

Press conference, November 6th 2019

New wiiw forecast for Central, East and Southeast Europe, 2019-2021

Braced for Fallout from Global Slowdown

Vasily Astrov

Main messages

- Still a very good year for most CESEE countries ...
 - exceptions: Turkey and Russia
- ... but external demand starting to bite
 - exports losing momentum...
 - ... which spills over into investment weakening (Visegrád countries)
- Public sector investments perform well (EU, China's Belt and Road)
- Expansionary economic policy...
- ... but little signs of overheating
- Labour shortages ease somewhat
- Outlook: growth acceleration on average, but with big country differences

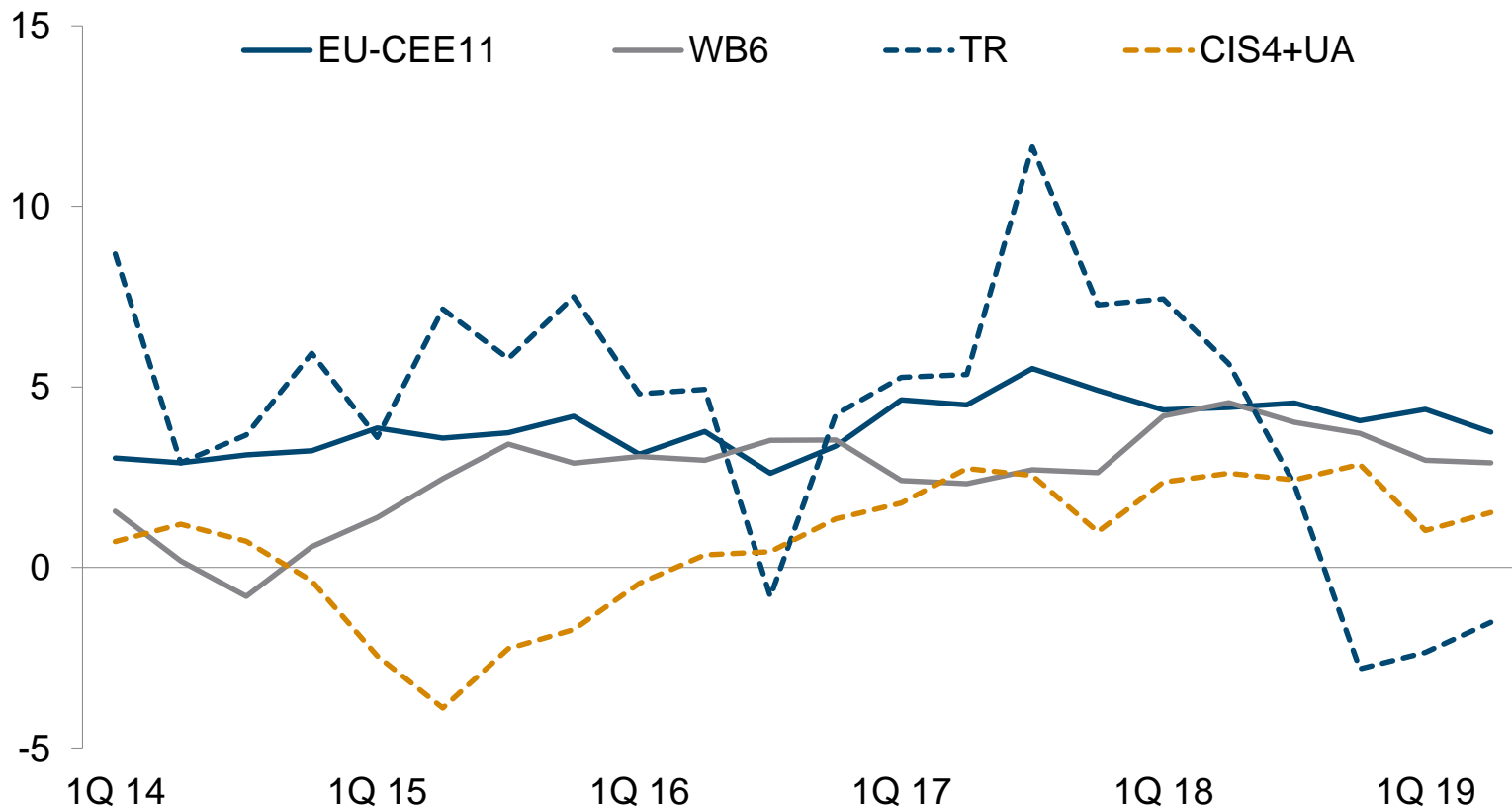
Real GDP forecasts and revisions

		Forecast, %				Revisions, pp		
		2018	2019	2020	2021	2019	2020	2021
EU-CEE11	BG	3.1	3.5	2.7	2.4	⇒ 0.0	↓ -0.7	↓ -0.7
	CZ	3.0	2.5	2.4	2.6	⇒ 0.0	⇒ 0.0	↑ 0.1
	EE	4.8	3.3	2.6	2.4	↑ 0.1	↓ -0.1	⇒ 0.0
	HR	2.6	2.9	2.7	2.7	⇒ 0.0	⇒ 0.0	⇒ 0.0
	HU	5.1	4.3	3.1	2.6	↑ 0.2	⇒ 0.0	⇒ 0.0
	LT	3.6	3.6	2.4	2.6	↑ 0.4	↓ -0.3	↑ 0.2
	LV	4.6	2.8	2.2	2.4	↓ -0.5	↓ -0.9	↓ -0.3
	PL	5.1	4.4	3.5	3.3	↓ -0.2	↓ -0.2	↓ -0.1
	RO	4.0	4.2	3.3	3.0	↑ 0.1	↓ -0.3	↓ -0.3
	SI	4.1	2.9	2.8	2.8	↓ -0.4	↓ -0.3	↓ -0.2
	SK	4.0	2.3	2.2	2.6	↓ -1.3	↓ -0.8	↑ 0.1
WB6	AL	4.1	2.8	3.8	3.4	↓ -0.9	↑ 0.1	↓ -0.1
	BA	3.6	2.6	2.7	2.7	↓ -0.1	↓ -0.1	↓ -0.1
	ME	5.1	3.1	3.0	2.1	⇒ 0.0	⇒ 0.0	⇒ 0.0
	MK	2.7	3.3	3.4	3.4	↑ 0.2	⇒ 0.0	⇒ 0.0
	RS	4.4	2.9	2.7	2.6	⇒ 0.0	⇒ 0.0	⇒ 0.0
	XK	3.8	4.2	4.0	4.3	↑ 0.1	↓ -0.1	↑ 0.3
Turkey	TR	2.8	-0.7	3.1	3.3	↑ 0.5	↑ 0.3	↑ 0.2
CIS4+UA	BY	3.0	1.3	1.5	1.7	↓ -1.0	↓ -0.6	↓ -0.3
	KZ	4.1	4.0	3.5	3.5	↑ 0.4	↑ 0.3	↑ 0.3
	MD	4.0	4.7	3.8	4.0	↑ 0.7	↑ 0.3	↑ 0.6
	RU	2.3	1.1	1.7	1.9	↓ -0.2	⇒ 0.0	⇒ 0.0
	UA	3.3	3.3	3.1	3.3	↑ 0.6	↑ 0.1	↓ -0.2

Remark: Current forecast and revisions relative to the wiiw Summer forecast 2019. Colour scale variation from the minimum (red) to the maximum (green). Source: wiiw forecast.

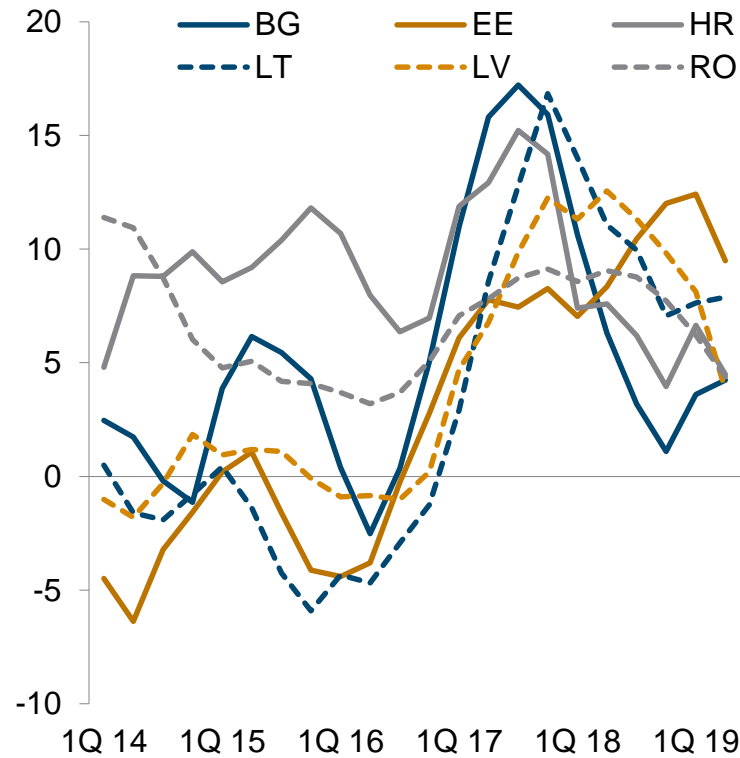
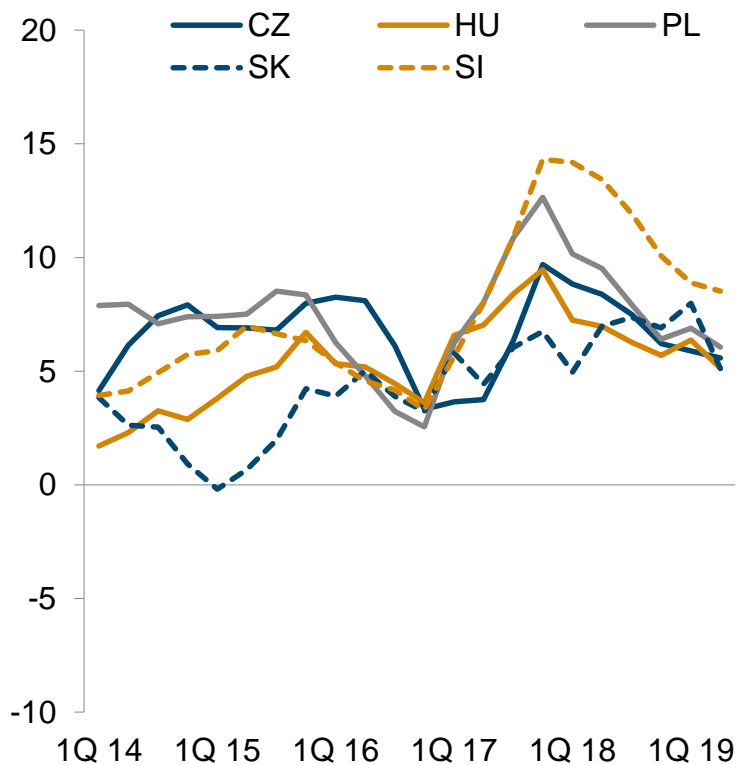
'Soft landing' underway

real GDP growth in %, yoy



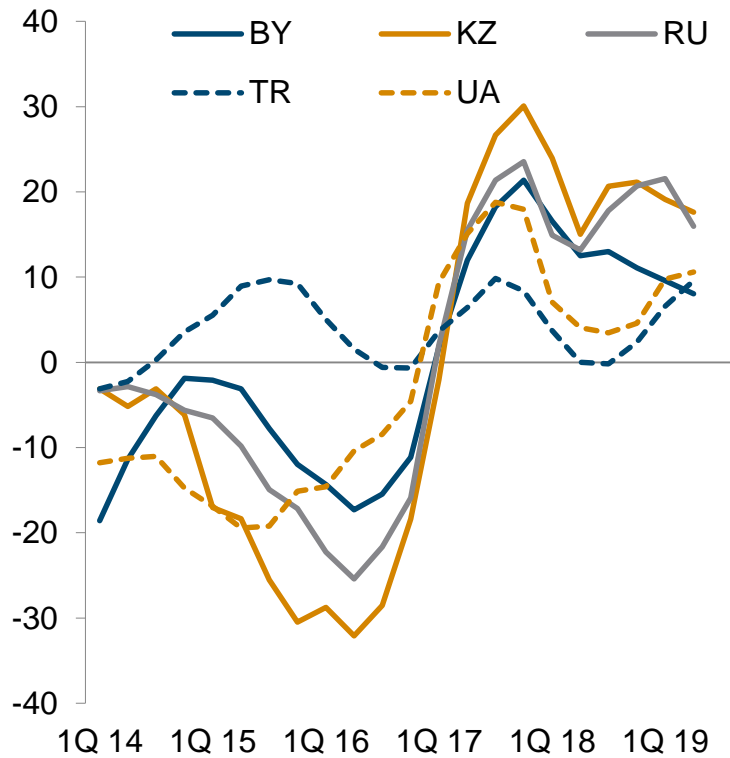
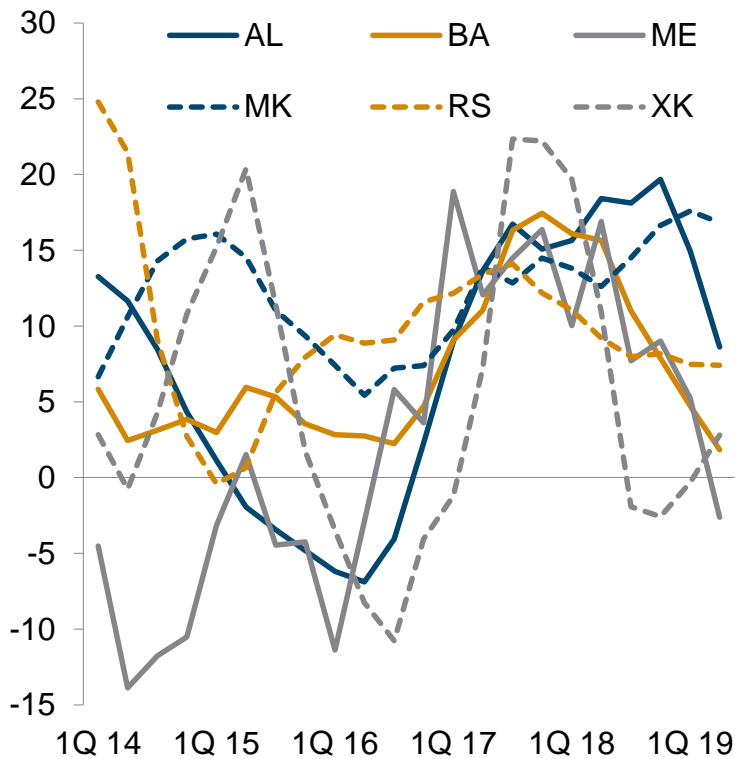
Exports losing momentum...

Exports of goods in EUR, annual growth in %, 4-quarters moving average



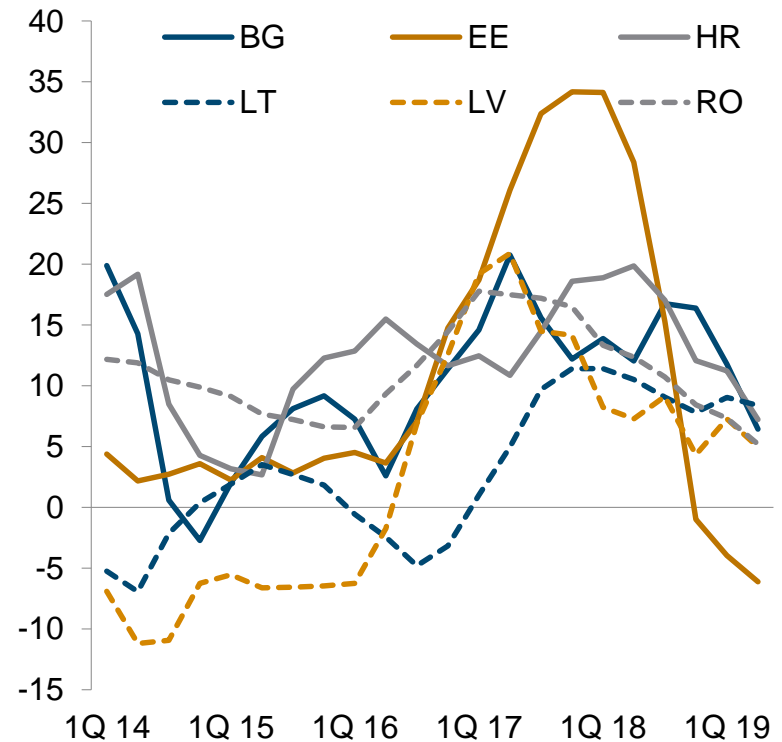
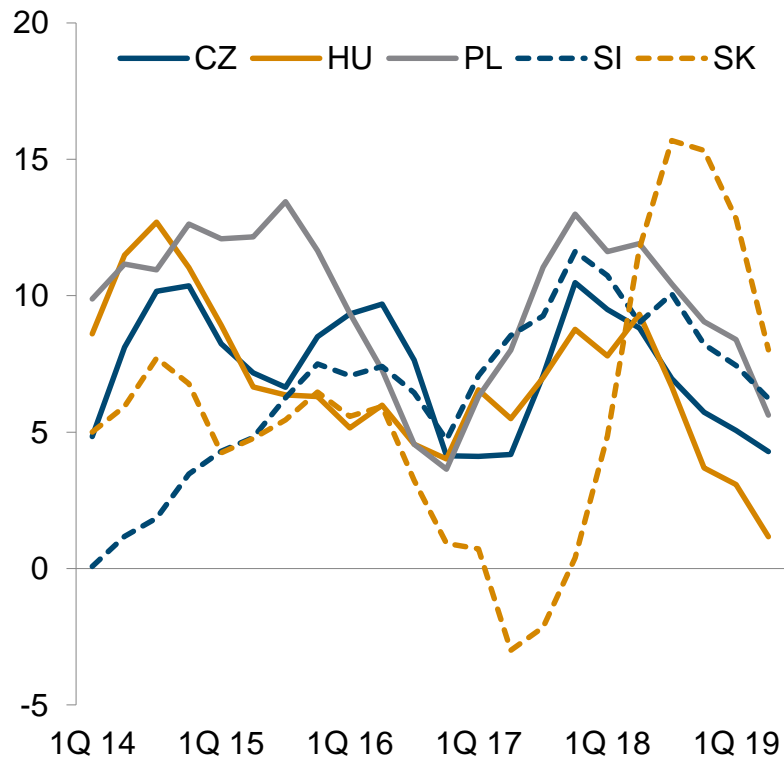
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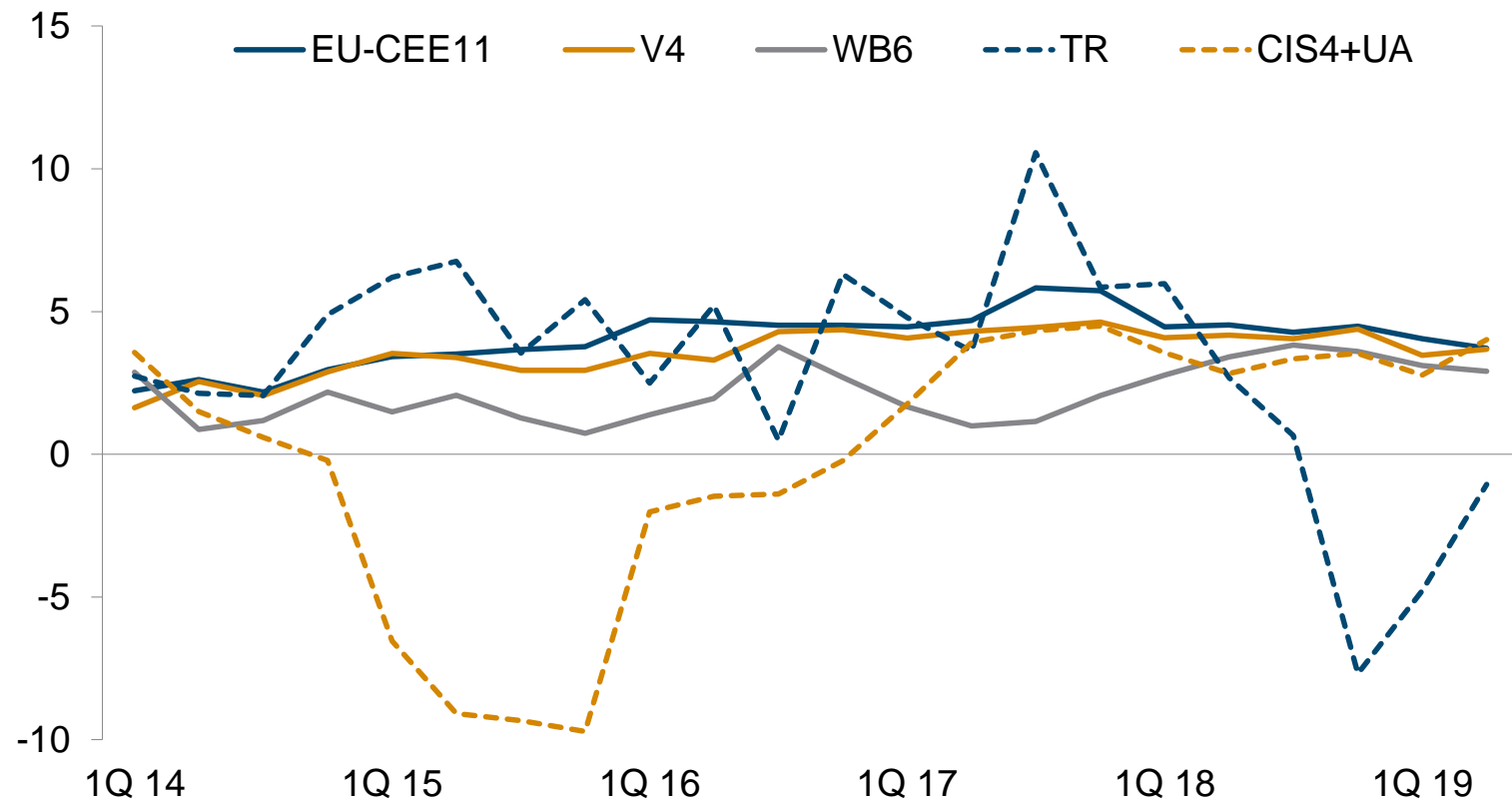
... especially to Germany

Exports of goods to Germany in EUR, growth in %, 4 quarters moving average



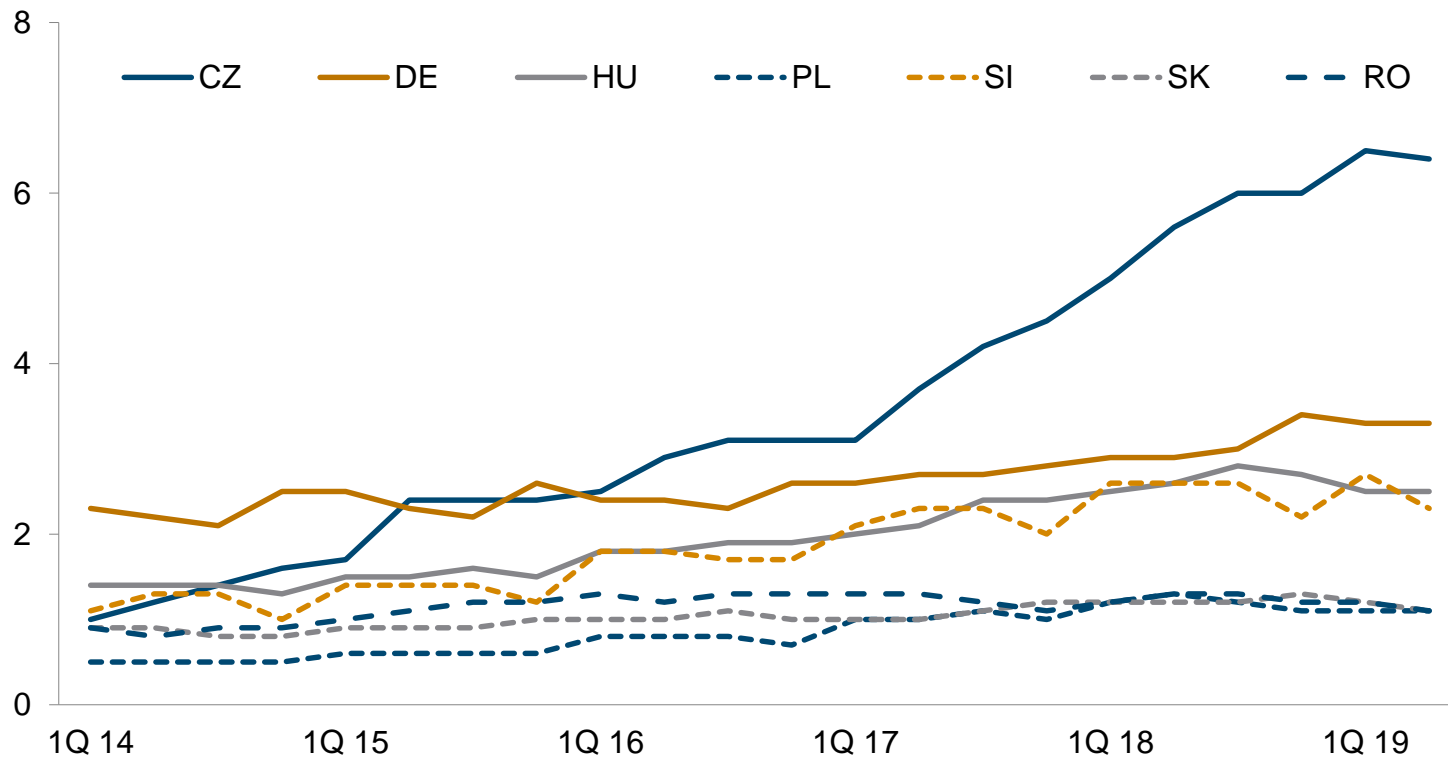
Household consumption holds up well

real change against preceding year in %



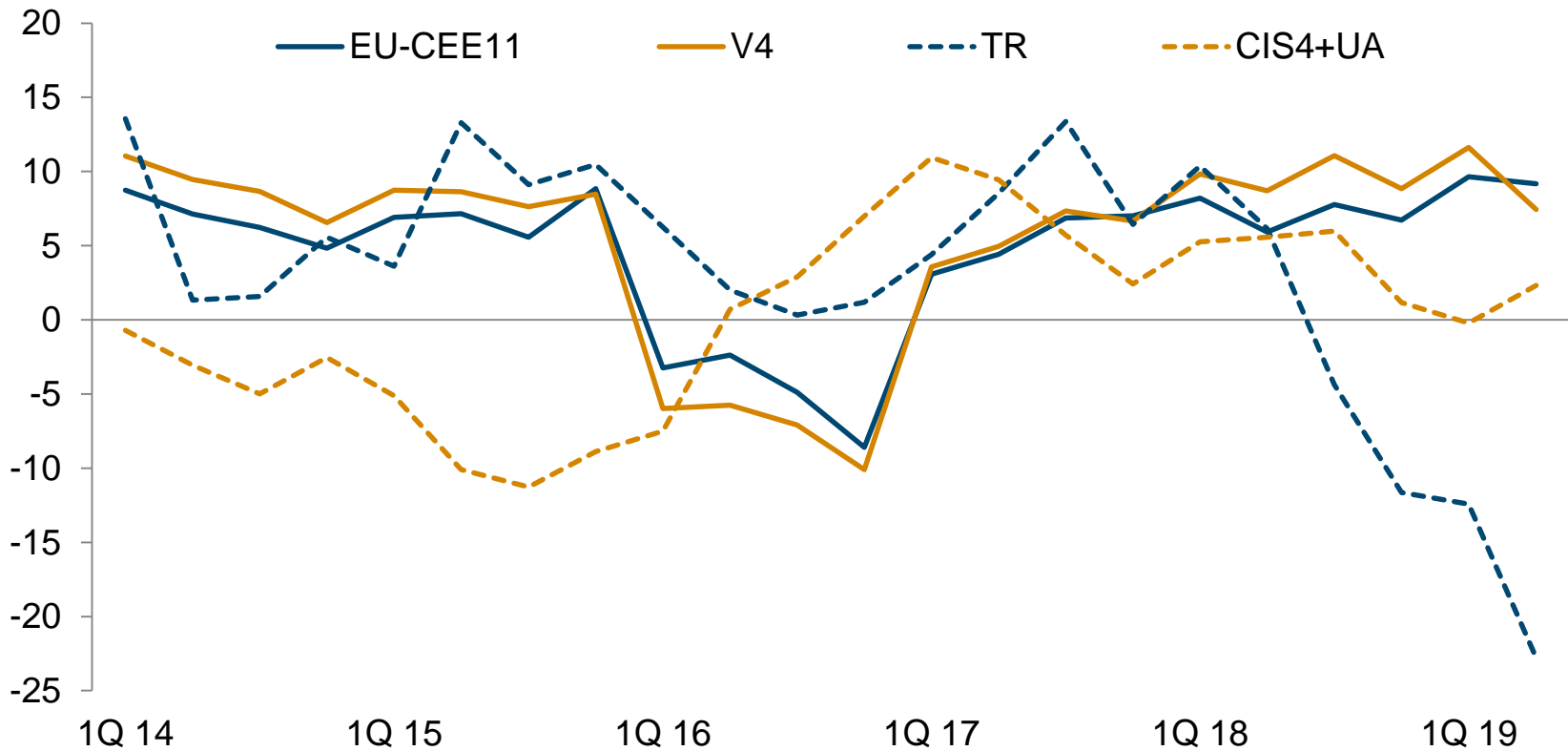
Labour shortages easing somewhat

Job vacancy rate in %



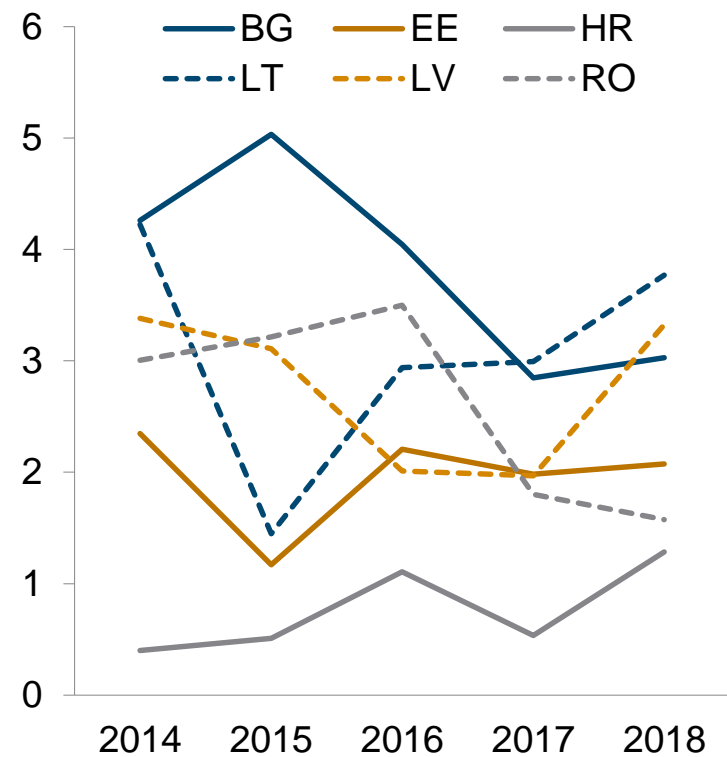
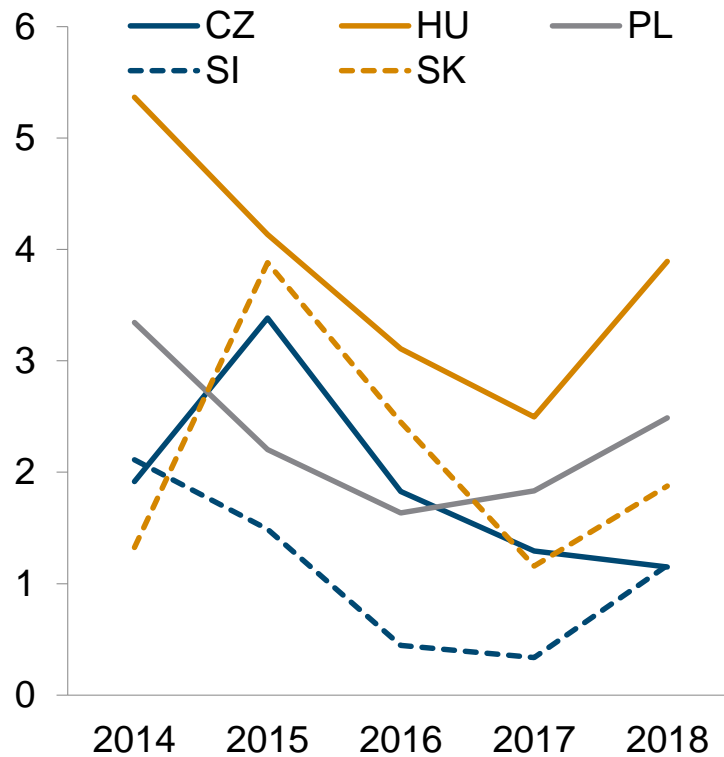
Investments weaken in parts of the region...

Gross fixed capital formation
real change against preceding year in %



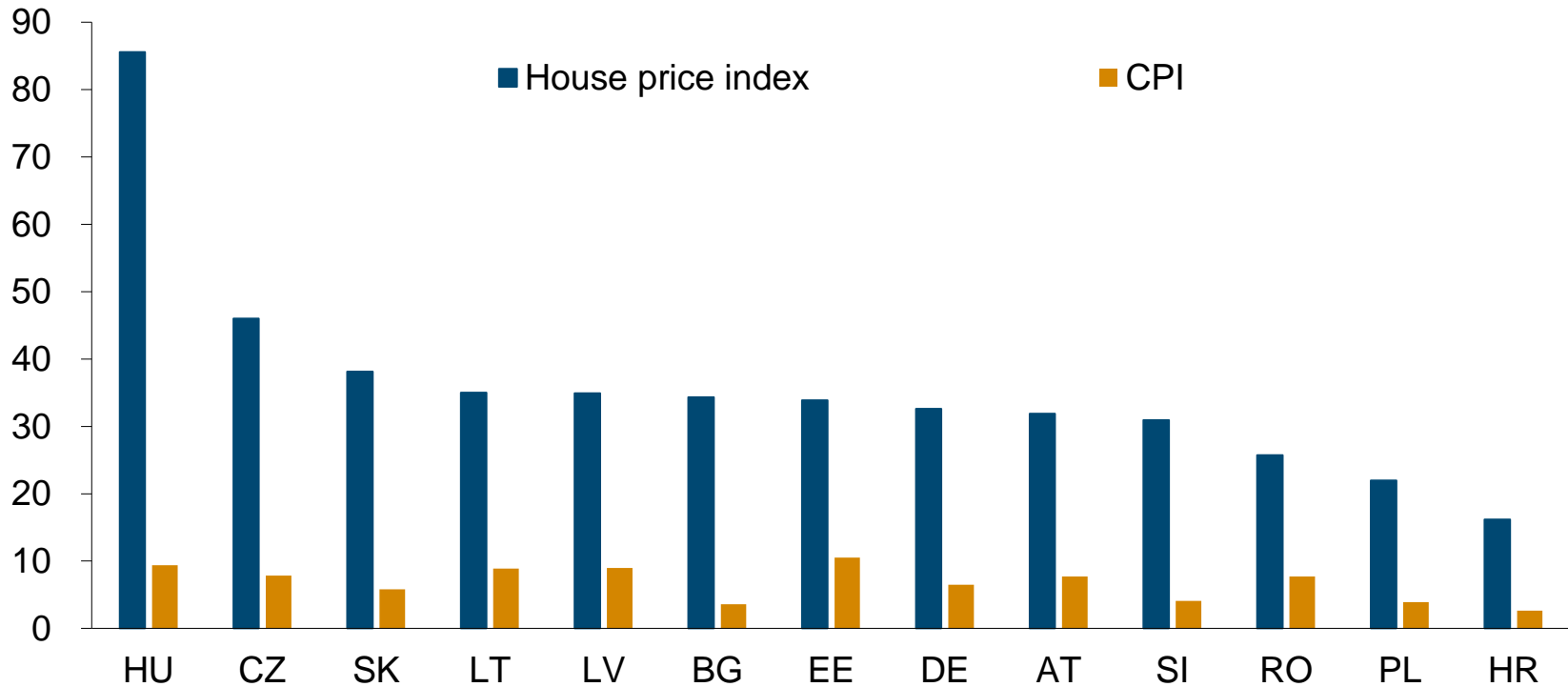
... but public investments save the day

Net EU-Transfers, in % of GDP



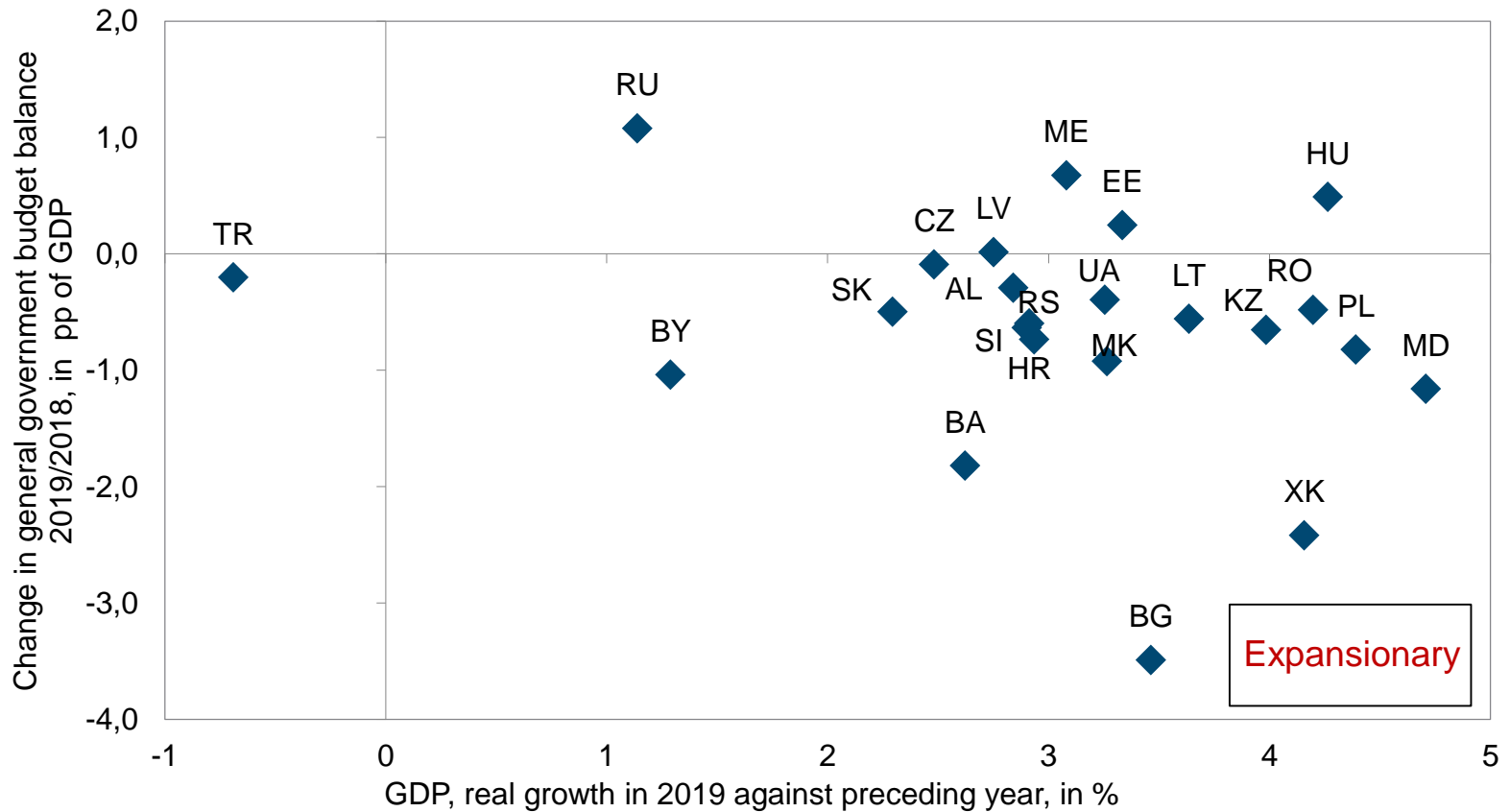
A lot of private investments went into real estate

House price index and CPI, cumulative % change, 2Q 2014-2Q 2019



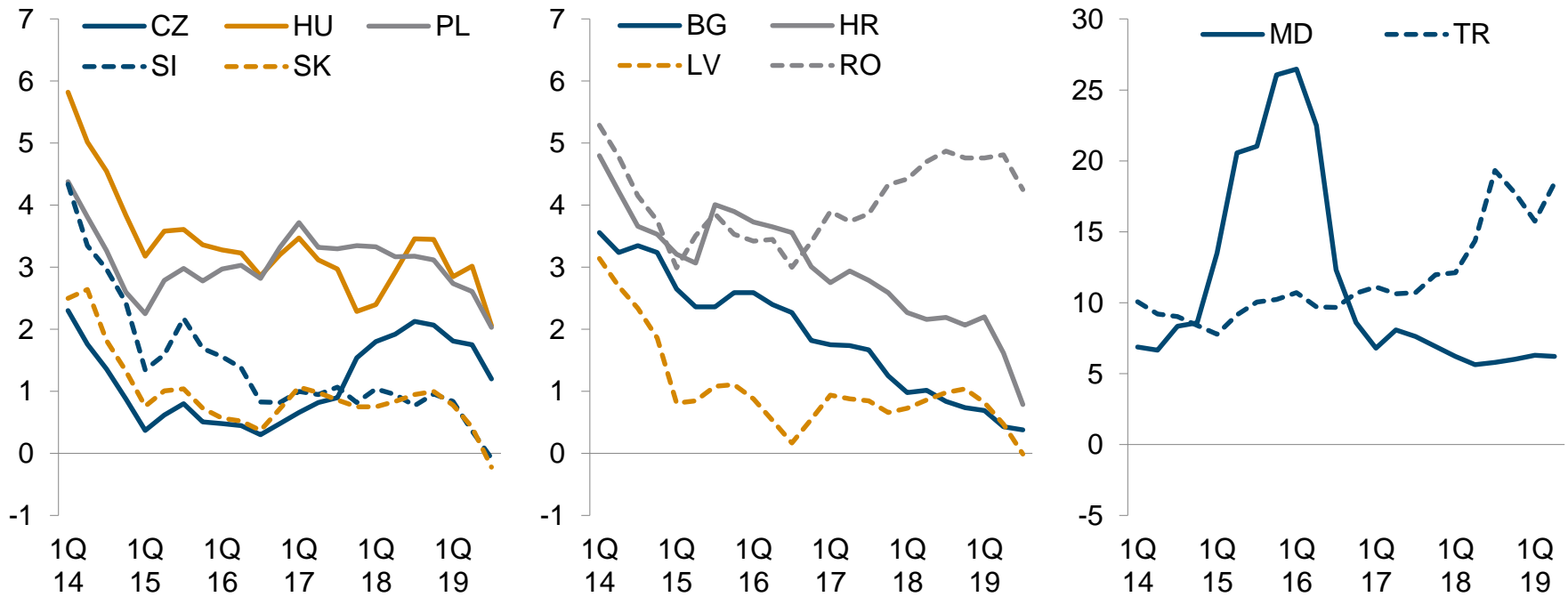
Pro-growth fiscal policy...

Fiscal stance in 2019



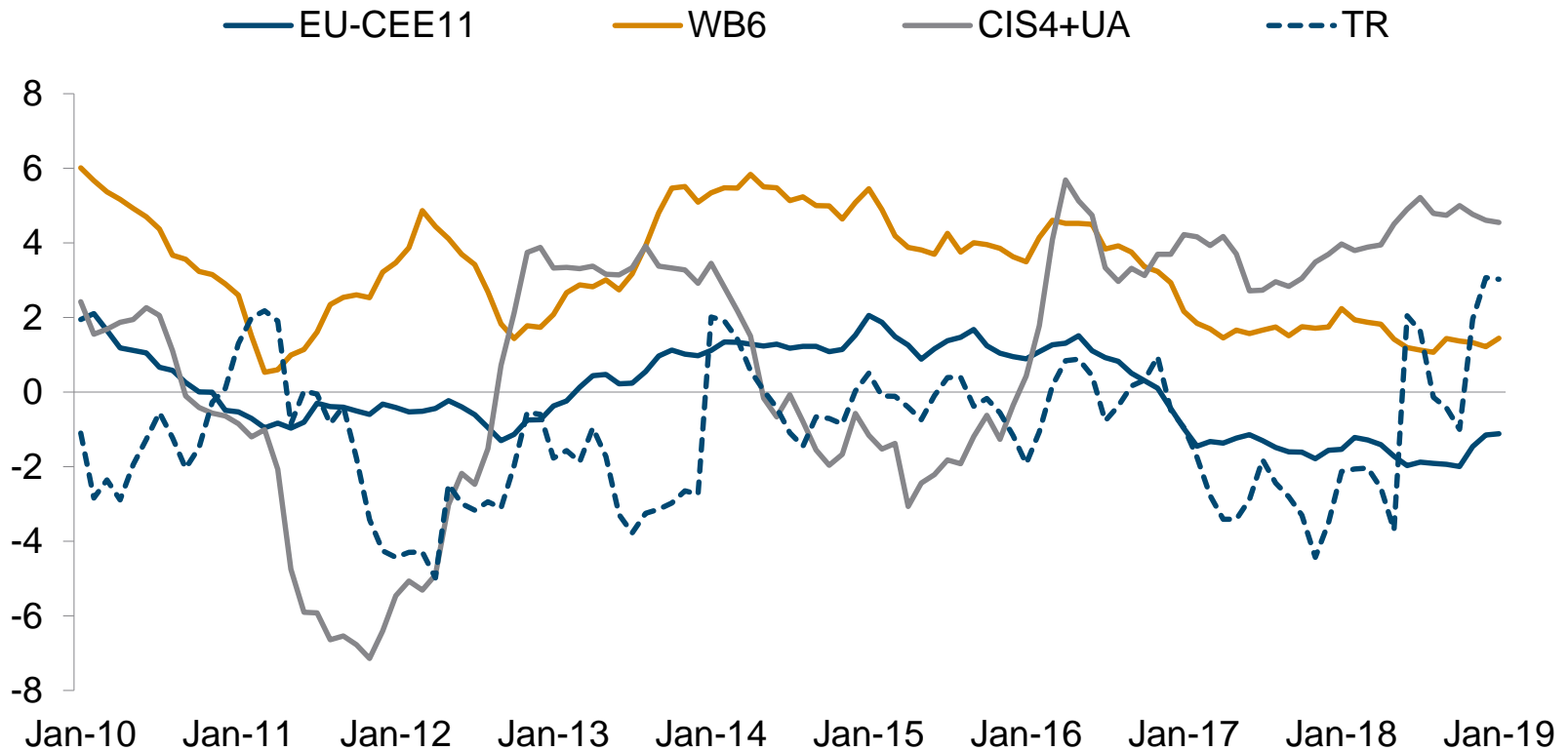
...helped by low borrowing costs...

government bond yields, 10-year maturity
in domestic currency, % p.a.



... and loose monetary policy

real policy rate, CPI deflated, %

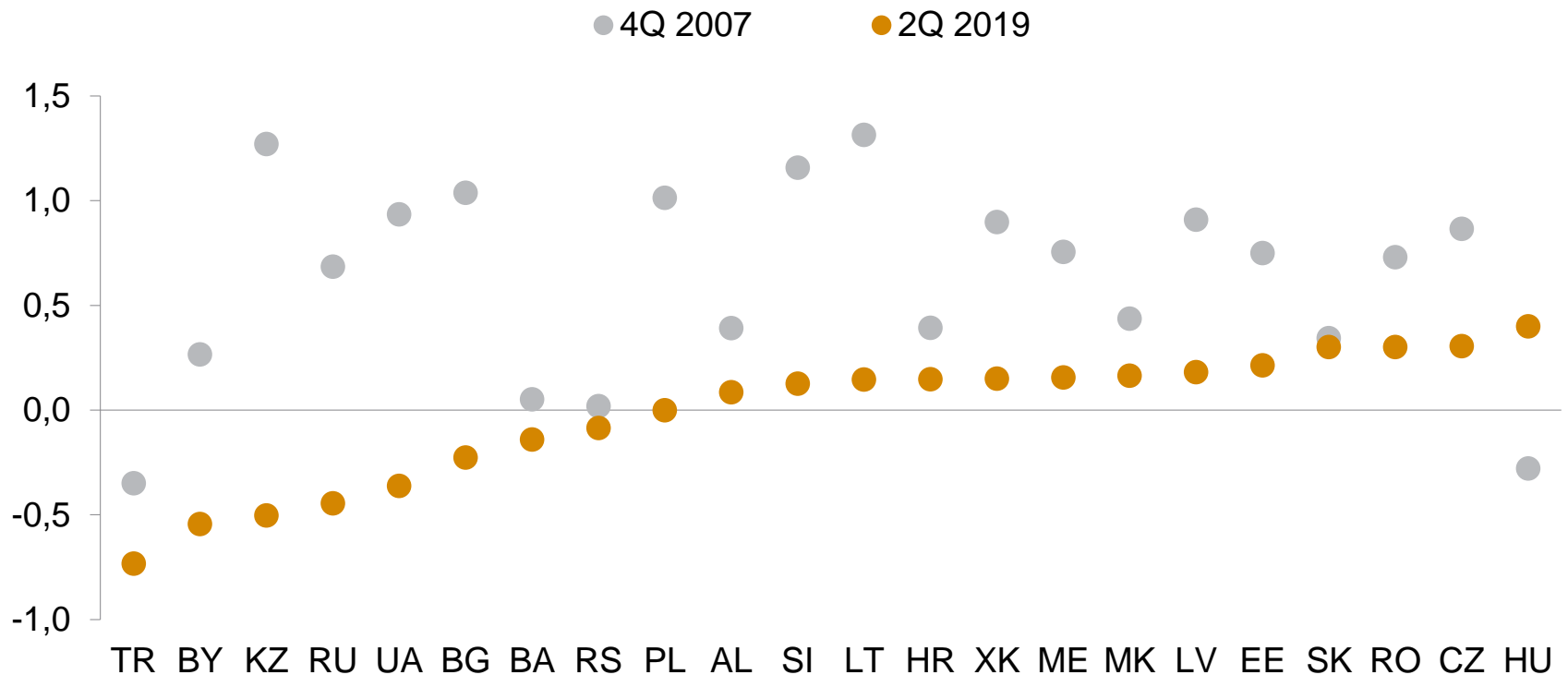


Note: Simple averages for country aggregates.

Source: wiiw Monthly Database incorporating national statistics.

‘Underheating’ in CIS and Ukraine...

Business Cycle Index

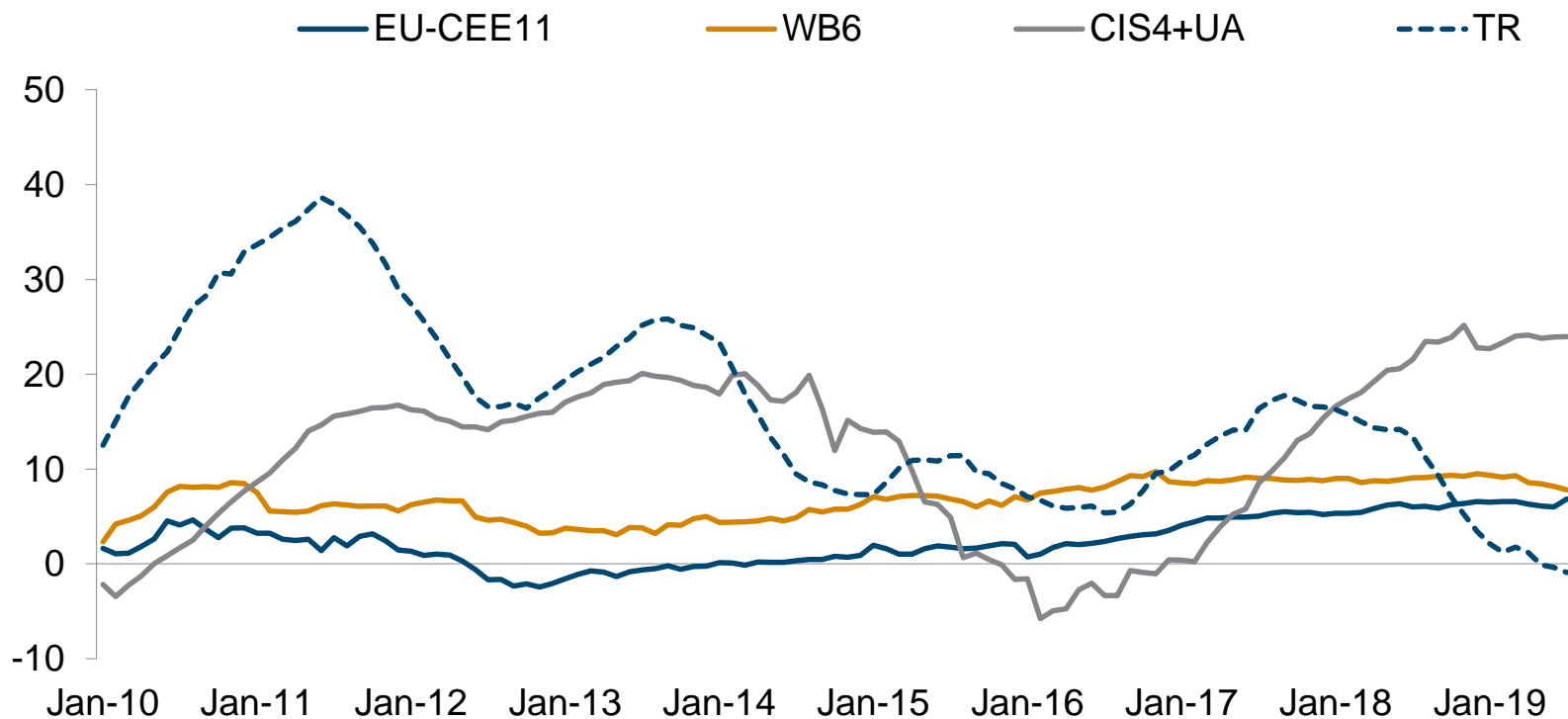


Note: Number of standard deviations from historical mean, average of 11 indicators.

Sources: wiiw Monthly Database incorporating national statistics and Eurostat; BIS.

... though credit expansion is a cause for concern

credit growth to households, % yoy



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Outlook for 2020-2021

- EU-CEE: ‚soft landing‘
 - protectionist risks, especially for car industry
 - but domestic demand will stay vibrant
 - risks of lower EU transfers only in medium term
- Russia and Turkey: growth rebound
 - Russia: fiscal stimulus
 - Turkey: recovery will continue, but high geopolitical risks
- Elsewhere: broadly stable growth prospects
 - Western Balkans: EU accession prospects have suffered
 - CIS and Ukraine: risks of excessive credit growth, external vulnerability

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Thank you for your attention!

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Country codes

AL	Albania	KZ	Kazakhstan	RS	Serbia
BY	Belarus	LT	Lithuania	RU	Russia
BA	Bosnia and Herzegovina	LV	Latvia	SI	Slovenia
BG	Bulgaria	MD	Moldova	SK	Slovakia
CZ	Czech Republic	ME	Montenegro	TR	Turkey
EE	Estonia	MK	North Macedonia	UA	Ukraine
HR	Croatia	PL	Poland	XK	Kosovo
HU	Hungary	RO	Romania		

CESEE23 Central, East and Southeast Europe

CIS4+UA Commonwealth of Independent States-4 and Ukraine

EA19 Euro area

EU-CEE11 European Union – Central and Eastern Europe

WB6 Western Balkans
