

PRESS RELEASE

31 March 2020

wiiw's first weekly update on Coronavirus in Eastern Europe: Deep downturn for everyone; 2004 EU joiners look best positioned to cope economically

In the first of its regular weekly updates on the Coronavirus in Central, East and Southeast Europe (CESEE), the Vienna Institute for International Economic Studies (wiiw) finds that a material negative economic impact is already being felt. Many currencies have weakened substantially and consumer and business confidence is falling. This is despite the fact that, according to the calculations by wiiw, the Coronavirus is so far spreading more slowly in most of CESEE than in countries like Italy or Spain.

Central banks across the region have already reacted strongly, but the key to mitigating the downturn lies with fiscal policy. wiiw finds that in most of CESEE, planned fiscal responses to the crisis are either inadequate or may be difficult to fund, and that many countries will have few options to stimulate their economies. Most or all countries in CESEE will face a steep recession in 2020, although wiiw remains optimistic that a strong recovery will arrive by the second half of 2021.

wiiw's weekly updates will continue to track the following indicators across [23 CESEE countries](#):

- Growth of Coronavirus cases, including in comparison with key global benchmarks that represent different ways of managing the crisis: Italy, South Korea, Singapore and Sweden;
- High frequency economic data, including central bank policy rates, exchange rates and confidence indicators;
- A summary of key fiscal, monetary and social distancing measures in each country.

As wiiw wrote in its [Spring Forecast Report](#) published earlier in March, countries with larger fiscal space to stimulate their economies and better healthcare systems should be able to manage the inevitable downturn better. Here, many of the countries that joined the EU in 2004—especially the Baltic states, the Czech Republic, Slovakia and Slovenia—are in a relatively stronger position.

Assessing the full extent of the economic fallout remains challenging. The small, open economies of Central Europe and the Baltics will certainly be hit hard by the initial disruptions to global trade, but may also be able to bounce back more quickly as Asia recovers. Many countries in CESEE are heavily reliant on tourism, and here wiiw expects the negative fallout of the Coronavirus to be longer-lasting. Public debt/GDP loads are set to rise substantially almost everywhere in the region, which will be a source of vulnerability in the coming years. Capital flight is a serious risk for many CESEE countries.

The severe economic downturn will have dire consequences for CESEE. However, it will also create opportunities, not least in the digital sphere. Countries that are already more digitally advanced—especially Estonia, but also other parts of CESEE including Russia—are well placed to benefit from this.

First wiiw Update on Coronavirus in Eastern Europe

Link: <https://wiiw.ac.at/n-430.html>

Contacts

Richard Grieveson, Deputy Director (grieveson@wiiw.ac.at)

Julia Grübler, Economist (gruebler@wiiw.ac.at)

Alexandra Bykova, Statistician (bykova@wiiw.ac.at)

Veronika Janyrova, Press contact (janyrova@wiiw.ac.at)