

PRESS RELEASE

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Autumn Forecast: Eastern Europe with robust, but slower growth

- *The growth model of Central Eastern Europe is changing*
- *High budget deficits and Russia's hybrid warfare pose major risks*
- *Ukraine's economy is stuck in war*
- *Russia's economy is heading for stagnation*

Despite the challenging international environment and the ongoing geopolitical risks, the economies of Central, East and Southeast Europe (CESEE) are showing comparatively robust growth. However, in Romania, Slovakia and Hungary high budget deficits, Germany's industrial weakness and domestic problems are weighing on the economy. Economic performance in both Russia and Ukraine is also weak. These are the main findings of the new autumn forecast by the Vienna Institute for International Economic Studies (wiiw), covering 23 countries of the region.

From a general perspective, the eastern EU countries' economic model is undergoing a fundamental structural change: *'While private consumption has been the main driver of growth in the EU member states of Central Eastern Europe to date, we expect investment by private companies and the public sector to gain in importance, in view of cooling real wage growth,'* says Richard Grieveson, Deputy Director of wiiw and lead author of the autumn forecast.

The sharp rise in defence spending among NATO countries in the region is also supporting economic growth. According to wiiw, these countries are expected to see an additional average annual GDP growth effect of 0.2 to 0.3 percentage points in the coming years, with nations such as Poland and the Baltic states potentially profiting even more from the increase in defence expenditure. *'Eastern Europeans will gain economically from Europe's rearmament, as they have traditionally possessed a strong defence industry. This could help them modernise their industrial base and successfully navigate the transformation towards an innovation-driven growth model,'* explains Grieveson.

All in all, wiiw forecasts average growth of 2.2% for the EU member states of the region in 2025, a minimal downward revision of 0.1 percentage points compared to the summer. In 2026, it should pick up to 2.6% – again a slight downward revision, this time of 0.2 percentage points. This means that these countries are likely to continue their economic catch-up process both this year and next, growing significantly faster than the euro area (2025: 0.9%; 2026: 1.4%).

The Visegrád countries of Poland, Czechia, Slovakia and Hungary, as well as Slovenia, will expand by an average of 2.5% in 2025, and their growth will accelerate to 2.9% in 2026. Poland remains the frontrunner among the eastern EU members, with economic growth of 3.5% in both 2025 and 2026. Croatia and Bulgaria follow with around 3% growth this year and next, while the outlook for Romania has deteriorated significantly (2025: 0.8%; 2026: 1.2%). On the other hand, the six Western Balkan countries are still performing well, with average growth of

2.5% in 2025 and 3.4% in 2026, even though Serbia will see a slump in growth in 2025. Turkey will grow relatively strongly again both this year and next (2025: 3.4%; 2026: 3.9%).

For war-ravaged Ukraine, however, the outlook is turning increasingly bleak: growth is expected to be only 2% in 2025 and 3% in 2026, although much will depend on how the war progresses. Aggressor Russia is heading for near stagnation, due to the central bank's restrictive monetary policy and lower oil prices (2025: 1.2% GDP growth; 2026: 1.4%).

High budget deficits and Russia's hybrid warfare pose major risks

There are two important risks to the forecast: first, the high budget deficits in some countries of the region – particularly Romania, Hungary, Poland and Slovakia. Rising interest rates on their government bonds and EU fiscal rules are forcing governments into austerity, which could have a negative impact on growth. Secondly, Russia is destabilising its immediate neighbours with hybrid attacks and acts of sabotage in the wake of its campaign in Ukraine. *'Drone overflights, cyber attacks and attacks in the EU and NATO member states of Eastern Europe are creating uncertainty and are, of course, deterring investors. This is disastrous for business sentiment. Actually, these countries are already engaged in an invisible war with Russia, which could – sooner or later – have a negative impact on their economies as well,'* says Richard Grieveson.

Ukraine's economy is stuck in war

Meanwhile, Ukraine continues to bear the brunt of Russia's aggression. wiiw forecasts economic growth of 2% for the country in 2025, a downward revision of 0.5 percentage points compared to the summer. In addition to the escalating war, this is mainly due to lower agricultural exports, which fell by around 9% in US dollar terms between January and July 2025 following a poor harvest last year, though the export situation is likely to improve again this year thanks to a better harvest. In 2026, the economy is expected to grow by 3%, a reduction of a full percentage point in the forecast. The main reason is wiiw's assumption that the war and its adverse economic effects will continue until 2027 – much longer than previously thought.

'The ever-increasing destruction of Ukraine's infrastructure by heavy Russian air strikes and the rampant labour shortage due to mobilisation and emigration are dampening the country's growth prospects,' says Olga Pindyuk, Ukraine expert at wiiw. Added to this are the bleak prospects for the coming winter. *'If Russia succeeds in causing widespread power and gas supply blackouts in Ukraine, this will lead to a further wave of emigration, which in turn will have further negative consequences for the economy,'* says Pindyuk.

Russia's economy is heading for stagnation

After two good years, aggressor Russia is heading for near stagnation. This year, the economy is likely to grow by only 1.2% (2024: 4.3%), a downward revision of 0.8 percentage points compared to the summer. For 2026, wiiw expects a slight acceleration to 1.4%. In the first and second quarters of the current year, a technical recession (negative growth in two consecutive quarters) was only narrowly avoided. Industrial production grew by 0.8% in the first eight months of the current year, virtually entirely on the back of still-booming arms production.

'The main reason for the slump in growth is the Russian Central Bank's overly restrictive monetary policy. Although it has reduced inflation significantly, it has also stifled the economy by making loans unaffordable,' says Vasily Astrov, Russia expert at wiiw. Inflation has now fallen to around 4% on an annualised basis, prompting the central bank to lower key interest rates again slightly. However, at 17%, interest rates are still at a very high level, even if further interest rate cuts are on the cards.

Added to these factors are the lower revenue from oil exports due to lower prices and the fact that the Russian economy is operating at full capacity in many areas. *'New growth would require investment in greater productivity. However, this is stagnating. Investment in new machinery and equipment, which is normally the biggest driver of modernisation and productivity gains, has stabilised at the relatively low pre-war level of 2021,'* explains Astrov.

The government's austerity measures, which are aimed at curbing the high budget deficit (by Russian standards), also play a role. With a shortfall of 2.5% of GDP, Russia will this year record its largest budget deficit since the COVID-19 pandemic and can only borrow domestically. With interest rates high, the government must save and increase revenue. This has already led to a rise in taxes on private income and corporate profits. In 2026, value-added tax will also rise, and military spending is to be cut by EUR 6bn, or 0.3 percentage points of GDP. *'Declining government spending and tax increases will of course also slow growth,'* points out Astrov.

About the wiiw Forecast Report for Central, East and Southeast Europe

The report analyses the economies of 23 countries in Central, East and Southeast Europe (CESEE) and provides a detailed forecast of the macroeconomic indicators for the following countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Estonia, Hungary, Kazakhstan, Kosovo, Latvia, Lithuania, Moldova, Montenegro, Northern Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

The full Autumn Forecast 2025 is available upon request.

About the Vienna Institute for International Economic Studies (wiiw)

Founded in 1972, the Vienna Institute for International Economic Studies (wiiw) is an economic think tank that produces economic analyses and forecasts on 23 countries in Central, East and Southeast Europe. In addition, wiiw conducts research in the areas of European integration, macroeconomics, international economics, industrial studies, labour markets and regional development. www.wiiw.ac.at

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OVERVIEW 2023-2024 AND OUTLOOK 2025-2027

		GDP					Consumer prices					Unemployment (LFS)					Current account					Fiscal balance				
		real change in % against prev. year					average change in % against prev. year					rate in %, annual average					in % of GDP					in % of GDP				
		2023	2024	Forecast			2023	2024	Forecast			2023	2024	Forecast			2023	2024	Forecast			2023	2024	Forecast		
				2025	2026	2027			2025	2026	2027			2025	2026	2027			2025	2026	2027			2025	2026	2027
BG	Bulgaria	1.9	2.8	2.9	3.0	3.1	8.6	2.6	3.3	2.7	2.6	4.3	4.2	3.9	3.7	3.7	-0.9	-1.6	-2.5	-0.6	0.1	-2.0	-3.0	-3.0	-3.0	-3.0
CZ	Czechia	0.0	1.2	2.2	2.4	2.7	12.0	2.7	2.4	2.2	1.8	2.6	2.6	2.7	2.8	2.7	-0.1	1.7	1.8	1.6	1.5	-3.7	-2.2	-1.9	-2.3	-2.3
EE	Estonia	-2.7	-0.1	1.4	2.3	2.7	9.1	3.7	5.5	3.8	3.0	6.4	7.6	7.6	7.1	6.8	-1.2	-1.2	-1.2	-1.7	-1.2	-3.1	-1.5	-3.0	-2.7	-2.5
HR	Croatia	3.3	3.9	3.0	2.8	2.7	8.4	4.0	3.7	2.9	2.8	6.1	5.0	4.9	4.9	5.0	0.1	-2.2	-1.3	-1.1	-1.0	-0.8	-2.0	-2.4	-2.2	-1.9
HU	Hungary	-0.8	0.6	0.5	2.5	1.5	17.0	3.7	4.8	4.5	3.5	4.1	4.5	4.3	4.1	4.3	-0.1	1.5	1.0	0.5	0.7	-6.8	-4.9	-4.9	-5.0	-4.0
LT	Lithuania	0.7	3.0	2.6	3.2	2.4	8.7	0.9	3.2	2.5	2.5	6.9	7.1	6.8	6.5	6.3	1.1	3.2	2.8	1.1	0.6	-0.7	-1.3	-3.0	-2.8	-2.7
LV	Latvia	-0.9	0.0	1.0	2.4	2.3	9.1	1.3	3.0	2.7	2.5	6.5	6.9	7.0	6.8	6.5	-3.8	-1.6	-1.9	-3.4	-4.3	-2.4	-1.7	-2.8	-2.9	-2.6
PL	Poland	0.2	2.9	3.5	3.5	3.0	10.9	3.7	3.8	3.0	2.5	2.8	2.9	3.1	3.0	2.9	1.5	0.3	-0.8	-0.4	0.0	-5.3	-6.6	-6.9	-6.4	-6.4
RO	Romania	2.4	0.8	0.8	1.2	2.0	9.7	5.8	7.2	6.5	5.0	5.6	5.4	6.2	6.4	6.0	-6.6	-8.2	-8.1	-6.9	-6.4	-6.6	-9.3	-8.3	-6.3	-5.8
SI	Slovenia	2.4	1.7	0.5	1.8	2.2	7.2	2.0	2.8	2.0	2.0	3.7	3.7	3.7	3.6	3.5	4.8	4.5	3.1	3.1	3.7	-2.6	-0.9	-2.3	-1.9	-1.5
SK	Slovakia	2.2	2.1	0.7	1.1	2.4	11.0	3.2	4.2	3.2	2.9	5.8	5.3	5.4	5.5	5.5	-3.0	-4.6	-4.3	-4.5	-2.8	-5.2	-5.3	-4.9	-4.2	-4.0
EU-CEE11 ¹⁾²⁾		0.8	2.0	2.2	2.6	2.5	11.0	3.7	4.3	3.6	3.0	4.1	4.1	4.2	4.2	4.1	-0.6	-1.0	-1.5	-1.2	-0.9	-4.7	-5.3	-5.4	-4.9	-4.7
AL	Albania	4.0	4.0	3.5	3.9	4.0	5.3	2.6	2.7	2.5	2.4	10.7	8.5	8.4	8.3	8.2	-1.2	-2.4	-3.0	-3.1	-3.2	-1.3	-0.7	-1.0	-1.0	-1.0
BA	Bosnia and Herzegovina	2.0	3.0	2.2	2.7	3.0	6.1	1.7	3.3	2.4	1.8	13.2	12.6	13.1	12.7	12.2	-2.1	-3.5	-4.4	-4.3	-4.2	-1.2	-1.8	-2.0	-1.3	-1.0
ME	Montenegro	6.5	3.2	3.4	3.4	3.2	8.7	3.6	4.0	3.6	3.0	13.1	11.5	9.5	9.0	9.0	-11.2	-17.1	-16.2	-15.8	-15.5	0.6	-3.1	-3.0	-3.0	-3.0
MK	North Macedonia	2.1	2.8	3.0	3.0	3.0	9.0	4.2	4.0	3.5	3.0	13.1	12.4	11.5	11.0	10.5	0.3	-2.2	-3.2	-3.2	-3.5	-4.3	-4.6	-4.0	-4.0	-3.0
RS	Serbia	3.7	3.9	2.0	3.5	4.0	12.1	4.8	4.5	4.0	3.5	9.5	8.6	8.5	8.3	8.0	-2.4	-4.7	-4.5	-4.3	-4.2	-2.1	-2.0	-2.5	-3.0	-3.5
XK	Kosovo	4.1	4.6	3.9	3.8	4.1	4.9	1.6	3.5	2.5	2.0	10.9	10.8	10.7	10.6	10.5	-7.2	-8.4	-9.3	-8.9	-8.4	-0.3	-0.3	-0.5	-0.5	-0.5
WB6 ¹⁾²⁾		3.4	3.7	2.5	3.4	3.7	9.1	3.7	3.9	3.4	2.9	11.0	10.0	9.8	9.7	9.2	-2.6	-4.7	-5.0	-4.8	-4.7	-1.8	-1.9	-2.2	-2.4	-2.5
MD	Moldova	1.2	0.1	0.8	2.5	3.0	13.4	4.7	7.7	5.8	5.0	4.6	4.0	4.4	4.3	4.2	-11.3	-16.0	-23.1	-20.3	-19.4	-5.1	-3.9	-4.2	-4.0	-3.5
UA	Ukraine	5.5	2.9	2.0	3.0	3.5	12.9	6.5	13.0	8.0	7.0	20.0	14.0	12.0	10.0	9.0	-5.3	-7.9	-13.1	-13.8	-14.0	-20.1	-17.6	-20.0	-19.0	-18.0
New EU accession 2 ¹⁾²⁾		5.2	2.7	1.9	3.0	3.5	12.9	6.4	12.7	7.9	6.9	19.2	13.5	11.7	9.7	8.7	-5.8	-8.6	-14.0	-14.4	-14.5	-18.8	-16.4	-18.6	-17.7	-16.7
TR	Turkey	5.0	3.3	3.4	3.9	4.4	54.0	58.5	35.0	24.0	14.0	9.4	8.7	8.5	8.5	8.3	-3.7	-0.8	-2.5	-3.1	-3.8	-5.1	-4.8	-3.8	-3.5	-3.1
BY	Belarus	4.1	4.0	2.0	1.6	1.4	5.1	5.7	6.7	7.1	6.2	3.5	3.0	2.7	2.8	3.0	-1.4	-2.6	-3.3	-4.3	-3.4	1.2	1.3	0.0	-0.5	-0.5
KZ	Kazakhstan	5.1	5.0	6.0	4.5	4.5	14.5	8.7	11.7	9.5	7.5	4.7	4.7	4.6	4.5	4.5	-3.6	-2.7	-3.9	-3.9	-3.5	-2.4	-2.6	-2.5	-2.3	-2.0
RU	Russia	4.1	4.3	1.2	1.4	1.5	5.9	8.4	8.7	4.7	4.4	3.2	2.5	2.3	2.3	2.4	2.4	2.9	1.4	1.1	1.1	-2.2	-1.6	-2.5	-1.5	-1.2
CIS3 ¹⁾²⁾		4.2	4.4	1.7	1.8	1.8	6.7	8.4	8.9	5.3	4.8	3.3	2.8	2.5	2.5	2.6	1.6	2.1	0.7	0.4	0.5	-2.1	-1.6	-2.2	-1.4	-1.2
V4+SI ¹⁾²⁾		0.3	2.2	2.5	2.9	2.6	11.8	3.4	3.7	3.0	2.5	3.3	3.3	3.4	3.4	3.4	0.7	0.5	-0.2	-0.1	0.3	-5.0	-5.1	-5.3	-5.0	-4.9
BALT3 ¹⁾²⁾		-0.5	1.5	1.9	2.8	2.5	8.9	1.6	3.7	2.8	2.6	6.6	7.1	7.1	6.7	6.5	-0.8	0.9	0.6	-0.7	-1.0	-1.7	-1.5	-3.0	-2.8	-2.6
EU-SEE3 ¹⁾²⁾		2.4	1.6	1.5	1.8	2.3	9.3	4.9	6.0	5.3	4.2	5.4	5.1	5.5	5.6	5.3	-4.5	-6.0	-6.0	-4.8	-4.3	-4.8	-6.9	-6.4	-5.0	-4.7
EU accession 8 ¹⁾²⁾		4.5	3.1	2.1	3.1	3.6	11.5	5.3	9.3	6.1	5.3	16.8	12.4	11.1	9.7	8.9	-4.4	-6.8	-9.7	-9.8	-9.8	-11.0	-9.7	-10.9	-10.3	-9.9
non-EU12 ¹⁾²⁾		4.5	3.9	2.2	2.5	2.7	21.3	22.9	16.7	10.9	7.6	7.0	5.8	5.3	5.1	5.0	-0.5	0.4	-1.2	-1.7	-2.0	-3.8	-3.4	-3.6	-3.0	-2.7
CESEE23 ¹⁾²⁾		3.5	3.4	2.2	2.5	2.7	18.5	17.6	13.2	8.9	6.3	6.3	5.3	5.1	4.9	4.8	-0.5	-0.1	-1.3	-1.5	-1.6	-4.1	-4.1	-4.2	-3.7	-3.4
EA20 ³⁾		0.4	0.9	0.9	1.4	1.5	5.4	2.4	2.1	1.9	1.9	6.6	6.4	6.3	6.3	6.3	2.6	3.4	2.5	2.5	2.4	-3.5	-3.1	-2.9	-3.1	-3.2
EU27 ³⁾		0.4	1.0	1.1	1.6	1.7	6.4	2.6	2.3	2.1	2.1	6.1	5.9	5.7	5.7	5.7	2.6	3.2	2.5	2.5	2.4	-3.5	-3.2	-2.5	-2.7	-2.8

1) wiiw estimates. - 2) Current account data include transactions within the region (sum over individual countries). - 3) Forecasts estimated by wiiw.

Note: Consumer prices refer to HICP for EU-CEE countries, Turkey and WB6 countries except for Bosnia and Herzegovina.

Source: wiiw, Eurostat. Forecasts by wiiw. Cut-off date for historical data and forecasts: 6 October 2025.