

20 May 2026

This report does not include the investment strategies and trade recommendations contained in the Global Markets Research version to be found on research.ing.com

Directional Economics CEEMEA

Energy shock 2.0 – who breaks, who bends?



- Armenia
- Azerbaijan
- Bulgaria
- Croatia
- Czech Republic
- Hungary
- Kazakhstan
- Poland
- Serbia
- Turkey
- Ukraine
- Uzbekistan

Contents

Summary	3
Country summaries: CEE3	4
Country summaries: Other Central & Eastern Europe	4
Country summaries: CIS	5
ING main macroeconomic and financial forecasts	6
ING EM FX and local rates views summary	7
Energy shock 2.0 – who breaks, who bends in Central and Eastern Europe	8
CEE FX, rates and debt strategy	17
FX: CEE resilient for now, but downside risks building.....	19
Rates: Curves reflect inflation fears and uncertainty supporting RV trades in region	20
Local currency debt: Diverging bond dynamics across CEE amid fiscal strain	22
Hard currency sovereign debt: Remarkable resilience	24
Countries	29
Armenia	30
Azerbaijan.....	32
Bulgaria.....	34
Croatia.....	36
Czech Republic.....	38
Hungary.....	42
Kazakhstan.....	46
Poland.....	48
Serbia.....	52
Turkey.....	54
Ukraine.....	58
Uzbekistan.....	60
Disclaimer	62

Chris Turner

Global Head of Markets and
Regional Head of Research, UK & CEE
chris.turner@ing.com

Rafal Benecki

Chief Economist, Poland
rafal.benecki@ing.pl

Adam Antoniak

Senior Economist, Poland
adam.antoniak@ing.pl

Dmitry Dolgin

Chief Economist, CIS
dmitry.dolgin@ing.de

David Havrlant

Chief Economist, Czech Republic
david.havrlant@ing.com

Leszek Kasek

Senior Economist, Poland
leszek.kasek@ing.pl

Muhammet Mercan

Chief Economist, Turkey
muhammet.mercan@ing.com.tr

Stefan Posea

Economist, Romania
tiberiu-stefan.posea@ing.com

Michał Rubaszek

Senior Economist, Poland
michal.rubaszek@ing.pl

Mateusz Sutowicz

Senior Economist, Poland
mateusz.sutowicz@ing.pl

Valentin Tataru

Chief Economist, Romania
valentin.tataru@ing.com

Péter Virovác

Chief Economist, Hungary
péter.virovác@ing.com

Zoltán Homolya

Economic research trainee, Hungary
zoltan.homolya@ing.com

Frantisek Taborsky

EMEA FX&FI Strategist
frantisek.taborsky@ing.com

James Wilson

Emerging Markets Sovereign Debt Strategist
james.wilson@ing.com

Cover photograph courtesy of Shutterstock
Publication date 20 May 2026

Summary



Chris Turner
Global Head of Markets and
Regional Head of Research, UK & CEE
chris.turner@ing.com

The 2026 energy supply shock is asking some big questions of policymakers around the world. For the more energy-intensive region of Central and Eastern Europe, those questions centre not only on the reaction functions of government officials and central bankers, but also the differing starting points entering the crisis, the amount of fiscal headroom and the recourse to EU funds.

Our feature article in this edition of Directional Economics assesses the broad macro stress test of this energy shock on the region. Looking at the CEE3 economies (Poland, Czech Republic, Hungary) and Turkey, the timing has been especially damaging: disinflation had only just been achieved, growth was still fragile, fiscal room was limited, and central banks had just begun to consider easing.

We conclude that this is not an energy-dependence story, but more a policy-capacity story. What matters most is not only how much oil or gas a country imports, but whether it has the institutional credibility, fiscal headroom, monetary flexibility, and external support to absorb the shock. Unlike in 2022, when strong post-pandemic demand cushioned the hit, the 2026 shock lands now amidst subdued confidence, and already-stretched consumers. If the Strait of Hormuz remains blocked for longer, this makes it a demand-destruction shock, leaving policymakers with no easy options.

Among the countries we look at, the Czech Republic is seen as the most resilient to this stagflationary shock thanks to low inflation, monetary credibility, a strong external position, and diversified export demand. Poland benefits from stronger cyclical growth, but its fiscal position is stretched, limiting its ability to repeat broad subsidy measures. Hungary faces a more complex situation: years of stagnation and high energy vulnerability will take their toll, but political transition after the April election creates opportunity, mostly through a more pro-European stance which could eventually unlock EU funds and improve resilience. Turkey remains most exposed, because high hydrocarbon dependence, strong FX pass-through, limited external support, and already-high inflation create the toughest trade-offs.

Monetary easing is now largely off the table, while large-scale fiscal shielding is far harder than in 2022. This makes access to EU instruments such as the Recovery and Resilience Facility and the lending programme for defence, SAFE, a major differentiator for CEE countries, allowing them to replace domestic subsidies with co-financed investment in grids, renewables, and efficiency. Turkey lacks this backstop. Our broader conclusion is that the shock may deepen a two-speed Europe unless it drives deeper integration. Countries that treat energy policy as industrial policy and invest in resilience will emerge stronger; those relying on short-term fixes risk weaker growth, higher inflation, and stalled convergence.

When looking at how central banks react to this shock, the National Bank of Poland is probably the closest to tightening. Our base case assumes an unchanged policy rate at 3.75% through 2027, though revised inflation forecasts in July could be the catalyst for a hike. The Czech National Bank is more concerned by growth and will be slower to hike, while the National Bank of Hungary will be one of the more dovish central banks in the region as it tries to rein in the strong forint and encourage more flows into local bonds.

As to Turkey, policymakers have invested a lot in a credible disinflation regime. Barring a surge in energy prices and what it would mean for external imbalances, we expect the regime to hold and the Central Bank of Turkey to continue its easing cycle through 2027.

Looking further afield, Croatia and Bulgaria are reaping the benefits of euro membership (lower rates), while increased investor interest in the CIS is discovering quite a diverse region depending on commodity balances and internal versus external demand. Ukraine secured continued war financing through new external loans but is struggling economically due to severe Russian attacks on energy and logistics facilities.

As usual please find all our latest macro updates and forecasts for twelve countries in the region as well as our calls on currencies and rates plus local and hard currency debt.

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

Country summaries: CEE3

Czech Republic

The turmoil in the Middle East is expected to have adverse consequences for the Czech economy, despite it having entered this negative external supply shock in a strong position of high growth and low inflation. Elevated energy prices, uncertainty and pressured global demand is not good news for Czech exporters or the growth outlook. The recent industrial rebound will face another set of challenges. Inflation is set to remain elevated and to peak early next year, as second round effects bite in. Still, the CNB is unlikely to rush into rate hikes, given mounting risks to economic activity as the Hormuz blockade continues. The positive interest rate differential against the euro will keep solid ground beneath the koruna. The labour market is expected to come under pressure, as the service sector reaches saturation. Potential government measures to ease the pain for households and firms will shape the deficit.

Poland

Poland shows limited sensitivity to the US–Iran war in terms of GDP and energy supply. Growth should continue to outperform CEE in 2026. A strong public investment agenda is largely independent of geopolitical shocks and is already gaining traction, with spillovers to the private sector. The risk is a slowdown in real disposable income, which may weigh on private consumption. At the same time, household budget constraints limit the pass-through of energy shocks. We see CPI breaching the upper bound of the NBP target only temporarily, enabling the NBP to keep rates flat. Poland still runs one of the highest general government deficits in the EU; however, GDP growth continues to surprise on the upside, and part of the new debt is non-market (SAFE, RRF loans). Looking ahead, the 2027 election year makes fiscal consolidation unlikely, but rating agencies are patient. The high local savings can still fund POLGBs supply and Poland is a beneficiary of high non-debt external funding.

Hungary

After three years without growth there is a chance that this will be the year Hungary can break out from stagnation, but there are plenty of risks that could derail this. As 2026 progresses, expectations for economic performance have declined and not even the positive international sentiment towards the country is likely to change this. Consumption will drive growth, while industrial performance remains on shaky ground. Investment activity suffers from a lack of business confidence and limited fiscal space, though we expect a turnaround here. The spillover effects of geopolitical turmoil pose major risks to energy imports and the general export outlook, two key bottlenecks for growth in the Hungarian economy. The recent political shift resulted in appreciation of the forint and lower yields, but the positive momentum could fade rapidly, especially if monetary policy takes an overly opportunistic stance.

Country summaries: Other Central & Eastern Europe

Bulgaria

After closing the euro adoption process, Bulgaria's economy has benefited from a still-robust private consumption on the back of another year of double-digit wage growth, as well as healthy tourism earnings. The government is also aiming to cushion the recent energy shock following the Middle East conflict with a €100m support package, as Bulgaria has some sizeable oil imports from the Hormuz-exposed Iraq and Saudi Arabia. On the fiscal side, the absence of a fully adopted 2026 budget has shifted the stance into a budget-extension regime, with the latest extension creating room for defence (SAFE) and energy security operations. In politics, Progressive Bulgaria won a landslide with 44% of votes in the parliamentary elections.

Serbia

Serbia's economy has continued to remain relatively resilient despite a more challenging external and domestic environment, supported by a still-robust domestic demand, a stable labour market and continued investment linked to the EXPO 2027 targets. The policy mix has leaned towards capital spending and income measures, as well as a firm grip on the currency from the central bank. External imbalances are growing on the back of stronger import demand, while the energy sector remains a key risk amid ongoing uncertainty around the NIS refinery and potential sanctions. In parallel, political tensions have persisted and continue to remain in the headlines. Geopolitics-wise, continuing to find the right balance between the West and the East remains a growing challenge in the Serbian foreign policy.

Croatia

Croatia remains among the Eurozone's fastest growing economies, picking up by 3.2% in 2025, on the back of a strong internal demand with diversified contributions from both consumption and investments. On the latter, a strong absorption of RRF funds was a key factor at play – with the latest payment request disbursed in March 2026 (€0.9bn), Croatia has absorbed so far 73% of its RRF allocation, better than most of its EU peers. Tourism activity has also contributed positively, with record tourist arrivals and overnight stays over 2025 and with active plans for the development of more year-round tourism opportunities. In March, S&P upgraded Croatia's rating to A, marking yet another step in the country's remarkable advance from sub-investment grade in 2019.

Turkey

While Turkey is sensitive to energy price movements, the economic implications of recent geopolitical developments will be determined by the extent and duration of the shock. Despite rising challenges in the current environment, policymakers are signalling no significant changes in policy priorities, including price stability, fiscal discipline and a sustainable current account balance. Since mid-2023, Turkish authorities have relied on a managed currency as an anchor in disinflation efforts. Given the current level of FX reserves, we believe the CBT is well positioned to absorb potential capital outflows and limit volatility in the lira. Turkey may experience a more pronounced response to the current shock – both in terms of macroeconomic impact and the policy challenges it faces – but it has more room to weather adverse effects than it had a few years ago.

Country summaries: CIS

Armenia

Armenia's macro backdrop remains resilient, but the country is increasingly exposed to external shocks. Strong domestic demand and external trade supports GDP growth, yet Armenia is the most vulnerable CIS-4 to higher energy and global food prices as a net importer, as well as Iran's trade partner. Each US\$10/bbl increase in oil prices adds roughly 0.6% of GDP to the energy imports, while a 10% rise in global food prices could lift CPI by around 2ppt. Remittances and portfolio inflows continue to act as buffers, insulating the domestic currency, which still appears overvalued relative to peers and given structural challenges to the balance of payments. With inflation well above the 3% target, monetary and fiscal policy space limited, the key focus for the medium term will be on preserving domestic growth rates and managing risks related to upcoming elections and the ongoing peace process with Azerbaijan.

Kazakhstan

Kazakhstan's macro-outlook is improving externally but remains constrained domestically. Higher oil prices support exports and fiscal revenues (+US\$10/bbl \approx +US\$6bn exports and +US\$1.5bn budget revenues), yet inflation risks remain elevated and policy stays tight. A 10% rise in global food prices would add roughly 0.8ppt to CPI, keeping the NBK cautious even as headline inflation slows. The VAT hike from 12% to 16%, restart of regulated tariff increases and potential quasi-fiscal stimulus amid still strong demand remain key swing factors for 2026-27. On the balance-of-payments side, the capital inflow story is improving: Euroclear plans for KZT government bonds and more quasi-sovereign issuance should help attract non-resident portfolio inflows and reduce reliance of the domestic FX market on sovereign FX sales, which should decline if government moves forward with its fiscal consolidation agenda.

Uzbekistan

Uzbekistan remains the most defensive in the CIS-4 space, as the global context is offering mixed inputs: higher oil prices worsen the import bill, while gold provides an offsetting buffer. Each +US\$10/bbl adds about US\$550m (0.4% of GDP) to annual energy imports, while +US\$1,000/oz adds roughly US\$4bn (2.7% of GDP) to gold export revenues, and we see scope for higher export volumes after a restrained 2025. A 10% rise in global food prices can add c.1.0–1.5ppt to CPI which, combined with strong domestic demand, forces the central bank to maintain a cautious stance. Continued fiscal consolidation and a sizeable IPO pipeline till 2030, starting with the recent UzNIF IPO, should be supportive of foreign portfolio inflows, helping to finance the structural twin deficit. Sustained commitment to structural reforms is the key watch factor for the country's longer-term investment attractiveness.

Azerbaijan

Azerbaijan's macro position remains defined by strong financial buffers and weak underlying growth momentum. Sovereign assets close to 120% of GDP and strong oil revenues underpin fiscal and external stability, keeping near-term risks contained. At the same time, activity, including in the energy sector, remains sluggish, limiting growth upside. The key swing factor remains the external environment: each US\$10/bbl change in oil prices adds roughly US\$3bn (around 4% of GDP) to exports and around US\$1.5bn to annual budget revenues. The main risk is imported inflation, as each 10% increase in global food prices could lift CPI by around 1.5ppt. With little room for monetary easing and limited capital flows, the key focus should be on development of the trade relations and diversification of domestic growth drivers.

Ukraine

The USD/UAH exchange rate has reversed from the record highs reached after the US-Iran conflict triggered a risk-off sentiment. On the one hand, the global FX environment has become more favourable; on the other, the efforts of the National Bank of Ukraine have helped to strengthen the hryvnia and high level of international reserves. With the recently unlocked EU loan of €90billion, Ukraine has secured war financing for 2026-27. The macroeconomic environment remains challenging due to the ongoing war, however, the latest update of the NBU's macroeconomic forecast shows that GDP growth in Ukraine should accelerate next year (from 1.3% in 2026 to 2.8%), while inflation is expected to decline further (target to be achieved in late-2028).

ING main macroeconomic and financial forecasts

Real GDP (% YoY)

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Armenia	9.8	7.1	6.0	5.5	4.5	5.8	5.0
Azerbaijan	1.6	-0.3	2.5	4.0	2.5	2.2	3.0
Bulgaria	3.0	3.1	2.7	2.6	2.3	2.5	2.5
Croatia	3.3	3.6	3.2	3.1	2.0	3.0	1.9
Czech Republic	2.7	2.1	2.0	1.7	1.5	1.9	2.3
Hungary	0.8	1.7	1.2	1.3	1.7	1.5	2.6
Kazakhstan	6.8	3.0	5.0	5.5	6.5	5.0	4.8
Poland	4.1	3.4	3.3	3.4	3.3	3.4	3.2
Serbia	2.2	3.0	2.3	2.4	1.9	2.4	3.2
Turkey	3.4	3.6	3.0	2.6	2.8	3.0	4.0
Ukraine	2.8	-0.5	1.6	1.5	1.8	1.0	3.1
Uzbekistan	7.8	8.7	7.3	7.0	7.0	7.5	6.5
Eurozone*	0.8	0.6	0.4	0.7	1.2	0.7	1.3
US*	0.5	2.0	2.6	1.8	1.8	2.2	2.0

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

Exchange rate (quarterly is eop, annual is avg)

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
USD/AMD	6.50	6.50	6.50	6.50	6.50	6.50	6.50
USD/AZN	1.70	1.70	1.70	1.70	1.70	1.70	1.70
EUR/BGN	-	-	-	-	-	-	-
EUR/HRK	-	-	-	-	-	-	-
EUR/CZK	24.30	24.40	24.30	24.30	24.20	24.30	24.10
EUR/HUF	385.4	385.9	350.0	365.0	350.0	364.3	340.2
USD/KZT	507.0	477.0	470.0	480.0	490.0	485.0	515.0
EUR/PLN	4.23	4.27	4.23	4.24	4.22	4.22	4.25
EUR/RSD	117.3	117.5	117.5	117.4	117.3	117.4	117.3
USD/TRY	42.94	44.42	46.81	49.63	53.00	47.60	57.92
USD/UAH	42.40	43.80	44.00	44.20	44.40	44.10	44.50
USD/UZS	12.010	12.192	11.970	12.085	12.130	12.070	12.372
EUR/USD	1.17	1.16	1.17	1.18	1.20	1.20	1.22

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

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

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Armenia	3.3	4.5	5.2	5.3	6.0	5.1	4.8
Azerbaijan	5.2	5.3	5.5	4.9	5.3	5.4	5.2
Bulgaria	5.2	3.6	6.7	5.2	5.4	5.2	3.1
Croatia	3.3	4.8	5.4	5.1	4.6	4.6	3.3
Czech Republic	2.0	1.9	2.4	2.6	3.1	2.3	2.5
Hungary	3.3	1.8	2.8	3.6	4.7	3.0	4.4
Kazakhstan	12.3	11.0	10.4	9.4	10.4	10.5	9.9
Poland	2.4	3.0	3.7	4.0	4.4	3.5	2.9
Serbia	2.8	2.6	3.1	2.8	3.5	3.0	3.9
Turkey	30.9	30.9	32.2	29.5	28.5	30.6	21.7
Ukraine	8.0	7.9	7.5	8.5	9.0	8.2	6.9
Uzbekistan	7.3	7.1	6.6	7.0	8.0	7.1	7.8
Eurozone	2.0	2.0	3.3	3.8	3.8	3.2	2.3
US	2.7	2.7	4.2	4.1	3.7	3.7	1.9

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

Central Bank rate (% eop)

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Armenia	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Azerbaijan	6.75	6.50	6.50	6.50	6.50	6.50	6.50
Bulgaria	2.00	2.00	2.25	2.25	2.25	2.25	2.25
Croatia	2.00	2.00	2.25	2.25	2.25	2.25	2.25
Czech Republic	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Hungary	6.50	6.25	6.25	6.25	6.25	6.25	5.00
Kazakhstan	18.00	18.00	18.00	17.50	17.00	17.00	15.00
Poland	4.00	3.75	3.75	3.75	3.75	3.75	3.75
Serbia	5.75	5.75	5.75	5.75	5.50	5.50	5.00
Turkey	38.00	37.00	37.00	36.00	34.00	34.00	24.00
Ukraine	15.50	15.00	15.00	15.00	15.00	15.00	13.00
Uzbekistan	14.00	14.00	14.00	14.00	14.00	14.00	13.00
Eurozone	2.00	2.00	2.25	2.25	2.25	2.25	2.25
US	3.75	3.75	3.75	3.75	3.50	3.50	3.25

*Upper level of 25bp range; ¹ Refi Rate; shading denotes forecast figures
Source: Macrobond, ING estimates

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

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Armenia	9.0	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	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	3.14	3.66	3.50	3.45	3.40	3.50	3.31
Czech Republic	4.50	4.90	4.90	5.20	5.00	5.00	4.20
Hungary	6.77	7.13	5.75	5.50	5.60	5.91	5.59
Kazakhstan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	5.17	5.90	5.20	5.00	4.90	4.90	5.00
Serbia	5.26	5.43	5.45	5.50	5.50	5.43	5.48
Turkey	28.89	33.51	32.97	29.96	28.69	31.13	24.47
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Uzbekistan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Eurozone	2.85	3.00	3.10	3.00	3.00	3.00	3.10
US	4.20	4.20	4.50	4.30	4.25	4.25	4.30

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

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

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Armenia	7.2	6.8	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	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Croatia	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	3.50	3.60	3.60	3.60	3.60	3.60	3.60
Hungary	6.47	6.45	6.25	6.25	6.25	6.27	5.82
Kazakhstan	15.30	17.80	17.70	17.20	16.70	14.70	14.60
Poland	3.99	3.85	3.83	3.83	3.83	3.83	3.83
Serbia	4.70	4.70	4.70	4.68	4.50	4.50	4.75
Turkey	40.10	47.18	40.88	36.51	33.38	33.38	23.46
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Uzbekistan	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Eurozone	2.00	2.10	2.40	2.40	2.40	2.40	2.40
US	3.70	3.70	3.65	3.60	3.40	3.40	3.15

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

ING EM FX and local rates views summary

Country	Foreign exchange	Local debt and rates
Czech Republic	EUR/CZK remains fairly stable since the start of the US-Iran conflict and no change here is our baseline looking forward. 2H26 suggests more stress for CZK with the first impact of the energy shock on the economy and current account. At the same time, we see the CNB resisting hawkish market pricing, which together may create some pressure on FX to weaken.	The Czech economy is expected to see a significant slowdown due to the global energy shock and inflation remaining within the CNB's tolerance band. Fiscal policy remains tighter than CEE peers. The US-Iran conflict re-synchronizes the monetary policy of the CNB and NBP.
Hungary	The forint has seen a 6% gain against the euro since the general election in April. Positioning is extremely crowded as Hungary offers a strong idiosyncratic story providing an escape from global uncertainty and decent carry. We target EUR/HUF 350 mid-year with the risk of going lower if the government maintains positive market momentum.	Bonds and rates have seen a massive rally and country premium compression since the election and we remain bullish despite the crowded positioning.
Poland	EUR/PLN remains range bound in the 4.230-280 range and our forecast does not expect much change here. However, risks are building on the upside in 2H26 with ECB hike in outlook, NBP resisting hawkish market pricing and materializing impact of higher energy prices on the economy and current account. Still, the economy remains strong and the NBP can hike.	POLGBs have seen the sharpest sell-off in the CEE region and front-end rates are pricing in 100bps of NBP tightening. The economy is resilient. Fiscal does not see further deterioration for now and MinFin front-loaded supply.
Ukraine	The USD/UAH exchange rate has reversed from the record highs reached after the US-Iran conflict triggered a risk-off sentiment. On one hand, the global FX environment has become more favourable; on the other, the National Bank of Ukraine's actions, alongside high international reserves, have supported hryvnia strength.	Ukraine's war financing has driven public and external debt above 108% of GDP in 2025, with further increases ahead as fiscal and current account gaps widen. External funding risks eased after EU and G7/IMF support secured sizable aid flows through 2027, stabilising near-term outlook. The NBU projects foreign assistance at more than US\$53bn in 2026 and around US\$42bn in 2027.
Kazakhstan	Capital inflows are key for KZT as structural current account deficits persist despite strong oil exports. Planned Euroclear access and quasi-sovereign issuance could attract portfolio inflows. However, sharp 18% appreciation since 3Q25 and sensitivity to global risk sentiment and fiscal FX sales warrant near-term optimism but longer-term caution.	
Turkey	The US-Iran conflict has brought a big test for TRY and the central bank. Turkey is the most exposed country in the region bringing additional inflationary pressures from higher energy prices. CBT keeps FX under control and FX reserves remain high. The provided FX carry is thinning but remains decent and positioning is rebuilding.	The market has switched to hawkish mode after the rebound in inflation and hawkish CBT. The market is pricing in around 300bps rate cuts this year, bringing the effective rate back to the base rate, which seems fair given risk. Market has lost appetite for duration while the MinFin lags a bit in TURKGBs issuance. Overall, we look for more clarity on inflation and CBT steps.

Source: ING

Energy shock 2.0 – who breaks, who bends in Central and Eastern Europe

This is an update of an [earlier article](#) published on our [ING Think website](#) on 21 April 2026



Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com



Peter Virovacz
Chief Economist, Hungary
peter.virovacz@ing.com



Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ing.com.tr



Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl



Adam Antoniuk
Senior Economist, Poland
adam.antoniuk@ing.pl



Frantisek Taborsky
EMEA FX&FI Strategist
frantisek.taborsky@ing.com



James Wilson
Emerging Markets Sovereign Debt
Strategist
james.wilson@ing.com

The oil shock that began in March isn't just another commodity move; it's a macro stress test at a difficult time for the CEE region, when disinflation was maturing, fiscal space was narrow, and demand was largely fragile. The differences that matter most aren't how much oil a country imports, but which country has the institutional shock absorbers to manage the blow.

The 2026 energy shock has hit the CEE3 (the Czech Republic, Poland and Hungary) and Turkey at precisely the wrong moment. Disinflation has only just been restored, growth remains fragile, fiscal room is thin, and central banks were just preparing to ease. This makes the new oil shock less a replay of 2022 than a genuine policy stress test – one that will separate economies with credible institutions and strategic buffers from those still relying on short-term fixes.

In a broader sense, this energy shock is a stress test that Europe may fail by default. Handled nationally, it can lock in a two-speed Europe – a sheltered core cushioned by fiscal space and EU risk-sharing, and a periphery condemned to adjustment, weaker growth, and stalled convergence. That outcome would not be an accident, but a policy choice. The alternative is uncomfortable but clear: deeper integration or deeper divergence. Europe either uses this shock to mutualise risk and modernise its energy base, or accepts fragmentation as the price of incrementalism.

- This is not mainly an energy-dependence story; it's a policy-capacity story: what matters most is not which country imports the most oil or gas, but which country still has the institutional strength, fiscal space, monetary credibility, and external support to absorb the shock without derailing recovery.
- The main macro risk is demand destruction, not a classic overheating cycle: higher energy prices now function as a tax on already fragile economies, squeezing households, weakening margins, and forcing central banks into an uncomfortable trade-off between protecting growth and defending credibility.
- Resilience across the region is highly uneven: the Czech Republic looks best placed to bend without breaking; Poland still has growth but little fiscal room; Hungary is the most complicated CEE case given its structural exposure and a political transition whose near-term economic effects remain uncertain; and Turkey remains the most vulnerable because energy sensitivity, FX pass-through, and limited external backstops all collide at once.
- The countries that emerge stronger will be those treating energy policy as industrial policy: the 2022 subsidy playbook is largely exhausted. The real differentiator is now whether governments use EU instruments and public investment to build energy resilience – grids, renewables, efficiency, infrastructure – or fall back on blunt support measures that protect consumption today but erode competitiveness tomorrow.

The timing could hardly be worse

The de facto closure of the Strait of Hormuz to most non-Iranian shipping since 28 February has stripped out a large share of global crude and LNG supply at a moment of already fragile demand. ICE Brent prices quickly climbed toward levels that European policymakers had previously treated only as tail-risk scenarios, and, despite extensive mitigation efforts, including the rerouting of shipments, the release of sanctioned oil

onto the market and coordinated drawdowns from strategic petroleum reserves, the global economy is still operating with a significant net loss of oil supply. According to [our estimates](#), even after accounting for pipeline diversions, alternative shipping routes and emergency stock releases, around 13 million barrels per day of oil supply remain effectively disrupted.

As of mid-May 2026, the closure has lasted around two and a half months, making it the longest sustained disruption in the Strait's modern history. Brent prices are holding above the US\$100/bbl mark flagged in our April baseline, while some cautious optimism persists around a gradual resumption of traffic from late-May. Even so, an immediate reopening would not necessarily translate into full market normalisation, which may only materialise in late-2026 or even 2027. In effect, developments are now broadly tracking the more adverse Scenario 2 outlined later in this article, with Scenario 3 no longer confined to tail-risk territory.

For Central and Eastern Europe and Turkey, which sit at the geographic and economic crossroads of this shock, the impact is real and immediate. The region spent 2024 and most of 2025 restoring disinflation, stabilising external balances, and rebuilding room for monetary easing. The question now is whether those gains can withstand a renewed cost-push surge. Some countries are better positioned than others. The critical differences extend beyond energy exposure. Institutional strength, fiscal space, and access to EU financial instruments – such as Security Action for Europe (SAFE) and the Recovery and Resilience Facility (RRF) – will shape how effectively each economy can absorb and offset the blow.

A different shock in a different world

A useful way to understand the 2026 energy shock is through comparison with 2022. That earlier episode was, in essence, a supply shock landing on a booming economy. Post-pandemic demand was surging, households were running down accumulated savings, labour markets were tightening, and firms found it relatively easy to pass costs through. Central banks reacted late, allowing inflation expectations to drift, most starkly in Hungary and Turkey. The result was a multi-year inflation overshoot, prolonged monetary tightening and a serious real income squeeze.

The world of early 2026 looks structurally different. The supply disruption in the Middle East is, if anything, sharper in its initial price impulse. But the demand backdrop could hardly be of greater contrast. German industrial output – the anchor of CEE manufacturing exports – has been flat for nearly two years. Real disposable income growth in the region has slowed from its 2024 peak. Labour markets, while still tight in Poland and the Czech Republic, are no longer in a state of broad overheating. And consumer confidence was already subdued heading into April 2026.

This combination of a cost-push shock hitting weak demand creates a fundamentally more complex macro challenge than in 2022. Back then, rising energy prices were partly absorbed by strong nominal income growth, and central banks eventually had a clear mandate to tighten. Now, the same type of shock acts as a regressive tax in a fragile momentum, risks stalling the recovery, and leaves central banks torn between the old disinflation agenda and the new price threat. We are not in a price-wage spiral scenario; we are in a demand-destruction scenario, and policy has no clean instruments.

The non-linearity in price pass-through is also likely underappreciated. In low-inflation environments, energy price impulses can partly be absorbed within firm margins when demand is weak. But once headline inflation crosses certain thresholds or maintains sufficient stickiness, pass-through becomes disproportionately stronger and expectations de-anchor more easily. The economies most at risk are those already operating close to or above those pain thresholds when the shock arrived.

The structural burden of energy intensity and exposure

Understanding the regional impact of the shock starts with a basic structural fact: CEE and Turkey remain more energy intensive than Western Europe. Eurostat's 2024 data shows that, while the EU reduced the energy intensity of GDP by roughly one quarter between 2014 and 2024, most CEE economies sit above the EU average – some by a wide margin – meaning any rise in energy prices exerts a proportionally heavier drag on growth.

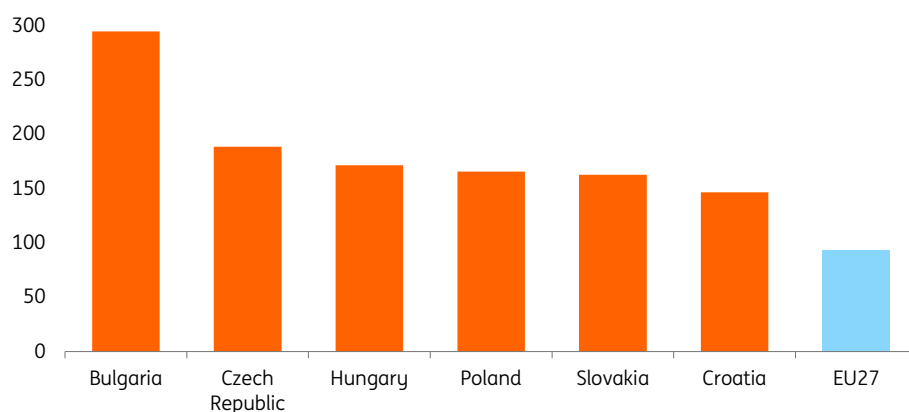
The composition of that exposure matters as much as the level. Poland and the Czech Republic carry heavier exposure to coal and carbon pricing under the EU Emissions Trading System – both have spent close to 1% of GDP annually on emission allowances, a structural cost that sits directly on their external accounts and industrial competitiveness. The forthcoming ETS2 expansion to buildings and road transport fuels in 2027 will add another layer to this burden, converging with the Hormuz shock if energy prices remain elevated.

Hungary is more exposed through the natural gas channel, with vulnerabilities tied to LNG availability. It's a textbook case: heavy net gas imports, gas intensive industrial production, and electricity prices tied to the marginal cost of gas fired generation.

Turkey's exposure is broader still. As a net hydrocarbon importer with an annual net energy bill standing at US\$47 billion in 2025, it depends simultaneously on oil, gas, and coal, compounded by rapid FX pass through into domestic prices if the central bank allows a rapid pace of exchange rate depreciation.

A further dimension that has gained prominence since April is the disruption to fertilizer exports from the Persian Gulf. For CEE agricultural sectors, which are large net fertilizer importers, this adds a lagged but real additional inflationary channel – particularly relevant for Poland and Hungary.

Fig 1 Energy intensity of GDP (kilograms of oil equivalent per thousand euro)



Source: Eurostat

The industrial structure further complicates the impact. Manufacturing accounts for a larger share of GDP in CEE than in Western Europe, so the shock hits hardest in a segment that has already acted as a drag on growth for two years. Energy-intensive firms in metals, chemicals, and transport equipment are financially constrained and may begin cutting investment, setting up competitiveness losses that persist well beyond the commodity shock itself.

These structural features produce different macro sensitivities across the region. Our calibration, drawing mostly on central bank assessments and our own analysis, suggests the order-of-magnitude impact shown in Figure 2. These figures represent first-year effects under broadly unchanged volumes and should be interpreted as indicative rather than model-precise; they likely underestimate the shock if gas prices rise alongside oil.

Fig 2 Estimated macro sensitivity to a 10% increase in oil prices

Economy	CPI impact (ppt)	Real GDP impact (ppt)	Current account (% of GDP)
Poland	0.3	-0.15	-0.15
Czech Republic	0.2	-0.10	-0.10
Hungary	0.35	-0.10	-0.15
Turkey	0.7	-0.30	-0.20

Note: cumulative 12-month impacts under constant-volume assumption; Turkish coefficient reflects additional FX pass-through channel

Source: CNB, MNB, NBR external balance publications; ING THINK, OEC hydrocarbon trade data (2024).

At current trajectories, with oil seemingly firmly above US\$100/bbl for an extended period, the mechanical hit to 2026 inflation is now likely to be closer to 1.5–2.0ppt above our pre shock baselines for the CEE3, compared with around 1.0ppt in our April assessment. For Turkey, the inflationary impact could be materially larger despite fiscal policy move to cushion inflationary impact of oil prices, while secondary effects are under the central bank focus.

The starting grid: Who was where when the shock landed

Sensitivity coefficients are only part of the picture. Equally important is each economy's starting position, because the same external shock can produce very different domestic outcomes depending on fiscal space, monetary flexibility, and cyclical momentum.

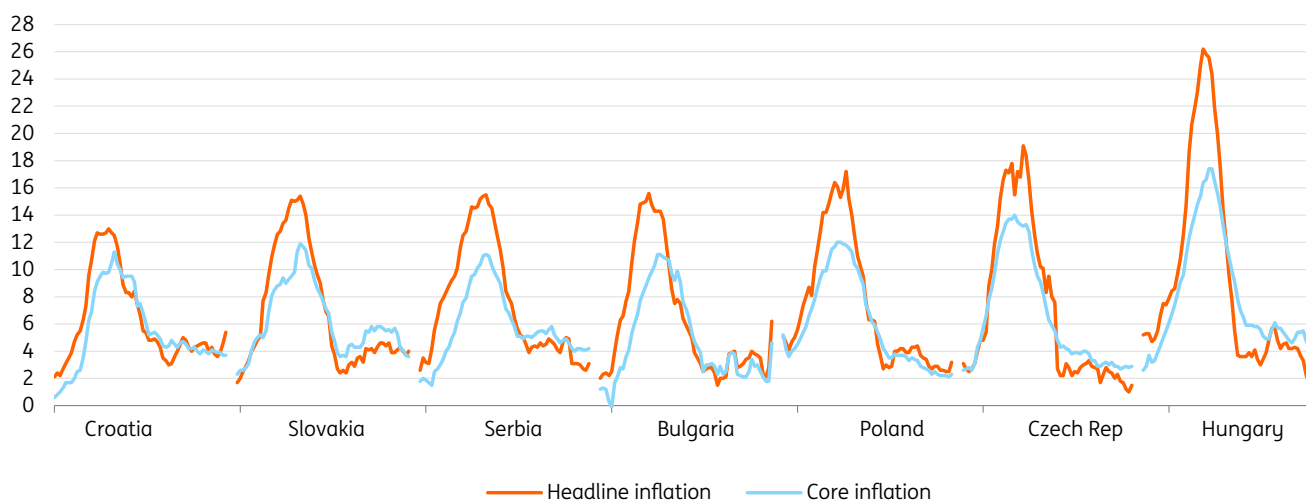
Poland enters the shock from the strongest cyclical position among the CEE3. GDP grew 3.6% in 2025, the services sector is performing well, and consumption has been resilient. But its fiscal position is arguably the weakest in the group; the budget deficit may near 7.0% of GDP in 2026, and public debt is on track to exceed 60%. The NBP did cut rates by 25bp in March – judging the shock primarily supply-side in nature – but then held in April as inflation risks crystallised. The NBP is not in a panic, and Governor Glapiński has acknowledged that a supply-side shock also carries disinflationary impulses via weaker demand. But the window for further easing has effectively closed for 2026. Surging fuel prices have jeopardised the low-inflation trajectory and broad energy price shielding, used heavily in the previous cycle, cannot be repeated without meaningfully worsening a deficit already attracting rating agency attention.

The Czech Republic is the regional benchmark for stability. With the policy rate at 3.50% and inflation largely back at target, the Czech National Bank (CNB) was flagging potential hikes in 2027 before the shock arrived. Czech exports are finding new customers in the US, the Middle East, and Asia. The labour market is tightening again, and the external balance is in surplus. For the Czech Republic, the energy shock is a headwind, not a regime shift.

Hungary arguably presents the most complicated pre-shock backdrop. It entered 2026 after three years of real GDP stagnation, and the energy shock coincides with a watershed political moment: on 12 April, Péter Magyar's pro-European Tisza party defeated Viktor Orbán's Fidesz in parliamentary elections, gaining an unprecedentedly strong mandate. The political shift creates a prospect of unlocking frozen EU funds – a development that could improve Hungary's structural position over time. However, as our colleagues note, a change in government will not fix short-term economic woes. The economy's structure, energy import reliance, and geopolitical exposure continue to shape the near-term outlook. Growth forecasts for 2026 have been trimmed to 1.5%, and the central bank is facing a significant dilemma due to uncertainty related to the energy shock and the substantial (and largely speculative) strengthening of the forint. When the shock erupted, Hungary was finally on the verge of reaping the benefits of disinflation without question marks; that simple story has become considerably more complicated.

Turkey presents a unique profile. Its sensitivity to energy price movements is high, and its external position is more exposed than the CEE economies, which benefit from EU-based institutional support. The central bank's disinflation efforts have been notable, and gross reserves reached record levels in late 2025. But the current account deficit has begun widening again, the lira remains under a tight central bank grip, and the interplay between energy prices and currency dynamics warrants close monitoring. Turkey now looks most exposed to a prolonged shock: inflation could approach the 30% landmark this year even under the government's sliding-scale tariff mechanism, which absorbs roughly 75% of the first-round oil price impact but cannot shield the economy from compounding pressures in gas, transport, and fertilisers. Above US\$100 Brent crude oil prices also recently caused fuel taxes to fall zero, leaving retail prices exposed further rise.

Fig 3 Inflation comparison across the region versus the previous energy shock, April 2021 to March 2026 HICP (YoY%)



Source: Eurostat

What policy can and cannot do

Monetary policy across the region has been caught in mid-transition. Central banks that were edging toward easing now face an uncomfortable reversal. The National Bank of Poland (NBP) has halted cuts; the CNB is on hold with a tightening bias; the National Bank of Hungary (NBH) has remained cautious in order to maintain the status quo. The European Central Bank (ECB) held rates but raised its 2026 inflation forecast and cut its growth, both explicitly linked to the energy shock.

The Turkish central bank has moved quickly, providing FX supply to the system, tightening Turkish lira liquidity that could flow to FX, and raising the effective cost of funding by 300bp to 40% to shift away from its easing bias.

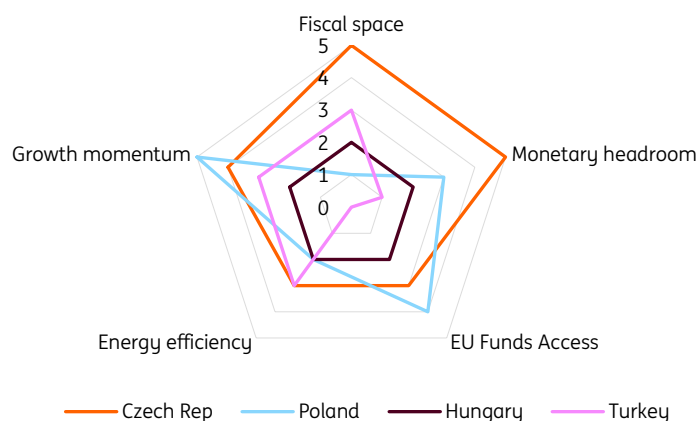
The textbook reaction to a supply shock is to look through the first-round price impulse, act only if second-round effects materialise, and avoid choking an already weak economy with unnecessary tightening. In 2022, estimates of the transitory nature of the shock proved too optimistic. In 2026, central banks are understandably on high alert to avoid repeating that mistake. The bias is towards caution rather than aggressive tightening, but easing is largely off the table for most of 2026, especially under stress scenarios. The NBP's March cut illustrates the difficult judgment calls central banks face: acknowledging the supply-side nature of the shock while maintaining credibility requires threading a narrow needle. So far the region's central banks have largely succeeded in projecting calm without capitulating to inflationary pressures.

On the fiscal side, the 2026 story diverges most sharply from 2022. In the earlier crisis, governments deployed broad household energy price shields at substantial fiscal cost. Those shields bought time but also built up deferred inflationary pressures that

materialised when caps were removed. In 2026, the fiscal space for broad price shielding is objectively narrower.

Poland is running a deficit well above the EU reference value. Hungary must protect its debt-to-GDP trajectory while at the same time being expected to deliver on its pro-EU mandate and unlock suspended EU funds. This sequencing - fiscal consolidation while securing EU conditions for fund access - will be politically and technically demanding. The lesson of 2022 was that blunt tools defer rather than solve the problem. The lesson of 2026 may be that the political temptation to repeat the bluntness remains high even though the tools are no longer viable. In Turkey, fiscal prudence in recent years has provided a buffer, with the government reinstating a sliding-scale tariff that absorbs roughly 75% of the oil price shock at a manageable fiscal cost, helping contain first-round inflationary effects. Even so, upward pressure from oil, gas, transport, and fertiliser prices will likely push inflation close to 30% this year.

Fig 4 Policy space and structural buffers



Source: ING

This is where EU instruments become the defining differentiator. Poland has an RRF envelope of roughly €60 billion and is accessing the new SAFE facility for up to €43.7 billion. CEE countries with immediate access to EU funds can substitute some of the fiscal impulse they cannot generate domestically with European co-financing, targeting the energy transition and industrial modernisation rather than consumption subsidies. Hungary is still facing uncertainty regarding the timing of EU funds, but the issue is likely to be solved. Turkey has no such platform. Its adjustment must be carried entirely domestically, which could mean a larger toll on real incomes and a more acute dilemma between protecting growth and defending the currency.

From price shock to policy paths: Scenario implications

To anchor the discussion, Figure 5 translates the energy shock into a set of consistent macro-policy scenarios. Starting from a common baseline, scenarios 2 and 3 illustrate progressively persistent energy price disruptions and the macro trade-offs that they force. The message is not precision but asymmetry: higher and more volatile oil and gas prices produce non-linear inflation responses, quickly crowd out growth and compress monetary space, especially in economies where buffers are already thin. As mentioned above, compared to our April article, as of mid-May, oil price dynamics are now more consistent with scenario 2, while scenario 3 remains plausible rather than remote.

Fig 5 Energy price scenarios and macro-policy implications

		1Q26	2Q26	3Q26	4Q26	FY26	1Q27	2Q27	3Q27	4Q27	FY27
Brent (US\$/bbl)	Baseline	78	104	99	92	93	82	79	75	72	77
	Scenario 2	78	116	112	105	103	93	89	84	80	87
	Scenario 3	78	135	150	120	121	105	100	94	90	97
TTF forecast (EUR/MWh)	Baseline	40	55	45	45	46	40	33	31	32	34
	Scenario 2	40	74	60	60	59	54	46	43	43	47
	Scenario 3	40	90	75	80	71	71	60	56	55	61
Poland	GDP (%YoY)	3.4	3.3	3.4	3.3	3.4	3.6	3.4	2.9	2.9	3.2
	Scenario 2	3.4	3.1	3.3	3.2	3.3	3.5	3.4	3.0	3.0	3.3
	Scenario 3	3.4	2.6	2.3	2.7	2.7	2.8	3.1	3.2	3.2	3.1
	CPI (%YoY)	2.4	3.5	3.9	4.2	3.5	3.8	3.0	2.5	2.7	2.9
	Scenario 2	2.4	4.0	4.3	4.7	3.9	4.2	3.0	2.6	2.4	3.1
	Scenario 3	2.4	4.7	6.5	6.4	5.0	6.1	4.1	1.9	2.1	3.5
	Policy rate (%)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
	Scenario 2	3.75	3.75	3.75	4.25	4.25	4.25	4.00	3.75	3.75	3.75
Scenario 3	3.75	4.50	5.50	5.50	5.50	5.50	5.25	4.75	4.25	4.25	
Czech Republic	GDP (%YoY)	2.1	2.0	1.7	1.5	1.9	2.0	2.3	2.4	2.5	2.3
	Scenario 2	2.1	2.0	1.4	0.9	1.6	1.0	1.5	2.0	2.4	1.7
	Scenario 3	2.1	1.6	0.8	0.4	1.2	0.5	0.9	1.4	1.8	1.1
	CPI (%YoY)	1.6	2.4	2.4	2.8	2.3	3.2	2.5	2.1	2.2	2.5
	Scenario 2	1.6	2.5	3.0	3.7	2.7	4.4	3.1	2.1	1.8	2.8
	Scenario 3	1.6	3.3	4.1	4.7	3.4	4.9	3.6	2.5	2.2	3.3
	Policy rate (%)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
	Scenario 2	3.50	3.50	3.50	3.75	3.75	3.75	3.75	3.50	3.50	3.50
Scenario 3	3.50	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.50	3.50	
Hungary	GDP (%YoY)	1.7	1.2	1.3	1.7	1.5	1.4	2.8	2.9	3.5	2.6
	Scenario 2	1.7	1.1	1.1	1.3	1.3	0.8	2.4	2.5	3.3	2.2
	Scenario 3	1.7	0.8	0.5	0.6	0.9	-0.3	1.1	1.4	2.2	1.1
	CPI (%YoY)	1.8	2.4	3.3	4.5	3.0	5.1	5.0	4.1	3.3	4.4
	Scenario 2	1.8	2.7	3.8	4.4	3.5	4.7	4.8	4.3	3.9	4.4
	Scenario 3	1.8	4.0	6.0	5.6	4.9	5.1	4.9	4.4	4.0	4.6
	Policy rate (%)	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.75	5.00	5.00
	Scenario 2	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.75	5.75
Scenario 3	6.25	6.25	6.75	6.75	6.75	6.75	6.75	6.50	5.75	5.75	
Turkey	GDP (%YoY)	3.6	3.0	2.6	2.8	3.0	3.0	4.0	4.3	4.6	4.0
	Scenario 2	3.6	3.0	2.5	2.3	2.7	2.7	3.6	3.7	4.7	3.6
	Scenario 3	3.6	2.6	1.8	1.5	1.6	2.6	3.4	3.4	4.4	3.1
	CPI (%YoY)	30.9	32.2	29.5	28.5	30.6	25.0	21.3	19.9	19.5	21.7
	Scenario 2	30.9	33.5	30.3	29.7	31.1	26.1	22.4	20.9	20.4	22.5
	Scenario 3	30.9	35.7	35.0	31.6	33.3	27.4	23.5	22.1	21.6	23.6
	Policy rate (%)	37.0	37.0	36.0	34.0	34.0	31.0	28.0	26.0	24.0	24.0
	Scenario 2	37.0	38.5	37.5	35.5	35.5	32.5	29.0	27.0	24.5	24.5
Scenario 3	37.0	41.0	43.0	39.0	39.0	34.0	30.5	28.5	26.0	26.0	

Source: ING estimates

The case for shorter, smarter supply chains

Every energy shock produces an industrial policy argument. The 2026 shock makes one that is unusually compelling for CEE. Nearshoring and friendshoring were already gaining traction after the pandemic. The Hormuz disruption has added an acute logistical shock on top of the strategic arguments: the era of just-in-time globalisation, built on cheap and dependable long-distance shipping, might be over.

CEE is structurally well-placed to benefit from this reallocation. The region combines strategic geography, improved infrastructure, and a large pool of technically skilled workers. Poland and the Czech Republic have established themselves as high-value logistics and manufacturing hubs. Hungary has leveraged its dense and well connected motorway network to strengthen its role as a regional transport and manufacturing corridor. Crucially, this physical and human capital base is being reinforced by a broader “working smart” agenda of capital deepening and automation – this was outlined in our [Directional Economics October 2025 edition](#) and is consistent with the nearshoring dynamics identified in our Directional Economics analysis of CEE manufacturing

relocation, making the region an increasingly credible destination for the technology-intensive investment that Western multinationals are reshoring.

But the energy shock of 2026 adds a sharper argument: reshoring investment goes to locations that guarantee affordable and reliable energy, not just skilled labour. Persistently high and volatile prices erode competitiveness and offset locational advantage. Regions that respond by accelerating renewable permitting, grid build-out, and energy efficiency investment will capture the next reshoring wave. Those responding with ad hoc price controls and fiscal drift may find the shock has corroded the very advantages they sought to protect. This is also why the linkage between EU funds (RRF, SAFE, Cohesion) and energy system transition matters so much; used well, these instruments are not subsidies for consumption but supply-side investments that permanently reduce the economy's sensitivity to the next oil price spike.

Cracks and crossroads: The integration question

Crises tend to expose pre-existing structural weaknesses. The 2026 energy shock has intensified a debate about Europe's economic architecture. One scenario is a genuinely two speed Europe: a core of countries with fiscal possibilities, institutional quality, and policy credibility that can absorb the shock – that could be the Czech Republic, Poland and the broader northwest – and a periphery left financially strained, politically volatile, and structurally exposed. If EU funds primarily flow to countries most capable of absorbing them, divergence could widen rather than narrow – a risk that mirrors our previous findings that institutional quality and absorptive capacity, not income level alone, determine whether shocks accelerate or derail convergence.

The alternative is deeper integration. Joint gas purchasing under REPowerEU, SAFE's risk-sharing for defence financing, and the strategic logic of coordinated cross-border energy infrastructure all point towards a more unified European energy market. Every major external shock since the 2010-2012 debt crisis has produced additional European institutional architecture: the Banking Union, the ESM, NGEU, and SAFE. The 2026 energy shock may follow the same pattern. Hungary's political turn, if it translates into genuine re-engagement with EU institutions, could strengthen the integration scenario: a more aligned CEE3 block would carry greater weight in shaping the collective European response to the shock.

For the CEE3, the result of this integration debate is crucial. The region's core strengths – proximity to Western markets, manufacturing capacity, and access to the EU single market – are most powerful when EU institutions are most deeply integrated. A two-speed Europe that places part of CEE in a secondary tier would undermine the investment story that makes the region attractive. A more integrated Europe that builds shared energy infrastructure and collective transition mechanisms enhances CEE's locational advantage.

Fig 6 EU funds breakdown for CEE Sovereigns

Country	Cohesion Funds (2021-27)			RRF Grants (2021-26)			RRF Loans (2021-26)			Total EU Funds		
	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)	Expected (€)	Expected % of GDP	Disbursed (€)
Czech Republic	€21.1bn	6.6%	€6.5bn	€8.4bn	2.6%	€6.5bn	€0.8bn	0.3%	€0.2bn	€30.3bn	9.4%	€13.3bn
Hungary	€21.7bn	10.5%	€4.2bn	€6.5bn	3.2%	€0.1bn	€3.9bn	1.9%	€0.8bn	€32.2bn	15.6%	€5.2bn
Poland	€75.5bn	8.9%	€18.8bn	€25.3bn	3.0%	€9.5bn	€34.5bn	4.1%	€17.4bn	€135.3bn	15.9%	€45.7bn
Bulgaria	€10.9bn	10.4%	€2.1bn	€6.2bn	5.9%	€3.3bn	€0.0bn	0.0%	€0.0bn	€17.1bn	16.3%	€5.4bn
Croatia	€8.7bn	10.1%	€2.1bn	€5.8bn	6.7%	€4.9bn	€4.4bn	5.2%	€2.4bn	€18.9bn	22.0%	€9.3bn
Slovakia	€12.6bn	9.7%	€3.2bn	€6.4bn	4.9%	€5.2bn	€0.0bn	0.0%	€0.0bn	€19.0bn	14.6%	€8.4bn

Source: EC, Eurostat, Macrobond, ING

What we make of it

The current oil shock is less a test of geopolitics and more a referendum on policy quality. What separates the countries that emerge from this shock as stronger from those that merely survive it is not geography, not luck, and not the price of oil on any given Tuesday. It is the willingness to treat a crisis as a structural mandate to modernise and increase resilience rather than a temporary inconvenience to be managed into the next electoral cycle. Energy dependence of this magnitude is not a market failure; it is a policy choice, accumulated quietly over decades and now settled loudly in a single quarter. Countries that use EU instruments to invest in supply-side adjustment (renewable capacity, grid infrastructure, energy efficiency) will emerge structurally stronger. Those that reach for the familiar comfort of untargeted budget transfers, banking on markets looking away, are running a different kind of risk.

Four weeks on from our [original analysis](#), the core thesis holds: the Czech Republic remains the most resilient, Poland has cyclical strength but limited fiscal room, Hungary's structural exposure is compounded by political transition, and Turkey faces the sharpest trade-offs. The main update is on the energy price path itself – the shock has been more severe and more durable than the baseline assumed, pushing us firmly into adverse-scenario territory. The near-term outlook for the region is more challenging than it appeared in late April; the medium-term depends on whether the political and institutional responses prove commensurate with the scale of the disruption.

Valentin Tataru, Chief Economist, Romaniaia

CEE FX, rates and debt strategy



Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

As small, energy-dependent open economies, the CEE region remains highly exposed to external price shocks, with the full impact still unfolding. Growth expectations have weakened across the region. Poland and the Czech Republic have decelerated from solid starting points, while Hungary's recovery is delayed further. Inflation has been revised higher in Poland and the Czech Republic while shifting temporarily lower in Hungary due to price caps, though delayed pressures are expected. This sets the stage for renewed divergence. Poland appears resilient but faces above-target inflation, the Czech economy is slowing with contained inflation while Hungary faces lagged inflation risks and a struggling economy with a more optimistic outlook. Central banks face a complex trade-off between inflation risks and weaker growth. While a textbook response suggests no action, policy sensitivity across the three central banks differs; the NBP is most hawkish, the CNB cautious and the NBH leaning is dovish, supported by currency strength. ECB tightening and FX pressures remain key risks.

The divergence story within the CEE region has been our theme for successive recent Directional Economics reports and the US-Iran conflict is providing an opportunity to reset and start over. Although commenting that entry conditions for CEE countries into the global shock appear better than in 2022, in some respects they are not dissimilar. This gives us a restart for previous divergences within the region but also a trigger for new divergences in GDP growth, inflation and policy responses across the CEE region.

1

The CEE is generally one of the most exposed regions to global energy shocks. Small open economies with a significant dependence on energy imports and a focus on heavy industry leave the region significantly exposed and it could take many months to determine the full impact of the US-Iran conflict. However, we consider some of the potential consequences.

Poland and the Czech Republic have entered the conflict situation from a position of strong economic growth, while Hungary had been expected to see a recovery only this year. Our economists have revised GDP growth for this year since the start of the conflict in Poland from 3.7% to 3.4%, in the Czech Republic from 2.7% to 1.9% and in Hungary from 2.3% to 1.5%. Inflation outlooks for end-2026 see increases across the board, with Poland up from 2.2% to 3.5% and the Czech Republic up from 1.1% to 2.4%. Hungary is expected to see a short-lived decrease from 3.5% to 3.0% due to the presence of price caps put in place prior to the US-Iran conflict, before hitting 4.4% in 2027 when elsewhere inflation starts to fall.

Fig 7 Impact of higher oil prices on CEE economies

	Inflation pass-through (ppt)	Net Energy imports (% of GDP)	Energy related share of CPI basket (%)
Hungary	0.45	4.6	15.9
Poland	0.35	4.0	14.5
Czech Republic	0.20	3.4	13.8

Pass-through measured as the impact of a 10% increase in oil prices with an impact on CPI over a 6-12M horizon
Source: Central banks research, ING

This gives us the basis for the beginning of a new divergence within the region. While the Polish economy should remain resilient, as it has tended to do in the face of previous global shocks, the Czech economy is expected to see a visible slowdown. The Hungarian economy might have to wait a little longer for a return to growth despite a strong idiosyncratic story due to the recent general election and the potential unlocking of EU funds. Diverging paths could also become apparent in inflation rates for Poland and the

Czech Republic, with Polish inflation in our baseline heading above the NBP target this year, while for the Czech Republic it remains within the CNB tolerance band. The NBH should not have to worry too much about inflation this year, but next year will bring challenges with the delayed impact of the US-Iran conflict, removal of price caps and a restart of the economy.

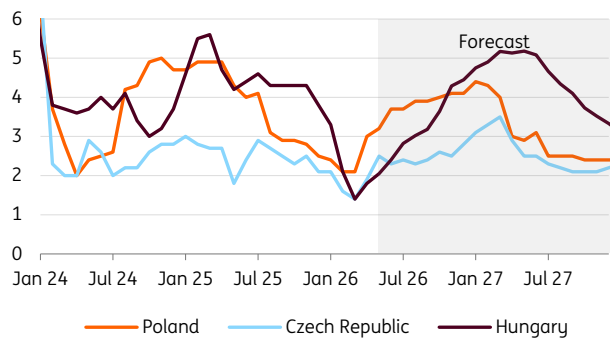
2 Thus, we surely have a clear macro picture and can readily determine the reactions of central banks in this environment? ...A textbook reaction to a supply shock would be not to react, however, we need to consider the current situation in more detail.

The outbreak of Covid saw inflation jump to unimaginable levels with central banks struggling to remain calm and not react. Baseline revisions of our economists reflect a similar response to the current global energy shock, and the coming months will clearly test central banks, seeking a balance between rising inflation and a slowdown in the economy.

In our view, the NBP is most vulnerable, with Poland seeing the largest increase in inflation since March, and our forecasts expect further divergence versus the Czech Republic. Its MPC mentions possible discussion of a rate hike in July when the central bank will have a new forecast. This is supported by the still strong economy and a wide fiscal deficit compared to the rest of the region. The CNB is second in line, as inflation also jumped up quickly in the Czech Republic, but in our forecasts it should remain within the central bank's tolerance band. However, the sensitivity for the CNB will be core inflation and service prices while taking into account a slowdown of the economy, which only achieved visible growth last year. Following the April general election, an entirely changed universe now exists for the NBH; the currency is strengthening sharply and bond yields are falling rapidly. Strong offset inflation thanks to stronger FX is a powerful shield in the current macroenvironment and the central bank need be in no hurry to raise rates. On the contrary, given the significantly higher rate versus CEE and spot inflation, it could be considered appropriate to discuss rate cuts despite an ongoing US-Iran conflict.

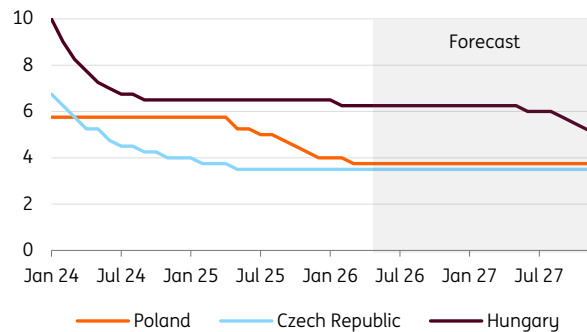
A key risk to unchanged rates in Poland and the Czech Republic, and a rate cut in Hungary, is our forecast for an ECB hike in June. We do not expect any mechanical reaction from the CEE central banks, but the common channel here is FX. It has remained largely unchanged since the start of the US-Iran conflict, but the tightening interest rate differential between CEE and EUR could be a problem at some point that central banks would have to react to. It is not ruled out that inflation could surprise upwards at the same time and central banks would be forced to hike rates, although the market may see this as a mechanical reaction to the ECB.

Fig 8 Headline inflation forecast (%YoY)



Source: Macrobond, ING

Fig 9 Key policy rate forecast (%YoY)



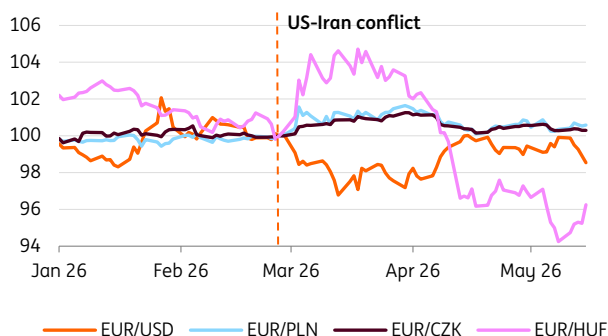
Source: Macrobond, ING

FX: CEE resilient for now, but downside risks building

The CEE region has remained stable despite worsening global conditions and exposure to an energy shock that is likely to weigh on growth and external balances. Support comes from market-priced rates, maintaining favourable differentials and keeping PLN and CZK range-bound. However, risks are tilted to the downside as the economic impact of higher energy prices emerges in 2H26 and central banks resist tightening. HUF continues to outperform on strong domestic factors post-election, with further upside possible, although a dovish NBH and elevated valuation pose medium-term risks.

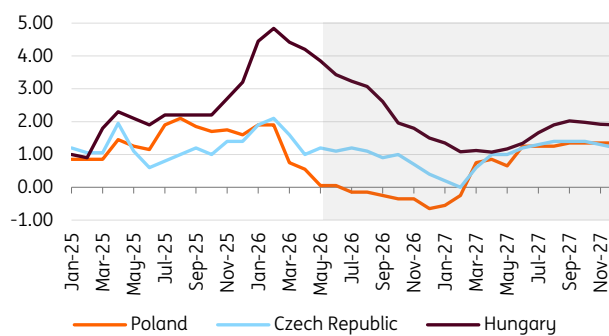
Despite the significantly deteriorated global conditions for EM currencies since the start of the US-Iran conflict, CEE FX has held more-or-less unchanged. As discussed, the CEE region is significantly exposed to a global energy shock, which is expected to have an impact on GDP growth and current account balances, and possibly on wider fiscal policies. All of this should push FX in the CEE region to weaken. On the positive side, however, there is the interest rate differential, with the market currently pricing in roughly 100bp of tightening in Poland and the Czech Republic following the ECB meeting in June. Although our economists do not see a case for rate hikes in either country yet, the market is actually widening the differential, providing some buffer for PLN and CZK. Indeed, it is still too early to see the impact on the economy and current account in the data, and the market only has the rates signals available. Therefore, overall, EUR/PLN and EUR/CZK have remained range bound since the start of the conflict, essentially within 4.230-4.280 and 24.300-24.550.

Fig 10 CEE FX performance (26-Feb = 100)



Source: Macrobond, ING

Fig 11 Projected real policy rates (%)



Source: Macrobond, ING

The story could get more interesting looking forwards. Our baseline is essentially to stay at current levels for a while, but factors will inevitably start to move. It is certainly easier to paint a bearish scenario at the moment than a bullish one. Central banks are attempting to avoid hikes while markets are well ahead. This could at some point reverse the trend in the rate differential and push real rates lower with rising inflation. This will be the case especially with an ECB hike. At the same time, we expect to see the impact of the US-Iran conflict on CEE economies and current accounts in 2H26, which together could put pressure on FX.

The Hungarian forint shifted into a different universe after the April general election with a strong idiosyncratic story. The HUF rallied by around 6% against the euro since the election to its recent peak. We have subsequently seen a minor correction but positioning remains extremely heavily long with probably the strongest local story within EM with a chance to disconnect from oil trades and high beta of other markets to the global story. We remain bullish with a target of 350 EUR/HUF by mid-year and a risk to go lower if the government delivers its plans regarding EU funds, fiscal consolidation and euro adoption. The risk is that a more dovish NBH could implement rate cuts in the face of an overly strong FX given that REER is already approaching its strongest levels since 2008.

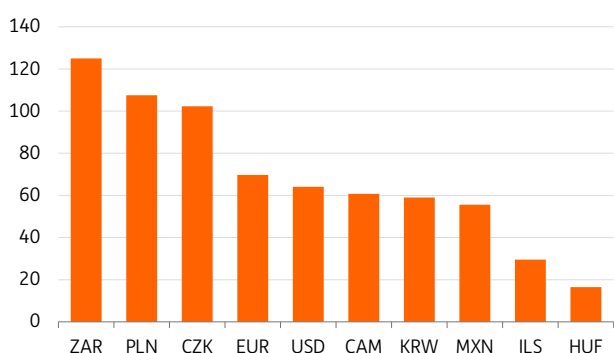
Rates: Curves reflect inflation fears and uncertainty supporting RV trades in region

CEE rates have borne the brunt of the US-Iran shock, with sharp repricing driven by energy exposure and inflation risks. Markets now price around 100bp of tightening in Poland and the Czech Republic, overshooting our economists' expectations of stable policies. Poland appears most vulnerable while the Czech outlook remains more balanced, with slower growth and lower inflation risks delaying CNB action. Hungary stands apart, with a strong post-election rally and declining yields on improving fundamentals, though positioning looks stretched.

Rates is currently where the story of the US-Iran conflict is unfolding for the CEE region. We saw significant rates repricing at the beginning of the conflict with emerging markets among the most affected globally due to high exposure to imported energy prices and high weight of energy in the CPI. At the same time, central banks mindful of the 2022-23 hyper-inflation period, together with the prospect of ECB hikes, is a trigger for hawkish repricing by the market. From the perspective of our economists' forecasts, the market has clearly gone too far and no change is ING's baseline for all central banks in the region, at the moment. However, it is not that simple given the clear upside in inflation and the unknown pain threshold for these central banks in the new environment. The market is pricing in roughly 100bp of tightening in the 12-month horizon for both the NBP and the CNB. At the same time, front-end rates are more responsive to the oil price with our models indicating that a US\$10/barrel change in price corresponds to roughly 20bp in 1y1y in PLN and CZK.

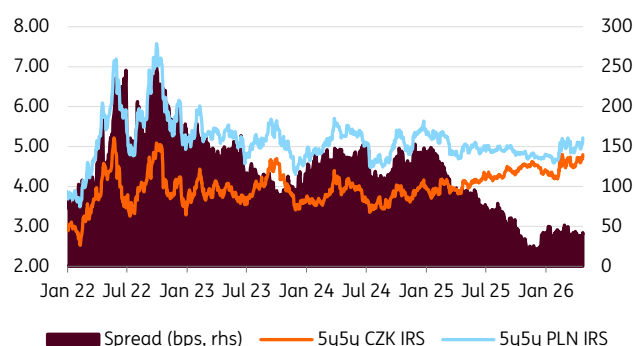
In our view, currently the most vulnerable central bank is the NBP with the biggest jump in inflation in recent months and significant momentum. Moreover, May should bring another jump in headline inflation and central bankers are already talking about the July forecast as an opportunity to discuss rate hikes. At the same time, Poland's fundamentals do differ from peer countries - the economy is growing at a fast pace and is the most resilient to global shocks, fiscal policy is record-wide and this year concentrates the largest inflow of EU funds.

Fig 12 Change since 26.02.2026 in 2y IRS



Source: Eikon, ING

Fig 13 5y5y IRS CZK versus PLN



Source: Eikon, ING

The CNB is a more complicated case. We expect a stronger negative reaction by the Czech economy to the global shock compared to Poland. The Czech economy only began to breathe again last year after several years of stagnation. At the same time, it is a more open economy with a smaller local market. The pass-through from oil prices is also lower and fiscal policy is significantly tighter. Overall, headline inflation should remain within the CNB's tolerance band and the upside risk is lower in our view. The issue is core inflation, service prices and imputed rents, which were already a problem before the conflict and may ultimately be a reason for the CNB to hike rates. However,

we see the CNB waiting longer than the NBP, at least until the September meeting given the acceptable inflation figures in the coming months.

Similar to FX, the rates market in Hungary is also a disconnected idiosyncratic story traded separately from the global market. The 10y IRS is down around 200bp from pre-election highs. The market sees the restart of relations with the EU and the unlocking of EU funds, the euro adoption story and possible fiscal consolidation as reasons for country premium compression. We agree with this view and long end rates were preferable going into the election. Since the election the long end has seen the biggest rally and the NBH has recently joined in with a dovish tone with the short end of the curve seeing better valuations.

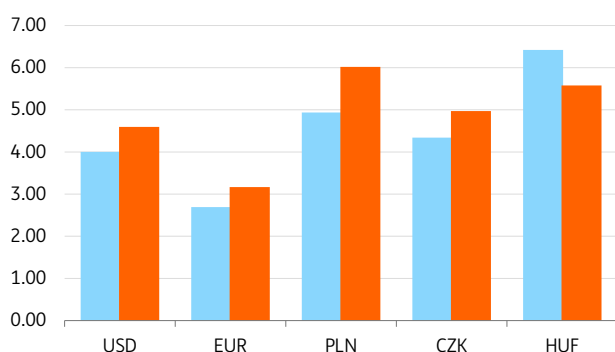
Local currency debt: Diverging bond dynamics across CEE amid fiscal strain

Bonds face rising fiscal pressures as governments respond to higher energy costs, widening deficits and weakening tax revenues. Poland stands out after a sharp sell-off, with long-end yields rising significantly despite strong funding conditions and limited foreign ownership. Valuations now appear attractive, with scope for a relief rally. CZGBs have remained more resilient, supported by moderate fiscal policy and weaker growth prospects, favouring the long end. Hungary continues to trade on an idiosyncratic story, driven by expectations of EU fund inflows and fiscal consolidation, although tight spreads and heavy positioning suggest limited further upside in bonds relative to rates.

Fiscal policy in the CEE region has been a topic since the Covid pandemic and the US-Iran conflict only adds further pressure on wider deficits across the board. Essentially, all countries in the region have come up with some measure against higher fuel prices for households and businesses. At the same time, it is not clear how long the conflict will last and even if it were to end imminently, how long higher energy prices will remain with us, which means government measures for a longer period. Moreover, a weaker economy also means lower tax collection.

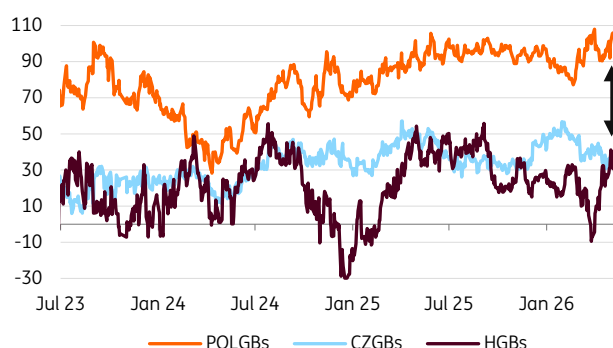
Poland is an interesting case within the CEE region due to the widest fiscal deficit last year (7.3% of GDP) and an expectation that it is heading just below 7.0% this year. Despite the lowest share of foreign holders within the CEE, POLGBs saw the most pressure in the region and the long end of the curve was the worst place to be at the beginning of the conflict with a jump of about 100bp in the 10y yield. On the positive side, after the sell-off we see light positioning after fast money exited their ASW trades in the belly of the curve. MinFin pre-financed a good part of the funding already in January and February and even the lower supply of POLGBs in March and April did not derail the overall comfortable issuance situation too much with 46% covered in our calculations. At the same time, fiscal developments appear consistent with the original plan, with no emerging signs of stress. Valuations have reached historically depressed levels, as evidenced by 10-year ASWs testing above 100bp.

Fig 14 10y bond yield vs pre-conflict level (%)



Source: Eikon, ING

Fig 15 10y ASW in CEE region (bp)



Source: MinFin, ING

In the Czech Republic, bonds have remained relatively resilient compared to peers and, in contrast to POLGBs, ASWs have tightened since the beginning of the US-Iran conflict. Although the relatively new government is projecting a slightly wider deficit (at 2.6% of GDP versus 2.1% last year), and the Ministry of Finance is slightly behind in its issuance plan, there is little evidence of selling pressure in the market. The long end of the curve seems attractive here with the 10y yield testing the 5.00% level, the highest yield since the Covid pandemic. If we assume a slowdown in the domestic economy and a still acceptable increase in inflation together with moderate fiscal policy, the long end of the

curve should benefit from this combination in the Czech Republic. Moreover, the longer the conflict lasts, the greater the shock to the economy - even in its higher oil price scenarios, the CNB signals a rapid switch from hikes to cuts due an economy performing visibly below potential and the destruction of demand as a result of higher energy prices.

In Hungary, the recent record-breaking HGB auction was four times oversubscribed, reflecting the current state of the country's bond market. After FX, the bond market became the biggest beneficiary of the April elections and proposed structural changes. The new government is offering an unlocking of EU funds and fiscal consolidation to achieve euro adoption. We see the new government's plan to achieve a 3.0% GDP deficit in 2030 as realistic despite this year's post-election bump with a deficit exceeding 6.0%. Similar to rates, the market sees this as a long-term opportunity and the country premium compression warrants remaining invested in Hungary for longer, in our view. ASWs have counterintuitively widened since the elections, which we believe reflects the heavy positioning in HGBs. However, valuations have somehow normalised in Hungary and the 10y yield is only now testing the lows of 2023-24. On the other hand, the spread against the Bund has already returned to pre-2022 sell-off levels, indicating that space here is narrowing.

Hard currency sovereign debt: Remarkable resilience



James Wilson, CFA
Emerging Markets Sovereign
Debt Strategist
james.wilson@ing.com

Despite the global uncertainty and conflict in the Middle East, EM sovereigns continue to hold up well, with credit spreads squeezed towards all time tights.

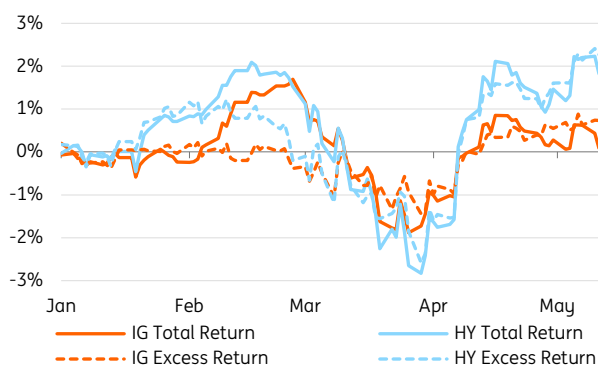
2026 has so far followed a similar pattern to last year for EM credit. War in Iran and the subsequent energy shock caused a short-term blip (as with 'Liberation Day' last year) before a relentless grind tighter in credit spreads resumed. In this context, HY names have generally outperformed, generating just over 2% YTD in excess returns compared to modestly positive returns in IG. Weaker performers this year have been those directly impacted by the Middle East escalation, including GCC names, along with names more vulnerable to the spillover impacts, such as Egypt, Turkey, Kenya and Senegal. In the CEE space, while the region is seen as vulnerable due to energy imports, domestic politics has been the key differentiator. The change in government in Hungary has driven strong sentiment and relative outperformance, while political uncertainty in much of the rest of the region has seen the opposite effect. In CIS, performance has been robust, with Azerbaijan and Kazakhstan benefiting from higher energy prices, while the fundamental improvement has continued in Armenia and Uzbekistan.

On the core rates front, the US 10Y yield has spiked towards 4.6%, having plunged below 4% in February. Similarly, the 10Y bund yield has risen above 3%, from below 2.7% in February, with markets pricing in over two hikes from the ECB by the end of 2026. While the hawkish repricing has seen yield curves shift higher, the sustained energy shock could eventually see longer-term yields fall on the back of an expected hit to growth.

With a grind tighter seen for much of this year so far, spreads across most categories are at or approaching all-time tights. The headline EMBI-GD index spread has squeezed beyond its 2018 lows, while the index excluding distressed/CCC names is comfortably at the tightest level on record (since 2011). When combined with the uncertainty over the situation in the Middle East and global economic impact, this leaves us cautious on higher-beta names, with expectations for spreads to move wider as core rates rally.

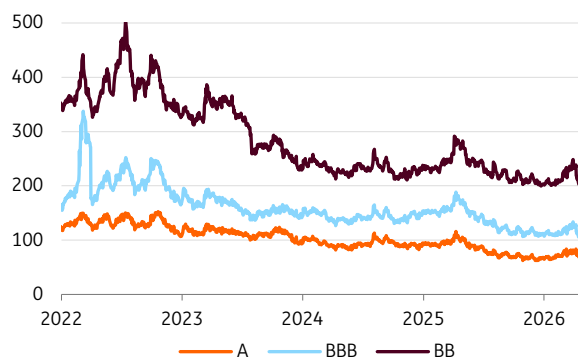
As a positive, all-in yields still look attractive for EM sovereigns, which should keep demand robust, including in the primary market. Progress on financing has been solid, with a record pace of issuance to start the year, allowing sovereigns to take a pause in March. There remain a number of improving stories with fundamentals improving heading into the latest crisis, although plenty of political noise across the globe remains.

Fig 16 Cumulative returns YTD (EM USD sovereigns)



Source: Refinitiv, ING

Fig 17 EM sovereign spreads by rating (bp)

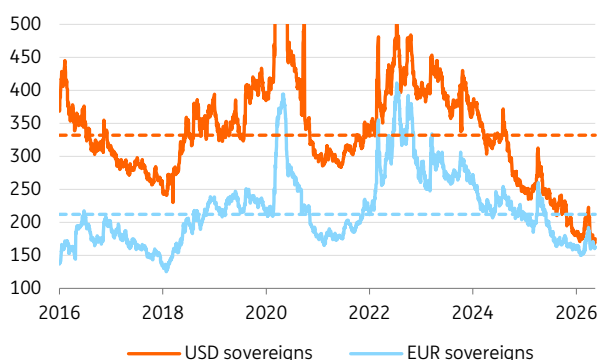


Source: Refinitiv, ING

Key themes

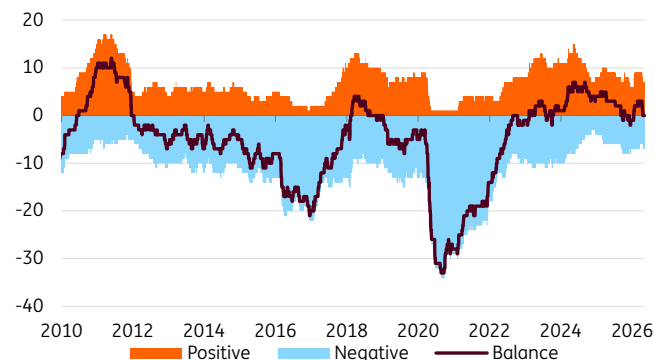
- Domestic political noise takes centre stage:** Despite the Middle East conflict driving big swings in global markets, local political stories continue to be a key differentiator for EM sovereign performance. Elections in Hungary and Bulgaria have seen new governments, while the energy shock is yet to cause widespread protests as government action keeps the impact contained. Looking ahead, elections in Armenia are scheduled for June, while the potential for early elections is a topic to keep in mind for Turkey and Serbia.
- 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 goal of unlocking frozen EU funds and also a return of euro adoption to the agenda. In Bulgaria, euro adoption has been successfully implemented, and the focus now will be on how the new prime minister sees relations with the EU more broadly.
- Ratings momentum slowing:** 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, while hopes for an end to the political deadlock in Bulgaria helped drive the outlook back to positive. Poland is more of an outlier here, with negative outlooks coming from fiscal pressures. The trend of improvement has been strong in CIS, while Turkey also temporarily saw another positive outlook at the start of the year. In Hungary the hope is that the negative outlooks in place from recent years can be swiftly turned around into potential upgrades. Overall, the Middle East conflict is likely to slow down the momentum in ratings improvements but not fundamentally change the trend.
- Strong start to the year allows flexibility in funding plans:** 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. In turn, more recently primary markets have accelerated again, with the markets clearly open for even lower quality names in the HY space. The big picture theme of diversification continues – there is clearly appetite for Islamic sukuk issuance, along with green bonds and euro denominated debt, while smaller taps have been used during periods of market uncertainty.

Fig 18 EM sovereign spreads by currency & median (bp)



Source: Refinitiv, ING; USD spreads versus USTs, EUR spread versus bunds

Fig 19 EM sovereign rating outlook balance



Source: Fitch, ING

CEE country views

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

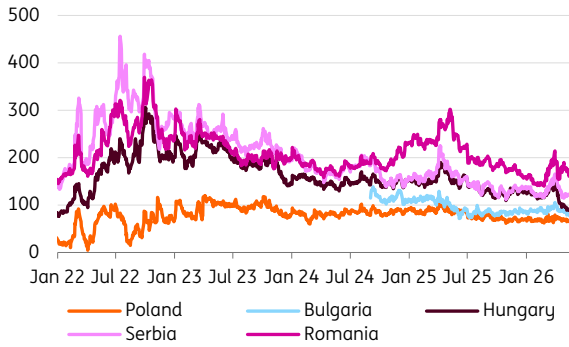
- BGARIA (Baa1/BBB+↑/BBB+)**: This year has seen renewed political uncertainty for Bulgaria, with snap elections bringing former President Rumen Radev's recently formed party a strong victory. While some questions remain around the potential foreign policy stance, the end of political deadlock and focus on anti-corruption measures are seen as opening the door for further progress on the back of euro adoption this year, as evidenced by S&P shifting its outlook to Positive most recently.
- CROATI (A3/A/A-)**: Croatia's sovereign credit profile continues to improve, with an upgrade from S&P coming amid strong EU inflows, steady growth and moderate fiscal deficits. The nation's €2bn issuance in February was well received by investors and leaves the technical picture now clearer with issuance out of the way. Current valuations leave limited scope for significant tightening, with spreads comfortably tighter than the rest of the EM Eurozone universe and offering barely 20bp over German bunds at the front end of the curve. That being said, the country remains a solid defensive option and should continue to offer a relative safe haven given strong fundamentals and limited political risks.
- REPHUN (Baa2↓/BBB-↓/BBB↓)**: In the hard currency market, investors have started to price in a lot of good news amid the political optimism. While there is talk about euro adoption and ratings upgrades on the agenda, Hungary's USD 10Y is now offering just some 15bp in pickup over A- rated Poland, and 35bp over recent euro adopter Bulgaria in the EUR space. Although further headlines on EU funds and fiscal policy could offer potential catalysts for a slight squeeze tighter, upside now seems fairly limited, in particular compared to the local market.
- POLAND (A2↓/A-↓/A-)**: Poland is generally well placed to cope with the energy shock from the Middle East, compared to CEE peers. Negative rating outlooks have come on the back of persistent fiscal pressures, which are unlikely to be resolved any time soon. However, strong growth momentum and EU fund inflows mean patience is likely from the ratings agencies, and investors should take a similar view. This leaves valuations looking fairly 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+↑)**: Recent years have seen a slowdown in the improvement of fundamentals for Serbia, with wider twin deficits, and the energy shock from the Middle East has added to these vulnerabilities. At the same time, political noise continues in terms of domestic tensions and geopolitical uncertainties. In this context, the nation's Eurobonds have held up pretty well, continuing to trade near BBB levels even as upgrade momentum has stalled. We see fairly limited value at current levels, although the recent triple-tranche new issue was a clear positive in fulfilling the majority of external funding needs for the year. On the back of this, EUR valuations look more attractive than the USD curve.
- TURKEY (Ba3/BB-/BB-)**: The war in the Middle East and energy shock have only added to our conviction that the trajectory of improving fundamentals for Turkey should slow this year. Fitch held a short-lived Positive outlook on the nation's BB- rating from January to April, while we now see the BB- rating across the board as fair and likely to remain steady absent any further external shocks. At the same time, valuations have become more attractive in the context of many BB peers squeezing back to near all-time tight. While Turkey remains one of the more sensitive major EM sovereigns to higher oil prices, the policy response has been well managed and risks seem contained. Progress on Eurobond issuance plans from the sovereign is another positive.

CIS country views

- **ARMEN** (Ba3/BB-↑/BB-↑): A good start to this year has seen positive outlooks at both S&P and Fitch, aided by both progress in relations with Azerbaijan and fiscal stabilisation. 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, which should slow the fundamental improvement seen in recent years. Risks seem tilted to the downside for both the fiscal and external profile, while elections this summer also bring the possibility of domestic political uncertainty. Against this backdrop, performance has been relatively resilient for Armenia's dollar bonds, leaving valuations looking fairly rich in our view. Spreads look relatively tight at levels almost flat to Uzbekistan, which we would view as more resilient against the current global backdrop.
- **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 decent 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.
- **KAZAKS** (Baa1/BBB-↑/BBB): Kazakhstan's dollar bonds have remained very resilient against the risk-off moves seen in markets over the past month. 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 given tight valuations even within the BBB context.
- **UZBEK** (Ba3↑/BB/BB): The fundamental picture for Uzbekistan has improved significantly in recent years, with narrowing twin deficits amid solid growth reflected in rating upgrades. Moody's positive outlook suggests there is still scope for improvement this year, while the stronger credit profile should increase the country's resilience to the current energy shock. Recent gold price volatility has added some uncertainty, but prices remain well above end-2022 levels and government policy should remain prudent in this respect. Against this backdrop, Uzbekistan is our preferred credit in the CIS region – we view Uzbekistan as more resilient to the current global pressures than peer Armenia.

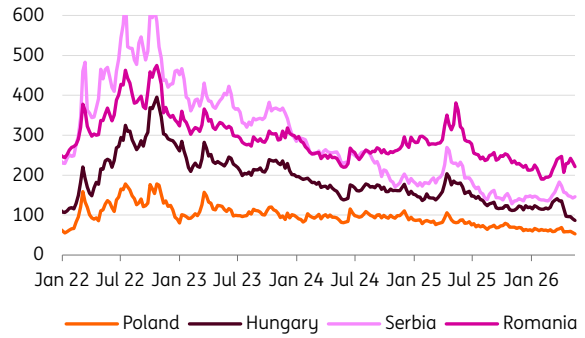
CEE & CIS relative value charts

Fig 20 CEE USD index spreads (bp)



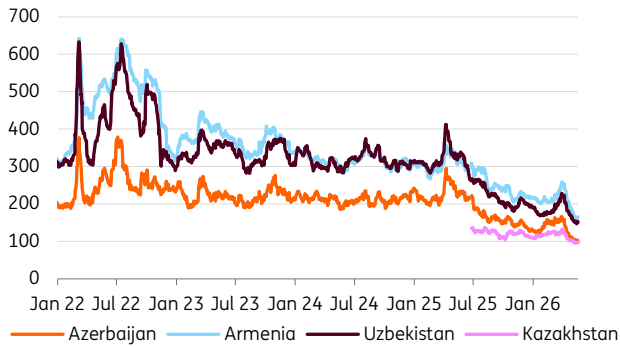
Source: Refinitiv, ING

Fig 21 CEE EUR index spreads (bp)



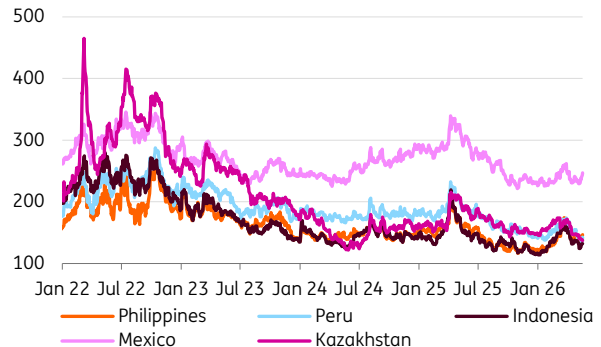
Source: Refinitiv, ING

Fig 22 CIS sovereign 5-year* spreads (bp)



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

Fig 23 Kazakhstan USD vs BBB sovereign spreads (bp)



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

Countries



Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	9.8	7.1	6.0	5.5	4.5	5.8	5.0
CPI (%YoY)*	3.3	4.5	5.2	5.3	6.0	5.1	4.8
Policy interest rate (eop, %)	6.50	6.50	6.50	6.50	6.50	6.50	6.50
3m interest rate (%)*	7.2	6.8	n/a	n/a	n/a	n/a	n/a
10yr yield (%)*	9.0	8.6	n/a	n/a	n/a	n/a	n/a
USD/AMD*	381	377	368	369	370	376	379
EUR/AMD*	448	436	430	435	444	443	459

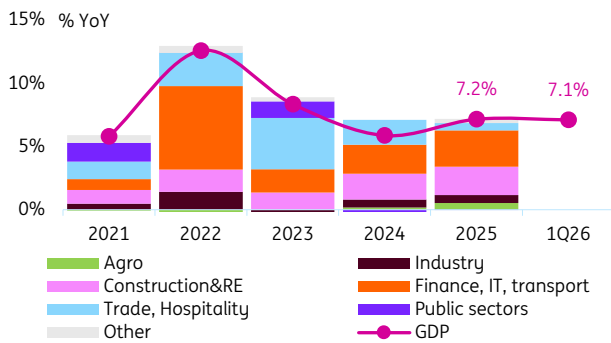
Macro trend		Political cycle		Ratings	FC	LC
Activity	+	Presidential: 2029		S&P	BB-	BB-
Fiscal	Supportive	Parliamentary: 2026		Moody's	Ba3	Ba3
Monetary	Neutral	Local: 2026		Fitch	BB-	BB-

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

Country strategy: Domestic resilience, external risks

Armenia's macro backdrop remains resilient, but the country is increasingly exposed to external shocks. Strong domestic demand and external trade supports GDP growth, yet Armenia is the most vulnerable CIS-4 to higher energy and global food prices as a net importer, as well as Iran's trade partner. Each US\$10/bbl increase in oil prices adds roughly 0.6% of GDP to the energy imports, while a 10% rise in global food prices could lift CPI by around 2ppt. Remittances and portfolio inflows continue to act as buffers, insulating the domestic currency, which still appears overvalued relative to peers and given structural challenges to the balance of payments. With inflation well above the 3% target, monetary and fiscal policy space limited, the key focus for the medium term will be on preserving domestic growth rates and managing risks related to upcoming elections and the ongoing peace process with Azerbaijan.

GDP growth by sector (% YoY, ppt)

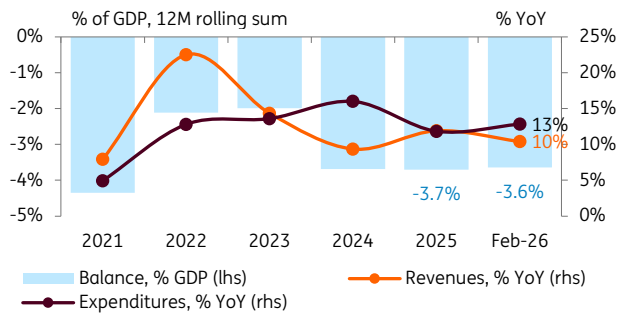


Source: National sources, CEIC, ING

Activity: Still strong but subject to risks

Economic activity remains robust, with GDP growth at 7.1% YoY in 1Q26 (vs 7.2% in FY25), led by construction and services. This seems to be supported by both domestic and external demand, reflected in strong retail trade, industrial output, remittances inflows, as well as exports and imports. Meanwhile, financial conditions are no longer easing, as the recent pickup in CPI to 5.3% YoY April 2026 limit the downside to the 6.50% policy rate. External risks are rising as higher oil prices deteriorate the trade balance, while weaker global risk appetite could hit capital-intensive sectors. We expect GDP growth to cool towards 5-6% in 2026-27, which is far from collapse, but the balance of risks is skewed to the downside if external cost pressures intensify or regional security risks escalate.

Key parameters of the state budget (% GDP, % YoY)

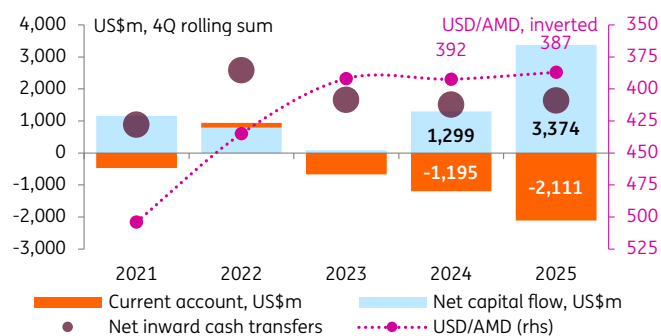


Source: National sources, CEIC, ING

Budget policy: Remains growth-supportive for now

Fiscal policy remains mildly growth-supportive, with the deficit around 3.6% of GDP currently after 3.7% GDP in 2024-25, and the scope for reduction appears limited. Escalation of war in the Middle East would lead to higher global energy and food prices indirectly adding fiscal pressure via inflation and social support needs, especially given the June parliamentary elections and possible constitutional referendum later. It could also cause elevated defence and security spending. Meanwhile, revenue collection appears solid and supported by robust GDP growth, while public debt levels remain manageable at c.50% of GDP, suggesting that the current growth-supportive fiscal stance remains affordable in the near-term. In the longer run, the need for consolidation is unlikely to be avoided.

Current account, remittances and Armenian dram (AMD)



Source: National sources, CEIC, ING

AMD: Resilient near term, vulnerabilities persist

The AMD has remained resilient, appreciating around 2% against the USD since the outbreak of the Iran war, supported by portfolio and tourism inflows and higher remittances (around 6%+ of GDP). These inflows should reinforce the domestic FX market despite pressures from oil imports. Meanwhile, as the current account remains in structural deficit, which needs to be financed with capital inflows, FX stability is increasingly dependent on the regional and global risk appetite, as well as domestic politics. We continue to see the Armenian dram as relatively resilient in the near term but structurally vulnerable to depreciation if adverse foreign or domestic policy events trigger a reversal in capital flows.

Armenia

dmitry.dolgin@ing.de

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	3.2	0.2	7.5	5.2	7.7	-7.2	5.8	12.6	8.3	5.9	7.2	5.8	5.0
Private consumption (%YoY)	-7.6	-2.1	13.7	4.9	11.5	-13.9	2.8	5.6	5.6	6.8	10.7	5.0	4.0
Government consumption (%YoY)	4.7	-2.4	-2.1	-3.0	12.9	9.2	-6.2	-2.2	28.3	-22.3	4.5	4.0	3.0
Fixed investment (%YoY)	2.5	-11.4	9.7	4.8	4.4	-1.5	23.6	14.0	10.1	11.1	15.6	8.0	6.0
Industrial production (%YoY)	5.2	6.5	12.3	4.2	9.0	-0.9	3.3	7.9	6.4	4.7	4.7	6.0	2.5
Unemployment rate (average, %)	18.5	18.0	17.8	19.0	18.3	18.2	15.5	13.5	12.4	13.9	12.8	12.4	11.9
Nominal GDP (AMDbn)	5,044	5,067	5,564	6,017	6,543	6,182	6,992	8,501	9,493	10,193	11,318	12,581	13,850
Nominal GDP (€bn)	9.5	9.5	10.2	10.5	12.2	11.1	11.7	18.4	22.4	24.0	25.9	28.4	30.2
Nominal GDP (US\$bn)	10.6	10.5	11.5	12.5	13.6	12.6	13.9	19.5	24.2	26.0	29.2	33.5	36.5
GDP per capita (US\$)	3,512	3,524	3,869	4,196	4,597	4,269	4,685	6,572	8,159	8,556	9,433	10,804	11,783
Gross domestic saving (% of GDP)	9.0	10.2	7.7	8.7	4.1	9.7	15.1	21.5	21.5	21.0	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	3.7	-1.4	1.0	2.5	1.4	1.2	7.2	8.6	2.0	0.3	3.3	5.1	4.8
CPI (year-end, %YoY)	-0.1	-1.4	2.6	1.8	0.7	3.7	7.7	8.3	-0.6	1.5	3.3	6.0	4.5
Wage rates (nominal, %YoY)	8.0	2.3	3.2	-11.4	5.6	4.0	7.4	15.3	14.7	6.4	5.6	4.0	3.5
Fiscal balance (% of GDP)													
Consolidated government balance	-4.8	-5.5	-4.8	-1.6	-0.8	-5.1	-4.5	-2.2	-1.9	-3.5	-3.5	-3.5	-3.5
Consolidated primary balance	-3.3	-3.6	-2.6	0.7	1.6	-2.4	-2.0	0.1	0.7	-0.4	-0.4	-0.3	-0.2
Total public debt	48.7	56.7	58.8	55.5	53.6	67.4	63.4	49.2	50.5	50.0	46.9	46.4	46.4
External balance													
Exports (US\$bn)	1.6	1.9	2.4	2.7	3.3	2.7	3.2	5.9	8.9	13.2	8.5	9.4	10.0
Imports (US\$bn)	2.8	2.9	3.8	4.5	5.0	4.0	4.7	7.7	11.3	15.4	11.6	12.9	12.5
Trade balance (US\$bn)	-1.2	-1.0	-1.4	-1.8	-1.7	-1.4	-1.5	-1.8	-2.4	-2.2	-3.1	-3.5	-2.4
Trade balance (% of GDP)	-11.2	-9.3	-12.2	-14.2	-12.6	-10.9	-10.8	-9.2	-10.0	-8.5	-10.5	-10.4	-6.7
Current account balance (US\$bn)	-0.3	-0.1	-0.1	-0.9	-1.0	-0.5	-0.5	0.1	-0.7	-1.2	-2.1	-2.9	-2.2
Current account balance (% of GDP)	-2.7	-1.0	-1.3	-7.2	-7.1	-4.0	-3.4	0.7	-2.8	-4.6	-7.2	-8.7	-6.0
Net FDI (US\$bn)	0.2	0.3	0.2	0.3	0.2	0.1	0.3	0.9	0.5	0.1	0.4	0.3	0.3
Net FDI (% of GDP)	1.5	2.5	1.9	2.1	1.7	0.7	2.5	4.7	2.2	0.3	1.2	0.9	0.8
Current account balance plus FDI (% of GDP)	-1.2	1.5	0.7	-5.1	-5.3	-3.3	-0.9	5.5	-0.6	-4.3	-6.0	-7.8	-5.2
Gross international reserves (US\$bn)	1.8	2.2	2.3	2.3	2.8	2.6	3.2	4.1	3.6	3.7	5.1	4.8	4.6
Import cover (months of merchandise imports)	7.6	9.2	7.3	6.0	6.8	7.8	8.2	6.4	3.8	2.9	5.3	4.5	4.4
Debt indicators													
Gross external debt (US\$bn)	8.9	10.0	10.5	10.9	12.4	12.9	13.8	15.2	15.3	16.3	19.0	20.5	22.0
Gross external debt (% of GDP)	84.5	94.4	91.3	87.7	90.9	102.1	99.8	78.1	63.2	62.9	64.8	61.1	60.1
Gross external debt (% of exports)	549	526	441	401	374	485	431	258	172	124	222	218	219
Lending to corporates/households (% of GDP)	40.5	42.2	46.2	49.1	53.8	65.3	54.2	49.0	53.0	62.3	68.9	70.8	72.5
Interest & exchange rates													
Central bank key rate (year-end, %)	8.75	6.25	6.00	6.00	5.50	5.25	7.75	10.75	9.25	7.00	6.50	6.50	6.50
Broad money supply (average, %YoY)	5.2	24.8	28.9	13.2	21.5	14.8	12.8	13.4	22.1	19.0	22.0	17.0	15.0
3m interest rate (average, %)	12.09	8.56	6.11	6.02	5.83	5.44	7.10	10.00	10.75	8.81	7.45	n/a	n/a
3m interest rate spread over US\$-Libor (ppt)	11.77	7.82	4.85	3.71	3.50	5.11	7.05	7.82	5.58	3.75	3.30	n/a	n/a
2yr yield (average, %)	13.30	11.15	7.68	7.04	6.80	6.17	8.22	10.62	11.05	9.66	8.78	n/a	n/a
10yr yield (average, %)	14.92	14.00	11.10	9.72	9.48	7.99	9.39	11.24	11.03	9.87	9.58	n/a	n/a
USD/AMD exchange rate (year-end)	484	484	484	484	480	523	480	394	405	397	381	370	388
USD/AMD exchange rate (average)	478	480	483	483	480	489	504	436	392	393	387	376	379
EUR/AMD exchange rate (year-end)	529	512	580	554	537	641	543	420	448	414	449	444	466
EUR/AMD exchange rate (average)	530	532	545	571	538	558	597	461	425	425	437	443	459
Brent oil price (annual average, US\$/bbl)	54	45	55	72	64	43	71	99	82	80	68	93	77

Shading denotes forecast figures

Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	3.8	5.2	6.4	6.2	9.8	7.1	6.0	5.5	4.5	5.5	5.0	5.0	4.5
CPI (eop, %YoY)	1.5	3.3	3.9	3.7	3.3	4.5	5.2	5.3	6.0	5.3	4.7	4.5	4.5
Central bank key rate (eop, %)	7.00	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
3m interest rate (eop, %)	8.18	7.50	7.37	7.35	7.22	6.76	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10yr yield (eop, %)	9.84	9.69	9.88	9.53	9.04	8.59	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/AMD exchange rate (eop)	395	392	384	383	381	377	368	369	370	375	379	384	388
EUR/AMD exchange rate (eop)	409	424	453	449	448	436	430	435	444	449	455	464	474

Shading denotes forecast figures

Source: National sources, ING estimates



Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	1.6	-0.3	2.5	4.0	2.5	2.2	3.0
CPI (%YoY)*	5.2	5.3	5.5	4.9	5.3	5.4	5.2
Policy interest rate (eop, %)	6.75	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*	2.00	1.96	1.99	2.01	2.04	2.01	2.06

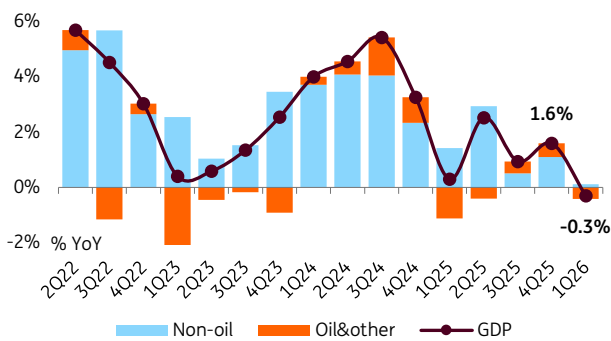
Macro trend		Political cycle		Ratings	FC	LC
Activity	-	Presidential: 2031		S&P	NR	NR
Fiscal	Neutral	Parliamentary: 2029		Moody's	Baa3	Baa3
Monetary	Neutral	Local: 2030		Fitch	BBB-	BBB-

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

Country strategy: Strong buffers, constrained activity

Azerbaijan's macro position remains defined by strong financial buffers and weak underlying growth momentum. Sovereign assets close to 120% of GDP and strong oil revenues underpin fiscal and external stability, keeping near-term risks contained. At the same time, activity, including in the energy sector, remains sluggish, limiting growth upside. The key swing factor remains the external environment: each US\$10/bbl change in oil prices adds roughly US\$3bn (around 4% of GDP) to exports and around US\$1.5bn to annual budget revenues. The main risk is imported inflation, as each 10% increase in global food prices could lift CPI by around 1.5ppt. With little room for monetary easing and limited capital flows, the key focus should be on development of the trade relations and diversification of domestic growth drivers.

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

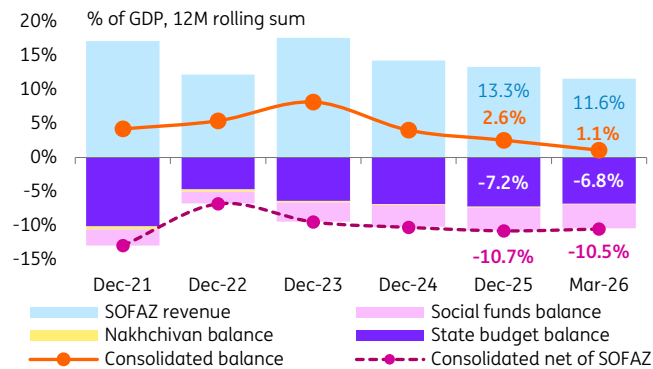


Source: CEIC, IMF, ING

Activity: Weak momentum, limited upside

Economic activity remains subdued, with 1Q26 GDP contracting 0.3% YoY after slow 1.4% growth in FY25. This reflects long-standing constraints in the fuel sector and modest momentum in non-fuel activity. While transport, non-fuel industries and consumer-facing sectors show intermittent resilience, they lack the scale to offset weak hydrocarbons output. Fuel production, despite developing regional supply chains, remains capacity-constrained, limiting volume-driven growth even when prices rise. As a result, higher oil prices primarily support financial balances rather than real activity. We expect growth to remain modest in 2026-27, with limited upside even under favourable energy scenarios. Downside risks are contained thanks to buffers, but without meaningful diversification growth is likely to remain low but stable.

Consolidated budget balance by components (% of GDP)

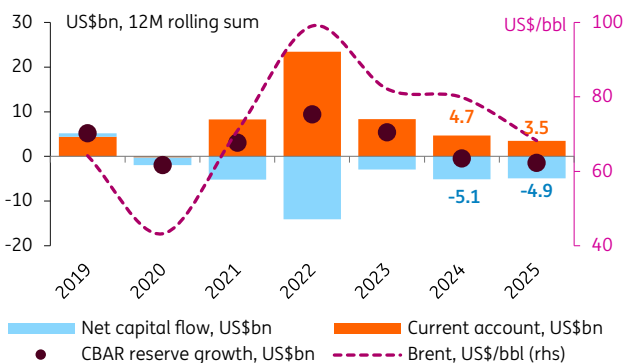


Source: National sources, CEIC, ING

Budget policy: Growth-supportive, enabled by fuel

Fiscal policy remains balanced, underpinned by strong oil revenues and substantial sovereign buffers. With a fiscal breakeven of US\$59/bbl in 2025, the consolidated budget remains in a comfortable surplus. This contrasts with most peers and allows the government to cushion weak growth momentum. Spending has become more focused on social support and defence, reflecting household income dynamics and regional security considerations. At the same time, the relative scaling-back of public investment spending evident in the 2025 expenditure structure suggests that consolidation of the non-oil deficit was already on the agenda before the oil price spike following Middle East tensions in 1H26. We expect most of the windfall revenues to be saved, though some upward spending revisions remain possible.

Balance of payments composition vs Brent oil price



Source: National sources, CEIC, ING

External balance: oil prices reinforce the manat peg

With oil prices trading well above US\$57/bbl, the level required to balance the current account in 2025, Azerbaijan's external position has strengthened materially, reversing the weakening trend seen in 2024-25. Under the current global scenario, the current account is increasingly likely to approach US\$9bn, or 10% of GDP in 2026 and remain strongly positive in 2027. This has removed near-term risks to the manat peg at AZN1.70/USD. At the same time, absent policy measures to diversify exports, reduce dependence on investment and consumer imports, and attract more stable capital inflows, Azerbaijan's external position and competitiveness will remain heavily dependent on volatile commodity prices.

Azerbaijan

dmitry.dolgin@ing.de

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	1.1	-3.1	0.2	1.5	2.5	-4.2	5.6	4.7	1.4	4.2	1.4	2.2	3.0
Real oil GDP (%YoY)	0.6	0.1	-5.3	0.5	0.4	-6.5	1.4	-2.5	-2.5	0.1	-1.9	1.0	1.5
Real non-oil GDP (%YoY)	1.1	-4.4	2.7	2	4	-2.9	7.1	9.0	4.5	6.5	2.7	2.5	3.5
Investment (%YoY)	-11.1	-21.7	2.8	-4.3	5.5	-7.3	-4.5	3.3	9.8	2.4	-5.6	3.0	3.0
Industrial production (%YoY)	2.5	-0.5	-3.5	1.5	1.8	-4.0	5.0	-1.1	-0.7	1.1	-0.9	2.5	2.0
Unemployment rate (average, %)	5.0	5.0	5.0	4.9	4.9	6.4	6.4	5.8	5.6	5.4	5.3	5.3	5.5
Nominal GDP (AZNbn)	54.4	60.4	70.3	80.1	81.9	72.6	93.2	134.0	123.1	126.5	129.1	139.0	150.7
Nominal GDP (€bn)	47.8	34.2	36.2	39.9	43.0	37.4	46.3	74.7	67.0	68.8	67.2	69.5	75.0
Nominal GDP (US\$bn)	53.0	37.9	40.9	47.1	48.2	42.7	54.8	78.8	72.4	74.4	75.9	81.8	88.6
GDP per capita (US\$)	5,562	3,929	4,199	4,798	4,851	4,269	5,458	7,806	7,133	7,295	7,413	7,891	8,472
Gross domestic saving (% of GDP)	31	28	31	35	31	23	34	45	32	30	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	4.0	12.4	12.9	2.3	2.6	2.8	6.7	13.9	8.8	2.2	5.6	5.4	5.2
CPI (year-end, %YoY)	7.6	15.7	7.9	1.6	2.3	2.6	12.0	14.4	2.1	4.9	5.2	5.3	5.5
Wage rates (nominal, %YoY)	5.0	7.0	5.7	3.0	16.6	11.4	3.4	14.7	11.2	8.1	9.3	6.9	6.7
Fiscal balance (% of GDP)													
Consolidated government balance	-5.3	0.3	-1.5	5.9	9.1	-6.5	4.2	5.4	8.2	4.0	2.6	4.1	0.1
Consolidated primary balance	-3.8	2.4	0.9	8.7	10.9	-4.4	6.3	6.7	9.1	5.1	4.2	5.1	1.1
Total public debt	18.0	20.6	22.5	18.7	17.7	21.3	26.3	17.3	21.8	21.6	20.1	20.4	23.2
External balance													
Exports (US\$bn)	15.6	13.2	15.2	20.8	19.9	12.6	21.7	42.2	29.2	26.0	24.1	31.1	27.4
Imports (US\$bn)	9.8	9.0	9.0	11.0	11.3	10.1	10.4	13.5	16.4	17.2	17.7	18.8	19.3
Trade balance (US\$bn)	5.8	4.2	6.1	9.8	8.5	2.5	11.3	28.7	12.8	8.8	6.4	12.3	8.1
Trade balance (% of GDP)	11.0	11.1	15.0	20.9	17.7	5.9	20.6	36.4	17.7	11.9	8.4	15.0	9.1
Current account balance (US\$bn)	-0.2	-1.4	1.7	6.1	4.4	-0.2	8.3	23.5	8.3	4.7	3.5	7.8	3.5
Current account balance (% of GDP)	-0.4	-3.6	4.1	12.8	9.1	-0.5	15.1	29.8	11.5	6.3	4.6	9.5	4.0
Net FDI (US\$bn)	0.8	1.9	0.3	-0.8	-1.4	-0.8	-2.2	-5.1	-2.1	-1.0	-1.0	-1.0	-1.0
Net FDI (% of GDP)	1.5	5.1	0.7	-1.7	-2.9	-1.8	-4.1	-6.5	-2.9	-1.3	-1.3	-1.2	-1.1
Current account balance plus FDI (% of GDP)	1.1	1.5	4.9	11.1	6.2	-2.3	11.0	23.3	8.6	5.0	3.3	8.3	2.9
Gross international reserves (US\$bn)	7.7	7.3	7.0	6.7	7.1	7.8	8.3	10.8	13.7	12.7	13.6	15.6	15.6
Import cover (months of merchandise imports)	9.4	9.7	9.3	7.3	7.5	9.3	9.5	9.5	10.1	8.9	9.2	9.9	9.7
Debt indicators													
Gross external debt (US\$bn)	13.2	14.5	15.3	16.5	16.4	16.4	15.6	15.5	15.0	12.2	13.2	15.2	15.7
Gross external debt (% of GDP)	24.9	38.2	37.4	34.9	34.1	38.4	28.4	19.6	20.7	16.4	17.4	18.6	17.7
Gross external debt (% of exports)	84.6	109.5	101.0	79.2	82.7	130.2	71.8	36.6	51.3	46.9	54.8	48.9	57.4
Lending to corporates/households (% of GDP)	40.0	27.2	16.7	16.3	18.7	20.0	18.4	15.1	19.5	23.1	24.7	25.7	25.7
Interest & exchange rates													
Central bank key rate (year-end, %)	3.00	15.00	15.00	9.75	7.50	6.25	7.25	8.25	8.00	7.25	6.75	6.50	6.50
Broad money supply (average, %YoY)	-1.3	-1.9	9.0	5.7	20.0	1.1	18.7	23.6	5.3	3.2	7.2	9.6	9.2
3m interest rate (Bakibor, average, %)	9.2	13.5	20.6	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)	885	1279	1936	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)	1.56	1.77	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)	1.02	1.60	1.72	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)	1.70	1.90	2.04	1.95	1.91	2.08	1.93	1.81	1.88	1.76	2.00	2.04	2.07
EUR/AZN exchange rate (average)	1.14	1.77	1.94	2.01	1.90	1.94	2.01	1.79	1.84	1.84	1.92	2.01	2.06
Brent oil price (annual average, US\$/bbl)	54	45	55	72	64	43	71	99	82	80	68	93	77

Shading denotes forecast data

Source: CEIC, National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	3.3	0.3	2.5	0.9	1.6	-0.3	2.5	4.0	2.5	3.0	3.5	2.0	3.5
CPI (eop, %YoY)	4.9	5.2	6.0	5.7	5.2	5.3	5.5	4.9	5.3	5.4	5.3	5.4	5.5
Central bank key rate (eop, %)	7.25	7.25	7.25	7.00	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
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)	1.76	1.84	2.00	1.99	2.00	1.96	1.99	2.01	2.04	2.04	2.04	2.06	2.07

Shading denotes forecast data

Source: CEIC, National sources, ING estimates



Valentin Tataru, Chief Economist, Romania | Stefan Posea, Economist, Romania

Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	3.0	3.1	2.7	2.6	2.3	2.5	2.5
CPI (%YoY)*	5.2	3.6	6.7	5.2	5.4	5.2	3.1
Base interest rate (%)**	2.00	2.00	2.25	2.25	2.25	2.25	2.25
5yr yield (%)*	2.70	3.04	3.20	3.25	3.20	3.17	3.10

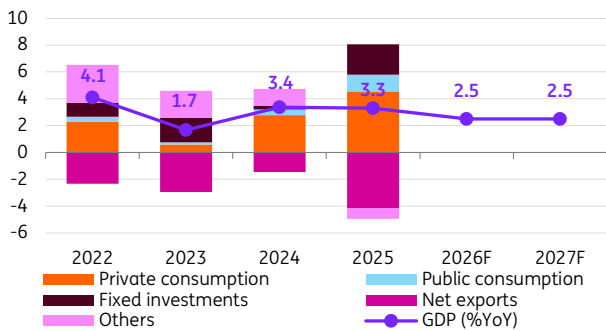
Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2026	S&P	BBB+	BBB+
Fiscal	Loose	Parliamentary: 2030	Moody's	Baa1	Baa1
Monetary	Loose	Local: 2027	Fitch	BBB+	BBB+

*Quarterly data is eop. annual is average; **ECB Depo Rate as of 1 January 20 26
Shading denotes ING forecast data
Source: National sources. ING estimates

Country strategy: A two-edged stability

After closing the euro adoption process, Bulgaria's economy has benefited from a still-robust private consumption on the back of another year of double-digit wage growth, as well as healthy tourism earnings. The government is also aiming to cushion the recent energy shock following the Middle East conflict with a €100m support package, as Bulgaria has some sizeable oil imports from the Hormuz-exposed Iraq and Saudi Arabia. On the fiscal side, the absence of a fully adopted 2026 budget has shifted the stance into a budget-extension regime, with the latest extension creating room for defence (SAFE) and energy security operations. In politics, Progressive Bulgaria won a landslide with 44% of votes in the parliamentary elections.

Real GDP (%YoY) and contributions (ppt)

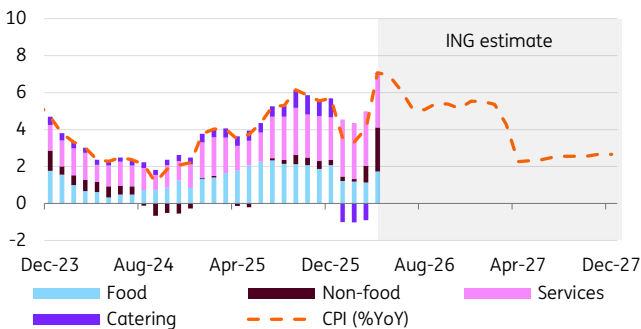


Source: NSI, ING

Growth to likely moderate this year

Bulgaria's GDP growth came in at 3.1% in 2025. Internal demand was strong, as both consumption and investments made strong contributions to growth. That said, a large chunk of this strong activity passed through the borders, with the negative net exports removing most of the gains. On the outlook, we expect GDP growth to moderate towards a constant 2.5% in 2026 and 2027, as stronger inflationary pressures start eating up some of the real wage gains. Goods exports and services sector improvements, particularly the prospect of growing tourism appeal, should benefit activity ahead. Meanwhile, the still-struggling industrial sector and NRPP absorption are yet to pick up.

Inflation (%YoY) and main components (ppt)

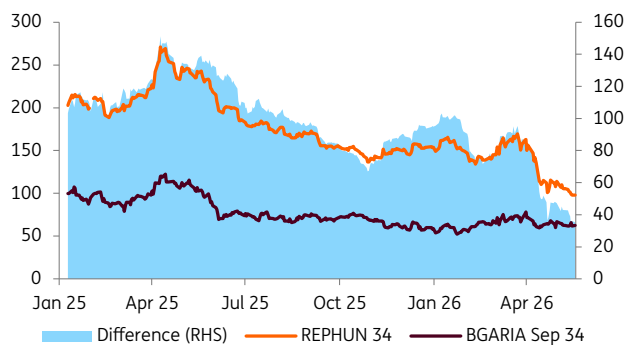


Source: NSI, ING

Inflation: New shock, new spike

Average price pressures have almost doubled in 2025 compared to 2024. Strong demand, a tight labour market and restored VAT rates were key contributors. A preliminary study from the BNB and the ECB has also pointed to a price effect of around 0.3-0.4ppt on monthly inflation in January 2026. After moderating through the first quarter, price pressures firmed up visibly in April, reaching 7.1%. We expect inflation to remain above 6.0% through June and to end the year at 5.5%. We forecast a 2026 average of 5.2% and prior to a moderation to 3.1% in 2027, when the current energy shock will fall out of the comparison base.

BGARIA EUR credit spreads vs Hungary (bp)



Source: Refinitiv, ING

Sovereign credit: Hopes for political stability

This year has seen renewed political uncertainty for Bulgaria, with snap elections bringing former President Rumen Radev's recently formed party a strong victory. While some questions remain around the potential foreign policy stance, the end of political deadlock and focus on anti-corruption measures are seen as opening the door for further progress on the back of euro adoption this year, as evidenced by S&P shifting its outlook to Positive most recently. Additionally, optimism around Hungary's potential euro adoption has driven the differential between the two sharply narrower.

James Wilson, EM Sovereign Strategist

Bulgaria

valentin.tataru@ing.com | tiberiu-stefan.posea@ing.com

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	3.4	3.0	2.7	2.5	3.8	-3.2	7.8	4.1	1.7	3.4	3.1	2.5	2.5
Private consumption (%YoY)	2.8	2.1	2.5	3.7	6.0	-0.4	8.6	3.9	1.1	5.0	7.8	3.0	2.8
Government consumption (%YoY)	1.8	2.2	4.3	5.3	2.0	8.3	0.5	8.0	1.1	3.6	7.0	2.1	2.1
Investment (%YoY)	2.7	-6.6	3.2	5.4	4.5	0.6	-8.3	6.5	10.2	-1.1	6.2	4.4	3.0
Industrial production (%YoY)	2.7	2.5	4.0	0.3	0.5	-6.6	9.5	13.9	-8.4	-3.7	-7.2	2.5	3.5
Unemployment rate (eop, %)	9.0	7.7	6.7	5.7	5.2	6.1	5.2	4.2	4.3	4.2	3.5	3.7	4.0
Nominal GDP (€bn)	45.8	48.7	52.5	56.1	61.3	61.9	71.4	86.3	94.7	101.6	109.5	115.4	122.8
Nominal GDP (US\$bn)	49.8	51.2	63.0	64.4	68.7	75.6	81.2	92.4	104.5	105.2	128.6	138.5	149.8
GDP per capita (US\$)	5,900	6,200	6,500	6,800	7,900	7,800	8,900	12,100	12,800	13,800	14,200	14,400	14,900
Gross domestic saving (% of GDP)	21.8	23.9	24.2	23.8	24.0	22.7	23.2	23.8	23.9	22.7	19.1	18.1	16.8
Prices													
CPI (average %YoY)	-0.1	-0.8	2.1	2.8	3.1	1.7	3.3	15.3	9.6	2.4	4.6	5.2	3.1
CPI (year-end %YoY)	-0.4	0.1	2.8	2.7	3.8	0.1	7.8	16.9	4.7	2.2	5.0	5.5	2.7
Wage rates (nominal %YoY)	7.9	7.0	10.5	7.4	12.0	8.6	12.0	13.7	14.5	15.3	11.6	8.0	6.0
Fiscal balance (% of GDP)													
Consolidated government balance	-1.9	0.3	1.6	1.7	2.2	-3.8	-4.0	-2.9	-2.0	-3.0	-3.5	-3.0	-2.8
Consolidated primary balance	-0.9	1.2	2.4	2.4	2.7	-3.3	-3.5	-2.5	-1.5	-2.5	-2.1	-2.4	-2.3
Total public debt	25.9	29.1	25.1	22.1	20.1	24.4	23.8	22.5	22.9	23.8	28.5	30.8	32.3
External balance													
Exports (€bn)	22.9	23.1	26.9	27.7	29.1	27.3	34.4	47.1	43.5	43.5	43.0	45.2	47.4
Imports (€bn)	26.3	24.1	27.7	30.4	32.0	29.2	37.3	52.2	47.4	48.8	53.8	57.0	60.5
Trade balance (€bn)	-3.5	-1.0	-0.8	-2.7	-2.9	-1.9	-2.9	-5.1	-3.9	-5.3	-10.8	-11.9	-13.0
Trade balance (% of GDP)	-7.6	-2.0	-1.5	-4.8	-4.7	-3.1	-4.0	-5.9	-4.1	-5.2	-9.9	-10.3	-10.6
Current account balance (€bn)	0.0	1.5	1.7	0.4	1.0	1.0	0.1	-1.2	-1.1	-0.6	-6.7	-6.0	-5.0
Current account balance (% of GDP)	0.0	3.0	3.2	0.7	1.7	1.6	0.2	-1.4	-1.2	-0.6	-6.1	-5.2	-4.1
Net FDI (€bn)	2.0	1.3	1.7	1.5	2.0	2.5	1.8	4.5	4.8	2.8	4.3	4.4	4.5
Net FDI (% of GDP)	4.4	2.7	3.3	2.7	3.2	4.0	2.5	5.2	5.1	2.8	3.9	3.8	3.6
Current account balance plus FDI (% of GDP)	4.4	5.7	6.5	3.4	4.9	5.6	2.7	3.8	3.9	2.2	-2.2	-1.4	-0.4
Foreign exchange reserves (€bn)	18.2	21.6	21.4	22.8	23.1	28.8	30.5	36.1	39.4	38.7	34.9	5.0	4.5
Import cover (months of merchandise imports)	8.3	10.8	9.3	9.0	8.6	11.8	9.8	8.3	10.0	9.5	7.8	1.1	0.9
Debt indicators													
Gross external debt (€bn)	36.7	38.1	37.7	37.2	37.7	38.6	41.3	44.2	45.8	50.7	58.6	60.3	62.8
Gross external debt (% of GDP)	80	78	72	66	62	62	58	51	48	50	54	52	51
Gross external debt (% of exports)	160	165	140	134	130	142	120	94	105	116	136	134	132
Lending to corporates/households (% of GDP)	54.8	52.0	49.8	50.4	49.7	51.3	48.1	44.7	45.2	48.0	49.5	50.7	52.0
Interest & exchange rates													
Base interest rate (year-end %)*	0.01	0.00	0.00	0.00	0.00	0.00	0.00	1.30	3.80	3.04	2.15	2.25	2.25
Broad money supply (average %YoY)	8.8	7.6	7.7	8.8	9.9	10.9	10.7	17.2	9.7	8.5	8.9	9.4	9.8
3yr yield (average %)	1.03	0.36	0.08	-0.05	-0.20	0.05	-0.05	2.26	3.10	3.20	2.55	2.80	2.70
5yr yield (average %)	1.26	0.79	0.35	0.03	0.06	0.11	0.09	2.42	3.59	3.32	2.80	3.10	3.00

Shading denotes forecast figures

Source: National sources. ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	4.6	2.8	3.5	3.0	3.0	3.1	2.7	2.6	2.3	2.3	2.5	2.5	2.7
CPI (eop, %YoY)	2.2	4.0	4.4	5.6	5.0	4.1	6.1	5.4	5.5	4.3	2.4	2.6	2.7
Base interest rate (eop, %)*	3.00	2.50	2.00	2.00	2.00	2.00	2.25	2.25	2.25	2.25	2.25	2.25	2.25
5yr yield (eop, %)	3.12	3.06	2.88	2.61	2.62	2.89	3.10	3.15	3.10	3.05	3.03	3.00	3.00

ECB Depo Rate as of 1 January 2026

Shading denotes forecast figures

Source: National sources. ING estimates



Valentin Tataru, Chief Economist, Romania | Stefan Posea, Economist, Romania

Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	3.3	3.6	3.2	3.1	2.0	3.0	1.9
HICP (%YoY)*	3.8	4.6	5.1	4.9	5.0	5.0	4.2
CPI (%YoY)	3.3	4.8	5.4	5.1	4.6	4.6	3.3
Key interest rate (eop,%)**	2.00	2.00	2.25	2.25	2.25	2.25	2.25
10yr yield (%)*	3.14	3.66	3.50	3.45	3.40	3.50	3.31

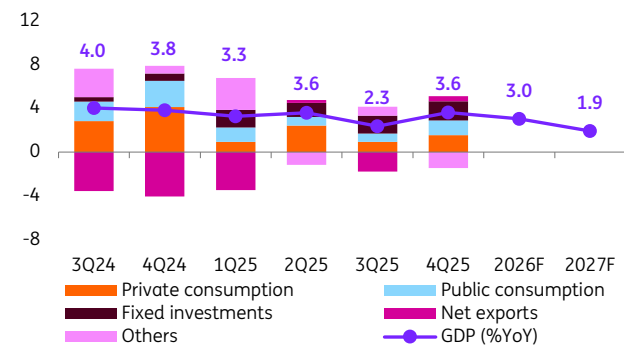
Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2029	S&P	A	A
Fiscal	Stimulative	Parliamentary: 2028	Moody's	A3	A3
Monetary	Stimulative	Local: 2029	Fitch	A-	A-

*Quarterly data is eop, annual is average **ECB rate starting 1 January 2023
Source: National sources, ING estimates

Country strategy: Keeping the good momentum

Croatia remains among the Eurozone's fastest growing economies, picking up by 3.2% in 2025, on the back of a strong internal demand with diversified contributions from both consumption and investments. On the latter, a strong absorption of RRF funds was a key factor at play – with the latest payment request disbursed in March 2026 (€0.9bn), Croatia has absorbed so far 73% of its RRF allocation, better than most of its EU peers. Tourism activity has also contributed positively, with record tourist arrivals and overnight stays over 2025 and with active plans for the development of more year-round tourism opportunities. In March, S&P upgraded Croatia's rating to A, marking yet another step in the country's remarkable advance from sub-investment grade in 2019.

Real GDP (%YoY) and contributions (ppt)

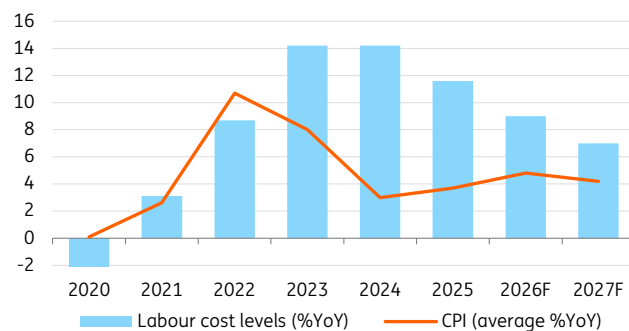


Source: Eurostat, ING

Domestic demand remains the key growth driver

Growth has not disappointed lately. After a robust 3.2% growth in 2025, we project a GDP growth of 3.0% for 2026, before moderation of the pace towards 1.9% in 2027. Domestic demand should remain the main engine, driven by robust private consumption and investment, propelled by last year's double digit wage growth and the last-mile push of the RRF absorption. The latter, in line with the recent credit rating improvement, should add tailwinds to FDIs ahead. The labour market has also remained tight, with the unemployment rate at record lows, to the benefit of private consumption ahead but not ideal for the country's competitiveness.

Inflation and labour costs (%YoY)

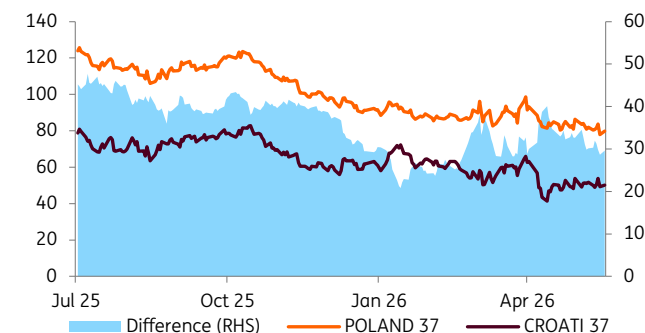


Source: Eurostat, ING

Inflation: To remain sticky this year

Inflation has recently picked up quite visibly. Price pressures climbed to 5.8% in April (March: 4.8%), as the energy shock took its toll on the economy. The government has responded with a sizeable €450m intervention package, aiming to stabilise electricity and gas prices, as well as provide compensation for vulnerable sectors. Authorities have also implemented short-term price caps and excise adjustments targeting the fuel market. We expect inflation to average 4.8% this year, with prints between 5% and 6% until June and a year-end level of 4.6%. Base effects should help inflation ease from next year. On the fiscal front (2025 deficit at 3.0%), wages and social transfers remain a key deficit driver to monitor.

CROATI EUR credit spreads vs POLAND (bp)



Source: Refinitiv, ING

Sovereign credit: Staying steady

Croatia's sovereign credit profile continues to improve, with an upgrade from S&P coming amid strong EU inflows, steady growth and moderate fiscal deficits. The nation's €2bn issuance in February was well received by investors and leaves the technical picture now clearer with issuance out of the way. Current valuations leave limited scope for significant tightening, with spreads comfortably tighter than the rest of the EM Eurozone universe and offering barely 20bp over German bunds at the front end of the curve. That being said, the country remains a solid defensive option and should continue to offer a relative safe haven given strong fundamentals and limited political risks.

James Wilson, EM Sovereign Strategist

Croatia

valentin.tataru@ing.com | tiberiu-stefan.posea@ing.com

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	2.5	3.6	3.4	3.0	3.4	-8.5	13.0	7.0	3.1	3.5	3.2	3.0	1.9
Private consumption (%YoY)	0.4	3.2	3.2	3.4	4.1	-5.2	10.6	6.9	3.3	6.0	2.5	2.5	2.8
Government consumption (%YoY)	-0.4	1.1	2.1	2.2	2.8	3.5	2.8	2.2	6.6	7.3	4.2	2.5	2.5
Investment (%YoY)	8.2	5.0	1.6	3.9	9.0	-5.0	4.9	10.7	22.7	5.3	6.1	4.0	3.0
Industrial production (%YoY)	2.5	4.8	1.9	-0.7	0.6	3.4	6.3	1.6	-2.0	-2.4	3.9	2.0	3.0
Unemployment rate (year-end, %)	16.0	13.5	10.5	8.1	6.6	9.0	6.7	7.0	6.0	5.4	4.9	5.1	5.2
Nominal GDP (€bn)	46.0	47.6	49.9	52.2	54.9	50.7	58.3	67.6	79.2	85.9	92.7	100.1	106.2
Nominal GDP (US\$bn)	51	53	56	62	61	58	69	71	86	93	105	118	128
GDP per capita (US\$)	12,100	12,600	13,600	15,100	15,100	14,500	17,700	18,300	22,000	23,900	27,100	30,700	26,500
Gross domestic saving (% of GDP)	19.8	21.2	21.6	21.8	22.0	16.9	19.9	20.6	21.4	20.4	20.5	21.0	21.6
Prices													
HICP (average, %YoY)	-0.3	-0.6	1.3	1.6	0.8	0.0	2.7	10.6	8.5	4.0	4.4	4.7	4.3
HICP (year-end, %YoY)	-0.3	0.7	1.3	1.0	1.3	-0.3	5.2	12.7	5.4	4.5	3.8	5.0	4.2
CPI (average, %YoY)	-0.5	-1.1	1.1	1.5	0.8	0.1	2.6	10.7	8.1	3.0	3.7	4.8	4.2
CPI (year-end, %YoY)	-0.6	0.2	1.2	0.9	1.4	-0.7	5.5	12.9	4.6	3.3	3.3	4.6	3.3
Wage rates (net nominal, %YoY)	-3.4	2.5	5.3	4.3	3.5	4.7	3.1	8.7	14.2	14.2	11.6	8.0	5.0
Fiscal balance (% of GDP)													
Consolidated government balance	-3.5	-1.0	0.6	-0.1	0.2	-7.2	-2.5	0.1	-0.8	-1.9	-2.8	-2.9	-2.8
Consolidated primary balance	-0.1	2.0	3.3	2.2	2.4	-5.3	-1.0	1.5	0.8	-0.4	-1.4	-1.4	-1.3
Total public debt	82.8	79.1	76.0	72.6	70.4	86.5	78.2	68.5	60.9	57.4	56.2	56.1	55.9
External balance													
Exports (€bn)	11.5	12.3	14.0	14.5	15.2	14.9	18.4	24.1	22.9	24.0	25.2	26.2	27.3
Imports (€bn)	18.5	19.7	21.9	23.7	25.0	22.9	28.4	41.9	39.6	42.8	44.8	46.7	48.6
Trade balance (€bn)	-7.0	-7.4	-7.9	-9.2	-9.8	-8.0	-10.0	-17.8	-16.7	-18.8	-19.6	-20.5	-21.4
Trade balance (% of GDP)	-15.1	-15.5	-15.8	-17.6	-17.8	-15.8	-17.2	-26.3	-21.1	-21.9	-21.2	-20.5	-20.1
Current account balance (€bn)	1.6	1.1	1.8	0.9	1.2	-1.0	0.2	-2.4	0.1	-1.9	-2.8	-3.2	-3.5
Current account balance (% of GDP)	3.5	2.3	3.6	1.7	2.2	-1.5	0.3	-3.5	0.1	-2.2	-3.0	-3.2	-3.3
Net FDI (€bn)	0.5	2.0	1.1	1.1	3.5	0.9	3.3	4.1	1.8	1.6	2.9	3.0	3.0
Net FDI (% of GDP)	1.1	4.3	2.2	2.1	6.3	1.8	5.7	6.1	2.3	1.9	3.1	3.0	2.9
Current account balance plus FDI (% of GDP)	4.6	6.6	5.8	3.8	8.5	0.3	6.1	2.5	2.4	-0.3	0.1	-0.2	-0.4
Foreign exchange reserves ex gold (€bn)	13.7	13.5	15.7	17.4	18.6	18.9	25.0	27.9	3.3	3.8	4.3	4.4	4.4
Import cover (months of merchandise imports)	8.9	8.2	8.6	8.8	8.9	9.9	10.6	8.0	1.0	1.1	1.2	1.1	1.1
Debt indicators													
Gross external debt (€bn)	48.6	45.1	43.9	42.8	40.6	41.3	47.2	49.8	60.8	57.0	62.3	67.3	71.4
Gross external debt (% of GDP)	105.8	94.6	88.0	82.0	73.9	81.4	80.9	73.7	76.8	66.4	67.2	67.2	67.2
Gross external debt (% of exports)	422	366	313	294	267	277	257	206	265	238	247	257	262
Lending to corporates/households (% of GDP)	65.2	60.3	56.5	54.7	53.3	61.0	53.8	51.0	49.1	50.8	50.4	51.0	50.9
Interest & exchange rates													
Central bank key rate (year-end, %)*	-0.30	-0.40	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	2.00	2.00	2.00
3yr yield (average, %)	2.60	1.70	1.20	0.70	0.15	0.15	0.10	3.00	3.15	2.40	2.36	2.60	2.40
10yr yield (average, %)	3.90	3.00	2.50	2.40	0.60	0.65	0.85	4.00	3.00	3.10	3.14	3.50	3.31
EUR/USD (average)	1.09	1.05	1.20	1.15	1.12	1.22	1.14	1.07	1.10	1.04	1.17	1.20	1.22
EUR/USD (end-period)	1.11	1.11	1.13	1.18	1.12	1.14	1.18	1.05	1.08	1.08	1.13	1.18	1.21

*ECB key rate as of 1 January 2023; Shading denotes ING forecast data

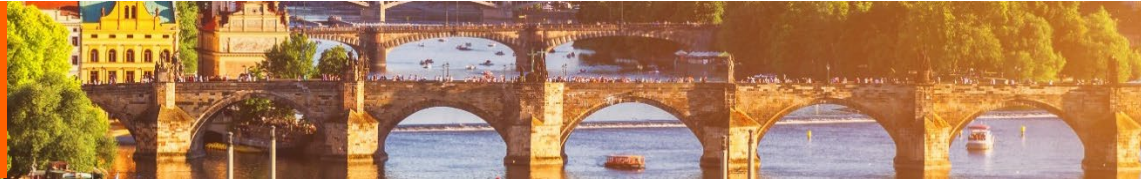
Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	3.8	3.3	3.6	2.3	3.3	3.6	3.2	3.1	2.0	1.8	1.9	2.0	2.0
HICP (eop, %)	4.5	4.3	4.4	4.6	3.8	4.6	5.1	4.9	5.0	4.5	4.2	4.2	4.3
CPI (eop, %YoY)	3.4	3.2	3.6	4.1	3.3	4.8	5.4	5.1	4.6	3.5	2.7	2.9	3.3
Central bank key rate (eop, %)*	3.00	2.50	2.25	2.00	2.00	2.00	2.25	2.25	2.25	2.25	2.25	2.25	2.25
10yr yield (eop, %)	3.05	3.35	3.10	3.11	3.14	3.66	3.50	3.45	3.40	3.35	3.30	3.30	3.30

*ECB key rate as of 1 January 2023; Shading denotes ING forecast data

Source: National sources, ING estimates



David Havlant, Chief Economist, Czech Republic

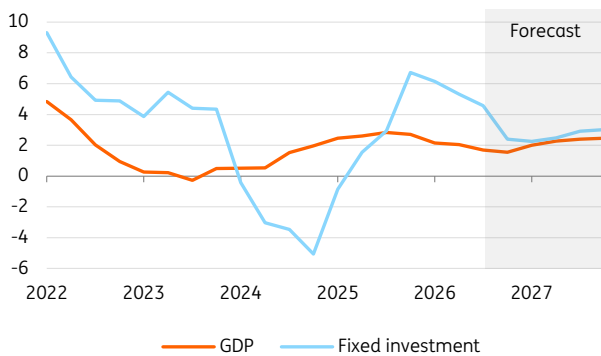
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	2.7	2.1	2.0	1.7	1.5	1.9	2.3
CPI (%YoY)*	2.0	1.9	2.4	2.6	3.1	2.3	2.5
Policy interest rate (%)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
3m interest rate (%)*	3.5	3.6	3.6	3.6	3.6	3.6	3.6
10yr yield (%)*	4.5	4.9	4.9	5.2	5.0	5.0	4.2
USD/CZK*	20.7	21.2	20.7	20.6	20.6	20.7	20.6
EUR/CZK*	24.3	24.4	24.3	24.3	24.2	24.3	24.1

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2028	S&P	AA-	AA
Fiscal	Looser	Parliamentary: 2029	Moody's	Aa3	Aa3
Monetary	Restrictive	Local: 2026	Fitch	AA-	AA-

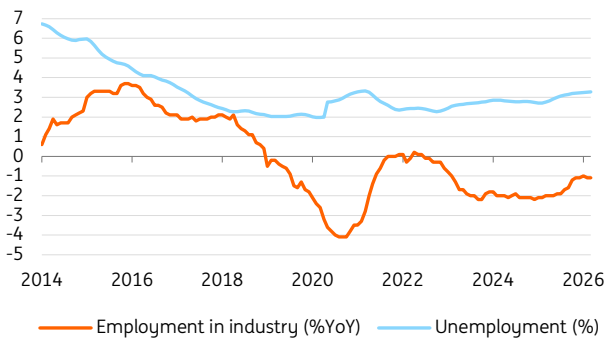
*Quarterly data is eop, annual is avg. Shading denotes ING forecast data
Source: National sources, ING estimates

Economic growth set to decelerate (% YoY)



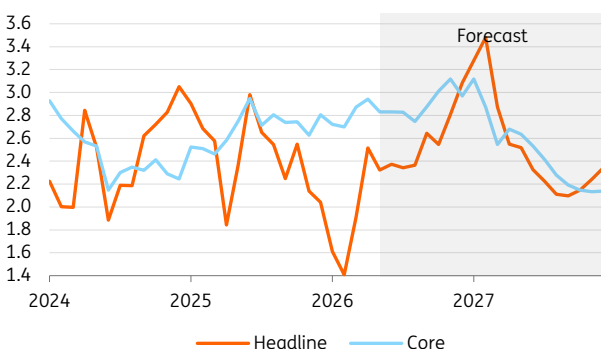
Source: CZSO, ING

Layoffs in industry carry on (% YoY, %)



Source: CZSO, ING

Inflation set to peak early next year (% YoY)



Source: CZSO, CNB, ING

Country strategy: Favourable entry point into global shock

The turmoil in the Middle East is expected to have adverse consequences for the Czech economy, despite it having entered this negative external supply shock in a strong position of high growth and low inflation. Elevated energy prices, uncertainty and pressured global demand is not good news for Czech exporters or the growth outlook. The recent industrial rebound will face another set of challenges. Inflation is set to remain elevated and to peak early next year, as second round effects bite in. Still, the CNB is unlikely to rush into rate hikes, given mounting risks to economic activity as the Hormuz blockade continues. The positive interest rate differential against the euro will keep solid ground beneath the koruna. The labour market is expected to come under pressure, as the service sector reaches saturation. Potential government measures to ease the pain for households and firms will shape the deficit.

Mounting risks to economic activity

We believe the Czech economy will bend under the current global shock but not break, with its expansion likely to slow to just below 2% this year and accelerate thereafter. Still, if the conflict becomes more protracted, adverse feedback loops and nonlinear effects could emerge, abruptly worsening conditions. We view the stagflationary risks stemming from the current situation as material. Should the impact on global demand prove severe, an industrialised, export-oriented and energy-intensive economy, such as the Czech Republic's, could shift into high inflation and no growth, potentially tipping into an economic downturn.

While today's investment underpins tomorrow's growth, it is also often a casualty of uncertainty. As investment plans are postponed or scaled back, the current Czech investment momentum is likely to come under pressure in the coming quarters. Deteriorating confidence and tighter budget constraints due to higher energy bills will also take their toll as time passes with the conflict unresolved. We believe that there will be profound negative consequences for the labour market, if manufacturing continues to shed jobs, as the services sector appears increasingly unable to absorb displaced workers. A construction boom is in full swing, with demand exceeding supply on the housing market, however, rising material costs and potential shortages may complicate the situation in this segment too.

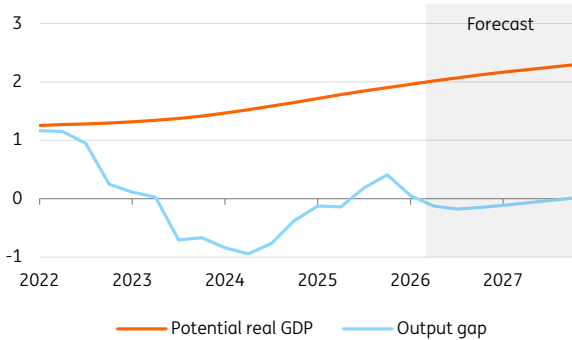
Fuel prices reacted swiftly to the rising global energy prices and depreciating koruna in the first month of the shock, and second round effects are expected to spillover to broader price pressures over time. The government has reduced excise duty on diesel and implied a ceiling for margins at petrol stations, mitigating the impact on households. We believe that more measures may come, especially as electricity prices could soar early next year. We expect to see adverse impacts on the fiscal deficit if ample government spending is combined with subdued economic growth.

Core inflation is set to remain elevated while shaped by opposing forces of higher energy prices and tighter budgets. It is hard to determine which force will eventually dominate. We are currently seeing the effects of the global energy price shock, yet we may see broader supply shortages in areas such as chemicals, implying upward risks for both producer and consumer pricing. Nevertheless, it's an external supply shock with potential dismal implications for growth, and monetary policy should respond with a cool head so as not to risk pushing the economy over a cliff.

Czech Republic

david.havrlant@ing.com

Output gap to close late next year (%YoY, % of potential)

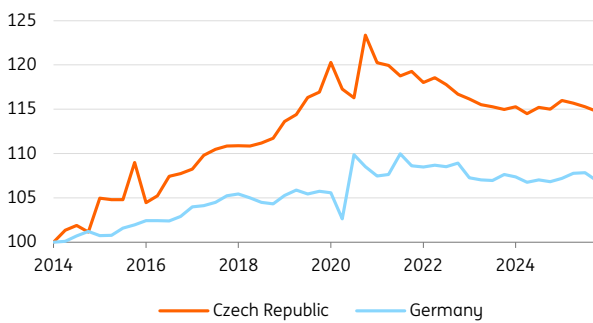


Source: CNB, ING

Entering sweet spot territory postponed

As the negative global supply shock bites, we see profound consequences for underlying macroeconomic variables. Czech potential growth edged up to 2% YoY in 1Q26, emerging from the depths of the Covid years, but is set to reach a more desirable pace only after 2027. That said, the expected economic slowdown implies a renewed widening of the output gap into negative territory, pointing to muted inflationary pressures from the demand side. Indeed, while industry has stabilised over the past year, subdued external demand would weigh on Czech exporters and the broader economy. If industry were to see a renewed bout of weakness, we would expect a tangible increase in the unemployment rate.

Labour productivity remains under pressure (2014=100)

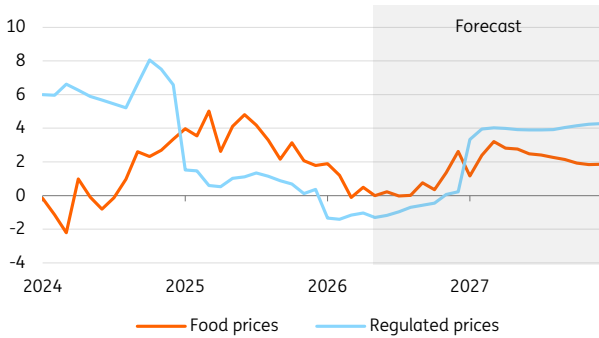


Source: Macrobond, ING

Productivity does not respond to challenges

Labour productivity is undoubtedly an essential macroeconomic variable in our view, as it reflects the propensity to invest, innovate and ameliorate economic structure. The picture currently looks rather bleak for the Czech economy with productivity languishing at 2019 levels. The situation appears similarly dismal for many other European countries and exposes Europe's underlying vulnerabilities. We note candid reactions from EU member states, with prime ministers and chancellors openly complaining about a devastating energy strategy, continued overregulation, and what they view as counterproductive legislative activity by the EC contributing to deindustrialisation. It remains to be seen whether conditions can improve for the better for European growth and prosperity.

Regulated and food prices set to surge (%YoY)

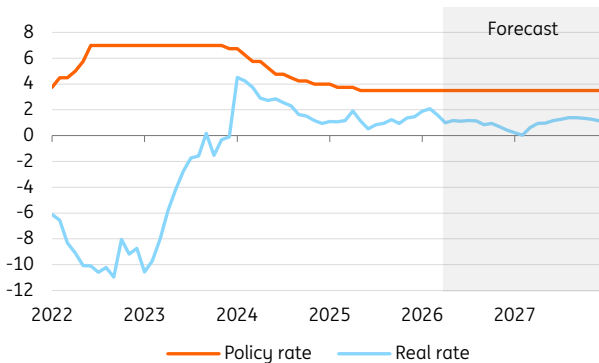


Source: CZSO, CNB, ING

Regulated and food prices pose risks

Clear risks for both price levels and economic activity are related to energy prices, as any production and service provided is related to energy use. We see potential for more pronounced downside effects for activity linked to higher transportation costs, expensive fertilizers and bottlenecks for specific fuels and chemicals. European economies may face significant pressures if the energy cost gap versus the rest of the world gets punchier. Czech energy distributors have some leeway before being forced to purchase at higher market prices but, as the Hormuz blockade drags on, we will see a propensity to raise electricity and natural gas end prices. Against this backdrop, a proposed revision of the EU Emissions Trading System could regain momentum, whether under ETS1 or ETS2.

Unchanged base rate still implies positive real rates (%)



Source: CNB, ING

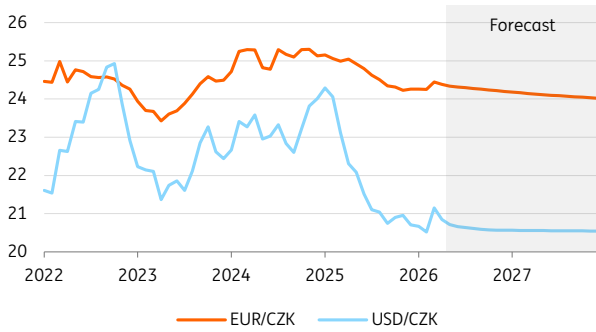
Handle rates in soft gloves

Real interest rates should remain mostly in positive territory, given our base case scenario of unchanged policy rate, which could be deemed as having a restrictive effect on economic activity. With a growing potential for economic upset, there is little need to make conditions for households and firms even tougher at a time of uncertainty. We believe the CNB is well attuned to the situation and is unlikely to fall into the trap of monetary policy mistakes, such as premature rate hikes. The downside risks to economic activity are currently difficult to quantify, as feedback loops and nonlinear effects could materialise swiftly, making any shift from expansion to recession potentially abrupt.

Czech Republic

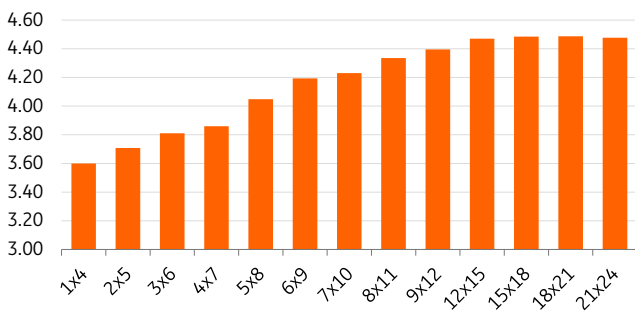
Strategy

FX – spot vs forward and INGF



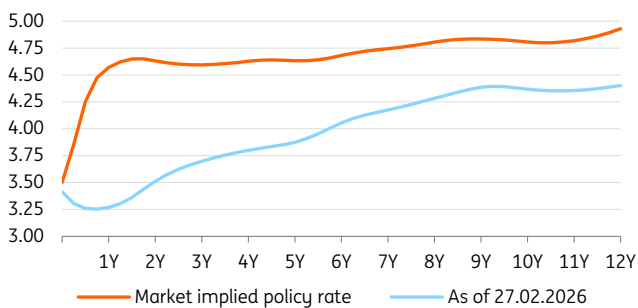
Source: Eikon, ING

FRA curve pricing swift CNB rate hikes (%)



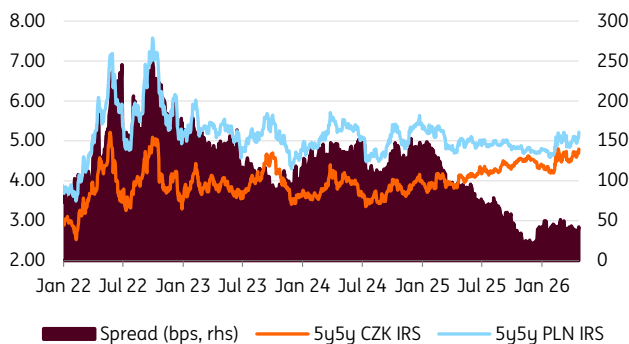
Source: Refinitiv, ING

Change in implied policy rate (%)



Source: Refinitiv, ING

5y5y IRS CZK versus PLN



Source: Refinitiv, ING

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

The Czech koruna demonstrated traditional resilience to global shocks in March and realised volatility has fallen back to multi-month lows in April and May, well below CEE peers. In particular, recent weeks have seen stabilisation in a narrow range of 24.300-24.400. This means a stronger koruna than the central bank expected in its February forecast, resulting in EUR/CZK revision at its May meeting. The CNB can therefore continue to rely on FX as a buffer against inflationary pressures.

Looking further ahead, the FX market may see some bumps. The market is pricing in three CNB rate hikes in the year-end horizon with the first hike in August. We expect the CNB rate to remain unchanged and see the risk of a hike more for later meetings towards the end of the year, if anything. This, together with the ECB hike in June, should lead to a tightening of the interest rate differential in the market and some pressure on the currency. But even though we are likely to see some deterioration in the current account balance due to the global energy shock, it is still difficult to see EUR/CZK exceeding the March highs slightly above 24.500 unless the US-Iran conflict escalates and drags on, significantly burdening the Czech economy.

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

Czech rates and CZGBs came under significant pressure with the start of the US-Iran conflict, where the short end in particular got caught in the drag of aggressive ECB hawkish pricing. Clearly, the market sees the strongest link between the ECB and the CNB within the CEE region, which provides some anchor for elevated market expectations. We are more on the dovish side of the CNB story and see the central bank waiting as long as possible and ideally avoiding rate hikes in response to the supply shock in the economy. However, even more than two months since the start of the conflict, the short end is mainly driven by the oil prices and ECB pricing while the CNB communication and local story remain muted in the market.

Czech Republic

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	5.0	2.6	5.2	2.8	3.6	-5.3	4.0	2.8	0.0	1.3	2.6	1.9	2.3
Private consumption (%YoY)	3.6	3.5	4.4	3.4	3.0	-6.6	4.1	0.4	-2.7	2.2	3.0	2.3	2.1
Government consumption (%YoY)	1.8	2.4	1.7	3.5	2.6	4.1	1.5	0.4	3.2	3.1	2.1	1.9	2.5
Investment (%YoY)	8.8	-2.0	2.9	8.9	7.5	-4.8	6.6	6.3	4.5	-3.0	2.6	4.6	2.7
Industrial production (%YoY)	4.5	2.5	6.6	3.0	-0.5	-6.8	6.1	2.2	-0.8	-1.0	2.1	1.8	2.2
Unemployment rate (year-end, %)	5.0	4.0	2.9	2.1	2.1	3.1	2.2	2.3	2.7	2.7	3.0	3.6	3.4
Nominal GDP (CZKbn)	4,654	4,841	5,185	5,481	5,891	5,830	6,306	7,048	7,668	8,056	8,560	9,030	9,534
Nominal GDP (€bn)	171	179	197	214	230	220	246	287	319	321	347	372	396
Nominal GDP (US\$bn)	189	198	222	252	257	251	291	302	345	347	391	437	464
GDP per capita (US\$)	18,000	18,842	21,059	23,915	24,340	23,901	27,709	28,061	31,722	31,842	35,872	38,721	39,846
Gross domestic saving (% of GDP)	27.3	26.6	27.5	26.9	27.3	26.9	28.8	28.2	29.8	29.7	28.6	28.4	28.6
Prices													
CPI (average, %YoY)	0.3	0.7	2.5	2.1	2.8	3.2	3.8	15.1	10.7	2.4	2.5	2.3	2.5
CPI (year-end, %YoY)	0.0	2.0	2.4	2.0	3.2	2.3	6.6	15.8	6.9	3.0	2.0	3.1	2.3
Wage rates (nominal, %YoY)	3.2	4.4	6.7	8.2	7.9	4.6	5.8	4.3	7.2	7.2	7.2	6.2	5.6
Fiscal balance (% of GDP)													
Consolidated government balance	-0.7	0.7	1.5	0.9	0.3	-5.6	-5.0	-3.1	-3.7	-2.0	-2.1	-2.5	-2.6
Consolidated primary balance	0.4	1.6	2.2	1.6	1.0	-4.9	-4.2	-2.0	-2.5	-1.3	-0.8	-1.2	-1.4
Total public debt	39.5	36.2	33.8	31.7	29.6	36.9	40.7	42.5	42.2	43.3	44.3	44.1	45.0
External balance													
Exports (€bn)	135	142	157	167	168	149	166	183	192	186	197	202	210
Imports (€bn)	123	127	138	150	152	135	158	174	177	169	181	187	195
Trade balance (€bn)	4.8	6.1	6.2	3.8	5.7	6.8	-0.4	-8.3	5.2	8.8	8.5	6.6	7.8
Trade balance (% of GDP)	2.8	3.4	3.2	1.8	2.5	3.1	-0.1	-2.9	1.6	2.7	2.5	1.8	2.0
Current account balance (€bn)	0.8	3.2	3.0	0.9	0.7	4.0	-5.2	-13.5	-0.3	5.5	2.4	1.5	2.4
Current account balance (% of GDP)	0.4	1.8	1.5	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.7	0.7	0.4	0.6
Net FDI (€bn)	1.8	-6.9	-1.7	-2.0	-5.3	-5.6	-1.1	-3.4	-3.2	-0.6	-2.0	-1.7	-0.6
Net FDI (% of GDP)	1.1	-3.9	-0.9	-0.9	-2.3	-2.6	-0.5	-1.2	-1.0	-0.2	-0.6	-0.5	-0.2
Current account balance plus FDI (% of GDP)	1.5	-2.1	0.6	-0.5	-2.0	-0.8	-2.6	-5.9	-1.1	1.5	0.1	-0.1	0.4
Foreign exchange reserves ex gold (€bn)	59	81	120	125	132	134	149	129	138	141	147	148	149
Import cover (months of merchandise imports)	5.5	7.6	10.3	10.0	10.3	11.8	10.7	7.4	8.1	8.3	8.2	8.4	8.6
Debt indicators													
Gross external debt (€bn)	115	129	171	172	173	165	185	193	195	209	234	248	261
Gross external debt (% of GDP)	67.7	72.3	86.9	80.3	75.2	74.7	75.1	67.4	60.9	65.1	67.6	66.7	65.9
Gross external debt (% of exports)	85.2	91.2	109.1	102.9	102.4	110.2	111.0	105.8	101.3	112.5	119.1	122.7	124.2
Lending to corporates/households (% of GDP)	47.0	48.3	48.2	48.4	47.7	50.6	49.3	47.5	45.8	46.1	46.0	46.4	46.6
Interest & exchange rates													
Central bank key rate (year-end, %)	0.05	0.05	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	3.50	3.50	3.50
Broad money supply (average, %YoY)	7.9	8.6	9.5	5.3	6.9	10.0	9.5	5.3	7.4	7.0	3.2	4.9	4.7
3m interest rate (Pribor, average, %)	0.31	0.29	0.42	1.32	2.12	0.77	1.25	6.39	7.10	4.87	3.59	3.57	3.59
3m interest rate spread over Euribor (ppt)	0.33	0.55	0.75	1.64	2.48	1.20	1.79	6.04	3.67	1.30	1.51	1.47	1.49
2yr yield (average, %)	-0.07	-0.29	-0.22	0.97	1.44	0.43	1.42	5.26	5.13	3.78	3.60	3.88	3.90
10yr yield (average, %)	0.70	0.46	1.03	1.99	1.54	1.10	1.97	4.42	4.46	4.02	4.27	4.91	4.42
USD/CZK exchange rate (year-end)	24.82	25.65	21.69	22.70	22.94	21.62	22.32	22.91	22.44	24.01	20.70	20.56	20.54
USD/CZK exchange rate (average)	24.59	24.45	23.38	21.74	22.93	23.22	21.68	23.35	22.20	23.23	21.90	20.68	20.55
EUR/CZK exchange rate (year-end)	27.02	27.03	25.66	25.83	25.49	26.30	25.22	24.26	24.49	25.13	24.26	24.20	24.02
EUR/CZK exchange rate (average)	27.29	27.03	26.33	25.65	25.67	26.46	25.64	24.56	24.00	25.12	24.69	24.29	24.10

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

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26F	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	2.0	2.4	2.6	2.8	2.7	2.1	2.0	1.7	1.5	2.0	2.3	2.4	2.5
CPI (eop, %YoY)	3.0	2.6	3.0	2.2	2.0	1.9	2.4	2.6	3.1	2.9	2.3	2.1	2.3
Central bank key rate (eop, %)	4.00	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
3m interest rate (eop, %)	3.92	3.72	3.49	3.51	3.52	3.57	3.58	3.60	3.59	3.59	3.59	3.59	3.59
10yr yield (eop, %)	4.20	4.24	4.23	4.54	4.54	4.93	4.92	5.18	4.96	4.60	4.40	4.24	4.22
USD/CZK exchange rate (eop)	24.01	23.12	21.51	20.74	20.70	21.15	20.66	20.59	20.56	20.56	20.55	20.55	20.54
EUR/CZK exchange rate (eop)	25.13	24.99	24.80	24.35	24.26	24.45	24.32	24.26	24.20	24.14	24.10	24.06	24.02

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



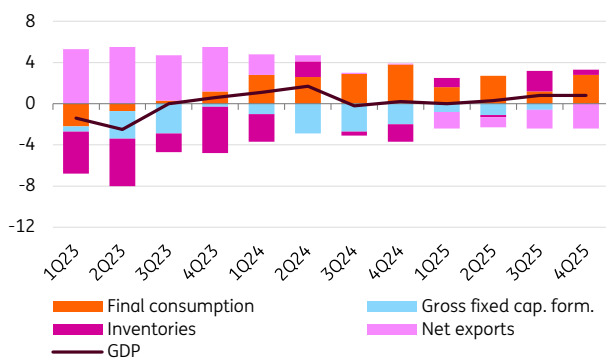
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	0.8	1.7	1.2	1.3	1.7	1.5	2.6
CPI (%YoY)*	3.3	1.8	2.8	3.6	4.7	3.0	4.4
Policy interest rate (eop, %)	6.50	6.25	6.25	6.25	6.25	6.25	5.00
3m interest rate (%)*	6.47	6.45	6.25	6.25	6.25	6.27	5.82
10yr yield (%)*	6.77	7.13	5.75	5.50	5.60	5.91	5.59
USD/HUF*	320.8	324.6	320.8	322.3	323.8	308.7	281.2
EUR/HUF*	385.4	385.9	350.0	365.0	350.0	364.3	340.2

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

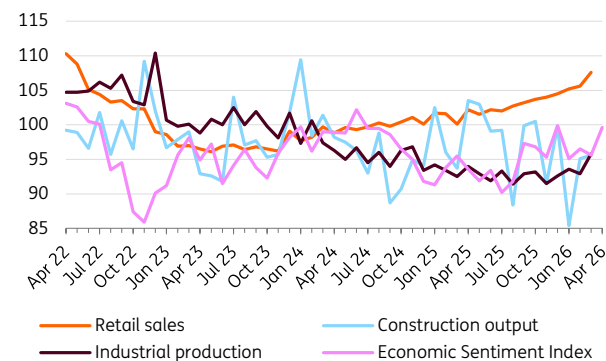
*Quarterly data is eop, annual is avg. Shading denotes ING forecast data
Source: National sources, ING estimates

Contribution to YoY GDP growth (ppt)



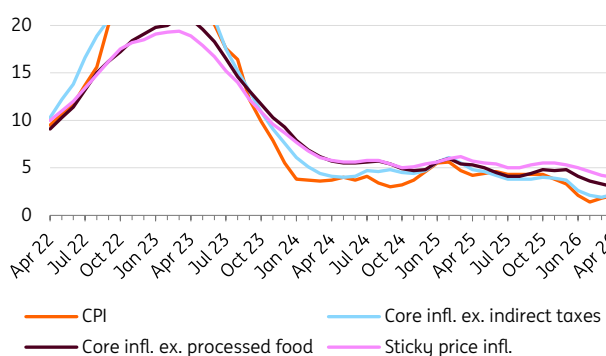
Source: Hungarian Central Statistical Office

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: Many opportunities with many clouds

After three years without growth there is a chance that this will be the year Hungary can break out from stagnation, but there are plenty of risks that could derail this. As 2026 progresses, expectations for economic performance have declined and not even the positive international sentiment towards the country is likely to change this. Consumption will drive growth, while industrial performance remains on shaky ground. Investment activity suffers from a lack of business confidence and limited fiscal space, though we expect a turnaround here. The spillover effects of geopolitical turmoil pose major risks to energy imports and the general export outlook, two key bottlenecks for growth in the Hungarian economy. The recent political shift resulted in appreciation of the forint and lower yields, but the positive momentum could fade rapidly, especially if monetary policy takes an overly opportunistic stance.

Macro digest

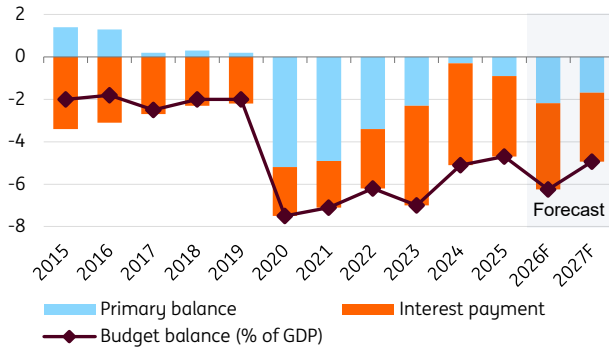
In the first quarter of 2026, the Hungarian economy grew by 0.8% on a quarterly basis, matching what we considered our rather optimistic forecast. Taking into account last year's low base, the year-on-year index jumped to 1.7%. The last time the economy saw similarly dynamic year-on-year growth was in 2023, but that was an outlier. Fresh data indicates that the Hungarian economy has now grown for the fourth consecutive quarter. This suggests that the country may have left the period of prolonged stagnation behind. While we await the detailed data, the Statistical Office's qualitative assessment says that the services sector made the most significant contribution to the headline figure, with the industry sector also making a positive contribution. On the demand side, we expect consumption to have been the main driver, supported by modest investment growth. However, the economy's overall performance may have been held back by the ongoing negative impact of net exports.

Looking ahead, taking our baseline scenario for current geopolitical developments and energy market prices into account, we forecast GDP growth of around 1.5% for 2026 and 2.6% for 2027. Given Hungary's dependence on energy, rising energy prices will undoubtedly negatively impact the government and businesses, and a further escalation would mean more severe headwinds for the economy. Nevertheless, regardless of the scenario, the structure of economic growth will not change substantially for this year. Consumption could be the driving force, primarily due to fiscal stimulus measures, supported by an improvement in confidence following the elections. The latter could help investments turn into positive with net exports being a drag on growth.

Inflation continued to fall going into 2026, ultimately reaching a 10-year low of 1.4% YoY in February. Since then, Hungary's inflation rate has risen to reach 2.1% YoY in April. However, the latest figures were a positive surprise, given that we have entered a third month of energy price shocks. Despite all the unknowns, we still anticipate a favourable full-year average inflation rate this year. Admittedly, energy prices are significantly higher than before the outbreak of war in Iran, and the risk of delayed pass-through remains high. However, the new government has also indicated that it is prepared to maintain the price shield measures to mitigate some of the price pressure. This leaves room for headline inflation to average around 3.0-3.5% in 2026. However, a prolonged blockade of the Strait of Hormuz or a re-escalation of the war in Iran would pose an upside risk to our base case, with average inflation potentially exceeding the upper limit of the central bank's inflation tolerance band of 4%.

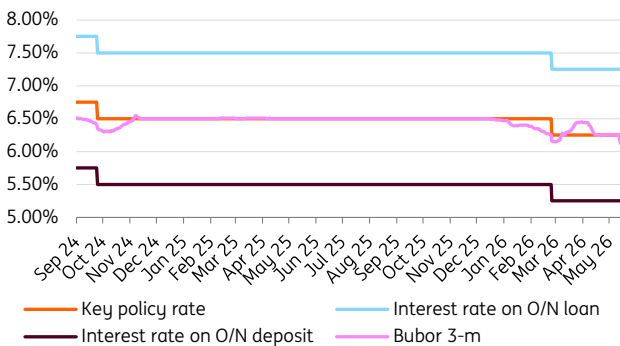
Hungary

Budget and primary balance of general government (%)



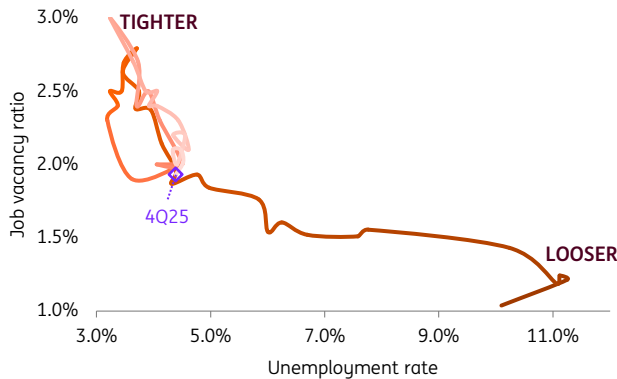
Source: AMECO, ING estimates

Benchmark policy rate and interest rate corridor



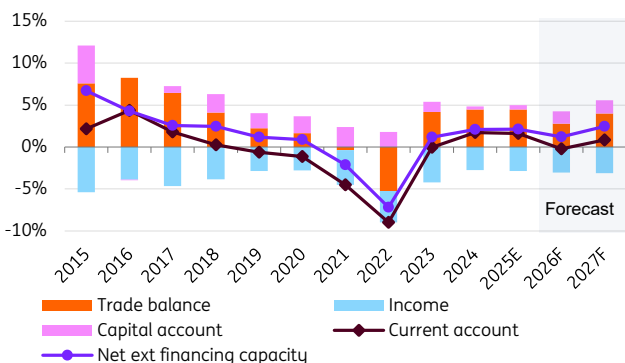
Source: National Bank of Hungary

Unemployment and job vacancy (Beveridge-curve)



Source: Hungarian Central Statistical Office

Structure of the current account (% of GDP)



Source: National Bank of Hungary, ING estimates

Fiscal policy faces a major overhaul

The main question regarding fiscal policy is whether the Magyar-government will be able to implement its fiscal tightening plan and reach the 3% of GDP benchmark by 2030. There are high hopes and many promises given that the new government has just started its work. The main task now is to review expenditure and cut lavish, unnecessary or overpriced spending. In addition, policymakers need to leverage market trust to reduce debt servicing costs as quickly as possible. A credible debt reduction and euro adoption plan could have a significant impact, too. The expected 'unfreezing' of EU funds is more of a cash flow story than a real economy booster in the short term. Rome wasn't built in a day, and nor will the fiscal overhaul. We expect a deficit of over 6% for this year.

Monetary policy may become more opportunistic

In April, the Monetary Council decided to keep the base rate at 6.25%. As expected, given the war in the Middle East and subsequent market turmoil, the National Bank of Hungary has maintained its hawkish stance. However, while remaining vigilant about energy prices and geopolitical uncertainty, the significantly reduced risk premium on HUF and government bond yields has led to a major change. The NBH reduced the interest rate on FX swaps providing euro liquidity by 50bp to 5.25%. This has put further strain on the markets and created a path towards an earlier-than-expected cut in the base rate, which contrasts with our 'on hold' forecast. Based on the latest developments, we now consider a rate cut to be more likely than a rate hike as the NBH's next move.

The labour market shows loosening

Unemployment figures increased unexpectedly and became more volatile during the first quarter of 2026. Companies adapted to the increased wage costs caused by the minimum wage hike much sooner than expected, however, and the market was able to pick up the slack, causing the data to return to its original level. According to model estimates, the unemployment rate reached 4.9% in February 2026, lowering to 4.5% the following month. The decline in the working-age population continued at the start of this year, accompanied by a fall in employment. Due to supply-side issues, the labour market will generally remain tight, similar to the situation in the early 2020s. External risks to GDP growth will put further pressure on companies to make layoffs. We estimate that the unemployment rate will remain between 4.5% and 5.0% this year.

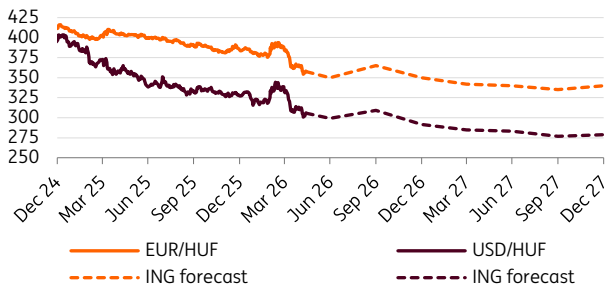
The current account balance dips into a small deficit

External balances have held up quite well so far, but what goes around comes around. The energy price shock will undoubtedly affect this year's trade balance, pushing the current account into a small deficit of 0.2% of GDP. The outlook for export growth remains uncertain, and improving domestic demand and high energy prices will affect imports. There is renewed interest from investors, with the possibility of a flurry of capital inflows in the years ahead, and not just speculative interest, but real investment. Unlocking the full EU-fund envelope and actual flows would boost the country's net external financing capacity beyond our ultra-conservative forecast. Given these developments, we anticipate the possibility of multi-level sovereign credit upgrades within the next couple of years.

Hungary

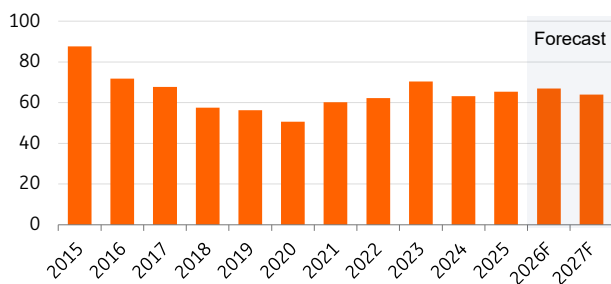
Strategy

FX – spot and INGF



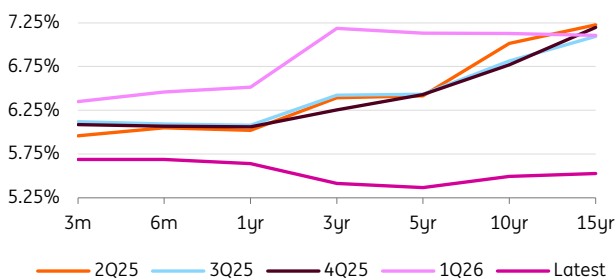
Source: National Bank of Hungary, ING estimates

Evolution of gross external debt (% of GDP)



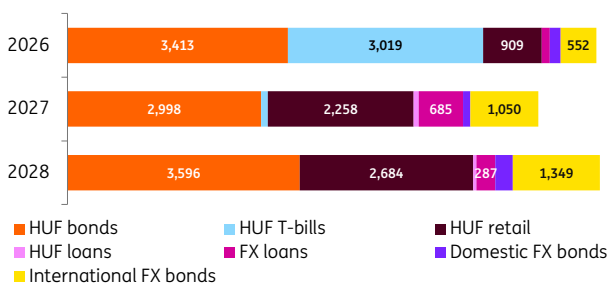
Source: National Bank of Hungary, ING estimates

Local curve (%)



Source: Government Debt Management Agency

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



Source: Government Debt Management Agency

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

Investors have become extremely optimistic about the HUF since the election results opened the door to a pro-EU political transition. However, it seems that the market has finally found a sweet spot for the forint, at least in the short term.

The NBH reduced the interest rate on FX swaps providing euro liquidity by 50bp to 5.25%. This has put further strain on the markets, creating a path towards an earlier-than-expected cut in the base rate, which is in contrast to our 'on-hold' forecast.

The central issue for the rest of the year is determining how strong the forint can get before it becomes excessive for the central bank and government. An analysis of the REER indicates that certain metrics are at their highest levels since 2008, with the forint approaching a record high. At some point this will become a problem for the economy and a headache for policymakers. The new government prefers lower bond yields over a stronger currency. Simultaneously, NBH's reduction of the FX swap rate signals to foreign investors to shift from FX to bonds.

Yet, positive headlines related to EU funds, the restoration of checks and balances, and more news on budget consolidation and euro adoption mean that we wouldn't rule out EUR/HUF testing and breaking through 350 in the next twelve months, while forwards should move further down with the market anticipating more NBH rate cuts, supported by a stronger currency. Forwards are likely to decline further as the market anticipates more NBH rate cuts, encouraged by a strengthening currency.

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

The recent election result is seen by the market as a structural change for fixed income. We see the government's move towards euro adoption and the unlocking of EU funds as supportive for the long end of the curve. At the same time, stronger FX and low inflation are helping at the short end, resulting in a dovish NBH. Our view remains unchanged and despite the significant rally, we see potential for further country premium compression over core markets and CEE peers.

Similarly, in the hard currency market, investors have started to price in a lot of good news amid the political optimism. While there is talk about euro adoption and ratings upgrades on the agenda, Hungary's USD 10Y is now offering just some 15bp in pickup over A-rated Poland, and 35bp over recent euro adopter Bulgaria in the EUR space. Although further headlines on EU funds and fiscal policy could offer potential catalysts for a slight squeeze tighter, upside now seems fairly limited, in particular compared to the local market.

Hungary

peter.virovacz@ing.com

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	3.7	2.4	4.1	5.6	5.1	-4.3	7.2	4.2	-0.8	0.6	0.4	1.5	2.6
Private consumption (%YoY)	3.7	4.2	4.9	4.1	4.7	-0.8	4.8	7.0	-1.5	4.9	2.7	4.6	2.2
Government consumption (%YoY)	1.3	0.5	3.8	4.3	9.6	4.2	2.1	0.6	3.8	-4.2	2.2	1.4	-0.1
Investment (%YoY)	4.8	-10.4	19.7	16.4	12.7	-7.6	5.9	-0.4	-6.7	-9.9	-2.2	1.9	2.9
Industrial production (%YoY)	7.4	0.9	4.6	3.5	5.6	-6.0	9.5	6.1	-5.5	-4.1	-3.2	4.5	6.9
Unemployment rate (year-end, %)	5.7	4.1	3.5	3.3	2.9	4.2	3.8	3.8	4.3	4.3	4.4	4.7	4.4
Nominal GDP (HUFbn)	34,985	36,312	39,336	43,554	47,940	48,808	55,560	65,950	75,293	81,448	86,893	93,683	101,226
Nominal GDP (€bn)	113	117	127	137	147	139	155	169	197	206	218	257	298
Nominal GDP (US\$bn)	125	129	144	161	165	159	183	178	213	223	247	303	360
GDP per capita (US\$)	12,777	13,220	14,745	16,603	17,013	16,390	19,021	18,402	22,220	23,321	25,877	31,954	38,080
Gross domestic saving (% of GDP)	31.4	30.3	29.7	31.2	30.9	29.1	30.6	28.9	30.1	27.7	26.2	25.2	26.1
Prices													
CPI (average, %YoY)	-0.1	0.4	2.4	2.8	3.4	3.3	5.1	14.5	17.6	3.7	4.4	3.0	4.4
CPI (year-end, %YoY)	0.9	1.8	2.1	2.7	4.0	2.7	7.4	24.5	5.5	4.6	3.3	4.7	3.1
Wage rates (nominal, %YoY)	4.3	6.2	12.9	11.3	11.9	9.0	8.7	17.6	14.0	13.2	9.0	9.9	6.3
Fiscal balance (% of GDP)													
Consolidated government balance	-2.0	-1.8	-2.5	-2.0	-2.0	-7.5	-7.1	-6.2	-7.0	-5.1	-4.7	-6.2	-4.9
Consolidated primary balance	1.4	1.3	0.2	0.3	0.2	-5.2	-4.9	-3.4	-2.3	-0.3	-0.9	-2.2	-1.7
Total public debt	75.7	74.6	72.0	68.8	65.0	78.7	76.2	74.1	73.3	73.5	74.6	75.9	74.8
External balance													
Exports (€bn)	90.5	93.0	100.7	104.9	109.1	105.0	119.2	142.4	149.8	144.5	146.9	155.3	164.0
Imports (€bn)	81.9	83.3	92.6	99.3	104.8	99.4	117.6	151.8	141.6	135.8	138.6	148.6	156.3
Trade balance (€bn)	8.6	9.7	8.1	5.5	4.3	5.6	1.6	-9.5	8.2	8.7	8.3	6.7	7.7
Trade balance (% of GDP)	7.6	8.3	6.3	4.0	2.9	4.0	1.0	-5.6	4.2	4.2	3.8	2.6	2.6
Current account balance (€bn)	2.4	5.1	2.3	0.3	-0.9	-1.6	-7.0	-15.2	-0.1	3.6	3.6	-0.6	2.5
Current account balance (% of GDP)	2.2	4.4	1.8	0.2	-0.6	-1.1	-4.5	-9.0	0.0	1.7	1.6	-0.2	0.9
Net FDI (€bn)	2.1	3.7	4.9	5.4	3.0	4.5	6.6	8.0	5.1	3.8	3.5	3.8	4.6
Net FDI (% of GDP)	1.9	3.2	3.9	3.9	2.0	3.3	4.2	4.7	2.6	1.9	1.6	1.5	1.5
Current account balance plus FDI (% of GDP)	4.1	7.5	5.7	4.2	1.4	2.1	-0.3	-4.3	2.6	3.6	3.2	1.2	2.4
Foreign exchange reserves ex gold (€bn)	30.0	24.0	22.6	25.8	26.5	31.8	30.8	30.8	30.1	32.6	32.2	38.9	41.1
Import cover (months of merchandise imports)	4.4	3.5	2.9	3.1	3.0	3.8	3.1	2.4	2.6	2.9	2.8	3.1	3.2
Debt indicators													
Gross external debt (€bn)	98.9	83.6	86.1	78.5	82.8	70.3	93.3	105.0	138.8	130.1	142.8	163.7	168.5
Gross external debt (% of GDP)	88	72	68	57	56	51	60	62	70	63	65	64	57
Gross external debt (% of exports)	109	90	85	75	76	67	78	74	93	90	97	105	103
Lending to corporates/households (% of GDP)	33.8	32.1	31.3	31.2	32.1	35.8	35.5	33.3	30.1	29.8	30.3	31.1	31.0
Interest & exchange rates													
Central bank key rate (year-end, %)	1.35	0.90	0.90	0.90	0.90	0.60	2.40	13.00	10.75	6.50	6.50	6.25	5.00
Broad money supply (average, %YoY)	4.7	4.6	9.6	13.9	7.5	14.5	17.4	16.3	1.0	6.8	7.5	6.8	6.1
3m interest rate (Bubor, average, %)	1.61	0.99	0.15	0.12	0.19	0.69	1.45	9.96	14.30	7.31	6.50	6.27	5.82
3m interest rate spread over Euribor(ppt)	163	125	48	44	55	112	200	961	1087	374	432	387	342
3yr yield (average, %)	2.1	1.5	0.9	1.3	0.8	1.0	2.0	8.5	9.0	6.3	6.4	5.9	4.8
10yr yield (average, %)	3.4	3.1	3.0	3.0	2.5	2.2	3.1	7.6	7.5	6.5	6.9	5.9	5.6
USD/HUF exchange rate (year-end)	288.3	295.7	258.3	280.4	294.8	298.9	324.5	373.9	346.8	396.1	328.1	291.7	278.7
USD/HUF exchange rate (average)	279.1	281.4	273.6	270.0	290.6	307.5	303.1	371.5	353.1	365.3	352.0	308.7	281.2
EUR/HUF exchange rate (year-end)	313.1	311.0	310.1	321.5	330.5	365.1	369.0	400.3	382.8	410.1	385.4	350.0	340.0
EUR/HUF exchange rate (average)	309.9	311.5	309.2	318.9	325.4	351.2	358.5	391.3	382.0	395.2	397.9	364.3	340.2

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

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	0.2	0.0	0.3	0.8	0.8	1.7	1.2	1.3	1.7	1.4	2.8	2.9	3.5
CPI (eop, %YoY)	4.6	4.7	4.6	4.3	3.3	1.8	2.8	3.6	4.7	5.1	4.7	3.7	3.1
Central bank key rate (eop, %)	6.50	6.50	6.50	6.50	6.50	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.00
3m interest rate (eop, %)	6.50	6.51	6.50	6.50	6.47	6.45	6.25	6.25	6.25	6.25	6.00	5.60	4.85
10yr yield (eop, %)	6.56	7.23	7.01	6.82	6.77	7.13	5.75	5.50	5.60	6.25	5.50	5.25	5.00
USD/HUF exchange rate (eop)	396.1	372.1	338.7	333.3	320.8	324.6	299.1	309.3	291.7	285.0	283.3	276.9	278.7
EUR/HUF exchange rate (eop)	410.1	401.9	399.3	391.1	385.4	385.9	350.0	365.0	350.0	342.0	340.0	335.0	340.0

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



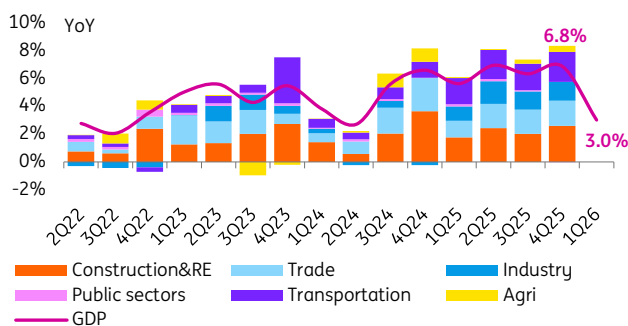
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	6.8	3.0	5.0	5.5	6.5	5.0	4.8
CPI (%YoY)*	12.3	11.0	10.4	9.4	10.4	10.5	9.9
Policy interest rate (%)	18.00	18.00	18.00	17.50	17.00	17.00	15.00
3m interest rate (%)*	15.3	17.8	17.7	17.2	16.7	14.7	14.6
10yr yield (%)*	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USD/KZT*	507	477	470	480	490	485	515
EUR/KZT*	596	551	550	566	588	572	623

Macro trend		Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2029	S&P	BBB-	BBB-
Fiscal	Neutral	Parliamentary: 2026	Moody's	Baa1	Baa1
Monetary	Neutral	Local: 2028	Fitch	BBB	BBB

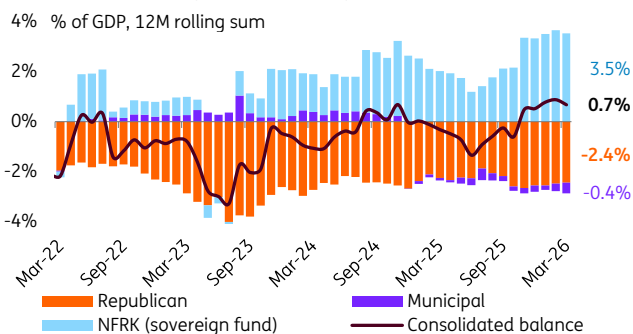
*Quarterly data is eop, annual is avg. Shading denotes ING forecast data
Source: National sources, ING estimates

GDP growth and major contributors (%YoY)



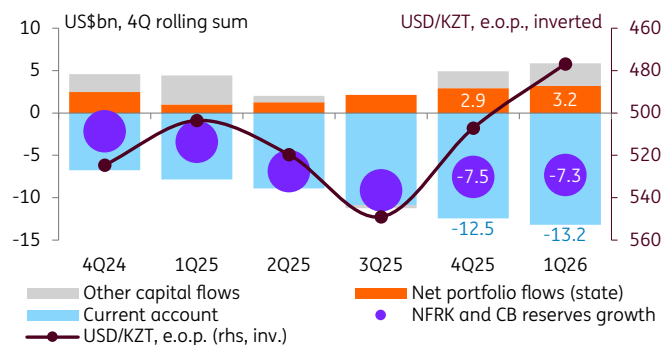
Source: CEIC, ING; *preliminary GDP print

Consolidated budget balance by components (% of GDP)



Source: National sources, CEIC, ING

Balance of payments (US\$bn) and USD/KZT



Source: National sources, CEIC, ING

Country strategy: External support to financials

Kazakhstan's macro-outlook is improving externally but remains constrained domestically. Higher oil prices support exports and fiscal revenues (+US\$10/bbl ≈ +US\$6bn exports and +US\$1.5bn budget revenues), yet inflation risks remain elevated and policy stays tight. A 10% rise in global food prices would add roughly 0.8ppt to CPI, keeping the NBK cautious even as headline inflation slows. The VAT hike from 12% to 16%, restart of regulated tariff increases and potential quasi-fiscal stimulus amid still strong demand remain key swing factors for 2026-27. On the balance-of-payments side, the capital inflow story is improving: Euroclear plans for KZT government bonds and more quasi-sovereign issuance should help attract non-resident portfolio inflows and reduce reliance of the domestic FX market on sovereign FX sales, which should decline if government moves forward with its fiscal consolidation agenda.

Activity: Slowing on oil-driven drag; non-fuel more resilient

Kazakhstan's GDP growth is slowing, with GDP up only 3.0% YoY in 1Q26 after 6.5% in FY25. The slowdown is mainly fuel sector-driven, as 1Q26 oil output was down 20% YoY, while non-fuel sectors remain comparatively resilient. Softer household income and more restrained credit growth are becoming more visible, but activity is still supported by fiscal and quasi-fiscal channels. We therefore see a gradual cooling rather than a sharp downturn in 2026, with infrastructural constraints in the fuel sector, the VAT hike, tariff growth, and tight monetary conditions weighing on consumption and investment. The key uncertainty is how fast inflation (currently at 10.6% YoY vs long-term target of 5%) expectations normalise, as the April NBK commentary still describes the bar for easing as high.

Budget: Consolidation intent, but impulse still supportive

With a relatively stable c.2.4% of GDP deficit of republican (central government) budget the fiscal policy remains mildly growth-supportive, and consolidation is looming on the horizon as, net of non-tax revenues, Kazakhstan's consolidated (general government) budget system required Brent at over US\$160/bbl in 2025 to be balanced. Higher oil prices and VAT hike in 2026 improve headline consolidated revenues and, under the current oil-price assumptions, the consolidated budget system should remain close to balance, but the republican budget should remain in 1.5-2.0% of GDP deficit, determining borrowing and sovereign FX sales. In addition, planned quasi-sovereign stimulus at 4-5% of GDP through lending by the Baiterek holding is another growth-supportive factor to watch.

External balance: Portfolio inflows are KZT-positive

Capital inflows are the key swing factor for KZT. While higher oil prices help the exports, dividend outflows and still-strong imports keep the current account in structural deficit, leaving Kazakhstan sensitive to the capital account. The announced plans to connect KZT government bonds to Euroclear in 2027, alongside planned quasi-sovereign issuance, could attract additional, mainly state-related, portfolio inflows. That said, KZT has already appreciated sharply - by 16% to USD since the end of 3Q25 - and remains exposed to shifts in global risk sentiment as well as the potential reduction in the sovereign FX sales, if the government delivers on the promises of fiscal consolidation. We are near-term constructive on KZT, but cautious for the longer-run.

Kazakhstan

dmitry.dolgin@ing.de

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	1.2	1.1	4.1	4.1	4.5	-2.5	4.3	3.2	5.1	5.0	6.5	5.0	4.8
Private consumption (%YoY)	1.8	1.2	1.5	6.1	6.1	-3.7	6.3	4.0	7.6	9.6	8.1	4.0	4.5
Government consumption (%YoY)	2.4	2.3	2.1	-14.1	15.5	12.8	-2.4	4.3	7.4	1.0	3.4	2.5	2.0
Investment (%YoY)	4.2	3.0	4.5	5.4	13.8	-0.2	2.6	3.8	17.1	6.5	10.4	5.5	3.5
Industrial production (%YoY)	-1.6	-1.1	7.3	4.4	-4.1	-0.5	3.6	1.1	4.3	2.8	7.5	5.5	4.5
Unemployment rate (average, %)	5.0	5.0	4.9	4.9	4.8	4.8	4.0	4.9	4.7	4.7	4.6	4.5	4.5
Nominal GDP (KZTbn)	40,884	46,971	54,379	61,820	69,533	70,649	83,952	103,766	119,442	136,693	159,584	180,204	207,519
Nominal GDP (€bn)	166	124	148	152	162	150	167	214	242	269	272	439	488
Nominal GDP (US\$bn)	184	137	167	179	182	171	197	225	262	291	306	372	403
GDP per capita (US\$)	10,511	7,715	9,248	9,813	9,813	9,122	10,371	11,477	13,153	14,445	15,005	17,958	19,188
Gross domestic saving (% of GDP)	35	34	37	40	39	34	37	40	37	37	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	6.6	14.7	7.4	6.0	5.2	6.8	8.0	14.9	14.8	8.7	11.4	10.5	9.9
CPI (year-end, %YoY)	13.6	8.5	7.1	5.3	5.4	7.5	8.4	20.3	9.8	8.6	12.3	10.4	9.0
Wage rates (nominal, %YoY)	4.1	13.4	5.5	7.9	14.8	14.0	17.5	23.1	24.1	11.3	9.8	13.8	12.7
Fiscal balance (% of GDP)													
Consolidated government balance	9.6	-4.4	-4.1	2.6	-0.4	-3.7	-4.3	-0.8	-0.5	0.0	0.5	-0.2	-0.4
Consolidated primary balance	10.3	-3.3	-3.2	3.6	0.5	-2.6	-3.1	0.6	1.1	1.6	2.2	1.6	1.5
Total public debt	22.1	24.3	24.8	24.9	23.7	29.2	26.2	24.4	22.7	23.3	22.8	22.0	21.7
External balance													
Exports (US\$bn)	41.6	37.0	49.5	59.0	59.5	44.1	65.8	85.6	80.2	78.3	77.3	93.9	88.4
Imports (US\$bn)	33.9	26.6	31.0	35.0	41.1	38.1	41.6	50.6	60.0	60.8	66.3	70.9	73.8
Trade balance (US\$bn)	7.7	10.5	18.5	24.0	18.4	6.0	24.2	35.0	20.2	17.5	11.0	22.9	14.6
Trade balance (% of GDP)	4.2	7.6	11.1	13.4	10.1	3.5	12.3	15.5	7.7	6.0	3.6	6.2	3.6
Current account balance (US\$bn)	-10.0	-7.0	-3.4	-1.8	-7.0	-11.1	-2.7	6.4	-8.3	-6.8	-12.5	-9.2	-13.4
Current account balance (% of GDP)	-5.4	-5.1	-2.1	-1.0	-3.9	-6.5	-1.4	2.9	-3.2	-2.3	-4.1	-2.5	-3.3
Net FDI (US\$bn)	3.3	13.7	3.8	5.0	5.9	5.9	1.9	7.9	2.6	3.9	-1.4	2.0	2.0
Net FDI (% of GDP)	1.8	10.0	2.3	2.8	3.3	3.4	1.0	3.5	1.0	1.4	-0.5	0.5	0.5
Current account balance plus FDI (% of GDP)	-3.6	4.9	0.2	1.8	-0.6	-3.0	-0.4	6.4	-2.2	-1.0	-4.5	-1.9	-2.8
Gross international reserves (US\$bn)	27.9	29.7	31.0	30.9	29.0	35.6	34.4	35.1	35.9	45.8	65.4	64.4	66.4
Import cover (months of merchandise imports)	9.9	13.4	12.0	10.6	8.5	11.2	9.9	8.3	7.2	9.0	11.8	10.9	10.8
Debt indicators													
Gross external debt (US\$bn)	153	164	167	160	160	164	164	161	164	165	182	189	195
Gross external debt (% of GDP)	83	119	100	89	88	96	83	71	63	56	59	51	48
Gross external debt (% of exports)	367	442	339	272	268	372	249	188	204	72	77	54	55
Lending to corporates/households (% of GDP)	31.0	27.1	23.4	21.2	19.9	20.7	22.0	23.9	25.0	26.3	27.1	28.9	29.9
Interest & exchange rates													
Central bank key rate (year-end, %)	16.00	12.00	10.25	9.25	9.25	9.00	9.75	16.75	15.75	15.25	15.25	17.00	15.00
Broad money supply (average, %YoY)	8.0	46.2	7.5	7.1	11.0	19.2	24.1	18.0	16.8	19.9	16.7	13.0	11.0
3m interest rate (TONIA, average, %)	32.6	14.2	8.6	9.3	9.6	11.4	8.1	18.1	15.8	12.7	15.8	14.7	14.6
3m interest rate spread over US\$-Euribor (ppt)	32.29	13.46	7.30	7.01	7.24	11.02	8.03	15.94	10.64	7.62	11.68	11.1	11.4
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)	339	333	332	384	381	421	432	463	455	524	503	490	540
USD/KZT exchange rate (average)	222	342	326	345	383	413	426	460	456	469	521	485	515
EUR/KZT exchange rate (year-end)	371	352	398	439	427	516	488	493	502	546	592	588	659
EUR/KZT exchange rate (average)	246	379	368	407	429	471	504	485	493	507	589	572	623
Brent oil price (annual average, US\$/bbl)	54	45	55	72	64	43	71	99	82	80	68	93	77

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	6.6	5.6	6.9	6.3	6.8	3.0	5.0	5.5	6.5	5.5	5.0	4.5	4.0
CPI (eop, %YoY)	8.6	10.0	11.8	12.9	12.3	11.0	10.4	9.4	10.4	10.5	10.1	9.7	9.0
Central bank key rate (eop, %)	15.25	16.50	16.50	16.50	18.00	18.00	18.00	17.50	17.00	16.50	16.00	15.50	15.00
3m interest rate (eop, %)	14.65	15.71	15.27	16.09	15.32	17.78	17.70	17.20	16.70	16.20	15.70	15.20	14.70
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)	525	504	520	549	507	477	470	480	490	480	490	520	540
EUR/KZT exchange rate (eop)	543	544	612	644	596	551	550	566	588	576	588	629	659

Shading denotes ING forecast data

Source: CEIC, National sources, ING estimates



Rafał Benecki, Chief Economist, Poland

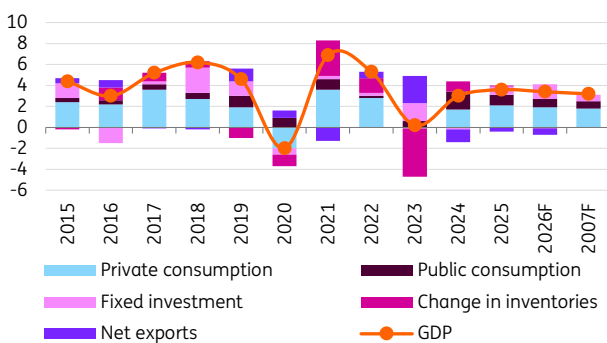
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	4.1	3.4	3.3	3.4	3.3	3.4	3.2
CPI (%YoY)*	2.4	3.0	3.7	4.0	4.4	3.5	2.9
Policy interest rate (eop, %)	4.00	3.75	3.75	3.75	3.75	3.75	3.75
3m interest rate (%)*	3.99	3.85	3.83	3.83	3.83	3.83	3.83
10yr yield (%)*	5.17	5.90	5.50	5.00	4.90	4.90	5.00
USD/PLN*	3.61	3.70	3.62	3.59	3.52	3.52	3.48
EUR/PLN*	4.23	4.27	4.23	4.24	4.22	4.22	4.25

Macro trend	Political cycle	Ratings	FC	LC
Activity -	Presidential: 2029	S&P	A-	A
Fiscal Loose	Parliamentary: 2027	Moody's	A2	A2
Monetary Restrictive	Local: 2028	Fitch	A-	A-

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

GDP composition (%YoY)



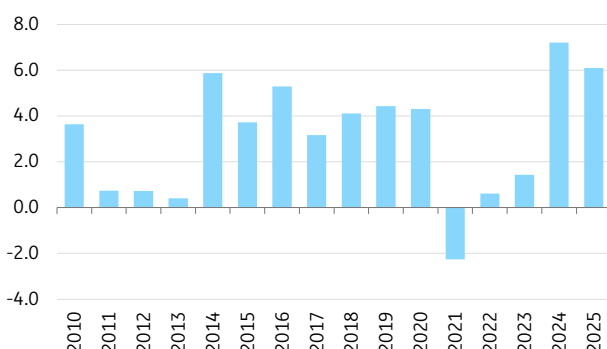
Source: Polish Statistical Office, ING forecast

Crude oil price (Brent, US\$/bbl)



Source: Macrobond

Gross real disposable income of households (%)



Source: Macrobond

Country strategy: On the verge of an investment boom

Poland shows limited sensitivity to the US-Iran war in terms of GDP and energy supply. Growth should continue to outperform CEE in 2026. A strong public investment agenda is largely independent of geopolitical shocks and is already gaining traction, with spillovers to the private sector. The risk is a slowdown in real disposable income, which may weigh on private consumption. At the same time, household budget constraints limit the pass-through of energy shocks. We see CPI breaching the upper bound of the NBP target only temporarily, enabling the NBP to keep rates flat. Poland still runs one of the highest general government deficits in the EU; however, GDP growth continues to surprise on the upside, and part of the new debt is non-market (SAFE, RRF loans). Looking ahead, the 2027 election year makes fiscal consolidation unlikely, but rating agencies are patient. The high local savings can still fund POLGBs supply and Poland is a beneficiary of high non-debt external funding.

Risk of NBP rate hikes rising as energy crisis unfolds

Closure of the Strait of Hormuz pushing crude oil prices above US\$100/bbl is jeopardising global growth prospects and triggered fears of an inflation spike. Although the scale of the energy shock remains moderate so far, it will affect Poland's GDP growth, inflation and monetary policy ahead.

The harsh weather conditions in Poland in the first quarter of 2026 sent GDP growth to 3.4%YoY, ie, below the 4.1%YoY posted in 4Q25. But still the economy is outperforming the CEE region and sluggish Eurozone activity. Markets have so far focused on the inflationary impact of high oil prices, but the shock is also likely to hit GDP growth through slower real disposable income and a deterioration in consumer and business sentiment. We have revised our 2026 economic growth forecast down to 3.4% from the previously projected 3.7%. We still expect solid investment growth supported by significant public outlays, which are independent of geopolitical risks. Private consumption should remain the main driver of growth, though we anticipate a slight moderation in its pace this year. Fortunately, households accumulated sizeable savings in 2024-25.

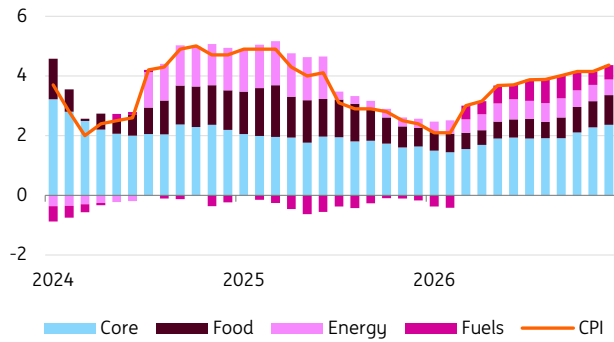
The supply-side shock hit Poland at a time when the economy was broadly balanced, with headline inflation at 2.1% - below the central bank's target - in early 2026. Inflation rose in March and April due to higher petroleum prices, though there were no signs of broader inflationary pressures at that stage. Fiscal and regulatory interventions in the retail fuel market may help contain the inflationary impact of higher crude prices, though at a fiscal cost. The fiscal space is limited given a high deficit (7.23% of GDP in 2025) and rapidly rising public debt. Our baseline scenario assumes inflation of 3.5% in 2026.

The National Bank of Poland (NBP) had been in an easing phase, reducing its main policy rate from 5.75% in April 2025 to 3.75% in March this year; however, considering renewed inflation risks linked to high fuel prices, further rate cuts are off the table for this year and policymakers switched to wait-and-see mode. Since the policy rate remains above its neutral level, there is no immediate need for rate increases, though the policy stance is more hawkish and the odds of rate hikes increased. According to NBP guidance, the trigger for a hike would be CPI rising above 3.5% (upper bound) and staying long, but our forecasts imply limited second round effects and CPI returning to range around the NBP target in 2027.

Poland

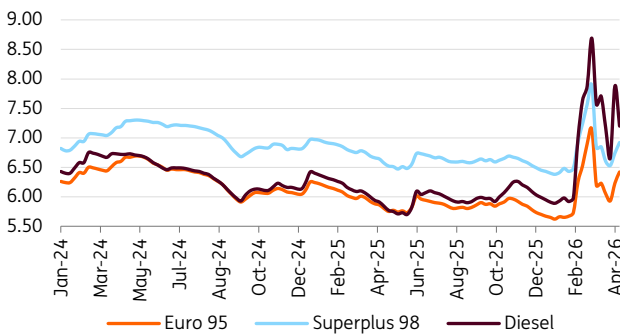
rafal.benecki@ing.pl

CPI inflation (%) and its composition (ppt)



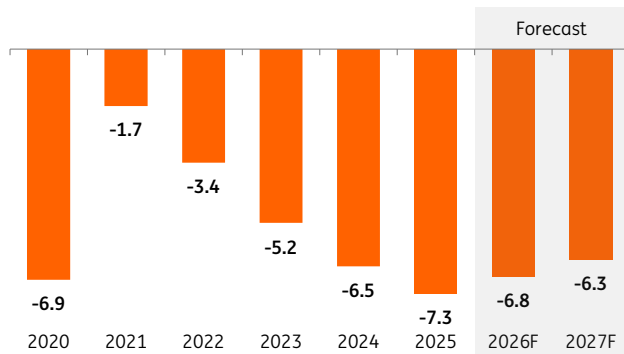
Source: Polish Statistical Office, ING forecast

Petroleum and diesel prices, PLN/l



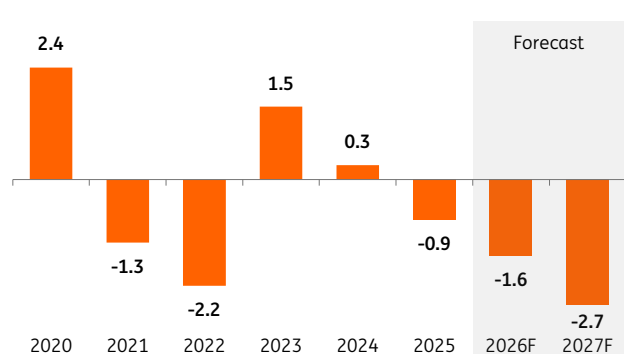
Source: reflex.com.pl

General government balance, % of GDP



Source: Eurostat, ING forecast

Current account balance (% of GDP)



Source: NBP, ING forecast

Surge in fuel prices, but price pressure contained so far

The soaring crude oil prices pushed petroleum prices and hence headline inflation up, but price pressure seems contained elsewhere. Headline inflation rose above 3% YoY and core inflation close to 3% YoY in April as prices of some fuel-sensitive services (air fares, tourism packages) increased as well. The length and severity of the energy crisis will determine the scale of its impact on price developments. We see CPI averaging 3.5% YoY this year, exceeding 4% YoY towards the end of the year. Unless the energy shock spreads and leads to inflationary expectations de-anchoring and second-round effects, price growth should slow substantially in 2Q27 due to high base effects. In 2027, we see average inflation close to 3% YoY. Slowing consumption and incomes are expected to limit second-round pressures.

Authorities took measures to contain retail fuel prices

Like many other European countries, the Polish authorities have introduced measures to cushion the impact of high oil prices on retail petroleum costs. From the beginning of April, VAT on fuels was reduced from 23% to 8%. At the same time, excise duty on petrol was lowered to PLN1,239 per 1,000 litres and on diesel to PLN880 per 1,000 litres, down from PLN 1,529 and PLN 1,160, respectively. The fiscal cost of these tax cuts is estimated at PLN0.9bn in the case of VAT and PLN0.7bn monthly in lost excise duty revenue. In addition, the Ministry of Energy has introduced a cap on fuel prices and issues daily announcements setting the maximum retail price for the following day. Our baseline scenario assumes that these lower taxes will remain in place until the end of July; however, the fiscal package may be extended further if deemed needed.

Energy crisis makes significant fiscal adjustment unlikely

The 2025 general government deficit was 0.3ppt wider than expected, exceeding 7% of GDP as expenditure growth (10.2%) outpaced revenue increase (8.7%) amid surging social transfers and rising fixed investment. Despite limited fiscal space, authorities cut fuel taxes to contain the energy shock, at the expense of lower revenues. While likely to be temporary, these measures should add c.0.1ppt to the 2026 deficit (assuming expiry mid-year), with a full-year cost of 0.4% of GDP. Given the weaker starting point and intervention in the petroleum market, we now forecast a 2026 deficit of 6.8% of GDP, up from 6.5%. 1Q26 tax revenues (cash basis) increased by 6.3% YoY and we do not see risk of budget amendment. Authorities are expected to refrain from any significant consolidation in 2027, but MinFin is unwilling to provide any additional stimulus.

External gap is to widen but from low levels

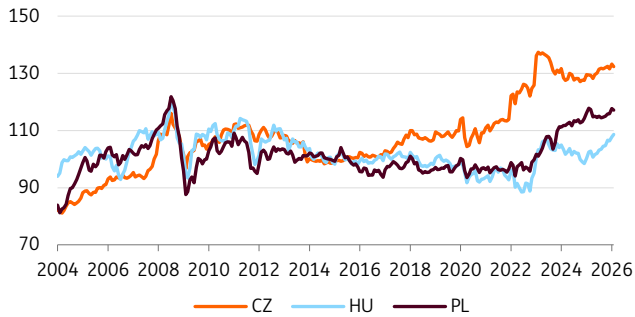
On the back of higher energy commodity prices, Poland's external gap is set to widen to 1.6% of GDP in 2026 and 2.7% of GDP in 2027, but from a low level of -0.9% of GDP in 2025. The trade gap is expected to remain low, while the large income balance gap should be offset by a surplus in services.

Merchandise trade turnover has been relatively volatile recently, and increasingly driven by significant flows from China, with rising imports, partially aimed at re-export to Western Europe. NBP data and direct insights from businesses suggest that Poland has become a European hub for Chinese goods imported to the EU. We have seen an acceleration of exports since the Iran war started, but this may be temporary stockpiling by companies due to concerns about price spikes and supply chains disruptions.

Poland

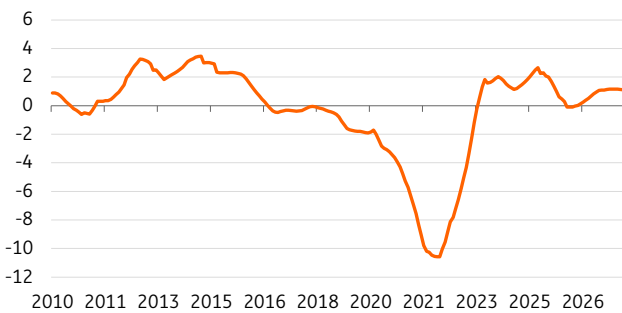
Strategy

CEE real effective exchange rate (%)



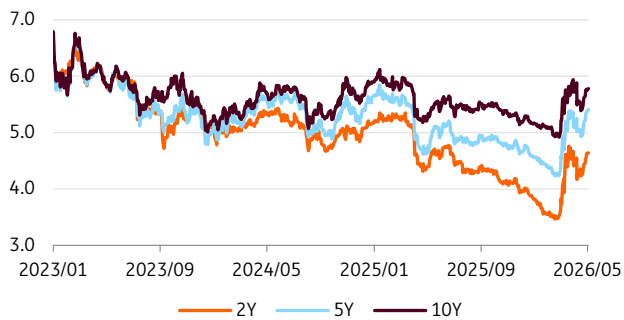
An increase represents depreciation of CEE currency
Source: Macrobond

Real rate ex-ante



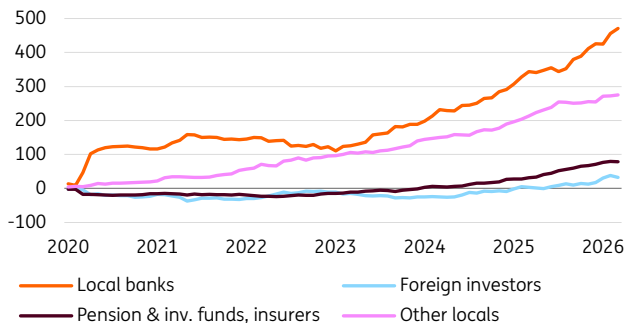
Source: Macrobond, ING estimates

The 2-, 5- and 10-year yields (%)



Source: Macrobond

Structure of POLGBs holders; change since January 2022



Source: MinFin

FX strategy

It has been more than a year since the EUR/PLN exchange rate has traded within a narrow range of 4.23–4.30. Even the recent Middle East conflict – with its potential implications for the global inflation outlook – has not had a significant impact on the zloty. While the Polish currency remains vulnerable to external factors and shifts in risk sentiment related to the US-Iran conflict, the scope for depreciation is limited by supportive domestic factors. As a result – similarly to previous months – the zloty has remained rock-solid.

The rationale behind this currency strength, despite elevated risks, has evolved slightly over the past quarter and is as follows: (1) lower sensitivity of energy supply to Middle East tensions owing to improvements in the domestic energy mix and supply diversification; (2) relative resilience of the GDP outlook to external shocks supported by expectations of solid public investment growth in 2026; (3) inflows of European funds from the RRF and SAFE programmes, expected to peak in 2026; (4) capital inflows into the Polish stock market reflecting the positive economic outlook supported by long-term investment in military and energy sectors; and (5) BGK activity in the FX market.

We maintain a neutral stance on the zloty. Domestic fundamentals remain supportive, with GDP growth expected to outperform regional peers and continued inflows of EU funds this year. The main domestic risk is political discord between the President and the government, which could delay reforms in a challenging fiscal environment. The key risks remain geopolitical.

Fixed income strategy

As the disinflation trend progressed, the Monetary Policy Council entered an easing cycle as of mid-2025. However, the Middle East conflict has reshaped the interest rate outlook. We now expect that the rate-cutting cycle has come to an end and that the reference rate will remain unchanged for the rest of 2026, at 3.75%. The market is pricing-in a more aggressive scenario, with up to 75-100bp of hikes over the next 9-12 months, driven by rising inflation pressures stemming from higher oil prices. As a result, we see scope for a correction in POLGBs yields, however limited in scale at the long-end of the curve as fiscal consolidation before the 2027 election is unlikely. Fortunately, despite growing fiscal risks, rating agencies remain tolerant to Poland's credit profile. Partially, thanks to the access to nondebt-creating external funding (EU grants) or non-market debt (SAFE and RFF loans). Moreover, even as POLGBs supply should rise (as 2Q issuance fell short of expectations), the growing over-liquidity of the banking sector should reinforce banks' appetite for POLGBs. Therefore, asset swap spreads are likely to tighten a bit with 10Y ASW falling below the 100bp level. On top of that, the POLGBs spread versus German govies is set to compress. The main risk to our forecast comes from public finances as the government is unlikely to provide fiscal consolidation over the coming years, but POLGBs price already a downgrade of Poland's ratings.

Poland

rafal.benecki@ing.pl

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	4.4	3.0	5.2	6.2	4.6	-2.0	6.9	5.3	0.2	3.2	3.6	3.4	3.2
Private consumption (%YoY)	4.0	3.7	6.1	4.6	3.3	-3.4	6.2	5.0	-0.3	2.9	3.7	3.3	3.3
Government consumption (%YoY)	2.4	2.0	2.7	3.5	6.5	4.8	5.0	0.6	4.5	8.7	5.3	3.2	3.2
Investment (%YoY)	6.8	-7.4	1.8	13.7	7.5	-3.0	1.5	1.7	12.7	0.4	4.4	8.0	3.7
Industrial production (%YoY)	6.0	3.6	6.2	5.4	5.1	-1.9	14.7	9.1	0.3	0.6	2.1	3.5	3.1
Unemployment rate (year-end, %)	9.7	8.2	6.6	5.8	5.2	6.8	5.8	5.2	5.1	5.0	5.7	6.0	6.3
Nominal GDP (PLNbn)	1,810	1,866	1,997	2,148	2,314	2,363	2,662	3,101	3,415	3,670	3,913	4,196	4,451
Nominal GDP (€bn)	433	428	469	504	538	532	583	658	752	852	923	994	1,047
Nominal GDP (US\$bn)	480	473	529	594	603	606	689	683	813	922	1,041	1,166	1,264
GDP per capita (US\$)	12,637	12,467	13,924	15,659	15,881	16,305	18,635	18,077	21,598	24,562	27,838	31,340	33,136
Gross domestic saving (% of GDP)	22.9	23.0	22.7	23.5	24.4	24.4	25.0	24.7	23.4	22.2	21.0	21.3	21.1
Prices													
CPI (average, %YoY)	-0.9	-0.6	2.0	1.6	2.3	3.4	5.1	14.4	11.4	3.6	3.6	3.5	2.9
CPI (year-end, %YoY)	-0.5	0.8	2.1	1.1	3.4	2.4	8.6	16.6	6.2	4.7	2.4	4.4	2.4
Wage rates (nominal, %YoY)	3.5	4.1	5.6	7.1	6.6	4.8	8.6	12.9	12.7	11.2	8.1	6.0	5.0
Fiscal balance (% of GDP)													
Consolidated government balance	-2.6	-2.4	-1.5	-0.2	-0.7	-6.9	-1.7	-3.4	-5.2	-6.5	-7.3	-6.8	-6.3
Consolidated primary balance	-0.8	-0.7	0.1	1.2	0.6	-5.6	-0.6	-1.8	-3.1	-4.3	-4.7	-4.1	-3.6
Total public debt	51.1	54.1	50.4	48.2	45.2	56.6	53.0	48.8	49.5	55.1	59.7	65.3	71.2
External balance													
Exports (€bn)	164.0	169.2	191.2	205.2	220.3	220.5	263.6	324.3	335.6	333.3	345.8	360.6	372.8
Imports (€bn)	166.2	170.6	196.0	216.4	224.7	213.6	271.3	346.3	330.8	339.5	359.2	385.1	408.0
Trade balance (€bn)	-2.1	-1.3	-4.8	-11.3	-4.4	7.0	-7.7	-22.0	4.7	-6.2	-13.5	-24.5	-35.2
Trade balance (% of GDP)	-0.5	-0.3	-1.0	-2.2	-0.8	1.3	-1.3	-3.3	0.6	-0.7	-1.5	-2.5	-3.4
Current account balance (€bn)	-5.7	-4.5	-5.5	-9.9	-1.4	12.6	-7.8	-14.9	11.6	2.6	-7.9	-16.0	-27.9
Current account balance (% of GDP)	-1.3	-1.1	-1.2	-2.0	-0.3	2.4	-1.3	-2.2	1.5	0.3	-0.9	-1.6	-2.7
Net FDI (€bn)	9.7	3.5	7.5	14.7	12.1	13.3	23.1	27.2	21.6	9.7	10.9	15.7	19.2
Net FDI (% of GDP)	2.2	0.8	1.6	2.9	2.2	2.5	4.0	4.1	2.9	1.1	1.2	1.6	1.8
Current account balance plus FDI (% of GDP)	0.9	-0.2	0.4	1.0	2.0	4.9	2.6	1.9	4.4	1.4	0.3	0.0	-0.8
Foreign exchange reserves (€bn)	86.9	108.1	94.6	102.3	113.5	125.6	146.6	156.5	175.4	214.2	231.0	291.7	322.7
Import cover (months of merchandise imports)	6.3	7.6	5.8	5.7	6.1	7.1	6.5	5.4	6.4	7.6	7.7	9.1	9.5
Debt indicators													
Gross external debt (€bn)	304.2	321.8	320.3	317.9	317.3	307.9	324.0	352.1	391.0	442.9	463.7	498.4	536.6
Gross external debt (% of GDP)	70.3	75.2	68.3	63.1	59.0	57.9	55.6	53.2	52.0	52.0	50.3	50.3	51.2
Gross external debt (% of exports)	185.5	190.1	167.5	154.9	144.0	139.6	122.9	108.6	116.5	132.9	134.1	138.2	143.9
Lending to corporates & households (% of GDP)	57.2	58.1	56.2	56.3	54.4	53.4	49.9	43.4	39.4	38.2	37.9	38.7	39.2
Interest & exchange rates													
Central bank key rate (year-end, %)	1.50	1.50	1.50	1.50	1.50	0.10	1.75	6.75	5.75	5.75	4.00	3.75	3.75
Broad money supply (average, %YoY)	8.4	10.2	6.1	7.0	9.5	14.9	10.6	7.1	7.5	7.8	10.4	9.5	8.7
3m interest rate (WIBOR, average, %)	1.75	1.70	1.73	1.71	1.72	0.66	0.55	6.04	6.53	5.86	5.09	3.83	3.83
3m interest rate spread over EURIBOR (ppt)	1.77	1.96	2.06	2.03	2.07	1.09	1.10	5.69	3.09	2.28	2.91	1.43	1.43
2yr yield (average, %)	1.73	1.66	1.89	1.59	1.57	0.53	0.83	6.33	5.67	5.07	4.56	4.14	4.14
10yr yield (average, %)	2.71	3.05	3.44	3.22	2.38	1.52	1.95	6.11	5.83	5.55	5.52	5.24	4.98
USD/PLN exchange rate (year-end)	3.94	4.20	3.55	3.77	3.84	3.68	4.08	4.42	3.97	4.08	3.61	3.52	3.48
USD/PLN exchange rate (average)	3.77	3.95	3.78	3.61	3.84	3.90	3.86	4.46	4.20	3.98	3.76	3.60	3.52
EUR/PLN exchange rate (year-end)	4.29	4.44	4.20	4.29	4.27	4.48	4.62	4.68	4.33	4.27	4.23	4.22	4.25
EUR/PLN exchange rate (average)	4.18	4.36	4.26	4.26	4.30	4.44	4.56	4.68	4.54	4.31	4.24	4.24	4.25

Shading denotes ING estimates

Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	3.7	3.2	3.3	3.8	4.1	3.4	3.3	3.4	3.3	3.6	3.4	2.9	2.9
CPI (eop, %YoY)	4.7	4.9	4.1	2.9	2.4	3.0	3.7	4.0	4.4	3.0	3.1	2.5	2.4
Central bank key rate (eop, %)	5.75	5.75	5.25	4.75	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
3m interest rate (eop, %)	5.84	5.84	5.23	4.72	3.99	3.85	3.83	3.83	3.83	3.83	3.83	3.83	3.83
10yr yield (eop, %)	5.90	5.72	5.45	5.46	5.17	5.90	5.50	5.00	4.90	4.95	4.95	5.00	5.00
USD/PLN exchange rate (eop)	4.08	3.88	3.70	3.63	3.61	3.70	3.62	3.59	3.52	3.54	3.54	3.51	3.48
EUR/PLN exchange rate (eop)	4.27	4.18	4.27	4.26	4.23	4.27	4.23	4.24	4.22	4.25	4.25	4.25	4.25

Shading denotes ING estimates

Source: National sources, ING estimates



Valentin Tataru, Chief Economist, Romania | Stefan Posea, Economist, Romania

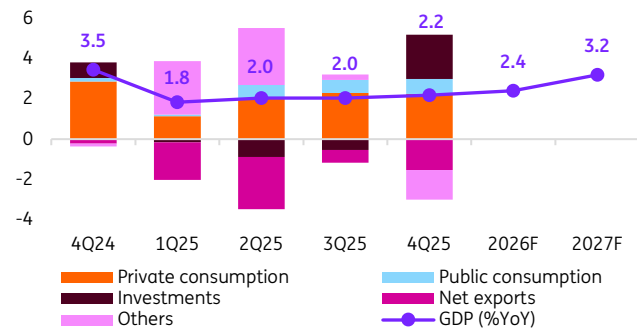
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	2.2	3.0	2.3	2.4	1.9	2.4	3.2
CPI (%YoY)*	2.8	2.6	3.1	2.8	3.5	3.0	3.9
Policy interest rate (eop, %)	5.75	5.75	5.75	5.75	5.50	5.50	5.00
3m interest rate (%)*	4.70	4.70	4.70	4.68	4.50	4.50	4.75
10yr yield (%)*	5.26	5.43	5.45	5.50	5.50	5.43	5.48
USD/RSD*	99.9	101.7	100.4	99.5	97.8	99.5	96.9
EUR/RSD*	117.3	117.5	117.5	117.4	117.3	117.4	117.3

Macro trend	Political cycle	Ratings	FC	LC
Activity	+	Presidential: 2027	S&P	BBB-
Fiscal	Stimulative	Parliamentary: 2027	Moody's	Ba2
Monetary	Restrictive	Local: 2028	Fitch	BB+

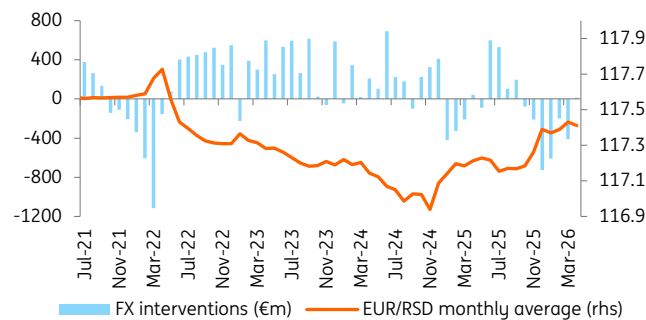
*Quarterly data is eop, annual is average
Source: National sources, ING estimates

Real GDP (%YoY) and contributions (ppt)



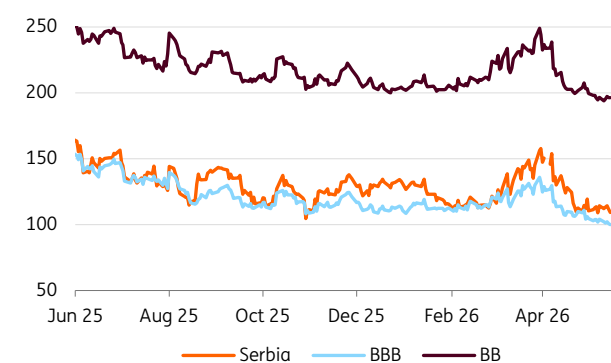
Source: Eurostat, ING

FX stability remains the main policy tool



Source: NBS, ING

SERBIA USD credit spreads vs rating peers (bp)



Source: Refinitiv, ING

Country strategy: Navigate uncertainties

Serbia's economy has continued to remain relatively resilient despite a more challenging external and domestic environment, supported by a still-robust domestic demand, a stable labour market and continued investment linked to the EXPO 2027 targets. The policy mix has leaned towards capital spending and income measures, as well as a firm grip on the currency from the central bank. External imbalances are growing on the back of stronger import demand, while the energy sector remains a key risk amid ongoing uncertainty around the NIS refinery and potential sanctions. In parallel, political tensions have persisted and continue to remain in the headlines. Geopolitics-wise, continuing to find the right balance between the West and the East remains a growing challenge in the Serbian foreign policy.

Growth slowdown, recovery ahead

Economic growth moderated in 2025, mostly due to a slower pace of domestic demand. Both private and public consumption expanded at slower but still healthy rates, while the quasi-stagnation in investment growth means still-solid levels following the strong performances of the previous two years. Overall, the progress towards the EXPO 2027 event looks to have remained largely on track, while still-high, double-digit wage growth is likely to have acted as a cushion through most of the recent uncertainties and prevented stronger reactions in household demand. All in all, despite some short-term setbacks, productive capacity is expected to keep expanding over the medium to long term. We expect growth to somewhat firm up in 2026 and 2027 to 2.4% and 3.2%.

FX stability to persist; inflation-tempering measures

Inflation printed at 3.0% in April, inside the central bank's 3.0% ± 1.5% target range. We expect some near-term firming of price pressures on the back of the recent pressures in global energy markets (weighed down by the government's intervention on excise duties), and due to stronger base effects later on in the year. We expect year-end inflation at 3.4%, with a 2026 average of 3.0%. With the key rate at 5.75% since September 2024, our current base case is now for 75bp of rate cuts, starting in the fourth quarter of this year. FX-wise, we expect the dinar to continue to remain stable ahead. As of April, the NBS has sold €1.2bn since the beginning of the year to maintain the pair stable.

Sovereign credit: Spreads remain squeezed

Recent years have seen a slowdown in the improvement of fundamentals for Serbia, with wider twin deficits, and the energy shock from the Middle East has added to these vulnerabilities. At the same time, political noise continues in terms of domestic tensions and geopolitical uncertainties. In this context, the nation's Eurobonds have held up pretty well, continuing to trade near BBB levels even as upgrade momentum has stalled. We see fairly limited value at current levels, although the recent triple-tranche new issue was a clear positive in fulfilling the majority of external funding needs for the year. On the back of this, EUR valuations look more attractive than the USD curve.

James Wilson, EM Sovereign Strategist

Serbia

valentin.tataru@ing.com | tiberiu-stefan.posea@ing.com

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	1.3	3.0	2.4	4.6	4.8	-1.0	7.9	2.6	3.8	3.9	2.0	2.4	3.2
Private consumption (%YoY)	-0.3	1.9	2.1	2.8	3.7	-1.9	7.7	3.6	0.5	5.2	3.1	3.7	5.0
Government consumption (%YoY)	-4.2	-1.8	2.3	3.8	3.8	3.4	4.2	1.5	-2.4	4.0	3.1	1.7	1.5
Investment (%YoY)	5.3	5.5	7.3	17.6	16.1	-0.6	15.1	2.4	9.7	7.7	0.8	4.4	1.4
Industrial production (%YoY)	7.6	4.5	4.5	1.1	0.3	-0.7	6.6	1.9	2.6	3.1	0.9	2.0	3.0
Unemployment rate (average, %)	18.9	16.4	14.5	13.7	11.2	9.7	11.1	9.5	9.4	8.6	8.7	8.5	8.4
Nominal GDP (RSDbn)	4,342	4,494	4,699	4,954	5,288	5,669	5,764	6,576	7,459	8,818	9,748	10,393	10,954
Nominal GDP (€bn)	36.9	38.1	41.8	44.7	48.2	49.0	55.9	63.6	75.3	83.3	88.8	93.8	99.7
Nominal GDP (US\$bn)	52.9	52.7	45.3	47.3	53.8	56.6	65.1	66.8	81.5	90.1	100.3	110.6	121.1
GDP per capita (US\$)	7,500	7,500	6,500	6,800	7,800	8,200	9,600	10,000	12,200	13,600	15,400	17,000	16,200
Gross domestic saving (% of GDP)	11.6	13.3	13.0	14.3	15.2	15.9	17.2	16.0	20.3	20.5	19.1	17.9	16.5
Prices													
CPI (average, %YoY)	1.4	1.1	3.1	2.0	1.9	1.6	4.1	11.9	12.5	4.7	3.9	3.0	3.9
CPI (year-end, %YoY)	1.6	1.5	3.0	2.0	1.9	1.3	7.9	15.1	7.6	4.3	2.8	3.4	4.4
Wage rates (nominal, %YoY)	-0.2	3.7	4.0	3.7	10.6	9.4	9.6	13.8	14.8	14.1	11.5	10.1	8.8
Fiscal balance (% of GDP)													
Consolidated government balance	-3.3	-1.1	1.1	0.6	-0.2	-7.7	-3.9	-3.0	-2.1	-2.0	-3.0	-3.0	-2.9
Consolidated primary balance	-0.5	1.6	3.5	2.6	1.7	-5.8	-2.3	-1.6	-0.5	-0.2	-1.2	-1.1	-1.1
Total public debt	67.2	65.2	55.5	51.4	49.7	54.4	54.5	52.9	48.4	46.9	47.2	46.8	46.0
External balance													
Exports (€bn)	12.0	13.5	15.1	16.4	17.7	17.1	21.9	27.6	28.6	30.1	33.0	36.2	39.7
Imports (€bn)	16.1	17.1	19.5	22.1	24.1	23.1	28.9	39.0	36.9	39.0	41.8	44.8	48.0
Trade balance (€bn)	-4.0	-3.6	-4.4	-5.7	-6.4	-5.9	-7.1	-11.4	-8.2	-8.9	-8.8	-8.6	-8.4
Trade balance (% of GDP)	-11.0	-9.5	-10.6	-12.7	-13.3	-12.1	-12.7	-17.9	-10.9	-10.7	-9.9	-9.2	-8.4
Current account balance (€bn)	-1.2	-1.1	-2.1	-2.1	-3.2	-1.9	-2.3	-4.2	-1.8	-3.7	-4.3	-4.8	-4.1
Current account balance (% of GDP)	-3.3	-2.8	-4.9	-4.6	-6.6	-3.9	-4.1	-6.5	-2.4	-4.4	-4.8	-5.1	-4.1
Net FDI (€bn)	1.8	1.9	2.4	3.2	3.6	2.9	3.7	4.3	4.2	4.6	2.2	2.3	2.3
Net FDI (% of GDP)	4.9	5.0	5.8	7.1	7.4	6.0	6.5	6.8	5.6	5.5	2.5	2.4	2.3
Current account balance plus FDI (% of GDP)	1.5	2.2	0.9	2.4	0.8	2.1	2.5	0.3	3.2	1.1	-2.4	-2.7	-1.8
Foreign exchange reserves ex gold (€bn)	10.4	10.2	10.0	11.3	13.4	13.5	16.5	19.9	25.4	27.9	25.7	26.0	28.0
Import cover (months of merchandise imports)	7.7	7.2	6.1	6.1	6.7	7.0	6.8	6.1	8.3	8.6	7.4	8.0	7.7
Debt indicators													
Gross external debt (€bn)	26.2	26.5	25.5	26.7	28.3	30.8	36.3	41.6	44.2	48.8	51.1	52.4	53.7
Gross external debt (% of GDP)	71.0	69.6	61.0	59.6	58.6	62.8	64.8	65.5	58.7	58.6	57.6	55.9	53.9
Gross external debt (% of exports)	218	197	169	163	160	180	166	151	154	162	155	145	135
Lending to corporates/households (% of GDP)	40.6	40.9	40.3	41.4	42.0	45.5	43.4	40.3	35.8	31.3	31.9	32.7	33.7
Interest & exchange rates													
Central bank key rate (year-end, %)	4.50	4.00	3.50	3.00	2.25	1.00	1.00	5.00	6.50	5.75	5.75	5.50	5.00
Broad money supply (average, %YoY)	6.6	11.6	3.6	14.5	8.4	18.1	13.3	6.9	12.7	13.5	6.6	7.0	9.2
3m interest rate (Belibor, year-end, %)	3.83	3.47	3.12	3.03	1.64	0.90	0.94	4.95	5.70	4.70	4.70	4.50	4.05
3m interest rate spread over Euribor (ppt)	3.8	3.7	3.4	3.4	2.0	1.3	1.5	4.6	2.3	1.1	2.3	2.2	0.7
3yr yield (year-end, %)	n/a	n/a	n/a	n/a	3.2	2.1	2.4	6.0	5.8	4.2	4.9	4.70	4.30
10yr yield (year-end, %)	n/a	n/a	n/a	4.8	4.0	3.1	3.6	7.0	6.3	5.1	5.2	5.20	5.10
USD/RSD exchange rate (year-end)	83.1	99.5	111.2	117.1	104.9	96.3	103.4	109.6	106.1	113.0	99.7	97.4	96.6
USD/RSD exchange rate (average)	84.9	89.1	109.4	111.8	105.4	101.8	101.1	111.7	108.2	108.2	103.6	99.2	97.0
EUR/RSD exchange rate (year-end)	121.6	123.5	118.5	118.2	117.6	117.6	117.6	117.3	117.2	117.1	117.1	116.90	117.90
EUR/RSD exchange rate (average)	120.8	123.2	121.3	118.3	117.8	117.6	117.6	117.5	117.3	117.1	117.1	117.00	117.40

Shading denotes ING forecast data

Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	3.5	1.8	2.0	2.0	2.2	3.0	2.3	2.4	1.9	2.5	3.2	3.3	3.6
CPI (eop, %YoY)	4.3	4.4	4.7	2.9	2.8	2.8	2.8	3.8	3.4	3.7	3.7	4.1	4.4
Central bank key rate (eop, %)	6.50	6.50	6.25	5.75	5.75	5.75	5.75	5.75	5.50	5.00	5.00	5.00	5.00
3m interest rate (eop, %)	4.70	4.70	4.68	4.68	4.70	4.70	4.70	4.68	4.50	4.05	4.00	4.00	4.00
10yr yield (eop, %)	5.07	5.18	5.25	5.16	5.26	5.43	5.45	5.50	5.50	5.50	5.50	5.45	5.45
USD/RSD exchange rate (eop)	113.1	108.5	99.3	99.8	99.9	101.7	100.4	99.5	97.8	97.7	97.7	96.9	96.1
EUR/RSD exchange rate (eop)	117.1	117.2	117.2	117.2	117.3	117.5	117.5	117.4	117.3	117.2	117.2	117.2	117.2

Shading denotes ING forecast data

Source: National sources, ING estimates



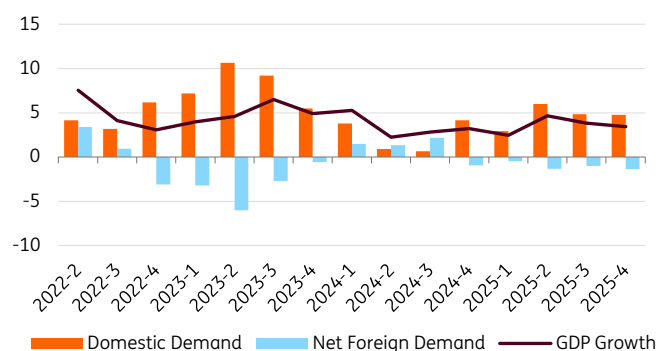
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (% YoY)	3.4	3.6	3.0	2.6	2.8	3.0	4.0
CPI (% YoY)*	30.9	30.9	32.2	29.5	28.5	30.6	21.7
Policy interest rate (eop, %)	38.00	37.00	37.00	36.00	34.00	34.00	24.00
3m interest rate (%)*	40.10	47.18	40.88	36.51	33.38	33.38	23.46
10yr yield (%)*	28.89	33.51	32.97	29.96	28.69	31.13	24.47
USD/TRY*	42.94	44.42	46.81	49.63	53.00	47.60	57.92
EUR/TRY*	50.45	51.35	54.30	58.57	63.60	55.74	70.52

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-

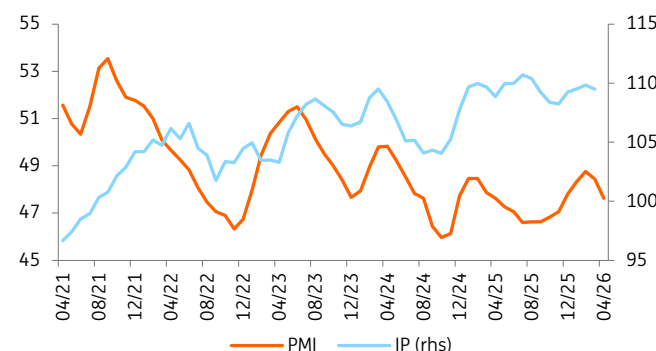
*Quarterly data is eop, annual is average
Source: National sources, ING estimates

GDP growth (% YoY)



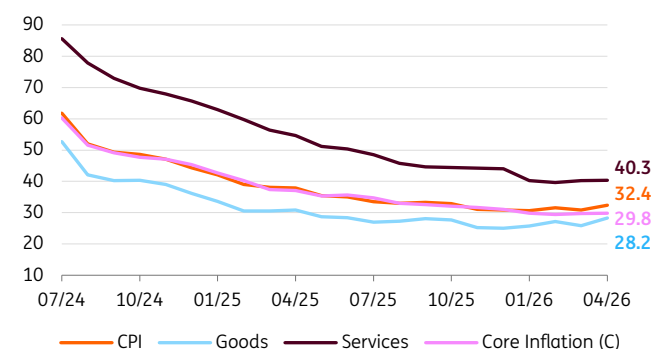
Source: TurkStat, ING Bank

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



Source: ICI, TurkStat, ING Bank

Inflation (% YoY)



Source: TurkStat, ING Bank

Country strategy: On the economic frontline

While Turkey is sensitive to energy price movements, the economic implications of recent geopolitical developments will be determined by the extent and duration of the shock. Despite rising challenges in the current environment, policymakers are signalling no significant changes in policy priorities, including price stability, fiscal discipline and a sustainable current account balance. Since mid-2023, Turkish authorities have relied on a managed currency as an anchor in disinflation efforts. Given the current level of FX reserves, we believe the CBT is well positioned to absorb potential capital outflows and limit volatility in the lira. Turkey may experience a more pronounced response to the current shock – both in terms of macroeconomic impact and the policy challenges it faces – but it has more room to weather adverse effects than it had a few years ago.

Macro digest

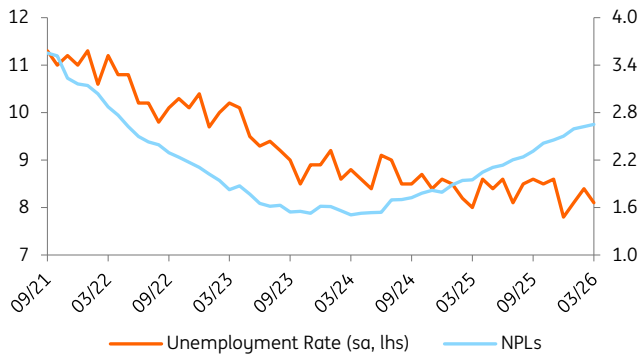
Before the war in the Middle East, industrial activity momentum was essentially flat as the Jan-Feb average was close to the level realised in the last quarter of 2025. Production growth rates in services and corporate production in the same period, on the other hand, were slightly positive at 1.1% and 0.4%, respectively. Recent high-frequency data provides strong evidence that the Middle East conflict is exerting a negative effect on economic activity. The manufacturing sector (seasonally adjusted basis) PMI that changed direction and dropped in March maintained weakness with another drop in contractionary territory to 45.7, the lowest since Sep 2024. Findings in the sectoral PMIs, on the other hand, reinforced the views as all sectors except apparel were positioned below the 50 level. Companies see the inflation rate increasing and delays occurring in supply chains across nearly all sectors. These disruptions are limiting growth performance by affecting demand and production processes. In this environment, the economic confidence index also declined from 100.7 in February to 96.4 in April, the lowest since mid-2025, while industrial production fell by 0.8% MoM in March. Overall, GDP growth is likely to be under pressure from March onwards on the back of financial conditions and the negative contribution from net exports. Accordingly, we expect 3.0% growth this year, while risks remain on the downside. Longer and deeper geopolitical conflict will lead to further pressure on the outlook.

The April spike in inflation led to an increase in the annual figure to 32.4%, driven mainly by: (1) food – on the back of both unprocessed and processed food; (2) housing – attributable to administrative price hikes in electricity and natural gas; and (3) transportation – with adjustments in energy prices and transportation services. Core inflation (CPI-C) also rose markedly last month, leading to a slight increase in the annual rate to 29.8% while the managed currency by the central bank with modest nominal TRY depreciation in recent months limited the increase. The seasonally adjusted data indicates that the underlying inflation trend recorded across-the-board increases, implying challenges to the disinflation in the current environment. By absorbing roughly 75% of the oil price shock at a manageable fiscal cost via the sliding-scale tariff, the government is helping to contain first round inflationary effects. However, close to US\$110/bbl Brent crude oil prices caused fuel taxes to fall zero, leaving retail prices exposed to further rises. Upward pressure from higher oil, natural gas, transport and fertilizer prices – even after accounting for policy buffers – that can weigh on not only the energy component in the CPI but also food and clothing prices, is likely to lead inflation towards the high twenties this year with the balance of risks tilted to the upside.

Turkey

muhammet.mercan@ing.com.tr

Unemployment vs NPLs (%)

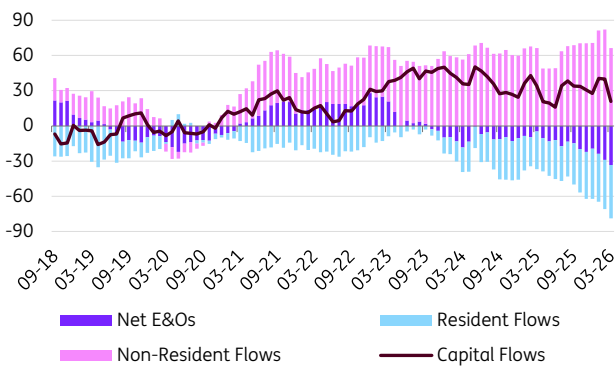


Source: TurkStat, BRSA, ING Bank

Unemployment rate remains range-bound

After a temporary drop to below 8% in Dec 2025, the headline unemployment rate (seas. adj) has returned to the 8-9% range, in which it has floated since mid-2024, at 8.1% as of Mar 2026. Given that job creation has remained broadly flat, the low unemployment rate during this period is attributable to a gradual decline in labour force participation from close to 54% to 52.8% in Mar 2026. Broadly defined unemployment indicators also look under pressure as the underutilisation rate - combining time-related underemployment, potential labour force, and the unemployed - reached the highest in the current series, at 31.5%. The NPL pressure that was eased by the regulator's restructuring decisions, has been on the rise again lately. This is mainly driven by the commercial segment, particularly SME lending, while an increase in retail loans has been rather slow, which is also supported by the collections.

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

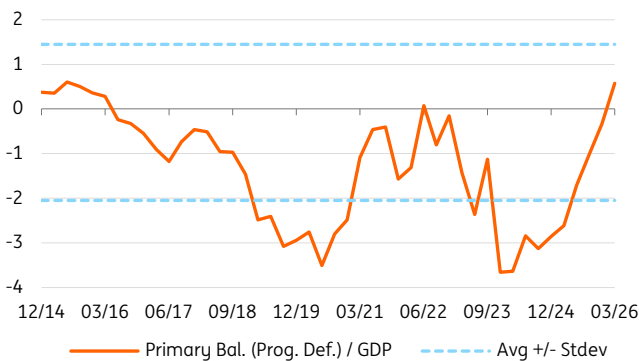


Source: CBT, ING Bank

External risks on the rise with the war

Last year, the current account (c/a) deficit stood at US\$30.1bn, showing more than US\$17bn of widening versus 2024, driven mainly by foreign trade and primary income despite a narrower gap in the energy balance. This year has started with a continuation of the increase in the deficit, reaching US\$39.7bn (approximately 2.6% of GDP) on a 12M rolling basis, while the trajectory is expected to be influenced by a mix of external risks. In this regard, the geopolitical shock will increase the upside pressures given the elevated trajectory of oil and gas prices in addition to a potential decline in tourism revenues and a rise in gold imports. A US\$10/bbl increase in Brent crude oil is likely to result in a US\$3-4bn rise in the c/a, implying a strong sensitivity to energy prices. We expect around US\$57bn (3.3% of GDP) for 2026, while risks are on the upside.

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

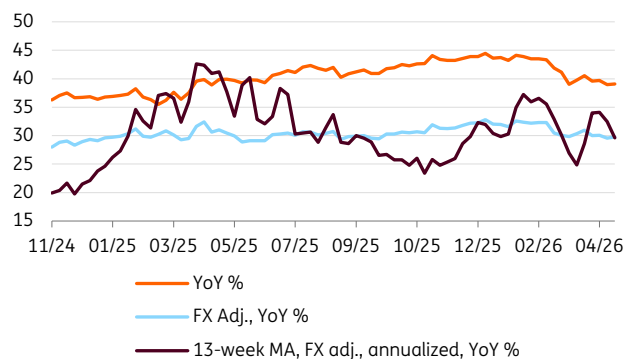


Source: Ministry of Treasury and Finance, ING Bank

Fiscal policy to cushion inflationary impact of oil prices

Results from the first quarter point to a more favourable trend than year-end projections and provides significant room to mitigate part of the inflation risk with the 12M rolling budget deficit at 2.2% of GDP. While sliding scale tariffs in fuel prices (envisaging to offset 75% of the pass-through from international oil prices and implying support until US\$110/bbl at current exchange rate) increases the budget deficit to 0.6% of GDP, while a likely moderation in domestic demand with tightening financial conditions may lead to further upside risks to the budget deficit. The government trying to find a balance between disinflation and fiscal performance, on the other hand, raised electricity and natural gas prices. An increase in the threshold to 100% and maintaining the support for longer could increase the fiscal cost and pressure the budget performance.

Banking sector volume expansion



Source: BRSA, ING Bank

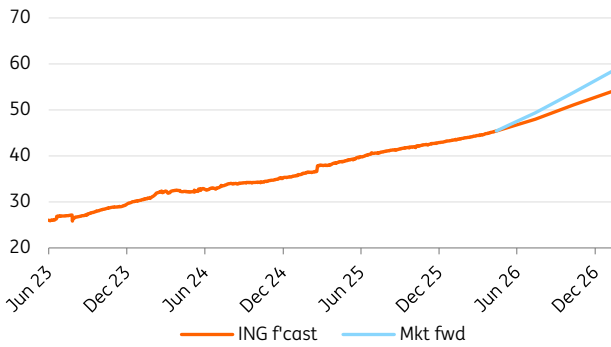
Continuing reliance on macroprudential instruments

Macro prudential policies in the form of regulations targeting the TRY share in bank deposits and reserve requirements have been essential for the CBT to stem an acceleration in dollarisation by residents. The CBT also relies on loan growth caps to contain volume expansion in times of pressure on the current account deficit and inflation. Accordingly, we could see occasional adjustments to the former, eg, revisions in growth targets for TRY deposit shares, or in the relative cost of FX deposits for banks, etc, by the revision of reserve requirements. In fact, it took a step that could somewhat limit TRY loan growth by removing certain exemptions from the restrictions that apply to TRY credit expansion. Recent data reveals that consumer lending momentum still outpaces commercial lending, likely driven by inflation expectations inducing demand.

Turkey

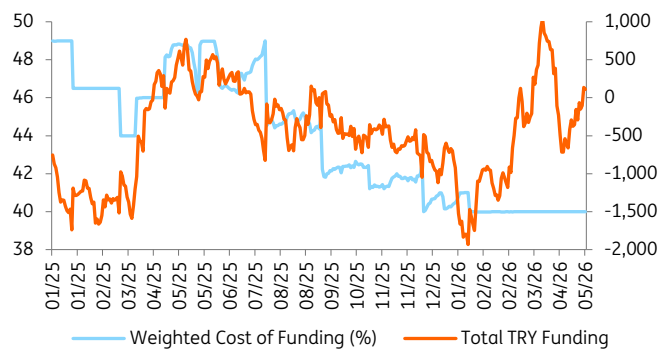
Strategy

FX – spot vs forward and ING F



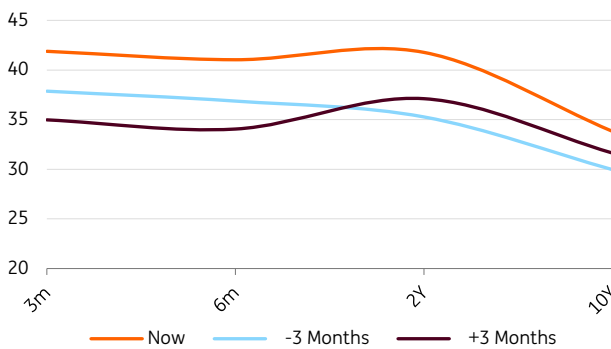
Source: Bloomberg, ING estimates

CBT funding



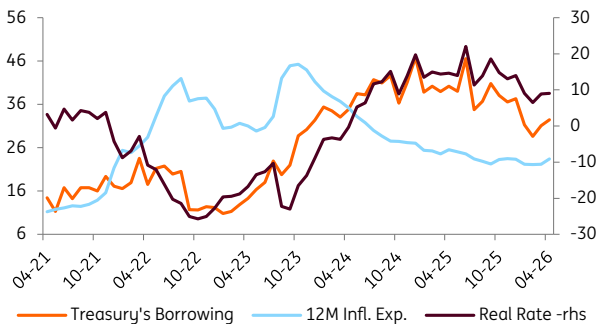
Source: CBT, ING Bank

Yield curve (%)



Source: Bloomberg, ING estimates

Real interest rate (%)



Source: Treasury, CBT, ING Bank

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

As geopolitical uncertainty continues, Turkish policymakers have moved quickly and in a coordinated manner to stabilise markets by: (1) providing FX to the system; (2) reducing the TRY supply that could go to FX; (3) supporting demand for TRY by proactively raising the interbank overnight rate to 40% from 37%. With the start of the war, we saw outflows in bond and equity markets, plus unwinding of in carry trade positions, though the ceasefire has contributed to a return of some appetite for TRY assets. On the flip side, Turkish residents have remained subdued without any meaningful change in FX deposits (after adjusting for gold and EUR/USD price changes). And there has been no big pick-up in demand for FX mutual funds either. Reserve dynamics that were under pressure in March with foreign outflows, have stabilised since early April with the potential de-escalation of the conflict and the current ceasefire. An outright hike remains a possibility should reserve pressures intensify or retail FX demand accelerate as reserve levels will play a decisive role in rate dynamics under the CBT's gradual depreciation framework. The CBT appears to have recalibrated the pace of lira depreciation, an appropriate adjustment given the real effective exchange rate getting stronger again since the beginning of this year.

On the other hand, FX carry remains decent despite some contraction in recent weeks leaving around 150 pips on the table in March and April. Although the attractiveness of TRY is visibly decreasing and the exposure of the Turkish economy to the US-Iran conflict is leaving the market nervous, long positioning has started to recover in recent weeks. We believe that TRY still has a lot to offer and will remain a popular carry trade in the EM space for at least another few months.

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

The market has seen significant repricing on the CBT path after the start of the US-Iran conflict and at the same time the domestic inflation story is pushing to the hawkish side. 1y TRY OIS has seen only short-term relief and is not far from March highs while other markets have seen some rally in the front-end of the curve. The market is currently pricing in around 300bps of easing for this year, not far from our forecast. Fiscal is not showing any problems but at the same time MinFin is somehow lagging in TUKGBs issuance this year with around 27% covered, below peers. Given the unclear CBT path and the lack of market appetite to go for duration until the US-Iran conflict is resolved, we remain on the sideline in Turkey for now and prefer to stick to the FX story here.

In the sovereign credit space, the war in the Middle East added to our conviction that the trajectory of improving fundamentals for Turkey should slow this year. Fitch held a short-lived Positive outlook on the nation's BB- rating from January to April, while we now see the BB-rating across the board as fair and likely to remain steady. At the same time, valuations have become more attractive in the context of many BB peers squeezing back to near all-time tights. While Turkey remains one of the more sensitive major EM sovereigns to higher oil prices, the policy response has been well managed and risks seem contained. Progress on Eurobond issuance plans from the sovereign is another positive.

Turkey

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (% YoY)	5.8	3.3	7.8	3.5	1.3	1.8	11.8	5.4	5.0	3.3	3.6	3.0	4.0
Private consumption (% YoY)	6.0	3.8	6.0	0.8	1.4	3.6	15.6	16.2	10.5	4.3	4.0	4.5	3.2
Government consumption (% YoY)	-2.6	10.2	4.8	8.1	4.6	2.8	4.2	4.5	2.3	-0.8	0.8	1.1	2.0
Investment (% YoY)	8.7	3.1	7.5	0.8	-12.1	6.9	7.2	4.4	7.3	2.7	7.0	5.2	3.1
Industrial production (% YoY)	5.8	3.4	9.0	1.3	-0.5	1.6	17.5	4.4	1.6	0.3	2.8	2.6	3.5
Unemployment rate (year-end, %)	10.3	10.9	10.9	10.9	13.7	13.1	12.0	10.5	9.4	8.7	8.4	8.8	8.7
Nominal GDP (TRYbn)	2,354	2,630	3,152	3,806	4,402	5,142	7,434	15,326	27,091	44,587	63,021	82,427	103,689
Nominal GDP (€bn)	708	780	767	672	691	634	688	867	1035	1244	1394	1479	1470
Nominal GDP (US\$bn)	857	868	866	784	776	725	808	919	1118	1348	1581	1732	1790
GDP per capita (US\$)	10,822	10,621	10,354	9,502	8,992	8,397	9,424	10,434	13,008	15,325	18,414	20,065	20,647
Gross domestic saving (% of GDP)	25.2	27.0	28.1	28.8	29.4	29.9	33.5	33.9	32.8	32.0	32.6	30.2	29.7
Prices													
CPI (average, % YoY)	7.7	7.8	11.1	16.3	15.2	12.3	19.6	72.3	53.9	58.5	34.9	30.6	21.7
CPI (year-end, % YoY)	8.8	8.5	11.9	20.3	11.8	14.6	36.1	64.3	64.8	44.4	30.9	28.5	19.5
Wage rates (nominal, % YoY)	18.1	20.5	13.3	15.8	18.4	6.9	39.5	88.1	113.5	91.2	41.1	34.3	24.3
Fiscal balance (% of GDP)													
Consolidated government balance	-1.0	-1.1	-1.5	-1.9	-2.8	-3.4	-2.6	-0.9	-5.1	-4.7	-2.9	-3.5	-3.3
Consolidated primary balance	1.3	0.8	0.3	0.0	-0.5	-0.8	-0.2	1.1	-2.6	-1.9	0.4	0.1	0.0
Total public debt	26.5	27.0	26.9	28.8	31.2	38.3	38.9	29.4	36.4	23.6	23.8	25.1	26.7
External balance													
Exports (US\$bn)	154.9	152.6	169.2	178.9	182.2	168.4	224.7	253.4	251.0	257.5	270.7	278.2	287.5
Imports (US\$bn)	203.9	192.6	227.8	219.7	199.0	206.3	254.0	342.9	337.3	313.4	340.6	376.8	377.8
Trade balance (US\$bn)	-49.0	-39.9	-58.6	-40.8	-16.8	-37.9	-29.3	-89.6	-86.3	-56.0	-69.8	-98.5	-90.2
Trade balance (% of GDP)	-5.7	-4.6	-6.8	-5.2	-2.2	-5.2	-3.6	-9.8	-7.7	-4.2	-4.4	-5.7	-5.0
Current account balance (US\$bn)	-27.3	-26.8	-40.6	-20.7	15.0	-31.0	-7.1	-46.7	-41.8	-13.0	-30.2	-56.8	-45.0
Current account balance (% of GDP)	-3.2	-3.1	-4.7	-2.6	1.9	-4.3	-0.9	-5.1	-3.7	-1.0	-1.9	-3.3	-2.5
Net FDI (US\$bn)	19.3	13.9	11.1	13.0	9.5	7.5	12.9	14.8	10.6	11.7	13.1	15.5	17.9
Net FDI (% of GDP)	2.2	1.6	1.3	1.7	1.2	1.0	1.6	1.6	0.9	0.9	0.8	0.9	1.0
Current account balance plus FDI (% of GDP)	-0.9	-1.5	-3.4	-1.0	3.2	-3.2	0.7	-3.5	-2.8	-0.1	-1.1	-2.4	-1.5
Foreign exchange reserves inc gold (US\$bn)	113.3	106.1	107.7	91.9	106.3	93.2	111.1	128.8	141.1	155.1	193.9	175.7	180.2
Import cover (months of merchandise imports)	6.7	6.6	5.7	5.0	6.4	5.4	5.2	4.5	5.0	5.9	6.8	5.6	5.7
Debt indicators													
Gross external debt (US\$bn)	413.2	402.2	459.8	411.6	398.0	390.7	377.9	388.2	432.1	460.2	519.9	561.2	592.3
Gross external debt (% of GDP)	48	46	53	52	51	54	47	42	39	34	33	32	33
Gross external debt (% of exports)	267	264	272	230	218	232	168	153	172	179	192	202	206
Lending to corporates/households (% of GDP)	63.1	65.8	66.4	62.8	60.2	69.5	65.8	49.3	42.9	35.6	36.3	37.5	37.9
Interest & exchange rates													
Central bank key rate (year-end, %)	7.50	8.00	8.00	24.00	12.00	17.00	14.00	9.00	42.50	47.50	38.00	34.00	24.00
Broad money supply (average, % YoY)	17.1	18.3	15.7	19.1	26.1	36.0	53.6	60.7	66.5	28.7	42.3	31.8	26.8
3m interest rate (TRLIBOR, average, %)	9.9	8.9	11.6	19.1	18.8	11.0	18.0	15.7	20.5	47.5	44.1	33.4	23.5
3m interest rate spread over US\$-Libor(ppt)	960	812	1029	1671	1684	1071	1794	1225	1512	4239	3991	2983	2016
2yr yield (average, %)	9.8	9.7	11.8	18.9	17.2	11.9	18.5	19.2	21.1	42.6	41.2	37.4	25.8
10yr yield (average, %)	9.4	10.1	11.0	15.8	15.5	12.7	18.2	17.6	18.4	28.2	31.1	31.1	24.5
USD/TRY exchange rate (year-end)	2.92	3.53	3.79	5.29	5.95	7.43	13.32	18.69	29.48	35.34	42.94	53.00	62.00
USD/TRY exchange rate (average)	2.75	3.03	3.64	4.85	5.67	7.09	9.20	16.68	24.22	33.07	39.85	47.60	57.92
EUR/TRY exchange rate (year-end)	3.17	3.70	4.55	6.05	6.67	9.08	15.14	20.00	32.54	36.59	50.45	63.60	75.64
EUR/TRY exchange rate (average)	3.33	3.37	4.11	5.66	6.37	8.11	10.81	17.68	26.17	35.84	45.22	55.74	70.52
Brent oil price (annual average, US\$/bbl)	52.08	43.31	54.13	71.17	64.72	41.80	71.25	99.25	82.25	80.00	68.25	93.25	77.00

Shading denotes ING forecast data

Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (% YoY)	3.2	2.5	4.7	3.8	3.4	3.6	3.0	2.6	2.8	3.0	4.0	4.3	4.6
CPI (eop, % YoY)	44.4	38.1	35.0	33.3	30.9	30.9	32.2	29.5	28.5	25.0	21.3	19.9	19.5
Central bank key rate (eop, %)	47.50	42.50	46.00	40.50	38.00	37.00	37.00	36.00	34.00	31.00	28.00	26.00	24.00
3m interest rate (eop, %)	46.19	47.98	45.99	42.58	40.10	47.18	40.88	36.51	33.38	30.27	27.34	25.22	23.46
10yr yield (eop, %)	29.31	32.80	30.93	31.54	28.89	33.51	32.97	29.96	28.69	27.30	24.04	23.27	22.30
USD/TRY exchange rate (eop)	35.34	37.94	39.78	41.57	42.94	44.42	46.81	49.63	53.00	55.30	57.57	59.80	62.00
EUR/TRY exchange rate (eop)	36.59	41.04	46.86	48.80	50.45	51.35	54.30	58.57	63.60	67.47	70.23	72.96	75.64

Shading denotes ING forecast data

Source: National sources, ING estimates



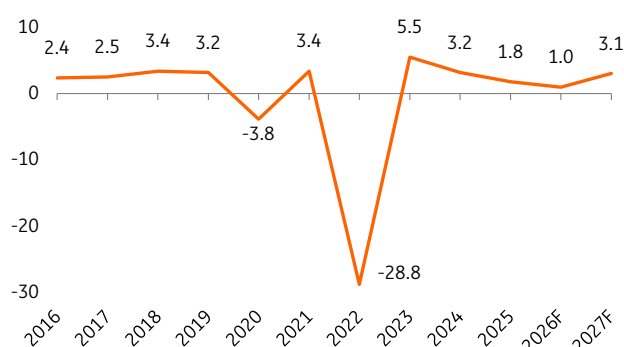
Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	2.8	-0.5	1.6	1.5	1.8	1.0	3.1
CPI (%YoY)*	8.0	7.9	7.5	8.5	9.0	8.2	6.9
Policy interest rate (eop, %)	15.5	15.0	15.0	15.0	15.0	15.0	13.0
USD/UAH*	42.4	43.8	44.0	44.2	44.4	44.1	44.5
EUR/UAH*	49.8	50.6	51.5	52.2	53.3	51.9	53.7

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

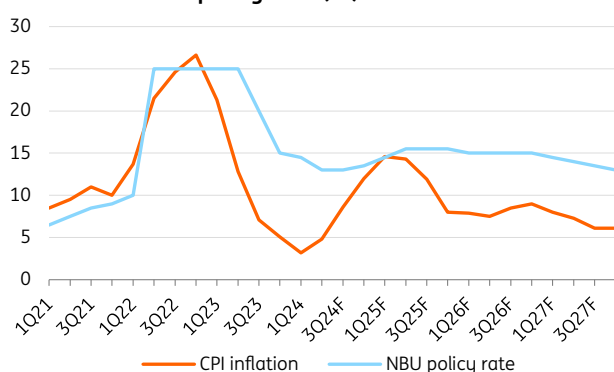
*Quarterly data is eop, annual is average. Shading denotes forecast data
Source: National sources, ING estimates

GDP growth (%)



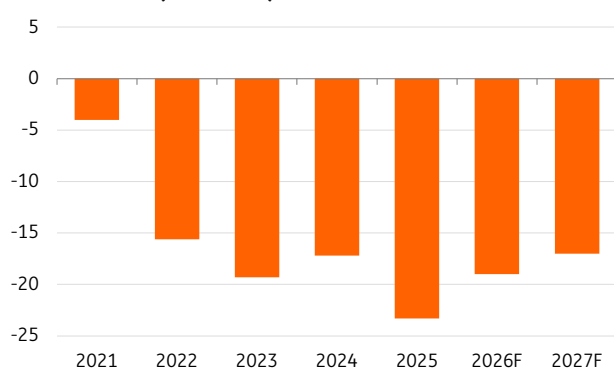
Source: NSI, ING

Inflation and NBU policy rate (%)



Source: NBU, ING

Fiscal balance (% of GDP)



Source: Ministry of Finance, NBU, IMF, ING

Country strategy: Uncertainty on all fronts

The USD/UAH exchange rate has reversed from the record highs reached after the US-Iran conflict triggered a risk-off sentiment. On the one hand, the global FX environment has become more favourable; on the other, the efforts of the National Bank of Ukraine have helped to strengthen the hryvnia and high level of international reserves. With the recently unlocked EU loan of €90billion, Ukraine has secured war financing for 2026-27.

The macroeconomic environment remains challenging due to the ongoing war, however, the latest update of the NBU's macroeconomic forecast shows that GDP growth in Ukraine should accelerate next year (from 1.3% in 2026 to 2.8%), while inflation is expected to decline further (target to be achieved in late-2028).

GDP growth in 2026 slowing due to war disruptions

Ukraine entered a fifth year of war with Russia with real GDP around 20% lower than before the war. The latest World Bank estimate of reconstruction needs reached US\$588 billion. The economy has shown resilience during the war, but growth slowed in 2025 due to the severe damage inflicted on the country's energy infrastructure, supply-side disruptions, labour constraints and real incomes erosion as inflation accelerated. 2026 started with a slight decline of real GDP of around 0.5%YoY in 1Q due to severe Russian attacks on energy and logistics facilities amid a very cold winter. According to NBU estimates, the oil shock due to the war in the Middle East is forecast to deduct 0.3ppt from the GDP growth rate if the conflict is short-lived and 0.6ppt if prolonged.

NBU rates to stay flat until the end of 2026

After reaching a peak in May 2025, headline CPI inflation slowed to single digits in late-2025 and early-2026. This enabled the NBU to cut its key policy rate by 50bp to 15.0% in late-January. Higher energy prices due to the war in the Middle East have subsequently pushed prices up again to 8.6%YoY in April, while transport prices jumped by 19.1%YoY and fuel prices by 36.1%YoY. Amid the unfavourable global energy shock and projected inflation acceleration in the coming months, the NBU declared its readiness to take additional measures, including raising the policy rate, to curb inflation. The NBU projects inflation acceleration later in 2026, but then a downward trend to a target of 5% in late-2028. The NBU estimates that a short-term shock could elevate 2026 inflation by 1.5ppt, but a prolonged war in the Middle East would lift it by 3ppt.

Continued war financing secured by the €90bn EU loan

To finance the war, Ukraine has had to mobilise its internal resources and rely heavily on foreign aid, mainly on foreign loans rather than grants. This has translated into fast rising public and external debt levels, both of which exceeded 108% 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 2026-27. Uncertainty about external aid has declined recently as, following general elections in Hungary, the EU unblocked a €90 billion loan to Ukraine. Continued financing in 2026-27 is also secured by the G7's Extraordinary Revenue Acceleration (ERA) and the Extended Fund Facility from the IMF. The NBU projects foreign assistance volumes at more than US\$53bn in 2026 and around US\$42bn in 2027.

Ukraine

leszek.kasek@ing.pl

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	-9.8	2.4	2.5	3.4	3.2	-3.8	3.4	-28.8	5.5	3.2	1.8	1.0	3.1
Private consumption (%YoY)	-20.7	2.1	7.7	8.8	10.9	1.7	4.5	-19.0	2.8	5.2	3.4	1.0	3.2
Government consumption (%YoY)	1.7	-0.5	2.4	0.2	-13.6	-0.7	0.2	5.6	3.7	-1.7	1.6	1.0	0.0
Investment (%YoY)	-9.2	20.4	18.8	14.3	11.7	-21.3	8.1	-5.5	5.8	3.0	2.4	1.5	2.5
Industrial production (%YoY)	-13.0	2.8	0.4	3.0	-0.5	-4.0	3.5	-36.9	5.7	3.5	2.0	2.5	3.0
Unemployment rate (year-end, %)	9.5	9.7	9.4	8.9	8.4	10.1	10.6	23.2	16.3	12.0	11.6	10.0	10.0
Nominal GDP (UAHbn)	1,989	2,385	2,983	3,561	3,975	4,090	5,451	5,239	6,628	7,662	8,931	9,759	10,750
Nominal GDP (€bn)	82	84	99	111	137	133	169	154	168	176	186	188	200
Nominal GDP (US\$bn)	91	93	112	131	154	152	200	162	181	191	214	221	242
GDP per capita (US\$)	2,100	2,200	2,600	3,050	3,600	3,400	4,200	n/a	n/a	n/a	n/a	n/a	n/a
Gross national saving (% of GDP)	13.3	14.8	12.3	15.3	12.2	12.2	12.5	17.0	12.9	11.3	7.0	7.0	7.0
Prices													
CPI (average, %YoY)	48.5	14.9	14.5	11.0	7.9	2.7	9.3	20.2	12.9	6.5	12.7	8.2	6.9
CPI (year-end, %YoY)	43.3	12.4	13.7	9.8	4.1	5.0	10.0	26.6	5.1	12.0	8.0	9.0	6.1
Wage rates (nominal, %YoY)	21.1	23.3	37.0	24.8	18.4	10.4	20.8	6.1	17.4	23.2	20.8	20.0	15.0
Fiscal balance (% of GDP)													
Consolidated government balance	-1.6	-2.3	-1.4	-2.0	-2.2	-5.9	-4.0	-15.6	-19.3	-17.2	-23.3	-19.0	-17.0
Consolidated primary balance	2.8	1.9	2.4	1.2	1.0	-3.0	-1.1	-12.5	-15.7	-11.5	-16.9	-14.0	-12.0
Total public debt	79.0	80.9	71.8	60.9	50.2	60.4	48.9	77.7	81.2	89.7	108.7	122.7	134.6
External balance													
Exports (US\$bn)	35.4	33.6	39.7	43.3	46.1	45.1	63.6	41.2	35.0	39.3	38.3	44.4	48.0
Imports ((US\$bn)	38.9	40.5	49.4	56.1	60.4	52.0	71.8	56.5	65.4	72.3	89.3	93.2	92.2
Trade balance (US\$bn)	-3.5	-6.9	-9.7	-12.7	-14.3	-6.9	-8.2	-15.3	-30.4	-33.0	-51.0	-48.8	-44.2
Trade balance (% of GDP)	-3.8	-7.4	-8.6	-9.7	-9.3	-4.5	-4.1	-9.5	-16.8	-17.3	-23.8	-22.1	-18.3
Current account balance (US\$bn)	5.0	-1.9	-3.5	-6.4	-4.1	5.3	-5.5	7.3	-9.3	-15.2	-31.9	-42.6	-38.0
Current account balance (% of GDP)	5.5	-2.0	-3.1	-4.9	-2.7	3.5	-2.8	4.5	-5.1	-8.0	-14.9	-19.3	-15.7
Net FDI (US\$bn)	-0.2	4.0	3.4	4.9	5.2	-0.1	7.5	0.2	4.4	3.7	2.4	3.6	6.4
Net FDI (% of GDP)	-0.3	4.2	3.1	3.7	3.4	0.0	3.8	0.1	2.5	1.9	1.1	1.6	2.6
Current account balance plus FDI (% of GDP)	5.3	2.2	0.0	-1.2	0.7	3.4	1.0	4.6	-2.7	-6.0	-13.8	-17.6	-13.1
Foreign exchange reserves (US\$bn)	13.2	15.3	18.9	17.7	25.3	29.1	30.9	28.5	40.5	43.8	57.3	64.0	65.0
Import cover (months of merchandise imports)	4.1	4.5	4.6	3.8	5.0	6.7	5.2	6.1	7.4	7.3	7.7	8.2	8.5
Debt indicators													
Gross external debt (US\$bn)	107.7	107.6	96.7	100.1	109.1	102.3	114.4	122.9	145.4	172.9	201.2	246.2	271.2
Gross external debt (% of GDP)	131.3	127.7	97.4	90.4	79.4	77.1	67.8	79.9	86.7	98.1	108.3	130.9	135.6
Gross external debt (% of exports)	332.3	335.2	290.9	264.6	264.1	278.4	204.0	326.2	456.3	455.0	617.1	665.4	689.3
Lending to corporates/households (% of GDP)	48.4	41.3	33.7	29.8	24.5	23.1	18.8	18.9	14.9	14.6	15.4	15.5	16.3
Interest & exchange rates													
Central bank key rate (year-end, %)	22.0	14.0	14.5	18.0	13.5	6.0	9.0	25.0	15.0	13.5	15.5	15.0	13.0
Broad money supply (average, %YoY)	3.9	10.9	9.6	5.7	12.6	28.6	12.0	20.8	23.0	13.4	15.3	12.1	10.5
2yr yield (average, %)	18.9	19.4	15.7	17.8	17.2	13.0	12.5	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)	24.0	27.2	28.1	27.7	23.7	28.3	27.3	36.6	38.0	42.0	42.4	44.4	44.5
USD/UAH exchange rate (average)	21.9	25.6	26.6	27.2	25.8	27.0	27.3	32.4	36.6	40.2	41.7	44.1	44.5
EUR/UAH exchange rate (year-end)	26.2	28.4	33.5	31.7	26.4	34.7	30.9	39.0	42.2	43.5	49.8	53.3	54.3
EUR/UAH exchange rate (average)	24.3	28.3	30.0	32.1	28.9	30.8	32.3	34.1	39.5	43.5	48.1	51.9	53.7

Shading denotes forecast data

Source: National sources, IMF, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	-0.1	0.9	0.9	2.4	2.8	-0.5	1.6	1.5	1.8	4.2	2.4	2.5	2.8
CPI (eop, %YoY)	12.0	14.6	14.3	11.9	8.0	7.9	7.5	8.5	9.0	8.0	7.3	6.1	6.1
Central bank key rate (eop, %)	13.5	14.5	15.5	15.5	15.5	15.0	15.0	15.0	15.0	14.5	14.0	13.5	13.0
USD/UAH exchange rate (eop)	42.0	41.5	41.6	41.3	42.4	43.8	44.0	44.2	44.4	44.5	44.5	44.5	44.5
EUR/UAH exchange rate (eop)	43.5	44.9	49.1	48.5	49.8	50.6	51.5	52.2	53.3	53.4	53.4	53.8	54.3

Shading denotes forecast data

Source: NBU, Ukrstat, Macrobond, ING estimates



Forecast summary

	4Q25	1Q26	2Q26F	3Q26F	4Q26F	2026F	2027F
Real GDP (%YoY)	7.8	8.7	7.3	7.0	7.0	7.5	6.5
CPI (%YoY)*	7.3	7.1	6.6	7.0	8.0	7.1	7.8
Policy interest rate (eop, %)	14.00	14.00	14.00	14.00	14.00	14.00	13.00
USD/UZS*	12.010	12.192	11.970	12.085	12.130	12.070	12.372
EUR/UZS*	14.103	14.070	14.005	14.260	14.556	14.242	14.971

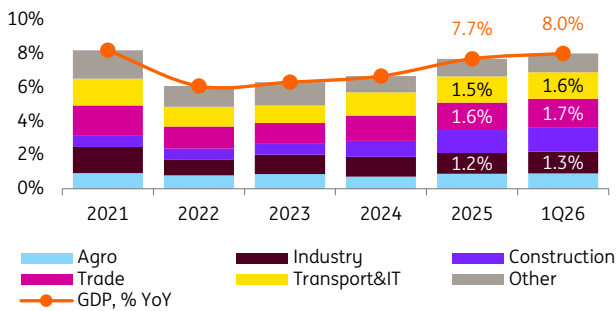
Macro trend		Political cycle		Ratings	FC	LC
Activity	+	Presidential: 2030		S&P	BB	BB
Fiscal	Consolidation	Parliamentary: 2029		Moody's	Ba3	Ba3
Monetary	Neutral	Local: 2029		Fitch	BB	BB

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

Country strategy: Gold provides solid insulation

Uzbekistan remains the most defensive in the CIS-4 space, as the global context is offering mixed inputs: higher oil prices worsen the import bill, while gold provides an offsetting buffer. Each +US\$10/bbl adds about US\$550m (0.4% of GDP) to annual energy imports, while +US\$1,000/oz adds roughly US\$4bn (2.7% of GDP) to gold export revenues, and we see scope for higher export volumes after a restrained 2025. A 10% rise in global food prices can add c.1.0–1.5ppt to CPI which, combined with strong domestic demand, forces the central bank to maintain a cautious stance. Continued fiscal consolidation and a sizeable IPO pipeline till 2030, starting with the recent UzNIF IPO, should be supportive of foreign portfolio inflows, helping to finance the structural twin deficit. Sustained commitment to structural reforms is the key watch factor for the country's longer-term investment attractiveness.

GDP growth by sectors (% YoY, ppt)

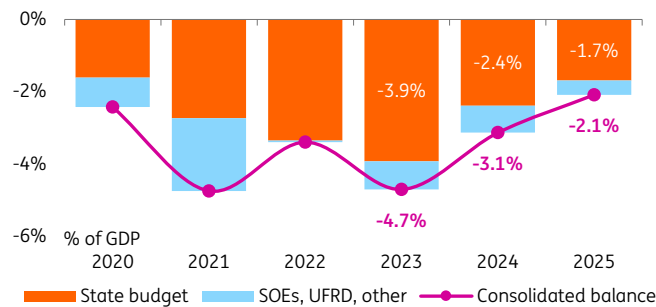


Source: National sources, CEIC, ING

Activity: Strong momentum despite weaker demand

GDP growth surprisingly picked up from 7.7% in FY25 to 8.7% YoY in 1Q26 (lifting 4Q rolling GDP growth to 8.0%). Activity growth remains broad-based, but the most recent data shows a higher impact from the producer-driven heavy industries and transportation, while the contribution from construction somewhat moderated. Household income fundamentals remain strong, with real income growth close to double digits, but the credit impulse is waning, as still high CPI risks force the CBRU to maintain high rates, and this appears to shift household preference towards more savings, including in deposits. Still, with some scope to boost gold supply, we expect 2026-27 GDP growth to remain strong at 6.5–7.5% despite some potential softening in domestic demand.

Consolidated budget balance by components (% GDP)

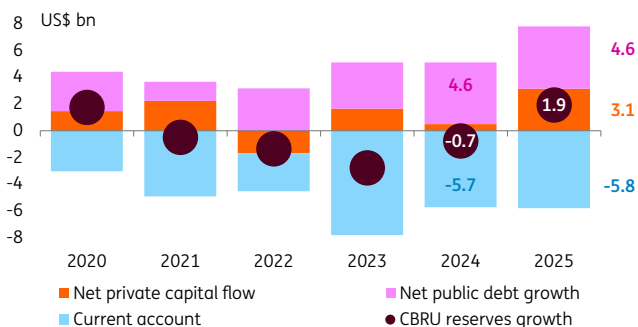


Source: National sources, CEIC, ING

Budget: Ongoing consolidation, shift to privatisation

Fiscal policy is shifting toward consolidation compared to 2019–2023. Thanks to improved revenue collection amid some cost controls, the consolidated budget deficit narrowed to 2.1% of GDP in 2025 vs 3.1% in 2024 and 4.7% in 2023. There is also a drive to shift the deficit financing towards privatisation. Following the recent UzNIF IPO, the government, as controlling stakeholder, received around US\$0.6–0.7bn, and the pipeline of privatisation of other state-owned assets for 2026–30 should help reduce reliance on foreign debt in financing the fiscal deficit – public external debt reached US\$37bn, or about 25% of GDP, in 2025. We expect the fiscal deficit to reach 1.0–1.5% of GDP pa in 2026–27, suggesting a combined US\$5bn that will require financing over two years.

Balance of payments composition (US\$bn)



Source: National sources, CEIC, ING

External balance: Reinforced by gold and portfolio flows

Domestic FX market remains gold-led. UZS has been broadly stable since early March as gold prices retreated 15% after a rally in 2025, but we remain constructive for the medium term. First, Uzbekistan has the capacity to boost physical gold sales after a modest 85mt was exported last year (vs historical highs of 100–120mt). Second, the capital account may provide additional support, as foreign investors appear interested in participating in the IPOs given Uzbekistan's strong growth story (UzNIF IPO more than four times oversubscribed). Still, until Uzbekistan's twin deficits are addressed and track record in institutional reforms confirmed, the long-term appreciation potential remains constrained and conditional on global risk appetite, gold dynamics, as well as public debt growth.

Uzbekistan

dmitry.dolgin@ing.de

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026F	2027F
Activity													
Real GDP (%YoY)	7.9	6.7	4.7	5.7	6.8	1.6	8.2	6.1	6.3	6.7	7.7	7.5	6.5
Private consumption (%YoY)	12.2	9.7	4.3	6.1	6.0	-2.3	11.9	11.5	7.0	11.5	9.5	7.0	6.0
Government consumption (%YoY)	6.7	2.7	1.5	4.8	5.7	1.3	3.2	3.5	1.1	1.2	0.7	2.5	2.5
Gross capital formation (%YoY)	9.4	4.1	19.4	29.1	37.6	-5.0	3.1	-0.3	23.4	31.3	10.5	7.5	6.5
Industrial production (%YoY)	5.3	5.4	5.2	10.8	5.0	0.9	8.8	5.3	6.3	6.5	6.8	6.0	5.0
Unemployment rate (year-end, %)	5.2	5.2	5.4	9.3	9.1	11.1	9.8	8.9	7.7	5.9	5.2	5.1	5.0
Nominal GDP (UZ\$tr)	251	290	356	495	620	705	861	1,042	1,262	1,535	1,850	2,130	2,446
Nominal GDP (€bn)	87.9	88.5	60.7	51.7	62.7	61.3	68.6	89.6	99.4	112.2	130.2	149.5	163.4
Nominal GDP (US\$bn)	97.5	97.9	69.5	60.8	70.0	70.1	81.1	94.3	107.5	121.4	147.1	176.4	197.7
GDP per capita (US\$)	2,754	2,705	2,152	1,781	2,004	1,941	2,215	2,527	2,819	3,290	3,901	4,583	5,030
Gross domestic saving (% of GDP)	21.5	19.6	18.6	20.7	20.1	21.0	19.2	16.6	17.1	18.1	n/a	n/a	n/a
Prices													
CPI (average, %YoY)	8.8	8.1	13.9	17.5	14.5	12.9	10.8	11.4	10.0	9.6	8.8	7.1	7.8
CPI (year-end, %YoY)	7.6	9.8	18.8	14.3	15.2	11.2	10.0	12.3	8.7	9.8	7.3	8.0	7.2
Wage rates (nominal, %YoY)	n/a	n/a	n/a	25.0	27.5	15.0	20.3	20.8	17.5	17.5	18.9	12.1	11.8
Fiscal balance (% of GDP)													
Consolidated government balance	-0.2	0.6	1.0	1.1	-2.2	-2.4	-4.7	-3.4	-4.7	-3.1	-2.1	-1.2	-1.5
Consolidated primary balance	-0.2	0.6	1.1	1.2	-2.0	-2.1	-4.4	-3.0	-4.0	-2.2	-1.1	-0.1	-0.3
Total public debt	5.9	7.2	17.3	16.7	26.5	35.2	34.0	32.4	34.4	35.0	35.4	35.7	36.0
External balance													
Exports (US\$bn)	9.5	8.6	10.2	11.4	13.9	12.8	14.1	16.6	19.6	19.6	23.0	30.0	31.5
Imports (US\$bn)	11.6	11.0	12.4	18.3	21.2	19.0	22.9	28.3	34.5	33.2	38.5	46.3	46.7
Trade balance (US\$bn)	-2.1	-2.4	-2.2	-6.9	-7.3	-6.2	-8.8	-11.7	-14.9	-13.5	-15.5	-16.2	-15.2
Trade balance (% of GDP)	-2.1	-2.4	-3.2	-11.2	-10.4	-8.9	-10.8	-12.4	-13.8	-11.2	-10.6	-9.2	-7.7
Current account balance (US\$bn)	0.9	0.2	1.5	-3.6	-3.4	-3.0	-4.9	-2.8	-7.8	-5.7	-5.8	-7.2	-7.2
Current account balance (% of GDP)	0.9	0.2	2.1	-5.9	-4.8	-4.3	-6.0	-3.0	-7.3	-4.7	-3.9	-4.1	-3.6
Net FDI (US\$bn)	1.0	1.7	1.8	0.6	2.3	1.7	2.3	2.7	2.1	2.9	4.2	5.1	6.1
Net FDI (% of GDP)	1.1	1.7	2.6	1.0	3.3	2.4	2.8	2.8	2.0	2.4	2.9	2.9	3.1
Current account balance plus FDI (% of GDP)	2.0	1.9	4.7	-4.8	-1.5	-1.9	-3.2	-0.2	-5.3	-2.3	-1.1	-1.2	-0.5
Gross international reserves (US\$bn)	24.3	26.4	28.1	27.1	29.2	34.9	35.1	35.8	34.6	41.2	66.3	68.3	69.3
Import cover (months of merchandise imports)	25.2	28.7	27.2	17.8	16.5	22.0	18.4	15.2	12.0	14.9	20.6	17.7	17.8
Debt indicators													
Gross external debt (US\$bn)	13.4	14.6	15.6	17.1	24.3	33.3	43.2	51.8	61.2	71.1	89.6	93.6	98.6
Gross external debt (% of GDP)	13.7	14.9	22.4	27.9	34.6	47.5	53.2	55.0	56.9	58.6	60.9	53.0	49.9
Gross external debt (% of exports)	141.3	169.2	153.3	150.0	174.6	259.7	305.4	311.3	312.1	362.2	389.1	311.7	312.7
Lending to corporates/households (% of GDP)	n/a	18.1	31.0	33.8	33.4	38.8	37.5	37.0	36.8	33.7	30.8	31.4	32.0
Interest & exchange rates													
Central bank key rate (year-end, %)	9.00	9.00	14.00	16.00	16.00	14.00	14.00	15.00	14.00	13.50	14.00	14.00	13.00
Broad money supply (average, %YoY)	24.3	23.5	40.2	14.1	13.9	17.7	29.7	30.2	12.2	30.6	36.6	25.5	22.7
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)	2.791	3.225	8.120	8.404	9.506	10.466	10.818	11.229	12.346	12.895	12.010	12.130	12.615
USD/UZS exchange rate (average)	2.569	2.965	5.126	8.133	8.861	10.055	10.614	11.046	11.733	12.649	12.576	12.070	12.372
EUR/UZS exchange rate (year-end)	3.030	3.393	9.745	9.563	10.657	12.787	12.303	12.022	13.648	13.355	14.103	14.556	15.390
EUR/UZS exchange rate (average)	2.851	3.280	5.869	9.573	9.895	11.493	12.548	11.627	12.693	13.686	14.204	14.242	14.971
Brent oil price (annual average, US\$/bbl)	54	45	55	72	64	43	71	99	82	80	68	93	77

Shading denotes ING forecast data

Source: National sources, ING estimates

Quarterly forecasts

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26F	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
Real GDP (%YoY)	6.9	6.8	7.5	8.3	7.8	8.7	7.3	7.0	7.0	6.5	6.3	6.7	6.5
CPI (eop, %YoY)	9.8	10.3	8.7	8.0	7.3	7.1	6.6	7.0	8.0	8.2	7.8	7.7	7.2
Central bank key rate (eop, %)	13.50	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00
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)	12.895	12.933	12.688	12.095	12.010	12.192	11.970	12.085	12.130	12.251	12.372	12.494	12.615
EUR/UZS exchange rate (eop)	13.355	13.965	14.955	14.193	14.103	14.070	14.005	14.260	14.556	14.701	14.847	15.117	15.390

Shading denotes ING forecast data

Source: National sources, ING estimates

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <https://www.ing.com>.