

PRESS RELEASE

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**New wiiw forecast: CIS, UKRAINE and TURKEY  
Growth will remain weak through to 2019**

- *Uncertainty about the future trajectory of commodity prices, and elevated tensions between Russia and the west related to the conflict in Ukraine, create potential macroeconomic challenges for the CIS and Ukraine. Meanwhile in Turkey, heightened political risk is already having a material impact on growth.*
- *The wiiw Spring 2017 Forecast concludes that these issues will continue to weigh on economic activity in the region. Although growth will pick up in all countries from 2017, it will remain very subdued by historical standards and compared with other parts of CESEE.*
- *Ukraine will be the fastest growing economy in the region this year, at 2.5%, but this represents a small bounce back from a deep recession. Economic growth in Belarus will just about make it back into positive territory, while growth in Russia, Turkey and Kazakhstan will be at around 2% or lower.*

The following are the key findings of the wiiw Spring Forecast report:

- **Growth in the CIS and Ukraine will be 1.7% this year, while in Turkey it will reach 2.1%.** In both cases this represents an improvement from 2016, and in the case of the CIS and Ukraine is the first positive aggregate outturn since 2014, but is extremely subdued in the historical context. Still-low oil prices will hold back economic activity in the CIS region, while in Turkey, the aftermath of the 2016 failed coup will continue to act as a constraint on economic activity.
- **In Ukraine, a stuttering recovery is underway, but continues to face quite formidable headwinds.** It is far from certain whether the (patchy) ceasefire in the east of the country will hold, particularly in light of greater uncertainty about western policy following the election of Donald Trump as US president. Meanwhile, there remain risks that the IMF programme will be derailed. Investment will be an important driver of economic activity in the forecast period, but this mostly reflects a response to years of under-investment. Consumption is growing much less quickly than wages, indicating a higher savings rate.
- **The unemployment rate in both Turkey and the CIS and Ukraine will rise further this year.** In Turkey, this reflects both a slowdown in economic growth and a rise in the size of the labour force, the latter as a result of higher immigration. In the rest of the region, joblessness in Russia and Belarus will increase (both from comparatively low levels), while the unemployment rate in Ukraine will fall moderately.

- **In the CIS and Ukraine, inflation will continue to moderate in 2017, falling to 5.8%, from 8.6% in 2016 and 17.1% in 2015.** However, it will remain at or above 10% in Belarus and Ukraine. In Turkey, inflation will rise further to 8.7% this year, driven by a rise in import costs owing to the weakness of the lira.
- **Both Russia and Turkey will continue to experience heightened tensions with the EU.** In both cases, the reasons for the diplomatic spats are deep seated, and the dynamics will not be altered by major elections in Western Europe this year. Political factors will continue to act as a constraint on growth in both countries.

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## OVERVIEW 2015-2016 AND OUTLOOK 2017-2019

	GDP					Consumer prices					Unemployment (LFS)					Current account				
	real change in % against prev. year					change in % against prev. year					rate in %, annual average					in % of GDP				
	2015	2016	Forecast			2015	2016	Forecast			2015	2016	Forecast			2015	2016	Forecast		
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Turkey	6.1	1.9	2.1	2.6	3.1	7.7	7.8	8.7	7.5	6.8	10.3	10.8	11.0	10.6	10.4	-3.8	-3.8	-5.1	-5.4	-5.7
Belarus <sup>1)</sup>	-3.8	-2.6	0.5	1.6	2.2	13.5	11.8	10.0	9.0	8.0	1.0	0.8	1.0	1.0	1.0	-3.7	-3.0	-3.5	-4.4	-4.5
Kazakhstan	1.2	1.0	2.0	3.0	3.0	6.6	14.6	7.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	-3.0	-6.1	-2.4	-1.9	-2.2
Russia	-2.8	-0.2	1.7	1.7	2.0	15.5	7.1	5.0	5.0	5.0	5.6	5.3	5.6	5.6	5.5	5.1	1.7	1.7	1.3	0.9
Ukraine	-9.8	2.0	2.5	3.0	3.0	48.7	13.9	10.5	6.1	5.0	9.1	9.4	9.2	8.1	7.3	-0.2	-3.6	-4.5	-4.6	-4.8
CIS + Ukraine <sup>2)3)</sup>	-3.0	0.0	1.7	1.9	2.2	17.1	8.6	5.8	5.3	5.2	5.9	5.9	6.0	5.8	5.6	3.6	0.6	0.8	0.5	0.2
EU-CEE <sup>2)3)</sup>	3.7	3.0	3.0	3.2	3.2	-0.4	-0.2	1.5	2.0	2.1	7.8	6.6	6.3	6.1	6.0	0.4	0.7	0.4	0.0	-0.2
EA-19	2.0	1.7	1.6	1.8	.	0.0	0.2	1.7	1.4	.	10.9	10.0	9.6	9.1	.	3.7	3.6	3.2	3.1	.
EU-28	2.2	1.9	1.8	1.8	.	0.0	0.3	1.8	1.7	.	9.4	8.5	8.1	7.8	.	2.2	2.1	1.9	1.9	.
WB <sup>2)3)</sup>	2.2	2.7	3.0	3.2	3.4	0.9	0.5	1.6	1.9	2.1	21.2	19.1	18.4	17.7	17.6	-6.1	-6.7	-6.6	-6.7	-6.7
VIS-4 <sup>2)3)</sup>	3.9	2.6	2.9	3.0	3.0	-0.4	0.0	1.6	2.0	2.1	7.3	6.0	5.8	5.7	5.6	0.3	0.6	0.5	0.2	0.0
BALT-3 <sup>2)3)</sup>	2.0	1.9	2.5	2.7	2.9	-0.3	0.5	2.0	2.3	2.7	8.7	8.2	7.7	7.3	7.0	-0.7	1.3	-0.3	-0.9	-1.3
SEE-9 <sup>2)3)</sup>	3.2	3.8	3.5	3.6	3.6	-0.2	-0.7	1.4	2.0	2.2	12.8	11.3	10.9	10.4	10.2	-1.3	-1.7	-2.0	-2.2	-2.3
NON-EU-11 <sup>2)3)</sup>	-0.2	0.6	1.9	2.2	2.5	13.8	8.1	6.5	5.8	5.6	7.6	7.6	7.7	7.4	7.2	0.9	-1.2	-1.2	-1.5	-1.9
CESEE-22 <sup>2)3)</sup>	0.9	1.3	2.2	2.5	2.7	9.7	5.6	5.0	4.7	4.6	7.6	7.3	7.3	7.1	6.9	0.9	-0.7	-0.8	-1.3	-1.7

1) Unemployment rate by registration. - 2) wiiw estimates. - 3) Current account data include transactions within the region (sum over individual countries).

Source: wiiw, Eurostat. Forecasts by wiiw (Feb 2017) and European Commission for EU and Euro area (Winter Report, Feb 2017).