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CEEMEA Economics Mid-Year Outlook

Shifting Sands

Against an uncertain energy outlook, we see growth softening rather than stalling. Persistent inflation risks make future easing cycles conditional on expectations and underlying core measures. Some central banks may temporarily reverse course.

CEEMEA enters 2H26 with a more uneven growth profile. Higher energy prices, external demand weakness, and tighter-for-longer global financial conditions interrupt growth, but do not derail it. In an uncertain environment, policy buffers will be instrumental in driving the outlook. Turkey and Israel face near-term disruptions, but momentum should recover as uncertainty fades. Saudi Arabia may partially offset weaker oil activity through resilient non-oil demand and fiscal support, with a stronger rebound in 2027 as oil flows normalise. Egypt's recovery remains intact, led by private consumption, despite external financing pressure. South Africa is more cyclically vulnerable as the energy shock squeezes households and firms, though reforms and lower risk premia support the medium-term story. In CEE, domestic demand supports growth in the face of external demand weakness.

Energy prices, FX pass-through and second-round effects define the near-term inflation outlook. Turkey's disinflation process stalls before resuming in 2027. In South Africa, higher fuel costs, rising inflation expectations and broader price dispersion push inflation above the SARB's comfort zone. In Egypt, inflation re-accelerates due to FX and energy-price adjustments before easing later on. Inflation in CE3 should remain within the tolerance bands, supported by government measures. Hungary's stronger currency offsets part of the external price shock, though regulated-price changes remain a risk. Similarly, Israel's inflation outlook remains contained, helped by shekel strength.

For the region's central banks, the rates outlook becomes conditional on evidence that energy-driven inflation has not broadened into expectations, wages or services. The CBT is likely to stay on hold for longer before restarting gradual easing once disinflation resumes. The SARB is the outlier where the energy shock points toward near-term tightening, followed by reversal once inflation peaks. In Egypt, the CBE is likely to pause its easing cycle as external uncertainty increases upside risks to inflation. In Israel, the BOI would resume easing only after uncertainty subsides. The NBP and CNB are more likely to follow the ECB tightening before cutting in 2027. The NBH can remain patient given the stronger forint before easing more decisively next year.

Key risk events: In Israel, the Knesset elections, due to be held before end-October, are likely to result in higher-than-usual fiscal policy outlook uncertainty. Similarly, the outcome of the general election in Poland at the end of 2027 remains highly uncertain. In June, OPEC+ will hold its first full ministerial meeting since the closure of the Strait of Hormuz and the departure of the UAE from the group. Investor attention around the local government elections in South Africa (1 November) will likely pick up in the months ahead.

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Exhibit 1 : Our forecasts versus consensus

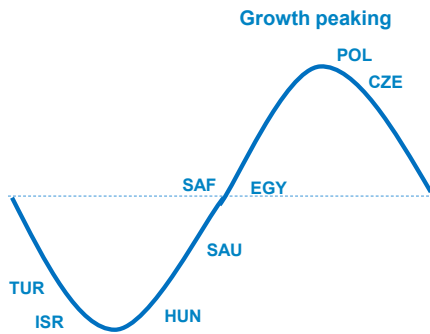
GDP (%Y)	2026		2027	
	MS 2026	Cons 2026	MS 2027	Cons 2027
CZE	1.8	2.3	2.0	2.5
EGY	4.8	4.8	5.0	5.1
HUN	1.9	2.0	3.1	2.5
ISR	2.9	3.5	4.2	4.5
POL	2.8	3.5	2.7	3.0
SAF	1.2	1.4	1.6	1.7
SAU	2.6	3.9	5.8	4.0
TUR	2.5	3.3	4.4	4.0
CPI (avg, %Y)				
CZE	2.2	2.1	2.0	2.2
EGY	13.3	13.0	12.6	10.0
HUN	2.6	3.2	3.1	3.5
ISR	2.2	2.1	2.1	2.0
POL	3.0	3.1	2.2	2.6
SAF	4.8	3.8	3.6	3.4
TUR	31.6	29.5	24.5	21.3
Policy Rates (eop)				
CZE	3.75	3.40	3.25	3.34
EGY	19.00	NA	14.00	NA
HUN	6.25	5.68	4.75	5.03
ISR	3.75	3.22	3.25	3.20
POL	4.00	3.71	3.50	3.56
SAF	7.25	6.83	6.25	6.25
TUR	35.00	33.28	27.50	25.77

Source: Bloomberg, Morgan Stanley Research forecasts; FY for Egypt.

For important disclosures, refer to the Disclosure Section, located at the end of this report.

Where Is CEEMEA in the Cycle?

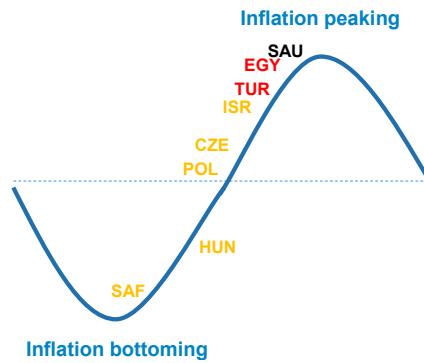
Exhibit 2: Growth cycle



Growth bottoming

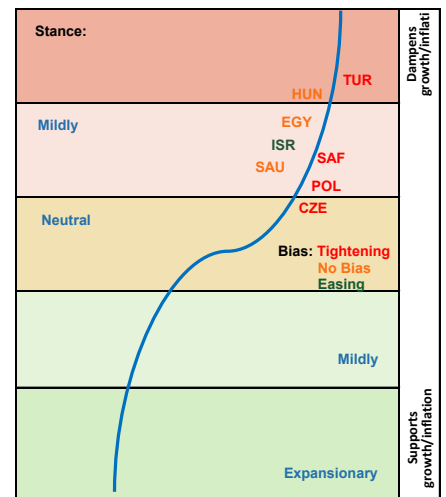
Source: Morgan Stanley Research; Note: Position corresponds to country's stage in growth cycle.

Exhibit 3: Inflation cycle



Source: Morgan Stanley Research; Note: Position corresponds to country's stage in inflation cycle, colour to current inflation level relative to the central bank's inflation target (red ≥ target ceiling, amber within the target range, green < target, black - no inflation target).

Exhibit 4: Monetary policy stance and bias

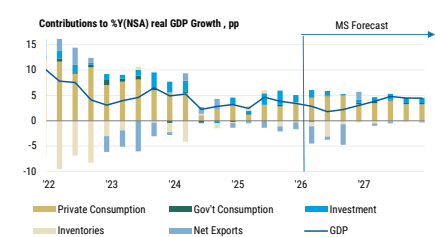


Source: Morgan Stanley Research; Note: Colour corresponds to monetary bias where 'red' stands for tightening bias, 'orange' for no bias and 'green' for easing.

Turkey: A Delicate Balance

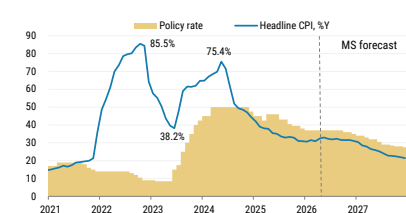
While we revise down our GDP growth forecast for 2026, we see a stronger rebound in 2027. With disinflation stalling in 2026, we now expect the CBT to remain on hold until 4Q26, when we see it restarting a gradual easing cycle for the policy rate to end at 35% in 2026 and 27.50% in 2027.

Exhibit 5: GDP growth to start improving in 2H26



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 6: Disinflation to stall in 2026



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 7: Turkey: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	3.3	3.6	2.5	4.4
Private consumption	4.3	4.0	6.4	4.8
Gov't consumption	-0.8	0.8	0.6	2.0
Gross fixed investment	2.7	7.0	2.9	3.8
Exports	0.1	-0.3	-3.2	6.3
Imports	-4.4	4.9	4.0	7.0
Unemp. Rate (%)	8.7	8.4	8.8	8.5
C/A balance (% GDP)	-1.0	-1.9	-3.4	-2.3
CPI (avg, %Y)	60.0	35.2	31.6	24.5
Policy rate (eop, %)	47.50	38.00	35.00	27.50
Budget balance (% GDP)	-4.7	-2.9	-3.6	-3.2
Gov't debt (% GDP)	20.8	21.7	24.8	24.6

Source: CBT, Ministry of Finance and Treasury, Haver Analytics, Morgan Stanley Research forecasts

Growth to go through a soft patch in 1H26: Having already slowed in the last couple of quarters of 2025, GDP growth looks set to slow further in 1H26 before starting to improve later this year. While we see private consumption growth weakening in the first half of this year, we expect it to improve relatively quickly in 2H26 as energy prices decline gradually. Still, we anticipate tight monetary conditions to constrain private consumption growth from accelerating further in 2027. Moderating external demand growth and elevated uncertainty are likely to result in slower fixed investment growth this year. We expect the contribution of net exports to remain negative throughout the forecast horizon, albeit improving in 2027 as the external growth environment improves.

Disinflation on pause but to resume in 2027: We now expect the disinflation process to stall in 2026, with headline inflation easing only marginally to 30.5%Y by the end of this year. Rising energy prices, alongside elevated food inflation, are likely to push inflation expectations higher. Sustained elevated inflation expectations are also likely to result in second-round effects, preventing core inflation pressures from easing materially this year. Still, as energy prices ease in 2H26, we expect the disinflation process to resume in early 2027, with headline inflation falling to around 21%Y by the end of 2027. Regulatory price decisions, as well as the minimum wage increase in 2027, remain major uncertainties for the inflation outlook.

CBT likely to remain on standby: While we expect the CBT to keep its policy rate unchanged at 37% in the near term, additional upside inflation surprises could see the central bank tighten monetary policy, particularly if global monetary and financial conditions tighten as well. Further ahead, as energy prices ease in 2H26, we expect the CBT to resume its easing cycle, delivering 200bp of easing in 4Q26 and bringing the policy rate to 35% by year-end. With inflation restarting its downward trajectory and the Fed easing by 50bp in early 2027, we see the central bank remaining on a gradual easing cycle, with the policy rate reaching 27.50% by the end of the year.

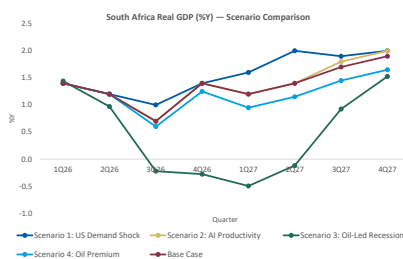
Risks: In our US aggregate demand shock and permanently higher oil prices scenario, tighter global monetary conditions would most likely prompt the CBT to raise its policy rate in 2026 and ease it by less in 2027 than in our base case. In the event of a global oil-led recession, despite easier global monetary conditions, we see the CBT initially tightening monetary policy significantly to preserve financial stability before easing in 2027.

Where do we differ? We see GDP growth below consensus of 3.3%Y in 2026 but accelerating to above 4%Y in 2027. Our inflation forecast stands above consensus expectations of 29.5%Y in 2026 and 21.3%Y in 2027. Consequently, our policy rate forecasts are slightly higher than consensus of 33.28% in 2026 and 25.77% in 2027.

South Africa: Cyclical Pinch Points

Energy prices are likely to drive a cyclical deterioration in growth, creating pinch points in both household and corporate behavior. Improvements in the underlying structural growth story remain, however, aided by a compression in risk premia and commitment to the reform agenda. In the near term, inflation is likely to track higher and will be met with a monetary response.

Exhibit 8: Scenario analysis helps us frame the risks around our GDP forecasts

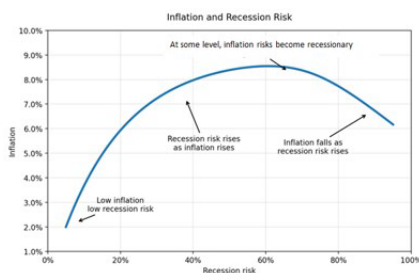


Source: RMB Morgan Stanley Research forecasts

Macro conditions are subject to higher than usual uncertainty currently. Scenario analysis helps us frame the risks but ultimately we need to settle on a baseline. After coming into 2026 on the front foot with evidence of economic rebalancing, compression in risk premia and a path to credit ratings upgrades, South Africa's growth dynamic is likely to undergo a cyclical slowdown over the coming months before stabilising and accelerating in 2027 as the structural underpin reemerges.

We've shown how the unfolding energy shock creates a variety of pressure points, for both the consumer as well as firms. Rising input costs raise inflation dispersion and second round inflation risk, prompting monetary tightening and a slowdown in discretionary spend. Household consumption expenditure is likely to slow sequentially as this episode unfolds, troughing we believe in 3Q26. On the corporate side, risks to profitability raise the prospect of layoffs, revised fixed investment plans and possibly a reduction in dividend payouts. Combined, these underpin a downgrade in our 2026 GDP growth forecast, from what was 1.7%Y in March and 2.0%Y prior to the Middle East conflict.

Exhibit 9: At some point, inflation pressure pushes the economy into recession, generating disinflation

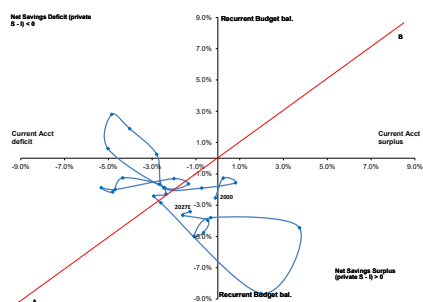


Source: RMB Morgan Stanley Research

The outlook changes with the oil price however. As our scenario analysis shows, the ultimate path of oil has the ability to generate material divergence in the forecast, particularly for a small open economy like South Africa. In our oil-led recession scenario, GDP weakens through 2Q27 - ultimately pulling inflation and the policy rate down with it. This is the convexity point that our global colleagues have been making through this crisis - ie, at some point, high oil prices prove to be disinflationary as growth contracts. On the contrary, such a cyclical downturn could be reasonably well contained to a quarter or two should oil prices recede over the coming weeks, as outlined in our positive demand shock scenario. We would judge the risks to our forecast as being tilted toward a more benign set of macro outcomes compared to our baseline.

The appropriate monetary policy response is particularly tricky in this situation. From an optimal policy perspective, the central bank should look through supply shocks provided they are contained and truly temporary in nature. Decisions become more complex if the original shock is followed up by a wave of other shocks, for example oil spilling over into a food or FX shock that keeps the CPI profile elevated beyond the typical 12 month horizon. Furthermore, once evidence of second round inflation presents itself - via core inflation, inflation expectations, inflation dispersion or wage growth - looking through the shock is no longer an option. This is the circumstance we believe the SARB faces.

Exhibit 10: Macro balances suggestive of a wider current account deficit in the years ahead



Source: SARB, RMB Morgan Stanley Research forecasts

Even in the presence of reasonably well anchored inflation expectations, the sheer magnitude of the oil move is likely to show up in measures of second round inflation, in our view. The impact of a 10% increase in oil prices generates approximately 25bp of first round inflation pressure, followed by a further 15bp of spillover in second round increases, on our estimates. These pressures, we estimate, **will show primarily in the services categories** where firms enjoy greater pricing power.

Together with a slightly weaker exchange rate compared to earlier estimates and the delayed reintroduction of the general fuel levy, our inflation forecasts now rise definitively outside of the SARB's 3%Y +/-1% tolerance band. In the context of a **recently revised inflation target** and the credibility gains that came with it, we see a willingness by the MPC to tighten the policy stance and bring inflation back to target within the forecast horizon. Cumulatively we see a cycle of 50bp unfolding. Once inflation has peaked and begins to moderate, we expect the SARB to quickly reverse the hiking cycle and ease policy rates through 2027.

Fiscal consolidation remains broadly on track, notwithstanding the downgrade to our GDP forecasts; higher inflation explains why.

From a revenue perspective, nominal GDP growth remains similar to our **earlier expectations**, and is sufficient to deliver what we estimate will be approximately R25 billion in revenue outperformance in 2026/27. CIT and VAT are the specific line items that we expect to exceed official estimates. On the expenditure front, we observe Treasury's ongoing commitment to anchoring recurrent expenditure growth to the inflation target, particularly in categories such as wages and social transfers. It remains to be seen whether the announced general fuel levy relief will indeed be deficit neutral, but for now we believe that it will, provided the **announced phase out approach** is adhered to. Net-net, we estimate a consolidated budget deficit that veers toward 3.0% over the coming years with debt/GDP that peaked at 78.9% of GDP in 2025/26.

Exhibit 11: South Africa: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	0.5	1.1	1.2	1.6
Private consumption	0.9	3.5	2.6	1.3
Gov't consumption	-0.1	-0.4	0.7	0.5
Gross fixed investment	-3.9	-2.2	2.9	2.7
Exports	0.0	-0.2	0.7	0.5
Imports	-6.4	1.1	3.4	3.6
Unemp. Rate (%)	31.4	30.9	30.2	33.0
C/A balance (% GDP)	-0.7	-0.5	-1.6	-1.3
CPI (avg, %Y)	4.4	3.2	4.8	3.6
Policy rate (eop, %)	7.75	6.75	7.25	6.25
Budget balance(% GDP)	-4.7	-4.5	-3.6	-3.1
Gov't debt (% GDP)	77.0	78.9	77.3	77.0

Source: Haver Analytics, Morgan Stanley Research forecasts

Such a combination of private spending dynamics and public finance point toward an overall macro balance (ie the current account) that moves further into deficit in 2026/27.

From what was a small deficit of 0.5% of GDP in 2025, our forecast of a decline in household and corporate savings against an unchanged investment penetration ratio drives an overall deterioration in private net savings. Less dissavings in the public sector certainly helps, but ultimately doesn't fully compensate. The result is more observable pressure on the external account rather than the fiscal balance, which should show up in currency weakness rather than higher bond yields. Our strategists expect the ZAR to appreciate in the near term, but ultimately depreciate modestly through 2027.

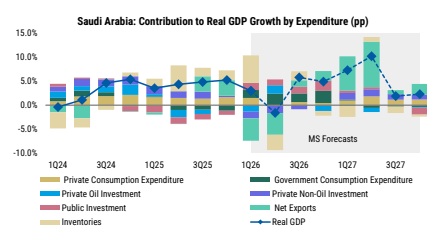
Finally, local government elections are scheduled to be held on 1 November 2026.

Typically, the outcomes of municipal elections are less relevant for macro watchers, but we believe that this time is different given the existence of a national coalition agreement between many of the local government parties. We expect the political temperature to heat up as we get closer to the event, and for investors to take a keen interest in developments in the Gauteng metros in particular. The outcome could be relevant for the ANC policy conference that follows in 2027.

Saudi Arabia: Growth Holds Ground

We expect Saudi GDP growth to hold in 2026, despite contraction in oil activities, as resilient private consumption and higher fiscal spending offset the drag from lower oil export volumes, with growth re-accelerating sharply in 2027 as oil activity normalizes.

Exhibit 12: Domestic demand remains a source of resilient growth despite exports contraction



Source: Haver Analytics, Morgan Stanley Research Forecasts

Exhibit 13: Saudi Arabia: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	2.6	4.5	2.6	5.8
Private consumption	7.6	3.8	3.5	1.4
Gov't consumption	3.1	-3.5	11.0	-1.3
Gross fixed investment	3.9	4.5	13.5	5.6
Exports	2.8	8.9	-4.2	16.5
Imports	7.4	4.8	0.8	-1.2
C/A balance (% GDP)	-1.3	-2.6	4.3	-2.0
CPI (avg, %Y)	1.5	2.0	2.1	1.6
Policy rate (eop, %)	5.00	4.25	4.25	3.75
Budget balance (% GDP)	-2.5	-5.8	-4.8	-5.8
Gov't debt (% GDP)	26.1	28.0	30.0	33.5

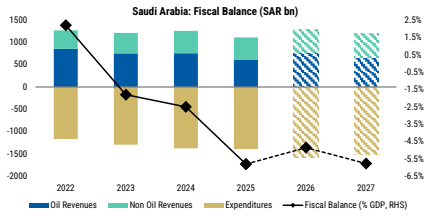
Source: Haver Analytics, Bloomberg, SAMA, Ministry of Finance of Saudi Arabia, Morgan Stanley Research forecasts

Growth remains resilient despite oil export disruptions: We expect growth to remain resilient in 2026 despite elevated geopolitical risks and temporary disruptions to oil exports. Saudi crude production declined to an average of ~7.3mb/d in April 2026 from 9mb/d in April 2025, as constraints around the Strait of Hormuz limited shipments to available Yanbu pipeline capacity. Our base case assumes partial resumption of flows through the Strait in 2H June, with full normalization by 3Q26. As a result, we expect a sharp contraction in oil activity during 2Q26, with oil exports averaging 4.3mb/d over the quarter and oil GDP acting as the primary drag on headline growth. Nevertheless, we forecast overall GDP growth of 2.6%Y in 2026, before activity re-accelerates materially in 2027, with GDP expanding by 5.8%Y as oil production and exports normalize.

Non-oil activity acts as a key buffer: Resilient domestic demand continues to anchor the non-oil outlook, with private consumption expected to strengthen by 4Q26 on a year-on-year basis despite temporary trade-related disruptions weighing on activity in 1H26. Importantly, Saudi Arabia's western coast port infrastructure provides viable alternatives for non-oil trade flows outside the Strait of Hormuz, helping to preserve import capacity and limit spillovers to domestic consumption, non-oil trade, and public investment. As highlighted in our recent [MENA consumer insight](#), ongoing economic diversification, labor market normalization, easing inflation, and a supportive fiscal backdrop continue to underpin a more durable consumption cycle driven by income and volume growth rather than price-led or credit-fueled expansion.

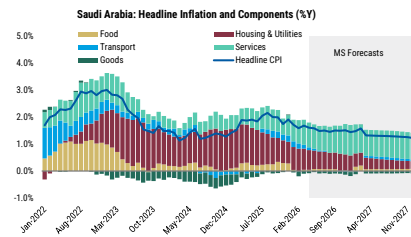
Fiscal support underpins non-oil activity as balances improve: Higher nominal fiscal revenues from oil windfalls underpin the constructive non-oil growth outlook, as the government channels these gains into the economy through increased consumption and investment. Our [fiscal model](#) shows that higher oil prices more than offset revenue losses from lower export volumes, creating additional fiscal space and supporting a sharp rise in public consumption and investment in 2026, particularly through infrastructure and defence-related spending. As a result, while the fiscal balance improves relative to 2025 levels on the back of stronger oil-related revenues, it remains weaker than our pre-conflict outlook, with the budget deficit revised to 4.8% of GDP in 2026 from 3.4% previously. We expect revenues to rise by 26%Y alongside a 14%Y increase in expenditures, reflecting infrastructure repair costs related to the regional conflict, higher defence outlays, and continued diversification investment. In 2027, the budget deficit is expected to widen as oil prices normalize while expenditure remains elevated relative to pre-conflict levels, with repair and infrastructure investment costs extending into 1H27.

Exhibit 14: Higher oil prices offset lower export volumes, preserving fiscal space



Source: Haver Analytics, Morgan Stanley Research Forecasts

Exhibit 15: Inflation outlook remains contained



Source: Haver Analytics, Morgan Stanley Research Forecasts

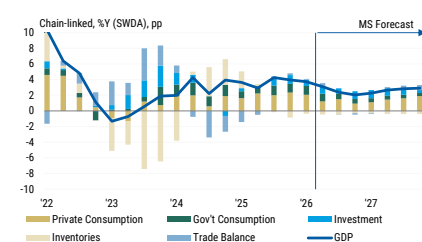
Risks to our view: Saudi Arabia's outlook is highly sensitive to oil prices and the timing of the reopening of the Strait of Hormuz. A global recession scenario in which the strait remains closed throughout 3Q26 sees 2026 growth dropping to -0.8%Y, a sharp decline from our 2.6%Y base case, with prolonged contraction in oil activities dragging headline growth and constrained import capacity delaying full recovery in private consumption. Saudi Arabia's growth outlook is also sensitive to the state of the US economy. An AI-led productivity shock to the US would support Saudi's economy through higher non-oil private investment, with the Kingdom continuing to position itself as a regional data centre and AI hub.

Where do we differ? Our 2026 GDP growth forecast of 2.6%Y is below the Bloomberg consensus median of 3.9%Y, though variation within consensus is high, ranging from -3.0% to 4.5%. Our positive growth forecast stems from our view of sustained public expenditure and solid private consumption in 2026 despite the contraction in oil activities and trade disruptions. Our below-consensus positioning reflects our view that reopening of the Strait of Hormuz does not translate into an immediate return to pre-conflict oil export levels, with a normalization period of a few months keeping oil activities subdued for longer. For 2027, we are above consensus with the economy fully recovering from the oil shock. On the fiscal side, we see a narrower deficit than consensus in 2026, at 4.8% of GDP versus 5.1% from Bloomberg consensus. Our fiscal model shows revenue increasing by 26% in 2026 compared to 2025 on the back of higher oil prices despite lower export quantities. For 2027, our fiscal deficit forecast is wider than consensus, anchored on our expectations for public expenditure to remain elevated relative to pre-conflict forecasts, despite normalization in oil prices.

Poland: Stability Amidst Uncertainty

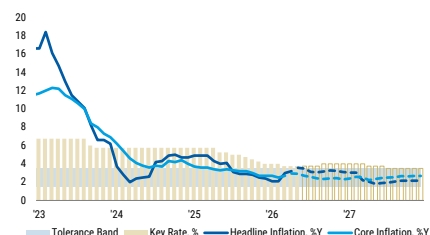
Despite easing private consumption growth, we see GDP growth remaining resilient. Mounting inflation pressures and 50bp of cumulative tightening by the ECB are likely to result in one 25bp hike by the NBP. Yet we see a lower policy rate in 2027.

Exhibit 16: Investment to remain supportive of GDP growth



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 17: Core inflation to remain within the NBP tolerance band



Source: Haver Analytics, Morgan Stanley Research forecasts; Note: Dashed line and unfilled bars represent Morgan Stanley forecasts.

Exhibit 18: Poland: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	3.2	3.6	2.8	2.7
Private consumption	2.9	3.8	2.6	2.7
Gov't consumption	8.7	4.9	4.2	2.3
Gross fixed investment	0.3	4.4	4.8	3.8
Exports	1.9	5.5	3.7	2.9
Imports	4.6	6.7	3.9	2.6
Unemp. Rate (%)	2.9	3.1	3.1	3.2
C/A balance (% GDP)	0.3	-0.9	-1.0	-0.9
CPI (avg, %Y)	3.7	3.6	3.0	2.2
Policy rate (eop, %)	5.75	4.00	4.00	3.50
Budget balance (% GDP)	-6.4	-7.3	-6.9	-6.5
Gov't debt (% GDP)	54.8	59.7	65.3	69.5

Source: Haver Analytics, Morgan Stanley Research forecasts

Resilient but slower GDP growth: Despite a dynamic start to the year, we expect GDP growth to slow in the coming quarters before picking up again in 2027. On the domestic demand side, while we see fixed investment growth remaining supported by EU funds and defence spending, higher corporate taxation is likely to have a limiting effect. Rising inflation amid slowing wage growth and a relatively high household savings rate are likely to result in slower private consumption growth in 2026. Still, as the effects of higher energy prices start to fade in 2027, we expect private consumption growth to recover. On the external side, we see export growth easing through 2026, while import growth remains robust on the back of sustained fixed investment growth and defence spending.

Inflation to remain above target until 2Q27: Despite falling below the 2.5%Y target in the first two months of the year, we see inflation rising to the 3.5%Y upper limit of the NBP tolerance band in the coming months before easing again to around 3%Y towards year-end. Moreover, we see core inflation remaining close to 3%Y over the next couple of quarters before easing back to the target towards the end of the year as private consumption growth slows down. Further ahead, with the effects of higher oil prices fading in 2Q27, we project headline inflation to return below the central bank target, with core inflation stabilising around 2.6%Y. Uncertainty about next year's inflation outlook is likely to remain elevated and dependent on: (1) the size of the minimum and public sector wage increases ahead of the general elections in October 2027; and (2) the government's plans to reverse the VAT and excise duty tax cuts on fuel.

The NBP to remain watchful of second-round effects: We now expect the NBP to remain more patient than we previously assumed and see it tightening only once in September by 25bp in response to the 50bp cumulative tightening by the ECB and inflation pressures building up over the summer. Assuming oil prices fall back in 4Q26 and 1Q27, we expect the NBP to ease by 25bp in April and July 2027 for the key policy rate to reach 3.50% by the end of 2027. Risks to our policy rate forecast remain skewed to the upside and depend on the scale of second-round effects on core inflation and FX. Finally, we believe the lack of material fiscal consolidation plans would keep the central bank on the cautious side.

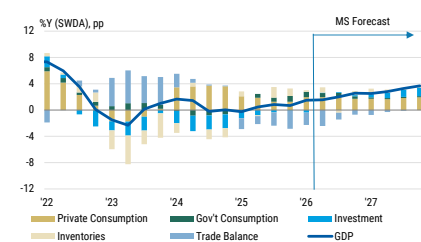
Risks: In the event of a global oil-led recession, we see the NBP maintaining tighter monetary policy for longer to tame inflation expectations. In a scenario where the ECB remains on hold, we expect the NBP to abstain from tightening as well.

Where do we differ? We expect GDP growth to be weaker than Bloomberg consensus of 3.5%Y in 2026 and 3%Y in 2027. While we see inflation in line with consensus for 2026, we expect it to be more subdued than 2.6%Y in 2027. We expect the key policy rate to be higher than consensus of 3.71% in 2026 but slightly lower than 3.56% in 2027.

Hungary: At a Turning Point

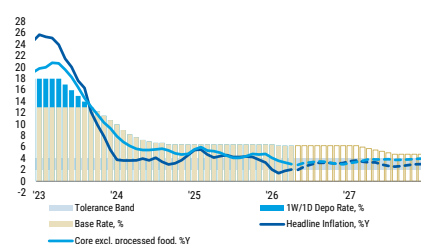
We expect consumer-friendly fiscal policy and rising EU Cohesion Fund inflows to result in an accelerating GDP growth trajectory. We see the NBH balancing between rising price pressures, higher ECB rates, and stronger HUF in 2026 before engaging in a sustained easing cycle in 2027.

Exhibit 19: We see a broad-based growth recovery in 2027



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 20: Inflation to ease only in 2027



Source: Haver Analytics, Morgan Stanley Research forecasts; Note: Dashed line and unfilled bars represent Morgan Stanley forecasts.

Exhibit 21: Hungary: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	0.7	0.5	1.9	3.1
Private consumption	7.3	3.1	3.6	3.3
Gov't consumption	-2.7	2.3	2.7	0.9
Gross fixed investment	-8.6	-2.8	0.1	4.5
Exports	-0.5	-1.1	0.9	3.2
Imports	-1.4	1.2	2.8	3.6
Unemp. Rate (%)	4.5	4.4	4.5	4.5
C/A balance (% GDP)	1.8	1.7	-1.6	0.8
CPI (avg, %Y)	3.7	4.4	2.6	3.1
Policy rate (eop, %)	6.50	6.50	6.25	4.75
Budget balance (% GDP)	-5.1	-4.7	-5.6	-4.8
Gov't debt (% GDP)	73.5	74.6	77.0	76.7

Source: Haver Analytics, Morgan Stanley Research forecasts

Growth on the mend: With 1Q26 data already pointing to improving growth momentum, we see further improvement in 2026 and 2027. We expect strengthening private consumption, supported by fiscal policy, to partially offset near-term weakness in external demand. Further ahead, we see fixed investment growth picking up in 2027, driven by both RRF and inflows from EU Cohesion Funds. Under our base case, we expect potential growth to improve by 1.5pp to 3.5%Y over the medium term, thanks to the unfreezing of EU funds. Meanwhile, net exports would contribute negatively to GDP growth in 2026, as export growth remains subdued due to softer global demand. Yet, as euro area GDP growth recovers in 2027, we see the net exports contribution turning roughly neutral in 2H27.

Two-sided inflation story: We expect inflation to accelerate in the coming quarters but remain within the NBH tolerance band, before easing below the 3% target in 2H27. On the one hand, the significant FX appreciation following the parliamentary elections in April is likely to suppress rising external price pressures. Note that the NBH estimates the FX pass-through to be in the range of 25-35%, while we estimate the cumulative direct and indirect import content of the CPI basket to be around 55%. On the other hand, we see rising supply-chain price pressures from abroad. While we believe the two impacts can roughly offset each other, it will be important to watch how quickly, and when, the new government phases out existing regulatory price measures (fuel and profit margin caps), which could add about 1–2pp to headline inflation.

NBH to remain patient: While the reduced risk premium of FX and domestic assets argues for a lower policy rate, we expect the NBH to remain cautious and sensitive to any build-up in external price pressures. As such, we expect the central bank to keep its key policy rate unchanged at 6.25% this year even as the ECB tightens cumulatively by 50bp. Further ahead, with fading oil price effects in early 2027, the stronger currency suppressing core inflation, and both the Fed and the ECB easing, we see the NBH engaging in a sustained easing cycle, most likely in March, with the policy rate reaching 4.75% by end-2027.

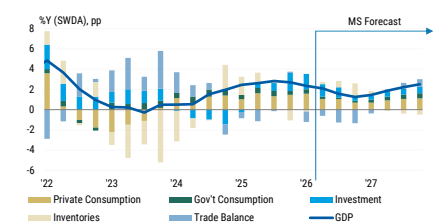
Risks: In our US aggregate demand shock scenario, tighter global monetary conditions prompt the NBH to tighten to 6.75% by end-2026, before easing only to 5.75% by end-2027. In the event of a global oil-led recession, we see the NBH tightening to 7% in 2026 and easing to 6.50% in 2027. In a scenario where the ECB remains on hold, we believe the NBH could initiate its easing cycle already in 2026.

Where do we differ? Our GDP growth forecast is higher than consensus of 2.5%Y in 2027. Our inflation forecast is below consensus of 3.2%Y in 2026 and 3.5%Y in 2027. Our policy rate forecast is above consensus of 5.68% in 2026 but below 5.03% in 2027.

Czech Republic: Aiming for Stability

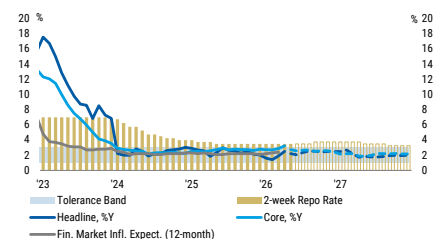
We expect GDP growth to weaken in the coming quarters on the back of slower global demand before accelerating again in 2027. While we see inflation remaining within the tolerance band, tighter monetary conditions abroad are likely to result in a temporary tightening from the CNB.

Exhibit 22: GDP growth to soften in 2026



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 23: CNB to abstain from significant policy rate changes



Source: Haver Analytics, Morgan Stanley Research forecasts; Note: Dashed line and unfilled bars represent Morgan Stanley forecasts.

Exhibit 24: Czech Republic: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	1.3	2.6	1.8	2.0
Private consumption	2.4	3.0	2.4	2.1
Gov't consumption	3.1	2.1	1.1	1.9
Gross fixed investment	-2.7	2.4	3.7	1.9
Exports	1.5	3.9	1.8	2.7
Imports	0.5	5.0	3.5	2.5
Unemp. Rate (%)	2.6	2.8	3.0	3.0
C/A balance (% GDP)	1.7	0.7	-0.6	0.3
CPI (avg, %Y)	2.5	2.5	2.2	2.0
Policy rate (eop, %)	4.00	3.50	3.75	3.25
Budget balance (% GDP)	-2.0	-2.1	-2.6	-2.8
Gov't debt (% GDP)	43.3	44.3	45.9	46.6

Source: Haver Analytics, Morgan Stanley Research forecasts

Weaker exports to limit GDP growth: As external demand slows, we expect Czech GDP growth to ease this year before recovering in 2027. Still, we see domestic demand remaining supportive, despite private consumption growth slowing marginally and fixed investment growth picking up more materially only in 2027. We expect households to maintain a relatively high savings rate due to elevated global uncertainty. Meanwhile, the new government is likely to prioritise higher public investment in 2027, before considering fiscal consolidation further ahead. On the external side, we expect net exports to contribute negatively in 2026 before turning positive towards the end of 2027. Higher energy prices and potential supply-chain disruptions are likely to limit export demand, while resilient domestic demand supports import growth.

Sticky core inflation to ease only in 2027: We expect inflation to remain elevated but below the 3%Y upper limit of the CNB tolerance band until 2Q27. With the effects of higher energy prices fading from March 2027 onwards, we project headline inflation to ease slightly below the 2%Y target and remain subdued in 2H27. Meanwhile, we see CNB-defined core inflation remaining sticky and close to 3%Y for most of this year, supported by robust wage growth. We see upside risks to core goods inflation due to potential transport-induced supply-chain disruptions. Further ahead, as private consumption growth moderates and residential property supply starts to improve in 2027, we expect imputed rents inflation to ease. Yet, recovering domestic and external demand are likely to keep core inflation above the CNB target over the forecast horizon.

CNB to aim to keep the policy rate stable: While we expect the CNB to look through the initial direct impact of higher energy prices on inflation, external price pressures are likely to keep building up over the summer while the ECB is likely to tighten in June and September. As a result, we anticipate the CNB to hike its policy rate by 25bp in September. Following that, we see the CNB remaining on hold until inflation falls back to the target level, easing in May and September 2027 for the policy rate to reach 3.25% by end-2027. Sticky and elevated wage growth, combined with low labour productivity gains, are likely to prevent the CNB from easing below its estimate of the neutral policy rate at 3%.

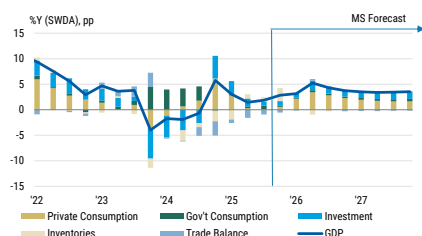
Risks: In the event that the ECB remains on hold in 2026, we would expect the CNB to do so as well. In our US aggregate demand shock scenario, tighter global monetary conditions are likely to keep the CNB on hold in 2027. Yet in the event of a global oil-led recession, we see the CNB keeping its policy rate tighter for longer to anchor inflation expectations back to the target.

Where do we differ? Our GDP growth forecast is below Bloomberg consensus of 2.3%Y in 2026 and 2.5%Y in 2027. We expect a higher policy rate than consensus of 3.4% in 2026 but also see it below consensus of 3.34% in 2027.

Israel: Withstanding Uncertainty

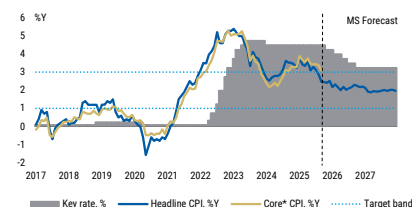
Despite geopolitical tensions and disruption to economic activity weighing on near-term growth, we expect Israeli GDP growth to remain resilient and recover in 2027. Inflation is likely to remain within the tolerance band, helped by FX appreciation, opening the door for the BOI to further normalise monetary policy when tensions subside.

Exhibit 25: Despite slowing in mid-2026, we see GDP growth remaining resilient



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 26: We see the BOI easing later this year



Source: Haver Analytics, Morgan Stanley Research forecasts

Exhibit 27: Israel: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	0.6	2.9	2.9	4.2
Private consumption	3.9	2.7	2.2	5.0
Gov't consumption	11.1	1.8	3.2	2.3
Gross fixed investment	-6.1	8.5	3.6	6.4
Exports	-4.7	5.3	8.2	5.6
Imports	-0.6	8.3	6.4	4.9
Unemp. Rate (%)	3.0	3.0	3.2	3.1
C/A balance (% GDP)	2.9	1.5	2.0	2.6
CPI (avg, %Y)	3.1	3.0	2.2	2.1
Policy rate (eop, %)	4.50	4.25	3.75	3.25
Budget balance(% GDP)	-6.8	-4.7	-5.6	-4.0
Gov't debt (% GDP)	67.9	68.5	70.9	70.3

Source: Haver Analytics, Morgan Stanley Research forecasts

Resilient growth amidst high uncertainty: We revise down our 2026 GDP growth forecast by 1.5pp to 2.9%Y to reflect the impact of the most recent geopolitical developments. Still, assuming tensions ease in 2Q26, we project GDP growth to improve to 4.2%Y in 2027, some 0.7pp above our previous forecast. We expect private consumption growth to slow in 2Q26, before starting to recover in 2H26 and continuing to do so into 2027. Similarly, we expect investment growth to soften in 2026 amid elevated geopolitical uncertainty, followed by a recovery in 2027. We see strengthening high-tech services exports offsetting the negative effects of transport disruption on goods exports. Thus, we expect net exports to contribute positively to GDP growth in both 2026 and 2027.

Inflation likely to remain within the tolerance band: Despite higher global energy prices likely continuing to exert direct and indirect upward pressure on domestic inflation, the appreciation trend of the shekel is likely to help keep core inflation stable. We expect headline inflation to accelerate towards 2.5%Y by early 2027, but to subside from 2Q27 and remain close to the middle of the 1–3%Y tolerance band. Meanwhile, we expect core inflation to remain relatively stable and slightly below 2% in 2026, before picking up slightly in 2027 on the back of the recovery in consumer demand. Beneath the surface, we expect subdued tradables inflation on the back of appreciating FX, while non-tradables inflation remains sticky due to limited labour supply and robust wage growth.

The BOI to eye easing in late 2026: We believe that elevated uncertainty around the macroeconomic outlook would keep the BOI on hold. Yet, we continue to expect that the central bank would look to resume policy normalisation. We currently see one 25bp rate cut in late November, followed by further easing next year, taking the policy rate to 3.25% by mid-2027, where it would remain for the rest of that year.

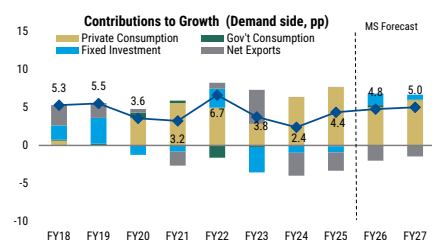
Risks: The upcoming Knesset elections later this year represent a country-specific risk. Should uncertainty around fiscal policy increase, we would expect the BOI to remain on hold this and next year. Similarly, tighter Fed monetary policy in our US aggregate demand shock scenario would also likely result in an unchanged policy rate. In our US AI productivity boost scenario, lower global price pressures would most likely allow the BOI to lower its policy rate to 3% in 2027. In a global oil-led recession, we would see the BOI delivering a steeper and deeper easing cycle in 2027.

Where do we differ? Our GDP growth forecasts are lower than Bloomberg consensus of 3.5%Y in 2026 and 4.5%Y in 2027 while our inflation forecasts are similar. We expect the key policy rate to be above consensus of 3.22% in 2026 but to ease close to consensus of 3.20% in 2027.

Egypt: Resilience Tested by Shocks

Egypt's macro recovery outlook holds, despite headwinds. We expect CBE to put its easing cycle on hold throughout the year, with FX the main absorber of external shocks as we expect Egypt's commitment to its floating exchange rate regime to continue.

Exhibit 28: Private consumption continues being the main driver of growth



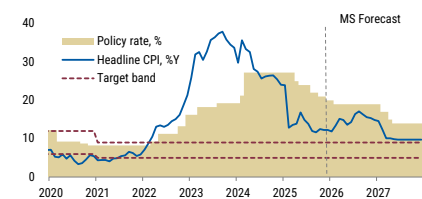
Source: Haver Analytics, Morgan Stanley Research forecast

Exhibit 29: Egypt: Key forecasts

	2024	2025	2026E	2027E
Real GDP (%Y)	2.4	4.4	4.8	5.0
Private consumption	8.0	9.2	5.7	6.7
Gov't consumption	0.2	-2.0	4.7	1.2
Gross fixed investment	-6.1	-5.5	11.6	4.7
Exports	-2.0	3.9	-1.2	0.9
Imports	-1.0	-6.4	-0.8	-2.4
Unemp. rate (%)	6.8	6.0	5.8	5.6
C/A balance (% GDP)	-5.4	-4.4	-4.0	-4.4
CPI (avg, %Y)	33.6	20.9	13.3	12.6
Policy rate (eop, %)	27.25	24.00	19.00	14.00
Budget balance (% GDP)	-3.6	-7.3	-7.3	-7.4
Gov't debt (% GDP)	90.9	87.0	85.0	82.4

Source: CBE, Ministry of Finance, Haver Analytics, Morgan Stanley Research forecasts; Note: Numbers represent fiscal year from July 1 to June 30.

Exhibit 30: We expect CBE to remain on hold for the remainder of the year



Source: Haver Analytics, Morgan Stanley Research forecasts

Similar shock, different policy response: The current energy shock tests Egypt's resilience and its policymakers' commitment to the new exchange rate regime. Despite episodes of risk-off sentiment, the CBE has continued to allow FX flexibility in both directions in response to capital flows and utilized its floating exchange rate regime as the main absorber of the external shock. The EGP has depreciated by 11.7% YTD.

External buffers show resilience, but risks remain: CBE NFAs remained stable as of March as it has refrained from intervening in the market, while commercial banks' NFAs dropped by half in March primarily due to portfolio outflows. NFAs are still in comfortable positive territory, but their ability to absorb the shock decreases as higher energy prices and increasing wheat prices weigh on the outlook for external financing needs. Disruptions to the Strait of Hormuz further into 2H26 would increase external pressure and pose risks to our macro outlook.

Inflation takes a turn back to acceleration: Inflation returned to an acceleration trend in March in light of FX depreciation and increases in energy prices, after having been on a stable deceleration path from July 2025. In our base case, we see inflation displaying a volatile course in the near term. We expect inflation to decrease again in May, despite the energy price hike in March, on the back of favorable base effects and then to hover around 15-17% from June to August before resuming its deceleration path and ending the year around 14%Y in December. Risks to our view are skewed to the upside in the event of further administrative energy hikes or a risk-off episode that puts the EGP on a sharper depreciation path.

Back to hawk: We expect the CBE to remain on hold throughout 2026 and resort to rate hikes only if disruption to energy prices and risk sentiment persists into 2H26. Our base case of normalization of flows through the Strait of Hormuz beginning in the second half of June allows the CBE to stay on hold throughout 2026 and see through this transitory inflationary period as inflation peaks in 3Q26 and resumes its deceleration path. In the event of a sooner-than-expected normalization of flows through the Strait of Hormuz, Egypt's relative appeal as a de-escalation trade and expected EGP appreciation in that scenario would provide enough disinflationary support to allow the CBE to resume its easing cycle in 4Q26.

Where do we differ? Our growth forecasts for Egypt are aligned with consensus, but we see a wider current account deficit for both years, factoring in elevated oil prices and a mild reduction in tourism revenue throughout 2Q and 3Q26. We also see average inflation in FY27 at 12.6% compared to Bloomberg consensus of 10%, with inflation remaining elevated in 1H FY27 due to unfavorable base effects and second-round effects from the March energy price increase and EGP depreciation.

CEEMEA Annual Economic Forecasts

Exhibit 31: Annual forecasts

		Poland	Hungary	Cz. Rep.	Israel	Turkey	South Africa	S. Arabia	Egypt
Real GDP growth (%)	2024	3.2	0.7	1.3	0.6	3.3	0.5	2.6	2.4
	2025	3.6	0.5	2.6	2.9	3.6	1.1	4.5	4.4
	2026E	2.8	1.9	1.8	2.9	2.5	1.2	2.6	4.8
	2027E	2.7	3.1	2.0	4.2	4.4	1.6	5.8	5.0
Private Consumption (%)	2024	2.9	7.3	2.4	3.9	4.3	0.9	7.6	8.0
	2025	3.8	3.1	3.0	2.7	4.0	3.5	3.8	9.2
	2026E	2.6	3.6	2.4	2.2	6.4	2.6	3.5	5.7
	2027E	2.7	3.3	2.1	5.0	4.8	1.3	1.4	6.7
Gross Fixed Investment (%)	2024	0.3	-8.6	-2.7	-6.1	2.7	-3.9	3.9	-6.1
	2025	4.4	-2.8	2.4	8.5	7.0	-2.2	4.5	-5.5
	2026E	4.8	0.1	3.7	3.6	2.9	2.9	13.5	11.6
	2027E	3.8	4.5	1.9	6.4	3.8	2.7	5.6	4.7
Exports (%)	2024	1.9	-0.5	1.5	-4.7	0.1	0.0	2.8	2.8
	2025	5.5	-1.1	3.9	5.3	-0.3	-0.2	8.9	8.9
	2026E	3.7	0.9	1.8	8.2	-3.2	0.7	-4.2	-4.2
	2027E	2.9	3.2	2.7	5.6	6.3	0.5	16.5	16.5
Imports (%)	2024	4.6	-1.4	0.5	-0.6	-4.4	-6.4	7.4	7.4
	2025	6.7	1.2	5.0	8.3	4.9	1.1	4.8	4.8
	2026E	3.9	2.8	3.5	6.4	4.0	3.4	0.8	0.8
	2027E	2.6	3.6	2.5	4.9	7.0	3.6	-1.2	-1.2
CPI Inflation (% year end)	2024	4.7	4.6	3.0	3.2	44.4	3.0	1.4	27.5
	2025	2.4	3.3	2.0	2.6	30.9	3.6	2.4	15.0
	2026E	3.1	3.2	2.5	2.2	30.5	5.3	2.0	15.0
	2027E	2.2	3.0	2.0	2.0	21.2	2.8	1.4	8.4
C/A Balance (% GDP)	2024	0.3	1.8	1.7	2.9	-1.0	-0.7	-1.3	-5.4
	2025	-0.9	1.7	0.7	1.5	-1.9	-0.5	-2.6	-4.4
	2026E	-1.0	-1.6	-0.6	2.0	-3.4	-1.6	4.3	-4.0
	2027E	-0.9	0.8	0.3	2.6	-2.3	-1.3	-2.0	-4.4
Govt Debt (% GDP)	2024	54.8	73.5	43.3	67.9	20.8	77.0	26.1	90.9
	2025	59.7	74.6	44.3	68.5	21.7	78.9	28.0	87.0
	2026E	65.3	77.0	45.9	70.9	24.8	77.3	30.0	85.0
	2027E	69.5	76.7	46.6	70.3	24.6	77.0	33.5	82.4
Public sector balance (% GDP)	2024	-6.4	-5.1	-2.0	-6.8	-4.7	-4.7	-2.5	-3.6
	2025	-7.3	-4.7	-2.1	-4.7	-2.9	-4.5	-5.8	-7.3
	2026E	-6.9	-5.6	-2.6	-5.6	-3.6	-3.6	-4.8	-7.3
	2027E	-6.5	-4.8	-2.8	-4.0	-3.2	-3.1	-5.8	-7.4

Source: Haver Analytics, Morgan Stanley Research forecasts. Note: Numbers for Egypt represent fiscal year from July 1 to June 30.

CEEMEA Alternative Scenarios

Exhibit 32: Real GDP growth, headline CPI and monetary policy across alternative scenarios

Real GDP Growth (YoY)	Baseline				Scenario 1: US Aggregate Demand Shock			Scenario 2: US AI Productivity Boost			Scenario 3: Global Oil-Led Recession			Scenario 4: Permanent Oil Premium Regime		
	2024	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Global	3.4	3.5	3.2	3.4	3.5	3.4	3.7	3.5	3.3	3.4	3.5	2.5	2.9	3.5	3.0	3.2
Global ex US	3.5	3.9	3.5	3.6	3.9	3.7	3.8	3.9	3.5	3.7	3.9	2.8	3.2	3.9	3.2	3.4
G10	1.7	1.8	1.4	1.7	1.8	1.7	2.2	1.8	1.4	1.7	1.8	0.7	0.7	1.8	1.3	1.5
EM	4.7	4.9	4.6	4.6	4.9	4.7	4.8	4.9	4.6	4.6	4.9	3.9	4.4	4.9	4.3	4.5
EM ex China	4.5	4.7	4.4	4.6	4.7	4.6	4.8	4.7	4.4	4.6	4.7	3.6	4.3	4.7	4.1	4.3
AXJ	5.3	5.5	5.2	5.1	5.5	5.3	5.2	5.5	5.2	5.0	5.5	4.6	4.8	5.5	4.9	4.9
CEEMEA	2.1	3.2	2.4	3.8	3.2	2.8	4.2	3.2	2.7	4.4	3.2	0.6	4.3	3.2	2.2	4.0
Poland	3.2	3.6	2.8	2.7	3.6	3.1	2.9	3.6	2.9	2.7	3.6	2.0	1.6	3.6	2.6	2.3
Czech Rep	1.3	2.6	1.8	2.0	2.6	2.1	2.3	2.6	1.9	2.1	2.6	1.0	0.6	2.6	1.7	1.7
Hungary	0.7	0.5	1.9	3.1	0.5	2.3	3.4	0.5	2.0	3.2	0.5	0.9	1.5	0.5	1.7	2.7
Turkey	3.3	3.6	2.5	4.4	3.6	2.8	4.9	3.6	2.6	4.3	3.6	1.2	2.9	3.6	2.5	4.4
South Africa	0.5	1.1	1.2	1.6	1.1	1.3	1.9	1.1	1.2	1.6	1.1	0.5	0.5	1.1	1.1	1.3
Saudi Arabia	2.6	4.5	2.6	5.8	4.5	3.4	6.6	4.5	3.4	7.4	4.5	-0.8	9.3	4.5	2.3	7.0
Egypt	2.4	4.4	4.8	5.0	4.4	4.8	5.8	4.4	4.8	5.1	4.4	3.9	3.7	4.4	4.4	4.3
Israel	0.6	2.9	2.9	4.2	2.9	3.2	4.6	2.9	2.9	4.1	2.9	1.8	2.3	2.9	2.9	4.2
LatAm	2.5	1.9	1.9	1.9	1.9	2.1	2.1	1.9	1.9	2.0	1.9	1.3	1.9	1.9	1.8	1.8
Headline CPI (YoY)																
Global	2.4	1.9	2.7	2.2	1.9	2.8	2.4	1.9	2.7	2.1	1.9	3.5	2.5	1.9	3.1	2.5
Global ex US	2.3	1.8	2.5	2.2	1.8	2.6	2.4	1.8	2.5	2.1	1.8	3.3	2.7	1.8	2.9	2.5
G10	2.7	2.6	3.2	2.1	2.6	3.2	2.5	2.6	3.2	2.0	2.6	4.3	2.6	2.6	3.6	2.5
EM	2.1	1.5	2.4	2.2	1.5	2.5	2.4	1.5	2.4	2.2	1.5	3.0	2.4	1.5	2.7	2.5
EM ex China	3.7	2.5	3.6	3.5	2.5	3.6	3.7	2.5	3.6	3.4	2.5	4.2	3.8	2.5	3.8	3.8
AXJ	1.7	0.9	2.0	2.0	0.9	2.1	2.2	0.9	2.0	1.9	0.9	2.6	2.1	0.9	2.4	2.2
CEEMEA	2.9	2.9	2.7	2.2	2.9	2.8	2.3	2.9	2.7	2.2	2.9	4.3	3.6	2.9	3.1	2.7
Poland	3.7	3.6	3.0	2.2	3.6	3.1	2.4	3.6	3.0	2.1	3.6	5.7	5.4	3.6	3.8	2.9
Czech Rep	2.4	2.5	2.2	2.0	2.5	2.2	2.2	2.5	2.2	1.9	2.5	5.1	5.5	2.5	3.0	2.8
Hungary	3.7	4.4	2.6	3.1	4.4	2.6	3.2	4.4	2.5	2.9	4.4	6.2	7.5	4.4	3.5	4.0
Turkey	60.0	35.2	31.6	24.5	35.2	31.7	26.0	35.2	31.1	23.4	35.2	41.9	33.3	35.2	33.1	27.5
South Africa	4.4	3.2	4.8	3.6	3.2	4.7	3.3	3.2	4.8	3.5	3.2	5.5	2.6	3.2	4.9	4.1
Saudi Arabia	1.5	2.0	2.0	1.6	2.0	2.1	1.9	2.0	2.1	1.8	2.0	2.6	1.7	2.0	2.1	1.9
Egypt	33.6	20.8	13.3	12.6	20.8	14.5	13.9	20.8	13.6	12.1	20.8	16.6	18.3	20.8	13.9	18.5
Israel	3.1	3.0	2.2	2.1	3.0	2.2	2.3	3.0	2.1	2.0	3.0	3.1	2.6	3.0	2.2	2.1
LatAm	4.6	4.4	4.6	4.1	4.4	4.7	4.2	4.4	4.6	4.0	4.4	4.9	4.3	4.4	4.7	4.5
Policy Rate (EOP)																
US	4.375	3.625	3.625	3.125	3.625	4.125	4.625	3.625	3.625	2.875	3.625	1.625	2.625	3.625	3.625	3.625
Euro Area*	3.00	2.00	2.50	2.00	2.00	2.50	2.50	2.00	2.50	2.00	2.00	2.00	1.50	2.00	2.50	2.50
Poland	5.75	4.00	4.00	3.50	4.00	4.00	4.00	4.00	4.00	3.50	4.00	4.00	3.50	4.00	4.25	3.75
Czech Rep	4.00	3.50	3.75	3.25	3.50	4.00	4.00	3.50	3.75	3.25	3.50	4.50	4.00	3.50	4.00	3.50
Hungary	6.50	6.50	6.25	4.75	6.50	6.75	5.75	6.50	6.25	4.25	6.50	7.00	6.50	6.50	6.75	5.25
Turkey	47.50	38.00	35.00	27.50	38.00	40.00	33.00	38.00	37.00	27.00	38.00	50.00	32.00	38.00	40.00	30.00
South Africa	7.75	6.75	7.25	6.25	6.75	6.75	6.00	6.75	7.25	6.25	6.75	5.75	4.75	6.75	7.50	7.00
Saudi Arabia	5.00	4.25	4.25	3.75	4.25	4.75	4.25	4.25	4.25	3.50	4.25	2.25	3.25	4.25	4.25	4.25
Egypt	27.25	24.00	19.00	14.00	24.00	19.00	14.00	24.00	19.00	14.00	24.00	19.00	14.00	24.00	19.00	21.00
Israel	4.50	4.25	3.75	3.25	4.25	4.00	4.00	4.25	4.00	3.00	4.25	3.00	2.75	4.25	4.00	3.50

Source: IMF, Haver, Morgan Stanley Research forecasts; Note: Global and regional aggregates are GDP-weighted averages, using PPP weights. CPI numbers are period averages; *ECB Deposit Facility rate; Turkey, Egypt and Argentina are excluded when calculating Global, EM, CEEMEA and LatAm aggregates. Egypt represents fiscal year from July 1 to June 30. For a more detailed description of our global scenarios, see [here](#).

CEEMEA Inflation and Rates Monitor

Exhibit 33: Inflation and policy rate forecasts

	Poland		Hungary		Czech Republic		Israel		Turkey		South Africa		Saudi Arabia		Egypt	
	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate	CPI	CB Rate
Jan-25	4.9	5.75	5.5	6.50	2.9	4.00	3.8	4.50	42.1	45.00	3.2	7.50	1.6	5.00	23.9	27.25
Feb-25	4.9	5.75	5.6	6.50	2.7	3.75	3.4	4.50	39.0	45.00	3.2	7.50	1.7	5.00	12.8	27.25
Mar-25	4.9	5.75	4.7	6.50	2.6	3.75	3.3	4.50	38.1	42.50	2.7	7.50	2.1	5.00	13.6	27.25
Apr-25	4.3	5.75	4.2	6.50	1.8	3.50	3.6	4.50	37.9	46.00	2.8	7.25	2.1	5.00	13.9	25.00
May-25	4.0	5.25	4.4	6.50	2.4	3.50	3.1	4.50	35.4	46.00	2.8	7.25	2.1	5.00	16.9	24.00
Jun-25	4.1	5.25	4.6	6.50	3.0	3.50	3.3	4.50	35.1	46.00	3.0	7.25	2.0	5.00	14.9	24.00
Jul-25	3.1	5.00	4.3	6.50	2.7	3.50	3.1	4.50	33.5	43.00	3.5	7.00	2.2	5.00	13.9	24.00
Aug-25	2.9	5.00	4.3	6.50	2.5	3.50	2.9	4.50	33.0	43.00	3.3	7.00	2.3	5.00	12.0	22.00
Sep-25	2.9	4.75	4.3	6.50	2.2	3.50	2.5	4.50	33.3	40.50	3.4	7.00	2.2	4.75	11.7	22.00
Oct-25	2.8	4.50	4.3	6.50	2.5	3.50	2.5	4.50	32.9	39.50	3.6	7.00	2.2	4.50	12.5	21.00
Nov-25	2.5	4.25	3.8	6.50	2.1	3.50	2.4	4.25	31.1	39.50	3.5	6.75	1.9	4.50	12.3	21.00
Dec-25	2.4	4.00	3.3	6.50	2.0	3.50	2.6	4.25	30.9	38.00	3.6	6.75	2.1	4.25	12.3	20.00
Jan-26	2.1	4.00	2.1	6.50	1.6	3.50	1.8	4.00	30.7	37.00	3.5	6.75	1.8	4.25	11.9	19.00
Feb-26	2.1	4.00	1.4	6.25	1.4	3.50	2.0	4.00	31.5	37.00	3.0	6.75	1.7	4.25	13.4	19.00
Mar-26	3.0	3.75	1.8	6.25	1.9	3.50	1.9	4.00	30.9	37.00	3.1	6.75	1.8	4.25	15.2	19.00
Apr-26	3.2	3.75	2.1	6.25	2.5	3.50	2.1		32.4	37.00	4.1		2.1		14.9	19.00
May-26	3.6	3.75	2.0		2.2		2.3	4.00	33.0		5.0	7.00	2.0	4.25	14.0	
Jun-26	3.5	3.75	2.6	6.25	2.1	3.50	2.3		32.1	37.00	5.5		1.9		15.0	19.00
Jul-26	3.1		2.9		2.4		2.3		31.8		5.5		2.0		16.9	
Aug-26	3.1	4.00	3.2	6.25	2.5	3.75	2.2	4.00	32.2	37.00	5.7	7.25	1.9	4.25	17.2	19.00
Sep-26	3.2		3.2		2.5		2.4		31.4		5.7		2.0		16.4	
Oct-26	3.3		3.2		2.4		2.4		31.3		5.5		2.0		15.0	
Nov-26	3.2	4.00	3.1	6.25	2.5	3.75	2.3	3.75	31.1	35.00	5.5	7.25	2.1	4.25	14.7	19.00
Dec-26	3.1		3.2		2.5		2.2		30.5		5.3		2.0		14.1	
Jan-27	3.0		3.5		2.5		2.5		29.7		5.3		2.0		12.1	
Feb-27	3.0	4.00	3.6	6.00	2.7	3.75	2.4	3.50	27.8	33.00	5.4	6.75	2.1	4.00	11.7	17.0
Mar-27	2.2		3.4		2.2		2.3		27.2		5.3		1.9		9.4	
Apr-27	2.0		3.3		1.7		2.0		25.8		4.3		1.5		9.4	
May-27	1.8	3.75	3.3	5.25	1.9	3.50	1.9	3.25	25.2	30.50	3.3	6.50	1.5	3.75	8.8	14.0
Jun-27	1.9		2.9		1.8		1.9		24.7		2.9		1.5		8.4	
Jul-27	2.0		2.7		1.8		2.0		23.5		2.6		1.5		8.6	
Aug-27	2.1	3.50	2.6	4.75	1.8	3.25	2.0	3.25	22.4	28.50	2.6	6.25	1.5	3.75	8.9	14.0
Sep-27	2.2		2.7		2.0		1.9		22.3		2.6		1.5		9.0	
Oct-27	2.2		2.8		2.0		2.0		22.1		2.7		1.5		9.6	
Nov-27	2.2	3.50	3.0	4.75	2.0	3.25	2.0	3.25	21.7	27.50	2.7	6.25	1.4	3.75	9.7	14.0
Dec-27	2.2		3.0		2.0		2.0		21.2		2.8		1.4		9.8	

Actual data

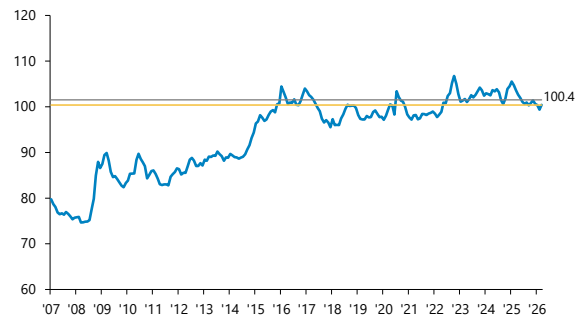
MS forecasts

Source: Haver Analytics, Morgan Stanley Research forecasts

CEEMEA Real Exchange Rate Monitor (1)

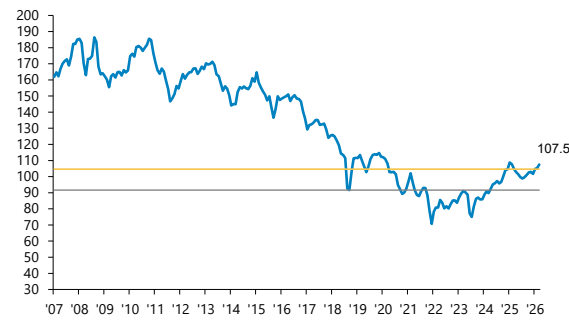
Note: The grey line shows the 5-year average, the yellow line shows the 10-year average.

Exhibit 34: Saudi Arabia



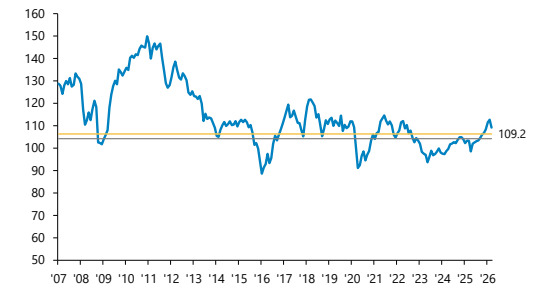
Source: Haver Analytics, Morgan Stanley Research

Exhibit 36: Turkey



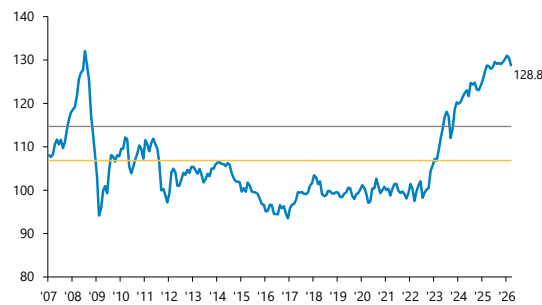
Source: Haver Analytics, Morgan Stanley Research

Exhibit 38: South Africa



Source: Haver Analytics, Morgan Stanley Research

Exhibit 35: Poland



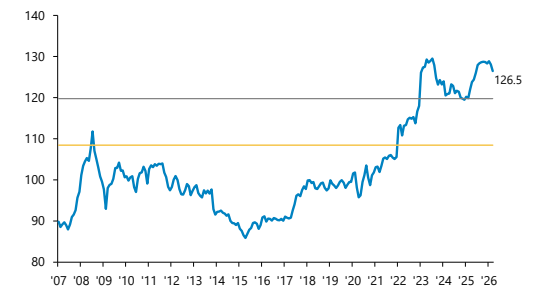
Source: Haver Analytics, Morgan Stanley Research

Exhibit 37: Hungary



Source: Haver Analytics, Morgan Stanley Research

Exhibit 39: Czech Republic

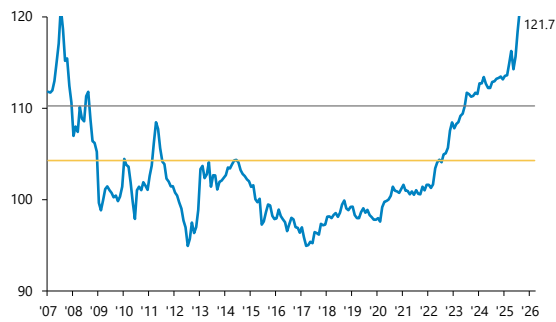


Source: Haver Analytics, Morgan Stanley Research

CEEMEA Real Exchange Rate Monitor (2)

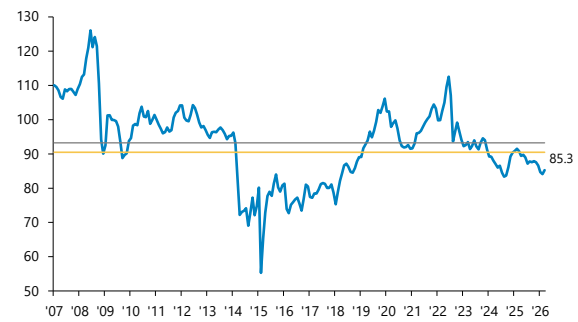
Note: The grey line shows the 5-year average, the yellow line shows the 10-year average.

Exhibit 40: Romania



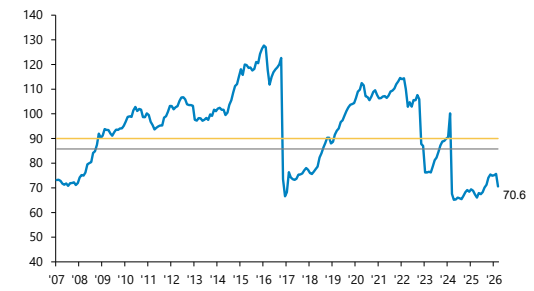
Source: Haver Analytics, Morgan Stanley Research

Exhibit 42: Ukraine



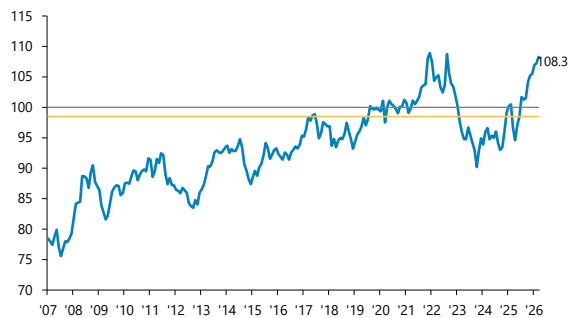
Source: Haver Analytics, Morgan Stanley Research

Exhibit 44: Egypt



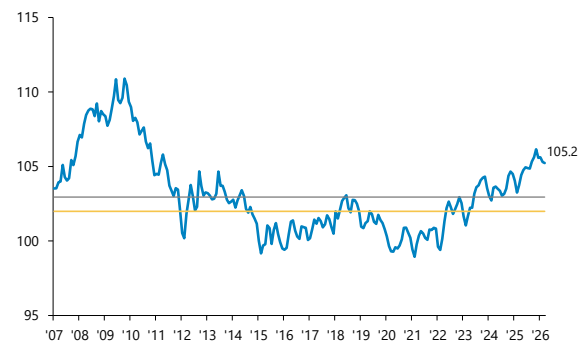
Source: Haver Analytics, Morgan Stanley Research

Exhibit 41: Israel



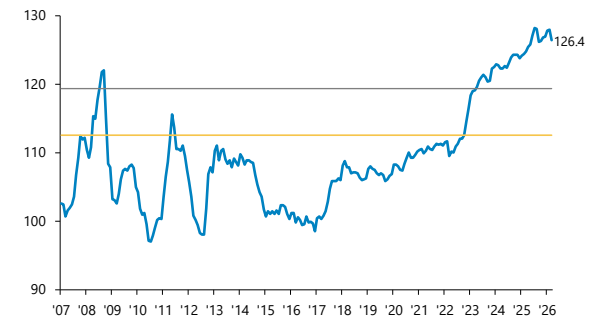
Source: Haver Analytics, Morgan Stanley Research

Exhibit 43: Croatia



Source: Haver Analytics, Morgan Stanley Research

Exhibit 45: Serbia

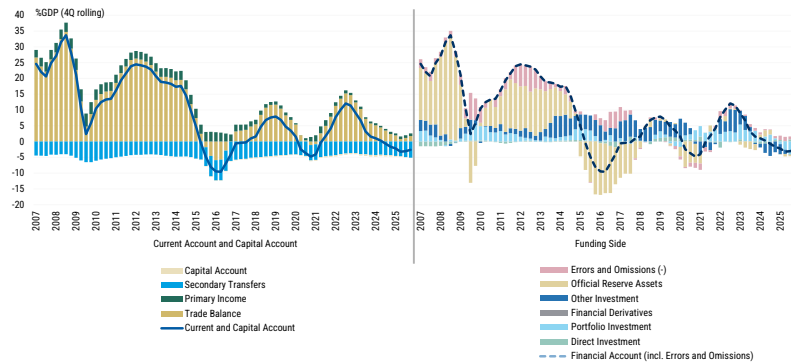


Source: Haver Analytics, Morgan Stanley Research

CEEMEA BoP Monitor (1)

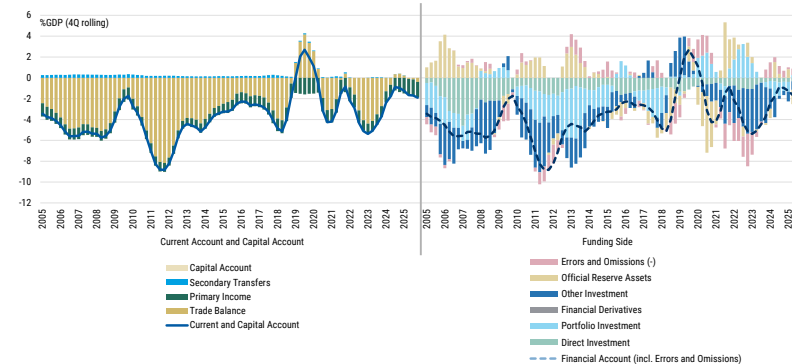
A negative sign for the Financial Account and its components should be interpreted as net inflows in the country. A positive sign for the Reserve Assets should be interpreted as an increase.

Exhibit 46: Saudi Arabia



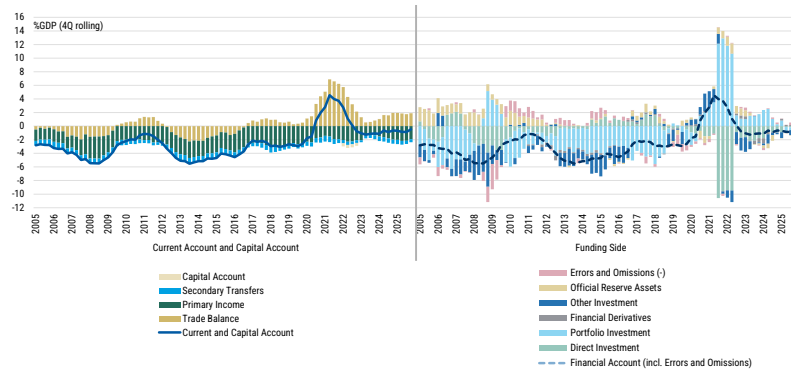
Source: Haver Analytics, Morgan Stanley Research

Exhibit 47: Turkey



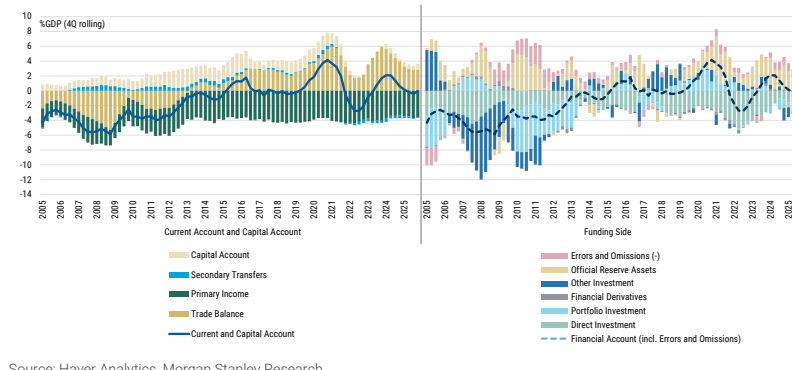
Source: Haver Analytics, Morgan Stanley Research

Exhibit 48: South Africa



Source: Haver Analytics, Morgan Stanley Research

Exhibit 49: Poland

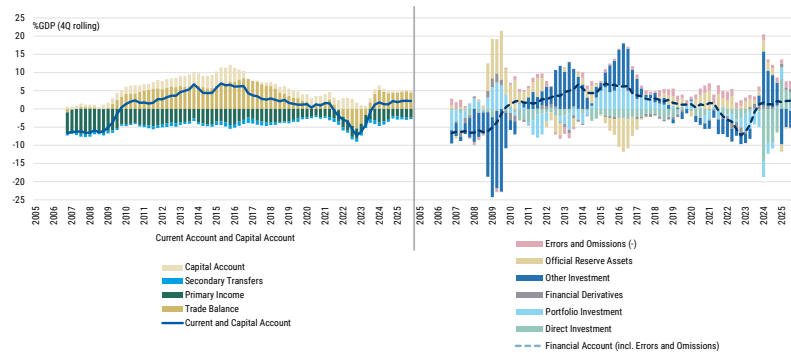


Source: Haver Analytics, Morgan Stanley Research

CEEMEA BoP Monitor (2)

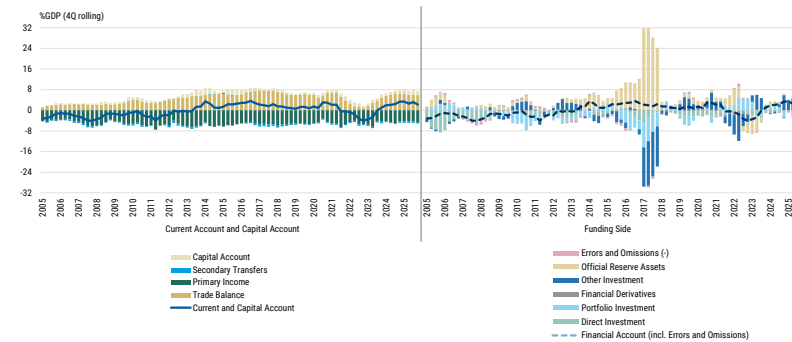
A negative sign for the Financial Account and its components should be interpreted as net inflows in the country. A positive sign for the Reserve Assets should be interpreted as an increase.

Exhibit 50: Hungary



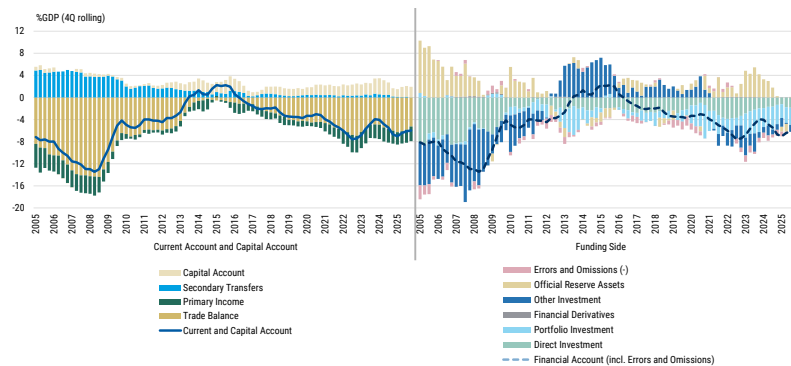
Source: Haver Analytics, Morgan Stanley Research

Exhibit 51: Czech Republic



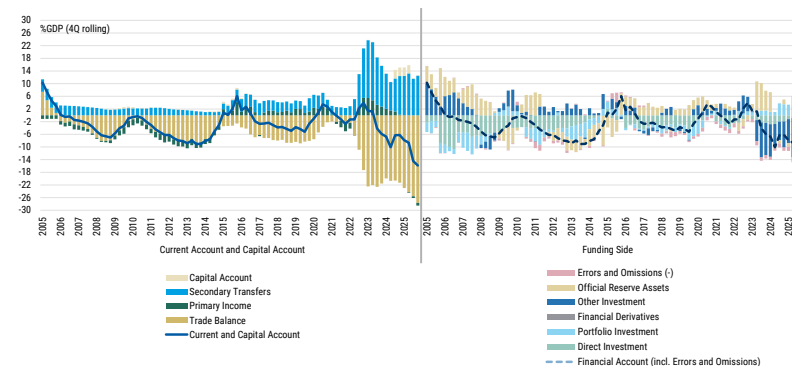
Source: Haver Analytics, Morgan Stanley Research

Exhibit 52: Romania



Source: Haver Analytics, Morgan Stanley Research

Exhibit 53: Ukraine

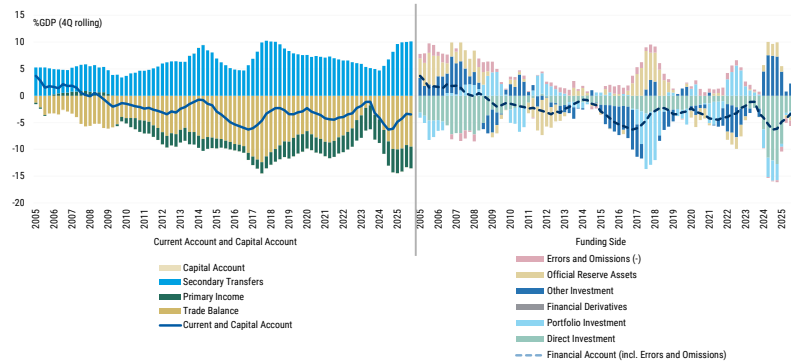


Source: Haver Analytics, Morgan Stanley Research

CEEMEA BoP Monitor (3)

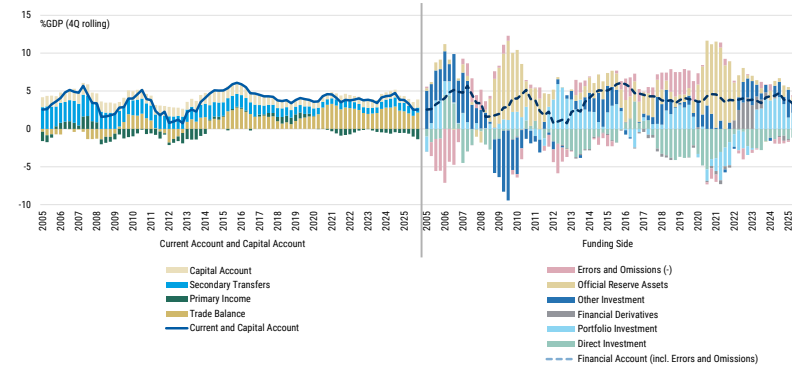
A negative sign for the Financial Account and its components should be interpreted as net inflows in the country. A positive sign for the Reserve Assets should be interpreted as an increase.

Exhibit 54: Egypt



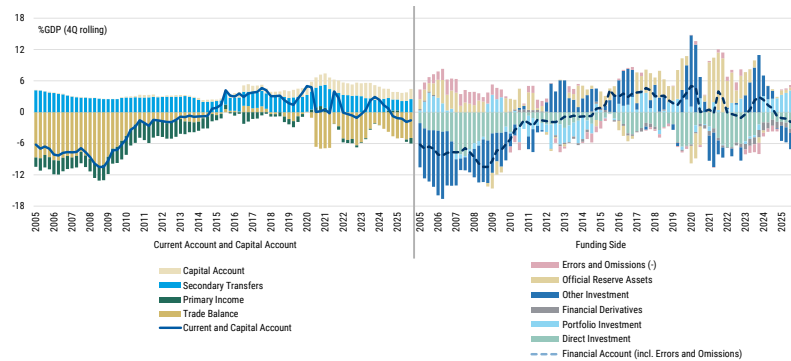
Source: Haver Analytics, Morgan Stanley Research

Exhibit 55: Israel



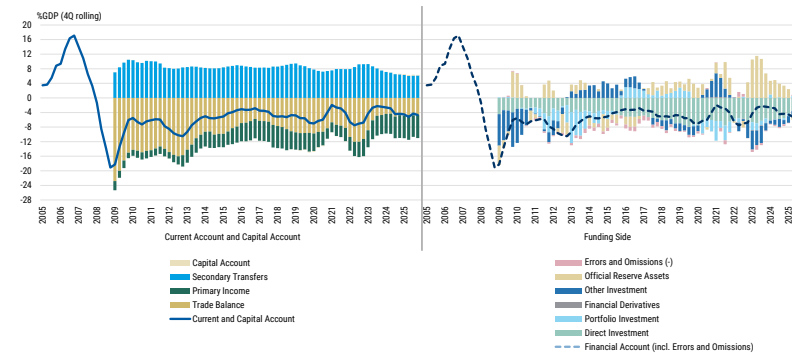
Source: Haver Analytics, Morgan Stanley Research

Exhibit 56: Croatia



Source: Haver Analytics, Morgan Stanley Research

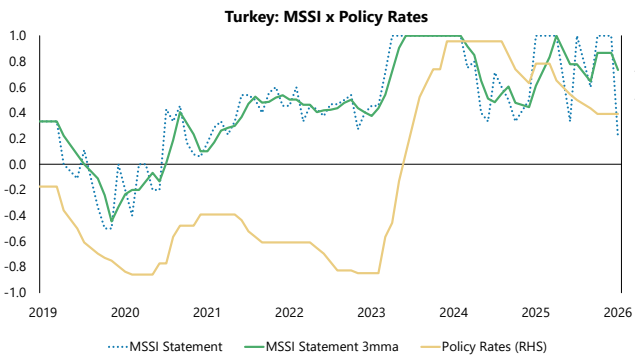
Exhibit 57: Serbia



Source: Haver Analytics, Morgan Stanley Research

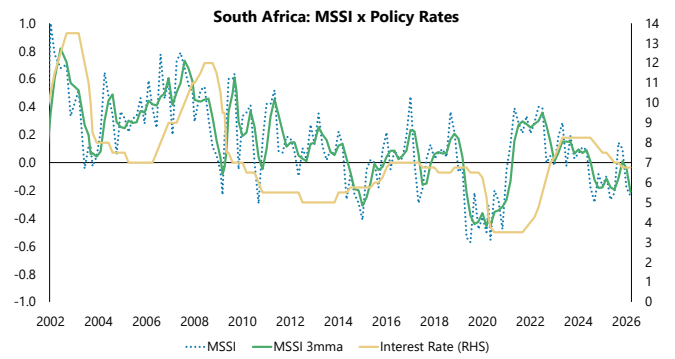
Morgan Stanley Semantic Indices

Exhibit 58: Turkey



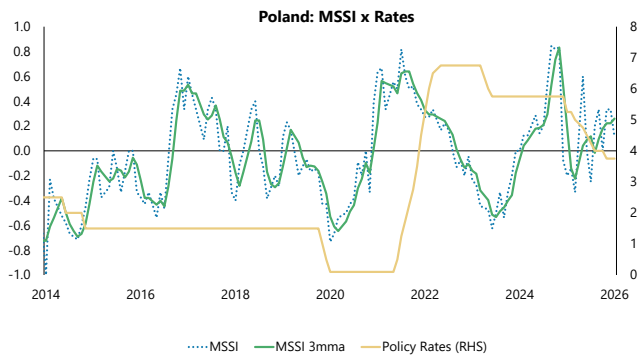
Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Exhibit 59: South Africa



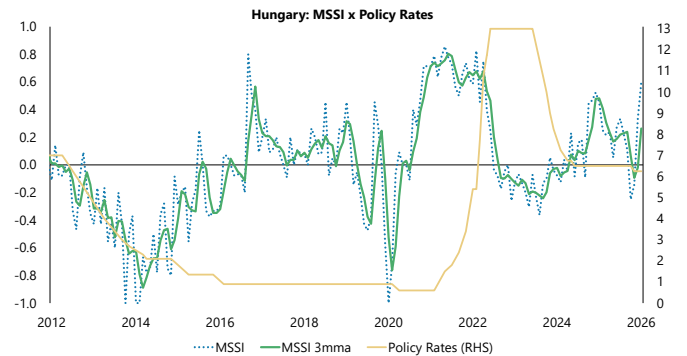
Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Exhibit 60: Poland



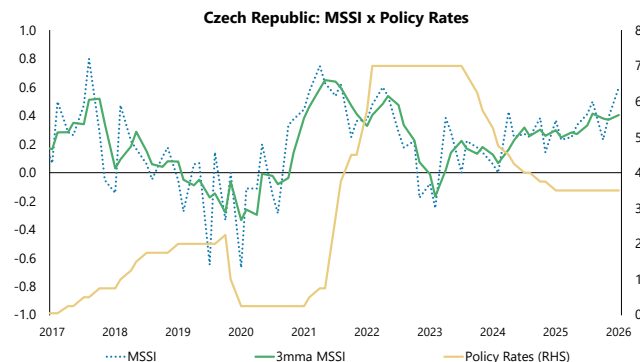
Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Exhibit 61: Hungary



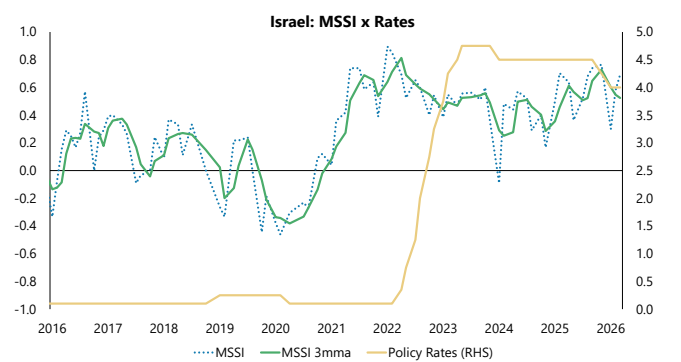
Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Exhibit 62: Czech Republic



Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Exhibit 63: Israel



Source: Haver Analytics, Morgan Stanley Research; For details, see CEEMEA Economics & Macro Strategy: Eye, Robot – Introducing Our Semantic Index (28 Mar 2023)

Connect with Us

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[Poland Economics and Macro Strategy: NBP Preview: Alert but Patient \(30 Apr 2026\)](#)

[Czech Republic Economics and Macro Strategy: CNB Preview: On Risk Watch \(29 Apr 2026\)](#)

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[South Africa Economics & Strategy: SARB Preview: Straight Talking \(23 Mar 2026\)](#)

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