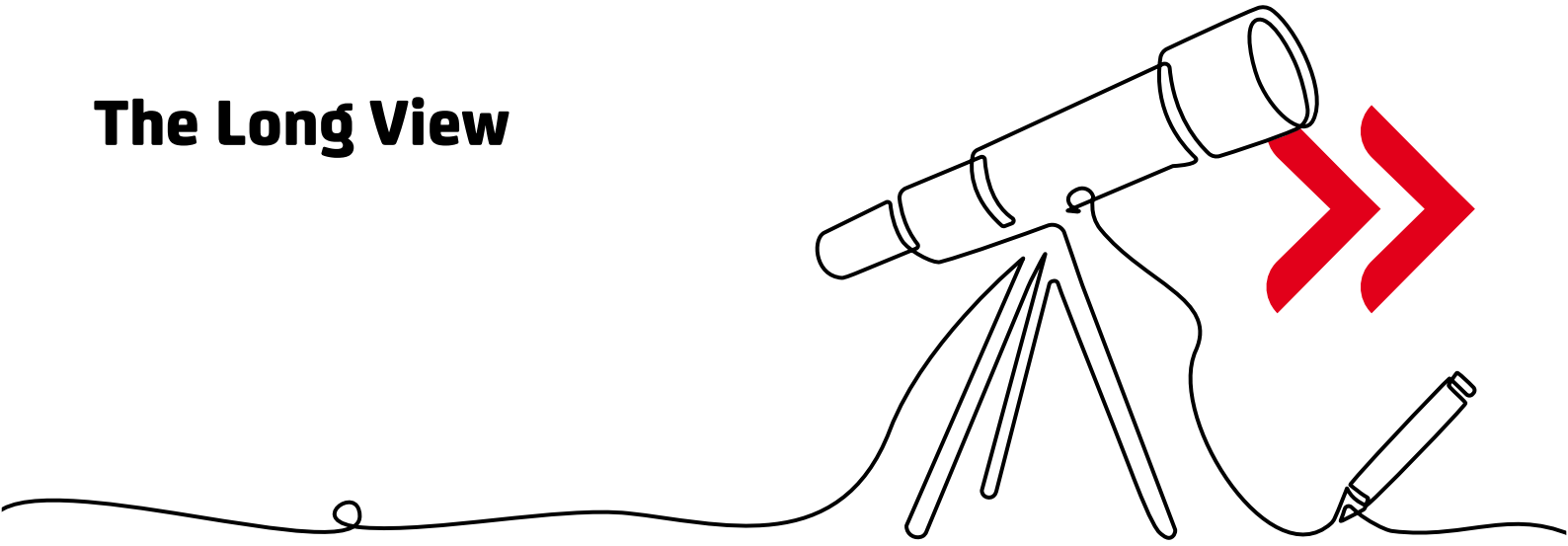
The Investment Institute
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The Long View



The Long View offers insights on key global issues that will shape tomorrow's world.

Euro adoption in CEE – aspirants and holdouts

8 October 2026

Following the recent adoption of the euro by Croatia and Bulgaria, Hungary may be the next potential candidate among the four CEE countries remaining outside the euro area. This note summarises the public and political stances in Czechia, Hungary, Poland and Romania, their readiness to meet the formal criteria, potential economic benefits and key competitiveness concerns related to joining the monetary union.

1. In Hungary and Romania, where both public and political support for euro adoption is high, there are clear benefits in the form of lower funding costs, institutional stability and a more predictable business environment. **Hungary's** new government aims to lay the ground for a credible fiscal deficit reduction to meet the Maastricht criteria by 2030.
2. **Romania** may be the next potential candidate seeking an anchor to support financial stability, but the country needs to address its imbalances first and the multi-year fiscal adjustment path faces political risks.
3. Political fragmentation and low public support will likely hold back euro adoption in **Poland**, however a rising fiscal debt burden and the threat of credit rating downgrades may strengthen the case for the euro over time.
4. In **Czechia**, the nominal and real convergence measures are best aligned for euro adoption, but policymakers have firmly opted to postpone setting a euro adoption target, as high debt levels in the eurozone and uncertainties related to the functioning of the banking union remain areas of concern.

All countries joining the EU from 2004 onwards are legally committed to adopt the euro under the Treaty on the Functioning of the European Union once they fulfil the Maastricht criteria. Euro adoption became a prominent policy issue after 2004, when the three Baltic states (Estonia, Latvia and Lithuania) and five CEE countries joined the EU, with most setting ambitious initial targets of adopting the euro within three to six years. Among the early adopters, Slovenia (in 2007) and Slovakia (in 2009) gave strategic priority to euro adoption and were willing to undertake significant fiscal and institutional adjustments. The global financial crisis (GFC) led to a reassessment of macroeconomic and external vulnerabilities, while the European sovereign debt crisis weakened political momentum for euro adoption, both among EU policymakers and within CEE governments, putting earlier convergence plans on ice.

In the Baltic states, euro adoption also represented a geopolitical anchor to the EU, keeping the three countries on track to introduce the euro between 2011 and 2015, while the remaining CEE countries postponed the decision. Following Croatia's (2023) and Bulgaria's (2026) euro introduction, none of the four big CEE economies that remain outside the eurozone has an official target date for euro adoption. But rising debt servicing costs, Romania's fiscal vulnerabilities and Hungary's recent sharp political shift put the topic back on the agenda. This note summarises the political and economic considerations related to euro adoption plans in Hungary, Romania, Poland and Czechia.

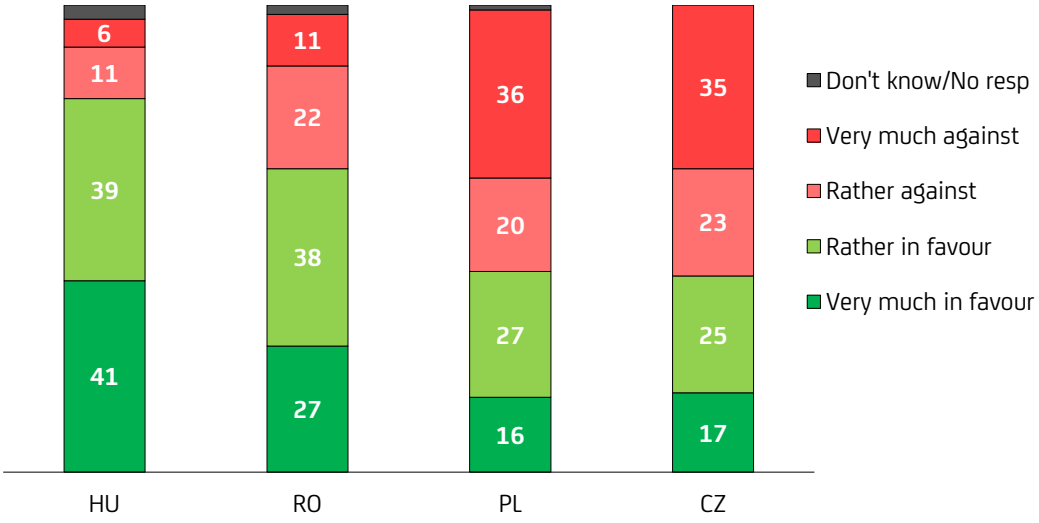
Public and political attitudes towards euro adoption

Public support for joining the euro area has historically been highest in Hungary and Romania and has reached 80% and 65%, respectively this year. Weaker institutional frameworks, long-term nominal depreciation trends in their national currencies and financial stability concerns likely all play a role in shaping public perceptions, which are also reflected in the higher share of FX deposits in household balance sheets. Hungary's new pro-EU government has set 2030 as a target date to fulfil the Maastricht criteria, which would qualify the country for euro entry early next decade. In July, Romanian President Nicușor Dan presented euro adoption as a strategic national objective, which is supported by a cross-party political agreement. The statement did not set a target date, acknowledging that there is still a long way to go to meet the criteria, but there is an ongoing discussion about establishing a new target for adoption as an anchor for continued structural reforms and to increase public awareness and support.

In contrast to Hungary and Romania, public support for euro entry is only around 42% in Poland and Czechia. Both countries view their respective currencies as symbols of national identity and have enjoyed more stable currencies following the initial shocks of the GFC. In Poland, the solid economic outperformance and the less open nature of the economy weaken the case for euro adoption, while political hurdles are also likely to keep the issue off the table for the foreseeable future. Pro-EU parties do not have a sufficient parliamentary majority for the constitutional amendment generally considered necessary for legal alignment while the recent public polls indicate growing support for EU-sceptic, nationalist parties. Czechia stands out for its general trust in the national central bank, the most orthodox central bank in the region, while the country's high FX reserves and low indebtedness limit financial stability concerns. While the economy is highly open, with the closest trade links to the eurozone economy and a high degree of euroisation in corporate lending, maintaining an independent monetary policy is seen as a more appropriate tool for controlling inflation and supporting economic convergence. Growing fiscal and political concerns in France and their spillover effects no European government debt markets are likely to further undermine public support for joining the currency union.

PUBLIC SUPPORT FOR EURO ADOPTION

% OF 1000 RESPONDENTS SURVEYED BY COUNTRY



Source: European Commission (Eurobarometer, Apr 2026)

Economic benefits

Beyond voters' perceptions of the impact of euro adoption, policymakers need to consider both its short- and long-term economic implications. Lower financing and transaction costs, the elimination of FX risks, easier access to foreign markets and a more predicable business environment are often mentioned as immediate benefits of euro adoption, with positive impacts on economic growth.

The chart below shows significant gaps in private sector loan-to-GDP ratios in the CEE economies versus the eurozone average. Given the significant role of foreign-owned firms in the CEE economies that will likely continue to rely on cheaper funding via their parents, the NFC loan penetration ratio is unlikely to converge fully with the eurozone average. In CEE countries outside the euro area, corporates with a natural hedge through export revenues have access to cheaper, EUR-denominated loans, and euroisation in corporate lending is especially high in Czechia and Hungary.

In contrast, FX-denominated borrowing has been significantly restricted in the retail segment since the GFC, and the significantly higher local borrowing rates are curbing household loan penetration. The long-term upside potential is demonstrated by Slovakia: its early entry into the eurozone brought lower interest rates, increasing household debt-servicing capacity and contributing to relatively high household indebtedness despite the country's lower income levels.

HOUSEHOLD LENDING HAS ROOM TO CATCH UP

LOAN-TO-GDP RATIO IS CEE VS. EURO AREA (%)



Source: Eurostat, The Investment Institute by UniCredit

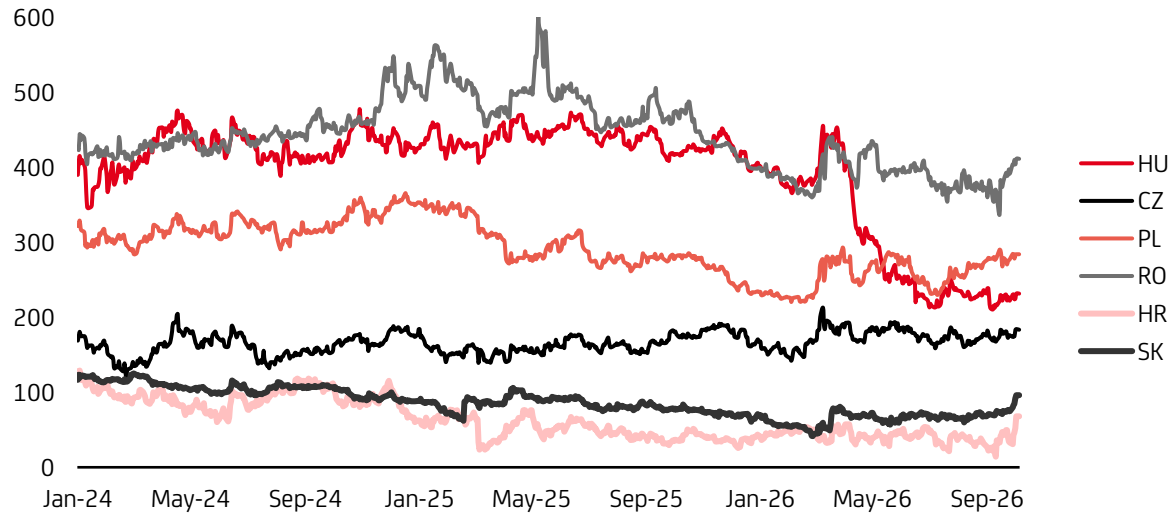
Euro accession would also lower transaction costs and attract a larger investor pool, improving corporates' access to capital market funding and allowing greater reliance on debt issuance for local corporates. The stock of debt securities issued by non-financial corporations remains low compared with the eurozone, at 5-6% of GDP in Czechia, Hungary and Poland, and 0.6% in Romania at end-2025.

Turning from the private to the public sector, as credit spreads already tend to tighten during the preparatory phase of euro adoption, declining public debt financing costs should increase fiscal room for manoeuvre. This "convergence trade" partly reflects the improvement in credit quality implied by meeting the fiscal criteria for euro adoption and the subsequent elimination of most FX risk from public and private sector balance sheets. Joining the banking union and adopting a more credible monetary policy framework are other factors warranting a reduction in the country risk premium, thereby contributing to lower funding costs. Moreover, the ECB's institutional framework can provide a much broader set of backstop facilities if external financing conditions tighten.

As the chart below shows, financing costs for CEE governments outside the eurozone are 140-300bp higher at the ten-year tenor in local currency than similarly rated eurozone countries (such as Croatia and Slovakia), while even their EUR-denominated debt carries a small premium. Countries with higher deficit levels and weaker credit profiles can benefit most and it takes about five years for the gains to be realised as the outstanding stock of government debt is repriced. The Hungarian government has been factoring savings in interest expenditure of at least 1% of GDP by 2030 into its calculations as a result of its euro adoption plans, based on an approximately 200bp reduction in the average cost of debt financing. Fiscal gains from lower debt service costs could be even higher in Romania, where we expect the public debt-to-GDP ratio to exceed 65% in 2027. Savings in interest expenditure should also be significant for Poland, especially considering rising debt levels and growing pressure from rating agencies on the country to adjust its fiscal position.

10-YEAR LOCAL CURRENCY DENOMINATED GOVERNMENT BOND SPREADS VS. GERMAN BUND YIELDS

BASIS POINTS



Source: LSEG, The Investment Institute by UniCredit

Maastricht criteria: a box to be ticked but no panacea

The Commission and the ECB use a common framework to evaluate the readiness of an EU member state seeking to adopt the euro. The Maastricht criteria were established under the 1992 Treaty of the EU covering five key areas, which are also assessed at least once every two years for all member states outside the eurozone:

1. **Price stability:** Average inflation (measured by the HICP on a comparable basis over a 12-month period) should not exceed the average of the three best-performing member states in terms of price stability by more than 1.5pp.
2. **Fiscal balances:** A country must not be subject to an excessive deficit procedure at the time of the examination, thus government deficit should not exceed 3% of GDP, unless the ratio has declined substantially and continuously towards the reference value or the excess is exceptional and temporary and remains close to 3%.
3. **Public debt ratios** should not exceed 60% of GDP, unless the ratio is on a sufficiently declining path approaching the 60% mark.
4. **Exchange rates:** The country should remain within the ERM II system for at least two years without "severe tensions" and without devaluing against the euro. The Treaty does not specify a fluctuation band; the assessment also considers exchange rate volatility, interest-rate differentials, foreign exchange interventions and international financial assistance used to stabilise the currency.
5. **Long-term interest rates:** The average nominal interest rate on long-term government bonds (observed over a one-year period preceding the evaluation) should not exceed the average of the comparable long-term interest rates of the three best-performing EU member states in terms of price stability by more than 2pp.

The EU's official framework also includes additional economic indicators to examine the sustainability of economic convergence, covering broader aspects of the economy and the financial sector.

The scorecard below provides an overview of how each of the four CEE countries performed against the five key measurable criteria in 2025 and how their positions are expected to change this year and next, based on UniCredit forecasts. The reference rates for the June 2025-April 2026 period assessed in the EC's June Convergence Report were 2.7% for HICP and 5.1% for long-term interest rates. Given that core market rates have moved significantly higher since the reference period and spreads on Hungarian and Romanian government bonds have been affected by political developments this year, the historical level of long-term interest rates versus the reference rate provides little guidance for the outlook. From a market perspective, meeting the first three criteria related to price and fiscal stability should also support FX stability and narrow the risk premium in line with an improving credit profile.

CONVERGENCE CRITERIA SCORECARD

	CZ			HU			PL			RO		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Inflation (yoy,%)*	2.3	2.6	2.8	4.4	1.7	2.9	3.3	3.1	3.0	6.7	8.4	4.7
Government balance	-2.1	-2.8	-3.5	-4.7	-7.3	-5.2	-7.3	-6.8	-7.1	-7.9	-6.2	-5.4
Public debt	44.2	45.1	46.3	74.6	77.3	78.9	59.7	64.1	68.5	59.4	63.1	65.2
FX move vs. EUR (%)	1.7	-0.2	0.4	-0.6	6.8	-1.1	1.5	-0.9	-0.7	-1.4	-3.0	-1.7
10Y yields (%)	4.3			6.9			5.5			6.9		

Source: European Commission (Convergence Report, June 2026), UniCredit forecasts for 2026 and 2027
Note: *HICP for 2025, national CPI measures for 2026-2027 based on UniCredit forecasts
Fiscal measures are expressed as % of GDP

Based on the Commission's June 2026 assessment and our own projections, of the four CEE countries, only **Czechia** would successfully meet the Maastricht criteria. Nonetheless, Czechia appears to be the least ambitious of the four regarding euro entry. This reflects low public support, policymakers' concerns about real convergence and uncertainty over how the ongoing deepening of eurozone integration would affect the country, especially regarding the functioning of the banking union and the high debt levels of several eurozone member states (Czech National Bank: 2025 Alignment Analyses).

Fiscal adjustment seems to be the major challenge for **Poland** given its high deficit and debt levels, which are unlikely to see a correction before the general elections next year. In addition, the current political set up makes it highly unlikely that euro adoption would become a political consideration even in the next electoral cycle (2027-31). Nonetheless, rising debt financing costs, which would increase the adjustment in the primary fiscal balance needed to stabilise the debt ratio, may shift policy preferences, especially if both Hungary and Romania take successful steps towards euro entry.

With strong public and government backing, fiscal convergence is the Achilles' heel of **Hungary**'s ambitious euro adoption plans. Markets will be closely watching the details of the government's medium-term fiscal plans, as it has pledged to lower the fiscal deficit below 3% of GDP by 2030, enabling euro adoption in 2032. A fiscal correction would also imply a decline in the debt ratio from the current 77%, although it is likely to remain above 60% of GDP until at least 2030. This is unlikely to create a major issue if the ratio is sufficiently declining and approaching the 60% reference value at a satisfactory pace. While recent inflation measures show significant moderation, this has largely reflected non-core items. Therefore, a tighter fiscal position might also be needed to keep core inflation pressures under control. The reduction in the NBH's official inflation target from 3% to 2.5% will support the preparatory phase.

Romania seems to have a long way to go to meet the conditions necessary for euro adoption and retaining monetary policy autonomy is important until the fiscal and external imbalances are corrected. The fiscal program launched in 2025 contributed to an inflation spike, although its impact should largely drop out of the annual inflation rate by 2H27. If fiscal plans remain on track, core inflation measures should moderate further. Even if early elections can be avoided, the lack of political stability exposes the targeted fiscal deficit reduction to significant risks, as the multi-year adjustment plan stretches beyond the current election cycle. A sustained fiscal correction path is crucial to adjusting external imbalances, narrowing government bond spreads and reducing the risk of FX depreciation pressures.

Lessons from the 2010 European sovereign debt crisis suggest that compliance with the Maastricht criteria does not necessarily ensure readiness for euro entry, as the framework emphasises nominal convergence but only partially accounts for the underlying real convergence of the economy, competitiveness issues and potential macro-financial vulnerabilities. In the next section, we discuss additional aspects of real convergence that have increasingly become part of the broader assessment and public debates since 2010.

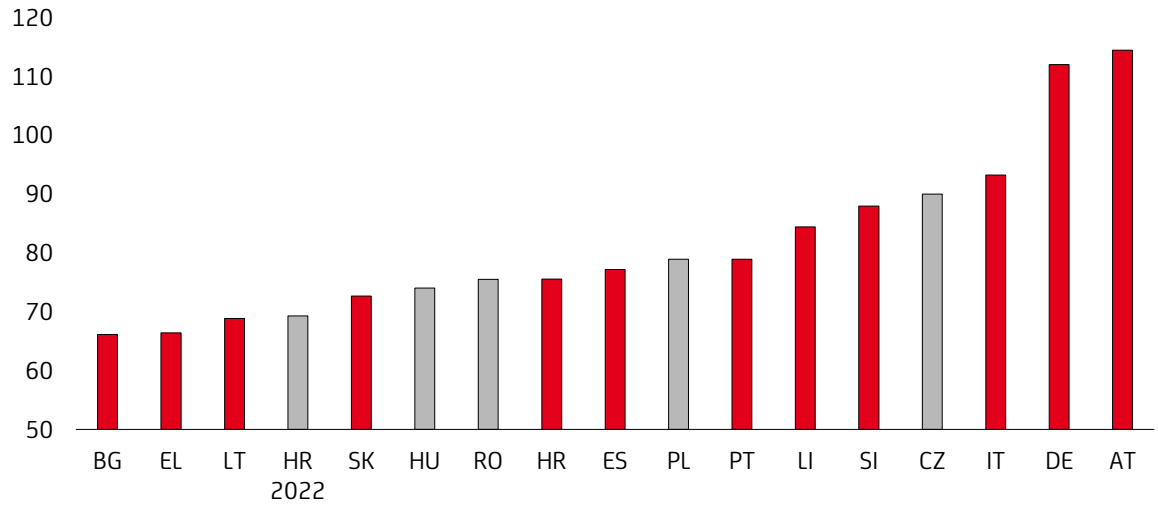
Real convergence and competitiveness challenges

The advantage of retaining control over monetary policy is that it allows an appropriate policy response to inflation and growth cyclicality. This suggests that the success of euro adoption may largely depend on the extent to which a country's growth and inflation cycles are synchronised with the euro area. The economic integration of small and open CEE economies ensures their growth cycles are closely aligned. A recent CNB study identified Czechia and Hungary as having the strongest correlation between their cyclical GDP components and those of the euro area, followed by Romania and Poland, which are more domestically driven economies. At the same time large deviations in fiscal positions may create domestic demand pressures that require a different monetary stance. Maintaining fiscal discipline is therefore essential even after euro adoption.

On the inflation side, a higher share of regulated prices and larger pass-through of energy prices into CPI, partly owing to energy forming a larger share of the consumer basket, may lead to deviations in CEE inflation rates. While a convergence in income levels is not an explicit requirement, and the four CEE economies outside the eurozone would not rank among the lowest-income member states, there are two important reasons why it might be less advantageous for lower-income economies to enter a joint monetary union: **1.** higher-income economies tend to have more diversified economic structures, with greater resilience to shocks; and **2.** lower-income countries experience stronger wage and inflation pressures that can undermine competitiveness and lead to a build-up of external imbalances.

GDP PER CAPITA AT COMPARATIVE PRICE LEVELS (PPS)

% OF EURO AREA AVERAGE, 2025

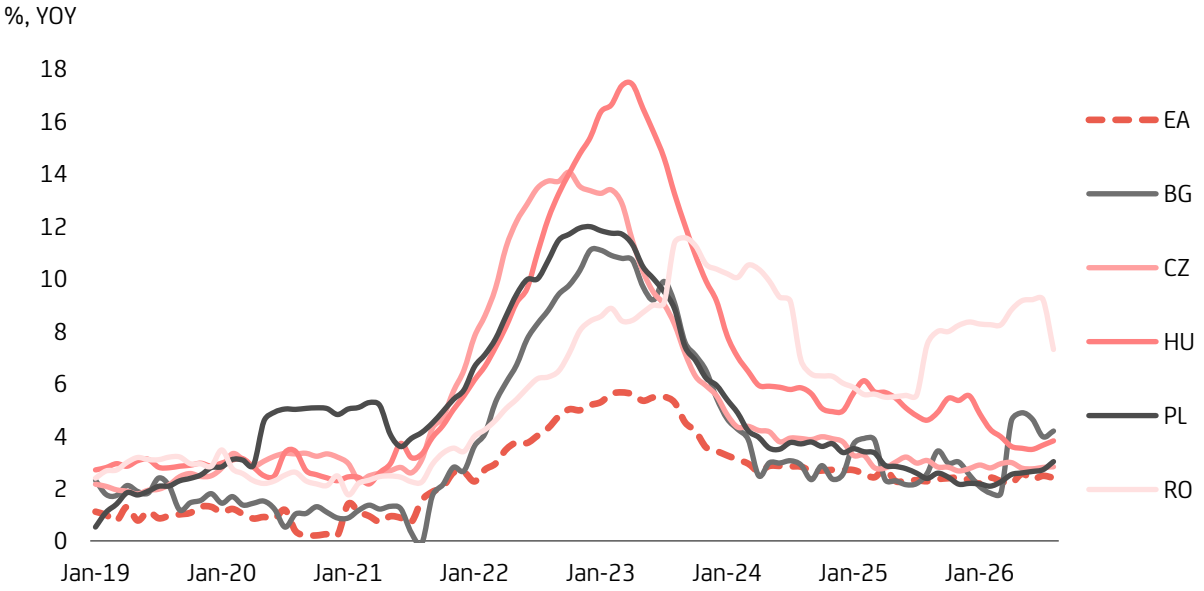


Source: Eurostat, The Investment Institute by UniCredit
Note: Countries outside the eurozone are marked grey

One widely discussed concern related to income gaps stems from the Balassa-Samuelson effect: in low-income, open economies, productivity rises faster in the tradable sector, driving up wages also in domestic service sectors that do not experience similar productivity growth, leading to higher underlying inflation pressures. The EU's liberalised labour market and a shortage of labour supply in the CEE member states further strengthen this concern. If domestic inflation and wages persistently rise faster than the euro area average and a country loses the flexibility to adjust its nominal exchange rate through FX depreciation, this leads to an appreciation in the real effective exchange rate (REER), eroding exports competitiveness. Persistently high inflation itself also generates higher wage growth when labour markets are tight, given the backward-looking nature of wage demand. Therefore, a tighter national monetary policy can be more successful in anchoring inflation expectations before entering the monetary union.

Core inflation in CEE still runs above the euro area, but the gap has been narrowing. Core price dynamics seem to be more closely aligned in Poland and Czechia and were under control in Bulgaria last year, during the final stage of preparations for euro adoption. Core prices showed an acceleration in Bulgaria this year, primarily driven by the international energy-price shock, strong wage growth, persistent services inflation and ongoing real convergence effects, while the direct impact of euro adoption appears to have been small and temporary. Hungary still has work to do to bring inflation sustainably lower, as soft food inflation and regulatory price controls helped the recent decline in headline inflation, while core price inflation excluding food, tobacco and energy remains close to 4%. While the recent FX appreciation has muted core inflation pressures, moderating wage demands would be essential to curb inflation in the long term. VAT and other tax hikes added to core inflation measures in Romania, where fiscal adjustment should help to curb inflation pressures over the medium term.

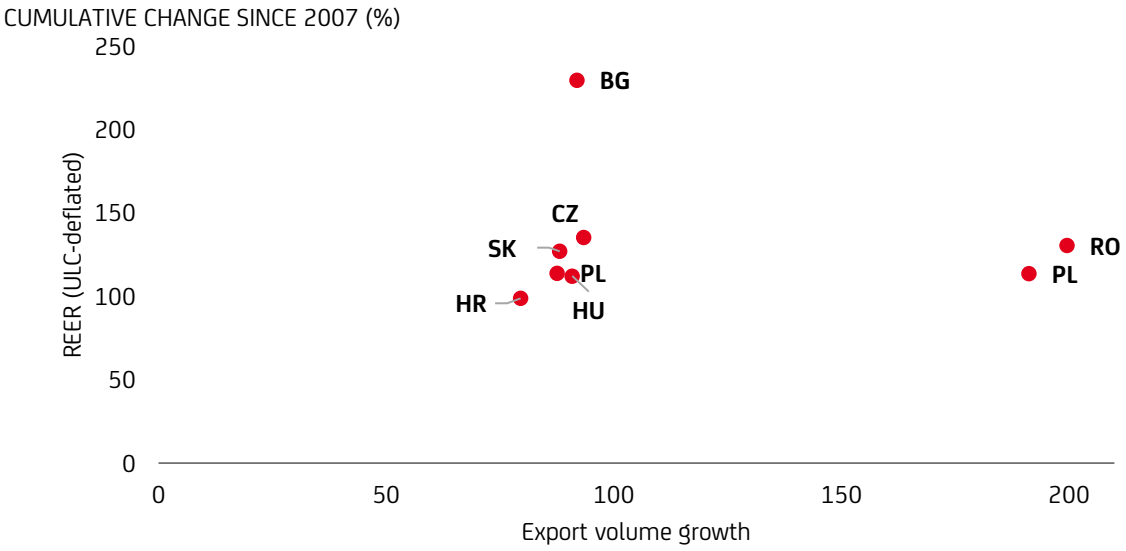
HICP EXCLUDING ENERGY, FOOD, ALCOHOL AND TOBACCO



Source: Eurostat, The Investment Institute by UniCredit

On export competitiveness, evidence from early euro adopters and countries that have experienced significant long-term REER appreciation suggests that currency depreciation only provides short-term competitiveness relief. Over time, as FX depreciation translates into higher inflation and wage growth, the advantage in unit labour costs (ULC) disappears. So, the question for policymakers is whether the economy can maintain productivity growth sufficient to keep pace with wage growth during convergence. When comparing cumulative ULC-deflated REER appreciation and export volume growth in the CEE economies since 2007, there seems to be no clear link between REER appreciation and export performance, with differences in productivity gains likely largely explaining the apparent disconnect. Over time, higher wage costs support a structural shift in exports towards more high-tech industries, where wage costs account for a smaller share in the total cost structure. Such a shift is essential for CEE economies to sustain their higher growth potential relative to the eurozone, given already tight labour markets and weak demographic trends.

ULC-DEFLATED REER VS. EXPORT VOLUME GROWTH IN CEE



Source: Eurostat, The Investment Institute by UniCredit

Conclusion

Besides the traditional arguments of lower transaction costs and cheaper financing, the case for euro adoption in the CEE region increasingly revolves around strategic issues, such as enhanced security in an increasingly fragmented world, reducing dependence on domestic policy credibility, being at the decision-making table and anchoring to the European core, which itself faces a number of challenges. From an economic perspective, for countries with high inflation, higher public debt and weaker institutional frameworks, the benefits of lower funding costs and a more predictable business environment are clearer.

Hungary now has an official government strategy to pursue euro adoption by the early 2030's, which has already contributed to significantly lower financing costs and FX appreciation. Romania is likely to be the next candidate, with euro adoption potentially helping to reduce vulnerabilities related to its twin deficits, although political instability could complicate the necessary fiscal adjustment. Political fragmentation and weak public support will likely hold back euro adoption in Poland for this election cycle and the next. However, as Poland's public debt level rises, the benefits of euro adoption may become more compelling. In Czechia, nominal and real convergence measures are already best aligned for euro adoption, but public support for euro adoption is the lowest. The CNB has firmly opted to postpone setting a euro adoption target, as the benefits are less clear, with high debt levels in the eurozone and uncertainty over the functioning of the banking union remaining key areas of concern.

Author
Eszter Gárgyán, FX Strategist - CEE (UniCredit, Munich) eszter.gargyan@unicredit.de

Editors
Edoardo Campanella, Director and Editor-in-Chief of The Investment Institute (UniCredit Milan), edoardo.campanella@unicredit.eu
Francesco Maria Di Bella, FI Strategist (UniCredit, Milan), francescomaria.dibella@unicredit.eu

UniCredit S.p.A
The Investment Institute by UniCredit, Piazza Gae Aulenti, 4, I-20154 Milan
www.the-investment-institute.unicredit.eu

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