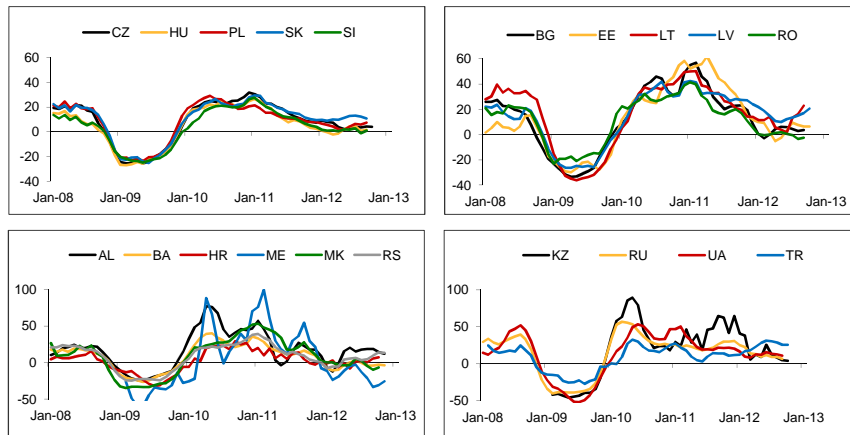


Press Conference, 7 March 2013

wiiw Forecast for Central,
East and Southeast Europe, 2013-2015

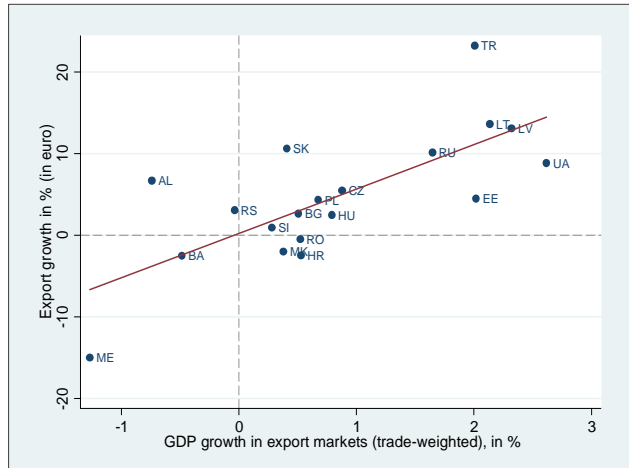
Double-dip Recession over, yet no Boom in Sight

Exports of goods (nominal, euro-based)
change in % against preceding year, 3-month moving average



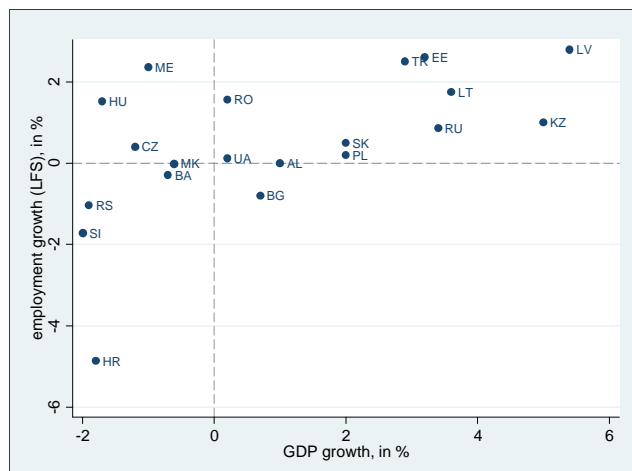
Source: wiiw Database incorporating national and Eurostat statistics.

GDP growth in export markets and export growth, 2012



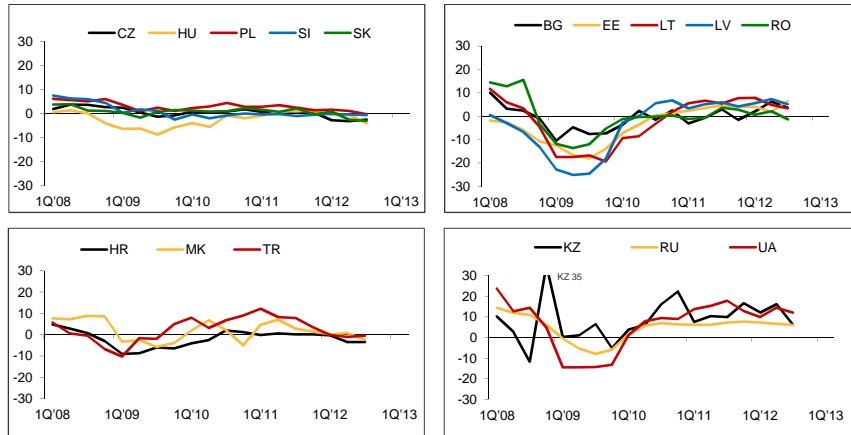
Source: wiiw Database incorporating national and Comext statistics.

GDP and employment growth (LFS), 2012



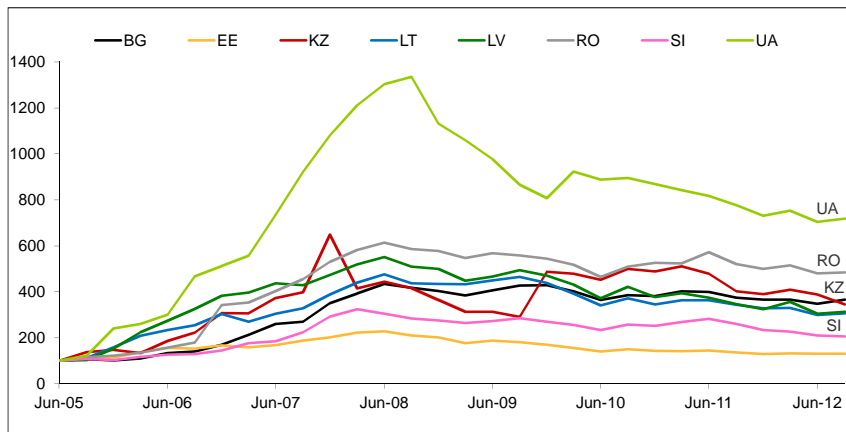
Source: wiiw Database incorporating national and Eurostat statistics.

Household consumption real change in % against preceding year



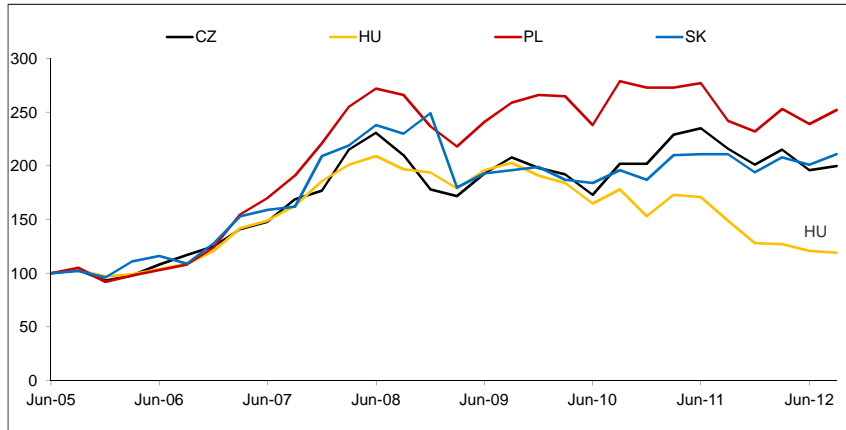
Source: National and Eurostat statistics.

Claims of European banks on selected CESEE countries (I), June 2005 = 100



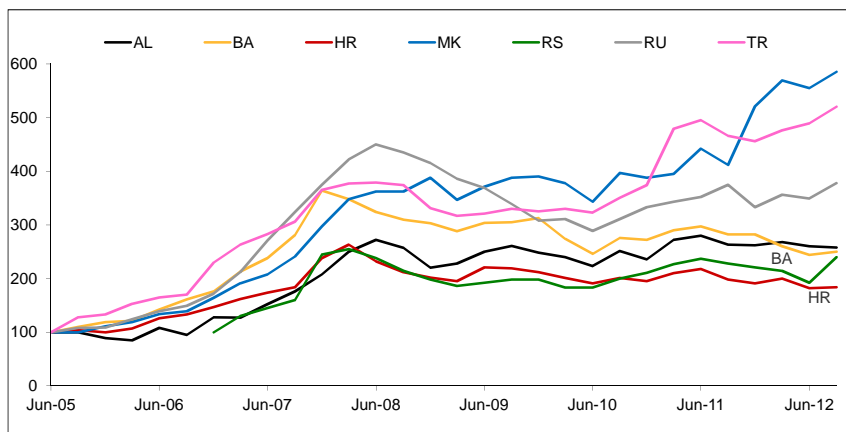
Source: BIS.

Claims of European banks on selected CESEE countries (II),
June 2005 = 100



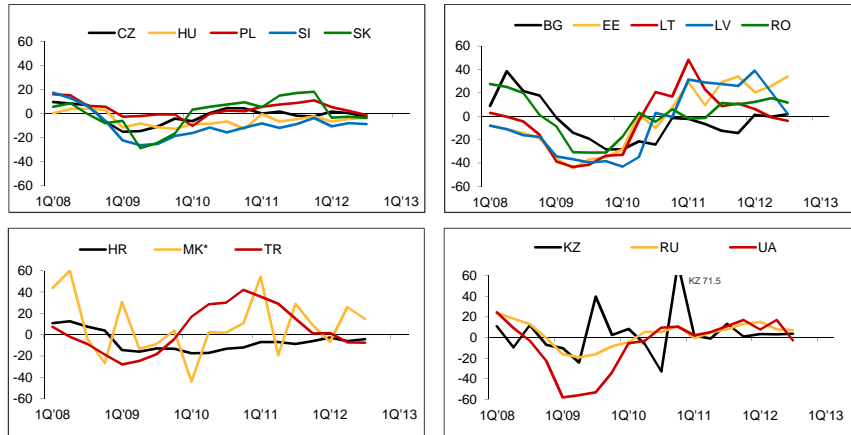
Source: BIS.

Claims of European banks on selected CESEE countries (III),
June 2005 = 100



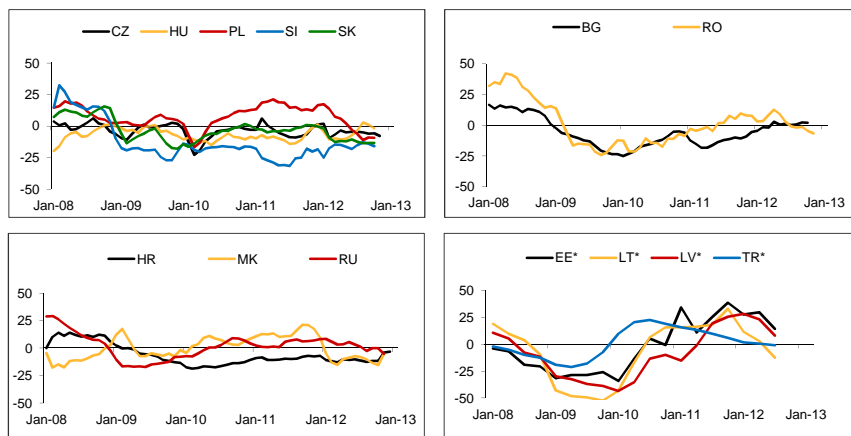
Source: BIS.

Gross fixed capital formation real change in % against preceding year



Remark:* MK gross capital formation.
Source: National and Eurostat statistics.

Construction change in % against preceding year, 3-month moving average

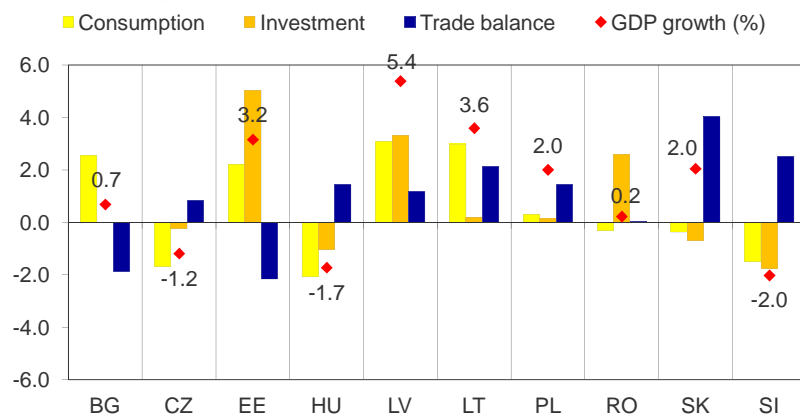


Remark: EE, LT, LV, TR quarterly data, change in % against preceding year.
Source: wiiw Database incorporating national and Eurostat statistics.

Austerity packages suppress domestic demand

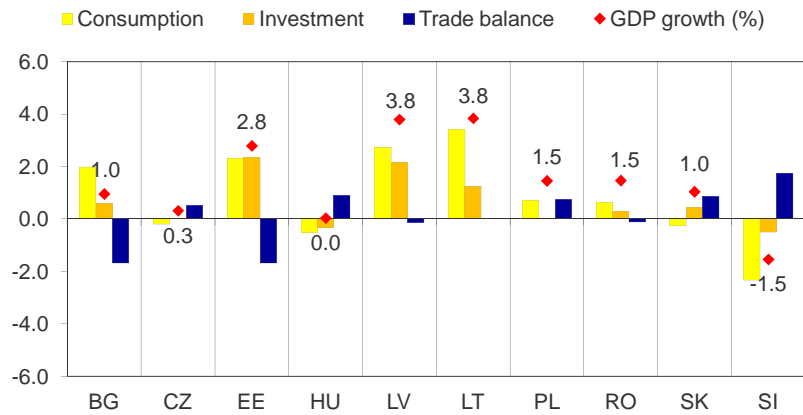
- Tax increases drive up consumer prices: CZ, PL, HU
 - But LV reduced VAT (low inflation required for euro adoption)
- Expenditure cuts
 - Wage cuts and lay-offs in the public sector (mainly HR, other countries of the Western Balkans)
 - But first of all: cuts in public investments
 - Therefore: EU transfers are crucial! (RO, EE)
- No austerity policy in the Baltics, RU, UA, KZ

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



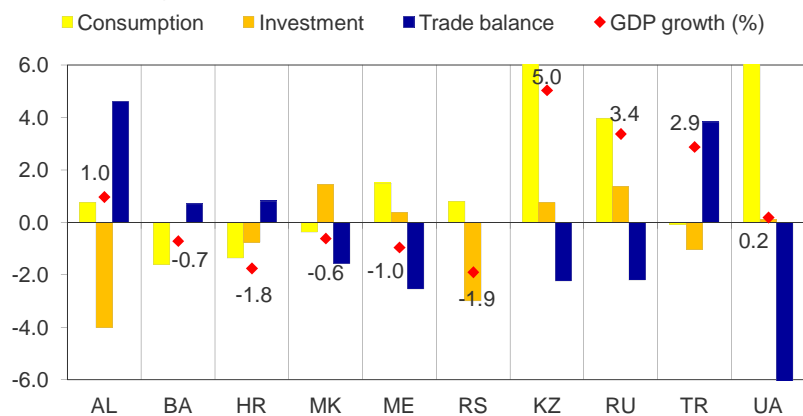
Source: wiiw Database incorporating national and Eurostat statistics.

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



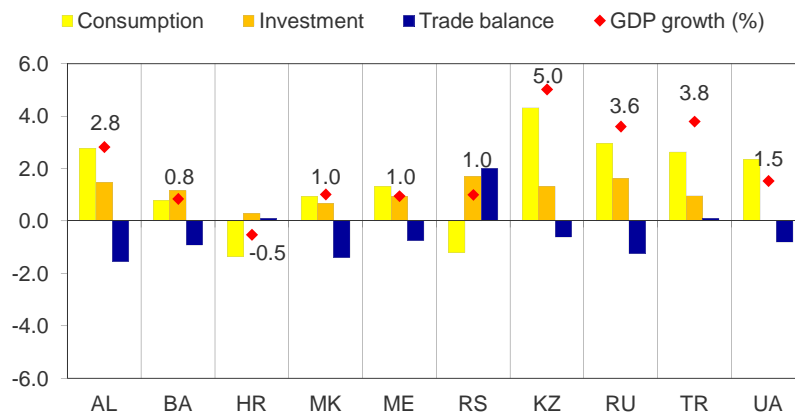
Source: wiiw forecast, March 2013.

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



Source: wiiw Database incorporating national and Eurostat statistics.

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



Source: wiiw forecast, March 2013.

Main findings

- Exports curbed by recession in the euro area
- Still: Net exports contribute positively to GDP growth in most cases
- High unemployment, stagnating wages and deleveraging suppress private consumption
- Investments driven mainly by infrastructure projects
- Austerity policy: tax increases and expenditure cuts

Prospects

- 2013: hardly any improvement
 - CZ, HU, RO and Western Balkans: slight recovery
 - but: PL and SK growth deceleration
 - SI, HR: again recession
- From 2014: possibly positive impulses from the euro area
 - would benefit first of all the NMS
 - Western Balkans: weak industrial sector
- Baltics, RU, KZ, TR: considerably better prospects for 2013-2014
 - but: UA highly uncertain (suffers from overvaluation)

GDP growth, wiiw forecast 2013-2015

	2013	2014	2015
Kazakhstan	5.0	6.0	6.5
Latvia	3.8	4.3	4.5
Lithuania	3.8	4.0	4.2
Turkey	3.8	4.5	5.0
Russia	3.6	3.8	3.7
Kosovo	3.0	5.0	4.0
Estonia	2.8	3.5	3.8
Albania	2.8	3.3	3.0
Poland	1.5	2.7	3.5
Romania	1.5	2.0	2.3
Ukraine	1.5	3.0	4.0

	2013	2014	2015
Slovakia	1.0	2.4	3.0
Bulgaria	1.0	1.8	2.6
Macedonia	1.0	1.7	2.0
Montenegro	1.0	2.0	3.0
Serbia	1.0	2.0	3.0
Bosnia and Herzegovina	0.8	2.0	3.0
Czech Republic	0.3	1.6	2.4
Hungary	0.0	1.2	2.5
Croatia	-0.5	1.5	2.5
Slovenia	-1.5	0.5	2.0