced.

Financial Markets

The 10Y government bond yield averaged 3.0% in Jan-Feb, with the Bund spread at 60bps. The average yield in 2025 is expected to increase to 3.3%, while the average spread is expected to be shy of 60bps.

Banking Sector

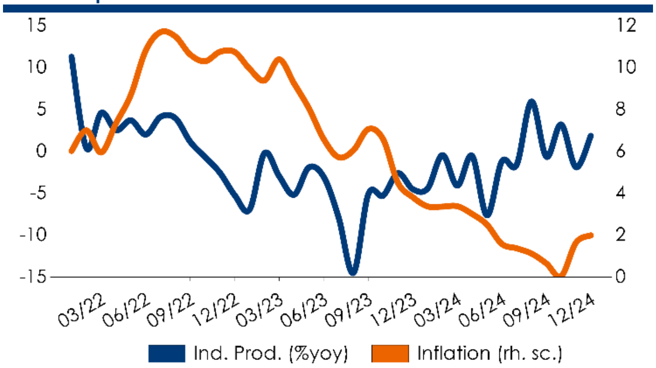
In 2025, lending is expected to strengthen to 3.5% yoy, particularly due to housing loan demand as interest rates steadily decline. Deposit growth in 2025 is projected to be a mild 2.6% yoy, with household deposits facing competition from AuM and the government issuing a 3Y retail bond in March bearing a 2.75% interest rate.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	2.1	1.6	2.4	2.4
CPI (eop)	3.8	2.0	2.5	2.0
Short-term rate (eop)	3.9	2.8	2.0	2.0
L/T bond yields (eop)	3.0	2.9	3.6	3.7
Bank loans (pr. sector, yoy)	-0.5	2.7	3.5	2.5
Bank deposits (pr. sector, yoy)	5.5	1.9	2.6	2.7
Lending int. rate (corp., eop)	5.6	5.0	3.2	2.8
Deposit int. rate (hhs, eop)	1.3	1.4	0.5	0.5

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

Albania

Real Economy

Kledi Gjorderni

Albania's economic activity has shown resilience and steady progress. Annual GDP growth in 2024 is expected to be at around +3.8%, above-forecast and higher than in 2023 (+3.3%). This was driven by a strong performance in key sectors such as tourism, construction, and consumer spending. Despite the negative contribution of local currency appreciation against the EUR in the foreign exchange market, overall exports remained buoyant. This was due to the upbeat figures for export services, while the export of goods during 2024 were almost always negative. However, the beginning of 2025 found exports of goods in a positive territory with growth of 5.08%. During 2024, CPI recorded a strong decline, driven especially by low imported inflation of food and energy prices. The average annual inflation rate decreased to 2.26%, down from 4.8% in 2023. In 2025, inflation is expected to reach 3.3%, mainly thanks to lower consumer spending.

Financial Markets

In 2024, Albania's financial markets experienced key developments contributing to economic stability and growth. The CB reduced the key interest rate by 0.25 % points in July and again in November 2024, bringing it 2.75%. This also influenced the decline in CPI. In January 2025, CPI stood at 1.9%. We are already seeing a decline in the inflation rate below the CB's target level of 3%, but according to the Bank of Albania, this will be adjusted in 2025 and will return to the target rate. In the foreign exchange markets, the depreciation of the euro against LCY seems to have stopped and even gained a few pips, stopping in January 2025 at the rate of 99.8. In February 2025 the Albanian government issued a new Eurobond of EUR 650M maturing in 2035 with a coupon of 4.75% and a yield of 5%.

Banking Sector

Davidia Zucchelli

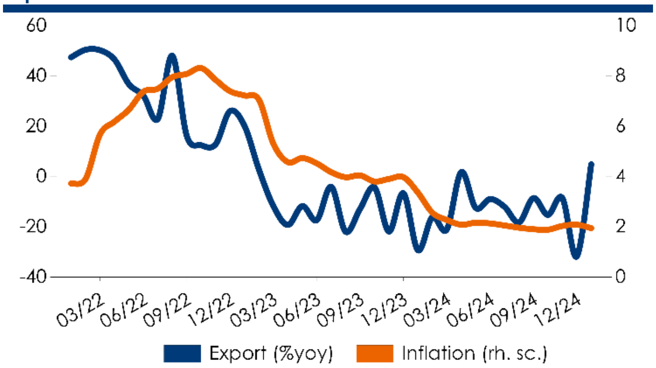
Profits of Albanian banks rose further in 3Q24 as shown by ROE (which increased from 17.3% in 2023 to 18.3% in 3Q24) and ROA (from 1.99% to 2.17%), despite the fact that the NIM narrowed slightly (further to 4.1pp in December from 4.4pp in December 2023). Profitability was supported by the strong loan growth (+12.4% yoy in December) particularly in the household segment (+13.9% yoy), while corporate loans, which account for 62% of total lending, increased a bit more slowly (+11.4% yoy). Deposits also performed well, expanding +3.9% yoy in December from +2.4% yoy in September, while interest rates remained stable (at 2.5% for the past few months). Stabilising economic growth underlies a more moderate growth forecast for loans and deposits in the next few years (+6.2%, revised upward due to the recent strong performances, and +3.5%, respectively, in 2025).

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.3	3.7	3.3	3.4
CPI (eop)	4.0	2.1	3.0	3.0
Euro exch. rate (value, eop)	103.9	98.2	101.0	122.3
Short-term rate (eop)	3.0	3.0	3.1	3.3
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	3.7	12.4	6.2	3.4
Bank deposits (pr. sector, yoy)	1.6	3.9	3.5	3.4
Lending int. rate (pr. sec., eop)	5.6	5.5	5.6	6.0
Deposit int. rate (pr. sec., eop)	2.3	2.7	2.9	2.6

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Export and inflation



Source: National Statistical Institute

Bosnia and Herzegovina

Real Economy

Ivana Jović

Following 2.6% yoy growth in the third quarter of 2024, high frequency data indicates mixed trends in the closing quarter of the year. Specifically, after 3Q's 2.7% yoy growth, 4Q's real retail trade slowed to 1.3% yoy, while industrial production remained flat on an annual basis following over two years of continuous decline. Goods exports registered positive 3.6% yoy growth, and construction activity showed strengthening, with a 3.6% increase in the Federation and 2.7% growth in RS, suggesting a positive investment contribution once 4Q GDP data is published. Overall, full-year 2024 GDP growth should close at around our 2.5% estimate. Meanwhile, January's opening data indicates less supportive domestic demand, with real retail trade declining by -0.8% yoy – the first time in 46 months – driven by a 2.9% decline in food and a 4.2% drop in the non-food component, which has been showing weakening signs since the middle of last year. At the same time, goods exports increased by 3.7% yoy, mainly due to a 12% improvement in non-EU exports. However, imports rose by 9.8%, leading to a wider trade deficit. With an elevated degree of downside risks we see FY2025 growth at around 2.7%.

In January, the inflation rate strengthened to 3.3%, indicating widespread upward pressures as food inflation surged to 6.3% yoy, reaching its highest level in the past 15 months. This was followed by a strengthening of the service component, evidenced by continuous rises in the prices of restaurants and hotels (+7.1%), health services (+7.0%), and recreation and culture (+3.4%). Overall, in accordance with recent trends and the anticipated inflationary spillover from the minimum wage and electricity price increase, we project average FY25 inflation to be around 3.4%, compared to 1.7% observed last year.

Recently the political tensions in the country intensified following the six-year political ban and one-year jail term first-instance verdict against Milorad Dodik, the President of the RS entity, for defying the international peace envoy's orders. In response, the RS Assembly adopted a set of laws that include prohibiting the state police and state judiciary from operating within the RS entity and establishing a parallel justice system. The Constitutional Court temporarily suspended these laws, while the international community expressed concerns about Dodik's actions undermining Bosnia and Herzegovina's institutions and affecting its security and stability.

Banking Sector

Ana Lokin

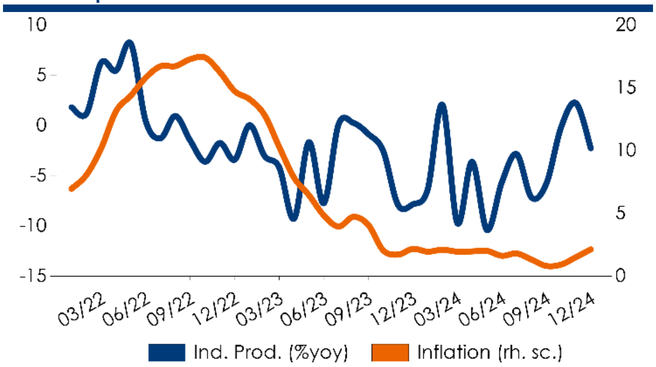
Healthy GDP growth and wage increases are expected to support credit demand in 2025. Following 9.3% yoy loan growth in the past year, we see the increase moderating and dropping below 6% yoy, whereby household demand is expected to exceed corporate demand. Deposit growth in 2025 should subside from 10.8% yoy in 2024 to 6% yoy as interest rates decline, and lending softens.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	1.9	2.5	2.7	3.0
CPI (eop)	2.2	2.2	3.5	2.0
Euro exch. rate (value, eop)	2.0	2.0	2.0	2.0
Short-term rate (eop)	n.a.	n.a.	n.a.	n.a.
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	6.8	9.3	5.6	3.7
Bank deposits (pr. sector, yoy)	10.2	10.8	6.3	4.0
Lending int. rate (corp., eop)	3.9	4.6	n.a.	n.a.
Deposit int. rate (hh, eop)	0.6	1.2	n.a.	n.a.

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

Croatia

Real Economy

Ivana Jović

According to the first quarterly estimate, GDP in 4Q24 increased by 3.7% yoy, while on a quarterly basis growth strengthened to 1.4% qoq. Thus, FY24 GDP growth landed at 3.8% yoy. Closing quarter, GDP growth was stronger than expected, mainly owing to domestic demand: 6.3% yoy growth in private consumption (monthly retail trade data was suggesting growth a little softer) and a surge of 7.1% yoy in government consumption, while 9.5% growth in investments came in line with expectations. Simultaneously, exports of goods and services increased by 4.7% yoy with stagnant services performance but strong growth in goods exports (+9.2%), while on the other hand imports increased by 9.9% yoy (goods +8.8% yoy, services +14.9% yoy). The production side confirms the above as GVA in Wholesale/Retail + Transportation + Accommodation/Food services increased by 6.7% yoy, indicating strong demand accompanied by 13.2% yoy growth in Construction GVA. Disappointingly, following positive growth in the 3Q, last quarter saw a 0.4% yoy decline in Manufacturing GVA. Overall, FY24 was marked by a positive contribution from domestic demand (5.8% growth in private consumption, 4.5% in government consumption, 9.9% in investments), with negative net foreign demand as growth in exports (+0.9% yoy) was overridden by 5.3% growth in imports. We stick to our FY25 estimate of 2.9% GDP growth, with risks tilted to downside amid the prevailing geopolitical uncertainty. Private consumption will remain the main growth driver, although on a slightly softer footing compared to last year, while slow EA recovery burdened by tariffs headwinds limit exports expectations. EU-funds utilisation will drive investments, as in general higher uncertainty related to the external environment could restrain the investment plans of private companies. Given the persistently elevated inflation at the start of the year (HICP at 5% and 4.7% in January and February, respectively), we now see average annual inflation in the region of 4%, i.e. similar to last year's.

Financial Markets

Ana Lokin

The 10Y government bond yield spread to Bund averaged 0.6pp in Jan-Feb, with the yield at 3.0%. Our projection for 2025 is average spread of 0.7pp and average yield at 3.4% (eop 0.7pp, 3.7%).

Banking Sector

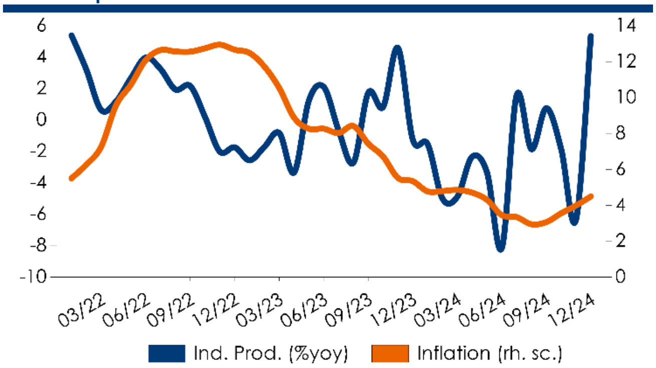
Loans are expected to soften (to around 6% yoy) in 2025 due to household loans losing momentum curbed by the new macroprudential regulation. We expect the increase in deposits to be a little stronger as household demand for government securities seems to be tailing off due to a decline in yields.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.3	3.8	2.9	2.9
CPI (eop)	5.4	4.5	3.2	3.0
Short-term rate (eop)	3.9	2.8	2.0	2.0
L/T bond yields (eop)	3.3	2.8	3.7	3.8
Bank loans (pr. sector, yoy)	8.0	9.4	5.9	2.5
Bank deposits (pr. sector, yoy)	3.5	3.7	4.5	2.6
Lending int. rate (pr. sec., eop)	5.2	4.5	4.0	4.0
Deposit int. rate (pr. sec., eop)	3.1	2.6	1.7	1.5

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Croatia Bureau of Statistics

Romania

Real Economy

Marius Pacurari

The National Statistical Institute announced GDP growth on fourth quarter 2024 at 0.8% qoq and 0.9% yoy. These levels are lower than expectations and are driven by agriculture, trade, IT and communications. Construction and industry made negative contributions. The result confirmed our last forecast.

CPI at the end of March was 5.02% yoy. On a monthly basis CPI increased 0.92% in January versus February. Harmonised CPI was 5.2% in March. New NBR projections show that, after a period of volatility, at the end of 2025 CPI will be at around 3.8%.

The unemployment figures have been revised upward by the NSI for the period July – December 2024. At end-2024 the level was 5.7%, while for January 2025 the announced figure is 5.5%. Wages growth remained high at 9.7% yoy at the end of January 2025.

The Budget Deficit in 2024 was significantly higher than any government projection, reaching 8.65% of GDP. In January 2025 the budget deficit was at 0.58%, while the target deficit for 2025 taken into consideration for the 2025 State Budget is at 7.0% of GDP.

The current account deficit at the end of December 2024 was EUR 29.4Bn, significantly higher than the previous year.

Financial Markets

In February, as at the January Monetary Policy Meeting, the Romanian Central Bank kept its Monetary Policy Rates unchanged, with the Deposit Facility Rate at 5.50%, the Reference Rate at 6.50%, and the Credit Facility Rate at 7.50%. The next Monetary Policy Meeting is on the 7th of April 2025. We do not expect any decision to cut to be taken until the second half of the year.

The EUR/RON exchange rate was stable around 4.97 - 4.98, while Money Market rates remained stable, with ROBOR and Implied Yields in the FX SWAP market showing a trend towards convergence.

Banking Sector

Marius Pacurari

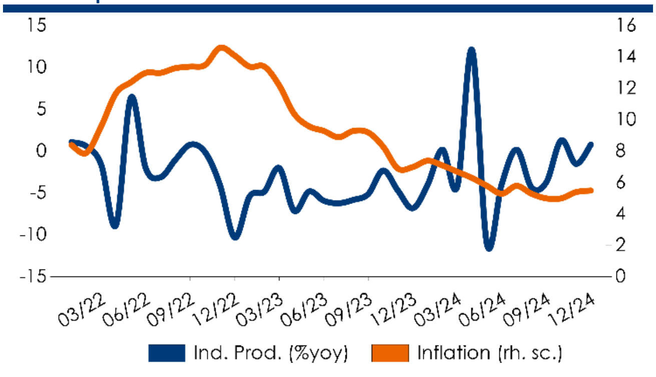
At the end of 2024, yoy lending growth was 8.17%, with a strong component in RON (11.71%), while EUR loans decreased 0.21%. On the deposit side the overall yoy growth was 9.66%, with the RON component at +10.16% and foreign currency deposits at +8.51%.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	1.9	0.8	2.0	3.1
CPI (eop)	7.0	5.5	3.8	2.5
Euro exch. rate (value, eop)	5.0	5.0	5.0	5.0
Short-term rate (eop)	6.3	5.9	6.0	4.0
L/T bond yields (eop)	6.6	7.4	6.4	6.4
Bank loans (pr. sector, yoy)	5.9	8.2	6.0	6.5
Bank deposits (pr. sector, yoy)	12.9	9.7	6.2	5.4
Lending int. rate (pr. sec., eop)	8.6	7.7	8.4	7.3
Deposit int. rate (pr. sec., eop)	5.6	5.0	4.9	2.6

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: National Institute of Statistics

Serbia

Jelena Draskovic

Real Economy

The Statistical Office confirmed 3.9% GDP growth for 2024 as a whole, measured as the sum of quarterly data, while economic activity expanded by 3.3% yoy in 4Q24. The beginning of 2025 brought elevated uncertainty, with risks to economic growth tilted more to the downside. The overall trend of industrial production remained positive in January, with new production capacities as the key advantage for maintaining production level. The long-awaited export of domestically produced electric cars has started and is expected to give a boost to the whole economy. However, prompted by the deepening crisis in the German auto industry, as well as rising domestic labour costs, some of the major manufacturers announced reductions in force and in operations, which could reflect negatively in manufacturing and export rates. Inflation picked up to 4.6% yoy in January, breaking the upper bound of the targeted corridor. Core inflation also increased to 5.6%. Persistent services price pressures and stubborn core inflation have been pushing headline inflation slightly higher than we previously expected. After moving around the upper bound of the NBS inflation corridor in the first months, we expect CPI to start a gradual decline as of 2Q25, until it reaches 3.5% at the end of the year. We see average CPI at 4% in 2025.

Financial Markets

At its February meeting, the central bank decided to hold the key interest rate unchanged at 5.75%. The NBS again highlighted the necessity for the continuation of cautious policies in an environment of elevated uncertainties in international markets, primarily the rise in geopolitical tensions and the strengthening of protectionism. We don't expect further monetary easing before the end of the second quarter, with a maximum of three quarter-point cuts by the end of year. The dinar remained stable in the first two months of 2025, depreciating by a modest 0.1% against euro. Since the beginning of the year, the central bank's net sales of foreign currency in the market reached EUR 745mn, dragging FX reserves down by EUR 0.5Bn to a level of EUR 28.8Bn. Also, the share of gold in FX reserves continued to grow, to the level of 48.5 tons.

Banking Sector

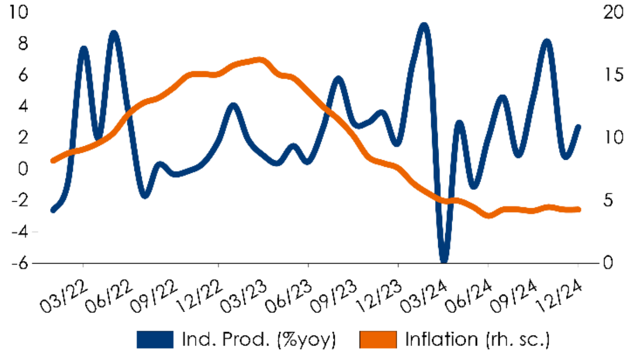
Credit activity continued to climb in 2024, with total private-sector loan growth of 7.9% yoy compared to 2023. Supported by favourable financing conditions, new lending growth was vigorous last year, reaching 27.7% yoy in 2024 as a whole. Deposit growth remained strong, with 13.1% yoy growth of total private sector deposits in 2024, as both corporate and household deposits grew at almost the same pace (+12.9% yoy and 13.3% yoy, respectively). The NPL ratio declined further, reaching a new record low of 2.5% at end-2024.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.8	3.9	3.8	4.0
CPI (eop)	7.6	4.3	3.5	3.2
Euro exch. rate (value, eop)	117.2	117.0	117.2	117.4
Short-term rate (eop)	6.5	5.8	5.0	4.3
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	1.0	7.9	7.8	5.5
Bank deposits (pr. sector, yoy)	11.7	13.1	7.9	5.9
Lending int. rate (pr. sec., eop)	10.5	8.7	8.0	7.5
Deposit int. rate (pr. sec., eop)	5.7	4.4	3.2	3.0

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Statistical Office

Moldova

Real Economy

Doina Caraman

The country's economic growth contracted in 3Q24, dragging down GDP performance which in the first nine months stood at +0.6% yoy (vs. +2.2% as of 1H24). The downturn in agricultural and industrial production, shrinking domestic demand, and challenges in the transport and construction sectors indicate that economic conditions are likely to deteriorate further in the fourth quarter, leading to an estimated +0.4% real GDP level as of 2024 year-end. At the start of 2025, Moldova's economic activity faced additional strain from the ongoing energy crisis following the suspension of Russian gas supplies. This compounded the effects of accelerating inflation at the end of 2024, driven by rising food prices and the scheduled adjustment of tariffs in early 2025. Nonetheless, the outlook indicates an economic recovery, as we are forecasting GDP growth at 3% and 3.3% for 2025 and 2026, respectively. Moldova's consumer prices rose by 8.6% yoy in February, slowing from 9.1% in January. Inflation expectations are for annual inflation rates above the 6.5% upper level of the NBM accepted range in the first half of 2025. Looking ahead, average annual inflation is expected to be 7.3% in 2025, with a further slowdown to 4.7% in 2026 and stabilising at around 4.5% for the following years.

Financial Markets

In response to secondary inflationary effects caused by rising energy tariffs in December 2024 and January 2025, the National Bank raised the policy rate by 2 pps to 5.6% in January - the first increase in over two years - followed by another hike to 6.5% in February. The bank's aim is to bring inflation back to the target level of 5%, within a fluctuation range of plus or minus 1.5 pp, within a reasonable timeframe. Meanwhile, overnight loan rates and deposit rates have settled at 8.5% and 6.5%, respectively. Given the easing of inflation and the ongoing impact of prior restrictive measures, the National Bank decided on March 20 to maintain the base rate at 6.50%. The 91-, 182-, and 364-day treasury bill yields increased by 0.5pp, 3.5pp and 3.1pp, respectively, as of March 2025 vs. December 2024 levels, in line with the inflation trajectory and expectations.

Banking Sector

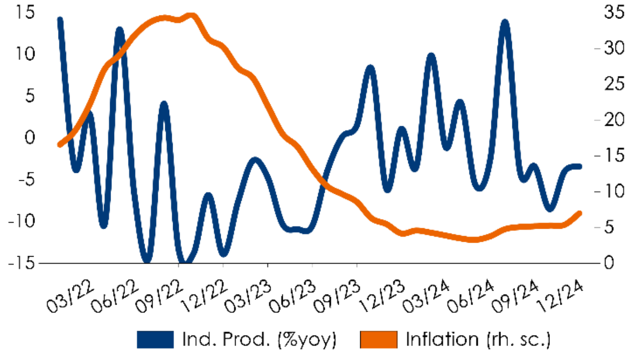
As of January 2025, the loan portfolio recorded 32% growth, primarily driven by households, which saw a 37.4% increase with corporate loans experiencing more modest growth of 28.4%. Meanwhile, deposits recorded double-digit growth as well, reaching 13% yoy, equally attributed to corporate deposits at + 11.6%, and household deposits at +14%. For 2025, we project loan and deposit portfolio growth at approximately 17.6% and 9.4% yoy, respectively, decelerating in the following years. We are forecasting double-digit for the stock of loans until 2027, averaging at around 4.3% onwards. Meanwhile, deposit portfolio growth is anticipated to slow to 6.6% in 2026, with a forecasted increase of around 5.5% on average in the following years. Interest rates on loans and deposits are projected to fluctuate very slightly from the 2024 level, and we expect minor increases in 2025 and 2026.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	0.7	0.4	3.0	3.3
CPI (eop)	4.2	7.0	6.5	4.5
USD exch. rate (value, eop)	17.8	18.3	18.4	18.6
Euro exch. rate (value, eop)	19.2	19.1	19.7	20.1
Short-term rate (eop)	4.8	3.6	5.5	5.0
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	3.7	26.5	17.6	14.2
Bank deposits (pr. sector, yoy)	19.9	13.4	9.4	6.6
Lending int. rate (corp., eop)	9.3	7.3	7.3	7.6
Deposit int. rate (hh, eop)	5.4	3.1	3.3	3.6

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: National Bureau of Statistics of the Republic of Moldova

Russia

Real Economy

Francesca Pascali

After 4.1% of GDP in 2024, in line with the significant public spending and war-related investments, we estimate a slowdown to 1.4% in 2025. Monetary policy is extremely tight and should remain so, with the central bank easing only when inflation subsides, while we expect a weak rouble to import inflationary pressures and weigh on private consumption and investment. Defence spending is set to remain high as long as the war continues, but it will have distorting effects on the labour market, the rigidity of which is expected to persist until the economy cools down or available workers are redeployed away from the war effort. The oil sector will remain a pillar of the economy and Russia will likely continue to find ways to circumvent sanctions through countries that have not joined in with the sanctions.

Financial Markets

At its meeting on February 14th, the Bank of Russia decided to leave the reference rate unchanged at 21.0% per annum. Although current inflationary pressures remain high, according to the Bank of Russia's estimates, the monetary tightening achieved creates the necessary conditions for resuming the disinflation process and reaching the target in 2026, but the scenario predicts that reaching the target will require a long period of maintaining strict monetary conditions in the economy. At the end of 2024, the rouble weakened to 113.75 to the US dollar, its lowest level since 2022. The central bank is expected to continue intervening in the currency market, while an easing of sanctions could contribute to greater currency stability. We therefore expect the value to be 95.8 to the USD at the end of 2025 and to continue depreciating slightly until the end of 2026.

Banking Sector

Davidia Zucchelli

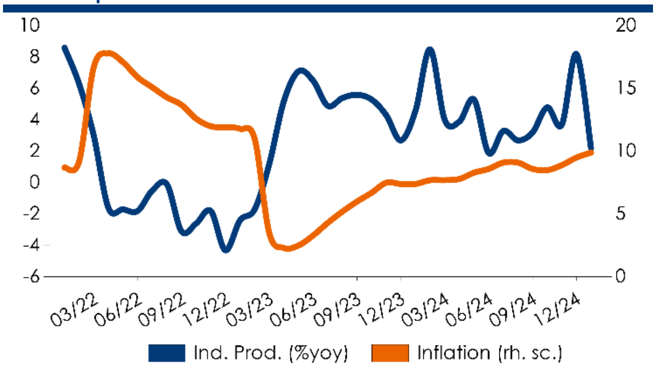
Both loan and deposit growth remained strong in Russia in November (19% yoy vs. 26.9% yoy) for both corporates (23% yoy while deposits increased by 25.4% yoy) and households (+11% for loans and +28.4% yoy for deposits). As anticipated by the central bank, data as of December showed a slowdown of lending in the corporate sector mainly due to higher budget transfers under government contracts in December-January. In the household sector, mortgage lending also decreased as a reflection of long seasonal holidays. The consumer loan portfolio decreased slightly as well (-0.3%) but less than in December (-1.9%), and consumer spending was elevated during the New Year holidays. Deposits rose strongly (estimated by ISP by 19.3% in 2024) but they are forecast to slow to 9.1% in 2025. Household deposits contracted slightly in January (by 0.8%), according to the central bank, below the typical January outflow, probably due to high deposit rates.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.6	4.1	1.4	1.5
CPI (eop)	7.4	9.5	7.7	4.1
USD exch. rate (value, eop)	90.9	103.9	95.8	95.1
Euro exch. rate (value, eop)	90.9	108.8	100.2	101.3
Short-term rate (eop)	NA	NA	NA	NA
L/T bond yields (eop)	NA	NA	NA	NA
Bank loans (pr. sector, yoy)	24.2	16.2	10.1	5.2
Bank deposits (pr. sector, yoy)	23.4	19.3	9.1	5.3
Lending int. rate (corp., eop)	16.1	21.1	22.7	17.1
Deposit int. rate (hh, eop)	12.8	18.5	19.5	13.6

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: State Statistics Federal Service

Ukraine

Real Economy

Artem Krasovskyi

As the US administration under President Donald Trump has notably altered its stance on the Russia-Ukraine conflict, Ukraine is navigating an increasingly challenging geopolitical environment. The shift in US policy includes suspending military and intelligence support to Ukraine, thus prompting Ukrainian authorities to seek alternative partnerships. Meanwhile, the reports indicate persistent deterioration of Ukrainian positions on the front line, with Russian forces claiming incremental territorial gains. The continuing uncertainty about the perspective of a ceasefire, labour shortages due to migration and mobilisation, coupled with higher inflation and the NBU's tightening monetary policy, means that the economic recovery is losing steam. According to the Ministry of Economy, GDP grew by a modest 1.5% yoy in January 2025 (compared to 1.7% in December 2024), driven primarily by the construction industry, manufacturing, and domestic trade. The slowdown was mainly caused by a decrease in export activity. In February 2025, consumer prices rose by 0.8% mom, leading to an annual inflation rate of 13.4%, up from 12.9% in January, thus marking the tenth consecutive increase and reaching its highest level since May 2023. Although the uptick was largely consistent with the NBU's forecast, core CPI continued to exceed expectations due to further growth in business costs, particularly wages. Inflation is expected to continue rising in the coming months, likely peaking to 15-16% yoy in April-May, with a further deceleration in latter half of 2025, aiming for a return to the single-digit zone by year-end.

Financial Markets

As the inflation rate remains on an upward trajectory, the NBU raised its key policy rate by 100bps to 15.5% on March 6th, 2025, while signalling that the start of monetary easing cycle may be delayed from what was indicated in the forward guidance in January. The decision marks the third consecutive rate hike, following increases to 13.5% in December 2024 and 14.5% in January 2025. In addition, the regulator introduced several changes to the parameters of the policy operational design – e.g. raising the interest on the 3-month deposit facility by an additional 100bps with effect from April 4th, 2025 - aiming to bolster the attractiveness of UAH retail deposits and maintain stability in the FX market. The UAH experienced a modest appreciation against the USD, from 42.10 UAH per USD in January 2025 to around 41.20 in early March. This appreciation aligns with the NBU's proactive monetary tightening but was also fuelled by the seasonal agricultural demand for UAH.

Banking Sector

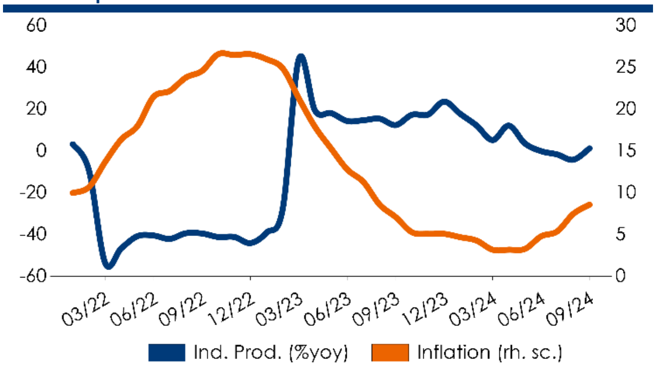
Ukraine's banking sector continues to demonstrate its resilience and maintain robust profitability. The banks made UAH 103.7Bn in profit in 2024, and UAH 16.3Bn in January 2025 – the best print of the past 12 months. Net interest income rose by 12.7% yoy in Q4'24, while net commission income increased 5.2% yoy. The loan portfolio experienced growth in Q4'24: the UAH loans to corporates were up by 0.7% qoq and 20.6% yoy, while UAH loans to households were +6.7% qoq and +39.9% yoy.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	5.3	3.4	3.2	4.2
CPI (eop)	5.1	12.0	9.0	6.5
USD exch. (value, eop)	36.5	41.7	43.5	45.0
Euro exch. rate (value, eop)	40.5	43.7	45.5	48.0
Short-term rate (eop)	n.a.	n.a.	n.a.	n.a.
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	-0.3	10.2	6.6	3.8
Bank deposits (pr. sector, yoy)	26.7	14.4	5.6	4.8
Lending interest rate (pr.sect., eop)	20.7	18.8	17.5	14.5
Deposit interest rate (pr.sect , eop)	10.4	8.6	9.5	7.2

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: State Statistics Service of Ukraine

Egypt

Samer Halim

Real Economy

Real growth is expected to improve to 4.1% yoy in 2025, driven by a recovery in the performance of key sectors such as manufacturing, the Suez Canal, and natural gas production. The combination of lower borrowing costs and a stable foreign exchange market will provide a boost to various industries. Additionally, the de-escalation of geopolitical tensions is likely to have a positive impact on Suez Canal transit numbers, helping to recover the nearly USD 6 billion in lost revenues from last year. However, according to the IMF, "risks remain significant... The economic outlook remains vulnerable to external shocks and domestic policy challenges. In particular, regional conflicts and trade disruptions could further strain fiscal revenues, foreign direct investment." Inflation forecasts have been revised downward following a significant decline in the annual headline CPI, which recorded 12.8% in February 2025. Although Egypt plans to reduce fuel subsidies to cost-recovery levels by December 2025 (excluding diesel), this will be partially offset by falling oil prices.

Financial Markets

Given the expected inflation trajectory, key interest rates are likely to decrease by 700 bps in 2025, with corresponding adjustments in money market rates. Increased demand from foreign investors, driven by declining yields on US Treasuries, is expected to place upward pressure on local yields. A moderate depreciation of the Egyptian Pound is still anticipated due to the inflation differential with major trading partners. However, improvements in the current account deficit, foreign direct investment (FDI), portfolio investments, and planned borrowing in coordination with the IMF are going to help maintain the stability of the FX market. It is important to note that most of Egypt's foreign currency inflows, except from the Suez Canal, have been robust in 2024 compared to the previous year, with exports up by 5.2%, remittances rising by 51.3%, and tourism increasing by 8.5%. The IMF has approved a disbursement of USD 1.2Bn to Egypt and granted access to about USD 1.3Bn under the Resilience and Sustainability Facility (RSF). The IMF has stated: "The exchange rate fluctuates within a limited range. Looking ahead, continuous vigilance will be needed to ensure that this reform is consolidated further over time, so that economic agents perceive the exchange rate as truly flexible."

Banking Sector

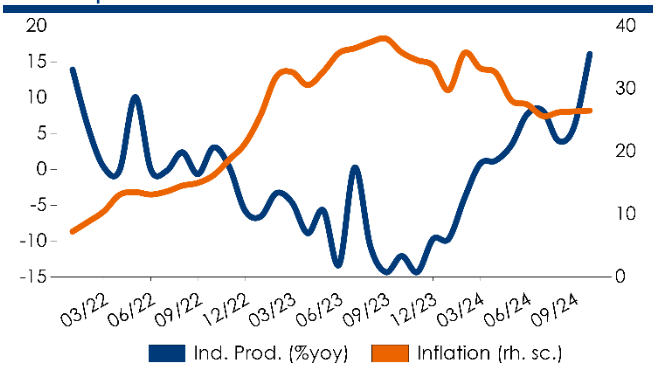
Annual growth in both private-sector loans and deposits is set to decelerate in 2025 due to the base year effect, with loan growth at a slower pace in light of tight financial conditions. Short-term savings schemes continue to show significant growth, while time and savings deposits remain relatively stable. The Egyptian banking sector (Central Bank of Egypt and commercial banks) has seen a dramatic improvement in its Net Foreign Assets, running a surplus of USD 8.7Bn in January 2025, compared to a deficit of USD 29Bn in the same month of the previous year.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	2.9	3.1	4.1	4.3
CPI (eop)	33.7	24.1	14.4	10.8
USD exch. rate (value, eop)	30.9	50.6	54.0	56.0
Euro exch. rate (value, eop)	33.7	53.0	56.5	59.7
Short-term rate (eop)	25.7	30.8	22.5	18.0
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	22.1	17.3	10.8	9.5
Bank deposits (pr. sector, yoy)	18.5	34.4	14.6	11.0
Lending int. rate (corp., eop)	19.5	26.7	19.5	16.0
Deposit int. rate (hh, eop)	14.2	20.9	15.8	12.9

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

Country Data: Economy, Markets and Banks - the economic cycle

The Economy

		GDP chg yoy			Ind.prod[1]. chg.yoy			Export nom. chg yoy			Retail sales chg yoy			Inflation chg yoy			Unemployment rate			Wages chg yoy			Economic Survey[2]		
		4Q24	3Q24	2023	Last	mth	4Q24	Last	mth	4Q24	Last	mth	4Q24	Last	mth	4Q24	Last	mth	4Q24	Last	mth	4Q24	Last	mth	4Q24
CEE	Czechia	1.6	1.4	0.0	-3.0	Dec	-2.6	12.3	Dec	8.2	5.5	Dec	5.3	2.8	Jan	2.9	4.3	Jan	3.9	7.2	Dec	6.2	95.9	Jan	96.3
	Hungary	n.a.	-0.7	-0.9	-5.3	Dec	-3.2	-0.5	Dec	-0.4	0.4	Dec	2.7	5.5	Jan	3.8	4.3	Jan	4.5	11.9	Nov	12.4	90.9	Jan	91.7
	Poland	3.2	2.7	0.1	-1.0	Jan	1.2	-2.8	Dec	-3.6	1.9	Dec	2.1	5.3	Jan	4.8	5.1	Dec	5.0	9.8	Dec	10.2	97.1	Jan	99.1
	Slovakia	1.8	1.2	1.4	-0.1	Dec	0.3	3.6	Dec	4.1	10.1	Dec	6.7	3.9	Jan	3.1	5.0	Dec	4.9	4.3	Dec	4.7	97.3	Jan	101.2
	Slovenia	1.5	1.6	2.1	1.9	Dec	1.1	17.7	Dec	14.3	-3.2	Dec	-0.8	2.3	Jan	1.2	4.8	Dec	4.6	2.5	Dec	3.6	96.7	Jan	97.8
SEE	Albania	n.a.	4.1	n.a.	n.a.	n.a.	n.a.	5.1	Jan	-18.5	n.a.	n.a.	n.a.	2.1	Dec	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	n.a.	2.6	1.9	-2.3	Dec	0.7	3.7	Jan	3.6	1.1	Dec	1.5	2.2	Dec	1.5	27.3	Nov	27.3	10.2	Dec	9.4	n.a.	n.a.	n.a.
	Croatia	n.a.	3.9	3.3	5.4	Dec	-1.0	2.3	Nov	n.a.	6.0	Dec	6.8	5.0	Jan	4.0	5.4	Jan	4.9	14.3	Dec	13.7	105.6	Jan	106.7
	Romania	0.7	1.2	n.a.	0.8	Dec	0.2	7.1	Dec	3.1	7.8	Dec	9.2	5.5	Dec	5.3	5.2	Dec	5.3	11.1	Dec	12.2	102.6	Nov	n.a.
	Serbia	n.a.	3.1	3.8	2.7	Dec	3.9	2.1	Dec	1.3	0.8	Dec	1.9	4.6	Jan	4.4	n.a.	n.a.	n.a.	12.0	Nov	12.9	n.a.	n.a.	n.a.
EE & MENA	Moldova	n.a.	-1.8	0.7	-3.4	Dec	-5.3	-11.5	Nov	-7.4	-5.6	Dec	n.a.	8.6	Feb	5.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia	n.a.	3.1	3.6	2.2	Jan	5.6	72.1	Jan	n.a.	5.4	Jan	5.3	10.1	Feb	9.0	2.4	Jan	2.3	11.3	Dec	8.6	53.1	Jan	50.8
	Ukraine	n.a.	2.0	5.3	1.3	Sep	n.a.	15.3	Dec	16.1	9.9	Sep	n.a.	13.4	Feb	11.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	n.a.	3.5	2.9	16.1	Oct	16.1	6.3	Nov	13.9	n.a.	n.a.	n.a.	12.8	Feb	25.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50.7	Jan	48.1
	m.i. E. A.	*0.9*	*0.9*	*0.4*	*-2.0*	*Dec*	*-1.6*	*3.1*	*Dec*	*1.4*				*2.4*	*Feb*	*2.2*									

Source: LSEG; [1]Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; [2]PMI manufacturing for Russia and Egypt, ESI for remaining countries.

Markets and Ratings

		S/T rates		L/T rates1		Foreign exchanges2			Stock markets		CDS spread (bp)		FX res. chg (mln €)3			CA bal. (mln €)4		Rating
		14/3	3M*	14/3	3M*	14/3	3M*	1Y*	3M*	1Y*	3/3	3/12	4Q24	3Q24	2023	4Q24	3Q24	Moody's
CEE	Czechia	3.8	-0.2	4.2	0.1	25.02	-0.01	-0.69	18.3	36.5	26.2	28.1	n.a.	n.a.	n.a.	n.a.	3,282.5	Aa3
	Hungary	6.5	0.0	6.9	0.6	399.99	-2.37	1.48	9.6	34.4	108.4	112.9	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	5.9	-0.2	5.9	0.1	4.18	-2.18	-2.52	18.9	12.6	66.3	68.7	n.a.	n.a.	n.a.	n.a.	-4,277.0	n.a.
	Slovakia	2.5	-0.4	3.8	0.6	n.a.	n.a.	n.a.	-3.1	-3.9	29.0	29.0	n.a.	n.a.	n.a.	-3,516	-1,257.0	A3
	Slovenia	2.5	-0.4	3.4	0.5	n.a.	n.a.	n.a.	20.5	46.1	33.5	32.6	160	28	18	685	1,100.9	A3
SEE	Albania	2.7	n.a.	n.a.	n.a.	99.50	1.26	-4.00	n.a.	n.a.	n.a.	n.a.	n.a.	367	n.a.	n.a.	350.0	n.a.
	Bosnia H.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	397	158	115	n.a.	-47.4	n.a.
	Croatia	0.4	0.0	3.3	0.5	7.53	0.00	0.00	3.0	20.6	78.5	82.4	278	9	-24,997	n.a.	4,778.9	A3
	Romania	5.8	0.0	7.4	0.3	4.98	0.07	0.12	-0.9	9.2	189.8	162.7	n.a.	2,246	n.a.	n.a.	-19,777.0	Baa3
	Serbia	5.8	0.0	n.a.	n.a.	117.16	0.18	-0.07	-0.1	22.5	149.3	173.8	1,015	773	5,493	-1,824	-2,022.2	Ba2
EE & MENA	Moldova	6.5	2.9	7.1	2.0	17.93	-1.65	2.17	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.0	B3
	Russia	n.a.	n.a.	n.a.	n.a.	83.45	-20.22	-8.74	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	WR
	Ukraine	n.a.	n.a.	n.a.	n.a.	41.46	-0.35	7.27	1.5	-0.9	n.a.	n.a.	n.a.	n.a.	n.a.	-2,347	-1,588.0	Ca
	Egypt	29.2	-1.7	11.3	0.0	50.65	-0.33	5.96	1.7	6.6	521.9	552.3	n.a.	353	1,217	n.a.	-5,910.0	Caa1
	m.i.A.E.	*2.5*	*-0.4*	*2.8*	*0.6*	*1.1*	*3.7*	*-0.1*	*5.7*	*12.7*	*5.00*	*4.06*						

Source: LSEG; [1]For Ukraine, the long-term rate refers to a government issue in dollars; [2]The (-) sign indicates appreciation; [3]USD for Russia, Egypt, Ukraine, Romania; [4]USD for Russia, Egypt, Ukraine. (*) % change.

Banking aggregates and interest rates (private sector)

		Loans chg yoy %			NPL/Loans %			Foreign Liab. chg yoy %			Deposits chg yoy %			Loans rate1-NewB*. %				DepositsRate1-NewB*. %				Loans/Dep %		
		Last	Mth	2023	Last	mth	2023	Last	mth	2023	Last	Mth	2023	Last	mth	2023	S[4]	Last	mth	2023	S[4]	Last	mth	2023
CEE	Czechia	5.7	Dec	6.6	1.7	Dec	1.7	14.0	Dec	15.8	7.6	Dec	7.5	5.7	Dec	8.2	C	3.1	Dec	5.7	H	69.1	Dec	70.4
	Hungary	6.8	Dec	3.3	2.0	Sep	2.0	16.0	Dec	16.8	8.4	Dec	0.3	11.1	Dec	12.4	C	4.6	Dec	7.7	H	79.3	Dec	80.6
	Poland	3.6	Dec	-2.5	4.0	Mar	n.a.	13.6	Dec	5.5	8.1	Dec	10.5	7.7	Dec	7.8	C	3.9	Dec	4.6	H	64.3	Dec	67.1
	Slovakia	2.9	Dec	3.4	2.0	Dec	2.0	36.2	Dec	25.9	6.5	Dec	4.6	4.8	Dec	5.8	C[2]	0.7	Dec	0.5	H[2]	103.3	Dec	107.0
	Slovenia	2.7	Dec	-0.5	1.0	Nov	1.0	3.6	Dec	21.9	1.9	Dec	5.5	5.0	Dec	5.6	C[2]	1.4	Dec	1.3	H[2]	61.1	Dec	60.6
SEE	Albania	12.4	Dec	3.7	4.2	Dec	4.7	13.8	Dec	5.3	3.9	Dec	1.6	5.5	Dec	5.6	PS	2.7	Dec	2.3	PS	60.6	Dec	56.0
	Bosnia H.	9.3	Dec	6.8	3.5	Sep	3.8	27.5	Dec	-15.6	10.8	Dec	10.2	4.6	Dec	3.9	C	1.2	Dec	0.6	H	87.3	Dec	88.5
	Croatia	9.4	Dec	8.0	2.5	Sep	2.6	23.8	Dec	-13.6	3.7	Dec	3.5	4.5	Dec	5.2	PS	2.6	Dec	3.1	PS	70.2	Dec	66.6
	Romania	8.2	Dec	5.9	2.4	Nov	2.3	0.6	Dec	19.0	9.7	Dec	12.9	7.7	Dec	8.6	PS	5.0	Dec	5.6	PS	67.2	Nov	66.6
	Serbia	7.9	Dec	1.0	2.5	Dec	3.2	-1.8	Dec	-5.8	13.1	Dec	11.7	8.7	Dec	10.5	PS	4.4	Dec	5.7	PS	77.3	Dec	81.1
EE & MENA	Moldova	26.5	Dec	3.7	4.1	Dec	5.6	0.7	Jul	n.a.	13.0	Jan	19.9	7.2	Jan	9.3	C	3.1	Jan	5.4	H	62.6	Dec	56.1
	Russia	19.0	Nov	24.2	6.1	Dec	n.a.	13.3	Dec	n.a.	26.9	Nov	23.4	22.8	Nov	16.1	C	20.4	Nov	12.8	H	116.8	Nov	121.0
	Ukraine	10.2	Dec	-0.3	30.3	Dec	37.4	-2.4	Dec	-2.6	14.4	Dec	26.7	18.8	Dec	20.7	PS	8.6	Dec	10.4	PS	41.8	Dec	43.4
	Egypt	29.1	Sep	22.1	2.7	Jun	3.0	63.6	Dec	33.9	34.4	Dec	18.5	26.7	Dec	19.5	C	20.9	Dec	14.2	H	35.7	Sep	36.7
	m.i. E. A.	*1.01*	*Dec*	*0.6*	*n.a.*	*n.a.*	*n.a.*	*2.2*	*Dec*	*1.2*	*4.2*	*Dec*	*1.5*	*4.2*	*Dec*	*5.2*	*C*	*2.5*	*Dec*	*3.3*	*H*	*72.2*	*Dec*	*74.5*

Source: Central Banks, IMF, Moody's ;[1]monthly average; [2]lending rate on current account overdraft; on deposits up to 1 year.[4]Sector C=Corporates, H=Household, PS=Private Sector.

Country Outlook

The Economy

	GDP (% yoy)	2022	2023	2024	2025F	2026F	Inflation (%, avg)	2022	2023	2024	2025F	2026F
CEE	Czech Rep.	2.9	0.0	1.0	2.5	2.4	Czech Rep.	15.1	10.8	2.5	2.4	2.0
	Hungary	4.6	-0.9	0.7	2.0	3.1	Hungary	14.5	17.6	3.7	5.0	3.7
	Poland	4.9	0.1	2.8	3.1	2.6	Poland	14.3	11.6	3.7	4.7	2.7
	Slovakia	0.4	1.4	2.0	1.4	2.5	Slovakia	12.8	10.5	2.8	3.9	3.0
	Slovenia	2.7	2.1	1.6	2.4	2.4	Slovenia	9.3	7.2	2.0	2.4	2.2
SEE	Albania	4.8	3.3	3.7	3.3	3.4	Albania	6.7	4.8	2.2	2.9	3.0
	Bosnia Herzegovina	3.7	1.9	2.5	2.7	3.0	Bosnia Herzegovina	14.0	6.1	1.7	3.4	2.5
	Croatia	7.3	3.3	3.8	2.9	2.9	Croatia	10.7	8.4	4.0	4.1	3.1
	Romania	4.9	1.9	0.8	2.0	3.1	Romania	12.1	9.8	5.9	4.3	2.9
	Serbia	2.6	3.8	3.9	3.9	4.0	Serbia	11.9	12.1	4.6	4.0	3.4
EE & MENA	Moldova	-4.5	0.7	0.4	3.0	3.3	Moldova	28.6	14.0	4.7	7.3	4.7
	Russia	-2.1	3.6	4.1	1.4	1.5	Russia	13.8	6.0	8.4	9.0	5.6
	Ukraine	-28.8	5.3	3.4	3.2	4.2	Ukraine	20.1	13.4	6.5	12.3	6.8
	Egypt	4.3	2.9	3.1	4.1	4.3	Egypt	13.8	33.8	28.5	14.8	12.6

Markets

	Exch.rate (avg Euro)	2022	2023	2024	2025F	2026F	Interest rate (%, avg)	2022	2023	2024	2025F	2026F
CEE	Czech Rep.	24.6	24.0	25.1	25.1	24.0	Czech Rep.	6.3	7.1	5.0	3.6	3.1
	Hungary	391.1	381.8	395.5	406.5	408.5	Hungary	9.9	14.3	7.3	6.3	5.0
	Poland	4.7	4.5	4.3	4.4	4.5	Poland	5.9	6.4	5.8	5.7	4.0
	Slovakia	n.a.	n.a.	n.a.	n.a.	n.a.	Slovakia	0.3	3.4	3.6	2.1	2.0
	Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	Slovenia	0.3	3.4	3.6	2.1	2.0
SEE	Albania	118.9	108.4	100.5	100.9	115.2	Albania	1.3	3.1	3.0	3.0	3.2
	Bosnia Herzegovina	2.0	2.0	2.0	2.0	2.0	Bosnia Herzegovina	n.a.	n.a.	n.a.	n.a.	n.a.
	Croatia	n.a.	n.a.	n.a.	n.a.	n.a.	Croatia	0.2	3.4	3.6	2.1	2.0
	Romania	4.9	4.9	5.0	5.0	5.0	Romania	6.2	6.6	5.9	6.8	4.5
	Serbia	117.5	117.3	117.1	117.2	117.3	Serbia	2.6	6.1	6.1	5.4	4.3
EE & MENA	Moldova (USD)	18.8	18.2	17.7	18.3	18.5	Moldova	16.9	9.5	3.8	7.7	5.4
	Russia (USD)	68.3	85.2	92.8	94.0	94.9	Russia	11.9	9.4	18.0	25.1	22.5
	Ukraine (USD)	32.3	36.8	40.1	42.7	44.2	Ukraine	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt (USD)	19.2	30.7	45.3	52.4	55.0	Egypt	14.5	23.1	27.9	25.0	20.0

Banking aggregates (% change yoy)

	Loans (pr. sector)	2022	2023	2024	2025F	2026F	Deposits (pr. sector)	2022	2023	2024	2025F	2026F
CEE	Czech Rep.	4.5	6.6	5.7	4.6	4.2	Czech Rep.	4.2	7.5	7.6	3.9	4.0
	Hungary	11.6	3.3	6.8	5.2	5.0	Hungary	2.5	0.3	8.4	4.6	4.3
	Poland	0.2	-2.5	3.6	5.3	4.5	Poland	5.6	10.5	8.1	5.6	5.0
	Slovakia	10.4	3.4	2.9	4.6	4.5	Slovakia	5.9	4.6	6.5	4.9	4.6
	Slovenia	9.8	-0.5	2.7	3.5	2.5	Slovenia	7.8	5.5	1.9	2.6	2.7
SEE	Albania	6.9	3.7	12.4	6.2	3.4	Albania	4.8	1.6	3.9	3.5	3.4
	Bosnia Herzegovina	5.3	6.8	9.3	5.6	3.7	Bosnia Herzegovina	3.2	10.2	10.8	6.3	4.0
	Croatia	11.2	8.0	9.4	5.9	2.5	Croatia	15.0	3.5	3.7	4.5	2.6
	Romania	11.2	5.9	8.2	6.0	6.5	Romania	6.7	12.9	9.7	6.2	5.4
	Serbia	6.5	1.0	7.9	7.8	5.5	Serbia	6.9	11.7	13.1	7.9	5.9
EE & MENA	Moldova	9.3	3.7	26.5	17.6	14.2	Moldova	5.4	19.9	13.4	9.4	6.6
	Russia	11.8	24.2	16.2	10.1	5.2	Russia	11.0	23.4	19.3	9.1	5.3
	Ukraine	-4.4	-0.3	10.2	6.6	3.8	Ukraine	25.1	26.7	14.4	5.6	4.8
	Egypt	28.4	22.1	17.3	10.8	9.5	Egypt	27.4	18.5	34.4	14.6	11.0

Banking interest rates (%)

	Lending (avg*)	2022	2023	2024	2025F	2026F	Deposits (avg*)	2022	2023	2024	2025F	2026F
CEE	Czech Rep.	7.6	8.6	6.6	4.9	3.9	Czech Rep.	5.0	6.0	4.2	2.8	2.3
	Hungary	8.3	12.3	11.3	10.3	4.9	Hungary	6.6	11.6	5.5	4.4	2.8
	Poland	7.5	8.5	7.7	7.2	4.7	Poland	4.4	5.6	4.2	3.8	2.0
	Slovakia	2.4	4.3	5.7	3.6	3.1	Slovakia	0.0	0.4	0.7	0.5	0.3
	Slovenia	1.9	4.6	5.4	3.6	3.0	Slovenia	0.1	0.8	1.5	0.7	0.5
SEE	Albania	6.4	5.9	5.5	5.5	5.9	Albania	1.2	2.1	2.6	2.7	2.8
	Bosnia Herzegovina	3.2	3.7	4.2	n.a.	n.a.	Bosnia Herzegovina	0.3	0.5	0.8	n.a.	n.a.
	Croatia	n.a.	4.7	5.0	4.1	4.0	Croatia	n.a.	2.4	3.0	1.9	1.6
	Romania	8.0	9.4	8.2	8.1	7.8	Romania	5.3	6.0	5.2	4.9	3.3
	Serbia	8.0	11.6	10.3	8.5	7.5	Serbia	4.0	5.8	4.8	3.8	3.1
EE & MENA	Moldova	10.6	11.3	7.8	7.3	7.4	Moldova	7.0	9.8	3.6	3.2	3.4
	Russia	11.5	11.6	18.7	22.4	19.1	Russia	7.6	7.6	16.4	19.3	15.6
	Ukraine	n.a.	22.1	19.6	18.4	14.7	Ukraine	n.a.	12.3	9.1	8.9	8.6
	Egypt	10.6	17.8	24.3	20.1	17.2	Egypt	8.4	12.7	19.2	17.4	13.5

Note:*Data refers to the Private, Corporate or Household sector (for details see the table “Banking aggregates and interest rates” on the previous page).
Source: Intesa Sanpaolo Research Department forecasts

Appendix

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