

UniCredit Quarterly by The Investment Institute:

Central and Eastern Europe poised for resilient growth despite fiscal and geopolitical headwinds

Central and Eastern Europe (CEE) is set to remain one of Europe's most resilient growth regions, with domestic demand, EU investment and easing energy risks underpinning economic activity even as governments navigate fiscal consolidation and inflationary pressures. These are among the key conclusions of the latest [Quarterly Updates](#) from **The Investment Institute by UniCredit**, presented at a Media Briefing.

The report highlights that GDP growth across most CEE economies is expected to remain in the **2–3% range in 2026**, supported primarily by household consumption and stronger absorption of EU funds. The reopening of the Strait of Hormuz has reduced one of the major downside risks to the regional outlook by easing concerns over energy supply disruptions and inflationary risk, although the situation in the middle East continues to present uncertainty. At the same time, Germany's fiscal stimulus and defense spending are expected to provide an additional boost to regional exports from 2027 onwards.

"Central and Eastern Europe continues to demonstrate remarkable resilience. Despite fiscal adjustment, geopolitical uncertainty and structural challenges in manufacturing, domestic demand remains a powerful growth engine. The region is entering a phase where countries able to combine fiscal consolidation with investment and competitiveness reforms will be best positioned to attract capital and sustain long-term growth. Looking ahead, stronger EU fund absorption and improving external demand should support a broader acceleration across the region from 2027", comments **Mauro Giorgio Marrano, Senior CEE Macroeconomist, UniCredit**.

A differentiated regional outlook

While the overall picture remains constructive, the report identifies notable differences across countries:

- **Poland** is forecast to remain one of the strongest performers, with GDP growth of **3.0% in both 2026 and 2027**, supported by resilient domestic demand.
- **Bulgaria** is expected to expand by **2.9% in 2026**.
- **Serbia** is forecast to accelerate to **2.9% in 2026** and **3.5% in 2027**.
- **Hungary's** recovery is expected to remain more gradual, with growth of **1.3% in 2026**, before improving to **2.5% in 2027** as investment recovers.
- **Romania** and **Slovakia** are likely to underperform in the near term as fiscal consolidation weighs on activity, with Romania forecast at **0.2% GDP growth in 2026** before rebounding to **2.3% in 2027**.

Inflation gradually returning towards target

Inflation remains one of the region's key challenges. Base effects, tax hikes and energy-price shocks are pushing inflation higher in various countries. However, lower energy prices are expected to improve the outlook significantly.

By the end of **2027**, UniCredit expects inflation to move back within central bank target ranges across non-euro area CEE economies.

Country-specific forecasts include:

- **Romania:** Inflation may decline sharply from mid-2026 already, with fading energy-price shock and weak consumer demand lowering inflation further in 2H27.
- **Poland:** Following a temporary rise, inflation may return close to 3.5% by year-end and a further moderation towards the 2.5% target is likely in 2027.
- **Hungary:** Soft inflation surprises and easing energy and food price pressures suggest inflation may moderate towards the 3% target following a temporary spike in early 2027.
- **Czechia:** stabilizing close to **2.8%** by end-2027.

Monetary policy is expected to reflect the expected softening of the inflation outlook after the temporary effect of the energy price shock. Hungary's central bank is likely to continue lowering rates during 2026, while policymakers in Poland, Romania and Serbia are expected to wait until the second half of 2027 before beginning modest easing cycles. In Czechia, in 2027, the central bank will probably reverse the interest rates increase in 2026.

Eszter Gárgyán, CEE FX Strategist, UniCredit: "The gradual improvement in the inflation outlook creates a more favorable environment for financial markets, currencies and investment decisions. While monetary easing will differ across countries, companies and investors should benefit from greater macroeconomic stability and declining inflation over the medium term."

Fiscal consolidation remains a defining theme

Governments across the region continue to face the difficult task of reducing deficits while maintaining support for economic growth.

High spending on energy support and defense is expected to keep fiscal deficits elevated through 2026 before gradual stabilization begins in 2027. Political cycles in **Poland, Romania and Slovakia** could delay fiscal consolidation. In Hungary, the deficit will remain high in 2026, but fiscal consolidation is expected to start already in 2H26. Renewed energy price shocks or weaker growth would increase risks of sovereign rating pressure for higher-deficit countries.

What does this mean for businesses

For companies operating across Central and Eastern Europe, the outlook points to continued opportunities despite ongoing uncertainty.

Stronger household consumption should continue supporting sectors linked to retail, consumer goods and services, while improving EU fund absorption is expected to sustain infrastructure and investment activity. Manufacturers should benefit from stronger German demand over the medium term, although competitiveness, automotive restructuring and persistent labor shortages remain structural challenges.

What does this mean for individuals

For households, resilient employment, positive wage dynamics and moderating inflation should gradually improve purchasing power across much of the region. As inflation moves closer to central bank targets and interest rates begin to ease over time, financing conditions for mortgages and consumer lending are also expected to improve, although the timing will vary significantly by country.

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