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How Should the EU Treat Arriving Russian Migrants?

**The Role of Manufacturing in Regional Economic Growth
and Convergence in the EU**

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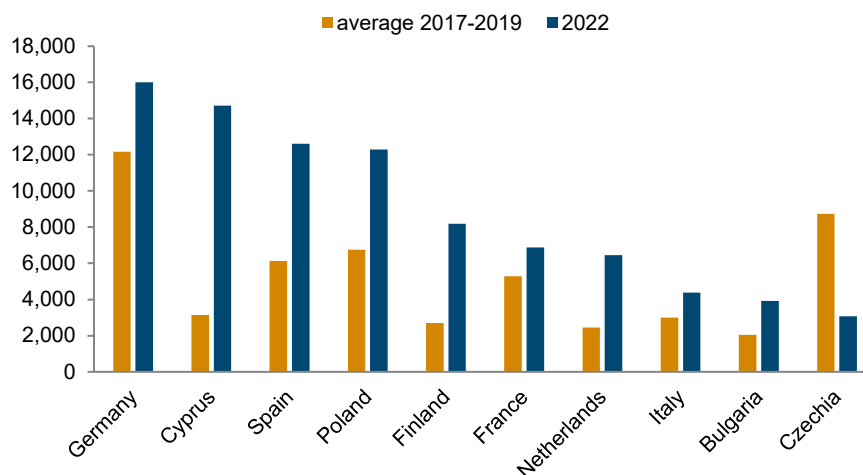
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Chart of the month: Russian migration wave reaches Europe

BY VASILY ASTROV

Russia's war against Ukraine has triggered an unprecedented flow of refugees from the latter country – over 8 million by the time of writing.¹ The number of Russians fleeing mobilisation and the increasingly repressive political regime back home pales in comparison, but possibly still reached 800-900 thousand, according to some estimates.² The exodus of Russians, many of whom are young and well educated, has exacerbated the problem of labour and skill shortages in Russia, and has been a contributing factor to the unemployment rate (Labour Force Survey) plunging to an all-time low of 3% in July 2023.

Figure 1 / First residence permits issued to Russian citizens, top ten EU countries



Notes: total number of first residence permits issued to Russian citizens, including for family, education, employment and 'other' reasons. Data for 2020-2021 may not be representative, because of the COVID-19 pandemic; therefore, for comparison purposes the average for 2017-2019 is used instead.

Source: Eurostat.

Most Russian migrants have gone to non-EU countries (for more on that, see the Opinion Corner section of the present report), but the EU has also recorded a marked surge. According to Eurostat data, 26 EU countries³ combined issued around 110,000 first residence permits to Russians last year.⁴ That represents an increase of 66% over the average for 2017-2019 – far higher than the 20.5% growth recorded for *all* non-EU passport holders. Among the reasons for residence being granted, employment

¹ <https://wiiw.ac.at/ukraine-c-101.html>

² 'Escape from war: New data puts the number of Russians who have left at more than 800,000 people', <https://re-russia.net/en/review/347/>

³ Without Croatia, data for which are not available.

⁴ This figure does not include positive (first instance) decisions on the granting of political asylum to Russian citizens, which stood at 2,135 last year, according to Eurostat.

leads the way, with a growth of 114% over the average for 2017-2019 (though all other reasons also recorded an increase).

Figure 1 shows that Germany retained its status as the prime destination for Russian migrants within the EU, with around 16,000 first residence permits issued last year. However, Cyprus ran it a close second, recording the greatest increase in the number of Russian migrants in both absolute (11,590 up on the average for 2017-2019) and relative (+370%) terms: the country has become a preferred relocation target for many Russian companies (especially in the IT sector), thanks to its less stringent migration policy.⁵ Other EU countries that posted a particularly sharp rise in the number of Russian migrants in 2022 include Finland (+203%), Portugal (+171%) and the Netherlands (+163%). By contrast, Czechia was the only EU destination in the top ten to record a *fall* in the number of Russian migrants last year (65% down on the average for 2017-2019), as it stopped issuing first residence permits to Russian (and Belarusian) citizens soon after the start of the war.⁶

⁵ <https://novayagazeta.eu/articles/2023/08/29/strany-vydachi>

⁶ <https://www.rbc.ru/politics/23/06/2022/62b39bed9a79476087015d8e>

Opinion Corner* : How should the EU treat arriving Russian migrants?

BY VLADISLAV INOZEMTSEV¹

Since the start of the war in Ukraine, no fewer than 1 million people have left Russia – arguably the biggest wave of ethnic Russian emigration since the 1920s. European governments should treat this as an opportunity and should welcome most Russian migrants by offering them residence and work permits. Russians may constitute the most affluent and prosperous European diaspora, and that could benefit the host economies.

THE LARGEST WAVE OF ETHNIC RUSSIAN EMIGRATION SINCE THE 1920S

After a year and a half of Russian aggression against Ukraine, it would be no exaggeration to say that emigration from Russia has become one of the most important trends affecting the country's economy. No fewer than 1 million people have left the country: first of all, immediately following the outbreak of hostilities; and then later, in September and October 2022, in response to the 'partial' mobilisation announced by the Kremlin.² This exodus differs substantially from that of the early 1990s, when the process was much slower (at most 120,000 people a year) and had a clear ethnic dimension: 50-60% of all emigrants were of either German or Jewish descent.³ By contrast, the emigration we see today is the largest predominantly *Russian* emigration since the 1920s (Inozemtsev, 2023). The motivation for it, too, appears to be similar to that in the 1920s, with people trying to escape a dictatorial regime and/or save themselves from the military draft or mobilisation.

Most of the current wave of Russian émigrés⁴ first fled to countries that allowed them to arrive without a visa, where Russian is widely spoken and where it was possible to send money from Russia easily (such as Georgia, Armenia and Kazakhstan). But EU countries have also proved a prime destination for Russians – both immediately (in early 2022, around 1 million Russians were in possession of valid Schengen visas and up to 850,000 had residence permits for EU countries),⁵ and also a bit later, as they started to apply for entry permits to countries where they subsequently established temporary residence. This pattern strongly resembles what happened a century ago, in the 1920s, when Russians first fled to

* Disclaimer: The views expressed in the Opinion Corner section of the Monthly Report are exclusively those of the authors and do not necessarily represent the official view of wiiw.

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² <https://www.forbes.ru/society/478827-rossiu-posle-21-sentabra-pokinuli-okolo-700-000-grazdan>

³ <http://www.demoscope.ru/weekly/2012/0513/tema04.php>

⁴ They now prefer to be called *relokanty* ('people who have relocated'), since they do not believe their departure is final (Kostenko et al., 2023).

⁵ <https://www.statista.com/statistics/1294283/russian-citizens-living-in-europe-2021-by-country/>

Turkey, Greece and Serbia, and then later moved further west into Czechoslovakia, Germany and France.⁶

RUSSIAN IMMIGRANTS WILL BRING THE EUROPEAN ECONOMIES NET BENEFITS

The European Union should develop a reliable strategy for dealing with these ‘new Russians’ arriving in large numbers. Today, it seems as though the European authorities treat the Russian *relokanty* as refugees fleeing an authoritarian dictatorship for political reasons. But I would argue that the picture is not that simple. There may be 1-2% who are indeed directly threatened by the Russian regime: opposition activists, ‘foreign agents’, public intellectuals, independent journalists, army deserters, etc. However, the vast majority of the émigrés ‘simply’ feel uncomfortable in Putin’s Russia.

My main recommendation would be that the current Russian émigrés should be treated as capable and creative young people, raised according to Western traditions and values, who could integrate rapidly into European societies. Unlike the emigration of the 1990s, the new wave consists not so much of people who are hunting for their ethnic roots or seeking economic benefits abroad, but rather of those who are choosing the European way of life – those who are tired of Russia’s lawlessness and dictatorship and are therefore ready to accept Western norms and values. Most of them belong to the most productive age cohorts;⁷ almost all either have an entrepreneurial background or have forged a career in a highly competitive, meritocratic milieu; almost all possess good knowledge of foreign languages; and more than 80% are college or university graduates (three times the average in Russia).⁸ It should also be noted that most of them are self-starters, financially independent and with some economic resources in Russia (property or other tangible assets).

I would therefore suggest that most of them should be welcomed to Europe with open arms – not as asylum seekers, but rather as people who could easily be integrated into European society, start up their own businesses, become highly qualified employees, or live on their own, raising and educating their children as genuine Europeans. Why these Russians should be allowed in is obvious: those who are currently leaving the country – as well as those who initially took refuge in post-Soviet states – have proved that they do not support Putin; that they value democratic and law-abiding communities; and – last but not least – that they are financially independent and able to support themselves. It would be a wise decision to offer them EU residence.

THE RUSSIAN DIASPORA WITHDRAWS MONEY FROM THE HOME COUNTRY RATHER THAN REMITTING FUNDS BACK

Those Russians who today live betwixt and between Russia and the EU are largely financially independent. In 2022 alone, Russian private citizens (not businesses) transferred more than RUB 6.63 trillion⁹ (close to USD 90 billion) from their Russian bank accounts to foreign banks. Moreover, the

⁶ <https://blogs.bl.uk/european/2015/12/the-russian-refugee-crisis-of-the-1920s.html>

⁷ Over 86% of them are under the age of 45, <https://www.svoboda.org/a/ya-uehala-chtoby-ostatsa-chelovekom-emigracia-ili-evacuacia/31787493.html>

⁸ <https://www.wilsoncenter.org/blog-post/emigration-2022-school-democracy-russian-refugees>

⁹ <https://www.rbc.ru/finances/15/03/2023/641182c99a7947e854b3677f>

outflow is continuing via cryptocurrency, informal channels and other means that have become extremely sophisticated in recent months. Today, the Russian Central Bank will authorise a total of no more than USD 1 billion a month in transfers by business entities that wish to withdraw their capital from Russia. And yet capital flight from Russia exceeded USD 27 billion in the first half of 2023.¹⁰ This shows that Russian citizens are selling their property and withdrawing money, as well as getting paid in Russia but receiving their salary abroad.

The Russian diaspora these days is the only one in the world that is financially dependent on its home country: all the others tend to get paid in the host countries and send money back home. By allowing 'ordinary' Russians in, EU countries will see more money channelled into their economies than any of the schemes designed to sell 'golden passports' have earned them since 2000. And these people will soon adapt to their new conditions and find income sources within the European Union.

However, if they are to be allowed into the EU, the newcomers should publicly condemn Russia's aggression against Ukraine, denounce Putin as their leader, and sign an undertaking not to claim European social benefits for, say, five years (except insofar as their children will attend schools and kindergartens). The EU authorities should allow them to work, set up businesses, open bank accounts and transfer not more than EUR 250,000-300,000 per year into those accounts from outside the EU: such sums are not associated with high-end corruption or money laundering. To allow Russians to relocate to Europe with their funds would effectively mean depriving the Putin regime of a huge amount of money that the Russian banks would otherwise lend it, and which would be used for continuous military buildup.

Current (and future) Russian emigrants may well constitute the most affluent and prosperous European diaspora, if they are allowed to reside and work in the EU. The history of Russian emigration suggests that Russians rarely form any kind of ethnic community in their host country.¹¹ There are Chinatowns in large cities all over the world; Little Italy in New York; Turkish districts in Germany; and Arab *banlieues* in France. However, not a single city in any Western country has a distinct Russian corner (the one exception that springs to mind – the Brighton Beach area of Brooklyn – developed in the 1970s and 1980s as a mostly Jewish, not Russian, community).

Russians tend to integrate well, and EU societies could benefit from their influx. After all, Europe and Russia have historically been very close to each other, as Russia was transformed, managed and, in some cases, even ruled by Europeans. I would also argue that the more that Russians become genuine Europeans while living in Europe, the greater the chances are that Russia will see a change for the better when (or if) they return to their country.

AND WHAT ABOUT RUSSIAN POLITICAL MIGRANTS?

The small part of the Russian emigration that sees itself as an anti-Putin opposition deserves far less attention than the main part, which consists of 'ordinary' Russians. Russian political migrants, to my mind, will become less integrated into European societies than those who seek employment or business opportunities in Europe. Indeed, they are likely to create a navel-gazing diaspora that focuses solely on their fellow Russians and that relies on European grants and funding to 'fight for a bright, post-Putin

¹⁰ <https://www.moscowtimes.ru/2023/07/24/ottok-kapitala-iz-rossii-s-nachala-voini-dostig-rekordnih-253-mlrd-a49784>

¹¹ <https://www.vedomosti.ru/opinion/articles/2014/07/29/russkij-mir-protiv-russkogo-mira>

future'. With the greatest of respect to these people, I am afraid they will never succeed: most of them belonged to the Russian ruling elite in the 1990s and had seen their power and influence gradually diminish thereafter, until they were finally squeezed out of the country.¹² Their fate is reminiscent of the 1920s émigrés who dreamt of an end to Bolshevik power, but who were outlived by the Soviet Union.

A decade ago, I wrote an article for a Berlin-based journal *Internationale Politik* (Inosemzew, 2014), arguing that Russians living outside Russia could be divided into 'Russian professionals' (the people who voluntarily moved to Western countries for the sake of their education or professional careers, and who often became renowned entrepreneurs, innovators and cultural figures) and 'professional Russians' (who either stayed in post-Soviet countries after the breakup of the USSR or else were taken abroad as children by their parents, and evolved into strong supporters of a Russia that is 'rising from its knees').

Today, political emigrants form a new segment of that second group. They may be far more decent and liberal 'professional Russians', but mentally and societally they remain as distant from Europe, and as attached to Russia, as were their predecessors. It goes without saying that I do not advocate discrimination against them; but there are so many more pressing needs facing Europe than the requirement to support and nurture these politicians, whose influence in Russia waned so far that emigration became their only option.

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¹² <https://republic.ru/posts/58614>

The role of manufacturing in regional economic growth and convergence in the EU

BY ROMAN RÖMISCH

This article focuses on the role of the manufacturing sector in regional economic development in the EU. Its findings indicate that the development of the manufacturing sector has positive growth effects, independent of a region's degree of urbanisation. This suggests that policies focused on industrialisation could foster regional growth and the convergence of less-developed regions. However, there are many obstacles to such policies.

INTRODUCTION

A good starting point is the German saying 'We cannot make a living just by cutting one another's hair.' That is, in economic terms, whether as a region, a country or a society, we cannot make a living by producing services alone. In order to survive, grow and prosper, we must produce physical goods – above all the basic necessities of food, clothing and housing, and thereafter all the other things that go to increase our standard of living. Consequently, the sectors producing these goods – i.e. agriculture, mining, energy and manufacturing – may be regarded as the economic basis upon which (most) services depend.¹ Interestingly enough, in modern economies, the share of services in total economic activity is several times greater than the share of manufacturing (to say nothing of agriculture). Because of this multiplier effect, it follows that increasing basic activities is key to boosting overall economic activity and the level of economic development in a region or a country.

This article will illustrate this nexus between basic activities and regional economic development. More specifically, it will analyse the importance of the manufacturing sector – and especially of the structural shift towards industry – for the economic growth and convergence of EU regions, by looking at the pre-COVID-19 period, covering the years from 2000 to 2019, and analysing growth and convergence patterns across EU NUTS-3 regions. In doing so, the article also addresses the question of whether these growth effects differ between urban and rural regions. This is because in practice, urban regions are typically thriving economically and are centres of business, education, innovation and technology. By contrast, rural regions are often economically weaker (in the EU, their median GDP per capita is 30% lower than in urban regions), lack economic and social prospects, and are more frequently threatened by outward migration, the brain drain and population decline.

From a theoretical perspective, agglomeration theory suggests that the clustering of economic activities in the urban centres is due to cumulative processes: the presence of a large number of firms attracts workers from the outside, which generates additional demand; this in turn attracts more firms. Moreover, the geographical proximity of companies facilitates the exploitation of all kinds of knowledge and

¹ Tradable services might be considered a special case.

technology spillovers, making urban centres innovation hubs and the birthplace of new companies. Seen from this perspective, urban regions should benefit more from a shift towards industry than rural regions.

Yet, other theories, based on the principle of diminishing returns, argue that rural regions may have a significant cost advantage (e.g. in terms of labour and land) over urban regions. This makes them attractive destinations for new investment, which could in turn stimulate the local economy and lead to an increase in the level of economic development and – over time – to a convergence of income levels.

Thus, when it comes to convergence, regional economics offers (at least) two competing theories, with one casting doubt on convergence and the other supporting it. In practice, we can observe elements of both theories, though the degree to which they affect a region may differ. Which one prevails is, in the end, a question of empirical analysis.

RECENT TRENDS IN REGIONAL CONVERGENCE

The latest evidence on regional economic cohesion in the EU suggests that there are challenging times ahead in terms of growth and convergence. In fact, the Eighth Report on Economic and Social Cohesion states that 'regional economic convergence has stopped in the EU, and divergence could become a threat ...' (European Union, 2022). This has been the status quo for the economic growth process in Europe since 2000 – a process that can be divided into three periods.

The first, from 2000 to 2007, was marked by robust growth in almost all EU NUTS-2 regions. Convergence in Europe was rapid, as the less-developed and transition regions – in particular, member states of Central and Eastern Europe – grew strongly, with rates of 5% or more per year. Still, within a country, GDP tended to grow more rapidly in the capital-city region than elsewhere, leading to an increase in within-country disparities.

The second period was marked by the global financial crisis of 2007 and 2008 and its repercussions up until 2013. GDP declined in many areas of the EU, most notably in the Southern EU countries and regions. For example, in Greece average GDP per capita fell by 3% annually between 2009 and 2013. This general economic decline brought regional cohesion to a standstill and led to an increase in disparities; the only exceptions were most of the Polish regions and certain regions in Bulgaria and Romania (European Union, 2022; Goecke and Hüther, 2016).

From 2014 to 2019, growth began to pick up, though it generally remained at below pre-crisis levels. While Central and Eastern European regions continued to converge (thanks to growth rates that were higher than in the other EU regions), growth in the regions of Southern Europe – and especially southern Italy and Greece – remained subdued.

Overall, from 2000 to 2019 the EU's regional growth performance was uneven. On the one hand, some less-developed regions – especially in Central and Eastern Europe – and capital-city regions tended to catch up quickly. On the other hand, other less-developed regions (especially in Southern Europe) faced slow growth rates or even economic decline, thus diverging from the EU average level of economic development. From a territorial perspective, rural regions close to a city showed some strong convergence, while remote rural regions (and indeed remote intermediate regions) suffered below-

average growth rates. The upshot was that, as of 2019 almost three in 10 EU inhabitants lived in a region with GDP per capita levels below 75% of the EU average (in PPS) (European Union, 2022).

THE ROLE OF MANUFACTURING IN REGIONAL ECONOMIC STRUCTURE

In this section, we analyse the role of manufacturing in the economic growth of urban and rural regions in the EU. Eurostat defines these at the NUTS-3 level, and groups the EU regions into three categories, according to their degree of urbanisation:²

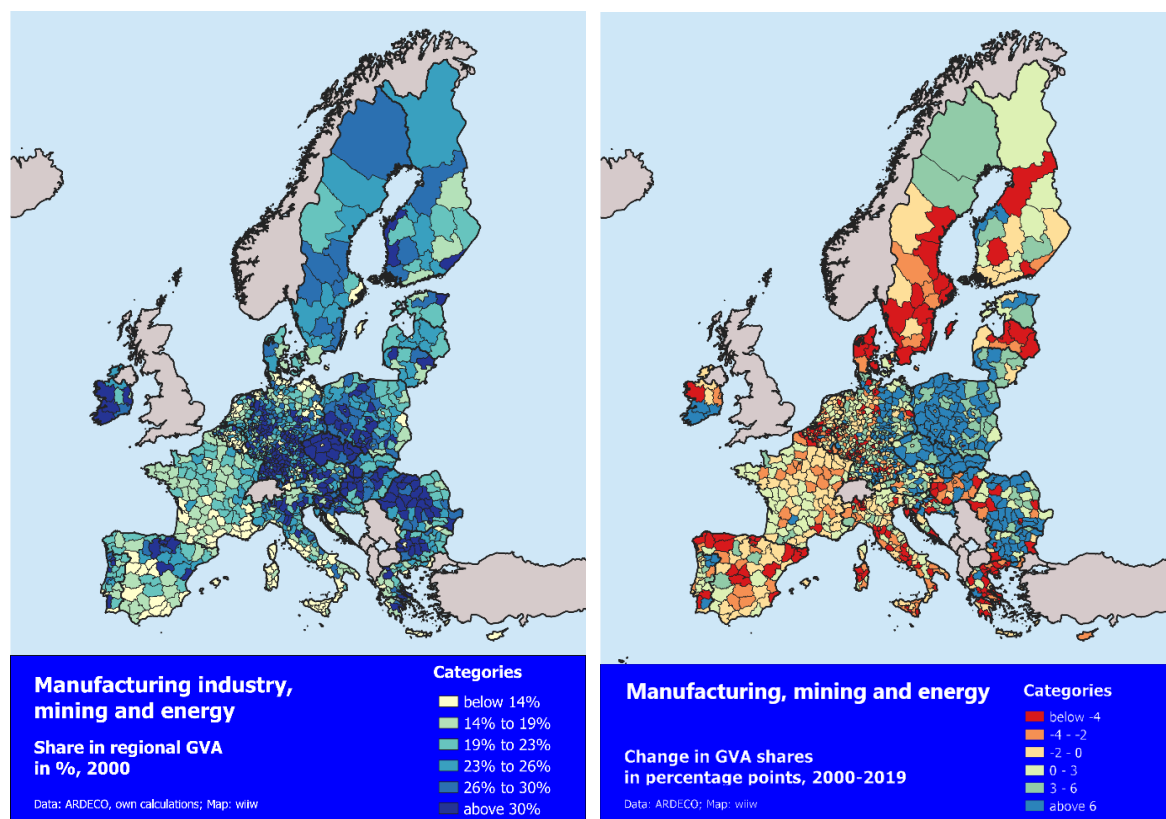
- urban regions, where less than 20% of the population live in rural areas,
- intermediate regions, if the share of the population living in rural areas is between 20% and 50%, and
- rural regions, if more than 50% of the region's population lives in rural areas.

The role of manufacturing in regional development is proxied by NUTS-3 gross value added (GVA) data for the total industry, which includes manufacturing, but also the mining and energy sectors.³

Figure 1 / The role of industry in EU regions at the NUTS-3 level

Share of industry in regional GVA in 2000, in %

Change in the share of industry in regional GVA between 2000 and 2019, in pp



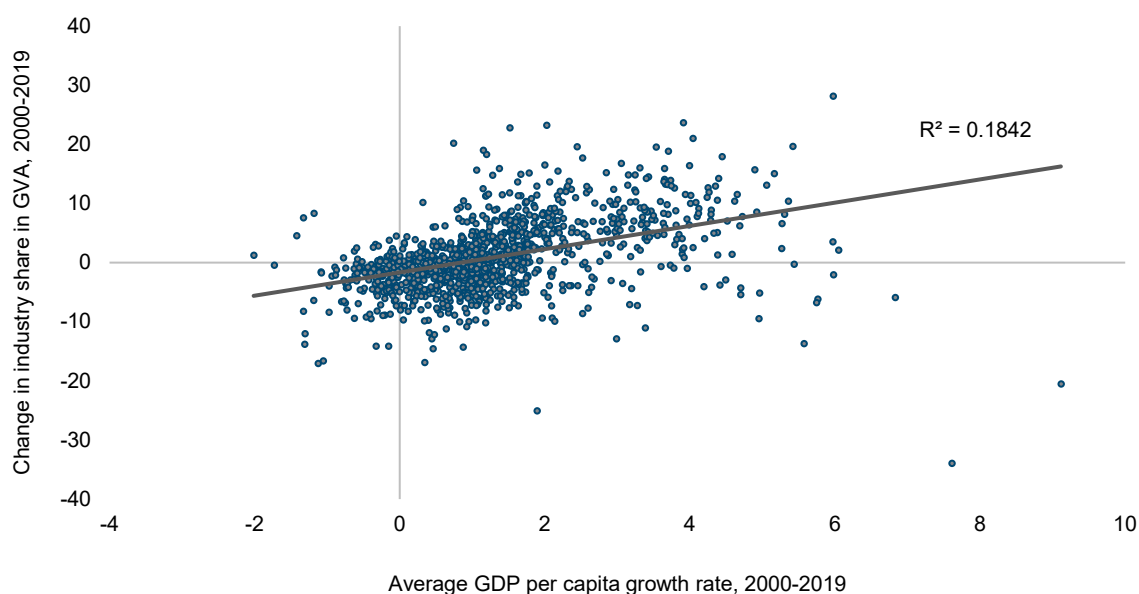
² <https://ec.europa.eu/eurostat/web/rural-development/methodology>

³ The lack of more sectorally disaggregated data is one of the limitations when working at the geographically disaggregated NUTS-3 level.

Figure 1 shows the share of industry in total regional GVA in 2000 (in percentage terms – left-hand map) and its respective change from 2000 to 2019 (in percentage points – right-hand map). The maps reveal an industrial divide in the EU as long ago as 2000. Thus, while countries and regions in the centre and the East of the EU had a high share of industrial GVA (in places, above 30% of total regional GVA), the Southern and Western EU had comparatively low shares (in several places below 14%). Over time, this differentiation became even more pronounced, as the importance of manufacturing tended to increase further, especially in Eastern Europe, but also in Austria, Germany and Ireland; meanwhile in Greece, parts of Spain and in Italy, but also in Finland, France and Sweden, the role of Industry in the economy of regions declined over time.

To gain a first impression of whether the structural shift towards manufacturing might be connected to higher economic growth in the regions, we plot the change in industry GVA share and GDP per capita growth rates of the EU NUTS-3 regions from 2000 to 2019. This is shown in Figure 2, which indicates a weak positive correlation between the change in industry share and economic growth.

Figure 2 / Change in industry GVA share and GDP per capita growth rate, both in %, EU regions at the NUTS-3 level



Source: ARDECO, own calculations.

REGIONAL ECONOMIC INEQUALITIES: THE ROLE OF MANUFACTURING

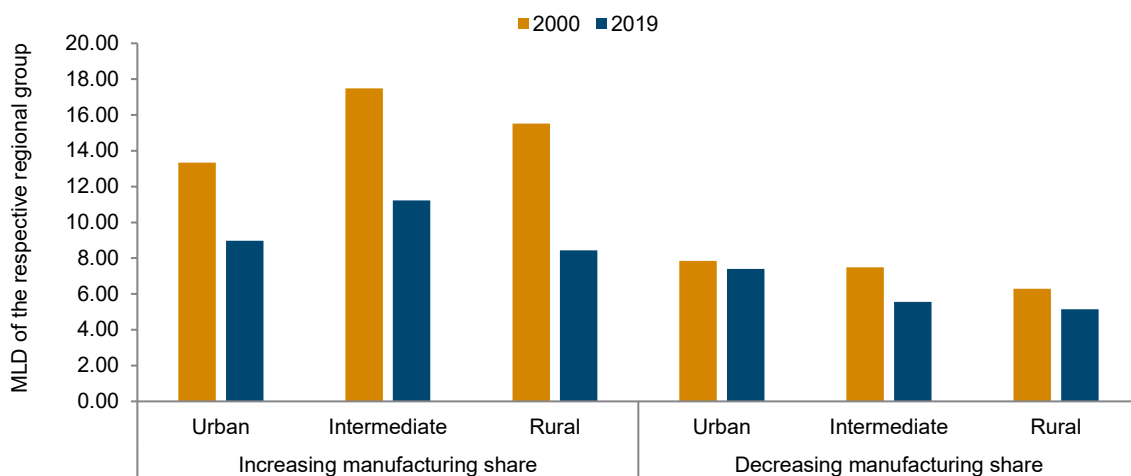
Going into more detail about how a shift towards manufacturing affects economic growth and the convergence of urban and rural regions in the EU, we first look at the changes in economic inequality across the regions (understood as the disparity in the NUTS-3 regions' level of GDP per capita in purchasing power standards – PPS). We measure this using the mean logarithmic deviation (MLD) index.⁴ The advantage of this is that it can be decomposed by groups of regions, so that the overall level

⁴ The MLD is defined as: $I = \frac{1}{n} \sum_i \log\left(\frac{\mu}{y_i}\right)$, where n is the number of observations, μ is average GDP per capita, and y_i is the GDP per capita of a region i . The lower bound of this index is 0. This index can be decomposed by groups of

of inequality is the sum of the inequality *within* each group of regions and *between* the different groups of regions. Making use of this index property, we calculate the MLD first for the three regional groups (urban, intermediate and rural), and then secondly for each of them separately, depending on whether the share of their manufacturing in total regional GVA increased or decreased from 2000 to 2019. Thus, in total the overall MLD is split into six different groups. The results are shown in Figure 3 and Figure 4.

Figure 3 shows the evolution of inequality within each of the six groups of regions between 2000 and 2019. It shows that, irrespective of the degree of urbanisation, inequality in those regional groups where there was an *increase* in the share of manufacturing in GVA declined much faster than in those regions where there was a *decrease*. On the one hand, this finding is driven by the fact that inequalities were initially much higher in those groups with an increasing share of manufacturing. Thus, the potential (and the need) for convergence was much greater in those regions. On the other hand, the extent of this convergence was significant – and most importantly visible – in all region groups, irrespective of their degree of urbanisation. That is, a shift towards manufacturing was associated with strong convergence effects that were similar across urban, intermediate and rural groups of regions. In practice, this was mainly driven by regions in Central and Eastern Europe that started with relatively low levels of GDP per capita in 2000 (hence the large within-group inequality), but caught up quickly over the subsequent two decades.

Figure 3 / MLD index of regional inequality: within-group inequality



Source: ARDECO, own calculations.

The positive growth effects of a shift towards manufacturing become even more obvious in Figure 4. It shows the development of the between-group inequality component of the MLD, where y is represented by each group’s mean level of GDP per capita (relative to the EU average).⁵ Figure 4 shows that in all regional groups where the share of manufacturing increased, average levels of GDP per capita tended

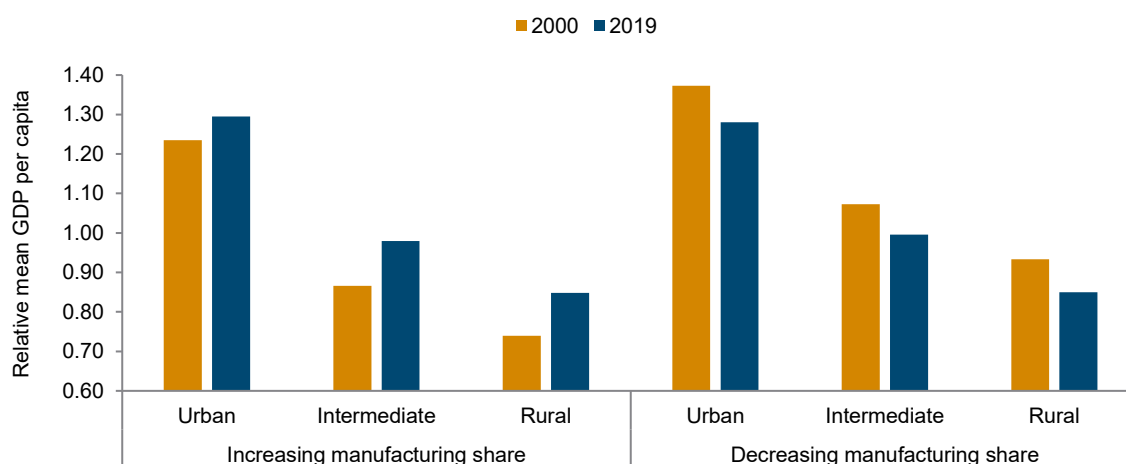
regions, so that overall inequality is the sum of the inequality *within* each group of regions and the inequality *between* the groups of regions. More formally, this decomposition is written as: $I = \sum_k v_k I^k + \sum_k v_k \log(1/\lambda_k)$. Here v_k is the share of group k ’s population in the total population, I^k is the MLD of group k , and λ_k is the relative mean GDP per capita of group k , i.e. the ratio of group k ’s mean GDP to overall mean GDP. The first term on the right-hand side represents the within-group inequality and the second term the between-group inequality.

⁵ That is, a relative GDP per capita level of 1 for a region indicates that the absolute corresponds exactly to the EU average, while a relative GDP per capita level of 1.2 would indicate that the region’s absolute level is 20% higher than the EU average.

to increase relatively to the EU average between 2000 and 2019. By contrast, in all groups where the share of manufacturing declined, the average level of GDP per capita tended to fall in relative terms.

For instance, the mean relative income of urban regions where the share of manufacturing increased rose from 1.24 in 2000 to 1.30 in 2019; this meant they were diverging from the EU average level. Both intermediate and rural regions that saw the share of industry increasing also saw a relative rise in their GDP per capita levels: in the case of the intermediate regions, relative GDP per capita increased from 0.87 to 0.98 from 2000 to 2019; meanwhile, relative GDP in the rural regions rose from 0.74 to 0.85. Thus, both groups were converging strongly on EU average levels. By contrast, in all regions where the share of manufacturing declined, relative GDP per capita levels fell between 2000 and 2019: in the case of urban regions, from 1.37 to 1.28; in intermediate regions from 1.07 to 1.00; and in rural regions from 0.93 to 0.85. Overall, this provides a strong indication that industrial development is a key factor in economic growth.

Figure 4 / MLD index of regional inequality: between-group inequality (relative mean GDP per capita)



Source: ARDECO, own calculations.

Overall, the above analysis suggests that those regions which manage to change their economic structure towards the production of tradables tend to have a growth advantage over regions that do not. Interestingly, this holds for all regions (i.e. urban, intermediate and rural) similarly. The point that these tradable sectors are subject to global competition indicates the relevance of policies that target the competitiveness of firms and regions alike.

CONCLUSIONS AND POLICY RECOMMENDATIONS

First, our analysis showed that there are significant variations in economic prosperity between the different types of EU region: GDP per capita levels in urban regions tend on average to be 30% higher than in rural regions. In practice, the actual differences in living standards between urban and rural regions might be smaller than suggested by the differences in the levels of GDP per capita, due to headquarters and commuting effects (which tend to inflate GDP levels in urban centres). Still, these differences are likely to

be intrinsic and caused by agglomeration externalities, leading to a typical 'core–periphery' pattern of economic development that is well known from the new economic geography literature.

Yet, our results also show that throughout the period 2000-2019, the differences between regions became smaller. GDP per capita levels converged – even though the process slowed after the 2008/2009 crisis and even though there was a marked tendency toward group convergence, as GDP per capita levels converged mostly *within* the urban, intermediate and rural groups of regions, but only moderately *between* those groups. Thus, at an aggregate EU level, there was no indication of any increase in the polarisation of GDP per capita levels.

Second, concerning the growth effects of globalisation-related structural change, our results indicate that it may have contributed to a reduction in the disparities in regional GDP per capita, rather than to an increase in economic polarisation. This is because the analysis highlights the importance for regional economic growth of industrial development. This effect is not restricted to particular types of NUTS-3 regions, but applies equally to urban, intermediate and rural regions.

Based on these findings, we may suggest a recipe for regional growth and development, and particularly for less-developed regions: support and develop the tradable sector. It forms the economic basis on which all other economic activities in the regions rely; and the larger the tradable sector, the bigger the surrounding sectors will grow.

This is easier said than done, though. First, it requires a non-negligible number of preconditions: high institutional quality, an adequate skill supply, (digital) infrastructure and innovation potential. Importantly, it also needs major investment in a region's production capital, with the aim of achieving short-term demand effects during a crisis and long-term capacity effects capable of boosting that region's potential output. The dilemma facing the less-developed – very often rural or intermediate – regions is that the preconditions they face are more onerous than in other regions, which reduces their attractiveness to investors. This leaves a sizeable space to be filled by economic policy at all levels of government. And here, policy faces another dilemma.

The extent to which regional policy can counter market forces like agglomeration externalities to develop higher-value-added sectors in less-developed regions remains an open question. If those market forces are strong, then 'forcing' a structural change in a disadvantaged region could result in very inefficient policy making, particularly if it fails to take account of the differences in the basic characteristics of regions. Partly because of that, place-based approaches have become more popular in regional policy (especially at the European level), where development that draws on the strengths of the regions should be supported. The expectation is that incomes in those regions – and consequently quality of life there – will rise. On the flip side, however, it potentially also means that the fundamental wealth disparities will not disappear, as some regions will continue to specialise in high-value-added activities, while others will focus on lower-value-added activities.

This can certainly be assumed for existing branches of the economy, where geographical location patterns, value-added chains and the associated economic and geographical externalities (such as a labour market and education system to support a specific branch) are well established and difficult to override. But establishing new branches in less-developed regions may prove difficult for regional policy. New branches are more dynamic and geographically footloose, in the sense that they are less bound by

tradition to specific regions. Thus, they can, in principle, be developed anywhere. These could include renewable energy production (plus the necessary technical equipment), branches of the circular economy or branches formerly outsourced to low-wage countries.

One difficulty is that these branches, too, even if they are more footloose, may prefer regions with good transport, digital or energy infrastructure, a good educational system and a qualified labour supply, existing support services, and stable and reliable government. With respect to many of those factors, the problem facing less-developed regions is that their endowments are worse than those of more-developed regions. The challenge for regional policy is that those regions' many disadvantages need to be tackled simultaneously, if they are to become more attractive to investors. This challenge could be managed by allowing for integrated approaches in regional policy that address multiple regional weaknesses in a coordinated way. That could increase policy efficiency and raise the potential of less-developed regions prospering economically and catching up with more-developed regions.

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European integration? How borders (still) matter for the development of EU regions

BY AMBRE MAUCORPS

The ambition of the EU to become ‘an ever closer union among the peoples of Europe’ has been the main rationale for its far-reaching policy action towards economic, social and territorial cohesion. Yet EU border regions lag behind their so-called inner peers economically and socially, pointing up the persistent negative impact of country borders on regional growth, despite European integration efforts. Whereas in Western Europe this gap has generally been narrowing, in most of EU-CEE it is continuing to widen, sometimes significantly. This has important implications not only for the cross-border consolidation of the EU single market, but also for the EU enlargement process.

INTRODUCTION

After the 1957 Treaty of Rome established the European Economic Community, the EU grew steadily until, by the mid-2010s, it included 28 member states (though Brexit put a stop to its continuous expansion as a thriving market that ensured the free movement of people, goods, services and capital). In particular, the fall of the Iron Curtain and the progressive opening of Central and Eastern European economies in the 1990s raised people’s hopes and expectations – on both sides of the then divided Europe – of better socio-economic prospects for communities and businesses.

Enshrined in the Treaty of the European Union (TEU), the EU is bound to strive for ‘an ever closer union among the peoples of Europe’ (Article 1) and should promote ‘economic, social and territorial cohesion, and solidarity among Member States’ (Article 3). In particular, the EU Cohesion Policy was designed specifically to address structural disparities and to foster socio-economic convergence within the EU. Starting out with a strong focus on the poorest and most backward regions in the 1980s and 1990s, from 2000 onwards – and particularly with the Lisbon Treaty – the Cohesion Policy’s priorities shifted towards growth, jobs and innovation,¹ thereby providing tailored support for all EU regions.

In its Communication on growth and cohesion in EU border regions, the European Commission (2017) recalls that ‘border regions generally perform less well economically than other regions within a Member State’. Yet borders do not necessarily hinder growth and cohesion equally: their impact depends on topography and accessibility, political, administrative and socio-economic systems, currency and language, among other factors. Diverging historical development paths, in particular between Western and Eastern European regions, could play a major role in this respect. Likewise, intra-EU border regions are more likely to experience different socio-economic conditions than regions located on the EU’s external borders.

Evidently, crises exacerbate the impact of borders. For instance, the COVID-19 pandemic caused unparalleled economic disruption both between and within countries. In Europe, mitigation measures

¹ In the 2014-2020 Multiannual Financial Framework (MFF) programming period, EUR 352bn were earmarked for Cohesion Policy, representing almost a third of the total EU budget.

taken by regional and national governments slowed the progress of the disease, but also undermined economic activity – especially where borders were closed, often in an uncoordinated manner. A study carried out for the European Commission reveals that the impact of border-related measures on EU cross-border communities and local economies differed from one border region to the next, depending on pre-existing degrees of interdependence and the toughness of the restrictions (Peyrony et al., 2021).

More recently, Russia's invasion of Ukraine has put border regions in Poland, Slovakia, Hungary and Romania in the spotlight, as they became the first places to welcome and host refugees. At the same time, the borders between the EU countries (i.e. Finland, Estonia, Latvia, Lithuania and Poland) and both Russia and Belarus have been – sometimes literally – fortified, in particular to deal with the risk that those two countries could instrumentalise migration flows. This poses fresh challenges for regions located on the EU's external borders, the majority of which are less developed or transition regions.²

With the war in Ukraine unlikely to end any time soon and with the enlargement debate now revived, further challenging the EU's economic recovery and convergence processes, the concepts of integration, cohesion and solidarity, as phrased in the TEU, deserve even greater attention. This article touches on these key issues by focusing on the economic situation of border regions in Europe and how they have developed over time. In doing so, it provides novel insights into two important issues for EU policy makers: first, what is now commonly referred to as '*left-behind places*', and second, what is generally called '*the costs of non-Europe*'.³

EUROPE: A CONTINENT FULL OF BORDERS

As of 2023, the EU includes close to 1,170 regions at the NUTS 3 level of territorial disaggregation,⁴ including 384 land border regions.⁵ This means that one third of the EU regions are border regions. It is also noteworthy that this proportion is as high as 58% in EU-CEE (in other words, more than half of the EU-CEE regions are actually border regions).

In fact, many European countries are made up largely (if not exclusively) of border regions. Indeed, all regions of North Macedonia and Slovakia are border regions, while Luxembourg and Montenegro are composed of just one NUTS 3 region – a border region by definition. Likewise, and focusing on EU-CEE only, more than half of the regions in Czechia, Croatia, Slovenia, Hungary, Bulgaria, Lithuania, Latvia and Estonia are actually border regions.

² According to the categorisation of the 2021-2027 Cohesion Policy's 'Investment for Jobs and Growth' goal, defined as follows: less developed regions are those with a GDP per capita in Purchasing Power Standards (PPS) that is less than 75% of the EU average; transition regions have a GDP per capita (in PPS) of between 75% and 100% of the EU average; and more developed regions have a GDP per capita (in PPS) of over 100% of the EU average.

³ See, for instance, Rodríguez-Pose (2017) on left-behind places and Camagni et al. (2017) on the costs of non-Europe.

⁴ Based on the 2021 NUTS classification. NUTS regions are generally defined according to administrative and governance systems. Regulation (EC) 1059/2003 states that each member state's NUTS 3 territorial class shall have an average population size in the range of 150,000 to 800,000. Many non-EU countries in Europe (including Montenegro, North Macedonia, Albania, Serbia and Turkey) also use the NUTS classification. For more information, see Eurostat (2022).

⁵ Border regions are defined by Eurostat as 'All NUTS 3 regions along land borders, plus NUTS 3 regions that have at least 50% of their population in areas of 25 km width along a land border'. Henceforth, 'regions' refer to regions defined at the NUTS 3 level of territorial disaggregation; 'border regions' to border regions as per Eurostat's definition; and 'inner regions' to regions that are not border regions as per Eurostat's definition.

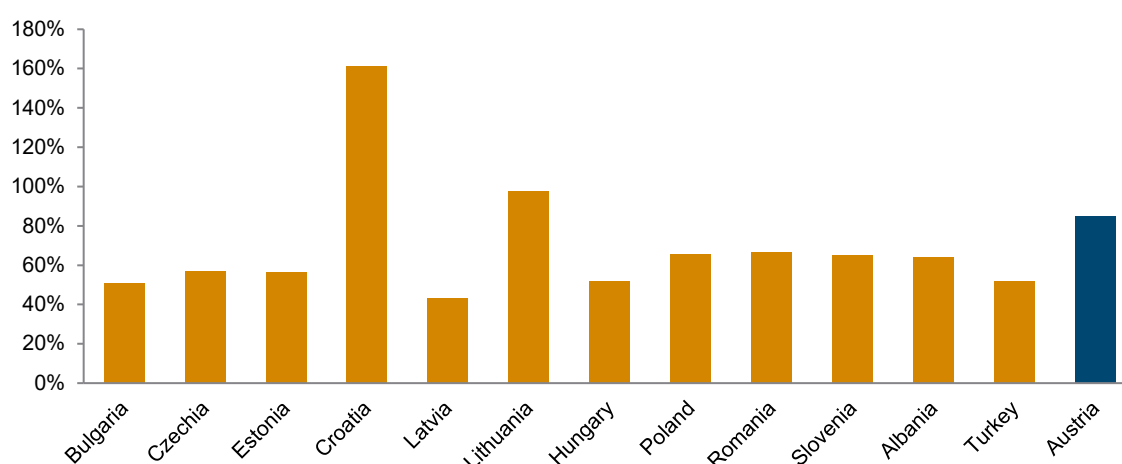
This territorial feature throws into sharp relief the importance of cross-border European integration (in the form of e.g. cross-border labour markets or cross-border transport infrastructure), especially for the EU-CEE countries as they transition to open-market economies. In CESEE more generally, the different stages of economic opening-up and of the deepening of cross-border cooperation – and conversely the absence of these features – have logically shaped the economic development of the regions located there.

DEVELOPMENT GAP BETWEEN BORDER AND INNER REGIONS

In many CESEE countries, the capital region – typically a non-border region – performs disproportionately better than the rest of the country, raising concerns for social, economic and territorial cohesion (Maucorps, 2022). That is also the case for many countries in Western Europe, so that the discrepancy between the average level of development of border and inner regions, respectively, remains generally sizeable in Europe as a whole – as well as in the EU, despite decades of economic and political integration efforts.

When looking at individual countries, that gap varies widely – and is, of course, heavily influenced by the number of border vs inner regions within each country, as well as by whether the capital region is a border or an inner region. In Latvia, for example, the only non-border region is the capital region, whose borders dovetail with those of the capital city Riga. As a result, in the country's border regions average GDP per capita in Purchasing Power Standards (PPS) is not even half that of the (sole) non-border region. On the other hand, Lithuania's only non-border region is not the capital region (which happens to abut Belarus), but is in fact Kauno *apskritis*, the county surrounding the country's second-largest city of Kaunas. Consequently, the country's average GDP per capita in PPS in the border regions is almost equivalent to that of the (sole) non-border region.⁶

Figure 1 / Average GDP per capita (in PPS) of border regions, as a percentage of that of non-border regions, in selected CESEE countries and Austria (2019)



Note: Austria displayed for comparison.

Source: Eurostat, GDP by other typologies, indicator [URT_10R_3GDP]

⁶ Source: Eurostat, GDP by other typologies, indicator [URT_10R_3GDP].

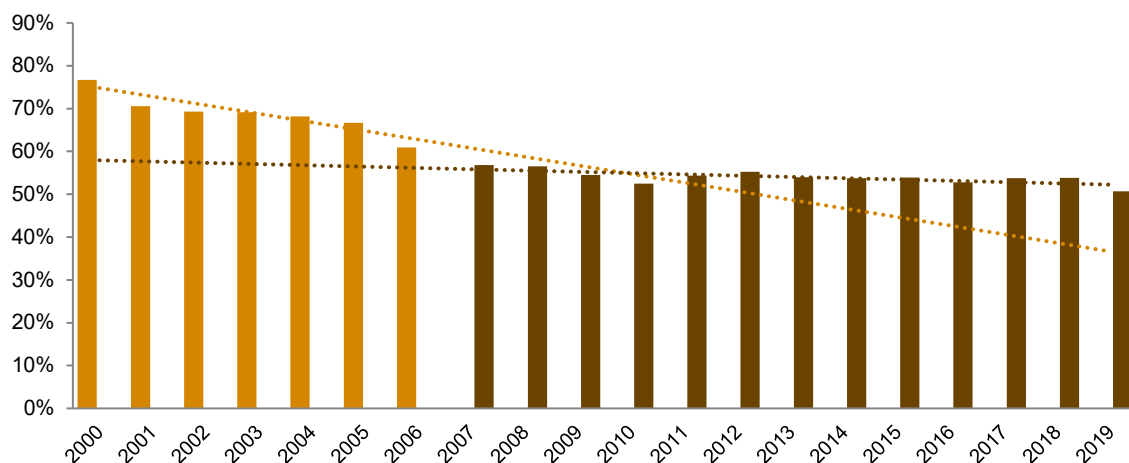
Still, in CESEE countries that encompass more than one border and one non-border region, the prevailing picture is one of border regions lagging significantly behind their inner peers (Figure 1). In Bulgaria, Hungary, Turkey, Estonia and Czechia, border regions achieve a GDP per capita in PPS that is only 50-60% that of their inner peers. In Albania, Poland and Romania, the figure is around 65%. It is worth noting that most of these countries border both EU and non-EU countries – as opposed to most Western European countries that have long enjoyed a full-fledged EU neighbourhood.

ECONOMIC GROWTH PATH OF BORDER VS INNER REGIONS

The evolution of the development gap between border and inner regions over time is also a topic of discussion for policy makers and those concerned with territorial cohesion. As a matter of fact, the time series of the gap between border and inner regions' economic output reveals some strong East-West disparities in Europe that single-year values conceal. Indeed, the backwardness of border regions (*vis-à-vis* inner regions) in Western Europe has declined overall since the turn of the century (although to a limited extent), whereas by contrast in the border regions of Central and Eastern Europe that backwardness has largely deepened.

The most extreme case is that of Bulgaria, where in 2000 the border regions had (on average) GDP per capita (in PPS) equivalent to 77% of that of inner regions; by 2019 that figure was down to a mere 51% (Figure 2). Nonetheless, it does seem that joining the EU somewhat curbed this divergence trend, as evidenced by the slowing pace of the decline observed since 2007. That year, a large number of Bulgarian border regions effectively became neighbours of other EU regions.

Figure 2 / Average GDP per capita (in PPS) of Bulgaria's border regions, as a percentage of that of non-border regions, and trend lines (2000-2006 and 2007-2019)



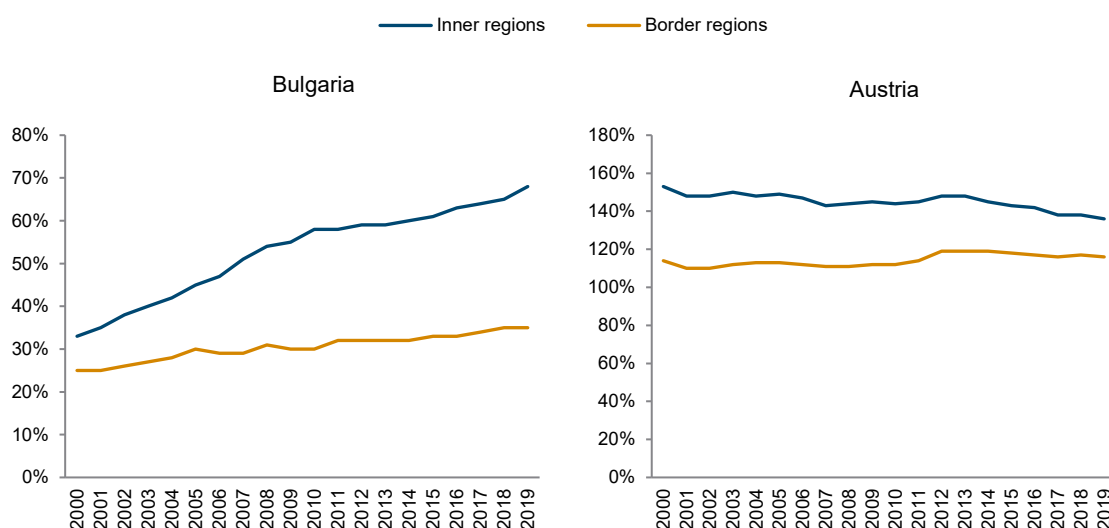
Note: in light (dark) blue, the trend line for the period 2000-2006 (2007-2019).

Source: Eurostat, GDP by other typologies, indicator [URT_10R_3GDP].

REGIONAL CONVERGENCE IN THE EU: A TWO-TIER PROCESS

Viewed through the lens of EU-wide convergence patterns, the distinction between border and inner regions allows for some novel insights into the complexity behind the concept of territorial cohesion. Indeed, the Eighth Cohesion Report (European Commission, 2022) states that ‘Since 2001, less developed eastern EU regions have been catching up with the rest of the EU, leading to a substantial reduction of the GDP per capita gap.’ While this general comment signals positive achievements in terms of convergence in the EU, it masks the different speeds of convergence among the different types of region. By way of illustration, Figure 3 shows the evolution of the average GDP per capita (in PPS) of border and inner regions as a percentage of the EU average for two EU countries, Bulgaria and Austria.

Figure 3 / Average GDP per capita (in PPS) of border and inner regions, as a percentage of the EU average, Bulgaria and Austria (2000-2019)



Source: Eurostat, GDP by other typologies, indicator [URT_10R_3GDP].

This example allows for some interesting observations, namely:

- › The steady increase in Bulgaria’s border and inner regions’ GDP as a percentage of the EU average confirms the East-West convergence process observed over the past two decades.
- › The upward inflexion of the curve around 2006-2007 (in particular for Bulgaria’s inner regions) indicates an acceleration of the convergence process just after Bulgaria’s entry into the EU, emphasising the role of EU membership in economic development.
- › The widening gap between Bulgaria’s inner and border regions points to a decrease in territorial cohesion within the country.
- › The narrowing gap between Austria’s border and inner regions’ economic development signals positive spill-over effects from the EU enlargement process: in 2000, around half of Austrian border regions were located on the EU’s external borders, whereas in 2019, only a few were (those neighbouring Switzerland and Liechtenstein).

CONCLUSIONS

There is little literature that addresses border-related regional development issues on an EU-wide or Europe-wide scale. As a matter of fact, cross-border development and integration are mostly examined in specific locations, based on the policies or programmes being implemented there (e.g. cross-border Interreg programmes) and the availability of relevant data. On the other hand, territorial cohesion and convergence processes within the EU are usually tackled at the NUTS 2 level of territorial disaggregation – that being the territorial level at which Cohesion Policy eligibility criteria are defined – therefore overlooking the impact of country borders on local economies.

Using Eurostat's typology of border and inner (non-border) regions at the NUTS 3 level of territorial disaggregation and the related dataset of GDP per capita in PPS, this article outlines the size and the evolution of the economic gap between both types of region. It shows that this gap is significant in many European countries, especially EU-CEE countries. There, the gap has been mostly widening since 2000, in contrast to the general trend observed in Western Europe.

Finally, the comparative example of Bulgaria and Austria illustrates the two-tier convergence process at work in the EU: while Austria's border regions have been catching up with their inner peers, Bulgaria's border regions have been losing ground to their inner peers, even though both types of region have been converging on the EU average. For the sake of economic, social and territorial cohesion, this latter finding must not be ignored by policy makers at either the national or the EU level.

At the national level, territorial development should be concerned with the possible adverse effects of disparities within the country widening (e.g. popular discontent, political polarisation, distrust of governments). At the EU level, Cohesion Policy should ensure that regional (NUTS 2) convergence is not achieved at the cost of sub-regional (NUTS 3) divergence – whereby economies located closest to country borders face mounting challenges on their path to (sustained) economic growth and cohesion. Most importantly, efforts towards EU integration should be inclusive of the latter, especially at the EU external borders.

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Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **22 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures trends in the real and monetary sectors of the economy, in the labour market, as well as in the financial and external sectors.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: <https://data.wiiw.ac.at/monthly-database.html>. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

Conventional signs and abbreviations used

%	per cent
ER	exchange rate
GDP	Gross Domestic Product
HICP	Harmonised Index of Consumer Prices (for new EU member states)
LFS	Labour Force Survey
NPISHs	Non-profit institutions serving households
p.a.	per annum
PPI	Producer Price Index
reg.	registered
y-o-y	year on year

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RSD	Serbian dinar
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RUB	Russian rouble
BGN	Bulgarian lev	MKD	Macedonian denar	TRY	Turkish lira
BYN	Belarusian rouble	PLN	Polish zloty	UAH	Ukrainian hryvnia
CZK	Czech koruna	RON	Romanian leu		

EUR euro – national currency for Montenegro, Kosovo and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before), Slovenia (from January 2007, euro-fixed before) and Croatia (from January 2023, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

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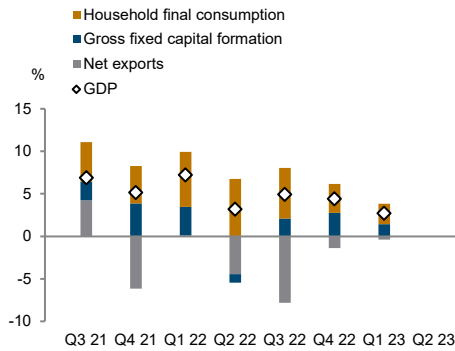
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For more information on database access for Members and on Membership conditions, please contact Ms. Barbara Pill (pill@wiiw.ac.at), phone: (+43-1) 533 66 10.

Albania

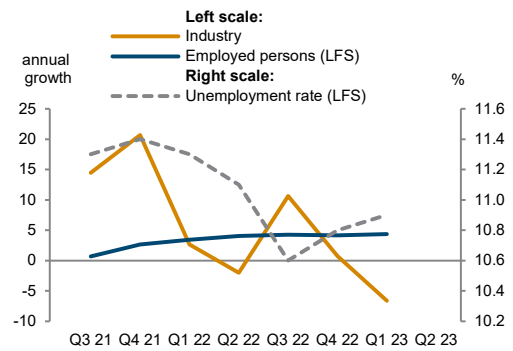
Real GDP growth and contributions

y-o-y



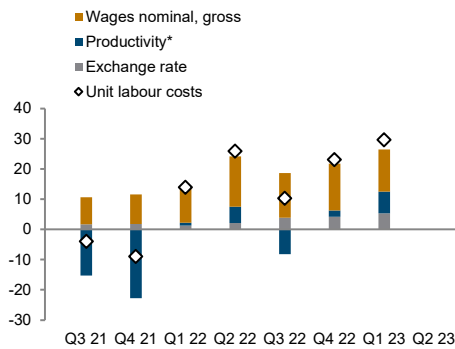
Real sector development

in %



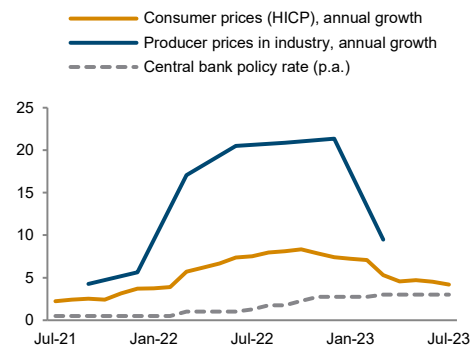
Unit labour costs in industry

annual growth rate in %



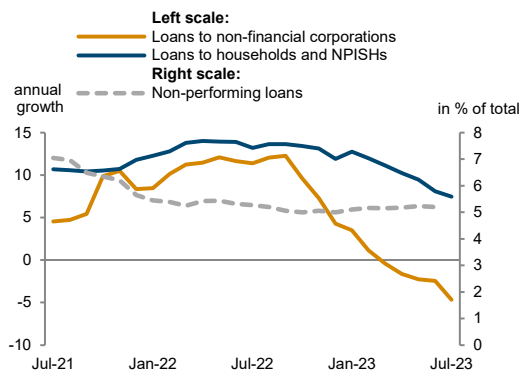
Inflation and policy rate

in %



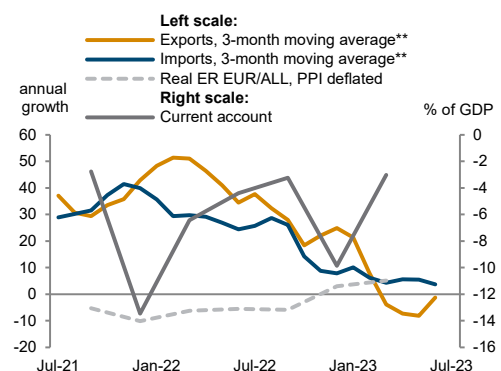
Financial indicators

in %



External sector development

in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

**EUR based.

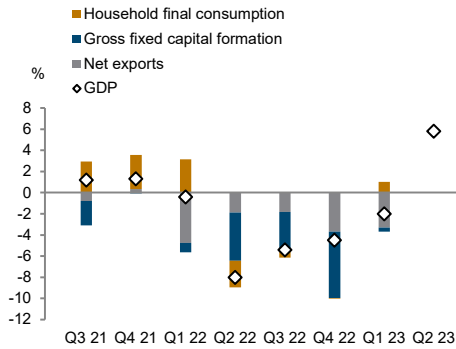
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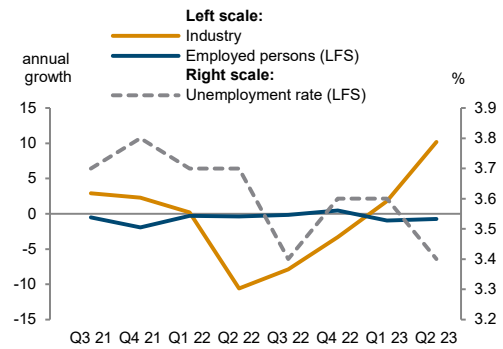
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Belarus

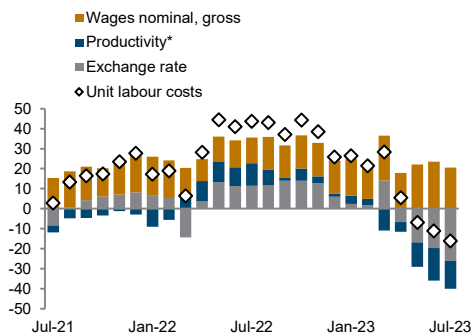
Real GDP growth and contributions
y-o-y



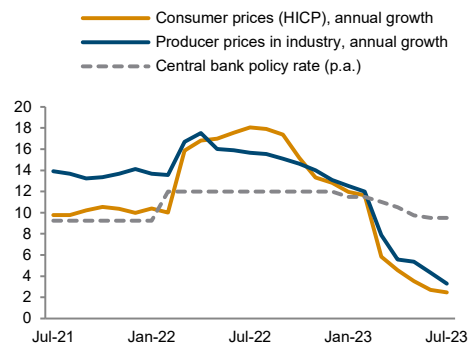
Real sector development
in %



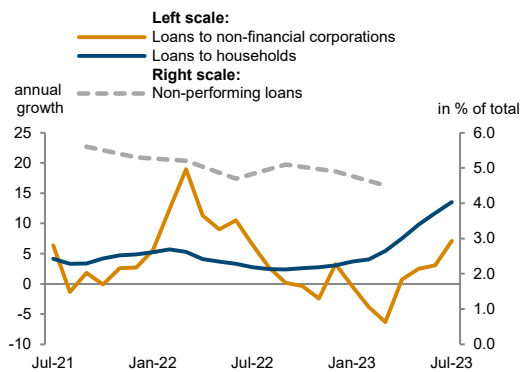
Unit labour costs in industry
annual growth rate in %



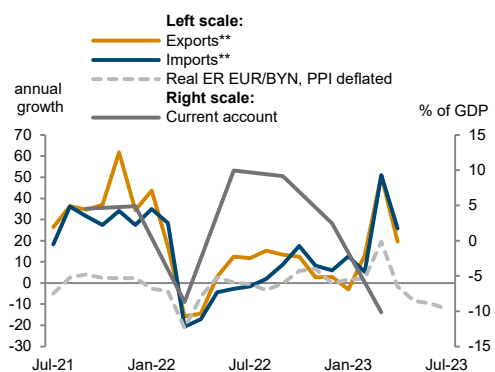
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
 **EUR based.

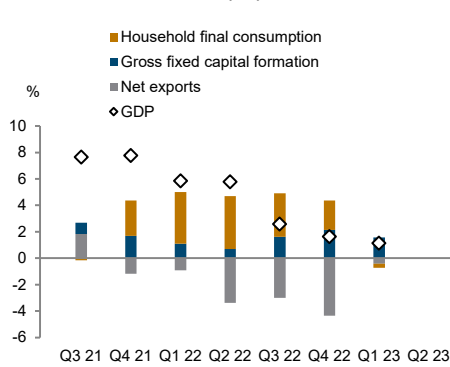
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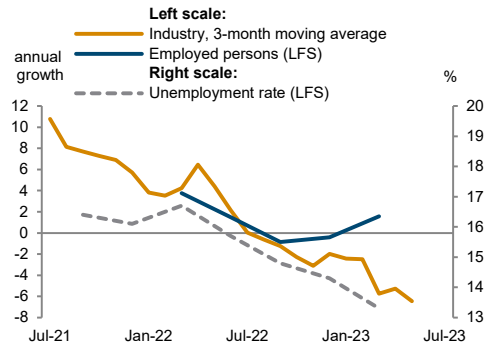
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Bosnia and Herzegovina

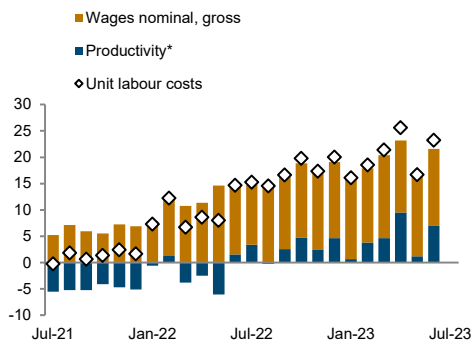
Real GDP growth and contributions



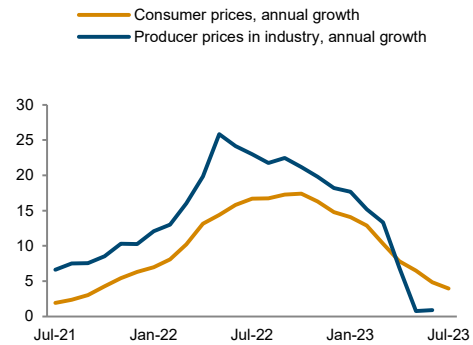
Real sector development



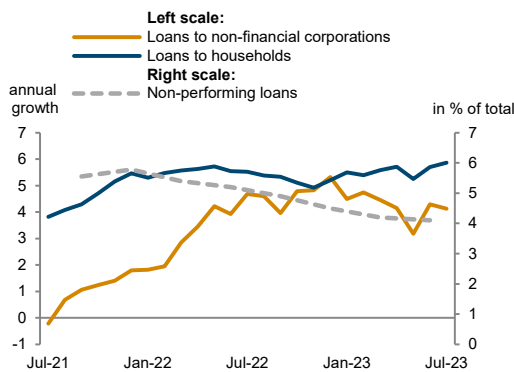
Unit labour costs in industry



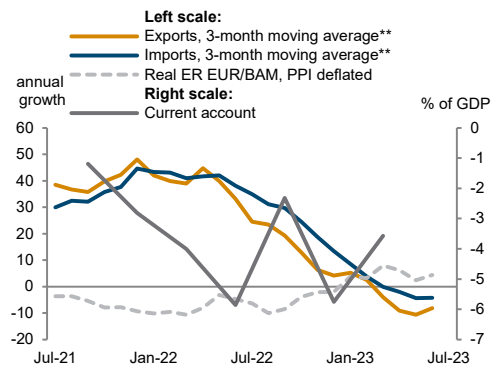
Inflation



Financial indicators



External sector development



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

**EUR based.

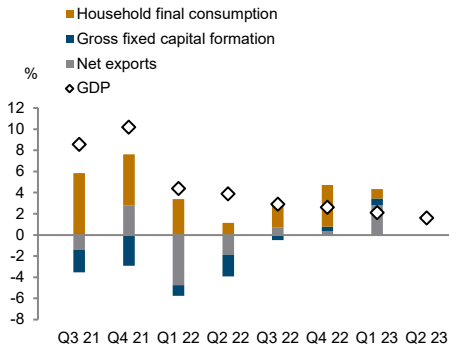
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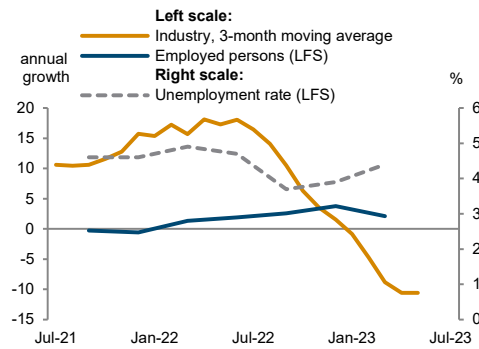
<https://data.wiiw.ac.at/monthly-database.html>

Bulgaria

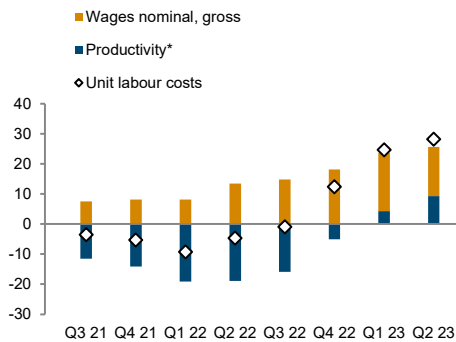
Real GDP growth and contributions
y-o-y



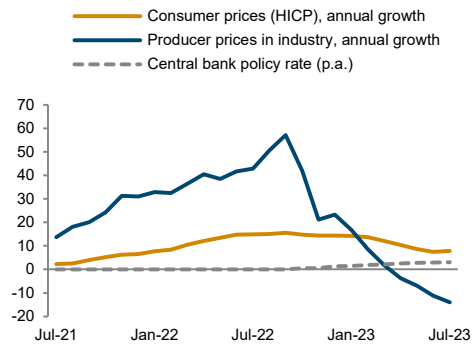
Real sector development
in %



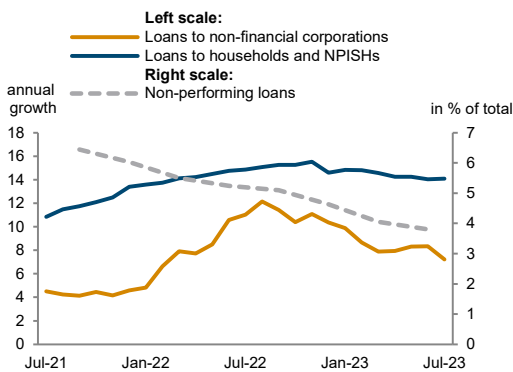
Unit labour costs in industry
annual growth rate in %



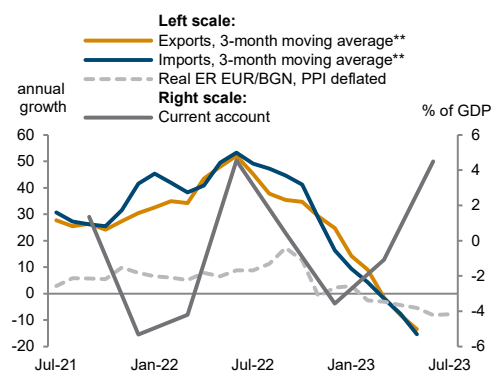
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
**EUR based.

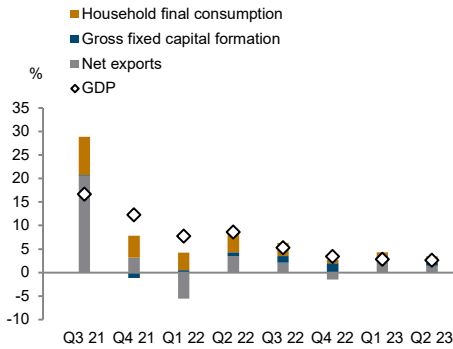
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

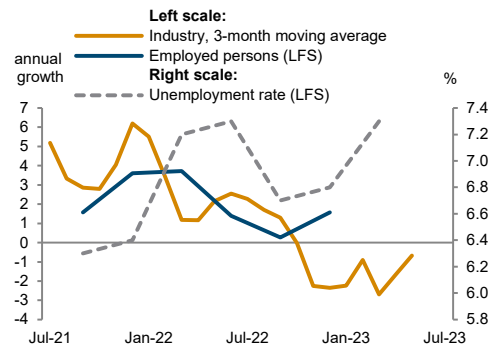
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Croatia

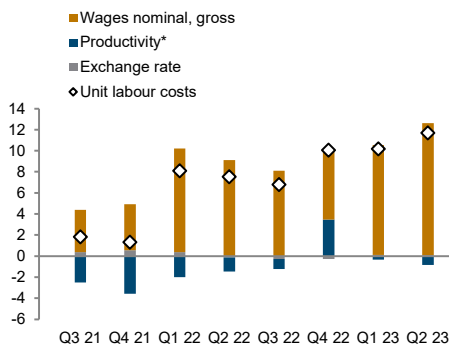
Real GDP growth and contributions
y-o-y



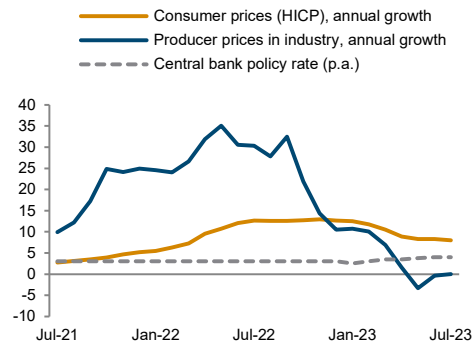
Real sector development
in %



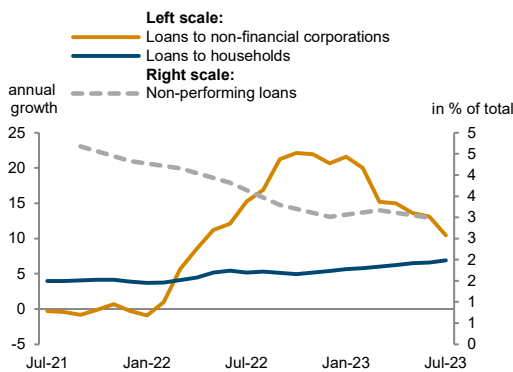
Unit labour costs in industry
annual growth rate in %



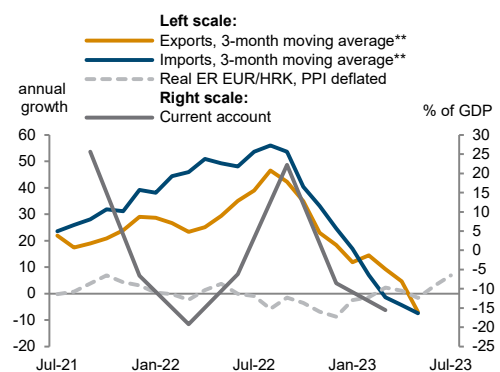
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

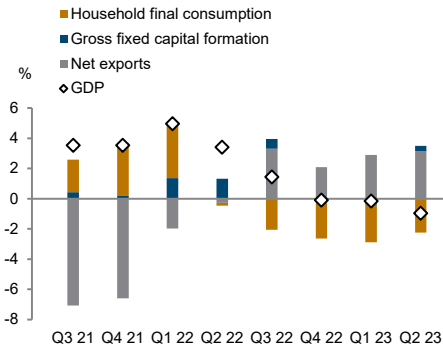


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**EUR based.

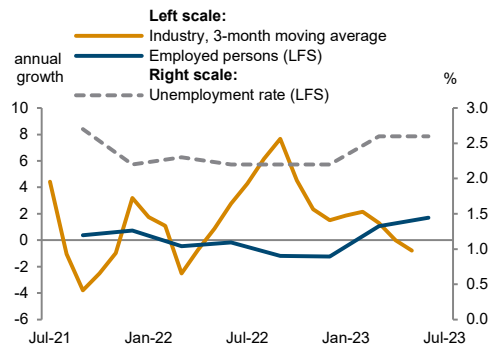
Source: wiiw Monthly Database incorporating Eurostat and national statistics.
Baseline data, country-specific definitions and methodological breaks in time series are available under:
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Czechia

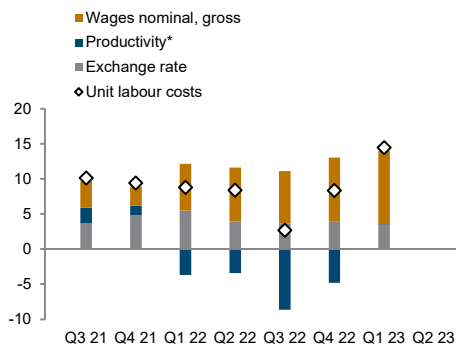
Real GDP growth and contributions
y-o-y



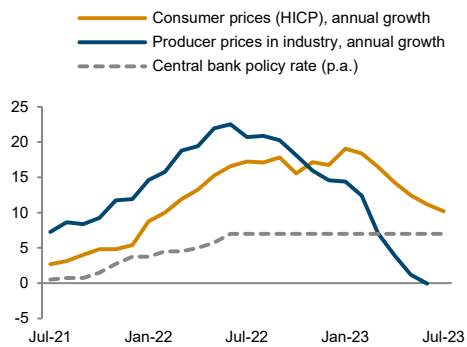
Real sector development
in %



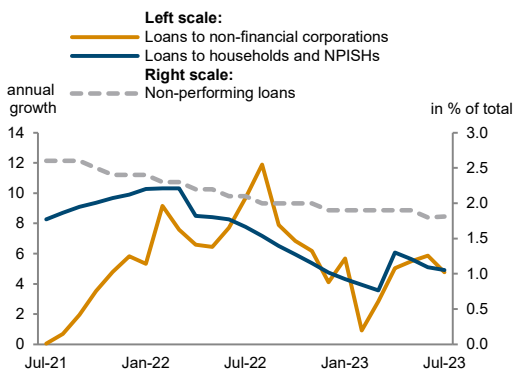
Unit labour costs in industry
annual growth rate in %



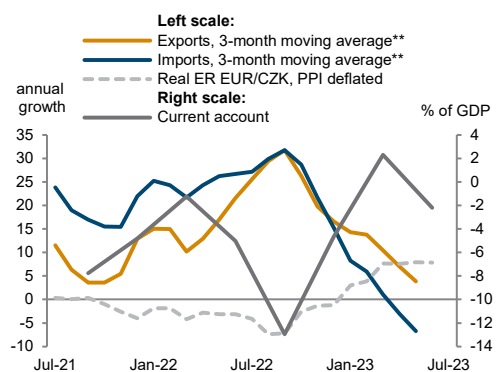
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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**EUR based.

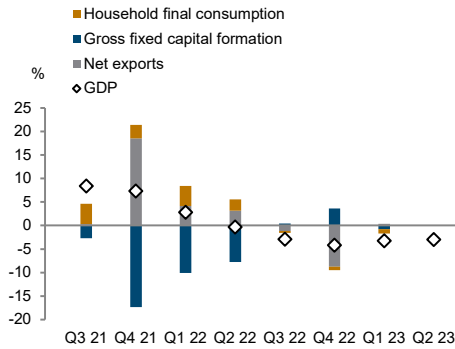
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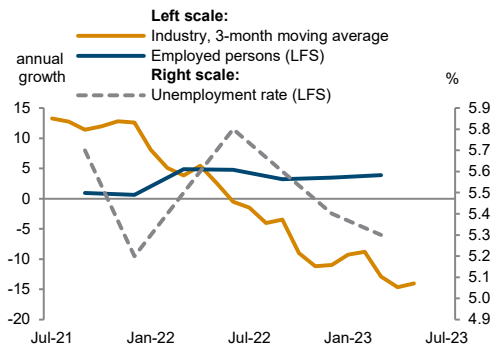
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Estonia

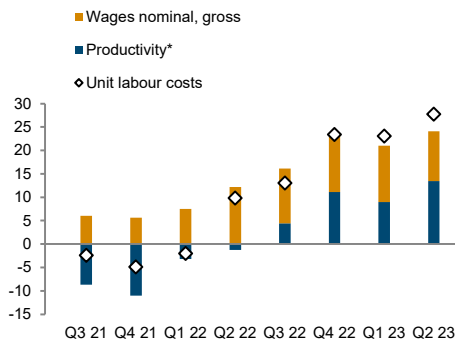
Real GDP growth and contributions
y-o-y



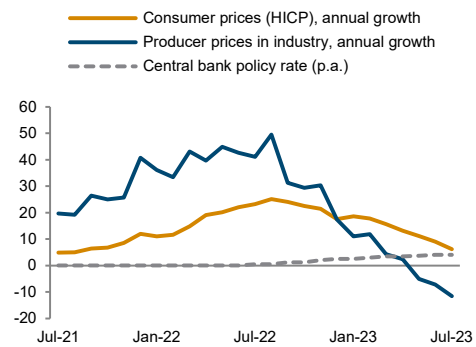
Real sector development
in %



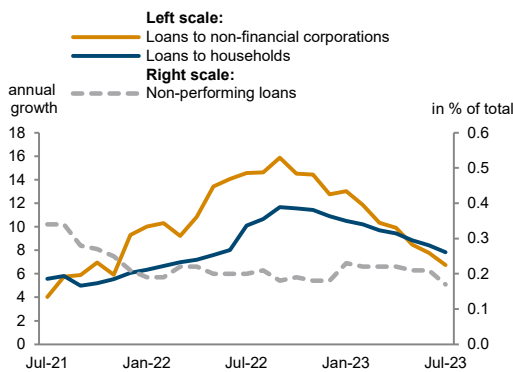
Unit labour costs in industry
annual growth rate in %



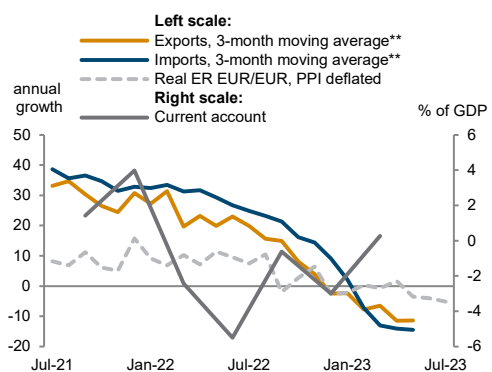
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

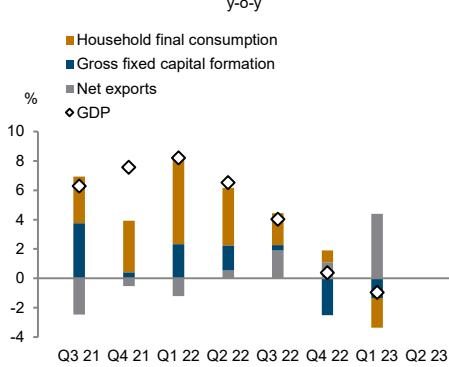


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**EUR based.

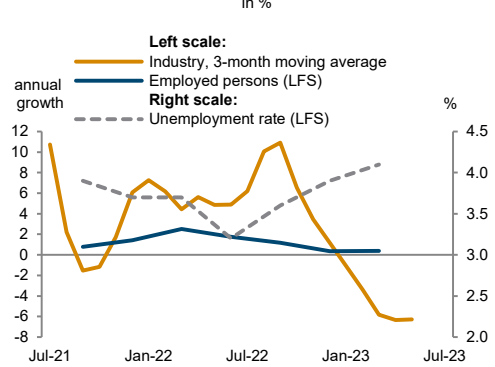
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Baseline data, country-specific definitions and methodological breaks in time series are available under:
<https://data.wiiw.ac.at/monthly-database.html>

Hungary

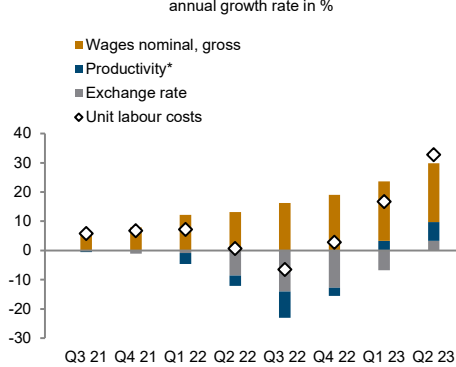
Real GDP growth and contributions



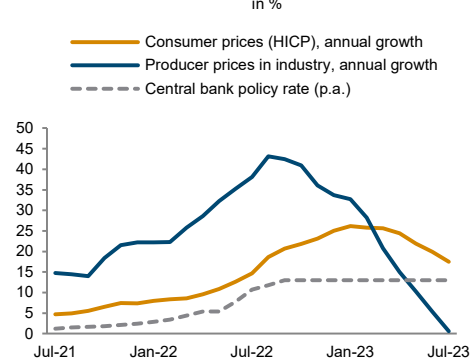
Real sector development



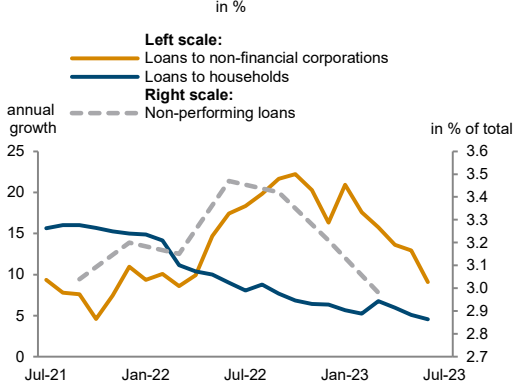
Unit labour costs in industry



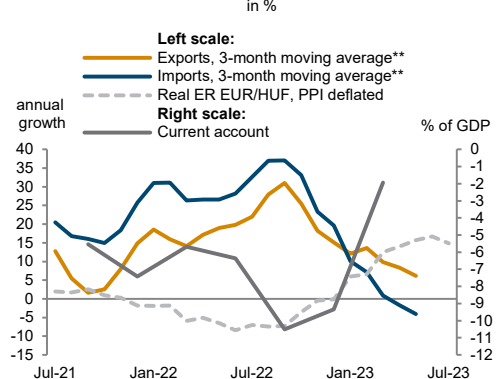
Inflation and policy rate



Financial indicators



External sector development



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 **EUR based.

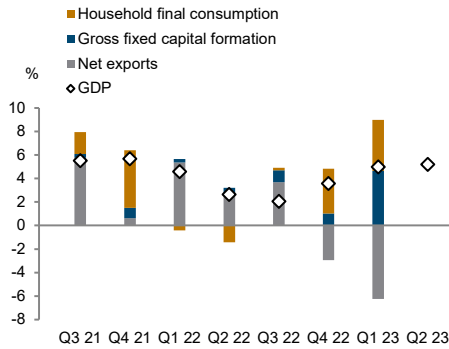
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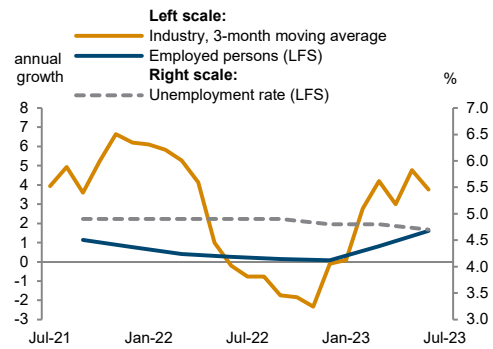
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Kazakhstan

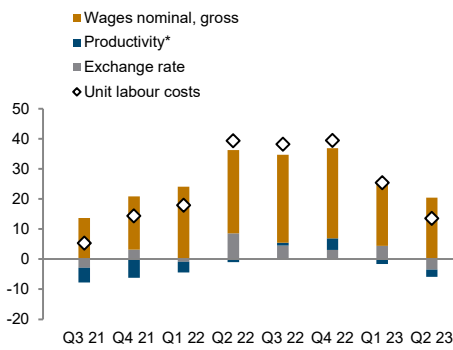
Real GDP growth and contributions
y-o-y



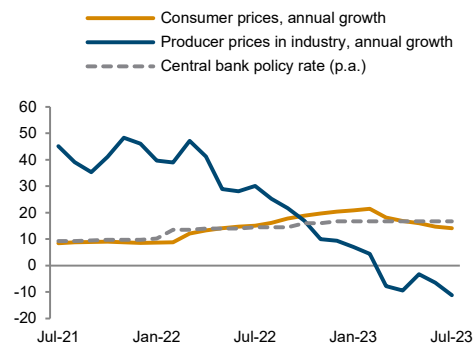
Real sector development
in %



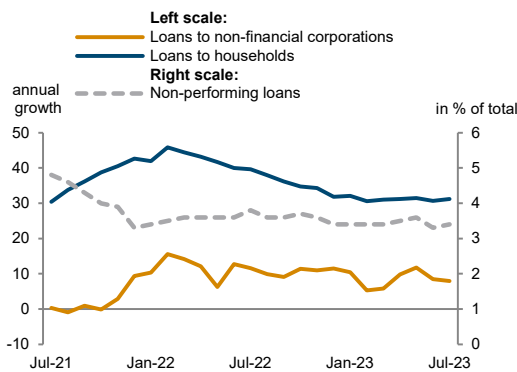
Unit labour costs in industry
annual growth rate in %



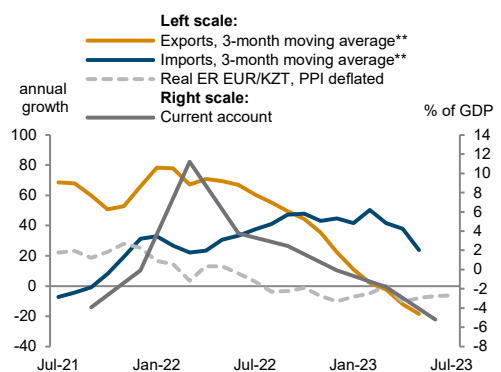
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

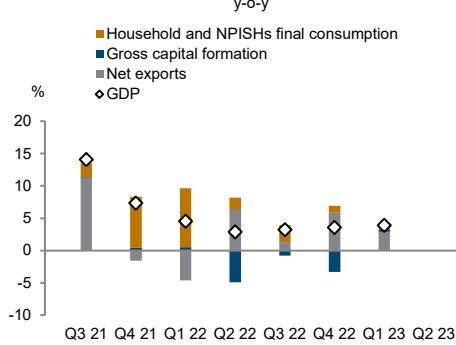


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**EUR based.

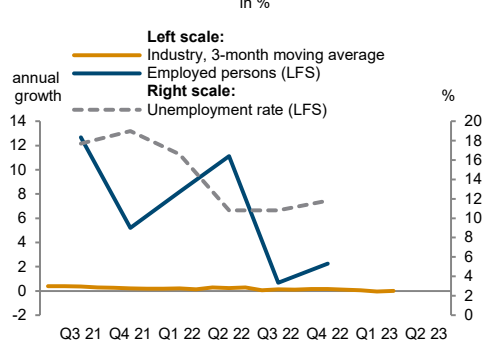
Source: wiiw Monthly Database incorporating Eurostat and national statistics.
Baseline data, country-specific definitions and methodological breaks in time series are available under:
<https://data.wiiw.ac.at/monthly-database.html>

Kosovo

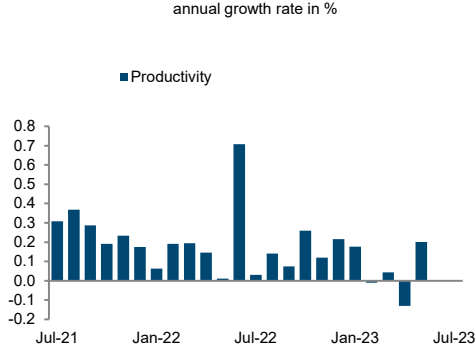
Real GDP growth and contributions



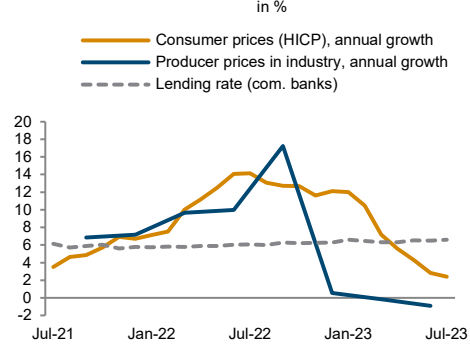
Real sector development



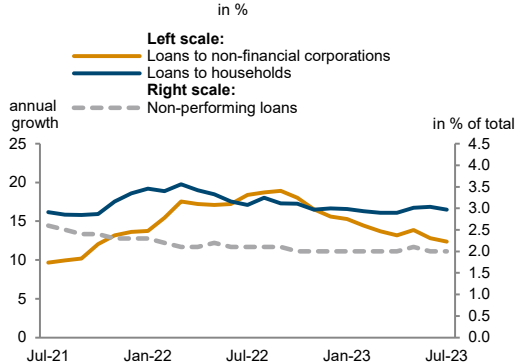
Productivity in industry



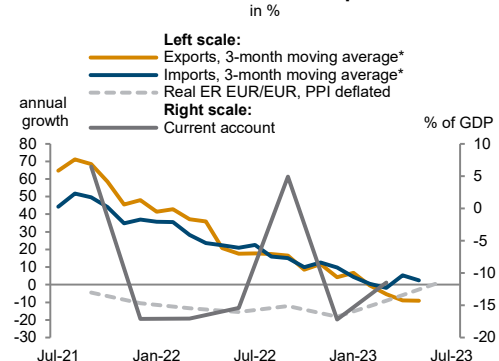
Inflation and lending rate



Financial indicators



External sector development



*EUR based.

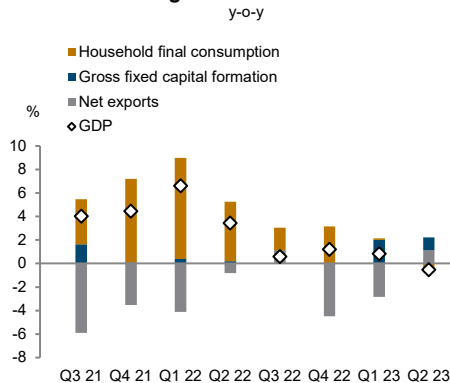
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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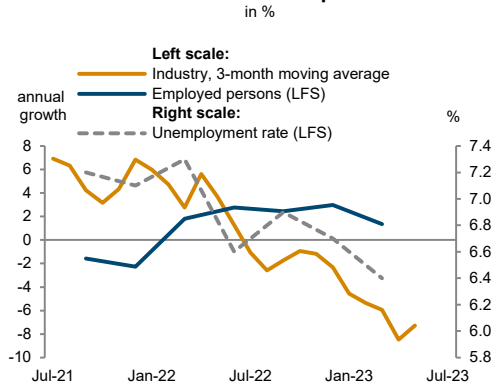
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Latvia

Real GDP growth and contributions



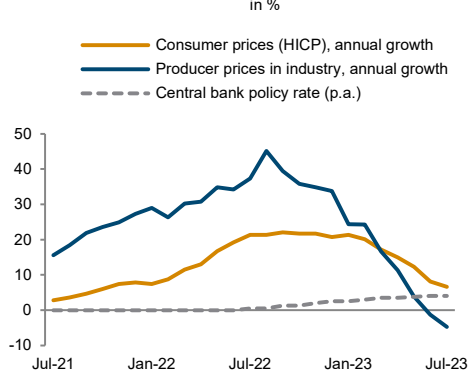
Real sector development



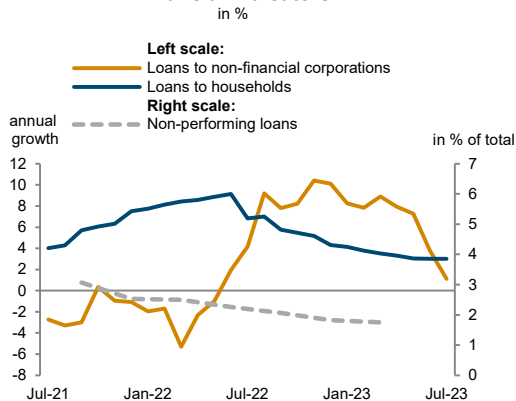
Unit labour costs in industry



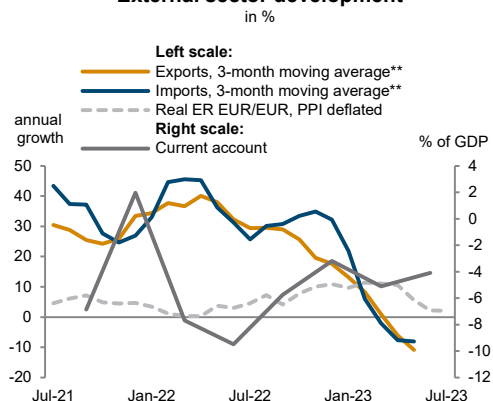
Inflation and policy rate



Financial indicators



External sector development



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**EUR based.

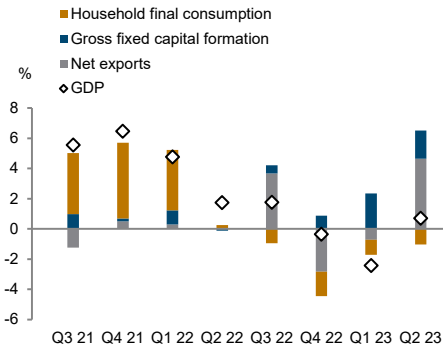
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

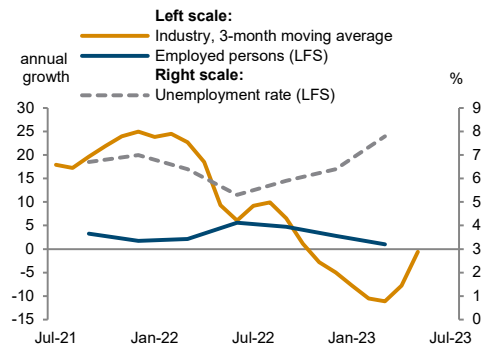
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Lithuania

Real GDP growth and contributions
y-o-y



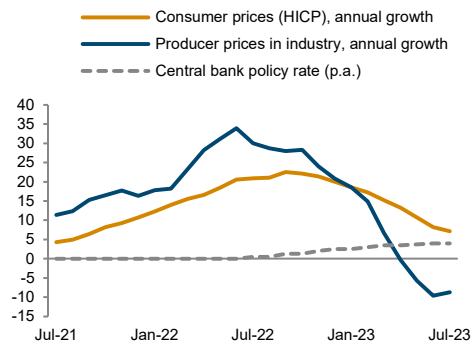
Real sector development
in %



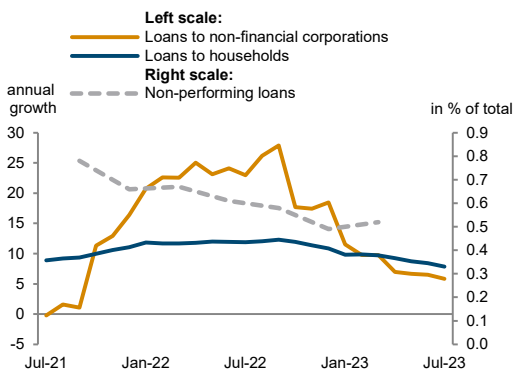
Unit labour costs in industry
annual growth rate in %



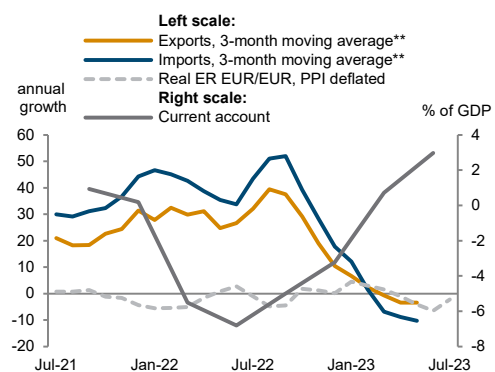
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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**EUR based.

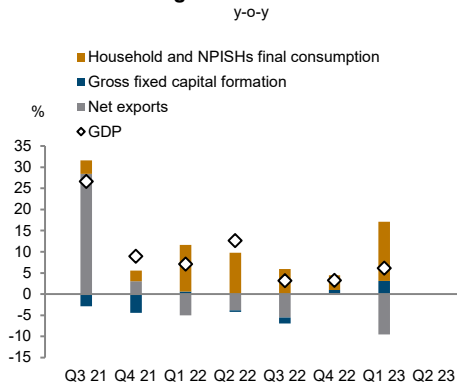
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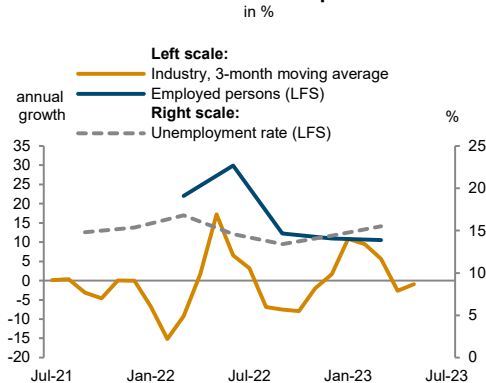
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Montenegro

Real GDP growth and contributions



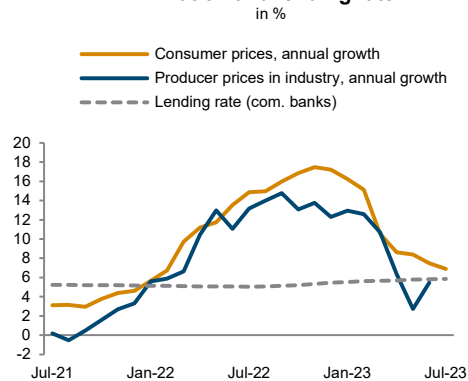
Real sector development



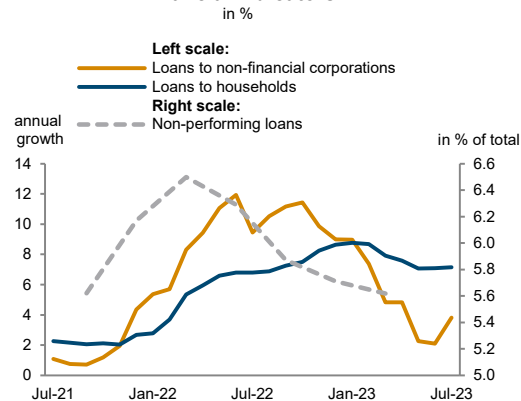
Unit labour costs in industry



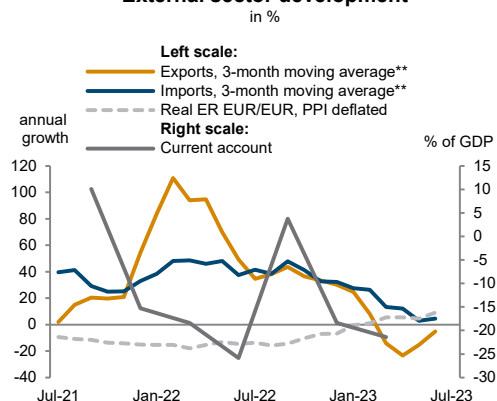
Inflation and lending rate



Financial indicators



External sector development



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**EUR based.

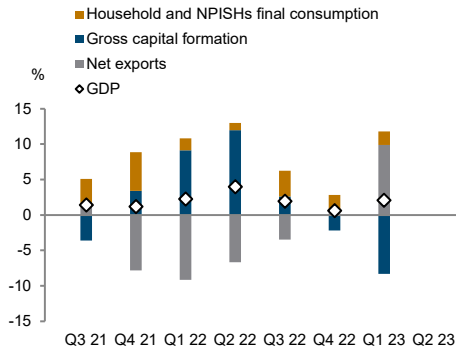
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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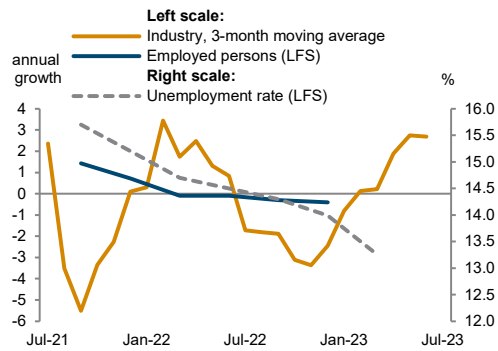
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North Macedonia

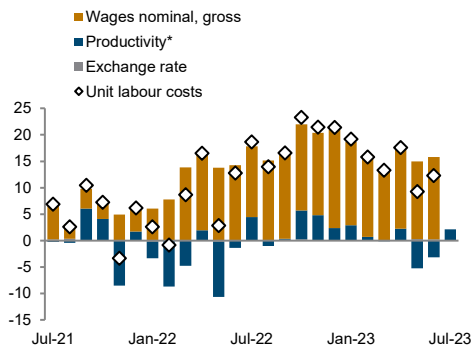
Real GDP growth and contributions
y-o-y



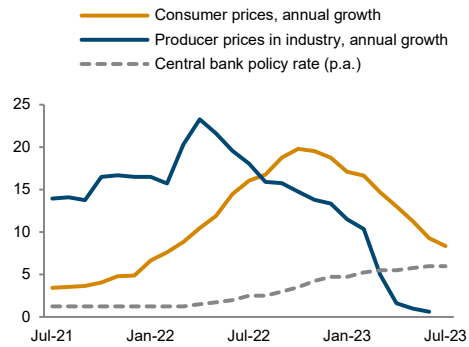
Real sector development
in %



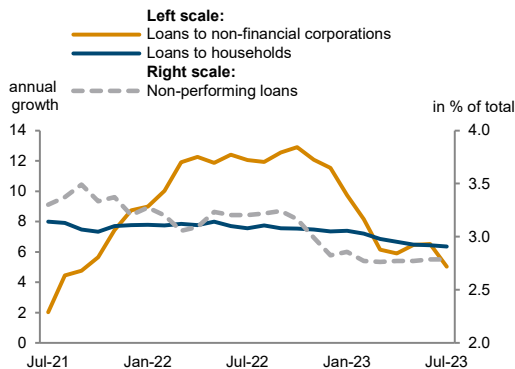
Unit labour costs in industry
annual growth rate in %



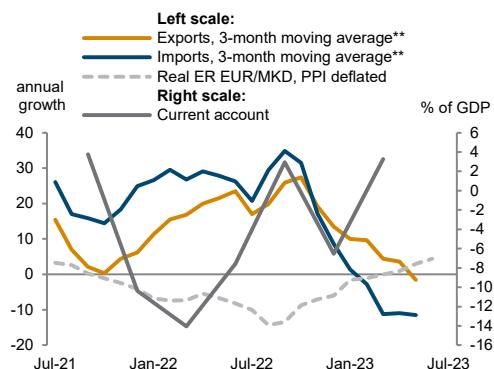
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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**EUR based.

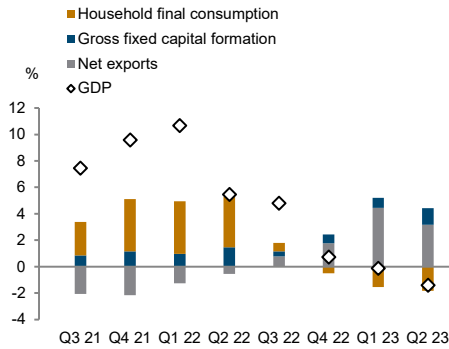
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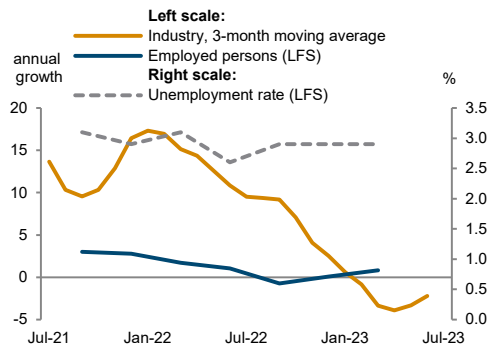
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Poland

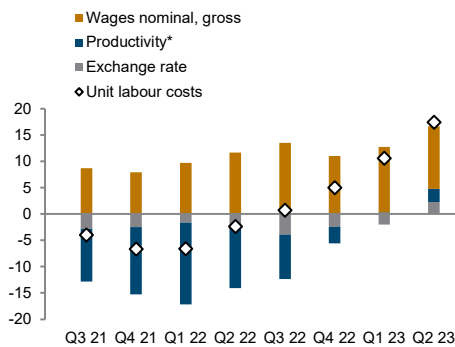
Real GDP growth and contributions
y-o-y



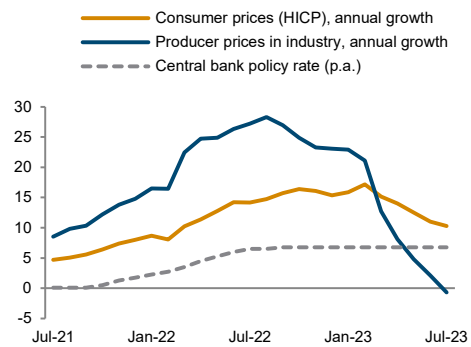
Real sector development
in %



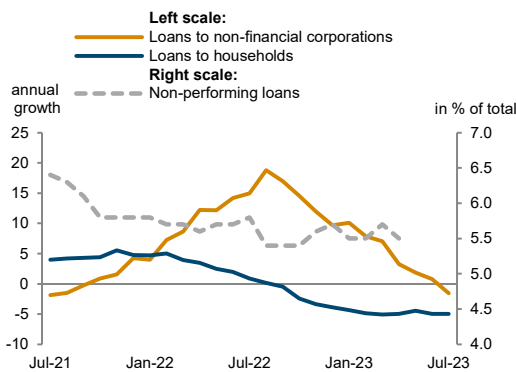
Unit labour costs in industry
annual growth rate in %



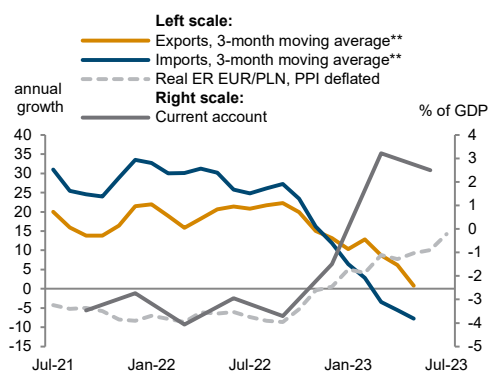
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

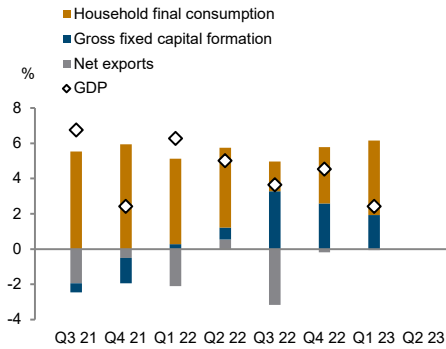


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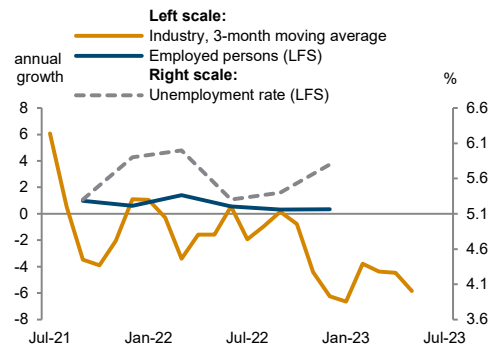
Source: wiiw Monthly Database incorporating Eurostat and national statistics.
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Romania

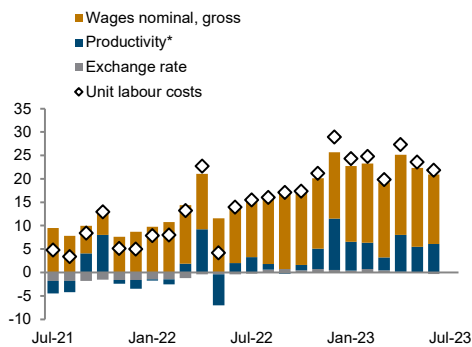
Real GDP growth and contributions
y-o-y



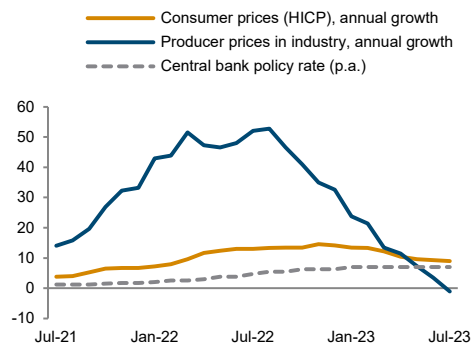
Real sector development
in %



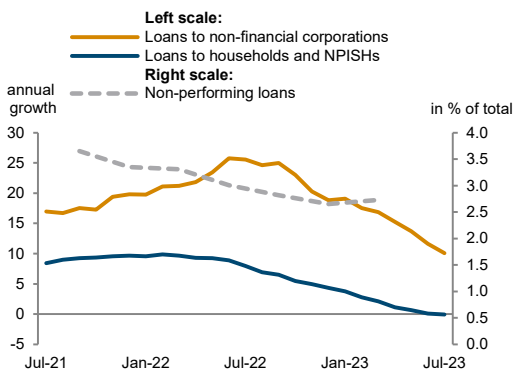
Unit labour costs in industry
annual growth rate in %



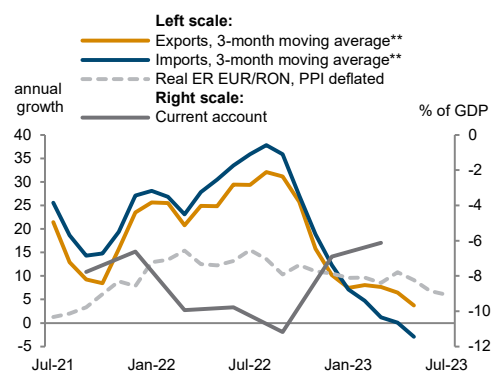
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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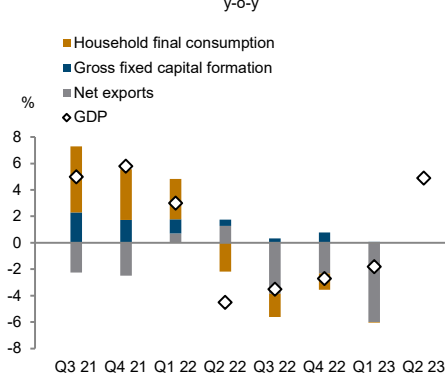
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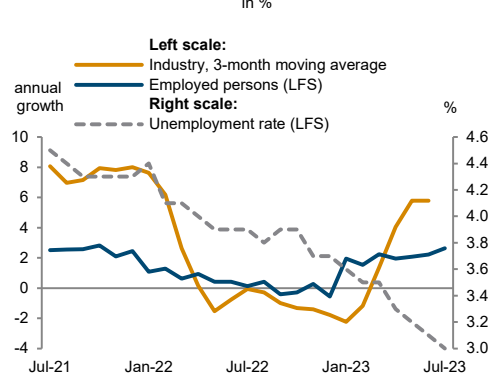
<https://data.wiiw.ac.at/monthly-database.html>

Russia

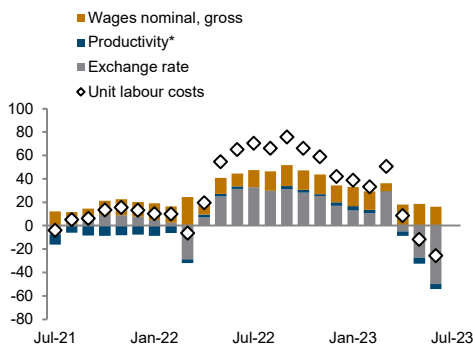
Real GDP growth and contributions



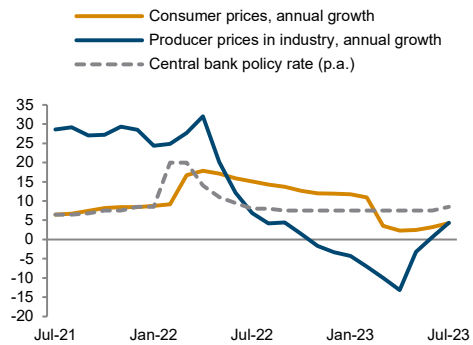
Real sector development



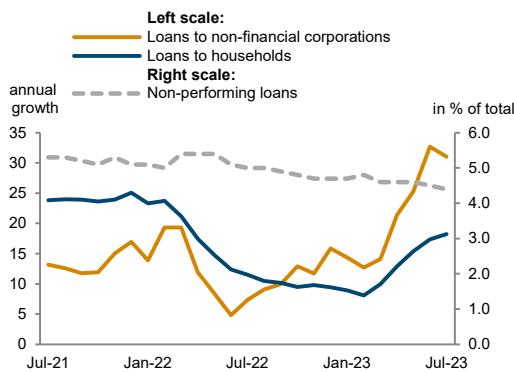
Unit labour costs in industry



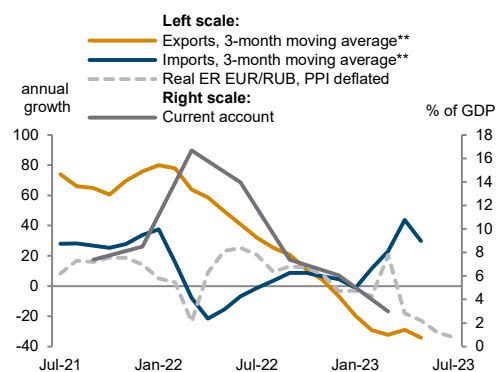
Inflation and policy rate



Financial indicators



External sector development

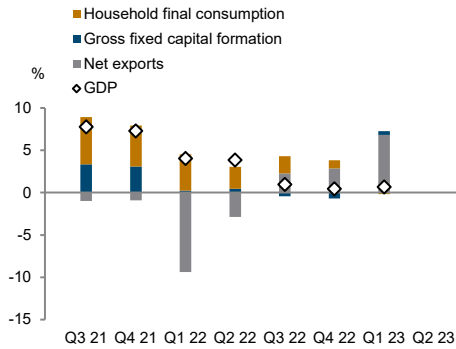


*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
**EUR based.

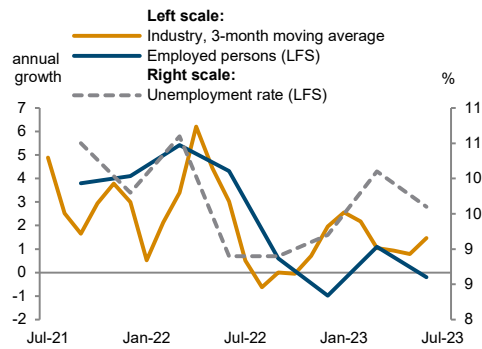
Source: wiiw Monthly Database incorporating Eurostat and national statistics.
Baseline data, country-specific definitions and methodological breaks in time series are available under:
<https://data.wiiw.ac.at/monthly-database.html>

Serbia

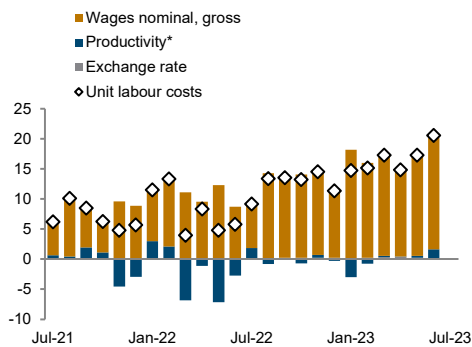
Real GDP growth and contributions
y-o-y



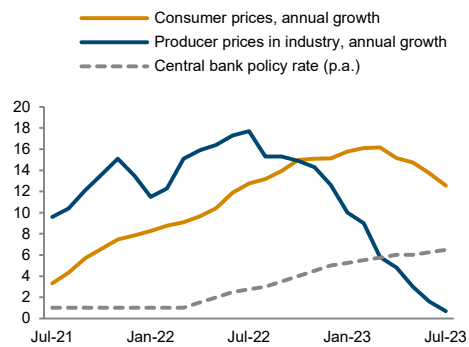
Real sector development
in %



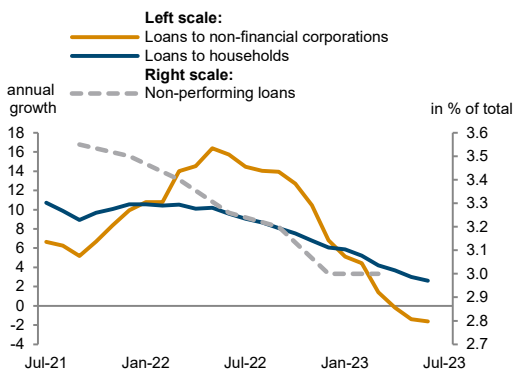
Unit labour costs in industry
annual growth rate in %



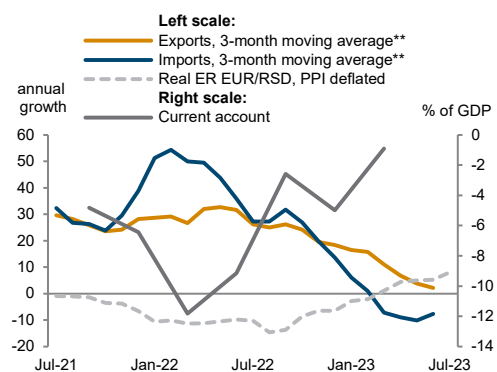
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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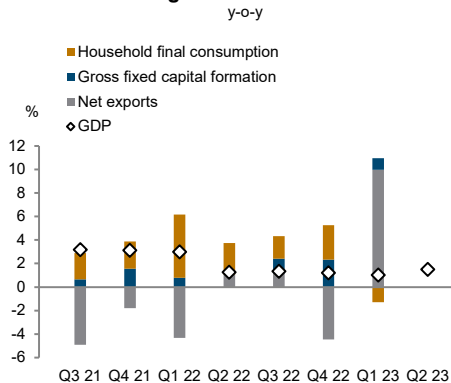
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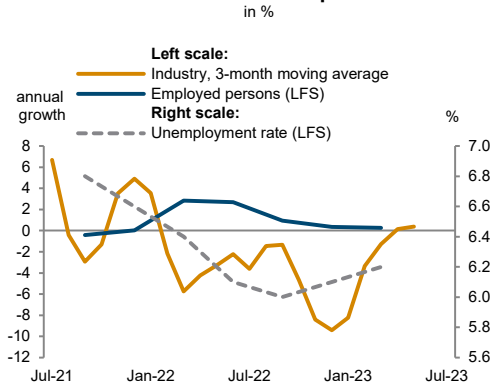
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Slovakia

Real GDP growth and contributions



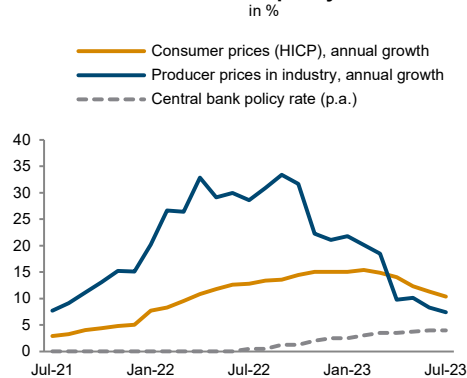
Real sector development



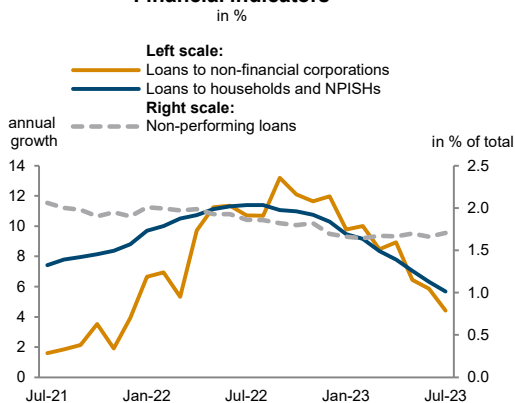
Unit labour costs in industry



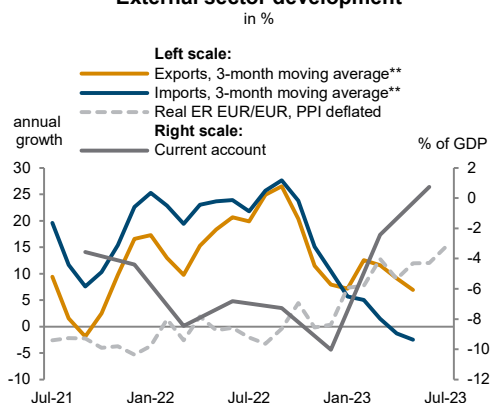
Inflation and policy rate



Financial indicators



External sector development



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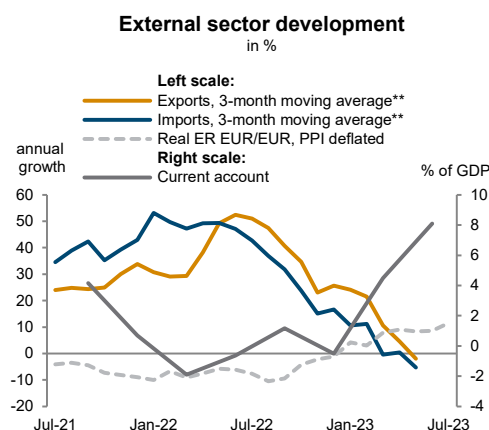
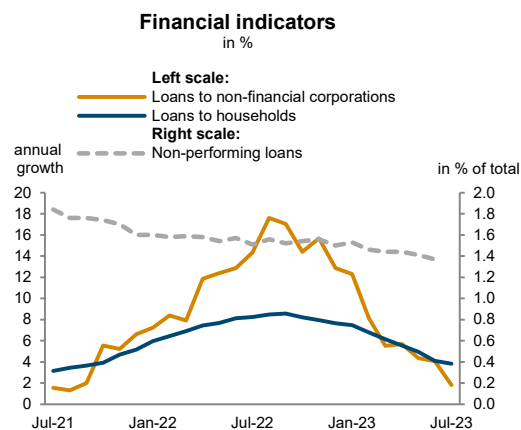
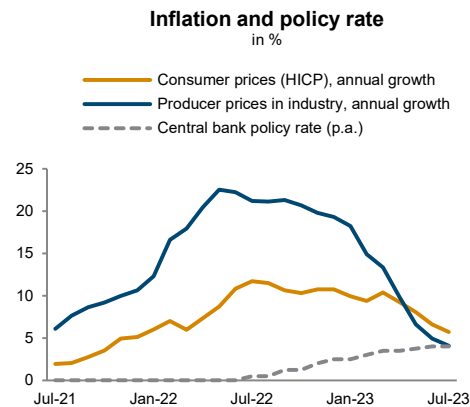
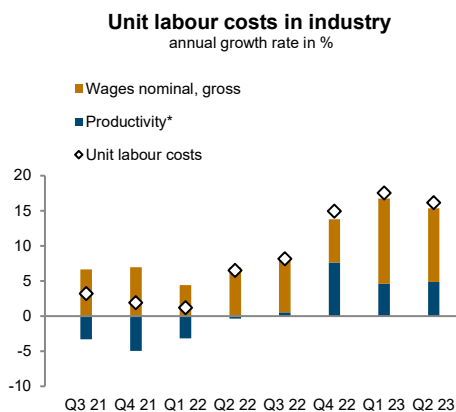
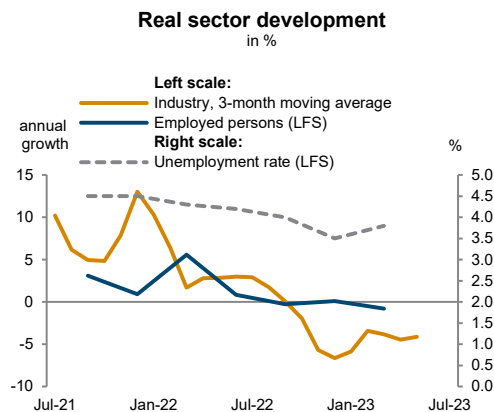
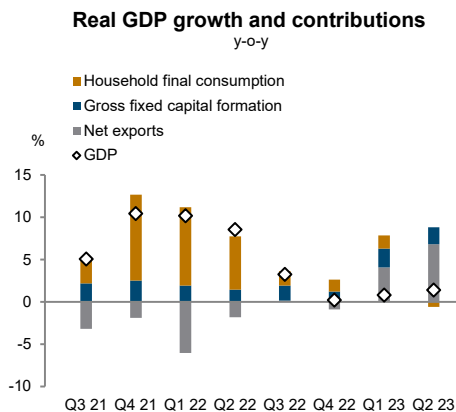
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Slovenia



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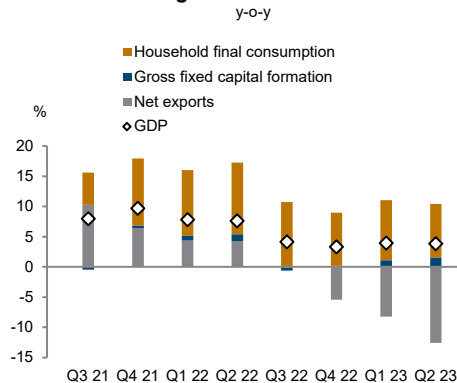
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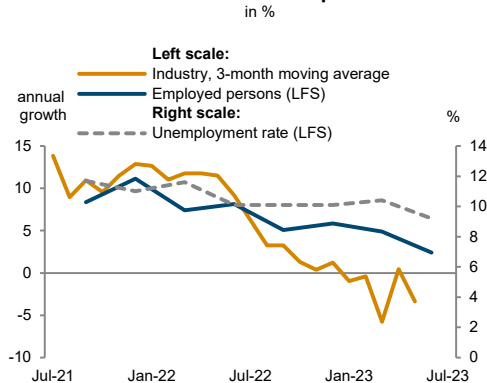
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Turkey

Real GDP growth and contributions



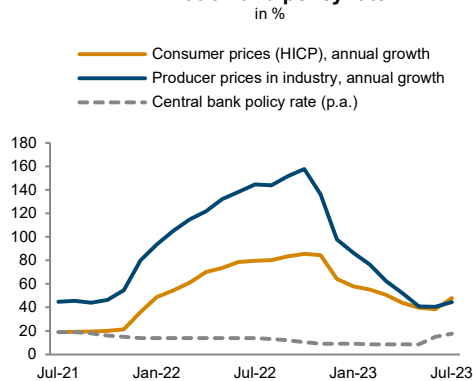
Real sector development



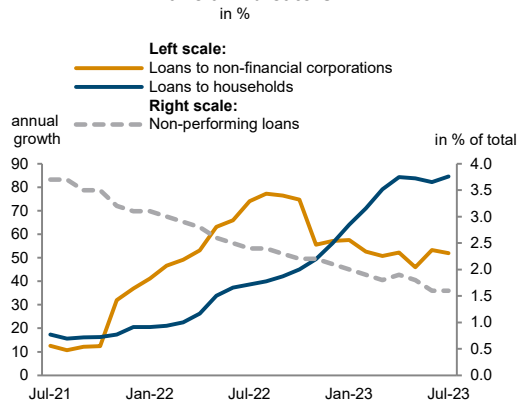
Unit labour costs in industry



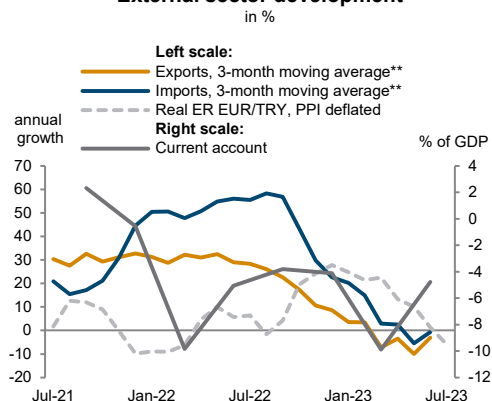
Inflation and policy rate



Financial indicators



External sector development



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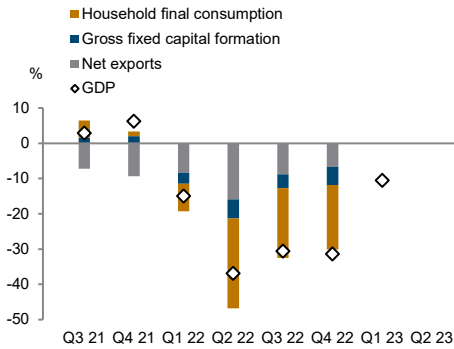
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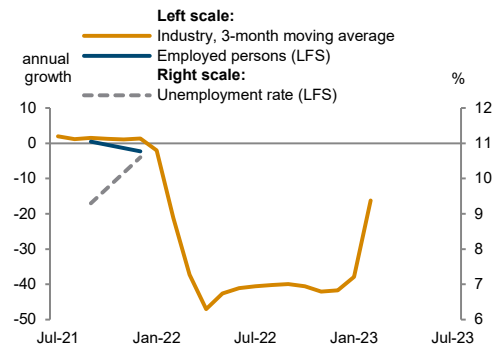
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Ukraine

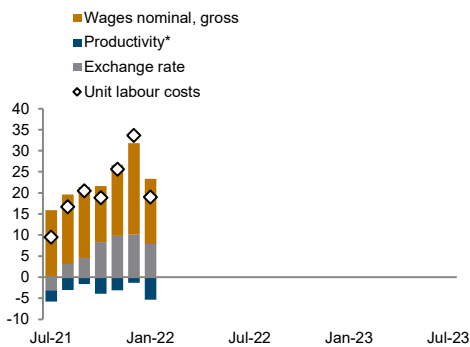
Real GDP growth and contributions
y-o-y



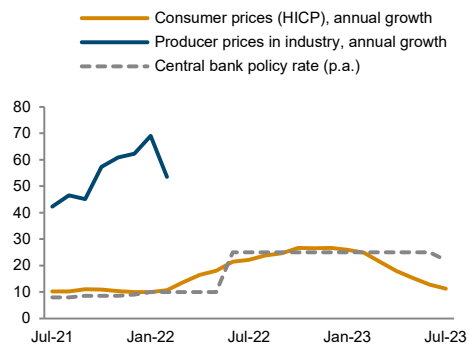
Real sector development
in %



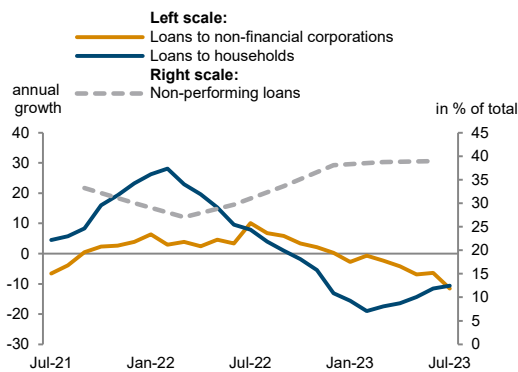
Unit labour costs in industry
annual growth rate in %



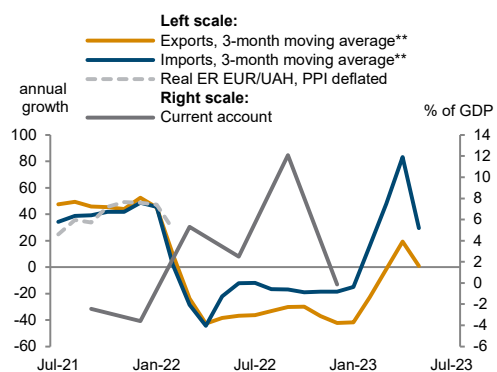
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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