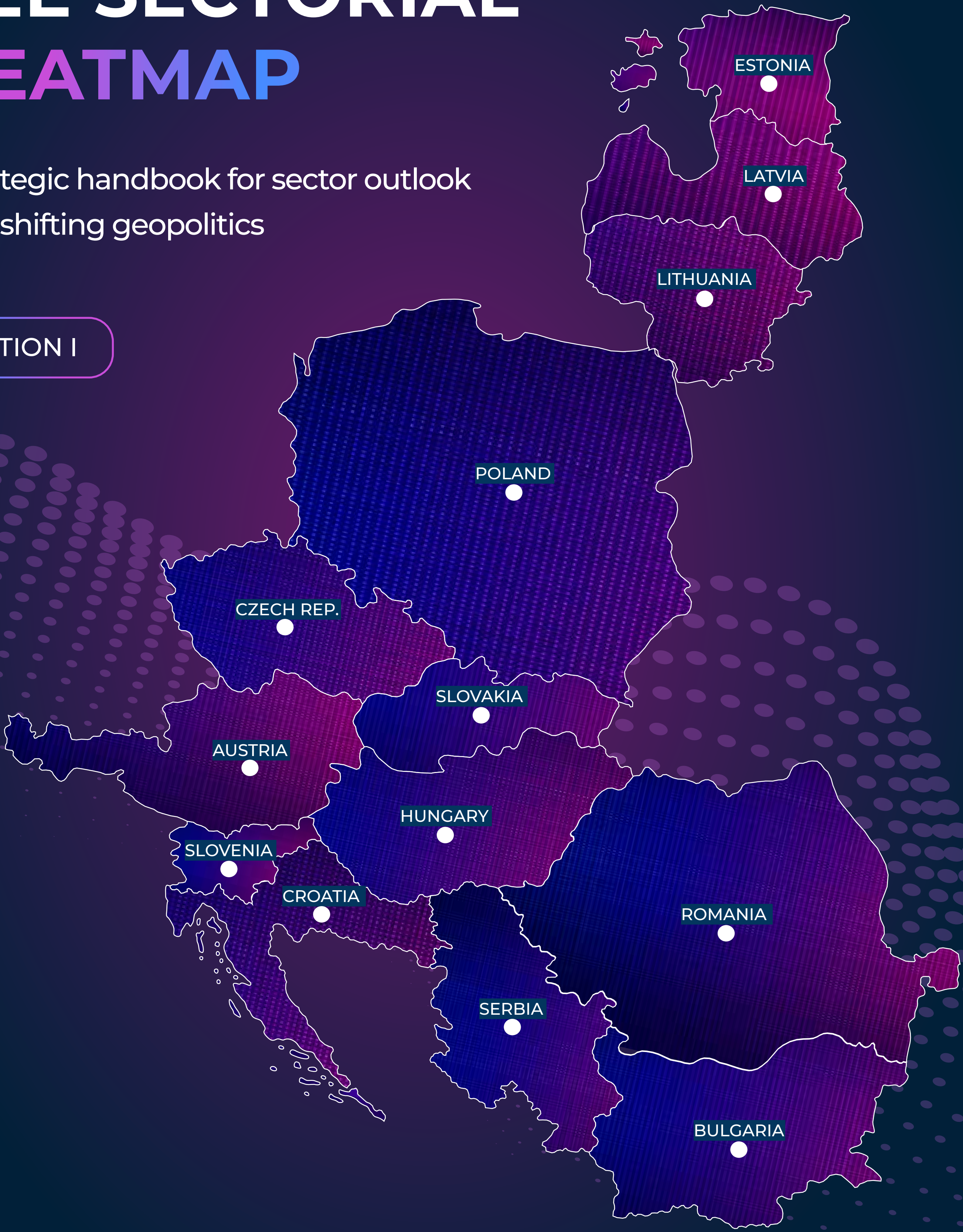
COFACE PUBLICATIONS 2026

CEE SECTORIAL HEATMAP

A strategic handbook for sector outlook amid shifting geopolitics

EDITION I



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Clarity in a changing CEE landscape

— Jarosław Jaworski —
CEO of Coface Central & Eastern Europe

In today's business environment, information is abundant. Clear direction is not.

Companies across Central and Eastern Europe are navigating a constant stream of developments that can influence markets with remarkable speed. Geopolitical tensions, shifting trade relationships, inflationary pressures, supply chain disruptions and rapid technological change continue to reshape the business landscape. While uncertainty has become a defining feature of the global economy, business leaders still face the same responsibility: making decisions, investing for the future and identifying where growth opportunities lie.

The challenge is no longer whether opportunities exist. It is understanding where they are emerging.

This is particularly relevant in Central and Eastern Europe. The region remains an important source of growth, investment and innovation, supported by competitive industries, skilled talent and strong entrepreneurial ambition. However, broad economic indicators alone no longer tell the full story. Behind regional averages lies a much more diverse reality, where sectors are experiencing very different conditions and prospects.

Some sectors are benefiting from investment and structural changes in the economy. Others are facing a more difficult environment shaped by cost pressures, weaker demand or changing competitive dynamics. Even within the same country, companies can experience very different business conditions depending on the sectors in which they operate.

This is why we created the CEE Sectorial Heatmap.

The purpose of this study is not simply to analyse sectors. It is to help business leaders better understand where momentum is building, where challenges are emerging and how market conditions are evolving across the region. By combining a regional perspective with country-level insights, it provides a more differentiated view of Central and Eastern Europe at a time when broad assumptions are becoming less useful.

The companies best positioned for success are not necessarily those operating in the strongest economies. They are often the ones that identify change earlier than others and adapt their strategies accordingly. Understanding sector dynamics is increasingly becoming a competitive advantage.

In conversations with clients and business leaders across the region, I am often reminded that decision-makers are not looking for more information, but for better understanding. They need to distinguish short-term noise from long-term trends. They need reliable insights that help them make informed choices.

For 80 years, Coface has supported companies in understanding risk, navigating uncertainty and making better decisions. This report reflects that same commitment. Our ambition is not only to help businesses understand what is happening today, but also to support them in identifying the opportunities that will shape tomorrow.

I hope the insights shared in this study help you do exactly that.

CEE Sectorial Heatmap

HANDBOOK OVERVIEW

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Opening Keynotes

Regional vulnerability to Middle East geopolitical escalation

The most significant source of uncertainty currently confronting Central and Eastern Europe is the conflict in the Middle East. As of this writing, the exchange of hostilities between the United States and Iran has subsided, residual risks nevertheless persist across the region, resulting in severely constrained transit through the Strait of Hormuz. The conflict has triggered substantial supply chain disruption affecting a wide range of commodities, not just crude oil. Natural gas, fertilisers and aluminium have all been significantly affected. Once goods based on petrochemical derivatives, such as plastics and synthetic textiles, are taken into account, it becomes clear that virtually no category of goods remains insulated from the consequences of these geopolitical developments.

Differentiated sectorial effects of the energy and commodity shock

Although the aggregate macroeconomic effects have been material - and are most clearly visible in recent inflation readings - the underlying shock has predominantly affected specific sectors. Energy-intensive industries that rely directly on natural gas or refined fuels have faced immediate exposure to ensuing cost pressures. Given the breadth of the supply disruption, higher prices for primary commodities are transmitting further into downstream sectors. At the same time, firms that succeeded in securing input supplies and that were able to fill the resulting market gaps have emerged as beneficiaries of the disruption. Therefore, for sound corporate decision-making, a precise understanding of how the supply shock is propagating through production linkages and disrupting firm-level operations has become essential.

EU funding tailwinds: RRF and SAFE boosting CEE resilience

In Central and Eastern Europe, the supply shock has coincided with the emergence of significant positive tailwinds. Inflows of EU funds under the Recovery and Resilience Facility (RRF) and the Security Action for Europe (SAFE) programme are providing timely support at a critical juncture. Because these inflows are exogenous in nature, the disruptions are unlikely to derail EU-financed investment projects and procurement processes that require expenditure by the end of the current year. While many countries have demonstrated efficiency in RRF disbursement to date, laggards are expected to accelerate absorption this year as they confront a 'use it or lose it' dilemma. This will elevate public investment, which is concentrated in construction, healthcare and digitalisation. Additionally, countries with relatively large SAFE allocations, which offer low-interest loans for defence expenditure, will generate demand that spills over beyond the defence sector into upstream industries, such as construction and metals. The timing of these EU programmes is fortunate, as public resources are inadvertently reinforcing private-sector resilience during a challenging period.

Monetary policy response in CEE

In response to the supply shock, the European Central Bank (ECB) raised interest rates for the first time since 2023. However, given the sluggish economic recovery in the eurozone and the limited evidence of second-round effects from the energy price shock, this decision has been considered controversial. Nevertheless, the move appears more appropriate for the Central and Eastern European member states of the eurozone. These countries recorded a sharper acceleration in inflation than their Western European counterparts in May, with rates reaching 6.3% year-on-year in Bulgaria, 5.1% in Lithuania and 4.9% in Croatia. The reaction of sovereign central banks in the region was either to hike interest rates in line with the ECB (as in the case of the Czech National Bank), or to maintain interest rates unchanged despite initially expected easing (as in the case of Poland and Romania). Due to the favourable developments in the financial markets, the Hungarian National Bank was the only one decisively cutting interest rates. Regardless of the final decision of the central banks, virtually all of them had to maintain a more restrictive monetary policy than in a counterfactual scenario without the blockade of the Strait of Hormuz.

China shock 2.0: intensifying competitive pressure

Although not as prominent as the Middle East conflict, the intensifying presence of Chinese competition is evident among firms across the region. Goods imports from China to Central and Eastern Europe rose by around 17% year-on-year, reaching a record $145 billion[1], as Chinese manufacturers, confronted by persistently weak domestic demand, redirected their excess capacity overseas. This surge has been amplified by trade diversion from the United States amid escalating tariffs, resulting in what is increasingly referred to as 'China Shock 2.0'. For a region whose economic model remains far more manufacturing-intensive than that of Western Europe, the consequences are acute. Rising Chinese imports are increasing competitive pressures, eroding market shares and compressing the margins of local firms. The latest Coface Poland Payment Survey identifies chemicals, automotive and agri-food as the sectors under the greatest strain. Furthermore, companies that report the strongest perception of Chinese competitive pressure are also those most likely to experience payment delays from their customers.

Sectorial heatmap: heavy industry under strain

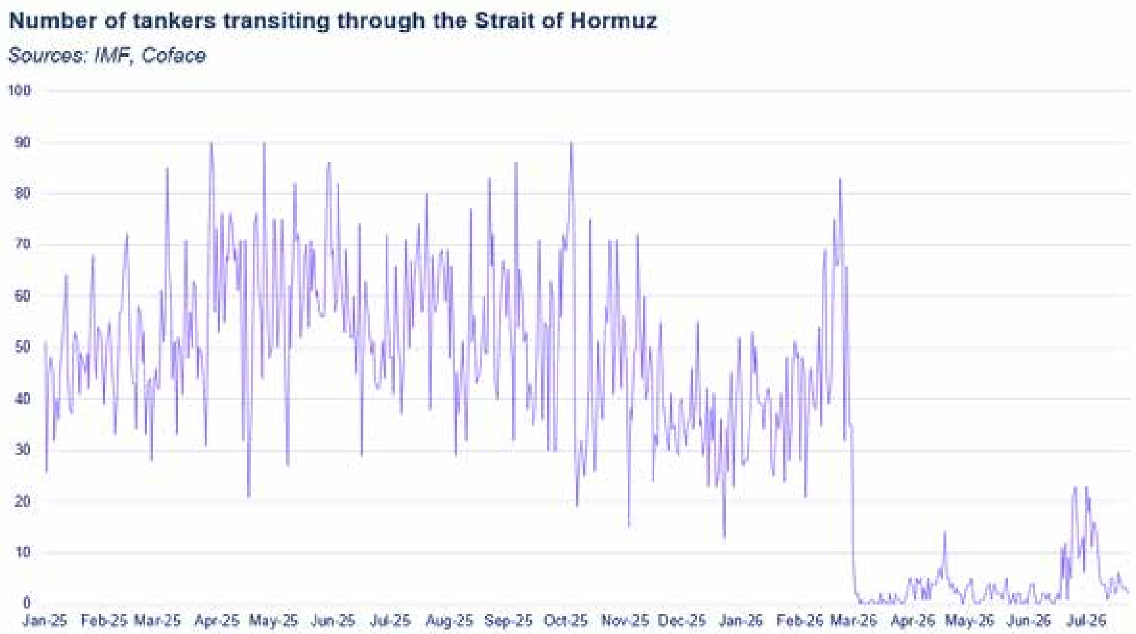
All of these underlying developments are reflected in the research presented here. In this year's CEE Sectorial Heatmap, heavy industries are overrepresented among the sectors identified as 'at risk': the metals and chemicals sectors appear in five of the thirteen countries covered by the study. These sectors have been under continuous strain since the energy crisis of 2022, which elevated energy costs across Europe and undermined the region's competitiveness in terms of costs. Ongoing policy reassessments, ranging from the introduction of the Carbon Border Adjustment Mechanism (CBAM) and the proposed Industrial Accelerator Act to reforms of the Emissions Trading System (ETS), constitute slow-moving changes that are either still being implemented, or whose effects have yet to be reflected in hard data. In the meantime, heavy industry continues to struggle against foreign competitors and has been compelled to reduce production capacity in order to adjust to current market conditions.

ICT: a favourable sector supported by structural strengths

At the other end of the spectrum, ICT has been identified as a 'favourable' sector on three occasions. ICT, particularly its services component, is an important driver of economic convergence for the region. The low-hanging fruit of industrialisation has already been harvested; at the present stage of development, higher value-added services are becoming an increasingly critical source of growth. This trend is reinforced by the region's abundant human capital, which is renowned for its STEM qualifications and strong outcomes in the Programme for International Student Assessment (PISA). These structural trends are further amplified this year by higher spending on ICT equipment under the Recovery and Resilience Facility (RRF), one of whose priorities is digital transformation. Notably, amid the sector's robust condition, firms focused on artificial intelligence have underperformed, particularly when contrasted with the rapid advances observed in the United States and China. Although, firms and employees may swiftly adopt AI tools, it is becoming evident that both Central and Eastern Europe and the European Union as a whole are lagging behind in developing sovereign large language models (LLMs).

Retail: divergent outcomes across countries

Retail constitutes another frequently cited sector, identified twice as 'at risk' and twice as 'favourable', depending on the country under consideration. Unlike other sectors examined by Coface Economic Research, conditions in retail are determined to a far greater extent by domestic macroeconomic conditions. Despite a significant structural trend of rising household purchasing power across the region, domestic fiscal policy can readily override otherwise favourable conditions. Romania and Slovakia are among the countries whose retail sectors have experienced the adverse consequences of restrictive fiscal measures.



[1]TTM until June 2026. According to Chinese customs data

Methodology

The CEE Sectorial Heatmap is an annual publication by Coface that reviews economic conditions across 13 sectors in 13 countries of Central and Eastern Europe.

The report comprises two main sections. The first provides an overview of global and regional developments affecting the 13 sectors in the region altogether. The second presents individual country profiles. Each profile includes an analysis of the macroeconomic environment and highlights two sectors identified as either “at risk” or “favourable.” Sector selection is opinionated but remains firmly grounded in economic data.

Although correlated with Coface’s Sector Risk Assessment (SRA), the sectors featured in this publication are not part of the official SRA produced by the Coface’ Economic Research Department. Unlike the sectors identified herein, the SRA is determined collegially by the Economic Research Department.

The publication is designed for decision-makers in the corporate sector, with particular relevance for risk managers seeking insights into the current conditions and outlook for the sectors in which they operate or to which they have exposure.

Sector Chapters

SECTORS

How do these sectors perform across CEE?

07 — 19

AGRI-FOOD

CENTRAL & EASTERN EUROPE MEDIUM

Input and output dynamics

The agri-food sector faces a sharp cost-price squeeze. Input prices are rising markedly, while output prices are falling and have been in deflation since early 2026. The cost increase stems from the divergence between fertiliser, fuel and gas prices. Gas prices are easing, but the CBAM carbon levy and duties on Russian and Belarusian fertiliser have kept prices high, while tensions around the Strait of Hormuz have added further upward pressure.

Demand weakens while margins are under pressure

Margins are therefore absorbing the shock. The second half of 2026 could be more challenging as inputs purchased at peak prices are gradually feeding through into accounts. The EU relief package (EUR 540 million) should help to limit losses without fully offsetting them.

2027 Outlook and structural costs constraints

Some improvement could emerge in 2027 if tensions around the Strait of Hormuz ease and fertiliser prices decline. However, any recovery in margins is likely to remain gradual and partial as CBAM is expected to keep production costs structurally above pre-2025 levels. Therefore, the sector's priority is likely to remain cost control rather than volume growth.

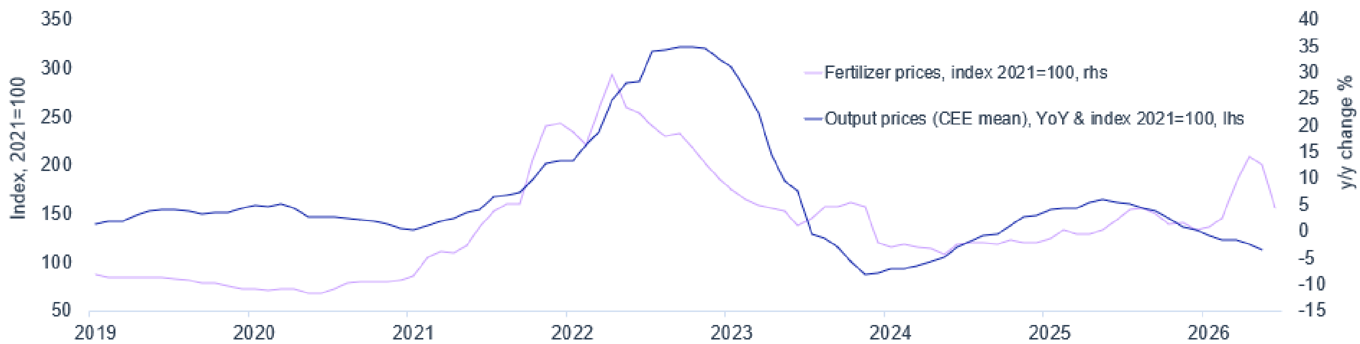
Regional strengths

- Production costs are below those in Western Europe (land, wages, labour taxation), making the region a net exporter to the rest of the EU.
- Quotas were reinstated in June 2025 on sensitive Ukrainian goods (i.e. eggs, sugar, wheat), protecting border markets.
- The region is a substantial beneficiary of the EU's Common Agricultural Policy".

Regional weaknesses

- Lack of self-sufficiency in fertiliser production of the region, resulting in heavy reliance on imports and exposure to geopolitical and energy shocks.
- An ageing farming population and labour shortages, that the now uncertain Ukrainian labour supply can no longer offset.
- Post-2028 CAP payment capping (DABIS) will penalise small farms, especially in Romania, where 90% cover less than five hectares.

Agrifood in CEE: Input vs. Output prices



Sources: World Bank, Macrobond, Coface

AUTOMOTIVE

CENTRAL & EASTERN EUROPE HIGH RISK

Electric vehicles sustain strong regional sales

Sales remain strong across the region, driven by electrified powertrains. Hybrids and battery-electric vehicles now account for almost two-thirds of the European market, while petrol and diesel vehicles continue to lose ground. However, production remains weak, held back by subdued external demand.

Chinese carmakers' rapid expansion reshapes the market

Above all, a structural shift is taking hold: Chinese carmakers reached around 10.6% of the European market in 2025, following a +60% year-on-year increase in sales. In the second half of 2026, sales are likely to remain robust, but growth could benefit these carmakers first, at the expense of the plants and suppliers on which the region depends.

Localisation emerges as the key policy focus for 2027

The policy response is shifting to the regulatory front: the Industrial Accelerator Act (March 2026) reserves purchase subsidies for vehicles made in Europe and could be extended to hybrids. In 2027, the key issue is likely to become localisation. BYD's Hungarian plant, which is now in production, shows that Chinese competitors are establishing themselves in the region, which could support local activity as much as it threatens established players.

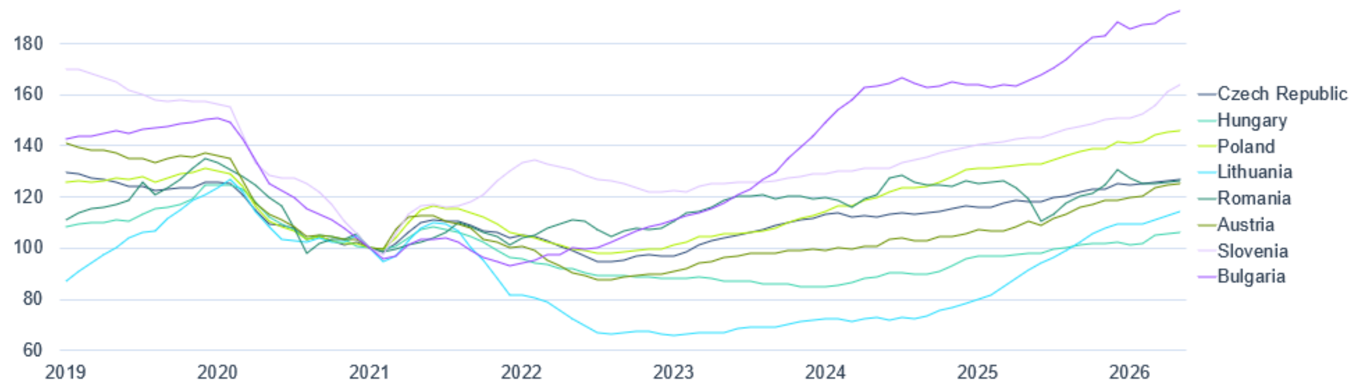
Regional strengths

- Skilled, cost-competitive labour, deeply integrated into German and European value chains, making the region a major production hub (Slovakia is the world's top per-capita producer and the Czech Republic is the EU's third).
- Strong ability to attract foreign investment, increasingly channeled into EV and battery manufacturing, helping to anchor the next investment cycle.
- Geographic proximity and logistics access to the EU's core markets.

Regional weaknesses

- Over-reliance on a single sector and on German demand, especially in Slovakia (around 13% of GDP, 46% of exports), creating significant cyclical vulnerability.
- Concentration in low-value assembly activities and reliance on imported inputs, notably in Hungary, limiting the share of value captured locally.
- Delayed electric transition: plants and suppliers historically geared towards internal combustion engines face a costly and uncertain transformation.

CEE: Passenger cars registration. 1-year moving average, index 2021=100



Sources: European Automobile Manufacturers' Association (ACEA), Macrobond, Coface

CHEMICALS

CENTRAL & EASTERN EUROPE HIGH RISK

Two diverging markets within the sector

The sector spans two distinct markets. Petrochemicals, the larger segment, particularly in Poland and the Czech Republic, faces persistent global overcapacity driven by capacity additions in China and the United States. This is compounded by a structural feedstock disadvantage. Europe relies on oil-derived naphtha, whereas US and Middle Eastern producers benefit from cheaper gas-derived ethane. As long as this gap persists, European crackers will struggle to compete. That said, the Middle East crisis, together with war-related capacity losses in Russia, reduced global refining capacity, increasing utilization rates and refining margins in the CEE region.

A more resilient outlook for fertilisers

Fertilisers present a more resilient picture. While producers remain exposed to volatile energy costs and competition from imports, the region retains a meaningful nitrogen fertiliser industry. Following a spike linked to the Middle East tensions, urea prices retreated as Chinese exports resumed.

Price dynamics through late 2026 and 2027

In the second half of 2026, fertiliser prices could firm modestly on seasonal demand, but petrochemicals are expected to remain under pressure through 2027.

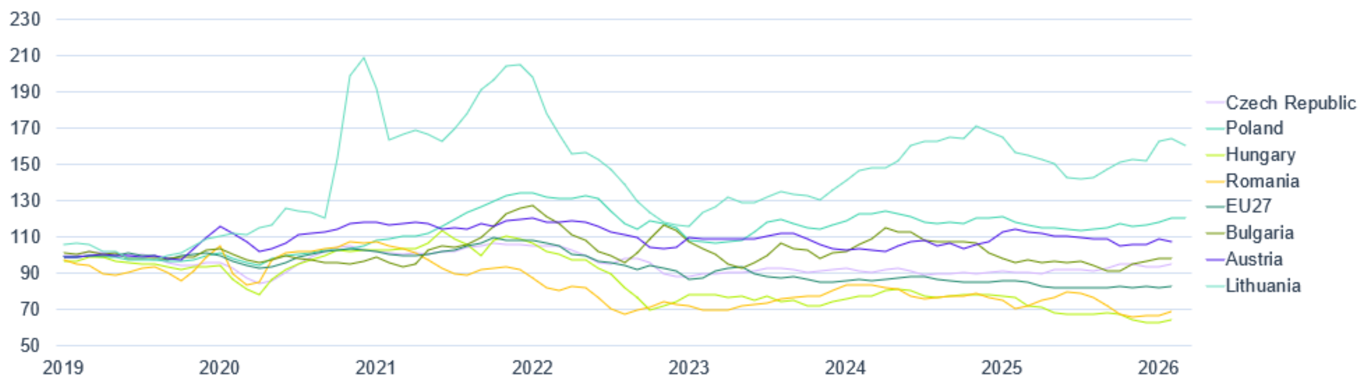
Regional strengths

- As a supplier to wide range of industries such as automotive, construction and agri-food, the sector benefits from a diversified demand profile.
- Established industrial base with domestic nitrogen champions and immediate proximity to the region's agricultural and industrial demand.
- Room to move up into higher-margin speciality chemicals, less exposed to price competition than commodities.

Regional weaknesses

- Ageing, small-scale and poorly integrated plants, costly to modernise.
- High exposure to energy costs and tightening EU regulation (ETS, CBAM) which compounds the feedstock gap.
- Structural import dependence, for fertiliser feedstock and increasingly for base chemicals as domestic capacity exits.

Manufacture of chemicals & chemical products: 3 month moving average, index 2020=100



Sources: Eurostat, Macrobond, Coface

CONSTRUCTION

CENTRAL & EASTERN EUROPE VERY HIGH

A gradual recovery amid softening credit conditions

The rate shock of recent years has sharply reduced transaction volumes across the region. Since late 2024, however, a gradual and broad-based recovery has emerged in both the primary and secondary housing markets. Nevertheless, activity remains below the peak seen in 2020-2021. While central banks have started to ease policy rates, long-term sovereign yields remain elevated, which restricts mortgage affordability.

New-build activity lags as costs remain elevated

The new-build housing market continues to lag the resale market, with construction costs remaining high developers have limited scope to reduce prices, whereas existing-home sellers are more flexible. Higher material and energy costs will add further pressure in 2026 due to the Middle East conflict. In the second half of 2026, the recovery should continue, albeit modest, held back by elevated prices and borrowing costs. EU-funded infrastructure projects provide a partial offset to weak residential demand.

Gradual improvement expected through 2027

In 2027, activity is expected to improve gradually as lower interest rates continue to spur mortgage credit growth and previously issued permits feed through. The credit access will remain to be a constraint.

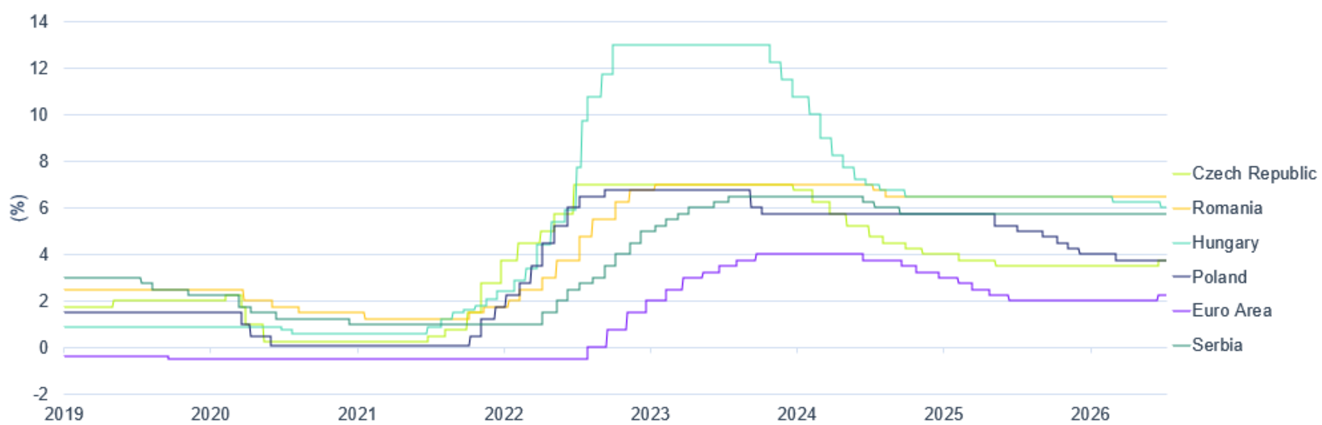
Regional strengths

- Structural housing deficit and steady urbanisation underpin durable long-term demand.
- A growing domestic capital base, including a fast expanding private rental sector, reduces reliance on volatile foreign flows.
- Rising real wages and low unemployment support household solvency over time.

Regional weaknesses

- Stretched price-to-income ratios in major cities structurally limit the pool of potential buyers.
- Dependence on imported materials and energy keeps construction costs structurally high and margins thin.
- Land scarcity, lengthy permitting processes and planning reform uncertainty, such as Poland's zoning overhaul, delay new supply and deter investment.

CEE: Central bank interest rates



Sources: Hungarian Government Debt Management Agency, Macrobond, Coface

ENERGY

CENTRAL & EASTERN EUROPE MEDIUM

Energy prices ease after the spring shock

The disruption of shipping through the Strait of Hormuz in March 2026 pushed oil prices sharply higher and gas prices more moderately. Both have since partly retraced, with Brent easing from a spring peak near USD 120 back towards USD 85 in August, as tensions eased. Meanwhile, European natural gas prices have once again increased amid worries over winter supplies. The CEE region remains more exposed, as natural gas and fossil fuels set the marginal power price and wholesale electricity has adjusted only gradually, staying above Western European levels.

Moderation in oil and gas, but electricity stays elevated

In H2 2026, oil and gas prices should keep moderating as supply risks in the Strait of Hormuz recede. However, electricity prices are likely to stay elevated due to tight generation margins, slow pass-through and structural market constraints.

Stabilisation ahead, but structural pressures persist

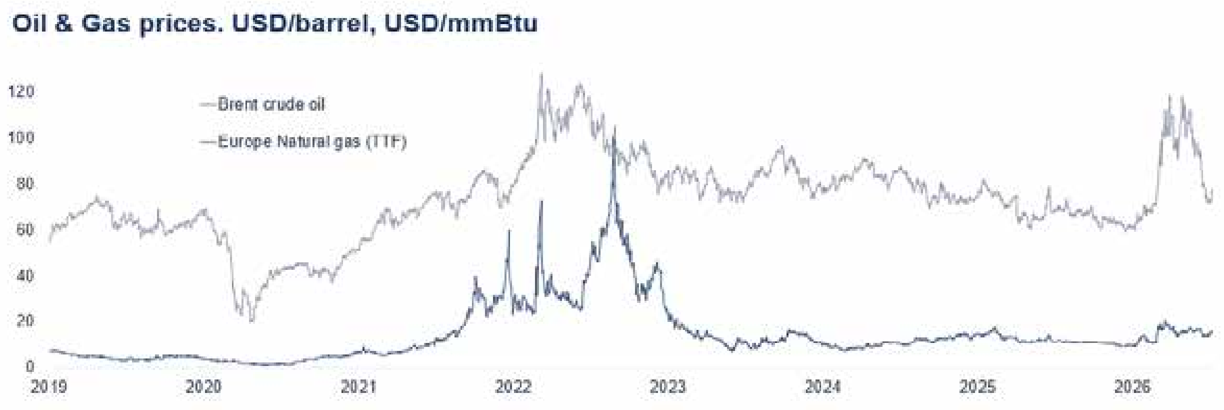
By 2027, fuel & gas prices are expected to stabilise at levels above their 2025 averages, while electricity prices are also likely to remain above pre-shock levels. Meanwhile, the accelerating energy transition, though it strengthens long-term security, could sharpen near-term supply-adequacy risks as ageing thermal capacity is retired faster than firm replacements come online.

Regional strengths

- Rapidly expanding renewable capacity, with CEE outpacing the EU on solar since 2019 and major Baltic offshore-wind potential.
- Large nuclear pipeline and fleet, including Poland's first plant and Czech, Hungarian and Slovak extensions, supporting low-carbon baseload.
- More diversified gas routes after cutting Russian dependence, via LNG expansion and the Baltic Pipe.

Regional weaknesses

- Persistent reliance on coal-fired generation, one of the EU's most carbon-intensive mixes, with growing exposure to ETS carbon pricing.
- Ageing, underinvested grids constraining renewable integration and raising reliability risks as coal capacity retires.
- Continued reliance on imported oil and gas, exposing the region to price volatility and supply disruptions.



Sources: Intercontinental Exchange (ICE), Macrobond, Coface

ICT

CENTRAL & EASTERN EUROPE MEDIUM

AI-driven investment pressures hardware costs

Substantial capital expenditures associated with the development of AI are driving up demand for hardware components, including GPUs, hard disk drives and servers. This is resulting in higher prices and the crowding out of resources from other segments of the ICT sector. In the short term, rising component costs will increase prices of final goods and, at the same time, weakening demand for products, such as personal computers, household appliances and other IT equipment.

Limited direct regional exposure to sector corrections

While the scale and pace of AI-related investment warrant close monitoring, a potential correction in the sector is unlikely to pose a significant direct risk to the region, given that regional investment volumes remain negligible compared to those in the United States and Asia.

AI advances reshape the outlook for IT services

The IT services sector has been a key driver of economic growth and macroeconomic convergence in the region. Advances in large language models could help alleviate labour shortages by increasing productivity and automating routine tasks. At the same time, however, these technological developments could reduce demand for lower-value-added and more standardised IT services, creating adjustment challenges for parts of the sector.

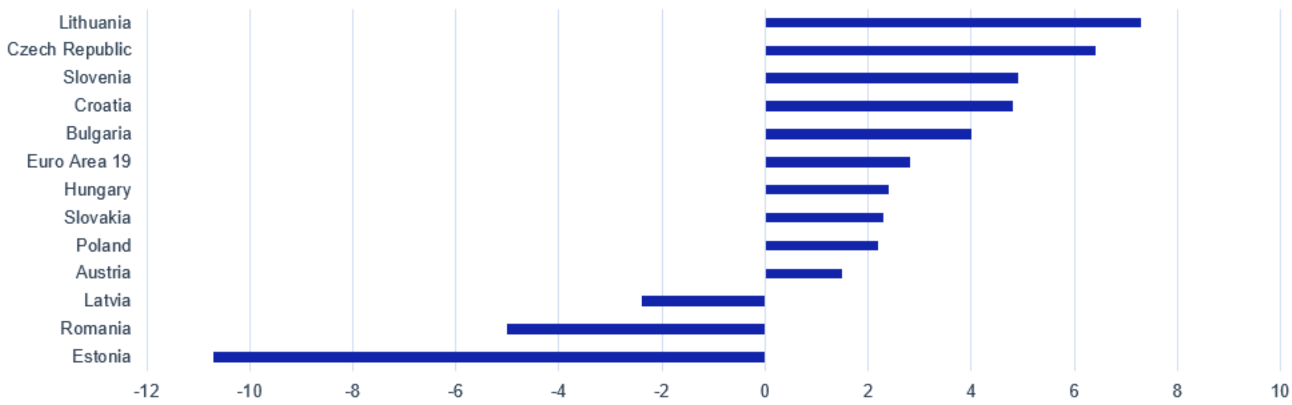
Regional strengths

- A well-established IT services sector, underpinned by a deep pool of human capital with internationally competitive skills.
- Sustained growth in demand thanks to the digitisation of economic activities and lifestyles.
- A push for digital sovereignty will favour regional ICT companies over their non-European counterparts.

Regional weaknesses

- An increasingly restrictive regulatory environment, especially in terms of data protection, effectively curbs the chance to compete on global level.
- Fierce competition from Asian hardware producers.
- Risk of offshoring of IT services to Asian countries.

ICT y/y increase in gross value added in Q1 2026. Seasonally and calendar adjusted, constant prices



Sources: Eurostat, Coface

METALS

CENTRAL & EASTERN EUROPE HIGH RISK

High non ferrous prices amid soft industrial activity

Prices are high for most non-ferrous metals, particularly aluminium, copper and tin, while steel markets are increasingly shaped by trade policy. Order books remain soft and industrial production weakened in early 2026 amid site closures and elevated energy costs. In aluminium, the blockade of the Strait of Hormuz disrupted Gulf exports, pushing prices to four-year highs and sharply increasing European premiums. This has supported the margins of operating smelters, although weak demand and high power costs continue to limit profitability and discourage capacity restarts.

High prices persist before gradual easing

Prices are likely to remain elevated in the second half of 2026 as supply disruptions persist, before easing from recent peaks in 2027 while staying above historical averages.

Steel prices lifted by stricter EU trade measures

In steel, a new EU safeguard introduced in July 2026 significantly tightens import restrictions, supporting domestic prices while raising costs for downstream industries. This stricter trade regime should support prices through the second half of 2026, though demand and profitability in 2027 will largely depend on the recovery of European industrial activity.

Regional strengths

- Established steel and non-ferrous metals base, integrated into EU industrial value chains and located close to downstream users.
- Growing recycling and secondary production capacity, which is less energy-intensive and better positioned under carbon-pricing frameworks.
- Potential demand upside from rising EU defence and infrastructure spending, supporting long-term order books.

Regional weaknesses

- High energy intensity and elevated European power costs leave metal industry structurally uncompetitive and vulnerable to curtailments.
- Significant ETS-related carbon costs, particularly for coal-dependent production sites.
- Dependence on imported raw materials and energy, exposes the sector to recurrent geopolitical and commodity price shocks.

Metals prices: index 2019=100

Sources: London Metal Exchange (LME), Shanghai Futures Exchange, Macrobond, Coface

PAPER

CENTRAL & EASTERN EUROPE HIGH RISK

CEE paper producers benefit from a more resilient manufacturing

The paper sector in Central and Eastern Europe (CEE) remains in a stronger position than in Western Europe, supported by the region's more resilient manufacturing base. As demand for paper-based packaging is closely linked to industrial production, CEE producers have benefited from comparatively stronger industrial activity. However, demand remains subdued as European manufacturing continues to face recessionary pressures and regional output is still below 2022 levels.

Modest demand recovery offset by rising input costs

The sector is expected to experience a modest recovery in the near future, driven by gradual improvements in industrial production and packaging demand. Nevertheless, rising input costs are putting increasing pressure on profitability. Energy and wood prices have started to rise, putting pressure on already tight margins. In addition, the implementation of the EU Deforestation Regulation (EUDR) will raise compliance costs and increase supply chain complexity.

Outlook is improving despite persistent headwinds

As a result, while demand prospects are improving, cost inflation and regulatory pressures remain key risks for the sector.

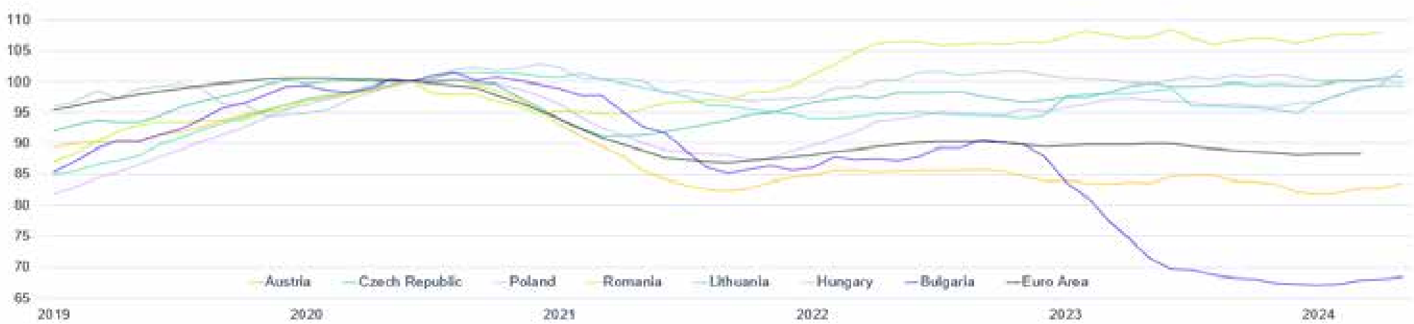
Regional strengths

- Paper products benefit from strong sustainability credentials and are increasingly favoured as an alternative to plastic and other less recyclable packaging materials.
- The continued expansion of e-commerce supports long-term growth in demand for corrugated packaging.
- Most CEE economies remain on a convergence path, supporting industrialisation and hence demand for packaging products.

Regional weaknesses

- Digitalisation continues to drive a decline in demand for graphic paper. Converting graphic paper capacity into packaging could lead to oversupply in adjacent markets.
- The sector remains highly energy intensive. The carbon-intensive energy mix in parts of CEE increases vulnerability to carbon pricing.
- Increasing environmental and forestry regulations are adding compliance costs and administrative complexity across the paper value chain.

Manufacturing of paper & paper products. Index 2022-06=100, 6 months moving average, seasonally & inflation adjusted



Sources: Eurostat, Coface

PHARMACEUTICALS

CENTRAL & EASTERN EUROPE MEDIUM

Manufacturing focus with emerging pressures

CEE pharmaceutical companies remain oriented towards manufacturing rather than innovation. Two dynamics stand out. Firstly, production costs remain exposed to fluctuations in petrochemical-derived input costs, although these pressures have largely eased, the vulnerability persists. Secondly, more structurally, China is rapidly emerging as a preferred partner for clinical development and licensing at the region's expense. Its share of global clinical trial activity rose from 8% in 2019 to 14% in 2024, overtaking CEE, whose share fell from 15% to 11%. Meanwhile, Chinese out-licensing deals accounted for around a third of the global total in 2025. Sponsors are attracted by China's vast patient pools, faster approval timelines and growing market opportunities.

Resilient production amid shifting clinical activity

In the second half of 2026, domestic manufacturing should remain resilient thanks to cost competitiveness, but clinical trial and licensing activity is likely to continue shifting towards Asia.

Competitive manufacturing, declining research role

By 2027, production should retain its competitive position, although the region's role in higher-value clinical research is expected to continue weakening.

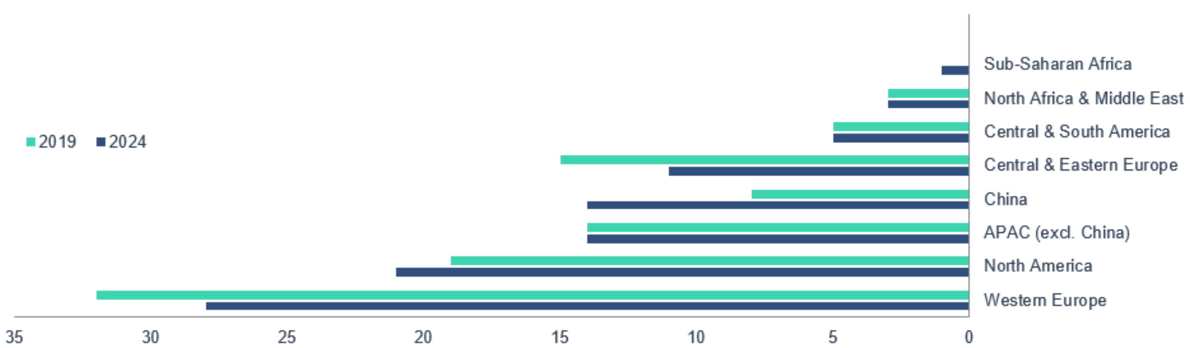
Regional strengths

- Cost-competitive, GMP-compliant manufacturing base integrated into EU supply chains with skilled labour and solid infrastructure.
- EU membership ensures regulatory alignment (EMA) and full single-market access.
- A likely beneficiary of EU efforts to reshore critical medicine production and strengthen the bloc's supply security, reducing its reliance on Asia.

Regional weaknesses

- Reliance on low-margin generics with minimal innovative or biotech R&D, leaving high-value patents and profits captured by Big Pharma abroad.
- Structural absence of domestic active ingredient (API) production, with dependence on Asian imports and exposure to disruption.
- Persistent price pressure from constrained public health budgets, compressing already thin margins.

Trial country utilization (% of global)



Sources: Citeline Trialtrove, IQVIA Institute, Coface

RETAIL

CENTRAL & EASTERN EUROPE | MEDIUM

Solid consumption supported by productivity convergence

Over the past two years, private consumption has benefited from a favourable cyclical environment. In 2026, however, wage growth has moderated and is now broadly in line with productivity growth across sectors. Nevertheless, income growth is expected to remain solid in the region's emerging economies, supported by continued productivity convergence.

Food retail faces rising cost pressures

Compared with Western Europe, retail markets across the region remain heavily concentrated in food retail. Although food prices are currently falling, the outlook is becoming more challenging. El Niño-related weather disruptions and increasingly frequent heatwaves in Europe are expected to push food prices higher in the second half of the year. Given the relatively low price sensitivity of food demand, consumers are likely to respond primarily by switching to cheaper products rather than reducing their consumption.

Favourable pricing environment supports non-food retail

The outlook is more favourable for non-food retail. Inflation in non-food goods remains subdued, reflecting downward pressure on global prices from excess manufacturing capacity in China. Provided that tensions in the Middle East do not trigger broader inflationary spillovers, the favourable pricing environment should continue to support consumer confidence and spending.

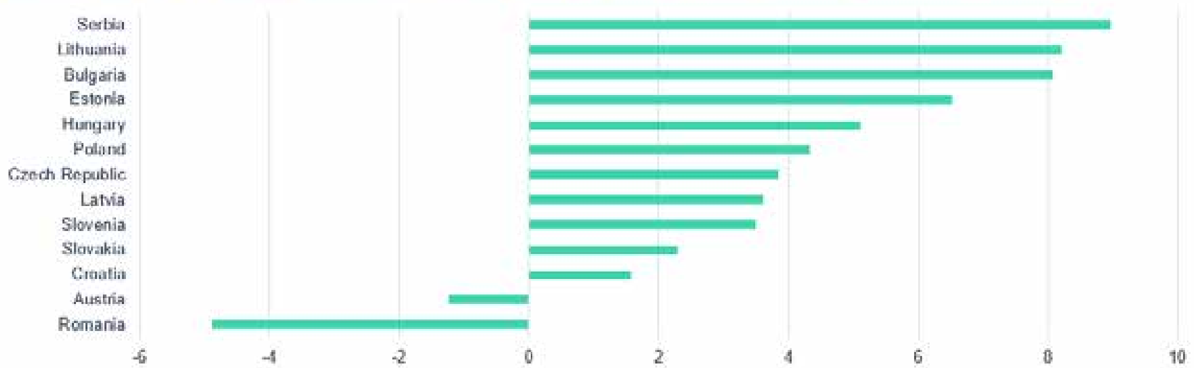
Regional strengths

- Urbanisation and the ongoing development of modern retail formats provide strong long-term structural growth drivers.
- Continued expansion of e-commerce retail capabilities supports customer reach.
- Sustained increases in household purchasing power across most regional economies underpin consumption growth.

Regional weaknesses

- Intense competition among food retailers across the region continues to put pressure on profit margins.
- At this stage of convergence, further market expansion within the food retail segment is becoming increasingly limited.
- The growing penetration of cross-border e-commerce platforms poses a significant competitive threat to regional retailers.

Retail sales: y/y change, constant prices, last values for May 2026, National sources



Sources: National Statistical Offices, Coface

TEXTILES

CENTRAL & EASTERN EUROPE **VERY HIGH**

Global and domestic pressures weigh on competitiveness

The textile sector in Central and Eastern Europe (CEE) faces significant pressure from both global and domestic challenges. China's overcapacity as the world's largest producer continues to weigh on margins and selling prices, further intensified by the growth of ultra-fast fashion mainly sourced from Asia.

Rising costs and supply disruptions add strain

In the region's emerging economies, rising unit labour costs have reduced competitiveness and sustained the ongoing trend of deindustrialisation. Additionally, the blockade of the Strait of Hormuz has triggered notable cost shocks for synthetic fibres due to oil derivative supply chain disruptions.

Cyclical demand meets secular decline challenges

On the positive side, improving purchasing power across CEE is expected to support stronger demand for clothing. However, the overall outlook remains weak. Persistent Chinese overcapacity and rising competition from other Asian producers will continue to put pressure on the industry. As a result, textile companies in the region will need to accelerate their shift towards higher-value production and greater product differentiation to remain competitive.

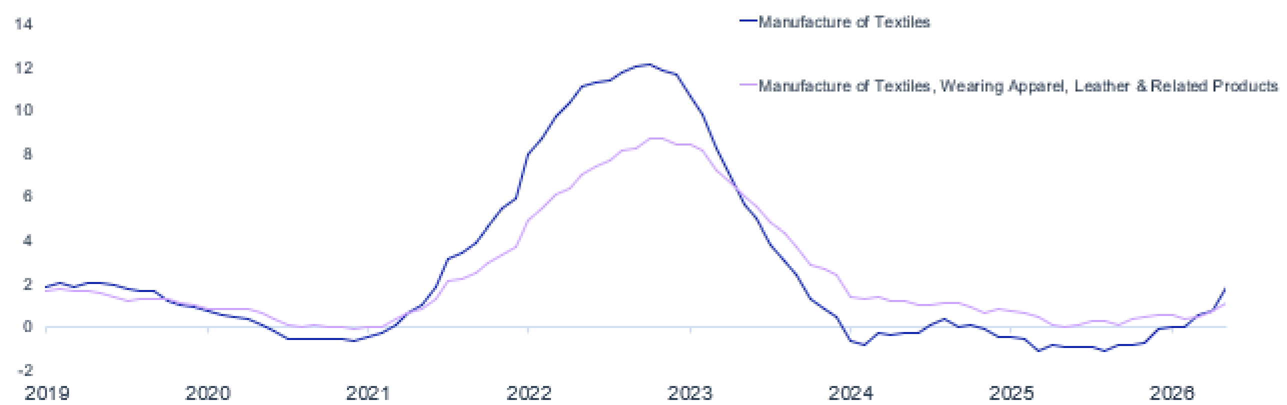
Regional strengths

- Regional producers are well-positioned to lead in premium sustainable offerings, bio-based/recycled fibres and circular business models.
- Growth of the middle and high income classes in most countries in the region will support the demand.
- European brands are moving production closer to end markets to make supply chains more resilient. This will benefit the cost-competitive economies closer to Western Europe.

Regional weaknesses

- Labour-intensive industry, or the insufficient wage-cost competitiveness of the region.
- Strong competition from online platforms in Asia continues to erode market share.
- Increasing popularity of the second-hand markets.

Producer price index in textile sector: y/y change



Sources: National Statistical Offices, Macrobond, Coface

TRANSPORT

CENTRAL & EASTERN EUROPE **VERY HIGH**

Weak external demand weighs on transport activity

Given its strong exposure to international markets, the transport sector in the region is currently under pressure from weak economic activity in Western Europe. Due to the contraction in goods manufacturing, the total ton kilometers of road transport in 2025 were equal to 1.89 trillion, which was 1.56% less than at the peak of the cycle in 2021.

Gradual improvement supported by German fiscal stimulus

Looking forward, the factors holding the sector back will gradually improve. The fiscal stimulus currently affecting the German economy will support recovery. The programme will focus largely on infrastructure investment, which, due to its high material intensity, will naturally generate demand for transport services.

Margin recovery driven by lower input costs

In terms of corporate sector conditions, we believe that the normalisation of oil market prices and the gradual slowdown of wages in the region, will lead to a recovery of the margin rates of the transport sector.

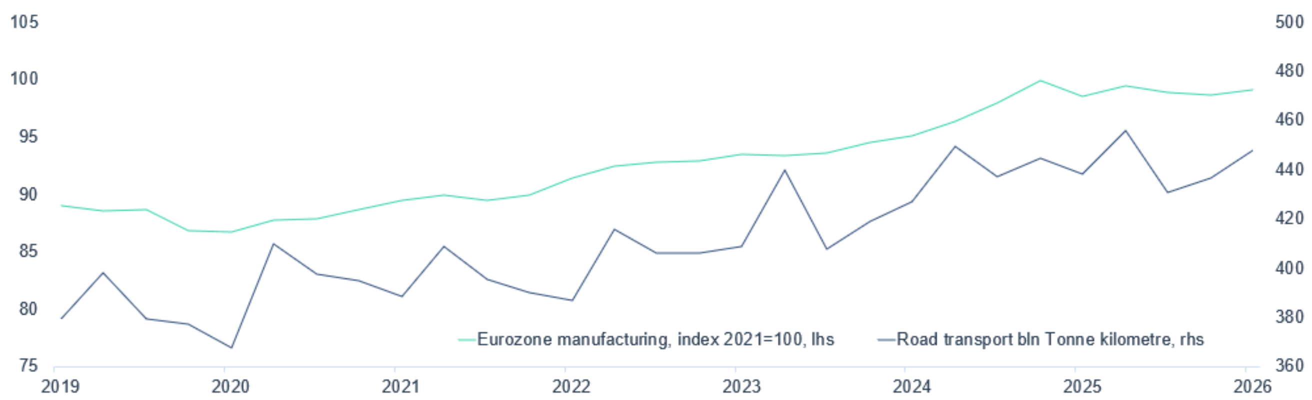
Regional strengths

- Many countries in the region still hold cost-competitiveness with respect to Western Europe. The tax wedge in the region remains favourable as well.
- Expansion of e-commerce is increasing the market size.
- The sector is relatively less sensitive to the domestic market business cycles.

Regional weaknesses

- Regulatory headwinds, in the form of the mobility package or the EU ETS, will remain a major source of increase in the operating costs of the sector.
- The sector is exposed to geopolitical events, as illustrated by the energy shock following the blockade of the Strait of Hormuz.
- Structural shortages in the labour market continue to persist.

Manufacturing and road transport in European Union



Sources: Eurostat, Macrobond, Coface

WOOD

CENTRAL & EASTERN EUROPE VERY HIGH

Weak demand and construction slowdown weigh on the sector

The wood sector in the region has struggled over the past year due to weak global demand and sluggish construction activity. Furniture production remains below 2022 levels, though regional demand has shown greater resilience than in Western Europe. The industry continues to be closely tied to construction performance, particularly the residential segment.

Higher input costs and new regulation add pressure

Rising prices of raw and sawn wood represent a key risk for downstream manufacturers, especially in countries that depend on imports. The Baltic States, with their strong domestic production, are in a better position to manage higher input costs. In addition, the EU Deforestation Regulation (EUDR), due to come in 2026, will increase compliance costs through mandatory traceability investments, potentially causing supply chain disruptions for imports.

Gradual recovery expected but margins stay tight

Looking ahead, the sector is expected to experience only a gradual and modest recovery. Although construction activity is expected to improve slowly, underperformance in residential building will limit growth. Overall, companies will face continued margin pressure from both cyclical weakness and higher regulatory costs.

Regional strengths

- Wood is a material being promoted as part of the boom in "sustainable" construction.
- Cardboard packaging is favoured by the growth of e-commerce.
- Relatively abundant and growing forest resources.

Regional weaknesses

- Climate change will continue to impact the wood supply, with rising temperatures fuelling more frequent wildfires and facilitating the spread of forest pests and diseases.
- Substantial costs are associated with the efforts of players in the sector to adapt to stricter regulations on wood harvesting, with the aim of preserving forests.
- The sector is becoming increasingly dependent on the construction sector as a source of demand.

Wood price index in Euro Area. Index, 2020=100

Sources: Hamburg Institute of International Economics, Macrobond, Coface

Country Snapshots

COUNTRIES

Which sectors are strong/weak in this country?

22 — 34

Austria

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1
POPULATION Milions of persons	9.2
GDP PER CAPITA USD current prices	57,208 $

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	-0.7%	0.6%	0.5%	0.8%
Inflation (yearly average, %)	3.0%	3.5%	3.1%	2.6%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

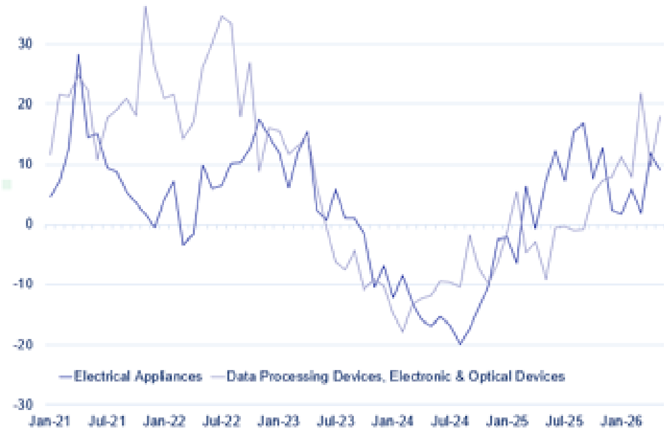
- Austria's real GDP growth used to perform in line with the EU average, but is now lagging. The economy contracted by a cumulative 1.4% in 2023-24, before returning to growth last year (0.6%).
- We have lowered our projection for 2026 in the wake of the Iran conflict to 0.5%, but an acceleration to 0.8% in 2027 is expected, also helped by Germany's recovery.
- International price competitiveness is becoming an increasingly important issue: inflation is persistently above the Eurozone average and unit labour costs have grown by 21% between 2022 and 2025 (6% points above EU-average).
- Real disposable incomes have reached a new all-time high. However, consumer-facing sectors, such as retail, are suffering due to higher savings rates and an increase in unemployment.

FAVOURABLE SECTOR: ICT

- **Sector inflow momentum**: New orders have grown at double-digit rates over the past year, signalling a strong pipeline for upcoming activity.
- **Production expansion**: Output continues to rise steadily, with electrical equipment manufacturing up 8.8% in the twelve months to May 2026.
- **Confidence & risk signals:** Industrial confidence in ICT has reached its highest level in three years despite remaining slightly negative, while H1 2026 insolvencies fell by 10% but expected claims remained unchanged against H1 2025

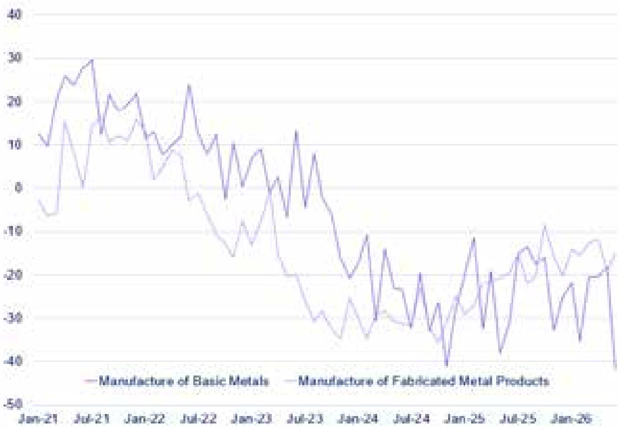
Output Growth ICT Sector Austria (SA, YoY Change in %)

Sources: Eurostat, Macrobond, Coface



Industrial Confidence Indicators Austria

Sources: Eurostat, Macrobond, Coface



SECTOR AT RISK: Metals

- **Persistent low confidence:** Metal producers remain downbeat, with confidence indicators in both basic and fabricated metal production stuck in negative territory for several years and showing no signs of improvement.
- **Energy-related pressures:** The energy-intensive segment is strained by the fallout of the Iran war and rising oil and gas prices, adding further pressure to an already weak outlook.
- **Declining output & higher risk:** Output has been falling since early 2026, prompting Coface to downgrade Austria's metal sector risk assessment to very high risk.

Bulgaria

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3
POPULATION Milions of persons	6.4
GDP PER CAPITA USD current prices	17,435 $

KEY INDICATORS

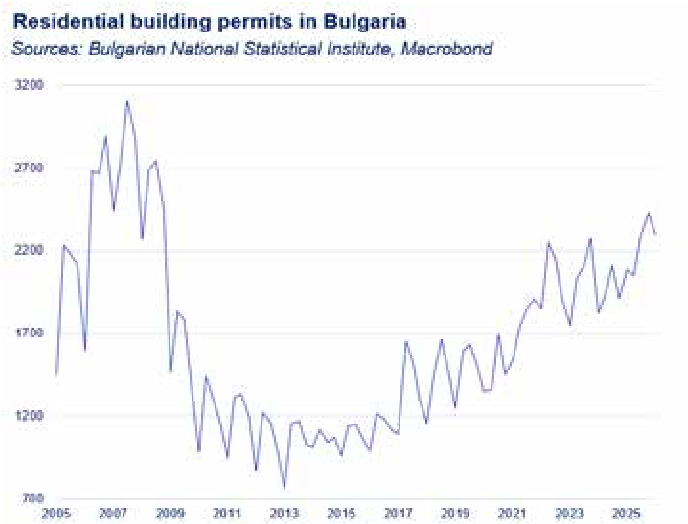
KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	3.4%	3.1%	2.7%	2.5%
Inflation (yearly average, %)	2.4%	4.6%	5.2%	3.0%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

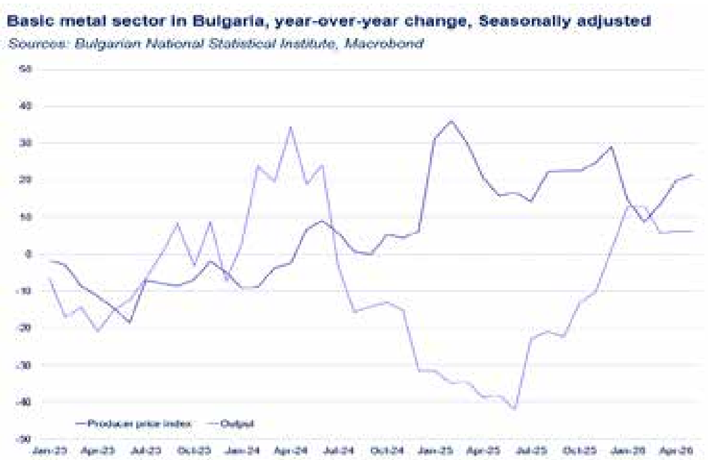
General Overview

- Growth will remain solid and above the EU average, albeit slowing, driven by private consumption and investment as wage growth moderates.
- Inflation should stay well above the ECB's target, pushed up by energy prices resulting from the Middle East conflict, eroding household purchasing power.
- Twin deficits should remain under pressure, with the budget deficit resulting from higher defence & social spending and a structural trade deficit which is only partly offset by a widening services surplus in tourism, transport and IT.
- Euro adoption and the first stable government in five years should support trade, tourism and foreign investment, though judicial reform will be slow.

FAVOURABLE SECTOR: Construction

- **Purchasing-power support:** Robust growth in purchasing power and ongoing urbanisation continue to fuel demand for residential buildings, with residential construction output rising over 9% year-on-year in May 2026.
- **Low borrowing costs:** Despite the ECB's recent rate hike, borrowing costs remain among the lowest in the region, sustaining access to mortgage financing.
- **Growing project pipeline:** Approved construction permits increased 10.5% year-on-year, signalling a solid pipeline of future projects.





SECTOR AT RISK: Metals

- **Energy-price pressure**: As a highly energy-intensive industry, competitiveness remains under strain from elevated and volatile energy prices, further amplified by the withdrawal of the electricity price compensation mechanism for non-domestic customers in March 2026.
- **Exposure to volatility**: The limited use of long-term energy contracts leaves companies heavily exposed to sharp fluctuations in day-ahead electricity prices.
- **Subdued demand:** Demand from civil engineering projects remains weak due to the slow absorption of EU funds.

Croatia

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2
POPULATION Milions of persons	3.9
GDP PER CAPITA USD current prices	24,025 $

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	3.8%	3.4%	2.1%	2.7%
Inflation (yearly average, %)	3.0%	3.7%	4.5%	3.3%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

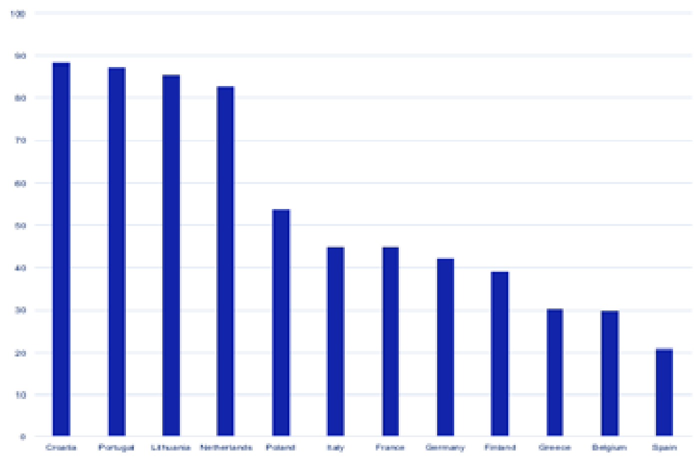
- Household consumption will remain the main growth driver, supported by one of the lowest unemployment rates in the EU and still-strong nominal wage growth.
- Croatia is expected to absorb almost all of its EUR 10 billion RRF allocation from the EU´s Recovery and Resilience Facility (RRF) before the August 2026 deadline, supporting infrastructure, energy diversification and digitalisation.
- The fiscal deficit is expected to stabilise at around 3% of GDP, while public debt continues to decline, supported by robust nominal growth and prudent fiscal management.
- Tourism will remain the main external buffer, offsetting much of the structural goods trade deficit, despite moderating visitor growth and emerging capacity constraints.

FAVOURABLE SECTOR: Energy

- **Gas-transit positioning**: Croatia is strengthening its role as a regional natural-gas hub, with the ongoing expansion of the Krk Island LNG terminal boosting transport capacity and enhancing energy security in south-east Europe.
- **EU-fund absorption**: Efficient use of EU funds - supported by one of the highest allocations relative to GDP - continues to accelerate financing for energy-transition projects.
- **Oil-route demand**: The phase-out of Russian oil is driving higher utilisation of the JANAF pipeline and the Krk Island oil terminal.

LNG regasification utilisation (% of capacity), as of 23 week of 2026

Sources: Bruegel based on GIE-ALSI, Macrobond, Coface



Unemployment rate in Croatia, Seasonally adjusted, (%)

Sources: Eurostat, Macrobond, Coface

SECTOR AT RISK: Textiles

- **Cost-competitiveness strain**: As a highly labour-intensive sector, strong wage growth and the euro's appreciation against the US dollar have created a significant cost disadvantage for textile producers.
- **Tight labour market**: One of the EU's tightest labour markets, marked by very low unemployment and intense competition for workers, continues to place considerable strain on the industry.
- **Supply-driven price pressures**: Recent disruptions linked to the blockade of the Strait of Hormuz have pushed up prices for oil derivatives, including those used in synthetic textile production.

Czech Republic

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2
POPULATION Milions of persons	10.9
GDP PER CAPITA USD current prices	31,735 $

KEY INDICATORS

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	1.3%	2.6%	2.1%	2.5%
Inflation (yearly average, %)	2.4%	2.5%	1.9%	2.2%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3.%

General Overview

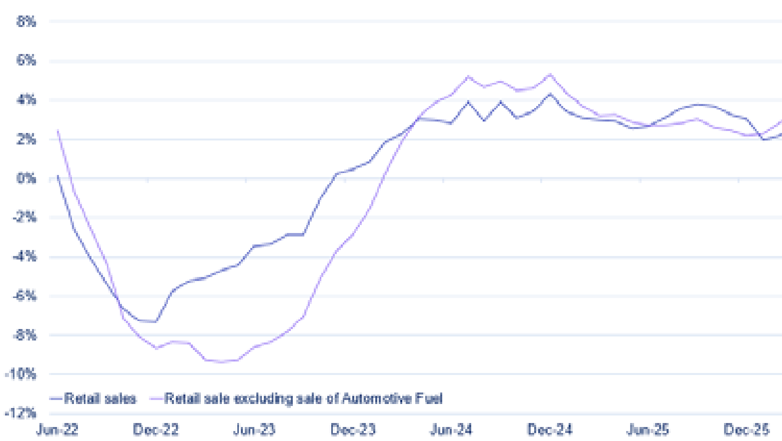
- Household consumption will remain the main growth driver in 2026-27, supported by real wage gains and a further decline in the still-elevated savings rate.
- Investment is set to peak in 2026 as the Czech Republic absorbs the remainder of its EU funds before the end-of-2026 deadline, before slowing sharply in 2027 as the funding cliff takes effect.
- Fiscal policy has become more expansionary under the Babiš government, pushing the deficit towards 3% of GDP, although public debt remains low by regional standards.
- Net trade is likely to weigh on growth in 2026, as imports will exceed exports, but stronger demand driven by Germany´s defence and infrastructure spending is anticipated to support exports in 2027.

FAVOURABLE SECTOR: Retail

- **Purchasing-power recovery**: The macroeconomic recovery in 2025 and 2026 has supported household purchasing power, with nominal wages rising by 8.15% year-on-year in the first quarter of 2026.
- **Lower savings rate**: Following a period of savings accumulation from 2021 to 2024, households have started to reduce their savings rate, providing an additional source of consumer spending.
- **Emerging headwinds**: Looking ahead, rising fuel prices may constrain spending on other goods and dampen consumer sentiment. A deterioration in the labour market, particularly an increase in unemployment, also remains a concern.

Retail sales in Czech Republic, y/y change, 6-month moving average

Sources: Eurostat, Macrobond, Coface



Manufacturing of basic metals in Czech Republic, index 2021=100, Seasonaly adjusted

Sources: Eurostat, Macrobond, Coface

SECTOR AT RISK: Metals

- **Sector crisis:** The basic metals sector remains in deep crisis, with steel output halved over the past decade and apparent consumption expected at just 5.5 Mt in 2025, near its post-2009 low.
- **Ostrava downturn:** Liberty Ostrava reflects the collapse: primary steelmaking suspended since 2023, workforce cut by half, and survival ensured only through Nova Hut's 2025 takeover.
- **Energy exposure:** Metallurgy remains highly exposed to energy costs, with the March 2026 Strait of Hormuz shock erasing recent relief and tighter EU carbon rules further squeezing margins.

Estonia

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1
POPULATION Milions of persons	1.4
GDP PER CAPITA USD current prices	31,419 $

KEY INDICATORS

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	-0.1%	0.6%	2.0%	2.4%
Inflation (yearly average, %)	3.5%	4.8%	3.0%	2.7%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

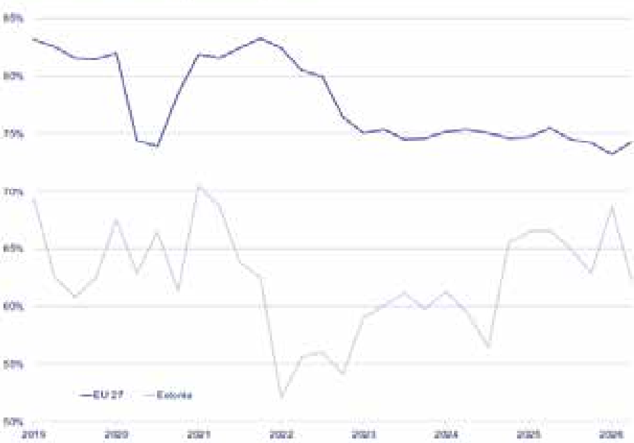
- Economic recovery is expected to continue, supported by sustained absorption of EU funds (RRF and SAFE program) and income tax reform.
- Private consumption will remain the main growth driver, underpinned by strong nominal wage growth and a more expansionary fiscal stance ahead of the March 2027 parliamentary elections.
- The fiscal deficit should widen as defence spending rises, although Estonia will retain the lowest public debt ratio in the EU (25% of GDP), which will preserve fiscal space.
- The current account deficit is expected to widen in 2026 as higher energy prices raise import costs, though this will be partly offset by a resilient services surplus.

FAVOURABLE SECTOR: Pharmaceutical

- **Steady performance:** Pharmaceuticals remain a stable, defensive sector, with retail turnover in medicines, medical goods and cosmetics rising almost continuously since 2015 - including through the 2022-24 recession.
- **Demographic demand:** Structural factors such as ageing and chronic diseases keep demand elevated; per-capita spending on medicines reached €452 in 2025, up 10% from 2024.
- **Market expansion:** The market, worth about €528 million, is expected to grow 6.5% in 2026, supported by favourable demographics and Estonia's advanced digital health infrastructure.

Retail Trade of Pharmaceutical & Medical Goods in Estonia
Sources: Statistics Estonia, Macrobond, Coface

Capacity utilization in Chemical sector, Seasonally adjusted
Sources: Statistics Estonia, Macrobond, Coface



SECTOR AT RISK: Chemicals

- **Underutilised capacity**: Estonia's chemical industry continues to operate well below its potential, with capacity utilisation around 10-15 percentage points under the EU average, signalling persistent weakness in demand and investment.
- **Oil-shale concentration**: The sector is heavily concentrated in energy- and carbon-intensive oil shale chemistry (phenols, plasticisers, rare-earth oxides), leaving producers exposed to elevated energy costs and compressed margins.
- **Structural challenges**: Rising EU carbon costs and the planned phase-out of oil shale by 2040 are set to intensify structural pressures, weighing on competitiveness and profitability.

Hungary

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3
POPULATION Milions of persons	9.6
GDP PER CAPITA USD current prices	23,272 $

KEY INDICATORS

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	0.7%	0.5%	1.9%	2.4%
Inflation (yearly average, %)	3.7%	4.4%	1.9%	2.1%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3.%

General Overview

- Growth should improve in 2026, supported by election-related spending in Q1 and resilient household consumption. It is expected to strengthen further in 2027, mainly due to the release of EUR 16.4 billion of EU funds in June.
- Inflation fell sharply and below the MNB's 2–4% target range for the first time in a decade. Lower inflation is expected to provide the National Bank of Hungary with scope to further ease monetary conditions, which should help stimulate economic growth.
- The fiscal deficit will remain very high in 2026, and all major forecasts indicate a clear deterioration from 2025, largely because of Fidesz's pre-election measures.
- TISZA's victory, the largest political shift since 2010, should improve relations with the EU and support investor

FAVOURABLE SECTOR: Retail

- **Retail rebound:** Retail activity is rebounding strongly, with sales volumes approaching their post-pandemic peak and private consumption becoming the main engine of growth in 2026.
- **Purchasing power:** Solid nominal wage growth and low inflation have boosted household purchasing power, lifting consumer confidence back towards historical highs.
- **Election-year support:** Election-year fiscal measures - family tax relief, pension top-ups and housing subsidies - are sustaining broad-based retail growth at a pace well above that of the still-recovering industrial sector.

Retail sales in Hungary Index, 2019=100, Seasonally adjusted
Sources: Hungarian Central Statistical Office, Macrobond, Coface

Capacity utilization in Chemical sector, Seasonally adjusted
Moving avg = 1 quarter, 2019=100
Sources: Hungarian Central Statisticla Office, Macrobond Coface

SECTOR AT RISK: Chemicals

- **Falling turnover:** Net turnover has dropped sharply and remains far below its 2021 peak - and below the recovering EU average - signalling a widening competitiveness gap.
- **Energy dependence:** Heavy reliance on imported energy and feedstocks, especially Russian gas and crude, keeps the sector highly vulnerable to external shocks such as the March 2026 Strait of Hormuz disruption.
- **Weak demand:** Soft demand from automotive and construction is adding further pressure on already strained margins.

Latvia

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1
POPULATION Milions of persons	1.9
GDP PER CAPITA USD current prices	23,243 $

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	0%	2.1%	2.1%	2.4%
Inflation (yearly average, %)	1.3%	3.7%	3.2%	3.0%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

- Growth is expected to remain moderate in the medium term, supported by resilient private consumption driven by strong wage growth and the disbursement of EU funds in 2026.
- The fiscal deficit is expected to widen further as defence spending rises sharply to guard against the risk of Russian aggression (4.9% of GDP in 2026, up from 3.7% in 2025).
- While Latvia's energy system is substantially more resilient than during past energy crises, households remain exposed to energy costs, spending 4.1% of their income on fuel. This makes consumer confidence especially sensitive to increases in energy prices.
- Delays and cost overruns in the Rail Baltica project, together with labour shortages in construction and

FAVOURABLE SECTOR: Wood

- **Economic pillar:** Easing monetary conditions are contributing to a gradual recovery in the construction sectors of major trading partners. Stronger economic activity in downstream sectors should bolster demand.
- **Production outperformance:** Output has consistently outperformed the EU average; after the 2023–24 downturn, production is expanding again in 2026 while EU manufacturing continues to contract.
- **Stabilising demand:** Demand and prices have stabilised, with plywood exports up 5% year-on-year in Q1 2026. Firms are moving up the value chain through engineered wood products and modular housing solutions.

Manufacture of wood and wood products, Index 2019=100, 6-month moving average

Sources: Eurostat, Macrobond, Coface

Turnover in transport services
2019-01=100, Seasonally adjusted, current prices

Sources: Official statistics of Latvia, Macrobond, Coface

SECTOR AT RISK: Transport

- **Subdued demand:** Weak economic activity across the Baltics and Europe since 2022 continues to suppress demand for transport services, with goods exports still below their 2021 peak and largely stagnating.
- **Flag-carrier risks:** Persistent challenges at the national flag carrier highlight the sector's fragility and could create spillover risks for the wider industry if insolvency or major downsizing occurs.
- **Improving outlook:** A strengthening macroeconomic environment, combined with a manufacturing rebound supported by the SAFE programme, could lift activity in the transport sector.

Lithuania

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1
POPULATION Milions of persons	2.9
GDP PER CAPITA USD current prices	29,379 $

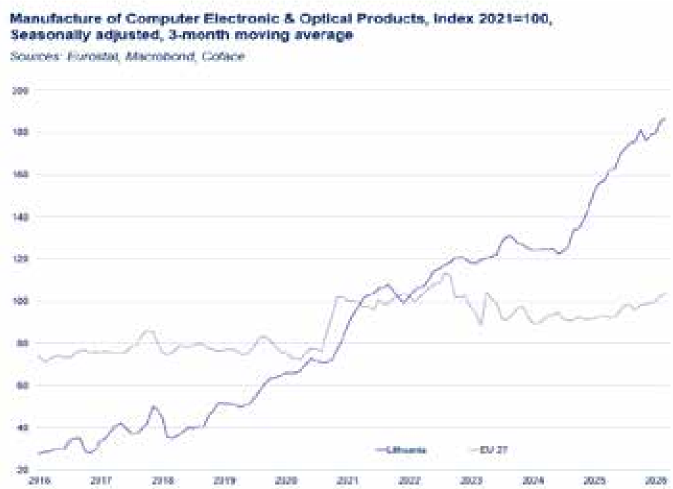
KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	3.0%	2.9%	3.0%	2.9%
Inflation (yearly average, %)	0.7%	3.8%	5.0%	4.1%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

- Household consumption is forecast to remain the main growth driver in 2026, supported by robust real wage growth and one-off second-pillar pension withdrawals, before easing in 2027 as the pension boost fades.
- Inflation is expected to accelerate in 2026 due to higher energy prices and persistent services inflation, weighing on purchasing power before moderating in 2027.
- Investment will be supported by record EU fund absorption and higher defence spending, although the budget deficit is likely to exceed the EU's 3% of GDP threshold.
- Export growth will remain subdued amid weak external demand, while a higher import bill will push the current account back into deficit.

FAVOURABLE SECTOR: ICT

- **Electronics outperformance:** Electronics has become a standout performer, with output of computer, electronic and optical products roughly doubling since 2021 - far ahead of the broadly flat EU trend.
- **Lasers & photonics niche:** Growth is anchored in a world-class lasers and photonics niche, supplying key inputs for semiconductor production and supported by a highly educated, tech-oriented workforce.
- **FDI-driven momentum:** Strong FDI into advanced manufacturing, combined with a rapidly expanding tech ecosystem across software, fintech and digital services, is set to sustain momentum through 2026 and beyond.



SECTOR AT RISK: Transport

- **Sector under strain:** A historic pillar is under pressure after the 2025–26 Belarus standoff, which led to the detention of 2,000 Lithuanian trucks, hefty storage costs and disrupted access to Chinese and Central Asian routes.
- **Re-registration trend:** Mounting operational pressures are prompting some operators to re-register trailers in Estonia, Latvia or Poland.
- **Margin squeeze:** A chronic driver shortage, reliance on non-EU labour, rising Mobility Package compliance costs and the recent fuel-price surge linked to Middle East tensions continue to squeeze margins.

Poland

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2
POPULATION Milions of persons	36.6
GDP PER CAPITA USD current prices	24,973 $

KEY INDICATORS

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	3.2%	3.6%	3.6%	3.2%
Inflation (yearly average, %)	3.7%	3.6%	3.0%	3.3%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

- Poland is expected to remain one of the fastest-growing major economies in the EU in 2026-27, driven by resilient private consumption.
- The peak absorption of EU funds before the end-2026 deadline will provide a powerful boost to infrastructure and green transition investment.
- Fiscal consolidation will remain gradual despite the Excessive Deficit Procedure, increasing the risk of a sovereign rating downgrade if public finances fail to improve after 2027.
- President Nawrocki's veto powers will continue to constrain the government's reform agenda, limiting the scope for stronger fiscal consolidation ahead of the 2027 parliamentary elections.

FAVOURABLE SECTOR: ICT

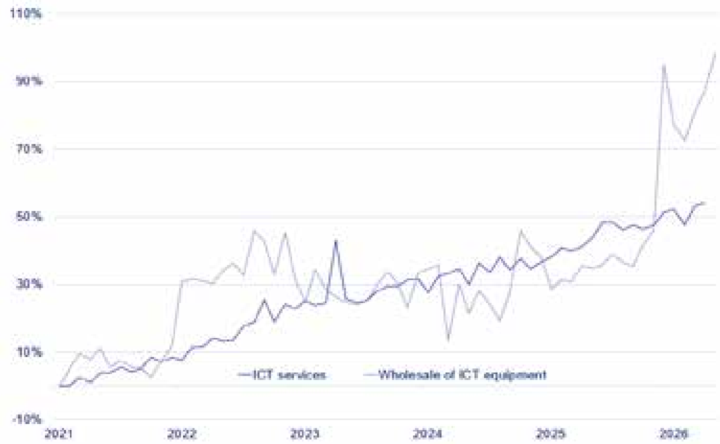
— **Services-led growth:** Services have been a major engine of Poland's recent expansion, with ICT at the forefront and strong, broad-based growth across both ICT services and equipment.

— **Demand drivers:** ICT sales are supported by robust private consumption and public procurement financed through the Recovery and Resilience Facility.

— **Skilled workforce:** A deep pool of highly skilled IT professionals combined with competitive labour costs continues to fuel the rapid expansion of IT services.

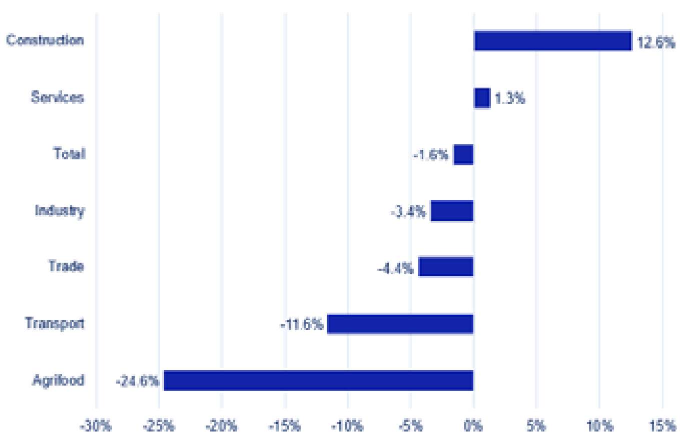
ICT sector in Poland Index, Seasonally adjusted, constant prices

Sources: Polish Statistical Office, Macrobond, Coface



Change in business insolvencies in second half 2025 vs. 2026

Sources: Macrobond, Coface



SECTOR AT RISK: Construction

— **Subdued activity**: Delayed EU-fund absorption, compounded by a harsh winter, has kept demand weak and slowed overall activity; construction insolvencies rose 12.6% in the first half of 2026.

— **Interest-rate pressure**: Persistently high interest rates continue to suppress demand for residential buildings.

— **Improving outlook**: The sector is set for a marked improvement as EU-funded spending finally accelerates and investment in dual-use military infrastructure ramps up in the second half of 2026.

Romania

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3
POPULATION Milions of persons	18.9
GDP PER CAPITA USD current prices	20,210 $

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	0.9%	0.7%	-0.7%	1.6%
Inflation (yearly average, %)	5.6%	7.3%	8.2%	6.0%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

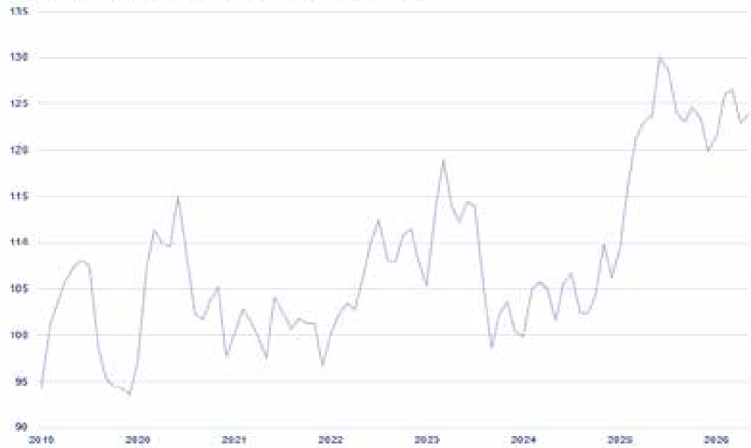
- The Romanian economy is in recession as a result of the decisive fiscal consolidation programme. Austerity measures will weigh on aggregate demand in the near term.
- Public finances are improving considerably, with the latest data for May showing the fiscal deficit shrinking towards the government target of 6.2% of GDP in 2026.
- Once the statistical base effect will vanish in 3Q 2026, the inflation rate should return to 4-5% year on year. As it's still above the inflation target, National Bank of Romania will be hesitant to cut interest rates.
- SAFE and RRF programmes will boost demand in the construction and manufacturing sectors, but the sluggish recovery in Western Europe will weigh on external demand.

FAVOURABLE SECTOR: Pharmaceutical

- **Resilient manufacturing**: Manufacturing output has remained robust despite the broader industrial slowdown, supported by steady external demand.
- **Healthcare modernisation**: EU structural funds are modernising healthcare infrastructure, improving access to treatment, pharmaceuticals and medical services.
- **Private-sector potential**: The private healthcare segment shows strong growth potential as patients increasingly seek higher-quality, faster services outside the financially constrained public system.

Manufacturing of Basic Pharmaceutical Products & Pharmaceutical Preparations index 2021=100, 6-month moving average

Sources: Romania Institute of Statistics, Macrobond, Coface



Inflation rate and retail sales in Romania year-over-year increase

Sources: Romania Institute of Statistics, Coface

SECTOR AT RISK: Retail

- **Demand constraints**: Fiscal consolidation is weighing on aggregate demand and limiting public-sector wage growth, dampening overall consumer spending.
- **Inflationary erosion**: Higher VAT rates and the removal of energy-price support have intensified inflationary pressures, eroding households' real purchasing power; wages fell 7% year-on-year in May.
- **Delayed consumption**: Elevated economic and political uncertainty is prompting consumers to postpone major discretionary purchases.

Serbia

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4
POPULATION Milions of persons	6.6
GDP PER CAPITA USD current prices	13,543 $

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	3.9%	2.0%	3.2%	2.8%
Inflation (yearly average, %)	4.7%	3.9%	2.9%	2.7%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

- Growth is expected to accelerate in 2026 and strengthen further in 2027, driven by household consumption and public investment linked to the 2027 Serbia Expo.
- Inflation has returned within the central bank's target range, but ongoing energy-related pressures will keep the policy rate at 5.75% at least throughout 2026, while the NBS continues to support the dinar via FX interventions.
- The current account deficit is forecast to widen as resilient domestic demand and Expo-related investment boost imports, while infrastructure and defence spending will keep the fiscal deficit close to 3% of GDP.
- With Aleksandar Vučić barred from seeking a third presidential term, the SNS faces its toughest electoral test since coming to power in 2012. This heightens political uncertainty and raises the risk of post-election social unrest.

FAVOURABLE SECTOR: Paper

- **Paper outperformance**: Serbian paper production continues to expand even as EU output declines, strengthening the country's competitive position.
- **Packaging growth**: Paper and paperboard packaging is growing at about 14%, valued near €1.7 billion in 2026, driven by strong demand for corrugated and folding-carton products.
- **Long-term drivers**: Shifts toward fibre-based packaging, rapid e-commerce growth and sustainability rules support long-term expansion, with competitive costs and proximity to EU markets attracting export-oriented investment.

Production of paper and paper products, Index 2021=100, 3-month moving average Index 2021=100, 6-month moving average

Sources: Serbian Statistical Office, Eurostat, Macrobond, Coface

Balance of trade in energy division in Serbia

Sources: Serbian Statistical Office, Eurostat, Macrobond, Coface

SECTOR AT RISK: Energy

- **Energy deficit:** Serbia runs a large and persistent energy trade deficit, with import volumes still high despite easing from their 2022 peak.
- **Refinery risks**: US sanctions on NIS triggered a temporary refinery shutdown in late 2025; operations resumed under a waiver, and a potential sale to MOL remains under discussion.
- **Shock vulnerability**: Heavy reliance on Russian oil and gas keeps Serbia highly exposed to external shocks; a Strait of Hormuz disruption would likely raise import costs and widen the deficit further.

Slovakia

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	1.9%	0.8%	0.9%	1.6%
Inflation (yearly average, %)	2.7%	4.0%	3.7%	3.2%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3.%

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2
POPULATION Milions of persons	5.4
GDP PER CAPITA USD current prices	26,127 $

General Overview

- Growth will remain subdued in 2026 as fiscal consolidation weighs on consumption. However, economic activity will strengthen in 2027, supported by investment and the planned expansion of automotive production capacity.
- The fiscal deficit is expected to remain elevated due to increased defence spending and energy support measures resulting from the Middle East conflict.
- The absorption of the remaining EUR 12.6 billion in EU Cohesion Funds, which are available until the end of 2026, will be a key driver of investment, although concerns about the rule of law may disrupt disbursements.
- Political pressures ahead of the 2026 regional elections and the 2027 parliamentary elections are likely to limit fiscal adjustment while fostering a more pragmatic relationship with the EU.

FAVOURABLE SECTOR: Automotive

- **Record exports**: Vehicle exports have reached a record €1.7 billion per month, more than doubling over the past decade, continuing to rise despite weak European demand.
- **Economic backbone**: The vehicle models currently produced in Slovakia are at the peak of their product life cycles, which contributes to stronger and more stable demand.
- **Strong growth outlook**: Growth prospects remain strong as global manufacturers allocate new models to Slovak plants, EV and hybrid production expands, and Volvo's new Košice plant boosts capacity and investment.

Exports of vehicles, aircraft, vessels & associated traffic equipment in Slovakia
6-month moving average
Sources: Slovakian Statistical Office, Eurostat, Macrobond, Coface

Retail sales in Slovakia, y/y change, 6-month moving average
Sources: Slovakian Statistical Office, Eurostat, Macrobond, Coface

SECTOR AT RISK: Retail

- **Weak retail trend:** Retail sales remain below their 2021 level and have slipped again after short-lived spikes, with households cutting rather than increasing spending.
- **Fiscal drag**: Fiscal consolidation is the main drag. The 2026 package raises about €2.7 billion through measures such as raising VAT to 23% on sugary and salty foods, higher health contributions and a freeze on public-sector pay.
- **Inflation pressure**: Inflation remains persistently above the ECB target, eroding real incomes; domestic demand is expected to stay subdued.

Slovenia

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1
POPULATION Milions of persons	2.1
GDP PER CAPITA USD current prices	34,346 $

KEY INDICATORS

KEY INDICATORS	2024	2025	2026	2027
GDP Growth (%)	1.7%	1.1%	2.5%	1.8%
Inflation (yearly average, %)	2.0%	2.5%	3.3%	2.6%
Regional average (GDP)	1.6%	2.1%	2.0%	2.3%
Regional average (Inflation)	3.4%	4.1%	3.7%	3.3%

General Overview

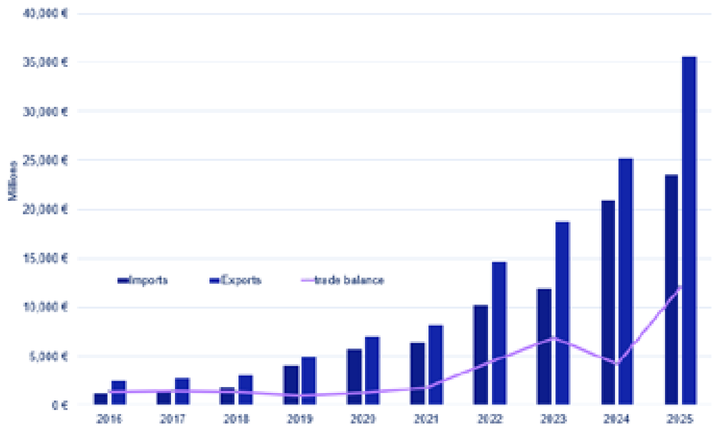
- Growth is expected to accelerate in 2026 and remain robust in 2027, supported by resilient household consumption, outperforming most Eurozone peers.
- EUR 2.7 billion in Recovery and Resilience Facility funding, alongside post-flood reconstruction and investment in the pharmaceutical, automotive and infrastructure sectors, will sustain capital spending.
- The fiscal deficit is estimated to narrow towards 3% of GDP in 2027, while public debt will continue to decline, supported by solid nominal growth.
- Despite weak German industrial demand, Slovenia is expected to retain a current account surplus, supported by tourism, transport services and high-value pharmaceutical exports.

FAVOURABLE SECTOR: Pharmaceutical

- **Resilient performance**: The pharmaceutical sector has proven resilient amid last year's trade wars and elevated tariffs, with exports rising faster than imports and widening the trade surplus.
- **Structural tailwinds**: A wave of biologic patent expiries and growing demand for weight-loss drugs provide a strong structural boost.
- **Medium-term risk**: Rising defence spending could crowd out public health budgets in the medium term, posing a significant risk to global demand.

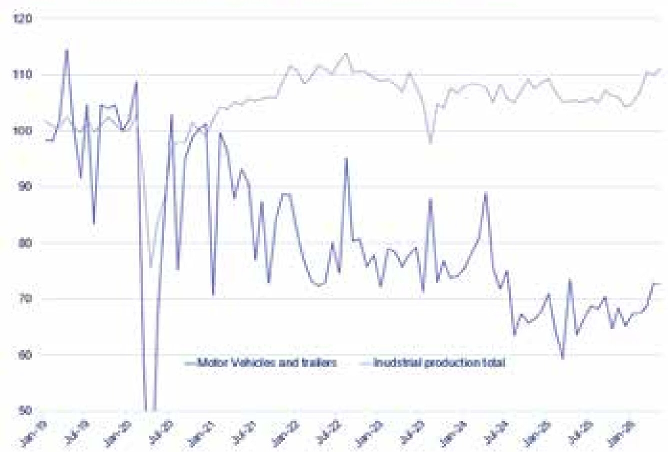
Trade of basic pharmaceuticals and pharmaceutical preparations in Slovenia

Sources: Statistical Office of Republic of Slovenia, Macrobond, Coface



Industrial production in Slovenia, Index 2020=100, Seasonally adjusted

Sources: Statistical Office of Republic of Slovenia, Macrobond, Coface



SECTOR AT RISK: Automotive

- **EV-driven shift**: Challenges in Slovenia's automotive sector mainly stem from the structural shift of European carmakers toward EVs, a transition intensified by strong Chinese competitors with well-established supply chains.
- **Cost disadvantage:** High unit labour costs (due to wages and the tax wedge) reduce its FDI appeal relative to other CEE countries.
- **Cyclical recovery**: A cyclical recovery is expected as European household purchasing power strengthens, easing interest rates improve access to leasing, and new trade agreements with Mercosur and India provide additional support for demand.

Beyond the Heatmap

FORWARD LENS

Turning sector intelligence into business decisions

Beyond the Heatmap

Featured sector insights

While the CEE Sectorial Heatmap provides a comprehensive overview of sector risk across the region, certain industries warrant a closer look due to their strategic importance and contrasting risk profiles across countries.

The following sectors have been selected to illustrate how macroeconomic trends translate into company-level risk.

- Transport is at very high risk, reflecting the sector's exposure to fuel price volatility, trade flows and broader economic conditions, particularly across the Baltic states, with possibility to broadening to other countries as well.
- Retail presents a mixed picture, remaining at medium risk across CEE while showing diverging country dynamics, with favourable conditions in some markets and elevated risk in others, including Romania and Slovakia. This highlights the importance of monitoring rather than relying solely on sector outlooks.
- Metals is at high-risk at regional level and records the highest number of countries where the sector is assessed as high risk, including Austria, Bulgaria and the Czech Republic.
- Construction continues to be among the highest-risk sectors in CEE, with significant pressure in key markets such as Poland.

The following pages complement the Heatmap with selected URBA360 insights, illustrating how sector trends evolve into company-level risk. Through Score migration analysis, portfolio management and real insolvency case studies from Romania and Poland, we demonstrate how continuous monitoring helps identify early warning signals before financial distress materialises - enabling businesses to anticipate risk, prioritise actions and make more informed decisions.

Monitoring risk over time

How early warning signals emerge before financial distress

Transport sector is at very high risk overall in CEE, particularly across the Baltic States, with possibility to broadening due to fuel price volatility and economic conditions.

The Score Evolution Matrix from below illustrates how companies in the transport sector have moved between risk categories over 12-months. Although 1 in 5 companies improved their Score, 1 in 4 deteriorated, with a significant share moving into high-risk categories. The changes demonstrate why continuous monitoring is essential to detect early warning signals before financial distress leads to insolvency.

Coface Score Evolution Matrix (12 Months) for a total of 15,605 companies from **the transport sector**

CRITERIA 1: 12 months Score evolution (Dec 2024 - Dec 2025)
CRITERIA 2: NACE codes:
- 4211 - Construction of roads and motorways;
- 4941 - Freight transport by road;
- 5229 - Other transportation support activities

CRITERIA 3: Turnover >1 million EUR
CRITERIA 4: all 13 countries analysed

LEGEND

- **Low risk** (Score 6-10) - growing resilience
- **Medium risk** (Score 4-5) - signs of deterioration
- **High risk** (Score 1-3) - significant deterioration
- **Diagonal** - companies whose Score remained unchanged between Dec 2024 & Dec 2025

20%
improved
Companies moving to a higher score until Dec 2025.

25%
deteriorated
Companies moving to a lower score until Dec 2025.

11%
moved from low to high risk
Up until Dec 2025.

0.58%
became insolvent
All analyzed companies up until Dec 2025.

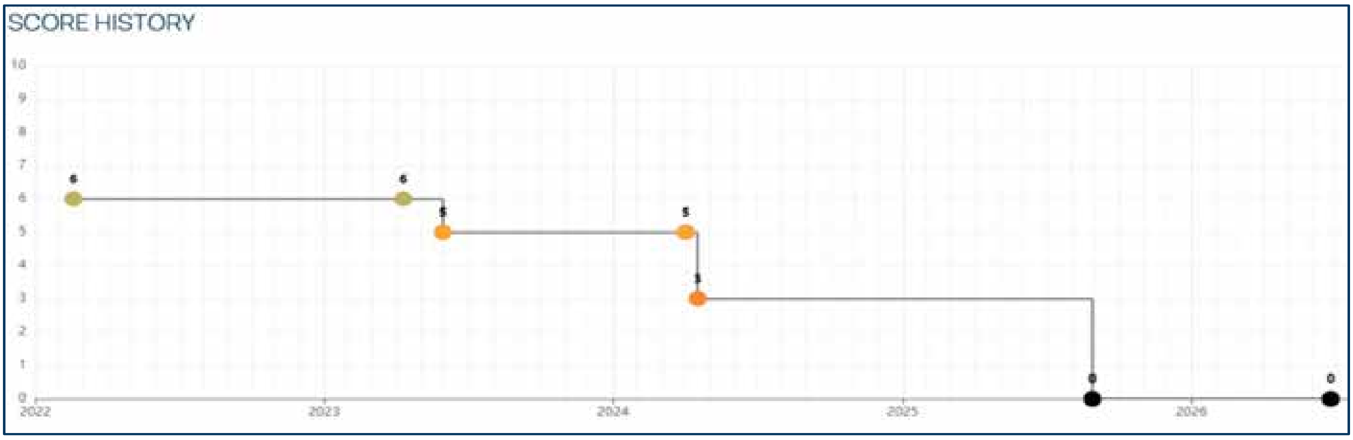
Fuel prices can influence even more score risk migrations

Risk is dynamic, not static. One company failed. Monitoring would have helped.

Across the study, retail appears as a mixed sector: medium risk overall in CEE, favourable in some markets, but clearly pressured in others such as Romania.

The MELA-ROX COM SRL case illustrates this contrast.

MELA-ROX COM SRL expanded from a local Bistrița appliance shop into a national e-commerce retailer, keeping solid revenues and even a profit in 2023, yet strain was already visible through declining sales and mounting operational issues.



In mid-2024, hundreds of customer complaints triggered a consumer-protection probe, fines, and disruptions to its online operations, causing liquidity to unravel quickly. The company filed for insolvency on 17 October 2024 with debts above RON 11.6M and more than 100 creditors.

Activity collapsed through 2025, and by September the court declared **bankruptcy** after no reorganization plan was submitted, sending the business into liquidation.

Why this matters?

In volatile conditions, the difference is often timing. Continuous portfolio monitoring helps you spot deterioration early, prioritise which relationships need attention, and act before disruption hits - whether that means tightening terms, diversifying suppliers, or putting contingency plans in place.

Even a medium-risk sector can hide company failures

From risk to insolvencies

What happens when early warning signals are ignored

Company failures rarely happen overnight. Insolvencies are typically the result of a gradual deterioration that can often be observed through declining financial indicators and changing risk profiles.

The metals provides a clear example of this dynamic. Rated as a high-risk sector across CEE region, particularly in Austria, Bulgaria and the Czech Republic, it has experienced sustained pressure over the past 12 months.

Below you can see another Score Evolution Matrix over 12 months within the metals sector that will prove that some sectors don't deteriorate because of one shock - they remain under pressure for a prolonged period of time, causing gradual risk erosion.

Unlike the transport matrix, which reflects stronger risk migration driven by market volatility, the metals sector reveals how a structurally high-risk sector can remain under sustained pressure over time.

Coface Score Evolution Matrix (12 Months) for a total of 8,678 companies from **the metals sector**

CRITERIA 1: 12 months Score evolution (Dec 2024 - Dec 2025)
CRITERIA 2: NACE codes:
- 2511 - Manufacture of metal structures and parts of structures
- 2562 - Machining
- 2599 - Manufacture of other fabricated metal products n.e.c.
- 4662 - Wholesale of metals and metal ores

CRITERIA 3: Turnover >1 million EUR
CRITERIA 4: all 13 countries analysed

LEGEND

- **Low risk** (Score 6-10) - growing resilience
- **Medium risk** (Score 4-5) - signs of deterioration
- **High risk** (Score 1-3) - significant deterioration
- **Diagonal** - companies whose Score remained unchanged between Dec 2024 & Dec 2025

14%
improved
Companies moving to a higher

20%
deteriorated
Companies moving to a lower score until Dec 2025.

11%
moved from low to high risk
Up until Dec 2025.

0.44%
became insolvent
All analyzed companies up until Dec 2025.

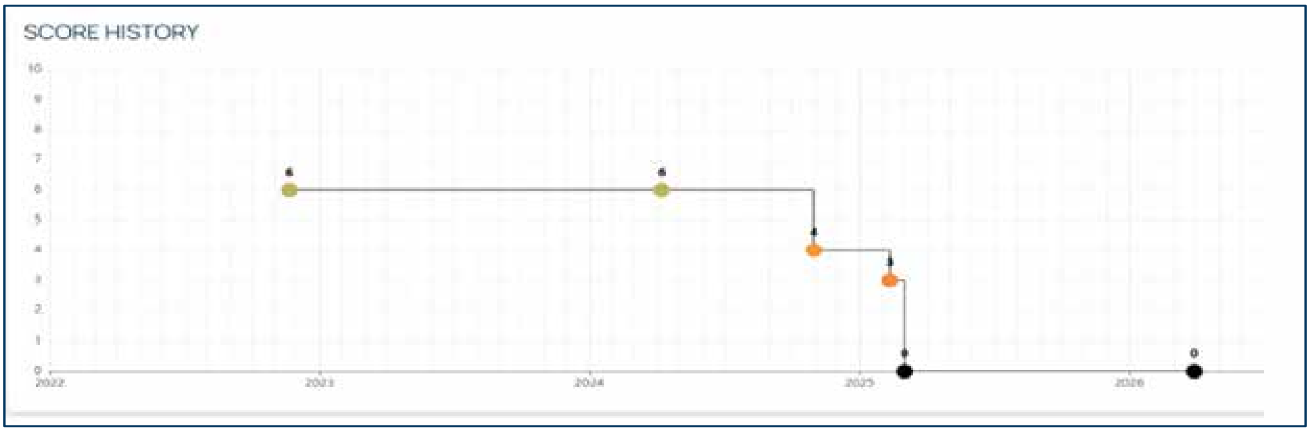
Another company failed. This time in a high risk-sector.

The construction sector remains one of the highest-risk industries in CEE, alongside textile, transport, and wood, and continues to show significant pressure in key markets such as Poland.

GT Construction Sp. z o.o. is a quite recent example.

This medium-sized Polish construction and infrastructure company was active in power, telecom, and general construction projects, which was filed for bankruptcy on 29 April 2025.

During 2023 and 2024, the company maintained an average URBA risk score of 6 (before experiencing a steady decline), indicating a clear deterioration in its financial and operational stability.



At the time of filing, GT Construction employed around 24 staff and reported outstanding debts of PLN 172K (approximately EUR 40K).

The combination of sectoroal pressures, tight margins typical for mid-sized construction firms, and a declining risk score suggests that the company faced mounting operational strain prior to the **bankruptcy**.

Why this matters?

This case illustrates the vulnerability of construction players to prolonged market stress. Company failures are often proceded by a measurable deterioration in risk indicators, allowing businessesto detect financial stress early and take preventive action before insolvencies materialise.

Ignoring early warning signals leads to insolvency

Turning insights into better decisions

The examples throughout this handbook demonstrates one simple thing: risk is always dynamic. As we have seen, even companies operating in medium-risk sectors can fail, while businesses in high-risk sectors may experience prolonged pressure before reaching insolvency. Whether driven by macroeconomic changes, sector-specific challenges or company level deterioriation, continuous monitoring is essential.

This is why, having a clear and consolidated view of a company's risk profile - bringing together financial strength, payment behavior, sector exposure etc. - can transform scattered information into actionable insights.

Detect emerging risks before they impact your business

Through specific indicators, you can closely track how a company's financial, behavioural, and sector-level signals evolve over time.

Wheel
Risk summary based on our 6 main indicators

Score
Probability of failure

Behaviour of payment
According to our exclusive 60 months

Stakeholders details
Information about main management and stakeholders

Financial data
Detailed information and peer comparisons

Sector risk
Reflects the study of the regional situation of a sector of activity

Evaluation of country risk
Summary of insights from our economists

Credit advice
Recommendation based on a single analysis by Coface

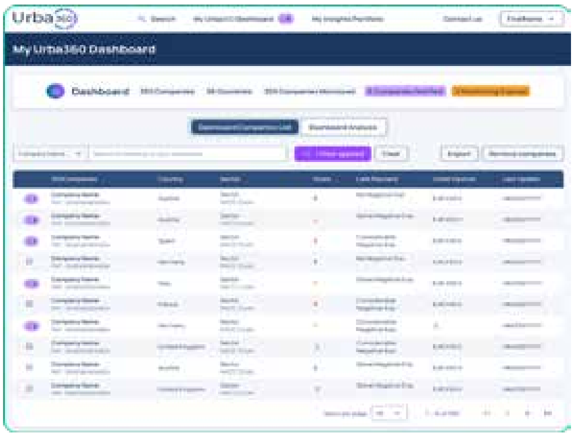
Prioritise attention on companies, sectors and markets that matter the most

Do you know which companies are contributing most to your portfolio's risk profile?

You can consolidate a **dashboard** with companies monitored, countries covered, live alerts into one always-current view, so nothing falls through the cracks. Every data point on your dashboard is a trigger for action.

You can understand where your portfolio stands with an average score that tells you whether to act, watch, or stay the course.

After that, you can build a **portfolio** dedicated to specific segments, suppliers, regions and offer granular access to your team in order to view at ease, in a visual manner, the risk map of everything you need.



Strengthen your decision making while protecting your business

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We've partnered with global specialist LSEG to offer you our compliance screening services.
Depending on your requirements and processes compliance data is now available in three flexible delivery modes:

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- **Standalone API** that embeds compliance checks into your own workflows and tools

Looking ahead

What should businesses prepare for next? 2027 Outlook

The outlook for Central and Eastern Europe (CEE) remains closely tied to geopolitical developments in the Middle East. After several months of blockade in the Strait of Hormuz, the global economy has demonstrated notable resilience in the face of a significant energy shock. However, a reduction of approximately one-fifth of global oil supply, occurring alongside largely unchanged levels of economic activity in developed economies, indicates that global reserves are being drawn down at an unsustainable rate. As a result, the global economy is currently operating beyond its means, and it is only a matter of time before oil inventories reach a critical threshold.

That said, in formulating our growth assumptions, we have assumed that the ongoing conflict will be contained prior to the mid-term elections and that the present supply shock will not escalate into a full-scale energy crunch.

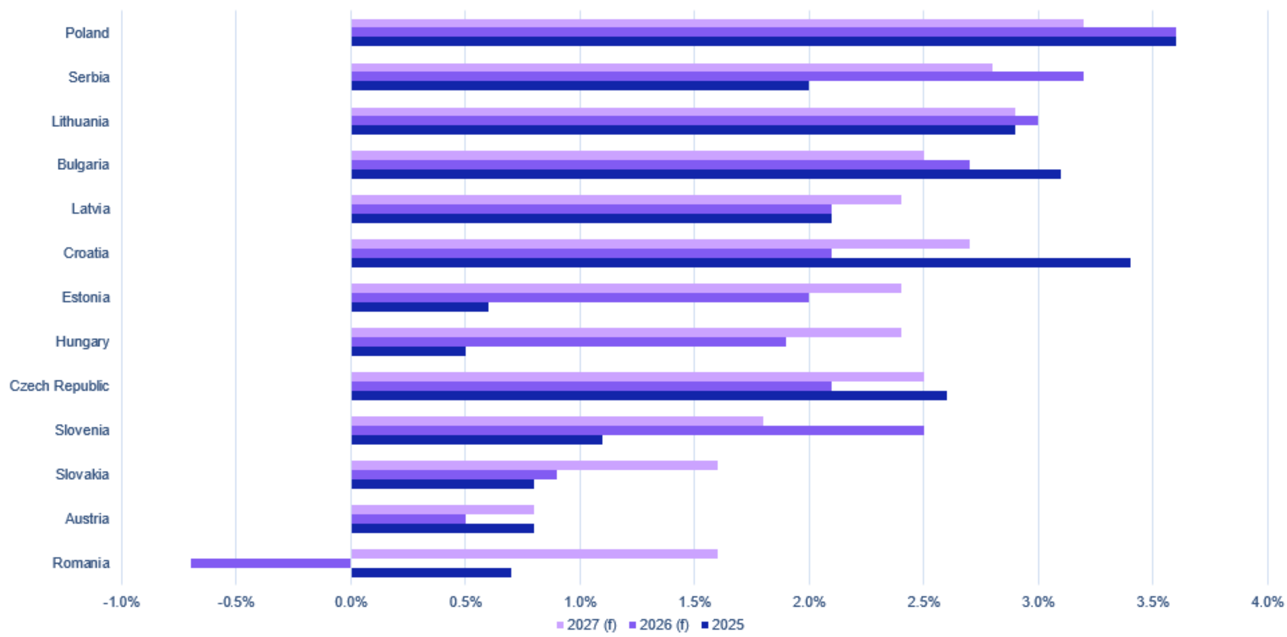
At the regional level, EU funds are expected to provide meaningful support to economic activity through the remainder of the year. As previously noted, the region is set to absorb substantial resources under the Recovery and Resilience Facility and the SAFE programme, which should partially offset the impact of geopolitical headwinds. Once these inflows moderate from their current elevated levels, a number of countries in the region will need to rely more heavily on domestic sources of growth. Nevertheless, next year is still expected to bring a degree of stabilization in energy markets as tensions in the Middle East ease. This should enable regional economies to resume the expansionary path observed prior to the conflict and create scope for further monetary easing by central banks.

In addition, the gradual transmission of fiscal stimulus in Germany - which has so far been measured - is projected to gain fuller traction in 2027, supporting a modest acceleration in German economic activity with positive spillover effects across the CEE region.

For the corporate sector, the outlook is expected to improve, subject of course to the risks associated with a potential energy crunch. Nominal wage growth has decelerated markedly across the region and is now aligning more closely with productivity gains. In an environment of still-elevated inflation, firms with stronger pricing power stand to benefit from rising prices, particularly within the industrial sector, where several countries have recorded the first year-on-year price increases in a number of years. In the near term, the corporate sector - as a net borrower - may face pressure from higher interest rates; over the longer term, however, the prevailing trajectory for central banks remains one of continued monetary easing.

Against this backdrop, Coface forecasts a slight moderation in CEE economic growth, from 2.1% in 2025 to 2.0% in 2026. Consistent with broader global trends, the region is expected to register a modest rebound in 2027, with growth rising to 2.3%. Despite the surge in oil prices and the associated intra-year acceleration in inflation, average annual inflation in 2026 is projected to ease to 3.7% (from 4.1% in 2025). This outcome reflects a relatively low starting point for inflation, supported by softer food prices earlier in the year. In 2027, inflation is anticipated to decelerate more decisively, averaging 3.3%.

GDP growth forecast
Sources: National Statistical Offices, Coface



COFACE BUSINESS INFORMATION

CEE SECTORIAL HEATMAP

A Strategic Handbook for Sector Outlook Amid Shifting Geopolitics

EDITION I

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COFACE BUSINESS INFORMATION

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