

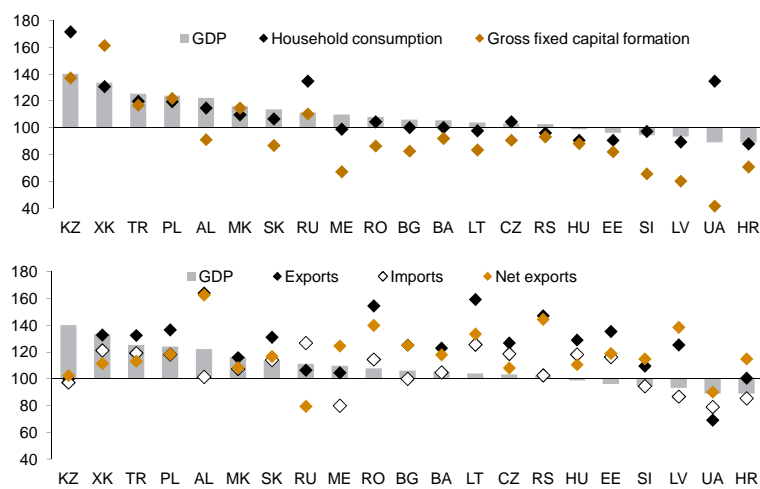
Press Conference, 13 November 2014

New wiiw forecast for
Central, East and Southeast Europe, 2014-2016
CESEE core resilient to EU stagnation and
the Ukraine crisis

Sándor Richter, Vasily Astrov

Exports helped to cope with the crisis

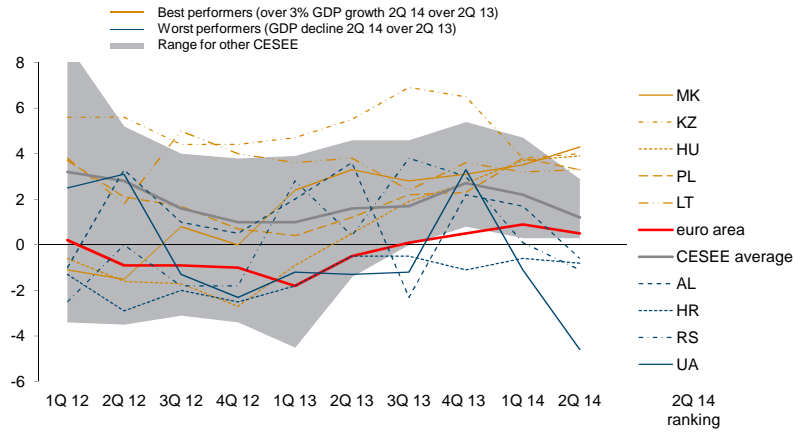
Cumulative change of GDP growth components, 2014, 2007=100



Source: wiiw Annual Database incorporating national and Eurostat statistics, own calculations.

CESEE growth performance better than that in the euro area

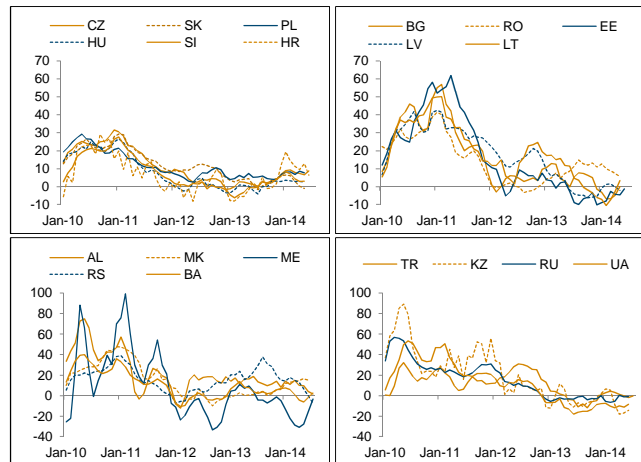
Development of quarterly GDP, real change in % against preceding year



Source: National and Eurostat statistics.

Exports have become a less important growth driver

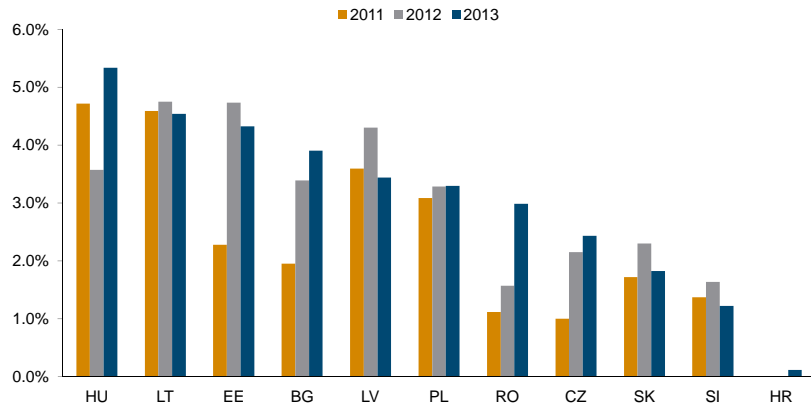
Exports of goods (nominal, euro-based), change in % against preceding year, 3-month moving average



Source: wiiw Monthly Database incorporating national and Eurostat statistics.

EU funds an important part of NMS aggregate demand

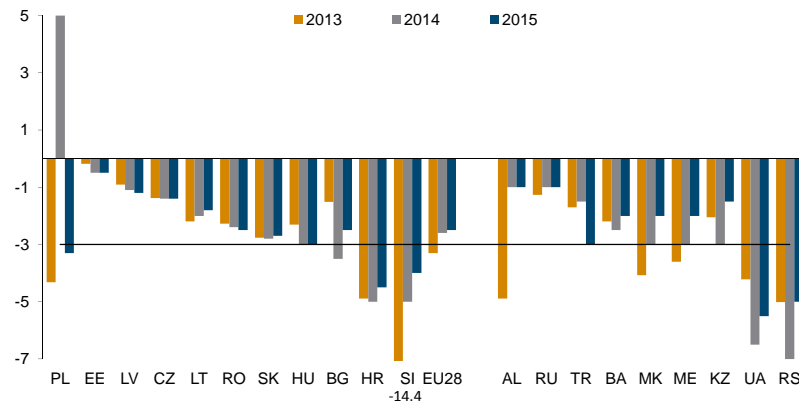
Net financial position of NMS vis-à-vis the EU budget, % GNI



Source: European Commission (http://ec.europa.eu/budget/figures/interactive/index_en.cfm).

Fiscal deficits are generally moderate

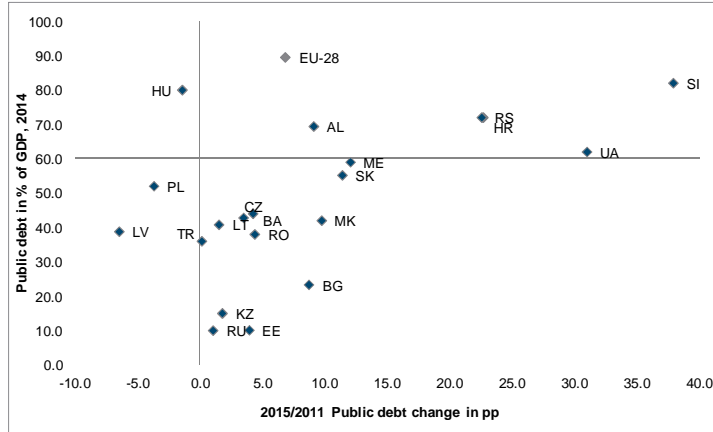
Fiscal balance, in % of GDP



Source: wiiw Database incorporating national and Eurostat statistics.
Forecasts by wiiw and European Commission.

Public debt dramatic for a few countries

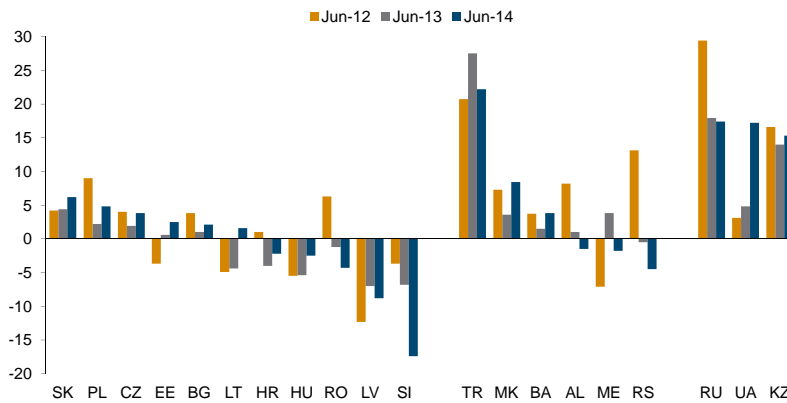
Public debt in 2014 and change in public debt between 2011 and 2015 (forecast)



Source: wiiw Database incorporating national and Eurostat statistics. Forecasts by wiiw and European Commission.

A period of 'creditless recovery'

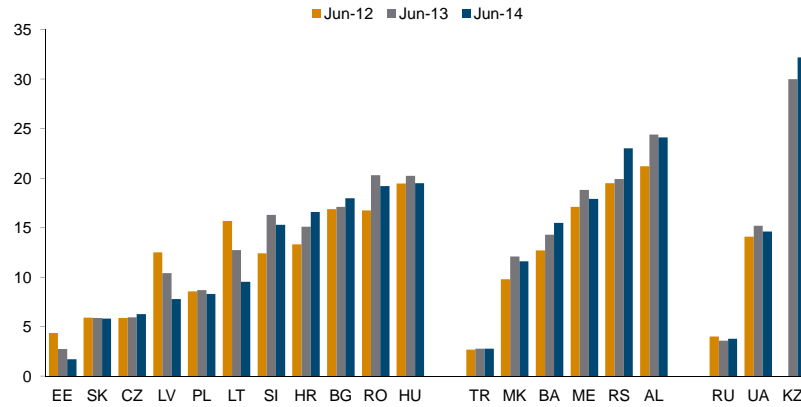
Bank loans to the non-financial private sector*, change in % against preceding year



*Non-financial corporations and households. Source: National Bank statistics, wiiw own calculations.

Have bad loans have reached their peak?

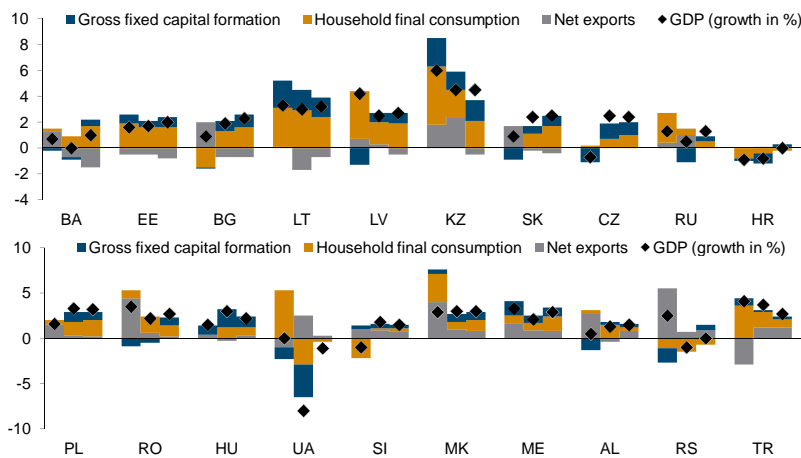
Share of non-performing loans in % of total loans, end of period



Source: National Bank statistics, wiiw own calculations.

Investment and consumption take over the role of growth driver

GDP growth in 2013-2015, and contribution of individual demand components in pp



Source: wiiw Annual Database incorporating national and Eurostat statistics. Forecasts by wiiw.

GDP growth, wiiw forecast for 2014-2016

	2014	2015	2016		2014	2015	2016
Kosovo	4.7	3.8	3.7	Montenegro	2.1	2.9	3.0
Kazakhstan	4.5	4.5	5.0	Bulgaria	1.9	2.3	2.6
Turkey	3.7	2.7	2.8	Slovenia	1.8	1.5	1.5
Poland	3.3	3.2	3.1	Estonia	1.7	2.0	2.9
Hungary	3.0	2.2	2.0	Albania	1.3	1.5	0.9
Lithuania	3.0	3.2	3.4	Russia	0.5	1.3	1.9
Macedonia	3.0	3.0	3.0	Bosnia and Herzegovina	0.0	1.0	2.0
Czech Republic	2.5	2.4	2.6	Croatia	-0.8	0.0	1.0
Latvia	2.5	2.7	3.0	Serbia	-1.0	0.0	1.0
Slovakia	2.4	2.5	2.6	Ukraine	-8.0	-1.1	1.8
Romania	2.2	2.7	3.0				

Source: wiiw forecast, November 2014.

Main points of the forecast

- Diversified outlook for GDP growth in 2014: improvement in twelve and deterioration in nine countries of the region.
- 2014: NMS growth by 1.8 pp higher than that in the euro area; by 1.3 pp higher than the EU-28 average.
2015: +1.5 pp relative to the euro area; +1.1 pp relative to the EU-28.
- Western Balkans: growth prospects improve from 2015 onwards.
- Medium-term outlook for Russia and Ukraine fairly uncertain.

On thin ice

- **Downward risks in 2015 and 2016:**
 - weakening growth in the euro area
 - escalation of the Ukraine conflict

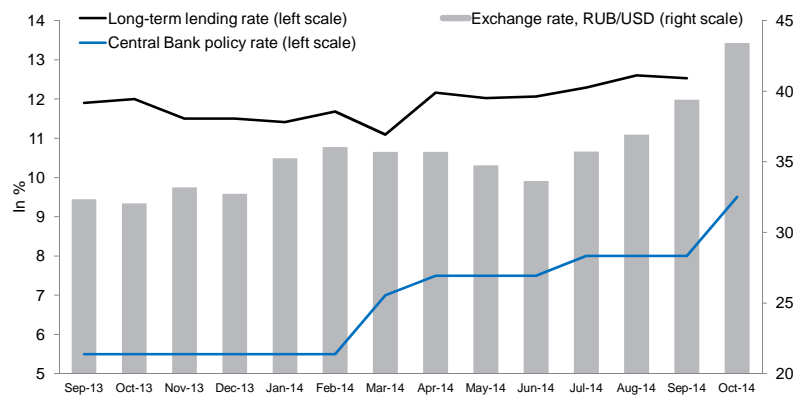
- **Upward risk in 2015 und 2016:**
 - a longer lasting drop in oil prices
(not for Russia and Kazakhstan)

Western sanctions on Russia

- (1) Restrictions on trade in military and dual-use goods
- (2) Restrictions on exports of oil-drilling equipment
- (3) **Financial sanctions** hitting the hardest
 - Ban on borrowing >30 days
for leading state-owned banks and energy companies
 - Refinancing of external debt more difficult ...
 - ... which puts the rouble under pressure

Depreciation and interest rate hikes in Russia ...

Interest and exchange rates, monthly

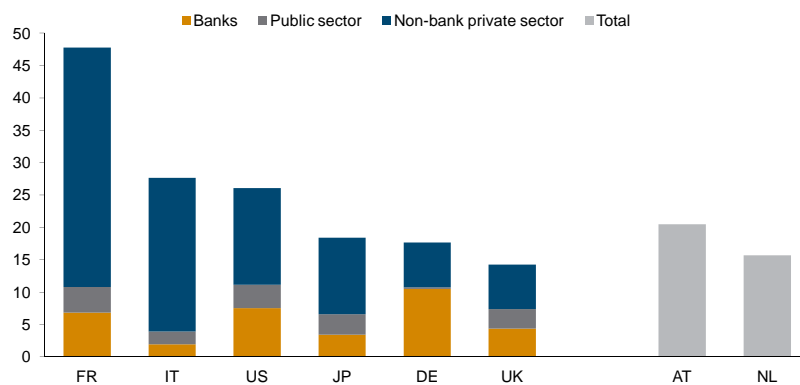


October 2014: Central Bank policy rate effective starting from 5 November 2014.

Source: Russian Central Bank.

... and forgone earnings for Western banks

Exposure in Russia at end-June 2014, in USD billion



Source: Bank for International Settlements, except AT: estimate based on Raiffeisenbank's exposure.

Country codes

AL	Albania	RU	Russia
BA	Bosnia and Herzegovina	SI	Slovenia
BG	Bulgaria	SK	Slovakia
CZ	Czech Republic	TR	Turkey
EE	Estonia	UA	Ukraine
HR	Croatia	XK	Kosovo
HU	Hungary		
KZ	Kazakhstan	AT	Austria
LT	Lithuania	DE	Germany
LV	Latvia	FR	France
ME	Montenegro	IT	Italy
MK	Macedonia	JP	Japan
PL	Poland	NL	Netherlands
RO	Romania	UK	United Kingdom
RS	Serbia	US	USA
CESEE	Central, East and Southeast Europe		

Thank you for your attention

For further information please contact wiiw

www.wiiw.ac.at