

European Department

Fiscal Policy and Growth Challenges in SEE



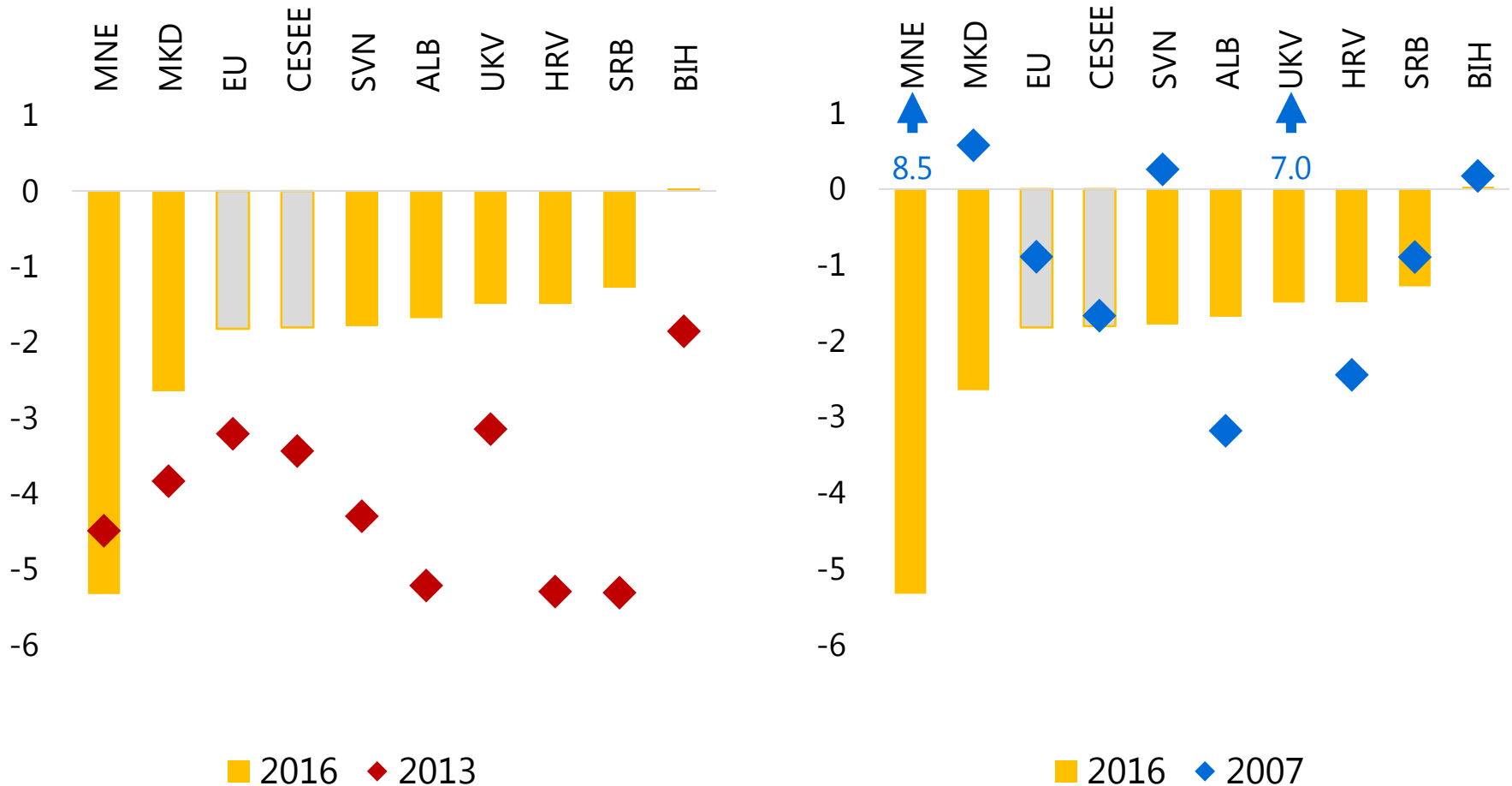
Becici, June 17, 2017

Bas B. Bakker
Senior Regional Resident Representative
for CESEE

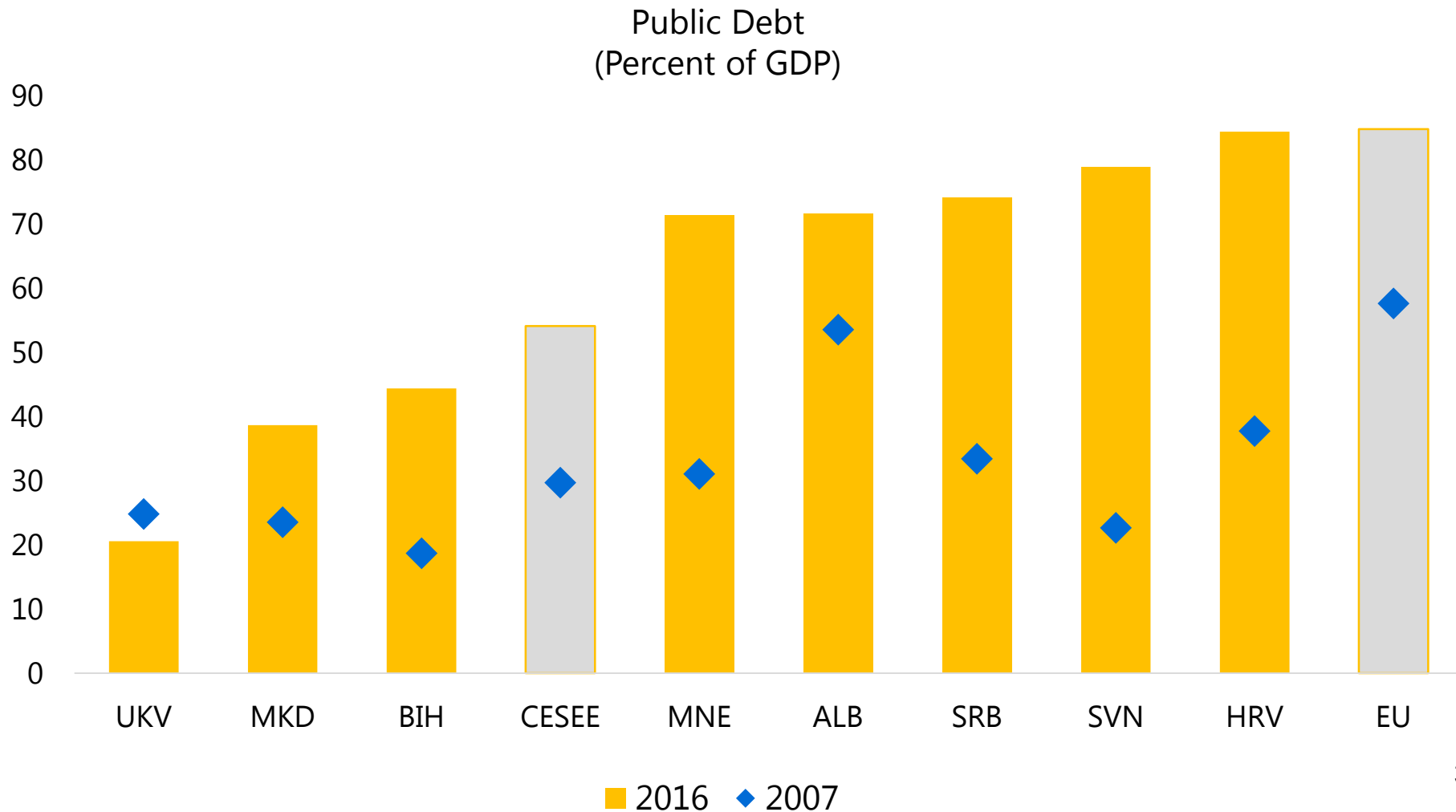
Fiscal deficits have come down from post-crisis highs, but are not yet at pre-crisis levels



Fiscal Balance
(Percent of GDP)



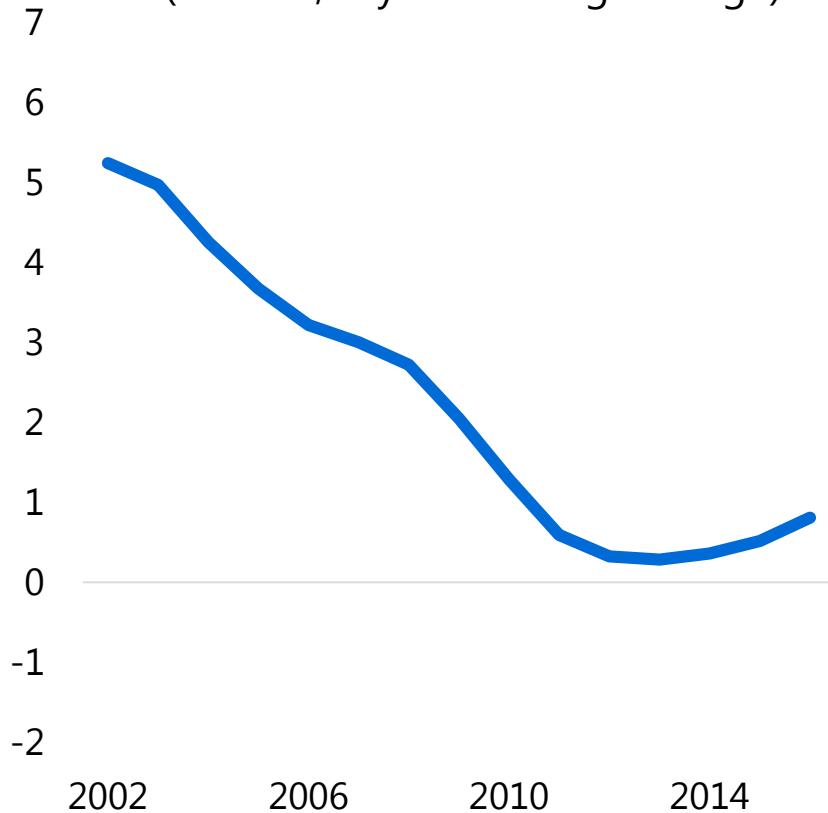
Public debt ratios are no longer low



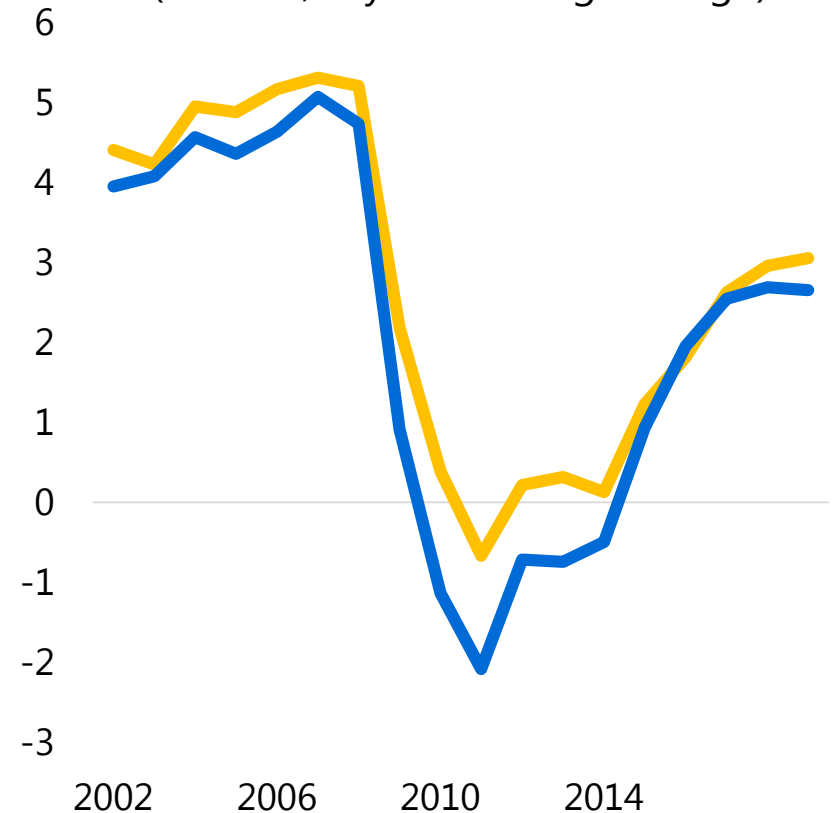
Potential output growth has slowed



Potential Output Growth in SEE
(Percent, 3-year moving average)



GDP Growth in SEE
(Percent, 3-year moving average)



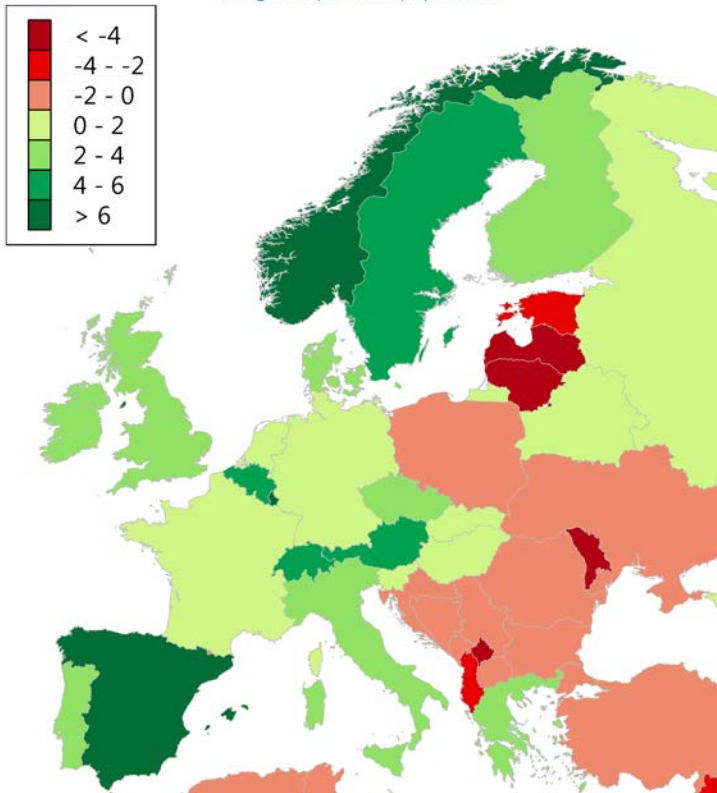
— Average of eight SEE countries
— Average of BIH, HRV, SVN

High emigration and dismal demographics dampen growth prospects

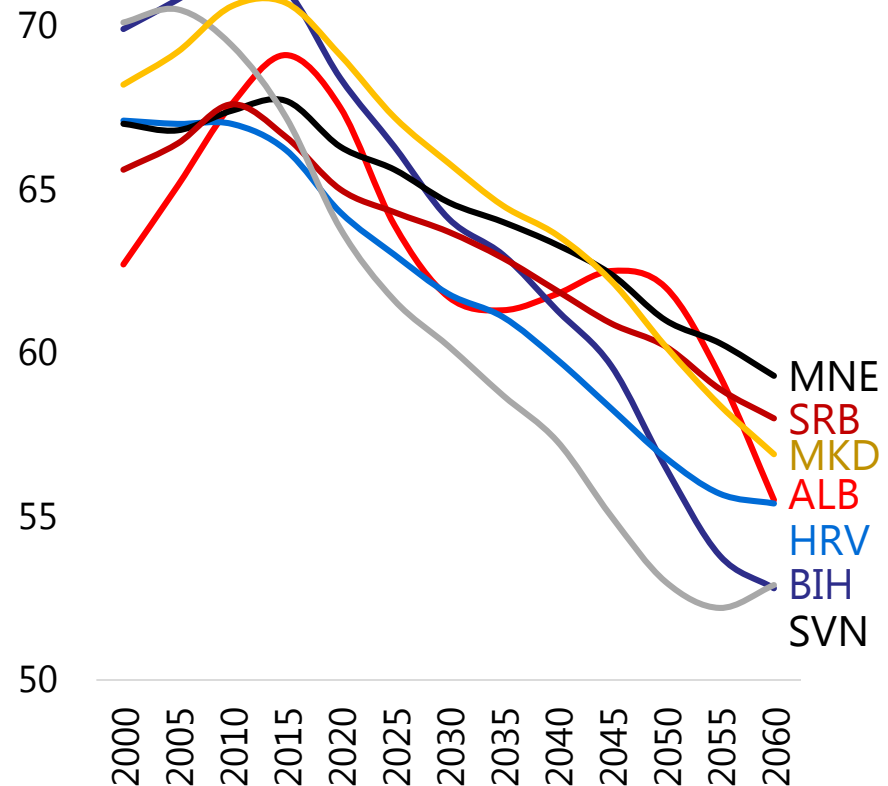


Net migration rate, 2015

(Migrants per 1000 population)



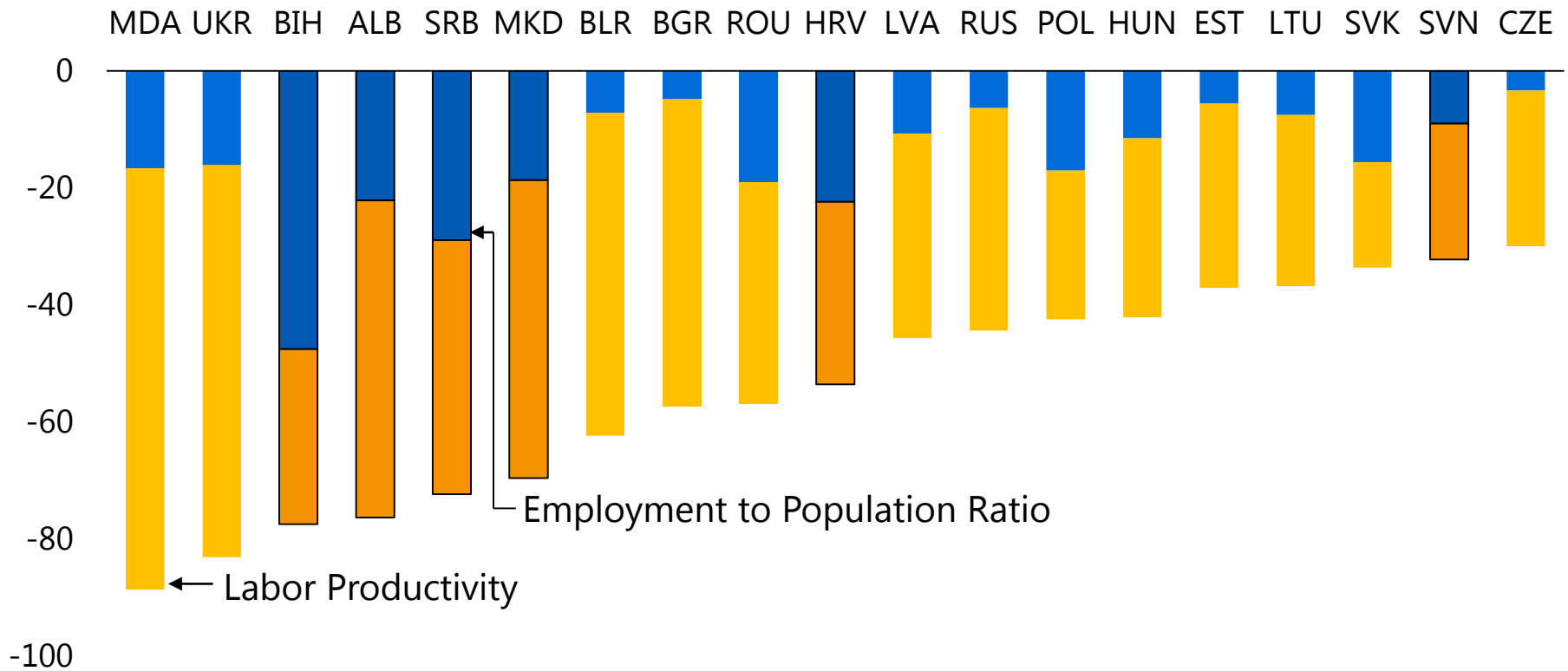
Share of Working Age (15-64) Population (Percent)



To catch up SEE needs more investment (to raise productivity) and more employment



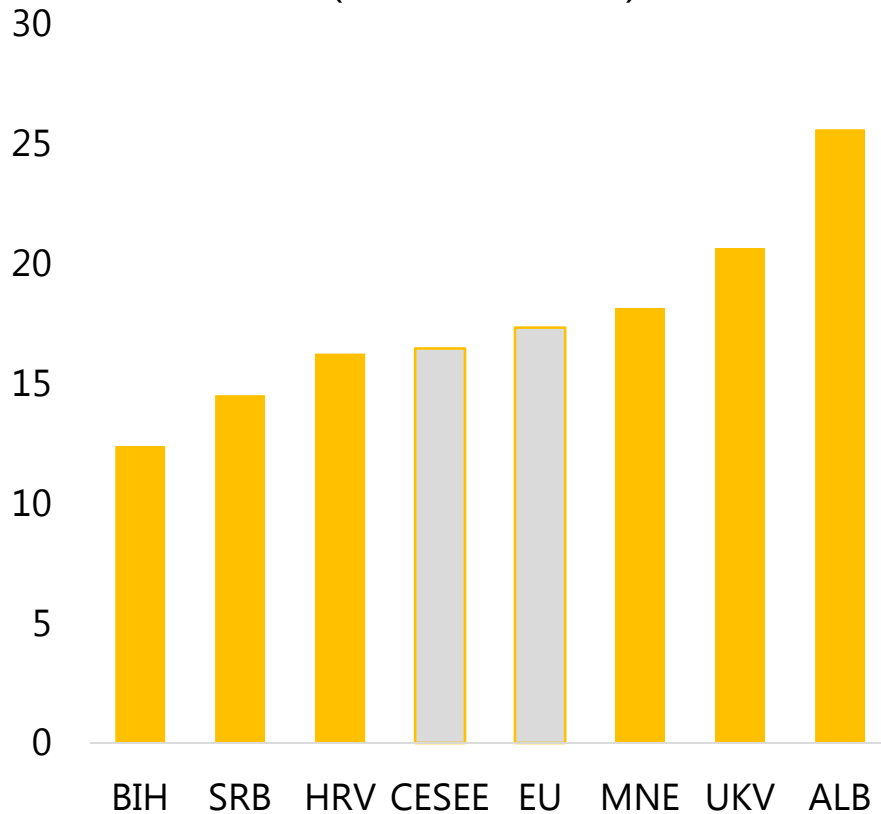
GDP Per Capita, PPP, 2016
(Percent Difference to Germany)



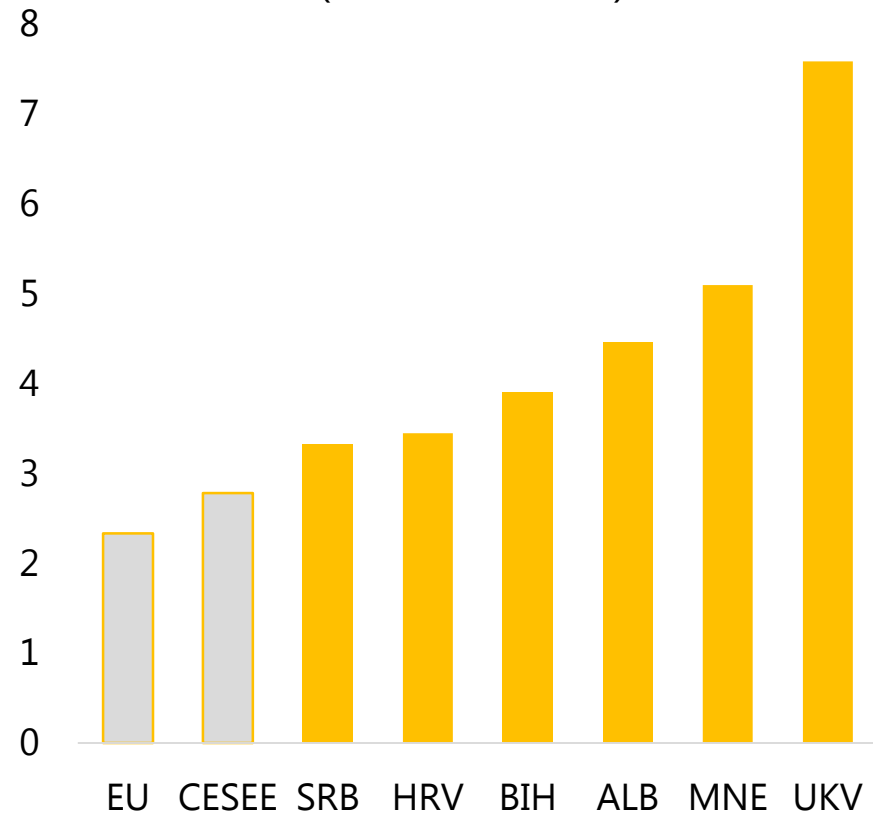
Higher *private* investment would in particular be welcome



Private Investment, 2016
(Percent of GDP)



Public Investment, 2016
(Percent of GDP)



What can be done to boost investment and create jobs so people stay?



- Improve investment climate
 - Better protection of property rights
 - Improve legal systems and other government services
 - Address Infrastructural gaps
- Address efficiency gaps in public investments and tax collection





Thank you