

Press Conference, 3 July 2014

New wiiw forecast for

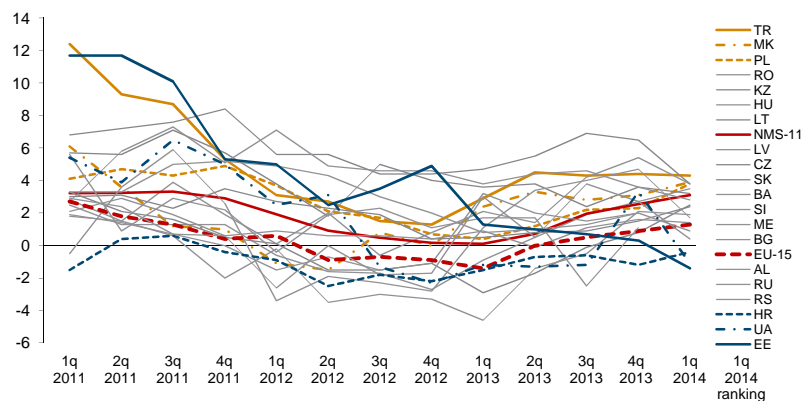
Central, East and Southeast Europe, 2014-2016

Investment to the Rescue – Despite Negative Effects of
Ukraine War and Balkan Flood

Mario Holzner

CESEE GDP growth weak but on the rise

Development of quarterly GDP, real change in % against preceding year

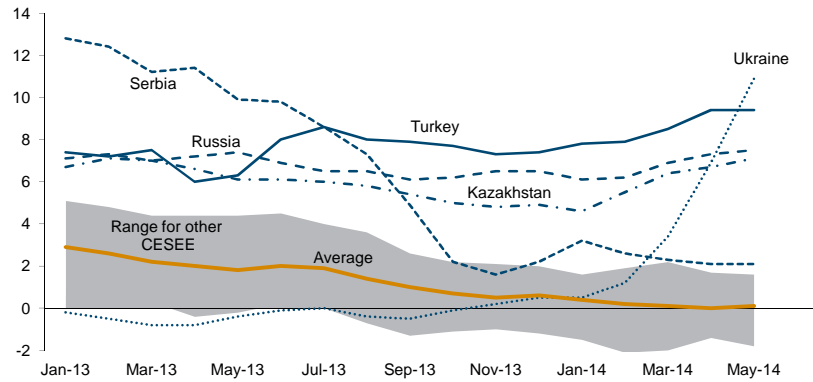


Remark: Highlighted lines represent top 3 and bottom 3 countries referring to growth of 1st quarter 2014.

Source: National and Eurostat statistics.

Deflationary pressures have built up

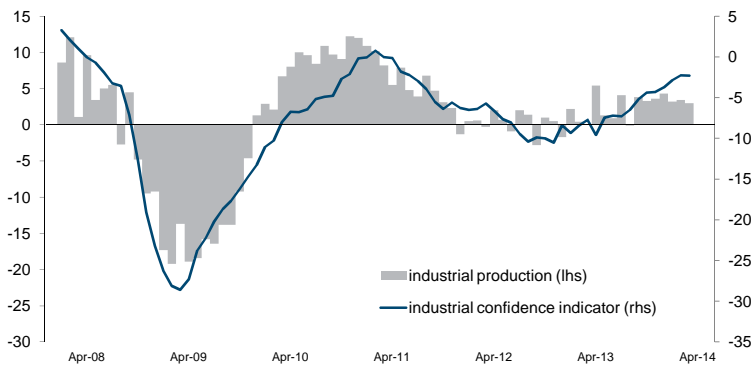
Consumer prices, change in % against preceding year



Source: wiiw Monthly Database incorporating national and Eurostat statistics.

Confidence in the economy on the rise

CESEE gross industrial production change in % against preceding year / industrial confidence indicator in pp.

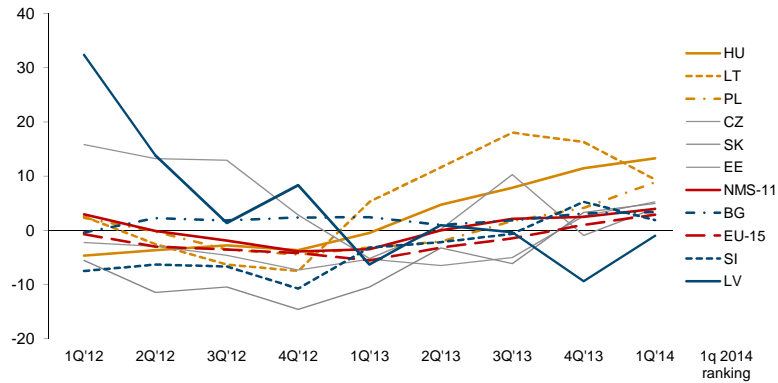


Remark: Average over available countries.

Source: wiiw Monthly Database incorporating national and Eurostat statistics for industrial production. Eurostat and national statistics for industrial confidence.

Investment activity: so far mild recovery in the NMS

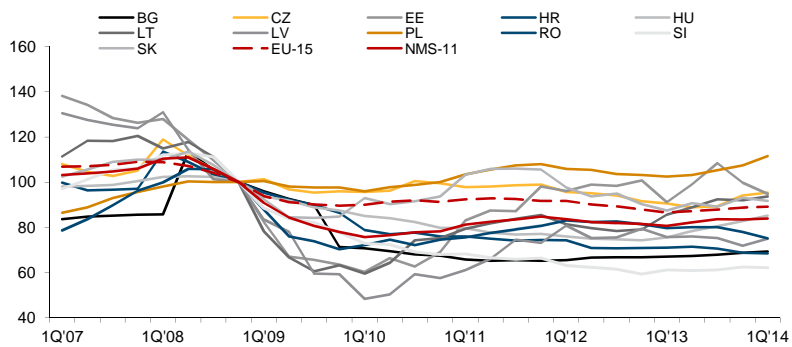
Gross fixed capital formation, real change in % against preceding year, seasonally adjusted and adjusted data by working days



Remark: Highlighted lines represent top 3 and bottom 3 countries referring to growth of 1st quarter 2014.
Source: National and Eurostat statistics.

Investment activity: NMS levels remain below 2007

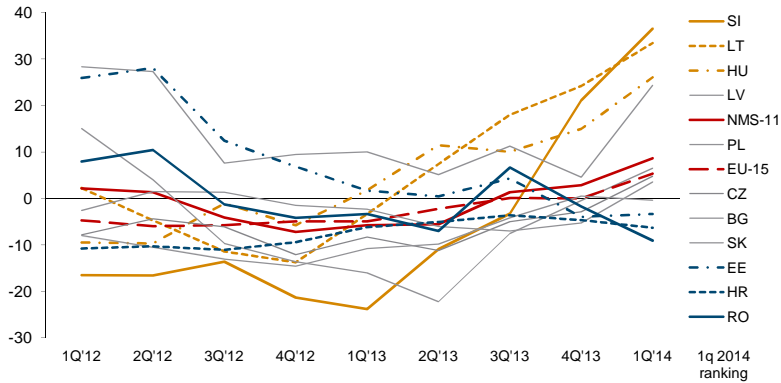
Gross fixed capital formation, 4Q 2008 = 100, seasonally adjusted and adjusted data by working days



Source: Eurostat, wiiw calculations.

Construction sector: NMS differentiated recovery from slump

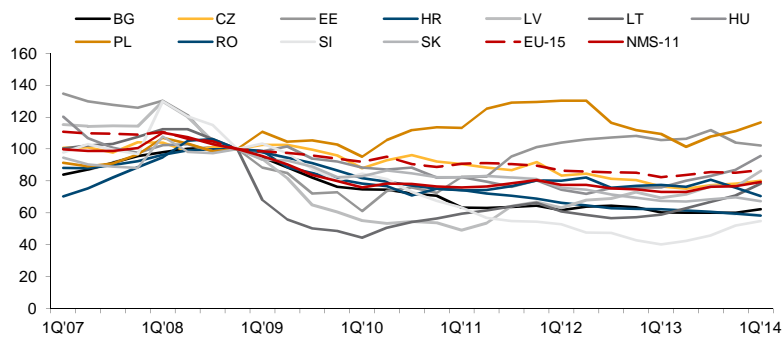
Construction, change in % against preceding year, seasonally adjusted and adjusted data by working days



Remark: Highlighted lines represent top 3 and bottom 3 countries referring to growth of 1st quarter 2014.
Source: National and Eurostat statistics.

Construction sector: NMS levels remain mostly below 2007

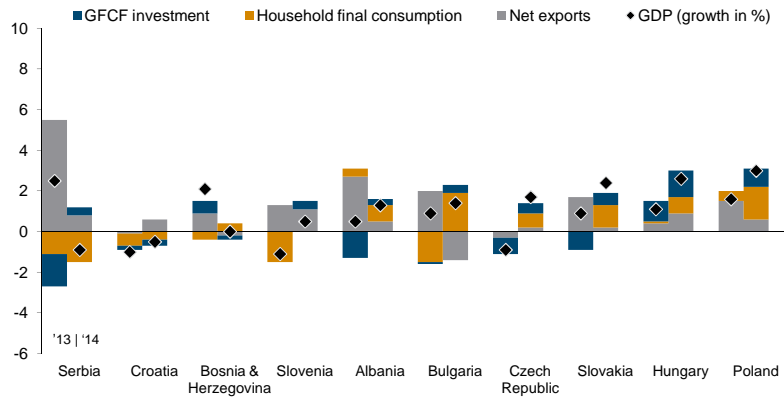
Construction, 4Q 2008 = 100, seasonally adjusted and adjusted data by working days



Source: Eurostat, wiiw calculations.

Investment to spur 2014 GDP growth in most of core CESEE

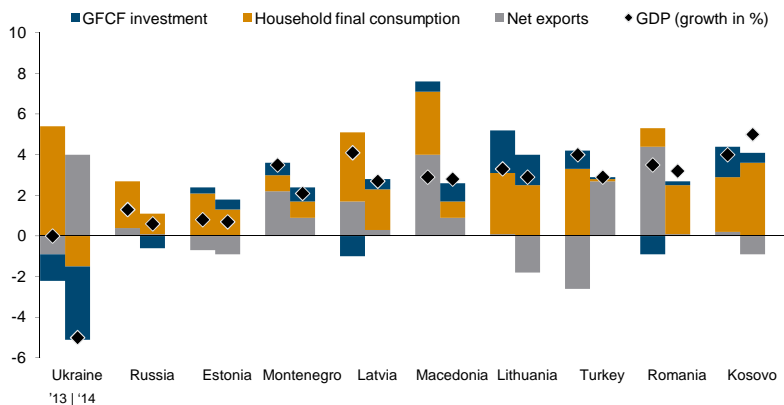
GDP growth in 2013 & 2014 in % and contribution of individual demand components in percentage points, weak 2013 household consumption countries



Remark: Ordered by 2014 growth rates. Bosnia & Herzegovina based on GDP expenditure.
Source: For 2013 wiiw and national statistics as of July 2014. Forecast 2014 by wiiw.

Growth drivers differentiated in crisis and peripheral CESEE

GDP growth in 2013 & 2014 in % and contribution of individual demand components in percentage points, dynamic 2013 household consumption countries



Remark: Ordered by 2014 growth rates. Ukraine: GDP growth rate including Crimea and Sevastopol.
Source: For 2013 wiiw and national statistics as of July 2014. Forecast 2014 by wiiw.

Summary

- Upward reversal of EU-supported public infrastructure investment has potential to spur private investment
- Euro area growth likely to encourage export industries' investments
- CESEE GDP growth to pick up speed and amount to 2-3% annually on average in 2014-2016
- Ukraine-Russia conflict negatively affects growth prospects also in the Baltics (average 5 countries 2014 forecast revision since March: -1.8%)
- Floods and fiscal austerity dampen growth forecast for Western Balkans (average 2014 forecast revision since March: -0.5%)
- Core CESEE economies with improved growth expectations as investment activity is even stronger than expected (average 2014 forecast revision since March: +0.6%)

GDP growth, current wiiw forecast for 2014-2016

	2014	2015	2016
Kosovo	5.0	4.0	4.0
Romania	3.2	3.0	3.3
Poland	3.0	3.2	3.1
Lithuania	2.9	3.1	3.2
Turkey	2.9	3.5	4.5
Macedonia	2.8	2.9	3.0
Latvia	2.7	2.9	3.1
Hungary	2.6	2.2	2.1
Slovakia	2.4	3.0	3.2
Montenegro	2.1	2.9	3.0

	2014	2015	2016
Czech Republic	1.7	2.4	3.0
Bulgaria	1.4	2.1	2.5
Albania	1.3	1.5	0.9
Estonia	0.7	1.8	2.4
Russia	0.6	1.6	2.3
Slovenia	0.5	1.4	1.7
Bosnia and Herzegovina	0.0	1.5	3.0
Croatia	-0.5	0.7	1.5
Serbia	-1.0	0.0	1.0
Ukraine	-5.0	0.0	1.8

Remark: Ukraine: GDP growth rate up to 2014 including Crimea and Sevastopol.
Source: wiiw forecast, July 2014.

Country codes

AL	Albania	MK	Macedonia
BA	Bosnia and Herzegovina	PL	Poland
BG	Bulgaria	RO	Romania
CZ	Czech Republic	RS	Serbia
EE	Estonia	RU	Russia
HR	Croatia	SI	Slovenia
HU	Hungary	SK	Slovakia
KZ	Kazakhstan	TR	Turkey
LT	Lithuania	UA	Ukraine
LV	Latvia	XK	Kosovo
ME	Montenegro		
CESEE	Central, East and Southeast Europe		
CIS	Commonwealth of Independent States		
NMS	New Member States		
SEE	Southeast Europe		