

PRESS RELEASE

29 April 2026

Spring forecast:

Eastern Europe weathering the Iran shock for now

- *The 'extended workbench' model is no longer CEE's growth engine*
- *Hungary's recovery after Orbán will take time*
- *The outlook for Ukraine is gloomy*
- *Russia is suffering stagnation, despite windfall profits from the Iran war*

Despite the energy price shock caused by the Iran war, growth in most of the economies of Central, East and Southeast Europe remains resilient, though it is slowing down. This also applies to the EU member states in the region. However, should the war in the Middle East drag on and lead to a severe energy crisis with persistently higher oil prices, Eastern Europe is also likely to suffer more severely. These are the main findings of the new spring forecast by the Vienna Institute for International Economic Studies (wiiw) for 23 countries of the region.

'For the time being, the impact of the Iran war on EU member states in Eastern Europe remains manageable. However, rising inflation, lower export demand, disrupted supply chains and a further decline in direct investment could have a severe impact,' says Richard Grieveson, Deputy Director of wiiw and lead author of the spring forecast.

Added to this is a massive loss of industrial competitiveness in recent years, caused by a sharp rise in labour costs without a corresponding increase in productivity, growing competition from China and a decline in foreign direct investment. *'The model that has hitherto been the hallmark of Central Eastern Europe's success – acting as an extended production line for foreign industrial companies, which manufacture there cheaply on the basis of substantial investments in production facilities – is clearly under threat,'* continues Grieveson. This is also evident from the fact that, for the first time since the early 1990s, defence spending in the region accounts for a share of GDP that is as large as – or even larger than – the previously dominant foreign direct investment.

For 2026, wiiw forecasts average growth of 2.3% for the EU member states of the region, a downward revision of 0.3 percentage points compared to the winter forecast. Growth in 2027 is again expected to be 2.3% – down 0.4 percentage points on the winter forecast. This means that, despite the current difficulties, these countries are likely to grow at more than twice the rate of the euro area both this year and next (2026: 0.9% – a downward revision of 0.5 percentage points; 2027: 1.1% – a downward revision of 0.4 percentage points). *'In the worst-case scenario of a protracted war in the Middle East, however, growth in some countries of the region could be around 1 to 1.5 percentage points lower,'* warns Grieveson.

Poland is once again the growth leader among the Eastern EU member states in 2026, with 3.6%; however, in 2027, following a lengthy slump, Estonia (2.8%) is expected to grow slightly

faster than Poland (2.6%). Hungary, which is experiencing a change of government after 16 years under Prime Minister Viktor Orbán, is expected to grow by 1.6% in 2026 and by 1.8% the following year. The six Western Balkan states will expand by an average of 2.5% in 2026 and 3.1% in 2027, while Turkey will grow by 3.7% in 2026 and 4.1% in 2027.

By contrast, the outlook for war-torn Ukraine is becoming increasingly bleak. For 2026, wiiw forecasts growth of just 1% for the country, which could rise to 2.5% in 2027 under favourable conditions. Aggressor Russia is in a state of near-stagnation this year (0.9%) and next (1.5%), despite higher energy revenues from the war in Iran.

Hungary's recovery after Orbán will take time

Following Péter Magyar's resounding election victory with his Tisza Party over long-serving Prime Minister Viktor Orbán, the Hungarian economy is at a turning point. Sixteen years of Orbán's rule have left the country lagging behind its neighbours, Poland, Czechia and Slovakia. Recent years have been marked by economic stagnation, one of the highest inflation rates in the region, a large budget deficit, widespread corruption, frozen EU funds and an unbalanced industrial policy that has focused heavily on automotive and battery production.

'Péter Magyar, the new prime minister-designate, has presented an ambitious economic programme and wants to introduce the euro. However, given the high budget deficit, it will be a difficult task to create the necessary fiscal space for this. Hungary's recovery will, in any case, take time,' notes Sándor Richter, wiiw's Hungary expert. He forecasts growth of 1.6% for the country in 2026, expected to rise to 1.8% in 2027. Compared to the winter forecast, this represents a downward revision of 0.6 percentage points for 2026 and 0.7 percentage points for 2027, as the war in Iran is already once again threatening Hungary's fragile recovery.

The outlook for Ukraine is gloomy

The war in the Middle East is hitting Ukraine hard and creating far more difficult conditions. Russia's massive air campaign against the country's energy infrastructure led to widespread power cuts during the winter, and economic activity is still being severely hampered by the power shortages. Added to this, inflation is rising due to steep increases in the price of fuel and fertiliser as a result of the Iran war.

For the year as a whole, wiiw still expects growth of 1%, which could rise to 2.5% in 2027 (although that remains highly uncertain). Compared to the winter forecast, this represents a downward revision of 1.5 percentage points for 2026 and 1 percentage point for 2027. In addition to the enormous damage to production facilities caused by Russia's war of aggression, the weak economic performance also reflects both the impact of the war in the Middle East and Ukraine's severe labour shortage.

'Ukraine's heavy reliance on imports of fuel and fertilisers for its vital agricultural sector means that the war in Iran is hitting Ukraine particularly hard,' says Olga Pindyuk, wiiw's Ukraine expert. *'We are already seeing neighbouring countries restricting their fuel exports to Ukraine. Should this trend intensify, Ukraine could face serious difficulties.'* In the worst-case scenario of a protracted war in the Middle East and persistently high oil prices, the country could slip into recession.

Russia is suffering stagnation, despite windfall profits from the Iran war

For Moscow, on the other hand, the closure of the Strait of Hormuz has brought unexpected additional revenue from higher oil and gas prices. From Russia's perspective, this has come at just the right time, as it alleviates the strained budgetary situation. Last year, the budget deficit stood at 3.9% of GDP – a fairly high figure by Russian standards. Until the start of the war against Iran, it had looked as though the Russian budget deficit might spiral out of control this year, which is why the government had been considering spending cuts of 10% across the board, with the exception of military and social expenditure.

'The war with Iran is helping to stabilise the Russian budget. The longer it continues, and the longer oil prices remain high or rise further, the more positive the effects will be for Russia. After all, for every US dollar rise in the price of crude oil, 58 cents flow into the Russian state coffers,' says Vasily Astrov, wiiw's Russia expert. However, the country's economic output is likely to benefit only marginally, as the additional revenue is not being channelled into increased spending, but is instead intended to reduce government borrowing and pay down the liabilities of energy companies.

For 2026, wiiw forecasts GDP growth for Russia of just 0.9%, expected to accelerate to 1.5% in 2027. In the first two months of the current year, the economy actually contracted by 2.1% year on year in January and by 1.5% in February. *'Russia's weak growth is primarily attributable to the still high key interest rates of currently 15%, inadequate investment in new production capacity and labour shortages. The high energy prices resulting from the Iran war will do little to change that,'* says Astrov.

In the best-case scenario for Russia – a protracted war in the Middle East with persistently high oil prices – economic growth could rise in 2026 by a further 0.3 percentage points, to 1.2%. *'There is no doubt that the Iran war is helping President Putin to continue his war of aggression against Ukraine, as it furnishes him with additional revenue and greater political leeway,'* explains 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 spring forecast 2026 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 2024-2025 AND OUTLOOK 2026-2028

		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				
		2024	2025	Forecast			2024	2025	Forecast			2024	2025	Forecast			2024	2025	Forecast			2024	2025	Forecast		
		2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
BG	Bulgaria	3.4	3.1	2.0	2.2	2.4	2.6	3.5	4.5	3.7	3.0	4.2	3.5	3.6	3.7	3.7	-0.5	-5.7	-4.6	-3.3	-2.1	-3.0	-3.0	-3.1	-4.2	-3.0
CZ	Czechia	1.3	2.6	2.2	2.5	2.7	2.7	2.3	2.7	2.4	2.1	2.6	2.8	3.1	3.1	3.0	1.7	0.7	0.8	0.7	1.3	-2.0	-1.7	-3.1	-2.4	-2.5
EE	Estonia	-0.1	0.6	2.3	2.8	2.4	3.7	4.8	4.0	3.2	2.8	7.6	7.4	7.1	6.9	6.6	-1.2	-0.2	-1.4	-0.9	0.1	-1.7	-2.3	-4.5	-4.0	-2.0
HR	Croatia	3.8	3.2	2.6	2.7	2.8	4.0	4.4	3.5	2.8	2.6	5.0	4.9	4.8	4.8	4.9	-2.2	-3.5	-2.9	-2.8	-2.6	-1.9	-2.9	-2.8	-2.7	-2.5
HU	Hungary	0.7	0.5	1.6	1.8	2.4	3.7	4.4	4.0	3.6	3.1	4.5	4.4	4.3	4.2	4.1	1.7	1.6	1.1	1.2	1.8	-5.0	-4.7	-5.5	-4.0	-3.5
LT	Lithuania	3.0	2.9	2.3	2.2	2.5	0.9	3.4	3.6	2.7	2.3	7.1	6.9	6.7	6.5	6.3	3.2	0.9	0.4	-0.1	-0.6	-1.3	-2.6	-2.8	-2.7	-2.5
LV	Latvia	0.0	2.1	1.9	2.0	2.4	1.3	3.8	3.4	3.1	2.8	6.9	6.9	7.0	6.8	6.4	-1.5	-3.4	-3.8	-3.6	-3.6	-1.8	-2.9	-3.3	-3.0	-2.5
PL	Poland	3.0	3.6	3.6	2.6	2.9	3.7	3.3	3.5	3.7	3.0	2.9	3.1	3.1	3.0	3.0	0.3	-0.9	-1.1	-0.7	-0.1	-6.5	-6.4	-6.5	-6.2	-6.0
RO	Romania	0.9	0.7	0.5	1.7	2.9	5.8	6.8	6.8	4.5	4.0	5.4	6.1	6.5	6.3	6.0	-8.2	-7.9	-7.6	-7.3	-6.8	-9.3	-8.0	-6.5	-5.8	-5.2
SI	Slovenia	1.7	1.1	1.7	2.4	2.6	2.0	2.5	3.0	2.3	2.1	3.7	3.9	3.8	3.6	3.5	4.5	3.5	3.3	3.9	4.0	-0.9	-2.3	-2.3	-2.1	-2.1
SK	Slovakia	1.9	0.8	0.5	1.6	1.5	3.2	4.2	4.0	3.5	2.5	5.3	5.4	5.8	5.8	5.6	-4.6	-3.6	-4.0	-3.4	-3.0	-5.5	-5.0	-4.5	-4.8	-4.3
	<i>EU-CEE11 ¹⁾²⁾</i>	2.1	2.3	2.3	2.3	2.7	3.7	4.0	4.1	3.6	3.0	4.1	4.2	4.3	4.2	4.1	-0.9	-1.8	-1.9	-1.6	-1.1	-5.3	-5.1	-5.2	-4.8	-4.4
AL	Albania	4.0	3.8	3.6	3.5	3.5	2.6	2.3	2.8	2.9	3.0	8.5	8.4	8.3	8.2	8.1	-2.4	-0.7	-1.9	-2.2	-2.0	-0.7	-1.8	-1.3	-1.5	-1.8
BA	Bosnia and Herzegovina	3.2	2.1	2.3	2.8	3.0	1.7	4.0	3.4	2.7	2.1	12.6	12.2	12.1	12.0	11.7	-3.5	-3.2	-3.2	-3.1	-3.8	-1.8	-2.0	-1.3	-1.0	-1.5
ME	Montenegro	3.2	2.7	2.8	2.9	3.0	3.6	4.1	4.0	3.5	3.0	11.5	10.7	9.5	9.4	9.3	-17.1	-20.5	-19.4	-19.2	-20.9	-3.3	-4.3	-3.7	-3.8	-4.0
MK	North Macedonia	3.0	3.5	2.9	2.9	3.0	4.2	4.3	5.0	4.5	4.0	12.4	11.5	11.0	10.5	10.0	-2.2	-4.4	-5.5	-5.3	-4.4	-4.5	-4.0	-4.0	-4.0	-4.0
RS	Serbia	3.9	2.0	2.0	3.0	3.5	4.8	4.1	4.5	4.0	3.5	8.6	8.7	8.3	8.0	7.7	-4.5	-4.9	-5.2	-5.0	-4.7	-2.0	-2.4	-2.0	-3.0	-2.0
XK	Kosovo	4.6	3.6	3.4	3.6	3.6	1.6	3.9	5.0	3.5	3.0	10.8	10.7	10.5	10.3	10.3	-8.4	-8.2	-9.1	-8.8	-8.4	-0.3	-0.3	-0.5	-1.0	-1.0
	<i>WB6 ¹⁾²⁾</i>	3.7	2.6	2.5	3.1	3.3	3.6	3.8	4.1	3.6	3.2	10.0	9.8	9.5	9.3	9.0	-4.6	-4.8	-5.3	-5.2	-5.1	-1.9	-2.4	-2.0	-2.5	-2.1
MD	Moldova	0.1	2.5	1.7	3.0	3.7	4.7	7.8	5.8	4.5	4.5	4.0	3.8	3.8	3.6	3.5	-16.6	-19.7	-17.4	-16.4	-15.0	-3.9	-4.0	-4.5	-4.5	-4.0
UA	Ukraine	3.2	1.8	1.0	2.5	3.4	6.5	12.7	10.0	8.0	6.0	14.0	12.0	11.0	9.0	7.0	-8.9	-16.0	-17.4	-17.9	-18.8	-17.6	-18.6	-18.0	-15.0	-14.0
	<i>New EU accession 2 ¹⁾²⁾</i>	3.0	1.8	1.0	2.5	3.4	6.4	12.4	9.7	7.8	5.9	13.5	11.6	10.6	8.7	6.8	-9.5	-16.3	-17.4	-17.7	-18.5	-16.4	-17.3	-16.8	-14.1	-13.1
TR	Turkey	3.3	3.6	3.7	4.1	4.4	58.5	34.9	30.0	21.0	15.0	8.7	8.4	8.3	8.3	8.0	-1.0	-2.0	-2.4	-2.6	-3.0	-4.8	-3.4	-3.3	-3.4	-4.0
BY	Belarus	4.3	1.3	0.8	1.4	1.3	5.7	6.7	6.5	6.4	5.8	3.0	2.5	2.6	2.6	2.7	-2.1	-1.9	-1.6	-1.3	-1.0	1.3	0.1	0.2	-0.3	-0.5
KZ	Kazakhstan	5.0	6.5	4.0	4.5	5.0	8.7	11.4	10.5	8.0	6.0	4.7	4.6	4.6	4.5	4.5	-2.3	-4.1	-2.0	-3.6	-4.3	-2.6	-2.7	-2.3	-2.0	-1.8
RU	Russia	4.9	1.0	0.9	1.5	1.8	8.4	8.7	6.2	4.3	3.9	2.5	2.2	2.4	2.6	2.7	2.9	1.7	5.6	2.5	2.8	-1.6	-3.9	-2.2	-1.9	-1.6
	<i>CIS3 ¹⁾²⁾</i>	4.9	1.6	1.2	1.8	2.1	8.4	8.9	6.7	4.8	4.2	2.8	2.5	2.6	2.8	2.9	2.1	1.0	4.5	1.7	1.9	-1.6	-3.6	-2.1	-1.9	-1.6
	<i>V4+SI ¹⁾²⁾</i>	2.2	2.7	2.8	2.4	2.7	3.4	3.3	3.4	3.4	2.8	3.3	3.5	3.5	3.5	3.4	0.6	-0.3	-0.5	-0.2	0.4	-5.1	-4.9	-5.3	-4.9	-4.7
	<i>BALT3 ¹⁾²⁾</i>	1.5	2.2	2.2	2.3	2.5	1.6	3.8	3.6	2.9	2.5	7.1	7.0	6.9	6.7	6.4	0.9	-0.4	-1.1	-1.2	-1.2	-1.5	-2.6	-3.4	-3.1	-2.4
	<i>EU-SEE3 ¹⁾²⁾</i>	1.8	1.5	1.1	1.9	2.8	4.9	5.8	5.9	4.1	3.6	5.1	5.3	5.6	5.5	5.3	-5.8	-6.8	-6.3	-5.8	-5.2	-7.0	-6.2	-5.2	-5.0	-4.3
	<i>EU accession 8 ¹⁾²⁾</i>	3.3	2.1	1.6	2.7	3.4	5.3	9.0	7.5	6.1	4.8	12.4	11.1	10.3	8.9	7.5	-7.2	-11.0	-11.7	-11.7	-12.0	-9.7	-10.4	-9.8	-8.5	-7.8
	<i>non-EU12 ¹⁾²⁾</i>	4.3	2.3	2.0	2.6	2.9	22.8	16.6	13.7	9.7	7.5	5.8	5.2	5.2	5.1	4.9	0.3	-1.0	0.9	-1.0	-1.2	-3.4	-4.2	-3.2	-3.0	-3.0
	<i>CESEE23 ¹⁾²⁾</i>	3.7	2.3	2.1	2.5	2.9	17.5	13.1	11.0	8.0	6.2	5.3	5.0	5.0	4.9	4.7	-0.2	-1.3	-0.1	-1.2	-1.1	-4.1	-4.5	-3.9	-3.6	-3.5
	<i>EA ²⁾³⁾</i>	0.9	1.4	0.9	1.1	1.5	2.4	2.1	2.6	2.2	1.9	6.3	6.3	6.2	6.1	6.0	3.4	2.5	2.0	2.0	2.1	-3.1	-3.0	-3.6	-3.5	-3.3
	<i>EU27 ²⁾³⁾</i>	1.1	1.5	1.1	1.3	1.7	2.6	2.5	2.8	2.4	2.1	5.9	6.0	5.6	5.5	5.4	3.3	2.4	2.0	2.0	2.1	-3.1	-2.6	-3.2	-3.1	-2.9

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

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

Source: wiw, Eurostat. Forecasts by wiw. Cut-off date for historical data and forecasts: 9 April 2026.