



**Ukrainian Refugees in the Austrian Labour Market**

**Russia's War in Ukraine: Stalemate but no Ceasefire**

**Trade Relations of Eastern Europe with the EU and  
other Global Players**

**Financial Linkages of Eastern Europe with the EU and  
other Global Players**

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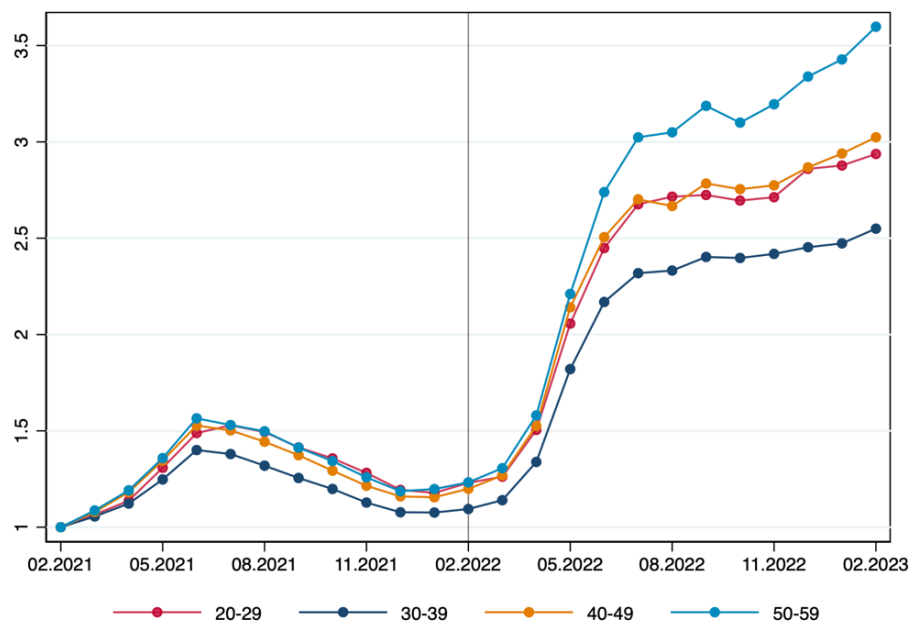


# Chart of the month: Ukrainian refugees in the Austrian labour market

BY MARYNA TVERDOSTUP

Since the start of the Russian invasion of Ukraine, Austria has been among the top EU destination countries for Ukrainian refugees. By the end of March 2023, almost 95,000 Ukrainian refugees had been registered in Austria – around 1% of the country's total population.<sup>1</sup> Since the lion's share of Ukrainians fleeing the war are women of working age with generally a good education profile,<sup>2</sup> their employment is a crucial step on the road to economic and social integration. Furthermore, given the looming labour and skills shortages, this increase in Ukrainian workers in Austria (and the EU overall) is badly needed.<sup>3</sup>

**Figure 1 / Ukrainians employed in Austria, by age group, monthly index (Feb. 2021 = 1)**



Source: AMS monthly aggregated data [https://www.dnet.at/Amis/Datenbank/DB\\_Be.aspx](https://www.dnet.at/Amis/Datenbank/DB_Be.aspx)

As the number of Ukrainians employed in Austria has more than doubled over the past year,<sup>4</sup> one would expect refugees to account for the bulk of this additional labour force. Figure 1 illustrates the number of Ukrainians employed across four age groups. There are two important observations to be made. First,

<sup>1</sup> <https://data.unhcr.org/fr/situations/ukraine>

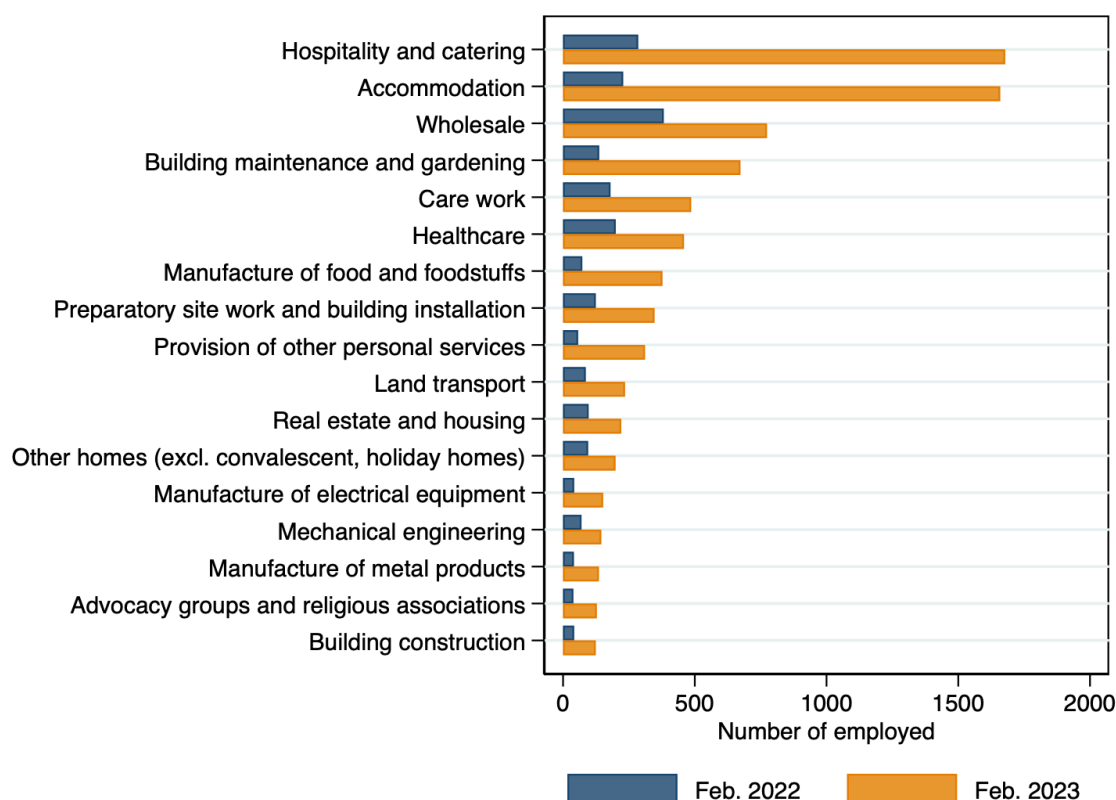
<sup>2</sup> <https://blogs.lse.ac.uk/europpblog/2022/09/07/what-the-self-selection-of-ukrainian-refugees-means-for-support-in-host-countries/>

<sup>3</sup> V. Astrov et al. (2022) *How do Economies in EU-CEE Cope with Labour Shortages?* wiiw Research Report No. 463. <https://wiiw.ac.at/how-do-economies-in-eu-cee-cope-with-labour-shortages-dlp-6406.pdf>

<sup>4</sup> From 5,516 workers in February 2022 to 14,157 in February 2023, according to the Austrian Public Employment Service [https://www.dnet.at/Amis/Datenbank/DB\\_Be.aspx](https://www.dnet.at/Amis/Datenbank/DB_Be.aspx)

as of February 2023, across all age groups, the number of Ukrainians employed was at least 2.5 times greater than two years ago; and whereas in (pre-war) 2021 there was minor seasonal variation, with an upsurge in the summer months, in 2022 the increase was stark, persistent and not driven by seasonality. Secondly, the most pronounced employment increase was documented in the older age group – those aged between 50 and 59: over 3.5 times above the level of February 2021. At the same time, the 30-39 age group posted the lowest growth. This distinct age pattern may stem from family composition, as many women in their thirties have arrived alone, accompanied by small children, so that their employment prospects depend largely on childcare and access to affordable schooling. That may be problematic.<sup>5</sup>

**Figure 2 / Sectors employing the most Ukrainian workers in Austria**



Notes: Only sectors with more than 100 Ukrainians employed as of February 2023 are considered.

Source: AMS monthly aggregated data [https://www.dnet.at/Amis/Datenbank/DB\\_Be.aspx](https://www.dnet.at/Amis/Datenbank/DB_Be.aspx)

In light of the growing body of evidence on the severe job-education mismatch faced by Ukrainian refugees across the EU,<sup>6,7</sup> one would expect many employed Ukrainians to be overqualified for the jobs

<sup>5</sup> According to various surveys and monitoring results, access to childcare and schooling are among the most urgent needs of Ukrainian refugees  
<https://app.powerbi.com/view?r=eyJrJoiZjYwMDFhMzMtMTJjZS00NzU1LTkzYzgtNTNhN2FmNjU3Y2RlIiwidCI6ImU1Yz-M3OTgxLTY2NjQtNDEzNC04YTBlLTY1NDNkMmFmODBiZSIsImMiOiJh9>

<sup>6</sup> [https://www.oecd-ilibrary.org/social-issues-migration-health/international-migration-outlook-2022\\_30fe16d2-en?utm\\_medium=email&utm\\_source=berlin-newsletter&utm\\_content=en&utm\\_term=berl&utm\\_campaign=berlin-international-migration-outlook-2022](https://www.oecd-ilibrary.org/social-issues-migration-health/international-migration-outlook-2022_30fe16d2-en?utm_medium=email&utm_source=berlin-newsletter&utm_content=en&utm_term=berl&utm_campaign=berlin-international-migration-outlook-2022)

<sup>7</sup> [https://www.employment.gov.sk/files/slovensky/ministerstvo/analyticke-centrum/analyticke-komentare/komentare\\_2022/habel\\_veselkova\\_2022\\_zamestnanost\\_odidencov.pdf](https://www.employment.gov.sk/files/slovensky/ministerstvo/analyticke-centrum/analyticke-komentare/komentare_2022/habel_veselkova_2022_zamestnanost_odidencov.pdf)

they do in Austria. Figure 2 plots the sectors that were employing the most Ukrainian workers as of February 2023, as well as the number of Ukrainians employed in those sectors right before the start of the war. Accommodation, hospitality and catering are the two sectors with the largest numbers of Ukrainian workers – figures that have increased dramatically over the past year: by more than seven times in accommodation and by around six times in the hospitality and catering sector. Three other sectors – provision of other (predominantly personal) services, manufacture of food, and building maintenance – recorded at least five times more Ukrainian workers in February 2023 than in February 2022. Notably, all these sectors rely heavily on low-skilled workers and offer mainly low-wage jobs. Coupled with evidence of the high educational achievement of Ukrainian refugees in Austria, the distribution of Ukrainians across the sectors indicates the substantial overqualification of refugees. This is to be expected at the initial stage of labour-market integration, as many of the refugees lack language proficiency, the recognition of educational qualifications takes time, and additional training is often needed to complement a foreign degree.<sup>8</sup> But in the longer run, overqualification will adversely affect the integration and well-being of refugees and will mean that their potential is severely underutilised – just when skill shortages and demographic decline mean that their human capital is badly needed on the Austrian labour market.

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<sup>8</sup> [https://data.unhcr.org/en/documents/details/95767#\\_ga=2.5544499.1218543842.1663938030-518881478.1646318875](https://data.unhcr.org/en/documents/details/95767#_ga=2.5544499.1218543842.1663938030-518881478.1646318875)



## Opinion Corner\* : Russia's war in Ukraine: Stalemate but no ceasefire

BY SERGEY UTKIN<sup>1</sup>

*A 'war of attrition' is among the most common descriptions used for the ongoing military stand-off in Ukraine. Both sides are sticking to their territorial ambitions, which are inherently irreconcilable. The widespread analytical conclusions about the future are based on extrapolation from the current situation. And while history rarely develops in a linear way for long, there is indeed good reason to believe that a potential defining moment in the war will come no earlier than next year, which means more casualties and destruction ahead.*

A 'war of attrition' is among the most common ways of characterising the ongoing military stand-off in Ukraine. The two sides are adhering to their territorial ambitions, and those ambitions are inherently irreconcilable. In the West, support for Ukraine has become a fixture in the political mainstream. In Russia, the authorities present the war and its consequences as something inevitable and routine, rather than anything out of the ordinary. Hopes of any resolution of the conflict in the foreseeable future have faded. The war has turned into a new regional norm for Europe, influencing many day-to-day government decisions.

The widespread conclusions of analysts about the future are based on extrapolation: given that neither side is a miracle worker, we will see more of the same – over many months, if not years. While history rarely develops in a linear way for long – and especially not when it comes to countries in flux, such as Ukraine and Russia – there is indeed good reason to believe that any potential watershed in the war will come no sooner than next year, which will mean more casualties and destruction ahead.

### **WHERE IT ALL STARTS: RUSSIA IS TIGHTENING THE SCREWS DOMESTICALLY IN PREPARATION FOR A LONG CONFLICT**

Worrying authoritarian trends in Russia's domestic development have been spotted by many observers over the last quarter century – and even before. However, the 2022 invasion heralded a dramatic and important leap in the direction of a more closed and a more visibly repressive state system. Legislation has been changed and court practices have been sharpened up in order to crush dissent and send out a message to society that, on matters related to the 'special military operation', the only acceptable stance of a good citizen is one of open – or at the very least tacit – support (Ivanova and Dik, 2023).

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\* Disclaimer: The views expressed in the Opinion Corner section of the Monthly Report are exclusively those of the authors and do not necessarily represent the official view of wiiw.

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Rather than the Russian military campaign, the notion of a 'special operation' more accurately describes the domestic practices of the government, which is pushing laws through parliament in a matter of days – if not hours. Unless there is a rapid political turnaround, which seems unlikely, the new rules may define Russia's domestic and international trajectory for years to come. The war in Ukraine and tensions with the West – described in Russia's 2023 Foreign Policy Concept as a western 'hybrid war' against the country – will be specifically influenced by the following factors.

**Contributors to the war are becoming an important element of the Russian political elite.**

President Putin openly praises the 'virtues' of participants in the military operation, promising them preferential treatment when applying for public service jobs (President of Russia, 2023b). Russian business structures are lining up to demonstrate to the president their readiness to adapt to the 'new circumstances', including in ways that are interpreted in the West as violations of international law. For most state-affiliated personalities and businesses, there is no real way back: they are firmly on the sanctions lists, unable to operate in significant parts of the world and with a high chance of being legally charged abroad. Given the striking contradictions in the most basic of assumptions, it is becoming increasingly complicated to avoid violating either Russian or foreign legislation.

**The military industries are being prioritised more than they have ever been since the early 1980s.**

The first phases of the war in Ukraine, though not completely unsuccessful for the Russian military, revealed many points of weakness in Russian capabilities. Vladimir Putin sees the multiple failures as 'lessons', which have to be followed by 'homework' – necessary fixes made to military production lines, structures and practices, which will then result in eventual 'victory' (President of Russia, 2023c). Whoever participates in such efforts has a better chance of gaining the ear of the president. This creates the risk that the economy will be sacrificed for the sake of an arms race. Putin has repeatedly acknowledged this and has given assurances that he is not going to take this road; but his words and his deeds are increasingly at odds with one another. The appeals of extremely well qualified Russian international security experts for restraint and the preservation of treaties on arms limitation and reduction (Arbatov, 2021) have obviously had zero influence on the political leadership of the country, which does exactly the opposite.

**Russia's 'new regions' are being developed on Putin's watch.** International recognition of those territories that Russia's government presents as regions which have voluntarily joined the Russian Federation is out of the question. That is no secret for Moscow. However, Putin interprets the sovereignty of a great power as its ability to do what it deems necessary and to ignore the opinion of others. Therefore, the absorption of Ukrainian territory is presented as permanent and supported by legal changes, investments and projects undertaken by the Russian state and state-affiliated business. Whether willingly or simply because they feel the need to 'play the game', those people who constitute the Russian state system at all levels accept that which is unacceptable to Ukraine, the West and most of the world. Along with 'doing something' for the military, 'doing something' for the 'new regions' is a way for ministers, officials and businesses to gain the attention of the Russian president.

**Russia's foreign policy is wooing the 'world's majority'.** Given the Russian political choices since last year, no 'reset' in relations with the West is either expected or being prepared for. Some hope may still be cherished in Moscow that western determination with regard to Ukraine will crumble, as will the West's resilience in the face of domestic challenges, including energy supply issues. But the conventional wisdom is that the confrontation and the unprecedented level of sanctions are there to

remain. The only thing left to do, then, is to reach out to the rest of the world, beyond the 'West', as it is broadly understood. Russia is trying to capitalise on the grievances that other countries hold against the West, including over its troubled colonial history (Rodkiewicz, 2023). But this does not hold out the promise of an economic effect even remotely comparable to the importance of western investment and technology. So far, closer cooperation with China seems to be the only dimension of Russia's foreign policy readjustment that could have political and economic consequences on a global scale, beyond rhetoric. This is being greatly assisted by the deteriorating relations between Beijing and Washington, as well as other western capitals.

## EXEMPLARY RESISTANCE: UKRAINE HOPES TO PUSH BACK

Stalemate in a conflict is often seen as a good time for the start of negotiations, since both sides have come to the conclusion that they cannot win militarily (Zartman, 2008). The stalemate we are witnessing in the Ukraine war is, however, bound up with preparation: both Russia and Ukraine are trying to build the potential that will let them tilt the balance in their favour in the next round. Ukraine is having to cope with massive human and material losses, which may at times seem desperate; but the morale of Ukrainian society remains high. Ukraine's interpretation of 'victory' suggests a restoration of its territorial integrity to the borders it held following the collapse of the Soviet Union, plus compensation from Russia for its losses and the prosecution of war crimes (Gillett, 2022; Reuters, 2022). While even Ukraine's allies are often sceptical of its ability to achieve all these goals, a more modest success in terms of territorial push-back could have an effect on how the war develops – and not necessarily one that promotes peace. Ukraine is trying to persuade its supporters not to be anxious about an escalation, pointing to Russia's manifold military shortcomings and the impact of a full-scale war, which is already part of the Ukrainian reality, rather than a future risk yet to avoid. The following factors will be critical for Ukraine at war.

**Western military support is key for Ukraine.** The importance of the continued supply of weapons (especially by the US) and of financial support for the Ukrainian government is hard to overstate (IfW Kiel, 2023). Ukraine is pushing the boundaries, demanding more – and more sophisticated – weapons. While the need to support Ukraine is not in doubt among western mainstream politicians, the forms this support should take spark heated debate. Countries that for decades believed that a major war in Europe was unlikely, and that tailored their military industries accordingly, need to adapt 'on the hoof' and to admit the present limitations, which will take time to fix. While Ukraine is known as being a country whose own arms industry has some considerable potential, investment in strengthening this in the midst of a war and in the face of Russian missile attacks is problematic.

**Domestic resilience could be in doubt at election time.** So far, the naturally turbulent politics of Ukraine has demonstrated a remarkable ability to withstand the unprecedented challenges. However, many of the underlying troubles, such as corruption, have only been overshadowed by the war, rather than resolved. Ukraine's EU candidate status – granted far earlier than could possibly have been expected without the war – creates some incentive for further internal transformation, but no guarantee of it. Ukraine is supposed to have parliamentary elections in autumn 2023 and presidential elections in spring 2024. The war may mean that the requisite conditions for holding elections are not in place. And Russia may simultaneously employ tactics that would further complicate the electoral process in Ukraine – and then, if the elections are postponed, claim that the Ukrainian authorities have lost all legitimacy, as

they would be operating beyond their mandated terms. Such a view would not be shared internationally, but it could still have significance in rocking the political boat in Ukraine.

**Ukraine's foreign policy challenges go both west and east.** International support for Ukraine is significant; however, it takes a lot of effort on the part of Ukrainian diplomats to maintain that level, especially when material backing is at stake. Some countries that are in both the EU and NATO (such as Hungary) or in only one of those organisations (such as Turkey) are trying to adopt a stance that deviates from the united approach toward Russia and the war (Spike, 2023; Guillot, 2023). Almost inevitably, at least so far as the general public is concerned, a long war cannot grip constant attention in western countries, preoccupied as they are with their own troubles. Ukraine is also attempting a difficult task with Beijing (Wright and Lukiv, 2023), which has of late demonstrated its open political support for Moscow, though not for Russia's war aims and methods. It is not in the interests of Ukraine to alienate China, but the growing China-Russia cooperation – along with US-China rivalry – could force Kyiv to take sides on this.

## NO APPETITE FOR CEASEFIRE

While the damage that the war has caused Ukraine and (in different ways) Russia is striking, neither state is seeking an exit ramp – something about which would-be international mediators often speculate. For Russia, the war has become a trigger for a domestic reset in political and economic terms. The attempted model of a more closed and militarised society in constant confrontation with the West looks like a recipe for an eventual national disaster, but in the short to medium term it seems to have strengthened the grip of the incumbent leadership on the country. For Ukraine, even if the full restoration of territorial integrity remains a distant goal, the very declaration of such an intention becomes a rallying cry for the various competing groups in the political establishment. The West is determined to draw a line in the sand to show that anyone who attempts the kind of political adventurism favoured by Russia will end up in the abyss. The rest of the world sees the advantage of not being closely attached to either side in the conflict, and can afford to indulge in peace-promoting rhetoric with few or no consequences.

One of the ideas mooted by potential mediators on how to push the sides toward a resolution of the conflict, is to establish a **contact group**. This could bring together a number of countries from all parts of the world in the shared belief that the war must end as soon as possible. This contact group could improve coordination and minimise the ability of the parties in the conflict to exploit contradictions between the major players involved in the peace effort. However, as matters stand today, the contact group would have little hope of succeeding, given the intentions and determination of the warring parties. And that is probably why this form of support for negotiations and the peace process is not yet in use.

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# Trade relations of Eastern Europe with the EU and other global players

BY VASILY ASTROV<sup>1</sup>

*For most East European countries, the EU is far and away their most important trading partner – although in some post-Soviet countries the EU has been losing out to Russia. The EU is also far more ambitious than other global players with respect to trade integration arrangements with the region, and the exports of East European countries to the EU are generally more advanced than are their exports to Russia. However, the differences in trade complementarity on the export and on the import side mean that the benefits of trade integration tend to be asymmetric: the EU emerges as the main beneficiary, while the competitiveness of East European economies often does not improve fundamentally.*

Most East European countries – defined here as the five Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia),<sup>2</sup> Turkey and the six post-Soviet countries covered by the EU Eastern Partnership programme (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) – are small, open economies that are heavily reliant on trade. This underscores the importance that the trade policies of global players such as the EU, the US, China or Russia have on economic developments in those countries. One manifestation of these policies is the various trade integration arrangements that have been concluded between the East European countries and the global players. On the other hand, several countries of the region have been subject to trade sanctions, which have adversely affected their economies. For instance, Belarus has been the target of EU and US sanctions, while Georgia, Moldova and Ukraine have been targeted by Russia.

## THE EU IS THE REGION'S MAIN TRADING PARTNER

Of the various global players, it is the EU that has generally been the main destination for the goods exports of East European countries (Figure 1). This is especially the case for the countries of the Western Balkans: the EU takes between 32% (Montenegro) and 80% (North Macedonia) of their total exports. The Western Balkans and Turkey send around two thirds of their exports to the EU, while for the Eastern Partnership countries the share is roughly one third. Only in Armenia and Belarus is the EU not the most important of the global players in terms of exports: the biggest export destination for those two countries is Russia.

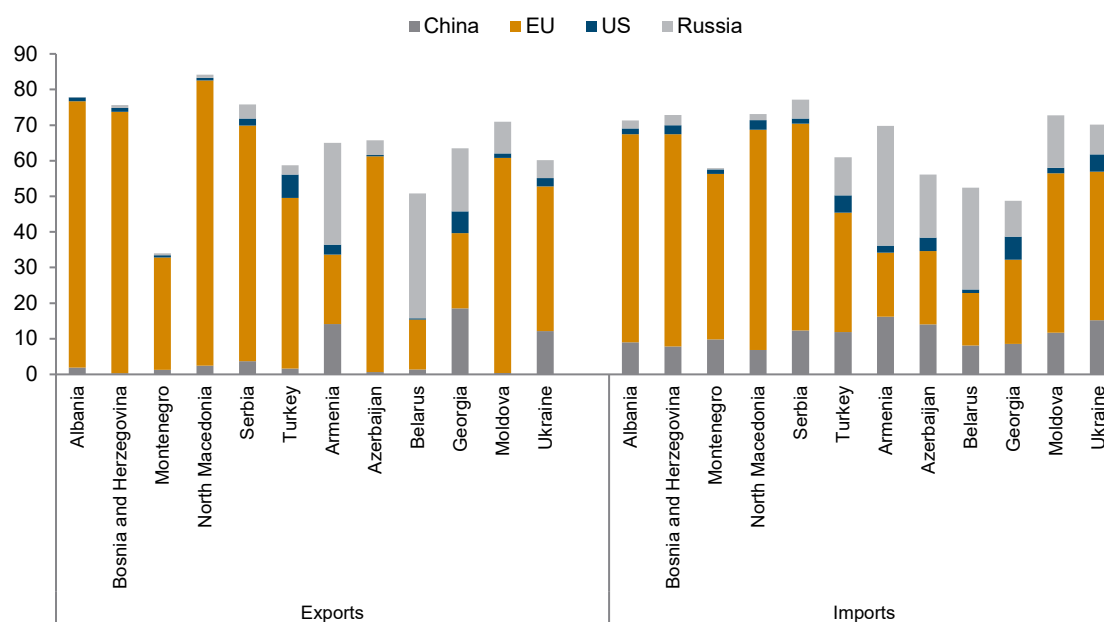
Russia is of greater relative importance as an export destination for the Eastern Partnership countries: in 2021, Belarus sent 35% of its goods exports in that direction, while Armenia (29%) and Georgia (18%) recorded double-digit shares as well. By contrast, Ukraine sent only 5% of its exports to Russia (and that share will almost certainly have declined further since the war started). Outside the Eastern Partnership countries, Russia's importance as an export destination is negligible. Nor are China and the US very

<sup>1</sup> This is an abridged version of a chapter from the joint wiiw-Bertelsmann study, *Keeping Friends Closer: Why the EU should address new geoeconomic realities and get its neighbours back in the fold*, Joint Study No. 2023-02, February 2023.

<sup>2</sup> Kosovo is not covered, due to very limited data availability.

important export destinations for most East European countries, although several Eastern Partnership countries – such as Georgia (19%), Armenia (14%) and Ukraine (12%) – do send more than a tenth of their total goods exports to China.

**Figure 1 / Trade in goods with the EU and other global players in 2021, % of total**



Notes: Data for Albania and North Macedonia from 2020.

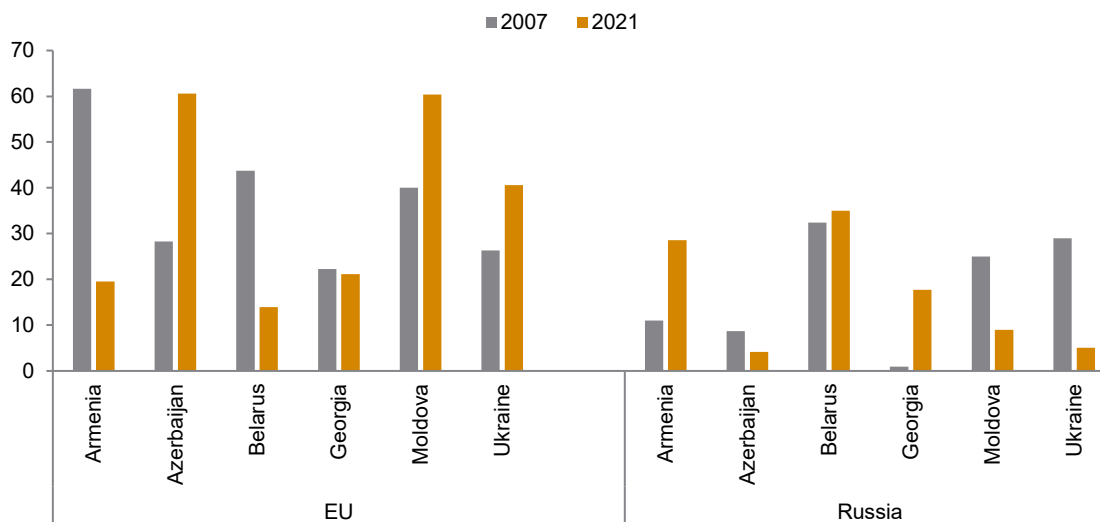
Source: UN COMTRADE-WITS.

On the import side, the gap between the EU and the other global players is generally smaller than on the export side. On average, the EU accounts for only 40% of the East European countries' imports (compared to 49% of their exports), mainly reflecting the higher share of China (11% and 5%, respectively).<sup>3</sup> Still, the EU is the most important source of imports for every country bar Armenia and Belarus, for which Russia is the most important (Figure 1).

The most radical changes in the relative importance of the EU and other global players have occurred in the Eastern Partnership region, which has witnessed movement in opposite directions (Figure 2). In Ukraine and Moldova, which both have Deep and Comprehensive Free Trade Agreements (DCFTAs) with the EU, as well as in Azerbaijan, the EU's importance as an export destination has increased markedly since 2007, whereas Russia's importance has declined. In Moldova, this is a reflection of the country's increasing integration into the automotive industrial cluster with neighbouring Romania, while in Ukraine the dramatic export reorientation towards the EU has been encouraged by geopolitical developments. By contrast, largely opposite developments can be observed in Armenia and Belarus (both part of the Russian-led Eurasian Economic Union, EAEU), as well as in Georgia: in those three countries, the EU's share as an export destination has declined, while that of Russia has increased.

<sup>3</sup> Here and below: simple averages across countries.

**Figure 2 / Goods exports to the EU and Russia, as % of total exports of goods**



Notes: 2007: data for Belarus as of 2008, Georgia and Moldova as of 2009, Ukraine as of 2011.  
 Source: UN COMTRADE-WITS.

## EXPORTS TO THE EU MORE ADVANCED THAN TO RUSSIA

Table 1 summarises the most important products/product groups in the exports of the East European countries to the EU. One can generally see a big difference between the Western Balkans and Turkey, on the one hand, and the Eastern Partnership countries, on the other. Exports of the former are relatively sophisticated and heavily focused on manufactured goods, machinery and transport equipment, and miscellaneous manufactured articles. For instance, machinery and transport equipment account for 39% of exports from North Macedonia, 34% from Turkey and 33% from Serbia, with all those countries specialising heavily in the production of cars and components destined for European markets.

The commodity pattern of the Eastern Partnership countries' exports to the EU is generally less advanced. For instance, 53% of Georgian exports are made up of crude materials (largely iron ore), while those of Azerbaijan consist almost entirely of fuels. Moldova is the only country in the Eastern Partnership region with a high degree of specialisation in machinery and transport equipment. This is an entirely new phenomenon: the share of machinery and transport equipment in Moldova's exports to the EU soared from only 3% in 2011 to 30% in 2021. This is only partly attributable to the DCFTA with the EU: the first marked jump (of nearly 20 percentage points) occurred back in 2012 – well before the DCFTA was signed.



**Table 1 / Major export products to the EU in 2021**

	0	2	3	5	6	7	8	9
	Food	Crude materials	Fuels	Chemicals	Manuf. goods	Machinery	Misc.	Non-classified
Albania							x	x
Bosnia and Herz.					x	x	x	
Montenegro		x	x		x	x		
North Macedonia				x		x		
Serbia					x	x		
Turkey					x	x	x	
Armenia		x			x			
Azerbaijan			x					
Belarus		x			x			
Georgia	x	x						
Moldova	x					x		
Ukraine		x			x			

Notes: 2020 for Albania and North Macedonia. Product groups according to the SITC classification at the one-digit level, accounting for at least 15% of total merchandise exports of the respective country to the EU. 0: Food and live animals; 2: Crude materials, inedible, except fuels; 3: Mineral fuels, lubricants and related materials; 5: Chemicals and related products not elsewhere classified; 6: Manufactured goods classified chiefly by material; 7: Machinery and transport equipment; 8: Miscellaneous manufactured articles; 9: Commodities not classified elsewhere in the SITC.

Source: own elaboration, based on UN COMTRADE-WITS data.

How does this compare to the structure of exports to Russia? Table 2 demonstrates the prominent role of food and beverages in the exports of Eastern Partnership countries to Russia – much more so than to the EU. The likely explanations for this are geographical proximity and history – for example, the renown that Georgian wines and Armenian cognac enjoy in Russia dates back to Soviet (or even pre-Soviet) times. By contrast, food exports to the EU are often constrained by the quantitative restrictions still in place (such as tariff quotas) and limited knowledge of their products, as well as by the large subsidies granted to European farmers via the EU Common Agricultural Policy.

**Table 2 / Major export products of Eastern Partnership countries to Russia in 2021**

	0	1	2	5	6	7	8
	Food	Beverages	Crude materials	Chemicals	Manuf. goods	Machinery	Misc.
Armenia	x	x					x
Azerbaijan	x			x			
Belarus	x				x	x	
Georgia	x	x			x		
Moldova	x						
Ukraine			x		x	x	

Notes: Product groups according to the SITC classification at the one-digit level, accounting for at least 15% of total merchandise exports of the respective country to Russia. 0: Food and live animals; 1: Beverages and tobacco; 2: Crude materials, inedible, except fuels; 5: Chemicals and related products not elsewhere classified; 6: Manufactured goods classified chiefly by material; 7: Machinery and transport equipment; 8: Miscellaneous manufactured articles.

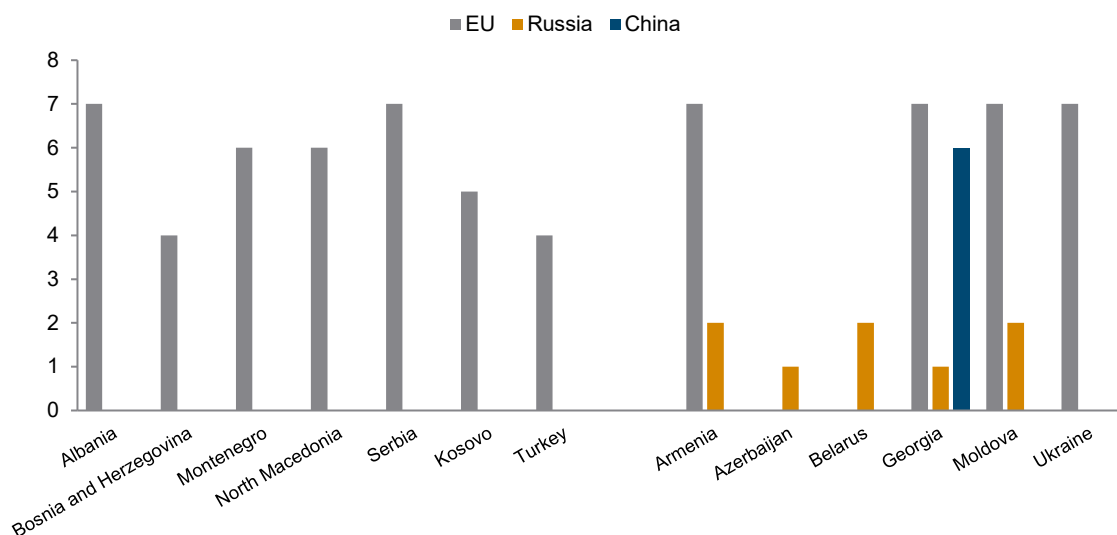
Source: own elaboration based on UN COMTRADE-WITS data.

## TRADE AGREEMENTS WITH THE EU ARE PARTICULARLY AMBITIOUS

The importance of the EU as a trading partner for East European countries is partly a reflection of geographical proximity, but also of existing trade arrangements. All of them, except Azerbaijan and Belarus, have some sort of free trade agreement (FTA) with the EU. Besides, nearly all the Eastern Partnership countries (apart from Ukraine) and Serbia have a free trade regime with Russia or one of the Russian-led trade blocs: the EAEU or the Commonwealth of Independent States Free Trade Area (CISFTA). Among the countries in question, only Georgia has an FTA with China, and none has a free trade regime with the US.

These FTAs vary greatly with respect to their scope and trade facilitation potential: those with the EU tend to be the 'deepest' (Figure 3). The DCFTAs with Georgia, Moldova and Ukraine, the Comprehensive and Enhanced Partnership Agreement (CEPA) with Armenia, and two of the EU's Stabilisation and Association Agreements (SAAs) – with Albania and Serbia – are particularly deep. They cover a wide range of areas beyond mere trade liberalisation – such as intellectual property rights protection, public procurement, technical barriers to trade, trade in services, investments and competition rules. In general, the depth of SAAs signed with the Western Balkan countries, as well as of the EU Association Agreement with Turkey, should come as no surprise, since those countries (with the exception of Bosnia and Herzegovina) are officially recognised as EU accession candidates. More of a surprise is the depth of the DCFTAs with Georgia, Moldova and Ukraine: they required those countries to effectively implement all the EU *Acquis communautaire* – but without the 'carrot' of EU membership, at least until recently (Ukraine and Moldova were finally granted EU candidate status in June 2022).

**Figure 3 / Index of depth of FTAs with the EU, Russia and China**



Notes: The depth index is a simple additive index of seven key statements that can be part of an FTA: tariff reduction, intellectual property rights protection, government purchases, technical barriers to trade, services, investments and competition. The index can vary from 0 (no key statement is covered by the FTA) to 7 (all key statements are covered), with higher values indicating a deeper FTA. Data for Serbia-EAEU FTA unavailable.

Source: A. Dür, L. Baccini and M. Elsig (2014). The design of international trade agreements: Introducing a new dataset. *Review of International Organizations*, 9(3): 353-375. Version 2.1 (2022).

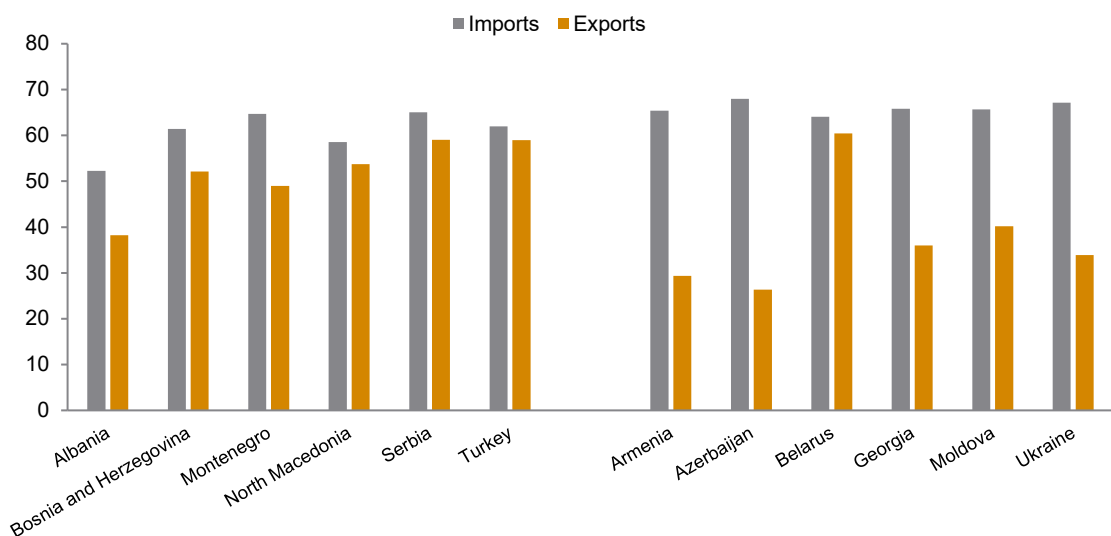
The FTA between Georgia and China is also quite ‘deep’, but those with Russia are much shallower. In no Eastern Partnership country does the FTA depth index with Russia go beyond 2 (Figure 3). This is the case even for Armenia and Belarus, which are part of the EAEU with Russia (formally Belarus is even part of a common Union State with Russia).

## THE BENEFITS OF TRADE INTEGRATION ARE ASYMMETRIC

One way of assessing the potential advantages of (deeper) trade integration of East European countries with the EU and other global players is to calculate the so-called Trade Complementarity Index (TCI).<sup>4</sup> The TCIs of East European countries in trade with the EU are presented in Figure 4.

First, one can see marked differences between the sub-regions. While import-side TCIs are broadly similar across the countries of the two groups, this is not the case for export-side TCIs: in the Western Balkans and Turkey, export-side TCIs are much higher than in the Eastern Partnership countries (except Belarus). Because of this, the overall trade complementarity of the Western Balkans and Turkey with the EU is also higher, indicating a greater potential for trade integration.

**Figure 4 / Trade Complementarity Index in trade with the EU, 2019**



Notes: 2018 for Albania, Montenegro, Belarus, Moldova and Ukraine. 0 corresponds to no trade complementarity, 100 to full trade complementarity with the EU.

Source: WITS-COMTRADE.

Second, the import-side TCIs of East European countries are *everywhere* higher than the export-side TCIs, emphasising a stronger reliance of East European countries on the EU, rather than vice versa. Intuitively, this makes sense: the EU is a very big and advanced economy that exports a wide range of

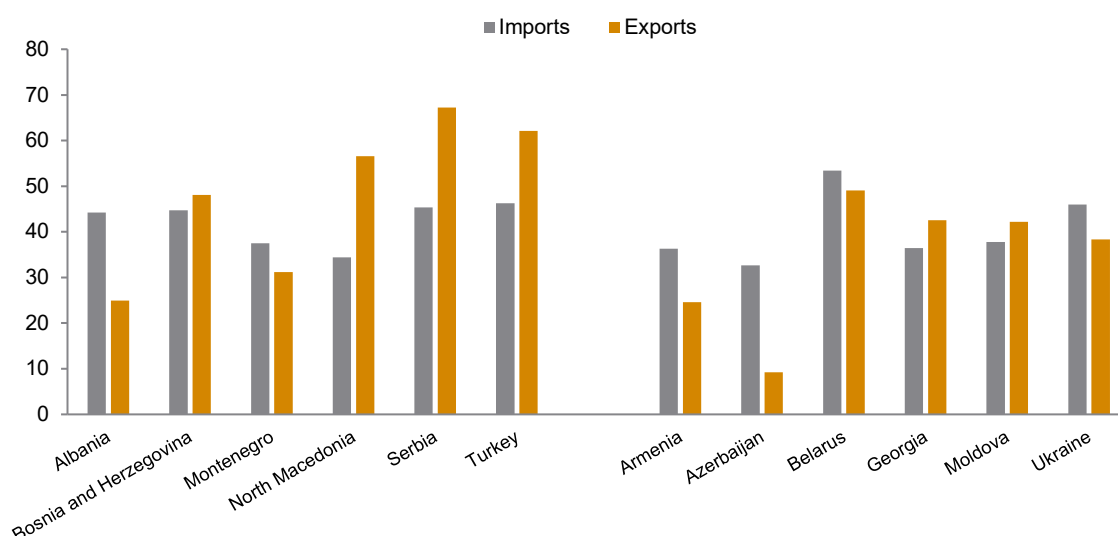
<sup>4</sup> TCI ranges from 0 to 100 and indicates the extent to which the export profile of a country matches the import profile of its trading partner. A TCI value of 100 corresponds to perfect trade complementarity, and vice versa. An export-side TCI of 100 means that the East European country exports exactly what its trading partner imports. Conversely, an import-side TCI of 100 means that the East European country imports exactly what its trading partner exports. In general, a high value of export-side TCI would suggest that the East European country is likely to gain from increased trade with the partner, while a high value of the import-side TCI would suggest trade gains for the partner.

largely sophisticated goods – goods that each East European country imports. Therefore, one would expect a good match between the export profile of the EU and the import profiles of East European countries. The match between the export profiles of the East European countries and the import profile of the EU is bound to be lower: most East European countries are small or very small economies that specialise in a narrow range of not very sophisticated commodities, while the EU's import profile is much more diversified.

The asymmetry between TCIs on the export and on the import side squares well with observed trade developments. Even those countries with an SAA or DCFTA mostly continue to run big trade deficits with the EU – even after many years. This implies that the EU's current model of trade integration does not fundamentally improve the competitiveness of East European countries – and at worst reinforces a subservient trading relationship. The very clear exception to this is North Macedonia, where there has been a marked improvement in the trade balance with the EU in recent years, thanks to strong exports in the automotive sector. But even in North Macedonia, it took more than a decade after the SAA came into force for the trade deficit with the EU to switch into surplus.

Similar conclusions could be drawn with respect to the benefits of (deeper) trade integration of EU East European countries with the US (and, to a lesser extent, China). However, the pattern that emerges with respect to Russia (Figure 5) is very different: for half of the East European countries, the import-side TCIs in trade with Russia are lower than the export-side TCIs. This is not surprising, given that Russia's export specialisation is far narrower and less advanced than that of the EU, the US or China. The implication is that the (deeper) trade integration of many East European countries with Russia would likely benefit them more (relatively speaking) than Russia. This may be of relevance in countries such as Serbia and Moldova, where Russia's influence is already quite strong and where it could potentially deploy the 'carrot' of integration advantages in shaping its foreign policy with respect to those countries.

**Figure 5 / Trade Complementarity Index in trade with Russia, 2018**



Notes: 0 corresponds to no trade complementarity, 100 to full trade complementarity.

Source: WITS-COMTRADE.

## CONCLUSIONS

The EU is far and away the most important trading partner for most East European countries. However, those countries covered by the EU Eastern Partnership have witnessed fierce trade competition between the EU and Russia: some countries (Moldova, Ukraine and Azerbaijan) have gone the way of the EU, while others (Armenia, Belarus and Georgia) have become closer to Russia. In terms of export specialisation in trade with the EU, the Western Balkans and Turkey outperform the Eastern Partnership countries, although some of the latter – notably Moldova – have displayed an impressive improvement over the past decade (starting from a low level). The structure of East European countries' exports to Russia is generally less advanced than to the EU.

The EU is much more ambitious than other global players with respect to its trade integration arrangements with the East European countries, while those countries' free trade agreements with Russia tend to be very shallow. However, because of the differences in trade complementarity on the export and on the import side, the benefits of trade integration between the EU and East European countries tend to be asymmetric: the EU emerges as the main beneficiary, while the competitiveness of East European economies often does not improve fundamentally.

# Financial linkages of Eastern Europe with the EU and other global players

BY OLGA PINDYUK<sup>1</sup>

*The EU remains the main source of capital for Eastern Europe, in terms of both FDI and banking sector domination. Besides, the bloc is an important source of budgetary support for the region and has provided unprecedented assistance to Ukraine since the start of the war. However, China's influence in the region has also been growing, especially in the Western Balkans and Turkey, largely within the framework of the Belt and Road Initiative.*

The EU plays an important role as a source of foreign capital for many East European countries – defined here as the six Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia), Turkey and the six post-Soviet countries covered by the EU Eastern Partnership programme (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). Linkages are strongest with the Western Balkans and Turkey.

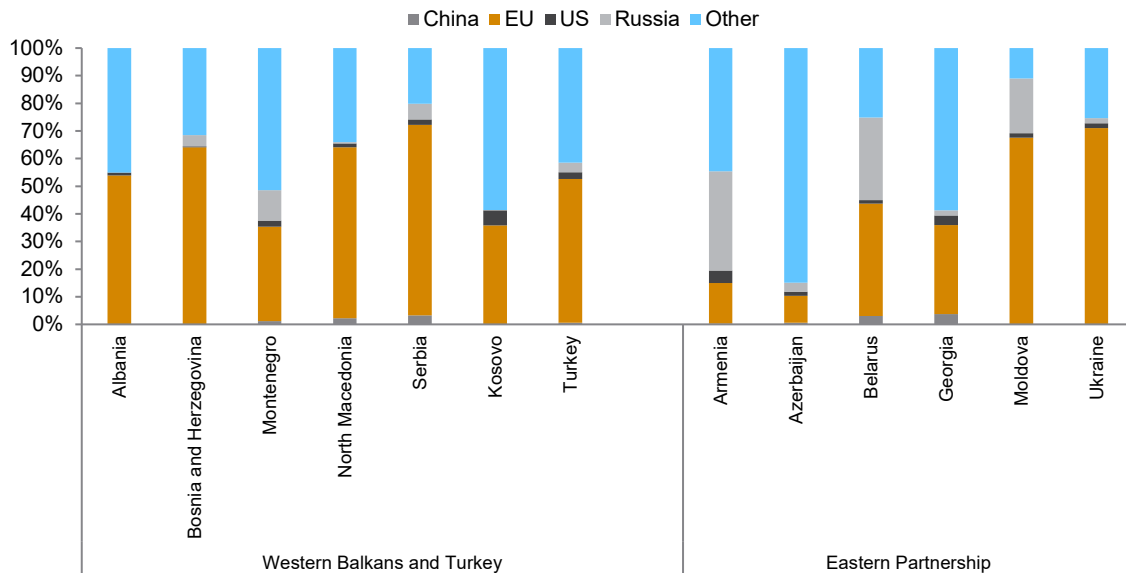
## THE EU IS STILL THE MAIN SOURCE OF FDI ...

First, the EU has been the main source of foreign direct investment (FDI), significantly outpacing its main geoeconomic rivals in the region – the US, China and Russia. The bloc accounts for the lion's share of inward FDI stocks in most countries of the Western Balkans and Turkey (see Figure 1), except for Montenegro and Kosovo, where it accounts for about a third. Ukraine and Moldova stand out in the Eastern Partnership as countries where the EU is far and away the most important foreign investor, accounting for 71% and 67%, respectively, of inward FDI stock in 2020. In Belarus and Georgia, the EU is a relatively important investor as well (41% and 32% of inward FDI stock, respectively), while investment in Armenia and Azerbaijan has been barely significant.<sup>2</sup>

Russia has a relatively large share of inward FDI stock only in Belarus, Moldova and Armenia. To date, China has not played any serious role as a source of FDI in the region, as its primary modus operandi in the region has been via the debt financing of investment projects within the framework of its Belt and Road Initiative (BRI).

<sup>1</sup> This is an abridged and updated version of a chapter from the joint wiiw-Bertelsmann study, *Keeping Friends Closer: Why the EU should address new geoeconomic realities and get its neighbours back in the fold*, Joint Study No. 2023-02, February 2023.

<sup>2</sup> Several other countries are important investors in the region: Canada, the United Kingdom, Switzerland and certain Persian Gulf economies.

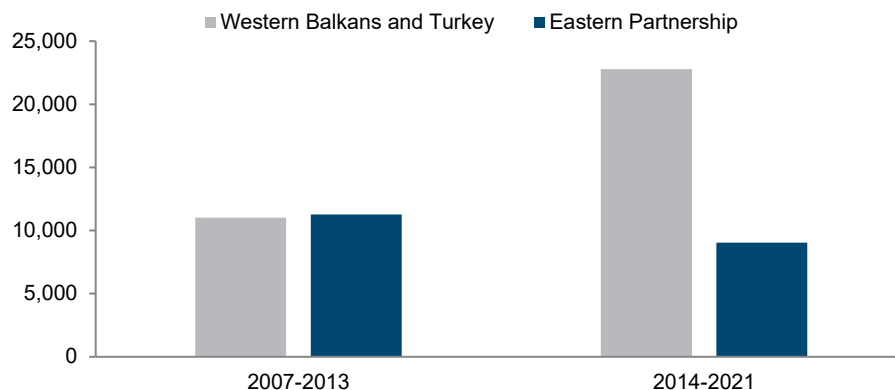
**Figure 1 / Geographical structure of inward FDI stock in 2020**

Note: Montenegro has a big share of unallocated FDI stocks.

Source: wiiw FDI database, national banks, EU Commission, IMF.

### ... BUT CHINA HAS BEEN INCREASING ITS INFLUENCE

Figure 2 shows the value of China's overseas investment via debt and other instruments. During 2007-2021, the value of Chinese debt-financed investment in the Western Balkans and Turkey exceeded USD 33bn, which is more than ten times greater than the value of its FDI stock there. The subregion's significance as an investment destination for China increased during 2014-2021, when the debt-financed investment value there more than doubled, compared to 2007-2013. Most of the investment during 2014-2021 went to Serbia, which accounted for 62.8% of China's investment in the subregion; meanwhile Turkey lost its relative importance as a destination for Chinese investment, with its share decreasing from 79.2% in 2007-2013 to 24.7% in 2014-2021.

**Figure 2 / Value of China's overseas investment via debt and other instruments (including Belt and Road Initiative), USD million**

Source: China Global Investment Tracker dataset, <https://www.aei.org/china-global-investment-tracker/>.

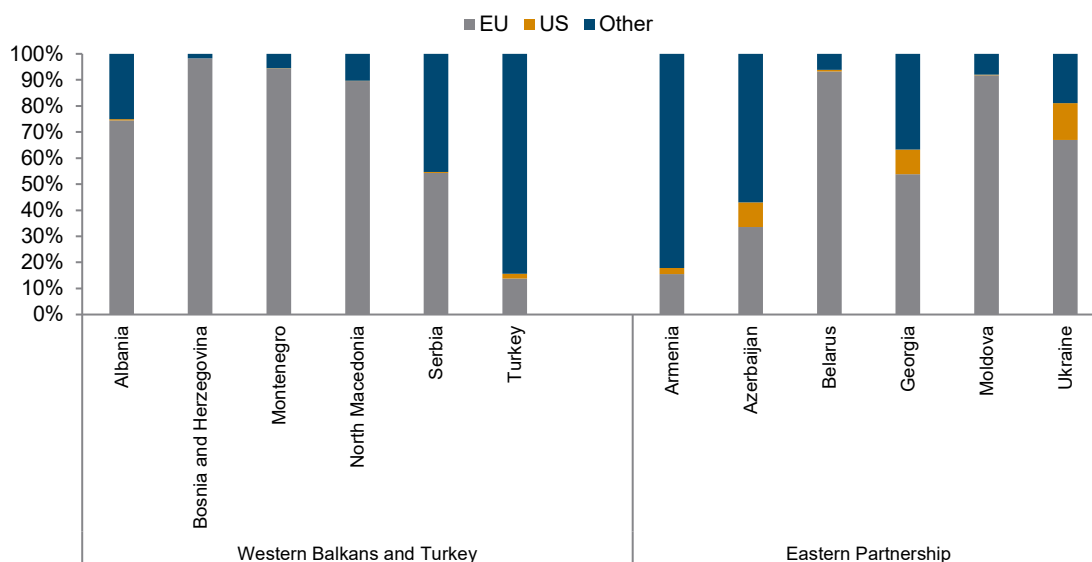
The Eastern Partnership continues to hold little attraction for Chinese investors – as evidenced by a fall in the value of their investment there in 2014-2021, compared to the period 2007-2013. This may well have been at least partly influenced by the instability in the region caused by Russia’s annexation of Crimea and the outbreak of the military conflict in Donbas in 2014.

### FOREIGN ASSETS OF THE BANKING SECTORS DOMINATED BY EU BANKS

The EU and other global players have also established linkages with East European countries via the banking sector. Figure 3 shows the shares of EU and rival banks in the total foreign assets of the banking sector in 2020. EU banks are the main foreign banks in many countries of the region: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia in the Western Balkans; Belarus, Georgia, Moldova and Ukraine in the Eastern Partnership. This points to the high interconnectivity between the banking sectors of the region and the EU.

Among other global players, only US banks present any competition to the EU in the banking sector (but mostly only in Ukraine). Turkey, Armenia and Azerbaijan have a high share of foreign assets from other countries: the UK, Persian Gulf and some Asian countries account for a significant share of assets there; Russia is likely to have a notable share in some of the Eastern Partnership countries.

**Figure 3 / Share of the EU and other global players in total foreign assets of the banking sector in 2021**



Note: Consolidated foreign claims on a guarantor basis. Russia and China are absent from the figure because there are no data on them; however, based on the evidence available, their role in the banking systems of the region is not very significant, apart from in a few Eastern Partnership countries, where Russian banks are likely to have a significant presence. Source: BIS, wiiw calculations.

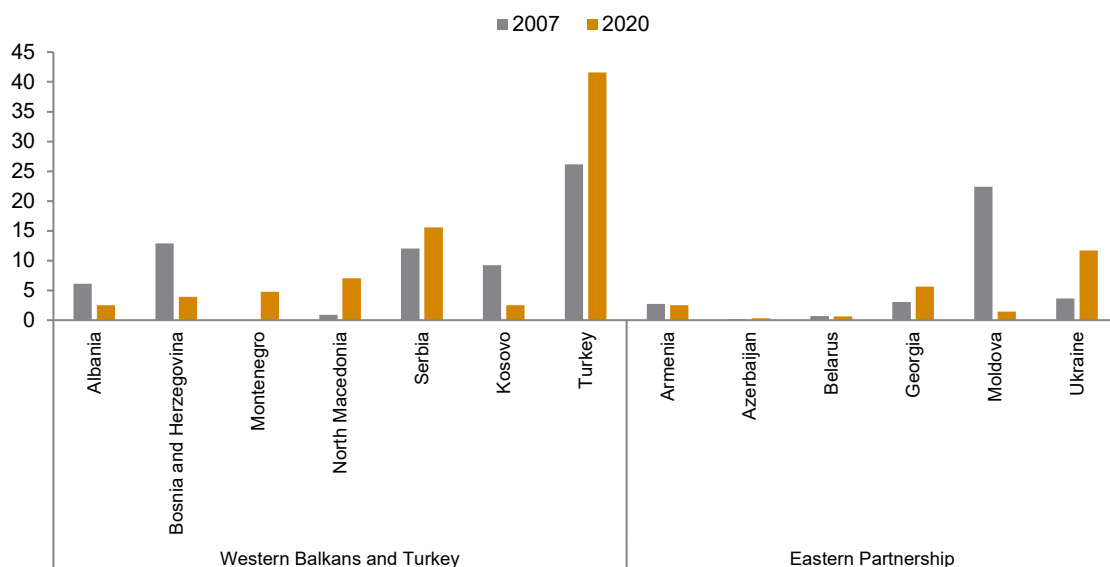


## THE WESTERN BALKANS AND TURKEY ARE THE BIGGEST RECIPIENTS OF EU BUDGETARY SUPPORT

The EU is one of the world's top providers of budgetary support, which involves direct financial transfers to public bodies and private companies of partner countries that are required to conduct sustainable development reforms.<sup>3</sup> Total consumed budgetary support to the Western Balkans and Turkey and the Eastern Partnership countries from the EU amounted to EUR 2.4bn in 2020.

The breakdown of commitments by country (see Figure 4) shows that Turkey remains the largest recipient of EU budgetary support in terms of volume (42% of total support allocated to the region in 2020), followed by Serbia (16%). The lowest levels of budgetary support were allocated to Azerbaijan and Belarus (0.3% and 0.6%, respectively). The Western Balkans and Turkey have clearly become more important than the Eastern Partnership region as a destination for EU budgetary support: their share of total EU budget support to the region rose by about 10 percentage points after 2007, to reach 78% in 2020.

**Figure 4 / Shares of East European countries, as a percentage of total consumed EU budget support to the region**



Source: European Commission.

<sup>3</sup> Due to data limitations and compatibility challenges, here we only refer to budgetary support provided by the EU as a whole. However, budgetary support often comes directly from individual EU member states. As a result, the figures referred to in this section represent only part of the full EU budgetary support received by East European countries.

## IMPACT OF RUSSIA'S WAR IN UKRAINE

Russia's full-scale invasion of Ukraine has had a profound effect on the EU's financial interconnectivity with the region, particularly with its Eastern Neighbourhood. As well as granting EU candidate status to Ukraine (and Moldova), the EU has substantially increased its budgetary support for Ukraine. As of March 2023, the EU, its member states and European financial institutions have collectively mobilised EUR 35.9bn in budgetary assistance for Ukraine since the beginning of the war;<sup>4</sup> that is more than ten times greater than the total amount of budgetary support allocated to the country over the previous ten years. Belarus, by contrast, has become more isolated from the EU due to the economic sanctions imposed on it in the wake of the Ryanair incident, and later for its support of Russia's military aggression.

Besides, the war has interrupted the post-COVID-19 recovery of FDI inflows to many countries of the region. That said, some countries do appear to have been able to benefit from the acceleration in the EU's green transition and the relocation of European companies away from the war zone.<sup>5</sup> China's ambitions in the region have strengthened, as evidenced by the high value of its greenfield investment projects. Russia, on the contrary, has been withdrawing its financial presence from the region, as it needs to deal with its own economic problems, caused by the unprecedented level of economic sanctions imposed by the West.

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<sup>4</sup> Source: A. Antezza et al., Ukraine Support Tracker, Kiel Institute for the World Economy, <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/>.

<sup>5</sup> See O. Pindyuk (2022), Strong post-COVID FDI rebound likely to be short lived, wiiw Monthly Report No. 5.

# Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **22 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures trends in the real and monetary sectors of the economy, in the labour market, as well as in the financial and external sectors.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: <https://data.wiiw.ac.at/monthly-database.html>. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

## Conventional signs and abbreviations used

%	per cent
ER	exchange rate
GDP	Gross Domestic Product
HICP	Harmonised Index of Consumer Prices (for new EU member states)
LFS	Labour Force Survey
NPISHs	Non-profit institutions serving households
p.a.	per annum
PPI	Producer Price Index
reg.	registered
y-o-y	year on year

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RSD	Serbian dinar
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RUB	Russian rouble
BGN	Bulgarian lev	MKD	Macedonian denar	TRY	Turkish lira
BYN	Belarusian rouble	PLN	Polish zloty	UAH	Ukrainian hryvnia
CZK	Czech koruna	RON	Romanian leu		

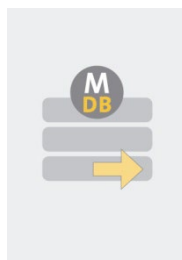
EUR euro – national currency for Montenegro, Kosovo and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before), Slovenia (from January 2007, euro-fixed before) and Croatia (from January 2023, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

### Online database access



**wiiw Annual Database**



**wiiw Monthly Database**



**wiiw FDI Database**

The wiiw databases are accessible via a simple web interface, with only one password needed to access all databases (and all wiiw publications).

You may access the databases here: <https://data.wiiw.ac.at>.

If you have not yet registered, you can do so here: <https://wiiw.ac.at/register.html>.

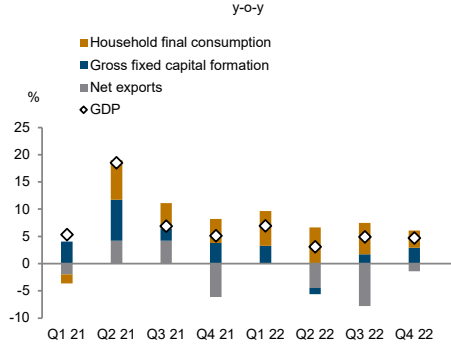
### Service package available

We offer an additional service package that allows you to access all databases – a wiiw Membership, at a price of € 2,700. Your usual package will, of course, remain available as well.

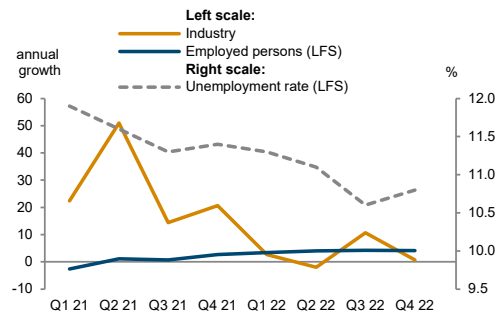
For more information on database access for Members and on Membership conditions, please contact Ms. Barbara Pill ([pill@wiiw.ac.at](mailto:pill@wiiw.ac.at)), phone: (+43-1) 533 66 10.

# Albania

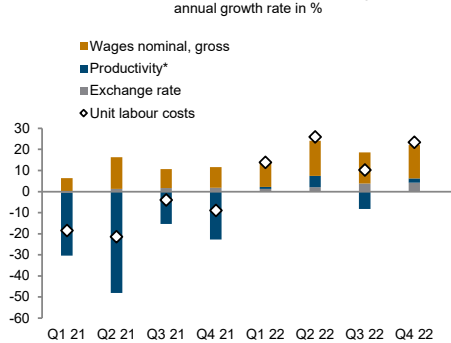
### Real GDP growth and contributions



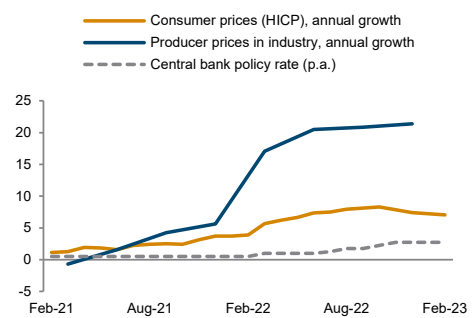
### Real sector development



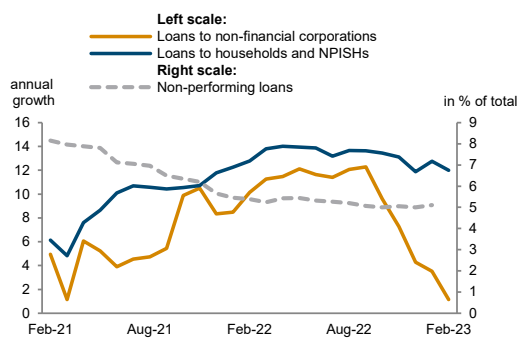
### Unit labour costs in industry



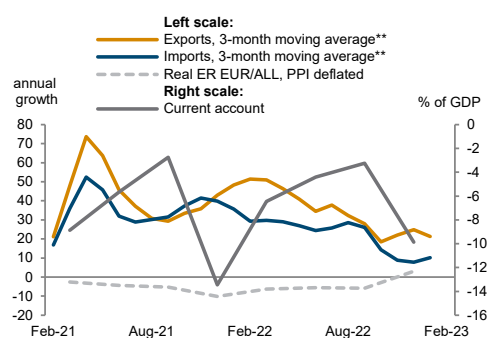
### Inflation and policy rate



### Financial indicators



### External sector development



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

\*\*EUR based.

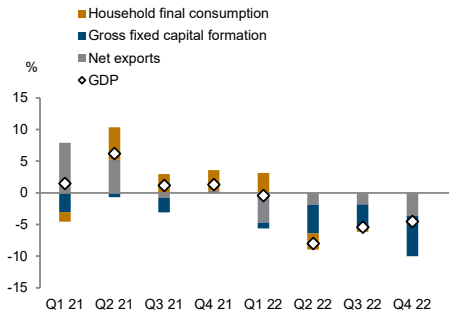
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

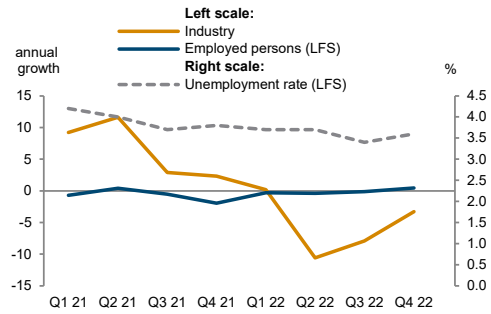
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# Belarus

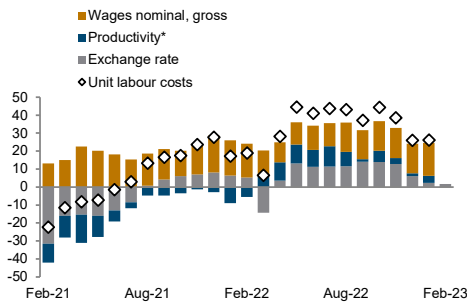
**Real GDP growth and contributions**  
y-o-y



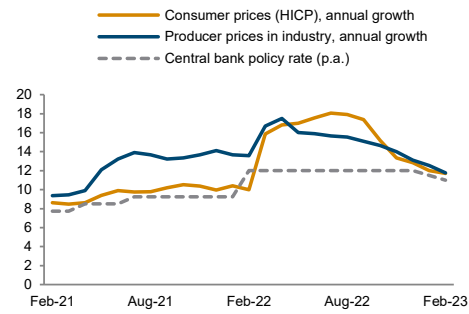
**Real sector development**  
in %



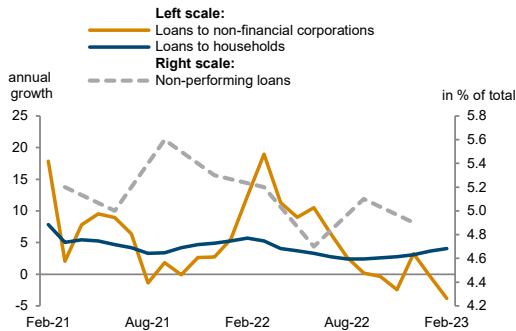
**Unit labour costs in industry**  
annual growth rate in %



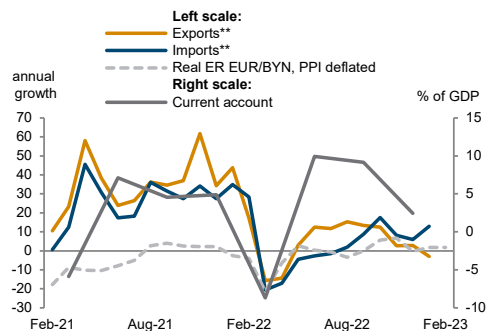
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

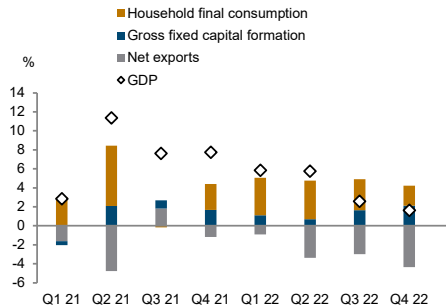
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

# Bosnia and Herzegovina

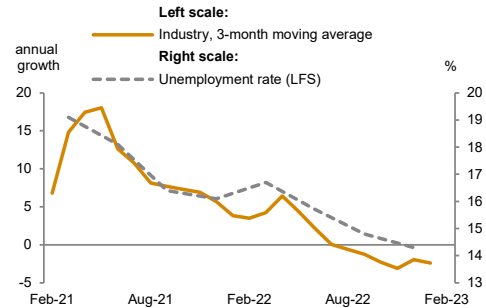
### Real GDP growth and contributions

y-o-y



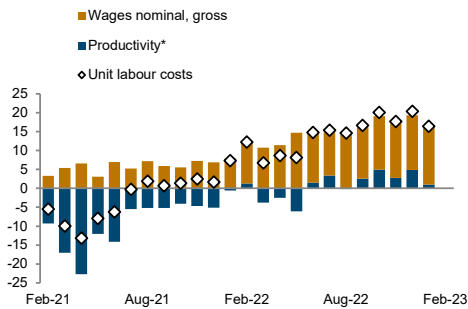
### Real sector development

in %



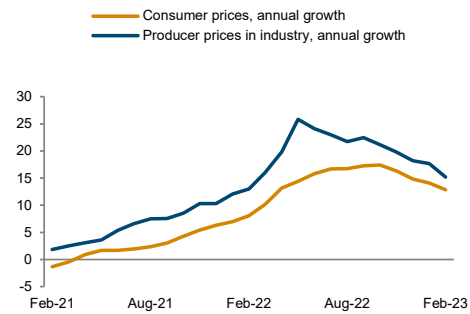
### Unit labour costs in industry

annual growth rate in %



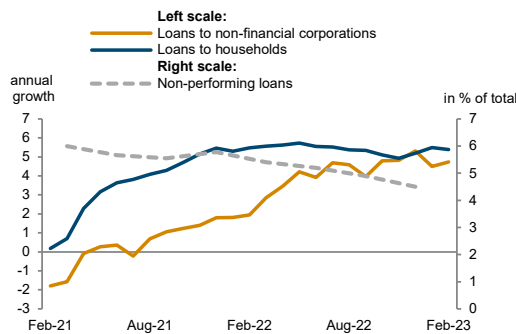
### Inflation

in %



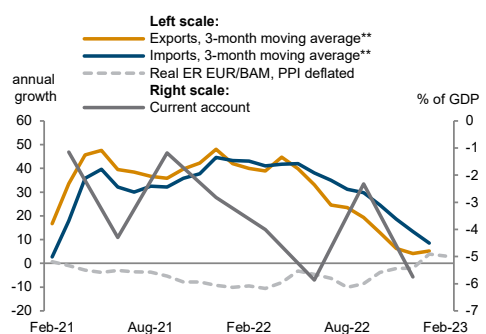
### Financial indicators

in %



### External sector development

in %



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

\*\*EUR based.

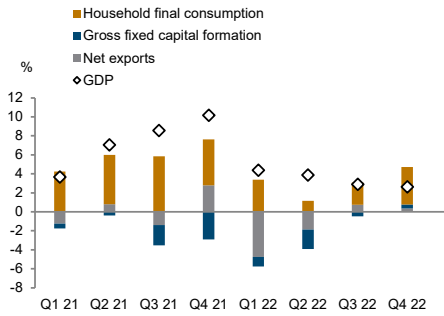
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

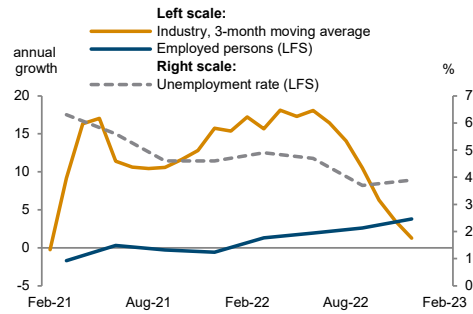
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# Bulgaria

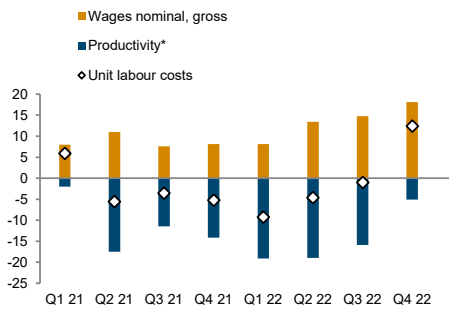
**Real GDP growth and contributions**  
y-o-y



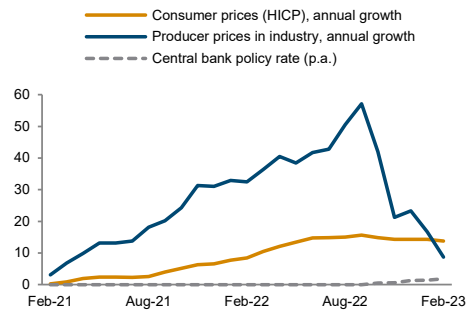
**Real sector development**  
in %



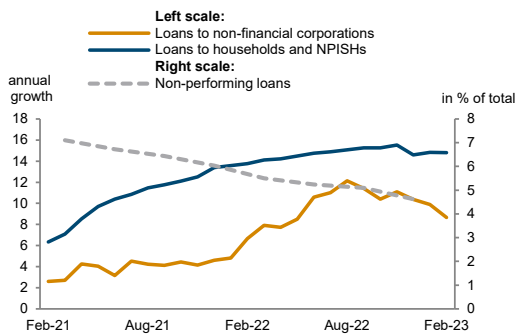
**Unit labour costs in industry**  
annual growth rate in %



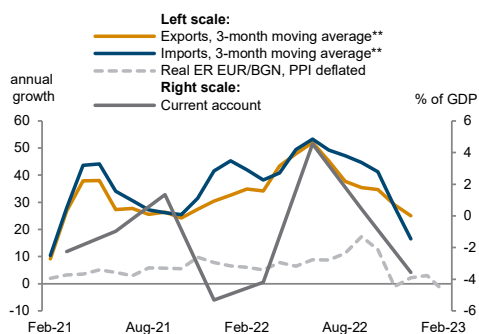
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

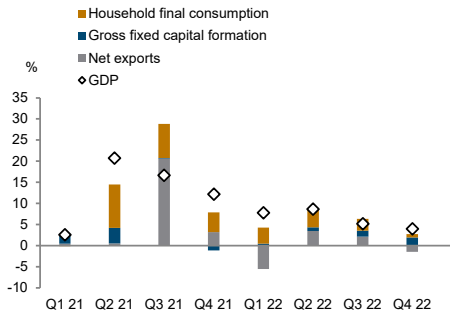
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

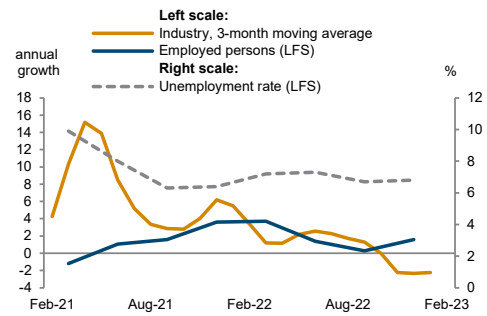


# Croatia

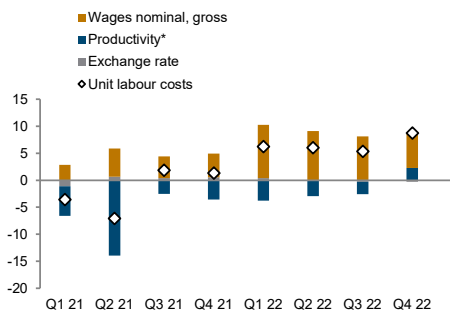
**Real GDP growth and contributions**  
y-o-y



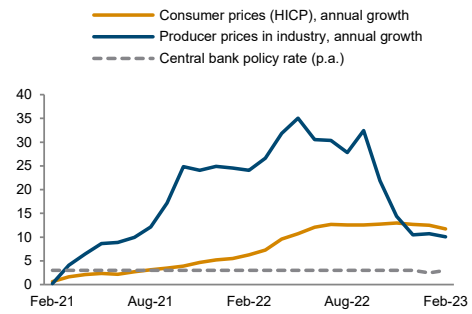
**Real sector development**  
in %



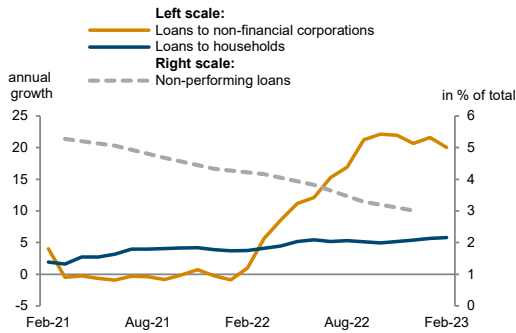
**Unit labour costs in industry**  
annual growth rate in %



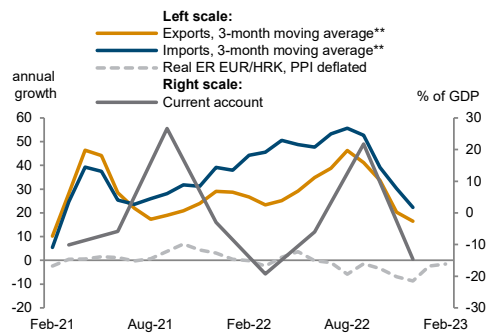
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %

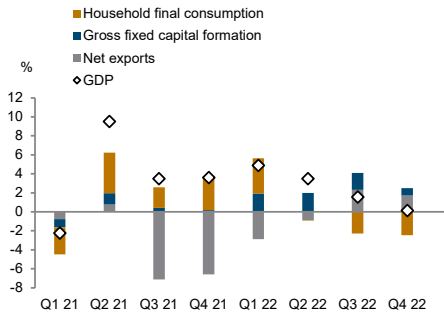


\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

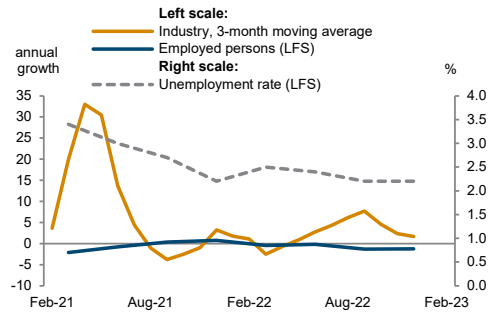
Source: wiiw Monthly Database incorporating Eurostat and national statistics.  
Baseline data, country-specific definitions and methodological breaks in time series are available under:  
<https://data.wiiw.ac.at/monthly-database.html>

# Czechia

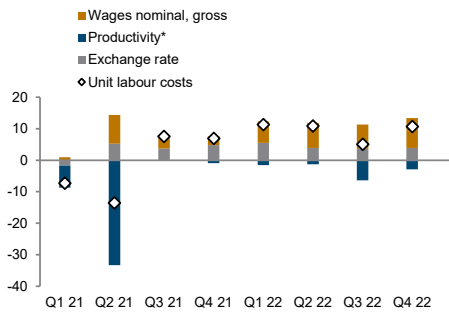
**Real GDP growth and contributions**  
y-o-y



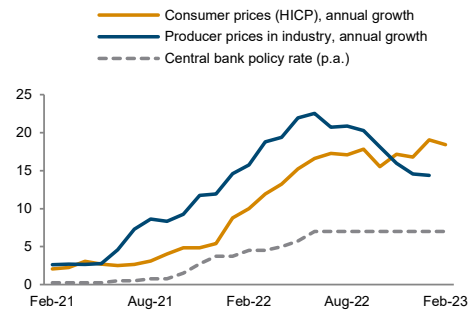
**Real sector development**  
in %



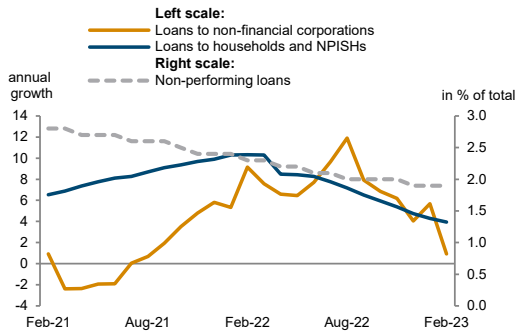
**Unit labour costs in industry**  
annual growth rate in %



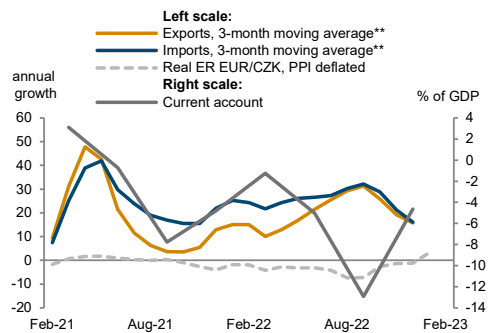
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

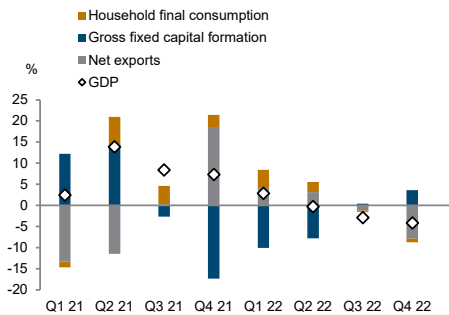
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

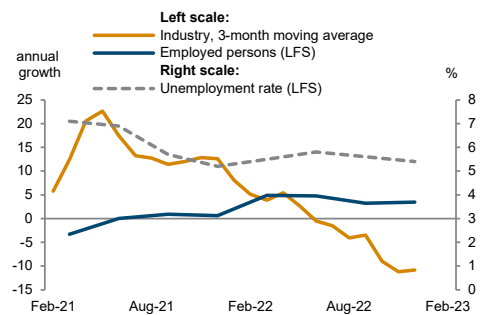
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## Estonia

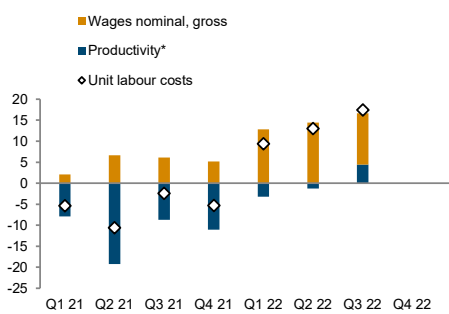
**Real GDP growth and contributions**  
y-o-y



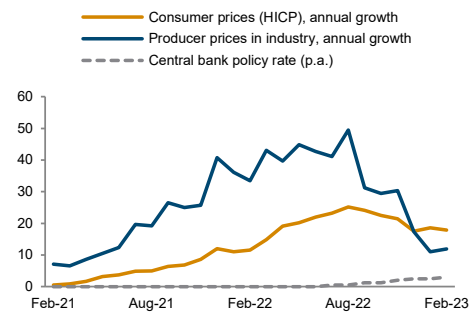
**Real sector development**  
in %



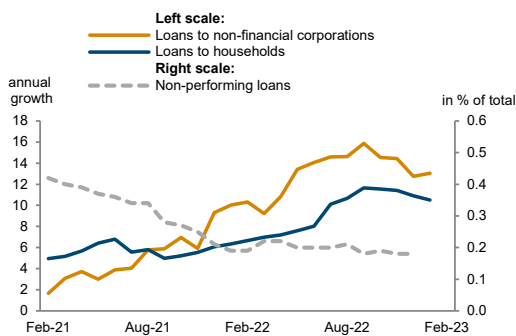
**Unit labour costs in industry**  
annual growth rate in %



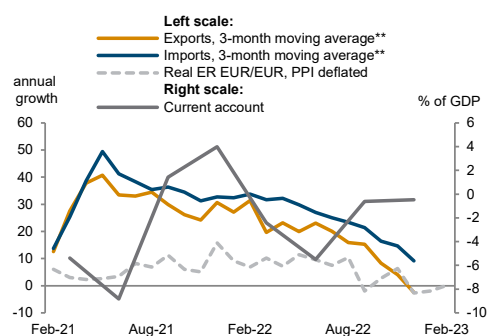
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

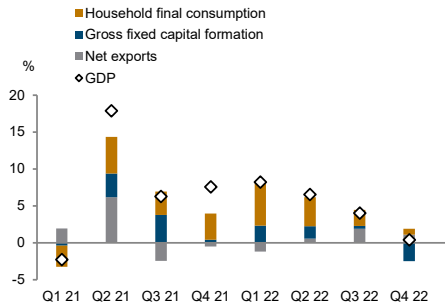
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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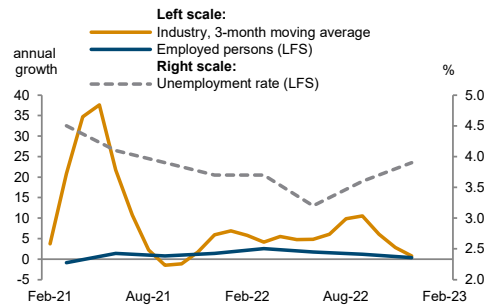
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# Hungary

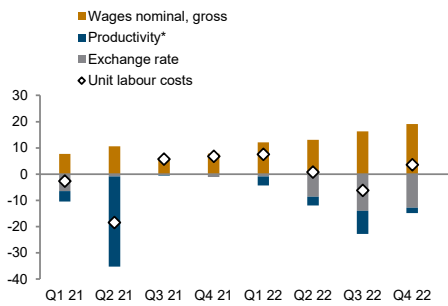
**Real GDP growth and contributions**  
y-o-y



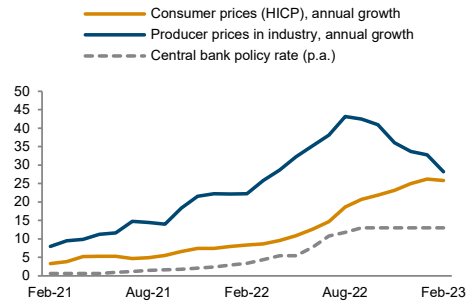
**Real sector development**  
in %



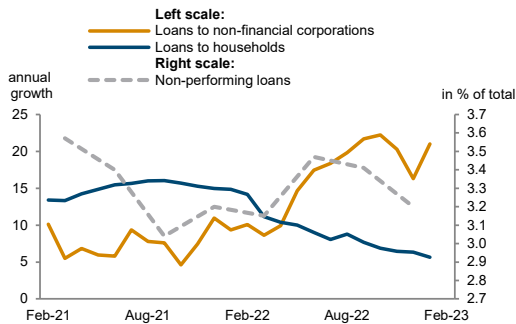
**Unit labour costs in industry**  
annual growth rate in %



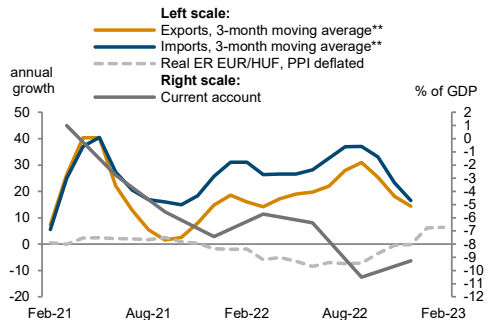
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

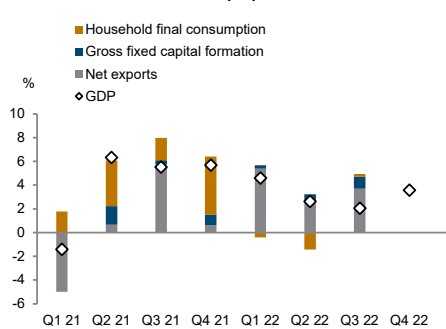
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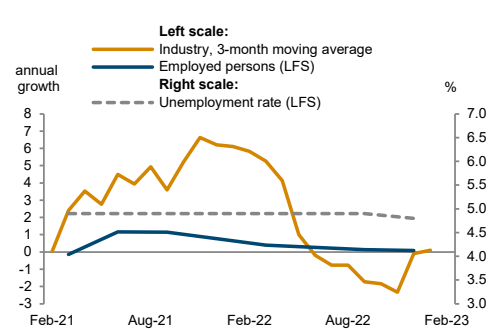
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# Kazakhstan

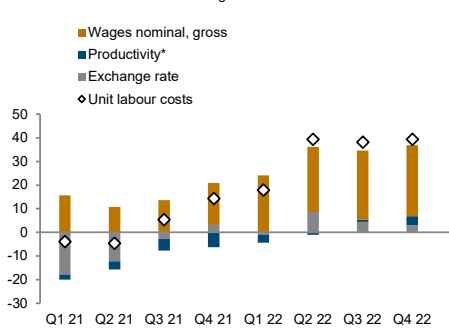
### Real GDP growth and contributions



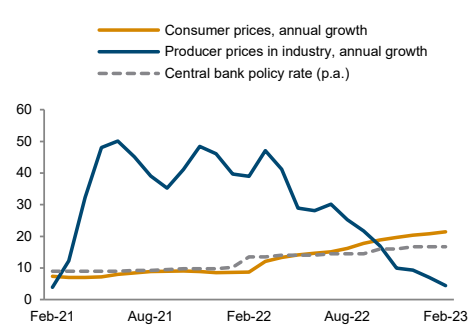
### Real sector development



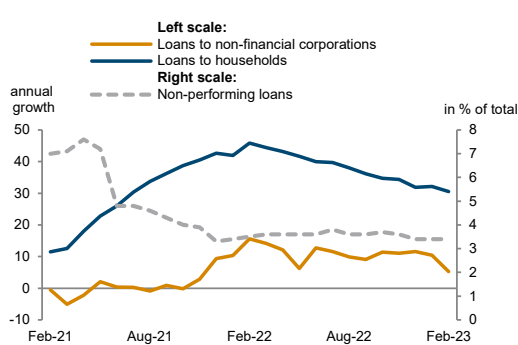
### Unit labour costs in industry



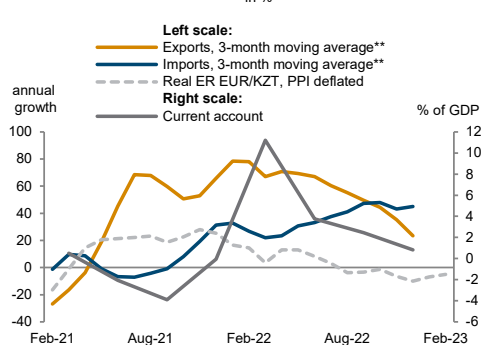
### Inflation and policy rate



### Financial indicators



### External sector development



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

\*\*EUR based.

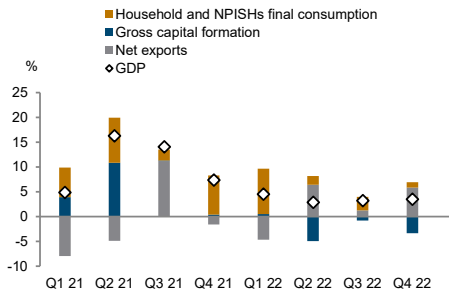
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

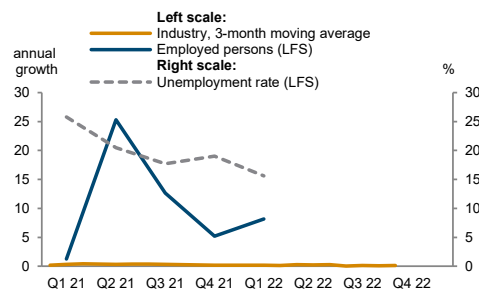
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# Kosovo

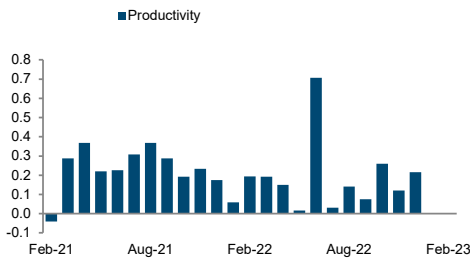
**Real GDP growth and contributions**  
y-o-y



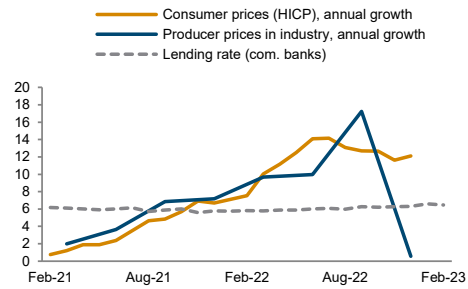
**Real sector development**  
in %



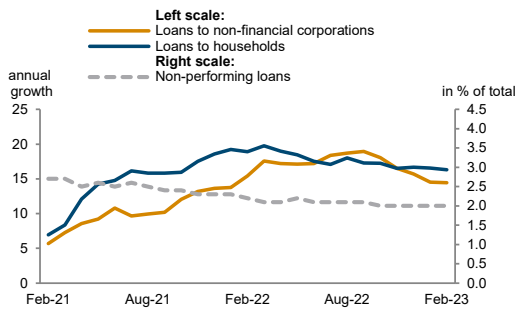
**Productivity in industry**  
annual growth rate in %



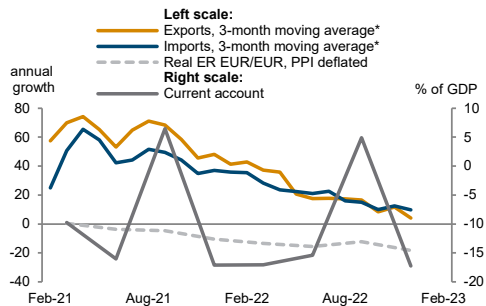
**Inflation and lending rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



\*EUR based.

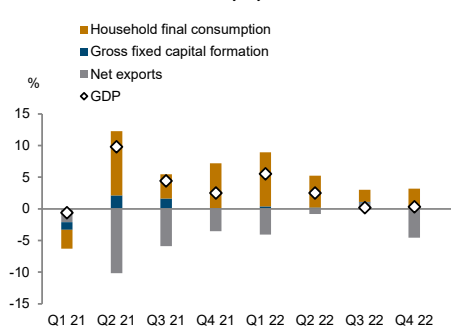
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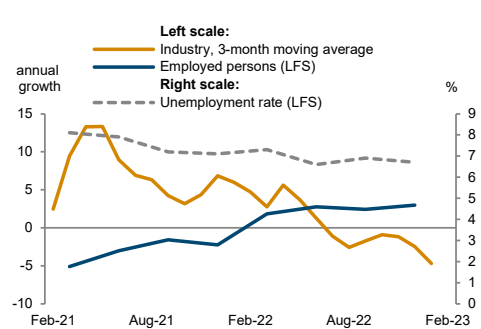
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# Latvia

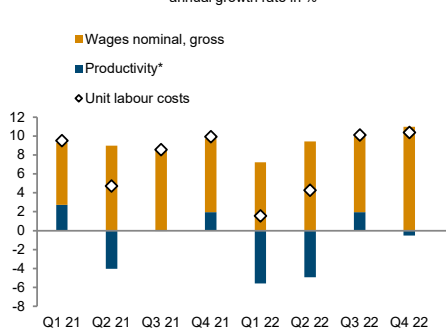
### Real GDP growth and contributions



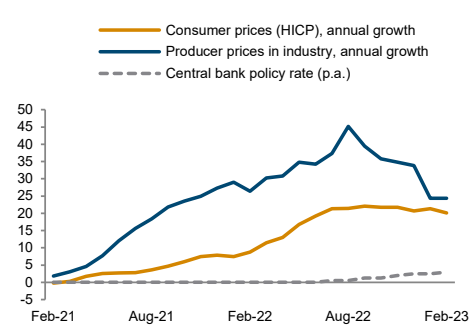
### Real sector development



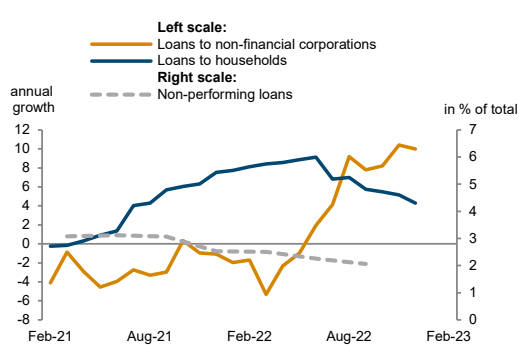
### Unit labour costs in industry



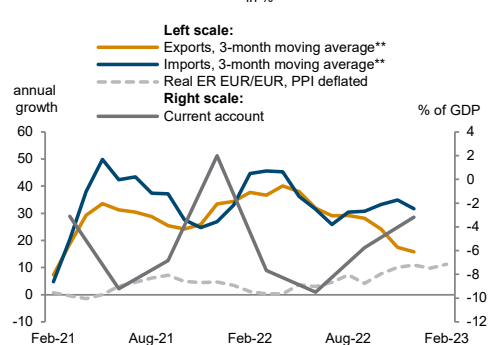
### Inflation and policy rate



### Financial indicators



### External sector development



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

\*\*EUR based.

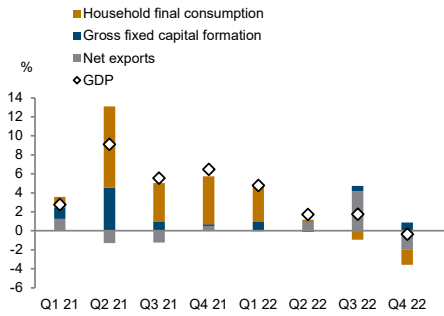
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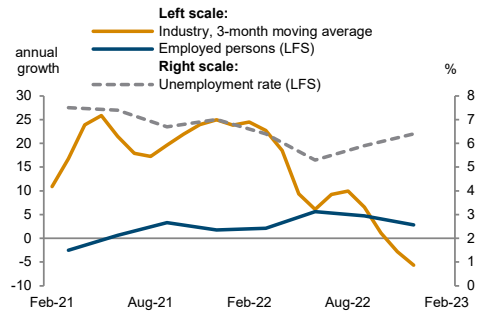
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# Lithuania

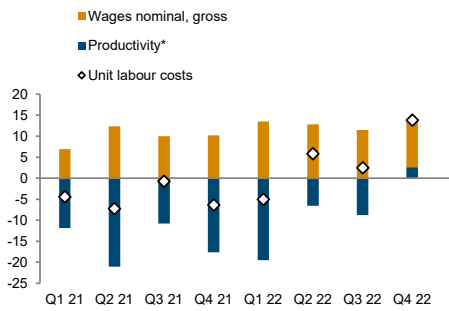
**Real GDP growth and contributions**  
y-o-y



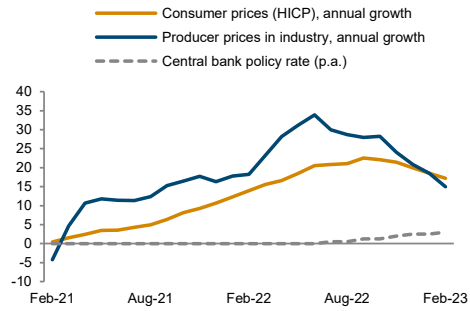
**Real sector development**  
in %



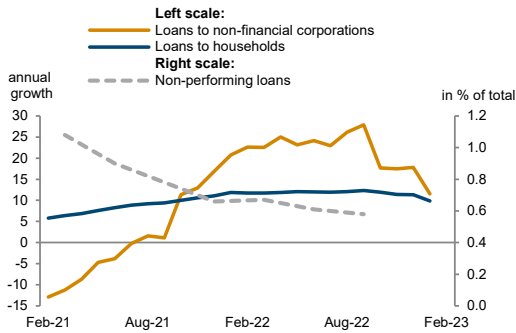
**Unit labour costs in industry**  
annual growth rate in %



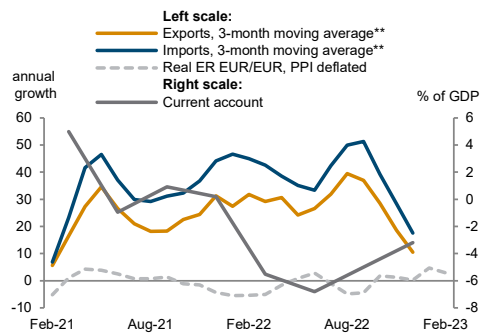
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

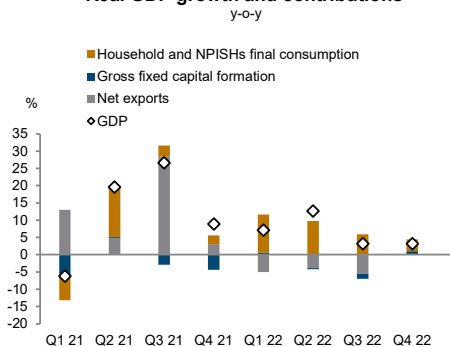
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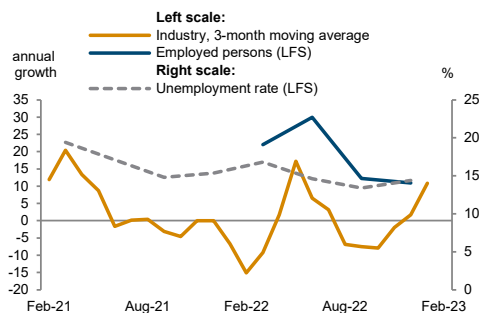


# Montenegro

### Real GDP growth and contributions



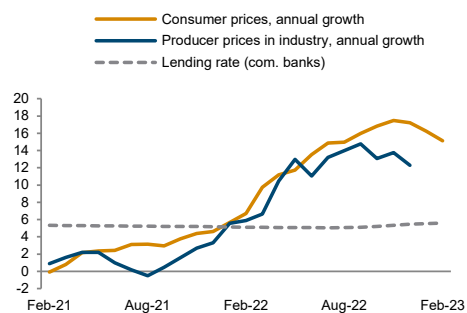
### Real sector development



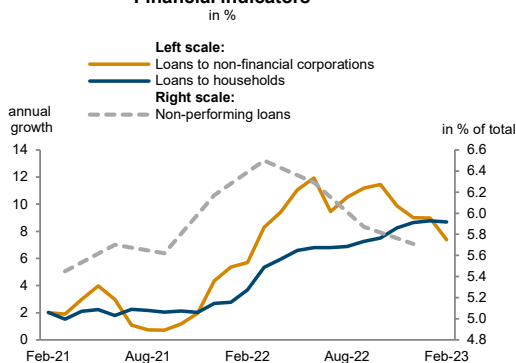
### Unit labour costs in industry



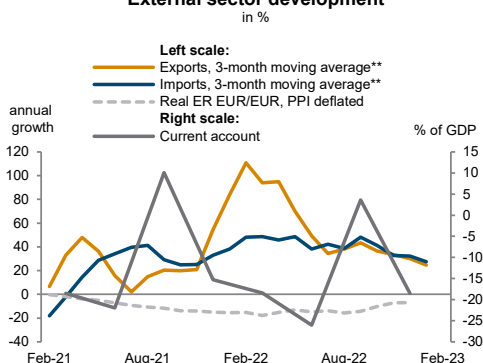
### Inflation and lending rate



### Financial indicators



### External sector development



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

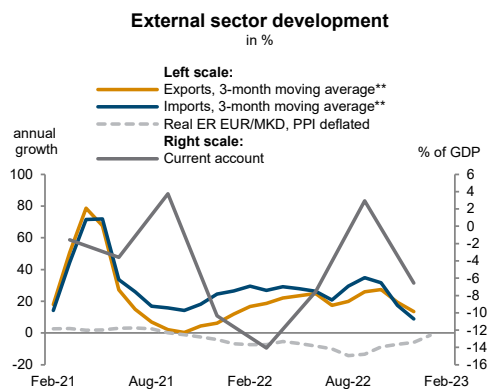
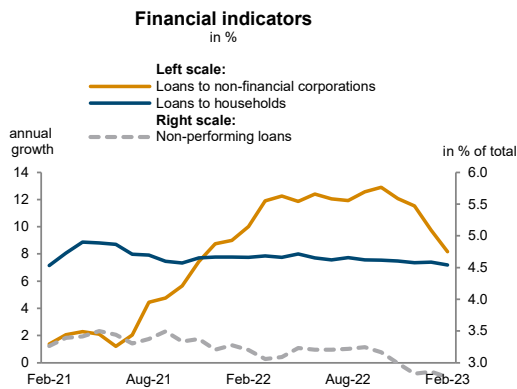
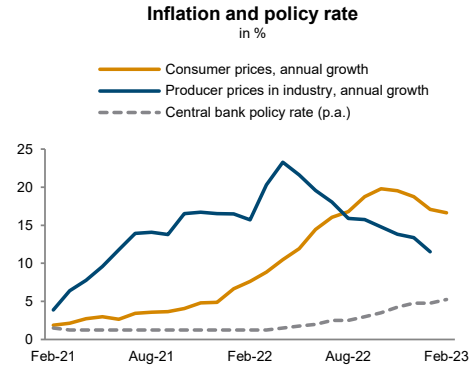
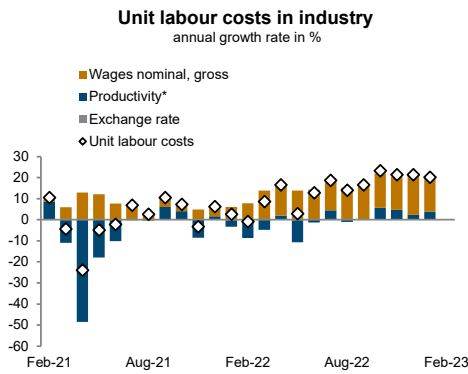
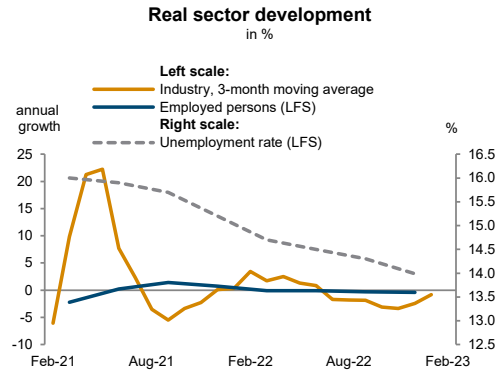
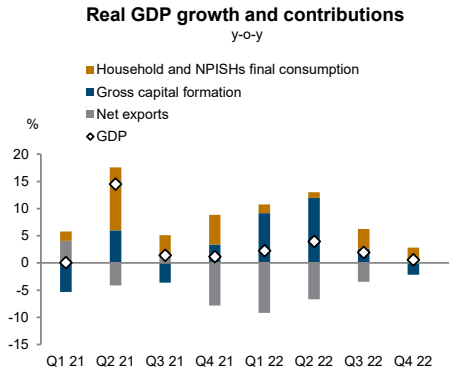
\*\*EUR based.

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# North Macedonia

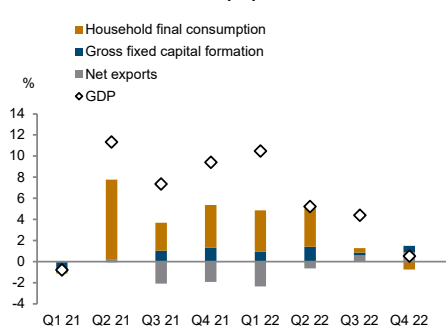


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 \*\*EUR based.

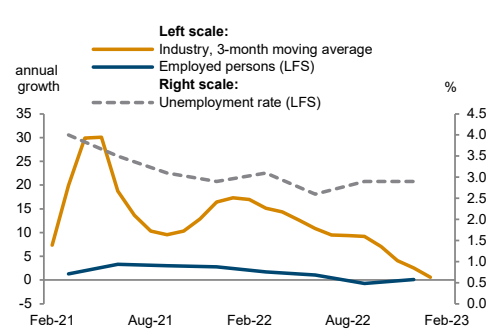
Source: wiiw Monthly Database incorporating Eurostat and national statistics.  
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# Poland

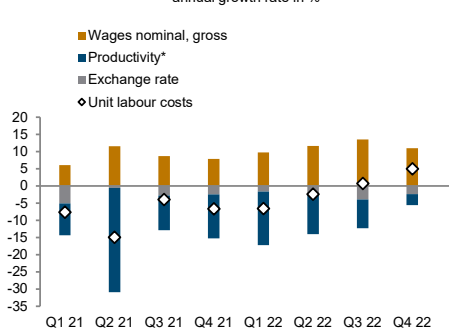
### Real GDP growth and contributions



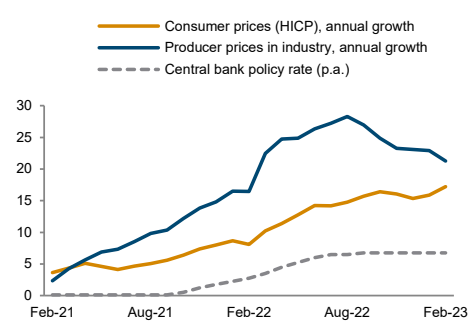
### Real sector development



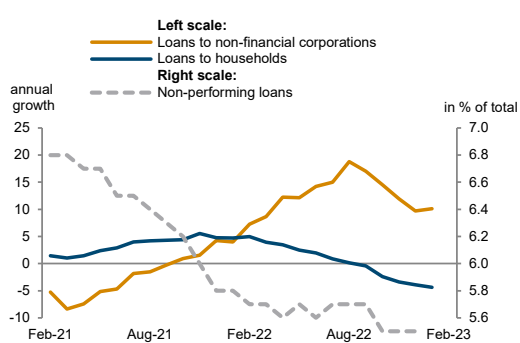
### Unit labour costs in industry



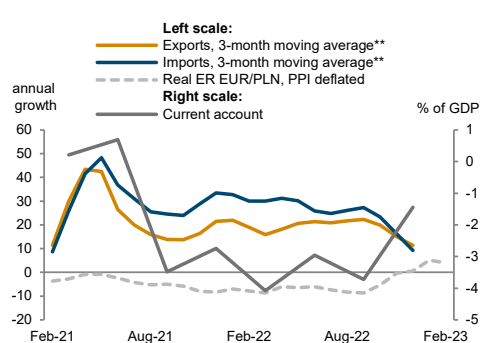
### Inflation and policy rate



### Financial indicators



### External sector development



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

\*\*EUR based.

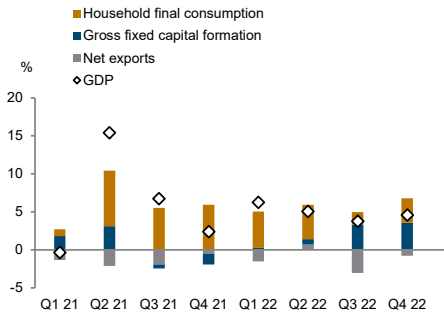
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

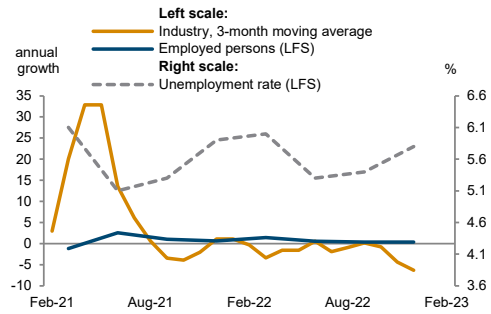
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# Romania

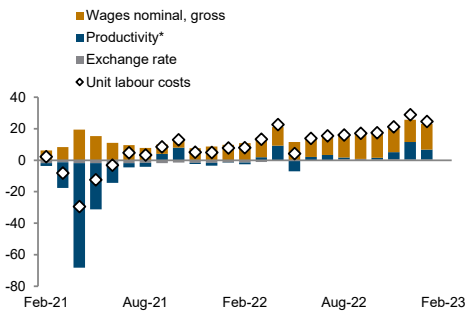
**Real GDP growth and contributions**  
y-o-y



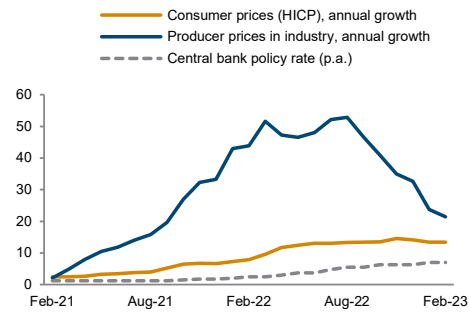
**Real sector development**  
in %



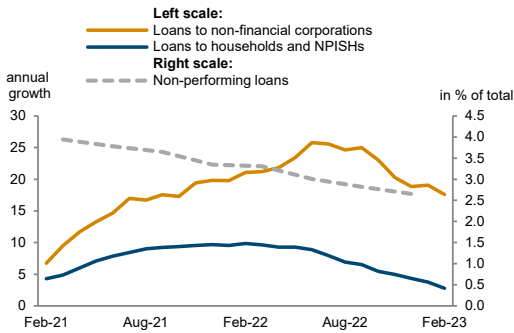
**Unit labour costs in industry**  
annual growth rate in %



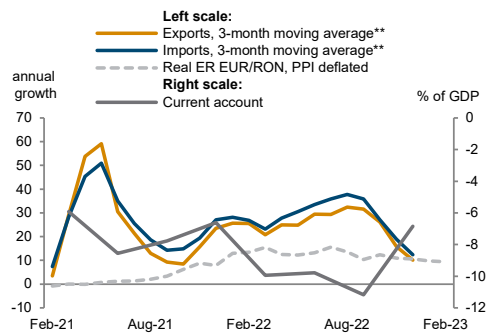
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %

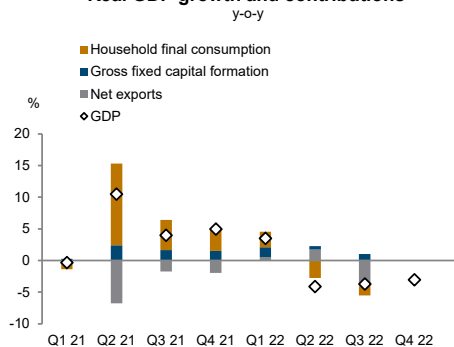


\*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.  
\*\*EUR based.

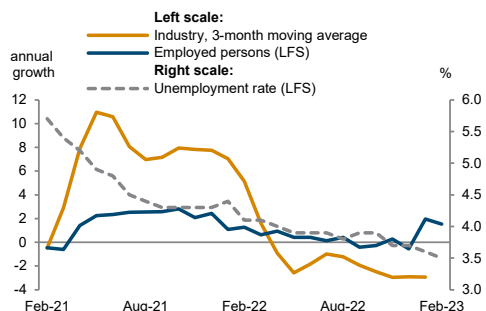
Source: wiiw Monthly Database incorporating Eurostat and national statistics.  
Baseline data, country-specific definitions and methodological breaks in time series are available under:  
<https://data.wiiw.ac.at/monthly-database.html>

# Russia

### Real GDP growth and contributions



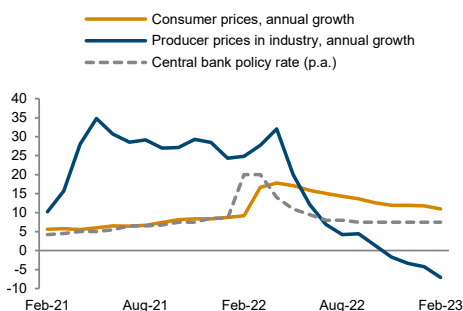
### Real sector development



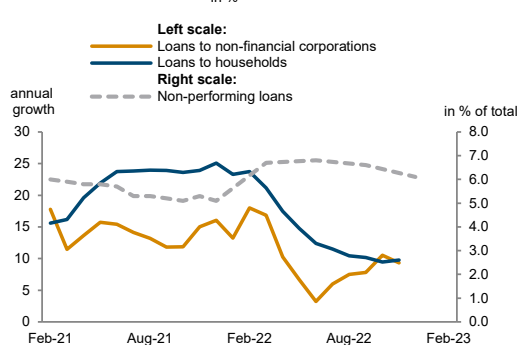
### Unit labour costs in industry



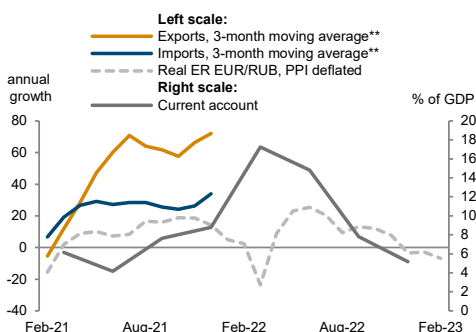
### Inflation and policy rate



### Financial indicators



### External sector development



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

\*\*EUR based.

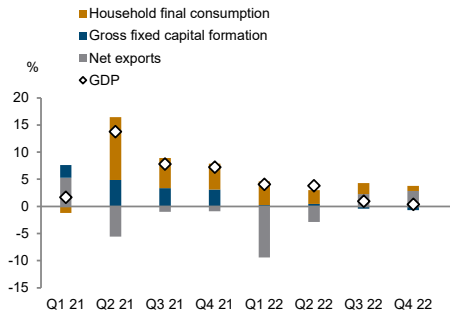
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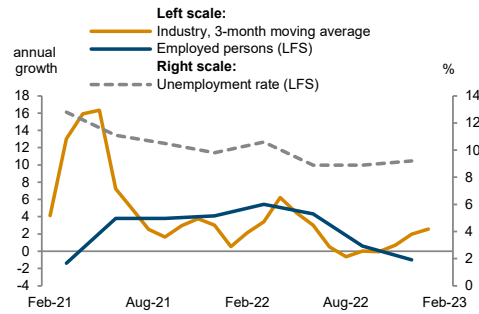
<https://data.wiiw.ac.at/monthly-database.html>

# Serbia

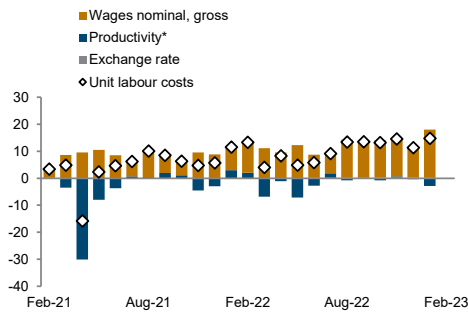
**Real GDP growth and contributions**  
y-o-y



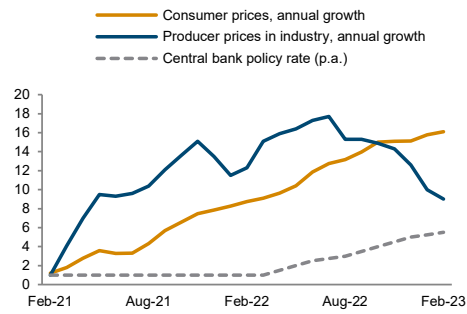
**Real sector development**  
in %



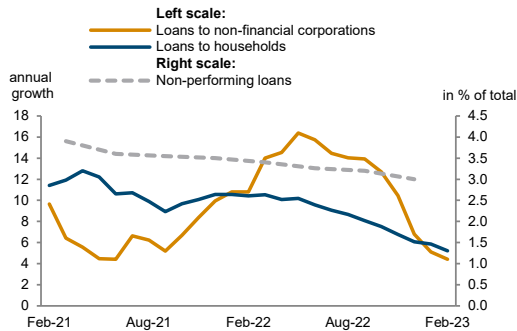
**Unit labour costs in industry**  
annual growth rate in %



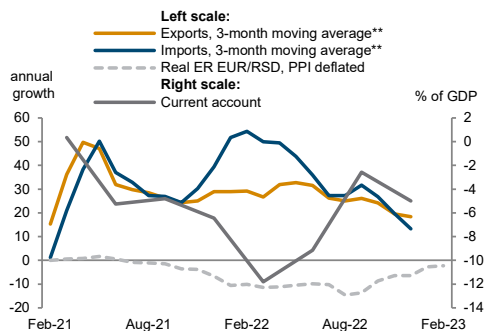
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

\*\*EUR based.

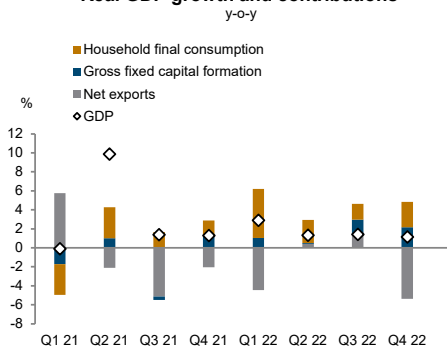
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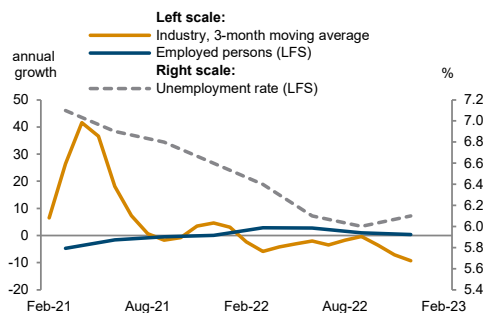
<https://data.wiiw.ac.at/monthly-database.html>

# Slovakia

### Real GDP growth and contributions



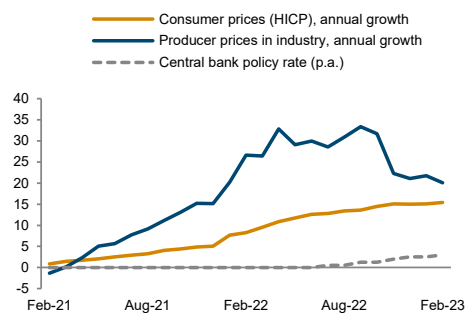
### Real sector development



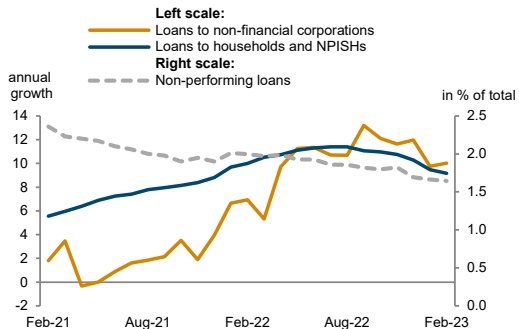
### Unit labour costs in industry



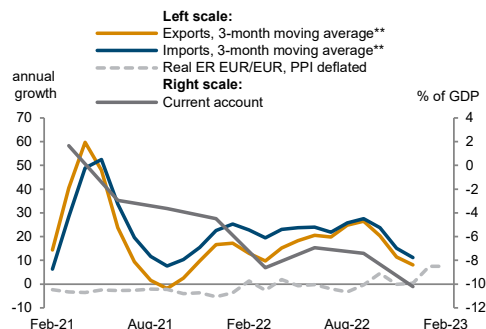
### Inflation and policy rate



### Financial indicators



### External sector development



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

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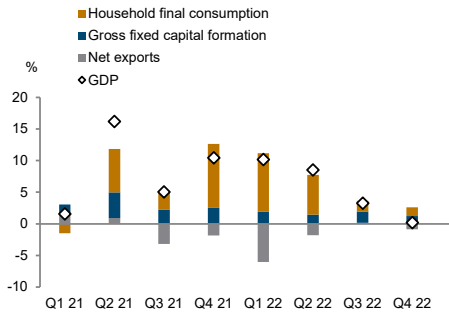
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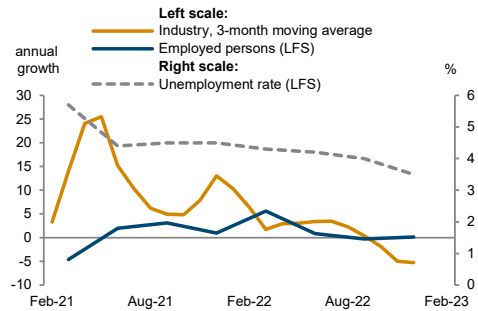
<https://data.wiiw.ac.at/monthly-database.html>

# Slovenia

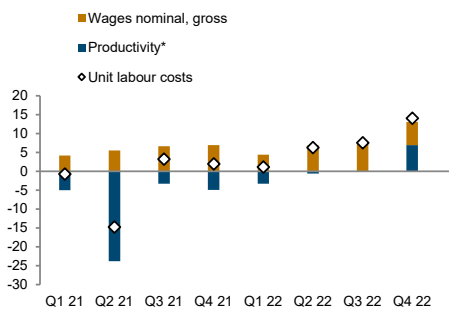
**Real GDP growth and contributions**  
y-o-y



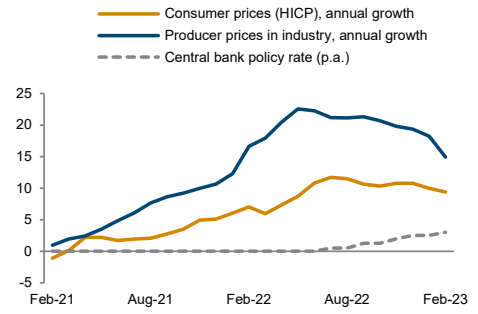
**Real sector development**  
in %



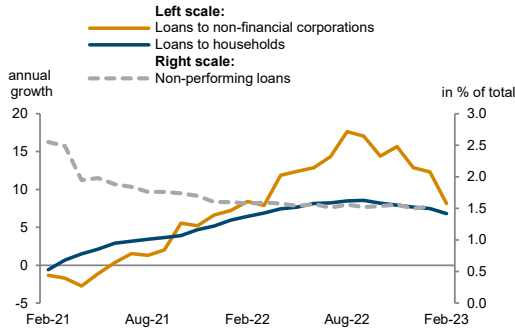
**Unit labour costs in industry**  
annual growth rate in %



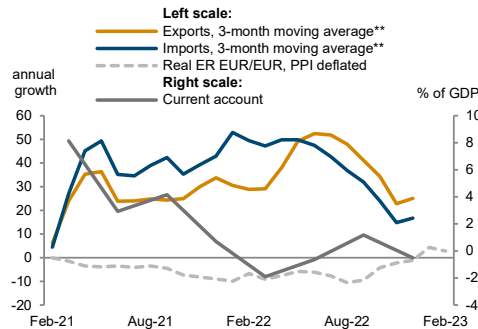
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

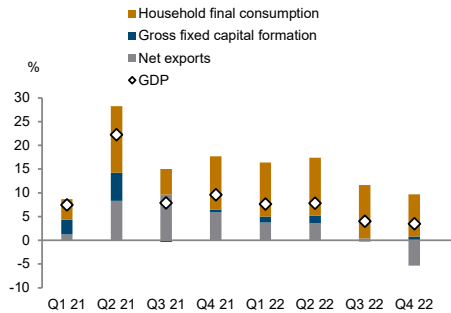
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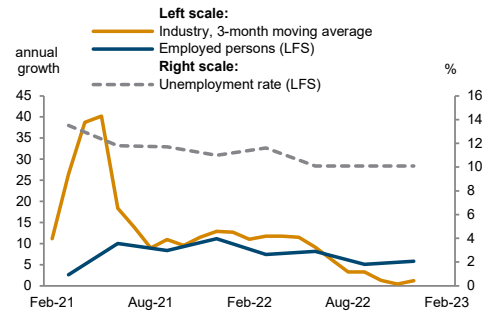


# Turkey

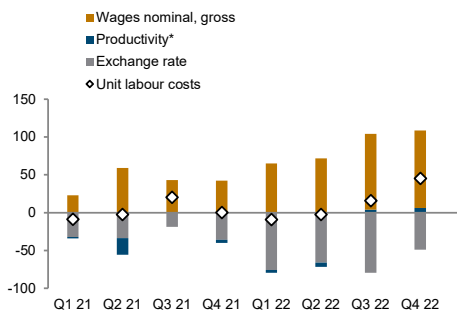
**Real GDP growth and contributions**  
y-o-y



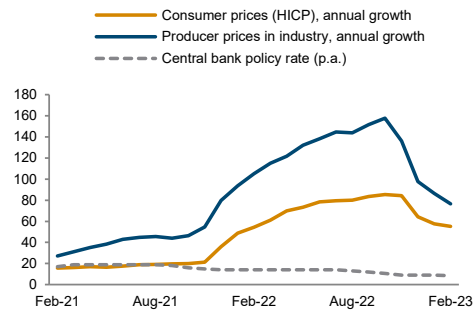
**Real sector development**  
in %



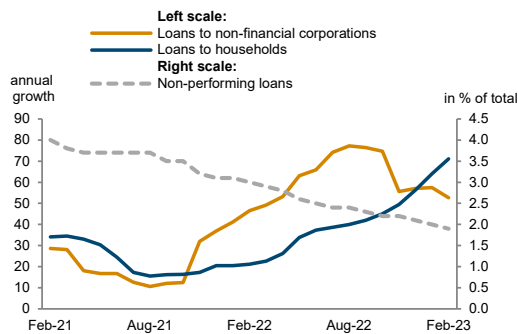
**Unit labour costs in industry**  
annual growth rate in %



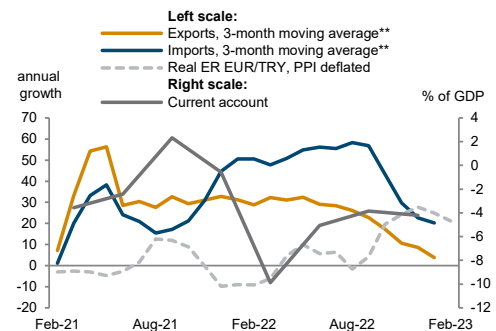
**Inflation and policy rate**  
in %



**Financial indicators**  
in %



**External sector development**  
in %



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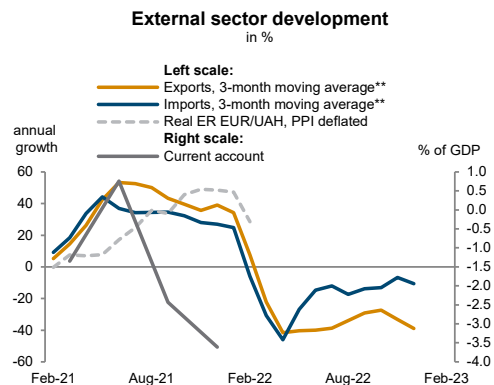
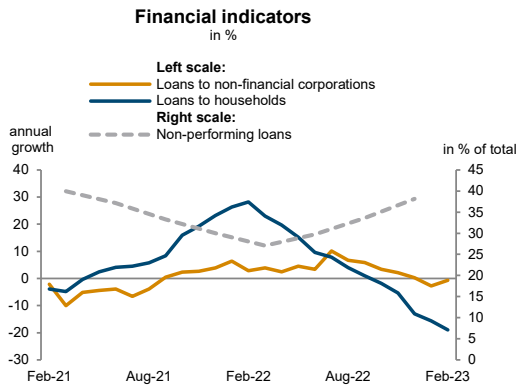
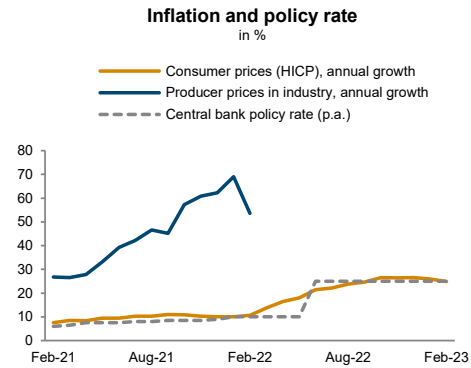
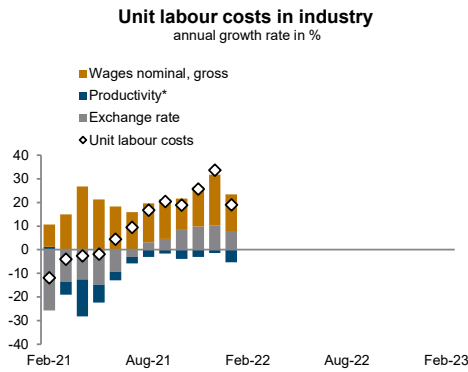
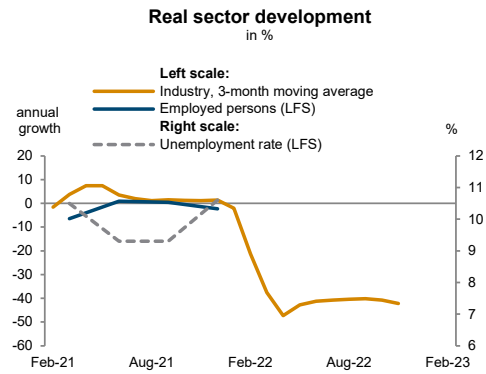
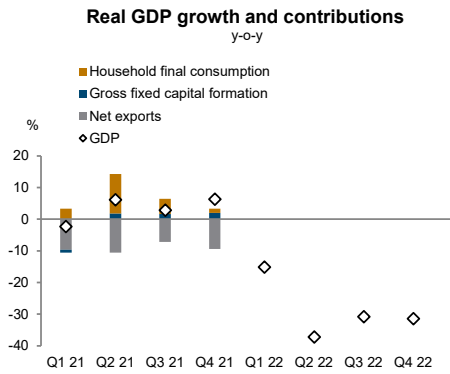
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# Ukraine



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