

Press conference, 10 November 2016

New wiiw forecast for Central, East and Southeast Europe, 2016-2018

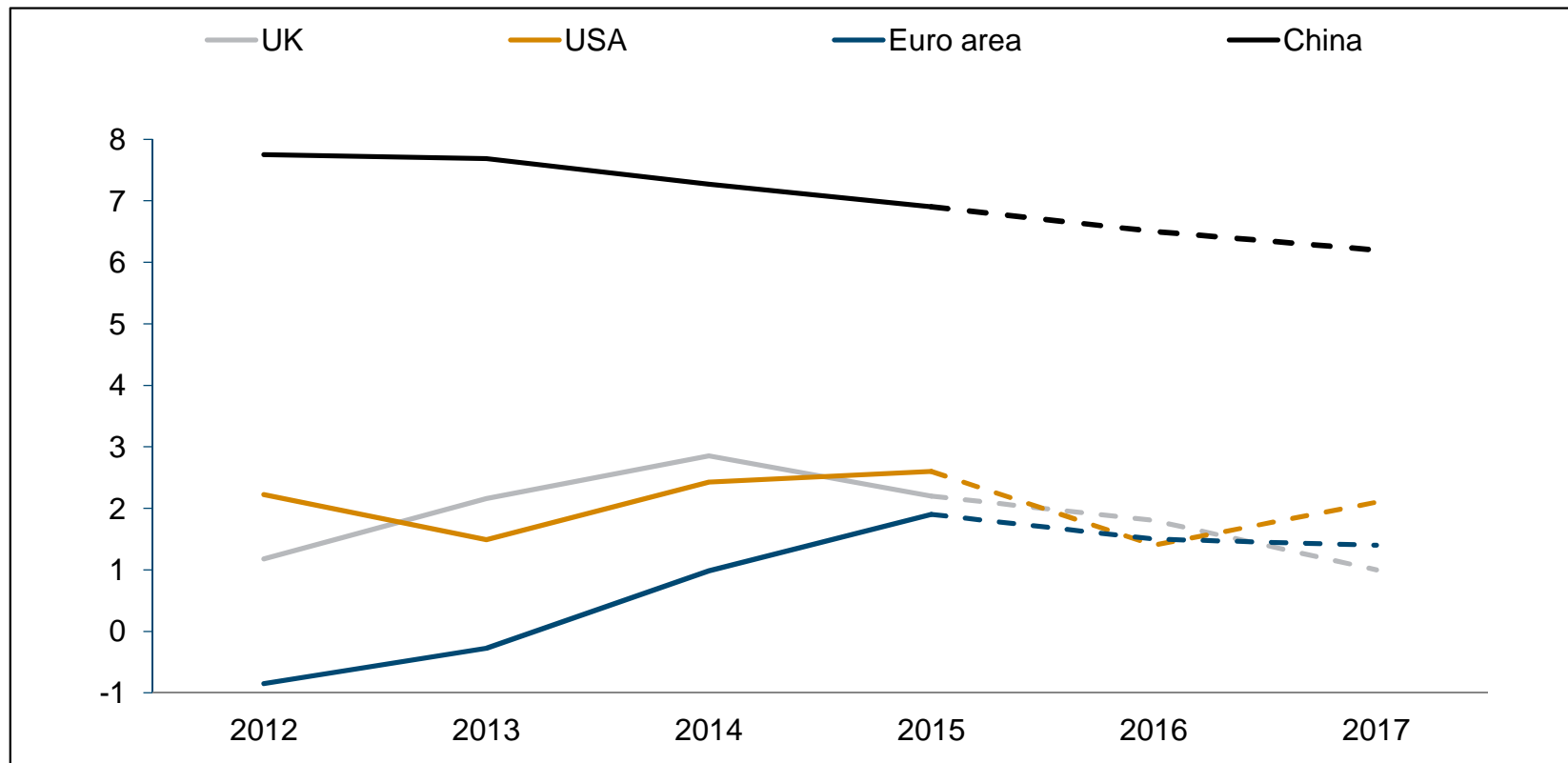
Labour shortages driving economic growth?

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Despite sluggish global environment ...

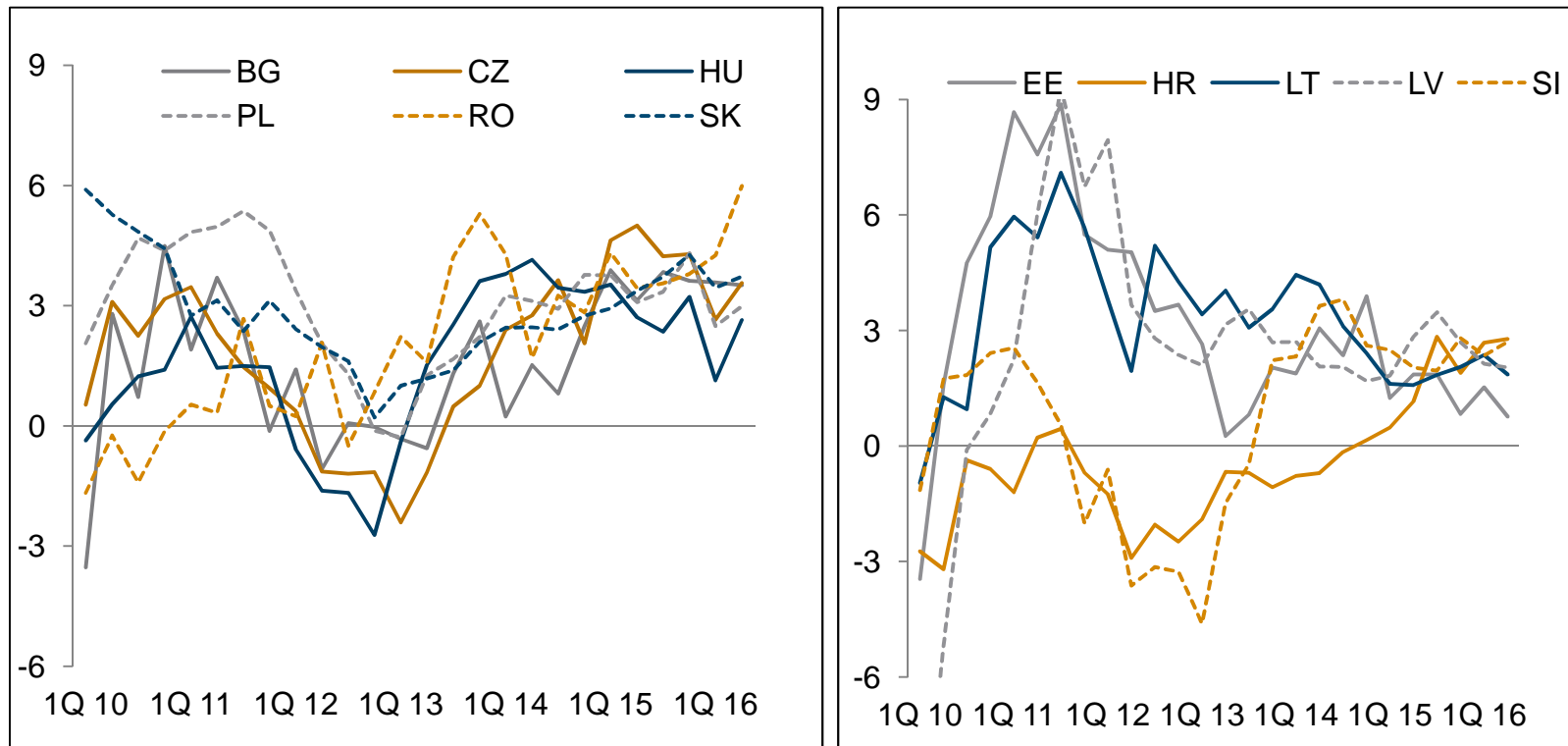
real GDP growth, in %



Source: OECD (2016), Interim Economic Outlook, September.

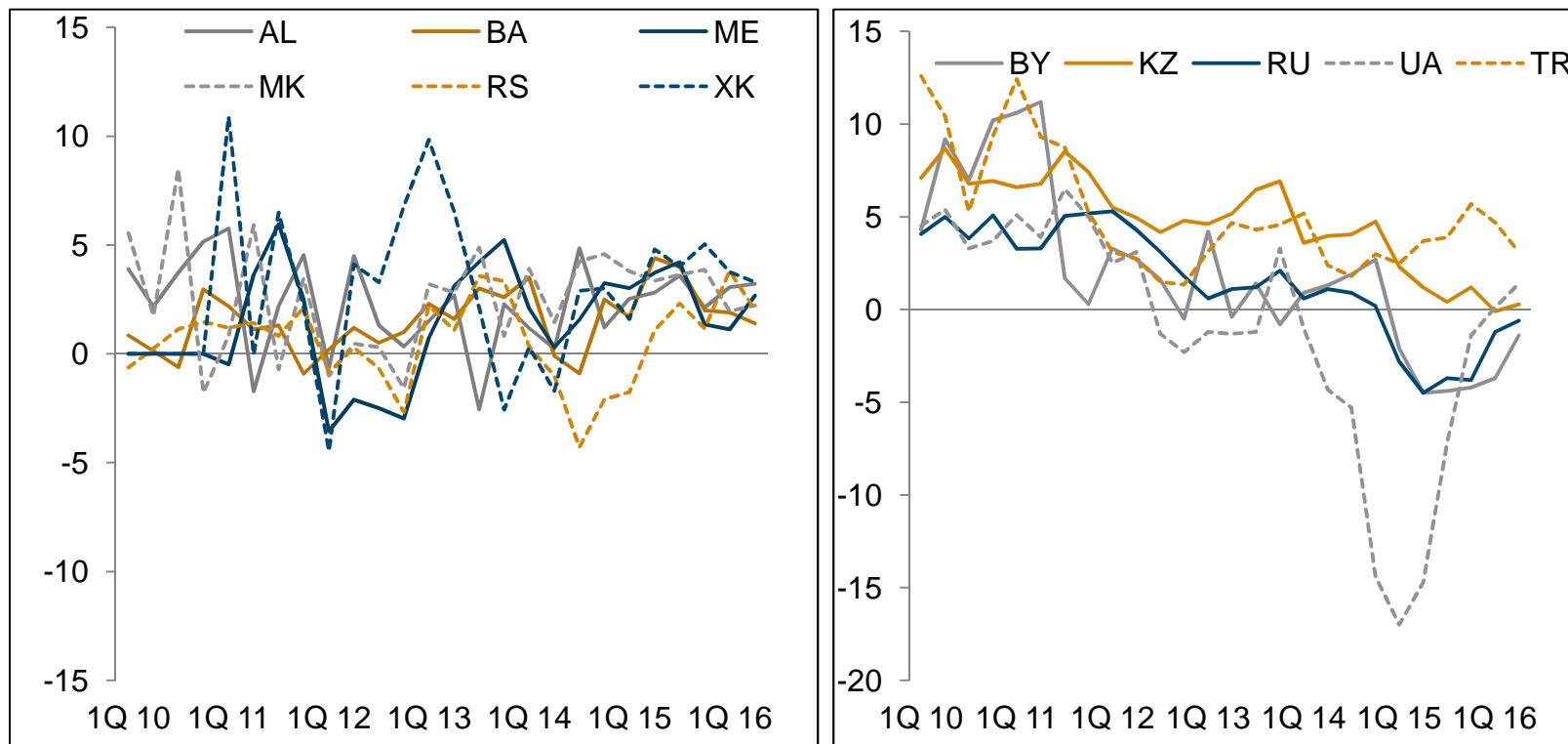
... EU-CEE grows 1.5 pp faster than euro area

Quarterly real GDP growth, change in % against preceding year



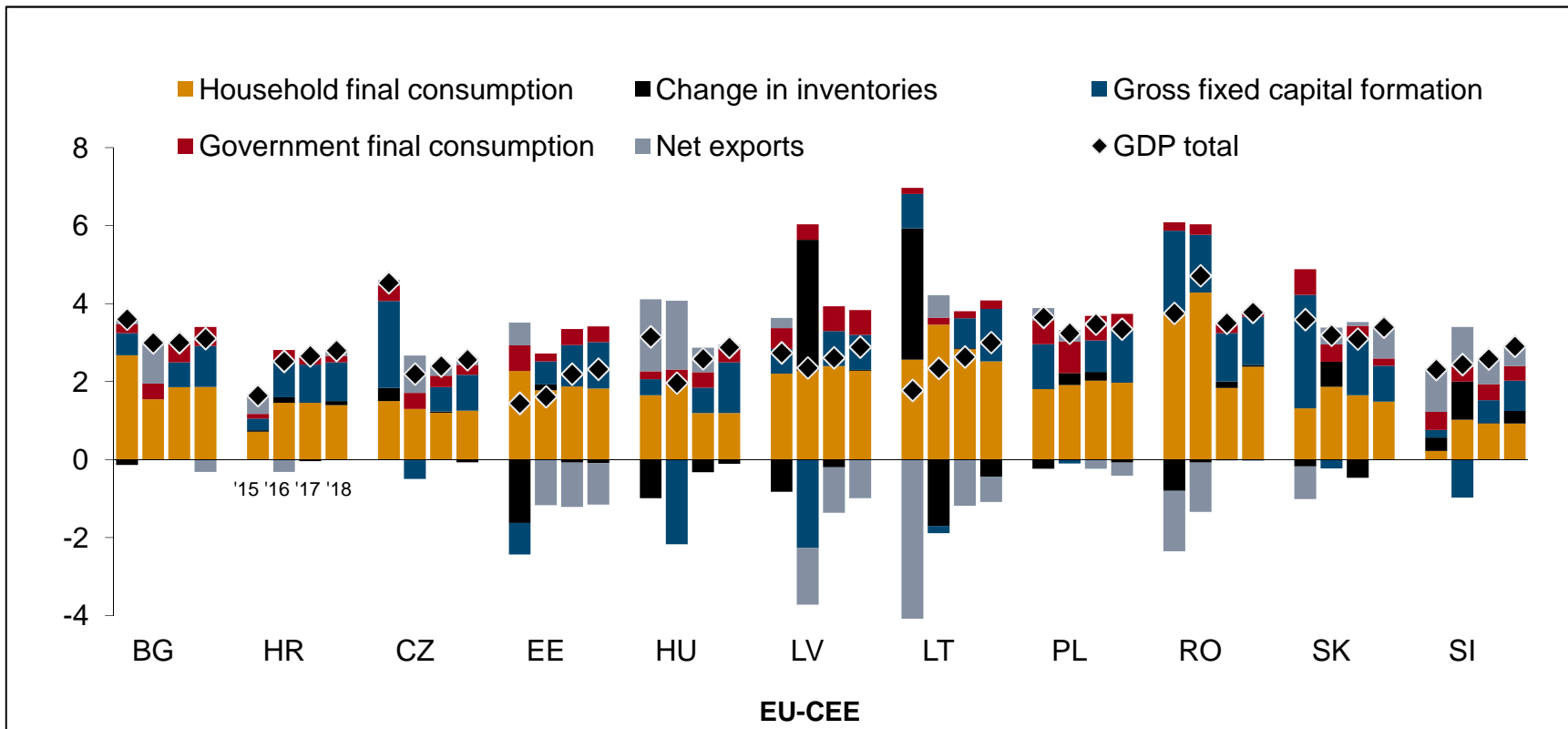
Western Balkans and Turkey also perform well, CIS countries 'bottom out'

Quarterly real GDP growth, change in % against preceding year



Private consumption: the main engine of growth ...

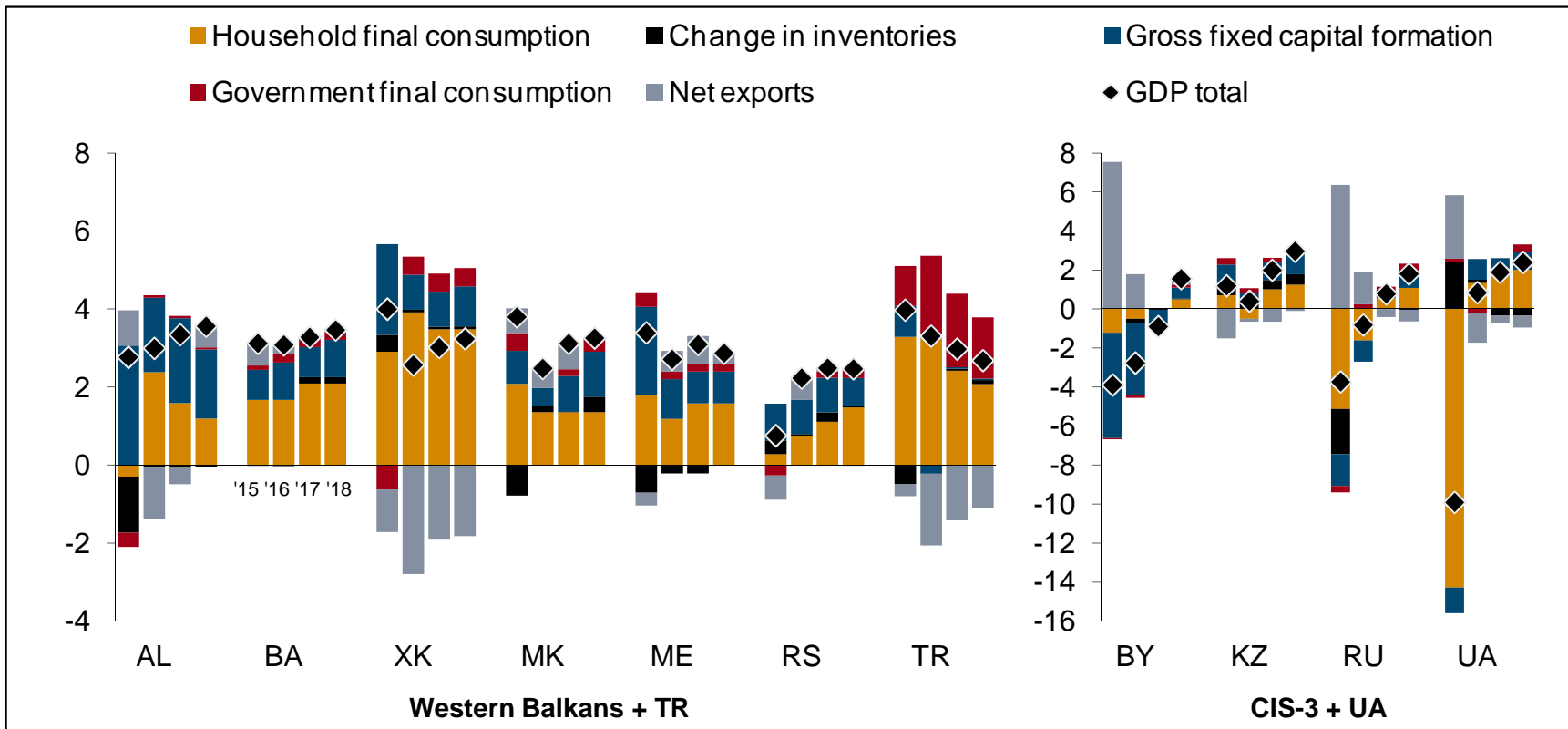
GDP growth in 2015-2018 and contribution of individual demand components in pp



Source: wiiw Annual Database incorporating national and Eurostat statistics; own calculations.
 Forecasts by wiiw.

... except in the CIS

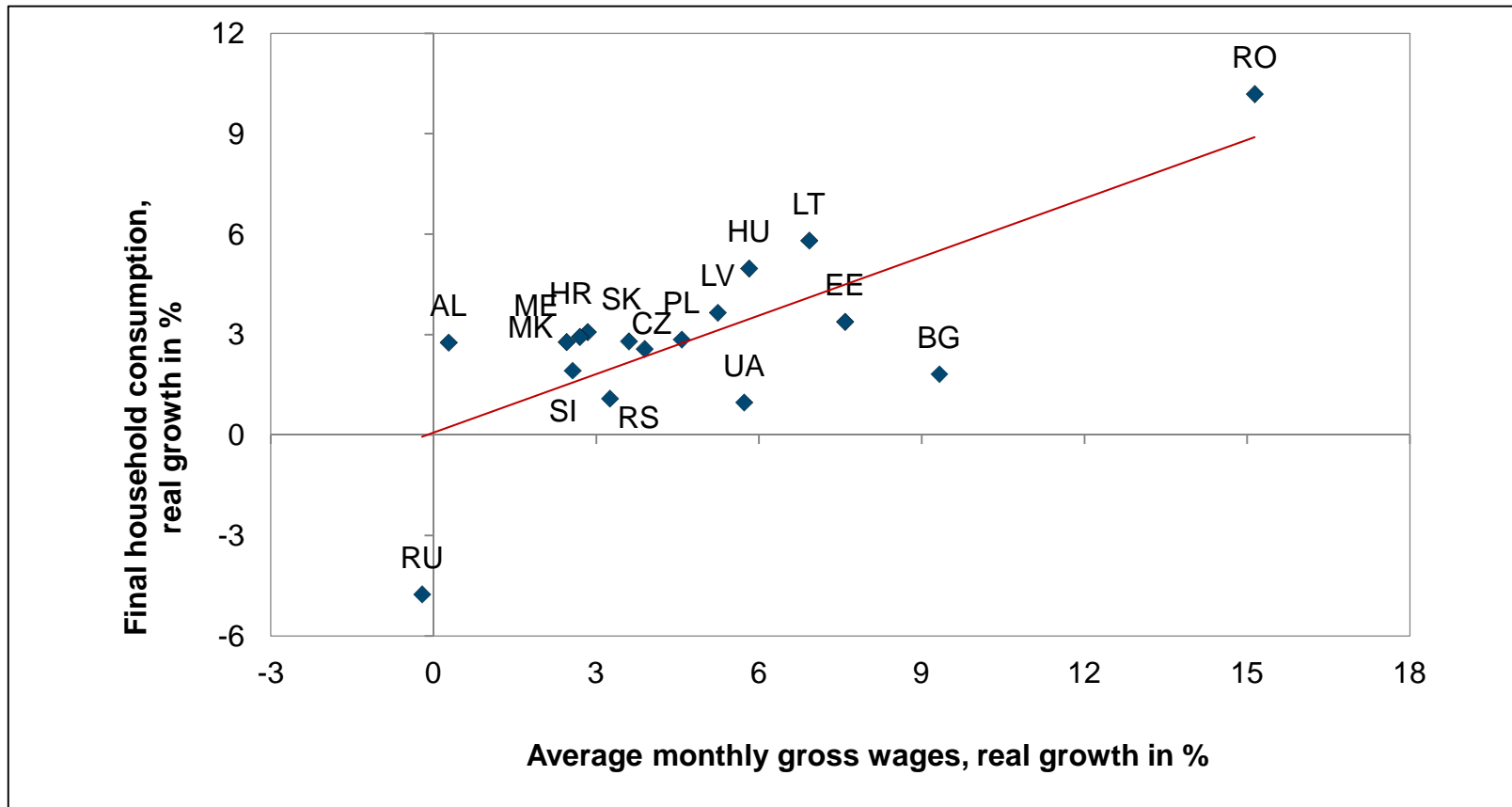
GDP growth in 2015-2018 and contribution of individual demand components in pp



Source: wiiw Annual Database incorporating national and Eurostat statistics; own calculations.
Forecasts by wiiw.

Private consumption fuelled by growing wages ...

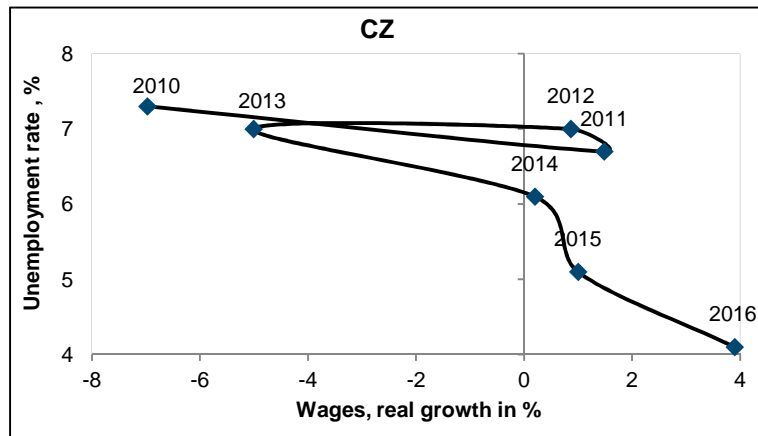
First half of 2016



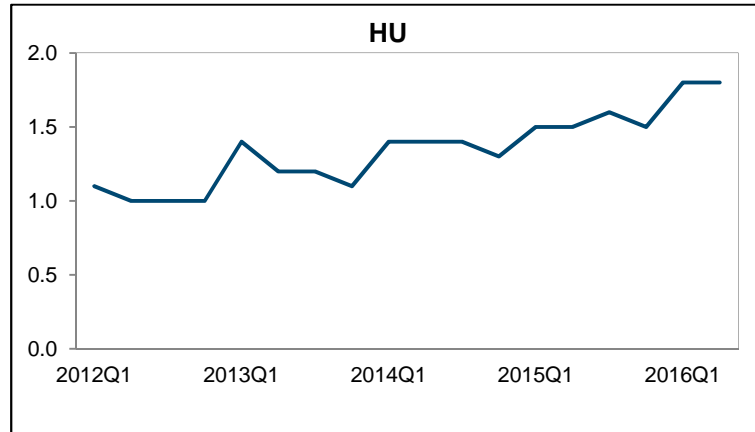
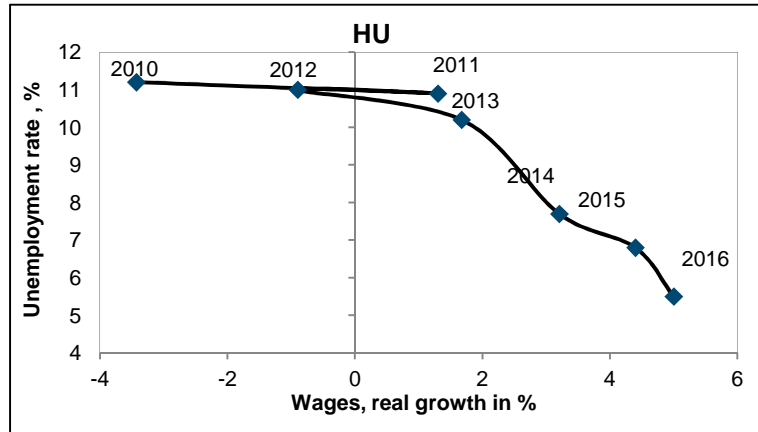
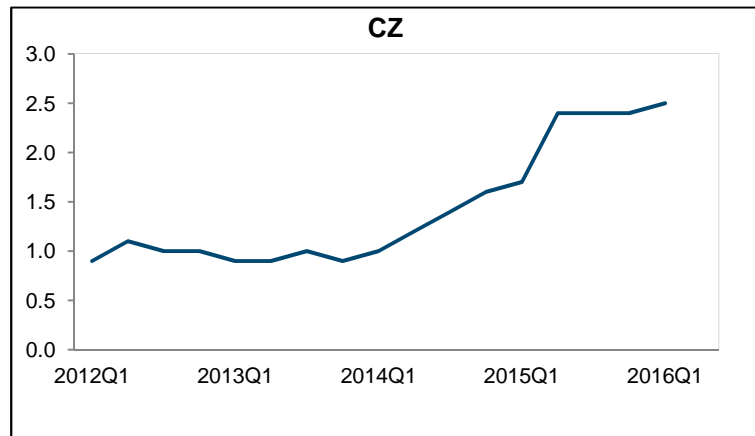
Source: wiiw Database incorporating national and Eurostat statistics; wiiw.

... as labour markets improve almost everywhere ...

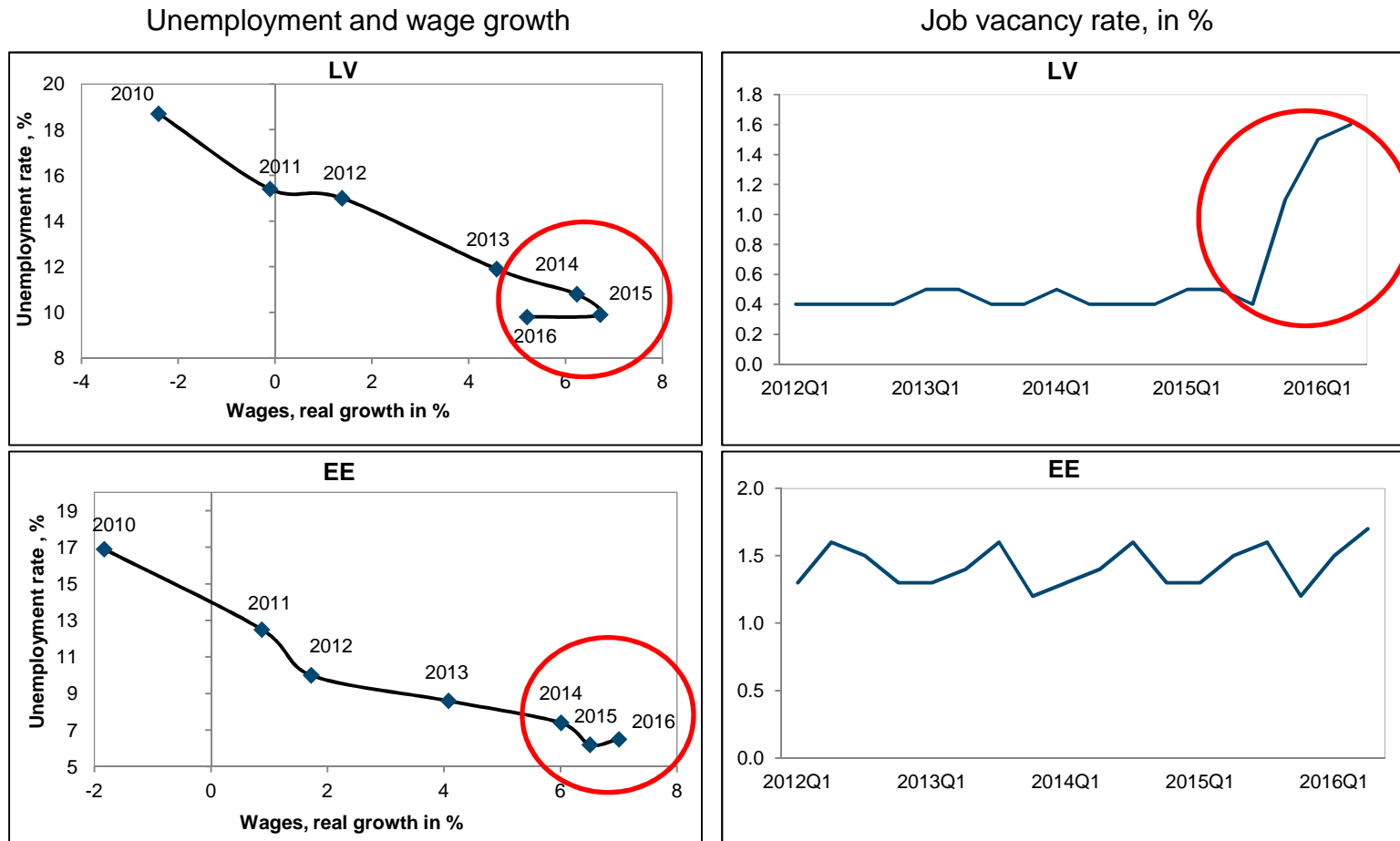
Unemployment and wage growth



Job vacancy rate, in %

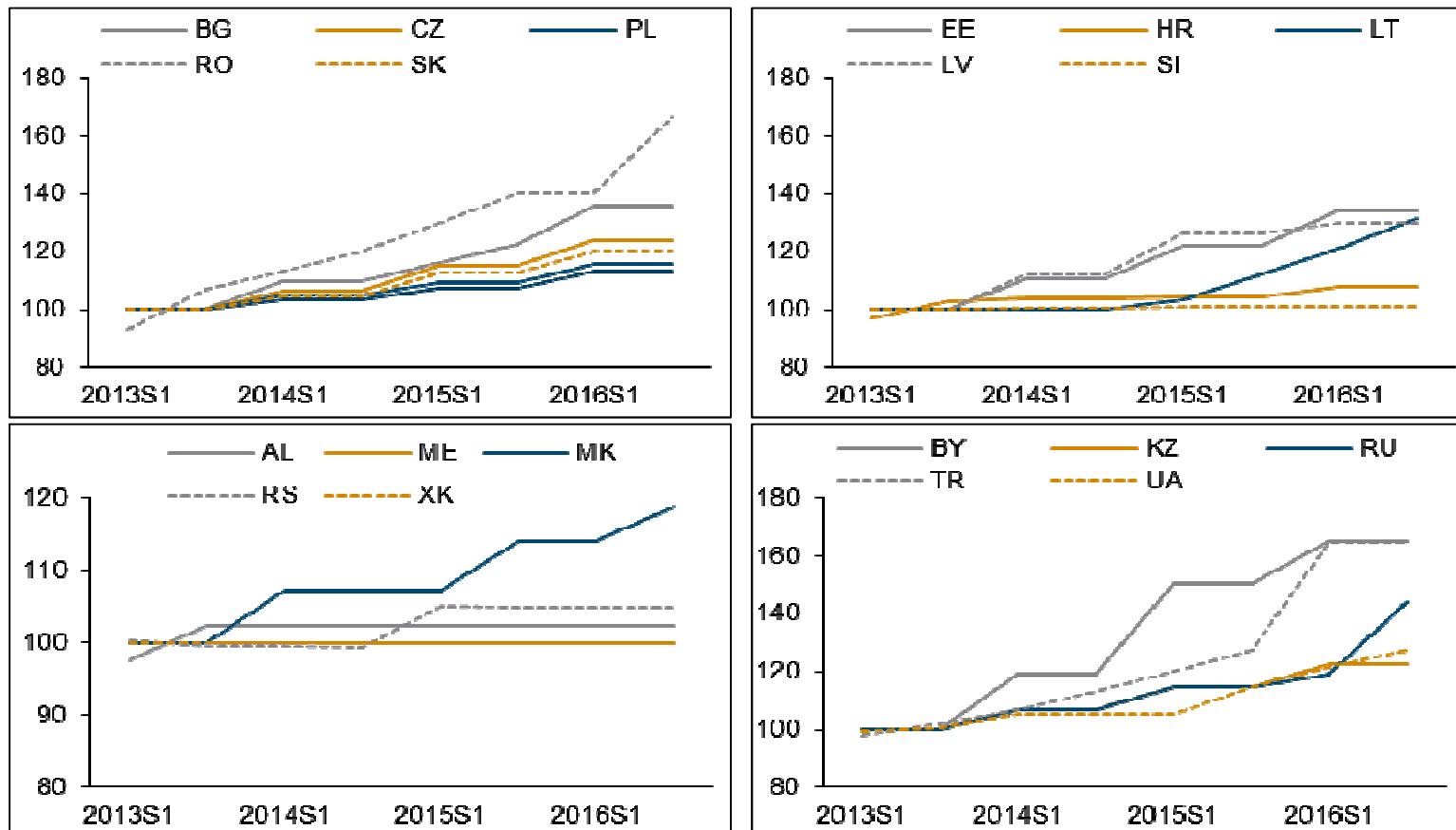


... though not in the Baltics (jobs/skills mismatch)



On top of that: hikes in minimum wages

Monthly gross minimum wages, in national currency, 2013 = 100



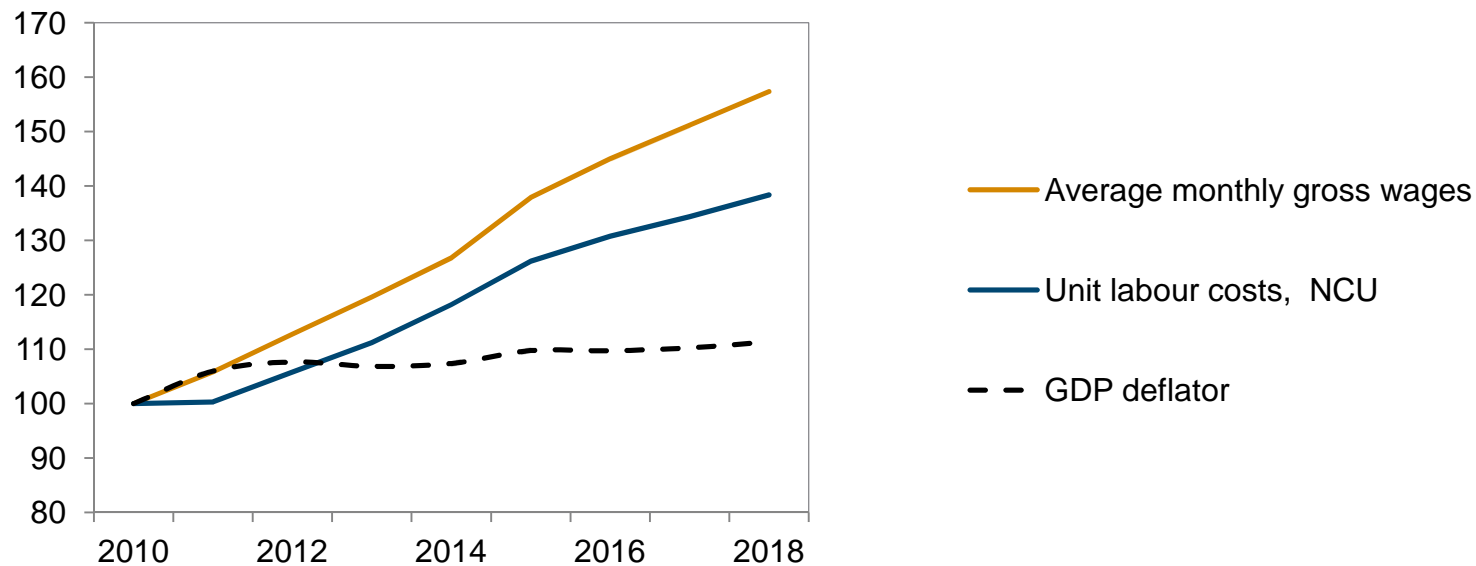
Source: National and Eurostat statistics.

Why zero inflation despite strong wage growth?

Two reasons:

- (1) Labour productivity gains – unit labour costs grow less than wages
- (2) Rise in unit labour costs partly offset by squeezing profits

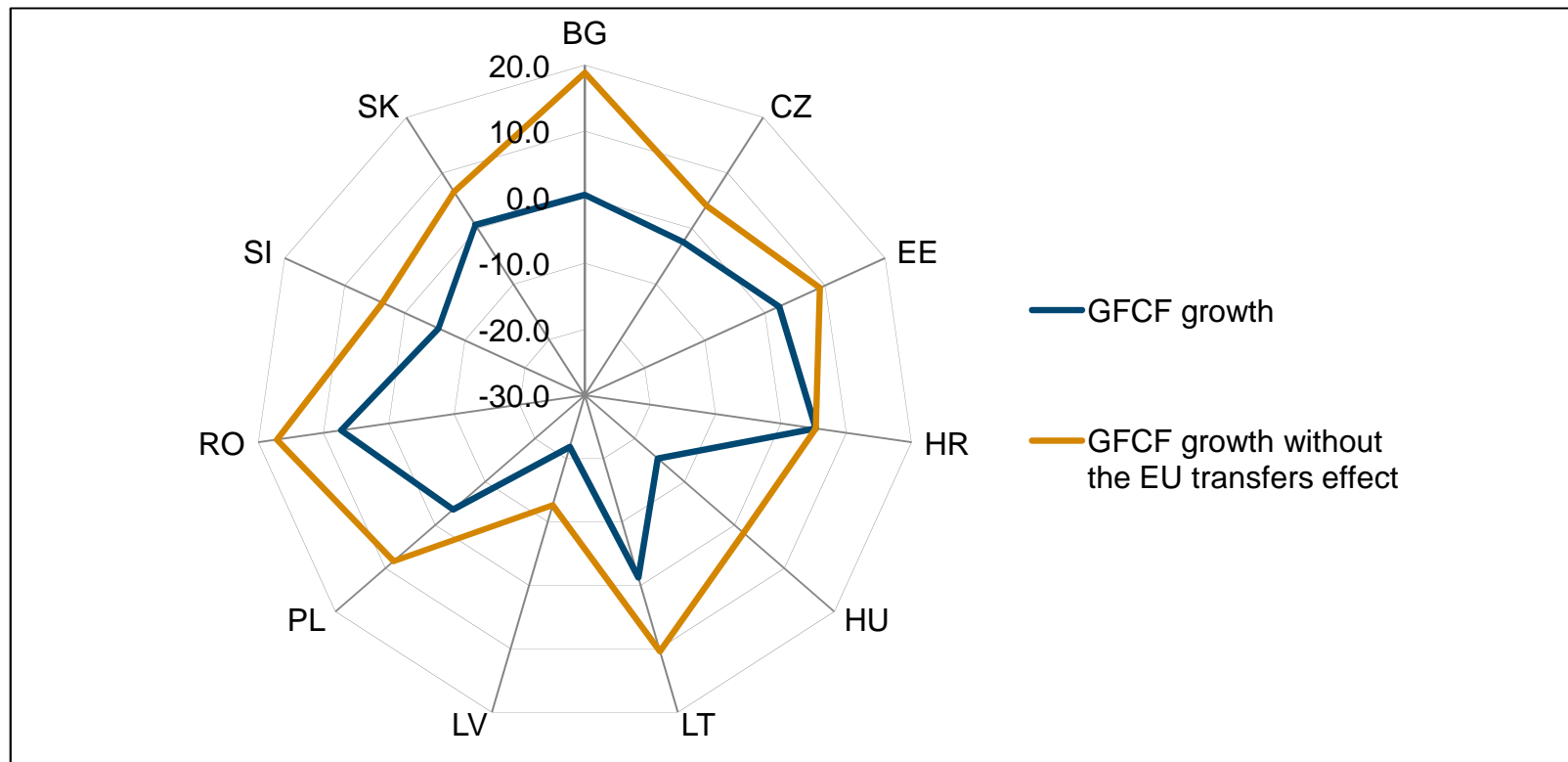
Bulgaria as a good example



Source: wiiw Annual Database incorporating national and Eurostat statistics; wiiw own calculations; wiiw forecasts.

Investment weakness – but only because of temporary dip in EU transfers

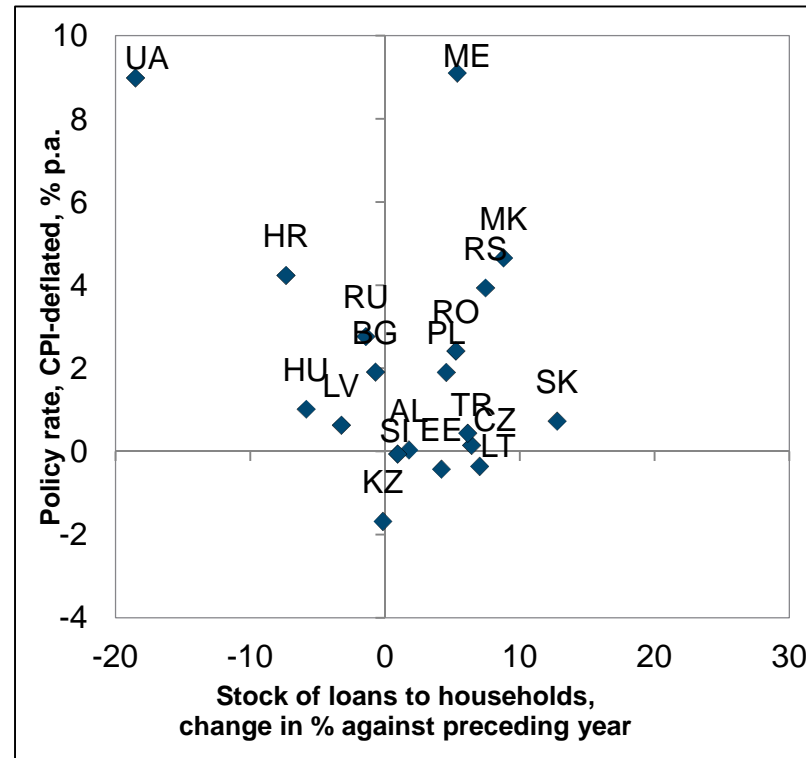
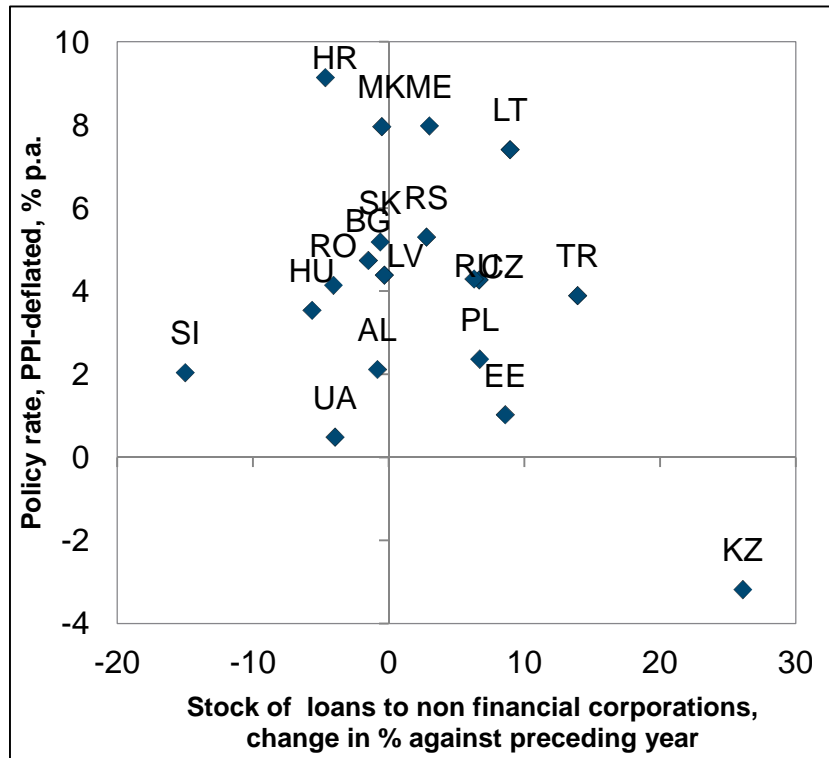
Real change in % against preceding year, first half of 2016



No credit boom: reduced risks for the future

Non-financial corporations, June 2016

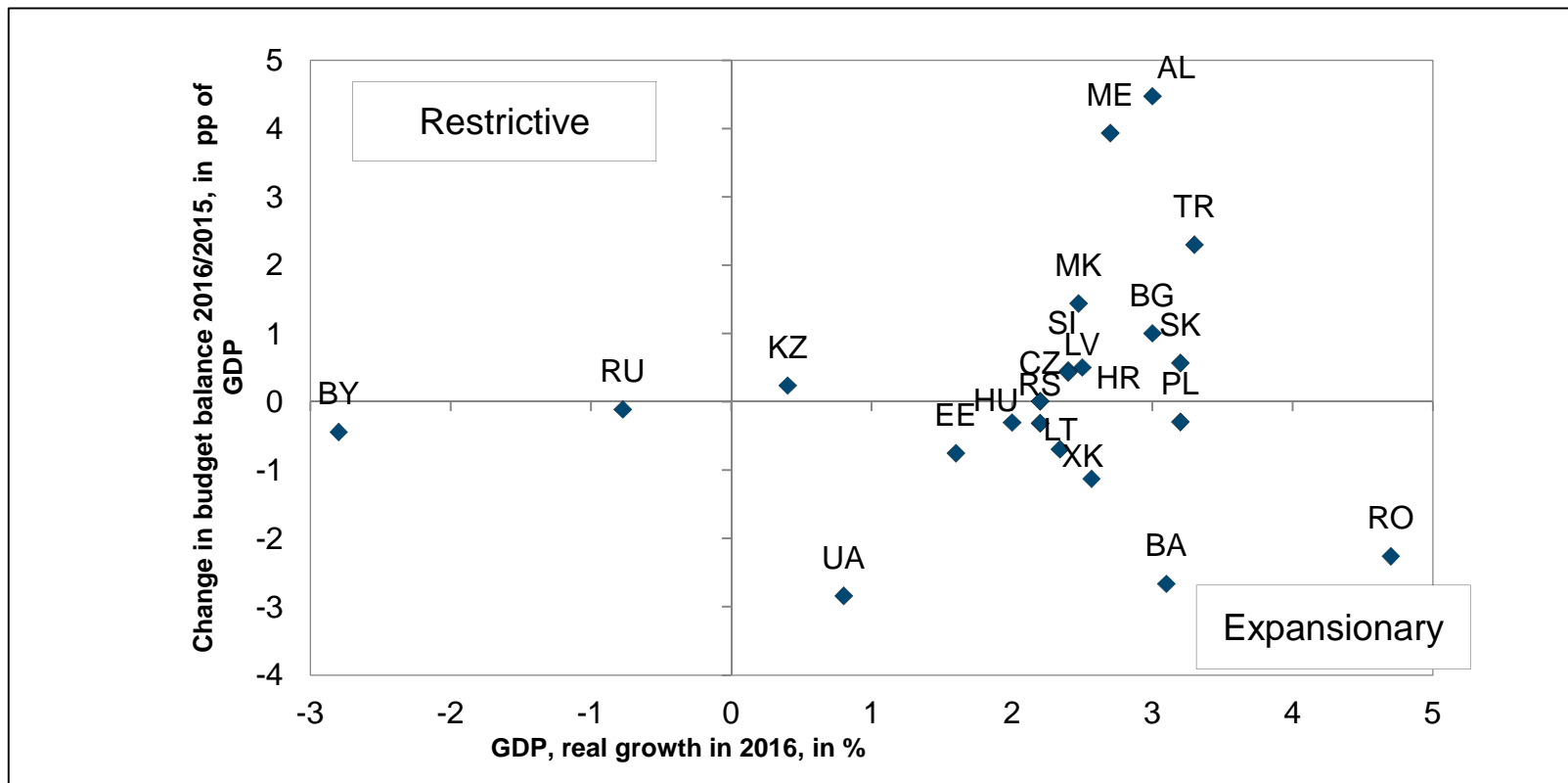
Households, June 2016



Source: wiiw Monthly Database incorporating National Bank statistics; wiiw calculations.

Fiscal policy generally growth-supportive

Fiscal stance in CESEE in 2016

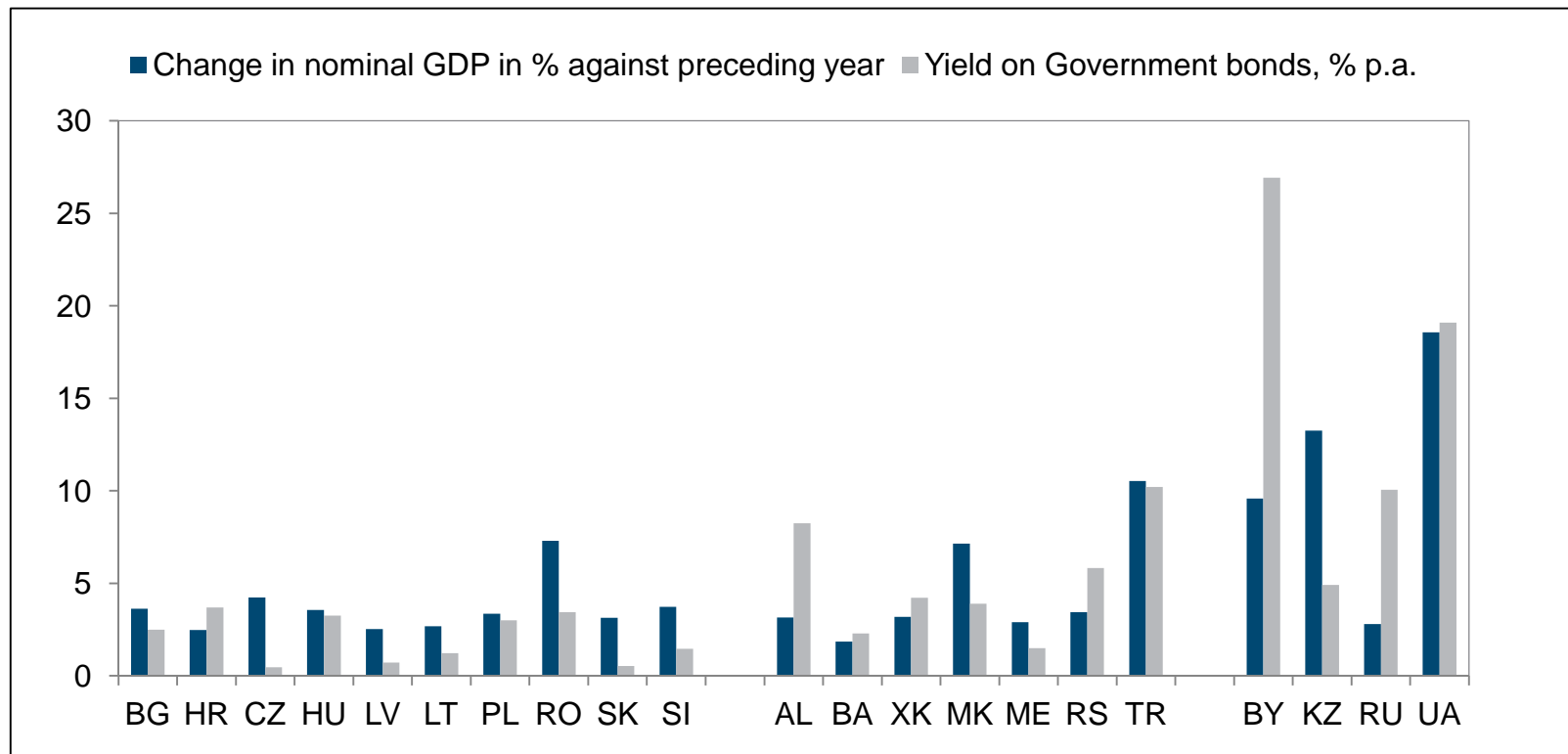


Source: wiiw forecasts.

Factors behind fiscal loosening

- disappointment with 'expansionary austerity'
- low borrowing costs

First half of 2016



Source: wiiw Monthly Database incorporating national statistics; Eurostat; National Banks and National Ministries of Finance.

Main messages

- EU-CEE grows by about 3% – 1.5 pp higher than the euro area
- Elsewhere in CESEE, growth picked up as well
- Labour shortages drive wage growth and private consumption
- But: higher wages do not translate into higher prices!
- Investment weakness only because of low EU transfers
- Fiscal policy supports growth

Outlook for 2017-2018

- EU-CEE: growth will remain strong
 - labour markets will improve further
 - investments should recover as new EU transfers become available
- Western Balkans: growth will accelerate
 - but: weak export base remains a big problem
- CIS will gradually recover (except Belarus)
 - but: geopolitical risks high in both Russia and Ukraine
- Turkey heading for a 'soft landing'
 - potentially risks a balance-of-payments crisis

GDP growth, wiiw forecast for 2016-2018

	2016	2017	2018
Romania	4.7	3.5	3.8
Turkey	3.3	3.0	2.7
Poland	3.2	3.5	3.3
Slovakia	3.2	3.1	3.4
Bosnia and Herzegovina	3.1	3.3	3.5
Bulgaria	3.0	3.0	3.1
Albania	3.0	3.3	3.6
Montenegro	2.7	3.1	2.9
Kosovo	2.6	3.0	3.2
Croatia	2.5	2.7	2.8
Macedonia	2.5	3.1	3.3

	2016	2017	2018
Latvia	2.4	2.6	2.9
Slovenia	2.4	2.6	2.9
Lithuania	2.3	2.6	3.0
Czech Republic	2.2	2.4	2.6
Serbia	2.2	2.5	2.5
Hungary	2.0	2.6	2.9
Estonia	1.6	2.2	2.3
Ukraine	0.8	1.9	2.4
Kazakhstan	0.4	2.0	3.0
Russia	-0.8	0.8	1.8
Belarus	-2.8	-0.9	1.6

Source: wiiw forecast, November 2016.

Thank you for your attention!

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Country codes and abbreviations

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

CESEE	Central, East and Southeast Europe
CIS	Commonwealth of Independent States
EU-CEE	European Union – Central and Eastern Europe
