

Press conference, November 12th 2020

New wiiw forecast for Central, East and Southeast Europe, 2020-2022

No quick recovery in sight, coronavirus risks looming large

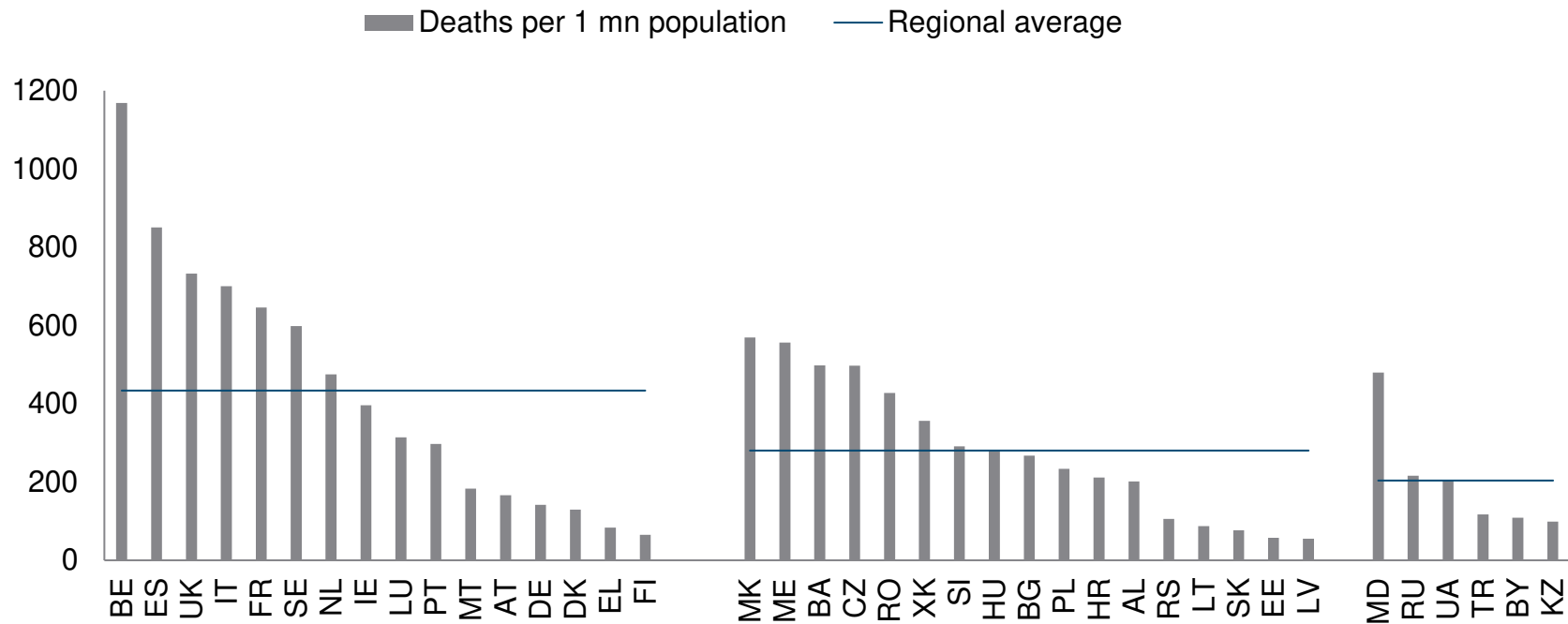
Vasily Astrov

Overview

1. CESEE less affected by the first COVID-19 wave than Western Europe
2. Domestic demand taking the main hit
3. Fiscal policy measures swell budget deficits
4. Short-time work schemes limit decline in employment – so far
5. Currency depreciation mitigates the external demand shock
6. 2020: Heading for double-dip recessions
7. Forecast 2021-22: No quick recovery in sight, risks on the downside

CESEE less affected by the pandemic so far

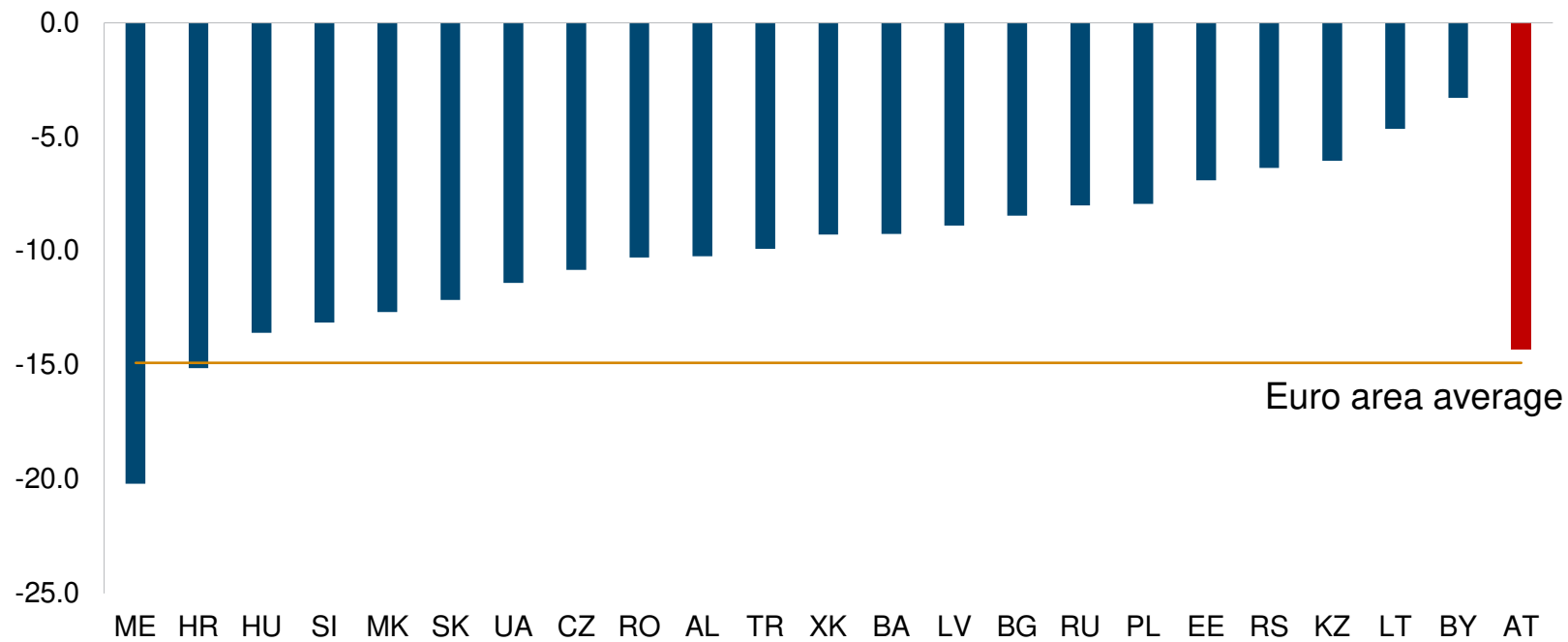
Deaths linked to COVID-19 per 1 million population,
Western Europe (left) and CESEE (right)



Economic losses smaller than in Western Europe – despite strict lockdowns

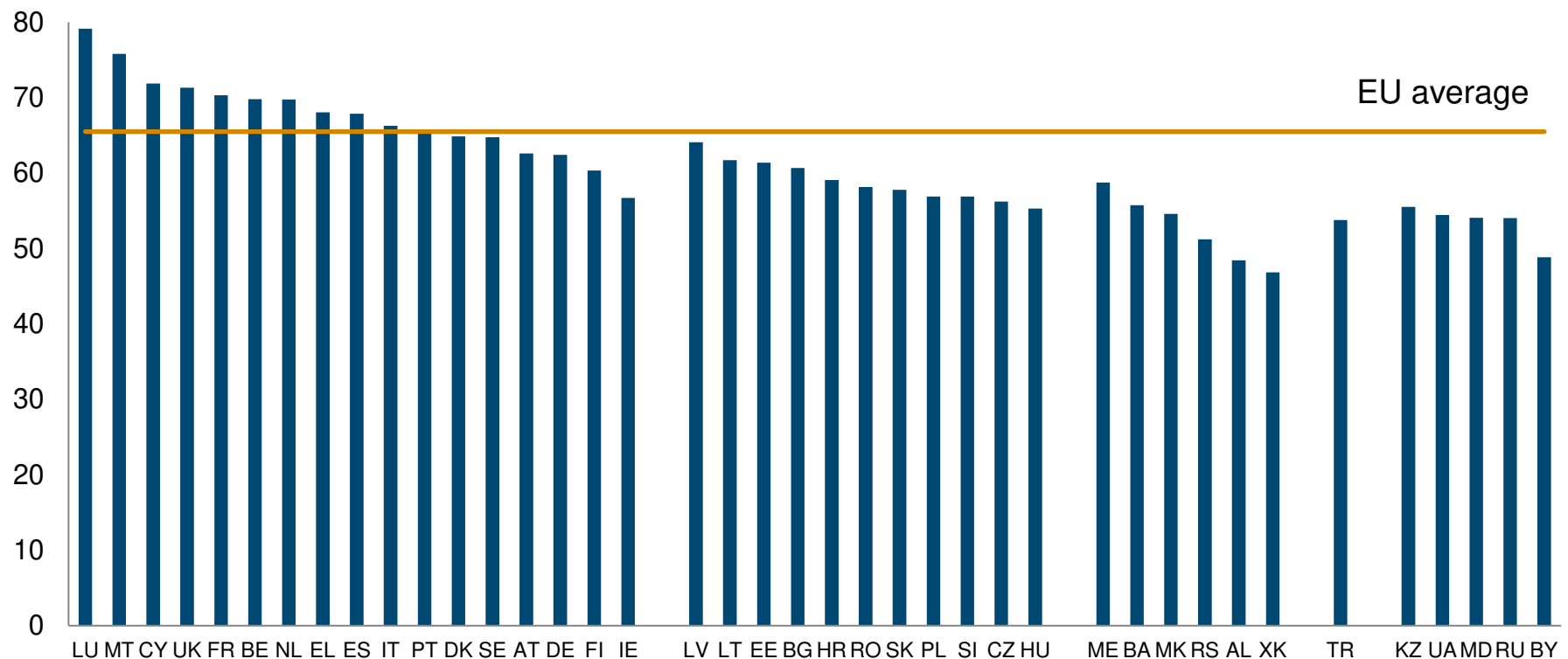
Real GDP decline in 2Q 2020, in % yoy

CESEEs relying on tourism and foreign trade worst affected



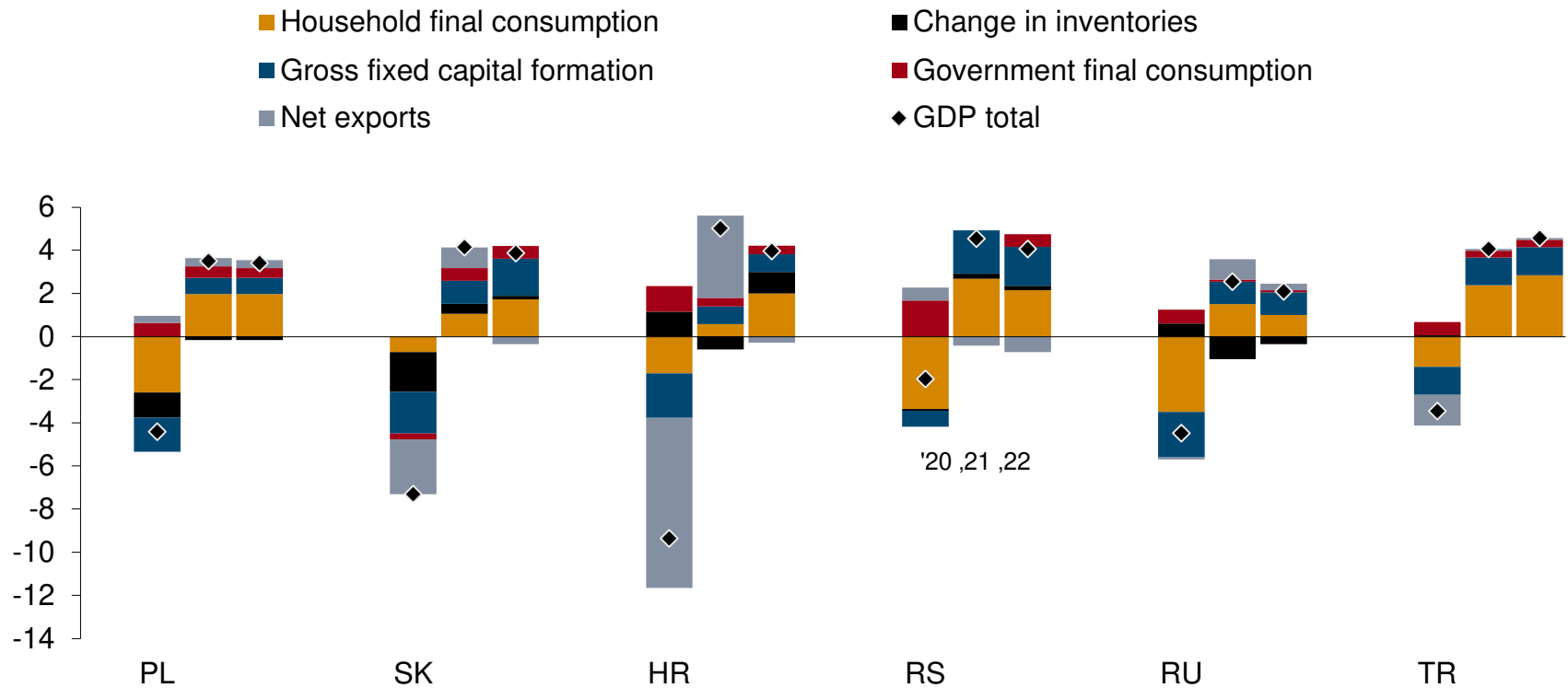
CESEE less dependent on services than Western Europe

Share of value added in services in GDP in 2019, in %



Domestic demand taking the main hit...

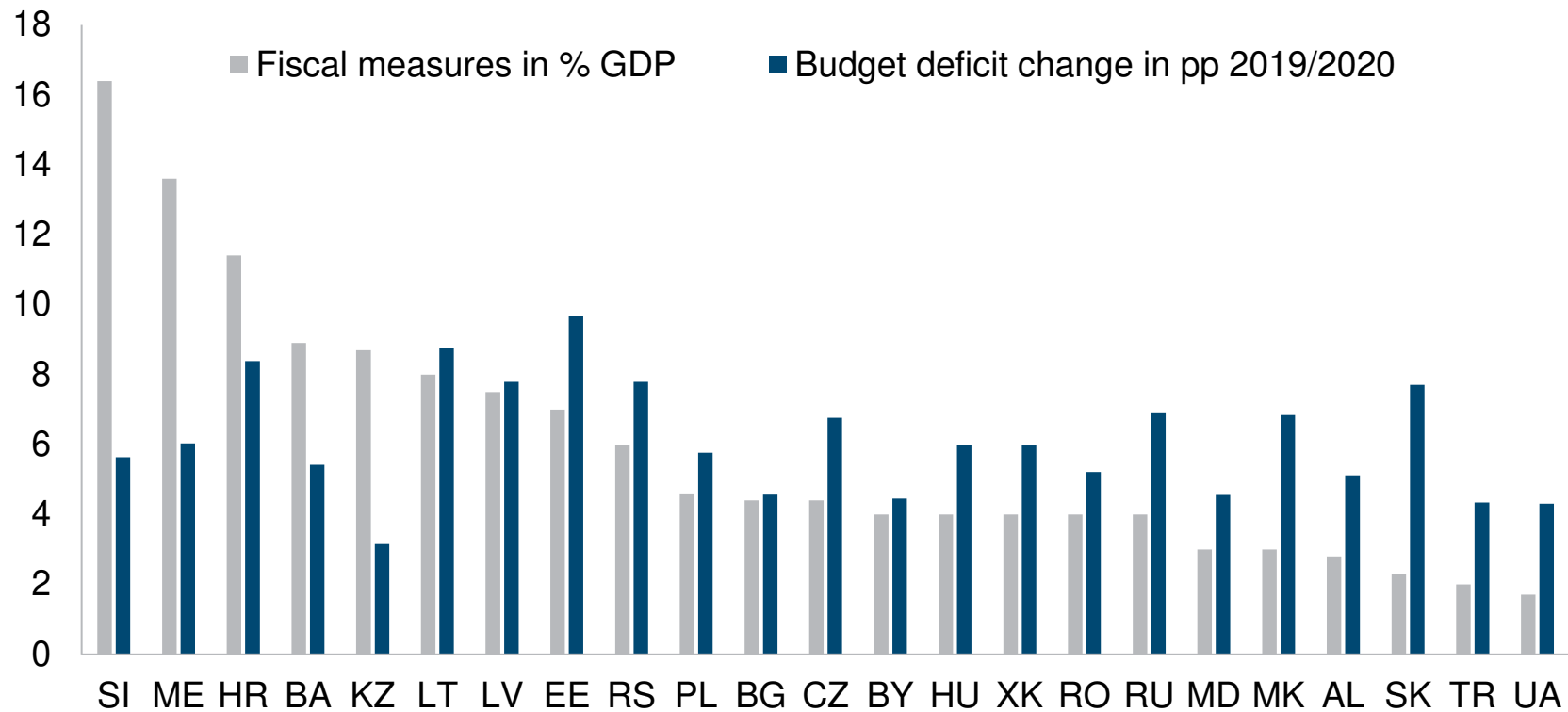
GDP growth in % and contribution of individual demand components in pp



Source: wiiw Annual Database incorporating national and Eurostat statistics, own calculation.
Forecasts by wiiw.

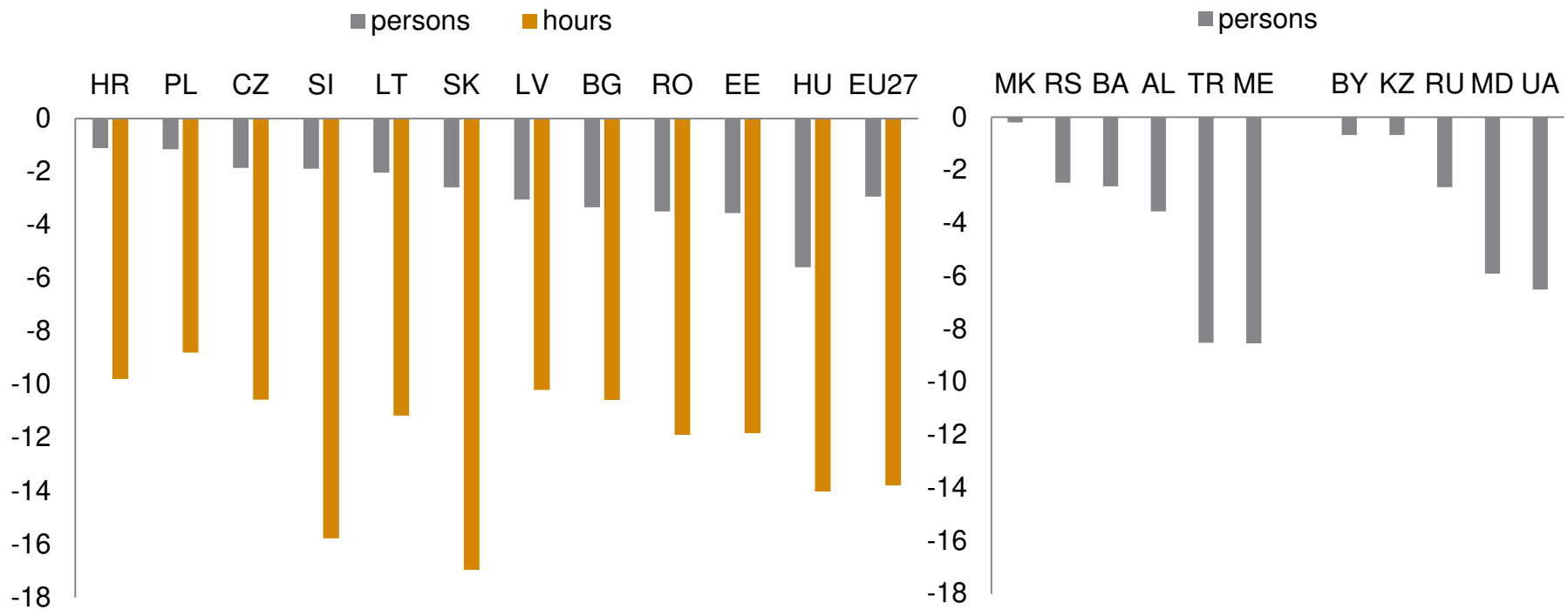
Fiscal stimulus measures swell budget deficits

Although not all measures result in payments (credit guarantees, etc...)



Short-time work schemes limit decline in employment – so far...

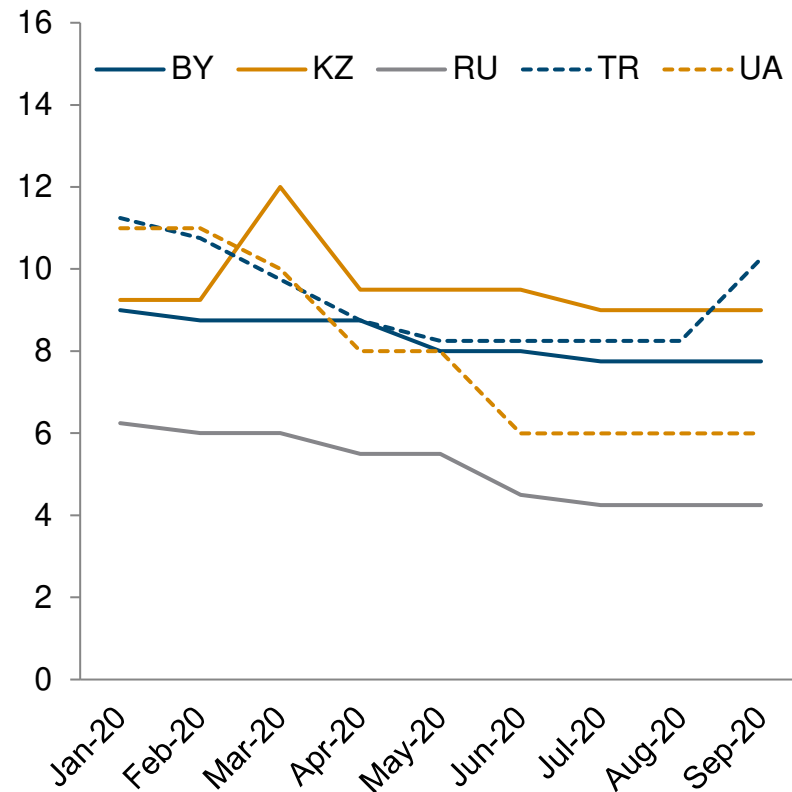
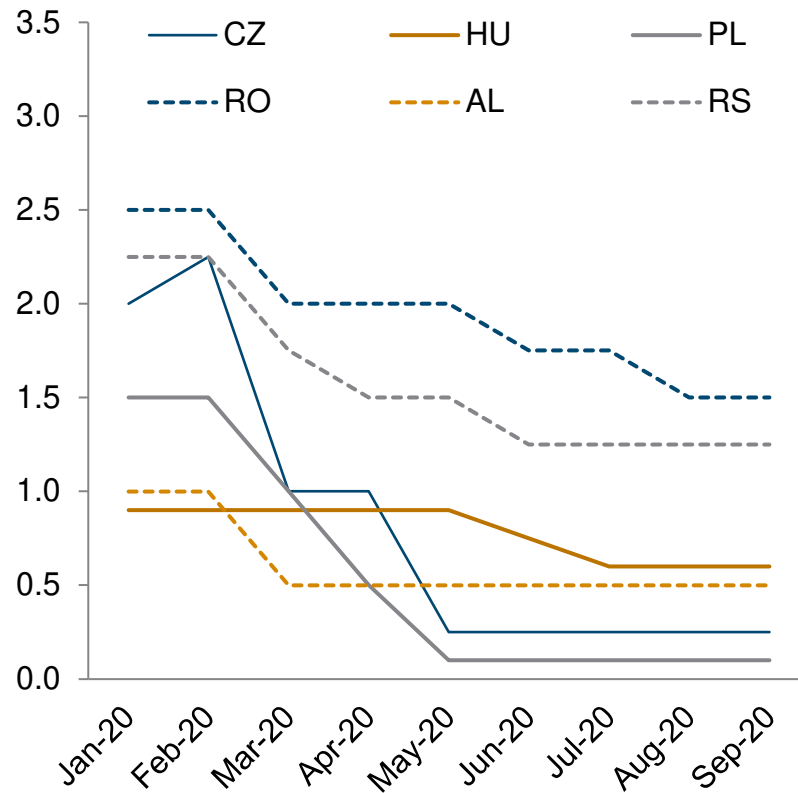
Employment and hours worked in 2Q 2020, growth rate in % yoy



Source: Eurostat and wiiw.

Monetary policy relaxed markedly...

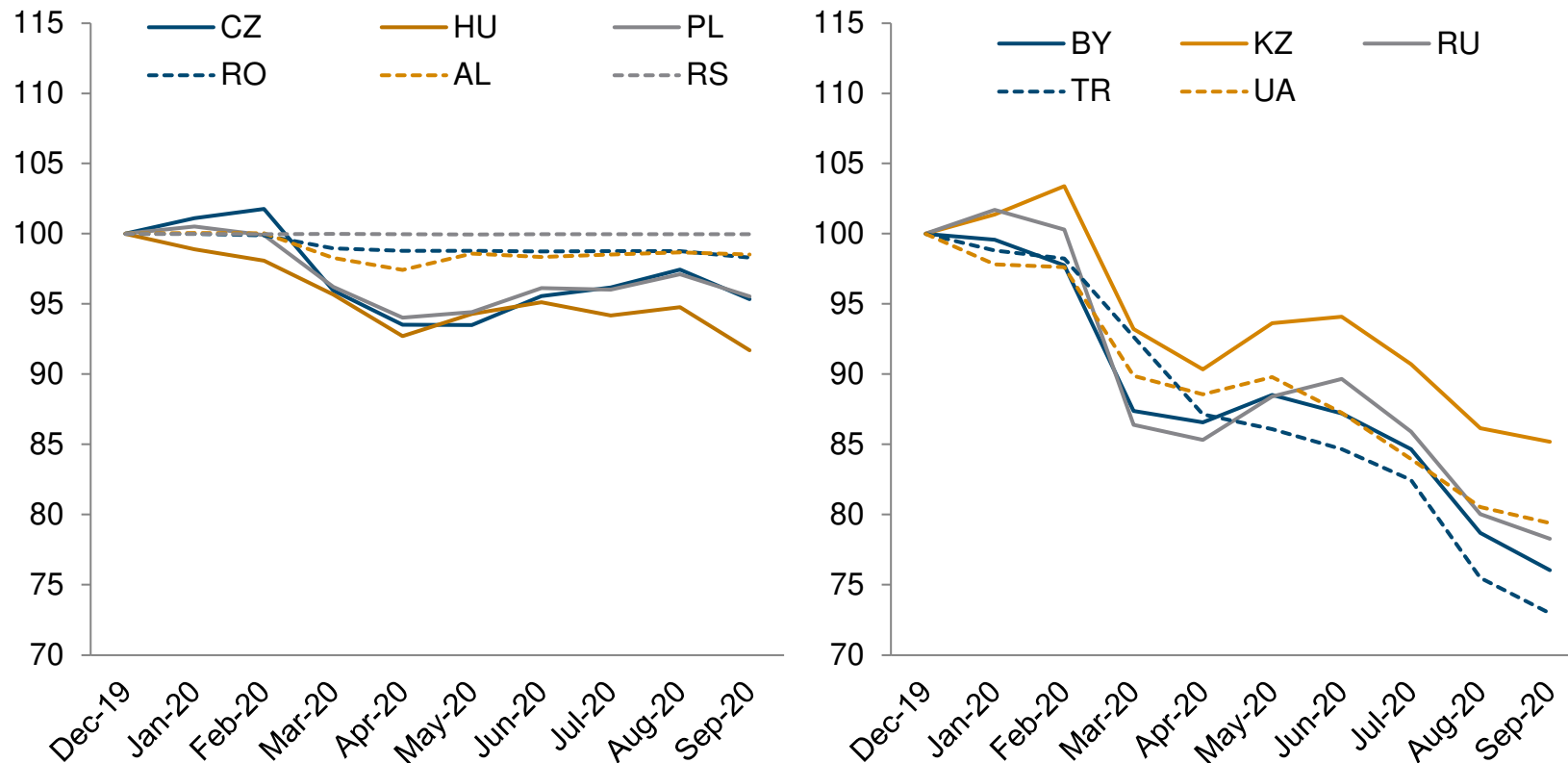
Central bank policy rates, in % p.a.



...although depreciations mitigated external demand shock

Nominal exchange rates, EUR per national currency

index, December 2019=100



Note: Values above 100 indicate appreciation relative to December 2019.

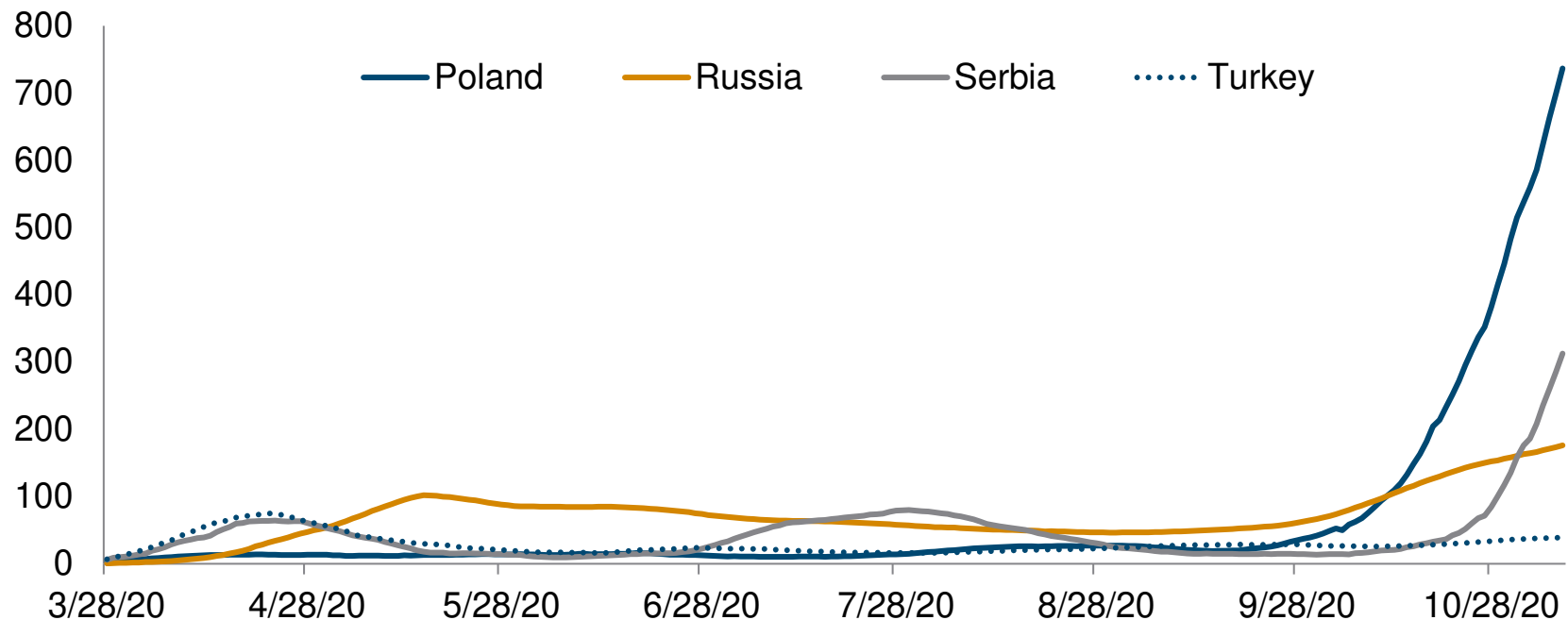
Source: wiiw Monthly Database incorporating national and Eurostat statistics.

Forecasts surrounded by huge uncertainties

- 2020: 4th quarter will be bad – ‚double-dip‘ recessions
- 2021-22: ‚benign‘ baseline scenario – muted recovery
 - But 2019 levels unattainable before 2022 (except LT, TR, RS)
 - BY again in recession next year
- Risks strongly on the downside
 - Uncontrolled pandemic – renewed lockdowns – recessions
 - Government support crucial even in baseline scenario...
 - ...but fiscal space may be a problem in West Balkans, UA, MD...
 - ...resulting in bankruptcies, unemployment, income losses

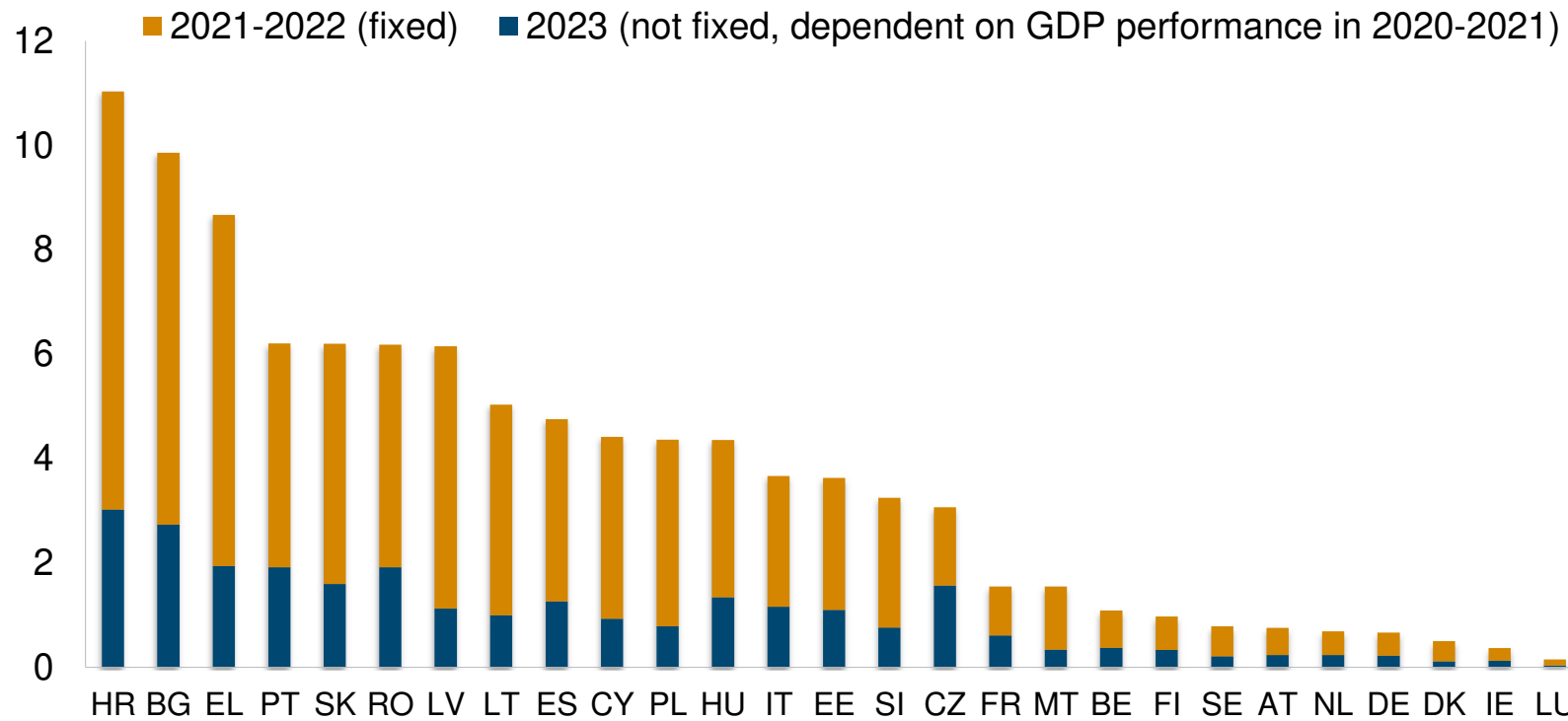
COVID-19 cases are again rising rapidly in some countries

COVID-19 cases per 100,000 population, last 14 days



EU support crucial for EU-CEE countries

Grants – EU Recovery and Resilience Facility (2021-2023), in % of GDP



Source. European Commission, own calculations.

New wiiw growth forecasts and revisions since May 2020

		Forecast, %			Revisions, pp	
		2020	2021	2022	2020	2021
EU-CEE11	BG	-5.1	1.7	2.6	↑ 1.2	→ 0.0
	CZ	-6.6	3.9	3.5	↓ -1.8	↑ 1.4
	EE	-4.8	3.9	3.0	↑ 2.2	↓ -0.1
	HR	-9.4	5.0	4.0	↑ 1.6	↑ 1.0
	HU	-6.5	3.0	4.6	↓ -1.0	↑ 1.0
	LT	-2.0	4.5	3.2	↑ 4.5	↑ 0.2
	LV	-4.6	4.4	2.8	↑ 3.4	↓ -0.1
	PL	-4.4	3.5	3.4	↓ -0.4	↑ 0.5
	RO	-5.5	3.7	4.5	↑ 1.5	↑ 0.7
	SI	-6.7	4.5	3.0	↑ 2.8	↑ 0.5
	SK	-7.3	4.1	3.9	↑ 1.7	↓ -0.5
WB6	AL	-6.4	4.6	4.0	↓ -1.4	↑ 0.8
	BA	-5.1	3.2	3.1	↓ -0.1	↑ 0.2
	ME	-9.0	5.0	4.1	↓ -1.0	→ 0.0
	MK	-6.0	4.5	4.0	↓ -1.0	↑ 0.5
	RS	-2.0	4.5	4.1	↑ 2.0	↑ 0.5
	XK	-5.1	4.8	4.3	↓ -0.7	↑ 0.8
Turkey	TR	-3.5	4.1	4.6	↑ 2.5	↓ -1.4
CIS4+UA	BY	-2.5	-1.2	1.3	↑ 2.8	↓ -0.5
	KZ	-3.0	2.5	4.0	→ 0.0	↑ 0.5
	MD	-7.0	4.0	4.0	↓ -4.0	↑ 1.0
	RU	-4.5	2.5	2.1	↑ 2.5	↑ 1.0
	UA	-5.0	2.0	3.6	↑ 1.0	↓ -0.5

Thank you for your attention!

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