Bloomberg Adria

Macro Quarterly Outlook
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Resilience Tested by External Risks

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Key Messages

Growth across the Adria region remained resilient in early 2026. Domestic demand remained the key growth driver, supported by wage growth, and resilient retail activity, while external demand stayed weak. Inflation pressures picked up again, with central banks cautious and switching to tightening mode.

Bosnia and Herzegovina remains supported by strong consumption, retail activity and wage growth, although industrial production weakened and investment indicators softened. New downside risks emerged following the shutdown of Nova Željezara Zenica, which could weigh on exports and industrial output. Growth is expected at around 3.2% in 2026.

Croatia continued solid growth, supported by consumption, investment and resilient services activity. Retail and industrial turnover remained solid, while tourism stayed broadly positive despite softer monthly dynamics. Growth is expected to moderate to around 2.9% in 2026 as domestic demand remains the main engine.

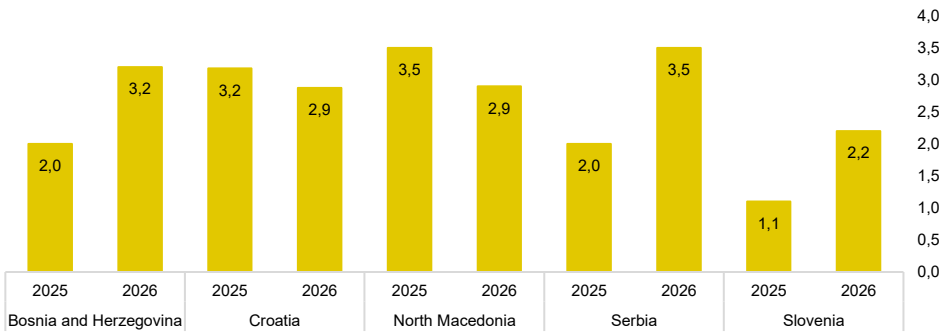
North Macedonia maintained stable growth supported by consumption and exports, although investment and construction indicators weakened. Retail activity remained strong, while inflation accelerated and monetary policy turned more restrictive. Growth is expected to ease to around 2.9% in 2026.

Serbia's economy regained momentum, supported by household demand and public investment despite uneven industrial activity. Inflation remains contained relative to peers, while Expo-related projects are expected to support stronger medium-term growth. We expect GDP growth of around 3.5% in 2026.

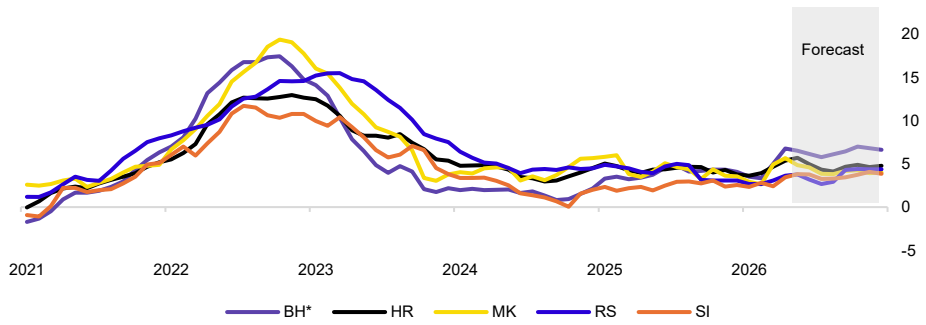
Slovenia started 2026 strongly, driven by domestic demand and investment, although weak exports continue to weigh on activity. Inflation remained more contained than elsewhere in the region and growth is expected to improve to around 2.2% in 2026.

The ECB raised rates by 25bp in June to 2.25%, citing rising energy prices and renewed inflation risks stemming from the Iran conflict. North Macedonia's central bank followed with a hike of also 25bp putting key policy rate at 4.25%. Serbia's central bank kept rates unchanged amid moderate inflation pressures.

GDP Growth Forecasts (YoY, %)



Inflation Rate Forecasts (HICP, YoY, %)



Source: BBA Analytics
*CPI

Bosnia and Herzegovina

BiH's GDP in Q4 2025 grew 2.1% y/y. Household final consumption remained the main driver rising 2.3% y/y, while government spending rose 2.7%. Exports increased 1.8% y/y, but imports climbed by 5.6% leaving negative net exports. Gross fixed capital formation surged 8.5% y/y, reflecting investment acceleration. Industrial production losing momentum: January-April industrial production was down 4.9% y/y. By sector, manufacturing production decreased 2.0% y/y, mining output decreased by 19.9%, and electricity and gas supply decreased 1.0%. Retail trade turnover remained resilient: in Q1 2026, it rose 14.2% y/y in real terms. Non-food retail sales grew 19.5%, while food, beverages and tobacco were up 8.3%. Wages continue to outpace price growth; net wages rose 9.2% y/y in real terms in Q1 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. Q1 2026 unemployment rate increased to 11.4%, up 0.3 p.p from the previous quarter but down 2.0 p.p. on y/y. Investment indicators point to a pullback: January-April 2026 saw building permits issued down 0.3% y/y, and down 4.7% in April only compared to average number of building permits issued in 2025 with residential buildings accounting for 97.1% of permits in January-April.

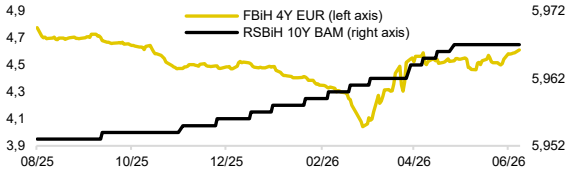
Inflation pressures remain elevated at around 6.8% y/y in April 2026. A decrease in prices on average was recorded only in divisions of clothing and footwear by 6.8% y/y. The main driver of price increases is the transport with 25.9% y/y, followed by the housing and utilities category with 11.0% increase y/y. With new retail-margin cap expiring in September in FBiH and in December in RS, price pressures are expected to continue. FBiH issued EUR 800 million bonds in June 2026, following its debut on London Stock Exchange with previously issued EUR 350 million in July 2025. RS issued EUR 500 million bonds in March 2026 followed by additional EUR 250 million in May 2026.

Nova Željezara Zenica (previously ArcelorMittal Zenica) shut down its integral steel production in April 2026 due to unsustainable financial position. While reorganization and response by Government of FBiH are still developing, shut down threatens directly 2000 jobs in Zenica, indirectly more than 10 000 and immediate macroeconomic contraction is estimated at a minimum of 1.1% of BiH's GDP, given that Nova Željezara Zenica was the second largest exporter in BiH in 2025. Consequently, material impact is expected for rail transport (FBiH and RS railways), gas supplier (BH Gas), industrial gasses and services (Messer) and port operations (Luka Ploče), generating additional indirect output losses. Tourism remains a positive story. In the first four months, the number of tourist arrivals rose by 2.7%, while overnight stays increased by 3.9%. Foreign arrivals are almost stagnant, but overnight stays by foreign tourists grew by 2.2%, which is a positive signal for tourism revenues.
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

FBiH and RSBiH Bond Yield (Current, %)



Source: BBA Analytics, Bloomberg

Croatia

Croatia's economy in Q1 2026 grew 2.2 % y/y. With household spending up 2.6 % and government consumption up 0.7 %. Investment gathered pace—gross fixed capital formation increased 2.5 % y/y. Exports of goods and services fell 1.6 %, while imports slipped 0.3 %. Construction momentum has softened. In April 2026, 1 084 building permits were issued, 7.4 % more than a year earlier, but the total number of permits issued in January–April 2026 was 17.5 % lower y/y. Retail trade is holding up: calendar adjusted real retail turnover in April 2026 was 2.0 % higher y/y, marking the 37th consecutive month of annual growth. Food, beverage and tobacco sales rose 2.6 % y/y, non-food sales (excluding fuel) 2.8 % y/y, while automotive fuel sales fell 15.1 % y/y. For January–April 2026, real retail turnover was 2.8 % above the same period of 2025. Number of fiscalized receipts grew 3.3% y/y for January–May period, while receipt value grew 26% y/y.

Industrial turnover surged. Calendar adjusted industrial turnover in March 2026 increased 8.1 % y/y. Tourism regained momentum despite softer April. In April 2026, tourist arrivals declined 1.2 % y/y and overnight stays fell 2.8 % y/y. Yet in the first four months of 2026, arrivals rose 3.7 % and nights 2.1 % compared with the same period of 2025.

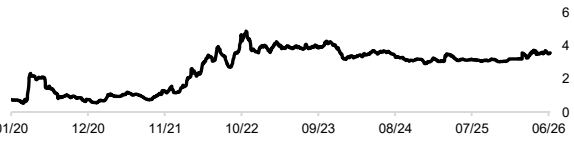
Inflation remains elevated. In May 2026, consumer prices were 5.2 % higher y/y. The strongest contributions came from transport (+12.5 % y/y), housing and utilities (+11.8 %), alcoholic beverages and tobacco (+7.5 %), restaurants and accommodation (+6.1 %) and health services (+5.2 %). Clothing and footwear prices fell 3.0 % y/y, and food and non alcoholic beverages edged up 1.4 %. The harmonised index of consumer prices (HICP) rose 4.9 % y/y, among the highest in the eurozone.

Overall, we expect Croatia's real GDP growth to moderate to about 2.9 % in 2026, with domestic demand remaining the main engine.

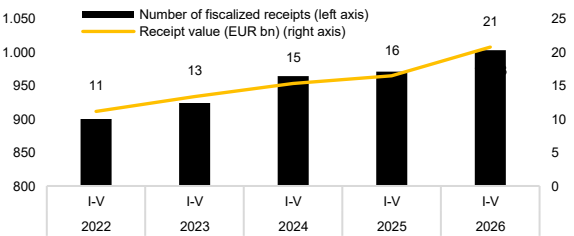
Key Macroeconomic Indicators and Forecasts

	2023	2024	2025	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	56,3	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, %)



Number and Value of Fiscalized Receipts (Jan - May 2026)



Source: BBA Analytics, DZS, Bloomberg

North Macedonia

North Macedonia's economic momentum remained firm at the start of 2026, with growth broadening across sectors. Real GDP in Q1 2026 rose 3.1 % y/y. The strongest gains were in construction, where value added expanded 7.2 %, and in professional, scientific and administrative services (up 6.1 %). Final consumption rose 7.3 %, while gross capital formation increased 1.8 % y/y. On the external side, exports of goods during January–April 2026 were up 7.08 % y/y, while imports were up 6.11 %; net trade provided a mild positive contribution to growth. Germany through automotive supply chains remains the biggest export market with 36% share in total exports in 2025, down from 46% in 2021.

Industrial momentum was mixed: industry turnover increased 7.3 % y/y in April, with strong gains in capital goods (up 12.7 %) and intermediate goods (3.4 %), but overall industry turnover for January–April was just 0.2 % above a year earlier. Domestic demand appears more resilient: real turnover in retail trade excluding fuel grew 9.3 % y/y in April, with food, beverages and tobacco sales up 11.3 % and non food sales up 5.2 %; however, sales of automotive fuel plunged 19.4 % in real terms. Construction indicators remain weak. Only 291 building permits were issued in April 2026, an 18.5 % decline from a year earlier, and the expected value of planned construction was 27.5 % lower.

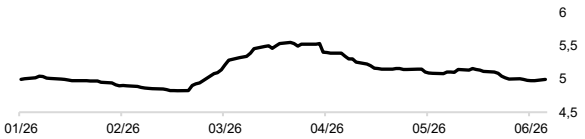
In May 2026 consumer prices rose 4.8 % y/y. The m/m increase was driven by transport costs (+1.6 %), clothing and footwear and food and non-alcoholic beverages (+1.0 % each), along with smaller rises in recreation/culture (+0.9 %), information/communication (+0.7 %), and restaurant and accommodation services (+0.5 %); prices for personal care services fell 0.4 % m/m. With headline inflation running near the upper end of the central bank's comfort zone.

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.

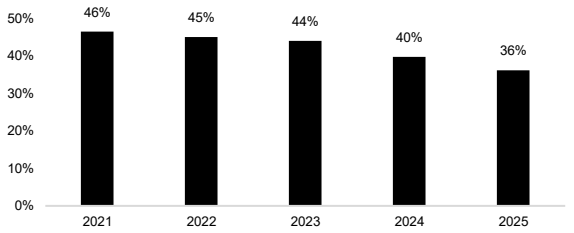
Key Macroeconomic Indicators and Forecasts

	2023	2024	2025	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	-4	-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, %)



Germany as a Share of Total Exports



Source: BBA Analytics, Bloomberg

Serbia

Serbia's economy in Q1 2026 grew 3.2 % y/y, highlighting a pickup in momentum. Household consumption rose 4.8 % y/y and government consumption increased 5.1 %. Gross fixed capital formation edged up 1.4 % y/y, signalling only a modest rebound in investment. Exports of goods and services increased 4.6 % y/y while imports rose 3.6 % y/y. Industrial production remains weak. In April 2026 total industrial output increased 3.4 % y/y but was only 0.2 % higher in the first four months of 2026 than a year earlier. By sector, manufacturing output rose 5.3 % y/y, mining output 4.8 % and electricity and gas supply fell 7.7 %. The consumer sector is holding up: retail trade turnover in April 2026 was 5.6 % higher in real terms than a year earlier, and sales in the first four months of 2026 were up 7.9 % y/y. Non food retail sales grew 4.4 %, food, beverages and tobacco 5.6 %, and motor fuel sales 8.7 %. Construction activity is still buoyant: the value of construction works performed in Q1 2026 was 1.7 % higher in current prices (though 5.0 % lower in constant prices) than a year earlier. Work on buildings jumped 25.4 % while civil engineering works fell 21.5 %; only the Belgrade region recorded growth, with the value of works up 35 %, while other regions contracted, due to the start of Expo 2027 construction.

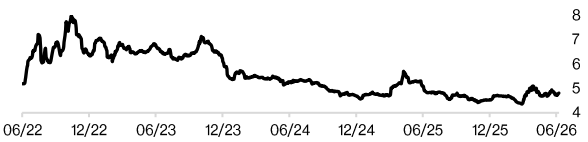
Inflation pressures have remained moderate. Consumer prices rose 3.5 % y/y in May 2026. Headline inflation has trended higher since the start of the year, rising from 2.4 % y/y in January to 3.5 % in May. Despite this pick up, inflation remains within the central bank's target band, and we expect it to average around 4 % (HICP) in 2026. Corporate revenue in Q1 grew 6.4% y/y, higher than the average inflation for the period (2.7%)

We expect 2026 GDP growth to moderate to around 3.5 % before accelerating in 2027 as Expo related projects and foreign investment gain traction.

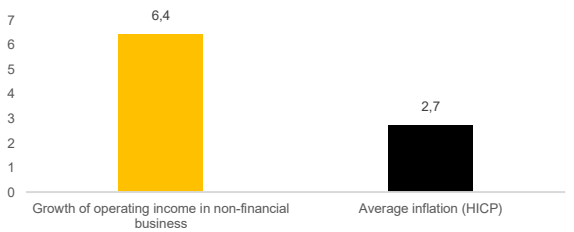
Key Macroeconomic Indicators and Forecasts

	2023	2024	2025	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	-2,4	-4,5
Public debt (% GDP)	48	46,7	44,5	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, %)



Corporate Revenue Growth vs Inflation (Q1, YoY, %)



Source: BBA Analytics, Bloomberg

Slovenia

Slovenia's economy maintained its strong momentum at the start of 2026. Real GDP increased 3.0 % y/y in Q1 2026 as domestic demand continued to drive activity. Private consumption in Q1 2026 rose 3.2 % y/y, with household spending up 2.7 % and government consumption up 3.9 %. Gross capital formation increased 5.6 % y/y, supported by a 12.6 % y/y surge in gross fixed capital formation, though changes in inventories were a drag. Net trade remained a drag: exports of goods and services grew 0.7 % y/y while imports rose 1.5 % y/y. Over the first four months of 2026, exports of goods fell 20.1 % y/y, while imports edged up 0.1 % y/y. Slovenia generated the first external trade surplus this year in April with the export-import coverage of 103.5%. Biggest export sector is still pharma with 44% share in total exports in 2025, steadily growing since 2021. (21%), consisting mainly of Krka, and Swiss Sandoz (Lek). Construction activity is still buoyant, though recent permitting data hint at some cooling. In April 2026, 15 % more building permits were issued than in March, but the total floor area of planned buildings was 19 % smaller. Residential floor area declined 13 % y/y, while non-residential floor area dropped 25 % y/y, and only 300 dwellings were planned, 25 % fewer than a month earlier. Household income growth remains supportive: average net pay in Q1 was up 4.3 % y/y. Industrial momentum is mixed, total industrial production was 0.3 % higher in April, with electricity and gas output up 9.3 %, manufacturing nearly flat (0.2 %) and mining down 1.1 %.

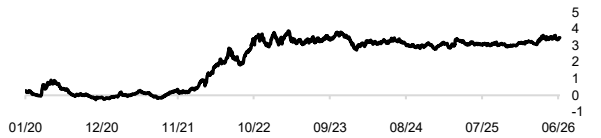
In May 2026, consumer prices grew 3.6 % y/y. Goods prices rose 3.5 % y/y and services 3.8 % y/y. Housing, water, electricity and gas costs were up 10.0 % y/y, contributing 1.2 percentage points to the annual rate, while transport prices rose 5.5 %, adding 0.3 points. Food and non-alcoholic beverages rose 0.5 % m/m, adding 0.1 point, whereas lower liquid-fuel prices (–5.5 %) offset 0.1 point. Average annual inflation in 2025 was about 2.5 %, and price growth is expected to average around 2.9 % in 2026.

For 2026, we expect GDP growth to rise to around 2.2%.

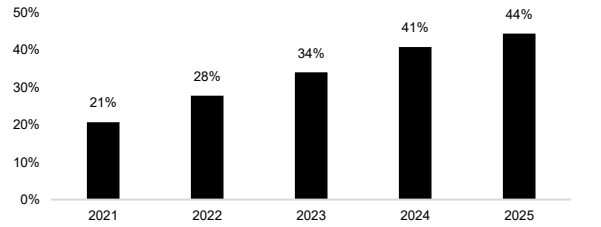
Key Macroeconomic Indicators and Forecasts

	2023	2024	2025	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	-2,5	-2,2
Public debt (% GDP)	68,3	66,6	66,1	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, %)



Pharmaceutical Products as % of Total Exports



Source: BBA Analytics, SURS, Bloomberg

Monetary Policy

Central banks have shifted from the easing cycle back toward a more cautious and selective approach, with monetary policy once again becoming highly data dependent amid renewed inflation concerns linked to energy markets and geopolitical uncertainty.

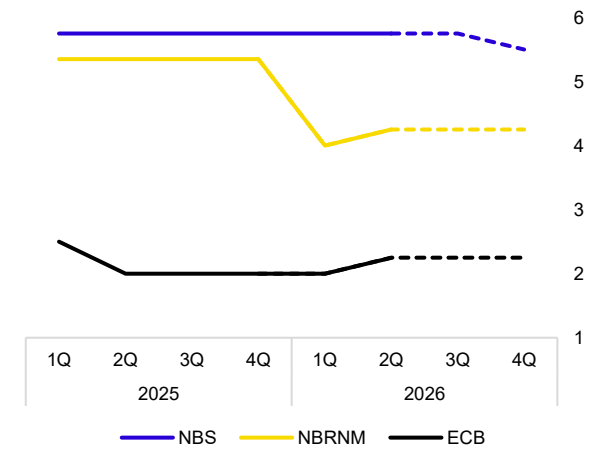
After lowering the deposit rate to 2.0% one year ago, the ECB reversed course and raised rates by 25bp in June to 2.25%, citing rising energy prices and renewed inflation risks stemming from the Iran conflict. Inflation dynamics have become less favourable, and the ECB has moved into a cautious tightening bias. While euro area growth remains fragile, Germany's fiscal expansion should provide some support in second half of the year.

The National Bank of Serbia (NBS) has maintained a defensive stance, keeping the key policy rate unchanged at 5.75% since late 2024. Inflation moderated earlier in 2026. but upside risks have re-emerged due to stronger energy prices and external pressures. The NBS continues to emphasise persistent services inflation and geopolitical uncertainty.

The National Bank of the Republic of North Macedonia (NBRNM) raised its key interest rate by 25 bps to 4.25% at its June meeting, the first hike since September 2023, citing lingering risks from geopolitical tensions. Annual inflation rate remains elevated, indicating persistent inflationary pressures and a slower return to historical averages.

Recent temporary agreement between the US and Iran has reduced immediate concerns around oil supply disruptions and reopened the possibility of lower energy prices.

Key Monetary Policy Rates (%)



Source: BBA Analytics, Bloomberg

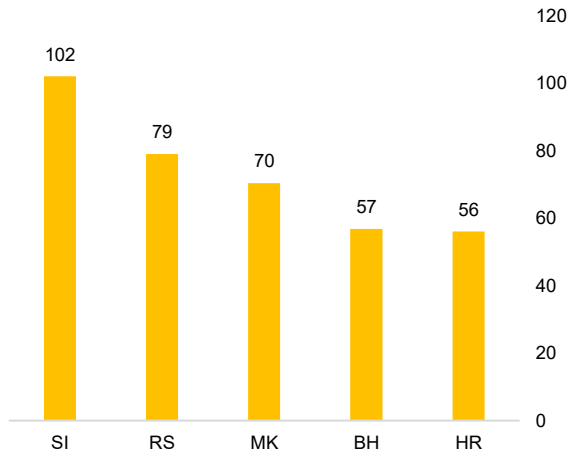
Export-to-Import Coverage

Net exports directly contribute to GDP when exports exceed imports. Within the Adria region, Slovenia stands out as the only economy with exports exceeding imports in 2025, with export-to-import coverage of at 102%, while Croatia ranks last with export-to-import coverage below 60%.

Export structures across the region differ significantly: Slovenia is highly concentrated around Switzerland due to its pharmaceutical industry, North Macedonia relies heavily on Germany through automotive supply chains, while Serbia has the most diversified export market exposure. Sector-wise, Slovenia and North Macedonia show the highest concentration, whereas Croatia, Serbia, and Bosnia and Herzegovina maintain more diversified export profiles.

Despite these differences, Germany remains the common denominator and one of the three largest export destinations for every country in the region, making the performance of the German economy a critical external factor for Adria's economic outlook.

Export-to-Import Coverage in 2025. (%)



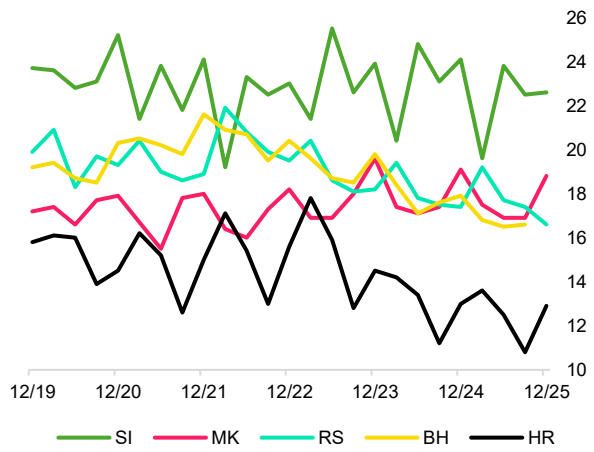
Source: BBA Analytics, local statistics offices

Industry as % of GDP

When looking at the share of industry in the overall economy, Slovenia stands out as the most industrialized country in the observed group, with a share consistently ranging between 20% and 25% of GDP. This is significantly higher than in other Adria countries and indicates that industry is one of the most important, if not the single most important, sector of the Slovenian economy.

Other Adria countries, except for North Macedonia, which remains relatively stable at around 17–18% throughout the observed period, show a slight decline in the share of industry as percentage of GDP. However, context is important here: a decline in industry's share of GDP does not necessarily mean a decline in industrial activity itself. Rather, it often reflects faster growth in the service sector, particularly tourism and finance, which in some of these economies are increasingly taking a leading role.

Share of Industry in GDP (%)



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