

# REGIONAL OVERVIEWS

Article completed on 27 February 2026

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## CENTRAL EUROPE: GAINING MOMENTUM

In Central Europe, economic growth accelerated slightly to 2.3% for 2025 as a whole, after recording 1.9% in 2024 and 0.7% in 2023. This growth was driven by the dynamism of the Polish economy (+3.6% in 2025) and the Czech economy (+2.5%). The Czech economy demonstrated unexpected resilience, given its significant reliance on foreign trade and the automotive sector. Conversely, Hungarian growth was disappointing, with only marginal positive growth in 2025. Romania faced electoral uncertainties in the first half of 2025 and the introduction of fiscal austerity measures in the second half.

The growth outlook remains favourable for 2026 (2.7% according to our forecasts), with Poland continuing to drive growth. Furthermore, the electoral uncertainties in Hungary and Bulgaria are not expected to hurt their growth markedly. The expected uptick in the Hungarian economy will be partly based on pre-election measures taken by the authorities to support consumption. Bulgaria, which joined the Eurozone in January 2026, should also record robust growth. Meanwhile, growth in Romania is expected to be modest, held back by an ongoing restrictive fiscal policy.

Inflation returned to target levels in 2025 for Poland, Hungary and the Czech Republic. In 2026, it is expected to continue declining across the region. However, in Romania and Slovakia, inflation may remain above the central bank's target. The monetary easing cycle that began last year is set to continue in Poland and the Czech Republic, albeit at a more moderate pace. In Hungary and Romania, only very cautious easing measures are expected this year. In Hungary, the gap between households' inflation expectations and current inflation calls for a cautious approach, while in Romania, inflationary pressures continue to be a concern.

Central European exports held up well in 2025, driven by Poland, the Czech Republic, Slovakia and Romania. Hungary and the Czech Republic have current account surpluses. Conversely, Romania has been grappling with a significant current account deficit for years, a situation that is not expected to change. In Poland, the current account deficit is marginal (less than 1% of GDP in 2025) and is expected to remain so in the short term.

However, external liquidity in the region is strong, with foreign exchange reserves continuing to rise (EUR 563.9 bn, or EUR +37.9 bn in 2025). Central Europe is attracting foreign investment owing to nearshoring activities and rapidly developing sectors such as AI and defence. In addition, bond yields remain attractive. Despite the tariff shock and geopolitical uncertainties, capital flows to the region remained steady in 2025, with a relatively balanced distribution between FDI and portfolio investment flows (totalling EUR 36.4 bn in Q1-Q3 2025, or 1.7% of regional GDP). FDI flows mainly benefited Poland, Romania and the Czech Republic, while Hungary and Slovakia experienced negative flows. Portfolio investment flows were driven primarily by Poland and Romania, with Hungary contributing to a lesser extent. Romania stood out with a spectacular rebound in portfolio investment inflows over the past three years.

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## ASIA: STRONG PERFORMANCE

In 2025, economic growth in Asia weathered the rise in US tariffs much better than expected. It even accelerated to 7.6% in India and jumped to 8% in Vietnam and 8.7% in Taiwan. Growth averaged 5% for the ASEAN-6 (vs. 5.1% in 2024) and remained steady at 5% in China. South Korea and Thailand lagged behind, with economic growth rates of 0.9% and 2.4% respectively.

The region's export performance was very strong, boosted in particular by increased demand for electronic products linked to the AI boom. The ASEAN-6's share of the global market increased slightly, and this increase was most pronounced in the US market. Consequently, the trade surplus of ASEAN countries with the United States increased by USD 8.9 bn (to USD 25 bn), while their deficit with China widened by USD 10.4 bn (to USD 18.2 bn).

Domestic demand was also a key driver of activity in Southeast Asia and India, supported by expansionary fiscal and monetary policies. Conversely, in China, weak consumer demand and private investment worsened in the last few months of the year, and support measures from the authorities remained limited.

India and Indonesia recorded significant net outflows of portfolio investments at the end of the year, while FDI inflows slowed across the region as a whole. The Thai baht and the Malaysian ringgit appreciated by 10% against the USD in 2025, while the currencies of India and Indonesia depreciated by 5% and 3% respectively. In 2025, China consolidated its position as a net external creditor, bolstered by rising current account surpluses, although foreign capital inflows remained constrained. The yuan has appreciated slightly in recent months but remains at a very low level. At the end of 2025, the RMB/USD reference rate was 2% lower than it was at the end of 2024, and the CFETS index (effective exchange rate) was down 4%.

In 2026, growth is expected to slow moderately. The cycle of interest rate cuts has concluded in most countries. Inflation is expected to stay within the targets set by the monetary authorities, making it unlikely for them to raise their key rates. Fiscal policies are likely to become somewhat more restrictive. The main risks to short-term growth are external, linked to geopolitical risks, ongoing uncertainties over US trade policy and the risk of a downturn in the global electronics market. In India, rising oil prices could weigh on economic performance, particularly if the country halts its oil purchases from Russia. In Indonesia, the Prabowo administration is raising concerns about its governance, its less orthodox fiscal policy compared to its predecessor, and the lack of clarity surrounding its economic strategy.

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## NORTH AFRICA/MIDDLE EAST: VULNERABLE TO GEOPOLITICAL RISKS

The economies of North Africa/Middle East saw a rebound in growth in 2025. It reached 3.4% compared with 2.5% in 2024. Regional GDP is expected to grow by 4.1% in 2026.

The Gulf Cooperation Council (GCC) is expected to remain the main driver of regional growth, thanks to oil exports and strong domestic demand. These countries' ability to finance their diversification programmes remains strong, primarily due to sovereign wealth funds, whose assets exceed twice the GDP of the GCC. Furthermore, the region's enhanced appeal to foreign capital (debt and direct investment) largely mitigates the impact of reduced oil export revenues, thereby averting the need for governments to make drastic cuts to public spending. The ongoing recalibration of Saudi Arabia's Vision 2030 initiative is a good illustration of this. Inflation is also under control, and policy rate cuts in Q4 2025 are expected to bolster credit demand, which is already strong in several countries. The depreciation of the US dollar, to which the GCC currencies are pegged, should help these countries to develop their non-hydrocarbon exports and tourism sector.

For oil-importing countries, economic growth is also sustained, thanks to the strong performance of Egypt and Morocco. With minimal exposure to the tightening of US tariff policy, both countries are reaping the benefits of a rebound in tourism and investment. The scale of infrastructure projects currently underway in Morocco, along with the macroeconomic stabilisation efforts in Egypt, suggest that this momentum is likely to continue in 2026.

Rising regional tensions are a major cause for concern. So far, the impact on countries not directly involved in a conflict has been limited. However, the situation in Iran presents a potentially greater threat. It could lead to various outcomes in the event of US military attacks, including the closure of the Strait of Hormuz, through which almost all trade from the GCC countries passes. Given the region's importance in the global energy market, the repercussions would extend beyond the Middle East.

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## SUB-SAHARAN AFRICA: ENCOURAGING OUTLOOK

The economic outlook for the region has been positively adjusted in recent months. Real GDP growth is estimated at 4.4% in 2025 and is projected to stabilise at 4.6% in 2026. Overall, sub-Saharan Africa has been resilient in the face of the double shock of US tariffs and declining official development assistance. This decline is mainly due to a significant drop in USAID funding (data available as of 16 February indicate a 28% decrease in USAID disbursements in value terms in 2025). Inflation eased in 2025 after two years of intense pressure, and this decline is expected to continue in 2026, enabling some economies to continue their cycle of monetary easing (notably South Africa, Kenya and Nigeria).

The prices of non-oil commodities exported by the continent (including gold, copper, energy transition minerals and platinum) are expected to remain buoyant in 2026. The current account deficit for the region is expected to remain manageable, despite a rise in import growth, particularly from China. Meanwhile, the external accounts of the CEMAC zone countries, where oil accounts for the vast majority of exports, will need to be monitored: the widening of the zone's current

account deficit in 2026 is likely to affect foreign exchange reserves, which have already contracted by 13% in 2025.

In addition, developments in external financing sources are causing some concern. According to UNCTAD, in 2025, foreign direct investment received by sub-Saharan Africa (USD 42 bn) contracted by more than 6%. With the rise of AI, which is capturing an increasing share of global capital flows, sub-Saharan Africa risks being further marginalised from FDI unless it increases its integration into value chains and promptly adopts a sectoral strategy for its regional deployment.

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## LATIN AMERICA: SLOW GROWTH

In 2025, Latin American countries experienced slower growth, from nearly 3% y/y in H1 to less than 2% in H2. The rise in US customs tariffs does not seem to be the underlying factor; on the contrary, exports accelerated sharply in H2, and not only because of soaring metal prices (copper, aluminium) and rising prices for certain agricultural commodities (soya, maize). Brazil's exports of manufactured goods, despite being heavily taxed, also performed well. The notable increase in Mexico's exports is partially attributed to the AI boom.

Growth in the region is being held back by weak domestic demand due to diminished disinflation benefits, deteriorating labour markets (Argentina) and limited fiscal flexibility (Brazil, Mexico, Argentina). Central banks have kept key interest rates high in real terms: this is evident in Brazil, but also in Colombia and Mexico, where real rates exceed potential growth.

Growth in the region is expected to slow in 2026. For the main countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru), it is expected to slow to an annual average of 1.8%, compared with an estimated 2.3% in 2025. Domestic demand is projected to remain constrained. The cycle of monetary easing is coming to an end in Mexico and Chile. Only Brazil retains some flexibility regarding monetary policy; the central bank is expected to begin a cycle of easing in March. Fiscal policy will remain restrictive in Argentina, and in several other countries, increasing debt ratios or debt servicing requirements will necessitate adjustment measures. A decline in copper prices poses a downside risk for Chile and Peru. Elections are a potential source of financial instability for Colombia (with parliamentary elections in March and presidential elections in May), and Brazil (with general elections in October).

With the exception of Peru, the main countries have a current account deficit (moderate as a % of GDP). The highest deficit – that of Brazil – is expected to represent only 3% of GDP in 2025. With the exception of Argentina, net FDI inflows in each of these countries cover at least 70% of the current account deficit. Apart from Colombia, portfolio investment balances are in deficit, which does not mean that these countries no longer attract non-resident investors. Rather, it indicates that residents are diversifying their portfolios. With the exception of Peru, currencies have appreciated against the US dollar since early 2026. Colombia presents higher market risks than the other countries due to the sharp deterioration in its public finances.

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