

Press conference, 29 June 2017

## Economic Convergence despite Political Uncertainty

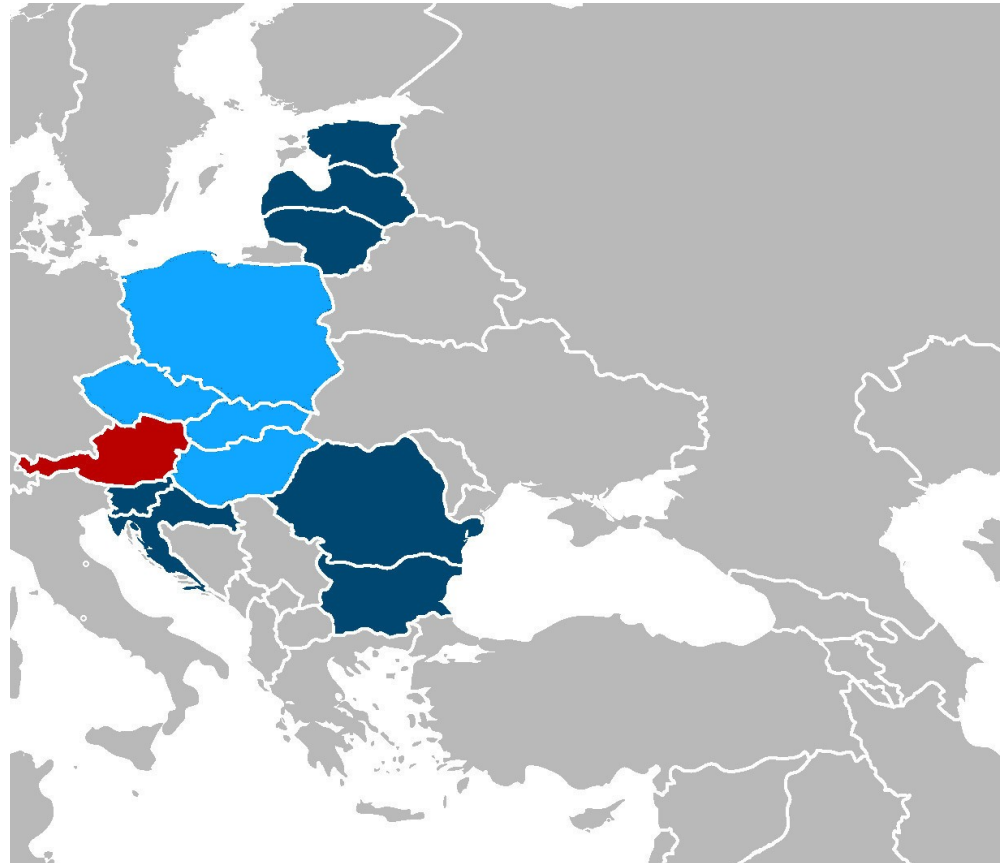
Economic Analysis and Outlook for Central, East and  
Southeast Europe and its Economic Relations  
with Austria

Julia Grübler

Growth projections for the CESEE region were for the most part revised upwards, to 2.4% in the aggregate for the year 2017

### EU members in Central and Eastern Europe

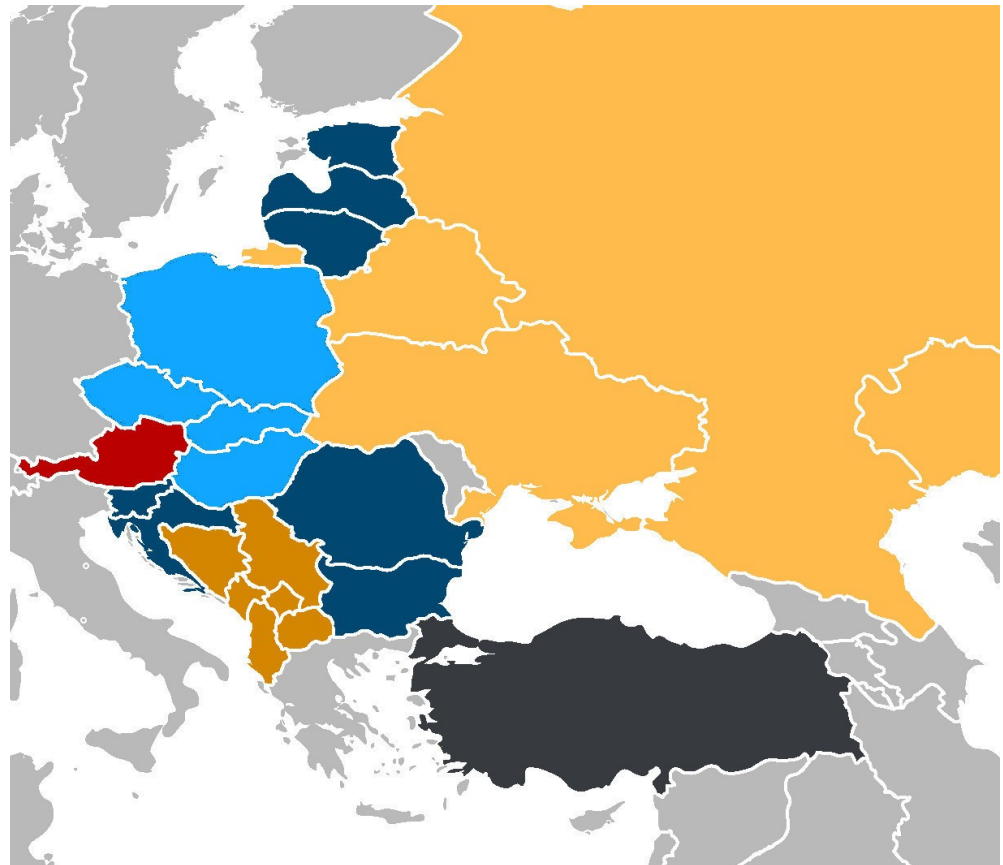
● <b>EU-CEE</b>		<b>3.5</b>
Bulgaria	BG	3.5
Croatia	HR	2.7
Czech Republic	CZ	2.7
Estonia	EE	2.3
Hungary	HU	4.0
Latvia	LV	2.9
Lithuania	LT	3.0
Poland	PL	3.3
Romania	RO	4.8
Slovakia	SK	3.3
Slovenia	SI	3.5
● <b>Visegrád</b>	<b>V-4</b>	<b>3.3</b>



Growth projections for the CESEE region were for the most part revised upwards, to 2.4% in the aggregate for the year 2017

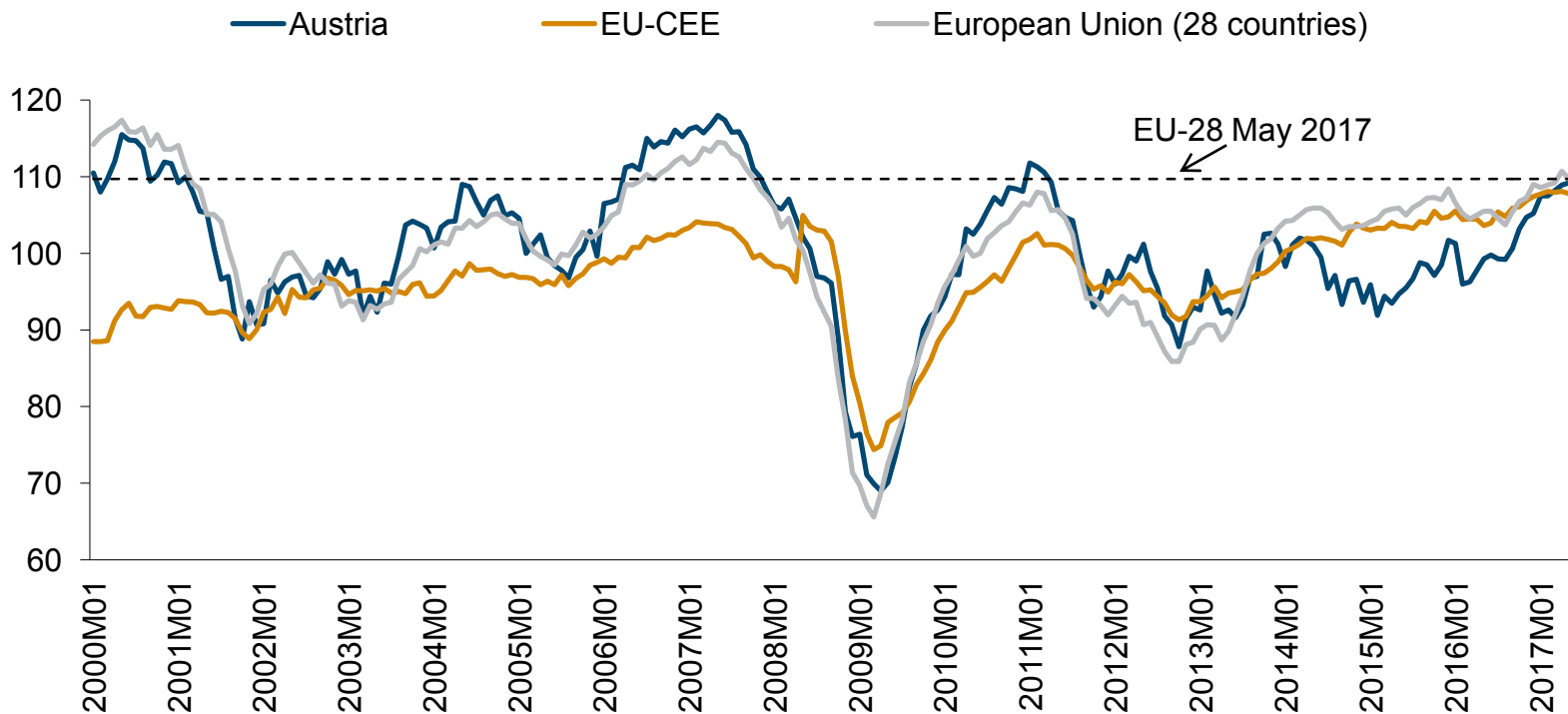
### Western Balkan

<span style="color: #e69d00;">●</span> <b>WB</b>		<b>2.9</b>
Albania	AL	3.9
Bosnia and Herzegovina	BA	3.2
Kosovo	XK	3.7
Macedonia	MK	2.6
Montenegro	ME	2.5
Serbia	RS	2.5
<span style="color: #e69d00;">●</span> <b>CIS &amp; Ukraine</b>		<b>1.5</b>
Kazakhstan	KZ	2.5
Russia	RU	1.3
Belarus	BY	1.4
Ukraine	UA	2.0
<span style="color: #333333;">●</span> <b>Turkey</b>	<b>TR</b>	<b>2.8</b>



## Economic confidence indicators for the EU show highest scores since the onset of the global economic crisis

### Economic sentiment indicator, 2000-2017



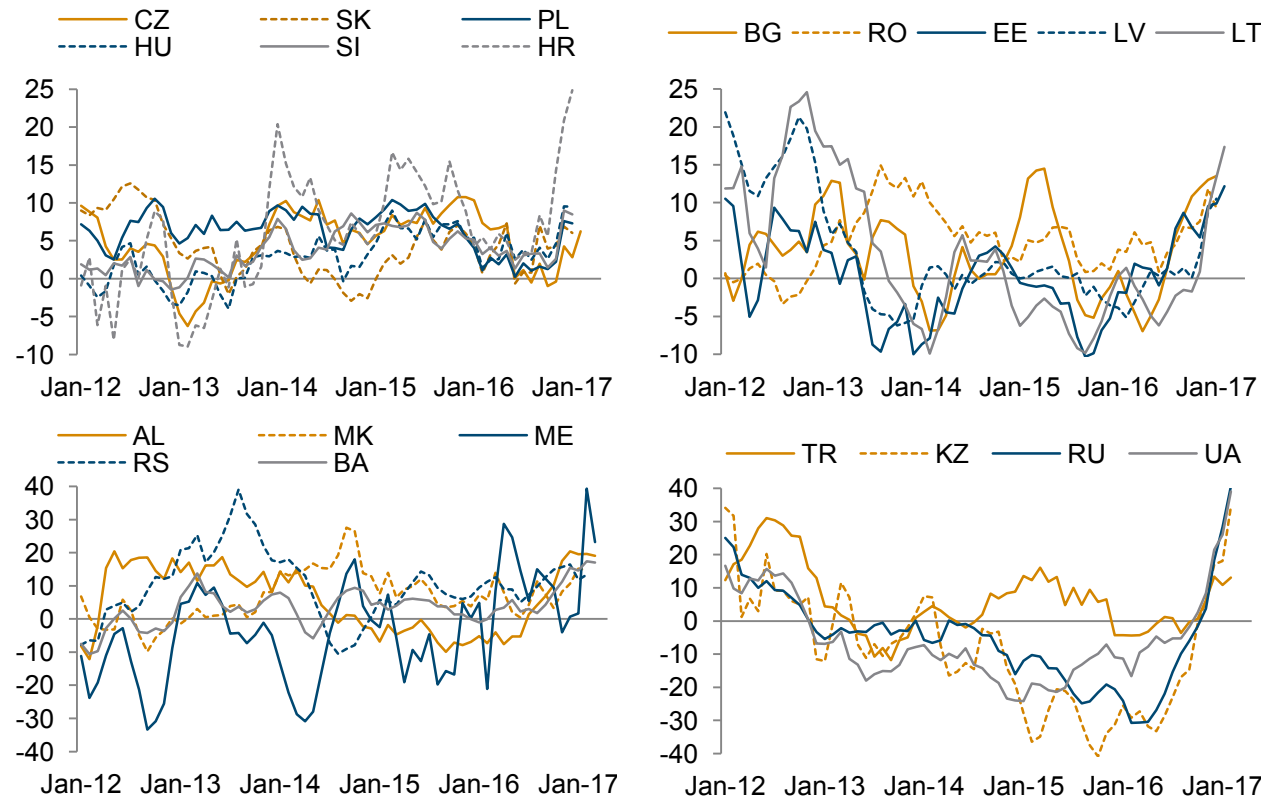
Note: Index of 100 shows the long-term average of EU-28.

Source: Eurostat: Economic sentiment indicator.

# The economic recovery in the euro area boosts exports of the CESEE region

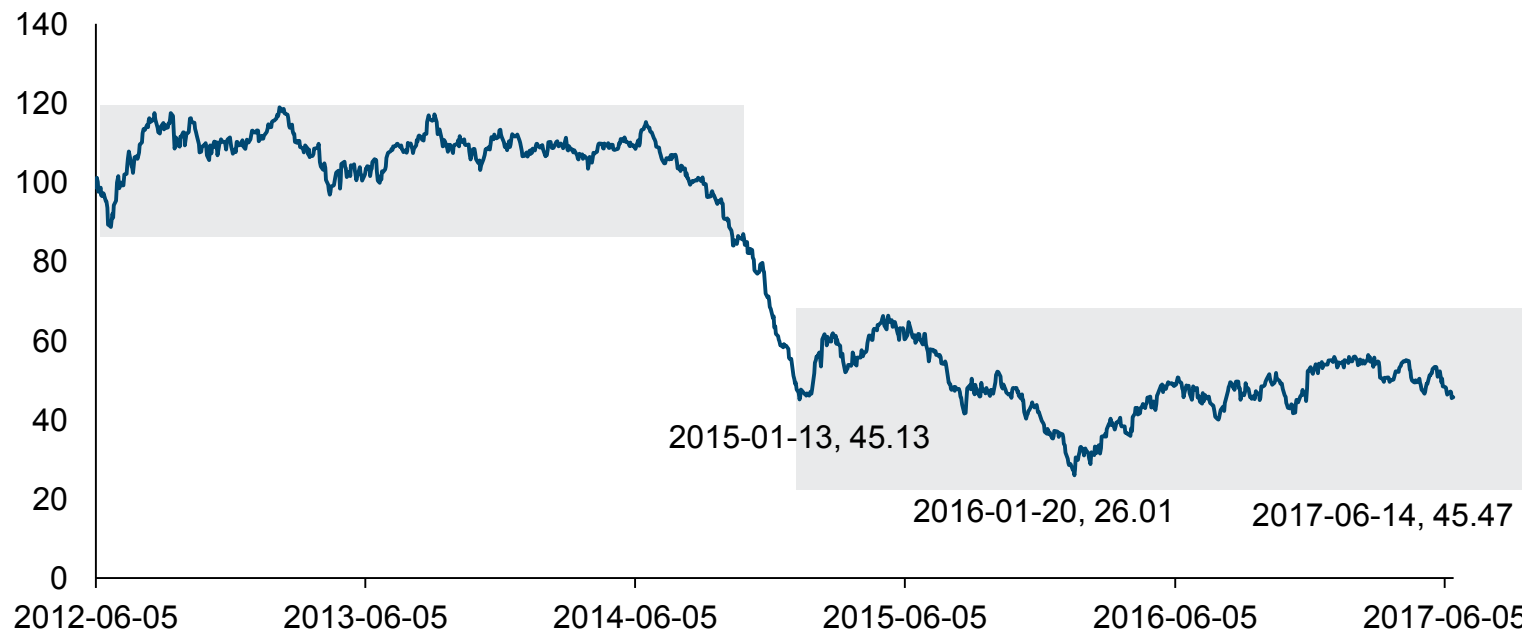
Exports of goods (nominal, euro-based), 2012-2017

Change against previous year in %, 3-month moving average



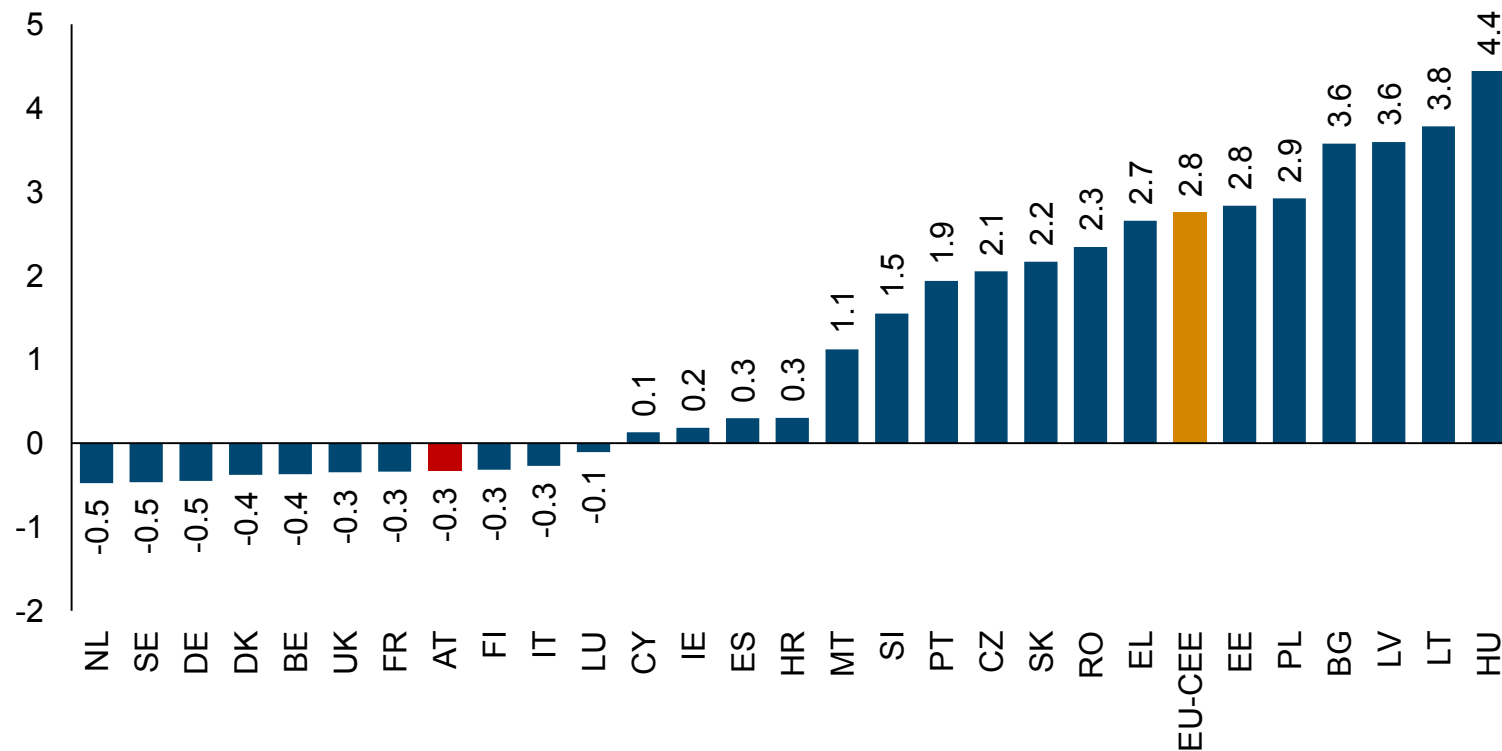
## The relatively low oil price is beneficial for private consumption in energy importing countries

The assumption underlying the wiiw summer forecast report is a relatively stable oil price at around 50-55 US dollar.



## Higher contributions of EU-cofinanced investments to GDP growth are expected already for this year

Operating budgetary balance in % GDP, 2011-2015

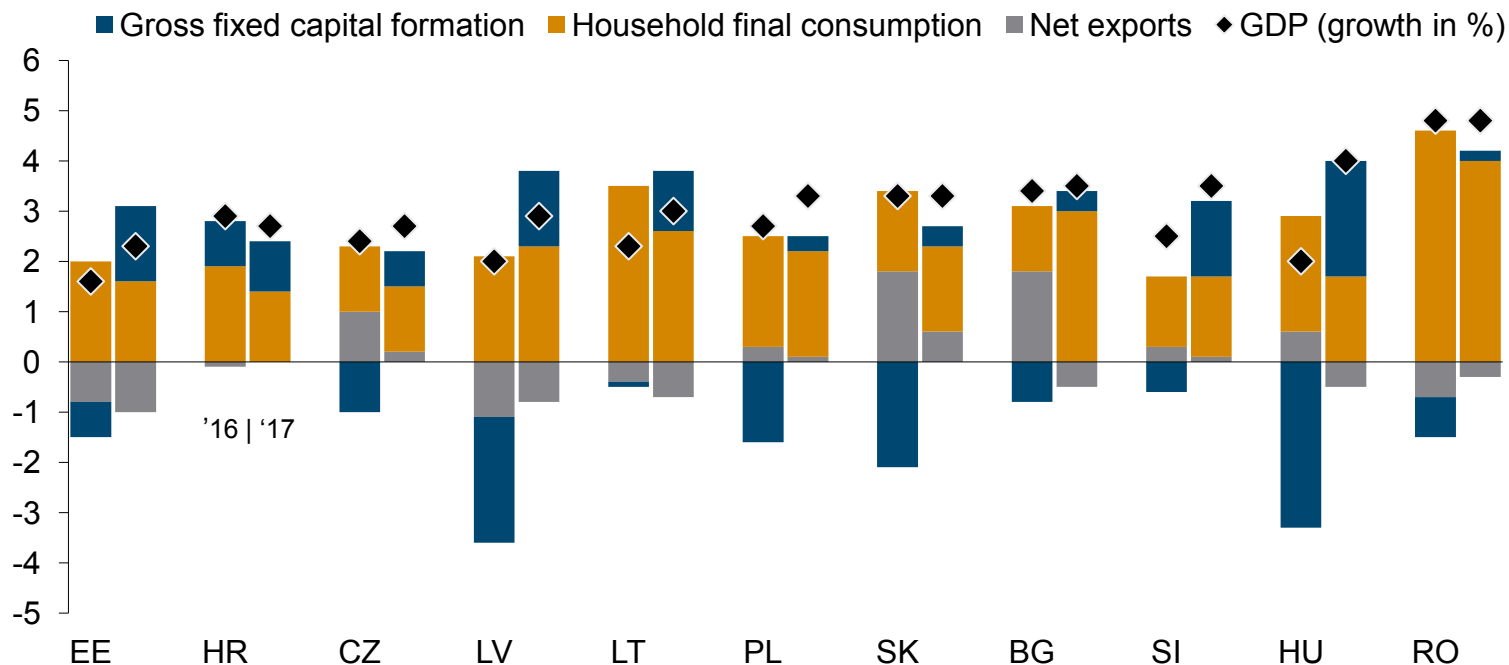


Source: European Commission.

([http://ec.europa.eu/budget/figures/interactive/index\\_de.cfm](http://ec.europa.eu/budget/figures/interactive/index_de.cfm)). wiiw calculation.

## Positive wage developments are backing household consumption in the EU-CEE

GDP growth in 2016 and 2017 in %  
and contribution of individual demand components in percentage points



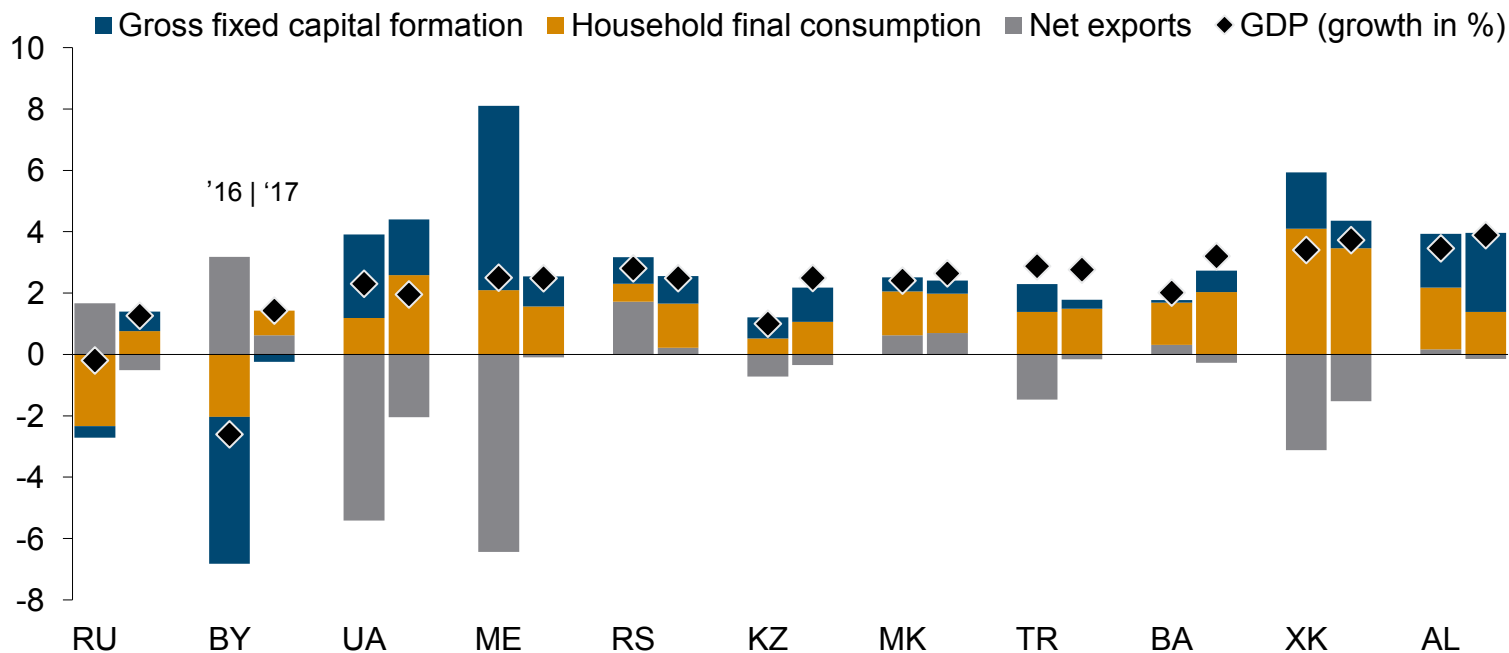
Note: Ranking by growth rates for the year 2017.

Source: wiiw Annual Database incorporating national and Eurostat statistics; wiiw forecast (June 2017).



## Negative effects of political turmoil materialise in Western Balkans and Ukraine; not (yet) in Turkey

GDP growth in 2016 and 2017 in %  
and contribution of individual demand components in percentage points

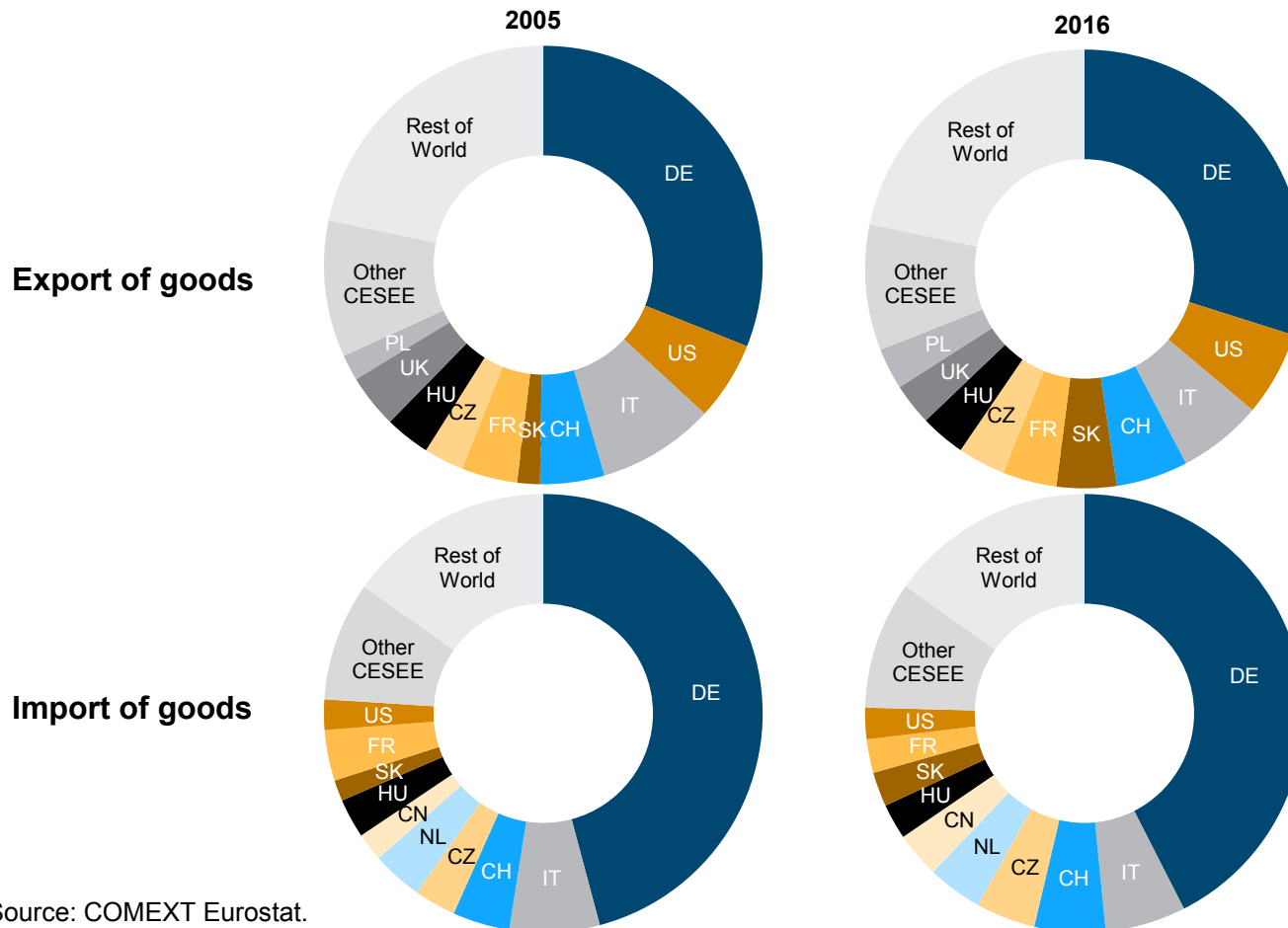


Note: Ranking by growth rates for the year 2017.

Source: wiiw Annual Database incorporating national and Eurostat statistics; wiiw forecast (June 2017).

## A trade reorientation towards the East is set to continue; however, trade with Germany is still dominant

Austrian trade in goods, 2005 and 2016, top 10, shares in % (ranking 2016)

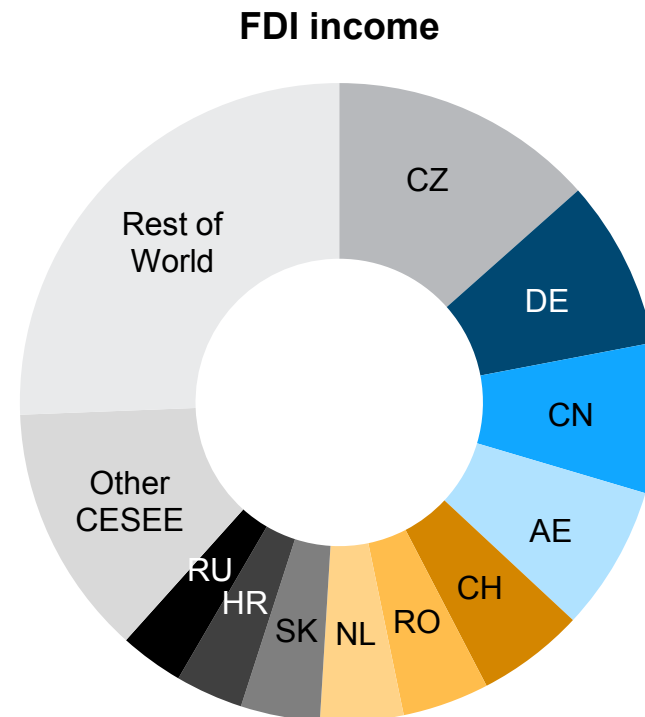
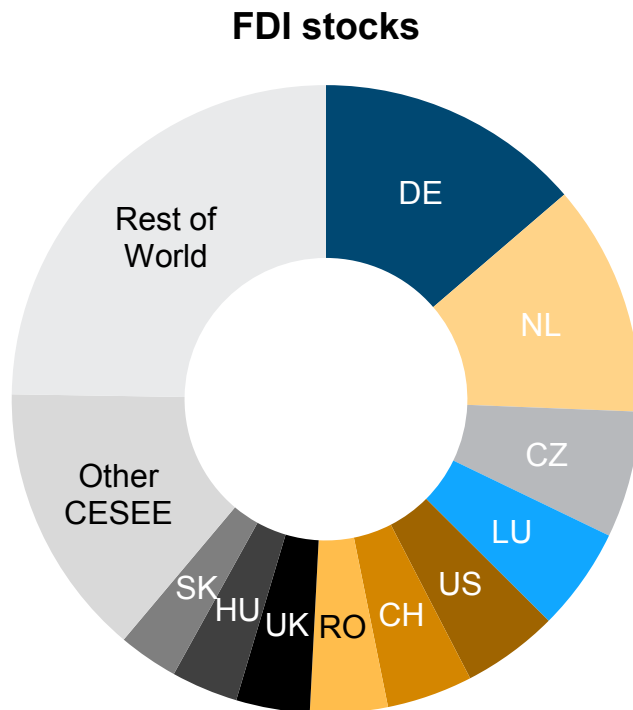


Source: COMEXT Eurostat.

## Austria continues to be one of the main investors in CESEE

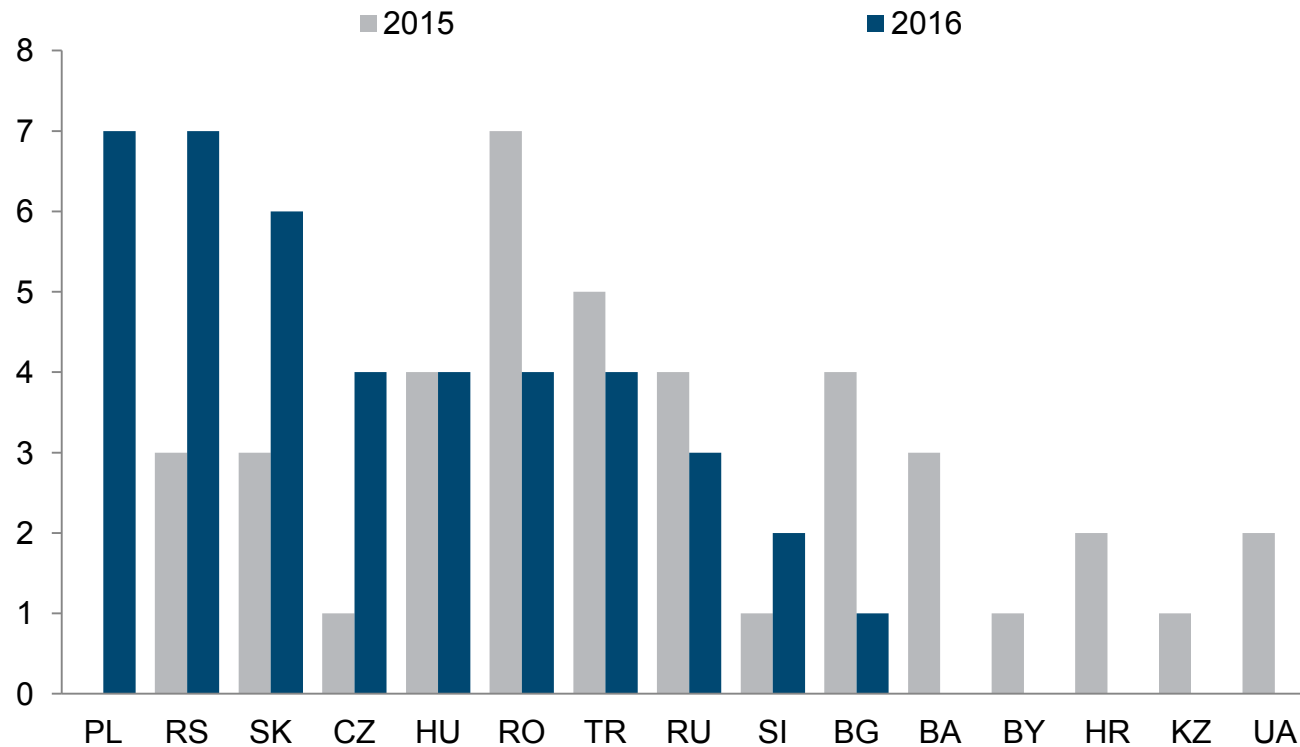
Austrian foreign direct investments, 2016

Top 10, shares in %



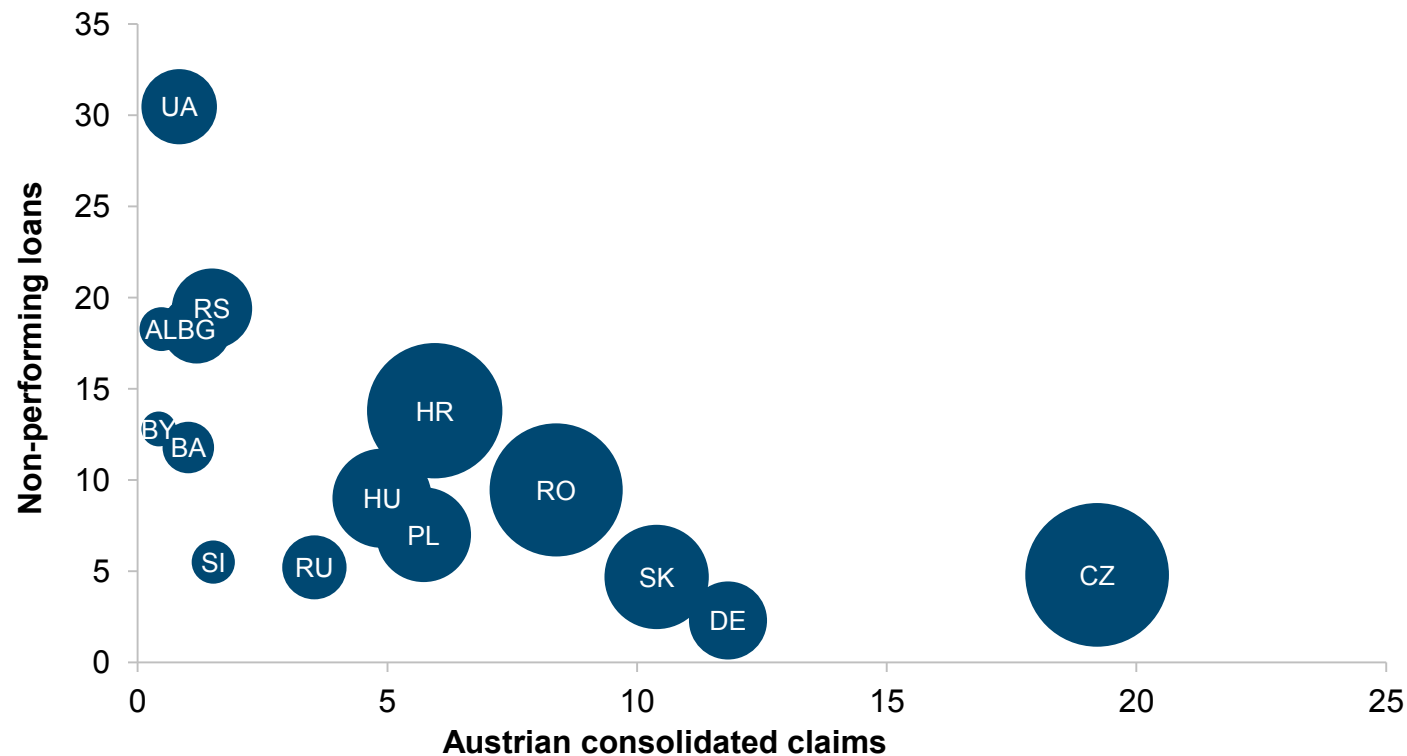
## Visegrád countries form the core of investment activity ...

Number of greenfield projects in CESEE with Austria as investor, 2015 and 2016  
(ranking 2016)



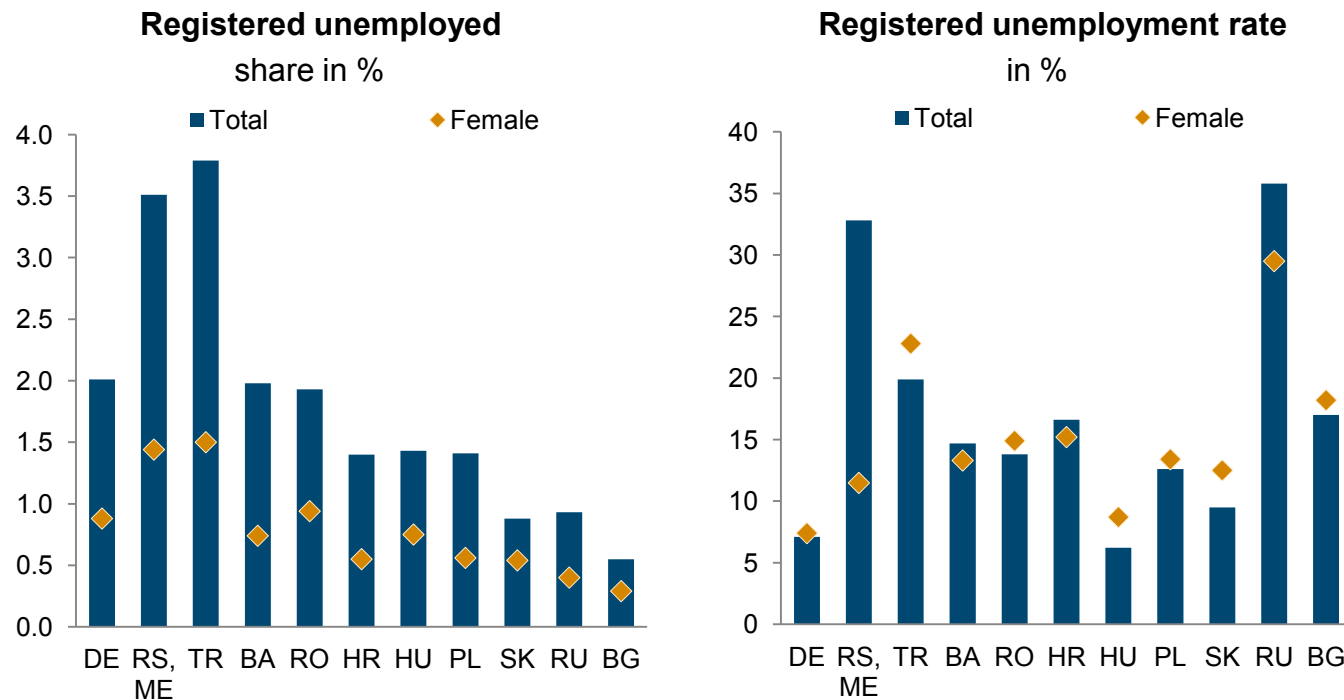
## ... and engagement of Austrian banks

Foreign claims of Austrian banks and non-performing loans, 2016  
Germany and top 14 CESEE, shares in %



## Unemployment rates for Austrians and CESEE nationals decreased, but vary by country of origin

Share of unemployed people and unemployment rate in Austria by nationality, 2016  
Germany and top 10 CESEE (ranking by population)

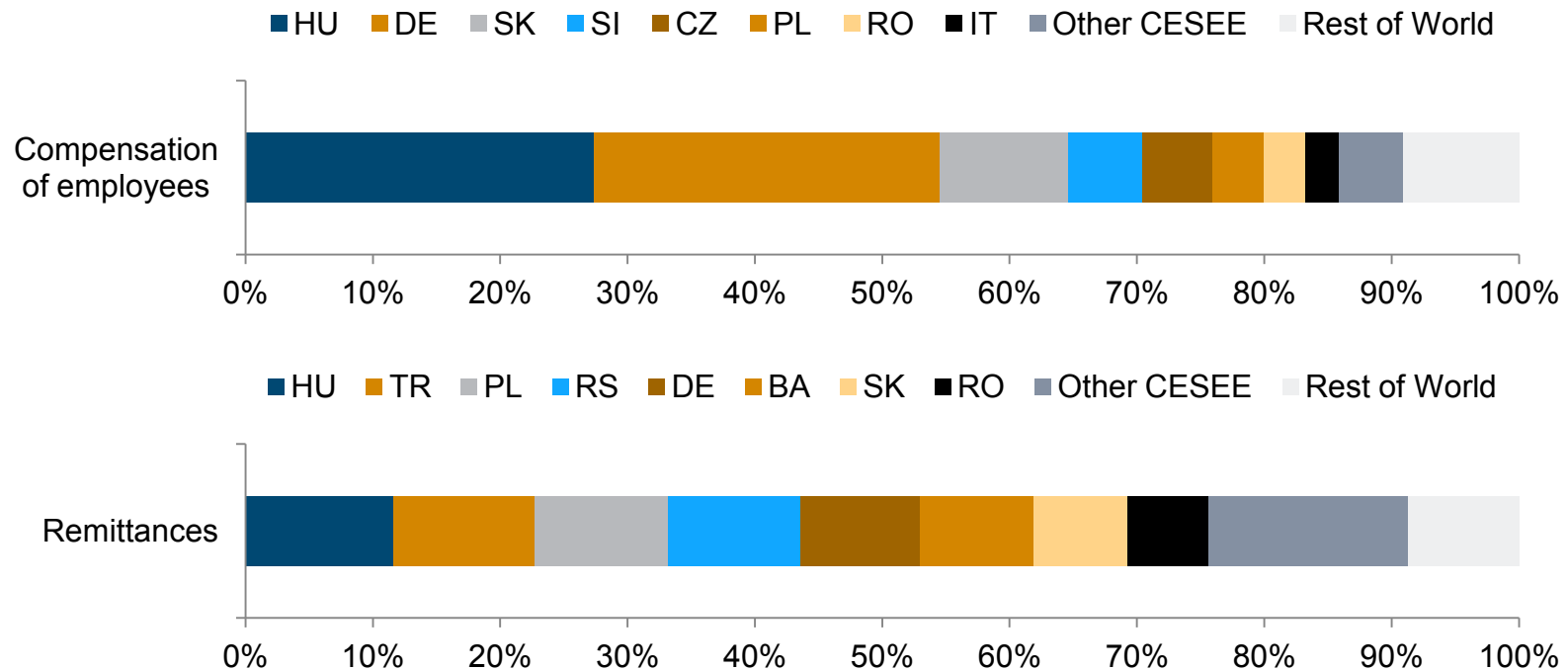


Note: Serbia and Montenegro are taken together and include former Yugoslavia. The unemployment rate is defined as unemployed in % of the labour force.

Sources: BALI, Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, wiiw calculations.

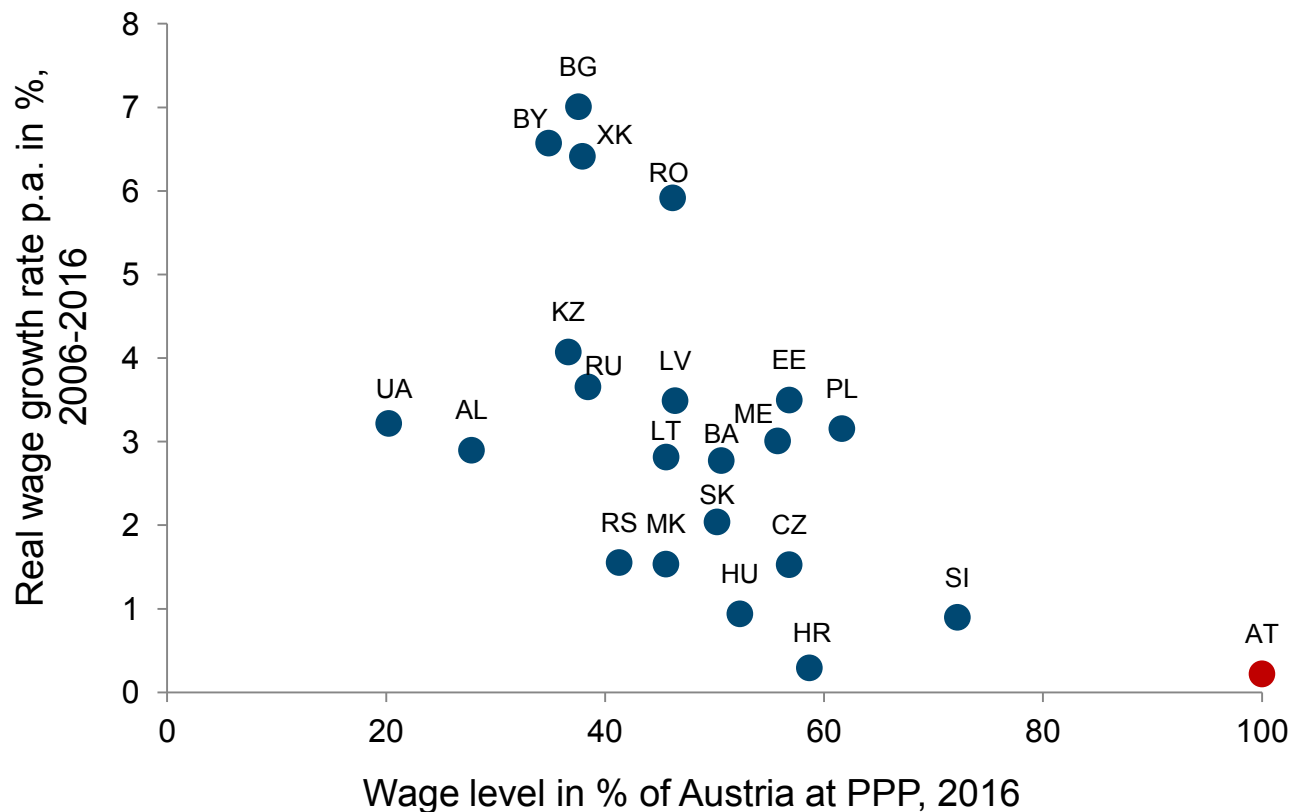
## Neighbourhood accounts for lion's share of wages paid - in addition Western Balkans and Turkey important for remittances

Compensations of employees and migrant workers' remittances  
according to the balance of payments by partner countries, 2016, top 8, shares in %



## CESEE on wage convergence track...

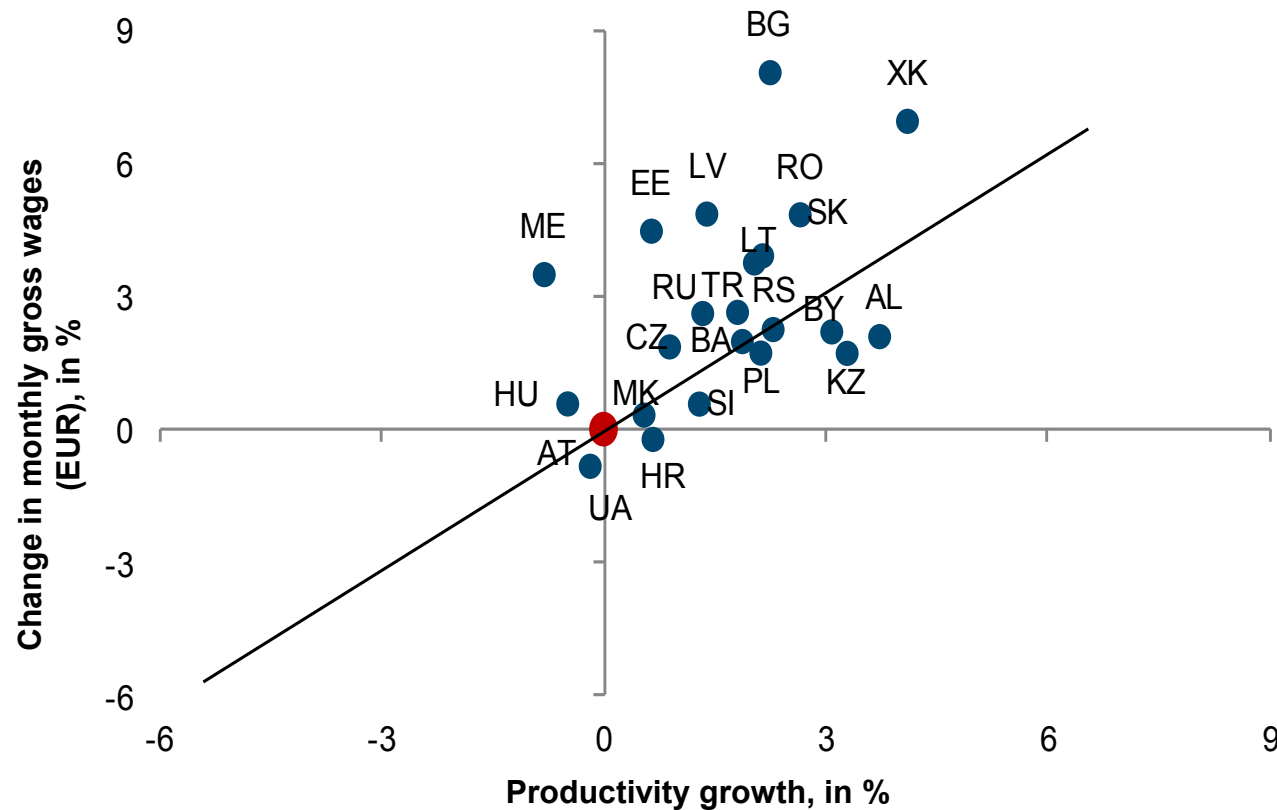
Gross monthly wages and wage increase in relation to Austria





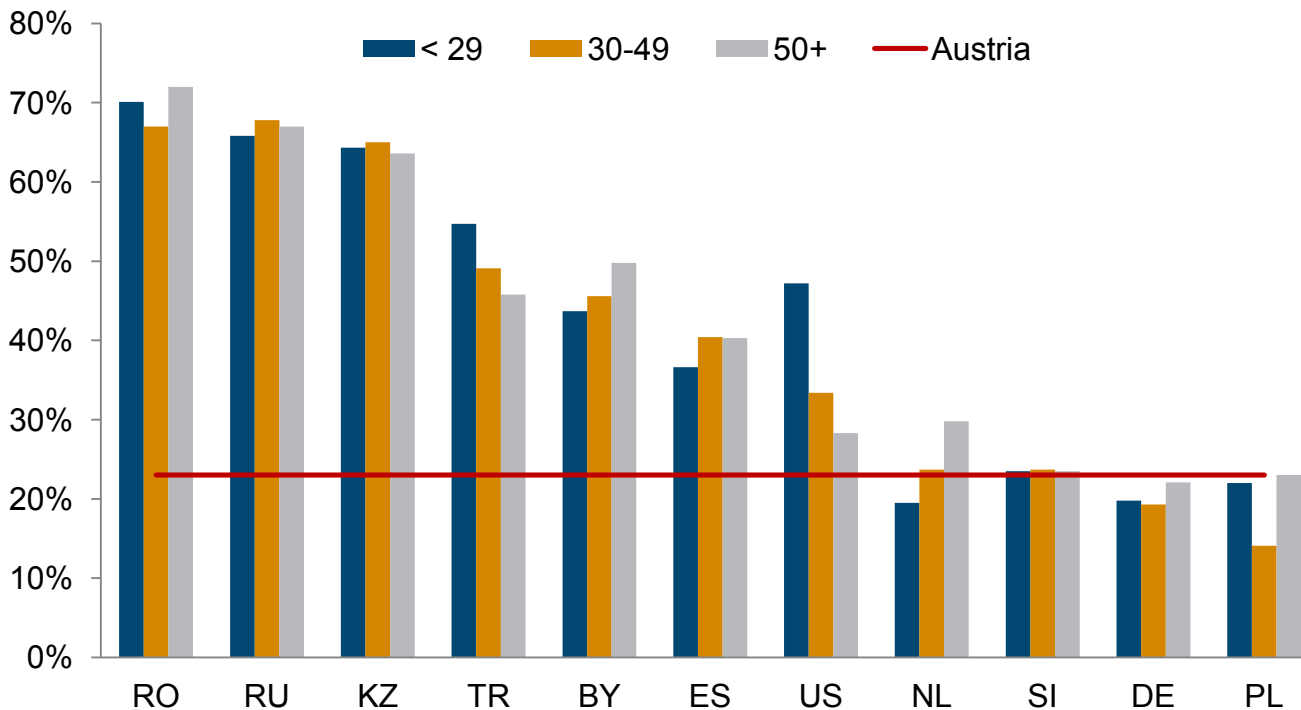
## ... but lagging behind in productivity growth

Wage and productivity growth in relation to Austria, 2007-2016



## Political developments together with Brexit represent the greatest sources of uncertainty in the medium term

Preference for 'having a strong leader who does not have to bother with parliament and elections', in % of the interviewed persons by age groups



In the short term, positive effects are prevailing over potential negative effects of political turmoil

### Real GDP growth forecast and revisions

		Forecast, %			Revisions, pp					
		2017	2018	2019	2017	2018	2019			
EU-CEE	BG	3.5	3.5	3.6	↑	0.6	↑	0.4	↑	0.3
	HR	2.7	2.9	3.0	↓	-0.1	→	0.0	→	0.0
	CZ	2.7	2.7	2.4	↑	0.3	↑	0.1	↑	0.1
	EE	2.3	2.5	2.6	↑	0.1	↑	0.2	↑	0.2
	HU	4.0	3.9	3.3	↑	0.7	↑	0.5	↑	0.2
	LV	2.9	3.0	2.9	↑	0.4	↑	0.3	↑	0.1
	LT	3.0	3.2	3.3	↑	0.3	↑	0.4	↑	0.2
	PL	3.3	3.2	3.1	↑	0.4	↑	0.2	→	0.0
	RO	4.8	4.3	4.3	↑	0.8	↑	0.3	↑	0.3
	SK	3.3	3.6	3.9	↑	0.2	→	0.0	→	0.0
	SI	3.5	3.2	3.1	↑	0.6	↑	0.3	↑	0.1
WB	AL	3.9	4.0	4.1	↑	0.4	↑	0.1	↑	0.1
	BA	3.2	3.4	3.4	↑	0.4	↑	0.4	↑	0.3
	XK	3.7	3.8	3.7	↓	-0.2	→	0.0	→	0.0
	MK	2.6	3.3	3.4	↓	-0.5	→	0.0	↑	0.4
	ME	2.5	2.7	2.5	↓	-0.6	↓	-0.2	↓	-0.8
	RS	2.5	2.6	2.8	↓	-0.3	↓	-0.4	↓	-0.5
Turkey	TR	2.8	2.9	3.0	↑	0.7	↑	0.3	↓	-0.1
CIS +UA	BY	1.4	2.1	2.6	↑	0.9	↑	0.5	↑	0.4
	KZ	2.5	3.0	3.0	↑	0.5	→	0.0	→	0.0
	RU	1.3	1.6	1.8	↓	-0.4	↓	-0.1	↓	-0.2
	UA	2.0	3.0	3.0	↓	-0.5	→	0.0	→	0.0

Note: Current forecast and revisions relative to the wiiw Spring Forecast 2017. Colour scale reflects variation from the minimum (red) to the maximum (green) values. Source: wiiw forecast (June 2017).

# Thank you for your attention!

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