

CEE Quarterly: Faster growth faces eternal headwinds

Milano, 30.06.2023. - UniCredit economists expect the economies in EU-CEE^[1] and the Western Balkans to grow by around 1.6% in 2023 and 3.1% in 2024. Romania is foreseen to outperform, while Czechia and Hungary to lag.

In the latest **CEE Quarterly “Faster growth faces eternal 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.

Please find more details: [UniCredit Research - CEE Quarterly](#)

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^[1]EU-CEE refers to CEE countries that are members of the EU: Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia.