

# Western Balkans in Post-Brexit Europe



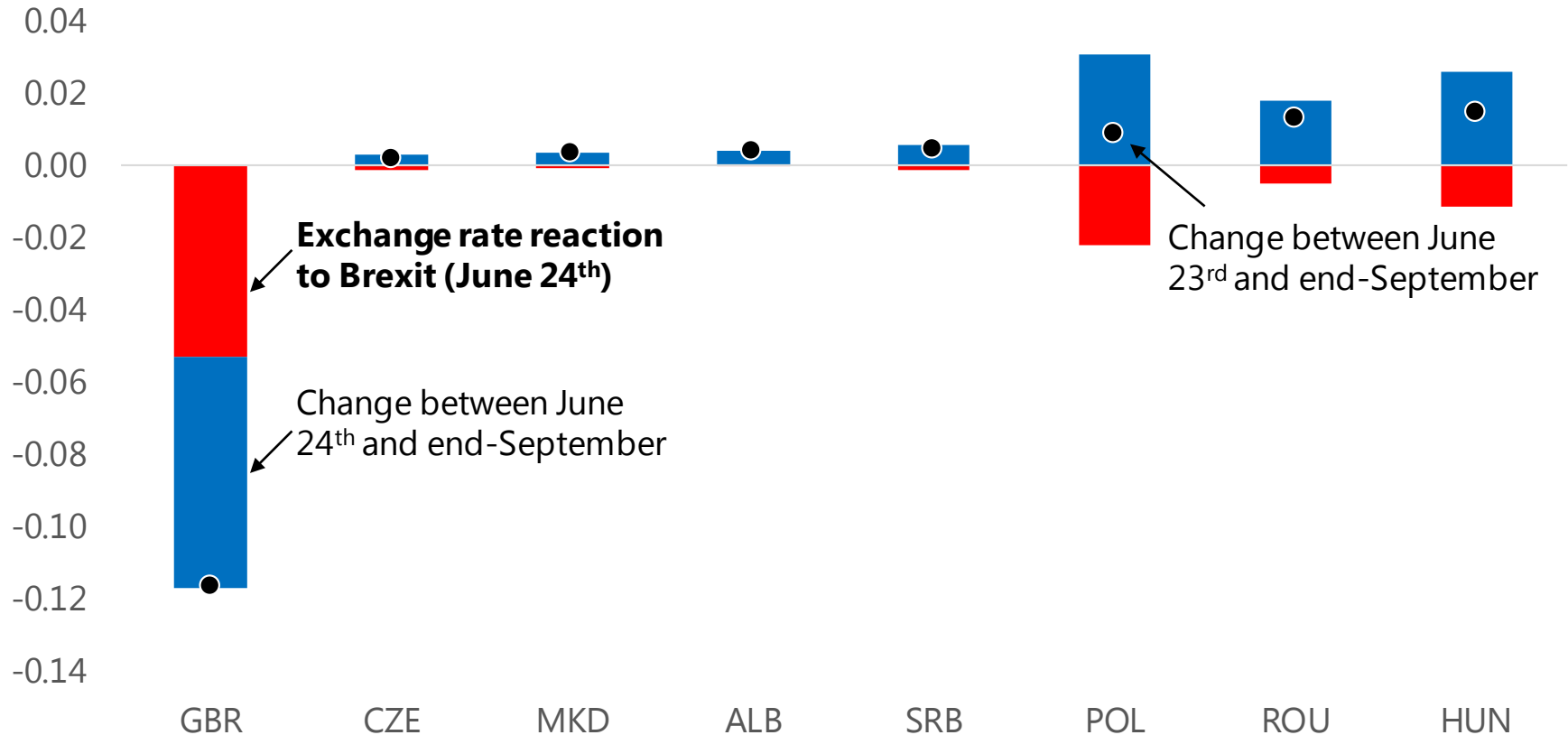
Bank of Albania & SEESOX annual conference  
Tirana, 27 October 2016

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Senior Regional Resident Representative  
for Central and Eastern Europe

# Financial market impact Brexit: strong and permanent for pound, short lived for CEE currencies



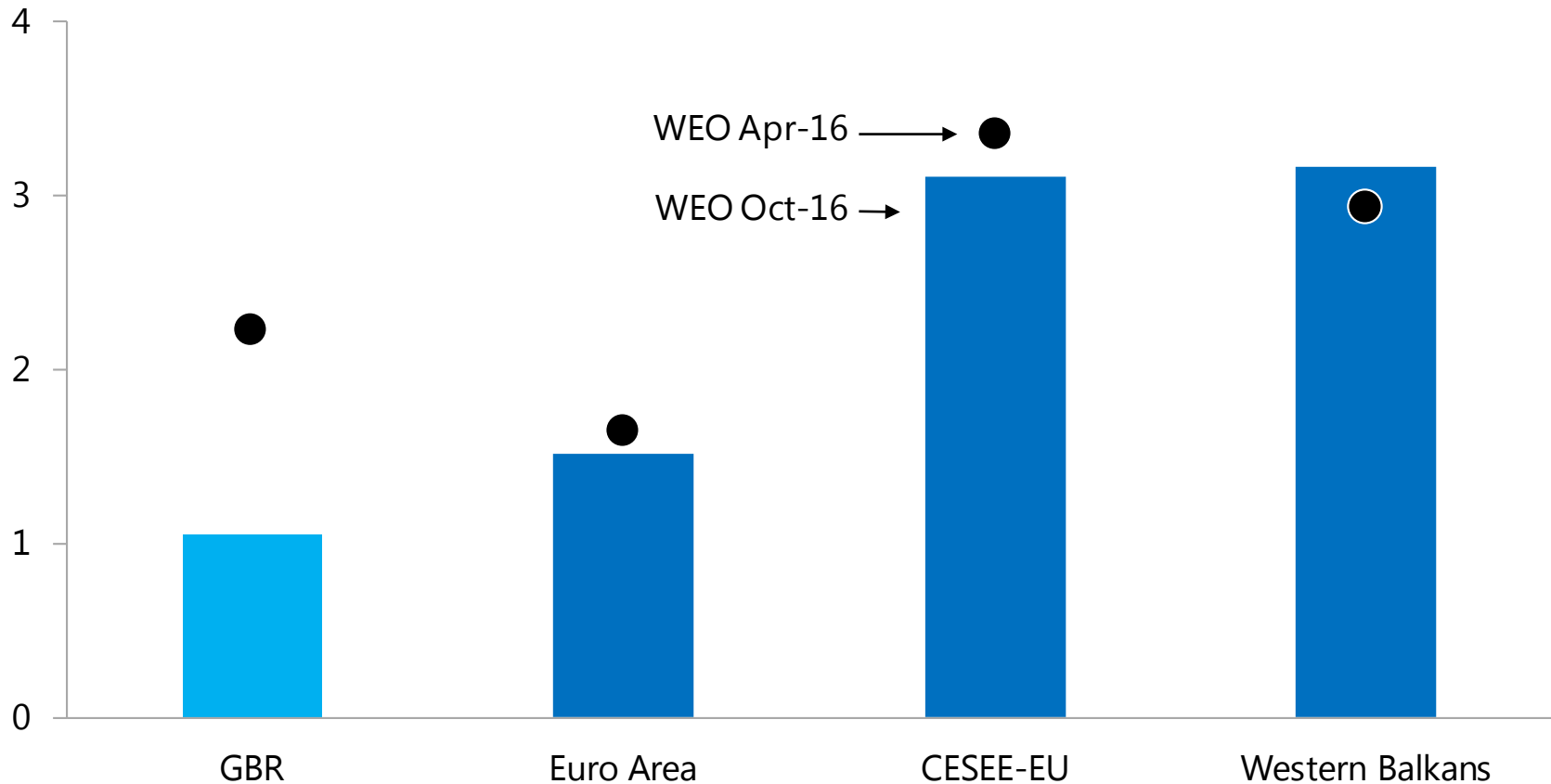
Change in Exchange Rates vis-à-vis EUR  
(log differences)



# Near-term economic fallout has also been less than initially feared



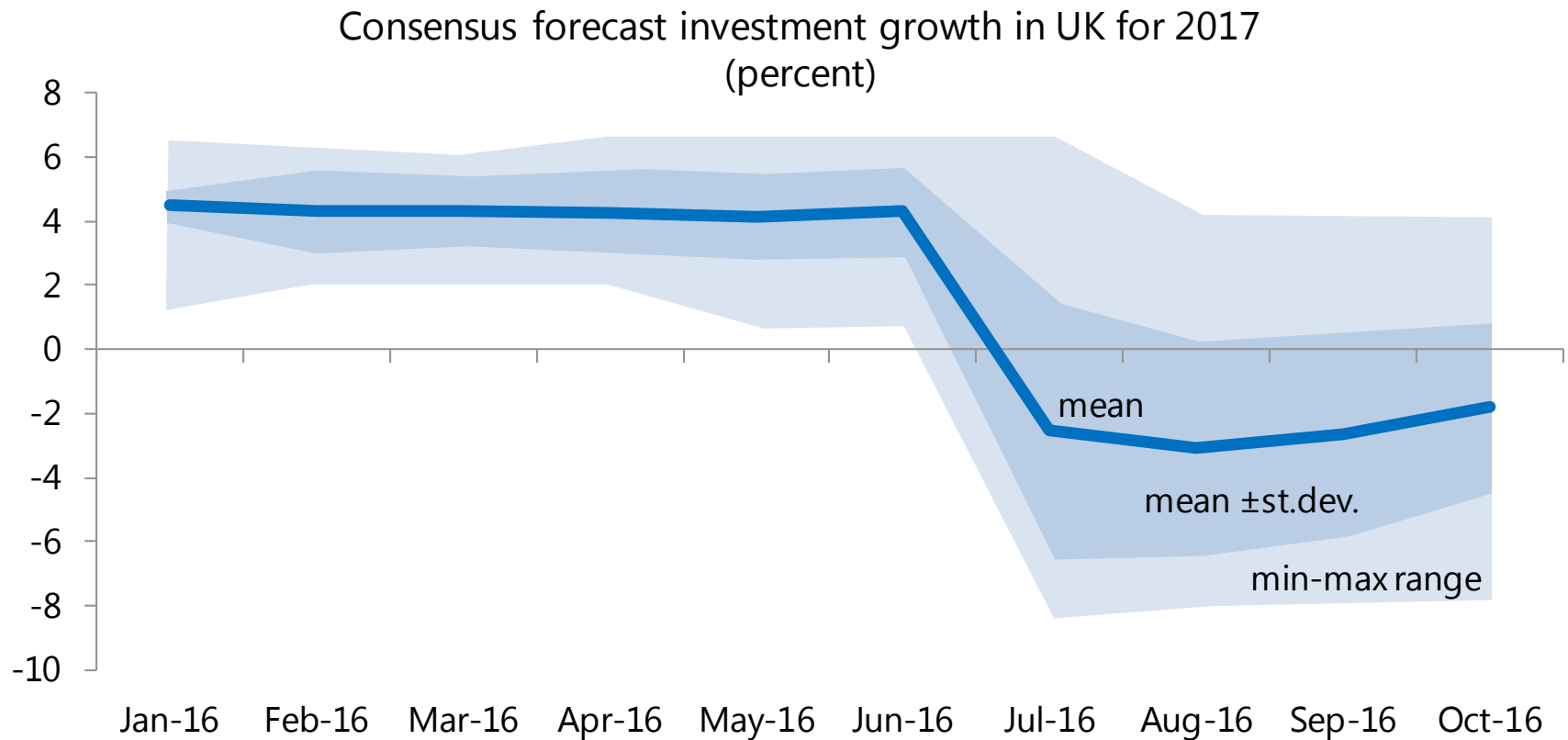
GDP growth projections for 2017 by WEO vintage



# Longer-term impact on Britain remains uncertain



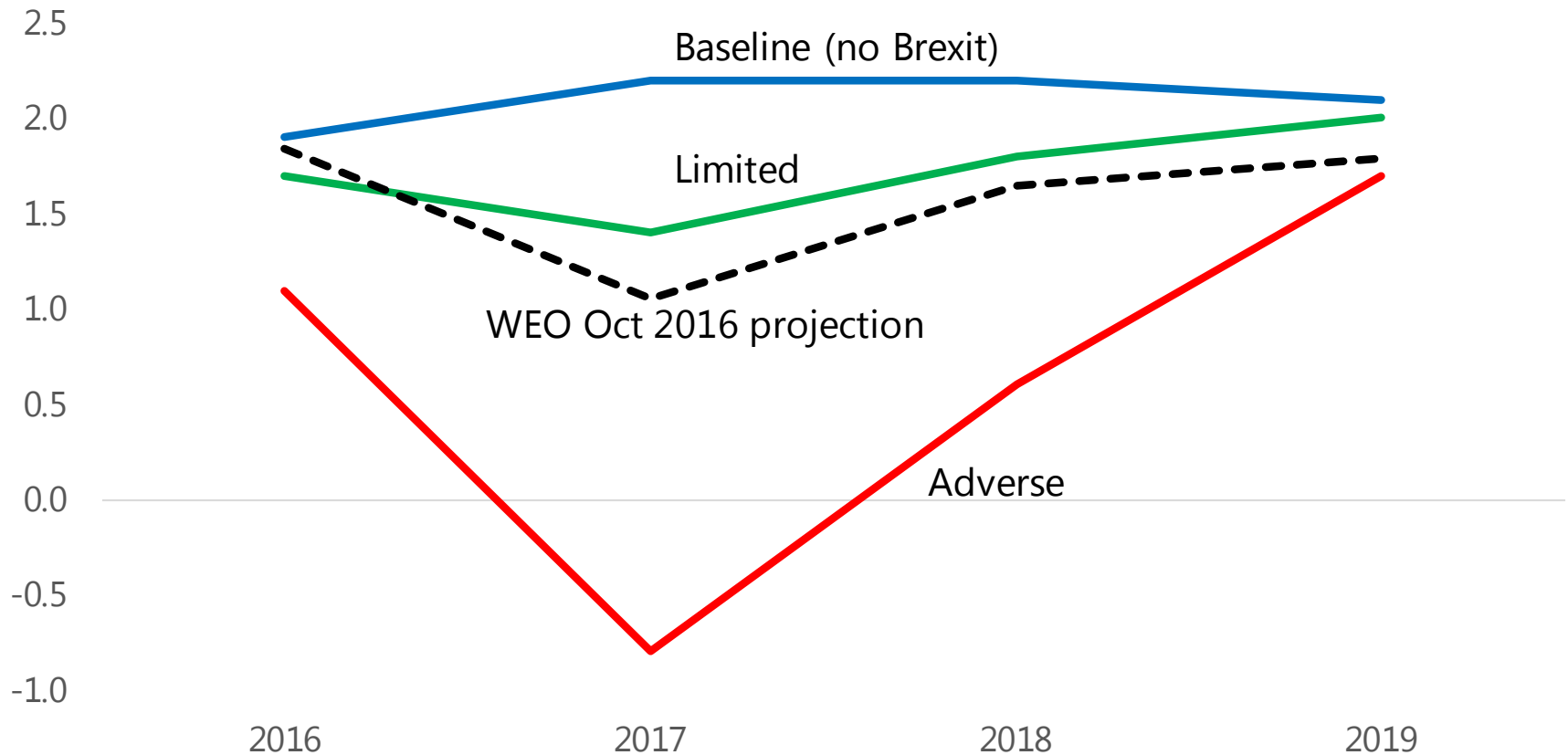
- Uncertainty about future relationships with EU may lead to a postponement of investment



# What happens if hard Brexit?



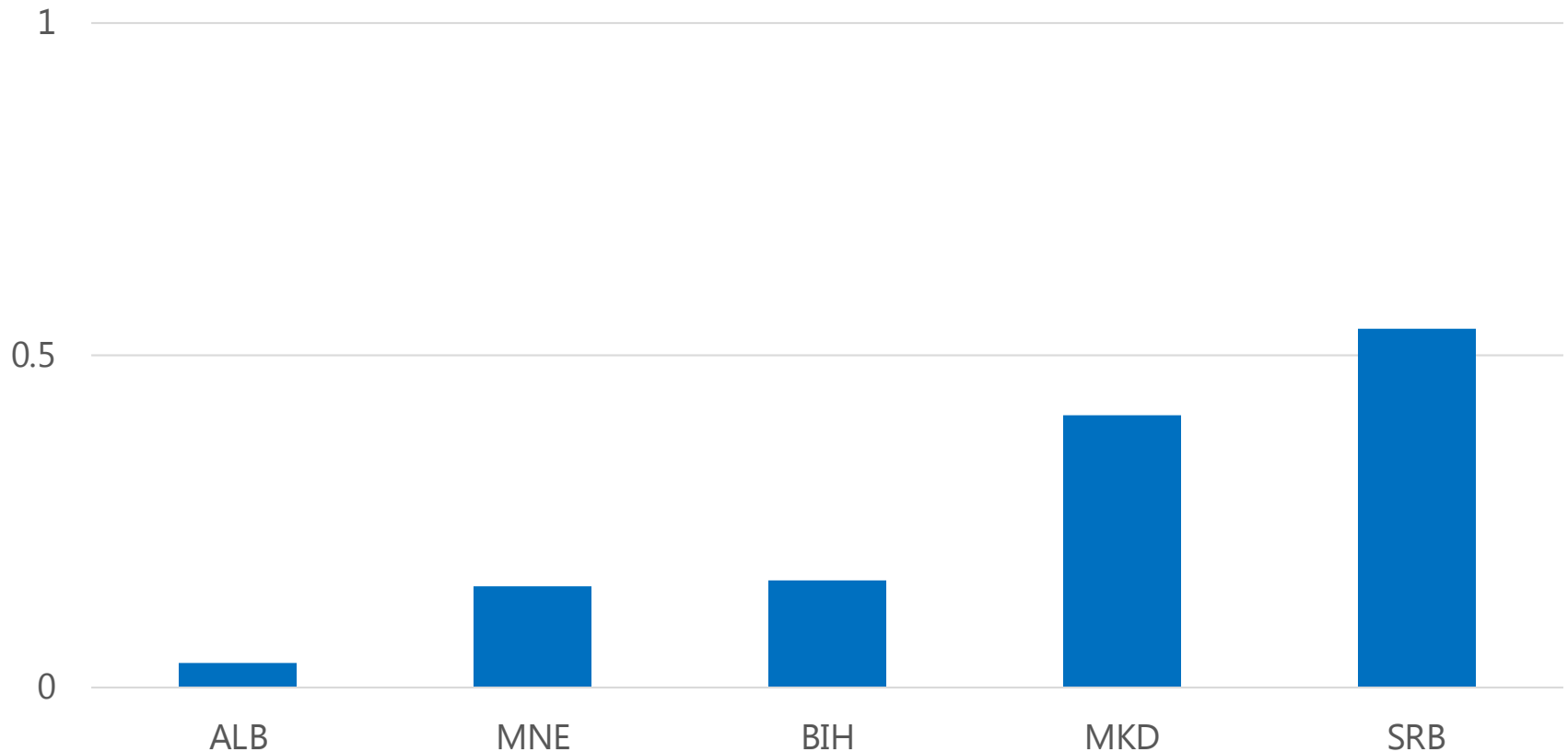
Scenarios for GDP growth in the UK  
(percentage points)



# For SEE, direct links and financial links with Britain are small



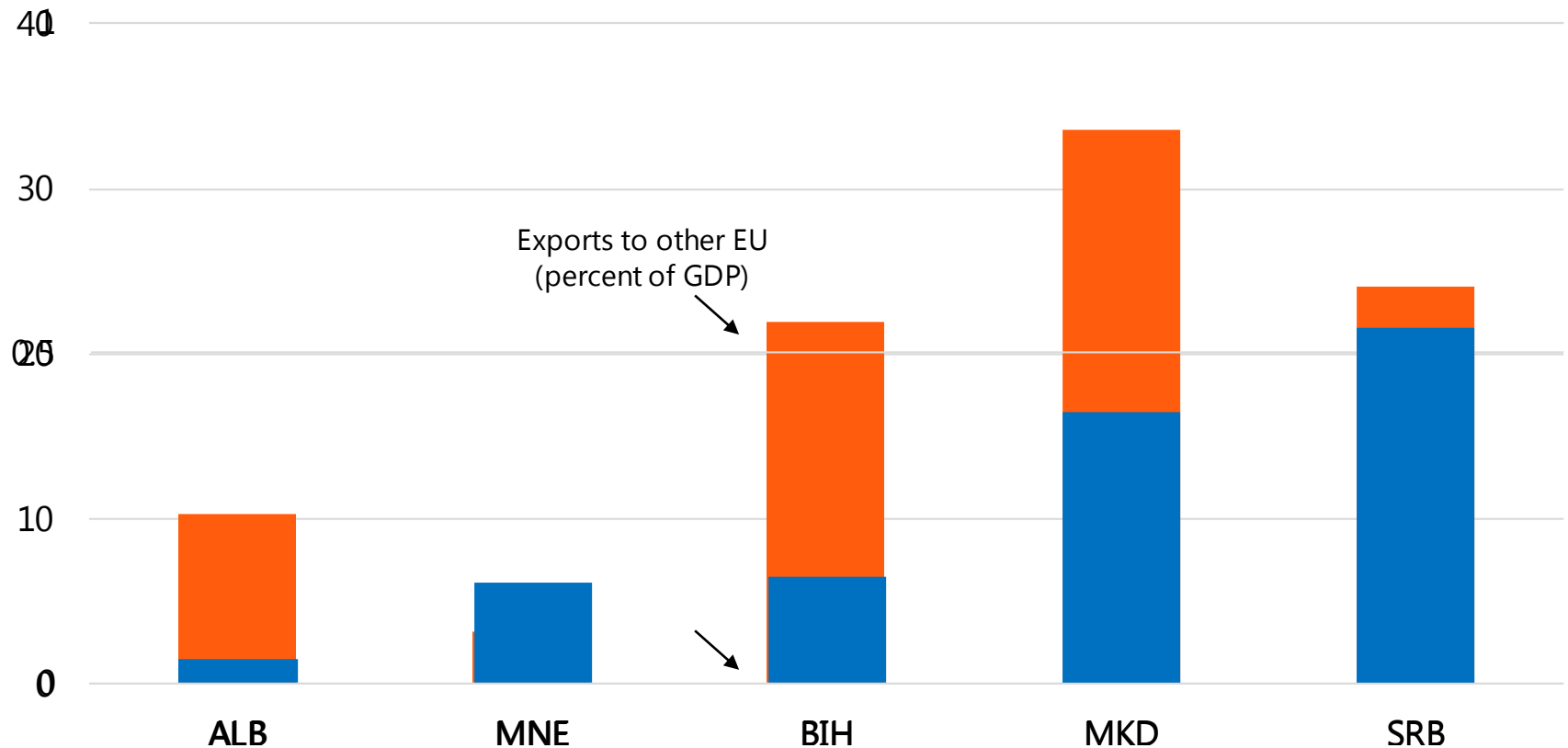
Exports of goods to UK  
(percent of GDP)



# Indirect trade links may be larger



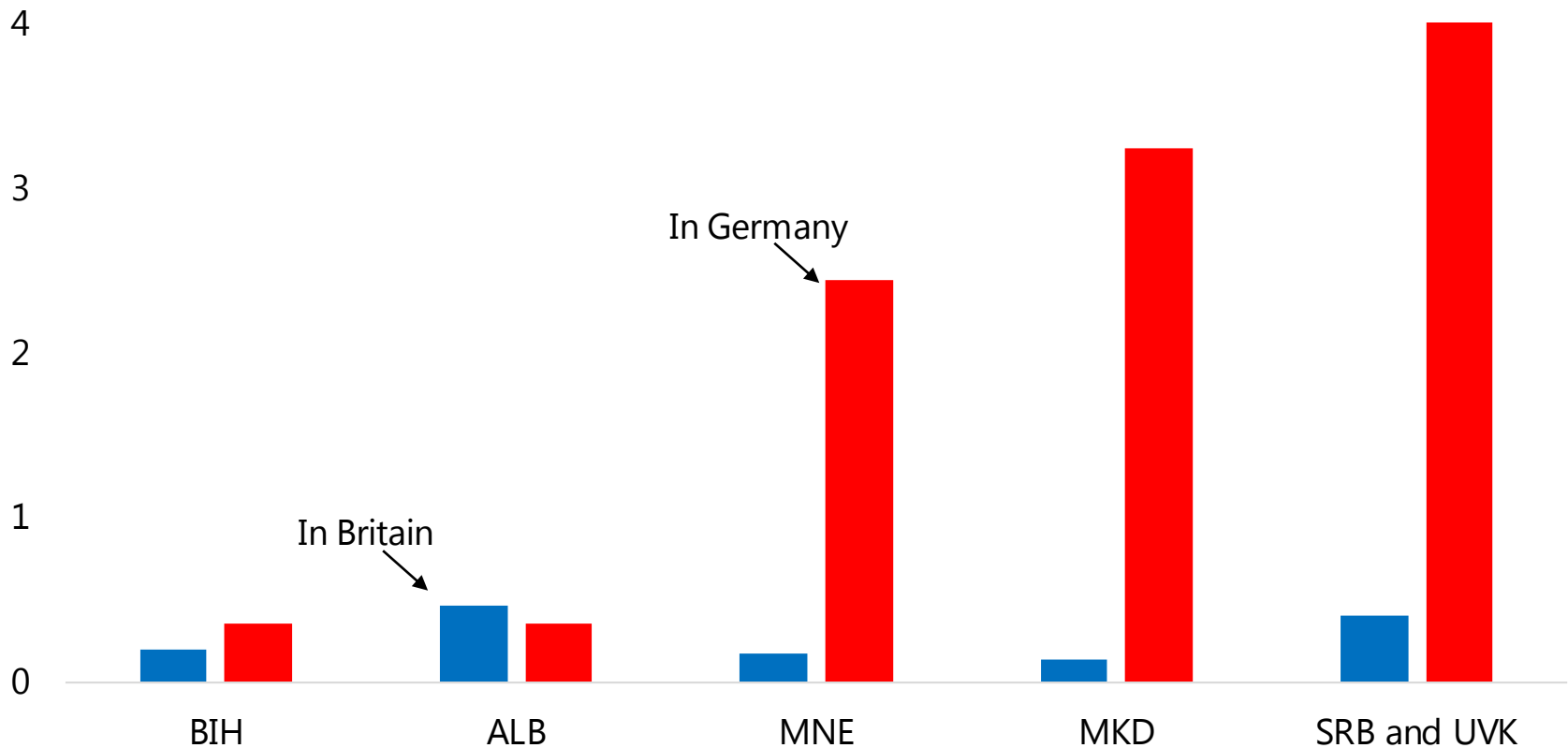
Exports of goods to EU  
(percent of GDP)



# The UK is not the main destination for emigration from SEE



Residents of Britain and Germany Born in Western Balkans  
(percent of population in countries of origin, latest census)

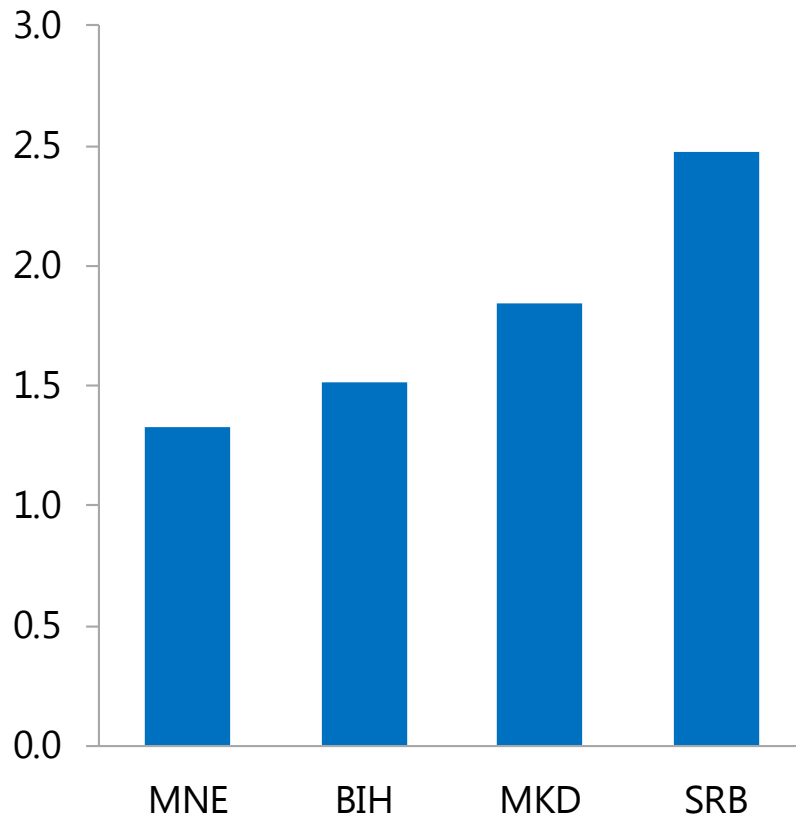




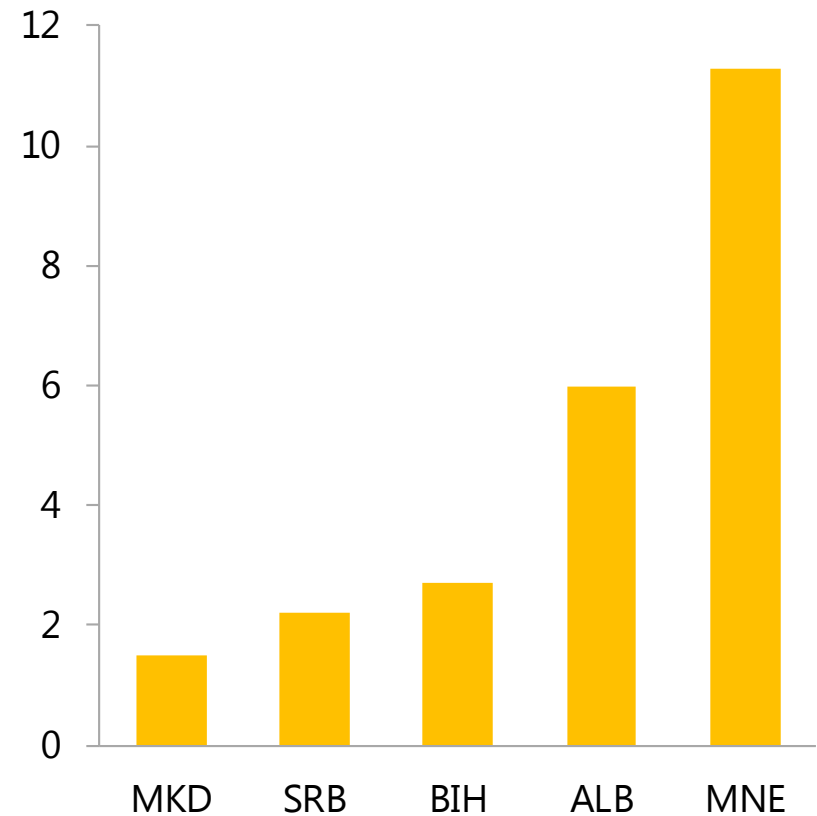
# Impact on tourism receipts unlikely to be substantial



Share of UK residents in total foreign visitors in 2015 (overnight stays, percent)



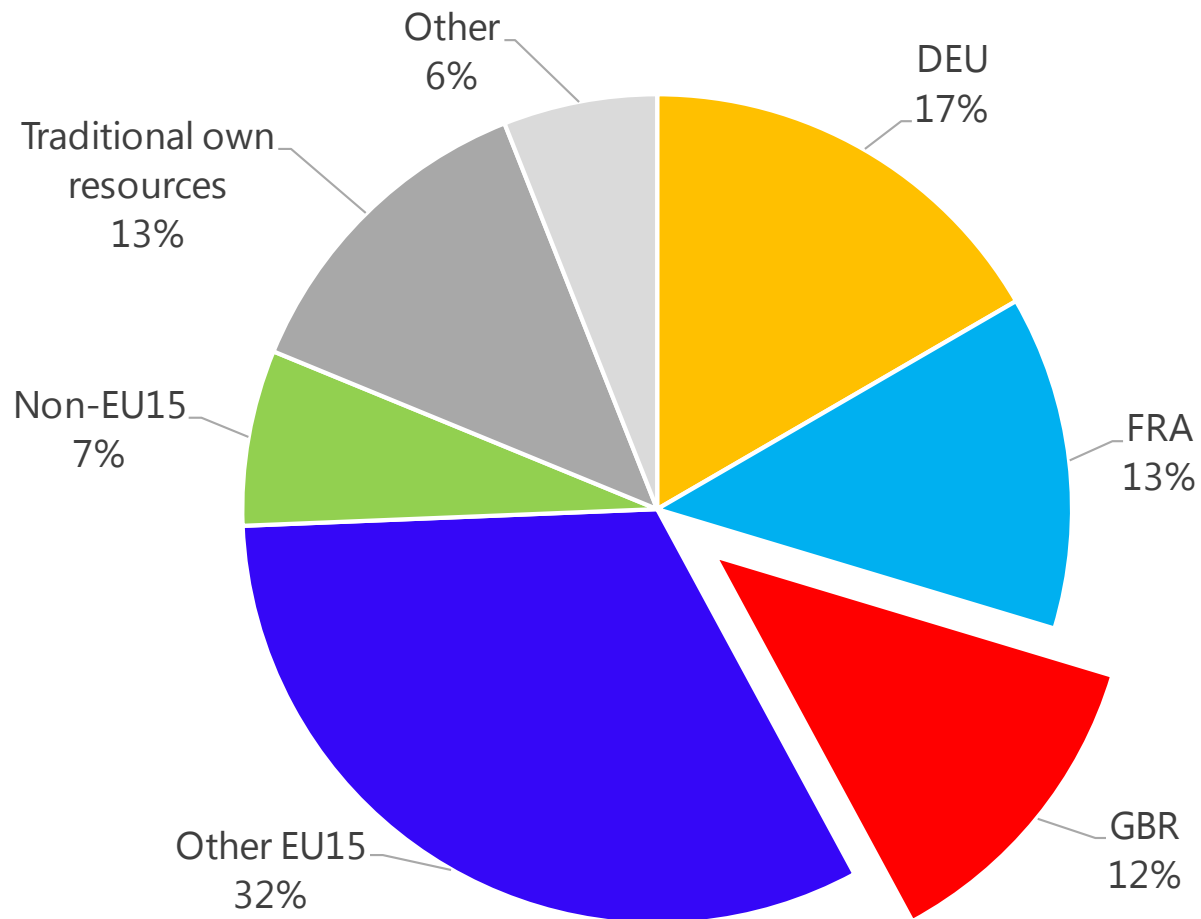
Contribution of tourism to GDP in 2015 (percent)



# Brexit may have consequences for EU budget



Contributions to EU budget in 2015



# Most important for SEE may be impact on future of EU



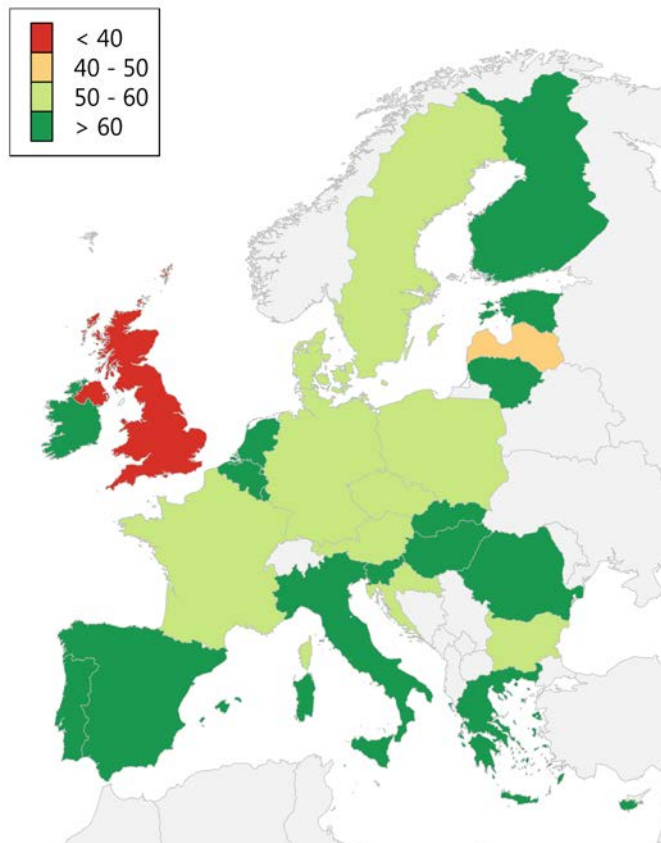
- Confidence of EU citizens in EU has fallen
- Appetite for further integration has dropped
- Will this impact appetite for further expansion?
- If prospect EU memberships of SEE were to diminish, what would be impact on
  - Reforms?
  - Future growth?

# In the past decade there has been a sharp decline in confidence in the EU

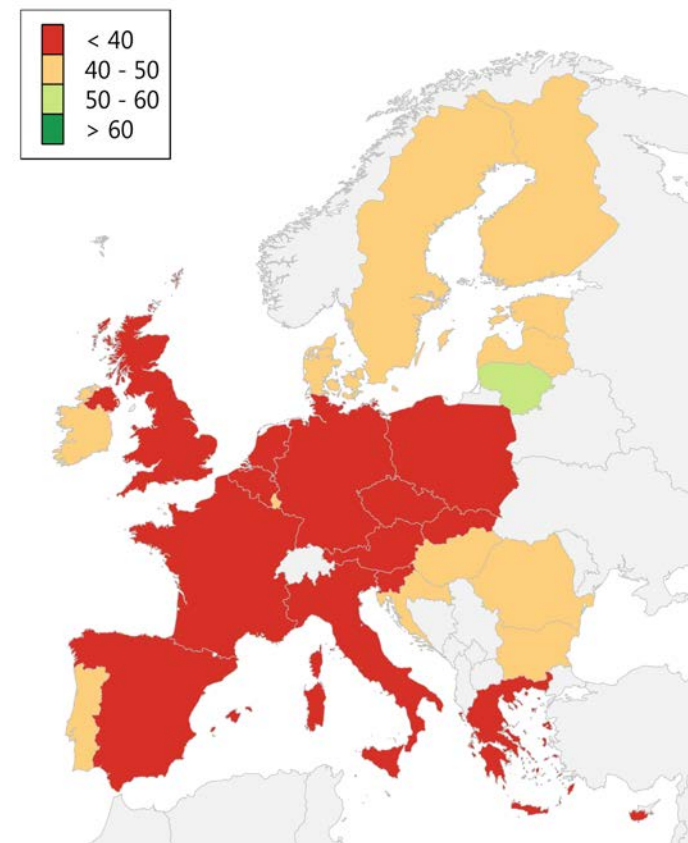


Level of confidence in the European Union  
(percent of population surveyed by Eurobarometer)

In 2004



In 2016



# Why has confidence fallen?



- EU has been hit by several crises
  - 2008/09 crisis
  - Eurozone sovereign debt crisis
  - Large scale immigration/refugees

# In the North, immigration is the main issue; in the South, the economy

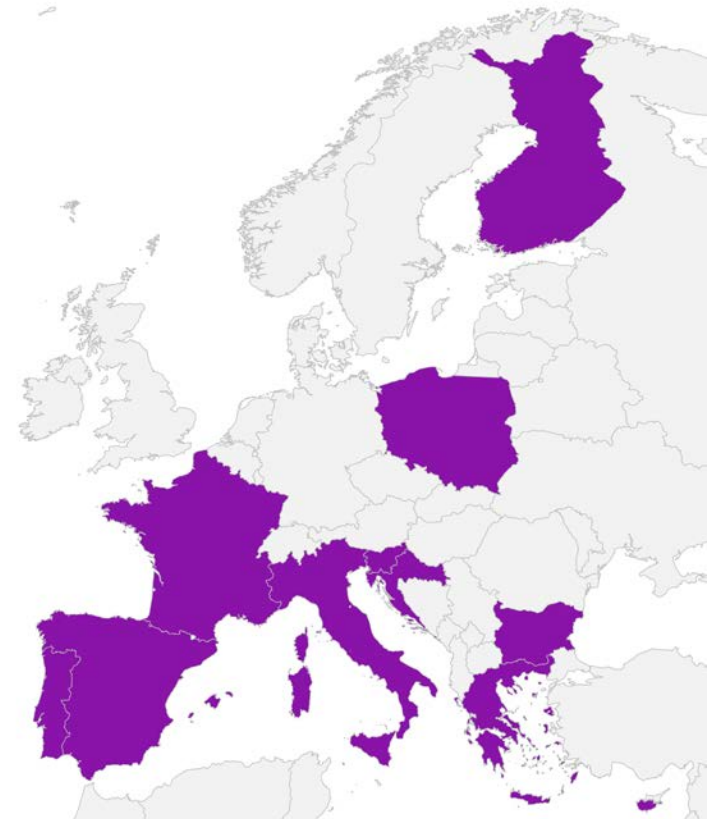


Most important issues facing the EU countries in 2016  
(according to Eurobarometer)

**Immigration**



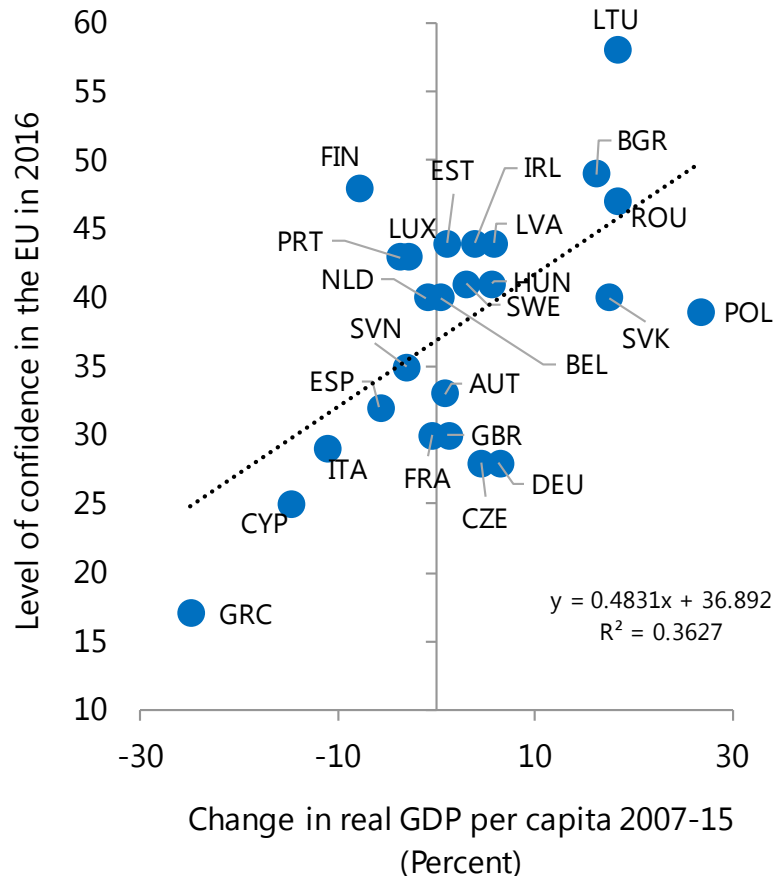
**Unemployment or economic situation**



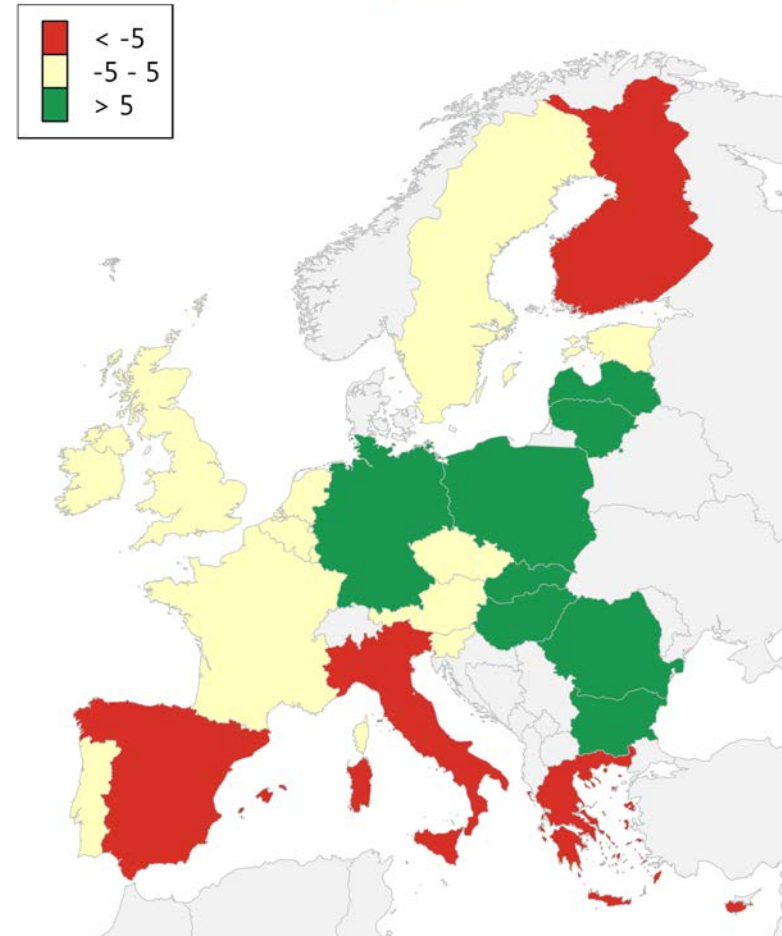
# Confidence in EU is lowest in countries most affected by Eurozone crisis



Change in real GDP per capita and level of confidence in the EU



Change in real GDP per capita 2007-2014 (Percent)



# In this environment, political support for further integration has fallen



- Increased political uncertainty
- Less support for free trade
- More calls for protectionism

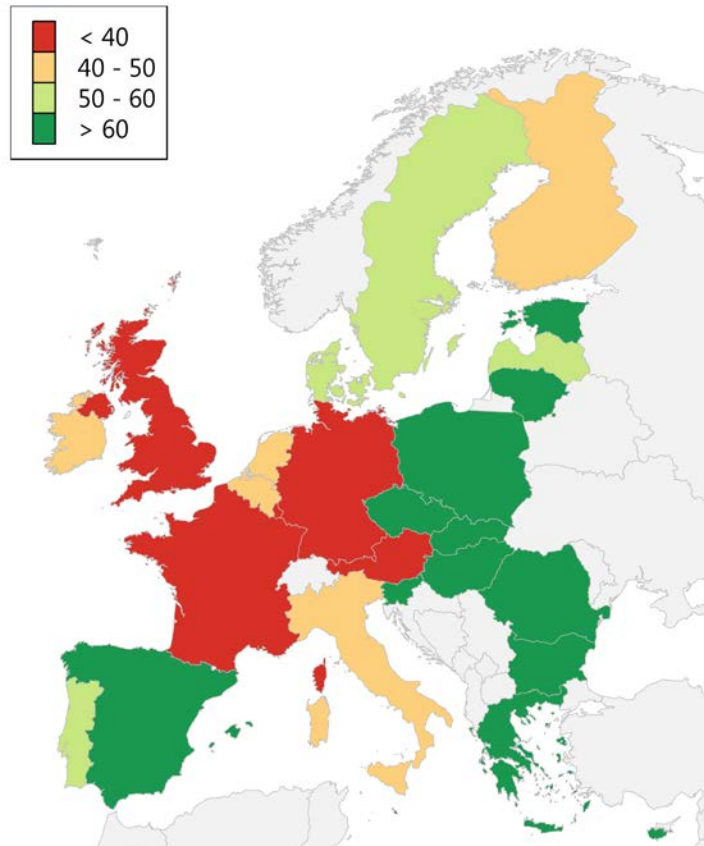


# Support for EU enlargement has fallen

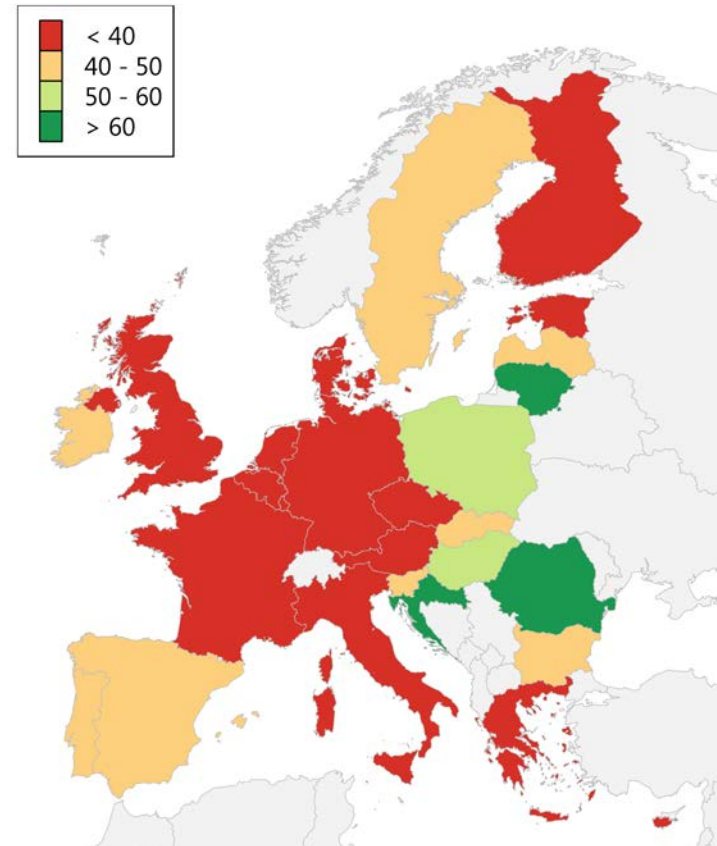


Support for the EU enlargement  
(Percent of population surveyed by Eurobarometer)

In 2008



In 2016

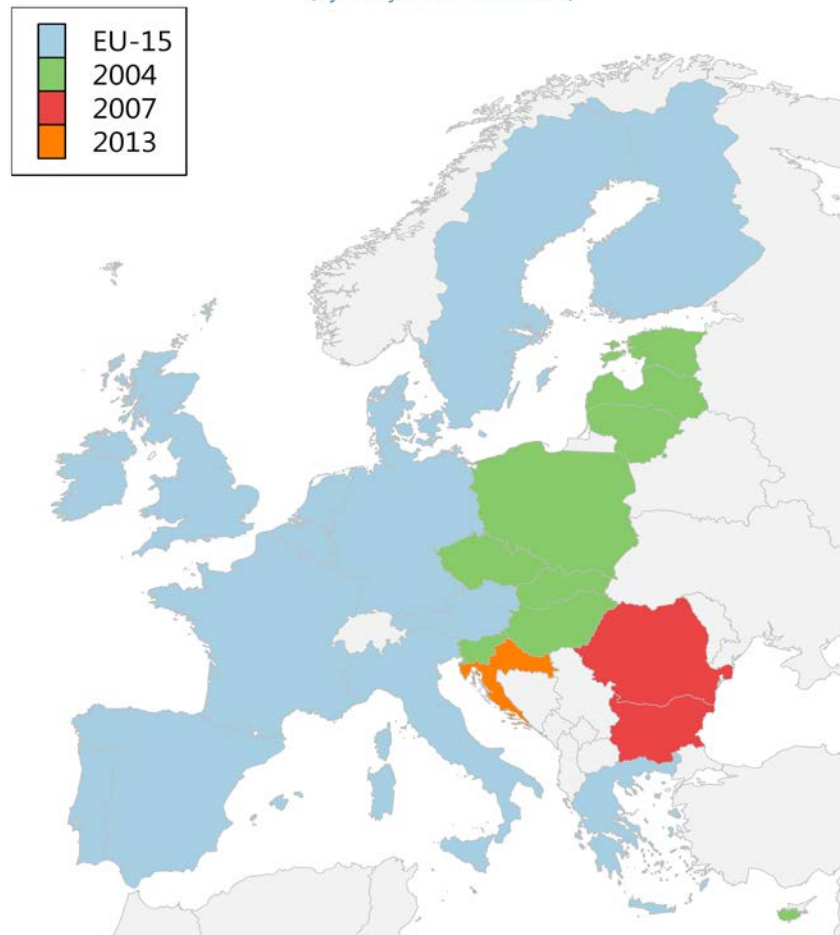


# How will this affect further expansion to Western Balkans?



## The EU member states

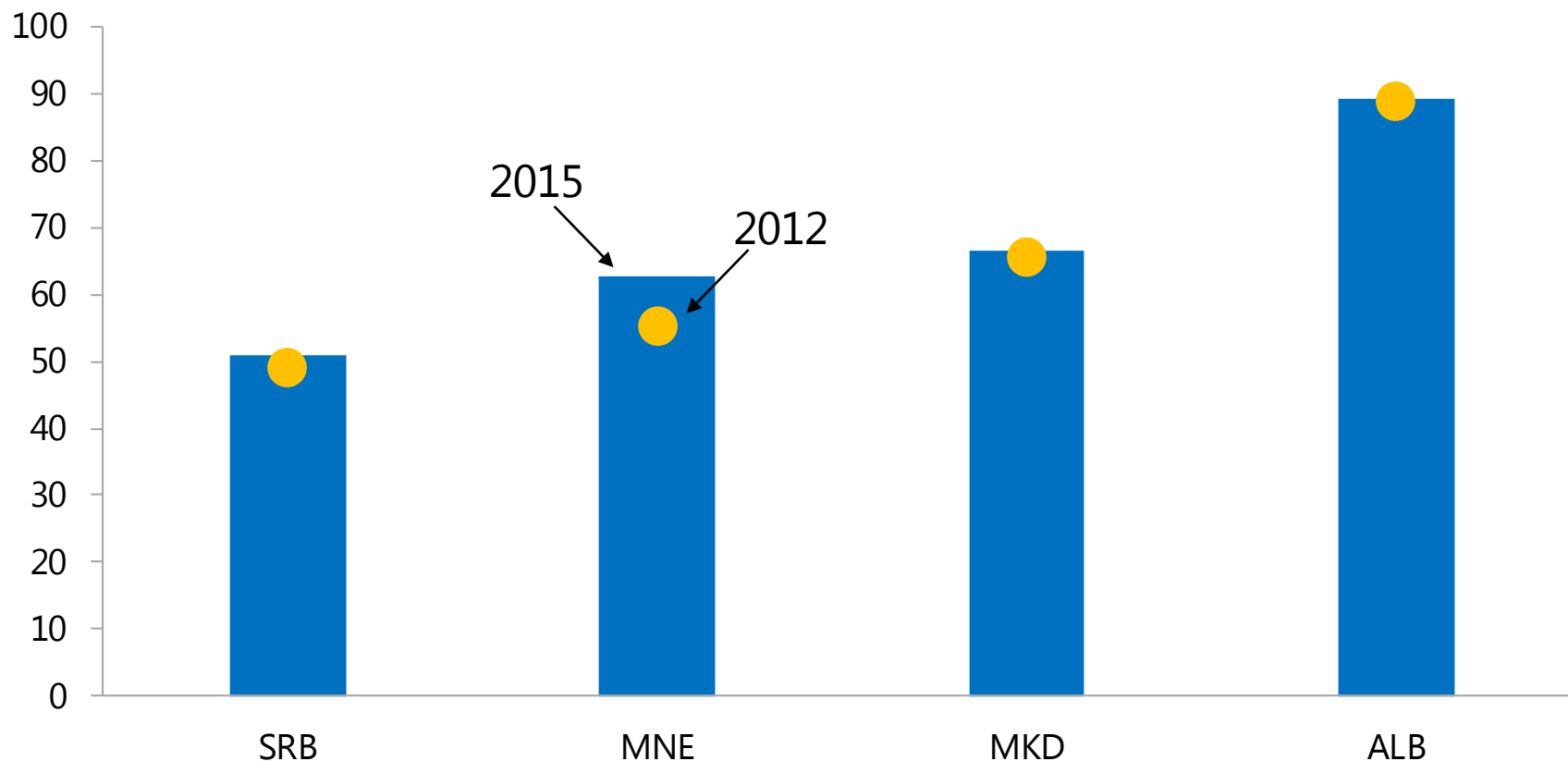
(By the year of accession)



# Enthusiasm in SEE for EU remains high



Support for the European Union in 2012 and 2015  
(percent of surveyed population by Eurobarometer)



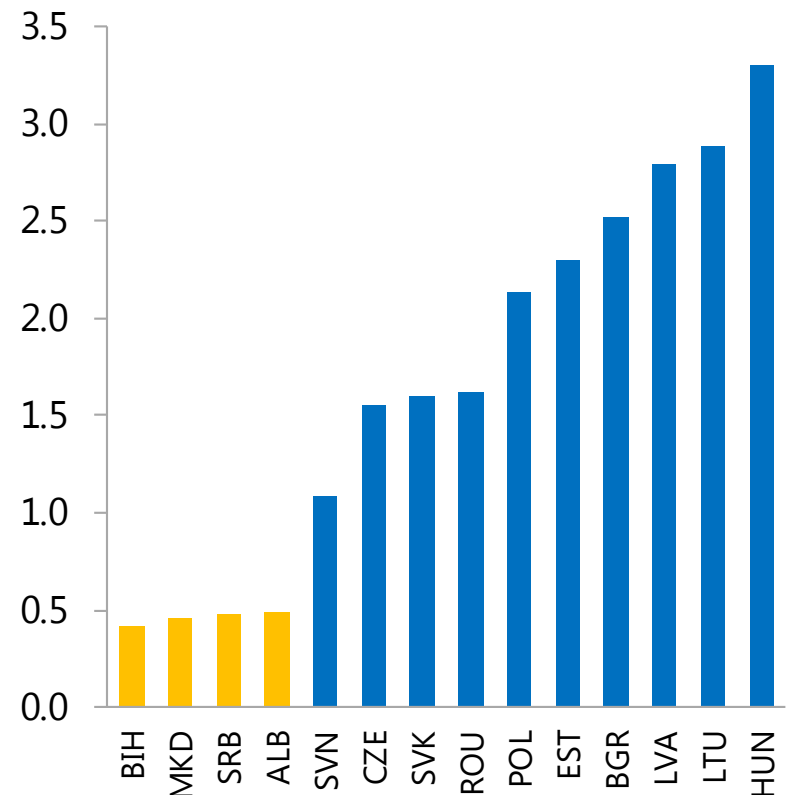
Note: For ALB data for 2014 and 2015; percentage of surveyed population which answered "Would benefit" to the question "Taking everything into account, would you say that your country would benefit or not from being a member of the European Union?"

# The EU has been very important to former European transition countries



- As export markets
- Source of private capital
- Source of technology
- Source of EU funds

Average annual net flows from the European Commission  
(percent of GDP, 2010-2015)

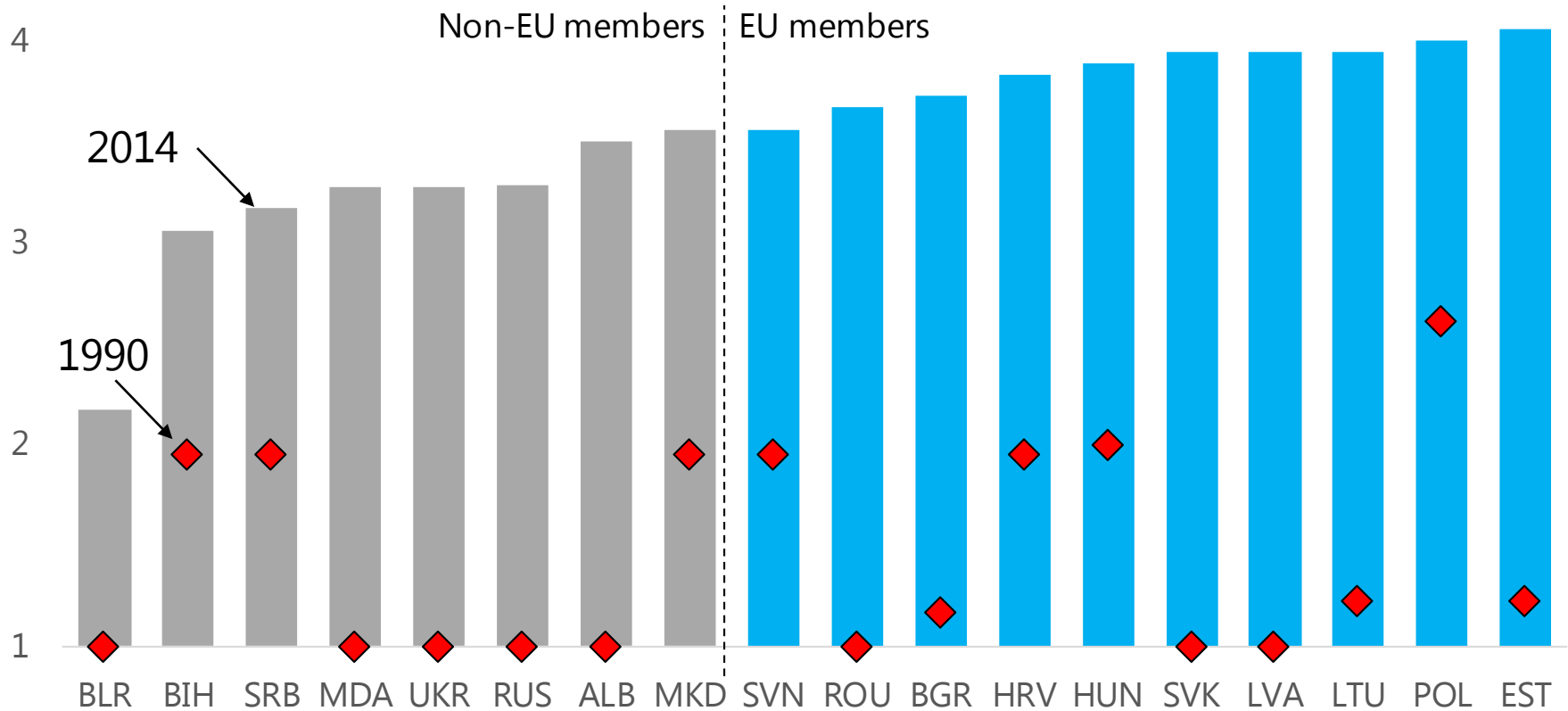


Note: Orange bars – non-EU countries.

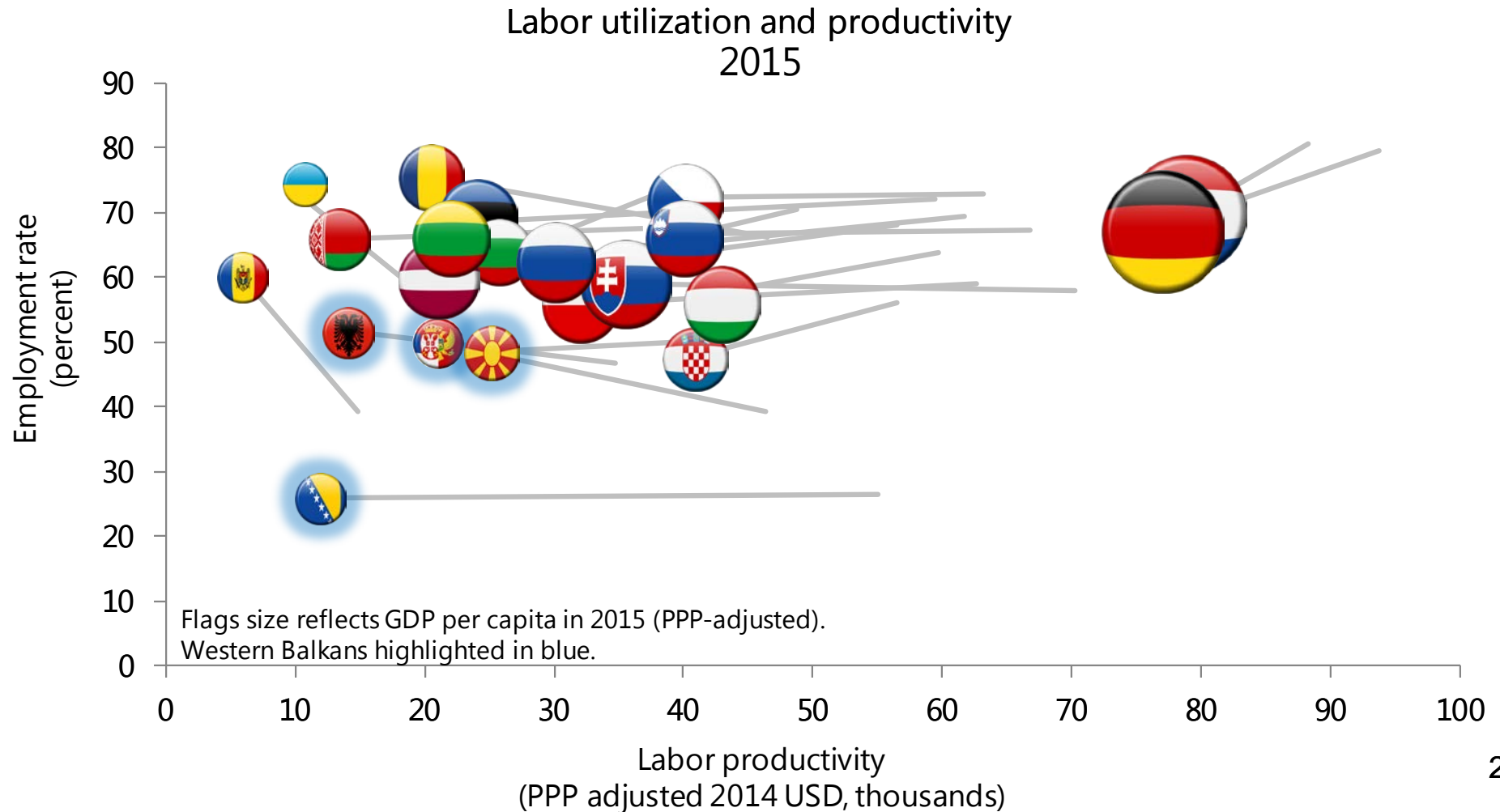
# And also as a key engine for reforms



Average of Six EBRD Transition Indicators



# SEE still relatively poor; and would really benefit from strong EU





Thank you