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Why Distorted Pictures of Italy are Poison for European Policy Debates

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Digital Divide in Southeast Europe



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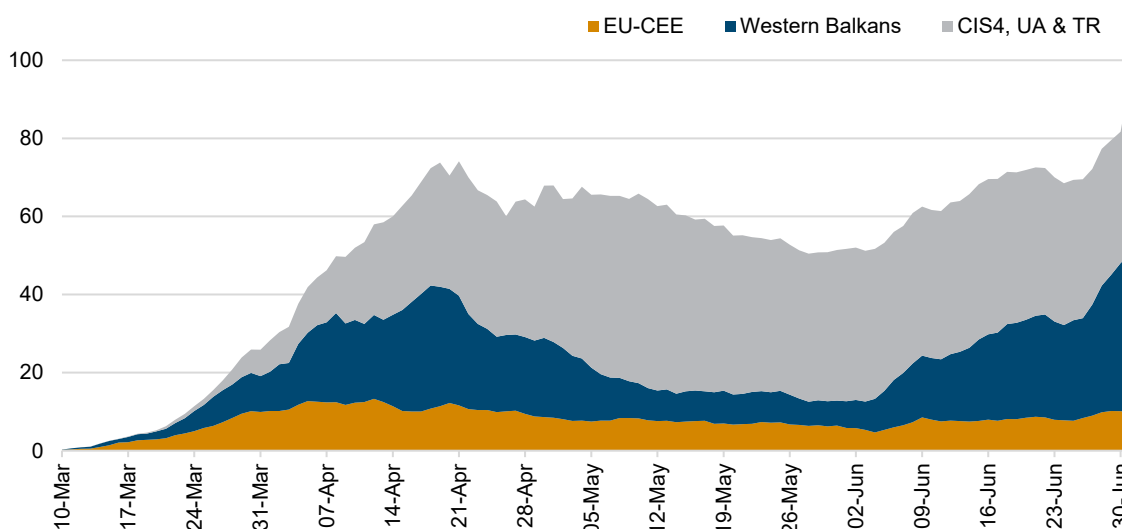
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Chart of the month: Concern over new COVID-19 cases and insufficient testing in CESEE

BY JULIA GRÜBLER

The first chart shows the ups and downs of the number of officially confirmed daily **new** COVID-19 cases per million inhabitants across three sub-regions of CESEE. The number of new cases for EU-CEE peaked in early April. Western Balkan economies saw a first peak in mid-April with another wave starting in June. The aggregate number of new cases per day of four CIS economies, Turkey and Ukraine peaked in mid-May¹. For this country group and the six Western Balkan economies, most recent data suggests that the situation will likely deteriorate further in July, with the main reason being economic pressure leading to a premature withdrawal of coronavirus restrictions. In addition, some countries have pushed for lifting the lockdown as a precondition for organising political events (e.g. elections in Serbia and Poland in June, in Croatia and North Macedonia in July, or the referendum on constitutional changes on 1 July in Russia).

New COVID-19 cases per million



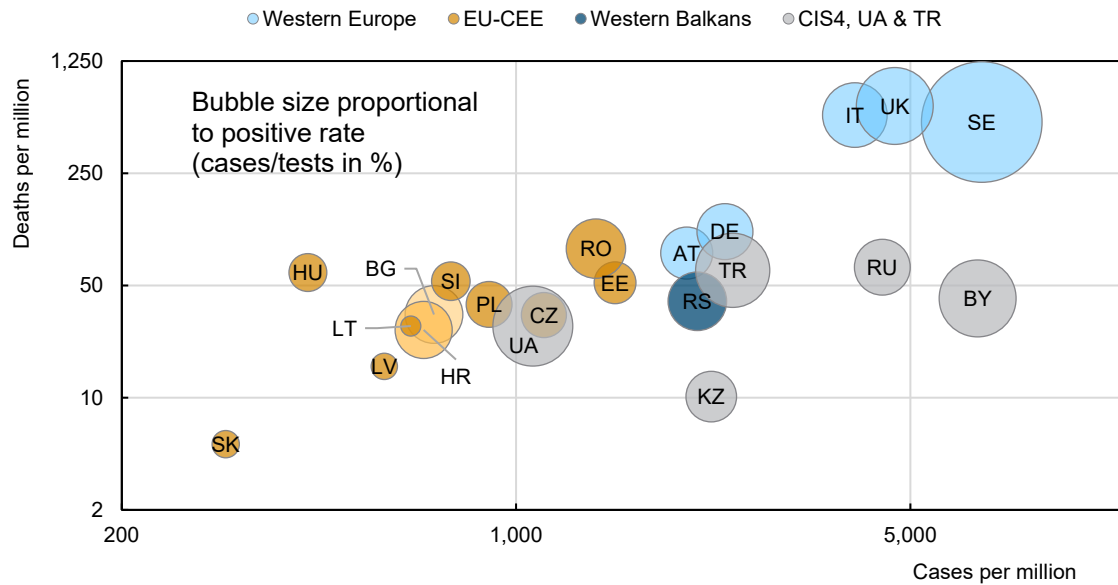
Note: Moving 7-day average.

Data source: Daily WHO Situation Reports (10 March – 1 July 2020).

The second chart presents the **total** number of COVID-19 cases (x-axis) and deaths (y-axis) per million inhabitants. It highlights the outstanding performance of Slovakia on both accounts. It also shows that the number of deaths in comparison to their recorded figures of cases is particularly high for Hungary and Romania.

¹ The aggregates were chosen in line with the wiiw Eastern Europe Coronavirus Tracker. See e.g. <https://wiiw.ac.at/eastern-europe-coronavirus-tracker-economic-impact-rising-n-439.html>

COVID-19 cases, deaths and the importance of testing



Notes: CIS4 comprises Russia, Belarus, Kazakhstan and Moldova.

Data source: Daily WHO Situation Reports (10 March – 1 July 2020) for cases and deaths. 'Our World in Data' for the total number of tests performed as of 1 July. Data on population for the year 2019 retrieved from Eurostat and the wiiw annual database. Author's computations and visualisation.

For many countries in the grip of COVID-19 the true number of deaths may be much higher than the reported figure, as 'deaths due to COVID-19 may be misclassified as pneumonia or influenza deaths in the absence of positive test results'². Analysis of excess pneumonia and influenza deaths indicates that deaths related to COVID-19 are more likely to be missed in locations with inadequate testing and/or a strong pandemic activity.³ Similarly, the true number of COVID-19 cases may be much higher than official figures suggest, since 'asymptomatic' cases in the absence of testing are not captured.

An essential piece of information, therefore, is contained in the bubble size on the second chart. It shows the total number of confirmed cases in relation to the total number of tests performed. Bigger circles indicate a higher positive rate, suggesting a shortcoming in testing. This is particularly the case for Sweden and the United Kingdom in Western Europe, for Croatia, Bulgaria and Romania in EU-CEE, and for Belarus, Turkey and Ukraine. Even worse, there is no information on testing available for Moldova and Western Balkan economies, except for Serbia.

² Center for Disease Control and Prevention (CDC), Provisional Death Counts for Coronavirus Disease (COVID-19), Technical Notes, https://www.cdc.gov/nchs/nvss/vsrr/covid19/tech_notes.htm (accessed 2 July 2020)

³ See e.g. a preprint for the US by Weinberger et al. (2020), 'Estimating the early death toll of COVID-19 in the United States', medRxiv, <https://www.medrxiv.org/content/10.1101/2020.04.15.20066431v2>

Opinion Corner* : Why distorted pictures of Italy are poison for European policy debates

BY PHILIPP HEIMBERGER AND NIKOLAUS KOWALL¹

Current policy debates concerning the EU recovery fund and public debt strongly focus on Italy, the euro area's third-largest economy, which has been hard hit by the Corona crisis. The media and political discourse, however, make use of distorted pictures of the Italian economy, undermining attempts at a more nuanced and pragmatic debate. We discuss several key facts to counter prevailing narratives.

'A country cannot permanently live beyond its means. The Italian state must urgently tighten its belt!' Politicians and journalists have been repeating variations of this statement again and again when it comes to discussing Italy and its economy. Last year, we heard that Italy must stop being 'profligate' when the European Commission and political leaders of several EU member states were pushing for opening an excessive deficit procedure against Italy. Since the start of the Corona crisis, several political leaders have again lamented that Italy has allegedly failed to conduct proper 'structural reforms'. Politicians and the media have questioned whether Italy should receive any financial support.

But all of the above is based on distorted pictures of Italy. To see why, consider the following facts.

First, Italy has not been living *beyond* its means. Since 2012, Italy has consistently recorded export surpluses. In other words: the Italian economy consumes less than it produces – if anything, it lives *below* its means.

Second, high Italian public debt is primarily a legacy from the 1980s. Since then, Italy has been more 'frugal' than any other EU country. From 1992 onwards, the Italian state has consistently recorded primary budget surpluses, which exclude interest payments. Italy did more fiscal consolidation than Germany and the 'frugal four' (Austria, Denmark, the Netherlands, and Sweden).²

Italy's government debt of 135% of GDP is striking only because its economic growth has been so weak over the last twenty years. Rather than reducing the public-debt-to-GDP ratio, austere policies have contributed to economic stagnation so that the Italian state was unable to 'grow out' of the existing debt.³

Third, Italian governments have diligently followed European requirements for liberalising its labour market. In 2014, Matteo Renzi's government reduced workers' dismissal protection, which can be seen

* Disclaimer: The views expressed in the Opinion Corner section of the Monthly Report are exclusively those of the authors and do not necessarily represent the official view of wiiw.

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² Heimberger, P. (2020): Italy is of systemic importance – European solutions are needed, wiiw website article (April 10th 2020), <https://wiiw.ac.at/italy-is-of-systemic-importance--european-solutions-are-needed-n-438.html>

³ Paternesi Meloni, W., Stirati, A. (2018): Macroeconomics and the Italian vote, Brave New Europe (August 7th 2018), <https://braveneweuropa.com/walter-paternesi-meloni-and-antonella-stirati-macroeconomics-and-the-italian-vote>

as a continuation of the process of labour market liberalisation that started in the 1990s.⁴ These 'structural reforms' did not only reduce inflation and real wages. They also pushed down unemployment by generating temporary jobs: the unemployment rate in Italy was lower than in Germany and France when the financial crisis hit in 2008. However, cheap labour diminished incentives for Italian companies to make labour-saving investments – with negative effects on productivity, which is the basis for long-term growth.⁵

Fourth, Italy's average standard of living was virtually the same as in Germany twenty years ago. However, Italy has fallen behind since the introduction of the euro. By 2019, Italian per capita income was more than 20% below that of Germany. Nevertheless, Italy still records the second-largest share in the EU's industrial production behind Germany – and has been a net contributor to the EU budget.⁶

Recent developments in Italian political economy – including corruption and organised crime – should not be neglected. But it should also be remembered that Italy has never been a haven of political stability. In fact, the current government is the 66th cabinet since World War II. The mafia and corruption have always existed over the past decades. But this did not hinder the Italian economy from developing quite dynamically in the Post-World War II era running up to Italy's membership in the euro area.

Italy's persistent aggregate demand and productivity misery is also a consequence of the shortcomings of the institutions and rules in the euro area. While Italy has not been able to pursue a tailor-made monetary and exchange rate policy to support economic development since joining the euro, the restrictive austerity and reform requirements by the European Commission (and the ECB⁷) have also systematically tied the hands of national fiscal policymakers in the years before the Corona crisis. Decades of tight fiscal policy have deprived the Italian health sector of capacity to offer adequate protection for the Italian population during the COVID-19 crisis.⁸

European policy makers should avoid repeating the mistake of pushing the Italian government towards fiscal austerity and structural reforms from the market-liberal playbook. A more promising policy approach would be to go for an investment strategy and modern European industrial policies to provide a short and long run boost to economic activity.

The German government finally understands the urgent need for investment; it has been promoting a common 'recovery plan' with French president Macron. Have the Germans become altruistic? No, they just know that half of their exports go to the EU. They understand that the growth of the world economy has slowed down, and that we may soon see tendencies towards trade de-globalisation and so the importance of the EU's internal market can be expected to grow.

⁴ Cirillo, V., Fana, M., Guarascio, D. (2017): Labour market reforms in Italy: evaluating the effects of the Jobs Act, *Economia Politica*, 34, 211-232.

⁵ Storm, S. (2019): Lost in deflation: why Italy's woes are a warning to the whole Eurozone, *International Journal of Political Economy*, 48(3), 195-237.

⁶ Buchholz, K. (2020): Which countries are EU contributors and beneficiaries?, *Statista* (January 13th 2020), <https://www.statista.com/chart/18794/net-contributors-to-eu-budget/>

⁷ Rose, M. (2011): Trichet's letter to Rome published, urged cuts, *Reuters* (September 29th 2011), <https://www.reuters.com/article/us-italy-ecb/trichets-letter-to-rome-published-urged-cuts-idUSTRE78S4MK20110929>

⁸ Prante, F., Bramucci, A., Truger, A. (2020): Decades of tight fiscal policy have left the health care system in Italy ill-prepared to fight the COVID-19 outbreak, *Intereconomics*, 55(3), 147-152.

Alert minds also see the political dimension. Low levels of solidarity with Italy at the start of the COVID-19 pandemic were politically not very helpful: according to an April survey, almost half of Italians see Germany as an 'enemy country', followed by France (38%).⁹ 'Friendly countries' in the eyes of the majority are now China (52%) and Russia (32%). Troll factories in the US and in Russia exacerbate such intra-European tensions. If policymakers fail to address rising discontent among the European population, the breeding ground for nationalist and anti-democratic tendencies will continue to flourish.

Upholding distorted pictures of the Italian economy would be poisonous and push into the hands of right-wing populists who want Italy to leave the European Union. If Italy were to seek an 'Italexit' after a possible right-wing populist election victory, the consequences would be fatal. Economically, the break-up of the euro area would above all strongly damage the industrial basis of export-dependent growth models in countries such as Germany, Austria and the Netherlands due to likely revaluations of their currencies. Politically, it would be the end of the decades-long process of European integration.

⁹ Bechis, F. (2020): Polls show concerning effect of Chinese coronavirus charm offensive in Italy, Atlantic Council (April 17th 2020), <https://www.atlanticcouncil.org/blogs/new-atlanticist/polls-show-concerning-effect-of-chinese-coronavirus-charm-offensive-in-italy/>

Will COVID-19 accelerate digitalisation in CESEE?

BY ALEXANDRA BYKOVA

The COVID-19 pandemic and containment measures have increased the level of digital activities and changed the way people consume and work. A return to old habits is more likely than a sharp acceleration of digitalisation. However, an acceleration of digital transformation can help to overcome the consequences of the crisis. The heterogeneity in digital capabilities across CESEE countries suggests that some of them require more effort to capitalise on the productivity and economic growth premium of digital transformation.

INTRODUCTION

The spread of the COVID-19 pandemic and resulting lockdowns have led to a rapid shift of many activities to online, which was a real-life stress-test for the digital capabilities of countries. Moreover, it has highlighted areas in need of improvement. Teleworking, new consumption patterns, and government policies to curb the spread of the pandemic has accelerated the adoption of new technologies. However, the implementation of technically feasible solutions has sometimes faced low social acceptance due to privacy concerns, with contact tracing apps being one example. In addition, social distancing and greater online activity has proven to be psychologically stressful, and many people have returned to their normal lifestyle as soon as this was allowed.

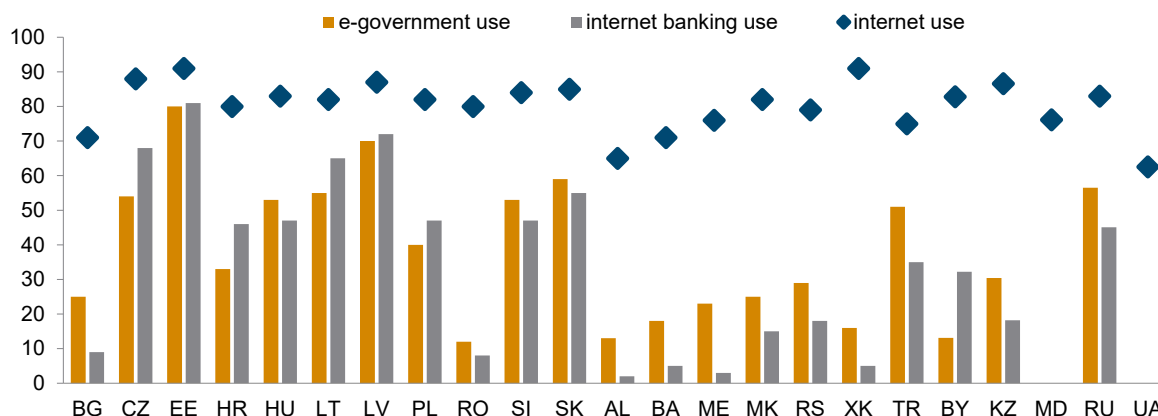
Countries in CESEE with the exception of Estonia have not been among overall front-runners in global digital transformation so far.¹ Will the outbreak of COVID-19 accelerate digitalisation in the region and provide an opportunity to catch up or was the increase in online activities only temporary? The analysis of the implications of the pandemic for the digital economy focuses on several aspects: ICT infrastructure and cybersecurity, new consumption patterns, the labour market and teleworking, and some policy options to promote digitalisation.

ICT INFRASTRUCTURE AND CYBERSECURITY

A spike in online activities triggered by the COVID-19 response has challenged ICT infrastructure, but the burden has been uneven across countries. Even before the outbreak, internet access varied markedly across CESEE countries. The share of internet users in the population ranged between 91% in Estonia and Kosovo (data for 2019) to 62.6% in Ukraine (data for 2018). The use of digital services such as e-government and internet banking was also unevenly distributed within the region while, of the EU-CEE countries, Romania and Bulgaria, as well as Western Balkan countries and Belarus had fewer users (comparable data for Moldova and Ukraine is not available) (Figure 1). Countries with a greater adoption of digital channels had fewer interruptions in services during lockdowns as provision was possible without physical presence.

¹ According to multidimensional rankings such as Network Readiness Index (NRI) and Digital Economy and Society Index (DESI), McKinsey (2018) study for EU-CEE countries.

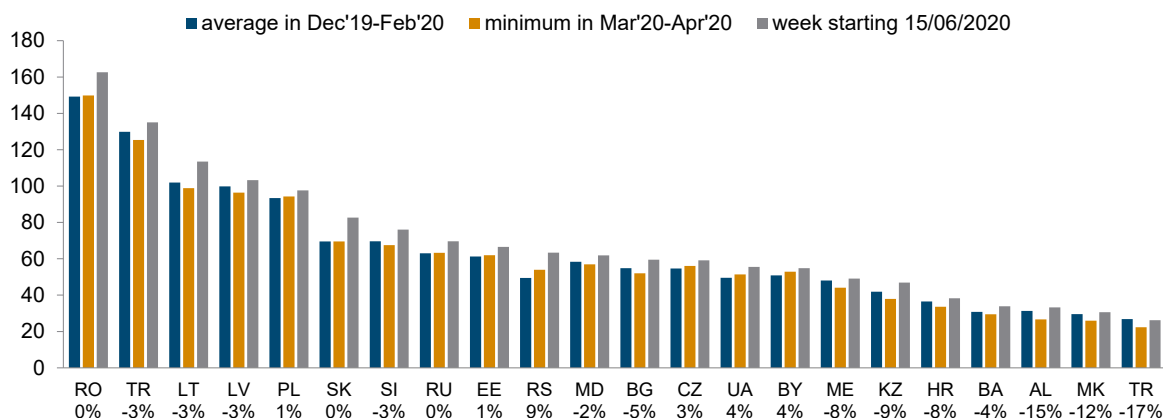
Figure 1 / Internet use in 2019, in %



Notes: internet use - share of population that used internet during the last year, e-government use - share of internet users that interacted with public authorities online during last year, internet banking use - share of population that used internet banking over last year; total population is a population aged 16-74, for Russia - aged 15-74. Data on internet use for Ukraine and Moldova for 2018.

Sources: Eurostat, national statistical offices.

Figure 2 / Fixed average download speed, megabits per second (Mbps)



Note: x-axis includes growth rates in %, which are calculated to compare minimum values over the period Mar'20-April'20 to average speed in Dec'19-Feb '20 for each country.

Source: OOKLA Speedtest, <https://www.speedtest.net/insights/blog/tracking-covid-19-impact-global-internet-performance>, accessed on 23.06.2020.

Weekly Speedtest data² that compares the average speed for mobile and broadband internet around the world resulting from tests taken by Speedtest users may not be representative for the whole country but allows for the real-time tracking of trends. They show that connection speed deteriorated in many CESEE countries in March 2020, most likely amidst an increase of online activities. The deterioration was more pronounced for mobile connections than for fixed broadband lines. It is noteworthy that fixed connection speed was more stable in countries with a higher initial average speed and worsened in countries with the lowest average speed like Albania, North Macedonia, and Turkey (Figure 2).

² Index is built on the tests taken by Speedtest service users, <https://www.speedtest.net/global-index>

For mobile connection, the strength of the decline was not correlated with the initial speed. When a recovery started in April, only several countries failed to improve download speed by mid-June compared to the beginning of 2020: Turkey for fixed, and Belarus, Czech Republic and Hungary for mobile connection. ICT infrastructure appears to have proved resilient to peaks in demand, and either demand has declined as curfews are relaxed or service providers have made anti-crisis investments that contributed to better connection quality.

A look into the future of the use of new technologies in CESEE countries, such as the example of 5G technology, crucial for modern industrial production sites and logistics (factories and warehouses, logistics hubs such as ports and train terminals, greenfield campuses and health institutions³), reveals that many countries in the region are lagging behind. According to the Ookla 5G map⁴, which tracks 5G networks in cities, commercial use deployments are currently located in Romania (18 deployments), Poland (16), Hungary (5), Latvia (2) and, with limited access, in Estonia (1). In other CESEE countries, with the exception of Kosovo, Moldova and Montenegro, there are one or several locations in the pre-release phase. For comparison, there are around 1100 5G commercial deployments in the Netherlands.

Attempts to use technologies to track people's movements to stem the spread of COVID-19 have raised concerns among citizens about state control over citizens' private lives. A high degree of digitalisation has already enabled, for example, the rapid introduction of a system of digital access permits and video surveillance for quarantine violators in Moscow. The higher than usual exposure to online activities also drew attention to security risks associated with borderless technologies. According to an ITU assessment,⁵ there has been a rise in cyberattacks, fraud in internet transactions, and disinformation spread. A multidimensional assessment from the Global Cybersecurity Index by ITU (ITU, 2019)⁶ for policies of 13 CESEE countries is positive (high cybersecurity commitment with scores in the range between 1.000 and 0.670). Moldova, Ukraine, Serbia, Montenegro, Albania, the Czech Republic and Romania have room for improvement of their cyber security policies (medium cybersecurity commitment with scores in the range between 0.669 and 0.340), and even larger efforts are required by Bosnia and Herzegovina with very low score of 0.204 (low cybersecurity commitment with scores in the range between 0.339 and 0.000)⁷.

WILL CONSUMPTION MOVE ONLINE?

Confinement measures, fear of infection and uncertainty about future income and employment led to a decline in consumption during the COVID-19 outbreak. Eurostat data for April 2020 for selected EU-CEE countries and Turkey show that while the overall retail sales have slumped in real terms, sales via online channels have increased. Nevertheless, e-commerce was only able to compensate for part of the overall decline. There are no signs of correlation between the overall decline in retail sales in April and the prevalence of online shopping. Online sales have tended to accelerate in the countries where the trend

³ Technology, Media and Telecom (TMT) predictions by Deloitte: globally more than 1000 private deployments tests are expected by the end of 2020 based on 1 Q 2020 data. <https://news.itu.int/5-key-tech-media-and-telecom-predictions-for-2020-revised-in-light-of-covid-19-deloitte>

⁴ <https://www.speedtest.net/ookla-5g-map>

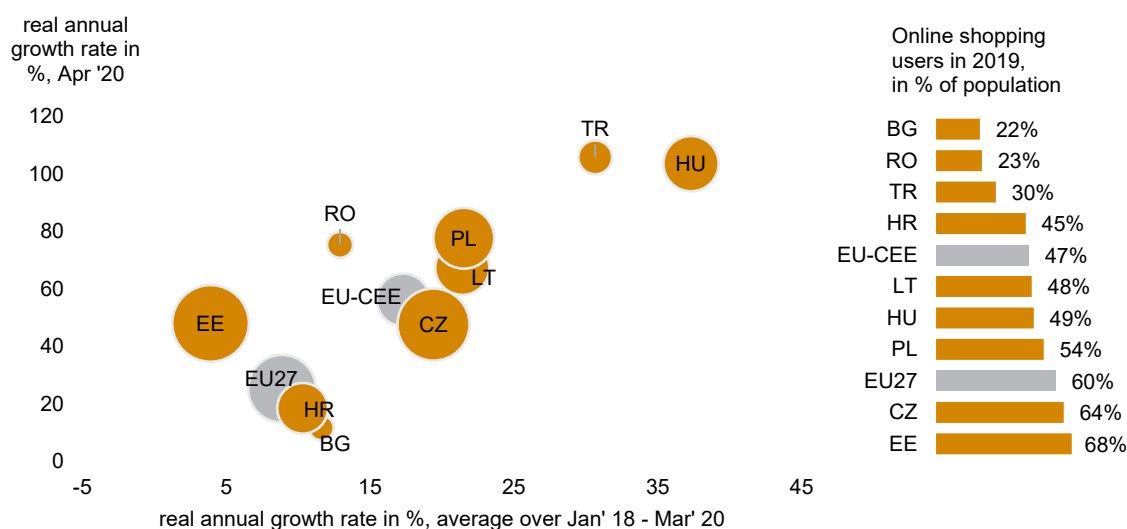
⁵ <https://news.itu.int/covid-19-navigating-the-crisis-with-digital-cooperation/>

⁶ A composite indicator compares the cybersecurity commitment level of countries across five pillars of the Global Cybersecurity Agenda (GCA) such as legal, technical, organisational, capacity building and cooperation.

⁷ Data for Kosovo is not available.

towards increased digitalisation was already visible before the pandemic (Figure 3). At the same time, the spike in online sales in April was probably a temporary effect of lockdowns.⁸

Figure 3 / Turnover of retail sales via mail-order houses or via Internet and the prevalence of online shopping



Note: The size of the bubble corresponds to the online shopping users in 2019, in % of population aged 16-74. EU-CEE and EU27 averages are calculated as a simple average across available countries.

Source: Eurostat.

Several consumer sentiment surveys capture in real-time the changes in consumption behaviour during the outbreak. According to some surveys, concerns about the future will prevent a rapid return to old spending levels and habits. The McKinsey survey, for example, which captures consumer sentiment in two CESEE countries (Poland and Turkey), suggests the growth of online shopping is continuing. Respondents in Poland tested new online activities such as online entertainment, video-chatting, and telemedicine⁹. However, the results of the BCG (2020) global survey suggest that a return to old habits is generally to be expected after an outbreak, while the younger generation is less reluctant to change their consumption patterns.

Some consumers have tried not only online shopping, but also e-banking, online learning, and telemedicine for the first time during the COVID-19 outbreak. Response measures have made this easier. For example, the list of ICT-related immediate response measures to COVID-19, tracked by ITU's Global Network Resiliency Platform¹⁰ and ITU(2020), includes the following measures for CESEE countries: facilitation of telemedicine services (free online medical consultations in Russia, new Doctor Online mobile app for medical consultations in Kazakhstan) and facilitation of access to online learning (Croatia, Moldova, Poland, Romania, Turkey). Again, there is no evidence yet that the adoption of new digital channels will remain when the crisis is over.

⁸ For example, for Poland, Google Trends analysis of internet searches in category 'online shopping' confirms a spike in March-April and return to normal level starting from May 2020.

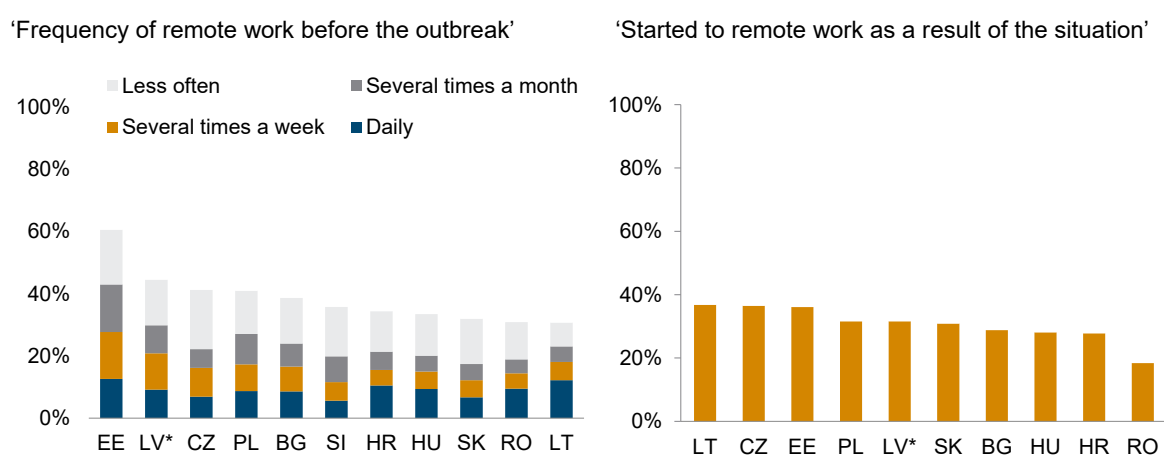
⁹ <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/global-surveys-of-consumer-sentiment-during-the-coronavirus-crisis>

¹⁰ <https://reg4covid.itu.int/>

REMOTE WORK: EMERGENCY SOLUTION OR A NEW NORMAL?

The shift to remote working in response to the confinement measures has revealed various asymmetries on labour markets, as reported by Fana et al. (2020). Even before the COVID-19 outbreak, the prevalence of remote work varied substantially across countries. According to a Eurofound (2020) survey, remote working with various regularity was used by 60.6% of respondents in Estonia and for 39.6% respondents in the EU on average, while the prevalence was lower than the EU average level in all other EU-CEE countries.¹¹ The proportion of those who started to work remotely during the outbreak varied from 36.8% in Lithuania to 18.4% in Romania¹² (Figure 4).

Figure 4 / Remote work before and during the outbreak in EU-CEE



Note: * - low reliability.

Source: Eurofund (2020) survey data.

An example of a non-EU country, Russia, shows an even lower use of remote work. The survey conducted by the Russian Public Opinion Research Centre (VCIOM) and the Social Business Group¹³ found that before the pandemic, only 2% of the country's population worked remotely, and as of 30 April 2020, 16% of respondents switched to working remotely, 9% of them fully and 7% partially. The share of new remote workers was much higher in Moscow and St. Petersburg at 29%, 19% of them working fully remotely and 10% partially. The sustainability of working remotely is questionable as only 36% were satisfied with the new working practice, citing a shorter commute and flexibility as the main benefits.

Cross-country variation in remote work adoption can be explained both by digital readiness factors, such as the digitalisation of enterprises and the digital skills of workers, and by structural factors, such as the share of employment in remote work sectors and sectors most affected by lockdown measures.

¹¹ The data show 'daily', 'several times a week', 'several times a month', 'less often' and 'never' for respondents in the EU27 when asked: How frequently did you work from home before the outbreak of COVID-19?

¹² The data show 'Yes' for respondents when asked: Have you started to work from home as a result of the COVID-19 situation? Slovenia is excluded.

¹³ <https://www.vciom.com/index.php?id=61&uid=1770>

Limited personal mobility combined with more widespread remote work may offer a chance for CESEE countries to become an attractive destination for outsourcing, with relatively low wages, a skilled labour force, and a reliable infrastructure. This could reduce the outward migration of high-skilled labour and boost the service sector. Measured by the amount of financial flows and the number of tasks executed, Ukraine, for example, is already ranking high among European countries for digital platform work, with a share of involved workforce estimated to be at least 3% in 2017 (Aleksynska et al., 2018). The shift to the platform work also carries risks, such as working conditions that are not subject to employment regulation, lower income level, and possible decline in social contributions. Appropriate regulations to protect employees working via digital platforms should then be introduced in the countries to avoid such risks.

BETTER RECOVERY CHANCES FOR DIGITALISED BUSINESS AND POLICY RESPONSE

The growth and productivity of ICT-intensive firms in the EU were less affected by the crisis in 2008-2009, as found by Bertschek et al. (2019). In the current crisis, it has also been observed that businesses with greater digitalisation are better able to stay afloat during lockdowns by using remote work and digital distribution channels, and can benefit during recovery, as they have better chance to win competition for consumers through their online presence and advertising via various online channels. Unfortunately, SMEs that suffered the most from the disruption of economic activities during and after lockdowns, have gaps in the adoption of digital tools, especially in the use of the internet for online advertising, including social media for branding and marketing (McKinsey, 2018), and therefore need more state support. According to an overview by the OECD of policy response measures, Estonia, Latvia and Slovenia are among the CESEE countries that have already introduced 'structural policies to help SMEs adopt new working methods and (digital) technologies and to find new markets and sales channels'.¹⁴

McKinsey (2018) estimated that an acceleration of digital transformation in CEE would result in up to one percentage point higher GDP growth. Many countries already have national digitalisation strategies, but COVID-19 response actions such as the development of telemedicine, online education, e-government, and SME support could reinforce digital transformation. The CEE countries can benefit from the participation in digital transition policy, prioritised by the new EU growth strategy (European Commission, 2020a), and from funding from the joint EU response plan (European Commission, 2020b).

CONCLUSION

The lockdowns triggered by COVID-19 acted as a stress-test for countries' digital infrastructure and provoked a spike in online activities. They also brought to the fore disparities in digital technology adoption across CESEE countries. New digital solutions, even if they are technically possible, encounter social acceptance hurdles, and a return to old habits is to be expected once the outbreak slows down. Digitalisation can be a growth driver for CESEE countries but concerns about privacy and cybersecurity need to be addressed. Building on the experience of a forced digital drive, CESEE countries can anchor appropriate measures in their COVID-19 response policies to accelerate a digitally-driven recovery.

¹⁴ <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/#section-d1e160> accessed on 28.06.2020.

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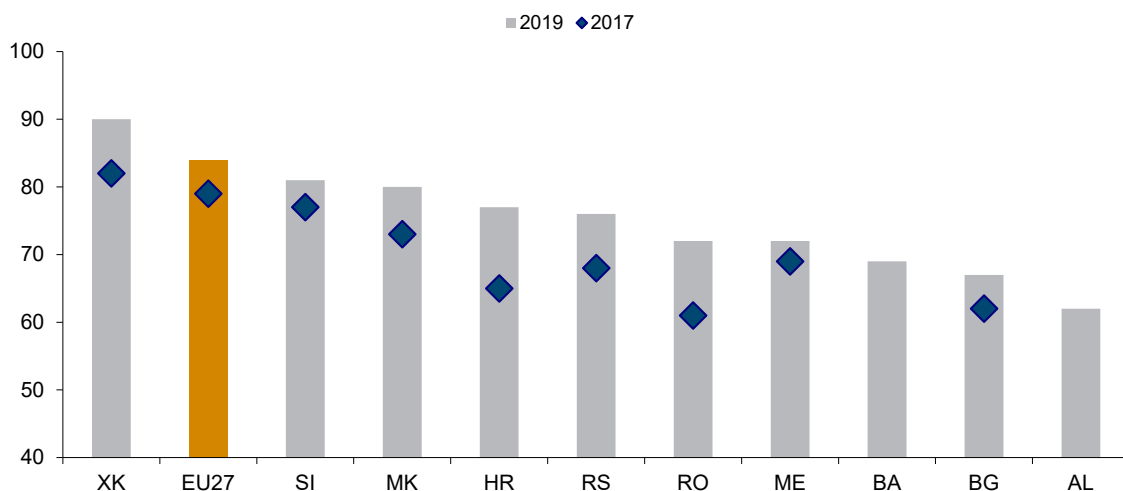
Digital divide in Southeast Europe

BY DORIS HANZL-WEISS

Information and communication technologies and the Internet bring great opportunities but can also create inequalities for those without access to them. This gap, also called the digital divide, is particularly evident in Southeast Europe and is affected by location, gender, level of education and age factors.

Information and communication technologies (ICT) and the Internet bring great opportunities but can also create inequalities for those without access to them. Access discrepancies may occur across or within countries. In the latter case this gap is mostly intersected by differences between rural-urban regions, gender, education and age. This article takes a closer look at this digital divide within countries of Southeast Europe (SEE). Included are the countries of the Western Balkans - Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia - and European Union (EU) member states from the region - Bulgaria, Croatia, Romania and Slovenia; EU27 (as of 2020, without UK) serves as a comparison.

Figure 1 / Internet users*, in % of population



* Note: Frequency of internet access: once a week (including every day). Data for Albania for 2018.
Source: Eurostat (Individuals - frequency of internet use [isoc_ci_ifp_fu]).

In the EU, the Digital Agenda for Europe¹, the Digital Single Market² and the most recent strategy 'A Europe fit for the digital age'³ strive to increase the connectivity of the region's population. One of the targets of the Digital Agenda was to increase regular internet use of the EU population from 60% in 2009 to 75% by 2015, reflecting growing digital inclusion. This target was met in 2014. In 2019, the EU

¹ See for example: <https://op.europa.eu/en/publication-detail/-/publication/0f8a8894-2c86-4359-b578-b2cd2ea91c28/language-en>

² See for example: <https://op.europa.eu/en/publication-detail/-/publication/01368318-4e3d-11e6-89bd-01aa75ed71a1>

³ https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age_en

internet use average reached 84%. In SEE internet use was mostly below the EU27 average in that year, with the only exception of Kosovo which stood above average at 90% (Figure 1). In the other SEE countries, internet use ranged between 80% of the population in Slovenia and North Macedonia, about 77% in Croatia and Serbia to below 70% in Bosnia and Herzegovina, Bulgaria and Albania. Between 2017 and 2019 internet use increased in all countries, with the largest growth observed in Croatia and Romania. Generally, the indicator for regular internet use and conversely the indicator for people who have never used the Internet are mostly used to depict details of the digital divide.

RURAL-URBAN DIVIDE

Overall, the share of households with internet access in the region ranges between 93% in Kosovo and 60% in Bulgaria. However, there are sizable differences within the countries between cities, towns and suburbs, and rural areas as Figure 2 shows. Generally, more households are connected to the internet in cities (except in Slovenia where towns and suburbs show the highest share), while households in rural areas are less connected. This is due to less investment in broadband expansion in rural areas, as it is less cost effective (see EBRD, 2020). Rural-urban differences are especially large in Bulgaria, Romania and Croatia, while they are smaller in Slovenia, North Macedonia and Kosovo.

Figure 2 / Internet access in households by degree of urbanisation, 2019, in %



Note: Ranked by total internet access in households.

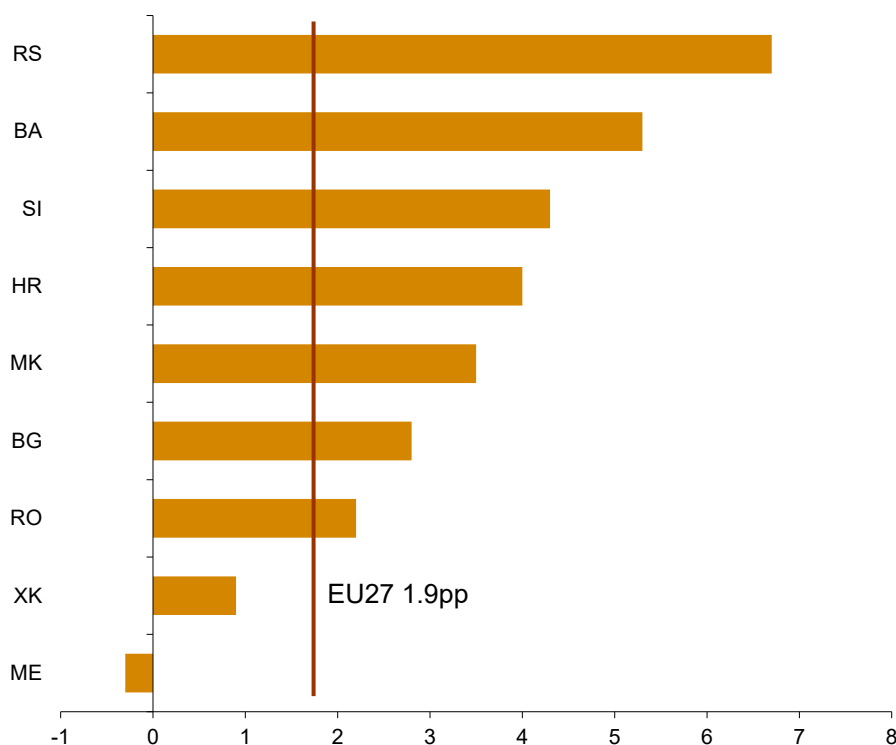
Source: Eurostat (Households - level of internet access [isoc_ci_in_h]).

GENDER GAP

The gender gap in internet use in the West Balkans was amongst the highest in the world in 2013 (Kelly et al., 2017), reaching 8 percentage points (pp). New data from 2018 suggest that this gap has narrowed but is still large in some countries. Figure 3 shows that a particularly large gap still exists in Serbia (almost 7 pp) and Bosnia and Herzegovina (5.3 pp), but also in Slovenia and Croatia (about 4 pp) and North Macedonia (3.5pp). Closer to the EU27 average – which stood at 1.9 pp – were Bulgaria and Romania. The only country with a smaller gap than EU27 was Kosovo (about 1 pp). In Montenegro

women used the Internet more often than men, but the difference here was very small. When looking at ICT skills, there is also an evident gap between men and women. Men are more likely to possess ICT-related skills than women. The difference is high in Croatia, Slovenia and Montenegro but less evident for Romania, Serbia and Bulgaria (data for 2017; see EBRD, 2020).

Figure 3 / Gender gap in Internet use in SEE, 2018, in pp

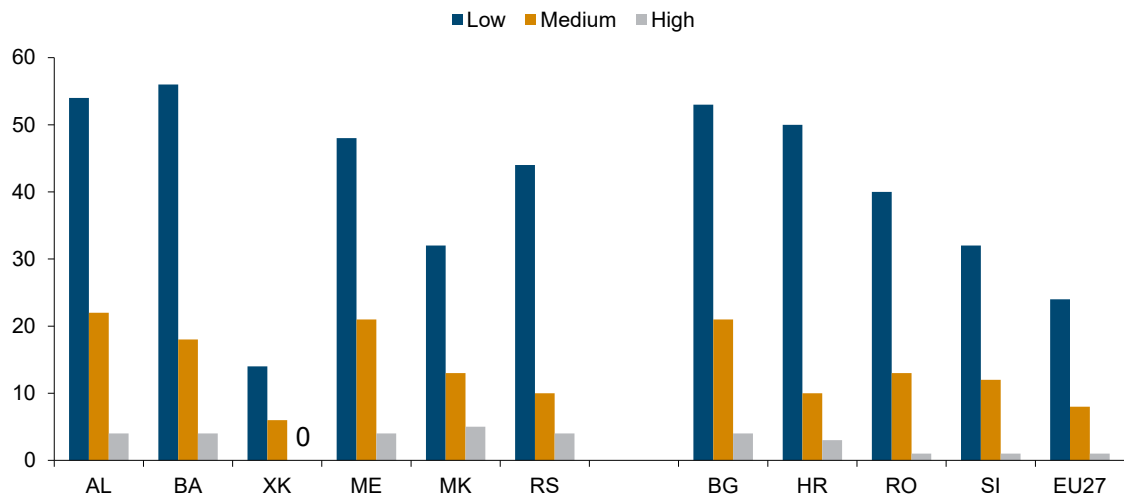


Notes: Data for Bosnia and Herzegovina for 2019. Red line: EU27 average = 1.9 pp

Source: International Telecommunication Union.

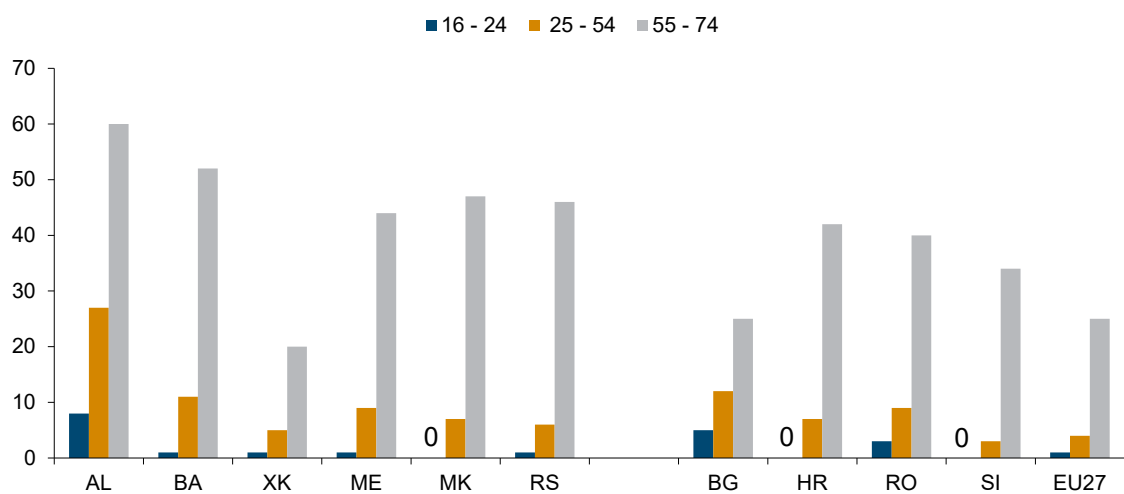
EDUCATION LEVEL AND AGE

A second target for digital inclusion in the EU Digital Agenda was to halve the proportion of the population that has never used the internet between 2009 and 2015 to 15%. EU27 was in fact able to decrease the share of non-users to 10% by 2018, exceeding the target. In SEE, however, this share is larger (again, except in Kosovo). In the other countries it ranges from 13% in Slovenia, below 20% in North Macedonia, Romania, Croatia, Serbia and Montenegro to about 25% in Bulgaria and Bosnia and Herzegovina and 33% in Albania. Clearly, the digital divide is driven by education (Figure 4) and age (Figure 5). Less-educated people are less connected to the Internet as are the elderly: more than half of the less-educated population have never used the Internet in most SEE countries. The difference between less- and well-educated internet users is pronounced in the whole region (except Kosovo) and is especially large in Bosnia and Herzegovina, Albania, Bulgaria and Croatia. The difference between the elderly (55-74) and the young (16-24) is also pronounced across the region (except Kosovo and Bulgaria) and is largest in Albania, Bosnia and Herzegovina, and North Macedonia.

Figure 4 / People who have never used the Internet by education level, 2019, in %

Note: Data for Albania for 2018.

Source: Eurostat (Digital inclusion - individuals [isoc_bdek_di]).

Figure 5 / People who have never used the Internet by age, 2019, in %

Note: Data for Albania for 2018.

Source: Eurostat (Digital inclusion - individuals [isoc_bdek_di]).

CONCLUSIONS

Summing up, differences in internet use in Southeast Europe are observed not only between countries but also within the populations of these countries. Kosovo stands out positively with the highest share of internet users and a low digital divide within the country itself in all respects - rural-urban, gender, education and age. All other countries contend with one or more gaps. Croatia and Bosnia and Herzegovina in particular face a multitude of large digital divides. In the Western Balkans, the Multi-annual Action Plan for a Regional Economic Area (Trieste, July 2017)⁴ and the EU Digital Agenda for the Western Balkans (launched on 25th of June 2018 at the Digital Assembly in Sofia)⁵ strive to promote and foster digital connectivity and skills and thus to reduce the digital divide in these countries.

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⁴ https://www.rcc.int/priority_areas/39/multi-annual-action-plan-for-a-regional-economic-area-in-the-western-balkans--map

⁵ https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/european-commission-launches-digital-agenda-western-balkans_en

Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **22 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures trends in the real and monetary sectors of the economy, in the labour market, as well as in the financial and external sectors.

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Conventional signs and abbreviations used

| | |
|--------|--|
| % | per cent |
| ER | exchange rate |
| GDP | Gross Domestic Product |
| HICP | Harmonized Index of Consumer Prices (for new EU Member States) |
| LFS | Labour Force Survey |
| NPISHs | Non-profit institutions serving households |
| p.a. | per annum |
| PPI | Producer Price Index |
| reg. | registered |

The following national currencies are used:

| | | | | | |
|-----|---|-----|------------------|-----|-------------------|
| ALL | Albanian lek | HRK | Croatian kuna | RON | Romanian leu |
| BAM | Bosnian convertible mark | HUF | Hungarian forint | RSD | Serbian dinar |
| BGN | Bulgarian lev | KZT | Kazakh tenge | RUB | Russian rouble |
| BYN | Belarusian rouble | MKD | Macedonian denar | TRY | Turkish lira |
| CZK | Czech koruna | PLN | Polish zloty | UAH | Ukrainian hryvnia |
| EUR | euro – national currency for Montenegro, Kosovo and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before) and Slovenia (from January 2007, euro-fixed before). | | | | |

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

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wiiw Monthly Database



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If you have not yet registered, you can do so here: <https://wiiw.ac.at/register.html>.

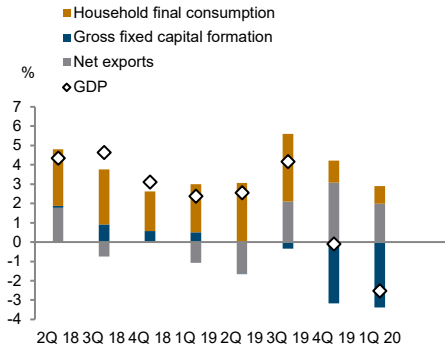
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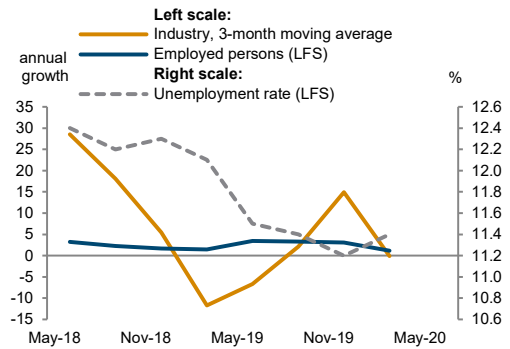
For more information on database access for Members and on Membership conditions, please contact Ms. Barbara Pill (pill@wiiw.ac.at), phone: (+43-1) 533 66 10.

Albania

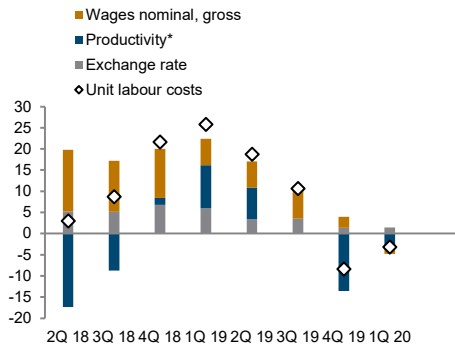
Real GDP growth and contributions
year-on-year



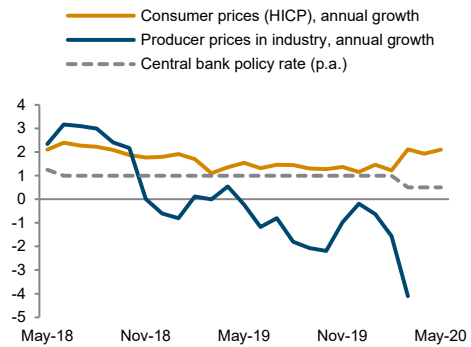
Real sector development
in %



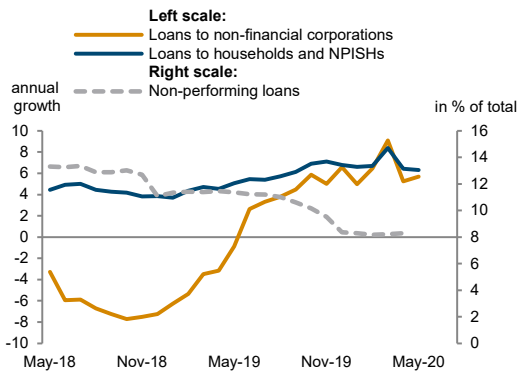
Unit labour costs in industry
annual growth rate in %



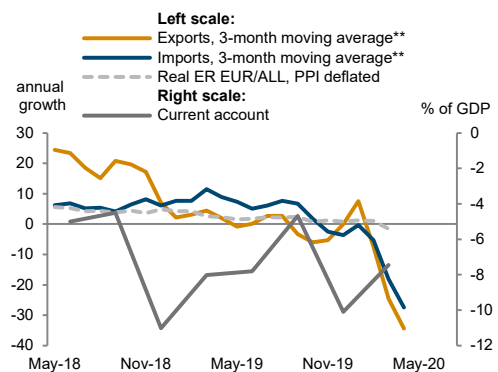
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

**EUR based.

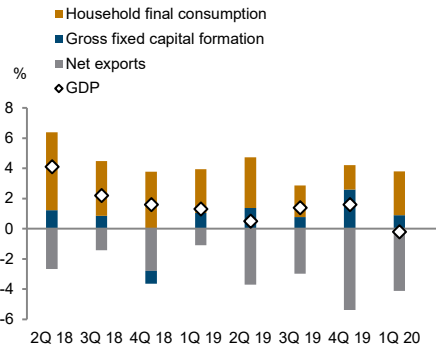
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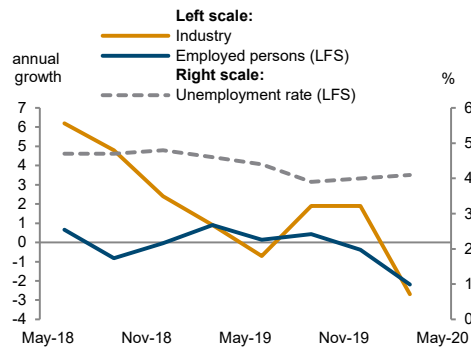
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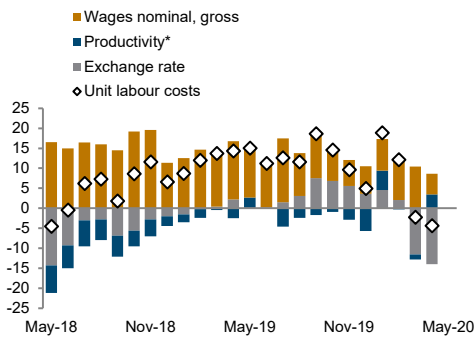
Real GDP growth and contributions
year-on-year



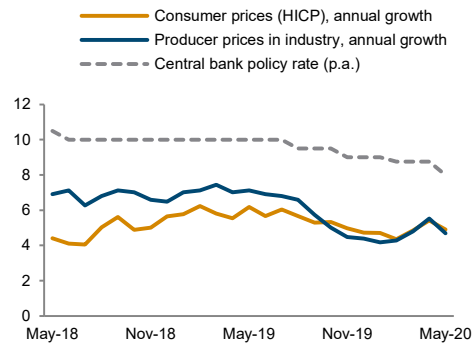
Real sector development
in %



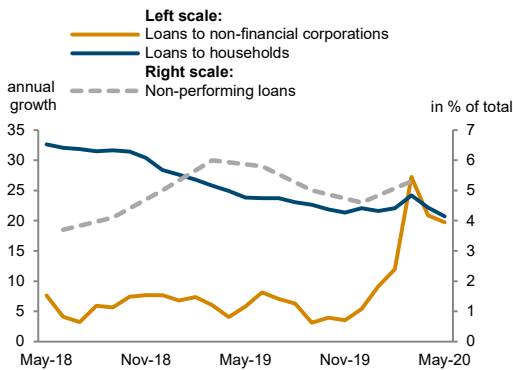
Unit labour costs in industry
annual growth rate in %



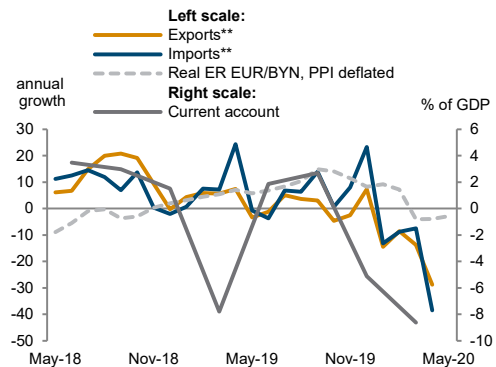
Inflation and policy rate
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Financial indicators
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External sector development
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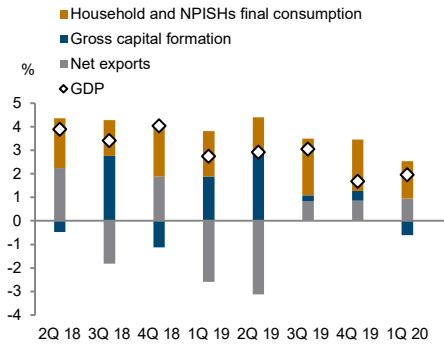
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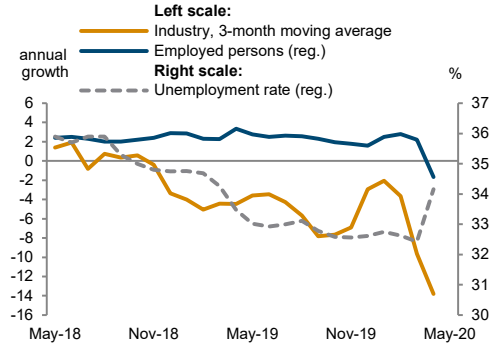
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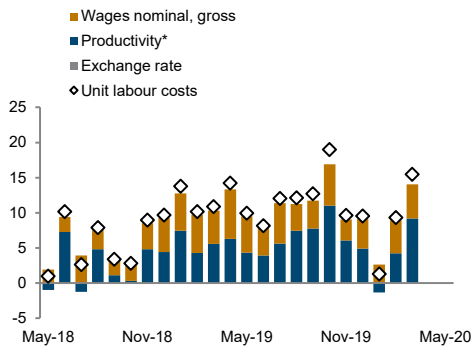
Real GDP growth and contributions
year-on-year



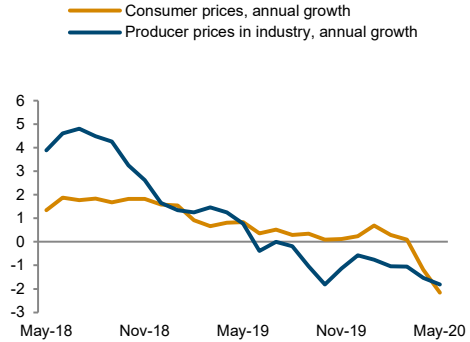
Real sector development
in %



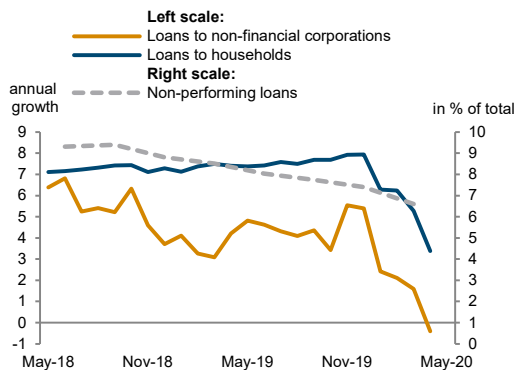
Unit labour costs in industry
annual growth rate in %



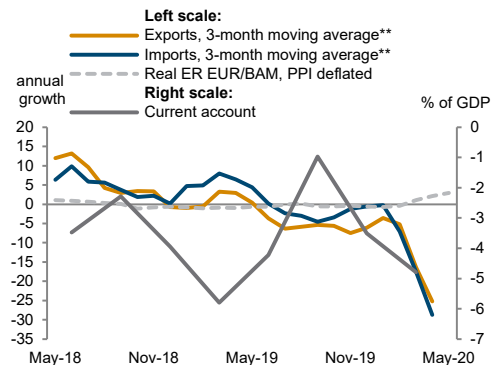
Inflation
in %



Financial indicators
in %



External sector development
in %



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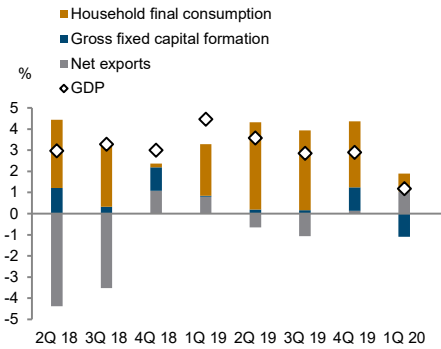
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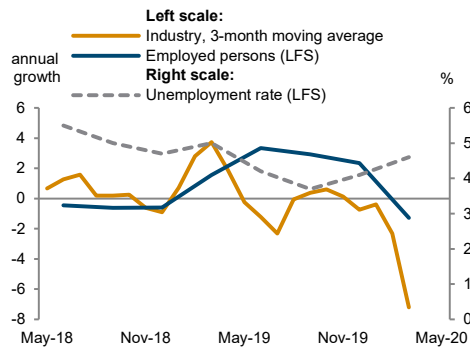
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Bulgaria

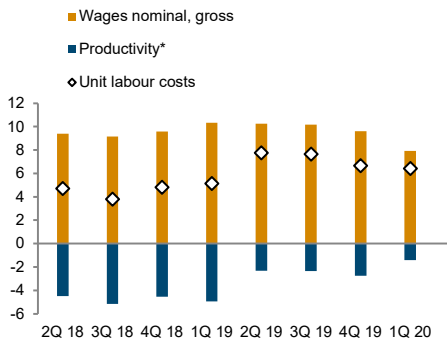
Real GDP growth and contributions
year-on-year



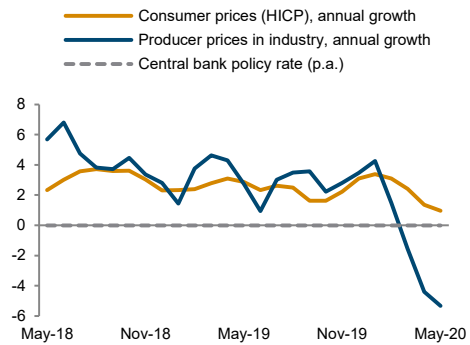
Real sector development
in %



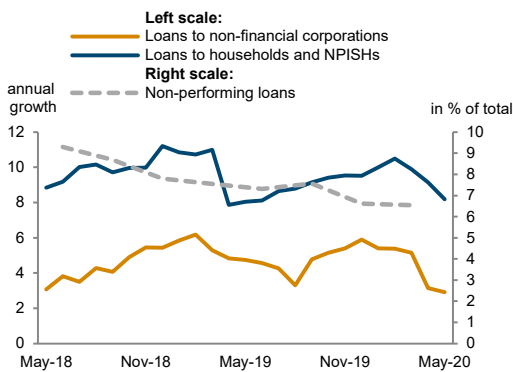
Unit labour costs in industry
annual growth rate in %



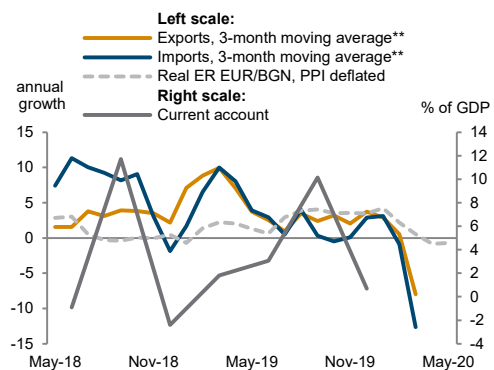
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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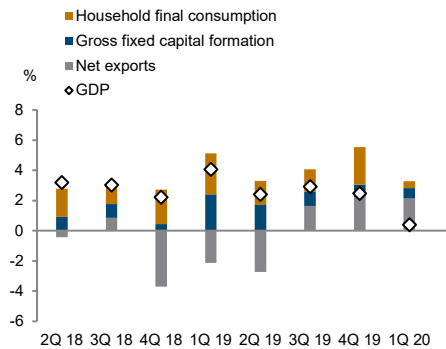
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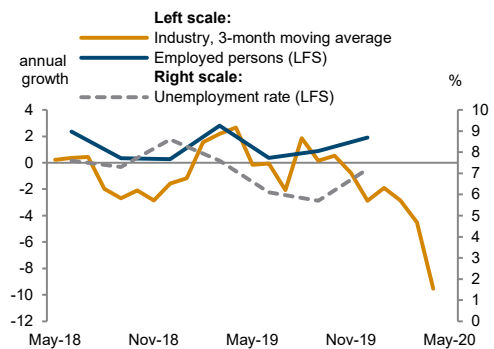
Real GDP growth and contributions

year-on-year



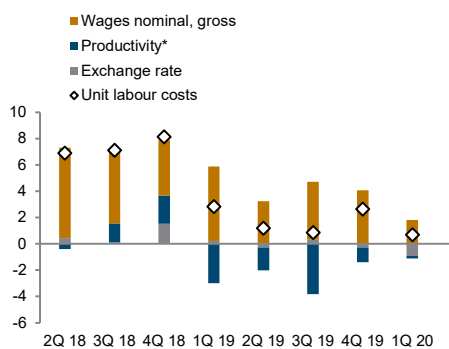
Real sector development

in %



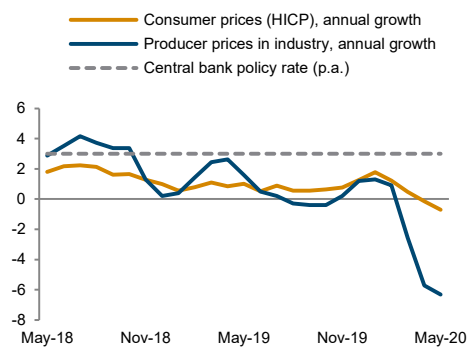
Unit labour costs in industry

annual growth rate in %



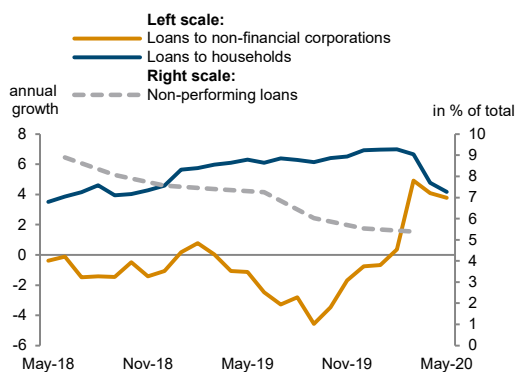
Inflation and policy rate

in %



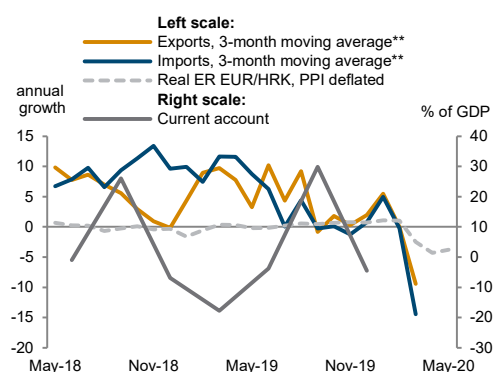
Financial indicators

in %



External sector development

in %



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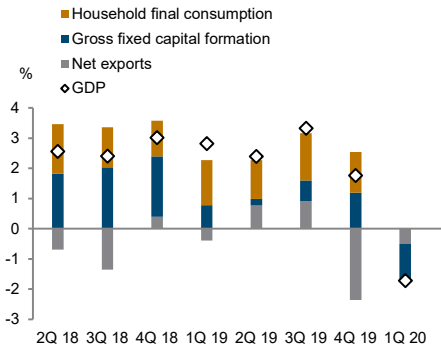
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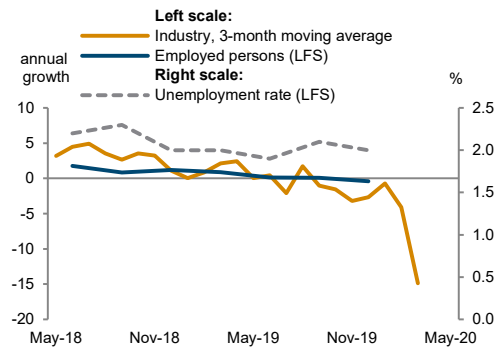
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Czech Republic

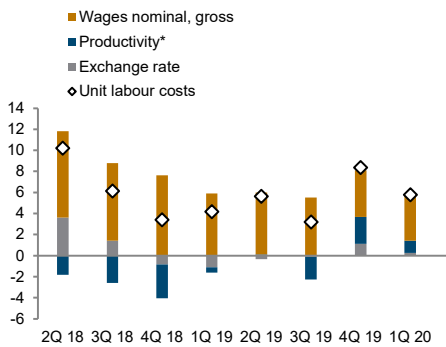
Real GDP growth and contributions
year-on-year



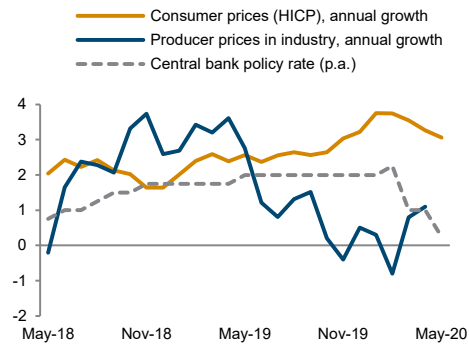
Real sector development
in %



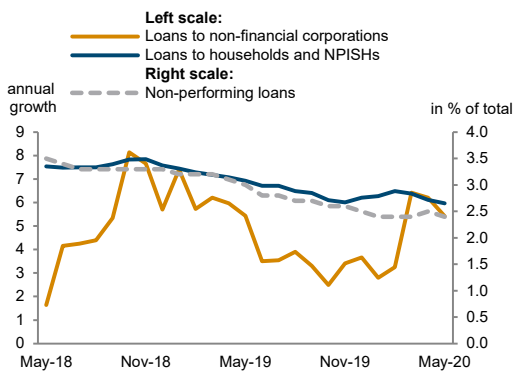
Unit labour costs in industry
annual growth rate in %



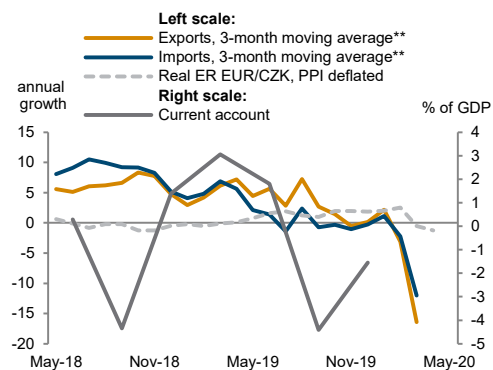
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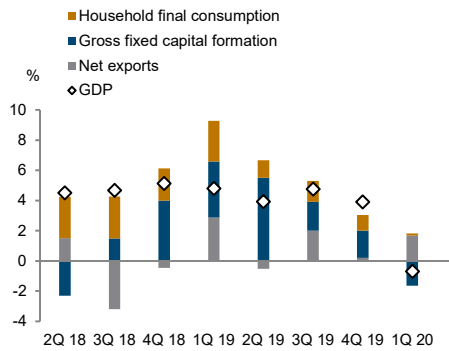
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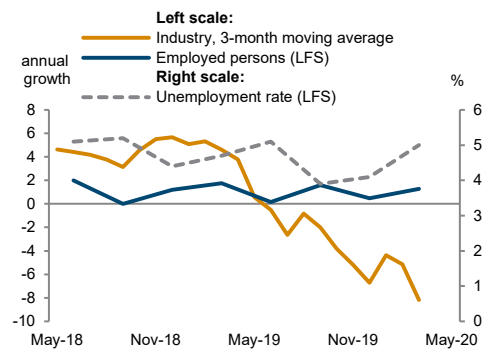
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Estonia

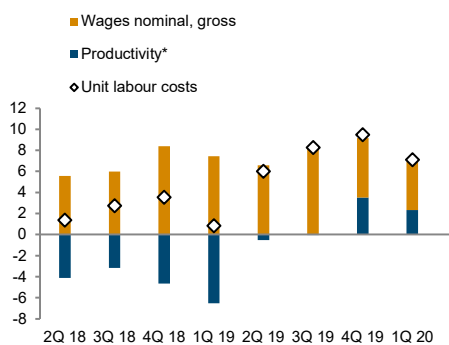
Real GDP growth and contributions
year-on-year



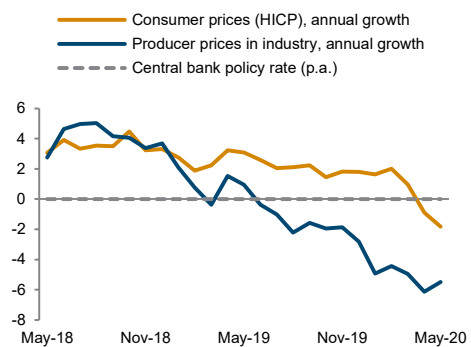
Real sector development
in %



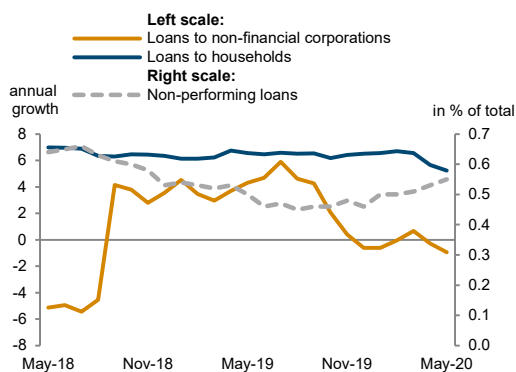
Unit labour costs in industry
annual growth rate in %



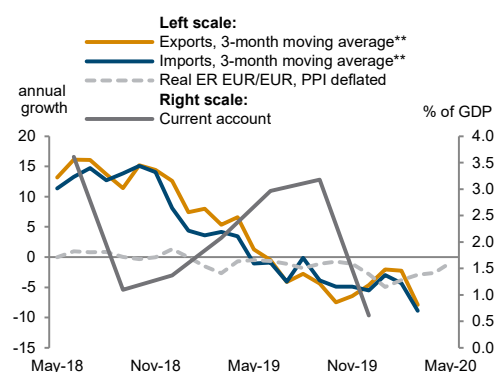
Inflation and policy rate
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Financial indicators
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External sector development
in %



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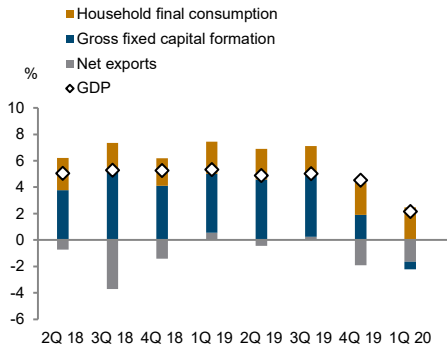
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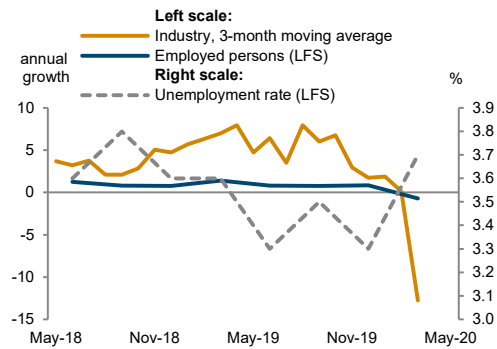
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Hungary

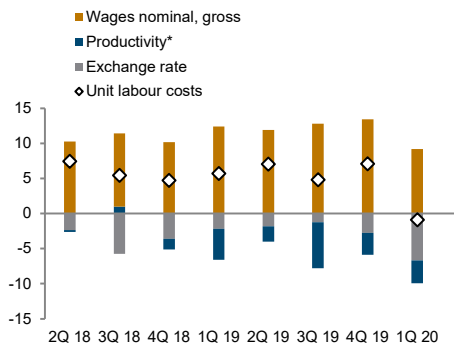
Real GDP growth and contributions
year-on-year



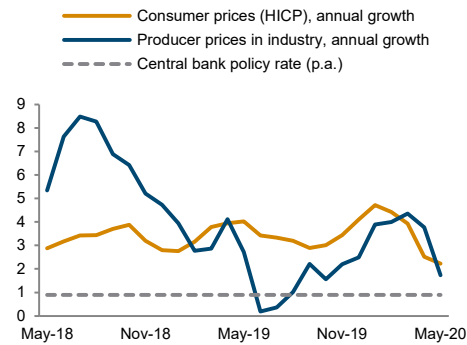
Real sector development
in %



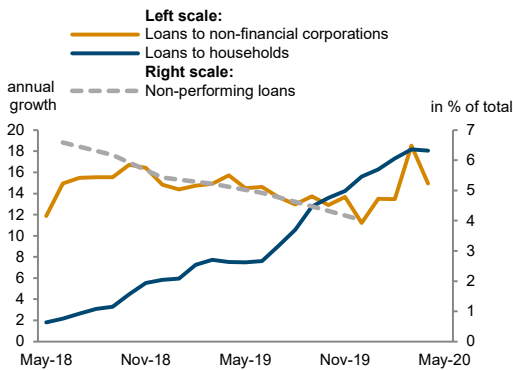
Unit labour costs in industry
annual growth rate in %



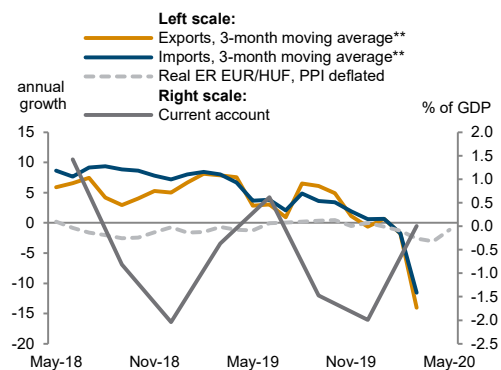
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.

**EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

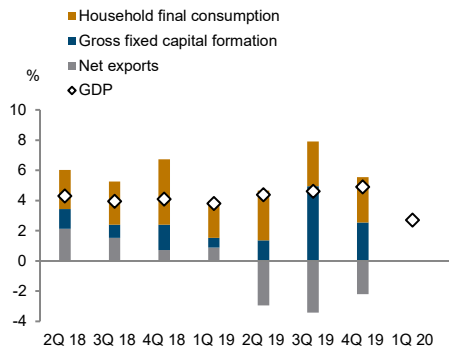
Baseline data, country-specific definitions and methodological breaks in time series are available under:

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Kazakhstan

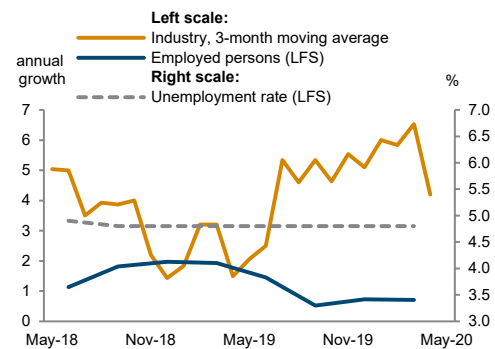
Real GDP growth and contributions

year-on-year



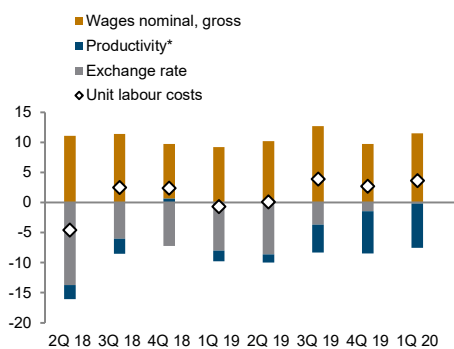
Real sector development

in %



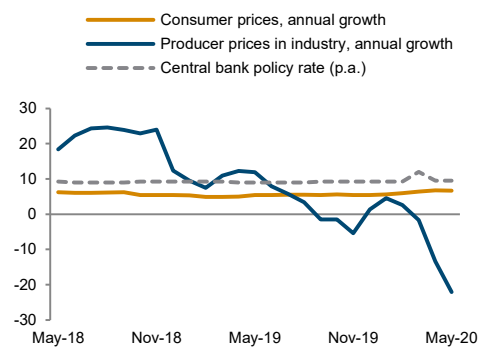
Unit labour costs in industry

annual growth rate in %



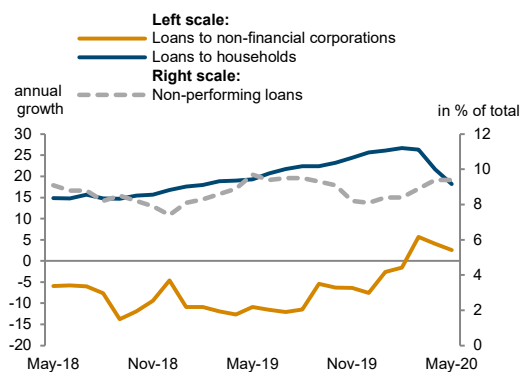
Inflation and policy rate

in %



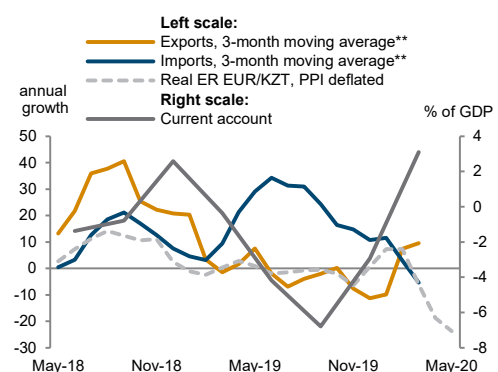
Financial indicators

in %



External sector development

in %



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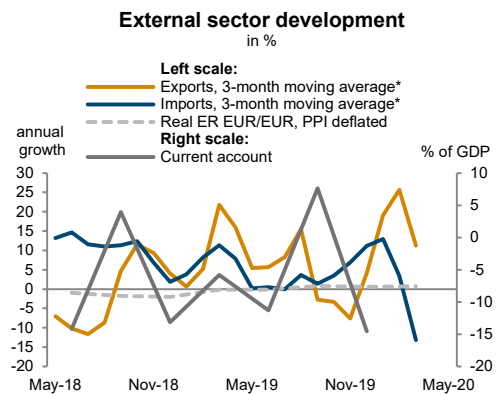
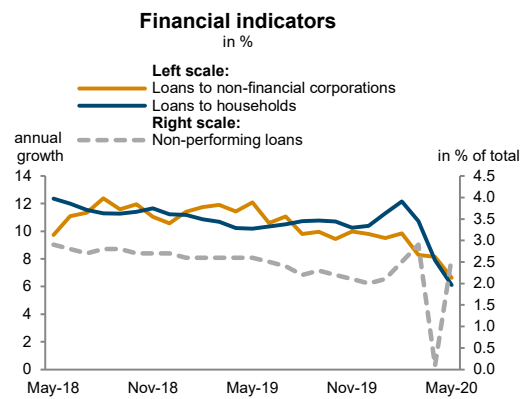
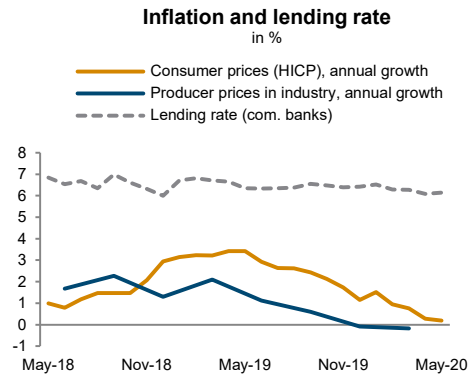
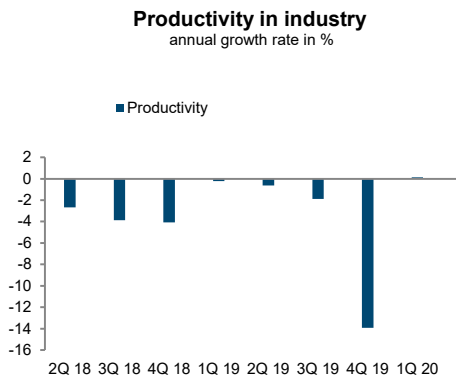
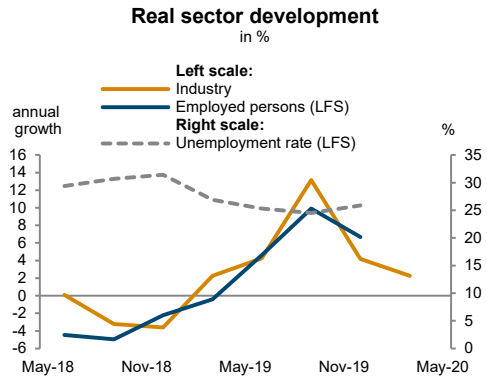
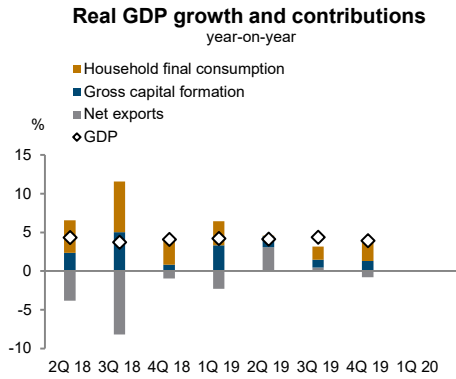
**EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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Kosovo



*EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

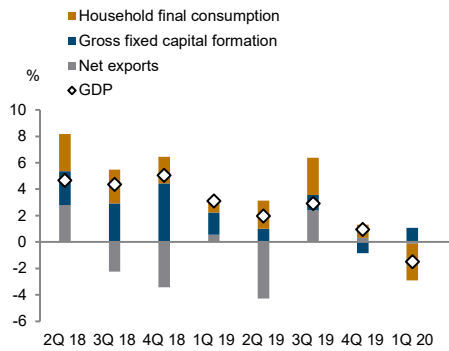
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<https://data.wiiw.ac.at/monthly-database.html>

Latvia

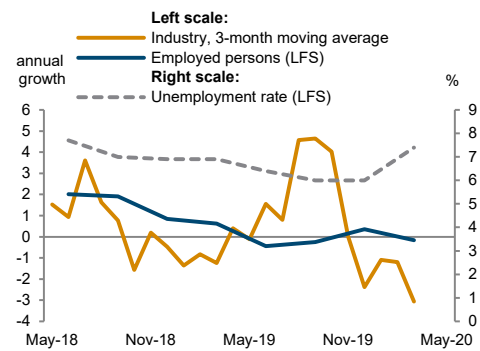
Real GDP growth and contributions

year-on-year



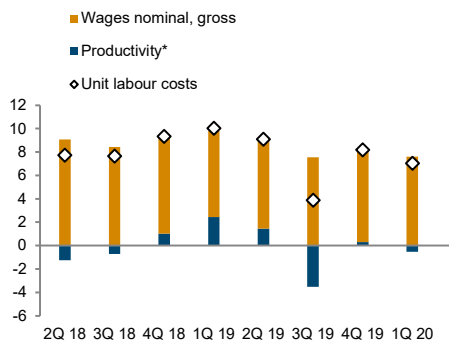
Real sector development

in %



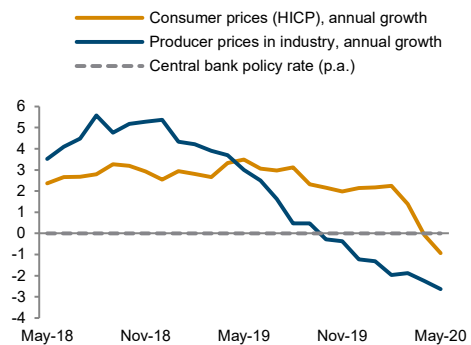
Unit labour costs in industry

annual growth rate in %



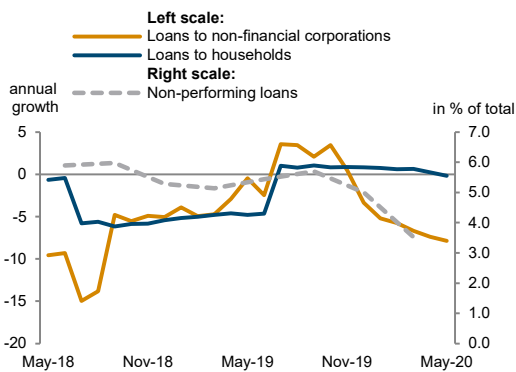
Inflation and policy rate

in %



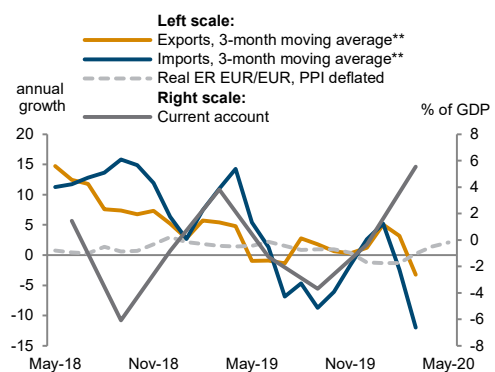
Financial indicators

in %



External sector development

in %



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**EUR based.

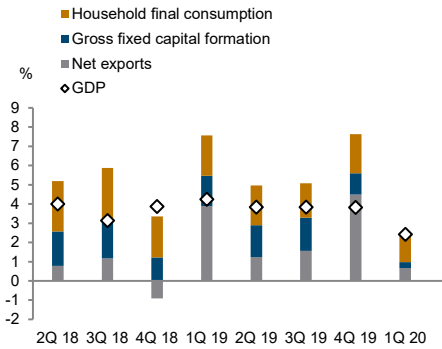
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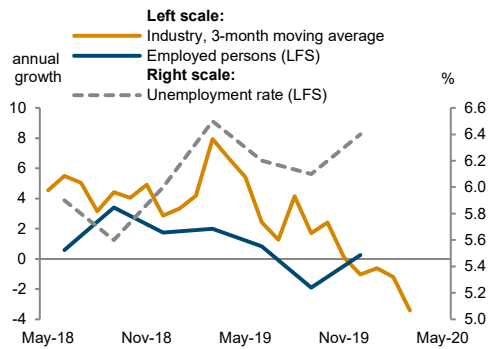
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Lithuania

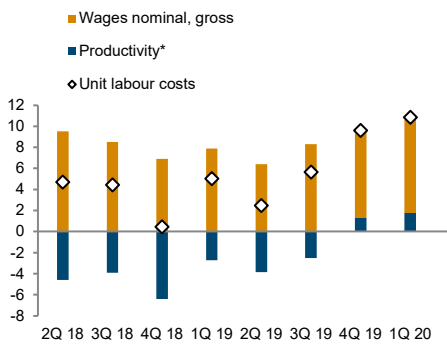
Real GDP growth and contributions
year-on-year



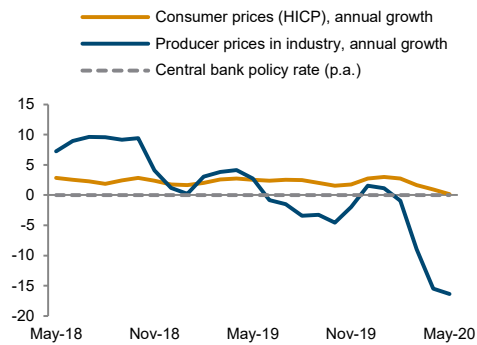
Real sector development
in %



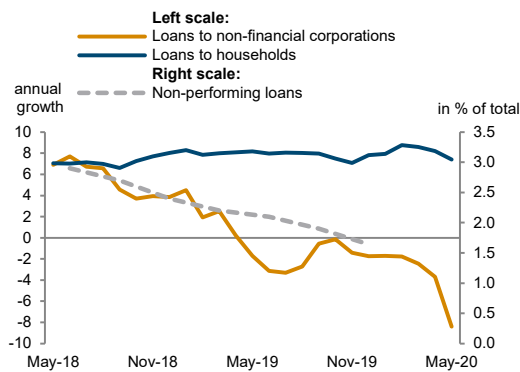
Unit labour costs in industry
annual growth rate in %



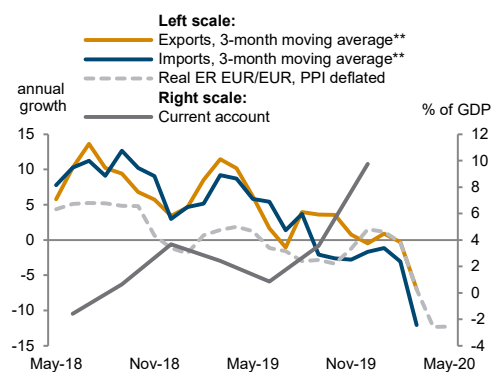
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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**EUR based.

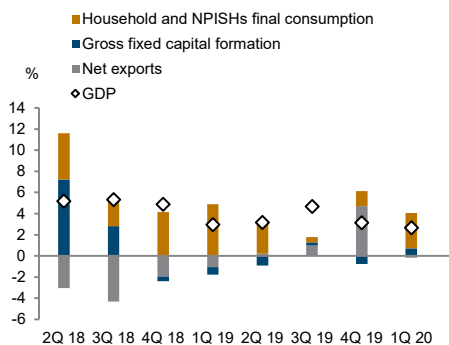
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

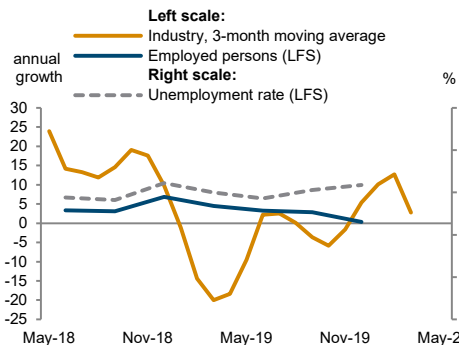
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Montenegro

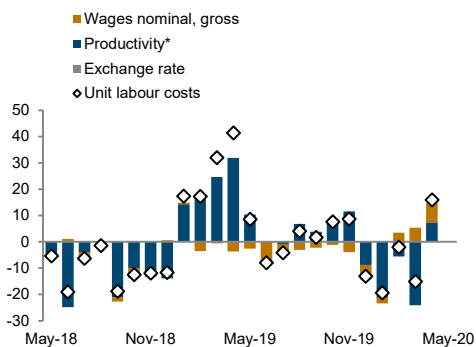
Real GDP growth and contributions
year-on-year



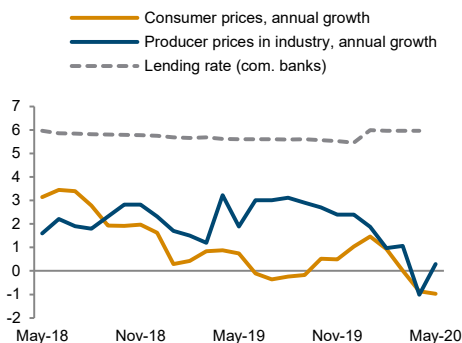
Real sector development
in %



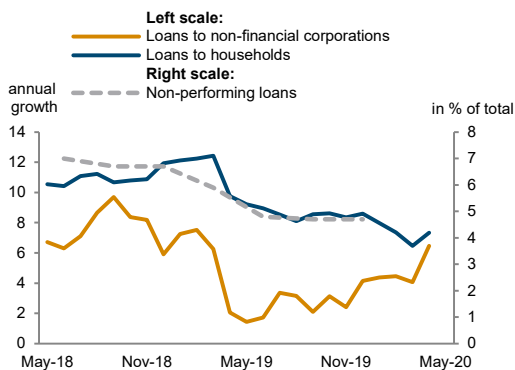
Unit labour costs in industry
annual growth rate in %



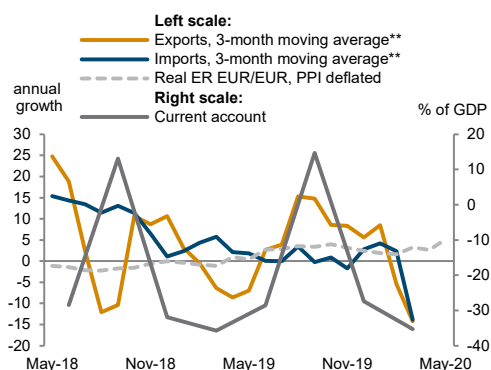
Inflation and lending rate
in %



Financial indicators
in %



External sector development
in %



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**EUR based.

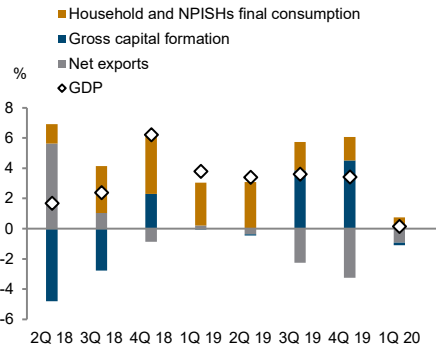
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Baseline data, country-specific definitions and methodological breaks in time series are available under:

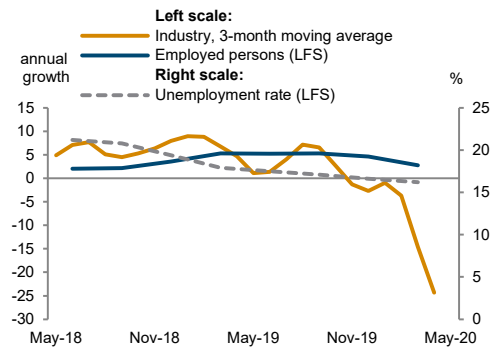
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North Macedonia

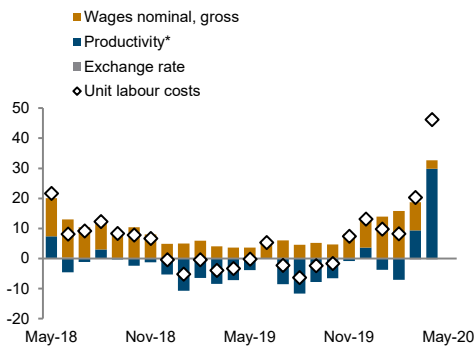
Real GDP growth and contributions
year-on-year



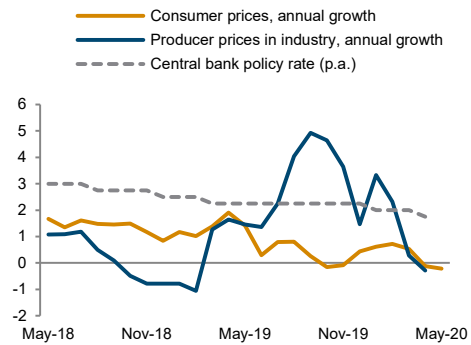
Real sector development
in %



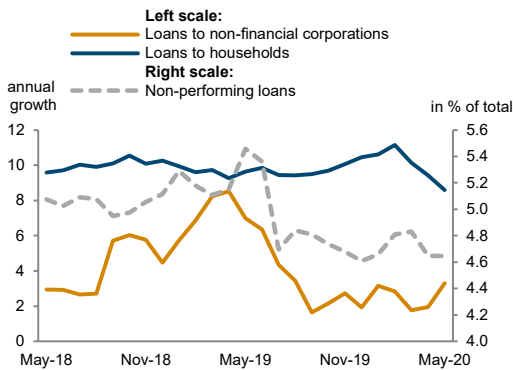
Unit labour costs in industry
annual growth rate in %



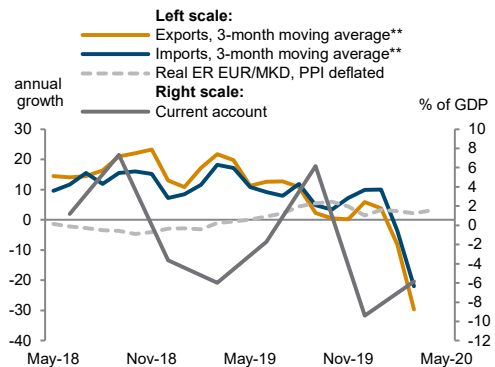
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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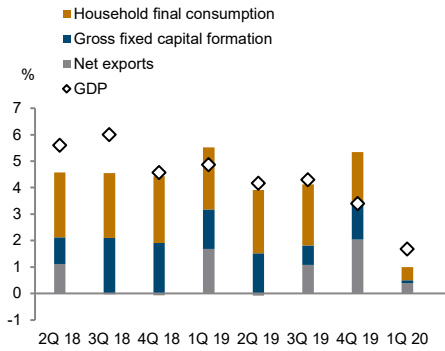
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

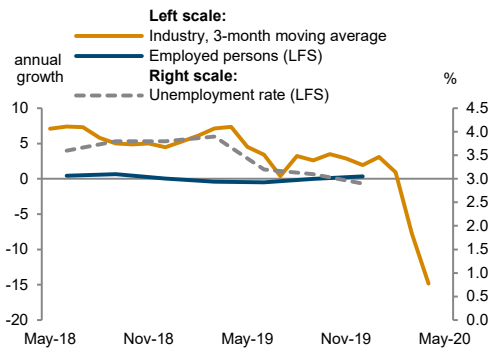
<https://data.wiiw.ac.at/monthly-database.html>

Poland

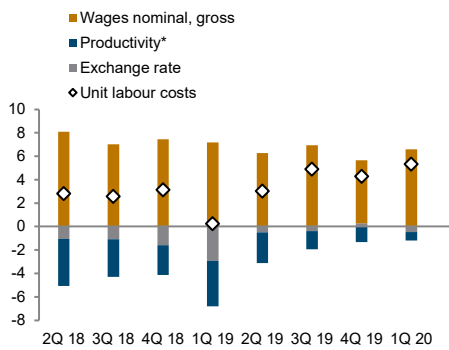
Real GDP growth and contributions
year-on-year



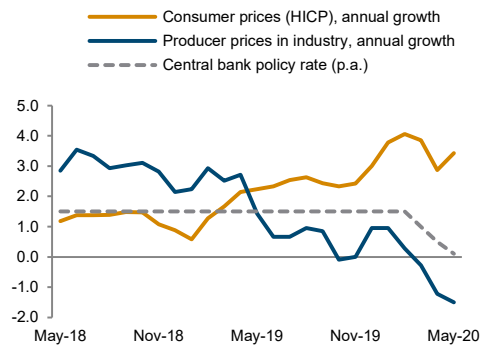
Real sector development
in %



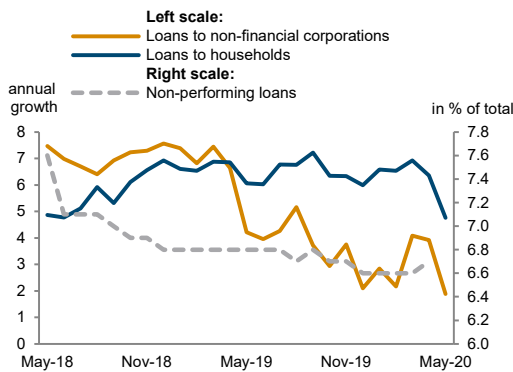
Unit labour costs in industry
annual growth rate in %



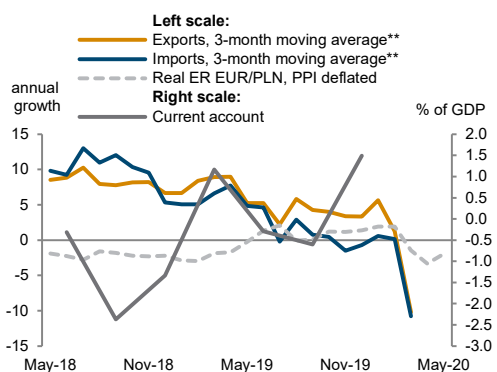
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

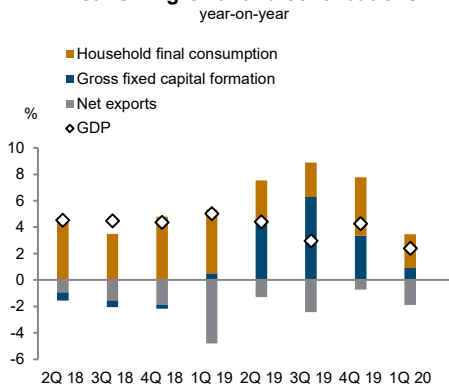


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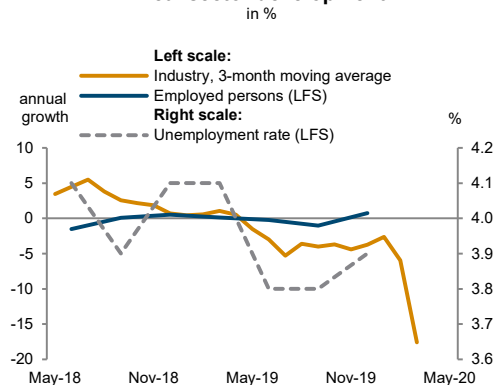
Source: wiiw Monthly Database incorporating Eurostat and national statistics.
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<https://data.wiiw.ac.at/monthly-database.html>

Romania

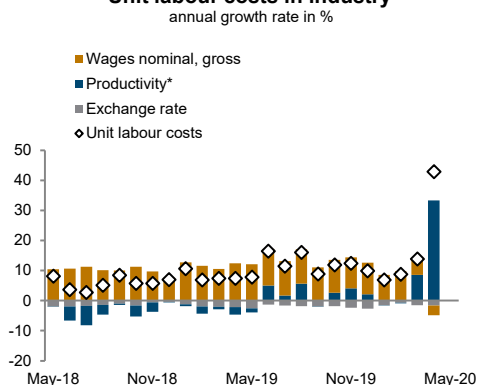
Real GDP growth and contributions



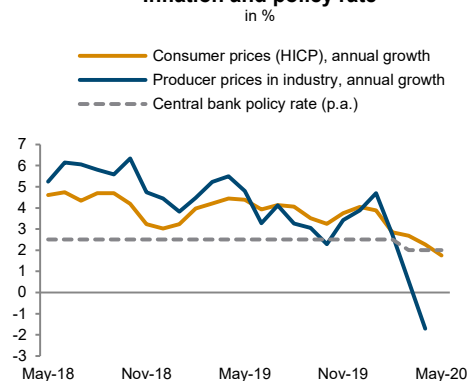
Real sector development



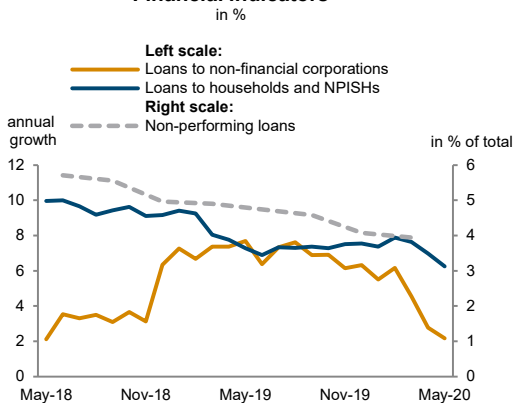
Unit labour costs in industry



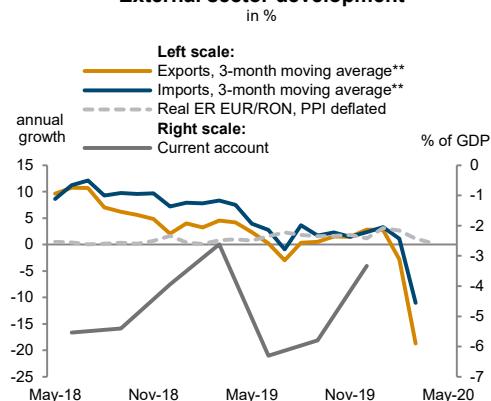
Inflation and policy rate



Financial indicators



External sector development



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**EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

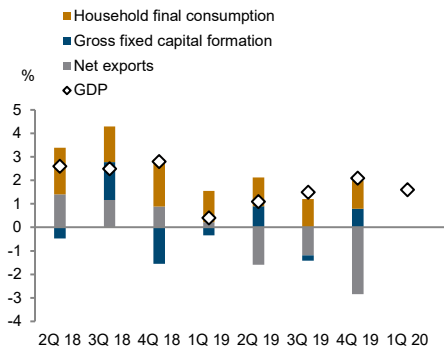
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<https://data.wiiw.ac.at/monthly-database.html>

Russia

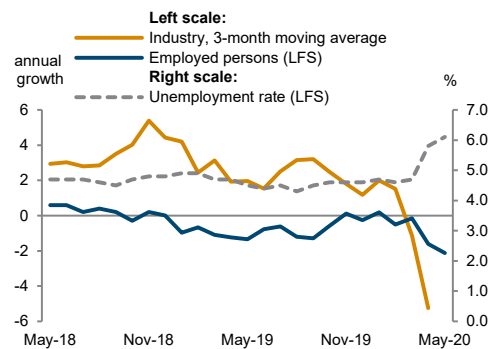
Real GDP growth and contributions

year-on-year



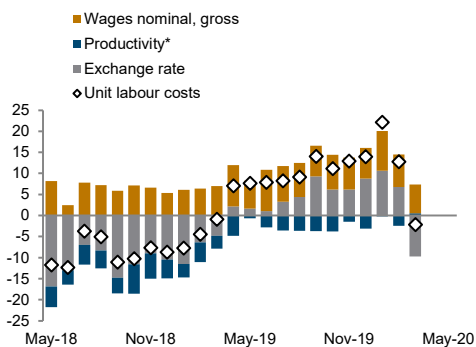
Real sector development

in %



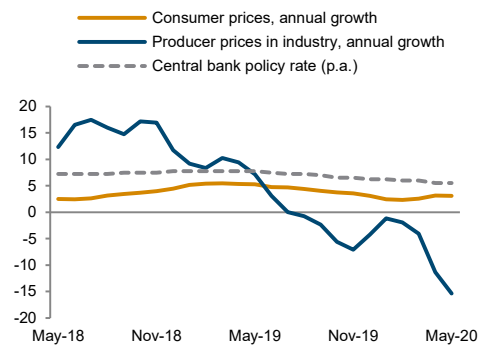
Unit labour costs in industry

annual growth rate in %



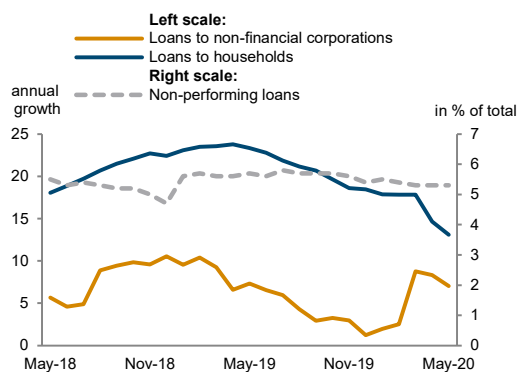
Inflation and policy rate

in %



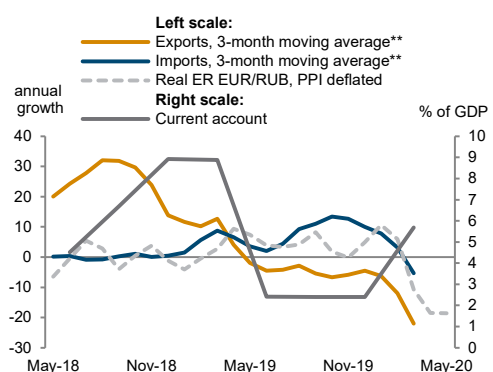
Financial indicators

in %



External sector development

in %



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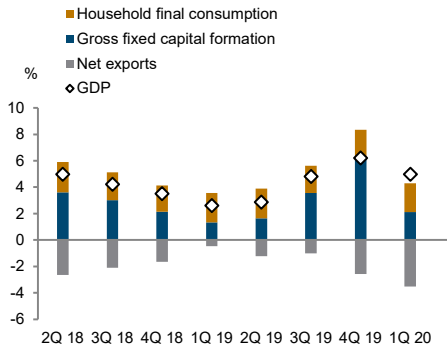
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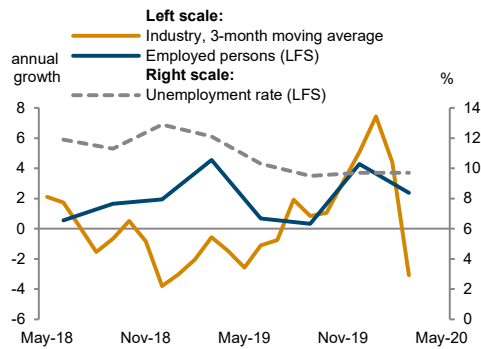
<https://data.wiiw.ac.at/monthly-database.html>

Serbia

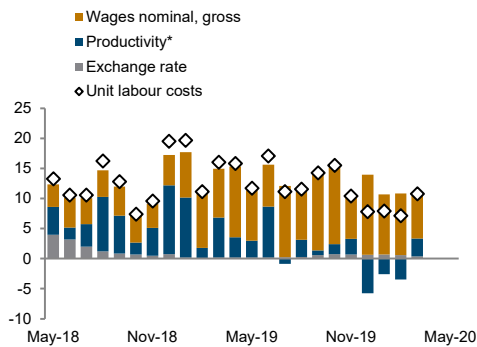
Real GDP growth and contributions
year-on-year



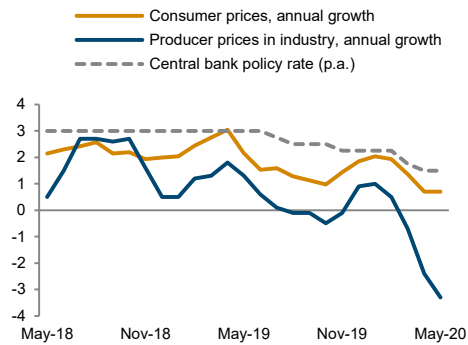
Real sector development
in %



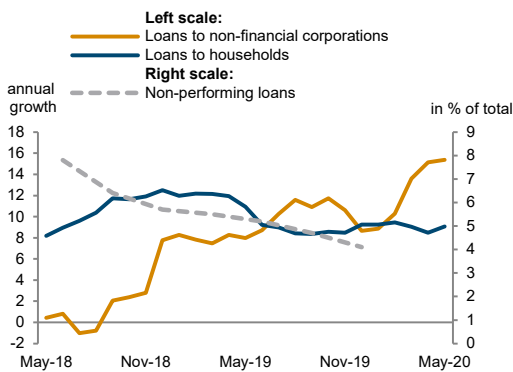
Unit labour costs in industry
annual growth rate in %



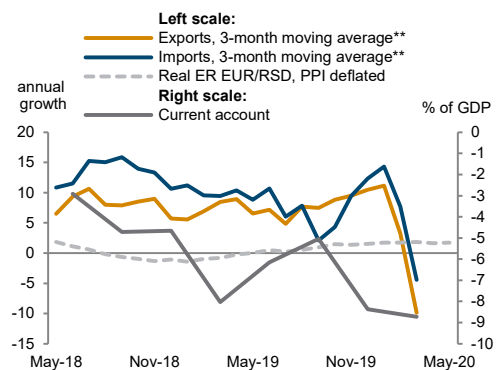
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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Source: wiiw Monthly Database incorporating Eurostat and national statistics.

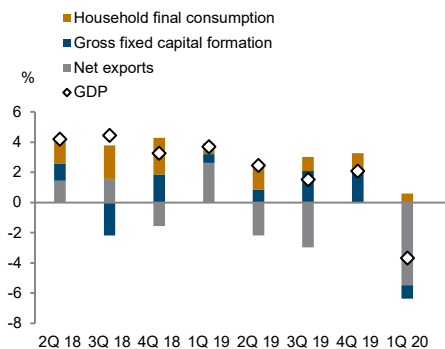
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<https://data.wiiw.ac.at/monthly-database.html>

Slovakia

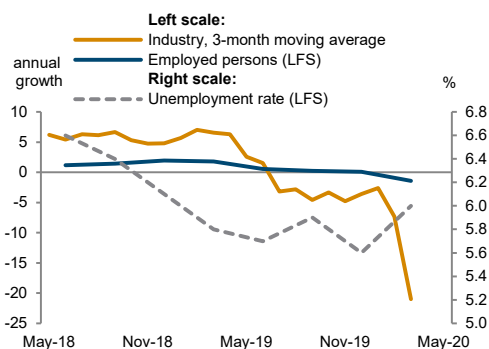
Real GDP growth and contributions

year-on-year



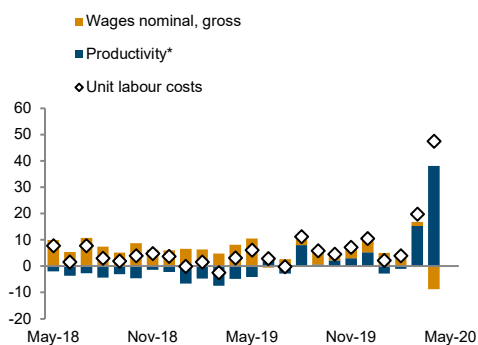
Real sector development

in %



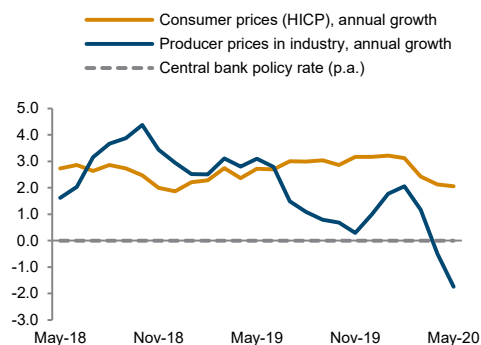
Unit labour costs in industry

annual growth rate in %



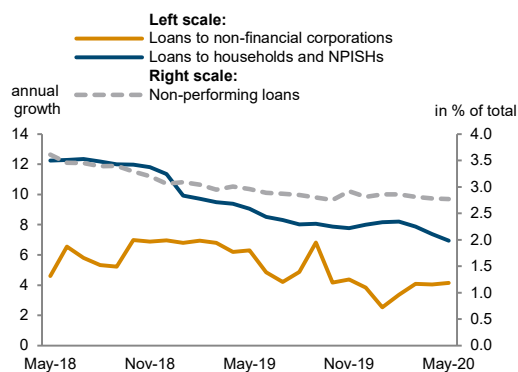
Inflation and policy rate

in %



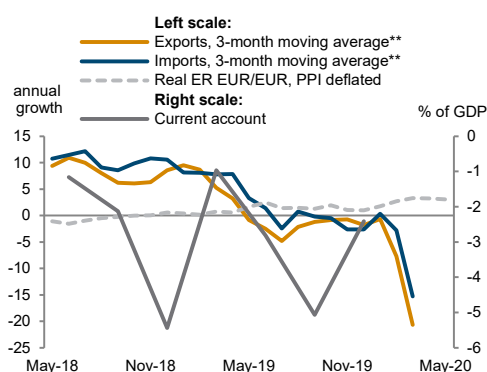
Financial indicators

in %



External sector development

in %



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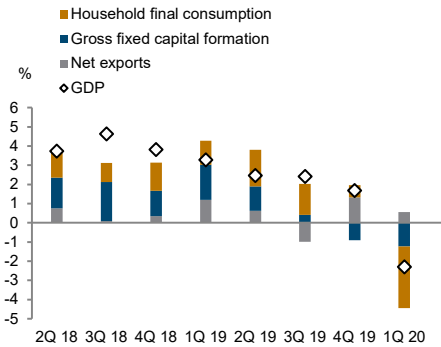
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

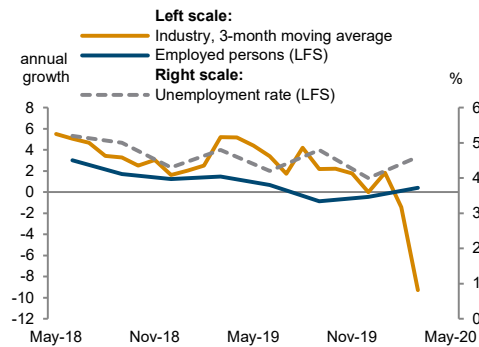
<https://data.wiiw.ac.at/monthly-database.html>

Slovenia

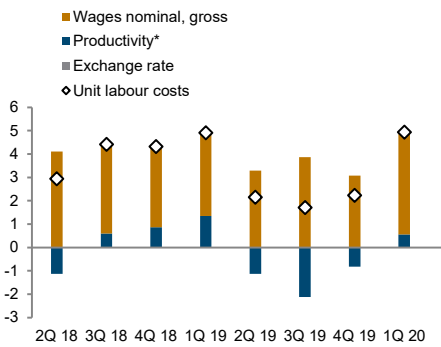
Real GDP growth and contributions
year-on-year



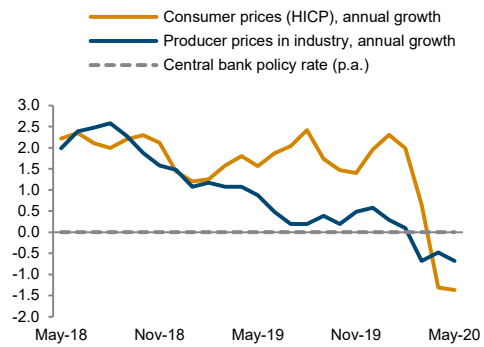
Real sector development
in %



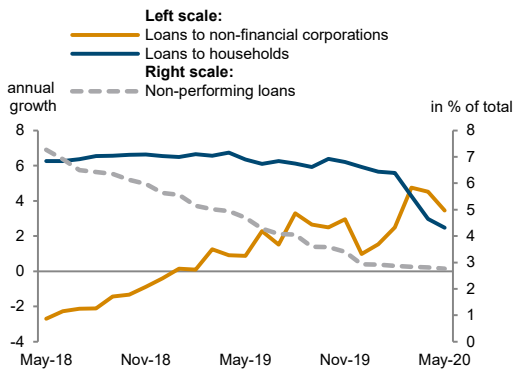
Unit labour costs in industry
annual growth rate in %



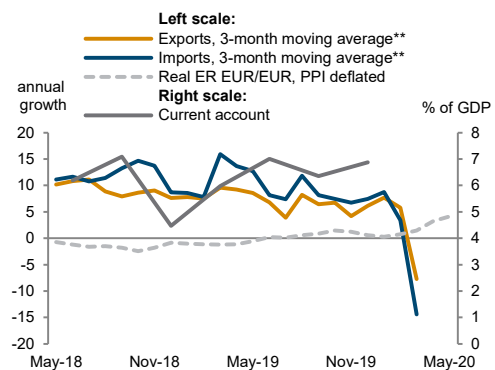
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
**EUR based.

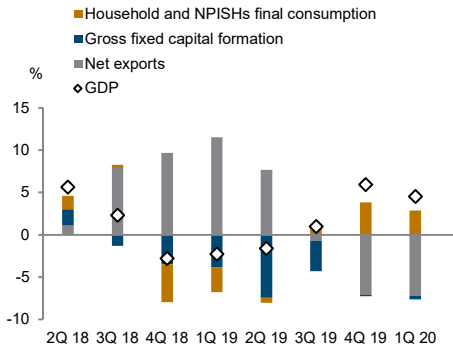
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

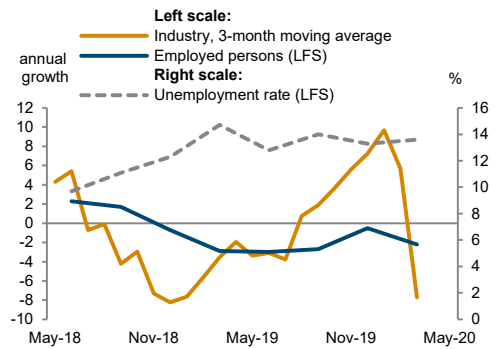
<https://data.wiiw.ac.at/monthly-database.html>

Turkey

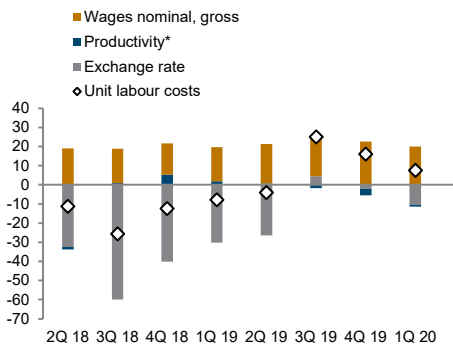
Real GDP growth and contributions
year-on-year



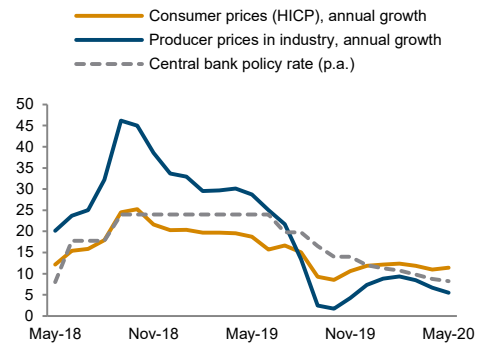
Real sector development
in %



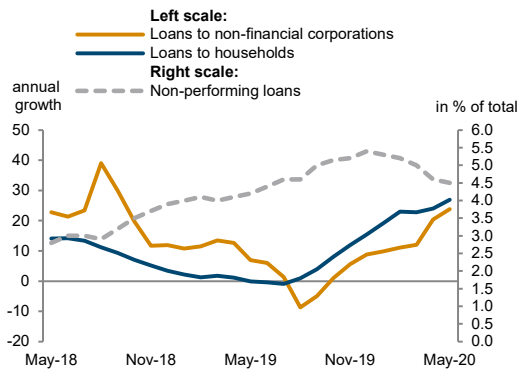
Unit labour costs in industry
annual growth rate in %



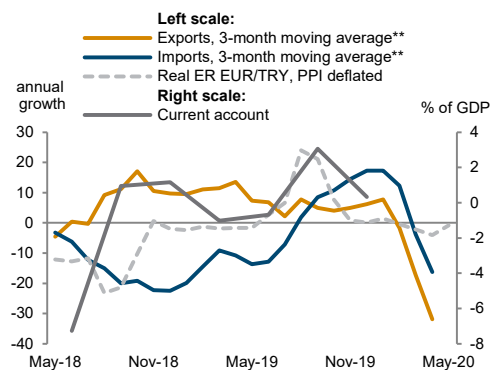
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %

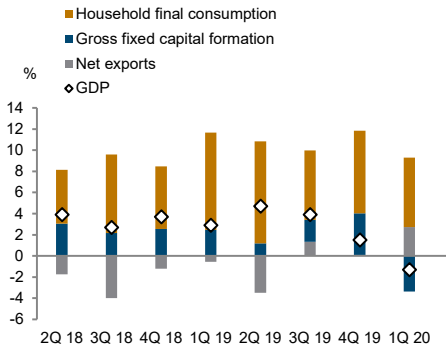


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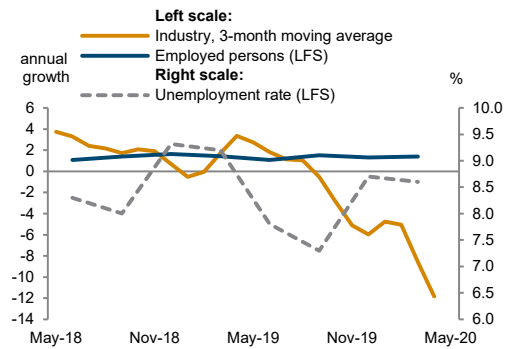
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Ukraine

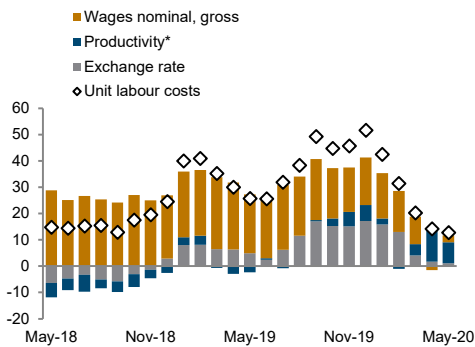
Real GDP growth and contributions
year-on-year



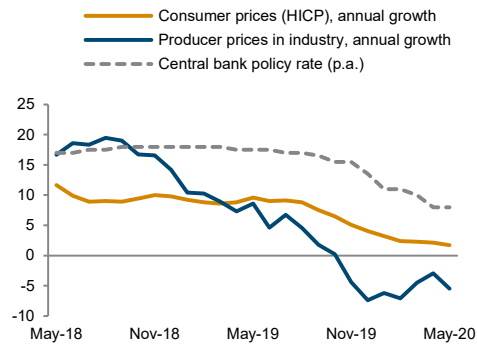
Real sector development
in %



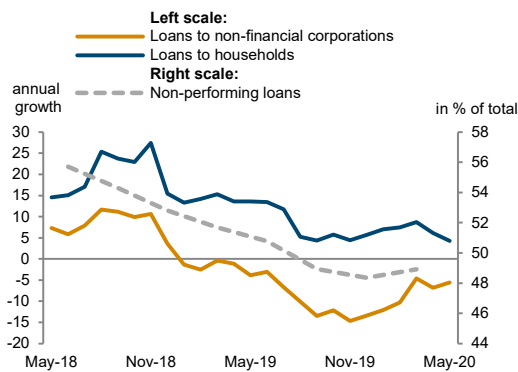
Unit labour costs in industry
annual growth rate in %



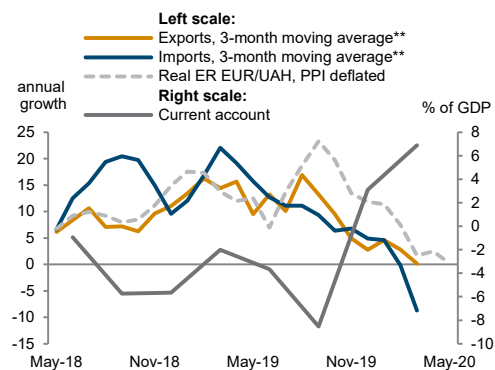
Inflation and policy rate
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Financial indicators
in %



External sector development
in %



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