

Europe Institute of Romania, Annual Conference, 13 December 2012

wiiw Forecast for Central, East and Southeast Europe, 2012-2014

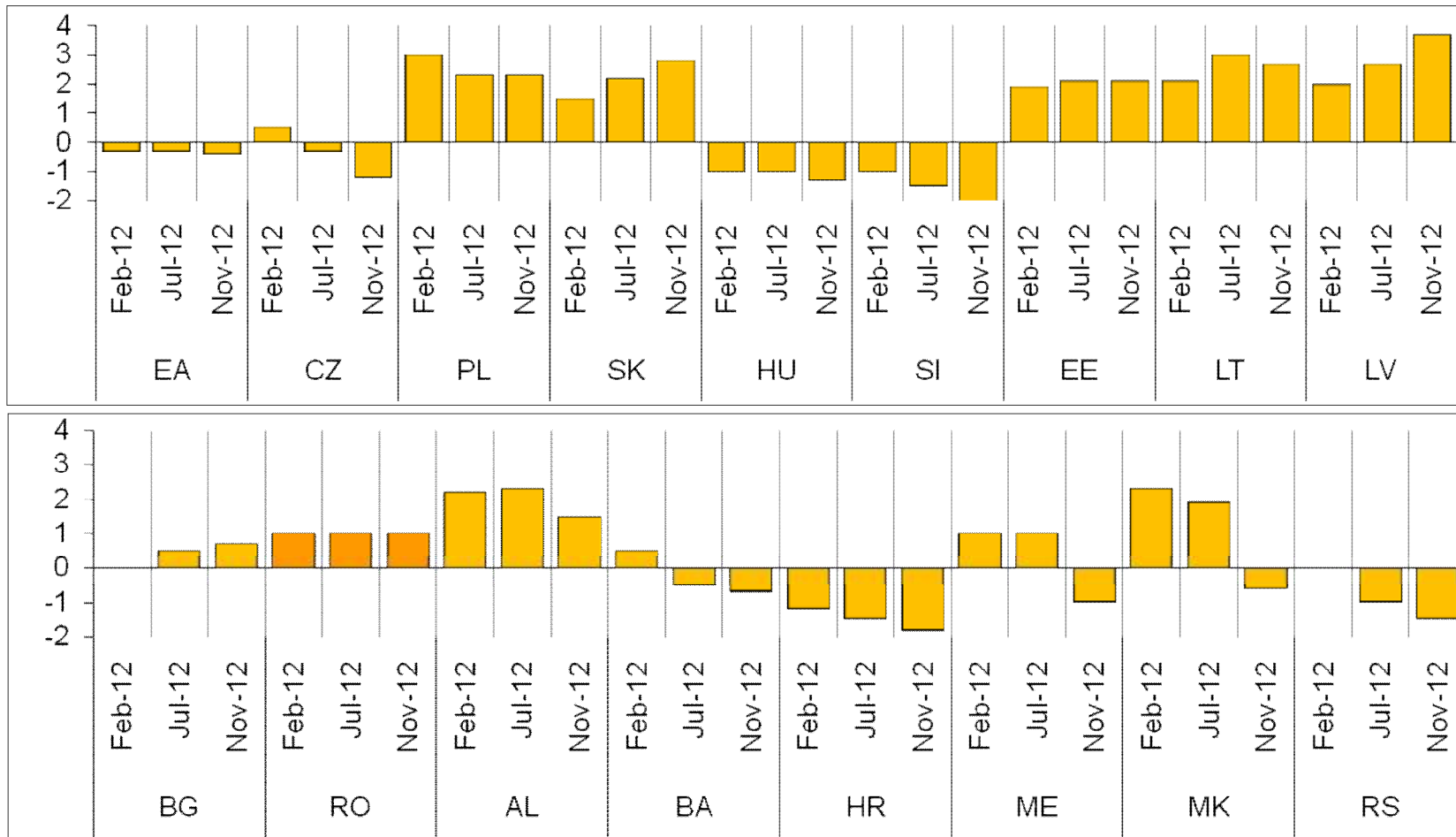
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GDP growth, 2012

Revisions of wiiw forecasts (February 2012, July 2012, September 2012)



Source: wiiw and European Commission (for EA, euro area).

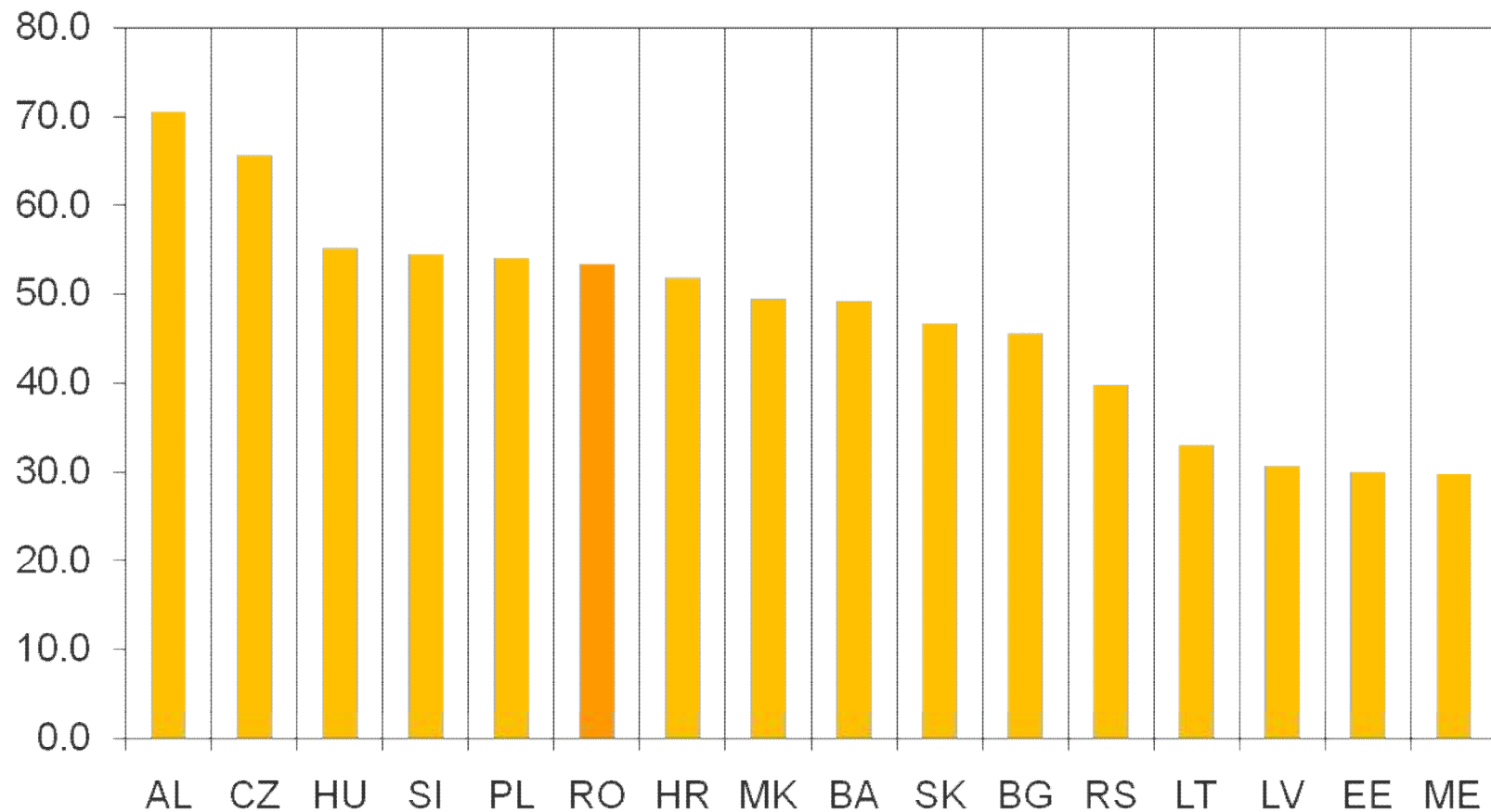
GDP growth, 2013

Revisions of wiiw forecasts (February 2012, July 2012, September 2012)



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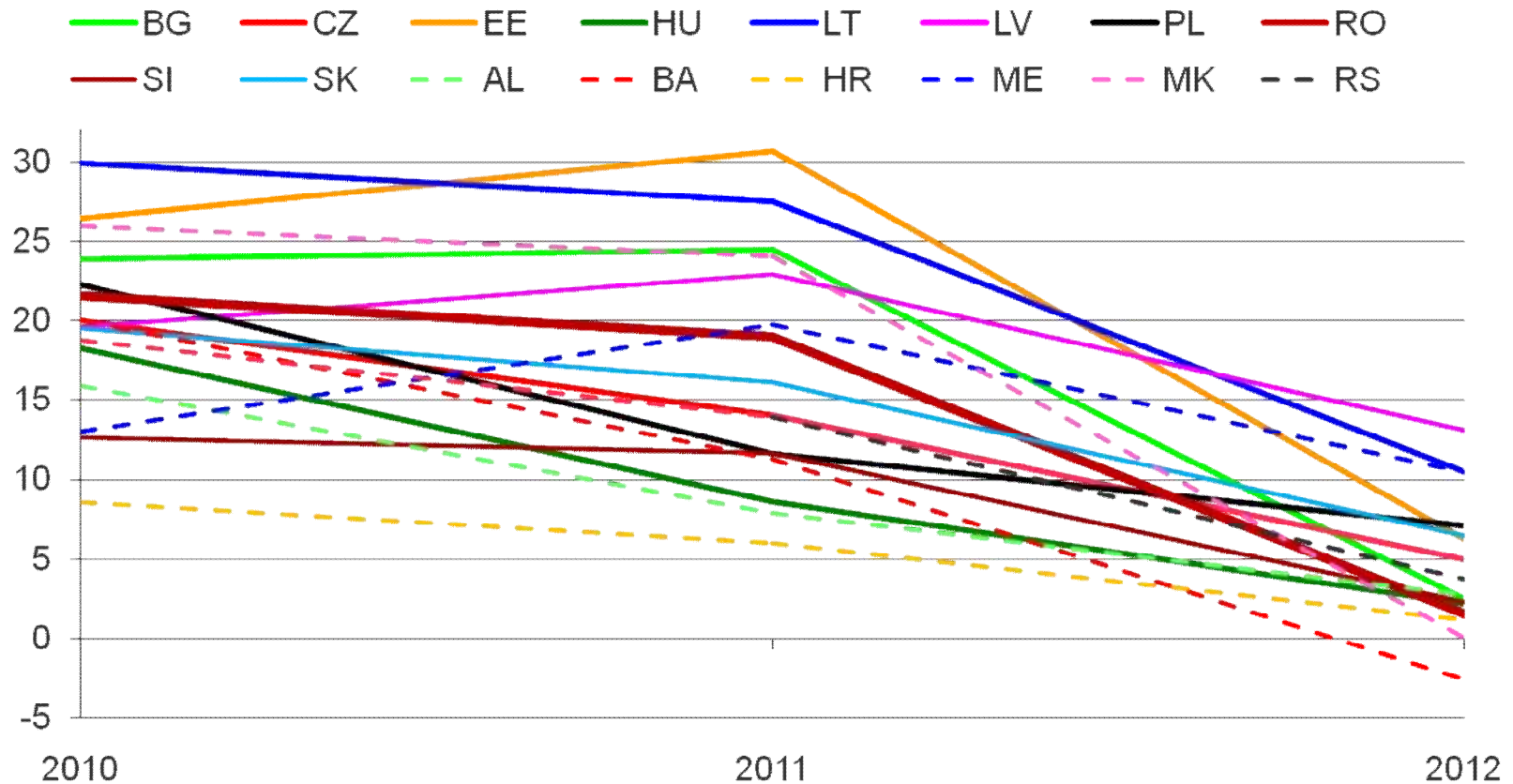
Exports of goods to the euro area in % of total exports, 2011



Source: wiiw Database incorporating national and Comext.

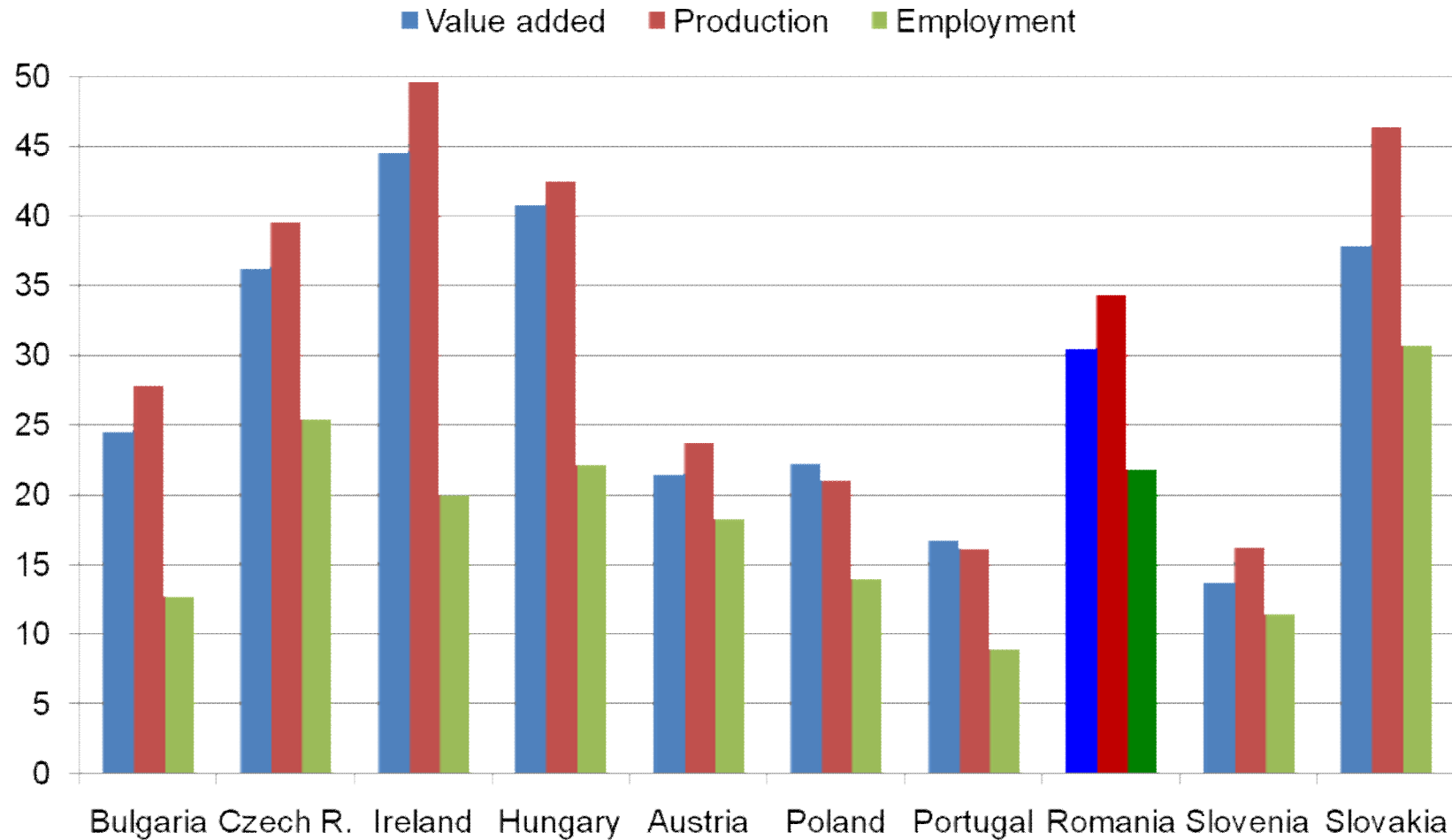
Exports of goods and services

change in % against preceding year, euro based

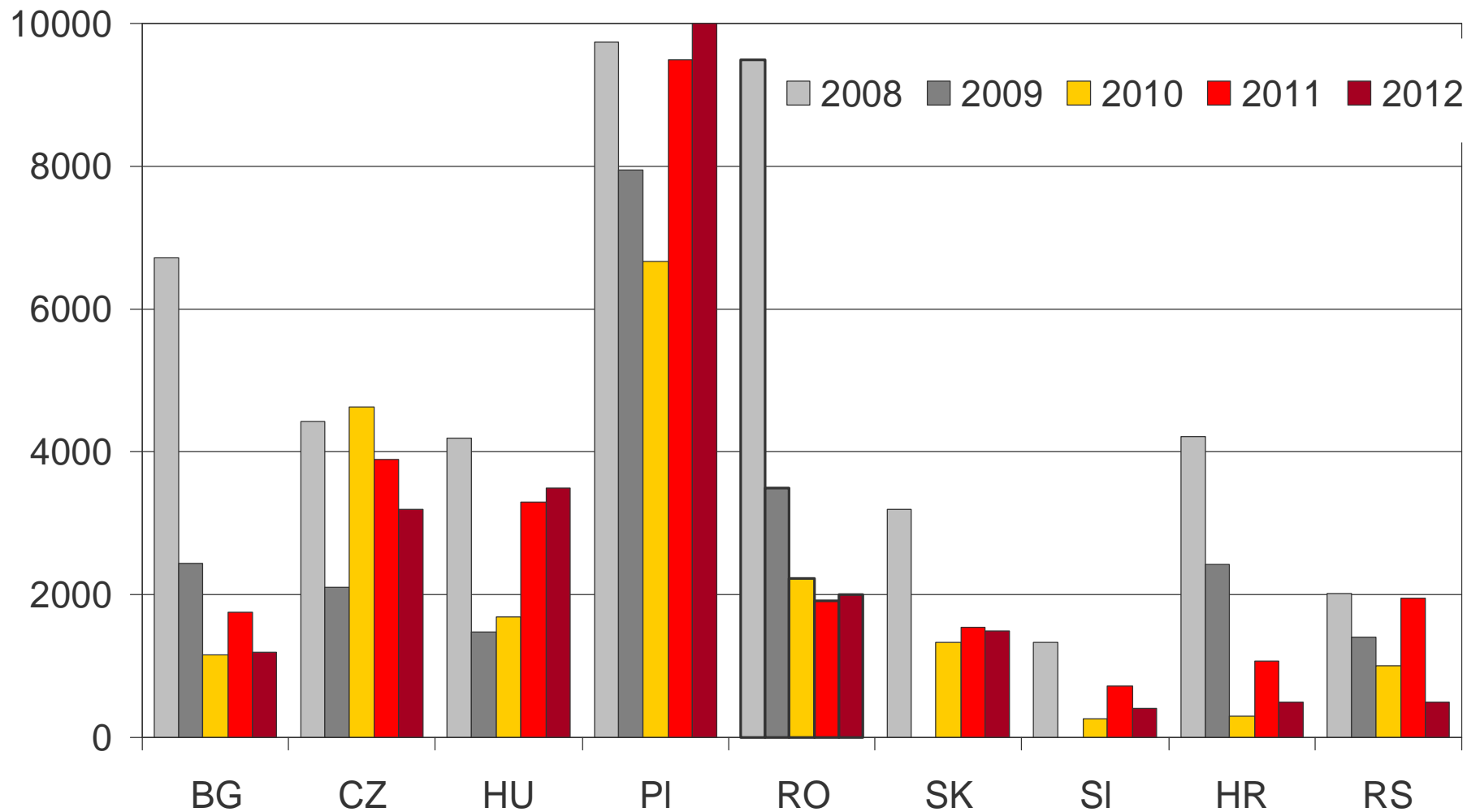


Source: wiiw Database incorporating national and Eurostat statistics, 2012: wiiw forecast.

Share of Foreign Affiliates in value added, production and employment, non-financial business economy, in %, 2009 (EUROSTAT, FATS)



FDI Inflow, Euro million, 2008-2011



Source: wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe, 2012.

Export-driven and FDI-led growth lost steam:

RO: good competitiveness, but lack of external demand

Public demand contracted due to fiscal austerity:

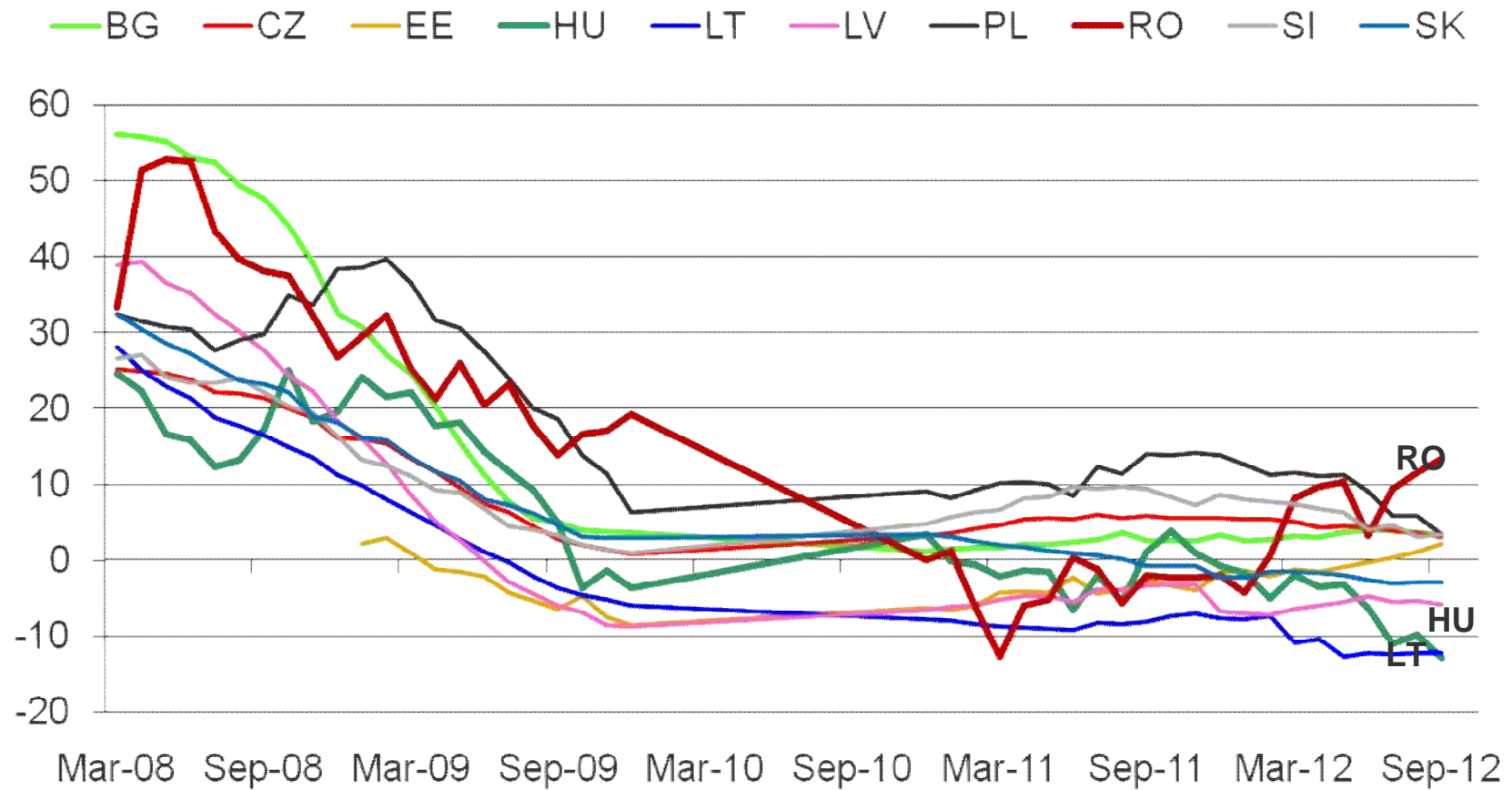
RO: less is necessary in the coming years

Private consumption and investments:

- § Generally weak, but investments grow in Romania
- § Domestic policy uncertainty high: Hungary, Romania
- § Credit crunch: balance sheet reduction by western banks
- § Slovenia: banking crisis (burst of the real estate bubble)
- § Czech Republic, Poland: weak credit demand

Bank loans to non-financial private sector

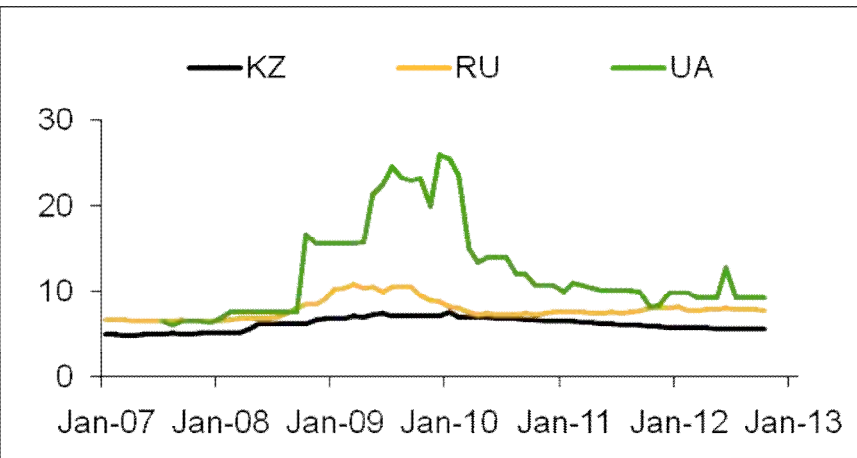
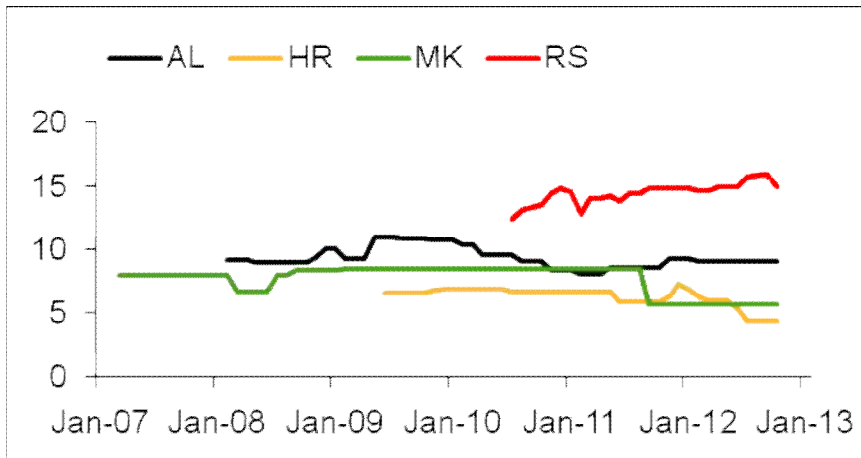
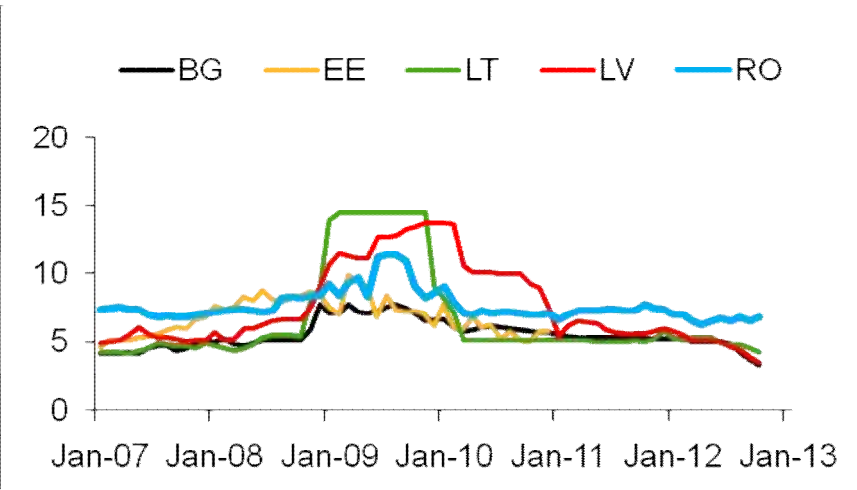
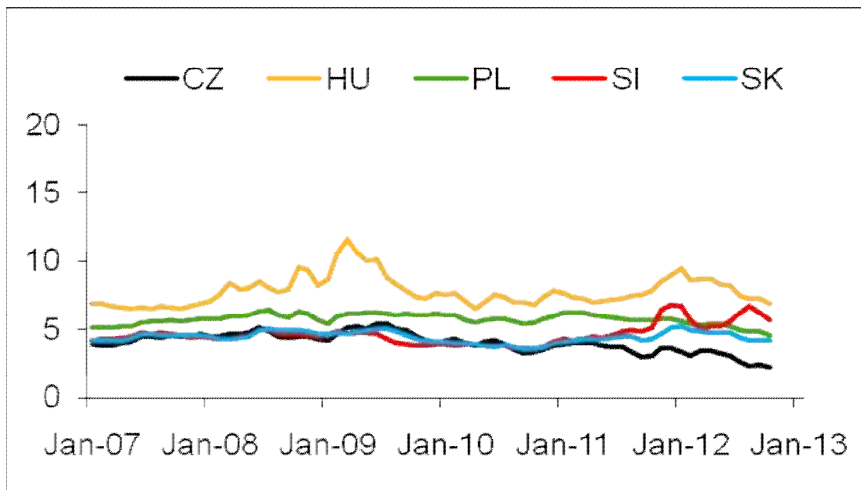
change in % against preceding year (nominal): RO positive



Source: National Bank of respective country, wiiw calculations.

Yields on long-term government bonds, % p.a.

RO: high perceived risk



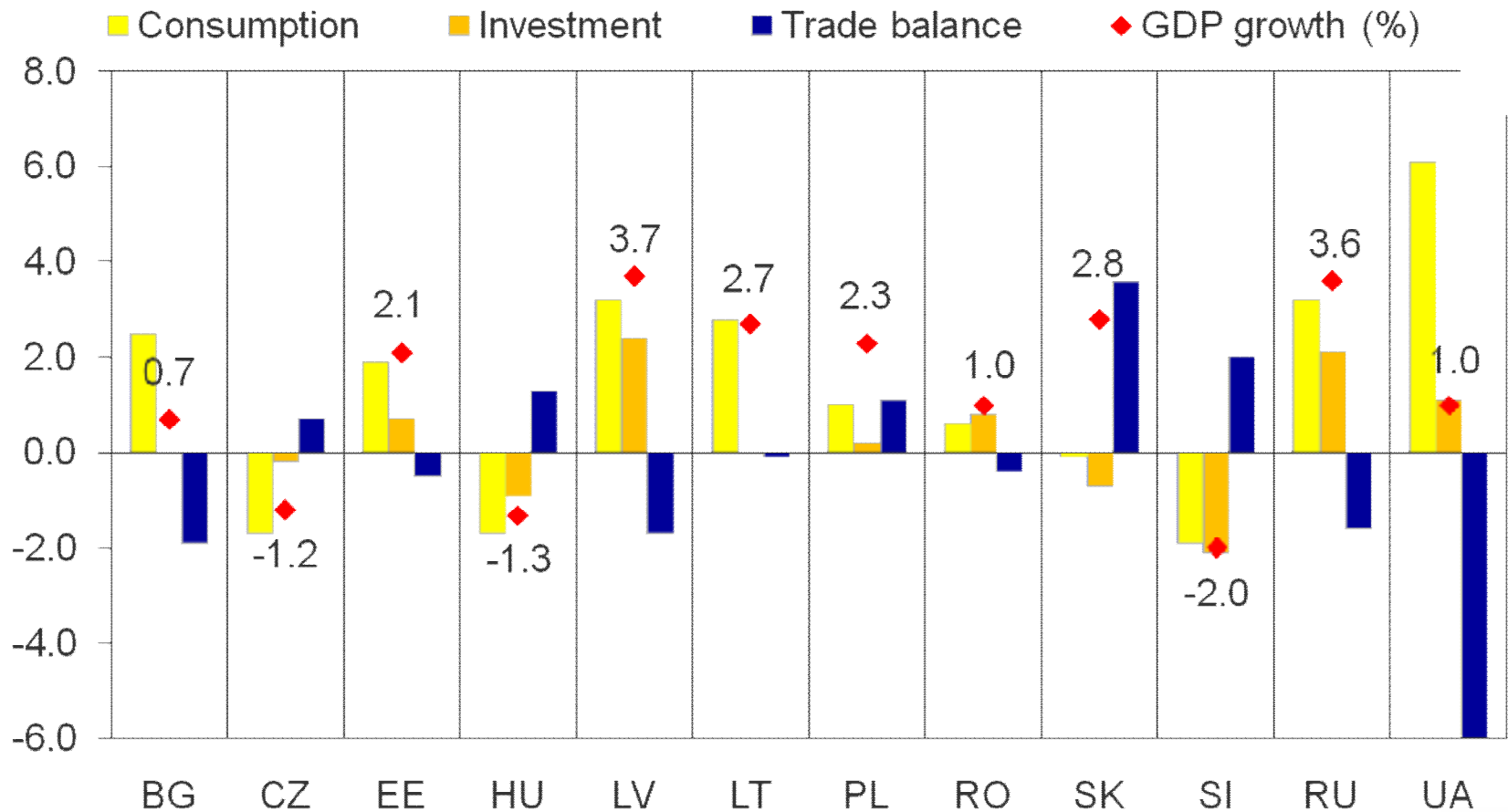
Source: Eurostat, National Banks.

GDP growth, wiiw forecast for 2012-2014

RO: slowly, but growing – no catching-up

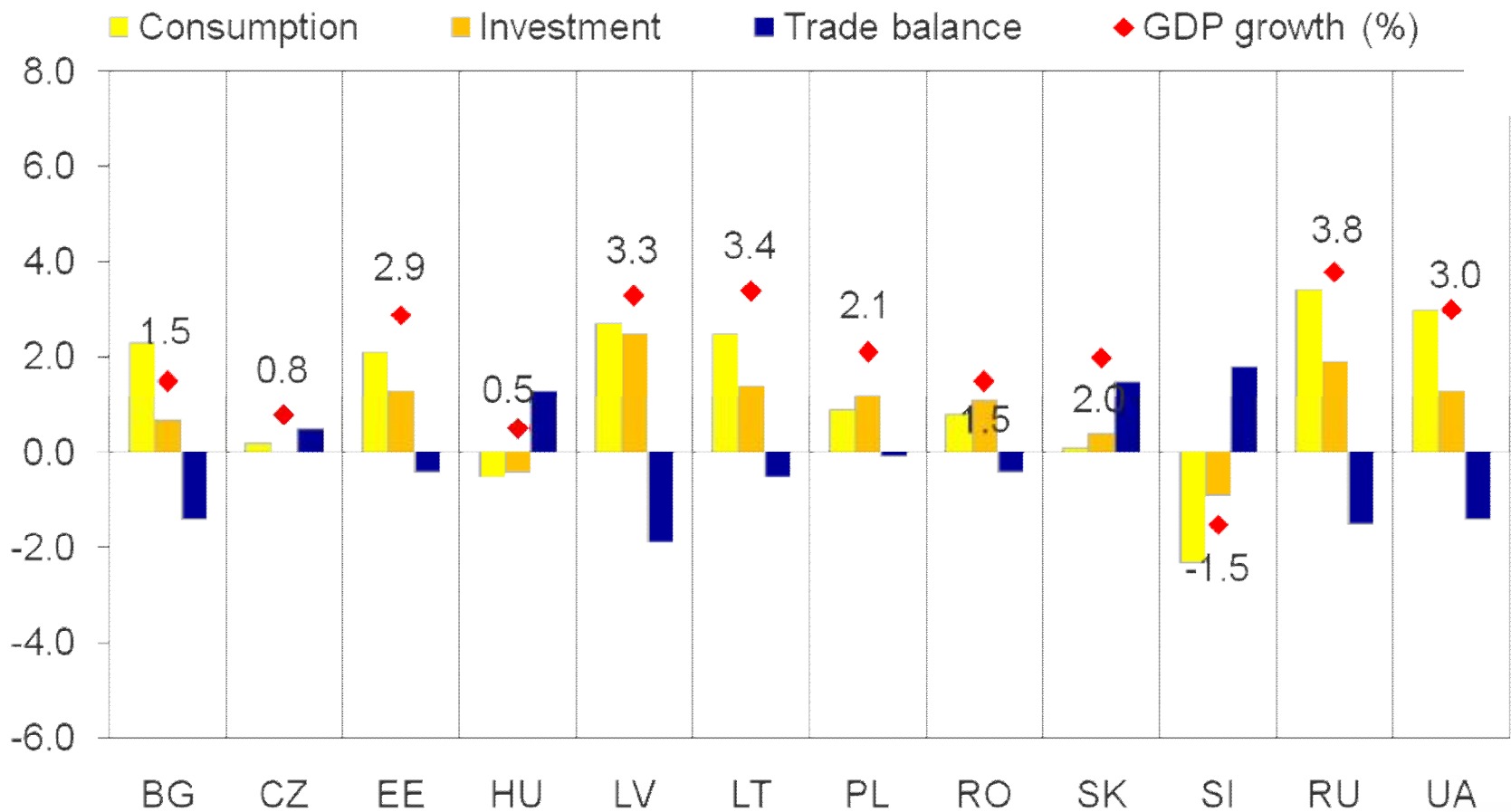
	2012	2013	2014		2012	2013	2014
Latvia	3.7	3.3	3.8	Macedonia	-0.6	1.0	1.7
Slovakia	2.8	2.0	3.0	Bosnia-Herzegovina	-0.7	0.8	2.0
Lithuania	2.7	3.4	4.0	Montenegro	-1.0	1.0	2.0
Poland	2.3	2.1	2.6	Czech Republic	-1.2	0.8	2.0
Estonia	2.1	2.9	3.9	Hungary	-1.3	0.5	2.0
Albania	1.5	2.8	3.3	Serbia	-1.5	1.0	2.0
Romania	0.5	1.5	2.5	Croatia	-1.8	1.0	2.0
Bulgaria	0.7	1.5	2.0	Slovenia	-2.0	-1.5	0.5

GDP growth in 2012 (in %) and contribution of individual demand components



Source: wiiw forecast (September 2012).

GDP growth in **2013** (in %) and contribution of individual demand components



Source: wiiw forecast (September 2012).

Forecast Conclusions

- § Forecasts for 2012-2013 revised downwards in most cases
- § 2012: recession in CZ, HU, SI and Western Balkans (except AL)
- § High and increasing poverty, first of all in Bulgaria, Romania, Latvia, Hungary
- § 2013: positive GDP growth (except in SI), recovery of domestic demand
- § 2014: possibly positive growth stimuli from the euro area
- § Assumptions: no collapse of the euro area, loosening of fiscal policy and possibly of monetary policy in the euro area
- § GDP growth 2014: too low to relieve the labour market and poverty
- § No or modest catching-up to the European core countries
- § Loss of EU's political attractiveness while deeper integration necessary
- § FDI-led growth to be supplemented by supporting and upgrading SMEs