

Press Conference, 6 July 2012

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

Fasting or feasting?

Europe – old and new - at the crossroads

External determinants

- 'Fringes' (RU, UA, KZ, TR) vs. 'the core' (NMS, SEE)
- World market commodity prices
- EU in turmoil
- Austerity economics prevails nearly everywhere
- Will „Merkollande“ differ from „Merkosy“?

Euro area enters recession, CESEE to follow?

- CESEE: after weak recovery in 2011 growth slowing down anew in 2012
- Recession on the horizon ?
- 'Fringes' more resilient, at least so far

GDP growth forecasts 2012

Revisions of wiiw forecasts (November 2011, February 2012, June 2012)

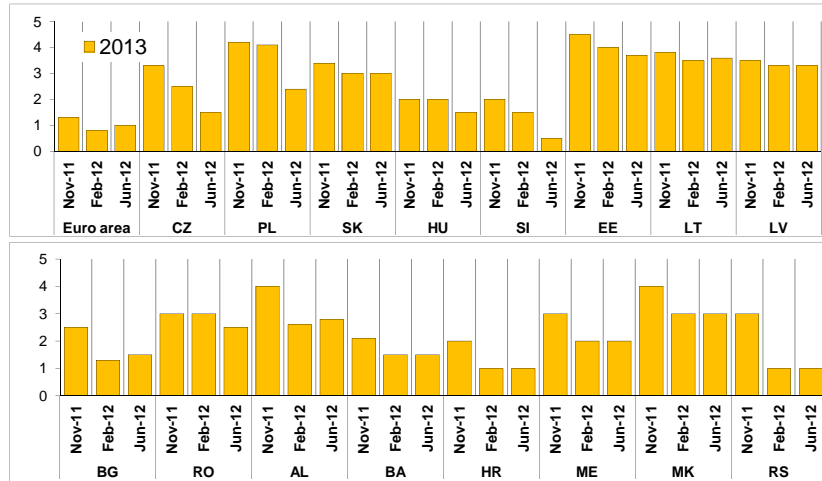


Remark: EA = euro area.

Source: wiiw forecasts.

GDP growth forecasts 2013

Revisions of forecasts (November 2011, February 2012, June 2012)



Remark: EA = euro area.
Source: wiiw forecasts.

GDP growth rates, 2012-2013

	2012	2013		2012	2013
Kazakhstan	6	5	Macedonia	1.9	3
Russia	3.8	4.0	Romania	1	2.5
Turkey	3.5	5.0	Montenegro	1	2
Ukraine	3.2	4	Bulgaria	0.5	1.5
Lithuania	3	3.6	Czech Republic	-0.3	1.5
Latvia	2.7	3.3	Bosnia and Herzegovina	-0.5	1.5
Poland	2.3	2.4	Hungary	-1	1.5
Albania	2.3	2.8	Serbia	-1	1
Slovakia	2.2	3	Slovenia	-1.5	0.5
Estonia	2.1	3.7	Croatia	-1.5	1

Source: wiiw (June 2012).

External rebalancing is proving temporary

- Weak domestic demand – but growing trade deficits
- rebalancing of 2009 temporary
- ‘fixers’ especially affected
- no lessons learned ?

Household consumption and investment

- steady on the ‘fringes’, sagging in the ‘core’
- apropos the Baltic recoveries: the base effect
- not systematically related to debt levels
- not systematically related to the strength of banking
- related to fiscal orientation

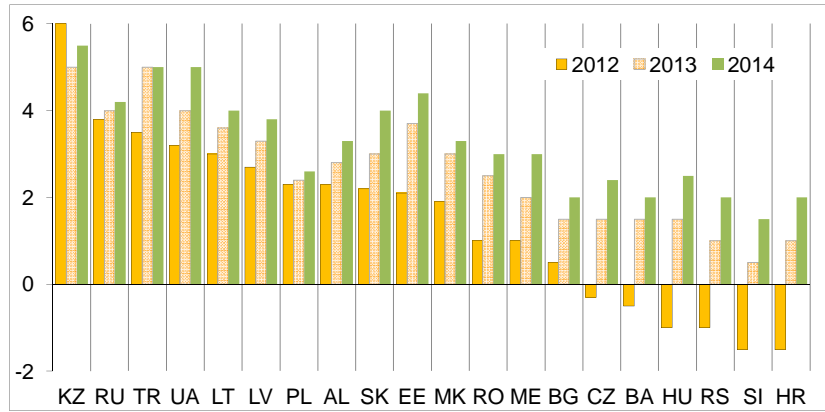
Fiscal consolidation for the sake of...fiscal consolidation

- not really on the agenda on the 'fringes' (no need?)
- advisable in Hungary, Baltics
- unfortunate in Bulgaria, Czech Republic, Romania, Macedonia...Poland (?)

Medium-term threats and opportunities

- EU muddling through (baseline scenario)
- 2012 rather disappointing in terms of growth
- the next forced rebalancing not yet
 - threat #1: recession in euro area deepens in 2013 but austerity continues
 - threat #2: EU (eurozone) implodes
- opportunity: austerity relaxed/suspended
- EU policy orientation overhauled

GDP growth rates, wiiw forecast 2012, 2013 and 2014



Source: wiiw (June 2012).