

Economic trends in the Western Balkans, Moldova, Türkiye, Ukraine and Russia

Economic resilience tested by geopolitical and structural challenges

Overall economic activity in non-EU countries in Central, Eastern and Southeastern Europe (CESEE) has remained resilient, although most economies recorded slower growth in 2025 compared with the previous year. Looking ahead, new challenges are emerging for 2026. The war in the Middle East is driving higher inflation and increasing uncertainty, while other geopolitical risks continue to weigh on the outlook. Beyond these global pressures, individual countries face a range of domestic challenges, including structural weaknesses, stalled EU accession processes and reliance on external funding. Moreover, a high dependence on a single sector such as agriculture or tourism amplifies vulnerability, as adverse shocks can have a disproportionately large impact on overall economic performance.

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Good news about EU enlargement – at least in some countries

Montenegro and Albania show clear progress towards EU accession, while enlargement elsewhere has stalled. This uneven pace is also visible in EU Growth Plan funding, with countries that advance reforms receiving more support than others.



Middle East shock interrupts disinflation process

Inflation has surged in the wake of the Middle East shock, driven by global shortages of oil and gas. The disruption to disinflation has been particularly pronounced in economies that are highly dependent on energy imports. In response, the first central bank has already raised its key interest rate.



Labour shortages pose challenge for labour markets

Attention in the labour market is shifting from unemployment – still above EU levels but falling – towards labour shortages. Tighter labour market conditions are reflected in strongly accelerating wage growth in several countries.

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1 Albania: robust economic performance led by tourism

In 2025, the economy grew by 3.8%, i.e. at a slightly more moderate pace than in 2024. Growth was driven by robust domestic and external demand. Private consumption was fuelled by solid wage growth and positive employment developments. Gross fixed capital formation was strong, particularly in construction and tourism-related sectors. Overall, growth in the tourism sector has not yet plateaued, with robust increases in overnight stays and visitors even in off-season periods. The contribution of net exports was positive in 2025 due to strong exports of services, particularly during the tourist peak in the third quarter.

Overall, the labour market is improving, with the unemployment rate falling below 10% and the employment rate nearing 70%. However, the labour market continues to face significant labour shortages – particularly in the services sector – exacerbated by continued emigration, especially among younger people: Between early 2023 and end-2025, the total labour force declined by 4.5%, with the number of 15 to 29-year-olds dropping by 14.5%.

The Bank of Albania (BoA) pursues an inflation target of 3%, and inflation has remained below that target since mid-2024. In the first quarter of 2026, average inflation was 2.4% year on year and rose to 2.8% in April, largely due to strong domestic demand, increasing wages and higher production costs. Overall, low inflation was supported by a continued appreciation of the Albanian lek (ALL) against the euro, which had begun in the second quarter of 2022 when the currency stood at ALL 119.13 per euro. In mid-May 2026, the exchange rate was ALL 95.44 per euro. The lek's appreciation is primarily driven by strong financial inflows, including remittances, tourism and FDI. In response to these developments, the BoA has made several unscheduled interventions and has also increased the frequency and size of its scheduled interventions. The base rate was lowered in July 2025 by 25 basis points to 2.5%.

The growth of credit to households, particularly for house purchases, remained strong amid low borrowing costs and ample liquidity in the banking sector. For the first time, the BoA introduced loan-to-value (LTV) and debt service-to-income (DSTI) limits for new housing loans with stricter rules for foreign currency loans and second-home financing. These borrower-based macroprudential measures, effective since mid-2025, were prompted by surging house prices and by enhanced data availability of housing market developments, which both were key to enabling the implementation of these measures.

The current account balance narrowed to -0.7% of GDP in 2025 (down from -2.4% in 2024), primarily due to a larger surplus in the services balance and a surge in tourism. FDI inflows in 2025 moderated slightly year on year but remained more than adequate to fully cover the combined current and capital account deficit.

The 2025 fiscal deficit reached 1.8% of GDP (compared to 0.7% in 2024), thus remaining below the fiscal deficit target of 2.3% of GDP set for 2025. The below-target outcome resulted from lower-than-planned capital spending. The Ministry of Finance is currently drafting a “Fiscal Peace Law” which would introduce tax amnesty measures and incentives for voluntary compliance for businesses. However, the bill also risks undermining tax compliance and potentially rewarding past tax evasion.

The new government, led by long-serving Prime Minister Edi Rama of the Socialist Party, which has been in office since September 2025, remains firmly committed to becoming an EU member. Albania is making rapid progress in EU accession negotiations, with the final negotiation cluster that covers resources, agriculture and cohesion, having been opened in November 2025. According to officials, the aim is to conclude negotiations by end-2028 and achieve EU membership by 2030.

Table 1: Main economic indicators: Albania

Main economic indicators: Albania							
	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	4.0	4.0	3.8	3.8	3.6	3.9	3.8
Private consumption	2.7	3.7	2.8	2.7	3.9	1.4	3.0
Public consumption	4.4	6.0	9.9	15.5	16.3	7.7	1.8
Gross fixed capital formation	1.7	5.8	5.0	4.3	4.8	3.7	6.7
Exports of goods and services	8.6	0.1	7.4	3.3	-0.2	13.4	10.7
Imports of goods and services	0.2	6.0	3.6	-1.5	3.2	5.5	6.6
Contribution to GDP growth in percentage points							
Domestic demand	0.9	6.6	2.7	2.0	5.1	0.3	3.1
Net exports of goods and services	3.1	-2.6	1.1	1.8	-1.5	3.6	0.7
Exports of goods and services	3.2	0.0	2.7	1.2	-0.1	6.0	3.5
Imports of goods and services	-0.1	-2.6	-1.6	0.7	-1.4	-2.4	-2.8
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..
Unit labour costs in industry (nominal, per person)	22.3	5.1	4.4	-0.4	4.2	20.6	-7.6
Labour productivity in industry (real, per person)	-7.7	-2.5	0.4	3.5	0.6	-12.8	9.1
Average gross wages in industry (nominal, per person)	12.2	3.0	3.4	3.1	4.8	5.2	0.8
Producer price index (PPI) in industry	6.2	1.6	0.2	0.3	0.3	0.2	0.2
Consumer price index (here: HICP)	5.3	2.6	2.3	2.5	2.4	2.3	2.1
EUR per 1 ALL, + = ALL appreciation	9.4	8.0	3.0	4.9	2.5	2.6	1.8
Period average levels							
Unemployment rate (ILO definition, %, 15-64 years)	10.1	9.4	9.3	9.5	9.4	9.0	9.2
Employment rate (%, 15-64 years)	67.8	68.5	69.3	69.5	69.1	69.6	68.9
Key interest rate per annum (%)	3.0	3.1	2.6	2.8	2.8	2.5	2.5
ALL per 1 EUR	108.8	100.7	97.8	98.9	98.3	97.4	96.7
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector¹							
of which:	4.3	12.3	12.9	13.5	12.2	10.9	12.9
claims on households	9.0	13.6	19.3	14.3	16.8	17.2	19.3
claims on non-bank corporations	1.6	11.5	8.9	13.0	9.3	7.0	8.9
%							
Share of foreign currency loans in total loans to the non-bank private sector	44.0	42.8	41.8	42.9	42.6	41.6	41.8
Return on assets (banking sector)	1.7	1.9	1.6	1.6	1.7	1.6	1.6
Tier 1 capital ratio (banking sector)	17.7	18.2	18.5	17.9	17.7	18.7	18.5
NPL ratio (banking sector)	4.7	4.2	3.8	4.0	4.0	4.4	3.8
% of GDP							
General government revenues	27.2	28.2	28.5	..	..	..	..
General government expenditures	28.5	28.9	30.2	..	..	..	..
General government balance	-1.3	-0.7	-1.8	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	57.6	54.2	52.9	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	34.8	33.8	33.6	..	..	..	..
Debt of households and NPISHs ² (nonconsolidated)	14.5	15.1	16.0	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-21.2	-22.3	-22.0	-21.3	-21.2	-23.0	-22.3
Services balance	15.4	15.5	16.5	11.6	12.7	27.4	13.5
Primary income	-1.3	-0.8	-0.2	-0.7	-0.6	0.3	0.1
Secondary income	5.5	5.2	5.0	5.1	4.9	5.1	5.1
Current account balance	-1.7	-2.4	-0.7	-5.3	-4.1	9.7	-3.6
Capital account balance	0.2	-0.6	-0.4	-0.6	-0.1	-0.3	-0.5
Foreign direct investment (net) ³	-5.8	-5.4	-4.9	-4.9	-4.4	-5.4	-5.0
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	46.2	40.6	37.9	41.9	40.5	38.9	37.9
Gross official reserves (excluding gold)	25.9	23.9	25.4	25.5	24.6	26.0	25.4
Months of imports of goods and services							
Gross official reserves (excluding gold)	7.1	6.7	7.2	7.2	7.0	7.3	7.2
EUR million, period total							
GDP at current prices	21,818	25,035	27,115	5,976	7,008	6,993	7,138

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiw, OeNB.

¹ Foreign currency component at constant exchange rates.

² Nonprofit institutions serving households.

³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

2 Bosnia and Herzegovina: growth weakens amid persistent structural challenges

Economic growth slowed in 2025 to 2.1% amid heightened domestic political tensions. Rising (minimum) wages supported private consumption and helped sustain demand. The broad-based industrial downturn continued, with industrial production declining or stagnating for the fourteenth consecutive quarter. This trend, inter alia, reflected existing structural weaknesses, particularly in productivity, investment and the labour market as well as persistent emigration, which weighed on overall performance. On the domestic side, import-intensive investment and rebounding retail activity supported demand. On the external side, net exports continued to weigh on growth, although their negative contribution diminished compared to previous periods. In addition, the dependence on coal-based energy and low carbon pricing keep production carbon intensive and increases vulnerability to competitiveness losses under the EU Carbon Border Adjustment Mechanism.

The unemployment rate slightly declined in 2025 to 12.2%, while the employment rate increased by 1.1 percentage points to 55.1%. These developments largely reflect a shrinking labour force amid continued out-migration and ageing rather than strong job creation. The labour market continues to face structural pressures from persistent skills mismatches and limited private sector development.

Inflation rose sharply to 4.0% in 2025, up from 1.7% in 2024, and increased further to 5.1% in March 2026. It was primarily driven by higher food, energy and utility prices as well as by a substantial increase in the minimum wage and broader wage pressures amid a tight labour market. In the Federation of Bosnia and Herzegovina, the minimum wage increased sharply from BAM 620 to BAM 1,000, which corresponds to a nominal rise of over 60% and an estimated real increase of around 55%. Core inflation remained persistent, moving largely in line with developments in services inflation.

The currency board arrangement continued to underpin monetary stability in a complex institutional setting. It enjoys a high degree of public credibility, and in 2025 the Central Bank of Bosnia and Herzegovina (CBBH) maintained full convertibility of the BAM with a reserve coverage ratio of around 110%. In 2025, CBBH assets faced the risk of seizure to satisfy government-related claims, which prompted intervention by the High Representative to safeguard the central bank's financial independence.

The current account deficit narrowed slightly from -3.4% in 2024 to -3.1% in 2025. While FDI inflows financed most of the current account deficit, transfers from abroad, particularly remittances and pensions, continued to cover a substantial share of the current account deficit. These transfers amounted to 9.4% of GDP, with compensation of employees providing additional support and bringing the total to around 12.4% of GDP in 2025. The still negative net FDI position reflects ongoing profit repatriation, despite some improvement in 2025.

Bosnia and Herzegovina's progress towards EU integration has been marked by significant delays in adopting the national Reform Agenda, making it the last in the Western Balkans to do so. Although its eventual endorsement was welcomed, the EU has stressed the need to accelerate key reforms, particularly stalled judicial legislation, and to establish effective negotiating structures, including the appointment of a Chief Negotiator, in order to advance accession and access to EU funding. Concerns regarding delays in EU accession progress are heightened given that 2026 is an election year and, more recently, by the announced departure of High Representative Christian Schmidt, which may increase uncertainty and domestic political tensions.

Table 2: Main economic indicators: Bosnia and Herzegovina**Main economic indicators: Bosnia and Herzegovina**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	3.8	2.6	2.1	1.9	2.2	2.3	2.1
Private consumption	3.5	4.4	2.3	1.7	2.2	3.0	2.3
Public consumption	2.1	2.8	2.8	3.1	2.7	2.7	2.7
Gross fixed capital formation	..	..	..	..	..	..	..
Exports of goods and services	-1.2	-1.6	2.5	3.9	3.5	1.3	1.8
Imports of goods and services	-1.3	4.7	5.3	4.0	5.4	5.9	5.6
Contribution to GDP growth in percentage points							
Domestic demand	..	..	..	..	..	..	..
Net exports of goods and services	0.2	-3.2	-1.8	-0.6	-1.5	-2.7	-2.3
Exports of goods and services	-0.6	-0.7	1.0	1.5	1.4	0.5	0.7
Imports of goods and services	0.8	-2.5	-2.8	-2.1	-2.8	-3.2	-3.0
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in industry (nominal, per person)	17.7	12.7	14.9	17.4	11.5	17.0	14.0
Labour productivity in industry (real, per person)	-3.5	-1.4	0.5	-0.6	2.4	-1.6	1.6
Average gross wages in industry (nominal, per person)	13.7	11.1	15.4	16.7	14.2	15.0	15.8
Producer price index (PPI) in industry	4.4	0.8	2.4	3.5	2.5	1.6	2.1
Consumer price index (here: CPI)	6.1	1.7	4.0	3.3	3.9	4.4	4.3
EUR per 1 BAM, + = BAM appreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Period average levels							
Unemployment rate (ILO definition, %, 15-64 years)	13.2	12.7	12.2	13.4	13.1	11.2	11.2
Employment rate (% , 15-64 years)	51.8	53.9	55.1	53.4	54.0	56.4	56.5
Key interest rate per annum (%)	..	..	..	..	..	..	..
BAM per 1 EUR	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	7.0	9.5	10.6	9.4	9.5	10.4	10.6
of which:							
claims on households	7.4	9.2	12.2	9.7	10.4	11.2	12.2
claims on non-bank corporations	6.5	9.7	8.9	9.0	8.5	9.5	8.9
%							
Share of foreign currency loans in total loans to the non-bank private sector	35.9	30.1	26.9	29.3	28.3	27.7	26.9
Return on assets (banking sector)	1.9	2.1	2.0	1.9	2.1	2.1	2.0
Tier 1 capital ratio (banking sector)	18.7	18.7	18.7	18.9	19.2	18.7	18.7
NPL ratio (banking sector)	3.8	3.2	2.4	3.0	2.9	2.7	2.4
% of GDP							
General government revenues	40.7	41.7	41.0				
General government expenditures	41.9	43.6	43.0				
General government balance	-1.2	-1.8	-2.0				
Primary balance	..	..	..	
Gross public debt	26.4	26.1	27.0				
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs ² (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-19.7	-21.1	-19.7	-20.4	-18.7	-19.1	-20.5
Services balance	8.4	8.1	7.2	5.4	6.5	8.9	7.9
Primary income	-0.5	-0.2	0.0	0.0	0.4	0.2	-0.7
Secondary income	9.7	9.8	9.4	8.4	9.1	9.6	10.4
Current account balance	-2.1	-3.4	-3.1	-6.6	-2.7	-0.4	-3.0
Capital account balance	0.7	0.7	0.5	0.6	0.7	0.1	0.7
Foreign direct investment (net) ³	-3.5	-2.9	-1.5	-1.9	-1.8	-2.2	-0.2
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	45.2	46.4	44.4	45.3	44.6	45.0	44.4
Gross official reserves (excluding gold)	31.0	31.2	29.3	29.0	28.9	29.4	29.3
Months of imports of goods and services							
Gross official reserves (excluding gold)	7.0	7.1	6.8	6.6	6.6	6.8	6.8
EUR million, period total							
GDP at current prices	26,573	28,168	30,442	7,089	7,738	7,975	7,640

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

3 Kosovo: growth slows amid elevated political uncertainty, inflation and external imbalances

Economic growth in Kosovo moderated to 3.6% in 2025, down from 4.6% in 2024. The slowdown primarily reflected a stronger negative impact from net exports and weaker private consumption expansion, against a backdrop of a long political deadlock, weaker external demand and rising inflation. Growth as well as the role of individual demand components varied considerably over the year. Private consumption remained the key driver overall, adding 3.6 percentage points, supported by rising wages and strong credit expansion. However, its momentum weakened markedly since mid-year, as renewed inflationary pressures and moderating bank lending growth eroded real disposable incomes. Public consumption provided substantial support in the first half of 2025, reflecting higher public wages and increased social transfers. This effect, however, was largely offset in the latter half of the year. Investment remained comparatively strong on the back of public capital spending, contributing close to 3 percentage points to GDP growth in 2025. In contrast, net exports exerted a significant drag as imports – particularly of energy and goods – outgrew exports.

Headline inflation picked up markedly to average 3.9% in 2025, up from 1.6% in 2024, and accelerated further to above 7.5% in April 2026. Price pressures were driven mainly by price increases in food and more recently also fuel and energy-related products, reflecting Kosovo's high dependence on imports and structural vulnerabilities in the energy sector. The country's euroised monetary regime limits policy responses to external price shocks. While core inflation remained contained for most of 2025, it started to increase towards year-end and in early 2026, pointing to emerging second-round effects. Despite some moderation since mid-2025 amid tighter lending conditions, credit growth continued at a robust pace, driven predominantly by mortgage lending. Nonetheless, developments in the real estate market do not pose any immediate systemic risks and financial sector indicators continue to be sound. Despite increases in social transfers, wages and subsidies, alongside higher capital spending, fiscal policy remained broadly neutral in 2025. Public debt stayed low at 16.5% of GDP.

Kosovo's labour market remains structurally weak, with high unemployment, low participation and informality, while skills mismatches and emigration constrain employment and productivity. Nevertheless, despite significant delays in data publication, available indicators point to some improvement, reflected in modest gains in formal employment and female labour force participation. Real wage growth remained positive, although it slowed markedly, to less than half its pace in 2024.

Vulnerabilities in the external sector persist. The current account deficit exceeded 8% of GDP in 2025, reflecting a persistently large goods trade deficit driven by strong import dependence, particularly for energy and consumption goods. This was partly offset by a sizeable services surplus and remittance inflows. FDI covered a substantial share of the financing needs but remains concentrated in non-tradable sectors. The IMF assesses the external position as weaker than implied by fundamentals, pointing to competitiveness challenges and an overvalued real exchange rate.

Political uncertainty and reform delays pose another key vulnerability. Following a prolonged stalemate in 2025, renewed institutional tensions surrounding the presidential election have raised concerns about policy continuity and weakened investor confidence. While the ratification of agreements under the EU Growth Plan has unlocked initial funding, implementation risks remain elevated.

Table 3: Main economic indicators: Kosovo**Main economic indicators: Kosovo**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	4.1	4.6	3.6	3.0	4.5	3.1	3.8
Private consumption	3.1	5.5	4.3	6.2	6.9	4.3	0.6
Public consumption	5.9	1.3	2.3	9.3	3.9	-1.7	-1.0
Gross fixed capital formation	4.5	7.0	9.0	7.1	11.6	13.9	3.7
Exports of goods and services	7.2	9.4	7.7	11.9	10.4	2.6	11.5
Imports of goods and services	4.7	8.7	8.8	14.2	13.2	7.7	1.9
Contribution to GDP growth in percentage points							
Domestic demand	4.6	6.9	6.8	9.1	10.4	7.0	1.7
Net exports of goods and services	-0.6	-2.4	-3.1	-6.1	-5.9	-3.9	2.2
Exports of goods and services	2.8	3.7	3.2	4.4	3.8	1.6	3.6
Imports of goods and services	-3.4	-6.1	-6.3	-10.5	-9.7	-5.5	-1.4
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..
Unit labour costs in industry (nominal, per person)	..	..	..	..	..	..	..
Labour productivity in industry (real, per person)	2.5	..	..	..	..	..	..
Average gross wages (nominal, per person)	9.4	12.1	8.0	..	..	..	..
Producer price index (PPI) in industry	-4.1	4.6	7.7	8.8	11.2	5.5	5.4
Consumer price index (here: HICP)	4.9	1.6	3.9	2.0	3.7	4.5	5.2
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	10.9	10.8	..	..	..	..	..
Employment rate (%, 15–64 years)	36.3	38.6	..	..	..	..	..
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	12.9	18.2	14.6	20.2	19.3	16.9	14.6
of which:							
claims on households	17.3	22.1	19.8	24.3	22.8	20.6	19.8
claims on non-bank corporations	10.2	15.7	11.1	17.5	16.9	14.5	11.1
%							
Share of foreign currency loans in total loans to the non-bank private sector							
Share of foreign currency loans in total loans to the non-bank private sector	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Return on assets (banking sector)	2.2	2.3	2.1	2.0	2.0	2.1	2.1
Capital adequacy ratio (banking sector)	15.8	16.2	17.2	15.6	16.5	17.2	17.2
NPL ratio (banking sector)	2.0	1.9	2.1	1.8	2.0	2.1	2.1
% of GDP							
General government revenues	29.3	29.7	30.2	..	..	..	..
General government expenditures	29.6	30.0	30.9	..	..	..	..
General government balance	-0.3	-0.3	-0.3	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	17.2	16.8	16.5	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs² (nonconsolidated)							
Debt of households and NPISHs ² (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-47.4	-47.6	-50.6	-58.0	-53.2	-47.7	-45.9
Services balance	16.8	17.3	21.5	18.3	15.2	35.0	15.4
Primary income	2.1	2.4	2.0	5.1	1.8	1.3	0.8
Secondary income	21.3	19.5	18.8	20.7	19.7	18.5	17.1
Current account balance	-7.2	-8.4	-8.2	-13.9	-16.5	7.0	-12.7
Capital account balance	0.6	0.3	0.3	0.4	0.3	0.4	0.3
Foreign direct investment (net) ³	-6.7	-5.5	-6.6	-5.7	-5.3	-6.5	-8.5
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	39.6	40.7	43.4	40.3	42.1	42.6	43.4
Gross official reserves (excluding gold)	11.7	12.2	11.7	11.7	13.3	14.3	11.7
Months of imports of goods and services							
Gross official reserves (excluding gold)	2.0	2.0	1.8	1.9	2.1	2.2	1.8
EUR million, period total							
GDP at current prices	9,680	10,350	11,026	2,216	2,598	3,127	3,086

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

4 Moldova: highly vulnerable to internal and external shocks

After nearly stagnating in 2024 and the first half of 2025, economic growth rebounded in the second half of 2025 (with GDP expanding by 5.2% in the third and 3.6% in the fourth quarter) supported by a strong agricultural recovery. Favourable weather conditions – compared to severe droughts in the previous two years – boosted agricultural output. As agriculture accounts for around 45% of total exports, this recovery was reflected in robust export growth during the second half of 2025. Private consumption remained the strongest domestic driver of growth, supported by real wage growth and gross fixed capital investment. These investments were bolstered by funding from international institutions, including grants and loans.

The employment rate stands at approximately 50%, which is significantly lower than in other EU candidate countries. While the unemployment rate declined to 3% in the fourth quarter of 2025 (down from nearly 4% in the fourth quarter of 2024), the economy faces deep structural challenges including high level of informality, skills mismatches, labour shortages (particularly in high-skilled sectors) and a shrinking workforce largely due to emigration

Inflation slowed to 6.8% by the end of 2025, down from close to 9% in the first quarter of the year, and then moderated further to below 5% in February 2026. This brought inflation within the central bank's target range of 5% with a tolerance interval between 3.5% and 6.5%. In December 2025, the National Bank of Moldova (BNM) cut its key interest rate for the third time in 2025, lowering it to 5%. In addition, the BNM reduced reserve ratios for local currency funds from 20% to 18% and for foreign currency funds from 29% to 26%. However, in March 2026, inflation rebounded to 5.8% year on year due to rising energy costs, prompting the BNM to raise the base rate by 1.5 percentage points to 6.5% in May.

Credit activity remained robust, particularly in the household sector, with annual growth peaking at nearly 40% year on year in the first nine months of 2025 before moderating slightly in the final quarter. A significant share of these loans went into real estate, contributing to a sharp rise in house prices. According to the BNM, house prices surged by more than 30% in the first half of 2025.

The current account deficit widened to almost 20% of GDP in 2025, up from 16.6% in 2024, primarily driven by a worsening trade balance. The deterioration reflects strong import growth, fuelled by Moldova's high energy dependence (more than 70% of its energy is imported). This was compounded by the energy crisis triggered by Russia's decision to stop gas deliveries to the Transnistrian region in early 2025, which inflated energy import costs. However, the second half of 2025 saw some narrowing of the deficit – thanks to accelerating export growth, particularly in agricultural products. The flip side of substantial emigration, namely a stable and large inflow of remittances of over 9% of GDP in 2025, played a crucial role in financing the external deficit. At just under 2% of GDP, FDI inflows were rather modest in 2025.

Moldova has been an EU candidate country since 2022, though accession negotiations have not yet begun. The EU Growth Plan is playing a key role for the economy, with a financing facility of EUR 1.9 billion (equivalent to about 10% of GDP) over the period 2025–27 tied to reform implementation. To date, two tranches have been disbursed (EUR 18.9 million in September 2025 and EUR 189 million in March 2026). Regarding IMF relations, Moldova and IMF staff agreed on a (non-financing) Policy Coordination Instrument (PCI) in May 2026 after earlier programmes had expired in October 2025. The PCI still needs approval by the Executive Board of the IMF.

Table 4: Main economic indicators: Moldova**Main economic indicators: Moldova**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	1.2	0.1	2.4	-1.2	1.1	5.2	3.6
Private consumption	-0.8	2.7	2.7	6.2	2.5	2.7	0.1
Public consumption	-4.0	-3.6	0.2	-0.6	0.4	0.1	0.7
Gross fixed capital formation	-0.0	8.2	19.7	24.4	26.0	17.9	12.7
Exports of goods and services	4.8	-5.0	4.9	-6.8	-5.5	14.0	17.5
Imports of goods and services	-5.1	5.2	12.7	19.6	12.9	5.5	14.1
Contribution to GDP growth in percentage points							
Domestic demand	-4.4	4.9	8.2	11.5	9.1	3.9	5.6
Net exports of goods and services	5.6	-4.8	-5.7	-11.4	-7.5	0.7	-2.3
Exports of goods and services	2.0	-1.8	1.5	-2.2	-1.5	3.3	4.4
Imports of goods and services	3.6	-3.1	-7.3	-9.2	-6.0	-2.6	-6.7
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in industry (nominal, per person)	16.7	14.2	3.3	9.2	3.2	3.3	-1.2
Labour productivity in industry (real, per person)	-1.1	1.2	8.1	2.1	8.1	9.4	13.0
Average gross wages in industry (nominal, per person)	16.2	15.3	12.0	11.6	11.6	13.0	11.7
Producer price index (PPI) in industry	13.0	-1.6	5.3	3.6	5.3	5.9	6.3
Consumer price index (here: CPI)	13.4	4.7	7.8	8.8	7.9	7.4	6.9
EUR per 1 MDL, + = MDL appreciation	1.3	2.0	-1.7	-0.7	-2.2	-1.5	-2.4
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	4.7	4.1	3.9	5.0	4.1	3.5	3.0
Employment rate (%, 15–64 years)	51.8	52.3	50.4	46.7	50.0	54.0	50.8
Key interest rate per annum (%)	10.0	3.8	6.1	5.9	6.5	6.3	5.8
MDL per 1 EUR	19.6	19.3	19.6	19.4	19.6	19.6	19.7
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	2.9	25.1	26.5	31.3	31.6	30.6	26.5
of which:							
claims on households	8.1	32.9	33.2	37.8	39.5	38.2	33.2
claims on non-bank corporations	-0.4	19.5	21.3	26.5	25.6	24.7	21.3
%							
Share of foreign currency loans in total loans to the non-bank private sector	29.9	24.8	22.9	24.2	23.2	22.5	22.9
Return on assets (banking sector)	2.8	2.4	2.8	2.4	2.4	2.6	2.8
Tier 1 capital ratio (banking sector)	29.1	25.0	22.0	23.3	24.4	24.1	22.0
NPL ratio (banking sector)	5.6	4.2	4.1	4.3	4.5	4.7	4.1
% of GDP							
General government revenues	33.7	34.1	35.5	..	..	..	..
General government expenditures	38.8	38.0	39.6	..	..	..	..
General government balance	-5.1	-3.9	-4.0	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	34.9	38.1	38.1	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs ² (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-29.0	-30.9	-33.8	-41.2	-36.4	-27.4	-32.8
Services balance	5.5	5.1	5.1	5.2	5.1	4.6	5.4
Primary income	1.6	0.5	-0.0	0.8	-0.7	-0.6	0.5
Secondary income	10.9	8.7	9.1	9.3	10.5	9.4	7.4
Current account balance	-11.0	-16.6	-19.7	-25.9	-21.5	-14.0	-19.4
Capital account balance	0.5	0.4	0.3	0.2	0.2	0.3	0.3
Foreign direct investment (net) ³	-2.1	-2.0	-1.8	-2.7	-2.0	-1.7	-0.9
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	59.3	59.1	56.2	58.3	56.8	56.2	56.2
Gross official reserves (excluding gold)	31.8	31.4	28.3	29.5	29.3	29.0	28.3
Months of imports of goods and services							
Gross official reserves (excluding gold)	6.5	6.6	5.6	5.9	5.8	5.8	5.6
EUR million, period total							
GDP at current prices	15,481	16,816	18,029	3,758	4,205	5,199	4,867

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

5 Montenegro: weaker but still solid growth, tourism key for the economy

Economic growth slowed to 2.7% in 2025, down from 3.2% in 2024, with private consumption remaining the primary driver despite some moderation. Gross fixed capital formation stayed robust, while decelerating growth of exports of goods and services weighed significantly on overall economic performance. The drag from net exports, however, was less pronounced in 2025 than in the previous year, reflecting weaker import growth. In the final quarter of 2025, annual growth slowed further to 0.9% year on year, largely due to a deceleration in exports of goods and services.

Montenegro's economy remains heavily dependent on tourism, which accounts for more than 20% of GDP. However, the period of record-high tourism growth appears to have passed. In 2025, foreign tourist arrivals rose by around 3%, though overnight stays slightly declined. The downturn in tourism was most pronounced in November and December 2025, partly attributable to the introduction of short-term visa requirements for Turkish citizens. Starting at end-September 2026, Russian tourists will be required to obtain a tourist visa for travelling to Montenegro. This is likely to have an adverse impact on the tourist sector, given that Russian tourists account for the largest share of overnight stays, followed by tourists from Serbia.

Annual inflation peaked at around 5% during the summer months, particularly due to strong domestic demand amid sharp wage increases. In October 2024, minimum wages were raised under the Europe Now 2 programme – named after the ruling party Europe Now! – from EUR 450 to EUR 600 per month for low-skilled employees and to EUR 800 for high-skilled employees. Inflation eased to 2.6% in February 2026 but gradually climbed to 3.8% in April, given higher transport prices driven by disruptions linked to the Middle East war. Since late March 2026, the government has temporarily lowered fuel excise duties by 25–50% to counter rising energy costs.

Bank lending to the private sector surged in 2025, reaching over 20% for both households and corporates. In the lending to households segment, both housing loans (alongside strongly accelerating house prices) and consumer loans grew dynamically, facilitated by lower interest rates and higher incomes. Against this background, limitations on the maturity of unsecured loans are in place until end-2026.

The budget deficit reached 4.3% of GDP in 2025, up from 3.3% in 2024. This increase stems partly from the reduction of pension contributions for employees and their complete elimination for employers (effective since October 2024), which could not be offset by other tax hikes (such as those on alcoholic beverages and sugar-sweetened drinks). Public debt stood at 59% of GDP, the highest level among Western Balkan countries.

The combined current and capital account balance worsened to over -20% of GDP in 2025, down from -17.1% in 2024, partly due to the temporary shutdown of the Pljevlja power plant for several months in 2025 for ecological upgrades, which led to reduced electricity exports. The share of remittances in GDP declined in 2025 compared to 2024, while FDI inflows held steady at 6.5% of GDP.

Montenegro remains a frontrunner in the EU accession process. All 33 negotiation chapters are open, with 14 already provisionally closed. The Montenegrin authorities aim to finalise accession negotiations by the end of 2026 and join the EU in 2028. In April 2026, the European Commission initiated work on drafting an accession treaty for Montenegro.

Table 5: Main economic indicators: Montenegro**Main economic indicators: Montenegro**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	6.5	3.2	2.7	1.2	4.0	4.3	0.9
Private consumption	7.1	10.3	5.2	4.4	7.1	5.2	4.2
Public consumption	2.8	1.6	1.4	5.5	1.8	-0.8	-0.2
Gross fixed capital formation	11.3	10.1	11.0	11.1	3.8	13.2	16.5
Exports of goods and services	9.0	-4.0	-4.7	-2.6	-5.3	-0.2	-13.9
Imports of goods and services	8.2	5.7	2.5	8.1	1.4	0.8	0.9
Contribution to GDP growth in percentage points							
Domestic demand	7.9	9.0	6.4	7.2	7.0	5.8	6.1
Net exports of goods and services	-1.4	-5.8	-3.7	-6.0	-2.9	-1.6	-5.2
Exports of goods and services	4.6	-1.9	-2.0	-0.5	-2.1	-0.7	-4.7
Imports of goods and services	-6.1	-3.9	-1.7	-5.5	-0.8	-0.8	-0.5
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in industry (nominal, per person)	12.1	18.4	29.5	29.7	4.1	52.3	42.4
Labour productivity in industry (real, per person)	-2.5	-4.5	-13.6	-8.3	13.2	-24.0	-25.1
Average gross wages in industry (nominal, per person)	8.8	8.6	14.6	19.0	17.8	15.8	6.7
Producer price index (PPI) in industry	6.3	2.7	1.6	2.1	0.9	2.4	0.8
Consumer price index (here: HICP)	8.7	3.6	4.1	3.2	4.3	4.7	4.1
Period average levels							
Unemployment rate (ILO definition, %, 15-64 years)	13.4	11.6	10.9	11.4	10.7	10.2	11.2
Employment rate (%, 15-64 years)	62.1	64.2	65.1	63.3	65.7	67.2	64.2
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector	6.7	17.0	21.2	18.7	20.8	21.9	21.2
of which:							
claims on households	8.3	16.4	21.2	18.6	20.5	21.1	21.2
claims on non-bank corporations	4.8	17.8	21.3	18.8	21.1	23.1	21.3
%							
Share of foreign currency loans in total loans to the non-bank private sector							
Return on assets (banking sector)	2.2	2.4	2.0	1.9	1.9	2.0	2.0
Tier 1 capital ratio (banking sector)	19.7	18.6	19.3	19.3	18.8	18.5	19.3
NPL ratio (banking sector)	5.8	4.1	3.0	3.7	3.4	3.4	3.0
% of GDP							
General government revenues	41.6	41.7	41.1	..	..	..	..
General government expenditures	41.0	45.0	45.4	..	..	..	..
General government balance	0.6	-3.3	-4.3	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	58.4	59.8	59.0	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs ¹ (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-42.2	-43.2	-45.8	-48.5	-49.8	-40.7	-46.2
Services balance	23.9	20.7	19.5	7.4	18.4	37.2	7.5
Primary income	1.0	-0.3	0.8	1.9	2.4	1.1	-2.1
Secondary income	6.2	5.6	5.0	6.1	5.5	3.8	5.1
Current account balance	-11.2	-17.1	-20.5	-33.1	-23.5	1.4	-35.8
Capital account balance	-0.0	-0.0	-0.0	-0.1	-0.0	-0.0	-0.0
Foreign direct investment (net) ²	-6.1	-6.4	-6.5	-7.8	-5.6	-5.1	-8.1
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	128.2	126.6	126.3	123.9	126.2	121.4	126.3
Gross official reserves (excluding gold)	20.2	21.8	22.9	16.2	19.5	19.6	22.9
Months of imports of goods and services							
Gross official reserves (excluding gold)	3.6	4.0	4.1	2.9	3.5	3.5	4.1
EUR million, period total							
GDP at current prices	7,069	7,645	8,171	1,562	2,008	2,572	2,029

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiw, OeNB.

¹ Nonprofit institutions serving households.² + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

6 North Macedonia: investment-driven growth amid stalled EU accession

Growth accelerated from 3.0% in 2024 to 3.5% in 2025, exceeding expectations and driven primarily by construction-related investment and strong but moderating private consumption. Growth was additionally supported by robust wage growth and credit expansion. Over the course of the year, investment activity gained momentum, as the implementation of large infrastructure projects along the Pan-European Road Corridors 8 and 10d accelerated and was complemented by smaller local projects financed through a previously contracted Hungarian loan.

The unemployment rate decreased from 12.5% in 2024 to 11.7% in 2025, while the employment rate increased from 57.8% to 58.8%. Despite these improvements, sustained emigration and a shrinking working-age population continue to weigh on labour supply and longer-term growth prospects. IMF estimates released in 2025 suggest that population decline driven by emigration, potentially reinforced by further EU integration, could reduce potential output growth by around 0.5 percentage points. Real wages continued to expand strongly in 2025, supported by an 8% increase in the minimum wage and ongoing public sector wage adjustments. Labour shortages, particularly in low-skilled and labour-intensive sectors, also contributed to upward wage pressures.

Headline inflation edged up from 4.2% in 2024 to 4.3% in 2025, driven by volatile food prices and persistently elevated core inflation. One-off administrative price measures did not address underlying inflationary pressures and instead contributed to food price volatility and potential market distortions. Although core inflation declined somewhat, it remained elevated at an average of 4.5% in 2025, reflecting continued fiscal and wage pressures. The budget deficit remains elevated at 4% of GDP, with increased spending on public wages and pensions continuing to constrain fiscal space. The country's national government debt stood at 51.6% of GDP in 2025.

The National Bank of the Republic of North Macedonia (NBRNM) maintained its policy stance in 2025, raising reserve requirements and tightening macroprudential measures while keeping the key interest rate unchanged at 5.35%. In December, it introduced a revised operational framework based on seven-day central bank bills as the main policy rate, within a symmetric corridor of ± 0.5 percentage points. Under the new framework, the policy rate was set at 4%, which brought it closer to prevailing money market rates in an environment of elevated liquidity. This change did not signal a loosening of the policy stance but is expected to improve the transmission mechanism and enhance transparency. Foreign exchange reserves declined by 8% in 2025 but remain adequate to support the exchange rate peg. At the same time, the real effective exchange rate appreciated, reflecting a positive inflation differential relative to euro area trading partners.

The current account deficit widened to 4.4% of GDP in 2025, driven by higher imports of services related to motorway construction, a weak EU car market and lower private transfers, which together weighed on the services balance and overall external position.

In 2025, the EU accession process saw limited substantive progress beyond the ongoing screening of EU legislation. The opening of negotiation chapters did not proceed due to the continued stalemate over constitutional amendments linked to bilateral agreements with Bulgaria, which require broad political support. This left overall reform efforts and EU alignment largely unchanged.

Table 6: Main economic indicators: North Macedonia**Main economic indicators: North Macedonia**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	2.6	3.0	3.5	2.9	3.5	3.8	3.8
Private consumption	1.7	2.1	2.1	2.6	3.1	0.9	2.1
Public consumption	-1.1	0.4	5.3	5.7	3.5	5.7	6.4
Gross fixed capital formation	..	..	..	..	..	..	..
Exports of goods and services	-3.0	-4.0	6.1	2.8	8.5	3.4	9.7
Imports of goods and services	-10.2	-1.4	6.7	5.7	8.1	9.9	3.3
Contribution to GDP growth in percentage points							
Domestic demand	-4.8	4.6	4.7	5.5	4.3	8.8	0.8
Net exports of goods and services	7.3	-1.6	-1.2	-2.6	-0.8	-5.1	3.0
Exports of goods and services	-2.2	-2.7	3.8	1.8	5.3	2.1	5.5
Imports of goods and services	9.5	1.1	-5.0	-4.4	-6.1	-7.2	-2.5
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in industry (nominal, per person)	17.2	16.0	4.4	4.3	3.5	5.3	4.5
Labour productivity in industry (real, per person)	-1.0	-3.0	5.3	6.2	7.0	4.5	3.7
Average gross wages in industry (nominal, per person)	15.7	12.7	9.9	10.8	10.8	9.6	8.4
Producer price index (PPI) in industry	0.4	1.6	5.3	7.0	5.7	4.6	4.0
Consumer price index (here: HICP)	9.0	4.2	4.3	5.2	4.2	4.1	3.8
EUR per 1 MKD, + = MKD appreciation	0.1	0.1	-0.1	0.1	-0.3	-0.2	-0.1
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	13.2	12.5	11.7	11.8	11.7	11.7	11.6
Employment rate (% , 15–64 years)	56.8	57.8	58.8	58.5	58.5	58.8	59.4
Key interest rate per annum (%)	5.8	6.1	5.3	5.4	5.4	5.4	4.9
MKD per 1 EUR	61.6	61.5	61.6	61.6	61.6	61.6	61.6
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	5.2	11.2	13.0	12.4	13.0	13.5	13.0
of which:							
claims on households	6.7	8.8	10.9	9.7	10.3	10.8	10.9
claims on non-bank corporations	3.5	13.9	15.2	15.3	16.0	16.5	15.2
%							
Share of foreign currency loans in total loans to the non-bank private sector	42.1	38.5	34.8	38.0	36.7	35.9	34.8
Return on assets (banking sector)	2.0	2.3	2.2	2.2	2.2	2.3	2.2
Tier 1 capital ratio (banking sector)	17.2	18.3	18.8	18.2	19.0	18.8	18.8
NPL ratio (banking sector)	2.8	2.4	1.9	2.3	2.3	2.1	1.9
% of GDP							
General government revenues	32.5	33.4	33.9	..	..	..	..
General government expenditures	36.8	37.9	37.9	..	..	..	..
General government balance	-4.3	-4.5	-4.0	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	49.4	52.9	51.6	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	62.7	63.8	63.5	63.5	63.7	62.6	63.5
Debt of households and NPISHs ² (nonconsolidated)	27.2	27.7	28.4	27.8	28.2	28.2	28.4
% of GDP (based on EUR), period total							
Goods balance	-18.0	-19.7	-19.8	-23.0	-18.3	-19.1	-19.3
Services balance	5.0	6.7	6.0	6.1	4.8	7.7	5.4
Primary income	-5.1	-5.1	-4.8	-5.8	-5.0	-4.6	-4.2
Secondary income	18.4	15.9	14.3	13.4	13.8	17.3	12.5
Current account balance	0.3	-2.1	-4.4	-9.3	-4.7	1.3	-5.6
Capital account balance	-0.0	0.1	0.1	-0.0	-0.0	0.3	0.0
Foreign direct investment (net) ³	-3.3	-6.6	-1.5	-3.1	-0.5	2.2	-4.4
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	77.4	77.9	72.0	76.0	75.3	73.4	72.0
Gross official reserves (excluding gold)	28.1	28.6	24.3	26.1	25.2	24.2	24.3
Months of imports of goods and services							
Gross official reserves (excluding gold)	4.2	4.6	4.0	4.2	4.1	3.9	4.0
EUR million, period total							
GDP at current prices	14,669	15,673	16,949	3,609	4,083	4,426	4,831

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

7 Serbia: growth slows amid weaker investment, disinflation continues

Economic growth slowed markedly to 2.0% in 2025, down from 3.9% in 2024, due to weaker domestic demand amid heightened political and global uncertainty, a sharp slowdown in investment and US sanctions imposed on the largely Russian-owned oil company NIS. Household consumption remained the main driver of GDP growth. Consumption strengthened in the second half of the year, supported by robust wage and pension growth, solid remittance inflows and policy measures such as interest-rate caps on dinar loans and retail margin limits. Except for the first quarter, government consumption also contributed positively to growth. By contrast, investment activity weakened sharply. Net exports continued to weigh on growth. Exports expanded at a solid pace, supported by strong demand for domestically produced cars, but imports rose faster due to resilient consumption and high import intensity. According to the flash estimate, GDP growth picked up to around 3% in the first quarter of 2026, driven by strong retail sales, which suggests that private consumption remains the key growth driver, so far unimpaired by the Middle East war.

The slowdown in fixed investment growth in 2025 was closely linked to a sharp decline in FDI inflows, which – unlike in previous years – financed only about half of the slightly wider current account deficit.

After an exceptionally strong performance in 2024, the labour market eased modestly in 2025. Employment declined somewhat, reversing the earlier upward trend in the employment rate. The unemployment rate rose slightly but remained low by historical standards. Despite weaker labour demand, wage growth stayed robust, contributing to elevated growth in unit labour costs.

Inflation pressures eased considerably in 2025. Average headline inflation declined to 4.1%, remaining within the target range of the National Bank of Serbia (NBS). Disinflation accelerated towards year-end and continued into early 2026, with inflation falling below 3% in the first quarter. This sharp, food price-driven decline largely reflected temporary and potentially distortive administrative measures, notably retail margin caps on food and selected consumer goods. Although inflation has edged up slightly to 3.3% in April following the war in the Middle East, the increase has been limited, partly due to government interventions including export restrictions, administered price caps, temporary excise cuts and the release of strategic reserves.

Monetary policy has remained unchanged, with the NBS keeping the key policy rate at 5.75% since September 2024 amid easing inflationary pressures and a broadly stable exchange rate, supported by regular foreign exchange interventions and ample international reserves.

Fiscal policy became moderately more expansionary, with the general government deficit widening to 2.4% of GDP in 2025 from 2.0% a year earlier, though remaining well below the 3% target. Higher spending reflected increased public wages, pensions and current expenditure, while public investment stayed below budgeted levels. Despite the higher deficit, public debt declined further to below 45% of GDP, supported by strong nominal GDP growth and active debt management.

Despite continued progress in aligning its laws and regulations with EU standards, Serbia has made only limited headway in key areas such as the rule of law, democratic institutions and foreign policy alignment. While Serbia has received roughly 10% of its total allocation from the EU's Western Balkans Growth Plan, further disbursement is conditional on rule-of-law reforms.

Table 7: Main economic indicators: Serbia**Main economic indicators: Serbia**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	3.7	3.9	2.0	1.8	2.0	2.0	2.2
Private consumption	0.5	5.2	3.1	1.9	3.2	3.5	3.7
Public consumption	-2.4	4.0	3.1	0.5	3.8	3.8	4.2
Gross fixed capital formation	9.7	7.7	0.8	-0.7	-3.9	-2.2	8.9
Exports of goods and services	2.7	5.2	5.6	8.2	5.0	4.2	5.3
Imports of goods and services	-1.4	8.0	8.0	10.9	9.2	4.8	7.6
Contribution to GDP growth in percentage points							
Domestic demand	1.1	5.8	3.7	3.7	4.7	2.6	3.8
Net exports of goods and services	2.7	-1.9	-1.6	-1.9	-2.7	-0.5	-1.6
Exports of goods and services	1.7	2.9	3.0	4.4	2.7	2.2	2.8
Imports of goods and services	1.0	-4.8	-4.7	-6.3	-5.4	-2.8	-4.4
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in the whole economy (nominal, per person)	9.7	10.3	9.9	9.3	9.1	10.4	10.8
Unit labour costs in manufacturing (nominal, per hour)	14.1	11.1	11.8	8.1	7.9	11.1	20.7
Labour productivity in manufacturing (real, per hour)	0.8	3.7	1.9	7.9	3.4	1.7	-4.9
Labour costs in manufacturing (nominal, per hour)	15.1	15.2	13.9	16.6	11.5	12.9	14.8
Producer price index (PPI) in industry	3.4	0.7	1.3	1.5	0.6	1.3	1.7
Consumer price index (here: HICP)	12.1	4.8	4.1	4.7	4.2	4.3	3.1
EUR per 1 RSD, + = RSD appreciation	0.2	0.1	-0.1	0.0	-0.1	-0.1	-0.2
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	9.7	8.9	9.0	9.4	8.7	8.5	9.2
Employment rate (%, 15–64 years)	64.7	66.3	66.5	66.2	66.8	66.9	66.0
Key interest rate per annum (%)	6.1	6.2	5.8	5.8	5.8	5.8	5.8
RSD per 1 EUR	117.3	117.1	117.2	117.1	117.2	117.2	117.3
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	1.1	8.6	15.1	9.9	10.6	12.4	15.1
of which:							
claims on households	1.1	10.2	19.5	11.6	14.0	16.1	19.5
claims on non-bank corporations	1.0	7.1	11.2	8.3	7.7	9.2	11.2
%							
Share of foreign currency loans in total loans to the non-bank private sector							
Share of foreign currency loans in total loans to the non-bank private sector	66.2	63.2	61.4	62.9	62.3	62.1	61.4
Return on assets (banking sector)	2.5	2.8	2.8	3.1	2.9	2.9	2.8
Tier 1 capital ratio (banking sector)	19.7	19.6	18.6	19.3	19.7	19.4	18.6
NPL ratio (banking sector)	3.2	2.5	2.1	2.3	2.3	2.2	2.1
% of GDP							
General government revenues	39.4	40.4	40.9	..	..	..	..
General government expenditures	41.4	42.4	43.4	..	..	..	..
General government balance	-2.1	-2.0	-2.4	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	48.4	46.9	44.7	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs ² (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-8.8	-8.2	-7.3	-7.8	-7.3	-6.5	-7.7
Services balance	4.1	3.4	2.6	3.3	2.4	1.2	3.6
Primary income	-5.2	-6.2	-6.3	-4.3	-7.2	-5.3	-8.1
Secondary income	7.5	6.4	6.1	5.6	6.0	6.9	6.0
Current account balance	-2.4	-4.5	-4.9	-3.2	-6.1	-3.6	-6.2
Capital account balance	0.0	0.2	0.2	0.5	0.2	0.0	0.0
Foreign direct investment (net) ³	-5.7	-5.5	-2.6	-1.6	-2.3	-3.6	-2.8
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	66.3	65.9	63.5	64.9	63.3	62.5	63.5
Gross official reserves (excluding gold)	29.9	30.5	25.7	28.4	26.6	27.1	25.7
Months of imports of goods and services							
Gross official reserves (excluding gold)	6.1	6.3	5.3	5.8	5.4	5.5	5.3
EUR million, period total							
GDP at current prices	75,206	83,259	88,672	20,350	22,046	22,285	23,990

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

8 Türkiye: reserve buffers declined due to Middle East war

Annual GDP growth reached 3.6% in 2025, after 3.3% in 2024, driven by gross fixed capital formation growth. Private consumption growth remained above GDP growth (4.0%, after 4.3% in 2024). By contrast, real exports stagnated in 2025 overall, having declined in the second half of the year. As real imports were lifted by strong domestic demand growth, the contribution of net exports to GDP growth turned negative.

The current account deficit stood at 2.0% of GDP in 2025, after a deficit of 0.8% of GDP in 2024, widening mainly due to a smaller services surplus. Net FDI inflows continued to be marginally positive. Portfolio capital flows were almost balanced. Other investment capital flows (mainly loans to and from abroad) financed a large part of the current account deficit. Official foreign exchange reserves of the Turkish central bank (TCMB) amounted to 1.8 import months at end-2025, slightly up from 1.7 at mid-2025 but down from 2.8 at end-2024, given large foreign exchange sales after opposition politician İmamoğlu's arrest in March 2025. In the first quarter of 2026, the uncertainty triggered by the US-Israelian war against Iran led to a sharp decline of foreign exchange reserves to 1.2 import months. Official foreign exchange reserves, after deduction of principal and interest payments as well as net swap liabilities falling due within one year, were negative at -0.8 import months. Including gold, this net position stood at +2.5 import months. A modest recovery of reserves was achieved in April on the back of foreign borrowing.

Annual headline inflation declined almost continuously from about 38% in March 2025 to 31% in March 2026, with inflation of housing and energy prices declining most strongly but remaining clearly above average. In early May 2026, about TRY 53 equalled EUR 1. In March 2026, the value of one euro in Turkish lira was 27% higher than a year ago, which was lower than the rate of inflation. This hence implied a moderate real appreciation of the Turkish lira, which dampened inflation. After the TCMB had reversed its previous loosening in March 2025 to counter the lira's depreciation following İmamoğlu's arrest, it cut the one-week repo auction rate from 46% to 43% at end-July and further to 40.5% in early September. The rate was then lowered in three further steps, to 37% in late January 2026 (kept until at least April 2026), a level above the average annualised month-on-month inflation over the recent six months.

In parallel, the TCMB continued adjusting the macroprudential framework, aiming at measures to strengthen macrofinancial stability, above all by further pursuing its lirisation policy. For commercial bank loans denominated in Turkish lira, the TCMB started in January 2025 to differentiate the monthly growth limit between 2.5% for SMEs and 1.5% for other commercial entities. Loans linked to (international) development finance are exempted. For foreign currency-denominated commercial loans, by contrast, the TCMB reduced the monthly growth limit from 1.5% to 1% in early January 2025, cutting it further to 0.5% in early March 2025 and to 0.25% (more precisely to 0.5% bimonthly) in late January 2026.

The IMF expects the general government deficit to have reached a level slightly below 3% of GDP in 2025, after 4.5% in 2024, and to rise to 3.4% in 2026. The general government debt-to-GDP ratio was expected to remain below 30% at end-2025, thanks to inflation and the real appreciation of the annual average value of the Turkish lira. Fiscal risks are considered limited in the short term but expected to rise in the medium term as early retirement options and ageing will increasingly strain the social security system.

Table 8: Main economic indicators: Türkiye**Main economic indicators: Türkiye**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	5.0	3.3	3.6	2.5	4.7	3.8	3.4
Private consumption	10.5	4.3	4.0	1.8	4.7	4.3	5.2
Public consumption	2.3	-0.8	0.8	2.1	-0.2	2.5	-0.9
Gross fixed capital formation	7.3	2.7	7.0	1.8	8.9	11.5	5.4
Exports of goods and services	-2.3	0.1	-0.3	0.2	2.0	-0.8	-2.3
Imports of goods and services	12.1	-4.4	4.9	2.8	8.9	4.4	3.8
Contribution to GDP growth in percentage points							
Domestic demand	9.3	1.9	5.1	3.4	6.3	5.6	4.3
Net exports of goods and services	-4.3	1.4	-1.5	-1.0	-1.8	-1.8	-1.1
Exports of goods and services	-0.8	0.0	-0.1	0.0	0.6	-0.4	-0.5
Imports of goods and services	-3.6	1.4	-1.4	-1.0	-2.4	-1.4	-0.6
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..
Unit labour costs in manufacturing (nominal, per hour)	113.8	86.4	30.9	37.7	31.8	26.5	28.4
Labour productivity in manufacturing (real, per hour)	1.6	3.2	6.1	1.2	10.1	10.2	3.3
Labour costs in manufacturing (nominal, per hour)	117.0	92.1	38.9	39.3	45.1	39.4	32.7
Producer price index (PPI) in industry	49.9	41.1	25.4	25.2	23.4	25.3	27.3
Consumer price index (here: HICP)	54.0	58.5	34.9	39.8	36.1	33.3	31.6
EUR per 1 TRY, + = TRY appreciation	-32.4	-27.6	-20.6	-12.1	-20.8	-22.7	-25.0
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	9.6	8.9	8.6	8.8	8.4	8.7	8.4
Employment rate (%, 15–64 years)	53.8	55.2	55.0	54.0	55.0	55.8	55.2
Key interest rate per annum (%)	18.5	48.7	43.3	45.0	45.3	43.3	39.4
TRY per 1 EUR	25.8	35.6	44.8	38.2	44.0	47.6	49.2
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	33.1	30.6	30.8	28.6	29.2	30.3	30.8
of which:							
loans to households	76.6	42.9	48.7	37.0	44.0	48.2	48.7
loans to non-bank corporations	30.5	16.1	28.2	14.7	15.4	28.0	28.2
%							
Share of foreign currency loans in total loans to the non-bank private sector	25.6	33.1	33.1	34.6	35.1	34.4	33.1
Return on assets (banking sector)	3.3	2.1	2.1	2.2	2.1	2.1	2.1
Tier 1 capital ratio (banking sector)	15.0	15.0	14.4	13.2	13.5	13.7	14.4
NPL ratio (banking sector)	1.7	1.9	2.7	2.1	2.3	2.5	2.7
% of GDP							
General government revenues	27.3	28.3	29.7	..	..	..	..
General government expenditures	32.3	33.1	33.1	..	..	..	..
General government balance	-5.1	-4.8	-3.4	..	..	..	..
Primary balance	-0.8	0.6	1.6	..	..	..	..
Gross public debt	28.3	23.6	23.8	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	36.3	36.1	34.5	34.6	33.0	33.3	34.5
Debt of households and NPISHs ² (nonconsolidated)	8.4	9.1	8.9	8.5	8.1	8.4	8.9
% of GDP (based on EUR), period total							
Goods balance	-7.7	-4.1	-4.4	-4.6	-5.7	-3.0	-4.6
Services balance	4.9	4.5	4.0	2.3	4.1	5.9	3.4
Primary income	-1.0	-1.2	-1.5	-1.8	-1.6	-1.2	-1.4
Secondary income	0.0	0.0	-0.0	-0.0	-0.1	-0.0	-0.0
Current account balance	-3.7	-0.8	-2.0	-4.1	-3.2	1.6	-2.5
Capital account balance	-0.0	-0.0	-0.0	0.0	-0.0	-0.0	0.0
Foreign direct investment (net) ³	-0.4	-0.4	-0.2	-0.2	-0.3	-0.5	0.2
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	37.6	35.6	31.6	33.2	30.7	30.9	31.6
Gross official reserves (excluding gold)	8.1	7.0	4.4	5.7	4.2	5.1	4.4
Months of imports of goods and services							
Gross official reserves (excluding gold)	2.8	3.1	2.1	2.6	1.9	2.4	2.1
EUR million, period total							
GDP at current prices	1,039,364	1,249,014	1,400,746	327,793	330,690	366,675	375,588

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

9 Ukraine: hit by harsh winter, full access to international support schemes vital

Ukraine continued to show economic resilience amid the full-scale war but recorded a further growth slowdown to 1.8% in 2025 as a whole. The pick-up in economic activity in the second half of 2025 was largely driven by a backward shift in the harvest season and a generally better harvest than in 2024. Until early in the fourth quarter, a relatively favourable situation in the energy sector also supported GDP growth. However, in late 2025, Russian attacks on Ukrainian energy facilities resulted in longer-lasting power outages and severely hit economic activity. After continuing massive attacks in January and February 2026, the situation in the energy sector started to improve in March, as part of the destruction was repaired quickly. Labour shortages due to migration, mobilisation and internal displacement have continued to restrain economic activity. On the demand side, growth was driven by rising household incomes that boosted private consumption, while increased government spending and stronger investment largely reflected heightened defence-related needs. Due to further rising import needs related inter alia to energy, energy equipment and defence on the one hand and export difficulties on the other hand, the contribution of net exports was deeply negative.

Also, Ukraine's massive trade deficit widened further, so that the current account deficit rose to 16% of GDP in 2025. Yet, supported by external funding, foreign exchange reserves rose to USD 57 billion at end-2025 before moderately declining to a still high level of USD 52 billion at end-March 2026 (covering 5.5 months of imports). In March, the volume used for central bank foreign currency sales to balance the foreign exchange market clearly surpassed the amount of foreign currency inflows from international partners.

The risk of a near-term shortfall in international financing has decreased following the EU Council's decision to provide Ukraine with EUR 90 billion in financial assistance for 2026–2027 via the Ukraine Support Loan (USL), funded through EU capital market borrowing. In April, Hungary's blockade of the implementation was finally lifted following the electoral defeat of the previous ruling party there. Part of the USL is devoted to financing Ukraine's large budget deficit that is estimated to amount to 19.3% of GDP excluding budget support grants in 2026 (down from 23.6% in 2025). Other important sources include the EU Ukraine Facility (in place since 2024), the G7 Extraordinary Revenue Acceleration (using proceeds from Russian immobilised assets, first disbursements made in early 2025), bilateral support and the new IMF Extended Fund Facility. The 48-month EFF was approved by the IMF Executive Board at end-February 2026. Out of the total volume of USD 8.1 billion the first tranche amounting to USD 1.5 billion was immediately disbursed. Yet, in recent months, Ukraine faced political difficulties to take all necessary steps required to meet conditionalities for disbursements under various international support frameworks.

Consumer price inflation was on a downward trend from summer 2025 through January 2026, supported by the effects of higher harvests. Afterwards, the year-on-year inflation rate increased and reached 7.9% in March 2026, mainly as a result of higher energy prices. The National Bank of Ukraine (NBU) cut its key policy rate by 50 basis points to 15% at end-January 2026. Afterwards the NBU left its key policy rate unchanged to support the attractiveness of hryvnia assets and to keep inflation expectations under control amid rising price pressures.

Table 9: Main economic indicators: Ukraine**Main economic indicators: Ukraine**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	5.5	3.2	1.8	0.8	0.9	2.4	2.8
Private consumption	4.3	8.5	7.4	2.4	9.8	6.2	10.8
Public consumption	9.2	-4.1	5.7	8.8	1.3	13.8	0.3
Gross fixed capital formation	65.9	2.1	10.9	40.2	-3.3	9.1	7.6
Exports of goods and services	-5.9	10.3	-12.8	-18.1	-16.0	-15.5	-1.3
Imports of goods and services	8.9	12.5	8.3	7.7	4.2	9.5	11.6
Contribution to GDP growth in percentage points							
Domestic demand	12.3	6.5	9.8	11.4	8.2	10.8	8.8
Net exports of goods and services	-6.7	-3.3	-8.0	-10.6	-7.2	-8.4	-6.0
Exports of goods and services	-2.1	2.9	-3.8	-6.7	-5.2	-3.8	-0.3
Imports of goods and services	-4.6	-6.2	-4.2	-3.9	-2.0	-4.6	-5.8
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..
Unit labour costs in industry (nominal, per person)	..	..	..	..	..	..	..
Labour productivity in industry (real, per person)	..	..	..	..	..	..	..
Average gross wages in industry (nominal, per person)	21.3	25.9	23.9	28.1	24.4	24.0	20.2
Producer price index (PPI) in industry	24.5	19.4	20.0	40.3	27.7	4.3	7.8
Consumer price index (here: CPI)	12.8	6.5	12.7	13.6	15.1	13.1	9.3
EUR per 1 UAH, + = UAH appreciation	-14.0	-9.0	-7.7	-5.5	-8.8	-6.9	-9.4
Period average levels							
Unemployment rate (ILO definition, %, 15–64 years)	..	..	..	..	..	..	..
Employment rate (%, 15–64 years)	..	..	..	..	..	..	..
Key interest rate per annum (%)	22.384615	13.68039	15.25	14.5	15.5	15.5	15.5
UAH per 1 EUR	39.5	43.5	47.1	43.9	47.0	48.5	48.9
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	-1.4	9.4	7.6	12.4	13.6	16.2	7.6
of which:							
loans to households	6.7	22.7	25.2	22.0	22.6	23.3	25.2
loans to non-bank corporations	-3.8	5.2	1.2	9.2	10.6	13.7	1.2
%							
Share of foreign currency loans in total loans to the non-bank private sector	25.8	24.1	25.4	22.3	21.8	21.6	25.4
Return on assets (banking sector)	3.2	2.9	3.5	4.6	4.6	4.6	3.5
Tier 1 capital ratio (banking sector)	12.2	16.9	16.1	15.8	15.2	15.2	16.1
NPL ratio (banking sector)	37.4	30.3	13.9	29.0	27.0	25.0	13.9
% of GDP							
General government revenues	46.8	46.8	48.6	..	..	..	..
General government expenditures	66.9	64.5	67.2	..	..	..	..
General government balance	-20.1	-17.6	-18.6	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	83.3	91.1	101.2	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	..	..	..	..	..	..	..
Debt of households and NPISHs ² (nonconsolidated)	..	..	..	..	..	..	..
% of GDP (based on EUR), period total							
Goods balance	-16.7	-17.3	-23.9	-22.0	-23.8	-23.3	-26.2
Services balance	-4.8	-3.9	-3.7	-3.9	-4.1	-3.4	-3.5
Primary income	2.8	0.3	-0.8	-0.8	-0.3	-0.7	-1.5
Secondary income	12.8	12.1	12.5	10.4	10.2	10.1	18.4
Current account balance	-6.0	-8.9	-16.0	-16.3	-17.9	-17.3	-12.7
Capital account balance	0.1	2.7	0.1	0.2	0.1	0.0	0.1
Foreign direct investment (net) ³	-2.4	-1.9	-1.2	-1.4	-1.0	-1.0	-1.3
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	87.2	98.9	106.4	98.2	97.1	98.7	106.4
Gross official reserves (excluding gold)	20.9	22.7	24.0	20.3	19.6	19.7	24.0
Months of imports of goods and services							
Gross official reserves (excluding gold)	5.0	5.3	5.4	4.7	4.6	4.6	5.4
EUR million, period total							
GDP at current prices	167,639	175,884	189,257	43,873	43,448	50,408	51,529

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

10 Russia: despite slowdown, economy keeps up military production

Russia's economic growth cooled down markedly to 1% in 2025, from 4.9% in 2024. In the second half of the year, gross fixed capital formation contracted noticeably, while private consumption continued to grow. After some deceleration at the beginning of 2025, real wage growth stabilised and amounted to 5.2% over the full-year 2025. The unemployment rate remained at a very low level reflecting tight labour market conditions. Public consumption showed somewhat lower growth in 2025 than in 2024. The contribution of net exports was marginally negative in 2025, with Russia still not revealing gross real import and export figures. Industrial production data shows that growth in 2025 was continuously boosted by war-related sectors. For instance, output in "other transport and equipment" that includes drones production expanded by 32%, the highest rate among all industrial sectors.

Russia's current account surplus declined from 2.9% of GDP in 2024 to 1.7% in 2025, mainly driven by a drop in the trade surplus. Nominal goods exports declined somewhat, but still exceeded relatively stable goods imports. The decline in goods exports was driven by lower exports of mineral products, resulting from the drop in global oil and coal prices as well as a rise in the discount on Russian oil related to stepped-up Western sanctions. After the gas transit through Ukraine ended at the beginning of 2025, gas supplies to the EU via Turkstream increased, but overall, the volume almost halved compared to 2024. Yet, Russian LNG supplies to the EU dropped only by 6%, while they were rising strongly to Asian countries.

The federal budget deficit amounted to 2.6% of GDP in 2025, while the general government budget deficit including regional budgets even climbed to 3.9% of GDP. The share of oil and gas export revenues in the Russian federal budget fell to 22.7% in 2025 (down from 30.3% in 2024). In the first quarter of 2026, oil and gas revenues for the federal budget almost halved in year-on-year terms. The federal budget plan for 2026 envisages a deficit reduction to 1.6% of GDP. To increase non-oil and gas revenues, Russian authorities inter alia hiked the VAT tax rate from 20% to 22%. The recent global oil price increase, a narrowing discount on Russian oil and the easing of US sanctions on Russian oil already at sea were positive news for the budget after pressures were mounting. Yet, Ukraine has stepped up attacks on Russia's oil export infrastructure over recent months, undermining Russia's export capacity. Federal budget funding of military spending reached about 7.5% of GDP in 2025. Cost-effectiveness measures, changes in procurement and a shift to cheap drones from more expensive heavy equipment allowed a decline of planned military spending to 6.3% of GDP in 2026, according to an analysis by the Stockholm International Peace Research Institute (SIPRI). In case of need for more military spending, the budget is very likely to be amended, as has been done in previous years.

Tight monetary policy and the economic slowdown helped to bring inflation down from about 10% in early 2025 to 5.6% at the end of the year. Yet, the VAT rate hike resulted in a slight increase in the inflation rate in early 2026 (5.9% in March). Against the background of disinflationary trends (apart from tax effects), the Bank of Russia continued its monetary easing path in 2026, by cutting its key rate in another three steps to 14.5%, which is still relatively high in real terms. The central bank argued that the economy had almost reached a balanced growth path (coming from overheating tendencies) but also pointed to prevailing elevated inflation expectations.

Table 10: Main economic indicators: Russia**Main economic indicators: Russia**

	2023	2024	2025	Q1 25	Q2 25	Q3 25	Q4 25
Year-on-year change of the period total in %							
GDP at constant prices	4.1	4.9	1.0	1.3	1.0	0.8	1.0
Private consumption	8.6	6.7	3.6	4.2	3.2	3.1	3.9
Public consumption	4.0	2.2	1.1	1.9	0.9	1.0	0.8
Gross fixed capital formation	11.0	8.6	-0.4	7.0	0.6	-0.5	-4.2
Exports of goods and services	..	..	..	..	..	..	..
Imports of goods and services	..	..	..	..	..	..	..
Contribution to GDP growth in percentage points							
Domestic demand	9.7	4.9	0.8	2.1	0.9	-1.1	1.3
Net exports of goods and services	-5.4	0.0	-0.1	-1.1	-0.3	1.5	-0.7
Exports of goods and services	..	..	..	..	..	..	..
Imports of goods and services	..	..	..	..	..	..	..
Year-on-year change of the period average in %							
Unit labour costs in the whole economy (nominal, per person)							
Unit labour costs in industry (nominal, per person)	13.3	17.1	14.1	15.7	16.3	14.2	10.3
Labour productivity in industry (real, per person)	2.6	2.6	-0.9	-2.4	-0.8	-1.0	0.3
Average gross wages in industry (nominal, per person)	16.3	20.3	12.8	12.7	15.4	13.1	10.5
Producer price index (PPI) in industry	4.7	12.2	1.8	8.5	0.6	-0.7	-1.3
Consumer price index (here: CPI)	5.9	8.4	8.7	10.1	9.8	8.3	6.7
EUR per 1 RUB, + = RUB appreciation	-19.9	-7.9	6.3	-0.0	6.5	4.1	15.0
Period average levels							
Unemployment rate (ILO definition, %, 15-64 years)	3.2	2.5	2.2	2.4	2.2	2.2	2.2
Employment rate (%, 15-64 years)	66.3	67.2	67.7	67.1	67.7	68.1	68.0
Key interest rate per annum (%)	9.9	17.5	19.2	21.0	20.8	18.4	16.6
RUB per 1 EUR	92.5	100.4	94.5	98.8	91.9	94.3	93.0
Nominal year-on-year change in period-end stock in %							
Loans to the domestic non-bank private sector ¹	21.8	15.5	8.4	12.5	8.2	6.2	8.4
of which:							
loans to households	23.0	9.7	2.8	5.7	0.0	-1.1	2.8
loans to non-bank corporations	21.2	18.2	11.0	15.8	12.2	9.7	11.0
%							
Share of foreign currency loans in total loans to the non-bank private sector							
Return on assets (banking sector)	2.1	2.0	2.0	1.6	2.1	2.1	2.0
Tier 1 capital ratio (banking sector)	10.7	10.3	11.0	11.2	11.1	10.3	11.0
NPL ratio (banking sector)	12.8	11.1	12.8	12.2	13.2	13.2	12.8
% of GDP							
General government revenues	33.9	35.1	35.3	..	..	..	..
General government expenditures	36.1	36.7	39.1	..	..	..	..
General government balance	-2.2	-1.6	-3.9	..	..	..	..
Primary balance	..	..	..	..	..	..	..
Gross public debt	14.7	14.4	16.4	..	..	..	..
% of GDP							
Debt of nonfinancial corporations (nonconsolidated)	69.6	65.3	82.7	84.7	83.2	79.9	82.7
Debt of households and NPISHs ² (nonconsolidated)	19.8	18.8	20.9	23.1	22.4	20.7	20.9
% of GDP (based on EUR), period total							
Goods balance	6.0	6.1	4.6	6.0	4.2	5.0	3.5
Services balance	-1.8	-1.8	-1.9	-1.5	-2.1	-2.2	-1.7
Primary income	-1.3	-1.3	-0.7	-0.7	-1.2	-0.8	-0.2
Secondary income	-0.5	-0.1	-0.3	-0.2	-0.2	-0.3	-0.3
Current account balance	2.4	2.9	1.7	3.6	0.7	1.6	1.2
Capital account balance	-0.1	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Foreign direct investment (net) ³	1.0	0.4	-0.5	-0.8	-1.3	0.3	-0.3
% of GDP (rolling four-quarter GDP, based on EUR), end of period							
Gross external debt	15.2	13.7	11.9	14.0	13.0	12.1	11.9
Gross official reserves (excluding gold)	21.3	19.8	16.0	18.9	17.9	17.0	16.0
Months of imports of goods and services							
Gross official reserves (excluding gold)	13.7	13.5	12.4	13.0	12.5	12.4	12.4
EUR million, period total							
GDP at current prices	1,881,424	2,010,656	2,272,656	485,572	536,408	580,006	670,670

Source: Bloomberg, European Commission, Eurostat, national statistical offices, national central banks, wiiw, OeNB.

¹ Foreign currency component at constant exchange rates.² Nonprofit institutions serving households.³ + = net accumulation of assets larger than net accumulation of liabilities (net outflow of capital). - = net accumulation of assets smaller than net accumulation of liabilities (net inflow of capital).

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