CESEE Economic Outlook

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Global growth has hovered in 3-3½ percent range.
Outside China and India, growth was only 2 percent.
Growth in euro area has picked up, but growth in emerging markets has slowed.
Within CESEE dichotomy: CIS was in recession, but non-CIS fairly strong.
CIS countries were in recession but are now recovering.
Unemployment in the EU New Member states is coming down rapidly.
Since the election there has been a sharp increase in US long-term interest rates.
Dollar appreciated strongly (although more recently this has reversed)

Exchange rate of USD against G20* currencies
(Day of US Elections=100, GDP-weighted)

*DEU, FRA, ITA and EU are replaced by EA.
Including against CESEE (except RUB; oil prices up)

Exchange rates of USD against selected currencies
(Day of US Elections=100, 5-day moving average)
Financial conditions for EMs have tightened, but spreads broadly unchanged

**Emerging Market Bond Index Plus**

- **Yield (Percent)**
  - EM composite
  - Emerging Europe

- **Spread (Basis points)**
  - EM composite
  - Emerging Europe

Dates: Jan-16, Apr-16, Jul-16, Oct-16, Jan-17
So far, projections for CESEE have not changed much.
However, there is uncertainty about the impact of US policies, which are not quite clear at this stage.

- Growth could be faster than currently projected.
- There are also risks:
  - Increase in US protectionism, which could lead to trade war.
  - With already low unemployment, large fiscal stimulus could lead to much faster than expected monetary tightening.
Another concern is Europe. Unhappiness with the EU has increased sharply in the past decade...

Level of confidence in the European Union
(Percent of population surveyed by Eurobarometer)
There are number of important elections in 2017

- French presidential elections
- German federal elections
- Dutch general elections
- (Possibly) Italian general elections
Inflation has picked up recently

CPI inflation (percent y/y)

Consensus inflation expectations for 2017 (percent y/y)
Finally, two longer-term concerns. Convergence has slowed...
And aging will have a dramatic impact on labor supply in the next decade.
Thank you