Bloomberg Adria

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Resilient Growth, Slowing Momentum

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Key Messages

Growth across the Adria region remained resilient in 2025 but lost momentum with clear divergence across economies. Domestic demand was the main pillar, supported by strong real wage growth and tight labour markets, while external demand remained weak and net exports dragged on growth across most countries.

Bosnia and Herzegovina GDP growth estimate for 2025 is 2.6%, supported by strong retail activity, wage growth and improving investment trends. Momentum remains positive, with growth expected to strengthen to around 3.2% in 2026 as domestic demand and construction activity continue to recover.

Croatia grew 3.2% in 2025, one of the strongest performances in the region, driven by consumption, rising real wages and EU-funded investment. Despite a negative contribution from net exports, domestic demand remains robust, with growth expected to moderate slightly to around 2.9% in 2026.

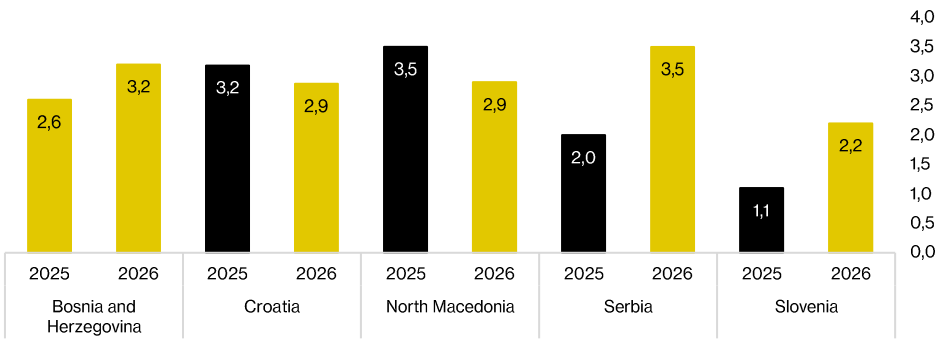
North Macedonia's economy expanded by 3.5% in 2025, supported by consumption and exports, although investment weakened toward year-end and industrial production declined. Growth is expected to ease to around 2.9% in 2026, reflecting softer investment dynamics.

Serbia's growth slowed to 2.0% in 2025, reflecting weak industrial production and softer external demand, despite strong consumption and investment activity. Growth is expected to accelerate to around 3.5% in 2026, supported by infrastructure spending and Expo-related investment.

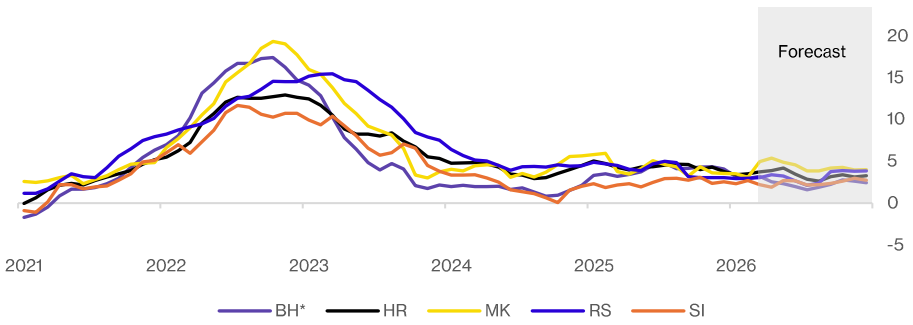
Slovenia underperformed the region with GDP growth of 1.1% in 2025, reflecting weak external demand and subdued consumption despite strong construction activity. Growth is expected to recover modestly to around 2.2% in 2026.

Monetary policy has shifted to a holding phase with the ECB nearing the end of its easing cycle after bringing rates close to neutral levels. Regional central banks remain cautious and data-dependent, with inflation broadly moderating but still above comfort levels. Rate cuts are expected to resume gradually in 2026, although risks from energy prices, food inflation and geopolitical tensions remain tilted to the upside.

GDP Growth Forecasts (YoY, %)



Inflation Rate Forecasts (HICP, YoY, %)



Source: BBA Analytics
*CPI

Bosnia and Herzegovina

BiH's GDP in Q3 2025 grew 2.1% y/y. Household final consumption remained the main driver rising 2.5% y/y, while government spending rose 2.7%. Exports increased 1.4% y/y, but imports climbed by 5.6% leaving negative net exports. Gross fixed capital formation surged 9.0% y/y, reflecting investment acceleration. Industrial production remains strong: December 2025 industrial production was up 1.9% y/y. By sector, manufacturing production increased 0.9% y/y, mining output increased by 2.0%, and electricity and gas supply increased 0.8%. Retail trade turnover remained resilient: in January 2026 it rose 12.8% y/y in real terms. Non-food retail sales grew 18.1%, while food, beverages and tobacco were up 11.1%. Wages continue to outpace price growth; net wages rose 5.3% y/y in real terms in January 2026. This follows real net wage growth of 9.7% y/y in December 2025; with growth partly coming from Government of FBiH's decision to introduce new minimum wage starting from 1.1.2025. Q4 2025 unemployment rate decreased to 11.1%, down 0.6 p.p from the previous quarter and also 0.6 p.p. lower y/y. Investment indicators show tentative improvement: January 2026 saw building permits issued down 6.5% compared to average number of building permits issued in 2025, but up 12.0% y/y compared to January 2025, with residential buildings accounting for 96.3% of permits.

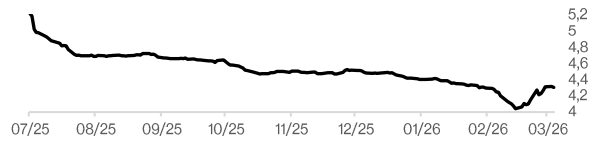
Inflation pressures remain elevated at around 3.6% y/y in January 2026. Decrease of prices on average was recorded only in divisions of clothing and footwear by 6.4% y/y and transport 2.3% y/y. Main driver of price increases is the housing and utilities category with 7.1% increase y/y. With retail-margin cap expiring in May in FBiH and in June in RS, price pressures expected to continue. FBiH announced plans to issue EUR 800m Eurobonds on the London Stock Exchange while RS has yet to announce potential new arrangement to repay EUR 300m Eurobonds maturing in April.

We expect 2026 growth moderate to around 3.2%, while monitoring a potential transportation-sector strike that could disrupt BiH's imports and exports.

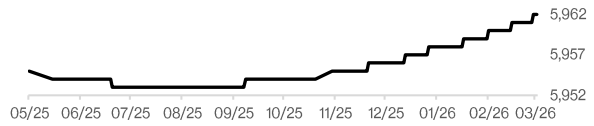
Key Macroeconomic Indicators and Forecasts

	2023	2024	2025F	2026F
GDP real growth (%)	1,9	2,5	2,6	3.2
CPI (%, annual average)	6,3	1,7	4,1	2,9
Unemployment rate (%, ILO)	13,2	12,7	11,1	12,2
Fiscal deficit (% GDP)	-1,2	-1,8	-0,8	-2
Public debt (% GDP)	29	29,5	30,6	31,6
EUR/USD (average)	1,08	1,08	1,13	1,14
3M Euribor (average)	3,43	3,57	2,2	2

Federation BiH 4Y EUR Bond Yield (Current, %)



Republic of Srpska 10Y BAM Bond Yield (Current, %)



Source: BBA Analytics, Bloomberg

Croatia

GDP grew 3.6 % y/y in Q4 2025, and 3.2% y/y in 2025. In Q4 2025 growth was driven by domestic demand: household final consumption rose 2.6 % y/y and government consumption increased 4.7 %. Gross fixed capital formation rose 6.9 % y/y. Net exports were still a slight drag, though less so than earlier in the year: exports of goods and services grew 1.5 %, while imports increased 0.3 %. Retail trade in January 2026 increased 3.0 % y/y, with food, beverages and tobacco up 6.1 % and non-food retail (excluding fuel) up 5.4 %. Industrial turnover remained robust; seasonally adjusted industrial turnover rose 8.8 % y/y in December 2025. Construction activity decelerated after a strong 2025: building permits issued in January 2026 were 45 % fewer y/y. Tourism momentum continued: in February 2026 tourist arrivals and nights were up 6.3 % and 4.2 % y/y, respectively. The labour market remains tight, in Q4 2025 unemployment rate was 5.0 %. Wages continued to rise on a yearly basis, in 2025 net earnings were 6.3 % higher in real terms. Government introduced fuel price cap beginning of March to protect economy amid rising oil price.

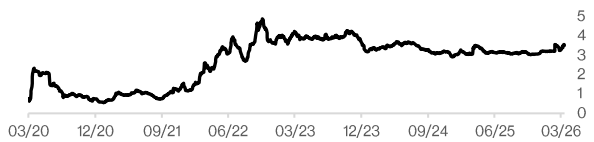
Inflation moderated but remained above the euro area average in 2025 at 3.7%. In February 2026 prices rose 3.8% y/y. Highest increase was recorded in housing, water, electricity, gas and other fuels, 10.2% y/y. Inflation is expected to ease towards around 3.3 % in 2026.

For 2026, we expect growth to ease to about 2.9 %, as domestic demand remains the main engine. Real wages should continue rising, supported by tight labour-market conditions and public sector wage adjustments.

Key Macroeconomic Indicators and Forecasts

	2023	2024	2025F	2026F
GDP real growth (%)	3,3	3,8	3,2	2,9
HICP (%, annual average)	8,5	4	4,4	3,3
Unemployment rate (%, ILO)	6,1	5,2	5	4
Fiscal deficit (% GDP)	-0,8	-1,9	-3	-2,8
Public debt (% GDP)	60,9	57,4	57	56,1
EUR/USD (average)	1,08	1,08	1,13	1,14
3M Euribor (average)	3,43	3,57	2,2	2

Croatia 10Y Bond Yield (Generic, %)



Source: BBA Analytics, Bloomberg

North Macedonia

North Macedonia's real GDP in Q4 2025 grew 3.8 % y/y, and 3.5 % y/y in 2025. In Q4 2025 final consumption grew 2.8 % in real terms, with household consumption up 2.0 % and government consumption up 6.4 %. Gross capital formation contracted 3.0 % y/y, signalling softer investment. External demand improved: exports of goods and services rose 9.7 %, while imports increased 3.3 %, so net trade made a positive contribution. Industrial production in January 2026 declined 6.6 % y/y, with manufacturing down 8.0 % while mining and electricity & gas supply grew 2.5 % and 2.8 % y/y, respectively. Building permits were weak in January 2026, down 19.2 % y/y, and the expected value of planned construction was 25.1 % lower. Labour-market conditions have improved modestly. In 2025 the number of unemployed persons fell 6.6 %, while employment rose 1.5 %, unemployment rate was around 11.5%. Real net wage growth in 2025 was 5,3% y/y. Retail activity in North Macedonia remained mixed at the start of 2026. In January 2026, real turnover in retail trade (excluding fuel) increased 6.4 % y/y, driven mainly by strong growth in retail sales of food, beverages and tobacco, which rose 13.1 % in real terms. At the same time, real sales of non-food products declined slightly by 0.5 % y/y, while fuel sales fell sharply by 16.3 % in real terms.

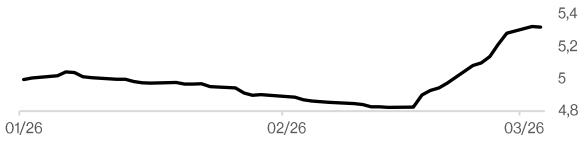
Inflation remains contained at 2.9 % y/y in February 2026, following a decrease from 4.1% in December 2025. The average inflation rate for the entire 2025 was 4.1%, above historical average.

We expect this mix of steady industry, mildly positive retail volumes and ongoing export growth to deliver full-year 2026 GDP growth of about 2.9 % in 2026.

Key Macroeconomic Indicators and Forecasts

	2023	2024	2025F	2026F
GDP real growth (%)	2,1	2,8	3,5	2,9
HICP (%, annual average)	9,2	4,2	4,3	3,9
Unemployment rate (%, ILO)	13,2	12,4	12	11
Fiscal deficit (% GDP)	-4,6	-4,4	-3,6	-3,1
Public debt (% GDP)	58,1	62,4	62,8	63
EUR/MKD (average)	61,56	61,53	61,6	61,6

North Macedonia 8Y Bond YIELD EUR (Current, %)



Source: BBA Analytics, Bloomberg

Serbia

Serbia's GDP in Q4 2025 grew 2.2% y/y, and GDP growth in 2025 amounted to 2.0% y/y. Household consumption remained the main driver rising 3.7% y/y, while government spending rose 4.2%. Exports increased 5.3% y/y, but imports rose 7.6%, leaving net trade a mild drag. Gross fixed capital formation surged 8.9% y/y, reflecting a rebound in investment. Industrial production remains weak: January 2026 output was down 9.1% y/y. By sector, manufacturing production fell 12.4% y/y, mining output decreased 2.3%, and electricity and gas supply dipped 0.8%. Retail trade turnover remained resilient: in January 2026 it rose 5.5% y/y in real terms. Non-food retail sales grew 8.8%, while food, beverages and tobacco were up 5.2%. Wages continue to outpace price growth; net wages rose 7.4% in real terms in 2025. In Q4 2025 unemployment rate increased to 8.9%, up 0.7 p.p from the previous quarter and 0.3 p.p. higher y/y. Investment indicators show tentative improvement: December 2025 saw building permits issued up 10.8% y/y, with residential buildings accounting for 83.7% of permits. Net FDI inflows for 2025 were 2.3bn EUR, around 50% less than in record 2024, with inflows expected to recover moderately in 2026.

Inflation cooled to around 2.6% y/y since September 2025, the government's retail-margin cap introduced helped pull headline inflation down from the upper end of the target band. With retail-margin cap expired in March, we expect price pressures to remain within target band, averaging about 4% HICP in 2026.

We expect 2026 growth to moderate to around 3.5%, before accelerating in 2027 as Expo-related investment gains momentum.

Key Macroeconomic Indicators and Forecasts

	2023	2024	2025F	2026F
GDP real growth (%)	3,8	3,9	2	3,5
HICP (%, annual average)	12,2	4,8	4,1	4
Unemployment rate (%, ILO)	9,5	8,8	9	7,6
Fiscal deficit (% GDP)	-2,1	-2	-3	-4,5
Public debt (% GDP)	48	46,7	45,3	46,3
EUR/RSD (average)	117,25	117,09	117,2	117,15
3M Euribor (average)	3,43	3,57	2,2	2

Serbia 10Y Bond Yield EUR (Current, %)



Source: BBA Analytics, Bloomberg

Slovenia

Slovenia's economy gathered pace at the end of 2025. Real GDP increased 2.0 % y/y in Q4 2025 (vs. 1.1 % growth in 2025 as a whole). Private consumption in Q4 2025 rose 3.0 % y/y, and government consumption increased 3.8 % y/y. Gross capital formation surged 13.2 % y/y. Net trade remained a drag: exports grew 0.5 % y/y while imports rose 4.8 % y/y. In 2025, exports of goods and services grew by only 0.3 % y/y, while imports increased 2.1 % y/y. Goods exports actually fell 0.2 % y/y, whereas service exports rose 2.2 % y/y. Construction activity is still buoyant, though recent permitting data hint at some cooling. In January 2026, 20 % more building permits were issued than a year earlier, despite a 6 % decline from December. Residential permits were up 9 % y/y, while non-residential permits increased 28 % y/y. Household consumption momentum softened at the start of 2026. Volume turnover in retail trade fell 1.5 % y/y in January 2026. Automotive fuel sales dropped 4.3 % 9.2 % y/y, and food sales slipped 1.4 % y/y, while non-food sales were up 1.1 % y/y. Labour market signals have turned less favourable. The unemployment rate in Q4 2025 was 4.1 %, 0.5 percentage points higher y/y, though 0.2 points lower than Q3. Net wage in real terms grew 2.5% in 2025. In mid March, the incumbent party narrowly won the election but failed to secure a majority, leaving uncertainty over who will form the next government. Coalition talks are expected to be complex and prolonged.

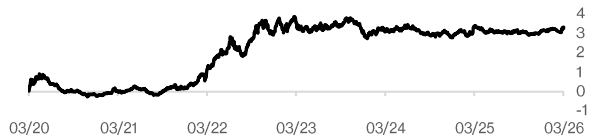
In February 2026, consumer prices grew 2.9 % y/y. Goods prices rose 2.8 % y/y and services 3.2 % y/y. Housing, water, electricity and gas costs were up 10.7 % y/y, contributing 1.3 percentage points to the annual rate, while food prices rose 3.6 %, adding 0.7 points; transport prices fell 2.3 %, subtracting 0.4 points. Average annual price growth in 2025 was 2.4% and is expected to average around 2.9 % in 2026.

For 2026, we expect GDP growth to rise to around 2.2%, reflecting a gradual improvement as wage dynamics stabilise, although the recovery in external demand is likely to remain slow.

Key Macroeconomic Indicators and Forecasts

	2023	2024	2025F	2026F
GDP real growth (%)	2,1	1,6	1,1	2,2
HICP (%, annual average)	7,3	2	2,5	2,8
Unemployment rate (%, ILO)	3,7	3,7	4,1	3
Fiscal deficit (% GDP)	-2,6	-0,9	-2,4	-2,2
Public debt (% GDP)	68,3	66,6	65,5	64
EUR/USD (average)	1,08	1,08	1,13	1,14
3M Euribor (average)	3,43	3,57	2,2	2

Slovenia 10Y Bond YIELD EUR (Generic, %)



Source: BBA Analytics, Bloomberg

Monetary Policy

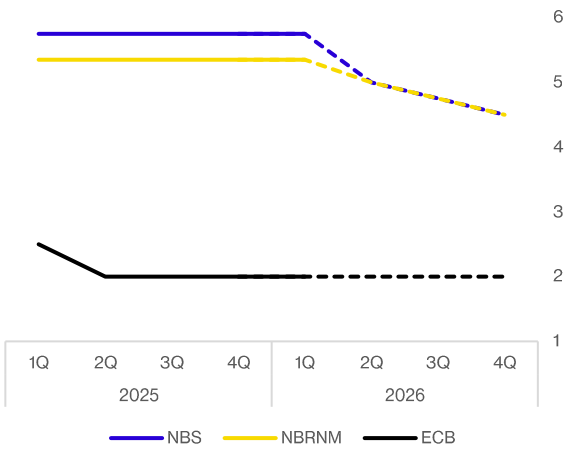
Central banks have largely shifted from active easing to a cautious hold, keeping policy strictly data dependent as they watch sticky services inflation and global risks.
For the ECB, we maintain our baseline scenario centred on a 2% deposit rate by the end of 2026. After cutting to 2% in June, and with inflation now around target, the ECB signalled that it is nearing the end of its easing cycle. The eurozone economy remains resilient despite tariff headwinds, and Germany's forthcoming fiscal stimulus should provide additional support in 2026. Looking ahead, a stabilising growth outlook means that rate hikes in 2026 cannot be ruled out.

The National Bank of Serbia (NBS) paused its easing cycle in late 2024, holding the key rate at 5.75% through 2025 and into 2026. Inflation re-accelerated during the summer (4.9% y/y in July) but later eased to 2.8% after the Serbian government introduced retail margin cap for selected food products, which helped reduce price pressures. The central bank maintains a cautious stance, underscoring sticky services and food inflation as well as external risks – all consistent with remaining on hold. We expect inflation to stabilise within the target band and the rate-cutting cycle to resume mid 2026.

The National Bank of the Republic of North Macedonia (NBRNM) kept its policy rate at 5.35% throughout 2025 and into 2026. Headline inflation eased to 4.0% y/y in November (down from 4.8% in July) but remains elevated, with food and services still showing persistent price pressures. We expect rate cuts to resume in 2026 as inflation continues to moderate.

However, given the geopolitical uncertainties and rising oil prices, inflation could increase in the second half of the year, which may prompt central banks to adjust policies.

Key Monetary Policy Rates (%)



Source: BBA Analytics, Bloomberg

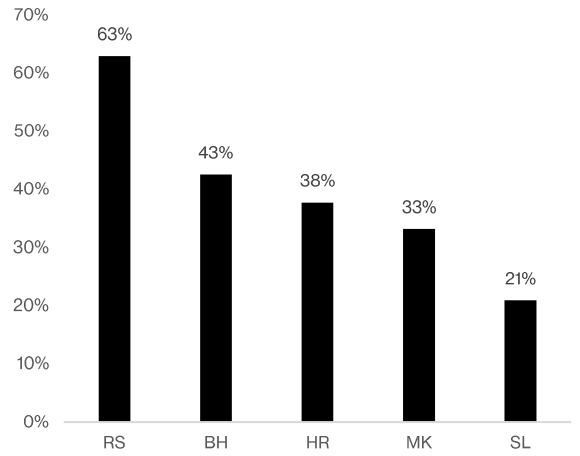
Real Average Wage Growth

Average monthly net wages in the Adria region increased significantly in the period 2019–2025. The strongest real wage growth was recorded in Serbia (63 percent), followed by Bosnia and Herzegovina with growth of 43 percent and Croatia with 38 percent, while North Macedonia (33 percent) and Slovenia (21 percent) recorded more moderate increases in purchasing power.

Wage growth has been driven by a combination of strong economic expansion following the pandemic, labour shortages, and increases in minimum wages. Households in the Adria region are today significantly wealthier than before the pandemic, despite elevated inflation.

Real growth in average net wages has been the most important driver of private consumption in the region, which in recent years has been one of the main engines of economic growth.

Real Average Wage Growth in Adria Countries (2019-2025)



Source: BBA Analytics, National Statistical Offices, Eurostat

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