

CEE MACRO OUTLOOK

# CEE Growth Navigator

## Expected development after 2Q25 GDP data

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August 19, 2025

Spot Rates as of: August 19, 2025

Note: Information on past performance is not a reliable indicator for future performance.  
Forecasts are not a reliable indicator for future performance.

# Expected development in response to flash GDP estimates

## Growth

We finally get more clarity regarding tariffs. On July 27, the European Union and US agreed on a framework agreement that not only **set the tariff rate at a uniform rate of 15%**, but also included comprehensive accompanying measures. The most notable concessions are massive investments in the US, but also a commitment to purchase significantly higher quantities of liquefied natural gas and/or oil from the US. The agreement will have implications for 2026 growth forecasts mainly. The 15% tariff rate falls between assumptions of our baseline and adverse scenarios. In other words, we would expect, on average, up to a -0.5 percentage point revision in response to the new tariff rate.

**After seeing 2Q25 flash estimates, we would like to note adjustments to our growth forecasts for the rest of the year and beyond.** The Czech economy expanded by 0.2% q/q and 2.4% y/y. Although the pace of quarterly growth decelerated significantly from the 0.7% recorded in 1Q (due to the decline of export stockpiling), the first half of the year was strong, translating into risks to the upside to our current forecast of 2% in 2025. Poland is on track to be the fastest-growing economy in the region and there are upside risks to our current forecast of 3.2% in 2025. Hungary delivered a mild upside surprise, with GDP rising by 0.4% q/q. Despite that development, the Hungarian economy is likely to stagnate mostly this year (growth close to 0%). Revisions to the downside will, as well, take place in Romania and Slovakia. While in Romania we wait for the GDP structure, in Slovakia we expect growth below 1% in 2025. In Serbia, the first half of the year was rather disappointing, with growth dynamics "only" around 2%. We therefore adjust our expectations for Serbia and expect growth below 3%.

**Detailed CEE Macro Outlook will be published in mid-September, once GDP structure is published.**

# Expected development in response to flash GDP estimates

## Inflation

In general, July inflation has increased or remained elevated in most CEE countries. In countries where inflation declined, the decrease was primarily driven by base effects. The most striking development was in Romania, where inflation spiked to 7.84%, as the elimination of the cap resulted in electricity prices going up by almost 62% m/m in July. In August, the VAT and excise duty hikes kick in and inflation is expected to further accelerate.

If we look at the 2025 averages, inflation will be slightly higher in almost all CEE countries compared to last year and should ease only in 2026.

## Monetary policy

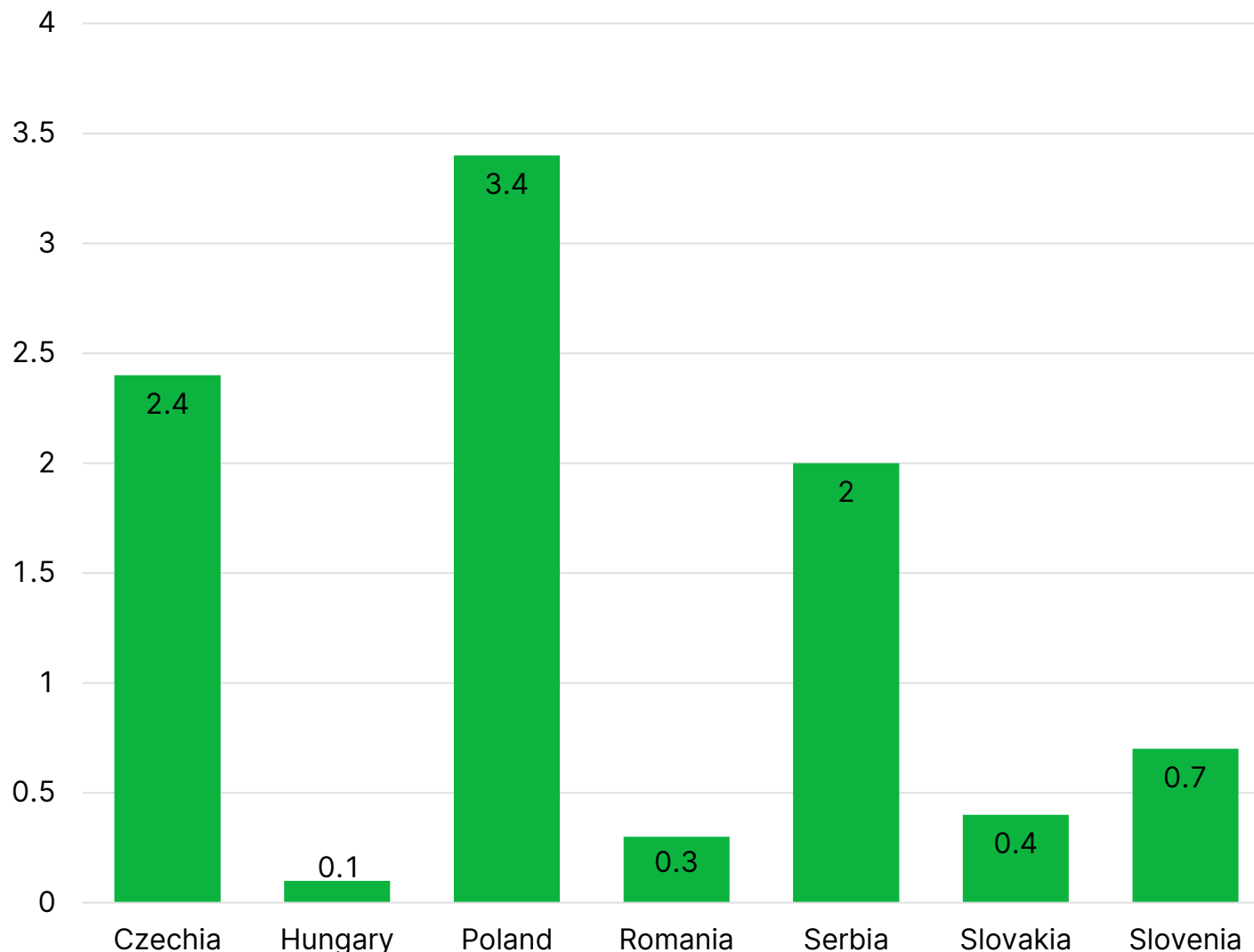
This year, adjustments in monetary policy can only be expected in Poland. There, July inflation declined to 3.1% y/y, within the central bank's tolerance band. Thus, rate cuts are still an option. In Hungary, the probability of rate cuts have been diminishing. Czechia seems to be done with monetary easing and the 3.5% key policy rate is likely here to stay for a longer period of time. Romania is likely to take any action only next year, when there is more clarity regarding the inflation path. In Serbia, we expect no monetary easing as well, due to elevated inflationary pressure this year.

Monetary easing should be resumed in the course of 2026, however, in several CEE countries.

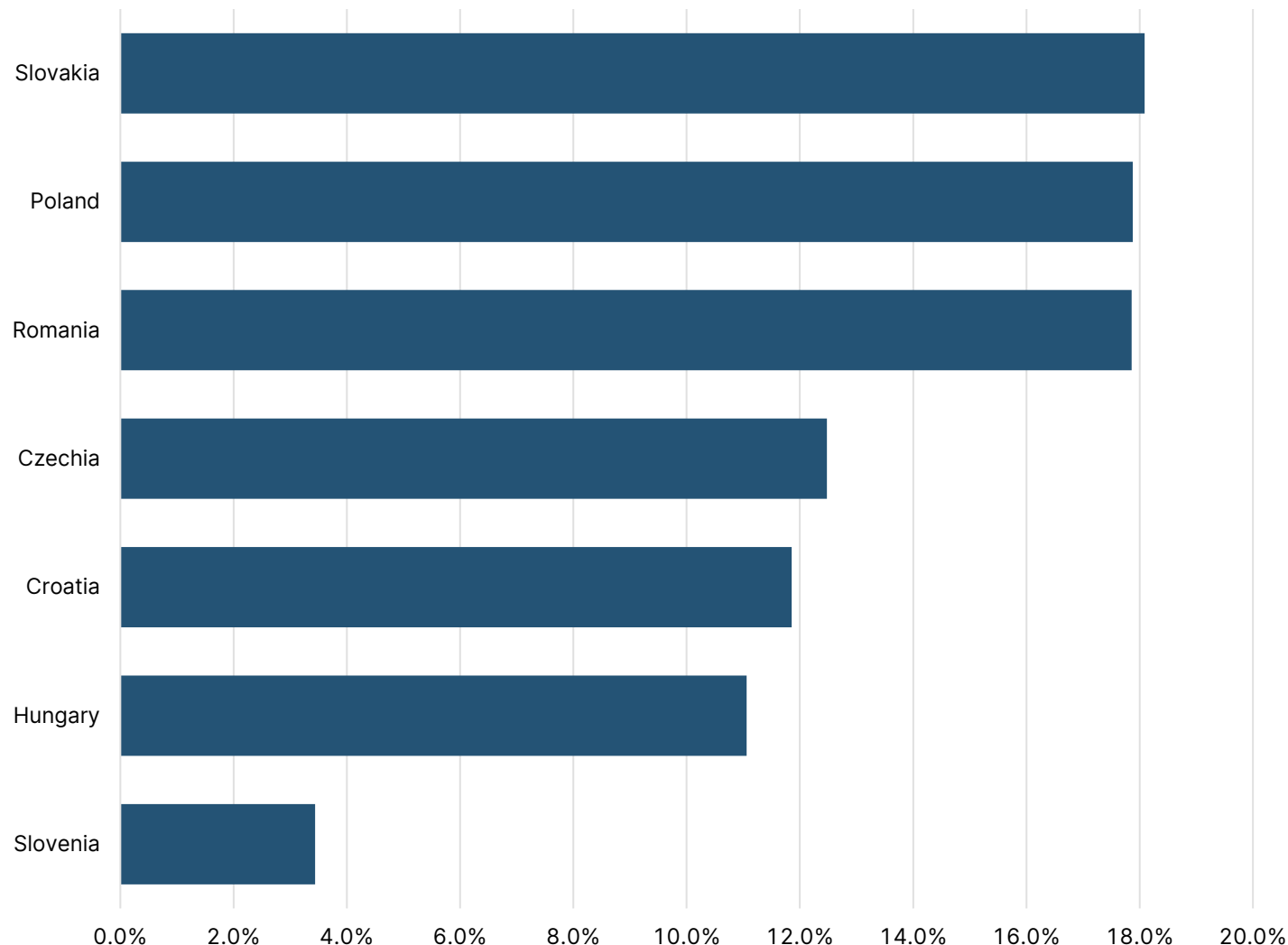
# Flash GDP growth

The Czech economy expanded by 0.2% q/q and 2.4% y/y, with the first half of the year strong overall. Poland is also on track for solid growth, with the economy growing above 3% in the first half of the year (3.4% y/y in 2Q25 after 3.2% y/y growth in 1Q25). Hungary delivered a mild upside surprise, with GDP rising by 0.4% q/q, but only 0.1% y/y. Serbia's performance disappointed again in 2Q25, as economic growth was "only" at 2% y/y. Romania's growth dynamics in 2Q25 were below expectations, with y/y growth of 0.3%, i.e. the same growth dynamics as in 1Q25. In q/q terms, the economy expanded 1.2%. In Slovakia, growth proved very weak, with GDP slowing to 0.4% y/y in 2Q25, from 0.9% y/y. Growth dynamics were below market expectations.

**Flash 2Q25 GDP, y/y percent**  
\*Croatia publishes GDP data at the end of August



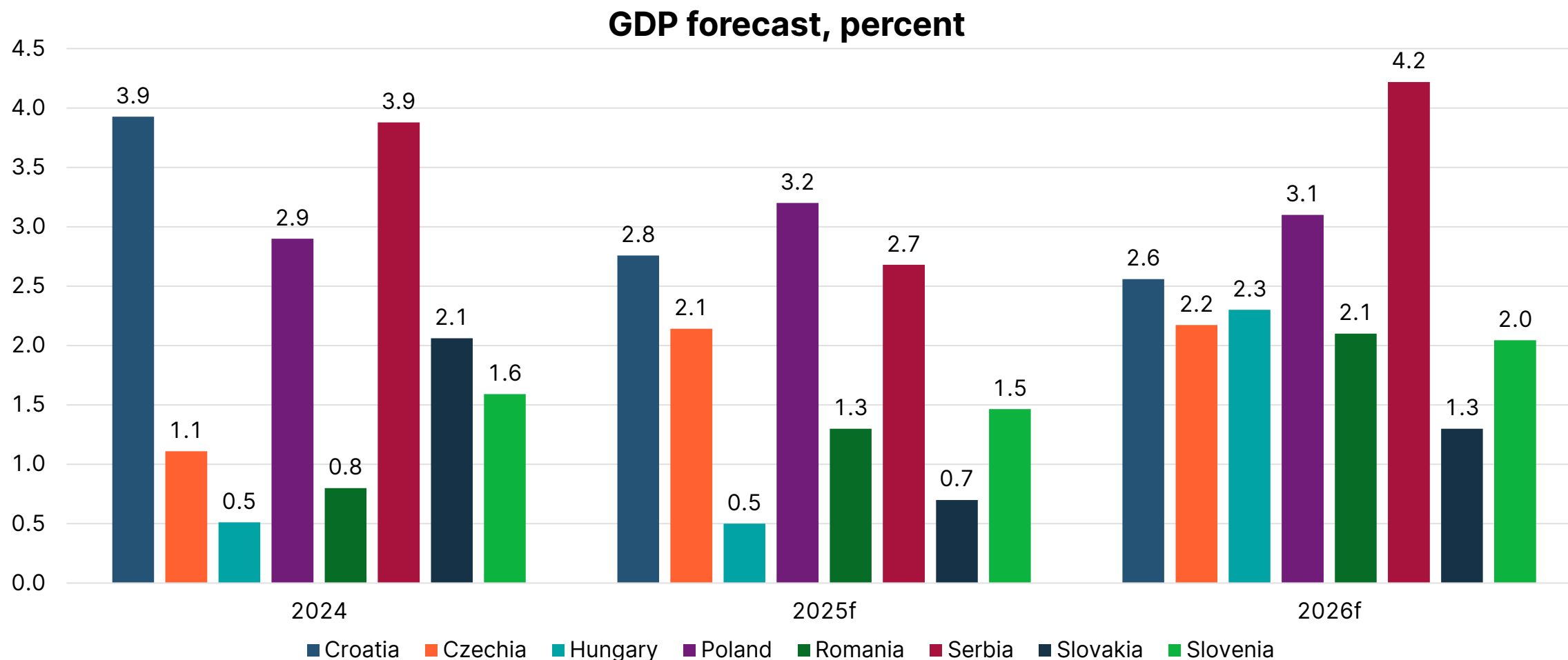
### Total Effective Tariff Rate by Fitch Ratings Incorporating August 1st Tariff Rates



## 15% tariff rate to affect 2026 economic growth mostly

Back in April, we worked with two scenarios: a baseline assuming a 10% tariff rate in 2026 and an adverse scenario assuming a 20% tariff rate, as announced in early April. The agreement between the European Union and US set the tariff rate at a uniform rate of 15%, i.e. between our two initial scenarios. We would thus see the average CEE8 2026 growth revision to be of a magnitude of -0.5 percentage points. Slovakia, Poland and Romania will face the highest effective tariff rates. These differ from the uniform 15%, as they represent total duties as a percent of total imports and changes with shifts in import share by country of origin and product mix.

# Current growth outlook: 2025 and 2026 GDP growth to be revised downward



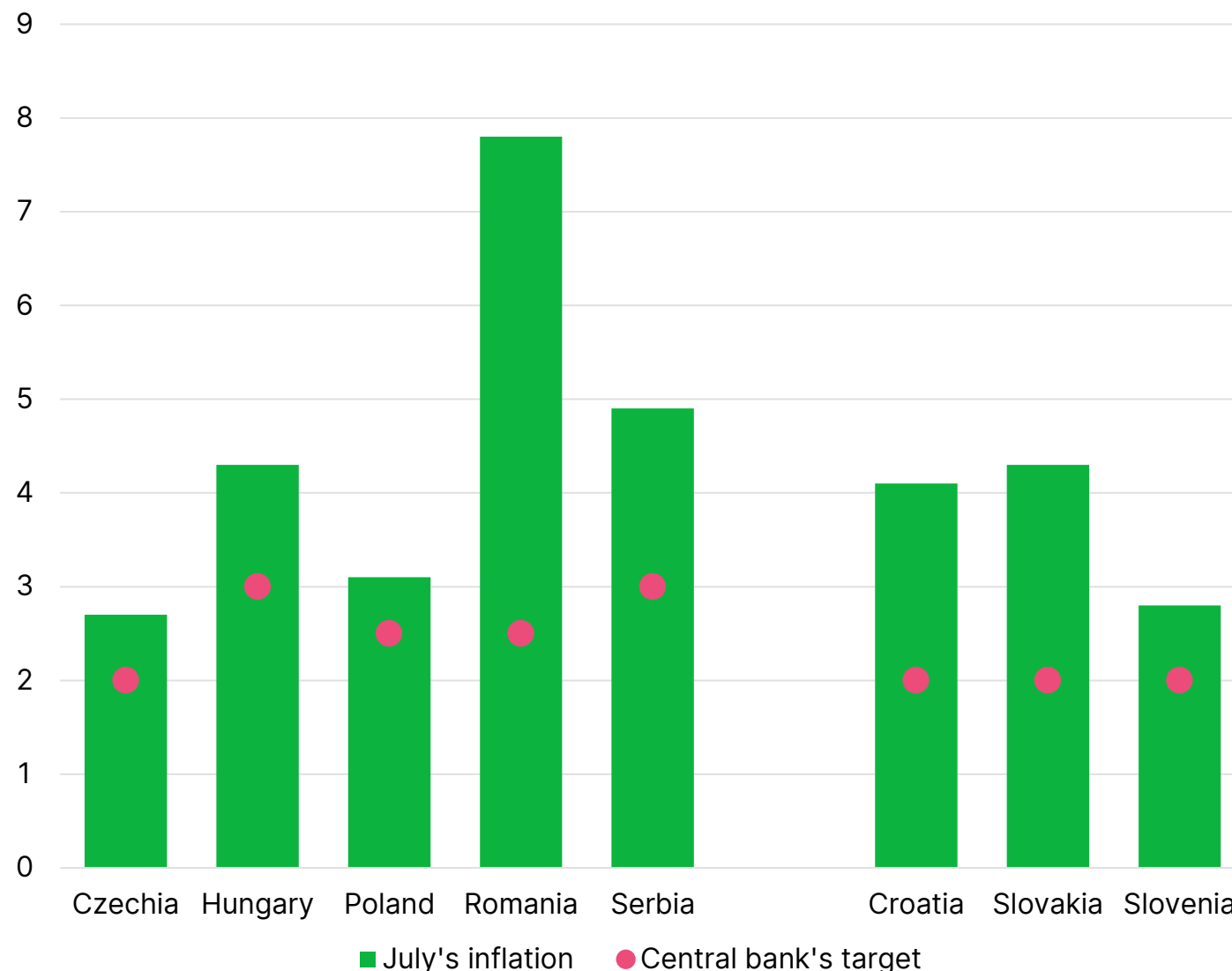
# Expected revisions

Economic development		Revision
Croatia	2Q25 GDP data will be released at the end of August	At this point we expect Croatia to grow 2.8% in 2025
Czechia	Solid economic performance in 2Q25 with growth at 2.4% y/y	We revised the 2025 marginally up to 2.1%
Hungary	Economy expanded in 2Q25, but full year growth will be weak	We revise the 2025 further down and see 2025 growth around 0.5%
Poland	2Q25 GDP was in line with expectations at 3.4% y/y	Poland is on track to be the fastest-growing economy in CEE this year with growth dynamics above 3%
Romania	Despite 1.2% q/q growth, the y/y figure landed at 0.3%	Discrepancies between unadjusted (0.3% in 1H25) and adjusted (1.4% in 1H25) series complicate evaluation of magnitude of downward revision at this point
Serbia	Serbia's 2Q25 GDP disappointed arriving "only" at 2% y/y	We revise 2025 GDP forecast down toward 2.7% from above 3% expected previously
Slovakia	Very weak 2Q25 with GDP growth at 0.4% y/y.	We are revising our 2025 growth forecast down toward 0.7% and 2026 toward 1.3%
Slovenia	Economy rebounded in 2Q25 with GDP at 0.7% y/y	Following flattish 1H performance, we see FY25 growth forecast few notches above 1.0% mark

# Inflation development

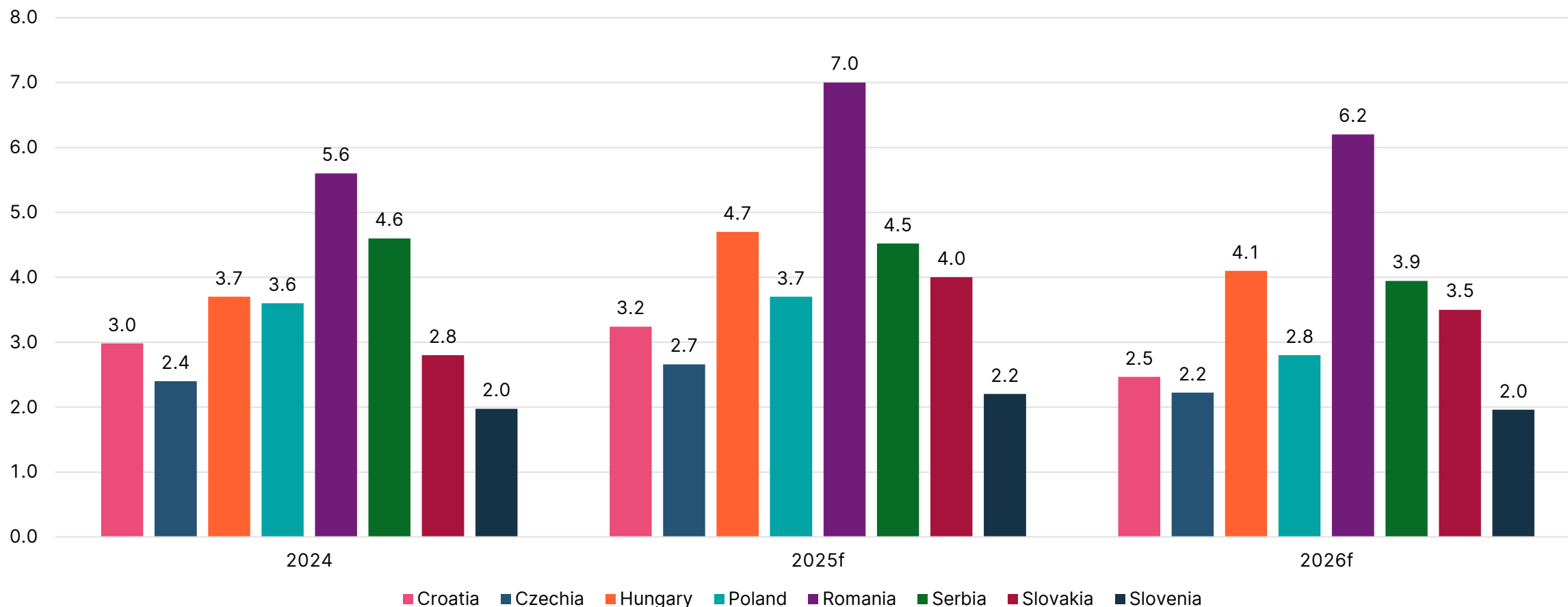
In general, July inflation has increased or remained elevated in most CEE countries. In countries where inflation declined, the decrease was primarily driven by base effects. The most striking development was in Romania, where inflation spiked to 7.84%, as the elimination of the cap resulted in electricity prices going up by almost 62% m/m in July. In August, the VAT and excise duty hikes kick in and inflation is expected to further accelerate. As for other countries, July's headline inflation (compared to June) was higher in Croatia, Serbia, Slovakia and Slovenia. In Czechia and Hungary, July's inflation went slightly down, while in Poland it eased toward 3.1%, within the tolerance band of the central bank target.

## July's inflation and central bank target, percent



# Current inflation outlook: Average inflation to go up in 2025 in most of the region

## 2025 inflation forecast, percent

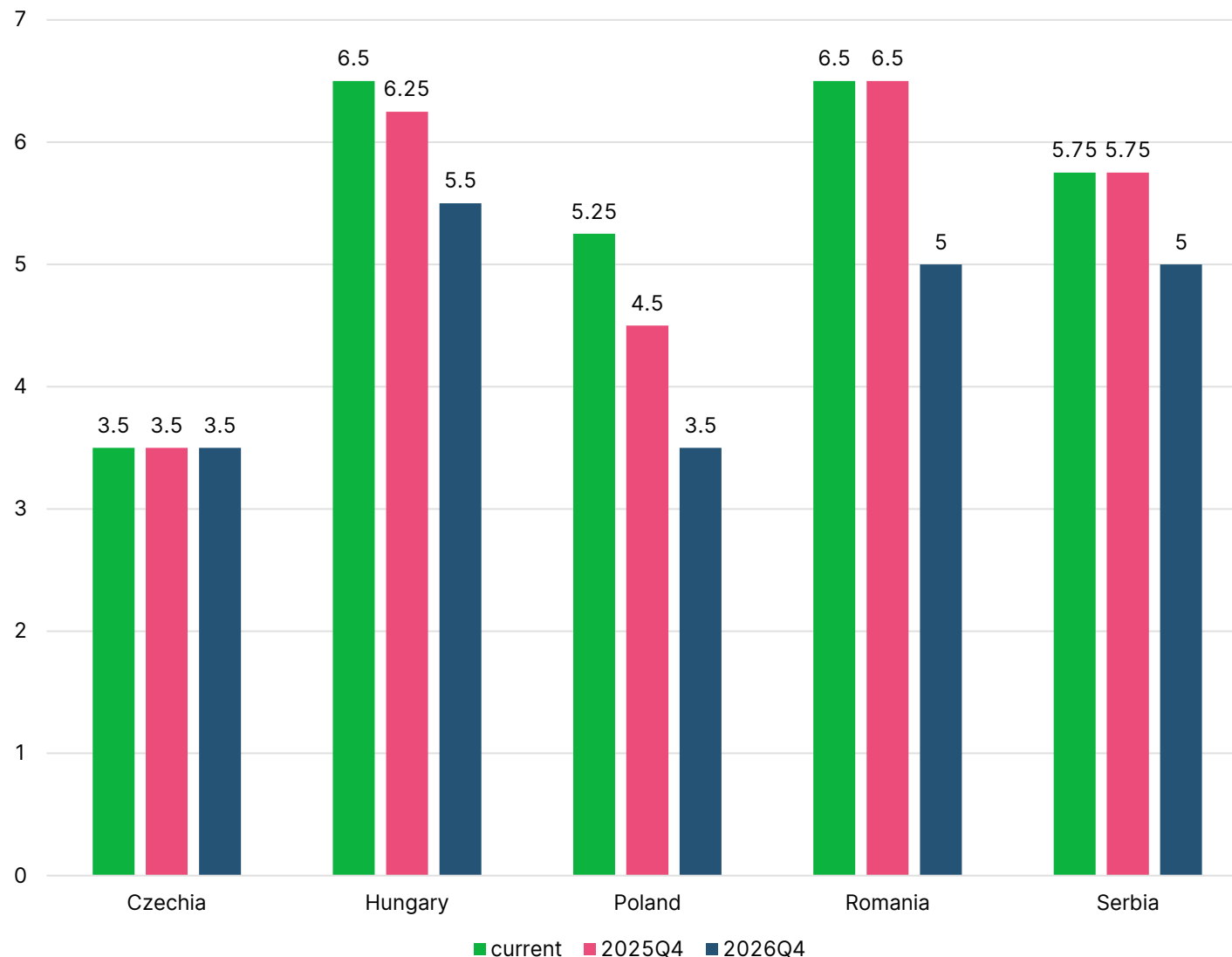


# Monetary policy outlook

It seems that Poland may be the only country to deliver interest rate cuts in the remainder of the year.

In Czechia, the most likely scenario is stability of the CNB's key rate at 3.5% in the medium term. In Hungary, monetary easing in 2025 has become an unlikely scenario. We have removed the previously expected 25bp rate cut in September from our forecast. We now see rate stability as an increasingly likely scenario, with a moderate chance of a single 25bp cut in 4Q25. In Serbia, no rate cuts should be expected. Romania follows through with fiscal consolidation that holds off monetary easing, as inflation increased significantly due in part to the removal of electricity price caps.

Interest rate, current and year-end forecast, percent



# Forecasts

## Real GDP growth (%)

	2023	2024f	2025f	2026f
<b>Croatia</b>	3.3	3.9	2.8	2.6
<b>Czechia</b>	0.2	1.1	2.1	2.2
<b>Hungary</b>	-0.8	0.5	0.5	2.3
<b>Poland</b>	0.1	2.9	3.2	3.1
<b>Romania</b>	2.4	0.8	1.3	2.1
<b>Serbia</b>	3.8	3.9	2.7	4.2
<b>Slovakia</b>	2.2	2.1	0.7	1.3
<b>Slovenia</b>	2.1	1.6	1.5	2.0
<b>CEE8 avg</b>	0.9	2.0	2.2	2.6

## Public debt (% of GDP)

	2023	2024f	2025f	2026f
<b>Croatia</b>	61.8	57.6	57.2	56.9
<b>Czechia</b>	42.5	43.6	44.2	44.8
<b>Hungary</b>	73.0	73.5	74.4	73.9
<b>Poland</b>	49.5	55.3	58.5	60.5
<b>Romania</b>	48.9	54.8	58.5	60.0
<b>Serbia</b>	48.4	47.5	47.6	47.0
<b>Slovakia</b>	55.6	59.3	61.3	62.1
<b>Slovenia</b>	68.4	67.0	66.8	66.4
<b>CEE8 avg</b>	52.0	55.6	57.8	58.9

## Average inflation (%)

	2023	2024f	2025f	2026f
<b>Croatia</b>	8.1	3.0	3.2	2.5
<b>Czechia</b>	10.7	2.4	2.7	2.2
<b>Hungary</b>	17.6	3.7	4.7	4.1
<b>Poland</b>	11.4	3.6	3.7	2.8
<b>Romania</b>	10.5	5.6	7.0	6.2
<b>Serbia</b>	12.5	4.6	4.5	3.9
<b>Slovakia</b>	10.5	2.8	4.0	3.5
<b>Slovenia</b>	7.4	2.0	2.2	2.0
<b>CEE8 avg</b>	11.5	3.7	4.2	3.5

## C/A (%GDP)

	2023	2024f	2025f	2026f
<b>Croatia</b>	0.4	-1.2	-2.3	-2.7
<b>Czechia</b>	0.3	1.7	1.9	1.4
<b>Hungary</b>	0.3	2.2	1.7	1.6
<b>Poland</b>	1.8	0.0	-0.8	-1.0
<b>Romania</b>	-6.6	-8.3	-7.8	-6.8
<b>Serbia</b>	-2.4	-4.7	-5.8	-5.6
<b>Slovakia</b>	-0.9	-2.8	-3.0	-3.0
<b>Slovenia</b>	4.5	4.4	3.9	3.6
<b>CEE8 avg</b>	-0.3	-1.1	-1.6	-1.6

## Unemployment (%)

	2023	2024f	2025f	2026f
<b>Croatia</b>	6.1	5.0	4.7	4.5
<b>Czechia</b>	2.6	2.7	2.9	3.5
<b>Hungary</b>	4.1	4.4	4.3	4.1
<b>Poland</b>	5.1	5.1	5.2	5.1
<b>Romania</b>	5.6	5.5	5.6	5.5
<b>Serbia</b>	9.5	8.6	8.7	8.4
<b>Slovakia</b>	5.8	5.3	5.3	5.7
<b>Slovenia</b>	3.7	3.7	3.6	3.6
<b>CEE8 avg</b>	4.9	4.8	4.9	4.9

## Budget Balance (%GDP)

	2023	2024f	2025f	2026f
<b>Croatia</b>	-0.8	-2.4	-2.8	-2.5
<b>Czechia</b>	-3.8	-2.2	-2.4	-2.5
<b>Hungary</b>	-6.7	-4.9	-4.7	-4.5
<b>Poland</b>	-5.3	-6.6	-6.2	-5.0
<b>Romania</b>	-6.6	-9.3	-7.7	-6.4
<b>Serbia</b>	-2.1	-2.0	-3.0	-3.0
<b>Slovakia</b>	-5.2	-5.3	-4.5	-3.8
<b>Slovenia</b>	-2.6	-0.9	-2.1	-1.8
<b>CEE8 avg</b>	-5.0	-5.5	-5.2	-4.5

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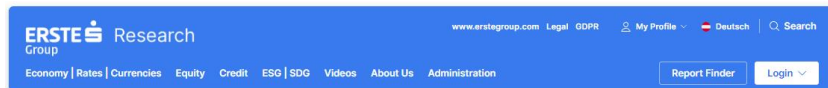
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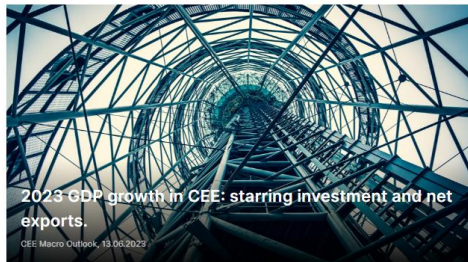
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