

CEE MACRO OUTLOOK

CEE Growth Navigator

Expected development after 1Q25 GDP data

Juraj Kotian, Katarzyna Rzentarzewska, Jakub Cery
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Spot Rates as of: May 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

Compared to the last report, **we made visible adjustments to our growth forecast. First, we reacted to the announcement of Trump's tariffs.** We worked with a baseline scenario assuming 10% tariffs on average in 2025 and 2026. Prior to the tariff announcement, our expectations for growth in CEE were between 2% and 3.8% in 2025 and between 1.9% and 4.3% in 2026. **At that point, the revision of forecasts for 2025 was rather marginal** (up to 0.3 percentage points) as we considered the potential positive impact of German stimulus (to be outweighed by tariffs). In 2026, the negative impact on growth is expected to be slightly bigger.

After seeing 1Q25 flash estimates, however, we further slashed the growth forecasts in Hungary (to 0.8% in 2025), Serbia (to 3.1% this year) and Slovenia (to 1.5% in 2025), while in Romania and Slovakia, the risks remain skewed to the downside. The structure of GDP will be published only at the end of May and beginning of June. Economic development is particularly weak in Hungary, as in q/q terms, the economy contracted in the first quarter of 2025. In Romania, we believe the political instability could have an influence on the economy. Further developments will also depend on the fiscal consolidation plan. Finally, only Czechia and Poland expanded in line with expectations and with solid growth dynamics (2.0% y/y and 3.2% y/y, respectively), and we maintain our 2025 GDP forecasts in these two countries.

All in all, the average growth in CEE8 is expected at 2.3% in 2025, only marginally higher compared to the 2024 average at 2.0%. The high level of uncertainty and negative impact of tariffs are sneaking into the economic outcome of the region.

Expected development in response to flash GDP estimates

Inflation

Apart from Romania and Slovenia, headline inflation eased in April in all other CEE countries. The recent drop of energy prices is a positive factor for price development. On the other hand, the Food Price Index increased lately and its level remains elevated. Despite an easing trend, the inflation rate remains above the central banks' target in all countries but Czechia. April's inflation at 1.8% is the lowest since March 2018.

The average 2025 inflation is likely to be higher compared to 2024 in most of the CEE countries. Only in Romania and Serbia 2025 is average inflation expected to be lower compared to 2024.

Monetary policy

The Czech National Bank lowered its interest rates to 3.25% since the beginning of the year. Looking ahead, we anticipate the next CNB rate cut in November.

Similarly, the Polish central bank reinstated monetary easing ahead of presidential elections and reduced its target rate by 50 basis points, from 5.75% to 5.25%. In our baseline, we will see an additional 50-75bp worth of cuts until the end of the year.

In other countries, namely Hungary, Romania and Serbia, we anticipate monetary easing in the second half of the year only. In Romania, monetary easing will depend on the fiscal consolidation plan and its impact on growth and inflation.

Flash GDP growth

Only Czechia and Poland expanded in line with expectations and with solid growth dynamics (2.0% y/y and 3.2% y/y, respectively). The rest of the region grew at a much slower pace or not at all. In q/q terms, the Hungarian economy contracted, while the Romanian economy stagnated. That translated into no growth in annual terms in Hungary and meager 0.2% y/y expansion in Romania. Slovakia's GDP declined by -0.7% y/y - the first negative growth rate since 4Q20. Serbia and Slovenia grew in annual terms, but the growth dynamics fell short of expectations.

Flash estimates of 2Q25 GDP growth, percent y/y

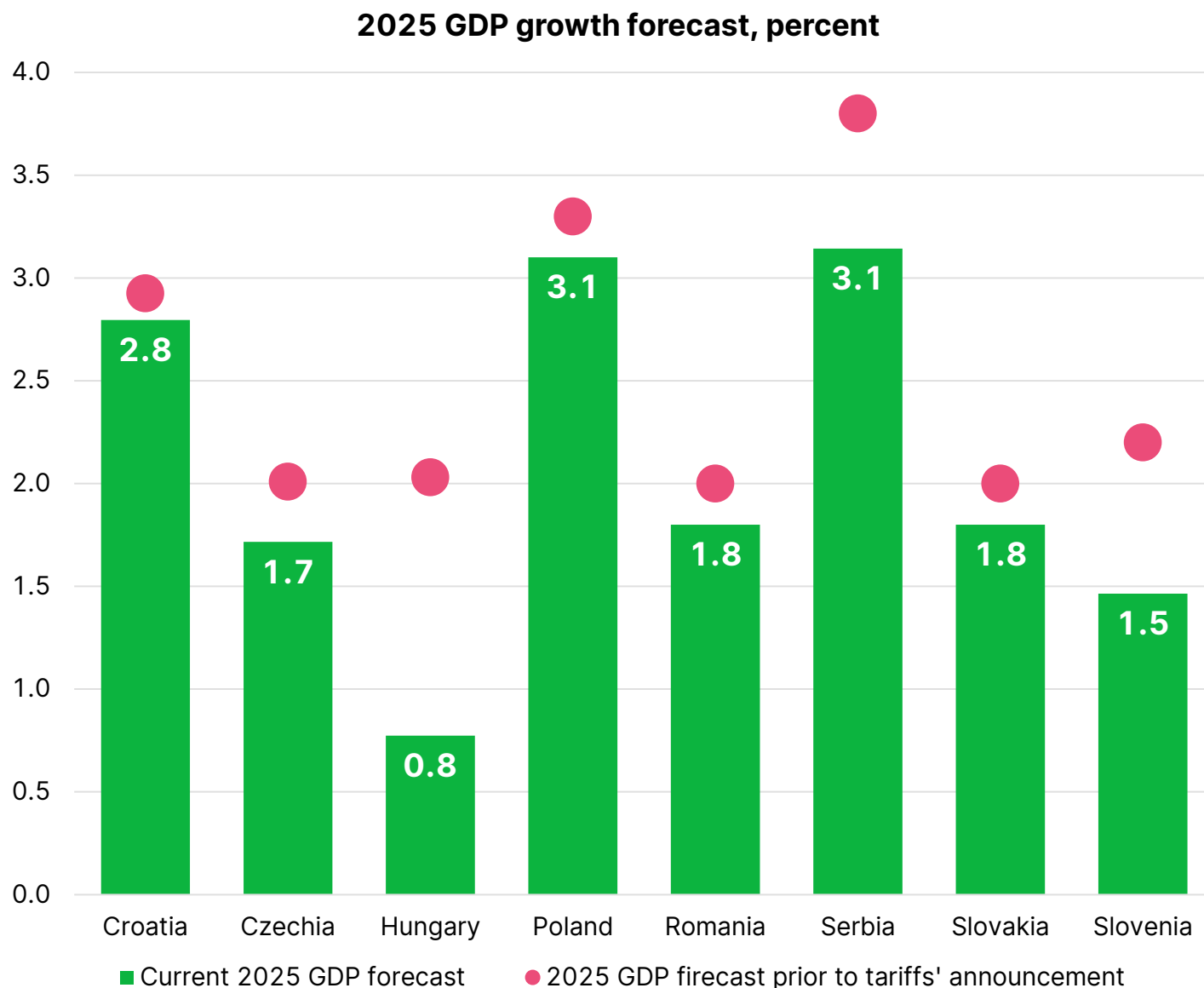
*Croatia does not publish flash estimate and therefore is omitted



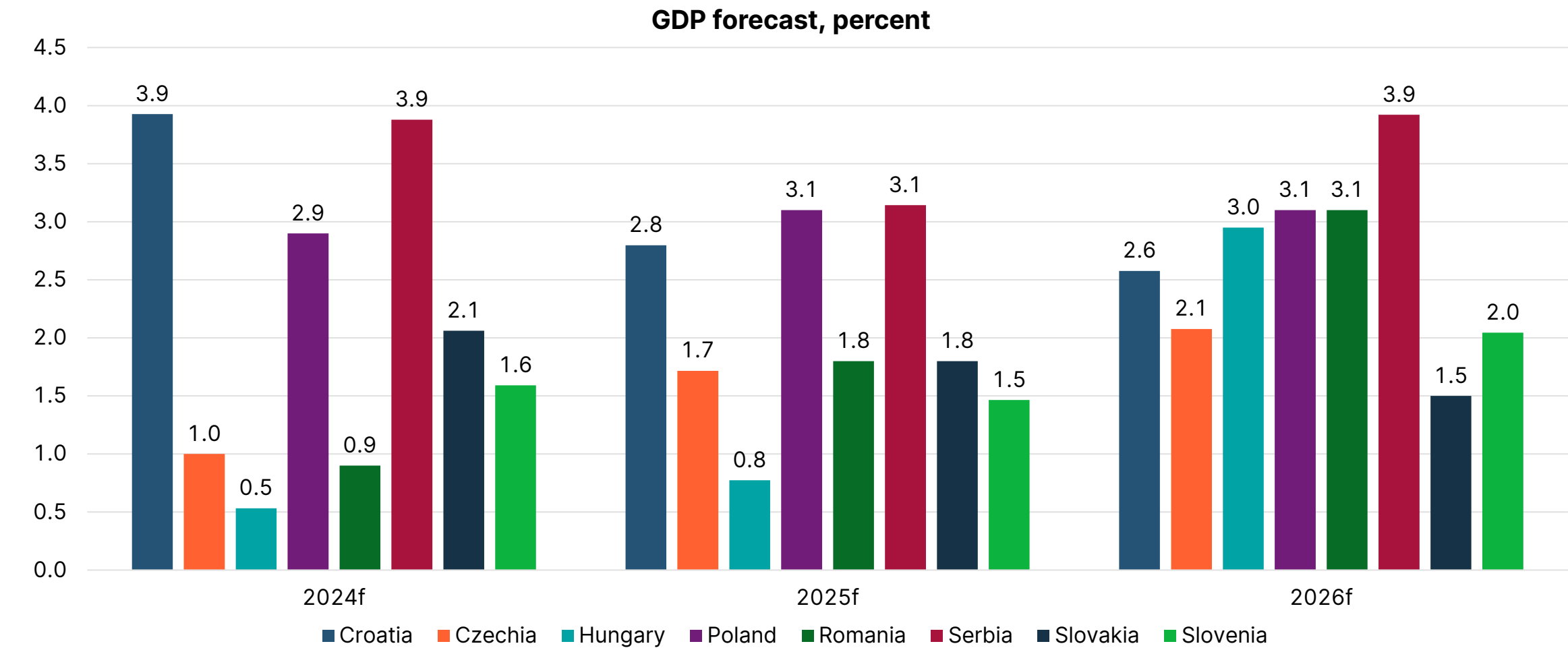
2025 economic performance

At the beginning of April, we adjusted the growth forecasts in response to the tariff announcement. At that point, the downward revision was rather marginal - see our reasoning in [CEE Special | Will tariffs knock out the growth?](#)

After 1Q25 GDP data, we further slashed the growth forecasts in Hungary (to 0.8% in 2025), Serbia (to 3.1% this year) and Slovenia (to 1.5% in 2025), while in Romania and Slovakia, the risks remain skewed to the downside. The structure of GDP will be published only at the end of May and beginning of June.



Current growth outlook: 2025 GDP growth revised more visibly downward



Expected revisions

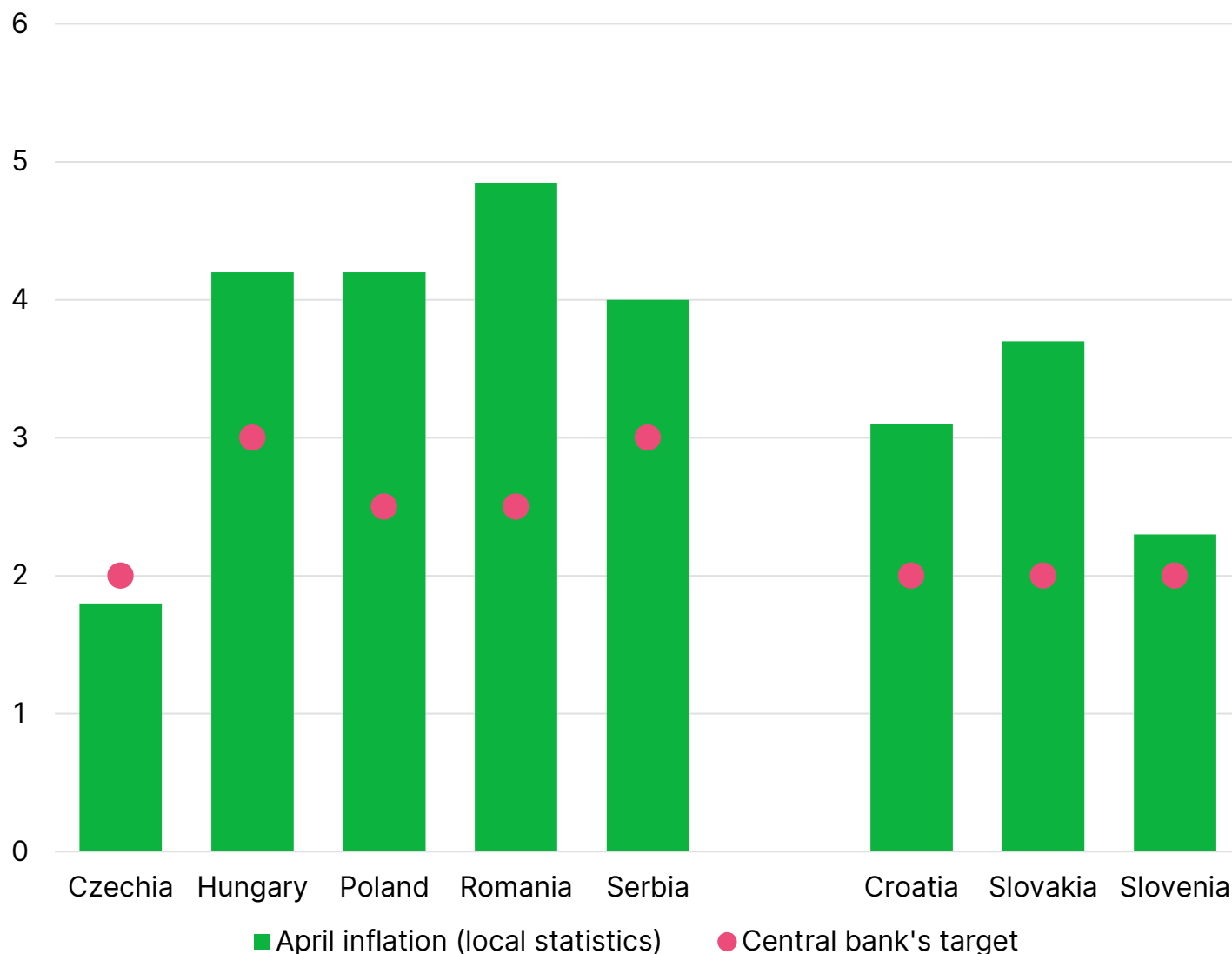
Economic development		Revision
Croatia	Without 1Q25 flash GDP we see 2025 growth at 2.8%	No revision expected at the moment
Czechia	In 1Q25 economy expanded in line with expectations	Czechia should grow at 1.7% in 2025
Hungary	Dissapointing performance in 1Q25	We slash the growth expectations to meager 0.8% in 2025
Poland	Solid economic development at 3.2% y/y in 1Q25	Economy should sustain similar pace of growth this year
Romania	Economy stagnated in q/q terms	Donward risks to our growth forecast are mounting
Serbia	Weak economic growth in 1Q25	Growth revised by 0.5pp downwards to 3.1% in 2025
Slovakia	Slight dissapointment regarding growth in 1Q25	We maintain our growth forecast at this point, however
Slovenia	Economy contracted by -0.7% y/y in 1Q25	We revised the 2025 growth forecast to 1.5%

Inflation development

Apart from Romania and Slovenia, headline inflation eased in April in all CEE countries. In Romania, inflation actually stagnated compared to the previous month, which we consider a surprise to the upside. Further, the recent drop of energy prices is a positive factor for price development. Despite an easing trend, the inflation rate remains above the central banks' target in all countries but Czechia. Inflation in April declined to 1.8% y/y in Czechia, the lowest y/y inflation figure since March 2018 and marginally below the 2% central bank target.

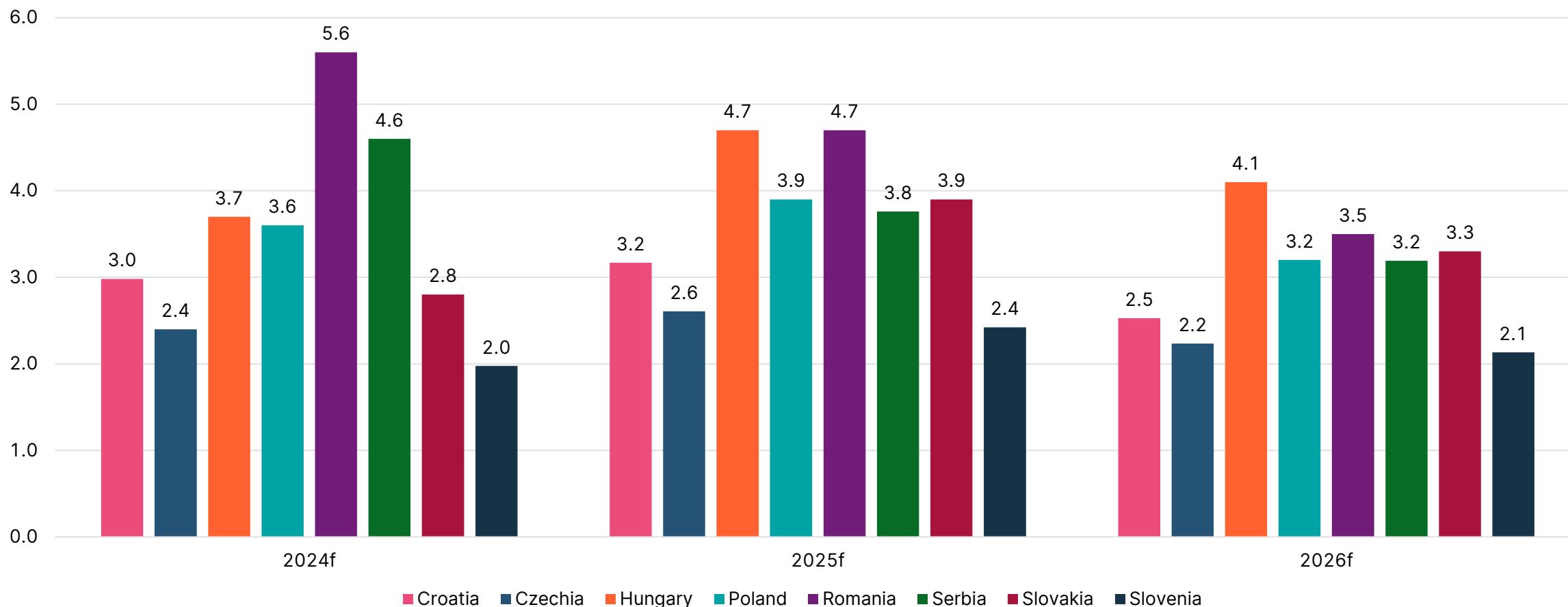
On average, however, 2025 inflation is going to be higher compared to 2024 in most of the region.

April inflation and the central bank's target, percent



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

2025 inflation forecast, percent

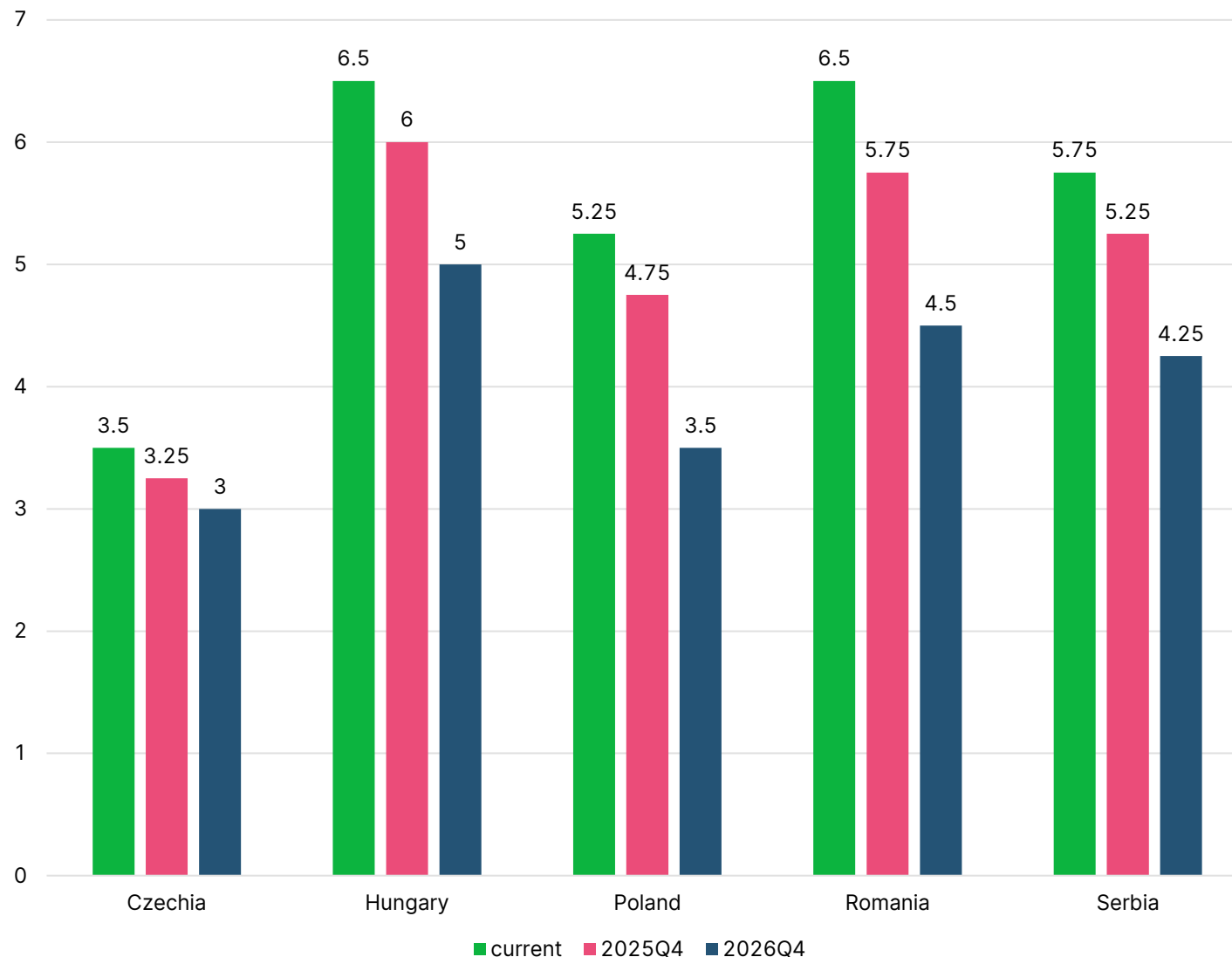


Monetary policy outlook

The Czech National Bank lowered its interest rates to 3.25% since the beginning of the year. Looking ahead, we anticipate the next CNB rate cut in November. Similarly, the Polish central bank reinstated monetary easing ahead of presidential elections and reduced its target rate by 50 basis points, from 5.75% to 5.25%. In our baseline, we will see an additional 50-75bp worth of cuts until the end of the year.

In other countries, namely Hungary, Romania and Serbia, we anticipate monetary easing in the second half of the year.

Interest rate, current and year-end forecast, percent



Forecasts

Real GDP growth (%)

	2023	2024f	2025f	2026f
Croatia	3.3	3.9	2.8	2.6
Czechia	0.1	1.0	1.7	2.1
Hungary	-0.9	0.5	0.8	3.0
Poland	0.2	2.9	3.1	3.1
Romania	2.4	0.9	1.8	3.1
Serbia	3.8	3.9	3.1	3.9
Slovakia	2.2	2.1	1.8	1.5
Slovenia	2.1	1.6	1.5	2.0
CEE8 avg	0.9	2.0	2.3	2.8

Public debt (% of GDP)

	2023	2024f	2025f	2026f
Croatia	61.8	57.6	57.0	56.4
Czechia	42.5	43.6	44.2	44.8
Hungary	73.0	73.5	74.2	73.8
Poland	49.5	55.3	58.5	60.5
Romania	48.9	54.8	57.1	59.3
Serbia	48.4	47.5	47.5	47.0
Slovakia	55.6	59.3	60.2	60.9
Slovenia	68.4	67.0	66.7	67.1
CEE8 avg	52.0	55.6	57.5	58.7

Average inflation (%)

	2023	2024f	2025f	2026f
Croatia	8.1	3.0	3.2	2.5
Czechia	10.7	2.4	2.6	2.2
Hungary	17.6	3.7	4.7	4.1
Poland	11.4	3.6	3.9	3.2
Romania	10.5	5.6	4.7	3.5
Serbia	12.5	4.6	3.8	3.2
Slovakia	10.5	2.8	3.9	3.3
Slovenia	7.4	2.0	2.4	2.1
CEE8 avg	11.5	3.7	3.8	3.1

C/A (%GDP)

	2023	2024f	2025f	2026f
Croatia	0.4	-1.2	-1.9	-2.3
Czechia	0.3	1.8	1.9	1.4
Hungary	0.3	2.2	2.2	1.7
Poland	1.8	0.2	-1.0	-1.0
Romania	-6.6	-8.3	-7.8	-6.8
Serbia	-2.4	-6.3	-6.9	-6.5
Slovakia	-1.6	-2.2	-0.8	0.3
Slovenia	4.5	4.4	3.0	2.8
CEE8 avg	-0.3	-1.1	-1.5	-1.4

Unemployment (%)

	2023	2024f	2025f	2026f
Croatia	6.1	5.0	4.8	4.6
Czechia	2.6	2.7	3.1	3.5
Hungary	4.1	4.4	4.2	4.0
Poland	5.1	5.1	5.2	5.1
Romania	5.6	5.5	5.3	5.2
Serbia	9.5	8.6	8.6	8.4
Slovakia	5.8	5.3	5.3	5.2
Slovenia	3.7	3.7	3.6	3.6
CEE8 avg	4.9	4.8	4.9	4.8

Budget Balance (%GDP)

	2023	2024f	2025f	2026f
Croatia	-0.8	-2.4	-2.5	-2.2
Czechia	-3.8	-2.2	-2.4	-2.5
Hungary	-6.7	-4.9	-4.5	-4.4
Poland	-5.3	-6.6	-6.3	-5.0
Romania	-6.6	-9.3	-7.0	-6.4
Serbia	-2.1	-2.0	-3.0	-3.0
Slovakia	-5.2	-5.3	-4.5	-3.8
Slovenia	-2.6	-0.9	-2.1	-1.8
CEE8 avg	-5.0	-5.5	-5.1	-4.4

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Juraj Kotian



Katarzyna Rzentarzewska



Jakub Cery

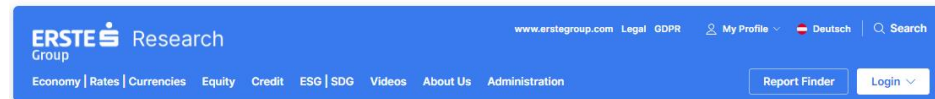


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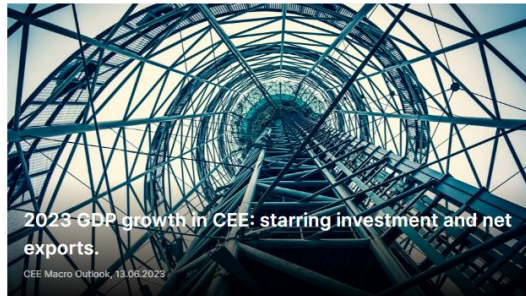


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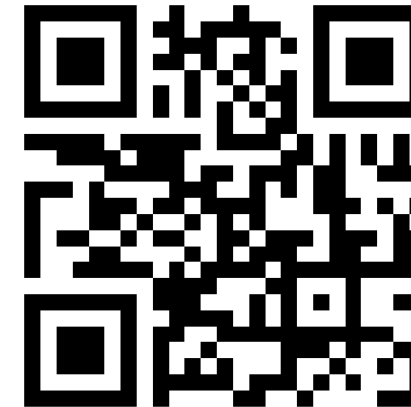
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Erste Group Research (Vienna)

Fritz Mostböck, CEFA®, CESGA®
Head of Group Research
+43 5 0100 11902
friedrich.mostboeck@erstegroup.com

Juraj Kotian
Head of CEE Macro/ FI Research
+43 5 0100 17357
juraj.kotian@erstegroup.com

Rainer Singer, CEFA®
Head of Major Markets & Credit Research
+43 5 0100 11909
rainer.singer@erstegroup.com

Henning Eßkuchen
Head of CEE Equity Research
+43 5 0100 19634
henning.esskuchen@erstegroup.com

Local Research Offices

Bratislava
Slovenska Sporitelna
Head: Maria Valachyova
+421 (2) 4862 4158
valachyova.maria@slsp.sk

Prague
Ceska Sporitelna
Head: David Navratil
+420 224 995 439
DNavratil@csas.cz

Budapest
Erste Bank Hungary
Head: Jozsef Miro
+36 (1) 235 5131
Jozsef.Miro@erstebroker.hu

Warsaw
Erste Securities Polska
Head: Cezary Bernatek
+48 22 257 5751
Cezary.Bernatek@erstegroup.com

Bucharest
Banca Comerciala Romana (BCR)
Head: Ciprian Dascalu
+40 3735 10 424
ciprian.dascalu@bcr.ro

Zagreb/ Belgrade
Erste Bank
Heads: Alen Kovac, Mladen Dodig
+385 72 37 1383, +381 1122 09178
akovac2@erstebank.com
Mladen.Dodig@erstebank.rs

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