# UniCredit expects Romania to outperform economically, Hungary, Czech Republic to lag

**UniCredit analysts expect the economies in EU-CEE and the Western Balkans to grow by around 1.6% in 2023 and 3.1% in 2024, with Romania outperforming, and Czechia and Hungary lagging, according to the bank's CEE quarterly report for Central and Eastern Europe, called "Faster growth faces external headwinds."**

At the same time, domestic demand could continue to strengthen as wage growth will outpace inflation starting in the second half of this year and financial conditions will ease in 2024. According to the quarterly report: "CEE governments are reluctant to step away from energy subsidies given in 2022 ... In 2024, we expect the European Commission to launch excessive deficit procedures (EDP) for Czechia, Hungary, Poland and Slovakia, while revisiting the EDP opened in 2020 for Romania." Also, UniCredit economists expect the amounts received through the Recovery and Resilience Facility to be lower in 2023.

According to the report, inflation forecasts for the end of 2023 vary between 6% and 9%, except for Turkey. In 2024, UniCredit analysts expect the disinflationary trend to slow down.

"Inflation targets are likely to be missed because of higher energy tariffs and demand pressure on prices due to the 2023 fiscal stimulus and real wage growth. Russia and Serbia could be the exceptions," says Dan Bucsa, chief economist of UniCredit for CEE countries.

In 2023, UniCredit expects policy rates to be cut to 12% in Hungary and 6.50% in Poland, and to be raised to 8% in Russia and 25% in Turkey. In 2024, they expect rates to be cut to 5% in Romania, 5.25% in Czechia, 5.50% in Poland and Serbia, 7% in Russia and 20% in Turkey.

Among the main risks highlighted in the ECE quarterly report are: loose fiscal and monetary policies and faster wage growth keeping inflation above targets in the medium term; potential rating downgrades if fiscal policy does not tighten enough, with higher short-term risks in Hungary and medium-term risks in Slovakia, Poland and Czechia; 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 a potential accident at the Zaporizhzhia nuclear power plant; nationalism and Euroskepticism permeating economic policies; and a sharp reversal in Turkey's economic policies.