

PRESS RELEASE

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Winter Forecast: Eastern Europe to grow faster in 2025 despite Trump

- *Private consumption is driving growth, while export-oriented industry is struggling*
- *Donald Trump unchained is the major downside risk*
- *Ukraine's economic prospects are uncertain*
- *Growth in Russia will halve to 1.8% in 2025*

Even though the return of Donald Trump as US president is creating great uncertainty and the international environment remains difficult, growth in most economies of Central, East and Southeast Europe will pick up in 2025 – especially in the EU member states. This is shown by the new winter forecast by the Vienna Institute for International Economic Studies (wiiw) for 23 countries of the region. *'However, this assumes that Trump does not immediately impose high tariffs on the EU and that he does not grant Putin an easy victory in Ukraine by abandoning the country and cutting military and financial aid to it,'* says Richard Grieveson, Deputy Director of wiiw and lead author of the winter forecast. *'We are assuming this scenario.'*

For 2025, wiiw forecasts average growth of 2.8% for the EU members of the region, a minimal downward revision of 0.1 percentage points compared to last autumn. Growth in 2026 should be similar, at 2.7%, which likewise represents a slight downward adjustment of 0.3 percentage points. This means that both this year and next, the EU members of Central, East and Southeast Europe are likely to grow at about twice the rate of the euro area (2025: 1.2%; 2026: 1.4%), thus continuing their economic catch-up process.

Industry in key countries of the region, such as Poland, Czechia, Slovakia, Hungary and Romania (which are closely intertwined with Germany), is struggling because of the ongoing recession in German manufacturing. However, growth in those countries continues to be driven by strong private consumption, thanks to robust real wage increases. *'People are spending the additional disposable income, which is boosting the economy,'* explains Grieveson. Poland will be the frontrunner in terms of growth among the eastern EU member states, both this year (3.5%) and next (3.0%); it will be closely followed by Croatia (2025: 3.1%; 2026: 3.0%). The six countries of the Western Balkans will expand comparatively sharply, by an average of 3.5% in 2025 and 2026, while Turkey will also grow by 3.5% in 2025, followed by 4.5% in 2026.

The outlook for war-torn Ukraine is becoming somewhat gloomier. wiiw is forecasting growth of 3% for 2025 – a downward revision of 0.3 percentage points – although much will, of course, depend on Trump's Ukraine policy. In the case of aggressor Russia, last year's robust growth (3.8%) is likely to halve to just 1.8% this year. The same will apply to the autocratically ruled Belarus, under President Alexander Lukashenko, which is closely bound up with the Russian war economy and is expected to grow by just 2% in 2025, following growth of 4% last year.

Donald Trump unchained is the major downside risk

The greatest downside risk to the forecast lies in an unrestrained policy approach by Donald Trump. *'Since the US has become by far the most important export market for the EU over the past decade, the negative impact of high US tariffs on European goods and services would also be significant for the Eastern European members and would be felt by them relatively soon,'* says Richard Grieveson. While direct trade flows between the region and America are limited, lower US demand for European industrial products and reduced investment could have a severe impact on Central and Eastern Europe.

And there is Trump's unpredictable Ukraine policy, which could hit the region's economy hard. *'If Ukraine were to receive no more help from Washington and be defeated militarily, that would severely damage the image of the West, demoralise and discredit NATO and encourage Putin to test the alliance's mutual defence clause,'* warns Grieveson. *'A large wave of refugees from Ukraine to the entire EU would probably be the result, and there would also be the possibility of a sharp rise in global food prices, which could lead to social and political unrest.'*

Ukraine's economy is in jeopardy

Although wiiw does not assume this negative scenario, and although Ukraine's economy has shown astonishing resilience so far, the economic outlook does appear increasingly uncertain. For 2025, wiiw forecasts growth of 3% for the country, a downward revision of 0.3 percentage points compared to last autumn. Ukraine is increasingly suffering from the systematic destruction of its energy infrastructure by Russian air strikes and from a worsening labour shortage. The drought last summer also caused agricultural exports to fall and food prices to rise.

In order to combat rising inflation, the central bank has suspended the easing of monetary policy and has raised key interest rates to 14.5%. The tightening of monetary policy is likely to further dampen economic growth. Nevertheless, it should pick up to 5% in 2026. *'However, if Donald Trump forces Ukraine into a dictated peace without credible security guarantees and significantly reduces financial and military support, this will cloud the economic outlook and deter investors,'* says Olga Pindyuk, Ukraine expert at wiiw.

Russia's growth is collapsing

As a result of the armaments boom created by the war, Russia's economy saw strong growth rates of 3.6% in 2023 and 3.8% in 2024. However, growth in Russia is expected to halve, to just 1.8% in 2025. And it is forecast to slow further in 2026 (1.6%). The main reason for this is the sharp tightening of monetary policy by the central bank. Due to steeply rising inflation – which stood at 9.5% at the end of 2024 and is being driven by strong real wage growth and import prices pushed up by sanctions – the central bank has been forced to raise the key interest rate to a staggering 21%. *'The high interest rates make loans unaffordable for most businesses and consumers, and create a strong incentive to hoard money in bank accounts, thus stifling the economy,'* comments Vasily Astrov, Russia expert at wiiw. *'Furthermore, the Russian economy is threatened with a wave of bankruptcies among companies that can no longer service their loans.'*

Falling energy revenues due to tough new US sanctions against two important oil companies and the Russian shadow fleet, which exports Russian crude oil primarily to China and India, are also having a negative impact. *'From an overall economic perspective, however, their effect is likely to be fairly small, because in the medium term, ways will again be found to circumvent these sanctions,'* says Astrov. In his view, Trump's announcement that he will impose tariffs and sanctions on Russian exports to the US if Putin does not change course in the Ukraine war is not very promising. *'Russian exports to the US only account for around 1% of Russia's total exports and mainly comprise critical raw materials, such as palladium, rhodium and uranium. Punitive measures that target this market are unlikely to bring Putin to the negotiating table,'* says Astrov.

However, the real trouble for the Russian economy will come once the war in Ukraine draws to an end. According to figures from the Russian government, more than 6% of GDP will be spent on armaments and the military in 2025. *'The Russian economy is now hooked on high government spending for the war – like on a drug. If it is reduced or cancelled one day, it faces a veritable demand shock that could plunge it into a deep crisis,'* believes 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 Winter Forecast 2025 is available upon request.

About the Vienna Institute for International Economic Studies (wiiw)

The Vienna Institute for International Economic Studies (wiiw) is an economic think tank that has been producing economic analyses and forecasts on currently 23 countries in Central, East and Southeast Europe for over 50 years. 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 ¹⁾	Forecast			2023	2024	Forecast			2023	2024 ¹⁾	Forecast			2023	2024 ¹⁾	Forecast			2023	2024 ¹⁾	Forecast		
BG Bulgaria	1.9	2.2	2.4	2.8	3.0	8.6	2.6	2.8	2.6	2.3	4.3	4.5	4.3	4.2	4.1	0.9	-0.8	-1.0	-1.1	-0.7	-2.0	-3.0	-3.0	-3.0	-3.0
CZ Czechia	-0.1	1.0	2.5	2.7	2.7	12.0	2.7	2.3	2.2	2.2	2.6	2.8	2.7	2.6	2.6	0.3	1.0	1.0	1.0	1.2	-3.8	-2.5	-2.3	-2.2	-2.0
EE Estonia	-3.0	0.2	2.3	3.0	2.8	9.1	3.7	3.8	3.2	2.9	6.4	7.5	7.2	6.8	6.2	-1.7	-1.9	-1.8	-1.6	-1.2	-2.8	-3.2	-3.4	-3.0	-2.7
HR Croatia	3.3	3.5	3.1	3.0	2.9	8.4	4.0	3.0	2.5	2.4	6.1	5.0	4.9	4.9	4.8	0.7	0.0	0.8	1.1	1.0	-0.9	-2.3	-1.2	-1.2	-1.1
HU Hungary	-0.9	0.5	2.2	2.5	2.8	17.0	3.7	4.0	3.5	3.3	4.1	4.6	4.5	4.2	4.2	0.7	2.1	2.3	2.5	2.3	-6.7	-4.9	-4.5	-4.0	-3.5
LT Lithuania	0.3	2.4	3.0	2.7	2.7	8.7	0.9	2.0	2.5	3.0	6.9	7.2	7.0	6.5	6.0	1.1	3.7	3.2	2.8	2.7	-0.7	-1.8	-2.5	-2.3	-2.0
LV Latvia	1.7	-0.2	2.1	2.4	2.6	9.1	1.3	2.0	2.5	2.7	6.5	7.0	6.8	6.5	6.1	-3.9	-3.3	-3.6	-3.2	-3.5	-2.4	-3.0	-2.9	-2.5	-2.2
PL Poland	0.1	2.8	3.5	3.0	3.0	10.9	3.7	4.7	2.8	2.5	2.8	3.0	3.1	3.2	3.2	1.8	0.0	-1.0	-0.4	0.0	-5.3	-5.8	-5.6	-4.6	-3.7
RO Romania	2.4	1.2	2.2	2.5	3.0	9.7	5.8	5.0	4.0	4.0	5.6	5.4	5.4	5.4	5.2	-6.6	-8.3	-7.8	-7.0	-6.0	-6.5	-8.2	-7.2	-6.0	-5.0
SI Slovenia	2.1	1.9	2.4	2.5	2.6	7.2	2.0	2.1	2.2	2.1	3.7	3.6	3.6	3.6	3.5	4.5	2.9	2.6	2.7	2.8	-2.6	-2.4	-2.2	-1.7	-1.5
SK Slovakia	1.4	2.0	2.0	2.2	2.4	11.0	3.2	3.9	2.8	3.4	5.8	5.4	5.5	5.5	5.3	-1.7	-1.7	-1.5	-1.5	-1.2	-5.2	-5.8	-5.0	-4.2	-3.2
<i>EU-CEE11 ¹⁾²⁾</i>	<i>0.8</i>	<i>1.9</i>	<i>2.8</i>	<i>2.7</i>	<i>2.9</i>	<i>11.0</i>	<i>3.7</i>	<i>4.0</i>	<i>3.0</i>	<i>2.9</i>	<i>4.1</i>	<i>4.2</i>	<i>4.2</i>	<i>4.1</i>	<i>4.0</i>	<i>-0.2</i>	<i>-1.0</i>	<i>-1.3</i>	<i>-0.9</i>	<i>-0.6</i>	<i>-4.7</i>	<i>-5.1</i>	<i>-4.7</i>	<i>-4.0</i>	<i>-3.3</i>
AL Albania	3.9	4.0	3.8	3.9	4.0	5.3	2.6	2.5	2.4	2.3	10.7	10.4	10.0	9.7	9.5	-1.2	-2.9	-3.1	-2.5	-3.0	-1.3	-1.5	-1.5	-1.0	-1.0
BA Bosnia and Herzegovina	2.1	2.4	2.7	2.9	3.0	6.1	1.8	2.0	2.0	2.0	13.2	13.4	13.0	12.8	12.6	-2.3	-3.7	-3.1	-3.0	-2.7	-1.2	-0.7	-0.7	-1.0	-0.5
ME Montenegro	6.3	3.5	3.7	3.5	3.1	8.7	3.6	3.6	3.3	3.0	13.1	11.3	10.8	10.0	10.0	-11.4	-10.7	-11.0	-11.4	-11.5	0.6	0.6	-2.5	-2.7	-2.3
MK North Macedonia	2.1	2.6	2.8	3.0	3.2	9.0	4.2	3.0	2.5	2.3	13.1	12.5	12.0	11.5	11.0	0.4	-1.2	-1.9	-2.2	-2.4	-4.3	-4.0	-3.5	-3.0	-3.0
RS Serbia	3.8	3.8	3.7	3.7	3.7	12.1	4.8	3.5	3.0	2.5	9.4	8.4	8.2	8.0	7.8	-2.4	-4.0	-3.8	-3.6	-3.4	-2.1	-1.0	-1.5	-1.7	-2.0
XK Kosovo	4.1	4.3	4.0	3.9	4.1	4.9	1.6	1.9	2.0	1.9	10.9	10.8	10.7	10.6	10.2	-7.5	-7.8	-7.8	-7.6	-8.0	-0.3	-0.5	-1.0	-0.5	-0.5
<i>WB6 ¹⁾²⁾</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.6</i>	<i>9.1</i>	<i>3.6</i>	<i>2.9</i>	<i>2.6</i>	<i>2.3</i>	<i>11.0</i>	<i>10.4</i>	<i>10.1</i>	<i>9.8</i>	<i>9.6</i>	<i>-2.7</i>	<i>-4.1</i>	<i>-4.0</i>	<i>-3.8</i>	<i>-3.8</i>	<i>-1.8</i>	<i>-1.2</i>	<i>-1.6</i>	<i>-1.6</i>	<i>-1.6</i>
MD Moldova	0.7	1.0	2.5	3.5	4.0	13.4	4.7	8.0	5.0	5.0	4.6	3.8	3.6	3.5	3.5	-11.4	-12.8	-12.0	-12.0	-11.0	-5.2	-4.8	-4.8	-4.5	-4.0
UA Ukraine	5.5	3.3	3.0	5.0	5.0	12.9	6.5	9.5	7.0	5.5	20.0	15.0	12.0	10.5	9.5	-5.3	-9.0	-9.0	-8.0	-7.0	-20.1	-19.0	-16.0	-10.0	-10.0
<i>New EU accession 2 ¹⁾²⁾</i>	<i>5.2</i>	<i>3.2</i>	<i>3.0</i>	<i>4.9</i>	<i>4.9</i>	<i>12.9</i>	<i>6.4</i>	<i>9.4</i>	<i>6.9</i>	<i>5.5</i>	<i>19.2</i>	<i>14.4</i>	<i>11.6</i>	<i>10.1</i>	<i>9.2</i>	<i>-5.8</i>	<i>-9.3</i>	<i>-9.3</i>	<i>-8.4</i>	<i>-7.4</i>	<i>-18.8</i>	<i>-17.7</i>	<i>-15.0</i>	<i>-9.5</i>	<i>-9.4</i>
TR Turkey	5.1	3.0	3.5	4.5	5.0	54.0	58.5	31.0	24.0	13.0	9.4	8.8	9.0	9.0	8.8	-3.6	-1.2	-2.4	-3.4	-4.0	-5.2	-4.8	-3.8	-3.5	-2.6
BY Belarus	4.1	4.0	2.0	1.3	0.7	5.1	5.8	8.0	6.0	5.5	3.5	3.0	3.0	3.1	3.2	-1.5	-1.3	-1.7	-1.8	-2.0	1.2	0.3	-0.3	-0.5	-0.8
KZ Kazakhstan	5.1	4.6	4.9	4.5	4.5	14.7	8.7	7.5	6.5	6.0	4.7	4.7	4.6	4.5	4.5	-3.4	-1.2	-1.5	-1.3	-1.0	-2.4	-2.7	-2.4	-2.3	-2.0
RU Russia	3.6	3.8	1.8	1.6	1.5	5.9	8.4	9.5	4.6	3.9	3.2	2.5	2.3	2.2	2.1	2.5	3.4	3.5	3.4	3.4	-2.3	-1.5	-1.0	-0.8	-0.8
<i>CIS3 ¹⁾²⁾</i>	<i>3.8</i>	<i>3.9</i>	<i>2.1</i>	<i>1.9</i>	<i>1.8</i>	<i>6.8</i>	<i>8.3</i>	<i>9.2</i>	<i>4.9</i>	<i>4.2</i>	<i>3.3</i>	<i>2.8</i>	<i>2.6</i>	<i>2.5</i>	<i>2.4</i>	<i>1.7</i>	<i>2.7</i>	<i>2.8</i>	<i>2.7</i>	<i>2.7</i>	<i>-2.2</i>	<i>-1.6</i>	<i>-1.1</i>	<i>-1.0</i>	<i>-0.9</i>
<i>V4+SI ¹⁾²⁾</i>	<i>0.1</i>	<i>2.1</i>	<i>3.0</i>	<i>2.8</i>	<i>2.9</i>	<i>11.8</i>	<i>3.4</i>	<i>4.0</i>	<i>2.8</i>	<i>2.6</i>	<i>3.3</i>	<i>3.4</i>	<i>3.5</i>	<i>3.5</i>	<i>3.4</i>	<i>1.2</i>	<i>0.5</i>	<i>-0.1</i>	<i>0.3</i>	<i>0.5</i>	<i>-5.0</i>	<i>-4.9</i>	<i>-4.6</i>	<i>-3.9</i>	<i>-3.2</i>
<i>BALT3 ¹⁾²⁾</i>	<i>0.0</i>	<i>1.2</i>	<i>2.6</i>	<i>2.7</i>	<i>2.7</i>	<i>8.9</i>	<i>1.6</i>	<i>2.4</i>	<i>2.7</i>	<i>2.9</i>	<i>6.6</i>	<i>7.2</i>	<i>7.0</i>	<i>6.6</i>	<i>6.1</i>	<i>-0.9</i>	<i>0.5</i>	<i>0.2</i>	<i>0.1</i>	<i>0.1</i>	<i>-1.7</i>	<i>-2.5</i>	<i>-2.8</i>	<i>-2.5</i>	<i>-2.2</i>
<i>EU-SEE3 ¹⁾²⁾</i>	<i>2.4</i>	<i>1.7</i>	<i>2.4</i>	<i>2.6</i>	<i>3.0</i>	<i>9.3</i>	<i>5.0</i>	<i>4.3</i>	<i>3.5</i>	<i>3.5</i>	<i>5.4</i>	<i>5.1</i>	<i>5.1</i>	<i>5.1</i>	<i>4.9</i>	<i>-4.0</i>	<i>-5.7</i>	<i>-5.2</i>	<i>-4.7</i>	<i>-4.0</i>	<i>-4.8</i>	<i>-6.3</i>	<i>-5.5</i>	<i>-4.7</i>	<i>-4.0</i>
<i>EU accession 8 ¹⁾²⁾</i>	<i>4.5</i>	<i>3.3</i>	<i>3.2</i>	<i>4.4</i>	<i>4.4</i>	<i>11.5</i>	<i>5.3</i>	<i>7.0</i>	<i>5.3</i>	<i>4.3</i>	<i>16.8</i>	<i>13.2</i>	<i>11.1</i>	<i>10.0</i>	<i>9.3</i>	<i>-4.4</i>	<i>-6.8</i>	<i>-6.7</i>	<i>-6.1</i>	<i>-5.6</i>	<i>-11.1</i>	<i>-9.8</i>	<i>-8.5</i>	<i>-5.6</i>	<i>-5.6</i>
<i>non-EU12 ¹⁾²⁾</i>	<i>4.3</i>	<i>3.6</i>	<i>2.6</i>	<i>2.9</i>	<i>3.0</i>	<i>21.1</i>	<i>22.9</i>	<i>15.5</i>	<i>10.5</i>	<i>6.8</i>	<i>7.0</i>	<i>5.9</i>	<i>5.5</i>	<i>5.3</i>	<i>5.1</i>	<i>-0.4</i>	<i>0.7</i>	<i>0.2</i>	<i>-0.2</i>	<i>-0.4</i>	<i>-3.9</i>	<i>-3.3</i>	<i>-2.7</i>	<i>-2.3</i>	<i>-1.9</i>
<i>CESEE23 ¹⁾²⁾</i>	<i>3.3</i>	<i>3.1</i>	<i>2.7</i>	<i>2.8</i>	<i>2.9</i>	<i>18.3</i>	<i>17.6</i>	<i>12.3</i>	<i>8.5</i>	<i>5.7</i>	<i>6.3</i>	<i>5.5</i>	<i>5.2</i>	<i>5.0</i>	<i>4.8</i>	<i>-0.4</i>	<i>0.1</i>	<i>-0.3</i>	<i>-0.5</i>	<i>-0.4</i>	<i>-4.2</i>	<i>-3.9</i>	<i>-3.4</i>	<i>-2.9</i>	<i>-2.4</i>
<i>EA20 ³⁾</i>	<i>0.4</i>	<i>0.7</i>	<i>1.2</i>	<i>1.4</i>	<i>1.5</i>	<i>5.4</i>	<i>2.4</i>	<i>2.2</i>	<i>2.0</i>	<i>2.0</i>	<i>6.6</i>	<i>6.4</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>	<i>2.7</i>	<i>2.7</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>-3.6</i>	<i>-3.1</i>	<i>-2.9</i>	<i>-2.7</i>	<i>-2.3</i>
<i>EU27 ³⁾</i>	<i>0.4</i>	<i>0.9</i>	<i>1.4</i>	<i>1.6</i>	<i>1.7</i>	<i>6.4</i>	<i>2.6</i>	<i>2.4</i>	<i>2.2</i>	<i>2.2</i>	<i>6.1</i>	<i>5.8</i>	<i>5.9</i>	<i>5.9</i>	<i>5.9</i>	<i>2.7</i>	<i>2.7</i>	<i>2.5</i>	<i>2.5</i>	<i>2.5</i>	<i>-3.5</i>	<i>-3.1</i>	<i>-2.5</i>	<i>-2.3</i>	<i>-1.9</i>

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: 17 January 2025.