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ECONOMIC TRENDS IN EU CANDIDATES AND RUSSIA

Security through stability.

2025/10

Economic trends in EU candidates and Russia

1 Western Balkans: mixed picture – labor markets adapt, enlargement progresses but political tensions prevail

Economic growth remains solid despite a mixed picture

Economic performance in the Western Balkan (WB) countries was mixed in 2024.[1,2,3,4] Nonetheless, the region's overall GDP-weighted real economic growth remained unchanged compared to 2023, at 3.5%. This stability is largely due to Albania and Serbia, which together account for 60% of the region's output. In these two countries, real GDP growth stayed robust at about 4%, similar to 2023, with Albania and Serbia recording some of the highest growth rates in Europe. Bosnia and Herzegovina, North Macedonia, and Kosovo saw a slight acceleration in economic expansion compared to 2023. Growth ranged from still rather subdued 2.5% in Bosnia and Herzegovina and 2.8% in North Macedonia to robust 4.4% in Kosovo, the highest real GDP growth figure in the Western Balkans. In contrast, Montenegro's GDP growth slowed to 3.0% in 2024, less than half the pace of 2023 (table 1). This slowdown was mainly due to a significant drop in exports of goods and tourism services. The bleak macroeconomic environment in the EU, and weak external demand from the EU, which is the destination of roughly 30% (Kosovo) to 80% (North Macedonia) of exports from the small and open Western Balkan economies, weighed on what could have been a stronger economic expansion. A more granular, quarterly perspective suggests a broadly even growth profile in most WB countries throughout 2024, except for Montenegro and Serbia. In Montenegro, annual real GDP growth nosedived from nearly 6% in the first quarter to a mere 0.4% in the final quarter. While net exports drove the growth slowdown in Montenegro between 2023 and 2024, the main culprit behind the drop in 2024 was changes in inventories – despite some volatility in all expenditure components. In Serbia, GDP growth also decelerated noticeably in the second half of the year, possibly due to political turmoil, among other factors. This instability likely continued to heavily affect economic performance in the first quarter of 2025. During this period, GDP growth decelerated to 2% year on year, according to the flash estimate from Serbia's statistics office. This slowdown occurred amid a decline in industrial production, stagnation in retail trade, weakening in economic sentiment and, particularly, deterioration in net foreign trade. Only a more detailed breakdown of GDP contributions expected in June will provide insight into whether this growth deceleration reflects rather domestic or external (including global) factors. Yet, if confirmed it would be a much worse outcome than the government had anticipated.

1 *Compiled by Stephan Barisitz, Antje Hildebrandt, Melanie Koch, Mathias Lahnsteiner, Nico Petz, Thomas Reininger and Tomáš Slačík.*

2 *Cut-off date: May 12, 2025. This section focuses primarily on data releases and developments from October 2024 up to the cut-off date.*

3 *All growth rates in the text refer to year-on-year changes unless otherwise stated.*

4 *Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. The designation "Kosovo" is used without prejudice to positions on status and in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.*

Table 1

Real GDP growth

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Annual real change in %								
Albania	4.8	3.9	4.0	4.5	4.2	4.0	4.0	4.2	3.6
Bosnia and Herzegovina[1]	4.2	2.0	2.5	2.3	1.4	2.5	2.3	2.6	2.5
Kosovo	4.3	4.1	4.4	3.8	4.6	5.6	4.2	4.0	4.1
Montenegro	6.4	6.3	3.0	7.5	6.5	5.7	4.4	2.7	0.4
North Macedonia	2.8	2.1	2.8	2.7	3.1	1.9	2.8	3.0	3.2
Serbia	2.6	3.8	3.9	4.8	5.1	4.6	4.4	3.3	3.3
WB average[2]	3.5	3.5	3.5	4.2	4.2	4.0	3.8	3.3	3.1

Source: Eurostat.

[1] *Expenditure-side data.*

[2] *Average weighted with GDP at PPP.*

Domestic demand remains growth driver, counteracted by net exports

On the expenditure side, economic growth in the WB region in 2024 was driven solely by domestic demand, while net exports acted as a drag. However, the performance of individual components of domestic demand varied across countries, each facing its own challenges. Amid buoyant nominal wage growth, positive labor market developments, easing inflation and robust credit expansion, private consumption was a key factor in propelling the economies of most Western Balkan countries. Its contribution to economic growth increased nearly everywhere compared to 2023, ranging from a modest 0.8 percentage points in North Macedonia to a solid 4.8 percentage points in Kosovo and an energetic 6.4 percentage points in Montenegro. In the latter two countries, household consumption was by far the strongest driver of GDP growth. Public consumption provided a neutral or, at best, modest contribution to economic expansion in almost all WB countries. In North Macedonia, however, government spending was a crucial growth determinant in 2024. This was due to a notable fiscal stimulus, in particular increased spending on a broad range of expenditure categories including goods and services, public wages, and transfers to the Health Insurance Fund. The latter support aimed to address concerns about the financial stability of this central institution, which is responsible for managing the country's compulsory health insurance system.

Investment was another important determinant of economic activity in the WB countries, albeit with a very uneven performance across the region. After North Macedonia experienced a sharp drop in investment in 2023 due to inventory drawdowns and uncertainty, capital formation[5] rebounded strongly in 2024 and provided a significant contribution to GDP growth (2.6 percentage points). While several factors played a role, including supportive monetary and fiscal conditions as well as structural reforms, a major driver of investment growth in North Macedonia was the implementation of large-scale public infrastructure projects, particularly road projects. Kosovo and Montenegro also benefited from continued fixed investment growth momentum in 2024 boosted by strengthened private sector confidence and public investment, among other factors. The latter was driven by major public infrastructure projects, particularly in the transport

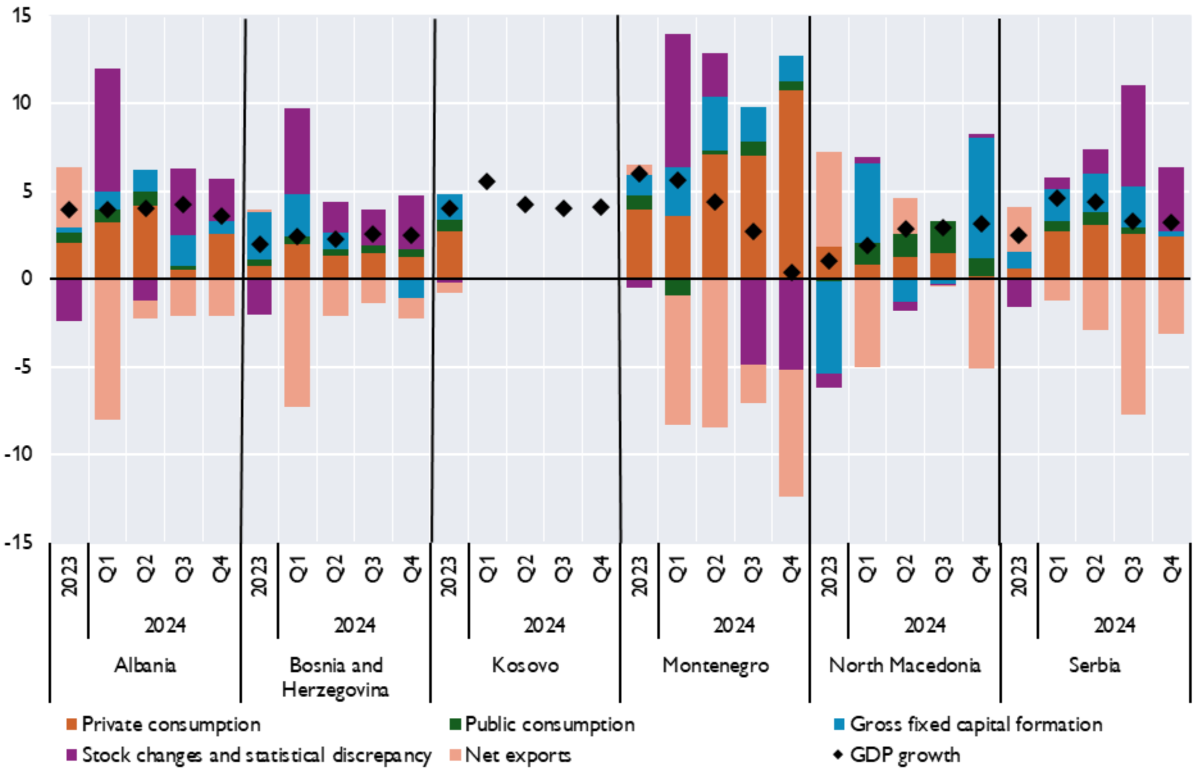
[5] *For North Macedonia, data are only available for gross capital formation, i.e. no distinction between gross fixed capital formation and stock changes is possible.*

and energy sectors. In addition, both countries saw sustained private investment, especially FDI, in areas such as real estate, tourism and financial services. Gross fixed capital formation in Serbia also contributed to GDP growth, in part supported by infrastructure projects under the "Leap into the Future – Serbia Expo 2027" program. However, its impact slowed noticeably in 2024, with a contribution of 1.5 percentage points compared to 2.3 percentage points in the previous year. While fixed investment did increase in Albania last year, its contribution to GDP growth was relatively modest at 1 percentage point in comparison to regional peers. In Bosnia and Herzegovina, with just 0.5 percentage point compared to 2.7 percentage points in 2023 the contribution was even lower. However, beyond fixed investment, it was changes in inventories that made a particularly strong contribution to GDP growth in Albania and Bosnia and Herzegovina – around 3 percentage points in each case, the highest among all demand-side components. Serbia also saw a notable, though smaller, boost from inventory accumulation. In these countries, businesses likely rebuilt inventories in 2024 in anticipation of stronger demand or improved supply conditions, following stock depletion in 2023 that had been driven by supply chain disruptions, inflationary pressures and cautious business sentiment.

Chart 1

GDP growth and growth contributions in the Western Balkans

Percentage points, year-on-year GDP growth in %



Source: Eurostat, wiiw, national statistical institutes.

Note: Growth contributions for Kosovo not available. Gross capital formation for North Macedonia.

The flip side of surging domestic demand in the WB countries in 2024 was a boost to imports of goods and services. At the same time, subdued economic activity in the EU, particularly in the WB region's key trading partners, Germany and Italy, dented foreign demand for WB exports. Additionally, the external competitiveness of several WB countries was eroded by appreciating real exchange rates and rising labor costs, driven by strong wage growth, positive inflation differentials relative to their main trading partners and – in case of Albania – also significant nominal exchange rate appreciation. As a result, the contribution of net exports to GDP growth was significantly negative across all WB countries in 2024, ranging from –2 percentage points in North Macedonia to –5.4 percentage points in Montenegro. This marked a notable shift, as net exports had been an important driver of GDP growth in nearly all WB countries in 2023. The deeply negative contribution in Montenegro occurred despite a strong services surplus, which was insufficient to offset the large goods trade deficit. Moreover, in 2024, revenues in Montenegro's crucial tourism sector declined by 3.6% compared to 2023 – marking the first annual drop since the country's independence, excluding the pandemic years.

Despite notable increases in external imbalances, they remain mostly well covered by foreign direct investment

The developments in exports and imports on the demand side of the economy, as outlined above, were also reflected in the balance of payments. Consequently, the combined current and capital account deficits as a percentage of GDP widened across the board in 2024. The unweighted average of the combined current and capital account deficits thus increased by 3 percentage points to nearly 7% of GDP in 2024 while the figure in the individual countries ranged between slightly more than –2% in North Macedonia and over –17% in Montenegro. While the latter print appears substantial, it is not unusual for Montenegro, which has a long history of large external imbalances reaching as much as nearly –50% of GDP in 2008. Against this backdrop, it is not surprising that Montenegro also experienced the largest deterioration in external accounts in the region in 2024, with a decline of 6 percentage points compared to 2023.

As previously mentioned, it was particularly the goods trade deficits that worsened across the region, ranging from almost –10% of GDP in Serbia to nearly –48% in Montenegro. In contrast, services trade balances remained broadly stable in Albania, Bosnia and Herzegovina, and Serbia, and improved somewhat in Kosovo and North Macedonia. This was driven by robust tourism revenues – an essential export driver in many regional economies – and increasingly by ICT exports. As noted earlier, Montenegro was the only exception, with its services surplus declining by 3 percentage points of GDP. Hence, services trade surpluses ranged from over 3% of GDP in Serbia to 21% in Montenegro.

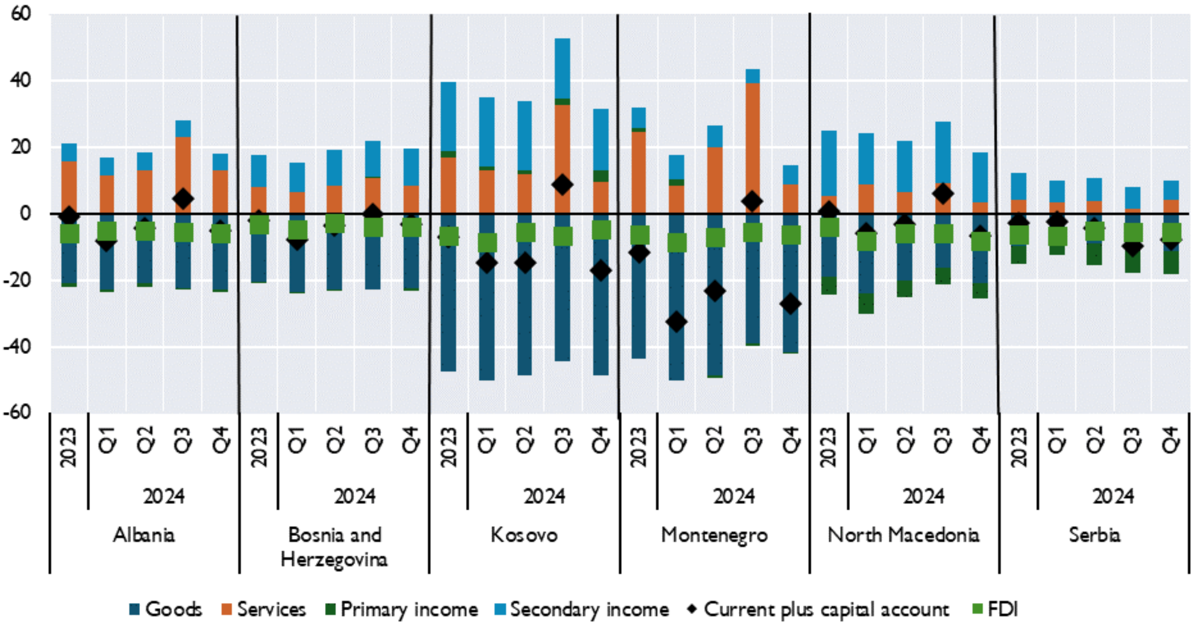
Remittances as a share of GDP remained strong across the Western Balkans, although they declined slightly in 2024, particularly in Kosovo, North Macedonia, and Serbia, in part due to: weaker economic activity in host countries and a possible shift to alternative transfer channels such as cash in the wake of increased travel. Similarly, FDI inflows continued to be a key source of external financing, staying broadly stable relative to GDP in all countries except North

Macedonia, where around two-thirds of FDI originates from EU countries; here, inflows more than doubled to 7% of GDP compared to 2023. These investments were primarily directed toward manufacturing, real estate and financial services. This surge was supported not only by improvements in the investment climate[6] but also by a targeted government strategy to attract export-oriented FDI, particularly in manufacturing. In contrast, FDI inflows in Bosnia and Herzegovina remained modest despite a slight increase. Structural weaknesses in the business environment and competitiveness, along with a low credit rating and political instability continue to deter foreign investors. Despite differences across countries, both remittances and FDI remain vital sources of external financing across the region. In fact, FDI inflows fully – or in Serbia's case, nearly – covered the financing needs arising from the combined current and capital account deficits in all Western Balkan countries except Kosovo and Montenegro. The external financing gap was particularly large in Montenegro, amounting to nearly 11% of GDP, more than twice the level recorded in 2023. Nevertheless, Montenegro's central bank reserves rose to 22.4% of GDP in 2024, up by two percentage points from end-2023, as the external financing gap was covered by portfolio and other investment. Despite this improvement, Montenegro still holds the second-lowest reserve level in the region, ahead only of Kosovo, where reserves stood at approximately 12% of GDP. At the other end of the spectrum, Bosnia and Herzegovina maintained the highest level of reserve assets, exceeding 33% of GDP.

Chart 2

External accounts in the Western Balkans

% of GDP



Source: National central banks, national statistical offices, wiiw.

Note: FDI:
+ = 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 Report 2024 - European Commission.

Labor markets: between cyclical recovery and structural rigidities

Labor market trends still reflected a mixed picture, torn between cyclical improvements and persistent structural challenges. While official statistics may not fully capture the true state of the labor market – due to widespread informality and data limitations – available indicators point to a further tightening of labor market conditions in 2024 despite the officially still comparably high unemployment rates.

More specifically, employment increased again in all WB countries, thus ranging between some 54% in Bosnia and Herzegovina and 69% in Albania. While official data for Kosovo for 2024 had not been released by the cut-off date, the employment rate in 2023 reached 36%. Hence, most likely Kosovo still had the by far lowest employment level in the region in 2024.

Likewise, unemployment continued to fall across the WB countries, maintaining the strong and sustained downward trend that had only briefly been disrupted by the pandemic (see table 2). At the end of 2024, the unemployment rate varied, ranging from around 9% in Serbia and Albania to somewhere between 11.5% and 12.5% in Bosnia and Herzegovina, Montenegro, and North Macedonia.

Despite ongoing cyclical improvements and labor market indicators in the Western Balkans reaching near-record levels, the region still lags considerably behind the EU levels, including those in CESEE EU countries. Persistently high unemployment, low formal employment and limited labor force participation point to deeply rooted structural challenges and, in some cases, a sizable informal sector. The latter is particularly large in Albania, where informal employment makes up more than half of total employment.

Labor markets across the region also show structural mismatches between labor supply and demand – particularly among young labor force. Youth unemployment remains elevated, ranging from about 17% in Kosovo to nearly 30% in Montenegro and North Macedonia. Paradoxically, despite these high structural unemployment rates, many firms report labor shortages. While these are further intensified by demographic decline and emigration, the arrival of foreign workers has provided some relief.

Naturally, the tightening labor market has been continuously accompanied by robust nominal wage growth – partially in the double digits – especially in booming sectors (see table 2). As wage increases have generally outpaced the decline in inflation, real wages have also risen sharply, especially in Serbia and North Macedonia. This has contributed to inflationary pressures. In several countries, rising minimum wages and public sector pay have further fueled real wage growth.

Table 2

Labor market

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
Average gross wages, total economy	*Annual change in %*								
Albania	8.2	14.0	9.8	16.0	13.7	13.8	5.9	8.6	11.2
Bosnia and Herzegovina	11.7	13.0	9.8	11.4	10.7	9.6	9.8	10.0	9.8
Kosovo	7.6	9.4	10.7	..	..	..	..	..	..
Montenegro	11.2	11.8	9.7	12.5	12.8	7.5	5.8	8.8	16.5
North Macedonia	11.1	15.3	12.9	15.2	17.0	16.6	14.1	12.1	9.2
Serbia	13.8	14.8	14.2	14.2	14.3	15.0	14.6	14.1	13.2
Unemployment rate[1]	%								
Albania	11.3	10.1	9.4	9.6	10.2	9.7	9.4	8.9	9.6
Bosnia and Herzegovina	15.5	13.3	12.8	13.7	12.7	13.6	13.4	12.3	11.8
Kosovo	12.6	10.9	..	10.6	10.7	10.9	..	..	..
Montenegro	15.1	13.4	11.6	12.0	12.4	12.0	11.5	11.2	11.7
North Macedonia	14.6	13.2	12.5	12.9	13.2	12.9	12.6	12.5	12.0
Serbia	9.8	9.7	8.9	9.2	9.5	9.8	8.5	8.9	8.5

Source: Eurostat, Macrobond, national statistical offices, wiiw.

[1] *Labor force survey.*

Fiscal developments in the WB countries rather mixed

Fiscal developments in the WB countries in 2024 presented a mixed picture. Budget balances ranged from a surplus of 0.1% of GDP in Kosovo to a deficit of 4.4% of GDP in North Macedonia. Compared to 2023, fiscal performance improved in Albania and Kosovo but deteriorated in Montenegro. In Bosnia and Herzegovina, North Macedonia and Serbia, fiscal deficits remained nearly unchanged.

Despite this varied landscape, most WB countries benefited from improved revenue collection driven by robust domestic demand and strong labor markets. Efforts to enhance tax administration efficiency, increase tax compliance and formalize informal work positively impacted fiscal revenues as well. On the expenditure side, underexecution of capital expenditure in Albania, Kosovo and Serbia supported the fiscal outcome in 2024.

The fiscal position worsened particularly in Montenegro. Montenegro's 2023 surplus, driven by strong revenues from the influx of affluent individuals from Russia and Ukraine and other one-time factors, turned into a deficit of 3.0% of GDP. This shift was due to the fading of these one-time factors, along with increased transfers and significant capital expenditures. Montenegro implemented the "Europe Now 2" tax reform program, focusing on higher wages and pensions and a lower tax burden on labor. Key measures included a significant increase in the average minimum wage from EUR 450 to EUR 700 (effective since October 2024) and the reduction of pension and disability insurance contributions for employees, with their elimination for employers. North Macedonia had by far the largest deficit among the WB countries due to unbroken expansionary fiscal policy since the beginning of the pandemic in 2020 combined with comparably low economic growth. In August 2024, after the new government took office, the original budget plans for 2024 were discarded. The supplementary budget increased the budget target from 3.4% to 4.7%.

Regarding public debt-to-GDP ratios, Kosovo is the top performer, with a debt level of just around 17%, even lower than in 2023. At the bottom of the range, we see Albania, Montenegro and North Macedonia, which feature significantly higher debt levels. Despite these differences, the track record of public debt reduction has been quite successful. Since 2020, Montenegro and Albania have reduced their debt ratios by 44 and 20 percentage points, respectively, Bosnia and Herzegovina and Serbia by around 10 and Kosovo by 5 percentage points, although Kosovo's debt level was already comparatively low. North Macedonia stands out with a higher public debt ratio in 2024, having increased by 3 percentage points to about 54% of GDP compared to 2023.

In October 2024, North Macedonia took out a EUR 500 million loan from the Hungarian state-owned Export-Import Bank to support the budget. This loan has a 15-year repayment period, a 3-year grace period and an interest rate of 3.25%. In early 2025, North Macedonia and Hungary agreed on a second loan facility again for EUR 500 million under the same conditions to fully repay a maturing Eurobond (issued in 2018). Other WB countries are also using external borrowing to cover their financing needs. Albania issued a new 10-year Eurobond of EUR 650 million in February 2025 to finance the budget deficit and to repay a Eurobond issued in 2018. Montenegro followed in March 2025 by issuing a 7-year EUR 850 million Eurobond.

Table 3

Fiscal policy indicators

	2022	2023	2024	2022	2023	2024
	General government balance			General government balance		
	End of period, % of GDP					
Albania	-3.6	-1.3	-0.7	64.1	57.5	53.9
Bosnia and Herzegovina	0.1	-1.1	-1.3	29.3	25.8	27.3
Kosovo	-0.5	-0.3	0.1	19.7	17.2	16.9
Montenegro	-4.2	0.4	-3.1	69.2	59.3	61.1
North Macedonia	-4.4	-4.6	-4.4	49.6	49.7	53.8
Serbia	-3.0	-2.1	-2.0	52.9	48.4	47.5

Source: European Commission (Ameco), Macrobond, national statistical offices, wiiw.

Implementing effective fiscal rules and establishing fiscal councils are components of the enlargement negotiations with the EU (chapter 17 of the EU acquis). WB countries are at various stages of compliance with these requirements[7,8] and further action is still needed. For instance, Albania has introduced a new and binding fiscal rule starting in the 2024 budgetary year. This rule mandates that the primary balance cannot be negative and capital expenditure must exceed 5% of GDP annually, supported by the EU's new Growth Plan for the Western Balkan countries.

7 *Jovanovic, B. et al. 2024. Fiscal governance in the Western Balkans: An analysis of fiscal rules, fiscal councils and medium-term budgetary frameworks. wiiw Research Reports 478. December 2024.*

8 *European Commission. 2024. Enlargement Package 2024. October 30, 2024.*

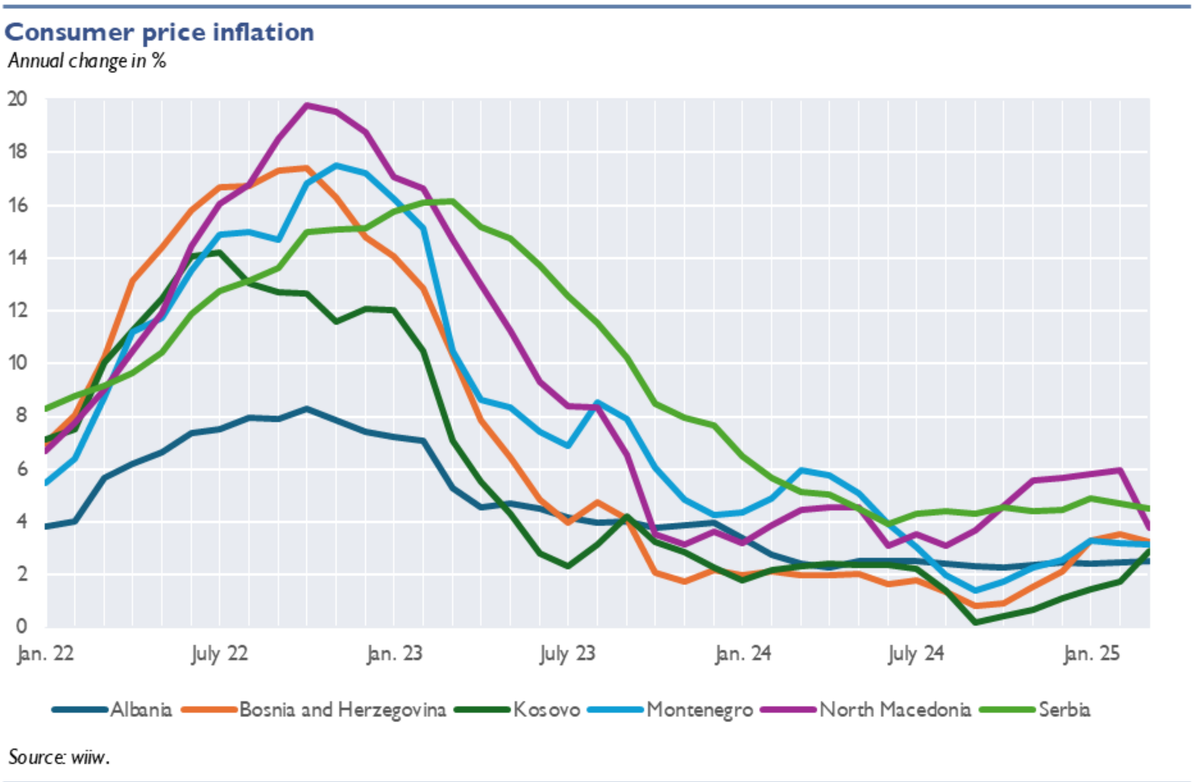
Inflation mostly back under control despite some recent setbacks

Overall, the disinflation that started in 2023 continued into 2024, albeit at a slower pace and with some setbacks and uneven developments across the region. The unweighted average annual inflation in the WB region declined from 7.7% in 2023 to 3.1% in 2024. Indeed, average annual headline inflation decreased in every single country between 2023 and 2024, most significantly in Serbia, where it dropped from more than 12% to 4.8%. In Albania, inflation gradually decelerated to 2.4% in the second quarter of 2024 and has remained broadly stable at that level since, below the Bank of Albania's (BoA) inflation target of 3%. This was aided, among other factors, by a continued significant appreciation of the lek (chart 5). Hence, after the surge in the past couple of years, inflation in Albania seems to have sustainably returned to the vicinity of the target level, supported by low imported inflation rates, stable growth of costs and prices in the Albanian economy, and positive supply-side developments in food items.

In several other WB countries, the disinflation process might have seemed largely completed too, yet it has experienced some setbacks recently. In Kosovo, Bosnia and Herzegovina, and Montenegro, inflation moderated during 2024 to levels ranging between 0.7% in the former and just above 2% in the latter. However, toward the end of the year or at the beginning of 2025, inflation accelerated again to almost 3% in Kosovo in March, or even beyond that in the other two countries. A similar pattern, yet at a different level, was observable in North Macedonia, where headline inflation picked up from just above 3% in August 2024 to 6% in February 2025, before moderating back to 3.8% in March. Similarly, inflation in Serbia has been rather sticky. While it had dropped continuously and entered the tolerance band (3% ± 1.5 percentage point) defined by the National Bank of Serbia (NBS) in June 2024 for the first time since mid-2021, inflation accelerated immediately thereafter and has averaged 4.5% since. That means, it has been hovering around the upper bound of the tolerance band, even though the most recent print showed annualized inflation slowing down to 4% in April.

Prices of food, whose share in the consumer basket is about twice as large in the WB countries as in the euro area, have been among the key drivers of inflation acceleration in the region. Additionally, inflation has been increasingly driven by other factors such as services and, especially in Serbia, housing, fuel and power prices. As a result of the services price hikes, not least due to dynamic wage growth, core inflation is relatively elevated, particularly in North Macedonia and Serbia, averaging around 4.5% in the first quarter of 2025, up from 3.5% and 4% respectively in the whole of 2024. In contrast to Albania, disinflation in Serbia has not been helped by a revalued currency, as the NBS has maintained a broadly stable exchange rate despite appreciating pressures on the dinar (chart 5). Nonetheless, the most recent slowdown in inflation in Serbia has been supported by falling oil prices on global markets and the ensuing decline in transport prices. Additionally, a slowdown in services inflation has had a dampening impact on overall inflation.

Chart 3



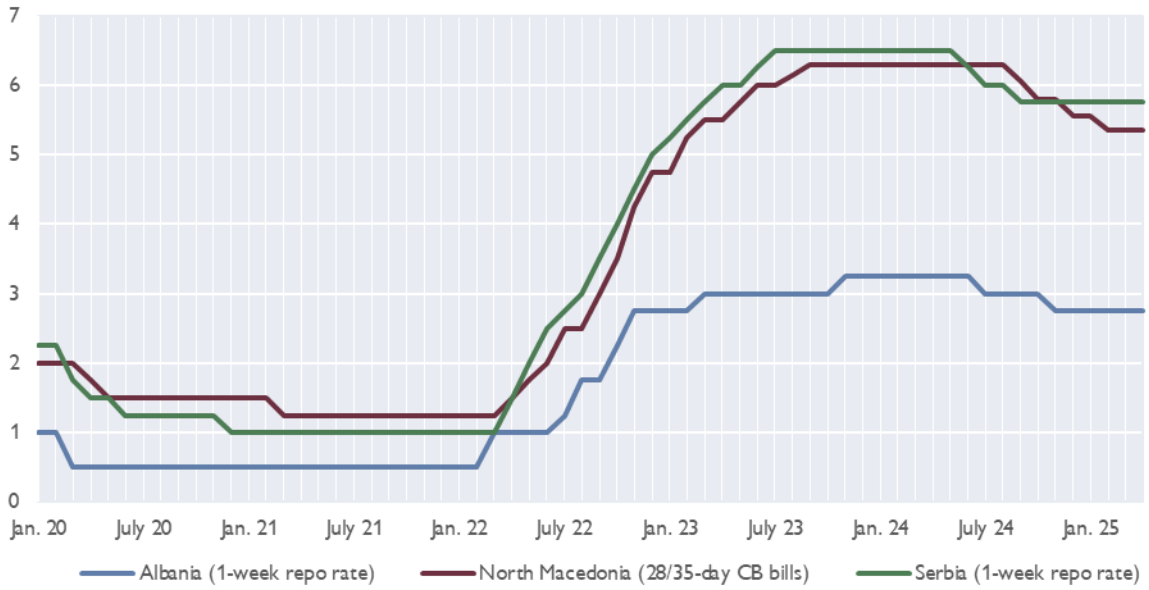
Despite the currently exceptionally high level of uncertainty and some recent upward revisions to projections due to potential price pressures from the ongoing global trade war, the recent uptick in inflation in several WB economies is expected to be short-lived. Inflation is thus anticipated to remain relatively moderate this year, ranging from just above 2% in Kosovo and Bosnia and Herzegovina to roughly 4% in Serbia and North Macedonia. Yet, future inflation paths will largely remain sensitive to further wage dynamics in the tight labor markets, as well as to energy and food price changes, given their significance in the consumption basket. Obviously, the potential escalation (or de-escalation) of global trade wars and associated implications for the global and local economies pose a significant risk not only for inflation developments.

In line with the disinflation process, central banks in the three WB countries with autonomous monetary policies eased their monetary stance. The BoA left the peak level of its policy rate at 3.25% (in place since November 2023) and reduced the rate by 25 basis points in both July and November 2024, bringing it to 2.75%, where it has been kept since (chart 4). The National Bank of the Republic of North Macedonia (NBRM) had hiked its policy rate to a maximum of 6.3% in September 2023, where it remained for a year. Between September 2024 and February 2025, the NBRM lowered its policy rates in four steps by a cumulative 95 basis points to 5.35%. Since then, the NBRM has stressed the necessity to conduct careful macroeconomic policies in light of price dynamics, and developments of other macroeconomic indicators subject to elevated (external) risks. The NBRM has thus put the easing cycle on hold and is closely monitoring upcoming developments. Similarly, after Serbia's NBS had raised its policy rate 15 times in the 16 months to July 2023 to a maximum level of 6.5%, it started to reverse the tightening a year later. Hence, between June and September 2024, the NBS lowered its policy rate three times by 25 basis points[9] each. Since then, the policy rate has been kept unchanged at 5.75% due to various factors and risks, including high volatility in commodity and financial markets, uncertain global trade policies, uncertain inflation sentiment, and high prices of some agricultural commodities on global and domestic markets.

Chart 4

Key interest rates

End of period, %

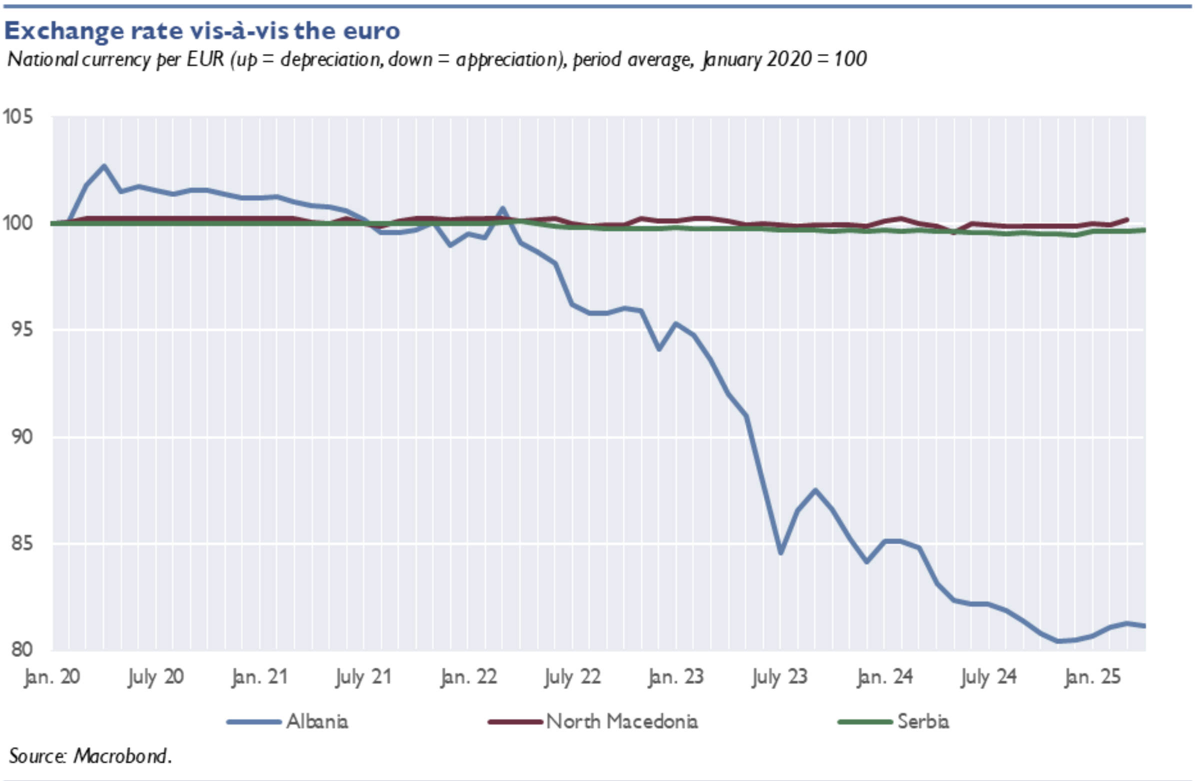


Source: National central banks.
Note: No policy rate available for Bosnia and Herzegovina, Kosovo and Montenegro due to currency board or unilateral euroization.
CB = central bank.

As a mirror image of buoyant financial inflows due to tourism, remittances and FDI, WB countries whose central banks operate – more or less heavily managed – floating exchange rate regimes have faced significant foreign currency (FX) inflows and appreciation pressures on their currencies. Consequently, not only the central banks of Serbia and North Macedonia, which run tightly managed exchange rate arrangements, but also the Bank of Albania have continued to intervene forcefully in the FX market. The result of these interventions is a continued accumulation of foreign reserves, reaching new record highs.

9 It has to be borne in mind that in Serbia, the effective rate in the market is the one-week weighted average repo rate, which has hovered around 100 basis points below the policy rate. The IMF and the ECB have called upon the NBS to narrow the gap.

Chart 5



Booming lending to households and corporates

In the second half of 2024, nominal lending to the nonbank private sector accelerated significantly in all WB countries. This trend continued in the first quarter of 2025. In Kosovo and Montenegro, credit growth even approached 20% annually. Among the WB countries, Serbia recorded the weakest lending activity; but following a decline in 2023, lending there showed robust growth in 2024, accelerating further in the first quarter of 2025. The key drivers were the favorable macroeconomic environment (improved consumer confidence, robust wage growth and overall good labor market conditions) as well as monetary easing (see above).

In Serbia and particularly in Kosovo, lending to households grew much more strongly than to corporates. In North Macedonia, by contrast, growth of lending to enterprises outpaced lending to households by a large margin. In the other WB countries, lending dynamics to households and enterprises moved more or less in tandem over this period.

Special attention has been given to booming lending for housing purposes in Albania. In May 2025, the Bank of Albania (BoA) set limits on the loan-to-value (LTV) ratio and debt service-to-interest (DSTI) ratio, with different requirements for first and second houses and for loans in domestic and foreign currency. Earlier, the BoA had increased the countercyclical capital buffer in two steps and required ratios to be met by June 2025 and December 2025, respectively. In Montenegro, the countercyclical capital buffer was increased to 1% (effective from January 2026) also against the background of rising credit growth and a booming housing market. Building on earlier interest rate limitations, the NBS introduced new regulations in January 2025 that cap interest rates on various consumer financial products. For example, a 5% cap on interest rates for both new and existing housing loans has been implemented to protect borrowers from excessive borrowing costs. The cap measures are expected to apply until the end of 2025.

Currency substitution remains a key feature of WB countries that have their own currency. The share of foreign currency lending decreased in 2024 and ranged between 30% in Bosnia and Herzegovina and more than 60% in Serbia at the end of 2024. The share of foreign currency deposits decreased as well but is still higher than for lending with the notable exception of Serbia. As already observed in the June 2024 edition of our Economic Trends, WB banks are well-capitalized, liquid and profitable. NPL ratios declined further in the course of 2024 in all WB countries, ranging from below 2% in Kosovo to 4.2% in Albania.

Table 4

Banking sector indicators

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Bank loans to the domestic nonbank private sector	*End of period, annual change in %*									
Albania[1]	8.9	7.7	15.1	5.7	7.7	11.5	14.2	15.2	15.1	14.5
Bosnia and Herzegovina[1]	5.5	7.2	9.5	6.7	7.2	8.4	9.1	9.2	9.5	9.4
Kosovo	16.0	12.9	18.2	13.2	12.9	12.6	13.3	15.0	18.2	20.2
Montenegro	8.7	6.7	17.0	5.1	6.7	8.2	11.3	13.8	17.0	18.7
North Macedonia[1]	8.4	3.8	11.7	6.1	3.8	5.8	6.2	7.1	11.7	11.7
Serbia[1]	5.3	-0.6	8.9	-0.1	-0.6	0.7	4.5	5.9	8.9	9.1
Share of foreign currency										
Foreign currency loans[2]	*End of period, %*									
Albania	49.2	44.0	42.9	45.2	44.0	42.9	42.6	43.0	42.9	42.9
Bosnia and Herzegovina	41.2	35.9	30.1	37.0	35.9	34.6	32.9	31.6	30.1	29.3
Kosovo	..	..	..	..	..	..	..	..	..	..
Montenegro[3]	3.3	3.6	..	3.3	3.6	3.7	3.7	3.3	..	..
North Macedonia	42.6	42.1	38.5	42.7	42.1	41.6	40.3	39.4	38.5	38.0
Serbia[4]	65.7	66.2	63.2	66.8	66.2	65.4	64.6	63.9	63.2	62.9
Foreign currency deposits[5]										
Albania	53.8	53.4	52.3	55.1	53.4	52.9	52.6	53.7	52.3	52.0
Bosnia and Herzegovina	41.7	41.1	39.1	41.3	41.1	41.2	40.8	39.7	39.1	38.6
Kosovo	..	..	..	..	..	..	..	..	..	..
Montenegro	..	..	..	..	..	..	..	..	..	..
North Macedonia	44.5	43.1	40.6	44.6	43.1	43.5	42.7	42.5	40.6	41.2
Serbia	59.3	55.1	52.8	57.3	55.1	56.0	55.3	55.2	52.8	54.6
NPL ratio	%									
Albania	5.0	4.7	4.2	5.2	4.7	4.6	4.7	4.6	4.2	4.0
Bosnia and Herzegovina	4.5	3.8	3.2	4.0	3.8	3.6	3.5	3.5	3.2	..
Kosovo	2.0	2.0	1.9	2.0	2.0	2.0	2.1	2.1	1.9	..
Montenegro	5.7	5.0	3.5	5.0	5.0	4.9	4.3	4.0	3.5	..
North Macedonia	3.1	2.8	2.4	3.4	2.8	2.8	2.6	2.6	2.4	..
Serbia	3.0	3.2	2.5	3.2	3.2	3.2	2.9	2.7	2.5	..
Tier 1 capital ratio	%									
Albania	16.9	17.7	18.2	18.2	17.7	17.5	17.7	18.6	18.2	17.9
Bosnia and Herzegovina	18.7	18.7	18.7	18.3	18.7	18.6	18.5	18.5	18.7	..
Kosovo[6]	14.8	15.8	16.2	15.3	15.8	16.0	16.1	15.5	16.2	..
Montenegro[6]	19.3	20.3	19.4	20.7	20.3	19.9	19.5	19.8	19.4	..
North Macedonia	16.6	17.2	18.3	17.4	17.2	18.1	18.2	18.2	18.3	..
Serbia	18.8	19.7	19.6	20.5	19.7	19.5	20.2	20.1	19.6	..

Source: National central banks.

[1] *Foreign currency component at constant exchange rates.*

[2] *In total loans to the nonbank private sector. As far as available, including loans indexed to foreign currencies.*

[3] *Share in total loans to all sectors. FX loans = loans in all currencies but in euro.*

[4] *Including securities.*

[5] *In total deposits to the nonbank private sector.*

[6] *Overall capital adequacy ratio.*

EU enlargement process is progressing slowly, political instability and tension in the Western Balkan countries frequently make headlines

Regarding the formal negotiation process, some progress has been made since our last report. After opening negotiations on cluster 1 on fundamentals and cluster 6 on external relations, the EU opened negotiations with Albania on cluster 2 on internal markets in April 2025. This cluster includes chapters on free movement of capital and financial services, which are particularly relevant for the BoA. In June 2024, the EU confirmed that Montenegro met the interim benchmarks for Chapters 23 on judiciary and fundamental rights and 24 on justice, freedom and security.

One key element of the current EU enlargement policy is the new Growth Plan for the Western Balkans, which includes EUR 2 billion in grants and up to EUR 4 billion in long-term loans for the period 2024–2027. Each Western Balkan country was asked to prepare a Reform Agenda on investment priorities and reforms based on their respective Economic Reform Programmes to receive funding from the new Growth Plan for the Western Balkans. The allocation of funds will ultimately depend on the progress made by each country. In October 2024, the European Commission approved the Reform Agendas of all Western Balkan countries, except Bosnia and Herzegovina, where authorities could not agree on the reform priorities. For the other countries, disbursement under the Growth Plan have started in March 2025.

Regarding the timeline for EU membership, Montenegro is considered the most advanced WB country in terms of fulfilling the conditions of EU membership. European Commissioner for Enlargement Marta Kos announced that EU accession negotiations could be finalized by the end of the current European Commission's mandate (i.e. the end of 2029). However, Montenegrin authorities are more ambitious, aiming to achieve EU membership by 2028. In May 2025, Albania held parliamentary elections, and one of the key campaign promises of the ruling Socialist Party, led by Prime Minister Edi Rama, was that the country would become an EU member by 2030. Rama ultimately won with 52% of the votes, securing his fourth term in office

A quick look at relations with the IMF shows that, currently, there are only arrangements with Kosovo and Serbia. In March 2025, the IMF staff and Kosovo authorities reached a staff-level agreement on the final reviews under the Stand-By Arrangement (SBA) and the Resilience and Sustainability Facility. However, Kosovo intends to continue treating the SBA as precautionary, without drawing on the resources. In Serbia, the final review under the 2-year SBA for 2022–2024 took place in late 2024, followed by a 36-month Policy Coordination Instrument to continue anchoring reform efforts and fiscal discipline.

Political tensions and social unrest in the WB countries frequently make headlines. In particular, political instability in Bosnia and Herzegovina, as well as in Kosovo, keeps resurfacing. Moreover, dramatic events in 2024 and 2025 – such as the collapse of a railway station canopy in Serbia in November 2024, a mass shooting in Montenegro in January 2025 and a devastating fire at a nightclub in North Macedonia in March 2025 – which resulted in many deaths are partly ascribed to widespread corruption. The resulting in protests highlight the dissatisfaction of a large part of the population in the WB countries with political leaders. In Serbia, the tragedy has led to ongoing mass protests particularly against the political elite.

2 Georgia: economic prosperity in a highly uncertain environment

Economic activity continued to exceed expectations, with real GDP growth surging to 11.0% and 8.3% in the last two quarters of 2024, respectively, and averaging 9.4% for the year. Growth was bolstered by high private and public consumption and strong growth in tourism. Supported by an inflow of skilled labor in recent years, productivity remains temporarily elevated, leading to a higher potential for the economy. This is reflected in significant growth contributions from highly productive sectors, such as IT and transportation. Economic growth in 2025 is projected to decelerate to 6% (IMF World Economic Outlook – WEO), moving closer to its long-term trend of 5%. Risks to the economic outlook include domestic and geopolitical uncertainty and a potential easing of international sanctions on Russia.

Headline inflation moderated in the second half of 2024, averaging 1.1% throughout the year and remaining below the 3% target. Despite continuous high real wage growth – compensating for past periods of high inflation – and strong domestic demand, price pressures have not yet materialized due to high productivity and muted international price pressures in 2024. However, in recent months, high food prices helped push inflation to 3.4% in the first quarter of 2025. Headline inflation is projected to slightly overshoot its target in 2025, reaching 3.6% (IMF WEO), before returning close to its target in 2026.

Since May 2024, the National Bank of Georgia (NBG) has held the policy rate steady at 8%, indicating a moderately tight stance, given the neutral rate estimate of 7%. In the last quarter of 2024, the overnight interbank rate decoupled from the policy rate, increasing to 8.5% and staying well above the policy rate until April 2025. This effectively acted as a temporary monetary tightening in light of significant domestic turmoil. Rising domestic uncertainty in the last quarter of 2024 reversed the declining trend in deposit dollarization. Relative to total deposits, FX deposits increased from 48% in September 2024 to 53% in March 2025, putting additional burden on the effectiveness of monetary policy transmission. As regards central bank independence, there is still room for improvement as outstanding EU and IMF recommendations on the NBG law, board governance, financial oversight and transparency have yet to be implemented.

After last years' depreciation supported by reduced remittances and low FDI inflows, the lari appreciated against the USD in the first quarter of 2025. In the last quarter of 2024, large shocks that amplified domestic uncertainty caused the need for significant central bank interventions in the FX markets. As a result, international reserves declined in 2024 and currently lie below the recommended level as defined by the IMF's ARA metric. High geopolitical and domestic uncertainty combined with reserves below adequate standards pose significant downside risk for the exchange rate.

The Georgian banking sector continues to be highly concentrated, with the two major banks holding more than 70% of total banking sector assets. However, indicators for capital adequacy, liquidity and profitability remained robust throughout 2024, and the ratio of nonperforming loans to total loans stabilized at 1.5%.

Persistent political uncertainty was exacerbated by numerous events, including the implementation of highly disputed laws, the parliamentary election in October 2024, and ongoing protests accompanied by state violence. Strong divergence from European values and democratic backsliding during this period led to tensions between the EU and Georgia, resulting in the suspension of the EU accession process.

Table 5

Main economic indicators: Georgia

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Year-on-year change of the period total in %								
GDP at constant prices	11.0	7.8	9.4	6.8	7.3	8.7	9.7	11.0	8.3
Private consumption	-2.8	4.7	11.0	9.2	10.8	16.1	23.6	6.1	2.6
Public consumption	-0.8	7.5	24.7	10.2	17.5	25.8	20.0	19.2	32.6
Gross fixed capital formation	9.9	29.4	15.0	68.4	36.7	21.5	37.3	-0.1	8.5
Exports of goods and services	37.4	9.5	5.9	-1.0	-3.0	-3.3	2.7	13.8	8.4
Imports of goods and services	16.9	10.0	8.5	7.6	1.9	-0.8	12.9	13.3	8.2
	Contribution to GDP growth in percentage points								
Domestic demand	4.2	8.7	11.4	11.7	9.9	9.5	16.0	11.4	8.9
Net exports of goods and services	5.7	-1.1	-2.1	-4.9	-2.5	-1.3	-6.3	-0.2	-0.8
Exports of goods and services	15.1	4.7	3.0	-0.6	-1.5	-1.8	1.4	7.4	3.7
Imports of goods and services	-9.4	-5.8	-5.1	-4.4	-1.1	0.6	-7.7	-7.6	-4.5
	Year-on-year change of the period average in %								
Unit labor costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..	..	..
Unit labor costs in industry (nominal, per person)	..	..	..	..	..	..	..	..	..
Labor productivity in industry (real, per person)	..	..	..	..	.	..	..	..	..
Average gross wages (nominal, per person)	17.4	16.7	10.8	16.3	15.3	13.2	11.1	10.9	8.5
Producer price index (PPI) in industry	11.4	-2.9	..	-3.1	-0.7	1.8	7.3	8.6	..
Consumer price index (here: CPI)	11.9	2.5	1.1	0.6	0.4	0.3	1.9	1.1	1.1
EUR per 1 GEL, + = GEL appreciation	23.9	8.4	-3.5	14.6	-0.4	-3.9	-2.5	-5.5	-4.2
	Period average levels								
Unemployment rate (ILO definition, %, 15–64 years)	17.3	16.4	13.9	15.6	15.3	14.0	13.7	13.8	14.2
Employment rate (%, 15–64 years)	43.0	44.5	47.1	45.3	46.0	47.3	47.0	47.1	47.1
Key interest rate per annum (%)	10.9	10.5	8.3	10.3	9.9	9.0	8.1	8.0	8.0
GEL per 1 EUR	3.1	2.8	2.9	2.8	2.9	2.9	2.9	3.0	3.0
	Nominal year-on-year change in period-end stock in %								
Loans to the domestic nonbank private sector[1]	3.5	16.1	18.2	12.3	16.1	18.3	20.5	20.6	18.2
of which:									
claims on households	10.0	15.1	16.6	12.7	15.1	15.9	17.2	17.8	16.6
claims on nonbank corporations	-3.5	17.4	20.1	11.7	17.4	21.5	24.7	24.0	20.1
	%								
Share of foreign currency loans in total loans to the nonbank private sector	45.1	44.4	42.4	44.4	44.4	43.9	44.3	43.0	42.4
Return on assets (banking sector)	3.1	3.5	3.6	3.6	3.5	3.5	3.5	3.6	3.6
Tier 1 capital ratio (banking sector)	17.1	19.7	20.2	19.9	19.7	19.1	21.2	20.5	20.2
NPL ratio (banking sector)	1.5	1.5	1.5	1.6	1.5	1.6	1.6	1.5	1.5
	% of GDP								
General government revenues	..	..	..						
General government expenditures	..	..	..						
General government balance	-2.2	-1.9	-2.1						
Primary balance	..	..	..						
Gross public debt	39.2	38.9	36.1						
	% of GDP								
Debt of nonfinancial corporations (nonconsolidated)	66239.3	67032.4	..	66161.3	67498.7	65951.0	61692.0	66225.7	..
Debt of households and NPISHs[2] (nonconsolidated)	47690.9	44763.1	..	45916.0	45074.5	46935.7	46596.8	46315.1	..
	% of GDP (based on EUR), period total								
Goods balance	-21.5	-19.6	-19.1	-19.2	-19.2	-21.0	-21.7	-16.3	-18.1
Services balance	11.5	11.0	11.4	14.9	8.0	9.9	11.3	15.4	8.7
Primary income	-7.3	-7.7	-6.5	-6.9	-7.0	-5.5	-7.1	-7.4	-6.0
Secondary income	12.9	10.7	9.8	11.1	10.6	12.2	10.1	8.7	8.6
Current account balance	-4.5	-5.5	-4.4	-0.2	-7.6	-4.4	-7.3	0.5	-6.8
Capital account balance	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Foreign direct investment (net)[3]	-8.1	-5.2	-2.7	-4.2	-2.8	-0.8	-5.8	-0.9	-3.1
	% of GDP (rolling four-quarter GDP, based on EUR), end of period								
Gross external debt	99.2	77.1	77.4	79.4	77.1	77.7	77.5	74.7	77.4
Gross official reserves (excluding gold)	20.3	15.8	11.8	17.7	15.8	14.1	12.6	12.0	11.8
	Months of imports of goods and services								
Gross official reserves (excluding gold)	3.7	3.3	2.5	3.5	3.3	3.0	2.7	2.6	2.5
	EUR million, period total								
GDP at current prices	22,652	28,728	31,302	7,703	7,874	6,622	7,766	8,424	8,491

Source: Bloomberg, national statistical offices, national central banks, 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 Moldova: climate and energy crises suppress growth

The second half of 2024 began with a drought that significantly reduced agricultural output.[10] Meanwhile, public spending remained sluggish. Even strong domestic consumption and investment could not keep GDP from nearly stagnating: it increased by only 0.4% in 2024 (year on year). 2025 did not start any better as another downside risk materialized: a halt in gas supply from Russia resulted in a humanitarian crisis in Transnistria and severe energy shortages throughout the country. The lack of sufficient energy sources will continue to dampen growth in the short and medium term.

The decline in agricultural exports, coupled with an increase in imports due to strong private consumption, resulted in a substantial negative external balance by the end of 2024. Geopolitical uncertainty and ongoing disruptions in global trade did not support FDI into the country. Direct trade linkages to the US are weak, with only 3.8% of all Moldovan exports going there in 2024 (almost 70% went to the EU). However, the currently suspended tariffs imposed by the US would be relatively high (31%). Furthermore, Moldova is one of the largest European recipients of US foreign assistance. The strong domestic demand, fostered by continued wage growth, let consumer prices slightly increase in November 2024. The subsequent energy crisis exacerbated price pressures, pushing the inflation rate out of its target band in January 2025. Consequently, the National Bank of Moldova began tightening monetary policy and the base rate has been set at 6.5% since February. The inflation rate remained 2.3 percentage above target (at 7.8%) in April.

Reserve requirements were steadily lowered in 2024, and the nominal credit stock of the private sector grew by more than a quarter that year. Loan demand from both households and firms was particularly strong in the second half of 2024, driven by heightened housing demand. At the same time, NPLs and the share of foreign currency loans continued to decline strongly, likely supported by borrower-based measures introduced in late 2022. Thus far, banks operated safely in this environment with robust but not excessive profits. The Moldovan leu remained stable throughout 2024, with slight downward pressure only emerging in the last few weeks. Since the beginning of 2025, the leu has been pegged to the euro instead of the US dollar, reflecting the close economic ties to the EU. Additionally, in March, Moldova joined the Single Euro Payments Area (SEPA).

Fiscal budget consolidation helped reduce the deficit by 1.2 percentage points from 2023 to 2024. However, fiscal revenues fell short of expectations, leaving less leeway for public spending. For 2025, the government has announced a 9% raise in public sectors wages, driven by concerns about labor shortages due to comparatively low wages. Spending to mitigate the effects of the energy crisis is largely financed by international institutions. For example, the EU will support Moldova in gaining independence from Russian energy with at least EUR 100 million this year. This package first targets large and low-income households as well as critical infrastructure and is separate from the EU's Growth Plan for Moldova, which was also approved by the Council of the EU in February. The current Moldovan government clearly follows a pro-European path and is aiming for EU accession with determination. However, polls still indicate low chances of clearly pro-European parties winning the upcoming parliamentary elections in October.

[10] *Data from public and official data sources, excluding data from unrecognized Transnistria and regions controlled by Transnistria.*

Table 6

Main economic indicators: Moldova

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Year-on-year change of the period total in %								
GDP at constant prices	-4.6	0.7	0.4	3.3	-0.2	1.9	2.4	-1.9	-0.1
Private consumption	-5.3	0.0	3.8	1.3	2.2	1.2	3.3	4.1	6.1
Public consumption	10.7	-3.3	-3.4	-2.1	-8.2	-7.0	-0.9	-1.0	-4.6
Gross fixed capital formation	-10.5	-1.3	6.5	-1.1	4.0	4.8	6.9	8.1	5.7
Exports of goods and services	29.7	5.1	-5.1	6.1	11.9	1.0	-3.4	-5.8	-11.0
Imports of goods and services	18.2	-5.1	5.2	-9.8	-3.1	-4.1	7.8	12.2	4.8
	Contribution to GDP growth in percentage points								
Domestic demand	-3.2	-5.1	5.3	-6.2	-7.0	-1.3	8.8	6.5	6.4
Net exports of goods and services	-1.4	5.8	-4.9	8.9	6.9	3.1	-5.8	-8.3	-6.9
Exports of goods and services	9.1	2.1	-1.8	2.2	4.7	0.4	-1.3	-1.8	-4.0
Imports of goods and services	-10.5	3.6	-3.1	6.7	2.2	2.7	-4.6	-6.5	-2.9
	Year-on-year change of the period average in %								
Unit labor costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..	..	..
Unit labor costs in industry (nominal, per person)	20.0	17.2	14.2	11.4	12.3	12.6	15.5	10.5	18.2
Labor productivity in industry (real, per person)	-3.6	-0.6	1.0	2.3	4.2	4.3	0.2	3.2	-3.4
Average gross earnings in industry (nominal, per person)	15.8	16.2	15.3	14.0	17.0	17.4	15.8	14.1	14.2
Producer price index (PPI) in industry	26.4	13.0	-1.6	10.0	2.9	-2.5	-1.8	-0.8	-1.1
Consumer price index (here: CPI)	28.7	13.4	4.7	9.7	5.3	4.3	3.5	5.0	5.9
EUR per 1 MDL, + = MDL appreciation	5.1	1.3	2.0	2.8	-0.1	2.2	4.6	1.9	0.6
	Period average levels								
Unemployment rate (ILO definition, %, 15–64 years)	3.2	4.7	4.1	4.3	5.0	4.6	4.0	3.8	3.9
Employment rate (%, 15–64 years)	48.4	51.8	52.3	53.0	51.0	52.3	52.9	53.9	50.3
Key interest rate per annum (%)	16.6	10.0	3.8	6.0	5.3	4.4	3.7	3.6	3.6
MDL per 1 EUR	19.9	19.6	19.3	19.5	19.4	19.3	19.2	19.1	19.3
	Nominal year-on-year change in period-end stock in %								
Loans to the domestic nonbank private sector[1]	8.8	2.9	25.1	3.4	2.9	5.6	10.8	17.5	25.1
of which:									
claims on households	4.4	8.1	32.9	2.8	8.1	13.2	18.1	23.9	32.9
claims on nonbank corporations	12.0	-0.4	19.5	3.8	-0.4	0.7	6.0	13.0	19.5
	%								
Share of foreign currency loans in total loans to the nonbank private sector	35.2	29.9	24.8	31.7	29.9	28.2	26.6	24.9	24.8
Return on assets (banking sector)	3.0	2.8	2.4	3.2	2.8	2.1	2.2	2.4	2.4
Tier 1 capital ratio (banking sector)	28.5	29.1	25.0	30.1	29.1	27.6	28.1	26.3	25.0
NPL ratio (banking sector)	6.4	5.6	4.1	6.7	5.6	5.5	4.8	4.8	4.1
	% of GDP								
General government revenues	33.3	33.7	34.1						
General government expenditures	36.6	38.8	38.0						
General government balance	-3.2	-5.8	-3.7						
Primary balance	..	..	..						
Gross public debt	35.0	34.9	38.2						
	% of GDP								
Debt of nonfinancial corporations (nonconsolidated)	15403.1	19506.7	..	18412.3	19758.3	18985.5	18270.0	19396.5	..
Debt of households and NPISHs[2] (nonconsolidated)	11089.9	13026.3	..	12778.1	13194.3	13511.5	13799.5	13565.0	..
	% of GDP (based on EUR), period total								
Goods balance	-36.1	-29.5	-31.1	-28.6	-27.8	-28.6	-32.8	-30.5	-32.1
Services balance	6.3	5.4	5.1	4.0	5.4	5.5	5.7	4.4	4.9
Primary income	0.4	1.6	0.9	0.9	1.9	2.0	1.0	0.1	0.8
Secondary income	12.2	11.0	9.0	11.4	10.5	9.2	9.1	9.3	8.4
Current account balance	-17.2	-11.5	-16.1	-12.3	-9.9	-11.8	-17.0	-16.7	-18.1
Capital account balance	0.3	0.5	0.5	0.6	0.4	0.4	0.4	0.4	0.6
Foreign direct investment (net)[3]	-3.7	-2.1	-1.3	-2.3	-0.9	-0.7	-0.9	-2.6	-0.8
	% of GDP (rolling four-quarter GDP, based on EUR), end of period								
Gross external debt	65.1	59.9	58.8	60.8	59.9	59.8	57.7	55.4	58.8
Gross official reserves (excluding gold)	30.4	32.3	31.6	31.0	32.3	32.2	31.2	30.8	31.6
	Months of imports of goods and services								
Gross official reserves (excluding gold)	5.1	6.5	6.6	5.8	6.5	6.7	6.5	6.5	6.6
	EUR million, period total								
GDP at current prices	13,781	15,279	16,709	4,153	4,300	3,497	3,887	4,758	4,566

Source: Bloomberg, 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 Türkiye: disinflation progress and recovery challenged by global and domestic risk factors

In 2024, GDP growth slowed to 3.2%, bottoming out at about 2% year on year in the third quarter and recovering to about 3% in the fourth, with signs of further recovery in early 2025. The marked slowdown and the recovery stemmed from domestic demand (excluding inventory change). Real exports increased marginally in the full year, contracting in the fourth quarter. Private consumption slowed particularly strongly. Fixed investment started to grow in the third quarter and private consumption followed in the fourth quarter. While the sharp slowdown of domestic demand growth implied real import contraction, the ensuing demand recovery immediately lifted imports. Thus, import reactions dampened the impact of demand swings on GDP growth in both directions.

The current account deficit stood at 0.8% of GDP in 2024, 3.3 percentage points lower than in 2023, in line with the trade deficit decline. More than a third of this improvement resulted from the decline of net nonmonetary gold imports on the back of higher key interest rates and regulatory measures. Net FDI inflows remained low at only 0.4% of GDP. Official FX reserves of the Turkish central bank (TCMB) rose from 2.5 import months in mid-2024 to close to 3.0 at end-2024 and end-February 2025. But by end-March they had declined sharply to 2.3 due to TCMB's large FX sales following the arrest of the opposition politician Imamoglu on March 19.

Year-on-year HICP headline and core inflation declined continuously from slightly above 50% in August 2024 to about 38% in March 2025. In March, the value of one euro in Turkish lira was 15% higher than a year ago, substantially below the rate of inflation, hence implying appreciation in real terms that supported disinflation. Holding the one-week repo auction rate at 50% since March 2024, the TCMB delivered three rate cuts from December to 42.5% in March, still above the annualized month-on-month inflation. In parallel, the TCMB continued pursue tightening and liraization by raising reserve requirement ratios and lowering monthly growth limits for loans (except for investment and export) to a larger extent for FX than for lira. To counter lira depreciation after Imamoglu's arrest, the TCMB offered FX forward selling transactions, stopped the weekly repo auctions, raised the O/N lending rate from 44% to 46% and issued liquidity bills. In mid-April, it re-introduced the weekly repo auctions but raised the repo rate to 46% and the O/N lending rate to 49% and hiked the FX reserve requirement ratios further. Moreover, for the period until July, it set the minimum share of export proceeds to be sold to the TCMB at 35% and raised the FX conversion support rate (for converting firms' export proceeds into lira) to 3%.

Banks' negative on-balance and positive off-balance net FX position remained almost unchanged at a non-negligible level from mid- to end-2024. By contrast, the nonfinancial corporation (NFC) sector's large negative on-balance *overall* net FX position rose further from mid- to end-2024, above all because NFCs continued to reduce their FX deposits with domestic banks and to increase their takeout of FX loans from domestic banks, despite banks' monthly credit growth limits, with both items likely driven by the cross-currency interest rate differential. The changes in these two items also implied the further strong decline of the traditionally positive on-balance *short-term* net FX position of NFCs, with almost all FX deposits and a third of the FX loans being short term.

The Turkish Presidency's medium-term program 2025–2027 published in September 2024 assumes a general government deficit decline to 2.9% of GDP in 2025 (2024: 4.8%), due to lower earthquake-related expenditure. The European Commission staff forecast a deficit of 3.5% of GDP for 2025 in May 2025, and that the general government debt-to-GDP ratio will decline from 25% at end-2024 to 24% at end-2025, thanks to inflation and real appreciation of the lira.

Table 7

Main economic indicators: Türkiye

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Year-on-year change of the period total in %								
GDP at constant prices	5.5	5.1	3.2	6.5	4.6	5.4	2.4	2.2	3.0
Private consumption	18.9	13.6	3.7	12.3	10.1	7.3	1.2	2.6	3.9
Public consumption	4.2	2.4	1.2	3.4	-0.2	3.3	-0.2	0.1	1.6
Gross fixed capital formation	1.3	8.4	3.9	14.2	9.1	9.1	0.8	-0.1	6.1
Exports of goods and services	9.9	-2.8	0.9	1.0	0.1	5.1	0.8	0.7	-2.0
Imports of goods and services	8.6	11.8	-4.1	14.5	2.8	-3.2	-5.9	-9.6	1.6
	Contribution to GDP growth in percentage points								
Domestic demand	12.5	11.8	3.9	12.1	9.5	8.2	1.1	1.9	4.7
Net exports of goods and services	0.6	-3.5	1.2	-3.0	-0.7	2.0	1.6	2.4	-0.9
Exports of goods and services	2.5	-0.7	0.2	0.3	0.0	1.3	0.2	0.2	-0.5
Imports of goods and services	-1.9	-2.7	1.0	-3.2	-0.7	0.8	1.4	2.3	-0.4
	Year-on-year change of the period average in %								
Unit labor costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..	..	..
Unit wage costs in manufacturing (nominal, per hour)	76.6	103.7	91.8	97.9	102.9	106.5	121.9	81.9	67.3
Labor productivity in manufacturing (real, per hour)	-1.6	1.7	2.9	2.6	3.4	6.3	-0.1	-0.2	5.8
Gross wages in manufacturing (nominal, per hour)	74.1	107.4	96.6	103.0	109.8	119.4	121.6	81.5	77.0
Producer price index (PPI) in industry	128.5	49.9	41.1	47.1	42.0	47.7	54.4	36.6	30.1
Consumer price index (here: HICP)	72.3	54.0	58.5	56.4	62.8	66.9	72.3	54.1	46.7
EUR per 1 TRY, + = TRY appreciation	-39.6	-32.4	-27.6	-38.1	-38.0	-39.7	-34.2	-20.8	-16.9
	Period average levels								
Unemployment rate (ILO definition, %, 15–64 years)	10.7	9.6	8.9	9.5	8.8	9.4	8.5	9.0	8.7
Employment rate (%, 15–64 years)	52.8	53.8	55.2	54.5	54.4	54.3	55.3	55.8	55.2
Key interest rate per annum (%)	12.9	18.5	48.7	20.4	35.8	44.7	50.0	50.0	49.9
TRY per 1 EUR	17.4	25.8	35.6	29.2	30.7	33.6	34.9	36.8	36.9
	Nominal year-on-year change in period-end stock in %								
Loans to the domestic nonbank private sector[1]	37.5	33.1	30.6	37.1	33.1	29.2	28.8	29.0	30.6
of which:									
loans to households	55.4	76.6	42.9	84.0	76.6	65.1	48.9	44.6	42.9
loans to nonbank corporations	39.6	30.5	16.1	36.1	30.5	26.0	26.3	15.1	16.1
	%								
Share of foreign currency loans in total loans to the nonbank private sector	25.6	25.6	33.1	25.2	25.6	26.8	29.1	33.2	33.1
Return on assets (banking sector)	3.8	3.3	2.1	3.3	3.3	2.5	2.2	2.0	2.1
Tier 1 capital ratio (banking sector)	15.3	15.0	15.0	14.3	15.0	13.0	13.0	13.8	15.0
NPL ratio (banking sector)	2.2	1.7	1.9	1.6	1.7	1.6	1.6	1.9	1.9
	% of GDP								
General government revenues	28.6	30.9	32.0						
General government expenditures	30.6	35.7	37.0						
General government balance	-2.1	-4.8	-4.9						
Primary balance	2.6	-0.9	-1.3						
Gross public debt	30.8	29.2	25.3						
	% of GDP								
Debt of nonfinancial corporations (nonconsolidated)	47.5	37.1	37.3	39.0	37.1	37.1	37.8	36.0	37.3
Debt of households and NPISHs[2] (nonconsolidated)	9.5	8.6	9.4	8.9	8.6	8.8	9.0	8.5	9.4
	% of GDP (based on EUR), period total								
Goods balance	-10.0	-7.8	-4.3	-7.5	-4.7	-4.9	-5.2	-3.1	-4.1
Services balance	5.9	5.2	4.7	7.8	4.1	2.9	5.0	6.9	3.8
Primary income	-1.0	-1.0	-1.2	-0.9	-0.9	-1.2	-1.3	-1.1	-1.2
Secondary income	0.0	0.1	0.0	0.1	0.0	-0.2	0.1	0.0	0.0
Current account balance	-5.1	-3.6	-0.8	-0.5	-1.4	-3.4	-1.5	2.7	-1.4
Capital account balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign direct investment (net)[3]	-1.0	-0.4	-0.4	-0.1	-0.7	0.0	-0.6	-0.4	-0.4
	% of GDP (rolling four-quarter GDP, based on EUR), end of period								
Gross external debt	42.6	38.4	36.2	38.9	38.4	37.7	38.5	35.6	36.2
Gross official reserves (excluding gold)	9.1	8.2	7.2	7.8	8.2	6.1	7.3	6.9	7.2
	Months of imports of goods and services								
Gross official reserves (excluding gold)	2.6	2.8	3.1	2.5	2.8	2.2	2.8	2.8	3.1
	EUR million, period total								
GDP at current prices	852,655	1,018,107	1,216,211	265,777	278,047	263,968	284,509	323,401	344,333

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 Ukraine: economic recovery continues but slows under massive Russian attacks

Despite relentless and massive Russian attacks on Ukraine, including on its energy sector, the economy managed to recover further in 2024. Yet, Ukraine's economy weakened in the second half of 2024 (partly also due to a poor harvest) bringing full-year growth down to 2.9% from 5.5% a year earlier. Throughout the year, GDP growth was mainly driven by private consumption that was supported by rising real wages. Gross fixed capital formation started to deliver positive growth contributions in the second half of the year. Public investments inter alia went into the rebuilding of infrastructure with Ukraine accomplishing to restore half of the 10 GW power generation capacity that was destroyed by Russia in 2024. On top of this, the private sector invested in autonomous energy supply capacities. Together with mild weather conditions this led to a better than expected situation in the energy sector. However, energy as well as labor shortages continued to have a dampening effect on economic activity. Exports performed relatively well thanks to the functioning of the Black Sea corridor. Yet, due to high import demand the contribution of net exports was negative. Russia's attacks on Ukraine's gas production infrastructure, already low gas storage levels and the war-related closure of a coalmine have heightened import needs further.

The general government budget deficit excluding grants from abroad came down to 23.2% of GDP in 2024 from 26.1% of GDP in 2023 and is expected to decline further in 2025. Ukraine has already received funds out of the G7 Extraordinary Revenue Acceleration (ERA) loans mechanism, under which the servicing and repayment is covered by the proceeds from immobilized Russian sovereign assets. ERA funding, together with other types of financial support (including EU and IMF funding), more than covers the financing gap estimated by the IMF (USD 42.8 billion) in 2025.

At end-April, official reserves stood at USD 46.7 billion covering 5.6 months of future imports according to the National Bank of Ukraine (NBU). Monthly net FX interventions to balance the market declined from USD 5.2 billion in December 2024 to USD 2.2 billion in April 2025. The current account deficit widened to 7.2% of GDP in 2024 (up from 5.3% of GDP in 2023), or about 13% of GDP excluding foreign grants (up from 12% of GDP in 2023). Yet, the goods and services balance slightly decreased to a still enormous deficit of 18.9% in 2024.

Consumer price inflation continued to increase further in the last couple of months and reached 15.2% in April 2025 compared to an inflation target of 5%. Inflation acceleration was mainly driven by rising food prices after last year's poor harvest. Core inflation remained elevated due to strong consumer demand and rising labor and energy costs, but slightly fell to 12.1% in April. Starting from December 2024, the NBU hiked its key policy rate in three steps and by a total of 250 basis points to 15.5%. In addition to citing inflationary developments, the central bank emphasized that interest rate hikes are aimed at supporting the attractiveness of hryvnia assets. Net FX cash demand by individuals was quite high in the final quarter 2024 and January 2025 averaging about USD 1.4 billion per month but came down to USD 0.2 billion in April 2025. Since the beginning of the year, the hryvnia appreciated slightly against the USD, but depreciated somewhat against the EUR. Meanwhile, the NBU started to review whether the EUR should be the reference currency for the hryvnia instead of the USD.

Table 8

Main economic indicators: Ukraine

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Year-on-year change of the period total in %								
GDP at constant prices	-28.8	5.5	2.9	9.7	5.2	6.8	4.0	2.2	-0.1
Private consumption	-27.5	4.3	6.7	10.3	8.0	6.5	7.7	8.6	4.2
Public consumption	31.4	9.2	-4.5	17.2	-1.0	7.3	-7.3	-11.2	-2.8
Gross fixed capital formation	-33.9	65.9	3.5	72.5	31.5	-1.9	-0.4	4.6	9.5
Exports of goods and services	-42.0	-5.9	10.3	-12.2	-4.4	7.9	11.5	13.4	8.5
Imports of goods and services	-17.4	8.9	7.7	6.9	-7.8	-1.2	16.4	7.9	8.9
	Contribution to GDP growth in percentage points								
Domestic demand	-19.0	12.3	3.8	17.0	2.1	3.6	9.1	1.8	1.7
Net exports of goods and services	-9.8	-6.7	-0.9	-7.3	3.2	3.6	-4.5	-0.2	-2.0
Exports of goods and services	-17.1	-2.1	2.9	-4.1	-1.3	2.9	3.5	3.2	2.1
Imports of goods and services	7.3	-4.6	-3.8	-3.3	4.6	0.8	-8.0	-3.3	-4.1
	Year-on-year change of the period average in %								
Unit labor costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..	..	..
Unit labor costs in industry (nominal, per person)	..	..	..	..	..	..	..	..	..
Labor productivity in industry (real, per person)	..	..	..	..	..	..	..	..	..
Average gross earnings in industry (nominal, per person)	1.7	21.3	25.9	25.6	25.7	23.3	26.0	25.1	28.7
Producer price index (PPI) in industry	48.1	24.5	19.4	23.9	19.6	6.0	15.6	30.6	25.4
Consumer price index (here: CPI)	20.2	12.8	6.5	9.0	5.1	4.0	3.8	7.2	11.0
EUR per 1 UAH, + = UAH appreciation	-4.9	-14.1	-9.0	-11.9	-5.3	-5.4	-7.2	-11.9	-11.1
	Period average levels								
Unemployment rate (ILO definition, %, 15–64 years)	..	..	..	..	..	..	..	..	..
Employment rate (%, 15–64 years)	..	..	..	..	..	..	..	..	..
Key interest rate per annum (%)	18.6	22.4	13.7	22.5	17.0	14.9	13.7	13.0	13.1
UAH per 1 EUR	34.0	39.6	43.5	39.8	39.3	41.5	42.9	45.2	44.3
	Nominal year-on-year change in period-end stock in %								
Loans to the domestic nonbank private sector[1]	-10.6	-1.4	9.4	-8.7	-1.4	3.0	8.9	10.6	9.4
of which:									
loans to households	-15.3	6.7	22.7	-5.7	6.7	15.3	20.7	23.7	22.7
loans to nonbank corporations	-9.1	-3.8	5.2	-9.6	-3.8	-0.6	5.3	6.5	5.2
	%								
Share of foreign currency loans in total loans to the nonbank private sector	27.0	25.8	24.1	25.5	25.8	24.9	24.1	23.7	24.1
Return on assets (banking sector)	1.0	3.2	3.3	5.9	3.2	5.4	5.2	5.1	3.3
Tier 1 capital ratio (banking sector)	13.1	12.2	16.9	14.8	12.2	12.0	11.6	15.7	16.9
NPL ratio (banking sector)	38.1	37.4	30.3	37.9	37.4	36.1	34.6	32.3	30.3
	% of GDP								
General government revenues	41.9	46.8	46.8						
General government expenditures	58.1	66.9	64.5						
General government balance	-15.4	-19.8	-17.3						
Primary balance	..	..	..						
Gross public debt	77.8	83.3	89.4						
	% of GDP								
Debt of nonfinancial corporations (nonconsolidated)	726.3	815.7	..	845.1	815.7	770.4	733.7	768.3	..
Debt of households and NPISHs[2] (nonconsolidated)	522.9	544.7	..	586.5	544.7	548.3	554.2	537.3	..
	% of GDP (based on EUR), period total								
Goods balance	-9.3	-16.1	-16.0	-17.7	-15.7	-13.2	-16.8	-16.4	-17.1
Services balance	-7.0	-4.8	-2.9	-3.7	-3.0	-2.8	-3.2	-3.1	-2.5
Primary income	5.3	2.8	0.2	1.7	3.0	-0.1	0.6	0.3	0.0
Secondary income	16.0	12.8	11.5	11.0	9.2	8.1	5.5	16.0	14.8
Current account balance	5.0	-5.3	-7.2	-8.7	-6.4	-8.0	-14.0	-3.2	-4.8
Capital account balance	0.1	0.1	2.7	0.1	0.1	0.1	0.2	9.7	0.1
Foreign direct investment (net)[3]	-0.2	-2.4	-1.8	-3.3	-0.7	-4.5	-2.6	-0.3	-0.5
	% of GDP (rolling four-quarter GDP, based on EUR), end of period								
Gross external debt	80.3	87.2	98.9	87.7	87.2	90.8	90.7	87.6	98.9
Gross official reserves (excluding gold)	16.5	20.9	22.7	22.1	20.9	22.6	19.2	18.6	22.7
	Months of imports of goods and services								
Gross official reserves (excluding gold)	3.8	5.1	5.6	5.1	5.1	5.8	4.9	4.7	5.6
	EUR million, period total								
GDP at current prices	152,925	167,573	175,764	45,403	49,535	39,281	40,603	46,313	49,568

Source: Bloomberg, 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).

6 Russia: overheating, sanctions and tighter monetary stance slow down the economy

Russia's GDP expansion slowed down from 4.8% in the first six months to 3.9% in the second six months of 2024 (year on year), producing an annual growth rate of 4.3% in 2024. Growth continues to be driven by private consumption (+5.4% in 2024), government consumption (+4.8%), and notably gross fixed capital formation (+6%). A substantial part of investment growth was driven by war-related expenditure including procurement of weapon systems and military-related construction. Production-wise, manufacturing (+8.6%) and retail trade (+7.2%) led the way, while raw material extraction continued to contract slightly (–0.9%).

Notwithstanding the robust investment growth, available capacities remain strained, the economy is still overheated, and the main resource constraint continues to be lack of (skilled) labor. The unemployment rate (ILO definition) stood at the very low level of 2.4% in January 2025. While the key rate of the Bank of Russia was further raised from 19% to 21% in late October 2024 (following two hikes in the summer), and since then has been held stable, CPI inflation continued to rise to 10.3% at end-March 2025 (from 8.6% six months earlier). This was due to still soaring real wages (+9% at end-2024 year on year), the expansionary fiscal stance and stubbornly high inflation expectations, among other factors. In the fourth quarter of 2024 and in early 2025 though, credit conditions tightened and enterprise as well as retail lending slowed down markedly. Enterprise profits also dipped. Together with planned fiscal tightening in 2025, this is expected to gradually bring inflation down. The authorities in early 2025 observed signs of weakening demand for labor in some industries. While the Bank of Russia now expects the average price level to rise by 9% to 9.6% this year, it still projects inflation to fall to the target level of 4% at end-2026.

Given Russia's brisk growth in 2024 and given the average Urals oil price of about USD 71 per barrel that year (about 10% higher than in 2023), oil as well as non-oil revenues expanded by about 15% and made it possible to cover most of the federal budget's spending increase of 13% in real terms in 2024, yielding a deficit of about 1.6% of GDP. The shortfall was mostly financed on the domestic debt market, partly also by the National Wealth Fund. While the overall amount of this oil stabilization fund grew by 2% to USD 136 billion (5.5% of GDP) at end-February 2025 (year on year), its liquid assets shrank to 30% or USD 39 billion in this period.

As mentioned above, the monetary policy tightening (that drove the key rate to double digits in real terms) has started to exert a cooling effect on lending activity. The growth of credit to enterprises declined from 11.8% at end-August 2024 to 5.3% at end-February 2025 (in real terms and exchange rate-adjusted). The growth of credit to households slumped even more, from 12.9% to 1.5%. That said, many war-related firms continued to benefit from government-subsidized loans. Overall banking sector profit declined by 6% to USD 36.8 billion in 2024. Russia's current account surplus rose somewhat in 2024 – by USD 62 billion or about 2.9% of GDP – as against USD 48 billion in 2023. Russia's gross international reserves (of which about USD 300 billion had been frozen by Western jurisdictions – mostly EU member states – in February 2022) grew by USD 55 billion in the last 12 months to reach a total of USD 656 billion in mid-April 2025.

Table 9

Main economic indicators: Russia

	2022	2023	2024	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24
	Year-on-year change of the period total in %								
GDP at constant prices	-1.4	4.1	4.3	6.2	5.3	5.4	4.3	3.3	4.5
Private consumption	-0.6	7.4	5.4	11.1	8.2	7.0	5.3	5.1	4.3
Public consumption	2.0	3.8	4.8	3.2	2.4	4.6	5.3	4.8	4.5
Gross fixed capital formation	7.4	7.8	6.0	6.1	5.1	9.4	3.9	7.9	4.5
Exports of goods and services	..	..	..	..	..	..	..	..	..
Imports of goods and services	..	..	..	..	..	..	..	..	..
	Contribution to GDP growth in percentage points								
Domestic demand	0.4	9.1	4.3	8.9	10.9	3.3	3.5	6.0	4.0
Net exports of goods and services	-2.0	-5.2	0.2	-2.9	-5.8	2.5	1.1	-2.6	0.3
Exports of goods and services	..	..	..	..	..	..	..	..	..
Imports of goods and services	..	..	..	..	..	..	..	..	..
	Year-on-year change of the period average in %								
Unit labor costs in the whole economy (nominal, per person)	..	..	..	..	..	..	..	..	..
Unit labor costs in industry (nominal, per person)	15.1	13.3	17.8	11.3	15.2	19.8	16.4	17.7	17.2
Labor productivity in industry (real, per person)	-0.1	2.6	2.1	4.4	2.9	2.6	1.6	0.7	3.4
Average gross earnings in industry (nominal, per person)	15.2	16.3	20.3	16.3	18.4	23.2	18.2	18.5	21.5
Producer price index (PPI) in industry	12.8	4.7	12.2	10.2	20.8	18.5	15.5	9.6	5.0
Consumer price index (here: CPI)	13.7	5.9	8.4	5.1	7.2	7.6	8.2	8.9	9.0
EUR per 1 RUB, + = RUB appreciation	18.1	-20.1	-7.9	-40.9	-35.3	-20.4	-9.2	4.4	-6.6
	Period average levels								
Unemployment rate (ILO definition, %, 15–64 years)	4.0	3.2	2.5	3.0	2.9	2.8	2.5	2.4	2.3
Employment rate (%, 15–64 years)	65.2	66.3	67.2	66.7	66.8	66.5	67.2	67.5	67.7
Key interest rate per annum (%)	10.7	9.9	17.5	10.3	14.5	16.0	16.0	17.6	20.4
RUB per 1 EUR	73.9	92.5	100.4	102.6	99.9	98.8	97.7	98.3	107.0
	Nominal year-on-year change in period-end stock in %								
Loans to the domestic nonbank private sector[1]	14.0	21.8	15.5	21.3	21.8	21.7	23.0	20.0	15.5
of which:									
loans to households	9.4	23.0	9.7	22.2	23.0	23.0	23.3	16.9	9.7
loans to nonbank corporations	16.4	21.2	18.2	20.8	21.2	21.1	22.9	21.6	18.2
	%								
Share of foreign currency loans in total loans to the nonbank private sector	7.5	8.4	7.6	8.6	8.4	8.9	8.1	8.0	7.6
Return on assets (banking sector)	0.1	2.1	2.0	2.2	2.1	1.8	1.6	1.7	2.0
Tier 1 capital ratio (banking sector)	10.4	9.6	10.3	9.6	9.6	10.3	10.0	10.2	10.3
NPL ratio (banking sector)	15.3	12.8	11.1	13.6	12.8	12.9	12.1	11.8	11.1
	% of GDP								
General government revenues	33.8	33.5	35.3						
General government expenditures	35.2	35.7	36.9						
General government balance	-1.6	-2.5	-1.7						
Primary balance	..	..	..						
Gross public debt	18.5	19.5	20.3						
	% of GDP								
Debt of nonfinancial corporations (nonconsolidated)	169.9	182.5	..	156.2	182.5	186.9	201.0	174.8	..
Debt of households and NPISHs[2] (nonconsolidated)	18.3	20.5	..	17.3	20.5	21.2	23.8	21.1	..
	% of GDP (based on EUR), period total								
Goods balance	13.5	5.9	6.1	6.8	5.7	7.2	6.8	5.4	5.4
Services balance	-1.0	-1.8	-1.8	-2.2	-1.5	-1.5	-1.8	-2.2	-1.7
Primary income	-2.0	-1.3	-1.3	-1.2	-1.3	-0.5	-1.6	-1.8	-1.2
Secondary income	-0.4	-0.5	-0.1	-0.4	-0.8	-0.2	-0.1	-0.1	-0.1
Current account balance	10.1	2.4	2.9	3.1	2.1	4.9	3.3	1.4	2.3
Capital account balance	-0.2	-0.1	0.0	0.0	-0.2	0.0	0.0	0.0	0.0
Foreign direct investment (net)[3]	1.2	1.0	0.4	0.7	0.8	1.1	0.2	0.0	0.3
	% of GDP (rolling four-quarter GDP, based on EUR), end of period								
Gross external debt	16.3	15.0	13.8	14.8	15.0	15.0	15.3	13.7	13.8
Gross official reserves (excluding gold)	18.9	21.0	19.9	19.7	21.0	20.9	20.5	19.6	19.9
	Months of imports of goods and services								
Gross official reserves (excluding gold)	15.2	13.7	13.5	13.4	13.7	13.7	13.9	13.6	13.5
	EUR million, period total								
GDP at current prices	2,212,240	1,905,206	1,998,706	450,150	526,332	446,778	483,881	517,580	550,467

Source: Bloomberg, 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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