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European Region

• Moody's: "Sovereigns – Central and Eastern Europe: 2025 Outlook - Stable on Faster Growth Amid Significant Geopolitical and Trade Risks" (Jan 15)

• Moody's: "Banks – Europe: ECB's Fourth Interest Rate Cut of 2024 Will Strain Banks' Margins but Support Lending Recovery" (Dec 12)

• S&P: "Central and Eastern Europe Sovereign Rating Outlook 2025: Now More Complicated" (Dec 12)

• Fitch: "Poland and CEE Outlook for the Regions' Economies and Ratings" (Jan 30)

• Fitch: "European Spending Appetite for Consumer Goods and Retail to Gradually Return in 2025" (Jan 29)

• Fitch: "European Distressed and Default Monitor – December 2024" (Dec 23)

• Fitch: "European ESG MMFs 3Q24 Update: Flows and Regulatory Guidelines" (Dec 19)

Central 1 & 2

• Fitch: "Austria Rating Report" (Jan 20)

• Moody's: "Government of Czech Republic – Aa3 Stable: Regular Update" (Jan 28)

Eastern & Eastern 2

• Moody's: "Government of Türkiye – B1 Positive: Regular Update" (Jan 28)

Nordic

• Fitch: "Norway Rating Report" (Jan 20)

Northwestern 1 & 2

• Moody's: "Government of Bulgaria – Baa1 Stable: Update Following Rating Affirmation, Outlook Maintained Stable" (Jan 28)

• Moody's: "Government of Germany: Tackling Economic Difficulties Key to Germany's Future Credit Strength" (Jan 22)

• Fitch: "Luxembourg Rating Report" (Jan 06)

• Fitch: "Fitch Affirms the Netherlands at 'AAA'; Outlook Stable" (Jan 24)

Other Advanced Economies

• Fitch: "Fitch Ratings: Lasting Gaza Ceasefire Would Ease Credit Risks in Israel and Wider Region" (Jan 21)

Poland & Baltics

• Fitch: "Fitch Affirms Estonia at 'A+'; Outlook Stable" (Jan 17)

• Moody's: "Government of Latvia – A3 Stable: Regular Update" (Jan 28)

• Fitch: "Lithuania Rating Report" (Dec 19)

Southeastern 1 & 2

• Fitch: "Romania Rating Report" (Dec 24)

Southern 1-3

• Moody's: "Government of Andorra – Baa1 Stable: Regular Update" (Jan 22)

• Fitch: "San Marino Rating Report" (Jan 13)

BOOKS

The Great Curse: Land Concentration in History and in Development

Berry, Albert R.

In 'The Great Curse', Albert Berry reviews the main episodes of agrarian reform undertaken in the twentieth century to remedy land concentration, including those of major communist and capitalist countries. He provides an understanding of when landholding inequality arises, what implications it has for development in the short and long term, and what potential policies can fix it. Berry makes the case that agrarian reform has resulted in enormous benefits, from the lowering of income inequality and social depravation to a rise in total agricultural output and faster overall growth.

Local Energy Transitions in Europe: From Practice to Theory

Drewello, Hansjörg, Margot Pellegrino, and Thierry Vilmin

This book explores the implementation of the EU climate goals at the local and regional level. It sheds new light on local energy transition from an interdisciplinary perspective that includes spatial, economic, environmental and political aspects. Presenting several case studies of local communities across Europe, the book highlights challenges and success factors of decentralized energy transition processes in different urban systems and national contexts.

Voices in Europe: Experiences, Hopes and Aspirations of Forcibly Displaced Persons from Ukraine

OECD

Since Russia's large-scale war against Ukraine began, millions have fled their homes seeking safety. This report synthesizes findings from the Survey of Arriving Migrants from Ukraine (SAM-UKR), conducted by the EUAA and OECD. It covers themes like demographics, reasons for departure, journey experiences, life in the host country, return intentions, and future aspirations. The report also includes over 1,500 personal testimonies, providing insight into the decision-making process and emotional state of displaced persons, highlighting their struggles, anxieties, hopes, and aspirations.

Pax Economica: Left-Wing Visions of a Free Trade World

Palen, Marc-William

Today, free trade is often linked with right-wing free marketeers. However, in Pax Economica, historian Marc-William Palen reveals that free trade and globalization have roots in nineteenth-century left-wing politics. Starting in the 1840s, left-wing globalists led peace and anti-imperialist movements. By the early twentieth century, liberal radicals, socialist internationalists, feminists, and Christians saw free trade as key to a prosperous and peaceful world. This vision clashed with the era's nationalism, protectionism, and colonial expansion. For radical left-wing adherents, free trade critiqued imperialism, militarism, and war.

WORKING PAPERS

Climate-linked Bonds (Working Paper Series No. 3011, European Central Bank)

Climate-linked bonds, issued by governments and supranational organizations, are pivotal in advancing towards a net-zero economy. These bonds adjust their payoffs based on climate variables such as average temperature and greenhouse gas emissions, providing investors a hedge against long-term climate risks. They also signal government commitment to climate action and incentivize stronger policies. The price differential between climate-linked bonds and nominal bonds reflects market expectations of climate risks. This paper introduces a model of climate risk hedging and estimates that approximately three percent of government debt in major economies could be converted into climate-linked bonds.

Why Do We Need to Strengthen Climate Adaptations? Scenarios and Financial Lines of Defense (Working Paper Series No. 3005, European Central Bank)

Adaptation needs are vast, rising fast and difficult to determine in their entirety, especially with uncertain adverse scenarios due to climate inertia and implementation lags. Adaptation is hindered by a lack of a unified understanding of what it necessitates; the challenge in pointing out its costs, benefits, and residual risks; insufficiently prescriptive policy and legal frameworks; and the growing financing gap. Conversely, we now have better granular climate data to study the impacts of climate hazards and forecast climate risks; there is awareness that adaptation choices must be dynamic and reactive; and there is an increasing pool of case studies from which to learn.

Trust in Central Banks (Working Paper Series No. 3006, European Central Bank)

Trust in the central bank is an essential ingredient for a successful conduct of monetary policy. However, for many central banks trust has recently declined, for instance in the wake of the post-pandemic inflation surge, due to large errors in central banks' inflation forecasts, or given problems when exiting from forward guidance. The rapid, substantial and persistent erosion of trust makes it clear that trust needs to be earned continuously. This paper reviews why trust is important, what determines it and how central banks can enhance it. It also argues that it is important for central banks to improve the measurement and monitoring of trust. It ends by highlighting some future challenges for maintaining trust.

Time-varying Risk Aversion and Inflation-consumption Correlation in an Equilibrium Term Structure Model (Working Paper Series No. 3012, European Central Bank)

Inflation risk premiums are positive in economies hit by supply shocks and negative if demand shocks dominate, fluctuating with risk aversion. Using a linear-quadratic equilibrium microfinance model, we find that changes in inflation-consumption correlation drive nominal yields, while changes in risk aversion drive real yields and amplify nominal yields. A trend-cycle specification of real consumption with hysteresis effects creates an upward-sloping real yield curve. Estimating the model on US data from 1961 to 2019 shows substantial time variation in inflation risk premiums: positive in the early part of the sample, especially during the 1980s, and turning negative with the new millennium.

Transport Inputs to the Western Balkans Green Growth Narrative: Strategic Actions for a Greener and More Efficient Transport Sector (Policy Notes, 2025, World Bank)

The World Bank's report for the WB6 highlights opportunities for the transport sector to support green, resilient, and inclusive economic development (GRID). It covers both passenger and freight transport, focusing on economic growth, air quality improvement, and sector decarbonization. The report emphasizes the need for investment in GRID to recover from the COVID-19 crisis and address the Energy Crisis. Policies, institutional reforms, and transport sector investments are crucial for a resilient, inclusive, and sustainable recovery.

Türkiye's Circular Economy Transition in the EU's Global Value Chain Ecosystem (2025, World Bank)

This report examines the transition of Turkish firms to align with circular economy (CE) principles, highlighting both immediate needs and the longer-term opportunities from engaging in a transition agenda. The report stresses that the changing landscape toward the CE in the European Union (EU) offers a significant strategic opportunity for Türkiye to strengthen its position in global markets and build resilience against economic shocks.

Industrial Policy in Europe: A Single Market Perspective (Working Paper No. 2024/249, International Monetary Fund)

European countries are increasingly using industrial policy to tackle geopolitical fragmentation, boost productivity, and advance the green transition. While well-targeted policies can correct market failures and enhance efficiency, unilateral policies may cause negative externalities, disrupting production patterns and reducing welfare. Coordination within the EU and with international partners can unlock significant benefits. Structural modeling and case studies suggest that a coordinated approach can better align production with comparative advantages, prevent over-supply, and improve terms of trade, ultimately amplifying the benefits of industrial policies.

Chasing the Dream: Industry-Level Productivity Developments in Europe **(**Working Paper No. 2024/258, International Monetary Fund**)**

European countries are lagging in productivity growth, with significant gaps across industries. This study uses industry-level data to explore total factor productivity (TFP) growth in 28 European countries from 1995–2020. Key findings include: (i) TFP growth is driven by scientific and technological innovation and knowledge spillovers; (ii) the technological gap influences TFP growth as countries adopt new technologies; (iii) investment in ICT and R&D boosts TFP growth; and (iv) human capital impact is stronger near the technological frontier. The study calls for policies and reforms to promote innovation and technology diffusion across Europe.

External Knowledge, R&D, and Innovation: Mapping the Market for Technology Across European Industries (Working Paper No. 2025/020, International Monetary Fund)

A well-functioning market for technology is crucial for innovation. This study examines 20 industries across 24 European countries to identify key determinants. It finds that expenditures on external knowledge depend on the sector's innovation pattern and proximity to the global technological frontier. Disseminating knowledge within the industry reduces external knowledge costs, except in supplier-dominated industries. High R&D spending, large firms, and investments in machinery and software boost the market for technology. The findings suggest tailoring innovation policies to expand the market size and usage in specific industries.

Competitiveness and Productivity in the Baltics: Common Shocks, Different Implications (Working Paper No. 2025/018, International Monetary Fund)

This paper examines competitiveness and productivity in the Baltics, focusing on why Russia's war in Ukraine led to a prolonged recession and decline in competitiveness in Estonia, while Latvia and Lithuania shielded their economies more effectively. It finds Estonia's declining export share is linked to reduced external competitiveness and productivity. Differences in long-term productivity growth have affected competitiveness, with Estonia's slowdown eroding its edge. Latvia and Lithuania showed resilience due to balanced exchange rates and stronger corporate balance sheets. Resource misallocation, especially in services, has driven declining productivity. The findings highlight the need for targeted reforms to boost productivity and competitiveness in the Baltic region.

Trade Dynamics under Geopolitical Risk (Discussion paper 03/2025, Deutsche Bundesbank)

In recent years, geopolitical tensions and associated risks have risen around the world. Global geopolitical risk surged after the Russian invasion of Ukraine. At that time, geopolitical risk spiked particularly for Russia and its neighboring countries. In addition, geopolitical risk rose sharply in China and Taiwan in recent years, due to the geopolitical rivalry between the US and China and mounting tensions around the political status of Taiwan. As some of these countries are important exporters in the global trade and production network, the question arises to which extent rising geopolitical tensions disrupt trade flows.

High Tariffs, High Stakes: The Policy Drivers behind Firm-Level Adoption of Green Technologies (Policy Research Working Paper 10977, World Bank)

Addressing climate change requires green technologies. Using import data from firms in 35 emerging markets, this paper examines trade policy impacts on imports of green value chain products like solar, wind, and electric vehicles. Firms' imports of these products are particularly sensitive to tariffs, especially in the solar value chain and downstream segments. This effect is stronger for undiversified firms. Import regulations have a smaller, varied impact. The findings suggest that emerging market governments should avoid protectionist policies, as local firms rely on imports for green technology diffusion.

A Bitter Aftertaste: How State Aid Affects Recipient Firms and Their Competitors in Europe (Working Paper No. 2024/250, International Monetary Fund)

Industrial policy is a global debate topic, with state aid being contentious in the EU due to the need for a level playing field. This paper examines the effects of state aid (2016-2023) on nonfinancial firms in several EU countries. It finds that state aid increases employment and revenue but not investment or productivity, with adverse spillover effects on competitors. The findings suggest that state aid should be provided at the EU level to mitigate negative spillovers, preserve competition, encourage firm entry, and ensure efficient fund distribution.

Europe's Shift to EVs Amid Intensifying Global Competition (Working Paper No. 2024/218, International Monetary Fund)

European countries aim to reduce carbon emissions by transitioning to electric vehicles (EVs), a sector dominated by China. This paper examines the tradeoffs of this shift and its macroeconomic impacts. Using macroeconomic and trade models, it analyzes a scenario where Chinese car purchases in the EU rise by 15% over five years. The short-term GDP cost for the EU is small (0.2-0.3%) and near zero long-term. Smaller economies in Central Europe, reliant on the car sector, face more significant short-term effects. Protectionist policies, like tariffs on Chinese EVs, would increase the GDP cost. However, increased Chinese FDI in Central Europe could offset losses by supporting the transition from internal combustion engine production to EVs.

Shocked: Electricity Price Volatility Spillovers in Europe (Working Paper No. 2025/007, International Monetary Fund)

European electricity markets are in the midst of unprecedented changes—caused by Russia's invasion of Ukraine and the rise of renewable sources of energy. Using high-frequency data, this paper investigates volatility spillovers across 24 countries in the European Union (EU) during the period 2014–2024 to provide a better understanding of the transmission of risks in an international context. We develop both a static and a dynamic assessment of spillover effects and directional decomposition between individual countries. Our main findings show that about 73 percent of the forecast error variation is explained by cross-variance shares, which means only 27 percent can be attributed to shocks within each country.