

PRESS RELEASE

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Spring Forecast: Trump's tariffs likely to have limited impact on Eastern Europe

- *The region will remain on its growth trajectory*
- *Trade war and uncertainty are major risks*
- *The Ukrainian economy is on thin ice*
- *Russia's growth will pick up, thanks to Trump*

Despite the trade war unleashed by US President Donald Trump, growth in most of the economies of Central, East and Southeast Europe, including the EU member states, is likely to remain robust in 2025 – unlike in the euro area. This is shown in the new spring forecast of the Vienna Institute for International Economic Studies (wiiw) covering 23 countries of the region. *'The direct trade flows between those countries and the US are anyway low, and the collateral damage caused by their close ties with the heavily export-dependent German industry is also likely to remain manageable,'* says Richard Grieveson, Deputy Director of wiiw and lead author of the spring forecast. *'As in previous cases where the region has been hit by negative external shocks, those countries with larger domestic markets – most notably Poland – will be better able to absorb the negative impact and are likely once again to prove resilient.'*

For 2025, wiiw forecasts average growth of 2.5% for the EU members of the region, a downward revision of 0.3 percentage points, compared to the winter forecast. In 2026, growth should pick up marginally to 2.8%, a slight upward revision of 0.1 percentage points. *'The negative effects of Trump's tariffs should be largely offset next year by Germany's fiscal policy about-turn, with its EUR 500bn package for defence, infrastructure and climate,'* says Grieveson. This means that the EU members of Central, East and Southeast Europe are this year likely to grow around three times faster than the euro area (GDP growth in the euro area in 2025 is expected to be 0.7%, a downward revision of 0.5 percentage points) and twice as fast as the euro area in 2026 (1.4%).

However, given the manufacturing recession in Germany (which is likely to deepen further as a result of Trump's tariffs), industry is struggling in Czechia, Slovakia, Hungary and Romania, which are all closely intermeshed with the German economy. Nevertheless, growth in those countries is – and will continue to be – driven by strong private consumption, supported by substantial increases in real wages in recent years. Among the eastern EU member states, Poland will once again be the frontrunner in terms of GDP growth, with 3.5% both this year and next; it will be followed by Croatia, with 2.8% in both 2025 and 2026. The six countries of the Western Balkans will expand by an average of 3% in 2025 and 3.6% in 2026, while Turkey will grow by 3.5% in 2025 and 4% in 2026.

The prospects for war-torn Ukraine appear increasingly uncertain: wiiw forecasts growth of 3% for the country in 2025, rising to 4% in 2026 – but only provided there is adequate external

military and financial aid, something that is severely jeopardised by US President Trump. The growth prospects for aggressor Russia have brightened significantly as a result of its rapprochement with the US: although the Russian economy is expected to grow by only 2% this year, it is set to expand by 2.5% in 2026.

Trade war and uncertainty are major risks

Risks to the forecast lie in the uncertainty felt by consumers and companies alike, which is fuelled by Trump's erratic trade policy and a further escalation of the trade conflict with China. This could also plunge the US into recession, with repercussions for the global economy. *'We are now witnessing a full-scale trade war between the US and China, which will have an adverse impact on the entire global economy. High volatility on the financial markets could escalate into a financial crisis, which may then spill over into the real economy,'* says Richard Grieveson. *'In addition, it is not yet really possible to predict how the general uncertainty will affect consumption or investment, even though the region has repeatedly shown itself to be very resilient to external shocks,'* continues Grieveson.

US policy towards Ukraine is also creating uncertainty and could have negative economic consequences if the US administration's ill-conceived peace efforts fail. *'At the moment, it doesn't look as if Trump will be able to convince Russian President Putin to end the war of aggression against Ukraine. If Trump then turns away in frustration and leaves Ukraine to its fate, that could once again shake the economy of Central Eastern Europe,'* warns Grieveson.

Ukraine's economy in murky waters

Although wiiw expects a ceasefire in Ukraine in the medium term, and although its economy has proved extremely resilient, the country's economic future is uncertain. For 2025, wiiw continues to forecast growth of 3% in Ukraine, rising to 4% in 2026. However, much will depend on how the military situation develops. The economy cooled significantly last year: while Ukraine was still growing at an annualised rate of 6.5% in the first quarter of 2024, by the fourth quarter growth was only 2%.

The country continues to struggle with the systematic destruction of its infrastructure by Russian air strikes, as well as with the acute labour shortage caused by military mobilisation and the emigration of 7m people. Price rises for food and public services, plus the growth in wages on the back of the labour shortage, have caused inflation to pick up significantly, leading the central bank to raise interest rates to 15.5%. *'Trump's attempts to force Ukraine into de facto capitulation and to turn the country into an economic colony of the US are, however, the biggest threat to Ukraine's economic development,'* warns Olga Pindyuk, Ukraine expert at wiiw. *'The decisive factor will therefore be whether the EU succeeds in stepping up its military and financial aid to Ukraine and in replacing the US as the country's most important supporter,'* she adds.

Russia's outlook brighter, thanks to Trump

Although Russia's growth rate is likely to halve in 2025, following the economic overheating of the previous two years, GDP forecasts have recently been revised upwards. In light of the economy's remarkable resilience so far to the very high interest rates, wiiw has upped its GDP forecast for Russia in 2025 by 0.2 percentage points, to 2%. Looking ahead, the prospect of a

partial or complete lifting of US sanctions as part of the rapprochement with Washington is expected to improve the economic outlook significantly. For 2026, wiiw is forecasting growth of 2.5%, an upward revision of 0.9 percentage points, compared to the winter forecast.

In the slipstream of Trump's change of course on Ukraine, future economic cooperation between the US and Russia has been discussed – for example, involving oil exploration projects in the Arctic. *'Should there actually be a ceasefire or peace agreement in Ukraine, Russia's economic ostracisation by the US will probably end. It is even feasible that this will happen without an agreement. That would allow US capital and American technology to flow back into the country. US allies like Japan, South Korea and Taiwan could also follow suit,'* says Vasily Astrov, Russia expert at wiiw. *'The existing US sanctions are already being implemented only half-heartedly.'*

The rapprochement with the US has also boosted the Russian financial markets and the rouble. Foreign companies such as Renault, Hyundai and Samsung are now considering a return to Russia. The South Korean electronics group LG recently even restarted production at its Moscow plant. *'The partial resumption of economic relations with the West would probably make up for the loss of soldiers' high salaries and compensation for their families, which have been a major source of Russian growth since the invasion of Ukraine, if the war were to end,'* comments Astrov.

The recent sharp fall in the price of crude oil – still Russia's most important export – will do relatively little to change Russia's positive outlook. *'Of course, this, as well as the current strength of the rouble, will significantly reduce state revenue. But the budget is no longer as dependent on oil revenue as it was in the past, and a possibly higher budget deficit could be financed without any problem,'* 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 of 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 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

Contact:**Andreas Knapp**

Communications Manager
Tel. +43 680 13 42 785
knapp@wiiw.ac.at

Richard Grieveson

Deputy Director, lead author
grieveson@wiiw.ac.at

Mario Holzner

Executive Director
holzner@wiiw.ac.at

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		
		2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
BG	Bulgaria	1.9	2.8	2.3	2.5	2.7	8.6	2.6	3.0	2.6	2.3	4.3	4.2	4.3	4.2	3.9	-0.9	-1.8	-2.1	-1.0	-0.5	-2.0	-3.0	-3.0	-3.0	-3.0
CZ	Czechia	-0.1	1.1	2.0	2.5	2.7	12.0	2.7	2.3	2.2	1.6	2.6	2.6	2.8	2.7	2.6	-0.1	1.8	1.8	1.6	1.5	-3.8	-2.1	-2.4	-1.9	-1.8
EE	Estonia	-3.0	-0.3	1.5	2.4	2.5	9.1	3.7	5.0	4.1	3.0	6.4	7.5	7.2	6.5	6.0	-1.7	-1.1	-0.9	-0.5	0.3	-2.8	-3.2	-3.0	-2.7	-2.5
HR	Croatia	3.3	3.8	2.8	2.8	2.7	8.4	4.0	3.4	2.9	2.8	6.1	5.0	4.9	4.9	4.8	0.7	-1.2	0.1	0.1	0.2	-0.9	-2.3	-2.2	-2.0	-1.9
HU	Hungary	-0.8	0.5	1.8	2.5	2.0	17.0	3.7	5.0	4.0	3.5	4.1	4.5	4.2	4.0	4.5	0.3	2.2	1.7	1.7	1.8	-6.7	-4.8	-5.0	-5.0	-3.8
LT	Lithuania	0.3	2.8	2.8	2.6	2.4	8.7	0.9	3.0	2.5	2.5	6.9	7.1	7.0	6.7	6.3	1.1	2.5	3.0	2.2	1.9	-0.7	-2.0	-3.0	-2.8	-2.7
LV	Latvia	2.9	-0.4	1.7	2.4	2.3	9.1	1.3	2.8	2.7	2.5	6.5	6.9	6.8	6.5	6.2	-3.9	-2.1	-2.9	-3.6	-4.5	-2.4	-2.9	-3.2	-2.9	-2.6
PL	Poland	0.1	2.9	3.5	3.5	3.0	10.9	3.7	4.4	3.0	2.5	2.8	2.9	2.8	2.7	2.7	1.8	0.2	-0.8	0.1	0.7	-5.3	-5.9	-5.6	-4.6	-4.3
RO	Romania	2.4	0.9	1.6	2.5	3.3	9.7	5.8	5.0	4.0	3.5	5.6	5.4	5.5	5.4	5.3	-6.6	-8.3	-7.5	-6.9	-6.4	-6.5	-8.7	-7.5	-6.7	-5.8
SI	Slovenia	2.1	1.6	2.2	2.4	2.4	7.2	2.0	2.2	2.0	2.0	3.7	3.7	3.6	3.5	3.5	4.5	4.4	4.1	4.1	4.9	-2.6	-2.4	-1.8	-2.0	-1.9
SK	Slovakia	1.4	2.0	1.7	2.0	2.4	11.0	3.2	3.9	2.8	2.5	5.8	5.3	5.6	5.5	5.4	-0.9	-2.8	-2.6	-2.8	-2.3	-5.2	-5.8	-4.9	-4.2	-4.0
EU-CEE11 ¹⁽²⁾		0.8	1.9	2.5	2.8	2.8	11.0	3.7	4.1	3.1	2.7	4.1	4.1	4.1	4.0	3.9	-0.4	-0.9	-1.2	-0.7	-0.4	-4.7	-5.1	-4.8	-4.2	-3.8
AL	Albania	3.9	4.0	3.7	3.9	4.0	5.3	2.6	2.7	2.5	2.4	10.7	8.6	8.4	8.3	8.2	-1.2	-2.4	-2.6	-2.7	-2.7	-1.3	-0.7	-2.0	-1.8	-1.5
BA	Bosnia and Herzegovina	2.0	2.5	2.4	2.8	3.2	6.1	1.7	2.2	1.8	1.8	13.2	12.6	12.3	11.9	11.5	-2.3	-4.2	-5.0	-5.0	-4.9	-1.2	-0.5	-0.7	-1.0	-1.0
ME	Montenegro	6.3	3.0	3.4	3.3	3.2	8.7	3.6	3.0	2.5	2.8	13.1	11.5	11.0	10.6	10.2	-11.4	-17.3	-16.7	-16.4	-16.3	0.6	-3.0	-3.0	-3.0	-3.0
MK	North Macedonia	2.1	2.8	2.4	2.6	2.8	9.0	4.2	4.0	3.5	3.0	13.1	12.4	12.1	11.7	11.3	0.4	-2.3	-2.4	-1.9	-1.5	-4.3	-4.6	-4.0	-4.0	-3.0
RS	Serbia	3.8	3.9	3.0	4.0	4.0	12.1	4.8	4.2	3.5	3.0	9.5	8.6	8.3	7.9	7.5	-2.4	-6.3	-6.0	-5.7	-5.6	-2.1	-2.0	-2.5	-3.0	-3.5
XK	Kosovo	4.1	4.4	3.9	3.9	4.1	4.9	1.6	2.2	2.0	2.0	10.9	10.7	10.7	10.6	10.5	-7.5	-8.9	-8.9	-8.6	-8.1	-0.3	0.1	-1.1	-0.9	-0.8
WB6 ¹⁽²⁾		3.5	3.5	3.0	3.6	3.7	9.1	3.6	3.4	2.9	2.6	11.0	10.0	9.9	9.3	9.0	-2.7	-5.7	-5.7	-5.4	-5.3	-1.8	-1.7	-2.2	-2.5	-2.6
MD	Moldova	1.2	0.1	1.8	3.0	3.5	13.4	4.7	8.0	5.0	4.0	4.6	4.0	3.8	3.5	3.5	-11.3	-16.0	-17.0	-15.2	-14.3	-5.1	-3.9	-4.0	-3.0	-2.0
UA	Ukraine	5.5	2.9	3.0	4.0	5.0	12.9	6.5	12.0	7.0	6.0	20.0	14.0	12.0	10.0	9.0	-5.3	-7.2	-7.0	-8.4	-9.1	-20.1	-17.6	-17.0	-15.0	-10.0
New EU accession 2 ¹⁽²⁾		5.2	2.7	2.9	4.0	4.9	12.9	6.4	11.7	6.9	5.9	19.2	13.5	11.6	9.6	8.7	-5.8	-8.0	-7.9	-9.0	-9.6	-18.8	-16.4	-15.9	-13.9	-9.3
TR	Turkey	5.1	3.2	3.5	4.0	4.5	54.0	58.5	36.0	25.0	14.0	9.4	8.7	9.0	9.0	8.8	-3.6	-0.8	-2.5	-3.0	-3.5	-5.2	-4.8	-3.8	-3.5	-2.6
BY	Belarus	4.1	4.0	1.8	1.4	1.4	5.1	5.7	8.0	6.0	6.0	3.5	3.0	3.0	3.1	3.1	-1.5	-2.5	-2.6	-2.6	-1.8	1.2	0.3	-0.3	-0.5	-0.5
KZ	Kazakhstan	5.1	4.8	4.7	4.6	4.5	14.5	8.7	10.0	8.0	7.0	4.7	4.7	4.6	4.6	4.6	-3.6	-1.3	-2.5	-2.3	-2.1	-2.4	-2.7	-2.4	-2.3	-2.0
RU	Russia	4.1	4.1	2.0	2.5	2.5	5.9	8.4	9.9	5.7	4.4	3.2	2.5	2.3	2.2	2.2	2.4	2.9	2.3	2.6	2.8	-2.2	-1.6	-1.0	-0.8	-0.5
CIS3 ¹⁽²⁾		4.2	4.2	2.2	2.7	2.6	6.7	8.3	9.8	5.9	4.7	3.3	2.8	2.5	2.4	2.4	1.6	2.2	1.6	1.9	2.1	-2.1	-1.7	-1.0	-0.9	-0.6
V4+SI ¹⁽²⁾		0.1	2.1	2.8	3.0	2.7	11.8	3.4	4.0	2.9	2.5	3.3	3.3	3.3	3.2	3.2	1.1	0.7	0.1	0.6	1.0	-5.0	-4.8	-4.7	-4.0	-3.6
BAL T3 ¹⁽²⁾		0.3	1.2	2.3	2.5	2.4	8.9	1.6	3.4	2.9	2.6	6.6	7.1	7.0	6.6	6.2	-0.9	0.4	0.5	0.1	-0.2	-1.7	-2.6	-3.1	-2.8	-2.6
EU-SEE3 ¹⁽²⁾		2.4	1.6	1.9	2.5	3.1	9.3	4.9	4.4	3.6	3.2	5.4	5.1	5.2	5.1	4.9	-4.4	-6.0	-5.3	-4.7	-4.2	-4.8	-6.6	-5.8	-5.3	-4.7
EU accession 8 ¹⁽²⁾		4.6	3.0	2.9	3.8	4.4	11.5	5.3	8.6	5.4	4.6	16.8	12.4	11.0	9.5	8.8	-4.4	-6.9	-6.9	-7.4	-7.6	-11.0	-9.6	-9.6	-8.7	-6.2
non-EU12 ¹⁽²⁾		4.5	3.8	2.7	3.2	3.3	20.9	22.6	17.3	11.4	7.4	7.0	5.8	5.5	5.2	5.0	-0.4	0.5	-0.5	-0.6	-0.8	-3.8	-3.4	-2.8	-2.5	-1.9
CESEE23 ¹⁽²⁾		3.5	3.3	2.6	3.1	3.2	18.2	17.5	13.7	9.2	6.1	6.3	5.3	5.1	4.9	4.8	-0.4	0.0	-0.7	-0.6	-0.6	-4.2	-4.0	-3.5	-3.1	-2.5
EA20 ³⁾		0.4	0.9	0.7	1.4	1.5	5.4	2.4	2.2	2.0	2.0	6.6	6.4	6.6	6.6	6.5	2.7	3.6	2.5	2.5	2.5	-3.6	-3.1	-2.9	-2.7	-2.3
EU27 ³⁾		0.4	1.0	0.9	1.6	1.7	6.4	2.6	2.4	2.2	2.2	6.1	5.8	6.0	6.0	5.9	2.7	3.5	2.5	2.5	2.5	-3.5	-3.1	-2.5	-2.3	-1.9

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: 3 April 2025.