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Monthly Report

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Chart of the month: The China shock 2.0 arrives in CESEE

Macro snapshot: Labour-market momentum is slowing across EU-CEE

Focus of the month: Poland among NATO's biggest defence spenders

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Country in focus: Political tug-of-war in Romania

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The Vienna Institute for International Economic Studies
Wiener Institut für Internationale Wirtschaftsvergleiche

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Editorial insight

A DECADE OF POLITICAL UPHEAVAL HAS FUNDAMENTALLY CHANGED THE CESEE ECONOMIES

by Richard Grieveson, wiiw Deputy Director

Over the past decade, Central, East and Southeast Europe (CESEE) has been reshaped by an almost continuous sequence of political and geopolitical shocks. What began actually more than a decade ago with Russia's initial invasion of Ukraine in 2014, and continued with the UK's vote to leave the EU ten years ago this month, has evolved into a broader reconfiguration of the global economic order – one that is now deeply embedded in the region's growth model, business environment and long-term prospects.

The 2014 annexation of Crimea and the destabilisation of eastern Ukraine marked a clear turning point. For CESEE, it ended the illusion of a stable post-Cold War security environment and reintroduced geopolitics as a central economic variable. While outside Ukraine and Russia the immediate macroeconomic impact was limited, the longer-term effects were profound. Sanctions on Russia, counter-sanctions and a gradual decoupling of economic ties began to reshape trade flows, particularly for countries with strong historical linkages to the Russian market, such as the Baltic states, Ukraine and Moldova. More importantly, it planted the seeds of a structural shift, with security risk now again present in investment decisions across much of the region.

This shift was reinforced by political developments in the West. Brexit and the first election of Donald Trump in 2016 signalled a weakening of the liberal, rules-based international order that had underpinned CESEE's economic convergence model. For decades, the region had benefited from deep integration into EU value chains, strong inflows of Western European FDI and relatively predictable policy frameworks. Now, uncertainty about the future of European integration and transatlantic cooperation began to grow. While the immediate economic fallout was manageable, the perception of rising fragmentation started to influence corporate strategy, particularly in sectors that were reliant on cross-border production networks.

The COVID-19 pandemic marked a different kind of shock, but one that accelerated many of these underlying trends. Supply-chain disruptions exposed the vulnerabilities of highly integrated production systems. For the CESEE economies, many of which are deeply embedded in German-centred manufacturing networks, this led to a reassessment of resilience versus efficiency. At the same time, the policy response to the pandemic fundamentally altered the macroeconomic environment. Large-scale fiscal support, followed by a surge in inflation, pushed up production costs across the region. Labour markets tightened further, reinforcing the upward pressure on wages that had already been building steadily for years.

Russia’s full-scale invasion of Ukraine in 2022 represented a decisive break. Unlike in 2014, the economic consequences were immediate and far reaching. The energy shock hit CESEE particularly hard, given the region’s historical dependence on Russian gas. Although diversification efforts have since reduced this dependence significantly, the transition came at a cost: energy prices surged, inflation reached multi-decade highs and governments were forced into expensive support measures.

At the same time, the war triggered a fundamental repricing of risk. Countries closer to the conflict faced rising risk premia and more cautious investor sentiment. While EU and NATO membership provided a strong anchor for many CESEE countries, the perception of geopolitical proximity to conflict became an economic factor in its own right.

The return of Donald Trump to the US presidency in 2025 has further reinforced these dynamics. Renewed uncertainty about US commitment to European security, combined with a more transactional approach to trade and alliances, has increased pressure on European countries, including those in CESEE, to take greater responsibility for their own defence and economic resilience. This has translated into a structural increase in defence spending across the region, with significant fiscal implications.

Running in the background of all these developments is the intensifying geopolitical and geoeconomic competition between the West and a China–Russia axis. For CESEE, this creates both challenges and opportunities. On the one hand, it complicates external economic relations: China’s role as an investor and trade partner is viewed with increasing caution, while Russia is largely excluded from economic cooperation. On the other hand, it raises the strategic importance of the region within European supply chains.

Russia’s ongoing hybrid warfare and disinformation campaigns add another layer of complexity. Attempts to interfere in elections, influence public opinion and destabilise political systems contribute to a more uncertain business environment. Even where the direct economic impact is difficult to quantify, the effect on investor perceptions and policy stability is clear.

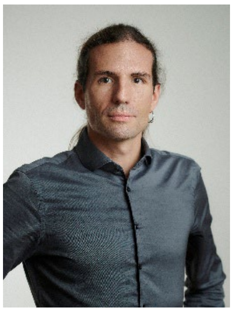
Taken together, these shocks are driving a gradual but clear transformation of CESEE’s growth model. For much of the post-2004 period, the region’s success was built on a relatively simple formula: low labour costs, high levels of foreign direct investment, and integration into Western European value chains. That model is now under strain.

The role of FDI is changing. While the region continues to attract investment, the nature of that investment is shifting. Geopolitical considerations, supply-chain resilience and industrial policy are playing a larger role in location decisions. This favours some countries, particularly those seen as politically stable and well integrated into EU structures (most EU member states, particularly those that do not border Russia), but disadvantages others where institutional weaknesses or geopolitical risks are more pronounced (for example Ukraine, Moldova, parts of the Western Balkans and the Baltic states).

There are also fresh opportunities. The renewed focus on security and resilience is driving investment in infrastructure, energy diversification and the defence industry. EU enlargement has returned to the agenda as a strategic priority. The prospect of integrating Ukraine, the Western Balkans and Moldova into the EU could, over time, create a new wave of economic dynamism similar to that seen after the 2004 enlargement.

In that sense, the past decade of upheaval has not only disrupted CESEE's economic trajectory, but is also laying the foundations for a new one. The region is moving away from a growth model based primarily on cost advantage and external capital towards one shaped by security, resilience and strategic integration. Higher defence spending, energy transition and digitalisation will all be central pillars of the new growth model. This transition is unlikely to be smooth and will involve trade-offs. But if policy makers and businesses fully grasp the changed reality, the region could still continue to converge with Western Europe, albeit with a growth model different from the previous one.

Chart of the month



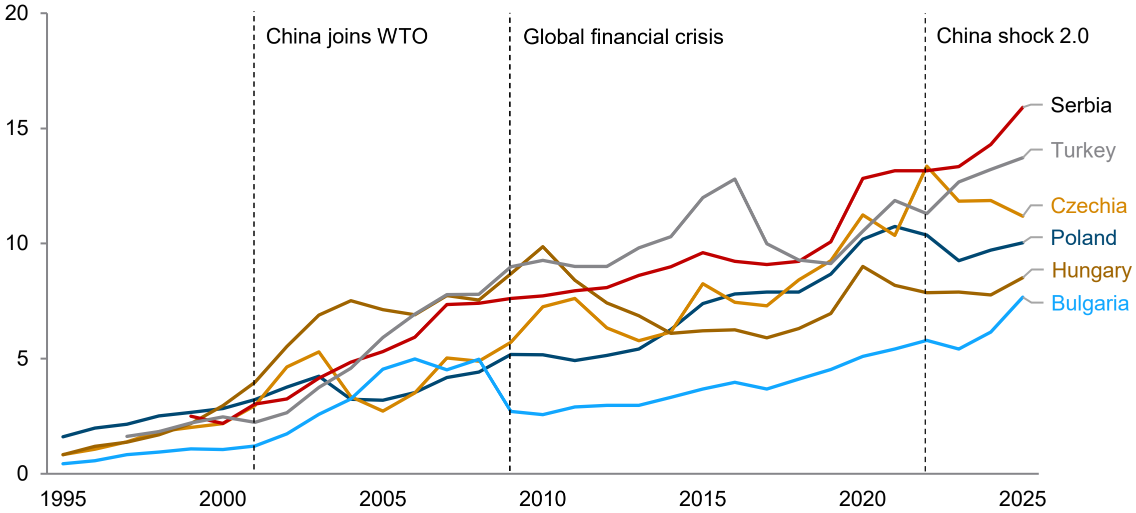
THE CHINA SHOCK 2.0 ARRIVES IN CESEE

by David Zenz, wiiw Data Scientist and Statistician

China's export boom to the CESEE countries is no longer just about consumer goods: increasingly, the new 'China shock 2.0' is making itself felt through industrial imports – from machinery and chemicals, to batteries and electric vehicles, in sectors that form the backbone of the region's growth model. Chinese suppliers are increasingly replacing European ones within Europe's own supply chain.

The 'China shock 2.0', as it is referred to by commentators, European industry and the European Commission, is receiving increasing attention. Since the pandemic, Chinese exports have risen sharply, while imports have stagnated. Additionally, China has successfully clambered up the value chain: whereas its earlier exports were concentrated in sectors such as apparel and footwear, Chinese firms are now shipping steel, chemicals, machinery, batteries and electric vehicles (EVs) to European markets. For CESEE, which hosts most of the EU's automotive and electronics assembly, the shock is being felt both on the shelves of shops and, increasingly, within industrial supply chains.

Figure 1 / China's share of CESEE imports in 1995-2025, in %

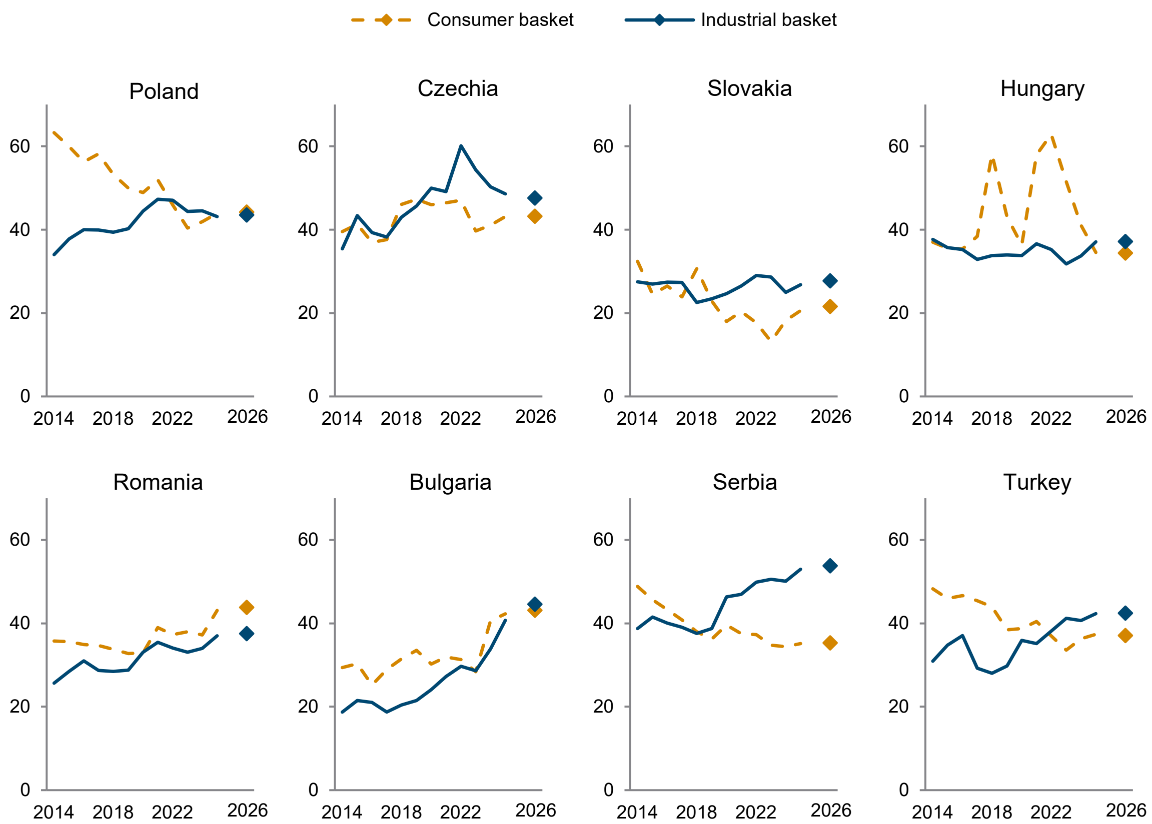


Source: wiiw Annual database.

China’s share of CESEE imports has risen from under 1% in the mid-1990s to reach double digits across most of the region – and as much as 11.2% in Czechia, 13.7% in Turkey and 15.9% in Serbia. All three countries run large trade deficits with China alongside considerable Chinese investment activity.

The prevailing image of China flooding the European markets solely with cheap consumer goods is clearly outdated. In CESEE, China has also become a major supplier of industrial goods. When we split China’s imports into categories, it becomes much clearer where the shock is occurring. We have categorised China’s imports into two baskets: an industrial basket (comprising machinery, electrical goods, vehicles, chemicals and steel) and a consumer basket (comprising apparel, footwear, and toys, games and sports goods). Figure 2 shows that the share of imports from China in the industrial basket has been generally rising ahead of the share in the consumer basket. In many CESEE countries, including Czechia, Serbia, Turkey and Slovakia, imports in the industrial basket now clearly exceed those in the consumer basket, with Bulgaria and Hungary now appearing to be moving in the same direction. The largest increase is in Bulgaria, where the share of industrial imports has more than doubled – from 19% of extra-EU imports in 2014 to 46% in 2025.

Figure 2 / China’s share of extra-EU imports, by country, in %

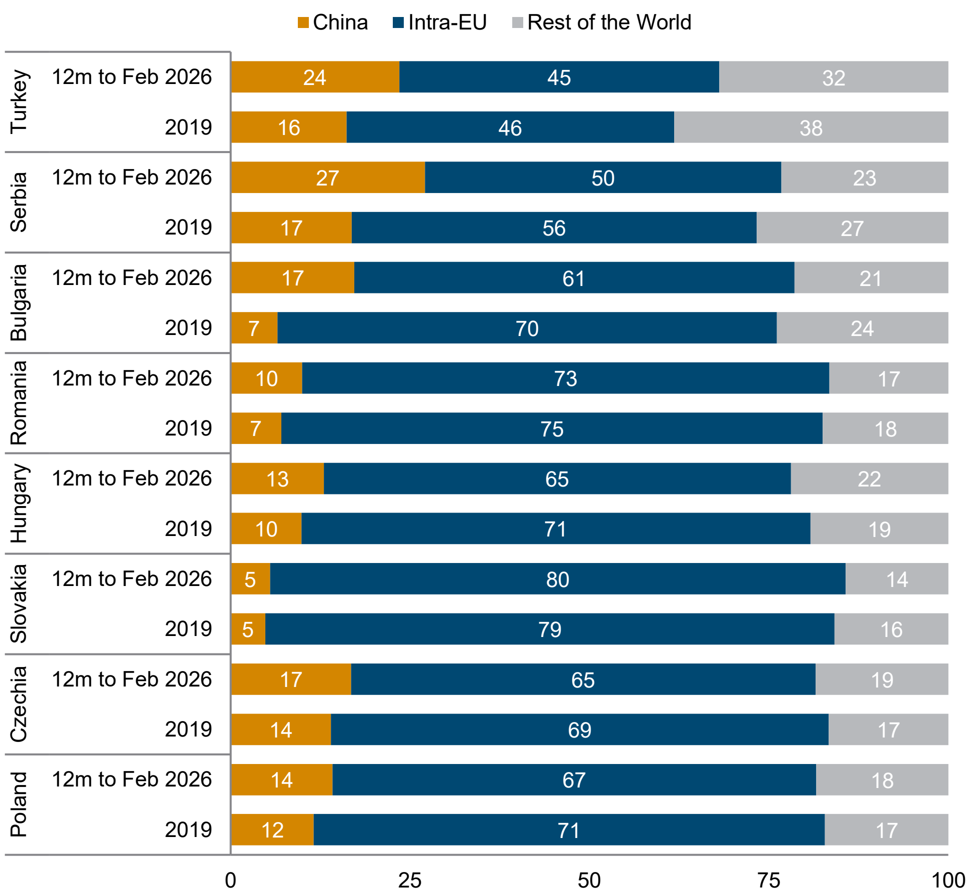


Note: Diamond marker = trailing 12 months up until February 2026.
Source: Eurostat Comext database.

In nominal EUR terms, the largest increase has occurred in Czechia and Poland, where imports from China in the industrial basket have roughly quadrupled over the decade. Not included in this graph, but worth mentioning: Slovenia has seen the steepest recent rise in industrial imports from China in the

CESEE region. The most probable explanation is the transit effect to other countries via the Slovenian port of Koper.

Figure 3 / Structure of industrial basket imports, in %

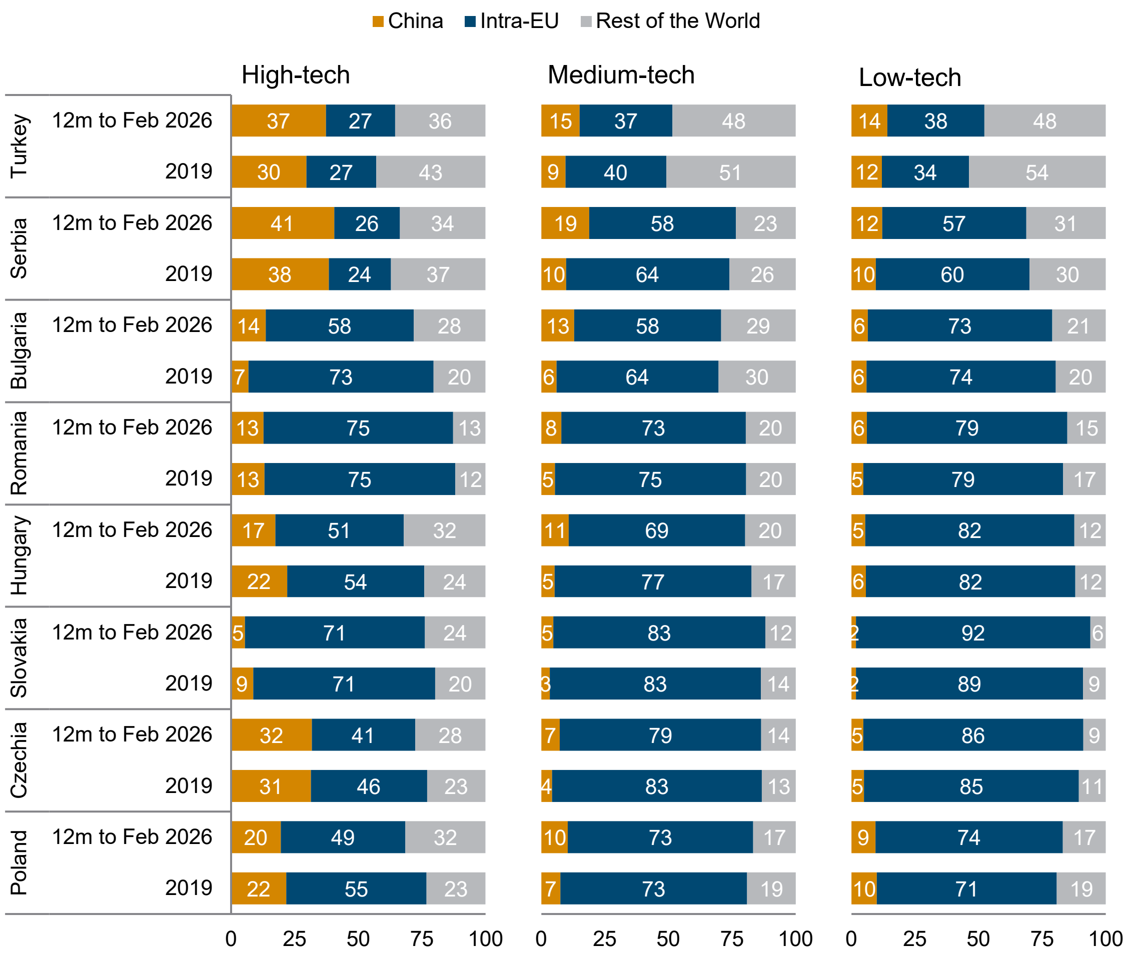


Source: Eurostat Comext database.

Figure 3 illustrates how China has been directly taking the place of intra-EU suppliers. Since 2019, it has increased its share of total industrial-basket imports across the importing CESEE economies by 3-4 percentage points (to 14.2% in Poland, 16.8% in the Czech Republic and 13% in Hungary), while EU suppliers have lost almost the same amount across the board, with a reduction by 4.5 percentage points on average. Bulgaria is an extreme case: China's share has increased from 6.5% to 17.2%, while the share of other EU countries has fallen from 70% to 61%. By contrast, in Turkey, whose industrial imports were dominated less by other EU suppliers, the reorientation towards China has been primarily at the expense of the rest of the world, rather than the EU. Serbia also had a less EU-centred import structure, but the reorientation there was more mixed.

A closer look at imports by technology group reveals a more nuanced picture of the impact of the China shock. Figure 4 shows that China has gained import share mainly in medium- and low-tech, whereas goods in the high-tech sectors (excluding pharmaceuticals) of countries such as Poland, Slovakia and Hungary remain less susceptible to Chinese imports. This suggests that Chinese competition is not affecting all sectors of CESEE industry equally, with the greatest impact being felt in the middle of the value chain. For firms and their shareholders, this could strengthen the case for shifting towards more technology-intensive industrial activities and away from production segments where competition is increasingly cost-driven.

Figure 4 / Structure of imports by tech-groups, in %



Source: Eurostat Comext database.

This has important implications for businesses, policy makers and financial institutions. China's rise as an industrial supplier increases the pressure on the low-cost manufacturing model of many CESEE manufacturers. It is becoming increasingly difficult to compete mainly on price, and this will likely accelerate the shift towards higher-value manufacturing, which may prove more resilient in the medium and long term. At the same time, some manufacturers are profiting from cheaper inputs, and consumers may benefit from lower prices. Cheaper batteries, solar panels and other technology could accelerate the green transition, which is becoming increasingly linked not only to European climate policy, but also to European energy security. For policy makers, the China shock 2.0 makes it even harder to balance the trade-off between protecting European industry through tariffs and other measures, preserving access to cheap inputs, supporting the green transition and reducing strategic dependence on external suppliers (including China), a vulnerability exposed during the COVID-19 pandemic.

Macro snapshot

LABOUR-MARKET MOMENTUM IS SLOWING ACROSS EU-CEE

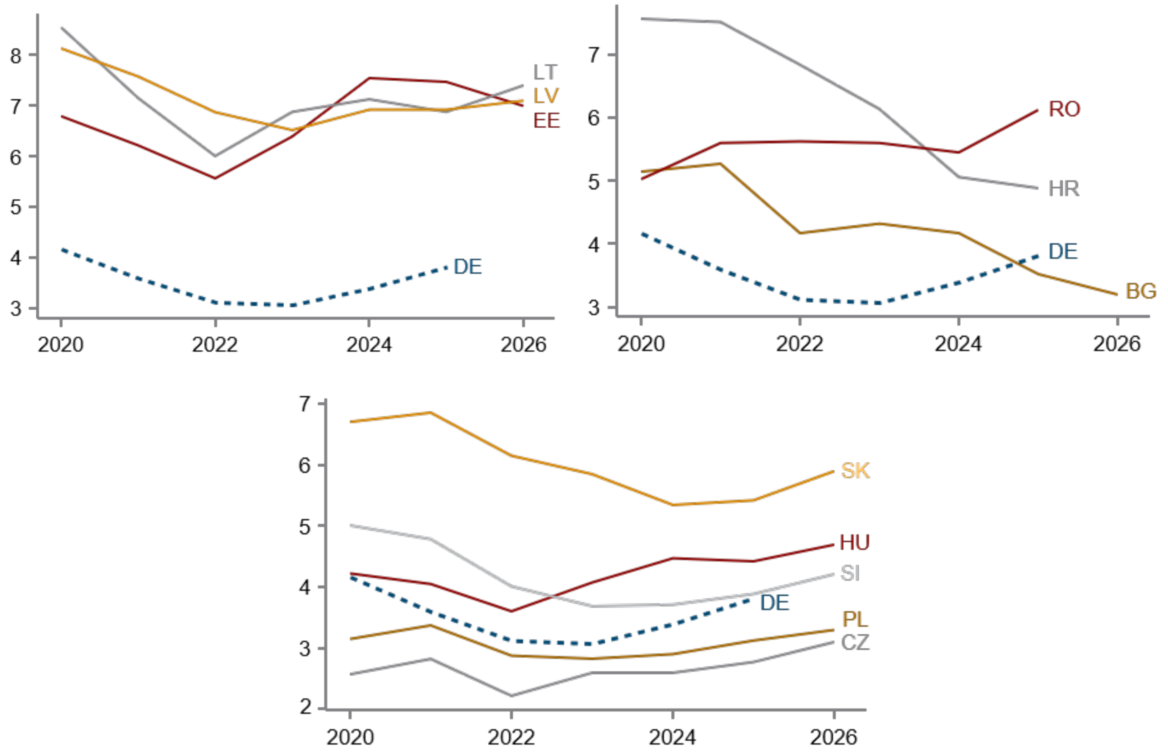
by Gentian Gashi, wiiw Economic Data Scientist

Labour-market conditions in EU-CEE initially improved following the pandemic, but that momentum has weakened in recent years, with several countries experiencing rising unemployment and declining or stagnant job-vacancy rates. The Beveridge curves highlight a growing heterogeneity across the region: cyclical weakening in Romania, a possible labour-market mismatch in Lithuania and easing of the tight labour market in Hungary.

As the world emerged from the COVID-19 pandemic, the labour market in EU-CEE countries experienced a certain easing, as demand for labour strengthened. Businesses were able to employ more individuals, and for some countries that meant a gradual fall in the unemployment rate. However, this improvement has lost momentum in the past two years, with several countries – among them Czechia, Hungary, Slovakia, Estonia, Latvia, Lithuania, Romania and Germany – recording a gradual increase in unemployment. Bulgaria and Croatia were exceptions, as their unemployment rates continued to decline. Excluding these two countries, the rest of the region experienced an average increase of 0.17 percentage points in unemployment between 2024 and 2026 yearly (Figure 1).

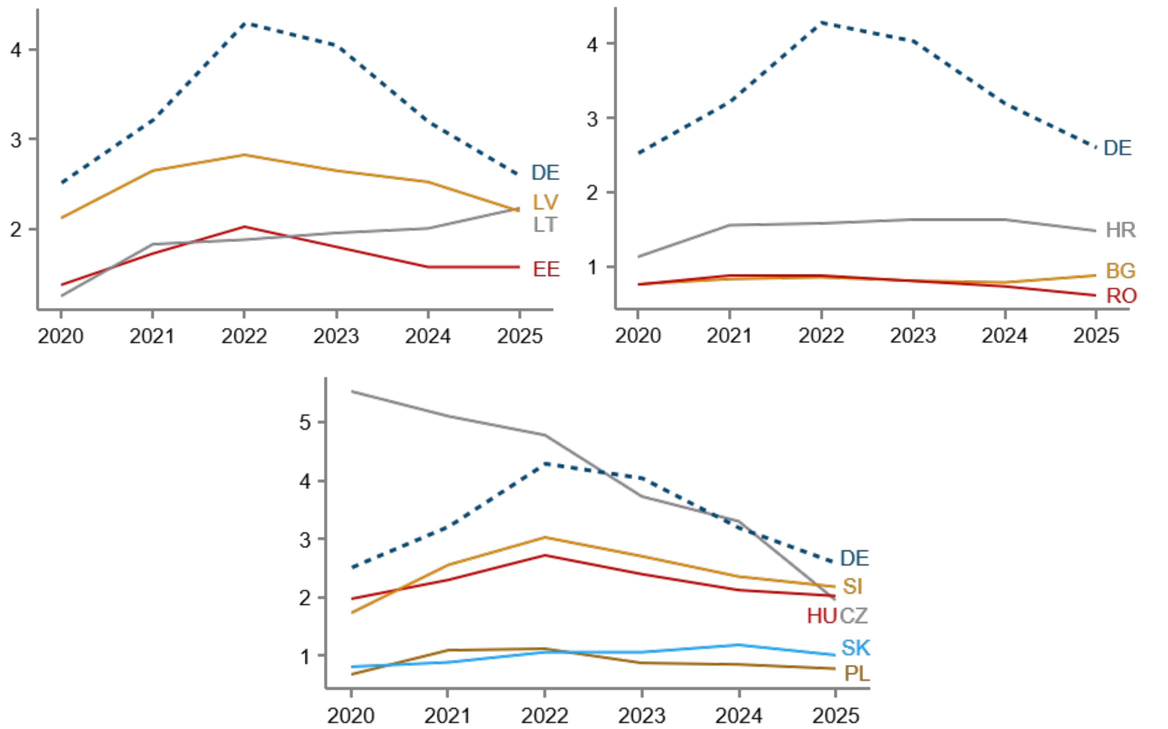
Nevertheless, short-term variation in unemployment is not a completely unknown phenomenon, thereby providing only a partial picture of the labour market. Developments in the job-vacancy rate offer additional insights into labour demand: a fall in the rate usually signals lower hiring intensity among businesses, while an increase in the rate points to greater demand for labour. In that regard, the job-vacancy rate has shown a continuous post-pandemic decline in Czechia, Hungary, Slovenia, Romania, Estonia, Latvia and Germany over the past four years, while remaining broadly stagnant across most other EU-CEE economies (Figure 2).

Figure 1 / Unemployment rate, %, 2020-2026



Source: wiiw Monthly database.

Figure 2 / Job-vacancy rate, %, 2020-2025



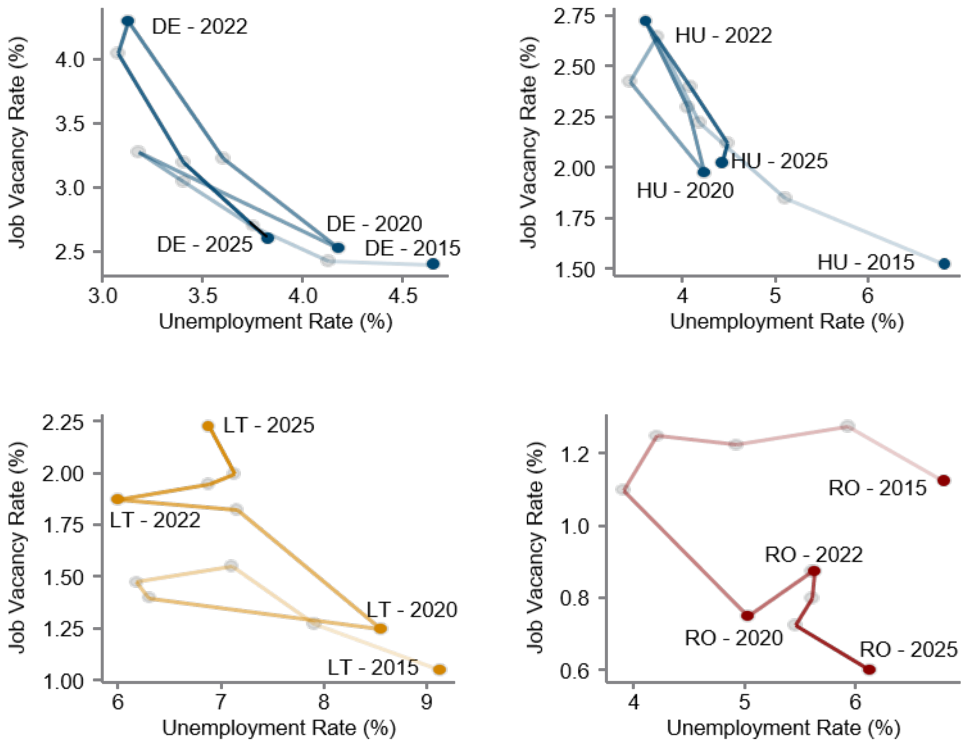
Source: Eurostat.

The Beveridge curve normally shows an inverse relationship between unemployment and job vacancies: weaker labour demand leads to fewer vacancies and higher unemployment, while stronger demand has the opposite effect. If unemployment and vacancies rise at the same time, this suggests a mismatch in the labour market, where firms have unfilled positions, but workers are not able to match the available jobs.

Across the countries selected – Germany, Hungary, Lithuania and Romania (the countries that have exhibited the most pronounced shifts in the Beveridge curve since 2015) – labour-market trajectories have diverged (Figure 3). Tracing the Beveridge points through the years, Germany and Hungary are characterised by declining unemployment alongside a gradual reduction in job vacancies, suggesting a movement consistent with a labour market that is stabilising after previously tighter conditions. In Hungary, however, vacancies remain somewhat above their 2015 level (though lower than in 2022), while unemployment has been increasing, indicating a slight move towards a labour-market mismatch.

By comparison, Lithuania shows a combination of higher unemployment and higher vacancy rates, a pattern that is not consistent with typical cyclical movements and that may indicate increasing labour-market mismatch. Romania, by contrast, displays higher unemployment alongside declining vacancies, which is consistent with a cyclical deterioration in labour-market conditions and increasing slack in an economy hit by drastic fiscal consolidation.

Figure 3 / Beveridge curves for selected EU-CEE countries and Germany, 2015-2025



Source: Eurostat, wiiw Monthly Database.

This suggests that labour-market conditions in EU-CEE have become increasingly heterogeneous in the post-pandemic period. While the initial recovery was characterised by broadly improving labour-market outcomes, recent developments indicate a gradual loss of momentum in several economies, with rising unemployment and, in many cases, vacancy rates that have stabilised or are declining only slowly. By contrast, Germany has followed a more moderate path, with signs of stabilising labour demand, but without pronounced labour-market deterioration.

The coexistence of rising unemployment and still relatively elevated vacancy rates could indicate some friction in matching available skills with changing labour demand. Structural factors – such as an ageing population and a declining supply of labour in parts of the region – may be contributing to these pressures. At the same time, ongoing digitalisation and the gradual adoption of AI-related tools may be reshaping skills requirements in certain occupations, while cyclical factors such as weaker external demand and tighter fiscal conditions are also likely to be playing a role.

From a policy perspective, easing labour shortages in some segments may provide some relief to businesses that have faced persistent recruitment constraints since the pandemic. However, the existence of rising unemployment alongside still elevated vacancy rates suggests that shortages may not have been fully resolved, but rather increasingly reflect mismatches between available skills and evolving labour demand. This would imply the growing importance of retraining, vocational education and active labour-market policies to support labour reallocation across sectors. These developments suggest the need for closer examination of evolving labour-market trends.

Focus of the month

POLAND AMONG NATO'S BIGGEST DEFENCE SPENDERS

by Juliane Unger, wiiw Research Assistant

Poland has become one of NATO's biggest defence spenders relative to GDP, approaching 4.8% in 2026. The buildup has so far been financed mainly through the issuance of national debt, with the national escape clause (NEC)[1] providing legal cover since 2025. Additionally, the freshly implemented EU instrument Security Action for Europe (SAFE) provides a new financing tool for the coming years. By targeting domestic value added, it could strengthen both the Polish and the wider European economy.

A rapid military buildup

Following Russia's invasion of Ukraine in 2022, many European countries, and Poland in particular, embarked on the path of military buildup. Since 2022, the country's defence spending has risen from 2.21% of GDP to 4.48% in 2025, with forecasts indicating a further increase to 4.8% in 2026 (Figure 1). The 2026 budget envisages around EUR 47bn to be spent on defence. This means that Poland, relative to GDP, not only exceeds the NATO average, but is also one of the bloc's biggest spenders on defence (Estonia is projected to be the biggest, with 5.4% of GDP in 2026).

Figure 1 / Defence expenditure as a percentage of GDP: selected NATO eastern-flank states, 2020-2025

	2020	2021	2022	2023	2024	2025
Poland	2.2	2.2	2.2	3.3	3.8	4.5
Estonia	2.3	2.0	2.1	3.0	3.4	3.4
Latvia	2.2	2.2	2.3	3.0	3.4	3.7
Lithuania	2.0	1.9	2.4	2.7	3.1	4.0
Finland	1.5	1.4	1.7	2.1	2.4	2.8

% of GDP: 4.0, 3.5, 3.0, 2.5, 2.0, 1.5

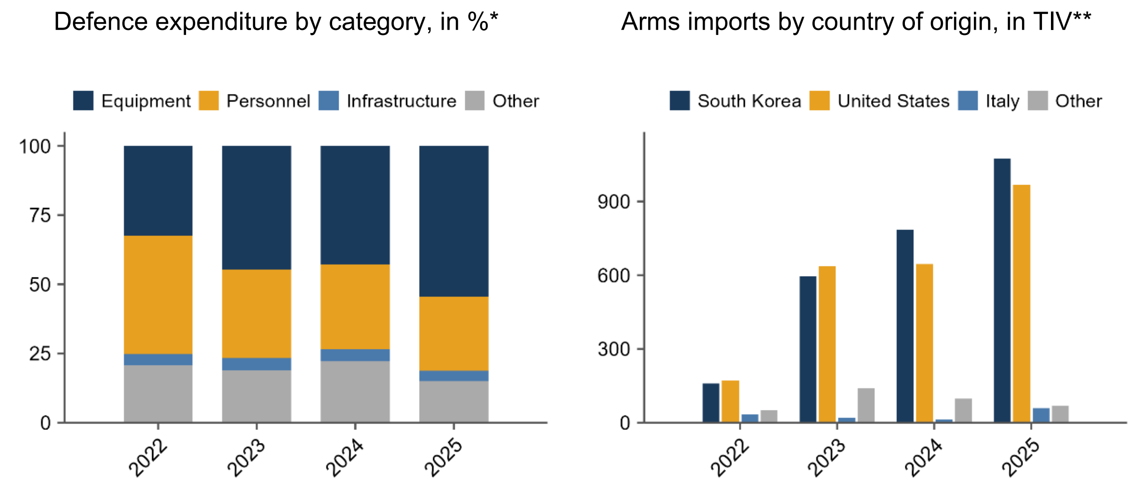
Note: Share of GDP, NATO definition; 2024-2025 are NATO estimates.
Source: NATO (2025), Defence Expenditure of NATO Members.

[1] The national escape clause allows member states to increase defence spending without breaching the fiscal rules of the Stability and Growth Pact. The clause provides temporary flexibility from the excessive deficit procedure; it does not remove defence spending from the deficit calculation itself.

What is this money being used for? Following the outbreak of the Ukraine war, Poland – like much of Europe – found itself severely under-equipped in the defence sector and under pressure to close its large capability gaps rather promptly. As a result, the share of equipment in total defence spending has risen rapidly: from 32.4% in 2022 to 54.4% in 2025 (Figure 2, left panel). Yet neither Poland's own nor Europe's wider defence industry could possibly manufacture and deliver on the required scale and within the necessary timeframe. Consequently, Poland has looked abroad and focused its rearmament plan heavily on buying large conventional hardware, such as tanks, fighter aircraft and helicopters. Some 80-90% of military equipment has been imported from South Korea and the US, including K2 South Korean tanks and the American F-35 fighter jets (Figure 2, right panel).

This raises two questions that are central to Poland's defence buildup: how is Poland's defence buildup on this scale being financed, and are Poland and the EU themselves able to produce military hardware on this scale?

Figure 2 / Poland: Composition of defence expenditure and arms imports, 2022-2025



Note: * 2024-2025 are NATO estimates. ** SIPRI trend-indicator values (TIV); top three suppliers shown individually, all others grouped as 'Other'.
Source: NATO (2025), Defence Expenditure of NATO Members; SIPRI Arms Transfers Database.

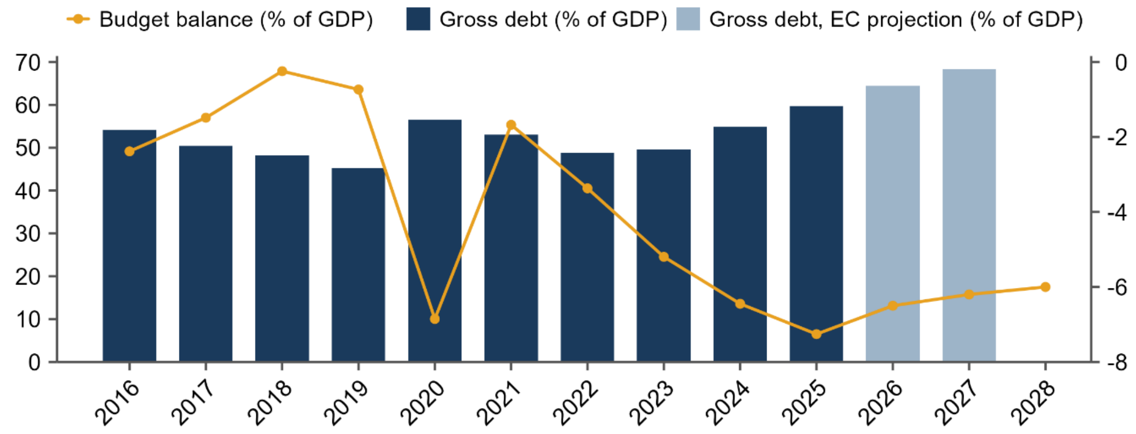
How the buildup is financed: the national escape clause and the EU SAFE programme

To understand the financing landscape of the defence buildup, it needs to be said that there are two main sources of finance: national debt (facilitated by the EU NEC as a fiscal-rule exemption) and the EU SAFE financial instrument.

So far, the buildup has primarily been paid for by issuing national debt, which last year pushed the public debt-to-GDP ratio toward 59.7% and the budget deficit to 7.26% of GDP – well above the EU's 3% Maastricht threshold (Figure 3). These figures alone would normally breach the EU's fiscal rules, as set out under the Stability and Growth Pact – as indeed they did in 2024, when the deficit from 2023 (5.1% of GDP) triggered the EU's excessive deficit procedure (EDP), which was accompanied by the Council-recommended path for Poland to get the deficit back to below the 3% threshold by 2028.

However, the national escape clause, activated in 2025, excludes the additional defence spending above the 2021 level (up to 1.5% of GDP per year) from the EDP compliance assessment until 2028. The constraints of the NEC are important, though: after 2028, defence spending is taken into full account in the compliance assessment again. Given that projections show that the deficit will decline only slightly, towards 6% by 2028, and the debt ratio will continue to climb (Figure 4), Poland is likely to remain under the EDP beyond the original correction horizon. Furthermore, as the increase in defence spending represent a structural change, the necessary fiscal consolidation would possibly have to come from cuts in other budget areas.

Figure 3 / Poland: General government gross debt and budget balance, 2016-2028; in % of GDP



Note: Gross public debt (bars, left axis) and general government budget balance (line, right axis), both as a percentage of GDP. Debt figures for 2026-2027 are European Commission projections; budget balance values for 2026-2028 are wiiw projections.
Source: wiiw Annual Database; European Commission.

The second element of financing is the EU's SAFE instrument, which provides member states with loans for defence investment, backed by the European Union's own borrowing. This gives member states access to better financing conditions than they would otherwise face on their own, with the overall objective of strengthening the European defence buildup and EU procurement. Poland has received the largest allocation, of EUR 43.7bn, and the first tranche of EUR 6.6bn was paid out in May 2026, under a repayment structure that stretches for up to 45 years. Because the military buildup of the past four years has relied heavily on the issuance of national debt, SAFE marks an important shift for Poland, NATO's eastern-flank states and the European Union as a whole.

From buying abroad to producing in Europe

Aside from functioning as a financing tool, SAFE also has the aim of strengthening the European defence-technological and industrial base, and loans come with the proviso that the money should be spent on contracts based mainly in the EU/EEA area or Ukraine, as well as the condition that at least 65% of an end product's component value must also originate in that region. The aim of directing SAFE funds towards Polish (or EU) manufacturers is to keep the value added inside the European economy, and one might expect this to become visible over the next few years in Poland's defence production structure. The Polish government plans to invest well over 80% of the SAFE loan in domestic production, which may also position the country as one of the main defence-production states in the EU.

The first contracts concluded already point in that direction. One example is the (so far) largest package, worth around EUR 14bn, agreed with Huta Stalowa Wola in May 2026: this covers domestically developed Borsuk fighting vehicles, Krab howitzers and Rak mortars – all SAFE-financed and due for delivery by 2030. This will bring money directly into the domestic industry and, if sustained beyond the current procurement wave, should benefit both Poland's defence sector and the wider economy. Poland appears well placed to turn SAFE into a genuine industrial expansion, from which the EU would also gain in terms of security and defence-industrial autonomy. However, the question remains whether the industry can scale up within the required timeframe. There are signs that it is responding to the challenge: Huta Stalowa Wola, for instance, has moved to dual-shift manufacturing, targeting around 100 Borsuk vehicles per year. These developments also open up opportunities for foreign suppliers. While Polish industry scales up to meet the procurement targets, gaps in the domestic capacity are creating opportunities for international subcontractors and component manufacturers to enter Poland's expanding defence supply chain. Yet much depends on how the geopolitical outlook evolves in the coming years.

Conclusion

Poland's defence buildup has so far been financed largely through the issuance of national debt: until 2028, the NEC provides the legal cover for the deficit and debt to remain above the EU thresholds. However, when the NEC expires in 2028 – at which point Poland is projected to still be in breach of EU's fiscal rules – it will be intriguing to see whether the NEC is prolonged. If it is not, it will then be interesting to see what the EU demands from Poland to bring its fiscal situation under control. Furthermore, the SAFE loan adds a new defence financing layer, and Poland is planning to spend the loan largely on domestic production; if executed effectively, that should strengthen Poland's industrial base and economy, leading to further contracts and investment inflows.

Research in brief

POPULATION AGEING COSTS AND REQUIRED FISCAL ADJUSTMENT IN EU-CEE

Client: Dezernat Zukunft

by Meryem Gökten, wiiw Economist

Population ageing in EU-CEE countries is expected to increase public spending, while at the same time slowing economic growth, creating significant challenges for fiscal policy. However, under the reformed EU fiscal framework, the fiscal adjustment required from governments crucially depends on underlying – and often arbitrary – assumptions about future ageing costs and debt sustainability.

The project examines how ageing costs are incorporated into the reformed EU fiscal rules and underlying debt sustainability assessment (DSA) framework. It assesses just how sensitive public debt projections and fiscal adjustment requirements are to alternative assumptions about future ageing-related expenditure. The results show that even small changes in ageing-cost assumptions can lead to substantial differences in projected debt ratios and required fiscal consolidation.

In June 2024, under the reformed EU fiscal framework the European Commission issued country-specific fiscal reference trajectories to those member states with a fiscal deficit of above 3% of GDP and/or a public debt ratio that exceeded 60% of GDP. These trajectories set out multi-year adjustment paths, specifying the annual fiscal consolidation required to reduce the fiscal deficit and ensure that public debt follows a plausibly declining or prudent trajectory. The multi-year adjustment paths are derived using the European Commission's DSA and serve as the basis for the negotiation of national fiscal-structural plans.

Within DSA, ageing costs are built directly into fiscal planning. Ageing costs refer to expected future increases in public spending on pensions, healthcare and long-term care. The DSA assumes that projected increases in ageing costs fully materialise over a ten-year ageing period, with an assumption of no policy change (i.e. governments are not expected to introduce new measures – such as pension reform – in the future to compensate for rising ageing costs).The framework uses these projections to determine the minimum structural primary balance path required to ensure a declining debt ratio over the subsequent ten-year optimisation horizon. Governments are therefore expected to pre-emptively offset projected ageing-related spending increases through fiscal consolidation. As a result, the assumed path of ageing costs becomes a key determinant of both debt projections and the required fiscal adjustment.

The analysis considers:

(i) **alternative ageing periods** over which governments are required to pre-emptively offset projected increases in ageing-related costs. The default assumption is a ten-year period, which we vary to zero years (no ageing costs), five years (lower ageing pressures) and 15 years (higher ageing pressures);

(ii) the impact of **different ageing cost forecast 'vintages'**. The European Commission updates ageing cost projections (Ageing Report) every three years, and the baseline DSA uses the 2024 report. We also test earlier vintages (2018 and 2021);

(iii) variations in key **macroeconomic and demographic assumptions** using the sensitivity scenarios from the 2024 Ageing Report.

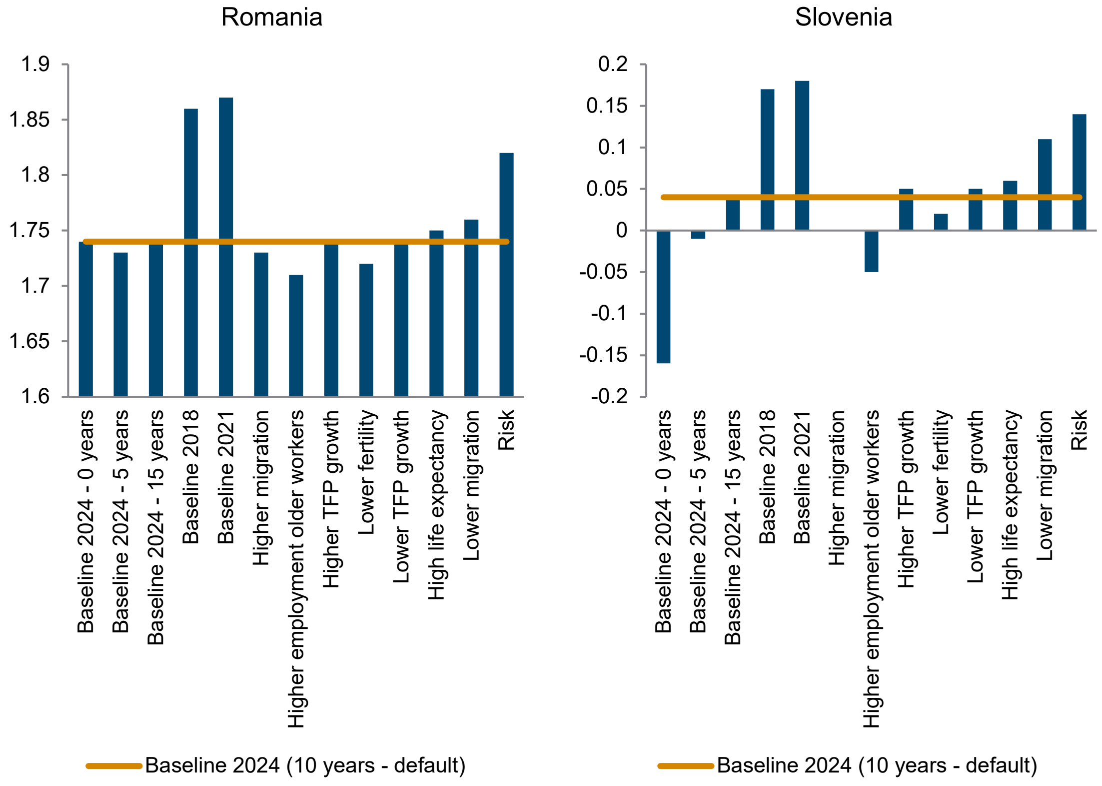
Our findings indicate that alternative editions of the Ageing Report can significantly change consolidation needs: earlier vintages (2018 and 2021) generally imply higher adjustment requirements than the 2024 baseline, reflecting revisions to projected ageing costs (Figure 1). In Romania, the 2018 and 2021 editions imply additional annual fiscal adjustment of 0.1 percentage points of GDP (roughly EUR 500m). Similarly, in Slovenia, those two editions increase annual fiscal adjustment requirements by around 0.1 percentage points, which corresponds to around EUR 100m additional fiscal consolidation per year.

Second, fiscal adjustment needs increase under higher demographic pressure scenarios, in particular the low-immigration and risk scenarios. The risk scenario is characterised by stronger demand for health services (driven by higher income elasticity) and a larger share of formal long-term care. On the other hand, higher immigration and higher employment of older workers lead to the largest reductions in fiscal adjustment requirements.

Third, we examine the arbitrariness of the ageing horizon by varying the ageing period, with longer horizons generally increasing fiscal adjustment needs, as more ageing-related spending is internalised within the DSA framework. However, extending the horizon beyond ten years does not further affect results, as costs beyond this window are not captured, leaving adjustment requirements unchanged relative to the ten-year baseline. Nevertheless, these additional ageing costs have a significant impact on projected debt-to-GDP ratios, leading to substantially higher debt levels over the longer term. The analysis also shows that in countries with relatively low debt and deficit levels, such as Slovenia, ageing costs are the main driver of fiscal consolidation needs.

Our findings show that changes in assumptions about ageing-related expenditure can substantially alter the estimated fiscal effort required. In the DSA, ageing costs are treated as fully exogenous and effectively unfunded over a fixed ten-year period, so they translate automatically into higher fiscal deficits even in countries with existing adjustment mechanisms for pensions, contributions or benefits. This effect is reinforced by the arbitrary choice of both the ageing and the optimisation periods, for which no clear empirical or analytical justification is provided for the ten-year benchmark used to derive the required fiscal adjustment. In addition, the framework relies on a single baseline projection from the Ageing Report and does not systematically incorporate uncertainty or robustness analysis, despite the well-known sensitivity of long-term macroeconomic and demographic projections and the European Commission's own emphasis on the importance of such tests.

Figure 1 / Annual average fiscal adjustment requirements across scenarios (percentage points of GDP)



Source: Own calculations. TFP stands for total factor productivity.

Looking ahead, rising ageing costs will present distinct challenges for businesses and policy makers. For businesses, the primary challenge is likely to come from tighter labour markets and wage pressures, which will lead to a greater need for investment in retention, training, automation and the recruitment of older and foreign workers. For policy makers, the findings point to labour market and migration policy as increasingly central tools of fiscal sustainability, alongside the need to incorporate uncertainty into long-term fiscal planning.

Ageing should therefore not be viewed solely as a fiscal burden. Future debt dynamics depend as much on employment, migration and productivity outcomes as on demographic trends themselves, and countries that successfully mobilise older workers, attract talent and raise productivity may find that ageing becomes a manageable challenge, rather than a fiscal crisis. This argues against relying on a single baseline ageing cost projection. Fiscal adjustment requirements should instead be assessed across a range of demographic and macroeconomic scenarios that reflect the inherent uncertainty in long-term projections. The framework should also account for existing policy mechanisms that already partially offset rising ageing costs, and give weight to employment and productivity-oriented policies that can broaden the revenue base over time.

The project results are available here.

GEOECONOMIC FRAGMENTATION: LESSONS FOR EUROPE AND CESEE

Client: Asian Development Bank (ADB)

by Javier Flórez Mendoza, wiiw Economist

Our simulations show that tariffs used as a geopolitical tool can dramatically rewire global trade patterns. The effects are especially large in the case of the Association of Southeast Asian Nations (ASEAN) and other high-tech hubs, but spillovers are also created for Europe and Central, Eastern and Southeastern Europe (CESEE) through disrupted value chains and higher input costs.

The study compares what happens to trade flows and global value chains (GVCs) if today's geopolitical fragmentation and diplomatic disputes harden into unprecedented tariff hikes and rival blocs, versus a scenario where the world commits fully to trade openness. It quantifies how these choices reshape bilateral trade flows, welfare and real incomes across regions. It builds on the Asian Development Bank's Asian Development Policy Report 2026, entitled *Global Value Chains and Inclusive Development*, which offers complementary insights into how geopolitical fragmentation, industrial policies and new sustainability standards are reshaping production networks and upgrading opportunities, especially for Asian economies.[1]

To capture the geopolitical reality, we group economies into six blocs: the 'West' (anchored by the European Union and its close partners, e.g. Australia, New Zealand, Canada, Mexico); the US; the Shanghai Cooperation Organisation (SCO); ASEAN; South America; and the rest of the world (ROW). This structure mirrors emerging political alignments, while still allowing for intensive trade within and across blocs. It also shows how trade fragmentation affects economies that are deeply integrated into European value chains, especially CESEE countries that depend on cross-border manufacturing networks and imported intermediates. It is important to note that those CESEE countries that are part of the EU (such as Czechia, Poland, Hungary, Slovakia and Romania) are included in the 'Western' bloc; meanwhile economies like China and Russia are part of the (core) SCO group. Moreover, Turkey is a dialogue partner (observer) within SCO. This assignment of blocs renders the simulation more convenience.

Figure 1 contrasts two scenarios: a world where all tariffs fall to zero (free trade) and one where every country raises tariffs on all foreign partners by 50%.

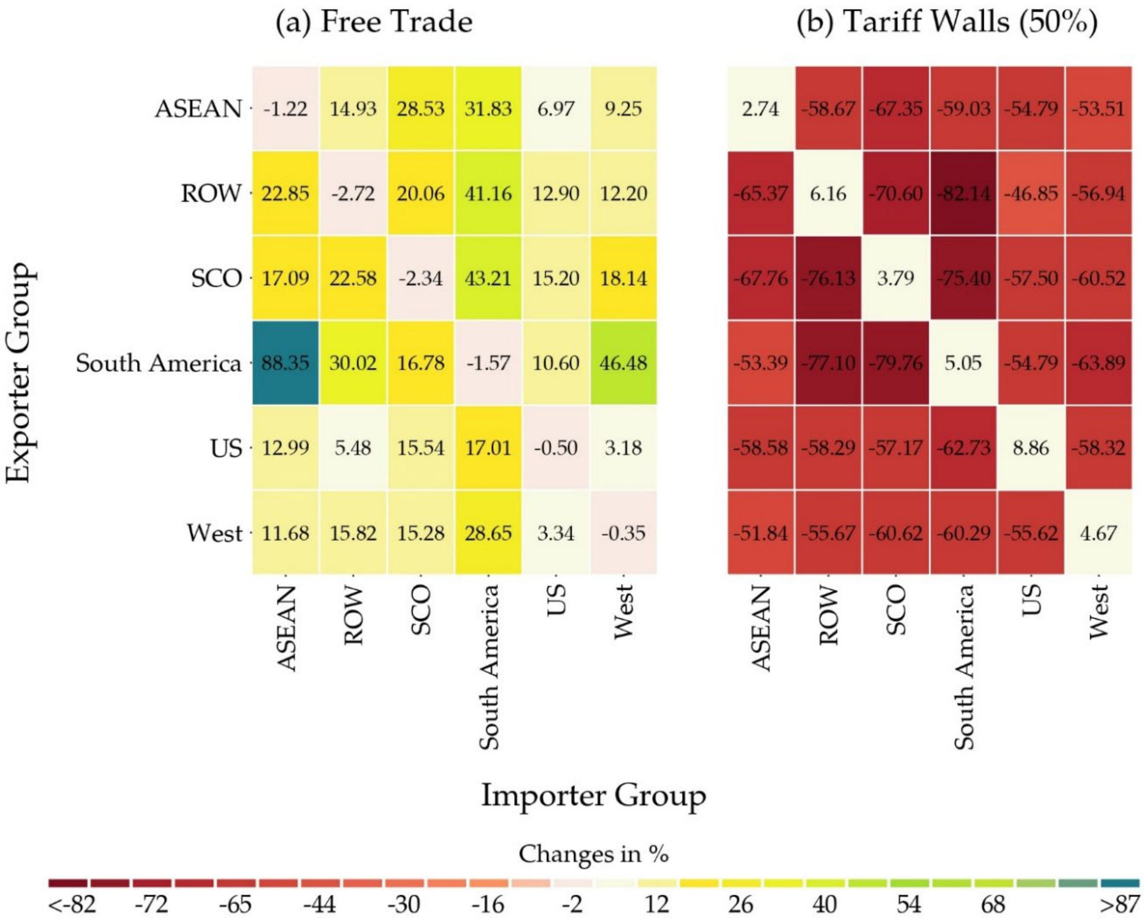
In the free-trade scenario (scenario a), bilateral exports rise across almost all cross-bloc pairs, while intra-bloc trade falls slightly as firms reorient themselves towards the most efficient foreign suppliers. This pattern reflects trade creation: cheaper intermediate and final goods deepen global value chains, with the largest export gains in emerging regions that are currently on the margin of major supply chains. For Europe (and especially CESEE), the implication is greater access to low-cost inputs and larger

1 The Asian Development Policy Report 2026 is available here: https://www.adb.org/sites/default/files/publication/1143716/adpr-2026-main-report.pdf

export markets. The benefits of openness are particularly important for economies that are deeply embedded in manufacturing networks and that rely on imported intermediates, such as Czechia and Slovakia. Poland stands out as a key bottleneck in European supply chains, so disruptions there can spread far and wide across the region.

In the scenario featuring tariff walls (scenario b), the picture is flipped entirely. Cross-bloc exports collapse – often to less than half the original figure – as the 50% tariff shock makes many international supplier relationships uneven and pushes production back behind each bloc's tariff perimeter. Intra-bloc trade increases, but that cannot compensate for the loss of cross-bloc linkages, implying less-diversified supply chains and greater vulnerability to regional shocks. For Europe (and especially the CESEE region), the effects would likely be stronger than average, as the economies there are very open to trade and deeply integrated within manufacturing value chains. A comparison of the two panels of Figure 1 below thus shows that free trade strengthens interdependence and spreads the gains far and wide, while across-the-board tariffs shrink the pie and lock economies into narrower, more vulnerable trade relationships, which in turn implies supply-chain disruptions.

Figure 1 / Changes in bilateral trade by geopolitical bloc, free-trade vs tariff-walls scenarios



(a) Free Trade	ASEAN	ROW	SCO	South America	US	West
ASEAN	-1.22	14.93	28.53	31.83	6.97	9.25
ROW	22.85	-2.72	20.06	41.16	12.90	12.20
SCO	17.09	22.58	-2.34	43.21	15.20	18.14
South America	88.35	30.02	16.78	-1.57	10.60	46.48
US	12.99	5.48	15.54	17.01	-0.50	3.18
West	11.68	15.82	15.28	28.65	3.34	-0.35

(b) Tariff Walls (50%)	ASEAN	ROW	SCO	South America	US	West
ASEAN	2.74	-58.67	-67.35	-59.03	-54.79	-53.51
ROW	-65.37	6.16	-70.60	-82.14	-46.85	-56.94
SCO	-67.76	-76.13	3.79	-75.40	-57.50	-60.52
South America	-53.39	-77.10	-79.76	5.05	-54.79	-63.89
US	-58.58	-58.29	-57.17	-62.73	8.86	-58.32
West	-51.84	-55.67	-60.62	-60.29	-55.62	4.67

Source: Authors' calculations.

Taken together, the scenarios show that tariffs used as a geopolitical tool can dramatically rewire trade patterns. The effects are especially large in the case of ASEAN and other high tech hubs which sit in the middle of complex value chains. For European businesses, these shifts in the ASEAN economies matter, since major disruptions in Asian production networks can spread to European sourcing, especially for firms that rely heavily on imported intermediates and critical components (e.g. electronics and semi-conductors) in supply chains. A world of lower tariffs and open blocs delivers broader and more diversified gains. These findings are consistent with recent policy work by the World Trade Organization (WTO), which emphasises the idea of 'reglobalisation' and inclusive participation in global value chains. By contrast, generalised tariff walls may appear to promise security, but they come at the cost of weaker cross border production networks, lost export opportunities and lower real incomes, particularly in the case of emerging economies that rely on integration into electronics and supply chains. The very open CESEE economies are exposed to policy shocks and spillovers through imported intermediates, the reallocation of sourcing and disruptions to downstream manufacturing activity. Hence, for European businesses and policy makers the message is clear: deeper integration and a stable coalition with close partners is preferable to fragmentation, because it restores resilience to value chains, secures access to critical intermediates and reduces the risk of disruption.

Country in focus: Romania

POLITICAL TUG-OF-WAR PLACES ECONOMIC STABILITY IN DANGER

by Gábor Hunya, wiiw Senior Research Associate

A long history of socialist-liberal coalitions came to an end in May 2026. The government that had saved the country from downgrading and that had made progress on the reforms required to access EU funds imploded. Whether the bulwark against the right-wing, anti-EU parties can be rebuilt remains an open question at the time of writing. What is clear is that the country risks severe fiscal and monetary instability if the fiscal consolidation programme fails and if access to EU funds is restricted in the absence of functioning legislative power.

A coalition that nobody liked but that did what it had to do

Various coalitions of the two main parties – the centre-left Social Democratic Party (PSD) and the centre-right National Liberal Party (PNL) – have governed Romania over the last five years. They have disagreed on major social issues – the post-communist PSD relies mainly on rural voters, while the PNL is anchored in the urban pro-business tradition – and they have often been in conflict with one another. And yet the parliamentary arithmetic provided no alternative to cooperation. To secure a stable majority, they took the party of the Hungarian minority (UDMR) and latterly also the liberal urban Save Romania Union (USR) into the government. This broad coalition of EU-oriented parties took office on 23 June 2025, led by Prime Minister Ilie Bolojan (PNL), and served as a bulwark against the burgeoning far-right Alliance for the Union of Romanians (AUR).

The government had three main economic tasks included in the coalition agreement:

› to correct the soaring fiscal deficit accumulated under the previous PSD-led government

› to unlock EU funding under the Recovery and Resilience Facility (RRF), much of which seemed to have been lost due to institutional underperformance

› to reboot economic growth by implementing structural and institutional reform.

Following a hesitant start, the pace of work picked up after the presidential election of 18 May 2025. The coalition agreed on critical steps for fiscal consolidation and reviewed the gridlocked RRF absorption process. However, implementation came under strain, as the coalition partners exhibited different approaches to reform – even after they formally co-signed the policy roadmaps in July 2025. The PSD sought to limit the economic hardship caused by the austerity measures and resisted the streamlining of local administrations, which constitute the core of the party's client system. But the party's coalition partners and Prime Minister Bolojan opposed any watering-down of the agreed consolidation programme.

On 23 April 2026, this coalition of the four mainstream parties collapsed when the PSD formally withdrew its political support. Subsequently, on 5 May 2026, a motion of no confidence jointly initiated by the PSD and AUR successfully toppled the Bolojan government. The administration was then forced to continue as a three-party caretaker government, with severely restricted legislative powers. Following the vote of no confidence, pressure on both the PSD and the PNL leadership to resolve the governance crisis intensified throughout May. Rumours of party splitting surfaced. PNL leaders publicly declared their refusal to enter into any future coalition framework with the PSD. In the absence of a viable political consensus, on 4 June President Nicușor Dan nominated his senior advisor, Eugen Tomac, as prime minister designate, tasking him with forming a non-partisan technocratic government. While technocratic administrations historically lack long-term stability in Romania, this institutional arrangement could provide a brief respite in which to pass critical legislative measures.

Divisive fiscal consolidation programme

The Romanian budget has exhibited severe structural imbalances since 2020, prompting the European Council to formally launch the Excessive Deficit Procedure (EDP) in April of that year. Throughout the subsequent period, the fiscal consolidation timeline underwent multiple revisions due to repeated slippage. While fiscal revenue recovered following the pandemic-related macroeconomic shock, public expenditure escalated even more rapidly. The deficit drifted at a time when GDP growth was decelerating. Consequently, the seven-year fiscal adjustment path negotiated with the European Union in 2024 was abandoned. Fiscal underperformance persisted into the first half of 2025, with the deficit breaching the intermediate targets, while economic growth fell short of baseline projections.

The fiscal deficit widened to 9.3% of GDP in 2024 (EU definition; 8.7% on cash basis) from 6.6% the previous year. The European Council subsequently approved a revised deficit-reduction plan, which extended the horizon for bringing the fiscal shortfall below 3% by 2030. Under this new framework, the deficit targets were set at 8.4% of GDP for 2025 and 6.2% for 2026. In its mid-2026 assessment, the European Commission concludes that Romania has implemented effective measures to address its budgetary gap, thus avoiding further restrictive steps under the EDP.

To achieve this stabilisation, the then-governing coalition had enacted a series of tough fiscal consolidation measures. With effect from August 2025, the authorities introduced revenue-side measures that raised the VAT rate, hiked excise duties, broadened the overall tax base and eliminated health insurance contribution exemptions for those pensioners on a higher income. On the expenditure side, economic subsidies were scaled back and budgetary allocations for the education sector were reduced. A second consolidation package launched in the autumn continued to target the expenditure side, specifically addressing special pension regimes, reducing public healthcare spending and enhancing the financial governance of state-owned enterprises (SOEs). Furthermore, a public-sector wage freeze was introduced for 2025-2026, accompanied by a reduction in public administration employment. These interventions reduced the fiscal deficit by an estimated 0.6 percentage points of

GDP in 2025, while tax revenue exceeded the projections. As a result, the full-year fiscal deficit closed at 7.9% of GDP – better than the government's revised target.

With protracted negotiations inside the coalition, it took until 18 March this year for the 2026 Budget Law to be passed. The underlying revenue and expenditure projections were calibrated against a macroeconomic scenario that assumed real GDP growth of 1% and average consumer price inflation of 6.5%. Budgetary adjustments in 2026 will affect mainly the expenditure side. Continued public administration wage freezes and structural layoffs are projected to reduce personnel expenses, supplemented by further subsidy cuts to loss-making SOEs and lower fiscal allocations for healthcare and social safety nets. Budgetary revenue is also projected to expand, driven by the annualised compounding effects of the August 2025 tax reforms, alongside the increases in excise duties and local property taxes effective from January 2026.

However, the fiscal tightening sent Romania into recession in Q1 2026, primarily on account of the contraction of real incomes and reduced household consumption. The PSD regarded the negative social effects of the fiscal consolidation as a result of some 'overshooting' of the programme. Despite having signed up to the initial programme, in view of the consequences the party tried to water it down. The party saw its support dwindling in its heartlands. Beyond alienating local mayors, the consolidation measures placed significant political pressure on well-paid executives at state-owned enterprises. In an effort to wring concessions from the prime minister, the PSD dissolved the governing coalition. This political brinkmanship has introduced significant institutional instability. In the absence of a viable alternative government, the coalition's collapse directly threatens Romania's compliance with its RRF milestones, risking the suspension of capital inflows from the EU worth billions of euro.

Danger of losing substantial RRF funds

Access to EU funds, particularly the non-repayable grants, has been a cornerstone of Romania's macroeconomic convergence strategy. As a member state that is striving to catch up, the country has successfully absorbed inflows in the range of 2-4% of GDP annually under the EU Multi-annual Financial Framework (MFF) 2021-2027 and the RRF 2021-2026. Looking ahead, additional financing will become available under the Security Action for Europe (SAFE) programme, which will provide capital to complete some of the outstanding RRF-related investments. These resources have decisively shaped Romania's domestic political and economic agenda and have generated broad-based popular and electoral support for both the national and local administrations.

The initial RRF allocation earmarked for Romania in 2022 totalled EUR 28.5bn, of which EUR 13.6bn was in the form of grants and EUR 14.9bn in loans. The disbursement of these funds is conditional on the country hitting specific qualitative and quantitative milestones. The government at the time agreed to the policy targets and commitments without establishing detailed implementation frameworks. Consequently, three successive administrations after 2022 all failed to meet the conditions in time. It also turned out that the earmarked funds exceeded the country's institutional and construction capacity. In response, Romania was formally obliged to renounce approximately half of the loan component in July 2025, reducing the total available facility to EUR 21.4bn (equivalent to roughly 6% of GDP). This optimisation strategy is not without regional precedent: Bulgaria undertook a similar reduction, while Czechia has taken up only a small part of the loan facility. Concurrently, Romania restructured and rescheduled its investment targets, shifting the focus onto those that had a better chance of being met by the end of 2026.

Under the revised RRF, Romania has at its disposal EUR 21.41bn, comprising EUR 13.57bn in grants and EUR 7.84bn in loans.[1] On 14 May 2026 the Commission gave a preliminary thumb-up to the country's request for the payment of the fourth tranche amounting to EUR 2.62n. This disbursement request, originally submitted by the government on 19 December 2025, received formal sign-off from the EU's Economic and Financial Committee on 7 June. In the assessment, the Commission confirmed that Romania had reached the necessary milestones and targets, including:

› Digital Infrastructure: Significant operational progress in deploying the unified governmental cloud infrastructure.

› Green Transition: Deployed structural measures to accelerate the transition to a low-carbon economy.

› Fiscal Reform: Enacted legislative changes to make the tax system fairer and more efficient, reducing administrative burden and improving tax compliance.

This fourth payment will bring the funds paid out to Romania under the RRF to EUR 13bn. That corresponds to some 60% of the aggregate funding under the revised plan.

Like all other member states, Romania must reach the outstanding milestones and targets by August 2026 and submit its final payment request by the end of September. As of mid-May 2026, Romania faced a backlog of 38 outstanding targets and milestones required to unlock the remaining funds. That includes 11 targets which are beyond the executive mandate of a caretaker government, since they require primary legislative approval from parliament. For these measures to be passed, a new government needs to be formed in short order or an ad-hoc parliamentary majority secured. Furthermore, some of the laws – including comprehensive reform of the judiciary – face pushback from affected stakeholders and are being blocked by the constitutional court. Highlighting these problems, the Minister of Investments and European Integration warned: 'The pace of reform implementation is slow, with very little progress, and in some cases no progress. This situation creates significant risks in terms of compliance with the deadlines set by the National Recovery and Resilience Plan. In this context, we draw attention to the substantial penalties applicable in case of failure to meet the deadlines, stressing the need to accelerate measures and increase the involvement of the responsible coordinators.'

The most sensitive milestones that directly affect the economic and fiscal outlook are the following:

› Pension reform: focus on sustainability and fairness – there is political and public resistance to tightening some rules.

› Public-sector wages: a new, simplified and unified wage law should reduce differentiation and increase transparency – it challenges the vested interests of several occupation groups and also complicates fiscal tightening.

› Governance of state-owned enterprises: professional and depoliticised management should be installed – it is being blocked by incumbent political appointees.

1 Compiled based on: https://reforms-investments.ec.europa.eu/recovery-and-resilience-facility-1/country-pages/romanias-recovery-and-resilience-plan_en and https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/country_overview.html?country=Romania

These structural issues represent precisely those friction points that the previous coalition failed to agree on, ultimately triggering its collapse. As of early June 2026, the probability of reaching a legislative compromise that both satisfies EU conditionality and secures a domestic parliamentary majority remains low. Furthermore, even if these reform bills pass, they will need to be implemented immediately. Even if the milestones are met, investment projects must be completed on time. Chronic public procurement delays, inadequate project preparation, legal disputes among construction companies and institutional friction between state agencies have all delayed major rail, road and healthcare infrastructure projects. Compounding this, the aggressively tightened domestic fiscal environment has eroded the capacity of local municipalities to provide pre-financing. Therefore, the authorities are again revising all plans, dropping unrealistic projects and focusing on achievable milestones.

Failure to reach a timely political consensus on the remaining milestones risks the loss of outstanding RRF funds. Even under a positive scenario, featuring a supportive parliamentary majority, approximately half of the outstanding EUR 7.5bn is likely to be lost due to project slippages.

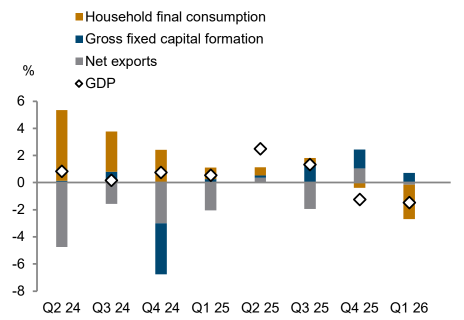
Protracted vulnerability

At the time of writing, there appears to be no viable immediate escape from the political impasse and the scenario of economic ‘muddling through’. The short-term political outlook is defined by a very fragile government architecture, characterised by weak legislative execution and the steady advance of right-wing populist parties in the opinion polls. Concurrently, the economy has got itself into a recession, while inflation remains high, driven both by the domestic fiscal shock and by international commodity prices. Consequently, the country continues to teeter on the critical threshold of non-investment grade across the major ratings agencies.

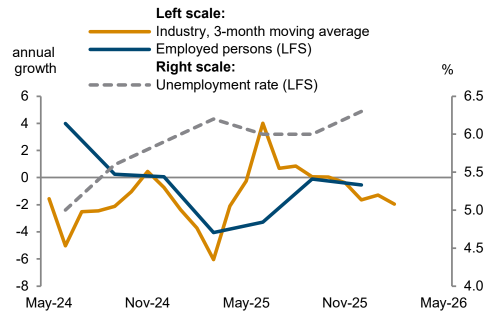
Will the International Monetary Fund ultimately be called in to provide a financial backstop, mirroring the stabilisation intervention in the wake of the 2008 global financial crisis? While current macroeconomic imbalances are far less severe than the acute liquidity crisis of 2008, a strict policy mix combining fiscal austerity with adherence to EU grant conditionality appears to be the only way out of the current impasse.

Romania

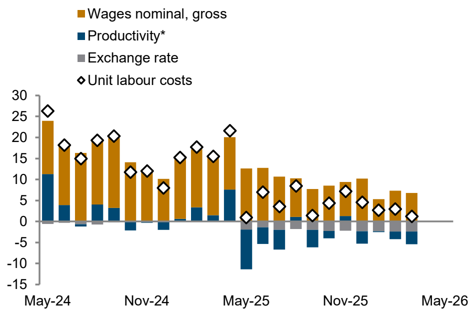
Real GDP growth and contributions
y-o-y



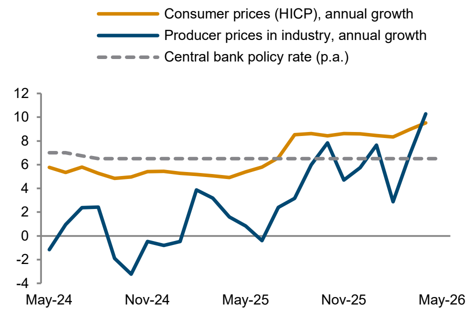
Real sector development
in %



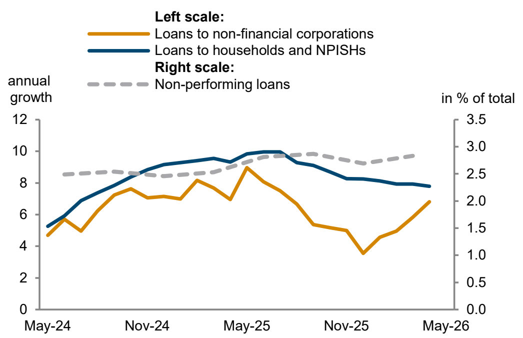
Unit labour costs in industry
annual growth rate in %



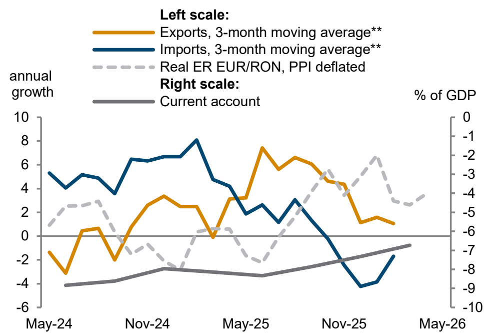
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

*Note: HICP - Harmonised Index of Consumer Prices, NPISHs - Non-profit institutions serving households.

Source: wiiw Monthly Database incorporating Eurostat and national statistics. Baseline data, definitions and methodological breaks in time series are available under:https://data.wiiw.ac.at/monthly-database.html

Recent activities/looking back

Recent member events

- Executive Network Event, Warsaw, May 2026
- Executive Network Event, Prague, May 2026
- Executive Network Event, Vienna, May 2026
- Executive Network Webinar, June 2026

Recent publications

- Ageing costs, public debt sustainability and EU fiscal rules, Meryem Gökten and Philipp Heimberger, wiiw Working Paper No. 276, June 2026
- Monthly Report No. 05/2026 - FDI in Central, East and Southeast Europe, Beata Borosak, Branimir Jovanović, Olga Pindyuk, Robert Stehrer and Juliane Unger, wiiw Monthly Report No. 05, May 2026
- Executive Network CEE Exchange Podcast, Episode 5, May 2026
- What drives child benefit size and design in Europe? Macroeconomic, sociocultural, and political factors, Kristijan Fidanovski, wiiw Working Paper No. 275, May 2026
- Fiscal consolidation and political instability, Philipp Heimberger and Anna Matzner, wiiw Working Paper No. 274, May 2026

Recent presentations and public events

- NLB Investor Day, Speech: Economic opportunities and challenges for South Eastern Europe, Mario Holzner. 7 May 2026
- Lecture as part of an ‘International Economics’ class for students in a Logistics master program, Speech: Trade flows and trade policy, Oliver Reiter, FH BFI Logistik, Vienna, May 2026
- Nicotine free spaces for healthier cities, 10th European Conference on Tobacco or Health, Presentation: Easier to afford, more likely to be smoked? Marlboro indices show higher cigarette affordability in the South and East of Europe, Kristijan Fidanovsky, Milan, 20-22 May
- Nicotine free spaces for healthier cities, 10th European Conference on Tobacco or Health, Poster presentation, Nora Kungl, Milan, 20-22 May
- Behind closed borders: the domestic consequences of Russia's war, Panel discussion, Vasily Astrov, International Institute for Peace (IIP), Vienna, 26 May 2026
- Infrastructure in the Western Balkans, EFC Alternates Meeting, Mario Holzner, OeNB, Vienna, 27 May 2026

- Ghent University Workshop on Empirical Macroeconomics, Presentation: Fiscal consolidation and political instability, Anna Matzner, Ghent, 28 May 2026
- EU-Western Balkans Civil Society High-Level Conference, Presentation of the converge2eu project, Branimir Jovanovic, organised by the European Economic and Social Committee (EESC), Vienna, 29 May 2026
- Workshop "Advances in Spatial and network Modelling for Policy Making, Presentation, Chiara Castelli, JRC Seville, 28-29 May 2026
- University of Vienna, Presentation of the paper: Endogenous money and inflation: An introductory post-Keynesian/Kaleckian conflict inflation model, Cara Dabrowski, Vienna, 2 June 2026
- Advocacy Visit Western Balkans, MFF and EU Enlargement, Presentation of findings from convereg2eu project, Branimir Jovanovic, Brussels, 2-4 June 2026
- Energy Forum 2026: Time for Energy Reset in Central and South-East Europe?, Panel participation: The future of energy independence and regional cooperation in Central and Southeast Europe, Mario Holzner, 10 June 2026
- 26th Summer Seminar for Young Public Policy Professionals, Speech: The CEE Economies between a Structural Transition and External Shocks, Branimir Jovanovic, Albena, Bulgaria, 11-12 June 2026

Looking ahead

Upcoming member events

› Executive Network Event, Warsaw, September 2026

› Executive Network Event, Prague, September 2026

› Executive Network Event, Vienna, October 2026

› Executive Network Webinar, October 2026

Upcoming publications

› Executive Network Podcast Episode, June 2026

› The future financing of the European Union: An analysis of options for new own resources in the EU budget 2028-2034, Philipp Heimberger and Bernhard Schütz, wiiw Policy Note/Policy Report No. 108, June 2026

› Working Paper, Welfare, optimal tariffs, and trade balance in a Ricardian general equilibrium framework, Robert Stehrer, June 2026

› wiiw Q3 Forecast Update, July 2026 - Monthly Report 07-08/26

› Working Paper, Offshoring, destination regions and working conditions in Europe, Sandra M. Leitner and Roman Stöllinger, June/July 2026

› Statistical Report, Offshoring, reshoring, and the location of production: What can we measure in a cross-country industry-level setting?, Hylke Dijkstra, Erik Dietzenbacher and Konstantin M. Wacker, June/July 2026

Upcoming presentations and public events

› Labour Relations in the Danube Region, Speech 'The Future of Work in the Danube Region' Branimir Jovanovic, Austrian Trade Union Federation (ÖGB), 18 June 2026

› 32nd International Input-Output Conference, Study presentation: Value-added exposure estimates to assess spillovers and competitiveness, Simone Grabner, Seville, Spain, 22-26 June 2026

› Tobacco Taxation in Kosovo and the Western Balkans: Evidence, Policy, and EU Perspectives, Speaker Biljana Jovanovikj, Nora Kungl, Prishtina, 23-24 June 2026

› IAAE Annual Conference 2026, Presentation 'Distributional and macroeconomic implications of carbon taxation: Regional variation in revenue recycling' Anna Matzner, Carcavelos, Portugal, 23-25 June 2026

› Conference on Health Tax Reforms – Challenges and lessons learnt, Speaker Mario Holzner, Hana Ross, in cooperation with the World Bank & Johns Hopkins University, Vienna, 24-25 June 2026

› J.P. Morgan CEE Macro & Fixed Income Conference, Panelist Richard Grieveson, Vienna, June 2026

- Raiffeisen Bank CEE Analyst Meeting, Presentation, Richard Grieveson, Krems, June 2026
- Genetic innovation, intermediate goods and energy prices in an agent-based model, hybrid presentation of the final results of the Jubilee Fund project with Bernhard Schütz, and Oliver Reiter, wiiw, Vienna, 29 June 2026
- Wiiw Q3 Forecast Update Webinar, July 2026
- Enlargement policy through the post 2027 EU budget, Presentation of the converge2eu project Branimir Jovanovic, IAI Rome, Italy, 7 July 2026

New Members 2026: Welcome!

- Biscuit International
- Cummins
- University of Zagreb
- IMF Office CESEE
- University of Ljubljana, Faculty of Arts
- University of Tartu
- Ferag
- Herbalife
- MEIKO
- MERO
- TMF Group
- TPA Group
- Warner Bros. Discovery
- Cushman & Wakefield (Bratislava)
- Soy Austria
- Transcom
- Nova Ljubljanska banka (NLB)
- Regional Cooperation Council (RCC)
- University of Split, Faculty of Economics, Business and Tourism (FEBT)
- IBM Hrvatska
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