GRAYLING'S CEE OUTLOOK FOR 2025

Key highlights and outlook for CEE markets



CONTENTS

CEE at a glance	Page 3
Economy indicators & Election timetable	Page 4
A view from USA	Page 5
CEE Outlook	
Bulgaria	Page 6
Croatia	Page 8
Czechia	Page 10
Hungary	Page 12
Poland	Page 14
Romania	Page 17
Slovakia	Page 20
Slovenia	Page 22
A view from outside EU	
Serbia	Page 24
Ukraine	Page 26
Contact us	Page 28

CEE AT A GLANCE: SUMMARY

In 2025, several CEE countries face significant political and economic challenges. Romania prepares for a rerun of its presidential election amidst economic woes and rising nationalist rhetoric. Serbia faces U.S. sanctions and widespread protests, symbolizing discontent with the ruling establishment. Ukraine, under the shadow of ongoing conflict, hopes for negotiations with the return of Donald Trump to the U.S. presidency. These developments indicate a turbulent year ahead, with economic issues and political instability taking center stage.

In this year's edition, the CEE Outlook brings you key details and insights for 2025 and beyond. Grayling's public affairs teams have focused on what matters to businesses and what to expect from policy makers.

BULGARIA

In 2025, Bulgaria's new conservative-led government is expected to postpone the country's entry into the Eurozone from July 2025 to early 2026. Additionally, it plans to reverse certain environmental policies affecting the energy market and adopt a more conservative stance on Ukraine, prioritizing domestic stability. However, internal coalition challenges and opposition proposals may impact these plans.

CROATIA

Croatia's economy is expected to grow in 2025, though inflation remains a concern. Local political focus will shift following recent elections, with priorities on financial stability, increasing pensions and salaries, and affordable housing. Upcoming policy changes include potential tax reforms and the introduction of Fiscalisation 2.0 and mandatory e-invoicing.

CZECHIA

Elections to the Chamber of Deputies will dominate the political landscape, with the opposition ANO movement expected to win. The potential coalition partners for ANO remain uncertain, as current ruling parties are unlikely to join them. The potential impact of an ANO government on Czechia's EU relations and business environment remains a concern.

HUNGARY

The government may continue its polarizing approach to stabilize its base. The rise of the new TISZA party presents the most serious electoral threat for Fidesz in 15 years. Hungary's economy faces structural problems, with optimistic growth projections and challenges like slow consumption recovery and investment decline.

POLAND

The 2025 Polish presidential election will significantly shape the political landscape. The main candidates are Rafał Trzaskowski, advocating progressive policies, and Karol Nawrocki, focusing on traditional values. The election's outcome will impact the ruling coalition's stability and the opposition's trajectory. Polish-American relations will also be influenced, with potential alignment or tension depending on the winner.

ROMANIA

Political establishments are preparing themselves for the rerun of presidential election in May. We will see political players adapting themselves to the new realities and increasing nationalist rhetoric while maintaining EU and NATO loyalty. But economic woes will take the front seat as fiscal reforms and public sector adjustments are expected.

SLOVAKIA

The Slovak government faces significant challenges. Prime Minister Robert Fico has to deal with internal coalition disagreements and a narrow majority in Parliament. Early elections may be necessary if coalition issues aren't resolved by March. Economically, Slovakia plans further consolidation measures and tax evasion combat efforts, including mandatory e-invoices and digital payments.

SLOVENIA

Government faces a critical year before the 2026 parliamentary elections, with coalition parties dealing with internal issues and new opposition parties emerging. Public reactions to proposed tax and healthcare changes have been mixed.

SERBIA

Serbia's outlook for 2025 will be significantly influenced by two major factors: the announced U.S. sanctions on the national oil company NIS and the ongoing citizen protests. Led primarily by university students, these protests symbolize a wider discontent with the current ruling establishment and have united people from various walks of life in their call for change.

UKRAINE

The return of Donald Trump to the U.S. presidency has raised hopes for negotiations, but significant challenges remain. The possibility of elections adds complexity, as martial law currently prevents them. Ukraine faces economic difficulties due to the security situation, skilled worker shortages, and infrastructure damage. Sustaining international support, particularly from Europe, is crucial, with potential changes in U.S. aid policies under the new administration

ECONOMY INDICATORS

	Forecast 2024 Inflation (%, YoY)	Forecast 2025 Inflation (%,YoY)	Forecast 2024 GDP growth (%,YoY)	Forecast 2025 GDP growth (%,YoY)
Bulgaria	2.5	2.3	2.4	2.9
Croatia	4.0	3.4	3.6	3.3
Czechia	2.7	2.4	1.0	2.4
Hungary	3.8	3.6	0.6	1.8
Poland	3.8	4.7	3.0	3.6
Romania	5.5	3.9	1.4	2.5
Slovakia	3.1	5.1	2.2	2.3
Slovenia	2.1	3.2	1.4	2.5
Serbia	4.7	3.7	3.9	4.2
Ukraine	5.7	9.2	3.5	2.8
EU average	2.6	2.4	0.9	1.5

Source: European Economic Forecast – Autumn 2024

The CEE region has again outpaced the growth of the EU average, with Hungary being the only country below the mark. The trend will continue in 2025 as all countries are expected to achieve similar or even higher levels of growth.

Higher than average growth is "paid" by higher levels of inflation which will remain above average in all CEE countries, but nowhere near levels which were present two years ago. In some countries, inflation will remain a hot topic and an inspiration for political discourse between the ruling and opposition parties.

The region's economic resilience will be tested by external headwinds and geopolitical risks, with some countries being more impacted by further potential sanctions against Russian companies. On the other hand, a change in trade policies with the U.S. will have the most impact on countries like Slovakia, Hungary and Czechia which have had the largest trade surplus in recent times.

ELECTION TIMETABLE

BULGARIA
Possibility of snap parliamentary election, but not highly likely.

Partial local elections are possible, but no major cities will be involved.

CROATIA
Local elections: 18 May 2025

CZECH REPUBLIC
Elections to the Chamber of Deputies (lower house of Parliament): September/October 2025

POLAND
Presidential elections: 18 May 2025

ROMANIA
Presidential elections: 4 and 18 May 2025

SERBIA
Possibility of snap parliamentary election

UKRAINE
Potential Parliamentary election in case of a ceasefire scenario ending martial law



FOREWORD: A VIEW FROM USA

Central and Eastern Europe Braces for Trump's Return

With the U.S. elections concluded, the Republican Party controls all three branches of government. However, a razor-thin GOP majority in the House of Representatives could serve as a check on radical government initiatives. Nonetheless, the Trump administration proved to be highly efficient during its first few weeks relying excessively on executive orders. In response, both businesses and national governments in the CEE region are preparing for significant policy shifts, including deregulation, tax cuts and trade reform.

Although domestic policies remain the primary focus of the Trump administration, there are strategic objectives that Trump is committed to delivering on. Most importantly for the CEE region, the White House aims to deliver a swift resolution to the war in Ukraine. Withholding aid to Ukraine and easing sanctions on Russia is being considered as a possible means to accelerate a settlement. However, recent statements by President Trump—blaming Ukraine for the conflict—and the peace negotiations in Riyadh held without Ukraine's involvement indicate a dramatic shift in U.S. policy.

Trump remains opposed to Ukraine's NATO membership, and despite initial hopes, the prospect of a potential permanent resolution of the conflict that includes security guarantees for Ukraine appears increasingly unlikely. In parallel, Rubio's initial discussions with NATO allies have focused on increasing defence spending. These developments have raised concerns among European allies and could trigger a significant military buildup across the continent.

Given Trump's pragmatic approach to governance, maintaining good relations with the U.S. will hinge more on European countries' efforts to increase defence spending to 5% of GDP and address trade imbalances by purchasing U.S. LNG and military equipment, rather than on ideological alignment.

While Trump is likely to take substantive steps such as withdrawing from the Paris climate treaty and streamlining permitting processes, there are significant roadblocks to making substantial changes or deviating significantly from Biden's policies.

Furthermore, several Trump allies, including his son-in-law Jared Kushner, Commerce Secretary nominee Howard Lutnick, and oil tycoon Harold Hamm, hold billions of dollars in investments that qualify for Biden's climate incentives. Trump's energy tariffs are anticipated to have a minimal impact on global oil and gas prices. However, the shift to U.S. LNG from Russian natural gas, driven by U.S. pressure, could lead to energy price surges in some CEE countries, such as Hungary and Bulgaria.

Supply chain disruptions remain a key concern, particularly as US-China tensions impact global trade. In addition to implementing protective tariffs to bolster US manufacturing, Trump may unilaterally impose sanctions under the International Emergency Economic Powers Act to secure advantageous bilateral agreements and US-EU deals. This approach could heighten unpredictability in global markets and politicize trade. There are serious indirect risks for the region, as possible tariffs could significantly impact the German industry, which many CEE countries heavily rely on.

In conclusion, while the Trump administration's return to power brings a strong focus on domestic policy shifts, its foreign policy raises concerns and uncertainties across Europe, potentially reshaping transatlantic relations and impacting the CEE region's geopolitical stability. Key foreign policy priorities include efforts to resolve the Ukraine conflict and the strategic use of tariffs and sanctions, underscoring Trump's influence on global dynamics. These policies could lead to increased unpredictability in global markets, affecting economic stability and trade patterns worldwide.

Foreword authors:

Bill Simmons, Grayling Dutko, Washington
Robert Conrad, Grayling New York
Aron Szaszi & Bojan Jovanovic, Grayling CEE



BULGARIA

2024 IN REVIEW

- **2024 saw the continuation of the political turmoil that began in 2020.**
  The political landscape remained unstable, with ongoing conflicts and power struggles that have persisted since 2020, affecting governance and public trust.
- **The US elections significantly influenced domestic political changes.**
  The outcomes of the US elections had a ripple effect, precipitating shifts in domestic politics and prompting realignments within the local political scene.
- **The caretaker cabinet successfully maintained low budget deficits and low inflation, keeping the country on track for Eurozone entry.**
  Despite the political instability, the caretaker government managed to implement fiscal policies that controlled budget deficits and inflation, ensuring the country remained on course for joining the Eurozone.
- **A major milestone was achieving full-fledged membership of the Schengen Area.**
  One of the key achievements of the year was the country's successful entry into the Schengen Area, enhancing its integration with the rest of Europe and facilitating easier movement across borders.

2025 OUTLOOK

Postponement of euro introduction

In 2025, Bulgaria is expected to witness a significant consolidation of its local political elites. This year marks a pivotal moment as a regular cabinet has been appointed by a conservative majority in the House. This development has led to the isolation of the Bulgarian Liberals, along with other 'pro-US Democrats' forces and nationalists, who find themselves sidelined from the central political arena.

One of the key decisions expected from the new government is the postponement of Bulgaria's entry into the Eurozone.

Originally planned for 1 July 2025, this move is likely to be delayed until the beginning of 2026 due to domestic political considerations. Despite this delay, the cabinet is expected to focus on maintaining a low budget deficit and keeping inflation under control, ensuring economic stability.

While the government remains committed to its European trajectory, it is also expected to take a more assertive stance on reversing certain environmental policies. These policies have been identified as major contributors to the issues plaguing the domestic energy market, which in turn have caused significant damage to the local economy. The new cabinet's efforts will likely be directed towards mitigating these adverse effects and fostering a more balanced approach to environmental and economic policies.

Prioritising domestic stability

The newly appointed cabinet is expected to adopt a more conservative stance regarding support for Ukraine, likely favouring plans for rapid appeasement. This shift in policy reflects a broader strategy to prioritise domestic stability and economic interests.

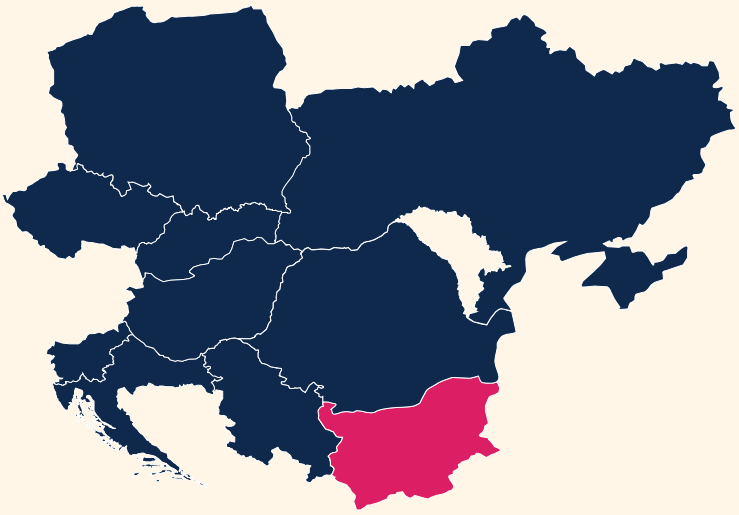
In line with this approach, it is anticipated that the government will work towards reversing some of the sanctions imposed on Russian energy exports, which are crucial for the local economy. Although the government has demonstrated its ability to only utilise alternative energy supplies, this reliance has negatively impacted competitiveness and is not seen as a sustainable long-term solution.

A key priority for the cabinet will be the consolidation of the security system. This includes a significant update to salaries in the law enforcement and defence sectors, aimed at strengthening these critical areas. Additionally, improving relations with the White House will be another major focus, potentially leading to increased defence expenditures.

Coalition stability at stake

However, these plans could face significant challenges by the end of February, when the Socialist Party, a member of the ruling coalition, holds its regular Congress to vote on new leadership. The party is currently divided, with half of its members opposing the coalition, which could lead to disruptions or alterations to the government's agenda. Despite this, the other members of the coalition remain relatively stable.

Meanwhile, the opposition has recently submitted a bill in parliament to raise taxes on Russian gas transport. This proposal, if passed, could have significant implications for Hungary and Serbia. However, it is unlikely that the bill will succeed.





CROATIA

2024 IN REVIEW

- **Prime Minister Andrej Plenković emerged victorious in the pivotal super election year**
  Achieving a third consecutive mandate provides political stability and allows for predictable policy planning. Additionally, HDZ's (Croatian Democratic Union) result improved in the EP elections, securing 6 MEPs and achieving one of the best EPP results.
- **Croatia was one of the best performing economies**
  Croatia is expected to achieve a GDP growth of 3.6%, which is among the highest in the EU Member States and significantly surpasses the expected EU average GDP growth of 0.9%. Additionally, all three rating agencies have upgraded Croatia's rating to A3, marking the highest rating in the country's history.
- **Personal income continued to increase, public sector salary increases catalysed the overall effect**
  The average salary increased by approximately 15%. In the public sector the salary has increased up to 32%, depending on the sub-sector. The minimum salary increased to €970, representing a cumulative increase of 134% since Plenković became PM in 2016.

2025 OUTLOOK

Geopolitical framework

As with other CEE countries, geopolitical factors including the resolution of conflict in Ukraine, and Trump's new administration in America could have profound effects on Croatia. For example, Trump's administration has upheld Biden's sanctions against NIS, a Serbian oil company majority-owned by Russian Gazprom Neft, impacting Croatia's national pipeline company JANAF. Elsewhere, Trump's proposed tariffs against the EU are expected to have a limited effect on Croatia's economy, primarily affecting the IT, health and defence sectors. Notably, Croatia's LNG terminal on the island of Krk could play a more crucial role if Europe increases imports of US LNG, as called for by Trump; this development could enhance Croatia's energy security and position it as a key player in the regional energy market.

On the other hand, recent actions by U.S. President Trump have prompted Prime Minister Andrej Plenković and President Zoran Milanović to re-start discussions after five years, at least to present a unified stance on foreign policy, specifically regarding the new 'Ukraine Resolution' at the UN.

After the super-election year with three major elections, the government now has a lengthy three-year term to implement its programme. Following various scandals and ministerial changes, the PM Andrej Plenković continues to hold a strong majority. However, although political stability has thus far helped the government achieve results, it remains to be seen if the government has the ideas and resolve for deeper structural changes. defence expenditures.

Continued economic growth

In 2025, Croatia's economy is expected to continue growing, albeit at a slower pace. This growth provides room for potential government interventions, which the government has shown itself willing to make in the past four years. In the event of unexpected occurrences, such as energy price hikes or increased demands for public sector salary raises, the rise in tax revenues from GDP growth will enable further government action.

The rise in inflation, which started in October 2024 and continued into the end of the year, has tempered the otherwise positive outlook. By December last year, Croatia recorded the third highest inflation rate in the EU. In response, the government announced an expansion of the scope of product price caps, a policy which has been in place since 2023. Initially covering 30 items, including vegetables, fruits, milk, and certain meat products, this list will expand to 50 items. Meanwhile, consumer protection organisations are criticising retailers for high margins and are organising boycotts, highlighting the ongoing tension between market forces and regulatory measures.

Local political agendas

Looking past the first quarter of 2025, political focus will shift to a local level. The recent presidential election, where SDP's President Zoran Milanović won decisively against HDZ's Dragan Primorac, has raised questions about HDZ's support. However, we believe this result will not significantly alter the political landscape in major cities like Zagreb, Osijek, and Rijeka. The situation in Split remains uncertain, as no mayor has managed to secure two consecutive terms.

Looking ahead to the rest of the 2025, the government's priorities include maintaining financial stability (having met the Maastricht criteria in 2024), continuing to increase pensions and salaries, and the provision of affordable housing, particularly for young people. It remains unclear if new tax policies will be introduced to further increase salaries, as the Ministry of Finance has not included related laws in its 2025 legislative plan.

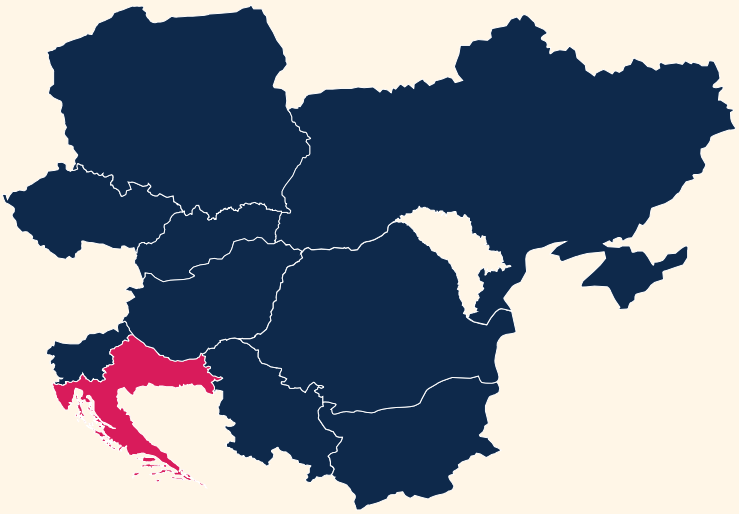
Policy highlights

We anticipate initial signs of any tax related changes before the summer break, which is typically when tax legislation starts to be formulated. Additionally, the minimum wage is

expected to rise again in 2026, which could put pressure on labour-intensive industries. The recent closure of Benetton's production facility in Osijek may prompt the government to reconsider its goal of reaching a gross minimum salary of €1,250 by 2028 (currently €970). This situation underscores the delicate balance between promoting higher wages and maintaining economic competitiveness.

The B2B sector will also experience changes. The long-awaited Fiscalisation 2.0 system, along with mandatory e-invoicing, is being prepared by the Ministry of Finance. This will initially expand fiscalisation to transaction invoices, followed by mandatory e-invoices uploaded to the Tax Administration's system. E-invoices have been mandatory in public procurement since 2019.

Additionally, manufacturers are awaiting the resolution of changes to the EPR formula, coupled with an increased deposit fee to €0.10 which could further impact food prices. These regulatory changes are expected to streamline operations and improve compliance, but they also pose challenges for businesses adapting to new requirements.





CZECHIA

2024 IN REVIEW

- **The Pirate Party has exited government.** The Pirate Party's chair, Ivan Bartoš, was dismissed by Czech Prime Minister Petr Fiala due to issues with managing digitalisation. This led to the entire party's departure from government. Despite this, the ruling four-party coalition still holds a majority in the Chamber of Deputies.
- **In 2024, Czechia held three elections.** The opposition ANO movement, led by former Prime Minister Andrej Babiš, emerged victorious in the regional, Senate, and European elections.
- **Low confidence for Fiala's government.** The government, led by Petr Fiala, has been grappling with low public confidence for quite some time; as of December 2024, only 23% of the population expressed trust in the administration. Additionally, the government's policies have faced significant criticism, even from its own supporters.

2025 OUTLOOK

Election year

2025 in Czechia will be dominated by the elections to the Chamber of Deputies. These elections will occur after Prime Minister Petr Fiala, one of the few Czech prime ministers since 1993, has likely completed a full term in office.

As the elections, expected to take place in early October, approach, we can expect a year-long campaign. Current trends and pre-election polls suggest a relatively clear victory for the opposition ANO movement, led by former Prime Minister Andrej Babiš, which holds over 30% in most polls. The governing coalition parties, namely the SPOLU coalition (comprising the right-wing ODS, KDU-ČSL, and TOP09) and the centrist STAN movement, are significantly trailing.

Additionally, the Pirates, the extremist nationalist SPD movement, KSČM (the Communists now part of the Stačilo! (Enough!) coalition), and the Motorists are also expected to secure seats in the Chamber of Deputies.

Possible new government

A major question is the coalition potential of the populist ANO movement. In the last elections, ANO attracted votes from other parties with which it could have theoretically formed a governing coalition, resulting in those parties failing to enter the Chamber of Deputies. It is assumed that under the current leadership, none of the ruling parties will want to form a coalition with ANO. This leaves the parties currently hovering around the five percent threshold.

One of the most likely coalition partners at the moment is Motorists for Ourselves (Motoristé sobě), a right-wing populist party opposing the internal combustion engine ban and the European Union.

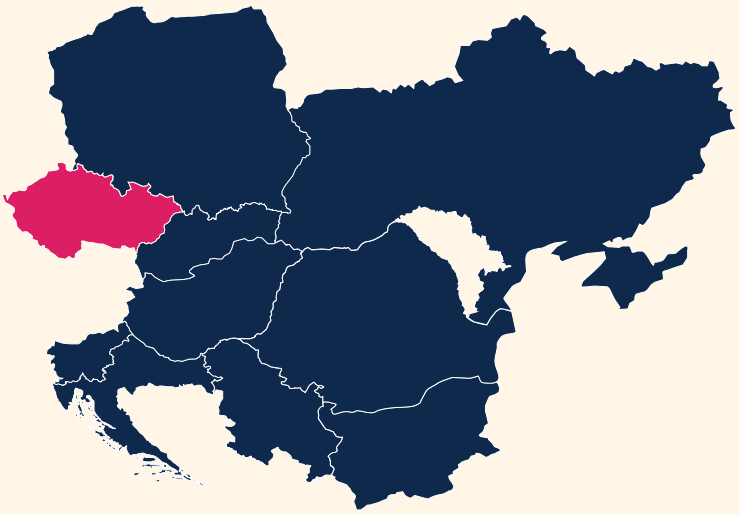
Main political topics

It should be noted that the elections will have a significant impact on the approval of new legislation in Czechia. Legislation currently not in the Chamber of Deputies is unlikely to pass, exacerbated by the current situation in the lower house of Parliament, which is largely obstructed by opposition as well as the prolonged consideration of individual laws.

As always, socio-economic issues are expected to be at the heart of the election campaign. Czechia has long suffered from significant regional disparities in salaries and living standards, which opposition parties have focussed on, and the current government has failed to address. ANO is criticising the government for its actions regarding pension reform and taxes. It is also focusing on issues related to housing, including the housing shortage. It is anticipated that the opposition will test whether their voters will accept, for example, a reduction in support for Ukraine. ANO leader Andrej Babiš appears to be drawing inspiration from the rhetoric of US President Donald Trump and Hungarian President Viktor Orbán, while current Prime Minister Petr Fiala identifies Babiš as a security risk. The ruling coalition is expected to emphasise its handling of the war in Ukraine since February 2022, the completion of the tender for the construction of new nuclear units and the overall provision of the country's energy security, or its well-managed presidency of the Council of the European Union.

Potential impacts

Although it is challenging to predict the impact of a potential new ANO government on the business environment this far before the elections, there are concerns about Czechia's slight isolationism within the European Union if Andrej Babiš continues to align closely with Slovakia and Hungary. Although Babiš's business interests, as one of the wealthiest Czechs, are firmly anchored in the European Union, the question remains whether he might trade these interests for national political influence.





HUNGARY

2024 IN REVIEW

- **Paedophilia scandal and economic troubles weakened Fidesz's position**
  In February 2024, Hungary was shocked by a scandal that led to the resignation of President Katalin Novák, who had pardoned an individual involved in covering up crimes of paedophilia. This moral crisis, combined with Hungary's economic problems, led to the erosion of public support for the government.

- **Former Fidesz insider turns into Orbán's major challenger**
  A new centre-right political entity was established, the TISZA party, led by former Fidesz insider, Péter Magyar.
  TISZA garnered 29.7% of the votes at the European elections, only three months after its founding. Poll averages show a neck-and-neck race between Fidesz and TISZA.

- **Hungary pursued a "political" EU presidency, facing wide scale criticism**
  Under the provocative slogan "Make Europe Great Again", PM Orbán went on a "peace mission" visiting Volodimir Zelensky, Vladimir Putin, Xi Jinping and Donald Trump. Many European leaders condemned Orbán for not having a mandate to represent the EU position.

2025 OUTLOOK

The transformation of the party system poses a serious risk to the government

Although the six opposition parties of the alliance that aimed to challenge Fidesz in 2022 will have seats in the Parliament until 2026, public support for them faded away. Current polls suggest that at the national level, besides Fidesz and its new challenger the TISZA party, there is only enough electoral support to sustain a maximum of two small parties: one on the left (most likely the Democratic Coalition led by former PM Ferenc Gyurcsány) and one on the far right (the Our Homeland Movement). If current trends continue, it is possible that TISZA will monopolise the representation of government-critical voters, while Our Homeland may become a potential coalition partner of Fidesz.

It seems that the government parties will continue pursuing a highly confrontational and polarising approach to stabilise their electoral base and prevent undecided voters and supporters of the old opposition gravitating toward Magyar's movement. The government will likely intensify Eurosceptic and anti-LGBTQ+ campaigns (potentially banning Pride march) while labelling political opponents and government-critical civil organizations as foreign agents to rally its base.

Coordinated attacks on Péter Magyar from pro-government media have been ineffective so far, hence Fidesz may consider further modifying the institutional framework, including changes to electoral rules, party financing, and the creation of electoral districts for Hungarians residing in neighbouring countries. The balance of electoral support will be largely determined by the state of the Hungarian economy.

The Hungarian economy will continue to struggle with structural problems

Although initial statements about the economy's recovery, were highly optimistic, the government recently revised its GDP growth forecast from 3.4% to 1.2%, a shift that will have significant implications for the budget.

Two major obstacles to growth are the slow recovery of consumption and the sharp decline of investments. The government aims to tackle these problems by introducing a new economic package that includes subsidised loans for young workers, support for SMEs, increased benefits for families and increased support for home building and renovation. Although the government is committed to implementing these morale-boosting measures before the 2026 election year, its capacity is severely limited by the increased national debt (74% of GDP is expected for 2024), substantial interest expenses, and the continued withholding of EU funds.

Economic output in 2025 will, to a large extent, be influenced by external factors. Hungary's economy is heavily reliant on the state of the German industry, and a prolonged recession in this sector poses a significant challenge. Additionally, potential US tariffs on European goods represent an indirect business risk. On the other hand, a notable opportunity could be the swift resolution of the war in Ukraine and the subsequent lifting of sanctions on Russia. Such developments could not only accelerate the further stabilisation of inflation – particularly through lower energy prices – but also create substantial opportunities for Hungary's construction sector, which is currently in recession, by taking part in the post-war reconstruction of Ukraine.

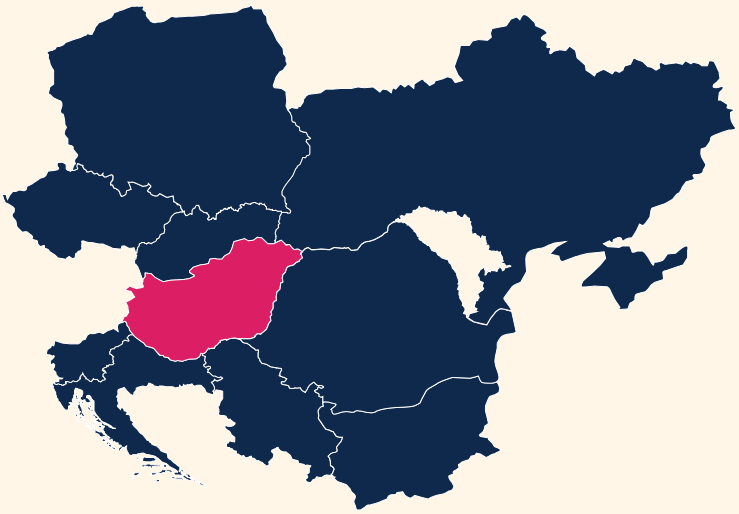
Isolation in Europe and global outreach

On 1st January, Hungary permanently lost €1bn in funds, part of a larger €20bn freeze, withholding development funds and post-COVID recovery aid. This financial setback comes amid Prime Minister Orbán's celebration of the success of 'sovereigntists' in the 2024 EP elections and EU Budget Commissioner Piotr Serafin's comments that Hungary's anti-corruption and rule of law measures were "not quite what we were hoping for". Both suggest that 2025 will likely a turbulent year for Hungarian-EU relations.

Orbán aims to play an active role in building a cross-national coalition of Eurosceptic and nativist forces, aspiring to become a leader within this group. Despite these ambitions, Hungary's influence remains relatively small. The new Patriots for Europe party family, co-founded by Fidesz, is predominately led by Marine Le Pen's National Rally. Further isolating Hungary is the replacement of Fidesz in the EPP by Péter Magyar's TISZA Party, which has received the full support from Manfred Weber.

On the global scale, Prime Minister Orbán seeks to position himself as a harbinger of peace and a leader against the "globalist world order". His special relationship with Trump may further elevate his profile in this regard. With Trump back in the White House, Orbán is likely to pursue a mediator role in potential peace negotiations to end the war in Ukraine. Although Hungary is unlikely to play an active role in this process due to mutual grievances between Kyiv and Budapest, any negotiations facilitated by Hungary would be a huge diplomatic success for the Orbán government.

Trump's election may signal increased tolerance from Washington for Hungary's balancing between East and West. The Hungarian government's strategy of "economic neutrality" which involves promoting trade and investment relations with Eastern powers, mainly China and Russia, could gain more leeway. However, Hungary's relatively small size underscores the limitations of this "third-way" foreign policy, especially as China hawks within the Trump administration, such as Secretary of State Marco Rubio, gained influence.





POLAND

2024 IN REVIEW

- **Tensions between PiS and Civic Coalition.**
  Following the 2023 elections, a new centre-left and pro-European coalition government replaced the Law and Justice (PiS) party. The new administration faced challenges such as institutional reforms, working in coalition with President Andrzej Duda (PiS), and two election campaigns. Internal tensions within the coalition have quickly emerged between the progressive and conservative factions on key policy issues.
- **Rebuilding EU relations.**
  Prime Minister Donald Tusk prioritized rebuilding Poland's EU relations, successfully ending the Article 7 procedure and unlocking frozen NRP funds. While these achievements strengthened Poland's standing in the EU, the key breakthroughs resulted more from political decisions than legal reforms.
- **Economic policymaking hindered by coalition disputes.**
  Despite stable inflation and moderate GDP growth, economic policymaking was hindered by coalition disputes over tax reforms, healthcare contributions, and investment strategies. Divisions over key projects like the Central Communication Port and renewable energy policies raised concerns about the government's stability and its ability to implement reforms in 2025.

2025 OUTLOOK

2025 Presidential Election is a defining moment

Polish politics in 2025 is expected to be shaped by one major event – the presidential election, which will test the stability of the ruling coalition and determine the trajectory of the opposition. The Election is scheduled for May 18, with a potential runoff on June 1. The two leading candidates are Rafał Trzaskowski, representing the centrist Civic Coalition (KO), and Karol Nawrocki, backed by the conservative Law and Justice party (PiS).

Trzaskowski, the Mayor of Warsaw, advocates for progressive policies, including LGBTQ+ rights and stronger EU integration. However, in recent weeks, there have been visible attempts to rebrand his image from a fairly liberal politician to a more centrist figure who understands the concerns of Poles from smaller towns. Due to his position as head of the Institute of National Remembrance, Nawrocki cannot be an official member of any political party – he is also less known to the public than Trzaskowski. He has so far focused on traditional Catholic values and patriotism. Opinion polls suggest a competitive race, with Trzaskowski currently holding a lead over other potential candidates.

For the ruling coalition, winning the presidential race is essential

Regardless of election results, the coalition government is likely to endure, though internal tensions and renegotiations of coalition agreements may arise depending on the election outcome. The presidential race will define the balance of power, with the ruling camp aiming to secure a candidate who can strengthen their government. Conversely, a defeat for Trzaskowski could lead to political paralysis, further legislative blockades, and potential shifts within the coalition structure.

The opposition, particularly the PiS, faces its own uncertainties. While its survival is not in question, and the elections will determine whether it can consolidate power or continues to lose influence to emerging political forces. Meanwhile, smaller parties, particularly those on the right, may continue to gain traction, challenging the traditional dominance of the two major political camps. There is still a possibility that an entirely new candidate could emerge and reshape the race, though the political landscape will likely remain centred around the familiar figures. We expect 2025 to be defined by the presidential election winner, with their ability to assert influence over Polish politics central to shaping the year ahead.

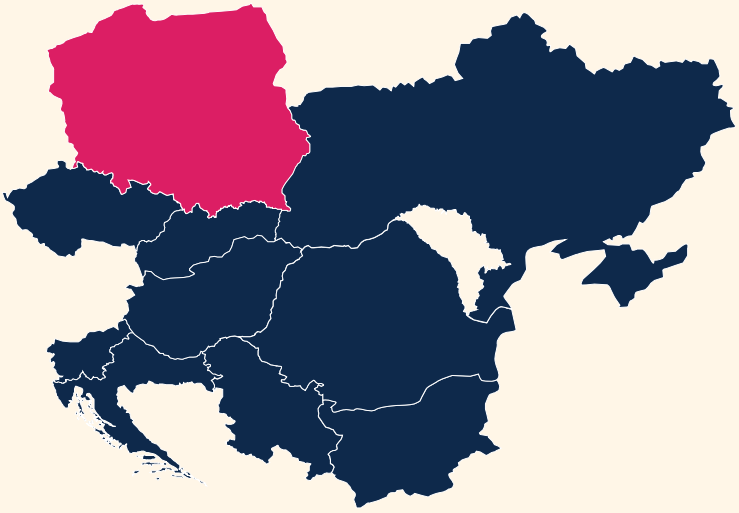
Poland faces the challenge of rebuilding its relationship with Donald Trump

This year may also prove pivotal in shaping Polish-American relations for the years to come. If the PiS-backed candidate wins the presidential election in Poland, relations between two presidents will likely be close and ideologically aligned - similar to the former PiS government' and Andrzej Duda's approach. In such a scenario, cooperation between the two presidents would likely focus on security issues, including strengthening the U.S. military presence in Poland and advancing strategic projects such as the construction of Poland's first nuclear power plant. However, Poland's relations with the European Union could weaken, especially if Trump takes steps to undermine Western unity within NATO and the EU.

On the other hand, if the candidate supported by PM Donald Tusk wins, tensions may arise between Warsaw and the White House due to Tusk's previous criticism of Trump and his pro-European stance. Under the ruling coalition leadership, Poland might seek closer ties with Berlin and Brussels. In this scenario, Poland could struggle to maintain strong U.S. engagement in the region, particularly regarding the conflict in Ukraine. Regardless of the election outcome in Poland, security and economic issues will remain the foundation of U.S.-Polish relations in 2025, although their nature will largely depend on the political orientation of Poland's next president.

A chance for improved Polish-Ukrainian relations

The year 2025 presents an opportunity to improve Polish-Ukrainian relations. While the end of 2024 saw a relative easing of tensions compared to its turbulent beginning, unresolved issues remain, and the challenges of the past year (border blockades, trade disputes, historical tensions and public mood in Poland) still cast a shadow. However, both countries have a shared interest in strengthening cooperation, particularly in security and European integration. Poland's presidency of the EU Council could provide a platform to advance Ukraine's accession talks, and efforts to depoliticize historical disputes may foster a more constructive dialogue. Despite potential obstacles, notably the presidential election, 2025 offers a chance for both nations to reset their relationship.



PRIORITIES FOR EU PRESIDENCY

As of January 1, 2025, Poland has assumed the EU Council Presidency under the motto “Security, Europe!”, emphasizing a broad vision of security across multiple sectors.

In defence, Poland will push for EU funding for Shield East, a strategic fortification project on NATO's eastern flank, and advocate for increased support for the European Sky Shield. Strengthening military ties with the U.S. and securing long-term aid for Ukraine, including initiating its EU accession talks, will be key priorities. However, achieving unanimity for Ukraine's accession negotiations may face challenges due to opposition from Hungary and Slovakia.

On internal security, Poland will focus on stricter migration policies, particularly regarding border control with Belarus, and enhancing cooperation on deportations. Economic security will centre on deregulation, investment incentives, and maintaining EU cohesion policy funding within the 2028-2034 budget framework. Poland will advocate for a competitive EU market, particularly in services, to drive economic growth.

In energy policy, it aims to lower energy costs while reducing reliance on Russian supplies, insisting that “decarbonisation must not lead to deindustrialisation” and pushing for nuclear power to be classified as green energy.

Food security will also be a priority, with Poland advocating for a revision of EU climate policies to ease CO_2 reduction targets and ensure a strong Common Agricultural Policy that better supports farmers and rural development. Warsaw remains sceptical of the EU-Mercosur trade agreement, questioning its potential impact on European agriculture.

In the digital sector, Poland will promote AI development, cybersecurity, and digital literacy to bolster the EU’s technological resilience, aligning with broader efforts to combat misinformation and cyber threats. Throughout its presidency, Poland is expected to strengthen Europe's strategic autonomy while addressing key security and economic challenges.





ROMANIA

2024 IN REVIEW

- **Super-election year culminating in the annulment of the Presidential Election**
  2024 was a super-election year in Romania, with local, parliamentary, presidential, and European Parliament elections all taking place. The results of the presidential election at the end of 2024 were annulled due to reports of irregularities and interference by a state actor.
- **Political crisis**
  Romania faced an unprecedented political crisis, with difficulties in forming a stable government due to the fragmented election results and the rise of extremist parties.
- **Romania's Entry into the Schengen Zone**
  On March 31, 2024, Romania, along with Bulgaria, successfully joined the Schengen Area, initially lifting air and sea border controls.

A SPECIAL OVERVIEW

Romania 2024: an electoral board game turned messy

It was expected to be an electoral drama series for Romania in 2024, but its final episode turned into a thriller with dystopian traits.

Romania, a country known for its strong pro-European stance, unconditional NATO membership, and loyalty to the United States, produced a surprise finalist in its Presidential elections: 62-years old Calin Georgescu, a largely unknown, independent politician with Russian sympathies and far-right beliefs, advocating neutrality and ethno-centric nationalism.

All hell broke loose in the Romanian society after this result, with sovereigntists gaining ground and pro-European politicians trying to understand, regroup and maintain control. The country's main institutions struggled for explanations and solutions.

The Constitutional Court decided to cancel the Presidential elections round for a complete reset of the ballot, based on secret service reports about alleged Russian influence via social media and electoral financial fraud. It is a decision many say was the most appropriate one, albeit illegal.

How was this saga possible? The explanation lies in the behaviour of Romanian politicians, who masterminded board-game electoral manoeuvring in 2024 to gain votes instead of playing the old good vs bad campaigns.

Duopoly of parties and different strategies across elections

For the European Parliament elections, in June 2024, the two ruling coalition parties, the Social Democrat Party (PSD) and the National Liberal Party (PNL) decided to run on a common list of candidates, while for the local elections, held at the same time, they made alliances everywhere possible to outnumber competitors. It worked out, with the two parties winning more than 50% of EP seats while each also gained significant footprint in municipal and local elections.

In Presidential elections, though, the two parties decided to fight each other, with PSD's candidate, Prime Minister Marcel Ciolacu, and PNL head, former Senate Speaker Nicolae Ciuca running against each other.

To ensure final victory, PSD wanted Ciolacu to face sovereigntist George Simion of the opposition Alliance for the Unity of Romanians (AUR) in the runoff. And the party ordered tens of thousands of the party votes to be informally directed towards Simion.

On the other side, a controversial social media campaign financed by PNL, mainly on TikTok, and flagged by secret service reports as an interference in the normal electoral campaign, gave a major boost to the surprise candidate Calin Georgescu. While it remains to be seen if Russian players hijacked PNL's campaign, the result was simple: neither PSD's Ciolacu nor PNL's Ciuca reached the runoff, while Georgescu won the first round of Presidential elections with 23% of the votes.

The aftermath

Georgescu's victory and the cancelation the Presidential elections have suddenly boosted nationalist and sovereigntist sentiments. His rhetoric is a mixture of nationalism, esoteric, religious, and ethno-centric elements. He says political parties should disappear, questions the benefits of NATO and EU membership, and believes in the "Russian wisdom." He says Romania has enough resources to sustain itself and that a negotiated neutrality was the country's only way to avoid being dragged into a war with Russia.

His rise as the winner and the elections' cancellation divided Romanian society to levels unseen since 1990s, when the anachronic left fought pro-reform parties in the aftermath of the country's anti-communist Revolution. For the first time, Romania's alignment with the EU's position on the Russo-Ukrainian war was loudly challenged, while the anti-system sentiment turned into a total denial of democratic institutions and processes.

Still, the pro-Western parties scored a victory over far-right sovereigntists in the parliamentary elections in December 2024, although not a decisive one. PSD emerged first, with some 22.5%, followed by sovereigntist AUR, 18%; the centre-right PNL, 14%; centrist Save Romania Union (USR), 12%; far-right sovereigntist SOS 7%; the party of ethnic Hungarians, UDMR, 6.5%; and the Party of Young People (POT), which claimed supporting Calin Georgescu, 6%.

New coalition holds tight majority in the Parliament

PSD, PNL, the party of ethnic Hungarians, UDMR, and the group of ethnic minorities formed a new ruling coalition - a slightly amended version of the previous one. It has, however, a much weaker majority, with just 244 seats in the new Parliament, out of the 465, or 52%. The opposition is divided between sovereigntists and far-right groups, which control nearly 35% of the seats, and the centrist, progressive Save Romania Party (USR).

The new Cabinet, which took office in December 2024, is led again by Social Democrat Marcel Ciolacu, and is largely formed by the previous team, with just four new faces among its ministers.

The first measures the new government took were economic. With a public deficit running close to 9% of the GDP due to years of populist spending, the government moved quickly to freeze pensions; freeze wages in the public sector; raise taxes for capital and small and medium enterprises; and eliminate fiscal benefits for workers in sectors such as IT and constructions.

With the no-change in the political establishment and administration, and the unpopular economic measures, is no wonder the anti-system sentiment is growing by the day.

2025 OUTLOOK

2025: Apocalypse Now?

Is Romania under threat to fall under the Russian influence? Will EU and NATO membership be challenged? Will the country join the ranks of those that give headaches in Brussels, such as Hungary and Slovakia, and revisit its political and economic ties to Russia? Very likely not.

Anti-system and nationalist sentiments aside, most Romanians still see NATO membership as critical for defense, and the EU membership as beneficial for economic development and prosperity. Notably, Russia has never benefited from sympathy among Romanians. However, the nationalists and sovereigntists parties will continue to gain ground, and we might find them in the future administrations sooner rather than later.

The milestones of 2025 – presidential elections, fiscal reforms and public sector adjustments – will provide the foundation of the country's near future.

The prospects aren't encouraging. The re-run of Presidential elections, scheduled on May 4th, with the runoff on May 18th, will likely see a fight between a pro-Western and a far-right/sovereigntist candidate. But whoever wins, they will have little power to change the administration: the government has been already voted in. Nevertheless, the Romanian President still has significant power as it appoints secret service chiefs and top magistrates and is the supreme commander of the Army.

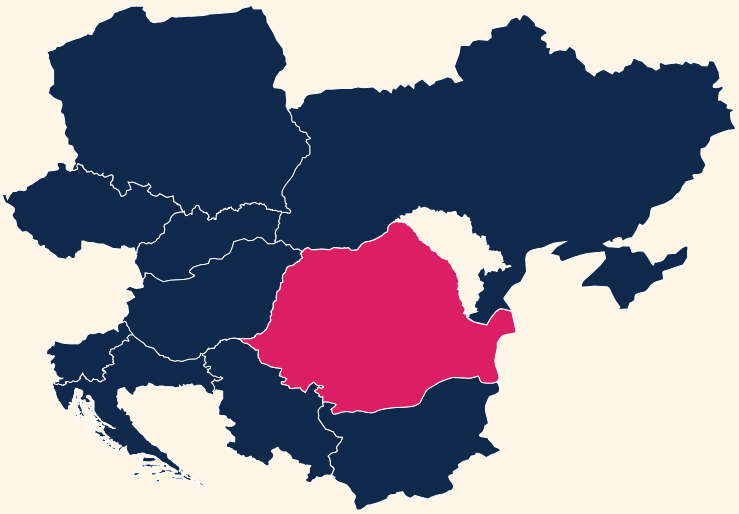
At present, the ruling coalition said it has chosen Crin Antonescu, a former Liberal leader, as its common candidate. Antonescu led a series of controversial actions in 2012 trying to impeach then President Traian Basescu before taking a 10-year sabbatical. He said he spent his life in Brussels living on the income provided by his wife, former European Commissioner Adina Valean, before returning to politics with his 2025 candidacy for Romanian Presidency. In addition to Antonescu, the current Mayor of capital Bucharest, Nicusor Dan, announced his intention to run, so far.

It is not clear if Calin Georgescu would be let to run again but if his candidacy is denied on Constitutional grounds, he might decide to support another sovereigntist candidate, maintaining the prospect of a far-right President for the next five years.

Economic reforms are required

The pro-Western candidates will have a hard time proving themselves in the electoral campaign, especially due to the painful economic reforms they need to take to bring Romanian economy back on track. The budget deficit needs to be reduced by nearly 2%, to reach the target of 7% of GDP. Inflation is at 5%, while rating agencies Fitch and S&P revised their outlook for the Romanian economy to negative, raising the threat of the country being sent into the junk category (which would make financing impossible and risks causing the economy to default).

We will see political players adapting themselves to the new realities and increasing nationalist rhetoric while maintaining EU and NATO loyalty. But economic woes will take the front seat, and Romania will no longer be an example of political, social and economic stability in the region. Brace for impact.





SLOVAKIA

2024 IN REVIEW

- **Robert Fico under attack**
  The most important political event was the assassination attempt on PM Robert Fico on May 15, 2024. The 71-year-old attacker, acting alone and reportedly motivated by political dissatisfaction, was arrested. This assassination attempt has further deepened divisions within Slovakia's political scene.

- **Presidential and EU elections**
  In the 2024 Slovak presidential election, Peter Pellegrini from the governing Hlas party won against independent candidate Ivan Korčok, who was backed by opposition parties. Pellegrini's victory was seen as a boost for PM Fico's coalition.

- **Consolidation**
  The year 2024 was marked by significant efforts from the government to stabilise public finances and reduce the state budget deficit. Among the most notable changes were the introduction of financial transaction tax for business entities, the VAT increase to 23% (up from 20%), higher income tax for business entities with turnover higher than 5 million €, and higher specialised taxation for selected industries, including refineries and telecommunications companies.

2025 OUTLOOK

Fragile coalition

The Slovak government has started the new year facing major challenges, as Prime Minister Robert Fico deals with internal coalition disagreements, a confidence vote, growing opposition pressure, and a narrow majority in Parliament.

During 2024, two groups of dissatisfied coalition MPs emerged with their own demands. One group within Hlas has been criticising the handling of legislative proposals and asking for structural changes. The second group, led by Rudolf Huliak, consists of former SNS MPs seeking greater influence.

In response to these tensions, Prime Minister Fico admitted that early elections might be necessary if SNS and Hlas fail to secure a majority in Parliament. He set a March deadline to address the issues and suggested the possibility of a government reshuffle, although this could further destabilise the coalition.

Polls show a slight shift in voter preferences, with Smer-SD initially leading at 24.2% shortly after the assassination attempt in May 2024. However, recent polls indicate Progressive Slovakia (PS) has overtaken Smer, now leading with 23% to Smer's 22.2%.

Foreign Policy

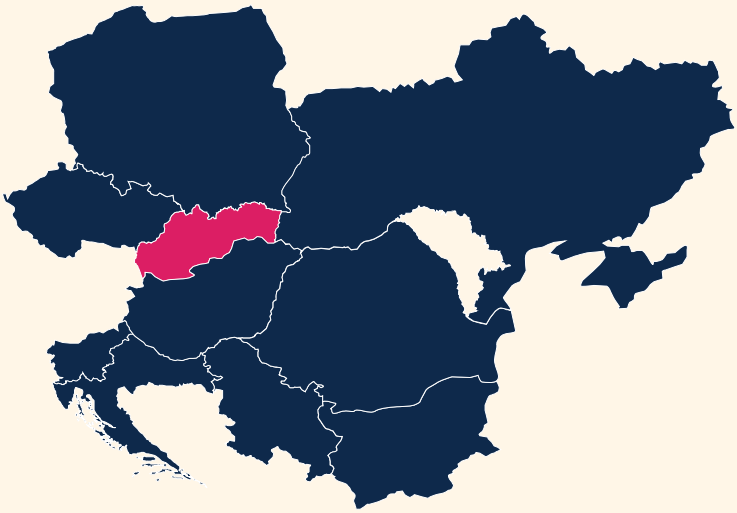
Robert Fico's visit to Moscow in December, where he met with President Putin, caused a stir on the domestic political scene. Several representatives of the opposition and from public life condemned this unilateral step by the Slovak Prime Minister. There will be an ongoing discussion about the relationship with Russia compared to other European states. He is also expected to attend the military parade in Moscow on 9th May.

Donald Trump’s victory in the U.S. was welcomed by the current Fico government, given that his views align with Slovak PM Robert Fico’s foreign policy positions, particularly on issues such as illegal migration, stronger economic ties with China, and a pragmatic approach to the war in Ukraine. Fico and Hungarian PM Viktor Orbán have strengthened their alliance. It is a huge question how Fico will act within the European Union.

Consolidation in 2025

By the end of 2024, the Ministry of Finance confirmed the most recently approved consolidation measures are not sufficient to achieve a reduction of the deficit to 3% of GDP; thus, another round of consolidation must be executed in 2025.

Meanwhile, the Ministry of Finance published a plan to combat tax evasion, which was presented as one of the activities of a wider consolidation effort. One of the key changes outlined is a major rework of the legislative framework for cash registers and sales reporting, including the introduction of mandatory e-invoices for all private and state entities. Another major change planned to be introduced is mandatory acceptance of digital payments.





SLOVENIA

2024 IN REVIEW

- **Slovenia: Politically stable however faced challenges**
  There were five ministerial changes (Agriculture, Justice, Digitalisation, Education and Defence), three of which were the result of political scandals.
  A consultative referendum on the construction of a second nuclear power plant, with estimated costs ranging from EUR 9.3bn to EUR 15.4bn, was planned, supported by both the coalition and the opposition. However, after media disclosures of political manoeuvres to circumvent legislation in order to speed up the project, the Slovenian Parliament unanimously decided to cancel the referendum.

- **Inflation under control**
  Slovenia's inflation rate was among the lowest in the EU, with an annual rate of 1.86%. This was not only a significant decrease from 4.17% in 2023 and 10.26% in 2022, but also significantly lower than the 2024 EU average.

- **Reform of the public sector pay system**
  The government and public sector unions signed collective agreements that will bring the biggest overhaul of the public sector pay system in 15 years, ending a year of white strikes by many workgroups. Public sector wages of 190,000 public servants and officials will rise on average by 12%, for some the rise will be up to 40%.

2025 OUTLOOK

The last year before parliamentary elections

2025 will be the "make or break" year for the current government as their term ends in 2026. Regular parliamentary elections should be held in early 2026. While coalition parties Freedom Movement, Social Democrats and the Left are busy with their own internal issues, opposition waters are getting rocky as well. The strongest opposition party, centre-right Democrats led by steel president Janez Janša, have been abandoned by a few of their longstanding members, including a significant group of seasoned MPs.

On the right side of the political spectrum, new parties have been forming: Marko Lotrič, influential businessman and president of the National Council (the lower house of Parliament) has founded a new liberal party. A second centre-right party has been founded by former vice-president of the Democrats, Anže Logar, who for a long time had been seen as the successor Mr. Janša at the helm of the Democrats. It is yet to see if and how will those emerging players manage to upset the existing electoral balance.

This is quite strong - perhaps change to something like "As we head towards the election in 2026, expect increasingly hostile briefings as the parties change to a campaign footing.

Time pressure for adoption of legislation

While elections are approaching fast, time is running out for the current coalition to deliver on its previously promises to voters; this is particularly true for the largest coalition party, Freedom Movement. Voters, many of whom placed the Freedom Movement in power through protests against the previous centre-right government, are also waiting for the current government to fulfil pre-election promises about reforms, from tax to health, pension and housing.

In the last weeks of December, the government outlined its proposed tax changes, offering a potential real estate taxation rather than promised housing reform. This move was not taken well by the public. PM Robert Golob's argumentation that "work needs to be relieved, and instead property should be taxed more" did not convince the public. A similar scenario has been going on regarding the national health system, where despite promises of a deep health reform the government's proposed changes of the healthcare system are causing division in society.

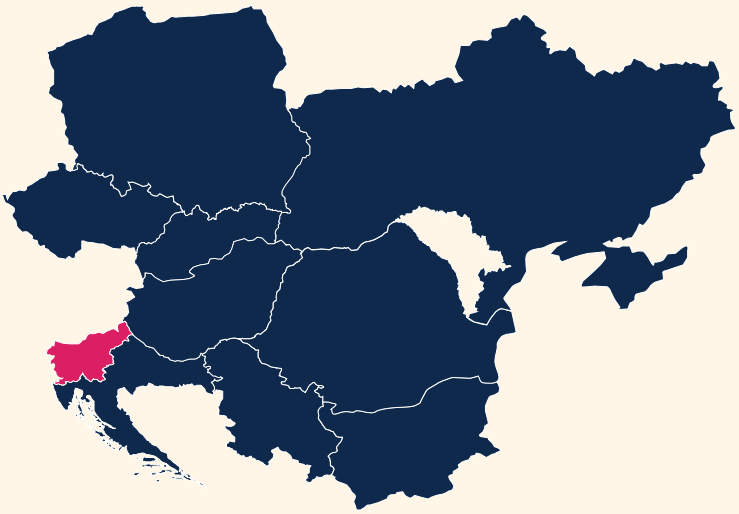
Slovenia in space and in the centre of EU culture

The novelty that the government is trying to capitalise on as its own achievement is undoubtedly Slovenia's accession to the European Space Agency (ESA). Slovenia is joining ESA as a full member in a milestone that will create opportunities for business and science and strengthen the country's competitiveness in the global space industry.

Another important achievement for 2025 the government wants to capitalise on is the fact that Slovenian town of Nova Gorica is to become the Europe's first borderless Capital of Culture along with neighbouring Italian town of Gorizia. Through this Slovenia hopes to step into the spotlight, showcasing its rich culture, world-class art, vibrant creativity and unique heritage to a global audience.

Slovenia in the heart of the White House again

The inauguration of the new US President Donald Trump puts Slovenia back in the spotlight. First Lady Melania Trump is of Slovenian descent. Several Slovenian businessmen, politicians and social figures were also invited to the inauguration ceremony. Many hope that the First Lady's influence on the president of the world's largest democracy will also bring certain benefits for Slovenian interests in the world. Whether this will be the case remains to be seen.





SERBIA

A VIEW FROM OUTSIDE EU

2024 IN REVIEW

- **Seemingly "calm" year**
  Following the results of parliamentary elections held in December 2023, and the formation of the new Serbian government in May 2024, everything seemed as if Serbia would have another "calm" year with no significant changes in its foreign or domestic politics, and a continuation of stable and strong governance of the ruling Serbian Progressive Party (SNS) and President Aleksandar Vučić.

- **Novi Sad accident triggered big protests**
  The collapse of the Novi Sad railway station canopy in November 2024, resulting in 15 fatalities, led to large citizen and student protests. This represents a resilience test for Serbia's ruling establishment, which may lose political credibility and influence during the remainder of 2025.

2025 OUTLOOK

Sanctions against NIS and energy policy

Although Serbia successfully managed to navigate its international position by not aligning its foreign policy with Western countries in recent years, and by refraining from imposing sanctions on Russia since the start of the Ukraine war, the U.S. Department of the Treasury imposed sanctions on the Serbian Oil Company (NIS) on 10 January. These sanctions, which also targeted over two dozen Gazprom Neft and Surgutneftegas subsidiaries worldwide, could push Serbia further away from Russia, especially if Serbia decides to take over shares held by Russian companies without their consent.

Local politicians are currently seeking to assure citizens that a solution for NIS will be found and that there will be no shortages of oil (and oil derivatives), or any threat to NIS operations that may bring significant economic issues - both in terms of availability and prices of oil derivatives and NIS contribution to the Serbian GDP. This must be achieved while maintaining good relations with both Russian and Western partners.

Additionally, Serbia's heavy dependence on Russian gas is also a topic for concern. Although no gas-related sanctions are currently on the horizon, any future threats to gas supplies or significant price increases due to weakened bilateral relations between Serbia and Russia could negatively impact both consumers and businesses in terms of inflation, worsening of conditions on the labour market, or slowing down the GDP growth.

East or West

In understanding the implications of US sanctions against the NIS, it is important to note that throughout the past year - despite the ruling establishment's continued promotion of good relations with both Western and Eastern partners - Serbia has made several significant moves to align itself more closely to the US and the EU. This is particularly evident in the energy sector, with steps such as the reactivation of the lithium mine 'Jadar project', signing of memorandums of understanding between Serbia and the EU related to the sustainable and critical raw materials, battery production chains and electric vehicles, and the agreement on strategic energy cooperation between Serbia and the United States.

While these developments suggest that the potential removal of Russian partners from NIS ownership (justified by US sanctions) could be one of the final steps in Serbia's shift toward Western partners, it remains uncertain whether the Serbian ruling establishment will be prepared to take such a decisive measure. Instead, it may continue its longstanding strategy of balancing between the two sides for as long as possible.

Citizen protests

Citizen protests, sparked by the collapse of the Novi Sad railway station canopy in November intensified by mid-January. The protests have grown due to police brutality in Novi Sad and attacks by individuals linked to the SNS on students participating in the demonstrations. These events have fuelled what appears to be the largest protest movement against the ruling establishment in decades, highlighting alleged negligence and corruption.

The ruling establishment is struggling to find an effective response to the wave of protests and the blockades of universities and some schools, with recent responses ranging from increased violence to delivering proposals to placate protestors. The latter includes a housing loan initiative for students - offering properties for under EUR 1,000 announced by President Vučić in late December - the promise of a significant anti-corruption campaign beginning at the end of January, and finally, the Prime Minister's Vučević resignation at the end of January. So far, none of these measures have pacified the dissatisfied citizens.

It remains unclear whether the ongoing protests and calls for a general strike will lead to significant short-term changes in Serbia's political landscape, and though long-term changes seem inevitable, their direction is still uncertain. The recent resignation of the PM has led to expectations that another round of snap elections may be called in the spring, although this idea is currently strongly opposed by both opposition parties and student representatives. If a snap election is scheduled without changes to election conditions, a significant shift in the ruling SNS's position is unlikely, though changes in coalition partners may occur. However, with three key unknowns in Serbia's current political equation (the next moves of the ruling establishment, opposition parties, and student representatives) it is nearly impossible to predict how the situation will unfold in the coming days, weeks, or even months.

Sustainability of Serbian economy

Although Serbia recorded relatively significant GDP growth in 2024 (estimated at 3.9%), and local politicians predict even stronger growth in 2025, the question of the sustainable long-term development of the Serbian economy remains open. In addition to well-known challenges such as insufficient development of the private sector and competition rules, as well as issues like corruption and the lack of rule of law, experts agree that additional structural changes are necessary for sustainable economic development.

A greater focus on innovative sectors, rather than traditional ones, is seen as key. Moreover, the inflow of foreign direct investments in Serbia is projected to slow down in the coming years as the advantage of attracting investments through a cheaper workforce diminishes. Recognising that economic growth in Europe may also remain sluggish, leading economists and politicians, including President Vučić, have announced that Serbia will focus on attracting more investments from countries such as China, India, and nations in the Arab world and Africa.





UKRAINE

A VIEW FROM OUTSIDE EU

2024 IN REVIEW

- **Critical situation on the battlefield**
  The situation on the battlefield became more critical for Ukraine in 2024. A shortage of weapons due to a six-month halt in US military assistance and the failure to address key personnel shortages left the country struggling to deploy an effective defence. The change in the White House further complicated the situation, making future military aid uncertain.

  Ukrainian forces conducted an offensive in Kursk and occupied several territories in the Russian region – potentially to use as leverage in any future peace talks.

- **Start of EU negotiation**
  The EU made a historical step in its relationship with Ukraine by officially opening accession negotiations. The formal accession negotiations began on June 25, 2024.

2025 OUTLOOK

Peace Negotiations

Ukraine's political landscape in 2025 is highly complex and hard to predict. The ongoing conflict with Russia continues to dominate the national agenda, influencing both domestic and international policies.

In 2025, the conflict between Ukraine and Russia has several potential scenarios, each with significant implications for the region's future. One possible scenario involves successful ceasefire negotiations. The return of Donald Trump and renewed negotiation efforts might lead to a temporary halt in hostilities and allow Ukraine to lift martial law and hold elections. Alternatively, if negotiations fail, the war could continue with heavy fighting and no clear resolution in sight. A third scenario involves an escalation of the conflict. Increased military efforts from both sides could intensify the conflict, potentially drawing in more direct support from Western allies for Ukraine. The last course of events would further complicate efforts to achieve a peaceful resolution.

The return of Donald Trump to the U.S. presidency has created high anticipation of potential negotiations. On one side, Ukraine seeks security guarantees and NATO membership, while on the other Russia demands that Ukraine renounce its NATO aspirations and significantly reduce its military capabilities, creating a significant challenge for the negotiations. The U.S. is expected to play a significant role in facilitating these talks, but the terms of any potential deal remain disputable.

Possibility of elections

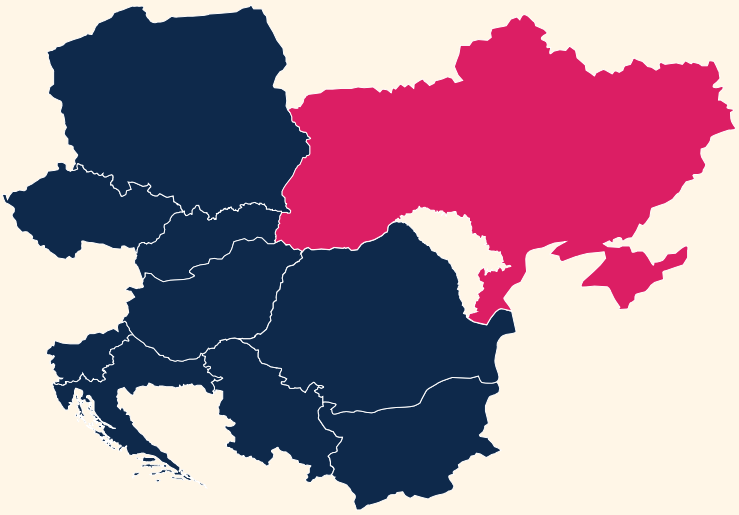
The possibility of negotiations and a ceasefire that could end martial law is driving momentum in election planning. Politicians are launching their campaigns despite the uncertainties and the significant organisational and technical challenges. Various former and current politicians have become active in the media. Additionally, well-known volunteers, military personnel, and veterans are also increasing their visibility.

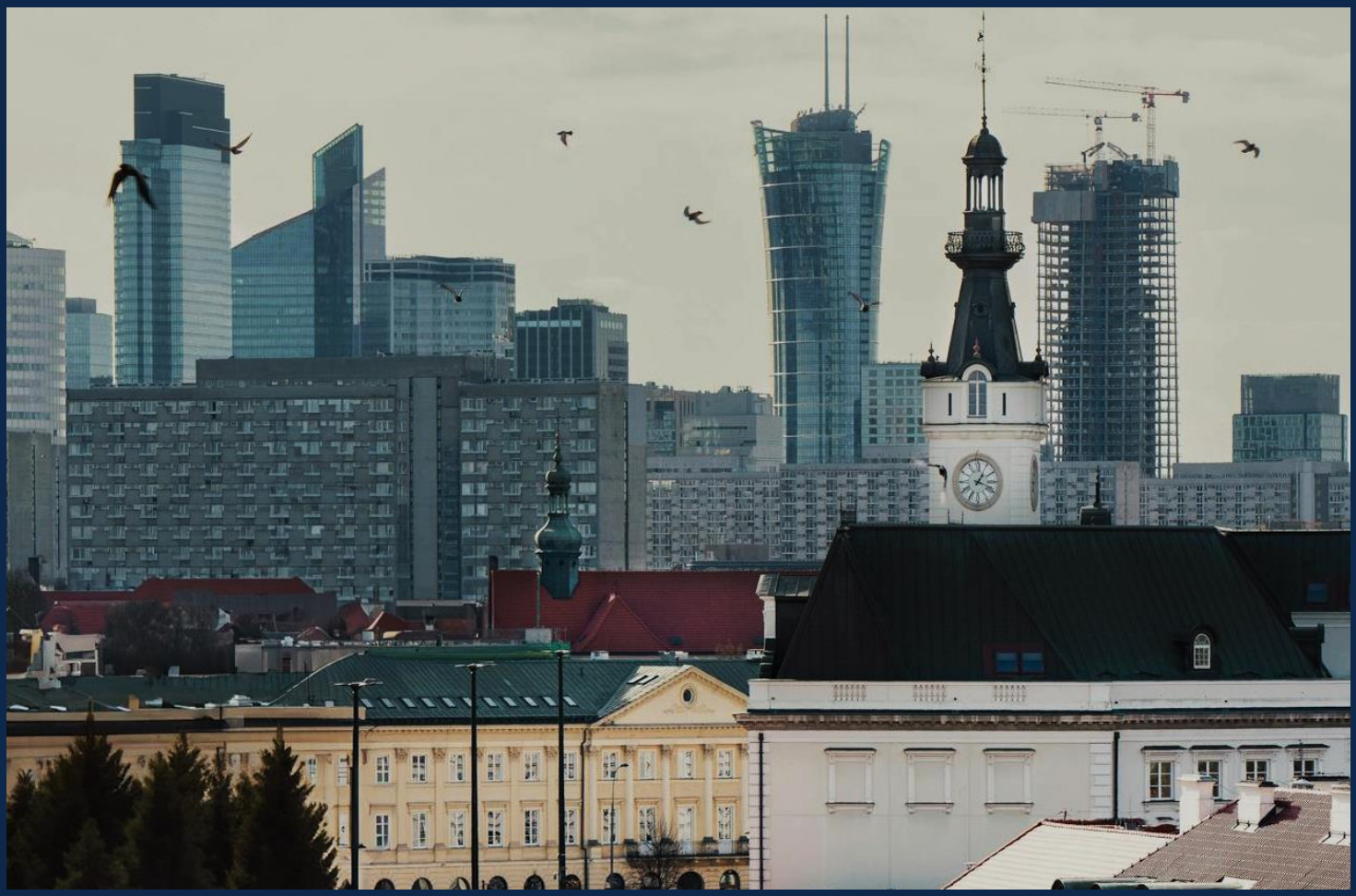
Ukraine must balance its economic needs with military demands. President Volodymyr Zelenskyy faces significant challenges in maintaining military mobilisation (major difficulties in recruiting and mobilising personnel for the front lines) and managing the humanitarian crisis caused by continuous attacks on civilian infrastructure. The potential for elections adds another layer of complexity, as martial law currently prevents them along with Ukraine's parliament facing significant challenges in securing the necessary votes to pass key legislation. Navigating these internal pressures while maintaining international support will be crucial for Ukraine.

Economy outlook

In 2025, there are no prospects for a significant improvement of the economic situation in Ukraine. The economic recovery continues to be hampered by the difficult security situation, a shortage of skilled workers, and Russian shelling of energy infrastructure.

Sustaining international support, especially from Europe, is becoming more challenging due to economic pressures and Russian influence. The ongoing hybrid warfare tactics by Russia continue to pose significant threats. However, Europe is stepping up support for Ukraine, especially in light of potential changes and uncertainties in U.S. aid policies. The new administration under Donald Trump has indicated a desire to maintain support, albeit with potential recalibrations.





Grayling has the most comprehensive footprint of any agency in Central and Eastern Europe. With 10 offices across the region, our network in CEE is the main area of differentiation from the other international networks. Contact us if you need more details or need support in CEE region.

Through its offices in CEE, U.S., Brussels and London, Grayling is strongly positioned to support clients with market intelligence, Public Affairs activities, stakeholder outreach.

The images in this document are sourced from Pexels

Peter Fecko
Regional CEO, CEE
+421 905 213 136
peter.fecko@grayling.com

Natasa T. Stambak
Managing Director, CEE
+385 98 583 933
natasa.trslic@grayling.com

Klara Banaszewska
General Manager, Poland
+48 601 901 129
klara.banaszewska@grayling.com