



Press release

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CEE Quarterly: Faster growth faces external headwinds

UniCredit economists expect the economies in EU-CEE and the Western Balkans to grow by around 1.6% in 2023 and 3.1% in 2024. GDP growth in Hungary could be 0.2%, while average annual inflation could be 17.4% this year.

In the latest **CEE Quarterly “Faster growth faces external headwinds”** UniCredit Research highlights a soft patch in Europe, the US and China as the main risk to economic growth in CEE, which could postpone the rebound in capital expenditure, exports and consumer demand to late 2023 or 2024.

At the same time, domestic demand could strengthen further, as wage growth will outpace inflation from 2H23 onwards and financial conditions will ease in 2024. *“CEE governments are reluctant to withdraw fiscal support for households, which will trigger the excessive deficit procedure (EDP) in 2024”*, states the CEE Quarterly. UniCredit economists also add that they expect small transfers from the Recovery and Resilience Facility in 2023.

The inflation forecasts for the end of 2023 range between 6% and 9%, except in Turkey. Next year, UniCredit economists forecast slower disinflation. *“Inflation targets are likely to be missed because of higher energy prices and demand pressure on prices amid the 2023 fiscal stimulus and real wage growth. Russia and Serbia could be the exceptions”*, comments **Dan Bucsa, UniCredit’s Chief Economist for Central and Eastern Europe**. All CEE central banks are expected to cut rates in 2024 below 6% in Central Europe and Serbia, to 7% in Russia and 20% in Turkey.

Among the main risks outlined in the CEE Quarterly are above-target inflation in the medium term; a recession in the eurozone and the US, and weaker growth in China weighing on economic growth in CEE; the impact of the Russia-Ukraine war on tourism on the Black Sea coast; and nationalism and Euroscepticism permeating economic policies.

CEE Quarterly:

https://www.research.unicredit.eu/DocsKey/emergingmarkets_docs_2023_185226.ashx?M=D&R=104857685

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UniCredit is a pan-European Commercial Bank with a unique service offering in Italy, Germany, Central and Eastern Europe. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe.

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