

Updated wiiw forecasts for 2004 and 2005

The new wiiw GDP growth forecasts are for the majority of the Central and East European countries (see Table below) somewhat higher than our earlier projections. The combined GDP of the eight new EU member states (NMS) will grow by 5% in 2004 and slightly less (4.8%) in 2005. There are, of course, many country-specific developments behind the revisions in the individual countries' forecasts. One common factor which may be referred to pertains to an acceleration of growth in the EU-15. By the same token, the expected modest slowdown of growth in the NMS which wiiw projects for 2005 may be seen as reflecting the slowdown of EU-15 growth in that year.

In line with our previous forecasts, growth in 2004/05 will be relatively high in other transition countries – in actual fact very high in Russia, Romania and Ukraine. While we did expect high growth in Ukraine, our previous forecasts for the two latter countries require substantial upward revisions. As with the majority of NMS, we expect some slowdown of growth in almost all other transition countries in 2005. Excepting Macedonia, higher growth is forecast also for Southeast Europe.

The evolving external position of individual countries, reflected in the size of their current account balances, may be seen as a factor significantly related to the anticipated overall GDP growth. Only in Ukraine is high growth (and even growth acceleration) mirrored by high (and rising) current account surpluses; this results from the strong international demand and prices for energy and metals. A reverse situation is currently observed in most other countries where high (and accelerating) growth has presently widened the current account deficits substantially. A mild slowdown of GDP growth in 2005 may well turn out to be related to the anticipated current account developments.

Robust economic growth notwithstanding, the labour market situation in transition countries remains disappointing; the unemployment rate in NMS is nearly twice as high as in the EU-15.

wiiw, 9 December 2004

Peter Havlik, tel. (+43 1) 533 66 10 – 15, havlik@wiiw.ac.at

Leon Podkaminer, tel. (+43 1) 533 66 10 – 34, E-Mail: podkaminer@wiiw.ac.at

Overview developments and outlook, 2003 to 2005

	GDP			Consumer prices			Unemployment, based on LFS ¹⁾			Current account		
	real change in % against previous year			change in % against previous year			rate in %, annual average			in % of GDP		
	2003	2004 forecast	2005	2003	2004 forecast	2005	2003	2004 forecast	2005	2003	2004 forecast	2005
Czech Rep.	3.1	3.9	4.1	0.1	3.1	2	7.8	9	9	-6.2	-5.9	-5.7
Hungary	2.9	4	4	4.7	6.9	4.9	5.9	5.9	5.9	-9.0	-8.4	-7.4
Poland	3.8	5.5	5	0.8	3.4	3	19.6	20	19	-2.2	-1.6	-2.0
Slovak Rep.	4.2	5.5	6	8.5	8	5	17.4	18	17	-0.9	-2.1	-2.6
Slovenia	2.5	3.8	3.9	5.6	4	3.5	6.7	6.5	6.2	-0.4	-0.4	-0.6
NMS-5	3.5	4.9	4.7	.	.	.	15.1	15.6	15.1	-4.1	-3.7	-3.8
Estonia	5.1	6.5	6	1.3	3.5	3	10.0	9.5	9	-13.2	-14	-11
Latvia	7.5	7.2	6.5	2.9	7	4	10.6	10.5	10	-8.2	-12	-9
Lithuania	9.7	7.0	6.5	-1.0	1.5	1.0	12.4	11.5	11	-6.9	-9	-8
NMS-8	3.8	5.0	4.8	.	.	.	14.7	15.1	14.5	-4.5	-4.3	-4.2
EU-15 ²⁾	0.8	2.3	2.2	2.0	2.0	1.9	8.1	8.1	8.1	0.4	0.5	0.5
EU-25 ²⁾	0.9	2.5	2.3	1.9	2.2	2.1	9.1	9.1	9.1	0.0	0.3	0.2
Croatia	4.3	3.5	3.5	1.8	2	1.5	14.3	14	13.5	-7.2	-6.3	-5.7
Bulgaria	4.3	5.3	5	2.3	6	4	13.7	13	12.0	-8.6	-7.6	-6.5
Romania	4.9	7	5	15.3	12	9	7.0	8	7	-5.7	-6.9	-6.8
Albania ³⁾	6.0	6.2	6.5	2.4	3.5	4	15.0	14.5	14	-6.4	-5.5	-6
Bosn&Herz ⁴⁾⁵⁾	3.5	6	5	0.6	0.4	0.5	42.0	42	41	-28.8	-28.1	-27.8
Macedonia ⁴⁾	3.2	2	4	2.4	3	2	36.7	36	35	-6.0	-5.8	-5.7
Serb&Mont. ⁶⁾⁷⁾	2.0	5	5	9.4	12	10	15.2	15	15	-11.7	-16.3	-15.5
Russia	7.3	6.5	6.0	13.6	11	10	8.7	8.7	9	8.2	9.0	6.7
Ukraine	9.4	12.5	9	5.2	8.5	8	9.1	8.7	8.5	5.8	8.9	8.6

1) LFS - Labour Force Survey, refers to ILO definition. - 2) Current account refers to extra EU-15 flows, adjusted. - 3) Unemployment rate by registration, end of period. - 4) Consumer price inflation measured by retail prices. - 5) Unemployment rate by registration, average. - 6) Excluding Kosovo and Metohia. - 7) From 2003 current account for Serbia only.

Source: wiiw (December 2004); Eurostat; forecasts for EU: European Commission (EC), Economic Forecasts, Autumn 2004.