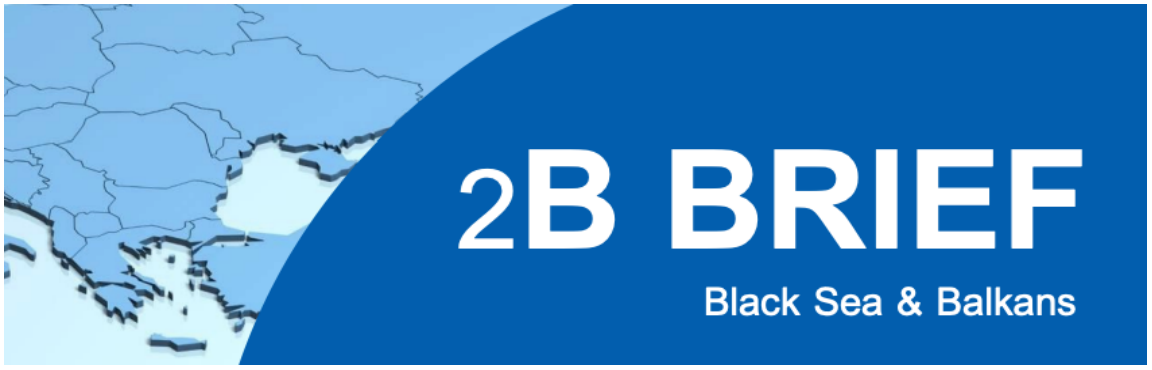


MAIN TAKEAWAY of the month

Renewed US-led diplomatic efforts throughout the month failed to produce a breakthrough. Territorial disputes, security guarantees and disagreements over Europe's security architecture remained the main obstacles, while plans for trilateral talks in November kept diplomatic channels open.

Ukraine intensified long-range strikes against Russian energy and defence-industrial infrastructure, alongside limited territorial gains. Meanwhile, Russia escalated attacks on Ukraine's energy system ahead of winter, exposing critical air-defence shortages. Neither side achieved a decisive battlefield breakthrough. European support continued to expand, prioritising air defence, domestic weapons production, reconstruction and energy security. Ukraine also advanced its EU accession process by opening two additional negotiating clusters, although political disputes continued to constrain progress.

Russia's war effort placed growing pressure on its economy and society, with rising military expenditure, recruitment difficulties, weakening institutional confidence and mounting fiscal constraints. Despite its continued ability to finance the war, these pressures increasingly undermined the country's long-term economic resilience.

October brought political shifts across the Western Balkans, with Serbia's student-led electoral victory and renewed protests in Albania, while EU enlargement progressed unevenly. In Romania, nearly six months of political deadlock ended with the formation of a minority government, although political instability and fiscal pressures persist. Meanwhile, escalating drone attacks on commercial shipping in the western Black Sea, including a suspected strike inside Romania's territorial waters, highlighted the war's spillover into NATO territory while the Black Sea became one of the most dangerous maritime routes for commercial shipping.

Moldova advanced its EU integration through new negotiating clusters and additional European financial support. However, sharp increases in energy tariffs intensified domestic economic pressures ahead of winter, while repeated Russian drone and missile incursions highlighted the country's growing exposure to security threats stemming from the war in Ukraine.

Throughout October, Ukraine intensified operations against Russia's energy infrastructure, defence-industrial supply chains and strategic assets, seeking to undermine Moscow's war-sustaining capacity while contesting Russian advances on the battlefield. In early October, long-range strikes targeted the Gazprom Neftekhim Salavat refinery in Bashkortostan, the Omsk refinery, approximately 2,500 km from Ukraine, and the Ukhta refinery, alongside a Yandex data centre in Ryazan Oblast. In mid-October, following the collapse of the short-lived US-announced energy ceasefire, Kyiv resumed attacks on the Ryazan and Saratov refineries. A major drone offensive against Leningrad Oblast on 17–18 October reportedly set the St Petersburg Oil Terminal ablaze, while Russia claimed to have intercepted 1,015 drones. During the final week of October, Ukrainian strikes increasingly targeted industrial and military production facilities, including Tolyattikauchuk, Proton-Electrotex and Yeysk airfield, industrial and aviation facilities in Voronezh, the Energiya plant in Yelets, and the Novolipetsk steelworks and Azot chemical plant. Meanwhile, on the battlefield, Russian forces reportedly recorded a net territorial loss of approximately 122 km² since 1 September, while Ukraine's Operation Vivaldi recovered an estimated 125–140 km², including 101 km² in the Lyman sector. Ukraine's Operation Veles near Kupiansk further demonstrated Kyiv's continued use of unconventional infiltration tactics, including underground gas pipelines to penetrate Russian positions.

Russia intensified its campaign against Ukraine's energy infrastructure throughout October, combining large-scale missile and drone attacks with sustained offensive pressure along the eastern front. The offensive initially disrupted critical transport infrastructure, including Kyiv's Southern Bridge, before a combined strike involving 130 drones and 48 missiles on 6–7 October killed at least 24 people, with Pryluky suffering the heaviest casualties. Russia's strategy increasingly centred on degrading electricity generation and heating capacity ahead of winter, culminating in the 13–14 October assault involving 39 ballistic missiles and 128 drones, which targeted all three of Kyiv's combined heat and power plants and energy facilities in Kharkiv, damaging 26 sites and leaving at least 600,000 people without electricity. The attack effectively ended the proposed energy ceasefire, while Moscow subsequently confirmed an intensified campaign against Ukrainian energy infrastructure. By 17 October, power outages affected twelve regions, and renewed ballistic strikes on Kyiv on 18–19 October reportedly left approximately 550,000 households without electricity. The campaign exposed vulnerabilities in Ukraine's defensive capacity, particularly amid reported shortages of Patriot interceptors, delays in allied missile transfers and temporary Starlink and Starshield restrictions affecting drone operations. Russian pressure also extended to maritime commerce, with more than 570 merchant vessels reportedly attacked in the Black Sea since January, further threatening regional trade and shipping security and making the Black Sea the most dangerous shipping route. On the ground, Russian forces maintained a high operational tempo, with 187–269 daily combat engagements concentrated around Pokrovsk, Kostiantynivka and Huliaipole, supported by local numerical superiority reaching 6:1 in parts of Donetsk Oblast. Nevertheless, the sustained intensity of Russian operations did not translate into a comparable territorial breakthrough, suggesting continued difficulties in converting manpower advantages into decisive advances.

European military assistance increasingly focused on addressing Ukraine's air-defence vulnerabilities, expanding domestic weapons production and sustaining battlefield capabilities. Germany announced approximately €1 billion in military support, including long-range weapons, drones, satellite technology and joint interceptor production, while the European Commission disbursed €1.24 billion on 7 October and €2.86 billion on 14 October to finance Ukrainian-made drones, missiles, air-defence systems and other operational requirements. The EU Council's mobilisation of €4.9 billion under the European Peace Facility primarily supported reimbursement for military equipment already supplied by member states, alongside continued training assistance. Additional commitments included £500 million from the United Kingdom for air defences and €500 million from the Netherlands, particularly for drones and defensive equipment. Collectively, these measures reflected a growing European emphasis on strengthening Ukraine's defence-industrial autonomy and replenishing critical capabilities.

International financial assistance continued to underpin Ukraine's fiscal stability and economic resilience. A joint assessment by Kyiv and the European Commission indicated that Ukraine faced no external financing gap for 2026, with up to €45 billion envisaged under the EU's Ukraine Support Loan. On 2 October, the European Commission disbursed €2.9 billion to sustain public administration and support reforms, including €800 million under the loan mechanism. Meanwhile, the United Kingdom announced a £10 billion economic and military support package, encompassing £7 billion in economic assistance over three years, up to £5.5 billion in World Bank guarantees, £3 billion in export-financing capacity and a £500 million grant intended to mobilise additional resources. Support for civilian resilience also expanded ahead of winter, with Germany allocating €350 million for emergency energy infrastructure repairs, while the Netherlands pledged €1.2 billion in non-military assistance for 2027–2029, targeting energy and water infrastructure, healthcare, reconstruction and humanitarian needs. These commitments reflected a broader shift towards combining immediate fiscal and humanitarian support with longer-term economic recovery and infrastructure resilience.

Ukraine's EU accession process regained momentum in October, although progress remained contingent on resolving politically sensitive issues with individual member states. Following amendments to legislation on education in national-minority languages, Hungary lifted its veto on 7 October, enabling EU member states to open clusters 2 (Internal Market) and 3 (Competitiveness and Inclusive Growth) on 13 October. With four of the six negotiating clusters opened, Kyiv aimed to advance the remaining two before the end of 2026. The development demonstrated Ukraine's continued institutional alignment with the EU despite the war, while highlighting the extent to which bilateral political disputes could still determine the pace of accession negotiations.

PEACE NEGOTIATIONS

October's diplomatic efforts exposed persistent divisions between Washington, Kyiv and Moscow over the terms of a potential peace settlement. Following a call with Putin on 9 October, Trump announced an agreement to resume substantial Russian diesel exports to US and global markets, undermining Washington's previous efforts to constrain Moscow's energy revenues. In parallel, US envoys Steve Witkoff and Jared Kushner met Ukrainian and European representatives in Miami to explore a partial ceasefire covering energy infrastructure and grain shipments. Trump's subsequent announcement of an energy ceasefire on 11 October failed to secure Moscow's commitment, with Russia's renewed strikes on Ukrainian power infrastructure on 13–14 October effectively ending the initiative. Meanwhile, a broader US-backed peace proposal reportedly envisaged freezing the conflict along the current front line, alongside security guarantees, reconstruction financing and potential sanctions relief for Russia. However, Kyiv stressed that these proposals did not constitute an agreed US-European position, highlighting the absence of consensus on the settlement's fundamental parameters.

Diplomatic engagement intensified in the second half of October, shifting towards a broader framework linking Ukraine's security guarantees to Europe's post-war security architecture. On 20 October, Witkoff met Zelensky and European leaders in Oslo to develop a consolidated proposal, before holding talks with Putin in St Petersburg the following day. Although both Kyiv and Moscow subsequently signalled readiness to resume US-mediated trilateral negotiations in November, their positions remained fundamentally incompatible. Zelensky rejected neutrality and restrictions on Ukraine's armed forces, insisting that territorial compromises required direct negotiations between leaders, while Putin maintained his demands for control over Donetsk Oblast and guarantees against Ukrainian NATO membership. Moreover, reports suggested that Moscow could seek broader concessions on NATO enlargement and military deployments in Europe, effectively extending the negotiations beyond Ukraine's territorial settlement. The Kremlin's decision to exclude European representatives from the prospective November talks further complicated efforts to establish a common transatlantic position. In parallel, preparations for a possible US–Russia–China summit raised concerns in Kyiv about a wider geopolitical bargain negotiated without Ukraine's participation. Overall, despite renewed diplomatic momentum, October produced limited substantive progress, with territorial disputes, security guarantees and competing visions of Europe's security order remaining the principal obstacles to a settlement.

The growing financial burden of sustaining the war is exposing mounting strains on Russia's recruitment system, as personnel costs continue to rise despite a declining inflow of new soldiers. According to Re: Russia, expenditure on military recruitment, salaries and compensation for casualties exceeded 3 trillion roubles (approximately $37.1 billion) between April and September 2026, including more than 600 billion roubles ($7.4 billion) in enlistment bonuses and approximately 1.4 trillion roubles ($17.3 billion) in casualty-related payments. Despite these incentives, contract recruitment declined by around 10% year-on-year, to an estimated 263,000 recruits in January–September, while average regional recruitment costs rose from 1.4 million roubles ($17,300) to 1.9 million roubles ($23,500) per soldier. Mounting fiscal constraints have prompted divergent regional responses: St Petersburg reduced its enlistment bonus from 3.5 million roubles ($43,300) to 1 million roubles ($12,400), while Lipetsk increased its incentives, illustrating the uneven financial capacity of regional authorities to sustain recruitment. Meanwhile, Samara's proposed 2027 budget allocates 4.44 billion roubles ($54.9 million) to recruitment intermediaries, nearly matching direct enlistment payments. These pressures have not prevented Moscow from intensifying its aerial campaign: Russian long-range drone attacks increased by approximately 29% in September, reaching 6,322, with jet-powered Geran drones accounting for an increasingly significant share and placing additional strain on Ukrainian air defences. Beyond immediate military requirements, Russia also faces longer-term reintegration challenges, as official employment data indicate that only 7,800 veterans secured jobs through public employment services in 2025, despite approximately 449,000 vacancies identified for former combatants.

October's opinion polls revealed a widening gap between the Kremlin's electoral dominance and declining public confidence in state institutions. Despite United Russia's record performance in September's State Duma elections, Levada Center polling showed that trust in the presidency had fallen by ten percentage points year-on-year to 73%, while confidence in the military declined to 69% and in the government to 54%. Trust in both chambers of parliament also decreased to 45%, suggesting that electoral consolidation has not translated into stronger institutional legitimacy. Meanwhile, public expectations regarding Russia's economic and political outlook appeared to stabilize at considerably lower levels than in early 2025: 44% anticipated economic improvement against 38% expecting deterioration, while 49% remained optimistic about the political outlook, down from a peak of 71% in early 2025.

Economic pressures became more pronounced in October, with slowing growth, persistent inflation and weakening private-sector activity highlighting the structural imbalances associated with sustained military expenditure. GDP growth slowed to 0.6% year-on-year in the third quarter, while the Central Bank maintained its key interest rate at 14% and raised its 2026 inflation forecast to 7.1–7.6%. Industrial output increased by only 0.2% in January–September, contrasting with double-digit growth in defence-related sectors, including transport equipment (+19.9%) and fabricated metal products (+12.1%). Fiscal pressures also intensified, with the government planning to issue 7.72 trillion roubles ($95.5 billion) in bonds in 2027, while public debt is projected to rise from 19.9% of GDP in 2026 to 24.1% by 2029. Meanwhile, liquid reserves in the National Wealth Fund declined to approximately 1.7% of GDP, limiting the government's fiscal flexibility. Energy revenues faced additional pressure from Ukrainian refinery strikes, rising domestic fuel subsidies and record maritime oil transportation costs of $27–48 per barrel, although refinery output partially recovered in late October and LNG exports increased by 14% in January–September. The broader corporate sector also weakened, with aggregate pre-tax profits declining by 11%, the share of loss-making firms reaching 32.9%, and fixed-capital investment contracting by 9.9% in the first half of 2026. Agricultural exports faced similar constraints, with wheat export forecasts revised downward, while Russia–China trade expanded by 30.6% to $214.3 billion, partially offsetting external pressures. It results that the Russian economy remains capable of financing the war in the near term, but increasingly through higher borrowing costs, depleted fiscal buffers and the diversion of resources towards military production, at the expense of private investment and longer-term economic growth.

Evolutions in the **Republic of MOLDOVA**

Moldova's European integration advanced on both the financial and the negotiating paths this month. At the 10th EU–Moldova Association Council in Brussels on 5 October, the European Commission disbursed the third tranche of €157 million under the Growth Plan, after confirming that Moldova had completed 18 reforms across all seven areas of the Plan. This brings total disbursements to €661 million out of a €1.9 billion envelope for 2025–2027; most of the tranche is a loan, with €36 million released only once Chișinău submits an engagement letter. The government has pledged around 40 further reforms in the second half of 2026 to mobilise another €380.8 million. On 13 October, alongside Ukraine, Moldova is set to open 2 clusters, after Hungary lifted its objection in Ukraine's EU accession negotiations.

Rising energy costs emerged as a major source of domestic pressure in Moldova ahead of the winter heating season. On 1 October, the National Agency for Energy Regulation (ANRE) increased regulated household gas tariffs by 28.8%, to 24.20 lei per cubic metre (26.14 lei including VAT), following a 40.8% increase in September. The regulator also raised district heating tariffs by 32%–62%. These increases came amid a 60-day nationwide state of emergency in the energy and water sectors, effective from 26 September, intensifying concerns over household affordability, inflationary pressures and economic vulnerability during the heating season.

Security spillover from the war intensified markedly. On 3 October, five aerial objects, identified by Defence Minister Anatolie Nosatîi as three missiles and two drones, crossed Moldovan territory within 15 minutes during a Russian attack on Ukraine, with debris falling in four districts and a fire breaking out in Crocmaz; a sixth incursion was recorded the same morning. Further violations followed on 14–15 October over Purcari, and on 15–16 October Moldova recorded six unauthorised overflights, one of which ended with a drone crashing and exploding near Codrenii Noi in Dondușeni district, prompting a strong condemnation from the Foreign Ministry. By mid-October, Moldova had recorded 63 airspace violations since the start of 2026, including 15 in October alone, compared with the 39 reported by President Maia Sandu in September.

The Balkans

Serbia experienced its most significant political change in over a decade following the 25 October early parliamentary elections. The Student List, which emerged from the protest movement triggered by the Novi Sad railway station canopy collapse in November 2024, secured approximately 52.7% of the vote, against 39.2% for the "Aleksandar Vučić – United Serbia" alliance. According to the latest preliminary results, the Student List secured 140 of Serbia's 250 parliamentary seats, obtaining an outright majority, while the Socialist Party-led list failed to cross the electoral threshold. Voter turnout reached 68.8%, and Vučić conceded defeat on election night, ending the Serbian Progressive Party's longstanding parliamentary dominance. The new National Assembly must convene within 30 days of the announcement of the final results. Domestically, the Student List's reform agenda includes establishing a prosecutor-led anti-corruption police unit, auditing public procurement and major infrastructure contracts, and reducing political control over state institutions and public broadcasters. Regarding European integration, implementing judicial independence and media reforms could help unblock accession negotiations under Cluster 3 and advance Chapters 23 and 24, although alignment with EU sanctions against Russia and normalization of relations with Kosovo remain major unresolved obstacles to Serbia's EU accession.

While Serbia's student-led movement translated anti-corruption protests into an electoral victory, the parallel demonstrations in Albania reflected broader youth-driven discontent across the Western Balkans. Albania experienced a wave of student-led anti-government protests throughout October, driven by allegations of corruption, rising education costs, unemployment and dissatisfaction with public services. The demonstrations, which intensified on 13 October and spread beyond Tirana,

evolved into a broader movement demanding Prime Minister Edi Rama's resignation, following months of protests against a controversial coastal development linked to Jared Kushner.

In Kosovo, the Assembly elected economist Justina Shiroka Pula as president on 6 October, just ahead of the constitutional deadline, averting another snap parliamentary election. Her election followed an agreement between Albin Kurti's Vetëvendosje and the opposition PDK to limit the powers of the Kosovo Specialist Chambers in The Hague, after the court sentenced former President Hashim Thaçi and three others in September.

EU enlargement in the Western Balkans advanced on the institutional track. At the beginning of the month, Montenegro provisionally closed chapters 17, 18 and 19, bringing the total to 21 of 33, after Ursula von der Leyen reaffirmed in Podgorica on 1 October the goal of closing all chapters by the end of 2026 and joining the EU in 2028; Croatia's conditions on chapter 31 remain the main political risk to this timetable. Albania closed chapter 20 on enterprise and industrial policy, its fourth, with the Commission supporting Tirana's aim of completing negotiations by the end of 2027. By contrast, North Macedonia's path remained blocked: following von der Leyen's visit to Skopje on 15 October, Prime Minister Hristijan Mickoski reiterated that the constitutional amendments recognising Bulgarians will not be adopted without obligations met by Sofia and guarantees from the EU.

In Bosnia and Herzegovina, the 4 October general elections were held with new technical devices that markedly improved the integrity of voting, but produced a political landscape still dominated by the established nationalist parties. Preliminary results reported by the Central Election Commission showed SNSD candidate Željka Cvijanović winning the Serb seat of the Presidency with about 55%, incumbent Denis Bećirović leading for the Bosniak seat and HDZ BiH's Darijana Filipović leading for the Croat seat, opening a protracted phase of coalition-building at state and entity level.

In Romania, nearly six months of political deadlock ended on 20 October, when Parliament approved the minority government of Luca Niculescu with 280 votes in favour and 58 against. A non-partisan diplomat and former coordinator of Romania's OECD accession, Niculescu was President Nicuşor Dan's fourth prime ministerial nominee since the collapse of the previous government on 5 May. However, the end of the government formation crisis has not resolved Romania's underlying political instability. The PSD-dominated cabinet lacks a stable parliamentary majority and depends on conditional support from PNL and UDMR, which remain outside government. Under separate political agreements, PNL pledged not to initiate or support a no-confidence motion until 1 March 2027, while UDMR made a similar commitment for six months, leaving the government vulnerable to renewed political disputes. Its immediate challenge is to secure parliamentary approval for a deficit-reducing 2027 budget by year-end, amid persistent fiscal pressures and the risk of a sovereign credit rating downgrade.

The spillover of Russia's war into the western Black Sea intensified significantly in October, exposing growing vulnerabilities in commercial shipping and NATO's maritime security. On 5 October, the grain carrier *Royad Mammadov* was reported to have sunk south of Sfântu Gheorghe, killing two crew members, following a suspected Russian drone strike. On 14–15 October, two chemical tankers were involved in incidents near Sulina, including the *Yara J*, which caught fire inside Romania's territorial waters, and the *Wine Trader*, which was struck by a drone, leaving seven sailors missing. The escalation prompted Romanian President Nicuşor Dan, alongside Bulgarian Prime Minister Rumen Radev, to seek additional Allied support during talks with NATO Secretary General Mark Rutte, while the European Council condemned the attacks on civilian shipping. On 17 October, Romanian F-16s shot down two drones over the country's territorial waters. Following a North Atlantic Council meeting on 20 October, NATO announced additional surveillance and reconnaissance capabilities, while France deployed an Atlantique 2 maritime patrol aircraft to Romania. Nevertheless, on 23 October, the cargo vessel *Khoryv* sank off Constanța following a reported drone strike, killing one sailor and leaving three missing. Regional coordination was subsequently reinforced at the 28 October trilateral meeting of Romanian, Bulgarian and Turkish defence ministers in Sofia. Beyond the maritime domain, the Romanian Intelligence Service (SRI) identified a Russian-coordinated sabotage network responsible for a 14 September fire at the Carfil industrial site in Braşov, near a state-owned arms manufacturer.

Bulgaria experienced a similar escalation of drone attacks against commercial shipping in its exclusive economic zone. On 6 October, aerial and maritime drones sank one merchant vessel and set another ablaze approximately 70 nautical miles east of Byala. Further attacks followed on 13 October, when the Ukrainian-owned *Chelsea 3* was struck by three drones off Byala, while another cargo vessel sank near Krapets. By 20 October, at least seven merchant vessels had been attacked off the Romanian and Bulgarian coasts, with approximately 30 sailors reported dead or missing. In response, NATO announced the deployment of additional maritime patrol aircraft, radar systems, drones, explosive-ordnance analysis teams and intelligence personnel to strengthen surveillance and maritime security in the Black Sea.

Bulgaria's presidential election on 25 October resulted in a closely contested first round, with incumbent President Iliana Yotova securing 34.76% of the vote, ahead of former caretaker Prime Minister Andrey Gyurov (31.95%), amid record-low turnout of approximately 22%. The runoff, scheduled for 1 November, represents a significant political test for Prime Minister Rumen Radev's ruling Progressive Bulgaria party and underscores divisions over foreign policy. While Yotova advocates closer dialogue with Moscow and a diplomatic settlement in Ukraine, Gyurov supports continued military assistance to Kyiv and stronger alignment with EU and NATO partners.

In the meantime…

- The Kremlin signalled its willingness to resume US-mediated trilateral negotiations with Ukraine. Against this backdrop, US envoy Steve Witkoff met Vladimir Putin in St Petersburg on 28 October, following consultations with Volodymyr Zelensky and European leaders in Oslo.

- Serbia's Students' List is preparing to hold negotiations to form a government after securing 141 of the 250 parliamentary seats, bringing Aleksandar Vučić's political dominance to an end. The movement, which has yet to establish a clearly defined leadership structure, is prioritising anti-corruption measures and institutional reform, while so far avoiding taking positions on relations with the EU and Russia.

- Turkish President Recep Tayyip Erdoğan told Donald Trump that Ankara is ready to help revive US-mediated peace talks between Ukraine and Russia. Meanwhile, Kyiv is discussing a Black Sea grain corridor protection plan with Türkiye, Egypt and India, which Moscow reportedly opposes, as Russian attacks on ports and commercial vessels have halted Ukraine's grain exports through the Black Sea since August.

- Moldova and Romania will sign a military cooperation agreement on 2 November, enabling joint procurement of Italian military trucks under the EU's SAFE programme. The initiative follows a military-technical cooperation agreement signed between Moldova and Ukraine on 26 October.