

PRESS RELEASE

1 July 2026

## Summer forecast: Iran war to have little impact on growth in Eastern Europe

- *The countries of Central Eastern Europe continue to demonstrate robust growth*
- *Higher inflation is likely here to stay*
- *Ukraine has been hurt by Russian air strikes and the Iran war*
- *Russia's economy is in crisis*

Although the energy price shock caused by the war in the Middle East – which seems to have come to an end – has driven up inflation, and although the international environment remains challenging, growth in Central, East and Southeast Europe remains robust. This also applies to most of the eastern EU member states. Although energy prices – and consequently inflation – are likely to remain higher than before the war for the foreseeable future, there are no signs of an inflationary shock similar to that which followed the Russian invasion of Ukraine. These are the main findings of the new summer forecast by the Vienna Institute for International Economic Studies (wiiv) for 23 countries of the region.

*'This, however, depends on the conflict with Iran not escalating again, the Strait of Hormuz remaining open and energy markets returning to normal,'* says Richard Grieveson, Deputy Director of wiiv and lead author of the summer forecast. In addition to these geopolitical challenges, the countries of Central Eastern Europe (CEE) face structural problems, such as a loss of industrial competitiveness, increased competition from China and a decline in foreign direct investment.

*'Growth in Central Eastern Europe is primarily driven by private consumption, which has developed very positively thanks to strong real wage increases in recent years, even though the momentum is now slowing,'* explains Grieveson. The inflow of EU funds and investment in the defence industry are also playing a positive role. *'However, CEE's industrial sector, which is closely integrated with Germany, continues to struggle as a result of the crisis in German manufacturing and its domestic challenges,'* says Grieveson.

For 2026, wiiv forecasts average growth of 2.2% for the eastern EU member states, a slight downward revision of 0.1 percentage points compared to the spring forecast. Growth in 2027 is expected to pick up slightly to 2.4%, which is 0.1 percentage points higher than anticipated in the spring. Overall, the EU member states of the region are expected to grow around three times faster than the euro area (0.7%) this year and, at 2.4%, at least twice as fast as the euro area in 2027 (1%).

Romania stands out as a negative outlier, with the economy expected to contract slightly this year, by around 0.1%. This subdued outlook reflects the government's stringent fiscal consolidation measures, introduced in response to the large budget deficits accumulated in

previous years, as well as the ongoing political uncertainty in the country. Slovakia, too, is expected to record only modest growth of 0.5% in 2026, before rebounding to 1.6% in 2027.

Hungary, by contrast, is likely to grow by 1.7% this year, following the victory of Péter Magyar and his Tisza party in the spring parliamentary elections, and by 2.6% in 2027. The country will be able to leave the economic stagnation of the late Orbán years behind it. Once again, Poland is the growth leader among the eastern EU member states, with 3.7% this year and 2.9% next.

The six Western Balkan countries are projected to grow by an average of 2.5% in 2026, with that figure rising to 3.0% in 2027. Turkey, meanwhile, is expected to expand by 3.3% in 2026 and by 3.9% in 2027.

### **Ukraine has been hurt by Russian air strikes and the Iran war**

The economic situation in Ukraine, by contrast, remains far more challenging. As it projected in spring, wiiw still expects the economy to grow by just 1% in 2026 as a whole, with growth picking up to 2.5% in 2027.

As a consequence of heavy Russian air strikes on the country's energy infrastructure and the ensuing power outages, economic output contracted by 0.5% year on year in the first quarter of 2026. The blockade of the Strait of Hormuz has meant that the economy has also been hit by higher prices for fuel and fertilisers, on imports of which Kyiv remains heavily dependent.

*'A stronger performance by the agricultural sector, higher exports, and public investment on reconstruction and the defence industry could still salvage this year, to some extent,'* says Olga Pindyuk, wiiw's Ukraine expert. *'Over the coming years, however, growth will only be able to accelerate if the war with Russia is de-escalated and ultimately brought to an end on terms favourable to Ukraine,'* she adds.

A stabilising factor is the EUR 90bn EU loan approved in April. Of this, EUR 30bn will flow directly into Ukraine's state budget, while the remaining EUR 60bn will be used to finance military expenditure. The EUR 30bn allocated to the budget will enable Ukraine to cover around two thirds of its financing needs in 2026 and 2027.

Inflation is expected to remain elevated, averaging around 10% this year, before gradually easing from 2027 onwards and settling at around 6% in 2028. *'The situation could get harder for Ukraine if the Iran war were to escalate again and push energy prices sharply higher. In that case, the economic damage would be considerably greater,'* says Pindyuk.

### **Russia's economy is in crisis**

The aggressor state, Russia, is also grappling with serious economic difficulties. For 2026, wiiw forecasts only marginal growth of 0.6% for the country, a downward revision of 0.3 percentage points compared with its spring forecast. Growth is expected to pick up to 1.3% in 2027, although this, too, represents a downward adjustment of 0.2 percentage points. Despite temporarily higher revenue from energy exports as a consequence of the Iran conflict, Russia remains firmly trapped in a state of pronounced economic stagnation.

*'The main reason is the central bank's still excessively restrictive monetary policy, which is choking economic activity by making borrowing prohibitively expensive, particularly for the purchase of consumer durables and for investment,'* explains Vasily Astrov, Russia expert at wiiw. As a result, investment activity fell by around 14% in the first quarter of 2026, also owing to the bleak economic outlook and the exhausted capacities for import substitution.

More recently, the Russian authorities have repeatedly imposed internet shutdowns – purportedly on security grounds – further hampering the highly digitalised Russian economy.

However, it is likely that the large-scale Ukrainian drone attacks on Russia's energy infrastructure will prove even more damaging. Kyiv appears to be gaining the upper hand in the drone war, increasingly striking deep inside Russian territory. According to some estimates, up to a third of Russia's oil-refining capacity has already been knocked out by Ukrainian drones.

*'In many places, there are fuel supply shortages. These will naturally have an adverse impact on economic activity in the country. Alongside the internet outages, war fatigue and the economic slowdown, these fuel shortages have been among the reasons for the recent marked decline in President Putin's popularity,'* says Astrov. *'Nevertheless, Russia will continue to be able to wage and finance its war of aggression against Ukraine,'* he goes on.

### **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 summer 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](http://www.wiiw.ac.at)

### **Contacts:**

**Andreas Knapp**  
Communications Manager  
Tel. +43 680 13 42 785  
[knapp@wiiw.ac.at](mailto:knapp@wiiw.ac.at)

**Richard Grieveson**  
Deputy Director, lead author  
[grieveson@wiiw.ac.at](mailto:grieveson@wiiw.ac.at)

## 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									
		Forecast					Forecast					Forecast					Forecast					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	2024	2025	2026	2027	2028
BG	Bulgaria	3.4	3.1	2.5	2.6	2.8	2.6	3.5	5.2	3.5	3.0	4.2	3.5	3.6	3.7	3.7	-0.5	-5.7	-4.9	-3.6	-2.7	-3.0	-3.5	-3.0	-3.0	-3.0	-3.0				
CZ	Czechia	1.3	2.6	2.2	2.3	2.7	2.7	2.3	2.6	2.9	2.5	2.6	2.8	3.3	3.2	3.0	1.7	0.7	0.8	0.7	1.3	-2.0	-2.1	-2.9	-2.9	-2.5					
EE	Estonia	-0.1	0.6	2.4	2.8	2.4	3.7	4.8	3.8	2.8	2.3	7.6	7.5	6.8	6.6	6.4	-1.2	-0.2	-1.4	-0.9	0.1	-1.1	-2.0	-4.4	-4.0	-3.5					
HR	Croatia	3.8	3.4	2.6	2.7	2.8	4.0	4.4	4.6	2.9	2.6	5.0	4.9	4.8	4.8	4.9	-2.2	-3.5	-3.5	-3.4	-3.3	-2.3	-3.0	-3.2	-2.9	-2.5					
HU	Hungary	0.7	0.5	1.7	2.6	2.8	3.7	4.4	3.7	3.3	3.1	4.5	4.4	4.4	4.3	4.2	1.7	1.6	1.1	1.2	1.7	-5.1	-4.7	-6.6	-4.7	-3.7					
LT	Lithuania	3.0	2.9	2.2	1.8	2.5	0.9	3.4	3.4	2.7	2.3	7.1	6.9	6.9	6.6	6.3	3.2	0.9	-0.3	-1.1	-1.7	-1.3	-1.8	-2.4	-2.3	-2.5					
LV	Latvia	0.0	2.1	1.8	1.9	2.4	1.3	3.8	3.4	3.1	2.8	6.9	6.9	7.0	6.9	6.4	-1.5	-3.4	-3.8	-3.6	-3.6	-1.8	-2.5	-3.3	-3.0	-2.5					
PL	Poland	3.2	3.6	3.7	2.9	3.0	3.7	3.3	3.5	3.7	3.0	2.9	3.1	3.1	3.0	3.0	0.3	-0.9	-1.3	-1.1	-0.5	-6.4	-7.3	-6.5	-6.2	-6.0					
RO	Romania	0.9	0.7	-0.1	1.6	2.3	5.8	6.8	7.8	4.0	4.0	5.4	6.1	6.4	6.3	6.0	-8.2	-7.9	-7.1	-6.8	-6.5	-9.3	-7.9	-6.2	-5.8	-5.2					
SI	Slovenia	1.7	1.1	1.9	2.2	2.3	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	-2.5	-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	-5.3	-4.5	-4.5	-4.8	-4.3					
<i>EU-CEE11 <sup>1)2)</sup></i>		2.2	2.3	2.2	2.4	2.7	3.7	4.0	4.3	3.5	3.0	4.1	4.2	4.3	4.2	4.1	-0.9	-1.8	-1.9	-1.7	-1.3	-5.2	-5.4	-5.2	-4.8	-4.5					
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	5.5	4.0	2.5	12.6	12.2	12.6	12.5	12.0	-3.5	-3.2	-3.2	-3.0	-3.8	-1.8	-2.0	-2.1	-2.0	-1.5					
ME	Montenegro	3.2	2.7	2.8	2.9	3.0	3.6	4.1	4.3	3.5	3.0	11.5	10.7	9.3	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	-5.0	-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	8.5	8.2	7.9	-4.5	-4.9	-4.9	-4.7	-4.2	-2.0	-2.4	-3.0	-3.5	-2.5					
XK	Kosovo	4.6	3.6	3.3	3.4	3.6	1.6	3.9	7.0	4.5	3.2	10.8	10.7	10.5	10.3	10.3	-8.4	-8.2	-9.1	-8.8	-8.4	-0.3	-0.8	-0.5	-1.0	-1.0					
<i>WB6 <sup>1)2)</sup></i>		3.7	2.6	2.5	3.0	3.3	3.6	3.8	4.6	3.9	3.3	10.0	9.8	9.7	9.5	9.2	-4.6	-4.8	-5.2	-5.0	-4.8	-1.9	-2.4	-2.7	-2.9	-2.3					
MD	Moldova	0.3	2.4	1.9	2.7	3.3	4.7	7.8	7.5	5.5	4.5	4.0	3.8	3.8	3.6	3.5	-16.5	-19.7	-18.0	-17.1	-16.1	-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	-17.6	-18.9	-20.2	-17.6	-18.6	-18.0	-15.0	-14.0					
<i>New EU accession 2 <sup>1)2)</sup></i>		3.0	1.8	1.1	2.5	3.4	6.4	12.4	9.8	7.8	5.9	13.5	11.6	10.7	8.7	6.8	-9.5	-16.3	-17.6	-18.8	-19.8	-16.4	-17.3	-16.8	-14.1	-13.1					
TR	Turkey	3.3	3.6	3.3	3.9	4.2	58.5	34.9	35.0	28.0	18.0	8.7	8.4	8.3	8.3	8.0	-1.0	-2.0	-2.4	-2.5	-2.9	-4.8	-2.6	-3.3	-3.4	-4.0					
BY	Belarus	4.3	1.3	1.0	1.5	1.3	5.7	6.7	5.9	5.7	5.5	3.0	2.5	2.5	2.6	2.7	-2.1	-1.9	-1.5	-1.3	-1.0	1.3	0.1	0.2	-0.3	-0.5					
KZ	Kazakhstan	5.0	6.5	4.5	4.7	5.0	8.7	11.4	10.0	8.0	6.0	4.7	4.6	4.5	4.5	4.4	-2.3	-4.1	-0.9	-3.1	-4.2	-2.6	-2.7	-1.7	-2.0	-1.8					
RU	Russia	4.9	1.0	0.6	1.3	1.7	8.4	8.7	5.7	4.0	3.9	2.5	2.2	2.4	2.6	2.7	2.9	1.7	4.1	2.4	2.3	-1.6	-3.9	-2.2	-1.9	-1.6					
<i>CIS3 <sup>1)2)</sup></i>		4.9	1.6	1.0	1.7	2.0	8.4	8.9	6.2	4.5	4.2	2.8	2.5	2.6	2.8	2.9	2.1	1.0	3.4	1.6	1.4	-1.6	-3.6	-2.1	-1.9	-1.6					
<i>V4+SI <sup>1)2)</sup></i>		2.4	2.7	2.8	2.6	2.8	3.4	3.3	3.4	3.4	2.8	3.3	3.5	3.6	3.5	3.4	0.5	-0.3	-0.6	-0.4	0.2	-5.0	-5.5	-5.5	-5.1	-4.7					
<i>BALT3 <sup>1)2)</sup></i>		1.5	2.2	2.1	2.0	2.5	1.6	3.8	3.5	2.8	2.4	7.1	7.0	6.9	6.7	6.4	0.9	-0.4	-1.5	-1.7	-1.8	-1.4	-2.0	-3.1	-2.9	-2.7					
<i>EU-SEE3 <sup>1)2)</sup></i>		1.8	1.5	0.8	1.9	2.5	4.9	5.8	6.9	3.8	3.6	5.1	5.3	5.5	5.5	5.3	-5.8	-6.8	-6.1	-5.6	-5.2	-7.0	-6.3	-5.1	-4.8	-4.3					
<i>EU accession 8 <sup>1)2)</sup></i>		3.3	2.1	1.6	2.7	3.4	5.3	9.0	7.8	6.3	4.9	12.4	11.1	10.4	9.0	7.6	-7.2	-11.0	-11.7	-12.2	-12.6	-9.7	-10.4	-10.1	-8.7	-7.9					
<i>non-EU12 <sup>1)2)</sup></i>		4.3	2.3	1.8	2.4	2.8	22.8	16.6	14.9	11.6	8.3	5.8	5.2	5.2	5.1	4.9	0.3	-1.0	0.2	-1.1	-1.4	-3.4	-3.9	-3.1	-3.0	-3.1					
<i>CESEE23 <sup>1)2)</sup></i>		3.7	2.3	1.9	2.4	2.8	17.5	13.1	12.0	9.4	6.9	5.3	5.0	5.0	4.9	4.7	-0.2	-1.3	-0.5	-1.3	-1.4	-4.0	-4.4	-3.9	-3.7	-3.6					
<i>EA <sup>2)3)</sup></i>		1.0	1.4	0.7	1.0	1.5	2.4	2.1	3.2	2.5	1.9	6.3	6.3	6.3	6.2	6.1	3.4	2.5	1.9	2.0	2.1	-3.0	-3.0	-3.6	-3.5	-3.3					
<i>EU27 <sup>2)3)</sup></i>		1.2	1.5	0.9	1.2	1.7	2.6	2.5	3.4	2.7	2.1	5.9	6.0	5.7	5.6	5.5	3.3	2.4	1.9	2.0	2.1	-3.1	-2.6	-3.2	-3.1	-2.9					

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: 11 June 2026.