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Economic trends in CESEE EU member states

CESEE economies continue to grow despite energy crisis, but economic headwinds are strong

The economies in Central Eastern and Southeastern Europe (CESEE) continued to grow in the first half of 2026 despite the war in the Middle East, trade tensions and elevated commodity prices. Real GDP growth averaged around 2%, supported by domestic demand, EU-funded investment, a gradual improvement in industrial activity and a solid banking sector. Inflation remained contained despite renewed energy and food price shocks. However, labour markets are cooling, competitiveness pressures are building, fiscal deficits need to be reduced and inflation risks remain tilted to the upside.

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Growth held up despite global headwinds

Real GDP growth was around 2% in H2 2026. Domestic demand balanced negative effects from the international environment and manufacturing recovered somewhat. Convergence with the euro area continued in most countries.



Investment emerged as backbone of the economy

Investment was the largest growth contributor, benefiting from EU funds disbursements. Private consumption, to the contrary, lost some steam as labour markets cooled down and wage growth decelerated.



Inflation contained, but risks are tilted to the upside

Inflation was 4.3% on average in September 2026, well below the levels of 2022 and 2023, despite renewed energy and food price shocks. Yet delayed price pass-throughs and elevated wage growth and services inflation keep risks to the upside.

Economic trends in CESEE EU member states

CESEE economies continue to grow despite energy crisis, but economic headwinds are strong

1 Regional overview

The first half of 2026 tested the resilience of the EU member states in Central, Eastern and Southeastern Europe (CESEE).[1, 2, 3] The region had to navigate a difficult international environment: conflict in the Middle East, ongoing trade tensions and elevated commodity prices all threatened to undermine growth. Yet the feared downturn did not materialise. Domestic demand held up, inflation did not spiral out of control and manufacturing even regained some footing. On average, the region recorded real GDP growth of around 2% in the first two quarters of the year, allowing most countries to continue narrowing the income gap vis-à-vis the euro area.

This level of resilience was no coincidence. Energy markets adjusted to the closure of the Strait of Hormuz better than initially expected, helped by higher production from non-OPEC suppliers, inventory drawdowns, weaker demand and substitution towards renewable energy. Global activity also surprised on the upside across advanced and emerging economies. The IMF expects growth of around 1.1% for the euro area in 2026 – a significantly better outcome than in 2023, in the wake of the severe energy crisis. In CESEE, investment received an additional boost as several EU funding programmes moved into their final stages, creating pressure to turn available funds into actual projects.

But that CESEE countries have been resilient to some shocks does not mean they are immune. Some of the mechanisms that cushioned the oil shock may be approaching their limits and oil futures have already risen significantly. Refined petroleum products remain under pressure, natural gas prices have reached multi-year peaks and adverse weather conditions alongside higher fertiliser prices have added to food inflation. At the same time, borrowing costs for governments have risen sharply amid a broader international bond market repricing. Higher term premiums also reflected fiscal and credit risks in some countries and – in part – expectations of higher short-term rates as price pressures are set to remain elevated. This has hit the CESEE region at a time of elevated debt levels in several countries and partly strong debt dynamics and excessive deficits. Finally, some of the current drivers of growth are already showing signs of slowing down (e.g. private consumption) or are set to lose momentum going forward (e.g. investment). The central question is therefore whether the region can sustain growth as external risks continue to loom and domestic policy support becomes more constrained.

A resilient but uneven expansion

Looking at key macroeconomic indicators, 2026 has been a year of relative stability so far – despite all the turbulence in the world economy. Average annual growth stood at 2% in the first half of 2026, down

[1] Compiled by Josef Schreiner with input from Katharina Allinger, Vytenis Cipinys, Mathias Lahnsteiner, Thomas Reininger, Thomas Scheiber and Zoltan Walko.

[2] Cut-off date: 16 October 2026 (21 October 2026 for fiscal data). This report focuses primarily on data releases and developments from April 2026 up to the cut-off date and covers Bulgaria, Croatia, Slovakia, Slovenia, Czechia, Hungary, Poland and Romania. The countries are ordered according to their level of EU integration (primarily in terms of euro area membership).

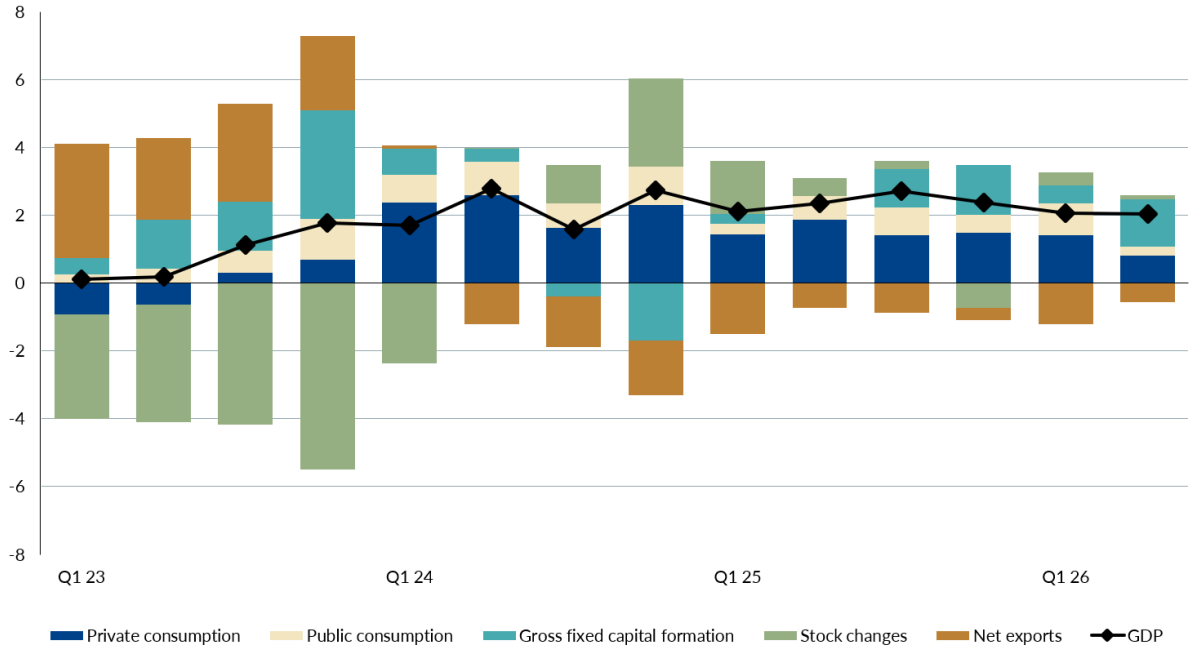
[3] All growth rates in the text refer to year-on-year changes unless otherwise stated.

somewhat from the growth rate recorded in the second half of 2025 (2.6%, see chart 1). Growth in Hungary picked up to 1.7% (from 1.2% in the second half of 2025) and Poland and Slovenia, with real GDP growth of over 3% and over 4% respectively, outperformed the rest of the region by quite some margin. But the regional picture is of course uneven: Romania faced significant headwinds from fiscal consolidation and high inflation squeezed real incomes and pushed the country into recession.

Chart 1

GDP growth and its main components in CESEE EU

Percentage points, GDP growth in % (year on year)



Source: Eurostat.

Investment is the bright spot, but the clock on EU funds is ticking

Investment has become the clearest strength in the current growth mix. It rose by 7.1% in the second quarter of 2026 and contributed 1.4 percentage points to GDP growth, more than any other component. The increase was broadly based, covering both machinery and construction. Surveys suggest that demand and financing conditions were favourable and that – also given high capacity utilisation and rising borrowing – investment expenditure is likely to remain at a high level throughout 2026.

EU funding has been central to this momentum. Disbursements under the 2021–2027 Multiannual Financial Framework have increased as the final year of this framework is approaching. Payments under the Recovery and Resilience Facility (RRF) have also risen, reaching about EUR 11 billion in the second quarter of 2026 as the facility approached the end of its implementation period on 31 August 2026. RRF implementation has generally been slower than planned, backloaded and constrained by several factors: (1) Absorption capacity is often weak, as countries struggle with administrative bottlenecks, project pipeline shortages and weak local government capacity. (2) Some countries faced difficulties with the conditionality and the rule-of-law requirements of the RRF and some cohesion funds. (3) Strained public budgets are also putting pressure on co- and pre-financing requirements. The Commission is currently assessing member states' final payment requests, which may be implemented up to 31 December 2026. Should the assessments lead to a negative outcome, countries will lose RRF funds permanently, as there

is no automatic extension of the RRF beyond the end of 2026 unless EU regulations are formally amended. At present, there are also no plans for a direct replacement of the RRF from 2027 onwards.

Looking further ahead, the Security Action for Europe (SAFE) initiative could provide additional support through up to EUR 150 billion in long-maturity, low-cost loans for joint defence procurement and defence-industrial investment. The European Commission has endorsed plans from Bulgaria, Croatia, Czechia, Romania, Poland and Slovakia, amounting to around EUR 70 billion in total, of which approximately EUR 10 billion have already been disbursed.

Households are still spending, but the support from rising incomes is becoming less powerful

Private consumption was the second backbone of growth. It grew by an (unweighted) average of 2.7% in the first half of 2026, easing from 3% in the second half of 2025. The credit take-up from households accelerated over the review period and the labour market remains a source of support. Concerning the latter, however, signs of cooling are becoming clearer: Unemployment rose to 4.4% in the second quarter, from 4.2% a year earlier, and a broader measure of labour market slack, i.e. the share of persons with an unmet need for employment in the extended labour force, increased from 6.3% to 6.7%. Although regional employment rates remained largely above the euro area average, hiring has slowed and labour market tightness has eased across sectors.

This was reflected in wage dynamics. Nominal wage growth slowed to an average 7.0% in the first half of 2026, from 8.5% in the second half of 2025. Real wage growth also eased, from 4.5% to 3.1%, as inflation remained stubbornly high. Consumer confidence was fickle and proved sensitive to geopolitical news: Sentiment improved in early summer amid hopes of a resolution to the war in the Middle East, only to weaken again in August and September when tensions flared. Surveys also show that households continue to regard their current economic situation as relatively stable, while – in view of rising prices and growing unemployment – they expect their financial situation to deteriorate over the next twelve months.

Public consumption supports growth, but many countries are in need of fiscal consolidation

The public sector also continued to have a positive impact on the economy. Public consumption contributed 0.6 percentage points to growth in CESEE in the first half of 2026 (down from 0.7 percentage points in the second half of 2025). This can be attributed to a combination of higher public sector wage expenditure, expanding public services, rising healthcare and social care costs and continued defence-related spending. The region, on average, has upped its defence spending by some 0.7 percentage points of GDP since 2022, with Poland recording by far the largest increase (+2.5 percentage points of GDP).

The positive growth contribution of the public sector, however, moderated notably throughout the year (from 0.9 percentage points in the first to 0.3 percentage points in the second quarter of 2026). Looking ahead, fiscal policy is likely to remain a source of support for domestic demand in several countries, despite widespread consolidation commitments. Higher defence spending, infrastructure investment and other strategic priorities, alongside persistent pressures from public wages, pensions and social expenditure, are complicating efforts to bring deficits down.

This raises questions about the medium-term sustainability of public finances. Hungary, Slovakia, Poland, Bulgaria and Romania are currently undergoing excessive deficit procedures and are required to correct their excessive deficits by 2026, 2027, 2028, 2029 and 2030, respectively. Whether these deadlines will be met in all countries remains uncertain. Moreover, higher government borrowing costs could increasingly add to fiscal pressures, particularly in countries with high financing needs and limited fiscal buffers.

Industry is turning a corner, but exports still face headwinds

The external sector has been the main drag on CESEE growth for more than two years. In the first half of 2026, it reduced GDP growth by an average 0.9 percentage points. Strong domestic demand pushed real imports up by 4.7%, while real exports grew by only 1.9% on average (unweighted). Weaker external demand, higher costs, structural challenges in key sectors such as automotive manufacturing and intensifying competition from China all constrained exporters.

Competitiveness pressures have also accumulated. Rapid wage growth since 2022 has lifted unit labour costs and real exchange rates have appreciated against the euro. Over the past four years, real exchange rates have strengthened by around 10% in Poland, Slovakia and Slovenia, nearly 30% in Hungary, Bulgaria and Croatia and 40% in Romania. Czechia was the only country to keep its real exchange rate broadly stable. So far, however, CESEE countries have not suffered any significant loss of export market shares, suggesting that non-price competitiveness continues to matter.

Positive surprises also came from the euro area economy and improving PMI readings. This could provide some counterbalance for the external slump and support CESEE exports and industrial production in the second half of 2026. In fact, export-oriented industrial production has been growing slowly but steadily for almost a year now (especially in machinery and electrical equipment). Industrial sales have picked up significantly since April 2026 – with export sales growth outpacing domestic sales growth for the first time in three years – and order books are recovering.

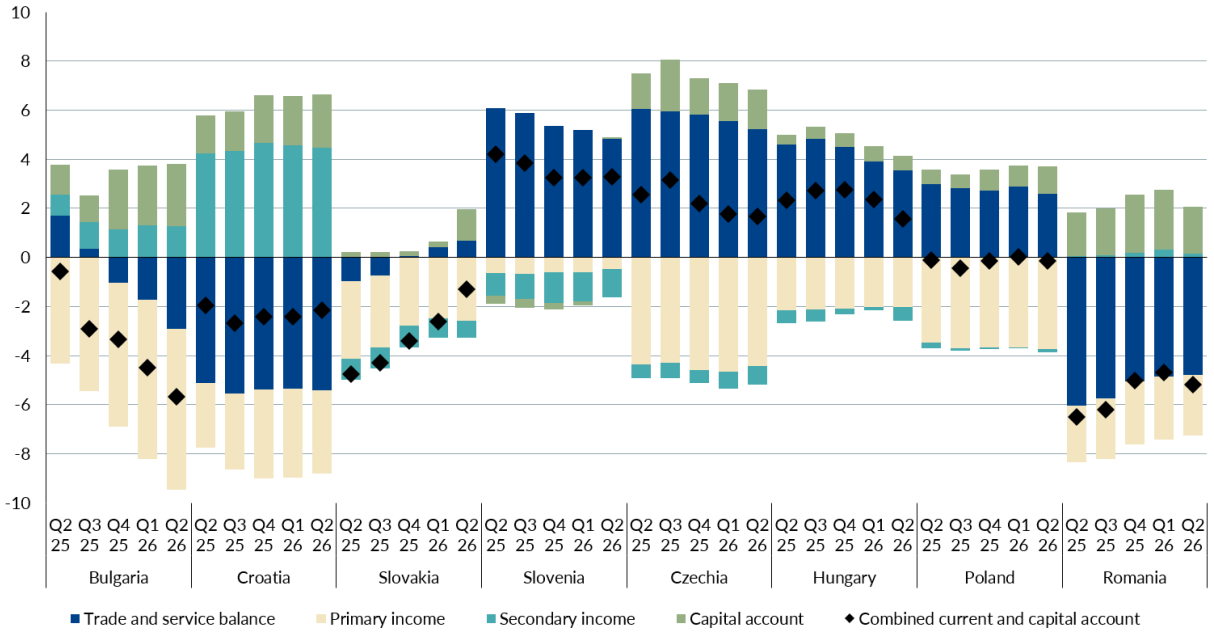
External accounts remain largely solid, but country differences deserve attention

External balances are no cause for concern at the regional level, but country differences deserve attention. CESEE's combined current and capital account deficit stood at 0.9% of GDP (four-quarter moving sum, see chart 2) in the second quarter of 2026, broadly unchanged from end-2025 and fully covered by foreign direct investment (FDI) inflows. Slovenia, Czechia and Hungary recorded (strong) surpluses, while Poland was broadly balanced. Slovakia narrowed its deficit from 4.8% of GDP in mid-2025 to 1.3% of GDP a year later, as its trade balance moved into surplus and its capital account surplus increased. By contrast, Bulgaria's deficit widened from 0.6% of GDP to 5.7% of GDP (the largest in the region) due to a weaker trade balance. Although it fell by more than 1 percentage point of GDP, Romania's deficit also remained high at 5.2% of GDP. In both Bulgaria and Romania, FDI inflows were insufficient to fully cover the deficit.

Chart 2

Combined current and capital account balance in CESEE EU

% of GDP, four-quarter moving sum



Source: Eurostat, national central banks.

Inflation in CESEE has remained contained so far despite renewed energy and food price shocks

CESEE had to cope with two inflationary shocks in the global economy. First, energy: Global oil prices increased strongly after the escalation of the Middle East conflict in March, when Brent crude reached a peak of USD 114 per barrel in May. After more contained price developments over the summer, oil prices returned to over USD 100 per barrel in mid-September, which corresponds to an increase of more than 50% relative to their February level. Gas prices even increased by a factor of 2.5.

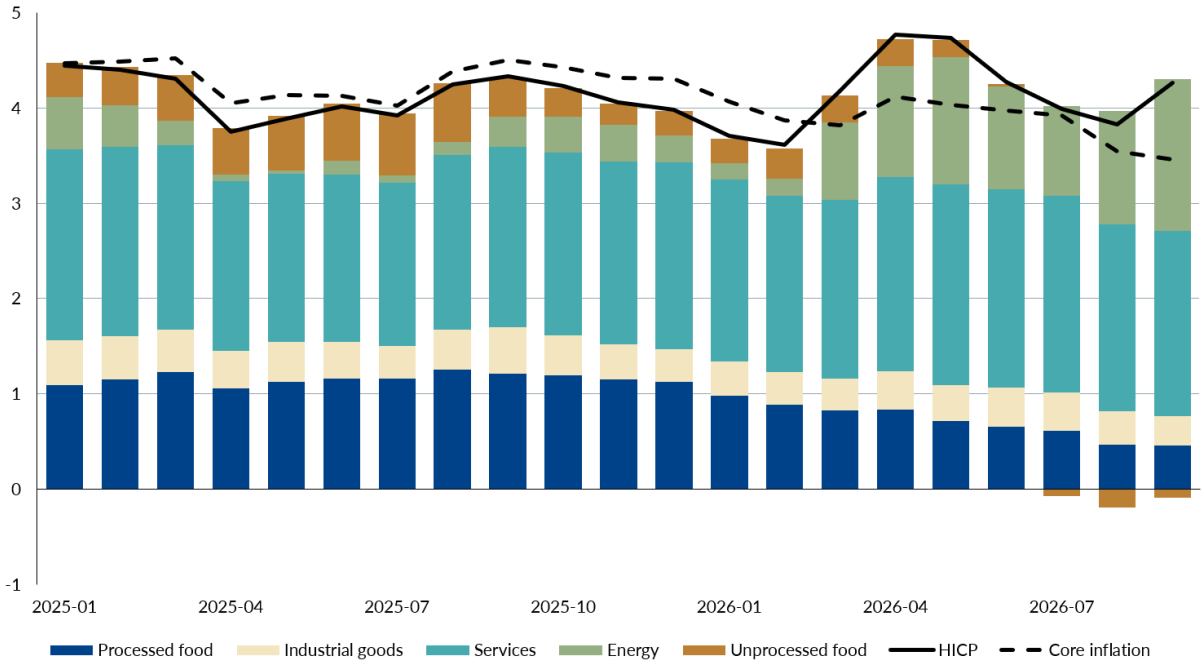
Second, food prices. The Food and Agriculture Organization's Food Price Index rose for the third consecutive month in September 2026 to stand 5.8% above its level of a year earlier, reaching its highest level since November 2022. The increase was driven by cereals, vegetable oils and sugar, while meat prices were unchanged from a year earlier.

Yet, inflation in CESEE has so far been remarkably restrained. The rise in energy prices led to a spike in inflation in April and May (to 4.7% on average, see chart 3) before price growth eased again during summer. Price pressures intensified again in September, largely mirroring the development of global oil prices. At 4.3% on average across the region, however, inflation remained below its spring levels and considerably below the levels reported in 2022/2023 (15% and above). Hungary and Czechia stand out with particularly low inflation of only around 2% in September 2026. Moreover, core inflation has broadly been on a downward trend, coming in at an average 3.5% in September 2026. This is the lowest level since mid-2021. However, inflation on average was still higher than in the euro area and Romania posted the highest (6.5%) and Bulgaria the third highest (5.6%) inflation reading in the EU in September 2026.

Chart 3

Inflation in CESEE EU

Percentage points; HICP and core inflation in %, year on year



Source: Eurostat.

Timing, policy, structural and cyclical factors have cushioned the inflationary impact so far

Several factors contributed to the comparatively muted price responses, especially when compared to the first energy price shock in 2022. First, global food price growth has accelerated more strongly only recently and has not yet had a chance to fully feed through into domestic consumer prices. Second, the gas price shock was significantly more severe in 2022 than that seen so far this year. Third, the oil-price shock has immediately triggered a renewed wave of government interventions across CESEE. Fourth, CESEE economies today are less energy intensive than before Russia's full-scale invasion of Ukraine and their energy mix is more diversified in terms of suppliers, energy sources (renewables vs non-renewables) and energy carriers (electricity vs fuels).

Moreover, the general macroeconomic situation is different. The recovery from the pandemic lockdowns and supply chain bottlenecks had led to rising inflationary pressures starting in mid-2021. At the same time, labour market conditions had tightened and wage growth had accelerated. Today, growth is significantly slower and labour market conditions and price pressures had eased somewhat before the outbreak of the Middle East war. That could also explain why inflationary pressure has not yet spread to large parts of the consumption basket. During the inflation spike of 2022, the share and the combined weight of items with rising inflation rates in the Harmonised Index of Consumer Prices (HICP) quickly climbed to over 80% and remained above 50% for over a year. During the current inflation wave, the share increased to above 50% only once (in April 2026) and then quickly returned to more moderate levels.

But we are not out of the danger zone and inflation risks remain clearly tilted to the upside

However, that does not mean that the current situation is not challenging. On the contrary, risks are manifold.

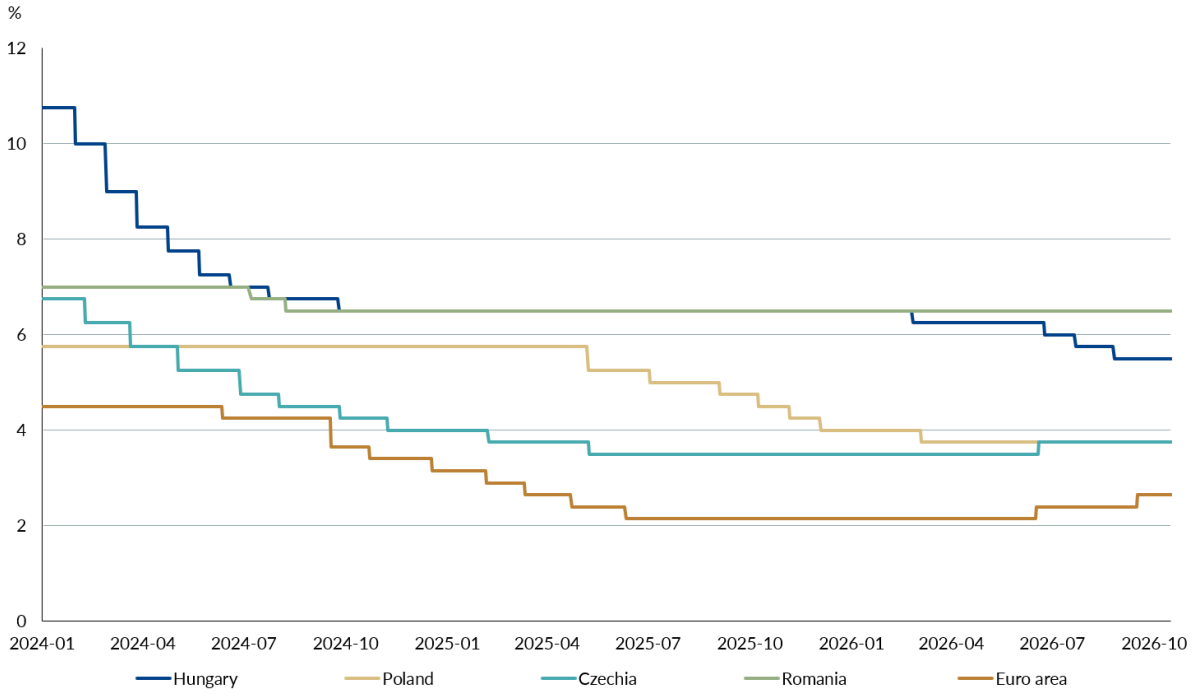
(1) Rising fertiliser prices could drive up food prices further and already higher global food prices will eventually show up in domestic HICPs.
(2) Producer prices are rising at a much faster pace than consumer prices.
(3) Energy prices are likely to remain elevated despite a potential resolution of the conflict between the US and Iran (destroyed refinery capacity, restocking of major importers).
(4) Backward-looking wage indexation mechanisms could potentially slow the downward trend in wage growth to some extent.
(5) Government interventions come at high fiscal costs.
(6) Extreme summer heat is likely to have contributed to inflation by reducing production capacity at hydropower and nuclear plants, affecting agriculture and constraining supply chains due to transportation bottlenecks as a result of low water levels.
Moreover, risks to price stability were already present before the war in the Middle East. Household consumption had been strong for some time and the prolonged period of above-average wage growth was contributing to domestic inflationary pressures. This is reflected primarily in persistently elevated services inflation and a significant rise in property prices. A possible further increase in total public sector expenditure could lead to fiscal policy having a stronger inflationary effect, while the strong growth in lending is already contributing to an increase in the money supply in the economy.

Diverging monetary policy paths reflect differing inflation dynamics

Monetary policy in CESEE is increasingly diverging. On the one hand, Hungary has entered an easing cycle, supported by low inflation, a strong forint and lower risk premiums following the parliamentary elections in April. Hungary has been undershooting its inflation target (3% ± 1 percentage point) for five consecutive months (with consumer price inflation (CPI) of 1.6% in September 2026) and has cut its policy rate in four steps from 6.5% in February to 5.5% in August 2026 (see chart 4).

Chart 4

Policy rate developments



Source: Macrobond.

Higher yields and weaker currencies narrow policy space across CESEE

The international monetary environment has become more restrictive after rate hikes by the ECB and the Fed, narrowing the policy space for CESEE central banks. The Polish zloty and the Romanian leu have already lost about 4% against the euro and about 8% against the US dollar year to date. Apart from lower interest rate differentials, financial market considerations are becoming an increasingly important factor for exchange rate volatility in both countries, driven by fiscal concerns, politics and rating risks.

Bond yields in CESEE have trended up by an average of about 70 basis points since February 2026, increasing refinancing costs in an environment of already strained public budgets. This reflected a combination of broader European bond market repricing and country-specific fiscal and political risks. Two countries stand out: In Poland, yields shot up by more than 120 basis points. The rise was exacerbated by Moody's September downgrade of its sovereign rating to A3, which reflected persistent fiscal deficits, rising debt-servicing costs and limited prospects for consolidation in the run-up to the 2027 parliamentary elections. Hungary, by contrast, has withstood the regional trend of rising sovereign yields and benefited from a strong post-election rally driven by expectations of fiscal consolidation, closer EU integration and eventual euro adoption (-80 basis points since February).

Credit expansion accelerates and banking sector fundamentals remain solid

Credit markets across CESEE continued to expand. Monetary easing since mid-2023 has stimulated loan demand, bringing the growth of credit to the private sector to an average 10.7% in August 2026. That is 2.2 percentage points higher than in the previous year. The increase was broadly based and reflected strong housing demand, consumption credit, working capital needs and a pickup of investment. Credit supply remained broadly supportive too, but banks are becoming somewhat more selective. Funding constraints are generally not a major issue, but risk perceptions, regulatory requirements and uncertainty about the economic outlook are becoming more important.

Banking sectors are generally in good shape. The average return on assets stood at 1.5% in the second quarter of 2026, only slightly below the record levels seen in 2023 and 2024. Interest margins remained high and asset quality solid. The average ratio of non-performing loans (NPL ratio) stood at a historical low of 2.1% in mid-2026. However, this decline was often driven by strong credit growth, while the stock of non-performing assets increased moderately in several countries. Tier 1 capital ratios were above euro area averages in all CESEE countries and banks enjoyed comfortable liquidity and refinancing conditions.

Summing up: CESEE is defying gravity but for how long?

Taken together, the first half of 2026 shows that CESEE has so far weathered a difficult global environment better than might have been expected. Domestic demand, EU-funded investment, a healthy banking sector and a gradual improvement in industrial activity have helped sustain growth and continued convergence. But the foundations are not equally strong everywhere: labour markets are cooling, fiscal deficits need to be reduced, external demand remains fragile and competitiveness pressures are building. CESEE has also weathered the renewed global commodity price shocks relatively well, with inflation remaining under control so far. However, delayed price pass-throughs along with elevated wage and services inflation leave inflation risks tilted to the upside. Monetary policy paths are diverging given country-specific inflation trajectories and rising borrowing costs, and – in some countries – depreciating currencies are limiting the domestic policy space.

2 Bulgaria: inflation shock complicates fiscal consolidation

The blockade of the Strait of Hormuz resulted in an external shock that significantly affected inflation in Bulgaria, while its impact on economic activity has remained limited so far. Relatively high energy intensity of GDP and the significant share of foreign value added in final demand have left the Bulgarian economy vulnerable to global energy price volatility.

As a result, headline inflation (HICP) jumped to 6.0% in April and 6.3% in May. In August and September 2026, inflation surged again, reaching 5.0% and 5.6%, respectively. This was driven by higher fuel prices and persistent domestic wage pressures, which pushed inflation for services to 7.2% in August, alongside seasonal price increases in the tourism sector. The government reacted quickly to shield low-income car owners, energy-intensive industries, transport companies and farmers from part of the rise in energy costs.

Real GDP growth moderated to 2.8% year on year in the first half of 2026 but remained above potential. Again, consumer spending remained the growth engine, fuelled by rising income and low unemployment. It contributed 5.6 percentage points to real GDP growth. Other significant growth impulses came from gross fixed capital formation, which was supported by increased absorption of RRF funds and contributed 1.2 percentage points, as well as inventories.

Exports contracted by 4.2% year on year in the first half of 2026. Exports of goods are expected to recover in the second half of 2026 since maintenance work at major metal and oil processing plants has finished. Strong domestic demand and inventory accumulation, both of which have a high import content, contributed to an increase in the imports of goods by 8.5% year on year, reducing GDP growth by 4.4 percentage points. Consequently, net exports contributed -7.1 percentage points to real GDP growth in the first half of 2026 and the goods trade deficit deteriorated to 9.4% of GDP in the second quarter, while the service trade balance posted a robust surplus at 6.0% of GDP. The current account deficit deteriorated to 8.2% of GDP in the second quarter of 2026.

Real GDP growth has been revised downwards to 2.5%–2.8% for 2026 and is expected to moderate further in 2027. Inflation forecasts have been revised upwards to 5.0%–5.2% in 2026 and 3.5%–3.6% in 2027, respectively.

The new alliance Progressive Bulgaria, led by the former president and now prime minister, Rumen Radev, formed a stable government, ending years of political deadlock. Shortly after taking office, the government legislated its delayed 2026 budget, targeting a deficit of 5.7% of GDP, as one-off EU fund inflows expire and military equipment deliveries are increasing. This figure exceeds the 4.1% of GDP assumed by the European Commission when the Council of the EU opened an excessive deficit procedure against Bulgaria on 10 July 2026. As a first step to address the rising government deficit, the government legislated smaller increases in public sector wages and social benefits.

On 25 September 2026, the National Assembly adopted a new mechanism for setting the minimum wage that takes into account four criteria: the cost of living, the overall level of wages and their distribution, the rate of wage growth and the long-term levels of labour productivity in Bulgaria. The minimum wage for the following year will be set by 15 August each year, with the formula for its calculation left to political compromise.

Table 1

Main economic indicators: Bulgaria

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	1.7	3.4	3.1	3.0	3.1	2.9	2.6
Private consumption	1.1	4.9	7.8	8.1	9.5	10.6	8.1
Public consumption	1.1	3.6	7.0	5.1	3.8	1.7	−0.1
Gross fixed capital formation	10.2	1.5	11.4	9.2	14.8	7.6	6.9
Exports of goods and services	0.0	1.8	−2.1	−4.3	0.3	−8.8	0.3
Imports of goods and services	−5.5	3.9	5.9	3.9	10.8	8.5	8.5
Contribution to GDP growth in percentage points							
Domestic demand	−2.1	4.6	7.5	7.5	7.7	12.8	7.0
Net exports of goods and services	3.8	−1.2	−4.4	−4.6	−4.6	−9.9	−4.4
Exports of goods and services	0.0	1.1	−1.2	−2.2	1.0	−5.4	0.1
Imports of goods and services	3.8	−2.3	−3.2	−2.3	−5.7	−4.5	−4.4
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	13.1	12.2	9.3	7.3	10.4	8.5	1.2
Unit labour costs in manufacturing (nominal, per hour)	21.2	11.2	15.5	15.1	15.5	10.6	7.9
Labour productivity in manufacturing (real, per hour)	−3.6	1.2	−1.5	−1.8	−2.0	2.6	3.5
Labour costs in manufacturing (nominal, per hour)	16.7	12.4	13.9	13.0	13.2	13.5	11.6
Producer price index (PPI) in industry	−9.7	−3.7	15.1	11.6	15.9	5.9	13.5
Consumer price index (here: HICP)	8.6	2.6	3.5	3.7	3.7	2.4	5.8
EUR per 1 BGN, + = BGN appreciation	0.0	0.0	0.0	0.0	0.0	..	..
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	4.4	4.3	3.6	3.5	3.2	3.2	3.6
Employment rate (%, 15–64 years)	70.7	70.9	70.9	71.4	70.7	70.5	70.5
Key interest rate per annum (%)	..	..	..	..	..	2.2	2.2
BGN per 1 EUR	2.0	2.0	2.0	2.0	2.0	..	..
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	12.3	14.7	15.3	14.9	15.3	15.6	16.1
of which:							
loans to households	15.9	20.8	21.1	20.9	21.1	20.8	21.0
loans to non-bank corporations	9.9	10.2	10.6	10.1	10.6	11.4	11.9
Share of foreign currency loans in total loans to the non-bank private sector	23.8	20.9	20.5	19.4	20.5	0.4	0.3
Return on assets (banking sector)	2.1	2.1	1.8	1.9	1.8	1.7	1.8
Tier 1 capital ratio (banking sector)	20.5	21.3	25.1	21.9	25.1	25.0	25.0
NPL ratio (banking sector)	2.1	1.8	1.5	1.8	1.5	1.7	1.8
% of GDP							
General government revenues	36.6	36.0	38.1				
General government expenditures	38.6	39.0	42.1				
General government balance	−2.0	−3.0	−4.0				
Primary balance	−1.5	−2.5	−3.2				
Gross public debt	22.8	23.7	29.9				
% of GDP							
Debt of non-financial corporations (non-consolidated)	56.4	52.8	52.5				
Debt of households and NPISHs[2] (non-consolidated)	23.6	25.6	28.2				
% of GDP (based on EUR), period total							
Goods balance	−4.2	−4.8	−8.0	−6.4	−10.4	−10.3	−9.4
Services balance	8.9	7.8	7.0	8.0	4.6	6.0	6.0
Primary income	−7.5	−4.5	−5.9	−6.7	−6.8	−6.8	−5.9
Secondary income	1.6	0.9	1.1	1.5	1.1	1.3	1.1
Current account balance	−1.2	−0.6	−5.8	−3.5	−11.4	−9.8	−8.2
Capital account balance	1.6	1.7	2.4	0.8	6.4	1.9	0.7
Foreign direct investment (net)[3]	−3.9	−1.6	−2.5	−5.0	−3.5	−8.2	−1.3
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	48.4	48.3	50.5	50.9	50.5	57.9	56.9
Gross official reserves (excluding gold)	41.8	37.0	30.2	35.7	30.2	2.2	2.1
Months of imports of goods and services							
Gross official reserves (excluding gold)	8.7	8.2	7.0	8.2	7.0	0.5	0.5
EUR million, period total							
GDP at current prices	94,525	104,767	116,018	32,037	33,471	27,330	30,293

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).
Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

3 Croatia: less momentum and uncertain outlook

Croatian GDP grew by 2% year on year in the first half of 2026, down from 3.3% in the second half of 2025, but still above euro area growth (0.9%). Growth decelerated across all domestic expenditure components – most strongly for gross fixed capital formation (from an exceptionally high 12.6% in the final quarter of 2025 to 1.5% in the second quarter of 2026). The latter is consistent with markedly slower growth in the industry and construction sectors. Household consumption was the strongest contributor to growth in the first half of 2026, despite weaker dynamics. This was mirrored by a slower expansion of the wholesale and retail sector and a deceleration of gross real wage growth (3.6% in the second quarter of 2026).

The negative contribution of net exports was smaller in the first half of 2026 than in the second half of 2025. Exports and imports grew at roughly unchanged rates. Tourism continues to be a key factor for GDP and the current account. Services exports expanded and the number of tourist arrivals and nights spent in Croatia increased mildly until June 2026 (year to date and year on year). However, the same indicators grew noticeably faster in the EU-27 and in a peer group of Mediterranean countries, indicating potential competitiveness issues. In addition, services import growth – including the expenses of Croatian tourists abroad – continued to outpace services export growth markedly. Reflecting these developments, Croatia's current account deficit (four-quarter-rolling-sum) widened to 4.4% of GDP in the second quarter of 2026 (3.4% in the second quarter of 2025). The capital account surplus increased to 2.2% of GDP from 1.4% of GDP a year earlier. Thus, the combined accounts exhibited a deficit of 2.2% of GDP in the second quarter of 2026 (versus 2% of GDP in the second quarter of 2025).

As of September 2026, HICP inflation remained elevated at 4.3%. This is 0.4 percentage points higher than before the war in the Middle East. On the plus side, the inflation differential compared to the euro area has declined and core inflation decelerated markedly to 2.5% in September 2026. To protect the private sector from higher energy costs, the Croatian government continued to intervene through price regulation.

Croatia's fiscal deficit was 3.0% of GDP in 2025 and is expected to be 2.9% of GDP in 2026 according to the spring forecast by the European Commission. The implementation period of the Recovery and Resilience Facility (RRF) ended on 31 August 2026. As of September 2026, Croatia had absorbed roughly 73% of its allocated grants and loans (EUR 10 billion). The government announced that it had completed the remaining milestones and would still submit final payment requests to the European Commission for the outstanding sum.

Regarding the financial sector, the Croatian National Bank assesses the overall financial stability risks as medium – similar to a year ago. The tier 1 capital ratio and banks' return on assets declined further but remained strong at mid-2026 (20.4% and 1.6%, respectively). The NPL ratio remains low and stable. Given continued high credit and house price growth, cyclical risks are still rising.

Since the COVID-19 pandemic, Croatia has delivered a strong macroeconomic performance and displayed swift institutional and structural reform momentum – supported by external funds and additional, external requirements, e.g. for euro adoption. Going forward, weaker external reform incentives and lower EU funds, coupled with geopolitical challenges, may make it more challenging to sustain the pace of reforms and high GDP growth.

Table 2

Main economic indicators: Croatia

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	3.8	3.9	3.5	3.0	3.6	2.2	1.7
Private consumption	3.3	6.2	3.0	2.4	2.9	2.4	0.4
Public consumption	6.9	7.0	4.2	4.5	2.5	0.7	2.0
Gross fixed capital formation	19.2	−2.9	10.1	13.9	12.6	2.1	1.5
Exports of goods and services	−1.4	1.6	1.8	−1.1	2.4	−2.2	2.8
Imports of goods and services	−4.0	8.1	4.0	1.9	2.8	−0.1	3.1
Contribution to GDP growth in percentage points							
Domestic demand	2.1	7.5	4.8	5.5	3.9	2.9	2.1
Net exports of goods and services	1.8	−3.6	−1.3	−2.5	−0.2	−0.6	−0.4
Exports of goods and services	−0.9	0.8	0.9	−1.2	1.2	−0.8	1.3
Imports of goods and services	2.6	−4.4	−2.2	−1.3	−1.5	0.2	−1.7
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	11.1	12.3	6.7	5.0	6.1	7.3	7.5
Unit labour costs in manufacturing (nominal, per hour)	11.1	18.1	5.1	6.6	0.3	6.2	5.2
Labour productivity in manufacturing (real, per hour)	2.5	−4.0	6.2	3.9	10.4	4.1	4.6
Labour costs in manufacturing (nominal, per hour)	13.9	13.4	11.6	10.8	10.7	10.6	10.0
Producer price index (PPI) in industry	3.7	−1.8	0.7	0.9	0.8	0.7	6.4
Consumer price index (here: HICP)	8.4	4.0	4.4	4.6	4.0	4.1	4.8
EUR per 1 HRK, + = HRK appreciation	0.0	0.0	0.0	..	..	..	..
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	6.2	5.1	4.9	4.2	5.0	5.6	4.7
Employment rate (%, 15–64 years)	65.7	68.3	68.8	69.4	68.7	68.7	69.2
Key interest rate per annum (%)	3.8	4.1	2.4	2.15	2.15	2.2	2.2
HRK per 1 EUR	..	..	..	..	..	..	..
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	7.9	9.4	13.0	13.3	13.0	11.7	11.1
of which:							
loans to households	9.4	11.7	12.8	13.6	12.8	12.5	10.8
loans to non-bank corporations	5.9	6.0	13.2	12.8	13.2	10.5	11.5
Share of foreign currency loans in total loans to the non-bank private sector	0.4	0.6	0.2	0.2	0.2	0.2	0.2
Return on assets (banking sector)	1.8	1.9	1.6	1.7	1.6	1.8	1.6
Tier 1 capital ratio (banking sector)	23.3	22.5	21.3	21.6	21.3	20.8	20.4
NPL ratio (banking sector)	2.6	2.4	2.3	2.3	2.3	2.3	2.3
% of GDP							
General government revenues	45.1	45.3	46.4				
General government expenditures	46.3	47.8	49.4				
General government balance	−1.2	−2.5	−3.0				
Primary balance	0.4	−1.0	−1.6				
Gross public debt	60.5	56.5	55.7				
% of GDP							
Debt of non-financial corporations (non-consolidated)	55.1	54.2	54.4				
Debt of households and NPISHs[2] (non-consolidated)	29.4	29.7	31.0				
% of GDP (based on EUR), period total							
Goods balance	−22.0	−21.8	−21.0	−18.1	−19.3	−23.1	−22.3
Services balance	19.5	17.2	15.7	32.8	7.3	3.7	13.4
Primary income	−2.9	−2.3	−3.6	−5.9	−2.6	−1.2	−3.3
Secondary income	4.5	4.1	4.7	4.7	4.7	3.7	4.7
Current account balance	−0.9	−2.8	−4.3	13.4	−9.9	−16.9	−7.5
Capital account balance	2.8	1.4	1.9	1.7	2.9	1.6	2.5
Foreign direct investment (net)[3]	−2.9	−1.9	−3.8	−7.2	−1.6	−2.1	−1.0
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	76.3	65.4	66.2	66.2	66.2	69.9	72.6
Gross official reserves (excluding gold)	3.6	3.7	3.8	3.5	3.8	3.8	3.2
Months of imports of goods and services							
Gross official reserves (excluding gold)	0.8	0.8	0.9	0.8	0.9	0.9	0.7
EUR million, period total							
GDP at current prices	79,840	87,259	94,026	27,046	23,582	21,459	25,309

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).
Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

4 Slovakia: growth remains subdued

After losing some economic momentum in 2025, the Slovak economy continued to expand at a subdued pace during the first half of 2026, with quarterly GDP growth of 0.2% in both the first and the second quarter of 2026. Investment declined in annual terms during the first half of 2026, while overall loan growth to non-financial corporations slowed markedly. Lending to large corporates has turned negative, while activity in housing construction remains subdued, with residential construction starts at low levels. By contrast, public investment remains relatively strong, financed mainly through domestic resources and supported by EU funding.

Private consumption continued to grow, although only at a modest pace. Consumer confidence, which deteriorated in 2025, has shown little sign of recovery so far this year, while retail trade confidence has weakened further. Household spending was also affected by a deterioration in real incomes. Real wages fell by 0.5% year on year in the second quarter, ending ten consecutive quarters of growth.

There is some positive news regarding the external sector. Despite a challenging international environment, Slovak exports have remained resilient. The value of goods exports, which amounts to around 75% of Slovakia's GDP – among the highest in the EU – has held steady in absolute terms during the first two quarters of 2026. However, the start of the war in the Middle East resulted in higher expenditure on energy. In the second quarter of 2026, Slovakia's expenditure on energy imports reached its highest level since the start of 2025. However, the contribution of net exports to economic growth stayed positive.

There are increasing signs of slack in the Slovak economy. The employment rate fell below 72% in the first quarter of 2026, its lowest level since 2024. The annual change in total hours worked in the economy also points to a softening of labour market conditions. Capacity utilisation has been declining throughout 2026, with data for the third quarter indicating a marked weakening in economic activity. Against this backdrop, unemployment developed somewhat more favourably: the unemployment rate rose to 6.0% in the first quarter, before improving somewhat to 5.7% in the second quarter. Overall, unemployment remains broadly in line with the EU average.

Headline inflation stood at 3% year on year in September, below the euro area average and down from its peak at 4.1% in April. While energy inflation started to contribute positively to headline inflation in early 2026, food prices are no longer contributing to inflation. Core inflation decreased to 1.8% in September.

The government budget recorded one of the largest deficits in the EU last year and a similar outcome is expected in 2026. The deficit remains largely structural, implying that cyclical improvements in economic activity are unlikely to lead to a significant reduction. Rising public debt continues to be driven primarily by persistent primary deficits and Slovakia's ongoing excessive deficit procedure reinforces the case for continued fiscal consolidation. Slovakia is planning a general government deficit of 4.9% of GDP for 2027, putting the country's correction of its excessive deficit further behind schedule.

Table 3

Main economic indicators: Slovakia

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	2.5	2.6	0.9	0.7	1.1	1.1	0.8
Private consumption	−2.8	3.8	0.7	1.0	−0.6	0.7	0.5
Public consumption	−2.5	4.0	1.0	1.3	−0.1	−0.3	1.4
Gross fixed capital formation	5.2	0.8	−2.1	−0.7	2.6	−2.3	1.0
Exports of goods and services	−1.0	0.3	3.8	2.1	3.8	−1.2	2.6
Imports of goods and services	−8.1	3.1	3.4	1.5	2.3	−1.9	2.0
Contribution to GDP growth in percentage points							
Domestic demand	−5.0	5.1	0.5	0.3	−0.3	0.6	0.3
Net exports of goods and services	7.5	−2.5	0.3	0.4	1.4	0.6	0.5
Exports of goods and services	−1.0	0.2	3.2	1.9	3.2	−1.3	2.1
Imports of goods and services	8.4	−2.7	−2.8	−1.5	−1.8	1.9	−1.7
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	8.0	4.9	5.5	4.8	5.0	4.4	2.8
Unit labour costs in manufacturing (nominal, per hour)	6.7	6.1	6.7	6.4	8.8	5.9	5.0
Labour productivity in manufacturing (real, per hour)	1.1	1.2	−0.3	−1.0	−2.7	−0.7	−0.7
Labour costs in manufacturing (nominal, per hour)	7.9	7.4	6.4	5.4	5.9	5.2	4.2
Producer price index (PPI) in industry	8.4	−7.8	0.7	0.9	0.7	−0.0	3.1
Consumer price index (here: HICP)	11.0	3.2	4.2	4.5	4.0	4.0	3.9
EUR per 1 SKK, + = SKK appreciation	..	..	..	..	..	..	..
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	6.0	5.5	5.5	5.6	5.7	6.0	5.7
Employment rate (%, 15–64 years)	72.0	72.4	72.3	72.2	72.6	71.9	72.1
Key interest rate per annum (%)	3.8	4.1	2.4	2.15	2.15	2.2	2.2
SKK per 1 EUR	..	..	..	..	..	..	..
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	3.6	2.7	7.0	6.7	7.0	6.2	6.3
of which:							
loans to households	4.1	4.1	7.0	6.5	7.0	7.9	8.2
loans to non-bank corporations	2.5	−0.5	7.0	7.3	7.0	2.7	2.0
Share of foreign currency loans in total loans to the non-bank private sector	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Return on assets (banking sector)	1.0	0.9	0.8	0.9	0.8	1.0	1.0
Tier 1 capital ratio (banking sector)	19.0	19.0	19.9	19.8	19.9	19.8	19.1
NPL ratio (banking sector)	2.0	2.0	2.0	2.0	2.0	2.0	2.0
% of GDP							
General government revenues	42.8	41.3	42.9				
General government expenditures	48.1	46.8	47.3				
General government balance	−5.3	−5.4	−4.4				
Primary balance	−4.1	−4.1	−2.9				
Gross public debt	55.5	58.9	60.5				
% of GDP							
Debt of non-financial corporations (non-consolidated)	47.2	45.9	44.8				
Debt of households and NPISHs[2] (non-consolidated)	43.5	42.7	43.5				
% of GDP (based on EUR), period total							
Goods balance	0.7	−0.8	−0.2	−0.1	0.0	0.3	1.3
Services balance	0.8	0.5	0.2	0.3	0.1	0.5	0.3
Primary income	−3.9	−3.5	−2.8	−2.2	−2.8	−2.0	−3.1
Secondary income	−0.6	−0.8	−0.9	−0.9	−0.6	−0.5	−0.7
Current account balance	−3.0	−4.6	−3.6	−3.0	−3.4	−1.8	−2.2
Capital account balance	0.4	1.0	0.2	0.5	0.3	0.2	4.1
Foreign direct investment (net)[3]	−1.1	−1.9	−0.1	−0.1	−0.8	1.5	−4.0
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	97.7	100.0	99.4	102.2	99.4	99.6	100.4
Gross official reserves (excluding gold)	6.7	8.6	8.4	8.7	8.4	11.1	10.8
Months of imports of goods and services							
Gross official reserves (excluding gold)	0.9	1.2	1.2	1.2	1.2	1.6	1.6
EUR million, period total							
GDP at current prices	124,141	132,032	138,735	36,167	36,410	33,538	36,545

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).
Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

5 Slovenia: strengthening growth but increasing fiscal risks

Slovenia's economy expanded by 4.1% year on year during the first half of 2026. The dynamics gathered pace substantially compared to the second half of 2025, when the economy grew by only 2.5% year on year. Private consumption growth accelerated modestly, benefiting from improved consumer confidence, strengthening the growth of credit to households, growing employment and real wages. Government consumption strengthened even more, driven by the take-up of long-term care entitlements and rising employment in the general government. Investment growth accelerated to over 13% during the first half of 2026, mainly on account of continued strong growth in (non-dwelling) construction and the rapid acceleration of growth in machinery and equipment investment. Somewhat higher capacity utilisation in industry, improving export order books and strengthening growth of credit to corporates may have played a role. Investments by the general government were additionally supported by infrastructure projects, driven by local elections in November 2026 and the completion of projects financed in the RRF. Despite the acceleration of export growth, imports continued to expand more strongly, so that the contribution of net real exports remained negative, though less so than during the second half of 2025.

For 2026, the government plans a general government budget deficit of around 3% of GDP. The increase in the deficit compared to 2025 is expected to be driven by the additional costs of the continued phasing-in of the public sector wage reform and the full implementation of the new long-term care system, increased pension expenditure (e.g. winter bonus for pensioners) and higher investment spending (including a further rise in defence expenditure and intensified absorption of RRF and cohesion funds). At the same time, revenue growth is expected to benefit from higher VAT and corporate income tax intakes. The Fiscal Council has criticised the supplementary budget for 2026, approved in early October, for a modest increase in the deficit target and the substantial (upside) deviation of net expenditure growth from its maximum allowed path.

In mid-May 2026, the newly elected parliament, with support from the incoming coalition parties, adopted legislation aimed at cutting taxes, introducing changes to the social security system and reforming the business environment (Development Act). The main measures include lowering the VAT rate on staple foods and (for a period of nine months) on various forms of energy, cutting the tax rate on rental income, introducing a cap on social security contributions, reducing the tax burden on sole proprietors and small businesses and changes in the healthcare, pension and long-term care systems. According to the Fiscal Council, the implementation of the act, without balancing measures, could increase the 2027 budget deficit by about 1.5% of GDP; higher economic growth could offset about one quarter of this deterioration in the short term (and about half over ten years). Trade unions collected signatures for a referendum to be held in December 2026 to overturn the law (if the referendum is successful, parliament cannot pass legislation on the same topics for a year).

Shortly after taking office at the beginning of June 2026, the new government also presented its plans for the period 2026–2030. According to the Fiscal Council, the announced measures included in the Coalition Agreement will have a predominantly adverse impact on public finances – as far as their financial impact could be assessed. Public finances had already deteriorated in 2025 (and over the 2019–2025 period). According to the Fiscal Council, the measures which could be financially evaluated could lead to a worsening of the fiscal position by around 2.3% of GDP (without compensatory measures). While the plan also includes elements that could improve the budget (e.g. efficiency gains, stronger economic growth), these would show up only gradually and with a delay.

Table 4

Main economic indicators: Slovenia

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	2.6	2.0	1.5	2.4	2.6	3.2	5.0
Private consumption	0.6	3.2	2.5	1.6	3.3	3.5	3.5
Public consumption	2.3	7.3	3.2	4.1	4.0	4.9	5.7
Gross fixed capital formation	6.2	−1.5	5.3	13.8	12.8	13.4	14.2
Exports of goods and services	−1.9	2.4	0.2	−0.4	1.1	2.4	6.9
Imports of goods and services	−4.2	3.1	2.8	2.4	6.1	4.1	7.6
Contribution to GDP growth in percentage points							
Domestic demand	0.5	2.4	3.5	4.6	6.1	4.3	5.1
Net exports of goods and services	2.1	−0.4	−1.9	−2.2	−3.6	−1.1	−0.1
Exports of goods and services	−1.8	2.0	0.1	−0.4	0.9	1.9	5.4
Imports of goods and services	3.9	−2.4	−2.1	−1.8	−4.5	−3.0	−5.5
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	8.5	4.4	5.7	5.2	2.6	4.6	2.7
Unit labour costs in manufacturing (nominal, per hour)	15.3	6.5	8.7	3.4	14.8	4.2	3.2
Labour productivity in manufacturing (real, per hour)	−4.9	0.1	−0.9	−2.9	−0.6	−0.0	3.4
Labour costs in manufacturing (nominal, per hour)	9.5	6.9	7.9	0.4	14.0	4.2	6.7
Producer price index (PPI) in industry	6.3	−1.8	0.8	0.9	1.1	1.5	2.0
Consumer price index (here: HICP)	7.2	2.0	2.5	2.9	2.7	2.5	3.7
EUR per 1 SIT, + = SIT appreciation	..	..	..	..	..	..	..
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	3.6	3.6	3.8	4.2	4.0	4.2	3.7
Employment rate (%, 15–64 years)	72.5	73.2	72.9	73.4	73.0	72.4	72.8
Key interest rate per annum (%)	3.8	4.1	2.4	2.15	2.15	2.2	2.2
SIT per 1 EUR	..	..	..	..	..	..	..
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	−2.5	5.9	6.5	5.1	6.5	7.0	8.0
of which:							
loans to households	3.5	6.2	7.5	7.4	7.5	8.0	8.4
loans to non-bank corporations	−8.5	5.6	5.5	2.5	5.5	5.9	7.5
Share of foreign currency loans in total loans to the non-bank private sector	0.7	0.6	0.4	0.5	0.4	0.4	0.4
Return on assets (banking sector)	2.1	2.0	1.6	1.8	1.6	1.0	1.9
Tier 1 capital ratio (banking sector, consolidated)	18.0	17.8	19.0	17.7	19.0	18.4	18.3
NPL ratio (banking sector)	0.6	0.7	0.7	0.8	0.7	0.8	0.8
% of GDP							
General government revenues	43.9	45.6	46.3				
General government expenditures	46.4	46.4	48.9				
General government balance	−2.6	−0.8	−2.5				
Primary balance	−1.3	0.5	−1.3				
Gross public debt	68.2	66.3	65.1				
% of GDP							
Debt of non-financial corporations (non-consolidated)	39.7	37.4	37.4				
Debt of households and NPISHs[2] (non-consolidated)	23.9	24.1	24.6				
% of GDP (based on EUR), period total							
Goods balance	0.7	0.6	−0.2	0.7	−2.1	−0.7	−0.9
Services balance	5.6	5.5	5.6	6.6	5.6	4.3	5.8
Primary income	−1.0	−1.1	−0.6	−1.2	−0.9	0.1	0.1
Secondary income	−0.8	−0.5	−1.3	−1.0	−1.2	−1.3	−1.0
Current account balance	4.5	4.5	3.5	5.1	1.3	2.5	3.9
Capital account balance	0.0	0.0	−0.3	−0.1	0.4	−0.6	0.5
Foreign direct investment (net)[3]	−0.9	−0.5	−0.9	−0.3	−0.3	−1.0	−0.4
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	90.2	87.8	88.0	91.0	88.0	91.0	91.3
Gross official reserves (excluding gold)	3.1	3.7	3.5	3.6	3.5	3.4	3.6
Months of imports of goods and services							
Gross official reserves (excluding gold)	0.5	0.6	0.6	0.6	0.6	0.6	0.6
EUR million, period total							
GDP at current prices	64,119	67,478	71,171	18,296	18,623	17,348	19,476

[1] Foreign currency component at constant exchange rates.

[2] Non-profit institutions serving households.

[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

6 Czechia: resilient domestic demand supports economic expansion

Following growth that was much faster than the EU average in 2025, the Czech economy continued to expand further in the first half of 2026, though at a somewhat more moderate pace (1.9% compared to 2.8% in the second half of 2026). Growth was primarily driven by private consumption and gross fixed capital formation, supported by an expansionary fiscal impulse and growing wages. Robust wage growth has supported household consumption despite the saving rate remaining persistently above pre-pandemic levels. Consumer sentiment remains strong, while corporate sentiment is broadly in line with its long-term average.

In addition to the strong contribution from domestic demand components, Czech exports also performed robustly, supported by rather solid economic activity in main trading partners. Building on the strong momentum observed in 2025, exports continued to expand at an annual rate exceeding 3% in both the first and second quarters of 2026. Imports grew even more rapidly, reflecting not only the high import intensity of exports, but also the strength of investment activity. As a result, net exports made a negative contribution to GDP growth in the first half of 2026, mirroring the pattern observed throughout 2025.

Strong domestic demand and continued solid export performance support high utilisation of production factors. Capacity utilisation in manufacturing industry remains elevated and, at above 80%, is among the highest in the European Union. Labour market conditions also remain favourable. The employment rate reached 76.1% in the second quarter of 2026, placing Czechia among the best-performing EU economies. Although the unemployment rate has edged up slightly in 2026, it stood at just 3.2% in August. Forward-looking indicators suggest that labour market conditions are likely to remain resilient. For instance, firms' short term employment expectations improved modestly over the summer and continue to stand above both their long-term and EU averages.

Inflation remained within the target range of the Czech National Bank (CNB) during the first half of 2026. Nevertheless, domestic inflationary pressures continued to be elevated. Data for the first quarter indicate an acceleration in nominal wage growth across the economy, reaching 8.1% year on year. Nominal unit labour costs also remained on a strong upward trajectory, as labour productivity growth only partially offset the increase in wages. At the same time, profit margins declined further in 2026. The compression of profit margins may help explain why inflationary pressures have remained relatively contained despite robust wage growth and higher energy costs.

In summer, the CNB tightened monetary policy for the first time in four years. It increased its policy rate by 25 basis points to 3.75%. Although headline inflation is currently consistent with the target, strong wage growth and credit expansion continue to fuel domestic demand. The situation in the Middle East and the resulting increase in energy prices pose additional risks to the inflation outlook.

Fiscal policy is assessed to be expansionary. Czechia recorded a state budget deficit of CZK 183.6 billion in the first half of 2026 (equivalent to about 2% of nominal GDP projected for 2026), marking one of the largest half-year deficits on record. This is notable given the continued strength of wage growth and resilient household consumption, both of which have supported tax revenues.

Table 5

Main economic indicators: Czechia

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	0.0	1.3	2.6	3.1	2.5	2.1	1.8
Private consumption	−2.6	2.4	2.7	2.6	3.1	3.4	2.7
Public consumption	3.2	3.1	2.2	2.6	1.9	1.3	1.4
Gross fixed capital formation	4.2	−2.3	3.1	4.3	6.3	7.1	6.4
Exports of goods and services	2.3	2.2	3.2	3.3	3.1	3.1	3.4
Imports of goods and services	−1.2	1.0	4.5	4.1	3.6	5.4	3.9
Contribution to GDP growth in percentage points							
Domestic demand	−2.5	0.4	3.2	3.5	2.7	3.4	1.9
Net exports of goods and services	2.6	0.9	−0.6	−0.4	−0.1	−1.3	−0.2
Exports of goods and services	1.7	1.5	2.2	2.2	2.2	2.0	2.2
Imports of goods and services	0.9	−0.6	−2.8	−2.5	−2.3	−3.3	−2.4
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	8.7	4.9	4.2	3.6	4.9	4.7	5.7
Unit labour costs in manufacturing (nominal, per hour)	5.7	6.8	3.2	3.4	1.4	5.2	3.2
Labour productivity in manufacturing (real, per hour)	1.6	0.3	2.3	0.4	3.9	−0.2	0.9
Labour costs in manufacturing (nominal, per hour)	7.3	7.2	5.6	3.8	5.4	4.9	4.2
Producer price index (PPI) in industry	4.5	0.8	−1.1	−1.7	−2.8	−2.9	1.0
Consumer price index (here: HICP)	12.0	2.7	2.3	2.3	1.9	1.2	1.7
EUR per 1 CZK, + = CZK appreciation	2.3	−4.4	1.7	2.8	4.0	3.1	2.6
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	2.7	2.7	2.9	3.0	3.0	3.2	3.1
Employment rate (%, 15–64 years)	75.1	75.4	75.7	76.0	75.7	75.5	76.1
Key interest rate per annum (%)	7.0	5.1	3.6	3.5	3.5	3.5	3.5
CZK per 1 EUR	24.0	25.1	24.7	24.5	24.3	24.3	24.3
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	5.8	5.3	8.1	6.9	8.1	8.7	9.7
of which:							
loans to households	4.7	5.9	8.5	7.9	8.5	9.4	10.2
loans to non-bank corporations	7.4	4.4	7.5	5.5	7.5	7.8	9.0
Share of foreign currency loans in total loans to the non-bank private sector	22.2	22.5	20.3	20.6	20.3	20.5	20.4
Return on assets (banking sector)	1.1	1.2	1.1	1.2	1.1	1.0	1.2
Tier 1 capital ratio (banking sector)	21.6	21.4	21.5	21.7	21.5	21.4	21.3
NPL ratio (banking sector)	1.6	1.6	1.5	1.5	1.5	1.4	1.4
% of GDP							
General government revenues	40.3	41.2	41.1				
General government expenditures	44.0	43.1	43.3				
General government balance	−3.7	−2.0	−2.2				
Primary balance	−2.4	−0.6	−0.9				
Gross public debt	42.2	43.2	44.2				
% of GDP							
Debt of non-financial corporations (non-consolidated)	51.2	56.4	54.7				
Debt of households and NPISHs[2] (non-consolidated)	29.6	30.6	31.9				
% of GDP (based on EUR), period total							
Goods balance	3.8	5.1	4.6	3.2	4.3	5.5	3.6
Services balance	1.1	1.4	1.2	1.4	0.5	1.4	1.1
Primary income	−4.4	−4.3	−4.6	−4.2	−3.6	−2.8	−7.0
Secondary income	−0.7	−0.5	−0.5	−0.9	−0.5	−0.9	−0.7
Current account balance	−0.1	1.7	0.7	−0.4	0.6	3.3	−3.0
Capital account balance	1.2	1.6	1.5	3.6	0.7	1.3	0.9
Foreign direct investment (net)[3]	−1.0	−0.2	−0.5	−0.6	3.0	−6.8	2.6
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	61.0	65.0	67.5	67.5	67.5	67.4	69.9
Gross official reserves (excluding gold)	41.5	42.5	40.7	40.9	40.7	40.0	41.4
Months of imports of goods and services							
Gross official reserves (excluding gold)	7.8	8.1	8.0	7.9	8.0	7.9	8.2
EUR million, period total							
GDP at current prices	319,070	321,225	347,453	89,873	92,857	84,740	92,558

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

7 Hungary: euro adoption plans back in the spotlight

Shortly after taking office in May 2026, the new government set out its main economic policy objectives. These included the fulfilment of the conditions for euro adoption by 2030, a credible fiscal consolidation path, fighting inflation, a personal income tax reform, the introduction of a wealth tax and measures to boost productivity. The new government also met the conditions for the release of RRF and cohesion funds in the magnitude of EUR 14 billion; the first funds are expected to flow in the last quarter of 2026.

GDP growth accelerated to 1.7% year on year during the first half of 2026 from 1.2% in the second half of 2025, and the short-term dynamics on a seasonally adjusted basis also accelerated. Private consumption remained the main pillar of growth and even strengthened on the back of a pickup in real average wages, a sharp improvement in consumer confidence and continued strong expansion of consumption loans. Government consumption was also fairly strong but its expansion moderated as the pre-election boost lost steam. The contraction of investments intensified, mainly on the back of government projects. Private sector investment was supported by the sharp recovery of dwelling construction (not least due to the launch of a new state-subsidised loan facility in September 2025), the acceleration of lending to corporates, improved business confidence and higher industrial capacity utilisation. As a result of declining exports and the acceleration of import growth, the contribution of net real exports to the year-on-year GDP growth rate reached around -3.5 percentage points.

According to calculations by the new government, the 2026 budget deficit could have reached 8.3% of GDP without corrective measures, instead of the original plan of 3.7% of GDP. The difference was mainly attributable to items not included in the original budget law (e.g. 14th month pensions, home purchase subsidies for public sector employees), weaker than expected economic growth and unplanned expenditure in healthcare, the local government sector and on defence. At the same time, some of the social measures of the new government also added to the deficit. Therefore, the government in September 2026 revised the 2026 budget, incorporating the additional expenditure on the one hand, and implemented and planned saving measures along with revenues from unblocked EU funds and from the reintegration of public-interest trust foundations into the budget on the other hand. The revised deficit target was set at 7.5% of GDP. For 2027, the government targets a budget deficit of 4.9%, which should be further reduced to 4% in 2028, 3.4% in 2029 and 2.8% in 2030, consistent with euro adoption in 2032. The deficit reduction in 2027 is to be achieved mostly by the reduction in expenditures (but accommodating new social expenditures), and to a smaller extent by the net increase in tax revenues.

Following a temporary uptick in March-April 2026, HICP inflation resumed falling in May to reach a low of 1.6% year on year in July, before rising modestly to 2.1% in September. The deceleration of inflation was supported by the continued strengthening of the forint and falling food prices. The inflation rates expected by households also dropped sharply. In response to the improving inflation environment, the MNB, at its monthly meetings in June–August, cut its policy rate by 25 basis points each, from 6.25% to 5.5%. In its September and October meetings, the MNB kept rates unchanged. Taking advantage of the inflation environment, the MNB lowered its medium-term inflation target to 2.5% in late September (from 3%, effective from the beginning of 2028), maintaining a tolerance band of ± 1 percentage point. The move was explained by growing convergence between Hungary and the euro area, seen in recent years in the level of real economic development and prices. The change has also brought the MNB's target into line with regional peers and closer to the ECB's target. The lower inflation target also fits well with the government's euro adoption plans.

Table 6

Main economic indicators: Hungary

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	−0.7	0.7	0.7	1.2	1.2	1.8	1.7
Private consumption	−2.2	6.8	2.8	1.3	3.0	5.6	4.3
Public consumption	3.9	−2.1	3.6	2.0	6.8	3.7	−0.1
Gross fixed capital formation	−4.7	−9.8	−4.1	−3.7	−1.5	−0.2	−6.6
Exports of goods and services	1.8	−0.3	0.7	1.3	−1.0	−3.4	1.0
Imports of goods and services	−3.4	−1.4	1.9	−0.5	1.9	1.5	5.9
Contribution to GDP growth in percentage points							
Domestic demand	−5.5	−0.2	1.5	−0.2	3.1	5.6	5.0
Net exports of goods and services	4.9	0.8	−0.8	1.4	−2.0	−3.8	−3.3
Exports of goods and services	1.6	−0.3	0.5	1.1	−0.5	−3.2	0.8
Imports of goods and services	3.3	1.1	−1.3	0.3	−1.4	−0.6	−4.0
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	16.5	12.1	8.1	7.5	8.0	14.6	7.4
Unit labour costs in manufacturing (nominal, per hour)	20.7	17.0	9.5	8.6	8.9	5.0	2.1
Labour productivity in manufacturing (real, per hour)	−1.9	−5.4	−1.4	−1.4	−1.3	0.7	4.5
Labour costs in manufacturing (nominal, per hour)	18.3	10.8	8.0	7.1	7.5	5.8	6.6
Producer price index (PPI) in industry	7.2	0.9	4.1	3.0	−1.5	−1.6	−0.2
Consumer price index (here: HICP)	17.0	3.7	4.4	4.2	3.7	2.0	2.3
EUR per 1 HUF, + = HUF appreciation	2.5	−3.4	−0.6	−0.4	5.4	5.4	12.2
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	4.2	4.5	4.5	4.6	4.4	4.7	4.6
Employment rate (%, 15–64 years)	74.9	75.1	75.1	75.4	74.8	74.8	75.0
Key interest rate per annum (%)	12.8	7.7	6.5	6.5	6.5	6.4	6.2
HUF per 1 EUR	381.9	395.3	397.8	395.8	386.5	384.2	360.2
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	5.1	4.8	10.7	7.5	10.7	13.0	15.3
of which:							
loans to households	2.3	9.3	14.4	11.4	14.4	17.0	19.3
loans to non-bank corporations	7.2	1.7	8.0	4.7	8.0	10.0	12.2
Share of foreign currency loans in total loans to the non-bank private sector	25.9	28.6	26.9	26.5	26.9	26.6	24.7
Return on assets (banking sector)	2.0	2.1	1.9	2.0	1.9	0.7	1.4
Tier 1 capital ratio (banking sector)	18.0	19.2	20.0	19.6	20.0	18.7	18.9
NPL ratio (banking sector)	1.8	1.6	1.5	1.6	1.5	1.5	1.5
% of GDP							
General government revenues	42.7	42.1	42.9				
General government expenditures	49.6	47.2	47.6				
General government balance	−7.0	−5.1	−4.7				
Primary balance	−2.2	−0.2	−0.9				
Gross public debt	73.2	73.5	74.4				
% of GDP							
Debt of non-financial corporations (non-consolidated)	75.3	74.6	74.5				
Debt of households and NPISHs[2] (non-consolidated)	16.8	16.5	18.7				
% of GDP (based on EUR), period total							
Goods balance	−0.5	−0.3	−0.8	−1.4	−2.0	−0.9	−1.5
Services balance	4.7	4.9	5.3	6.6	4.5	4.1	4.8
Primary income	−3.3	−2.3	−2.1	−1.9	−1.6	−1.7	−2.7
Secondary income	−1.1	−0.6	−0.2	−0.8	0.2	−0.8	−1.0
Current account balance	−0.2	1.7	2.2	2.5	1.2	0.7	−0.4
Capital account balance	1.2	0.4	0.5	0.9	0.2	1.2	0.2
Foreign direct investment (net)[3]	−0.4	−0.2	−0.2	−3.8	−1.4	2.7	2.2
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	86.3	85.9	88.1	87.4	88.1	88.8	94.7
Gross official reserves (excluding gold)	18.1	17.3	16.9	17.0	16.9	19.7	20.3
Months of imports of goods and services							
Gross official reserves (excluding gold)	2.8	2.9	3.0	2.9	3.0	3.5	3.6
EUR million, period total							
GDP at current prices	197,509	205,929	219,866	57,579	62,761	51,491	63,767

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).
Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

8 Poland: robust growth underpins initial steps towards fiscal consolidation

Annual GDP growth in the first half of 2026 stood at 3.6%. Quarter-on-quarter growth accelerated from 0.6% in Q1 to 1.1% in Q2. Growth continued to be balanced, as both domestic demand and real exports rendered large contributions. Real exports grew by more than 8% year on year in Q2 despite weaker euro area import growth. Growth of Polish real imports was roughly equal to that of its real exports and net exports' contribution to growth was marginally positive.

Private consumption growth slowed compared to both the full year and the fourth quarter of 2025, given the weakening of nominal and real growth of both wage sum (despite more hours worked) and gross retirement pensions. By contrast, fixed investment growth accelerated to 8.9% in the second quarter, supported by EU funds and higher profitability of non-financial companies, while residential investment measured by the number of dwellings under construction stagnated. Bank loans to both companies and households reached the highest annual growth rates for several years at 13% and 7%, respectively, in August 2026, based on high deposit surpluses. Thus, the Financial Stability Committee continued to uphold its long-standing recommendation to raise the countercyclical buffer rate of 1% (applied since September 2025) to 2%, which the Minister of Finance accepted so that this increase entered into force as scheduled at end-September 2026.

Nominal ULC in manufacturing rose by 1.8% in the first half of 2026. This reflected a strong rise of nominal hourly compensation, which exceeded that of labour productivity (resulting from both growth of gross value added and decline of hours worked).

The surplus of the goods and services balance in BoP terms in H1 2026 was slightly smaller than a year earlier due to a smaller services surplus. It amounted to 3% of GDP and was insufficient to cover the slightly higher combined deficit in primary and secondary (transfer) income. Thus, the current account deficit rose moderately to 1.2% of GDP but was more than offset by the capital account surplus so that the economy's net lending remained at 0.3% of GDP. Net FDI inflows were stable at about 2.5% of GDP.

According to HICP (and national CPI) definition, annual headline inflation increased from 2.5% (2.1%) in February to 3.5% (3.4%) in August 2026. Core inflation increased in parallel from 2.6% (2.5%) to 3.0% (3.3%) in August 2026. Drivers were prices of energy (+10.3% year on year in August), even though dampened by temporary reductions of VAT rates on fuel, and, within core inflation, prices of services (+6.0%). The Monetary Policy Council, pursuing a medium-term CPI inflation target of 2.5% ± 1 percentage point, has kept its main policy rate (seven-day open market rate) at 3.75% since March 2026.

In May 2026, European Commission staff forecast the government deficit-to-GDP ratio to decline from 7.2% in 2025 to 6.5% in 2026 and the general government debt-to-GDP ratio to rise from 59.6% at end-2025 to 64.5% at end-2026. For 2026, the revenue-to-GDP ratio would rise more strongly than the further rising expenditure-to-GDP ratio. New discretionary revenue-raising measures comprise a temporary hike in corporate income tax rates on banks, hikes in excise duties and VAT rates on some beverages as well as the introduction of obligatory electronic invoicing. In early July 2026, the Council of the European Union expected cumulated net expenditure growth in 2024–2026 to exceed the recommended maximum growth by more than 1.0% of GDP, which remained, however, within the leeway of the national escape clause for defence spending. By October 2026, one downside risk of the spring forecast, the extension of temporary measures aimed at lowering fuel prices, and one upside risk, the introduction of a windfall tax on energy producers, have materialised.

Table 7

Main economic indicators: Poland

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	0.2	3.2	3.8	4.2	4.5	3.3	4.0
Private consumption	−0.3	2.9	3.9	3.3	5.0	3.0	2.4
Public consumption	4.5	8.7	5.7	8.5	6.9	6.6	3.1
Gross fixed capital formation	12.7	0.4	4.9	7.9	6.4	2.3	8.9
Exports of goods and services	3.7	1.9	5.5	6.1	7.8	6.0	8.2
Imports of goods and services	−1.5	4.6	7.1	6.8	8.8	6.3	7.6
Contribution to GDP growth in percentage points							
Domestic demand	−3.0	4.6	4.4	4.3	4.6	3.3	3.5
Net exports of goods and services	3.2	−1.3	−0.6	−0.1	−0.1	0.0	0.5
Exports of goods and services	2.3	1.1	2.8	3.2	4.1	3.0	4.1
Imports of goods and services	0.9	−2.4	−3.4	−3.3	−4.3	−3.0	−3.6
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	14.3	8.8	4.2	5.2	1.3	3.6	3.3
Unit labour costs in manufacturing (nominal, per hour)	11.9	9.7	4.2	2.1	4.0	3.3	0.3
Labour productivity in manufacturing (real, per hour)	−0.6	1.8	4.2	4.4	5.2	3.2	4.0
Labour costs in manufacturing (nominal, per hour)	11.2	11.7	8.6	6.6	9.4	6.6	4.4
Producer price index (PPI) in industry	4.4	−7.0	−1.4	−1.6	−2.2	−1.3	1.8
Consumer price index (here: HICP)	10.8	3.7	3.3	2.8	2.7	2.7	3.2
EUR per 1 PLN, + = PLN appreciation	3.2	5.5	1.6	0.6	1.7	−0.8	0.3
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	2.9	2.9	3.2	3.2	3.2	3.3	3.3
Employment rate (%, 15–64 years)	72.4	72.5	72.8	73.3	73.2	73.0	72.9
Key interest rate per annum (%)	6.5	5.75	5.1	4.9	4.3	3.9	3.8
PLN per 1 EUR	4.5	4.3	4.2	4.3	4.2	4.2	4.2
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	0.5	5.2	5.6	4.7	5.6	7.0	9.2
of which:							
loans to households	−1.9	3.0	4.1	3.1	4.1	5.0	6.4
loans to non-bank corporations	4.3	8.4	7.6	7.0	7.6	9.7	13.0
Share of foreign currency loans in total loans to the non-bank private sector	16.6	14.9	13.5	14.0	13.5	13.6	13.2
Return on assets (banking sector)	1.0	1.3	1.4	1.4	1.4	1.1	1.2
Tier 1 capital ratio (banking sector)	20.2	20.4	20.3	20.1	20.3	19.8	20.0
NPL ratio (banking sector)	5.4	5.0	4.6	4.9	4.6	4.6	4.5
% of GDP							
General government revenues	41.7	42.8	43.6				
General government expenditures	46.9	49.2	50.9				
General government balance	−5.2	−6.4	−7.2				
Primary balance	−3.1	−4.2	−4.8				
Gross public debt	49.5	54.8	59.6				
% of GDP							
Debt of non-financial corporations (non-consolidated)	37.6	35.8	34.9				
Debt of households and NPISHs[2] (non-consolidated)	24.7	22.7	22.1				
% of GDP (based on EUR), period total							
Goods balance	0.6	−0.7	−1.5	−1.8	−1.3	−0.5	−2.0
Services balance	5.2	4.7	4.2	4.2	3.4	4.1	4.3
Primary income	−4.1	−3.3	−3.7	−4.8	−2.7	−2.9	−4.7
Secondary income	−0.3	−0.3	−0.1	0.1	0.1	−0.4	−0.3
Current account balance	1.5	0.3	−1.0	−2.3	−0.4	0.3	−2.7
Capital account balance	0.2	0.3	0.9	0.9	0.6	0.8	2.2
Foreign direct investment (net)[3]	−2.9	−1.3	−1.4	−1.6	0.1	−3.5	−1.7
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	51.9	52.1	50.2	50.5	50.2	51.7	54.7
Gross official reserves (excluding gold)	20.4	21.0	17.9	18.8	17.9	19.1	19.6
Months of imports of goods and services							
Gross official reserves (excluding gold)	4.7	5.2	4.6	4.7	4.6	4.9	5.0
EUR million, period total							
GDP at current prices	753,492	852,294	923,459	230,759	261,842	224,132	232,605

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

9 Romania: recessionary tendencies, uncertainties about fiscal track amid political crisis

Romania's GDP shrank by 1.9% year on year in the first half of 2026, as fiscal adjustment dampened growth and the external environment remained difficult. In quarter-on-quarter terms, GDP stagnated in the second quarter following a contraction in the previous two quarters. The contraction of private consumption deepened mainly driven by negative real wage growth. Moreover, consumer confidence remained low, the unemployment rate went up and new consumer lending stalled. Supported by EU funds, gross fixed capital formation delivered a positive growth contribution with investment growth accelerating considerably in the second quarter. Despite the break-up of the governing coalition in April, the parliament managed to advance legislation related to milestones under the National Recovery and Resilience Plan (apart from the public wage law), so that the Romanian authorities expect to absorb the bulk of grants and loans under the EU's Recovery and Resilience Facility. Exports grew modestly in the first half of 2026, while imports picked up in the second quarter, dragging the contribution of net exports into negative territory again.

Industrial production shrank markedly amid low domestic and external demand, high energy prices and competitiveness issues. After strong increases in unit labour costs in manufacturing in recent years, some deceleration was seen in recent quarters. In parallel, the Romanian leu depreciated moderately against the euro year on year. Despite some decline, the net borrowing position from the current and capital account still stood at a relatively high level in the first half of 2026. While the deficit in the goods and services balance declined somewhat, the deficit in the primary income balance increased to a similar extent. At the same time, the capital account showed a surplus of 1.3% of GDP in the first half of 2026, down from 2.4% in 2025. On the financing side, net FDI inflows shrank to a rather low level.

Global energy price rises pushed CPI inflation up to 10.7% in May 2026. Yet, inflation declined over the summer (6.2% in August), mainly driven by base effects. These were caused by the fact that the electricity price capping scheme expired in July 2025 and by the VAT rate increase implemented in August 2025. A strong summer harvest also helped to bring the annual inflation rate down markedly. Yet, higher global energy prices as well as heat waves in Romania pushing up electricity prices prevented a more pronounced disinflation trend. The NBR has left its key policy rate unchanged at 6.5% since August 2024. In August 2026, the NBR revised its forecast of the inflation path upward. It currently expects inflation to return to levels within the variation band of the target (2.5% ± 1 percentage point) only in the fourth quarter of 2027, i.e. two quarters later than previously expected.

While the budget figures for the first half of 2026 appear solid and the budget deficit target of 6.2% of GDP seems to be achievable, the political stalemate has raised uncertainty about further fiscal consolidation. At end-September, the second attempt to form a new government failed. The Romanian leu again weakened noticeably, bringing year-to-date depreciation against the euro to 4.7% in early October. According to market observers, the central bank intervened from time to time to support the domestic currency. So far, rating agencies have kept their sovereign ratings for Romania at the lowest investment grade level with a negative outlook, but warned that credible further fiscal consolidation would be essential for the country to avoid a downgrade.

Table 8

Main economic indicators: Romania

	2023	2024	2025	Q3 25	Q4 25	Q1 26	Q2 26
Year-on-year change of the period total in %							
GDP at constant prices	2.5	1.1	0.8	1.6	−1.0	−1.9	−1.9
Private consumption	4.7	4.7	0.5	0.9	−0.6	−3.8	−5.1
Public consumption	4.0	4.1	−2.4	2.8	−13.2	11.9	−3.6
Gross fixed capital formation	7.7	−7.3	3.6	4.1	6.5	1.2	17.6
Exports of goods and services	−1.3	−3.3	4.2	5.7	6.5	1.5	3.4
Imports of goods and services	−1.5	3.8	4.5	10.0	2.3	1.9	3.7
Contribution to GDP growth in percentage points							
Domestic demand	2.3	4.1	1.1	3.8	−2.0	−1.9	−1.7
Net exports of goods and services	0.2	−3.0	−0.3	−2.1	1.0	−0.0	−0.2
Exports of goods and services	−0.6	−1.3	1.5	2.0	2.3	0.3	1.2
Imports of goods and services	0.8	−1.7	−1.8	−4.1	−1.3	−0.4	−1.4
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	15.8	9.1	4.2	0.8	1.2	3.0	1.7
Unit labour costs in manufacturing (nominal, per hour)	17.3	16.2	11.9	6.2	8.0	7.0	6.3
Labour productivity in manufacturing (real, per hour)	−1.7	−1.8	0.5	3.1	1.7	−0.7	−2.0
Labour costs in manufacturing (nominal, per hour)	15.5	14.2	12.4	9.5	9.9	6.3	4.1
Producer price index (PPI) in industry	4.6	−2.2	3.3	3.9	6.1	5.8	11.9
Consumer price index (here: HICP)	9.7	5.8	6.8	7.9	8.6	8.6	9.5
EUR per 1 RON, + = RON appreciation	−0.3	−0.6	−1.3	−1.9	−2.2	−2.3	−3.1
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	5.6	5.5	6.1	6.0	6.3	6.5	6.8
Employment rate (%, 15–64 years)	63.1	63.7	63.0	63.4	62.6	62.6	62.7
Key interest rate per annum (%)	7.0	6.8	6.5	6.5	6.5	6.5	6.5
RON per 1 EUR	4.9	5.0	5.0	5.1	5.1	5.1	5.2
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector[1]	6.0	9.1	5.3	6.9	5.3	6.4	7.4
of which:							
loans to households	1.2	9.4	7.9	9.0	7.9	7.7	7.0
loans to non-bank corporations	10.4	8.8	3.2	5.2	3.2	5.2	7.7
Share of foreign currency loans in total loans to the non-bank private sector	31.6	30.0	31.8	30.9	31.8	32.2	33.2
Return on assets (banking sector)	1.8	1.7	1.7	1.7	1.7	1.4	1.5
Tier 1 capital ratio (banking sector)	20.7	22.2	23.5	21.5	23.5	21.5	21.5
NPL ratio (banking sector)	2.4	2.5	2.7	2.9	2.7	2.8	2.9
% of GDP							
General government revenues	34.5	34.0	35.6				
General government expenditures	41.2	43.2	43.4				
General government balance	−6.6	−9.2	−7.8				
Primary balance	−4.7	−6.8	−5.0				
Gross public debt	49.4	54.6	58.9				
% of GDP							
Debt of non-financial corporations (non-consolidated)	29.4	28.8	28.8				
Debt of households and NPISHs[2] (non-consolidated)	12.6	12.4	12.3				
% of GDP (based on EUR), period total							
Goods balance	−9.0	−9.3	−8.5	−7.6	−7.3	−9.6	−9.0
Services balance	4.1	3.3	3.4	2.8	3.0	4.7	3.8
Primary income	−2.7	−2.3	−2.5	−3.5	−1.7	−1.9	−2.8
Secondary income	0.5	0.2	0.2	0.4	0.4	0.1	−0.3
Current account balance	−7.0	−8.1	−7.4	−7.9	−5.6	−6.8	−8.3
Capital account balance	2.1	1.5	2.4	1.4	3.4	1.9	0.7
Foreign direct investment (net)[3]	−2.0	−1.3	−1.7	−2.7	−0.6	−1.5	0.7
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	57.1	57.4	59.7	59.1	59.7	59.4	60.0
Gross official reserves (excluding gold)	18.7	17.5	16.9	17.4	16.9	17.3	16.1
Months of imports of goods and services							
Gross official reserves (excluding gold)	5.1	5.1	5.0	5.1	5.0	5.2	4.9
EUR million, period total							
GDP at current prices	320,834	355,300	382,295	103,829	114,031	79,721	96,510

[1] Foreign currency component at constant exchange rates.
[2] Non-profit institutions serving households.
[3] + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital).
- = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).
Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

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