ING

Economic & Financial Analysis

EM Economics & Strategy

20 October 2026

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Directional Economics CEEMEA

Central Europe's new horizons: from investment hosts to global investors



- Armenia
- Azerbaijan
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- Croatia
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Summary

The CEE region has been hit hard by a further energy shock. Yet despite the challenging macroeconomic environment, much of the region has shown greater resilience than expected. Our main article in this publication argues that the next stage of that resilience will depend increasingly on Outward Direct Investment (ODI), as CEE economies seek to evolve beyond a low-cost, FDI-to-export, strong SME-based model of growth.

Looking at the CEE4, we discuss why the next leg of the region's growth journey will involve developing successful multinationals. Countries could do more in this regard as their ODI remains well below the levels implied by their stage of economic development.

So far, policymakers have focused primarily on attracting FDI and promoting exports. Going forward, they need to broaden this institutional framework to facilitate the foreign expansion of domestic firms, for example through market intelligence, access to financing and risk-sharing instruments, legal and regulatory support, and economic diplomacy. Ultimately, firms themselves need to recognise the opportunities offered by becoming multinational.

This is certainly the message we are hearing from our own corporate surveys, for example in Poland, where foreign expansion is now seen as a necessity to break out of relatively small domestic markets to diversify customer bases, spread fixed costs over greater sales and increase the returns on investment in innovation and digitalisation. The Czech Republic seems to have made the most progress with ODI, while Poland and Romania lag. All countries could do more.

Coming back to the immediate outlook for the region, we see a mixed picture heading into 2027. Poland is expected to remain one of the fastest growing economies in the EU, albeit with fiscal frailty. Parliamentary elections next year mean there will be little appetite for fiscal consolidation, and the focus will remain on the sovereign bond market, where downgrade risks remain and foreign holdings are low. Even though we expect 50bp of rate hikes locally, we see the zloty staying relatively soft.

Hungary should enjoy an improving growth rate and a better fiscal position. The path towards euro adoption, which we see happening in 2032 at the earliest, would require a lower inflation target and a credible medium-term fiscal framework. These policy shifts could create room for 125bp of rate cuts by the end of 2027. Positioning on this theme is already crowded, but local currency bond yields should soften further and EUR/HUF should stay near 350/360.

Czech activity is set to slow next year on the back of softer real wage growth, but the manufacturing sector has been holding up reasonably well. We see the Czech National Bank as one of the most hawkish in the region, having already hiked this year. At least another 25bp of tightening by year-end should see ongoing demand for the koruna.

In Romania, the bond market continues to teeter on the edge of junk status. If a stable government can be formed, further fiscal improvement can win through and be rewarded with lower funding costs. This could end three years of stagnation. In Turkey, we are more bullish on disinflation prospects than market pricing implies. We see 700bp of policy easing by end 2027. However, early 2028 elections will soon come into play.

Also covered in this publication, Croatia remains in good shape, politics remains challenging in Serbia, while Bulgaria is on the right path, albeit with imbalances. Ukraine continues to suffer from the destruction and macro imbalances of a protracted war. In the CIS, we see Uzbekistan as the outperformer given its strong and diversified growth, positive sovereign ratings momentum, and expected catch-up on gold exports.

In short, 2027 should be a year of idiosyncratic CEE stories. We are sure that the insights provided by our local economists and strategists make Directional Economics an essential guide to the region.

Chris Turner, Global Head of Markets and Regional Head of Research, UK & CEE

Country summaries: CEE4

Czech Republic

The global negative supply shock has propelled inflation upward and is now also taking its toll on economic activity, delivering a textbook outcome. Renewed growth in regulated and food prices is set to follow punchy fuel price gains, as Hormuz second-round effects start to materialise. Real GDP growth is set to slow to a mediocre pace, while the surge in inflation is set to cap real wage growth at the year turn. That said, manufacturing is proving resilient and will lend support to economic activity. Firms' profitability may erode due to rising input costs amid ample competition. The CNB is likely to opt for a tighter monetary policy, as the weaker koruna contributes to domestic price pressures via galloping import prices. Still, the currency is set to withstand potential bond market turmoil, as fragile French finances may cause the ECB to hesitate. The Czech fiscal position remains comparatively strong, despite some recent easing.

Hungary

Hungary has weathered the recent market storms uncharacteristically well. The antidote is called the "road to the euro". Policymakers have laid the foundations, and the project is entering its credibility-building phase. A credible medium-term fiscal plan, official talks on ERM II and progress towards the Maastricht criteria should put Hungary into a convergence corridor. At the end of that road, we see euro adoption in 2032 at the earliest. If all goes well, interest-rate convergence will follow, while keeping the forint stable remains a must. A 2-3% GDP growth and a 2-3% inflation environment in the years ahead provide solid macro foundations. Targeted measures will support consumption, EU funds and better sentiment will revive investment activity, while new export capacities strengthen external balances. Sovereign rating upgrades from 2027 would be the icing on the cake.

Poland

Poland is set to remain one of the fastest-growing EU economies in 2027, with public and private investment increasingly complementing consumption. Foreign investor exposure to equity and bonds reflects optimism on growth but concern on the fiscal side, with non-residents accounting for 80% of equity trading but only 12% of the POLGB stock. The government is pursuing a supply side agenda to support innovation in the economy, but further structural reforms are needed, particularly on fiscal policy, with a 2025-27 deficit of c.7% of GDP. We don't see fiscal adjustment in the 2027 election year but expect fewer and later NBP hikes (50bp in 1Q27 vs 100bp priced). In our view, elevated hike expectations overstate CPI risks as they also reflect a deterioration of the fiscal trajectory. Hike expectations may quickly compress, if energy prices reverse, but fiscal risks should stay elevated in the coming years as the combination of 2027 election uncertainty and a veto prone President creates risk of a downgrade (1-2 notches downgrade already priced) and is PLN negative.

Romania

Romania's macroeconomic adjustment is finally becoming visible, but progress remains vulnerable to political uncertainty. The budget deficit is narrowing and the country has retained its investment-grade rating. However, all three major rating agencies continue to rate Romania at the lowest investment grade with negative outlooks, leaving little room for policy missteps. The political stalemate risks overshadowing fiscal progress and keeping the sovereign risk premium elevated. With the economy quasi-stagnated for almost three years, further consolidation will be difficult. A broad political agreement on the 2027-28 fiscal framework would be the key positive catalyst, improving policy visibility, supporting the rating outlook and allowing fiscal adjustment to translate more clearly into lower funding costs and a gradual recovery in confidence.
At the time of writing (12 October), a new government is expected to be installed in the coming days, with a parliamentary confidence vote likely on 20 October.

Country summaries: Other Central & Eastern Europe

Bulgaria

Bulgaria enters the post-euro period with a stronger institutional and financial anchor, but also with a less comfortable macroeconomic mix. Domestic demand remains strong, supported by rapid wage growth, a tight labour market and robust public investments. At the same time, elevated inflation, accelerating credit and widening twin deficits expose the trade-offs from an increasingly procyclical policy stance. The alignment of bank reserve requirements with euro-area standards has also improved domestic funding conditions, supporting financial deepening but increasing the importance of macroprudential policy as credit growth and property prices accelerate. Low public debt remains an important buffer, but recurring expenditure commitments are gradually narrowing the margin for error.

Croatia

Croatia's economy continues to outperform the euro area, supported by resilient consumption, a tight labour market and the final phase of RRF-funded investment. However, growth has slowed more visibly in 2026, as sticky inflation, rising labour costs and weaker tourism have taken their toll on activity. Fiscal policy remains supportive, although strong nominal revenues should keep the deficit close to 3% of GDP and allow public debt to decline gradually. At the same time, a widening current-account deficit highlights the growing gap between still-solid domestic demand and the economy's external earning capacity. Political stability and a solid sovereign rating remain important buffers, while a key medium-term objective resides in the rotation of the RRF-driven investment and cohesion funding towards greater private investment.

Serbia

Serbia's economy has remained resilient despite elevated domestic and external uncertainty, supported by robust consumption, a strong labour market and continued investment ahead of EXPO 2027. The more supportive fiscal stance, including higher social spending, should sustain near-term demand but could add to both inflation and external pressures. The unresolved NIS ownership issue remains the main energy risk, as the US Treasury's extension lasts only until 30 October. Meanwhile, the 25 October parliamentary election and Aleksandar Vučić's pursuit of the premiership add to the near-term political uncertainty, while Serbia's long-term balancing of relations with the EU, Russia and China has become increasingly difficult against the current geopolitical backdrop.

Turkey

The Middle East remains focused on the US-Iran standoff with pressure on energy prices creating challenges for net energy-importing economies, such as Turkey. Domestically, the closure of certain investment funds prompted some investors to unwind money market fund positions, although dollarization pressures remained contained. CBT reserves declined in September amid weaker confidence, while maintaining strong reserve buffers remains important for absorbing potential shocks and preserving the exchange rate as a key policy anchor. Slower economic activity, softer domestic demand, low core goods inflation and easing services inflation have reduced upside inflation risks, leading the CBT to lower the effective funding cost. Markets continue to expect further rate cuts this year, although reserve volatility and investor confidence remain important considerations for the CBT.

Country summaries: CIS

Armenia

Armenia has shown remarkable resilience to the global and regional challenges of 2026, supported by renewed inflows of visitors, remittances and capital. Skilful foreign policy manoeuvring and solid finances provide additional support to sentiment and insulation to the balance of payments. However, the increasing reliance on external inflows is a watch factor, as persistent twin deficits and close economic links with Russia remain important vulnerabilities. Higher CPI risks stemming from domestic demand and external cost inputs have prompted the region's first rate hike this year, with further upside risks in sight. While we remain constructive on Armenia's macro outlook and assets, we see growing exposure to foreign politics-related downside risks, while the AMD appears increasingly expensive relative to fundamentals.

Azerbaijan

Azerbaijan remains the CCA region's financially strongest sovereign, supported by large and growing fiscal and monetary reserve assets, low public debt and a robust external balance sheet. Higher hydrocarbon prices have strengthened the near-term fiscal and external outlook, as well as domestic confidence in the non-oil sectors. However, weak oil production, limited diversification and subdued private investment continue to constrain potential growth. Inflation is manageable for now, supporting an extended policy hold, although imported price pressures through high exposure to trading partners with high risks of upward CPI surprises, warrant caution. We remain constructive on sovereign resilience and external stability but see structurally modest growth as the main medium-term challenge.

Kazakhstan

Kazakhstan continues to benefit from one of the strongest sovereign and external positions in the CCA region, supported by sizeable sovereign assets, a balanced network of international partners and higher oil prices. More recently, strong portfolio inflows given still-attractive real rates, progress towards Euroclear connectivity, growing domestic debt supply and positive rating momentum have supported the tenge and local markets. In addition, a sizeable backlog of future state FX sales provides an important buffer against potential market stress. At the same time, the longer-term outlook remains constrained by persistent twin deficits, limited private-sector investment and capital inflows and an uneven track record in fiscal discipline and inflation targeting. Current CPI trend leaves room for a moderate easing, but the trajectory is facing upside risks.

Ukraine

The hryvnia remained under pressure as the dollar strengthened, partly due to renewed Middle East tensions. Consequently, USD/UAH temporarily broke above 45.0, reaching its highest level on record. Hryvnia depreciation could have been sharper, but NBU actions provided support. In September, the central bank raised rates by 50bp to 16.0% and maintained sizeable FX interventions, with the four-week average close to record highs, which demonstrates the NBU's determination to stabilise the exchange rate. FX reserves remain volatile but new tranches of foreign loans should lift them to around US$60bn. The macroeconomic environment remains challenging due to the ongoing war with Russia, despite intensified rhetoric and pressure from the US administration.

Uzbekistan

Uzbekistan remains our preferred story in the CCA region, combining strong and diversified growth, continued reforms and positive sovereign-credit momentum. An expected catch-up in gold exports, alongside ongoing capital inflows linked to the privatisation pipeline (UzNIF+12 SOEs) is supporting a positive performance from the soum. Combined with fiscal consolidation, this has helped bring the inflation rate down since the start of the year, improving the scope for further monetary easing. At the same time, longer-term vulnerabilities stem from persisting twin deficits, continued high state involvement in the economy and a long history of above-target inflation. A more meaningful monetary easing and a lasting break from UZS's depreciation trend would require a further decline in inflation and more durable private capital inflows.

ING main macroeconomic and financial forecasts

Real GDP (% YoY)

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Armenia	6.7	5.2	6.0	6.0	5.5	5.8	5.5
Azerbaijan	1.7	2.8	1.7	3.0	3.5	1.5	3.0
Bulgaria	2.6	2.7	2.5	2.4	2.2	2.9	2.3
Croatia	1.7	2.3	1.6	2.2	2.5	2.0	2.2
Czech Republic	1.8	1.7	1.5	2.0	2.3	1.8	2.3
Hungary	1.7	1.6	2.5	2.3	3.3	1.9	3.1
Kazakhstan	5.0	4.4	5.5	5.5	5.0	4.5	4.8
Poland	3.9	3.5	2.9	3.6	3.5	3.4	3.2
Romania	-0.4	-1.2	1.3	1.8	2.5	-0.5	2.2
Serbia	3.8	3.3	2.9	3.2	3.0	3.3	3.3
Turkey	2.3	3.2	2.9	3.5	4.0	2.8	4.5
Ukraine	0.4	1.5	1.6	2.9	2.2	0.8	2.6
Uzbekistan	8.4	7.5	7.3	7.3	6.7	8.0	6.7
Eurozone*	2.6	1.1	0.8	0.7	1.4	1.0	1.2
US*	2.2	3.4	2.6	2.2	1.9	2.4	2.4

*% QoQ annualised; shading denotes forecast figures
Source: National sources, Bloomberg, ING estimates

Exchange rate (quarterly is eop, annual is avg)

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
USD/AMD	368	364	358	361	364	370	364
USD/AZN	1.70	1.70	1.70	1.70	1.70	1.70	1.70
EUR/BGN	-	-	-	-	-	-	-
EUR/HRK	-	-	-	-	-	-	-
EUR/CZK	24.2	24.3	24.4	24.3	24.3	24.3	24.3
EUR/HUF	355.1	366.3	355.0	360.0	360.0	365.9	358.8
USD/KZT	479	440	450	440	450	471	458
EUR/PLN	4.30	4.37	4.35	4.33	4.30	4.30	4.31
EUR/RON	5.24	5.28	5.35	5.35	5.35	5.30	5.35
EUR/RSD	117.5	117.4	117.5	117.4	117.3	117.3	117.3
USD/TRY	46.64	48.95	51.50	54.31	57.08	47.17	57.51
USD/UAH	44.0	44.2	45.2	45.3	45.4	44.3	45.4
USD/UZS	12,010	11,806	11,529	11,587	11,645	11,770	11,645
EUR/USD	1.14	1.13	1.13	1.13	1.16	1.13	1.17

*Quarterly data is eop, annual is average; shading denotes forecast figures
Source: National sources, Bloomberg, ING estimates

CPI (%YoY, quarterly is eop except for US/EZ avg, annual is avg)

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Armenia	5.1	4.3	5.0	4.5	3.9	4.6	4.4
Azerbaijan	5.8	5.4	5.8	5.9	5.3	5.7	5.4
Bulgaria	5.4	5.6	5.7	4.4	3.2	5.2	3.4
Croatia	4.5	4.8	4.3	3.2	3.3	4.5	3.1
Czech Republic	1.5	2.5	3.6	3.5	4.0	2.2	3.4
Hungary	1.7	1.6	2.2	2.3	2.9	1.8	2.8
Kazakhstan	10.3	9.3	10.2	10.3	10.0	10.5	9.8
Poland	2.5	4.1	3.6	3.8	4.3	3.1	3.3
Romania	-	-	-	-	-	-	-
Serbia	2.7	4.2	4.0	4.2	4.0	3.2	3.9
Turkey	32.1	29.7	29.0	26.9	25.0	30.8	25.3
Ukraine	8.0	8.6	11.5	11.7	11.9	8.9	10.8
Uzbekistan	6.4	6.4	6.3	6.5	6.2	6.5	6.6
Eurozone	3.2	3.3	4.1	3.7	2.5	3.2	2.5
US	3.8	3.5	3.7	3.1	2.1	3.4	2.3

Shading denotes forecast figures
Source: National sources, Bloomberg, ING estimates

Central Bank rate (%, eop)

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Armenia	6.50	6.75	7.00	7.00	7.00	7.00	7.00
Azerbaijan	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Bulgaria*	2.35	2.50	2.75	2.75	2.75	2.75	2.50
Croatia	2.35	2.50	2.75	2.75	2.75	2.75	2.50
Czech Republic	3.75	3.75	4.00	4.00	4.00	4.00	4.00
Hungary	6.00	5.50	5.25	4.75	4.50	5.25	4.25
Kazakhstan	17.00	16.25	16.00	15.75	15.50	16.00	15.00
Poland	3.75	3.75	3.75	4.25	4.25	3.75	4.25
Romania	-	-	-	-	-	-	-
Serbia	5.75	5.75	5.75	5.75	5.50	5.75	5.25
Turkey	37.00	37.00	35.00	33.00	31.00	35.00	30.00
Ukraine	15.00	16.00	16.50	16.50	16.50	16.50	15.50
Uzbekistan	14.00	14.00	13.50	13.25	13.00	13.50	12.50
Eurozone	2.25	2.50	2.75	2.75	2.75	2.75	2.50
US**	3.75	4.00	4.25	4.25	4.25	4.25	4.00

*ECB Depo Rate as of 1 January 2026; **Upper level of 25bp range; shading denotes forecast figures
Source: Bloomberg, ING estimates

10yr local yield (%, quarterly is eop, annual is avg)

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Armenia	8.3	8.6	n/a	n/a	n/a	n/a	n/a
Azerbaijan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	-	-	-	-	-	-	-
Croatia	3.39	4.09	4.18	4.15	4.05	3.80	4.10
Czech Republic	4.5	5.3	5.3	5.1	5.1	4.9	5.1
Hungary	5.03	5.78	5.05	5.46	4.99	5.74	5.18
Kazakhstan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	5.28	6.37	6.35	6.20	5.80	5.97	5.79
Romania	6.7	7.4	7.0	6.9	6.7	7.0	6.7
Serbia	5.50	5.70	5.70	5.60	5.50	5.70	5.35
Turkey	33.21	35.50	33.38	32.65	30.38	33.65	30.77
Ukraine	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-	-
Eurozone	2.90	3.50	3.40	3.30	3.25	3.40	3.20
US	4.50	5.30	5.25	5.25	5.00	5.25	4.75

Shading denotes forecast figures
Source: National sources, Bloomberg, ING estimates

3m local rate (%, quarterly is eop, annual is avg)

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Armenia	6.8	6.7	n/a	n/a	n/a	n/a	n/a
Azerbaijan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	-	-	-	-	-	-	-
Croatia	-	-	-	-	-	-	-
Czech Republic	3.8	3.9	4.2	4.2	4.2	3.8	4.2
Hungary	5.69	5.50	5.10	4.65	4.35	5.78	4.41
Kazakhstan	16.7	15.3	15.7	15.5	15.2	15.4	14.1
Poland	3.85	3.85	3.93	4.33	4.33	3.85	4.30
Romania	-	-	-	-	-	-	-
Serbia	4.70	4.71	4.72	4.70	4.52	4.70	4.25
Turkey	42.98	41.22	37.42	34.02	31.92	37.42	28.93
Ukraine	-	-	-	-	-	-	-
Uzbekistan	-	-	-	-	-	-	-
Eurozone	2.30	2.60	2.80	2.90	2.80	2.90	2.50
US	3.65	4.00	4.15	4.15	4.15	4.15	3.90

Shading denotes forecast figures
Source: National sources, Bloomberg, ING estimates

ING EM FX and local rates views summary

Country	Foreign exchange	Local debt and rates
Czech Republic	EUR/CZK has remained stable since the onset of the US-Iran conflict and, looking ahead, the koruna should be supported by a hawkish tone from the CNB. An additional rate hike in November, along with the risk of further hikes and rising inflation through to the end of the year, should push the pair back towards 24.00, with the koruna to outperform its CEE peers.	The hawkish CNB, combined with significant inflation exposure to energy and food prices, should sustain aggressive market pricing, even in the event of a global relief, given the prevailing inflationary environment. Likely exclusion from the GBI-EM index (a benchmark for local-currency emerging-market government bonds) supports a bearish outlook for CZGBs.
Hungary	The Hungarian story following the general election in April is unfolding according to plan; persistently high interest rates and the market expectation that the NBH will not cut rates should keep the forint supported. While global factors and heavy long positioning run counter to bullish sentiment, we still expect the EUR/HUF pair to grind lower from here.	Bonds and rates have seen a significant rally and country premium compression since the general election, and we remain bullish on the local story. However, Hungary was our best trade this year; given tight valuations and crowded positioning, we are waiting for better levels and looking to fade sell-offs given that compression is ahead of the usual schedule of euro adoption.
Poland	Poland remains exposed to the global market, not only due to energy prices but also because of a record-high fiscal deficit. The central bank is moving closer to rate hikes, yet it leans towards the dovish side with the widest gap between market expectations and our own forecast for the key policy rate path. This combination should push the EUR/PLN pair higher.	A record-high public finance deficit, rising inflation and the risk of further rating downgrades could generate significant selling pressure for POLGBs. The central bank is likely to continue delaying rate hikes. We expect the first rate hike in 1Q27, with rate hikes still priced in for this year.
Romania	EUR/RON has experienced increased volatility in recent weeks, but the outlook regarding the new government should help stabilise the pair. On the other hand, we see no room for a downside. The risk remains tilted to the upside should political uncertainty return, the government disappoint the market regarding fiscal consolidation or the rating get downgraded.	ROMGBs have seen a significant tightening of spreads relative to CEE peers and valuations appear expensive. The issuance and fiscal outlook remain uncertain, while the credit rating outlook clouds the future. A rebound in inflation complicates the outlook for NBR rate cuts.
Ukraine	The hryvnia remained under pressure as the dollar strengthened, partly due to renewed Middle East tensions. Consequently, USD/UAH temporarily broke above 45.0, reaching its highest level on record. The NBU raised rates by 50bp to 16.0% and maintained sizeable FX interventions, which demonstrates the NBU's determination to stabilise the FX.	Substantial external financial assistance in the form of foreign loans from international partners has translated into fast rising public and external debt levels, both of which exceeded 100% of GDP in 2025, and are set to rise further in the coming years. Both fiscal and external current account gaps, as well as public and external debt levels, are set to widen significantly.
Kazakhstan	The easing in inflation and a resilient tenge have allowed the NBK to start cutting the base rate in 2026. Higher oil prices have strengthened the external position. We see an improved KZT outlook but note that greater reliance on portfolio capital in an economy with persistent twin deficits also increases sensitivity to shifts in global risk appetite and flow reversals.	
Turkey	The CBT is leaving less carry on the table for TRY longs, yet we also see the central bank's commitment to maintaining the current FX regime for longer. FX reserves remain near highs and the recent funds crisis has once again demonstrated the stability of the FX rate during periods of stress.	In line with our expectations, the market is pricing in 200bp of rate cuts from the CBT; however, for next year, it anticipates rates to remain roughly stable, whereas our forecast points to further cuts. The curve should see more steepening, given underpriced CBT expectations, and duration buyers would need to see greater global relief before returning to the market, which is not on horizon.

Source: ING

Central Europe's next growth engine: From FDI hosts to global investors



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Introduction

Central and Eastern Europe (CEE) has been remarkably successful in attracting foreign companies. The next challenge is to build more multinationals of its own. For three decades, inward foreign direct investment (FDI) and exports have powered the region's integration with Western Europe, bringing technology and know-how, which supported rapid income convergence (see 2024 Directional: *Why beating the middle-income trap isn't enough*). But as labour-cost advantages gradually diminish (see 2025 Directional: *From working hard to working smart*), the old growth model will become harder to sustain. The next stage of convergence will increasingly require successful domestic firms to scale internationally.

Outward direct investment (ODI) can become an important new engine of CEE growth. Investing abroad gives firms access to new customers, technologies, brands and capabilities. It allows successful companies to overcome the limitations of relatively small domestic markets, achieve greater scale and strengthen their ability to innovate. Profits generated abroad can also become an additional source of national income.

CEE has already started this transition, but the region still punches below its weight as a foreign investor. Czechia has progressed furthest, while ODI in Poland and Romania remains low relative to their level of economic development. This does not appear to reflect a shortage of firms capable of competing internationally: the region has created a growing group of successful companies with the capital, technology and managerial capabilities required to expand abroad. What many still lack is sufficient scale, experience and an institutional environment that makes foreign investment easier.

Economic policy needs to adjust to support ODI. For decades, CEE governments have concentrated on attracting foreign investors and helping domestic companies export. This is gradually changing, but support for outward investment remains less developed. Governments do not need to pick national champions or subsidise capital leaving the country. Their role should be to remove unnecessary barriers by providing market intelligence, financing and risk-sharing instruments, regulatory support and effective economic diplomacy.

Ultimately, firms rather than governments will drive the transition. Entrepreneurs and managers must identify viable opportunities, build international capabilities and accept the risks associated with expansion abroad. Public institutions can make that process easier, but they cannot substitute for business decisions. CEE's next development challenge is therefore clear: to remain an attractive home for global companies while creating the conditions for more of its own firms to become global.

1 Investment Development Path framework

The Investment Development Path (IDP) framework implies CEE should invest abroad. The IDP, formulated by Dunning,[1] links a country's ODI and FDI stocks to its stage of development. The central idea of the IDP is that as countries become wealthier and more competitive, they evolve from being primarily hosts for foreign investment to becoming significant outward investors. As discussed in a recent survey of Sawitri and

[1] Dunning J., 1981. Explaining the international direct investment position of countries: Towards a dynamic or developmental approach Weltwirtschaftliches Archiv 117, 30–64.

Brennan,[2] the IDP framework is the most frequently employed empirical assessment reflecting a country's direct investment activities in relation to the level of economic development.

The IDP model identifies five stages of economic development:

Stage I. A low-income country with insignificant levels of both FDI and ODI.

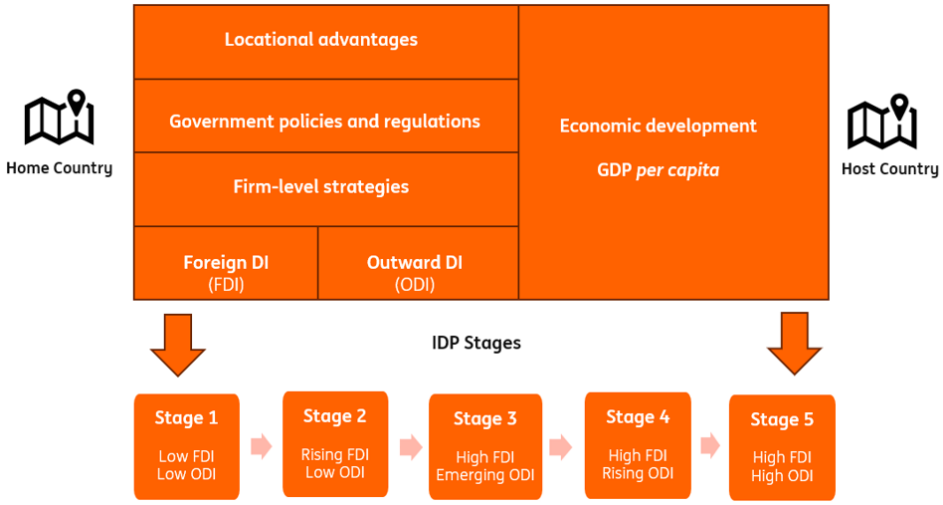
Stage II. A developing country that becomes an attractive localization for multinationals. Active government policies promote FDI, which stock increases to significant levels. ODI remains low and the net position is deteriorating.

Stage III. A middle income country, in which firms have already accumulated technological and managerial capabilities. The government actively promote FDI and exports, with little focus on ODI. FDI stabilizes at high levels and ODI starts to emerge.

Stage IV. A high-middle income country with emerging mass of competitive domestic firms that become multinationals, which is supported by the government. FDI stabilizes and ODI grows so that net position is improving.

Stage V. A developed economy with extensive multinational activity. The government plays a less significant role in attracting FDI or stimulating ODI. The levels of FDI and ODI stocks are stable at high levels with balanced or positive net position.

Fig 1 IDP framework for the link between FDI/ODI stocks and economic development



Source: ING based on Sawitri and Brennan (2023)

The IDP model is a suitable framework for aggregate analysis as it perceives FDI and ODI as both a consequence and a driver of economic growth. Inward foreign investments enhance productivity, technology transfer, and competitiveness, while outward investments reflect the emergence of productive domestic firms capable of exploiting their advantages internationally. The exact trajectory varies across countries depending on their institutions, policies, industrial structure, and integration into the global economy. The extensions of the IDP framework emphasize these country-specific factors and the increasing complexity of multinational enterprise strategies in a globalized economy (see Fig 1).

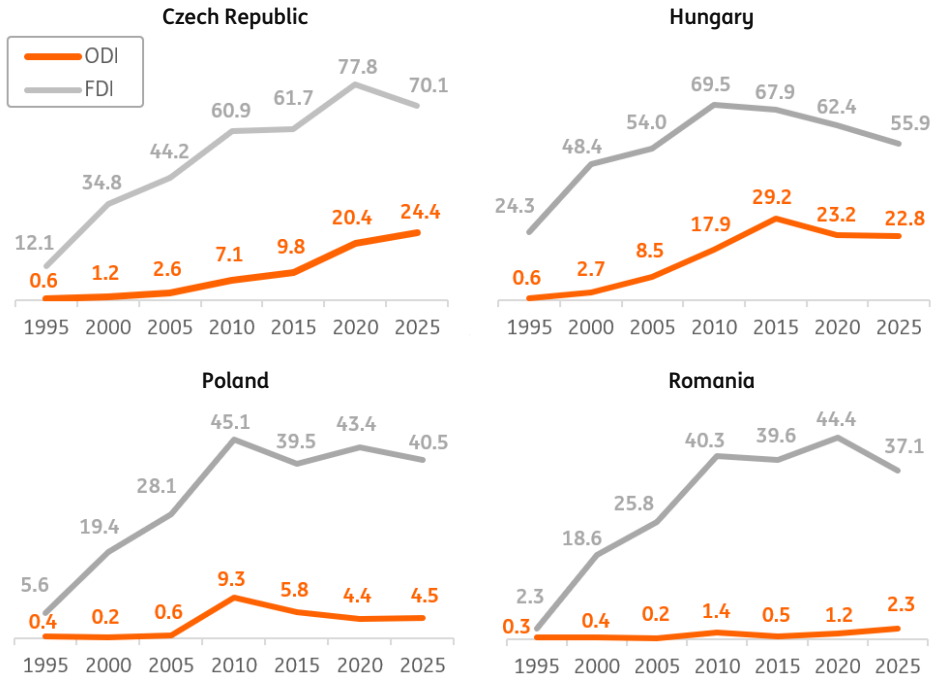
2 Progress of CEE within Investment Development Path

The evolution of FDI and ODI in CEE conforms to the predictions of the IDP framework. Fig 2 illustrates that in the mid-1990s CEE economies (Czechia, Hungary, Poland, Romania) were in Stage I of the IDP, as the stocks of both FDI and ODI were relatively

[2] Sawitri, K., Brennan, L., 2023. The investment development path literature: a review and research agenda. Management Review Quarterly 73: 1825–1872.

insignificant. Between 1995 and 2010, they progressed towards Stage II as the substantial inflow of FDI was accompanied by limited ODI. During this period, FDI inflows were supported by active government policies, including tax incentives and subsidies, combined with the stability and credibility provided by the EU accession process. By 2010, the stock of inward FDI ranged from around 40% of GDP in Romania to nearly 70% of GDP in Hungary, whereas ODI stocks remained much lower. Subsequently, in years 2010-2025, CEE4 progressed towards Stage III of the IDP: FDI stocks stabilized at relatively high levels, while ODI began to emerge. At present, one can observe the increasing number of internationally active domestic firms, which signals a transition towards Stage IV of the IDP.

Fig 2 The evolution of FDI and ODI in years 1995-2025 (stocks, as % GDP)

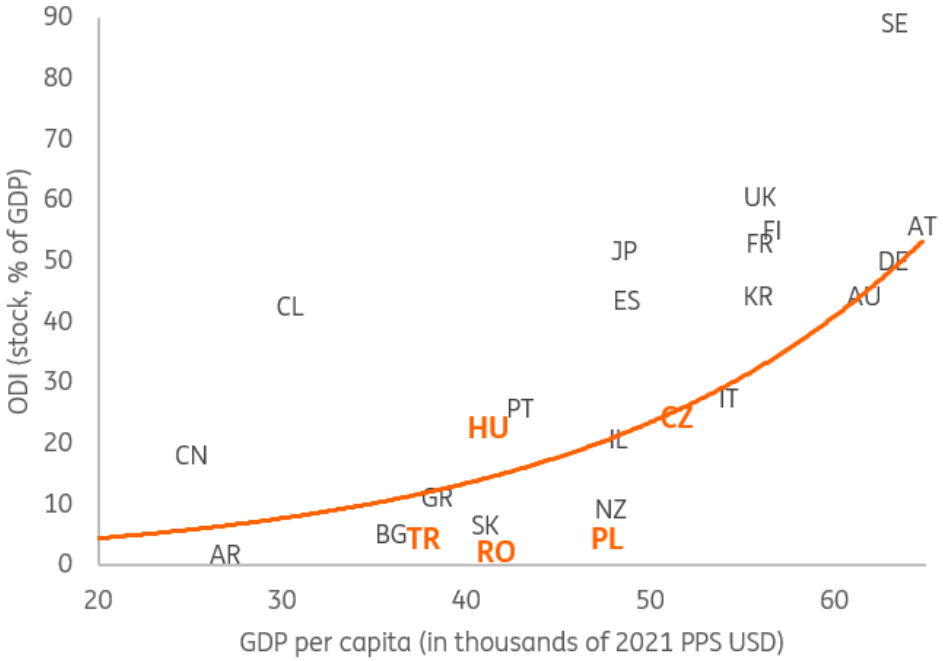


Source: UNCTAD World Investment Report, IMF WEO, ING calculations

CEE4 are heterogeneous in their progress along the IDP. Fig 2 indicates that Czechia and Hungary have succeeded in attracting large FDI stocks, well in excess of 50% of GDP, while simultaneously expanding ODI stocks to levels above 20% of GDP. It must be noted, however, that about three quarters of Hungarian ODI stock are related to special purpose entities (SPEs), which substantially distort the picture of cross-border investment. If SPEs are not accounted for, the level of Hungarian ODI falls to about 5% of GDP.[3] Poland and Romania, the two largest CEE4 countries, recorded FDI stocks fluctuating around 40% of GDP and ODI remaining below 5% of GDP. Overall, while all CEE4 economies have successfully attracted FDI, only Czechia has made significant progress towards Stage IV of the IDP. Low levels of ODI in Hungary, Poland and Romania indicates that the internationalization of domestic firms remains an important challenge.

[3] SPEs are legal entities with little or no production or operations typically established to channel funds within multinational groups (see Eurostat).

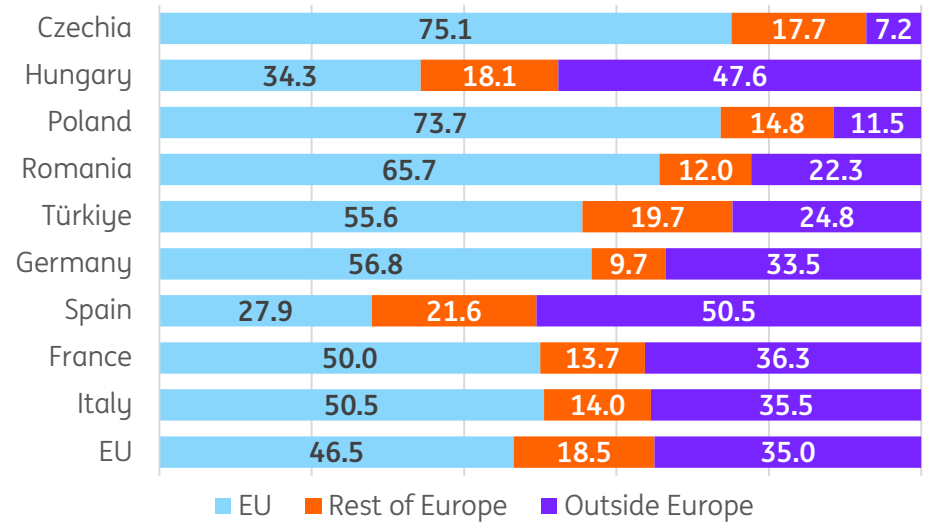
Fig 3 ODI stock and the level of economic development in 2025



Source: UNCTAD World Investment Report, IMF WEO, ING calculations

ODI levels in CEE remain below those implied by their level of economic development. We illustrate this in Fig 3, which presents the relationship between the stock of ODI as a share of GDP and GDP per capita for a sample of global economies. The fitted trend curve suggests that at GDP *per capita* levels of 40,000–50,000 PPS, ODI stocks would typically amount to around 20% of GDP. The positions of Poland and Romania indicate that their ODI stocks remain low relative to what might be expected given their level of economic development. By contrast, ODI in Czechia is close to the fitted trend, while Hungary lies above it, although this result is largely driven by the activity of SPEs. A comparison with Portugal and Spain, two EU countries with broadly comparable levels of GDP per capita, further highlights this gap, as both display substantially higher ODI stocks than the CEE economies. Figure 3 also suggests that, as income convergence continues, ODI stocks in the CEE should increase towards the levels observed in more advanced economies, where they typically range between 30% and 60% of GDP.

Fig 4 Geographical decomposition of ODI stock (2024, % of total stock)



Source: UNCTAD World Investment Report, IMF WEO, ING calculations

CEE outward investments remain strongly concentrated in Europe. Investing abroad is challenging for CEE companies due to numerous factors, including insufficient access to capital, limited public support, and relatively little experience in establishing and managing foreign affiliates compared with Western European firms. CEE firms are also at a disadvantage relative to companies from selected Western European countries that can profit long-standing linguistic, cultural and institutional ties with geographically distant markets. Spain and Portugal provide particularly relevant examples, as their historical links and shared languages with Latin America have facilitated ODI in this region. These differences are reflected in the geographical structure of ODI. Fig 4 illustrates that most investment from the CEE is located in Europe, often in neighbouring countries, where geographical and cultural proximity, established trade relationships and familiarity with local business conditions reduce the costs and risks of establishing foreign affiliates. In 2024, the share of investment outside Europe in total ODI amounted to merely 7.2% in Czechia, 11.5% in Poland, 22.3% in Romania and 47.6% in Hungary. However, once special purpose entities (SPEs) are excluded, the corresponding share for Hungary declines to 11.6%. These figures are substantially below the 35.0% share of extra-European investment in total ODI originating from EU countries.

3 Moving towards stage IV of IDP should boost growth

Moving towards Stage IV of the IDP constitutes an upgrade of the CEE growth model. Progress towards Stage IV does not mean abandoning the successful model from the past, but complementing it with a stronger domestic multinational sector. Instead of relying predominantly on foreign firms to bring technology, capital and know-how, an increasing number of CEE firms could themselves exploit their competitive advantages abroad. Rising ODI should be viewed not simply as capital leaving the domestic economy, but as evidence that domestic firms have accumulated sufficient capabilities to compete, invest and generate income internationally.

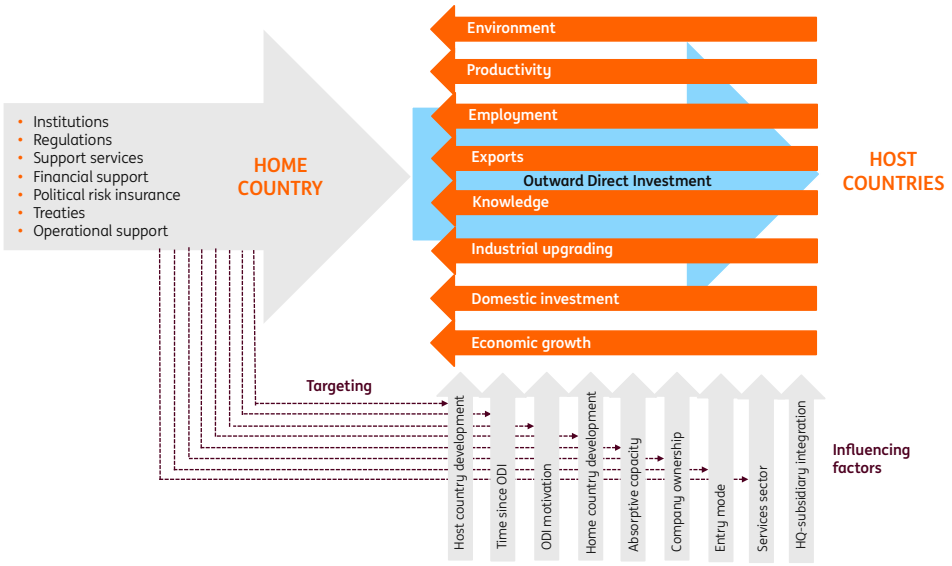
The economic benefits of this transition could be substantial for firms. Domestic markets, even in Poland and Romania, are relatively small compared with the global market, placing limits on the scale that successful firms can achieve domestically. As enumerated by Gorynia et al.,[4] expanding abroad allows firms to enlarge their customer base, spread fixed costs over greater sales, improve asset utilisation and increase the returns to expenditure on innovation, automation, digitalisation and brand development. Foreign investment can therefore help successful CEE firms move from competing predominantly on costs towards competing increasingly on scale, technology, brands and other firm-specific advantages. In other words, at the firm level, ODI should support the transition towards productivity and innovation driven expansion model.

ODI brings benefits to the home economy through several channels. Foreign affiliates provide access to new customers, hence can strengthen exports by creating distribution networks and generating demand for intermediate goods and services supplied by the parent company and its domestic suppliers. Foreign acquisitions may provide access to technologies, brands, managerial expertise and other strategic assets that can subsequently be transferred across the multinational group. Greater international scale can also strengthen firms' incentives to invest at home in research and development. Finally, profits earned abroad add to national income and diversify corporate earnings away from domestic economic conditions. These channels are particularly relevant for the relatively small and open CEE economies.

[4] Gorynia, M., Nowak, J., Wolniak, R., Trąpczyński, P. (2022). How does economic integration affect progress along the investment development path? A case study of EU member vs. non-member countries from Eastern Europe. Journal of Modern Science, 49(2), 177-214.

Increasing ODI should not be interpreted as an objective for its own sake. Not all ODI benefits the home economy. ODI may involve the relocation of production, employment or investment abroad, particularly when firms invest primarily to lower production costs. It may therefore substitute for domestic capital formation or adversely affect some domestic suppliers and workers. Foreign operations also expose companies to additional commercial, regulatory, political and exchange-rate risks. The balance of these effects depends on the motivation and type of investment and, in particular, on whether foreign operations complement or substitute for domestic activities.

Fig 5 Channels of transmission from ODI to home economy



Source: ING based on Knoerich and Benson (2026)

Empirical evidence is clear that ODI is beneficial for home countries. The recent survey of 130 academic studies by Knoerich and Benson[5] reveals that most studies report positive effects of ODI for aggregate economic activity, where the effects operate through numerous channels of transmission (see Fig 5). They indicate that by expanding internationally, firms can reach larger markets, acquire technologies and other strategic assets, and improve their competitiveness, with part of these benefits subsequently transmitted back to the home economy. The evidence also suggests that the benefits tend to be stronger when firms invest in advanced economies, seek strategic assets such as technology, and possess sufficient capacity to absorb knowledge acquired abroad. **For CEE economies, at their current stage of development, potential benefits of ODI are likely to outweigh their costs.**

4 Conditions of moving towards Stage IV of IDP

There are two determinants of firm's decision about foreign investment: productivity and fixed costs of investing abroad. This is the key implication of the Helpman-Melitz-Yeaple (HMY) model,[6] in which less productive firms serve only the domestic market, more productive firms become exporters, and the most productive firms undertake direct investment abroad. The productivity thresholds are determined by fixed costs of going global. The model clearly implies that, **once a sufficient number of highly productive firms emerges, policies aimed at reducing the fixed costs of foreign expansion should increase the scale of ODI**. This insight is particularly relevant for CEE economies. The region's most competitive firms appear increasingly to possess the technological capabilities, managerial expertise, financial resources, and international

[5] Knoerich J., Benson D. (2026) Home-country effects of outward foreign direct investment: A systematic review of empirical and policy evidence. International Business Review, 35(1), 102529.
[6] Helpman E., M. Melitz, and S. Yeaple. 2004. Export Versus FDI with Heterogeneous Firms. American Economic Review 94 (1): 300–316.

market knowledge required to undertake profitable investments abroad. Consequently, policies designed to lower barriers of entering foreign markets could play an important role in accelerating the transition of CEE economies towards the stage IV of the IDP.

HMY model is strongly supported by firm-level data: internationally active companies are substantially larger and more productive than firms operating exclusively in domestic markets. At the EU level, the average employment in domestic firms is 4.2 employees, compared with 72.0 in foreign-owned firms and 125.9 in foreign affiliates of domestic companies. Similarly, average turnover per employee amounts to €199 thousand in domestic firms, compared with €444 thousand in foreign-owned firms and €406 thousand in foreign affiliates. These numbers illustrate the strong association between internationalisation, scale and productivity. Expanding the group of CEE firms capable of operating across borders could therefore contribute to aggregate productivity growth by allowing the region's most competitive companies to reach a considerably greater scale.

Fig 6 Characteristics of domestic and international companies

	Czechia	Hungary	Poland	Romania	EU
Domestic companies					
Average employment	2.4	2.9	3.4	3.6	4.2
Net turnover per employed	144	98	141	79	199
Foreign owned companies (FDI)					
Average employment	43.7	49.6	337.4	42.4	72.0
Net turnover per employed	318	293	249	192	444
Foreign affiliates of domestic companies (ODI)					
Average employment	83.5	197.9	61.5	69.5	125.9
Net turnover per employed	415	470	421	142	406

Source: ING calculations using Eurostat data (fats_activ, fats_out_activ and sbs_sc_ovw). Net turnover per employed is measured in 1000 EUR.

The example of Asian Tigers proves that limiting fixed entry costs boosts ODI, which is the key mechanism emphasized by the HMY model . The main logic of ODI policies in Asian Tigers is that domestic firms must expand abroad to overcome the limitations of domestic market, which can be facilitated by reducing informational and organizational barriers associated with establishing foreign affiliates. In Singapore, a dedicated entity EnterpriseSG has been established to help companies in scaling up by going global through exports and ODI. EnterpriseSG supervise 35 centers in over 20 countries, each providing market research, database of foreign partners, and legal assistance to Singaporean companies in establishing foreign subsidiaries. EnterpriseSG also offers financing schemes that support firms' internationalization through ODI. In South Korea, ODI expansion has been also been facilitated by a dedicated agency: the Korea Trade-Investment Promotion Agency (KOTRA). It now operates 131 offices in 86 countries to assist Korean firms entering foreign markets by providing market intelligence, business networks, diplomatic and legal support. The policy focus is less on subsidizing ODI directly but on alleviating information and coordination failures associated with internationalization. The Asian Tigers experience also implies that governments are effective when they focus on lowering the fixed costs of foreign market entry, rather than attempting to directly determine which firms and where should invest.

5 ODI promotion by CEE institutions

ODI promotion in CEE countries remains relatively underdeveloped and is usually embedded within broader strategies for promoting exports and attracting FDI. This largely reflects the historical focus of CEE countries on attracting inward FDI and supporting exports rather than explicitly encouraging outward investment. However, there are signs that this model of internationalisation is gradually evolving towards a broader approach that increasingly recognizes ODI as an additional channel for the

international expansion of domestic firms. This shift can build on existing institutions, which already support firms operating abroad by providing market intelligence, financing, risk mitigation, and general advisory services.

In Poland, the institutional framework for internationalisation has traditionally focused predominantly on export promotion and attracting inward FDI, although it is gradually evolving towards broader support for the foreign expansion of Polish firms. The Polish Investment and Trade Agency (PAIH) is the main agency responsible for internationalization of the economy, as it maintains a global network of nearly 60 Foreign Trade Offices, covering more than 70 foreign markets. Historically, PAIH has been strongly oriented towards supporting exporters and attracting foreign investors to Poland, and these objectives remain prominent in its 2025–2029 strategy. However, the new strategy also envisages supporting foreign expansion of Polish firms by providing market intelligence and advisory support. A more explicit focus on ODI is presented in the Polish Development Fund (PFR) strategy for 2026–2030, in which it identifies the internationalisation of Polish firms as one of its strategic priorities, covering both exports and ODI. PFR's strategy explicitly envisages investment in the international expansion of Polish companies. In 2015 PFR launched the first edition of Foreign Expansion Fund (FEF), which in the period 2015-2023 co-financed about 20 ODI projects with the total sum of €100 million. The second edition of FEF, which was initiated in 2023, aims to co-invests with Polish firms in foreign affiliates by providing co-financing for acquisitions, greenfield investments, and the expansion of existing foreign operations. The engagements is not large and range from EUR 3 million to EUR 20 million and may cover up to 50% of total project value. Finally, KUKE complements these instruments by providing insurance and risk-mitigation instruments for Polish firms investing abroad. Taken together, these developments indicate a gradual shift from a framework centred on exports and FDI towards a broader internationalisation strategy that increasingly recognizes ODI. Nevertheless, dedicated support for ODI remains relatively modest compared with the scale of instruments available for exporters and inward investors.

In Czechia ODI promotion is a side effect of exports promotion. CzechTrade is the main agency supporting Czech firms expansion abroad. The agency maintains a network of foreign offices in more than 50 countries, providing local market intelligence and facilitating contacts with potential business partners. The Czech model remains strongly export-oriented, but many of the services offered by CzechTrade, especially partner searches, market studies, and foreign offices, can also support ODI decisions. Czech firms contemplating acquisitions or greenfield investments abroad often rely on the same informational infrastructure initially developed for exporters. Overall, Czech policy focuses primarily on export support rather than dedicated ODI promotion, but provides a substantial institutional platform lowering the information costs of foreign expansion.

In Hungary ODI support is linked to National Export Strategy. The Hungarian Export Promotion Agency (HEPA), which operates under the supervision of the Ministry of Foreign Affairs and Trade, is responsible for promoting the international expansion of Hungarian enterprises through exports, but also investments abroad. HEPA reduces the fixed costs of foreign-market entry by providing market intelligence and advisory services, i.a. by collaborating with network of foreign economic attachés and overseas offices. International expansion is also supported by EXIM Hungary, whose programs include preferential financing, insurance and guarantee products for foreign expansion. However, the system remains predominantly export-oriented rather than explicitly focused on supporting ODI.

Romania also remains focused on exports and attracting inward FDI. The Romanian Agency for Investments and Foreign Trade (ARICE) is the key responsible for supporting the internationalization of domestic firms. Its instruments include the Export Promotion

Programme, international trade fairs and economic missions, business matchmaking, and information on investment opportunities abroad. The support remains predominantly oriented towards exports and initial foreign-market entry, while dedicated instruments addressing the financing and risk-sharing needs of firms undertaking ODI appear underdeveloped.

Overall, CEE countries have developed institutions supporting the internationalization of domestic firms, but these institutions remain primarily oriented towards export promotion rather than ODI. Poland's PAIH, Czechia's CzechTrade, Hungary's HEPA, and Romania's ARICE all provide market intelligence, business matchmaking, and foreign-office networks that reduce the fixed costs of entering foreign markets. However, dedicated financial instruments supporting ODI remain limited. **In our view, current internationalization policies in CEE insufficiently recognize the benefits of ODI.**

6 CEE firms already go multinational

CEE firms are steadily expanding their presence abroad, suggesting that they have developed the capabilities required for ODI. CEE firms have already accumulated capital, technology, managerial expertise and knowledge of foreign markets so that the most productive firms increasingly progress beyond exports towards a permanent presence abroad through acquisitions, greenfield investment and launching foreign subsidiaries. This evolution is visible in the growing number and scale of foreign affiliates controlled by CEE companies. Fig 7 displays that between 2016 and 2023, the number of foreign affiliates owned by CEE4 firms increased by 34% (from 2,746 to 3,670). This growth was particularly strong in Czechia (from 233 to 807) and Romania (from 101 to 210), and somewhat less pronounced in Poland (from 2,151 to 2,325) and Hungary (from 261 to 328). The expansion of foreign affiliates has been accompanied by an even stronger increase in their employment. Between 2016 and 2023, employment in foreign affiliates controlled by CEE4 firms rose from 182 thousand to 290 thousand, i.e. by 60%. This points to foreign expansion along both the extensive margin, through a larger network of affiliates, and the intensive margin, through the expansion foreign affiliate size.

Fig 7 The number of foreign affiliates

	Enterprises number			Employment (1,000 persons)		
	2016	2020	2023	2016	2020	2023
Czechia	233	573	807	30.4	37.7	67.4
Hungary	261	365	328	40.0	46.9	64.9
Poland	2,151	1,897	2,325	107.7	127.4	143.0
Romania	101	115	210	4.3	7.7	14.6
CEE4	2,746	2,950	3,670	182.4	219.7	289.9

Source: ING calculations using Eurostat data (fats_out_activ)

CEE firms broadened their international presence, but did not achieve a truly global scale. Several ODI from CEE countries are well known to the public, including ODI by energy sector companies (ORLEN from Poland, ČEZ from Czechia, MOL Group from Hungary), financial institutions (PPF Group from Czechia, OTP Bank from Hungary), goods producers (LPP and Maspex from Poland, CSG from Czechia, Richter from Hungary) or service providers (Asseco and inPost from Poland, 4iG from Hungary, DIGI Communications from Romania). Nevertheless, even the largest CEE-based multinationals remain relatively small by global standards. No CEE company appears among the world's 100 largest non-financial multinational enterprises in UNCTAD's World Investment Report 2025. The company ranked 100th reported foreign assets of around $54 billion, much above the biggest ODI investment.[7] This suggests that future

[7] Foreign assets of the top investor on the list of largest private Polish investors in 2024 presented by Forbes, LPP, amounted to PLN14.7 billion (US$3.6 billion).

ODI growth in CEE may come not only from more firms investing abroad, but also from scaling-up of existing foreign investment by current CEE multinationals.

Evidence from Poland suggests that firms increasingly perceive international expansion as a prerequisite for further growth. In our report prepared for the European Economic Congress in Katowice, in-depth interviews with 30 Polish business leaders indicates that Polish companies increasingly view international expansion not as an option, but as a strategic necessity. The main insights from the report can be summarized as follows:

1) Internationalisation is a prerequisite for sustained growth as domestic market can no longer provide the scale needed to justify major investment in automation, digitalisation and advanced production. ***"Foreign expansion is now a necessity, not an option."*** (Grzegorz Rychwalski, Vice-President, Polish Association of Employers of the Pharmaceutical Industry).

2) Acquiring foreign businesses provides customers, brands and local capabilities. Partnerships with global companies offer a bridge for firms without recognised international brands. ***"I already see greater scope, for example, for acquisitions of German companies."*** (Dariusz Grzeszczak, President, Erbud).

3) Scale is the missing link: preferential SME treatment may create a growth trap. Support should reward productivity and provide instruments for mature companies undertaking strategic cross-border projects. ***"The greatest impact comes from entities that operate on a global scale."*** (Janusz Zakręcki, President, PZL Mielec).

4) Economic diplomacy should be coordinated: domestic development institutions are helpful, but the support landscape remains fragmented and complex. Mature firms pursuing major contracts or acquisitions need a single rapid route to finance, insurance and diplomatic support that bring domestic supply chains into overseas infrastructure and strategic projects. ***"The most effective model of expansion is to operate as a general contractor."*** (Piotr Kańtoch, Vice-President, Grupa Powen-Wafapomp).

5) **Conservative financing limits the pace of expansion.** Reliance on retained earnings and public grants or preferential financing from the EU strengthens resilience but can slow investment, acquisitions and international scaling. Companies need broader use of risk capital, long-term debt, export credit and transaction insurance, supported by stronger financial capabilities. Public instruments should crowd in commercial finance rather than replace it where market funding is available.

Takeaways

The main takeway of our analysis is that ODI could become an increasingly important engine of CEE growth. Over the past three decades, inward FDI and exports have been powerful engines of convergence, but the next stage will increasingly require successful domestic firms to scale internationally. In CEE countries ODI remains low relative to the level of economic development, despite a growing number of firms with the capabilities to operate abroad. Moving towards Stage IV of the IDP would therefore represent a natural evolution of the CEE growth model, complementing the benefits of inward FDI with those generated by domestic multinationals.

For policymakers, the key takeaway is that ODI can be supported by reducing fixed costs of entering foreign markets. CEE countries do not need to subsidise capital outflows or select national champions. Instead, successful policy would reduce the fixed costs and risks that discourage competitive firms from investing abroad. Existing export-promotion infrastructure provides a strong starting point, but support could be increasingly extended beyond exports to acquisitions, greenfield projects and foreign

subsidiaries. This requires efficient market intelligence, partner identification, financing and risk-sharing instruments, legal and regulatory assistance, and coordinated economic diplomacy. The gradual shift already visible in Poland indicates that the region's institutional architecture is beginning to move in this direction.

For firms, the key takeaway is that going global can provide an important avenue for further growth. The most productive CEE firms can benefit from international expansion through access to new customers, technologies, brands and know-how, as well as greater economies of scale. Successful expansion, however, requires a more international management mindset, careful identification of commercially viable opportunities, and an appropriate financing strategy.

Ultimately, the transition towards a more internationally oriented CEE growth model will have to be driven by firms themselves. Governments can create favourable conditions for outward expansion, but they cannot determine which firms should invest abroad or where the best opportunities lie. These decisions must remain with entrepreneurs, managers and investors responding to market incentives. As CEE economies mature and domestic firms accumulate competitive advantages, international expansion is likely to become an increasingly natural route to greater scale, productivity and innovation. **The next stage of CEE convergence will therefore depend not only on the region's continued ability to attract foreign multinationals, but increasingly on its ability to develop successful multinationals of its own.**

EMEA FX, rates and debt strategy



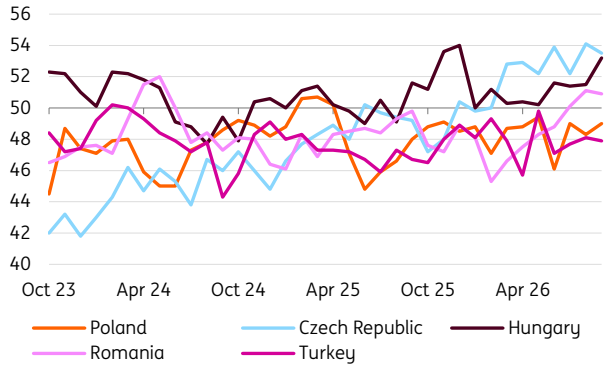
Frantisek Taborsky
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EMEA economies have weathered the US-Iran supply shock better than expected, with the CEE3 growth forecast at 2.8% this year and 3.0% next year. Consumption remains the main driver, although slowing real wage growth and higher inflation will increasingly constrain households. Food and household energy costs are set to lift CEE3 headline and core inflation next year, while Romania and Turkey should continue to disinflate from high levels. Monetary policy will diverge: the CNB is expected to hike again in November, the NBP to start tightening in early 2027, while the NBH, NBR and CBT retain scope to cut. The global backdrop remains hostile for EMEA assets, reflecting a strong US dollar, high energy prices, geopolitical uncertainty and further Fed and ECB tightening.

Macro outlook: Growth holds, price pressures build

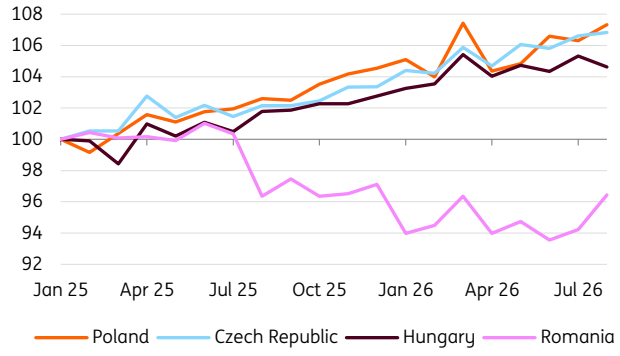
EMEA economies have remained resilient to the supply shock triggered by the US-Iran conflict in March. Although activity has slowed, the downturn has been much milder than initially expected given the region's heavy dependence on energy and imports. Our economists forecast GDP-weighted CEE3 growth of 2.8% this year and 3.0% next year, led by household consumption, while industrial sentiment remains broadly stable. Hungary has caught up with Poland and the Czech Republic despite global headwinds, but domestic pressures and fiscal consolidation continue to weigh on Romania, where we expect a mild 0.5% recession this year followed by 2.2% growth next year. Turkey is also losing momentum, particularly in domestic demand, although exports should support growth of 2.8% this year before an acceleration to 4.5% next year. PMI data indicates the region's resilience; with the exception of Turkey readings have improved from their pre-conflict February levels in all countries, pointing to continued strength in the months ahead.

Fig 8 PMIs indicate continued economic resilience



Source: Macrobond, ING

Fig 9 Retail sales (January 2025 = 100)



Source: Macrobond, ING

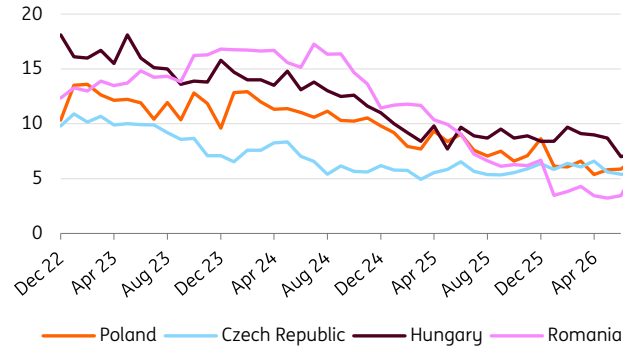
EMEA labour markets have eased over the past year, slowing wage growth. Real wage growth is gradually decelerating across the CEE3 and Turkey, weakening a key driver of household consumption. Together with higher inflation, this is likely to constrain spending. However, CEE3 savings rates remain only slightly below 2020 levels, giving households some capacity to maintain consumption and absorb price shocks, including those linked to US-Iran tensions. Romania is the regional exception: real wage growth turned negative in recent months and returned to zero only in September, although this should support a recovery in consumption next year.

CEE3 inflation is currently driven mainly by fuel prices, while unexpectedly weak food inflation has limited the rise in headline rates. We expect this to reverse in the coming months. Global agricultural commodity prices are at their highest since 2022, and local

harvest data and producer prices point to an imminent increase in food inflation. El Niño adds another risk, although its historical impact on EMEA has been smaller than elsewhere. The pass-through from higher household energy costs has also yet to reach CPI; it typically takes 6–12 months and is often concentrated in January because of fixed-term contracts. We therefore expect both headline and core inflation to peak next year. Average inflation should rise from 2.7% this year to 3.1% next year before easing to 2.3% in 2028. Romania and Turkey remain idiosyncratic cases. In Romania, the base-effect spike from tax changes linked to fiscal consolidation has passed, and inflation should fall from 8.5% this year to 4.7% next year. In Turkey, EMEA's most energy-sensitive economy, disinflation stalled earlier this year but has recently resumed; we expect average inflation to decline from 30.8% this year to 25.0% next year.

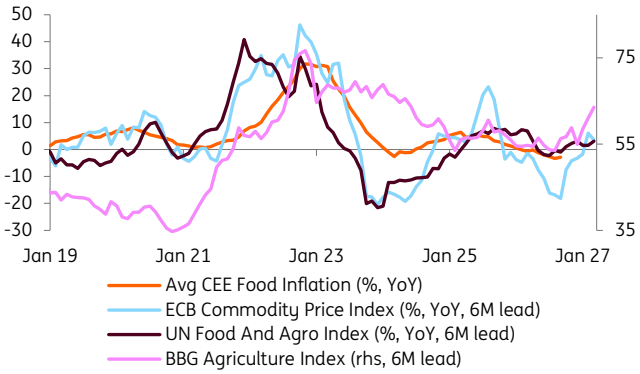
Fiscal policy has come under renewed pressure to loosen as the US-Iran conflict has increased demand for measures to offset high fuel prices and fund greater defence spending. Even so, we expect only a modest widening of deficits next year in the Czech Republic and Turkey, both of which start from much lower levels than elsewhere in EMEA. Hungary and Romania, by contrast, are continuing visible fiscal consolidation. Poland's deficit is set to remain unchanged at the highest level in the region, with next November's general election posing an upside risk.

Fig 10 Wage growth in CEE region slowing down (%, YoY)



Source: Macrobond, ING

Fig 11 Food inflation coming back



Source: Macrobond, ING

Monetary policy has changed little this year, with central banks awaiting clearer evidence on inflationary pressure from the US-Iran conflict and the related supply shock. The CNB is the only central bank to have tightened so far, and our economists expect another 25bp hike in November, with a growing risk of further increases depending on January repricing. The NBP remains relatively dovish; we expect its first hike only in the first quarter of 2027, with 50bp of tightening in total. Given their distinct circumstances and much higher starting rates, the NBH and NBR are still expected to cut by 125bp and 50bp, respectively, although upside inflation surprises could reduce the scope for easing. The CBT paused its cutting cycle after the US-Iran conflict began, but recent developments point to a resumption, with 200bp of cuts expected this year and a further 500bp next year.

Local Markets Strategy: Staying selective amid a hostile global backdrop

EMEA is particularly exposed to higher energy prices because of its heavy reliance on imports. Energy and food also carry large weights in CPI, increasingly clouding the inflation outlook following the double-digit inflation shock of 2022. Our global assumptions of continued US dollar strength, persistently high energy prices, ongoing geopolitical uncertainty and further ECB and Fed rate hikes, add to the pressure on EM currencies. Signs of stress in the eurozone bond market further weaken the backdrop, leaving the EMEA environment increasingly hostile to risk-taking.

This backdrop is evident in the sharp repricing at the front end of yield curves, as markets have partly shifted towards a 2021–22-style scenario of aggressive central-bank tightening. Although our economists do not see the situations as identical, the longer the US-Iran conflict lasts, the more closely the current environment resembles the previous hiking cycle. Front-end rates remain driven mainly by energy prices, while central-bank guidance has had little influence on pricing. Markets imply substantially more tightening than our economists forecast, but without a meaningful global de-escalation it is difficult to take the opposite view.

In the bond space, higher inflation, households' price caps and weaker growth all pose upside risks to fiscal deficits next year. The current global backdrop is generally unfavourable for duration, so we favour strong idiosyncratic stories. Hungary's domestic story remains supportive. Experience elsewhere suggest the HGB spread could converge towards 50–120bp as ERM II entry approaches. It has just reached 200bp, with entry still more than two years away. TURKGBs, by contrast, need a more supportive global environment to draw buyers back despite cheaper valuations and the prospect of an earlier resumption of CBT rate cuts. ROMGBs have tightened to record levels versus CEE peers following positive political developments and now look expensive. CZGBs face a distinctly bearish mix next year: a wider fiscal deficit, record bond redemptions, likely exclusion from the GBI-EM index (a benchmark for local-currency emerging-market government bonds) and further tightening by a highly hawkish central bank. Poland has recently been downgraded and faces the risk of further downgrades next year. Its fiscal deficit is at a record high, the largest in the EU, and next November's general election offers little prospect of improvement. Meanwhile, despite its dovish bias, the NBP has started discussing possible rate hikes.

As with duration, the global backdrop is highly unfavourable for EMEA currencies. A strong US dollar is weighing on EM FX, while the prospect of further Fed and ECB rate hikes is eroding carry returns. We therefore favour currencies that continue to offer attractive carry (TRY and HUF) or support from a hawkish central bank (CZK). We avoid currencies combining economic imbalances, such as current account (CA) or fiscal deficits, with a dovish central bank (PLN and RON).

Hard currency sovereign debt: Another test for sovereign spreads



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The current environment of elevated core rates, high energy prices and renewed geopolitical risks should pose another test for the resilience of EM credit spreads, which still remain close to all time tights despite some recent risk-off moves.

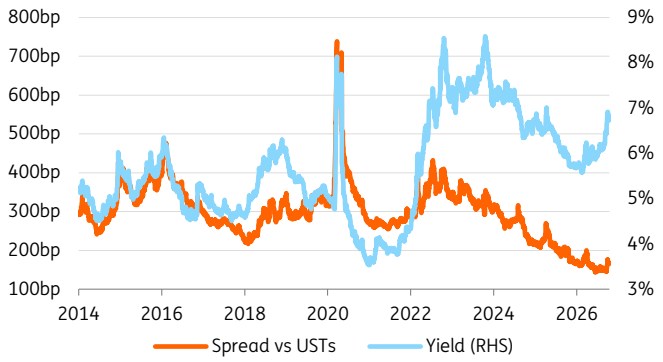
2026 has been a tough year for fixed income assets, with the sharp move higher in UST yields on the back of a repricing of global central bank expectations acting as a significant drag on total returns in the credit markets. War in the Middle East has also disrupted another EM region, once seen as something of a 'safe haven' in the market. Despite this backdrop, EM sovereign credit markets have held up well – excess returns at the index level are modestly positive, with HY sovereigns outperforming and even generating positive total returns, thanks to their larger spread cushion and shorter duration profile. Weaker performers this year have understandably included GCC names such as the UAE and Bahrain that have faced trade disruption and geopolitical risk, but also lower-beta energy importers such as Indonesia and the Philippines. In CEE the change in government in Hungary has driven decent performance, while political uncertainty weighed more on Bulgaria and Romania. In CIS, Armenia and Uzbekistan have continued their strong performance, backed by fundamental progress.

The move in core rates has been the key macro story, with the US 10Y spiking over 5.3% from below 4% in February and still hovering above the 5% level despite a rebound in recent weeks. The move in bunds has not been as extreme, but still around 50bp higher YTD at over 3.4%, while political noise and wider sovereign spreads in France have also become a topic of interest for CEE euro-denominated bond issuers.

At the index level, EM sovereign spreads are pretty much back where they started the year, having made something of a round trip through this year's volatility. The March selloff saw us 40bp wider, before a sharp rally of 60bp through June, then the latest risk-off moves since late September – this still leaves us at levels tighter than any period since 2006/2007, and we expect further decompression is likely absent a significant shift in the global macro environment.

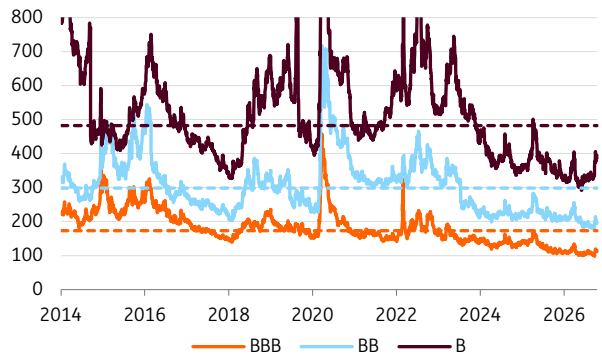
The narrative from recent years still stands – all-in yields remain attractive at near 7%, while the improvement in EM fundamentals in recent years stands out against a backdrop of fiscal concerns and political noise in the DM world, somewhat blurring the lines for sovereign debt markets. We are somewhat cautious on higher-beta EM sovereigns, but don't expect the global pressures to drive a more systemic crisis in EM.

Fig 12 Index yield and spread (EM USD sovereigns)



Source: Refinitiv, ING

Fig 13 EM sovereign spreads by rating (bp)

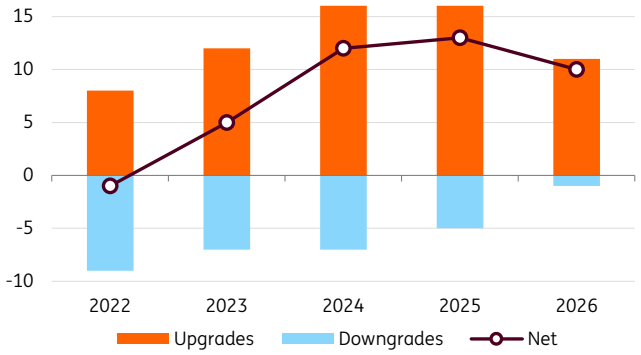


Source: Refinitiv, ING

Key themes

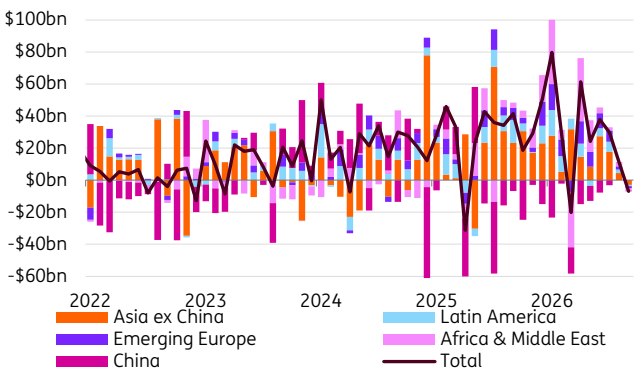
- **Domestic political noise takes centre stage:** Despite the Middle East conflict driving big swings in global markets, local political stories continue to be a key differentiator for EM sovereign performance. Elections in Hungary and Bulgaria have seen new governments, while the energy shock is yet to cause widespread protests as government action keeps the impact contained. Romania has had an extended period of interim government, but prospects are looking up for progress there. Looking ahead, we have elections for Serbia later this month, while the political cycle should be restarting for the likes of Poland and potentially Turkey.
- **EU relations in focus:** With the energy shock placing upward pressure on inflation and likely driving fiscal strains, EU funding remains a key pillar of strength for CEE sovereigns. This year's RRF deadline has increased the time pressure on EU funds absorption, while the SAFE instrument adds an extra resource. Optimism in Hungary has largely been driven by both the unlocking frozen EU funds and also a return of euro adoption to the agenda. In Bulgaria, euro adoption has been successfully implemented, while the EDP is a key pressure point on most of CEE for driving fiscal consolidation.
- **Rating moves still positive:** While external conditions are adding a negative shock to fundamentals in CEE, the positive news is that the underlying trend was generally positive heading into the latest energy shock. In the higher quality space, Croatia saw another rating upgrade early this year, while an end to political deadlock in Bulgaria helped drive the outlook back to positive. Poland is more of an outlier here, with a downgrade coming from fiscal pressures. A lot of focus remains on Romania keeping hold of its IG ratings, with political progress a key part of the puzzle, while Hungary will hope to reverse its downward trend from recent years given the new government's direction. The trend of improvement has been strong in CIS, while Turkey also temporarily saw another positive outlook at the start of the year.
- **Issuance slows as inflows dry up:** A busy start to the year saw heavy issuance for EM credit markets in January and February, which allowed for something of a breather in the early stages of the war in the Middle East. This theme continued later in the year, with heavy issuance through to the summer allowing for a somewhat quieter time than usual in September and October so far. One key part of this technical puzzle to keep an eye on is the clear slowdown in EM debt portfolio flows seen from tracking data in September, amid the surge in core rates. EM investors will be hoping this is just a temporary blip, as in March this year.

Fig 14 Sovereign rating upgrades/downgrades



Source: Fitch, ING

Fig 15 EM debt portfolio flows



Source: IIF, ING

CEE country views

(Moody's/S&P/Fitch rating; ↑=positive, ↓=negative outlook)

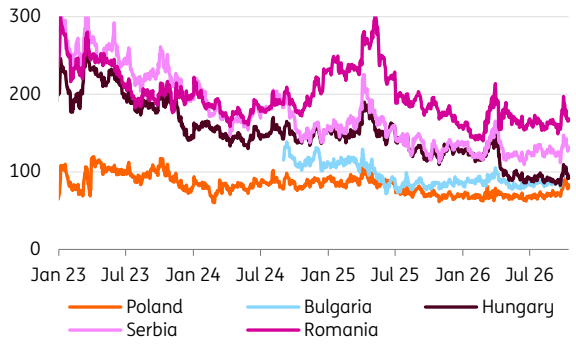
- **BGARIA** (Baa1/BBB+↑/BBB+↑): While Bulgaria entered this year with optimism from the official entry into the Eurozone, underperformance in the market has been driven by political uncertainty, given the snap elections seen in April, along with fiscal deterioration. With the political situation seemingly stabilised for now and a more realistic fiscal path being drawn out in terms of gradual consolidation after this year's budget deficit widening, we see scope for an improvement in performance heading into 2027. Current valuations offer space for compression against the likes of Poland and Croatia, along with the potential to retighten against Eurozone hopeful Hungary.
- **CROATI** (A3/A/A-): With a combination of political noise and fiscal pressures a key worry for much of Europe (both EM and DM), Croatia continues to stand out as something of a safe haven given its relative stability. Steady growth, a sharp reduction in government debt ratios (30% of GDP reduction since 2020) and solid EU inflows mean Croatia continues to see a strong fundamental profile. Valuations put the country as one of the tightest names in the EM space, and tighter than some of the more troubled names in Western Europe, with 5-year paper offering around 20bp in z-spread, and around 60bp on the 10-year. This offers limited scope for further tightening, but Croatia should remain a solid low-beta option.
- **REPHUN** (Baa2↓/BBB-↓/BBB↓): While the overall story remains positive for Hungary, we continue to see less value in the Eurobond market, relative to local markets. FX issuance for the year has been completed, while front-loading supply early in 2027 is likely. The composition of issuance could shift slightly more towards EUR as the country heads closer to euro adoption. As with local markets, a strong and credible budget plan could offer more scope for spreads to compress relative to higher-rated peers. But expectations are already elevated for significant consolidation to be announced, and valuations do not offer much scope for upside. REPHUN €40s have seen spreads compress by 90bp YTD relative to BGARIA €38s, and the pickup for Hungary in general now is in the range of 10-20bp over Bulgaria and 20-40bp over Poland.
- **POLAND** (A3/A-/A-↓): Poland is generally well placed to cope with the energy shock from the Middle East, compared to CEE peers. However, after Moody's downgrade to A3, the focus shifts to the negative rating outlook at Fitch, which has come on the back of persistent fiscal pressures. Strong growth momentum and EU fund inflows mean patience is likely before downgrades lower the rating below the single A level, although noise will likely continue, especially if there is more political noise. Valuations look balanced, with the USD curve continuing to look more attractive than EUR, especially with issuance there likely out of the way for the year.
- **SERBIA** (Ba2/BBB-/BB+↑): Despite some deterioration in recent years (wider fiscal deficit, drop off in FDI), Serbia's fundamentals remain closer to higher-rated IG peers, and generally even stronger than most in the CEE region. The focus remains on pre-election fiscal loosening and energy pressures on the external balance. However, politics remains the point of uncertainty, with upcoming elections bringing at a minimum the potential for further anti-government protests, and more uncertainty about the outcome than any time in the past decade.
- **TURKEY** (Ba3/BB-/BB-): In the Eurobond space, Turkey has held up well despite the global macro volatility in recent months and local investment fund noise. We continue to see fundamentals as relatively stable against a backdrop of higher energy prices and global bond yields. CIS country views
- **ARMEN** (Ba3↑/BB-↑/BB-↑): This year has seen a continuation of fundamental improvement for Armenia, with positive rating outlooks at all three agencies, and

elections that passed without major surprises. While there remains the potential for further positive catalysts from the ongoing peace process with Azerbaijan, conflict in the Middle East leaves Armenia in a more vulnerable position, given the increasing reliance on external inflows. Valuations have cheapened up somewhat versus peers such as Uzbekistan and South Africa in recent months but continue to price in a further rating upgrade to mid BB level.

- **AZERBJ** (Baa3↑/NR/BBB-): The fundamental picture is generally positive for Azerbaijan, with ratings now comfortably in the IG space and Moody's holding a positive outlook. At the same time, the country stands to be a significant beneficiary from the current energy price spike, given its high sensitivity to oil prices in terms of fiscal and external accounts. While there remains some risk of negative spillovers from the conflict in the Middle East given the generally tense relations with Iran and cooperation with Israel, for now this seems well contained. The ongoing peace process with Armenia seems more likely to act as a positive catalyst at this stage, given the progress in recent years. In this context valuations look attractive for Azerbaijan, which should act as a strong defensive play in the event of a more prolonged conflict in the Middle East and persistent oil price spike. The current pickup over Kazakhstan appears to offer decent value, while the sovereign continues to benefit from lower geopolitical risk than oil exporting peer Oman.
- **KAZAKS** (Baa1/BBB/BBB): Overall, the underlying fundamental momentum is generally positive, with fiscal consolidation under close focus, while higher energy prices should offer a modest boost to export and budget revenues. However, as with budget policy, on the issuance front, more quasi-sovereign supply remains a risk in the coming years given tight valuations even within the BBB context. Strong technicals keep the front-end well anchored, while long-end spreads now are broadly in line with higher-rated peers such as Qatar and the UAE.
- **UZBEK** (Ba2/BB/BB↑): The fundamental picture for Uzbekistan has improved significantly in recent years, with narrowing twin deficits amid solid growth reflected in rating upgrades. Fitch's positive outlook suggests there is still scope for improvement to continue, while the stronger credit profile should increase the country's resilience to the current energy shock. An expected catch-up in gold exports, alongside ongoing capital inflows linked to the privatisation pipeline should keep the momentum strong. Against this backdrop, Uzbekistan remains the strongest fundamental story in the CIS region but current valuations don't appear to offer a lot of excitement about potential spread tightening.

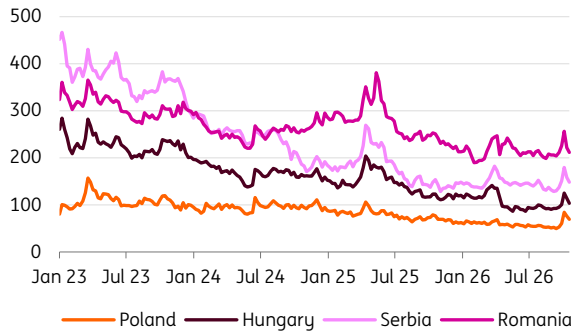
CEE and CIS relative value charts

Fig 16 CEE USD index spreads (bp)



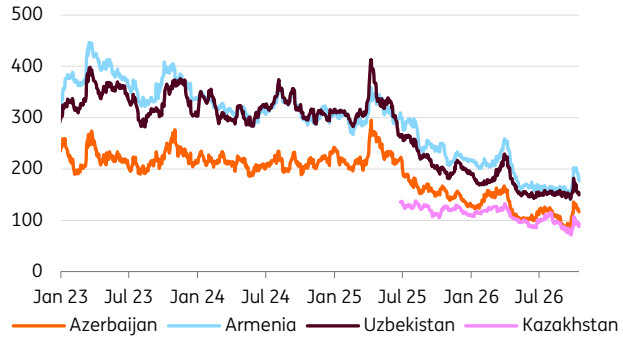
Source: Refinitiv, ING

Fig 17 CEE EUR index spreads (bp)



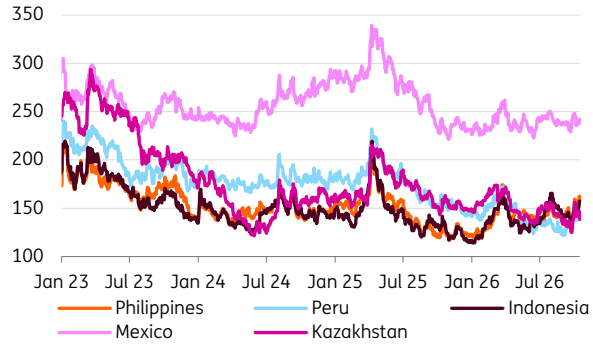
Source: Refinitiv, ING

Fig 18 CIS sovereign spreads (bp)



AZERBJ 32s, ARMEN 31s, UZBEK 31s, KAZAKS 32s
Source: Refinitiv, ING

Fig 19 Kazakhstan USD vs BBB sovereign spreads (bp)



KAZAKS 44s/45s average vs maturity-matched bonds
Source: Refinitiv, ING

Countries

Armenia



Dmitry Dolgin, Chief Economist, CIS

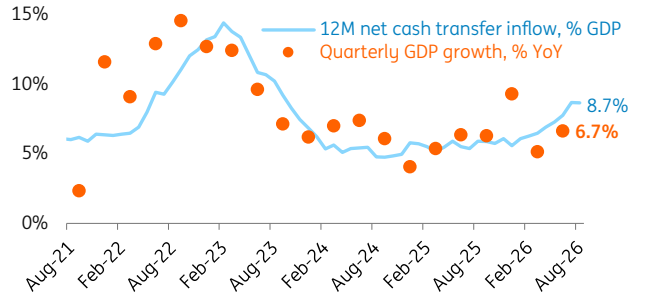
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	6.7	5.2	6.0	6.0	5.5	5.8	5.5
CPI (%YoY)*	5.1	4.3	5.0	4.5	3.9	4.6	4.4
Policy interest rate (eop, %)	6.50	6.75	7.00	7.00	7.00	7.00	7.00
3m interest rate (%)*	6.8	6.7	n/a	n/a	n/a	n/a	n/a
10yr yield (%)*	8.3	8.6	n/a	n/a	n/a	n/a	n/a
USD/AMD*	368	364	358	361	364	370	364
EUR/AMD*	420	412	405	408	422	422	418

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2029	S&P	BB-	BB-
Fiscal	Supportive	Parliamentary: 2031	Moody's	Ba3	Ba3
Monetary	Neutral	Local: 2026	Fitch	BB-	BB-

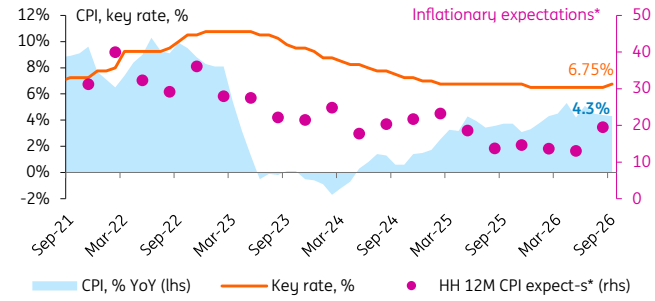
*Quarterly data is eop, annual is average; shading denotes ING forecast data
Source: National sources, ING estimates

GDP growth (% YoY) vs net cash transfer inflow (% of GDP)



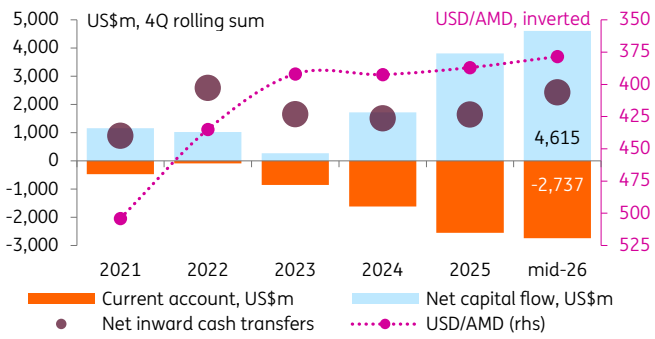
Source: National sources, CEIC, ING

Inflation, households' CPI expectations* and key rate



Source: National sources, CEIC, ING; * % of households expecting high CPI

Balance of payments, remittances and Armenian dram (AMD)



Source: National sources, CEIC, ING

Country strategy: Reliance on external flows keeps growing

Armenia has shown remarkable resilience to the global and regional challenges of 2026, supported by renewed inflows of visitors, remittances and capital. Skilful foreign policy manoeuvring and solid finances provide additional support to sentiment and insulation to the balance of payments. However, the increasing reliance on external inflows is a watch factor, as persistent twin deficits and close economic links with Russia remain important vulnerabilities. Higher CPI risks stemming from domestic demand and external cost inputs have prompted the region's first rate hike this year, with further upside risks in sight. While we remain constructive on Armenia's macro outlook and assets, we see growing exposure to foreign politics-related downside risks, while the AMD appears increasingly expensive relative to fundamentals.

Activity: Supported by the new wave of external inflows

GDP growth remains elevated at c.7% YoY on a 4Q rolling basis. Some softening in investment-heavy industries in 9M26 has been offset by stronger activity in consumption, financial services and real estate. Armenia is benefiting from additional visitor arrivals and financial inflows, with net remittances rising from a typical c.6% to c.9% of GDP. Around two-thirds of gross cash inflows originate in Russia, making it a key variable for Armenia's growth outlook. Assuming foreign policy continuity, gradual moderation of GDP growth towards c.5% pa, alongside a stable c.3.5% budget deficit, remains our base case. A material disruption to Russia-related flows of people, goods (including Russia's parallel imports) and capitals remains a downside risk and a factor to watch.

Interest rates: CPI risks triggered a precautionary hike

Inflation has hovered around 4% YoY for most of 2026. Relatively low import exposure to developed markets and c.5% YoY dram appreciation have helped contain price pressures from strong domestic demand and higher global commodity prices. Meanwhile, the deteriorating global inflation outlook, combined with regional and domestic risks, has raised concerns over further inflationary pressures among households, corporates and policymakers. With CPI likely to remain above the 3% target for longer, the Central Bank of Armenia raised the policy rate by 25bp to 6.75% in September. We do not expect this to mark the start of a prolonged hiking cycle but still see the balance of rate risks as skewed upwards.

FX: Supported, but increasingly expensive

The dram has continued to show above-expected resilience to global capital volatility in 2026, as it is supported by rising capital inflows, remittances, comfortable reserves and favourable investor sentiment linked to the peace process with Azerbaijan and positive rating trajectory. This continues to offset Armenia's sizeable current-account deficit, helping keep the currency stronger than implied by long-term valuation metrics. However, Armenia remains structurally dependent on continued external financial flows, while trade deficits and close economic links to Russia remain important vulnerabilities. We therefore expect the AMD to stay resilient to a potential global risk off in the near term but see limited room for further appreciation and continue to view longer-term risks as skewed towards gradual depreciation.

Armenia

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	0.2	7.5	5.2	7.7	-7.2	5.8	12.6	8.3	5.9	7.1	5.8	5.5	5.0
Private consumption (%YoY)	-2.1	13.7	4.9	11.5	-13.9	2.8	5.6	5.6	6.8	9.4	6.5	5.0	4.8
Government consumption (%YoY)	-2.4	-2.1	-3.0	12.9	9.2	-6.2	-2.2	28.3	-22.3	3.5	5.0	4.0	3.5
Fixed investment (%YoY)	-11.4	9.7	4.8	4.4	-1.5	23.6	14.0	10.1	11.1	14.9	6.0	5.5	5.0
Industrial production (%YoY)	6.5	12.3	4.2	9.0	-0.9	3.3	7.9	6.4	4.7	4.7	6.0	5.0	4.0
Unemployment rate (average, %)	18.0	17.8	19.0	18.3	18.2	15.5	13.5	12.4	13.4	12.8	12.7	12.5	12.3
Nominal GDP (AMDbn)	5,067	5,564	6,017	6,543	6,182	6,992	8,501	9,493	10,250	11,343	12,543	13,820	15,137
Nominal GDP (€bn)	9.5	10.2	10.5	12.2	11.1	11.7	18.4	22.4	24.1	26.0	29.7	33.0	33.2
Nominal GDP (US$bn)	10.5	11.5	12.5	13.6	12.6	13.9	19.5	24.2	26.1	29.3	33.9	38.0	40.0
GDP per capita (US$)	3,524	3,869	4,196	4,597	4,269	4,685	6,572	8,159	8,603	9,495	10,985	12,306	12,551
Gross domestic saving (% of GDP)	10.2	7.7	8.7	4.1	9.7	15.1	21.5	21.5	21.0	18.7	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	-1.4	1.0	2.5	1.4	1.2	7.2	8.6	2.0	0.3	3.3	4.6	4.4	4.3
CPI (year-end, %YoY)	-1.4	2.6	1.8	0.7	3.7	7.7	8.3	-0.6	1.5	3.3	5.0	4.5	4.0
Wage rates (nominal, %YoY)	2.3	3.2	-11.5	5.8	4.0	7.5	15.3	14.7	6.4	5.6	5.5	5.0	4.5
Fiscal balance (% of GDP)													
Consolidated government balance	-5.5	-4.8	-1.6	-0.8	-5.1	-4.5	-2.2	-1.9	-3.4	-3.5	-3.7	-3.5	-3.3
Consolidated primary balance	-3.6	-2.6	0.7	1.6	-2.4	-2.0	0.1	0.7	-0.4	-0.4	-0.5	-0.2	0.1
Total public debt	56.7	58.8	55.5	53.6	67.4	63.4	49.2	50.5	49.7	46.8	46.7	46.6	46.5
External balance													
Exports (US$bn)	1.9	2.4	2.7	3.3	2.7	3.2	5.9	8.9	13.2	8.4	8.4	8.9	9.5
Imports (US$bn)	2.9	3.8	4.5	5.0	4.0	4.7	8.2	11.8	16.2	12.3	12.7	12.4	12.4
Trade balance (US$bn)	-1.0	-1.4	-1.8	-1.7	-1.4	-1.5	-2.3	-3.0	-3.0	-3.8	-4.2	-3.5	-2.9
Trade balance (% of GDP)	-9.3	-12.2	-14.2	-12.6	-10.9	-10.8	-12.0	-12.2	-11.5	-13.1	-12.4	-9.3	-7.3
Current account balance (US$bn)	-0.1	-0.1	-0.9	-1.0	-0.5	-0.5	-0.1	-0.9	-1.6	-2.6	-2.5	-2.1	-2.0
Current account balance (% of GDP)	-1.0	-1.3	-7.2	-7.1	-4.0	-3.4	-0.4	-3.5	-6.2	-8.7	-7.4	-5.5	-5.0
Net FDI (US$bn)	0.3	0.2	0.3	0.2	0.1	0.3	0.9	0.3	0.1	0.6	0.6	0.6	0.6
Net FDI (% of GDP)	2.5	1.9	2.1	1.7	0.7	2.5	4.7	1.2	0.4	2.2	1.9	1.7	1.6
Current account balance plus FDI (% of GDP)	1.5	0.7	-5.1	-5.3	-3.3	-0.9	4.3	-2.3	-5.8	-6.5	-5.5	-3.8	-3.4
Gross international reserves (US$bn)	2.2	2.3	2.3	2.8	2.6	3.2	4.1	3.6	3.7	5.1	5.9	5.7	5.5
Import cover (months of merchandise imports)	9.2	7.3	6.0	6.8	7.8	8.2	6.0	3.7	2.7	5.0	5.6	5.5	5.3
Debt indicators													
Gross external debt (US$bn)	10.0	10.5	10.9	12.4	12.9	13.8	15.2	15.3	16.4	19.1	20.6	22.1	23.6
Gross external debt (% of GDP)	94.4	91.3	87.7	90.9	102.1	99.8	78.1	63.2	62.7	65.0	60.6	58.1	58.9
Gross external debt (% of exports)	526	441	401	374	485	431	258	172	124	226	244	249	248
Lending to corporates/households (% of GDP)	42.2	46.2	49.1	53.8	65.3	54.2	49.0	53.0	62.0	68.6	74	75	76
Interest & exchange rates													
Central bank key rate (year-end, %)	6.25	6.00	6.00	5.50	5.25	7.75	10.75	9.25	7.00	6.50	7.00	7.00	6.50
Broad money supply (average, %YoY)	24.8	28.9	13.2	21.5	14.8	12.8	13.4	22.1	19.0	22.0	27.0	25.0	20.0
3m interest rate (average, %)	8.56	6.11	6.02	5.83	5.44	7.10	10.00	10.75	8.81	7.45	n/a	n/a	n/a
3m interest rate spread over US$-Libor (ppt)	7.82	4.85	3.71	3.50	5.11	7.05	7.82	5.58	3.75	3.30	n/a	n/a	n/a
2yr yield (average, %)	11.15	7.68	7.04	6.80	6.17	8.22	10.62	11.05	9.66	8.78	n/a	n/a	n/a
10yr yield (average, %)	14.00	11.10	9.72	9.48	7.99	9.39	11.24	11.03	9.87	9.58	n/a	n/a	n/a
USD/AMD exchange rate (year-end)	484	484	484	480	523	480	394	405	397	381	358	369	388
USD/AMD exchange rate (average)	480	483	483	480	489	504	436	392	393	387	370	364	378
EUR/AMD exchange rate (year-end)	512	580	554	537	641	543	420	448	414	449	405	432	473
EUR/AMD exchange rate (average)	532	545	571	538	558	597	461	425	425	437	422	418	456
Brent oil price (annual average, US$/bbl)	45	55	72	64	43	71	99	82	80	68	87	71	72

Shading denotes ING forecast figures
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	6.4	6.3	9.3	5.2	6.7	5.2	6.0	6.0	5.5	5.5	5.0	4.5	5.0
CPI (eop, %YoY)	3.9	3.7	3.3	4.5	5.1	4.3	5.0	4.5	3.9	4.5	4.5	4.4	4.3
Central bank key rate (eop, %)	6.75	6.75	6.50	6.50	6.50	6.75	7.00	7.00	7.00	7.00	7.00	7.00	6.75
3m interest rate (eop, %)	7.37	7.35	7.22	6.76	6.79	6.67	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (eop, %)	9.88	9.53	9.04	8.59	8.32	8.61	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/AMD exchange rate (eop)	384	383	381	377	368	364	358	361	364	367	369	374	378
EUR/AMD exchange rate (eop)	453	449	448	436	420	412	405	408	422	425	432	442	452

Shading denotes ING forecast figures
Source: National sources, ING estimates

Azerbaijan



Dmitry Dolgin, Chief Economist, CIS

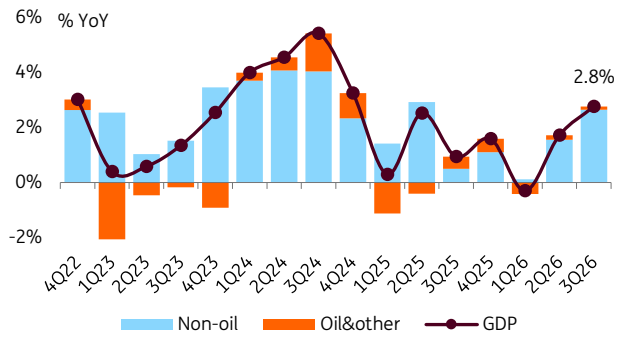
Forecast summary

	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	1.7	2.8	1.7	3.0	3.5	1.5	3.0
CPI (%YoY)*	5.8	5.4	5.8	5.9	5.3	5.7	5.4
Policy interest rate (eop, %)	6.50	6.50	6.50	6.50	6.50	6.50	6.50
3m interest rate (%)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (%)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/AZN*	1.70	1.70	1.70	1.70	1.70	1.70	1.70
EUR/AZN*	1.94	1.93	1.92	1.92	1.97	1.94	1.96

Macro trend		Political cycle	Ratings	FC	LC
Activity	–	Presidential: 2031	S&P	NR	NR
Fiscal	Neutral	Parliamentary: 2029	Moody's	Baa3	Baa3
Monetary	Neutral	Local: 2030	Fitch	BBB-	BBB-

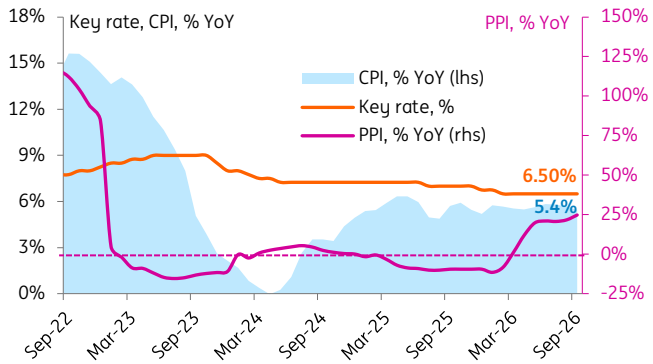
*Quarterly data is eop, annual is average; shading denotes ING forecast data
Source: National sources, ING estimates

GDP and oil/non-oil contribution (%YoY, ppt)



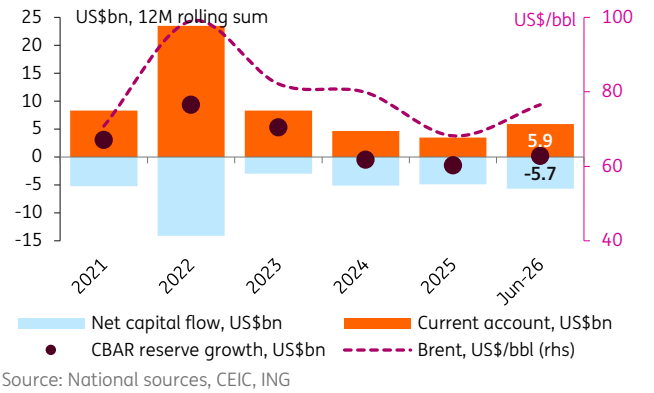
Source: National sources, CEIC, ING

Key rate, consumer prices and producer prices



Source: National sources, CEIC, ING

Balance of payments composition vs. Brent oil price



Source: National sources, CEIC, ING

Country strategy: Strong financials, uneven activity

Azerbaijan remains the CCA region's financially strongest sovereign, supported by large and growing fiscal and monetary reserve assets, low public debt and a robust external balance sheet. Higher hydrocarbon prices have strengthened the near-term fiscal and external outlook, as well as domestic confidence in the non-oil sectors. However, weak oil production, limited diversification and subdued private investment continue to constrain potential growth. Inflation is manageable for now, supporting an extended policy hold, although imported price pressures through high exposure to trading partners with high risks of upward CPI surprises, warrant caution. We remain constructive on sovereign resilience and external stability but see structurally modest growth as the main medium-term challenge.

Activity: Recovering now, but long-term growth limited

GDP growth is currently into the second year of below-average growth, dragged down by an underperforming fuel sector at the beginning of the year, reflecting both structural and temporary factors. At the same time, higher hydrocarbon prices support financial inflows, which pass through to the wider economy, supporting confidence in the non-fuel sectors. Retail trade and non-fuel industry output have been accelerating throughout 2026 amid faster lending activity. While the consolidated budget remains in surplus thanks to fuel revenues, the stable non-oil deficit supports domestic demand. Following the extended fuel-led slowdown of economic activity in 2025-26, we expect growth to recover in the medium term. However, the potential growth rate appears capped at 2-3% unless economic diversification accelerates.

Monetary policy: CPI risks manageable, rates on hold

Inflation risks have recently shifted somewhat to the upside, as food prices and higher global transport and commodity costs have renewed pressure on Azerbaijan's producer price index. However, the exchange-rate peg remains a strong nominal anchor, limiting pass-through to consumer prices. With CPI still within the 4±2% target range, we expect the refinancing rate to remain on hold over the medium term. However, further imported inflation linked to developments in the Middle East is the main upside risk, given Azerbaijan's trade exposure to the eurozone and other economies sensitive to global cost input pressures. For now, further policy adjustment appears unnecessary unless price pressures become materially more persistent and tip the CPI sustainably above 6%.

External balance: Buffers reinforced by oil

As on the fiscal side, higher oil prices have materially improved the external outlook, reversing much of the deterioration seen in 2025. As each US$10/bbl of oil price adds annual exports of around 4% of GDP, in 2026F the current account surplus may exceed 10% of GDP. In the meantime, sovereign assets equivalent to 115% of GDP keep growing and continue to provide substantial protection against potential external shocks. These buffers remain the main support for the AZN peg and broader macro stability. Over the longer term, however, declining hydrocarbon production and limited export diversification risk is likely to gradually erode the external surplus. Azerbaijan remains one of the region's strongest external stories, although commodity dependence continues to shape its medium-term outlook.

Azerbaijan

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	-3.1	0.2	1.5	2.5	-4.2	5.6	4.7	1.4	4.2	1.4	1.5	3.0	2.5
Real oil GDP (%YoY)	0.1	-5.3	0.5	0.4	-6.5	1.4	-2.5	-2.5	0.1	-1.9	-1.5	0.5	0.0
Real non-oil GDP (%YoY)	-4.4	2.7	2	4	-2.9	7.1	9.0	4.5	6.5	2.7	2.5	4.5	4.0
Investment (%YoY)	-21.7	2.8	-4.3	5.5	-7.3	-4.5	3.3	9.8	2.4	-5.6	4.0	4.0	3.5
Industrial production (%YoY)	-0.5	-3.5	1.5	1.8	-4.0	5.0	-1.1	-0.7	1.1	-0.9	-0.5	2.0	1.5
Unemployment rate (average, %)	5.0	5.0	4.9	4.9	6.4	6.4	5.8	5.6	5.4	5.3	5.2	5.2	5.2
Nominal GDP (AZNbn)	60.4	70.3	80.1	81.9	72.6	93.2	134.0	123.1	126.5	129.1	138.4	150.3	162.2
Nominal GDP (€bn)	34.2	36.2	39.9	43.0	37.4	46.3	74.7	67.0	68.8	67.2	71.0	76.9	79.6
Nominal GDP (US$bn)	37.9	40.9	47.1	48.2	42.7	54.8	78.8	72.4	74.4	75.9	81.4	88.4	95.4
GDP per capita (US$)	3,929	4,199	4,798	4,851	4,269	5,458	7,806	7,133	7,295	7,413	7857	8451	9032
Gross domestic saving (% of GDP)	28	31	35	31	23	34	45	32	30	25	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	12.4	12.9	2.3	2.6	2.8	6.7	13.9	8.8	2.2	5.6	5.7	5.4	5.3
CPI (year-end, %YoY)	15.7	7.9	1.6	2.3	2.6	12.0	14.4	2.1	4.9	5.2	5.8	5.5	5.0
Wage rates (nominal, %YoY)	7.0	5.7	3.0	16.6	11.4	3.4	14.7	11.2	8.1	9.3	8.1	7.4	6.8
Fiscal balance (% of GDP)													
Consolidated government balance	0.3	-1.5	5.9	9.1	-6.5	4.2	5.4	8.2	4.0	2.6	3.4	1.7	1.7
Consolidated primary balance	2.4	0.9	8.7	10.9	-4.4	6.3	6.7	9.1	5.1	4.2	4.3	2.6	2.7
Total public debt	20.6	22.5	18.7	17.7	21.3	26.3	17.3	21.8	21.6	20.1	20.9	22.0	23.1
External balance													
Exports (US$bn)	13.2	15.2	20.8	19.9	12.6	21.7	42.2	29.2	26.0	24.1	29.1	25.3	26.1
Imports (US$bn)	9.0	9.0	11.0	11.3	10.1	10.4	13.5	16.4	17.2	17.7	17.4	17.4	18.2
Trade balance (US$bn)	4.2	6.1	9.8	8.5	2.5	11.3	28.7	12.8	8.8	6.4	11.7	8.0	7.9
Trade balance (% of GDP)	11.1	15.0	20.9	17.7	5.9	20.6	36.4	17.7	11.9	8.4	14.4	9.0	8.3
Current account balance (US$bn)	-1.4	1.7	6.1	4.4	-0.2	8.3	23.5	8.3	4.7	3.5	9.0	4.9	4.3
Current account balance (% of GDP)	-3.6	4.1	12.8	9.1	-0.5	15.1	29.8	11.5	6.3	4.6	11.0	5.6	4.5
Net FDI (US$bn)	1.9	0.3	-0.8	-1.4	-0.8	-2.2	-5.1	-2.1	-1.0	-1.0	-1.0	-1.0	-1.0
Net FDI (% of GDP)	5.1	0.7	-1.7	-2.9	-1.8	-4.1	-6.5	-2.9	-1.3	-1.3	-1.2	-1.1	-1.0
Current account balance plus FDI (% of GDP)	1.5	4.9	11.1	6.2	-2.3	11.0	23.3	8.6	5.0	3.3	9.8	4.4	3.5
Gross international reserves (US$bn)	7.3	7.0	6.7	7.1	7.8	8.3	10.8	13.7	12.7	13.6	18.6	17.6	15.6
Import cover (months of merchandise imports)	9.7	9.3	7.3	7.5	9.3	9.5	9.5	10.1	8.9	9.2	12.8	12.1	10.3
Debt indicators													
Gross external debt (US$bn)	14.5	15.3	16.5	16.4	16.4	15.6	15.5	15.0	12.2	13.2	15.2	16.2	17.2
Gross external debt (% of GDP)	38.2	37.4	34.9	34.1	38.4	28.4	19.6	20.7	16.4	17.4	18.7	18.3	18.0
Gross external debt (% of exports)	109.5	101.0	79.2	82.7	130.2	71.8	36.6	51.3	46.9	54.8	52.2	64.0	65.9
Lending to corporates/households (% of GDP)	27.2	16.7	16.3	18.7	20.0	18.4	15.1	19.5	23.1	24.7	25.7	26.2	26.5
Interest & exchange rates													
Central bank key rate (year-end, %)	15.00	15.00	9.75	7.50	6.25	7.25	8.25	8.00	7.25	6.75	6.50	6.50	6.00
Broad money supply (average, %YoY)	-1.9	9.0	5.7	20.0	1.1	18.7	23.6	5.3	3.2	7.2	12.1	10.4	8.8
3m interest rate (Bakibor, average, %)	13.5	20.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3m interest rate spread over US$-Euribor (ppt)	1279	1936	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/AZN exchange rate (year-end)	1.77	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
USD/AZN exchange rate (average)	1.60	1.72	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
EUR/AZN exchange rate (year-end)	1.90	2.04	1.95	1.91	2.08	1.93	1.81	1.88	1.76	2.00	1.92	1.99	2.02
EUR/AZN exchange rate (average)	1.77	1.94	2.01	1.90	1.94	2.01	1.79	1.84	1.84	1.92	1.94	1.96	2.05
Brent oil price (annual average, US$/bbl)	45	55	72	64	43	71	99	82	80	68	87	71	72

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	2.5	0.9	1.6	-0.3	1.7	2.8	1.7	3.0	3.5	2.0	3.5	3.0	2.5
CPI (eop, %YoY)	6.0	5.7	5.2	5.8	5.8	5.4	5.8	5.9	5.3	5.3	5.5	5.4	5.3
Central bank key rate (eop, %)	7.25	7.00	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.25
3m interest rate (eop, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (eop, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/AZN exchange rate (eop)	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
EUR/AZN exchange rate (eop)	2.00	1.99	2.00	1.96	1.94	1.93	1.92	1.92	1.97	1.97	1.99	2.02	2.04

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates

Bulgaria



Valentin Tataru, Chief Economist | Stefan Posea, Economist

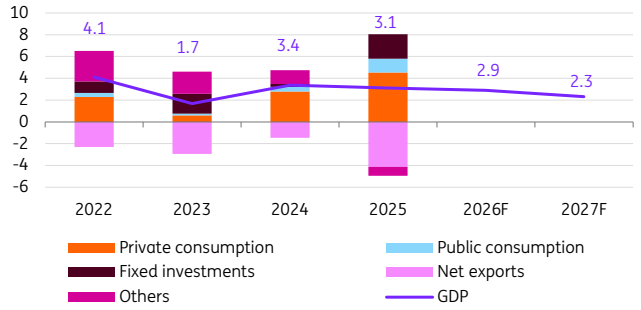
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	2.6	2.7	2.5	2.4	2.2	2.9	2.3
CPI (%YoY)*	5.4	5.6	5.7	4.4	3.2	5.2	3.4
Base interest rate (%)**	2.35	2.50	2.75	2.75	2.75	2.75	2.50
5yr yield (%)*	3.20	4.1	4.1	4.2	4.1	4.1	4.0

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2026	S&P	BBB+	BBB+
Fiscal	Loose	Parliamentary: 2030	Moody's	Baa1	Baa1
Monetary	Loose	Local: 2027	Fitch	BBB+	BBB+

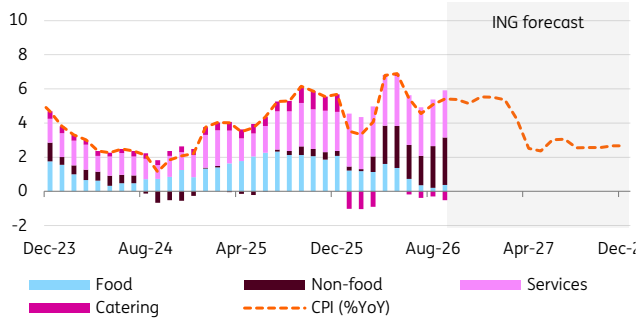
*Quarterly data is eop. annual is average; **ECB Depo Rate as of 1 January 2026
Shading denotes ING forecast data
Source: National sources. ING estimates

Real GDP (%YoY) and contributions (ppt)



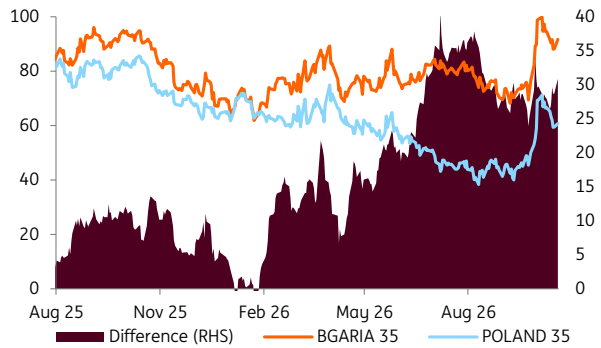
Source: NSI, ING

Inflation (%YoY) and main components (ppt)



Source: NSI, ING

BGARIA EUR credit spreads vs POLAND (bp)



Source: Refinitiv, ING

Country strategy: Getting on the right fiscal trajectory

Bulgaria enters the post-euro period with a stronger institutional and financial anchor, but also with a less comfortable macroeconomic mix. Domestic demand remains strong, supported by rapid wage growth, a tight labour market and robust public investments. At the same time, elevated inflation, accelerating credit and widening twin deficits expose the trade-offs from an increasingly procyclical policy stance. The alignment of bank reserve requirements with euro-area standards has also improved domestic funding conditions, supporting financial deepening but increasing the importance of macroprudential policy as credit growth and property prices accelerate. Low public debt remains an important buffer, but recurring expenditure commitments are gradually narrowing the margin for error.

Growth remains resilient, but increasingly unbalanced

Economic activity has carried solid momentum into the second half of the year, with private consumption and investment continuing to drive growth. However, much of the strength in domestic demand is leaking into imports, while exports and industrial production remain weak. Household spending should continue to benefit from strong wage growth and a tight labour market, while the final phase of RRF implementation should support public investment. Even so, growth is likely to moderate as inflation erodes real income gains, fiscal support becomes less expansionary and rising household debt gradually constrains consumption. The key question is whether the public-investment push can generate a stronger private-investment cycle.

Inflation: Services pressures remain the main concern

Inflation remains elevated, with persistent services pressures, higher energy costs and strong domestic demand offsetting the more recent easing in food inflation. Tight labour-market conditions continue to push up labour costs, while the euro changeover may have generated some rounding and repricing effects, although these do not appear to be the main driver. Disinflation should resume as demand growth normalises, fiscal policy becomes less supportive and the revised minimum-wage framework moderates wage pressures. The outlook nevertheless remains exposed to second-round effects from the fiscal impulse and to the risk of a more prolonged energy shock.

Sovereign credit: Scope for a rebound

While Bulgaria entered this year with optimism from the official entry into the Eurozone, underperformance in the market has been driven by political uncertainty, given the snap elections seen in April, along with fiscal deterioration. With the political situation seemingly stabilised for now and a more realistic fiscal path being drawn out in terms of gradual consolidation after this year's budget deficit widening, we see scope for an improvement in performance heading into 2027. Current valuations offer space for compression against the likes of Poland and Croatia, along with the potential to retighten against Eurozone hopeful Hungary.

James Wilson, EM Sovereign Strategist

Bulgaria

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	3.0	2.7	2.5	3.8	-3.2	7.8	4.1	1.7	3.4	3.1	2.9	2.3	2.0
Private consumption (%YoY)	2.1	2.5	3.7	6.0	-0.4	8.6	3.9	1.1	5.0	7.8	6.0	3.0	2.7
Government consumption (%YoY)	2.2	4.3	5.3	2.0	8.3	0.5	8.0	1.1	3.6	7.0	2.1	1.8	1.7
Investment (%YoY)	-6.6	3.2	5.4	4.5	0.6	-8.3	6.5	9.2	1.4	11.3	4.4	3.0	3.0
Industrial production (%YoY)	2.5	4.0	0.3	0.5	-6.6	9.5	13.9	-8.4	-3.7	-7.2	-2.5	3.5	3.7
Unemployment rate (eop, %)	7.7	6.7	5.7	5.2	6.1	5.2	4.2	4.3	4.2	3.5	3.5	3.7	3.9
Nominal GDP (€bn)	48.7	52.5	56.1	61.3	61.9	71.4	86.3	94.5	104.7	116.0	121.2	126.5	132.5
Nominal GDP (US$bn)	51.2	63.0	64.4	68.7	75.6	81.2	92.4	104.3	108.4	136.3	137.0	148.0	160.3
GDP per capita (US$)	6,200	6,500	6,800	7,900	7,800	8,900	12,100	12,800	14,200	15,100	15,600	16,200	16,000
Gross domestic saving (% of GDP)	23.9	24.2	23.8	24.0	22.7	23.2	23.8	23.9	22.9	20.7	19.0	18.1	17.3
Prices													
CPI (average %YoY)	-0.8	2.1	2.8	3.1	1.7	3.3	15.3	9.6	2.4	4.6	5.2	3.4	3.8
CPI (year-end %YoY)	0.1	2.8	2.7	3.8	0.1	7.8	16.9	4.7	2.2	5.0	5.7	2.7	3.8
Wage rates (nominal %YoY)	7.0	10.5	7.4	12.0	8.6	12.0	13.7	14.5	15.3	11.6	9.0	7.5	6.0
Fiscal balance (% of GDP)													
Consolidated government balance	0.3	1.6	1.7	2.2	-3.8	-4.0	-2.9	-2.0	-3.0	-3.5	-5.9	-5.0	-4.3
Consolidated primary balance	1.2	2.4	2.4	2.7	-3.3	-3.5	-2.5	-1.5	-2.5	-2.7	-5.1	-4.2	-3.8
Total public debt	29.1	25.1	22.1	20.1	24.4	23.8	22.5	22.9	23.8	29.9	32.3	35.5	37.3
External balance													
Exports (€bn)	23.1	26.9	27.7	29.1	27.3	34.4	47.1	43.5	43.5	43.0	45.2	47.4	49.8
Imports (€bn)	24.1	27.7	30.4	32.0	29.2	37.3	52.2	47.4	48.8	53.8	57.0	60.5	64.1
Trade balance (€bn)	-1.0	-0.8	-2.7	-2.9	-1.9	-2.9	-5.1	-3.9	-5.3	-10.8	-11.9	-13.0	-14.3
Trade balance (% of GDP)	-2.0	-1.5	-4.8	-4.7	-3.1	-4.0	-5.9	-4.1	-5.1	-9.3	-9.8	-10.3	-10.8
Current account balance (€bn)	1.5	1.7	0.4	1.0	1.0	0.1	-1.2	-1.1	-0.6	-6.7	-7.3	-7.0	-4.8
Current account balance (% of GDP)	3.0	3.2	0.7	1.7	1.6	0.2	-1.4	-1.2	-0.5	-5.7	-6.0	-5.5	-3.6
Net FDI (€bn)	1.3	1.7	1.5	2.0	2.3	1.1	3.7	4.2	2.3	3.3	3.4	3.5	3.5
Net FDI (% of GDP)	2.7	3.3	2.7	3.2	3.7	1.5	4.3	4.4	2.2	2.8	2.8	2.7	2.7
Current account balance plus FDI (% of GDP)	5.7	6.5	3.4	4.9	5.3	1.7	2.9	3.3	1.6	-2.9	-3.2	-2.8	-0.9
Foreign exchange reserves (€bn)	21.6	21.4	22.8	23.1	28.8	30.5	36.1	39.4	38.7	34.9	5.0	4.4	4.3
Import cover (months of merchandise imports)	10.8	9.3	9.0	8.6	11.8	9.8	8.3	10.0	9.5	7.8	1.1	0.9	0.8
Debt indicators													
Gross external debt (€bn)	38.1	37.7	37.2	37.7	38.6	41.3	44.2	45.8	50.7	58.8	61.7	64.2	66.8
Gross external debt (% of GDP)	78	72	66	62	62	58	51	48	48	51	51	51	50
Gross external debt (% of exports)	165	140	134	130	142	120	94	105	116	137	137	135	134
Lending to corporates/households (% of GDP)	52.0	49.8	50.4	49.7	51.3	48.1	44.7	45.2	48.0	49.5	50.9	52.1	53.1
Interest & exchange rates													
Base interest rate (year-end %)*	0.00	0.00	0.00	0.00	0.00	0.00	1.30	3.80	3.04	2.15	2.75	2.50	2.50
Broad money supply (average %YoY)	7.6	7.7	8.8	9.9	10.9	10.7	17.2	9.7	8.5	6.3	6.6	6.9	7.3
3yr yield (average %)	0.36	0.08	-0.05	-0.20	0.05	-0.05	2.26	3.10	3.20	2.55	3.20	3.70	3.55
5yr yield (average %)	0.79	0.35	0.03	0.06	0.11	0.09	2.42	3.59	3.32	2.80	3.45	4.10	3.70

*ECB Depo Rate as of 1 January 2026; shading denotes ING forecast figures
Source: National sources. ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	3.5	3.0	3.1	2.9	2.6	2.7	2.5	2.4	2.2	2.3	2.3	2.0	1.9
CPI (eop. %YoY)	4.4	5.6	5.0	4.1	5.4	5.6	5.7	4.4	3.2	2.6	2.7	2.9	3.2
Base interest rate (eop. %)*	2.00	2.00	2.00	2.00	2.35	2.50	2.75	2.75	2.75	2.75	2.50	2.50	2.50
5yr yield (eop. %)	2.88	2.61	2.62	2.89	3.20	4.1	4.1	4.2	4.1	4.1	4.0	3.9	3.8

*ECB Depo Rate as of 1 January 2026; shading denotes ING forecast figures
Source: National sources. ING estimates

Croatia



Valentin Tataru, Chief Economist | Stefan Posea, Economist

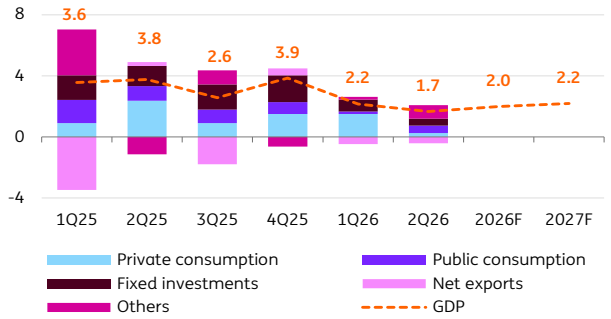
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	1.7	2.3	1.6	2.2	2.5	2.0	2.2
HICP (%YoY)*	4.2	4.3	4.5	4.2	3.8	4.3	3.8
CPI (%YoY)	4.5	4.8	4.3	3.2	3.3	4.5	3.1
Key interest rate (eop,%)	2.35	2.50	2.75	2.75	2.75	2.75	2.50
10yr yield (%)*	3.39	4.09	4.18	4.15	4.05	3.80	4.10

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2029	S&P	A	A
Fiscal	Stimulative	Parliamentary: 2028	Moody's	A3	A3
Monetary	Stimulative	Local: 2029	Fitch	A-	A-

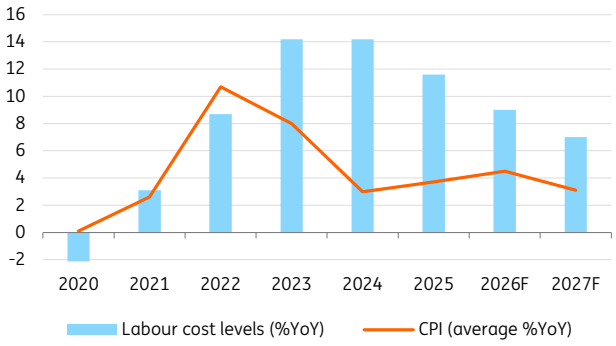
*Quarterly data is eop, annual is average; shading denotes ING forecast data
Source: National sources, ING estimates

Real GDP (YoY%) and contributions (ppt)



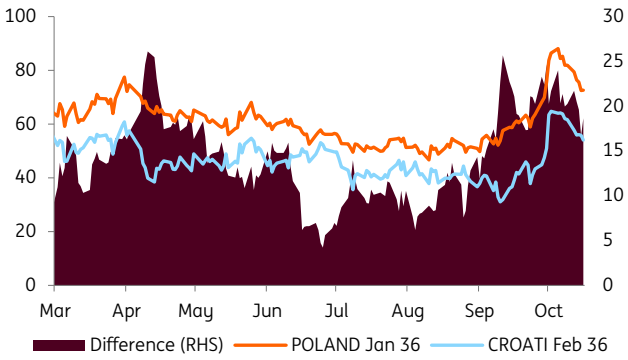
Source: Eurostat, ING

Inflation and labour costs



Source: Eurostat, ING

CROATI EUR credit spreads vs POLAND (bp)



Source: Refinitiv, ING

Country strategy: Still in good shape

Croatia's economy continues to outperform the euro area, supported by resilient consumption, a tight labour market and the final phase of RRF-funded investment. However, growth has slowed more visibly in 2026, as sticky inflation, rising labour costs and weaker tourism have taken their toll on activity. Fiscal policy remains supportive, although strong nominal revenues should keep the deficit close to 3% of GDP and allow public debt to decline gradually. At the same time, a widening current-account deficit highlights the growing gap between still-solid domestic demand and the economy's external earning capacity. Political stability and a solid sovereign rating remain important buffers, while a key medium-term objective resides in the rotation of the RRF-driven investment and cohesion funding towards greater private investment.

Growth: Domestic demand remains supportive

Economic growth has lost momentum during 2026 and we now expect a GDP annual expansion of around 2.0% for the year, down from 3.4% in 2025. Household consumption has remained robust overall but showed signs of weakness in the second quarter, while investment continued to benefit from the final RRF absorption push and other EU-funded projects. Nevertheless, elevated inflation has been weighing on purchasing power, financing conditions have become less supportive, and net exports remain a drag on output. Growth should remain above the euro-area average, but the end of the RRF cycle means that sustaining investment and productivity gains will increasingly become more dependent on private-sector projects.

Inflation: Easing only gradually

Inflation has eased from its spring peak but remains elevated, reflecting energy costs and vigorous wage growth, with pressures remaining particularly evident across domestic services. While the currently tight labour market continues to support household spending, it has also fuelled price pressures across the tourism, construction and other labour-intensive sectors, adding some headwinds to competitiveness. Tourism should remain an important buffer for the economy, although rising revenues increasingly reflect higher prices rather than stronger volumes. Looking ahead, inflation risks remain tilted to the upside, particularly from renewed energy-price pressures, adverse weather effects on food prices and persistent second-round effects from wage growth and services inflation.

Sovereign credit: No news is good news

With a combination of political noise and fiscal pressures a key worry for much of Europe (both EM and DM), Croatia continues to stand out as something of a safe haven given its relative stability. Steady growth, a sharp reduction in government debt ratios (30% of GDP reduction since 2020) and solid EU inflows mean Croatia continues to see a strong fundamental profile. Valuations put the country as one of the tightest names in the EM space, and tighter than some of the more troubled names in Western Europe, with 5-year paper offering around 20bp in z-spread, and around 60bp on the 10-year. This offers limited scope for further tightening, but Croatia should remain a solid low-beta option.

James Wilson, EM Sovereign Strategist

Croatia

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	3.6	3.4	3.0	3.4	-8.5	13.0	7.0	3.1	3.5	3.4	2.0	2.2	2.0
Private consumption (%YoY)	3.2	3.2	3.4	4.1	-5.2	10.6	6.9	3.3	6.0	2.5	2.0	2.8	2.6
Government consumption (%YoY)	1.1	2.1	2.2	2.8	3.5	2.8	2.2	6.6	7.3	4.2	2.5	2.5	3.5
Investment (%YoY)	5.0	1.6	3.9	9.0	-5.0	4.9	10.7	22.7	5.3	6.2	4.0	3.0	2.0
Industrial production (%YoY)	4.8	1.9	-0.7	0.6	3.4	6.3	1.6	-2.0	-2.4	3.8	2.0	3.0	4.0
Unemployment rate (year-end, %)	13.5	10.5	8.1	6.6	9.0	6.7	7.0	6.0	5.4	4.9	4.0	4.2	4.4
Nominal GDP (€bn)	47.6	49.9	52.2	54.9	50.7	58.3	67.6	79.2	85.9	92.7	98.7	104.4	110.8
Nominal GDP (US$bn)	53	56	62	61	58	69	71	86	93	105	113	120	133
GDP per capita (US$)	12,600	13,600	15,100	15,100	14,500	17,700	18,300	22,000	23,900	27,100	29,200	31,200	34,700
Gross domestic saving (% of GDP)	21.2	21.6	21.8	22.0	16.9	19.9	20.6	21.4	20.4	20.4	20.9	21.5	22.2
Prices													
HICP (average, %YoY)	-0.6	1.3	1.6	0.8	0.0	2.7	10.6	8.5	4.0	4.4	4.3	3.8	3.9
HICP (year-end, %YoY)	0.7	1.3	1.0	1.3	-0.3	5.2	12.7	5.4	4.5	3.8	4.5	3.6	4.1
CPI (average, %YoY)	-1.1	1.1	1.5	0.8	0.1	2.6	10.7	8.1	3.0	3.7	4.5	3.1	3.7
CPI (year-end, %YoY)	0.2	1.2	0.9	1.4	-0.7	5.5	12.9	4.6	3.3	3.3	4.3	3.4	3.8
Wage rates (net nominal, %YoY)	2.5	5.3	4.3	3.5	4.7	3.1	8.7	14.2	14.2	11.6	8.0	6.0	5.0
Fiscal balance (% of GDP)													
Consolidated government balance	-1.0	0.6	-0.1	0.2	-7.2	-2.5	0.1	-0.8	-1.9	-2.8	-2.9	-2.8	-2.8
Consolidated primary balance	2.0	3.3	2.2	2.4	-5.3	-1.0	1.5	0.8	-0.4	-1.4	-1.4	-1.3	-1.4
Total public debt	79.1	76.0	72.6	70.4	86.5	78.2	68.5	60.9	57.4	56.2	56.1	56.0	55.9
External balance													
Exports (€bn)	12.3	14.0	14.5	15.2	14.9	18.4	24.1	22.9	24.0	25.2	26.2	27.3	28.3
Imports (€bn)	19.7	21.9	23.7	25.0	22.9	28.4	41.9	39.6	42.8	44.8	46.7	48.6	50.7
Trade balance (€bn)	-7.4	-7.9	-9.2	-9.8	-8.0	-10.0	-17.8	-16.7	-18.8	-19.6	-20.5	-21.4	-22.3
Trade balance (% of GDP)	-15.5	-15.8	-17.6	-17.8	-15.8	-17.2	-26.3	-21.1	-21.9	-21.2	-20.7	-20.5	-20.2
Current account balance (€bn)	1.1	1.8	0.9	1.2	-1.0	0.2	-2.4	0.1	-1.9	-3.3	-3.4	-3.3	-3.2
Current account balance (% of GDP)	2.3	3.6	1.7	2.2	-1.5	0.3	-3.5	0.1	-2.2	-3.6	-3.4	-3.2	-2.9
Net FDI (€bn)	2.0	1.1	1.1	3.5	0.9	3.3	4.1	1.8	1.6	2.6	2.7	2.7	2.8
Net FDI (% of GDP)	4.3	2.2	2.1	6.3	1.8	5.7	6.1	2.3	1.9	2.8	2.7	2.6	2.5
Current account balance plus FDI (% of GDP)	6.6	5.8	3.8	8.5	0.3	6.1	2.5	2.4	-0.3	-0.8	-0.8	-0.6	-0.4
Foreign exchange reserves ex gold (€bn)	13.5	15.7	17.4	18.6	18.9	25.0	27.9	3.3	3.8	4.3	4.4	4.4	5.4
Import cover (months of merchandise imports)	8.2	8.6	8.8	8.9	9.9	10.6	8.0	1.0	1.1	1.2	1.1	1.1	1.3
Debt indicators													
Gross external debt (€bn)	45.1	43.9	42.8	40.6	41.3	47.2	49.8	60.8	57.0	62.3	66.3	70.2	74.5
Gross external debt (% of GDP)	94.6	88.0	82.0	73.9	81.4	80.9	73.7	76.8	66.4	67.2	67.2	67.2	67.2
Gross external debt (% of exports)	366	313	294	267	277	257	206	265	238	247	253	258	263
Lending to corporates/households (% of GDP)	60.3	56.5	54.7	53.3	61.0	53.8	51.0	49.1	50.8	50.5	50.6	50.7	50.7
Interest & exchange rates													
Central bank key rate (year-end, %)*	-0.40	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	2.00	2.75	2.50	2.50
3yr yield (average, %)	1.70	1.20	0.70	0.15	0.15	0.10	3.00	3.15	2.40	2.36	3.12	3.05	3.00
10yr yield (average, %)	3.00	2.50	2.40	0.60	0.65	0.85	4.00	3.00	3.10	3.14	3.80	4.10	3.80
EUR/USD (average)	1.05	1.20	1.15	1.12	1.22	1.14	1.07	1.10	1.04	1.17	1.13	1.17	1.22
EUR/USD (end-period)	1.11	1.13	1.18	1.12	1.14	1.18	1.05	1.08	1.08	1.13	1.14	1.15	1.21

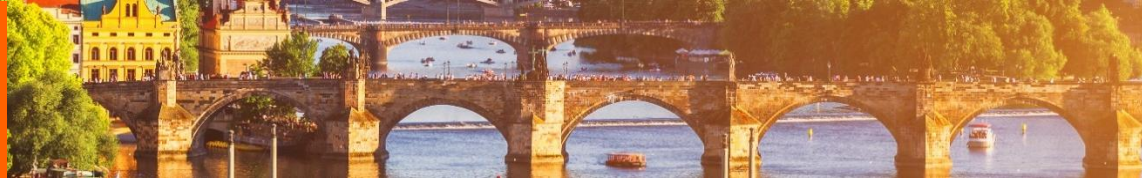
*ECB key rate as of 1 January 2023; shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	3.8	2.6	3.9	2.2	1.7	2.3	1.6	2.2	2.5	2.1	1.9	1.8	1.7
HICP (eop, %)	4.3	4.6	3.8	4.6	4.2	4.3	4.5	4.2	3.8	3.8	3.6	3.7	3.8
CPI (eop, %YoY)	3.7	4.1	3.3	4.8	4.5	4.8	4.3	3.2	3.3	3.0	3.4	3.4	3.7
Central bank key rate (eop, %)*	2.00	2.00	2.00	2.00	2.35	2.50	2.75	2.75	2.75	2.75	2.50	2.50	2.50
10yr yield (eop, %)	3.09	3.09	3.14	3.60	3.39	4.09	4.18	4.15	4.05	4.00	4.00	3.90	3.90

*ECB key rate as of 1 January 2023; shading denotes ING forecast data
Source: National sources, ING estimates

Czech Republic



David Havrlant, Chief Economist, Czech Republic

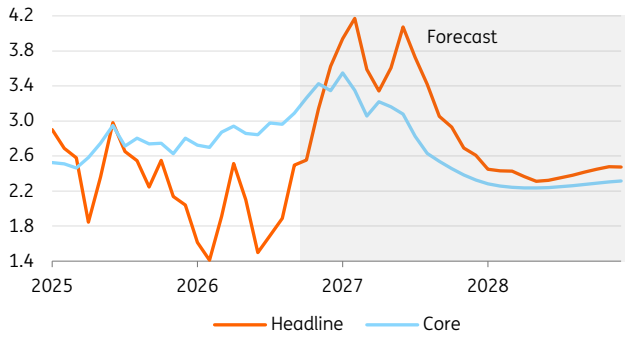
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	1.8	1.7	1.5	2.0	2.3	1.8	2.3
CPI (%YoY)*	1.5	2.5	3.6	3.5	4.0	2.2	3.4
Policy interest rate (%)	3.75	3.75	4.00	4.00	4.00	4.00	4.00
3m interest rate (%)*	3.8	3.9	4.2	4.2	4.2	3.8	4.2
10yr yield (%)*	4.5	5.3	5.3	5.1	5.1	4.9	5.1
USD/CZK*	21.0	21.1	21.8	21.8	21.8	21.1	21.8
EUR/CZK*	24.2	24.3	24.4	24.3	24.3	24.3	24.3

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2028	S&P	AA-	AA
Fiscal	Looser	Parliamentary: 2029	Moody's	Aa3	Aa3
Monetary	Neutral	Local: 2030	Fitch	AA-	AA-

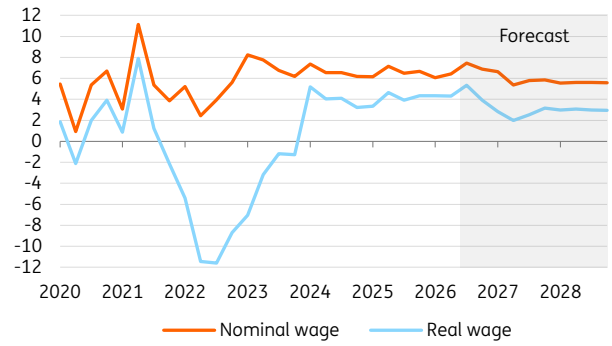
*Quarterly data is eop, annual is avg. Shading denotes ING forecast data
Source: National sources, ING estimates

Inflation will take centre stage (% YoY)



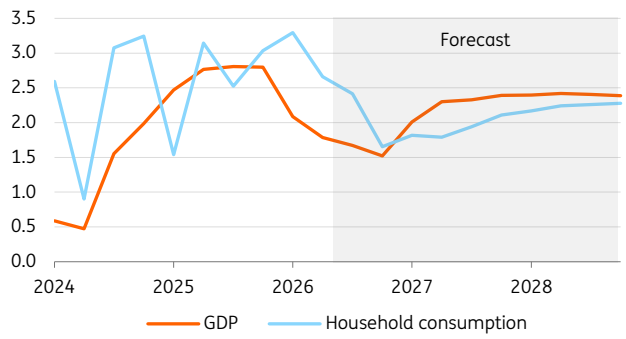
Source: CNB, ING, Macrobond

Real wage growth set to ease (% YoY)



Source: CZSO, ING, Macrobond

Economic growth to turn hesitant (% YoY)



Source: CZSO, ING, Macrobond

Country strategy: Higher inflation amid slower expansion

The global negative supply shock has propelled inflation upward and is now also taking its toll on economic activity, delivering a textbook outcome. Renewed growth in regulated and food prices is set to follow punchy fuel price gains, as Hormuz second-round effects start to materialise. Real GDP growth is set to slow to a mediocre pace, while the surge in inflation is set to cap real wage growth at the year turn. That said, manufacturing is proving resilient and will lend support to economic activity. Firms' profitability may erode due to rising input costs amid ample competition. The CNB is likely to opt for a tighter monetary policy, as the weaker koruna contributes to domestic price pressures via galloping import prices. Still, the currency is set to withstand potential bond market turmoil, as fragile French finances may cause the ECB to hesitate. The Czech fiscal position remains comparatively strong, despite some recent easing.

Real purchasing power to come under pressure

Second round effects stemming from the Hormuz conflict are set to foster higher headline inflation over the coming quarters, with regulated and food prices flipping into annual growth at the year turn. The energy distributors have already started passing higher purchase prices on to customers and, with global oil and natural gas prices expected to remain elevated for longer, this is only set to gain momentum over the coming months. Food price tags are set to surge over the coming year, fuelled by higher fertilizer and transport costs. The sub-average crop yields in the Czech Republic and other European countries will only exacerbate price pressures. Furthermore, it is complicated to get Ukrainian crops to the market, given the low level of the Danube River and the Odesa port blockade. A weaker koruna only contributes to galloping import prices. Taking all this into account, we expect average headline inflation to strengthen from 2.2% this year to 3.4% next year.

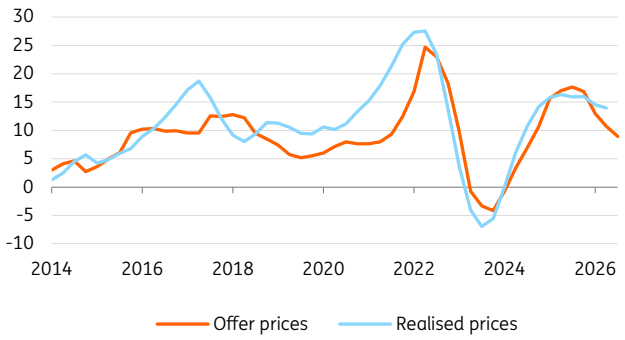
The punchier inflation will take its toll on real wage growth, which we expect to slow from a robust 4.5% on average this year to 2.6% next year. Such a tangible slowdown in wages would have profound consequences for domestic spending, as it will get tougher for some medium- and many low-income households to make ends meet. Spenders may hit the brakes for precautionary reasons or due to budgetary constraints in anticipation of price surges in essential areas of expenditure, such as electricity, heating or food. Moreover, significant price increases in these segments may readily feed into inflation expectations.

We see an overall nominal wage gain of just below 6% in 2027, despite the plans for robust wage increases in the public sector of around 8% and an 11% rise in the minimum wage. The public sector accounts for up to a quarter of all employed. Firms are unlikely to be willing or able to proceed with upbeat wage rises with profitability coming under pressure. Input costs are surging, while the ability to raise end-prices is limited due to the intense global competition, especially from China. When profit margins erode, firms typically scale back investment plans and rein in wage growth. Against this backdrop, real GDP growth is set to slow to 1.8% this year before only gradually regaining momentum, provided the global environment does not deteriorate further. Given the inflation outlook and the weaker koruna, we expect the CNB to tighten monetary policy further. A somewhat looser fiscal stance may reinforce the case for a hawkish policy bias among Czech policymakers.

Czech Republic

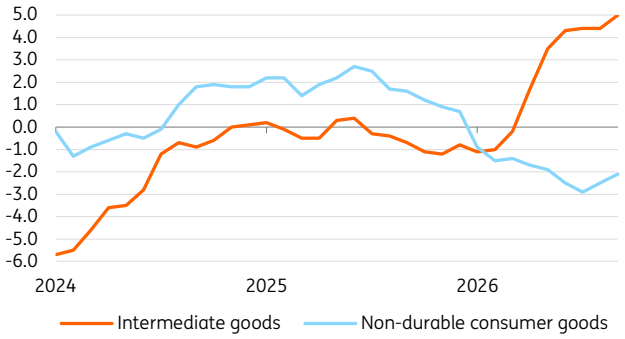
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Upbeat property price dynamics set to cool down (% YoY)



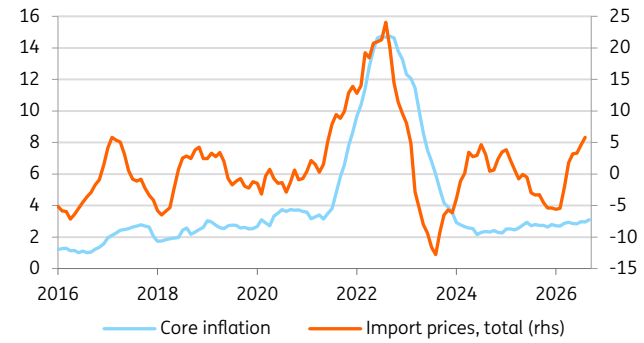
Source: CZSO, Macrobond

Input costs surge as global competition intensifies (% YoY)



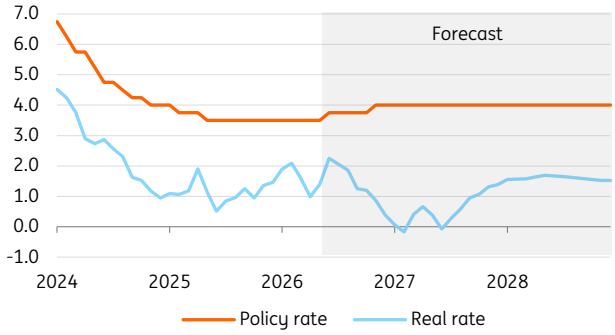
Source: CZSO, Macrobond

Import prices affect core inflation with a lag (% YoY)



Source: CZSO, CNB, Macrobond

Real interest rates about to fade (%)



Source: CNB, ING, Macrobond

Softer housing market to calm future core inflation

Annual house price growth is set to cool noticeably this year from an average of 16% in 2025. At the same time, construction output recorded its first year-on-year drop in August after returning positive numbers for almost two years. We expect this to have profound implications for the still punchy annual gains in imputed rents, which account for just over a fifth of the core inflation basket. Indeed, imputed rents are significantly affected by the cost of materials and labour in the construction sector, along with property price dynamics. We forecast some cooling in the housing market this year, though the timing of the pass-through into core inflation remains uncertain. House price changes seem to take effect almost immediately, while it can take a couple of months for other factors to filter through.

Pressured profitability curbs wage gains

Firms' profit margins have started to come under pressure, already weighing on confidence in September's PMI release. Indeed, energy prices for European manufacturers are significantly higher than those faced by their global competitors. At the same time, China continues to expand industrial capacity and is competing aggressively across a broad range of sectors. Investment plans and wage increases are first to come under scrutiny when profitability dwindles. European ETS1 emission allowances are adding to this pain and contributing to concerns about Europe's industrial competitiveness and deindustrialisation. If ETS2 is fully implemented, we anticipate further pressure on SMEs in particular. Czech industry is moving onto firmer ground, though we believe that the boost from Hormuz-related pre-stocking may fade.

Weaker koruna contributes to galloping import prices

Import prices have continued their upward trend on the back of surging energy and material prices following the escalation of the Ukrainian and Middle Eastern conflicts. The weakening domestic currency has also started to add to import price pressures, largely reflecting the recent sell-off in government bonds stimulated by the global bond market turmoil. In any case, import prices affect all price segments to some extent, and are likely to feed into core inflation with some lag. This adds to the upside risk of an expected inflation surge at the turn of the year, which we believe warrants close attention from the central bank. We saw an acceleration in goods prices in September's CPI and expect more is to come in October.

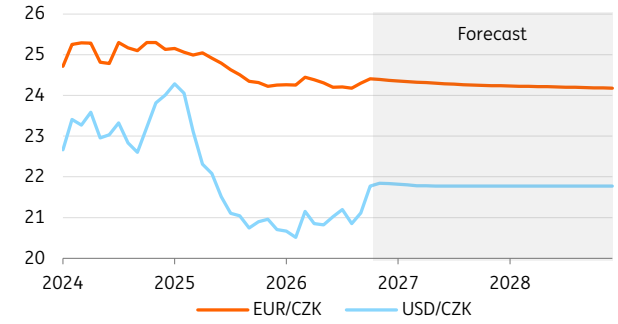
Higher rates needed to keep inflation in check

Surging inflation is set to keep real interest rates compressed until the middle of next year. Add in the weaker koruna and the general monetary policy stance does not appear restrictive. Given the slowing economy, the koruna's key advantages - the punchy interest rate differential and growth outperformance relative to the eurozone - could lose their luster somewhat. Therefore, we anticipate that the CNB will raise rates in November and attach a 30% probability to another hike in December. Still, we do not see this as the start of a conventional hiking cycle, as the economy is set to continue operating below its potential. In fact, we see the equilibrium rate as higher than generally assumed, as geopolitical conflicts continue and keep resource costs structurally higher. The cost of capital must adjust accordingly if price stability is to be secured.

Czech Republic

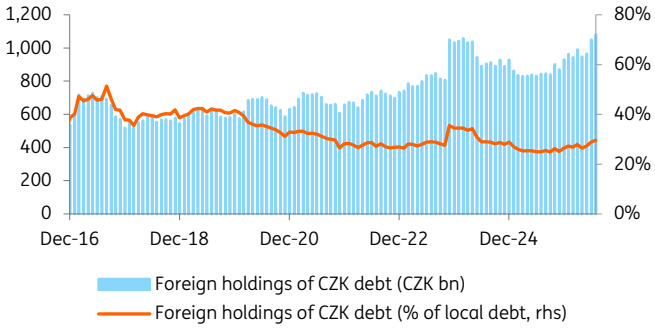
Strategy

FX: Spot vs forward and INGF



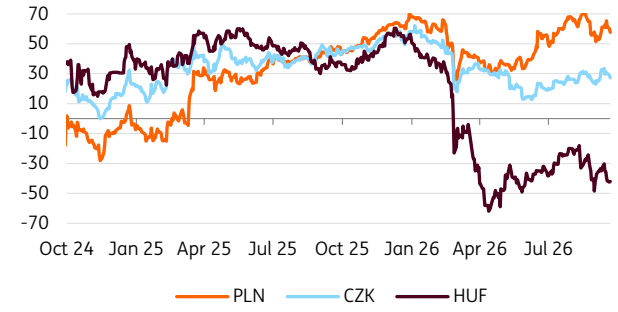
Source: Eikon, ING

Foreign holders of CZGB (%)



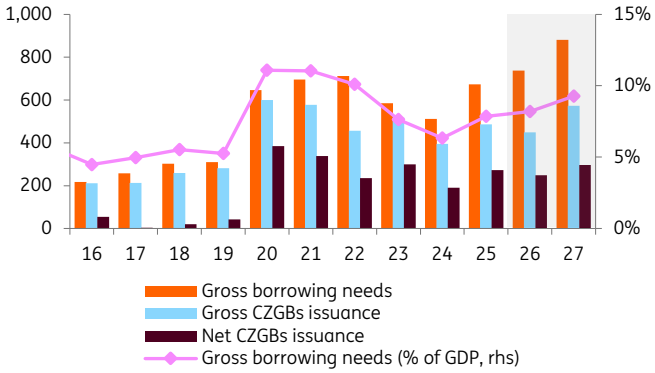
Source: MinFin, ING

Local IRS curve (2s10s, bp)



Source: Refinitiv, ING

CZGBs issuance outlook



Source: MinFin, ING estimates

FX strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist)*

The koruna remains a remarkably stable currency within the EM and CEE space amid heightened geopolitical uncertainty, elevated energy prices and a strong US dollar. We believe the CZK remains a safe haven among its peers for investors. On the one hand, the economy remains resilient to global challenges and supply shocks. On the other, the CNB remains the most hawkish central bank in the region, a stance reflected in aggressive rate pricing that provides a degree of protection.

The interest rate differential remains the primary driver for EUR/CZK, more so than energy prices or the strength of the US dollar relative to peers, in our view. We expect the CNB to adopt an even more hawkish stance in the coming months as our forecast for inflation heads above 4% in January. Conversely, a weaker economy and fiscal issues in the Eurozone are exerting downward pressure on the outlook for front-end rates. Overall, we believe the koruna will retain its safe-haven status within the CEE region and outperform its CEE peers in the face of persistent geopolitical uncertainty and high energy prices.

We expect EUR/CZK to move closer to 24.00 into the year end.

Fixed Income strategy *(Frantisek Taborsky, EMEA FX & FI Strategist)*

The CNB reinforced market hawkish sentiment with an unexpected rate hike in June, making it the only central bank in CEE to tighten monetary conditions so far. Inflation has remained well-behaved to date, but this is expected to change by the end of the year and especially in the first quarter of next year, when our forecast sees inflation temporarily rising above 4%.

The market is currently pricing in roughly 110bp of CNB rate hikes, which remains higher than our own forecast. On the other hand, we see few reasons for market pricing to ease. The front end is driven primarily by energy prices, which are heavily dependent on the geopolitical situation. Consequently, we anticipate that pricing will remain elevated, or that a hawkish CNB will give the market reason to price in even more hikes. Meanwhile, long-end rates are already reaching highs last seen during the Covid years. We believe curves will begin to invert, as happened during the previous hiking cycle.

In the bond market, next year will bring an approximately 28% increase in gross CZGB issuance, driven by a combination of a larger public finance deficit and record-high maturities. At the same time, we anticipate a decision early next year to exclude the Czech Republic from the GBI-EM index (a benchmark for local-currency emerging-market government bonds), which would trigger significant foreign outflows from the market. This, combined with CNB rate hikes, makes us bearish on CZGBs.

Czech Republic

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	2.5	5.4	2.8	3.5	-5.3	4.0	2.9	0.2	1.1	2.7	1.8	2.3	2.4
Private consumption (%YoY)	3.5	4.5	3.4	3.0	-6.6	4.1	0.4	-2.7	2.5	2.6	2.5	1.9	2.2
Government consumption (%YoY)	2.4	1.7	3.5	2.6	4.1	1.5	0.4	3.2	3.1	2.2	1.4	2.4	2.3
Investment (%YoY)	-2.2	3.2	8.9	7.3	-4.8	6.6	6.3	4.5	-2.6	3.3	6.3	3.5	2.8
Industrial production (%YoY)	2.5	6.6	3.0	-0.5	-6.8	6.1	2.2	-0.8	-1.0	2.1	1.6	--	--
Unemployment rate (year-end, %)	3.6	2.5	2.1	2.1	3.2	2.3	2.4	2.8	2.7	3.2	3.6	3.6	3.4
Nominal GDP (CZKbn)	4841	5187	5483	5892	5831	6306	7048	7670	8067	8577	8953	9470	10018
Nominal GDP (€bn)	179	197	214	230	220	246	287	320	321	347	368	390	414
Nominal GDP (US$bn)	198	222	252	257	251	291	302	346	347	392	424	435	460
GDP per capita (US$)	18842	21059	23915	24340	23901	27709	28061	31722	31912	35942	38807	39764	42043
Gross domestic saving (% of GDP)	26.6	27.5	26.9	27.3	26.9	28.8	28.2	29.8	29.8	30.2	30.4	30.2	30.3
Prices													
CPI (average, %YoY)	0.7	2.5	2.1	2.8	3.2	3.8	15.1	10.7	2.4	2.5	2.2	3.4	2.4
CPI (year-end, %YoY)	2.0	2.4	2.0	3.2	2.3	6.6	15.8	6.9	3.0	2.0	3.6	2.6	2.5
Wage rates (nominal, %YoY)	4.4	6.8	8.1	7.9	4.6	5.8	4.3	7.2	6.6	6.6	6.7	5.9	5.6
Fiscal balance (% of GDP)													
Consolidated government balance	0.7	1.5	0.9	0.3	-5.6	-5.0	-3.0	-3.7	-2.0	-2.2	-2.8	-3.4	-2.8
Consolidated primary balance	1.6	2.2	1.6	1.0	-4.9	-4.2	-2.0	-2.5	-1.3	-0.8	-1.2	-1.4	-1.4
Total public debt	36.2	33.8	31.7	29.6	36.9	40.7	42.5	42.2	43.2	44.2	45.8	47.2	47.6
External balance													
Exports (€bn)	142	157	167	168	149	166	183	192	187	197	206	214	222
Imports (€bn)	127	138	150	152	135	158	174	177	170	181	191	198	206
Trade balance (€bn)	6.1	6.2	3.8	5.7	6.8	-0.4	-8.3	5.2	8.8	8.1	5.5	6.2	7.4
Trade balance (% of GDP)	3.4	3.2	1.8	2.5	3.1	-0.1	-2.9	1.6	2.7	2.3	1.5	1.6	1.8
Current account balance (€bn)	3.2	3.0	0.8	0.8	3.9	-5.1	-13.5	-0.4	5.5	2.5	-2.2	1.6	2.5
Current account balance (% of GDP)	1.8	1.5	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.7	0.7	-0.6	0.4	0.6
Net FDI (€bn)	-6.9	-1.7	-2.0	-5.3	-5.6	-1.1	-3.4	-3.2	-0.6	-2.0	-2.9	-1.9	-1.7
Net FDI (% of GDP)	-3.9	-0.9	-0.9	-2.3	-2.6	-0.5	-1.2	-1.0	-0.2	-0.6	-0.8	-0.5	-0.4
Current account balance plus FDI (% of GDP)	-2.1	0.7	-0.5	-2.0	-0.8	-2.5	-5.9	-1.1	1.5	0.2	-1.4	-0.1	0.2
Foreign exchange reserves ex gold (€bn)	81	120	125	132	134	149	129	138	141	147	149	150	151
Import cover (months of merchandise imports)	7.6	10.3	10.0	10.3	11.8	10.7	7.4	8.1	8.3	8.2	8.4	8.5	8.6
Debt indicators													
Gross external debt (€bn)	129	171	172	173	165	185	193	195	209	234	251	264	278
Gross external debt (% of GDP)	72.3	86.9	80.2	75.2	74.7	75.1	67.4	60.9	65.0	67.5	68.3	67.7	67.2
Gross external debt (% of exports)	91.2	109.1	102.9	102.4	110.2	111.0	105.8	101.2	111.8	119.1	122.0	123.5	125.2
Lending to corporates/households (% of GDP)	48.3	48.1	48.4	47.7	50.6	49.3	47.5	45.8	46.1	45.9	46.8	46.6	46.7
Interest & exchange rates													
Central bank key rate (year-end, %)	0.05	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	3.50	4.00	4.00	4.00
Broad money supply (average, %YoY)	8.6	9.5	5.3	6.9	10.0	9.5	5.3	7.4	7.0	3.2	5.1	4.5	4.7
3m interest rate (Pribor, average, %)	0.29	0.42	1.32	2.12	0.77	1.25	6.39	7.10	4.87	3.59	3.78	4.24	4.24
3m interest rate spread over Euribor (ppt)	0.55	0.75	1.64	2.48	1.20	1.79	6.04	3.67	1.30	1.41	1.30	1.42	1.64
2yr yield (average, %)	-0.29	-0.22	0.97	1.44	0.43	1.42	5.26	5.13	3.78	3.60	4.20	4.25	4.20
10yr yield (average, %)	0.46	1.03	1.99	1.54	1.10	1.97	4.42	4.46	4.02	4.27	4.91	5.08	4.99
USD/CZK exchange rate (year-end)	25.65	21.69	22.70	22.94	21.62	22.32	22.91	22.44	24.01	20.70	21.83	21.78	21.78
USD/CZK exchange rate (average)	24.45	23.38	21.74	22.93	23.22	21.68	23.35	22.20	23.23	21.90	21.14	21.78	21.78
EUR/CZK exchange rate (year-end)	27.03	25.66	25.83	25.49	26.30	25.22	24.26	24.49	25.13	24.26	24.37	24.24	24.18
EUR/CZK exchange rate (average)	27.03	26.33	25.65	25.67	26.46	25.64	24.56	24.00	25.12	24.69	24.31	24.29	24.21

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	2.8	2.8	2.8	2.1	1.8	1.7	1.5	2.0	2.3	2.3	2.4	2.4	2.4
CPI (eop, %YoY)	3.0	2.2	2.0	1.9	1.5	2.5	3.6	3.5	4.0	3.0	2.6	2.4	2.3
Central bank key rate (eop, %)	3.50	3.50	3.50	3.50	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00
3m interest rate (eop, %)	3.49	3.51	3.52	3.57	3.83	3.87	4.24	4.24	4.24	4.24	4.24	4.24	4.24
10yr yield (eop, %)	4.23	4.54	4.54	4.93	4.54	5.30	5.25	5.15	5.08	5.01	4.99	4.99	4.99
USD/CZK exchange rate (eop)	21.51	20.74	20.70	21.15	21.02	21.11	21.83	21.78	21.78	21.78	21.78	21.78	21.78
EUR/CZK exchange rate (eop)	24.80	24.35	24.26	24.45	24.20	24.30	24.37	24.33	24.29	24.25	24.24	24.22	24.21

Shading denotes ING forecast data
Source: National sources, ING estimates

Hungary



Péter Virovácz, Chief Economist, Hungary

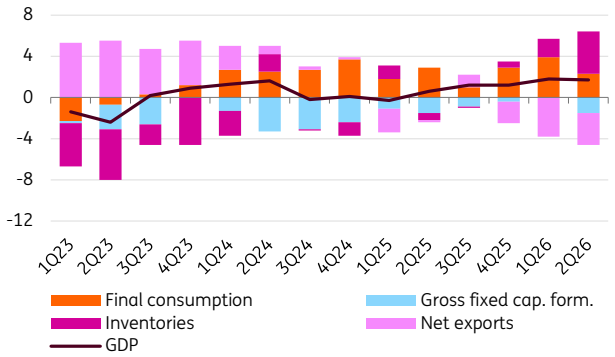
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	1.7	1.6	2.5	2.3	3.3	1.9	3.1
CPI (%YoY)*	1.7	1.6	2.2	2.3	2.9	1.8	2.8
Policy interest rate (eop, %)	6.00	5.50	5.25	4.75	4.50	5.25	4.25
3m interest rate (%)*	5.69	5.50	5.10	4.65	4.35	5.78	4.41
10yr yield (%)*	5.03	5.78	5.05	5.46	4.99	5.74	5.18
USD/HUF*	320.8	324.6	314.2	318.6	310.3	320.9	312.0
EUR/HUF*	355.1	366.3	355.0	360.0	360.0	365.9	358.8

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2027	S&P	BBB-	BBB-
Fiscal	Restrictive	Parliamentary: 2030	Moody's	Baa2	Baa2
Monetary	Restrictive	Local: 2029	Fitch	BBB	BBB

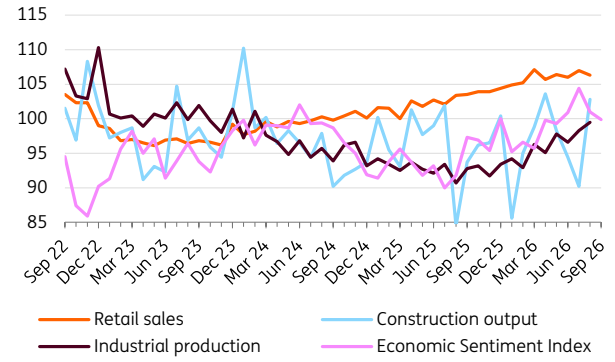
*Quarterly data is eop, annual is avg. Shading denotes ING forecast data
Source: National sources, ING estimates

Contribution to YoY GDP growth (ppt)



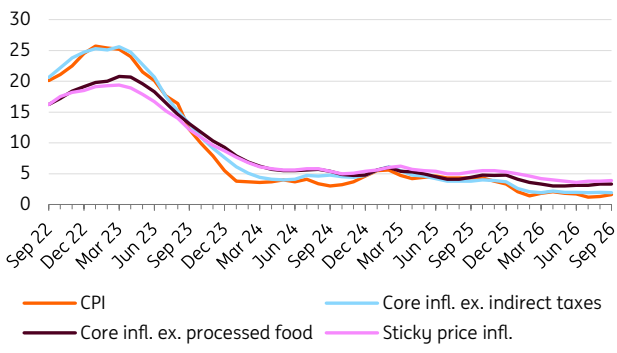
Source: Hungarian Central Statistical Office

Key activity indicators (swda; 2015 = 100%)



Source: Eurostat, Hungarian Central Statistical Office

Headline and underlying measures of inflation (%YoY)



Source: National Bank of Hungary

Country strategy: Entering the credibility-building phase

Hungary has weathered the recent market storms uncharacteristically well. The antidote is called the "road to the euro". Policymakers have laid the foundations, and the project is entering its credibility-building phase. A credible medium-term fiscal plan, official talks on ERM II and progress towards the Maastricht criteria should put Hungary into a convergence corridor. At the end of that road, we see euro adoption in 2032 at the earliest. If all goes well, interest-rate convergence will follow, while keeping the forint stable remains a must. A 2-3% GDP growth and a 2-3% inflation environment in the years ahead provide solid macro foundations. Targeted measures will support consumption, EU funds and better sentiment will revive investment activity, while new export capacities strengthen external balances. Sovereign rating upgrades from 2027 would be the icing on the cake.

Macro digest

In the first half of 2026, the Hungarian economy grew by 1.8% on a yearly basis, slightly stronger than we expected six months ago. The Hungarian economy has now expanded for five consecutive quarters on a quarterly basis, confirming that it has left behind the preceding three-and-a-half-year period of stagnation. However, the details leave us somewhat less satisfied with the quality of growth. On the production side, agriculture contracted sharply due to the drought and heatwaves. Construction fell due to a lack of both private and public projects, while manufacturing expanded, with services delivering modest growth. On the demand side, household consumption continued to rise at a fast pace, while investment fell by 3.8% YoY, continuing the decline since mid-2022. Hence, the growth structure remained heavily one-sided, with net exports acting as a significant drag mostly due to the booming import activity.

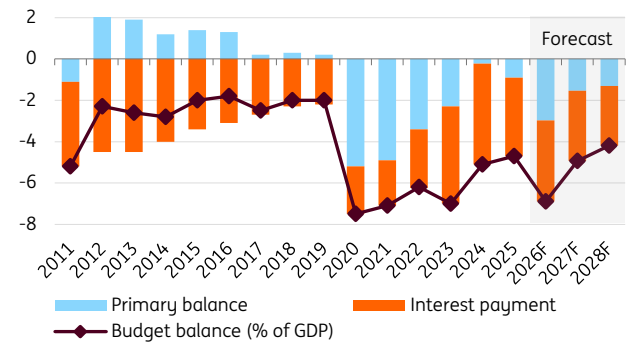
Looking ahead, the short-term outlook remains fundamentally positive, but the recovery is unlikely to shift into a much higher gear immediately. We expect GDP growth of 1.9% in 2026, with consumption remaining the main engine, supported by rising real disposable income and improving consumer confidence. Investment could recover towards year-end as EU funds increasingly feed into activity, although the weak starting point remains a concern. At the same time, net exports are likely to weigh on growth this year. Further ahead, stronger domestic demand and an eventual recovery in external demand could push GDP growth towards 3% in 2027-28. However, nearly four years of stagnating capital stock, weak investment dynamics and adverse demographic trends increasingly limit the economy's potential to sustain growth materially above 3% without creating internal or external imbalances.

Inflation continues to deliver downside surprises. Headline inflation accelerated from 1.3% to just 1.6% YoY in September, significantly less than expected, despite a 5.9% monthly jump in fuel prices. The key message is the continued weakness of underlying price pressures: core inflation fell to 1.9% YoY, while food and services prices declined on a monthly basis. Despite the weaker forint, elevated wage costs and higher energy prices, there is still no sign of a broad-based wave of price increases. The new 2.5% inflation target from 2028 could increasingly anchor price-setting decisions and contain underlying price pressures. Nevertheless, accumulated cost pressures may still be passed on during the usual repricing period, pushing headline inflation towards 3.5% by next summer. We expect average inflation of 1.8% in 2026 and around 2.8% in 2027. Domestic price developments remain consistent with further monetary easing, although external conditions will determine its timing.

Hungary

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Budget and primary balance of general government (%)

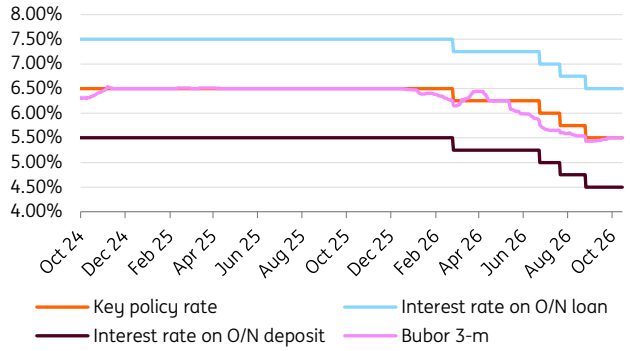


Source: AMECO, ING estimates

Fiscal credibility faces a major test

The revised 2026 budget targets a deficit of 7.5% of GDP, although we see room for an overperformance of around 0.5ppt, mainly due to stronger consumption and strict expenditure control. We expect a credible, front-loaded medium-term consolidation, focused primarily on expenditure and without conventional austerity measures, complying with EDP rules. A declining yield environment should generate sizeable savings on debt servicing, complemented by less wasteful public spending. However, open questions remain on the road to euro adoption. Market-distorting windfall and sectoral taxes will need to be addressed, while the utility cost reduction scheme may also require an overhaul. Consolidation will be a balancing act, but a credible path could clearly strengthen the convergence story.

Benchmark policy rate and interest rate corridor

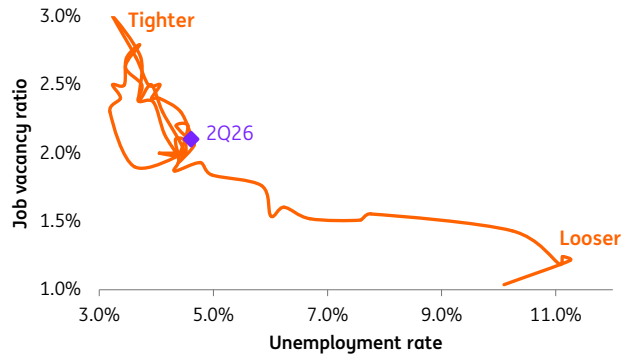


Source: National Bank of Hungary

Further monetary easing is still on the cards

The NBH kept the base rate at 5.50% in September, pressing the pause button after the summer's mini rate-cut cycle. Policymakers have re-enabled a flexible, data-driven approach, leaving the door open for further easing. Domestic conditions certainly support this: subdued price pressures and improving inflation expectations are consistent with lower rates, while the new 2.5% target from 2028 provides an additional anchor. The main constraint is the external environment, with forint vulnerability, elevated yields and energy prices still calling for caution. A credible fiscal path and progress towards ERM II could lower Hungary's risk premium and create room to act. We see one more 25bp cut this year, taking the base rate to 5.25%, followed by another 100bp of easing in 2027.

Unemployment and job vacancy (Beveridge-curve)

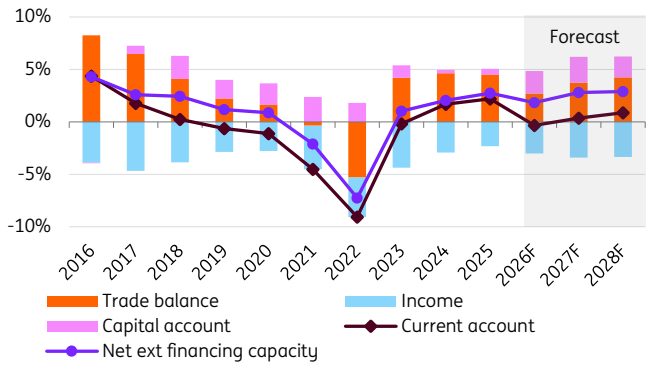


Source: Hungarian Central Statistical Office, ING estimates

The labour market is cracking, but not breaking

The Hungarian labour market is showing signs of weakness again. In August, unemployment rose to 4.7%, while employment declined amid demographic pressures and workforce rationalisation. However, persistent supply-side constraints should limit large-scale layoffs. We maintain our forecast for average unemployment of around 4.5% in 2026, with upside risks from prolonged geopolitical uncertainty. Wage growth is gradually slowing, but real wage growth remains exceptionally strong. The planned 14% minimum wage hike for 2027 looks unsustainable; we expect a rise of around 5%, complemented by personal income tax cuts for below-median earners. Longer term, structural labour shortages and continued wage convergence will increasingly force companies to boost efficiency and productivity.

Structure of the current account (% of GDP)



Source: National Bank of Hungary, ING estimates

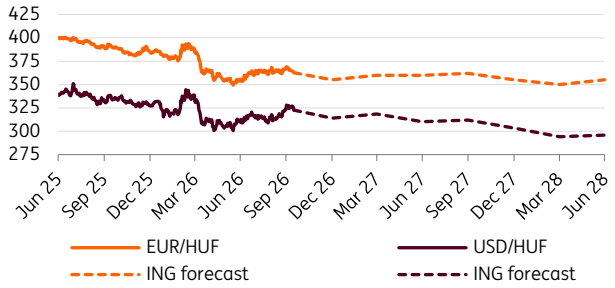
External balances to become an FX stabiliser

External balances have remained resilient despite the global energy shock from geopolitics and local weather. The ramp-up of new industrial capacities is increasingly supporting goods exports, while services exports continue to expand strongly. Nevertheless, we expect the current account to slip into a small deficit this year before gradually returning to surplus in the coming years. The financing side should become increasingly supportive as well, with recovering FDI inflows and EU funds significantly improving Hungary's net external financing capacity. Together with stronger export capacity, this should allow the already record-high FX reserves to rise further. This would strengthen a much-needed line of defence on the road to a potential ERM II entry in 2029.

Hungary

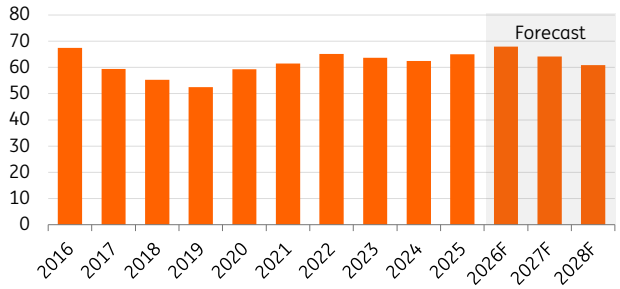
Strategy

FX: Spot and INGF



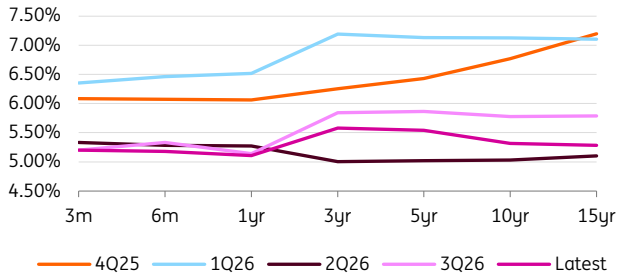
Source: National Bank of Hungary, ING estimates

Evolution of gross external debt (% of GDP)



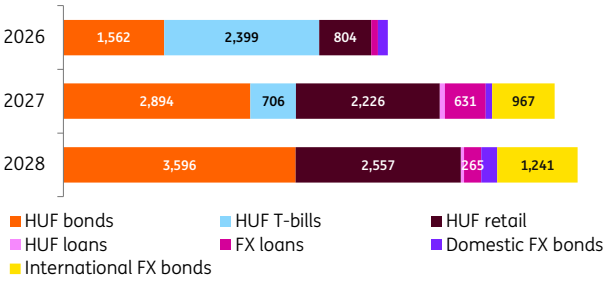
Source: National Bank of Hungary, ING estimates

Local curve (%)



Source: Government Debt Management Agency

Public debt redemption profile (end-Jun 2026, HUFbn)



Source: Government Debt Management Agency

FX strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist)*

EUR/HUF has shown some volatility recently, but the swings have been far more moderate than in the past. Positioning and the euro adoption story provide some insulation from global market turbulence, although the forint remains sensitive to energy prices and broader risk sentiment. The NBH's focus on FX stability and the pause in its easing cycle also provide support.

The next major catalyst should be domestic. We expect the 2027 budget and the medium-term fiscal consolidation plan to provide a credibility boost, especially if accompanied by official talks on joining ERM II. A credible package could significantly reduce Hungary's risk premium and take EUR/HUF towards the 350-355 area in the short term. Improving external balances and rising FX reserves should add another layer of support. Such a move, combined with the benign inflation backdrop, would give the NBH more room to ease and pave the way for a December rate cut.

However, we do not expect the appreciation trend to continue indefinitely. Once monetary easing resumes, the narrowing rate advantage should put the HUF on a mild depreciation path over the subsequent 12 months. We expect a 25bp cut in December and another 100bp of easing in 2027. Yet, with the risk premium structurally lower, we see limited room for a major reversal. This would make 350-355 more of a stepping stone than a new equilibrium. We see EUR/HUF settling around 360-365 as we approach a possible ERM II entry in 2029.

Fixed income strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist and James Wilson, EM Sovereign Strategist)*

Hungary remains one of the most crowded trades within emerging markets, and there is certainly further potential for spread compression relative to peers and core markets. However, the main risks are crowded long positioning as well as the amount of good news is already priced in. At the same time, global factors are once again playing a role in the Hungarian market, and we have seen sell-offs as well across HUF assets since the April elections. We remain bullish on the local story but are looking for better entry levels to re-establish previous exposure. In particular, long-end HGB and rate spreads versus the euro should see further compression, and we expect continued curve flattening here, despite levels already being deeply inverted.

While the overall story remains positive for Hungary, we continue to see less value in the Eurobond market, relative to local markets. FX issuance for the year has been completed, while front-loading supply early in 2027 is likely. The composition of issuance could shift slightly more towards EUR as the country moves closer to euro adoption. As with local markets, a strong and credible budget plan could offer more scope for spreads to compress relative to higher-rated peers. However, expectations are already elevated for significant consolidation to be announced, and valuations do not offer much scope for upside. REPHUN €40s have seen spreads compress by 90bp YTD relative to BGARIA €38s, and the pickup for Hungary in general is now in the range of 10-20bp over Bulgaria and 20-40bp over Poland.

Hungary

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	2.4	4.1	5.6	5.1	-4.3	7.2	4.1	-0.7	0.7	0.7	1.9	3.1	2.8
Private consumption (%YoY)	4.2	4.9	4.1	4.6	-0.7	4.7	6.3	-1.2	6.1	3.1	3.8	4.2	3.3
Government consumption (%YoY)	0.5	3.8	4.3	9.5	3.7	2.5	0.6	3.9	-5.9	2.7	3.1	1.9	0.2
Investment (%YoY)	-10.5	19.9	16.4	12.9	-7.3	6.3	-1.2	-4.7	-9.8	-4.1	-2.5	5.1	4.2
Industrial production (%YoY)	0.9	4.6	3.5	5.6	-6.0	9.5	6.1	-5.5	-4.1	-3.2	4.9	7.7	4.9
Unemployment rate (year-end, %)	4.1	3.5	3.3	2.9	4.2	3.8	3.8	4.3	4.3	4.4	4.6	4.4	4.2
Nominal GDP (HUFbn)	36,314	39,338	43,557	47,941	48,801	55,549	65,914	75,333	81,506	87,308	91,890	98,425	104,537
Nominal GDP (€bn)	117	127	137	147	139	155	168	197	206	219	251	274	293
Nominal GDP (US$bn)	129	144	161	165	159	183	177	213	223	248	286	315	353
GDP per capita (US$)	13,220	14,746	16,604	17,014	16,388	19,017	18,392	22,232	23,338	25,982	30,178	33,406	37,528
Gross domestic saving (% of GDP)	30.4	29.9	31.3	31.1	29.3	30.7	29.0	30.6	28.5	27.1	26.1	26.1	26.3
Prices													
CPI (average, %YoY)	0.4	2.4	2.8	3.4	3.3	5.1	14.5	17.6	3.7	4.4	1.8	2.8	2.8
CPI (year-end, %YoY)	1.8	2.1	2.7	4.0	2.7	7.4	24.5	5.5	4.6	3.3	2.2	3.0	2.5
Wage rates (nominal, %YoY)	6.2	12.9	11.3	11.9	9.0	8.7	17.6	14.0	13.2	9.0	9.3	5.5	6.2
Fiscal balance (% of GDP)													
Consolidated government balance	-1.8	-2.5	-2.0	-2.0	-7.5	-7.1	-6.2	-7.0	-5.1	-4.7	-6.9	-4.9	-4.2
Consolidated primary balance	1.3	0.2	0.3	0.2	-5.2	-4.9	-3.4	-2.3	-0.3	-1.0	-3.1	-1.5	-1.3
Total public debt	74.6	72.0	68.8	65.0	78.7	76.2	74.1	73.2	73.5	74.4	77.1	77.0	76.6
External balance													
Exports (€bn)	93.0	100.7	104.9	109.1	105.0	119.2	142.4	149.8	144.5	148.7	164.5	178.7	189.0
Imports (€bn)	83.3	92.6	99.3	104.8	99.4	117.6	151.8	141.6	135.8	140.0	155.8	170.3	178.9
Trade balance (€bn)	9.7	8.1	5.5	4.3	5.6	1.6	-9.5	8.2	8.7	8.7	8.7	8.4	10.1
Trade balance (% of GDP)	8.3	6.3	4.0	2.9	4.0	1.0	-5.6	4.2	4.2	4.0	3.5	3.1	3.5
Current account balance (€bn)	5.1	2.3	0.3	-0.9	-1.6	-7.0	-15.3	-0.3	3.5	4.8	-0.8	1.0	2.6
Current account balance (% of GDP)	4.4	1.8	0.2	-0.6	-1.1	-4.5	-9.1	-0.2	1.7	2.2	-0.3	0.3	0.9
Net FDI (€bn)	3.7	4.9	5.4	3.0	4.5	6.6	7.9	5.4	4.3	3.6	4.2	5.9	5.3
Net FDI (% of GDP)	3.2	3.9	3.9	2.0	3.3	4.2	4.7	2.8	2.1	1.6	1.7	2.2	1.8
Current account balance plus FDI (% of GDP)	7.5	5.7	4.2	1.4	2.1	-0.3	-4.4	2.6	3.8	3.8	1.3	2.5	2.7
Foreign exchange reserves ex gold (€bn)	24.0	22.6	25.8	26.5	31.8	30.8	30.8	30.1	32.6	32.2	50.1	53.9	56.5
Import cover (months of merchandise imports)	3.5	2.9	3.1	3.0	3.8	3.1	2.4	2.6	2.9	2.8	3.9	3.8	3.8
Debt indicators													
Gross external debt (€bn)	78.7	75.5	75.6	77.3	82.4	95.3	109.7	125.7	128.9	142.6	170.7	175.9	178.1
Gross external debt (% of GDP)	67	59	55	52	59	62	65	64	62	65	68	64	61
Gross external debt (% of exports)	85	75	72	71	78	80	77	84	89	96	104	98	94
Lending to corporates/households (% of GDP)	32.1	31.3	31.2	32.1	35.8	35.5	33.4	30.1	29.7	30.1	32.4	33.6	34.4
Interest & exchange rates													
Central bank key rate (year-end, %)	0.90	0.90	0.90	0.90	0.60	2.40	13.00	10.75	6.50	6.50	5.25	4.25	4.00
Broad money supply (average, %YoY)	4.6	9.6	13.9	7.5	14.5	17.4	16.3	1.0	6.8	7.5	7.5	5.9	5.3
3m interest rate (Bubor, average, %)	0.99	0.15	0.12	0.19	0.69	1.45	9.96	14.30	7.31	6.50	5.78	4.41	4.04
3m interest rate spread over Euribor(ppt)	125	48	44	55	112	200	961	1087	374	432	330	159	144
3yr yield (average, %)	1.5	0.9	1.3	0.8	1.0	2.0	8.5	9.0	6.3	6.4	5.7	5.3	4.2
10yr yield (average, %)	3.1	3.0	3.0	2.5	2.2	3.1	7.6	7.5	6.5	6.9	5.7	5.2	4.6
USD/HUF exchange rate (year-end)	295.7	258.3	280.4	294.8	298.9	324.5	373.9	346.8	396.1	328.1	314.2	303.4	295.1
USD/HUF exchange rate (average)	281.4	273.6	270.0	290.6	307.5	303.1	371.5	353.1	365.3	352.0	320.9	312.0	296.4
EUR/HUF exchange rate (year-end)	311.0	310.1	321.5	330.5	365.1	369.0	400.3	382.8	410.1	385.4	355.0	355.0	360.0
EUR/HUF exchange rate (average)	311.5	309.2	318.9	325.4	351.2	358.5	391.3	382.0	395.2	397.9	365.9	358.8	357.2

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	0.6	1.2	1.2	1.8	1.7	1.6	2.5	2.3	3.3	3.3	3.4	3.4	2.5
CPI (eop, %YoY)	4.6	4.3	3.3	1.8	1.7	1.6	2.2	2.3	2.9	3.0	3.0	2.9	2.9
Central bank key rate (eop, %)	6.50	6.50	6.50	6.25	6.00	5.50	5.25	4.75	4.50	4.25	4.25	4.25	4.00
3m interest rate (eop, %)	6.50	6.50	6.47	6.45	5.69	5.50	5.10	4.65	4.35	4.10	4.10	4.10	4.00
10yr yield (eop, %)	7.01	6.82	6.77	7.13	5.03	5.78	5.05	5.46	4.99	5.21	5.05	4.63	4.52
USD/HUF exchange rate (eop)	396.1	372.1	338.7	333.3	320.8	324.6	314.2	318.6	310.3	312.1	303.4	294.1	295.8
EUR/HUF exchange rate (eop)	399.3	391.1	385.4	385.9	355.1	366.3	355.0	360.0	360.0	362.0	355.0	350.0	355.0

Shading denotes ING forecast data
Source: National sources, ING estimates

Kazakhstan



Dmitry Dolgin, Chief Economist, CIS

Forecast summary

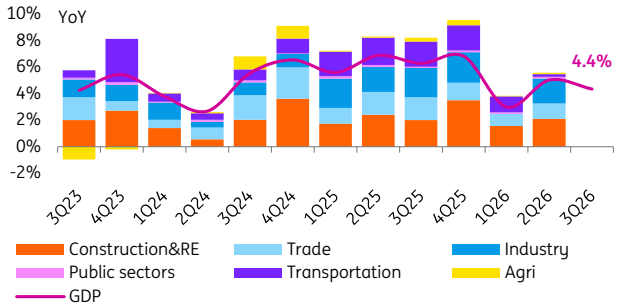
	2Q26	3Q26	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	5.0	4.4	5.5	5.5	5.0	4.5	4.8
CPI (%YoY)*	10.3	9.3	10.2	10.3	10.0	10.5	9.8
Policy interest rate (%)	17.00	16.25	16.00	15.75	15.50	16.00	15.00
3m interest rate (%)*	16.7	15.3	15.7	15.5	15.2	15.4	14.1
10yr yield (%)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/KZT*	479	440	450	440	450	471	458
EUR/KZT*	548	499	509	497	522	537	527

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2029	S&P	BBB	BBB
Fiscal	Neutral	Parliamentary: 2031	Moody's	Baa1	Baa1
Monetary	Tight	Local: n/a	Fitch	BBB	BBB

*Quarterly data is eop, annual is avg. Shading denotes ING forecast data

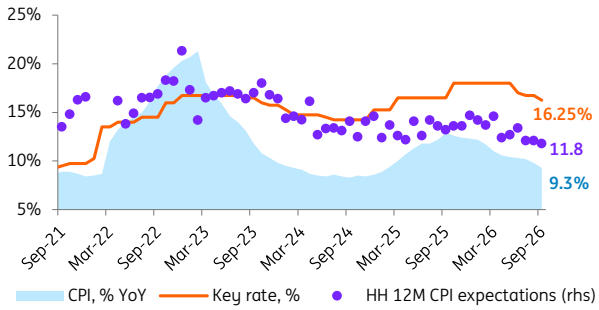
Source: National sources, ING estimates

GDP growth and major contributors (%YoY)



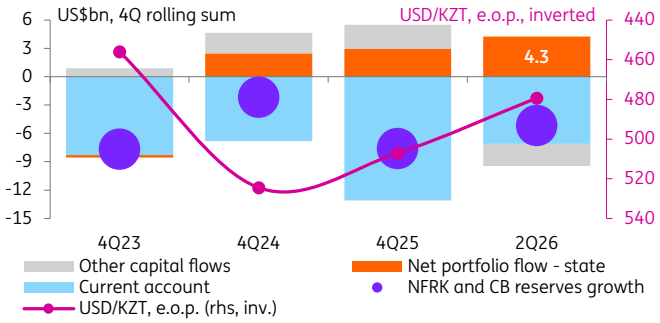
Source: National sources, CEIC, ING

Inflation, key rate, and 12M CPI expectations (%)



Source: National sources, CEIC, ING

Balance of payments (US$ bn) and USDKZT



Source: National sources, CEIC, ING

Country strategy: Resilience strong, but upside limited

Kazakhstan continues to benefit from one of the strongest sovereign and external positions in the CCA region, supported by sizeable sovereign assets, a balanced network of international partners and higher oil prices. More recently, strong portfolio inflows given still-attractive real rates, progress towards Euroclear connectivity, growing domestic debt supply and positive rating momentum have supported the tenge and local markets. In addition, a sizeable backlog of future state FX sales provides an important buffer against potential market stress. At the same time, the longer-term outlook remains constrained by persistent twin deficits, limited private-sector investment and capital inflows and an uneven track record in fiscal discipline and inflation targeting. Current CPI trend leaves room for a moderate easing, but the trajectory is facing upside risks.

Activity: Strong growth despite oil disruptions VAT hike

GDP growth has slowed this year compared to the exceptional pace seen in 2025 but remains robust despite the VAT hike and oil-related disruptions. Non-oil sectors continue to perform relatively well, while higher oil prices support confidence and improve the fiscal and external outlook. Domestic demand also appears supported by quasi-fiscal stimulus estimated at 4-5% of GDP. At the same time, retail and corporate lending are showing signs of cooling amid tight monetary conditions. Headline fiscal policy has entered a consolidation phase, reflected in lower reliance on NFRK transfers to finance current spending, although a durable track record of fiscal discipline has yet to be established.

Monetary policy: Real rate to remain high

The moderate easing in inflation from its 2025 peaks and a resilient tenge have allowed the NBK to start cutting the base rate in 2026. Inflation pressures from the VAT hike and global commodity-price spike have remained under control for now, while portfolio inflows and attractive real yields have given an additional boost to the currency. At the same time, tariff increases, fiscal and quasi-fiscal stimulus, and producer-price pressures amid global inflation risks continue to justify our above-consensus CPI outlook. Therefore, we expect the easing cycle to continue only gradually, while remaining alert to potential external inflation shocks. Although Kazakhstan retains room for nominal easing, real policy rates are likely to remain high by regional standards and supportive of capital inflows.

External balance: Portfolio flows increasingly matter

Higher oil prices have strengthened Kazakhstan's external position, although part of the benefit is offset by weaker export volumes. The country continues to run structural current-account deficits as strong imports and dividend outflows offset export revenues. As a result, capital flows are becoming increasingly important for KZT dynamics. Progress towards Euroclear connectivity, positive rating momentum and additional public and corporate debt issuance should continue attracting portfolio inflows amid high real rates, supporting the tenge. We have improved our KZT outlook but note that greater reliance on portfolio capital in an economy with persistent twin deficits also increases sensitivity to shifts in global risk appetite and flow reversals.

Kazakhstan

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	1.1	4.1	4.1	4.5	-2.5	4.3	3.2	5.1	5.0	6.5	4.5	4.8	4.5
Private consumption (%YoY)	1.2	1.5	6.1	6.1	-3.7	6.3	4.0	7.6	9.6	8.1	4.5	4.3	4.0
Government consumption (%YoY)	2.3	2.1	-14.1	15.5	12.8	-2.4	4.3	7.4	1.0	3.4	3.0	2.5	2.5
Investment (%YoY)	3.0	4.5	5.4	13.8	-0.2	2.6	3.8	17.1	6.5	10.4	6.0	5.0	4.5
Industrial production (%YoY)	-1.1	7.3	4.4	-4.1	-0.5	3.6	1.1	4.3	2.8	7.5	3.0	3.5	3.0
Unemployment rate (average, %)	5.0	4.9	4.9	4.8	4.8	4.0	4.9	4.7	4.7	4.6	4.5	4.5	4.5
Nominal GDP (KZTbn)	46,971	54,379	61,820	69,533	70,649	83,952	103,766	119,442	136,693	159,609	179,186	206,180	233,643
Nominal GDP (€bn)	124	148	152	162	150	167	214	242	269	272	434	518	576
Nominal GDP (US$bn)	137	167	179	182	171	197	225	262	291	306	381	450	478
GDP per capita (US$)	7,715	9,248	9,813	9,813	9,122	10,371	11,477	13,153	14,445	15,006	18,391	21,435	22,430
Gross domestic saving (% of GDP)	34	37	40	39	34	37	40	37	37	n/a	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	14.7	7.4	6.0	5.2	6.8	8.0	14.9	14.8	8.7	11.4	10.5	9.8	8.4
CPI (year-end, %YoY)	8.5	7.1	5.3	5.4	7.5	8.4	20.3	9.8	8.6	12.3	10.2	9.0	8.0
Wage rates (nominal, %YoY)	13.4	5.5	7.9	14.8	14.0	17.5	23.1	24.1	11.3	9.8	11.0	11.5	10.6
Fiscal balance (% of GDP)													
Consolidated government balance	-4.4	-4.1	2.6	-0.4	-3.7	-4.3	-0.8	-0.5	0.0	0.5	-0.2	-1.8	-1.7
Consolidated primary balance	-3.3	-3.2	3.6	0.5	-2.6	-3.1	0.6	1.1	1.6	2.2	1.6	0.1	0.2
Total public debt	24.3	24.8	24.9	23.7	29.2	26.2	24.4	22.7	23.3	22.8	22.5	22.7	23.2
External balance													
Exports (US$bn)	37.0	49.5	59.0	59.5	44.1	65.8	85.6	80.2	78.3	77.3	91.3	87.5	87.3
Imports (US$bn)	26.6	31.0	35.0	41.1	38.1	41.6	50.6	60.0	60.8	66.3	70.9	73.8	76.0
Trade balance (US$bn)	10.5	18.5	24.0	18.4	6.0	24.2	35.0	20.2	17.5	11.0	20.4	13.8	11.3
Trade balance (% of GDP)	7.6	11.1	13.4	10.1	3.5	12.3	15.5	7.7	6.0	3.6	5.4	3.1	2.4
Current account balance (US$bn)	-7.0	-3.4	-1.8	-7.0	-11.1	-2.7	6.4	-8.3	-6.8	-12.5	-6.0	-9.7	-13.0
Current account balance (% of GDP)	-5.1	-2.1	-1.0	-3.9	-6.5	-1.4	2.9	-3.2	-2.3	-4.1	-1.6	-2.2	-2.7
Net FDI (US$bn)	13.7	3.8	5.0	5.9	5.9	1.9	7.9	2.6	3.9	-1.5	2.0	2.0	3.0
Net FDI (% of GDP)	10.0	2.3	2.8	3.3	3.4	1.0	3.5	1.0	1.3	-0.5	0.5	0.4	0.6
Current account balance plus FDI (% of GDP)	4.9	0.2	1.8	-0.6	-3.0	-0.4	6.4	-2.2	-1.0	-4.6	-1.0	-1.7	-2.1
Gross international reserves (US$bn)	29.7	31.0	30.9	29.0	35.6	34.4	35.1	35.9	45.8	65.4	65.4	66.4	67.4
Import cover (months of merchandise imports)	13.4	12.0	10.6	8.5	11.2	9.9	8.3	7.2	9.0	11.8	11.1	10.8	10.6
Debt indicators													
Gross external debt (US$bn)	164	167	160	160	164	164	161	164	165	183	193	203	213
Gross external debt (% of GDP)	119	100	89	88	96	83	71	63	57	60	51	45	45
Gross external debt (% of exports)	442	339	272	268	372	249	188	204	72	77	56	52	51
Lending to corporates/households (% of GDP)	27.1	23.4	21.2	19.9	20.7	22.0	23.9	25.0	26.3	27.1	28.9	29.9	30.9
Interest & exchange rates													
Central bank key rate (year-end, %)	12.00	10.25	9.25	9.25	9.00	9.75	16.75	15.75	15.25	15.25	16.00	15.00	13.00
Broad money supply (average, %YoY)	46.2	7.5	7.1	11.0	19.2	24.1	18.0	16.8	19.9	16.7	18.0	15.0	12.0
3m interest rate (TONIA, average, %)	14.2	8.6	9.3	9.6	11.4	8.1	18.1	15.8	12.7	15.8	15.4	14.1	12.5
3m interest rate spread over US$-Euribor (ppt)	13.46	7.30	7.01	7.24	11.02	8.03	15.94	10.64	7.62	11.68	11.4	10.0	8.9
2yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/KZT exchange rate (year-end)	333	332	384	381	421	432	463	455	524	503	450	485	505
USD/KZT exchange rate (average)	342	326	345	383	413	426	460	456	469	521	471	458	489
EUR/KZT exchange rate (year-end)	352	398	439	427	516	488	493	502	546	592	509	568	616
EUR/KZT exchange rate (average)	379	368	407	429	471	504	485	493	507	589	537	527	589
Brent oil price (annual average, US$/bbl)	45	55	72	64	43	71	99	82	80	68	87	71	72

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	6.9	6.3	6.8	3.0	5.0	4.4	5.5	5.5	5.0	4.5	4.0	4.0	4.0
CPI (eop, %YoY)	11.8	12.9	12.3	11.0	10.3	9.3	10.2	10.3	10.0	9.7	9.0	8.7	8.4
Central bank key rate (eop, %)	16.50	16.50	18.00	18.00	17.00	16.25	16.00	15.75	15.50	15.25	15.00	14.50	14.00
3m interest rate (eop, %)	15.27	16.09	15.32	17.78	16.70	15.26	15.70	15.45	15.20	14.95	14.70	14.20	13.70
10yr yield (eop, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/KZT exchange rate (eop)	520	549	507	477	479	440	450	440	450	465	485	475	485
EUR/KZT exchange rate (eop)	612	644	596	551	548	499	509	497	522	539	568	565	582

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates

Poland



Rafał Benecki, Chief Economist, Poland

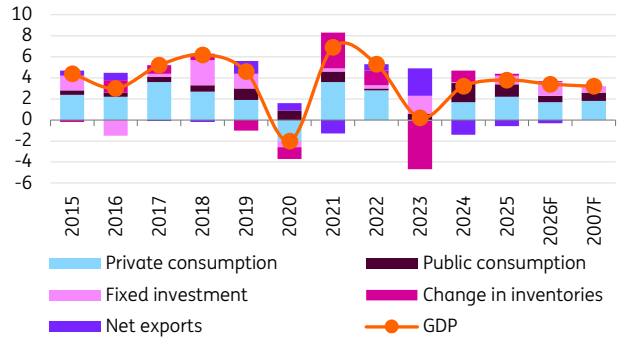
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	3.9	3.5	2.9	3.6	3.5	3.4	3.2
CPI (%YoY)*	2.5	4.1	3.6	3.8	4.3	3.1	3.3
Policy interest rate (eop, %)	3.75	3.75	3.75	4.25	4.25	3.75	4.25
3m interest rate (%)*	3.85	3.85	3.93	4.33	4.33	3.85	4.30
10yr yield (%)*	5.28	6.37	6.35	6.20	5.80	5.97	5.79
USD/PLN*	3.74	3.84	3.85	3.83	3.74	3.73	3.75
EUR/PLN*	4.30	4.37	4.35	4.33	4.30	4.30	4.31

Macro trend		Political cycle	Ratings	FC	LC
Activity	–	Presidential: 2029	S&P	A-	A
Fiscal	Loose	Parliamentary: 2027	Moody's	A3	A3
Monetary	Neutral	Local: 2028	Fitch	A-	A-

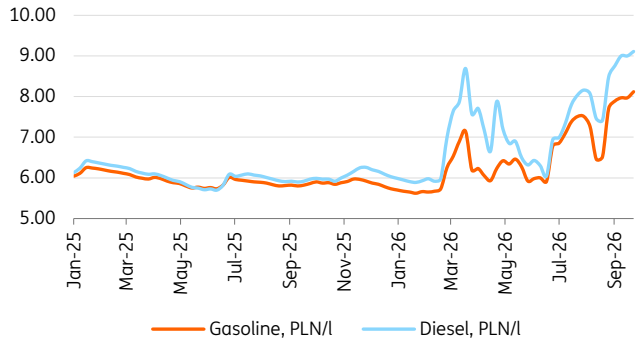
*Quarterly data is eop, annual is avg, Shading denotes ING estimates
Source: National sources, ING estimates

GDP composition (%YoY)



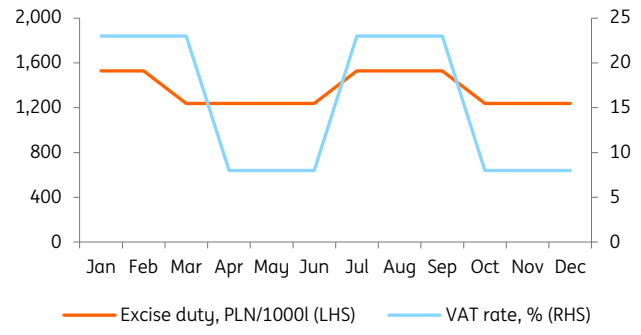
Source: Polish Statistical Office, ING forecasts

Retail fuel prices, PLN/l



Source: Reflex

Excise duty and VAT on gasoline (E95)



Source: ING, PAP

Country strategy: Robust growth and fragile fiscal

Poland is set to remain one of the fastest-growing EU economies in 2027, with public and private investment increasingly complementing consumption. Foreign investor exposure to equity and bonds reflects optimism on growth but concern on the fiscal side, with non-residents accounting for 80% of equity trading but only 12% of the POLGB stock. The government is pursuing a supply side agenda to support innovation in the economy, but further structural reforms are needed, particularly on fiscal policy, with a 2025-27 deficit of c.7% of GDP. We don't see fiscal adjustment in the 2027 election year but expect fewer and later NBP hikes (50bp in 1Q27 vs 100bp priced). In our view, elevated hike expectations overstate CPI risks as they also reflect a deterioration of the fiscal trajectory. Hike expectations may quickly compress, if energy prices reverse, but fiscal risks should stay elevated in the coming years as the combination of 2027 election uncertainty and a veto prone President creates risk of a downgrade (1-2 notches downgrade already priced) and is PLN negative.

Investment increasingly complementing consumption

Both economic growth and consumer inflation proved remarkably resilient to the energy shock triggered by the outbreak of war in the Middle East. GDP growth approached 4% YoY in 2Q26, probably marking the peak of the current economic cycle. Headline CPI inflation rose but was contained by a fuel price freeze while the absence of second-round effects kept core inflation under control. At the same time, the authorities maintained an expansionary fiscal stance, resulting in a rapid build-up of public debt. Debt may soon reach the 55% of GDP threshold (local definition), which, under the current public finance law, could require an abrupt fiscal adjustment in 2029. The recent deterioration in the fiscal trajectory together with political gridlock between the government and the president, led Moody's to downgrade Poland's sovereign rating to A3 with a stable outlook. Fitch maintains a negative outlook, while S&P is due to review the rating soon.

The energy crisis brought Poland's easing cycle in monetary policy to a halt, and a prolonged period of elevated inflation could prompt hikes, albeit later and of a lesser magnitude than priced, with our forecast pointing to 1Q27. If a prolonged energy shock does eventually lead to a rise in core inflation and other central banks continue to tighten policy, the zloty could come under pressure. While inflation is generally projected to moderate in the second half of next year, the National Bank of Poland (NBP) may seek to ensure that broader inflationary pressures and second-round effects do not emerge from the current energy crisis. The rise in Polish government bond yields has been driven mainly by global developments and the repricing of US and European sovereign debt.

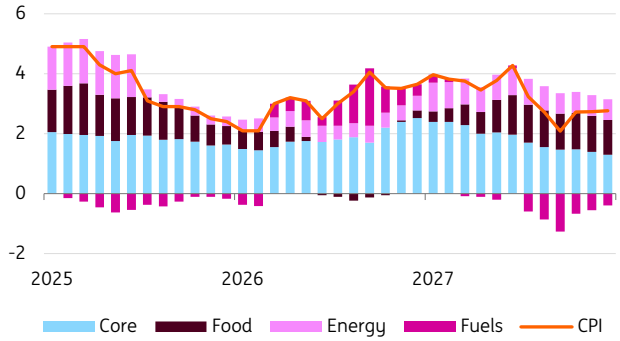
We continue to expect GDP growth of 3.4% in 2026 and 3.2% in 2027, supported by public investments financed by RRF and cohesion funds, alongside a recent acceleration in private outlays. Household consumption should remain the main driver of economic expansion, but its pace is likely to moderate from 2025 as higher petrol prices and slower wage growth weigh on real disposable income. However, savings accumulated in previous years should provide a cushion to consumers spending.

We expect fiscal policy to remain loose during the 2027 election year, with any consolidation efforts postponed. However, we note the fiscal debate has shifted from a focus on fiscal spending towards optimisation of both sides of the budget. Future austerity measures will probably be needed on both the revenue and expenditure sides of the budget.

Poland

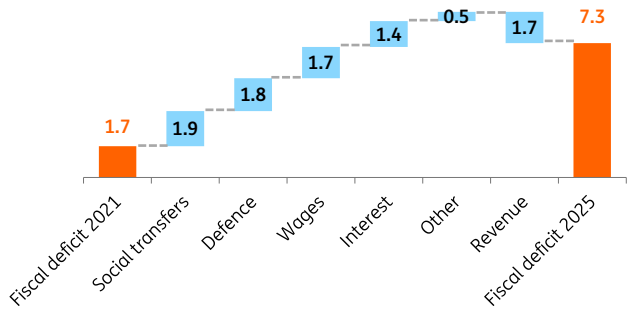
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CPI inflation and its composition (%, percentage points)



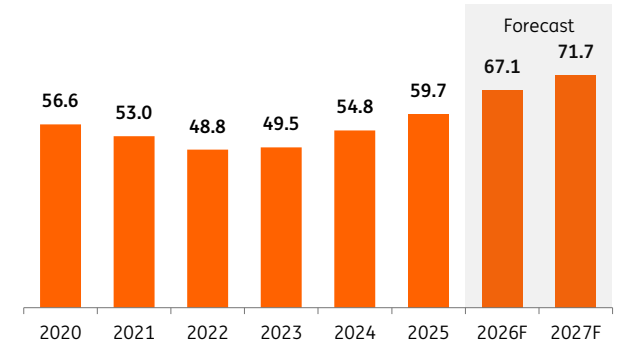
Source: Polish Statistical Office, ING forecasts

Fiscal deficit evolution 2021-25 (% of GDP)



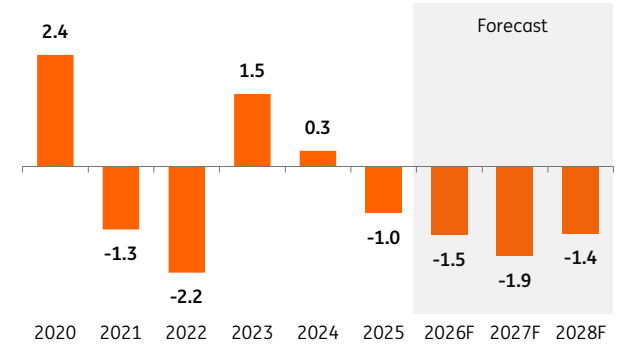
Source: Eurostat, ING

Public debt, % of GDP, ESA2010



Source: Polish Statistical Office, ING forecasts

Current account and trade balance (% of GDP)



Source: NBP, ING forecasts

Fuel interventions set up a bumpy CPI path in 2027

CPI inflation reached 4.0% YoY in September, moving above the upper bound of the central bank's 2.5% target range (±1 percentage point). However, the increase is mainly attributable to higher fuel prices. Government intervention, through temporary reductions in excise duty and VAT on fuel (2Q26, second half of August, 4Q26), is generating base effects for the 2027 inflation path.

Headline inflation should moderate towards the National Bank of Poland's (NBP) target in 2H27, although its composition is likely to change markedly. We expect lower core inflation and fuel price deflation (strong base effects) to be offset by above-average food inflation due to a poorer harvest, higher fertiliser prices and a low reference base following the current period of food price deflation.

Fiscal policy to stay loose until elections

Higher social spending, substantial increases in public-sector wages, elevated defence expenditure and rising debt-servicing costs have pushed the fiscal deficit above 7% of GDP in recent years. In 2026, the general government deficit is also expected to remain close to 7% of GDP, while the draft budget bill for the 2027 election year similarly envisages an imbalance of around 7% of GDP.

There are currently no credible fiscal consolidation plans in the pipeline, with the necessary adjustment effectively postponed until after the elections, to beyond 2027. The lack of cooperation between PM Donald Tusk's government and President Karol Nawrocki further complicates the implementation of fiscal reforms. While the president has criticised the excessive imbalance, he has also pledged to veto tax hikes and spending cuts.

Rising public debt could force an abrupt fiscal adjustment

High fiscal deficits, combined with non-market borrowing under the EU's Recovery and Resilience Facility (RRF) and Security Action for Europe (SAFE), are driving a rapid build-up of public debt. The local definition of debt (which differs from the ESA definition) is approaching the statutory threshold that, if breached, will require a significant fiscal adjustment.

As early as 2027, public debt under the domestic definition could flirt with 55% of GDP threshold set out in the Public Finance Act. Breaching this threshold next year would require either a balanced budget on a cash basis in 2029 or a deficit consistent with a declining debt-to-GDP ratio. While the fiscal rules could be amended, such a move is likely to be viewed negatively by rating agencies and investors. Moreover, the Polish Constitution prohibits public debt from exceeding 60% of GDP, and securing the constitutional majority required to amend this provision appears unlikely.

Trade gap widens but external balance remains solid

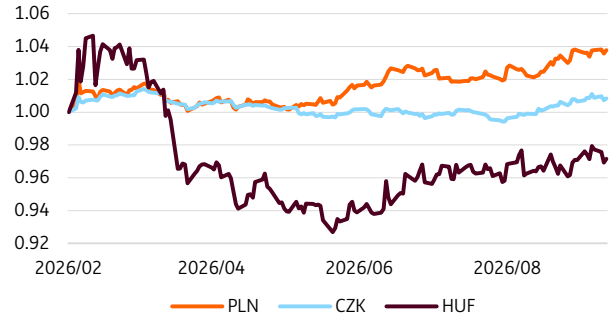
Due to high energy commodity prices and elevated deliveries of military equipment, Poland's external gap is expected to widen to 1.5% of GDP in 2026 and further to 1.9% of GDP in 2027, from a relatively low -1.0% of GDP in 2025. This should reflect a widening trade deficit, also from relatively low levels, while the large income balance gap should be partly offset by a solid surplus in services.

In merchandise trade turnover, China has recently overtaken Germany to become Poland's largest source of imports (based on monthly data). Rising imports are being driven by robust domestic demand but are also partly re-exported to Western Europe. Polish exporters are proving resilient despite weak European demand and rising Chinese competition in both intermediate and final goods.

Poland

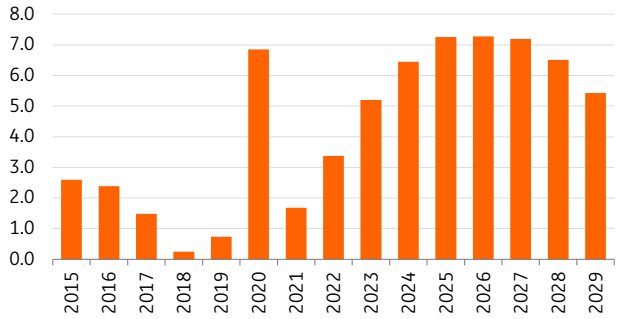
Strategy

CEE FX performance since Iran war



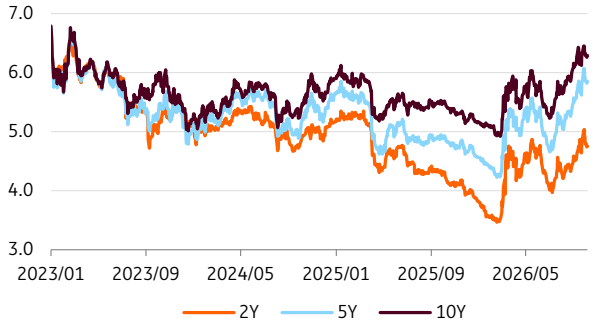
Source: Macrobond

Poland's general government deficit (% GDP)



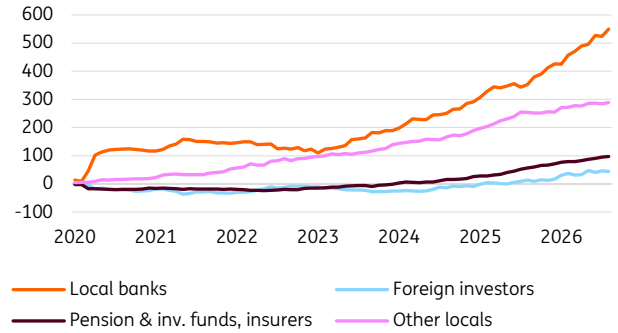
Source: Macrobond, ING estimates

2yr, 5yr and 10yr yields (%)



Source: Macrobond

Structure of POLGBs holders



Source: MinFin

FX strategy

The zloty has weakened in recent weeks, with €/PLN moving to 4.40 after trading in a narrow range close to 4.30 in 3Q26. The move reflects a less favourable external environment, but also a deterioration in Poland's fiscal outlook. Higher global yields have strengthened focus on economies with high deficit and debt servicing costs, while rate hikes by both the ECB and Fed have narrowed the PLN's positive rate differential, reducing its carry appeal.

Poland is a glass-half-full or half-empty story. On the positive side, GDP growth should continue to outperform the EU, a significant inflow of EU funds (RRF) is still ahead and the rising public debt is partially offset by very low private debt, so the external balance is strong. Also, the PLN could benefit from the conversion of substantial EU funds on the market.

On the negative side, the balance of risks has become less favourable. High energy prices, an escalation of Russia's attacks on Ukraine and intensification of hybrid war with Europe remain key external threats. At the same time, heightened market scrutiny of fiscal positions globally is putting a greater spotlight on Poland's large fiscal deficit and rising public debt, while the approaching October 2027 elections leave little political appetite for fiscal consolidation.

The cross currents, given both the global and local backdrops, are unlikely to support a rapid return to the stronger zloty levels seen earlier this year.

Fixed income strategy

The recent test of 6.5% in 10yr POLGBs was caused by external factors, such as the spike in DM yields, as well as the domestic fiscal story, although the contribution of the latter is harder to determine. US Treasury yields grew amid inflation concerns, higher oil prices and fiscal risks, while the Middle East conflict caused another energy-driven inflation shock and tighter-for-longer global monetary policy stance. In Europe, fiscal concerns are also mounting, particularly in France.

Domestic factors are not supportive for POLGBs either, but much of the risk is already priced in, in our view. The PLN yield curve is pricing an overly aggressive tightening cycle of around 100bp, while we expect the NBP to hike rates by only 50pb (in 1Q27). A repricing of market inflation expectations lower should allow POLGBs yields to decline, but mostly at the short end.

Fiscal risks remain the main domestic vulnerability and can periodically widen asset swap spreads, but near-term technicals are POLGB supportive. Downside rating risk is substantial, given the recent deterioration in the fiscal outlook (higher 2022-26 deficits and absence of fiscal consolidation in 2027 plan) but is also well priced in. On the other hand, strong banking-sector liquidity, sizeable EU fund inflows and robust domestic demand should fund elevated 2027 borrowing needs. Over the mid-term, a gradual global yield compression and resolution of the Iran conflict would support a moderate correction in POLGB yields and local fiscal risks would limit the downside at the long end, while the dynamics of the election campaign remains a wild card.

Poland

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	3.0	5.2	6.2	4.6	-2.0	6.9	5.3	0.2	3.2	3.8	3.4	3.2	3.0
Private consumption (%YoY)	3.7	6.1	4.6	3.3	-3.4	6.2	5.0	-0.3	2.9	4.0	3.0	3.3	3.0
Government consumption (%YoY)	2.0	2.7	3.5	6.5	4.8	5.0	0.6	4.5	8.7	5.7	3.0	3.6	3.0
Investment (%YoY)	-7.4	1.8	13.7	7.5	-3.0	1.5	1.7	12.7	0.4	4.9	7.8	3.6	3.5
Industrial production (%YoY)	3.6	6.2	5.4	5.1	-1.9	14.7	9.1	0.3	0.6	3.1	3.5	3.0	3.0
Unemployment rate (year-end, %)	8.2	6.6	5.8	5.2	6.8	5.8	5.2	5.1	5.1	5.7	5.8	5.9	6.0
Nominal GDP (PLNbn)	1,866	1,997	2,148	2,314	2,363	2,662	3,101	3,415	3,670	3,915	4,034	4,149	4,238
Nominal GDP (€bn)	428	469	504	538	532	583	658	752	852	923	938	967	988
Nominal GDP (US$bn)	473	529	594	603	606	689	683	813	922	1,042	1,081	1,106	1,187
GDP per capita (US$)	12,467	13,924	15,659	15,881	16,305	18,635	18,077	21,598	24,584	27,892	29,077	29,867	32,176
Gross domestic saving (% of GDP)	23.0	22.7	23.5	24.4	24.4	25.0	23.7	23.4	22.2	21.2	21.3	21.1	21.1
Prices													
CPI (average, %YoY)	-0.6	2.0	1.6	2.3	3.4	5.1	14.4	11.4	3.6	3.6	3.1	3.3	2.0
CPI (year-end, %YoY)	0.8	2.1	1.1	3.4	2.4	8.6	16.6	6.2	4.7	2.4	3.6	2.8	2.1
Wage rates (nominal, %YoY)	4.1	5.6	7.1	6.6	4.8	8.6	12.9	12.7	11.2	8.1	6.0	5.5	4.5
Fiscal balance (% of GDP)													
Consolidated government balance	-2.4	-1.5	-0.2	-0.7	-6.9	-1.7	-3.4	-5.2	-6.4	-7.3	-7.3	-7.2	-6.5
Consolidated primary balance	-0.7	0.1	1.2	0.6	-5.6	-0.6	-1.8	-3.1	-4.3	-4.7	-4.5	-4.2	-3.7
Total public debt	54.1	50.4	48.2	45.2	56.6	53.0	48.8	49.5	54.8	59.7	67.1	71.7	74.3
External balance													
Exports (€bn)	169.2	191.2	205.2	220.3	220.5	263.6	324.3	335.6	333.3	346.5	366.3	393.2	409.4
Imports (€bn)	170.6	196.0	216.4	224.7	213.6	271.3	346.3	330.8	339.5	360.0	386.0	414.4	426.5
Trade balance (€bn)	-1.3	-4.8	-11.3	-4.4	7.0	-7.7	-22.0	4.7	-6.2	-13.5	-19.7	-21.2	-17.1
Trade balance (% of GDP)	-0.3	-1.0	-2.2	-0.8	1.3	-1.3	-3.3	0.6	-0.7	-1.5	-2.1	-2.2	-1.7
Current account balance (€bn)	-4.5	-5.5	-9.9	-1.4	12.6	-7.8	-14.9	11.6	2.8	-9.1	-13.6	-18.3	-14.1
Current account balance (% of GDP)	-1.1	-1.2	-2.0	-0.3	2.4	-1.3	-2.2	1.5	0.3	-1.0	-1.5	-1.9	-1.4
Net FDI (€bn)	3.5	7.5	14.7	12.1	13.3	23.1	27.2	21.6	10.9	13.2	18.7	22.2	25.0
Net FDI (% of GDP)	0.8	1.6	2.9	2.2	2.5	4.0	4.1	2.9	1.3	1.4	2.0	2.3	2.5
Current account balance plus FDI (% of GDP)	-0.2	0.4	1.0	2.0	4.9	2.6	1.9	4.4	1.6	0.4	0.5	0.4	1.1
Foreign exchange reserves (€bn)	108.1	94.6	102.3	114.5	125.6	146.6	156.5	175.4	214.2	231.0	271.7	302.2	327.2
Import cover (months of merchandise imports)	7.6	5.8	5.7	6.1	7.1	6.5	5.4	6.4	7.6	7.7	8.4	8.8	9.2
Debt indicators													
Gross external debt (€bn)	321.8	320.3	317.9	317.3	307.9	324.0	352.1	391.0	446.0	466.2	530.5	561.0	586.0
Gross external debt (% of GDP)	75.2	68.3	63.1	59.0	57.9	55.6	53.2	52.0	52.4	50.5	56.6	58.0	59.3
Gross external debt (% of exports)	190.1	167.5	154.9	144.0	139.6	122.9	108.6	116.5	133.8	134.5	144.8	142.7	143.1
Lending to corporates & households (% of GDP)	58.1	56.2	56.3	54.4	53.4	49.9	43.4	39.4	38.2	37.9	40.6	42.0	43.9
Interest & exchange rates													
Central bank key rate (year-end, %)	1.50	1.50	1.50	1.50	0.1	1.75	6.75	5.75	5.75	4.00	3.75	4.25	3.50
Broad money supply (average, %YoY)	10.2	6.1	7.0	9.5	14.9	10.6	7.1	7.5	7.8	10.4	9.9	6.6	6.0
3m interest rate (WIBOR, average, %)	1.70	1.73	1.71	1.72	0.66	0.55	6.04	6.53	5.86	5.09	3.85	4.30	3.77
3m interest rate spread over EURIBOR (ppt)	1.96	2.06	2.03	2.07	1.09	1.10	5.69	3.09	2.28	2.91	1.42	1.48	1.20
2yr yield (average, %)	1.66	1.89	1.59	1.57	0.53	0.83	6.33	5.67	5.07	4.56	4.57	4.32	3.73
10yr yield (average, %)	3.05	3.44	3.22	2.38	1.52	1.95	6.11	5.83	5.55	5.52	5.82	5.86	5.18
USD/PLN exchange rate (year-end)	4.20	3.55	3.77	3.84	3.68	4.08	4.42	3.97	4.08	3.61	3.85	3.67	3.52
USD/PLN exchange rate (average)	3.95	3.78	3.61	3.84	3.90	3.86	4.46	4.20	3.98	3.76	3.73	3.75	3.57
EUR/PLN exchange rate (year-end)	4.44	4.20	4.29	4.27	4.48	4.62	4.68	.4.33	4.27	4.23	4.35	4.29	4.29
EUR/PLN exchange rate (average)	4.36	4.26	4.26	4.30	4.44	4.56	4.68	4.54	4.31	4.24	4.30	4.31	4.29

Shading denotes ING estimates
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	3.3	3.8	4.1	3.5	3.9	3.5	2.9	3.6	3.5	3.0	2.9	2.9	3.1
CPI (eop, %YoY)	4.1	2.9	2.4	3.0	2.5	4.1	3.6	3.8	4.3	2.0	2.7	1.6	2.0
Central bank key rate (eop, %)	5.25	4.75	4.00	3.75	3.75	3.75	3.75	4.25	4.25	4.25	4.25	4.00	3.75
3m interest rate (eop, %)	5.23	4.72	3.99	3.85	3.85	3.85	3.93	4.33	4.33	4.33	4.33	4.00	3.66
10yr yield (eop, %)	5.45	5.46	5.17	5.90	5.27	6.33	6.35	6.20	5.80	5.65	5.50	5.35	5.20
USD/PLN exchange rate (eop)	3.70	3.63	3.61	3.70	3.70	3.77	3.85	3.83	3.74	3.70	3.67	3.61	3.58
EUR/PLN exchange rate (eop)	4.27	4.26	4.23	4.27	.4.26	4.34	4.35	4.33	4.30	4.29	4.29	4.29	4.29

Shading denotes ING estimates
Source: National sources, ING estimates

Romania



Valentin Tataru, Chief Economist | Stefan Posea, Economist

Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	-0.4	-1.2	1.3	1.8	2.5	-0.5	2.2
10yr yield (%)*	6.7	7.4	7.0	6.9	6.7	7.0	6.7
USD/RON*	4.60	4.65	4.73	4.73	4.61	4.65	4.65
EUR/RON*	5.24	5.28	5.35	5.35	5.35	5.30	5.35

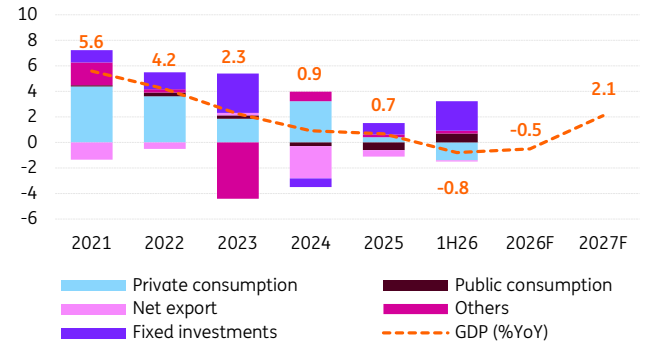
Macro trend		Political cycle	Ratings	FC	LC
Activity	-	Presidential: 2029	S&P	BBB-	BBB-
Fiscal	Tighter	Parliamentary: 2028	Moody's	Baa3	Baa3
Monetary	Neutral	Local: 2028	Fitch	BBB-	BBB-

*Quarterly data is eop, annual is average. Shading denotes ING forecast data
Source: National sources, ING estimates

Country strategy: An adjustment that politics could derail

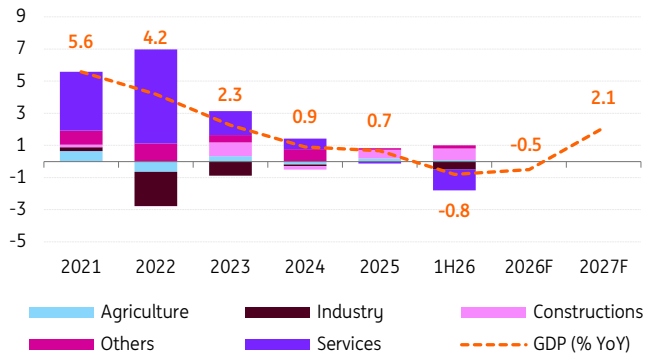
Romania's macroeconomic adjustment is finally becoming visible, but progress remains vulnerable to political uncertainty. The budget deficit is narrowing and the country has retained its investment-grade rating. However, all three major rating agencies continue to rate Romania at the lowest investment grade with negative outlooks, leaving little room for policy missteps. The political stalemate risks overshadowing fiscal progress and keeping the sovereign risk premium elevated. With the economy quasi-stagnated for almost three years, further consolidation will be difficult. A broad political agreement on the 2027-28 fiscal framework would be the key positive catalyst, improving policy visibility, supporting the rating outlook and allowing fiscal adjustment to translate more clearly into lower funding costs and a gradual recovery in confidence. **At the time of writing (12 October), a new government is expected to be installed in the coming days, with a parliamentary confidence vote likely on 20 October.**

GDP (YoY%) and components (ppt)



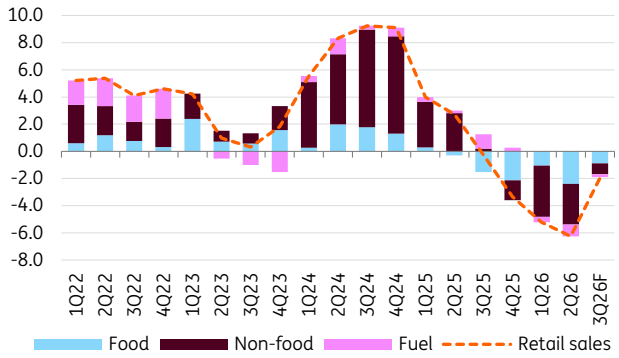
Source: NIS, ING estimates

Supply side GDP (YoY%) and components (ppt)



Source: NIS, ING estimates

Retail sales (YoY%) and components (ppt)



Source: NIS, ING estimates

Consumption is stabilising, but the recovery is fragile

Romania's economy remains stuck in a low-growth regime. Real GDP contracted by 0.8% year-on-year in the first half of 2026 and our full-year forecast points to a 0.5% decline. This would extend to almost three years the period in which economic activity has oscillated around stagnation. The adjustment has been concentrated in domestic demand: private consumption subtracted around 1.4 percentage points from growth in the first half, while both private services and industry weakened. Construction and EU-funded public investment provided the main cushion.

The pressure on households has been unusually severe. Retail sales fell by more than 6.0% year-on-year in the second quarter of 2026, after a 5.2% decline in the first quarter, with weakness broadly spread across categories. The drag reflects high inflation, slower wage growth, frozen public-sector pay and pensions, and higher taxes. More recently, however, the pace of contraction appears to have moderated. Our estimate for the third quarter points to a smaller decline in retail sales, suggesting that consumption may be finding a floor, albeit at a low level.

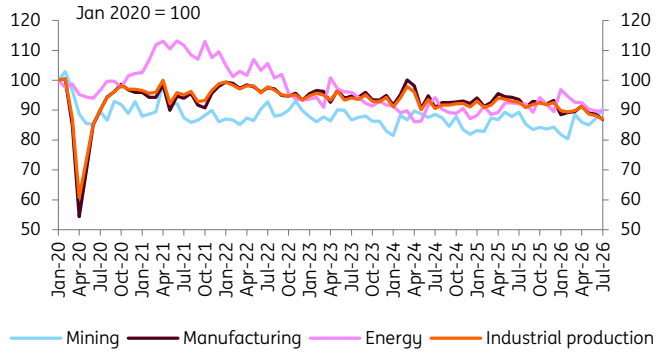
We expect GDP growth to recover to 2.2% in 2027, with private consumption doing most of the work. This forecast rests on a likely return of pension and wage indexation from 1 January, which should partially restore households' real purchasing power alongside declining inflation. The assumption is important: weaker indexation or additional tax measures would leave the recovery more dependent on investment and exports. Conversely, a credible political agreement could improve confidence and reduce precautionary saving, potentially generating a somewhat stronger consumption response.

EU funds remain the other central source of support. RRF implementation has boosted public investment in 2026 and helped to offset the contraction in private demand. With the facility now ended (though payments are still due to be received by the end of 2026), the growth impulse will increasingly depend on completing projects on time and transitioning smoothly towards cohesion-policy funding. The end of the RRF is therefore not necessarily a cliff edge, but it does change the composition of support. Beyond 2026, execution capacity and the ability of public investment to crowd in private capital will matter more than the headline allocation.

Romania

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No end in site for industrial weakness



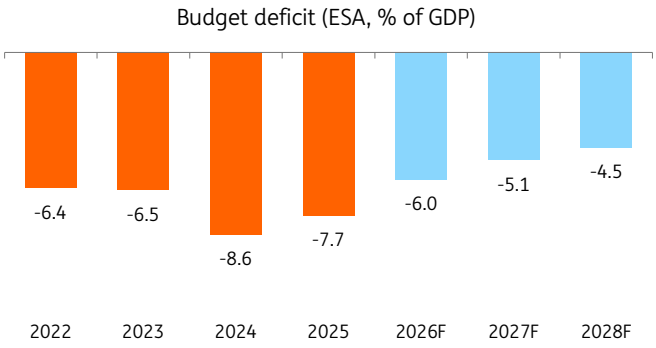
Source: NSI, ING estimates

Low level stabilisation rather than a recovery

Industrial activity continued to deteriorate in 1H26, showing no signs of a genuine recovery. Output contracted by 3.8% year-to-date as weak domestic demand and soft export orders continued to limit production. First-half GDP data shows industry subtracting around 0.5 percentage points from annual growth, confirming that the sector remains a drag rather than a source of momentum.

At best, the recent data points to a low-level plateau. Energy-intensive branches still face high costs, and private investment has not yet generated a meaningful improvement in capacity or productivity. A firmer European cycle and better infrastructure could eventually help, but for now we expect little more than stabilisation, with a cyclical upswing still not on the radar.

Fiscal picture is improving

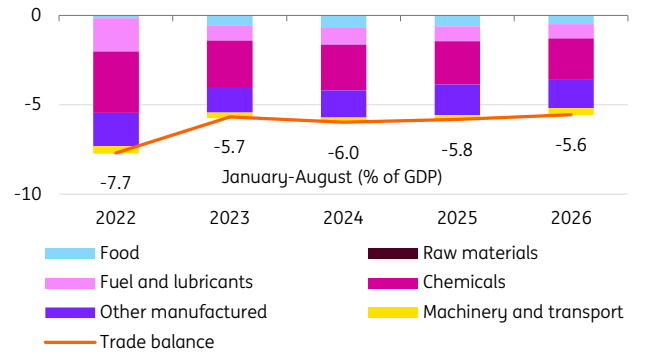


Source: Eurostat, ING estimates

Fiscal repair is becoming visible

The fiscal correction is visible in the cash data. The January-August 2026 deficit narrowed to 2.9% of GDP from 4.5% a year earlier, supported by stronger tax revenues and nominal restraint on wages and pensions. This is a sizeable improvement and keeps the full-year target of 6.2% comfortably within reach. The challenge now shifts to sustaining the adjustment and making it durable. Political gridlock reduces visibility over the 2027 budget and the next phase of consolidation. This is precisely where rating risk is concentrated. The investment-grade rating has been preserved, but the country is not out of the woods. A credible fiscal framework, with clear political support, would help entrench the current adjustment and could stabilise the rating outlook. Without it, better near-term execution may be partly offset by higher funding and currency risk.

Trade balance (YoY%) and components (ppt)

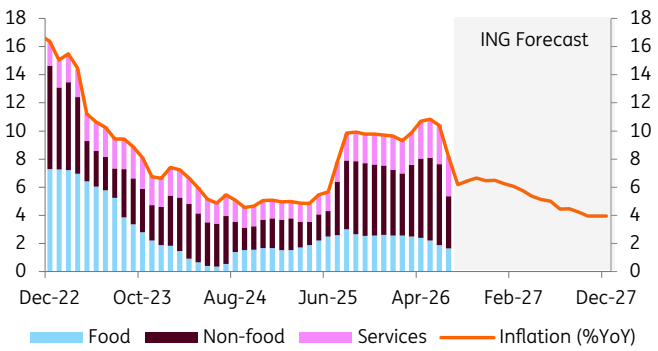


Source: NSI, ING estimates

Weak demand has narrowed the trade gap

The weakness in domestic demand is increasingly visible in the external accounts. Lower consumption and weaker private investment have reduced imports, narrowing the trade deficit and easing the drag from net exports. However, this adjustment reflects softer domestic demand more than improved export competitiveness or a stronger domestic supply response. Looking ahead, a consumption-led recovery in 2027 and a normalisation of private investment are likely to revive import demand. Unless exports and domestic supply strengthen more decisively, progress on narrowing the trade deficit is likely to stall. EU-funded infrastructure could lift capacity over time but, in the near term, some projects will continue to carry significant import content. The external deficit should therefore remain large even as cyclical pressures ease.

Inflation (%YoY) and main components (ppt)



Source: NIS, ING estimates

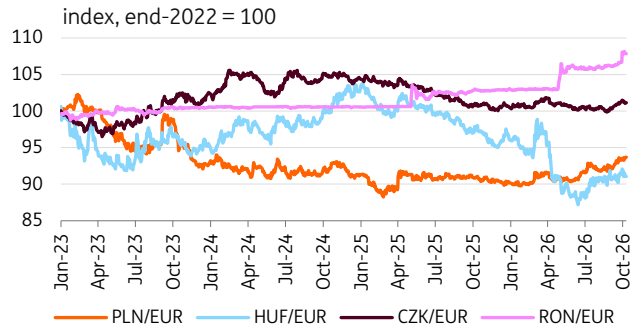
Inflation is easing but the story remains uncomfortable

Inflation has eased, but its composition remains unfavourable. The sharp decline that started in July was largely driven by base effects rather than broad-based disinflation. Energy and food prices remain a source of upside risk. Underlying inflationary pressures remain persistent. Services inflation continues to reflect past wage increases and elevated labour costs, while compressed margins may be limiting firms' ability to absorb cost pressures. Exchange-rate depreciation also remains a risk, given inflation expectations have stayed above target for several years. The combination of weak activity and sticky domestic inflation remains a key feature of the current macroeconomic picture.

Romania

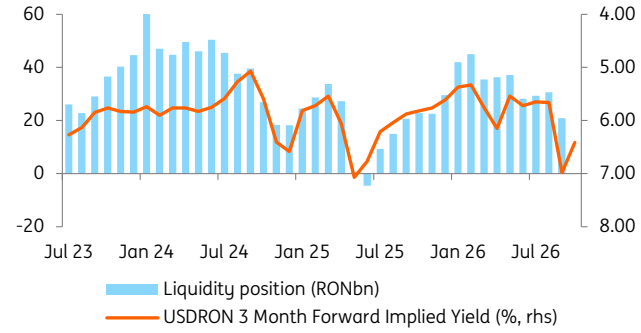
Strategy

Gradual RON weakening seems back in fashion



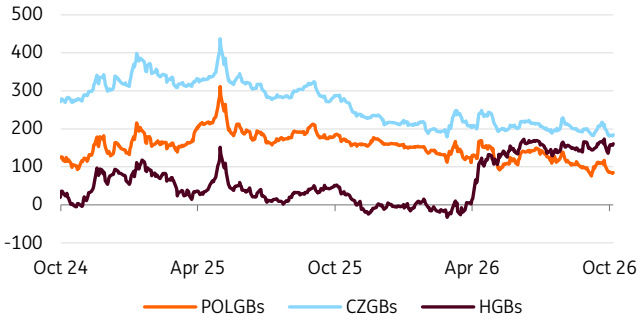
Source: NBR, ECB, ING

Liquidity position of the local banking sector



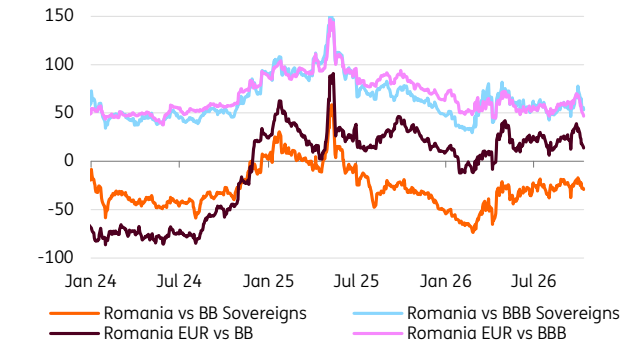
Source: NBR, Macrobond, ING estimates

10y ROMGBs spreads vs CEE3 (bp)



Source: Refinitiv

ROMANI credit spreads vs rating groups (bp)



Source: Refinitiv, ING

FX strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist)*

The Romanian leu has experienced unprecedented volatility in recent weeks, and overall, the RON has significantly underperformed its CEE peers this year. Although the fiscal situation appears under control for now, political uncertainty and an unclear outlook for the coming years are fuelling market concerns regarding potential rating downgrades and the loss of investment-grade status.

The EUR/RON exchange rate jumped from around 5.250 in early September to its current position just below 5.350. While the market is attempting to stabilise, its future direction depends heavily on domestic political developments. Although the full data set for September is not yet available, a significant drop in banking sector liquidity, reflected in a spike in FX implied yields, is expected. The six-month FX implied yield touched 7.00% in early October, signalling a tightening of monetary conditions. However, we have since seen some easing, with FX implied yields returning close to pre-spike levels.

The NBR's FX reserves stood at €72bn at the end of September, close to record highs. Consequently, we believe the central bank will continue to smooth out EUR/RON fluctuations without managing to fully prevent further upward movement should market pressures arise.

We forecast the EUR/RON exchange rate at 5.350 by the end of this year and 5.450 by the end of next year.

Fixed income strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist and James Wilson, EM Sovereign Strategist)*

As with the FX market, ROMGBs have faced selling pressure in recent weeks; however, valuations have not changed materially relative to CEE peers and we continue to view ROMGBs as expensive. The spread against Polish government bonds (POLGBs) has tightened to below 100bp, the narrowest level since a brief spell in mid-2023. Funding for ROMGBs is proceeding according to plan, with the funding programme roughly 75% complete, and fiscal execution points to a better-than-expected outcome for the year. Nevertheless, the primary driver right now is the future policy trajectory, just as it is for FX. Given the tight spreads relative to peers, we see a risk of a bearish shift and further spread widening from here.

In the Eurobond space, the recent rating affirmation by S&P should offer some relief while clearer progress towards government formation would offer another potential positive catalyst. However, in the near term, resolution of the current political crisis is likely to prompt new issuance in the Eurobond space, acting as a technical headwind. Beyond this, the medium-term outlook will depend largely on the fiscal direction of any new government, with the task of further consolidation now appearing more challenging given political polarisation and a tough external environment. We would prefer to wait for clarity on the 2027 budget before becoming more structurally bullish, with the recent rebound having taken spreads back towards the tighter end of the YTD range versus similarly rated peers.

Romania

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	2.9	8.2	5.4	4.0	-3.6	5.6	4.2	2.3	0.9	0.7	-0.5	2.2	2.4
Private consumption (%YoY)	6.4	11.7	9.4	3.0	-3.7	7.4	5.5	2.4	5.7	0.5	-0.9	1.9	1.8
Government consumption (%YoY)	-9.5	11.5	-0.8	9.8	-0.5	1.3	3.6	3.4	-3.5	1.0	1.8	0.9	1.2
Investment (%YoY)	-2.4	5.7	-1.8	14.9	-0.5	4.0	5.4	12.3	-2.5	3.4	5.8	1.1	1.2
Industrial production (%YoY)	3.1	8.6	5.0	-2.6	-9.2	6.5	0.9	-2.5	-1.7	-0.3	-4.0	0.5	0.8
Unemployment rate (year-end, %)	5.9	5.7	4.2	3.9	5.0	5.6	5.6	5.6	5.4	6.1	6.4	6.5	6.5
Nominal GDP (RONbn)	752	852	960	1,067	1,070	1,192	1,389	1,605	1,760	1,916	2,054	2,200	2,340
Nominal GDP (€bn)	167	186	206	225	221	242	282	324	354	380	388	411	429
Nominal GDP (US$bn)	185	211	244	252	252	287	297	351	383	430	442	473	516
GDP per capita (US$)	9,400	10,700	12,500	13,000	13,100	15,000	15,600	18,500	20,200	22,700	23,400	25,000	27,500
Gross domestic saving (% of GDP)	22.6	21.5	21.2	20.6	21.2	21.2	20.9	21.5	20.7	22.4	22.3	22.2	22.1
Prices													
CPI (average, %YoY)	-1.6	1.3	4.6	3.8	2.6	5.1	13.8	10.5	5.6	7.3	8.5	4.9	3.8
CPI (year-end, %YoY)	-0.5	3.3	3.3	4.0	2.1	8.2	16.4	6.6	5.1	9.7	6.5	4.0	3.8
Wage rates (nominal, %YoY)	13.0	14.2	13.1	14.9	6.7	7.1	12.2	15.4	13.4	6.5	4.5	6.0	7.0
Fiscal balance (% of GDP)													
Consolidated government balance	-2.5	-2.5	-2.8	-4.3	-9.2	-7.1	-6.4	-6.5	-8.6	-7.7	-6.0	-5.1	-4.5
Consolidated primary balance	-1.2	-1.4	-1.7	-3.2	-7.9	-5.7	-5.0	-4.6	-6.8	-5.0	-3.0	-2.0	-1.5
Total public debt	37.8	35.3	34.4	35.0	46.6	48.3	47.9	49.3	54.8	59.3	61.5	63.2	64.0
External balance													
Exports (€bn)	57.4	62.6	67.7	69.0	62.2	74.7	91.9	93.1	92.7	96.6	100.5	104.5	108.7
Imports (€bn)	67.4	75.6	82.8	86.3	80.6	98.4	126.0	122.0	126.1	129.3	134.5	139.2	143.4
Trade balance (€bn)	-10.0	-13.0	-15.1	-17.3	-18.4	-23.7	-34.1	-28.9	-33.4	-32.7	-34.0	-34.7	-34.7
Trade balance (% of GDP)	-6.0	-7.0	-7.3	-7.7	-8.3	-9.8	-12.1	-8.9	-9.4	-8.6	-8.8	-8.4	-8.1
Current account balance (€bn)	-3.5	-5.9	-9.5	-10.9	-11.2	-17.4	-26.8	-21.5	-28.9	-29.9	-30.2	-31.1	-32.0
Current account balance (% of GDP)	-2.1	-3.2	-4.6	-4.9	-5.1	-7.2	-9.5	-6.6	-8.2	-7.9	-7.8	-7.6	-7.5
Net FDI (€bn)	4.5	4.9	4.9	4.8	3.0	8.8	9.4	6.4	4.7	7.5	2.6	4.8	5.1
Net FDI (% of GDP)	2.7	2.6	2.4	2.2	1.3	3.7	3.3	2.0	1.3	2.0	0.7	1.2	1.2
Current account balance plus FDI (% of GDP)	0.6	-0.6	-2.2	-2.7	-3.7	-3.5	-6.2	-4.7	-6.8	-5.9	-7.1	-6.4	-6.3
Foreign exchange reserves ex gold (€bn)	33.0	32.3	31.8	31.7	36.2	37.1	43.2	56.4	58.7	61.6	62.8	64.1	65.9
Import cover (months of merchandise imports)	5.9	5.1	4.6	4.4	5.4	4.5	4.1	5.5	5.6	5.7	5.6	5.5	5.5
Debt indicators													
Gross external debt (€bn)	98.3	102.9	105.4	114.2	131.9	142.5	153.7	183.2	203.5	230.6	249.0	260.7	270.9
Gross external debt (% of GDP)	59	55	51	51	60	59	55	56	58	61	64	63	63
Gross external debt (% of exports)	171	164	156	166	212	191	167	197	220	239	248	250	249
Lending to corporates/households (% of GDP)	28.5	26.5	25.4	24.5	25.6	26.2	25.0	23.0	22.6	22.1	22.9	23.5	23.9
Interest & exchange rates													
Central bank key rate (year-end, %)	1.75	1.75	1.75	2.50	1.50	1.75	6.75	7.00	6.50	6.50	6.50	6.00	5.00
Broad money supply (average, %YoY)	7.8	11.4	8.8	10.9	15.3	15.8	6.8	10.5	11.3	7.2	8.2	8.5	9.1
3yr yield (average, %)	1.5	1.9	3.7	3.7	3.3	2.9	7.2	6.5	7.0	6.8	6.8	6.4	5.5
10yr yield (average, %)	3.3	3.9	4.7	4.5	3.9	3.8	7.6	7.1	6.8	7.3	7.0	6.7	6.0
USD/RON exchange rate (year-end)	4.32	3.88	4.07	4.26	3.97	4.35	4.62	4.51	4.80	4.34	4.73	4.66	4.51
USD/RON exchange rate (average)	4.06	4.04	3.94	4.24	4.24	4.16	4.68	4.57	4.60	4.46	4.65	4.65	4.53
EUR/RON exchange rate (year-end)	4.54	4.66	4.66	4.78	4.87	4.95	4.95	4.97	4.97	5.10	5.35	5.45	5.50
EUR/RON exchange rate (average)	4.49	4.57	4.65	4.75	4.84	4.92	4.93	4.95	4.97	5.04	5.30	5.35	5.46

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	0.3	1.7	0.2	-1.2	-0.4	-1.2	1.3	1.8	2.5	2.4	2.1	2.1	2.3
10yr yield (eop, %)	7.4	7.3	6.7	7.1	6.7	7.4	7.0	6.9	6.7	6.7	6.5	6.2	6.0
USD/RON exchange rate (eop)	4.33	4.32	4.34	4.45	4.60	4.65	4.73	4.73	4.61	4.70	4.66	4.58	4.58
EUR/RON exchange rate (eop)	5.08	5.08	5.10	5.10	5.24	5.28	5.35	5.35	5.35	5.45	5.45	5.45	5.5

Shading denotes ING forecast data
Source: National sources, ING estimates

Serbia



Valentin Tataru, Chief Economist | Stefan Posea, Economist

Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	3.8	3.3	2.9	3.2	3.0	3.3	3.3
CPI (%YoY)*	2.7	4.2	4.0	4.2	4.0	3.2	3.9
Policy interest rate (eop, %)	5.75	5.75	5.75	5.75	5.50	5.75	5.25
3m interest rate (%)*	4.70	4.71	4.72	4.70	4.52	4.70	4.25
10yr yield (%)*	5.50	5.70	5.70	5.60	5.50	5.70	5.35
USD/RSD*	102.9	103.6	104.0	103.9	101.1	102.9	102.0
EUR/RSD*	117.5	117.4	117.5	117.4	117.3	117.3	117.3

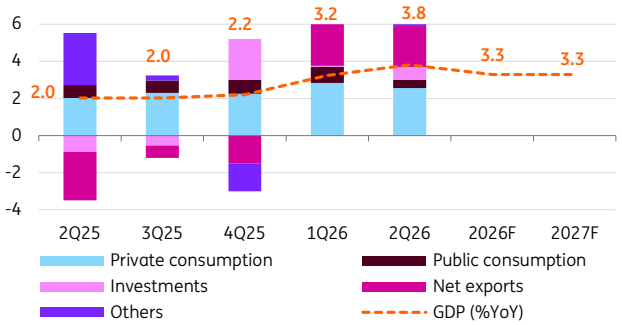
Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2026	S&P	BBB-	BBB-
Fiscal	Stimulative	Parliamentary: 2026	Moody's	Ba2	Ba2
Monetary	Restrictive	Local: 2028	Fitch	BB+	BB+

*Quarterly data is eop, annual is average; shading denotes ING forecast data
Source: National sources, ING estimates

Country strategy: Navigating political uncertainty

Serbia's economy has remained resilient despite elevated domestic and external uncertainty, supported by robust consumption, a strong labour market and continued investment ahead of EXPO 2027. The more supportive fiscal stance, including higher social spending, should sustain near-term demand but could add to both inflation and external pressures. The unresolved NIS ownership issue remains the main energy risk, as the US Treasury's extension lasts only until 30 October. Meanwhile, the 25 October parliamentary election and Aleksandar Vučić's pursuit of the premiership add to the near-term political uncertainty, while Serbia's long-term balancing of relations with the EU, Russia and China has become increasingly difficult against the current geopolitical backdrop.

Real GDP (%YoY) and contributions (ppt)

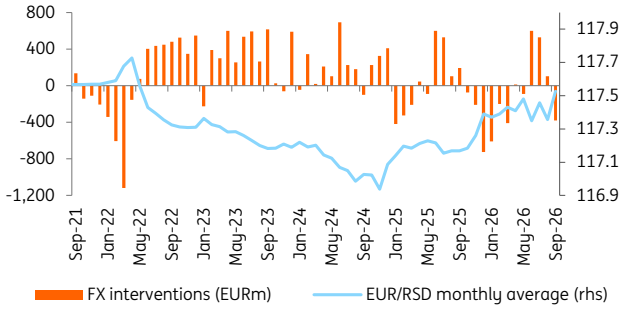


Source: Eurostat, ING estimates

Growth strengthens, but not without trade-offs

Economic activity strengthened during the first half of 2026, with real GDP growth accelerating to 3.8% year-on-year in the second quarter. Household consumption remained supported by rapid wage growth and a resilient labour market, while infrastructure investment linked to EXPO 2027 continued to underpin construction and domestic demand. Nevertheless, the increasingly import-intensive investment cycle is weighing on the external balance, while foreign direct investment remains below its 2024 peak. Growth should remain relatively solid, although the outlook will depend on political normalisation, external demand and a durable resolution of the NIS refinery issue.

FX stability remains the main policy tool

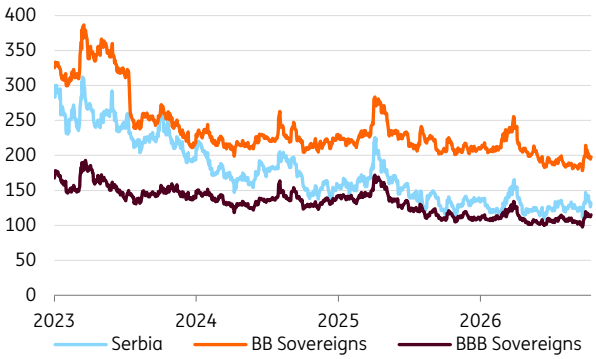


Source: NBS, ING estimates

FX stability to persist; rate cuts delayed

Inflation accelerated to 4.1% in September, returning close to the upper end of the NBS target band and highlighting continued uncertainty around food and energy prices. Against this backdrop, the central bank kept the key rate unchanged at 5.75% in October, making near-term monetary easing less likely. Meanwhile, EUR/RSD has remained broadly stable within the 117.3–117.5 range, supported by official interventions. The NBS sold €475m between January and September to maintain currency stability. We expect the NBS to maintain a firm grip on the dinar going forwards.

SERBIA USD credit spreads (bp)



Source: Refinitiv, ING

Sovereign credit: Stable fundamentals vs political noise

Despite some deterioration in recent years (wider fiscal deficit, drop off in FDI), Serbia's fundamentals remain closer to higher-rated IG peers, and generally even stronger than most in the CEE region. The focus remains on pre-election fiscal loosening and energy pressures on the external balance. However, politics remains the point of uncertainty, with upcoming elections bringing, at a minimum, the potential for further anti-government protests and greater uncertainty about the outcome than at any time in the past decade. We would therefore maintain a favourable fundamental view on the sovereign, but reduce some exposure ahead of elections.

James Wilson, EM Sovereign Strategist

Serbia

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	3.0	2.4	4.6	4.8	-1.0	7.9	2.6	3.8	3.9	2.0	3.3	3.3	2.8
Private consumption (%YoY)	1.9	2.1	2.8	3.7	-1.9	7.7	3.6	0.5	5.2	3.1	4.6	4.0	3.4
Government consumption (%YoY)	-1.8	2.3	3.8	3.8	3.4	4.2	1.5	-2.4	4.0	3.1	3.7	1.5	1.0
Investment (%YoY)	5.5	7.3	17.6	16.1	-0.6	15.1	2.4	9.7	7.7	0.8	2.0	1.4	2.5
Industrial production (%YoY)	4.5	4.5	1.1	0.3	-0.7	6.6	1.9	2.6	3.1	0.9	2.0	3.0	4.0
Unemployment rate (average, %)	16.4	14.5	13.7	11.2	9.7	11.1	9.5	9.4	8.6	8.7	8.4	8.3	8.2
Nominal GDP (RSDbn)	4,699	4,954	5,288	5,669	5,764	6,576	7,459	8,818	9,748	10,393	11,068	11,865	12,672
Nominal GDP (€bn)	38.1	41.8	44.7	48.2	49.0	55.9	63.6	75.3	83.3	88.8	94.2	101.4	108.5
Nominal GDP (US$bn)	52.7	45.3	47.3	53.8	56.6	65.1	66.8	81.5	90.1	100.3	107.6	116.4	130.6
GDP per capita (US$)	7,500	6,500	6,800	7,800	8,200	9,600	10,000	12,200	13,600	15,400	16,600	17,900	20,100
Gross domestic saving (% of GDP)	13.3	13.0	14.3	15.2	15.9	17.2	16.0	20.3	20.4	20.3	18.7	17.3	16.3
Prices													
CPI (average, %YoY)	1.1	3.1	2.0	1.9	1.6	4.1	11.9	12.5	4.7	3.9	3.2	3.9	4.0
CPI (year-end, %YoY)	1.5	3.0	2.0	1.9	1.3	7.9	15.1	7.6	4.3	2.8	4.0	3.7	4.0
Wage rates (nominal, %YoY)	3.7	4.0	3.7	10.6	9.4	9.6	13.8	14.8	14.1	11.5	11.0	9.8	8.5
Fiscal balance (% of GDP)													
Consolidated government balance	-1.1	1.1	0.6	-0.2	-7.7	-3.9	-3.0	-2.1	-2.0	-3.0	-3.5	-2.9	-2.8
Consolidated primary balance	1.6	3.5	2.6	1.7	-5.8	-2.3	-1.6	-0.5	-0.2	-1.2	-2.9	-1.5	-1.4
Total public debt	65.2	55.5	51.4	49.7	54.4	54.5	52.9	48.4	46.9	47.2	46.8	46.0	47.0
External balance													
Exports (€bn)	13.5	15.1	16.4	17.7	17.1	21.9	27.6	28.6	30.1	33.0	36.2	39.7	43.5
Imports (€bn)	17.1	19.5	22.1	24.1	23.1	28.9	39.0	36.9	39.0	41.8	44.8	48.0	51.5
Trade balance (€bn)	-3.6	-4.4	-5.7	-6.4	-5.9	-7.1	-11.4	-8.2	-8.9	-8.8	-8.6	-8.4	-8.0
Trade balance (% of GDP)	-9.5	-10.6	-12.7	-13.3	-12.1	-12.7	-17.9	-10.9	-10.7	-9.9	-9.2	-8.2	-7.4
Current account balance (€bn)	-1.1	-2.1	-2.1	-3.2	-1.9	-2.3	-4.2	-1.8	-3.7	-4.3	-4.7	-4.3	-4.0
Current account balance (% of GDP)	-2.8	-4.9	-4.6	-6.6	-3.9	-4.1	-6.5	-2.4	-4.4	-4.8	-5.0	-4.2	-3.7
Net FDI (€bn)	1.9	2.4	3.2	3.6	2.9	3.7	4.3	4.2	4.6	2.2	2.3	2.7	3.0
Net FDI (% of GDP)	5.0	5.8	7.1	7.4	6.0	6.5	6.8	5.6	5.5	2.5	2.4	2.7	2.8
Current account balance plus FDI (% of GDP)	2.2	0.9	2.4	0.8	2.1	2.5	0.3	3.2	1.1	-2.4	-2.6	-1.5	-0.9
Foreign exchange reserves ex gold (€bn)	10.2	10.0	11.3	13.4	13.5	16.5	19.9	25.4	27.9	25.7	26.0	28.0	29.0
Import cover (months of merchandise imports)	7.2	6.1	6.1	6.7	7.0	6.8	6.1	8.3	8.6	7.4	7.0	7.0	6.8
Debt indicators													
Gross external debt (€bn)	26.5	25.5	26.7	28.3	30.8	36.3	41.6	44.2	48.8	51.1	52.9	54.2	55.6
Gross external debt (% of GDP)	69.6	61.0	59.6	58.6	62.8	64.8	65.5	58.7	58.6	57.6	56.1	53.4	51.2
Gross external debt (% of exports)	197	169	163	160	180	166	151	154	162	155	146	137	128
Lending to corporates/households (% of GDP)	40.9	40.3	41.4	42.0	45.5	43.4	40.3	35.8	31.3	31.9	33.0	34.1	35.0
Interest & exchange rates													
Central bank key rate (year-end, %)	4.00	3.50	3.00	2.25	1.00	1.00	5.00	6.50	5.75	5.75	5.75	5.25	4.75
Broad money supply (average, %YoY)	11.6	3.6	14.5	8.4	18.1	13.3	6.9	12.7	13.5	6.6	7.0	9.2	10.2
3m interest rate (Belibor, year-end, %)	3.47	3.12	3.03	1.64	0.90	0.94	4.95	5.70	4.70	4.70	4.70	4.25	3.75
3m interest rate spread over Euribor (ppt)	3.7	3.4	3.4	2.0	1.3	1.5	4.6	2.3	1.1	2.3	2.1	0.7	1.2
3yr yield (year-end, %)	n/a	n/a	n/a	3.2	2.1	2.4	6.0	5.8	4.2	4.7	5.10	4.80	4.50
10yr yield (year-end, %)	n/a	n/a	4.8	4.0	3.1	3.6	7.0	6.3	5.1	5.2	5.70	5.35	5.20
USD/RSD exchange rate (year-end)	99.5	111.2	117.1	104.9	96.3	103.4	109.6	106.1	113.0	99.7	104.0	100.0	95.7
USD/RSD exchange rate (average)	89.1	109.4	111.8	105.4	101.8	101.1	111.7	108.2	108.2	103.6	102.9	102.0	97.0
EUR/RSD exchange rate (year-end)	123.5	118.5	118.2	117.6	117.6	117.6	117.3	117.2	117.1	117.1	117.50	117.00	116.80
EUR/RSD exchange rate (average)	123.2	121.3	118.3	117.8	117.6	117.6	117.5	117.3	117.1	117.1	117.30	117.25	116.90

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	2.0	2.0	2.2	3.2	3.8	3.3	2.9	3.2	3.0	3.4	3.3	3.2	2.6
CPI (eop, %YoY)	4.7	2.9	2.8	2.8	2.7	4.2	4.0	4.2	4.0	3.8	3.7	3.9	4.0
Central bank key rate (eop, %)	6.25	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50	5.25	5.25	5.25	5.25
3m interest rate (eop, %)	4.68	4.68	4.70	4.70	4.70	4.71	4.72	4.70	4.52	4.26	4.25	4.25	4.25
10yr yield (eop, %)	5.25	5.16	5.26	5.25	5.50	5.70	5.70	5.60	5.50	5.40	5.35	5.30	5.30
USD/RSD exchange rate (eop)	99.4	99.9	99.9	101.7	102.9	103.6	104.0	103.9	101.1	101.0	100.0	98.3	97.5
EUR/RSD exchange rate (eop)	117.2	117.2	117.3	117.5	117.5	117.4	117.5	117.4	117.3	117.2	117	117	117

Shading denotes ING forecast data
Source: National sources, ING estimates

Turkey



Muhammet Mercan, Chief Economist, Turkey

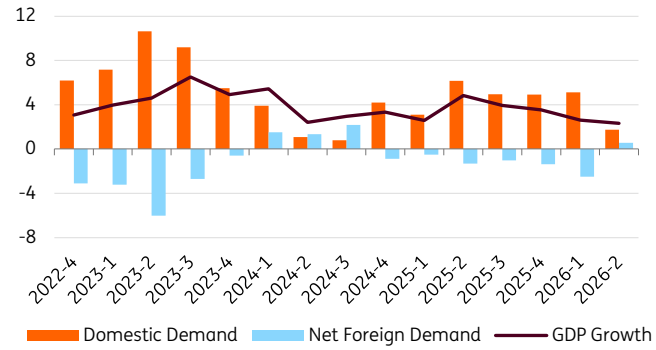
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (% YoY)	2.3	3.2	2.9	3.5	4.0	2.8	4.5
CPI (% YoY)*	32.1	29.7	29.0	26.9	25.0	30.8	25.3
Policy interest rate (eop, %)	37.00	37.00	35.00	33.00	31.00	35.00	30.00
3m interest rate (%)*	42.98	41.22	37.42	34.02	31.92	37.42	28.93
10yr yield (%)*	33.21	35.50	33.38	32.65	30.38	33.65	30.77
USD/TRY*	46.64	48.95	51.50	54.31	57.08	47.17	57.51
EUR/TRY*	53.30	55.48	58.20	61.37	66.22	54.06	66.14

Macro trend		Political cycle	Ratings	FC	LC
Activity	–	Presidential: May 2028	S&P	BB-	BB-
Fiscal	Tight	Parliamentary: May 2028	Moody's	Ba3	Ba3
Monetary	Tight	Local: March 2029	Fitch	BB-	BB-

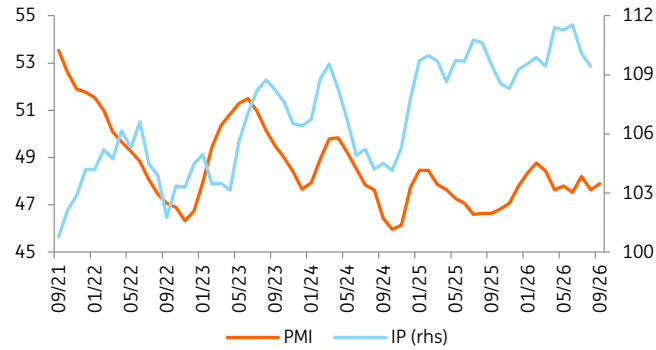
*Quarterly data is eop, annual is average
Source: National sources, ING estimates

GDP growth (% YoY)



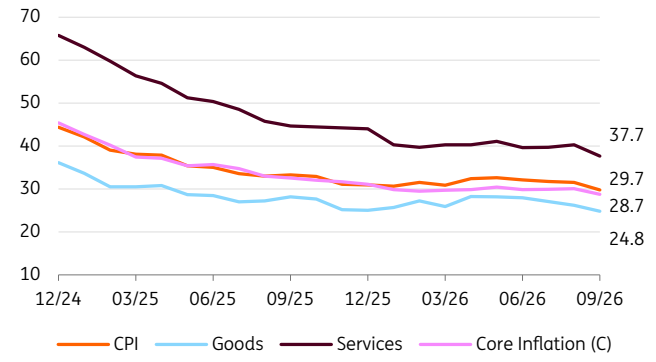
Source: TurkStat, ING

PMI and IP (seas. adj., 3m-ma, % YoY)



Source: ICI, TurkStat, ING

Inflation (% YoY)



Source: TurkStat, ING

Country strategy: Central Bank (CBT) to remain reactive

The Middle East remains focused on the US-Iran standoff. In this environment, pressure on energy prices persists, creating challenges for net energy-importing economies such as Turkey. Domestically, the closure of certain investment funds prompted some investors to unwind money market fund positions, although dollarization pressures remained contained. CBT reserves declined in September amid weaker confidence, while maintaining strong reserve buffers remains important for absorbing potential shocks and preserving the exchange rate as a key policy anchor. Slower economic activity, softer domestic demand, low core goods inflation and easing services inflation have reduced upside inflation risks, leading the CBT to lower the effective funding cost. Markets continue to expect further rate cuts this year, although reserve volatility and investor confidence remain important considerations for the CBT.

Macro digest

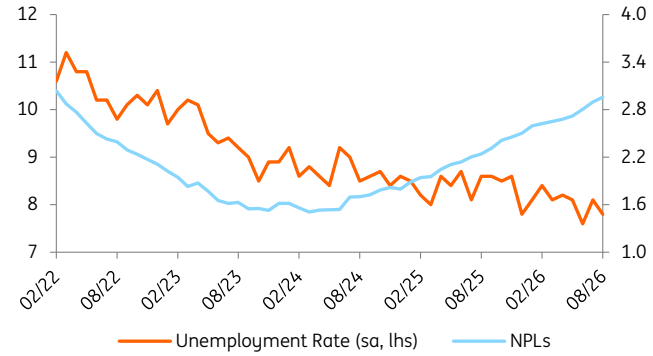
Elevated borrowing costs and macroprudential measures, which were tightened further in May, appear to be contributing to a more pronounced slowdown in second-quarter 2026 GDP growth. Domestic demand, particularly private consumption, has continued to lose momentum, making its weakest contribution since 2024 as spending adjusts to tighter financial conditions. At the same time, net exports have returned to positive territory and are providing support to overall economic activity. On a sequential basis, growth was held back by weaker private and government consumption, although this was largely offset by a strong contribution from net exports. The economy is on a moderating growth path in the second half of this year; however, the recent disruption in investment funds is likely to place additional pressure on domestic demand, increasing downside risks to our full-year GDP growth forecast of 2.8%. Compared with the previous plan, the new 2027-2029 Medium-Term Plan (MTP) projects a growth composition with a larger contribution from private consumption, a significantly higher inflation trajectory, stronger primary spending and a wider current account deficit next year. These projections come ahead of elections that, according to signals from the government bloc, are likely to be held in early 2028. Against this backdrop, GDP growth is expected to accelerate to above 4% next year. A potential resolution of the Gulf conflict could support growth prospects, while any further escalation would add to already high downside risks.

Lower-than-expected September CPI contributed to a further decline in annual inflation. Given still high energy prices and unanchored inflation expectations, we see end-2026 inflation at 29.0% though risks are on the downside with weakening demand. The latest MTP revised the 2027 inflation forecast upwards to 21%, compared with 9% in the previous plan. The new projection is broadly in line with the 21.9% consensus in the Market Participants Survey. The upwards revision to the 2027 forecast was driven partly by the carry-over impact of higher-than-expected inflation this year on the following year's starting point, and partly by the global economic backdrop. According to CBT calculations, the impact of the US-Iran war and related global developments on 2026 inflation is estimated at around 7ppt. After eliminating war related factors, inflation would be below 25%. The new 2027 inflation forecast indicates that the disinflation process has been pushed back further in the current stabilisation programme, in place since mid-2023. Uncertainty surrounding oil prices - along with their spillover effects on other commodity prices - continues to pose risks to the inflation outlook as well as to the expected fiscal impulse envisaged in the MTP. Accordingly, we forecast inflation next year at 25%, with risks on the upside.

Turkey

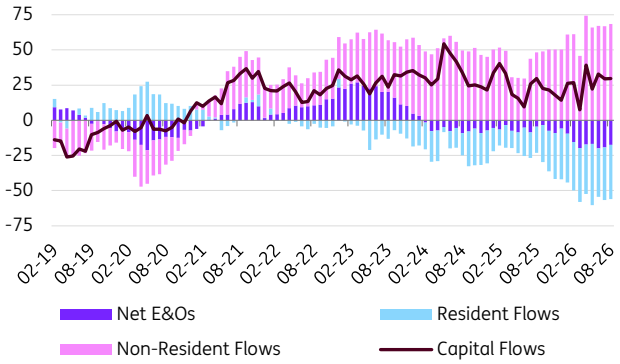
muhammet.mercan@ing.com.tr

Unemployment vs NPLs (%)



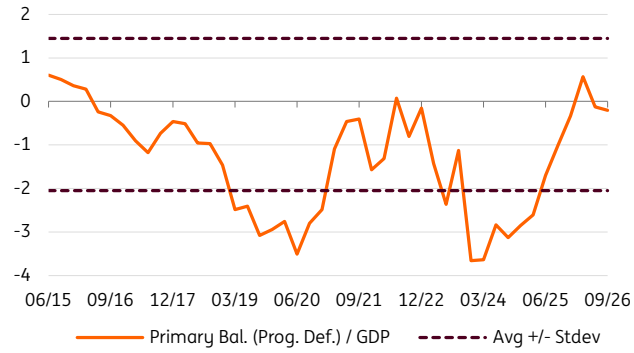
Source: TurkStat, BRSA, ING

Breakdown of C/A financing (12m-rolling, US$bn)



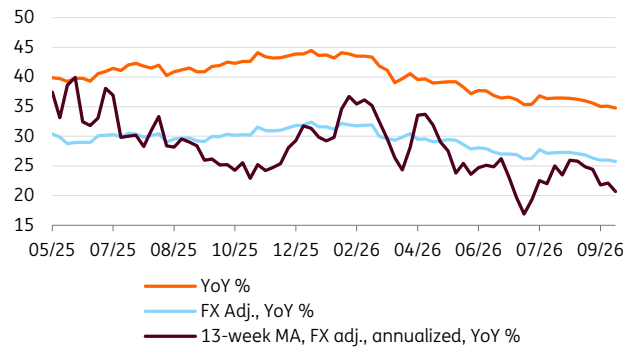
Source: CBT, ING

Primary balance (12m-rolling, % of GDP)



Source: Ministry of Treasury and Finance, ING

Banking sector volume expansion



Source: BRSA, ING

Labour market stability conceals rising pressures

The seasonally adjusted unemployment rate has remained broadly stable in the 8-9% range since mid-2024, occasionally falling below 8% and reaching 7.8% in August 2026. As job creation has been largely flat, the relatively low unemployment rate mainly reflects a gradual decline in labour force participation from nearly 54% to 52.5%. Broader labour market indicators suggest increasing strain, with the underutilisation rate, which includes the unemployed, the potential labour force and time-related underemployment, rising to 31.0%, close to an historic peak. Meanwhile, asset quality is gradually weakening, largely due to consumer lending. Although the overall NPL ratio remains historically low, rising GPL ratios warrant caution and may require further restructurings, potentially accelerated by recent fund-related stress.

External risks are still alive

The current account deficit has been on a widening trend, while capital flows have remained volatile recently. The trajectory of the current account balance is expected to be influenced by a mix of external risks alongside domestic demand conditions. In this regard, geopolitical shocks increase upside pressures on the deficit given the elevated trajectory of oil and gas prices. The signing of an agreement between the US and Iran, on the other hand, should be supportive with easing pressure on energy prices. The government forecasts a current account deficit of 2.6% of GDP in 2026, followed by a gradual improvement in subsequent years. While the new projections are higher than those in the previous plan, the elevated and gradually increasing growth path outlined in the MTP raises doubts over whether a narrowing of the current account deficit can be achieved.

Fiscal outlook faces energy-related pressures

The budget deficit has remained below the government's target. However, the fiscal burden from energy subsidies is expected to continue in the near term as elevated global energy prices remain a challenge. We forecast a 2026 budget deficit of 3.3% of GDP, with lower capital expenditure and resilient tax revenue partly offsetting subsidy costs. The MTP projects a central government deficit of 3.1% of GDP, rising to 3.5% in 2027 before declining to 2.8% by 2029. Although most earthquake-related reconstruction spending has been completed, total spending is expected to rise from 23.0% to 24.5% of GDP, mainly due to higher current transfers, reserve allocations and interest payments. Stronger revenue collection, equating to around 1% of GDP, should provide a partial offset, while fiscal policy is intended to support disinflation.

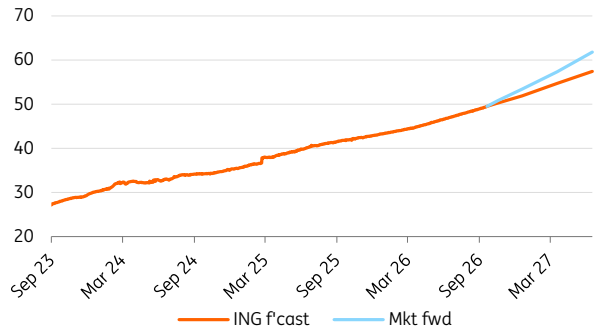
CBT's targeted support for liquidity and SMEs

The CBT has introduced targeted measures to support market liquidity and SME lending. The SME loan growth limit was increased from 4.5% to 5.0%, reversing the tightening implemented on 23 May. The Bank also lowered the share of TRY required reserves held in blocked accounts, giving banks greater flexibility in liquidity management without changing overall reserve requirements. These steps are designed to address temporary liquidity and credit pressures rather than signal a broader easing of monetary policy. Meanwhile, loan growth has slowed due to the macroprudential measures introduced in May and the continued tight policy stance. TRY-denominated loans remain the main driver of commercial lending because of stricter FX lending limits, while weaker momentum in TRY SME lending has widened the gap with non-SME lending.

Turkey

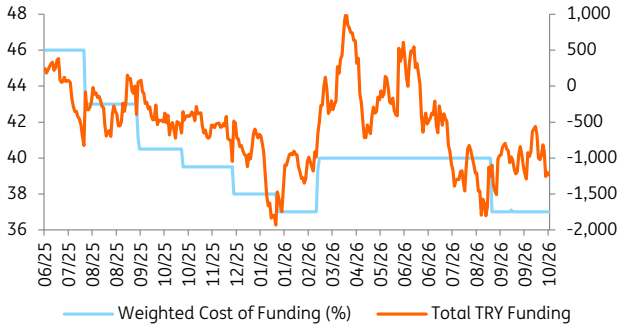
Strategy

FX: Spot vs forward and INGF



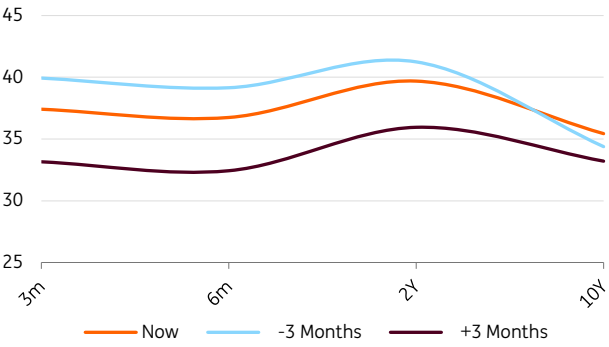
Source: Bloomberg, ING estimates

CBT funding



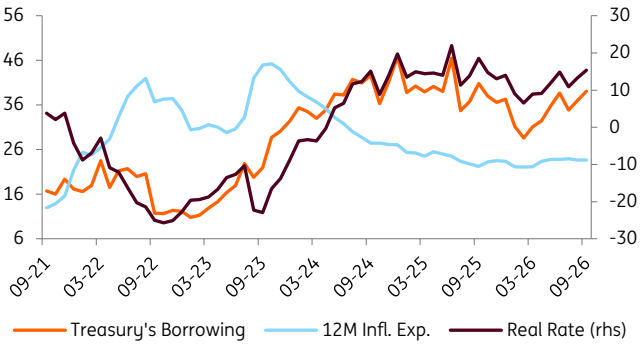
Source: CBT, ING

Yield curve (%)



Source: Bloomberg, ING estimates

Real interest rate (%)



Source: Treasury, CBT, ING

FX strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist)*

Fund volatility has had little impact on the dollarization ratio for deposits and mutual funds. TRY funds recorded outflows of around TRY580bn between end-August and 14 October as some investors seemed to be unwinding their money market fund holdings (the amount excludes price effects and funds for which trading was suspended, though it has been hard to fully track activity since 15 September as some funds shifted to monthly valuations). On the other hand, we estimate that outflows in FX- and gold-linked assets held in funds stood at US$2.8bn. Recent increase in TRY deposits and repos suggests that dollarization remains contained.

Following more than US$30bn net FX purchases between June and August, the CBT's net FX sales came in at US$8.5bn between 1 September and 9 October. We see US$2.0bn net portfolio outflows, US$3.0bn swap outflows, US$3.1bn increase in residents' FX-linked assets (netted across banks and funds), and a US$1.1bn increase in residents' gold deposits (parity-adjusted), which leaves us US$4.3bn to account for. Hence, we think roughly half of the net FX sales were related to residents' FX demand in this period with corporates having a higher weight. While the CBT recently adjusted the pace of FX depreciation higher, it is likely a mechanical move rather than a shift in FX policy.

We continue to favour TRY for carry trades, anticipating that the carry return will continue to outweigh depreciation.

Fixed income strategy *(with Frantisek Taborsky, EMEA FX & FI Strategist; James Wilson, EM Sovereign Strategist)*

Given the September CPI outcome and weakness in domestic demand, we see the policy rate at 35% by the end of 2026 following two 100bp cuts, at the October and December MPC meetings. The CBT also started purchase auctions on 20 August and, by mid-October, had purchased TRY117.8bn (nominal). According to the Bank, MMFs hold a significant amount of TLREF-linked instruments, which has led them to accelerate bond purchases. Continuation of purchases should also be supportive for bond yields.

The market is pricing in a CBT rate path for this year that is nearly identical to ours but remains significantly more hawkish regarding next year, pricing in a final rate cut that would subsequently be reversed, leaving the rate unchanged. With growing conviction that the disinflationary process will continue, we see room for further curve steepening and lower front-end, while the long end remains elevated amid global uncertainty.

In the Eurobond space, Turkey has held up well despite the global macro volatility in recent months and local investment fund noise. We continue to see fundamentals as relatively stable against a backdrop of higher energy prices and global bond yields. In this context, a decent pickup of 30-40bp over the BB sovereign average remains attractive, despite some tightening in recent weeks.

Turkey

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (% YoY)	3.3	7.8	3.5	1.3	1.8	11.8	5.4	5.0	3.5	3.7	2.8	4.5	4.0
Private consumption (% YoY)	3.8	6.0	0.8	1.4	3.6	15.6	16.2	10.5	4.7	4.1	3.7	4.5	4.1
Government consumption (% YoY)	10.2	4.8	8.1	4.6	2.8	4.2	4.5	2.3	-0.8	1.0	0.4	1.0	0.5
Investment (% YoY)	3.1	7.5	0.8	-12.1	6.9	7.2	4.4	7.3	2.7	7.3	2.3	3.9	3.0
Industrial production (% YoY)	3.4	9.0	1.3	-0.5	1.6	17.5	4.4	1.6	0.3	2.8	2.6	3.9	3.4
Unemployment rate (year-end, %)	10.9	10.9	10.9	13.7	13.1	12.0	10.5	9.4	8.7	8.4	8.4	8.3	8.3
Nominal GDP (TRYbn)	2,630	3,152	3,806	4,402	5,142	7,434	15,326	27,091	44,676	63,241	85,133	109,523	137,097
Nominal GDP (€bn)	29	31	30	31	31	36	43	54	1247	1399	1575	1656	1661
Nominal GDP (US$bn)	868	866	784	776	725	808	919	1118	1351	1587	1805	1904	1995
GDP per capita (US$)	10,621	10,354	9,502	8,992	8,397	9,424	10,434	13,008	15,325	18,478	20,915	21,962	22,901
Gross domestic saving (% of GDP)	27.5	28.8	29.5	29.4	29.9	33.5	33.9	32.8	31.9	32.6	30.0	29.1	28.2
Prices													
CPI (average, % YoY)	7.8	11.1	16.3	15.2	12.3	19.6	72.3	53.9	58.5	34.9	30.8	25.3	22.0
CPI (year-end, % YoY)	8.5	11.9	20.3	11.8	14.6	36.1	64.3	64.8	44.4	30.9	29.0	25.0	20.0
Wage rates (nominal, % YoY)	20.5	13.3	15.8	18.4	6.9	39.5	88.1	113.5	91.2	41.2	34.5	28.3	24.6
Fiscal balance (% of GDP)													
Consolidated government balance	-1.1	-1.5	-1.9	-2.8	-3.4	-2.6	-0.9	-5.1	-4.7	-2.8	-3.3	-3.6	-3.2
Consolidated primary balance	0.8	0.3	0.0	-0.5	-0.8	-0.2	1.1	-2.6	-1.9	0.4	0.1	-0.5	-0.2
Total public debt	27.0	26.9	28.8	31.2	38.3	38.9	29.4	36.4	23.6	23.7	24.4	26.8	28.2
External balance													
Exports (US$bn)	152.6	169.2	178.9	182.2	168.4	224.7	253.4	251.0	257.5	270.6	283.0	296.9	309.2
Imports (US$bn)	192.6	227.8	219.6	199.0	206.3	254.0	342.9	337.3	313.4	339.8	369.6	377.1	383.2
Trade balance (US$bn)	-39.9	-58.6	-40.7	-16.8	-37.9	-29.3	-89.6	-86.3	-56.0	-69.1	-86.7	-80.2	-74.0
Trade balance (% of GDP)	-4.6	-6.8	-5.2	-2.2	-5.2	-3.6	-9.8	-7.7	-4.1	-4.4	-4.8	-4.2	-3.7
Current account balance (US$bn)	-22.2	-35.1	-14.6	15.0	-31.0	-7.1	-46.7	-41.8	-13.6	-30.1	-50.2	-45.9	-38.7
Current account balance (% of GDP)	-2.6	-4.1	-1.9	1.9	-4.3	-0.9	-5.1	-3.7	-1.0	-1.9	-2.8	-2.4	-1.9
Net FDI (US$bn)	13.8	11.2	12.5	9.5	7.5	12.9	14.8	10.6	11.7	13.0	13.0	17.1	20.4
Net FDI (% of GDP)	1.6	1.3	1.6	1.2	1.0	1.6	1.6	0.9	0.9	0.8	0.7	0.9	1.0
Current account balance plus FDI (% of GDP)	-1.0	-2.8	-0.3	3.2	-3.2	0.7	-3.5	-2.8	-0.1	-1.1	-2.1	-1.5	-0.9
Foreign exchange reserves incl gold (US$bn)	106.1	107.7	91.9	106.3	93.2	111.1	128.8	141.1	155.1	193.9	180.4	184.6	193.2
Import cover (months of merchandise imports)	6.6	5.7	5.0	6.4	5.4	5.2	4.5	5.0	5.9	6.8	5.9	5.9	6.1
Debt indicators													
Gross external debt (US$bn)	402.2	459.8	411.6	398.1	390.3	377.9	388.1	432.1	460.8	520.5	557.7	592.3	622.0
Gross external debt (% of GDP)	46	53	52	51	54	47	42	39	34	33	31	31	31
Gross external debt (% of exports)	264	272	230	218	232	168	153	172	179	192	197	199	201
Lending to corporates/households (% of GDP)	65.8	66.4	62.8	60.2	69.5	65.8	49.3	42.9	35.6	36.1	35.8	36.3	36.3
Interest & exchange rates													
Central bank key rate (year-end, %)	8.00	8.00	24.00	12.00	17.00	14.00	9.00	42.50	47.50	38.00	35.00	30.00	25.00
Broad money supply (average, % YoY)	18.3	15.7	19.1	26.1	36.0	53.6	60.7	66.5	28.7	42.6	35.6	29.6	26.2
3m interest rate (TRLibor, average, %)	8.9	11.6	19.1	18.8	11.0	18.0	15.7	20.5	47.5	44.1	37.4	28.9	23.7
3m interest rate spread over US$-Libor(ppt)	-2409	-2037	-1136	-1019	-1704	-851	-935	-455	4239	3991	3352	2486	2017
2yr yield (average, %)	9.7	11.8	18.9	17.2	11.9	18.5	19.2	21.1	42.6	41.2	39.6	32.4	26.3
10yr yield (average, %)	10.1	11.0	15.8	15.5	12.7	18.2	17.6	18.4	28.2	31.1	33.7	30.8	25.4
USD/TRY exchange rate (year-end)	3.53	3.79	5.29	5.95	7.43	13.32	18.69	29.48	35.34	42.94	51.50	62.50	74.00
USD/TRY exchange rate (average)	3.03	3.64	4.85	5.67	7.09	9.20	16.68	24.22	33.07	39.85	47.17	57.51	68.73
EUR/TRY exchange rate (year-end)	105.80	109.88	145.41	154.65	185.80	312.93	411.14	648.49	36.59	50.45	58.20	73.13	90.28
EUR/TRY exchange rate (average)	89.27	101.73	127.20	140.15	166.58	204.48	352.77	504.97	35.84	45.22	54.06	66.14	82.56
Brent oil price (annual average, US$/bbl)	43.31	54.13	71.17	64.72	41.80	71.25	99.25	82.25	80.00	68.25	86.25	70.50	71.75

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (% YoY)	4.8	3.9	3.5	2.6	2.3	3.2	2.9	3.5	4.0	4.5	5.8	4.5	4.1
CPI (eop, % YoY)	35.0	33.3	30.9	30.9	32.1	29.7	29.0	26.9	25.0	24.8	25.0	23.6	22.2
Central bank key rate (eop, %)	46.00	40.50	38.00	37.00	37.00	37.00	35.00	33.00	31.00	30.00	30.00	29.00	27.50
3m interest rate (eop, %)	45.99	42.58	40.10	47.18	42.98	41.22	37.42	34.02	31.92	30.48	28.93	27.95	26.30
10yr yield (eop, %)	30.93	31.54	28.89	33.51	33.21	35.50	33.38	32.65	30.38	30.21	29.27	27.45	25.41
USD/TRY exchange rate (eop)	39.78	41.57	42.94	44.42	46.64	48.95	51.50	54.31	57.08	59.81	62.50	65.38	68.25
EUR/TRY exchange rate (eop)	46.86	48.80	50.45	51.35	53.30	55.48	58.20	61.37	66.22	69.38	73.13	77.80	81.90

Shading denotes ING forecast data
Source: National sources, ING estimates

Ukraine



Leszek Kąsek, Senior Economist, Poland

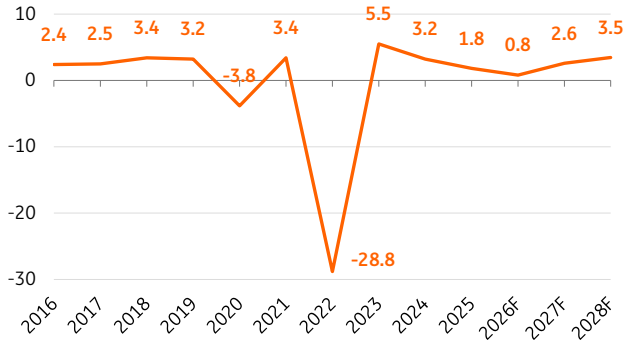
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	0.4	1.5	1.6	2.9	2.2	0.8	2.6
CPI (%YoY)*	8.0	8.6	11.5	11.7	11.9	8.9	10.8
Policy interest rate (eop, %)	15.0	16.0	16.5	16.5	16.5	16.5	15.5
USD/UAH*	44.0	44.2	45.2	45.3	45.4	44.3	45.4
EUR/UAH*	50.3	50.1	51.1	51.2	52.7	50.5	52.5

Macro trend		Political cycle	Ratings	FC	LC
Activity	–	General elections postponed until the end of martial law	S&P	CCC+	CCC+
Fiscal	Expansionary		Moody's	Ca	Ca
Monetary	Restrictive		Fitch	CCC	CCC+

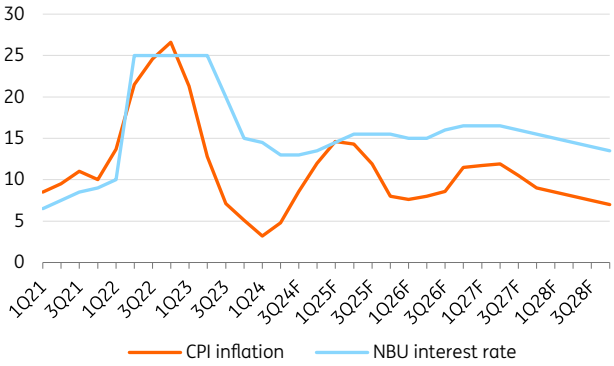
*Quarterly data is eop, annual is average. Shading denotes ING forecast data
Source: National sources, ING estimates

GDP growth (%)



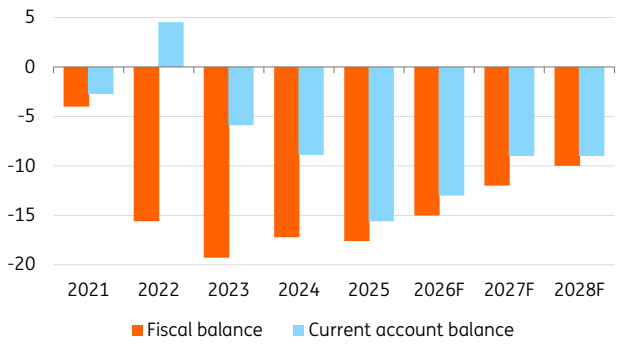
Source: NSI, ING

Inflation and NBU policy rate (%)



Source: NBU, ING

Fiscal and external current account balances (% of GDP)



Source: Ministry of Finance, NBU, IMF, WB, ING

Country strategy: Macro imbalances due to protracted war

The hryvnia remained under pressure as the dollar strengthened, partly due to renewed Middle East tensions. Consequently, USD/UAH temporarily broke above 45.0, reaching its highest level on record. Hryvnia depreciation could have been sharper, but NBU actions provided support. In September, the central bank raised rates by 50bp to 16.0% and maintained sizeable FX interventions, with the four-week average close to record highs, which demonstrates the NBU's determination to stabilise the exchange rate. FX reserves remain volatile but new tranches of foreign loans should lift them to around US$60bn. The macroeconomic environment remains challenging due to the ongoing war with Russia, despite intensified rhetoric and pressure from the US administration.

Economic stagnation in 2026 due to war disruptions

In 2026, Ukraine's GDP level seems set to remain 20% lower than in 2021, prior to Russia's full-scale invasion in February 2022. The economy has nevertheless shown considerable resilience during the war. However, the intensification of attacks on energy, warehousing and logistics infrastructure has led to severe supply-side disruptions compounded by labour shortages, weighing on GDP growth, which slowed to 1.8% in 2025 and is expected to fall below 1% in 2026. The recent acceleration in inflation has added to these pressures by eroding real incomes and private consumption.

Assuming hostilities continue into 2027, economic activity is likely to rebound only gradually with energy shortages posing an additional risk during the winter months. The geopolitical outlook remains highly uncertain with little prospect of an imminent end to the war despite intensified diplomatic efforts.

Return of double-digit inflation may require NBU rate hikes

Price pressures have increased in recent months as a consequence of intensified Russian attacks on energy, logistics and civil infrastructure and the war in the Middle East (global oil shock). CPI inflation accelerated from 8.1% YoY in August to 10.0% YoY in September, well above expectations. Monthly inflation of 2.1% MoM was the highest since 2015. The surge in inflation was broad-based, and included not only energy and food categories, but also core inflation, which reached 8.8% YoY in September, up from 8.1% YoY in August. Higher food prices surprised despite the relatively robust harvest of grains, fruits and vegetables. War-related disruptions and unfavourable global trends may further fuel inflationary pressures and require additional NBU policy tightening in 2026 and a restrictive policy stance in 2027 to contain second-round effects.

Persistent fiscal gap funded mainly by EU loans in 2026-27

To finance the war with Russia, Ukraine has mobilised substantial internal resources while relying heavily on external financial assistance in the form of foreign loans from international partners. This includes the €90bn EU loan due to be disbursed in 2026-27, which comprises both defence and budget-support components. This has translated into fast rising public and external debt levels, both of which exceeded 100% of GDP in 2025, and are set to rise further in the coming years.

Both fiscal and external current account gaps, as well as public and external debt levels, are set to widen significantly in the coming years. In July, the NBU projected foreign assistance inflows at US$87bn in 2026, US$59 in 2027, and US$33bn in 2028.

Ukraine

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	2.4	2.5	3.4	3.2	-3.8	3.4	-28.8	5.5	3.2	1.8	0.8	2.6	3.5
Private consumption (%YoY)	2.1	7.7	8.8	10.9	1.7	4.5	-19.0	2.8	5.2	4.7	1.5	3.3	4.0
Government consumption (%YoY)	-0.5	2.4	0.2	-13.6	-0.7	0.2	5.6	3.7	-1.7	2.1	3.0	2.5	2.5
Investment (%YoY)	20.4	18.8	14.3	11.7	-21.3	8.1	-5.5	5.8	3.0	3.0	0.5	3.0	4.0
Industrial production (%YoY)	2.8	0.4	3.0	-0.5	-4.0	3.5	-36.9	8.0	4.6	-1.0	-2.0	3.0	5.0
Unemployment rate (year-end, %)	9.7	9.4	8.9	8.4	10.1	10.6	23.2	16.3	12.0	11.6	10.0	9.5	9.0
Nominal GDP (UAHbn)	2,385	2,983	3,561	3,975	4,090	5,451	5,239	6,628	7,662	8,931	9,808	11,145	12,425
Nominal GDP (€bn)	84	99	111	137	133	169	154	168	176	186	194	212	227
Nominal GDP (US$bn)	93	112	131	154	152	200	162	181	191	214	221	245	272
GDP per capita (US$)	2,200	2,600	3,050	3,600	3,400	4,200	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gross national saving (% of GDP)	14.8	12.3	15.3	12.2	12.2	12.5	17.0	12.9	11.3	7.0	8.0	10.0	10.0
Prices													
CPI (average, %YoY)	14.9	14.5	11.0	7.9	2.7	9.3	20.2	12.9	6.5	12.7	8.9	10.8	7.8
CPI (year-end, %YoY)	12.4	13.7	9.8	4.1	5.0	10.0	26.6	5.1	12.0	8.0	11.5	9.0	7.0
Wage rates (nominal, %YoY)	23.3	37.0	24.8	18.4	10.4	20.8	6.1	17.4	23.5	20.5	22.0	17.0	15.0
Fiscal balance (% of GDP)													
Consolidated government balance	-2.3	-1.4	-2.0	-2.2	-5.9	-4.0	-15.6	-19.3	-17.2	-17.6	-15.0	-12.0	-10.0
Consolidated primary balance	1.9	2.4	1.2	1.0	-3.0	-1.1	-12.5	-15.5	-13.2	-13.6	-11.0	-8.0	-6.0
Total public debt	80.9	71.8	60.9	50.2	60.4	48.9	77.7	83.3	91.1	101.2	112.2	120.2	126.2
External balance													
Exports (US$bn)	33.6	39.7	43.3	46.1	45.1	63.6	41.2	35.1	39.3	38.3	43.0	47.0	50.0
Imports ({US$bn)	40.5	49.4	56.1	60.4	52.0	71.8	56.5	65.5	72.3	89.3	98.0	95.0	93.0
Trade balance (US$bn)	-6.9	-9.7	-12.7	-14.3	-6.9	-8.2	-15.3	-30.4	-33.0	-51.0	-55.0	-48.0	-43.0
Trade balance (% of GDP)	-7.4	-8.6	-9.7	-9.3	-4.5	-4.1	-9.5	-16.8	-17.3	-23.8	-24.8	-19.6	-15.8
Current account balance (US$bn)	-1.9	-3.5	-6.4	-4.1	5.3	-5.5	7.3	-10.8	-16.9	-33.4	-28.8	-22.1	-24.4
Current account balance (% of GDP)	-2.0	-3.1	-4.9	-2.7	3.5	-2.8	4.5	-5.9	-8.9	-15.6	-13.0	-9.0	-9.0
Net FDI (US$bn)	4.0	3.4	4.9	5.2	-0.1	7.5	0.2	4.4	3.7	2.4	3.6	6.4	8.0
Net FDI (% of GDP)	4.2	3.1	3.7	3.4	0.0	3.8	0.1	2.5	1.9	1.1	1.6	2.6	2.9
Current account balance plus FDI (% of GDP)	2.2	0.0	-1.2	0.7	3.4	1.0	4.6	-3.4	-7.0	-14.5	-11.4	-6.4	-6.1
Foreign exchange reserves (US$bn)	15.3	18.9	17.7	25.3	29.1	30.9	28.5	40.5	43.8	57.3	62.0	66.0	68.0
Import cover (months of merchandise imports)	4.5	4.6	3.8	5.0	6.7	5.2	6.1	7.4	7.3	7.7	7.6	8.3	8.8
Debt indicators													
Gross external debt (€bn)	107.6	96.7	100.1	109.1	102.3	114.4	122.9	145.4	172.9	201.2	246.2	281.2	306.2
Gross external debt (% of GDP)	127.7	97.4	90.4	79.4	77.1	67.8	79.9	86.7	98.1	108.3	126.8	132.4	135.0
Gross external debt (% of exports)	335.2	290.9	264.6	264.1	278.4	204.0	326.2	455.0	455.0	617.1	647.0	700.0	734.9
Lending to corporates/households (% of GDP)	41.3	33.7	29.8	24.5	23.1	18.8	18.9	14.9	14.6	13.6	14.0	14.5	15.0
Interest & exchange rates													
Central bank key rate (year-end, %)	14.0	14.5	18.0	13.5	6.0	9.0	25.0	15.0	13.5	15.5	16.5	15.5	13.5
Broad money supply (average, %YoY)	10.9	9.6	5.7	12.6	28.6	12.0	20.8	23.0	13.4	15.3	12.1	10.5	10.0
2yr yield (average, %)	19.4	15.7	17.8	17.2	13.0	12.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/UAH exchange rate (year-end)	27.2	28.1	27.7	23.7	28.3	27.3	36.6	38.0	42.0	42.4	45.2	45.5	45.9
USD/UAH exchange rate (average)	25.6	26.6	27.2	25.8	27.0	27.3	32.4	36.6	40.2	41.7	44.3	45.4	45.8
EUR/UAH exchange rate (year-end)	28.4	33.5	31.7	26.4	34.7	30.9	39.0	42.2	43.5	49.8	51.1	53.2	55.1
EUR/UAH exchange rate (average)	28.3	30.0	32.1	28.9	30.8	32.3	34.1	39.5	43.5	48.1	50.5	52.5	54.8

Shading denotes ING forecast data
Source: National sources, IMF, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	0.9	2.4	2.8	-0.6	0.4	1.5	1.6	2.9	2.2	2.5	2.7	3.0	3.2
CPI (eop, %YoY)	14.3	11.9	8.0	7.6	8.0	8.6	11.5	11.7	11.9	10.5	9.0	8.5	8.0
Central bank key rate (eop, %)	15.5	15.5	15.5	15.0	15.0	16.0	16.5	16.5	16.5	16.0	15.5	15.0	14.5
USD/UAH exchange rate (eop)	41.6	41.3	42.4	43.8	44.0	44.2	45.2	45.3	45.4	45.5	45.5	45.6	45.7
EUR/UAH exchange rate (eop)	49.1	48.5	49.8	50.6	50.3	50.1	51.1	51.2	52.7	52.8	53.2	54.3	54.8

Shading denotes ING forecast data
Source: NBU, Ukrstat, Macrobond, ING estimates

Uzbekistan



Dmitry Dolgin, Chief Economist, CIS

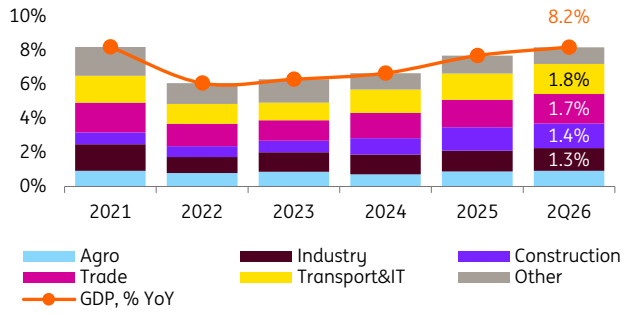
Forecast summary

	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	2026F	2027F
Real GDP (%YoY)	8.4	7.5	7.3	7.3	6.7	8.0	6.7
CPI (%YoY)*	6.4	6.4	6.3	6.5	6.2	6.5	6.6
Policy interest rate (eop, %)	14.00	14.00	13.50	13.25	13.00	13.50	12.50
USD/UZS*	12,010	11,806	11,529	11,587	11,645	11,770	11,645
EUR/UZS*	13,717	13,375	13,028	13,093	13,508	13,419	13,391

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2030	S&P	BB	BB
Fiscal	Consolidation	Parliamentary: 2029	Moody's	Ba2	Ba2
Monetary	Tight	Local: 2029	Fitch	BB	BB

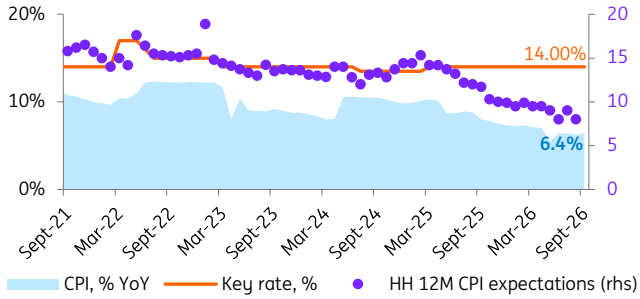
*Quarterly data is eop, annual is average. Shading denotes ING forecast data
Source: National sources, ING estimates

GDP growth by sectors (% YoY, ppt)



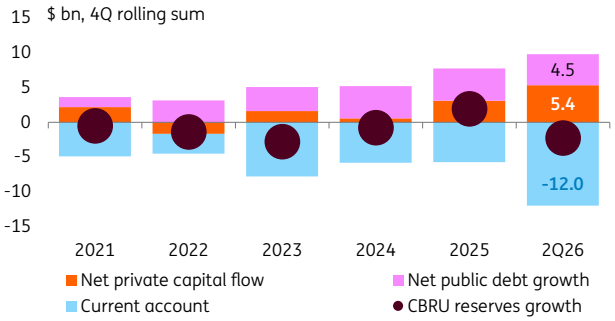
Source: National sources, CEIC, ING

Inflation, key rate, and CPI expectations (%)



Source: National sources, CEIC, ING

Balance of payments composition (US$bn)



Source: National sources, CEIC, ING

Country strategy: Strong growth and gold buffers

Uzbekistan remains our preferred story in the CCA region, combining strong and diversified growth, continued reforms and positive sovereign-credit momentum. An expected catch-up in gold exports, alongside ongoing capital inflows linked to the privatisation pipeline (UzNIF+12 SOEs) is supporting a positive performance from the soum. Combined with fiscal consolidation, this has helped bring the inflation rate down since the start of the year, improving the scope for further monetary easing. At the same time, longer-term vulnerabilities stem from persisting twin deficits, continued high state involvement in the economy and a long history of above-target inflation. A more meaningful monetary easing and a lasting break from UZS's depreciation trend would require a further decline in inflation and more durable private capital inflows.

Activity: Accelerating beyond potential

Uzbekistan's GDP growth has been exceptionally strong recently, supported by domestic demand catching up from a low base. While activity is expected to moderate from the current above-potential levels, Uzbekistan should remain one of the fastest-growing economies in emerging markets. Strong investment spending, industrial activity and ongoing reforms continue to support expansion, while positive demographic trends provide an additional tailwind. A gradual slowdown in the GDP growth is likely to reflect normalisation in the activity trends, with growth remaining comfortably above regional peers. Uzbekistan's challenge is increasingly one of managing overheating pressures rather than finding additional sources growth in consumption and investment.

Monetary policy: Scope for gradual easing

Over the past couple of years, inflation in Uzbekistan has moderated substantially from previous highs, aided by the recent fiscal consolidation, and this has created room for a cautious monetary policy easing cycle. However, current CPI remains above the central bank's long-term objective, while strong domestic demand, administrative tariff adjustments and global food and commodity risks argue against aggressive rate cuts. We therefore expect the central bank to deliver only gradual easing from a still-restrictive level. Real rates remain relatively attractive and should continue to support macro stability while allowing policymakers to balance growth objectives against the need for further disinflation.

External balance: Gold and capital inflows support UZS

Our stronger-than-consensus medium-term view on the soum continues to be reinforced by recent developments. High real rates, gold prices, an expected catch-up in physical gold exports and growing foreign participation in Uzbekistan's privatisation programme provide important support for the balance of payments and FX market. This should underpin the resilience of the UZS despite the country's persistent trade and current-account deficits. However, the longer-term outlook is less certain, as Uzbekistan continues to run sizeable twin deficits, while inflation remains above target. As a result, we view the UZS positively in the near term but believe a durable break from the historical depreciation trend would require sustained progress in reducing macro imbalances and deepening structural reforms.

Uzbekistan

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F	2028F
Activity													
Real GDP (%YoY)	6.7	4.7	5.7	6.8	1.6	8.2	6.1	6.3	6.7	7.7	8.0	6.7	6.3
Private consumption (%YoY)	9.7	4.3	6.1	6.0	-2.3	11.9	11.5	7.0	11.5	9.5	7.5	6.5	6.0
Government consumption (%YoY)	2.7	1.5	4.8	5.7	1.3	3.2	3.5	1.1	1.2	0.7	2.5	2.5	2.0
Gross capital formation (%YoY)	4.1	19.4	29.1	37.6	-5.0	3.1	-0.3	23.4	31.3	10.5	8.5	7.5	6.0
Industrial production (%YoY)	5.4	5.2	10.8	5.0	0.9	8.8	5.3	6.3	6.5	6.8	8.0	6.0	5.0
Unemployment rate (year-end, %)	5.2	5.4	9.3	9.1	11.1	9.8	8.9	7.7	5.9	5.0	4.9	4.8	4.7
Nominal GDP (UZStr)	290	356	495	620	705	861	1,042	1,262	1,535	1,850	2,128	2,418	2,738
Nominal GDP (€bn)	88	61	52	63	61	69	90	99	112	130	159	181	190
Nominal GDP (US$bn)	98	70	61	70	70	81	94	108	121	147	181	208	229
GDP per capita (US$)	2,705	2,152	1,781	2,004	1,941	2,215	2,527	2,819	3,290	3,901	4,696	5,285	5,721
Gross domestic saving (% of GDP)	15.5	21.5	23.2	22.6	24.4	22.0	18.8	20.7	20.0	19.9	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	8.1	13.9	17.5	14.5	12.9	10.8	11.4	10.0	9.6	8.8	6.5	6.6	6.5
CPI (year-end, %YoY)	9.8	18.8	14.3	15.2	11.2	10.0	12.3	8.7	9.8	7.3	6.3	7.0	6.5
Wage rates (nominal, %YoY)	n/a	n/a	25.0	27.5	15.0	20.3	20.8	17.5	17.5	18.9	10.9	10.1	10.0
Fiscal balance (% of GDP)													
Consolidated government balance	0.6	1.0	1.1	-2.2	-2.4	-4.7	-3.4	-4.7	-3.1	-2.1	-1.7	-2.0	-2.3
Consolidated primary balance	0.6	1.1	1.2	-2.0	-2.1	-4.4	-3.0	-4.0	-2.2	-1.1	-0.6	-0.8	-1.1
Total public debt	7.2	17.3	16.7	24.3	31.9	30.2	29.2	30.7	30.9	28.6	28.9	29.3	29.8
External balance													
Exports (US$bn)	8.6	10.2	11.4	13.9	12.8	14.1	16.6	19.6	19.6	23.0	30.0	31.5	32.5
Imports (US$bn)	11.0	12.4	18.3	21.2	19.0	22.9	28.3	34.5	33.2	38.5	46.3	48.6	50.0
Trade balance (US$bn)	-2.4	-2.2	-6.9	-7.3	-6.2	-8.8	-11.7	-14.9	-13.5	-15.5	-16.2	-17.0	-17.6
Trade balance (% of GDP)	-2.4	-3.2	-11.2	-10.4	-8.9	-10.8	-12.4	-13.8	-11.2	-10.6	-9.0	-8.2	-7.7
Current account balance (US$bn)	0.2	1.5	-3.6	-3.4	-3.0	-4.9	-2.8	-7.8	-5.8	-5.7	-7.2	-9.0	-9.6
Current account balance (% of GDP)	0.2	2.1	-5.9	-4.8	-4.3	-6.0	-3.0	-7.3	-4.8	-3.9	-4.0	-4.4	-4.2
Net FDI (US$bn)	1.7	1.8	0.6	2.3	1.7	2.3	2.7	2.1	2.8	4.2	5.0	6.0	7.2
Net FDI (% of GDP)	1.7	2.6	1.0	3.3	2.4	2.8	2.8	2.0	2.3	2.8	2.8	2.9	3.1
Current account balance plus FDI (% of GDP)	1.9	4.7	-4.8	-1.5	-1.9	-3.2	-0.2	-5.3	-2.5	-1.1	-1.2	-1.5	-1.0
Gross international reserves (US$bn)	26.4	28.1	27.1	29.2	34.9	35.1	35.8	34.6	41.2	66.3	70.3	71.3	71.8
Import cover (months of merchandise imports)	28.7	27.2	17.8	16.5	22.0	18.4	15.2	12.0	14.9	20.6	18.2	17.6	17.2
Debt indicators													
Gross external debt (US$bn)	14.6	15.6	17.1	24.3	33.3	43.2	51.8	61.2	71.1	89.6	91.6	94.6	97.6
Gross external debt (% of GDP)	14.9	22.4	27.9	34.6	47.5	53.2	55.0	56.9	58.6	60.9	50.7	45.5	42.5
Gross external debt (% of exports)	169.2	153.3	150.0	174.6	259.7	305.4	311.3	312.1	362.2	389.1	305.1	300.0	300.5
Lending to corporates/households (% of GDP)	18.1	31.0	33.8	33.4	38.8	37.5	37.0	36.8	33.7	31.6	30.1	30.6	31.0
Interest & exchange rates													
Central bank key rate (year-end, %)	9.00	14.00	16.00	16.00	14.00	14.00	15.00	14.00	13.50	14.00	13.50	12.50	11.50
Broad money supply (average, %YoY)	23.5	40.2	14.1	13.9	17.7	29.7	30.2	12.2	30.6	36.6	34.3	28.7	24.7
3m interest rate (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3m interest rate spread over US$-Euribor (ppt)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (average, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/UZS exchange rate (year-end)	3,225	8,120	8,404	9,506	10,466	10,818	11,229	12,346	12,895	12,010	11,529	11,760	12,113
USD/UZS exchange rate (average)	2,965	5,126	8,133	8,861	10,055	10,614	11,046	11,733	12,649	12,576	11,770	11,645	11,936
EUR/UZS exchange rate (year-end)	3,393	9,745	9,563	10,657	12,787	12,303	12,022	13,648	13,355	14,103	13,028	13,759	14,778
EUR/UZS exchange rate (average)	3,280	5,869	9,573	9,895	11,493	12,548	11,627	12,693	13,686	14,204	13,419	13,391	14,383
Brent oil price (annual average, US$/bbl)	45	55	72	64	43	71	99	82	80	68	87	71	72

Shading denotes ING forecast data
Source: National sources, ING estimates

Quarterly forecasts

	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F	1Q28F	2Q28F
Real GDP (%YoY)	7.5	8.3	7.8	8.7	8.4	7.5	7.3	7.3	6.7	6.2	6.5	6.3	6.5
CPI (eop, %YoY)	8.7	8.0	7.3	7.1	6.4	6.4	6.3	6.5	6.2	6.4	7.0	6.6	6.6
Central bank key rate (eop, %)	14.00	14.00	14.00	14.00	14.00	14.00	13.50	13.25	13.00	12.75	12.50	12.25	12.00
3m interest rate (eop, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (eop, %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/UZS exchange rate (eop)	12,688	12,095	12,010	12,192	12,010	11,806	11,529	11,587	11,645	11,702	11,760	11,848	11,936
EUR/UZS exchange rate (eop)	14,955	14,193	14,103	14,070	13,717	13,375	13,028	13,093	13,508	13,575	13,759	14,099	14,324

Shading denotes ING forecast data
Source: National sources, ING estimates

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