INTESA SANPAOLO

International Research

Economic and Banking Outlook

June 2025

Countries with ISP subsidiaries

Quarterly Note

Research Department

International Research Network

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International Research Team

Viewpoint

We expect growth to moderate, with inflation and policy rates declining slightly further. However, although it is too early to draw any conclusions, it is worth noting that the escalation between Israel and Iran introduces new risks to growth and inflation, which could delay central bank intervention and strain financial market sentiment.

Macroeconomic scenario

- **Overview - The macroeconomic scenario in the CEE and SEE regions remains fragile in mid-2025, reflecting a deceleration in cyclical momentum amid persistent external headwinds.** Trade tensions – particularly the newly-imposed tariffs by the US – and policy uncertainty continue to weigh on confidence and investment decisions. High-frequency indicators remain mixed, with modest industrial performance and softening sentiment, especially in Hungary, Slovenia, and Romania. Poland stands out as a relative outperformer, cushioning the regional average. Overall, growth trajectories are increasingly heterogeneous, shaped by both country-specific fundamentals and exposure to external risks.

- **Economic growth - The outlook for real GDP growth has been moderately revised downwards.** In the CEE region, growth is now expected at 2.4% in 2025, slightly below previous forecasts, as weaker-than-expected domestic momentum in some economies offsets the recovery in others. In the SEE countries, the 2025 projection has been lowered to 1.8%, reflecting Romania's slower performance and a statistical base effect in Serbia. The EE region is projected to grow by 1.8%, as persistent geopolitical and fiscal pressures continue to constrain domestic demand. In a scenario where downside risks prevail overall, it should be noted that if Germany's fiscal stimulus and EU defence initiatives materialise in the second half of the year, they could represent an upside risk to growth.

- **Inflation -** After a temporary resurgence in early 2025, **inflationary pressures are gradually subsiding across most countries**, though the pace of disinflation is proving uneven. In the CEE area, end-year inflation is now expected at 3.7%, supported by both monetary policy normalisation and declining energy prices. In SEE, the forecast stands at 4.2%, still above target due to wage dynamics and lingering price inertia. Meanwhile, inflation remains elevated in the EE countries (7.8%), where domestic cost pressures and exchange rate depreciation continue to drive headline CPI.

- **Monetary policies - Stances remain mixed across regions.** Central banks in the Czech Republic and Poland have resumed cautious easing, while Hungary and Romania are maintaining a more defensive stance amid currency volatility and persistent inflation. In the EE and MENA regions, including Egypt, tight monetary conditions persist, constrained by both elevated inflation and external financing needs. In the CEE and SEE regions, the easing cycle is likely to continue later in the year, albeit on a shallower path than previously projected. Market expectations now price in a lower terminal rate trajectory than at the start of 2025. However, **the war between Israel and Iran increases uncertainty and poses a risk to economic growth and inflation, which could slow the process of monetary easing.**

Macroeconomic forecasts

	GDP (yoy % chg)				CPI (eop, yoy % chg)				Policy rates (eop, %)			
	2023	2024	2025F	2026F	2023	2024	2025F	2026F	2023	2024	2025F	2026F
CEE	0.1	2.1	2.4	2.5	6.1	4.1	3.7	2.5	6.4	5.2	4.3	3.4
SEE	2.7	1.9	1.8	3.1	6.4	4.9	4.2	2.6	6.0	5.4	5.0	3.2
EE	3.7	4.2	1.8	1.6	7.2	9.7	7.8	4.2	15.9	20.3	17.6	10.1
CEE SEE EE	2.6	3.4	2.0	2.0	6.8	7.6	6.2	3.5	12.1	14.3	12.4	7.4

Source: Intesa Sanpaolo Research Department F= forecasts

Based on information available to 14.06.2025

See the final page for important information

Banking aggregates

- **Loans - Loan growth remains robust in both the CEE and SEE regions, supported by declining interest rates and improving household financial conditions.** In the CEE countries, loan expansion is projected at 5.0% in 2025, with Hungary and Poland leading the recovery. In SEE, lending continues to outperform, rising by 6.2% yoy, particularly in the retail segment and infrastructure-related investment. **However, the lagged impact of elevated real interest rates and ongoing economic uncertainty may we believe temper credit dynamics in the second half of the year.**

- **Deposits - Deposit growth remains solid** (+7.2% yoy in CEE, +6.8% in SEE), fuelled by sustained wage growth and residual precautionary saving. That said, a gradual deceleration is expected in several countries due to reduced remuneration on deposits and a shift towards investment funds and pension products. In Slovakia, for instance, the issuance of government retail bonds has partially diverted liquidity away from traditional banking channels, raising short-term volatility in deposit inflows.

- **Rates (Loans and Deposits) - Banking interest rates are on a downward trend in most countries, in line with the easing monetary conditions.** Lending rates are declining more visibly in the household segment – especially mortgages – while corporate rates remain more rigid due to risk premiums and sector-specific concerns. Deposit rates are also adjusting lower, compressing net interest margins and putting pressure on banking sector profitability. Margin compression may become more evident in markets with intense retail competition and lower operating efficiency.

- **NPLs - Non-performing loans remain contained, with no immediate signs of credit deterioration.** However, pockets of vulnerability persist, particularly in jurisdictions facing rising real rates, fiscal tightening, or political uncertainty. Slovakia, for example, faces renewed pressure from the tax and regulatory changes. Overall, the system benefits from high capital buffers, diversified funding sources, and ample liquidity, which should ensure resilience in the face of potential macro-financial shocks.

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ALBANIA
INTESA SANPAOLO BANK Albania

ROMANIA
INTESA SANPAOLO BANK Romania

SLOVAKIA AND CZECH REPUBLIC
VÚB BANKA

BOSNIA AND HERZEGOVINA
INTESA SANPAOLO BANKA Bosna i Hercegovina

RUSSIAN FEDERATION
BANCA INTESA

SLOVENIA
INTESA SANPAOLO BANK

CROATIA
PRIVREDNA BANKA ZAGREB

SERBIA
BANCA INTESA Beograd

HUNGARY
CIB BANK

EGYPT
ALEXBANK | بنك الإسكندرية

UKRAINE
ПРАВЕКС БАНК

MOLDOVA
EXIMBANK

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

In the CEE region, GDP increased by 2.5% in the first quarter of 2025 (preliminary data) on an annual basis, compared with 2.9% in the previous quarter, owing to the still-strong economic performance in Poland that offset the economic weakness in Hungary and Slovenia. Based on the peculiarities of each country in the region, and within rather wide bounds, in 1Q25 the economic trend was in a range from -0.7% in Slovenia to 3.6% in Poland. On a quarterly basis, CEE area GDP in Q1 2025 increased by 0.5% quarter-on-quarter on a weighted-average basis, compared with a strong quarterly growth (1.0%) in the fourth quarter 2024. **Among the countries in the SEE area, in 1Q 2025, the only data currently available relates to Croatia, Romania, and Serbia, where the GDP expanded at about 1.0% yoy (weighted average on preliminary data, from 1.4% in previous quarter).**

Antonio Pesce, Francesca Pascali, Davidia Zucchelli

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

The latest releases of high-frequency economic indicators are mixed, but generally point to a still weakening economic dynamic. In April, in the CEE area, the **industrial production** dynamic was slightly positive (0.2% yoy from 1.8% in the previous month, in weighted average data), with Hungary and Slovenia on a negative trend. In the same month, the annual growth of industry in the SEE remained in negative territory (-0.5%), pushed down by Romanian data. In May, the **Economic Sentiment indicator** improved slightly in the CEE region with respect to April (to 98.6 from 98.4), basically in line with the 1Q 2025 average. In the same month, the same indicator in the SEE area decreased to 99.1 from 99.9, well below the 2025 Q1 average (101.1).

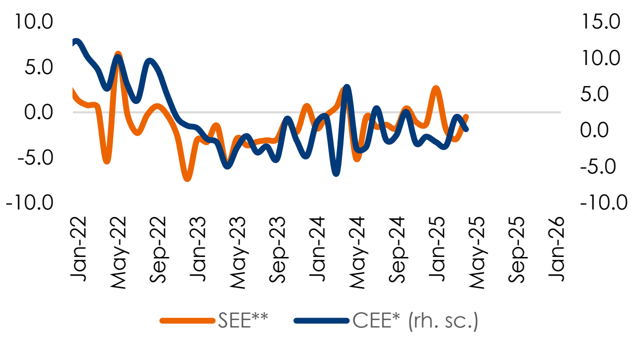
The decline in inflation temporarily halted

Although varying across countries, **inflationary pressures** resurged in the first part of current year in the CEE and SEE regions, owing to the temporary acceleration of inflation due to base effects and, in countries such as Poland, due to relatively strong economic growth, as well as exchange rate weakness as in Hungary. Aggregating the data (weighted average), in April (3.4%), even if decreasing from the maximum of 4.2% in January, the annual inflation rate in the CEE area is still above the minimum of 2.8% in June 2024 (harmonised measures). In the SEE area, inflation slightly decreased to 4.6% in April from 4.8% in March 2025.

Czech Republic and Poland CBs eased monetary policy further. Temporary pauses in monetary easing in the other countries

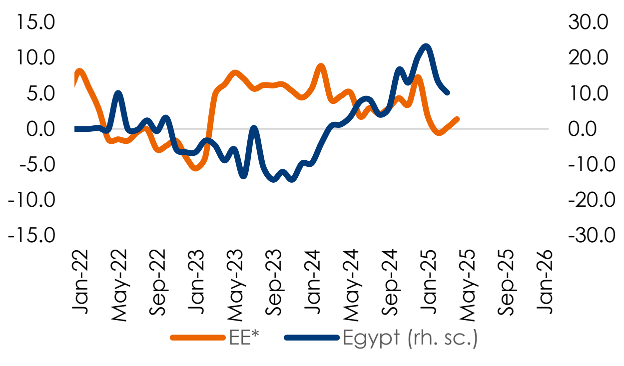
At their most recent meetings, the Czech Republic central bank further reduced its **policy rate** to 3.5% from 3.75%, while the remaining national banks held their rates steady at 6.5% for Hungary and 5.25% for Poland (after 50 bps cut in May), respectively, in the CEE region. Among the SEE countries, in Albania, Romania, and Serbia the policy rates remained at 2.75%, 6.5% and 5.75%, respectively. In the financial markets, **long-term yields** slightly decreased in several CEE and SEE countries vs. three months ago, but it has increased in Hungary where political tensions with the European Commission are hampering the implementation of the PNRR programmes. A recent depreciation of local currencies has been seen due to uncertainties in the international context that are influencing trade and investors' choices.

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

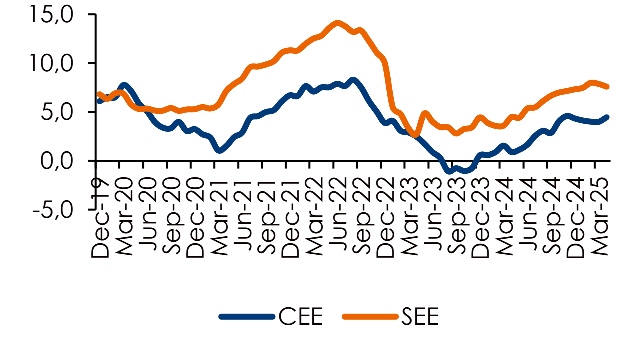
High levels of inflation in the EE countries

In the EE countries, some signs of a slowdown are beginning to emerge. In **Russia** 1Q 2025 preliminary data ended with a 1.4% increase in **GDP** and in 4Q24 it decreased by -0.1% yoy in Ukraine (from +2.0% in 3Q24; it decreased in 4Q24 by -1.2% (from -1.8% in 3Q24) in **Moldova**. In **Egypt**, GDP grew by 4.3% yoy in 4Q24 (3.5% in 3Q24). Moving to high-frequency indicators, in April, **industrial production** grew (by 1.5% yoy) in Russia (from 0.8% in March), it decreased in Moldova (-3.4% in December), and also in Ukraine (-6.4% in March 2025). In Egypt, it increased by 10.2% in March (+13.7% in February). In March, **retail sales** increased in Russia by 2.2% (2.2% in February), and in December they increased by 10.0% in Ukraine (vs. +6.9% in November). In Russia, **consumer prices** reached their peak in March (+10.3%), up to the CB targets (4.0%) and in May was +9.9%. In May, prices rose in Ukraine also to 15.9% (+15.1% in April). In Moldova, the CPI was 7.9% vs 7.8% in April. In Egypt, inflation rose by 16.8% in May, up from the +13.9% of April and still well above the upper end of the CB's corridor (7% ± 2%).

Banking aggregates slightly revised for 2024

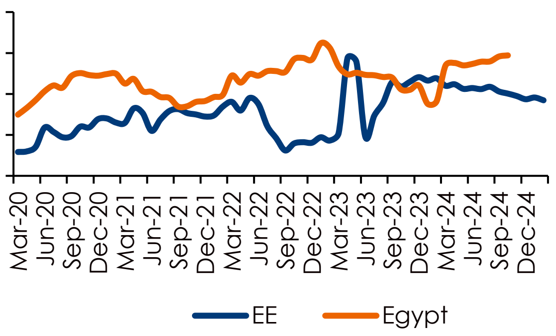
Regarding **banking aggregates**, in April, **in CEE countries** they accelerated slightly still supported by credit demand, and favourable interest rates and despite a weaker economic environment while **in SEE countries**, they decelerated but remaining good. **Loans increased** by 4.5% yoy vs 4.0% yoy in March, in **CEE** and decelerated to 9.2% yoy in April from 9.4% yoy in March in **SEE countries.** In Poland, loans reversed the trend seen in previous months (3.4% yoy from 2.9% in March), accelerating also in the other countries apart from Slovenia, which showed a deceleration (from 4.2% to 3.9% yoy). In the SEE area, loan growth was particularly relevant in Albania, Croatia, and Serbia (13.7% yoy, 12% and by 9.7%, respectively). The best performer remained therefore Albania, while in Bosnia loans expanded by 9.4% yoy, pushed up by the still good GDP performance. **Lending accelerated in the CEE** in the **corporate segment** (by 4.1% yoy in April), and in the household sector loans remained slightly more dynamic (5% yoy). The largest contribution came from Hungary (+10.7% yoy), owing to family support programmes, and from both Slovenia and the Czech Republic (to 6.5% yoy). In the SEE countries, **lending** was particularly strong in the **household segment** (+10.4% yoy in April vs. +8% in the corporates). **NPL ratios** have remained low throughout the region so far. Higher wages continued to support **deposit growth** in the CEE area, in nominal terms (7.2% yoy in April), and +6.8% yoy in the SEE countries. There are no signs of liquidity tensions. Only in Slovakia did the **loan/deposit ratio** remain over 100% also because of new government bond issues. **Banking interest rates** are decreasing in almost all countries. However, revisions to policy rates and moderately higher customer risks could have negative impacts on interest margins and profitability from 2025. In the **EE area**, loan growth remained strong in **Russia** (12% yoy in February) for both corporates (14.2% yoy) and households (7.1%). In **Moldova**, the strong loan performance (+33.5% yoy in April) was vigorous for corporates (28.8% yoy) and particularly robust for the household sector (40.4% yoy, further accelerating in the last months). **Total deposit** growth remained dynamic (18.6% yoy in February in Russia), rapidly decelerating in both the corporate (+11.8% yoy) and household sectors (+24.9% yoy). In **Egypt,** banking aggregates saw continued strong dynamics in nominal terms, with loans increasing by 29.8% yoy (in December, last available data) and deposits by 27.4% yoy in March (changes stable 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

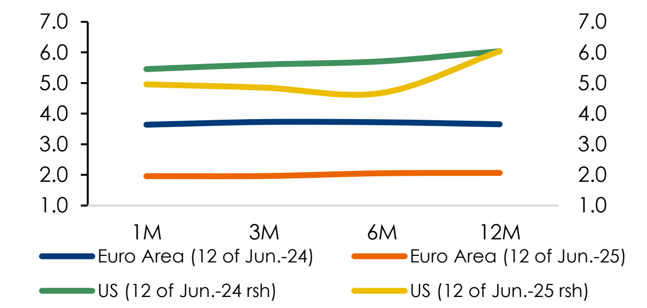
The international outlook

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

In 2024, **global growth** was stable but disappointing, and the IMF World Economic Outlook (WEO) of January 2025 indicated that it would remain so. However, new tariffs imposed by the United States and the countermeasures of trading partners changed the scenario significantly, leading to unprecedented tariffs being imposed from 2 April. This had a negative impact on growth, with global growth downward revised to 2.8% in 2025 and 3% in 2026, compared to the 3.3% forecast in January. As projected in the WEO, growth in advanced economies is expected to be 1.4% in 2025, with US growth falling to 1.8% due to political uncertainty and trade tensions. In the euro area, growth is expected to be 0.8%. In emerging markets, growth is expected to slow to 3.7% in 2025 and 3.9% in 2026, with China particularly affected. **Global headline inflation** is expected to decline at a slightly slower pace than what was expected in January. **Growing downside risks** shape the outlook, driven by escalating trade tensions and shifts in financial markets. Rapidly changing policy positions and deteriorating sentiment could result in even tighter global financial conditions. An intensifying trade dispute and heightened uncertainty over trade policies may further hamper both short-term and long-term growth prospects. A decline in international cooperation could threaten progress towards a more stable and resilient global economy.

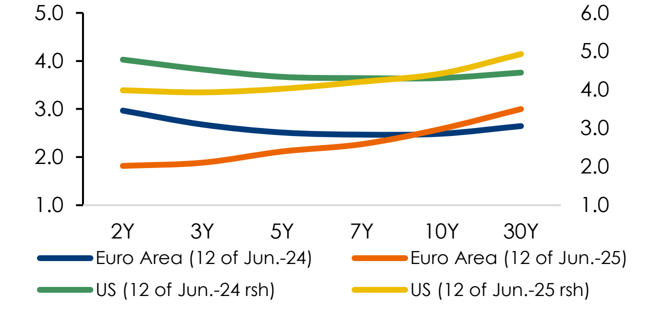
For the **United States**, economic growth is expected to fall to 1.5% in 2025. This slowdown is mainly due to domestic political uncertainty and increasing trade tensions with international partners. The new tariffs imposed, both by the United States and the countermeasures of trading partners, have had a significant negative impact on trade and investment, contributing to the decrease in the growth rate. The Federal Reserve's monetary policy is expected to remain accommodative to support the economy. Interest rates are likely to stay low to encourage borrowing and investment, while the central bank may also continue its asset purchase programmes to ensure liquidity in the financial markets. Regarding the **Eurozone**, economic growth is expected to be 0.9% in 2025. This modest growth rate is due to a combination of factors, including weak domestic demand, political uncertainties, and the same trade tensions affecting the global economy. The monetary policy of the European Central Bank (ECB) also plays a crucial role in shaping the region's economic outlook. The ECB looks likely to maintain its accommodative stance, keeping interest rates at historically low levels and continuing its asset purchase programmes. These measures aim to stimulate economic activity by making borrowing cheaper and encouraging investment, while also ensuring sufficient liquidity in the financial system. For the aggregate of **Emerging Economies**, growth is expected to be 3.7% in 2025 and 3.9% in 2026 (WEO). These countries face similar challenges to advanced economies, including global trade conflicts and political uncertainty. However, some emerging countries may benefit from favourable fiscal and monetary policies that could support economic growth, although risks remain high. Central banks in emerging economies are expected to adopt a mix of monetary policies tailored to their specific economic conditions. Some may lower interest rates to stimulate growth, while others might focus on controlling inflation through more conservative measures. The effectiveness of these policies will depend on the ability to balance growth objectives with maintaining financial stability.

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 both the CEE and the SEE area due to the lower-than-expected data released in 1Q 2025 and the weak hard data and surveys recently released.

GDP forecasts for 2025 have been confirmed on a positive path, even if downward revised for both areas

In the CEE area, the forecast of GDP growth for 2025 has been reduced to 2.4% yoy from 2.6% in the March baseline. A small revision (-0.1 pp) also occurred in 2026 (to 2.5%) due to the weakness of the Hungarian economy, which was higher than previously expected due to the slow implementation of the PNRR programme. In the SEE area, our baseline GDP growth forecast has been lowered for this year (1.8% from 2.5%), due to the feeble 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 was quite strong in the previous year.

Risks to our forecasts are on negative side

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

Inflation, after the temporary surge of consumer prices pression, is projected to decline as in the March scenario, but in those countries where wage dynamics have strengthened significantly, the average inflation rate has been upwardly revised, as in Romania (4.8% eop in 2025).

After a temporary pause, the inflationary pressures are expected to continue declining

In the **EE** countries, we have slightly adjusted our forecasts. For Russia, we raised to 1.7% for 2025 and lowered to 1.4% for 2026 GDP. For Ukraine, our estimates were lowered to +2.5% from +3.2% in 2025 and to 3.7% for 2026 (from 4.2% forecasted in March). Our estimates are lowered also for Moldova (+1.5% in 2025 from +3.0% and +2.4% from 3.3% in 2026). Price pressures are expected to lower 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 2027. 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 14.4% 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 areas, monetary policy is on a temporary pause, except for the Czech Republic and Poland where the policy rates were cut in May meetings. In line with our March 2025 scenario, we continue to believe that the policy rate reduction cycle could resume during this year for almost all countries, but on higher path than projected in our previous baseline. Hungary is now expected to reach 6.0% by the end of 2025, and then to continue up to 5.0% at

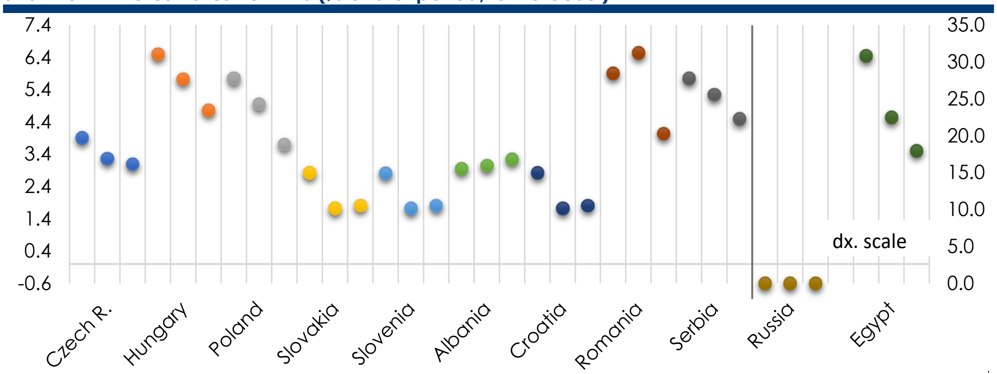
The policy rate easing cycle is expected to continue

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. In 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 4.5% by year-end 2026, respectively, and in a further reduction (up to 4.0%) by the 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 6 June decided to cut its policy rate by 100 basis points to 20.00% per annum. Current inflationary pressures, including core, continue to fall. Although domestic demand growth continues to outpace the ability to expand the supply of goods and services, the Russian economy is gradually returning to a balanced path. The CBR is to keep monetary conditions as tight as necessary to bring inflation back to target in 2026. Monetary policy will therefore remain restrictive for a long period. **Moldova's** central bank in May 2025 decided to keep the base rate applied to the main short-term monetary policy operations unchanged at 6.50% per annum. This decision aims to anchor inflation expectations, bring inflation back and keep it in the range of ± 1.5 percentage points from the medium-term target of 5.0%. The NBM's decision comes against the backdrop of the easing of inflationary trends and the spread of the restrictive monetary policy measures adopted earlier, the effects of which will continue to be felt, taking into account the delays in their transmission. In June, the Central Bank of **Ukraine** decided to raise the key interest rate to 15.5% per annum. This decision will help maintain the sustainability of the foreign exchange market, keep expectations in check, and gradually reduce inflation to 5% over the monetary policy horizon. Given the high level of uncertainty, which has only increased in recent months, the NBU will respond flexibly to changes in the balance of risks to price dynamics and expectations. In **Egypt**, at its meeting on 22 May, the Monetary Policy Committee (MPC) of the Central Bank of Egypt decided to cut the overnight deposit rate, the overnight lending rate, the key lending rate for main refinancing operations, and the discount rate by 100 basis points to 24.0%, 25.0%, 24,5% and 24.5%, respectively. With inflation falling in the coming months, we believe there is still room for further monetary easing by the end of the year. The decision to cut rates was widely expected and broadly in line with our estimates. The size of the cut represents a balance between vigilance over the prevailing risks and the ample room available to continue the monetary easing cycle while sustaining the disinflation path envisaged over the forecast horizon. Further rate action seems very likely to us, although the MPC did not give a clear indication of the future outlook, merely stating that it will assess "the extent and pace of monetary policy adjustment from meeting to meeting".

The profiles for **long-term yields** have been revised slightly downwards overall across the forecast horizon with respect to our March scenario in the CEE/SEE region, due to the forecast lower path for Bund yields, but in Hungary the long term yields forecast has been increased taking into account the higher spread with respect to the benchmark. 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

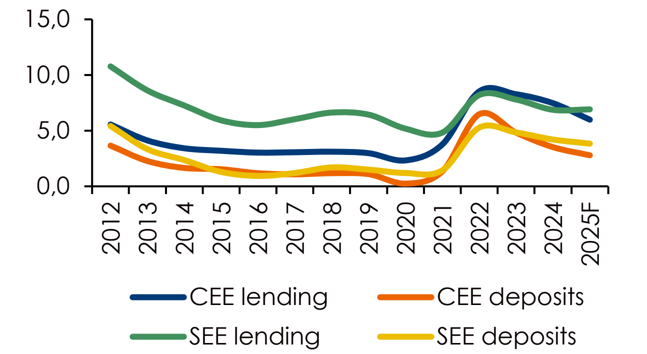
Both lending and …

Forecasts for **banking aggregates** have been revised slightly for several countries for 2025 and confirmed for the following years, on a slightly decelerating path. **Loans** have been slightly adjusted downwards in the CEE and upward in the SEE area, while **deposit forecasts** have been revised upwards in 2025 and substantially confirmed for the following years decelerating as well based upon a positive macroeconomic context, but expected to weaken. On the asset side, banks are benefiting from low non-performing loan ratios and high profitability and capital. Banks can count on broad bases of core, sticky domestic deposits and have a moderate reliance on market-sensitive institutional or external funding. In general, they can rely on conservative liquidity buffers. Funding tensions could increase in some countries, mainly in Slovakia and Russia, where **LTD ratios remain high**. 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 are expected to slow almost in all CEE/SEE/EE countries in 2025

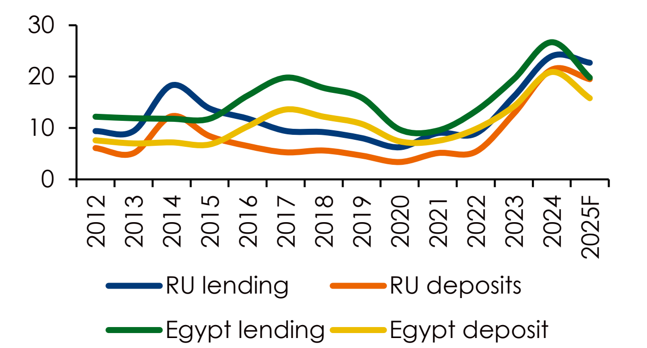
Loan growth in the CEE is forecast to increase by 4.5% in 2025 (revised from 5% forecast in March). Forecasts have been revised mainly in Hungary (+3.4% mainly because of a base effect due to strong lending growth in the second part of 2024) and in Poland (to 4.8% in 2025). Lending will be still negatively 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. 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 marginally. **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 7.1% in the area (from 6.2% forecast in March), and is then expected to slow slightly (+5.7% 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** are likely to weigh on the economy and the bank activity also in Romania. **Deposit forecasts** have been raised further in 2025 (to 5.3%), as a result of an upward revision in Poland and Slovakia, and substantially confirmed to 6% in the SEE area (mainly in Serbia, +7.6%) 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 many 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) rising from 7.7% to 8.1% in 2025. In Russia, deposits are expected to slow to 9% in 2025 (from 23.8% in 2024). In **Egypt**, loans and deposits are confirmed to 10.8% and 14.6% in 2025, respectively.

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

Zdenko Štefanides

Real Economy

Global trade war and uncertainty weighs on the export-oriented Czech economy. So far, however, more than actual output, these external headwinds have manifested more in subdued confidence. In fact, pre-stocking of Czech goods exported to the US ahead of increased tariffs led to stronger than expected real GDP growth in 1Q. Still, the likely payback for these stockpiles in subsequent months, postponement of investments, and subdued developments in the German economy, Czech key trading partner, will probably lead to smaller than previously expected growth. We nonetheless still believe that thanks to recovering household consumption and EU-funded investments, real GDP gain will exceed 2% in both 2025 and 2026.

Of particular importance to growth pattern this year is the contribution of government spending. The year 2025 namely is an election year with parliamentary elections scheduled to be held on October 3 and 4. Besides near-term fiscal electioneering, more profoundly, public consumption will be affected by higher defence spending arisen alongside the new NATO/EU commitments.

Financial Markets

Inflation is remaining in the upper half of the tolerance band of the Czech National Bank (CNB) and will return to the 2% target only by the end of 2025 or early 2026. In April, to be sure, inflation dropped below the target, allowing the CNB to deliver an interest rate cut on May 7. Yet, already in May, inflation increased back to above the target, to 2.4%yoy, and will likely stay around these levels in the months ahead, keeping the CNB wary of lowering rates much further. We nonetheless retain our previous forecast of one more 25 bps rate cut in the remainder of the year, which will bring the 2-week repo rate to 3.25%. The final rate cut is foreseen in 2026 when the repo rate will reach 3%, the level seen as neutral by the CNB. As for the exchange rate, we retain our forecast of the koruna to trade around 25 vs the euro by the end of 2025 and to strengthen to 24 in 2026, resp., when the interest rate differential vis-à-vis the euro stabilizes and Czech GDP growth and productivity will exceed those of the Eurozone again. Yields will stay higher than the declining short-term rates, which will make the slope of the yield curve steeper than at present, reflecting the risk and term premia of longer maturities.

Banking Sector

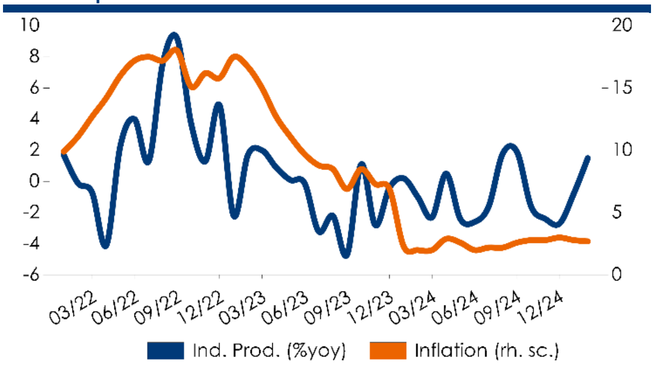
In the banking market, we continue to foresee a balanced growth of loans and deposits, around 4%yoy, which would keep the loan-to-deposit ratio at a comfortable level of around 70%. Compared to previous years, growth of deposits is lower as households release their pent-up demand for consumer goods and services, build up during the past high-inflation era.

Latest economic indicators

	2023	2024	2025F	2026F
Real GDP yoy	0.0	0.9	2.2	2.3
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	4.1	3.8
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	4.3	3.7
Deposit int. rate (hh, eop)	5.7	3.2	2.5	2.3

Note: Average values are available in the Country Outlook Table
Source: Czech National Bank, Czech Statistical Office

Industrial production and inflation



Source: Czech Statistical Office

Hungary

Real Economy

Mariann Trippon

First-quarter GDP growth came out at below the most pessimistic expectations and incoming new information does not point to a strong rebound in Q2 either. Hence, we had to revise down our FY2025 GDP projection to 1%. Consumption is expected to remain stable, but investments are likely to continue to fall due to the lack EU funds, limited fiscal space, and the high level of uncertainty. On the production side, services may remain the sole engine of growth, and industrial activity will remain weighed down by subdued external and internal demand. Growth may gain momentum in 2026 on the back of new production facilities, improving external demand and pre-election fiscal measures. Inflation decelerated from the February peak to 4.4% in May. However, underlying inflationary pressures remain relatively strong, core CPI is still close to 5%. Headline CPI is unlikely to return to the central bank's target range this year, and average 2025 CPI could be 4.5%. Labour market tightness continued easing in Q1, and selective layoffs may continue in the upcoming period. Less strong labour demand will weaken employees' bargaining power, which will result in slowly decelerating wage growth. Still, nominal wages are expected to increase by 9.1% this year, implying real wage growth of ~4.5%.

Financial Markets

The central bank left the policy rate unchanged at 6.5% in May. Above-target inflation, the extreme level of external uncertainty, alongside domestic vulnerabilities call for a cautious monetary policy stance. The hawkish NBH comments suggest that the policy rate will remain unchanged throughout the summer. We still believe that the central bank could resume the easing cycle in Q4, and cut the policy rate to 6% by December. The forint remains sensitive to shifts in global risk appetite and in Hungary's risk perception. Regarding domestic issues, fiscal developments and possibly increasing political uncertainties may take center stage. We do not foresee any meaningful HUF appreciation this year, the EUR/HUF ratio is likely to trade above the 400 threshold in 2025. Moves at the long-end segment of the curve are strongly correlated to core market developments. The spread above German yields is unlikely to narrow this year, and therefore we have raised our 10Y HGB yield projection.

Banking Sector

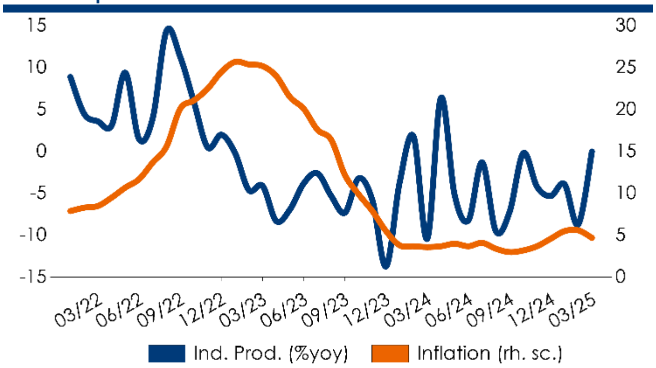
Loans in the banking sector grew by 0.1% in the January-April period. Subdued economic growth, the uncertain outlook, and still relatively high interest rates will hinder any meaningful acceleration this year. FY 2025 loan volume growth could be 3.4% compared to 6.8% last year. Deposit growth also came to a halt at the beginning of the year, the yoy growth rate was a mere 0.7% in January-April. Our projection for deposit volume growth is 4.6% in 2025, mainly driven by the Households sector.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	-0.9	0.7	1.0	3.0
CPI (eop)	5.5	4.6	4.2	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	4.8
L/T bond yields (eop)	6.2	6.4	6.8	6.0
Bank loans (pr. sector, yoy)	3.3	6.8	3.4	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

Real Economy

Zdenko Štefanides

Amidst elevated uncertainty about the global growth outlook, growth in Poland will have to rely more on domestic than external demand. And, luckily, GDP data for 1Q do provide evidence that such a hope may materialize, allowing us to keep the forecast GDP growth for 2025 unchanged to the previous scenario, at 3.1%. Indeed, while net exports contributed negatively to growth in the first three months of the year, domestic demand grew by 4.6% yoy instead, contributing 4.3 percentage points to the total 3.2% yoy GDP gain. Besides ongoing recovery of private consumption, it is investment, which is picking up speed on increasing inflow of EU funds and will be a distinctive contributor to GDP growth this year and next.

Government consumption also will likely contribute positively to GDP growth, not least due to the elevated military spending. Prospects for fiscal policy tightening have besides been diminished also by political developments and declining popularity of the ruling pro-EU ruling coalition, which saw its candidate in the presidential election on June 1 losing to the opposition-nominated populist Karol Nawrocki. To be sure, aggressive fiscal spending seems unlikely given the already-stretched deficit, projected at 6.4% of GDP in 2025 by the EU Commission. Fiscal consolidation, however, seems now a distant scenario.

Financial Markets

The National Bank of Poland (NBP) has held its key rate at 5.75% since October 2023 until bringing it down to 5.25% on May 7. The rate cut came in earlier than we projected previously and was in response to inflation slowing fast, to 4.2% in April, surprising expectations. Against the relatively benign inflation outlook heading toward the NBP's target range of 1.5-3.5% this coming summer, we believe that the NBP will deliver one additional rate cut in the remainder of 2025. So, while we keep the end-rate for 2026 unchanged at 3.5%, the rate at the end of 2025 is now forecast at 4.75%, half a percentage point lower than seen three months ago. Political instability brought in by the presidential election outcome has had a negative impact on Polish assets. Zloty lost about 1% point in response and bonds sold off too. We nonetheless believe this instability to be short-lived and maintain our previous longer-term forecast for the zloty and yields.

Banking Sector

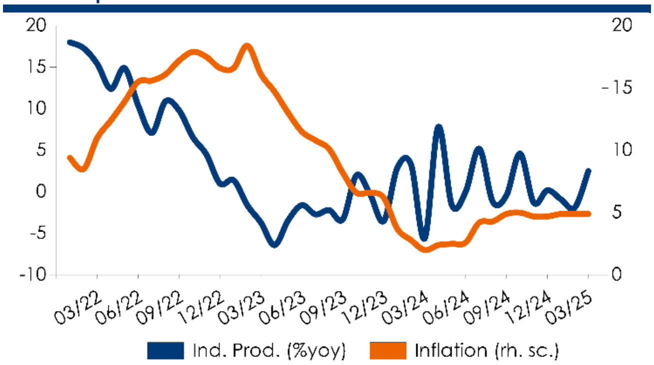
In the banking market, we see volumes of both loans and deposits growing nicely alongside expanding real economy. On the deposit market, moderation in yoy growth dynamics appears less prevailing than expected, which may allow deposit growth to continue exceed loans' growth. As a result, the comfortable liquidity situation on the Polish banking market may improve yet further, with the loan-to-deposit ratio moving to 63% vs 64% in 2024 and 67% in 2023, resp.

Latest economic indicators

	2023	2024	2025F	2026F
Real GDP yoy	0.1	2.9	3.1	2.6
CPI (eop)	6.2	4.7	4.3	2.5
Euro exch. rate (value, eop)	4.3	4.3	4.3	4.4
Short-term rate (eop)	5.8	5.8	5.0	3.7
L/T bond yields (eop)	5.2	5.7	5.2	5.0
Bank loans (pr. sector, yoy)	-2.5	3.6	4.8	4.5
Bank deposits (pr. sector, yoy)	10.5	8.1	6.4	5.0
Lending int. rate (corp., eop)	7.8	7.7	6.4	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: Narodowy Bank Polski , Statistics Poland

Industrial production and inflation



Source: Statistics Poland

Slovakia

Real Economy

Michal Lehuta

The economic outlook is cloudier compared to our March forecasts mainly due to the US trade war, which currently imposes the highest effective tariff rate on Slovakia among the EU27 members due to its high share of automotive exports (facing a 25% duty). The monthly data available for April do not yet show the full negative effects of the trade barriers according to our opinion, as pre-stocking and high uncertainty are still to take toll on economic activity in the coming months. This leads us to revise local GDP growth this year to 1.1% and next year to 2%, which is the lowest growth expected in the CEE region.

Still, this will probably not lead to any significant rise in the unemployment rate as companies report a record number of vacancies and the population in productive age is already declining. This means that wage growth could continue slightly above the labour productivity dynamic measured in current prices. Inflation rate, now higher than 4% again, may slow down thanks to lower commodity prices and a slowing economy. Some energy price deregulation is forecasted for 2026 but may be theoretically postponed to 2027 as the Cabinet may not be able to target households in energy poverty with its subsidizing policy due to data constraints.

Financial Markets

According to its own words, the ECB is approaching its final level of short-term interest rates, which we expect for the deposit facility to reach 1.75% by September. After that, we project a stability of key rates in our baseline scenario up until 2027. We think that these expectations are already priced in by the markets in longer-term benchmark rates such as IRS and government bond yields. With the expectations of slightly widening spreads, the Slovakia's 10Y bond yield could slowly rise to about 4% next year, which, together with slightly increasing IRS rates, may push local longer-term interest rates higher again.

Banking Sector

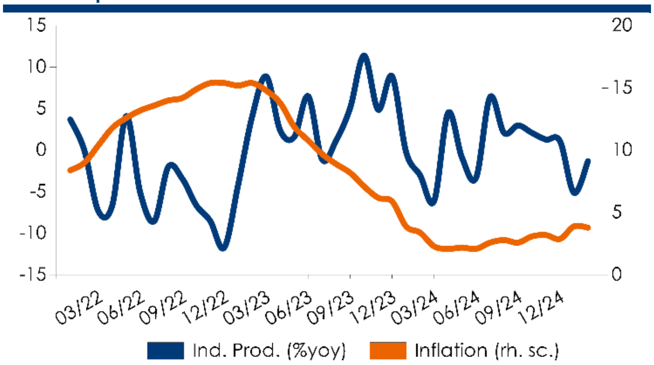
Banking business could continue to recover from the deceleration in credit provision due to higher interest rates in 2022-23, albeit as a moderate pace. Investment loans may be curtailed by high economic uncertainty. We expect weaker overall deposit growth in 2025 due to the new financial transactions tax, which may lead to more cash usage, and an emission of retail government bonds, which both contribute negatively to corporate and household deposits respectively only since April. Profit-wise, there is a threat that the fiscal consolidation prepared for 2026 may hit banks negatively again, despite Slovakia already having a special bank levy since 2024.

Latest economic indicators

	2023	2024	2025F	2026F
Real GDP yoy	1.4	2.1	1.1	2.0
CPI (eop)	5.9	2.9	3.5	2.5
Short-term rate (eop)	3.9	2.8	1.7	1.8
L/T bond yields (eop)	3.3	3.2	3.8	4.1
Bank loans (pr. sector, yoy)	3.4	2.9	4.6	4.5
Bank deposits (pr. sector, yoy)	4.6	6.5	3.7	4.6
Lending int. rate (corp., eop)	5.8	4.8	3.7	3.2
Deposit int. rate (hh, eop)	0.5	0.7	0.3	0.4

Note: Average values are available in the Country Outlook Table
Source: Statistical Office of Slovakia, National Bank of Slovakia

Industrial production and inflation



Source: Statistical Office of Slovakia

Slovenia

Real Economy

Ana Lokin

GDP in the first quarter surprised on the downside, contracting -0.8% qoq s.a. and -0.7% yoy n.s.a. (-0.8% yoy s.a.). Despite healthy wage rises, personal consumption growth decelerated to 0.4% yoy, government consumption slowed markedly to +2.6% yoy amid base effect, while investments maintained almost unchanged pace of decline of -5.1% yoy as in the previous quarter. Exports turned flattish at +0.1% yoy (goods -0.2%, services +1.9%), while imports rose by 1.9% yoy, bringing the contribution of external trade deeply in negative territory at -1.4pp. Overall, domestic expenditure strengthened, but not nearly enough to compensate for the sharp deterioration of the external trade balance. The start of the second quarter showed continued signs of weakness, with retail trade decelerating to a mere 0.3% yoy in April, goods' exports sinking at the same time by 2.4% yoy, and industrial production sliding by a sharp -4.7% yoy. The labour market remains solid, with unemployment steadily declining (Apr-May -2.0% yoy). Disappointing year-to-data data prompted a revision of this year's growth projection to 1.3% yoy. Personal consumption is expected to bounce back in the months ahead amid real-term income growth and a sound labour market, and recovering consumer confidence. Investments are seen regaining strength, with several larger private investments already in the pipeline and foreign demand picking up as global uncertainties decline. Risks to outlook are seen predominately negative, particularly after weak 1Q outturn, hence in the near term much depends on the trade policies progress. Support to the growth may come in the second part of this and in the next year from higher defence spending and Germany's fiscal expansion.

May saw inflation calming, with the headline rate down to 1.9% yoy from 2.3% yoy in April owing to a notable drop of prices of Utilities and Transport paired with a bit more moderate increase in Food prices. We see inflationary pressures remaining low throughout the year due to constrained personal consumption, with the average inflation around 2% yoy.

Financial Markets

On 6 June, S&P upgraded Slovenia's credit rating to AA from AA-, with a stable outlook, justifying it with the resilience of the economy and prudent public finances. Average 10Y government bond spread on Bund decreased from 0.6pp in May to 0.5pp in the first weeks of June. On an annual level, we see it averaging 0.5pp, with the average yield at 3.2% (eop 0.5pp, 3.4%).

Banking Sector

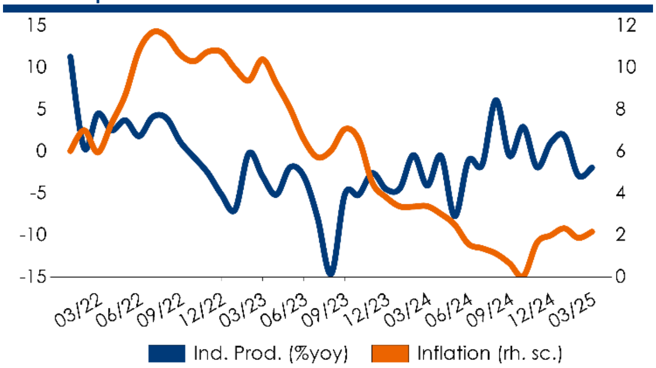
The loans rise is projected at 3.5% yoy in 2025, fuelled by stronger housing loan demand. Deposit growth is set to stay mild, where growth might exceed an estimated 2.6% yoy as households turn to saving against the backdrop of elevated uncertainties paired with higher wages.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	2.1	1.6	1.3	2.2
CPI (eop)	3.8	2.0	2.0	2.0
Short-term rate (eop)	3.9	2.8	1.7	1.8
L/T bond yields (eop)	3.0	2.9	3.4	3.4
Bank loans (pr. sector, yoy)	-0.5	2.7	3.5	3.2
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

Kledi Gjordeni

Real Economy

The Albanian economy continued to show resilience in early 2025, maintaining steady momentum after the 3.85% annual growth recorded in 2024. Preliminary data for Q1 2025 suggest slightly moderated activity, though still firmly positive, with GDP growth estimated at near 3.4%. Domestic demand remains the primary growth engine, supported by strong tourism and public investment. Household consumption continues to expand, aided by rising wages and low inflation.

Inflation dropped further to 2.2% in May 2025, reflecting favourable trends in energy and food prices as well as exchange rate stability. Employment conditions improved, with the national unemployment rate remaining at a decade-low of 8.8%. Youth unemployment is near 18.5%, still high. Real wages increased notably in the service and construction sectors, with average gross salaries up more than 11.5% yoy. While the external environment remains uncertain, Albania's medium-term outlook is stable, supported by consistent domestic demand and reforms linked to the EU accession process.

Financial Markets

Albania's financial markets have shown improved investor sentiment with a stable outlook. The current account deficit is projected at 2.6% of GDP for H1 2025, supported by high tourism revenues and remittances. Foreign Direct Investment remained strong in Q1 2025, with inflows of approximately EUR 400M. Key sectors include renewable energy, real estate, and tourism. The exchange rate has been relatively stable, supported also by CB interventions. The lek has remained broadly stable, while official reserves provide adequate external buffers. Monetary policy remains prudent, with space for easing in the second half of 2025 should inflationary pressures stay low.

Banking Sector

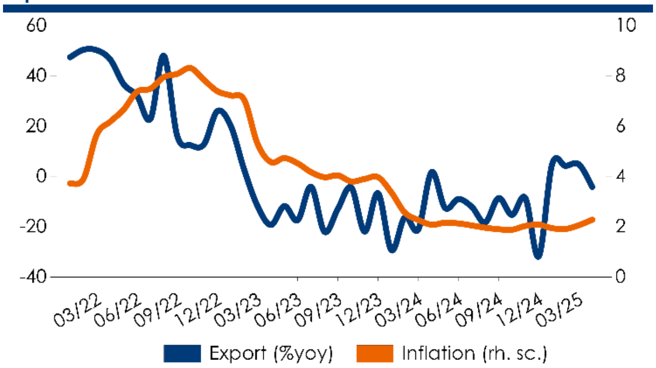
The banking system remains capitalised and liquid, with a solid credit expansion profile. Private sector credit grew by 13.66% yoy as of April 2025, led by mortgage lending and business finance in services and construction. Household credit expanded by 15.88%, and corporate lending by 12.26%. Deposit growth remains positive at 6.07%, supported by household savings at 8.02%, although corporate deposits declined at -0.22%. The Non-Performing Loan (NPL) ratio continued to decline, reaching 4.02% in March 2025. This reflects both stronger credit assessment practices and improved recovery mechanisms.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.3	3.9	3.3	3.4
CPI (eop)	4.0	2.1	3.0	3.0
Euro exch. rate (value, eop)	103.9	98.2	100.5	103.4
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	7.8	3.4
Bank deposits (pr. sector, yoy)	1.6	3.9	3.8	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

Recent high-frequency indicators present a mixed picture, suggesting a softening in domestic demand alongside strengthening foreign demand. Specifically, in the first four months of the year, retail trade volume declined by 2.5% yoy, despite robust growth in average net wages – 13.2% in nominal terms and 9.5% in real terms yoy. At the same time, industrial production contracted by 2.0% yoy, extending a downward trend that has persisted for over two years. A closer look reveals a 3.5% yoy drop in intermediate goods production (which makes up 36% of total output), a sharp 20.6% decline in consumer durables (3.9% share), and a 1.4% decrease in non-durables (21% share). In contrast, energy and capital goods production posted modest gains of 3.0% and 0.4% yoy, respectively. Construction activity remained subdued in the opening quarter of 2025, with the construction works index slipping by 0.2% quarter-on-quarter and recording only a modest 0.4% yoy increase. This marginal growth was primarily driven by a 1.6% rise in building construction, while civil engineering activity declined by 0.5% yoy. Looking ahead, we anticipate a pickup in construction activity as post-October flood reconstruction efforts gain momentum. On a more positive note, foreign trade data exceeded expectations: goods exports rose by 5.3% yoy, while imports increased by 4.8% yoy. Overall, we expect the GDP figure for Q1 2025 – due at the end of June – to reflect a slowdown compared to the 2.5% growth recorded in the final quarter of 2024. This expectation is already supported by data from the Republika Srpska entity, where Q1 2025 growth decelerated to 1.5% yoy. Thus, in light of available data, we lowered our FY25 estimate from 2.7% to 2.2% yoy.

Inflationary pressures have continued to intensify during the first four months of the year, with headline inflation rising to 3.4% in April, up from 3.2% in March. This reflects broad-based upward momentum, particularly driven by food inflation, which surged to 8.9% year-over-year – its highest level in the past 22 months. According to estimates from the National Bank, core inflation edged up slightly to 4.0% in April from 3.9% in March. This increase was largely attributed to persistent service inflation, which remained elevated at 4.5%, though slightly down from 4.7% in February. Overall, in accordance with recent trends, we project average FY25 inflation to be around 3.3%, compared to 1.7% observed last year.

Banking Sector

Ana Lokin

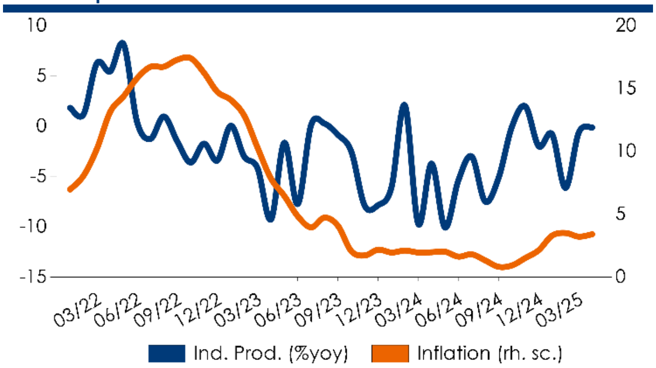
The first months of 2025 saw a robust rise in lending and deposit collection (9.4% and 8.3% yoy in April, respectively) of the private sector. By year-end, we see this rise moderating but staying robust, supported by solid GDP growth, sharp wage increase, and higher inflation. Loans are thus expected to expand by 6.8% yoy in 2025, and deposits by 6.3% yoy.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	1.9	2.5	2.2	3.0
CPI (eop)	2.2	2.2	3.2	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	6.8	4.7
Bank deposits (pr. sector, yoy)	10.2	10.8	6.3	5.1
Lending int. rate (corp., eop)	3.9	4.3	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

The CBS flash estimate confirmed expectations of a GDP growth slowdown in 1Q for Croatia. Seasonally-adjusted data show quarterly growth easing to 0.3%, while yoy growth slowed to 3.1% (from 3.7% in 4Q24). On a non-adjusted basis, the growth rate declined to 2.9% from 3.9%. The composition of growth brought no major surprises. The shift in Easter holiday timing and consumer boycotts contributed to a marked deceleration in personal consumption growth to 1.7% – its lowest rate since 1Q21 – down from 6.3% in 4Q24. As a result, personal consumption contributed just 0.9 p.p. to overall growth. Investment growth also slowed significantly, falling to 4.5% from 9.5%. This reduced its contribution to GDP to 1.2 p.p., well below the 2.2 p.p. average seen over the past 12 quarters, in line with the observed deceleration in construction activity. Government spending and changes in inventories each contributed 1.5 p.p. However, net foreign demand exerted a drag of -2.2 p.p. on overall GDP. While goods exports accelerated to 11.6% growth, services exports declined by 1.8% in real terms. Total exports rose by 6%, contributing 2.7 p.p. to growth, but this was outweighed by an 8.8% increase in imports of goods and services, which subtracted 4.9 p.p. from headline figure.

High-frequency data supports expectations of a Q2 rebound in private consumption. April retail trade rose 1.0% mom, lifting annual growth to 4.9%, with fiscalisation data suggesting slower but continued growth in May. Industrial production grew 6.5% yoy in April – its fifth consecutive monthly gain – driven by a 26% surge in energy output (Rijeka refinery reactivation) and solid growth in intermediate, capital, and non-durable goods, despite an 11% drop in consumer durables. Goods exports rose 9.3% yoy in Q1, supported by mineral fuel shipments and possible U.S. front-loading via EU partners. However, preliminary April data show a 1.4% decline, reflecting weaker non-EU demand and flat EU exports, suggesting trade will increasingly reflect tariff-driven dynamics as temporary boosts fade. Given the ongoing uncertainty, we maintain our full-year 2025 GDP growth forecast at 2.9%, with average inflation expected to remain close to last year's level.

Financial Markets

Ana Lokin

10Y government bond yield spread on Bund average down to 0.3pp in April, with yield at 2.9%. Our projection for 2025 is average spread of 0.6pp and average yield at 3.2% (eop 0.7pp, 3.6%).

Banking Sector

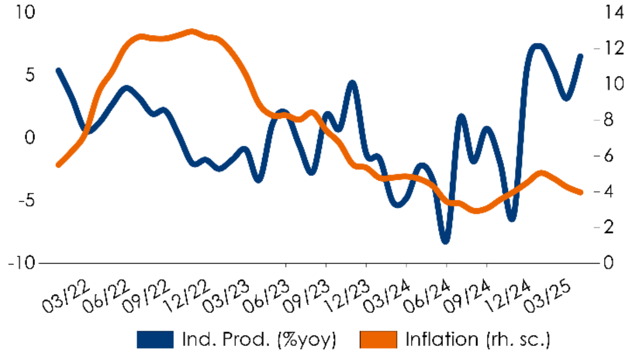
Loans rose 12% yoy in April, by end-25 seen easing to 8.8% yoy as new CNB regulation weighs on household lending and corporate loans moderate. Deposits are expected to decelerate from 6.1% yoy in April to 4.5% yoy in December, as savings interest rates decline, economy loses steam.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.3	3.9	2.9	2.9
CPI (eop)	5.4	4.5	3.2	3.0
Short-term rate (eop)	3.9	2.8	1.7	1.8
L/T bond yields (eop)	3.3	2.8	3.6	3.5
Bank loans (pr. sector, yoy)	8.0	9.4	8.8	3.4
Bank deposits (pr. sector, yoy)	3.5	3.7	4.5	2.6
Lending int. rate (pr. sec., eop)	5.2	4.5	3.6	3.7
Deposit int. rate (pr. sec., eop)	3.1	2.5	1.6	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 in 1st quarter 2025 at 0.3% Q1 2025/Q1 2024. This level is lower than expectations, and is driven by agriculture, trade, ITn and communications. Construction and industry had negative contributions. The result confirmed our last forecast.

Yoy CPI at the end of May was 5.45%. On a monthly basis the CPI increased 0.46% in May versus April. Harmonised CPI was 5.5% on May. New NBR projection show that, after a volatility period, at the end of 2025, CPI will be at around 4.6%.

The Unemployment figures at the end of April showed a 5.7% level, lower than March with 0.3%. NSI revised 2025 Unemployment figures upward in April. The Wages growth remained high with 8.2% YOY also at the end of April 2025.

The Budget Deficit at the end of April is at 2.95% from GDP, one of the highest levels in the last years, while the target for the Budget Deficit in 2025 is at 7.0% from GDP. Further fiscal measures are expected to be taken by the new Government.

The Current Account Deficit at the end of April 2025 was EUR 10.10Bn, 60% higher than the previous year. Consumption and higher wages contributed to this record level CA deficit.

Financial Markets

On 16 May, at the Monetary Policy Meeting, the Romanian Central Bank kept the Monetary Policy Rates unchanged at: Deposit Facility Rate 5.50%, Reference Rate 6.50%, and Credit Facility Rate 7.50%. The next Monetary Policy Meeting is on 7 April 2025. We do not expect any decision to cut till the second part of the year.

After high volatility on Financial Markets generated by the uncertain result of Presidential Election, the victory of Nicusor Dan calmed down the markets, at slightly higher balance levels. The volume of NBR interventions on the foreign exchange market during the turbulence period is estimated at above EUR 6Bn.

Since 25 May, NBR is providing liquidity to Monetary Market trough REPO transactions on a weekly basis at 6.50%.

Banking Sector

Marius Pacurari

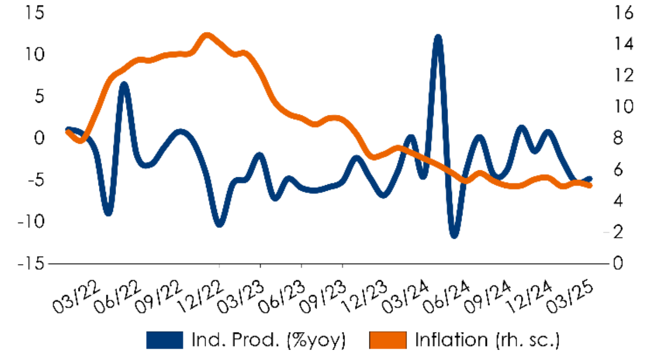
At the end of April 2025, yoy growth on loans was 8.09%, with a strong component on RON (10.83%), while EUR loans increased only 1.51%. On the deposits side, the overall growth yoy was 6.48%, with the component of RON at +5.57% and Foreign Currencies deposits at +8.62%.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	2.4	0.8	1.2	3.0
CPI (eop)	7.0	5.5	4.8	2.5
Euro exch. rate (value, eop)	5.0	5.0	5.1	5.0
Short-term rate (eop)	6.3	5.9	6.5	4.0
L/T bond yields (eop)	6.6	7.4	6.3	6.1
Bank loans (pr. sector, yoy)	5.9	8.1	6.6	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	8.1	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

Sanja Djokic

Real Economy

The latest Statistical Office data confirmed the flash estimated GDP growth rate of 2% yoy in 1Q25, the lowest GDP growth level in the last two years. By components, the biggest positive contributor to GDP growth came from inventories (+4.1pp), probably due to high uncertainty and weaker demand. Household consumption halved its growth (+1.8% yoy, +1.0 pp), while the pace of investment growth was the weakest since the 4Q20 (-1.0% yoy, -0.2 pp). Import growth (+11.5% yoy) continued to be stronger than exports (+7.5% y/y), cutting in total 3 pp of the GDP growth rate. Looking at the high frequency data, industrial production expanded by a modest 2.3% yoy in April, urged by a strong rise in the petroleum sector. While Manufacturing sector increased by 2.9% yoy, mining sector decreased by 0.5% yoy, and electricity production remained unchanged yoy – its best reading in a year. Retail trade in April inched up by 0.4% yoy, thus continuing the growth trend, after February's decline and March's stagnation. Given the lower-than-expected economic results so far, as well as elevated uncertainties, we have revised down our expectations for GDP growth for this year to 3.1% (from 3.8% in March scenario) and to 3.9% in 2026. Yoy inflation in April slowed to 4.0% yoy from 4.4% in the month before, being the lowest annual rate since June 2024. Services inflation, which was the driver of inflation in the previous period, continued to decelerate amounting to 5.7% yoy in April. Core inflation slowed to 5.0%. We believe in a more prominent drop of inflation from the second half of 2025 (to 3.2% eop, and 3.8% avg).

Financial Markets

As expected, NBS decided to keep the key policy rate at 5.75% at its May meeting, for the eighth consecutive month. NBS believes that a cautious monetary policy should be still pursued as domestic inflation considerably depends on global developments, which are currently highly volatile amid uncertainty related to trade policies. Thus, we expect no more than two cuts by end-2025, bringing the rate to 5.25%. The Dinar remained stable against the euro in May, while it has weakened by 0.2% since the start of the year. During Jan-May, NBS sold EUR 1.0Bn net to maintain the relative stability of the dinar due to heightened demand for foreign currency. FX reserves amounted to EUR 27.4Bn at end-May (6.6 months' worth of the country's imports).

Banking Sector

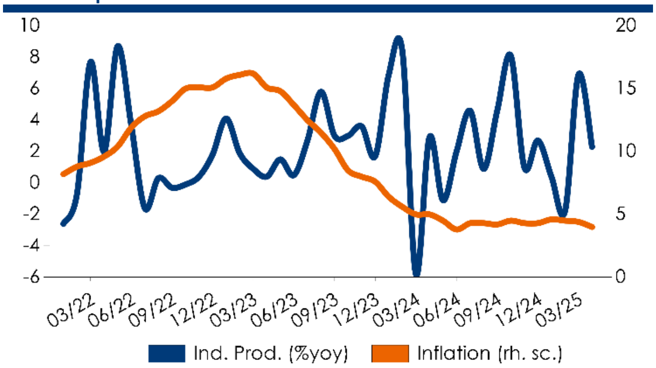
In April, total loans to private sector rose by 9.8% yoy, led by strong double-digit household loans growth (+11.9% yoy), while corporate loans grew by 7.8% yoy in April, driven by both working capital (+9.5%) and investment loans (+11.5%). Total deposits from the private sector expanded by 8.7% yoy in April, continuing to decelerate from the end-2024 (+13.15% yoy), as both corporate and retail deposits growth slowed down (+6.6% yoy and 10.1% yoy, respectively). As a result, forecast for deposits growth in 2025 has been revised to 7.6% yoy. The NPL ratio decreased further to 2.3% in March, from 2.5% at end-2024.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.8	3.9	3.1	3.9
CPI (eop)	7.6	4.3	3.2	3.1
Euro exch. rate (value, eop)	117.2	117.0	117.2	117.3
Short-term rate (eop)	6.5	5.8	5.3	4.5
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	13.2	7.6	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

Doina Caraman

Real Economy

In 2024, the Moldovan economy grew by 0.1%, reaching MDL 323.4Bn. A weak agriculture season was the main factor affecting GDP negatively, but lower net exports also played a part. On the other hand, household spending, which increased by 2% yoy drove GDP growth, with sectors such as IT, construction, and finance contributing as well. Looking ahead, Moldova's economy is projected to grow by approximately 1.5% in 2025, with medium-term forecasts suggesting a more robust expansion of 2.4% to 3.9% annually. This improved outlook is underpinned by a decline in macroeconomic uncertainty, progress on EU accession-related reforms, and the anticipated impact of a €1.9Bn economic support package from the European Union. These reforms are expected to enhance institutional capacity, improve the business climate, and attract foreign investment.

In May 2025, Moldova's consumer price index rose by 7.92% yoy, marking a slight acceleration from 7.76% in April, in line with the expectations that it will stay elevated through the first half of the year. Average annual inflation is projected to ease to 7.5% in 2025, with a gradual return to the target corridor anticipated in the medium term.

Financial Markets

In early 2025, the National Bank of Moldova raised the base rate to 6.5%, through two hikes to counter inflation driven by tariff increases, then maintained it amid signs of easing price pressures. Monetary tightening has begun to influence market conditions, with average loan and deposit rates rising to 8.47% and 4.14%, respectively. The base rate is projected to decline to 5.5% by year-end, reflecting expectations of continued disinflation. Meanwhile, yields on 91-, 182-, and 364-day treasury bills rose by 0.5, 3.7, and 3.4 pps, respectively, between December 2024 and May 2025, aligning with inflation trends and market expectations.

Banking Sector

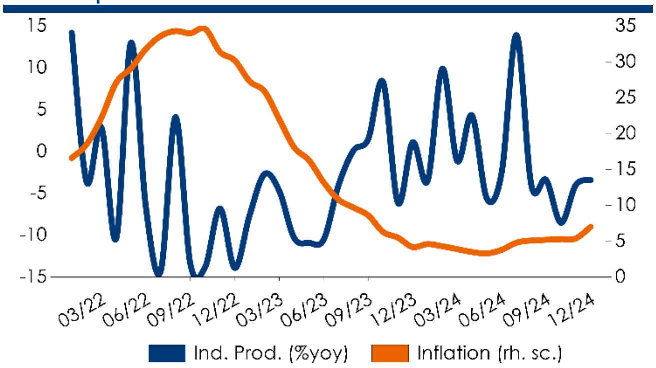
As of April 2025, Moldova's loan portfolio expanded by 33.5% yoy, driven predominantly by household lending, which surged by 40.4%, while corporate loans registered a more moderate increase of 28.8%. Deposit growth also remained robust, rising by 10.4%, with contributions from both corporate deposits (+5.5%) and household deposits (+14%). For 2025, loan and deposit growth are projected at 30% and 8.8%, gradually slowing in the following years. Double-digit loan growth is expected through 2027, while deposit growth is forecast to moderate to around 6.5% annually. Interest rates are expected to decline slightly in 2025, with modest increases anticipated in 2026-2027.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	0.7	0.0	1.5	2.4
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	30.0	14.2
Bank deposits (pr. sector, yoy)	19.9	13.4	8.8	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 recording GDP growth of 4.3% in 2024, in line with the significant public spending and war-related investments, we estimate a slowdown to 1.8% in 2025. The Central Bank states that the upward deviation of the Russian economy from a balanced growth path is narrowing. High-frequency data, including those for Q22025, demonstrate a gradual slowdown in domestic demand growth. Unemployment is currently at record lows. However, according to surveys, the share of enterprises experiencing labour shortages continues to decline. In addition, labour demand in certain industries has been decreasing with a reallocation of employees across industries. Wage increases remain high and continue to outpace labour productivity growth.

Financial Markets

At its meeting on 6 June, the Bank of Russia decided to cut its policy rate by 100 basis points to 20.00% per annum. Current inflationary pressures, including core, continue to fall. Although domestic demand growth is still outpacing the country's ability to expand the supply of goods and services, the Russian economy is gradually returning to a balanced path. The CBR is to keep monetary conditions as tight as necessary to bring inflation back to target in 2026. Monetary policy will therefore remain restrictive for a long period. The announcements indicate that the CBR believes that overheating pressures in the economy are diminishing. However, the statement appeared restrictive in several respects; it did not provide explicit guidance on the path of interest rates going forward, which suggests that an interest rate cut at the next meeting is not a foregone conclusion, and furthermore, that domestic demand growth continues to outstrip supply, indicating the CBR is concerned about inflationary pressures in some sectors.

Banking Sector

Davidia Zucchelli

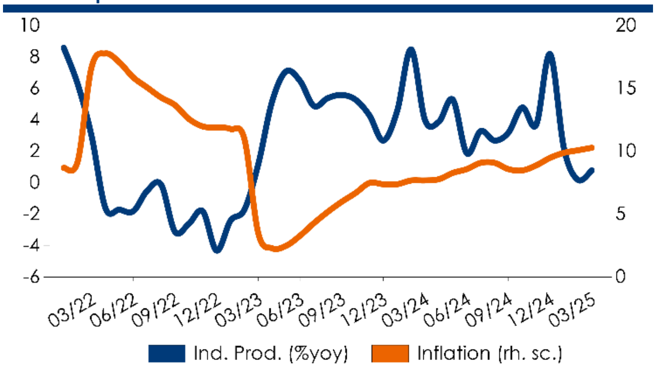
Both loan and deposit growth remained strong in Russia in February, but rapidly decreasing (12% yoy vs 18.6% yoy) for both corporates (14.2% yoy while deposits increased by 11.8% yoy) and households (+7% for loans and +24.9% yoy for deposits). As anticipated by the central bank, data as of March showed a moderate growth rate in corporate lending, mainly due to property developers. In the household sector, mortgages grew mainly due to state support. In April, market mortgage originations remained low (Rb 41Bn) amid high interest rates. The consumer loan portfolio continued to decline (-0.2% in March), mainly in the segment of cash loans that were constrained by tight monetary and macroprudential policies, obliging banks to be very critical[/careful] in selecting borrowers. The quality of the loan portfolio in April did not change significantly. In the corporate portfolio, the share of problem loans remained at 4.0%, while in the retail portfolio it increased by 0.2 p.p. to 5.5%. Deposits rose strongly, but they are forecast by ISP to slow to 9.1% in 2025.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	3.6	4.4	1.8	1.4
CPI (eop)	7.4	9.5	7.7	4.1
USD exch. rate (value, eop)	90.9	103.9	90.8	93.1
Euro exch. rate (value, eop)	90.9	108.8	94.9	99.2
Short-term rate (eop)	15.7	21.3	25.2	21.5
L/T bond yields (eop)	12.2	16.0	15.6	15.1
Bank loans (pr. sector, yoy)	24.2	16.0	10.1	5.2
Bank deposits (pr. sector, yoy)	23.4	23.8	9.1	5.3
Lending int. rate (corp., eop)	16.1	24.0	22.7	17.1
Deposit int. rate (hh, eop)	12.8	21.4	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

Ukraine enters the summer of 2025 under conditions of growing geopolitical pressure, heightened internal strain, but continued macroeconomic resilience. Peace negotiations seem to be stagnating, as a round of Istanbul talks ended without a ceasefire agreement and regular missile and drone strikes on both countries' territories have only seemed to be intensifying. On the economic front, growth continues but remains modest. The latest estimates indicate a slowdown in economic activity, with the GDP expanded by 1.1% yoy in Q1 25 (preliminary estimate) amid new destructions of production capacity, as well as a negative consumer reaction to geopolitical tensions. Inflation remains a key concern: in May, consumer prices rose 15.9% yoy, the highest level since April 2023. Food prices contributed the most, driven by smaller harvests and weather disruptions. Nevertheless, the NBU views May inflation as a peak, expecting a gradual decline in the second half of the year, targeting 8.7% by December. Externally, Ukraine faces a deepening foreign trade deficit – during January-May it reached $14.4Bn, which is $3.7Bn more than for the same period last year. In June, the EU revoked its wartime tariff-free scheme and is reinstating quotas on key Ukrainian agricultural exports, which may additionally reduce Ukrainian earnings by around $1Bn through 2025. To reduce debt pressure, Ukraine placed a moratorium on GDP-linked securities (~$665M) and has resumed restructuring talks with creditors.

Financial Markets

Financial stability remains strong. The NBU kept its key policy rate unchanged at 15.5% at its 5 June meeting but signalling it may remain on hold for longer than envisaged by the April macroeconomic forecast. We now see the NBU to revert to the cutting cycle in Q4 25, rather than Q3 expected before. The UAH exchange rate has demonstrated notable stability over the past few months, trading in the narrow corridor 41.2–41.6 USD/UAH, as the NBU has been actively intervening to maintain FX market sustainability and anchor inflation expectations. International reserves remain solid - at $44.5Bn as of end of May, equivalent to more than five months of imports – still supported by continued external financing.

Banking Sector

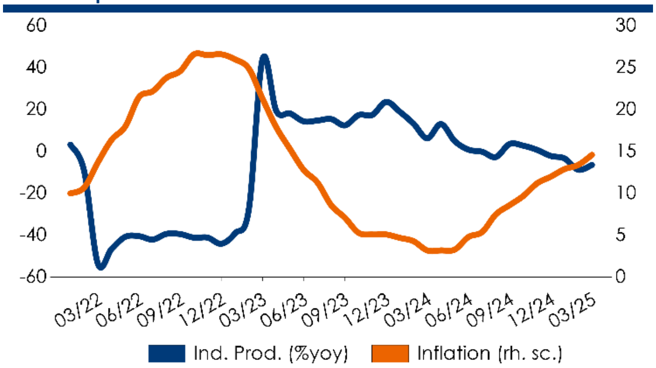
Ukraine's banking sector continues to exhibit solid fundamentals – high profitability, improving asset quality, strengthened funding, and regulatory alignment with EU norms. Banks generated UAH 40Bn in net profit during Q1 25, with 65% contributed by state-owned banks. Net interest income increased by 13.7% yoy, driven by higher yields on NBU CDs and gradual adjustments in loan pricing. Net commission income expanded by 10.4% yoy, particularly owing to fees from payment transactions. The NPL ratio declined by 1.7 p.p. in Q1 to 28.6%, and to 17.1% when excluding legacy distressed loans held by state banks.

Forecasts

	2023	2024	2025F	2026F
Real GDP yoy	5.5	2.9	2.5	3.7
CPI (eop)	5.1	12.0	9.0	5.0
USD exch. (value, eop)	36.5	41.7	43.5	44.5
Euro exch. rate (value, eop)	40.5	43.7	50.1	51.9
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	8.4	3.8
Bank deposits (pr. sector, yoy)	26.7	14.4	7.4	4.8
Lending interest rate (pr.sect., eop)	20.7	18.8	17.2	14.5
Deposit interest rate (pr.sect , eop)	10.4	8.6	8.2	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

Geopolitical situation has escalated rapidly in recent days, with Israel launching multiple strikes on military and nuclear targets in Iran. In response, Iran fired dozens of ballistic missiles in a retaliatory attack hitting several locations in Israel. The baseline scenario assumes that the war would last for "weeks", according to the White House and Israeli officials. Prior to these events, Egypt's real GDP growth was set to recover to 4.1% yoy in 2025 (calendar year) against 3.1% one year earlier. Less tight monetary conditions and stable FX market were likely going to boost demand and private investments. On the sectoral level, telecom, tourism, construction, and non-oil manufacturing sectors are the key drivers for boosting growth. It's too early to assess the impact of the current geopolitical situation on growth prospects. Egyptian fertilizer producers were forced to halt operations due to a drop in natural gas imports from Israel, accounting for 15-20% of Egypt's annual consumption, according to the Joint Organizations Data Initiative (JODI). Annual headline CPI went down to an average of 16.2% during the first five months of 2025 compared to 31.9% in the same period last year, due to the base year effect and stability in FX inflows. Higher oil prices and prevailing uncertainty might weigh on the expected decline of inflation rates in 2025. However, we still think they would exhibit a downward trajectory.

Financial Markets

In light of falling inflation rates, the Central Bank of Egypt (CBE) lowered policy rates by 325 bps in 2025. Key interest rates were expected to decline by a total of 700 bps this year, an estimate that should be revised down. MMR rose by 0.7% to 28.6% in the first auction held after the attacks. The Egyptian Pound temporarily weakened against the US Dollar to EGP50.8, due to portfolio outflows before recovering some of its losses, reaching 50.3. It is worth mentioning that the EGP has appreciated to EGP49.5 against the US Dollar due to improving remittances, tourism, non-oil exports and foreign investments in EGP government securities.

Banking Sector

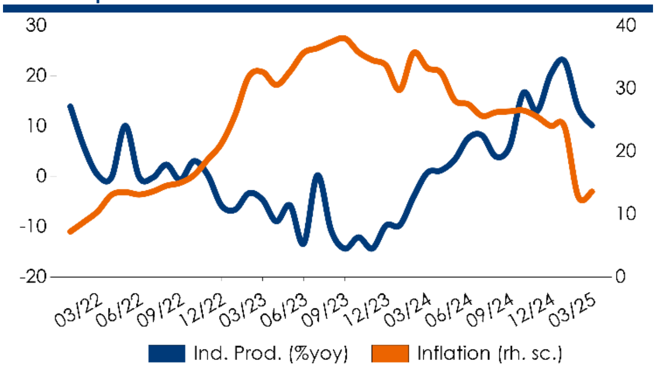
Net foreign assets of Egypt's banking sector (CBE + Commercial Banks) have recorded a surplus of USD 13.5Bn in April 2025 against a deficit of USD 3.6Bn in the same month last year, giving it space to absorb temporary shocks. Latest data released in December 2024 showed the strong fundamentals of the sector, where CAR and NPLs ratios have recorded 18.5% and 2.3%, respectively. Growth rates of both private loans and deposits are expected to normalise in 2025 after being inflated by the devaluation of the local currency last year. Retail deposits are still the main funding base of the sector, and short-term saving schemes are gaining an increasing momentum. The evolution of exchange rates and economic activity are going to determine the pace of advancement for retail and corporate loans.

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	53.0	54.0
Euro exch. rate (value, eop)	33.7	53.0	61.0	62.9
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	29.8	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	19.8	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]		
		1Q25	4Q24	2024	Last	mth	1Q25	Last	mth	1Q25	Last	mth	1Q25	Last	mth	1Q25	Last	mth	1Q25	Last	mth	1Q25	Last	mth	1Q25
CEE	Czechia	2.0	1.8	0.9	1.4	Mar	0.7	5.6	Mar	3.9	3.0	Mar	2.4	1.8	Apr	2.7	4.3	Apr	4.3	4.6	Mar	4.7	96.4	Apr	101.2
	Hungary	0.0	0.4	n.a.	0.0	Mar	-4.2	-2.3	Mar	-0.6	-0.4	Mar	1.4	4.2	Apr	5.3	4.4	Apr	4.3	8.5	Mar	9.4	91.6	May	95.3
	Poland	3.2	3.4	2.9	1.2	Apr	-0.1	-9.0	Feb	-4.9	-0.3	Mar	1.4	4.3	Apr	4.9	5.3	Mar	5.4	9.4	Apr	8.3	101.0	Apr	101.0
	Slovakia	0.9	1.7	2.1	3.5	Mar	-1.0	11.3	Mar	5.4	-2.5	Mar	-1.4	3.7	Apr	3.9	4.8	Apr	5.0	3.4	Mar	4.8	93.4	Apr	96.2
	Slovenia	-0.7	1.5	1.6	-1.9	Mar	-1.0	50.0	Mar	49.7	2.8	Apr	0.6	1.9	May	2.1	4.6	Mar	4.9	7.6	Mar	7.0	98.2	May	98.7
SEE	Albania	n.a.	3.6	n.a.	n.a.	n.a.	n.a.	-4.1	Apr	4.7	n.a.	n.a.	n.a.	2.3	Apr	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Bosnia H.	n.a.	2.5	2.5	-0.1	Apr	-2.7	1.0	Apr	6.9	-3.5	Mar	-3.1	3.4	Apr	3.3	27.5	Mar	27.4	13.4	Mar	13.2	n.a.	n.a.	n.a.
	Croatia	2.9	3.9	3.9	6.5	Apr	3.2	7.8	Feb	n.a.	9.2	Apr	0.7	4.0	Apr	4.7	4.6	Apr	5.3	9.2	Mar	11.7	104.4	May	103.3
	Romania	0.2	0.5	n.a.	-4.8	Mar	-4.2	6.3	Mar	2.7	4.9	Mar	-1.2	4.9	Apr	5.1	5.5	Mar	5.5	6.4	Mar	8.6	100.9	Apr	102.7
	Serbia	2.0	3.3	n.a.	2.3	Apr	1.8	0.5	Apr	0.5	0.4	Apr	0.7	4.0	Apr	4.5	n.a.	n.a.	9.1	11.5	Mar	11.2	n.a.	n.a.	n.a.
EE &	Moldova	n.a.	-1.2	0.0	-3.4	Dec	n.a.	-11.5	Nov	n.a.	-5.6	Dec	n.a.	7.9	May	8.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MENA	Russia	n.a.	4.5	4.4	0.8	Mar	1.1	72.1	Jan	n.a.	2.2	Mar	3.3	9.9	May	10.1	2.3	Mar	2.4	3.2	Feb	4.9	49.3	Apr	48.2
	Ukraine	n.a.	0.1	2.9	-6.4	Mar	-6.1	-1.1	Mar	-5.1	4.9	Mar	4.8	15.9	May	13.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt	n.a.	4.3	3.1	10.2	Mar	15.6	29.4	Mar	29.2	n.a.	n.a.	n.a.	16.8	May	16.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	48.5	Apr	49.2
	m.i. E. A.	1.2	0.9	0.9	3.7	Mar	1.4	13.7	Mar	7.7				1.9	May	2.3									

Source: Refinitiv; [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 rates[1]		Foreign exchanges[2]			Stock markets		CDS spread (bp)		FX res. chg (mln €)[3]			CA bal. (mln €)[4]		Rating
		9/6	3M*	9/6	3M*	9/6	3M*	1Y*	3M*	1Y*	9/6	7/3	1Q25	4Q24	2024	1Q25	4Q24	Moody's
CEE	Czechia	3.5	-0.2	4.3	-0.1	24.78	-0.62	0.63	6.6	40.2	24.5	25.2	n.a.	n.a.	n.a.	n.a.	5,593.7	Aa3
	Hungary	6.5	0.0	7.0	0.1	403.53	1.17	3.56	9.4	38.1	116.5	107.5	n.a.	n.a.	n.a.	n.a.	n.a.	Baa2
	Poland	5.3	-0.7	5.7	-0.3	4.28	2.42	-0.28	7.2	18.2	70.5	65.3	n.a.	n.a.	n.a.	n.a.	1,710.0	n.a.
	Slovakia	2.0	-0.6	3.5	-0.2	n.a.	n.a.	n.a.	0.7	-3.5	30.9	28.9	n.a.	n.a.	n.a.	-1,531	-3,609.0	A3
	Slovenia	2.0	-0.6	3.1	-0.2	n.a.	n.a.	n.a.	9.8	46.2	30.9	32.5	80	160	577	446	557.8	A3
SEE	Albania	2.7	n.a.	n.a.	n.a.	98.16	-0.84	-2.18	n.a.	n.a.	n.a.	n.a.	n.a.	293	n.a.	n.a.	-374.0	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.	-378	397	691	n.a.	-245.3	n.a.
	Croatia	0.4	0.0	2.9	-0.4	7.53	0.00	0.00	5.4	24.2	76.6	78.5	222	278	331	n.a.	-1,570.6	A3
	Romania	7.0	1.2	7.6	0.0	5.04	1.30	1.29	6.9	4.1	180.5	176.4	n.a.	-3,304	n.a.	n.a.	-29,370.0	Baa3
	Serbia	5.8	0.0	n.a.	n.a.	117.22	0.08	0.11	2.5	18.7	163.0	149.4	-1,590	1,015	4,386	-1,422	-1,824.3	Ba2
EE &	Moldova	6.5	0.0	n.a	n.a	17.19	-5.29	-2.05	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	B3
MENA	Russia	n.a	n.a	n.a	n.a	78.47	-10.44	-11.70	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	41.53	0.68	3.22	n.a.	n.a.	n.a.	n.a.	-3,200	3,865	2,600	-5,753	-2,566.0	Ca
	Egypt	27.8	1.0	n.a	n.a	49.64	-2.05	4.44	5.6	27.4	n.a.	n.a.	648	372	11,889	n.a.	-5,169.7	Caa1
	m.i.A.E.	2.0	-0.6	2.6	-0.2	1.1	5.0	5.5	-1.6	3.0	5.01	5.00						

Source: Refinitiv; [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	2024	Last	mth	2024	Last	mth	2024	Last	Mth	2024	Last	mth	2024	S[4]	Last	mth	2024	S[4]	Last	mth	2024
CEE	Czechia	5.5	Mar	5.7	1.7	Mar	1.7	24.7	Mar	14.0	4.7	Mar	7.6	5.5	Mar	5.7	C	3.0	Mar	3.2	H	69.8	Mar	69.1
	Hungary	5.9	Mar	6.8	1.8	Dec	1.8	15.1	Mar	16.0	7.4	Mar	8.4	10.8	Mar	11.1	C	4.9	Mar	4.6	H	79.1	Mar	79.3
	Poland	2.9	Mar	3.6	n.a.	Mar	n.a.	n.a.	Mar	n.a.	8.6	Mar	8.1	7.7	Mar	7.7	C	3.9	Mar	3.9	H	64.3	Mar	64.3
	Slovakia	4.7	Mar	2.9	2.0	Mar	2.0	15.7	Mar	36.2	4.5	Mar	6.5	4.5	Mar	4.8	C[2]	0.6	Mar	0.7	H[2]	106.2	Mar	103.3
	Slovenia	3.9	Apr	2.7	1.0	Feb	1.0	9.5	Apr	3.6	3.7	Apr	1.9	4.5	Mar	5.0	C[2]	1.3	Mar	1.4	H[2]	62.4	Apr	61.1
SEE	Albania	13.7	Apr	12.4	4.0	Mar	4.2	-8.7	Apr	13.8	6.1	Apr	3.9	5.4	Apr	5.5	PS	2.8	Apr	2.7	PS	62.6	Apr	60.6
	Bosnia H.	9.4	Apr	9.3	3.0	Mar	3.2	35.0	Apr	27.5	8.3	Apr	10.8	4.0	Apr	4.3	C	1.9	Apr	1.2	H	89.7	Apr	87.3
	Croatia	12.0	Apr	9.4	2.4	Dec	2.4	19.3	Apr	23.8	6.1	Apr	3.7	3.9	Apr	4.5	PS	1.9	Apr	2.5	PS	75.1	Apr	70.2
	Romania	8.1	Apr	8.1	2.5	Mar	2.5	0.6	Apr	0.6	6.5	Apr	9.7	7.7	Apr	7.7	PS	5.1	Apr	5.0	PS	66.6	Apr	65.7
	Serbia	9.8	Apr	7.9	2.3	Mar	2.5	0.0	Apr	-1.8	8.7	Apr	13.2	8.8	Apr	8.7	PS	4.1	Apr	4.4	PS	80.4	Apr	77.3
EE &	Moldova	33.5	Apr	26.5	4.3	Apr	4.1	0.7	Jul	n.a.	10.4	Apr	13.4	7.6	Apr	7.3	C	3.5	Apr	3.1	H	67.9	Apr	62.6
MENA	Russia	12.0	Feb	16.0	6.1	Dec	n.a.	n.a.	Apr	n.a.	18.6	Feb	23.8	20.6	Feb	24.0	C	20.8	Feb	21.4	H	114.0	Feb	113.4
	Ukraine	13.6	Apr	10.2	28.3	Apr	30.3	1.6	Apr	-2.4	13.6	Apr	14.4	19.9	Apr	18.8	PS	9.8	Apr	8.6	PS	43.5	Apr	41.8
	Egypt	29.8	Dec	29.8	2.7	Jun	n.a.	10.8	Mar	63.6	27.4	Mar	34.4	26.6	Mar	26.7	C	20.2	Mar	20.9	H	35.4	Dec	35.4
	m.i. E. A.	1.25	Feb	0.7	n.a.	n.a.	n.a.	5.7	Feb	2.4	5.0	Feb	4.2	3.5	Apr	4.3	C	2.0	Apr	2.5	H	72.0	Feb	71.9

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	0.9	2.2	2.3	Czech Rep.	15.1	10.8	2.5	2.3	2.0
	Hungary	4.6	-0.9	0.7	1.0	3.0	Hungary	14.5	17.6	3.7	4.5	3.6
	Poland	4.9	0.1	2.9	3.1	2.6	Poland	14.3	11.6	3.7	4.5	2.8
	Slovakia	0.4	1.4	2.1	1.1	2.0	Slovakia	12.8	10.5	2.8	3.7	3.0
	Slovenia	2.7	2.1	1.6	1.3	2.2	Slovenia	9.3	7.2	2.0	2.1	2.0
SEE	Albania	4.8	3.3	3.9	3.3	3.4	Albania	6.7	4.8	2.2	2.5	3.0
	Bosnia Herzegovina	3.7	1.9	2.5	2.2	3.0	Bosnia Herzegovina	14.0	6.1	1.7	3.3	2.5
	Croatia	7.3	3.3	3.9	2.9	2.9	Croatia	10.7	8.4	4.0	4.0	3.1
	Romania	4.9	2.4	0.8	1.2	3.0	Romania	12.1	9.8	5.9	4.9	3.1
	Serbia	2.6	3.8	3.9	3.1	3.9	Serbia	11.9	12.1	4.6	3.8	3.2
EE & MENA	Moldova	-4.5	0.7	0.0	1.5	2.4	Moldova	28.6	14.0	4.7	7.5	4.1
	Russia	-2.1	3.6	4.4	1.8	1.4	Russia	13.8	6.0	8.4	9.2	5.6
	Ukraine	-28.8	5.5	2.9	2.5	3.7	Ukraine	20.1	13.4	6.5	12.2	5.7
	Egypt	4.3	2.9	3.1	4.1	4.3	Egypt	13.8	33.8	28.5	15.0	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	25.0	24.0	Czech Rep.	6.3	7.1	5.0	3.6	3.1
	Hungary	391.1	381.8	395.5	405.8	408.5	Hungary	9.9	14.3	7.3	6.3	5.1
	Poland	4.7	4.5	4.3	4.3	4.4	Poland	5.9	6.4	5.8	5.6	4.0
	Slovakia	n.a.	n.a.	n.a.	n.a.	n.a.	Slovakia	0.3	3.4	3.6	2.1	1.8
	Slovenia	n.a.	n.a.	n.a.	n.a.	n.a.	Slovenia	0.3	3.4	3.6	2.1	1.8
SEE	Albania	118.9	108.4	100.5	98.9	102.6	Albania	1.3	3.1	3.0	3.0	3.2
	Bosnia Herzegovina	1.96	1.96	1.96	1.96	1.96	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	1.8
	Romania	4.9	4.9	5.0	5.0	5.0	Romania	6.2	6.6	5.9	6.6	4.7
	Serbia	117.5	117.3	117.1	117.2	117.3	Serbia	2.6	6.1	6.1	5.5	4.8
EE & MENA	Moldova (USD)	18.8	18.2	17.7	18.3	18.5	Moldova	n.a.	n.a.	n.a.	n.a.	n.a.
	Russia (USD)	68.3	85.2	92.8	77.0	90.7	Russia	n.a.	n.a.	n.a.	n.a.	n.a.
	Ukraine (USD)	32.3	36.8	40.1	42.3	44.0	Ukraine	n.a.	n.a.	n.a.	n.a.	n.a.
	Egypt (USD)	19.2	30.7	45.3	51.6	53.9	Egypt	14.5	23.1	27.9	26.7	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	3.4	5.0	Hungary	2.5	0.3	8.4	4.6	4.3
	Poland	0.2	-2.5	3.6	4.8	4.5	Poland	5.6	10.5	8.1	6.4	5.0
	Slovakia	10.4	3.4	2.9	4.6	4.5	Slovakia	5.9	4.6	6.5	3.7	4.6
	Slovenia	9.8	-0.5	2.7	3.5	3.2	Slovenia	7.8	5.5	1.9	2.6	2.7
SEE	Albania	6.9	3.7	12.4	7.8	3.4	Albania	4.8	1.6	3.9	3.8	3.4
	Bosnia Herzegovina	5.3	6.8	9.3	6.8	4.7	Bosnia Herzegovina	3.2	10.2	10.8	6.3	5.1
	Croatia	11.2	8.0	9.4	8.8	3.4	Croatia	15.0	3.5	3.7	4.5	2.6
	Romania	11.2	5.9	8.1	6.6	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	13.2	7.6	5.9
EE & MENA	Moldova	9.3	3.7	26.5	30.0	14.2	Moldova	5.4	19.9	13.4	8.8	6.6
	Russia	11.8	24.2	16.0	10.1	5.2	Russia	11.0	23.4	23.8	9.1	5.3
	Ukraine	-4.4	-0.3	10.2	8.4	3.8	Ukraine	25.1	26.7	14.4	7.4	4.8
	Egypt	28.4	22.1	29.8	10.8	9.5	Egypt	27.4	18.5	34.4	14.6	11.0

Banking interest rates (%)

	Lending (Corp. avg)	2022	2023	2024	2025F	2026F	Deposits (HH avg)	2022	2023	2024	2025F	2026F
CEE	Czech Rep.	7.6	8.6	6.6	5.1	3.9	Czech Rep.	5.0	6.0	4.3	2.9	2.3
	Hungary	8.3	12.3	11.3	10.3	6.1	Hungary	6.6	11.6	5.5	4.6	3.0
	Poland	7.5	8.5	7.7	7.2	4.9	Poland	4.4	5.6	4.2	3.7	2.2
	Slovakia	2.4	4.3	5.7	4.1	3.2	Slovakia	0.0	0.4	0.7	0.4	0.4
	Slovenia	1.9	4.6	5.4	3.8	3.0	Slovenia	0.1	0.8	1.5	0.9	0.5
SEE	Albania	6.4	5.9	5.5	5.5	5.9	Albania	1.2	2.1	2.6	2.8	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	2.6	4.7	5.0	3.7	3.7	Croatia	0.2	2.4	3.0	1.7	1.6
	Romania	8.0	9.4	8.2	8.1	7.6	Romania	5.3	6.0	5.2	5.0	3.1
	Serbia	8.0	11.6	10.3	8.6	7.5	Serbia	4.0	5.8	4.8	3.9	3.1
EE & MENA	Moldova	10.6	11.3	7.8	7.3	7.4	Moldova	7.0	9.8	3.6	3.2	3.3
	Russia	11.5	11.6	18.9	23.9	20.2	Russia	7.6	7.6	16.7	21.2	16.7
	Ukraine	18.6	22.1	19.6	18.6	15.1	Ukraine	7.4	12.3	9.1	8.4	7.5
	Egypt	10.6	17.8	24.3	24.3	17.1	Egypt	8.4	12.7	19.2	18.8	13.4

Source: Intesa Sanpaolo Research Department forecasts

Appendix

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